

PRIVATE EQUITY

BAROMETER

Q2 2012

Figures based on preliminary quarterly data from
Europe's specialist private equity information provider.

unquote ”

ARLE 

Key findings

Overall European private equity

- Private equity investment activity has continued to be subdued over the past quarter, with the 202 transactions recorded in Q2, down 8% from the already low total of 219 for Q1.
- The 421 deals completed in the first half of the year as a whole represents less than two thirds of the 651 and 666 deals recorded for the first six months of 2010 and 2011 respectively.
- In contrast, in value terms a three-quarter slide was halted in over the three months to June, with the aggregate total of €13.7bn representing a 17% rise from Q1.
- In fact, the second quarter value total represents the highest aggregate investment figure since the €18bn registered in Q3 2011.

Buyouts

- Reduced appetite for deals in core areas of the market has prompted a significant 28% decline in dealflow from 100 in Q1 to just 72 over the three months to June.
- Value followed the wider trend and rose to its highest level since Q3 2011, jumping by 25% from €9.3bn to €11.6bn.
- A sharp slowdown in the small-cap segment of the market, covering deals worth less than €100m, saw both volume and value drop by 36% to just 51 deals worth €1.3bn.
- This section of the market continues to account for the majority of buyout dealflow, but represented collectively just 12% of total buyout investment for the quarter.
- The mid-market segment, containing deals worth between €100m-1bn, recorded 18 transactions for the second quarter in a row, though value rose by 34% from €4.3bn to €5.7bn.
- Aggregate investment value similarly rose in the large-cap segment (deals worth in excess of €1bn), which saw value surge 54% from €2.9bn to €4.5bn.
- The DACH region saw the strongest uptick in value terms, recording a more than six-fold rise from €525m in Q1 to close to €3.2bn over the past three months.
- The UK remained far and away the most active region with 30 deals completed, 32% less than in Q1 but still almost three times more than the 11 deals recorded in the Southern Europe region.
- The slump at the smaller end of the value spectrum correlates with a commensurate decline in deals coming from family and private owners, which fell by 32% from 50 to 34.

Growth capital

- The expansion category witnessed a significant uptick in activity from 88 deals to 99 in Q2, the highest total since the corresponding period in 2011.
- This, though, meant that the market remained significantly below the three-figure totals that persisted through the preceding three years from 2008.
- In value terms there was a minor dip over the three months to June from €2.1bn to around €2bn, though this still represents the second highest total since Q3 2010.
- The UK remains the strongest market in growth capital terms, equalling the 32 deals recorded in Q1, though the country did record a fall of around 32% in value terms from €597.6m to €404m.

Early-stage

- Q2 witnessed a continuing paucity of dealflow in European venture, with 31 deals completed for the second consecutive quarter, the lowest total since Q4 2005.
- In value terms the story is starker still, with the total for the three months to June of just €104m representing a 68% fall from Q1 and the lowest figure since the second quarter of 1998.
- Year-to-date, the venture segment has recorded just 62 deals worth €433m, meaning it is around 50% behind both 2011 and 2010 in volume terms and 10% and 22% in value terms respectively.
- Germany dominated the early-stage segment in Q2 in regional terms, having been home to close to half of the completed transactions with a total of 14 deals.

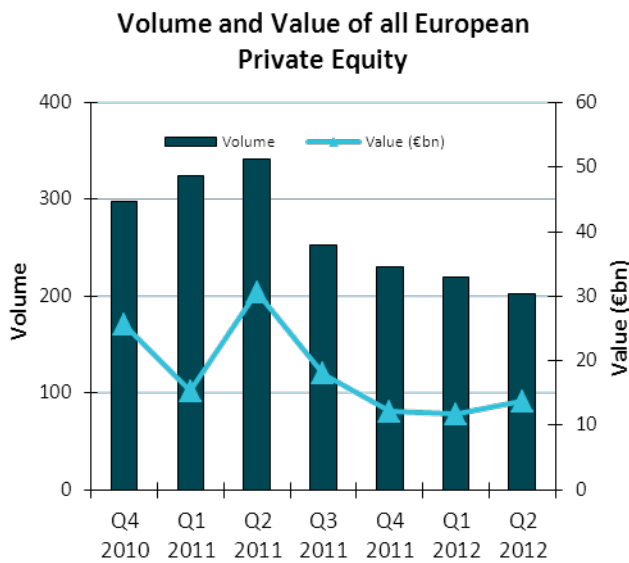
Update on Q1 2012 figures

Following the publication of the Barometer each quarter, both information on new deals and updates on existing deals invariably come to light. The following bullet points provide updated information on Q1 2012 deals that emerged after the publication of the Barometer in April 2011.

