

Private equity barometer

Q2 2018 Figures based on preliminary data from
Europe's specialist private equity information provider



255

Buyout volume hits
new quarterly record

Key Findings

Overall European private equity

- European private equity built on a strong start to the year, recording 543 deals in Q2 2018, the highest quarterly volume on record.
- The combined value of private-equity-backed investments rose 17% compared with Q1 to €64.2bn – the highest-value quarter in the last decade and second highest of all time.
- Average deal value was €118m in Q2 2018, the largest since Q2 2007.

Buyouts

- There were 255 buyout transactions in Q2, up 13% on Q1. It was the most buyouts in a single quarter on record.
- Deal volume has surpassed 200 for five consecutive quarters for the first time in the last 10 years.
- The aggregate enterprise value of buyout transactions was €58.3bn in Q2, a 19% increase on Q1.
- It was the largest quarterly deal value since Q2 2007.
- Dealflow gained substantial momentum in the mid-cap range (€100m-1bn) with the number of deals rising to 84 in Q2 from 47 in Q1 (the highest quarterly dealflow in the mid-cap range on record).
- Large-caps (€1bn+) rose to their highest level since 2007 with 15 transactions.
- The volume of small-cap deals fell 7% in Q2 to 156.
- Average buyout value climbed for the third consecutive quarter, reaching €229m.
- Breaking the data down by region, buyout activity was especially buoyant in the UK and France. There were 58 UK transactions, the most since Q2 2008; while France was home to the most deals with 61, the most since Q2 2007.
- In terms of deal sourcing, virtually all the increase in buyout transactions is accounted for by secondary buyouts.
- There were 94 secondary buyouts in Q2, up from 60 in Q1.
- Slightly fewer deals were sourced from family and private vendors, with 131 transactions.
- The largest buyout was the merger of EQT-backed Sivantos with competitor Widex; two firms focused on the development and manufacture of hearing aids. The enterprise value of the combined entity is around €7bn.

Growth Capital

- Growth capital dealflow dropped very slightly in Q2 to 219 transactions from 221 in Q1.
- Despite this fall, the number of investments remains robust and is well above the rolling 10-quarter average of 181.
- The total amount of equity invested in growth capital deals fell for the fourth consecutive quarter; €5bn was invested in Q2, down from €5.3bn in Q1.
- The largest transaction was Abu Dhabi Investment Authority's acquisition of a 21.4% stake in UK-based Pension Insurance Corporation Group. It bought the shareholding from JC Flowers, which exited after a 12-year holding period.

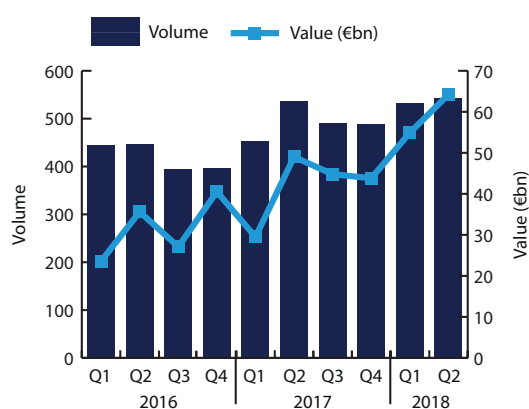
Early-stage

- Early-stage deal volume dropped 19% in Q2 compared with the previous quarter, falling to 69 from 85.
- It was the lowest number of transactions since Q3 2017.
- The amount of capital invested climbed 33% on the quarter to €893m.
- Quarterly deal volume has failed to break the 100-mark since Q2 2016, but the amount of equity invested has tended to be higher.
- The largest investment was the €101m series-B for Freeline, a UK-based gene therapy company. The round was led by listed VC Syncona and Albion Capital, which invested on behalf of the UCL Technology Fund.

