



*Energy & environment is a two-fold priority for private equity firms: on one hand, as a major strive to improve standards across portfolio companies, as part of the firms' socially responsible investment strategies; on the other hand, the energy & environment sector is gaining importance as an investment target and this is reflected in the recent set-up of several high-calibre partnerships and closings of specialised funds by buyout firms. The focus of this feature article is on energy and environment as an investment sector.*

*For the first time, this issue of EVCA's Barometer looks at the European buyout<sup>1</sup> investment activity within the energy & environment sector, and its evolution during the past three years.*

*Energy & environment buyout investment by private equity firms into European companies proved more resilient to the market cycle than overall buyout activity. Contrary to the overall buyout market in Europe, which contracted already in 2008, the energy & environment sector reached its peak that year, with a market share of 9%. While over the past three years, the sector showed some similarities to the overall buyout market, such as main geographic focus (UK), and predominance of non-syndicated small buyouts, it showed divergence in aspects such as deal sizes (double the overall market average) or importance of some regions as investment targets (the Nordic region ranked second to UK rather than France). The sector seemed to adjust well to market peaks and troughs: it recorded more syndicated deals in the peak year 2008, a steep increase in the equity-to-transaction value ratio in the credit-scarce 2009, and also an increased role of corporates as syndication partners during the past year. At sub-sector level, alternative energy concentrated most deals while gas and oil took the lion's share of the capital. During the three-year period covered, most of the deals were made by 2007 vintage funds and funds focused on buyouts.*

At European Union level, the European Commission has developed a large number of initiatives aimed at mitigating climate change and reducing dependency on fossil fuels. The main targets are to achieve a 20% reduction in energy consumption through improved energy efficiency, increase renewable energy's share of the market to 20% (from about 9% today), reduce carbon emissions by 20% and for 10% of fuel used in road transportation to be sourced from sustainably produced biofuels and other renewable fuels.

<sup>1</sup> Buyout deals, unless otherwise specified, include buyouts, rescue/turnaround, replacement capital and growth capital deals.

In this edition

Industry Snapshot

Technology News

GDP Growth Forecast

Libor

Inflation & Exchange Rate

Stock Market Developments

IPO Activity

M&A Activity

Leverage Loan Market Activity

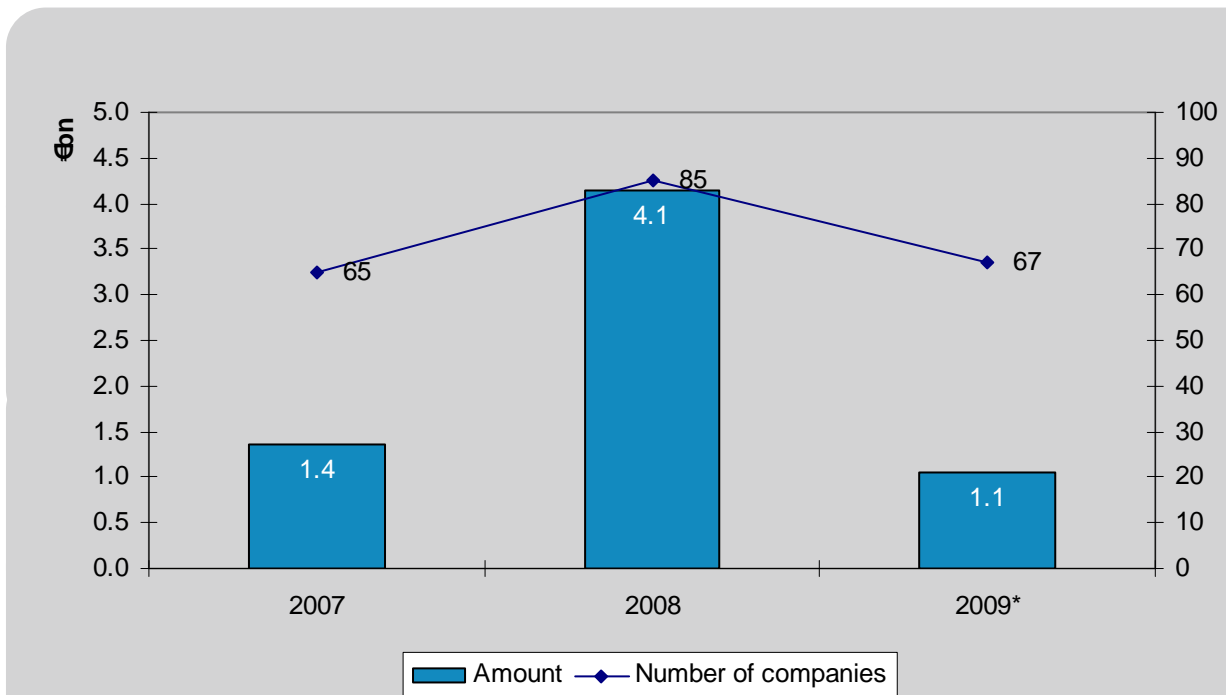
According to the International Energy Agency, between \$400bn and \$1,100bn would need to be spent worldwide every year until 2050 on technologies and infrastructure to help reduce greenhouse-gas emissions<sup>2</sup>. If the above targets are to be met, the European Commission will need the active support of the private sector. While private equity investment is still a modest component within this spending framework, buyout activity in the energy & environment sector has been less impacted by the financial crisis than other sectors and is expected to gain further momentum in the future.

### Investments in the sector - more resistant to the market crisis

The energy & environment buyout activity reached its peak in 2008. The impact of the crisis was felt in 2009, however investment scaled down to just below 2007 levels. This happened on the backdrop of a shrinking overall European buyout market that lost more than 70% of its value over the last two years. Therefore, albeit the sector activity had been modest within the overall buyout market, it endured better the recent trough in the market cycle and its importance increased in 2008, when it reached 9% of the total European buyout activity. Given the increase in recent closings of buyout funds geared specifically to this sector, it should be safe to predict that the significance of this sector would grow further in the future.

### Evolution of investments

Investments into European energy & environment companies - evolution



Source: EVCA/PEREP\_Analytics

<sup>2</sup> Energy Technology Perspectives 2008, International Energy Agency.



In the last three years, nearly €7bn of capital provided by private equity firms was invested in close to 220 European companies operating in the energy & environment sector. Close to 60% of that activity took place in 2008. The drop in activity values in 2009 was mainly driven by a contraction in deal sizes, which nosedived to less than half their 2008 level reaching €16m in 2009.

Contrary to the overall buyout market, which experienced a decrease in the average investment size already in 2008, energy & environment deals actually doubled in size, that year, driven by several large buyout operations in the gas & oil segment. Consequently, in the last two years, the average deal size in the sector was higher than the average size of the overall buyout deals.

Importance of sector in the overall European buyout investments

Amount in €m	2007			2008			2009		
	% by amount	% by nr companies	Avg deal size	% by amount	% by nr companies	Avg deal size	% by amount	% by nr companies	Avg deal size
Energy & environment buyouts	2.1	3.7	20.9	9.0	4.5	48.7	6.2	4.7	15.6
All private equity buyouts	100	100	37.0	100	100	24.4	100	100	11.7

## UK companies – main target of buyout deals in the sector

Similar to the overall European buyout market, the UK and the DACH region held the first and third position respectively in terms of activity in the energy & environment sector in the last three years. Opposite to overall buyout trends, however, the Nordic region generated more activity and ranked second, replacing France in the regional European ranking.

	% of number of companies		
	2007	2008	2009
Benelux	6%	2%	10%
CEE region	11%	5%	7%
DACH region	11%	12%	19%
France	12%	14%	13%
Nordic region	23%	19%	19%
Southern Europe	12%	20%	7%
UK & Ireland	25%	28%	22%
<b>Europe</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source : EVCA/PEREP\_Analytics

<sup>3</sup> Private equity firms here include only direct private equity funds or incorporated structures, therefore co-investments of LPs or fund of funds are not included

Most of the buyout deals in the sector took place in the UK & Ireland – 25% of the number of companies financed in the last three years. The Nordic region followed (20%) while the DACH region (14%) came third. Southern Europe was an active target for this sector in 2008 and 2007, but dropped in significance in 2009 at the benefit of the DACH and Benelux areas.

