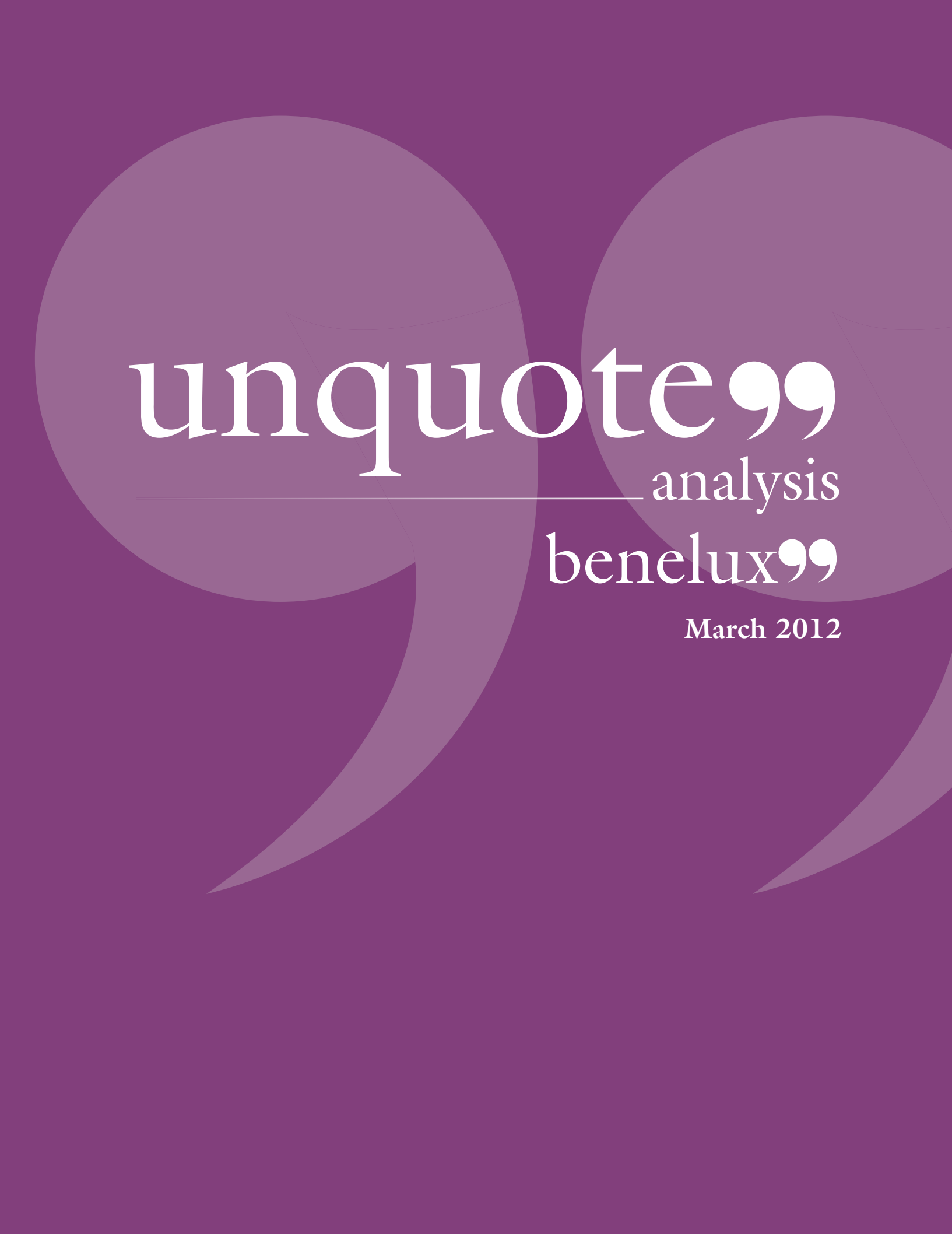




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CONTENTS

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KIMBERLY ROMAINE

Editor-in-chief
Tel +44 20 7004 7449
Email kimberly.romaine@incisivemedia.com



OLIVIER MARTY

Head of research
Tel +44 20 7004 7464
Email olivier.marty@incisivemedia.com



JOHN BAKIE

Online Editor
Tel +44 20 7004 7526
Email john.bakie@incisivemedia.com
Twitter: @unquotenews



GREGOIRE GILLE

Senior Reporter
Tel +44 20 7004 4824
Email gregoire.gille@incisivemedia.com
Twitter: @Franceunquote



SONNIE EHRENDAL

Reporter
Tel +44 20 7004 7476
Email sonnie.ehrendal@incisivemedia.com



CECILIA BERGAMASCHI

Reporter
Tel +44 20 7004 4505
Email cecilia.bergamaschi@incisivemedia.com



AMY KING

Reporter
Tel +44 20 7004 7524
Email amy.king@incisivemedia.com



ANNEKEN TAPPE

Reporter
Tel +44 20 7484 9968
Email anneken.tappe@incisivemedia.com

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Production Editor
Sub-editor
Marketing
Sponsorship Manager
Sales Director
Publishing Director

Tim Kimber
Richard Cosgrove
Helen Longhurst
Steinar Liverud
Ben Cronin
Catherine Lewis

For advertising enquiries
+44 (0)20 7004 7471
naomi.jones@incisivemedia.com

Naomi Jones

For subscription enquiries
+44 (0)20 7484 9892
tom.riley@incisivemedia.com

Tom Riley

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Venture races ahead while year starts slow for PE

THE BENELUX region has had a rather calm start to 2012. The region has quietened down for the moment, particularly in terms of buyouts. This is somewhat in line with what Dutch and Belgian players expected at the end of 2011, when some outlined the comparably good dealflow in the first half of the year, which was offset by the slowing activity thereafter. Some GPs admitted that it had become eerily quiet around the end of the year.

Of course, deal activity in January should not be thought of as indicative for the rest of the year. As buyout activity fluctuates in accordance with the health of banks, performance forecasts for 2012 are far from certain. In any event, it is to be expected that

the current “wait-and-see” mentality will wear off because money needs to be deployed and portfolio opportunities inevitably arise.

Recently, the Benelux region saw a number of deals in its traditional venture segments biotech and software. With the Leiden University Bioscience Park, the Netherlands has an impressive incubator for biomedical and technology research that has a close and long-standing relationship with venture capital. However, a return to such traditional segments of the industry could be an indicator for the scarcity of promising business opportunities outside the field of healthcare and technology.

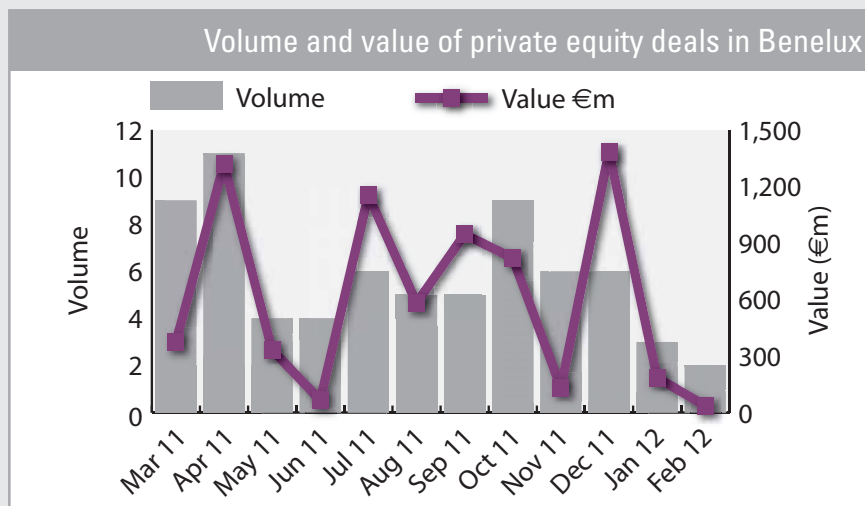
In February, there were also two deals involving glass manufacturers: a buy-and-



build to restore the Durobor brand after merging it with Sobodec, and the spin-out of Bovema Glass, the only profitable unit of insolvent Bovema Beheer. Both transactions show that some businesses have been hit hard by the economic turmoil and need private equity companies to step in and drive growth. This could mean that the poor economic performance and the shortage in deals could drive PE back to its roots, namely the developing and growing of otherwise inefficient companies. ■

Food and pharma deals prove healthy

AFTER A rocky 2011, the Benelux region recorded five deals between January and late February 2012. The largest deal, the SFINC buyout backed by AXA Private Equity with ING providing debt, was estimated to be around €150m. Another deal in the food sector, takeaway.com, was recorded in the Netherlands for around €13m. Meanwhile, the good health of the pharmaceutical sector was apparent with the €19m early-stage investment in Prosensa BV by Gimv, Abingworth, Life Sciences Partners and Medsciences. Gimv also acquired a majority stake in Dutch medical equipment company Oldelft Ultrasound. This might be a sign that activity in healthcare and pharmaceuticals are likely to top the 2011 levels. Last year, for instance, the Netherlands had recorded five pharmaceutical deals in 2011, close to 10% of annual activity. Finally, Belgian furnishing business Durobor was the fifth buyout in Benelux, completed for a value between €25-50m.



Source: unquote™

MID-CAP

KBC Private Equity exits Dynaco in trade sale

KBC PRIVATE Equity has Belgian sold door-manufacturer Dynaco to Assa Abloy in a deal valued at €75-125m.

The transaction is part of KBC's divestment strategy to refocus the bank under requirements of the European Commission. The bank had received a capital injection from the Belgian government in 2008. The deal is expected to close during the first half of 2012.

KBC first invested in Dynaco in July 2007. The initial investment was valued at less than €25m.

Dynaco is a producer and supplier of high-speed roll-up doors. The company is headquartered in Moorsel, Belgium, and employs 140 staff. In 2012, Dynaco's sales are expected to reach €51m. It is active in around 60 countries.

NAME	Dynaco
DEAL	Trade sale
VALUE	€75-125m
LOCATION	Moorsel
SECTOR	Building materials & fixtures
FOUNDED	1987
STAFF	140
VENDOR	KBC Private Equity

ADVISERS

Vendor – KBC Securities (Corporate finance); Baker & MacKenzie (Legal); Ernst & Young (Financial due diligence, tax).

SMALL-CAP

Bencis Capital invests in Dutch temp agency Faber

BENCIS CAPITAL has acquired Dutch temp agency Faber Personeelsdiensten.

Support from Bencis Capital will allow the company to pursue its buy-and-build growth strategy.

Faber is a temporary work agency, primarily focused on painters. The Groningen-based company was founded by Arjen Bos in 2005 and has 13 branch offices in the Netherlands. Its services include recruitment, payrolling and staffing. In 2011, the company's turnover grew by 30% to €40m.

NAME	Faber Personeelsdiensten
DEAL	Buyout
VALUE	€25-50m est
LOCATION	Gronigen
SECTOR	Business training & employment agencies
FOUNDED	2005
TURNOVER	€40m
STAFF	32

ADVISERS

Company – Holland Corporate Finance, Maarten Wolleswinkel, Arjen Kostelijk, Jirin van Santen (Corporate finance).

H2 merges Durobor and Sobodec

H2 PRIVATE Equity Partners has acquired Belgian glass manufacturer Durobor and French-Belgian glass decoration company Sobodec Group.

H2 acquired Durobor and Sobodec in order to combine the companies' management teams and rebuild the Durobor brand. Combined, Durobor and Sobodec have annual revenues of €52m.

Durobor received financing from the Wallonian government to invest in new machinery as part of the deal. Sobodec's shareholders will continue to hold a minority stake in the newly formed group.

Durobor is a Soignies-based speciality glass manufacturer and supplier. Sobodec is a French-Belgian glass decoration company. It is based in Herentals. Combined, Durobor and Sobodec have annual revenues of €52m.

NAME	Durobor/Sobodec Group
DEAL	Buy-and-build
VALUE	n/d (<€50m est)
LOCATION	Soignies/Herentals
SECTOR	Containers & packaging
TURNOVER	€52m

Rabo buys Bovema Glas BV

RABO PRIVATE Equity's Phoenix Recovery Capital has acquired Dutch glass specialist Bovema Glas.

Bovema had previously been a wholly-owned subsidiary of Bovema Beheer BV, which went bankrupt in July 2009. Bovema Glas was not involved in the bankruptcy.

Phoenix is a restructuring-focused division of Rabo Private Equity.

Bovema Glas is a certified specialist in glass and fire ventilation solutions based in Milsbeek, the Netherlands. The company was founded in 1990. According to local press, Bovema Glas has an annual turnover of €5m and employs 21 people.

NAME	Bovema Glas BV
DEAL	Buyout
VALUE	<€5m
LOCATION	Milsbeek
SECTOR	Building materials & fixtures
FOUNDED	1990
STAFF	21
VENDOR	Bovema Beheer BV

Main Capital sells Actuera to Waterland

MAIN CAPITAL has sold its majority stake in Dutch business software developer Actuera to Waterland Private Equity.

The new investor will support Actuera in its expansion in the European market.

NAME	Actuera
DEAL	SBO
LOCATION	Capelle aan de IJssel
SECTOR	Software
FOUNDED	1986
TURNOVER	€15m
VENDOR	Main Capital

Main Capital first invested in Actuera in October 2006, supporting the management buyout with equity from Main Capital II.

Actuera offers software solutions to insurance companies, pension funds and administrators in the same field. Its prime product, maia, is designed for pension and life insurance policy administrators in the front-, middle- and back-office.

