



Private Equity_____

BAROMETER

Q1 2014

Figures based on preliminary quarterly data from
Europe's specialist private equity information provider.

Key Findings

Overall European private equity

- Overall, there were 308 private equity-backed investments completed during the first quarter of 2014, 16% down on the 366 recorded in Q4 2013
- This substantial downward movement marks a five-year nadir in numbers dating back to the opening quarter of 2009, in the aftermath of the Lehman collapse
- Offering light amid the statistical gloom was the buyout space, which with 107 deals was a more modest 10% behind Q4 and 13% up on Q1 last year
- Overall value – obviously driven by the buyout segment – stood at €16.6bn, down by 31% against Q4 but up by close to half on Q1 last year

Buyouts

- With 107 transactions recorded over the three months to March, the buyout segment was around 10% down compared to both of the preceding two quarters
- However, the total is actually 13% up on the 95 deals completed in the corresponding period of 2013 and is in line with the figure recorded in Q2 last year
- The Q1 total of €13.4bn is down by around a third compared to Q4 2013, but there have been wild undulations in recent quarters and this is actually up by around 50% year-on-year
- There were three €1bn+ deals over the quarter, just one fewer than Q4 2013, and value in this top-end market bracket was in fact marginally up at just under €5.7bn
- The €100m-1bn mid-market range saw activity drop by close to half and value plummet by a whopping 62%, although the 25 deals worth €5.1bn are in line with Q1 2013
- In contrast, the <€100m small-cap segment saw an 18% increase in volume and 12% in value in the first three months of 2014, to reach 79 deals worth €2.7bn
- The UK held on to top spot in activity terms despite a drop from 46 deals to 34 compared to Q4, but the country came third in the European rankings value-wise
- The Nordic region topped the table in value, in part because it was home to the largest deal of the quarter – the €2.3bn acquisition of software support services business Nets
- France came second, in large part due to being home to the second largest deal: the near-€2bn buyout of car park management firm Vinci Park
- Bucking a trend that has been observed over recent quarters, the number of deals sourced from other private equity investors actually fell sharply in Q1, from 49 deals to 30

Growth capital

- The growth capital segment was the strongest performer in volume terms over the three months to March, recording a drop of just 7%
- First-quarter expansion activity appears even stronger when measured in value terms, with the collective total increasing relative to the closing months of 2013 by 30%
- At a shade less than €3bn, the Q1 figure is the highest in a year and is the third highest in the two-and-a-half year sample
- On a regional basis, activity was dominated by the UK, which accounted for around 45% of all dealflow and was home to 76 transactions worth close to €1.4bn
- Half of this large value total was made up of the £600m purchase by Apax Partners of the 50.1% shareholding it did not already control in Trader Media Group
- Spain came in second in value with €493m; more than half of this was accounted for by the €285m injected by Eurazeo into clothing brand Desigual

Early-stage

- The early-stage segment saw deal numbers plummet by more than 50% from 64 to 30 in Q1, accounting for more than half of the broader activity fall
- The last time a quarter recorded so few deals was eight years ago (in Q4 2005) and the last time a lower total was recorded was more than 15 years ago, in the final quarter of 1998
- In value terms, the €89m aggregate total is down by close to two thirds on the preceding three months and the lowest quarterly total since Q2 1998
- The most active market was the UK, which was home to around a third of all deals and a similar share of the value total, having recorded nine deals worth close to €31m
- Coming in second place was Germany, which registered a modest six deals over the three months but was close to the UK in value, with an aggregate investment of €25m
- Four fifths of this value total was down to a single deal: the €20.3m investment in Invendo Medical, led by Xeraya Capital

