



Multiples Heatmap Analysis | Q1 2018 update



Multiples Heatmap

Q1 2018 summary



European PE deal multiples decline to **9.9x** - the first time the average multiple has fallen to single digits since Q1 2016, representing a continued steady decline since Q2 2017.

TMT continues to be the sector with the highest average multiples over the last six quarters at **11.0x**. The highest valuations in the sector have been seen in the DACH and Nordic regions at **12.2x** and **11.7x** respectively.



Financial Services returns to being the hottest sector in Q1 2018 with average multiple bouncing back to **11.4x**, and also sees the lowest volatility across the sectors.

Data indicates that the Nordic region continues to be the hottest, with the highest prices paid over the last six quarters at **11.0x** and the highest multiple in Q1 2018 at **10.5x**.



Entry multiples in the Industrials and Chemicals sectors have continued to decline since Q3 2017 down to **9.1x** in Q1 2018, potentially creating good value opportunities for investment.

Deals over €1bn continue to attract a premium due to scale with multiples reaching **12.5x** in Q1 2018, while deals between €250m and €500m and between €500m and €1bn both saw unusually low multiples of **9.3x** and **7.2x** respectively, and the highest level of volatility.



Average multiples by sector by region

Q4 2016 – Q1 2018

	Automotive	Business Services	Consumer	Financial Services	Food and Beverage	Healthcare	Industrials and Chemicals	Real Estate	TMT	Region averages
Benelux	-	11.6	9.4	9.3	10.0	10.9	10.0	15.1 ¹	10.3	10.3
CEE	-	6.3	10.6	-	7.1	11.8	22.8 ²	-	-	10.8
DACH	7.8	10.5	10.8	9.9	10.3	10.4	9.3	9.4	12.2	10.3
France	10.0	10.3	9.7	12.0	11.1	11.6	9.8	7.6	9.9	10.1
Nordic	10.3	11.5	10.5	11.4	11.5	10.7	10.3	-	11.7	11.0
Southern	6.7	10.5	10.0	11.8	9.6	10.2	9.2	7.0	10.9	9.8
UK/Eire	8.8	10.1	10.6	10.6	10.1	10.0	10.1	8.5	10.5	10.3
Sector averages	8.9	10.5	10.3	10.8	10.0	10.6	9.9	9.2	11.0	10.3

¹ Outlier multiple driven by €3bn Q-Park transaction in Q2 2017

² Outlier multiple driven by single high-multiple Industrials and Chemicals multiple in CEE region

- § This chart analyses the average multiples by sector and region for the six quarters ended 31st March 2018.
- § TMT remains the hottest sector across Europe over the period, particularly in the DACH and Nordic regions where values reached 12.2x and 11.7x respectively, with best value opportunities seen in France at 9.9x.
- § Financial Services also saw high average multiples of 10.8x across the period, with France, Southern and Nordic regions all seeing high prices being paid.
- § Healthcare has seen double digit multiples across all regions, with CEE and France experiencing high pricing and best value in UK/Eire at 10.0x.
- § Consumer sector is consistent across all regions around the average of 10.3x, other than Benelux and France where best value for the sector has been seen at 9.4x and 9.7x respectively.
- § Business Services and Food and Beverage sectors saw high valuations in the Nordic region with significantly better value opportunities in the CEE region.
- § Lowest multiples continue to be seen in the Automotive sector with a six-quarter average of 8.9x across the regions and double digit multiples only seen in France and Nordic regions.
- § Nordic region continues to be the hottest region over the period driven by high multiple deals in the TMT and Business Services sectors. Financial Services and Food and Beverage targets also attracted high prices in the region but accounted for a lower proportion of deals.
- § Values in the Benelux, DACH and UK/Eire regions remain closely clustered together around the European average multiple of 10.3x.
- § Southern region six-quarter average dropped below 10.0x with best value sectors in the region being Automotive and Real Estate, with average multiples of only 6.7x and 7.0x respectively, whilst the most expensive sector was Financial Services with an average multiple of 11.8x.
- § UK/Eire deals continue to be the main driver of long term European average, representing 27% of overall disclosed multiples. Highest value sectors in the region were Consumer and Financial Services, closely followed by TMT, whilst lowest multiples were paid for targets in the Real Estate and Automotive sectors.