The company was founded in 1986 and is based in Capelle aan den IJssel, outside Rotterdam. Its latest figures show a turnover of €15m. The brand Actuera was established in 1990, following a management buyout.

EARLY-STAGE & EXPANSION

New Enterprise and Gimv in €23m round for Prosenas

DUTCH BIOPHARMA

Prosenas has secured €23m of new equity financing from New Enterprise Associates (NEA) and existing investors, including Gimv.

The investment is the first in the sector in Europe for lead investor NEA. Other existing investors in the financing round were Gimv, Abingworth, Life Sciences Partners, Idinvest Partners and MedSciences Capital. The new equity will be used to develop Prosenas's RNA-modulating treatment portfolio.

Prosenas is a biopharmaceutical company developing RNA-modulating pharmaceuticals for rare diseases. Its lead product for Duchenne muscular dystrophy has entered Phase II in clinical trials, supported by GlaxoSmithKline.

The company is based in Leiden, the Netherlands, and works in cooperation with the Leiden University Medical Center. The business is not yet profitable.

NAME	Prosenas
DEAL	Early-stage
VALUE	€23m
LOCATION	Leiden
SECTOR	Biotechnology
FOUNDED	2002
STAFF	85

MKB+ invests €3m in Aeon Astron Europe

INNOVATIEFONDS MKB+

has made the first venture investment in Dutch biotech company Aeon Astron Europe.

The new equity will be used to support the company's expansion plans, including the addition of seven labs and a clean room, as well as an increase in the number of staff. The funding will also support Aeon Astron throughout preclinical and clinical trials in the Netherlands and worldwide.

The equity was sourced from Innovatiefonds MKB+, a fund launched by the Royal Association MKB-Nederland in 2012. The association supports SMEs and entrepreneurs in the Netherlands.

NAME	Aeon Astron Europe
DEAL	Early-stage
VALUE	€3m
LOCATION	Leiden
SECTOR	Biotechnology
FOUNDED	2007
STAFF	6

Europe et Croissance backs Chapellerie Herman

EUROPE ET Croissance has invested €750,000 in Belgian millinery Chapellerie Herman through the EU-backed EUREFI fund.

The company will engage in a buy-and-build strategy to reach a valuation of €15m over the next five years. The first strategic acquisition is already planned.

The money was drawn from EUREFI, a fund set up in 1995 by the European Union and private investors from France, Belgium and Luxembourg.

Chapellerie Herman is a milliner that has been active for 130 years. It designs, manufactures and sells hats and accessories in France, Belgium and Luxembourg.

NAME	Chapellerie Herman
DEAL	Expansion
VALUE	€750,000
LOCATION	Wellin
SECTOR	Clothing & accessories
FOUNDED	1882
STAFF	15

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Rethinking LP funds

Alternatives to LP funds, such as listed private equity and deal-by-deal, are all gaining in popularity as their merits become more obvious in today's backdrop. **Kimberly Romaine** reports



Jon Moulton's Better Capital operates distributing funds and does not trade at a discount to NAV

AT A time when fundraising has never been more difficult, forgoing the twice-a-decade foray down the fundraising trail may be a welcome thought. Duke Street Capital recently left a year-long hike on a rocky fundraise with a view to returning next year. It will now pursue something like a pledge club, according to Buchan Scott, partner at the buyout house.

"We know a group of investors very well that are looking to partner on a deal-by-deal basis," says Buchan. "Most are not LPs in our other vehicles because the classic co-invest mandate requires them to invest alongside a fund," he continues, adding that the new investors are mostly family

offices that are *au fait* with private equity. Rather than raise from LPs, Terra Firma is expected to invest €1bn of funds from an (unnamed) sovereign wealth fund.

"Given the increasingly bespoke nature of PE investment, such arrangements often present themselves as a very suitable structural alternative to accommodate individual investor requests," says Sonya Pauls, fund partner at SJ Berwin. "However, most GPs, after reflection and on advice, come to consider such arrangements to be a 'last resort' solution only."

"This is a sign of the times, where the impact of mediocre performance and volatility in a portfolio cannot be mitigated

by brand value,” says Warren Hibbert, co-founder and managing partner of Asante Capital. “The move to deal-by-deal is a sign of fundraising failure, obviously, but doesn’t have to mean the group fails – the pressure to deliver strong returns on the unrealised investments has never been greater.”

Yet there are benefits to such a model, says Scott. “Each fee is organised at each deal, so may vary across transactions. And carry can be static or like management sweet equity. So the incentive can be well-aligned and there is no fee drag. Some of the old funding structures are no longer as attractive to certain types of investors.”

Of course there are disadvantages to deal-by-deal, too. “This is the weakest position to be in – you can’t raise LP capital readily and don’t have the standing within the public markets to list a fund,” says Hibbert.

When LP funds don’t make sense

Some first-time funds are looking at alternatives to LP funds. “This is completely understandable in the case where you’re a first-time fund and in fact it’s the most effective and efficient means of getting into business by proving you can do what you say you’re going to do,” Hibbert concedes. Indeed Greensphere Capital, a new infrastructure fund co-founded by Jon Moulton, founder of Better Capital, and Divya Seshamani, formerly of sovereign wealth fund GIC, is doing something akin to deal-by-deal.

“We did not embark on a long fundraising process as the model was not quite right for what we do,” Divya says, referring to Greensphere’s infrastructure focus. Instead the firm is working with a few large LPs for the first handful of deals. “Later we might group them together in something like a fund structure; however, we have a collaborative approach and will make this decision with our investors.”

So, abandoning the LP model should not be deemed a loser’s plight. Some of the best returns of the last couple of years have been from non-traditional funds: Investec Growth & Acquisition Finance had a hat-trick of exits generating IRRs of around 30% investing off the bank’s balance sheet; Milestone Capital, which has a small handful of LPs more committed than a pledge fund but without a typical LP fund, made 3.7x money in under three years with Coffee Nation; LDC delivers triple-digit IRRs (perennially) and Matrix and Foresight venture capital

*Investing
in debt is
something
usually limited
to specialised
funds and
off-limits for
traditional
GPs. But this,
as well as other
newly tempting
opportunities,
is within reach
of listed firms
with looser
investment
remits*

trusts have generated a handful of handsome exits in the last year. Alchemy Partners, with its evergreen funding structure, used to live up to its name in terms of exits, though that firm’s founder has gone on to create another fund with a different funding model.

“When we launched, we knew that permanent capital would be impossible to raise in the UK,” explains Moulton. Better Capital operates celled investment vehicles in a quoted guise. Moulton was loathe to pursue a more traditional permanent capital vehicle – where proceeds can be re-invested rather than distributed to backers – because of the high-profile falls from grace of SVG and Candover shortly before Better was set up.

“There remain two main fears with permanent capital,” Moulton says. “Firstly, by nature they are inefficient with capital. This is because they either have to have debt or retain frictional cash to ensure they always have access to cash. The other issue is that fees are often based on NAV. But this is extremely hard to determine and inherently fraught with conflict.”

Better’s vehicles, on the other hand, don’t base fees on NAV and are distributing funds. The fund is channelled through Guernsey, making it very tax efficient. Had you invested £1 at the outset you’d have had £1.28 at peak (at the time of writing) – not bad for a liquid investment.

“Permanent capital is a bit too easy. Managers can get sleepy because they don’t have to go to market every four to five years,” says Moulton. Better, founded in October 2009, has invested £204m from its debut vehicle.

Moulton estimates there are around 650 listed PE funds globally, but with a mixed reputation. “The listed route doesn’t make much sense unless you can demonstrate that the portion of the business you list will accrue significant value, such that the shares trade at a premium, allowing the manager to raise additional capital via a rights issue and the like – with few exceptions the data would suggest that this model doesn’t work long-term,” says Hibbert.

Moulton agrees: “Listed private equity has not been a very successful asset class lately. Many suffer a long run of low share prices and even the best trade at discounts.”

Except for Moulton’s, which may be why his Capital is Better. Moulton is proud it does not trade at a discount to NAV and quick to point out the GP puts more skin in

the game than any other in the listed market. “We put £20m into Fund I and £30m into Fund II.” The firm is also very liquid, with a turnover of 31% since inception. “We’ve traded up to 4% of the fund in a single day with no impact on share price,” Moulton boasts.

Though Better distributes its proceeds and raises fresh capital, atypical of listed PE, others re-invest proceeds and so have a more permanent capital structure. This is often to invest in the GP’s own fund, providing a diversified LP base for it. Dunedin’s investment trust boasted an uplift in NAV and share price for 2011, allowing it to increase its dividend by more than 30%.

“We don’t have to worry about spending two years fundraising every few years,” says Alex Fortescue, CIO at Electra Partners, the manager of Electra Private Equity, a listed outfit. “It leaves us to concentrate on investing and keeps the alignment between us and our investors.” He speaks from experience, having spent 11 years at Apax Partners.

Deal-doing freedom

It is not just the hassling distraction of replenishing coffers that make the old LP model seem less sexy, but also the flexibility of operating outside a restrictive limited partnership agreement (LPA). Take for instance the £45.5m Park Resorts deal just done by Electra. It saw the GP take 25% of the capital structure through purchasing the debt off the incumbent banker.

A refinancing scheduled for autumn 2013 should see Electra take on a larger equity stake (it currently has around 5%) and may see the incumbent GP GI Partners exit the troublesome investment. An interesting and probably cost-effective entry point into what could be a very lucrative deal – and more could be on the cards.

“Everyone thought in 2008 that banks would sell sound assets for a song, but it did not happen – the banks are very focused on value,” explains Fortescue. “That said, there are

now deals to be done. Management teams are tiring and need re-incentivisation, and perhaps that is helping to free up some opportunities.”

Such deals are not always within the remit of more traditional LP funds, whose LPAs often restrict them to

“LPAs are very long-lived things with substantial penalties for getting out. LPs want an option to review should managers stray from investment objectives, style and the risk/return profile”

Divya Seshamani, Greensphere Capital

equity stakes in buyouts (assuming the GP in question is not a turnaround or distressed debt fund). As such, the freedom offered outside the reigns of an LPA may be beneficial now more than ever, as opportunities increasingly come outside the typical areas.

Despite their apparent enthusiasm to bow out from PE, banks remain top of the radar for GPs, and no longer just from a lending or LP point of view. “We are

actively looking at banks’ loan-to-own books,” Moulton says, highlighting the fact he’s done deals formerly backed by 3i and Barclays PE that had hit hard times. He reckons around 3% of the deals they look at are from banks’ books, though they represent a much larger proportion of completed deals. In July 2011 Better spent £16.6m to acquire a majority stake in Fairline Boats as part of an RBS-led recap that saw 3i exit the business, which it had initially backed in 2005.

Most GPs – unless they are specialised debt funds – are unlikely to engage in such back-door deals *en masse*.

“It’s a great time to be liquid,” says Fortescue. And flexible – investing in debt is something usually limited to specialised funds and off-limits for traditional GPs. But this, as well as other newly tempting opportunities, is within reach of listed firms with looser investment remits. “There are less primary and vanilla buyouts right now, but we can focus instead on secondary fund transactions and debt,” he says, explaining that they bought a chunk of Steadfast in Germany for €25m which has already returned 70% of Electra’s cash outlay. It also purchased an “accordingly priced” stake of Cognetas before Christmas.

There is also the attraction to investors. It used to be that LPs paid high fees on commitments for the hope of

high growth of PE funds. But as returns fall (and are set to fall further as the last crop of deals vintage 2005-2007 are up for exit), those generated by their listed counterparts look increasingly attractive. "People invest in us for capital growth," Fortescue says. He maintains that Electra's £1.2bn in gross assets has yielded 10-15% net returns over the long-term and is blended across cash and investments. While this sounds like mezzanine returns – ie a lower risk/reward profile – it is worth remembering that traditional PE funds struggle nowadays to reach their target returns of low- to mid-20s. And with listed PE, you can get out more easily.

According to Seshamani, "LPAs are very long-lived things with substantial penalties for getting out. LPs want an option to review should managers stray from investment objectives, style and the risk/return profile. For example when GPs take on higher risk to try and achieve hurdle rates through leverage or on riskier business models. LPs are getting smarter and really looking at the contracts they're getting into now – this is a good thing for the industry."

A downside to different

Of course, LP fund alternatives such as pledge funds, deal-by-deal and listed are not all rosy. Says Pauls: "GPs need to ensure that those investors who participate in non-binding arrangements are sufficiently committed and not just strategic 'deal-flow watchers.'" Deal-by-deal also suffers from uncertainty at the point of execution; something two corporate finance houses told your correspondent is a major concern and one that means they are loathe to show deals to such houses.

The main downside to being listed is one of daily performance. "There is a disjoint between NAV performance and share price for listed vehicles, though it is the same for secondary LP positions," Fortescue says. At the best of times it is single digits but in 2008, SVG and Candover traded at discounts of around 60%. The average now across the asset class is 30%.

"We feel unfairly tarnished by the same brush as other trusts," Fortescue says, pointing to SVG, Candover and 3i, which he says are effectively listed LPs. "We invest directly off the balance sheet so do not have over-commitment driven liquidity issues," he adds, indicating that the discount is not fair across all listed entities.



