

pro·manchester
BRINGING BUSINESS TO PROFESSIONALS



Corporate Finance Review

Q2 2011



Q2 Review 2011

Commentary from the region's dealmakers



GRANT THORNTON UK LLP

"The MBO of MoneyPlus Group was a fantastic transaction for the local North West market, led by North West advisors and funded by North West funders. Raising finance initially proved challenging given the sector's historical reputation. MPG had built a strong reputation for high ethical standards, quality client service and had already achieved impressive growth in recent years than attracted the interest. With the investment by Palatine and refinancing

by PNC, the management team will have the support of strong partners to really drive the business forward to become a leading financial services company."

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KPMG

"The first half of 2011 has seen considerable M&A activity in the region. This should continue into the second half of the year, albeit this will vary markedly across sectors. "This is demonstrating that there is a market for quality local businesses amongst private equity and trade buyers. The sale of Crown Paints to Hempel demonstrated this with both private and trade keen to buy an excellent asset. It also highlights the increased activity from overseas trade purchasers keen to make strategic bolt on acquisitions in the UK.

"Private equity houses remain very keen to invest, however, the market is somewhat polarised. Bank lending on larger deals is now getting north of 4 X EBIDTA, which is allowing PE houses to outbid trade buyers. By contrast, at the smaller end, debt multiples are still conservative making it harder to get private equity deals away at a high multiple."

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Foreword

Paul Lupton,
Chairman pro·manchester
Partner, Deloitte

The Q2 2011 review reinforces Manchester's position as the leading financial advisory centre outside of London, with the city acting as a hub for deal activity across the UK and overseas.

The quarter has been characterised by some of the North West's leading corporates re-asserting their influence on a regional and national level, most notably BetFred's successful bid to buy the Tote (officially a Q3 deal) and Peel's recommended offer for Pinewood. In terms of the broader M&A market, acquisitions both by UK and overseas trade buyers dominated deal activity, reflecting the longer term expansionary strategies that many trade buyers are now adopting. The private equity market is also showing signs of recovery although it faces strong competition from resurgent trade buyers.

The market however remains fragile, with a reduction in the number of deals that Manchester-based advisors worked compared to Q1, a trend that is reflected across the UK.

From looking at the review I am confident that Manchester's advisory community continues to be at the forefront of M&A activity.

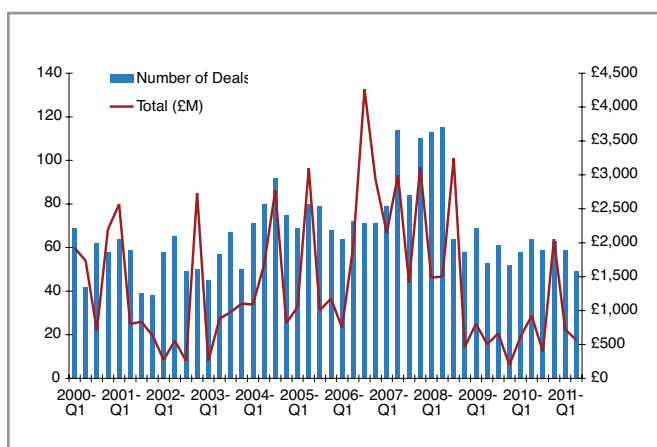
Analysis: 2011 Q2 review

pro-manchester, in association with Corpfm/Experian, is pleased to present you with its Corporate Finance Deals Review for Q2 2011. The aim of this publication is to provide you with an insight into the activities of Manchester's financial advisory community, by looking at the deals in which Manchester-based advisors have been involved. Rather than just focusing on transactions involving Manchester-based companies, we provide analysis of all deals that Manchester's advisors have worked on globally.

We believe that this provides a clearer picture of the full reach of Manchester's advisory community.

Key findings:

- Manchester-based advisors worked on a total of 49 deals in Q2 2011, of which 28 had disclosed values. The total value of these deals was £562m. The average deal size across all segments was £20m.
- The volume of deals with disclosed values dipped by 17% over the previous quarter and the value fell by 22%.
- In the small-cap (<£10m) segment, there were 19 deals, representing 68% of the total deal flow for the quarter. This is a rise of just four deals over the previous quarter.