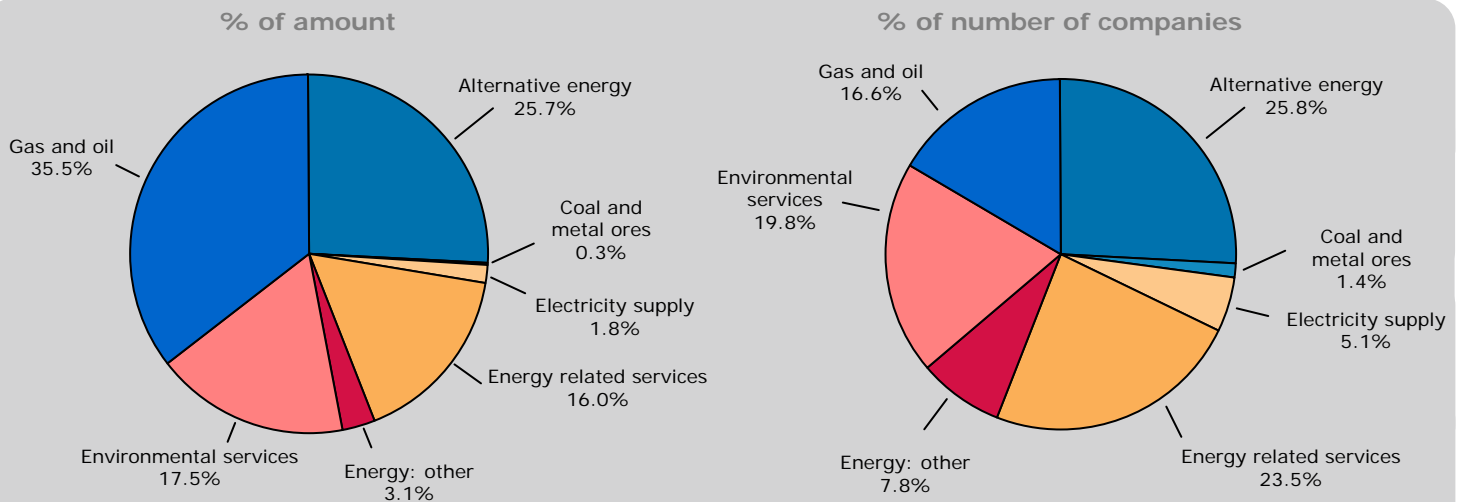
### Alternative energy concentrates most deals; Gas and oil gets the lion's share of capital

Alternative energy led the deal volumes and ranked second in terms of amounts invested, after the gas and oil sub-sector, over the three year period. The gas & oil dominance was driven by higher average deal sizes inherent to the nature of the industry, and it achieved only fourth place by activity volumes.

Energy-related services ranked second by deals closed and over the years their share grew steadily within the sector. However, due to smaller average deal sizes, it ranked fourth by amount invested.

Environmental services also made it to the top three list, ranking third by both criteria.

Investments by sub-sector (2007-2009 averages)



Source: EVCA/PEREP\_Analytics



## Non-syndicated small buyouts with an increasing equity proportion as part of the transaction value – the generic deal in this sector<sup>4</sup>

When assessing the deal structure of buyouts in the energy & environment sector, we analyse variables such as deal sizes, ratio of the private equity funding to transaction value, syndication, and profile of the co-investors.

For the three-year period, the average equity-to-transaction value<sup>5</sup> ratio for the European energy & environment buyouts was 36%: the total transaction value was €13bn while the total amount of private equity firms' contributions ('equity value') was €4.7bn. Altogether, the equity-to-transaction-value ratio in the energy & environment sector reflected the overall buyout market in 2007 and 2008. The ratio for the sector was 26% versus 23% for the overall buyouts in 2007 and 35% versus 38% in 2008. However, 2009 showed a different pattern with the sector displaying a higher ratio, at 73% versus 50% in the overall buyout market.

Despite the lack of mega deals in 2009, they accounted for more than half the transaction value (€6.8bn) and 40% of the total equity value invested (€1.9bn) over the period 2007-2009. They were followed by mid-market deals which accounted for 29% of transaction value (€3.8bn) and 42% of equity (€2bn). However, two-thirds of the targets were subject to small buyouts, with mid-market buyouts ranking second (with more than a quarter of the deals).

Buyout deals by deal size range, 2007-2009

	Amount (equity value)	%	Number of companies	%	Transaction value	%
Small	522,079	11.0	65	66.3	995,000	7.6
Mid-market	1,997,732	42.3	27	27.6	3,767,396	28.9
Large	299,775	6.3	2	2.0	1,500,000	11.5
Mega	1,905,490	40.3	4	4.1	6,759,113	51.9
<b>Total buyout</b>	<b>4,725,075</b>	<b>100</b>	<b>98</b>	<b>100</b>	<b>13,021,509</b>	<b>100</b>

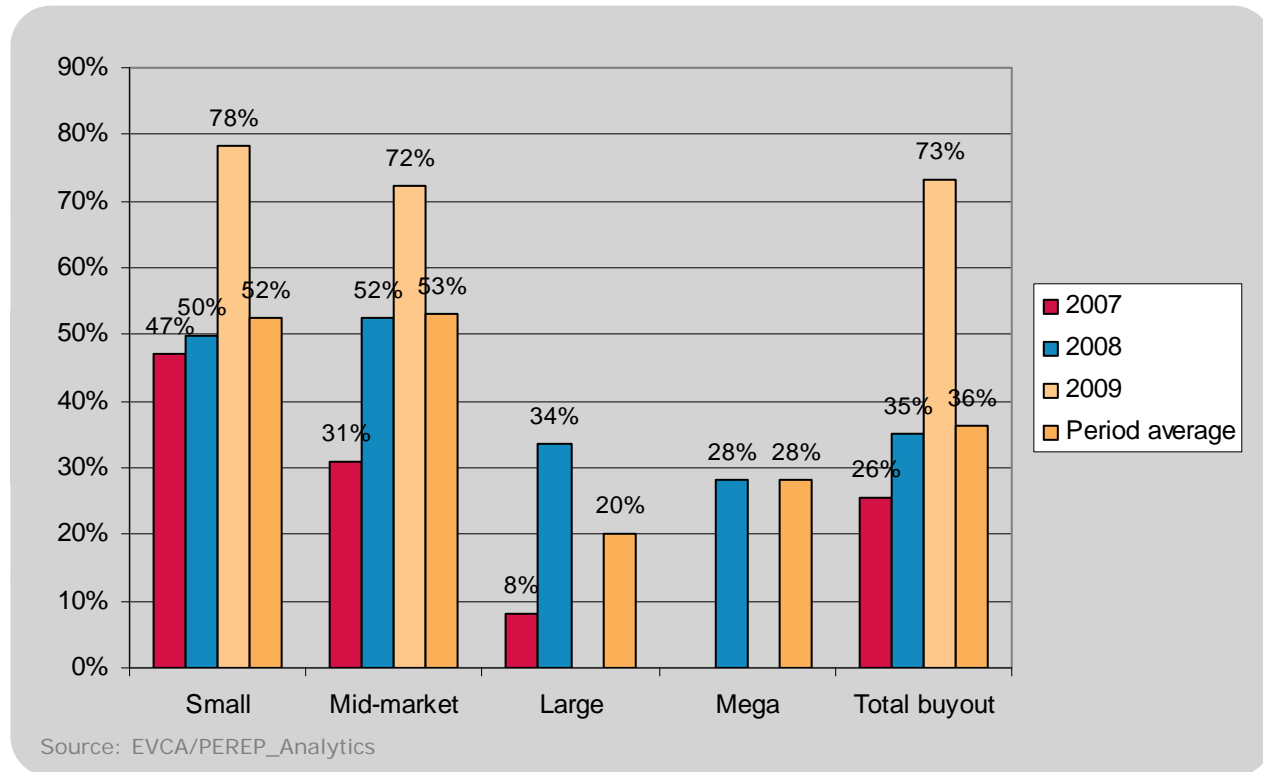
Source : EVCA/PEREP\_Analytics

In 2009, the importance of small buyouts in the activity volumes increased further (three-quarters of the targets) while at the same time the weight of mid-market buyout equity values doubled to reach 80%. Largely due to the reduced availability of debt, the average equity-to-transaction-value ratio of both small and mid-market deals reached above 70% in 2009.

