



Private Equity_____

BAROMETER

Q4 2015

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

Key Findings

Overall European private equity

- Overall, 2015 witnessed a shift towards larger deals; total deal value increased by 38.4%, while total volume slipped by 9.7%. As a result, average deal value increased by 53.2%.
- The number of European private-equity-backed deals declined by 9.1% in the fourth quarter of 2015, from the 396 transactions seen in the previous three months to 360 transactions.
- Combined deal value also declined, slipping by 11.6%.
- The average deal value in the third quarter (€102.2m) was 2.8% higher than that of the fourth quarter (€99.3m).

Buyouts

- In annual terms, the aggregate value of buyouts in 2015, at €123.6bn, was up 35.7% on the previous year, while the number of deals (550) represents a 4.2% decline.
- Deal numbers declined to 136 in the fourth quarter, a decrease of two from the 138 deals completed in the third quarter, and registered the lowest total seen over the last three quarters.
- Aggregated value decreased markedly, dropping by 14% from the previous quarter's total of €34.2bn, to €29.4bn.
- Deals above the €100m mark were responsible for the decrease in the total number of buyouts in the fourth quarter. The core mid-market value (€100m–1bn) and large-cap (€1bn+) segments were down from 46 to 44 deals and from seven to six deals, respectively.
- The small-cap (sub-€100m) range barely improved relative to the third quarter, increasing from 85 to 86 transactions.
- On the other hand, the large-cap segment was the only category to register a quarterly drop in value terms – decreasing by 34.9%, from €15.9bn to €10.4bn.
- The quarterly value of deals in the small-cap and core mid-market categories rose by 9.3% and 3.2%, respectively.
- The Nordic region recorded the most pronounced rise in deal numbers in Q4 – up 57.1% from 14 deals in Q3 to 22. Total deal value in the region jumped 55.7% from €4.5bn to €7.1bn.
- The buyout of Securitas Direct (Sweden), estimated to be well into the €1bn+ bracket, was the largest buyout in the region during the fourth quarter and accounted for a lion's share of the region's aggregate deal value.
- The Nordic area was the only region to note an increase in both volume and value terms during the fourth quarter. Besides the Nordic countries, DACH was the only region to register an increase in total deal volume (from 12 to 16 buyouts), and the Rest of Europe category (Southern Europe and Ireland) was the only region to note an improvement in total deal value (from €2.7m to €5.4m).

- The UK witnessed the most significant decline in deal volume in Q4, down from 39 in Q3 to 33 completed buyouts.
- In terms of the source of buyouts, deals involving institutional investors saw the most significant uptick in quarterly volume, rising from 46 deals to 55.

Growth Capital

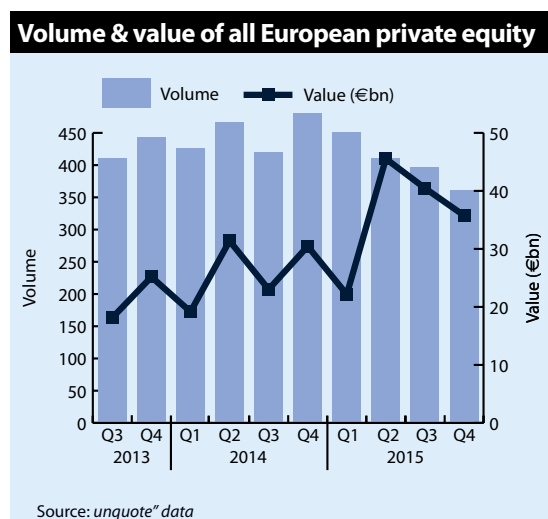
- In volume terms, the growth capital sector registered a sizable drop of 19.1% – from 188 transactions in the third quarter, to 152 in the fourth quarter.
- The total quarterly value of deals witnessed an uptick, increasing by 3.8% from €5.8bn to €6.1bn.
- The total value of deals during 2015 exceeded 2014 values by 63.8%, up from €11.6bn to €19.1bn.
- Aggregate deal volume in 2015 (776 transactions) fell short of the 2014 total (867) by 10.5%.
- As was the case in the buyout segment, the UK was the predominant market in terms of the volume of expansion deals during the fourth quarter, accounting for 50 completed transactions – 32.9% of the total.
- The UK, Germany and Sweden recorded the largest decreases in total deal volume – all three countries declined by nine deals as compared to the previous quarter.
- The UK was also home to the largest deal of the quarter – CVC Capital Partners' acquisition of a 40% holding in motorway services provider Moto, in a deal thought to be worth an estimated €995m.

