



Private Equity_____

BAROMETER

Q3 2014

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

Key Findings

Overall European private equity

- The number of transactions completed across all deal types dipped 17% in the third quarter and fell below 300 for the first time since 2005
- Combined deal value fell back by a similar margin over the period compared to the second quarter, down almost 20% from €23.7bn to €19bn
- However, the drop recorded in the past three months was lower than the 26%, 40% and 56% reversals witnessed in three of the past six quarters
- In fact, at €63.8m, the mean Q3 deal value was only negligibly lower than the previous quarter and higher than any other since the strong second quarter of 2013

Buyouts

- Deal numbers fell 25% over the period from the 132 completed in Q2 to the lowest total since the Q2 of 2013, with 109
- Aggregated value also fell markedly, dropping 23% from the previous quarter's total of €21.5bn to €16.6bn
- The Q3 value total looks stronger when set in its recent context, being significantly greater than the troughs of €14.2bn, €15.9bn and €9.5bn recorded over the past two years
- In the year to date, the 354 deals worth €52.3bn recorded so far in 2014 represents a 10% and 3% uplift on 2013
- The core mid-market value segment (€100m-1bn) has shown the greatest resilience in volume terms, with activity falling by a single deal from 37 to 36
- This range registered the most pronounced fall in value terms of 23% from €12.1bn to €9.3bn, though this remains double the total posted in Q1 and accounted for 56% of the overall total
- Both the small-cap sub-€100m and large-cap €1bn+ ranges saw the number of completed transactions fall relative to Q2
- The largest deal bracket saw three deals transacted in Q3, two fewer than the preceding quarter, with the value total falling 23% from close to €6bn to €4.6bn
- The UK maintained the consistent dealflow of the past five quarters and registered 45 transactions, not far shy of half of all completed buyouts
- In value terms, the UK accounted for 30% of the overall total with an aggregated €5bn, an estimated €1.1bn of which relates to the buyout of Pizza Express
- Family and private vendors saw the most significant decline in relation to the sources of buyouts, falling from 55 deals to 44

Growth Capital

- In value terms, the growth capital sector registered a sizable rise of 27% from the dip witnessed in Q2 to €2.2bn
- However, the total was around a third down on the Q1 figure in a sign that the inconsistent value trend seen in the buyout market is similarly apparent here
- Conversely, the volume total dropped by one transaction from the already modest Q2 total to register 158 deals completed over the three months to September
- While the year-to-date aggregated value figure is up 8% from €6.7bn to €7.2bn, the volume equivalent is down by 6% from 539 to 509
- As in the buyout segment, the UK is the predominant market, accounting for 64 completed transactions, 41% of the total
- Germany was home to the largest deal of the quarter, the \$350m (€267m) injection into online food ordering site Delivery Hero

Early-stage

- The three months to September saw the market slump back again after a modest recovery in Q2, falling more than half from 66 deals to just 31
- Value too plummeted by more than 50% from €462m to €226m, the second lowest total seen since the opening months of last year
- Despite two weak quarters this year so far in volume terms, the market remains up for the year to date, with €799m of deals (versus €735m in the first nine months of 2013)
- The most active market on a regional basis was Germany, which was home to 14 deals as part of an overall total of 16 across the DACH region
- With approximately €107m, the DACH area was also the largest in value terms, edging out the UK, which registered €96m across its 10 deals
- The UK was home to the largest deal of the quarter, the €79m investment in cancer treatment developer Adaptimmune, led by New Enterprise Associates

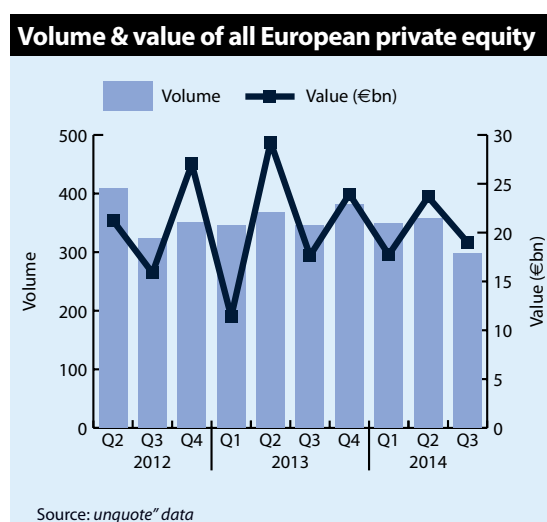
Update on Q2 2014 figures

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 Q2 2014 deals that emerged after the publication of the Barometer in July 2014.

