



Private Equity_____

BAROMETER

Q3 2017

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

Key Findings

Overall European private equity

- In Q3 2017, aggregate European private equity deal volume dropped 13% compared with Q2, to 428 from 493, but remained marginally higher than Q1's figure.
- The combined value of European private-equity-backed deals slid 9.7% to €40.7bn from €45.1bn, but remains elevated compared with quarters in recent years.
- The average deal value in Q3 2017 was €95m, up 4% on the €91.4m posted in Q2.

Buyouts

- The aggregate value of European buyouts edged down to €35.8bn, 4.7% lower than in Q2.
- The number of deals fell to 195 in Q3, from 217 the previous quarter – a fall of 10%.
- Dealflow dropped in each deal size range (<€100m, €100m-1bn, ≥€1bn).
- Buyout volumes remain historically high despite the quarter-on-quarter drop.
- The number of small-cap (<€100m) deals fell to 140 from 151, but is at the second highest level in the last 10 quarters.
- Volumes in the mid-market (€100m-1bn) decreased to 50 deals from 60, with value also falling to €16.5bn from €18.4bn.
- There were five large-cap (≥€1bn) deals, down from 6, though value climbed slightly to €13.8bn from €13.3bn.
- The average buyout value rose 6.1% in Q3 to reach €184m, up from €173m in Q2.
- Buyout volumes declined or stayed the same in all regions. The steepest fall was in France with a 19% drop from 49 to 39.
- Aggregate deal value jumped in the UK – to €13.7bn from €6.4bn, marking its biggest quarter since the financial crisis – and in the DACH region, from €4.6bn to €9.6bn. It fell sharply in Benelux, France and the Nordic countries.
- Cinven and Bain Capital's €4.8bn buyout of German pharmaceutical firm Stada Arzneimittel was the biggest deal in Q3. Cinven was also involved in the largest Q2 deal – the €4.8bn buyout of Norwegian software company Visma.
- A substantial proportion of deals (59%) continued to be sourced from family and private vendors after a burst of activity in Q2, while the number of secondary buyouts has remained remarkably stable over recent quarters.

Growth Capital

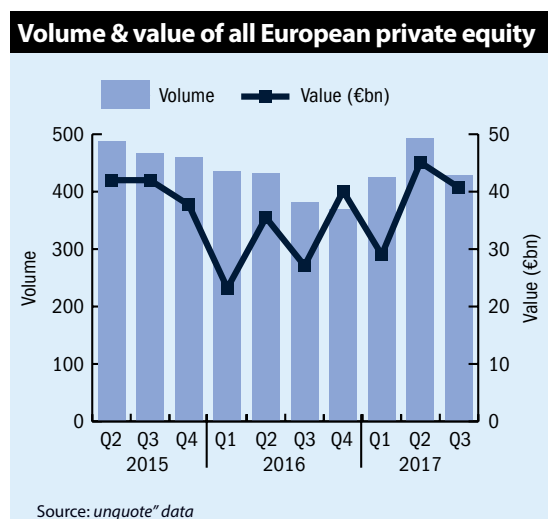
- The recovery in the number of expansion deals faltered in Q3, with overall volume dropping to 170 from 201, a decline of 15%.
- The total quarterly value of deals slid to €4.4bn from €7bn, a 37% fall.
- Deal volume was the lowest since Q1 2017, while value was the lowest since Q4 2016.
- The biggest expansion deal was Blackstone and GIC's investment in UK-based Rothesay Life, buying a further stake in the business from Goldman Sachs for €738m.

Early-stage

- Early-stage deal volume slipped to 63 from 75, a second consecutive quarterly fall.
- Aggregate value edged down to €460m from €480m.
- Both deal volume and value were the lowest since Q4 2016.
- The biggest deal was the €76m series-B fundraising for German electric aircraft manufacturer Lilium, backed by Atomico Ventures and Obvious Ventures.

European private equity market pauses for breath

Overall European private equity



	Volume	Value €bn
Q2 2015	488	42.0
Q3 2015	467	42.0
Q4 2015	461	37.7
Q1 2016	435	23.2
Q2 2016	433	35.5
Q3 2016	381	27.1
Q4 2016	369	40.1
Q1 2017	425	29.0
Q2 2017	493	45.1
Q3 2017	428	40.7
2015	1,918	146.55
2016	1,618	125.91
2017	1,346	114.71

The European private equity market cooled in Q3, which is perhaps unsurprising after an especially active Q2. Despite the slowdown, both deal volumes and values in most segments of the market remained at historically elevated levels.

