


PRIVATE EQUITY

BAR[^]METER

Q2 2011

Figures based on preliminary quarterly data from
Europe's specialist private equity information provider.

unquote” ARLE 

Key findings

Overall European private equity

- Overall private equity deal numbers were down by 6% in the three months to June, with 253 transactions completed against 269 in Q1.
- This decrease reflects an ongoing stagnation, with the total number of investments completed having remained within a range of just 16 over the past five quarters.
- Total deal value more than doubled in Q2, with a high number of secondary buyouts pushing this figure up to €27.3bn – the highest total seen since the third quarter of 2007.
- On a year-to-date basis, activity levels are down in 2011 compared to 2010 while value is substantially up, with the former down 11% to 522 deals and the latter up 59% to €41.1bn.

Buyouts

- Despite a slight slowdown in the overall volume level, buyouts actually rose slightly in the three months to June, increasing from 103 completions in Q1 to 106.
- The total number of buyouts completed across Europe has remained in the low triple digits, fluctuating within a range of just 12 deals since Q2 2010.
- In contrast to this, the Q2 value total of €25.7bn is more than double the figure recorded in Q1 and is the largest quarterly figure recorded since the third quarter of 2007.
- This was driven primarily by a comeback in the upper echelons of the market, with the €1bn+ value bracket seeing a four-fold increase in deals from two to eight.
- The largest deal in Q2 – the SEK 21bn (€2.4bn) secondary buyout of Swedish security solutions company Securitas Direct – eclipsed on its own the €2.3bn recorded in this segment in Q1.
- The mid-market category, covering deals worth between €100m-1bn, also witnessed sharp increases, with volume rising 67% to 35 and value jumping 58% to €11.3bn.
- The smallest size range, containing deals worth less than €100m, saw deal numbers drop 21% to 63, though deal value did increase slightly to €2.8bn.
- France was the strongest performer in terms of region, with deal numbers almost doubling from 14 to 27 and deal value rising by a staggering 506% from €1.3bn to a shade over €8bn.
- There was a surge in secondary buyouts in Q2, with this vendor type accounting for roughly half of all acquisitions with 51 deals and exactly half of the eight €1bn+ deals.

Growth capital

- Expansion deal numbers dropped slightly with deal value increasing marginally compared to Q1, while both figures remained within a relatively narrow range that has persisted for several quarters.
- There were 101 growth capital deals completed in Q2, down from the 120 witnessed in the first quarter but almost identical to the number seen in the final three months of 2010.
- The total value of these deals was approximately €1.44bn, up 14% from the €1.26bn recorded in the previous three months but, again, very close to the €1.42bn figure for Q4 2010.
- The UK was home to the largest proportion of deals in Q2, with 23 transactions in total completed in the country, including two of the top 10.
- Spain was home to the quarter's largest deal – the €300m investment into aerospace and defence business Inaer – and, with three transactions, recorded the most deals in the top 10.
- Despite the increase, these figures reflect an ongoing stagnation, with the total number of investments completed having remained within a range of just 16 over the past five quarters.

Early-stage

- In recent quarters the recurring trend in the venture space has been consistency in deal numbers at a modest level coupled with a rapidly declining value total.
- This trend continued in Q2, with the volume total of 46 equalling the figure seen in Q1 and remaining just two below and five above the numbers recorded in Q3 and Q4 2010 respectively.
- Deal value, however, has plummeted from €258m to just €181m since Q1 and is now 40% lower than the €300m witnessed in Q4 2010.
- Switzerland was home to the largest deal in the second quarter – the €18.25m investment into NovaShunt AG – one of two Swiss deals that made the top 10.
- The wider German-speaking region was by far the strongest performing overall, accounting for 20 of the 46 deals completed and five of the top 10.