- In the months since publication of the previous barometer in July, a further 22 deals have come to light, taking the total from the preliminary 335 to 357 and pushing value up to €23.5bn
- In the buyout market, six deals have been added worth around €400m, meaning the segment now boasts Q2 figures of 132 deals worth €21.5bn
- There have been eight expansion stage transactions added since the previous edition was published, taking the total to 159. There was only a negligible impact on the €1.7bn value figure originally recorded
- Eight deals were also added to the early-stage sector for the quarter, taking the total number of deals to 66. The value total has increased by more than 10% from €411m to €462m

Mid-market resilience as uncertainty grows

Overall European private equity



	Volume	Value €bn
Q2 2012	408	21.23
Q3 2012	324	15.87
Q4 2012	350	27.03
Q1 2013	346	11.39
Q2 2013	367	29.27
Q3 2013	346	17.64
Q4 2013	382	23.95
Q1 2014	349	17.73
Q2 2014	357	23.66
Q3 2014	298	19.00
2012	1,477	81.73
2013	1,441	82.25
2014 YTD	1,004	60.39

At first glance, one could be forgiven for thinking the preliminary deal data for European private equity in the three months to September presents a picture of decline. The number of transactions completed across all deal types dipped 17% and fell below 300 for the first time since 2005, while deal value slumped by a shade less than 20% compared to the second quarter, falling from €23.7bn to €19bn.

However, some comfort can be drawn from Europe's consistent inconsistency, with fluctuations in quarterly aggregate deal value persistently shifting by at least €6bn. The mere €4.7bn drop in the most recent quarter may prove part of a steady, though oscillating, upturn in the long run. And the dramatic drops of Q1 and Q3 2013 (of €15.6bn and €11.63bn respectively) will hopefully prove anomalies.

The latest quarter's comparative resilience stemmed from the fact that, despite the quarter's low volume, total average deal value held up well on the back of mid-market resilience and a growth capital renaissance. In fact, at €63.8m, the mean Q3 deal was only negligibly smaller than the previous quarter and greater than any other since that strong second quarter of 2013.

It is also a factor that market fluctuations over the past three years have tended to see activity ebb through the three months to September before recovering strongly as the year draws to a close. Anecdotal evidence in the market suggests deal pipelines are well stocked, which could mean that, even notwithstanding the choppy macroeconomic picture across Europe, Q4 may well see a substantial uplift.

Quarterly Focus

Buyouts in focus: European divergence

As Europe transitions from austerity to recovery, private equity deal activity has settled into a pattern of metronomic inconsistency. Quarterly value figures over the past few years, for example, have lurched from a low of €11bn to a high of €29bn, with the three months to September this year continuing a trend of quiet third quarters after falling 20% to a little more than €19bn.

Moreover, underlying these fluctuating headline statistics in recent years has been a complex divergence in regional trends. France and Germany at one end of the spectrum seem to be the most cyclically exposed and have tended to track the wider market movements, while on the other hand the UK has been a bastion of stability during the past year or more.

In France, volume and value slumped to a two-year low of 12 deals worth €1.3bn in Q3, a substantial decline from the 22 deals worth more than €5.8bn in the second quarter. But while the past three months have been particularly slow, the country has become accustomed to severe undulations of late and has recorded a quarterly value shift of less than €1bn once since the beginning of 2013.

Germany also saw activity slump over the period from 19 deals worth €7bn to seven deals worth a paltry €320m. The immediate comparison is stark, but the Q3 figures are not dissimilar to those recorded in Q1 – in fact, while value was slightly down, the number of deals was higher. Severe peaks and troughs in the past two years have seen a value high of more than €9bn and lows of less than a 10th that order.

