Buyout Activity in Switzerland in 2010

Investment activity

2010 was an exceptional year for the Swiss buyout market, as Switzerland registered its largest buyout ever. With a value of EUR 2.4bn, the buyout of Sunrise by CVC was also one of the biggest buyouts in Europe for the year.

Driven by this transaction, the total Swiss deal volume in 2010 surged from an estimated EUR 900m in 2009 to an estimated EUR 3.8bn, a record volume even higher than the highs registered before the financial crisis and the previous peaks of 1999 and 2002. Once again the small Swiss buyout market showed its volatility due to very large transactions that only appear sporadically.

Besides Sunrise, three other transactions with significant sizes contributed to a strong total value for the 2011 buyout year: Norwegian Herkules Capital acquired Odlo from TowerBrook Capital Partners and Paris-headquartered PAI Partners acquired two companies that were historically part of SAir Group, ground handling company Swissport and Nuance, the airport retailer (50% stake). The remaining transaction volume was formed by a number of much smaller buyouts.

In terms of the number of transactions, 2010 was clearly less active than the previous year. For the year, a total of only eight buyouts were recorded, compared to 13 transactions in 2009. With this, the number of transactions reached a low-point after the strong period between 2006 and 2009.

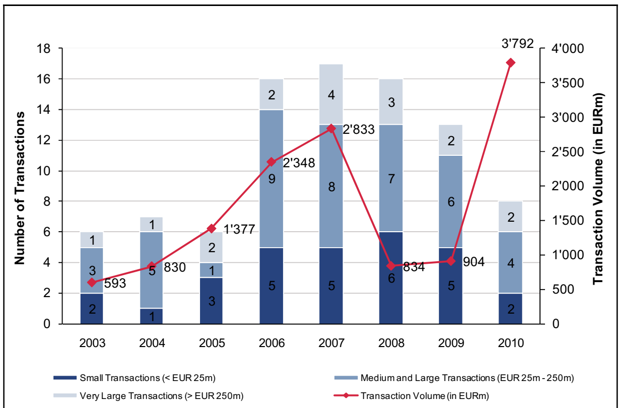

Figure 27: Institutional buyouts in Switzerland.
Source: Unquote (Incisive Media), Mergermarket, Capvis.

Investment environment

Although the number of transactions receded in 2010, the investment environment in 2010 was continuously improving as predicted in this report a year ago. The buyout investment environment was actually returning onto the positive side much faster than it was anticipated by most market participants, while the Swiss economy was recovering over the year. The highly contested auction of Odlo in the beginning of the year underlined that confidence for a recovery was growing, the banking environment was normalizing and private equity investors were ready to open their wallets for high-quality assets. Furthermore, many private equity funds were able to stabilize their portfolios and had more time and capacity to work on new transactions. Throughout the year, the positive investment climate continued but led only to a limited number of transactions.

Types of transactions

While secondary buyouts were the pre-dominating source of deal flow in many European markets (about 45% of the transaction volume in Europe in 2010), Swiss transactions had a broad range of sellers including also private equity funds, corporate and private sellers. Interestingly, a lot of deal flow came from foreign corporate sellers. Again, secondary buyouts played an important role as private equity investors perceived 2010 as being a good exit year to clear their portfolios and returned proceeds to their investors. Private sellers, on the other hand, still seemed to be reluctant to dispose their holdings as they might have been hoping for better exit environments.

Transactions in the Swiss market stemmed from a broad universe of industries, reflecting the diverse landscape of Switzerland's economy. Contrary to other years, industrial products and services transactions were not so prominent in 2010.

Divestments / IPOs

2010 was also the year when the IPO window re-opened. With Capvis' exit of Orior Foods on the SIX Swiss Exchange, Switzerland saw its first "pure IPO" for a long-time.

Also, during the course of the year, a number of other portfolio companies were exited by private equity funds: Switzerland's number one ticketing services provider Ticketcorner was sold by Capvis to CTS Eventim and the Swiss fashion retailer Schild was taken over by management and EGS from Barclays, to name a few examples.

Outlook 2011

The outlook for 2011 is certainly easier to be made than the outlook in last year's yearbook. While it appears that the economy has sustainably started taking another growth path, positive signs prevail in the market and 2011 could become an active and successful buyout year. Still, the risk of external shocks persists and a further appreciation of the Swiss franc against other major currencies could lead to significant difficulties for the Swiss economies and its business community.

However, a combination of positive effects on the buyer's side such as higher planning certainty, a more positive outlook in investment scenarios due to growing confidence and substantial capital to be invested from buyout funds should lead to a growing buyout market in 2011. Furthermore, Switzerland appears to be increasingly on the landscape of foreign investors and the banking environment in Switzerland is stable and has normalized, making solid debt financings of strong businesses possible. It remains to be seen if more and more sellers will utilize this positive environment to dispose of non-strategic assets or work on a succession solution for a family business. There could also well be a certain backlog of transactions that were postponed during the crisis.

In sum, the year 2011 will probably not repeat the record high buyout volume of 2010, but more transactions can be expected.

Patric Klees
Investment Director

Capvis Equity Partners Ltd.
Talacker 42
8001 Zurich
patric.klees@capvis.com