

## Spanish Private Equity Sector will be reactivated in 2010

### After a complex year, the firms begin to take positions

*ASCRI celebrates today its 11th Congress in Casa de América; 250 professionals of the Private Equity sector will attend the event. Mrs. Esperanza Aguirre, President of the Community of Madrid, will open the Congress, as well as Mr. Santiago Álvarez de Mon, professor of IESE, and Javier Echarri (EVCA Secretary General), who will speak about the latest news of the AIFM European Directive. Mr. Ramón Cerdeiras, the ASCRI Chairman, will present this Congress, that has been sponsored by PricewaterhouseCoopers.*

- The total investment volume increased from 3.069,5 million euros (912 transactions) in 2008 up to **1.669 million euros (898 deals)** in **2009**, which entails a fall of **46%** in volume but only **8%** in number of transactions. The sector goes to back to levels of 2004. Nevertheless, the number of deals is still high and stable.
- The trend in investments was **again small size transactions** (78% of the total deals entailed less than 1 million euros) or medium size transactions (40 deals between 10 and 100 million euros). The mega deals disappeared: there was only one transaction surpassing 100 million euros of equity.
- For second consecutive year, **capital expansion** transactions were predominant in volume (52.4% of the total volume) in 608 deals (68% of the total transactions). After years of leadership in terms of volume, Buy Out transactions represented only 31% of the total volume.
- The end of 2009 pointed to a certain reactivation of the sector in Spain and also in the rest of Europe. This recovery will be progressive. It is estimated that future investment volume will entail around **2.000-2.500 million euros in 2010**. The economic growth in the next few years will be gradual, at least until the debt is recovered.
- The **fundraising activity** totalled **1.173 million euros**, which represented a fall of 56% respect to 2008. Nevertheless, it is necessary to highlight that the fundraising activity must be measured in longer terms (4 to 5 years) and also there is enough liquidity in the sector (around 4.700 million euros available for new investments). This variable will start to reactivate in 2010, but progressively as well.
- **Divestments** reached a volume at cost of **858 million euros in 270 transactions**, which entailed 11% growth in volume and 27% fall in number of deals.

Madrid, 23<sup>rd</sup> April 2010. - According to the Spanish Venture Capital and Private Equity Association (ASCRI) in collaboration with Webcapitalriesgo.com, the **total investment volume** of the Private Equity entities in Spain in 2009 reached **1.669 million euros, 46% less** than the total volume in 2008 (3.069,5 million euros). This decrease in investment is also general in all countries across Europe.

The **number of deals** in 2009 was **898**, opposed to 912 in 2008 (decrease of 8%). The 78% of the total deals entailed less than 1 million euros of equity. Only 40 deals entailed an investment between 10 and 100 million euros of equity because of the lack of bank financing. There was only one deal surpassing 100 million euros of equity: *Itínere* (Cajastur).

As it occurred in 2008, expansion stage was the most active segment (52% of the total investments) in 608 transactions (68% of the total). Some examples: *Siro (Madrigal)*, the follow on investment in *Renovables Samca (SPPE, Caja Madrid)*, *Abengoa Bioenergy (Cofides)* and *Bella Easo (Apax)*. 247 deals were closed in early stages (seed and start up) and only 21 leveraged transactions were closed.

The most favoured **sectors** according to the volume invested were Consumer Products (19%), Healthcare (14.6%) and Energy / Natural Resources (12%). Regarding the number of deals were Software (21.9%), Industrial Products and Services (10%) and Biotechnology (9.9%).

Regarding the geographical distribution, Madrid (28.7%), Catalonia (26.4%) and Castilla La Mancha (11.3) concentrated the majority of the total investment. In number of transactions were Catalonia (203 deals), Madrid (184) and Andalucía (127).

In the **fundraising** chapter, the activity dropped during 2009. It totalled **1.173 million euros**, which represented a 56% fall respect to 2008. The 73% of the total funds were raised by national investors. They are worthy of mention the new vehicles of *Nazca* (116M€), *Nauta Tech Invest III* (38M€) or *Hiperion Turnaround Fund* (20M€), as well as the follow on existing funds: *Cofides* (120M€), *Enisa* (113M€), *Madrigal* (60M€), *Dinamia* (40M€) and *Sepides* (22M€).

The last years 2005, 2006 and 2007 were very dynamic in fundraising activity, so there is still liquidity in the industry (around 4.700 million euros available). This variable must be measured in longer terms (4 to 5 years) and will start to recover progressively in 2010.

**Divestments** registered a volume of **858 million euros in 270 transactions**, 11% more than in 2008 but 27% less in number of deals. The 47.6% of the total volume was divested through Write offs (it is necessary to mention that a very important part is meant to two deals which could not renegotiate their debt, and not because of decease of the taken company), Trade sale entailed 28% and Managers buy- back

7%. Secondary buy out deals is starting to recover: 12 transactions in 2009, opposed to 7 deals in 2008.

The most important divestment transactions in 2009 were N+1 in *Atecsa e Ydilo*, 3i in *Gebomsa*, Eolia Renovables in *Danta Energías*, AC Desarrollo in *Aurgi* and Corsabe in *Ovelar*. For 2010 it is estimated certain reactivation of IPOs and The Spanish Alternative Investment Market (MAB).

## **Prospective 2010**

Some medium deals were closed in the first months of the year (Aciturri by Madrigal or Gescobro by Miura) and other important middle market transactions will be closed in the following months, like Conservas Garavilla (MCH), Mecalux (Artá Capital), Operadora R (CVC) or Santillana (DLJ South American), which is still waiting for the approval of CNMV, and the follow up investment of Ono. Besides, there possibly will take place some IPOs such as Amadeus, Mivisa or Marco Aldany. This movement points to a certain reactivation of the Private Equity market and the activity of the sector.

### **Note for the editor:**

The principal mission of The Spanish Private Equity & Venture Capital Association (ASCRI) is to develop and promote the investment in unquoted companies. The association chaired by Ramón Cerdeiras has 105 full members, that represent 90% of the private equity activity located in Spain, and 44 associated members, with a total of 149 members.

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

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