In contrast, the UK has belatedly embarked on a pronounced economic upturn that now leads the western world – and in private equity, it has recorded between 45-47 deals in each of the last five quarters. Value has moved through a range some €5bn from top to bottom during this time, but has remained above €3bn in each case and in the past three months the total rose 25% to close to €5bn.

It is worth noting that the Q3 totals would have shown much more pronounced decline were it not for a confluence of comparatively strong numbers from some of Europe's smaller markets. Belgium saw four deals compared to one in Q2 and deal value surged from €30m to nearly €2bn; similarly, Norway recorded five transactions compared to just two as value rose tenfold from €285m to €2.9bn.

All of this goes to show that the heterogenous diversity across European markets can be its biggest strength, with benign conditions prevailing in some areas even as other markets contract. What's more, with Q3 2014 having shown considerably more resilience overall, especially as a result of robust mid-market dealflow and average deal value, there is reason to suggest trends might be positively converging.

Buyouts

Coming off the back of the strong numbers recorded in the three months to June, it was perhaps inevitable given undulating recent trends that the third quarter would labour to a substantial decline. So it proved: in the event, deal numbers fell 25% over the period from the 132 completed in Q2 to the lowest total since the second quarter of 2013 of 109; deal value dropped 23% from the previous €21.5bn to €16.6bn.

Notwithstanding this significant slide, by some measures the quarter was not as disappointing as the headline numbers suggest. In the context of the vertiginous value extremes seen in the past three years, for example, the value total was more than respectable and was higher than the previous troughs of €14.2bn, €15.9bn and €9.5bn witnessed in Q1 2014, Q3 2013 and Q1 2013 respectively. Year-to-date, the 354 deals worth €52.3bn represent rises of 10% and 3% on 2013.

Encouragingly, the core mid-market €100m-1bn value segment has shown the greatest resilience amid the latest quarterly slide in volume terms, with activity falling by just a single deal from 37 to 36. A decline in average deal value did result in this range registering the most pronounced fall in value of 23% from €12.1bn to €9.3bn, though this remains double the total posted in the opening three months of the year.

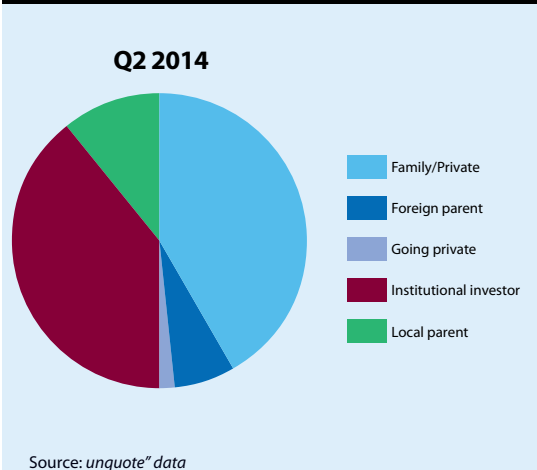
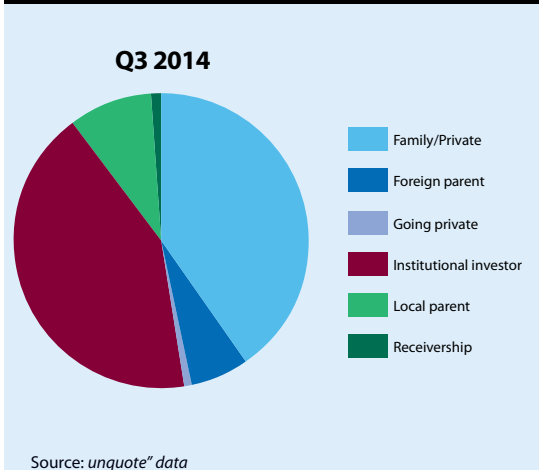
Both the small-cap sub-€100m and large-cap €1bn+ ranges saw the number of completed transactions fall relative to Q2. The smaller deal bracket witnessed the largest drop of 22% from 90 deals to 70, which translated into a 22% fall in collective value from €3.5bn to €2.7bn. The largest deal bracket saw three transactions in Q3, two less than the preceding quarter, with aggregated value falling 23% from close to €6bn to €4.6bn.