"We don't have to worry about spending two years fund-raising every few years. It leaves us to concentrate on investing and keeps the alignment between us and our investors"

Alex Fortescue,
Electra Partners

Better, despite its listed structure, has to test its popularity every couple of years, through a share issuance. Better's second vehicle, BECAP12, held a first close in January and boasts net proceeds of £166m. The second time round was – similar to LP funds – dramatically more difficult. "The marketing period for the first fund literally took a couple of weeks. The second was much harder, but still came up as the largest IPO at the end of last year."

Not only is Better kept in check by its need to raise funds through share issuance every few years, but its listed status means a share price acts as a daily report card. The day your correspondent interviewed Moulton, the price hit an all-time high.

Hibbert reckons that this year and next will be about difficult times, but with success for those that tailor their offering to LPs. "We will continue to see a polarised market – funds delaying launches by 12-18 months while others are pulled and yet another group closed in record time and oversubscribed. We will also see 'special deals' – managed account relationships being established between large sovereign wealth funds or US pension funds and brand-name GPs."

Indeed, this personal service is what Greensphere is currently pursuing. "The LP model is not dead," maintains Seshamani. "There are still a lot of LPs keen to invest in big brands because ultimately you do not get sacked for investing in a big brand."

Pauls, with her bird's-eye view in fund structuring, backs up Seshamani's view that variations of the LP model are here to stay: "Bespoke arrangements do of course work for particular situations, but we do not foresee such arrangements turning into the standard fund model for the future. Private equity investments are increasingly bespoke, but the requests and demands generally translate well into traditional fund arrangements or managed accounts structures.

"What we are of course seeing as a result of often challenging fundraising processes are 'mini funds'," she continues, "Funds that replicate predecessor structures but with a sometimes significantly reduced fund size to enable GPs to remain 'in business' until, on the basis of the new track record, a larger fund may be raised again." Most hope that is sooner rather than later. ■

The extensive requirements and reach of the US Dodd-Frank Act has some European GPs worried, but law firm DLA Piper points to a number of available exemptions. **Sonnie Ehrendal** investigates

Dodd-Frank fears “overblown”

AS PREVIOUSLY reported by *unquote*, the Dodd-Frank Wall Street Reform and Consumer Protection Act is worrying European GPs.

Previously, fund managers with fewer than 15 US clients per preceding year were granted an exemption to avoid scrutiny under the Investment Advisers Act of 1940. Dodd-Frank removed this, leaving European fund managers with the risk of having to register with the US Securities and Exchange Commission (SEC).

There are, however, a number of exemptions available for non-US private fund managers, DLA Piper partners Lou Anne McInnis, David Goldstein and David Williams explain.

The Foreign Private Adviser Exemption is a narrower version of the replaced exemption. It imposes further, strict requirements on the fund adviser, including aggregate US LP contribution of less than \$25m, and for the adviser to have “no place of business in the US.”

The definition of US operations is, as noted by many non-US GPs, markedly narrow. Goldstein clarified the legal position: “If an Australian fund manager, with headquarters and funds domiciled in Australia,

sends one employee to manage the funds in the US, it would constitute US operations and that portion of the fund would be counted.” It does not, however, cover investments made into the US by funds managed and domiciled outside the country.

DLA’s partners agree that few European PE houses would be able to rely on this exemption. Instead, McInnis argues, the majority will fall under the Private Fund Adviser Exemption. It covers GPs who, firstly, “act solely as an adviser to qualifying private funds,” and secondly, “have assets under management in the US of less than \$150m.”

Tarnished with the same brush

Most, if not all, PE funds would qualify as “private funds” under the exemption. The stated exception regards funds set up as investment companies, as defined by the Investment Company Act of 1940, section 3. The average European GP is also understood to fall below the limit of US assets under management, even if it chooses to invest in the US.

“It has more to do with the fund managers’ operational base and where funds are domiciled, rather than the geography of portfolio companies,” explains Goldstein.

“Managers have been concerned that raising capital from the US is costly and fraught with risks – it isn’t”

David Williams,
DLA Piper

It was noted, however, that exemptions cannot be combined, and fund managers who also advise non-exempt funds for US clients will have to register with the SEC.

Under the available exemptions, Dodd-Frank does not seem to have a major impact on European PE houses. On the contrary, McInnis notes, it is straightforward once you work through the different points.

Conversely, McInnis rejected the idea of US GPs separating their American and European investment operations: “It will not be possible under Dodd-Frank; in fact, US-based fund managers have protested against the disadvantage imposed on them by having to count all of their assets, wherever funds are domiciled.”

Despite favourable exemptions, the partners believe many European GPs will have to examine their current situation. “The question for many will be whether to file as an exempt reporting adviser, which requires a limited filing on the Form ADV and a yearly update.” Initial reports must be filed with the SEC by 31 March 2012.

Such a filing is, however, not thought to be overly interfering. UK-based Williams says European GPs should let go of their worries about US investment: “Managers have been concerned that raising capital from the US is costly and fraught with risks – it isn’t, and the scope of these exemptions is just one aspect of what is actually a fairly benevolent environment for those who take the time to explore it.” ■

AIFMD timetable too short, says FSA

The risk of disproportionate regulation and a lack of time to implement the AIFMD have been highlighted by the FSA in its latest discussion paper. [Anneken Tappe](#) reports

THE FINANCIAL Services Authority (FSA) has published a discussion paper on the implementation of the EU's Alternative Investments Fund Managers Directive, outlining the pros and cons, and detailing how it will integrate the new rules into the *FSA Handbook*.

However, the discussion paper reveals the FSA is concerned about the amount of time it has to implement the directive and acknowledges that the regulation could have negative effects on smaller operators.

The AIFMD, which is still far from being implemented into the UK's national law, will regulate the approximately 2,000 alternative investment funds (AIFs) established in the UK, as estimated by the Investment Management Association. The degree to which it will affect a particular fund relies on a number of criteria, including where the fund and fund manager are based, its presence in other EU member states, and the location of its depositories.

On the upside, as the FSA paper highlights, the AIFMD is likely to have a positive effect on conducting cross-border business. The passport, a clause allowing qualifying funds (which are registered in one member state) to market their products across the EU, will be available from 22 July 2013. The FSA stresses that this poses an opportunity for efficiently conducting business for those AIFs that are "ready" for the new provisions.

One-size-fits-all

However, what the FSA calls "heterogeneity of the sector" continues to be an issue to many AIFs. The judging of alternative investments as a homogenous asset class makes regulation simpler and more effective. But it also forces

a one-size-fits-all legal framework on the industry that is prone to result in overregulation, bearing negative consequences for SMEs.

Additionally, the discussion paper points out that the implementation period is rather short considering some AIFs are further away from complying with the new rules than others.

The AIFMD reduces the systemic importance of PE more or less to the use of leverage in transactions. Even though it is tough to dispute that overleveraging is potentially risky and unsustainable, it is hardly feasible to assume all AIFs are overleveraged.

Big obstacle for small funds

The FSA also notes that introducing a registration scheme for smaller funds that is unrelated to other requirements could lead to consumers preferring larger AIFs, which are fully regulated under the AIFMD. Smaller funds that do not fall under the AIFMD compliance requirements can opt-in to benefit from the passport. In that case, they also have to meet all requirements, which can lead to an increased financial and administrative burden.

The directive is expected to be integrated into the *FSA Handbook*, which the FSA sees as an opportunity to overhaul the relevant regulations. Some of the existing provisions, particularly with regard to conflicts of interest, risk and liquidity management, and transparency, may even be directly replaced with EU provisions.

In early 2013, the FSA will be split into two organisations, the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). AIF-related matters will fall under supervision of the FCA. ■

Fragmented ecosystem hampering venture

The debate surrounding the high returns enjoyed by Silicon Valley investors compared to their European counterparts continues. But why do stateside investments persistently reap higher returns than those in European start-ups, and what needs to change to bolster European returns? **Amy King** investigates



"Policy makers are not patient.

We need to focus on collaboration and stable policies that do not change as power switches hands"

Nicolas von Bülow,
Clipperton Finance

RETURNS ENJOYED by Silicon Valley investors in the digital economy are often much higher than those in Europe. Accel Partners is set to shatter venture capital records with an expected 700x multiple on its investment in Facebook, more than four times that recorded upon Bessemer Venture Partners' sale of European online telecommunications giant Skype.

Some industry players have blamed this disparity on a lack of opportunities in Europe; a claim Davor Hebel, partner at Fidelity Growth Partners, flat out refutes: "There are tonnes of opportunities in Europe. We have identified more than 2,000 growth businesses." The maturity and super-concentration of Silicon Valley compared with the fragmentation of the European market expertise seems a less reductionist explanation.

Conserve the ecosystem

Nicolas von Bülow, partner at Clipperton Finance, a financial advisory firm that works with technology companies and investors, in part attributes the European problem to "fragmented ecosystems, which mean you end up with local champions with turnovers of €200m and above which you probably wouldn't have heard of abroad".

Furthermore, Europe does not enjoy Silicon Valley's super-concentration of finance, IT, universities and tech clusters. Innovative spaces in Europe are spread in capitals across the continent, including London, Berlin and Paris.

According to von Bülow: "Innovation is about ecosystems. The US only has one real cluster. We have more, but we do not have the critical mass needed.

With technology you need a super-concentration within a single area."

Taking the example of government-backed "Silicon Roundabout" in East London, he suggests that patience and cross-party stability are crucially missing: "Policy makers are not patient. We need to focus on collaboration and stable policies that do not change as power switches hands."

Similarly, innovation must rise above national politics to supranational levels, with each European country looking not to further its national success in innovation but that of Europe as a whole. Perhaps the EC's recent launch of its Digital Agenda, which aims to double the current percentage of retail sales completed online from its current 3.4% by 2015, may help unite the market and put an end to "each nation feeling it has won a battle against another nation, when globally is has lost", according to von Bülow.

Striking an happy medium

In terms of e-commerce though, both Hebel and von Bülow agree that Europe is faring well. Macroeconomic trends underpin the growing e-commerce market. Increased access and improvement to broadband services and payment systems have gradually built consumer confidence in the online marketplace and fuelled a willingness to buy. In digital design, a heavier focus on user experience has vastly improved the interface that unites consumer and product. The inexorable spread of the smartphone and its accompanying arsenal of e-tail apps has meant that an online purchase is never further than a few taps away.

“There are tonnes of opportunities in Europe. We have identified more than 2,000 growth businesses”

Davor Hebel, Fidelity Growth Partners

The EC’s Digital Agenda seems to represent a supranational nod of acknowledgment to a growing e-commerce market. If the initiative proves successful, it could underpin a thriving European exit environment for venture backers. Indeed in December 2011, the sale of online cycling retailer Wiggle by Isis to Bridgepoint saw the vendor reap a 69% IRR and 15x multiple.

After a fashion

More specific trends are identifiable within e-commerce itself. The success of European fashion e-tailers is one such notable development and an unsurprising one at that, given the historic prestige of European catwalks. Between 2007 and 2012, *unquote* recorded 257 investments in the personal goods and retail sectors, and an increase in investments in online-only companies is recorded throughout 2011. With the notable success of fashion-focused e-commerce companies such as Summit Partners-backed Vente Privée and Accel-backed Showroomprive.com, it seems the European subsector has the potential to create substantial value. Indeed DN Capital sold six businesses in the 18 months to December 2011, two of which were to Oracle. The firm is based in London, but has a US presence.

E-tail does have its victims though; recent reports reveal the growing vacancy rate in high-street retail premises.

Many smaller bricks and mortar retailers, unable to compete with the economies of scale enjoyed by larger e-tailers, have fallen victim to digital Darwinism and been forced to shut up shop. This, of course, has repercussions on employment rates.

While European e-commerce seems set for growth, it must not go it alone. Silicon Valley cannot be dismissed as a competitor as contact must be maintained to allow entrepreneurs to leverage developments in US start-ups.

Don’t jump the gun

Patience seems a necessary virtue; it has taken UK fashion e-tailer, and Index Ventures portfolio company, ASOS 12 years to achieve its international success. A short-term focus on IRR might have hindered such growth. Von Bülow suggests that where Europe falters against its US competitors is in its propensity for quick sales. “If you sell a company that has grown to have a €20m turnover, you might make money quickly but you will lose the infrastructure you have built, which is fundamental for the growth of a country,” he says. “Companies need to remain sustainable, independent and ambitious.” Had Zuckerberg sold Facebook prior to reaching such disruptive levels, a plethora of follow-on start-ups would likely not exist. Perhaps the heavy focus on returns is more a hindrance than a concern. ■



Davor Hebel,
Fidelity Growth
Partners

Sweden lands top spot on European innovation leader board

The Nordics have once again populated the highest ranks in the European Innovation Scoreboard, with Sweden at the helm of the “Innovation Leaders”. Twenty-five indicators contribute to the score including: VC as a percentage of GDP; R&D expenditure in the public sector; and population with tertiary education qualifications.

“Innovation Followers” include France, Austria and the UK while “Moderate Innovators” – those below the EU 27 average – include Southern Europe. Unsurprisingly, the EU average is far below the US innovation score.

According to the scoreboard, only in Sweden and the UK does venture capital as a percentage of GDP exceed 0.2%. However, although Swedish innovation is well funded in the initial stages, the later stages of a project receive capital less easily. According to Martin Gemvik, investment manager and partner at Sting Capital: “In spite of the government we have and the previous government, there is an obvious lack in strategy for innovation, mainly for the stage when you commercialise innovation. The problem is that the ecosystem, or the ecochain, doesn’t work all the way up.”

