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analysis

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Produced in association with Corbett Keeling

Quarter 4 2012

# Fourth quarter 2012 – big buyouts back on track

In its regular quarterly commentary on UK private equity investment activity, Corbett Keeling gives a practitioner's view of trends in the number, value and financing of private equity deals. They report that, although activity has tailed off at the lower end of the deal spectrum, a strong quarter for larger buyouts rounded off 2012 with a bang.



**Jim Keeling,**  
joint chairman,  
Corbett Keeling

**O**VERALL, 2012 ended up as a reasonable year for private equity activity. Despite all the economic gloom, with the UK falling in and out of recession, deal values for the private equity industry as a whole were comfortably up on 2011 levels. In contrast to the first half of the year, when smaller buyouts predominated, larger deals led the market in the final quarter. Indeed, larger deals enjoyed the best three months in terms of values since the start of 2008. Yet the total was dependent on a few blockbuster deals and our survey respondents were unsure whether this can continue.

But, before we consider the outlook for 2013, let's examine the data for the final quarter of last year.

- Smaller buyouts had a poor second half of the year. In the fourth quarter of 2012, there were just 15 smaller buyouts (those with enterprise value of less than £150m), even lower than the third quarter's 18. For the year as a whole, the total of 107 was not far below 2011's 118. In value terms, however, the picture was considerably worse: aggregate smaller deal values totalled only £3.8bn for 2012, compared with £4.7bn for last year.
- Larger deals kept up their momentum from last quarter – and then some. There were eight large deals (with enterprise value of £150m or above) in the fourth quarter – the highest total since early 2010. More impressive still was the aggregate value of

£7.3bn, taking the total for the year to £15.5bn, well up on last year's £9.5bn. In fact, it was the highest overall value since the credit crisis began in 2007.

- UK early-stage and expansion capital deals faltered towards the end of the year. There were only 32 deals in the fourth quarter, down from more than 50 in each of the first three quarters of the year. That left 2012 overall down in volume terms on 2011, with 195 against 224. Values also dropped off sharply, down to £178m from £438m, but the total for the year (£1,614m) still just topped last year's £1,570m.

In terms of funding mix, all-equity buyouts seem almost to have become a feature of the past: there were just two in the final quarter, up from one in the preceding quarter. Not surprisingly, perhaps, the ratio of all-equity buyouts to total buyouts fell in the second half to less than one in 13, the lowest level since well before the credit crisis.

Given the historic data and all the economic gloom in the media, you might think market practitioners would be nervous about what the new year will bring. Yet the *unquote* survey of their views reveals a fair degree of cautious optimism.

- Survey respondents overwhelmingly expect activity in lower/mid-market buyouts to increase or stay the same, with very few expecting a fall. Activity is also

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- RAISING FUNDS FOR MANAGEMENT BUYOUT TEAMS
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*“The outlook for 2013 is reasonably positive and far rosier than the pessimists would have us believe”*

expected to rise among larger buyouts, though by a less convincing margin.

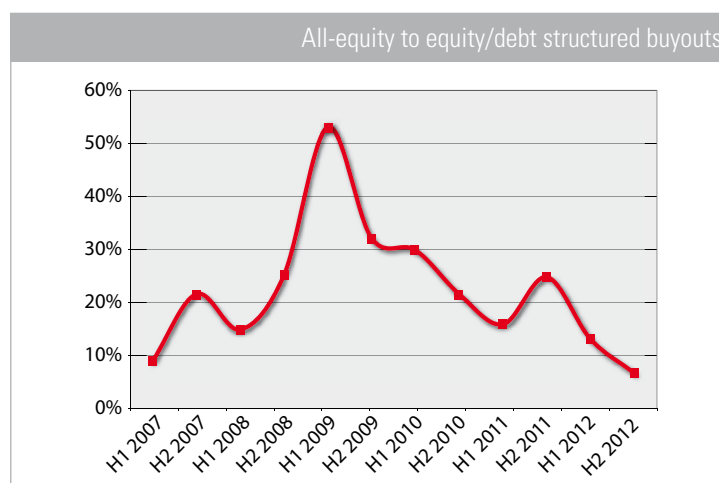
- In terms of sectors, activity is predicted to rise in all except the consumer sector, with technology and services leading the way.
- Perhaps not surprisingly after the surge in the last quarter, rather more respondents expect the number of mega-buyouts to fall than to rise.
- And the pro-European camp in government will be delighted to hear that a vast majority of respondents think that leaving the European Union would be a

mistake for the UK and would undermine its competitive position.

So, while the market's robust end to 2012 was heavily dependent on a handful of mega-deals, market practitioners clearly feel that the outlook for 2013 is reasonably positive and far rosier than the pessimists would have us believe. That is a view we would certainly endorse as we embark on what we believe will prove a prosperous new year.