Early-stage

- The three months to December saw the market sustain a modest recovery after noting an increase in the third quarter; the number of deals increased from 70 to 72 deals.
- On the other hand, value reversed the rise it witnessed during the third quarter, down 33.8% from €439.7m to €291m.
- Despite an impressive third quarter, during which the second-highest total deal value of the 10-quarter period from Q3 2013 to Q4 2015 was reported, the aggregate value of deals in 2015 fell short of 2014 values by 1.7%, decreasing from €1.30bn to €1.27bn.
- The most active markets on a regional basis were the UK and Germany, home to 17 deals each (worth €55.1m and €54.2m respectively). The two countries collectively accounted for 47.2% of the total number of deals in Europe in the fourth quarter.
- With 14 deals worth a total of €65.4m, France outpaced all other regions in value terms.
- Switzerland was home to the largest deal of the quarter – the €55.3m investment in Swiss biopharma company ObsEva, led by HBM Partners.

Quiet fourth quarter, but 2015 values soar

Overall European private equity



	Volume	Value €bn
Q3 2013	410	18.15
Q4 2013	443	25.17
Q1 2014	426	19.17
Q2 2014	466	31.37
Q3 2014	419	23.03
Q4 2014	480	30.45
Q1 2015	451	22.16
Q2 2015	411	45.54
Q3 2015	396	40.47
Q4 2015	360	35.76
2013	1,691	84.78
2014	1,791	104.01
2015	1,618	143.93

Figures from *unquote*™ data reveal that the post-crisis era can be divided into two distinct phases for private equity: the three years from 2009-2011 witnessed a strong recovery in terms of volume as well as value; however, during the next three years to the end of 2014, deal volume lost steam even as values continued their ascent. By the end of 2014, total volume was only 1.9% above 2011 levels, while total value increased by 13.9%. Despite a comparatively slow end to 2015, the year witnessed a further intensification of this trend towards flat deal numbers and rising deal values.

The volume of all private equity deals recorded in the final quarter of 2015 declined by 9.1%, falling short of the 396 deals seen during the third quarter to reach 360 deals. It is the fourth successive decline in deal volumes and the quarterly total represents the lowest of any quarter during the last 10. With 1,618 transactions reported in 2015, deal volume declined by 9.7%.

The picture in terms of value is different, though: after a slow start, quarterly values rose sharply in the second quarter and stayed high in the third. Despite falling back by 11.6% in the fourth quarter to €35.8bn, the overall annual picture shows a 38.4% growth from the €104bn seen in 2014 to €143.9bn. In fact, aggregate values have steadily climbed since 2012, up 72.6% during the four years to 2015.

As a result, the size of the average European private equity deal has more than tripled over the years, from €26.6m in 2009 to €89m in 2015. At €99.3m, the average deal value in the fourth quarter was 2.8% lower than that of the previous quarter, but is more than double what was recorded at the beginning of the 10-quarter period in Q3 2013 (€44.3m).

Although this trend towards higher average values has persisted across all three deal types, it is driven largely by the fortunes of the growth capital market – the average size of growth capital deals has increased by nearly five times during the last 10 quarters. As such, the buyout of Securitas Direct in Sweden during the fourth quarter of 2015 had a significant impact on the overall figures. The deal was not only the largest European deal of the year, but also the second-largest during the last eight years.

Quarterly Focus

GPs aim higher up the value chain in 2015

Since seeing a sharp post-crisis recovery in 2010, the European buyout market has posted relatively low-key annual totals. In particular, where aggregate value is concerned, the market remained rooted within a relatively narrow band in the five years to 2014. Even at its peak in 2014 the €91.1bn of buyouts recorded equated to less than half the 2007 record. However, 2015 is painting a drastically different picture: although aggregate volume has remained comparatively subdued, declining by 4.2%, the value of European buyouts surged by 35.7%, driven by a clear flight towards larger deals. A closer look at the stats shows that the combined value of deals above the €100m mark registered an increase of 42.1%, while those above the €1bn mark rose by 35.7%. As a result, average deal size shot up by 41.6%.

