



Private Equity_____

BAROMETER

Q3 2016

Figures based on preliminary quarterly data from
Europe's specialist private equity information provider.

Key Findings

Overall European private equity

- As is typically the case during the summer holiday period in Europe, the number of European private-equity-backed deals declined, down 15.1% to 309 transactions in the third quarter of 2016 from the 364 transactions seen in the previous three months.
- Combined deal value also decreased, by 23.5%.
- The average deal value in the third quarter (€80m) was 9.9% lower than that of the second quarter (€88.8m).
- Overall, the year to Q3 2016 witnessed total deal value decrease by 21.2%, while total volume slipped by 22.4%. As a result, average deal value increased marginally by 1.6%.

Buyouts

- The aggregate value of buyouts in the year to Q3 2016 (€99.2bn), was down 20.9% on the previous 12 months, while the number of deals (590) represented a nominal 0.2% rise.
- Deal numbers decreased to 144 in the third quarter, a drop of 16 from the 160 deals completed in the second quarter.
- Aggregated value also decreased, down 26.1% to €21.7bn from the previous quarter's total of €29.4bn.
- A slowdown of dealflow in the small-cap (sub-€100m) and large-cap (€1bn+) ranges was responsible for the decrease in the total number of buyouts in the third quarter.
- The small-cap range shrank relative to the second quarter, decreasing from 104 to 91 transactions; value dropped from €4.5bn to €3.6bn.
- The core mid-market segment (€100m-1bn) increased by 13%, from 46 to 52 deals; value increased by 20.4% from €13bn to €15.6bn.
- The large-cap range declined from 10 transactions to just one deal; value declined from €11.9bn to €2.4bn.
- France and the "rest of Europe" categories were the only regions to record a rise in deal numbers in Q3 – up 6.9% in France (from 29 to 31 deals) and by 27.3% in the rest of Europe (from 22 to 28 deals).
- Total deal value declined everywhere except the Benelux region; here the value of buyouts in the Netherlands improved by 83%, ensuring that the region's total value also rose (+83.8%).
- France was home to the largest transaction of the quarter – Advent International and BPI France's acquisition of Safran's subsidiary, Safran Identity and Security, for an estimated €2.42bn.
- In terms of the source of buyouts, only family or private owners witnessed an uptick in quarterly volume, rising from 75 to 81 deals (+8%).

Growth Capital

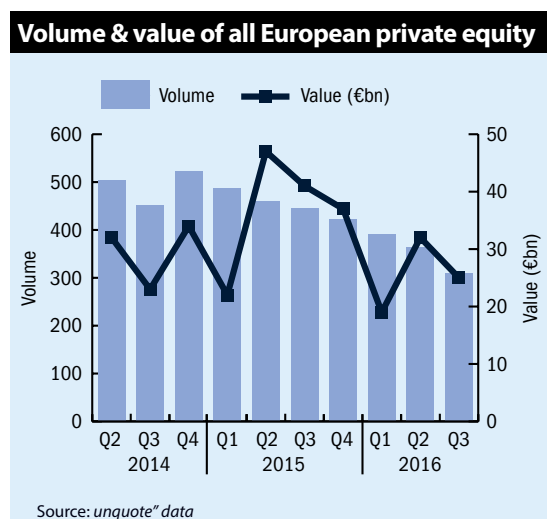
- In volume terms, the growth capital sector registered a marginal drop of 1.6% – from 126 transactions in the second quarter, to 124 in the third quarter.
- The total quarterly value of deals recorded an improvement, increasing by 13.9% from €2.5bn to €2.8bn.
- The total value of deals during the year to Q3 2016 fell short of the previous 12-month period by 26.9%, down to €12.1bn from €16.6bn. Aggregate deal volume (590 transactions) fell short by 36.1%.
- France noted the largest increase in quarterly volume and value, up 10 transactions or €321.5m.
- France was home to the largest deal of the quarter: French womenswear brand Camaïeu reached an agreement with its main lenders Ardian and Centerbridge to convert half of its €1bn debt into equity.

