

Private equity barometer

Q4 2017 Figures based on preliminary data from
Europe's specialist private equity information provider



€41.1bn

Q4 deal value passes
€40bn mark for third
consecutive quarter

Key Findings

Overall European private equity

- European private equity deal volume cooled in the final quarter of the year, dropping 10% compared with the previous quarter to 434.
- The combined value of European private-equity-backed deals slid 6% to €41.1bn from €43.7bn, but remains well above the average of the last 10 quarters (€36.9bn).
- Average deal value was €94.7m in Q4, up 4.9% on Q3's €90.3m.

Buyouts

- The aggregate value of European buyout deals was €35bn in Q4, 9.8% lower than in Q3.
- Volume fell to 196 from 237, a dip of 17%.
- Dealflow edged down in the small-cap (<€100m) and mid-cap (€100m-1bn) ranges, but climbed in the large-cap range (≥€1bn).
- The number of small-cap deals fell to 138 from 178, reaching its lowest level since Q4 2016.
- Mid-cap volumes decreased to 50 deals from 54, with value falling sharply to €11.8bn from €18.3bn.
- There were eight large-cap deals, up from five, with value climbing to €17.8bn from €13.8bn.
- Average buyout value rose 9.1% in Q4, reaching a four-quarter high of €178m.
- DACH was the only region where dealflow rose. There were 44 buyout deals in Q4, up from 35. It was the region's second highest quarterly volume in the post-financial crisis era.
- Aggregate deal value more than doubled in France, rising to €8.7bn, while it also climbed in Benelux and the Nordic region.
- The proportion of deals sourced from family and private vendors dropped to 49% in Q4 from 60% in the previous quarter. There was a rise in the proportion sourced from institutional investors.
- Carve-outs were also a popular option, with the slice of deals sourced from local and foreign parents jumping to 13% from 5%.
- The largest buyout was KKR's €6.8bn carve-out of Unilever's spreads business. The I Can't Believe It's Not Butter producer was valued at 8.9x ebitda.
- There were 869 buyouts worth €138bn in 2017 compared with 734 deals worth €113bn in 2016.

Growth Capital

- Aggregate deal value rose, climbing to €5.2bn in Q4 from €4.5bn in the previous quarter.
- Volume was lower at 166, down 7.8% on the previous quarter.
- Aggregate deal value was the highest since Q2 2017, while volume was the lowest since Q4 2016.
- The biggest investment was the Canada Pension Plan Investment Board's £675m purchase of a 30% stake in BGL Group, a UK distributor of insurance and household financial services.
- During 2017 there were 724 investments worth €22bn, compared with 599 worth €12bn in 2016.

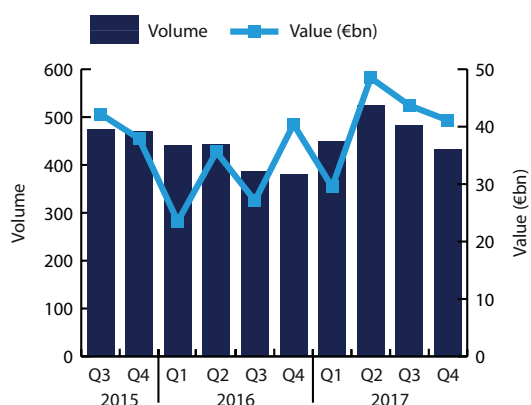
Early-stage

- Early-stage deal volume increased to 72 in Q4 from the previous quarter's 67.
- Aggregate value jumped to €0.95bn from €0.46bn.
- Total value was the highest quarterly figure over the 10-quarter period, with volume the highest since Q2 2017.
- The biggest deal was the €170m funding round for Swiss oncology drug development company ADC, led by Auvon Therapeutics.
- Comparing 2017 with the previous year, deal volume fell to 300 from 320, while total value rose to €2.4bn from €1.9bn.

