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Private equity barometer

Q3 2020 figures based on preliminary data from *Unquote*,
Europe's specialist private equity information provider



+102%

Increase in aggregate
value vs Q2 2020

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Key Findings

Overall European private equity

- European private equity activity remained stable in Q3, with 785 deals, one more than in Q2.
- Despite a second quarter of relatively low deal volume, the overall value doubled, from €26.7bn in Q2 to €54.1bn
- The average deal value in Q3 was €69m, up from €34.1m posted in the previous quarter.

Buyouts

- The number of buyouts jumped to 239 from 153 in Q2, nearly matching Q1 volume of 248 deals.
- Buyout value was €40.6bn, a sharp increase from the €18.3bn in Q2, but still slightly subdued compared to the €56.4bn recorded in the same period last year.
- Deal activity surpassed Q2 figures in all three value ranges – the small-cap (<€100m), mid-cap (€100m-1bn) and large-cap (>€1bn).
- Small-cap deal count rose to 179 from 120 in Q2, slightly less than the first quarter's deal volume of 199.
- There were 48 mid-cap deals, surpassing Q1 and Q2 figures (40 and 29 respectively)
- The mid-market segment reached its highest quarterly figure of the year, with deal value of €12.7bn.
- Q3 saw 12 large-cap buyouts, one deal fewer than was recorded in the first two quarters combined.
- The average buyout value rose to €169.7m from the previous quarter's €119.4m figure.
- DACH had the largest deal volume with 51 deals, up from 42 in Q1 and 35 in the previous quarter.
- Southern Europe also managed to bring the Q3 buyout activity back to last year's level, with 48 deals – three times more than the 16 in Q2.
- Deal activity in the Nordic countries nearly doubled from 17 to 33, and comfortably exceeded Q1's volume of 24.

- Benelux buyout activity continued to drop, from 35 and 28 in Q1 and Q2 to 15 deals in Q3.
- The largest buyout deal was BC Partners' investment in Industria Macchine Automatiche (IMA), an Italian manufacturer of packaging machinery, valuing the company at €3.6bn.

Growth Capital

- There were 388 growth capital investments in Q3, a 13.4% decline from the previous quarter.
- A total of €12.1bn in capital was deployed – the highest figure since Q2 last year.
- The slight decrease in overall growth activity was largely due to the subdued activity in France. The country saw 57 investments worth €1.3bn, a sharp decline from 109 and 94 transactions in the first and second quarters, respectively.
- With 98 deals worth €1.8bn, DACH recorded its highest deal count since 2010.
- The largest growth capital deal was the Silverlake-led investment of €545m in Klarna, a Swedish payment service provider, joined by other investors GIC, BlackRock and HMI Capital.

Early-stage

- Early-stage deal activity dropped from the previous quarter's peak volume of 183 deals to 158 in Q3.
- The overall capital deployed reached its highest figure with €1.4bn, up from €1.1bn in Q2.
- DACH remained the most active region with 60 deals in the third quarter, registering one deal more than in Q2.
- The Nordic region also saw an increase in the number of early-stage deals to 26 from 21 in the second quarter.
- The investment of \$500m (€420m) in Ki, a UK-based algorithm-driven digital insurance broker, by Blackstone Tactical Opportunities and Fairfax Financial Holdings was the largest early-stage funding round in Q3.