There are a number of possible drivers influencing this trend; the adequate supply of debt among both traditional lenders and new alternative lenders is certainly one of them. Another would be the significantly improved fundraising environment in 2014/15, boosted by the record distributions created by a highly liquid exit market. At one level, the launch of major new funds into the market added to the weight of capital available, while on another, GPs with vintage funds have been keen to deploy capital quickly in order to return to the fundraising scene; in both cases, investors have been looking up the value chain.

It is also revealing to analyse the underlying dealflow by vendor type to see the effect on average values: drilling down into the data by vendor type clearly shows that market value has been propelled upwards by secondary deals; the total value of buyouts involving institutional vendors rose by 84% from €42bn in 2014 to €77.2bn in 2015.

But perhaps the most counter-intuitive issue is that the market has rebounded against a relatively fragile economic backdrop. While many European markets have grown in the last year, the economic recovery is not without its weaknesses. It is therefore particularly interesting that growth has been in some of the more troubled economies like France, which saw its aggregate value increase by 53.2%, albeit from a low base caused by tax issues in the prior year; and Southern Europe, where aggregate value was up 20.8%. In the case of France, it is arguable that the boost in activity underlines the counter-cyclical nature of private equity, with GPs seeking well-priced opportunities in underperforming markets. For the Southern European region, on the other hand, it is true that the growth is from a low base, but it is also clear that Italian and Iberian markets are being boosted by a strong focus on export-related sectors in order to combat weak domestic consumption.

Whatever the drivers, it seems likely that GPs will be looking to deploy increasingly large amounts and that the value trend is likely to remain an upward one.

Buyouts

Mirroring the trends noted at large, the value of buyouts climbed higher on a year-on-year basis even as total volume slowed down. An aggregate of 550 buyouts were recorded in 2015 – 24 less than the 574 in 2014 (-4.2%). These deals were collectively valued at €123.6bn, representing a 35.7% increase over 2014's €91.1bn.

Coming off the back of the weak numbers recorded in the three months to September, the fourth quarter extended the downswing in buyout dealflow. Deal numbers decreased by two deals during the quarter, from 138 to 136. Total value slipped 14% from €34.2bn in the third quarter to €29.4bn.

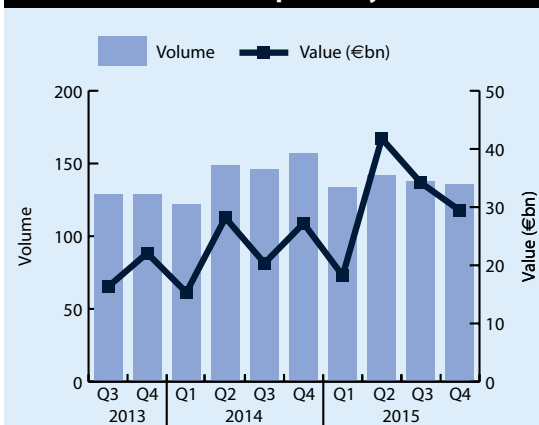
The €100m+ ranges (core mid-market deals and large-caps) were responsible for the slowdown in buyout deal volume during the fourth quarter, with 50 such deals recorded during this period, compared with 53 in Q3. Meanwhile, deal value decreased by 16.3% from €31.2bn to €26.1bn. A closer look at the data reveals that the large-cap segment was entirely responsible for this decline in aggregate value. The size range reported a drop of 34.9% from €15.9bn to €10.4bn. On the other hand, small-caps and the core mid-market range reported increases of 9.3% and 3.2%, respectively.

A reversal of these trends was noted when analysing annual estimates. The €100m+ ranges reported increases in both volume and value during 2015, while small-caps declined. Core mid-market transactions rose by a healthy 17.8% (from 157 to 185 deals) while large-caps increased by 21.1% (from 19 to 23 deals). However, these gains were entirely wiped out by a decline of 14.1% or 56 deals seen in the small-cap category. Similarly, total value of core mid-market deals and large-cap deals improved by 32.1% and 61.1% respectively. Small-caps, on the other hand, declined by 6.6%.