Early-stage

- The three months to September saw the early-stage market decline, with the total number of deals sliding from 78 to 41 deals.
- Aggregate value was down 56.6% from €512.4m to €222.5m.
- In contrast to the growth capital segment, France was largely responsible for the decline in total volume and value, recording the largest decrease in quarterly volume and value (down 10 transactions amounting to €110.4m).
- France was responsible for 27% of the decline in overall deal volume and 38.1% of deal value.
- The UK was home to the largest deal of the quarter: Imperial Innovations and SV Life Sciences took part in a £25m series-A funding round to support the spinout of Artios Pharma from Cancer Research UK.

Core mid-market buyouts return to growth

Overall European private equity



	Volume	Value €bn
Q2 2014	505	32.00
Q3 2014	451	22.60
Q4 2014	524	33.64
Q1 2015	488	22.24
Q2 2015	460	46.65
Q3 2015	445	40.88
Q4 2015	423	36.64
Q1 2016	392	19.35
Q2 2016	364	32.34
Q3 2016	309	24.72
2014	1,929	107.95
2015	1,816	146.41
2016	1,065	76.41

European private equity has witnessed a decline in Q3 dealflow during 16 of the last 17 years. The summer holiday period, extending from July to September, is traditionally a low point for the industry and preliminary deal data for the three months to September 2016 also presents a quiet picture. Following a low-key second quarter, activity levels for the third quarter remained suppressed with a total of 309 transactions or 55 fewer than the previous period. These deals represent the lowest total over the last 11 years (since Q4 2005) and mark the seventh consecutive quarterly decline.

A deeper look into the statistics reveals that the decline was attributable to all three types of deals. Coming off the back of growth in the second quarter, buyout activity slipped to a one-year low of 144 transactions (down 16 deals, or 10%), while aggregate buyout value declined to €21.7bn (down €7.7bn, or 26.1%). However, behind the headlines figures, the analysis shows an improvement in one important sense, with a welcome return to growth in the core mid-market segment (€100m-1bn). Deal activity in the segment touched a five-quarter high after noting a rise of six transactions, up from 46 to 52 deals (+13%). The recovery in the core mid-market segment helped partially alleviate the impact of the decline witnessed at opposite ends of the size spectrum: the <€100m segment decreased by 13 deals, while €1bn+ deals fell by nine transactions.

And while it is true that substantial movements in aggregated value invariably make headlines, it is the fortunes of the mid-market range that will be relevant to most observers. Perhaps reflecting the confidence that is returning to the buyout market, the segment reported the second consecutive quarterly improvement in deal value, up 20.4% from €13bn to €15.6bn. On the other hand, while small-caps did drop 18.5% or €823.4m, it was the large-caps segment that was largely responsible for dragging down the quarterly value overall. The €1bn+ segment declined by 79.7% or €9.5bn.

Interestingly, buyout activity received a boost from rising activity levels in Spain, where investor sentiment seemed to suffer from the protracted political uncertainty as a result of the country's general elections. The southern European country outpaced all other countries in terms of absolute increase in volume terms, rising from seven to 11 buyouts. On the other hand, the single largest contributor to the decline in aggregate deal volume was by far Sweden. The Nordic country reported a decrease of 15 deals, from 17 to two (-88.2%). This perhaps reflects high entry prices as the decline coincided with an exceptionally buoyant exit environment – exit volume more than doubled from nine to 19 transactions.

Quarterly Focus

Spain defies traditional summer slowdown

The Spanish private equity industry outpaced all other countries in terms of absolute increase in volume terms, rising by four deals and establishing a 57.1% improvement over the previous quarter. Having recorded the highest quarterly deal volume since Q4 2007, Spain's deal activity shows that investors remain optimistic about the country's future prospects.

This is particularly impressive for two reasons. First, these gains arrived against the gloomy backdrop of protracted political uncertainty. On the domestic side, the uncertainty was the result of the recent general elections, first in December 2015 and subsequently in June 2016; while on the international side, the Brexit referendum in June and the upcoming US general election gave investors jitters. Second, this growth came despite the summer slowdown that is usually witnessed during the third quarter of the year.

