



Private Equity Sound Bite

What will the second half of 2014 bring?

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Commentary by Perry Yam

Q1 in Europe has seen a slower than anticipated volume of private equity transactions completed. What are the influencing factors and how will this shape the remainder of the year?

Preqin reports that 2013 (globally) saw the highest aggregate amount of capital raised by private equity firms since 2008*. This is counter to the perception that fundraising has been difficult. However, the perceived wisdom is that debutant funds will continue to find it hard to persuade investors to part with capital on the old blind pool model. These investors are being more selective, with the increased choice available, as supply outstrips demand. This will cause a splintering off of deal by deal vehicles, as “virgin” fund managers seek to develop a track record before returning to the market.

In the UK, Mr Carney’s forward looking statement appears to have settled anxiety about interest rate hikes and that, in turn, would seem to have helped to maintain a sense of calm in the M&A market. The general election looming large on the horizon threatens to disrupt the current status and we anticipate a frenzy of deal activity in the second half of 2014 before uncertainty returns.

Another feature having an influence is the relatively strong performance of the FTSE encouraging PE backed companies to consider the equity capital markets for exit/fundraising (where multiples seem to be higher) and the comparative strength of the pound fostering a sense of purchasing power. This has strengthened the resolve of owner managers who, if they have been delaying the start of “processes” to sell their companies, are now more committed to do so than for a long time. The retail banking community is, for the first time, facing competition from unitranche and other alternative debt providers, and there is definitely leverage finance available to support acquisition bids. If the pricing expectation of sellers can be matched more closely to the requirement of fund managers, July–December 2014 could be a very active period for our industry.

* 873 funds reaching a final close and raising in the aggregate of \$454bn.

Upcoming London Seminar

Bribery in the real world – 3 April 2014

We are hosting a half day conference covering domestic and international bribery law, focusing on the real world applications of anti-corruption compliance, including:

- The real nature of bribery – what it is, what it isn't
- Enforcement trends
- Dealing with demands and high-risk situations
- Truly effective controls and procedures

We are delighted to have as our key note speaker, **His Honour Judge McCreath QC**, presiding judge at Southwark Crown Court where most business crime cases are tried. (For further details or to register please email events@reedsmith.com.)

Transaction Highlights

Recent deals across our platform



A cross-department London team, led by Perry Yam and James Cross, advised investors Sovereign Capital and the management of City & County Healthcare (C&C) on the secondary sale of C&C to Graphite Capital. Sovereign first acquired C&C in 2009. Since then, it has extended its services to include children and adults with learning disabilities, expanding from 13 branches to 64, and is now Britain's fourth largest domiciliary care provider.

SEAFORT

Newly founded private equity house Seafort Advisers has bought, backed by international investors, packaging recycling company Noventiz, business services provider DialogFeld Communication, and lighting manufacturer Dieter Braun from Munich-based private equity fund Auctus. A cross-office team led by Paris counsel Franck Coudert, with Dr. Justus Binder and Frank Mizera in Munich, provided comprehensive advice to one of the investors on this significant transaction.



The Munich office of our EME private equity team advised long-standing client WHEB Partners on the buy-out of carbon fibre composite components manufacturer ubc GmbH. Our team advised on the acquisition of shares as well as growth financing (including equity and debt financing). The investment will support the further growth of UBC, and aid their expansion into new markets.



A team led by Panos Katsambas and Thomas Gomme advised new client, private equity fund Invel Real Estate Partners, Ltd., on its investment in NBG Pangaea Real Estate Investment Company from the National Bank of Greece. At closing this was the largest real estate transaction ever signed in Greece. The team effort involved coordinating international counsel across multiple jurisdictions including Italy, Greece, Netherlands, and Guernsey.

Industry Guide Launch

BVCA Guide to Private Equity Fund Finance



More than 80 GPs, banks and other industry professionals joined us last Thursday for a breakfast seminar to launch the *BVCA Guide to Private Equity Fund Finance*. Co-authored by Leon Stephenson, head of funds finance at Reed Smith, the guide examines key characteristics, considerations and issues relating to executing an equity bridge financing transaction and how best to mitigate any associated risks.

GUIDE TO
Private Equity
Fund Finance

Increasingly, we are seeing these facilities utilised by funds in anticipation of a bridge to syndication, as an interim funding line on "all equity" transactions (into which debt is placed subsequently), to settle management fees (and avoid having to make capital calls) and, interestingly, also in connection with transactions involving volatile currencies. (If you would like to find out more about these facilities, or would like a copy of the guide, please contact Leon Stephenson on lstephenson@reedsmith.com or +44 (0)203 116 3594.)

