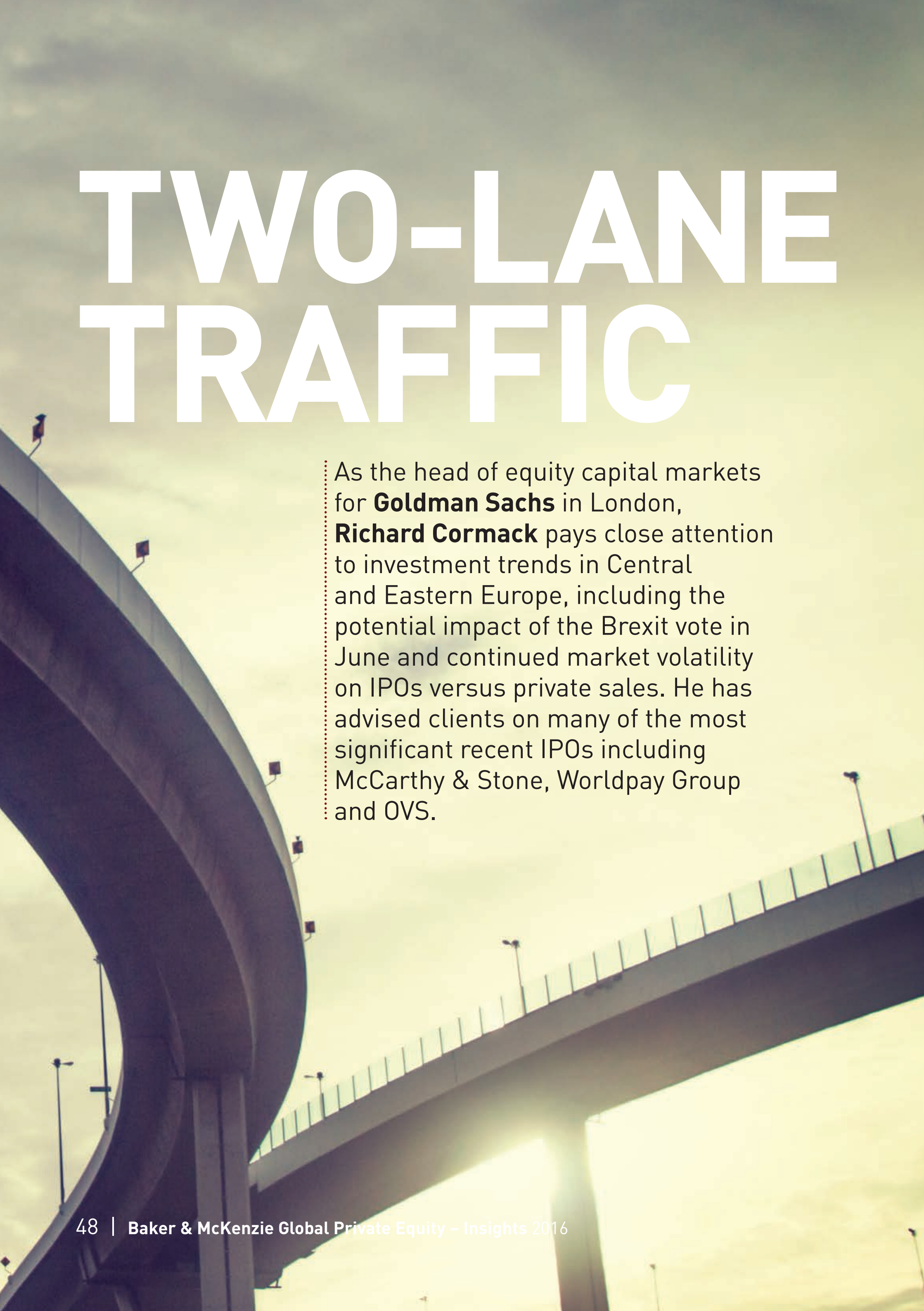


TWO-LANE TRAFFIC

As the head of equity capital markets for **Goldman Sachs** in London, **Richard Cormack** pays close attention to investment trends in Central and Eastern Europe, including the potential impact of the Brexit vote in June and continued market volatility on IPOs versus private sales. He has advised clients on many of the most significant recent IPOs including McCarthy & Stone, Worldpay Group and OVS.

In the last 18 months we've seen a number of dual-tracks going down the sale path. Do you expect that trend to grow this year?
The current cycle probably started in October 2012. From then until early 2014 IPOs prevailed in dual-track processes because of the strong funds flow from the US into European equities. IPO prices performed well in the after-market and sponsors had a reasonable level of comfort that valuations were fuller in the public market than on private sales.