<sup>4</sup> This section considers only buyout deals, i.e. it excludes growth capital transactions, replacement capital and rescue/turnaround deals

<sup>5</sup> Transaction value includes the contributions of all co-investors in a deal and the leverage. Therefore, the difference between private equity funds' contribution ("equity value") and transaction value consists of two parts: the contributions of syndication partners other than private equity firms (such as LP co-investors, corporate co-investors, financial institutions) and leverage

Average equity-to-transaction ratio—evolution



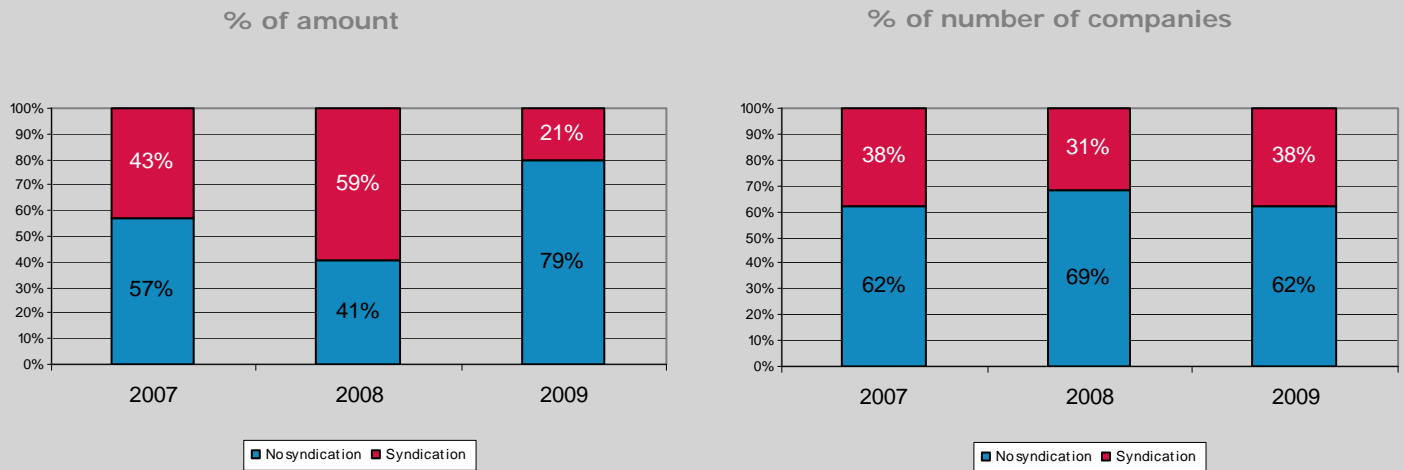
In terms of syndication, the patterns by amount invested differed between the peak year of 2008 when syndication was the norm and the more modest activity years of 2007 and 2009 when most of the capital was invested by single private equity firms in smaller deals. In terms of number of businesses financed, non-syndicated deals dominated consistently every year.

Syndication trends differed also by deal sizes. Non-syndicated buyouts concentrated in the lower end of the market, while all large and mega deals were syndicated. In 2009, the majority of non-syndicated deals were small buyouts (63% of the non-syndicated companies) but 92% of the equity invested went to mid-market deals. With regards to the financial structure of the deals, half of the non-syndicated deals did not involve external leverage in 2009, compared to 31% in 2008, and 16% in 2007.

As expected, club deals involved higher deal amounts than non-syndicated deals - they averaged a considerable €41m of equity per company over the last three years, while non-syndicated deals averaged just half that amount.

When looking more closely only at the syndicated deals, the patterns related to deal sizes, number and type of co-investors differed over time.

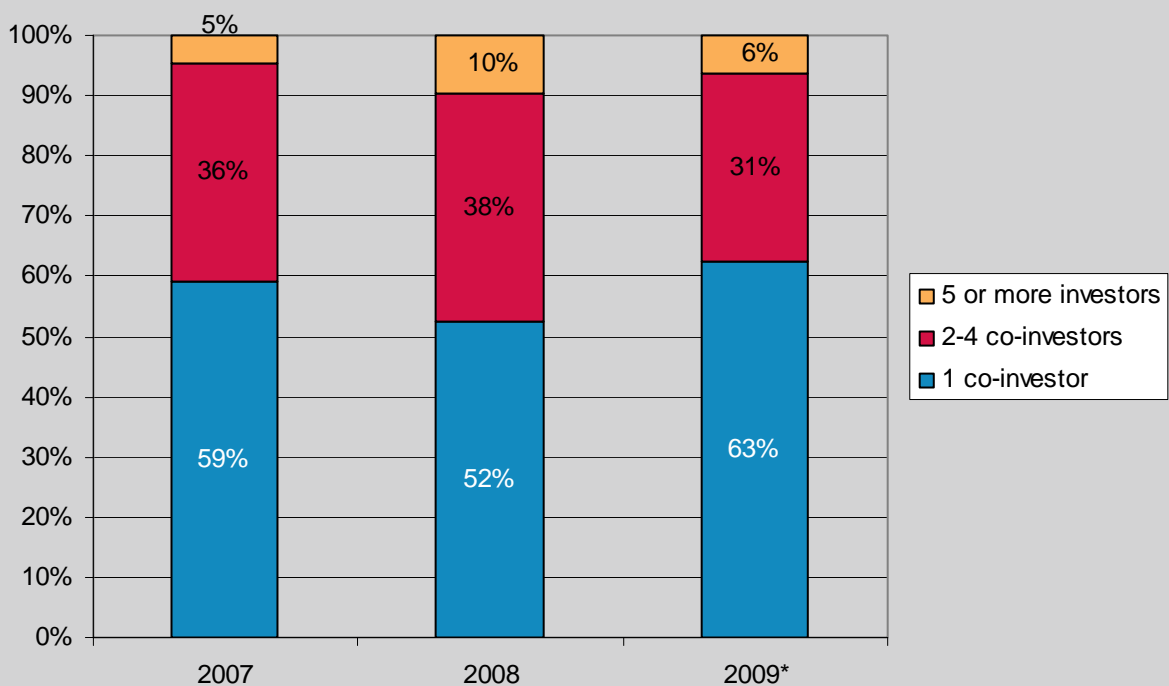
Investments by syndication



Source: EVCA/PEREP\_Analytics

The average investment per company for syndicated deals peaked in 2008, at €88m, and reached a low point in 2009 at €8m, about three times lower than in 2007.