Measured end to 2017 rounds off robust year

Overall European private equity

Volume & value of all European private equity



Source: unquote® data

	Volume	Value €bn
Q3 2015	474	42.2
Q4 2015	471	37.9
Q1 2016	442	23.5
Q2 2016	443	35.6
Q3 2016	387	27.1
Q4 2016	381	40.4
Q1 2017	449	29.5
Q2 2017	526	48.5
Q3 2017	484	43.7
Q4 2017	434	41.1
2015	1,941	146.9
2016	1,653	126.5
2017	1,893	162.9

The European private equity market had a robust end to the year. While slowing somewhat, Q4 deal value finished above €40bn for the third consecutive quarter. And while deal volume lost some momentum, it remains at healthy levels.

There were 434 deals registered in Q4, down 10% on the previous quarter. While the drop may seem steep, 2017 year has been a particularly busy year, with 434 only slightly below the average of 449 for the 10-quarter period. Value also moderated in the final quarter, falling 6% to €41.1bn, which is only the lowest since Q1 2017.

Deal numbers decreased in the buyout and growth capital segments in Q4, while the number for early-stage deals edged up. The number of buyouts dropped to 196, a three-quarter low, and growth capital investments dipped to 166, a four-quarter low. Meanwhile, the number of early-stage transactions climbed to 72.

The aggregate deal value of early-stage investments more than doubled in Q4, hitting €0.95bn, its highest level over the 10-quarter period. Growth capital deal value also rose, climbing 16% to €5.2bn. However, aggregate buyout value dropped 10% to €35bn, offsetting the gains in the early-stage and growth capital market.

Within the buyout market, the number of large-cap (\geq €1bn) deals rose to a six-quarter high of eight. This provided a substantial boost to deal values, with aggregate large-cap value rising to €17.8bn, its highest over the 10-quarter timeframe. The small-cap ($<$ €100m) and mid-cap (\geq €100m and $<$ €1bn) segments fell back, meaning the large-cap sector was responsible for 51% of aggregate buyout value.

Looking at all segments and deal types, the most deals were done in the UK, despite a fall in the number of deals to 121 from 147. Volume rose in DACH to 106 from 96 and also rose slightly in the Nordic region. The UK claimed the highest aggregate deal value at €13.3bn, which marked a fall compared with the previous quarter. Deal value in France almost doubled, rising to €9.3bn.

Over the whole of 2017 there were 1,893 deals of all types, up from 1,653 the year before. Total deal value climbed substantially to €163bn from €126bn.

Quarterly Focus

Top-heavy market quarter masks strong year for the small-cap

The last three months of 2017 saw a flurry of large deals which provided a significant lift to overall deal value. In the same period, the number of smaller-cap deals dropped sharply after some very busy quarters, further accentuating the top-heavy nature of the market.

In all, eight €1bn+ deals were announced in Q4 with a combined value of €17.8bn, the largest three-month total generated by such deals in the 10-quarter sample. With a value of €6.8bn, KKR's carve-out of Unilever's spreads business was the stand-out contributor in the period, well ahead of the €2.6bn secondary buyout of German ceramics maker CeramTec by a consortium led by BC Partners.

Yet further down the scale the pattern was different: mid-cap deal activity fell slightly on the quarter - to 50 deals from 54 - with value dipping to €11.8bn from €18.3bn. And the small-cap range (<€100m) slowed even more sharply, with volume falling 23% to 138.

However the Q4 weakness is in contrast to the year as a whole, when small-cap deal-making rose in every region. As a whole 632 small-cap deals were recorded in 2017, compared with 499 in 2016. The sustained recovery in the eurozone economy has improved the outlook for smaller firms, which tend to be more domestically focused, according to some GPs operating in the segment. France saw the biggest rise on the year at 32% followed by DACH at 30%. But small-cap volume also climbed strongly in the UK.

The slowdown at the lower end of the market in the final quarter was naturally reflected in deal sourcing. There was a steep drop in Q4 in the volume of deals sourced from family and private vendors, from 143 to 96. But a look at the last 10 quarters shows this is more of a return to normal than a sudden and worrying slowdown. In contrast, secondary buyouts were fairly stable, falling to 71 from 77, and have tended to be around the 60s and 70s over the last two years.