In regional terms, the Nordic market recorded the most pronounced rise in deal numbers in Q4 – up 57.1%, from 14 to 22 deals. Total deal value in the region jumped 55.7% from €4.5bn to €7.1bn. Besides the Nordic region, the DACH area was the only other region to register an increase in total deal volume, improving from 12 to 16 buyouts, while the 'Rest of Europe' category was the only other region to note an improvement in total deal value, doubling from €2.7m to €5.4m.

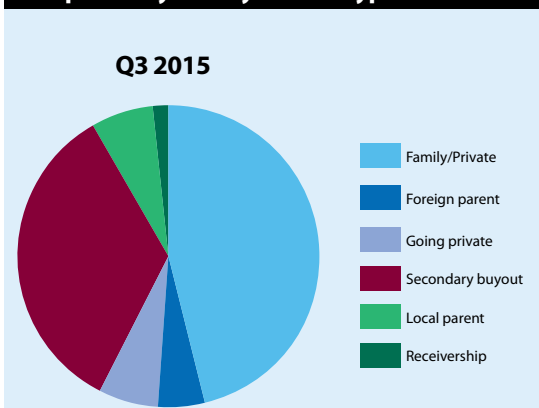
On the other hand, the UK reported the lowest level of dealflow that it has generated over the last 10 quarters – with just 33 buyouts, or 24.3% of all completed European buyouts. In value terms, the country accounted for 23.8% of the overall total with an aggregated €7bn. These statistics are somewhat in contrast with the third quarter, when the UK accounted for 39 deals worth €9.6bn.

In terms of the sources of buyout dealflow, transactions coming from institutional investors saw the most significant growth in volume, rising from 46 deals to 55 deals. On the other hand, corporate disposals dropped from a combined 16 acquisitions to nine, while receiverships failed to report a single buyout.

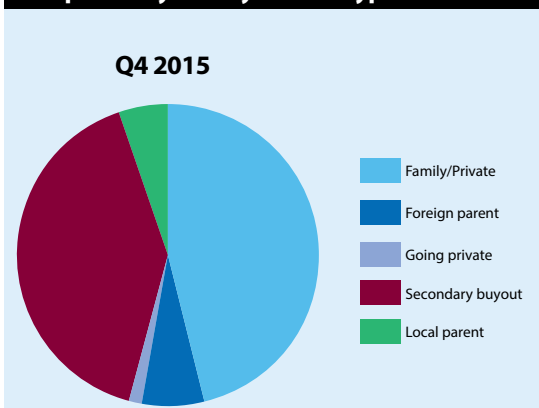
Volume & value of European buyouts

Source: unquote® data

	Volume	Value €bn
Q3 2013	129	16.32
Q4 2013	129	22.09
Q1 2014	122	15.34
Q2 2014	149	28.17
Q3 2014	146	20.36
Q4 2014	157	27.21
Q1 2015	134	18.23
Q2 2015	142	41.78
Q3 2015	138	34.19
Q4 2015	136	29.40
2013	478	74.41
2014	574	91.08
2015	550	123.59

European buyouts by vendor type

Source: unquote® data

European buyouts by vendor type

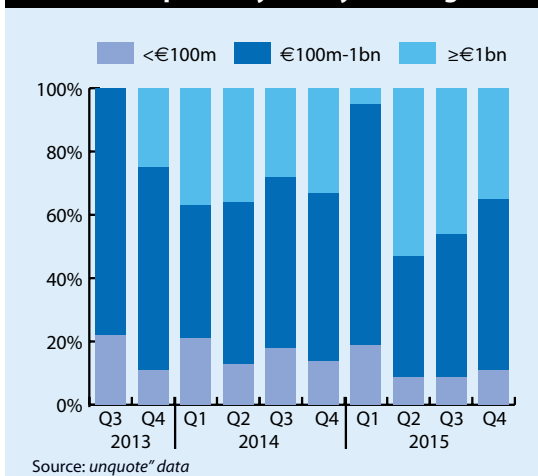
Source: unquote® data

	Q3 2015	Q4 2015
Family/Private	68	63
Foreign parent	6	9
Going Private	8	2
Institutional Investor	46	55
Local Parent	8	7
Receivership	2	0
State	0	0