Syndicated investments by number of co-investors

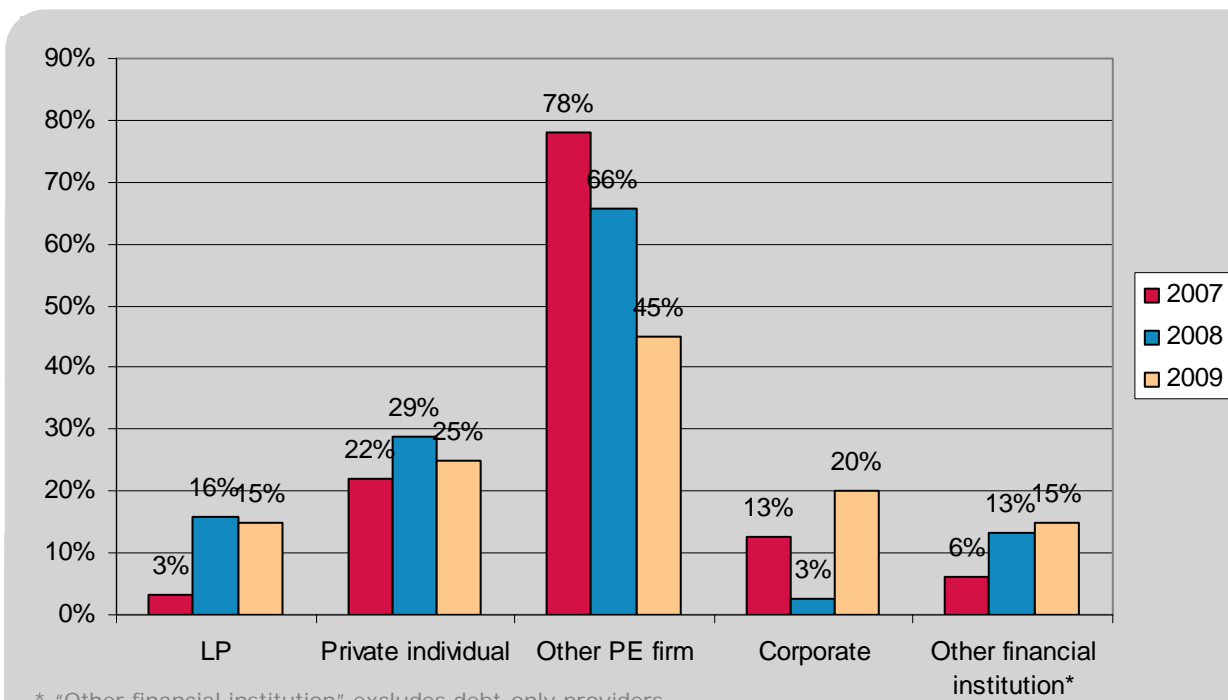


Source: EVCA/PEREP\_Analytics

In 2009, a large majority of the syndicates included only one co-investor (63% of the total number of companies involved in syndicated deals). The market was similar in 2007 with 59%. However, in 2008, when activity peaked, almost half of the syndicated deals included more than one co-investor. This explains the high average investment size per company in syndicated deals in 2008.

Private equity firms were the most common type of co-investor for syndicated deals. However, the proportion of syndicated deals with other private equity firms decreased gradually over the period, from 78% in 2007, to 66% in 2008 and 45% in 2009. While other private equity firms still dominated as partners and they were consistently followed by private individuals as second most favoured type of syndication partner, corporates emerged as key partners for energy & environment deals in 2009, being active in 20% of the syndicated deals.

Syndicated investments by investor type - % of total number of deals



\* "Other financial institution" excludes debt-only providers

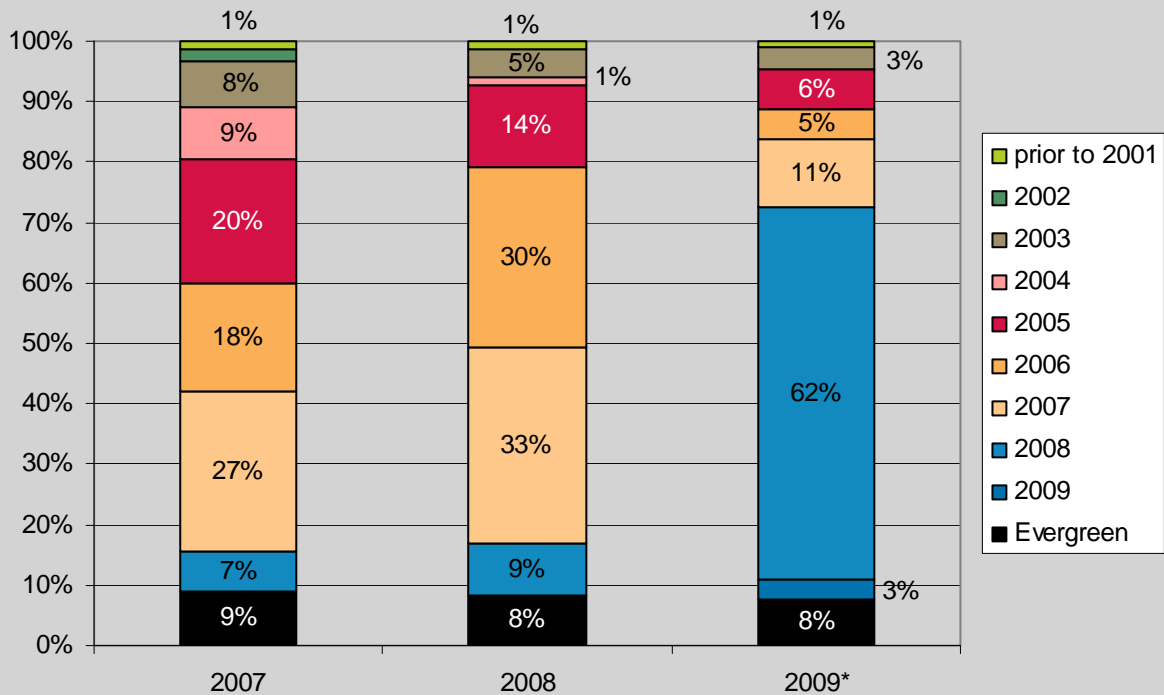
Note: Annual percentages do not add up to 100% as some deals included more than one type of investor.

Source: EVCA/PEREP\_Analytics

### 2007 buyout funds - the generic profile of the funds investing in the sector

Almost 30% of the total amount invested and 20% of the number of deals in buyout & growth transactions in the energy & environment sector in the last three years came from vintage 2007 funds. Vintage 2006 funds supplied the next greatest amount (23%), followed by vintage 2008 funds (18%).

Investments by fund vintage year - % of amount



Source: EVCA/PEREP\_Analytics

When looking at the stage focus of the funds active in buyouts in the energy & environment sector in the last three years, most investments were made by buyout funds, accounting for 71% by value and 42% by number of businesses financed. Generalist funds came second (12% by value and 29% by number), followed by growth funds (7% and 11%).

## ICT Results

### Haptic solution for modelling industrial designs

Industrial design modelling, used to make prototypes of home appliances or mock-ups of car parts, could soon make the leap from the world of plaster, plastic and sticky tape into the digital domain thanks to an augmented reality design system developed in Europe. [Read more...](#)

### Simplifying complexity – new insights into how genomes work

A genome is a complex system of genes and factors that regulate them. A European research team has clarified how such dynamic systems work, leading to a new way to predict genetic regulators. [Read more...](#)



### **Getting families and friends together again, virtually**

A fireside chat, sharing photos with granddad, a family get-together to play Monopoly on a Sunday afternoon... Digital media designed for the individual has hastened the demise of collective social events, but it could also enable their revival. [Read more...](#)

### **When noise becomes the signal**

European researchers have developed a new class of electronics that uses noise – normally a problem – as part of the signal. It means better, faster electronics. [Read more...](#)

### **The internet of cars**

An internet of cars promises a road system designed around cooperative technology enabling each element of the traffic system – cars, drivers, traffic lights, signs – to cooperate proactively to create a safer, more efficient driving experience. No road rage required. [Read more...](#)

### **See-through networks**

Promising faster, more efficient and cheaper computer networking, transparent networks are the paradigm of the future. But thanks to European researchers, they are on their way already. [Read more...](#)

### **Software: running commentary for smarter surveillance?**

Cutting-edge surveillance software that automatically detects human motion, behaviour and facial expressions, generates a running commentary of what's happening and re-enacts events virtually could soon be helping police and security services. [Read more...](#)

## **Latest GDP growth forecasts confirm this year's economic recovery**

In its latest GDP growth forecast, *The Economist* published its first estimates for 2011. GDP growth in the Euro Zone is expected to reach 1.4% next year, the lowest level across the economies presented here. The projected growth rate for both UK and Sweden is above 2%, at 2.1% and 2.4% respectively, well above the Euro Zone average. Outside the European continent, the US is anticipated to experience the fastest increase in GDP, at 2.9%. At the same time the Japanese GDP is expected to grow more slowly (by 1.6% only) but still at a higher rate than the Euro Zone.

