

unquote”

# DACH



# DACH proves its value with highest volume increase rate

Amid a turbulent political and macroeconomic backdrop, overall buyout activity in the DACH region witnessed the highest increase rate in deal volume across Europe, and the largest amount of capital deployed in 2016. **Amedeo Gorla** reports

**T**he European private equity industry faced several challenges during 2016. Besides disruptive events, such as the UK referendum on EU membership and the US presidential election, European deal-makers faced volatility in the market and low interest rates enforced by

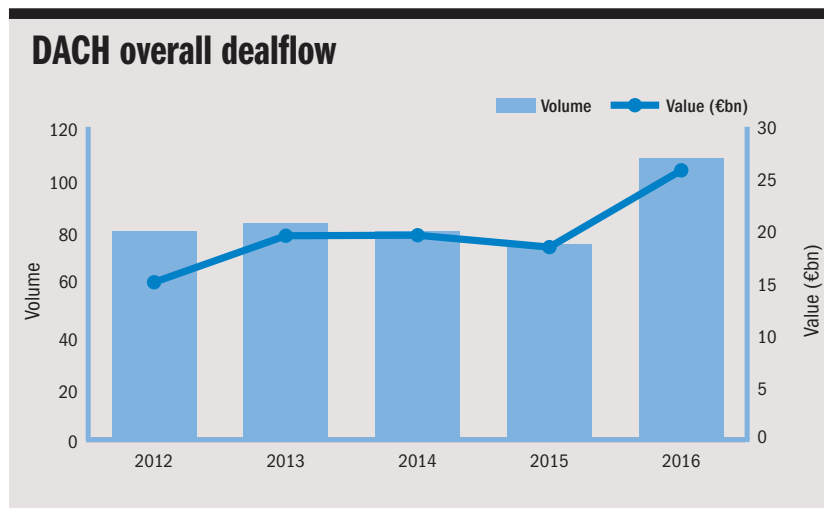
the European Central Bank, which, while providing easier access to credit, also boosted competition within the industry and from other investors.

In the wake of the economic slowdown across Europe, Germany confirmed its role as growth engine of the continent. The country saw its GDP rise by 1.9%, up to €3.13tn in 2016, according to the German federal statistic office Destatis. This represented the highest GDP value across the continent, looking at World Bank figures.

However, consumer spending in Germany may come under pressure in the coming months as inflation rises, with prices already increasing at the fastest pace for three years, according to local press reports.

Local GPs remain cautious across the DACH region, amid uncertainty over global growth rates and further market volatility, which, alongside high levels of dry powder, boost deal competition and increase acquisition prices. That said, deal-makers look at 2016 as a positive vintage.

According to *unquote* data, DACH buyout activity seemed to cool somewhat at the beginning of 2016, but regained traction during the second half of the year and ultimately achieved several records before crossing the line into 2017.



Source: *unquote* data

## Private-equity-backed buyouts

|                             | 2012  | 2013  | 2014  | 2015  | 2016  |
|-----------------------------|-------|-------|-------|-------|-------|
| <b>Volume</b>               | 80    | 83    | 80    | 75    | 108   |
| <b>Value (€bn)</b>          | 15.09 | 19.55 | 19.60 | 18.46 | 25.83 |
| <b>Average value (€m)</b>   | 189   | 236   | 245   | 246   | 239   |
| <b>% of European volume</b> | 13.6% | 14.6% | 12.2% | 11.6% | 14.7% |
| <b>% of European value</b>  | 19.8% | 23.0% | 19.7% | 14.7% | 22.1% |

## Dealflow 2016

Europe saw an overall increase rate of 13.6% in deal volume, with the DACH region home to the highest increase rate (44% compared to the previous year) and ranked third overall, with 108 transactions during 2016, accounting for 15% of the total European dealflow in volume terms. France took the lead in terms of volume, with 166 deals closed in 2016, equating to 23% of all European



transactions, while the UK & Ireland region followed with an aggregate of 163 transactions (22%).