While Q4 rounded off a strong year for small-cap volume, albeit with a slowdown, it also represented a strong year for the large-caps. Total large-cap deal value was €53.5bn in 2017, up from €32.9bn in 2016 and boosted by Q4's €17.8bn deal value. This led to a rise in total private equity investment to €162.9bn in 2017 from €126.5bn the year before. Expansion deals were also a big contributor to deal value over the year, shooting up to €22bn from €12bn.

In geographical terms almost all regions saw contraction in Q4. The notable exception was the DACH region, which posted 44 buyouts in Q4, up from 35 in Q3. This put the market ahead of the UK (which posted 41 buyouts) for the first time in at least eight years.

Buyouts

The buyout market underwent somewhat of a slowdown in the final quarter of 2017. However, a rise in dealflow at the top end of the market cushioned the blow on deal value and lifted average deal value.

There were 196 European buyout transactions in Q4, down from 237 in the previous quarter. While the slowdown may look sharp, Q4 had the third highest number of buyouts in the 10-quarter timespan. Total buyout value was €35bn, down from the previous quarter's €38.8bn.

In the large-cap segment there were eight deals, up from five. This compared with a sharp fall in volume in small-caps to 138 from 178 and a drop in the mid-caps to 50 from 54.

Total value in the small- and mid-cap segments dropped, with quite a substantial fall in the mid-cap range. There were €11.8bn mid-cap deals, down from €18.3bn in the previous quarter and the lowest over the 10-quarters. This was partially offset by a bumper quarter for large-caps, with value climbing to €17.8bn – the highest over the 10-quarters. The strength at the top of the market and the weakness at the bottom led to a rise of 9% in average buyout value to €178m.

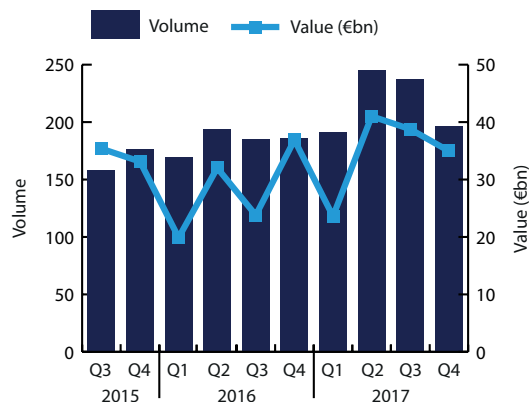
Buyout activity varied across Europe's regions. DACH saw the sharpest rise in transactions, posting 44 deals in Q4 despite total value declining. Dealflow was unchanged in the Nordics and declined everywhere else, with the biggest decline in Benelux. The number of deals in Benelux dropped to 16 from 31. Despite fewer deals, aggregate Benelux buyout value rose on the quarter along with France and the Nordics. French deal value more than doubled to €8.7bn.

Aggregate buyout value declined in the UK despite it being home to the largest deal: KKR's €6.8bn carve-out of Unilever's spreads business.

There was a sizeable increase in carve-outs in Q4. The proportion of buyouts sourced from local and foreign parent companies was 13%, its largest slice over the 10-quarter period. There was a steep fall in the proportion of deals sourced from private and family vendors, with secondary deals proving a bit more popular in Q4.

Q4 rounded off a year in which the European buyout market grew strongly. There were 869 buyouts worth €138bn in 2017, compared with the 734 deals worth €113bn in 2016.

Volume & value of European buyouts

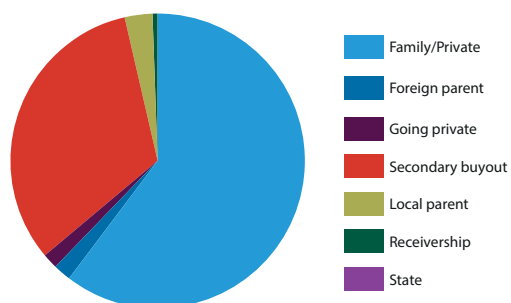


Source: unquote" data

	Volume	Value €bn
Q3 2015	158	35.4
Q4 2015	176	33.1
Q1 2016	169	19.9
Q2 2016	194	32.0
Q3 2016	185	23.8
Q4 2016	186	36.9
Q1 2017	191	23.6
Q2 2017	245	41.0
Q3 2017	237	38.8
Q4 2017	196	35.0
2015	647	127.2
2016	734	112.6
2017	869	138.4

