



Private Equity_____

BAROMETER

Q2 2016

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

Key Findings

Overall European private equity

- The number of European private-equity-backed deals declined by 8% in the second quarter of 2016, from 381 transactions in Q1 to 350.
- Combined deal value improved in the second quarter, rising by 66%.
- The average deal value in the second quarter (€86.1m) was 81% higher than that of the first quarter (€47.6m).
- Overall, the year to Q2 2016 witnessed a shift towards larger deals; total deal value increased by 2%, while total volume slipped by 17%. As a result, average deal value increased by 23%.

Buyouts

- The aggregate value of buyouts in the year to Q2 2016 (€107.4bn), was down a nominal 0.2% on the previous 12 months, while the number of deals (560) represented a 4% decline.
- Deal numbers increased to 148 in the second quarter, a rise of 15 from the 133 deals completed in the first quarter, and registered the highest total seen over the last six quarters.
- Aggregated value increased markedly, rising by 80% from the previous quarter's total of €15.2bn, to €27.3bn.
- An abundance of dealflow in the small-cap (sub-€100m) and large-cap (€1bn+) ranges was responsible for the increase in the total number of buyouts in the second quarter.
- The small-cap range improved relative to the first quarter, increasing from 88 to 97 transactions; value rose by 25% from €3.3bn to €4.2bn.
- The core mid-market segment decreased by 7%, from 44 to 41 deals; though value increased by 3% from €10.8bn to €11.1bn.
- The large-cap range rose to 10 transactions in Q2, up from just one in Q1; value rose from €1.1bn to €12bn.
- France was the only region to record a decline in deal numbers in Q2 – down a third from 39 deals in Q1 to 26. Total deal value improved everywhere except the Benelux region; here the value of buyouts in the Netherlands dropped by €679m, resulting in the region's total value declining by half.
- France was home to the largest transaction of the quarter – Bridgepoint and Eurazeo sold all their shares in French real estate group Foncia to Partners Group in a deal valued at €1.8bn.
- In terms of the source of buyouts, family or private owners saw one of the most significant upticks in quarterly volume, rising from 57 to 68 deals, while the other source to improve considerably was institutional investors, climbing to 62 deals from 54.

Growth Capital

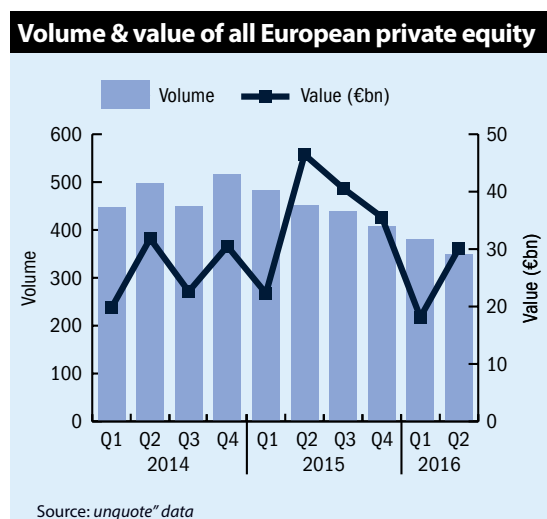
- In volume terms, the growth capital sector registered a sizable drop of 24% – from 162 transactions in the first quarter, to 124 in the second.
- The total quarterly value of deals remained relatively stable, decreasing only marginally by 0.2% from €2.326bn to €2.321bn.
- The total value of deals during the year to Q2 2016 exceeded the previous 12-month period by 17%, up from €12.9bn to €15.1bn. Aggregate deal volume (662 transactions) fell short by 28%.
- The UK noted the largest decreases in quarterly volume and value, down 16 transactions or €349.1m.
- Spain was home to the largest increase in quarterly volume (up seven transactions), while France registered the largest increase in quarterly value (up €414m).
- France was home to the largest deal of the quarter, when Ardian and Crédit Agricole Assurances acquired Vinci's remaining 25% stake in parking operator Indigo for an estimated €575m.

