

## Private Equity-Backed Buyout Deals and Exits Down in Q3 2011 Market Volatility and Tightened Credit Markets Lead to an Absence of Large-Cap Deals

Preqin's quarterly deals data shows 674 private equity-backed buyouts deals worth an aggregate \$60.6bn were announced in Q3 2011, a 23% decrease in value from the previous quarter's total of \$78.7bn. 254 exits valued at an aggregate \$56.2bn were announced in Q3 2011, 54% down from the record total of over \$120bn in Q2 2011.

### Global Statistics: Q3 2011

- In Q3 2011, 670 private equity-backed buyout deals with an aggregate value of \$60.6bn were announced, a 23% decrease in value compared to Q2 2011. However, aggregate deal value in Q3 2011 is 7% larger than in Q1 2011, when 659 deals were announced with a combined value of \$56.8bn, and surpasses the average 2010 quarterly figure of \$54.5bn.
- 254 exits valued at an aggregate \$56.2bn were announced in the quarter, a significant 54% decrease in value from Q2 2011, when a record high of over \$120bn in aggregate exit value was achieved. This decrease has been primarily due to a marked absence of exits valued at over \$1bn, with only 12 exits in this size range during Q3 2011, and no exits valued at over \$5bn, while the previous quarter saw 21 exits at over \$1bn and three exits at over \$5bn.
- The largest buyout deal of Q3 2011 was the announced \$6.3bn acquisition of Kinetic Concepts by a consortium comprising Apax Partners, CPP Investment Board and Public Sector Pension Investment Board in July 2011. This deal is the largest buyout in the post-Lehman era, and was announced before the recent wave of market uncertainty.
- Of the 10 largest deals in Q3 2011, seven were announced in July, with only one of the 10 largest buyouts coming in September. An aggregate \$30bn in deal value was announced in July 2011, slowing to just over \$12bn in September.

### Deals by Region: Q3 2011

- There were 365 buyouts in North America during the quarter, accounting for \$29.9bn in aggregate deal value, 49% of the global total. However, the aggregate value of North American deals is down 24% from the previous quarter.
- Only \$2.2bn in North American deal value was announced in September 2011, down sharply from the \$17.8bn announced in the first month of the quarter.
- European buyouts totaled \$22.8bn in value in Q3 2011, a 30% decrease from the 246 deals worth \$32.3bn in Q2 2011.
- Asia and Rest of World witnessed an 11% increase in aggregate deal value in Q3 2011, with \$8bn announced, up from \$7.2bn in Q2 2011.

### Deals by Type: Q3 2011

- LBOs accounted for 43% of all deals and 52% of aggregate deal value in Q3 2011. Add-on deals made up 37% of all deals, a significant increase from the buyout boom era when add-ons typically represented around a fifth of all deals.
- The most prominent industry for buyouts in Q3 2011 by number of deals was the industrials sector, with almost a third of all deals taking place in that sector. Business services and IT represent the largest sectors by value, with 21% and 20% shares respectively.
- During Q3 2011, 87 secondary buyouts were announced with a value of \$16.6bn, representing a decrease of 33% in value from the previous quarter, when 101 secondary buyouts valued at a total of \$25bn occurred.

**Please see the factsheet that follows for further information**

### Comment:

"In Q3 2011, we have witnessed a decline in the value of private equity-backed buyouts and exits, down 23% and 54% respectively from the previous quarter. In particular, the latter part of the quarter has seen a notable slowdown in large-cap deal flow, with uncertainty and tightening debt markets leading to an absence of deals and exits valued at over \$1bn. In response to this, the small-cap buyout sector has taken an increasingly prominent position, with deals valued at less than \$250mn representing almost three-quarters of the number of deals announced during the quarter.

While there has been a significant decline in deal flow, it is important to note that overall buyout activity in Q3 2011 remains up 7% from Q1 2011, and surpasses the average 2010 figure of \$54.5bn per quarter, while exit activity is at the levels witnessed in mid-2010, and well above the levels seen in late 2008 and 2009.

As the re-emergence of turbulent market conditions has led to tightened credit conditions and a rising cost of capital, it is likely that this will result in the continuing absence of large-cap deal flow, leading buyout shops to focus their attention on small and mid-market deals until market stability and confidence return.”

### **Manuel Carvalho, Manager - Private Equity Deals**

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#### **Note to Editors:**

- Preqin is spelled without the letter ‘U’ after the ‘Q’.