- There are now a total of 219 private equity-backed transactions recorded for the three months between January and March 2012, 62 more than when the Q1 Barometer was published in April.
- In the buyout segment, there are now 100 deals listed for the first quarter of the year, 28 more than the previously published figure. In value terms the total has increased by €2.6bn to €9.3bn according to current data.
- In the expansion sector, the Q1 total has risen by 25 deals since the publication of the last edition of this report. On a value basis the figure increased by €900m from the original figure of €1.2bn to €2.1bn.
- In the early-stage arena the previously published deal value total has risen by nine deals since the publication of the previous report. This has equated to a value increase of around €151m to €328m.

Q2 activity slumps; big deals generate value surge

Overall European private equity



	Number	Value €bn
Q4 2010	298	25.57
Q1 2011	325	15.32
Q2 2011	341	30.55
Q3 2011	253	17.98
Q4 2011	230	12.06
Q1 2012	219	11.70
Q2 2012	202	13.67

2010	1239	77.11
2011	1149	75.92
YTD 2012	421	25

Source: unquote

Europe's perpetual economic winter persisted into the second quarter of 2012 with meagre signs of spring in sight. While the future of the euro, at least on a short-term basis, seems secure following the recent re-election in Greece that saw a shaky pro-bailout coalition formed, the threat posed by the financial crisis across the continent remains as potent as ever. In recent months fresh concern in particular has been raised over the stability of the Spanish banking sector, which has prompted further interventionist action from European political leaders.

Against such a negative backdrop, it is unsurprising that private equity investment activity has continued to be subdued over the past quarter. In total there were 202 transactions recorded in the three months between April and June, 8% less than the already low total of 219 for Q1 and by some margin the lowest total of any quarterly period over the 21-month sample. Moreover, the 421 deals completed in the first half of the year as a whole represents less than two thirds of 651 and 666 deals recorded for the first six months of 2010 and 2011 respectively.

But despite this seemingly bleak picture there are some rays of sunshine on the horizon. In value terms a three-quarter slide was halted over the three months to June, with the aggregate total of €13.7bn representing a 17% rise from Q1 and the highest figure since the €18bn registered in Q3 2011. The big deals that drove this increase have also been matched in recent months by a series of high profile – and profitable – exits, which collectively points to a loosening of financing conditions and a potential source of distributions for strained LPs. While times will remain tough for some time to come, perhaps these trends suggest there is some light at the end of the tunnel for GPs.

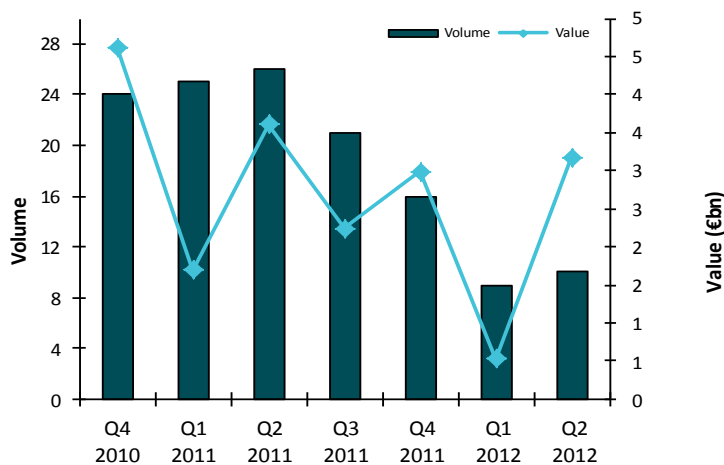
Quarterly focus

DACH buyout market

Set against a backdrop of decline and struggle in buyout investment terms over the second quarter, the DACH region painted a welcome picture of resilience. One of only two regions to record a rise in activity over the three months – albeit a modest increase of just a single deal – the market also registered a remarkable six-fold surge in collective deal value that saw it claim top spot from the UK for the second time in three quarters. This was driven by the fact that it was home to two of the three €1bn+ transactions in Q2 – the €1.8bn acquisition of German medical supplier BSN Medical by EQT Partners and the €1bn purchase of Swiss VAT refund business Global Blue by Partners Group and Silver Lake.