European private equity hot streak continues

Overall European private equity

Volume & value of all European private equity



Source: unquote® data

	Volume	Value €bn
Q1 2016	445	23.6
Q2 2016	446	35.6
Q3 2016	394	27.1
Q4 2016	396	40.5
Q1 2017	453	29.5
Q2 2017	537	49.0
Q3 2017	490	44.8
Q4 2017	487	43.8
Q1 2018	532	54.9
Q2 2018	543	64.2
2016	1,681	126.8
2017	1,967	167.1
2018	1,075	119.1

Dealflow gained momentum in Q2 with 543 buyout, expansion and early-stage transactions. Not only was it a solid increase on Q1, but it was the most transactions recorded in a single quarter on comparable records.

The clearest upward trend has been in the buyout space, with expansion and early-stage investments remaining within relatively stable ranges over the last 10 quarters. There were 255 buyout transactions in Q2, which was also a record high. This ongoing momentum is illustrated by the fact that deal numbers have surpassed the 200-mark for five consecutive quarters, a feat not accomplished since the pre-crisis era.

Of the 255 buyouts completed, 119 were in France and the UK, which both experienced especially strong quarters. There was also a substantially higher number of secondary buyouts, while the number of buyouts sourced from private vendors declined slightly, despite the uptick in dealflow. Moreover, it was a record quarter for the mid-cap segment of the market in volume terms with 84 transactions, up from 47 in Q1.

Transaction volume and value both declined marginally in the growth capital space, but remain at elevated levels compared with the last few years. There were 219 investments worth €5bn in Q2, down from 221 investments worth €5.3bn in Q1.

Early-stage deals declined, with 69 in Q2, down from 85 in Q1. However, value bounced back to €893m. The amount of capital invested in early-stage deals has never exceeded a quarterly value of €1bn, but has come close in the past year. Q2's deal value was the 2nd highest in the last 10 years.

Quarterly Focus

France and UK lead as buyouts break record

A surge in mid-market activity in the UK and France was the main driver behind the second quarter's record buyout volume. Of the 255 buyouts completed across Europe, 119 were in the UK and France, which both had their best quarters in terms of deal volume since the financial crisis.

The mid-markets in both countries posted strong performances. There were 21 UK mid-market buyouts, the most since Q4 2014, and 16 in France, the most since Q1 2016. Momentum appeared to be driven largely by secondary transactions. Of the UK's 21 mid-market buyouts, 13 were secondaries while France counted 10 out of 16.

The largest mid-market secondary deal in the UK was Omers Private Equity's acquisition of recruitment company Alexander Mann Solutions from New Mountain Capital. Usual suspects such as Cinven, Permira, Mayfair, Vitruvian, Montagu and Bridgepoint were buyers in other secondaries.

There were two large-cap (€1bn+) deals in the UK: Hg's investment in The Access Group, a business software firm that is also backed by TA Associates; and Hg and ICG's buyout of accountancy software business Iris Software Group, which was bought from Hg's 2008-vintage sixth flagship fund.

France's second quarter was also characterised by a number of mega-deals (€1bn+), such as the acquisition of B2B IT firm Exclusive Group by Permira, and the buyout of roof tile manufacturer Imerys Toiture by Lone Star Funds. These deals took the number of French large-caps to five, the most in a single quarter on record. In line with the rising number of secondary deals, four of France's five large-cap deals were SBOs.

France's buoyant dealflow was not just the result of a greater number of secondary transactions; there were also a decent number of deals sourced from family and private vendors. There were 26 buyouts sourced from family and private vendors in Q2 and 54 in the first half, making it the largest number in a single half-year since H1 2007. Investments of this kind have been consistently increasing since around 2013.

The French market has posted more buyout deals than any other European region for three consecutive quarters.

Both the UK and France, Europe's largest markets in terms of private equity, have experienced several years of exceptional fundraising, while political developments and some key write-offs in consumer and casual dining have failed to shake confidence in the market as a whole. French private equity funds have raised more in each of the last three years than in any other year pre-2015. Meanwhile, nine maiden funds were launched in the UK in 2017, mostly aimed at the lower-mid-market; a reflection of the cautiously optimistic view being taken by GPs and their investors.

