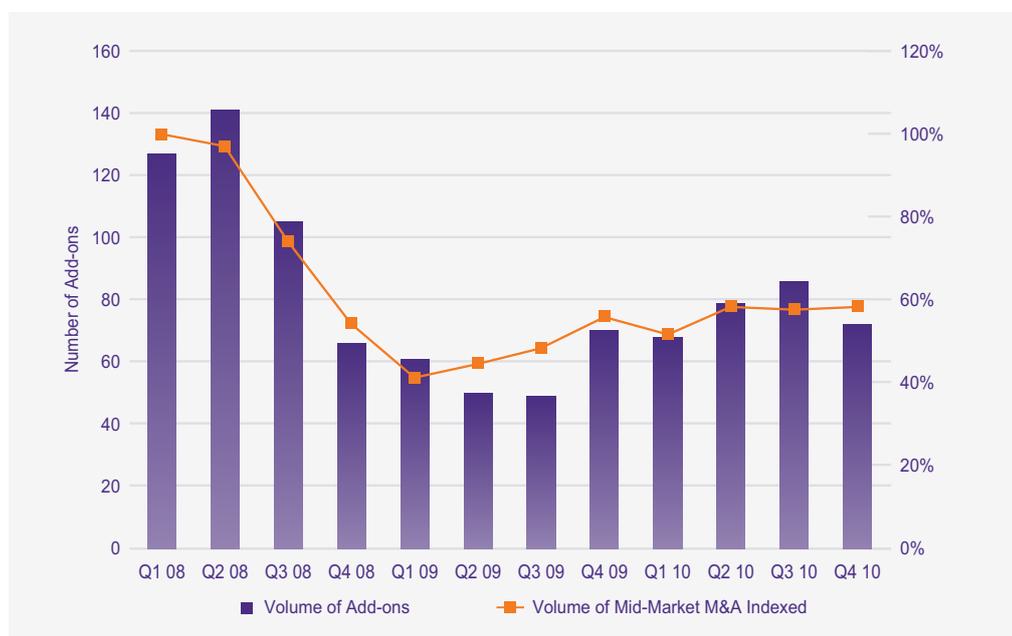


## New quarterly buy & build data from Silverfleet Capital shows activity in 2010 increased by 33%

Research by Silverfleet Capital, the European private equity firm that specialises in buy & build, shows that the increased European buy & build activity identified in earlier quarters has been sustained in Q4, with increases seen across all buyout platform vintages.

Since 2003 Silverfleet Capital, together with mergermarket, has 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.

During the fourth quarter of 2010, overall volumes of add-on or build transactions remained reasonably strong, with the volume of add-ons remaining highly correlated to the overall level of mid-market M&A activity in Europe. We anticipate that the volume of add-ons for Q4 2010 will see some upward revisions to the figures as we continue to report on it over the coming quarters.



During 2010 the volume of add-ons or builds increased by 33% from 230 to 305, and on average each build transaction was also larger. For deals where a transaction value was available, the value increased by 7% from £14.3 million to £15.3 million, albeit that this increase was slightly flattered by the depreciation of sterling.

In December 2010 Silverfleet Capital's portfolio company, Kalle, a world leading manufacturer of sausage casings, completed a significant bolt-on or build transaction, with the acquisition of California based Jif-Pak Manufacturing Inc. Kalle's experience illustrates how notably easier the financing of such add-on or build transactions became in 2010 compared to 2009, when the original investment in Kalle was made.

The purchase of Jif-Pak was financed using a combination of cash that Kalle had generated since its buyout by Silverfleet Capital together with a \$39 million 'C' tranche of senior debt. No additional equity was required. Only 18 months earlier it had proved impossible for Kalle to obtain debt financing in Europe in US dollars despite the company's need to put in place a natural hedge against its US dollar earnings.