Furthermore, DACH also saw the second highest increase rate in value across Europe, with a 39.9% hike, behind the record-breaking 172.7% rise seen in CEE. Across the German-speaking region, GPs deployed an aggregate of €25.8bn in buyouts, which is the largest value injected in Europe in 2016 and represents 22% of buyout dealflow by value on the continent. The UK & Ireland, traditionally the largest market, saw an aggregate value figure of €20.5bn.

According to *unquote*™ data, this surge in activity in the DACH region follows three years of stagnation. Nevertheless, the average value saw a slight dip from €246m to €239m, which suggests a stark increase in the mid-cap market.

In fact, buyout activity across Germany, Austria and Switzerland was lacklustre at the smallest end of the market in 2016. Growth for deals within the €5-25m bracket stalled, with 16 transactions, representing a 27% decrease from the 22 deals sealed in 2012. Nonetheless, the market saw a sharp increase across the lower-mid-market and core Mittelstand segments, historically the cornerstone of the German economy, with deals within the €25-500m bracket accounting for 72.2% of the total activity in the region.

Looking at individual countries, the German buyout market saw the volume of transactions rise from an average of 64 over the previous four years to 90 in 2016, with a total amount of €20bn deployed, far above the €16.4bn high-water mark set the previous year.

Swiss private equity activity followed this trend and rebounded from eight deals inked in 2015, with an aggregate value of €1.6bn, to 15 transactions closed the following year and €5.1bn deployed. Looking at a five-year timeframe, the Swiss market shows a certain volatility from the low value of €266m seen in 2012 to the €4.4bn recorded two years later and back to €1.6bn deployed in 2015. The surge witnessed in 2016 was led by two mega-deals: EQT's €1.3bn acquisition of Zurich-based tour and travel services provider Kuoni Travel Holding in February, and the Apax Partners-backed SBO of medical diagnostic provider Unilab from Nordic Capital and Apax Partners France in December. Along with the AutoForm acquisition, these three deals were responsible for 67% of the total capital deployed in 2016.



Austria also enjoyed an increase in terms of volume and aggregate value. However, the country did not equal its 2013 peak, when the market was home to six buyouts worth €869m. In 2016, Austria saw three transactions, all within the industrial sector, totalling €441m in enterprise value.

## Mittelstand still core

DACH transactions valued between €25-50m saw a 56% increase from 16 deals closed in 2015 to 25 the following year, while those ranging in the €50-250m bracket rose by 34.4% from 29 to 39. Notably, dealflow in the upper-mid-market (valued within €250-500m) saw a 250% increase, rising from four to 14 and from an aggregate value of €1.5bn in 2015 to €4.58bn in 2016.

Meanwhile, the region saw 14 transactions deployed across the largest end of the market, equally split between the €500m-1bn bracket and €1bn+ range. Notable large-cap deals that took place in 2016 include Carlyle Group's acquisition of Atotech for €2.85bn in October, and EQT Partners purchase of Bilfinger's real estate services branch for €1.4bn EV in June.

Jan Drewitz, partner at mid-cap private equity house HQ Equita, says the market was particularly competitive in 2016: "We had a relatively

good dealflow last year, but the market is very competitive for the few high-quality assets.”

### Sector highlights

Besides the mid-market, the other structural pillar of the German-speaking region is the industrial sector. This sector regained some traction last year, with 38 transactions sealed in 2016, a 46.1% increase from the 26 transactions in 2015 and equalling the number of transactions seen in 2012, ending a three-year period of headwind.

The technology sector has seen buoyant growth over the past five years, with 19 buyouts in 2016, up from five in 2012, equating to a 280% increase over this period. Switzerland was home to the largest deal in the sector last year, as Astorg Partners purchased a controlling stake in software developer AutoForm for €648.6m in June 2016. Nonetheless, the bulk of deals in the sector were closed in the lower-mid- and core mid-market brackets, with 13 transaction inked last year.

The support services sector recovered from the previous year, with 18 transactions closed in 2016 (marking an 80% increase), while the healthcare segment saw a 62.5% increase from eight buyouts inked in 2015 to 13 the following year.