There were 428 deals registered in Q3, down 13% compared with Q2, but still marginally higher than in Q1. The quarter continues a run of robust performance in the private equity market since the start of the year after two years of steady decline. Meanwhile, total deal value came in at €40.7bn. This was down 9.7% compared with Q2, which was the highest quarterly value for a decade.

Deal numbers decreased in the buyout, growth capital and early-stage segments in Q3. The number of buyouts fell from a 10-year high, dipping to 195 from 200, while growth capital deal volume dropped to 170 from 201, which was only the lowest since Q1. Early-stage dealflow slowed as deal volume declined to 63 from 75.

Aggregate deal value contracted across all three segments. Buyout values edged down to €35.8bn from €37.6bn, growth capital to €4.4bn from €7bn and early-stage to €460m from €480m. Early-stage and expansion deal value is in line with their respective averages over the previous 10 quarters, while total buyout value is above it.

Deal volumes fell in all buyout value ranges. There were 140 small-cap deals, down from 151 in Q2, which was the most active quarter since 2008. The number of mid- and large-cap buyouts also weakened but not dramatically so. In the large-cap segment deal value increased to €13.8bn from €13.3bn, with values declining in the mid- and small-cap range. Despite the falls, values in the small- and mid-cap range were greater than their Q1 2017 and Q4 2016 amounts.

Looking at all segments and deal types, the strongest region was the UK, where the total number of deals climbed to 141 – the greatest since Q1 2015. Meanwhile, deal volume declined in all other regions, with the sharpest fall in France. However, France may have been due a slowdown after Q2, its busiest quarter since 2011. UK deal value was also the highest of any region at €17.1bn, more than double its Q2 amount. The Dach countries had a strong quarter in value terms: €10.2bn of capital and debt was spent on deals, up from €6.4bn.

Quarterly Focus

Money floods into DACH and UK buyouts

Europe's buyout market saw two stand-out performances in the third quarter of 2017 as the market as a whole posted a solid three months, with deal volume and value still at robust levels despite falling back a little from an especially frothy Q2. The strength of the third quarter means the European buyout market is on course for its strongest year since before the financial crisis in both value and volume terms.

Virtually all the heavy lifting over Q3 was done by DACH and the UK as the amount of capital invested in both regions rose despite a slight moderation in dealflow. In value terms, the UK had its biggest quarter since 2008, with deals worth €13.7bn completed and the number of deals edging down by two to 49. In the DACH region total deal value more than doubled to €9.6bn in Q3 - its highest number since Q3 2016 - and volume ticked down to 29 from 31.

The UK was home to three deals worth more than €1bn: online payments firm PaySafe, bought out by Blackstone and CVC Capital Partners; patent management services provider CPA Global, sold by Cinven to US GP Leonard Green & Partners; and IT firm Civica, purchased by Partners Group. There was only one deal in the DACH region in excess of €1bn – the €5.6bn buyout of pharmaceutical and biotech giant Stada Arzneimittel by Bain Capital and Cinven Partners, which was the biggest European deal of the quarter. The deal was also the largest buyout in the DACH region since the secondary buyout of media giant ProSiebenSat.1 Media in 2007.

It is also worth noting that the UK registered a healthy quarter for growth capital deals. There were 72 in Q3, up from 54 in the previous quarter and the highest since Q1 2015. Growth capital deal value in the UK reached €3bn – a seven-quarter high.

Whatever may be occurring in European politics, headlines are, for now at least, playing second fiddle to more general financial conditions. Fundraising is at an elevated level and private institutional investment is being complemented by state-backed initiatives. Meanwhile, favourable exchange rates against the US dollar are helping to attract capital from the US, and the economic outlook in Europe is looking up. Central banks are also playing a role, with low interest rates creating a favourable borrowing environment along with a greater number of debt funds.

