

Deal or no deal

The European M&A market

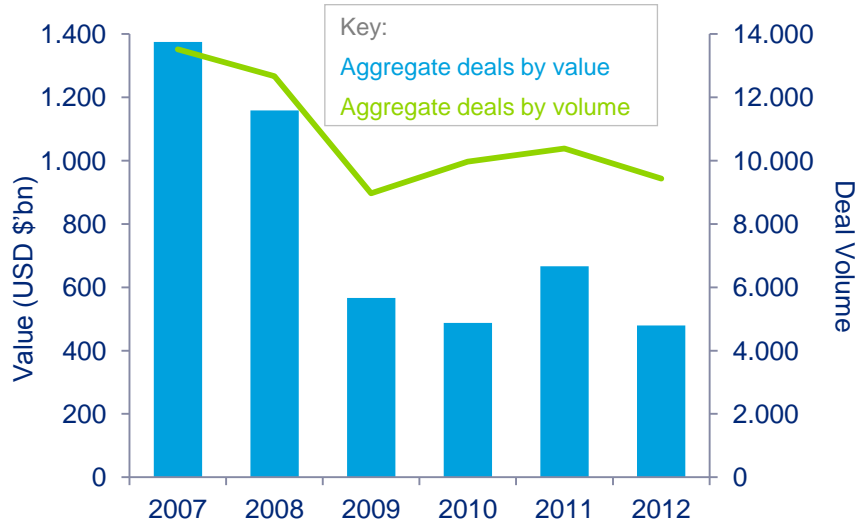
Presentation to AIFI Annual Meeting  
Ian Steele | 18 March 2013 | Milan



# European M&A

## Volatility – the new norm

European M&A Deal Activity (2007-2012)



Source: Thomson Reuters, Deloitte Research

No surprises but opportunities still there!



Caution – the prevailing watchword!