Activity nosedived in H2 2011, but the “flight-to-quality” phenomenon translated to very little movement on the entry multiples front. **Greg Gille** reports

Mid-cap valuations still stuck on pre-crisis levels

THE MEDIAN EBITDA multiple paid in European mid-cap private equity buyouts – here defined as businesses in the €15-150m range – stood at 7.5x in the second half of 2011, according to the recently released Argos Mid-Market Index. This is virtually identical to the 7.6x recorded in the much busier first half of last year, and still in line with multiples paid by GPs prior to Lehman’s collapse.

The steady rise in valuations from early 2010 to mid-2011 was largely blamed on the race to invest significant amounts of dry powder quickly – one could have thought that a much tougher lending market would curb this trend. But actually the rocky environment seems to have further sparked competition and encouraged buyers to keep paying big bucks for the handful of assets available.

“We witnessed a very active first half of the year, with rather high valuations. The second semester was different, with dealflow slowing down significantly – but the market remains heavily bifurcated,” explains Argos Soditic partner Karel Kroupa. “On the one hand you get complex transactions that don’t attract much attention and are harder to finance – these could have driven prices down, but they

simply struggle to close. On the other hand, the best assets still generate a strong appetite from buyers and lenders; these are the ones that GPs focus their efforts on and prices have therefore remained steady.”

That said, PE houses are not the only buyers affected by the proverbial “flight-to-quality” syndrome.

notes Kroupa. “Given that corporates still have large amounts of cash available, they are less constrained by financing issues and are therefore willing to pay relatively high multiples for such businesses.”

It remains to be seen whether multiples for mid-cap LBOs will keep hovering around pre-crisis levels in

“On the one hand you get complex transactions that don’t attract much attention and are harder to finance – these could have driven prices down, but they simply struggle to close”

Karel Kroupa, Argos Soditic

Increased activity in late-2010 and early-2011 led to LBO players paying higher multiples than trade buyers for the first time in years, according to Argos’s index – the trend reverted in the second half of 2011 as multiples paid by corporates kept rising to a 7.6x median.

“Trade buyers show the same selective appetite for M&A, although they tend to look for businesses that best fit their strategy and not necessarily the best performers,”

the coming months. But as far as activity levels are concerned, Kroupa echoes the currently popular view that dealflow might remain lacklustre for quite some time: “Financing is still available, but with lower leverage multiples and less friendly terms; the macroeconomic environment is not likely to improve much in 2012; and many vendors are not under intense pressure to sell. All these factors are currently converging and make the LBO landscape hard to navigate.” ■

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REGULATION UPDATE

AIFMD

THE ALTERNATIVE Investment Fund Managers Directive (AIFMD) is the first regulation of its kind in Europe. Unlike other legislation designed to reduce systemic risk in financial markets and to protect institutional investors, such as Basel III or Solvency II, the AIFMD aligns legal conditions for fund managers across the EU for the first time. But regulatory conditions are very different across Europe and opinion is therefore not entirely against the Directive. In Spain and France, for example, current requirements for fund managers are already very close to those proposed by the AIFMD.

"We claim that France is one of the most regulated private equity industries in Europe. So I can't say that [the AIFMD] will seriously impact the way we do business," says Charles Diehl, partner at French mid-cap firm Activa Capital. He points out that despite the risk of investments going off-shore when regulation becomes stricter, French legislation has been encouraging firms to stay on-shore.

In Spain, SJ Berwin partner Isabel Rodriguez describes the existing PE act as very pro-business – PE funds need to be registered with the Spanish regulatory authorities and are obliged to fulfil certain capital and annual disclosure requirements.

"Due to existing regulation currently in force in Spain, the AIFMD won't affect the industry much," says Julio Veloso of law firm Broseta and the Legal and Fiscal Committee of ASCRI.

But GPs are much more outspoken about their dislike of obligatory depositories prescribed by the directive. "No LP has ever told me they're worried about their money because of too little regulation," says Simon Havers, chief executive of Baird Capital Partners Europe.

"The sole positive effects for the industry are the EU passport and the possibility that AIFs will become a recognised brand like the UCITS," says Donnacha O'Connor, partner at Irish law firm Dillon Eustace.

"It is burdensome from a bureaucratic point of view and will just increase costs without better protection. But this is not going to go away. There is significant compliance infrastructure in place at Baird, but I feel sorry for my competitors who don't have that advantage," explains Havers.

But the requirement of depositories is not the only feature that upsets the industry. "Two parts that are penalising are the ability to fundraise, which impacts the private nature of the industry, and the frustration that comes with being treated like a hedge fund," says Diehl.

It seems like policy makers are unaware of any sub-categories in the asset class, and that is reflected in the industry sentiment. But unlike in the US, where a special SEC enforcement unit will be set up to deal with alternative investments as part of the Dodd-Frank Act, there is no equivalent in the EU.

"The business model and fund structures in private equity are very different from those in the hedge fund industry. The industry is not opposed to appropriate and proportionate regulation. But this one-size-fits-all approach is more burdensome for PE houses, especially with regard to current structures and processes," Ulrike Hinrichs, managing director of German trade body BVK, points out.

Rodriguez stresses that it is wrong to put all forms of alternative investments in one category; "But now everybody is in the same boat and this is the time to make the industry be heard by the Commission," she adds.

PE and VC not created equally

The anger towards unfitting definitions does not end with hedge funds. Some have complained about PE and venture capital being too different to be regulated under the same law. The Dutch NVP argued that small venture funds should not be regulated to the same extent, considering their reach

Regulation has become a hot topic in recent years, as governing bodies attempt to safeguard the global economy from another collapse. **Anneken Tappe** sifts through the paperwork

and their ability to live up to large additional payments. Since then, the EC has proposed a similar regime for VC funds, allowing them to operate across Europe once a similar passport is obtained.

Koos Teule, director of investment relations at Gilde Buyout Partners, disagrees with the approach: "Buyouts and venture capital have different risk profiles, but the AIFMD is a directive meant for the protection of the investors. I can easily argue that venture is riskier and more illiquid than buyouts in comparison."

The decisive disapproval of a streamlined regulation for a diversified industry might have been the reason for the recent review of venture capital fundraising regulation by the EC.

But no matter how successful or unsuccessful they may be, complaints will not help to get national laws ratified any faster. At this point in time, with a two-year implementation period ahead, funds need to sit back and wait for final laws to be passed in their home countries. Again, opinions differ as to how much time will be needed to implement the legal changes in company strategy.

"A year is nowhere near enough time to prepare," says Joe Steer, head of international public affairs at British trade body BVCA. In Ireland, however, the necessary infrastructure is already in place for Irish-regulated investment schemes, says O'Connor: "It just needs some tweaking to become compliant with the directive."

"People continue to complain, which is understandable, because there are many clauses in the AIFMD. But people also have to understand politicians and the protections of investors. The industry is risky and illiquid. So why would it not be regulated? The problem is they overdid it now and included hedge funds and PE under the same scope. But regulation was to happen, so everybody should stop complaining," says Gilde's Teule.

"Gilde won't waste time fighting it, but use the time to prepare adequately. But so far we have only looked at the drafts from the EU Commission and assessed the possible implications. We are awaiting final national laws, so we are not prepared yet."

Opinions vary across the industry and even more so across different countries. Differences in initial national legislation

are causing panic on one end and comfort on the other.

But it is important to see the big picture: the successfully implemented AIFMD will create equal, or at the very least closely related, conditions across the 27 EU member states. This harmonisation process will make regulated funds the new standard and force smaller AIFs to comply as well, potentially creating safer conditions for investors. The passport regime that will come into action under the directive is viewed by far as the most positive feature among all interviewees.

The difficulties to raise funds and find new investors are a trade-off for unlimited access to 27 developed markets; a feature which will, in theory, drive growth in the European PE industry.

KEY FACTS

- Final legislation is expected to be published by mid-2012, followed by a two-year implementation period in the member states.
- Applies to funds above the twin-threshold of €100m, or €500m, including leverage and excluding redemption rights within the first five years after committing.
 - Treats all alternative investment funds equally, if they are above the twin threshold.
- Funds covered by, and complying with the directive will be allowed to market their services across the EU by means of an "EU passport" (also non-EU funds).
 - Until 2018, national laws governing extra-European funds will remain in place, but the AIFM passport regime will be enforced in 2015 (see page 13).

Solvency II

THE IMPACT of Solvency II on the private equity industry comes in the form of changed rules and requirements for insurers. Investments in PE funds, grouped with hedge funds and other alternative assets, are subject to capital requirements ranging between 40% and 59%. This means the industry is likely to see a flight of insurers as institutional investors, further complicating the already tough post-financial crisis fundraising environment.

"This is not a very optimistic situation for institutional investors," says Isabel Rodriguez, partner at SJ Berwin and member of the Legal and Fiscal Committee at Spanish trade body ASCRI.

In Germany, Ulrike Hinrichs, managing director of PE association BVK, fears that the new legislation might cause an entire investor group to disappear: "Participating in PE will become rather expensive in comparison to other asset classes and lose its appeal," she notes.

Charles Diehl, partner at French mid-market firm Activa Capital, also suggests that Solvency II is a form of penalty for insurers investing in PE products: "The lack of liquidity should improve the rating of private equity in the eyes of the insurance industry, considering the volatility of the public markets."

Funding takes another hit

The problematic future of fundraising is the foremost concern of the industry. Joe Steer, head of international public affairs at the BVCA, points out there would be no complaints if regulation was effective and proportionate to the industry, "but the current proposed capital ratios of Solvency II will make it more difficult for private equity to raise funds."

Besides the dominant issue of fundraising, the classification of private equity investments is another point of outrage in the industry.

"The regulations lump private equity in with hedge

funds despite them being such radically different asset types," says Baird Capital Partners Europe chief executive Simon Havers.

Koos Teule, director of investment relations at Gilde Buyout Partners, agrees: "Hedge funds and private equity should be separated, because they have different liquidity and risk profiles. But we also need to understand the regulator's side. It's probably the smallest issue on their minds."

Industry sentiment suggests that a shrunk LP base is widely expected – both Havers and Teule are certain the updated Solvency provisions will result in fewer investments from insurers. However, the definitive effects of the directive are debatable until the provisions are fully implemented, which in itself creates another issue: "Uncertainty like that is never good," points out Diehl.

KEY FACTS

- Passed by the European Parliament in 2009.
- Changes were proposed in 2001: moving from a country-by-country basis to blanket regulation.
- Applies to insurers and re-insurers in Europe, with gross premiums of >€5m or gross technical provisions of >€25m.
- Three-pillar system:
 - Quantitative requirements (solvency and minimum capital requirements);
 - Qualitative requirements and supervision (corporate governance, risk management and accountability);
 - Disclosure (public solvency and financial condition report and regular supervisory report, published to the authorities).
- Increases PE capital requirements to 49% (or 40% during slow economic growth and 59% during fast growth).

Basel III

SIMILAR TO the provisions introduced under Solvency II, Basel III does not have a direct effect on the industry, but its indirect impact is already being felt. The regulation is primarily set out to strengthen banks' capital safety net – a direct consequence of the latest financial crisis. But Koos Teule of Gilde Buyout Partners points out that it is based on a problematic assumption: "One problem is that risk weighing is done wrong. Either it's too low, or it's too high; it should be accurate."

The effective gravity of the provisions is hard to forecast, because it requires an adaption in the business model that banks run by. Charles Diehl of French mid-cap firm Activa Capital does not have high expectations for the effectiveness of Basel III: "It will have a very negative impact on the economy and is not going to solve any problems." The negative impacts are already being felt in the form of leverage being more difficult to secure on favourable terms, since the higher capital ratios leave banks with less capital to supply leveraged financing with.

Banks cut back direct approach

Private equity, which has seen fewer direct investments from banks over the past decade, is also likely to see financial institutions further scaling down their commitment to the asset class. "It will definitely reduce the number of potential LPs investing in the industry," says Simon Havers of Baird Capital Partners Europe. Banks across the continent have already started selling off some of their PE assets, which in turn is fuelling an already healthy secondaries market.

Meanwhile, Ulrike Hinrichs, managing director of German trade body BVK, says she expects to see three different effects in

Germany: "First of all, banks' participation in private equity as investors will decrease. There will also be more of a hurdle to leveraged financing. At the same time, it is possible that companies that are discouraged from getting financial support from banks turn to private equity as a substitute."

Indeed, a question that arises from the altered loan availability is whether PE houses could replace the role of banks in providing capital to SMEs. As banks refrain from lending on the pre-Basel III scale, smaller businesses in particular will seek alternative funding options. PE could potentially step in and benefit from an enlarged target pool.

Charles Diehl disagrees: "I don't think PE will have the means to step in as a substitute for bank lending." A measure like Basel III will impact lending across the board and Diehl predicts that small businesses and PE houses alike will be hit by its effects.

KEY FACTS

- Increase of capital ratio of financial institutions to 4.5%.
- Introduction of capital conservation buffer of 2.5% and a countercyclical buffer ranging from 0-2.5%,
 - Capital conservation provisions apply to all banks, while countercyclical provision only applies to SIFIs.
- Effective increase of capital ratio to 7%.
- Three-pillar system:
 - Capital requirements;
 - Risk management and supervision;
 - Disclosure requirements.
- Guidelines for liquidity requirements including the ability to withstand a 30-day period of stressed funding.



