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BENELUX

Steady growth driven by smaller deals

Although growth slowed in 2016, the Benelux region recorded a fourth successive increase in buyout volumes, thanks to strong activity in the smaller size brackets. **Alice Tchernookova** reports

Although more known as a fund structuring hotbed than an attractive investment destination in itself, Luxembourg posted strong growth in 2016, with GDP increasing by 4.8% to settle at \$58bn. This was mostly supported by strong activity in the information and

communications sectors, and of course in financial services, as well as very low public debt levels that currently stand at 21% of GDP.

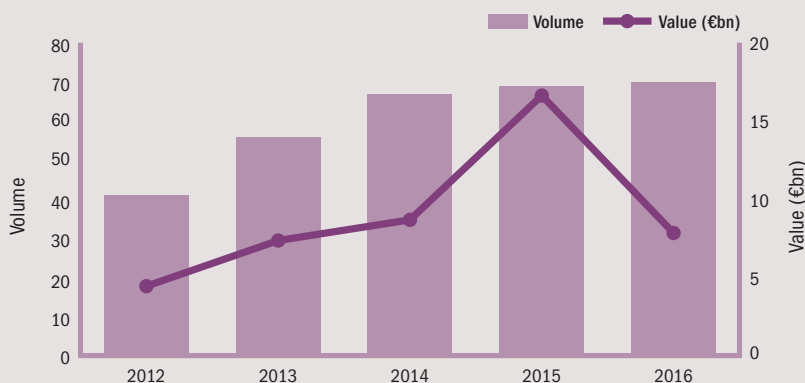
The Netherlands, meanwhile, is the sixth largest economy in the EU and has seen its GDP steadily increase since 2013, to reach \$753bn last year. Yearly GDP growth stood at 2%, with public debt representing 65% of GDP. Belgium, similarly to previous years, witnessed the most modest GDP growth in 2016 compared to its Benelux neighbours, with a 1.4% increase that brought it to \$454bn. The country's public debt is also still high at 106% of GDP.

While Luxembourg is increasingly catching investors' attention in a post-Brexit environment, the Netherlands is awaiting some significant developments on the back of parliamentary elections that will take place in March this year. Marc van Voorst, of private equity trade body NVP, says: "What we're hoping for is that we'll keep having a constructive government, and that the gut feeling or adversary sentiment that some members of parliament had towards private equity over the last two years won't persist." The issue of the public image of private equity and its perception by the legislator has been particularly acute in the Netherlands, culminating in a public hearing in parliament in April 2015 and publication of a green paper targeting private equity with a set of changes. This ultimately prompted NVP to update its code of conduct for PE firms and advocate greater transparency.

Dealflow

Buyout activity has been on a modest but steady rise in Benelux over the last three years, with a

Benelux overall dealflow



Source: unquote™ data

Private-equity-backed buyouts

	2012	2013	2014	2015	2016
Volume	41	56	67	69	70
Value (€bn)	4.44	7.35	8.68	16.62	7.83
Average value (€m)	108	131	130	241	112
% of European volume	6.9%	9.9%	10.2%	10.7%	9.5%
% of European value	5.8%	8.6%	8.7%	13.2%	6.7%

total of 70 deals this year, up from 69 in 2015 and 67 in 2014. However, that same time period reveals a major drop in overall value, to €7.8bn in 2016 against €16.6bn in 2015, and an average value of €112m in 2016 compared to €241m the previous year.

The Benelux region is still led by the Netherlands, with its 56 deals four times as numerous as Belgium's 14, and most definitely more important than Luxembourg, which recorded no buyouts at all this year, according to *unquote* data.

Overall, Benelux activity was still dominated by small-cap and lower-mid-market deals in 2016, with a total of 23 buyouts within the €50-250m range, 18 between €25-50m and 20 for small buyouts valued between €5-25m. This helps explain why aggregate value recorded such a dive year-on-year: in 2015, the number of upper-mid-cap and large-cap deals was significantly higher than last

support services transactions. The industrial sector was the strongest in Belgium, with seven deals, followed by three deals apiece in the consumer and technology sectors, and one healthcare deal. In the Netherlands, meanwhile, the consumer sector remained strong, with 20 deals leading the pool, followed by 18 deals in the industrial sector and 10 in support services.

Local players described fluctuating activity over 2016, with a steady first semester followed by a sharp drop in activity in the second part of the year. Speaking to *unquote* in December, Alexandre Neiss, who focuses on debt origination in Benelux for Investec's corporate and acquisition finance team, said: "H1 was definitely more active than H2, but that is a consistent story across most geographies. While not the most active market in terms of deals across Europe, Benelux is a consistent performer, and although H2 has been slow, we have been encouraged by the bounce back in Q4 in particular, from a dire Q3."