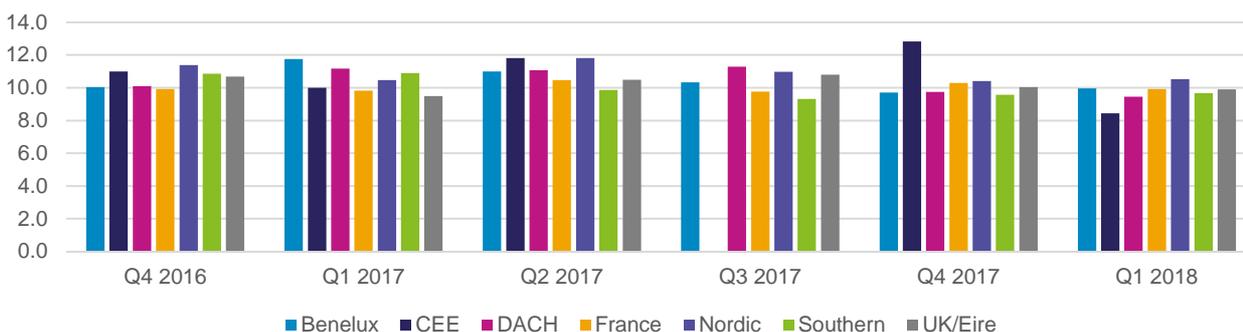
Quarterly average multiples – by region

Q4 2016 – Q1 2018

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Average	St. Dev
Benelux	10.0	11.8	11.0	10.3	9.7	10.0	10.3	2.0
CEE	11.0	10.0	11.8	-	12.8	8.4	10.8	5.1
DACH	10.1	11.2	11.1	11.3	9.7	9.4	10.3	2.6
France	9.9	9.8	10.5	9.8	10.3	9.9	10.1	2.1
Nordic	11.4	10.5	11.8	11.0	10.4	10.5	11.0	2.5
Southern	10.9	10.9	9.9	9.3	9.6	9.7	9.8	2.9
UK/Eire	10.7	9.5	10.5	10.8	10.0	9.9	10.3	3.0
Europe	10.6	10.1	10.8	10.4	10.1	9.9	10.3	2.7

- § This chart analyses the average quarterly multiples by region for the six quarters ended 31st March 2018.
- § Average multiple has dipped below 10.0x in Q1 2018, for the first time since Q1 2016, and average multiples have continued to decline since Q2 2017.
- § Nordic region continues to be the hottest region, seeing a slight increase in average multiples to 10.5x but still below its longer term average of 11.0x.
- § Benelux has also seen increasing multiples back up to 10.0x, approaching its longer term average, and has also been the least volatile region in the last six quarters.
- § UK/Eire and France regions both saw a slight decline in multiples to 9.9x, though higher volatility was seen in UK / Eire.
- § Southern region saw continued stability in average multiples at 9.7x, in line with its longer term average.
- § DACH average multiple continues its steady decline from its Q2 2017 peak down to only 9.4x reaching its lowest level in the last seven quarters.
- § CEE multiples saw a sharp decline down to an average of 8.4x in Q1 2018 and also saw the highest level of volatility. This quarter's average multiple comprises solely of deals in the Consumer sector.

Quarterly average multiples - by region



Quarterly average multiples – by sector

Q4 2016 – Q1 2018

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Average	St. Dev
Automotive	10.0	-	10.0	7.6	6.7	8.5	8.9	2.3
Business Services	9.7	10.0	10.8	11.0	10.0	11.1	10.5	2.8
Consumer	11.6	9.4	11.0	9.6	10.0	9.5	10.3	2.5
Financial Services	11.1	11.9	11.2	9.7	9.4	11.4	10.8	2.1
Food and Beverage	9.4	9.1	11.9	9.5	9.9	10.4	10.0	2.2
Healthcare	10.5	11.4	11.5	9.2	10.9	9.7	10.6	2.3
Industrials and Chemicals	9.2	9.5	10.1	10.4	10.2	9.1	9.9	2.7
Real Estate	10.5	-	12.2	7.0	8.5	7.6	9.2	2.6
TMT	12.6	10.4	10.7	11.8	10.3	10.7	11.0	3.3
Europe	10.6	10.1	10.8	10.4	10.1	9.9	10.3	2.7

§ This chart analyses the average quarterly multiples by sector for the six quarters ended 31st March 2018.

§ Financial Services average multiples recovered in Q1 2018 to 11.4x, making it the hottest sector following uncharacteristically low average multiples in Q3 and Q4 2017, and the sector also saw the lowest level of volatility.

§ Business Services sector saw a rebound in average multiples to 11.1x in Q1 2018, back to Q3 2017 levels and above the longer term average. Business Services was, however, the second most volatile sector in the period.

§ TMT sector values recovered in Q1 2018 to 10.7x but remain below the longer term average of 11.0x. The sector continued to be the most volatile in Europe over the last six quarters.

§ Automotive sector saw a recovery in multiples to 8.5x following three consecutive quarters of declining values, but still below the six-quarter average of 8.9x. The Automotive sector continues to offer good value opportunities.