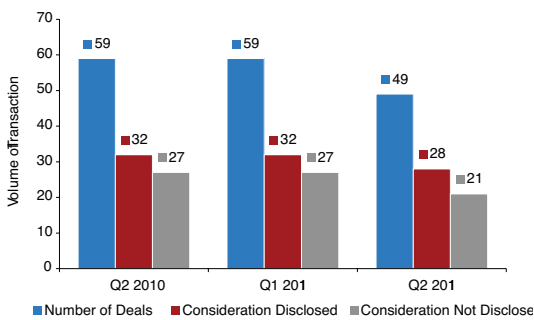
- There were seven deals in the mid-cap (£10-£100m) segment, totalling £252m. This represents a decline of 56% in the volume and 54% in the value of transactions over Q1.
- There were two deals in the large-cap (>£100m) space, totalling £261m, almost double the value raised in the previous quarter, when there was just one deal.
- Acquisitions formed the single largest category of transaction in Q2 with 23 deals accounting for £322m. Whereas this is the same number of acquisitions as the previous quarter, the value of deals rose by 171%.
- The largest single industry was the Manufacturing sector in Q2 2011, which raised a total of £343m.
- In Q1 there were six venture capital deals, raising a total of £36.5m.
- The largest deal of Q2 was the £151m acquisition by Ryder System Inc of Hire Hill Plc. This was one of two deals to top £100m in Q2 2011, the other being the refinancing of Luxfer by a consortium of banks led by the Prudential Corporation of America, in addition to Yorkshire Bank, Lloyds Bank and Bank of America.
- Just shy of the £100m mark was the £96m Peel Acquisitions (Pegasus) Ltd of Pinewood Shepperton Plc, a Buckinghamshire producer of film and television productions.

We hope that you enjoy reading this review and we welcome any feedback that you may have.

Quarterly Analysis for All Deals

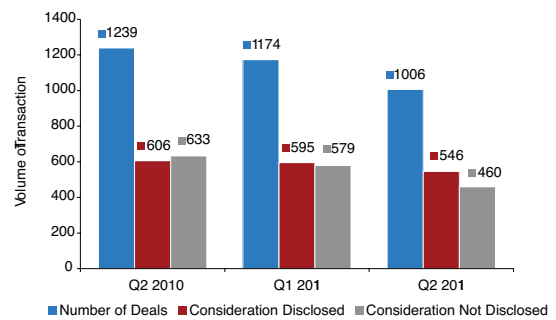
Disclosed and Not Disclosed

Total Deal Volume for all Deals for Manchester Advisor Transactions



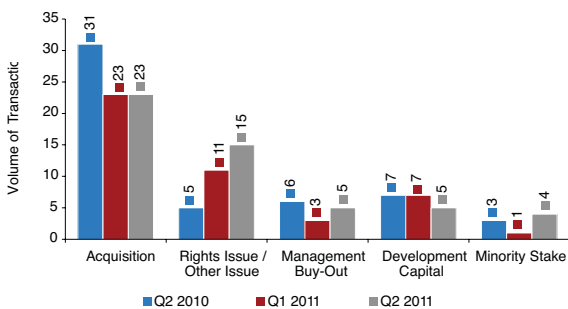
The number of deals on which Manchester-based advisors worked dropped by the same amount (16.95%) when compared to both Q1 2011 and Q2 2010 which both saw total volumes of 59.

Total Deal Volume for all Deals for all UK Transactions



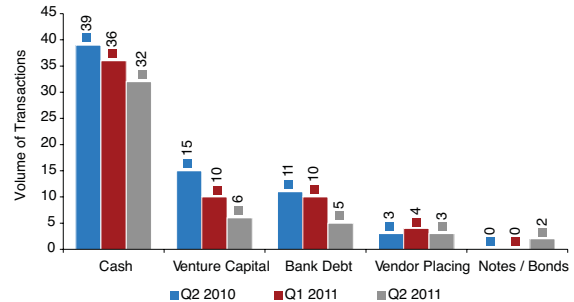
In the UK there were 1,006 deals worth a total of over £55bn in Q2 2011. This represents a 14.31% decrease from the 1,174 tally of the previous quarter.

Deal Type by Volume for Manchester Advisor Transactions



The number of Acquisitions dropped from 31 in Q2 2010 to 23 in Q1 2011 and remained the same in this quarter, while the number of Rights Issues increased by 200% from Q2 2010.