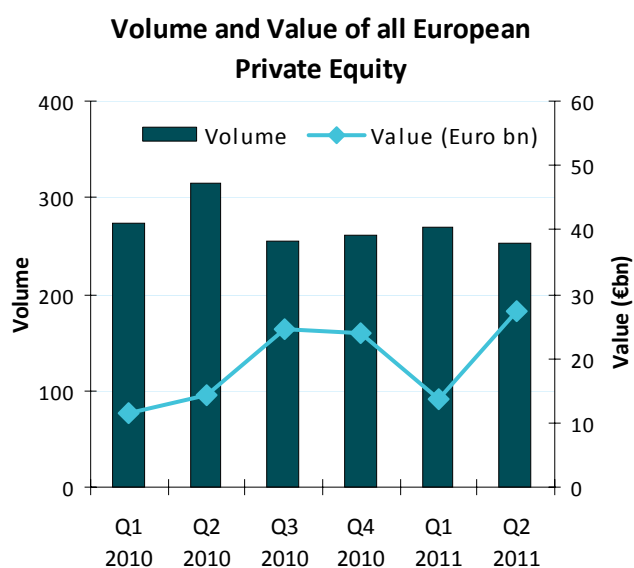
Update on Q1 2011 figures

Following the publication of the Barometer each quarter, both information on new deals and updates on existing deals invariably come to light. The following bullet points provide updated information on Q1 2011 deals that emerged after the publication of the Barometer in April 2011.

- There are now a total of 269 deals recorded for the three months to March 2011, 33 more than the 236 that were recorded at the time of the publication of the last Barometer in April.
- In value terms the total for the quarter is now €13.8bn, €1.6bn more than the €12.2bn figure published in the April report.
- There are now 103 buyouts listed for Q1, 11 more than the figure published in April. This is due to 13 new deals coming to light, three being deleted and one expansion deal being reclassified.
- These changes accounted for the bulk of the value shift, with in particular two upper mid-market deals added – the €763m purchase of Phones4U and the €315m buyout of Caffè Nero.
- The expansion segment now lists 120 completed deals in Q1, 18 more than the April figure. This is the result of 21 deals being added, one being deleted and two being reclassified.
- There are now 46 early stage transactions recorded for Q1, four more than previously thought. This is the result of three deals being added and one expansion deal being reclassified.

Values climb as secondaries make comeback

Overall European private equity



	Number	Value €bn
Q1 2010	273	11.6
Q2 2010	314	14.3
Q3 2010	255	24.6
Q4 2010	262	23.9
Q1 2011	269	13.8
Q2 2011	253	27.3
YTD 2010	587	25.8
YTD 2011	522	41.1

Source: unquote™

Against an economic backdrop that remains volatile private equity continues to meander in volume terms - deal numbers were down by 6% in the three months to June, with 253 transactions completed against 269 in Q1. In truth, these figures reflect an ongoing stagnation, with the total number of investments completed having remained within a range of just 16 over the past five quarters. A lack of viable exits continues to keep minds away from the business of putting capital to work, despite the fact that for many the clock is ticking on their investment periods.

This apparent stagnation notwithstanding, there are signs that buyout investors are looking to get back to the business of buying. Total deal value more than doubled in the second quarter, with a high number of secondary buyouts pushing this figure up to €27.3bn – the highest total seen since the third quarter of 2007. With corporates remaining cautious and the public markets remaining volatile, it seems the private equity community has turned to the old habit of recycling to provide much-needed exits and enable cash-rich buyers to get deals out of the door.

This can only ever be a temporary trend. While the high number of secondaries and the relative surge in deals at the top end of the value spectrum suggests a return of confidence – and an ability to raise substantial leverage – the market is in dire need of new exit routes and of reliable signs of a recovery in trading that will convince small- and medium-sized business owners to consider sales. Clearly the desire to do deals and the tools to transact remain in place in the right circumstances, but it may take until the end of the year before this translates into a tangible rise in activity.

Quarterly focus

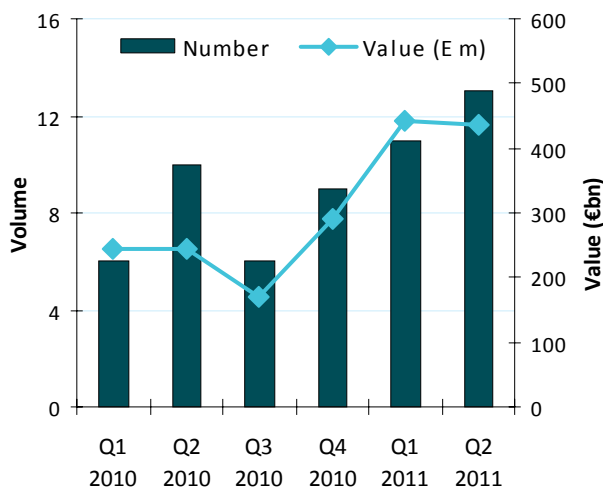
German buyout market

With the largest economy in Europe, the envy of the world over the past two years due to its comparatively low debt levels and speedy return to growth, it might be expected that Germany would be leading the way in investment terms in the current climate. However, in the same way the German banking system was not as exposed to the issues of securitisation, its buyout market has never taken off to the same extent as that in France and the UK.