Volume of European buyouts by size range



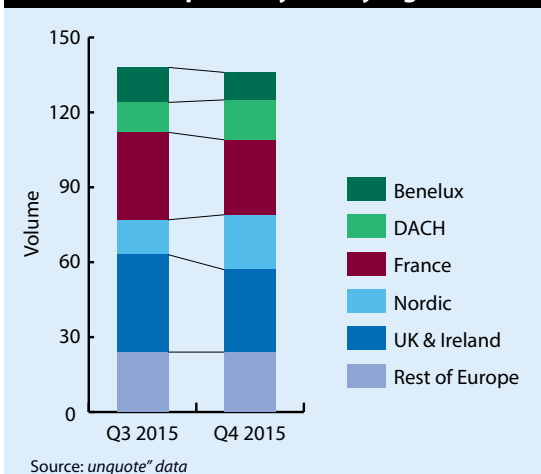
Value of European buyouts by size range



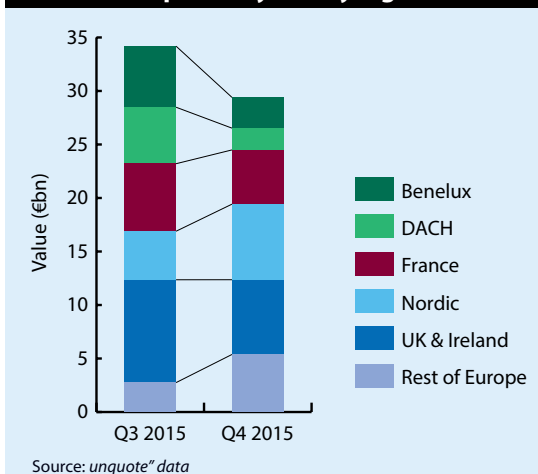
	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q3 2013	95	74%	34	26%	0	0%	129
Q4 2013	73	57%	52	40%	4	3%	129
Q1 2014	90	74%	29	24%	3	2%	122
Q2 2014	103	69%	39	26%	7	5%	149
Q3 2014	100	68%	42	29%	4	3%	146
Q4 2014	105	67%	47	30%	5	3%	157
Q1 2015	88	66%	45	34%	1	1%	134
Q2 2015	83	58%	50	35%	9	6%	142
Q3 2015	85	62%	46	33%	7	5%	138
Q4 2015	86	63%	44	32%	6	4%	136

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q3 2013	3.63	22%	12.69	78%	0.00	0%	16.32
Q4 2013	2.48	11%	14.03	64%	5.58	25%	22.09
Q1 2014	3.22	21%	6.43	42%	5.69	37%	15.34
Q2 2014	3.80	13%	14.10	50%	10.27	36%	28.17
Q3 2014	3.73	18%	10.90	54%	5.72	28%	20.36
Q4 2014	3.85	14%	14.33	53%	9.03	33%	27.21
Q1 2015	3.51	19%	13.72	75%	1.00	5%	18.23
Q2 2015	3.82	9%	15.76	38%	22.20	53%	41.78
Q3 2015	3.02	9%	15.25	45%	15.92	47%	34.19
Q4 2015	3.30	11%	15.75	54%	10.36	35%	29.40