Dodd-Frank

THE DODD-FRANK Wall Street Reform and Consumer Protection Act limits banks' commitments to alternative investment funds to 3% of Tier 1 capital (the "Volcker Rule"). The legislation also forces a compliance regime on private equity funds exceeding \$100m in assets under management and requires advisers to such funds to register with the Securities and Exchange Commission (SEC).

The new provisions bear the possibility of inhibiting transatlantic investment activity for both US investors in Europe, and European investors in the US.

Julio Veloso, a partner of Spanish law firm Broseta, and also member of the legal and fiscal committee of ASCRI, says Spanish PE firms do not need to be worried about these latest changes in the Dodd-Frank Act: "I believe only a very minor number of companies will be affected by the Dodd-Frank Act in Spain. It's just not as relevant here."

However, Simon Havers, of Baird Capital Partners Europe, sees problems for British firms: "Dodd-Frank is undoubtedly going to reduce transatlantic investments. Local capital for local firms seems to be a growing trend, even though it's not good for the end consumer." But at least one UK law firm feels the fears are overblown (*see page 12*).

The European private equity and venture capital industry draws heavily on investors from overseas, but the new Volcker rule is likely to depress the number of American LPs investing in European funds.

A number of GPs, like Charles Diehl of French firm Activa Capital, are outraged. "People investing in private equity are the most sophisticated investors in the world. They don't need additional protection and should be allowed to invest in the vehicles they choose," says Diehl. "It shouldn't be regulators telling them what to invest in."

Diehl's argument relates to the misguided classification of alternative investments as a homogenous asset class, treating PE, venture capital and hedge funds on equal terms. To counter the industry's clamour for appropriate treatment of

different types of funds, the SEC will set up a specialised unit solely dedicated to alternative investments to drive expertise within the organisation.

For the moment, however, the PE industry should relax, says Koos Teule, of Gilde Buyout Partners: "It's annoying to do the paperwork, but I don't think the SEC will actively look at European firms just yet. They have other problems to deal with."

But it is the paperwork, that suggests rising administrative and legal expenses. "This is going to bring significant costs regarding administration, implementation, reporting and auditing upon affected fund advisers," argues Ulrike Hinrichs of the German trade body BVK. Again, it remains to be seen to what extent costs will be passed down to the end consumer.

Finally, banks' move away from PE is not news in and as itself, but the new Dodd-Frank provisions could accelerate their disappearance. Even though PE investments often show higher returns than their public market equivalent, banks' PE businesses proved to be a burden to the balance sheet due to new capital requirements.

This piece of legislation might restrict those investors still active to an extent to which PE loses all its attraction.

KEY FACTS

- Latest stance signed into law on 21 July, 2010.
- Requires advisers to register with the SEC if PE fund in question manages more than \$100m.
- Requires strict compliance, documentation and reporting measures:
 - The SEC is entitled to share all documentation submitted with the Financial Stability Oversight Council (FSOC).
- The Volcker Rule limits banks' investments in PE funds to 3% of Tier 1 capital.
- Venture capital funds [according to the SEC's definition] are exempt.

FATCA

THE FOREIGN Account Tax Compliance Act is the second US-specific law in the bulk of new regulation. At its core, FATCA proposes a 30% withholding tax on all withholdable payments of persons and entities that fail to disclose US account holders to the Internal Revenue Service (IRS). This means that foreign financial institutions (FFIs) will have to either seal their US operations off into separate incorporated entities or will have to erase critical accounts from their balance sheets.

FATCA's most controversial feature is the necessary disclosure of LPs under the act, which could breach data protection laws in some countries. Compliance with one law that causes non-compliance with another means that FATCA will almost undoubtedly increase administrative costs for funds.

The German BVK portrays the tax law very objectively as "an obligatory duty for foreign financial intermediaries", while others consider it a supranational information gathering exercise.

Koos Teule, director of investment relations at Gilde Buyout Partners, deems FATCA's reach intolerable: "FATCA sounds like a nightmare. I don't think it's going to be effective."

But not everybody is left outraged by the new administrative burden. Isabel Rodriguez, partner as SJ Berwin in Madrid and member of ASCRI's legal and fiscal committee, thinks the reaction is exaggerated: "To be honest, every time a new regulation comes into force we all worry a lot – but in my experience, as soon as we understand the regulation and the procedures that come with it, people adjust, fulfil their obligations and go ahead with business."

Recently, France, Germany, Italy, Spain and the UK have committed to an intergovernmental effort to implement FATCA. This approach was primarily driven by the possible violation of disclosure and data protection laws. The amended regulation foresees reporting to the regional European authorities as opposed to the IRS, and reciprocal automatic exchange in the scope of existing bilateral tax agreements.

KEY FACTS

- Aims to counter offshore tax evasion originating in the US, and increase tax revenue.
- Imposes 30% withholding tax on all withholdable payments in case of non-compliance.
- Passed in March 2010 and due to come into effect on 1 January, 2013:
 - New account due diligence procedures for FFIs will be effective from 1 July, 2013.
- Distinguishes between foreign financial institutions (FFIs) and non-financial foreign entities (NFFE).
- DLA Piper identifies three categories of FFIs:
 - Entities accepting deposits in the ordinary course of a financial business;
 - Entities holding [financial] assets for the account of others;
 - Entities engaging in investment, reinvestment or trading activities.
- In addition DLA Piper identifies a fourth category: US-owned foreign investment vehicles that have to report to the IRS, disregarding other classifications.

FRANCE COULD FORTIFY LEAD OVER UK

Last year's buoyant fundraising activity in France might be one indication the region could consolidate its position ahead of the UK. **Olivier Marty** reports

EVER SINCE the bottoming out of both the UK and French markets in 2009, France has been catching up to the UK. However, last year, France also overtook the UK as Europe's hottest fundraising market, despite the UK having previously enjoyed a ratio of three-to-one fund closes against France.

Looking at the figures closely, the ratio of fundraises to France's deal activity was smaller than in the UK from 2009 to 2011, meaning France completed more deals per fund close in a given year. And last year, France confirmed the positive correlation of the number of fund closes with deal values, while the UK had declining fund raises and concomitant deal values.

Also, although French fundraising activity was concentrated around two main funds – Astorg V (closing on a little more than €1bn in June 2011) and Chequers Capital XVI (attracting €850m in July 2011) accounting for 63% of the yearly total – many on the fundraising trail could also be found investing in 2011. Astorg and Apax France contributed the most to total deal value, with Rothschild (EDRIP) and Bridgepoint in third and fourth place, respectively.

By contrast, the UK scene reveals a much more distinct pattern in this regard. Those that raised funds were conspicuously absent from deal doing. The largest final closes last year (Montagu on €2.5bn and

Park Square on €850m) did not record any UK deal activity (both are admittedly pan-European houses), with LDC, Bridgepoint and HIG Capital leading the pack.

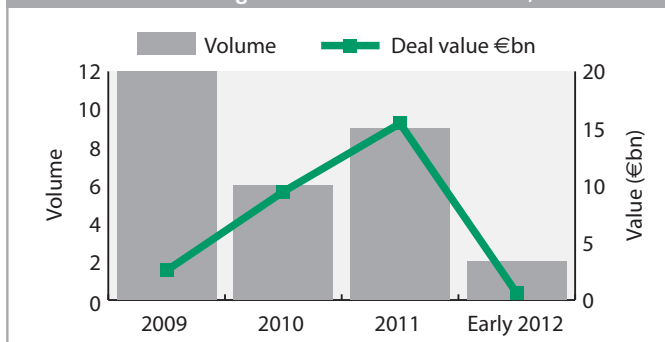
This trend does reveal a traditionally more competitive landscape in the UK and shows that the French scene is increasingly dominated by large and reputable firms; but it might also highlight that France has stopped being puzzled by the post-crash period and found its way more easily in terms of deal sizes and sectors invested.

Lower deal sizes and key sectors in France

Apax France's €105m investment in Groupe Amplitude last June, together with a high number of buyouts valued at around the €150m mark, could be an illustration of renewed robustness of the €50-250m deal bracket. Indeed, the flight to the lower mid-market and, to a lesser extent, the upper mid-market, has been more sustained in France than in the UK, where the segment collapsed after a rise in 2010.

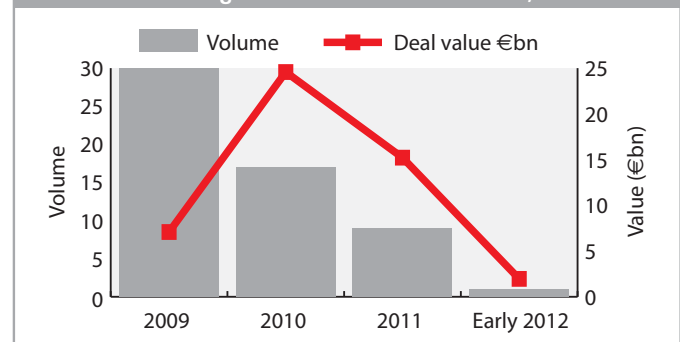
The French €25-50m deal bracket fell by a third from 2010 to 2011. But according to Olivier Moatti, partner at Abénex Capital: "This is also because 2010 was a good year and acted as a testament to the unpredictable timing of closings." He added, "Small-cap deals are likely to increase in 2012, as the prospering activity of

France fundraising volume and deal value, 2009-2012



Source: unquote™

UK fundraising volume and deal value, 2009-2012



Source: unquote™

this bracket until March shows.” By contrast, the lower mid-market above €50m slowed.

Also, the €500m+ deal bracket actually persevered well, with deals in electronic equipment, construction (Microconnections, Photonis) and real estate (Foncia), after the large fall between 2008-2009. In contrast, the UK’s fell again in 2011 with just four deals recorded in this segment, mostly in support services (Capital Safety Group and Environmental Resources Management).

France made a resounding comeback in the large buyout segment (€1bn+) with the SPIE (€2.1bn) and Oberthur (€1.15bn) deals. The UK failed to keep up, recording fewer very large deals.

As Tarique Shakir-Khalil, head of PricewaterhouseCoopers Corporate Finance in Paris, states: “Huge orders recently placed in the aeronautic sector provide suppliers with the means to drive further consolidation through M&A,” while “other sectors, such as healthcare, financial services and education, have been buoyant and should continue to provide further deal opportunities”.

Vendors

Vendors also differ in the UK and France as far as buyouts are concerned. While both have seen a strong rise in SBOs, corporate divestments have been increasing and now make up 17% of volume in the UK, in contrast to just 11% in France.

Shakir-Khalil confirms that corporates “are keen to actively manage their portfolios and to reinforce their balance sheets” and the French market will see many foreign sellers in 2012. It is often a “logical move” for foreign parents to first sell their subsidiaries abroad rather than in their core domestic markets, just as “French groups themselves do with their own foreign subsidiaries”.

Prospects

France has recorded 17 deals since the year started, with numerous expansions, and all in the lower mid-market. Large players (IK Investment Partners, AE Management, and AXA Private Equity) have all been active. By contrast, the UK was home to an impressive 39 deals, with the vast majority in lower mid-market buyouts. A sector breakdown reveals a bias towards service. Only one of these so far has exceeded €500m (CPA Global backed by Cinven).

Of course, a common challenge to UK and French GPs will be to continuously prove their pertinence in the current climate, to raise funds, and sometimes to rejuvenate some of the older LP structures. Shakir-Khalil notes France, for example, is innovating, as illustrated by the rise in “family offices providing permanent funds, which, as with evergreen listed funds, enable such investors to take a longer term view”.

The UK, for its part, is testing some deal-by-deal structures or listed funds, as explored in our cover story (*see page 8*). ■

Keep an eye on Southern Europe venture

SOUTHERN EUROPE deserves increasing attention. For one, the region proved to be one of the most resilient, together with France and the Nordics, since it bottomed out of the crash in 2009. Since then, values went up by 178% from 2009 to 2011 to €10.3bn, while volumes increased by 83% over the same period.

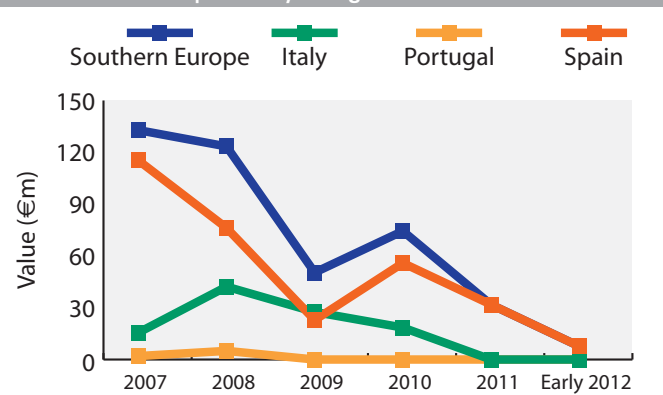
The boost has been largely driven by Italy, which completed fewer deals than Iberia, but at a strong average value of €102m in 2011 against a mere €43m averaged in Spain and Portugal.

Activity in early 2012 has been overwhelmingly in favour of Spain, which has recorded six deals so far, including the Rioglass Solar buyout, which at €15m is currently the year’s largest in Southern Europe. Despite this, Italy should come to the fore on the venture scene owing to a governmental push. As *unquote* Analysis highlighted last issue, the Italian government has been promoting this segment as part of its “Grow Italy” programme. The new regulation will target businesses headquartered in Italy and held by individuals, that receive up to €2.5m investment per annum.

