



Private Equity\_\_\_\_\_

# BAROMETER

Q4 2016

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

## Key Findings

### Overall European private equity

- The combined value of European private-equity-backed deals increased by 47% in Q4 to €39.1bn.
- The overall volume declined by 8% in the same period, falling to 323 from 352 transactions in Q3.
- The average deal value in the fourth quarter (€121m) was 60% higher than in the third quarter (€75.4m).
- Annual deal volume fell to 1,495 in 2016, a fall of 20.1% compared with 2015, while total value slipped to €123bn from €143bn, a drop of 14%.
- Average deal value was €82.2m in 2016, a 7.2% climb on 2015's €76.7m.

### Buyouts

- The value of buyouts jumped 54% in Q4 from €23.4bn to €36.1bn.
- The number of deals decreased to 172 in Q4, down 6 from Q3's 178.
- Overall, the aggregate volume of deals in 2016 (702) rose 14%, though value was down 10.8% on 2015 at €110.2bn.
- The slowdown in dealflow from Q3 to Q4 was largely due to fewer deals in the small-cap (<€100m) and mid-market (€100m-1bn) ranges, though the large-cap segment (€1bn+) recorded a rise.
- The number of small-cap deals fell from 120 to 111 transactions, while value dropped from €4.42bn to €4.38bn.
- Volume in the core mid-market bracket decreased by 8.8% from 57 to 52 deals; value fell by 6.8% from €16.6bn to €15.4bn.
- The large-cap range climbed to 9 deals from 1, and value rose from €2.4bn to €16.2bn
- Only the Nordic and DACH regions recorded a rise in deal numbers in Q4 – up from 19 to 24 for the Nordic countries and from 22 to 28 in DACH.
- Total deal value rose in the DACH (€4.7bn to €11.3bn), Nordic (€3.15bn to €3.17bn), Rest of Europe (€3.3bn to €5.5bn) and UK (€3.6 to €9.2bn) regions.
- The biggest deal was Amundi's purchase of Italian asset management platform Pioneer Investments from Unicredit.
- In terms of the source of buyouts, foreign parents (3 to 9), local parents (4 to 10), receiverships (0 to 1) and institutional investors (62 to 63) all increased.

## Growth Capital

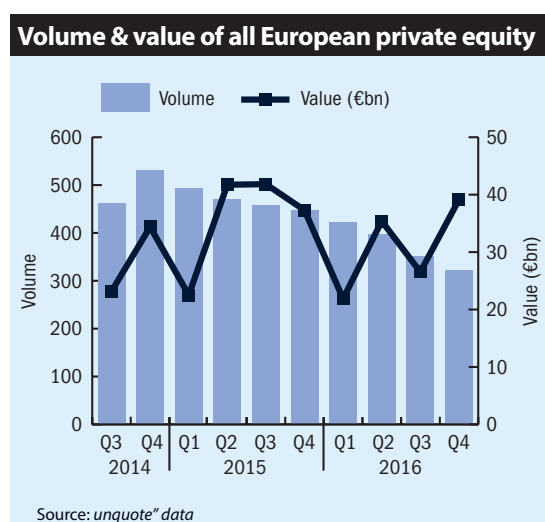
- In volume terms, the growth capital sector registered a drop of 12.1% in Q4 compared with Q3, with the volume of transactions falling from 132 to 116.
- The total quarterly value of deals fell more modestly (6.9%) from €2.9bn to €2.7bn.
- The total volume of deals during 2016 dropped to 546 from 867 the year before while deal value slipped to €11bn from €18.3bn.
- Deal volume increased in the Benelux (4 to 8) and Nordic (8 to 12) regions from Q3 to Q4, declining everywhere else.
- The biggest deal was the €450m investment in German company United Internet by Warburg Pincus.

## Early-stage

- The aggregate value of early-stage deals climbed 46% to €329m in Q4 from €255m.
- In the same period, deal volume dropped from 42 to 35.
- Compared with 2015, the 2016 deal volume was down to 247 from 388, while deal value increased to €1.7bn from €1.43bn.
- 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 or €110.4m).
- The sharpest declines in deal numbers were in the UK (11 to 5) and Rest of Europe (9 to 5), while the biggest contributor to the rise in deal value was the DACH region where value rose from €104m to €145m.
- The biggest deal was the €90m investment in Irish biotechnology firm Carrick Therapeutics by Arch Venture Partners.