Any excessive triumphalism would be misplaced, though. Far from being a picture of unfettered success, the DACH region too has been affected by the dour investment climate that prevails across Europe. The volume total, for example, is up marginally on Q1 at 10 deals, but this remains the second lowest quarterly figure since the opening three months of 2010. Indeed the first six months of the year have been the slowest in activity terms for a decade, matching the 19-deal haul of H1 2002. Even the incredible value uplift is something of a statistical anomaly, given that the first quarter base of €525m was abnormally low.

Volume and Value of DACH buyouts



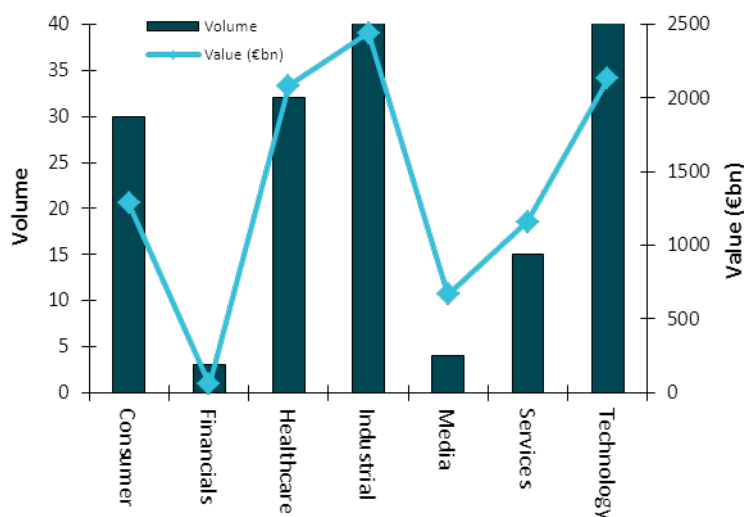
	Number	Value (€m)
Q3 2010	13	3734.51
Q4 2010	24	4619.11
Q1 2011	25	1688.33
Q2 2011	26	3607.33
Q3 2011	21	2242.00
Q4 2011	16	2992.00
Q1 2012	9	525
Q2 2012	10	3175

These caveats aside, however, the €3.2bn aggregate investment total for Q2 is an impressive figure in the current climate. Moreover, the duo of large-cap deals points to a healthy supply of debt financing from a comparatively stable domestic banking sector. As a case in point, the BSN deal, the largest of the quarter, was believed to be over 60% leveraged with a debt package arranged by, among others, Deutsche Bank. They also reflect the robustness of the regional economy and particularly that of its dominant constituent Germany, whose export-driven economy avoided the worst ravages of the financial crisis by virtue of the country's typically cautious credit culture.

Importantly, both transactions were also secondary buyouts, of which there were three for the quarter overall. Acquisitions from other institutional investors, a preponderance of which is often seen as an indicator of confidence on the part of debt providers, have been a staple of the DACH investment diet in recent years. In the nine quarters since the corresponding period two years ago, SBOs have accounted for more than a quarter of dealflow in seven instances and have represented the lion's share of aggregate value in four. For the three months to June this year, the total value of buyouts from other private equity houses stood at close to €3bn, 94% of the overall regional figure.

In terms of the sectors from which buyouts were sourced in Q2, there was a thoroughly eclectic mix, with no single category accounting for more than two deals and a total of eight represented in all. A similar trend was apparent in the first quarter, which is perhaps indicative of a broad strength that owes much to Germany's relatively diverse manufacturing base. From a value perspective the healthcare sector was the largest due to the single BSN deal, while the support services and food production sectors both led the way in volume terms with two transactions each.

Volume and Value of all DACH deals by sector last 12 months

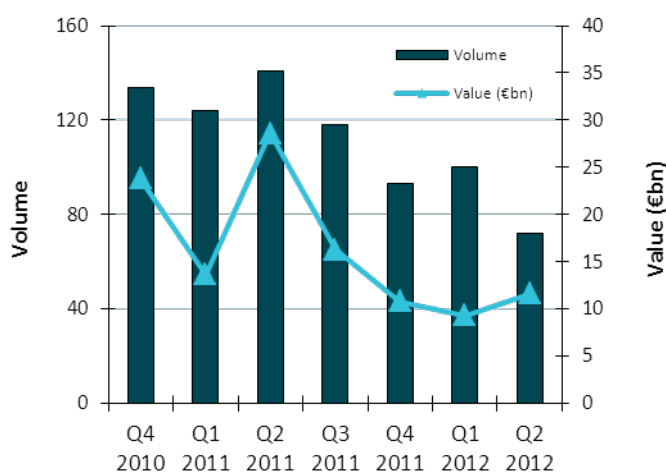


	Number	Value (€m)
Consumer	30	1286.83
Financials	3	57
Healthcare	32	2085.42
Industrial	44	2443.2
Media	4	664.83
Services	15	1160.47
Technology	45	2134.28