In regional terms, the UK maintained the consistent pace of dealflow it has generated over the past five quarters and registered 45 buyouts – not far shy of half of all completed European deals. In value terms, the country accounted for 30% of the overall total with an aggregated €5bn, an estimated €1.1bn of which relates to the buyout of Pizza Express by Chinese firm Hony Capital. Germany was the biggest loser over the quarter, dropping from 19 deals worth €7bn to seven deals worth just €320m.

Unsurprisingly, given the attrition in the small-cap bracket, the family and private vendors that provide the majority of the dealflow for this range saw the most significant decline in relation to the sources of buyouts as it fell from 55 deals to 44. In fact, for the first time in more than a year, the secondary buyout category took first place overall, having recorded a slide of just six deals from 52 to 46. Corporate disposals also dropped slightly, from a combined 23 acquisitions to 17 in Q3.

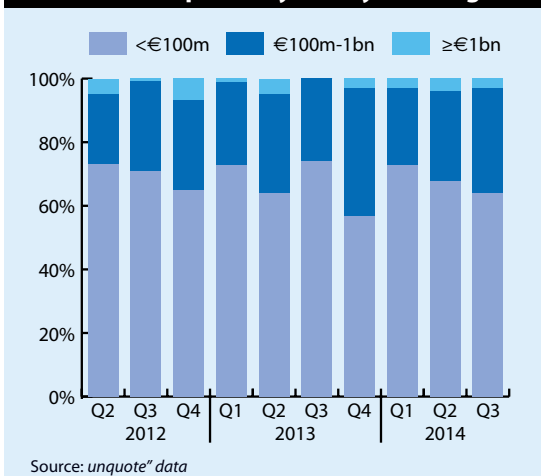
Volume & value of European buyouts

	Volume	Value €bn
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	121	21.30
Q1 2014	113	14.24
Q2 2014	132	21.49
Q3 2014	109	16.60
2012	467	70.41
2013	444	72.15
2014 YTD	354	52.33

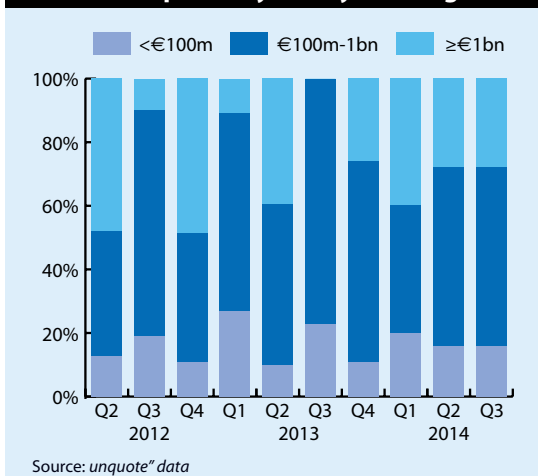
European buyouts by vendor type**European buyouts by vendor type**

	Q2 2014	Q3 2014
Family/Private	55	44
Foreign parent	9	7
Going Private	2	1
Institutional Investor	52	46
Local Parent	14	10
Receivership	0	1
State	0	0