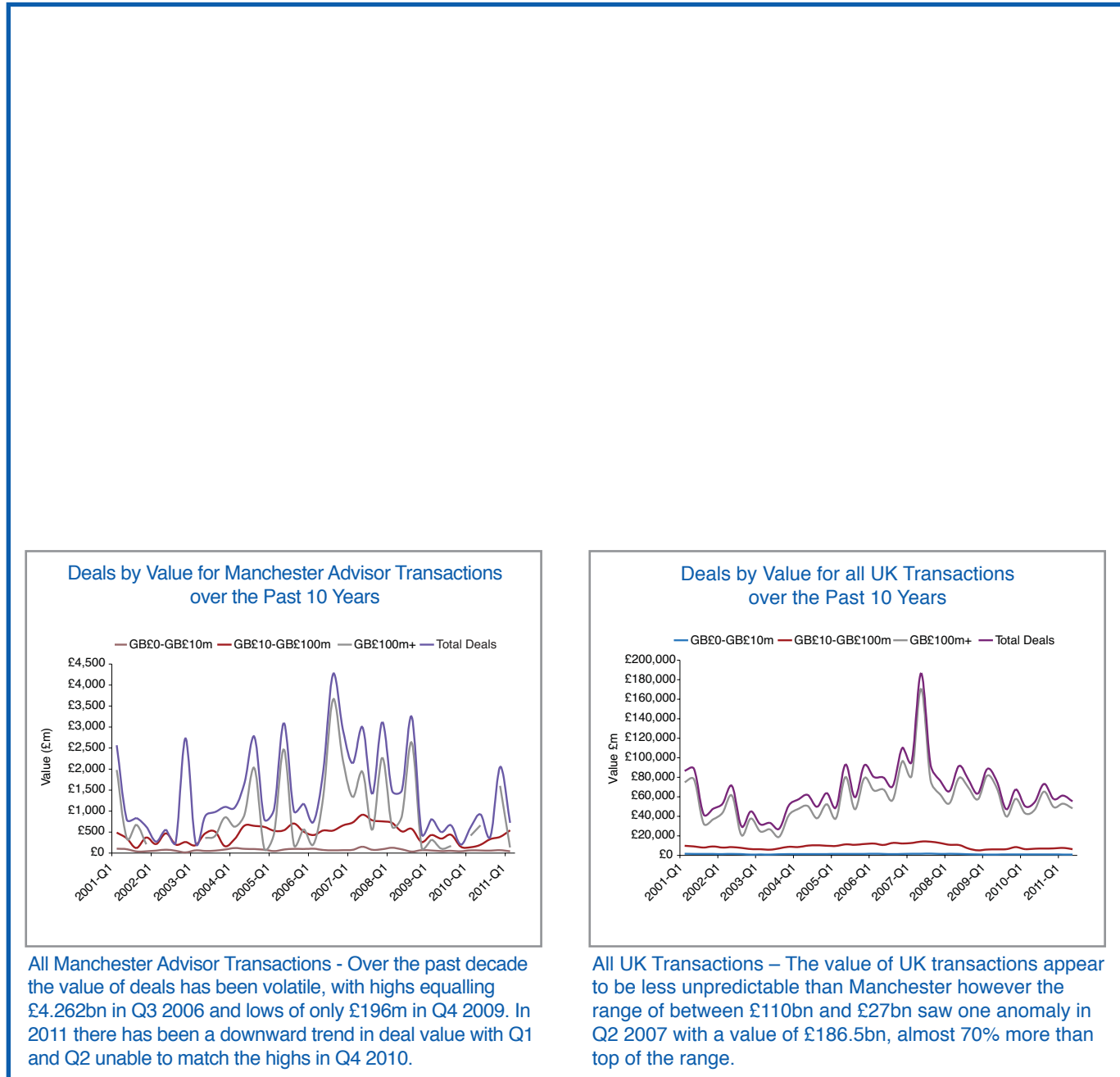
Source of Funds by Volume for Manchester Advisor Transactions



The Source of Funds for Manchester-based adviser transactions has dropped in all categories apart from in Notes/Bonds which are up to 2 in Q2 2011 from 0 in Q1 2010 and Q2 2010.

Analysis of Manchester-Based Advisor Transactions

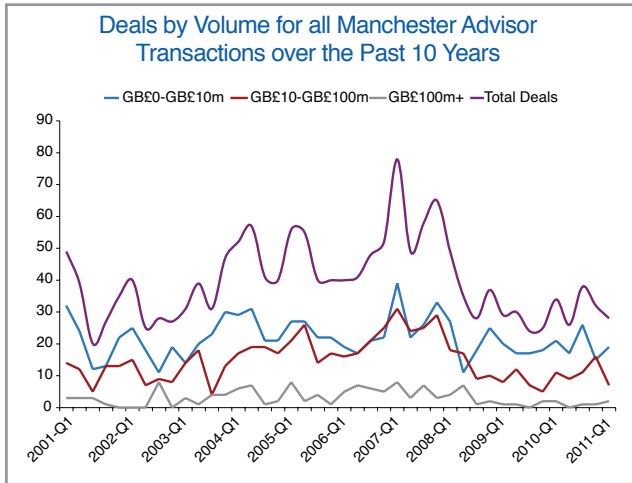
All Manchester Advisor Transactions compared to UK January 1st 2001 to June 30th 2011



