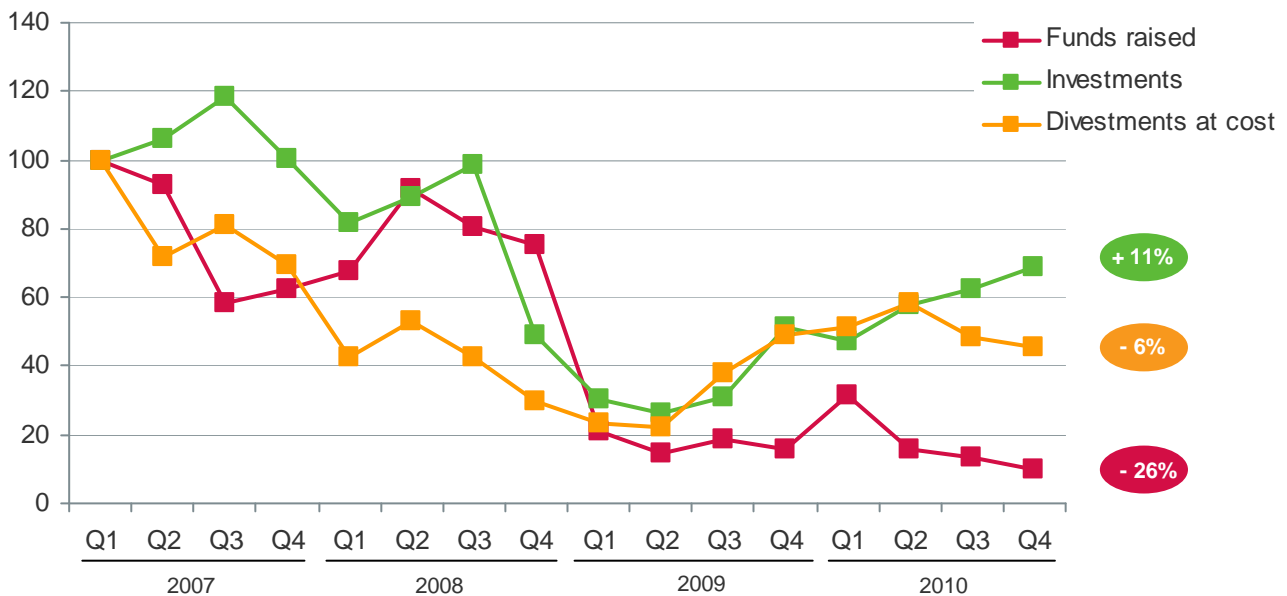


Trends in European private equity activity flows

The last quarter of 2010 ended on mixed results for the European private equity market. While investment continued to recover, up 11% on Q3 2010, fundraising and divestment dropped from their Q3 2010 levels, by 26% and 6% respectively. Nevertheless, overall the year 2010 was positive for the industry after a very challenging 2009. Investment increased by 70% on 2009, to €39bn, while divestment (excluding write-offs) was up 80% to €17bn, and fundraising remained stable at €18bn.

