EQUISTONE

Private equity realises value in strong European exit market in 2013

Value of European private equity exits via IPO highest on record

There was a notable resurgence in the European private equity exit market in Europe in 2013 which saw the value of exits at its second highest annual total for six years at €73.9bn*, up 26% on 2012's total of €55.4bn, but down 11% on 2011's value of €83.1bn, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Equistone Partners Europe Limited and EY.

Overall activity in the European buyout market was robust but slightly slower than 2012. There were 521 private equity-backed deals completed in Europe with a total value of €50.3bn in 2013, a decrease of 7% on 2012 (€54.2bn) and the lowest in value since 2009 (€20.0bn). Similarly, private equity deal activity as a proportion of overall M&A in Europe by value fell slightly to 10% in 2013 (Source Dealogic) from 12% in 2012, as corporate M&A activity picked up.

Highlights

Exit market performs well; value of exits via IPO at highest ever recorded total

- There was less capital invested by private equity than there was realised in Europe in 2013 causing private equity exits to outstrip the level of investments completed by €23.6bn.

- Boosted by a growing confidence in current economic conditions and bullish markets, the value of exits by IPO reached a record level of €25.0bn from 20 flotations in 2013, up from just one IPO of €3.7bn in 2012. The IPO of Merlin Entertainments Group in November 2013 was the largest of 2013 at €3.8bn.

Refinancing back to pre-crisis levels

- A 2013 trend has been the recovery in the refinancing of private equity assets; both the number of refinancings, 129 (2012: 96), and aggregate value of refinancings, €43.0bn (2012: €24.9bn), were at the highest level since 2007.

UK and Germany leading European private equity markets

- Deal flow in Germany and the UK accounted for 55% of value for the total European buyout market in 2013. Private equity buyout activity in the UK was valued at €16.0bn from 183 deals in 2013; Germany had 64 deals worth a total of €11.6bn.

- France's total buyout value of €6.6bn in 2013 was down 57% on its performance in 2011 when it led Europe in both the value and volume of private equity backed transactions. Despite the expected

* Data for the full year 2013 is up to and including 20 December 2013

resurgence of French deal activity in 2013, the country fell further behind its neighbours Germany and the UK as further uncertainties around the country's fiscal policy took hold of market confidence.

Christiian Marriott, Investor Relations Director at Equistone Partners Europe Limited, said:

"The exit market has been strong in 2013. There has been a very significant pick up in IPO activity for private equity-backed companies and a healthy number of strategic acquirers from outside Europe.

"It is encouraging to see an increase in the availability of funding from the debt market which is evident both in the high value of refinancings and an encouraging level of deal activity in 2013. Sources of debt are becoming more diverse and it is encouraging specialist debt funds and other unitranche providers reaching down into mid-market buyouts, mitigating the reliance of buyout funds on clubs of lenders.

"However, despite the many positive signs, especially the IPO market, we are still a long way off pre-crisis levels of deal activity and leverage in Europe. New buyout activity still remains below last year's numbers both in volume and total value, and leverage for the vast majority of deals remains below the levels seen in the mid-2000s."

Sachin Date, Private Equity Leader for Europe, Middle East, India and Africa (EMEIA) at EY, commented:

"Private equity enters 2014 feeling more optimistic than it has done for a number of years. This optimism partly stems from the reopening of the IPO window. While public listings have been a viable exit route in the US for some 18 to 24 months, it has only been in the last year that IPO investors have begun welcoming new issues from Europe's listed companies. Private equity has been quick to capitalise on this shift in sentiment.

"When we look at the Top Ten Exits so far in 2013 we see that there have been seven IPOs, two secondary buyouts and only one trade sale. For the market to significantly improve in 2014 all three exit routes need to function efficiently. While it is positive news that IPOs and secondaries are working well, the challenge remains how to engage with European corporate players. Private equity houses need to work harder to convert their growing confidence into action to get the market firing on all cylinders again.

"As economic prospects continue to improve, the European private equity market is clearly making the most of the good conditions for exiting and returning capital to investors. However, it will need to be more innovative, looking further afield in its hunt for both new investment opportunities and corporate buyers, if it is to continue to deliver the strong returns it has historically been able to achieve."

Strong European exit market

- For the fourth year running, the exit market has outstripped the buyout market in Europe: €73.9bn worth of exits were completed in 2013 in comparison to €50.3bn of new deals.

- The exit market in the UK performed well in 2013 with a total exit value of €25.9bn, accounting for 35% of the overall exit market in Europe, greater than the combined value of the German and French exit markets: Germany (€14.6bn) and France (€6.9bn). However, the UK exit market is still performing well below its pre-financial crisis height of €38.8bn recorded in 2006.

- By sector, manufacturing was the most active for exits in Europe in 2013 accounting for 102 of the total number of deals (378). There was an increase in the manufacturing sector's exit value from €12.1bn in 2012 to €14.8bn in 2013.

