

Private equity barometer

Q3 2018 figures based on preliminary data from
Europe's specialist private equity information provider



517

Deal volume reaches new
third-quarter record

Key Findings

Overall European private equity

- ▶ European private equity experienced its strongest ever third-quarter deal volume, with 517 investments worth a combined €46.8bn.
- ▶ Year-to-date deal value for 2018 is now on par with 2017's full-year figure.
- ▶ Compared with the previous quarter, the market experienced its usual seasonal slowdown, with volume down 13% and value down 28%.

Buyouts

- ▶ Buyout volume achieved its best Q3 on record with 243 transactions.
- ▶ The number of buyouts has surpassed 200 for six consecutive quarters. The record is seven – set between Q2 2006 and Q4 2007.
- ▶ The aggregate enterprise value of buyout transactions was €41.1bn, the largest Q3 deal value since 2007.
- ▶ Year-to-date aggregate buyout value has surpassed 2017's full-year value by €6bn.
- ▶ Small-cap (<€100m) buyout volume gained significant momentum with 182 deals, the highest quarter on record.
- ▶ Small-cap value also hit a record of €6.8bn.
- ▶ Mid-cap deals (€100m-1bn) had a moderate quarter with 49 deals worth €13.6bn.
- ▶ Large-caps (€1bn+) were down in volume and value from the previous quarter but remained strong overall – there were 12 large-cap transactions, the joint-second highest of the last 10 years.
- ▶ Breaking the data down by region, buyout activity was especially buoyant in the UK and Rest of Europe (Spain, Italy, Portugal, Greece and Ireland), which was led by Italy and Spain.
- ▶ There were 59 UK transactions – a post-crisis high. However, total value was low at €5.4bn.
- ▶ The Rest of Europe region posted 43 deals worth €11bn, both quarterly records for the region.
- ▶ In terms of deal sourcing, the number of secondary buyouts returned to more normal levels after a spike in Q2.
- ▶ Deals sourced from family and private vendors maintained their strong run, rising by one to 137. There was also a high number of carve-outs.
- ▶ The largest buyout was the acquisition of a majority in Recordati, a listed Italian pharmaceutical firm. A 52% stake was bought by CVC Capital Partners, StepStone and PSP Investments, the Canadian pension fund.

Growth Capital

- It was a moderate quarter for expansion deals, with volume falling to 203 from 247 in the previous quarter.
- Value decreased 10% to €4.7bn.
- Volume was the lowest since Q4 2017 and value the lowest since Q4 2016.
- The largest transaction was the secondary purchase of car park operator Saba Infraestructuras. KKR sold its minority stake to the firm's largest shareholder, investment firm Criteria Caixa Holding.

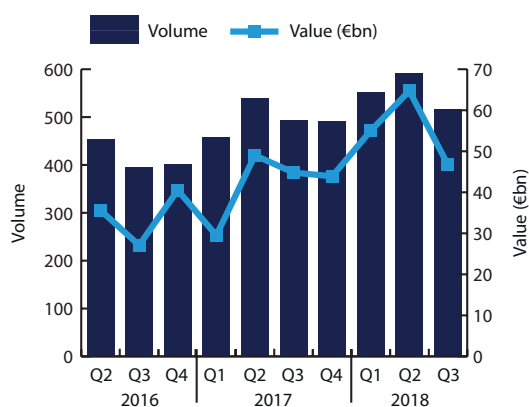
Early-stage

- The number of early-stage investments fell in Q3 but value remained high.
- There were 71 deals, down from 83 in Q2 and the lowest since Q3 2017.
- The amount of capital invested climbed by 3% to €948m and is getting closer to crossing the €1bn line for the first time.
- Quarterly deal volume has failed to break the 100-mark since Q2 2016, but the amount of equity invested has tended to be higher.
- The largest investment was the \$150m series-C for UK- and US-based Orchard Therapeutics, which included Foresite Capital and Venrock Ventures.

European private equity's strongest third quarter

Overall European private equity

Volume & value of all European private equity



Source: unquote® data

| | Volume | Value €bn |
|---------|--------|-----------|
| Q2 2016 | 453 | 35.6 |
| Q3 2016 | 395 | 27.1 |
| Q4 2016 | 402 | 40.5 |
| Q1 2017 | 458 | 29.5 |
| Q2 2017 | 540 | 49.0 |
| Q3 2017 | 493 | 44.8 |
| Q4 2017 | 491 | 43.9 |
| Q1 2018 | 553 | 55.0 |
| Q2 2018 | 592 | 64.7 |
| Q3 2018 | 517 | 46.7 |
| 2016 | 1,697 | 126.9 |
| 2017 | 1,982 | 167.3 |
| 2018 | 1,662 | 166.4 |

Despite undergoing its normal seasonal lull in Q3 2018, the European market had its best Q3 dealflow on record with 517 buyout, expansion and early-stage transactions.

