



Private Equity_____

BAROMETER

Q4 2013

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

SL Capital Partners

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Key Findings

Overall European private equity

- After the significant slide in Q3, transaction volumes bounced back in Q4 and a total of 326 deals were completed, the highest total since the final quarter of 2012
- Value figures also rebounded following the substantial drop previously posted, with the aggregated €23.6bn some 40% up on the €16.9bn transacted in Q3
- This value uplift was largely driven by the buyout space, where the top-end of the market sprung back to life, but the mid-market stole the show with number nearing a three-year high
- Annual totals still ended down for the second consecutive year at 1,272 deals worth €78.1bn, the lowest figures since the post-crisis nadir in 2009

Buyouts

- The buyout segment enjoyed a strong Q4 in activity terms, with volume rising for the third consecutive period to the highest total since Q3 2012 at 115 deals
- Despite this, the Q4 volume total remains below those posted throughout 2011 and most of 2012 and, as a result, the 421 deals for 2013 as a whole marks a second successive decline
- Value showed more significant growth for the final months of 2013, with the final quarter figure of €21.1bn up 37% on the €15.4bn for Q3
- Volatility in quarterly value totals ultimately equated to consistency in the year-end number, which was down just 1% from that seen in 2012 at €69.2bn
- The €1bn large-cap segment recorded its first deals since the second quarter and accounted for €5.6bn of the overall total, though this was almost half the €10bn seen in Q2
- At the other end of the scale, the small-cap (sub-€100m) range fell away after a strong Q3 and registered 63 deals worth €2.2bn, the lowest over the sample
- The stand-out segment in Q4 was the mid-market (€100m-€1bn), which rose by 60% and 11% in volume and value respectively to 48 deals worth €13.3bn, the best numbers since Q2 2011
- The UK retained its place as by far the largest market by volume in the final quarter with 46 deals completed, more than twice its nearest rival
- The UK also edged out the German-speaking DACH region to remain the largest market by value with a total of €6.5bn, though this was €1bn down on Q3
- The family and private vendor group dropped back below 40 deals again in Q4, marking the third time in 2013 this low has been breached
- A modest rise in corporate disposals saw this segment record 24 transactions, while secondary buyouts rose to top spot with 49 transactions

Growth Capital

- Despite a significant rise of 15% in volume, the total of 158 deals for Q4 was still lower than all but two of the preceding ten quarters
- For the year as a whole, 2013 finished some 14% down and registered a second successive annual decline to 635 transactions
- As with the buyout sector, the rise in value was more marked, with a 66% increase from the lowly €1.3bn invested collectively in the third quarter to €2.2bn
- Also like the later-stage segment, the year-end value total was down for the second year in succession, dropping by around 21% to €8bn
- The UK remains by far the largest growth capital market in Europe, having amassed 59 deals for the three months to December, with a total value of €722m
- The German market was also second in volume terms with 29 deals, along with an additional five in Switzerland taking the DACH total to 34

Early-stage

- Early-stage activity recorded a second successive fall from an already low 55 deals to 53 in Q4, marking the sixth consecutive quarter to record less than 60 transactions
- The annual venture activity total for 2013 was a further 5% down on the 227 deals for the preceding year, settling at an eight-year low of 216 investments
- Similar to its later-stage peers, the overall value of early-stage was significantly up in Q4 compared to the third quarter, with the segment posting a 20% increase to €298m
- The early-stage segment bucked another trend by recording an annual value increase to €984m, though this remains the second lowest total since 2003
- Germany topped the table in terms of volume on a regional basis, having been home to 17 deals over the quarter
- The UK came in first in value terms with €115.6m invested, though more than half of this was attributable to the €64.5m investment into Global Risk Partners led by Penta Capital

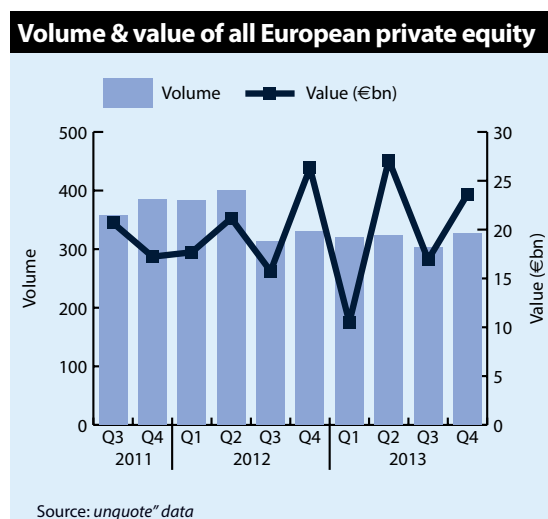
Update on Q3 2013 figures

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 Q3 2013 deals that emerged after the publication of the Barometer in October 2013.