### Deal sourcing

Following the sharp increase from 27 to 37 deals in 2015, family businesses remained the main source of buyout dealflow across the DACH region, with a 268% increase in terms of value in 2016. Private equity houses purchased 55 companies from families or private vendors in 2016, confirming a market trend that seems to link the increase in pricing across the market to entrepreneurs' more favourable disposition towards financial investors.

Despite the fact that 50.9% of all buyouts in 2016 were sourced from private vendors or families, the DACH market has yet to fulfill its potential. According to Kathleen Bacon, managing director at HarbourVest Partners: “DACH is a great market as far as well-rounded businesses, international products and international consumers are concerned. But the biggest issue with this market is unlocking its opportunities. There is still a perception that owners tend to sell to industrials rather than financial players. The dealflow is good, but underweight given the actual opportunity-set and size of the economy.”

### Exit environment

The region saw 71 exits in 2016, a considerable drop in volume compared to the 109 sales inked in 2015. The data indicates that deal-makers, having worked hard to identify and invest in high-quality assets, are now prepared to wait for more favourable conditions to reap higher returns.

Although the political and financial environment is perceived as stable, GPs in the market expect the economy to cool and prices to dip. Therefore, fund managers have, in general, shifted to focusing more on their portfolio companies to strengthen their business and reduce leverage.

Overall, trade sales remained the main driver of exits with 39 transactions across the region last year, while the second largest exit route in volume terms was secondary buyouts, with 23 deals. Among the most notable trade sales, AEA Investors and Teachers' Private Capital jointly sold Dematic to trade buyer Kion for \$3.25bn in June. As far as secondary buyouts are concerned, standouts included Goldman Sachs Private Equity and PAI Partners selling Xella International to Lone Star for an estimated €2.2bn in December 2016.

### Fundraising environment

With regards to fundraising activity, last year was a good vintage for DACH-dedicated GPs. Looking at *unquote* data, private equity players raised commitments totalling €9.5bn during 2016. Fund managers enjoyed 15 final closes, raising an aggregate €6.8bn of committed capital and seven first closings for a total of €2.7bn.

In January 2016, Adveq closed its Adveq Specialized Investments vehicle on €323m, while Partners Group held a €2.5bn final close for its secondaries-dedicated Partners Group Secondary 2015 in March 2016. More recently, Deutsche Beteiligings AG closed its seventh buyout vehicle, DBAG Fund VII on its €1bn hard-cap in July 2016, while DB Private Equity reached the €260m hard-cap for its German Access Fund in October 2016.

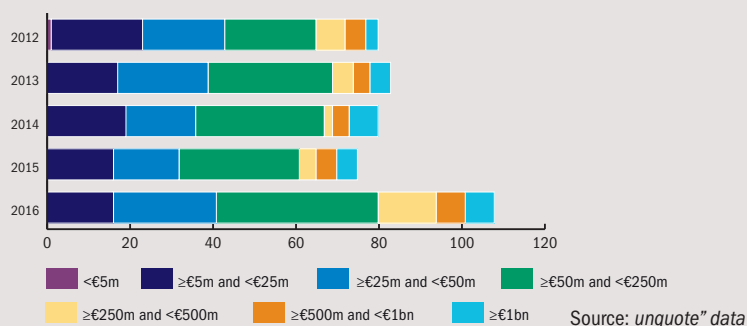
In 2016, *unquote* reported four fund-of-funds final closes, totalling €1.4bn in commitments, including LGT Capital Partners' €500m final close for its Crown Europe Middle Market III, and Golding Private Debt VIII, both in February last year. At the tail end of the year, Adveq closed its Adveq Europe VI vehicle in December on €462m. ■

“We had a relatively good dealflow last year, but the market is very competitive for the few high-quality assets”

