Market predicts buoyant year for European corporate carve-outs

London, 29 April 2016 – Aurelius Group (ISIN DE000A0JK2A8) ("Aurelius" or "the Group"), the pan-European mid-market investor, today announces the findings of its first survey focused on the anticipated corporate carve-out activity in the European market for the remainder of 2016. The survey canvassed the opinions of over 200 respondents from Aurelius Group's network of UK and continental European advisory and corporate contacts on corporate divestments in the European market.

Key findings of the survey include:

- **Non-core asset disposals driving the increase in corporate divestments:** 91% of respondents predicted that the volume of corporates looking to divest of assets in 2016 will increase or stay level year-on-year (43% for increase). More than half of those questioned (57%) predicted that the most common reason for corporate's disposing of assets will be related to the marginal contribution they make to the core business. Other factors identified as the key drivers of corporate divestments were the need to free capital (19%) and the asset requiring excessive cash and/or management time (13%). Relatively few respondents (6%) thought that corporates were driven by opportunistic responses to unsolicited, off-market approaches from buyers.
- **Growing demand for carve-outs, led by trade buyers, dovetails with increased supply:** Despite an ongoing slowdown in the broader M&A market, 96% of respondents forecast investor appetite for these carve-out acquisitions to exceed or remain at 2015 levels (68% for increase). Where corporates are disposing of peripheral assets, 57% of those asked said trade buyers were the more likely acquirers. This compares to 43% of respondents who thought that private equity investors would be the more active buyers of non-core assets.
- **UK and Ireland expected to see highest volumes of corporate carve-out activity this year**: In spite of the impact of the EU referendum, 47% of those asked expected to see most corporate divestment activity in the UK and Ireland in 2016. Comparatively, respondents expected much lower volumes of corporate divestment activity in continental European regions, with 16% of those asked expecting to see the most activity in the DACH region and just 9% in both France and the Nordics.
- **Industrials businesses most actively reviewing operations**: The Industrials sector was predicted by 29% of respondents to see the highest levels of corporate divestment activity in 2016. This was followed by the business services (13%), financial services (9%), and healthcare (8%) sectors.
- **Pricing continues to divide vendor and investor interests**: Questioned on the biggest hurdles in the divestment process from vendors and buyers' separate perspectives, respondents said agreeing on a price was the greatest challenge for both parties. For sellers, 26% of respondents thought achieving a sale price in line with management's expectations to be the greatest challenge when closing divestments, whilst 32% thought that matching these value expectations would be most challenging for buyers.
- **Positive effect of divestment even greater for assets being sold:** Respondents rated non-core divestments as mutually beneficial for both the core and divested businesses. On a sliding scale from 1 to 10 – 1 being very negative and 10 being very positive – they awarded a median score of 7 for the impact of the disposal

on the performance of the selling corporate, and a median score of 8 for their impact on the performance of the divested business.

Commenting on the findings, Tristan Nagler, Managing Director of Aurelius in the UK, said: *"The survey shows that despite the uncertainty generated by the UK's EU referendum, market activity is expected to remain buoyant as corporates continue to seek the benefits of streamlining their businesses, refocusing their strategies, and freeing up capital through the disposal of non-core assets. Accordingly, the survey results show that those involved in this area of the M&A market remain confident that divestment activity will continue, and even potentially increase, across Europe in 2016.*

"Following a busy 2015 during which Aurelius UK made five acquisitions, we continue to see little sign of the domestic market slowing down. Our own experience in the first quarter involved a steady supply of opportunities from a range of sectors that were presented under a diverse set of circumstances. Aligned to the survey results, many of the opportunities that we reviewed were from corporates looking to divest of non-core assets."

Ends

Notes to Editors

About the survey

In early April 2016, Aurelius Group distributed an online multiple-choice survey to a database of advisory and corporate contacts from across the UK, and continental European markets. The Group received responses from 239 people and the results have subsequently been reviewed and summarised in this report.

This survey represents the first of an annual Aurelius Group review of the European corporate carve-out market.

About Aurelius Group

Aurelius is a leading pan-European investment group with offices in Munich, London, Stockholm and Madrid. It invests in companies or brands with development potential across a range of sectors. Under Aurelius' ownership, investee companies are provided with long-term, strategic direction and financial support to help them develop, grow and achieve their full potential.

Currently, Aurelius' portfolio of investments consists of 23 businesses, with operations in Europe, Asia, and the U.S.A. These include traditional consumer brands, services businesses and a number of industrial enterprises.

Shares of AURELIUS SE & Co. KGaA are listed in the m:access segment of the Munich Stock Exchange and are traded on all German stock markets under ISIN DE000A0JK2A8.

For more information, visit www.aureliusinvest.com

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