- Since the publication of the Q3 Barometer in October, 20 additional deals completed during the three months to September have come to light, taking the volume total for the period to 303
- The difference in value for the period is negligible, however, as a modest €100m drop in the buyout segment was offset in the data by a similar uplift in the expansion category
- There is now one fewer deal attributed to the buyout sector for Q3 2013, with the quarterly total now standing at 111 and the value figure for the quarter dropping marginally to €15.4bn
- Most of the deals uncovered since the preliminary figures were expansion transactions, with the Q3 total rising by 14 deals to 137 and the value total jumping to €1.3bn
- Seven deals worth around €5m have been added to the early-stage volume total since October, meaning that there are now 55 deals worth €249.3m listed as having completed.

Year-end deal surge belies market fragility

Overall European private equity



	Volume	Value €m
Q3 2011	358	20,676
Q4 2011	384	17,227
Q1 2012	383	17,675
Q2 2012	401	21,155
Q3 2012	314	15,743
Q4 2012	330	26,314
Q1 2013	320	10,511
Q2 2013	323	27,120
Q3 2013	303	16,918
Q4 2013	326	23,625
2011	1,614	89,296
2012	1,428	80,889
2013	1,272	78,176

Preliminary data on activity levels during the final three months of 2013 should provide some New Year cheer for a private equity community that has found deal-doing tough over the past 12 months. After the significant slide recorded in Q3, transaction volumes bounced back and a total of 326 deals were completed in Q4, the highest number since the closing period in 2012. Value figures also rebounded following the substantial drop previously posted, with the aggregated €23.6bn some 40% up on the €16.9bn transacted over the preceding three months.

More encouraging still is the source of this statistical surge. The overall value uplift was driven by the buyout space, where the top-end of the market sprung back to life but the strategically important mid-market range stole the show with numbers nearing a three-year record. The volume rise was primarily driven by a relative return to form for the growth capital segment. The only blot on the landscape remains venture capital - which is largely eclipsed in the broader data - where activity levels remain severely depressed compared to historical averages.

However, in spite of the impressive Q4 recovery, the wider dataset paints the picture of a persistently fragile market. Weak dealflow throughout 2013 left the annual totals down for the second year in a row and at their lowest since the 2009 nadir. Indeed, while the collective value of deals was more than twice that recorded over the twelve months of toil following Lehman's collapse at €78.1bn, the 1,272-deal total for the past year is commensurate with moderate activity levels in the teeth of the crisis.

Underlying these underwhelming yearly figures is a trend of quarterly oscillation that has seen the overall value of investments, for example, go from modest totals in the tens of billions to stellar ripostes in the twenties for the past two years. And while European leaders ignore rather than finally solve euro area imbalances, boom-era debt lingers in private equity portfolios and price expectation mismatches preclude a steady organic source of dealflow, this pattern of consistent inconsistency is likely to continue.

Quarterly Focus

Buyouts in focus: Annual buyout trends

Annual totals for the wider private equity market were limp in 2013, but the buyout segment at least offered a degree of resilience. True, the volume figure is similarly down for the second year in a row - and at just 421 is lower than any of the three final-year totals posted since the lowly 317 deals recorded in 2009 - but at least activity in the acquisition arena remains substantially above that registered at the height of the post-Lehman panic.

Moreover, in value terms the market was almost on par with 2012, with the aggregated deal value of €69.2bn for the past twelve months down just 1% on the previous year. In fact, overall value in the buyout space has been relatively steady over the past four years: the €5.9bn differential between the high of €75bn in 2011 and last year's post-crisis low is significantly smaller than the minimum quarter-on-quarter swing - whether positive or negative - in each of the last five quarters.

