

Multiple

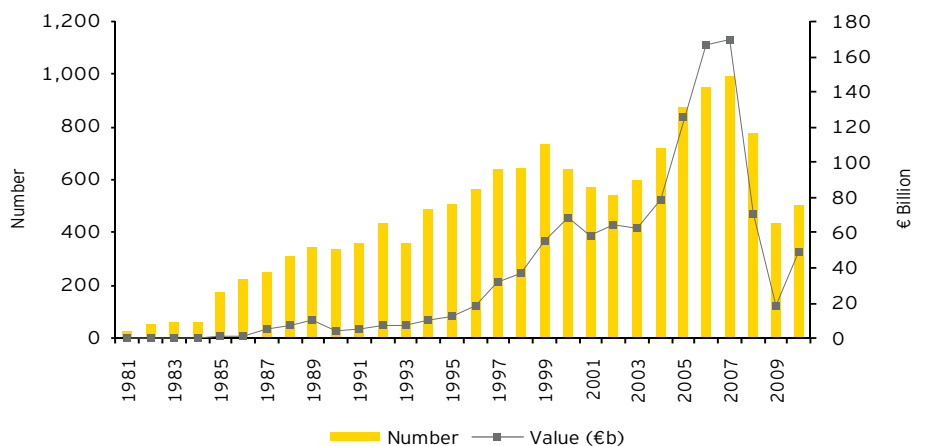
European buyouts watch
Q4 2010

The thaw continues for European buyout activity

Highlights

- ▶ European buyout value more than doubles in 2010 to hit €49b
- ▶ Average deal size in 2010 rises to €97m, number of deals climbs to more than 500
- ▶ 106 deals in Q4, valued at €16b, compared with €18b in all of 2009
- ▶ Value of exits exceeds value of entries
- ▶ Value of secondary buyouts continue to be strong, with investments moving to larger private equity (PE) houses
- ▶ UK remains largest market
- ▶ More equity, less debt in deals

Trends of European buyouts/buy-ins



Source: CMBOR / Ernst & Young / Barclays Private Equity



Multiple is a quarterly publication summarizing trends in buyouts* across Europe.

Ernst & Young is proud to sponsor CMBOR, the Centre for Management Buy-out Research whose data will be analyzed in *Multiple*. Countries covered:

Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the UK.

“The bottom of the market was reached in 2009 and we have seen some growth towards the end of 2010”

European buyout value more than doubles in 2010

2010 saw a strong recovery in the European private equity market, with 505 management buyouts and buy-ins across Europe, with a total value of nearly €49b. This compared with 433 deals in 2009, valued at €18b – the lowest volume since 1993 and lowest value since 1995. This has led to a cautious optimism – the bottom of the market was reached in 2009 and we have seen some growth towards the end of 2010. The fourth quarter of 2010 saw 106 deals, the lowest quarter of the year. However, the average value for the fourth quarter stood at €150m, comfortably the highest of the four quarters in the year.

Exit routes open

One of the more notable features of 2010 was that the value of exits (€56b) exceeded the value of entries (€49b). The year's 276 exits were completed through a variety of routes. This would suggest that the back up of companies looking for an exit is being tackled, allowing investors the chance to see a return on their investments. While this is an encouraging sign, there is still a significant amount locked up in management buy-out (MBO) investments and there is some way to go before the market reaches any form of equilibrium. As activity increases over the next one to two years, PE houses will be pressured to manage challenging exit processes while also devoting significant time to originating, winning and completing new deals.

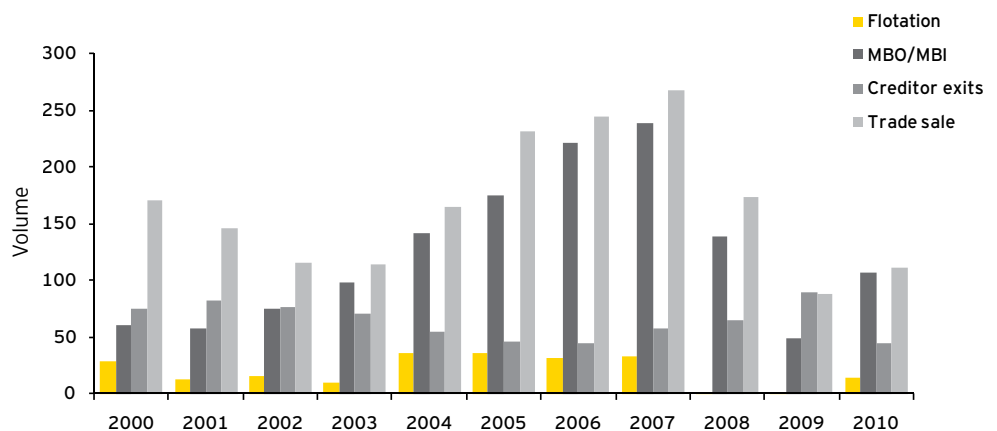
In 2010, there were 14 exits through initial public offerings – a historically low figure, but a significant increase from the one such exit in 2009 and one in 2008. While Europe has seen fewer PE-backed IPOs than America, the exited companies that have gone public have tended to be larger. With an enterprise value €5.3 billion, the IPO of Kabel Deutschland was the largest exit [globally] in 2010. However, only two of these were flotations on the London based stock exchanges, suggesting there is still a weak appetite for IPOs in the UK, while there were 14 IPOs across mainland Europe.

