

# Private equity barometer

Q1 2019 Figures based on preliminary data from  
Europe's specialist private equity information provider



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211

Buyout volume falls  
to three-year low

## Key Findings

### Overall European private equity

- A substantial amount of capital was deployed in Q1 2019, with quarterly deal value posting its third highest figure of the last decade at €54.5bn.
- There were 546 investments, a similar number to the previous quarter, as a moderation in the buyout market was offset by a higher number of growth capital investments.
- The average deal size was the second highest of the last decade at €99.8m, behind only Q2 2018.

### Buyouts

- Buyout volume declined in Q1 2019 to 211, the lowest since Q1 2016.
- Quarterly buyout volume has plateaued since 2017 after a long recovery since the financial crisis.
- Q1's aggregate buyout value was robust at €45.9bn, up 93% compared with the previous quarter.
- It was the fourth highest quarter for value in the last 10 years; the top three were all last year.
- Small-cap buyouts (<€100m) were mostly responsible for Q1's buyout dip, falling 19% to 143, a three-year low.
- Large-cap deals (€1bn+) rebounded to 12 from two.
- There have been 12 or more large-cap transactions in four of the last five quarters. There had only been one such quarter in the 10 years prior.
- Dealflow fell sharply in several regions. There were 19 buyouts in Benelux, down from 33 in Q4; 31 in DACH, down from 43; and 20 in the Nordic countries, down from 31.
- CEE had its slowest quarter since 2009 with only three buyouts.
- Buyouts in France and the UK/Ireland held up well. There were 55 buyouts in France in Q1 and 53 in the UK/Ireland, both up slightly on Q4.
- In terms of deal sourcing, the buyout dip was accounted for almost entirely by a decline in the number of transactions involving family/private vendors, which fell to 109 in Q1 from 142 in Q4.
- The largest buyout was Apollo Global Management's acquisition of RPC Group, a British packaging maker.

## Growth Capital

- The amount invested in growth capital deals climbed to a record high of €8.0bn in Q1, up 13% on the previous quarter.
- Deal volume climbed to 266, the highest since Q1 2015.
- Growth capital investors have deployed more than €5bn in Europe in every quarter since Q1 2017, compared with only three such quarters over the prior decade.
- The largest investment was AP6's backing of UK-based Independent Vetcare.

## Early-stage

- Early-stage investment volume remained low compared with recent quarters, at 69. Although this was up from 62 in Q4, figures in the 80s and 90s have been more common over the last several years.
- The amount of capital invested was also low at €620m, unchanged from Q4.
- The largest early-stage investment was the \$180m series-A held by Arvelle Therapeutics led by Life Science Partners.

## CEE coverage

This edition of the Private Equity Barometer is the first to include the CEE region. Over a decade ago, the region's buyout activity was mostly dependent on Russia and Turkey, but since then these markets have declined in significance in comparison with countries like Poland, which is now the CEE buyout stalwart. More recent quarters have also seen an upsurge in private equity interest in the Baltic states.

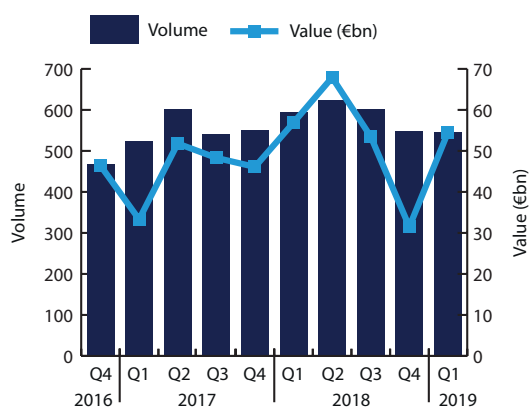
Early private equity in CEE was built on offshoring opportunities, making use of cheap capital and labour. However, the region has developed a growing crowd of graduates, which has created a number of opportunities. Firstly, it offers graduate talent at a discount to western European competitors, and secondly, its crowd of graduates are customers for a range of services from private healthcare to convenience in healthy eating.