Total deal value – counting enterprise value for buyouts and capital invested for expansion and early-stage – was €46.7bn. While value was not a record, it was the highest Q3 figure for 10 years.

Compared with the previous quarter, both volume and value were down by amounts that are fairly usual for the time of year. Volume was down 13% and value 28%, both the lowest since Q4 2017. It is also worth noting that Q2 was an all-time record for deal volume, so it is no surprise it fell back in Q3.

The trends were mostly driven by buyouts, which achieved a record Q3 volume with 243 transactions. They had a combined value of €41.1bn, the largest Q3 deal value since 2007. Boosting the buyout market was a sharp increase in small-cap (<€100m) deals, which had a record quarter in terms of both volume and value.

Large-caps (>€1bn) continued a decent run of form with 12 deals completed in Q3. This follows 12 in Q1 and 15 in Q3. Prior to Q1 2018, there has only been one quarter since the financial crisis with 10 or more large-cap deals.

Transaction volume and value both declined in the growth capital space in what was a moderate quarter overall. There were 203 investments worth €4.7bn in Q3, down from 247 investments worth €5.2bn in the previous quarter. Meanwhile, the amount of capital invested in early-stage transactions rose despite a decrease in the number of deals. There were 71 deals in Q3, down from 83 the previous quarter. However, the amount invested rose 3% to €948m and is getting closer to breaking the €1bn mark for the first time.

Quarterly Focus

UK and Rest of Europe stand out as small-caps soar

A broad increase in small-cap (<€100m) deals and strong performances in the UK and Rest of Europe (Spain, Italy, Portugal, Ireland and Greece) lifted European buyouts to their highest Q3 number on record.

Across Europe there were 182 small-cap buyouts, up 12% on Q2. Small-cap buyouts registered a high number in every region, especially the UK, where there were 47 such deals, the most since Q2 2008.

Small-cap deals are more likely to involve family and private vendors. Indeed, the number of deals of all size ranges sourced from family and private vendors rose from Q2 to Q3, despite a drop in overall deal numbers. Transactions involving family/privates rose from 136 to 137 on the quarter, in contrast to secondary buyouts which dropped from 95 to 68. Many private business owners may see it as a good time to sell, but it seems a number of family-owned firms also want a strategic partner to help them expand in rapidly evolving markets.

The generalist investor BPI France was especially active in the small-cap market in Q3 with seven investments, all in France. The buyout market as a whole did not break any records due to a sharp drop in activity in the mid-market, where deal volume and value fell 42% and 40% respectively.

Regionally, the UK and Spain had very strong quarters in terms of buyouts across all deal sizes. There were 59 buyouts of UK companies, the most in a single quarter for 10 years. However, the UK fell behind on total deal value due to a decline in the number of mid-market and large-cap deals. Total UK deal value dropped to €5.4bn.

In the Rest of Europe buyout numbers hit a new quarterly record of 43. Unlike the UK, deal value was high – the aggregate enterprise value of buyouts in the region climbed 30% on the quarter to €11.1bn. It was the region's highest deal value in a single quarter on record. Value was helped by four large-cap deals, including the largest buyout of the quarter: CVC Capital Partners, StepStone and PSP Investments' acquisition of a 52% stake in Recordati. Although Recordati is a listed business, the deal had all the hallmarks of a classic buyout with leverage and a holding company.

Other sizeable investments were Italian industrial firm Gruppo Megadyne, sold to Partners Group by Astorg and Neuberger Berman; Italian utilities firm RTR, sold to F2i by Terra Firma; and Spanish chemicals business Maxam, sold by Advent to Rhone Capital.

Buyouts

A huge spike in small-cap deals helped the buyout market to its busiest ever Q3. There were 243 buyouts – down from Q2's record-breaking figure, but up 3% on the same quarter last year.

Meanwhile, continued momentum in large-cap deal-making lifted buyout value to its largest third-quarter figure in a decade. The combined enterprise value of European buyouts was €41.1bn, of which large-caps accounted for €20.7bn.

The mid-cap segment (€100m-1bn) fell back from its spike in the previous quarter, with 49 deals in Q3, down from 85.