The revised 2010 forecast of *The Economist* confirms this year's economic recovery although the GDP growth estimates for the Euro Zone and the UK have been revised downwards by 0.2 p.p., to 1.2% and 1.3% respectively. Forecasts for the other countries have been revised upwards, particularly for the US where GDP is now expected to increase by 3.1% in 2010. Sweden could experience the second fastest economic growth, at 2.2%, followed by Japan with an estimate of 1.7%. The Danish economy is now expected to grow at the same pace as the UK one, at 1.3%.

**Annual GDP Growth Forecasts in %**

	March 2010 forecast		January 2010 forecast		Difference between the two forecasts	
	2010	2011	2010	2011	2010	2011
Euro zone	1.2	1.4	1.4		-0.2	
UK	1.3	2.1	1.5		-0.2	
Denmark	1.3	1.8	1.1		0.2	
Sweden	2.2	2.4	2.1		0.1	
USA	3.1	2.9	2.8		0.3	
Japan	1.7	1.6	1.5		0.2	

Source: The Economist

According to Eurostat, GDP growth in the Euro Zone remained positive in the last quarter of 2009 (+0.1%). However, the economic recovery observed since Q3 2009 remained very weak. In Q4 2009, the economic activity in the Euro Zone was more than 2% below its 2008 level. Internal demand remained very weak. Private consumption stabilised, while investments decreased sharply from their Q3 level (-0.8%), contributing negatively to the GDP growth (-0.2 p.p.). Thanks to a faster increase in exports than in imports (1.7% compared to 0.9%), net external demand had a favourable impact on growth (+0.3 p.p.).

**Quarterly GDP Growth Estimates for the Euro zone in %**

	March 2010	January 2010	Difference between the two estimates
1 <sup>st</sup> Quarter 2009	-2.5	-2.5	0.0
2 <sup>nd</sup> Quarter 2009	-0.1	-0.1	0.0
3 <sup>rd</sup> Quarter 2009	0.4	0.4	0.0
4 <sup>th</sup> Quarter 2009	0.1		

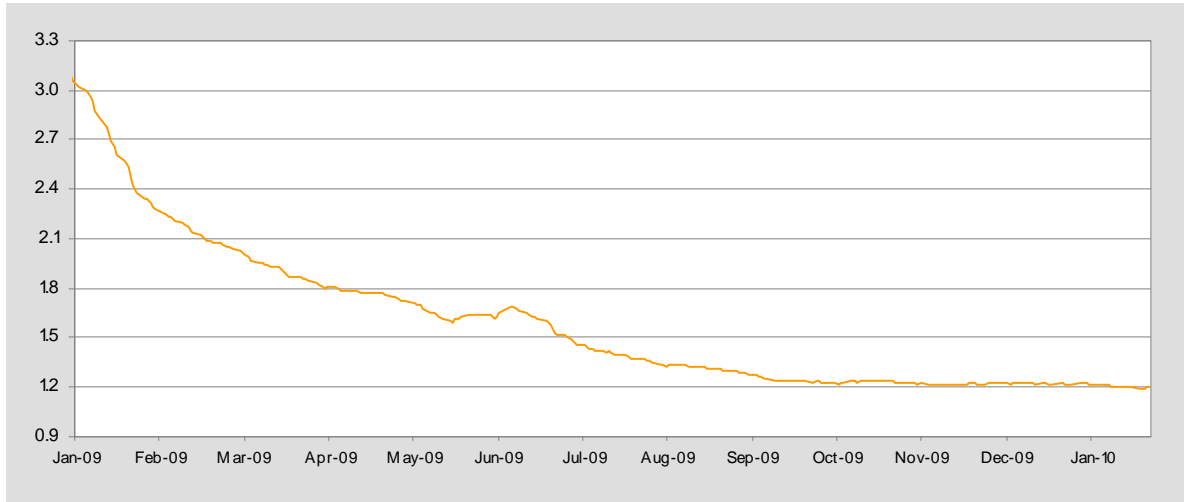
\* Refers to the actual quarterly growth rates, which are revised monthly to take account of new information.

Source: Eurostat

**LIBOR reaches a historical low**

The 12-month LIBOR decreased further in January 2010, closing the month at 1.20%.

### Annual LIBOR



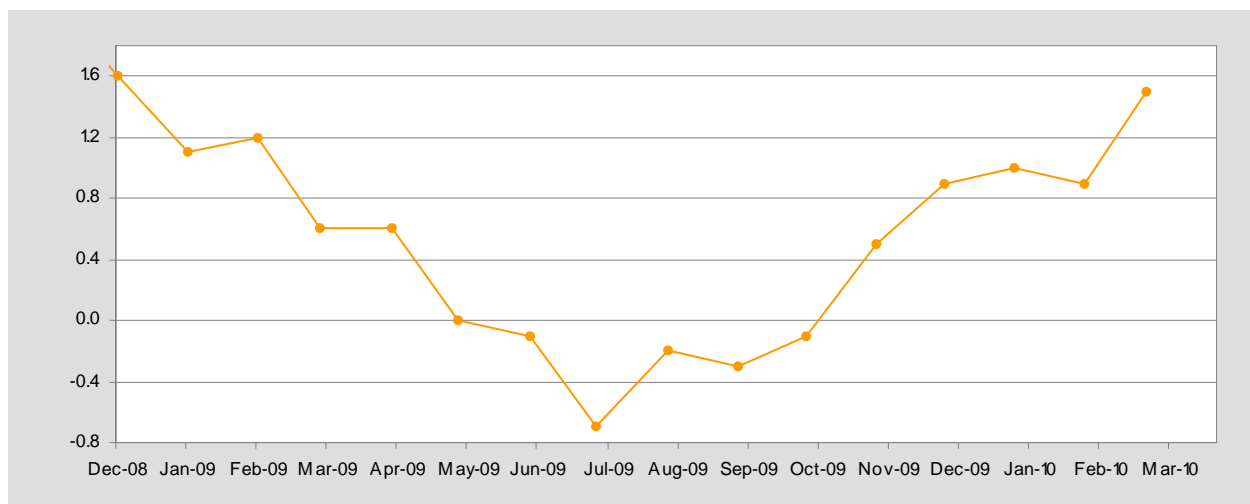
Source: British Bankers Association (BBA)

The average LIBOR rate in January 2010 was 1.21%, 142 basis points below the average January 2009 level. Between the end of January 2009 and the end of January 2010, LIBOR decreased by 108 basis points.

### Inflation and exchange rate

According to Eurostat, inflation in the Euro Zone increased further in March 2010. After reaching a bottom of -0.7% in July 2009, inflation climbed up to about 1% in January and February 2010, before reaching 1.5% in March this year.

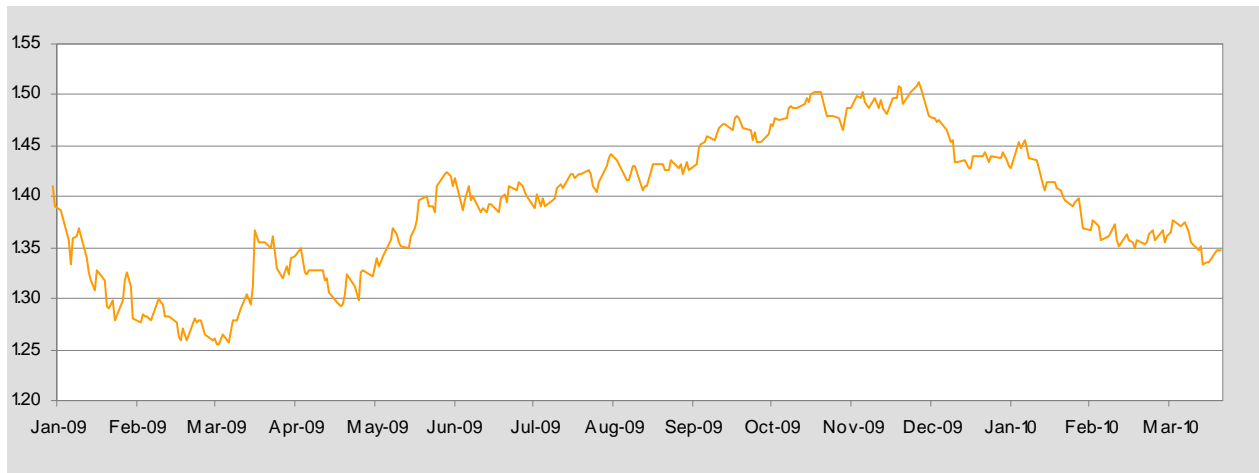
### Annual Inflation rate for the Euro Zone



Source: Eurostat - Inflation rate for consumer price

Since the beginning of 2010, the Euro depreciated by more than 6.3% vis-à-vis the dollar, on the backdrop of deteriorated public finances in the Euro Zone. The Euro closed at US\$1.35 per Euro at the end of March, a level similar to the one observed in May 2009.

