



## Corporate carve-outs increasing in prominence across Europe, driven by pressure from activist investors

Corporate divestment activity of European assets is projected to increase for the fourth year running, according to the findings of AURELIUS Equity Opportunities' ("AURELIUS") annual corporate carve-out survey, with shareholder activism expected to contribute to the rise in activity.

The survey, which canvassed the opinions of AURELIUS' corporate and advisory contacts on the volume and drivers of divestment activity of European non-core assets in 2019, indicated that the number of Asian buyers of these assets will be lower in 2019, compared to last year. In contrast, North American buyers of such assets are expected to be higher.

### Volume of corporates selling non-core European assets expected to increase in 2019

- **64%** of respondents expect the volume of corporates looking to divest of European assets to increase in 2019, the fourth year in a row such a prediction has been made.<sup>1</sup>

**Dirk Markus, CEO of AURELIUS said:** *"It's clear from the results of our survey that corporate carve-outs have become a prominent part of the M&A landscape in Europe. This is a real endorsement of the way in which firms are embracing divestment as a form of corporate best practice and a natural part of the business lifecycle. By continually reviewing their existing portfolios and carving out units that are underperforming or that no longer fit into their overall strategy, corporates can optimize their businesses and free up capital for investment into core growth areas."*

### Activist investors contributing to increase in European carve-out activity

- **80%** of survey respondents think activist investors are playing a bigger role in driving the disposal of European non-core assets.
- The majority of participants (**38%**) identified weak financial performance of a corporate's core business as the key driver behind the this increased activist intervention.

**Tristan Nagler, UK Managing Director of AURELIUS, commented:** *"Activist investors are more influential than they have ever been, as the level of capital being invested in and deployed by their strategies reaches an all-time high. Growing levels of business underperformance, prompted by a challenging macroeconomic backdrop, have acted as a trigger for activists, who are placing increasing pressure on management teams to deliver shareholder returns. In response, Boards are taking a more proactive approach to portfolio management, reviewing their strategy and business mix on an ongoing basis to identify and divest of non-core or underperforming assets. This enables them to strengthen their balance sheet and present a more compelling value story to investors."*

*"Unilever, Whitbread and Rolls Royce are just three examples of corporates that have been driven to sell non-core business units as a result of activist pressure in the last year."*

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<sup>1</sup> 65% of respondents predicted an increase in corporate carve out activity in 2018 compared with the previous year, with 50% predicting the same in 2017 and 43% in 2016.

### Volume of Asian acquisitions of non-core assets in Europe expected to fall

- Only 3% of respondents expect Asian acquirers to be the most active buyers of non-core European assets, down from 22% of respondents in 2018.
- Meanwhile, the percentage of respondents that expect North American acquirers to be the most active buyers of these assets increased from 8% in 2018 to 18% in 2019.

**Dirk Markus added:** *“The findings of our survey indicate a shift in the location of buyers looking to acquire non-core European assets, which in itself is reflective of wider developments and attitudes across the global investment landscape. Escalating political and economic friction between Europe and China, for example, has resulted in a rising protectionist agenda against Asian investment over the past two years, which has greatly impacted Eastern deal making on the continent.*”

*“In contrast, Europe is becoming an ever more attractive hunting ground for North American buyers, particularly as their own markets become increasingly competitive and expensive. Buoyed by economic prosperity at home, US and Canadian investors are continuing to seek out investment opportunities in Europe, where currency weaknesses in the Euro and Pound have contributed to the availability of high-quality assets at bargain prices.”*

**Ends**

### Notes to Editors

#### About the survey

In Q1 2019, AURELIUS 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 over c.100 people and the results have subsequently been reviewed and summarised in this report.

This survey represents the fourth of an annual review of the European corporate carve-out market by AURELIUS.

**For more information, please contact:**

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### ABOUT AURELIUS

AURELIUS Group is a pan-European investment group with offices in Munich, London, Stockholm and Madrid. Since it was founded in 2006, AURELIUS has grown from a local turnaround investor to an international multi-asset manager.

AURELIUS Equity Opportunities SE & Co. KGaA (ISIN: DE000A0JK2A8, ticker symbol: AR4) represents the listed entity within the AURELIUS Group that focuses on investing in special and turnaround situations and mid-market transaction opportunities in a broad range of industries. AURELIUS Equity Opportunities currently has 23 portfolio companies located across Europe which employ around 20,000 people and generate annual revenues of more than EUR 3.8 billion. The shares of AURELIUS Equity Opportunities are traded on all German stock exchanges. The company's market capitalization is approximately EUR 1.3 billion (as of November 2018).

The AURELIUS Group also operates in the areas of growth capital, real estate opportunities and debt. AURELIUS Growth Capital invests in successor solutions and spin-offs from larger mid-sized companies and corporate groups. AURELIUS Real Estate Opportunities focuses on real estate investments, particularly in projects with operational improvement potential, the value of which can be increased in the long-term by means of active management. AURELIUS Finance Company is an alternative direct lender, focused on providing debt solutions to small and mid-market firms across Europe. With its group charity AURELIUS Refugee Initiative e.V., AURELIUS provides comprehensive support for refugees on their way towards a better life.

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