## Large-cap deals return to boost Q4 values

### Overall European private equity



	Volume	Value €bn
Q3 2014	462	23.18
Q4 2014	531	34.38
Q1 2015	494	22.51
Q2 2015	471	41.73
Q3 2015	458	41.83
Q4 2015	447	37.30
Q1 2016	422	21.87
Q2 2016	398	35.40
Q3 2016	352	26.54
Q4 2016	323	39.10
2014	1,973	112.75
2015	1,870	143.36
2016	1,495	122.91

A strong rise in deal values helped to bolster the European private equity market against a further weakening in deal volume. The total value of deals reached €39bn in Q4, up 47% on Q3 and the highest quarterly value since Q3 2015. Yet deal volume continued its decline, falling from 352 to 323 and marking the weakest quarter since 2005. It was also the eighth consecutive quarterly decline.

Deal volumes fell across all three deal groups, the data reveals, while deal values were boosted by a big quarter for buyouts deals, especially large-cap deals. The value of buyouts increased to €36bn in Q4, an increase of €12.6bn on Q3 and the strongest quarter since Q2 2015. Growth capital deal value fell from €2.9bn in Q3 to €2.7bn in Q4 after volume dropped from 132 to 116. Meanwhile, venture capital deal value rose from €225m to €329m despite the number of deals falling from 42 to 35.

It was strong quarter for large-cap buyouts, which are typically volatile on a quarterly basis, with nine completed over the three months following just one such deal in Q3. Buyout numbers fell in the small-cap (<€100m) and core mid-market (€100m-€1bn) from 120 to 111 for small-cap and 57 to 52 for mid-cap deals, although current volumes remain slightly above the average over the past 10 quarters.

The rebound in large-cap buyouts provided a substantial lift to deal values. The aggregate large-cap deal value for Q4 climbed to €16.2bn from €2.4bn. Deal values at the other end of the market declined, but only by a small amount. The total core-market deal value declined 6.8% from Q3 to Q4, but remains above its average over the last 10 quarters and is higher than the values for Q1 and Q2 2016. Small-cap deal value fell 1% to €4.4bn, the lowest since Q1 2016.

Regionally, buyout figures were boosted by a flurry of transactions in the DACH region, of which there were 39 in Q4 compared with 24 in Q3. The majority of those deals were in Germany, where transactions increased from 20 to 36 and deal value more than doubled to €9.7bn. The UK also lifted total deal value despite a fall in volume. Total deal value for the UK hit €9.2bn, the strongest quarter this year.

## Quarterly Focus

### Germany and Sweden prop up buyout market in Q4

After a slow start, the buyout market machine picked up steam during 2016, fuelled by strong appetite from cash-rich sponsors. And, although the market cooled from the Q2 peak, all four quarters of 2016 compared favourably with the numbers posted in the previous two years. It is interesting to note, though, that while the 172 buyout deals recorded in the final three months of the year is the third highest in the 10-quarter sample, a closer look at dealflow at a regional/national level reveals that the market was effectively propped up by exceptionally strong levels of activity in Germany and a solid performance in Sweden during the period. No other single country saw any growth in numbers between Q3 and Q4.

In the case of Germany, 36 buyouts were recorded in Q4 – not far from double the figure seen in any one quarter since before 2014. The country was also home to five of the largest 10 transactions with a disclosed value, sending the aggregate value of the market to just below €10bn or around 2.5x the average for the previous eight quarters. The acquisitions of Atotech by The Carlyle Group, Xella International by Lonestar, and Acetow by Blackstone all fell into the €1bn+ bracket and contributed more than €6bn to the total between them.