Early-stage activity should be on the increase as the segment in Southern Europe has been on the wane since the crisis took its

toll (*see graph, below*). It is currently driven by Spain but feeble in both Italy and Portugal. The success of structural reforms in these countries as well as growth and competitiveness in Europe will partly depend on the ability of entrepreneurship to flourish.

Southern Europe early-stage deal values 2007-2012



Source: *unquote*

Doughty Hanson founder passes

NIGEL DOUGHTY died at his home on 4 February, aged 54.

Mr Doughty and Richard Hanson founded the buyout firm Doughty Hanson over 20 years ago. The pair met in the 1980s while working at Standard Chartered, where they were responsible for building the bank's European buyout unit before taking the decision to go it alone in 1986.

Since its launch, the firm has focused on businesses with enterprise values between €250m-1bn, usually based in Western Europe. Notable investments include the acquisition of administration services provider TMF from Silverfleet Capital for €750m in 2008 and the buyout of cinema chain Vue Entertainment for £450m in 2010.

According to *unquote* data, the average cheque Doughty Hanson wrote was £154m.

Mr Doughty also owned Nottingham Forest football club. He bought the club for £11m in 1999, saving it from administration. Since the initial acquisition,

he invested almost £100m of his personal wealth into the club. During his time as chairman, the club was promoted back to the Championship league. He stood down as the club's chairman in October 2011, but remained its owner.

Mr Doughty was also a committed financial backer and adviser of the Labour party. In the last seven years, he is reported to have donated more than £3m to it. In June 2011, he was one of 22 business advisers to advise shadow business secretary John Denham on issues relating to regulation, intervention and procurement. Last year, Mr Doughty was reported as having urged Labour to develop a progressive tax system, setting him apart from current criticisms of the private equity industry.

In a statement Doughty Hanson said, "We are tremendously sorry to learn of the death of Nigel Doughty at home. Our thoughts are very much with his family at this time."

HIG opens in Madrid

HIG CAPITAL has opened a Madrid office and appointed Jaime Bergel as managing director to lead its operations in Spain.

Bergel was previously the founder and chief executive of Spanish private equity firm Gala Capital. Prior to that, he was a managing director and head of Spain for Goldman Sachs and Merrill Lynch.

Despite short-term challenges in Spain, HIG Capital believes that in the long run the economy will recover. The firm sees many attractive businesses in the country and expects to be an active investor in the region.

KKR hires Morgan Stanley executive

KKR HAS appointed former Morgan Stanley infrastructure executive Vincent Policard as a director in its infrastructure team.

Policard will be based in London and will source and execute transactions in the European infrastructure sector.

He joins from Morgan Stanley, where he recently spent three years on its infrastructure fund. Prior to that role, he spent nine years in Morgan Stanley's investment banking division and three in the investment banking division at BNP Paribas, Frankfurt.

3i's Kerr now at LDC Shore Capital boosts capital markets team

MARK KERR has been appointed director of LDC's Scotland team, based in Aberdeen.

Kerr, who will lead LDC's oil & gas sector investments, joins from his position as co-head of 3i's oil, gas and power team.

After studying mathematics at Glasgow University, Kerr became an actuary in 1991. He spent six years at Scottish Provident in Edinburgh and Madrid, and holds an MBA from Strathclyde Graduate Business School.

LDC committed £50m to its Epi-V oil & gas fund in July 2011, bringing the capital commitment since 2007 to £110m.



Mark Kerr, director, LDC Scotland

SHORE CAPITAL has announced several additions to its capital markets team.

The equity sales team has had three new appointments. David Izzard joins from MF Global. He previously worked in senior equity sales roles at investment banks including JP Morgan.

Philip Kerr was a director at Evolution Securities for the Nordic region.

Elliot Shaw joins having specialised in servicing Swiss PE banks and family offices for Eden Financial and Insinger de Beaufort.

Meanwhile, Alex Stewart has joined to provide income services for institutions analysing dividend-paying equities. He previously worked at Dresdner Kleinwort and Evolution Securities.

SEP takes on exec for energy fund

SCOTTISH EQUITY Partners (SEP) has announced the appointment of Tony Robison as senior energy executive of its Environmental Energies Fund (EEF).

Chartered accountant Robison previously held the position of finance director at the Aberdeen-based energy technology company Gas2. Prior to that he was with KPMG and several of SEP's portfolio companies.

Carlyle MENA boss quits over strategy; Deldağ and Nasir named replacements

CARLYLE'S HEAD of the Middle East and Northern Africa, Walid Musallam, has stepped down. Reports suggest the resignation follows disagreement over the closure of Carlyle's office in Egypt amid political instability.

Managing director Musallam was also responsible for its \$471m fund, which closed in 2007.

Musallam joined Carlyle in 2006 from his previous position as chief executive for the Abu Dhabi Investment Company. Prior to that, he was chief executive of Middle East Capital Group and managing director of the US-based Infrastructure Finance Group.

He was also responsible for Carlyle's \$471m fund which closed in 2007.

Can Deldağ, head of Carlyle Turkey, and Firas Nasir, head of Carlyle GCC, have been appointed co-heads of Carlyle MENA.

In contrast to Musallam's implication



Firas Nasir, co-head, Carlyle MENA

that shutting Carlyle's Egypt office indicated a strategy shift, Carlyle said the appointments highlight its strategy in the MENA region, focusing on Turkey and the Gulf Cooperation Council (GCC) region.

Deldağ and Nasir joined Carlyle in 2007. Previously Deldağ was senior partner and head of transaction advisory



Can Deldağ, co-head, Carlyle MENA

services at Ernst & Young Turkey. He read management engineering at Istanbul Technical University.

Nasir came from Credit Suisse First Boston, where he specialised in M&A. He holds an MBA from Wharton and an MSc in mechanical engineering from Columbia University.

New associate for Corbett Keeling

CORBETT KEELING has appointed Mike Campbell as an associate in the firm's engineering & industrial sector team. Corbett Keeling now employs five full-time professionals and 23 associates. The team completed four deals last year.

Campbell's experience includes management consulting and M&A advisory with a focus on electronic technology. He was previously managing director of Ferranti Capital where he advised on a number of cross-border Chinese M&A deals in the engineering,

industrial and technology sectors. Campbell has also worked extensively in China.

Campbell is the founder and managing director of Campbell Ventures – an international advisory and management consulting company, specialising in accelerating the growth and performance of engineering and industrial businesses organically, as well as through strategic partnerships and M&A.

Campbell Ventures also provides specialist advice to Chinese companies on international expansion strategies.

Investec expands Growth & Acquisition Finance team

INVESTEC HAS announced the appointment of Shaun Mullin to the firm's Growth & Acquisition Finance (GAF) team.

Mullin will be concerned with senior debt and mezzanine, equity, and integrated financing for entrepreneurs and PE firms.

The Growth & Acquisition Finance team is part of Investec Specialist Bank. The division's head is Ed Cottrell.

Prior to this appointment, Mullin was director of the debt finance team at Barclays, where

he focused on mid-market LBOs, take-privates and cross-border acquisition finance.

Before that, he worked in Barclay's financial sponsors team, in leveraged financed transactions at WestLB and at ANZ Banking Group in New Zealand.

Investec GAF exited Big Bear Group this time last year in a £82m sale to Finnish food producer Raisio, generating 5x money and a 37% IRR for the group.

Paris partner for Hogan Lovells

HOGAN LOVELLS has appointed Xavier Doumen as a partner at the private equity firm's practice in Paris.

Doumen will work alongside Stéphane Hutten. He joins the company from Willkie Farr & Gallagher, where he worked on private equity and M&A transactions.

Doumen holds an MBA from ESSEC Business School, France, and a masters in corporate law from the Pantheon-Sorbonne University.

The practice's recent advisory roles include advising Kelso Place on the acquisition of fashion brand Nicole Farhi and advising the Phadia management team on its acquisition by Thermo Fisher Scientific from Cinven in a deal worth around €2.47bn.



Xavier Doumen,
partner, Hogan
Lovells

COO for First Reserve London

FIRST RESERVE has appointed Claudi Santiago as managing director and chief operating officer in its London office, in a bid to strengthen its European presence.

Santiago is the first person to hold a COO position at the firm.

Prior to this appointment he spent 30 years at General Electric, where he was vice-president, as well as president and chief

executive of GE Oil & Gas – a role he held since 1999.

Connecticut-based First Reserve is a dedicated energy investor established in 1983 that has since raised more than \$23bn of capital. In September the firm completed its first deal in Eastern Europe, investing in Romanian oil & gas company Amromco Energy.

SJ Berwin partner moves to Reed Smith

REED SMITH has hired SJ Berwin partner Justus Binder as head of its German PE practice.

Binder joins from SJ Berwin, where he founded its Munich office 12 years ago. He studied at the universities of Freiburg and Munich and holds a Dr Jur degree.

Reports suggest the hire is part of a European expansion, targeting Munich for its concentration of technology and media companies.



Justus Binder,
MD, Leonardo

GCP appoints 3i executive as director

GROWTH CAPITAL Partners (GCP) has appointed Kirsty McDonald as investment director.

Prior to joining GCP, McDonald spent five years at 3i.

Previously, she worked at Trinity Mirror plc, focusing on corporate acquisitions.

GCP provides UK SMEs with £5-50m in MBOs, development capital deals as blended equity, and debt. It currently manages £200m.



Kirsty McDonald,
investment director,
GCP

EVCA appoints head of communications

THE EUROPEAN Private Equity and Venture Capital Association (EVCA) has appointed Emma Thorpe as its head of communications.

Thorpe will be based in London and Brussels, handling public relations and membership communications. She replaces Ross Butler who left to join LPEQ.

Before joining EVCA last year, she was director of European communications for The Carlyle Group.

DC Advisory hires executive director

DC ADVISORY has recruited Andrew Strudwick as an executive director in its European financial sponsors group.

Strudwick joins from 3i, where he worked as an investment director since 2006. He co-founded the private equity house's UK TMT team. He also spent six years as a director at PricewaterhouseCoopers. He will be based in London for this new position.

Leonardo gets new MD for Paris office

EUROPEAN INVESTMENT banking firm Leonardo & Co has hired Eric Toulemonde as managing director in its Paris office.

Toulemonde spent the past 13 years advising on M&A at Rothschild, where he was also managing director; he notably worked on the sale of Yoplait by PAI partners and the buyout of Courtepaille by Fondations Capital.

Prior to this, Toulemonde started his career in 1995 at Banexi, where he worked for three years in its Milan and Paris offices.

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25th-26th September,
London

BC European Capital IX €6.5bn close

BC PARTNERS has closed its ninth European Capital fund at the vehicle's €6.5bn hard-cap.

Initial fundraising emerged in January 2010, as BC Partners' eighth European fund was approaching maturity. A first close was held at €4bn in March 2011, followed by a second close at €5.5bn in July. BC Partners has now held a final close at the fund's €6.5bn hard-cap, €500m above target.

Carry and hurdle are in line with industry standards. Those investing in the first close were offered a 5% discount on management fees. No placement agent has been used.

The vehicle will mirror the strategy employed in its previous BC European Capital VIII fund, which closed at €5.5bn in May 2005.

Non-European investors contributed around 70% of the committed capital – 40% from North American LPs and 30% from Asia and the Middle East. European investors contributed to the remaining 30% of raised capital.

Pension funds were the main type of contributor at 37%, followed by sovereign wealth funds at 25% and funds-of-funds at 12%. The remaining 26% consisted of

BC European Capital IX	
FUND	€6bn
ANNOUNCED	January 2010
CLOSED ON	€6.5bn, February 2012
FOCUS	Europe
FUND MANAGER	BC Partners

a range of institutions, including banks, insurance companies, endowments and foundations.

The first investment from the fund was made around its second close in July, when BC Partners acquired Swedish cable TV company Com Hem in a tertiary buyout. The deal was valued at an estimated SEK 17bn.

Danske's PEP V in €534m first close

DANSKE PRIVATE Equity Partners has announced the first close of its fund-of-funds Danske PEP V on €534m. The final close is expected in spring 2012. The 10-year fund's target was set at €600m and Danske expects to reach its €650m hard-cap. Fees and carry correspond to industry standards.

Commitments to the fund primarily came from Nordic institutional investors.

The fund will invest in small- and mid-

cap buyout funds. It will also consider secondaries opportunities and could co-invest with other funds in Danske's portfolio.

Approximately half of the raised capital will be invested across Western Europe, while the other half will be invested in North America. This investment strategy is similar to previous Danske PEP funds.

John Danielsen, managing partner, led the fundraising for Dansk.

Danske PEP V	
Fund	€600m
Announced	2011
Closed On	€534m
Focus	Buyout funds
Fund Manager	Danske Private Equity Partners

Troika launches tech venture fund

TROIKA VENTURES, backed by parent company Sberbank of Russia, has launched a \$100m technology venture fund.

Sberbank committed \$100m to the fund. It is looking to increase the vehicle's size to \$500m alongside international LPs.

Troika Ventures will invest in high-tech companies and projects within and outside of Russia. Investments will be applied to Sberbank Group's operations, thereby making it a consumer of, as well as investor in, the technologies. It has also offered support

Troika Technology Ventures	
Fund	\$500m
Announced	3 February 2012
Focus	High-tech
Fund Manager	Troika Ventures

to future portfolio companies from its Technology Research Centre.

E-Capital III breaks second close target

E-CAPITAL'S LATEST fund has held a close of its latest fund E-Capital III, above target at €95m. The fund's target was €80m with a €100m hard-cap.

