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Private equity barometer

Q3 2019 Figures based on preliminary data from Europe's
specialist private equity information provider



698

Highest quarterly deal
volume for a decade

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Key Findings

Overall European private equity

- Private equity investment activity bounced back in Q3, with deal volume and total value climbing strongly.
- There were 698 investments across buyout, expansion and early-stage deals, the highest in the last decade.
- The amount of capital invested was the third highest of the last decade at €61.7bn, behind only Q1 and Q2 2018.

Buyouts

- Buyout volume rose 13% compared with the previous quarter to 296, posting its highest figure in the last decade.
- It was the third highest quarter for value in the last 10 years; the top two were both last year.
- Buyout deal value and volume were up across all market brackets, with mid-cap buyouts (€100m-1bn) mostly responsible for Q3's uptick.
- Mid-cap value almost doubled to €22.4bn, bouncing back from a weak Q2.
- Small- and large-cap buyout markets were modestly up in both volume and value compared with the previous quarter.
- Deal value in technology and healthcare jumped 65% and 100% respectively compared with Q2, whereas deal volume stayed in line with the previous quarter results.
- Breaking the data down by region, buyout volume increased everywhere except the Nordic region – where it fell sharply from 45 to 19 deals – and in the CEE region (slightly down from 12 to 7).
- France and the UK & Ireland were responsible for a significant part of the value increase in Europe – it jumped from €2.4bn to €12.3bn in France and from €7.3bn to €13.8bn in the UK & Ireland on the back of activity in the larger deal segments.
- Dealflow grew modestly in the DACH and southern Europe regions. There were 49 buyouts in the DACH region, up from 44 in Q2; and 42 in Southern Europe, up from 39.

- The UK buyout market bounced back from a weak Q2, with deal volume and value increasing. Technology and consumer services were the largest contributors to the value growth.
- In terms of deal sourcing, the growth in buyouts was driven by an increase in the number of transactions involving family/private vendors (up to 163 from 149), foreign parents (25, up from 13) and institutional investors (77 versus Q2's 66).
- The largest buyout was KKR's acquisition of Axel Springer, a German media and technology company.

Growth Capital

- The volume of growth capital investments recorded in the third quarter of 2019 grew modestly by 5% to 32. Nevertheless, it is still the strongest quarter for volume in the last decade.
- The amount of capital invested in growth capital deals was down 29% to €8.9bn on the strong previous quarter.
- Deal volume and value in the DACH region increased to their highest number in the last decade with 77 deals worth €2.7bn, reaching a level in line with the UK & Ireland – the largest contributor to growth capital deal volume and value.
- The largest investment was Clayton Dubilier & Rice's backing of France-based Socotec, a construction and infrastructure consultancy.

Early-stage

- Early-stage deal numbers slightly declined from 78 to 75 investments in Q3.
- The amount of capital invested grew strongly by 51% to €877m from €580m in Q2, the highest in 2019.
- The two largest investments worth more than €100m were in biotechnology.
- A consortium led by Life Sciences Partners and Andera Partners led the largest investment round of Q3, with a €116m investment in Netherlands-based AM Pharma.

Deal volume reaches record high as mid-market blooms

Overall European private equity

Deal-making reached an all-time high in Q3 with deal volume and total value both climbing significantly across Europe.

There were 698 buyout, expansion and early-stage investments over the quarter. The amount of capital invested also climbed compared with the previous quarter, reaching a five-quarter high at €61.7bn. Aggregate value exceeded the average over the last 10 quarters (€54.7bn).

