

Private equity barometer

Q4 2018 figures based on preliminary data from
Europe's specialist private equity information provider



2,230

Annual deal volume
hits all-time high

Key Findings

Overall European private equity

- Deal volume reached an all-time annual record of 2,230 in 2018.
- Deal value reached an 11-year high of €199bn.
- The final quarter was the weakest of the year with 497 transactions, down 12% on Q3.
- Value also had a slow end to the year at €30.5bn, the lowest since Q3 2016.

Buyouts

- Buyout volume declined slightly on the year, coming in at 981 compared with last year's 988.
- Value reached €173bn, its highest since 2007 and a rise of 16% on the previous year.
- Dealflow slumped at the end of the year with 221 deals in Q4, down 15% on Q3.
- Value was substantially lower in Q4 at €23.3bn, a 12-quarter low.
- Average buyout value took a tumble, dropping to a 24-quarter low of €105m.
- Small-caps (<€100m) and large-caps (€1bn+) slowed in Q4, while the mid-market was little changed.
- Small-cap volume dropped 20% to 157 and there were only two large-cap transactions, down from 12 in Q3.
- Breaking the data down by region, Benelux had a strong quarter with 31 deals, up from 20. Sharp falls in volume were seen in the Rest of Europe, UK and Nordic countries.
- Value fell in all regions.
- In terms of deal sourcing, the number of secondary buyouts returned to normal levels after a spike in Q2.
- The largest transaction was the secondary buyout of FNZ by Caisse de Dépôt et Placement du Québec and Generation Investment Management in a deal valuing the firm at £1.65bn.

Growth Capital

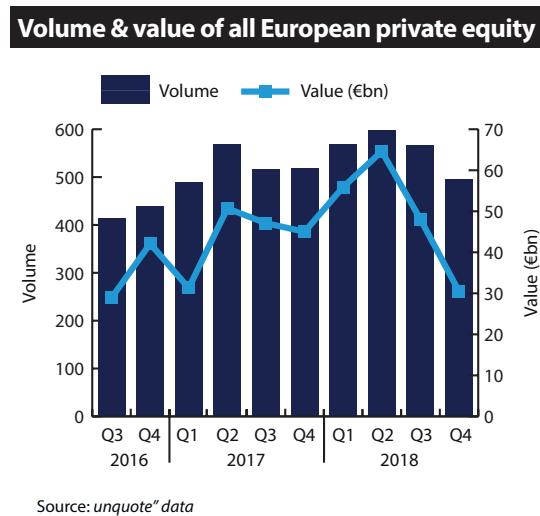
- The annual volume of growth capital deals was strong – there were 926 investments in 2018, a four-year high.
- The growth capital aggregate value was the highest on record at €22.5bn in 2018, beating 2017 value by just €1m.
- Expansion deals also had a robust quarter with 216 investments – a small decline on the previous quarter, but the fourth consecutive quarter in excess of 200.
- Value climbed on the quarter to €6.7bn, the most since Q2 2011.
- The largest transaction was GIC's investment in Nordic Aviation Capital, a Danish aircraft lessor backed by EQT.

Early-stage

- For the full year, value reached a new annual record of €3.29bn, while annual volume edged down to a 12-year low of 324.
- The market slowed in Q4 with volume dropping 28% to 59 and value falling 37% to €612m.
- Volume was the lowest since Q3 2006 and value the lowest since Q3 2017.
- The average equity ticket hit a new record of €9.1m.
- The largest early-stage investment was in Swiss drugs development startup Roivant Sciences. It raised \$200m from investors including NovaQuest Capital Management, RTW Investments and SoftBank Vision Fund.

European deal volume sets new annual record

Overall European private equity



	Volume	Value €bn
Q3 2016	414	28.9
Q4 2016	439	42.1
Q1 2017	489	31.3
Q2 2017	568	50.7
Q3 2017	516	47.1
Q4 2017	518	45.0
Q1 2018	569	55.9
Q2 2018	599	64.6
Q3 2018	566	48.1
Q4 2018	496	30.5
2016	1,797	135.1
2017	2,091	174.2
2018	2,230	199.2

Deal-making reached an all-time high in 2018 despite losing some momentum in the final quarter. Deal volume reached a record 2,230 for the year, and value rose to an 11-year high of €199bn.

A final quarter slowdown tempered the year's performance, with volume dropping 12% on the previous quarter to 497, making it the weakest quarter of the year. At €30.5bn, aggregate deal value was its lowest since Q3 2016.