Analysing the data by sectors we find that healthcare buyouts accounted for more than a third of the buyouts in Spain, closely followed by the consumer sector in second place. More specifically, the healthcare equipment & services sub-sector and the pharmaceuticals & biotechnology sub-sector received the most attention.

Interestingly, family or privately owned vendors accounted for all 11 buyouts in Spain. This stands in contrast to the previous two quarters, when dealflow was split almost evenly between family or privately owned vendors and other vendor types.

In terms of deal size, a majority (63.6%) of Spanish buyouts were within the small-cap category, while the remainder were all in the mid-market. The largest buyout in the region was Apax Partners' acquisition of Barcelona-based pharma company Invent Farma for €220m. As part of the deal, Apax acquired its stake from a syndicate of existing shareholders, including the company's chair Friðrik Steinn Kristjánsson, and Horn II, a private equity fund managed by investment company Landsbref.

Despite the typical summer drop-off in overall activity, the third quarter of 2016 saw the European mid-market as a whole also build on previous gains. As mentioned previously, the segment recorded 52 buyouts, representing a five-quarter high (+13%). Here, France stole the spotlight, home to 13 such buyouts. The UK came in at a close second with 10 buyouts within the mid-market segment. The consumer sector was the busiest within both these regions, accounting for nearly half of these buyouts.

Buyouts

Following a rise during the previous quarter, the buyout segment witnessed a slowdown in Q3, with the number of deals recorded dropping to 144 transactions (-10%), continuing the see-saw trend that has persisted over the 10-quarter period. As a result, the third quarter total remains 6.7% above the time period's nadir of 135 buyouts (Q1 2015) and 11.1% below the 10-quarter peak of 160 deals (Q2 2016).

In a similar vein, the value trend also declined during the three months to September, with the Q3 total of €21.7bn down 26.1% from the €29.4bn recorded in the preceding period. Value totals had steadily fallen from the impressive 10-quarter high of €42.6bn reported in Q2 2015 to €16.3bn in Q1 2016 (-61.7 %) before recovering approximately half of that lost ground in Q2 2016. However, a decline in Q3 2016 meant buyout volume receded to the fourth lowest quarterly total during the 10-quarter period.

On a 12-month basis, deal volume remained stable – the 590 buyouts completed during the year to Q3 2016 as a whole mark a marginal rise of one deal over the previous 12 months. On the other hand, total value was down 20.9% to €99.2bn.

Mid-market buyouts saw a rise of 13% in volume terms and 20.4% in value terms in Q3. At the lower end of the scale, the small-cap range registered 91 deals (worth €3.6bn), 13 less than the previous quarter and the lowest quarterly figure during the last 12 months. Still, repeated fluctuation in overall value figures during the past 12 months is predominately the result of inconsistent dealflow at the top end of the market. The large-cap segment recorded 10 deals in the second quarter and accounted for €11.9bn of the overall total, 10 times the volume and nearly five times the value registered during the latest quarter. The buyouts transacted in the small-cap, mid-market and large-cap ranges accounted for 64.1%, 32.9%, and 3.1% (respectively) of the overall total during the 12 months to the end of Q3 2016.