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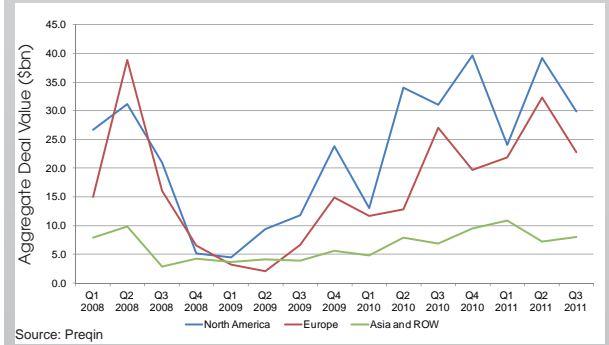
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Fig. 1: 10 Largest Buyout Deals Globally, Q3 2011

Name	Date	Type	Deal Size (mn)	Buyers	Industry	Location
Kinetic Concepts, Inc.	Jul-11	Public to Private	6,300 USD	Apax Partners, CPP Investment Board, Public Sector Pension Investment Board	Medical Devices	US
Emdeon Inc.	Aug-11	Public to Private	3,000 USD	Blackstone Group	Business Services	US
Com Hem AB	Jul-11	Buyout	17,000 SEK	BC Partners	Telecoms & Media	Sweden
The Go Daddy Group, Inc.	Jul-11	Buyout	2,250 USD	Kohlberg Kravis Roberts, Silver Lake, Technology Crossover Ventures	Internet	US
ConvergEx Holdings	Jul-11	Buyout	2,000 USD	CVC Capital Partners	Financial Services Software	US
Immucor, Inc.	Jul-11	Public to Private	1,973 USD	TPG	Medical Technologies	US
SunGard Higher Education	Aug-11	Add-On	1,775 USD	Datatel, Inc., Hellman & Friedman, JMI Equity	Software	US
Blackboard Inc.	Jul-11	Public to Private	1,770 USD	Providence Equity Partners	Software	US
Allibaba Group	Sep-11	Growth Capital	1,600 USD	Silver Lake, DST Global, Temasek Holdings, Yunfeng Capital	Internet	Hong Kong
Bank of Ireland	Jul-11	PIPE	1,120 EUR	Fairfax Financial Holdings, WL Ross & Co, Fidelity Investments, Kennedy Wilson, The Capital Group	Financial Services	Ireland

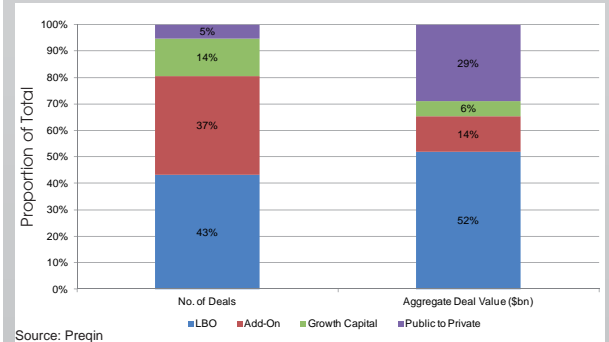
Source: Preqin

Fig. 3: Quarterly Aggregate Value of Deals by Region, Q1 2008 - Q3 2011



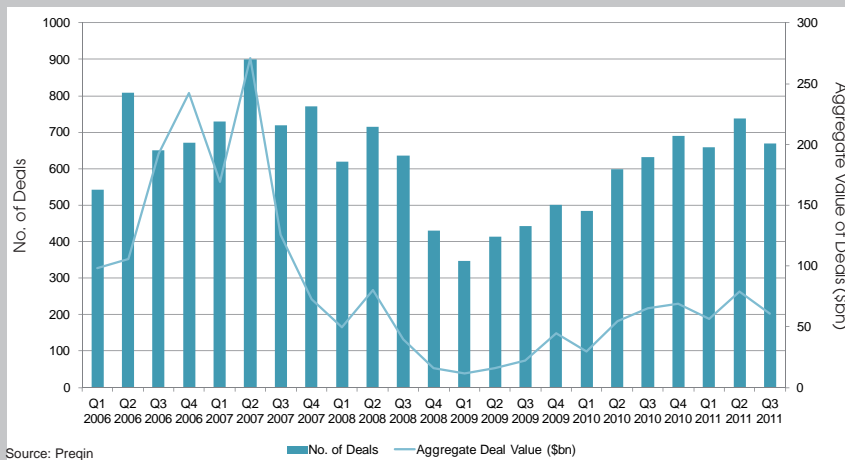
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Fig. 4: Breakdown of Number and Aggregate Value of Deals by Type, Q3 2011