Source: unquote

Buyouts

Volume and Value of European Private Equity-backed Buyouts



Source: unquote

	Number	Value (€bn)
Q4 2010	134	23.78
Q1 2011	124	13.62
Q2 2011	141	28.58
Q3 2011	118	16.29
Q4 2011	93	10.81
Q1 2012	100	9.31
Q2 2012	72	11.60

2010	432	67.81
2011	478	69.30
YTD 2012	172	21

In spite of the resurgence at the top end of the buyout market that has been responsible for the recovery in value terms over the second quarter, it is the buyout segment overall that has dragged down activity figures during the three months. The dire economic backdrop and renewed fears over bank resilience and the potential consequences thereof have conspired to reduce appetite for deals in core areas of the market, prompting a significant 28% decline in dealflow from 100 in Q1 to just 72 over the three months to June. Value followed the wider trend and rose to its highest level since Q3 2011, jumping by 25% from €9.3bn to €11.6bn.

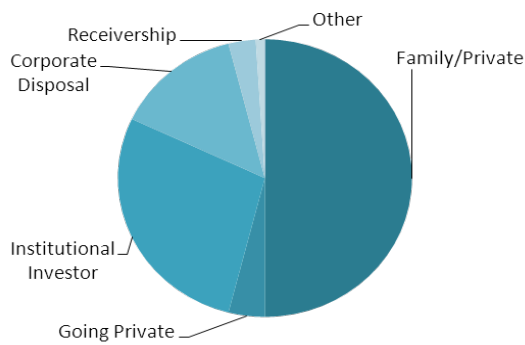
Analysing these numbers, the size range breakdown indicates a sharp slowdown in the small-cap segment of the market, covering deals worth less than €100m. Both volume and value in this category dropped by a substantial 36%, with the second quarter seeing just 51 deals worth €1.3bn, down from 80 transactions worth €2.1bn over the three months to March. This section of the market continues to account for the majority of buyout dealflow, representing 71% of all deals in Q2, but the low value total equated to collectively just 12% of total buyout investment for the quarter, matching a nadir recorded in both Q2 2011 and Q4 2010.

The broadly defined mid-market segment, which contains deals worth between €100m-1bn, saw deal numbers remain flat in Q2 as 18 transactions were recorded for the second quarter in a row. Value, however, rose by a healthy 34% from €4.3bn to €5.7bn as average deal value hit a 21-month high of €318m. Aggregate investment value similarly rose in the large-cap segment, housing deals worth in excess of €1bn, which saw value surge 54% from €2.9bn to €4.5bn. Close to 80% of this total came from two of the three deals completed in this segment: the €1.8bn buyout of German healthcare manufacturer BSN Medical and the €1.7bn acquisition of Italian pharmaceuticals business Rottapharm.

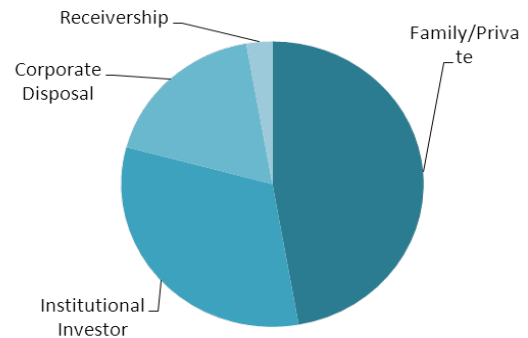
As one might expect, given that Germany was home to the largest deal of the quarter, the DACH region saw the strongest uptick in value terms, recording a more than six-fold rise from €525m in Q1 to close to €3.2bn over the past three months. This surge meant that it topped the regional table for value in Q2, edging ahead of the UK which dropped by 24% from €3.6bn to €2.7bn. The UK remained far and away the most active region with 30 deals completed, 32% less than in Q1 but still three times more than the 11 deals recorded in the Southern Europe region encompassing Italy, Spain and Portugal.

In terms of vendor type, the slump at the smaller end of the value spectrum correlates with a commensurate decline in deals coming from family and private owners, which saw activity fall by 32% from 50 to 34. As alluded to above, the increase in larger deals in Q2 also corresponded with a relative resilience in secondary buyout activity, with deals coming from other institutional investors dropping by just five from 28 to 23 over the period. The number of transactions being sourced from trade buyers remained steady on 13, though this is low by historical standards, while acquisitions from volatile public markets dried up completely in the second quarter.