An important feature of this quarter's data that also arose in Q2 is the high level of buyouts sourced from family and private businesses. There were 115 deals sourced from private vendors in Q3, which equated to 59% of total deals – the joint highest proportion over the last seven years. Meanwhile, secondary buyouts and corporate carve-outs have remained fairly stable. Higher entry multiples may be encouraging private business owners to sell up while business is good and asset prices are buoyant, especially with the tough times of the recession and sluggish recovery still fresh in the minds of European entrepreneurs.

Buyouts

The buyout market had a robust quarter – the second busiest since 2008 – despite losing some steam. Total deal value, often volatile and easily influenced by small numbers of large deals, also cooled, but remains at a high level.

There were 195 European buyout transactions in Q3, down from 217 in Q2. Aggregate deal value fell 4.7% to €35.8bn from €37.6bn, but remains solidly above the average deal value over the last 10 quarters.

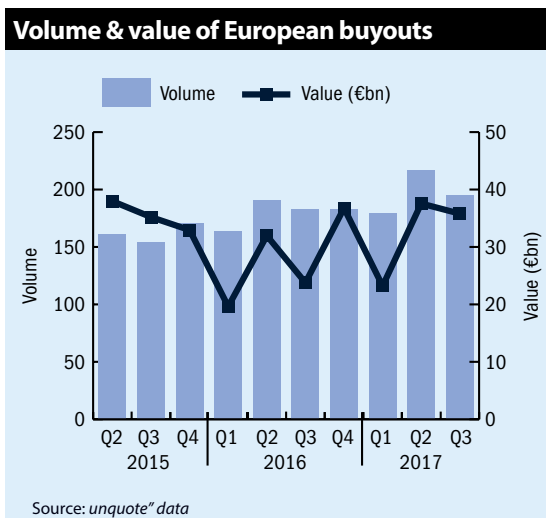
Volumes edged down in all three buyout deal ranges (<€100m, €100m-1bn, ≥€1bn). The number of small-cap deals dropped 7.3% to 140 from 151 deals, mid-caps 17% to 50 from 60 deals and large-caps to five deals from six.

While the number of large-cap deals fell, their combined value climbed 3.6% to €13.8bn, making it the only segment where value rose. Deal value dropped 11% in the mid-market range to €16.5bn and by 5.4% in the small-cap range to €4.4bn.

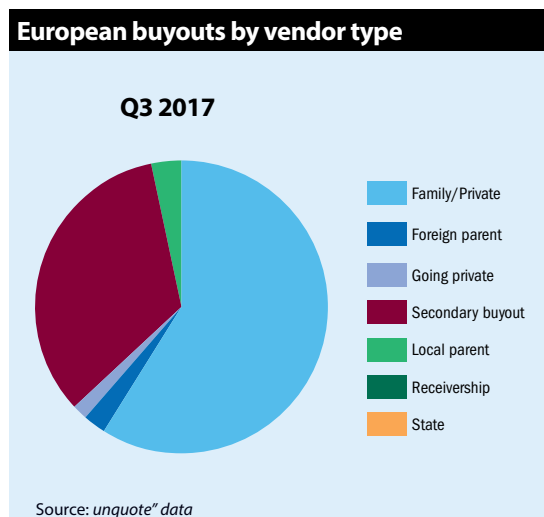
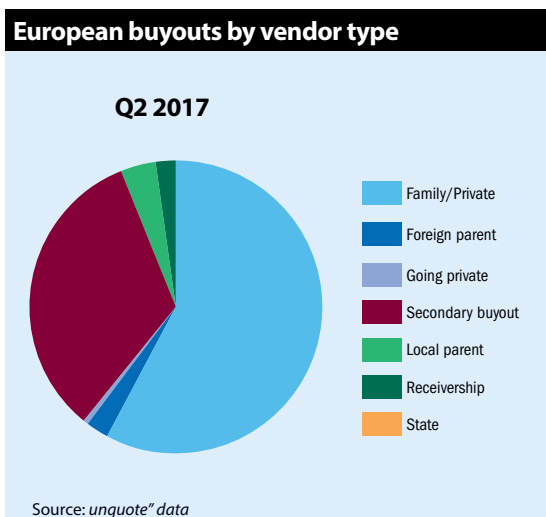
Buyout activity edged down or stayed the same in all regions. The sharpest fall was in France, where buyouts returned to a more familiar level of 39 after an especially strong Q2 in which 49 deals were completed. Differences in the amount of capital – debt and equity – invested in the regions were starker. The UK posted its strongest quarter since 2008, with €13.7bn of deals completed, more than double Q2. Value also more than doubled in the DACH countries to €9.6bn. Cinven and Bain Capital's €4.8bn buyout of German pharmaceutical firm Stada Arzneimittel was the biggest deal in Q3.