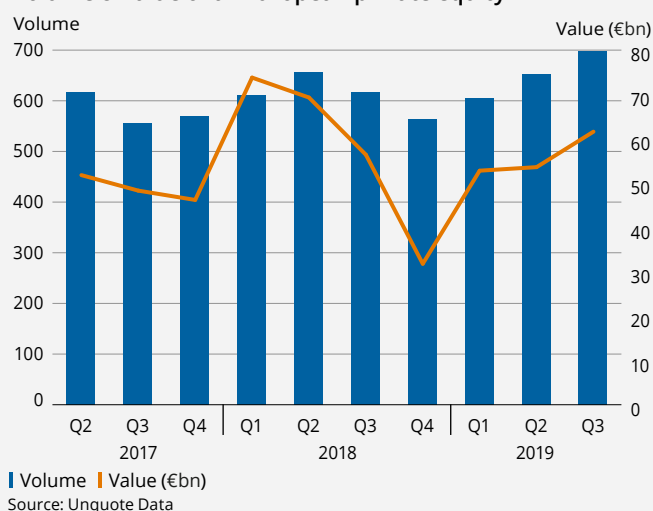
Aggregate value was boosted mostly by a 58% growth in the number of mid-cap buyouts, which also helped to offset a fall in the value of expansion deals in Q3. There was also a substantial amount of equity invested in early-stage deals, which reached the highest figure of 2019 at €877m.

The buyout market has been strengthening consistently and was only four deals away from hitting 300 – its highest point in the last decade. This resulted in a significant increase in the segment's contribution to both deal volume and value.

Growth capital deals also had a big quarter: despite the value of expansion deals declining to €8.9bn, there were 327 investments, a 10-quarter high. Early-stage investment volume stayed in line with the average over the last year, down slightly a few points on Q2.

Given political uncertainty in recent years, private equity activity has remained remarkably robust. Sectors that attracted most of the investments remained the typical choices seen over recent quarters: growth capital investors deployed most of their capital in technology companies, early-stage backers invested the most in healthcare, and the industrial sectors were the most valued in terms of buyouts.

Volume & value of all European private equity



	Volume	Value €bn
Q2 2017	617	51.9
Q3 2017	556	48.4
Q4 2017	570	46.3
Q1 2018	611	73.9
Q2 2018	657	69.4
Q3 2018	616	56.5
Q4 2018	564	31.9
Q1 2019	605	52.9
Q2 2019	653	53.7
Q3 2019	698	61.7
2017	2,278	180.0
2018	2,448	231.8
2019	1,956	168.3

“The buyout market has been strengthening consistently and was only four deals away from hitting 300.”



Quarterly Focus

Restated stats in Q3 highlight evolving market

In the Q2 2019 edition of the Barometer, *Unquote* reported a notable deceleration in the volume and value of European PE-backed dealflow, driven primarily by weakness in the main powerhouse markets of France, Germany and the UK. Three months on, the latest data tells a somewhat different story, with the volume of deals completed in Q2 now estimated to have risen by almost 13% over the previous quarter. There has also been a similar upward correction in terms of market value for the second quarter – now thought to have been worth €53.7bn in Q2, versus the €47.1bn noted in the last report. France and the UK did indeed see something of a slowdown between the first and second quarters, but the DACH market is now thought to have grown over those periods.

While we always expect there to be some correction in the historical figures announced in these Barometer reports due to the nature of how intelligence filters through – especially on the more peripheral PE activity – the scale of the correction in this edition is not in keeping with expectations. The primary reasons behind the correction are to do with significant changes we have made to *Unquote*'s offshore research team and its processes. These changes have effectively led to more researchers being focused on the European PE market and improved synergies between other elements of the Acuris research operation. This in turn has allowed us to track the market in a more efficient way, especially in terms of capturing the activities of Europe's 'non-core' investors.

In fact, the research team reorganisation highlights an interesting trend in the European market: there is without doubt an increasing diversification in the type of investors actively investing, as well as a growing array of specialist niche strategies being employed. Whether it is the industrial holding activities of groups like Aurelius, Serafin or Value8, the specialist investment strategies of investors like Verdane Capital and Tikehau, or the new wave of entrepreneurial venture firms, the European market is expanding well beyond the family of institutionally funded GPs that have hitherto dominated the market.

Perhaps it is to be expected: with so much capital chasing a finite number of classic PE-type deals (stable cashflows, solid prospects), market participants are being forced to search out new and innovative methods of deploying capital and this is leading to the sharp rise in niche strategies. Although it is difficult to quantify due to limitations surrounding the way deals are classified, it certainly feels like Q3 produced a much higher than average number of 'niche' deals, such as complex corporate carve-outs, restructuring/merger deals and other special situations.