Buyouts

A sizeable boost in mid-market activity took buyout numbers to a record high in Q2. There were 255 transactions, up 13% on Q1's 226.

The number of deals completed in the mid-cap range (€100m-1bn) soared to a record high of 84 from 47 in Q1. It continues a hot spell in the European buyout market, which has now exceeded 200 deals for five consecutive quarters for the first time in the last 10 years.

Aggregate enterprise value also performed strongly. Deal value was €58.3bn in Q2, a 19% increase on Q1 and the second highest quarterly buyout value on record. While there was a high number of large-cap deals (€1bn+), which is often the main reason value spikes, the combined value of large-caps in Q2 fell to €30bn from €31.1bn in Q1.

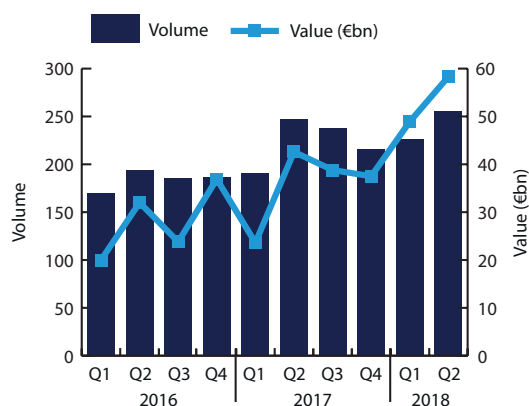
The sharp rise in deal value was instead due to the robust mid-market, where value climbed to €22.2m from €11.8m. There were mixed fortunes in the other market segments. Large-cap deal numbers rose to 15 in Q2 from 12 in Q1, completing another robust quarter. In contrast, small-caps (<€100m) edged down to 156 transactions from 167.

Most regions saw an uptick in dealflow, but France and the UK were the standout performers. France registered 61 buyouts, its highest quarterly dealflow since Q2 2007. It has also claimed Europe's top spot for the fourth consecutive quarter. Meanwhile, there were 58 UK transactions, the most since Q2 2008. Deal value also more than doubled in the UK, reaching €10.6bn in Q2 from €5.1bn in Q1.

In terms of deal sourcing, Q2 saw a record number of secondary buyouts. There were 94 buyouts sourced from other GPs in Q2, a sharp increase on Q1's 60. The climb in secondary deals accounted for virtually all of the gain in the quarter's dealflow. Fewer deals were sourced from family and private vendors than in Q1 while the number of carve-outs from local and foreign parent companies rose.

The largest buyout was the merger of EQT-backed Sivantos with competitor Widex; both focus on the development and manufacture of hearing aids. The enterprise value of the combined entity is around €7bn. Widex is based in Denmark, while Sivantos was founded in Germany but is now headquartered in Singapore.

Volume & value of European buyouts

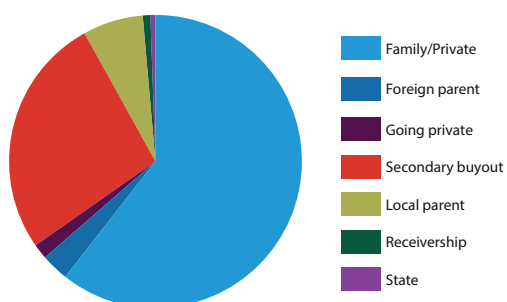


Source: unquote® data

	Volume	Value €bn
Q1 2016	170	20.0
Q2 2016	194	32.0
Q3 2016	185	23.8
Q4 2016	187	36.9
Q1 2017	191	23.6
Q2 2017	247	42.6
Q3 2017	238	38.8
Q4 2017	216	37.5
Q1 2018	226	48.9
Q2 2018	255	58.3
2016	736	112.7
2017	892	142.4
2018	481	107.2