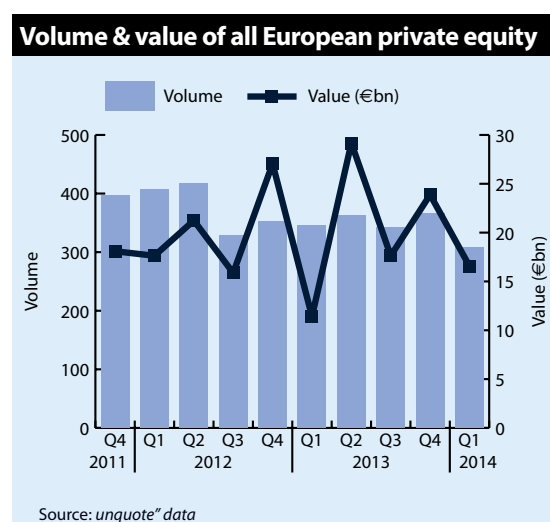
Update on Q4 2013 figures

Following the publication of the Barometer each quarter, both information on new deals and updates on existing deals invariably come to light. The following bullet points provide updated information on Q4 2013 deals that emerged after the publication of the Barometer in January 2014.

- A total of 40 new transactions occurring between October and December 2013 have come to light since the publication of the Q4 Barometer in January, taking the overall total to 366 and emphasising the scale of the activity rebound during the quarter
- These deals have added a significant €300m to the value total, taking it from the previously recorded €23.6bn to €23.9bn and again accentuating the increase already recorded in the preliminary numbers
- The buyout space was responsible for the smallest share of the volume increase with the addition of just four deals taking the total to 119, but these investments accounted for the lion's share of the value rise, adding €200m to bolster the Q4 figure to €21.3bn
- As was the case in the previous quarter, the majority of the additions for the previous period were expansion-stage deals, with 25 new deals worth around €100m coming to light, taking the quarterly total to 183 transactions worth €2.3bn
- The final 11 investments that have been added to the Q4 numbers were early-stage transactions, taking the volume total for the quarter to 64 and adding €13m to leave the value figure at €311m

Activity falls to five-year first-quarter low

Overall European private equity



	Volume	Value €bn
Q4 2011	397	18.09
Q1 2012	407	17.63
Q2 2012	417	21.24
Q3 2012	329	15.87
Q4 2012	352	27.06
Q1 2013	346	11.41
Q2 2013	363	29.17
Q3 2013	342	17.63
Q4 2013	366	23.88
Q1 2014	308	16.56
2012	1,153	81.80
2013	1,417	82.09
2014 YTD	308	16.56

After the year-end rush usually comes the first quarter torpor; Q1 2014 certainly conformed to the rule. In all there were 308 private equity-backed investments completed during the first quarter, 16% less than the 366 transactions recorded during the preceding period. Notwithstanding the recent undulations in deal volume, this is a substantial downward movement that marks a five-year nadir in numbers dating back to the opening quarter of 2009, the second following the downturn-defining collapse of Lehman Brothers.

Against a skittish economic backdrop punctuated by mounting concern over the deflationary spiral seemingly taking hold across the eurozone and fears of damaging fallout from the Ukraine crisis, all segments contributed to the decline. Of particular note is the preliminary fall of more than 50% in early-stage deals to a meagre total of just 30, revealing the full extent of the malaise gripping this market.

Offering light amid the statistical gloom, the slowdown in the buyout space was far less pronounced. At 107 acquisitions, Q1 2014 was 10% behind the total for the final three months of 2013 and 13% up on the corresponding quarter last year. Moreover, overall value – which is obviously driven by the buyout segment – continued its recent vacillation with the total of €16.6bn down by 31% against Q4, but also just 6% lower than the third quarter and up by close to 50% on Q1 last year.

This relative resilience was partly the result of stability at the top end of the market, which points to a continuing appetite to get deals done among both larger buyout houses and lending banks. Smaller buyouts were also getting done and numbers in this segment rose compared to Q4 in both volume and value terms.

The bad news is that this masks a substantial slowdown in the hitherto strong mid-market, the bracket often referred to as the “engine-room” of European buyout activity, which many look to as a bellwether of the underlying health of the wider market. There is hope that this may turn around in the coming quarters, as economic portents in major economies remain positive and market participants point to a glut of deals in the pipeline.

Quarterly Focus

Buyouts in focus: Sources of buyouts

Where buyouts come from is a subject of much discussion in the context of private equity deal trends. It can say much about a market if it becomes too distanced from the wider economy, feeding only itself and propagating a parochial view of pricing that is not shared by owners outside of GP circles.