Neiss was also confident that dealflow would regain momentum in Q1 2017, with four or five deals in the pipeline meant to kick-start the year. Commenting on the political situation and upcoming elections in the Netherlands, Neiss added: "No matter what the political event was this year, we have seen a willingness to maintain deal activity particularly in the mid-market, whereas jumbo deals have stalled a little. In the Benelux region specifically, there is so much dry powder as it is – both on the lenders' and PE's side – that it is clear the market is relatively immune to event risks, and I don't see these having a major impact here."

Speaking to *unquote*, Benelux GPs did not foresee any ground-breaking changes for private equity in the new year, generally agreeing that 2017 would most likely be quite similar to the past year, with continued low growth, low interest rates and high valuations.

Pricing

Local GPs generally point to soaring valuations in the region, similarly to other parts of Europe. Speaking at the Mergermarket Benelux M&A and Private Equity Forum 2016 held in Amsterdam in November, panellists pointed to skyrocketing valuations and persistent market volatility, saying those were slowing down dealflow in the region.

According to EQT's Kristiaan Nieuwenburg, high valuations are making it "more difficult for GPs to



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Alexandre Neiss, Investec

year, consequently driving up both average and aggregate deal values. Indeed, 18 deals above the €250m mark were recorded in 2015, compared to just nine in 2016. No buyout broke the €1bn mark in the Benelux region in 2016.

Significant transactions in the region included JP Morgan Securities and Lone Star acquiring a majority stake in commercial property finance provider Propertize from the Dutch government for a total consideration of €895.3m. Still at the larger end of the market, Charlesbank Capital Partners acquired Dutch specialised retailer Polyconcept from Investcorp – the company's majority shareholder since 2005 – for around \$975m.

Sectors

Sector-wise, the regional trend slightly shifted from 2015, as the industrial sector overtook consumer with 25 deals against 23. In terms of aggregate value, however, the consumer sector clearly led the way with an aggregate deal value of €3.39bn, compared to €1.8bn for industrials and €1.1bn for



step up”, with EBITDA multiples currently around two to three times higher than during the crisis years, and easily reaching 10-12x for businesses that perform well, compared to 6-7.5x a few years ago. As a result, leverage multiples are also higher, Nieuwenburg added.

Commenting on pricing in the lower-mid-market segment, a Dutch managing partner says: “The average price is on the rise, but it is with deals where the EV is above the €50m mark that competition starts to increase, so especially for the larger funds. That’s also where foreign funds come in.” The average price within the lower-mid-cap segment is currently between 5-7x EBITDA, with debt multiples around 3.5x EBITDA, according to the same source, who says those were “at the higher end of the spectrum”. The source however adds: “The market is still good right now, as banks are willing to come up with lower pricing and higher tickets.”

Fundraising

Local GPs described rather favourable fundraising conditions over the past year, with growing interest from international investors for the region. According to Main Capital managing partner Charlie Zwemstra, 85% of Main Capital’s funding currently comes from international investors, based both in the EU and the US.

The year saw eight funds closing on or over the €150m mark. Adding to the traditional pool was the close of Core Equity Holdings’ long-term maiden fund, with €1bn in commitments. Established in 2015 in Brussels by four ex-Bain Capital senior members – Walid Sarkis, Thomas de Waen, Alain Stoessel and Marc Valentiny – Core Equity aims to disrupt the traditional investment strategies favoured by private equity funds, allowing for an investment period lasting anywhere up to 15 years, opening up possibilities for better returns and growth, the firm claims.

Other noteworthy fundraises included Gilde Healthcare’s fourth fund, Gilde Healthcare IV, closing on its €250m hard-cap, and Life Sciences Partners’ fifth fund LSP 5, also hitting its \$280m hard-cap ahead of its \$170m target. Capricorn Ventures’ second cleantech fund, Capricorn Sustainable Chemistry Fund, closed on €150m, Mentha Capital’s Fund V closed on €143m, and Karmijn Kapitaal’s second buyout fund, Karmijn Kapitaal II, closed on its €90m hard-cap.

According to a recent NVP report, a total of €1.1bn was raised through seven growth and buyout funds in H1 alone in the Netherlands. However, this amount did not match the €1.4bn allocated to eight vehicles in H1 2015, the report added. The association stated: “Many bigger Dutch buyout funds completed fundraisings in 2015, including Waterland and Gilde Buyout, which could mean that, although there is enough capital available, investors are holding back from investing in a context of high valuations, and instead are concentrating on their existing portfolios.”