Early-stage

- The three months to June saw the early-stage market decline, with the total number of deals sliding from 86 to 78 deals.
- Aggregate quarterly value was down 16% from €611.3m to €512.4m.
- The UK was largely responsible for the decline in total volume and value, after recording the largest decrease in quarterly volume and value (down 25 transactions or €43m).
- Had it not been for the slowdown in the UK, the early-stage market in Europe would have seen an improvement of 17 deals, or €15.9m.
- Switzerland was home to the largest deal of the quarter – G-Therapeutics secured a €36m series-A round from Gimv, Life Sciences Partners, Inkef Capital and Wellington Partners.

European buyouts return to growth

Overall European private equity



	Volume	Value €bn
Q1 2014	447	19.79
Q2 2014	497	31.83
Q3 2014	450	22.62
Q4 2014	516	30.50
Q1 2015	484	22.30
Q2 2015	452	46.44
Q3 2015	439	40.60
Q4 2015	409	35.58
Q1 2016	381	18.14
Q2 2016	350	30.14
2014	1,910	104.74
2015	1,784	144.92
2016	731	48.28

At first glance, preliminary deal data for European private equity in the three months to June 2016 presents a continuing picture of decline. Following a low-key first quarter, activity levels for the three months to June remained suppressed with a total of 350 transactions or 31 fewer than the previous period. Moreover, these deals represent the lowest total over the last 26 quarters (since Q4 2009) and mark the sixth consecutive quarterly decline.

However, behind the European headline figures, the statistics show an improvement in one important sense, with a welcome return to growth in buyout dealflow. Coming off the back of a slowdown in the first quarter, buyout activity surged to a six-quarter high of 148 transactions (up 15 deals or 11%), while aggregate buyout value rose to €27.3bn (up €12.1bn or 80%). Further analysis reveals the recovery in the buyout segment was driven by dealflow at opposite ends of the size spectrum (the <€100m and €1bn+ categories); both size segments improved by nine transactions each.

Of particular note is the substantial improvement witnessed in the large-cap segment. Not only did the number of deals in the size category improve from one deal in Q1 to 10 deals in Q2, the segment also accounted for the vast majority of the value uplift. With a quarter-on-quarter rise of more than €10.9bn, large-caps helped ensure that the aggregate value of European private equity transactions increased by €2.6bn in Q2 2016.

And while it is true that substantial movements in aggregated value invariably make headlines, it is the fortunes of the mid-market range (€100m-1bn) that will be relevant to most observers. Although the category noted a decline of three transactions, total value improved by €364.5m or 3%. That all three size segments registered increases in value terms surely also reflects the confidence that is returning to the buyout market.

Interestingly, buyout activity received a major boost from rising activity levels in the UK, where investor sentiment must have been affected by the EU referendum. In the event, the referendum may itself have acted as a deadline for deals to be completed, as the UK outpaced all other regions in volume terms, rising from 27 to 39 buyouts. That increase of 12 deals outdid the rest of Europe combined, which grew by only three deals quarter-on-quarter.

Quarterly Focus

Small-cap deals flourish amid Brexit uncertainty

Across Europe, all eyes focused on the UK as the country went to the polls towards the end of the second quarter of 2016 to determine its future in or out of the European Union. In the event, the historic victory by the Brexit camp has brought with it plenty of uncertainty and it is clear that investors are concerned about the UK's future trading relationship with the EU. While private equity tends to thrive on change, it remains to be seen how the UK's departure from the EU will impact the regional industry.

In the wake of the referendum, however, *unquote* data reveals an interesting trend that emerged during the first six months of the year: although UK private equity investors shied away from mid-market and large-cap deals – perhaps choosing to be cautious and wait for greater clarity on the issue of Brexit – small-cap deals flourished.

The UK was home to a total of 66 buyouts worth €6.9bn during the first half of 2016, marking a decline of 7% in volume terms and 58% in value terms as compared to the previous half-year. A deeper look into the data reveals the source of this decline – mid-market and large-cap deals. Combined, these deals dropped from 29 transactions worth €15bn in H2 2015 to 17 worth €4.9bn in H1 2016. In other words, volume declined by 41% while value dropped 67%. On the other hand, small-caps improved from 42 deals worth €1.6bn to 49 deals worth €2bn, representing a rise of 17% and 25% in volume and value terms respectively.