Buyout uptick fuels deployment recovery

Overall European private equity

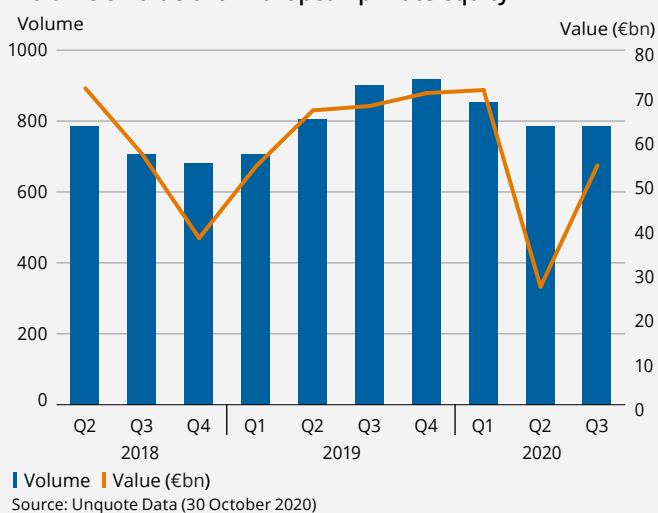
Dealflow in the European private equity market remained the same in the third quarter with 785 deals, just one more than in Q2. The stagnating deal volume could still show signs of recovery, as the overall deal value doubled, from €26.7bn in Q2 to €54.1bn in the last quarter. Deal volume and value still fell short of the 852 deals worth €71.1bn recorded in pre-lockdown Q1.

The increase in overall deal value can mostly be attributed to the 12 large-cap buyout deals worth €21.6bn; in contrast, large-cap deals amounted to just €5.4bn across four deals in the previous quarter.

As the lockdown measures began to ease in the third quarter, the deal numbers in the buyout market saw a significant 56.2% increase to 239 from 153 in Q2. On the other hand, the growth capital segment registered 388 deals, 13.4% below the volume in Q2. The performance of the early-stage market was also slightly underwhelming, posting 158 deals compared to 183 deals in Q2.

The overall deal value and the average equity ticket both rose in all market segments. The buyout market recorded an aggregated value of €40.6bn – a considerable jump from the €18.3bn seen in Q2. Meanwhile, growth capital values climbed to €12.1bn from €9.2bn in Q1 and €7.3bn in Q2. The total capital deployed in the early-stage market slightly increased to €1.4bn from €1.1bn, reaching its highest quarterly value since 2010.

Volume & value of all European private equity



	Volume	Value €bn
Q2 2018	786	71.5
Q3 2018	707	56.6
Q4 2018	681	37.7
Q1 2019	706	53.9
Q2 2019	806	66.5
Q3 2019	902	67.5
Q4 2019	918	70.4
Q1 2020	852	71.1
Q2 2020	784	26.7
Q3 2020	785	54.1
2018	2,855	240.9
2019	3,332	258.3
2020 YTD	2,421	151.9

“UK buyout activity remained suppressed, mostly due to the double-whammy of Covid-19 and significant near-term Brexit uncertainty”

– Merrick McKay, Aberdeen Standard Investments



Quarterly Focus

Endure, adapt and overcome

With just a month left in 2020, many GPs will be eager to focus on their pipeline for 2021 and no doubt happy to turn the page on a most challenging year. Recent activity should help them gauge where the first lessons from investing in the oft-cited “new normal” are starting to emerge.

The first takeaway is that PE is very much back in business, as was hinted at following a noticeable July deal-doing bump. European PE deal value has doubled to €54.1bn in Q3 from €26.7bn in Q2. The number of deals was on par with Q2, with 785 deals recorded in Q3, one more than in Q2.

“Completing 785 new deals in excess of £54bn of value would have been viewed as highly improbable around the early stages of the lockdown in March/April, but private equity managers have adapted remarkably well to a ‘new normal’,” says Merrick McKay, head of private equity at Aberdeen Standard Investments.

“We weren’t surprised at the recovery in private equity deal value in Q3. Managers had been reporting a significant amount of new investment activity from early summer onwards and deal volumes have shown remarkable resilience throughout the crisis – it has been the large-cap space that saw the most dramatic dip, then rebound, in activity during the pandemic.”

Meanwhile, the UK has lost further ground to continental markets. UK & Ireland saw 37 buyouts, up from 21 in Q2, but 38.3% down in contrast to Q1. Meanwhile, Germany and Italy

have made significant inroads in recent weeks, and France was a magnet for larger transactions. France recorded 47 deals in Q3, up from 29 buyouts in Q2, but fell short of the 55 deals conducted in the first quarter.

