Thursday 13th January 2011

European buy-out value more than doubles in 2010
Strong rebound in exit market

The overall value of European buyouts* more than doubled (rose 148%) in 2010 to €50.3bn (2009: €20.2bn) with a strong rebound in the exit market, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Barclays Private Equity and Ernst & Young.

Highlights

- Private equity-backed European buyouts in 2010 more than doubled in value to €49bn from €18.3bn in 2009. By volume, European buyouts rose by 17% from 433 to 505.
- The European exit market has rebounded strongly with the overall value of businesses sold totalling €55.7bn (2009: €9.3bn), outstripping the total value of investments for the first time (€49bn). The IPO market showed the biggest recovery of all exit routes (14 IPOs in 2010 compared to only one in 2009).
- The total number of secondary exits in Europe in 2010 more than doubled to 102 deals compared to only 49 in 2009. The overall value of European secondary exits rose by around eight times to €18.8bn from just €2.3bn in 2009. Secondary exits reached a high in 2007 when 238 deals were recorded with a total value of €56.8bn.
- European buyouts in the fourth quarter have reached the highest quarterly value since the collapse of Lehman Brothers in Q3 2008, totalling €16bn (Q3 2008: €19.4bn). By value, European buyouts in Q4 represent more than 87% of 2009's total buy-out value (€18.3bn), but only 13% of 2005's 'pre-boom' annual total value of €126bn.
- The average deal size has more than doubled in 2010, reaching €97m compared to just €42m in 2009. The average deal size peaked in 2006 at €175m.
- Debt levels remain low in 2010 with the average proportion of senior debt at 31% - a similar level to last year (32%). This compares to 51% in 2007. For European deals above €100m average debt fell from 58% in 2007 to 37% in 2009 and 38% in 2010.
- The UK continues to be the largest buyout market in Europe, totalling €21bn and accounting for 43% of the total European market. France and Germany accounted for 15% and 9% of the total value respectively.

** The first figures provided of €50.3bn and €20.2bn refer to all European buyouts (including those without private equity sponsor). All remaining figures in the release relate only to private equity-backed buyouts.*

Increase in €500m+ deals

- Buyouts valued at €500m and over totalled €27.6bn in 2010 compared to only €4.6bn last year. In 2010 larger deals (over €500m) accounted for 56% of total European deal value compared to only 25% in 2009. By volume, there were 25 large deals in 2010 and only five in 2009.

- Buyouts over €1bn have returned with 10 deals at a total value of €17.8bn compared to two deals with a combined value of €2.8 billion last year. The total value of deals in this size range peaked in 2006 at €90.9bn comprising 35 deals.

- Of the 25 European deals valued above €500m in 2010, nine (36%) of these transactions were completed in the UK.

- EBIT multiples for buyouts over €100m (with disclosed pricing information) fell to 10.5 times historic EBIT in 2009 but have rebounded to 2008 levels at 15.8 times historic EBIT in 2010.

- Half of all European buyouts in 2010 were valued under €10m (50% of the 505 deals completed).

Manufacturing sector leads recovery; secondaries dominate

- 141 manufacturing sector transactions were recorded in 2010, accounting for 28% of all European deals by volume. By value, these accounted for 23% of all European deals in 2010 at €11.3bn. This compares to just 14% of all deals in 2009 totalling €2.5bn.
- Secondary transactions remain the largest source of buyouts, with 118 deals recorded totalling €23bn and accounting for almost half (47%) the total European buyout value.
- Confidence in purchasing assets from Family/Private firms has returned with this source providing the highest volume of buyouts (169) in 2010. By value, buyouts from Family/Private firms more than doubled to €6.1bn in 2010 (2009: €2.9bn).

UK continues to dominate European buyouts

- The UK, France and Germany recorded the highest total deal values in Europe in 2010 on a country by country basis with €21.2bn, €7.2bn, and €4.5bn respectively.

- Dealflow in France increased dramatically in 2010. By value, total deal value rose from €1.9bn in 2009 to €7.2bn in 2010. By volume, deals rose by 31% to 101 (2009: 77).

France, however, remains a long way off 2006's high of €33.8bn and 2010 levels of activity show that the market has been operating at levels last seen in the early 2000s.