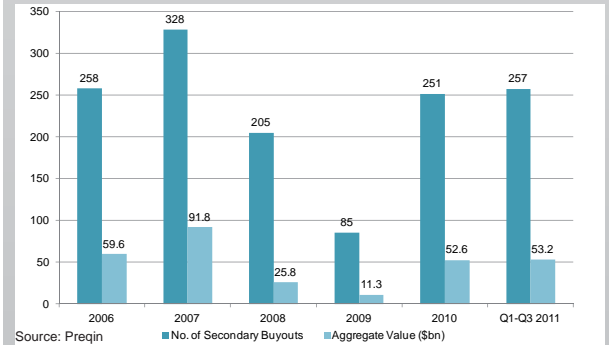
Source: Preqin

Fig. 2: Quarterly Number and Aggregate Value of Deals, Q1 2006 - Q3 2011



Source: Preqin

Fig. 5: Number and Aggregate Value of Secondary Buyouts, 2006 - 2011



Source: Preqin

A total of 670 private equity-backed buyout deals were announced in Q3 2011, with an aggregate value of \$60.6bn. This represents a 23% decrease in the aggregate value of buyout deals compared to the previous quarter, when aggregate deal value was \$78.7bn, a post-Lehman high. While the number of deals has remained consistent with previous quarters, deal value during Q3 2011 saw a notable dip, in

particular from mid-August onwards, with market uncertainty and the rising cost of capital due to tightening debt markets leading to a marked absence of larger deals in the latter part of Q3 2011. This is evident when looking at the start of the quarter versus the end: in July 2011, \$30bn in aggregate deal value was announced, but the figure dropped to just over \$12bn in September 2011. In addition, only one of the 10 largest deals in Q3



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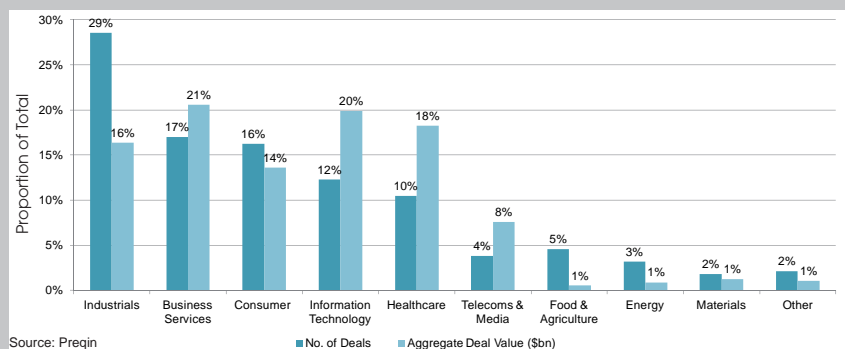
Fig. 6: Notable Exits, Q3 2011

Firm	Date Acquired	Firms Investing	Transaction Size	Exit Type	Exit Date	Acquiror (Exit)	Exit Value (mn)
Emdeon Inc.	Sep-06	General Atlantic, Hellman & Friedman	1,245 USD	Sale to GP	Aug-11	Blackstone Group	3,000 USD
Insight Communications Company	Mar-05	Carlyle Group, Crestview Partners, MidOcean Partners	2,100 USD	Trade Sale	Aug-11	Time Warner Cable Inc.	3,000 USD
Com Hem AB	Dec-05	Carlyle Group, Providence Equity Partners	1,200 USD	Sale to GP	Jul-11	BC Partners	17,000 SEK
Provimi	Jan-07	Permira	1,255 EUR	Trade Sale	Aug-11	Cargill Inc.	1,500 EUR
SunGard Data Systems Inc.*	Mar-05	Bain Capital, Blackstone Group, Goldman Sachs Merchant Banking Division, Kohlberg Kravis Roberts, Providence Equity Partners, Silver Lake, TPG	11,400 USD	Trade Sale	Aug-11	Datatel, Inc.	1,775 USD