Exits through secondary buyouts more than doubled, increasing from 2009's number of 49 to 106 in 2010. Trade sales accounted for 111, while creditor exits stood at 45, half 2009's figure, again another encouraging sign of growth to come.

Exits in 2010:

- ▶ Total value of exits outstripped total entry values for the first time ever
- ▶ 14 IPO exits, up from one in 2009
- ▶ Exits by secondary buyout more than doubled
- ▶ Insolvencies were half 2009's total
- ▶ Number of trade sales increased by 26%

Exits of European buyouts/buy-ins



Source: CMBOR / Ernst & Young / Barclays Private Equity

Growth in secondary activity

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 secondary buyouts are not a new phenomenon; their growth tells an interesting story as there is a trend for medium-sized PE houses to sell on their portfolio companies to global houses. This reflects the growth story of the companies themselves, which will be looking for appropriately sized backers to take them to the next stage of their development. This growth could be in the form of organic evolution or as part of a buy-and-build strategy.

The largest secondary buyout during the year was Germany's Springer Science & Business Media, valued at €2.5b, followed by France's Picard Surgeles with a value of €1.5b. Belgium's Ontex was ranked as the third highest, valued at €1.2b.

European buyouts in 2010 above €500m

Buyout	Country	Value (€m)	Vendor
Tomkins	UK	3410	Public-Private
Springer Science & Business Media	Germany	2500	Secondary buyout
Sunrise Communications	Switzerland	2419	TDC A/S
RBS Worldpay	UK	2390	Royal Bank of Scotland Group
Picard Surgeles	France	1500	Secondary buyout
Ontex	Belgium	1200	Secondary buyout
Autobar Group	UK	1158	Secondary buyout
Avolon	Ireland	1133	Shareholders
Marken	UK	1092 (Est)	Secondary buyout
Pets at Home	UK	1070	Secondary buyout
SkillSoft plc (SSI Investments III)	Ireland	889	Public-Private
Ambea	Sweden	850	Secondary buyout
Sebia	France	800	Secondary buyout
Teamsystem Spa (Gruppo TranSystem)	Italy	681	Secondary buyout
R Cable/Operador R	Spain	675 (Est)	Caixanova
Rete Rinnovabile Srl	Italy	670	Suntergrid Spa
Sophos	UK	666	TA Associates
Histoire d'Or and Mark Orian	France	600	Secondary buyout
Spotless Group	France	600	Secondary buyout
DFS Furniture Company	UK	600	Secondary buyout
Constantia Packaging	Austria	571	Public-Private
Ovako's Bar, Bright Bar div	Sweden	550 (Est)	Partial Secondary
Vue Entertainment	UK	531 (Est)	Secondary buyout
Britax Childcare	UK	526	Secondary buyout
Cerba European Lab	France	500 (Est)	Secondary buyout