- By value, buyouts in Germany more than doubled in 2010 to €4.5bn (2009: €1.9bn) although this remains far below its 2007 record value (€26.6bn) and, like France, has shown activity at levels seen in the early 2000s. Germany had a strong first quarter in 2010 (with a total deal value of €2.6bn) due predominantly to the €2.5bn buyout of Springer Science & Business Media in [January] which accounted for over half of Germany's full year deal value.

Exit market rebounds

- Private equity-backed IPOs in 2010 reached a total value of €21.6 billion - the highest ever recorded value for European flotations and representing a significant increase since 2009 when a total value of just €676m was recorded. Compared to secondary exits, IPOs showed a bigger increase in value between 2009 and 2010 – the total IPO value increased by over 30 times while the value of secondary exits increased by around eight times (2009: €2.3bn and 2010: €18.8bn).

- The IPO of Kabel Deutschland at €5.3bn was the largest exit in 2010 with Unity Media (€3.5bn) the largest trade sale. The sale of Cognis to BASF at €3.1bn was the largest exit recorded in the fourth quarter.

Peter Hammermann, Co-Head of Barclays Private Equity Europe, commented:

"2009 was an interesting year for European buyouts and the value and volume of deals in 2010 have increased significantly, which should suggest the start of a sustained recovery."

"We have seen very encouraging signs from the exit market in 2010 with the total value of exits outstripping total entry values for the first time ever and indicating a renewed appetite for private equity-backed assets in the public and private markets."

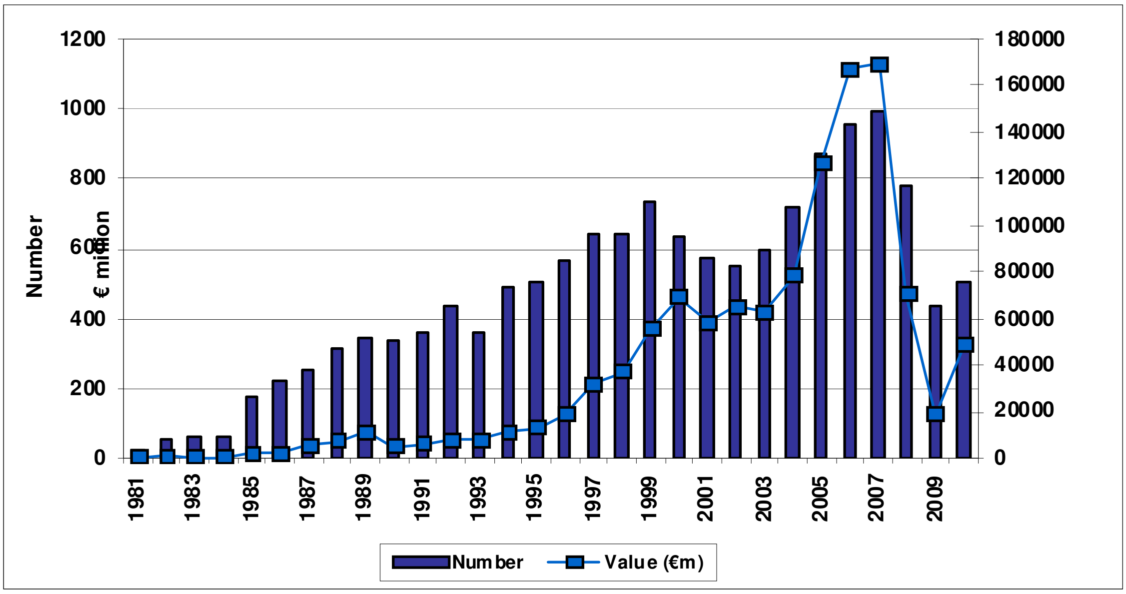
Sachin Date, private equity Partner at Ernst & Young said:

"2010 saw a strong recovery in the European private equity market on the buy side. We remain cautious but optimistic of a similarly robust market in 2011 based on a good pipeline of deals already in place for the first six months of the year."

"There was a substantial increase in the value of secondary buyouts in 2010, with the activity this year similar to the levels in 2004 and 2005. But this is not a new phenomenon, the growth in secondaries reflects the trend for medium sized PE houses to sell on their portfolio companies to global houses as part of their organic evolution or as part of a buy-and-build strategy."