European buyouts by vendor type

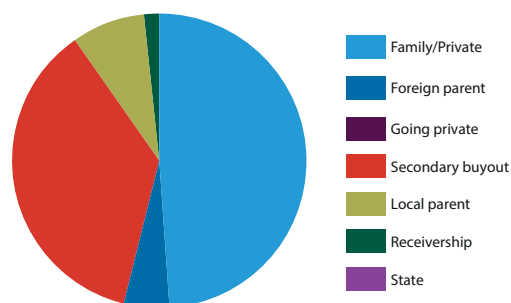
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Source: unquote" data

European buyouts by vendor type

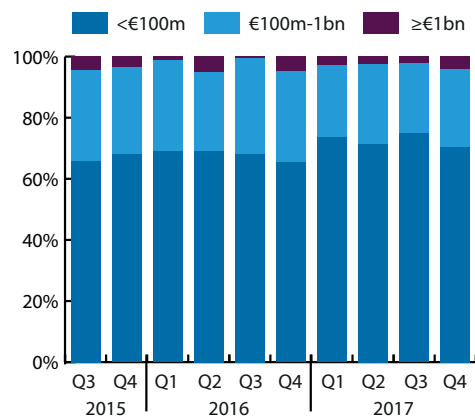
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Source: unquote" data

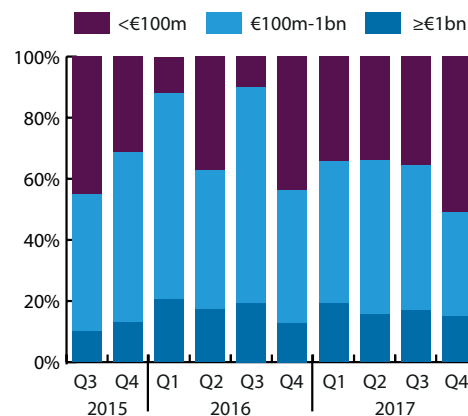
	Q3 2017	Q4 2017
Family/Private	143	96
Foreign parent	5	10
Going Private	4	0
Institutional Investor	77	71
Local Parent	7	16
Receivership	1	3
State	0	0

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range

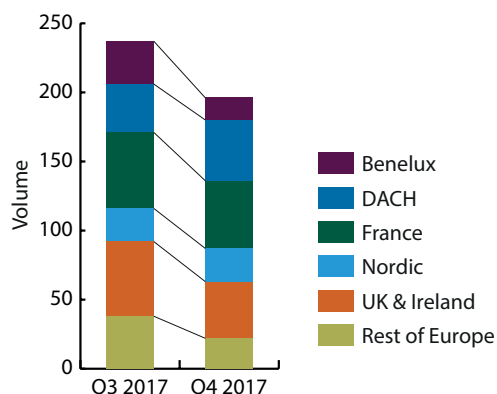


Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q3 2015	104	66%	47	30%	7	4%	158
Q4 2015	120	68%	50	28%	6	3%	176
Q1 2016	117	69%	50	30%	2	1%	169
Q2 2016	134	69%	50	26%	10	5%	194
Q3 2016	126	68%	58	31%	1	1%	185
Q4 2016	122	66%	55	30%	9	5%	186
Q1 2017	141	74%	45	24%	5	3%	191
Q2 2017	175	71%	64	26%	6	2%	245
Q3 2017	178	75%	54	23%	5	2%	237
Q4 2017	138	70%	50	26%	8	4%	196