Volume of European buyouts by region



Value of European buyouts by region

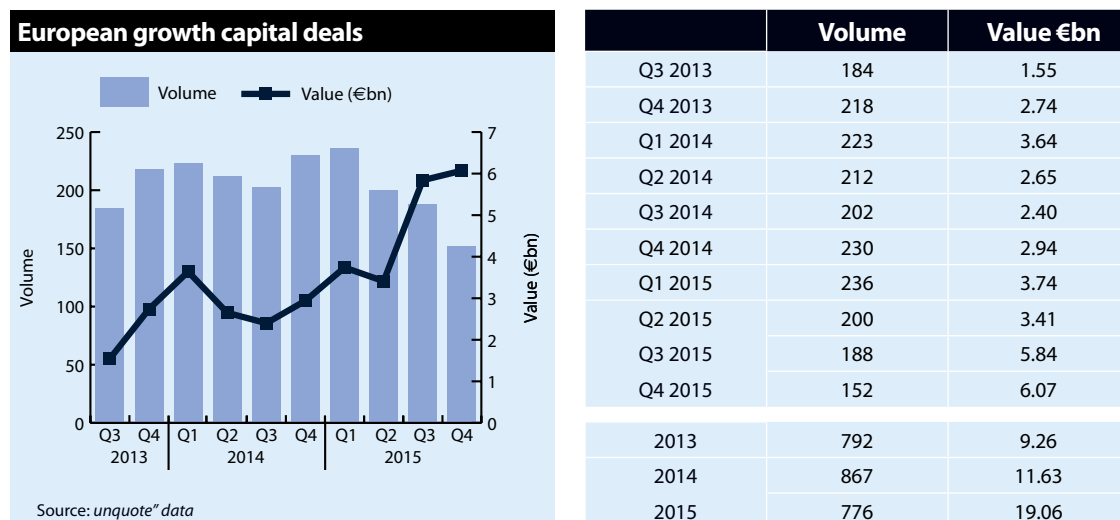


	Volume		Value (€m)	
	Q3 2015	Q4 2015	Q3 2015	Q4 2015
Benelux	14	11	5,706	2,873
DACH	12	16	5,278	2,034
France	35	30	6,310	5,068
Nordic	14	22	4,535	7,062
Rest Of Europe	24	24	2,748	5,379
UK	39	33	9,610	6,983
	138	136	34,187	29,399

Ten largest European private equity-backed buyouts, Q4 2015

Deal name	Country	Value (€m)	Equity provider
Euro Garages	United Kingdom	1,757	TDR Capital
TeamSystem	Italy	1,200	HgCapital, Hellman & Friedman
Webhelp	France	1,000	KKR
Eolia Renovables	Spain	1,000	Oaktree Capital Management
Armacell	Luxembourg	960	Kirkbi, Blackstone Capital Partners
IFS	Sweden	927	EQT
LGC	United Kingdom	924	KKR
Infinis	United Kingdom	750	Terra Firma
Coopération Pharmaceutique Française SAS (Cooper)	France	700	Charterhouse
Fintrax Group	Ireland	550	Eurazeo

Growth capital



Expansion deals got off to an impressive start to 2015, with 236 transactions in the first quarter – the highest number of deals over the last 10 quarters. However, this category shrunk by 15.3% in the second quarter and 6% in the third quarter. This trend deepened further in the fourth quarter when deal volume declined 19.1% to 152 deals. As a result, growth capital deals fell below 2010 levels for the first time, slumping to 776 deals during 2015 – 10.5% less than the 867 transactions seen in 2014.

In value terms, the sector registered a sizable rise of 3.8% from the €5.8bn witnessed in the third quarter to €6.1bn in Q4. This was the third time in the last four quarters that an increase in the total value of deals was recorded, helping the category register a 63.8% rise from €11.6bn in 2014 to €19.1bn in 2015.

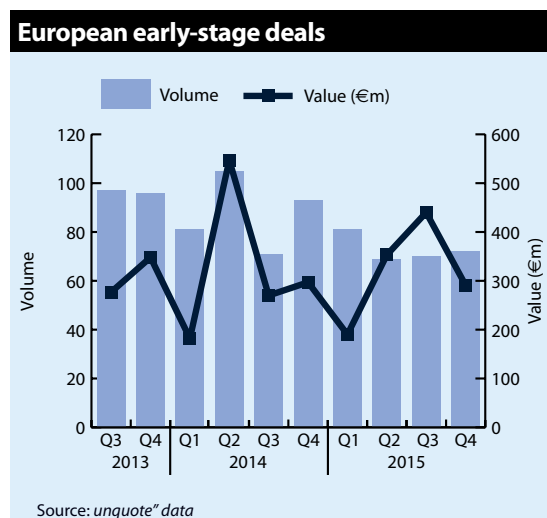
As in the buyout segment, the UK was the predominant market in terms of the volume of expansion deals during the fourth quarter, accounting for 50 completed transactions – 32.9% of the total. At €4.8bn, it also represented by far the largest market by combined value, nearly 15 times greater than the total posted by its nearest rival, Germany (23 deals, worth €328.9m). In volume terms, France came in second after reporting 30 deals, worth €312.4m.

