

# European Buy & Build activity disappointingly weak in Q3 2012

Silverfleet Capital, in conjunction with mergermarket, today publishes the findings of its Buy & Build Monitor for Q3 2012, which indicates that add-on activity in Europe has been even weaker than the subdued levels seen in H1 2012 and well below the same quarter in 2011.

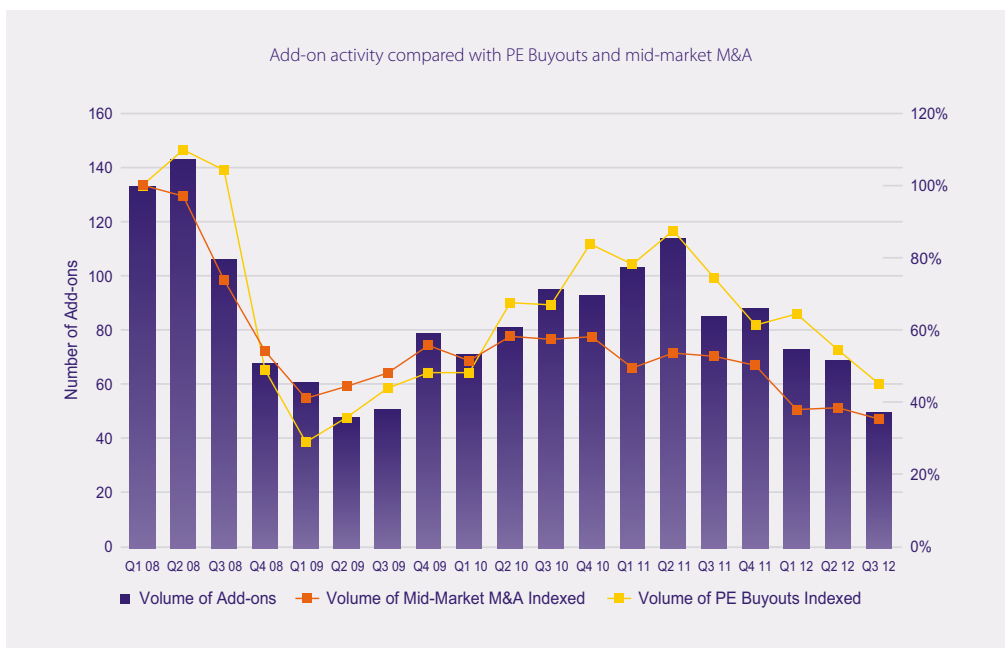
## Headline Findings

The volume of Buy & Build activity in Europe in Q3 2012 was slightly below the level seen in H1 2012, with only 50 add-ons completed in the quarter, representing one of the weakest quarters since the nadir in mid-2009. The average disclosed value of add-ons in the quarter was £42 million which was reasonably healthy compared to the H1 2012 average of £23 million but still significantly lower than the average of £70 million seen in Q3 2011.

## Comment

Commenting on the findings, Neil MacDougall, Managing Partner of Silverfleet Capital said: "Any hopes we had of seeing an improvement in European Buy & Build activity levels in the second half of 2012 have taken a big knock from this data which once again also reflects the weakness of the European buyout market. Even allowing for the fact that the number of add-ons for the most recent quarter is usually revised upwards as more Buy & Build deals subsequently come to light, this looks like it has been a very weak quarter with lower activity levels in most regions of Europe and none in Spain & Portugal.

The largest add-on in the quarter for which a price was disclosed was the €212 million acquisition of the German company CinemaxX AG by Doughty Hanson backed Vue Entertainment Limited. The German speaking region of Europe was relatively active in the quarter possibly reflecting its stronger economic performance. Two other notable deals were ISS's acquisition of Shanghai B&A Property Management Co. illustrating that one of Europe's biggest buyouts is looking to China for future growth and Tarkett's acquisition of Ohio based Tandus Flooring, Inc. demonstrating the continued interest that European buyouts have in acquiring in the US, though neither of these 2 transactions had disclosed prices."



Above is an updated graph of the quarterly performance of European add-on activity shown against a mid-market M&A activity index and an index of overall European PE buyout activity based on data provided by unquote" data.

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## European Buy & Build activity disappointingly weak in Q3 2012

During the third quarter of 2012 Buy & Build activity fell below the already weak level seen in H1 2012. The initial figure for the number of add-ons in the quarter was 50, below the number seen in Q3 2009, one of the weakest quarters seen since we began analysing Buy & Build figures on a quarterly basis. We note that further data usually emerges well after the end of the quarter, especially for smaller buy & build transactions, and therefore we would expect to revise this figure upwards in our next report though this is unlikely to change the overall trend.

The average disclosed add-on value in Q3 2012 was higher at £42 million (versus £23 million for H1 2012), however this average value is based on a small number of deals and is still at the lower end of the historic range.

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

The table below shows the geographic split of the location of the targets that have been acquired in the quarter compared to the 2 previous quarters of 2012. The table below shows that nearly all European regions were weaker than in Q2. However, the number for North America held up as did Asia Pacific though both were below the mark set in Q1.

Location of target company	Q1	Q2	Q3
UK & Ireland	15	14	10
Germany, Switzerland & Austria	12	10	9
France	5	13	8
Nordic Region	9	10	6
Benelux	6	5	5
Spain & Portugal	5	4	
Italy	1	4	3
Central & Eastern Europe	6	1	1
South Eastern Europe	1	1	1
<b>Total Europe</b>	<b>60</b>	<b>62</b>	<b>43</b>
North America	8	4	5
Asia-Pacific	3	1	2
Latin America	2	1	
Africa		1	
<b>Total Rest of World</b>	<b>13</b>	<b>7</b>	<b>7</b>
<b>Overall Total</b>	<b>73</b>	<b>69</b>	<b>50</b>

### Notes on Methodology

Since 2003, Silverfleet Capital has, together with mergermarket, been analysing the trends in buy & build activity within the European private equity market. In 2010 Silverfleet Capital began publishing a quarterly update to the Buy & Build monitor in addition to an annual review.

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 where the platform business is a European company. 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.

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