Source: CMBOR / Ernst & Young / Barclays Private Equity

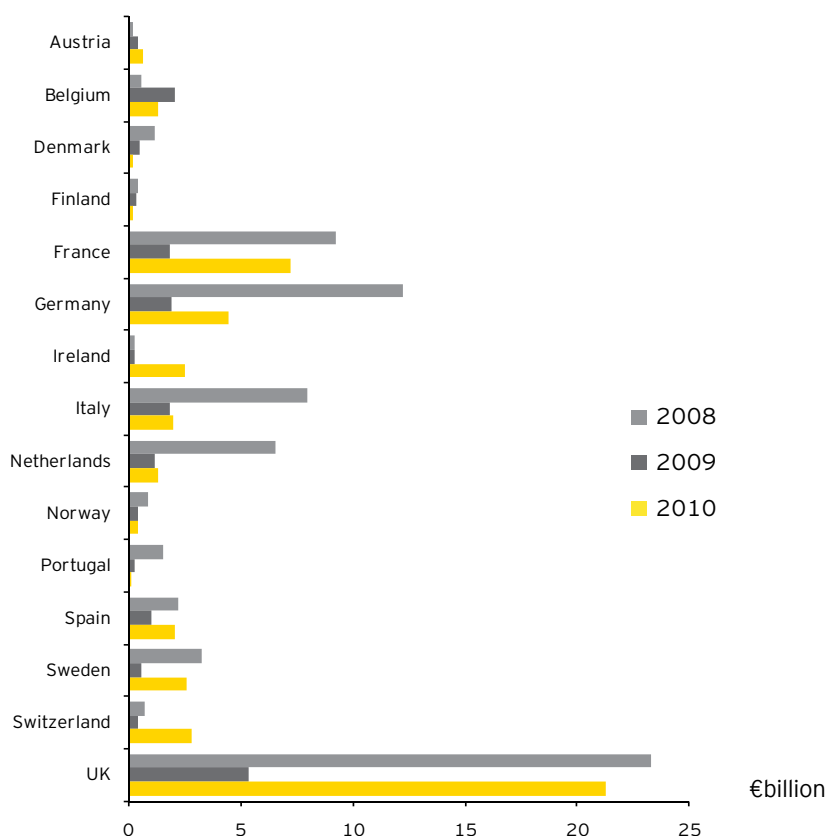
Mixed recovery across Europe

The UK has led the recovery in the buyout market, both in terms of value and volume. In 2010, there were 171 deals valued at €21b, representing 43% of the European buyout market. This is up from 2009's 122 deals valued at €5.3b, and representing 29% of the total European buyout market by value. Recovery has been weaker elsewhere in Europe: Germany only saw 52 deals, down from 54 in 2009, although the total value was €4.5b, up from €1.9b in 2009, an increase in value of 132%.

France also recorded a large increase in deal value from €1.8b in 2009 to €7.2b in 2010. By volume, France saw 101 deals in 2010 up from 77 in 2009. The value of Swiss deals leapt from €425m in 2009 to €2.8b in 2010, albeit with half the number of deals. Deals in Ireland, despite its economic difficulties, raised €2.5b (2009: €274m) through seven deals during 2010.

"The value of secondary buyouts increased substantially in 2010... we are at levels last seen in 2004 and 2005"

European buyouts/buy-ins by country – value of deals (€b)



Source: CMBOR / Ernst & Young / Barclays Private Equity

Debt and equity swap

Banks remain cautious, and as a result the average percentage of debt used to finance deals has fallen from 51% in 2007 to 31% in 2010. As expected, the gap has been filled with increased equity to finance deals. Figures for total buyouts show 64% of equity employed with deals over €100m using an average of almost 58%, a reversal on previous years.

However, it should be noted that these percentages relate to the beginning stage of the investment and include some large all equity deals. Subsequently, some deals could be refinanced, in which case, the level of bank debt is likely to increase.

Summary

It might not have been a record breaking year, but 2010 has seen the European management buyout market begin to thaw. After 2008 and 2009, when the market was all but frozen, temperatures are beginning to rise, and the pipeline for 2011 looks set to flow again. But optimism is tempered – fears of a double-dip in the global and European economies have not fully disappeared. And the thaw will by no means be even; while some economies in Europe will start to see a return to growth, others could lie flat for some time yet.

Contact

Sachin Date

Head of Private Equity, Ernst & Young, Europe, Middle East, India and Africa,
Ernst & Young LLP, +44 (0) 20 7951 0435, sdate@uk.ey.com

About Ernst & Young

Ernst & Young is a global leader in assurance, tax, transaction and advisory services. Worldwide, our 141,000 people are united by our shared values and an unwavering commitment to quality. We make a difference by helping our people, our clients and our wider communities achieve their potential.

Ernst & Young refers to the global organization of member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit www.ey.com

About Ernst & Young's Transaction Advisory Services

How organizations manage their capital agenda today will define their competitive position tomorrow. We work with our clients to help them make better and more informed decisions about how they strategically manage capital and transactions in a changing world.

Whether you're preserving, optimizing, raising or investing capital, Ernst & Young's Transaction Advisory Services bring together a unique combination of skills, insight and experience to deliver tailored advice attuned to your needs helping you drive competitive advantage and increased shareholder returns through improved decision making across all aspects of your capital agenda.

© 2011 EYGM Limited.
All Rights Reserved.

EYG no. DE0220



In line with Ernst & Young's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This publication contains information in summary form and is therefore intended for general guidance only. It is not intended to be a substitute for detailed research or the exercise of professional judgment. Neither EYGM Limited nor any other member of the global Ernst & Young organization can accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication. On any specific matter, reference should be made to the appropriate advisor.

*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.



Ernst & Young is proud to be the Financial Times/Mergermarket European M&A Accounting Firm of the Year.