Behind this continuation of value consistency in 2013 was a renaissance in the mid-market, here defined as covering deals worth between €100m and €1bn. After a slow start that saw just €5.1bn invested collectively in Q1, this market segment grew through the year to record its strongest volume and value figures for 10 quarters of 48 deals worth €13.3bn in Q4. For the year as a whole, the €41.8bn value total recorded in this bracket represented more than 60% of overall buyout deals.

This picked up the slack that was left at the top-end of the value spectrum, where the €1bn+ range endured a tough year as regulatory pressure on bank balance sheet reserves and an ongoing aversion to risk left activity down on recent averages. The 2013 annual total of €16.7bn in this deal range was more than €10bn down on 2012 and by far the lowest since 2009. As a result, the mid-market - which has traditionally propped up the market - in fact propelled it from a listless start to a creditable finish.

For all that, the market is still down and this is in large part due to a drying up of dealflow from the traditional sources. Buyouts sourced from family or private vendors languished at sub-40 totals for three of the four quarters of 2013, while the number coming from corporate parents struggled to break 20 transactions a quarter. Secondary buyouts are therefore growing in both number and market share, hitting a sample-high of 49 deals as the number one source of dealflow in Q4 and accounting for 41% of acquisitions for the year as a whole.

This has provided some much needed activity - and some desperately needed exits for the private equity sellers - but it will require other core sources to make a return if the market is to see activity growth in 2014.

Buyouts

In volume terms, the buyout segment enjoyed a strong Q4, with the number of deals recorded rising for the third consecutive period to 115 transactions, the highest total since Q3 2012. This slow but steady progress has been recorded in the wake of the sample's lowest deal total of 93 in the first quarter of 2013, though. Indeed, the final quarter total remains below those posted consistently in 2011 and most of 2012 and, as a result, the 421 deals completed over the year as a whole mark a second consecutive annual decline.

In contrast, the value trend showed more marked growth for the final months of 2013, with the Q4 total of €21.1bn up 37% on the €15.4bn recorded in the preceding period. Again, this short-term shift is misleading though: value totals have lurched from extremely modest lows to impressive highs by turns in each of the last six quarters, with this year's fourth quarter figure some way behind the €24bn and €23.7bn seen in Q2 2013 and Q4 2012 respectively. This volatility equated to consistency in the year-end figure, which was down just 1% at €69.2bn.

Repeated fluctuation in overall value figures during the past twelve months is predominately the result of skittish sentiment at the top of the market. The large-cap segment (EV>€1bn) recorded its first deals since the second quarter in Q4 and accounted for €5.6bn of the overall total, almost half the €10bn registered the last time there was any activity. At the other end of the scale, the small-cap range (EV<€100m) fell away after a return to form in Q3 and registered 63 deals worth €2.2bn, the lowest figures over the sample.

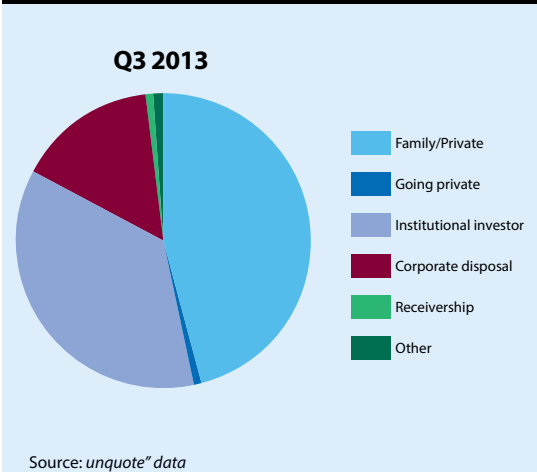
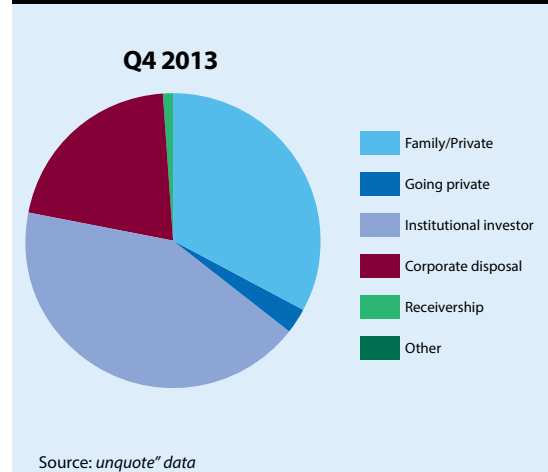
Stealing the show in Q4, then, was the mid-market (€100m to €1bn), which recorded a 60% uplift in volume and an 11% increase in value to post its best numbers since Q2 2011 with 48 deals worth €13.3bn. For the year as a whole, the €41.9bn worth of deals transacted in this space accounted for 60% of the overall buyout total and represented the largest mid-market aggregated value since the 2007 heyday.