The annual volume figure was boosted by a strong year for expansion deals. There were 926 growth capital investments over the year, a four-year high. The slowdown in the final quarter reflected a stumble in the buyout market – where volume dropped 15% to 221 – and in early-stage deals, which registered their lowest number since Q3 2006.

The value of early-stage deals did fall, but not by nearly as much. The average early-stage equity was €10.4m, the fourth highest on record.

Breaking buyouts down by region, the dip was led by the Rest of Europe (Greece, Ireland, Italy, Spain and Portugal), where deal numbers dropped to 27 from 48. It was accompanied by sharp falls in the UK, where volume dropped to 46 from 61; and the Nordic countries, where it declined to 28 from 37.

The fall in total value – enterprise value for buyouts, and equity tickets for expansion and early-stage deals – was due to buyout value falling to a 12-quarter low of €23.3bn. There were only two buyouts valued over €1bn in Q4 down from 12 in Q3. However, the high values seen in the other three quarters of the year were enough to drive annual value to its 11-year high.

Quarterly Focus

Large-caps pause for breath after barnstorming year

A robust spell of deal-making in the large-cap segment of the buyout market ended abruptly in the final quarter of 2018. There were 12 €1bn+ buyouts in Q1, a further 15 in Q2 – the second-highest number on record – and 12 in Q3. But in stark contrast, only two large-cap buyouts were completed in Q4. It is not a seasonal effect; over the past decade, Q4 has averaged as the second strongest quarter for buyout numbers.

Q4 saw the lowest number of large-cap buyouts in a quarter since Q3 2016, with the dip severely knocking the quarter's overall deal value. Large-caps were responsible for a €17.9bn fall in the quarter's aggregate deal value, accounting for virtually all the 37% drop from Q3. It also prevented annual large-cap volume from reaching a new record. The most €1bn+ buyouts recorded in a single year was in 2007 when 45 were completed, leaving 2018's figure just five deals shy of a new high.

Regionally, it was one large-cap each for the UK and France in Q4. The year as a whole painted a very different picture, with most regions doing well, and the top-end of the UK market clearly stuttering.

With the future of Brexit still uncertain, some GPs investing in the UK market say they are focusing on defensible sectors such as pharmaceuticals, healthcare, compliance services and other segments set to benefit from secular global trends, while avoiding anything with complicated cross-border supply chains.

The UK was the only region where annual buyout value declined, and quite a decline it saw, with a 31% drop to €29.1bn. While it had the same number of large-caps as 2017, they were collectively worth €10bn less. This compares with better fortunes elsewhere. France recorded its highest ever number of large-cap deals with 12, as did the Rest of Europe. There were six in Benelux, a decade-high.

A key difference in market dynamics when comparing the current market to the 2006-2007 market is the number of secondary deals. In 2007, the record year for large-cap buyouts, just 42% of those transactions were between private equity houses, and in 2006 the proportion was 40%. This compares with 66% last year and 72% in 2017.

Activity at the top of the market has also been boosted by non-traditional investors throwing their weight around with their own private equity operations. The Canadian pension funds Caisse de Dépôt et Placement du Québec, Canada Pension Plan Investment Board, Public Sector Pension Investment Board and Ontario Teachers' Pension Plan were all heavily involved, either as lead investors or co-investors, in at least seven of the year's large-cap transactions.

Buyouts

An end-of-year slowdown prevented the buyout market from setting another annual record in 2018. There were 981 buyouts, just shy of 2017's record-setting 988. The final quarter was the slowest of the year with 221 investments, down 15% on Q3.

Weak small-cap and large-cap dealflow were both evident in the final quarter, with small-cap volume dropping 20% to 157 and only two large-cap deals, down from 12. It was the lowest number of quarterly large-cap deals since Q3 2016.

Volume in the mid-market picked up to 62 from 53 and is sitting just above its average of 60 over the last 10 quarters.

The slowdown at the top end of the market knocked overall buyout value. The quarter's two large-cap buyouts were worth just €2.9bn, in sharp contrast to the previous quarter's €20.7bn. It was the lowest value since Q3 2016 for large-caps and took overall buyout value to €23.3bn, down from €42.1bn the previous quarter.

Regionally, there were declines in deal volume everywhere in Q4 except for Benelux, where buyout numbers climbed to 31 from 20. In contrast, it fell sharply in the Nordic countries, Rest of Europe and UK. Value also declined in most regions on the quarter, rising only in the UK.

