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STATISTICAL OVERVIEW

Large-cap absence undermines dealflow peak

The European buyout market was back to growth in volume terms in 2016, though a cool-down at the upper end of the market caused an uncharacteristic dip in capital deployed. **Greg Gille** reports

It might turn out that 2015 was the odd year out after all. The previous edition of the Annual Buyout Review, looking at statistics for deals recorded between January and December 2015, pointed at a tendency for fewer, larger deals across Europe as the main driver behind the aggregate value of buyouts hitting an eight-year high. But this trend was reversed in 2016: according to *unquote* data, Europe was home to

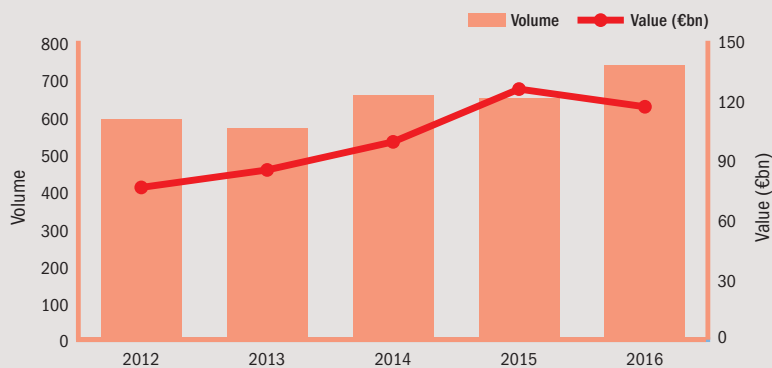
734 sponsored buyouts in 2016 – a 14% year-on-year increase – but the overall enterprise value of these transactions declined by nearly €10bn compared with the €125.7bn clocked in 2015.

This drop in aggregate value was mainly driven by a slowdown in activity at the upper-end of the market. Deals valued in excess of €250m saw their numbers dwindle from 128 to 114, with most of that drop taking place in the €250m-1bn bracket. On the other hand the smaller market segments, and notably the core €50-250m mid-market space, returned to growth in both volume and value terms across Europe.

As much as the private equity industry likes to point out it is decorrelated from wider political and economic trends, Britain's decision to exit the European Union seems to have had a drastic effect on the local market. While the Brexit vote in June did not halt investment activity across the board, the uncertainty it brought was undoubtedly a factor in almost halving upper-mid-cap and large-cap dealflow in the UK last year. The number of buyouts valued in excess of €250m dropped from 34 to 17 in the UK, while their aggregate value predictably plunged from €24.4bn to €11.4bn year-on-year.

France and Germany, on the other hand, continued to build on the momentum already recorded in 2015. France clinched the top spot for most active European market in volume terms, previously occupied by the UK, with 23% of overall dealflow in 2016. Germany, meanwhile – bolstered by strong large-cap activity – claimed that same top spot value-wise with 22% of the overall amounts of buyout capital deployed across Europe, while the UK slid down to third place.

Europe overall dealflow



Source: *unquote* data

Private-equity-backed buyouts

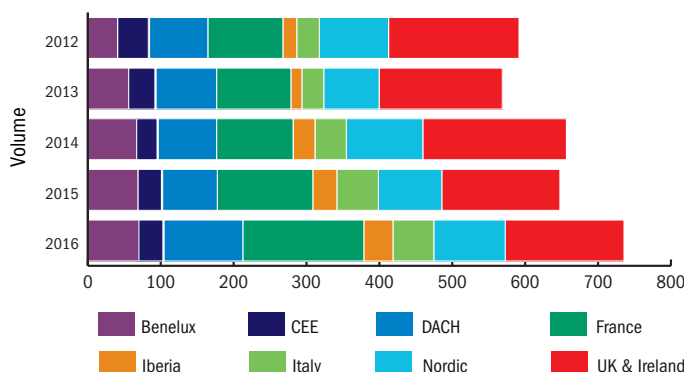
	2012	2013	2014	2015	2016
Volume	590	567	655	646	734
Value (€bn)	76.39	85.18	99.26	125.76	116.88
Average value (€m)	129	150	152	195	159

European dealflow by region 2012-2016

Source: unquote" data

Despite the highly competitive deal-doing environment, 2017 proved to be a robust year for buyout investments, almost right across Europe. Only one region (Italy) saw any contraction in deal numbers, and this was only marginal.

At the other end of the scale, the DACH region saw a sharp boost in volume, up from 75 deals to 108 (+44%), and France jumped by 27% to 166 deals, dislodging the UK (flat at 163) as the main volume market in the process. Iberia and the Nordic region also fared well (up 21% and 13% respectively), with the remainder growing more modestly.