Exchange rate \$ / €



Source: European Central Bank (ECB)

## Stock markets pick up

After a negative start in 2010, stock markets picked-up in February. On 31 March, they reached their highest level since September 2008.



### NASDAQ

#### Year 2010

- Highest value: 2,415.2 (23 March)
- Lowest value: 2,125.4 (4 February)

#### Year 2009

- Closing: 31 December at 2,269.2
- Highest value: 2,291.3 (30 December)
- Lowest value: 1,268.6 (9 March)

#### % change on year opening

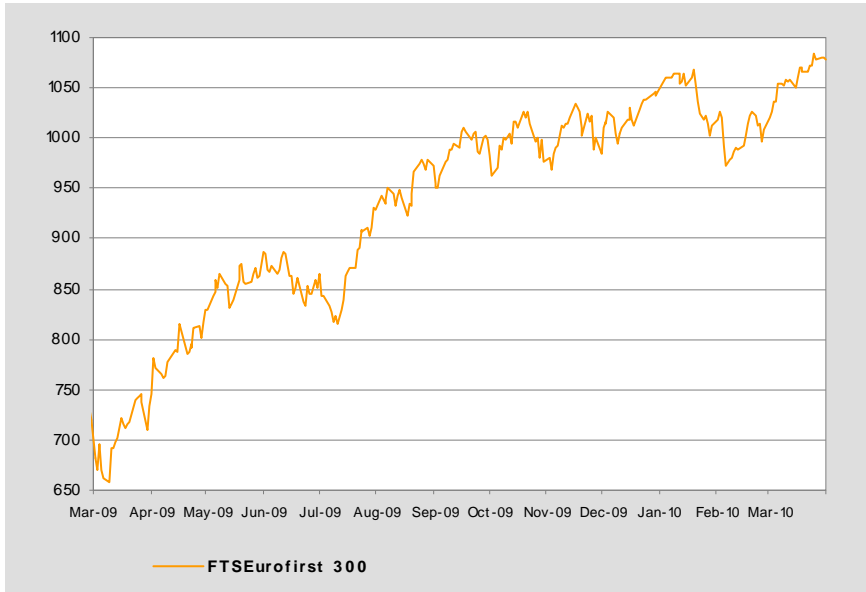
- +3.9%

#### % change year on year

- +56.9%

Source: NASDAQ

NASDAQ and FTSE Eurofirst 300 experienced the fastest recovery since the beginning-of-the-year decline ended in February 2010, up by 13% and 11% respectively. NASDAQ reached 2,398 points at the end of March, while the FTSE Eurofirst 300 ended the month at 1,079 points.



#### FTSEurofirst 300

##### Year 2010

- Highest value: 1,083.34 (25 March)
- Lowest value: 972.10 (5 February)

##### Year 2009

- Closing: 31 December at 1,045.76
- Highest value: 1,046.89 (29 December)
- Lowest value: 657.3 (9 March)

##### % change on year opening

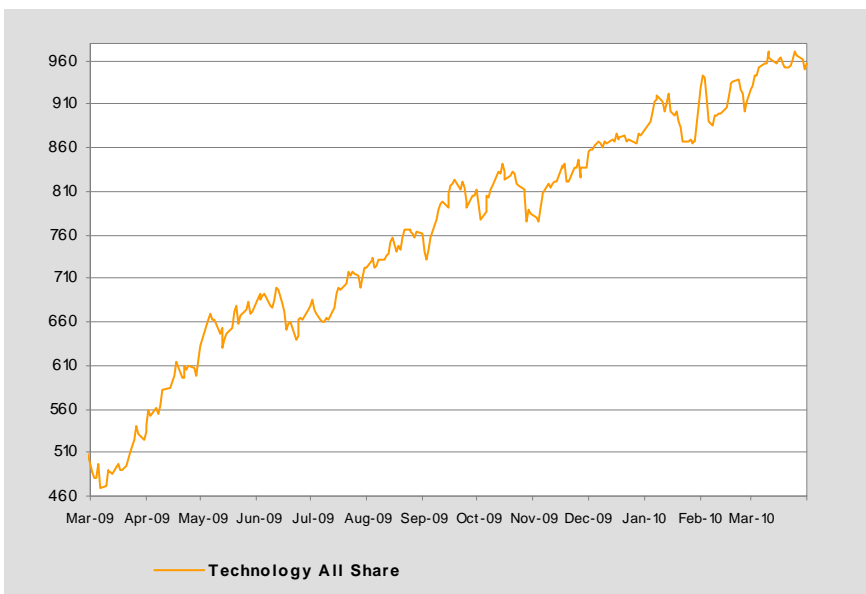
- +1.7%

##### % change year on year

- +47.0%

Source: London Stock Exchange

The recovery of Technology All Share and AIM was slightly slower, up by 8% and 7% respectively. However, the AIM is the best performing index year-to-date, up by 5.7% from early January.



#### Technology All Share

##### Year 2010

- Highest value: 971.25 (10 March)
- Lowest value: 885.94 (8 February)

##### Year 2009

- Closing: 30 December at 874.44
- Highest value: 876.05 (29 December)
- Lowest value: 469.33 (6 March)

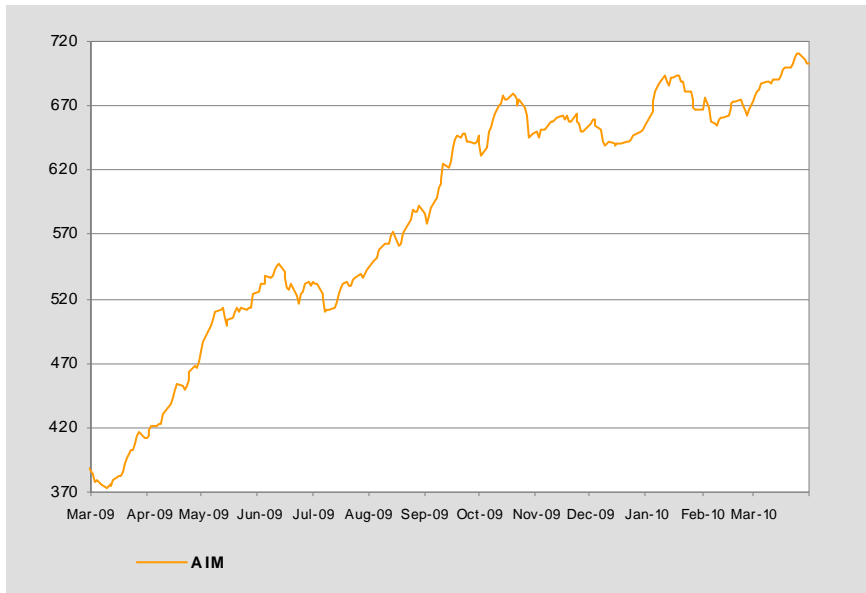
##### % change on year opening

- +0.6%

##### % change year on year

- +79.0%

Source: Deutsche Börse



**AIM**

**Year 2010**

- Highest value: 711.20 (26 March)
- Lowest value: 654.17 (9 February)

**Year 2009**

- Closing: 31 December at 654.17
- Highest value: 679.27 (19 October)
- Lowest value: 373.76 (9 March)

**% change on year opening**

- +5.7%

**% change year on year**

- +70.4%

Source: London Stock Exchange

## IPO Activity

In the first quarter of 2010, 195 IPOs of European, US and Asian companies were registered, slightly less than in the last quarter of 2009 (221), but about five times more than in the first quarter of 2009 (40).