“UK buyout deal activity levels have remained suppressed, mostly due to the double-whammy of Covid-19 and significant near-term Brexit uncertainty,” says McKay. “It certainly looks like Germany has had a good crisis in comparison with many European countries, and therefore no surprise that its new deal activity has held up well.”

PE may be hungry for the right deals, but Q3 statistics make one thing abundantly clear: the appetite for exits is still at an all-time low and realisations only registered a modest post-lockdown bump. “We’ve seen more new-deal activity than exits,” adds McKay. “GPs are extremely sophisticated owners of business, and will tend to sell when the exit environment suits them – while this hasn’t been as bad as we feared, no-one would suggest that now is the best time to be selling businesses in most sectors. As such, we are expecting a general lengthening in hold periods for many portfolios.”

This imbalance between new deals and exits means that SBOs are rapidly dwindling as a source of relatively straightforward investment opportunities. Some LPs may be getting anxious at the thought of a prolonged dry spell in distributions, but most will no doubt welcome a rebalancing towards more primary dealflow.

Buyouts

The largest economies of Europe eased their Covid-19 restrictions in the third quarter, which created opportunities for sponsors to close more buyouts. Sponsors completed 239 deals over the quarter, a significant rise from the 153 deals recorded in the previous quarter and nearly matching Q1 volume of 248 deals.

Q3 recorded 179 small-cap deals, significantly higher than the 120 in Q2, but still short of the 199 deals in the first quarter. There were 48 mid-cap deals, surpassing Q1 and Q2 figures (40 and 29 respectively) and 12 large-cap buyouts, one deal fewer than recorded in the first two quarters combined.

Although the number of large-cap buyouts met last year's quarterly average of 12 deals, the combined value of Q3's top-end buyouts stood at €21.6bn – half the €43.4bn's worth of large-cap buyouts in Q1, but a significant increase from the €5.4bn recorded in Q2.

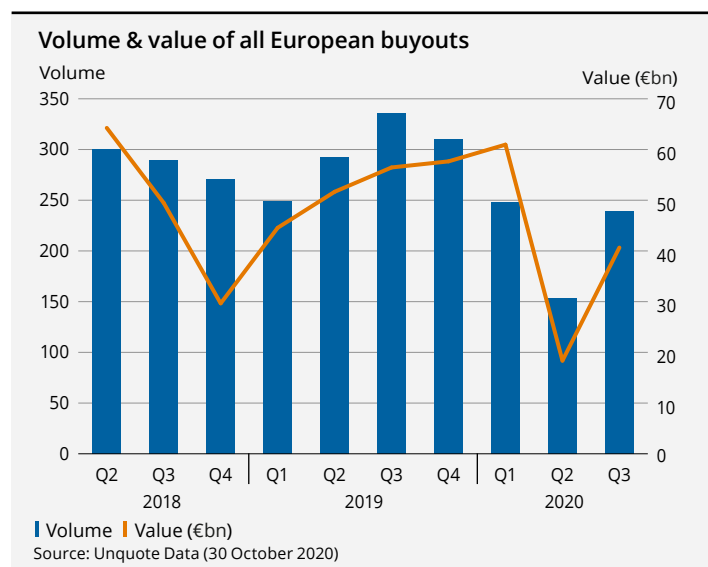
Taking all the deal brackets together, Q3 saw aggregate buyout value of €40.6bn, more than doubling Q2's €18.3bn, but still slightly subdued compared to the €56.4bn recorded in Q3 2019. With the top end of the market showing promising signs of a rebound, the average buyout value rose to €169.7m from the previous quarter's €119.4m.

Small-cap deals were worth €6.2bn in Q3, up from €4bn in the second quarter, but slightly less than Q1's deal value of €6.9bn. The mid-market segment reached its highest quarterly figure of the year, with deal value of €12.7bn, up from €10.7bn and €8.9bn in the first and second quarters, respectively.

