

European private equity investment on rise

Despite eurozone fears, private equity investment in Europe is up 33 percent compared to last year, according to CMBOR.

posted - 29 Sep 2011 16:22 GMT

updated - 29 Sep 2011 16:32 GMT

Clare Burrows

The value of private equity investments in Europe during the first three quarters of 2011 was €40.8 billion, a 33 percent rise from the first nine months of 2010. The figures are the latest from the Centre for Management Buy-Out Research, whose research is sponsored by Ernst & Young and Barclays Private Equity and published by PEI.

Based on these figures, European buyouts seem set to surpass last year's levels, when €56.5 billion was invested during the whole of 2010. However it is uncertain whether 2011 figures will keep climbing.

"Even though European buyouts have improved, the uncertainty in the economy — with threats of a double-dip recession and volatility in the public markets — challenges whether this increase in activity can continue," Sachin Date, Ernst & Young's private equity leader for Europe, Middle East, India and Africa, said in a statement.

The uptick is also not being felt in each EU member state necessarily. For example, France continues to increase its buyout activity while the UK is struggling. In the first three quarters of this year the UK only represented 22 percent of buyout activity compared to 43 percent during the whole of 2010. France has been the dominant force in European buyouts accounting for 23 percent of deal value compared to 14 percent last year. Germany and Spain also performed relatively well making up 14 percent and 9 percent of the buyout market respectively.

"We see a clear divergence of private equity activity in Europe this year with Continental Europe recovering well, in contrast with a decline in the UK, and despite chronic uncertainty in the Eurozone," Christian Marriott, director at Barclays Private Equity, said in a statement.

Though total investment is on the rise, larger deals of €1 billion or more are on a slow decline. In the first three quarters of this year, only seven of these \$1 billion-plus deals were completed, for a total value of €10.2 billion, compared to 11 such deals during 2010 with a total deal value of €19.3 billion. Nonetheless, this year's figures still surpass the two €1 billion-plus deals completed in 2009 with a combined value of only €2.8 billion.

The CMBOR data also showed deals of €100 million or more have been more easily able to attain financing from European banks, allowing the amount of equity used in deals to decrease. The equity percentage has dropped from 60 percent in 2010 to 47 percent so far this year.

The total exit value for this period was €42.7 billion – a 9 percent increase year on year. Secondary and trade buyouts have dominated the European exit scene, accounting for €41.7 billion of this number with the value split almost equally between the two. In 2011 the 125 secondary exits were valued at €21.1 billion and the 113 trade exits at €20.6 billion.

The value of initial public offerings made in Europe during the first three quarters of 2011 was €1 billion, with only five IPOs during the second quarter. This is likely due to the volatile market conditions and firms not wanting to float their businesses at low prices.

© PEI Media Ltd. All rights reserved. Content on this site may not be reproduced, distributed, transmitted, displayed, published or broadcast without the prior written permission of PEI Media or in the case of third party content, the owner of that content. You may not alter or remove any trademark, copyright or other notice from copies of the content. You may download material from this site (one machine readable copy and one print copy per page) for your personal, non-commercial use only.