Graph1: Trends in European private equity activity flows

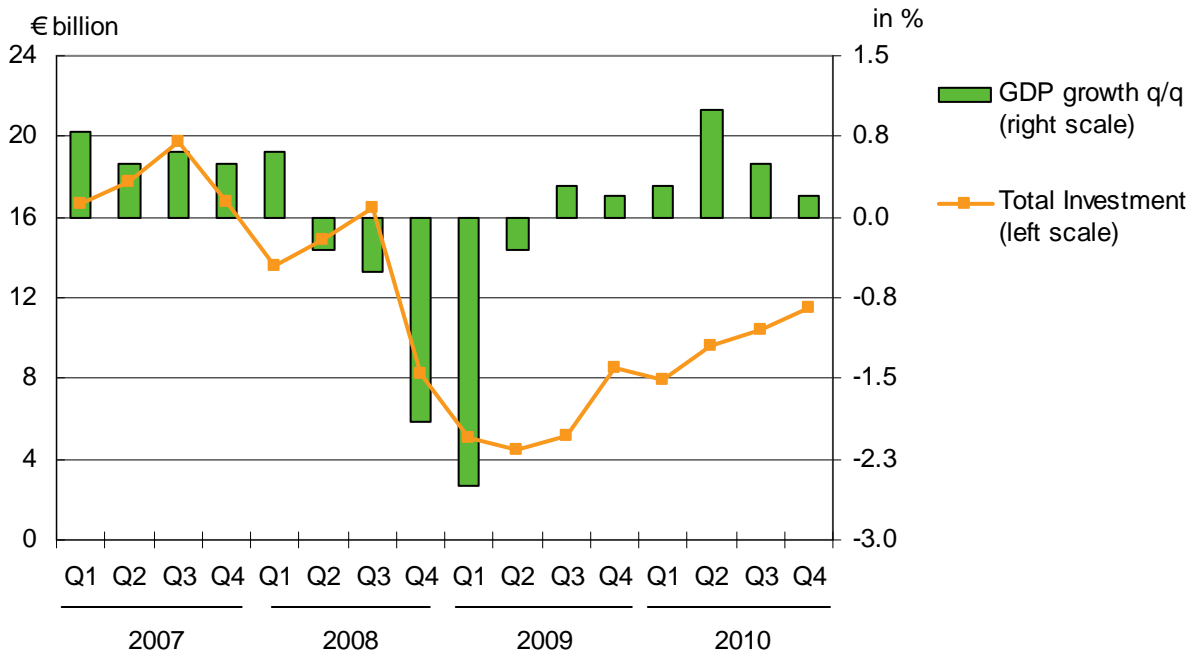


Source: EVCA

Investment continued its upward path in Q4 2010

In a context of positive economic growth, investment increased for a third consecutive quarter in Q4 2010, to €12bn. This was the highest quarterly investment level since Q3 2008. Altogether, 1,395 European companies received the support of a private equity firm, 5% more than in the third quarter of 2010.

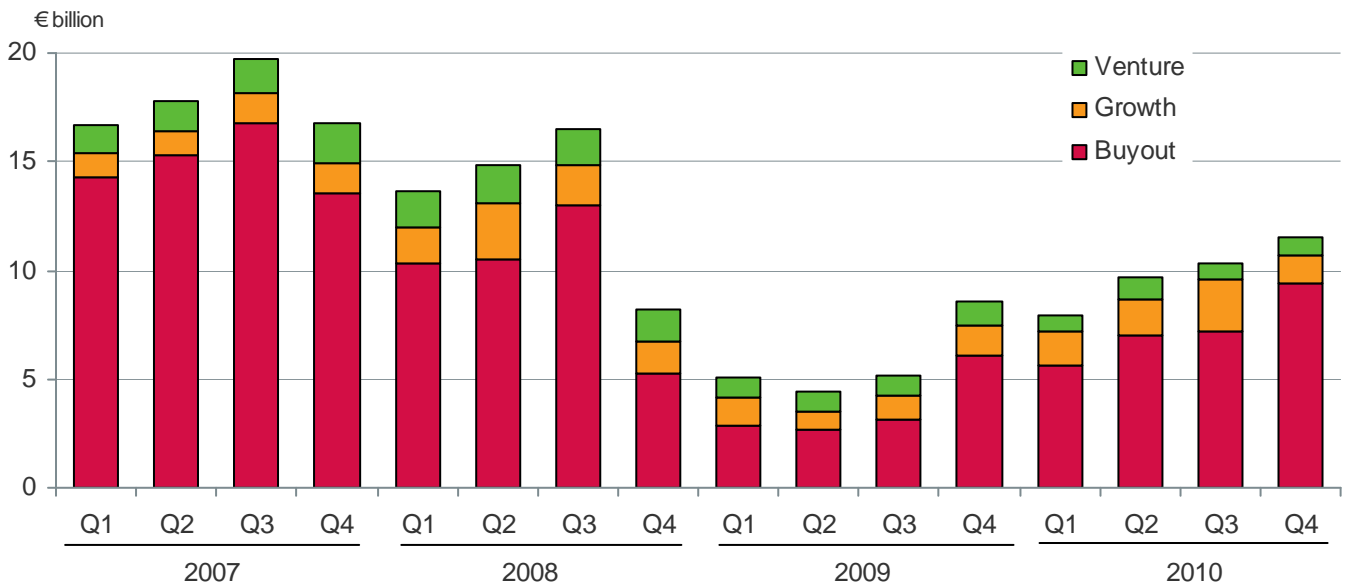
Graph2: Investment and GDP growth



Source: EVCA and Eurostat

The increase in investment value was mainly driven by a 40% rise in buyout investment to €9bn (from €7bn in Q3 2010). However, venture deals also contributed to the upward trend with €867m invested, 13% more than in the previous quarter (€766m). Growth capital investment, on the other hand, almost halved in Q4 2010, to €1.3bn, down from €2.4bn invested in Q3 2010, driven by a 40% drop in the average growth deal size.