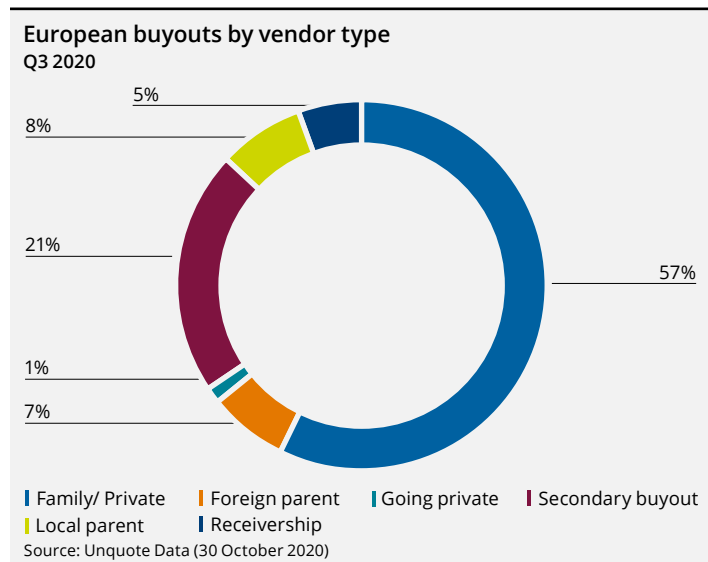
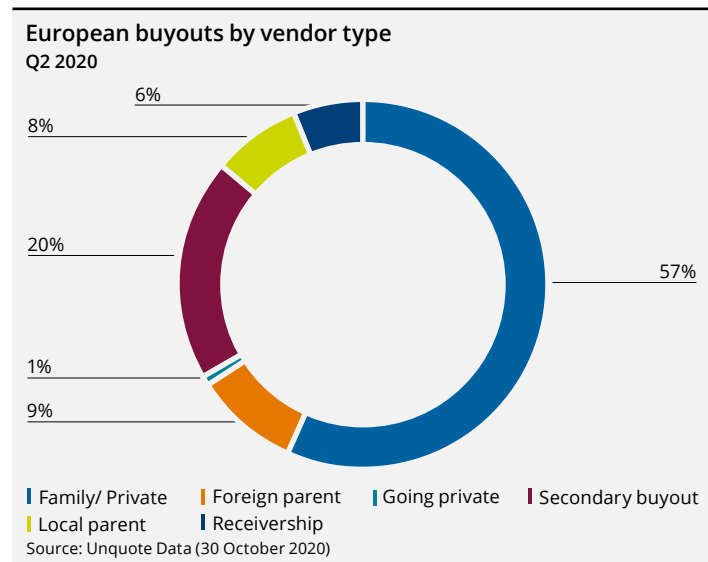
Nearly all regions managed to surpass their pre-lockdown Q1 buyout volumes in Q3. DACH had the largest deal volume with 51 buyouts, up from 42 in Q1 and 35 in the previous quarter. Southern Europe also managed to bring the Q3 buyout activity back to last year's level, with 48 deals – three times more than the 16 deals in Q2. Deal activity in the Nordic countries nearly doubled from 17 to 33, also exceeding Q1's volume of 24.

Although the deal volume in most of the western regions surpassed the previous quarter's figures, it remained subdued compared to pre-pandemic levels. UK & Ireland saw 37 buyouts, up from 21 in Q2 but 38.3% down in contrast to Q1. France was the third most active country in Q3 with 47 deals, up from 29 buyouts in Q2, but similarly fell short of the 55 deals conducted in the first quarter. Benelux buyout activity continued to drop to 15 deals, down from 35 and 28 in Q1 and Q2.

The largest buyout deal was BC Partners' investment in Industria Macchine Automatiche (IMA), an Italian manufacturer of packaging machinery, valuing the company at €3.6bn.



