

Season's greetings to you all!

I have now been at Reed Smith for 9 months and am starting to feel that I have really settled in. I was delighted to be joined by James Cross in April and Emilia Valvano in October, and Tara Bano joins us on 2 January. We are still very much in "build" mode and I look forward to announcing further additions to the team over the coming months.

From London... It has been a busy time for us with instructions from clients including Hermes, Indigo Capital, Nova Capital, Oakfield, Pamplona, Risk Capital and Sovereign Capital. Not all of these have completed, which is indicative of the challenging market we find ourselves in. Growing these important and prized client relationships is very important to us and remains something of which we are hugely proud.

In July we launched our monthly PE Newsletter (latest edition attached) – I hope you find it useful and informative. If you would like further details on any item included, please do contact one of the partners whose details are listed on the front page. If this is not something of interest to you or you would like it sent to a colleague, just let us know and we will amend our records accordingly. Equally, if you have any feedback that you would like to share, we would be delighted to hear it.

We have also held a number of client events; in London we invited clients in to our offices here at Broadgate Tower for a Poker Evening in May and again in October for an Oktoberfest themed event, hosted jointly with the BVCA. Additionally, we have hosted a matching poker event in our Paris office as well as an office anniversary event in the Middle East.

From Munich... The German economy continued to thrive in 2012, as did our Munich office. While the Euro is arguably too strong for many European countries, it's not for Germany. The single European currency has driven Germany's exports to record-highs. Investors from all over the world are increasingly bullish for Germany. They recognize that neither the "Euro" crisis nor the Euro itself will disappear any time soon. So, the Munich office has had a very busy year. We completed over two dozen M&A transactions for national and international clients. Companies from Asian countries were especially active this year. The bulk of the transactions were signed in the first half of the year, including many successful investments for our national Private Equity and Venture Capital clients.

From France... The Paris Private Equity team has completed a successful year of build-ups. Our team understands the tense situations with the banks, and the economy across Europe and around the globe. We have worked with the tax concerns across France, but have been able to successfully weather the economic storms. France remained a difficult market for PE transactions in 2012, mostly because of difficulties in securing debt financing, although a few large cap transactions completed in the first half of the year. In the second half of the year, following the presidential elections, the uncertainty around taxation of capital gains and wealth tax had a significant impact on the structure of transactions. As a result, apart from a few primary transactions in the mid-cap segment, most of our clients worked on build-up transactions. Our Paris office was very busy, with over 20 deals completed, and continues to expand its PE practice by adding a PE specialist to the tax team and recruiting an LBO finance team. Our team in Paris was recently ranked and presented as "excellent" amongst the top 15 teams in Venture Capital by French business publication *Décideurs*.

From The Middle East... our office in Abu Dhabi was one of the first international law firms to be established in the United Arab Emirates (UAE), opening in 1978. We also have a strong and growing presence in Dubai, opening our office in the Dubai International Financial Centre in September 2006. Our team looks to expand our historic presence and knowledge across the region in 2013. A focus on the Middle East is included in the newsletter attached.

It's been a great start, and I look forward to building on it in the coming months. In the meantime, together with my team in London, and across Europe and the Middle East, and all of the partners at Reed Smith, we thank you for your support and look forward to working with you all in 2013. I hope you have a very restful and enjoyable Christmas and a prosperous New Year!



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Private Equity Sound Bite

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Investments in Shipping Assets

Shipping is a cyclical business based on demand and supply; demand centred on levels of world trade and supply being the number of available vessels. Pre-financial crisis, and with a long up-tick, there were many in the industry arguing that the so called “shipping cycle” had been broken—they were wrong! Over-ordering of new tonnage in the mid-2000s, a drop in world trade volumes and the lack of available finance has led to the perfect storm in most sectors of the shipping industry (particularly, tankers, bulk carriers and container vessels). The generally held market view is that freight rates and asset values are approaching the bottom across all three main segments. The significant reductions in vessel values from the top of the market (as much as 60/70% in some instances) coupled with other crises affecting European banks over the last five years has resulted in significantly decreased lending activity by the banks and greater liquidity constraints among all market participants. Many traditional ship finance lenders are seeking to sell both performing and non-performing loan portfolios. Likewise, the stock price of many of the publicly-listed companies in the sector is at historical lows, and all shipowners are experiencing a degree of financial squeeze.