At the same time, political turmoil and economic uncertainty seems to be encouraging corporates to re-evaluate their core holdings: corporate disposals are up by 40% in Q3 and almost doubled where sales by non-local parents are concerned. All of this points to a market that is being driven to new levels of complexity and diversity in search of alpha.

Buyouts

A rebound in the number of mid-cap deals helped boost the number of buyouts to a record-setting figure in Q3. There were 296 buyouts – an all-time high. Buyout volume was up across the board with the mid-cap market as the largest contributor to the 13% growth over Q2.

Comparatively, the small- and large-cap buyout markets were only up modestly in volume versus the previous quarter. Dealflow in the mid-cap segment rose from 199 to 208 in Q3, reaching a level in line with the highest figures in the sector across the last 10 years. The large-cap deal volume was slightly up to nine from seven in Q2, but still behind the 2018 average.

At almost €52bn, the total value of buyouts rose by 28% in Q3 and has reached its highest level since the exceptional Q2/Q3 period of 2018. This increase was primarily driven by a growth of 58% in the mid-cap deal value, which was up from €14.2bn in Q2 to €22.4bn, making it the strongest quarter in 2019. Deal value remained robust in small- and large-cap buyouts too, rising by a little to €7.6bn and €22bn respectively.

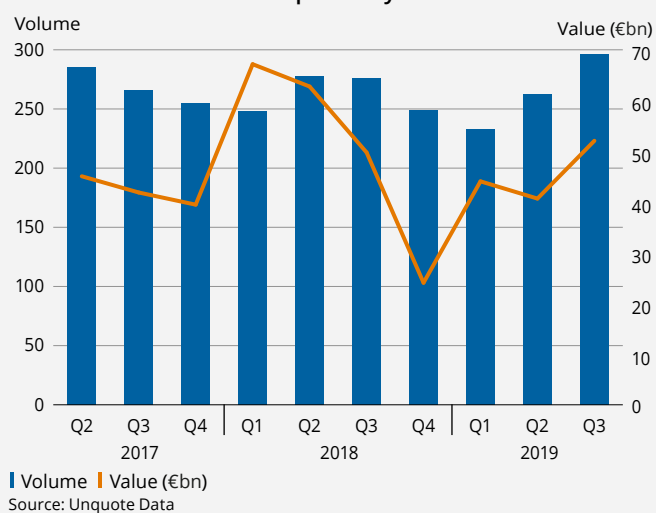
Regionally, buyout volume increased everywhere in Q3 except the Nordic region, where it fell sharply from 45 to 19 deals, and in the CEE region – slightly down from 12 to seven. France and the

UK & Ireland were the main contributors to the buyout value growth in Europe. The UK buyout market bounced back from a weak Q2, with both deal volume and value rising sharply. Technology and consumer services were mostly responsible for the UK market's rebound. Deal value went up from €7.3bn to €13.8bn in the UK & Ireland, and jumped from €2.4bn to €12.3bn in the French market. DACH and southern Europe remain robust in terms of deal value, growing from 44 to 49 and from 39 to 42 respectively.

DACH was home to the largest buyout of the quarter – KKR's acquisition of Axel Springer, a German media and technology company.

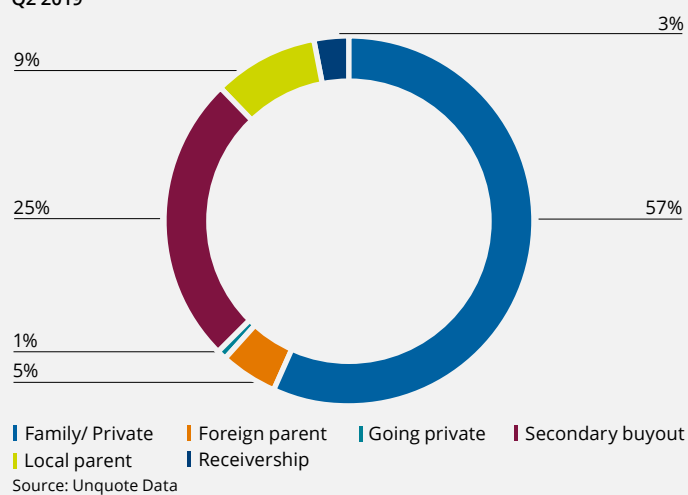
Breaking the data down by vendor type reveals that the buyout increase was underpinned by a growth in the number of transactions involving family/private vendors, which rose to 163 in Q3 from 149, foreign parents (up to 25 from 13), and institutional investors, to 77 from 66. The number of secondary buyouts also bounced back from a weak Q2, reaching a level in line with the average over the last 10 quarters. Private-equity-backed spinouts from local parent companies increased to their highest number in the last 10 quarters, with 27 such transactions.