Jan Drewitz, HQ Equita

# DACH STATS

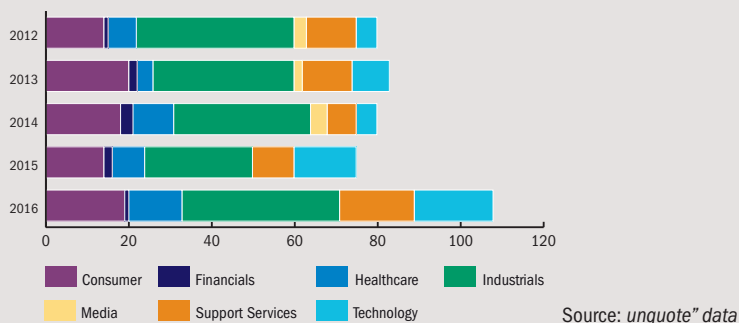
## DACH buyouts by size range (volume)



## DACH buyouts by €m size range (volume)

|               | 2012 | 2013 | 2014 | 2015 | 2016 |
|---------------|------|------|------|------|------|
| <5            | 1    | 0    | 0    | 0    | 0    |
| ≥5 and <25    | 22   | 17   | 19   | 16   | 16   |
| ≥25 and <50   | 20   | 22   | 17   | 16   | 25   |
| ≥50 and <250  | 22   | 30   | 31   | 29   | 39   |
| ≥250 and <500 | 7    | 5    | 2    | 4    | 14   |
| ≥500 and <1bn | 5    | 4    | 4    | 5    | 7    |
| ≥1bn          | 3    | 5    | 7    | 5    | 7    |

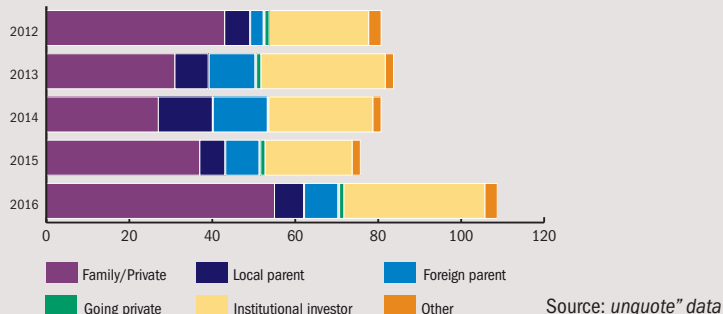
## DACH buyouts by super-sector (volume)



## DACH buyouts by super-sector (volume)

|                  | 2012 | 2013 | 2014 | 2015 | 2016 |
|------------------|------|------|------|------|------|
| Consumer         | 14   | 20   | 18   | 14   | 19   |
| Financials       | 1    | 2    | 3    | 2    | 1    |
| Healthcare       | 7    | 4    | 10   | 8    | 13   |
| Industrials      | 38   | 34   | 33   | 26   | 38   |
| Media            | 3    | 2    | 4    | 0    | 0    |
| Support Services | 12   | 12   | 7    | 10   | 18   |
| Technology       | 5    | 9    | 5    | 15   | 19   |

## DACH buyouts by vendor type (volume)



## DACH buyouts by vendor type (volume)

|                | 2012 | 2013 | 2014 | 2015 | 2016 |
|----------------|------|------|------|------|------|
| Family/Private | 43   | 31   | 27   | 37   | 55   |
| Local Parent   | 6    | 8    | 13   | 6    | 7    |
| Foreign parent | 3    | 11   | 13   | 8    | 8    |
| Going Private  | 1    | 1    | 0    | 1    | 1    |
| SBO            | 24   | 30   | 25   | 21   | 34   |
| Other          | 3    | 2    | 2    | 2    | 3    |

**DACH exits 2016**

| Deal/Exit name                       | Exit route | Exit value (€m) | Full exit investors                        |
|--------------------------------------|------------|-----------------|--|
| <b>BSN Medical</b>                   | Trade sale | 2,740           | Montagu Private Equity, EQT Partners       |
| <b>Xella International</b>           | SBO        | 2,200 (est)     | Goldman Sachs Private Equity, PAI Partners |
| <b>WMF</b>                           | Trade sale | 1,590           | KKR  |
| <b>E.ON Energy from Waste</b>        | Trade sale | 1,440           | EQT Partners                               |
| <b>VAT Holding</b>                   | Flotation  | 1,427.2         | Capvis Equity Partners, Partners Group     |
| <b>Senvion</b>                       | Flotation  | 1,000           | Centerbridge Partners                      |
| <b>FTE Automotive</b>                | Trade sale | 819.3           | Bain Capital Europe                        |
| <b>SLV Group</b>                     | SBO        | 800             | Cinven                                     |
| <b>Schustermann &amp; Borenstein</b> | SBO        | 700             | Ardian                                     |
| <b>UC4 Software / Automic</b>        | Trade sale | 600             | EQT Partners                               |