Sweden also saw a healthy rebound in the number of deals announced in Q4, though in this instance it is more a case of dealflow returning to relatively normal levels after a particularly quiet third quarter. In value terms, there were no especially large deals in Sweden either, with most of the activity sitting in the lower and core mid-cap brackets. Only KKR's acquisition of mattress and bed manufacturer Hilding Anders is believed to have exceeded €500m in value. The rest of the Nordic region saw a net fall of six deals in the quarter, while the other northern European markets were relatively flat.

The drivers behind the strength of the German market in particular, and northern European markets generally, are unclear. These regions are well served by local and international investors, have significant dry powder available for deployment and have a good supply of leveraged finance in a low interest rate environment. But the situation is not dissimilar in other regions. One possible explanation is that sponsors – especially the larger-cap international players – may see Germany and to a lesser degree Sweden and the rest of Scandinavia as something of a safe harbour while the choppy waters of Brexit negotiations are being navigated. But again, if this were the case, one would expect the UK market to have gone into reverse, and although there was some decline, deal volume and value remained reasonably healthy in the period. It could also be something as simple as GPs looking to close out larger transactions before the end of the calendar year; after all, Q4 often provides a spike in deal activity.

## Buyouts

Despite a slowdown in deal volume in the buyout sector in Q4, value as a whole increased dramatically on the back of a steep rebound in large-cap (€1bn+) transactions. Deal volume slowed for the second consecutive quarter during the period, edging down to 172 from 178. However, despite this decline, volume remain well above the 10-quarter low of 140 seen in Q1 2015. It is also only 16 deals below the 10-quarter peak of 188 reached in 2016 Q2.

There was a rise in the number of large-cap deals from one to nine but this figure is historically volatile. The more stable core mid-market (€100m-1bn) slowed in terms of deal volume to 52 from 57, though again the figure remains slightly above its 10-quarter average.

Aggregate deal value recovered on the back of the large-cap activity, climbing to €36bn from €23bn. It marks the strongest quarter since Q2 2015 (€43bn), with the total large-cap deal value rising from €2.4bn to €16bn. Large-cap deals made up 5% of deal volume but contributed 45% of deal value in Q4.

Total deal value in the core mid-market dipped to €15.4bn from €16.6bn, but remains 3.8% above its 10-quarter average. It is also 46% above its 10-quarter low of €10.6bn and 14% below its 10-quarter peak of €17.9bn.

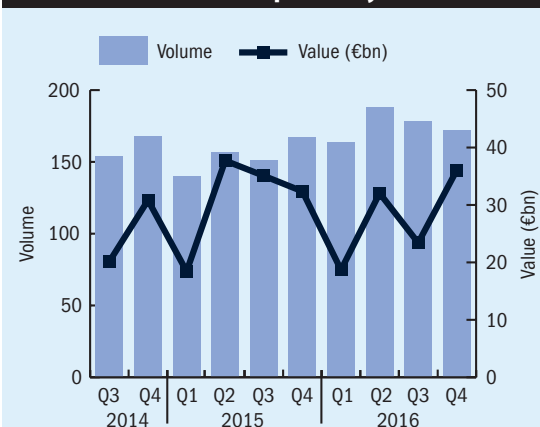
There were 111 small-cap deals in Q4, down from 120 in Q3. Small-cap aggregate deal value also edged down to €4.38bn from €4.42bn, the lowest since Q1 2016.

The annual trend differed from the quarterly changes as buyout volume rose and deal value cooled. Buyout volume hit 702 in 2016, a 14% rise on 2015. Volumes were stronger across all three deal ranges with core mid-market deals climbing to 208 from 195 and small-cap deals to 472 from 398. However, the total value of completed deals dropped 11% to €110bn. The total value of large-cap and core mid-market deals declined while small-cap deal value increased 18% to €18.2bn. The majority of the fall in deal value from 2015 to 2016 can be attributed to the volatile large-cap buyout number, dropping aggregate value from €44.1bn to €33bn.

Regionally, deal volume rose in only two areas between Q3 and Q4. The number of DACH deals rose to 39 – a quarterly record – from 24, while Nordic deals rose to 24 from 19. The sharpest drops were in France, where the number of deals fell to 36 from 43, and in the Rest of Europe category, where the number of deals dipped by 13 to 20.

