

# Private equity, public exits

## December 2009 PE-backed IPO update

*Private equity, public exits* is published monthly by Ernst & Young to provide insight and analysis on capital markets trends as they apply to the private equity-backed IPO market.

**Contact:**

**John Harley**  
Global Private Equity Leader  
john.harley@uk.ey.com

**Jeff Bunder**  
US Private Equity Leader  
jeffrey.bunder@ey.com

**Philip Bass**  
Markets Leader  
philip.bass@ey.com

**Peter Witte**  
Private Equity Analyst  
peter.witte@ey.com

### PE-backed IPOs hold steady in November

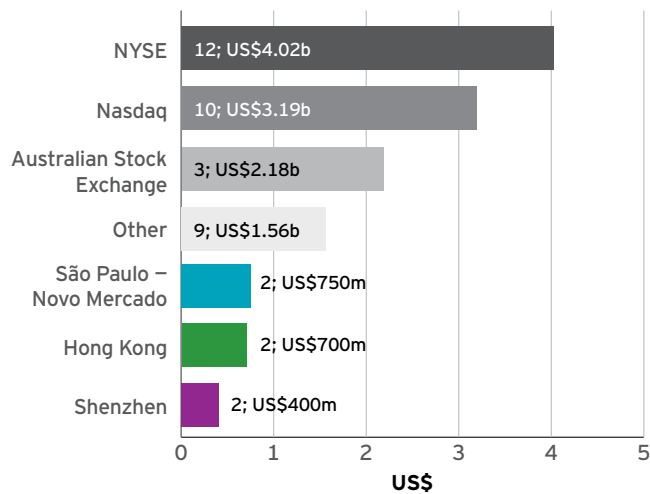
New global issuance continued apace in November, as 69 companies went public, raising US\$20.7b in proceeds. Companies based in the Asia-Pacific region again represented the bulk of new IPOs, with 49 new listings and US\$15.6b in total value. During the month, 11 Americas-based companies raised US\$3.25b, while nine companies based in the EMEA (Europe, the Middle East and Africa) region raised US\$1.9b. Worldwide global issuance for the first eleven months of 2009 stands at US\$95.3b across 444 deals.

Private equity (PE) sponsors continued to work through the backlog of pending exits. Of the 69 IPOs in November, there were 11 PE-backed exits valued at US\$3.4b – quite a change from 4Q08, when 10 sponsored deals raised just US\$910m. PE-backed volume represents just over 13% of the year's total issuance by value, with US\$12.8b in aggregate proceeds raised in 40 separate deals.





**Figure 1: Global PE-backed IPOs and dollars raised year-to-date by listing venue**



Source: Dealogic, accessed 2 December 2009.

- ▶ While the Asian IPO market has garnered significant media attention, more PE-backed companies have gone public on US exchanges; to date in 2009, sponsored firms have raised US\$7.22b between 22 separate NYSE and Nasdaq listings, or over 55% of PE's total.
- ▶ New issuance looks to continue unabated over the next several months as new filings indicate more companies are readying for IPOs. Currently, 29 PE-backed companies are in the pipeline globally to go public.
- ▶ Optionality remains key to maximizing value. As both M&A and IPO markets regain footing, many PE firms are finding that serious pursuit of dual-track exit strategies makes sense. This was evident in Vestar Capital Partner's recent sale of Bird's Eye Foods to Blackstone-backed Pinnacle Foods for US\$1.3b. The company had filed for an IPO early in October, then abandoned the plan in favor of a secondary exit. As strategic buyers return to the market, other IPO filers may also find that their best exit is through a trade sale.
- ▶ Investors remain focused on quality. For the second month in a row, a PE-backed company shelved its plans to go public after early indications suggested lackluster investor response to a company with a history of operating losses and stiff competition in the company's space.