**€2.7bn**  
Largest DACH  
exit in 2016

**€1bn**  
Largest DACH  
fund in 2016

**DACH funds 2016**

| Fund name                              | Fund manager             | Fund target (€m) | Amount closed (€m) |
|--|--------------------------|------------------|--------------------|
| <b>DBAG Fund VII</b>                   | Deutsche Beteiligungs AG | 1,000            | 1,000              |
| <b>Adveq Specialized Investments</b>   | Adveq                    | 323              | 323                |
| <b>CMP German Opportunity Fund III</b> | CCMP Capital Advisors    | 250              | 250                |
| <b>Ufenau V German Asset Light</b>     | Ufenau Capital Partners  | 200              | 227                |

**108**  
Volume of  
DACH buyouts  
in 2016

## DACH deals 2016

| Deal name                             | Business description  | Deal value (€m) | Sector            | Equity                      |
|---------------------------------------|---|-----------------|-------------------|-----------------------------|
| <b>Atotech</b>                        | Producer of metal & surface finishing technologies for automotive, construction and electronics sectors | 2,854.5         | Industrials       | Carlyle Group               |
| <b>Xella International</b>            | Supplier of a range of building materials and dry lining systems  | 2,200           | Industrials       | Lone Star Funds             |
| <b>Unilabs</b>                        | Provides healthcare and diagnostic services for public and private customers                            | n/d (1,000+)    | Healthcare        | Apax Partners               |
| <b>Bilfinger real estate services</b> | Provider of technical, commercial and infrastructure real-estate services                               | 1,400           | Business Services | EQT                         |
| <b>Kuoni Travel Holding</b>           | Provider of tour and travel services  | 1,298.5         | Consumer          | EQT Partners                |
| <b>Defence Electronics</b>            | Provider of sensors, integrated systems & services for defence & security applications                  | 1,100           | Industrials       | KKR                         |
| <b>Acetow</b>                         | Producer of cellulose acetate for cigarette filters   | 1,000           | Industrials       | Blackstone Capital Partners |
| <b>Personal &amp; Informatik</b>      | Provider of human resources management services   | n/d (500-1,000) | Business Services | HgCapital, Permira          |
| <b>Neuraxpharm</b>                    | Producer of generic medicines in the area of central nervous system indications                         | n/d (500-1,000) | Healthcare        | Apax France                 |
| <b>SLV Group</b>                      | Producer of lighting systems  | 800             | Consumer          | Ardian                      |
| <b>Schustermann &amp; Borenstein</b>  | Seller of designer branded clothes  | 700             | Consumer          | Permira                     |
| <b>Universal-Investment</b>           | Provider of financial services and investment advisory services   | 700             | Financials        | Montagu Private Equity      |
| <b>AutoForm</b>                       | Developer of software solutions for dye design and sheet metal forming simulations                      | 648.6           | TMT               | Astorg Partners             |
| <b>Kalle</b>                          | Manufacturer of artificial sausage casings and sponge cloths  | 500             | Consumer          | Clayton Dubilier & Rice     |
| <b>United Initiators</b>              | Manufacturer of organic peroxides and persulfates   | n/d (250-500)   | Industrials       | Equistone Partners          |
| <b>Fläkt Woods Group</b>              | Provider of air treatment and ventilation solutions   | n/d (250-500)   | Industrials       | Triton Advisers             |
| <b>Nora systems</b>                   | Manufacturer of rubber-based resilient floor coverings  | n/d (250-500)   | Industrials       | ICG                         |
| <b>Schlemmer</b>                      | Manufacturer of cable connectors and other automotive components  | 400 (est)       | Industrials       | 3i                          |
| <b>Voith Industrial Services</b>      | Provider of technical services  | 350 (est)       | Business Services | Triton Partners             |
| <b>Glion and Les Roches</b>           | Provider of undergraduate, graduate and post-graduate programmes  | 349.1           | Consumer          | Eurazeo                     |
| <b>Schur Flexible</b>                 | Provider of flexible packaging solutions  | n/d (250-500)   | Industrials       | Lindsay Goldberg & Bessemer |
| <b>Weber Automotive</b>               | Producer of car parts   | n/d (250-500)   | Industrials       | Ardian                      |