Risk averse - emphasis upon long term prospects and value creation

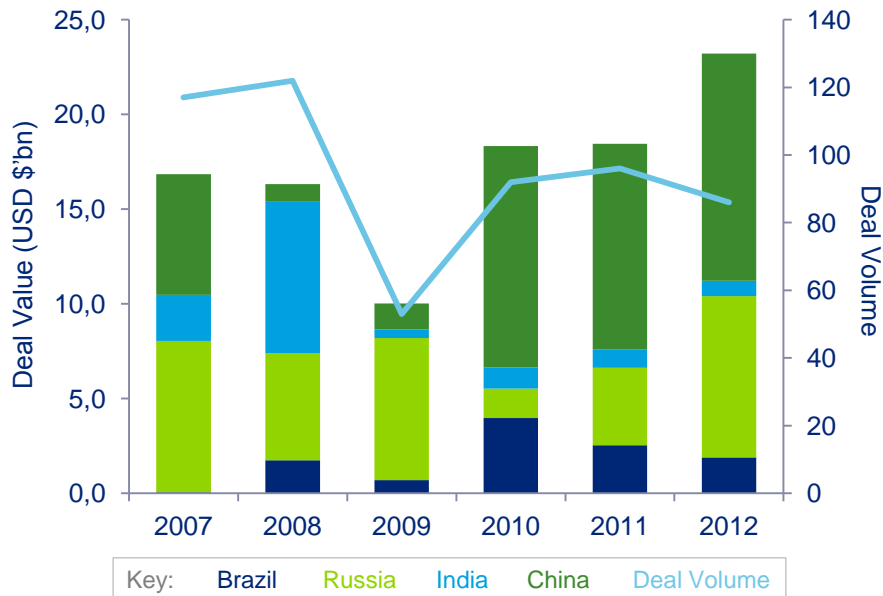


Valuations – disparity between buyer and seller expectations still commonplace

# Increasing relevance of BRIC to European M&A

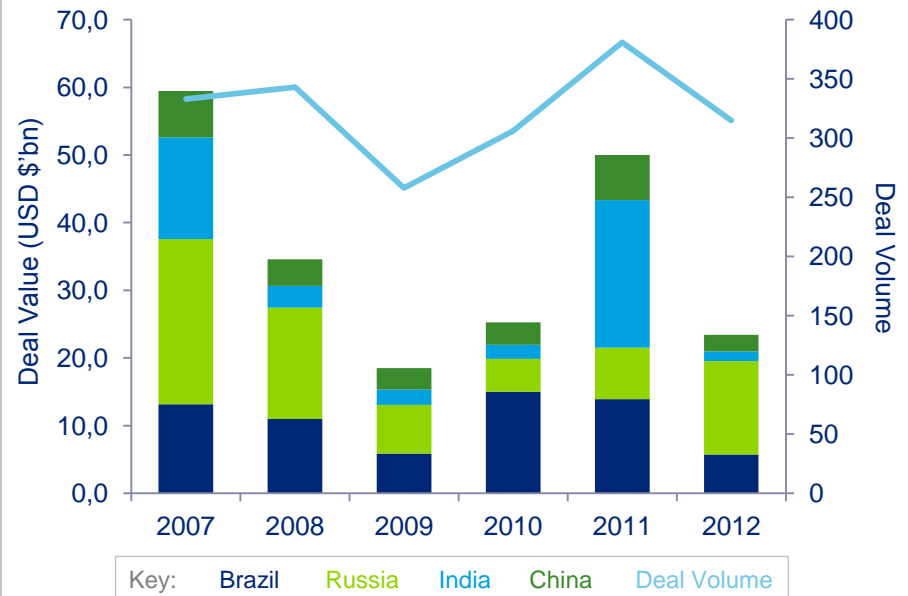
## The quest for capability advantage

### BRIC acquirers pursuing European targets



Source: Thomson Reuters, Deloitte Research

### European acquirers pursuing BRIC targets

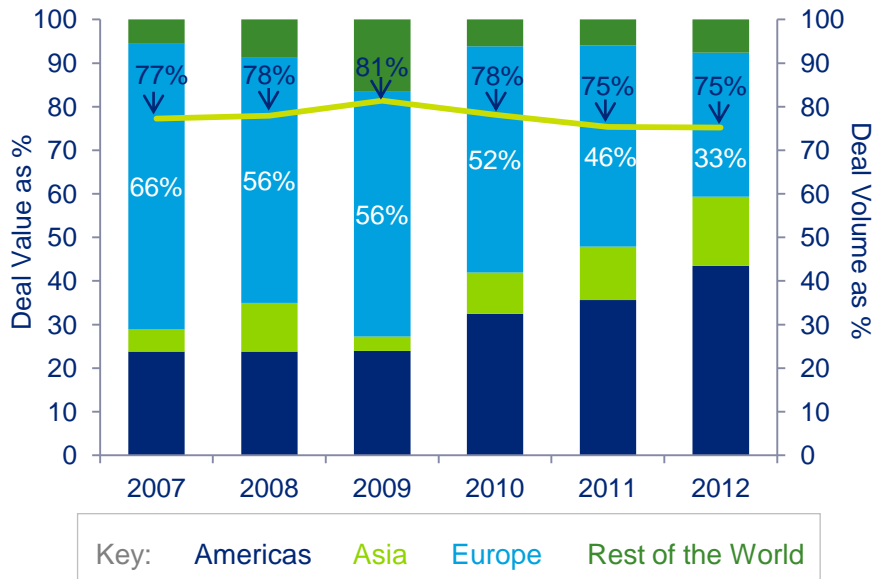


Source: Thomson Reuters, Deloitte Research

# Intra-region activity

## On our doorstep

Intra-region activity as a proportion of cross border M&A activity in Europe



Source: Thomson Reuters, Deloitte Research

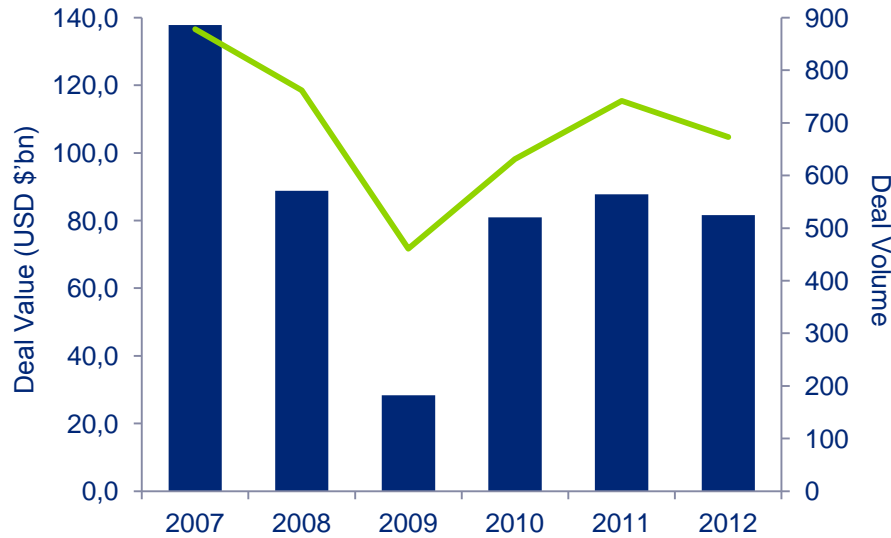


In 2012 European vendors sold **3622** businesses to European acquirers in deals with an aggregate value of **c\$72.9bn**