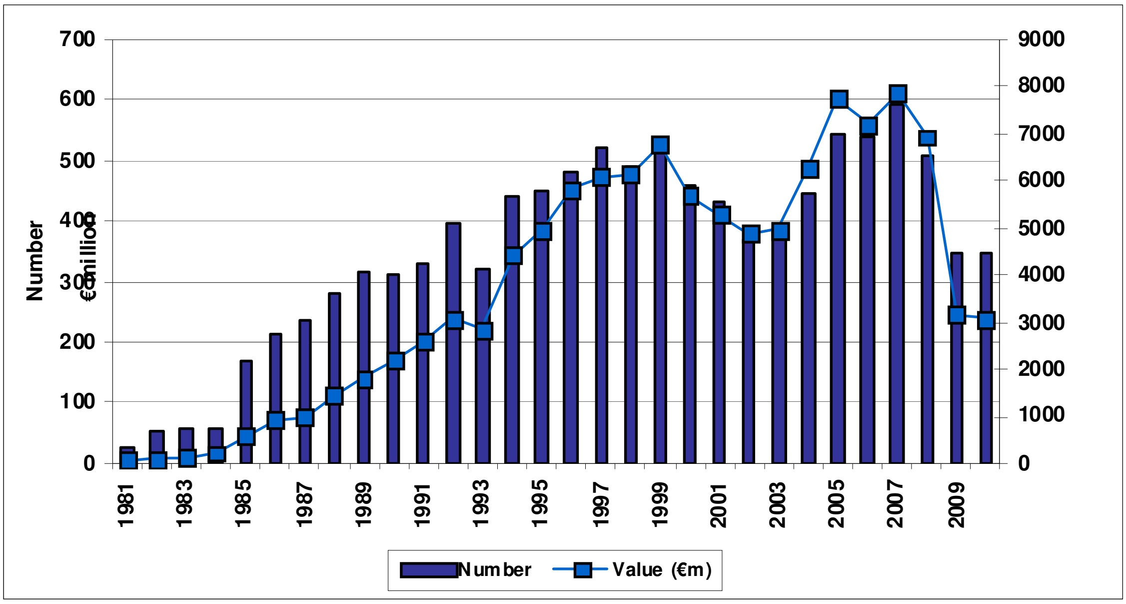
- Ends -

Fig 1.0: Trends of Buy-outs/Buy-ins (Europe)



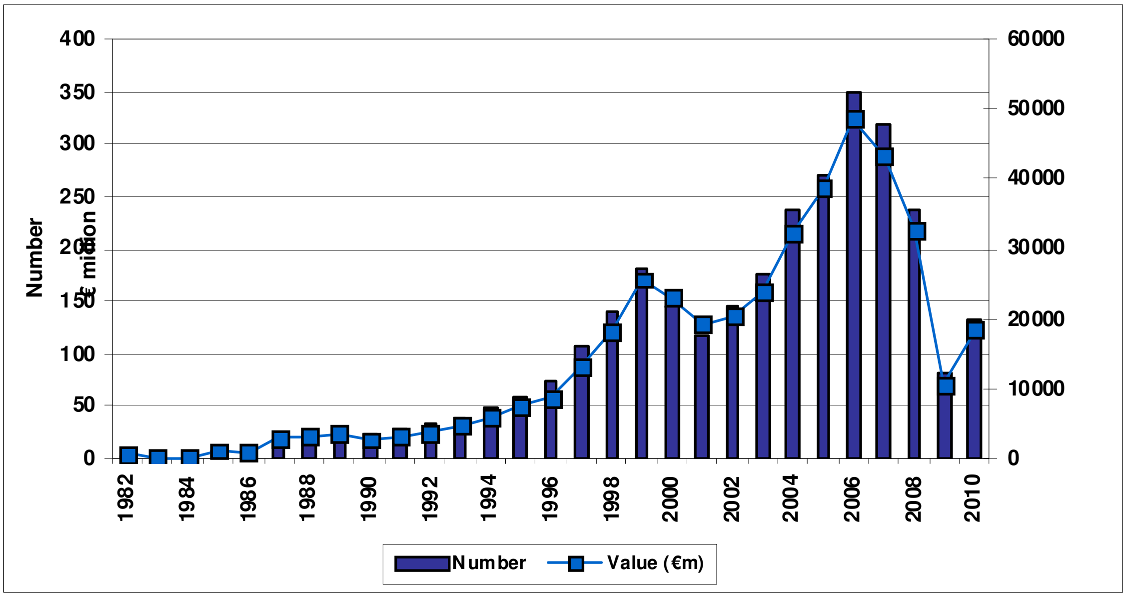
Source: CMBOR/Barclays Private Equity/Ernst & Young