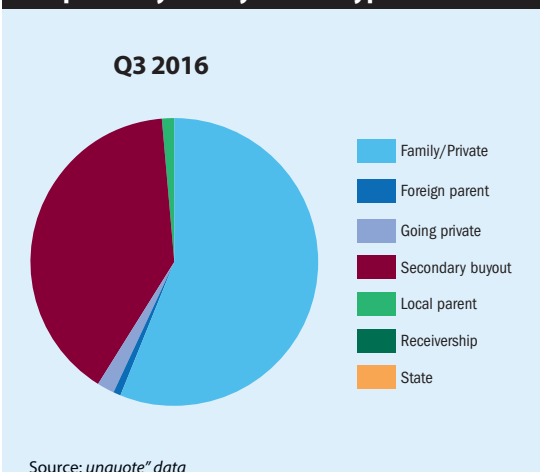
By country, the highest number of deals was in the UK, despite falling to 41 from 43. However, it was narrowly surpassed by Germany in terms of value with UK deal value rising to €9.2bn and German deal value reaching €9.7bn. While German deals made up five of the top 10 in Q4, the biggest deal was Amundi's purchase of Italian asset management platform Pioneer Investments from Unicredit.

Family and private vendors continued to lead deal sources as they traditionally do. The segment recorded 87 deals in Q4, marking a fall of 19 compared with Q3. The number of secondary buyouts rose from 62 to 63. Meanwhile, there were nine buyouts from foreign parent companies (an increase of six) and 10 from local parent companies (also an increase of six).

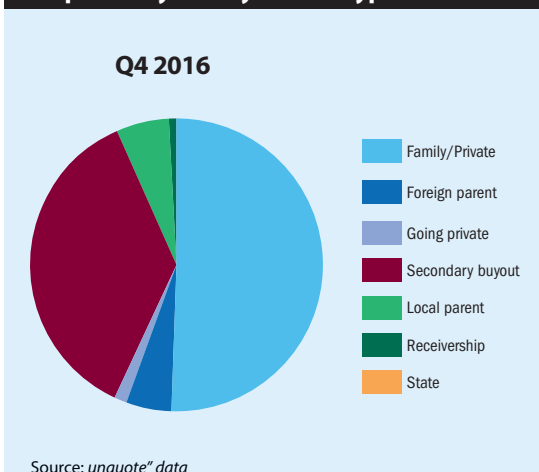
**Volume & value of European buyouts**

Source: unquote™ data

	Volume	Value €bn
Q3 2014	154	20.17
Q4 2014	168	30.82
Q1 2015	140	18.44
Q2 2015	157	37.72
Q3 2015	151	35.07
Q4 2015	167	32.37
Q1 2016	164	18.70
Q2 2016	188	32.04
Q3 2016	178	23.41
Q4 2016	172	36.07
2014	627	97.38
2015	615	123.60
2016	702	110.22

**European buyouts by vendor type**

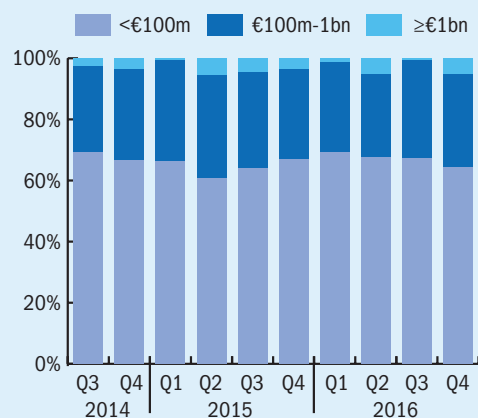
Source: unquote™ data

**European buyouts by vendor type**

Source: unquote™ data

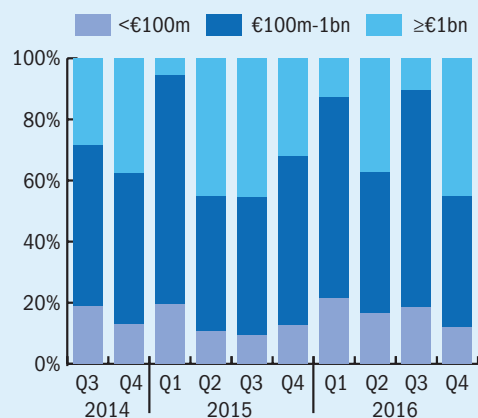
	Q3 2016	Q4 2016
Family/Private	106	87
Foreign parent	3	9
Going Private	3	2
Institutional Investor	62	63
Local Parent	4	10
Receivership	0	1
State	0	0