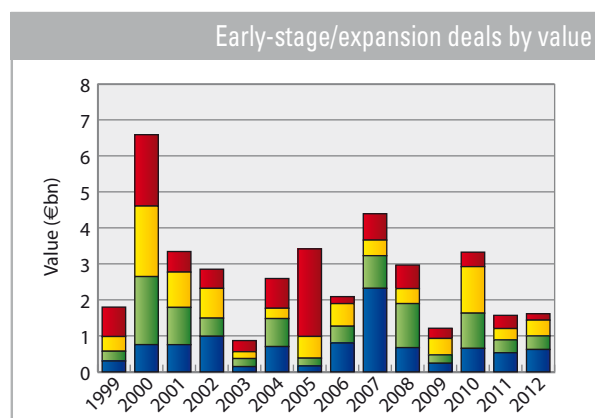
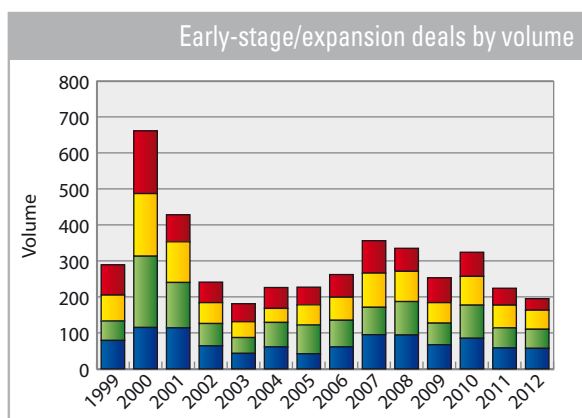
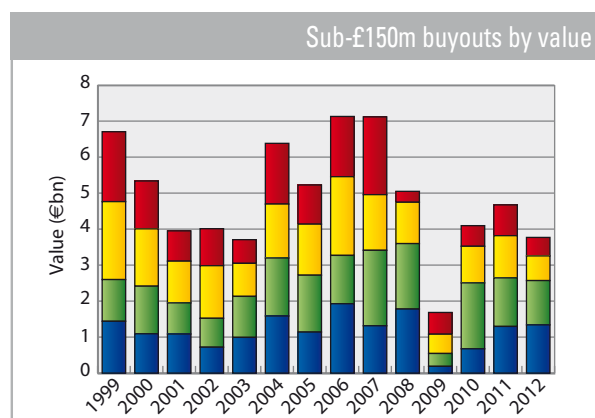
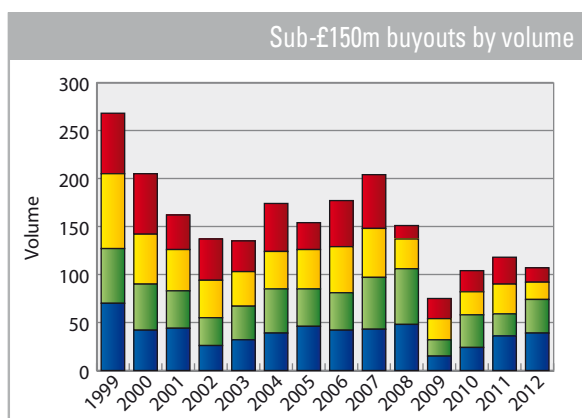
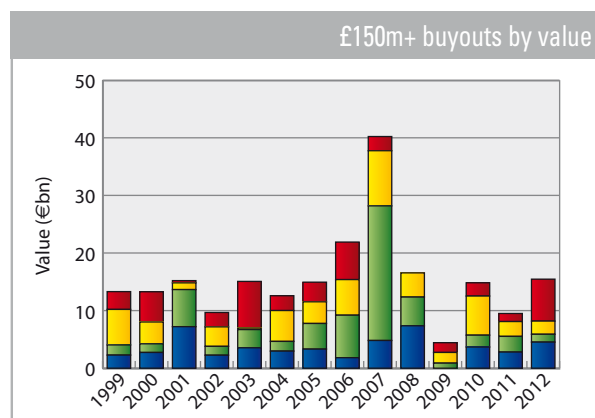
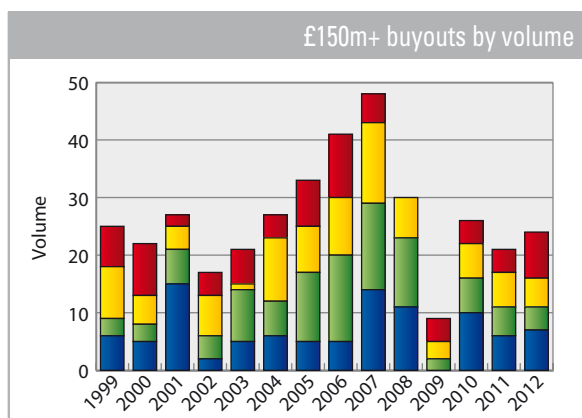
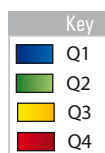
**Jim Keeling,**  
Joint chairman,  
**Corbett Keeling**  
[www.corbettkeeling.com](http://www.corbettkeeling.com)