Volume & value of all European buyouts

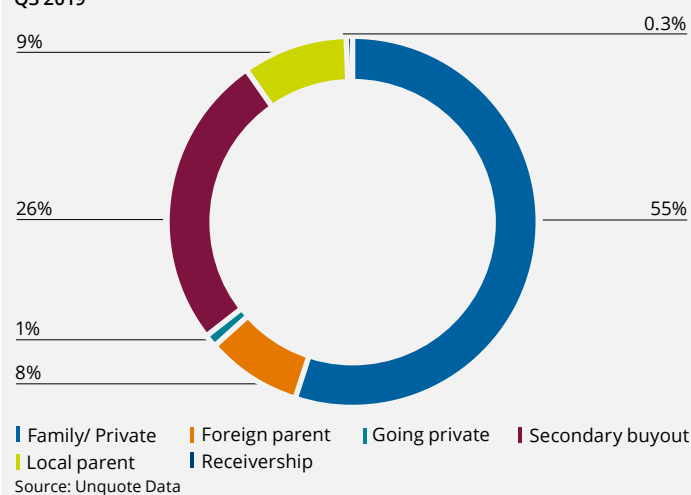


	Volume	Value €bn
Q2 2017	285	45.0
Q3 2017	266	41.8
Q4 2017	255	39.4
Q1 2018	248	67.1
Q2 2018	278	62.7
Q3 2018	276	49.7
Q4 2018	249	24.0
Q1 2019	233	44.0
Q2 2019	262	40.6
Q3 2019	296	52.0
2017	1,043	153.2
2018	1,051	203.6
2019	791	136.5

European buyouts by vendor type Q2 2019



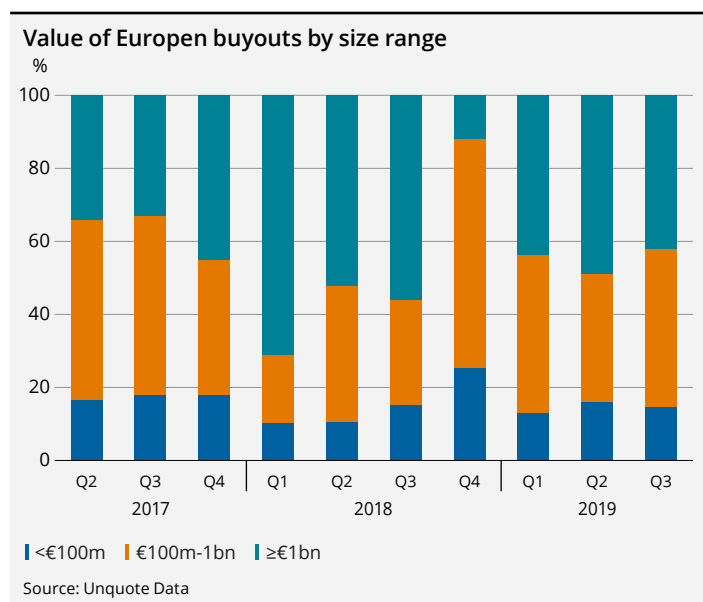
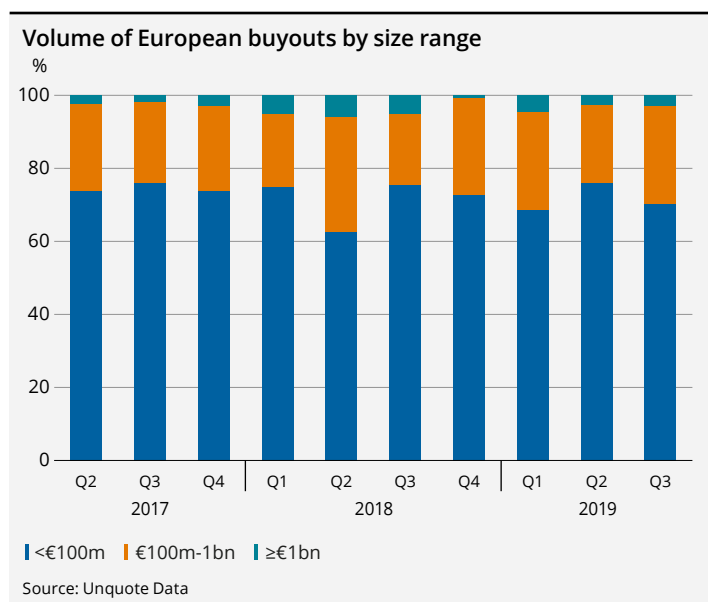
European buyouts by vendor type Q3 2019