	Volume	Value €bn
Q2 2018	300	64.2
Q3 2018	289	49.4
Q4 2018	271	29.6
Q1 2019	249	44.5
Q2 2019	292	51.6
Q3 2019	336	56.4
Q4 2019	310	57.6
Q1 2020	248	60.9
Q2 2020	153	18.3
Q3 2020	239	40.6
2018	1,117	210.5
2019	1,187	210.0
2020 YTD	640	119.7

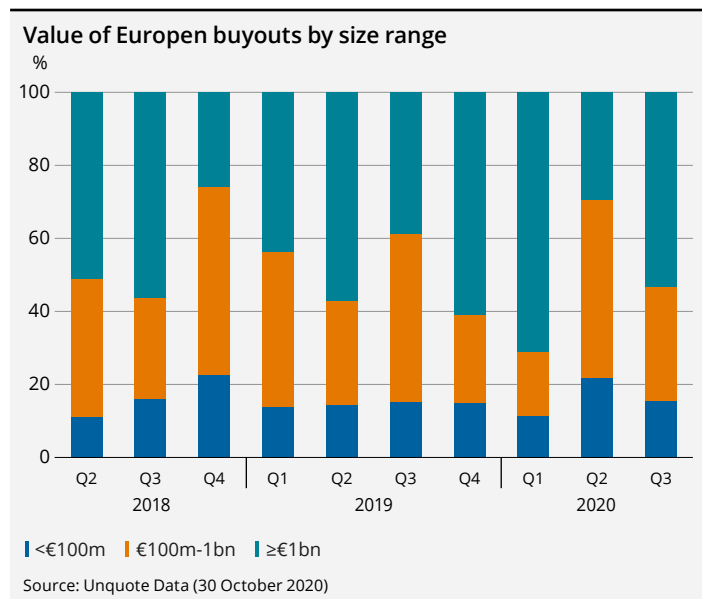
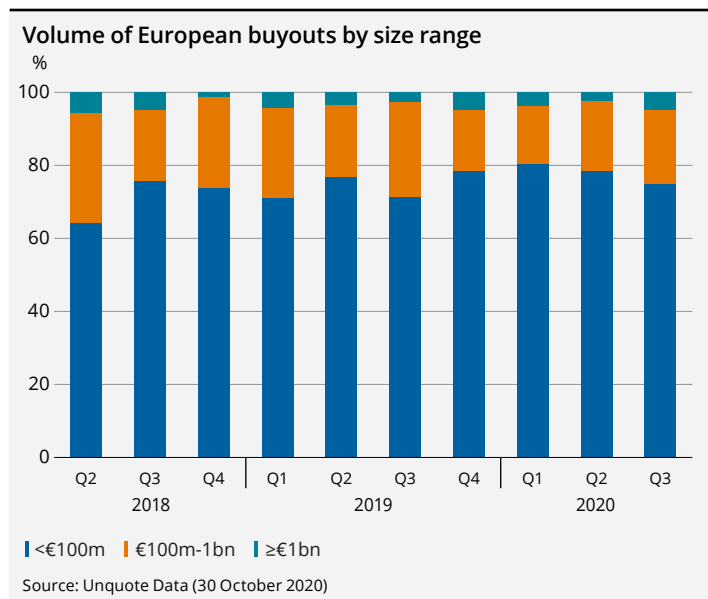


	Q2 2020	Q3 2020
Family/Private	87	137
Foreign parent	14	17
Going Private	1	3
Institutional Investor	30	51
Local Parent	12	18
Receivership	9	13

“GPs are extremely sophisticated owners of business, and will tend to sell when the exit environment suits them”