The UK was also home to seven of the top 10 deals with a disclosed value, including CVC Capital Partners' acquisition of a 40% holding in motorway service provider Moto, in a deal thought to be worth an estimated €1.4bn. The remaining three deals were recorded in Spain, Germany and Denmark.

Ten largest European private equity-backed growth capital deals, Q4 2015

Deal name	Country	Value (€m)	Equity provider
Moto	United Kingdom	1,421 (est)	CVC Capital Partners
Group RAC	United Kingdom	995 (est)	CVC Capital Partners, GIC SI
City Football Group	United Kingdom	378	China Media Capital Partners
Konecta	Spain	130 (est)	PAI Partners
DNA Diagnostics Center	United Kingdom	104	GHO Capital
CureVac	Germany	100	Dievini Hopp BioTech Holding
Deliveroo	United Kingdom	91	Index Ventures, Hummingbird Ventures, Accel Partners, et al.
Ebury Partners UK	United Kingdom	75	Vitruvian Partners, 83North
Siteimprove	Denmark	52	Summit Partners
Avecto	United Kingdom	45 (est)	JMI Equity

Early-stage



	Volume	Value €m
Q3 2013	97	277
Q4 2013	96	348
Q1 2014	81	182
Q2 2014	105	547
Q3 2014	71	270
Q4 2014	93	297
Q1 2015	81	190
Q2 2015	69	353
Q3 2015	70	440
Q4 2015	72	291
2013	321	1,115
2014	350	1,296
2015	292	1,274

The three months to December saw the venture capital industry rise again after noting an increase during the third quarter, with latest estimates from *unquote*™ data showing an increase from 70 to 72 deals. Yet, the fourth quarter's deal volume remains far from the 10-quarter peak of the 105 deals reported in the second quarter of 2014. Overall, there was a 16.6% decline in deal numbers – from 350 deals in 2014, to 292 deals in 2015.

Having increased from €353.3m in the second quarter to €439.7m in the third quarter (a 24.5% rise), total deal value fell to €291m in the fourth quarter. By the end of the year, aggregate value remained 46.8% below the 10-quarter peak seen in Q2 2014. Overall, there was a 1.7% decline in total value from €1.30bn in 2014 to €1.27bn in 2015.

The most active markets on a regional basis were the UK and Germany, home to 17 deals each. With approximately €65.4m across 14 deals, France was the largest in terms of value, followed by Switzerland, which registered €58.7m across the two deals completed in the country.

As the above figures suggest, Switzerland had a higher average deal value, in part due to the fact it was home to the largest deal of the quarter – the €55.3m investment by HBM Partners in biopharma company ObsEva. Germany accounted for three of the top 10 deals by value, while France accounted for two. Switzerland, Belgium, Spain, and the Netherlands accounted for the remaining deals.

Ten largest European private equity-backed early-stage deals, Q4 2015

Deal name	Country	Value (€m)	Equity provider
ObsEva	Switzerland	55.3	HBM Partners, New Enterprise Associates, OrbiMed, et al.
Therachon	France	31.2	New Enterprise Associates, OrbiMed, et al..
Kesios Therapeutics	United Kingdom	27	Imperial Innovations, SV Life Sciences, Abingworth Management
Euroscreen	Belgium	16	La SRIW, BNP Paribas Fortis, Vesalius BioCapital
GamaMabs Pharma	France	15	iXO Private Equity, BPI France, Edmond de Rothschild Investment Partners
Relayr	Germany	10	Munich Venture Partners, Kleiner Perkins Caufield & Byers
Luxendo	Germany	6	Life Sciences Partners, EMBL Venture Capital Partners
Movinga	Germany	6	Earlybird Venture Capital, Global Founders Capital
PlantResponse Biotech	Spain	5.7	Caixa Capital Risc
Relay42	Netherlands	5	Holland Venture

SL Capital Partners

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