**Number of European Buyouts by Vendor Type
 Q1 2012**



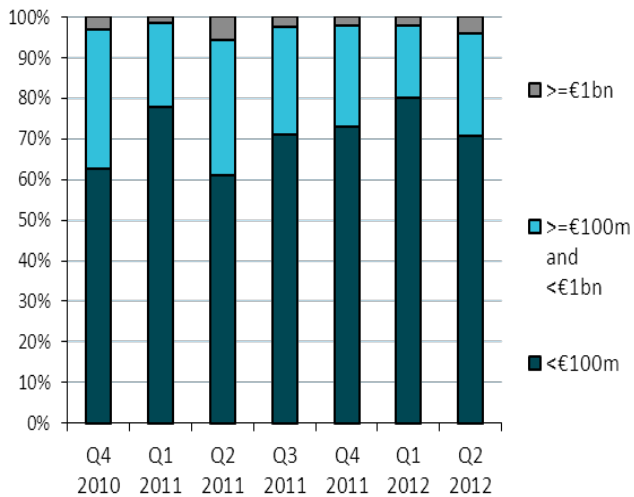
**Number of European Buyouts by Vendor Type
 Q2 2012**



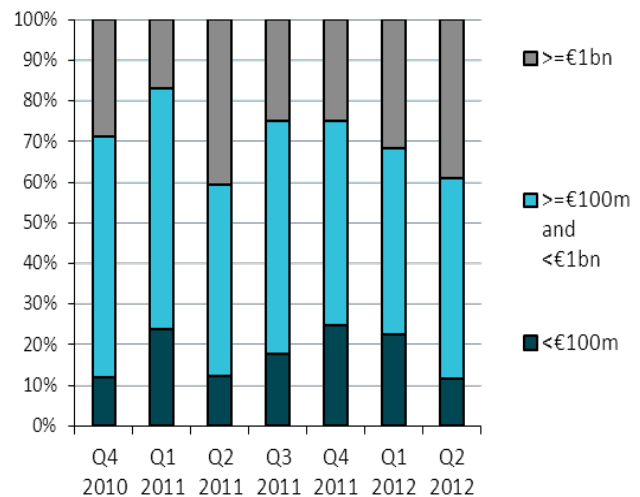
Vendor Type	Q1 2012	Q2 2012
Family/Private	50	34
Going Private	4	0
Institutional Investor	28	23
Corporate Disposal	14	13
Receivership	3	2
Other	1	0