The bias towards smaller deals prior to the referendum is perhaps not so surprising, given that the companies involved are usually less exposed to international markets and are by their very nature less dependent on European or global issues. On the other hand, larger deals are traditionally thought to be more affected by global macroeconomic factors and international political events such as the Brexit vote.

Analysing the data by sectors we find that regardless of size, consumer deals in the UK have declined across the board. This is understandable as consumer demand is expected to weaken if Britain falls into a prolonged period of instability. Consumer deals declined by 33.3% from 30 deals in H2 2015 to 20 deals in H1 2016. On the other hand, a majority of the improvement in the number of deals in the small-cap segment can be traced to the industrials segment.

The medium-to-long-term implications of Brexit remain very much unknown and, given the usual summer slowdown in activity, perhaps we will have to wait until Q4 for an accurate picture to develop. Either way, European investors are likely to continue to proceed with caution until the full implications of the referendum become clear.

Buyouts

After recording consecutive declines over the last three quarters, the buyout segment finally witnessed a resurgent Q2, with the number of deals recorded rising to 148 transactions (+11%). Indeed, the second quarter total remains just 6% below the 10-quarter peak of 157 buyouts in Q4 2014. The 560 buyouts completed over the year to Q2 2016 as a whole marks a decline of 4% over the previous 12 months.

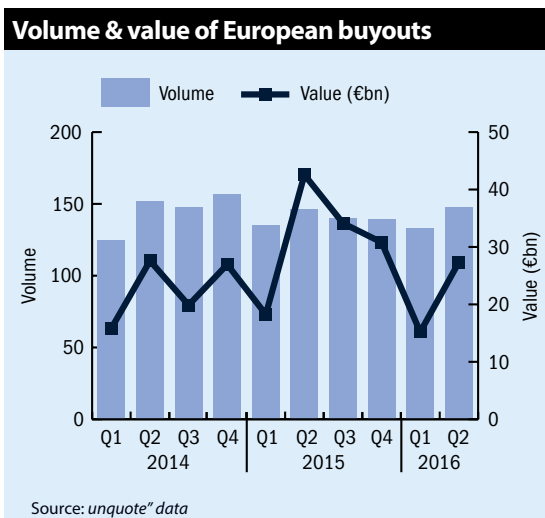
In a similar vein, the value trend also revived during the three months to June, with the Q2 total of €27.3bn up 80% on the €15.2bn recorded in the preceding period. Value totals had steadily fallen by 64% from the impressive 10-quarter high of €42.6bn reported in Q2 2015 to €15.2bn in Q1 2016. Total value for the year to Q2 2016 was down marginally (-0.2%) at €107.4bn.

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 €12bn of the overall total, 10 times the volume and nearly 11 times the value registered during the previous quarter.

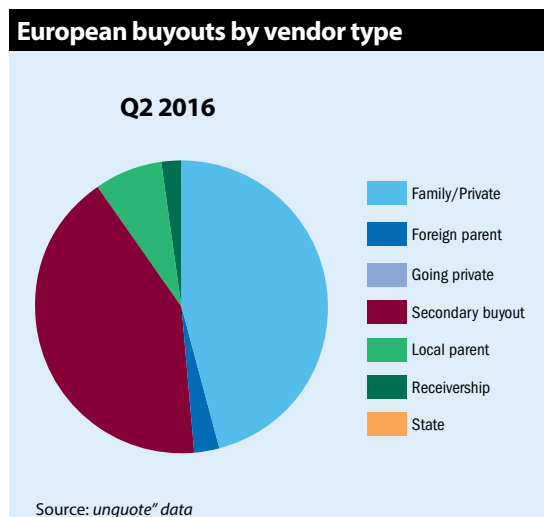
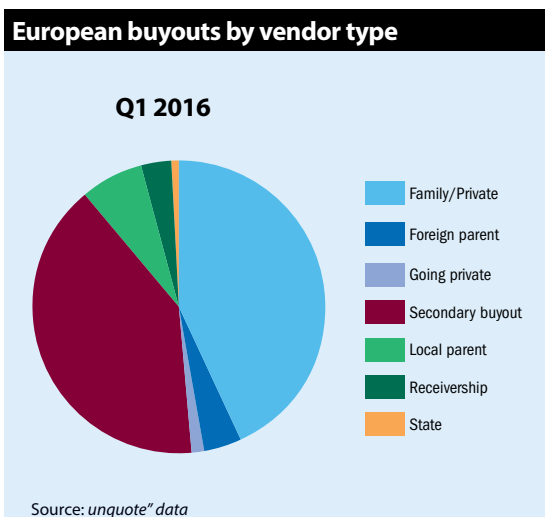
Mid-market buyouts saw a decline of 7% in volume terms and a rise of 3% in value terms. At the other end of the scale, the small-cap range registered 97 deals (worth €4.2bn), nine more than the previous quarter and the highest quarterly figure during the last six quarters. The buyouts transacted in the large-cap, mid-market and small-cap ranges accounted for 4%, 31%, and 64% respectively of the overall total during the 12 months to the end of Q2 2016.