What Germany does have, though, is a wealth of strong small- and medium-sized businesses operating within a stable economy, which has given rise to a strong domestic buyout market focused on the 'Mittelstand'. Here, there are noticeable signs of a steady recovery in investment terms.

The number of deals in the wider German-speaking region rose in the second quarter from 15 to 22, while value rose more than three-fold from a shade over €1bn to approximately €3.4bn. Germany alone accounted for 20 deals and €3.3bn of these totals. This surge in value occurred despite a complete absence of any deals in the largest value segment, covering deals worth in excess of €1bn. France and the Nordic region saw larger rises in value, but both had their totals boosted by the completion of two deals and three deals respectively that fell into this bracket.

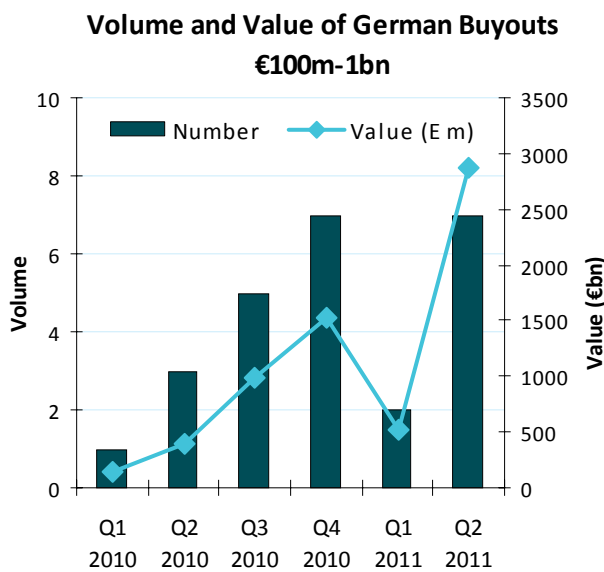
**Volume and Value of German buyouts
 <€100m**



Source: unquote

Buyouts <€100m	Number	Value (€m)
Q1 2010	6	245
Q2 2010	10	243
Q3 2010	6	170
Q4 2010	9	290
Q1 2011	11	441
Q2 2011	13	435

Germany's growth was instead driven by deals in the €100m-1bn mid-market buyout range, which accounted for seven deals worth €2.9bn – some 87% of the total by value. In line with the theme outlined above in relation to the prominence of secondary buyouts in Q2, five of these seven deals involved companies being acquired from another institutional investor, including all of the top four largest transactions.



Buyouts €100-1bn	Number	Value (€m)
Q1 2010	1	145
Q2 2010	3	386.6
Q3 2010	5	989.5
Q4 2010	7	1521
Q1 2011	2	520
Q2 2011	7	2866.7

Source: unquote

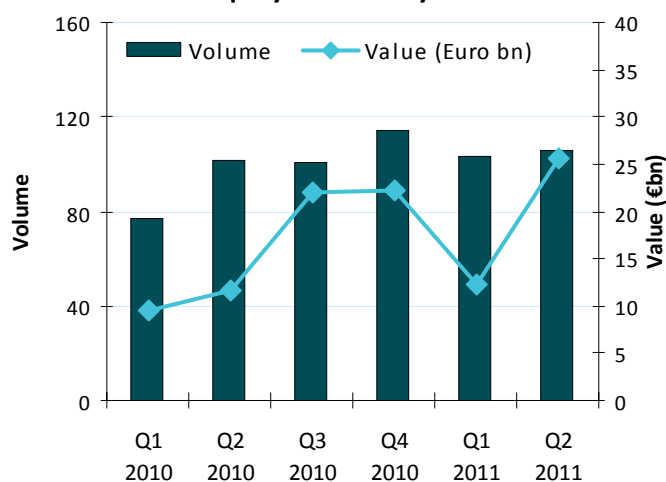
These deals were largely concentrated in the broader industrials sector, with five of the seven being companies that are involved in the production and manufacture of goods and three of these being core industrials businesses that do not have a retail focus. This is clearly a strong area in Germany, a country with one of the largest export markets in the world and an enviable reputation in manufacturing and production.

Despite fears that the market would falter in 2009/2010 as a result of a strong Euro and therefore comparatively higher prices, exports have continued to be a key part of Germany's economic revival and all evidence seems to suggest that its industrial and manufacturing sectors are in rude health. The value of the Euro has now eased off following the drawn out difficulties in Greece and Portugal and the German economy as a whole appears to be in fine fettle, which suggests that this sector will continue to be an attractive hunting ground for both domestic and international buyout houses.