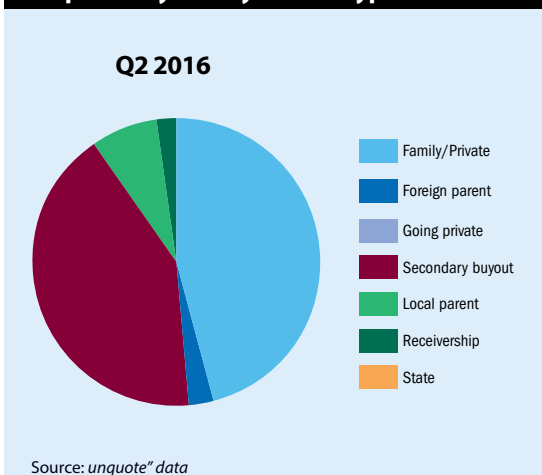
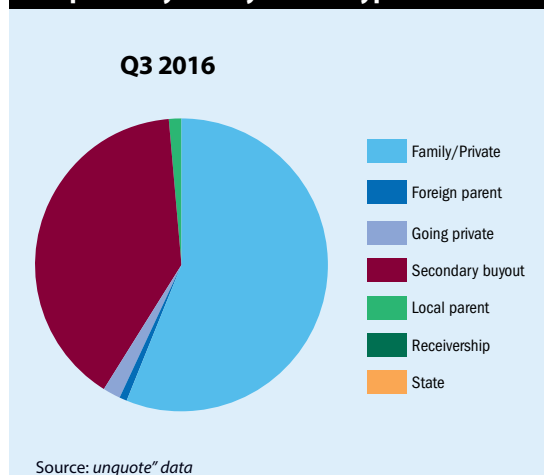
Regionally, only four of the 17 countries reported declines in quarterly volume: Switzerland was down four deals, the UK was down six deals, and the Netherlands slipped by nine. However, it was the 15-deal decline reported in Sweden that accounted for the lion's share of the decrease in overall volume. The Nordic country was home to just two deals – the lowest quarterly total since the third quarter of 1997.

On the other hand, Norway and Spain were the brightest spots during the third quarter of 2016. Norway rose to a seven-quarter high of five deals, while Spain was home to 11 buyouts – a 10-quarter high. The UK retained its place as the region with the highest dealflow after reporting 35 deals; France came in at a close second with 31 buyouts. However, France was the largest region in value terms (€5.4bn), while Germany ended up in second place (€4.1bn).

Family and private vendors continued to dominate deal sources as they traditionally do. The segment witnessed a healthy rise in dealflow from 75 to 81 buyouts (+8%) in Q3, representing over half (56.3%) of the activity total. Secondary buyouts noted a decrease with 57 transactions (-10.9%). On the other hand, only one transaction was categorised under the "foreign parent" segment (-83.3%)

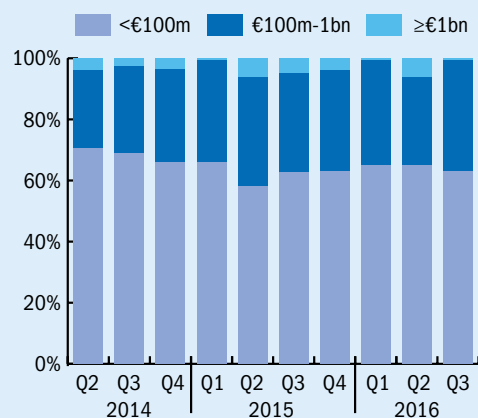
Volume & value of European buyouts

	Volume	Value €bn
Q2 2014	158	27.75
Q3 2014	148	19.83
Q4 2014	162	30.08
Q1 2015	135	18.19
Q2 2015	149	42.70
Q3 2015	143	34.40
Q4 2015	149	31.81
Q1 2016	137	16.34
Q2 2016	160	29.37
Q3 2016	144	21.70
2014	593	93.29
2015	576	127.10
2016	441	67.41

European buyouts by vendor type**European buyouts by vendor type**

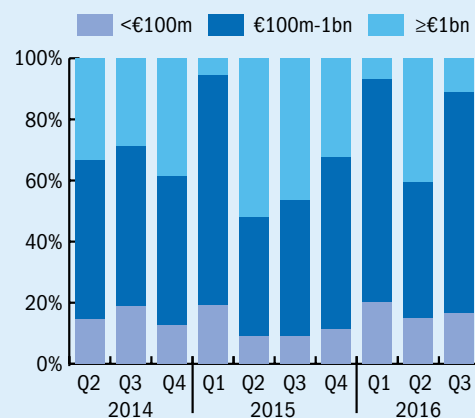
	Q2 2016	Q3 2016
Family/Private	75	81
Foreign parent	6	1
Going Private	0	3
Institutional Investor	64	57
Local Parent	12	2
Receivership	3	0
State	0	0