# US

Not neighbours – but more than just good friends!

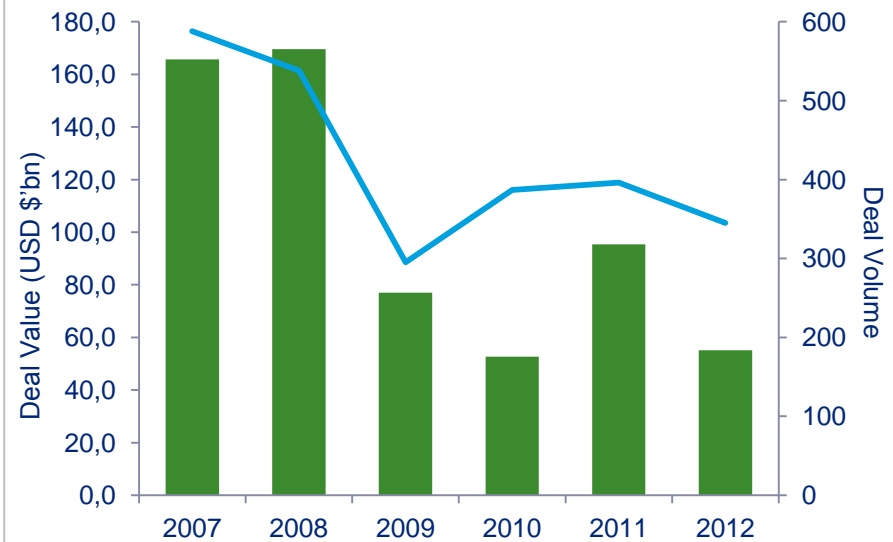
## US acquirers seeking European targets



Key: Aggregate Deal Value Aggregate Deal Volume

Source: Thomson Reuters, Deloitte Research

## European acquirers seeking US targets



Key: Aggregate Deal Value Aggregate Deal Volume

Source: Thomson Reuters, Deloitte Research

# European Private Equity

# Private Equity landscape

## The road ahead



- Despite economic backdrop, broadly positive sentiment by LPs towards Private Equity as an asset class;
- Consensus of opinion that fund performance is meeting / exceeding expectations;
- Financial due diligence as part of a buy-out / refinancing proving increasingly protracted;
- Greater pressure on terms and conditions.

