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2008 European buyout values plummet to lowest level in five years

Press Release

Value of buyouts in the Nordic region halved in 2008.
Mid-market activity shows resilience

European Buyout Review celebrates its 20th year

2008 marked a significant slow down in buyout activity across Europe, with large deals being worst hit by difficult economic conditions and debt markets. The overall value of buyouts totalled €73bn in 2008, down from more than €184bn in the previous year, according to the latest *European Buyout Review*, now in its 20th year and due to be published in March 2009 by unquote” in association with Bridgepoint.

Key highlights:

- **2008 showed marked decline in value of European buyouts.** The overall value of buyouts across Europe dropped by 61% to €73bn (2007: €184.9bn). The volume of deals fell by 30% to 572 transactions during the year (2007: 824).
- **Value of buyouts in the Nordic region halved in 2008.** The overall value of buyouts in Denmark, Finland, Norway and Sweden fell by 47% to €9.7bn (2007: 18.5bn). However, the number of deals in the region fell by only 5% over the period, boosted by several small- and mid-market deals in the industrials sector in particular.
- **Mid-market activity shows greater resilience declining more slowly than larger deal activity in the European buyout market.** The number of buyouts valued at between €250m to €1bn halved in 2008 with deals in the €250-500m range down by 40%. The value of mid-market deals in the €250m to €1bn range now accounts for 36% of all buyout activity in Europe.
- **€1bn plus deals represent a much smaller proportion of the market.** The value of €1bn plus buyouts in 2008 fell by 77% with a 71% decline in volume. By value, €1bn plus deals comprised only 29% of the European buyout market in 2008, falling from 50% in 2007.
- **Smaller buyouts remain buoyant.** The value of deals in the €25-50m range fell by only 6%, on the whole reflecting continuing confidence in buyouts requiring less leverage.

p/2 – European Buyout Review 2008

By vendor type:

- **Family and private vendors continued to generate the highest volume of buyouts.** While the number of buyouts from this type of vendor fell by 27%, it remained the most prolific source of deals representing almost half of all European Buyouts in 2008 by volume.
- **Popularity of secondary buyouts fell significantly.** In 2008, the overall value of secondary buyouts in Europe totalled €21.6bn, a decrease of 74%. Secondary buyouts remain the largest vendor category by value, comprising 30% of all European buyouts, down from 46% in 2007.
- **Public-to-private transactions showed a 60% decline in value.** In 2008, PTPs represented 20% of the overall value of buyouts in Europe, the same proportion as in 2007. The overall value of PTPs in 2008 fell to €14.8bn (2007: 37.3bn), mirroring the steep decline in European share prices throughout the year.

By sector:

- **Value of buyouts plummet in financial services and media sectors.** In 2008, whilst the volume of buyouts in financials declined by only 19%, the overall value fell by 84% (2007: €11bn). The media sector also demonstrated a dramatic fall of 83%, falling to its lowest level in five years.
- **Buyouts in industrials sector resilient.** While other sectors suffered larger decreases in overall buyout value, the industrials sector decreased by only 35% and remains by far the most important sector, representing 45% of all buyouts in Europe in 2008. The overall volume of deals in this sector fell by 26%. Some of the larger buyouts which contributed to this included Safetykleen Europe; CEPL and Gaztransport & Technigaz (GTT).
- **Value of buyouts in services sector halved in 2008 to a similar level recorded in 2006.** In 2008, buyouts in this sector fell by 48% to €12.3bn (2007: €23.5bn) in value, and the number of deals fell by 28%. This is partly due to a particularly active year for the services sector in 2007 totalling €23.5bn buyout value compared to €11.7bn in 2006.
- **The consumer segment at lowest buyout value for five years** and down 74% from 2007. The volume of deals decreased by 38%. In fact the total value of buyouts recorded in this sector this year is approximately €16.3bn, the same value as the vast €16.3bn Alliance Boots delisting by KKR alone in 2007.
- **Technology buyouts continue decline with a 62% decrease in value.** In 2008, the overall value of buyouts in the technology sector fell to €3.7bn compared to €9.7bn in 2007. The volume of buyouts in this sector declined by only 14%, showing a greater prominence of smaller deals in the sector.