– Merrick McKay, Aberdeen Standard Investments

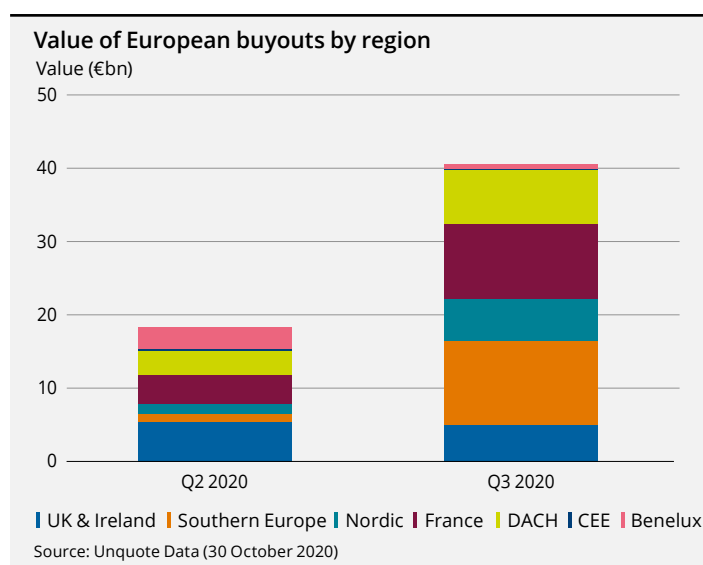
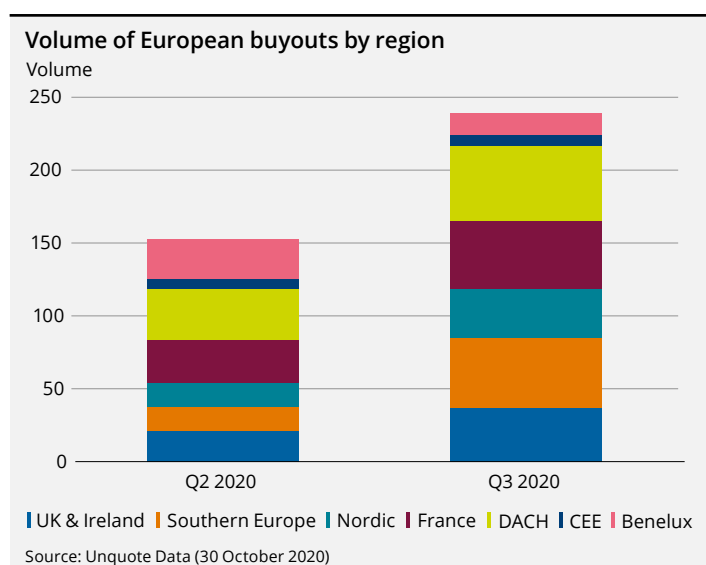




	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q2 2018	193	64%	90	30%	17	6%	300
Q3 2018	219	76%	56	19%	14	5%	289
Q4 2018	200	74%	67	25%	4	1%	271
Q1 2019	177	71%	61	24%	11	4%	249
Q2 2019	224	77%	58	20%	10	3%	292
Q3 2019	240	71%	87	26%	9	3%	336
Q4 2019	243	78%	52	17%	15	5%	310
Q1 2020	199	80%	40	16%	9	4%	248
Q2 2020	120	78%	29	19%	4	3%	153
Q3 2020	179	75%	48	20%	12	5%	239

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q2 2018	7.1	11%	24.3	38%	32.8	51%	64.2
Q3 2018	7.8	16%	13.7	28%	27.8	56%	49.4
Q4 2018	6.7	23%	15.2	51%	7.7	26%	29.6
Q1 2019	6.1	14%	18.9	42%	19.5	44%	44.5
Q2 2019	7.4	14%	14.6	28%	29.6	57%	51.6
Q3 2019	8.5	15%	25.9	46%	22.0	39%	56.4
Q4 2019	8.6	15%	13.7	24%	35.2	61%	57.6
Q1 2020	6.9	11%	10.7	18%	43.4	71%	60.9
Q2 2020	4.0	22%	8.9	49%	5.4	29%	18.3
Q3 2020	6.2	15%	12.7	31%	21.6	53%	40.6