This is the narrative that had been seen to take hold over the past months and years. Secondary buyouts had become a large – and all too often in recent quarters the largest – source of transactions for private equity buyers. With the prevailing economic uncertainty depressing valuations and discouraging small business owners or corporate parents from coming to market, except when liquidity constraints demanded, investment houses found instead a seemingly endless source of deals among peers in need of an exit.

Just as private equity firms themselves rose to become arguably the key source of acquisitions, so the family and private sellers that for so long have been the lifeblood of the market have diminished. Often these sellers would be only the third most numerous vendor category, a fact that many commentators read as an indictment of the austere M&A environment.

Data for the first three months of 2014 would appear to show this negatively correlated dynamic is reversing. Both secondary buyouts and deals sourced from family or private owners hit significant statistical milestones not breached for two years: the former dropped 38% in Q1 to hit their lowest total since the corresponding period in 2012; the latter rose 43% to their highest total over the same period. Along the way, they traded first and second place in terms of the largest source of deals compared to the final three months of 2013.

It is not just a volume trend: the aggregated value of buyouts sourced from other private equity firms more than halved to €4.2bn over the three months to March and hit its lowest level since Q2 2010; the collective value of assets bought from family and private vendors at €5.7bn was the highest in five quarters and the second highest over the past three years.

Does this mean the secondary buyout will wither in the coming quarters? Most likely not. Such deals are an effective way to continue the progression of a business that has adapted to private equity ownership; passing through the hands of incrementally larger and more monied investors is a well-trodden growth path.

What it means is that some healthy balance has been restored to the market and, while one quarter does not prove a paradigm shift, the return of private sellers and the uptick in valuations could presage a renaissance of dealflow in core areas of the market. Given the statistical slump witnessed in Q1 and the increasingly fragmented economic picture, this could provide a much-needed boost in the months to come.

Buyouts

The buyout space contributed to the wider downturn in deal numbers in the first quarter of 2014. With 107 transactions recorded over the three months to March, the segment was around 10% down compared to both of the preceding two quarters. However, the underlying trend is far more complex than an initial reading suggests and it is possible to see preliminary Q1 statistics as telling either of two very different stories for this segment of the market.

The headline volume decline, for example, merely conforms to the traditional seasonal slowdown in the first quarter of the year, off the back of a usually bumper year-end. On this reading, Q1 2014 holds up well: the total is actually 13% up on the 95 deals completed in the corresponding period of 2013, and in line with the figure recorded in Q2 last year.

Similarly, the drop of more than a third in aggregated enterprise value paints a gloomy picture at first glance. This must, though, be seen in the context of a fluctuation in value in recent quarters in which such falls – and subsequent surges – have been consistently observed. The Q1 total of €13.4bn is, for the record, some 15% lower than the Q3 2013 figure to which it can be more usefully compared – and around 50% up on a year-on-year basis.

If one chooses to read the above as being indicative of a relative resilience in value, it is largely due to stability at the top end of the market. There were three €1bn+ deals over the quarter, just one less than in Q4 2013, and overall value was in fact marginally up on €5.7bn.

