



Private Equity_____

BAROMETER

Q3 2013

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

SL Capital Partners

unquote ”

Key Findings

Overall European private equity

- Preliminary figures show a total of 283 transactions were completed in Q3, 5% down on the preceding quarter and the lowest figure since Q4 2005.
- Aggregate deal value fell more sharply, down 38% from the €27.2bn recorded in the second quarter to €16.9bn.
- Over the first three quarters, 2013 has fallen short in volume terms in comparison with 2012, having seen 879 deals completed compared to 1,005.
- In contrast, at €54.5bn, the total value of deals in the year to date is marginally above the €52bn recorded by the same point in 2012.

Buyouts

- There were 112 acquisitions announced in Q3, marking the second consecutive quarter of growth and the largest total since the corresponding period in 2012.
- Despite the improving picture, volume through this year's first three quarters is still 38 deals behind the 340 accumulated during the first nine months of 2012.
- In value terms, a substantial quarter-on-quarter drop of 36% – from €24.3bn to less than €15.5bn – was recorded for the three months to September.
- There was not a single €1bn+ buyout completed in the third quarter, making this the first time in history there has been a complete absence of activity in this bracket.
- For the year to date, 2013 is slightly ahead of 2012 in cumulative value, with €48.4bn deployed, compared to €44bn by the end of the third quarter in 2012.
- The mid-market €100m-1bn category was steady in activity terms, matching the Q2 total of 31 deals and recording a marginal increase in value to €12.1bn.
- The small-cap range, covering deals worth less than €100m, was the standout performer in Q3, with volume rising by 29% to 81 deals and value rising 39% to €3.4bn.
- In regional terms, it was the UK that again dominated activity, with 46 completed deals, up by eight from Q2 and representing more than 40% of the overall total.
- The UK was also one of only two markets to witness a rise in cumulative value in the third quarter, returning to top spot, with a rise from €5.6bn to €7.4bn.
- While a number of regions saw a decline in value in Q3 only one – the Nordic region – saw a decline in volume, falling from 22 deals to 15.
- The family or private sellers category reclaimed the traditional top spot in terms of the source of buyouts, with a rise in deal numbers from 36 to 51.

Growth Capital

- Activity in the growth capital segment was the weakest of any in Q3, with volume falling 19% from 152 deals to 123.
- This marked the third quarter without volume growth, the second successive quarterly decline and the lowest figure in the sample period.
- Collective investment fell by more than half, from the €2.7bn recorded in Q2 to a little more than €1.2bn.
- Average deal value fell from €17.7m to a little less than €10m, marking only the second time since Q4 2011 that this low threshold has been breached.
- In the first nine months of the year, 2013 is 16% down in volume and 25% in value compared to 2012, with 435 deals completed worth €5.5bn.
- The UK led the way in volume terms with 45 transactions - more than double its closest rival - and was also top in value terms with €435m invested.

Early-stage

- The Q3 total of 48 transactions matched that for the preceding quarter and continues the pattern of stable deal activity seen since the beginning of the year.
- Headline quarter-on-quarter figures might at first suggest a significant slump, with aggregated investment down 17.5% in Q3 from €296.4m to €244.4m, but the trend is relatively steady, with the Q3 value and average deal value totals still the second highest registered since Q1 2012.
- In the year to date, 2013 is slightly up in value terms, with €664m invested compared to €624m last year, despite being behind in volume, with 142 deals against 147.
- Germany led the way in volume terms with 17 transactions recorded, while Switzerland also contributed two to take the DACH region total to 19 overall.
- The UK dominated in value terms due to a single deal six times the size of any other - the €113.5m investment into start-up oil exploration business Oyster Petroleum.

Update on Q2 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 Q2 2013 deals that emerged after the publication of the Barometer in July 2013.