In contrast, deal value collapsed in France and the Nordic countries, with both regions witnessing their lowest buyout values over the 10-quarter period.

The robust number of buyouts across Europe was largely underpinned by deals from family and private vendors. Of the 195 buyouts, 115 were sourced from this segment, or 59%. This is up slightly on Q2's 58%, but also sustains the rise from Q2 when only 50% of deals were sourced this way. In comparison, the number of secondary buyouts has remained incredibly steady.

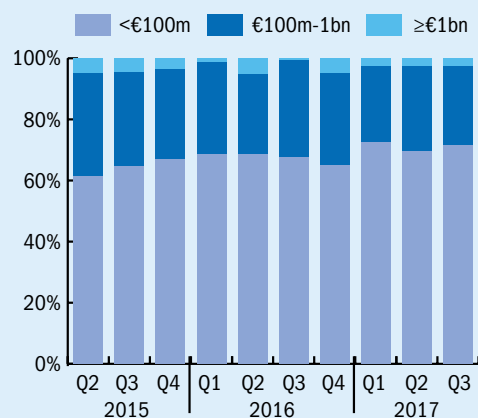


	Volume	Value €bn
Q2 2015	161	37.97
Q3 2015	154	35.20
Q4 2015	171	32.94
Q1 2016	164	19.63
Q2 2016	191	31.97
Q3 2016	183	23.77
Q4 2016	183	36.77
Q1 2017	179	23.21
Q2 2017	217	37.56
Q3 2017	195	35.80
2015	630	126.87
2016	721	112.14
2017	591	96.57



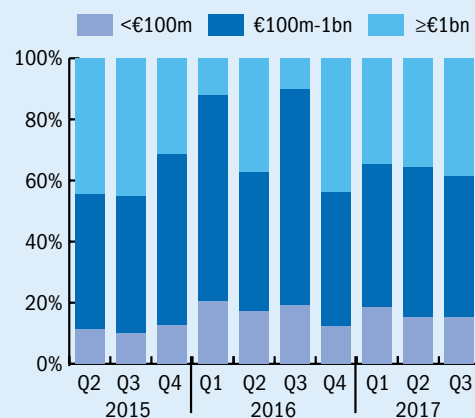
	Q2 2017	Q3 2017
Family/Private	125	115
Foreign parent	7	5
Going Private	2	3
Institutional Investor	69	66
Local Parent	10	6
Receivership	4	0
State	0	0

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range

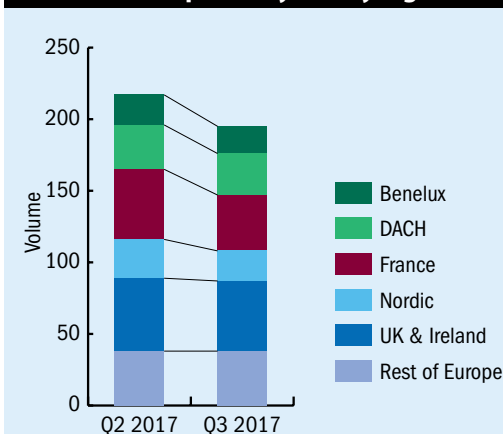


Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q2 2015	99	61%	54	34%	8	5%	161
Q3 2015	100	65%	47	31%	7	5%	154
Q4 2015	115	67%	50	29%	6	4%	171
Q1 2016	113	69%	49	30%	2	1%	164
Q2 2016	131	69%	50	26%	10	5%	191
Q3 2016	124	68%	58	32%	1	1%	183
Q4 2016	119	65%	55	30%	9	5%	183
Q1 2017	130	73%	44	25%	5	3%	179
Q2 2017	151	70%	60	28%	6	3%	217
Q3 2017	140	72%	50	26%	5	3%	195