Regionally, the UK and the DACH market were the brightest spots during the second quarter of 2016. The UK completed 39 buyouts worth €3.9bn and became the largest market by volume after edging out France and the Nordic region. France was the only region to register a decline in volume terms in Q2. The “rest of Europe” category was the largest category in value terms (€7.7bn) thanks to a slew of large deals in Italy and Spain.

Family and private vendors continued to dominate deal sources as they traditionally do. The segment witnessed a sizable rise in dealflow from 57 to 68 buyouts (+19%) in Q2, representing 46% of the activity total. Secondary buyouts also noted an increase with 62 transactions (+15%). On the other hand, not one transaction was categorised under the “going private” segment.

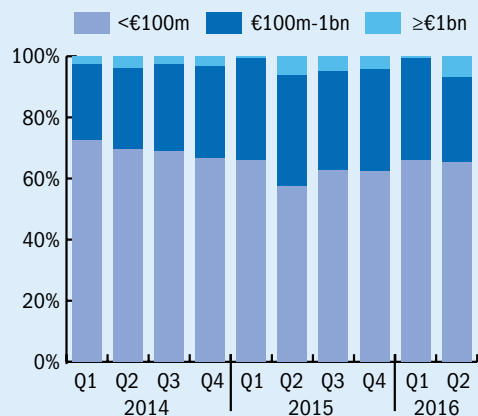


	Volume	Value €bn
Q1 2014	125	15.86
Q2 2014	152	27.59
Q3 2014	148	19.88
Q4 2014	157	26.95
Q1 2015	135	18.26
Q2 2015	146	42.57
Q3 2015	140	34.13
Q4 2015	139	30.80
Q1 2016	133	15.20
Q2 2016	148	27.31
2014	582	90.28
2015	560	125.76
2016	281	42.51



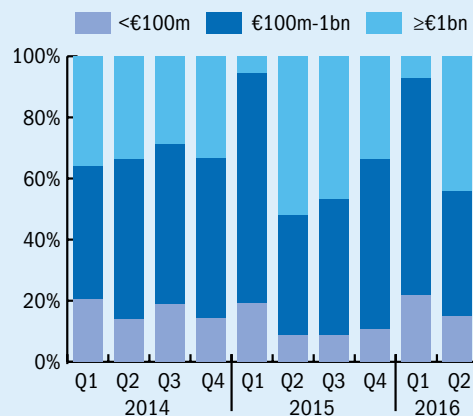
	Q1 2016	Q2 2016
Family/Private	57	68
Foreign parent	5	4
Going Private	2	0
Institutional Investor	54	62
Local Parent	10	11
Receivership	4	3
State	1	0

