

European Buy & Build activity down 30% in 2012

Q4 2012 saw higher levels of European Buy & Build activity than in Q3, but overall 2012 activity was 30% below the level seen in 2011.

Silverfleet Capital, in conjunction with mergermarket, today publishes the findings of its European Buy & Build Monitor for Q4 2012. Despite Q4 2012 being a slightly more active quarter than Q3 with more add-ons being completed and a higher average reported deal value, the annual statistics show a stark decline in both volumes (down 30%) and average disclosed values (down 33%).

Headline Findings

The volume of Buy & Build activity in Europe in Q4 2012 was slightly above the level seen in Q3 2012, with 66^{*} add-ons completed in the quarter compared with 62 add-ons in Q3 2012 but significantly below the 89 add-ons in the same quarter last year. The statistics for the full year showed 275 add-ons being completed, a significant reduction compared to the 395 in 2011.

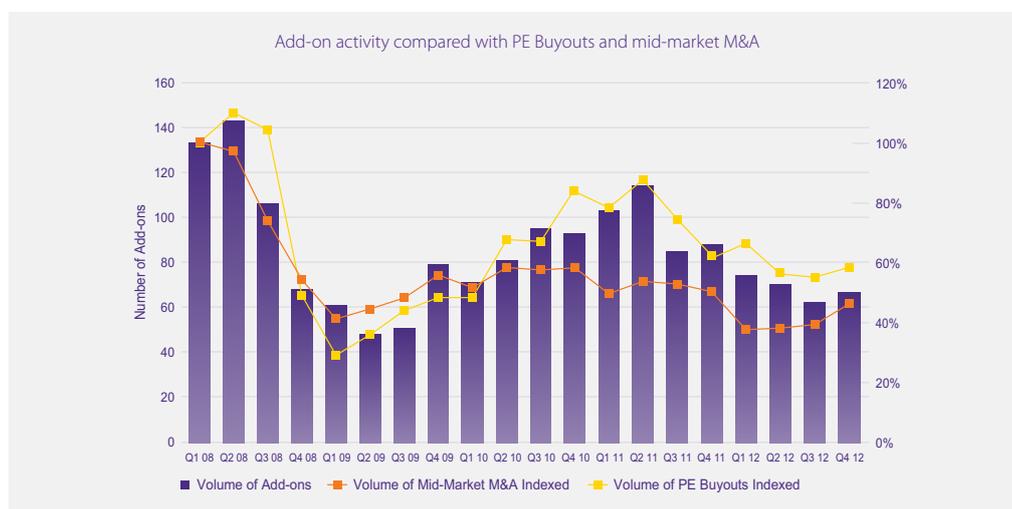
The average disclosed value of add-ons in the quarter was £52 million^{*}, which was reasonably healthy compared to the Q3 2012 average of £37 million and the average of £34 million seen in Q4 2011. However, the statistics for the full year showed an average disclosed value of only £41 million which is also significantly lower than the £62 million average for 2011.

Comment

Commenting on the findings, Neil MacDougall, managing partner of Silverfleet Capital said: "The final quarter of 2012 saw a greater level of Buy & Build activity than in the preceding quarter and higher average reported deal values which is all good news and a welcome change in trend. However on an annual basis 2012 was much weaker year than 2011 in all respects. 2012 was also a weaker year both in terms of the number of add-ons and the average reported deal values than 2010 which goes to illustrate the magnitude of the challenge in completing add-ons that many European buyouts and their sponsoring PE firms faced last year."

"The largest add-on in the quarter for which a price was disclosed was the \$470 million acquisition of the Handygas segment of Maersk Tankers by WL Ross & Co-backed Navigator Gas. This was one of the sixteen add-ons in the Nordic region reported in the quarter making that part of Europe one of the most active in Q4 2012. There were also six other add-on transactions with disclosed values each valued at around EUR 100 million which helped to drive up the average disclosed value significantly in the quarter."

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.



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As in the past 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.

The table below shows the geographic split of the location of the targets that have been acquired in the quarter compared to the 3 previous quarters of 2012. The UK & Ireland and the Nordic regions were particular hotspots in Q4. As regards targets outside of Europe, Asia Pacific was also an active target region with three of these five add-ons based in Australia.

Location of target company	Q1	Q2	Q3	Q4
UK & Ireland	17	14	11	16
Germany, Switzerland & Austria	12	10	12	9
France	5	13	10	8
Nordic Region	9	10	7	16
Benelux	6	6	7	5
Spain & Portugal	5	5	1	1
Italy	1	4	3	1
Central & Eastern Europe	6	1	1	5
South Eastern Europe	1	1	1	
Total Europe	62	64	53	58
North America	8	4	7	2
Asia-Pacific	3	2	2	5
Latin America	2	1		
Africa		1		1
Total Rest of World	13	8	9	8
Overall Total	75	72	62	66

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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