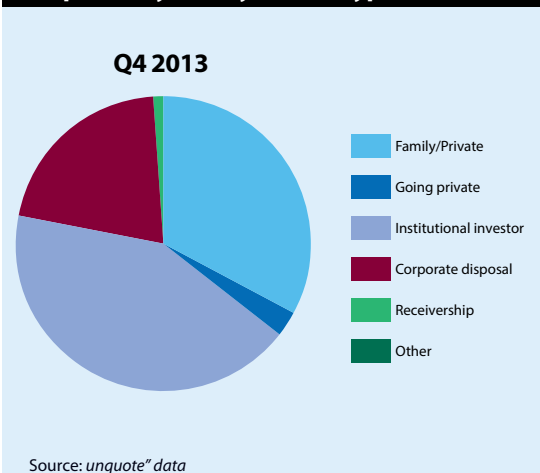
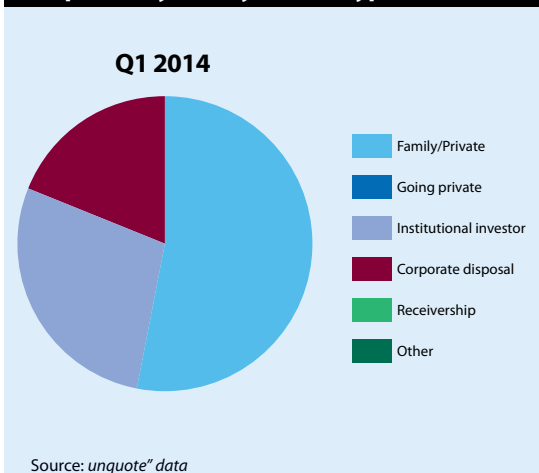
The alternative reading is that as the top end held firm while the overall total remained steady, there must have been a slump in core market areas. In this case it was the €100m-1bn mid-market bracket, the star performer in the previous three months, which saw activity drop by close to half and collective value plummet by a whopping 62%, although the 25 deals worth €5.1bn are roughly in line with the first quarter of last year.

In contrast, the small-cap segment of the market was alone in recording an increase in both volume and value in the first three months of 2014. A quarter-on-quarter increase of 18% and 12% respectively saw the segment record 79 deals worth €2.7bn.

The UK held on to top spot in activity terms despite a drop from 46 deals to 34 compared to Q4, but the country fell to third in value terms after recording no €1bn+ deals for the second successive quarter. The Nordic region and France took first and second place respectively, in large part due to being home to the two largest deals of the quarter: the €2.3bn acquisition of Danish software support services business Nets, and the near-€2bn buyout of French car park management firm Vinci Park.

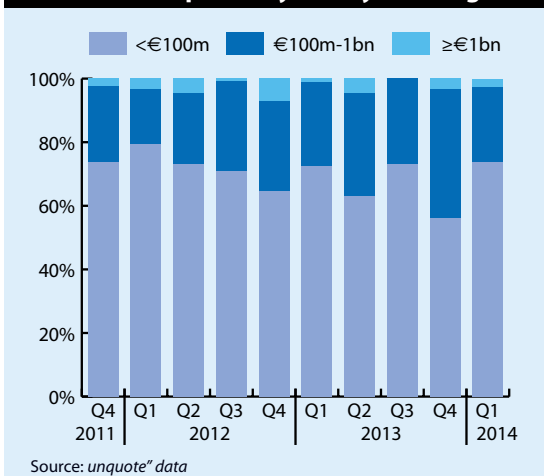
Volume & value of European buyouts

	Volume	Value €bn
Q4 2011	130	15.57
Q1 2012	123	14.52
Q2 2012	109	17.84
Q3 2012	121	13.81
Q4 2012	114	24.23
Q1 2013	95	9.49
Q2 2013	109	25.49
Q3 2013	119	15.87
Q4 2013	119	21.26
Q1 2014	107	13.47
2012	353	70.41
2013	442	72.11
2014 YTD	107	13.47

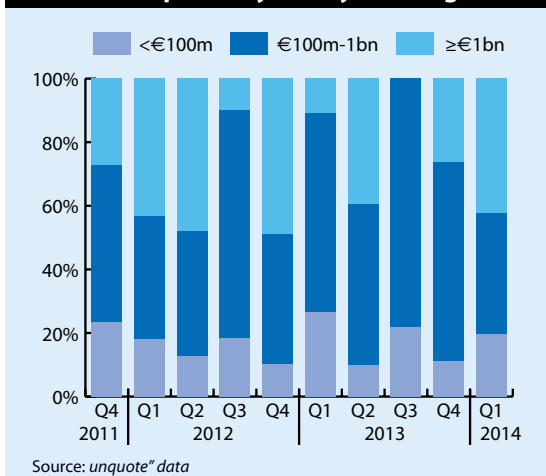
European buyouts by vendor type**European buyouts by vendor type**