European buyouts by vendor type

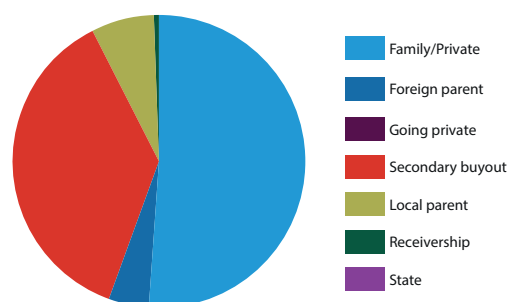
Q1 2018



Source: unquote® data

European buyouts by vendor type

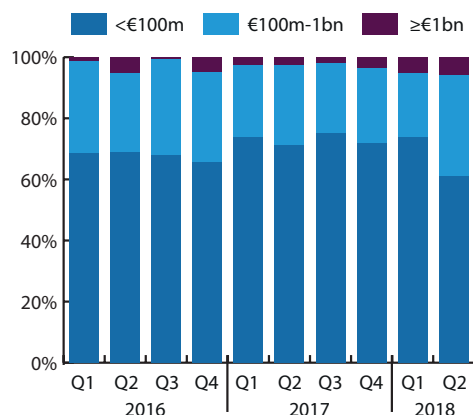
Q2 2018



Source: unquote® data

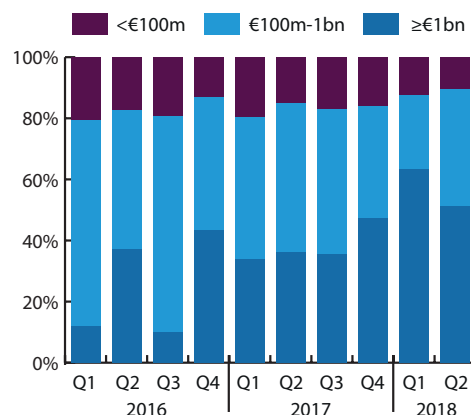
	Q1 2018	Q2 2018
Family/Private	137	131
Foreign parent	7	11
Going Private	4	0
Institutional Investor	60	94
Local Parent	15	18
Receivership	2	1
State	1	0

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range

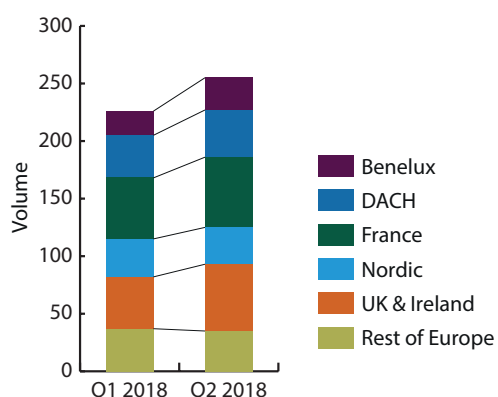


Source: unquote® data

	<€100m		€100m-1bn		≥€1bn		Quarterly total
	Volume	%	Volume	%	Volume	%	
Q1 2016	117	69%	51	30%	2	1%	170
Q2 2016	134	69%	50	26%	10	5%	194
Q3 2016	126	68%	58	31%	1	1%	185
Q4 2016	123	66%	55	29%	9	5%	187
Q1 2017	141	74%	45	24%	5	3%	191
Q2 2017	176	71%	64	26%	7	3%	247
Q3 2017	179	75%	54	23%	5	2%	238
Q4 2017	155	72%	53	25%	8	4%	216
Q1 2018	167	74%	47	21%	12	5%	226
Q2 2018	156	61%	84	33%	15	6%	255