Volume of European buyouts by size range



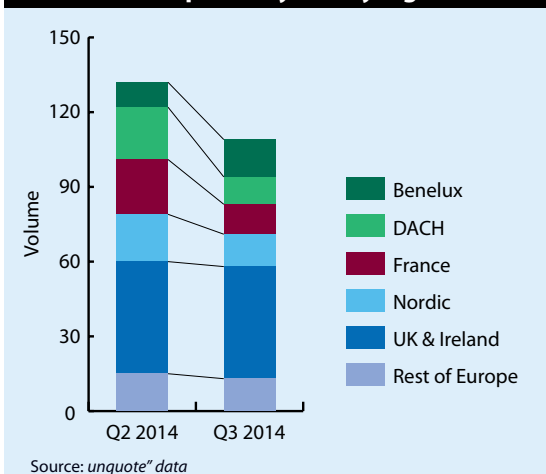
Value of European buyouts by size range



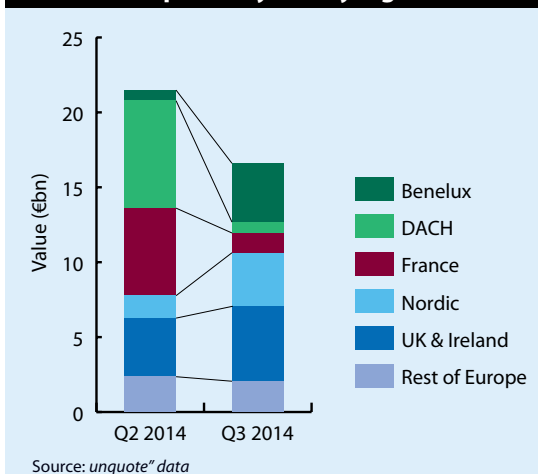
	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q2 2012	80	73%	24	22%	5	5%	109
Q3 2012	86	71%	34	28%	1	1%	121
Q4 2012	74	65%	32	28%	8	7%	114
Q1 2013	69	73%	25	26%	1	1%	95
Q2 2013	70	64%	34	31%	5	5%	109
Q3 2013	88	74%	31	26%	0	0%	119
Q4 2013	69	57%	48	40%	4	3%	121
Q1 2014	83	73%	27	24%	3	3%	113
Q2 2014	90	68%	37	28%	5	4%	132
Q3 2014	70	64%	36	33%	3	3%	109

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q2 2012	2.27	13%	6.99	39%	8.59	48%	17.84
Q3 2012	2.56	19%	9.89	72%	1.37	10%	13.81
Q4 2012	2.55	11%	9.85	41%	11.84	49%	24.23
Q1 2013	2.52	27%	5.91	62%	1.05	11%	9.49
Q2 2013	2.67	10%	12.76	50%	10.07	39%	25.49
Q3 2013	3.58	23%	12.29	77%	0	0%	15.87
Q4 2013	2.42	11%	13.31	62%	5.58	26%	21.30
Q1 2014	2.85	20%	5.70	40%	5.69	40%	14.24
Q2 2014	3.45	16%	12.06	56%	5.97	28%	21.49
Q3 2014	2.70	16%	9.27	56%	4.62	28%	16.60

Volume of European buyouts by region



Value of European buyouts by region

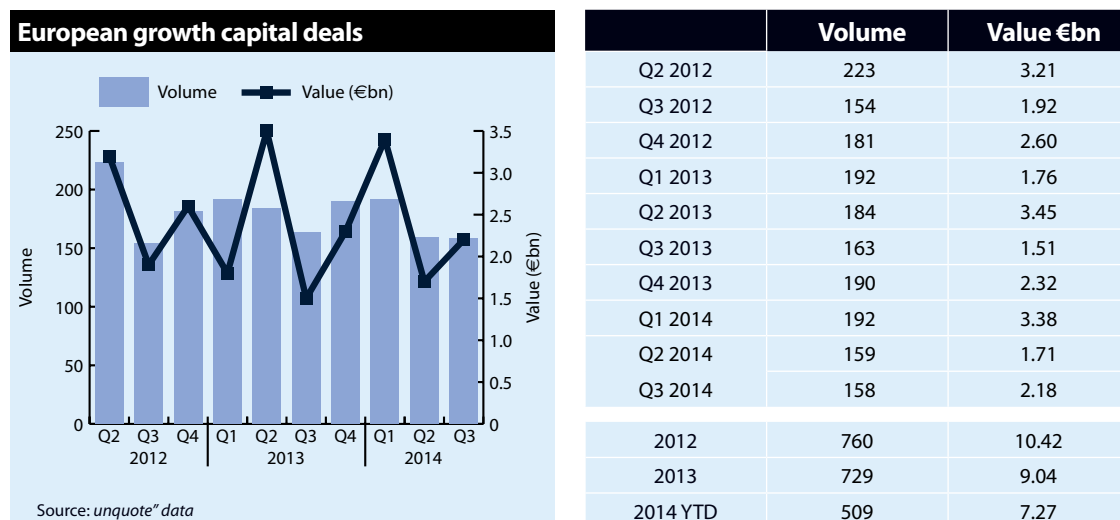


	Volume		Value (€m)	
	Q2 2014	Q3 2014	Q2 2014	Q3 2014
Benelux	10	15	707	3,922
Deutsche	21	11	7,170	726
France	22	12	5,843	1,319
Nordic	19	13	1,498	3,583
Rest Of Europe	15	13	2,357	2,054
UK	45	45	3,909	4,993