The region is home to a number of local private equity houses sourcing deals mainly from private business owners. However, the CEE secondary market is growing, with larger, pan-European and global GPs spending more time scanning local GPs' portfolios. Last year the region accounted for 3.5% of European buyout volume and 3.4% of aggregate value.

## Long expansion in deal volume levels off

### Overall European private equity

Volume & value of all European private equity



Source: unquote® data

	Volume	Value €bn
Q4 2016	466	46.4
Q1 2017	524	33.3
Q2 2017	600	51.8
Q3 2017	541	48.3
Q4 2017	551	46.1
Q1 2018	593	56.9
Q2 2018	624	67.9
Q3 2018	602	53.5
Q4 2018	548	31.5
Q1 2019	546	54.5
2017	2,216	180
2018	2,367	210
2019	546	54

The market continued to show signs of an abundance of capital chasing too few assets in Q1. The average deal size (enterprise value for buyouts, equity ticket for early-stage and growth capital) was €99.8m, the second highest quarterly value in the last decade. Aggregate deal value in Q1 was the second highest in the last 10 years, behind only Q2 2018.

Aggregate buyout value had a robust quarter despite a dip in transaction volume. A high number of €1bn+ deals made it the fourth largest quarter for buyout value in the last decade. There was also a substantial amount of equity invested in expansion deals, which reached a quarterly record of €8.0bn.

The market appears to have ended its long-running expansion in transaction volume since the financial crisis years, with deal numbers hovering around 500-600 transactions per quarter and more capital translating into higher prices and larger equity tickets. This was reflected in average deal values; the average buyout value in Q1 was €217m, the second highest since 2007, while the average growth capital equity ticket was €29.9m, the third highest since 2008.

The buyout market lost steam in volume terms with 211 deals completed in Q1, the lowest since Q1 2016. However, this was concentrated in the small-cap segment of the market. Early-stage investment continued its Q4 sluggishness, with €620m invested; quarterly capital invested was close to reaching €1bn last year.

## Quarterly Focus

### Price mismatch knocks dealflow

After a decade of steadily increasing dealflow, it appears the European buyout market has settled at a new plateau, at least for now. While Q1's buyout dip was a little sharp, it confirmed that market growth has levelled off at around 250 deals per quarter. This compares with around 200 per quarter between 2014 and 2016 and around 150 deals per quarter between 2010-2013. Ignoring the odd dip and spike, aggregate enterprise value also seems to have settled at a quarterly rate of €40-50bn. This levelling off is perhaps surprising given the rude health of the fundraising environment.

Some market participants have said conversations with potential sellers have broken down over a mismatch in expectations over pricing. The last several years have been quite healthy for the European economy and this has helped to lift earnings, with many business owners expecting this to continue.

However, the last two quarters of economic growth have been more moderate, and many GPs are factoring this in to their pricing. Potential vendors are therefore preferring to hold onto their businesses to reap more upside before exiting. This has been especially prominent in the DACH region and also CEE, where some vendors are not just holding out for more earnings upside, but also for the higher multiples being achieved in western Europe.

This contrasts with seller attitudes only a year ago, when private business owners were eager to sell while prices were high and before any potential change in conditions. This caused a noticeable upsurge in the number of deals sourced from family/private vendors. GPs in both the CEE and DACH regions expect the pool of opportunities to remain relatively large regardless, as in both regions many of the firms established in the 1990s now face succession issues. IPOs have also become either more difficult or less attractive in recent years in both regions, making private equity look like a better option for external finance.

This pricing mismatch appears to be a phenomenon confined to the small-cap market. The large-cap market had a resurgence in Q1, continuing some of the momentum it picked up last year. There have now been 56 €1bn+ buyouts since the start of 2018 – a huge number. France has accounted for the largest share of these, with 16. DACH and southern Europe were also significant contributors with nine each.