Exits

A total of 47 exits were recorded in the region this year, including 36 in the Netherlands, and the rest in Belgium. Secondary buyouts led the way as per usual with 16 exits, shortly followed by trade sales with 12 exits in total.

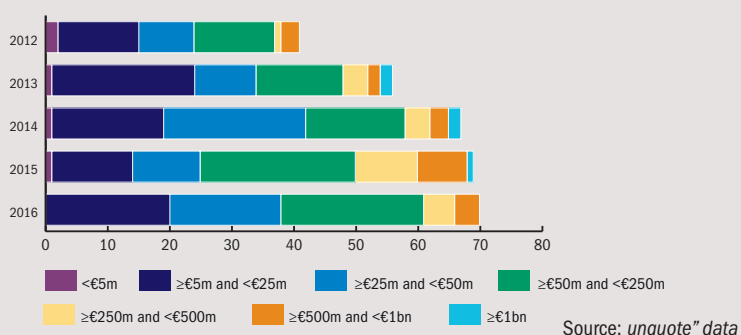
An interesting trend, however, was the unusual number of large IPOs completed in the region this year. In May, Egeria-backed steel structure manufacturer SIF Group floated on the Amsterdam Stock Exchange with a market capitalisation of €357m. This was followed by the flotation of 3i’s Dutch gym operator Basic-Fit, through which the GP reaped gross proceeds of around £89m. In September, online delivery service Takeaway.com went public as well, reaching a market capitalisation of €993m on Euronext Amsterdam. The IPO enabled backers Macquarie Capital and Prime Ventures to partially realise their stakes in the business.

Could this mark the return of IPOs as a popular exit route in the region? In recent years, medium and large listings on Euronext Amsterdam have indeed been on the rise in Benelux. In 2014, Dutch chemicals distribution company IMCD Group, backed by Bain Capital, reached a market cap of €1.05bn as one of four IPOs by private-equity- and VC-owned companies that year. In the following year, five listings were recorded again, including AAC Capital Benelux’s Lucas Bols with a €196m market cap, 3i’s Refresco Gerber with €1.2bn and Blackstone’s Intertrust.

Commenting on the regional IPO surge, Main Capital’s Zwemstra told *unquote* in October: “The climate for IPOs for online businesses and software groups will improve within the next 12 months. The Takeaway.com IPO will give the market a push in the right direction, and IPOs should make sense, particularly for B2C internet companies.” ■

BENELUX STATS

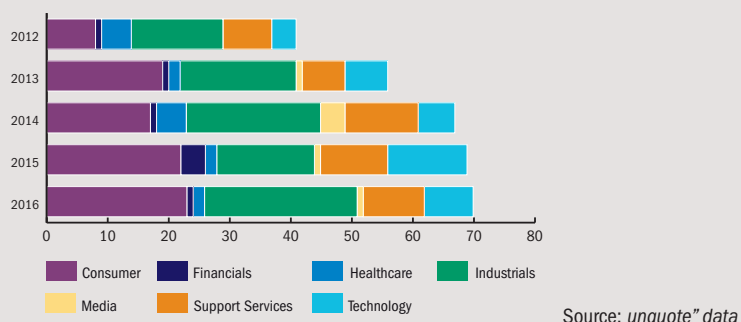
Benelux buyouts by size range (volume)



Benelux buyouts by €m size range (volume)

	2012	2013	2014	2015	2016
<5	2	1	1	1	0
≥5 and <25	13	23	18	13	20
≥25 and <50	9	10	23	11	18
≥50 and <250	13	14	16	25	23
≥250 and <500	1	4	4	10	5
≥500 and <1bn	3	2	3	8	4
≥1bn	0	2	2	1	0

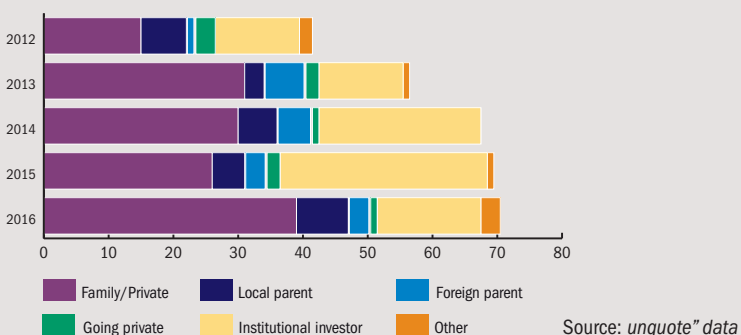
Benelux buyouts by super-sector (volume)



Benelux buyouts by super-sector (volume)