Ten largest European private equity-backed buyouts, Q3 2014

Deal name	Country	Value (€m)	Equity provider
Lindorff Holding	Norway	2,300.0	Nordic Capital, Investor AB, Altor Equity Partners
Pizza Express	United Kingdom	1,123.6 (est)	Hony Capital
UN Ro-Ro	Turkey	700.0 (est)	Actera, Esas Holding
Voyage Group	United Kingdom	473.2	Partners Group, Duke Street Capital, Salvepar
Traxys Europe	Luxembourg	448.1	Carlyle Group
Alliance Automotive Group	France	440.0 (est)	Blackstone Group
Flos	Italy	400.0	Investindustrial
Lombard Insurance Development Holdings	Luxembourg	399.0	Blackstone Group
Chryso	France	290.0	LBO France
Grupo Zena	Spain	270.0	Alia Capital Partners

Growth capital



Complementing comparatively robust figures in the mid-market buyout segment, preliminary numbers for European growth capital point to building confidence in corporate performance. In value terms, the sector registered a sizable rise of 27% from the dip witnessed in Q2, though at €2.2bn, the total was around a third down on the first-quarter figure, in a sign that the inconsistent value trend seen in the buyout market is similarly apparent here.

Conversely, the volume total dropped by one transaction from the already modest second quarter total to 158 deals completed over the three months to September. Even if this number is revised to show a moderate uptick in the coming weeks, both figures remain some way off the 190+ seen in both Q1 and the final three months of 2013. As a result, while the year-to-date aggregated value figure is up 8% from €6.7bn to €7.2bn, the volume equivalent is down by 6% from 539 to 509.

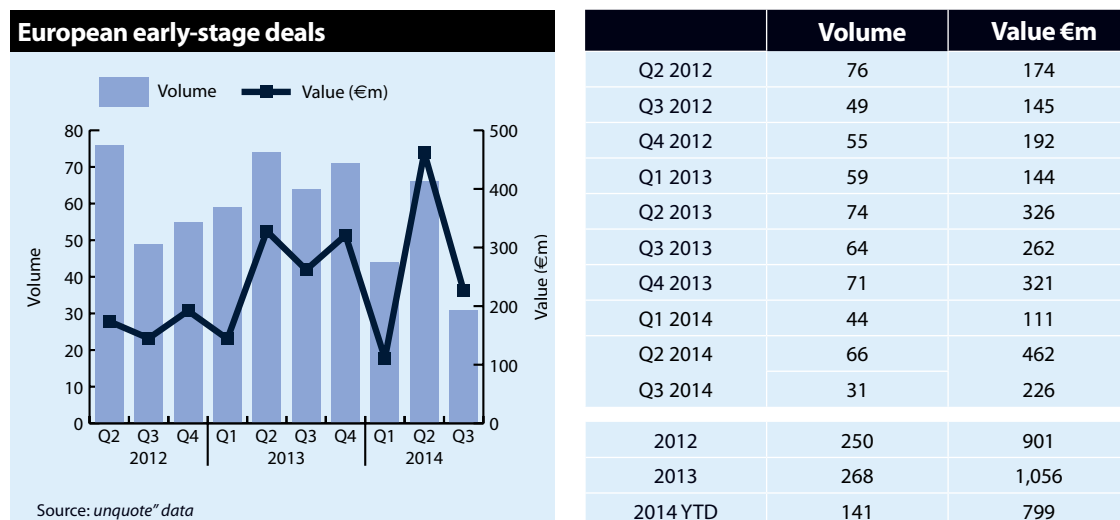
As in the buyout segment, the UK was the predominant market and accounted for 64 completed transactions, 41% of the total. At €893m, it also represented by far the largest market by combined value, nearly doubling the total posted by its nearest rival. At €472m second place was taken by Germany, which was similarly the second largest in activity terms with 26 deals. This was part of a collective total of €565m transacted across 31 deals in the German-speaking DACH region.