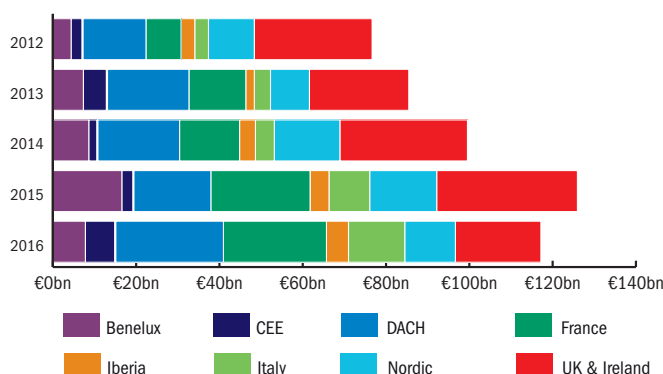


European buyout value by region 2012-2016

Source: unquote" data

As ever, it was the presence, or indeed, absence of larger buyouts that had the greatest impact on the value statistics in 2016. A raft of €1bn+ deals in the DACH region during the year drove the value of the market up by 40% to almost €26bn, while a comparative dearth of such deals saw the UK contract by a similar percentage to €20.5bn.

The Benelux and Nordic regions also dropped sharply (53% and 25% respectively) despite solid dealflow, while the CEE and Italian markets jumped dramatically, both largely as a result of two multi-billion euro deals.

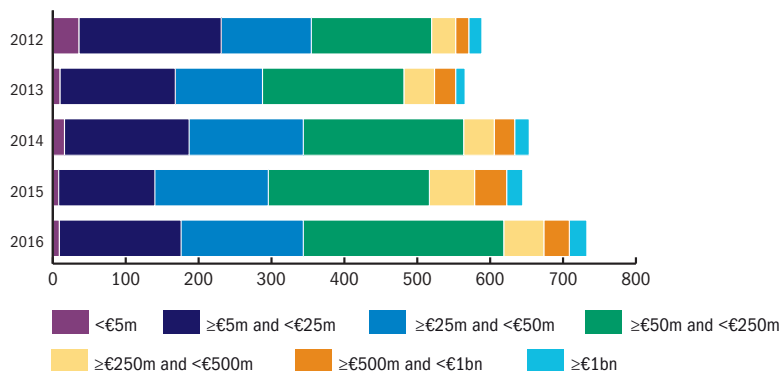


European dealflow by size range 2012-2016

Source: unquote" data

There were some noticeable shifts in investment patterns in 2016. In net volume terms, growth was recorded in every category except the two covering deals worth €250m-1bn; here, the number of larger mid-cap (€250-500m) deals fell by more than 11%, while the €500m-1bn deal category dropped back by 21%.

The main areas of growth were the €5-25m bracket (up 27% to 167 deals) and the core mid-cap €50-250m area (up 24% to 275). In proportional terms, the sub-€250m bracket accounted for 84.5% of the market and while this is materially above the 2015 figure (80.2%) it is still lower than the three prior years.



European buyouts by region (volume)

	2012	2013	2014	2015	2016
Benelux	41	56	67	69	70
CEE	42	36	28	32	33
DACH	80	83	80	75	108
France	103	102	105	131	166
Iberia	19	15	30	33	40
Italy	31	30	43	57	56
Nordic	95	76	105	87	98
UK/Ireland	179	169	197	162	163

**European buyouts by region
(value €bn)**

	2012	2013	2014	2015	2016
Benelux	€4.43	€7.35	€8.68	€16.62	€7.83
CEE	€2.55	€5.49	€1.86	€2.57	€7.01
DACH	€15.09	€19.55	€19.60	€18.46	€25.83
France	€8.43	€13.65	€14.41	€23.82	€24.74
Iberia	€3.29	€2.05	€3.81	€4.55	€5.29
Italy	€3.29	€3.88	€4.53	€9.77	€13.51
Nordic	€11.00	€9.35	€15.74	€16.09	€12.15
UK/Ire	€28.29	€23.85	€30.63	€33.78	€20.53

**European buyouts by €m size range
(volume)**

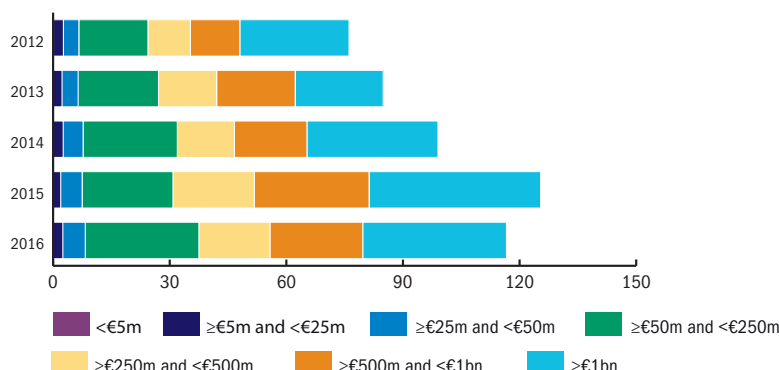
	2012	2013	2014	2015	2016
<5	36	10	16	8	9
≥5 and <25	195	158	171	132	167
≥25 and <50	125	121	158	157	169
≥50 and <250	165	194	220	221	275
≥250 and <500	33	42	42	62	55
≥500 and <1bn	18	29	28	44	35
≥1bn	18	13	20	22	24

European buyout value by size range 2012-2016

Source: unquote" data

In value terms, the market saw a clearer polarisation in 2016, with strong growth across the sub-€250m segment and significant declines in the three larger size bands. The €5-15m and €50-250m brackets saw especially significant growth of around 25%, while the larger bands declined by 13-19%.