Source: unquote™

Number of European Buyouts by Size Range



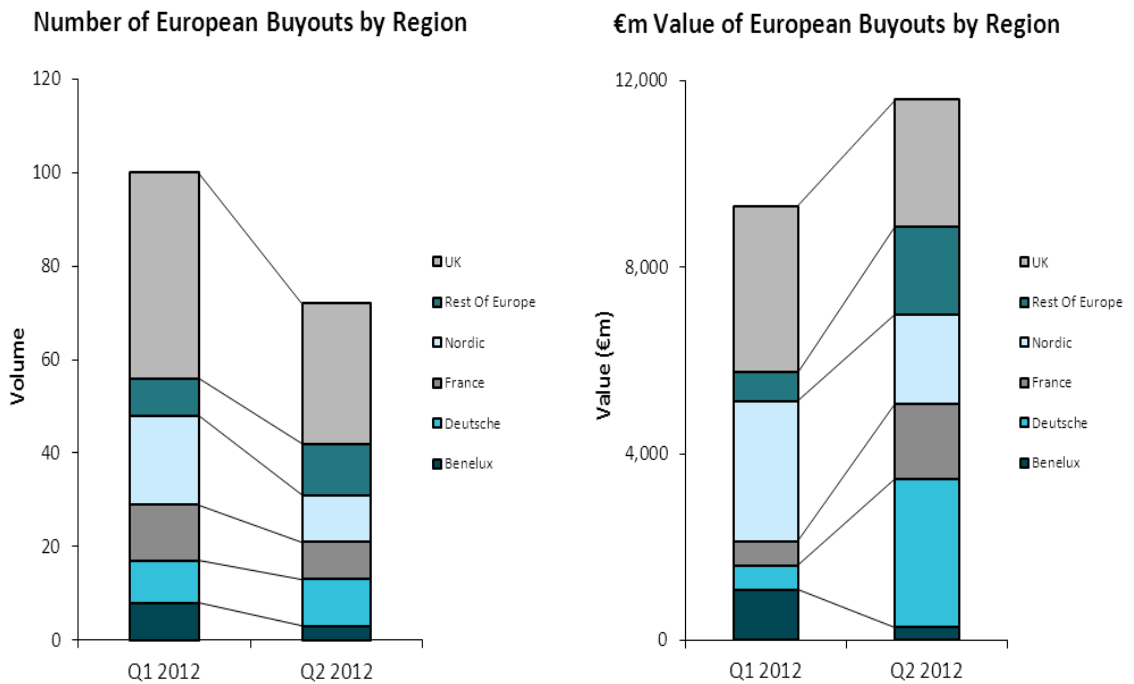
Value of European Buyouts by Size Range



	<€100m Number	%	>=€100m and <1bn Number	%	>=€1bn Number	%	Quarterly Total
Q4 2010	84	63	46	34	4	3	134
Q1 2011	98	78	26	21	2	2	126
Q2 2011	86	61	47	33	8	6	141
Q3 2011	84	71	31	26	3	3	118
Q4 2011	68	73	23	25	2	2	93
Q1 2012	80	80	18	18	2	2	100
Q2 2012	51	71	18	25	3	4	72

	<€100m Value (€m)	%	>=€100m and <1bn Value (€m)	%	>=€1bn Value (€m)	%	Quarterly Total Value (€m)
Q4 2010	2,859	12	14,059	59	6,866	29	23,784
Q1 2011	3,233	24	8,084	59	2,309	17	13,625
Q2 2011	3,467	12	13,554	47	11,554	40	28,575
Q3 2011	2,899	18	9,354	57	4,034	25	16,286
Q4 2011	2,675	25	5,435	50	2,700	25	10,811
Q1 2012	2,102	23	4,266	46	2,941	32	9,308
Q2 2012	1,343	12	5,732	49	4,520	39	11,595

Source: unquote"



	Volume		Value (€m)	
	Q1 2012	Q2 2012	Q1 2012	Q2 2012
Benelux	8	3	1,081	282
DACH	9	10	525	3,175
France	12	8	510	1,617
Nordic	19	10	3,007	1,919
Rest Of Europe	8	11	623	1,886
UK	44	30	3,563	2,716
Totals	100	72	9,308	11,595

Source: unquote"

Ten largest European private equity-backed buyouts, Q2 2012*

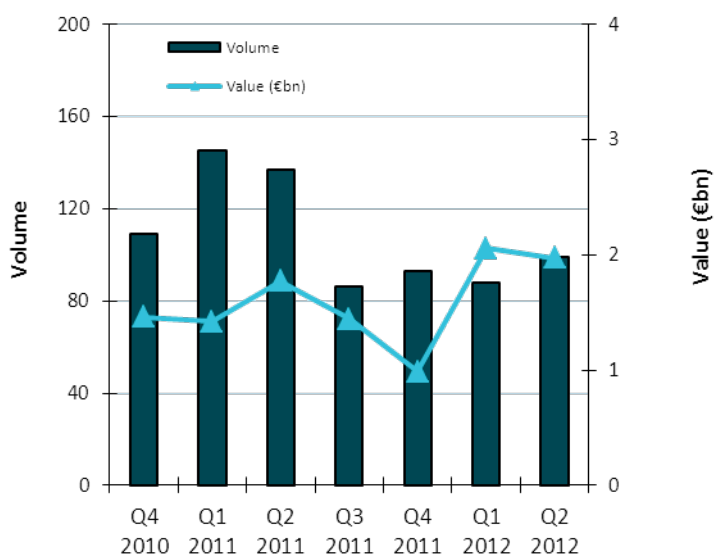
Deal Name	Value €m	Country	Equity Provider
BSN Medical	1820	Germany	EQT Partners
Rottapharm	1700	Italy	Avista Capital Partners, Clessidra Capital Partners
Global Blue	1000	Switzerland	Partners Group, Silver Lake
Four Seasons Healthcare	991.37	United Kingdom	Terra Firma Capital Partners Ltd, Royal Bank of Scotland
Alain Afflelou	800	France	Lion Capital (formerly Hicks Muse)
Bravida ASA	786.34	Sweden	Bain Capital Europe
Tokmanni Group	500	Finland	Nordic Capital
Anticimex	328.93	Sweden	EQT Partners
Prezioso Technilor	320	France	Cinven Ltd
College of Law	240.33	United Kingdom	Montagu Private Equity LLP

* Only includes deals with disclosed or publicly estimated values

Source: unquote"