	Q4 2013	Q1 2014
Family/Private	40	57
Going Private	3	0
Institutional Investor	49	30
Corporate Disposal	25	20
Receivership	2	0
Other	0	0

Volume of European buyouts by size range



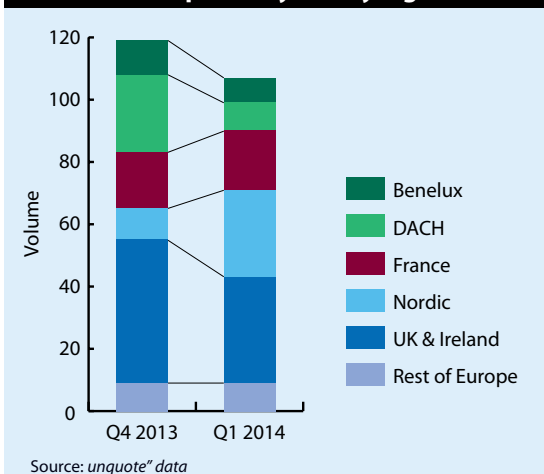
Value of European buyouts by size range



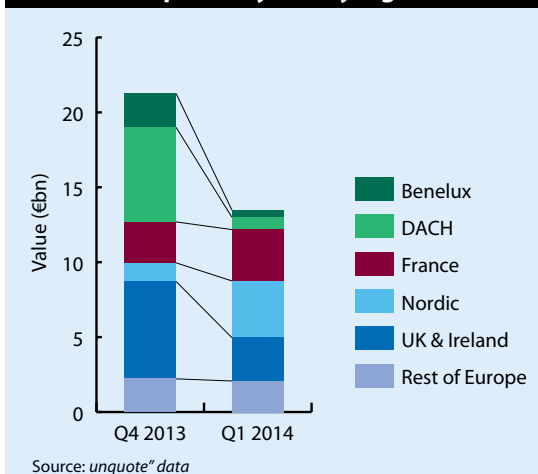
	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q4 2011	96	74	31	24	3	2	130
Q1 2012	98	80	21	17	4	3	123
Q2 2012	80	73	24	22	5	5	109
Q3 2012	86	71	34	28	1	1	121
Q4 2012	74	65	32	28	8	7	114
Q1 2013	69	73	25	26	1	1	95
Q2 2013	69	63	35	32	5	5	109
Q3 2013	87	73	32	27	0	0	119
Q4 2013	67	56	48	40	4	3	119
Q1 2014	79	74	25	23	3	3	107

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q4 2011	3.6	23	7.7	49	4.2	27	15.6
Q1 2012	2.6	18	5.6	39	6.3	43	14.5
Q2 2012	2.3	13	7.0	39	8.6	48	17.9
Q3 2012	2.6	19	9.9	72	1.4	10	13.8
Q4 2012	2.5	11	9.8	41	11.8	49	24.2
Q1 2013	2.5	27	5.9	62	1.1	11	9.5
Q2 2013	2.6	10	12.9	50	10.1	39	25.5
Q3 2013	3.5	22	12.4	78	0	0	15.9
Q4 2013	2.4	11	13.3	63	5.6	26	21.3
Q1 2014	2.7	20	5.1	38	5.7	42	13.5