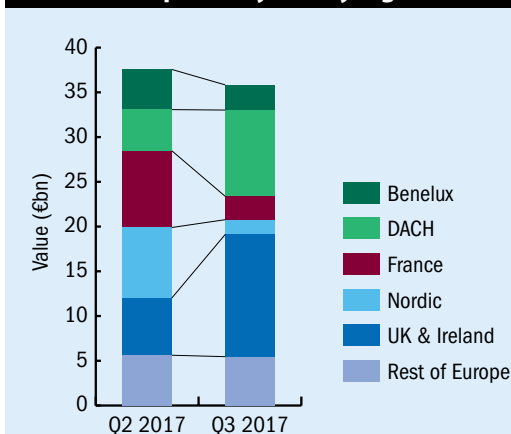
	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q2 2015	4.38	12%	16.74	44%	16.85	44%	37.97
Q3 2015	3.53	10%	15.75	45%	15.92	45%	35.20
Q4 2015	4.21	13%	18.38	56%	10.36	31%	32.94
Q1 2016	4.04	21%	13.19	67%	2.40	12%	19.63
Q2 2016	5.57	17%	14.49	45%	11.91	37%	31.97
Q3 2016	4.57	19%	16.78	71%	2.42	10%	23.77
Q4 2016	4.62	13%	16.03	44%	16.13	44%	36.77
Q1 2017	4.34	19%	10.82	47%	8.05	35%	23.21
Q2 2017	5.82	16%	18.43	49%	13.31	35%	37.56
Q3 2017	5.51	15%	16.50	46%	13.79	39%	35.80

Volume of European buyouts by region



Source: unquote® data

Value of European buyouts by region



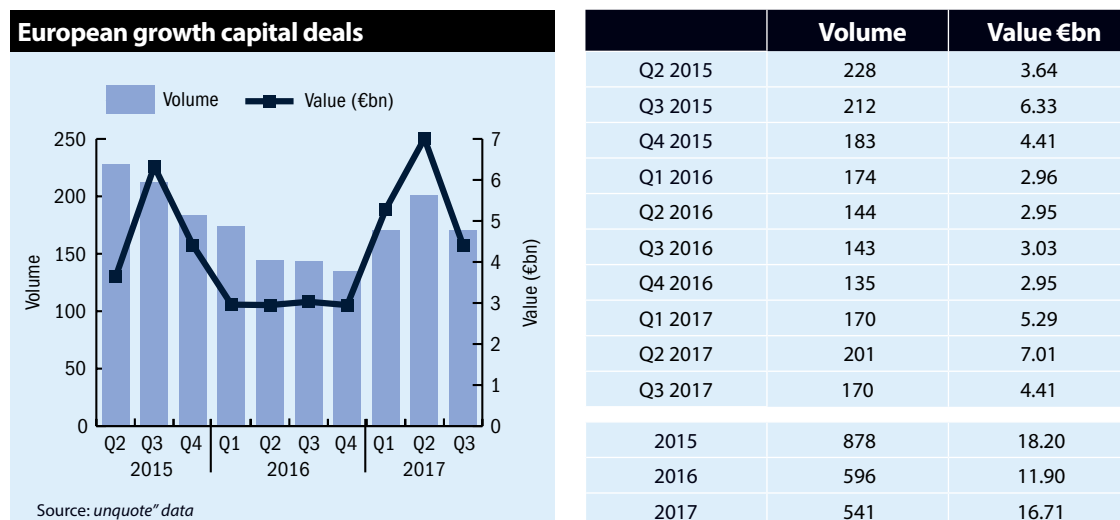
Source: unquote® data

	Volume		Value (€m)	
	Q2 2017	Q3 2017	Q2 2017	Q3 2017
Benelux	21	19	4,494	2,790
DACH	31	29	4,602	9,647
France	49	39	8,575	2,603
Nordic	27	21	7,868	1,638
Rest Of Europe	38	38	5,621	5,457
UK	51	49	6,403	13,668
	217	195	37,563	35,802