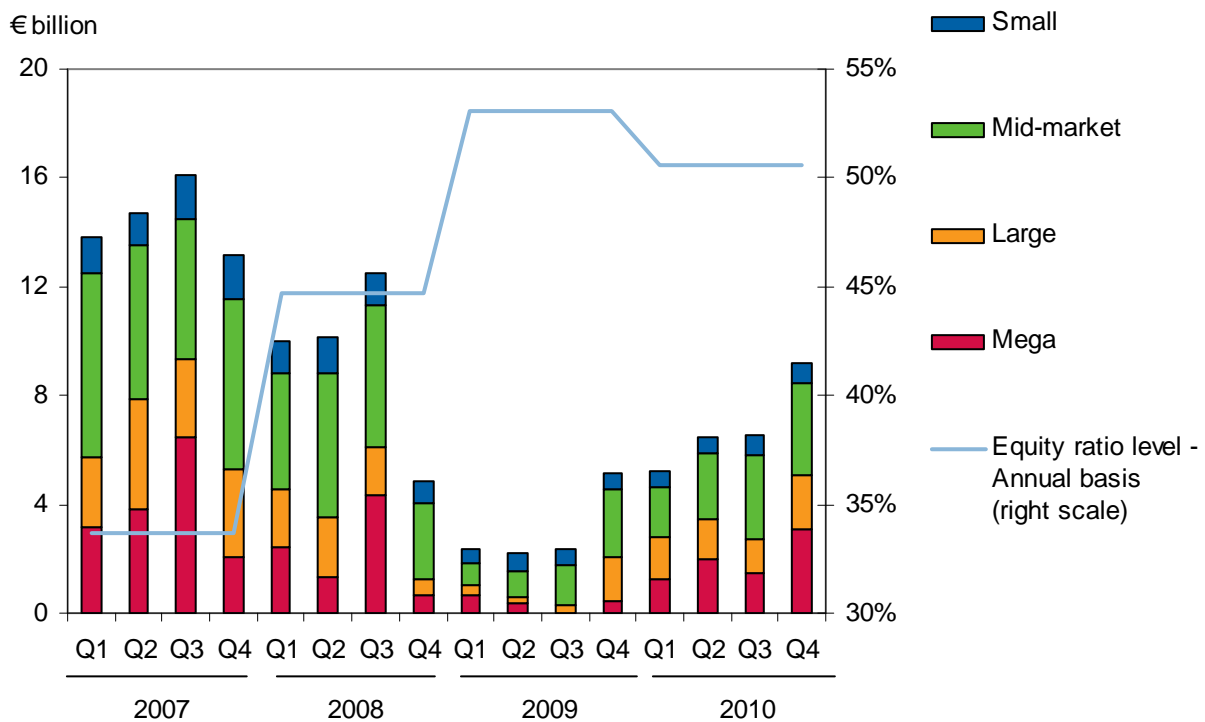
Graph3: Investment split by segment



Source: EVCA

The wider debt availability, as indicated by the decreasing average equity ratio in 2010 (from 53.1% in 2009 to 50.6% in 2010, see figure 4), helped boost buyout deals in the fourth quarter, and in particular large and mega deals. Mega buyouts doubled in value and volume on Q3 2010, with €3bn of equity¹ invested in six companies in Q4 while large buyouts went up by 64%, to €2bn invested in nine companies. Mid-market buyouts went up for a third consecutive quarter, with €3.4bn invested in 69 companies.

Graph4: Buyout split and equity ratio



Source: EVCA and S&P LCD

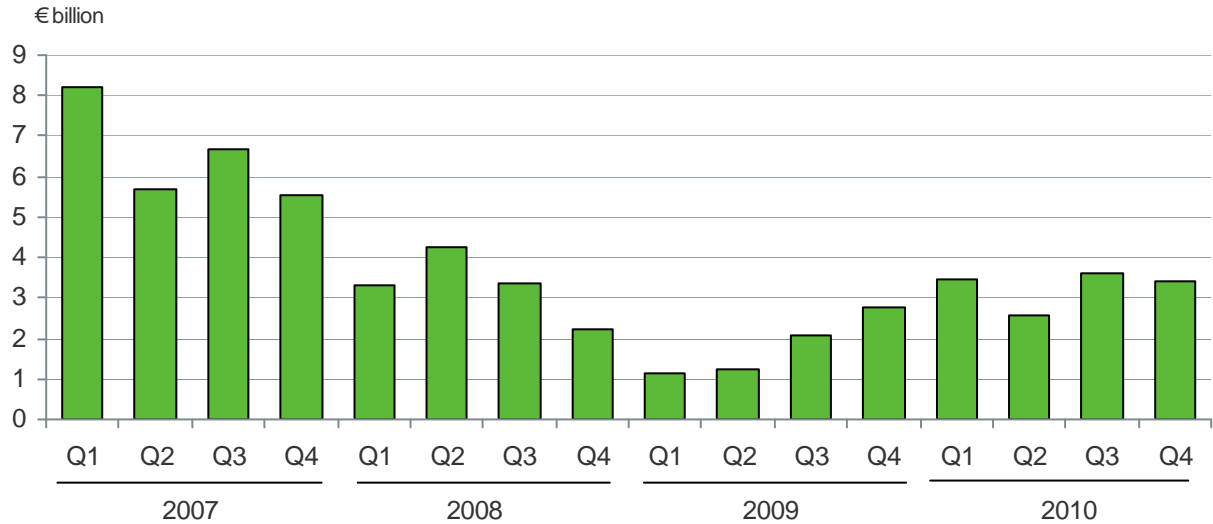
Altogether, 2010 was a good year for investments. European private equity firms, which had an estimated €111bn in dry powder at the end of 2009, probably felt the need to put more capital at work, and took advantage of the overall better macroeconomic outlook. In addition, the return of debt availability helped the recovery of the buyout market from the 2009 trough. Only the venture segment remained oriented downwards, with venture investment decreasing by 13%, from €3.8bn in 2009 to €3.3bn in 2010.