	Volume		Value (€m)	
	Q2 2020	Q3 2020	Q2 2020	Q3 2020
Benelux	28	15	3,022	656
CEE	7	8	192	247
DACH	35	51	3,326	7,252
France	29	47	3,933	10,286
Nordic	17	33	1,360	5,717
Southern Europe	16	48	1,090	11,424
UK & Ireland	21	37	5,343	4,974
	153	239	18,265	40,556

Ten largest European private-equity-backed buyouts, Q3 2020

Deal name	Country	Value (€m)	Equity provider
IMA Group	Italy	3,600	BC Partners
IFS	Sweden	3,000 (est)	TA Associates, EQT Partners
Garrett Motion	Switzerland	1,761	KPS Capital Partners, Isatis Capital
Neuraxpharm	Germany	1,600 (est)	Permira
EF Kids & Teens	Switzerland	1,336 (est)	Permira
Idealista	Spain	1,300	EQT Partners
Babilou	France	1,250 (est)	Antin Infrastructure Partners
Rovensa Group	Portugal	1,000	Partners Group
Hermes UK	UK	1,000 (est)	Advent International
Chr Hansen Natural Colors	Denmark	800 (est)	EQT Partners

Source: Unquote Data (30 October 2020)

Growth capital



While Europe's buyout market returned to levels seen before the lockdown, the number of growth capital deals fell short of the second quarter activity.

There were 388 investments in Q3, a 13.4% decline from the previous quarter. While the volume dropped, however, Q3 recorded €12.1bn in deployed capital – the highest figure since Q2 last year. This increased the average equity ticket for the quarter to €31.3m, nearly doubling from the average of €16.4m from Q2.

The slight decrease in overall growth activity was largely due to the subdued activity in France. The country saw 57 investments

	Volume	Value €bn
Q2 2018	342	6.3
Q3 2018	295	6.2
Q4 2018	302	7.2
Q1 2019	351	8.7
Q2 2019	390	14.2
Q3 2019	433	10.1
Q4 2019	457	11.6
Q1 2020	443	9.2
Q2 2020	448	7.3
Q3 2020	388	12.1
2018	1,230	26.6
2019	1,631	44.6
2020 YTD	1,279	28.6

worth €1.3bn, a sharp decline from 109 deals in Q1 and 94 in Q2. The UK & Ireland remained the most active region with 106 growth capital deals, valued at €5.2bn – a slight decline in volume from 125 deals worth €2.4bn in Q2. Meanwhile, growth capital volume and value in DACH picked up from Q2; indeed, its 98 deals worth €1.8bn was the region's highest count since 2010.

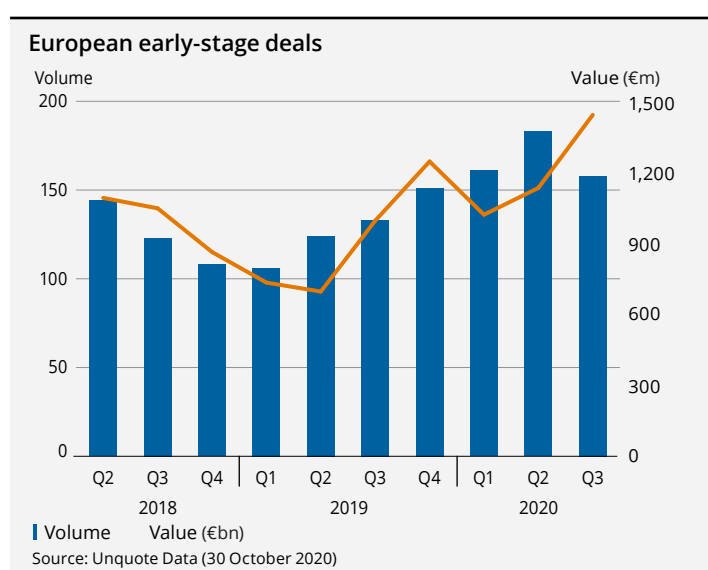
The largest growth capital deal was the Silverlake-led investment in Klarna, a Swedish payment service provider, joined by other investors including GIC, BlackRock and HMI Capital. The deal was estimated to be worth around €545m.