In terms of the smaller value deals completed in the second quarter, industrials accounted for a further three transactions, while the services sector featured strongly, accounting for four transactions. Four of this remaining group of 13 deals were buyouts sourced from family or private vendors, making a total of five deals sourced from smaller owner-managers. Given the fall in this category across the rest of Europe, this is perhaps further evidence of the comparative strength of Germany's SME sector.

Buyouts

Volume and Value of European Private Equity Backed Buyouts



Source: unquote

	Number	Value (€bn)
Q1 2010	77	9.6
Q2 2010	102	11.7
Q3 2010	101	21.9
Q4 2010	114	22.2
Q1 2011	103	12.2
Q2 2011	106	25.7
YTD 2010	179	21.3
YTD 2011	209	37.9

Despite a slight slowdown in the overall volume level, buyouts actually rose slightly in the three months to June, increasing from 103 completions in Q1 to 106. In line with the overall trend, however, this represents more of a continuation of modest activity levels rather than a significant movement. The total number of buyouts completed across Europe has remained in the low three digits, fluctuating within a range of just 12 deals since Q2 2010.

The story in terms of value, though, is very different. The Q2 total of €25.7bn is the largest quarterly figure recorded since the third quarter of 2007, when the sub-prime crisis was only just emerging and its evolution into a global recession was still six months hence. This was driven primarily by a comeback in the upper echelons of the market, with the largest value bracket, covering deals worth in excess of €1bn, seeing a four-fold increase in deals from two to eight.

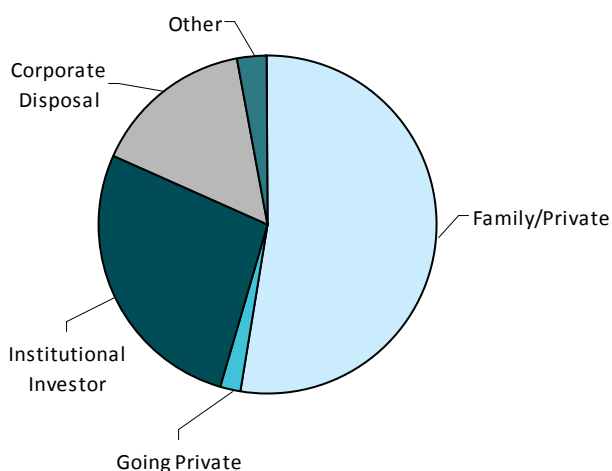
In fact, the largest deal in Q2 eclipsed on its own the €2.3bn total that was recorded across the two deals in this segment in the previous quarter. Worth SEK 21bn (€2.4bn), this was the acquisition of Swedish security solutions company Securitas Direct by Bain Capital and Hellman & Friedman. The deal was a secondary buyout and provided an exit for Swedish buyout house EQT Partners, which had acquired the business in 2007 in a deal worth €733m.

The surge at the top end of the market was part of general shift upwards in the value chain, with the broadly defined mid-market category, covering deals worth between €100m-1bn, also seeing a sharp increase in both volume and value. There were a total of 35 deals completed in this segment in the three months to June, 67% more than the total recorded in Q1, while value rose by 58% from €7.2bn to €11.3bn. The smallest size range, containing deals worth less than €100m, saw a contrasting fall in investment activity, with deal numbers dropping 21% to 63, though deal value did increase slightly to €2.8bn.

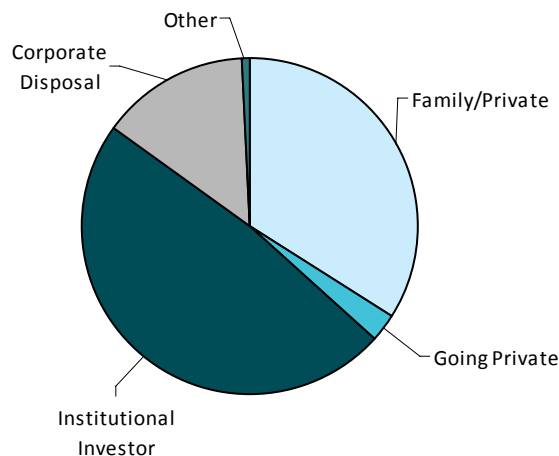
In terms of the location of deals, the UK was knocked from its perch in Q2 and was the only region to see a fall in investment activity compared to Q1, with 20 deals completed worth a little under €4bn, 45% and 14% less than the previous quarter. France was the strongest performer, with deal numbers almost doubling from 14 to 27 and deal value rising by a staggering 506% from €1.3bn to a shade over €8bn. Both the German-speaking DACH region and the Nordic region also saw large rises in value, rising by 256% and 234% respectively to €3.4bn and €5.2bn.