- In the three months since the publication of the Q2 Barometer in July, 15 additional deals completed during the three months to June have come to light, taking the volume total for the period to 299.
- These deals have added a collective €707m to the value total for the second quarter, which has increased from the previously quoted €26.5bn to a little more than €27.2bn.
- The bulk of this value increase is accounted for by the buyout segment, which has seen its total rise by €552m from a preliminary figure of just over €23.7bn to close to €24.3bn.
- This uplift came as a result of five deals that have been added to the database, taking the buyout volume total for the period from 94 transactions to 99.
- In the expansion segment, eight new deals – worth a shade less than €148.7m – have been added, meaning that the Q2 totals have been boosted to 152 deals worth almost €2.7bn.
- There were just two deals worth approximately €6m added to the early-stage category, taking the Q2 investment total to 48 transactions and €296.4m.

Activity levels flat despite economic uplift

Overall European private equity



	Volume	Value €m
Q3 2011	334	20,177.91
Q4 2011	326	15,974.82
Q1 2012	353	17,198.49
Q2 2012	363	19,291.07
Q3 2012	289	15,516.79
Q4 2012	303	26,095.01
Q1 2013	297	10,391.39
Q2 2013	299	27,245.85
Q3 2013	283	16,937.99
2011	1,491	87,345
2012	1,308	78,101
YTD 2013	879	54,575

Finally, the economic tide appears to be turning. Growth in the UK surprised on the upside for the second successive quarter in Q3, while in August, new data showed the eurozone had emerged from recession in Q2 on the back of a return to growth for France and the continued progression of neighbouring Germany. This month it was even confirmed that Spain is back in the black following two years of consistent quarterly decline.

Against this backdrop, private equity activity levels for the three months to September are at first glance underwhelming. Preliminary figures show 283 transactions were completed - 5% down on the preceding period and the lowest volume total since the fourth quarter of 2005 - and aggregate deal value plummeted 38% from €27.2bn to €16.9bn. Behind these headline figures, however, lies a narrative of relative stability.

This first volume estimate is almost identical to that initially attributed to the second quarter, with subsequent upward revisions taking the final Q2 figure to 299 deals and marking a full year in which quarterly totals landed within a narrow 14-deal range. In value terms, although there will always be significant fluctuations due to the effect of mega-deals, cumulative quarterly investment has actually remained remarkably consistent. Including Q3 of this year, six of the past nine quarters have seen a total value of between €15bn and €20bn, with only two major spikes occurring in the past three years.

The two periods in which a substantially higher figure was registered stand apart almost exclusively due to the fact that there were five or more €1bn+ buyouts completed. The market should not be defined by looking exclusively at this unrepresentative end of the value spectrum; acquisition activity overall in fact rose modestly for the second consecutive quarter in Q3 and edged up to its highest level in more than a year.

That stability is the key overriding theme is emphasised by the year-to-date totals for overall private equity activity. This year has thus far fallen short in volume terms – with 879 deals compared to last year's accumulated 1,005 during the first three quarters – but the value total of €54.5bn is in fact marginally above the €52bn recorded by the same point in 2012.

While the economic data looks strong, underlying frailties could yet undermine the nascent recovery, with employment growth across Europe remaining elusive and large debt piles in peripheral economies still a worrying issue. For private equity buyers in particular, there is also the spectre of unexited boom-era buyout companies sitting within a number of portfolios. Whatever optimism has permeated the market is clearly cautious in nature and buyers broadly remain in 'wait and see' mode - and well they might.

Quarterly Focus

Buyouts in focus: Regional buyout trends

Having dipped in the first two quarters of 2013, buyout activity levels bounced back in the three months to September, rising for the second consecutive quarter to register a total of 112 transactions. This is the largest total recorded since Q3 2012 but is in fact broadly in line with quarterly volume totals seen over the past two years, with six of the previous eight falling in a narrow range between 104 and 116 transactions.

Underlying the Q3 recovery was a significant uptick in deal numbers in the UK, which saw a 21% increase from 38 to 46 transactions and accounted for a little more than 41% of the overall European total. The UK, which has been enjoying an economic renaissance in recent months that has surpassed the expectations of most analysts, was also one of only two regions that saw an increase in value, rising from €5.6bn to €7.4bn and accounting for 48% of the wider European total.

Long considered the major buyout hub in Europe, the UK is invariably the primary market in activity terms. In all but one of the past nine quarters, the country has been home to a minimum of around 30% of transactions completed; in three of these periods the proportion was in fact above 40%. In value terms, the trend is less consistent, susceptible as it is to substantial swings based on the occurrence or otherwise of €1bn+ buyouts, with market share ranging from 20% to 50%.