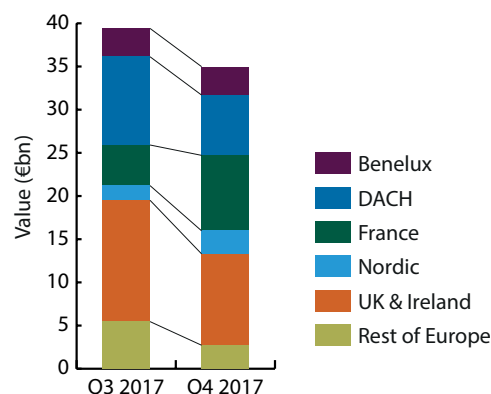
	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q3 2015	3.7	10%	15.8	45%	15.9	45%	35.4
Q4 2015	4.4	13%	18.4	55%	10.4	31%	33.1
Q1 2016	4.1	21%	13.3	67%	2.4	12%	19.9
Q2 2016	5.6	18%	14.5	45%	11.9	37%	32.0
Q3 2016	4.6	19%	16.8	71%	2.4	10%	23.8
Q4 2016	4.7	13%	16.0	43%	16.1	44%	36.9
Q1 2017	4.6	20%	10.9	46%	8.0	34%	23.6
Q2 2017	6.4	16%	20.7	50%	13.9	34%	41.0
Q3 2017	6.6	17%	18.3	47%	13.8	36%	38.8
Q4 2017	5.4	15%	11.8	34%	17.8	51%	35.0

Volume of European buyouts by region



Source: unquote® data

Value of European buyouts by region



Source: unquote® data

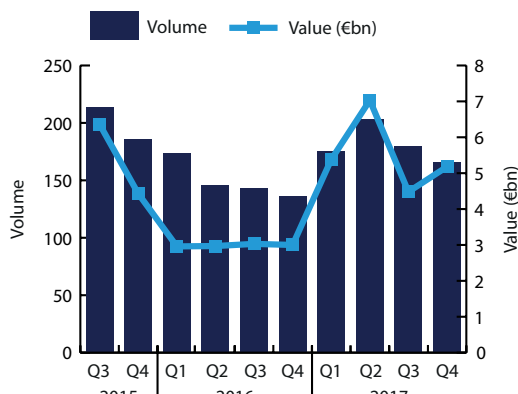
	Volume		Value (€m)	
	Q3 2017	Q4 2017	Q3 2017	Q4 2017
Benelux	31	16	3,279	3,318
DACH	35	44	10,223	6,946
France	55	49	4,066	8,744
Nordic	24	24	1,697	2,671
Rest Of Europe	38	22	5,457	2,719
UK	54	41	14,050	10,575
	237	196	38,771	34,973

Ten largest European private-equity-backed buyouts, Q4 2017

Deal name	Country	Value (€m)	Equity provider
Unilever Spreads	UK	6,800	KKR
Ceramtec	Germany	2,600	BC Partners
Sebia	France	2,000	Tethys Invest, CVC Capital Partners
TMF	Netherlands	1,750	CVC Capital Partners
Kiloutou	France	1,500	HLD Associés
Alloheim	Germany	1,100	Nordic Capital
Stark Group	Denmark	1,025	Lone Star Funds
Les Dérivés Résiniques et Terpéniques	France	1,000	Tikehau Investment Management, Ardian
Pure Gym	UK	682	Leonard Green & Partners
Trescal	France	670	Omers Private Equity

Growth capital

European growth capital deals



Source: unquote® data

	Volume	Value €bn
Q3 2015	214	6.4
Q4 2015	186	4.4
Q1 2016	174	3.0
Q2 2016	146	3.0
Q3 2016	143	3.0
Q4 2016	136	3.0
Q1 2017	175	5.4
Q2 2017	203	7.0
Q3 2017	180	4.5
Q4 2017	166	5.2
2015	881	18.2
2016	599	12.0
2017	724	22.1

Investments continued to cool in Q4 as Europe's growth capital market returned to moderate levels after a hot spell. There were 166 transactions in Q4, down 8% on the previous quarter and the lowest for a year.

Looking at the 10-quarter period, the fall marks a return to average levels after the first three quarters of the year posted strong results. Aggregate value, a more volatile figure, climbed 16% to €5.2bn.

A pension fund sealed the quarter's biggest deal. Canada Pension Plan Investment Board purchased a 30% stake in BGL Group, a UK distributor of insurance and household financial services, for £675m. However, the UK still saw a drop in overall growth capital investment, which fell to €2.5bn from €2.9bn. Investment value rose in the Nordics, Benelux, DACH and Rest of Europe.