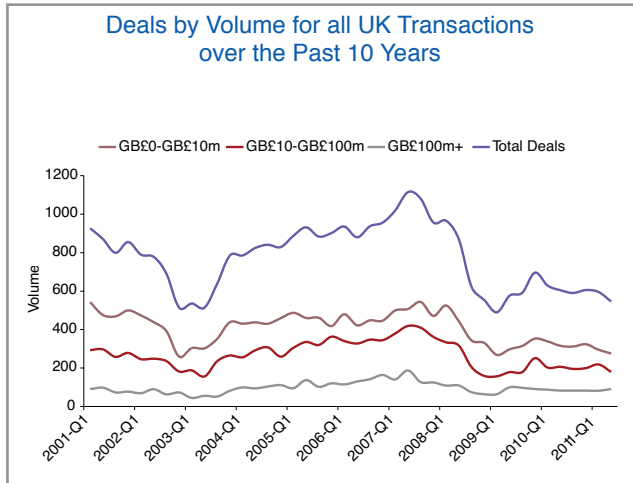
NB: Where Deal Value was disclosed

Analysis of Manchester-Based Advisor Transactions

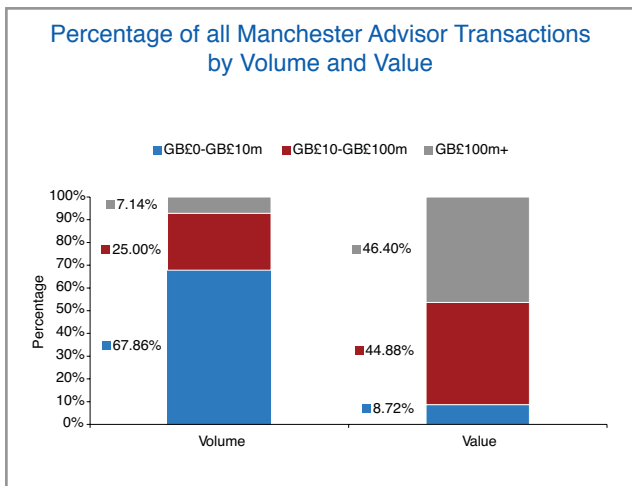
All Manchester Advisor Transactions compared to UK January 1st 2001 to June 30th 2011



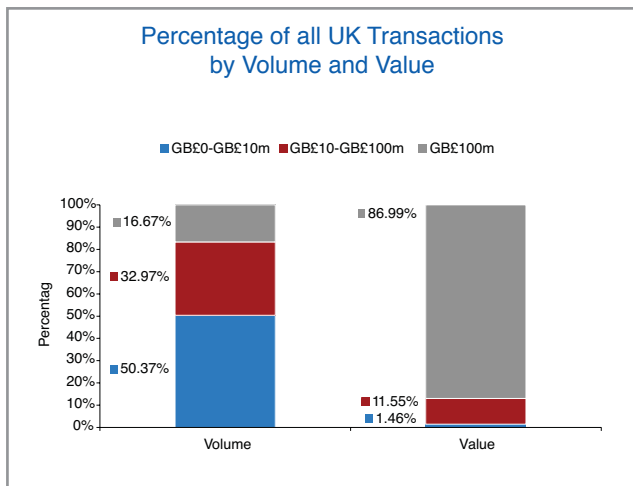
All Manchester Advisor Transactions - In volume terms, Mid-Market and Total Deals were down however, Small transactions were up by 27% and Large transactions were up by 100%.



All UK Transactions – the volume of UK transactions has remained fairly constant over the past 10 years with the lowest point occurring in Q1 2009 with 489 deals in total. Q2 2011 is not the lowest volume in the UK, however it is in the bottom 5 quarters.



All Manchester Advisor Transactions - In Q2 2011, over 67% of all deals were in the sub-£10m range and these transactions represented just over 8% of the total value of deals.



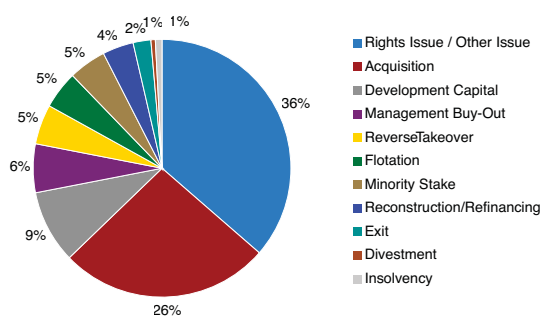
All UK Transactions – The percentage of UK transactions that fit in the £100m+ range is higher than that of Manchester-based advisors with over 16% of the volume and 87% of the value of all UK deals.

Manchester-Based Advisor Transactions

Early Stage Deals (GB£0-£10m) July 1st 2010 to June 30th 2011

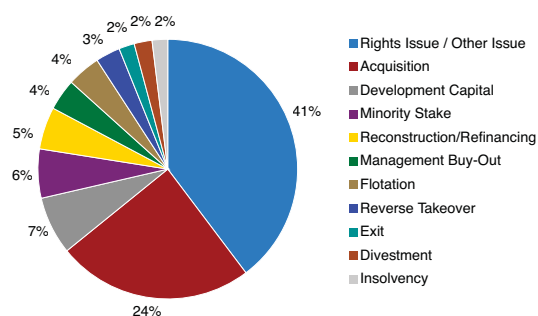
“Acquisitions account for 26% of all deals by value”

Deals by Value Consideration under £10m



In the last 12 months, in terms of the value of deals, Acquisitions have accounted for 26% of all deals, with rights-issues appearing in 36%.