Volume of European buyouts by size range



Source: unquote® data

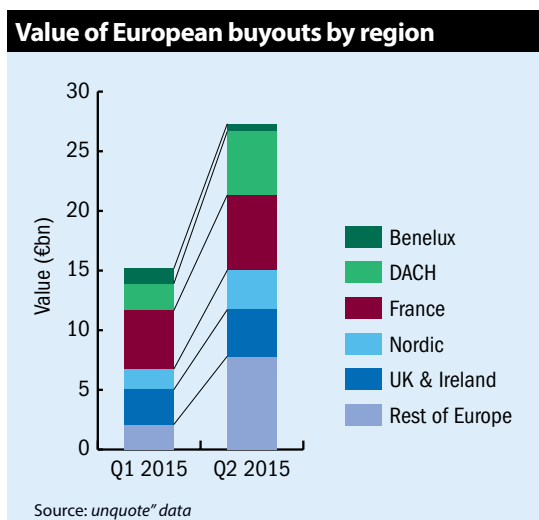
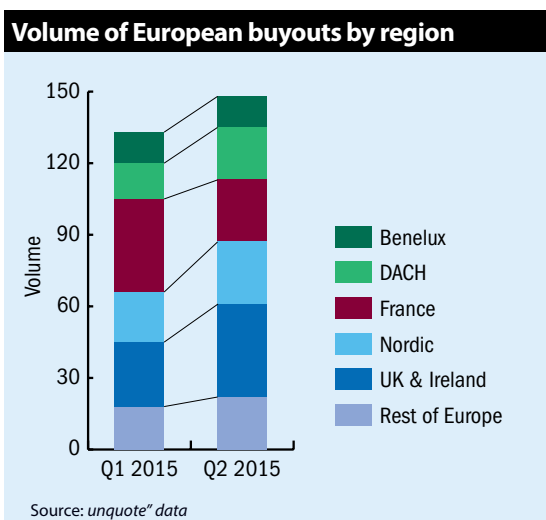
Value of European buyouts by size range



Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q1 2014	91	73%	31	25%	3	2%	125
Q2 2014	106	70%	40	26%	6	4%	152
Q3 2014	102	69%	42	28%	4	3%	148
Q4 2014	105	67%	47	30%	5	3%	157
Q1 2015	89	66%	45	33%	1	1%	135
Q2 2015	84	58%	53	36%	9	6%	146
Q3 2015	88	63%	45	32%	7	5%	140
Q4 2015	87	63%	46	33%	6	4%	139
Q1 2016	88	66%	44	33%	1	1%	133
Q2 2016	97	66%	41	28%	10	7%	148

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q1 2014	3.30	21%	6.87	43%	5.69	36%	15.86
Q2 2014	3.89	14%	14.43	52%	9.27	34%	27.59
Q3 2014	3.75	19%	10.40	52%	5.72	29%	19.88
Q4 2014	3.85	14%	14.07	52%	9.03	34%	26.95
Q1 2015	3.54	19%	13.72	75%	1.00	5%	18.26
Q2 2015	3.78	9%	16.59	39%	22.20	52%	42.57
Q3 2015	3.06	9%	15.15	44%	15.92	47%	34.13
Q4 2015	3.34	11%	17.10	56%	10.36	34%	30.80
Q1 2016	3.32	22%	10.78	71%	1.10	7%	15.20
Q2 2016	4.15	15%	11.14	41%	12.01	44%	27.31