## Buyouts

A slowdown at the smaller end of the market dented total buyout volume in Q1, but a rebound in large-cap deals lifted total value. There were 211 buyouts over the quarter, a three-year low and a sizeable drop from the 244 deals completed in Q4. The number of transactions valued below €100m dropped to 143, which was also a three-year low.

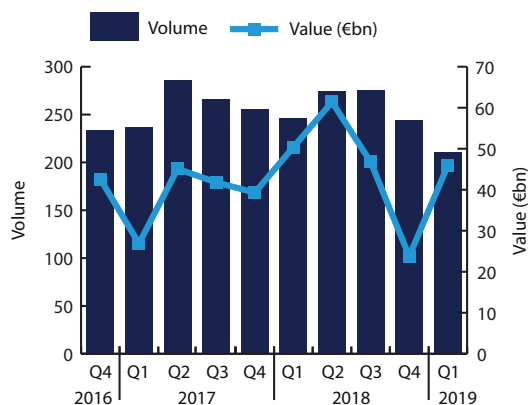
Mid-sized deals also had a slower quarter with 56 transactions, down from 65. However, volume was not far below the average of 61.2 deals over the last 10 quarters. The amount of capital invested in the mid-market was robust, with total enterprise value climbing 11% compared with the previous quarter to €16.6bn.

The hot streak experienced last year by the large-cap segment of the market resumed in Q1, which helped aggregate buyout value to rebound. There were 12 deals worth €1bn or more over the quarter, up from two in Q4. It now means that four of the past five quarters have registered 12 or more €1bn+ transactions. In the 10 years prior to 2018 there had only been one such quarter. This naturally had a significant impact on buyout value, which climbed 93% to €45.9bn thanks to a €21bn boost from large-caps.

The small-cap dip was reflected in vendor types. Transactions involving private/family vendors declined to 109 in Q1 from 142 in the previous quarter. In contrast, buyouts from other sources registered fairly similar numbers. Regionally, a decline in buyout dealflow was seen in Benelux, DACH and the Nordic countries. CEE had its slowest quarter since 2009 with only three buyouts. Political difficulties in France and UK/Ireland failed to seriously dent activity, with Q1 dealflow rising a little compared with Q4 in both regions. While dealflow slowed significantly across many regions, total value increased everywhere compared with Q4.

The largest buyout was Apollo Global Management's take-private of RPC Group, a British packaging maker, for an equity value of £3.3bn. The packaging sector has proved attractive to private equity investors due to its growth on the back of more demand from online shopping and a focus on sustainability. Another large packaging company, IFCO, was bought out in Q1 by Triton Partners and Abu Dhabi Investment Authority. IFCO provides reusable packaging for fresh food supply chains.

## Volume &amp; value of European buyouts

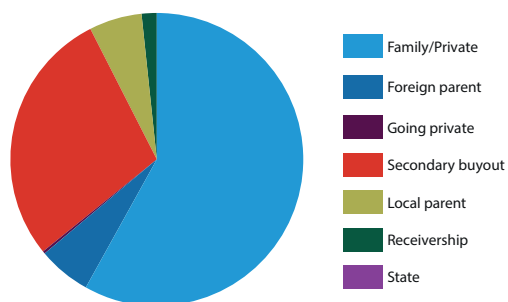


Source: unquote" data

	Volume	Value €bn
Q4 2016	234	42.6
Q1 2017	237	26.9
Q2 2017	286	45.1
Q3 2017	266	41.8
Q4 2017	255	39.3
Q1 2018	246	50.4
Q2 2018	274	61.4
Q3 2018	275	46.8
Q4 2018	244	23.8
Q1 2019	211	45.9
2017	1,044	153
2018	1,039	182
2019	211	46