Deals by Volume Consideration under £10m



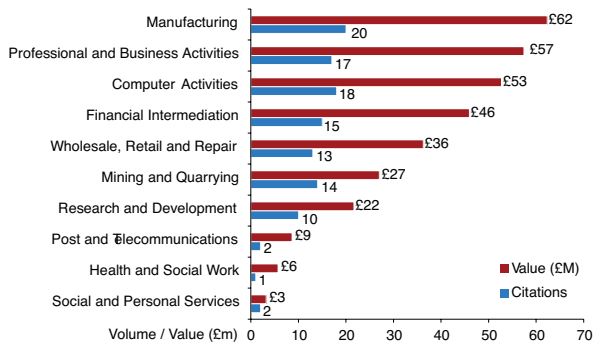
In terms of volume, Rights Issue/Other Issue was the most active with 39 deals, 63% more deals than Acquisitions.

NB: Where Deal Value was disclosed

Manchester-Based Advisor Transactions

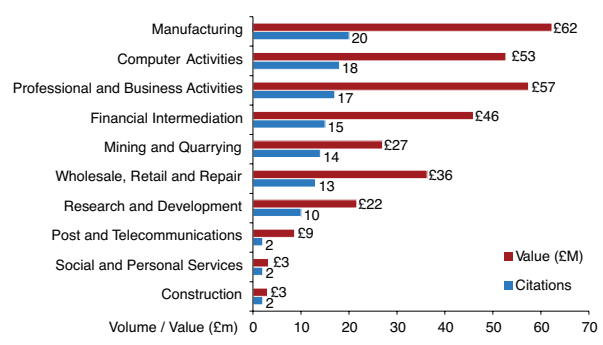
Early Stage Deals (GB£0-£10m) July 1st 2010 to June 30th 2011

Deals by Value Consideration under £10m



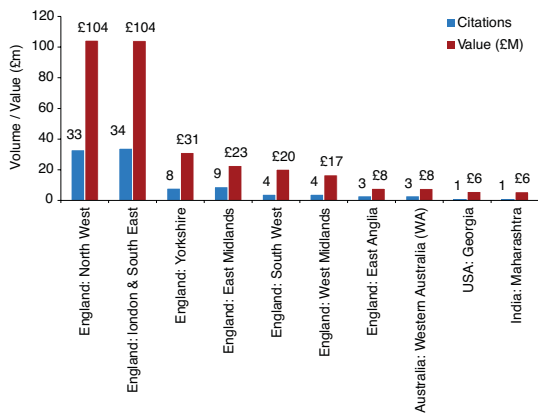
The second most prosperous sector was the Professional & Business Activities, attracting £57m over 17 transactions.

Deals by Volume Consideration under £10m



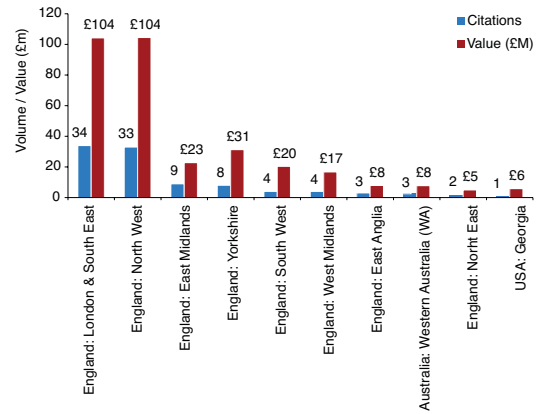
The manufacturing industry has recorded 20 deals, worth £62m and Computer Activities had 18 transactions.

Deals by Value Consideration under £10m



In terms of value the Manchester-based advisors time has been split equally between the North West and London & South East each with a value of £104.

Deals by Volume Consideration under £10m



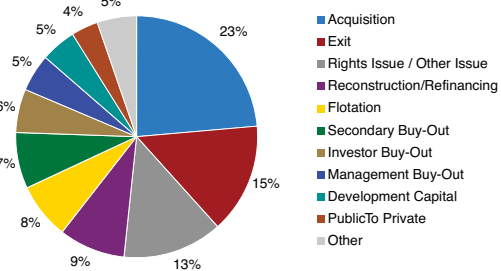
Volume follows a similar pattern, with 34 transactions in London & South East and the North West with 33.

Manchester-Based Advisor Transactions

Mid-Market Deals (GB£10-£100m) July 1st 2010 to June 30th 2011

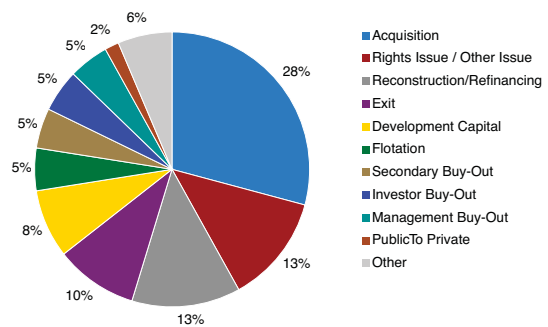
“Exit activity accounted for 15% of the value of all transactions”

Deals by Value Consideration between £10m and £100m



In the mid market, exit activity has accounted for 15% of the value of all transaction in the past 12 months.