Ten largest European private-equity-backed growth capital deals, Q3 2020

Deal name	Country	Value (€m)	Equity provider
Klarna	Sweden	545	Silver Lake Partners, Blackrock, GIC Private, Northzone Ventures, Permira, Sequoia Capital, Technology Crossover Ventures
Northvolt	Sweden	503	Goldman Sachs Private Equity, Norrsken VC, Bridford Investments
TransferWise	UK	284	LocalGlobe, Vulcan
Aareon	Germany	260 (est)	Advent International
Mirakl	France	252	Permira, 83North, Bain Capital Europe, Elaia Partners, Felix Capital
Gymshark	UK	222	General Atlantic
Infobip	Croatia	200 (est)	One Equity Partners
Oatly	Sweden	178	Blackstone Group, Orkila Capital
Snyk	UK	168	Addition
Auxmoney	Germany	150	Centerbridge Partners, Index Ventures, Union Square Ventures, Foundation Capital

Source: Unquote Data (30 October 2020)

Early - stage



Following a strong early-stage capital performance with 183 deals in the second quarter, Q3 posted 158 deals – slightly down, but in line with the first quarter. While the last three months put a halt to five consecutive quarters of growth in deal volume, the overall capital deployed continued to grow, reaching its highest figure with €1.4bn, up from €1.1bn in Q2. The average equity ticket of early-stage deals also jumped, from €6.2m to €9.1m – the largest quarterly figure since 2010.

DACH remained the most active region with 60 deals in the third quarter, registering one deal more than in Q2. The Nordic countries also saw an increase in the number of early-stage deals,

	Volume	Value €m
Q2 2018	144	1092
Q3 2018	123	1048
Q4 2018	108	863
Q1 2019	106	734
Q2 2019	124	696
Q3 2019	133	995
Q4 2019	151	1246
Q1 2020	161	1021
Q2 2020	183	1134
Q3 2020	158	1442
2018	508	3,873
2019	514	3,671
2020 YTD	502	3,597

to 26 from 21 in the second quarter. The UK & Ireland recorded an overall value of €620m in Q3 spread across 31 deals, compared to €545m on 37 deals in the previous quarter.

Technology remained the most targeted space with 90 deals, slightly below the 110 mark recorded in the first and second quarters. Healthcare followed with 38 early-stage investments – its highest quarterly volume since 2010.

The investment of \$500m (€420m) in Ki, a UK-based algorithm-driven digital insurance broker, by Blackstone Tactical Opportunities and Fairfax Financial Holdings was the largest early-stage funding round in Q3.

Ten largest European private-equity-backed early-stage deals, Q3 2020

Deal name	Country	Value (€m)	Equity provider
Ki	UK	419	Blackstone Group
Neogene Therapeutics	Netherlands	92	Jeito Capital, Syncona Partners, EcoR1 Capital, TPG Capital, Polaris Partners, Two River, Vida Ventures, Pontifax
Galecto	Denmark	54	EIR Partners, Soleus Capital Management, Henderson Investment Management, Hadean Ventures, Maverick Ventures, Ysios Capital Partners, Sunstone Life Science Ventures, OrbiMed, Seventure, Novo Holdings, HBM BioVentures
F2G	UK	52	Cowen Healthcare Investments, Advent Venture Partners, Morningside, Novo Holdings
Mosa Meat	Netherlands	47	Blue Horizon Ventures, M Ventures, Agronomics
Immune Regulation	UK	45	Metellus, Morningside, 24Haymarket
Biose	France	30	Cathay Capital Private Equity
Enthera Pharmaceuticals	Italy	28	AbbVie Ventures, Sofinnova Partners, Indaco Venture Partners
Vico Therapeutics	Netherlands	28	Kurma Partners, Life Science Partners, BB Pureos Bioventures, Droia Oncology Ventures, Idinvest Partners, Polaris Partners
Mina Therapeutics	UK	26	AMoon

Source: Unquote Data (30 October 2020)

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