

Private Equity Add-On Deals Boom as Markets Stutter

44% increase in number of add-on deals in 2011 compared to 2010, while value increased 58%.

A record number of add-on deals were completed in 2011 and the upward turn in transactions of this type is continuing into 2012, Preqin data reveals. While the number of deals of other types plummeted, the number of add-on deals completed during the downturn remained relatively consistent and has since more than doubled.

In January 2012, add-ons accounted for 35% of all completed deals, an increase from 2008/2009 when around a quarter of deals were of this type. Add-ons are generally small and mid-sized deals, so it is perhaps unsurprising that there has been a surge in such transactions and a decline in the number of deals valued at over \$1bn as the markets endure a period of instability.

Add-On Deals – The Facts

- North America is at the centre of the add-on deals market – 73% of all add-ons finalized in January 2012 took place in the region.
- Around a third of add-ons pre-crisis took place in the industrials sector, although this declined to 23% in 2011.
- The proportion of add-on deals being completed in the business services sector has increased from 15% pre-crisis to 21% in 2011.
- A similar increase has occurred in the healthcare industry – from 10% to 15%.
- 19% of add-ons completed in January 2012 were in Europe and 8% were Asia-based.
- Although the number of add-ons completed during the downturn of 2008/2009 remained relatively stable, the aggregate value did drop to \$3.4bn in 2008 from just over \$30bn in 2007. It has since recovered to near pre-crisis levels and reached \$28.4bn in 2011.

For more information, please see the full report:

http://www.preqin.com/docs/newsletters/PE/Preqin_Private_Equity_Spotlight_February_2012.pdf

Comment:

More managers are turning to add-on transactions to strengthen their current holdings and shield their investments from market volatility, and the increase in the number of deals of this type during the latest period of economic instability highlights just how important these investments are to fund managers.

As market conditions remain unfavourable it is likely that add-ons will remain at record levels as managers look to consolidate their current holdings with small and mid-sized add-on acquisitions.

Manuel Carvalho, Manager – Private Equity Deals

Note to Editors:

- Add-on deals are also known as bolt-on transactions
- Add-on deals involve private equity-backed companies acquiring the assets or whole business of another, typically smaller company within the same industry to form a stronger entity.
- Add-on deals are typically small and mid-sized deals and can potentially increase a portfolio company's value significantly through a relatively small investment once market conditions improve.
- Preqin is spelled without the letter 'U' after the 'Q', the company name being an amalgamation of the former name, Private Equity Intelligence.

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