An analysis of the level of buy & build activity by the vintage of the platform company showed that all comparable vintages of platform companies were more active in 2010 than they had been in 2009. Due to exits there is generally a reduction in the level of buy & build activity of a vintage of platform companies as they mature. Our analysis therefore compares similarly aged vintages to try and remove this bias. It is noticeable that compared to the high water mark of 2007, activity levels in 2010 remained subdued, although activity has clearly risen across all platform vintages compared to the low point of 2009.

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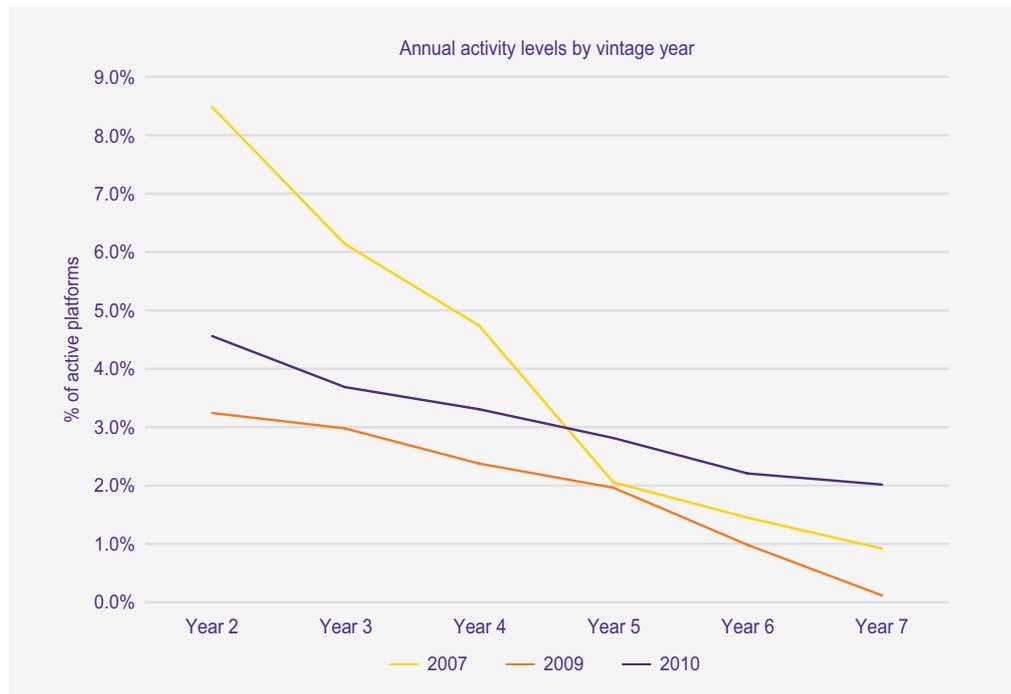
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We were surprised to see the pick-up in older vintages and one particularly interesting feature that emerges is that a number of these platform companies completed add-ons shortly before exit; presumably to enhance the equity story. It is worth observing that as several of these platform companies have since been sold, the new owners must have been able to get comfortable with the risk that they were taking, as there would have been very limited evidence that these acquisitions had been successfully integrated prior to sale.

In other cases, some of these older vintage platforms recently gained a new minority private equity shareholder in lieu of an exit, which seems to have given them a new lease of life when it comes to buy & build activity.

Commenting on this information, Neil MacDougall, Managing Partner of Silverfleet Capital said: *"Buy & build activity in Europe increased by 33% in 2010. We believe that as the trends in the M&A market and debt market appear favourable for buy & build, and with many sponsors still needing to exit their older investments, it is likely that buy & build activity levels will continue to rise in 2011."*

*In Kalle's acquisition of Jif-Pak, the greater flexibility shown by the lenders, as well as the choice of currency and structure of the additional loan was indicative of the currently more favourable conditions in the debt market. Kalle's pro-forma leverage after the Jif-Pak acquisition remains below three times historic EBITDA, which no doubt also helped."*

Silverfleet Capital has been an active 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 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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