## European buyouts by vendor type

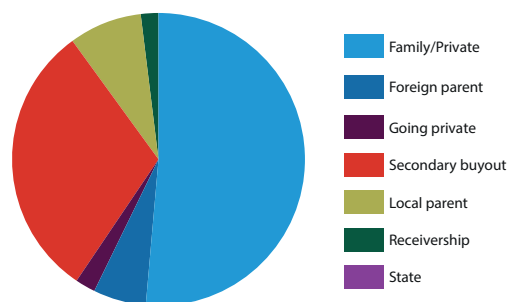
Q4 2018



Source: unquote" data

## European buyouts by vendor type

Q1 2019

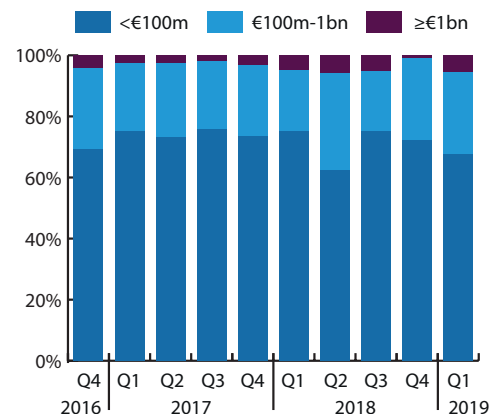


Source: unquote" data

	Q4 2018	Q1 2019
Family/Private	142	109
Foreign parent	14	12
Going Private	1	5
Institutional Investor	69	64
Local Parent	14	17
Receivership	4	4
State	0	0

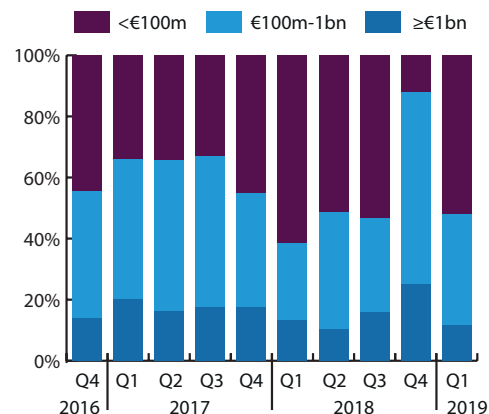


## Volume of European buyouts by size range



Source: unquote® data

## Value of European buyouts by size range



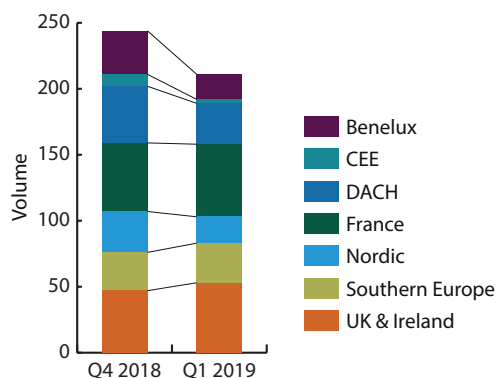
Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q4 2016	162	69%	62	26%	10	4%	234
Q1 2017	179	76%	52	22%	6	3%	237
Q2 2017	210	73%	69	24%	7	2%	286
Q3 2017	202	76%	59	22%	5	2%	266
Q4 2017	188	74%	59	23%	8	3%	255
Q1 2018	185	75%	49	20%	12	5%	246
Q2 2018	171	62%	87	32%	16	6%	274
Q3 2018	207	75%	54	20%	14	5%	275
Q4 2018	177	73%	65	27%	2	1%	244
Q1 2019	143	68%	56	27%	12	6%	211

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q4 2016	6.0	14%	17.6	41%	19.0	45%	42.6
Q1 2017	5.5	20%	12.3	46%	9.1	34%	26.9
Q2 2017	7.4	16%	22.3	49%	15.4	34%	45.1
Q3 2017	7.4	18%	20.5	49%	13.8	33%	41.8
Q4 2017	6.9	18%	14.6	37%	17.8	45%	39.3
Q1 2018	6.8	14%	12.5	25%	31.1	62%	50.4
Q2 2018	6.4	10%	23.3	38%	31.6	52%	61.4
Q3 2018	7.5	16%	14.3	30%	25.0	53%	46.8
Q4 2018	6.0	25%	14.9	63%	2.9	12%	23.8
Q1 2019	5.4	12%	16.6	36%	23.9	52%	45.9