Volume trends across Europe in the third quarter corresponded with the traditional view of regional hierarchy, with France coming in a distant second with 19 transactions, followed by the German-speaking DACH region with 17, and the Nordic region, which was the only market to record a decline in activity in Q3 from 22 to 15 deals. All three recorded a significant decline in value, with the DACH countries seeing the sharpest fall from an aggregated €9.1bn to €2.1bn.

These four regions now typically account for 80% of overall European volume; in both Q2 and Q3 2013 their collective share of the market has been closer to 90%. That the three regions beyond the UK were separated by just four deals is also representative of a declining disparity in the continental European markets and the growing foothold private equity has been able to make in what were until recently considered relatively immature markets.

The Nordic region, for example, has become a major buyout centre in recent years, recording a total of more than 20 deals on four occasions - putting it on a par with the more established French market and in fact one ahead of the DACH region. Moreover, it has remained remarkably consistent in comparison with its peers, only once dropping below the 15 deals it recorded in the past quarter.

Buyouts

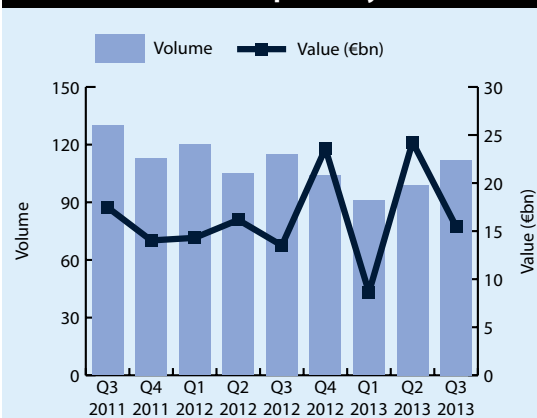
Buyout activity has displayed resilience in the past two or so years and Q3 2013 was no exception. Preliminary figures show there were 112 private equity-backed acquisitions completed over the three months, marking the second consecutive quarter of growth and the largest total since the corresponding period in 2012. As with the overall figures, however, the underlying trend is steadier than this might suggest. Looking beyond the relatively subdued first six months of this year, six of the past eight quarters have posted volume numbers within a 16-deal range.

In value terms, a substantial quarter-on-quarter drop of 36% was recorded, declining from €24.3bn to less than €15.5bn. Once again, though, the total registered in Q2 is not representative of the relative stability over the longer term, with the aggregated acquisition value for six of the previous nine quarters sitting within a narrow spectrum of just €3.5bn. For the year to date, 2013 is slightly ahead of 2012 in collective value, with €48.4bn invested compared to €44bn, despite being 38 deals behind the 340 accumulated by this point last year.

To understand the steep drop in value in Q3 - and in fact every substantial shift in investment terms over the past two or more years - one must look to the top end of the market. The large-cap €1bn+ category had recorded five deals worth €10.1bn in the second quarter; there was not a single such transaction completed in the third quarter, the first time there has been a complete absence of activity in this bracket in the 22 years unquote" has been compiling sector data.

Even the mid-market €100m-1bn category was steady rather than stellar in activity terms for the three months to September. The volume total of 31 deals matched that for the second quarter and is in line with totals witnessed in recent history, with value edging up by €330m to €12.1bn. It was the small-cap range covering deals worth less than €100m that held up the Q3 figures, with volume rising by 29% to 81 deals and value rising 39% to €3.4bn, which bodes well given how reliant many European markets are on this core segment.