Fig 1.1: Trends of Buy-outs/Buy-ins below €50m (Europe)



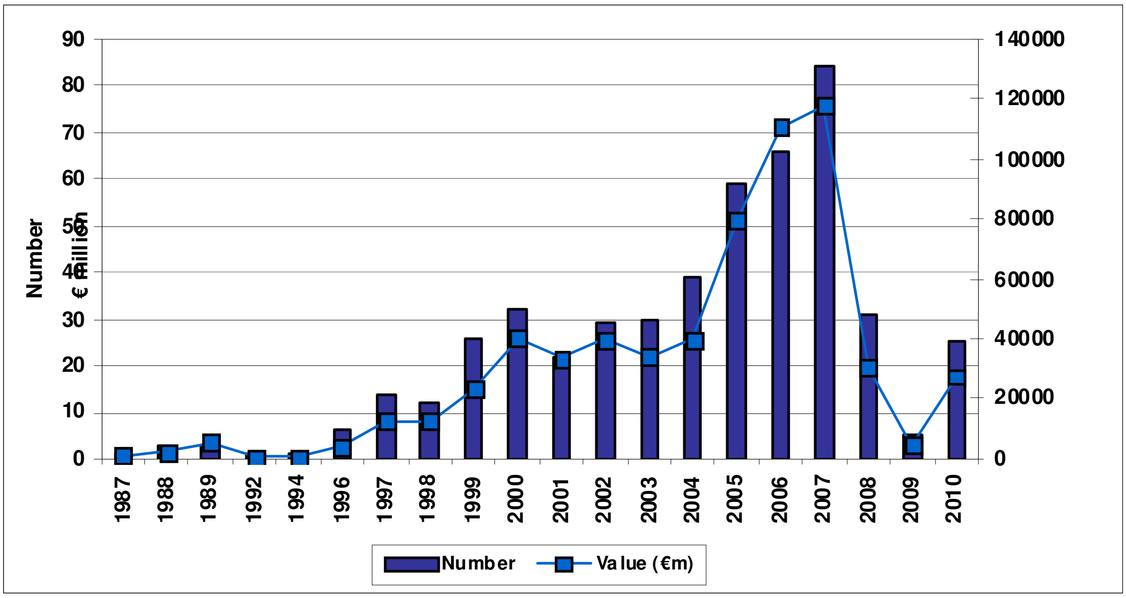
Source: CMBOR/Barclays Private Equity/Ernst & Young

Fig 1.2: Trends of Buy-outs/Buy-ins €50-500m (Europe)