Buoyant lending market in 2013

- The average proportion of debt used to finance European deals in 2013 was at its highest level since 2008 at 40% (up from 29% in 2012). Additionally, the proportion of debt used to finance deals of over €100m in value increased to 51% (2012: 38%). This is the first time since 2007 that it has accounted for the majority of financing in deals of over €100m in value, demonstrating an upturn in the availability of funding.

- The average amount of equity used to finance private equity deals in Europe in 2013 decreased to 53% from 66% in 2012. However, despite this fall, the ratio of equity employed remains well above the "boom" levels of 2006 when the average proportion of equity was just 39% for all deals.

UK leads European buyout market; France falls behind European neighbours

- Despite a 21% fall in the total value of deals in the UK to €16.0bn in 2013 (2012: €20.3bn), the UK buyout market accounted for 32% of overall value of buyouts in Europe in 2013 and remains more active than Germany, which had 64 deals totalling €11.6bn in value. Prominent UK-based buyouts in 2013 included B&M Retail, in January, valued at €1.1bn, and Vue Entertainment, in August, also valued at €1.1bn.

- Of the 10 largest buyouts in Europe in 2013, only one was a French transaction: Allflex, acquired by BC Partners for €985m. Comparatively, four of the 10 largest European buyouts were German, the biggest of which was the acquisition of Springer Science & Business Media by BC Partners in Q3 2013, valued at €3.3bn.

- Buyout activity in Norway picked up in 2013; a total deal value of €3.0bn was recorded - more than double its 2012 total value of €1.4bn and three times its 2011 total value of €988m. However, over a third of Norway's total value can be attributed to the Aibel deal in Q2 2013, which was valued at €1.2bn.

Secondary transactions dominant; few mega-deals

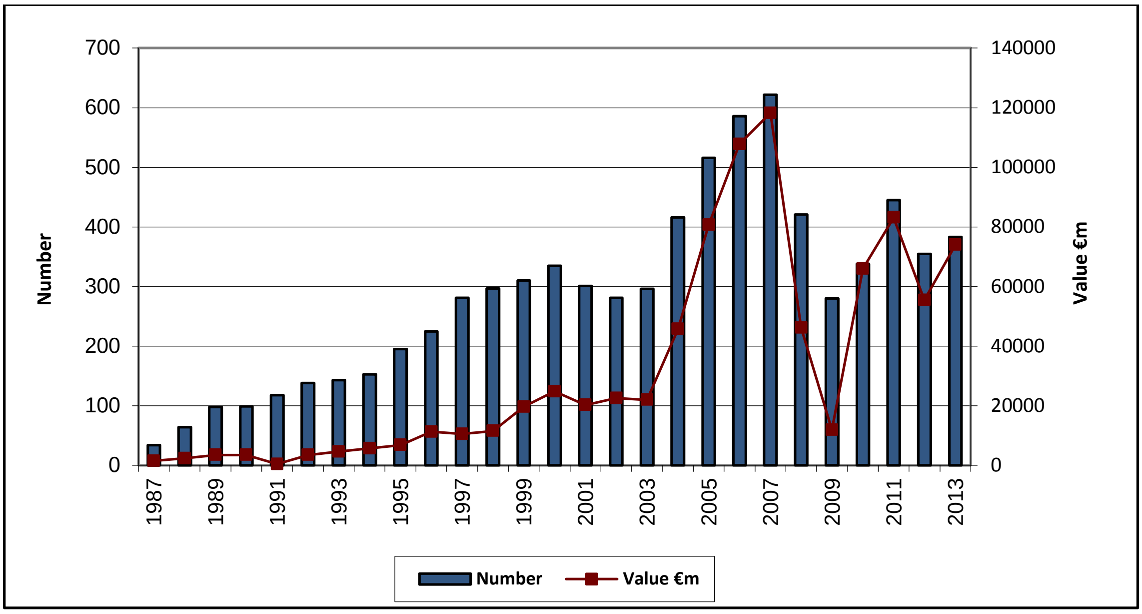
- Secondary transactions continued to be a dominant deal source in Europe in 2013 as private equity houses continued to support portfolio companies in moving up the value chain. The total value of secondary buyouts in Europe accounted for 61% of private equity backed transactions, totalling €30.6bn, compared to 48% in 2012.

- Despite a subtle drop in the number of buyouts sourced from foreign divestment in 2013 (47 compared to 53 in 2012), the total value of foreign divestment transactions fell by 55% from €7.2bn in 2012 to €3.2bn in 2013, indicating overseas interest in mid-market assets.

- The total number of mega-deals (over €1bn) completed in Europe in 2013 is at both the second lowest volume and value in the past decade (only 2009 was lower), with only nine deals completed this year at a total value of €15.0bn. This is just a quarter of the number of mega-deals seen in the pre-financial crisis peak when 36 mega-deals were completed across Europe in both 2006 and 2007.