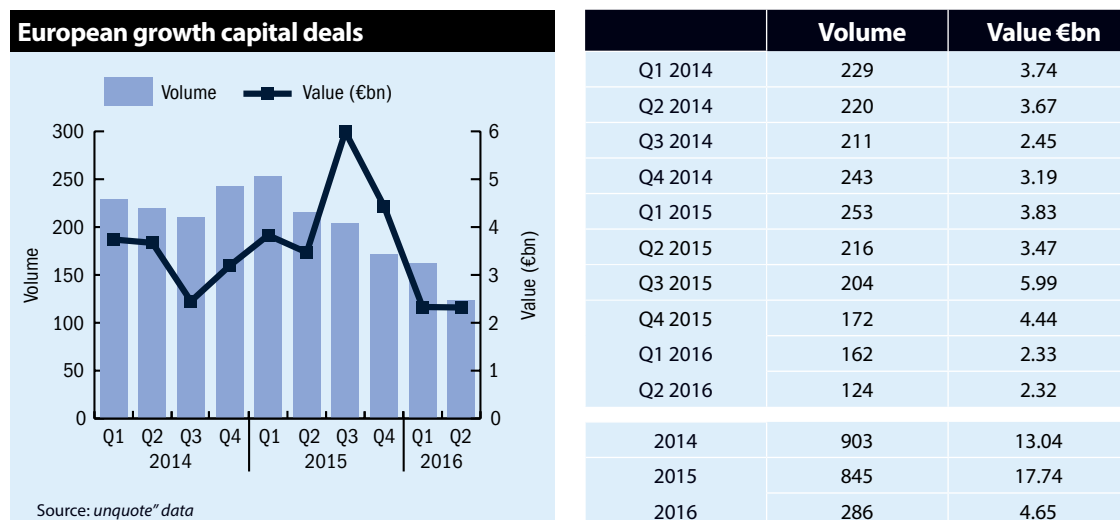


	Volume		Value (€m)	
	Q1 2016	Q2 2016	Q1 2016	Q2 2016
Benelux	13	13	1,297	643
DACH	15	22	2,250	5,328
France	39	26	4,909	6,285
Nordic	21	26	1,724	3,328
Rest Of Europe	18	22	2,082	7,776
UK	27	39	2,942	3,947
	133	148	15,204	27,307

Ten largest European private-equity-backed buyouts, Q2 2016

Deal name	Country	Value (€m)	Equity provider
Foncia Groupe	France	1,800	Partners Group
Bilfinger real estate services	Germany	1,400	EQT
Artsana	Italy	1,300 (est)	Investindustrial
Argus Media	United Kingdom	1,277 (est)	General Atlantic
Hotelbeds Group	Spain	1,200	Cinven
Tipico	Malta	1,100 (est)	CVC Capital Partners
Mercury	Italy	1,035	Clessidra, Bain Capital, Advent International
Sisal	Italy	1,000	CVC Capital Partners
Vallourec	France	1,000	BPI France
Polynt and Reichhold	Italy	1,000	Black Diamond Capital Management, Investindustrial

Growth capital



While buyouts rose to an 18-month high in the second quarter, the growth capital market recorded a dip of 23.5% to a 10-quarter low of 124 transactions. The decline marks the fifth consecutive quarterly decline, representing a slide of 51% from the peak of 253 transactions noted in Q1 2015. In the calendar year to date, 2016 is 39% down on last year, with 286 deals completed over the first six months.

Although aggregated investment value remained stable in Q2, falling marginally from €2.33bn to €2.32bn (-0.2%), this estimate represents the lowest of the 10-quarter period and the fifth consecutive quarterly decline. The year to Q2 2016 finished some 17% up in value terms and 28% down in volume terms after registering 662 transactions worth €15.1bn.

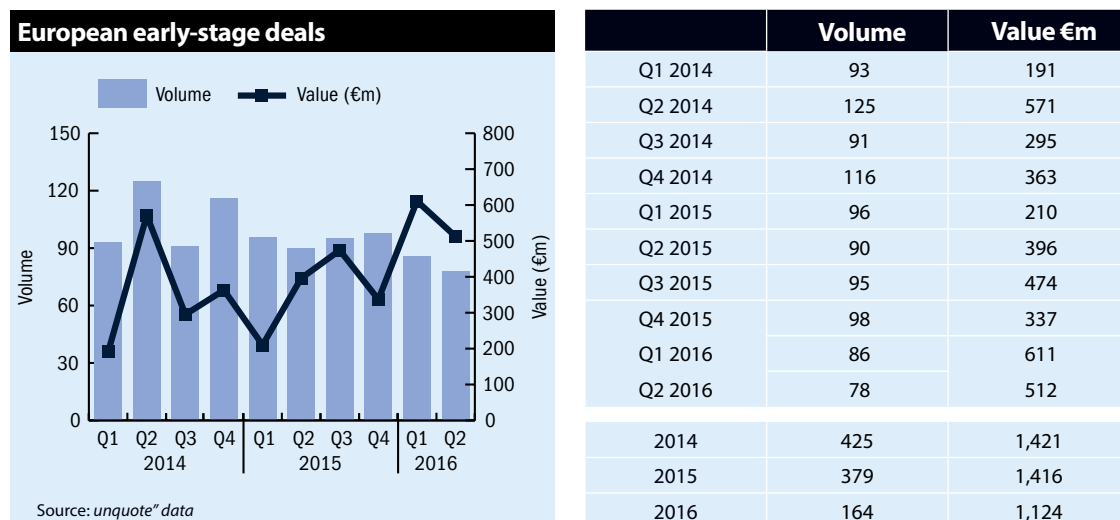
Mirroring the regional pattern in the buyout space, the UK market was by far the most active in volume terms in the second quarter having been home to 37 transactions worth €636.6m. It remains 76% greater than its nearest rival (Germany, 21 deals). In terms of value, however, it was edged out by France, which was home to 20 deals worth €716.5m. Still, the UK represented a substantial portion of the market both in volume and value terms – 30% and 27%, respectively.