	USA				Europe				Asia <sup>1</sup>			
	2009		2010*		2009		2010*		2009		2010*	
	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Issues	Proceeds €m	No. Is- sues
Quarter 1	641	1	2,390	22	0.8	1	5,610	22	273	38	15,804	151
January	0	0	482	3	0.8	1	1,617	2	66	10	4,873	62
February	641.3	1	812	8	0	0	663	5	135	10	5,542	36
March	0	0	1,097	11	0	0	3,330	15	72	18	5,389	53
Quarter 2	1,178	12			381	7			3,293	42		
Quarter 3	3,545	13			50	7			30,971	117		
Quarter 4	6,143	26			4,611	19			36,386	176		
<b>Total</b>	<b>11,507</b>	<b>52</b>	<b>2,390</b>	<b>22</b>	<b>5,042</b>	<b>34</b>	<b>5,610</b>	<b>22</b>	<b>70,922</b>	<b>373</b>	<b>15,804</b>	<b>151</b>

\* Cut-off date: 31 March 2010

IPO activity is classified by the domicile nation of the issuer's headquarters

Data is continuously updated and is therefore subject to change

<sup>1</sup>Asia here excludes Japan

Source: Thomson Reuters



According to data provided by Thomson Reuters, 22 European companies went public in the first three months of 2010. They generated €5.6bn in proceeds, slightly more than the full-year 2009 European proceeds. Most of the activity took place in March, when 15 companies worth €3.3bn were listed.

The IPO of the Russian manufacturing company *United Company Rusal* in January 2010 is the largest IPO in Europe so far this year, generating €1.6bn in proceeds. Second is the listing of the private-equity backed German telecommunications company *Kabel Deutschland* in March, with total revenues of €759m.

In the US, 22 companies went public in the first quarter of 2010, generating €2.4bn in proceeds, four times more than in the first quarter of 2009. Similar to Europe, the US IPO activity concentrated in March when 11 companies generated €1.1bn in proceeds.

So far this year, the largest US IPO was the listing of *Symetra Financial Corporation*, an insurance company, which generated €298m in proceeds. It was followed closely by another insurance company, *Primerica*, worth €273m.

In Asia, 151 companies went public in the first quarter of 2010, 40% of the total number of companies listed in the full year 2009. They generated €15.8bn in proceeds, less than half the proceeds generated in the last quarter of 2009, and about 20% of the 2009 total.

The listing of the Chinese investment bank *Huatai Securities* in March, was the largest IPO in Asia so far this year, with €1.7bn in proceeds. It was followed by the listing of the Chinese manufacturing company *China First Heavy Industries*, worth €1.2bn.

## Top IPO Stock Exchange

In the first quarter of 2010, the London stock exchange topped the ranking of the most popular European stock exchanges in terms of proceeds and number of listings, with 5 issues worth €2.3bn. It was followed by Euronext Paris, with 4 companies listed, worth €1.9bn.

Ranking	USA			Europe			Asia <sup>1</sup>		
	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues
1	New York	1,526	10	London	2,312	5	Shenzhen	5,907	71
2	Nasdaq	830	9	Euronext Paris	1,882	4	Shanghai	5,069	7
3	ND	19	1	Frankfurt	1,678	4	Hong Kong	1,397	11
4	Toronto	15	1	Hong Kong	1,589	1	Korea	1,194	4
5	Over the Counter	1	1	New York	725	3	Mumbai	737	15

\* Cut-off date: 31 March 2010

<sup>1</sup>Asia here excludes Japan

Source: Thomson Reuters



The New York Stock Exchange was the most important US IPO market, with 10 IPOs worth €1.5bn. It was followed by the NASDAQ with 9 listings generating €830m in proceeds.

In Asia, the Shenzhen stock exchange reached €5.9bn in proceeds from 71 IPOs. The Shanghai stock exchange came next with €5.1bn generated by only 7 listings.

### Close to 3,000 European M&A transactions worth €91bn in 2010

	2007		2008		2009		2010*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
Aerospace	6	37	3	45	1	44	1	10
Agribusiness	1	121	2	120	0	127	0	35
Auto/Truck	22	268	21	323	44	339	1	72
Chemicals	23	371	25	372	6	278	1	55
Computers & Electronics	40	1,386	37	1,621	15	1,307	2	302
Construction/Building	56	878	40	989	18	913	4	194
Consumer Products	28	567	49	557	3	504	1	97
Dining & Lodging	20	292	24	282	2	282	0	57
Finance	288	892	195	1,046	183	1,108	12	279
Food & Beverage	44	689	21	694	13	777	17	144
Forestry & Paper	4	107	3	125	1	116	2	22
Government	0	10	0	16	0	17	0	
Healthcare	65	575	15	653	16	578	8	171
Holding Companies	18	104	8	110	7	133	0	17
Insurance	48	346	50	380	21	352	4	54
Leisure & Recreation	16	233	4	263	3	256	0	55
Machinery	18	476	11	519	3	447	3	97
Metal & Steel	39	337	13	374	2	297	2	67
Mining	7	137	39	155	6	160	1	45
Oil & Gas	87	308	49	308	48	383	2	66
Professional Services	30	1,542	26	1,758	7	1,485	5	326
Publishing	17	318	23	292	2	288	2	61
Real Estate/Property	170	1,339	72	964	52	838	8	186
Retail	50	474	19	584	7	548	3	105
Telecommunications	61	527	45	563	15	450	8	117
Textile	15	142	3	163	1	125	0	25
Transportation	47	621	29	679	27	667	1	175
Utility & Energy	141	436	170	607	101	614	5	156
<b>Total</b>	<b>1,365</b>	<b>13,545</b>	<b>996</b>	<b>14,570</b>	<b>603</b>	<b>13,447</b>	<b>91</b>	<b>2,990</b>

\* Cut-off date: 31 March 2010

Data is continuously updated and is therefore subject to change.

Note: the industry classification has changed as of April 2007, following the implementation of a new analytics system. Please also note that the data methodology has changed as of January 2005 and is presented excluding company carveouts.

Source: Dealogic



According to data from *Dealogic*, a total of 2,990 M&A deals, valued at €91bn took place in Europe in the first quarter of 2010. This represents 15% of the value, and 22% of the volume of M&A transactions recorded in 2009. So far this year, the average monthly deal volume is 997 M&A transactions for an average of €30bn.

Similar to previous years, in the first three months of 2010, the most active sectors in terms of deal number were professional services with 326 M&A transactions and computers & electronics with 302 M&A deals. In value terms, the leading sectors were food & beverage, with €17bn generated through 144 deals, and finance, with €12bn generated through 179 deals.

### Over 2,100 deals worth €82bn in Western Europe in 2010, compared to 848 deals worth €9bn in Eastern Europe

Data from *Dealogic* shows that the split of the M&A activity between Western Europe and Eastern Europe in the first quarter of 2010 remained exactly the same as in 2009. Western Europe represented 94% of the total European M&A market in value and 70% of the M&A market in volume.