## European Private Equity 2012 in numbers

**149** European focused funds reached final close – raising **\$78bn** ;

**456** European focused funds in market, seeking **\$196bn** ;

**813** Buy-out deals in Europe, attracting **\$67bn** in investment;

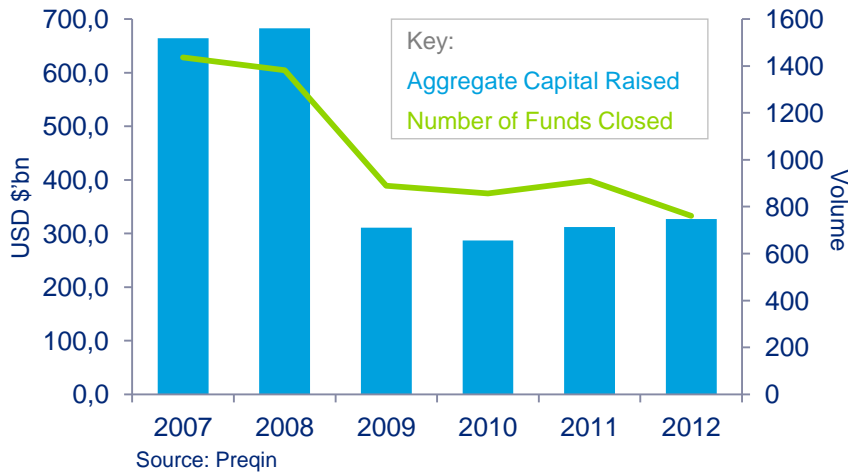
**\$233bn** In dry powder held by European focused funds;

**377** European exits valued at **\$102bn** ;

# Shaping up | The global fundraising environment

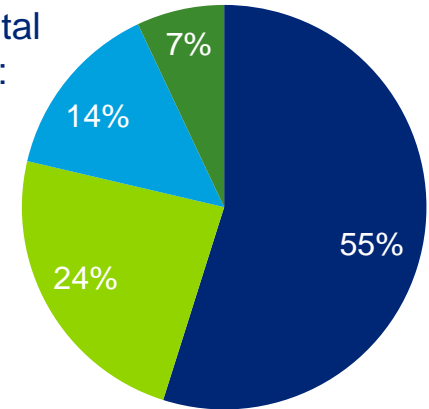
## Strength in numbers

Private Equity Fundraising (2007 – 2012)

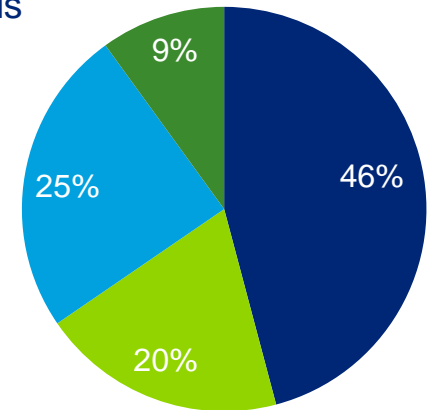


Private Equity Fundraising in 2012: Regional Focus

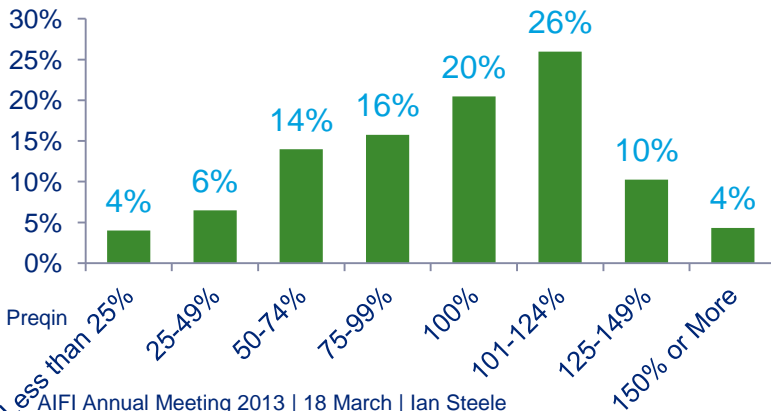
By aggregate capital raised (USD \$'bn):