Perhaps the real story of the quarter, however, was the surge in secondary buyouts, which accounted for roughly half of all acquisitions with 51 deals and exactly half of the eight €1bn+ deals. Of perhaps equal surprise – and in line with the general movement up the value chain over the quarter – the number of deals coming from family and private vendors fell sharply from 54 deals to 36, making it uncommonly only the second largest source of deals.

Number of European Buyouts by Vendor Type
Q1 2011



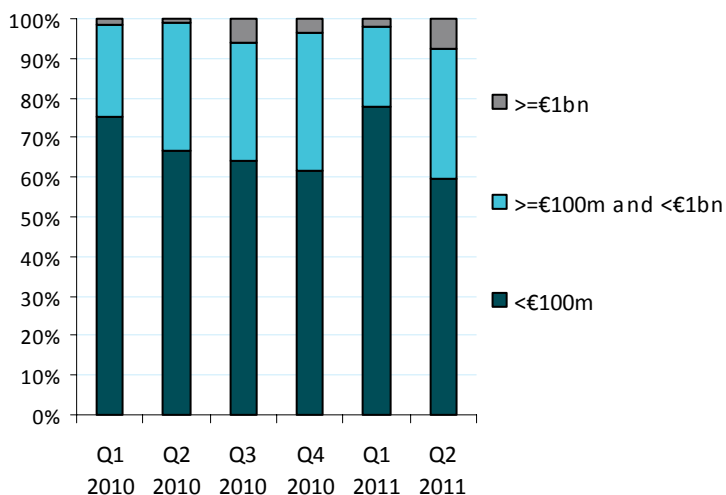
Number of European Buyouts by Vendor Type
Q2 2011



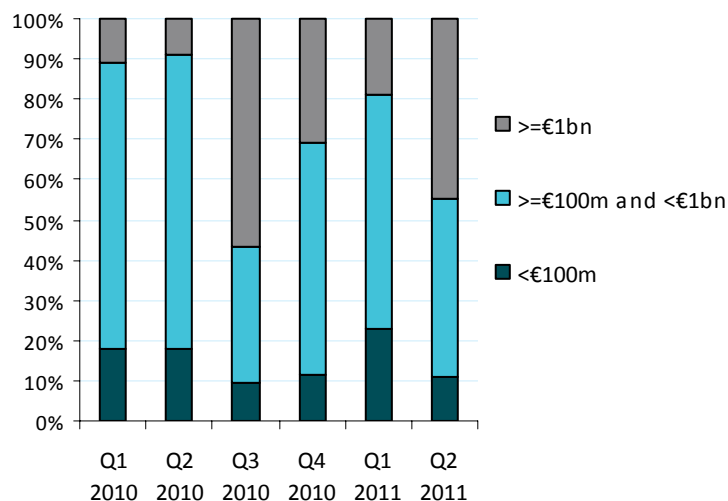
Vendor Type	Q1 2011	Q2 2011
Family/Private	54	36
Going Private	2	3
Institutional Investor	28	51
Corporate Disposal	16	15
Other	3	1