	2012	2013	2014	2015	2016
Consumer	8	19	17	22	23
Financials	1	1	1	4	1
Healthcare	5	2	5	2	2
Industrials	15	19	22	16	25
Media	0	1	4	1	1
Business Services	8	7	12	11	10
Technology	4	7	6	13	8

Benelux buyouts by vendor type (volume)



Benelux buyouts by vendor type (volume)

	2012	2013	2014	2015	2016
Family/Private	15	31	30	26	39
Local Parent	7	3	6	5	8
Foreign parent	1	6	5	3	3
Going Private	3	2	1	2	1
SBO	13	13	25	32	16
Other	2	1	0	1	3

Benelux exits 2016

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
NXP Semiconductors	Other	n/d	KKR, Ardian, Bain Capital Europe, Alpinvest Partners, Silver Lake, Apax Partners
Roompot Recreatie Beheer	SBO	600 (est)	Gilde Investment Management
Den Braven	Trade sale	485	Egeria, Wagram Equity Partners
Polyconcept	SBO	n/d	European Capital, Investcorp, 3i
SIF Group	Flotation	357	Egeria
TCR	Other	200	Chequers Capital
Scitec Holding	Trade sale	170	Morgan Stanley, Enterprise Investors
Devin Group	Trade sale	120 (est)	Advent International
Raet	SBO	n/d	CVC Capital Partners
Vemedica Pharma	SBO	n/d	IK Investment Partners
Desmet Ballestra	Recap/Refinancing	n/d	Equistone Partners Europe

€895mLargest Benelux
buyout in 2016**€425m**Largest
Benelux fund
in 2016**54%**Proportion of
Benelux deals
worth less than
€50m**Benelux funds 2016**

Fund name	Fund manager	Fund target (€m)	Amount closed (€m)
Bencis Buyout Fund V	Bencis Capital Partners	410	425
IK Small Cap I Fund	IK Investment Partners	277	277
Vendis Capital II	Vendis Capital	150	180
Sofindev Fund IV	Sofindev Private Equity	90	107
Karmijn Kapitaal II	Karmijn Kapitaal	85	90

Benelux deals 2016

Deal name	Business description	Deal value (€m)	Sector	Equity
Propertize	Provider of commercial property finance	895.3	Financials	Lone Star Funds, JP Morgan Chase
Polyconcept	Supplier of promotional, lifestyle and gift products	878.1 (est)	Consumer	Charlesbank Capital Partners
Roompot Recreatie Beheer	Provider of holiday accommodation	600 (est)	Consumer	PAI Partners
Raet	Provider of technology and business process outsourcing for HR teams	n/d (500-1,000)	Business Services	HgCapital Trust, HgCapital
Office Depot Europe	European office supplies retailer	n/d (250-500)	Consumer	Aurelius
Van Dijk Educatie	Provider of educational books and other education-related products	300 (est)	Consumer	Towerbrook Capital
Vemedia Pharma	Supplier of over-the-counter pharmaceuticals and vitamins	300 n/d (250-500)	Healthcare	Charterhouse Capital Partners
Continental Bakeries	Manufacturer of biscuits	290 (est)	Consumer	Silverfern Co-Investment Partners, Goldman Sachs Capital Partners
Royal Reesink	Distributor of agricultural machinery products	279	Industrials	Gilde Buy Out Partners, Navitas Capital
Clondalkin Group	Producer of specialist packaging and print products	200	Industrials	Egeria
Infotheek International	Provider of new, end-of-life, renewed and refurbished IT hardware	n/d (50-250)	TMT	Altor Equity Partners
BRB	Manufacturer of silicones, additives and chemicals	n/d (50-250)	Industrials	Bencis Capital Partners
T-Groep	Provider of temporary work, recruitment, selection and outplacement services	160 (est)	Consumer	Gilde Buy Out Partners
Group of Butchers	Producer of fresh grilled meats	n/d (50-250)	Consumer	Equistone Partners Europe
EverZinc	Producer of fine zinc powders, zinc oxide and zinc for batteries	142.4	Industrials	OpenGate Capital
Verwater	Operator of an industrial and petrochemical group that provides storage tank maintenance	n/d (50-250)	Industrials	Bregal Freshstream
Conclusion	Provider of consultancy services	134.9 (est)	Business Services	NPM Capital
Desmet Ballestra	Provider of processing equipment for oil millers	n/d (50-250)	Industrials	Kartesia Advisor
The Employment Group/KP&T	Provider of human resources services	n/d (50-250)	Business Services	Egeria
Scholt Energy Control	Supplier of energy	112	Industrials	Waterland Private Equity