Divestment remained stable in Q4 2010

The exit market (write-offs excluded), remained relatively stable in the last quarter of 2010 (down 6% on the previous quarter), after a 40% increase in Q3 2010, and remained largely above the average 2009 quarterly level. Close to €3.4bn was divested at cost in Q4 2010, compared to €3.6bn in Q3 2010. Altogether, 444 companies were exited in the last three months of 2010, ten more than in the previous three-month period. Write-offs stood at €392m, relatively stable on Q3 2010 (€431m).

¹ The equity value is the private equity funds' contribution. It excludes the contributions of syndication partners other than private equity firms (such as LP co-investors, corporate co-investors, financial institutions), and leverage.

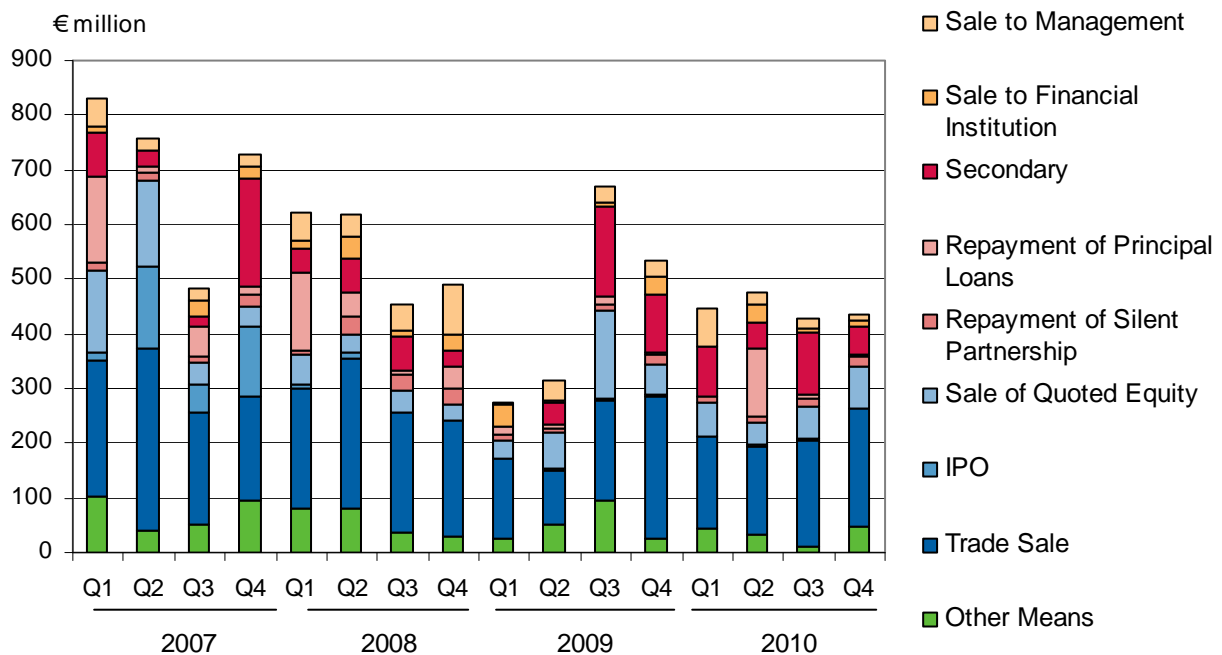
Graph5: Divestment at cost—all private equity (write-off excluded)