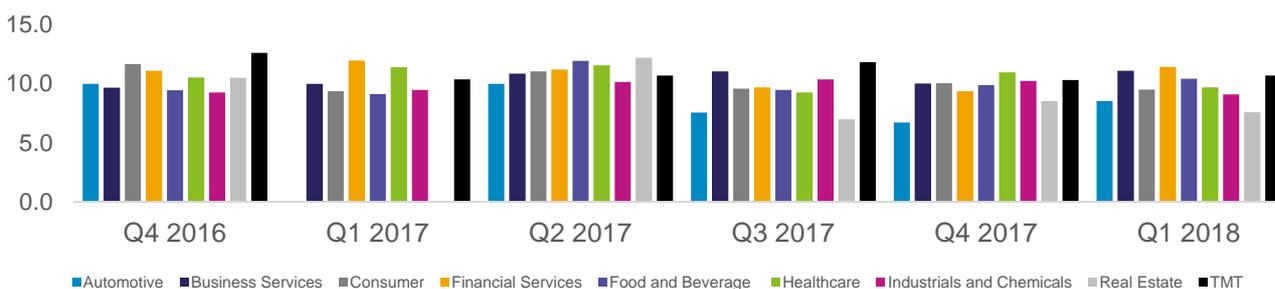
§ The fluctuating trend in Consumer sector multiples continued, falling to 9.5x in Q1 2018 with lower values seen across all regions in Europe.

§ Food and Beverage sector has seen three consecutive quarters of multiple growth reaching an average multiple of 10.4x in Q1 2018, exceeding the sector's six-quarter average.

§ Healthcare sector saw the largest fall in value in Q1 2018, from 10.9x in Q4 2017 to 9.7x.

§ The Industrials and Chemicals sector recorded its lowest level of multiples since Q2 2016. This quarter's average multiple was a result of declining values in the sector across all regions in Europe.

Quarterly average multiples – by sector



Quarterly average multiples – by deal size

Q4 2016 – Q1 2018

	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Average	St. Dev
< €50m	9.7	10.2	10.4	10.0	10.5	9.8	10.1	2.7
>= €50m & < €100m	10.0	9.8	10.3	10.1	9.4	9.5	9.8	2.6
>= €100m & < €250m	13.0	9.5	10.2	10.2	9.9	10.0	10.3	2.4
>= €250m & < €500m	9.9	9.3	11.5	12.0	10.2	9.3	10.5	2.9
>= €500m & < €1bn	11.5	13.0	12.4	10.2	11.1	7.2	11.1	2.8
>= €1bn	11.7	10.6	13.3	14.7	11.5	12.5	12.3	2.4
Europe	10.6	10.1	10.8	10.4	10.1	9.9	10.3	2.7

§ This chart analyses the average quarterly multiples by deal size for the six quarters ended 31st March 2018.

§ Q1 2018 saw a higher than normal volume of €1bn+ EV deals being completed. As expected, these mega deals attracted the highest average multiple of 12.5x, above the longer term average, and with the lowest volatility.

§ Deals with values between €500m and €1bn saw unusually low multiples and high volatility in Q1 2018. This result was driven by a low-multiple Industrials and Chemicals deal completed in Italy.

§ Deals between €250m and €500m saw a continued decline in average multiples paid to 9.3x from its Q3 2017 peak of 12.0x and also saw the highest level of volatility over the period.

§ Deals values for EVs between €50m to €250m showed a slight increase back up to their longer term averages.

§ Sub €50m EV deals saw a correction in multiples down to 9.8x, below its Q4 2017 peak of 10.5x and longer term average of 10.1x.

Quarterly average multiples - by size range



Multiples Heatmap

Key Data Sources



The Unquote research team collects proprietary data through direct contact with private equity houses and advisers that manage M&A processes. In some cases, this information is received in confidence and therefore can not be released in disaggregate form. The team also has access to Acuris Group intelligence products such as MergerMarket, Debtwire and InfraNews.



Public sources of information used in this report include Companies House; Companies Registration Office; financial and accounts data extracted and held by Creditsafe, Largest Companies, and Infocif; specialist and generalist press sources such as (but not limited to) The FT, Reuters, Expansión, Het Financieel Dagblad, Dagens Industri, Les Echos, Børsen, Capital Finance, City AM and AGEFI.



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Multiples Heatmap

Setting the scene



The Unquote research team, alongside Clearwater International's sector groups and European offices, has collected data on 2,818 private equity deals announced across Europe between 1st January 2014 and 31th March 2018.

The analysis identifies where EV/EBITDA multiples are highest across regions and sectors, and the direction of those multiples over time.



The objective is to assist private equity investors in assessing which regions and sectors present good investment opportunities.

Since the initial launch of the Heatmap in November 2015, data collected has seen continuous improvement in comprehensiveness and quality.



As we move forward, we hope to continue to build the community of private equity investors who are happy to share data confidentially so we can continue to improve the quality of the data and analysis.

Any feedback on additional ideas of useful analysis is welcomed!



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