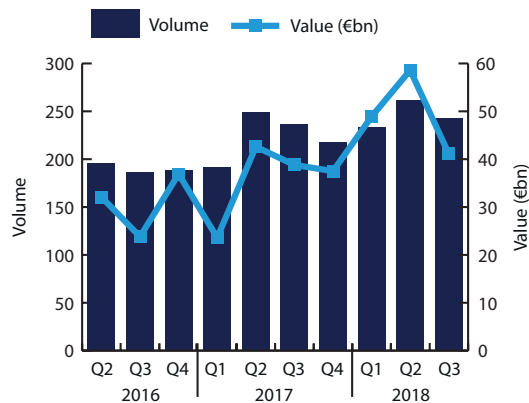
The quarter continues a hot spell for the European buyout market, which has now exceeded 200 deals for six consecutive quarters for the first time in the last 10 years. The record is seven consecutive quarters – set between Q2 2006 and Q4 2007.

Regionally, the UK and Rest of Europe (Spain, Italy, Portugal, Greece and Ireland) were Q3's standout performers. A strong end to September took UK deal volume to a post-crisis high of 59, narrowly overtaking Q2's 58. However, the majority of deals were toward the smaller end of the spectrum and total deal value dropped 49% to €5.4bn. The Rest of Europe registered its highest volume and value on record with 43 buyouts worth €11.1bn.

In terms of deal sourcing, the number of secondary buyouts settled to more normal levels after a sharp rise in the previous quarter. There were 68 secondary buyouts in Q3, down from 95 in the previous quarter. Meanwhile, there continued to be a high number of deals sourced from private and family vendors. Family and private vendors accounted for the largest slice of deals with 137, up by one on the last quarter.

The largest buyout was the acquisition of a majority stake in Recordati, a listed Italian pharmaceutical firm. A 52% stake was bought by CVC Capital Partners, StepStone and PSP Investments, the Canadian pension fund. The deal valued the company at €3bn.

Volume & value of European buyouts

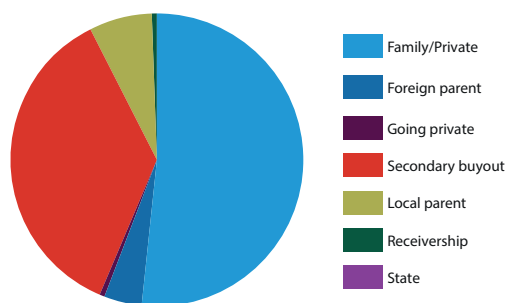


Source: unquote" data

| | Volume | Value €bn |
|---------|--------|-----------|
| Q2 2016 | 196 | 32.1 |
| Q3 2016 | 186 | 23.8 |
| Q4 2016 | 189 | 36.9 |
| Q1 2017 | 192 | 23.6 |
| Q2 2017 | 249 | 42.6 |
| Q3 2017 | 237 | 38.8 |
| Q4 2017 | 218 | 37.5 |
| Q1 2018 | 233 | 48.9 |
| Q2 2018 | 262 | 58.6 |
| Q3 2018 | 243 | 41.1 |
| 2016 | 741 | 112.8 |
| 2017 | 896 | 142.5 |
| 2018 | 738 | 148.6 |

