

ADJUSTMENT OF THE PRIVATE EQUITY SECTOR IN SPAIN IN THE FIRST SEMESTER 2009

The main variables decreased between 20% and 46%

- After years of growth, the international economic crisis impacts negatively in this industry.
- The **investment** at 30.06.2009 registered **714,7** million euros, a 46% less than the first semester 2008 but lightly higher than in 2004.
- The **number of deals** decreased (376 deals, a 20% less than the same period 2008 (471 deals) but higher than the same period 2007: 372 deals.
- As in 2008, the investment in **expansion** companies became the main investment stage. Buy out deals and leveraged transactions almost disappeared.
- The **fundraising** activity in the first half of the year decreased: 359,6 million euros. Nevertheless, there are still enough resources to close deals for the next years.
- **Divestments** reached 262,8 million euros, returning to levels of 2003.

Madrid, 16 of September 2009. - According to the Spanish Venture Capital and Private Equity Association (ASCRI) in collaboration with Webcapitalriesgo, the investment of the Private Equity entities in Spain in the first half of the year was **714,7** million euros, a 46% less than the volume reached in the same period 2008 (1.317M euros) and a 38,7% less than the first semester 2007. The sector returns to the levels reached in the first semester 2004.

For the first time in years, the number of closed deals in the first semester 2009 reached only **376 transactions** (471 in the first semester 2008), which entails a fall of 20%. The averaged invested by deal was 1,9 million euros (decrease of 32%). The difficult access to debt has stopped the mega deals (there were no deals surpassing the 100 million euros, opposed to 2 closed mega deals in the first semester 2008). This trend also affected the medium size deals: 16 transactions surpassing 10 million euros, opposed to the 25 deals in the same period 2008. Regarding leveraged transactions, 13 deals were closed (16 in the first semester 2008 and 28 in the same period 2007).

As observed in 2008, the **investment** activity goes back to its roots. In the first half of 2009 the 42,6% of the volume invested and the 59% of the number of deals were assigned to expansion stage (opposed to 28% and 60% respectively in the first half

2007). The difficulty to obtain bank credit caused a dramatic fall of investment volume in leveraged transactions (250 million euros invested in the first half 2009 opposed to 463 million euros in the same period 2008).

The most important deals in the first half of this year were carried out by **Mágnum** (Generis), **Madrigal** (Grupo Siro), **HG Capital** (Solar), **Mercapital** (Grupo Recoletas), **Ibersuizas and Realza Capital** (Grupo Hoffman) and **Palamon and G Square** (Grupo SAR).

The **sectors** with highest levels of investment by volume were: Healthcare (30%), Consumer Products (20%) and Energy & Environment (8,6%). According to the number of deals: Software (22%), Consumer Products (9,6%) and Biotechnology (10,9%).

Regarding the **investment by regional distribution**, Catalonia received a quarter of the total volume invested, Castilla y León 22,1% and Comunidad Valenciana 16,9%. Madrid only received a 12,9% of the total volume since there was no leveraged transactions.

In the **fundraising** chapter, it is well known the difficulty to raise funds in this current period: **359,6 million euros** (intersemestral fall of 80%). Nevertheless, there are still enough funds to invest in the next two years. The entities that raised funds in 2007 and 2008 are in a privileged position to close deals at good prices.

Divestments also decreased in the first half of the year (20% less respect to the same period 2008), with a total volume at cost of **262,8** million euros (316 million in the first half 2008 and 729 million in the same period 2007). The main divestment deals in the first semestre 2009 were Atecsa (N+1 Private Equity) and three wind parks in Soria by Eolia. The number of divestments increased in 17%, from 120 deals up to **140 deals**.

The 36% of the total divestment volume was carried out through Managers buy-back in 22 divestments. Write Offs represented 26% of the volume and Trade sale 16%. There was no stock market.

Conclusion: 2009 is being a very complicated year for the Private Equity sector in Spain, the rest of Europe and EE.UU. The worldwide trend confirms a very strong decrease of the fundraising activity, investment, number of closed deals and divestment of the backed companies. The third term points to a light upturn in the activity in Spain, with deals like Proa Capital in Grupo Palacios or the 50% of Port Aventura by Investindustrial. It is expected to close the year with a investment of around 2.500 million euros.



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Respect to the **EU AIFM Directive Proposal** of April 2009 on alternative investment funds managers (including Private Equity), the sector understands and supports the objectives in the proposed Directive: control systemic risks and ensure appropriate investor protection and transparency. Even so, the sector considers the Directive - if adopted as proposed - would be inappropriate, unfair and disproportionate and could severely affect European Private Equity industry. For this reason, the sector ask for the modification and adjustment of this Directive.

Note for the editor:

The principal mission of The Spanish Venture Capital Association (ASCRI) is to develop and promote the investment in unquoted companies. The association chaired by Jaime Hernández- Soto has 105 full members, that represent 90% of the private equity activity located in Spain, and 45 associated members, with a total of 150 members.

José Martí Pellón, Professor in the Universidad Complutense of Madrid and partner of Webcapitalriesgo.com, has studied this activity in Spain since 1984. He has published more than 20 books and many articles.

For more information

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