	Q2 2019	Q3 2019
Family/Private	149	163
Foreign parent	13	25
Going Private	2	3
Institutional Investor	66	77
Local Parent	24	27
Receivership	8	1
State	0	0

“DACH was home to the largest buyout of the quarter – KKR’s acquisition of Axel Springer, a German media and technology company.”

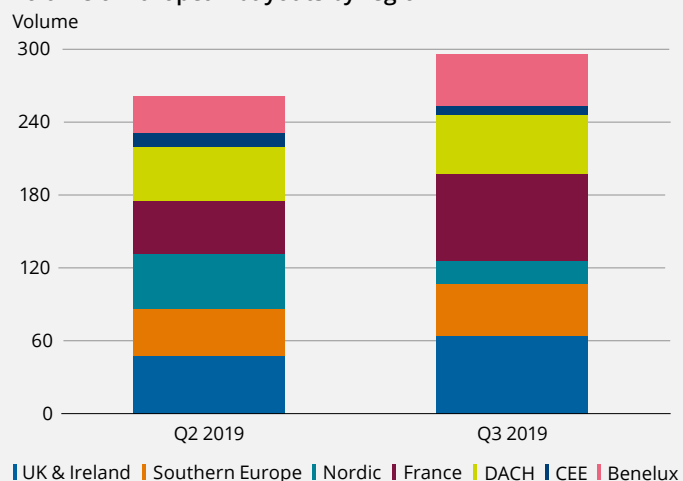
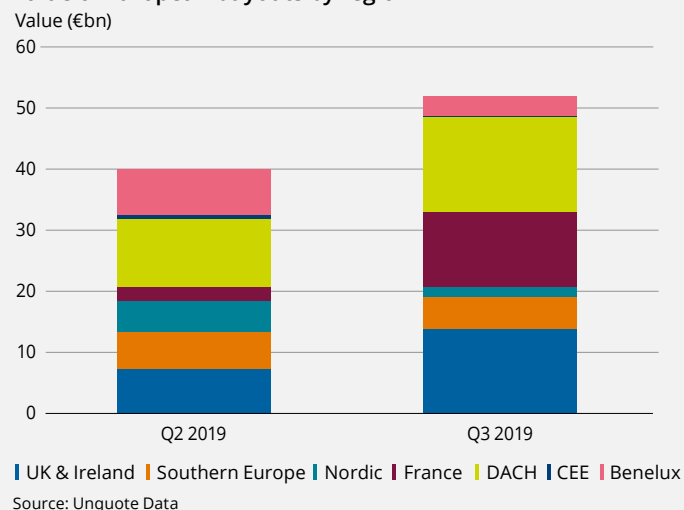




	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q2 2017	210	74%	68	24%	7	2%	285
Q3 2017	202	76%	59	22%	5	2%	266
Q4 2017	188	74%	59	23%	8	3%	255
Q1 2018	186	75%	49	20%	13	5%	248
Q2 2018	174	63%	87	31%	17	6%	278
Q3 2018	208	75%	54	20%	14	5%	276
Q4 2018	181	73%	66	27%	2	1%	249
Q1 2019	160	69%	62	27%	11	5%	233
Q2 2019	199	76%	56	21%	7	3%	262
Q3 2019	208	70%	79	27%	9	3%	296

