

## Press release

### **Private equity leaders believe the credit crunch will transform the industry**

London, 18 November 2008 – Global private equity leaders are united in believing the credit crunch will lead to a transformation of the industry, new research commissioned by Celerant Consulting reveals.

A survey of over 220 senior executives across Europe and the United States, carried out by the Economist Intelligence Unit, reveals that 96% believe the private equity sector will have to change in the light of tighter credit lines, but there is no consensus on what that change will look like. Indeed, almost a fifth (16%) of those questioned admitted that they simply did not know what shape the transformation would take.

The most popular expected outcome, selected by 20% of respondents, was the need for a completely different financing model, an acknowledgement from the sector that the days of massive leveraging are a thing of the past. Almost as many (19%) expect the credit crunch to lead to consolidation within the private equity sector itself, whilst 17% claimed that private equity houses would intervene more in their portfolio companies.

#### **Some taste for adventure exists**

The dramatic impact of the credit crunch is illustrated by the fact that almost half of the executives (44%) questioned are prepared to consider deals outside of their normal sectors, whilst 42% are prepared to do deals outside of their normal size range – probably countenancing smaller transactions than before. However, two thirds (66%) claimed that they were not planning on investing at the moment and are prepared to wait for more attractive deals.

#### **What to do in the meantime?**

Nevertheless, despite acknowledging the need for change, only 20% are planning to scale back activity in the next 12 months, and a mere 2% intend to shed jobs. This relatively optimistic long-term view is highlighted by the fact that 53% believe the market will have fully recovered by the first half of 2010.

**David Axon, Head of Private Equity and M&A, Celerant Consulting,** said: “The private equity industry finds itself at a critical junction. Companies recognise they need to change but there is no consensus on what form that will take. The industry will not really pick up until access to debt improves, but that does not mean that it needs to stand still.

“What has been evident in recent months is that there has been a significant shift from investment and financial re-engineering to focusing on the operational performance of companies within their existing portfolios. Shrewd executives realise that maximising their operational efficiency will ensure their short-term survival and guarantee long-term growth.”

**-Ends-**

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**Notes to Editors:**

1. The EIU interviewed 222 senior managers in the UK, Germany, France, Benelux, Scandinavia and the United States in October 2008. 47 respondents are UK-based.
2. 46% of firms in the survey have in excess of US\$500m of assets under management.

**About Celerant Consulting**

Celerant is the largest independent global firm working in the operations management sector of the consulting market. It delivers operational transformation and helps leading companies worldwide achieve and sustain world class performance from their business operations.

Celerant's difference is simple: it believes that once it has fixed a problem for a client, it should stay fixed. The essence of Celerant's approach is that its consultants work side-by-side with people in the front lines of business – from the boardroom to the shop floor – to ensure the delivery of sustainable and measurable benefits. Celerant embeds long-term behavioural change into the culture of its clients' organisations – the key to sustainable change – a unique approach called Closework®.

Last year Celerant delivered over €600m/\$1bn in annualised sustainable savings to its clients and over the last 20 years it has become the largest independent firm of business operations consultants, with annual revenues of over €110/\$170m in 2007.

For more information visit [www.celerantconsulting.com](http://www.celerantconsulting.com)

**About the Economist Intelligence Unit**

The Economist Intelligence Unit is the business information arm of The Economist Group, publisher of The Economist. Through our global network of about 650 analysts, we continuously assess and forecast political, economic and business conditions in 200 countries. As the world's leading provider of country intelligence, we help executives make better business decisions by providing timely, reliable and impartial analysis on worldwide market trends and business strategies.