Source: unquote™

Number of European Buyouts by Size Range



Value of European Buyouts by Size Range

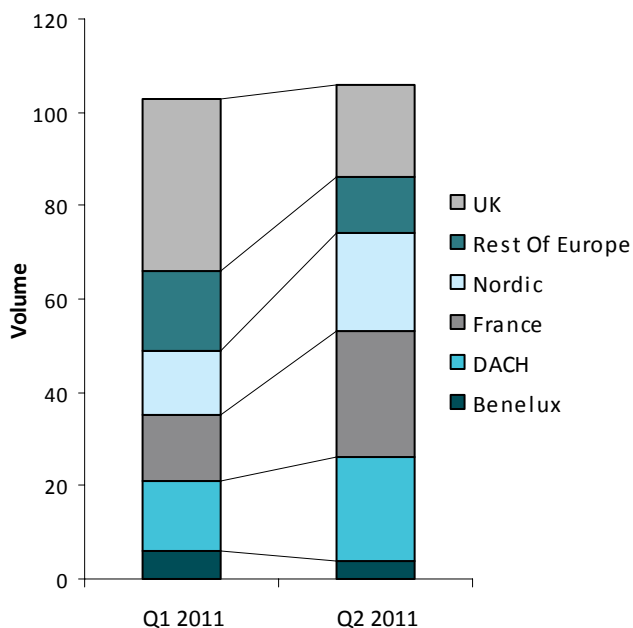


	<€100m		>=€100m and <1bn		>=€1bn		Quarterly Totals
	Number	%	Number	%	Number	%	
Q1 2010	58	75	18	23	1	1	77
Q2 2010	68	67	33	32	1	1	102
Q3 2010	65	64	30	30	6	6	101
Q4 2010	70	61	40	35	4	4	114
Q1 2011	80	78	21	20	2	2	103
Q2 2011	63	59	35	33	8	8	106

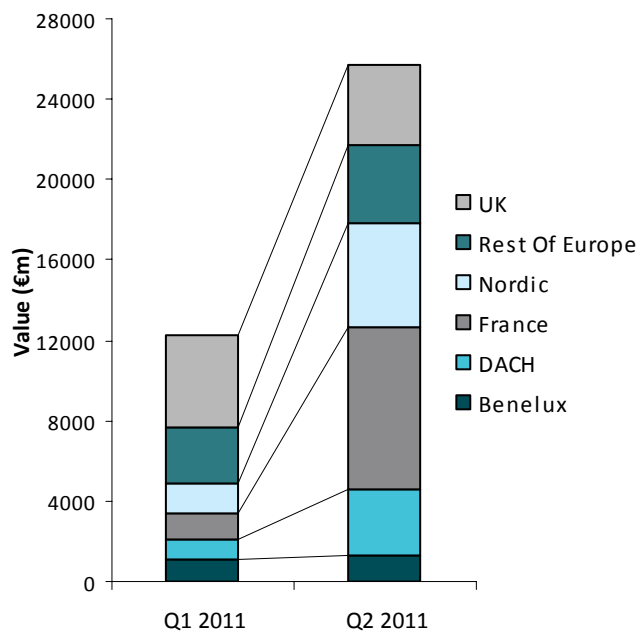
	<€100m		>=€100m and <1bn		>=€1bn		Quarterly Totals Value (€m)
	Value (€m)	%	Value (€m)	%	Value (€m)	%	
Q1 2010	1,702	18	6,833	71	1,070	11	9,604
Q2 2010	2,124	18	8,542	73	1,066	9	11,732
Q3 2010	2,080	9	7,445	34	12,418	57	21,943
Q4 2010	2,543	11	12,747	58	6,866	31	22,157
Q1 2011	2,774	23	7,159	58	2,309	19	12,242
Q2 2011	2,828	11	11,318	44	11,554	45	25,701

Source: unquote™

Number of European Buyouts by Region



€m Value of European Buyouts by Region



	Volume		Value (€m)	
	Q1 2011	Q1 2011	Q2 2011	Q2 2011
Benelux	6	1058.8	4	1270
DACH	15	1002.3	22	3351.3
France	14	1328.5	27	8050
Nordic	14	1464	21	5210.4
Rest Of Europe	17	2790	12	3851.5
UK	37	4598.6	20	3967.3
Totals	103	12242.7	106	25700.5

Source: unquote"

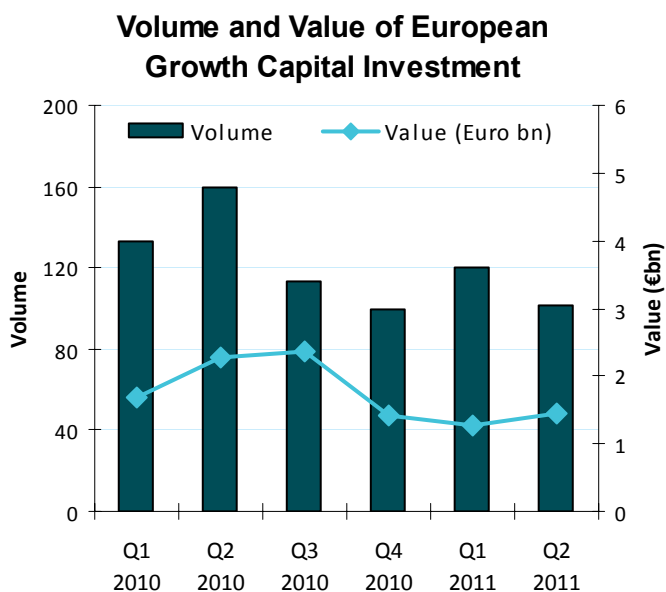
Ten largest European private equity-backed buyouts, Q2 2011*

