

# European Buy & Build Market rebounds strongly in H2 2014

## Busy Q3 and rise in US add-ons behind uplift in bolt-on activity in 2014

Silverfleet Capital, in conjunction with mergermarket, today publishes the findings of its European Buy & Build Monitor for H2 2014. The Buy & Build Monitor tracks global add-on activity undertaken by European headquartered companies backed by private equity.

### Headline Findings

169 add-ons were reported in H2 2014 compared to 124 in H1 2014, which was later upwardly revised to 158 as further data for smaller Buy & Build transactions usually emerges after the publication date. Based on our experience, the number of deals in H2 2014 is therefore very likely to be revised upwards in our next report. The comparable number for the second half of 2013 was 153. The higher number of add-ons recorded in H2 2014 is mainly the result of a very strong third quarter, the third highest since 2008, and with further data likely to come in for deals announced in Q4 of last year we conclude that the level of Buy & Build activity in the second half of 2014 has rebounded strongly.

The average disclosed value of add-ons in H2 2014 was £44 million, based on the 35 deals with disclosed values reported in that period. This is however below the upwardly revised average of £90 million for the 24 deals with disclosed values announced in H1 2014 and is also below the £81 million for the 26 deals in H2 2013 for which valuations are available.

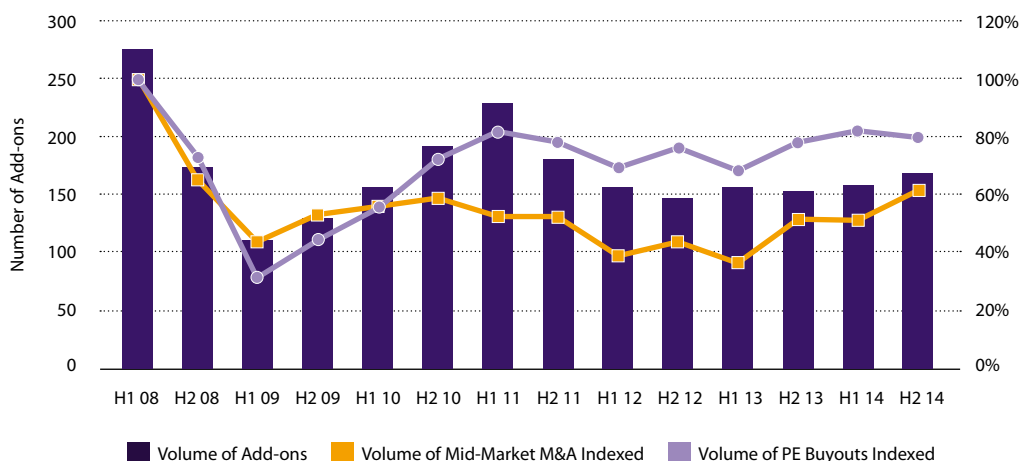
The largest add-on announced during H2 2014 was the £200 million purchase of Murco Petroleum by Motor Fuel Group, both UK based. Other notable transactions in H2 2014 included Redexis' €236 million purchase of Gas Energía Distribución de Murcia - both based in Spain; and Host Europe's €210 million acquisition of intergenia based in Germany. Motor Fuel Group is backed by Patron Capital, while Redexis is owned by Goldman Sachs Infrastructure Partners and Host Europe by Cinven.

### Comment

Commenting on the findings, Neil MacDougall, Managing Partner of Silverfleet Capital said: "In our last report in 2014 we predicted that with a stable economic situation in Europe and benign financing conditions, we would expect to see stronger levels of Buy & Build activity. Q2 activity eventually turned out to be much higher than originally reported and this was followed by a very busy Q3. We are therefore finally able to report a noticeable pick up in Buy & Build activity albeit most of this increase, as can be seen from our geographic analysis, was the result of add-ons made in North America by European companies."

Below is an updated graph of the half-yearly performance of European add-on volumes shown against mid-market M&A activity and overall European buyout indices, based on data provided by unquote" data.

Historically the volume of add-on deals has been strongly correlated with the volume of private equity funded buyouts in Europe and has broadly tracked the trend in the mid-market M&A index.



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The table below shows the split of add-on targets acquired in each half of 2014 by geographic location, and for comparison the total for 2013. The Nordic Region remained the most active area in 2014 followed by the UK. Over the year as a whole, France maintained a steady level of activity whilst the figure for German-speaking Europe was unexpectedly low. A modest annual increase occurred in Italy while activity levels in Benelux, Central & Eastern Europe and the Iberian Peninsula were all slightly weaker compared to 2013. Add-on activity undertaken outside Europe increased significantly supported by very strong figures for North America, the perennial favourite region for add-ons by European companies.

Location of target company	2013	H1 2014	H2 2014	2014
Nordic Region	60	36	31	67
UK and Ireland	58	30	36	66
France	32	23	14	37
Germany, Switzerland and Austria	41	14	15	29
Benelux	24	8	12	20
Italy	12	7	8	15
Central and Eastern Europe	18	8	7	15
Spain and Portugal	17	5	8	13
South Eastern Europe	3	2	1	3
<b>Total Europe</b>	<b>265</b>	<b>133</b>	<b>132</b>	<b>265</b>
North America	21	15	22	37
Asia Pacific	14	9	9	18
Latin America	7	0	5	5
Middle East and Africa	3	1	1	2
<b>Total Rest of World</b>	<b>45</b>	<b>25</b>	<b>37</b>	<b>62</b>
<b>Total Overall</b>	<b>310</b>	<b>158</b>	<b>169</b>	<b>327</b>

### Notes on Methodology

Since 2003, Silverfleet Capital has been analysing the trends in Buy & Build activity within the European private equity market. The data, which is prepared by mergermarket, only includes add-on acquisitions made by companies where more than 30% of their equity is held by a private equity fund and where the platform business is a European headquartered company. In addition, the value of the add-on needs to exceed €5 million or the target should have at least €10 million of sales to be included.

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