European buyouts by vendor type

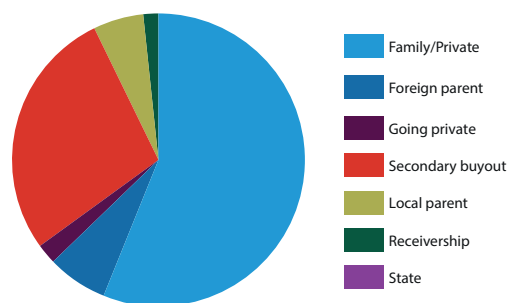
Q2 2018



Source: unquote" data

European buyouts by vendor type

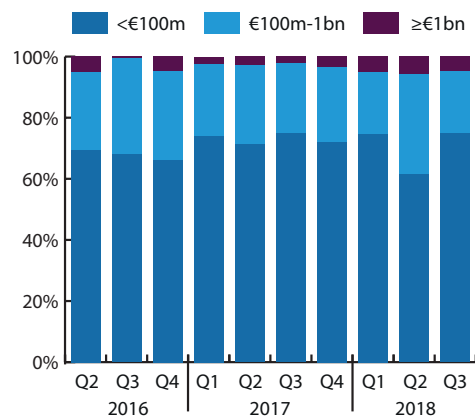
Q3 2018



Source: unquote" data

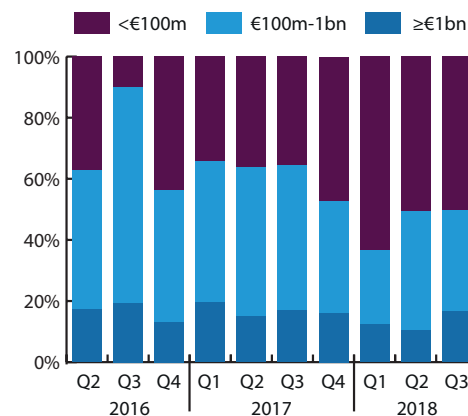
| | Q2 2018 | Q3 2018 |
|------------------------|---------|---------|
| Family/Private | 136 | 137 |
| Foreign parent | 11 | 16 |
| Going Private | 1 | 5 |
| Institutional Investor | 95 | 68 |
| Local Parent | 18 | 13 |
| Receivership | 1 | 4 |
| State | 0 | 0 |

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range

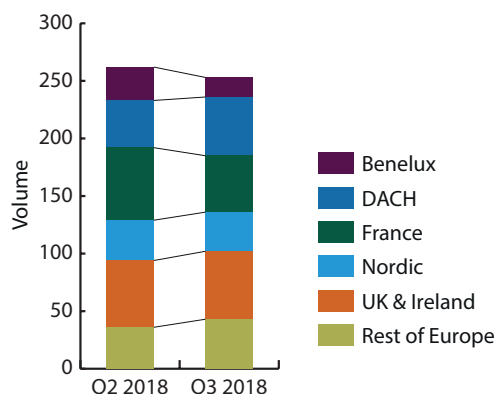


Source: unquote® data

| | <€100m Volume | % | €100m-1bn Volume | % | ≥€1bn Volume | % | Quarterly total |
|---------|------------------|-----|---------------------|-----|-----------------|----|-----------------|
| Q2 2016 | 136 | 69% | 50 | 26% | 10 | 5% | 196 |
| Q3 2016 | 127 | 68% | 58 | 31% | 1 | 1% | 186 |
| Q4 2016 | 125 | 66% | 55 | 29% | 9 | 5% | 189 |
| Q1 2017 | 142 | 74% | 45 | 23% | 5 | 3% | 192 |
| Q2 2017 | 178 | 71% | 64 | 26% | 7 | 3% | 249 |
| Q3 2017 | 178 | 75% | 54 | 23% | 5 | 2% | 237 |
| Q4 2017 | 157 | 72% | 53 | 24% | 8 | 4% | 218 |
| Q1 2018 | 174 | 75% | 47 | 20% | 12 | 5% | 233 |
| Q2 2018 | 162 | 62% | 85 | 32% | 15 | 6% | 262 |
| Q3 2018 | 182 | 75% | 49 | 20% | 12 | 5% | 243 |

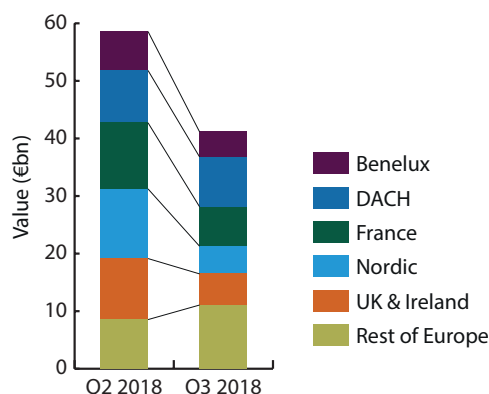
| | <€100m Value (€bn) | % | €100m-1bn Value (€bn) | % | ≥€1bn Value (€bn) | % | Quarterly total Value (€bn) |
|---------|-----------------------|-----|--------------------------|-----|----------------------|-----|--------------------------------|
| Q2 2016 | 5.7 | 18% | 14.5 | 45% | 11.9 | 37% | 32.1 |
| Q3 2016 | 4.6 | 19% | 16.8 | 70% | 2.4 | 10% | 23.8 |
| Q4 2016 | 4.8 | 13% | 15.9 | 43% | 16.1 | 44% | 36.9 |
| Q1 2017 | 4.7 | 20% | 10.9 | 46% | 8.0 | 34% | 23.6 |
| Q2 2017 | 6.5 | 15% | 20.7 | 49% | 15.4 | 36% | 42.6 |
| Q3 2017 | 6.7 | 17% | 18.3 | 47% | 13.8 | 36% | 38.8 |
| Q4 2017 | 6.0 | 16% | 13.7 | 36% | 17.8 | 47% | 37.5 |
| Q1 2018 | 6.1 | 12% | 11.8 | 24% | 31.1 | 64% | 48.9 |
| Q2 2018 | 6.2 | 11% | 22.6 | 39% | 29.7 | 51% | 58.6 |
| Q3 2018 | 6.8 | 17% | 13.6 | 33% | 20.7 | 50% | 41.1 |