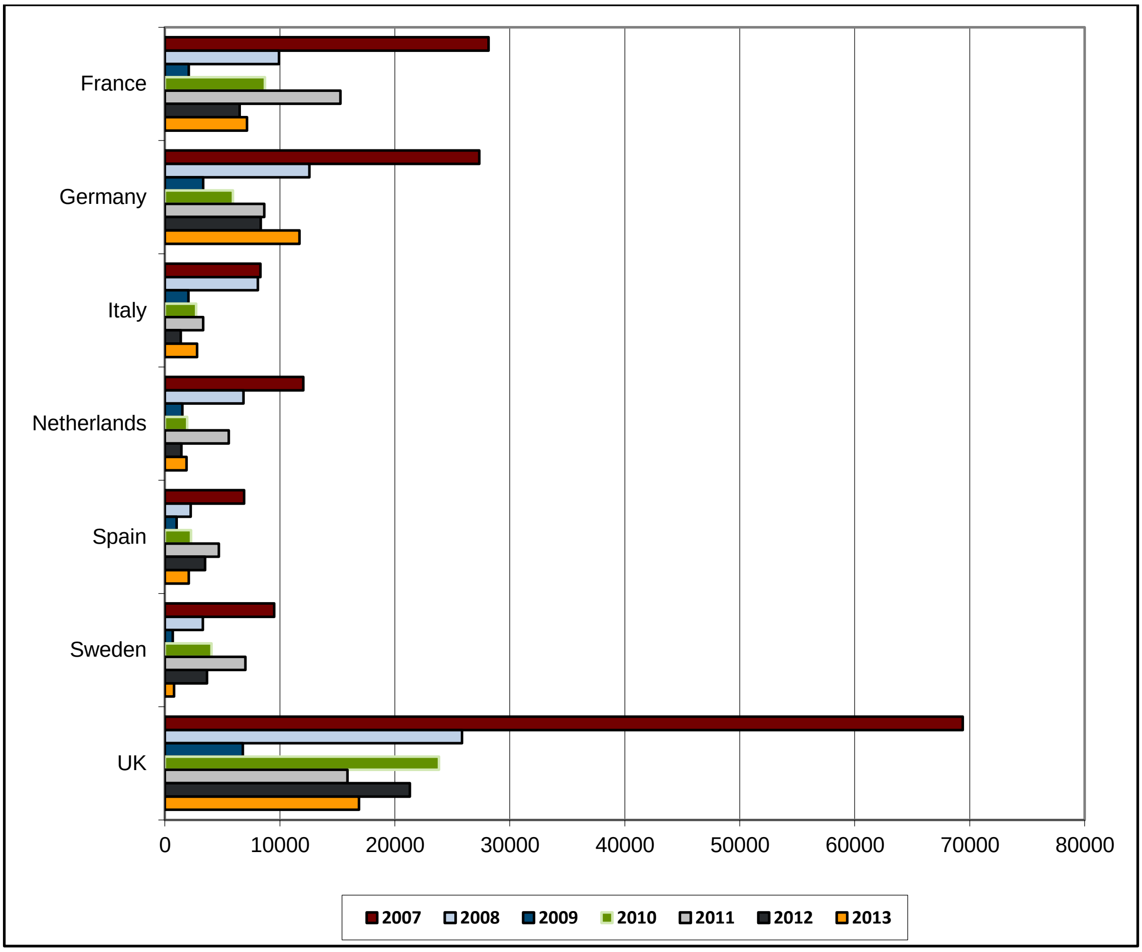
- Ends -

Fig 1.0: European Exits: Number & Value (€m)



Source: CMBOR/Equistone Partners Europe/EY

Fig 1.1: Major countries by value (€m)



Source: CMBOR/Equistone Partners Europe/EY

Notes to Editors

Methodology

The data compiled by CMBOR summarises trends in buyouts* across Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Czech Republic, Hungary, Poland, Romania and Turkey and the UK).

The data in this press release is for deals completed by or on 20 December 2013.

**Buyouts: CMBOR defines buyouts as over 50% of shares changing ownership with management or private equity, or both having a controlling stake upon deal completion. Equity funding must primarily be from private equity funds and the bought-out company must have its own financing structure, e.g., MBO/MBI.*

About Equistone Partners Europe

- Equistone Partners Europe Limited is an independent investment firm owned and managed by the former executives of Barclays Private Equity.
- In January 2013, Equistone successfully completed the final closing of Equistone Partners Europe Fund IV with total capital commitments of €1.5bn.
- The Company is one of Europe's leading investors in mid-market buyouts with a successful track record spanning over 30 years, with more than 350 transactions completed in this period.
- Equistone has a strong focus on change of ownership deals and aims to invest between €25m and €125m of equity in businesses with enterprise values of between €50m and €300m.
- The Company has a team of 36 investment professionals operating across France, Germany, Switzerland and the UK, investing as a strategic partner alongside management teams.
- Equistone Partners Europe Limited is authorised and regulated by the Financial Conduct Authority.
- For further information, please visit www.equistonepe.com

About EY

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About CMBOR

The Centre for Management Buyout Research (CMBOR) was founded in 1986 and moved to Imperial College Business School in 2011. CMBOR is world-renowned as the long-standing leader in providing robust analysis of the buyout 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. CMBOR is independently sponsored by Equistone Partners Europe Limited and EY.