### November PE-backed IPOs: offering details and secondary market trading

Company	Exchange	Initial filing date	Offer date	Net proceeds	Range	Offer price	First day close	November 30 close	Sponsor
Hyatt Hotels Corp	New York	5 Aug 2009	4 Nov 2009	\$1,093	\$23.00-26.00	\$25.00	\$28.00	\$28.75	Goldman Sachs
Ancestry.com	Nasdaq	3 Aug 2009	4 Nov 2009	\$100	\$12.50-14.50	\$13.50	\$14.20	\$13.15	Spectrum Equity Investors
STR Holdings Inc.	New York	7 Oct 2009	6 Nov 2009	\$123	\$11.00-13.00	\$10.00	\$13.10	\$13.30	DLJ Merchant Banking Partners
Kathmandu Holdings Ltd.	ASX	19 Oct 2009	11 Nov 2009	\$308	\$1.49-1.72	\$1.58	\$1.64	\$1.58	Quadrant, Goldman Sachs, JBWere
Dollar General Corp	New York	20 Aug 2009	12 Nov 2009	\$824	\$21.00-23.00	\$21.00	\$22.73	\$23.00	Goldman Sachs, KKR, Citigroup
rue21 Inc.	Nasdaq	10 Sep 2009	12 Nov 2009	\$148	\$16.00-18.00	\$19.00	\$24.30	\$24.71	Apax, Morgan Stanley
Guangdong Haid Group Co Ltd	Shenzhen	10 Nov 2009	17 Nov 2009	\$230	N/A	\$4.10	\$5.57	\$6.04	CDH China Holdings Management
7 Days Group Holdings Ltd.	New York	2 Nov 2009	19 Nov 2009	\$128	\$9.00-11.00	\$11.00	\$12.50	\$11.84	Warburg Pincus, Actis
Archipelago Learning Inc.	Nasdaq	3 Sep 2009	19 Nov 2009	\$119	\$15.00-17.00	\$16.50	\$18.77	\$18.50	Providence Equity Partners
China Forestry Group Corp	Hong Kong	16 Nov 2009	24 Nov 2009	\$230	\$0.21-0.27	\$0.27	N/A	N/A	Carlyle Group, Partners Group

Note: currency shown in US\$.

Source: Bloomberg, Dealogic. Includes operating company IPOs with proceeds over \$100m priced in November. Gross proceeds includes overallotments

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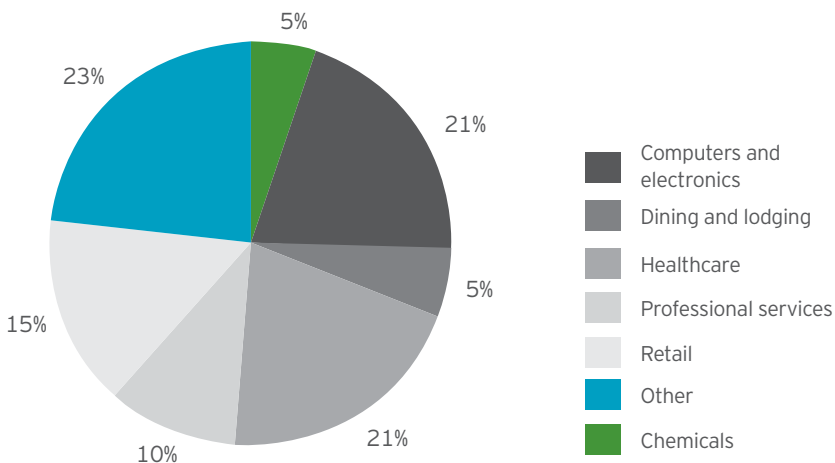
## November PE-backed deals enjoy first-day pop

Since the revival of the IPO market in the third quarter, proper pricing has been key to the success of new deals. Evidently, the November class of PE-backed deals got it right – all nine deals that began trading in November enjoyed first-day price increases that ranged from just less than 4% to more than 35%. The average first-day closing premium was 16.8%. More importantly, they were able to sustain the bulk of those initial gains through the end of the month, with the average new deal closing out November almost 17% above its offer price.

## Technology and healthcare lead the pack YTD; retail becoming active as well

Technology and healthcare have been the most active sectors for PE-backed IPOs so far this year. More recently though, retail and dining/lodging have taken center stage. A total of 45% of the November PE-backed class was in the retail or lodging sector.

Figure 2: Global PE-backed IPOs by sector, YTD2009



## Calendar to remain active into the new year

Several significant deals are queued up for the coming months. Blackstone-backed TeamHealth recently filed to raise as much as US\$320m in one of several planned IPOs by the PE firm, and Bain's Sensata Technologies is similarly seeking to raise up to US\$500m. Brazilian food company International Meal, backed by Advent International, is in the process of listing on Brazil's BM&FBovespa. The company is seeking US\$568m in an offering that was set to begin trading in mid-December. Perhaps most notably, Carlyle-backed China Pacific Insurance Company, China's third-largest life insurer, could raise as much as US\$3.8b in a Hong Kong listing, which would make it the sixth-largest deal this year. The company has reportedly already lined up several cornerstone commitments.

### Did you know?

Institutional investors base an average of 59% of their IPO investment decisions on financial performance measures – in particular, debt-to-equity ratio as well as growth in earnings per share and sales. Of non-financial measures, investors place the most weight on management credibility and experience; quality of corporate strategy and its execution; and brand strength and market position.