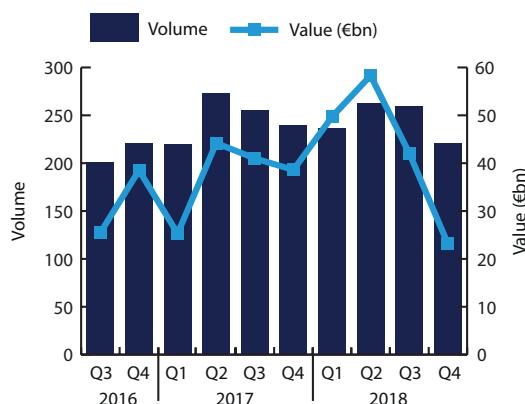
For the year, France achieved the highest overall buyout volume, usurping the UK for only the second time. There were 220 private equity buyouts of French companies, compared with 214 in the UK.

Breaking the data down by vendor type reveals the main categories of vendor maintained their shares in the quarter, with family and private vendors accounting for 58% of buyouts in Q4 and secondary deals accounting for 29%.

The largest buyout was Caisse de Dépôt et Placement du Québec and Generation Investment Management's acquisition of FNZ, a UK-based company that provides software to asset managers. It was bought from HIG Capital and General Atlantic.

The only other large-cap deal was the secondary buyout of Nemera, a drug-delivery systems manufacturer based in France. It was sold by Montagu Private Equity to Astorg.

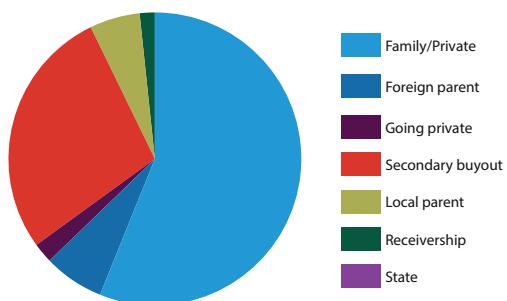
Volume & value of European buyouts

Source: *unquote* "data

	Volume	Value €bn
Q3 2016	201	25.5
Q4 2016	221	38.5
Q1 2017	220	25.3
Q2 2017	273	44.2
Q3 2017	255	41.0
Q4 2017	240	38.6
Q1 2018	237	49.7
Q2 2018	263	58.3
Q3 2018	260	42.1
Q4 2018	221	23.2
2016	822	120.8
2017	988	149.2
2018	981	173.4

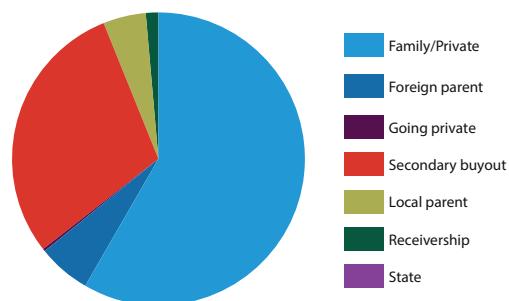
European buyouts by vendor type

Q3 2018

Source: *unquote* "data

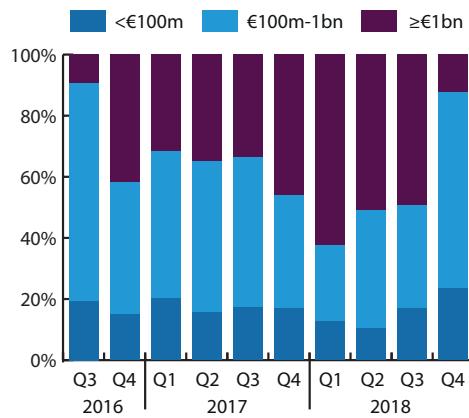
European buyouts by vendor type

Q4 2018

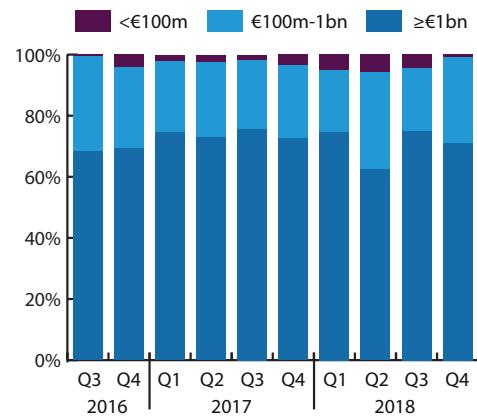
Source: *unquote* "data"

	Q3 2018	Q4 2018
Family/Private	145	129
Foreign parent	17	13
Going Private	5	1
Institutional Investor	75	65
Local Parent	14	10
Receivership	4	3
State	0	0