Deals by Volume Consideration between £10m and £100m



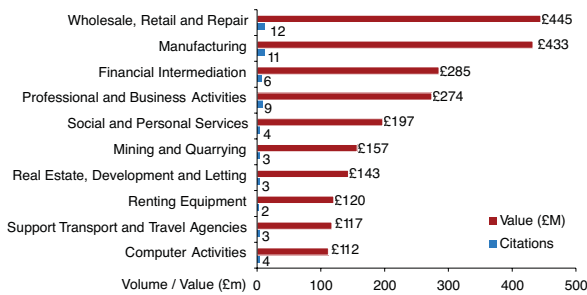
IPO activity has been relatively low, accounting for 5% of the total volume of deals.

NB: Where Deal Value was disclosed

Manchester-Based Advisor Transactions

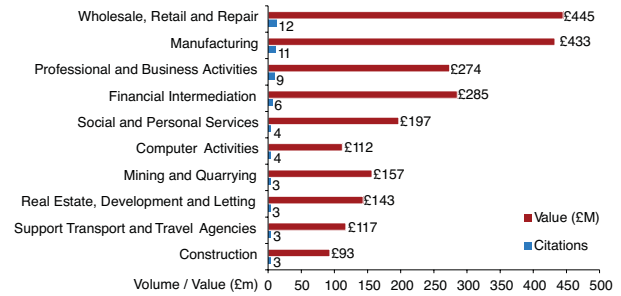
Mid-Market Deals (GB£10-£100m) July 1st 2010 to June 30th 2011

Deals by Value Consideration between £10m and £100m



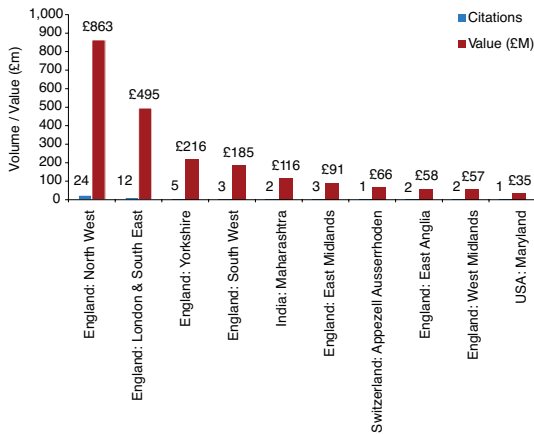
The Wholesale, Retail and Repair sector has attracted the most investment with 12 deals securing just over £445m in funding.

Deals by Volume Consideration between £10m and £100m



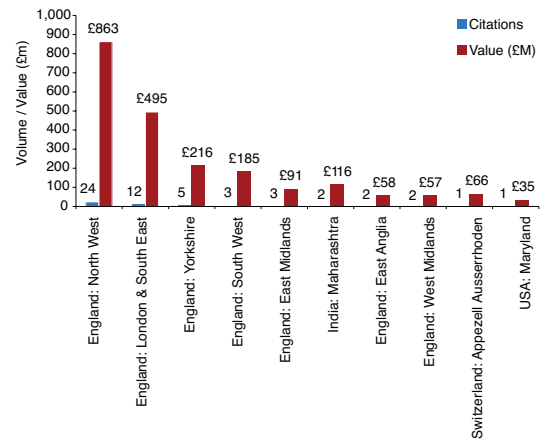
Manufacturing drops to the second spot in terms of volume as well with 11 deals valuing £433m. Professional and Business Activities is third with 9 transactions in the last 12 months.

Deals by Value Consideration between £10m and £100m



There have been a total of 24 deals in the North West region, resulting in a total transaction value of £863m.

Deals by Volume Consideration between £10m and £100m



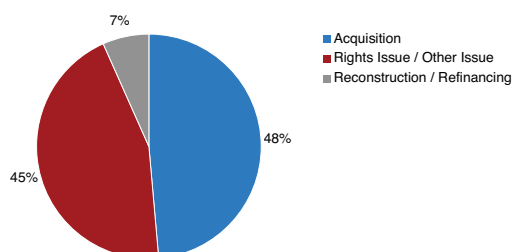
Yorkshire has been the third busiest region, with £216m across only 5 transactions.

Manchester-Based Advisor Transactions

Large Deals (GB£100m Plus) July 1st 2010 to June 30th 2011

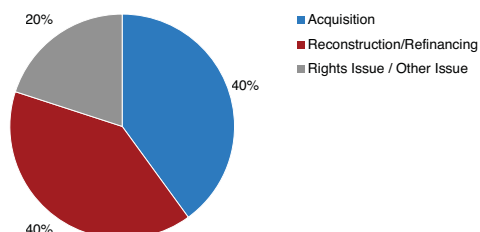
“Acquisitions prominent in past twelve months of large transactions”

Deals by value Consideration over £100m



Large transactions in the last 12 months in terms of value have predominantly been Acquisitions with 48%.