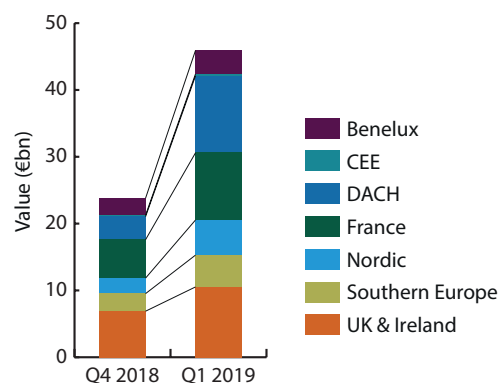


## Volume of European buyouts by region



Source: unquote® data

## Value of European buyouts by region



Source: unquote® data

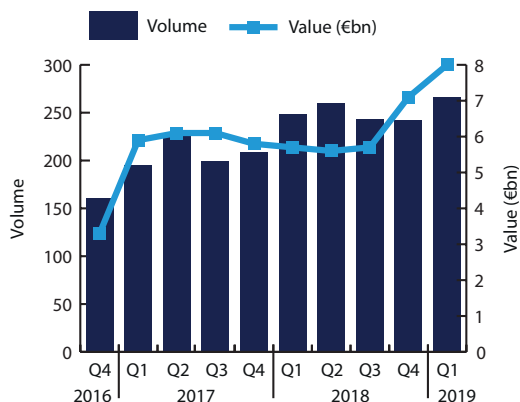
	Volume		Value (€m)	
	Q4 2018	Q1 2019	Q4 2018	Q1 2019
Benelux	33	19	2,539	3,512
CEE	9	3	220	295
DACH	43	31	3,450	11,507
France	52	55	5,745	10,046
Nordic	31	20	2,317	5,255
Southern Europe	29	30	2,633	4,762
UK & Ireland	47	53	6,893	10,521
	244	211	23,798	45,898

## Ten largest European private-equity-backed buyouts, Q1 2019

Deal name	Country	Value (€m)	Equity provider
RPC Group	UK	5,012	Apollo Global Management
Evonik Industries	Germany	3,000	Advent International
Ahlsell	Sweden	2,950	CVC Capital Partners
Gategroup	Switzerland	n/d (€1bn+)	RRJ Management
IFCO	Germany	2,187	Triton Partners, Abu Dhabi Investment Authority
Exact Software	Netherlands	n/d (€1bn+)	KKR
eFront	France	1,309	Blackrock
Elior	France	n/d (€1bn+)	PAI Partners
Spie Batignolles	France	n/d (€1bn+)	Societe Generale Capital Partenaires, EMZ Partners
Universidad Alfonso X El Sabio	Spain	1,100	CVC Capital Partners

## Growth capital

### European growth capital deals



Source: unquote® data

	Volume	Value €bn
Q4 2016	160	3.3
Q1 2017	195	5.9
Q2 2017	226	6.1
Q3 2017	199	6.1
Q4 2017	208	5.8
Q1 2018	248	5.7
Q2 2018	260	5.6
Q3 2018	243	5.7
Q4 2018	242	7.1
Q1 2019	266	8.0
2017	828	23.9
2018	993	24.0
2019	266	8.0

A record amount of capital flowed into expansion transactions in Q1, with €8.0bn invested. The number of deals also climbed, reaching a four-year high of 266. The strength of expansion investments in Q1 follows a particularly active spell for the market over the last two years. Growth capital investors have deployed more than €5bn in every quarter since Q1 2017, compared with only three such quarters in the previous decade.

On top of more investments being completed, the total amount invested per deal has grown. The average equity ticket across Europe reached €29.9m in Q1, the third highest average equity ticket in any quarter in the last 10 years. Average investments have been above €20m in every quarter since Q2 2016, prior to which the longest such run was only two quarters.