Source: EVCA

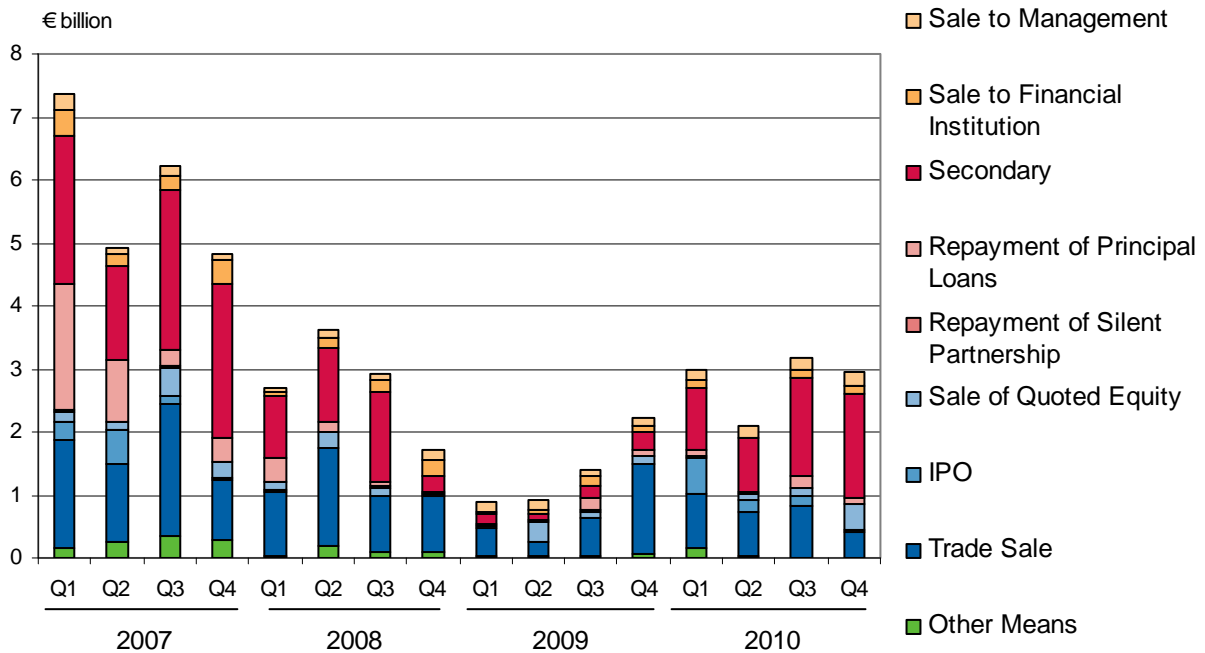
In the venture segment close to €440m was divested at cost from 237 companies in Q4 2010. By value, half of the venture exits were trade sales, similar to the previous quarter. In the buyout & growth segment, €3bn was divested at cost from 209 companies. More than half of the buyout & growth exits in value were secondary deals, like in Q3 2010.

