

## Buy & build activity in Q1 2011 shows a significant increase in value of bolt-on transactions

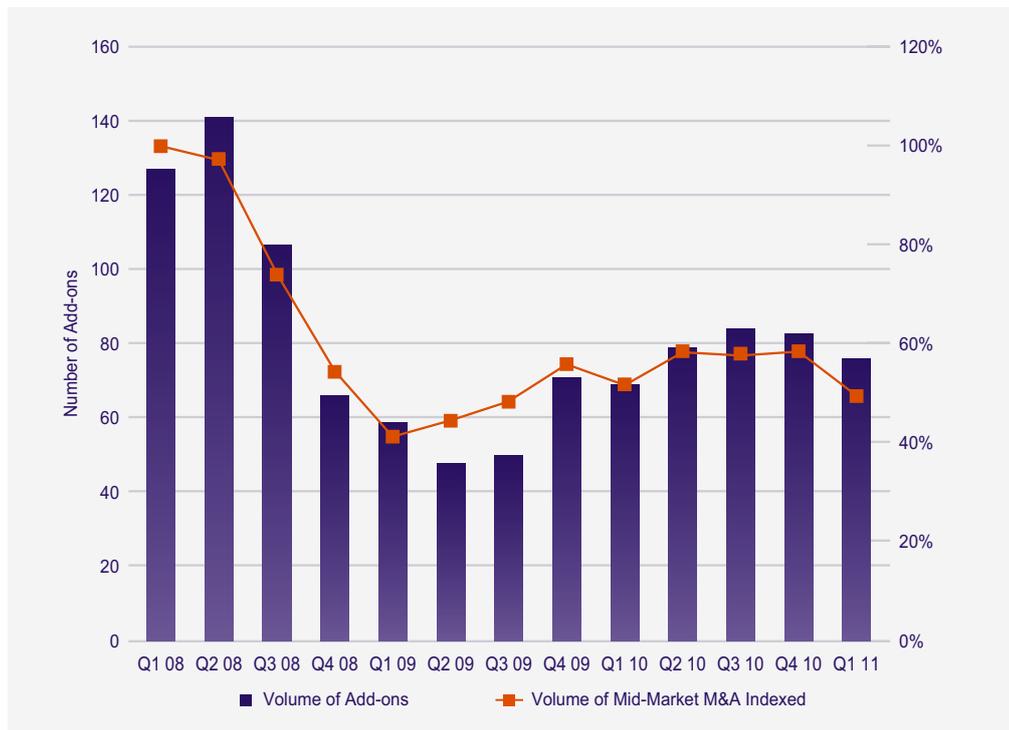
Silverfleet Capital in conjunction with mergermarket has conducted a detailed analysis of buy & build activity in Europe during the first quarter of 2011 and can now present an update to our annual review of 2010.

### Headline Findings

- Overall volumes of add-on or build transactions remained reasonably strong in the first quarter of 2011. The volume of add-ons at 76 was in line with Q1 2010 (70); this may rise further as we typically see some later upward revisions to the figures for the most recent quarters. Indeed Q4 2010 volume is now 11 builds higher than in our last report for this reason.
- A detailed analysis of the announced values of build deals shows a significant across the board increase in Q1 2011 (average of £120 million for 15 transactions) compared to Q1 2010 (average of £41 million for 18 transactions). If this is sustained during the rest of the year it will show that the market has recovered markedly from the low point of 2009.

### Buy & Build Activity in Q1 2011

The graph below of add-on activity levels by quarter compared to the volume of European mid-market M&A shows the continued close correlation between these statistics.



### Significant increase in the value of announced build transactions

Approximately 30-45% of add-on or build transactions have a disclosed price. We have gone back over the last ten years and analysed how the average of these prices has moved over time and this shown in the graph on the following page. The significant rise of the average value of announced deals during previous cyclical high points is very clear. The surprising discovery is the extent to which this has occurred in Q1 2011. We checked the underlying data of each individual transaction and can confirm that this is no statistical anomaly but a clear trend. It will be interesting to see if it continues during the rest of the year.