Volume of European buyouts by region



Source: unquote® data

Value of European buyouts by region



Source: unquote® data

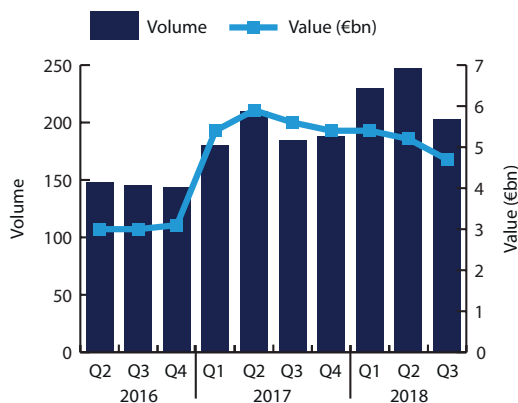
| | Volume | | Value (€m) | |
|----------------|---------|---------|------------|---------|
| | Q2 2018 | Q3 2018 | Q2 2018 | Q3 2018 |
| Benelux | 29 | 17 | 6,765 | 4,355 |
| DACH | 41 | 41 | 9,089 | 8,660 |
| France | 63 | 49 | 11,481 | 6,853 |
| Nordic | 35 | 34 | 12,102 | 4,800 |
| Rest Of Europe | 36 | 43 | 8,537 | 11,067 |
| UK | 58 | 59 | 10,603 | 5,408 |
| | 262 | 243 | 58,576 | 41,143 |

Ten largest European private-equity-backed buyouts, Q3 2018

| Deal name | Country | Value (€m) | Equity provider |
|----------------|-------------|-------------|--|
| Recordati | Italy | 3,030 | CVC Capital Partners, Stepstone, PSP Investments |
| United Group | Netherlands | n/d (>€1bn) | BC Partners |
| Suse | Germany | 2,170 | EQT |
| Sportradar | Switzerland | 2,100 | EQT, Technology Crossover Ventures, CPPIB |
| Viridium Group | Germany | n/d (>€1bn) | Cinven |
| Maxam | Spain | n/d (>€1bn) | Rhone Capital |
| Saur | France | n/d (>€1bn) | EQT, BNP Paribas |
| Laird | UK | n/d (>€1bn) | Advent International |
| RTR | Italy | 1,300 | F2i |
| Asmodee Group | France | 1,200 | PAI Partners |

Growth capital

European growth capital deals



Source: unquote® data

| | Volume | Value €bn |
|---------|--------|-----------|
| Q2 2016 | 148 | 3.0 |
| Q3 2016 | 145 | 3.0 |
| Q4 2016 | 144 | 3.1 |
| Q1 2017 | 180 | 5.4 |
| Q2 2017 | 210 | 5.9 |
| Q3 2017 | 185 | 5.6 |
| Q4 2017 | 188 | 5.4 |
| Q1 2018 | 230 | 5.4 |
| Q2 2018 | 247 | 5.2 |
| Q3 2018 | 203 | 4.7 |
| 2016 | 613 | 12.1 |
| 2017 | 763 | 22.3 |
| 2018 | 680 | 15.2 |

Expansion investments had a robust quarter despite both the number of transactions and total amount of capital invested dropping. There were 203 deals worth €4.7bn, down from 247 deals worth €5.2bn in Q2. Despite the cooling, volume was above the 10-quarter rolling average of 188 and value was the same at €4.7bn.

Deal volume was the lowest since Q4 2017 and the total amount of capital invested was the lowest since Q4 2016.