\*partial exit

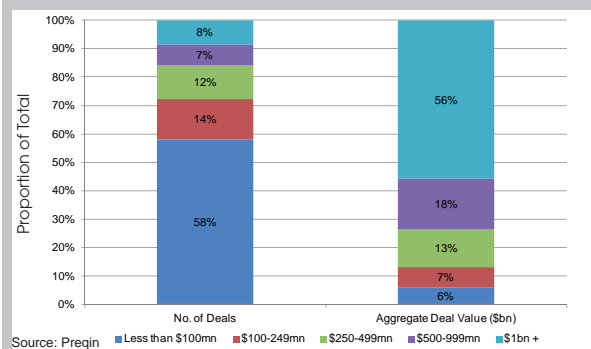
Source: Preqin

Fig. 7: Breakdown of Number and Aggregate Value of Deals by Industry, Q3 2011



Source: Preqin

Fig. 8: Breakdown of Number and Aggregate Value of Deals by Value Band, Q3 2011



Source: Preqin

2011 came in September 2011, with the majority announced in July.

However, it is important to note that while Q3 2011 is down from the post-Lehman highs of the previous quarter, it still represents a 7% increase in deal value from the \$56.8bn through 659 buyouts announced in Q1 2011, and surpasses the average 2010 figure of \$54.5bn per quarter. With buyout fund managers continuing to sit on an estimated \$400bn in dry powder, private equity firms still have significant amounts of capital at their disposal for new deals.

Private equity deals announced in North America in Q3 2011 represented 49% of the global aggregate value of deals, with Europe and Asia and Rest of World representing 38% and 13% respectively. North American buyouts accounted for \$29.9bn through 365 deals during Q3 2011, representing a 24% decrease in the value of deals in the region in comparison with the post-Lehman highs of the previous

quarter, when 393 deals valued at \$39.2bn were announced.

European deal flow has also undergone a slowdown, with \$22.8bn announced in Q3 2011, a 30% decrease from the 246 deals worth \$32.3bn announced in Q2 2011. Q3 2011 aggregate deal value in Asia and Rest of World increased by 11%, up to \$8bn from \$7.2bn in Q2 2011.

254 exits valued at \$56.2bn were announced in Q3 2011, a significant decline in value from the record highs witnessed in the previous quarter, bringing private equity-backed buyout exits back down to the levels witnessed in early to mid-2010. Exit figures for Q3 2011 represent a significant 54% decrease in value from the previous quarter, when a record high of over \$120bn in aggregate exit value was achieved, as well as a 30% drop from Q1 2011 levels. While there has been a marked slowdown in exit activity, it is important to note that from late 2010 and into 2011 exit flow had reached record levels, peaking in

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Q2 2011, as buyout shops took advantage of the relatively robust market conditions in those months to begin exiting deals completed during the boom era. Despite this slowdown in exit activity during the quarter, it has still been well above the levels witnessed in late 2008 and 2009.

Leveraged buyouts (LBOs) continue to account for over half of the aggregate value of all deals, representing 52% (\$31.2bn). This figure is slightly lower than last quarter's figure of 60%. The share by number of deals remained unchanged for LBOs over both Q2 and Q3 2011 at 43%. The share of the total number of deals accounted for by add-ons has increased to 37% from 33% in Q2 2011. The share accounted for by public to private deals was slightly lower in Q3 than Q2, but their share of aggregate deal value increased from 22% to 29%. The number of growth capital deals in Q3 2011 represented 14% of all deals (versus 12% in Q2 2011), and their aggregate value accounted for 6% of the total (versus 4% in Q2 2011).

Nearly three-quarters of the total number of deals made in Q3 2011 were in the small-cap space (less than \$250mn). Mid-cap deals (\$250-999mn), despite accounting for just 19% of total number of deals, constituted 31% of the aggregate capital put to work. Deals within the large-cap space (\$1bn +) remain prominent despite the slowdown in the US and world economies, making up 56% of aggregate deal value, even though the number of deals accounted for just 8% of the total. However, as market volatility returned and the European sovereign debt crisis became more problematic towards the end of the quarter, large-cap deal activity slowed significantly towards the end of the quarter. Of the 17 deals made in