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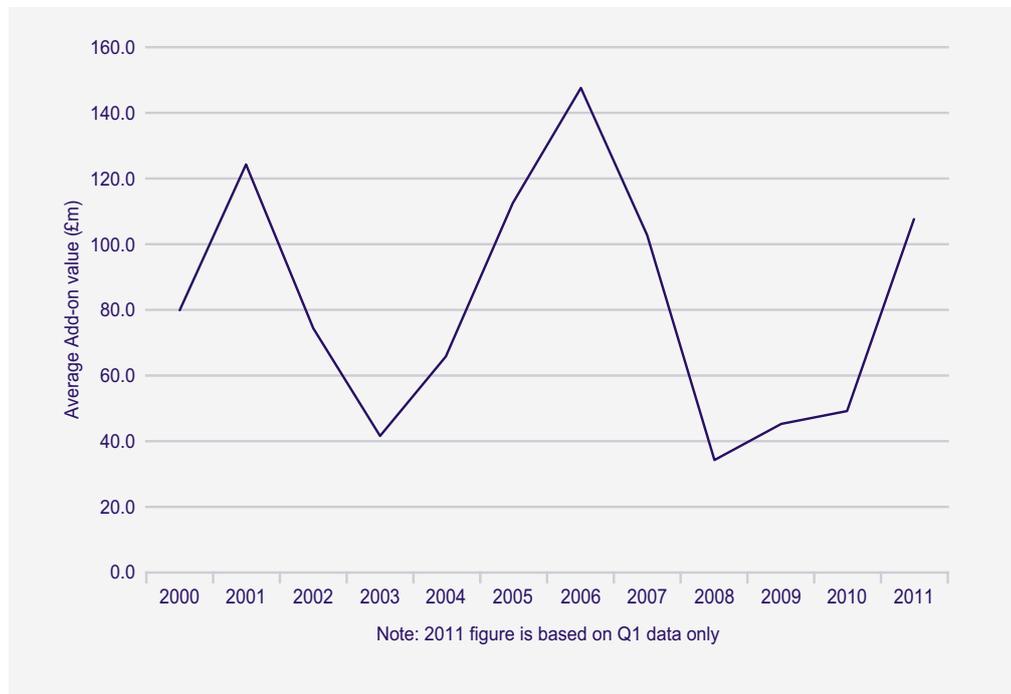
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## New quarterly buy & build data from Silverfleet Capital shows activity in 2010 increased by 33%



Commenting on this information, Neil MacDougall, Managing Partner of Silverfleet Capital said: "While the number of bolt-on or build transactions completed in Q1 2011 is broadly on line with the same quarter last year there has been a noticeable resurgence of the average deal values of announced transactions which, if sustained, indicates that sponsors and their portfolio companies are feeling much more confident about buy & build and their ability to do bigger add-ons."

### Experience of a Silverfleet Capital Portfolio Company

Silverfleet Capital has consistently backed the buy and build strategies of their portfolio companies since the inception of the firm, more than 25 years ago. We have supported these strategies through the economic and M&A cycles. In April 2011 Silverfleet Capital announced the sale of European Dental Partners ("EDP"), a investment that is a good example of the value that private equity firms can add through supporting well-thought through buy & build strategies by their portfolio companies.

EDP is a leading dental consumables distributor operating in Germany and Central and Eastern Europe ("CEE"). Silverfleet Capital built EDP through a buy and build strategy with five major add-ons undertaken in the seven years of our ownership, following the 2004 acquisition of the platform company, M+W Dental.

In 2006, Dentamed and Stomatol were acquired thereby creating the market leading dental distributor in the Czech Republic and Slovakia and creating a platform for EDP to expand into CEE. Then EDP acquired InteraDent, one of the largest dental laboratories in Germany. The final acquisitions, Prodent and Dentatus, saw EDP enter the Slovenian and Croatian markets. Over this same period EDP also set up "green field" operations in the Swiss, Austrian and Hungarian dental distribution markets.

The strong growth generated by EDP's buy and build strategy attracted trade interest leading to the €170 million strategic trade sale to Lifco Dental International AB, the dental products division of Lifco AB, a privately held Swedish industrial group.

Silverfleet Capital has been a European mid-market private equity investor for more than twenty five years. Silverfleet Capital works actively with the management teams of their investee companies to realise buy & build strategies and in the last 10 years has made 109 add-ons to its portfolio companies.

Notes about methodology: the data prepared by mergermarket only includes add-on acquisitions made by companies with over 30% of their equity held by a private equity fund. In addition the value of the add-on needs to exceed €5 million or else the target should have at least €10 million of sales to be included. Also at least one of the bidder, target or parent should be a European company.

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