The belief that the market is at or near the bottom of the “shipping cycle”, depressed asset prices, scarcity of available finance and the sale of portfolios **has attracted the interest of many private equity firms and hedge funds** investing in more illiquid asset classes. Many funds had also raised money to deploy in the anticipated deleveraging of European banks' assets. Whilst the ECB-extended financing options has meant that deals have been difficult to put together, there have been a number of high profile portfolio transactions in the last few months. Thus, money on the sidelines and an attractive entry point makes a good recipe for investment consideration.

Investment opportunities in shipping can take many forms. We have advised a wide range of alternative asset funds and private equity clients in recent times on:

- Joint ventures between shipowners and private equity firms;
- Launch of dedicated private equity funds to invest in shipping assets;
- Niche investment structures to pool investors' monies in either equity or debt investments to shipowners;
- Opportunities in restructuring or refinancing transactions;
- Mezzanine finance structures;
- Purchasing distressed debt portfolios shipping assets.

Reed Smith is uniquely positioned to advise fund sponsors interested in the shipping sector. We are one of very few firms able to combine market leading capabilities in the private equity and shipping spaces. Indeed, our shipping expertise is widely recognised as a global leading practice and with a focus towards strong relationships with shipowners. Understanding the space is the first step in guiding our fund clients through the negotiation process, advising on what terms are market standard and finding ways to bridge any cultural gaps that may exist between the shipping and private equity worlds.

For additional information contact Panos Katsambas (tel: 020 3166 3660/pkatsambas@reedsmith.com) or Rob Wilkins (tel: 020 3116 3638/rwilkins@reedsmith.com).

Transaction Highlights

Recent Deals Across Our Global Platform



Advised **CBPE Capital LLP** on its £85 million acquisition of Xafinity Consulting from Equiniti Group. Xafinity Consulting provides actuarial, pensions, healthcare and other employee benefits consulting and administration services. The transaction is funded by a mixture of equity and debt finance provided by CBPE funds and external banks. A team led by Philip Taylor and assisted by James Cross completed this transaction.

GALIEN MANAGEMENT

Advised **Albarelle**, a holding of **Galien Management** and long-term client **Activa Capital**, in a build-up transaction for Cours Paviot for €1.1 million. Cours Paviot is a company specialized in training and preparation of students in medicine, pharmacy and other medical practices in the Western region of France. Marc Fredj was the team leader on this transaction with Antoine Thibaud, tax associate Stéphane Letranchant and L&E Counsel Séverine Martel.

Global Capabilities

Middle East Presence



The Middle East continues to show signs of cautious optimism for 2013, notwithstanding the continuing geopolitical uncertainty. We expect to see new MENA funds raised next year and there is increasing deal flow, particularly in Saudi Arabia.

Our Middle East offices have had a busy year acting for both regional and international clients. We are also seeing an increasing number of clients using the Middle East as a springboard for Africa opportunities, given the close proximity of the continent and good transport/logistics options.



Reed Smith is one of the first international law firms to be established in the United Arab Emirates (UAE), opening up in Abu Dhabi 34 years ago in 1978. We also have a strong and growing presence in Dubai, opening our office in the Dubai International Financial Centre in September 2006. Together, our UAE offices have international lawyers that include Arabic speakers, offering extensive experience across a wide range of practice areas such as finance, corporate and commercial, and litigation. Our long history in the region translates to strong relationships with some of the most significant entities in the public and private sectors, as well as a lengthy period of active community service and pro bono work.

For more information on how we might help and/or effect introductions, please contact Perry Yam or Vince Gordon (tel: +971 (0)2 418 5777/vgordon@reedsmith.com).

Reed Smith Recognition

Legal Publications

Legal Week Intelligence Special: Client Satisfaction Report 2012

- In 2012, Reed Smith was ranked 3rd among the US international firms and 7th among the 86 firms in the full listing.
- Reed Smith has made a significant investment in helping its lawyers and trainees understand the commercial contexts of their advice, and this pays off in the recognition of clients who rate the firm top of the US International law firms on commercial advice. *Originally published in Legal Week Intelligence Special: Best Legal Adviser 2012*

Décideurs Recognize Paris Private Equity Team

- Lucas d'Orgeval, Emmanuel Vergnaud and Marc Fredj were presented as "excellent" amongst the top 15 teams in Venture Capital by French business publication *Décideurs*. The team is also present in lower mid and small-cap LBO (advising funds) with a "high notoriety" and Emmanuel Vergnaud is recommended in Capital growth. This new ranking is a recognition of the team's busy year with nearly 30 Private Equity transactions handled in 2012