Ten largest European private-equity-backed buyouts, Q3 2017

Deal name	Country	Value (€m)	Equity provider
Stada Arzneimittel	Germany	5,600	Cinven, Bain Capital
PaySafe	UK	3,308	CVC Capital Partners, Blackstone Capital Partners
CPA Global	UK	2,682	Leonard Green & Partners
Civica Plc	UK	1,204	Partners Group
Cortefiel	Spain	1,000	PAI Partners, CVC Capital Partners
ADB Solutions	Belgium	900	Carlyle Group
Matches Fashion	UK	869	Apax
Schenck Process	Germany	850	Blackstone Group
Canopus	UK	801	Centerbridge Partners
The Miller Group	UK	732	Bridgepoint

Growth capital



The nascent recovery in the growth capital sector stalled in Q3 as both deal value and volume slipped back to levels registered in Q1 2017. After the number of deals reached a trough of 128 deals in Q4 2016 following two years of decline, it rose for two consecutive quarters and hit a six-year high.

This momentum could not be maintained and deal volume dropped to 170 in Q3 from 201 in Q2, while value slid to €4.4bn from €7bn. The fall was not severe – deal volume was equal to Q1's figure while value was the lowest since Q4 2016.

The number of investments in the UK & Ireland rose substantially to 72 deals from 54, the greatest amount since Q1 2015. The biggest deal was also in the UK; Blackstone and GIC's investment in UK-based Rothesay Life, which involved buying a further stake in the business from Goldman Sachs for €738m.

Volumes declined in every other region. This was reflected in deal value, with the amount in the UK reaching €3bn – more than the rest of the regions combined.

Ten largest European private equity-backed growth capital deals, Q3 2017

Deal name	Country	Value (€m)	Equity provider
Rothsay Life	UK	738	GIC SI, Blackstone Group
Deliveroo	UK	324	Fidelity Management & Research Company
Klarna	Sweden	219	Permira
Yotel	UK	210	Starwood Capital
Manuloc	France	85	CM-CIC Capital Finance
Autolus	UK	67	Syncona Partners, Nextech Venture
Darktrace	UK	66	Insight Venture Partners
ManoMano	France	60	General Atlantic
Revolut	UK	58	Index Ventures
Receipt Bank	UK	44	Insight Venture Partners

Early-stage



	Volume	Value €m
Q2 2015	99	413
Q3 2015	101	484
Q4 2015	107	359
Q1 2016	97	636
Q2 2016	98	552
Q3 2016	55	269
Q4 2016	51	415
Q1 2017	76	486
Q2 2017	75	482
Q3 2017	63	457
2015	410	1,488.14
2016	301	1,872.06
2017	214	1,424.35

Dealflow and aggregate deal value in the early-stage segment edged down in Q3 for the second consecutive quarter.

There were 63 deals, down from 75, while deal value decreased to €457m from €482m. Despite the falls, volume and value are only at a three-quarter low, with both more than their Q4 2016 numbers.

The segment appears to be hovering around a new, much lower, normal level and looks unlikely to return to the highs of 2015 when quarterly deal volume breached the 100 mark in the final half of the year.

The DACH region was the most popular for early-stage investments with 30 deals, up from 25. These deals involved €229m of equity, putting DACH on top in terms of both value and volume. The biggest European early-stage deal was also completed in Germany – the €76m series-B fundraising for German electric aircraft manufacturer Lilium, backed by Atomico Ventures and Obvious Ventures.

Only one deal was completed in southern Europe, down from eight, and none were completed in Benelux.

Ten largest European private equity-backed early-stage deals, Q3 2017

Deal name	Country	Value (€m)	Equity provider
Lilium Aviation	Germany	75.7	Obvious Ventures, Atomico Ventures
10x Future Technologies	UK	36.9	Ping An
Immunic Therapeutics	Germany	31.7	Life Sciences Partners
Sophia Genetics	Switzerland	25.3	Invoke Capital, 360 Capital Partners, Balderton Capital
Cambridge Medical Robotics	UK	21.9	ABB Technology Ventures, Escalate Capital Partners, Cambridge Innovation Capital
Eligo Bioscience	France	16.8	Seventure, Khosla Ventures
SparingVision	France	15.5	BPI France
FiveAI	UK	15.2	Notion Capital, Amadeus Capital Partners, Lakestar
WanderCraft	France	15.0	BPI France, Idinvest Partners, XAnge Private Equity
Privitar	UK	13.7	24Haymarket, IQ Capital, Partech

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