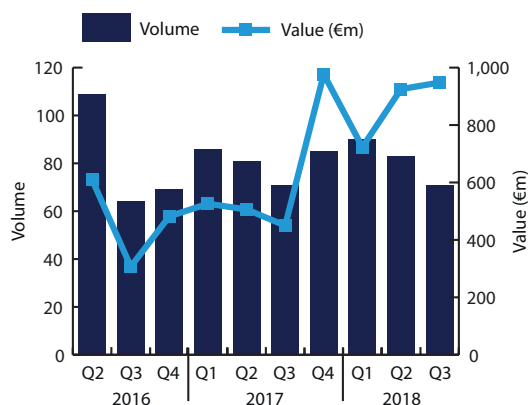
The average equity edged up to €22.9m from €21.1m, with equity tickets continuing to move on an upward trend that started from a low of around €10m in 2013. The largest transaction was the secondary purchase of car park operator Saba Infraestructuras. KKR sold its 18% stake to Criteria Caixa Holding – Saba's existing majority shareholder – for €438m.

Ten largest European private-equity-backed growth capital deals, Q3 2018

| Deal name | Country | Value (€m) | Equity provider |
|-------------------------|-------------|------------|--|
| Saba Infraestructuras | Spain | 438 | Criteria Caixa Holding |
| About You | Germany | 257 | Seven Ventures |
| Greensill | UK | 214 | General Atlantic |
| Deezer | France | 160 | Orange Digital Ventures, Access Industries, LBO France |
| Glovo | Spain | 115 | GR Capital Partners, Idinvest, Cathay Capital |
| Envirotainer | Sweden | 113 | Novo |
| Amedeo Capital | Ireland | 102 | Centerbridge Partners |
| Ploeger Oxbo Group | Netherlands | 100 | NPM Capital |
| Groupe SFAM | France | 100 | Mubadala Capital, CDC International Capital |
| Acorn OakNorth Holdings | UK | 86 | EDBI, NIBC Bank, Government of Singapore Investment Corporation |

Early-stage

European early-stage deals



Source: unquote® data

| | Volume | Value €m |
|---------|--------|----------|
| Q2 2016 | 109 | 609 |
| Q3 2016 | 64 | 307 |
| Q4 2016 | 69 | 482 |
| Q1 2017 | 86 | 526 |
| Q2 2017 | 81 | 506 |
| Q3 2017 | 71 | 450 |
| Q4 2017 | 85 | 977 |
| Q1 2018 | 90 | 723 |
| Q2 2018 | 83 | 925 |
| Q3 2018 | 71 | 948 |
| 2016 | 343 | 2,040 |
| 2017 | 323 | 2,459 |
| 2018 | 244 | 2,597 |

Early-stage transaction numbers dropped in Q3 but the total of amount of capital invested remains high. Deal value climbed 3% to €948m. The amount of equity invested in early-stage deals has never surpassed €1bn in a single quarter but is gradually getting closer.

Deal volume dropped 14% compared with the previous quarter, falling to 71 from 83. It was the lowest number of investments since Q3 2017. Early-stage deal numbers have failed to break the 100-mark since Q2 2016.

The largest investment was the \$150m series-C for UK- and US-based Orchard Therapeutics. It included a number of new investors: Foresite Capital, Venrock Ventures, RA Capital Management, Cormorant Asset Management, ArrowMark Partners, Sphera Global Healthcare, Medison Venture Partner, Driehaus Capital Management and Ghost Tree Capital Group. Existing investors that backed the round included Temasek, Baillie Gifford, RTW Investments, Cowen Healthcare Investments and Agent Capital.

Notable local venture and growth capital fund closes during Q3 including Forbion Capital Fund IV (€360m) in the Netherlands, Digital+ Partners' Digital Growth Fund I (€350m) in Germany, and BlackFin Tech Fund 1 (€180m).

Ten largest European private-equity-backed early-stage deals, Q3 2018

| Deal name | Country | Value (€m) | Equity provider |
|----------------------|-------------|------------|--|
| Orchard Therapeutics | UK | 128 | Foresite Capital, Venrock Ventures, Agent Capital |
| SEBA | Switzerland | 89 | Black River Asset Management |
| Dfinity | Switzerland | 87 | a16z, Amino Capital, Aspect Ventures |
| Artios Pharma | UK | 72 | Life Sciences Partners, Andera Partners |
| Therachon | Switzerland | 51 | Novo Holdings, Pfizer Ventures, BPI France |
| Dynacure | France | 47 | Andera Partners, Kurma Partners, Idinvest |
| ReViral | UK | 47 | Nove Ventures, New Leaf Venture Partners |
| Evox Therapeutics | UK | 40 | Panacea Venture, Google Ventures, Oxford Sciences Innovation |
| Orbex | UK | 34 | Sunstone Capital, High-Tech Gründerfonds |
| Kandy Therapeutics | UK | 28 | Longitude Capital, OrbiMed, Forbion Capital Partners |

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