**DACH deals 2016**

| Deal name                              | Business description   | Deal value (€m)  | Sector            | Equity   |
|--|--|------------------|-------------------|--|
| <b>Transporeon</b>                     | Provider of web-based centralised transport management software                  | n/d<br>(250-500) | TMT               | TPG Capital  |
| <b>D&amp;B audiotechnik</b>            | Manufacturer and distributor of loudspeakers and amplification equipment         | 275 (est)        | Consumer          | Ardian   |
| <b>Amor Group</b>                      | Supplier of jewellery  | n/d<br>(250-500) | Consumer          | DB Private Equity,<br>Gilde Buyout Partners  |
| <b>Acrotec</b>                         | Manufacturer of precision parts for watches and instruments                      | 253.35           | Industrials       | Castik Capital Partners  |
| <b>Inexio</b>                          | Provider of broadband connection services  | 250              | TMT               | Deutsche Beteiligungs<br>AG, Warburg Pincus  |
| <b>ZytoService</b>                     | Producer of parenteral infusion solutions for oncological treatment              | 250 (est)        | Healthcare        | IK Investment Partners   |
| <b>Losberger</b>                       | Provider of tent and hall systems  | n/d<br>(50-250)  | Industrials       | Gilde Buyout Partners  |
| <b>Frimo Group</b>                     | Developer of tools and machinery for plastic and composite components production | n/d<br>(50-250)  | Industrials       | Deutsche Beteiligungs<br>AG  |
| <b>Hamm Reno</b>                       | Retailer of footwear   | n/d<br>(50-250)  | Consumer          | Capiton  |
| <b>Sihl</b>                            | Manufacturer of coated and processed papers, films and fabrics                   | n/d<br>(50-250)  | Industrials       | Equistone Partners   |
| <b>SF-Filter</b>                       | Distributor of mobile and industrial filters                                     | n/d<br>(50-250)  | Business Services | Ambienta   |
| <b>Deutsche Intensivpflege Holding</b> | Provider of non-clinical intensive care  | n/d<br>(50-250)  | Healthcare        | Sofina France,<br>Ergon Capital Partners   |
| <b>Hennecke</b>                        | Producer of polyurethane processing machinery and equipment                      | n/d<br>(50-250)  | Industrials       | CapVis Equity Partners   |
| <b>Medi-Globe</b>                      | Developer, manufacturer and distributor of medical equipment                     | 140 (est)        | Healthcare        | DB Private Equity,<br>Sumitomo, Berenberg<br>Bank, DZ Bank,<br>Unicredit Group,<br>Duke Street Capital |
| <b>OMG Borchers</b>                    | Manufacturer and distributor of coatings and paints                              | n/d<br>(50-250)  | Industrials       | The Jordan Company   |
| <b>GBA Laborgruppe</b>                 | Provider of laboratory and consulting services                                   | n/d<br>(50-250)  | Business Services | Quadriga Capital   |
| <b>Utimaco Software</b>                | Provider of cybersecurity solutions  | n/d<br>(50-250)  | TMT               | BIP Investment<br>Partners,<br>Pinova Capital, EQT   |
| <b>Gala</b>                            | Producer of candles  | n/d<br>(50-250)  | Consumer          | Equistone Partners   |
| <b>Onlineprinters</b>                  | Operator of online print shops   | n/d<br>(50-250)  | Consumer          | Bregal<br>Unternehmerkapital   |