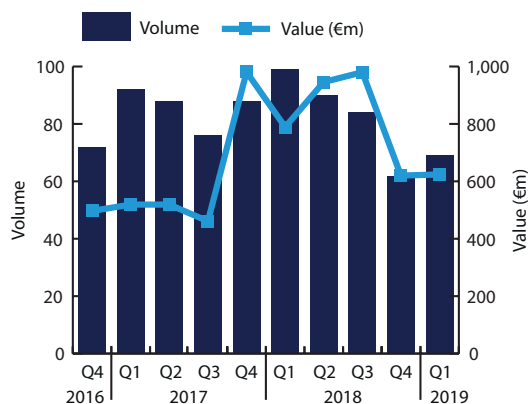
The largest investment was AP6's backing of UK-based Independent Vetcare. It acquired a 20% share from EQT in a deal valuing the firm at £2.6bn and leaves EQT with a controlling stake.

## Ten largest European private-equity-backed growth capital deals, Q1 2019

Deal name	Country	Value (€m)	Equity provider
Independent Vetcare	UK	n/d (€500m-1bn)	AP6
CitizenM	Netherlands	500	GIC SI
Veeam	Switzerland	436	Insight Venture Partners
Haldor Topsoe	Denmark	402	Temasek Capital
Acorn OakNorth	UK	383	SoftBank Capital
Cognita	UK	n/d(€250-500m)	BDT Capital Partners, Sofina France
N26	Germany	262	Insight Venture Partners
Visma ASA	Norway	n/d (€100-250m)	Canada Pension Plan Investment Board
Colisée Group	France	n/d (€100-250m)	IK Investment Partners
Relx Solutions	Finland	174	Technology Crossover Ventures

## Early-stage

European early-stage deals



Source: unquote® data

	Volume	Value €m
Q4 2016	72	497
Q1 2017	92	519
Q2 2017	88	519
Q3 2017	76	461
Q4 2017	88	981
Q1 2018	99	789
Q2 2018	90	946
Q3 2018	84	980
Q4 2018	62	620
Q1 2019	69	624
2017	344	2,479
2018	335	3,335
2019	69	624

Early-stage investment volume remained low compared with recent quarters, with 69 deals completed. Although this was up from 62 in Q4, figures in the 80s and 90s have been more common over the last several years. The average number of early-stage investments over the last 10 quarters has been 82.

Similarly, the amount of capital invested was low at €620m, practically unchanged from Q4. The amount invested in early-stage investments has lost significant momentum in the last six months after it was on course earlier in 2018 to breach the €1bn mark for the first time.

Despite the recent slowdown in volume and value, the average investment size remained in Q1 at €9.1m. The average early-stage equity ticket has been at least €8m in each of the last six quarters, having never exceed €8m prior. The largest early-stage investment was the \$180m series-A held by newly formed firm Arvelle Therapeutics. The round was led by Life Science Partners and included Andera Partners, NovaQuest Capital Management, RV Capital Management and HIG BioHealth Partners.

## Ten largest European private-equity-backed early-stage deals, Q1 2019

Deal name	Country	Value (€m)	Equity provider
Arvelle Therapeutics	Switzerland	157	Life Sciences Partners
Flash	Germany	55	Target Global
Snipr Biome	Denmark	44	Life Sciences Partners, Lundbeckfonden Emerge
Atai Life Sciences	Germany	38	Subversive Capital
Hookipa Pharma	Austria	33	Redmile Group
Anaveon	Switzerland	31	Syncona Partners
VOI Technology	Sweden	26	Project A Ventures, Raine Ventures, LocalGlobe
Polyneuron Pharmaceuticals	Switzerland	20	New Enterprise Associates, Sofinnova Partners
Nivaura	UK	17	MiddleGame Ventures
Dixa	Denmark	12	Project A Ventures

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