The fund was announced in early 2011 and held first close in June of that year on €65m. Fundraising will end before June 2012.

The European Investment Fund committed €12.4m to the vehicle. Two-thirds of commitments came from private investors, while institutional investors contributed the rest.

Investments from the fund will target companies with €10-50m annual turnover.

E-Capital III

Fund	€80m
Announced	January 2011
Closed On	€95m
Fund Manager	E-Capital

MTI launches university spin-out fund

MTI HAS launched the Orion Fund to support spin-outs of top-tier technology universities in the UK.

The fund is a partnership between MTI and three technology transfer offices (TTOs) of selected technology research institutions in the UK.

The fund is expected to hold first close in the third quarter of 2012.

Investments from the Orion Fund will primarily target spin-outs from the University of Manchester (UMI3), University of

Edinburgh (ERI) and University College London (UCL Business PLC). It will also consider investments in partnership with the TTOs of Oxford and Cambridge.

The investment strategy will be MTI's proof of principle investment programme (PoP) that provides pre-seed funding.

MTI's last fund, UMIP Premier Fund, raised £32m and was dedicated to spin-outs from the universities of Southampton, Manchester and Oxford.

Upon raising the fund, Sir Richard

Orion Fund

Fund	£100-150m
Announced	February 2012
Focus	University spin-outs, technology
Fund Manager	MTI

Heygate, Natasha Oppenheim, Dominic Perks and Paul Ratcliff will be promoted to partner. They are all members of the fundraising team at present.

David Ward, managing partner at MTI, was also involved in setting up the fund.

Constellation closes new fund

SWITZERLAND-BASED PRIVATE equity firm Constellation Capital has closed Constellation III German Asset Light SICAV-FIS (Luxembourg) Private Equity Fund, with the possibility of raising further commitments at a later date.

The fund will invest "light asset" service companies based in the DACH region over the next 12 months. Target companies will be those that generate revenues between

€20-150m in fragmented markets. It will pursue buy-and-build strategies.

New private and institutional investors joined previous investors in Constellation funds. The fund will have a 3-5 year life.

Constellation invests in education and lifestyle, business services, healthcare and financial services in German-speaking Europe. Ralf Flore is managing partner at the firm.

Constellation III German Asset Light SICAV-FIS (Luxembourg) Private Equity Fund

Announced	December 2011
Focus	DACH, services companies
Fund Manager	Constellation Capital

pan-European deal index

SECTOR	COMPANY	TYPE	EQUITY LEAD	COUNTRY	VALUE
CONSUMER	Attends Healthcare	Trade sale	Rutland Partners	UK	€180m
	Volotea	Early-stage	CCMP Capital <i>et al.</i>	Italy	€50m
	Stylistpick	Expansion	Fidelity Growth Partners <i>et al.</i>	UK	\$11m
	Footway	Early-stage	Industrifonden	Sweden	SEK 28m
	Rosner Fashion	Expansion	BayBG	Germany	<€25m
	Babeau Seguin	Acquisition finance	NiXEN <i>et al.</i>	France	<€25m
	EasyPark	MBO	Verdane Capital Partners	Sweden	<€10m
	Love Home Swap	Expansion	MMC Ventures	UK	£850,000
	Chapellerie Herman	Expansion	Europe et Croissance	Belgium	€750,000
	Fiskarhedenvillan	SBO	Litorina	Sweden	n/d
	Hawkin's Bazaar	MBO	Primary Capital	UK	n/d
	Natural Products	Buyout	Inflexion Private Equity	UK	n/d
	L.O.G.	Buyout	Credo Kapital	Norway	n/d
	Zalando	Expansion	DST Global	Germany	n/d
	Ibis Acam	Expansion	Constellation	Austria	n/d
FINANCIALS	Quilter	MBO	Bridgepoint	UK	£170m est
	360T	Replacement capital	Summit Partners	Germany	<€50m est
	Debt Line	BIMBO	Milestone Capital Partners	UK	n/d
	Hawksford	Acquisition finance	Dunedin	UK	n/d
	FNZ	SBO	General Atlantic	UK	n/d
	A&A Group	MBO	Darwin Private Equity	UK	n/d
HEALTHCARE	USP Hospitales	SBO	Doughty Hanson	Spain	€355m
	EOS Imaging	IPO	EdRIP <i>et al.</i>	France	€120m
	Amplitude	SBO	Cathay Capital <i>et al.</i>	France	€30m
	Prosenia	Early-stage	New Enterprise <i>et al.</i>	Netherlands	€23m
	Raphael Healthcare	Refinancing	RJD Partners	UK	£9.1m
	Aeon Astron Europe	Early-stage	Innovatiefonds MKB+	Netherlands	€3m
	CN Creative	Expansion	Advent Life Sciences	UK	£2m
	Acuitas Medical Limited	Expansion	Altima Partners <i>et al.</i>	UK	>£1m
INDUSTRIALS	OakLabs	Early-stage	HTGF	Germany	n/d
	Dynaco	Trade sale	KBC Private Equity	Belgium	€75-125m
	Mita-Teknik	MBO	Axcel	Denmark	DKK 400-700m
	Wento	Buy-and-build	Enterprise Investors	Poland	€40m
	Verdesis	Expansion	BeCapital	France	€25m
	Durobor/Sobodec Group	Buy-and-build	H2 Private Equity Partners	Belgium	<€50m

pan-European deal index

SECTOR	COMPANY	TYPE	EQUITY LEAD	COUNTRY	VALUE
INDUSTRIALS	Arena	Expansion	MML Capital	UK	£16.5m
	AEMI	OBO	CAPE	France	<€15m
	Viscose Closures	MBI	Finance Wales	UK	£5m
	Plebac	MBI	FSI Régions	France	<€5m
	Bovema Glas BV	Buyout	Rabo Private Equity	Netherlands	<€5m
	Haarslev Industries	SBO	Altor Equity Partners	Denmark	n/d
MEDIA	Factory Media	Trade sale	Foresight Group	UK	£8m
SERVICES	Talaris	Trade sale	Carlyle	UK	£650m
	Parabis	Buy-and-build	Duke Street	UK	£150-200m
	Pertemps Network Group	MBO	LDC	UK	£112m est
	Faber Personeelsdiensten	Buyout	Bencis Capital	Netherlands	€25-50m
	BPI	Replacement capital	Perceva Capital	France	€5-15m
	Izeos	Expansion	Newfund	France	<€5m
	MEDUDEM	Expansion	investiere	Switzerland	CHF 815,000
	Channel Intellect	Expansion	North West Fund	UK	n/d
	Orange Austria	Trade sale	Mid Europa Partners	Austria	€1.3bn
	Consort NT	SBO	EPF Partners <i>et al.</i>	France	€60m
TECHNOLOGY	Multiposting	Buyout	Latour Capital	France	€15-50m
	GCI Telecom	Expansion	BGF	UK	£10m
	Videoplaza	Expansion	Innovacom <i>et al.</i>	UK	\$12m
	flaregames	Early-stage	Accel Partners <i>et al.</i>	Germany	€6m
	AlienVault	Expansion	Trident Capital <i>et al.</i>	Spain	\$8m
	TeraView	Expansion	YFM Equity Partners <i>et al.</i>	UK	\$5.5m
	Lineup Systems	Expansion	NVM Private Equity	UK	£3m
	Fantasy Shopper	Early-stage	Accel Partners	UK	\$3.3m
	Zyncro	Expansion	Active Venture Partners <i>et al.</i>	Spain	€1.6m
	eSellerPro	Expansion	Notion Capital	UK	£1m
	GoCardless	Expansion	Accel Partners <i>et al.</i>	UK	\$1.5m
	TBS Group	Expansion	Entrepreneur Venture	France	€1m
	Caseking	Acquisition finance	Afinum	Germany	<€50m
	Prevero	Expansion	BayBG	Germany	<€25m
	MentecPlus	Trade sale	Better Capital	UK	<£25m
	Conceptboard	Early-stage	HTGF <i>et al.</i>	Germany	<€25m
	Actuera	SBO	Main Capital	Netherlands	n/d

funds raising

<i>A</i>	<i>Austria</i>	<i>D</i>	<i>Germany</i>	<i>ES</i>	<i>Spain</i>	<i>I</i>	<i>Italy</i>
<i>BE</i>	<i>Belgium</i>	<i>DEN</i>	<i>Denmark</i>	<i>F</i>	<i>France</i>	<i>LX</i>	<i>Luxembourg</i>
<i>CH</i>	<i>Switzerland</i>	<i>EL</i>	<i>Ireland</i>	<i>FIN</i>	<i>Finland</i>	<i>NL</i>	<i>Netherlands</i>
Group	Fund name		Base	Target (m)	Close		
Active Venture Partners	Active Venture II		ES	n/d	1st		
ADM Capital	CEECAT Recovery Fund		UK	€300	1st		
AFINUM Management GmbH	AF Eigenkapitalfonds für deutschen Mittelstand GmbH & Co KG		D	€500	1st		
Alchemy Partners	Special Opportunities Fund II		UK	£500	1st		
Alpha	Alpha Private Equity Fund 6 (APEF 6)		F	€750	1st		
Altamar Private Equity	Altamar V Private Equity Program		ES	€250-300	1st		
Altitude Partners	Altitude Partners		UK	£15	1st		
Alto Partners	Alto Capital III		I	€120-130	1st		
Argos Sodic	Argos Expansion		F	€120	1st		
Aster Capital	Aster II		F	€120-150	FA		
Atlantic Bridge	Atlantic Bridge		UK	€130	1st		
Augmentum Capital	Augmentum I		UK	€50	FA		
Axcel	Axcel IV		DEN	€3,200	1st		
Banexi Ventures Partners	BV5		F	€50-80	1st		
Boehringer Ingelheim GmbH	Boehringer Ingelheim Venture Fund (BIVF)		D	€100	FA		
Bridges Ventures	Bridges Ventures Fund III		UK	n/d	1st		
Cabiedes & Partners	Cabiedes & Partners Fund		ES	n/d	1st		
Capman	CapMan Mezzanine V		SWE	€150	1st		
Capricorn Venture Partners	Capricorn Health-tech Fund		BE	n/d	1st		
Carlyle Group	Carlyle Global Financial Services Partners		US	n/d	1st		
CDC Entreprises	FCPR FSN PME		F	€400	FA		
Centre for the Development of Industrial Technology (CDTI)	Innvierte		ES	€500	FA		
Covesco German Seed Fund GmbH & Co KG	German Seed Fund		D	€50	FA		
Creathor Venture	Creathor Venture Fund III		D	€80	1st		
Credit Agricole Private Equity	Capenergie II Renewable Energy Fund		F	€200	n/d		
Credo Ventures	Credo Stage I		CZ	€20	1st		
Cross Road Biotech	CRB Bio II		ES	€60	FA		
Danske Private Equity Partners	Danske PEPV		D	€600	1st		
Diana Capital	Diana Capital II		ES	€175	FA		
Earth Capital	ECP Renewable Energy Fund One		UK	€750	1st		
E-Capital	E-Capital III		BE	€80	2nd		
EMBL Ventures	EMBL Technology Fund II (ETF II)		D	>€50	1st		
Eurolight Ventures	Eurolight Ventures Fund		ES	€80-90	FA		
European Bank for Reconstruction and Development (EBRD)	EBRD Programme		UK	€100	1st		
F&C	F&C Climate Opportunity Partners		UK	n/d	1st		
FF&P Private Equity	FF&P Investor 3 LP		UK	n/d	1st		
Foresight Group	Foresight Environmental Fund		UK	£200	FA		