Graph6: Venture divestment at cost by exit method



Source: EVCA

Graph7: Buyout & growth divestment at cost by exit method



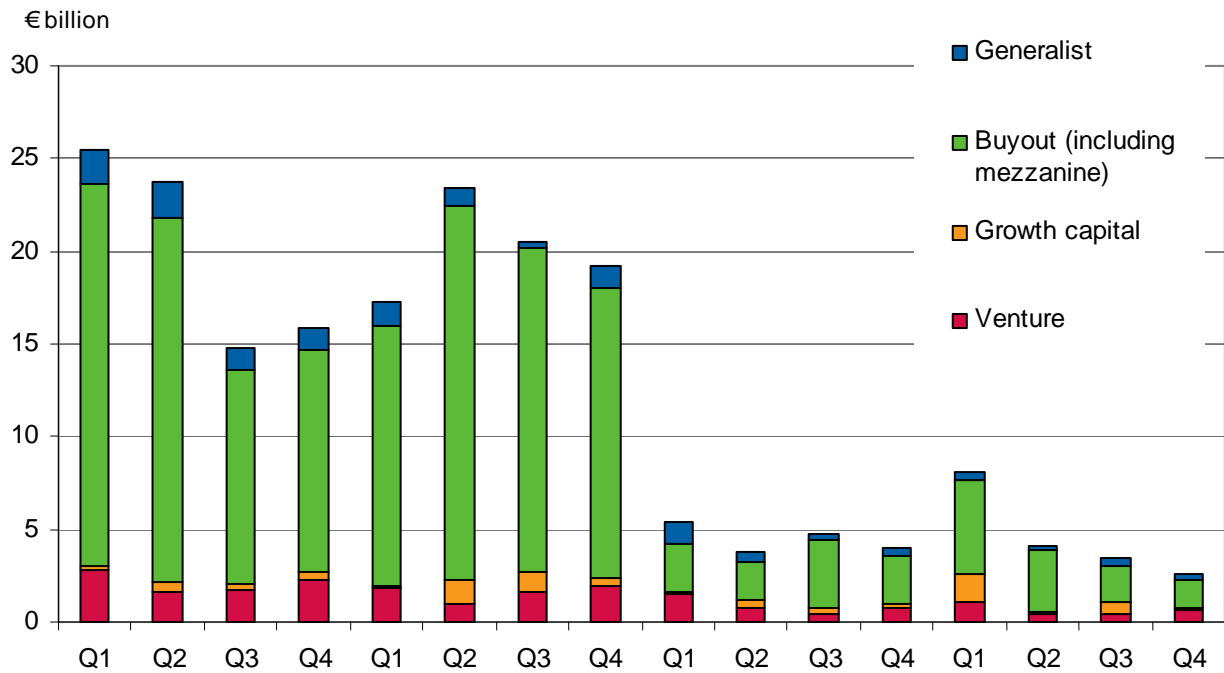
Source: EVCA

Overall in 2010 the exit market clearly reopened from the 2009 trough, reaching back to the 2008 level. Write-offs excluded, about €13bn was divested at cost, up from €7bn in 2009. The pick-up in exit activity was largely driven by secondary deals which increased five-fold year-on-year, to €5bn. The IPO route improved significantly in 2010, with 19 IPOs (with a total cost of investment exited of €968m), but remained still far behind the 2007 level when 67 IPOs took place for a total amount at cost of €1.4bn.

Fundraising still challenging in Q4 2010

Despite an improved macroeconomic and financial environment, and increasing private equity investment and distributions, LP commitments to European private equity funds remained subdued in the last quarter of 2010. Only €2.6bn was raised in the fourth quarter, 25% less than the €3.5bn raised in the previous three-month period.

Graph8: Fundraising by fund stage focus



Source: EVCA

The decrease in funds raised during Q4 was due to an 83% drop in the amount raised by growth capital funds, to €116m, and a 17% drop in buyout funds raised, to €1.5bn. Venture fundraising, which had been going down since the first quarter of 2010, actually picked-up in the fourth quarter with €607m raised, up 40% from the €432m raised in the Q3 2010.

On an annual basis, slightly more than €18bn was raised in 2010, level very similar to 2009. This is the lowest amount of funds raised since 1997. Segment-wise, buyout funds raised remained stable on 2009 at €11bn, while growth capital funds more than doubled, above €2bn, due to a small number of large funds. Venture funds decreased by a quarter to €2.6bn.

2011 Outlook

After an overall positive year 2010, the outlook for 2011 remains optimistic. With about €76bn in dry powder, European private equity firms still have a large amount of capital to put to work and are expected to keep on the investment pace. In addition, the overall macroeconomic outlook for 2011 is good. Real GDP growth in the European Union is expected to remain stable at 1.8% and inflation to be contained at 2.1%², which will contribute favourably to a further recovery of both the acquisition and exit markets. On the fundraising side, only 30% of the GPs have raised funds in the past three years. Therefore, a large number of private equity firms are expected to start raising new funds in 2011. Furthermore, the increase in distributions stemming from the up-tick in exits should start easing LPs' capacity to make new commitments to the private equity industry.

² http://ec.europa.eu/economy_finance/articles/eu_economic_situation/pdf/2011-03-01-interim_forecast_en.pdf



IPO Activity

According to data provided by Thomson Reuters, 17 European companies went public in the first quarter of 2011, raising €1.9bn. This compares with 27 companies listed in the first quarter of 2010, for a total of €6.5bn.

	USA				Europe				Asia ¹			
	2010		2011*		2010		2011*		2010		2011*	
	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	2,437	22	9,713	23	6,490	27	1,876	17	15,970	152	16,940	148
January	494	3	3,050	6	1,617	2	733	7	4,870	62	6,057	66
February	812	8	3,335	14	664	6	1,011	6	5,563	37	3,712	46
March	1,132	11	3,328	3	4,209	19	133	4	5,537	53	7,170	36
Quarter 2	3,877	34			7,733	33			18,936	166		
Quarter 3	2,762	25			1,582	19			35,054	180		
Quarter 4	18,504	39			10,414	52			49,501	260		
Total	27,580	120	9,713	23	26,220	131	1,876	17	119,460	758	16,940	148

* Cut-off date: 25 March 2011

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

Data is continuously updated and is therefore subject to change

¹Asia here excludes Japan

Source: Thomson Reuters

The IPO of the Norwegian energy and power company *Aker Drilling*, in February, was the largest IPO so far this year, with €498m generated in proceeds. Second was the listing of the Luxembourg based consumer staples company *Adecoagro*, worth €265m.