## All-equity to equity/debt buyouts



Source: unquote™ data

## Value & volume



All graphs sourced from: unquote" data

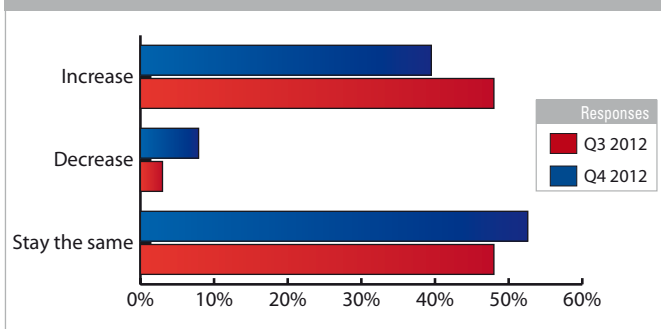
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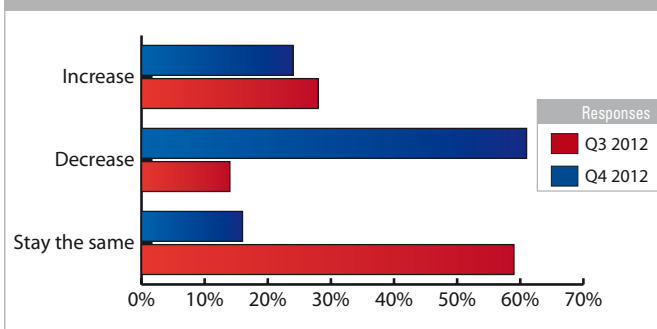
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## Watch survey results

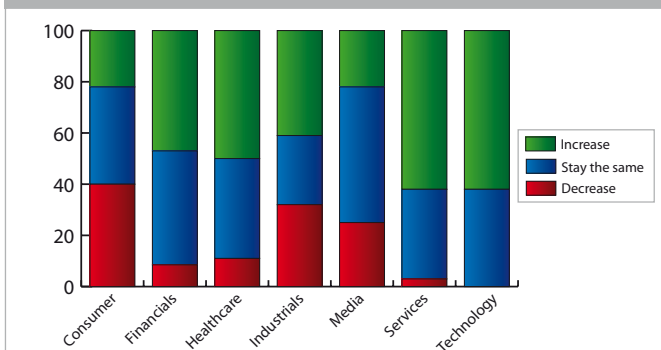
**1** How do you expect activity levels in the lower mid-market buyout segment (less than £150m) to change over the next six months?



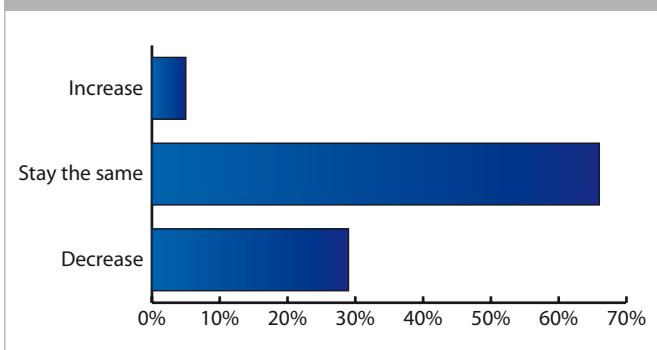
**2** How do you expect activity levels in the upper mid-market and larger buyout segment (more than £150m) to change over the next six months?



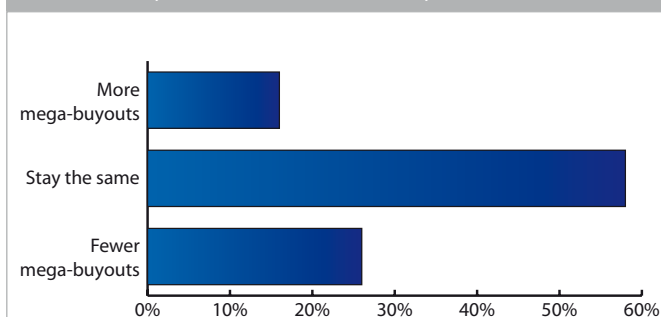
**3** How do you think activity in the following sectors will evolve over the next 12 months?



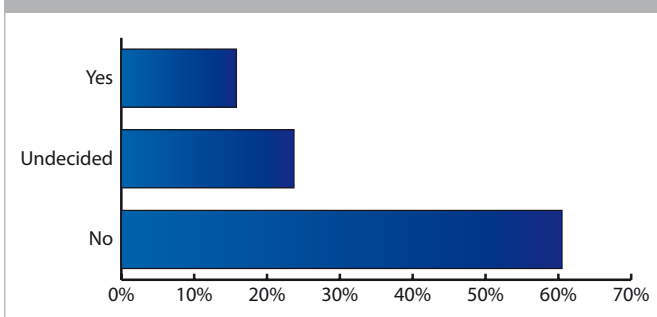
**4** How do you foresee the expectation gap on pricing between vendors and buyers to evolve over the next 12 months?



**5** The UK has seen a surge of mega buyouts (deals above £1bn) in 2012. Do you believe this trend is likely to continue in 2013?



**6** Are you in favour of the UK leaving the European Union?



All graphs sourced from: unquote™ data