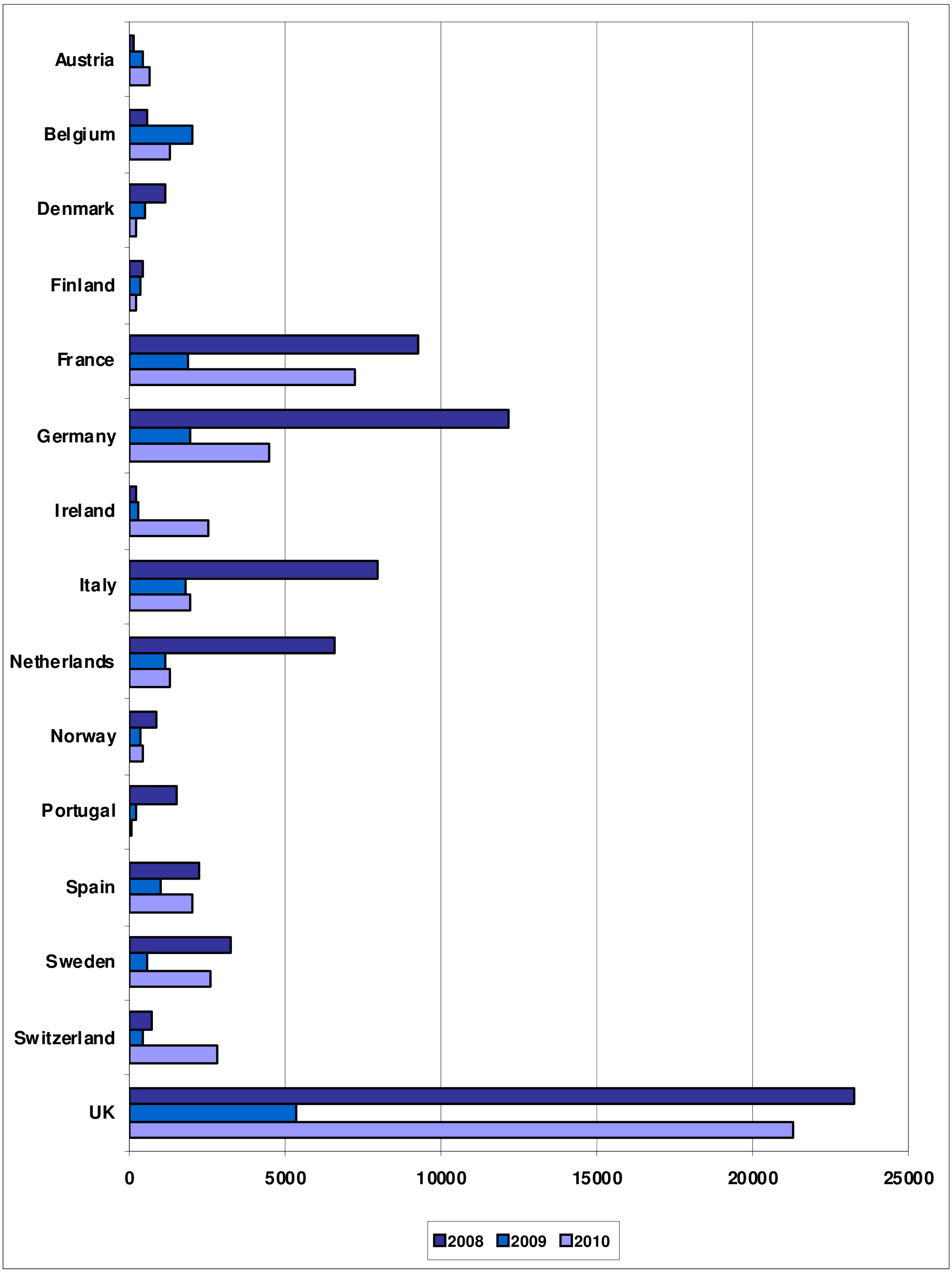
Source: CMBOR/Barclays Private Equity/Ernst & Young

Fig 1.3: Trends of Buy-outs/Buy-ins above €500m (Europe)



Source: CMBOR/Barclays Private Equity/Ernst & Young

Fig 1.4: European Buy-outs/Buy-ins by Country - Value of deals (€m)



Source: CMBOR/Barclays Private Equity/Ernst & Young

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Notes to editors:

About CMBOR

- The Centre for Management Buy-out Research (CMBOR) was founded at Nottingham University Business School in 1986 and has been sponsored by Barclays Private Equity since its establishment. CMBOR is world-renowned as the long-standing leader in providing robust analysis of the buy-out market.

- CMBOR data covers all buyout activity and therefore includes transactions funded on a cash or debt-only basis as well as traditional private equity-funded buyouts.

Barclays Private Equity

- Barclays Private Equity is one of Europe's leading investors in mid-market buyouts with a successful track record spanning over 25 years.

- It has a team of over 40 investment professionals in seven offices across five countries. Its offices are in Birmingham, London, Manchester; Paris; Munich; Milan and Zurich.

- Its investment in individual transactions ranges between €10m and €200m although it is able to underwrite much larger equity investments up to €300m which would be shared with co-investors.

- In the UK, it has a sector focus on Consumer & Travel, Financial Services, Support Services and Specialist Engineering.

- Barclays Private Equity has raised over €5 billion of committed capital and has many of the world's leading investors amongst its investor base. It is currently investing the €2.45 billion Barclays Private Equity Fund III which closed in September 2007

- The buyout team is currently investing funds from Barclays Private Equity European Fund III alongside those of its parent, Barclays Bank PLC. Barclays Private Equity's portfolio of investments across all its funds under management currently consists of 63 companies.

- In the last 10 years, Barclays Private Equity has completed over 150 transactions with total equity invested of €4.7 billion and has generated attractive returns for its investors.

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