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range



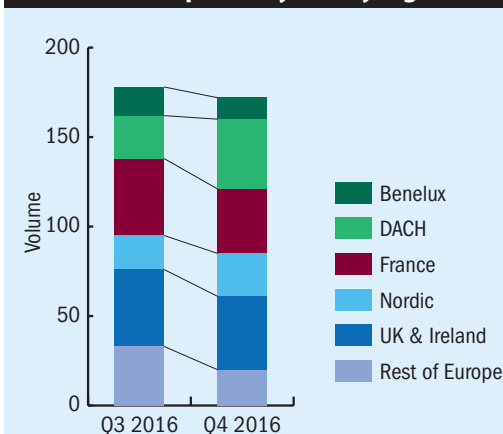
Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q3 2014	107	69%	43	28%	4	3%	154
Q4 2014	112	67%	50	30%	6	4%	168
Q1 2015	93	66%	46	33%	1	1%	140
Q2 2015	96	61%	53	34%	8	5%	158
Q3 2015	97	64%	47	31%	7	5%	151
Q4 2015	112	67%	49	29%	6	4%	167
Q1 2016	114	70%	48	29%	2	1%	164
Q2 2016	127	68%	51	27%	10	5%	188
Q3 2016	120	67%	57	32%	1	1%	178
Q4 2016	111	65%	52	30%	9	5%	172

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q3 2014	3.88	19%	10.56	52%	5.72	52%	20.17
Q4 2014	4.01	13%	15.21	49%	11.60	49%	30.82
Q1 2015	3.65	20%	13.80	75%	1.00	75%	18.44
Q2 2015	4.27	11%	16.59	44%	16.85	45%	37.72
Q3 2015	3.40	10%	15.75	45%	15.92	45%	35.07
Q4 2015	4.14	13%	17.88	55%	10.36	55%	32.37
Q1 2016	4.06	22%	12.24	65%	2.40	65%	18.70
Q2 2016	5.39	17%	14.74	46%	11.91	46%	32.04
Q3 2016	4.42	19%	16.58	71%	2.42	71%	23.41
Q4 2016	4.38	12%	15.45	43%	16.25	43%	36.07