The UK saw a decline in deal volume, as did France. Volumes rose in all other regions.

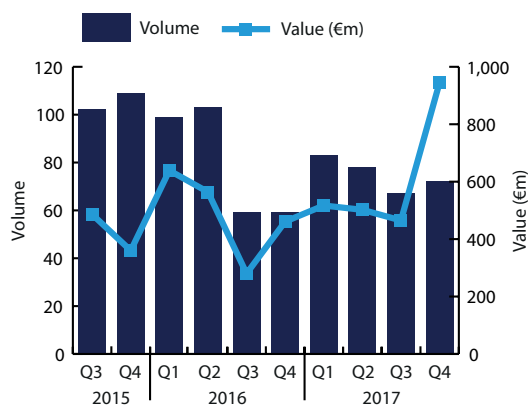
Despite losing some steam at the end, 2017 was a solid year for growth capital, with the number of investments rising 21% compared with the previous year to 724 and the total amount invested increasing 84% to €22.1bn.

Ten largest European private-equity-backed growth capital deals, Q4 2017

Deal name	Country	Value (€m)	Equity provider
BGL Group	UK	768	Canada Pension Plan Investment Board
Belron Group	Luxembourg	620	Clayton Dubilier & Rice
Hyperion	UK	338	Caisse de Depots du Placement de Quebec
TransferWise	UK	241	Andreessen Horowitz, Institutional Venture Partners, Sapphire Ventures
Radius Payments Solutions	UK	171	Inflexion Private Equity
OakNorth	UK	102	GIC SI
Avaloq	Switzerland	86	Warburg Pincus
Monzo	UK	81	Goodwater Capital, Passion Capital Investments, Thrive Capital
Ganni	Denmark	67	L Catterton
CloudSense	UK	67	Vector Capital

Early-stage

European early-stage deals



Source: unquote® data

	Volume	Value €m
Q3 2015	102	486
Q4 2015	109	360
Q1 2016	99	639
Q2 2016	103	564
Q3 2016	59	280
Q4 2016	59	461
Q1 2017	83	517
Q2 2017	78	502
Q3 2017	67	465
Q4 2017	72	945
2015	413	1,490
2016	320	1,943
2017	300	2,429

The total value of deals climbed rapidly in Q4 and deal volume edged up. There were €945m worth of investments, up 103% on the previous quarter and the biggest aggregate value over the 10-quarter period. The number of transactions rose 7% to 72, a two-quarter high.

The jump in value was due to a large amount of investment in DACH and the UK. Early-stage investments rose 97% on the quarter to €451m in DACH and increased 113% to €270m in the UK. Volumes were mostly steady. DACH deal value was boosted by the €170m funding round for Swiss oncology drug development company ADC, which was led by Auven Therapeutics. This was the biggest early-stage investment of Q4.

Over 2017 there were 300 deals, down from 320 in the previous year, while value increased to €2.4bn from €1.9bn. Compared with 2015 and early-2016, the early-stage segment of the market appears to have shifted to new normal of a smaller number of more expensive deals.

Ten largest European private-equity-backed early-stage deals, Q4 2017

Deal name	Country	Value (€m)	Equity provider
ADC Therapeutics	Switzerland	169	Auven Therapeutics, AdAstra
Orchard Therapeutics	UK	97	Agent Capital , Albion Ventures, Temasek Holding
Hookipa	Austria	50	BioMedPartners, Forbion Capital Partners, Sofinnova Partners
Immatics Biotechnologies	Germany	49	Wellington Partners
InflaRx	Germany	47	RA Capital, Bain Capital
Xeltis	Netherlands	45	Kurma Partners, Life Sciences Partners, Ysios Capital Partners
Graphcore	UK	43	Sequoia Capital
Nouscom	Switzerland	42	5am Ventures, Abingworth Management, Life Sciences Partners
Nested	UK	41	Global Founders Capital
Natural Cycles	Sweden	26	EQT Ventures, eVenture Capital Partners, Sunstone Capital

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