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q2 2017	7.4	17%	22.2	49%	15.4	34%	45.0
Q3 2017	7.4	18%	20.5	49%	13.8	33%	41.8
Q4 2017	7.0	18%	14.6	37%	17.8	45%	39.4
Q1 2018	6.8	10%	12.5	19%	47.8	71%	67.1
Q2 2018	6.6	10%	23.3	37%	32.8	52%	62.7
Q3 2018	7.6	15%	14.3	29%	27.8	56%	49.7
Q4 2018	6.1	25%	15.1	63%	2.9	12%	24.0
Q1 2019	5.8	13%	19.0	43%	19.2	44%	44.0
Q2 2019	6.5	16%	14.2	35%	19.9	49%	40.6
Q3 2019	7.6	15%	22.4	43%	22.0	42%	52.0



Volume of European buyouts by region**Value of European buyouts by region**

	Volume		Value (€m)	
	Q2 2019	Q3 2019	Q2 2019	Q3 2019
Benelux	30	43	7,517	3,381
CEE	12	7	707	180
DACH	44	49	11,050	15,413
France	44	72	2,405	12,275
Nordic	45	19	5,139	1,698
Southern Europe	39	42	5,928	5,248
UK & Ireland	47	64	7,264	13,774
	261	296	40,011	51,970

Ten largest European private-equity-backed buyouts, Q3 2019

Deal name	Country	Value (€m)	Equity provider
Axel Springer	Germany	6,800	Kohlberg Kravis Roberts & Co
Kantar	UK	3,576 (est)	Bain Capital
Webhelp	France	2,400	Groupe Bruxelles Lambert
Groupe Primonial	France	2,000 (est)	Latour Capital et al.
CRH (European distribution business)	Ireland	1,640	Blackstone Group
Ontic	UK	1,201	CVC
Domidep	France	1,150 (est)	I Squared Capital
Inexio	Germany	1,000 (est)	EQT Partners
Heidelpay	Germany	750 (est)	Kohlberg Kravis Roberts & Co
Emera	France	625 (est)	Ardian, Naxicap Partners

Growth capital



European growth capital investments continued their strong run, with the number of growth capital deals climbing to a record high in Q3 despite a fall in deal value. There were 327 expansion investments over the quarter, up 5% on the previous quarter and the highest in the last decade. Growth capital investment volume appears to have been increasing since Q4 2018 after losing momentum in 2017.

Expansion deal value dropped 28% in Q3, accounting for €8.9bn of equity deployed by growth capital investors in the period. The fall in value breaks the recent trend in growth capital value, which had been steadily increasing. This also lowered the average equity

	Volume	Value €bn
Q2 2017	239	6.3
Q3 2017	210	6.1
Q4 2017	220	5.9
Q1 2018	256	6.0
Q2 2018	277	5.7
Q3 2018	252	5.7
Q4 2018	251	7.2
Q1 2019	294	8.3
Q2 2019	313	12.5
Q3 2019	327	8.9
2017	868	24.3
2018	1036	24.7
2019	934	29.7

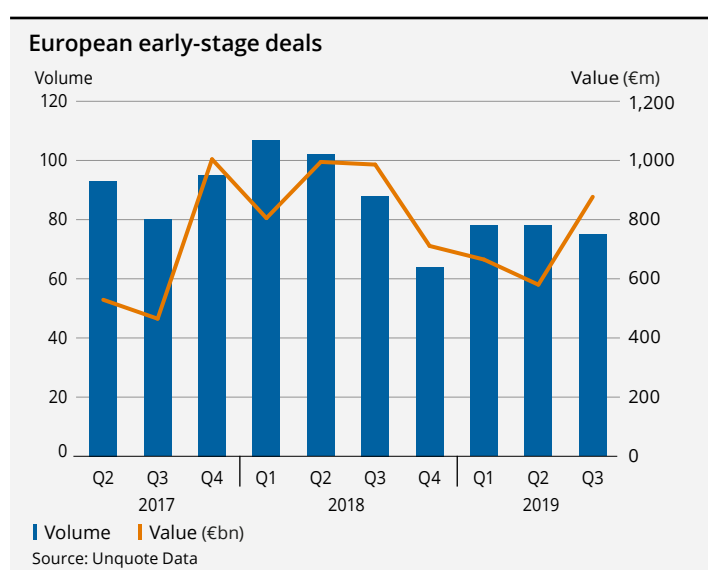
ticket of the quarter by 32% to €27.1m, reaching in line with the average numbers recorded in the beginning of 2019. Overall, average equity tickets have been above €20m in the earlier quarters of the 10-quarter timespan.