Growth capital

Volume and Value of European Growth Capital Investment



	Number	Value (€ bn)
Q4 2010	109	1.46
Q1 2011	145	1.42
Q2 2011	137	1.77
Q3 2011	86	1.44
Q4 2011	93	0.99
Q1 2012	88	2.06
Q2 2012	99	1.97

2010	578	8.20
2011	461	5.62
YTD 2012	187	4030.16

Source: unquote”

The current climate is not one conducive to major growth capital investment. Indeed, given the return to recession in the UK, the perilous state of most mainland European economies and the prevailing air of caution throughout the continent that has been precipitated by the on-going euro crisis, the moniker of this segment of the market can seem almost ironic. Despite all of this, the expansion category witnessed a significant increase in activity from 88 deals to 99 in Q2, the highest total since the corresponding period in 2011. This, though, meant that the market remained significantly below the three-figure totals that persisted through the preceding three years.

That the segment is recovering from its hibernation is highlighted by the value trend. While there was a minor dip over the three months to June from €2.1bn to around €2bn, this still represents the second highest total over the 21-month sample period and the highest figure aside from that witnessed in Q3 2010. Indeed, the first two quarters of 2012 represent the most substantial six-month period in value terms since April to September 2010, and before that, one must go back to the opening six months of 2008 for a more substantial half-year investment total. For the year to date, the €4bn aggregate investment stands at more than half the strong 2010 annual total and is already 72% of the 2011 year-end figure.

In regional terms the UK market remains the strongest in growth capital terms, having equalled the deals total recorded in Q1 of 32. On a value basis the country did see a significant fall of around 32% from €597.6m in the first quarter to €404m, making it the second largest region by aggregate investment. Taking top spot was the ‘rest of Europe’ region that encompasses Southern Europe, which saw its investment figure more than double compared to Q1 from €303m to €665m. The largest deal of the quarter, perhaps surprisingly, was recorded in Luxembourg – the €330m investment in renewable energy supplier Enovos by AXA Private Equity.

Ten largest European growth capital transactions, Q2 2012*

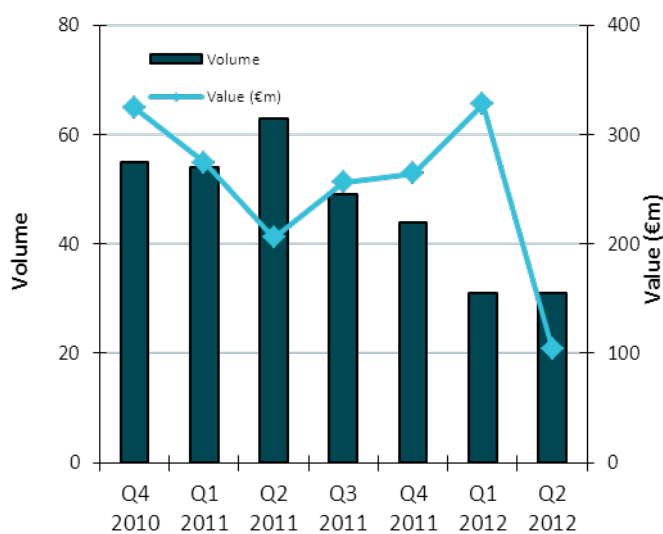
Deal Name	Value €m	Country	Equity Provider
Enovos	330	Luxembourg	AXA Private Equity
Grupo Hospitalario Quirón	250	Spain	Doughty Hanson & Co
Metroweb SpA	200	Italy	Fondo Strategico Italiano
Kedrion Group	150	Italy	Fondo Strategico Italiano
Europcar	110	France	Eurazeo
The Hoxton Hotel	79.87	United Kingdom	Ennismore Capital
Carnegie/Max Matthiessen Holding	70.66	Sweden	Altor Equity Partners
Accent Jobs for People	50	Belgium	Natixis Private Equity
Just-Eat	47.99	United Kingdom	Vitruvian Partners, Index Ventures, Greylock Management Corp, Redpoint Ventures
Zadig & Voltaire	45	France	TA Associates Ltd

* Only includes deals with disclosed or publicly estimated values

Source: unquote”

Early-stage

Volume and Value of European Early-Stage Investments



Source: unquote

	Number	Value (€m)
Q4 2010	55	324.48
Q1 2011	54	274.44
Q2 2011	63	205.89
Q3 2011	49	256.12
Q4 2011	44	264.77
Q1 2012	31	328.2
Q2 2012	31	104.44

2010	229	1099.95
2011	210	1001.22
YTD 2012	62	433

European venture has, for some time, been in the doldrums in investment terms. The reasons for this – including lack of LP appetite, poor investment returns and a difficult climate for young, fragile businesses – are well documented. While anecdotal evidence suggests the sector is beginning to reverse some of these negative trends, with reports of several funds successfully accumulating capital currently and profitable exits being recorded at last, the picture at the moment remains bleak.