By number of funds closed:



Private Equity funds closed in 2012 by proportion of target size achieved



Source: Preqin

Key: North America Europe Asia Rest of the World

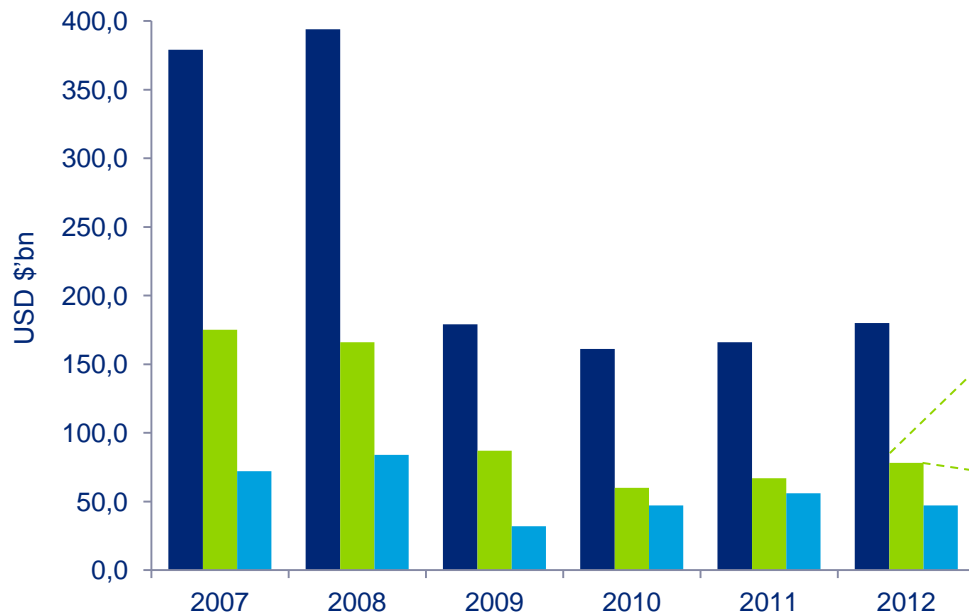
Source: Preqin



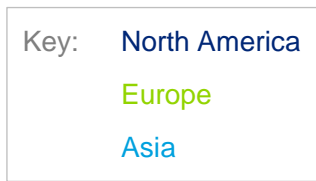
# The European fundraising environment

## How it compares

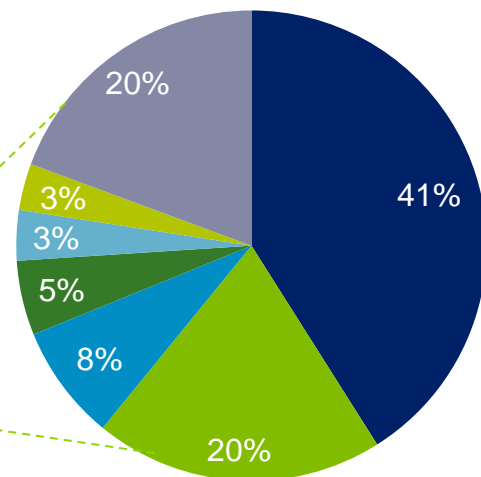
Aggregate capital raised by region (2007 – 2012)



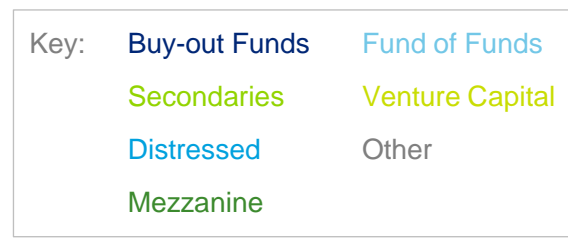
Source: Preqin



European focused Fundraising in 2012 by Fund Type



Source: Preqin



# Distressed Private Equity

Making its mark



26%

LPs viewing Distressed Private Equity as the fund type yielding the best opportunities for investment