Germany was also home to the largest deal of the quarter, the €267m injection into online food ordering site Delivery Hero by existing investors Insight Venture Partners, Kite Ventures and Vostok Nafta Investment. The UK was home to six of the top 10 deals with a disclosed value including the second largest over the three months, the purchase of a 20% stake in online retailer The Hut Group by American buyout house KKR.

Ten largest European private equity-backed growth capital deals, Q3 2014

Deal name	Country	Value (€m)	Equity provider
Delivery Hero	Germany	266.5	Insight Venture Partners, Kite Ventures, Vostok Nafta Investment
The Hut Group	UK	124.8	Kohlberg Kravis Roberts
BlaBlaCar	France	73.2	Index Ventures, Accel Partners, ISAI, Lead Edge Capital
Biocartis	Switzerland	64.5	Johnson & Johnson Development Corporation, PMV
Park Resorts	UK	61.8	Electra Partners
Funding Circle	UK	47.6	Accel Partners, Index Ventures, Union Square Ventures, Ribbit Capital
Harmont & Blaine	Italy	45.0 (est)	Clessidra Capital Partners
Virgin Mobile Central and Eastern Europe	UK	40.0	Delta Partners, International Finance Corporation, European Bank for Reconstruction and Development
NewVoiceMedia	UK	36.6	Bessemer Venture Partners, Highland Capital Partners, Eden Ventures, Technology Crossover Ventures, Notion Capital
Alfresco Software	UK	33.6	SAP Ventures, Accel Partners, Mayfield, Sageview Capital

Early-stage



Venture capital has for some time now been subdued in investment terms, running at quarterly activity averages that are at best around half those seen in the days immediately prior to the financial crisis. The three months to September saw the market slump back again after a modest recovery in Q2, with preliminary numbers showing a drop of more than half from 66 deals to just 31, the lowest total since the final quarter of 2005.

Value too plummeted by more than 50% from €462m to €226m, double the lowly total of just €111m recorded in the first quarter but otherwise below anything seen since the opening months of last year. However, despite two muted quarters this year so far, the market remains up for the year to date in value terms; the first nine months of this year have generated €799m of deals versus €735m in the same period last year.

The most active market on a regional basis was Germany, which was home to 14 deals as part of an overall total of 16 across the German-speaking DACH region. With approximately €107m, the area was also the largest in value terms, edging out the UK, which registered €96m across the 10 deals completed in the country. Beyond these two powerhouses, only the Nordic countries recorded together more than a single deal, with both Denmark and Sweden posting a transaction apiece.

As the above figures suggest, the UK had a higher average deal value in part as a result of the fact that it was home to the largest deal of the quarter, the €79m investment in cancer treatment developer Adaptimmune by a syndicate led by New Enterprise Associates. Two Swiss deals and three in Germany made up a total of five in the top 10 with a disclosed value completed in the DACH region, making it the most represented overall.

Ten largest European private equity-backed early-stage deals, Q2 2014

Deal name	Country	Value (€m)	Equity provider
Adaptimmune	UK	79.2	Merlin Nexus, venBio, Rock Spring Ventures, Novo, Foresight Venture Partners, Fidelity Biosciences, Wellington Partners , OrbiMed, New Enterprise Associates
Cardiorentis	Switzerland	45.0	Healthcare Royalty Partners
Heliatek	Germany	18.0	eCapital Technologies, Wellington Partners, High-Tech Gründerfonds
Sophia Genetics	Switzerland	10.1	Endeavour Vision, Invoke Capital
to-BBB	Netherlands	10.0	Antea Participaties
Pulmologix	Sweden	9.6	HealthCap, Forbion Capital Partners, Novo Seeds, Sunstone Capital
AyoxxA Biosystems	Germany	9.0	kfW, Creathor Venture, Wellington Partners , High-Tech Gründerfonds, NRW Bank, B-To-V Partners
Inviata	UK	5.1	Cambridge Innovation Capital, Johnson & Johnson Development Corporation, Imperial Innovations
Arzneimittel Warngau	Germany	5.0	kfW, Bayern Kapital, IBG Beteiligungsgesellschaft Sachsen-Anhalt mbH, SHS Gesellschaft für Beteiligungsmanagement, UnternehmerTUM, BayBG
Videregen	UK	3.9	London Business Angels, Spark Impact

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