The UK retained its place as by far the largest market by volume in the final quarter with 46 deals completed, more than twice its nearest rival. It also edged out the German-speaking DACH region to remain the largest market by value with a total of €6.5bn, though this was close to €1bn down on Q3. Most other regions registered growth in Q4, with only the Nordic region declining in volume and value terms and France and the Rest of Europe category both seeing a single-deal slip in volume.

As outlined above, the family and private vendors that traditionally dominate deal sources dropped back below 40 deals again in Q4, while a modest rise in corporate disposals saw this segment record 24 transactions. Secondary buyouts continued their strong 2013 showing and rose to top spot with 49 transactions, 43% of the activity total.

Volume & value of European buyouts

	Volume	Value €m
Q3 2011	135	17,612
Q4 2011	129	14,762
Q1 2012	124	14,632
Q2 2012	109	17,841
Q3 2012	120	13,702
Q4 2012	112	23,747
Q1 2013	93	8,666
Q2 2013	102	24,009
Q3 2013	111	15,359
Q4 2013	115	21,148
2011	548	75,051
2012	465	69,924
2013	421	69,184

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

	Q3 2013	Q4 2013
Family/Private	51	38
Going Private	1	3
Institutional Investor	40	49
Corporate Disposal	17	24
Receivership	1	1
Other	1	0

Volume of European buyouts by size range



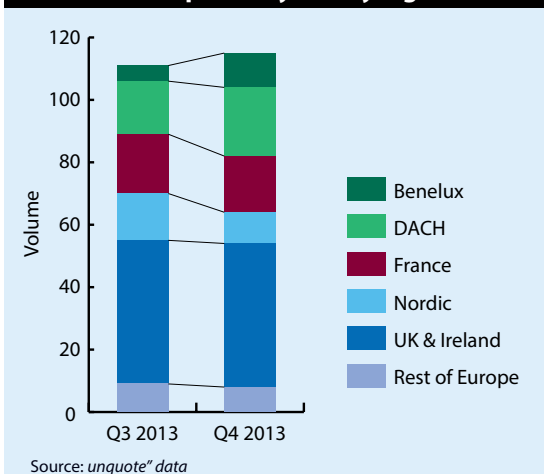
Value of European buyouts by size range



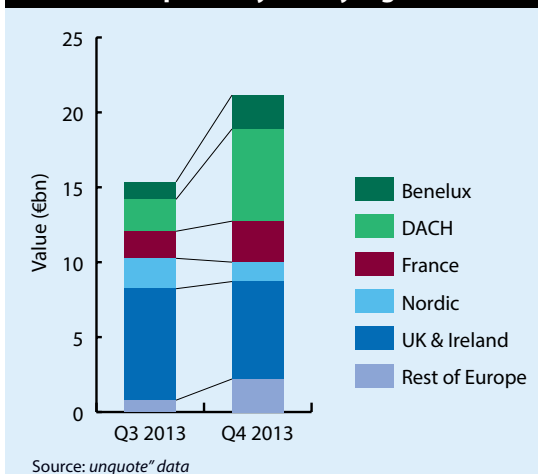
	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q3 2011	100	74	32	24	3	2	135
Q4 2011	96	74	30	23	3	2	129
Q1 2012	98	79	22	18	4	3	124
Q2 2012	80	73	24	22	5	5	109
Q3 2012	86	72	33	28	1	1	120
Q4 2012	73	65	32	29	7	6	112
Q1 2013	68	73	24	26	1	1	93
Q2 2013	66	65	31	30	5	5	102
Q3 2013	81	73	30	27	0	0	111
Q4 2013	63	55	48	42	4	3	115