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range

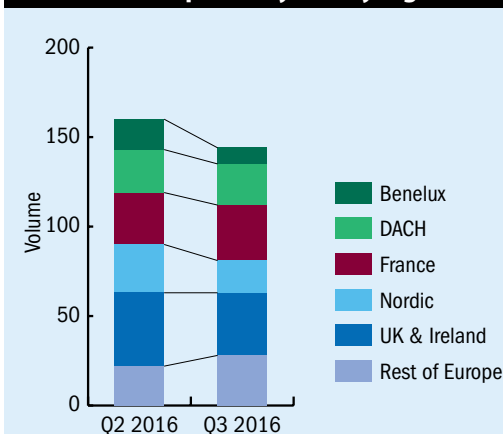


Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q2 2014	112	71%	40	25%	6	4%	158
Q3 2014	102	69%	42	28%	4	3%	148
Q4 2014	107	66%	49	30%	6	4%	162
Q1 2015	89	66%	45	33%	1	1%	135
Q2 2015	87	58%	53	36%	9	6%	149
Q3 2015	90	63%	46	32%	7	5%	143
Q4 2015	94	63%	49	33%	6	4%	149
Q1 2016	89	65%	47	34%	1	1%	137
Q2 2016	104	65%	46	29%	10	6%	160
Q3 2016	91	63%	52	36%	1	1%	144

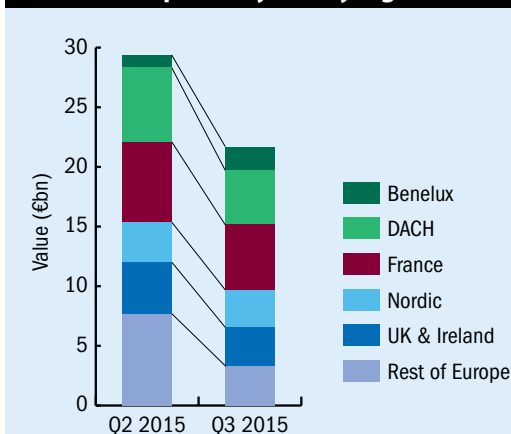
	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q2 2014	4.06	15%	14.43	52%	9.27	33%	27.75
Q3 2014	3.75	19%	10.35	52%	5.72	29%	19.83
Q4 2014	3.87	13%	14.62	49%	11.60	39%	30.08
Q1 2015	3.54	19%	13.66	75%	1.00	5%	18.19
Q2 2015	3.91	9%	16.59	39%	22.20	52%	42.70
Q3 2015	3.18	9%	15.30	44%	15.92	46%	34.40
Q4 2015	3.64	11%	17.82	56%	10.36	33%	31.81
Q1 2016	3.34	20%	11.89	73%	1.10	7%	16.34
Q2 2016	4.46	15%	13.00	44%	11.91	41%	29.37
Q3 2016	3.64	17%	15.65	72%	2.42	11%	21.70