Deal Name	Value €m	Country	Equity Provider
Securitas Direct	2363	Sweden	Bain Capital, Hellman & Friedman
SPIE	2100	France	AXA Private Equity, Caisse de Depots du Placement de Quebec, Clayton Dubilier & Rice
Dometic	1343	Sweden	EQT Partners
Gruppo Coin	1300	Italy	BC Partners
Moncler	1200	Italy	Eurazeo
Group RAC	1147	United Kingdom	Carlyle Group
Delachaux	1080	France	CVC Capital Partners
Foncia	1020	France	Bridgepoint Capital, Eurazeo
Environmental Resources Management	950	United Kingdom	Charterhouse Capital Partners
Metallum	670	Luxembourg	First Reserve Corporation

* Only includes deals with disclosed or publicly estimated values

Source: unquote"

Growth capital



	Number	Value (€ m)
Q1 2010	133	1676
Q2 2010	160	2266.6
Q3 2010	113	2371.5
Q4 2010	100	1420.1
Q1 2011	120	1264.5
Q2 2011	101	1438.5

YTD 2010	293	3942.5
YTD 2011	221	2703

Source: unquote”

Expansion deal activity in Europe is often seen as a good gauge of how well the market is doing underneath the headline deals; it is easy to see why. Once again this market segment recorded trends that were broadly in line with the wider market: deal numbers dropped slightly compared to the opening three months of the year and deal value increasing slightly, while both remained within a relatively narrow range that has persisted for several quarters.

The total number of growth capital deals completed in Europe in Q2 was 101, down from the 120 witnessed in the first quarter but almost identical to the number seen in the final three months of 2010. The total value of these deals was approximately €1.44bn, significantly more than the €1.26bn recorded in the previous period but, again, very close to the €1.42bn figure for Q4 2010. For the year to date the market remains behind 2010’s early pace, with the 221 deals worth €2.7bn completed so far this year 25% and 31% less than the figures at this stage last year.

The UK was home to the largest proportion of growth capital deals in Q2, with 23 transactions in total completed in the country, including two of the top 10. France was almost as active, representing 22 of the 101 deals and accounting for two of the top 10. Spain was home to the largest deal – the €300m investment into aerospace and defence business Inaer backed by Investindustrial and KKR – and also accounted for the largest number of the top 10 transactions with a total of three.

Ten largest European growth capital transactions, Q2 2011*

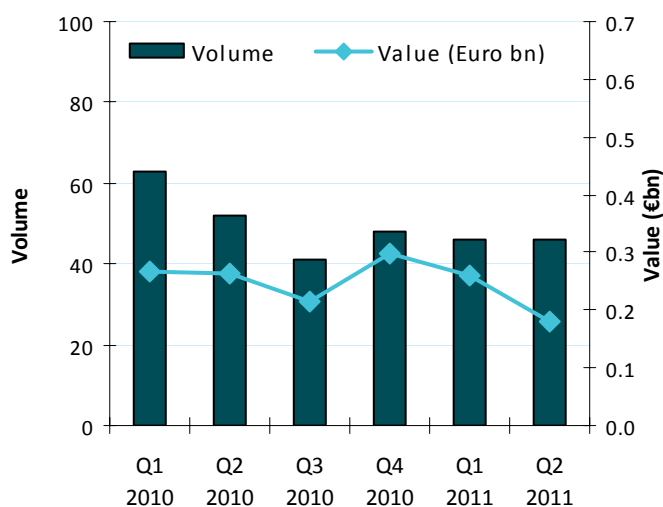
Deal Name	Value €m	Country	Equity Provider
Inaer	300	Spain	Investindustrial, Kohlberg Kravis Roberts
CABB (Clariant Acetyl Building Blocks)	140	Germany	Bridgepoint Capital
Triventus AB	116	Sweden	Curzon Park Capital, Swedish Industrial Development Fund (Industrifonden)
MicroDish	57	France	Icos Capital
A&R Carton	34.1	United Kingdom	Ahlström Capital
OpenBuildings	33	France	Blue Run Ventures, Index Ventures
eviivo	31.8	United Kingdom	Investcorp
I-Tech AB	30	Spain	ALMI, Mintage Scientific
Demmero Group 21	30	Netherlands	Atitlan Capital
Go Outdoors	29	France	3i

* Only includes deals with disclosed or publicly estimated values

Source: unquote”