Volume of European buyouts by region



Value of European buyouts by region

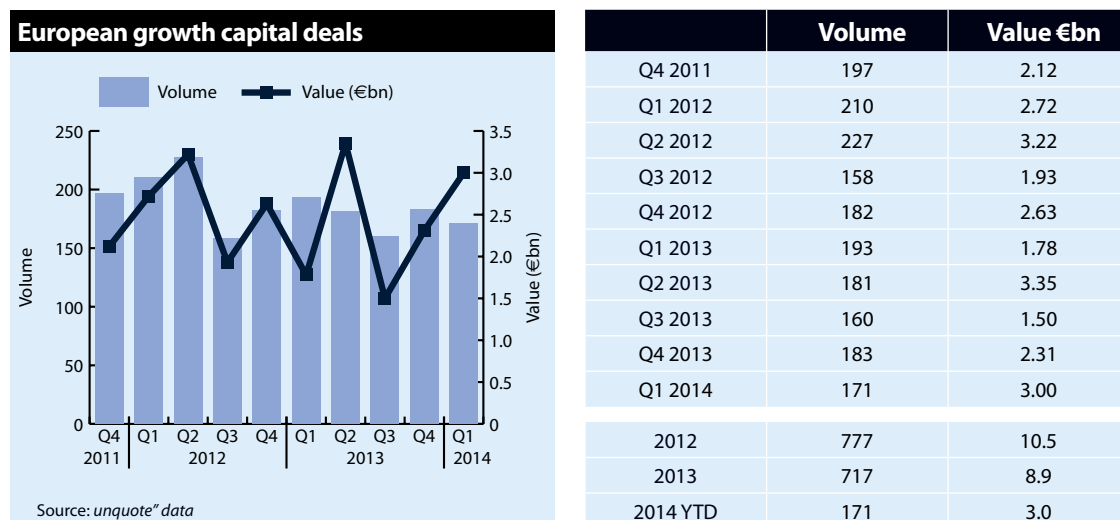


	Volume		Value (€m)	
	Q4 2013	Q1 2014	Q4 2013	Q1 2014
Benelux	11	8	2,257	478
Deutsche	25	9	6,315	816
France	18	19	2,734	3,427
Nordic	10	28	1,238	3,793
Rest Of Europe	9	9	2,214	2,071
UK	46	34	6,505	2,885

Ten largest European private equity-backed buyouts, Q1 2014

Deal name	Country	Value (€m)	Equity provider
Nets	Denmark	2,278	Advent International, ATP Private Equity Partners, <i>et al.</i>
Vinci Park	France	1,960	Ardian, Credit Agricole Corporate & Investment Bank
Skillsoft	Ireland	1,449 (est)	Charterhouse Capital Partners
Rexam healthcare devices & prescriptions	France	597	Montagu Private Equity
Nuova Castelli	Italy	300 (est)	Charterhouse Capital Partners
Hotter Shoes	UK	240 (est)	Electra Partners
Zenith Vehicle Contracts	UK	240 (est)	HgCapital
Skandia Germany/Skandia Austria	Austria	220	Cinven
Ogier Fiduciary Services	UK	220	Electra Partners
Dutch Ophthalmic Research Center (Dorc)	Netherlands	200 (est)	Montagu Private Equity

Growth capital



Like its later-stage cousin, the growth capital segment saw activity fall in the first three months of 2014 compared to the preceding quarter, but did not see the sort of severe slowdown recorded in the headline numbers. In fact, the growth capital segment was the strongest performer in volume terms over the three months to March, recording the most modest decline of just 7% and actually outperforming the third quarter of last year by a similar quantum.

First-quarter expansion activity appears even stronger when measured in value terms, with the collective investment total bucking the wider pattern and increasing relative to the closing months of 2013 by 30%. At a shade less than €3bn, the Q1 figure is the highest since the €3.5bn registered in the second period of last year, and the third highest in the two-and-a-half-year sample. At €17.5m, overall deal value is the second highest over the same timeframe, behind only the €18.5m recorded in Q2 2013.

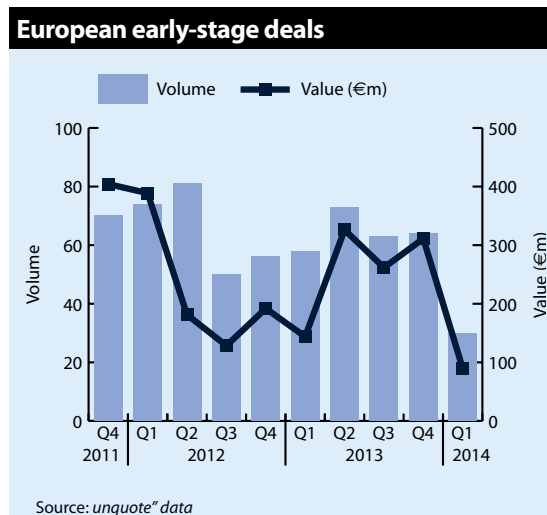
On a regional basis, activity was dominated by the UK, which was home to 76 transactions worth close to €1.4bn, in both cases around 45% of the overall figures. Half of this large value total was made up of the £600m purchase by Apax Partners of the 50.1% shareholding it did not already control in Trader Media Group, the publisher of AutoTrader that has now been fully divested by Guardian Media Group.