In the US, 23 companies went public in the first quarter of 2011, similar to the first quarter of 2010 (22). Proceeds generated by these IPOs reached €9.7bn, four times more than in the first quarter of 2010.

The listing of the healthcare company *HCA Holdings* in March, was the largest US IPO so far this year with €3.1bn generated in proceeds. It was followed by the IPO of *Kinder Morgan*, an energy and power company, worth €2.4bn.

In Asia, 148 companies went public in the first three months of 2011, generating €16.9bn in proceeds, similar to the first quarter of 2010 (152 companies listed for a total of €16bn).



	USA			Europe			Asia ¹		
Ranking	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues	Name	Proceeds €m	No. issues
1	New York	8,989	11	New York	584	3	Shenzhen	7,028	68
2	Nasdaq	724	12	Oslo	523	2	Singapore	4,021	5
3				London	264	1	Shanghai	2,867	10
4				Istanbul	186	2	Hong Kong	1,466	8
5				Nasdaq	130	1	Korea	460	2

* Cut-off date: 25 March 2011

¹Asia here excludes Japan

Source: Thomson Reuters

The largest IPO in Asia so far this year was the listing of the Chinese industrials company *Hutchinson Port Holdings Trust*, worth €2.7bn. It was followed by the listing of the Chinese energy and power company *Sinovel Wind Group* worth €879m.

The New York stock exchange topped the ranking of the main stock exchanges for European IPOs, with €584m raised by three companies. It was followed closely by the Oslo stock exchange with two listings worth €524m.

The New York stock exchange was also the most important IPO market in the US, with €9bn raised by 11 companies. The Nasdaq came next with €724m raised by 12 US companies.

In Asia, the Shenzhen stock exchange topped the ranking of most active IPO markets, with 68 companies listed in the first quarter of 2011, for a total amount of €7bn. It was followed by the Singapore stock exchange with €4bn raised by five companies.

More than 2,100 M&A transactions worth €90bn in the first two months of 2011

According to data from Dealogic, a total of 2,105 M&A deals took place in January and February 2011. This represents 18% of the value and 16% of the number of M&A transactions recorded in the full-year 2010. The current average monthly deal volume is 1,053 M&A transactions worth €45bn on average.

Similar to 2010, the most active sectors in the first two months of 2011 in terms of deal number were professional services with 246 M&A transactions and computer & electronics with 224 M&A deals. In value terms, utility & energy came first with €18bn, followed by machinery with €14bn.



	2008		2009		2010		2011*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
Aerospace	3	45	1	44	1	41	0	13
Agribusiness	2	120	0	125	1	178	0	25
Auto/Truck	21	323	44	337	5	287	0	46
Chemicals	25	371	6	278	19	295	2	45
Computers & Electronics	37	1,625	15	1,323	21	1,448	3	224
Construction/Building	39	990	18	920	20	927	1	143
Consumer Products	49	559	3	507	11	505	0	75
Dining & Lodging	24	283	2	286	4	243	1	66
Finance	196	1,045	183	1,122	80	1,187	8	155
Food & Beverage	21	695	13	783	30	697	1	118
Forestry & Paper	3	125	1	116	3	108	0	26
Government	0	17	0	15	1	12	0	0
Healthcare	16	657	16	584	46	681	5	96
Holding Companies	8	111	7	132	2	91	0	19
Insurance	50	381	21	355	15	234	0	29
Leisure & Recreation	4	263	3	257	6	256	0	41
Machinery	11	520	4	451	5	462	14	73
Metal & Steel	13	373	2	299	6	291	4	54
Mining	39	155	6	162	5	199	3	30
Oil & Gas	49	310	49	388	35	312	6	60
Professional Services	26	1,762	6	1,504	13	1,471	1	246
Publishing	23	292	2	291	9	265	2	46
Real Estate/Property	72	964	53	848	48	882	5	138
Retail	19	583	7	553	14	570	2	70
Telecommunications	46	565	15	455	45	468	5	72
Textile	3	163	1	127	3	135	0	15
Transportation	29	680	27	675	20	647	7	100
Utility & Energy	170	608	102	617	38	625	18	79
Total	997	14,593	606	13,569	504	13,531	90	2,105

* Cut-off date: 28 February 2011

Data is continuously updated and is therefore subject to change.