funds raising

NOR P PL	Norway Portugal Poland	RO SWE TR	Romania Sweden Turkey	UK US FA	United Kingdom United States Fund announced	FC 1st 2nd	Final close First close Second close
Amount (m)	Date	Stage	Region	Contact	Tel No		
€25	Jan-11	Early-stage, expansion - technology	ES, D, Scandinavia	Christopher Pommerening	+34 93 487 6666		
€100	Apr-10	Buyout, distressed companies	CEE, Central Asia, Turkey	n/d	+44 207 529 5008		
€200	Aug-10	Expansion, small- and mid-cap	D	n/d	+49 89 255 433 01		
£280	Aug-10	Buyout, distressed companies	Europe	Ian Cash, Frits Prakke	+44 207 240 9596		
€500	Jul-11	Buyout, mid-market	F, I, BE, NL, CH, D, A	Patricia Desquesnes	+33 1 56 60 20 20		
€120	Sep-11	Funds-of-funds	Europe, US, Asia	Claudio Aguirre	+34 91 310 72 30		
£7	Apr-11	Buyout	UK	Simon White, Jonathan Simm	+44 23 8030 2006		
€80	Oct-11	Buyout, expansion, Italian SMEs	I	Raffaele De Courten	+39 02 7209504		
€45	Jul-10	Mezzanine	Europe	Olivier Bossan	+33 1 53672050		
n/d	Feb-11	Early-stage - technology	Europe, US, Asia	Jean-Marc Bally	+33 1 45 61 34 58		
€85	Nov-10	Buyout, expansion - technology	Europe	n/d	+353 1 603 4450		
n/d	Aug-10	Expansion, small- and mid-cap - technology	UK, HK	Richard Matthews	+44 20 7514 1983		
n/d	Mar-10	Buyout	Nordic	Christian Frigast	+45 333 66 999		
€50	Oct-11	Early-stage, expansion - technology	F, CH	Jacqueline Renard	+33 1 73 02 89 66		
n/d	Apr-10	Early-stage - healthcare	Europe	Michel Pairet	+49 32 77 8740		
n/d	Dec-11	Early-stage, expansion	UK	Philip Newborough	+44 20 7262 5566		
€25	Mar-11	Early-stage - technology	ES	José Cabiedes	+34 670 278 750		
€60	Sep-10	Mezzanine, mid-market	Nordic	Niklas Östborn	+46 8 545 854 70		
€42	Dec-10	Early-stage, expansion - healthcare	Europe	n/d	+32 16 28 41 00		
\$1,100	Apr-10	Buyout, expansion	Global	James Burr	+1 202 729 5626		
n/d	Jun-11	Expansion	F	Daniel Balmes	+33 1 58 50 73 07		
€250	Oct-10	Early-stage - technology	ES	n/d	+34 91 581 55 00		
n/d	Apr-10	Early-stage - technology	DACH	n/d	+49 8683 33698 16		
€51	Sep-11	Early-stage	D, F, A, CH	Gert Köhler	+49 6172 13 97 20		
€120	Dec-11	Expansion - renewable energy, infrastructure	Europe	n/d	+33 1 43 23 21 21		
€11	Nov-10	Early-stage	Europe	n/d	+420 222 317 377		
€12	Nov-10	Early-stage - biotech	ES	n/d	+34 91 446 78 97		
€534	Feb-12	Funds-of-funds	Western Europe, North America	John Danielsen	+45 3344 6329		
€100	Jan-11	Buyout, expansion	ES	Javier Fernández Las Heras	+34 914 262 329		
n/d	Jan-10	Expansion - renewable energy, infrastructure	EMEA	Ben Cotton	+44 20 7811 4500		
€95	Feb-12	Buyout	Benelux	Jérôme Lamfalussy	+32 2 642 20 00		
€40	Dec-11	Early-stage	DACH	Stefan Herr	+49 6221 389 330		
n/d	Feb-11	Early-stage - photonic SMEs	Europe	Victor Sunyer	n/d		
n/d	Dec-11	Early-stage, expansion - technology	Europe, mainly Mediterranean	n/d	+44 20 7338 6000		
€30	Oct-11	Funds-of-funds - climate change	Europe	Hamish Mair	+44 20 7628 8000		
£47	Jun-11	Buyout, expansion	UK	Henry Sallitt, David Barbour	+44 20 7036 5722		
£70	Mar-11	Early-stage - recycling and renewable energy	London	Matt Taylor	+44 1732 471 804		

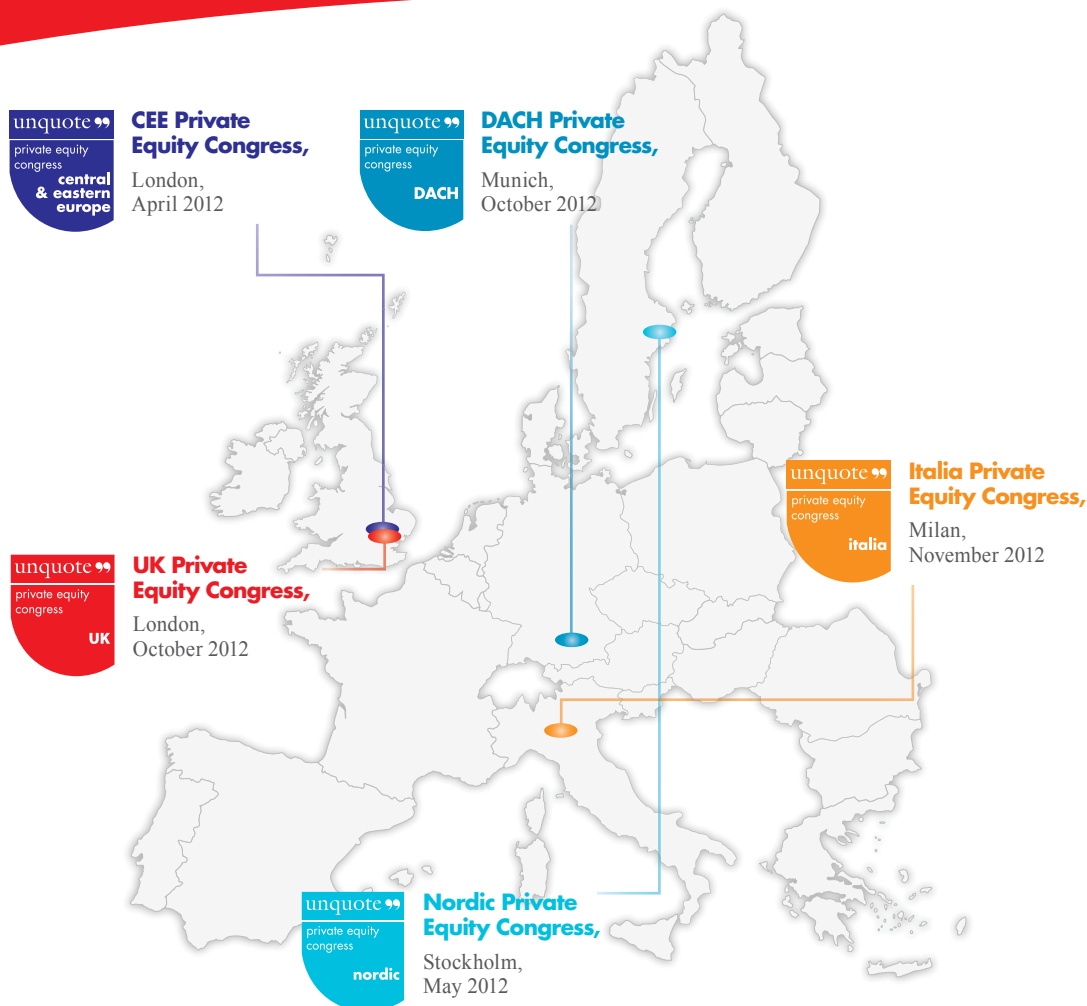
funds raising

Group	Fund name	Base	Target (m)	Close
Gamesa	Gamesa Fund	ES	€50	FA
General Motors	General Motors Ventures	US	\$100	FA
Grupo Inveready	Inveready First Capital I	ES	€5	FA
I2BF and VTB	Nanotech fund	UK/ RU	\$100	FA
IDeA Capital Funds	IDeA Energy Efficiency and Sustainable Development	I	€100	FA
Inter-Risco	Fundo Inter-Risco II	P	€150	1st
Intesa Sanpaolo	Atlante Private Equity	I	€250	1st
Kernel Capital	Bank of Ireland MedTech Accelerator Fund	UK	€10	FA
Legal & General Ventures	LGV 7	UK	n/d	1st
Life Sciences Partners	LSP Life Sciences Fund N.V.	NL	€250	FA
Longbow Capital	Longbow Approved EIS Fund	UK	€10	FA
Maven Capital Partners	Scottish Loan Fund	UK	£150	1st
Mediterra Capital Management	Mediterra Capital Management Fund	TR	\$360	1st
Meidlinger Partners	Meidlinger Water Investments,	US	\$100	1st
Midven	Exceed - Midlands Advantage Fund	UK	€18	FA
Mountain Cleantech	Mountain Cleantech Fund II	CH	€100	1st
MTI	Orion Fund	UK	£150	FA
Nazca Private Equity	Fondo Nazca III	ES	€150	1st
Nextstage	FCPI Nexstage Cap 2016	F	€25	FA
NIBC	NIBC Growth Capital Fund II	NL	€200	1st
Northzone Ventures	Northzone VI	NOR	€150	1st
Panoramic Growth Equity	Panoramic Enterprise Capital Fund I (PECF I)	UK	£38	1st
Partech Ventures	Partech International VI	F	€120-140	1st
Perceva Capital	Perceva Capital	F	n/d	n/d
Pontis Capital	PGC II	A	€60	1st
Riva y Garcia and Official Medical College of Barcelona (COMB)	Healthequity	ES	€15-20	FA
SAM Private Equity and Robeco	Robeco SAM Clean Tech Private Equity III Fund	CH	\$500	1st
SEED Capital Denmark	SEED Capital Denmark II Fund	DEN	DKK 750	1st
Sepides	Enisa Fespyme Sepides	ES	€15	FA
Sherpa Capital	Sherpa Capital	ES	€30	FA
SODENA	Nabio	ES	€600	FA
Steadfast Capital	Steadfast Capital Fund III	D	€250	1st
Suanfarma	Suan Biotech II	ES	€30	FA
Sunstone Capital	Sunstone Technology Ventures Fund III	DEN	€100	1st
Synergo SGR	Sinergia II	I	£350	FA
The Steve Leach Partnership	The Steve Leach Partnership	UK	£20	FA
Troika Ventures	Troika Technology Ventures	RU	\$500	FA
VNT Management	Power Fund III	FIN	n/d	1st
WestBridge	WestBridge SME Fund	UK	€50	1st
Wise	Wisequity III	I	€170-200	2nd

funds raising

Amount (m)	Date	Stage	Region	Contact	Tel No
n/d	May-11	Early-stage, expansion - renewable technology	Global	David Mesonero	+34 944 03 73 52
n/d	Jun-10	Early-stage	US, Europe	Jon Lauckner	+1 313-667-1669
€3	Oct-10	Early-stage - technology	ES	Ignacio Fonts	+34 93 447 30 63
\$50	Oct-10	Early-stage - technology	Russian, Kazakhstan	Ilya Golubovich	+44 20 3405 1974
n/d	Nov-10	Buyout, expansion - cleantech	I, DACH, Israel	n/d	+39 02 2906 631
€75	Nov-10	Buyout, expansion	P	Miguel de Oliveira Tavares	+351 220 126 700
€150	Jan-11	Buyout - Italian SMEs	I	Walter Comelli	+39 051 6566023
n/d	Feb-11	Early-stage - medical technology	El	Orla Rimmington	+353 21 4928974
£170	Dec-10	Buyout	UK	Nick Marsh	+44 20 3124 2911
n/d	Apr-11	Expansion, small and mid cap - biotechnology	Europe, US	Mark Wegter; Joep Muijers, Geraldine O'Keeffe	+31 20 664 55 00
n/d	Feb-10	Early-stage - healthcare	UK	Edward Rudd	+44 20 7332 0320
£94	Mar-11	Mezzanine	Scotland	Andrew Craig	+44 141 206 0104
\$144	May-11	Buyout - mid-market	Turkey	Ahmet Faralyali	+90 212 340 76 34
\$15	Dec-09	Early-stage - cleantech, water, energy	Global	Kevin Brophy	+1 215 701 32 99
n/d	Jul-10	Buyout, small- and mid-cap	UK	n/d	+44 121 710 1990
€23	Oct-11	Early-stage, expansion - cleantech	D, A, CH, Nordics	Jürgen Habichler	+41 44 783 80 41
n/d	Feb-12	Early-stage	UK	Richard Henderson	+44 1727 8849398
€190	Sep-10	Buyout, expansion	ES	n/d	+34 91 7000 501
n/d	Oct-10	Early-stage	F	Marie-Agnès Gastineau	+33 1 53 93 49 40
€100	Sep-11	Buyout - mid-market	D, Benelux	n/d	+31 70 342 5425
€90	Feb-10	Early-stage, expansion	Nordic, Europe	Tellef Thorliefsson	+47 221250 10
£34	Jun-10	Buyout, Early-stage	UK	David Wilson	+44 141 331 5100
€100	Dec-11	Early-stage, expansion - technology	Europe and Silicon Valley	Jean-Marc Patouillaud	+33 1 53 65 65 53
€150	Jan-11	Buyout, special situations	F	n/d	+33 1 4297 1990
€30	Jul-11	Expansion, small and mid-cap - technology	DACH	Gerhard Fiala	+43 1 533 32 33 10
€4	Mar-11	Early-stage - medical services, biotechnology	ES	Borja García Nieto	+34 93 2701212
\$200	Jun-10	Funds-of-funds	US, Western Europe	Francois Vetri	+41 44 653 10 02
DKK 435	Feb-10	Early-stage	Nordic	n/d	+45 88184100
€15	Oct-10	Early-stage	ES	n/d	+34 91 396 14 94
n/d	Oct-10	Buyout, distressed situations	Europe, Latin America	Eduardo Navarro	+34 902 702526
€350	Nov-10	Early-stage - healthcare	ES	n/d	+34 848 421942
€104	Jun-11	Buyout, expansion	DACH, Benelux	Nick Money-Kyrle/Fynamore Advisers	+44 7887 428 639
n/d	Nov-10	Early-stage - biotech	ES	n/d	+34 91 344 68 90
€85	Dec-11	Early-stage, expansion - technology, life sciences	Nordics and CEE	Jimmy Fussing Nielsen	+45 2012 6000
n/d	Mar-10	Buyout	I	Gianfillipo Cuneo	+39 02 859 111
n/d	Dec-10	Early-stage, expansion	UK	Steve Leach	n/d
\$100	Feb-12	Early-stage, expansion - technology	Russia, Europe	Artyom Yukhin	+7 495 258 0534
€42	Nov-11	Early-stage, expansion - cleantech	FIN, Europe	Jarmo Saaranen	+358 (0)6 3120 260
€10	Jul-10	Buyout	Europe	Guy Davies	+44 2920 546250
€140	Dec-11	Buyout, expansion	I	Michele Semenzato	+39 02 854569 204

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