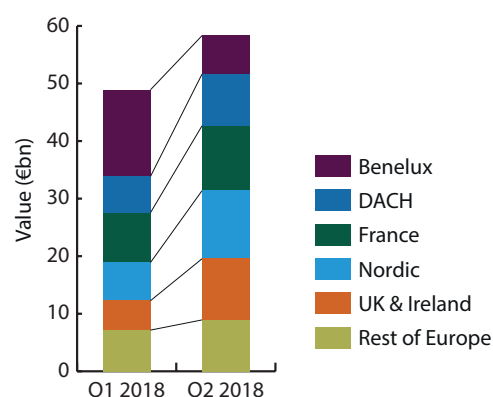
	<€100m		€100m-1bn		≥€1bn		Quarterly total
	Value (€bn)	%	Value (€bn)	%	Value (€bn)	%	
Q1 2016	4.2	21%	13.5	67%	2.4	12%	20.0
Q2 2016	5.6	18%	14.5	45%	11.9	37%	32.0
Q3 2016	4.6	19%	16.8	71%	2.4	10%	23.8
Q4 2016	4.8	13%	15.9	43%	16.1	44%	36.9
Q1 2017	4.6	20%	10.9	46%	8.0	34%	23.6
Q2 2017	6.5	15%	20.7	49%	15.4	36%	42.6
Q3 2017	6.7	17%	18.3	47%	13.8	36%	38.8
Q4 2017	6.0	16%	13.7	37%	17.8	48%	37.5
Q1 2018	6.1	12%	11.8	24%	31.1	64%	48.9
Q2 2018	6.1	10%	22.2	38%	30.0	51%	58.3

Volume of European buyouts by region



Source: unquote® data

Value of European buyouts by region



Source: unquote® data

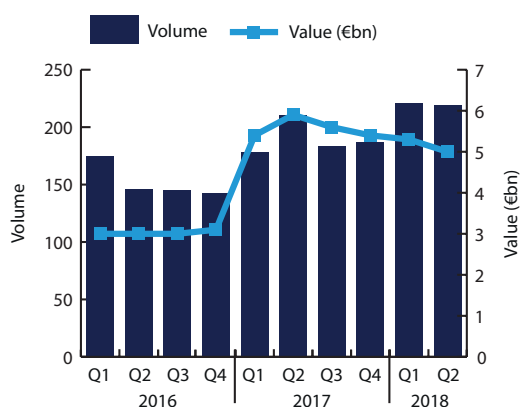
	Volume		Value (€m)	
	Q1 2018	Q2 2018	Q1 2018	Q2 2018
Benelux	21	28	15,055	6,675
DACH	37	41	6,297	8,984
France	53	61	8,665	11,276
Nordic	33	32	6,627	11,825
Rest Of Europe	37	35	7,156	8,927
UK	45	58	5,111	10,626
	226	255	48,911	58,313

Ten largest European private-equity-backed buyouts, Q2 2018

Deal name	Country	Value (€m)	Equity provider
Sivantos and Widex	Denmark	7,000	EQT Partners
Techem	Germany	4,600	Ontario Teachers' Pension Plan, CDPQ, Partners Group
Azelis	Belgium	2,000	Antin Infrastructure Partners
Ufinet Spain	Spain	n/d (€1bn+)	CVC Capital Partners
Cirsa	Spain	n/d (€1bn+)	Blackstone Group
Mehiläinen	Finland	1,500	CDPQ
Delachaux	France	1,478	ICG, Hg
IRIS Software	UK	1,300	Permira
Exclusive Group	France	1,200	Cerberus Capital Management
Worldwide Flight Services	France	1,138	Hg, TA Associates

Growth capital

European growth capital deals



Source: unquote® data

	Volume	Value €bn
Q1 2016	175	3.0
Q2 2016	146	3.0
Q3 2016	145	3.0
Q4 2016	142	3.1
Q1 2017	178	5.4
Q2 2017	210	5.9
Q3 2017	183	5.6
Q4 2017	187	5.4
Q1 2018	221	5.3
Q2 2018	219	5.0
2016	608	12.1
2017	758	22.3
2018	440	10.3

The growth capital segment had a robust second quarter despite a slight cooling in both the number of transactions and total amount of equity invested.

There were 219 deals worth €5bn in Q2, down from 221 deals worth €5.3bn in Q1. While down on the previous quarter, they are both higher than recent averages; average deal volume over the last 10 quarters is 180 and value is €4.5bn.

Q2's average equity ticket was €22.9m, down on Q1's €24.1m. Despite the drop, equity tickets continue to bounce around an upward trend that started from a low of around €10m in 2013.