	<€100m Value	%	€100m-1bn Value	%	≥€1bn Value	%	Quarterly total
Q3 2011	3,504	20	10,075	57	4,034	23	17,612
Q4 2011	3,643	25	6,879	47	4,240	29	14,762
Q1 2012	2,616	18	5,714	39	6,302	43	14,632
Q2 2012	2,270	13	6,987	39	8,585	48	17,842
Q3 2012	2,627	19	9,710	71	1,365	10	13,703
Q4 2012	2,540	11	10,520	44	10,688	45	23,748
Q1 2013	2,502	29	5,114	59	1,050	12	8,666
Q2 2013	2,545	11	11,396	47	10,069	42	24,010
Q3 2013	3,354	22	12,006	78	0	0	15,360
Q4 2013	2,235	11	13,333	63	5,580	26	21,149

Volume of European buyouts by region



Value of European buyouts by region



	Volume		Value (€m)	
	Q3 2013	Q4 2013	Q3 2013	Q4 2013
Benelux	5	11	1,165	2,257
Deutsche	17	22	2,129	6,155
France	19	18	1,798	2,734
Nordic	15	10	2,037	1,295
Rest Of Europe	9	8	789	2,204
UK	46	46	7,441	6,505

Ten largest European private equity-backed buyouts, Q4 2013

Deal name	Country	Value (€m)	Equity provider
Scout24	Germany	2,000.00	Hellman & Friedman LLC
Unit4	Netherlands	1,280.00	Advent International
Hastings Insurance Group	United Kingdom	837.66	Goldman Sachs Private Equity
Rothsay Life	United Kingdom	666.27	Blackstone Group, GIC SI
Siemens Water Technologies	Germany	640.00	AEA Investors
Kerneos	France	600.00	Astorg Partners
Rhiag-Inter Auto Parts Italia	Italy	570.00	Apax Partners LLP
Aker's well intervention services business	Norway	494.15	EQT Partners
Mergermarket.com	United Kingdom	460.31	BC Partners
Ambassador Theatre Group	United Kingdom	418.83	Providence Equity Partners, Exponent Private Equity

Growth capital



	Volume	Value €m
Q3 2011	157	2,760
Q4 2011	190	2,066
Q1 2012	198	2,671
Q2 2012	218	3,142
Q3 2012	152	1,915
Q4 2012	168	2,379
Q1 2013	177	1,715
Q2 2013	163	2,802
Q3 2013	137	1,309
Q4 2013	158	2,178
2011	768	12,925
2012	736	10,108
2013	635	8,006

Often seen as a bellwether for confidence in underlying economic strength, the expansion segment enjoyed a comparatively strong end to 2013 after slumping to a stark sample low in Q3. However, despite a significant rise of 15% in volume from the modest total of 137 deals recorded in the third quarter, Q4's 158-deal total was still lower than all but two of the preceding ten quarters. For the year as a whole, 2013 finished some 14% down and registered a second successive annual decline to 635 transactions.

As was the case in the buyout sector, the rise in value in Q4 was more marked from the lowly €1.3bn invested collectively in the third quarter to €2.2bn for the three months to December – a 66% increase. The similarity does not end there: like its later-stage cousin, the growth capital segment has seen total value oscillate wildly over the past six quarters, and the Q4 total failed to match those seen in Q2 2013 or Q4 2012 by a sizeable margin. For the year as a whole, the value total was around 21% down for the second year in succession to €8bn.

The UK remains by far the largest expansion market in Europe, having amassed 59 deals for the three months to December, more than twice the total in any other country. It was substantially ahead in value, too, with the total of €722m comfortably beating Germany's €446m. The German market was also second in volume terms with 29 deals, with an additional five transactions in Switzerland taking the DACH total to 34. The largest transaction of the quarter was completed in Spain: the €215m investment into amusement park operator Portaventura by KKR.