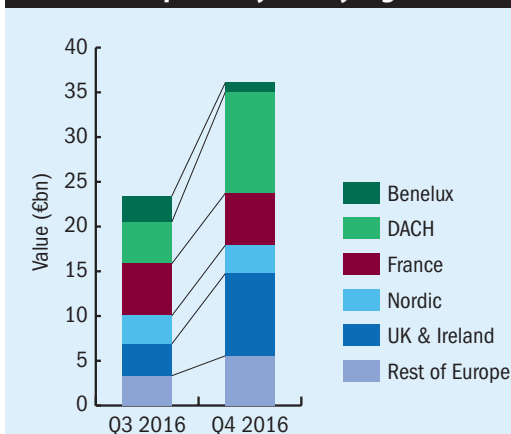


Volume of European buyouts by region



Source: unquote® data

Value of European buyouts by region



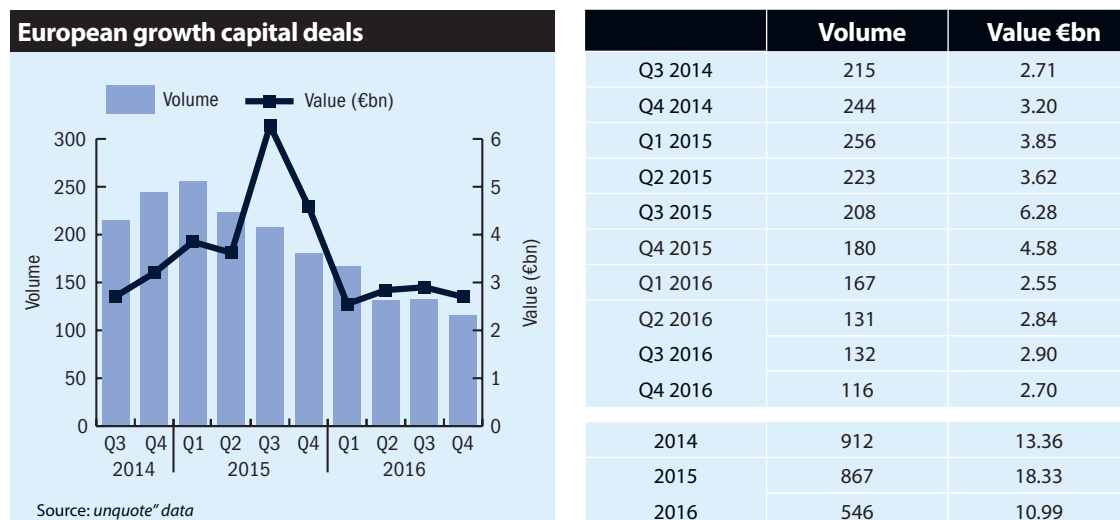
Source: unquote® data

	Volume		Value (€m)	
	Q3 2016	Q4 2016	Q3 2016	Q4 2016
Benelux	16	12	2,884	1,037
DACH	24	39	4,667	11,317
France	43	36	5,821	5,809
Nordic	19	24	3,153	3,171
Rest Of Europe	33	20	3,332	5,549
UK	43	41	3,555	9,185
	178	172	23,413	36,069

## Ten largest European private-equity-backed buyouts, Q4 2016

Deal name	Country	Value (€m)	Equity provider
Pioneer Investments	Italy	3,545	Amundi Private Equity
Atotech	Germany	2,854	Carlyle Group
Xella International GmbH	Germany	2,200 (est)	Lone Star Funds
Parkdean Resorts	United Kingdom	1,584	Onex Partners
NewDay	United Kingdom	1,157 (est)	CVC Capital Partners, Cinven
Acetow	Germany	1,000	Blackstone Capital Partners
SLV Group	Germany	800	Ardian
Schustermann & Borenstein	Germany	700	Permira
Unither	France	675	Ardian
Invent Farma	Spain	220	Apax Partners

## Growth capital



The growth capital market cooled off in terms of both deal volume and total deal value in Q4. There were 116 deals over the quarter, down 12% from Q3 and marking the lowest number of deals in a single quarter since Q4 2005. While the total value of deals also dropped, the figure was more robust than volume and was only the lowest since Q1 2016. Aggregate deal value decreased 6.9% to €2.7bn.

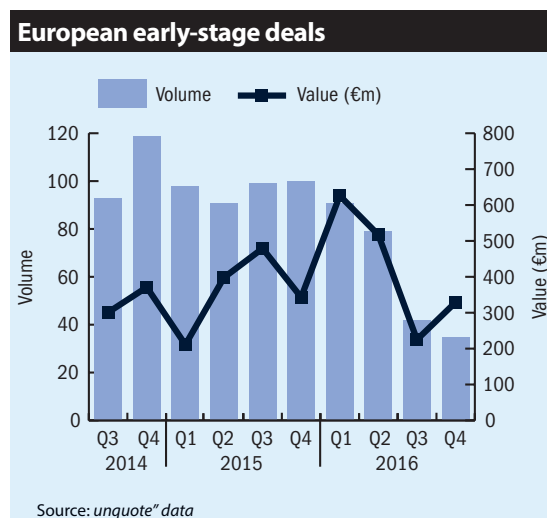
Comparing 2016 with 2015, the trends were in the same direction. The number of deals dropped 37% to 546 and the total value of deals fell 40% to €11bn. It marked the slowest year in deal volume since 2005, though total deal value was only at a three-year low.

