

# Q2 2013 saw rising deal values in European Buy & Build

Buy & Build deal sizes were markedly higher in Q2 2013 reflecting the favourable financing markets for borrowers

Silverfleet Capital, in conjunction with mergermarket, today publishes the findings of its European Buy & Build Monitor for Q2 2013.

## Headline Findings

The volume of Buy & Build activity in Europe in Q2 2013 was broadly in line with activity in the first quarter of the year, with an initial number of 61 add-ons undertaken compared to a Q1 number which has been revised upwards to 63 from 56. However, as usual, we would expect this figure for Q2 to also be revised up as more deal information becomes available. We therefore conclude that the level of activity in Q2 will most probably turn out to have been higher than in the first quarter.

Notably the average disclosed value of add-ons in the quarter increased significantly to £66 million, from £47 million in Q1 2013 and against an average of £49 million over the previous two years. This average value is based on the 15 deals with disclosed values which occurred during the quarter.

## Comment

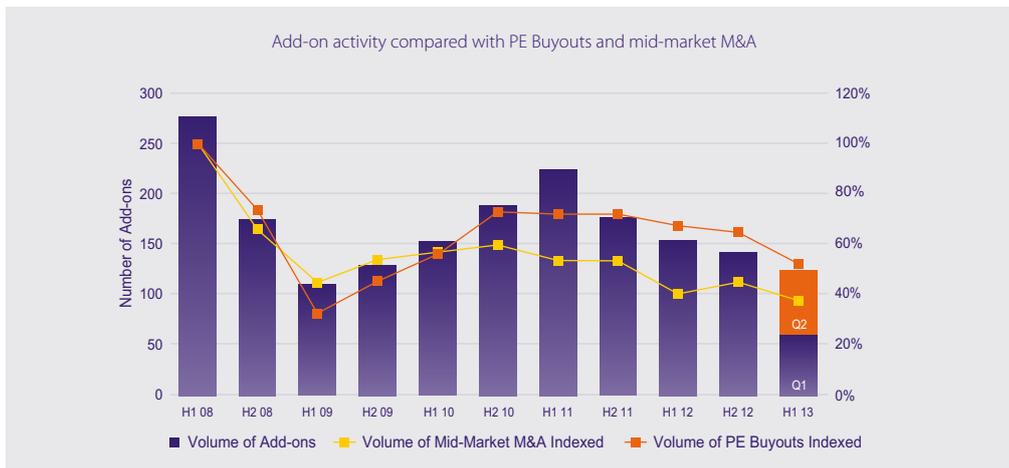
Commenting on the findings, Neil MacDougall, managing partner of Silverfleet Capital said: "During the second quarter of 2013 there was a very noticeable increase in transaction size, with the average deal size at £66 million being the highest seen in the last seven quarters. At the same time the indications are that the number of add-ons will also have rebounded albeit to a lesser degree."

In particular there were two add-ons of significant scale: the €303 million acquisition of ATC Group, a global fiduciary services business headquartered in the Benelux, by Blackstone-backed Intertrust; and the €250 million add-on of the service solutions division of Hochtief Solutions AG by Clayton, Dubilier & Rice-backed SPIE SA"

These acquisitions were financed by additional syndicated term loans of €200 million and €240 million respectively demonstrating the keen appetite of the current European debt market to support large add-ons by private equity-backed companies."

Below is an updated graph of the half-yearly 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.

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. We would therefore expect the volume of add-on deals in Q2 to ultimately be revised upwards in line with these two indices.



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The table below shows the geographic split of the location of the targets that were acquired in the quarter compared to Q1 2013 and the whole of 2012. The Nordic Region was the most active area followed by the UK. France rebounded from a very low number in Q1 but remains down, whilst German speaking Europe was surprisingly quiet. Activity in other parts of Europe was broadly in line with 2012. Add-on activity in the rest of the world, by European platform businesses continued in North America, the favourite target region, but switched away from Asia-Pacific to South America, though the number involved was small.

Location of target company	2012	Q1	Q2
UK & Ireland	61	12	12
Germany, Switzerland & Austria	45	9	5
France	38	2	7
Nordic Region	42	10	15
Benelux	26	7	8
Spain & Portugal	12	2	4
Italy	10	4	2
Central & Eastern Europe	10	5	2
South Eastern Europe	3	0	0
<b>Total Europe</b>	<b>247</b>	<b>51</b>	<b>55</b>
North America	23	6	4
Asia-Pacific	15	6	0
Latin America	4	0	2
Africa	2	0	0
<b>Total Rest of World</b>	<b>44</b>	<b>12</b>	<b>6</b>
<b>Overall Total</b>	<b>291</b>	<b>63</b>	<b>61</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.

\*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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