Volume of European buyouts by region



Source: unquote® data

Value of European buyouts by region



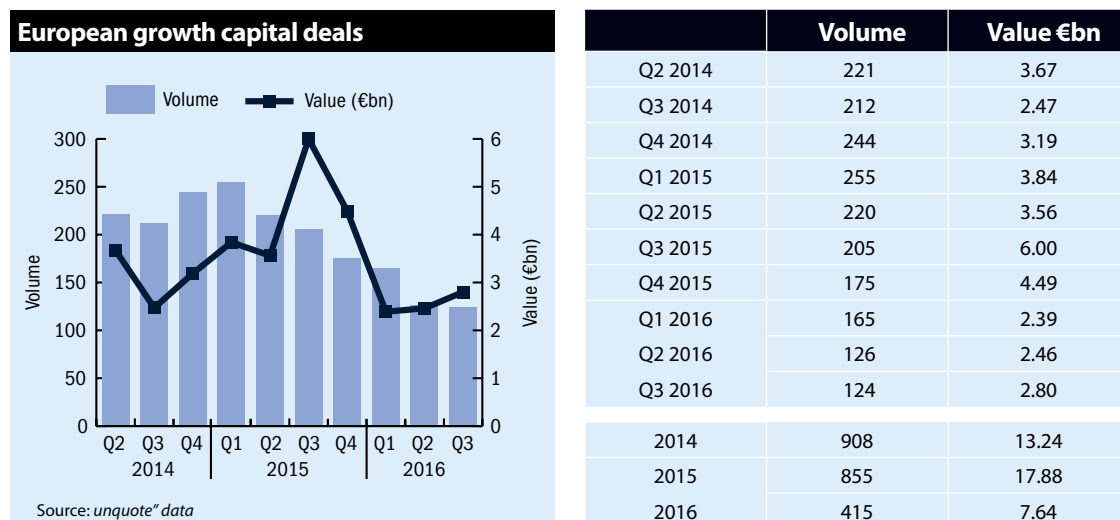
Source: unquote® data

	Volume		Value (€m)	
	Q2 2016	Q3 2016	Q2 2016	Q3 2016
Benelux	17	9	1,083	1,991
DACH	24	23	6,207	4,570
France	29	31	6,728	5,445
Nordic	27	18	3,370	3,143
Rest Of Europe	22	28	7,686	3,270
UK	41	35	4,297	3,283
	160	144	29,370	21,703

Ten largest European private-equity-backed buyouts, Q3 2016

Deal name	Country	Value (€m)	Equity provider
Safran Identity and Security	France	2,420	Advent International, BPI France
Polyconcept	Netherlands	878 (est)	Charlesbank Capital Partners
Danmarks Skibskredit	Denmark	634	Axcel
Roompot Recreatie Beheer	Netherlands	600 (est)	PAI Partners
BUT	France	525 (est)	Clayton Dubilier & Rice
Visma BPO	Norway	431 (est)	HgCapital
Plantasjen Group	Norway	312	Ratos Holding
Powe flute	Finland	310	Madison Dearborn Partners
Isabel Marant	France	300 (est)	Montefiore Investment
Invent Farma	Spain	220	Apax Partners

Growth capital



In tandem with trends witnessed in the buyout segment, the growth capital market also recorded a dip in the third quarter (-1.6%). The 124 expansion transactions represent the sixth consecutive decrease in total quarterly deal volume since Q1 2015 when a 10-quarter high of 255 deals were recorded. In other words, aggregate volume has slipped 51.4% over the last one and a half years. In the calendar year to date, 2016 is 39% down on last year, with 415 deals completed over the first nine months.

Aggregated investment value improved in Q3, rising from €2.5bn to €2.8bn (+13.9%), representing the highest of the last three quarters. The year to Q3 2016 finished some 26.9% short in value terms and 36.1% down in volume terms after registering 590 transactions worth €12.1bn.

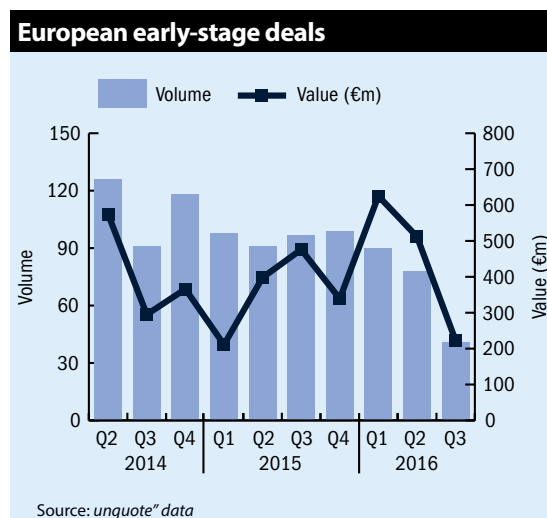
Mirroring the regional pattern in the buyout space, the UK market was the most active in volume terms in the third quarter having been home to 37 transactions worth €650.3m. It remains 19.4% greater than its nearest rival (France, 31 deals). In terms of value, however, it was edged out by France which was home to transactions worth €1.2bn. Still, the UK represented a substantial portion of the market both in volume and value terms – 29.8% and 23.2%, respectively.