By country / region:

- **Italy bucks the downward trend** as buyout activity rises for the fifth consecutive year. Although the total value of buyouts increased by a mere 13% to €9.1bn in 2008, deal activity saw a 48% boost, indicating the coming of age of the region.
- **The value of deals in Portugal showed a fourfold increase since 2007.** In 2008, the total value of buyouts increased by 337% to €1.6bn (2007: €0.4bn). This, though, was almost entirely due to Magnum Industrial Partners' €1.2bn investment in electricity company 'Enersis.
- **In contrast its Iberian neighbour Spain saw buyout activity drop by 55%** in 2008, while the total value of buyouts fell by 74% to €1.9bn. This is a reversal of the previous positive trend witnessed in the Spanish market up to 2007, when buyout value totalled €7.3bn.
- **The UK and Ireland saw a substantial 68% drop in buyout value during 2008,** following four years of consecutive growth since 2004. Activity also fell but by a more modest 34%.
- **Germany remains a notch ahead of France** with a total buyout value of €11.5bn - equivalent to a 16% European market share. Nevertheless, the German buyout market suffered a 62% fall in value against 2007, with activity falling by 24% to 85.
- **France records fall in buyout value for the second year running.** The overall value of buyouts in France fell by 52% to €11bn, representing 15% of European buyouts (compared to 12% in 2007). The country also witnessed one of the most pronounced falls in activity, with the 99 transactions representing a drop of 52%.

Commenting on the research findings, Mikael Lövgren, partner at Bridgepoint, said:

“After a record year in 2007 which had the highest level of buyout activity ever recorded, 2008 saw a significant reversal due to restrictions in the credit markets and a deteriorating economic climate, especially for deals over the €1bn mark. While the mid-market has not emerged from these challenges unscathed, it has remained relatively robust. Private equity investors are quick to adapt to adverse conditions and as company valuations fall and the new reality sets in, the second half of 2009 holds out the prospect of good investment opportunities as investors and vendors alike adjust to the new environment.”

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Methodology Notes

- Only buyouts funded by an institutional private equity or mezzanine investor are counted. Deals funded solely by debt or by business angels are not included.
- A buyout is generally defined as an acquisition by a newco of one or more operating companies. The private equity backers are not necessarily majority owners and the dataset will include a significant number of transactions where the vendor - normally the founder(s) - reinvests to retain a majority stake in the new structure. In such cases (often referred to as Owner Buyouts or OBOs in Continental markets), the value of the deal would be the full enterprise value.
- In some cases deal values are estimates. Where possible these estimates are based on publicly available information, though in some instances it is necessary to base estimates on any available financial information (revenues, turnover, etc).

Bridgepoint

- Bridgepoint is a European private equity firm focussing on the acquisition of companies valued up to €1 billion.
- Bridgepoint has operated in the Nordic region since 1985 and has completed eleven primary deals in the region. In the last three years, Bridgepoint has completed transactions with a total enterprise value of over SEK 22 billion, including companies such as Gambro Health Care (now called Diaverum), Attendo Care, Car Park, Liber and A-Katsastus (a Finnish vehicle inspection company).
- In November 2008, its Bridgepoint Europe IV fund closed in excess of €4.8 billion, oversubscribed by 20% from its original target of €4 billion.
- Bridgepoint typically focuses on acquiring well managed companies in attractive sectors with the potential to grow organically or through acquisition. Bridgepoint focuses principally on investments in the consumer, financial services, healthcare, media & technology, business services and industrials sectors.

unquote”

For over 15 years, the unquote” journal has been the best-established private equity news source in both the UK and Irish markets. It continues to deliver in-depth coverage from early-stage and expansion deals to buyouts and portfolio management, breakdowns of fundraising programmes, exits, P2Ps, IPO's and people moves, as well as in-depth analysis on key industry topics. In addition to the UK, unquote" also services the French and German markets as well as the Nordic, Benelux and Southern European regions