Elsewhere, France and Germany came in second and third in volume terms, having been home to 20 and 16 transactions respectively over the three months. Spain came in second in value terms with €493m, more than half of which was accounted for by the €285m injected by Eurazeo into clothing brand Desigual.

Ten largest European private equity-backed growth capital deals, Q1 2014

Deal name	Country	Value (€m)	Equity provider
Trader Media Group	UK	719	Apax Partners
Desigual	Spain	285	Eurazeo
Versace Group	Italy	210	Blackstone Group
Aernnova	Spain	150	Springwater Capital
Klarna	Sweden	90	Atomico Ventures, General Atlantic, Sequoia Capital
Dedalus	Italy	65	Hutton Collins
Delivery Hero	Germany	64	Insight Venture Partners
Hertha BSC	Germany	61	KKR
eCommera	UK	50	Dawn Capital, ePlanet Capital, Frog Capital, <i>et al.</i>
Advanced Accelerator Applications	France	41	HBM Partners, Seventure, Tamburi Investment Partners

Early-stage



	Volume	Value €m
Q4 2011	70	404.2
Q1 2012	74	388.8
Q2 2012	81	181.2
Q3 2012	50	128.5
Q4 2012	56	191.9
Q1 2013	58	143.8
Q2 2013	73	326.1
Q3 2013	63	261.6
Q4 2013	64	311.1
Q1 2014	30	89.9
2012	261	890.4
2013	258	1042.7
2014 YTD	30	89.9

European venture capital remains firmly rooted in a prolonged slump that has prevented substantial LP funds being directed to the space in recent years, and continues to depress deal activity. The wider decline in private equity transaction volume in Q1 was disproportionately accounted for by an early-stage slide that saw deal numbers plummet by more than 50% against the previous quarter. This represented half of the broader activity fall and reduced venture's share of the overall market to less than 10%.

The figures for Q1 appear even more stark relative to the segment's own past performance. Just 30 deals were completed over the three months to March; the last time a quarter recorded so few deals was eight years ago in Q4 2005, and the last time a lower value total was recorded was more than 15 years ago in the final quarter of 1998. In value terms, the €89m aggregate is down by close to two thirds on the preceding three months and the first time the total has dropped below the €100m mark since Q2 1998.

Given the above, it is clear that no regional market performed well in Q1, but the most active was the UK, which was home to around a third of all deals and accounted for a similar share of the value total, having registered nine deals worth close to €31m.

In second place was Germany, which registered a modest six deals over the three months but stood close behind the UK in value terms with an aggregate investment of €25m. Four fifths of this value total was down to a single deal: the €20.3m Xeraya Capital-led investment in Invendo Medical, which develops and manufactures a single-use and computer-assisted colonoscopy system.

Ten largest European private equity-backed early-stage deals, Q1 2014

Deal name	Country	Value (€m)	Equity provider
invendo medical	Germany	20	360° Capital Partners, TVM Capital, <i>et al.</i>
InDex Pharmaceuticals	Sweden	15	Neomed Innovations, SEB Venture Capital, <i>et al.</i>
Econic Technologies	UK	6	Imperial Innovations
Iwoca	UK	6	Global Founders Capital, Talis Capital
Edinburgh Molecular Imaging	UK	5	Epidarex Capital, Scottish Enterprise
CellPly	Italy	2	Italian Angels for Growth, Zernike Meta Venture
Microphyt	France	2	CEA Investissement, Sofimac Partners, Soridec
Ynsect	France	2	Demeter Partners, Emertec Gestion
PlayRaven	Finland	2	Creandum AB, London Venture Partners
carwow	UK	2	Balderton Capital, Episode 1 Partners, Samos Investments

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