Source: Preqin

Top 5 industries anticipated by LPs as yielding most distressed opportunities in 2013:

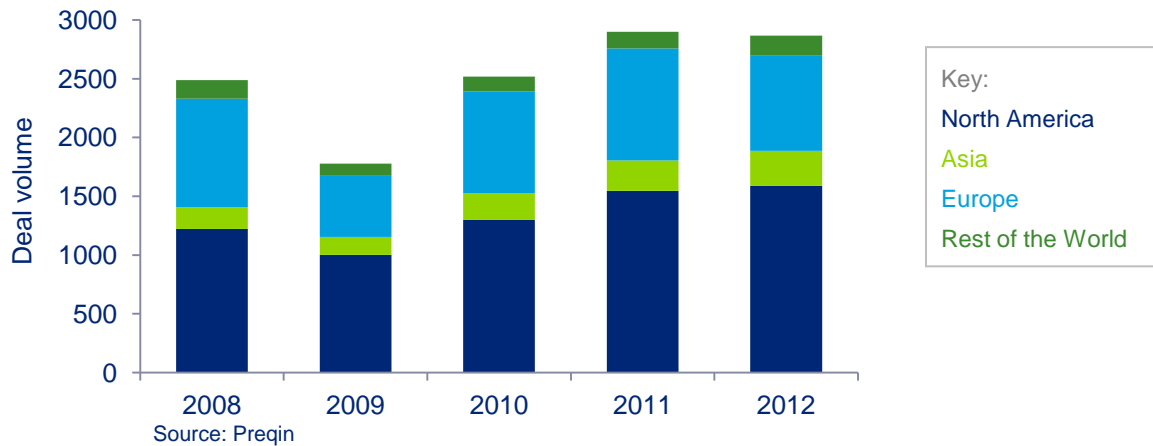


Source: Preqin

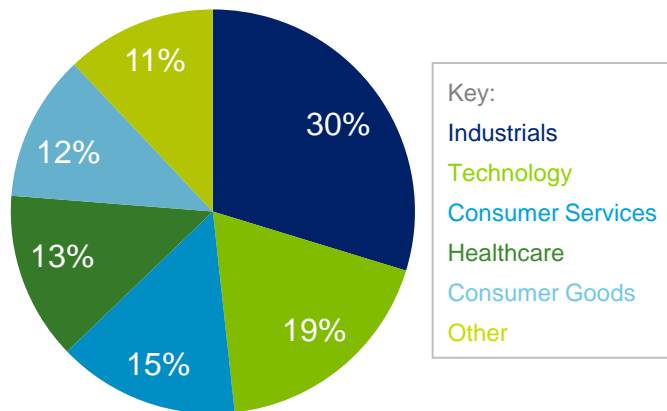
# New deals

## Where Private Equity is going

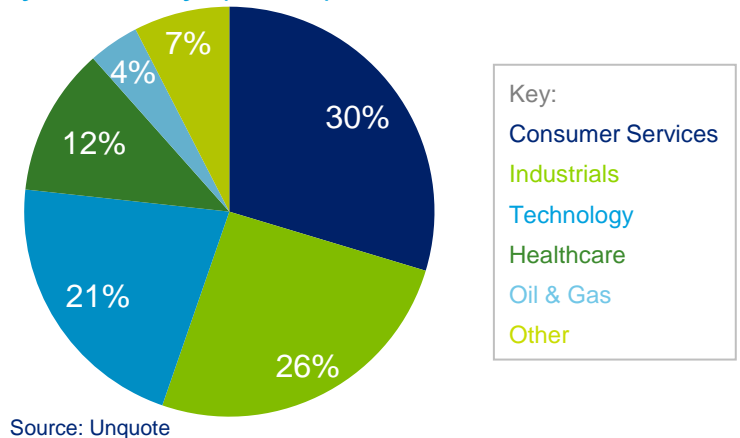
### European Private Equity backed buy-out deals by volume