Deals by volume Consideration over £100m



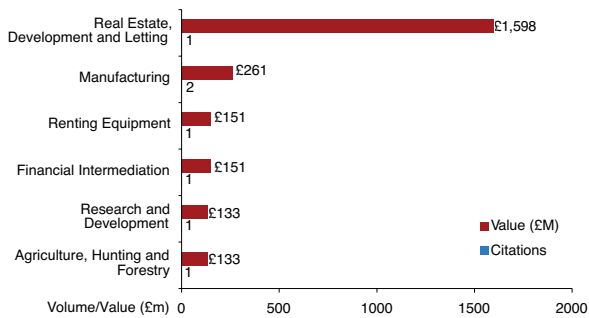
In terms of volume there is an even split between Acquisitions and Reconstruction/Refinancing with 40% each.

NB: Where Deal Value was disclosed

Manchester-Based Advisor Transactions

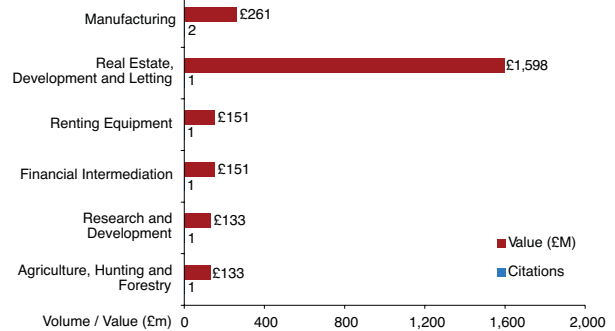
Large Deals (GB£100m Plus) July 1st 2010 to June 30th 2011

Deals by Value Consideration over £100m



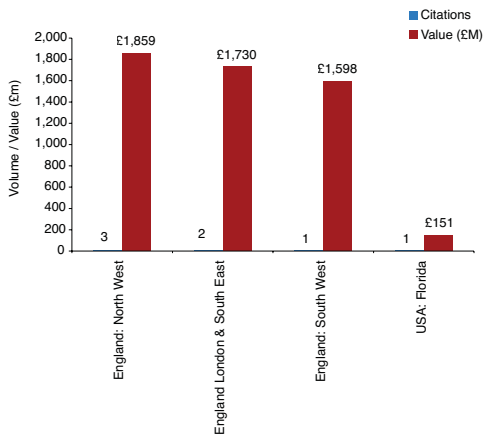
Real Estate, Development and Letting has the highest value of deals worth a total of more than £1.598m.

Deals by Volume Consideration over £100m



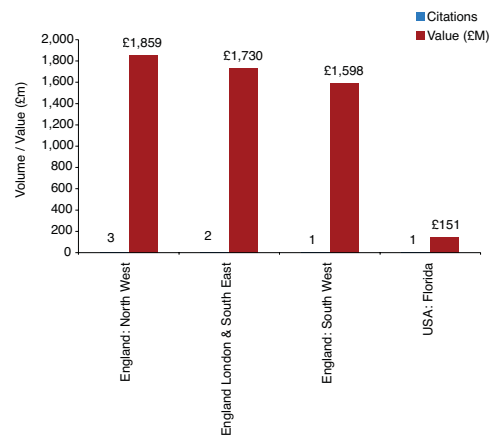
By volume Manufacturing was top with 2 Large transactions in the past 12 months. All other industries ranked the same with only 1 citation each.

Deals by Value Consideration over £100m



North West England saw Large transactions totalling £1.859bn in the last 12 months from 3 transactions

Deals by Volume Consideration over £100m



South West and Florida in the USA were each in 1 Large Manchester-based adviser transaction.