This is reflected in the second quarter activity levels. Some may point to a steady deals total in Q2 as the period saw 31 deals completed for the second consecutive quarter, but in truth this represents a continuing paucity of dealflow and is the lowest total since Q4 2005. In value terms the story is starker still, with the total for the three months to June of just €104m representing a 68% fall from Q1 and the lowest quarterly total since before the technology bubble in the second quarter of 1998. Year-to-date, the venture segment has recorded just 62 deals worth €433m, meaning it is around 50% behind both 2011 and 2010 in volume terms and 10% and 22% in value terms respectively.

Germany, traditionally a strong market in venture terms by virtue of its vibrant technology and pharmaceuticals industries, dominated the early-stage segment in Q2 in regional terms, having been home to nearly half of the completed transactions with a total of 14 deals. Many of these deals were small, however, meaning that it accounted for a more modest 24% of the market in value terms with €25.1m. France came in a close second in value terms with a total of €24.7m, driven in large part by the completion of the largest deal of the quarter – the €17.5m investment in prescription spectacles business Sensee led by Idinvest Partners.

Ten largest European early-stage transactions, Q2 2012*

Deal Name	Value €m	Country	Equity Provider
Sensee	17.5	France	Idinvest Partners (AGF Private Equity), Partech, Orkos Capital
Extrabanca	15	Italy	Sator
onefinestay	9.69	United Kingdom	Canaan Partners, Index Ventures, PROfounders Capital
Tamar Energy	7	United Kingdom	Ludgate Investments Ltd
Yuilop	4.5	Spain	Nauta Capital, Shortcut Ventures GmbH, Bright Capital
TAPTAP Networks	4.5	Spain	Nauta Capital
Algiax Pharmaceuticals	4.3	Germany	High-Tech Gründerfonds, KfW-Kreditanstalt für Wiederaufbau
adeven	4	Germany	Target Partners
Creo Medical	3.69	United Kingdom	Finance Wales
Laboratoires Nutrition et Cardiométabolisme (LNC)	3.5	France	Seventure (SPEF), L'IRDI (Regional Institute for Industrial Development of Midi-Pyrenees), GSO Capital Partners

* Only includes deals with disclosed or publicly estimated values

Source: unquote data”

Notes

1. All data published in the unquote™ Private Equity Barometer (in association with Arle Capital Partners) is extracted from the unquote™ database, the proprietary data system of Europe's leading private equity information specialist (see below for more information). Although every effort is made to ensure that the statistics and data contained within are as comprehensive as possible, figures for the latest quarter should be considered preliminary and are likely to increase as further deals come to light over the coming weeks. Figures for historical quarters are fully updated in each new edition of the Barometer to reflect the latest intelligence. A summary of the key revisions can be found in the highlights section on page 4.
2. Wherever possible, data has been fully validated with direct contact with the investment professionals themselves. Deal value relates to the total funding raised to complete the transaction, including any leverage. In some cases, deal values and as a consequence contain, where relevant, both debt and mezzanine.
3. The data is pan-European and based on deals backed by at least one formalised venture capitalist or mezzanine provider. Debt-only transactions are not included.
4. Where data is analysed by geography, the following six regions have been used:
 - a. Benelux (Belgium, Luxembourg, Netherlands)
 - b. DACH (Austria, Germany, Switzerland)
 - c. France (France)
 - d. Nordic (Denmark, Finland, Norway, Sweden)
 - e. UK (United Kingdom)
 - f. Rest of Europe (Ireland, Italy, Portugal, Spain)
5. For further information on the content of the unquote™ Private Equity Barometer, please contact Pierre Le Saux on +44 (0)20 7316 9609.
6. Further data is available on unquote.com and the [unquote™ database](#)

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Arle brings together an accomplished team of 38, including investment professionals and proven international business leaders from 15 different nationalities, managing a diverse portfolio of over €2 billion for a global investor base. Since taking on the portfolio, Arle has returned €730 million to investors, realising three investments: Ontex, Equity Trust and Capital Safety Group.

Arle's approach is based on active ownership in close partnership with management in order to drive long term uplifts in growth and value which will generate strong returns for Arle's investors. For more information, please see www.arle.com

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