Also strong were the Spanish and Italian markets with 13 deals worth €208.8m and seven deals worth €175.3m, respectively. But the largest transaction of the quarter was completed in France, when womenswear brand Camaïeu reached an agreement with its main lenders Ardian and Centerbridge to convert half of its €1bn debt into equity.

Ten largest European private equity-backed growth capital deals, Q3 2016

Deal name	Country	Value (€m)	Equity provider
Camaïeu	France	500	Centerbridge Partners, Ardian
OVH	France	250	Towerbrook Capital, Kohlberg Kravis Roberts & Co
Deliveroo	UK	246.2	General Catalyst Partners, Greenoaks Capital, Digital Sky Technologies <i>et al.</i>
Darktrace	UK	58.5	Kohlberg Kravis Roberts & Co, Summit Partners, TenEleven Ventures <i>et al.</i>
Valorem	France	57	3i Infrastructure Partners
Linkbynet	France	50	Keensight Capital
Brillen.de	Germany	45	Technology Crossover Ventures
Spineart	Switzerland	30	GIMV
Nuxeo	France	26.9	Kennet Partners, Goldman Sachs Capital Partners
Notonthehighstreet.com	UK	24.9	Eight Roads Venture, Industry Ventures, Index Ventures

Early-stage



	Volume	Value €m
Q2 2014	126	574
Q3 2014	91	295
Q4 2014	118	366
Q1 2015	98	211
Q2 2015	91	398
Q3 2015	97	476
Q4 2015	99	339
Q1 2016	90	625
Q2 2016	78	512
Q3 2016	41	223
2014	428	1,421
2015	385	1,424
2016	209	1,360

The European venture capital segment added to the sombreness of the wider private equity market. Early-stage activity recorded a fall from the 78 deals in Q2 2016 to 41 in Q3 2016, marking the lowest quarterly total over the last 10 quarters. As a result, the 308 deals during the year to Q3 2016 was 23.8% down on the 404 deals for the preceding 12 months.

Value was also down on the second quarter by 56.6%, with collective investment of €222.5m in the three months to September. From a 12-month perspective, the early-stage segment recorded a decrease in volume terms and an increase in value terms. The 308 deals worth €1.7bn represent a 23.8% decline in volume and a 17.1% rise in value when compared to the previous year to Q3 2015.

Germany topped the table in terms of dealflow on a regional basis, having been home to 16 deals worth €74.2m in Q3 2016. Not only did the UK come in second with 10 deals worth €61.2m, it was also home to the largest transaction of the quarter – Imperial Innovations and SV Life Sciences took part in a £25m series-A funding round to support the spinout of Artios Pharma from Cancer Research UK.

Ten largest European private equity-backed early-stage deals, Q3 2016

Deal name	Country	Value (€m)	Equity provider
Artios Pharma	UK	29.4	Merck Serono, AbbVie Ventures, Imperial Innovations
FinanceFox	Switzerland	25.1	Horizons Ventures, Target Global
Immunic	Germany	17.5	Bayern Kapital, LifeCare Partners, Life Sciences Partners
Vivasure Medical	Ireland	16.2	Evonik Venture Capital, Panakès Partners, Life Science Partners <i>et al.</i>
Rigontec	Germany	15	Boehringer Ingelheim, Forbion Capital Partners, High-Tech Gründerfonds <i>et al.</i>
Clark	Germany	13.2	Finleap, Yabeo Capital, TA Venture <i>et al.</i>
Eve	UK	8.3	Octopus Ventures, DN Capital
Exporo	Germany	8.2	BPO France, Sunstone Capital, Holtzbrinck Ventures, eVenture Capital Partners (BV Capital)
Fluidic Analytics	UK	6.2	Cambridge Enterprise Seed Fund, Amadeus Capital Partners, IQ Capital <i>et al.</i>
Kry	Sweden	6.1	Project A Ventures, Creandum, Index Ventures

SL Capital Partners

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