Features

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Pace Of Exits Drops Again; One Measly IPO

There's a lot more hold in the buy-and-hold strategy these days.

U.S. based buyout firms completed 54 exits and partial exits through M&A and related activity during the third quarter, down from 115 in the third quarter of 2007 but up from 38 in the second quarter, according to ***Buyouts*** publisher Thomson **Reuters**. The count includes the sale of assets, minority stake deals, and, in the case of **Celerity Partners LP**'s sale of clinical research services provider Vince & Associates to **Gryphon Investors Inc**., a recapitalization in which Celerity Partners has retained a stake. The quarter saw only one initial public offering involving a U.S.-based buyout sponsor.

M&A exit volume also took a nosedive. The handful of transactions with disclosed prices in the latest period added up to only $953.5 million, down from $30.2 billion in the year-ago period, according to Thomson **Reuters**.

M&A exits of the third quarter also lacked scale, which is evident in the value of the period's biggest deals. In the largest, **Fortress Investment Group LLC** sold its Eurocastle Investment Ltd. unit's Fuerstenhof office building to Union Investment Real Estate AG for $202.5 million. The next largest exit involved **Francisco Partners LP**'s sale of its Ex Libris Group unit to **Leeds Equity Partners** in a secondary deal for $200 million.

Evercore Partners Inc. was the most active in the M&A exit market during the latest period. The New York-based firm sold "meaningful minority positions" in five portfolio companies to **Accretive Exit Capital Partners LLC** for a total of $110 million. The portfolio companies were alliantgroup LP, Davis Petroleum Corp., Diagnostic Imaging Group Holdings Inc., Mr. Bults Inc. and TestEquity Inc. As reported in ***Buyouts*** on Aug. 18, 2008, Boston-based **Accretive** Exit Capital is already lining up exit opportunities for Davis Petroleum. In March 2006, a group led by Evercore Partners purchased Davis Petroleum for about $150 million.

Other buyout firms with at least two M&A exits to their credit in the quarter include **American Capital Ltd**., **Blackstreet Capital Management LLC**, **Carlyle Group LLC**, **Heritage Partners Inc**., **Madison Dearborn Partners LLC** and **Riverside Co**.

Riverside registered three exits in the third quarter. The New York-based firm took Universal Air Filter Co. into its portfolio in December 2005 and sold it to Thompson Street Capital Partners in July 2008. The exit generated a 109 percent gross IRR and a 4.8x gross cash-on-cash return, including an April 2007 recapitalization. Riverside's exit of Moss Inc., which was purchased in September 2000, generated a 33 percent gross IRR and a 4.2x gross cash-on-cash return. The third exit came from the sale of IndustrieHansa Consulting & Engineering GmbH to Findos Investor GmbH. Riverside acquired the company in December 2006.

Accretive Exit Capital, involved in Evercore Partners's five exits, was the most active acquirer in the third quarter. The only other firm involved in multiple transactions was Signature Brands LLC, which purchased Gift Products Inc. and Houston Harvest Inc. from Blackstreet Capital. Signature Brands, a joint venture of McCormick & Co. and Hero AG, makes and sells dessert decorating products under the Betty Crocker and other brands.

Business services was the most popular sector for M&A exits in the quarter, with four transactions. They include **CDRSVM Acquisition Co**.'s sale of disaster response services provider InStar Services Group Inc. to **BlackEagle Partners LLC** and **Veronis Suhler Stevenson**'s divestiture of Telecom Intelligence Group to **T3i Group LLC**.

The sole buyout-backed concern that pursued an **IPO** was GT Solar International Inc., backed by **Oaktree Capital Management**. The Merrimack, N.H.-based provider of photovoltaic manufacturing equipment raised $500 million when it went public in July. It sold 30.3 million shares for $16.50 each. The **IPO** price was within the anticipated price range of $15.50 to $17.50 a share. Credit Suisse and UBS served as co-lead underwriters.

The single **IPO** of the latest period is down from the 13 buyout-backed companies that went public a year earlier and from the two that occurred during the second quarter of 2008.

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