In proportional terms, 32.3% of the overall market value was generated by sub-€250m deals, compared with 24.7% in 2015. Again, though, the 2016 figures are actually much more in line with the pattern seen in the 2012-2014 period, with 2015 being something of an outlier.

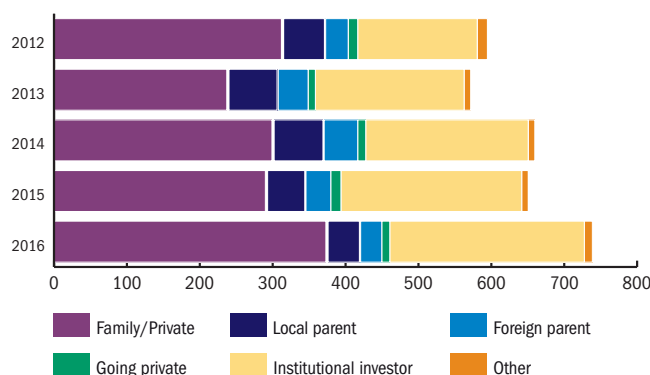


European dealflow by vendor type 2012-2016

Source: unquote" data

The stand-out feature of the statistics concerning the source of deals in 2016 is the scale of the growth seen in deals coming from family/private vendors. In all, the volume of these grew by 29% to 373 (the third highest on record after 2007 and 2008) worth €33bn.

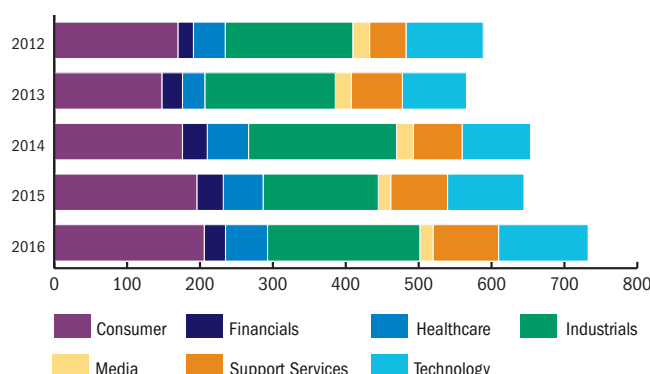
On the other hand, the number of buyouts arising through corporate spinouts dropped by around 15% to 72 deals – the lowest level in some 25 years. The number of secondary buyouts also climbed for the fourth successive year, reaching 267 deals (+8%), though the value of these was down 17% at €63bn (still the fourth highest on record).



European dealflow by sector group 2012-2016

Source: unquote" data

Although the number of consumer deals grew in 2016 for the third successive year, the historically dominant industrials sector recovered a good proportion of the ground it had lost, with a 32% leap in the number of deals recorded to 209 buyouts. The two sector groups remain well ahead of the others in value terms too, worth well over €32bn each. Meanwhile, the business services area is still a fertile hunting ground for buyout investors, with 123 deals worth €15bn recorded in 2016. And technology companies also had a strong year to reach the highest volume in the five-year sample, albeit down in value on the year before.



European buyouts by €m size range (value €bn)

	2012	2013	2014	2015	2016
<5	0.10	0.03	0.05	0.02	0.03
≥5 and <25	2.55	2.27	2.55	1.94	2.47
≥25 and <50	4.23	4.40	5.38	5.77	6.03
≥50 and <250	17.77	20.67	24.23	23.36	29.23
≥250 and <500	10.92	14.96	14.70	20.94	18.27
≥500 and <1bn	12.72	20.20	18.64	29.51	23.88
≥1bn	28.10	22.64	33.72	44.13	36.98

European buyouts by vendor type (volume)

	2012	2013	2014	2015	2016
Family/Private	312	237	299	290	373
Local Parent	56	66	67	51	43
Foreign parent	31	41	46	34	29
Going Private	13	10	11	14	11
Institutional Investor	164	204	223	248	267
Other	14	9	9	9	11
Europe Total	590	567	655	646	734

European buyouts by super-sector (volume)

	2012	2013	2014	2015	2016
Consumer	170	148	176	196	206
Financials	21	28	34	36	29
Healthcare	45	32	58	56	59
Industrials	175	179	203	158	209
Media	23	22	23	17	18
Support Services	50	70	67	78	90
Technology	106	88	94	105	123
Europe Total	590	567	655	646	734