Volume of European buyouts by size range

Source: *unquote* data

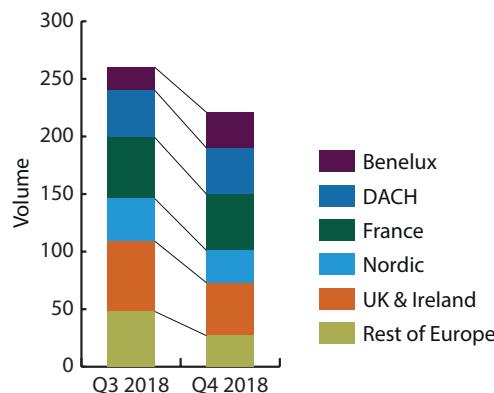
Value of European buyouts by size range

Source: *unquote* data

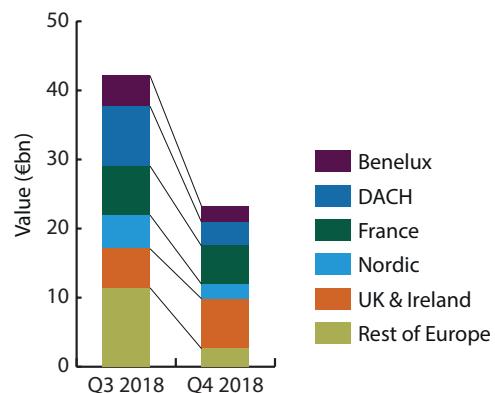
	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q3 2016	138	69%	62	31%	1	0%	201
Q4 2016	154	70%	58	26%	9	4%	221
Q1 2017	164	75%	51	23%	5	2%	220
Q2 2017	199	73%	67	25%	7	3%	273
Q3 2017	193	76%	57	22%	5	2%	255
Q4 2017	175	73%	57	24%	8	3%	240
Q1 2018	177	75%	48	20%	12	5%	237
Q2 2018	165	63%	83	32%	15	6%	263
Q3 2018	195	75%	53	20%	12	5%	260
Q4 2018	157	71%	62	28%	2	1%	221

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q3 2016	4.9	19%	18.1	71%	2.4	9%	25.5
Q4 2016	5.8	15%	16.6	43%	16.1	42%	38.5
Q1 2017	5.2	20%	12.1	48%	8.0	32%	25.3
Q2 2017	7.0	16%	21.8	49%	15.4	35%	44.2
Q3 2017	7.2	18%	20.0	49%	13.8	34%	41.0
Q4 2017	6.6	17%	14.3	37%	17.8	46%	38.6
Q1 2018	6.4	13%	12.3	25%	31.1	62%	49.7
Q2 2018	6.3	11%	22.3	38%	29.7	51%	58.3
Q3 2018	7.3	17%	14.1	34%	20.7	49%	42.1
Q4 2018	5.5	24%	14.8	64%	2.9	12%	23.2

Volume of European buyouts by region

Source: *unquote* data

Value of European buyouts by region

Source: *unquote* data

	Volume		Value (€m)	
	Q3 2018	Q4 2018	Q3 2018	Q4 2018
Benelux	20	31	4,397	2,311
DACH	41	40	8,660	3,373
France	53	49	7,111	5,593
Nordic	37	28	4,866	2,110
Rest Of Europe	48	27	11,434	2,614
UK	61	46	5,653	7,234
	260	221	42,121	23,235

Ten largest European private-equity-backed buyouts, Q4 2018

Deal name	Country	Value (€m)	Equity provider
FNZ	UK	1,854	Generation Investment Management, Caisse de dépôt et placement du Québec
Nemera	France	1,000	Astorg Partners
National Exhibition Centre Group	UK	n/d (€500m-1bn)	Blackstone Group
UEM/UEV/UEC/UEP/IPAM	Spain	770	Permira
Stella Group	France	600	PAI Partners
HB Education	UK	525	Midlothian Capital Partners
TES Global	UK	n/d (€500m-1bn)	Providence Equity Partners
EnerMech	UK	n/d (€100-500m)	Carlyle Group
UKFast	UK	457	Inflexion
Neopharmed Gentili	Italy	n/d (€100-500m)	Ardian

Growth capital

European growth capital deals



	Volume	Value €bn
Q3 2016	148	3.1
Q4 2016	149	3.2
Q1 2017	183	5.5
Q2 2017	211	6.0
Q3 2017	189	5.6
Q4 2017	193	5.4
Q1 2018	236	5.4
Q2 2018	249	5.4
Q3 2018	224	5.0
Q4 2018	216	6.6
2016	627	12.3
2017	776	22.5
2018	925	22.4

The number of growth capital investments reached a four-year high in 2018. There were 926 investments, up 19% on 2017.