Over the past 12 to 18 months, dual-track outcomes have been more balanced. Public markets have become choppier, leading to a moderation in IPO pricing. Under these circumstances, the "bird in the hand" aspect of a private bid becomes more attractive. IPO markets are still in good health but as the exuberance has died down, public market valuations are becoming more in line with private valuations. That trend will continue to support the return to a balance of outcomes between IPOs and sales in dual-track exits.

What factors should sponsors consider before kicking-off a dual-track process?
The key factors usually depend on the asset, length of investment, and market outlook. This will determine whether a sponsor is predisposed to an IPO or a sale. The questions to ask are: is there strategic interest? Will a leveraged buyout perform better than a public market exit? Although we are not seeing a lot of secondary buyouts outbid an IPO – where dual tracks have gone down the sale route the buyer has tended to be a strategic or non-traditional sponsor (ie Asia / Middle East investor) - if sellers can achieve good value then they may prefer a full sale and clean cash exit.

"Public markets have become choppier, leading to a moderation in IPO pricing."

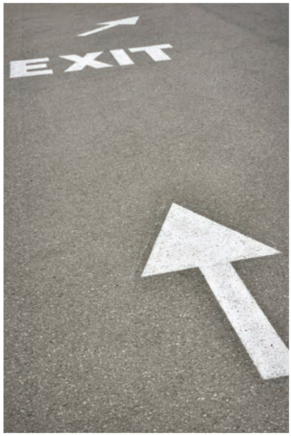
Does Goldman Sachs have a preferred approach to running dual-tracks?
It's not efficient to run as hard on both tracks, so you need to have an idea of your expected outcome at the outset to shape the process. At the same time, you need to be nimble. RAC and Brakes are two recent examples of dual-track transactions we worked on where the primary focus switched from one track to the other in the final two or three weeks. The only guiding rule we have is that we make a firm decision to go the IPO route before making any Intention to Float (ITF) announcement.

What added value can Goldman Sachs offer sponsors looking to dual-track?
We have the leading ECM and M&A footprint both in Europe and globally, which puts us in good shape to execute transactions on whichever track they proceed. We have a flourishing sponsor business, as well as global access to buyers including those from Turkey, China, Singapore, South Africa and the United Arab Emirates.

Do you think we will see more cornerstone deals in EMEA and if so, why?
Traditionally, cornerstone structures have been prevalent in Asia. In Europe, Sweden is the one market where there is a more common practice of attracting up-front cornerstone demand. One reason for their limited impact in Europe is they are perceived to be less helpful for liquidity in the aftermarket and to even have a price constraining effect in the aftermarket. In European processes, anchor investors (non committed pre-launch indications) are used rather than cornerstones which can be a more constructive way to get to the desired outcome and offer more flexibility for tailoring strategies.

“It's not efficient to run as hard on both tracks.”

There is a lot of uncertainty surrounding the Brexit referendum. How do you think it will impact exit timetables?
In terms of the London market with its recent experiences with the Scottish referendum and the General Election, it is playing out as expected. We had anticipated for a while that the referendum would be scheduled for around the summer and so sponsors and advisers have planned this year's deals around it. It's no coincidence that four of the first six European IPOs this year were in the UK because deals either went early or have been pushed back to Q3 or Q4 to avoid overlapping with the vote. The impact on the continental European market is harder to predict. It hasn't had a significant impact so far, but the greater the uncertainty in outcome as we approach June 23, the more likely that timetables for continental European timetables deals will factor in the vote.



What about the effect of the US Presidential elections in November?
I would not expect it to be a major dampener or boost on market activity here. You probably wouldn't want to price your deal in early November, but traditionally the US Presidential election doesn't have a direct impact on the European market albeit this year's contest may be more unpredictable than some.

We've seen a lot of market volatility so far in 2016. If this trend continues, what affect do you think it will have on the post-IPO block trade exit business?
Shareholders have received a lot of comfort from the evidence that throughout the cycle sponsors have been able to sell down in full within 9 to 18 months of an IPO. There's nothing to suggest this trend won't continue throughout this year and next. From a wider-trend perspective, we're seeing larger free floats (typically 40-50%) than a few years ago. By launching IPOs with that larger free float sponsors have benefited from greater liquidity in the aftermarket and being able to complete their sell-down in a single block rather than two or three repeat trades.