Source: Dealogic

In the first two months of 2011, Western Europe still accounted for more than 80% of the total European M&A market in value and more than 70% in volume. France accounted for 22% of the total Western European market value (€20bn) but only 9% of the market volume (193 M&A deals).

	2008		2009		2010		2011*	
	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals	Amt. €bn	No. of deals
Eastern Europe	157	3,053	62	3,811	77	3,484	16	547
Russian Federation	105	1,188	29	2,227	42	2,110	10	351
Poland	7	466	3	338	6	347	2	28
Turkey	12	120	3	80	6	102	1	19
Hungary	5	98	3	73	1	81	1	10
Czech Republic	6	164	5	111	2	118	1	8
Western Europe	840	11,540	544	9,758	428	10,047	74	1,558
France	118	1,310	44	1,329	47	1,546	20	193
Italy	57	895	24	765	29	702	15	97
United Kingdom	251	3,130	140	2,436	127	2,322	10	355
Germany	83	1,543	107	1,196	44	1,189	6	206
Netherlands	69	568	29	567	31	505	5	107
Total	997	14,593	606	13,569	504	13,531	90	2,105

* Cut-off date: 28 February 2011

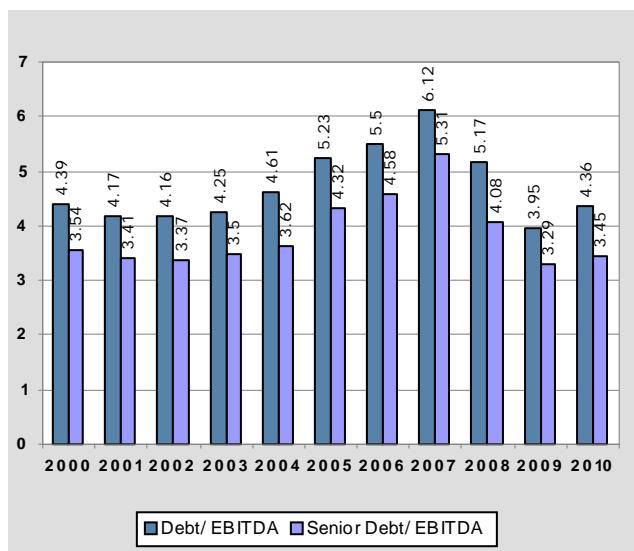
Data is continuously updated and is therefore subject to change.

Source: Dealogic

In Eastern Europe, Russia remained by far the main M&A market, accounting for more than 60% of the M&A market in value (€10bn) and volume (351 M&A transactions). The Russian M&A market was followed from a distance by the Polish market which registered 28 M&A deals worth €2bn in the first two months of 2011.

Leverage Loan Market Activity

European leverage ratios, 2000-2010

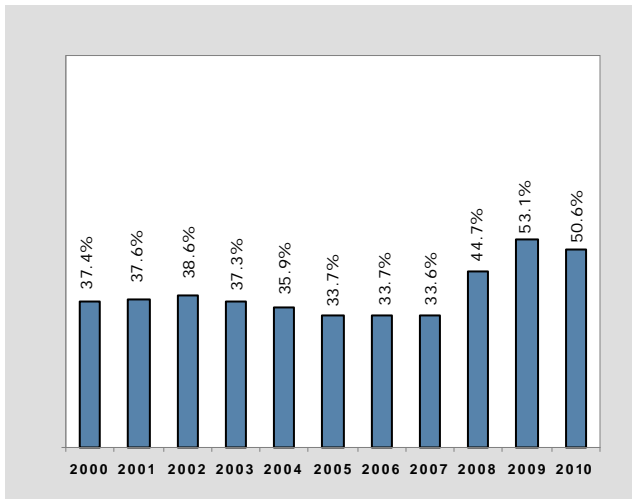


Source: S&P LCD

According to data provided by Standard & Poor's Leveraged Commentary & Data (S&P LCD), debt-to-EBITDA multiples increased by 10% in 2010, from 3.95x in 2009 to 4.36x in 2010. The increase in senior debt-to-EBITDA was half lower - 5% - from 3.29x in 2009 to 3.45x in 2010.



Average European equity contributions,
2000-2010 (as of total enterprise value)



Source: S&P LCD

The average equity contribution for European LBOs transactions in 2010 reached 50.6%, down from 53.1% in 2009. However, it remains significantly above the average 2000-2007 level.



Methodology

IPO activity and Top 5 IPO stock exchanges

Source: Thomson Financial at 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 overallotments sold.

M&A activity in Europe

Source: Dealogic at 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

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.

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