Volume also had a robust final quarter with 216 investments. While it was a small decline on the previous quarter, it is the fourth consecutive quarter where deal volume has exceeded 200.

The amount of capital invested spiked on the quarter, rising 32% to €6.6bn, its highest since Q2 2011. This lifted the average equity ticket for the quarter to €30.8m, the largest since Q2 2008. The jump in value breaks the recent trend in growth capital value, which has tended to be flat over the last two years.

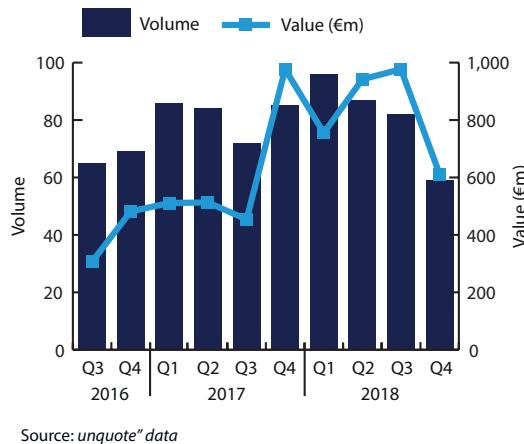
The largest growth capital investment was GIC's purchase of a minority stake in Nordic Aviation Capital, a Danish aircraft lessor. Nordic Aviation Capital is also backed by EQT, which remains the largest shareholder.

Ten largest European private-equity-backed growth capital deals, Q4 2018

Deal name	Country	Value (€m)	Equity provider
Nordic Aviation Capital	Denmark	n/d (€1bn+)	Government of Singapore Investment Corp
Wittur Group	Germany	n/d (€500m-1bn)	PSP Investments
DKV Mobility Services	Germany	n/d (€500m-1bn)	CVC Capital Partners
Premiership Rugby	UK	n/d (€500m-1bn)	CVC Capital Partners
Biogroup LCD	France	180	Caisse de dépôt et placement du Québec
Graphcore	UK	177	Sofina France, Atomico Ventures, Draper Esprit
Italmatch Chemicals	Italy	n/d (€100-500m)	Bain Capital
Breitling	Switzerland	n/d (€100-500m)	CVC Capital Partners
Onepoint	France	160	Metric Capital Partners
GreenYellow	France	150	BPI France, Tikehau Capital

Early-stage

European early-stage deals



	Volume	Value €m
Q3 2016	65	307
Q4 2016	69	482
Q1 2017	86	511
Q2 2017	84	513
Q3 2017	72	454
Q4 2017	85	977
Q1 2018	96	755
Q2 2018	87	942
Q3 2018	82	977
Q4 2018	59	612
2016	348	2,050
2017	327	2,455
2018	324	3,286

The early-stage market slowed sharply in the final quarter of the year with drops in both volume and value. However, the average equity ticket for the quarter was one of the highest on record.

There were 59 investments, down 28% on the quarter and the lowest-volume quarter for well over a decade. The amount of capital invested fell 37% to its lowest since Q3 2017.

Despite the market slowdown, the average equity ticket was the fourth highest on record, a consistent theme of recent times with the top three quarters for average equity value on record all appearing within the last five quarters.

The annual figure was slightly below 2017's at 324 and is the fourth consecutive annual decline in early-stage transaction volume. In contrast, the amount of capital invested in the sector over the year reached a record-high of €3.3bn.

Swiss drugs development startup Roivant Sciences was the recipient of the largest early-stage investment of Q4. It raised \$200m from NovaQuest Capital Management, RTW Investments and SoftBank Vision Fund.

Ten largest European private-equity-backed early-stage deals, Q4 2018

Deal name	Country	Value (€m)	Equity provider
Rovant Sciences	Switzerland	177	RTW Investments, SoftBank Capital , NovaQuest
Galecto Biotech	Denmark	79	Ysios Capital Partners, OrbiMed
Camel-IDS	Belgium	37	BioMedPartners, Gimv, V-Bio Ventures
Owlstone Medical	UK	30	Horizons Ventures
Sitryx Therapeutics	UK	26	Longwood Fund, Sofinnova Partners, SV Health Investors
Synthace	UK	23	SOSV, Luminous Ventures, Horizons Ventures
Dott	Netherlands	20	Naspers, DN Capital, EQT Ventures
Omeicos Therapeutics	Germany	17	KfW Bankengruppe, High-Tech Gründerfonds, Forbion Capital Partners
Pitch	Germany	16	Index Ventures
Stillatechologies	France	16	Illumina Ventures, LBO France, Kurma Partners

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