Ten largest European private equity-backed growth capital deals, Q4 2013

Deal name	Country	Value (€m)	Equity provider
PortAventura	Spain	215.00	Investindustrial Limited, Kohlberg Kravis Roberts
Discover Exploration	United Kingdom	147.17	Carlyle Group
Enel Rete Gas	Italy	122.40	Ardian (Formerly Axa Private Equity), Fondi Italiani per le Infrastrutture (F2i)
Ganymed Pharmaceuticals	Germany	45.00	ATS Beteiligungsverwaltung GmbH, MIG AG
immatics biotechnologies GmbH	Germany	34.00	MIG AG, Wellington Partners
Merus	Netherlands	31.00	AGLAIA BioMedical Ventures BV, Bay City Capital, Johnson & Johnson Development Corporation, Life Sciences Partners, Novartis Venture Fund, Pfizer Venture Investments
Datasift	United Kingdom	30.91	IA Ventures, Insight Venture Partners, Scale Venture Partners (formerly BA Venture), Upfront Ventures
Forgital Group	Italy	30.00	Fondo Italiano d'Investimento
Biocartis SA	Switzerland	30.00	Johnson & Johnson Development Corporation, PMV, Wellcome Trust
Talend	France	29.43	Balderton Capital, FSI Régions (Formerly Avenir Entreprises), IDInvest Partners (AGF Private Equity), Iris Capital (Part'Com), Silver Lake

Early-stage



Once again the European venture capital segment provided a sombre counterbalance to the story of fourth quarter growth in the wider private equity market. Early-stage activity recorded a second successive fall from an already low 55 deals to 53 in Q4, marking the sixth consecutive quarter that the total has remained below 60 transactions since the sample high of 74 recorded in Q2 2012. As a result, the annual total for 2013 was a further 5% down on the 227 deals for the preceding year, settling at an eight-year low of 216 investments.

Similarly to what was seen in the buyout and growth capital spaces, value was significantly up on the third quarter and the segment posted a 20% increase in collective investment to €298m for the three months to December. Ever the contrarian, the early-stage segment bucked another wider trend by recording an annual value increase off the back of this strong finish, ending the year 15% higher than 2012 on €984m. This, though, remains the second lowest total seen since 2003, which puts into context the ongoing slump in venture investing.

Germany topped the table in terms of dealflow on a regional basis, having been home to 17 deals over the quarter, though most of these were extremely modest in size and the country amassed only €24.6m in aggregated value. The UK came in first in value terms with €115.6m invested, though more than half of this was attributable to a single deal: the £55m (€64.5m) investment into newly launched insurance market consolidator Global Risk Partners led by Penta Capital.

Ten largest European private equity-backed early-stage deals, Q4 2013

Deal name	Country	Value (€m)	Equity provider
Global Risk Partners	United Kingdom	64.51	Maven Capital Partners - London, Penta Capital Partners
Covagen	Switzerland	34.12	Ascent Biomedical Ventures, Edmond de Rothschild Investment Partners, GIMV, MP Healthcare Venture Management, Natixis Private Equity, Novartis Venture Fund, Seroba Kernel Life Sciences
ADC Therapeutics	Switzerland	29.61	Auven Therapeutics (formerly Celtic Therapeutics)
Crescendo Biologics	United Kingdom	21.09	Astellas Venture Management LLC (AVM), Imperial Innovations, Sofinnova Partners
Hookipa Biotech	Austria	20	BioMedPartners, Boehringer Ingelheim GmbH, Forbion Capital Partners, Sofinnova Partners, Takeda
Pulmocide	United Kingdom	19.94	Fidelity Biosciences, Imperial Innovations, Johnson & Johnson Development Corporation, SV Life Sciences
Pixium Vision	France	15	Abingworth Management, FSI Régions (Formerly Avenir Entreprises), Omnes Capital (formerly Crédit Agricole Private Equity), Sofinnova Partners
f-star GmbH	Austria	9.4	Aescap Venture, Atlas Venture, Merck Serono Ventures, MP Healthcare Venture Management, SR One, TVM Capital
Gecko Biomedical	France	8	Cap Décisif, CIC Finance, Omnes Capital (formerly Crédit Agricole Private Equity)
Logentries	Ireland	7.4	Frontline Ventures, Polaris Partners, RRE Ventures

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