	2007		2008		2009		2010*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
<b>Eastern Europe</b>	<b>167</b>	<b>2,468</b>	<b>157</b>	<b>3,053</b>	<b>61</b>	<b>3,788</b>	<b>9</b>	<b>848</b>
Russian Federation	96	827	105	1,188	29	2,220	5	525
Poland	14	277	7	466	4	339	1	62
Kazakhstan	5	32	6	47	9	45	1	13
Turkey	17	124	12	119	3	76	0	14
Ukraine	4	201	5	233	2	411	0	73
<b>Western Europe</b>	<b>1,198</b>	<b>11,077</b>	<b>838</b>	<b>11,517</b>	<b>541</b>	<b>9,659</b>	<b>82</b>	<b>2,142</b>
United Kingdom	293	3,136	251	3,120	140	2,409	30	542
Germany	148	1,843	83	1,542	107	1,187	15	294
France	116	1,039	118	1,310	43	1,311	9	355
Netherlands	155	428	68	566	29	562	8	102
Italy	144	599	57	897	24	750	5	98
<b>Total</b>	<b>1,365</b>	<b>13,545</b>	<b>996</b>	<b>14,570</b>	<b>603</b>	<b>13,447</b>	<b>91</b>	<b>2,990</b>

\* Cut-off date: 31 March 2010

Data is continuously updated and is therefore subject to change.

Note: the data methodology has changed as of January 2005 and is presented excluding company carveouts.

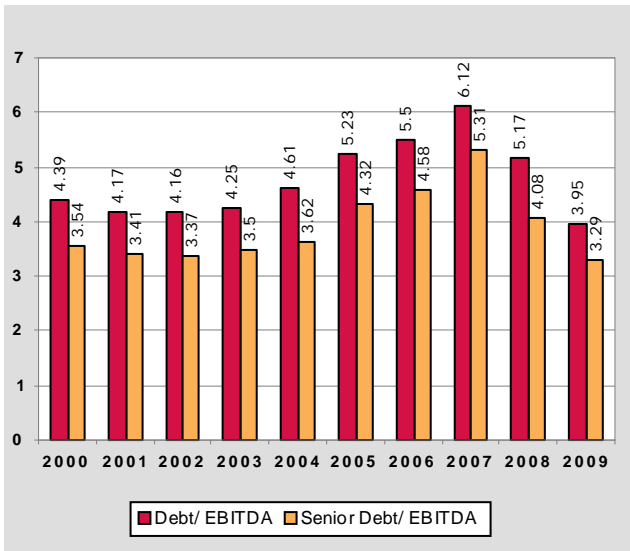
Source: Dealogic

The UK, with €30bn invested in 542 transactions accounted for one quarter of the total transactions in Western Europe and more than one-third of the activity in value terms. Germany ranked second in value terms, with €15bn invested in 294 deals, while France ranked second by number of transactions, with €9bn invested in 355 M&A deals.

In Eastern Europe, Russia concentrated most of the M&A activity, accounting for about 60% of the M&A activity in the region, with €5bn invested in 525 M&A deals. Poland and Kazakhstan came next with €1bn each, invested in 62 M&A deals in Poland, and 13 deals in Kazakhstan. Ukraine was the second most active country by number of transactions, with 73 M&A deals recorded in the first quarter of 2010.

### Leverage Loan Market Activity

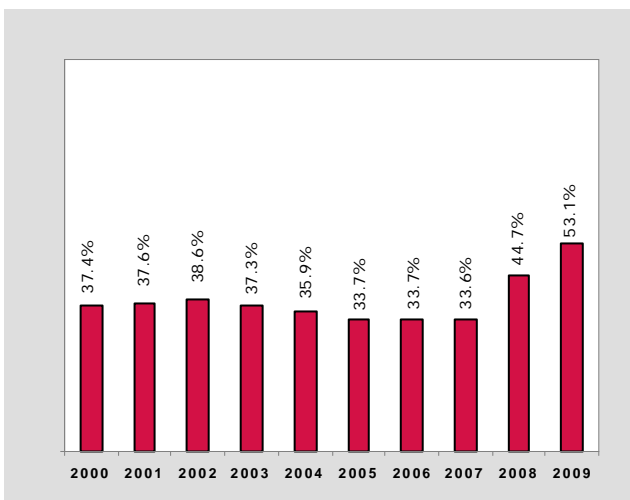
European leverage ratios, 2000 - 2009



Source: S&P LCD

According to data provided by Standard & Poor's Leveraged Commentary & Data (S&P LCD), debt to EBITDA multiples decreased by 24% last year, from 5.17x in 2008 to 3.95x in 2009. The decrease in senior debt to EBITDA was similar - 19% - from 4.08x in 2008 to 3.29x in 2009.

Average European equity contributions, 2000 - 2009 (as of total enterprise value)



Source: S&P LCD

The average equity contribution for European LBO transactions increased further in 2009, reaching 53.1% in 2009, compared to 44.7% in 2008 and 33.6% in 2007. However, it seems that in the last quarter of 2009, average equity contributions decreased slightly compared to the previous three quarters of 2009. Indeed, in Q1-Q3 2009, the average equity contribution reached 55.9%.



## Methodology

### *GDP*

i) Eurostat

Source: <http://epp.eurostat.ec.europa>

The growth rates presented refer to the actual quarterly growth rates, which are revised monthly to take account of new information. The area referred to is the Euro Zone (EU 15).

ii) The Economist: The Economist poll forecast

Source: [www.economist.com](http://www.economist.com)

The Economist poll forecast is a monthly estimate for the GDP growth rate in the Euro Zone for the coming year. To obtain this forecast, 17 banks and financial institutions are questioned on their current growth projections. For the final figure, the arithmetic average of individual projections is calculated.

### *LIBOR*

Source: British Bankers Association (BBA), Home Page: [www.bba.org.uk](http://www.bba.org.uk)

The data presented is the 12 month Euro LIBOR, measured at spot value.

### *Inflation rate*

Source: Eurostat

The numbers displayed are the annual consumer price inflation rates published by Eurostat on a monthly basis. The most recent value is an estimate, which is published at the end of the month and incorporates all information available at the time. This figure is restated in the middle of the following month. The data presented measures price changes in the Euro Zone between the current month and the same month in the previous year.

### *Exchange rate*

Source: European Central Bank (ECB)

Bilateral Euro/US Dollar exchange rate.

### *Stock Markets*

FTSE Eurotop 300:

Source: [www.londonstockexchange.com](http://www.londonstockexchange.com)

AIM:

Source: [www.londonstockexchange.com](http://www.londonstockexchange.com)

Technology All Share:

Source: [www.deutsche-boerse.com](http://www.deutsche-boerse.com)

NASDAQ:

Source: [www.nasdaq.com](http://www.nasdaq.com)



#### *IPO activity and Top 5 IPO stock exchanges*

Source: Thomson Financial at [www.thomsonreuters.com](http://www.thomsonreuters.com)

IPO data includes the first public offering of a company's common stock. Secondary listings or re-listings on other markets are not considered IPOs. The data is attributed geographically by the domicile nation of the issuer's headquarters, regardless of the target market. European data comprises IPOs of companies domiciled in Europe, including Central and Eastern Europe. Asian data refers to companies domiciled in Asia, excluding Japan. All amounts are given in Euros and represent total proceeds raised to the issuing company, including over-allotments sold.

#### *M&A activity in Europe*

Source: Dealogic at [www.dealogic.com](http://www.dealogic.com)

The M&A data accounts for completed deals between January 1999 and the time of publication. Deals that are pending, withdrawn or in which shares have been bought back are excluded. Europe refers to both Western and Eastern Europe. Volume data refers to M&As of quoted and unquoted companies. The geographical M&A flows are classified by target nationality. Please also note that the data methodology has changed as of January 2005 and that M&A data is presented excluding company carveouts.

#### *European leverage ratios and average equity contributions*

Source: S&P LCD at [www.lcdcomps.com](http://www.lcdcomps.com)

The data is referring to the leverage loan market, covering loans for LBO transactions that are syndicated to borrowers (banks) in Europe. Transactions include all sponsored activity, such as refinancing and recapitalizations. Europe refers to both, Western and Eastern Europe.

#### **Disclaimer**

The data provided in this Barometer has been collected from different sources. EVCA has taken steps to ensure the reliability of the information presented. However, EVCA cannot guarantee the ultimate accuracy of the data and therefore EVCA does not accept responsibility for any decision made or action taken based on the information provided.

©Copyright EVCA 2010