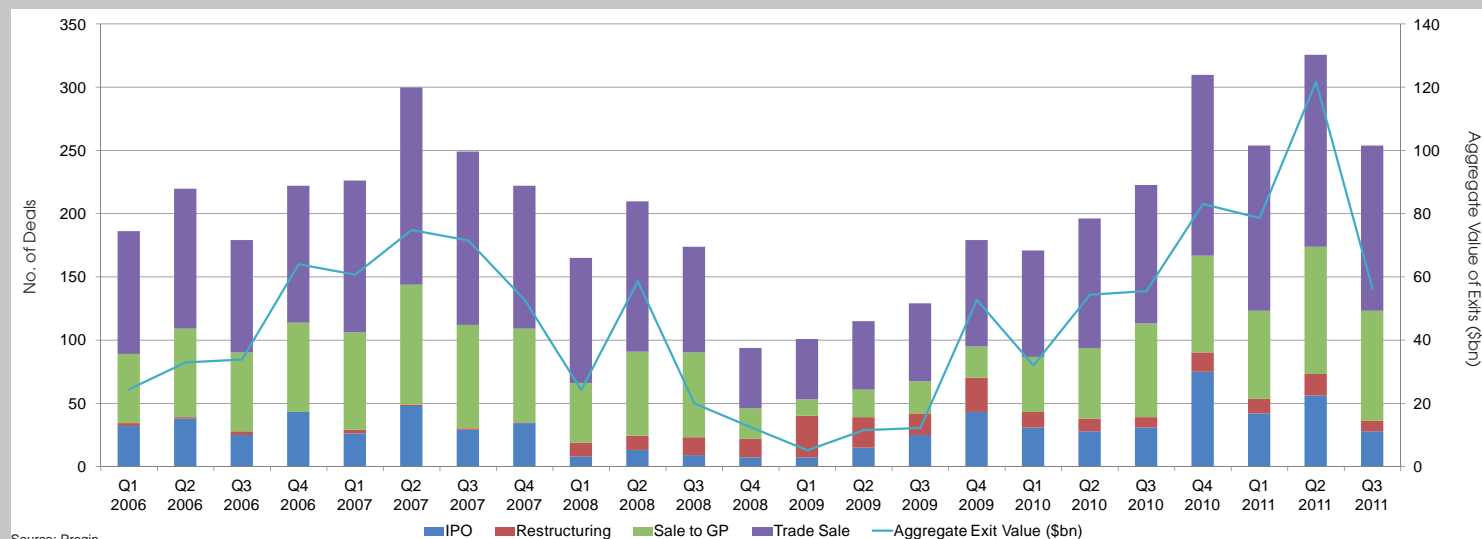
Q3 2011 valued at \$1bn or more, the majority occurred in July. Only two large-cap deals were announced in September.

In Q3 2011, there were more deals completed in the industrials sector than in any other, accounting for 29% of the number and 16% of the aggregate value of deals. Business services and healthcare accounted for 21% and 18% of the total deal value respectively. This was due in large part to the two largest deals in the quarter, which were both public to private acquisitions. In July, Apax Partners, Canada Pension Plan Investment Board and Public Sector Pension Investment Board agreed to acquire Kinetic Concepts, Inc., a manufacturer of wound treatment products, for \$6.3bn – more than 50% of the total value of healthcare investments in the quarter. In August, Blackstone announced the \$3bn acquisition of Emdeon Inc. which, along with CVC Capital Partners' \$2bn purchase of ConvergenEx, contributed significantly to the business services figures.

Information technology also witnessed a significant amount of investment, with four of the top 10 buyout deals focused on this sector. Private equity investments in The Go Daddy Group, SunGard Higher Education, Blackboard and Alibaba Group had a cumulative value of more than \$7 billion, constituting a significant proportion of the \$12 billion total invested in IT.

In Q1-Q3 2011, 257 secondary buyouts were announced with an aggregate value of \$53.2bn, surpassing the figure for the whole of 2010, when 251 secondary buyouts worth an aggregate \$52.6bn were announced. During Q3 2011, 87 secondary buyouts have been announced with a total value of \$16.6bn, representing a 33% decrease in aggregate value from the previous quarter, when 101 secondary buyouts valued at \$25bn were announced. However, these Q3 2011 secondary buyout figures represent a 44% increase in value from Q1 2011, and constitute one of the strongest quarters for secondary buyouts in the post-Lehman landscape – surpassed only by Q2 2011 and Q3 2010.

Fig. 9: Quarterly Number of PE-Backed Exits by Type and Aggregate Exit Value, Q1 2006 - Q3 2011



Source: Preqin

Full results and report on Q3 2011 fundraising will be available in Preqin's quarterly publication The Private Equity Quarterly.

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