

European Buy & Build activity subdued in Q1 2013

Q1 2013 saw the third lowest quarter of activity in the past 5 years.

Silverfleet Capital, in conjunction with mergermarket, today publishes the findings of its European Buy & Build Monitor for Q1 2013. The modest rebound seen in Q4 2012 proved to be short lived as activity levels in Q1 2013 dropped back significantly, registering the third lowest quarter in the past 5 years.

Headline Findings

The volume of Buy & Build activity in Europe in Q1 2013 was much weaker than in previous quarters, with only 56* add-ons completed in the quarter compared with 78 add-ons in the same quarter of 2012 and an average for 2012 of 72 add-ons per quarter.

The average disclosed value of add-ons in the quarter was more stable at £51 million*, compared to the average of £52 million seen in Q4 2012 and slightly above the average for 2012 of £46 million but this is based on a small sample size as only 11 deals with disclosed values were completed in Q1 2013.

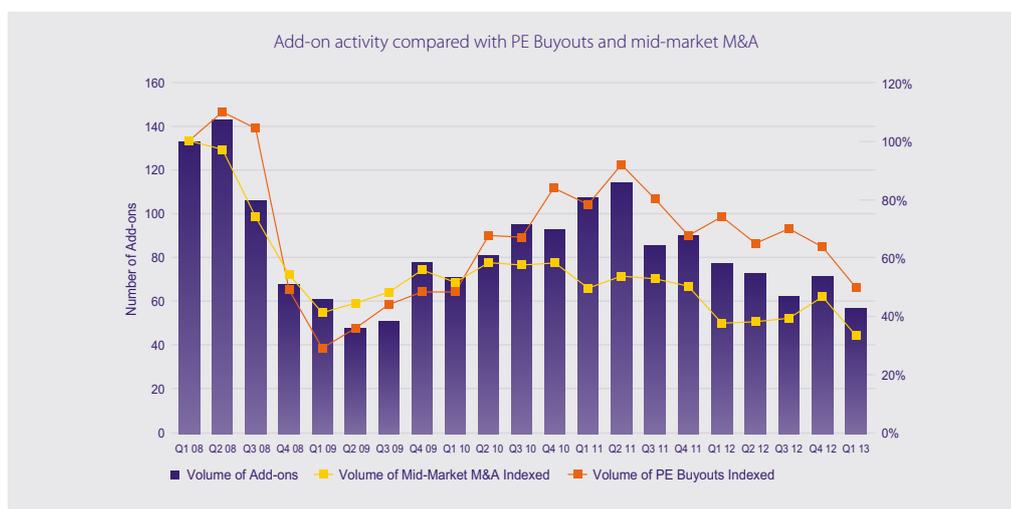
Comment

Commenting on the findings, Neil MacDougall, Managing Partner of Silverfleet said: "The appetite of PE backed European companies to complete add-on acquisitions in certain parts of Europe, most notably in France, was very weak in the first quarter of 2013. In contrast the number of add-ons of targets outside of Europe was in line with last year's level of activity."

"As with the Q4 2012, the largest add-on in the quarter for which a price was disclosed was in the Nordic region. This was the DKK 2 billion acquisition of ISS's pest control operations in 12 countries, by EQT-backed Anticimex AB. This was one of ten add-ons of a target based in the Nordic region which were announced in the quarter contributing to a robust level of activity in that part of Europe."

"However for the continent as a whole, European mid-market M&A and the number of buyouts done in Europe were both at subdued levels in Q1 2013 and the same effect can clearly be seen in Buy & Build activity. This data suggests that Europeans do not yet see an end to the continent's sovereign debt and banking problems and the knock-on impact they are having on GDP growth."

Below 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 Private Equity Insight. As in the past, the volume of add-on deals is 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 geographic split of the targets that have been acquired in the quarter compared to the totals for 2012. The UK & Ireland, Nordic Region, Benelux, Central & Eastern Europe and Rest of the World saw activity broadly in line with last year while France in particular was much less active, as indeed was Germany, Switzerland & Austria and Spain & Portugal. Activity in Italy in absolute terms was very low in 2012 and this has continued into 2013.

Location of target company	2012	Q1
UK & Ireland	59	12
Germany, Switzerland & Austria	44	7
France	38	2
Nordic Region	42	10
Benelux	25	6
Spain & Portugal	12	2
Italy	9	3
Central & Eastern Europe	10	4
South Eastern Europe	3	0
Total Europe	242	46
North America	23	5
Asia-Pacific	15	5
Latin America	3	0
Africa	2	0
Total Rest of World	43	10
Overall Total	285	56

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.

*This is an initial figure. Further data for smaller Buy & Build transactions usually emerges well after the end of the quarter and therefore the number may be revised upwards in our next report. However this is unlikely to change the overall trends reported here.

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