Q2 2011

Manchester-Based Advisor Transactions

Announced	Main Deal Type	Target	Bidder	Consideration(£m)
30/06/2011	Rights Issue / Other Issue	dotDigital Group Plc, England		£5
30/06/2011	Rights Issue / Other Issue	Scancell Holdings Plc, England		£2
24/06/2011	Rights Issue / Other Issue	Herencia Resources Plc, England		£3
23/06/2011	Management Buy-Out	AdProducts.com Ltd, England	Stridage Holdings Ltd, England	£6
20/06/2011	Acquisition	Certain Assets of Invocas Group Plc, Scotland	ClearDebt Group Plc, England	N/D
16/06/2011	Minority Stake	Pinewood Shepperton Plc, England	Warren James Holdings Ltd, England	N/D
10/06/2011	Rights Issue / Other Issue	Angel Mining Plc, England		£2
10/06/2011	Acquisition	Crown Paints Ltd, England	Hempel AS, Denmark	N/D
08/06/2011	Acquisition	Hill Hire Plc, England	Ryder System Inc, USA	£151
07/06/2011	Acquisition	Bowater Building Products Ltd, England	VEKA Plc, England	N/D
06/06/2011	Management Buy-Out	MoneyPlus Group Ltd, England	Private Group led by Management, England	N/D
02/06/2011	Acquisition	Kingdom Cheese Company Ltd, Scotland	First Milk Ltd, Scotland	N/D
01/06/2011	Development Capital	Shield Therapeutics, England		£7
01/06/2011	Development Capital	Redx Pharma Ltd, England		£1
01/06/2011	Acquisition	Cend Ltd, England	Hut Group Ltd, England	N/D
31/05/2011	Rights Issue / Other Issue	Tracsis Plc, England		£2
27/05/2011	Reconstruction / Refinancing	Luxfer Holdings Plc, England		£110
27/05/2011	Acquisition	Document Express Ltd, England	Danwood Group Holdings Ltd, England	N/D
26/05/2011	Acquisition, Rights Issue / Other Issue	MPEC Technology Ltd, England	Tracsis Plc, England	£2
26/05/2011	Demerger, Reconstruction / Refinancing	Bardsley Construction Ltd, England		N/D
26/05/2011	Management Buy-Out	Tom Martin Metal Holdings Ltd, England	Tom Martin Metal Holdings 2011 Ltd, England	N/D
25/05/2011	Acquisition, Exit	Paystream Holdings Ltd, England	Pas 1 Ltd, England	£4
24/05/2011	Rights Issue / Other Issue	Plant Impact Plc, England		£2
24/05/2011	Minority Stake	Kirk Environmental Ltd, England	Private Group Led By Simon Rigby, England	£2
24/05/2011	Flotation: Strategic Minerals Plc admitted to Alternative Investment Market (AIM), Rights Issue / Other Issue	Strategic Minerals Plc, England		£1

Q2 2011

Manchester-Based Advisor Transactions

Announced	Main Deal Type	Target	Bidder	Consideration(£m)
23/05/2011	Acquisition, Rights Issue / Other Issue	Stanbio Laboratory LP, USA	EKF Diagnostics Holdings Plc, England	£15
20/05/2011	Management Buy-Out, Minority Stake	WHI Australia Pty Ltd, Australia	Private Group led by Management, Australia	£1
18/05/2011	Acquisition, Insolvency	Dolphin Music Holdings Ltd, England	S&T Audio Ltd, England	N/D
17/05/2011	Acquisition	Ultra Training Ltd, England	General Physics (UK) Ltd, England	N/D
10/05/2011	Acquisition	Carbon Capture and Storage business of Powerfuel Plc, England	2Co Energy Ltd, England	N/D
06/05/2011	Acquisition, Rights Issue / Other Issue	Leeds Skin Centre For Applied Research Ltd, England	Syntopix Group Plc, England	£1
06/05/2011	Acquisition	Express Cafes, England	Central Catering Services Ltd, England	N/D
05/05/2011	Acquisition	Wrekin Grain Ltd, England	Wynnstay Group Plc, Wales	£6
04/05/2011	Acquisition	Premier Foster Care Ltd, England	Capstone Foster Care Ltd, England	N/D
04/05/2011	Minority Stake	Confetti Celebrations Ltd, England	WeddingsOnline.ie Ltd, Ireland	N/D
28/04/2011	Insolvency, Management Buy-Out	RS Building Products Ltd, England	Intercede Holdco Ltd, England	£45
28/04/2011	Acquisition	Smith Group UK Ltd, England	Imtech NV, Netherlands	N/D
26/04/2011	Acquisition	Accommodation Hire Business of Speedy Hire Plc, England	Elliott Group Ltd, England	£35
21/04/2011	Development Capital	Edge Public Solutions Ltd, England		N/D
18/04/2011	Acquisition	Wynan Ltd, England	Doric Anderton Ltd, England	N/D
15/04/2011	Rights Issue / Other Issue	Delcam Plc, England		£1
15/04/2011	Development Capital	Entertainment Magpie Ltd, England		N/D
14/04/2011	Development Capital, Exit (Partial)	Go Outdoors Ltd, England		£28
14/04/2011	Acquisition	Hills Garden Centre Ltd, England	All-In-One Garden Centre Ltd, England	N/D
12/04/2011	Acquisition	B2net Ltd, England	ProAct IT Group AB, Sweden	£12
08/04/2011	Acquisition, Exit, Flotation: Pinewood Shepperton Plc delisted from London Official List, Rights Issue / Other Issue, Public to Private	Pinewood Shepperton Plc, England	Peel Acquisitions (Pegasus) Ltd, England	£96

Q2 2011

Manchester-Based Advisor Transactions

Announced	Main Deal Type	Target	Bidder	Consideration(£m)
08/04/2011	Reconstruction / Refinancing	Chess Ltd, England		£21
06/04/2011	Rights Issue / Other Issue	Physiomics Plc, England		£1
04/04/2011	Flotation: Rare Minerals Plc admitted to PLUS Markets Group (Ofex), Rights Issue / Other Issue	Rare Minerals Plc, England		£1