Over the quarter, Germany, Spain and the UK were the biggest contributors to the downward trend, with German deals falling from 21 to 15, Spanish deals from 13 to 6 and UK deals from 42 to 36. While deal volume in the UK fell, it remained the location with the highest number of deals, edging past France's 30 transactions. Despite deal volume slowing in Germany and the UK, together they made up four of the top 10 growth capital deals. The biggest deal was the €450m investment in German company United Internet by Warburg Pincus.

## Ten largest European private equity-backed growth capital deals, Q4 2016

Deal name	Country	Value (€m)	Equity provider
United Internet	Germany	450	Warburg Pincus
Sigfox	France	150	iXO Private Equity, Intel Capital, BPI France <i>et al.</i>
Devialet	France	100	CM-CIC Investissement SCR, BPI France, Ginko Ventures
ADC Therapeutics	Switzerland	94	Auven Therapeutics
GoEuro	Germany	62	Silver Lake Partners, Kleiner Perkins Caufield & Byers
Arc	France	50	The Russian Direct Investment Fund, CDC International Capital
Gymbox	United Kingdom	45	Business Growth Fund
BoneSupport AB	Sweden	34	Third Swedish Pension Fund, Lundbeckfond Ventures, Industrifonden <i>et al.</i>
Nutmeg	United Kingdom	33	Pentech Ventures, Armada Partners
smava	Germany	30	Earlybird Venture Capital GmbH & Co, Verdane Capital Partners, Runa Capital

## Early-stage



	Volume	Value €m
Q3 2014	93	301
Q4 2014	119	371
Q1 2015	98	211
Q2 2015	91	398
Q3 2015	99	479
Q4 2015	100	343
Q1 2016	91	626
Q2 2016	79	517
Q3 2016	42	225
Q4 2016	35	329
2014	434	1,438
2015	388	1,430
2016	247	1,697

Along with buyouts, the European venture capital market dealflow slowed in volume terms but saw total deal value pick up. The number of deals dropped to 35 in Q4 from 42 in Q3. It marked a fourth consecutive month of decline for early-stage deal volume, which was the lowest since Q4 2005 and 59% below its 10-quarter average. Despite sluggish volume, total deal value climbed 46% to €329m. It marked a swift rebound after more than halving from Q2 to Q3 and hitting a 6-quarter low.

The trend was similar for 2016 as a whole with deal volume struggling and value climbing. Total deal volume declined 36% to 247 while aggregate value rose 19% to €1.7bn.

Values were strong in Germany and Ireland over the quarter rising from €74.2m to €136.6m in Germany and €16.2m to €90.3m in Ireland. The average value of UK deals fell to €7.3m, the lowest quarterly average for the UK since 1994. German deals made up five of the top 10 while the biggest deal was the €90m investment in Irish biotechnology firm Carrick Therapeutics by Arch Venture Partners.

## Ten largest European private equity-backed early-stage deals, Q4 2016

Deal name	Country	Value (€m)	Equity provider
Carrick Therapeutics	Ireland	90	Lightstone Ventures, Google Venture, Arch Venture Partners <i>et al.</i>
iOmx	Germany	40	MPM Capital, Wellington Partners , Sofinnova Partners <i>et al.</i>
OxThera AB	Sweden	32	Sunstone Capital, Ysios Capital Partners, Life Sciences Partners <i>et al.</i>
Smartfrog	Germany	20	Target Global, eVenture Capital Partners
Clue	Germany	19	Nokia Growth Partners, Mosaic Ventures, Union Square Capital
CorWave	France	16	BPI France, Sofinnova Partners, Ysios Capital Partners <i>et al.</i>
Ynsect	France	14	BPI France, Demeter Partners, Emertec <i>et al.</i>
Lilium Aviation	Germany	10	Atomico Ventures
Promethera Biosciences	Belgium	10	La SRIW, Vesalius BioCapital, Mitsubishi UFJ Capital <i>et al.</i>
Dubsmash	Germany	9	Index Ventures, Balderton Capital, Sunstone Capital <i>et al.</i>

# SL Capital Partners

In partnership with  
**Standard Life**  
**Investments**