The UK & Ireland was the largest contributor to deal volume with 110 investments, up 29% on Q2, continuing a hot streak of around 100 deals per quarter that began in late 2017. The largest growth capital investment was Clayton Dubilier & Rice's backing of Socotec, a France-based provider of consultancy services for construction and infrastructure.

Ten largest European private-equity-backed growth capital deals, Q3 2019

Deal name	Country	Value (€m)	Equity provider
Socotec	France	600 (est)	Clayton Dubilier & Rice
Babylon Health	UK	449	Investment AB Kinnevik, Vostok New Ventures
Klarna	Sweden	413	Blackrock, Första AP-fonden, Institutional Venture Partners
BioNTech	Germany	286	Fidelity Management & Research Company <i>et al.</i>
CMR Surgical	UK	218	LGT Capital Partners, Escalate Capital Partners, Cambridge Innovation Capital
Signavio	Germany	156	Apax Partners, Deutsche Telekom Capital Partners
Drylock Technologies	Belgium	150	Sofina France
N26	Germany	150	Insight Venture Partners <i>et al.</i>
Liberty London	UK	117 (est)	Glendower Capital <i>et al.</i>
Energy Vault	Switzerland	99	Softbank Corporation

Early - stage



The early-stage segment posted another modest quarter: deal volume was in line with the average over the last year, dropping only a few points to 75 deals in Q3. However, the average equity ticket for the quarter was the highest in the last decade, increasing from €7.4m to €11.6m in Q3, considerably above the figures recorded in the earlier quarters of 2019.

However, a number of large-ticket deals saw the amount of capital invested rising by 51% on Q2, reaching the highest figure in 2019. Investment value bounced back from a continuous slowdown in value that began in late 2018, increasing to €877m in Q3.

	Volume	Value €m
Q2 2017	93	529
Q3 2017	80	465
Q4 2017	95	1,004
Q1 2018	107	805
Q2 2018	102	995
Q3 2018	88	986
Q4 2018	64	711
Q1 2019	78	665
Q2 2019	78	580
Q3 2019	75	877
2017	367	2,538
2018	361	3,497
2019	231	2,121

The DACH region was home to the greatest number of investments (28), which means the region has held top spot for the last four quarters.

Pharmaceuticals and biotechnology remain highly popular targets, with seven of the 10 largest investments in this sector. Indeed, the biggest investment of the quarter was the €116m investment in Netherlands-based biopharmaceutical firm AM Pharma, which involved Life Sciences Partners and Andera Partners, with participation from Forbion, Ysios Capital, Kurma Partners, ID Invest Partners, BB Pureos Bioventures and Gilde Healthcare.

Ten largest European private-equity-backed early-stage deals, Q3 2019

Deal name	Country	Value (€m)	Equity provider
AM Pharma	Switzerland	116	Life Sciences Partners, Andera Partners, <i>et al.</i>
Achilles Therapeutics	Germany	111	Syncona Partners, RA Capital
Alizé Pharma	Denmark	67	Life Sciences Partners <i>et al.</i>
Hifibio Therapeutics	Germany	60	IDG Capital Partners
Gyroscope Therapeutics	Austria	56	Cambridge Innovation Capital
Quanta Dialysis Technologies	Switzerland	42	BtoV Partners, Wellington Partners, Seroba Life Sciences
iStar Medical	Sweden	40	Gimv, Life Sciences Partners
Spendesk	Switzerland	35	Index Ventures
AgroSavfe	UK	35	Ackermans & van Haaren <i>et al.</i>
Breakpoint Therapeutics	Denmark	30	Medicxi Ventures

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