Early-stage

Volume and Value of European Early-Stage Investment



	Number	Value (€m)
Q1 2010	63	267.7
Q2 2010	52	261.9
Q3 2010	41	214.3
Q4 2010	48	299.6
Q1 2011	46	258.2
Q2 2011	46	180.8

YTD 2010	115	529.6
YTD 2011	92	439

Source: unquote”

European venture capital has for some time now been in the doldrums, with LP investment scarce, exits hard to come by and deal numbers subsequently remaining stubbornly low. In recent quarters the recurring trend has been consistency in deal numbers at a modest level coupled with a rapidly declining value total, reflecting the lack of liquidity in this segment and the difficulty start-up companies are having in attracting large syndicate investment.

The three months to June saw a continuation of this trend, with the deal volume total of 46 equalling the figure seen in the first quarter of 2011 and remaining just two below and five above the numbers recorded in Q3 and Q4 2010 respectively. Total deal value, however, has plummeted from €258m to just €181m since Q1 and is now 40% lower than the €300m witnessed in Q4 2010. Year to date, therefore, the market is some way off 2010, with the total of 92 deals worth €439m 20% and 17% respectively lower than the already modest numbers recorded at this stage last year.

Healthcare and pharmaceuticals stronghold Switzerland was home to the largest deal in the second quarter, one of two Swiss deals that made the top 10 – the €18.25m investment into NovaShunt AG by a syndicate comprising BioMedPartners, Capricorn Venture Partners, Entrepreneurs Fund Management, Neomed Innovations and VI Partners. The wider German-speaking region was by far the strongest performing overall, accounting for 20 of the 46 deals completed and five of the top 10.

Ten largest European early-stage transactions, Q2 2011*

Deal Name	Value €m	Country	Equity Provider
NovaShunt AG	18.3	Switzerland	BioMedPartners, Capricorn Venture Partners, Entrepreneurs Fund Management, Neomed Innovations, VI Partners
f-star GmbH	15	Austria	Aescap Venture, Atlas Venture, Merck Serono, MP Healthcare Venture Management, SR One, TVM Capital
Actiwave AB	15	Sweden	SEB Venture Capital
Sapiens Steering Brain Stimulation GmbH	13	Germany	Edmond de Rothschild Investment Partners, Life Sciences Partners, Wellington Partners
Novate Medical	8.7	Ireland	ACT Venture Capital, Crédit Agricole Private Equity, Seroba Bioventures, Seroba Kernel Life Sciences
Shield Therapeutics	8.2	Switzerland	Inventages Venture Capital GmbH
Supercell	8.1	Finland	Accel Partners, London Venture Partners
NonWoTecc	7	Germany	NRW Bank, HTGF, KfW
Service2Media	7	Netherlands	Prime Technology Ventures, Private Plus Fund
Advicenne Pharma	5.1	France	CDC Entreprises, iXO Private Equity (formerly ICSSO Gestion)

* Only includes deals with disclosed or publicly estimated values

Source: unquote"

Notes

1. All data published in the unquote™ Private Equity Barometer (in association with Arle Capital Partners) is extracted from the unquote™ database, the proprietary data system of Europe's leading private equity information specialist (see below for more information). Although every effort is made to ensure that the statistics and data contained within are as comprehensive as possible, figures for the latest quarter should be considered preliminary and are likely to increase as further deals come to light over the coming weeks. Figures for historical quarters are fully updated in each new edition of the Barometer to reflect the latest intelligence. A summary of the key revisions can be found in the highlights section on page 4.
2. Wherever possible, data has been fully validated with direct contact with the investment professionals themselves. Deal value relates to the total funding raised to complete the transaction, including any leverage. In some cases, deal values and as a consequence contain, where relevant, both debt and mezzanine.
3. The data is pan-European and based on deals backed by at least one formalised venture capitalist or mezzanine provider. Debt-only transactions are not included.
4. Where data is analysed by geography, the following six regions have been used:
 - a. Benelux (Belgium, Luxembourg, Netherlands)
 - b. DACH (Austria, Germany, Switzerland)
 - c. France (France)
 - d. Nordic (Denmark, Finland, Norway, Sweden)
 - e. UK (United Kingdom)
 - f. Rest of Europe (Ireland, Italy, Portugal, Spain)
5. For further information on the content of the unquote™ Private Equity Barometer, please contact Emanuel Eftimiu on +44 (0)20 7004 7464.
6. Further data is available on unquote.com and the [unquote™ database](#)

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