### European Private Equity backed deals by industry (2007)



### European Private Equity backed deals by industry (2012)



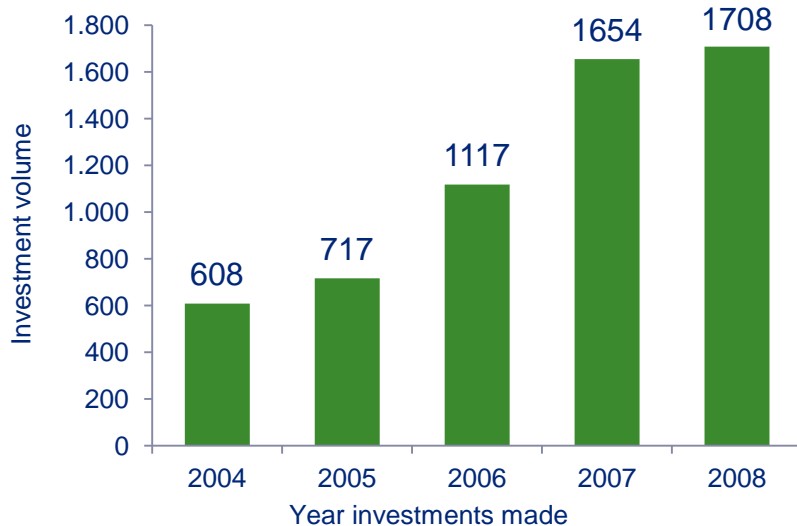
# Exits

It has to happen sometime



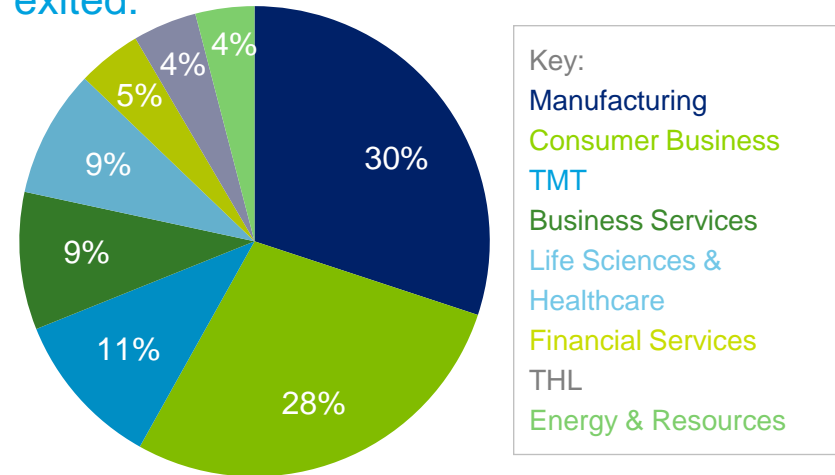
Optimistic outlook for European exit pipeline in the short to medium term:

Investments made pre 2009 still to be exited:



Source: Unquote

Italian investments pre 2009 still to be exited:



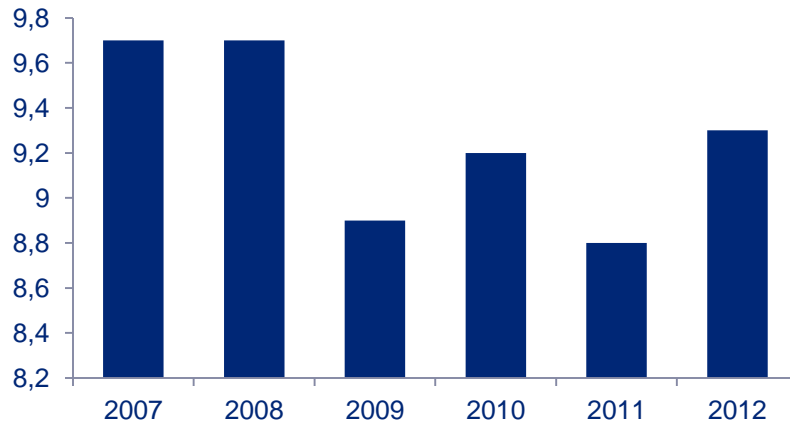
Source: Unquote

c.296 investments made between 2004 and 2008 still in portfolio

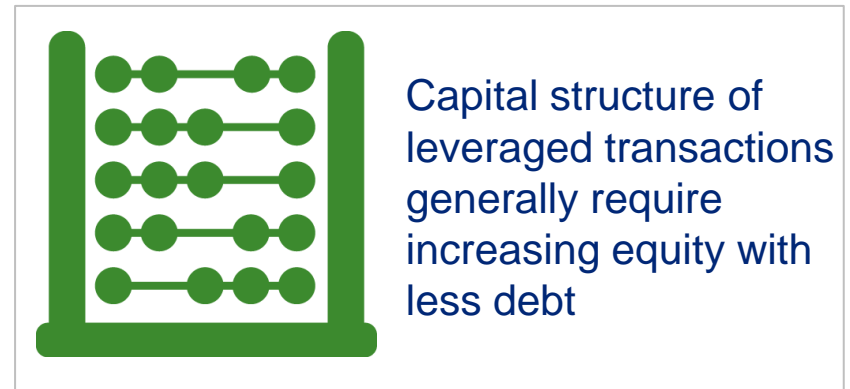
# European leveraged loan market

## The change in debt / equity mix

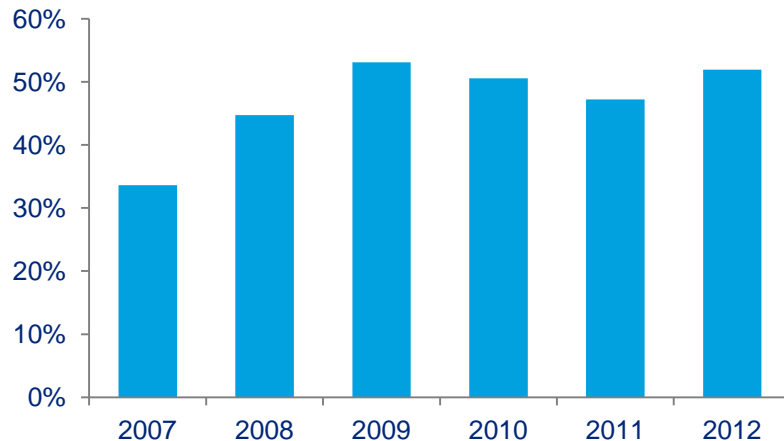
### Average purchase multiple (EV/EBITDA)



Source: LCD, Loanconnector

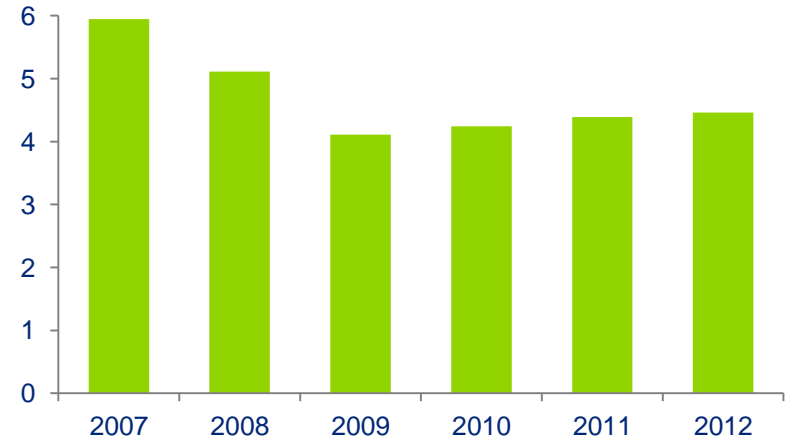


### Equity contribution (% of EV)



Source: LCD, Loanconnector

### Leverage (Debt / EBITDA x)



Source: LCD, Loanconnector



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