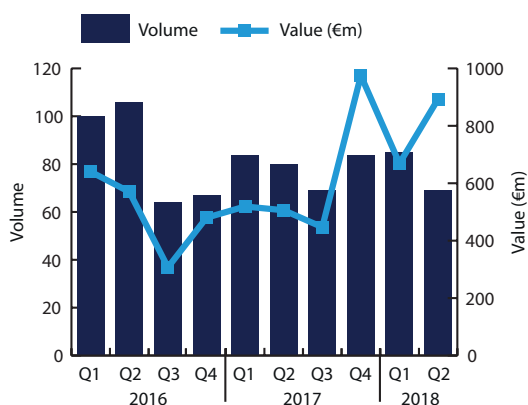
The largest transaction was the Abu Dhabi Investment Authority's acquisition of a 21.4% stake in UK-based Pension Insurance Corporation. It bought the shareholding from JC Flowers, which exited after a 12-year holding period. PIC is also partially owned by CVC Capital Partners, which invested in the business in 2017.

Ten largest European private-equity-backed growth capital deals, Q2 2018

Deal name	Country	Value (€m)	Equity provider
Pension Insurance Corporation	UK	n/d (€100-500m)	Abu Dhabi Investment Authority
London Luton Airport	UK	n/d (€100-500m)	AMP Private Capital
OutSystems	Portugal	203	Goldman Sachs, KKR
Revolut	UK	200	Ribbit Capital, Draper Esprit, Digital Sky Technologies
Voodoo	France	125	Goldman Sachs
Burger King France	France	n/d (€100-500m)	Bridgepoint
Visma	Norway	100	Montagu Private Equity, ICG, Cinven
AMCS Group	Ireland	83	Highland Capital Partners, Ireland Strategic Investment Fund, Insight Venture Partners
HMD Global	Finland	80	Ginko Ventures
Volotea	Spain	n/d (<€100m)	Meridia Capital

Early-stage

European early-stage deals



Source: unquote" data

	Volume	Value €m
Q1 2016	100	640
Q2 2016	106	570
Q3 2016	64	307
Q4 2016	67	480
Q1 2017	84	519
Q2 2017	80	506
Q3 2017	69	447
Q4 2017	84	975
Q1 2018	85	669
Q2 2018	69	893
2016	337	1,997
2017	317	2,447
2018	154	1,561

Early-stage investments posted another strong quarter in value terms. Deal value climbed 33% to €893m in Q2. The amount of equity invested in growth capital deals has never surpassed €1bn in a single quarter but is gradually getting there.

Deal volume dropped 19% compared with the previous quarter, falling to 69 from 85, but was only the lowest for three quarters. Volume has failed to break the 100-mark since Q2 2016.

The largest investment was the €101m series-B for Freeline, a UK-based gene therapy company. The round was led by listed VC Syncona, while the UCL Technology fund, which is being invested by Albion Capital, also contributed. Syncona and UCL were both founding investors in the company.

Ten largest European private-equity-backed early-stage deals, Q2 2018

Deal name	Country	Value (€m)	Equity provider
Freeline	UK	101	Albion Capital, Syncona Partners
CMR Surgical	UK	86	Escalate Capital Partners
iTeos Therapeutics	Belgium	64	MPM Capital, Fundplus, 6 Dimensions Capital
Crescendo Biologics	UK	57	Andera Partners, Sofinnova Partners, IP Group
Sublimity Therapeutics	Ireland	53	Longitude Capital, OrbiMed, HBM Healthcare Investments
Enyo Pharma	France	40	Inserm Transfert Initiative, Sofinnova Partners, BPI France
Enterprise Therapeutics	UK	33	Novartis Venture, Versant Ventures
NodThera	UK	32	Sam Ventures, Sofinnova Partners, F-Prime Capital
Dreem	France	31	BPI France, Johnson & Johnson Development Corporation
Iceye	Finland	29	True Ventures

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