Also strong were the Spanish and Italian markets with 15 deals worth €97.1m and 10 deals worth €189.5m, respectively. The largest transaction of the quarter was completed in France when Ardian and Crédit Agricole Assurances acquired Vinci's remaining 24.6% stake in parking operator Indigo for an estimated €575m.

Ten largest European private equity-backed growth capital deals, Q2 2016

Deal name	Country	Value (€m)	Equity provider
Indigo	France	575 (est)	Ardian
farfetch.com	United Kingdom	96	Eurazeo, Vitruvian Partners, IDG Capital Partners, <i>et al.</i>
Tradeshift	Denmark	67	Notion Capital, American Express, HSBC Private Equity, <i>et al.</i>
F2G	United Kingdom	54	Sectoral Asset Management, Aisling Capital, Novo, <i>et al.</i>
Showpad	Belgium	44	Hummingbird Ventures, Dawn Capital, Insight Venture Partners
Wyndeham	United Kingdom	42	Rutland Partners
Nexeon	United Kingdom	38	Invesco, Imperial Innovations
Jobandtalent	Spain	38	Atomico Ventures
Number26	Germany	36	Horizons Ventures, Earlybird Venture Capital, Valar Ventures, <i>et al.</i>
NEXThink	Switzerland	35	Auriga Partners, Highland Capital Partners

Early-stage



The European venture capital segment added to the sombreness of the wider private equity market. Early-stage activity recorded a fall from the 86 deals in Q1 2016 to 78 in Q2 2016, marking the lowest quarterly total over the last 10 quarters. As a result, the 357 deals during the year to Q2 2016 was 9% down on the 393 deals for the preceding 12 months.

Value was also down on the first quarter and the segment posted a 16% decrease in collective investment to €512.4m in the three months to June. From a 12-month perspective, the early-stage segment recorded a decrease in volume terms and an increase in value terms. The 357 deals worth €1.9bn represent a 9% decline in volume and a 53% rise in value when compared to the previous 12 months to Q2 2015.

Germany topped the table in terms of dealflow on a regional basis, having been home to 24 deals worth €86.9m in Q2 2016. France came in second with 12 deals worth €120.4m. The largest transaction of the quarter was completed in Switzerland – G-Therapeutics secured a €36m series-A round from Gimv, Life Sciences Partners, Inkef Capital and Wellington Partners.

Ten largest European private equity-backed early-stage deals, Q2 2016

Deal name	Country	Value (€m)	Equity provider
G-Therapeutics	Switzerland	36	Inkef Capital, Life Sciences Partners, GIMV, <i>et al.</i>
Crispr Therapeutics	Switzerland	34	Franklin Templeton Investments Private Equity, New Leaf Venture Partners
MedDay	France	34	BPI France, Sofinnova, Edmond de Rothschild Investment Partners
Stat Diagnostica	Spain	25	Gilde Healthcare Partners, Ysios Capital Partners, Kurma Life Sciences Partners, <i>et al.</i>
Endostim	Netherlands	22	Endeavour Vision, Wellington Partners, GIMV, <i>et al.</i>
MisterFly	France	20	Montefiore Investment
Storm Therapeutics	United Kingdom	16	Imperial Innovations, MS Ventures, Cambridge Innovation Capital, <i>et al.</i>
Enterome Bioscience	France	15	Lundbeckfond Ventures, Seventure
Verto Analytics	Finland	14	EQT Ventures, Open Ocean Capital, Conor Venture Partners
Weaveworks	United Kingdom	13	Google Ventures, Accel Partners

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