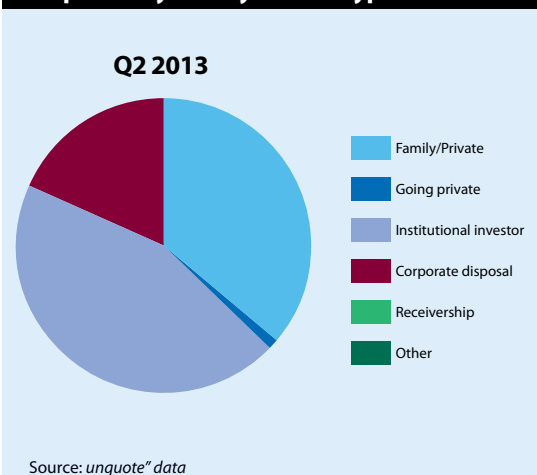
As one might expect, given the preponderance of smaller buyouts in the third quarter, family or private vendors saw the largest rise in terms of the source of acquisitions, with this group reclaiming its traditional top spot with a rise in deal numbers from 36 to 51. There was little change elsewhere, with buyouts from other institutional investors falling only slightly from 42 to 40, while there was a similarly slight fall in purchases from corporate sellers from 20 to 18.

Volume & value of European buyouts

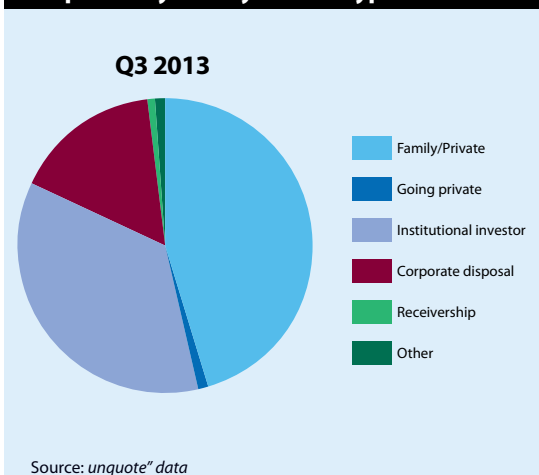
Source: unquote™ data

	Volume	Value €m
Q3 2011	130	17,468.58
Q4 2011	113	14,034.42
Q1 2012	120	14,295.92
Q2 2012	105	16,174.11
Q3 2012	115	13,502.31
Q4 2012	104	23,588.53
Q1 2013	91	8,630.31
Q2 2013	99	24,264.29
Q3 2013	112	15,470.01

2011	522	74,125
2012	444	67,561
YTD 2013	302	48,365

European buyouts by vendor type

Source: unquote™ data

European buyouts by vendor type

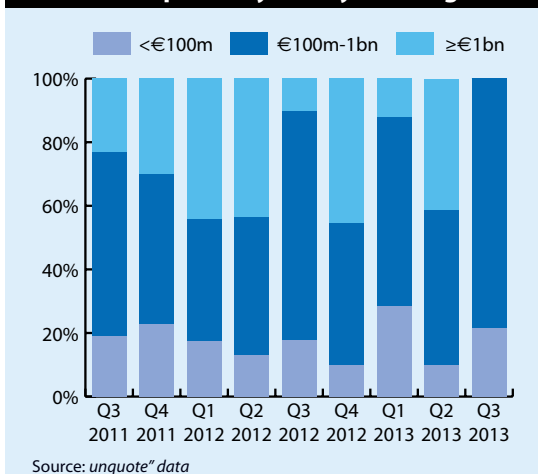
Source: unquote™ data

	Q2 2013	Q3 2013
Family/Private	36	51
Foreign parent	0	7
Going Private	1	1
Institutional Investor	42	40
Local Parent	20	11
Receivership	0	1
State	0	1

Volume of European buyouts by size range

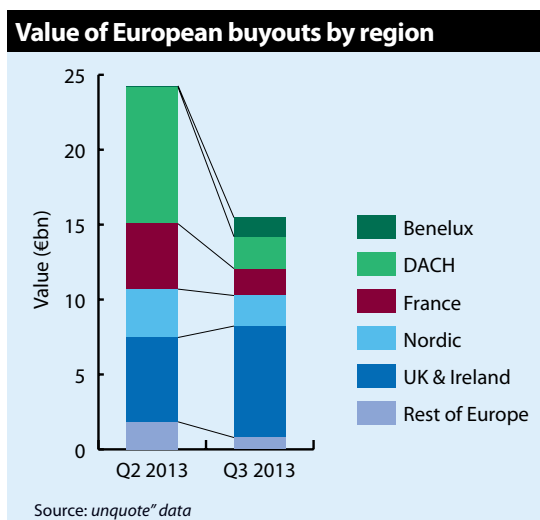
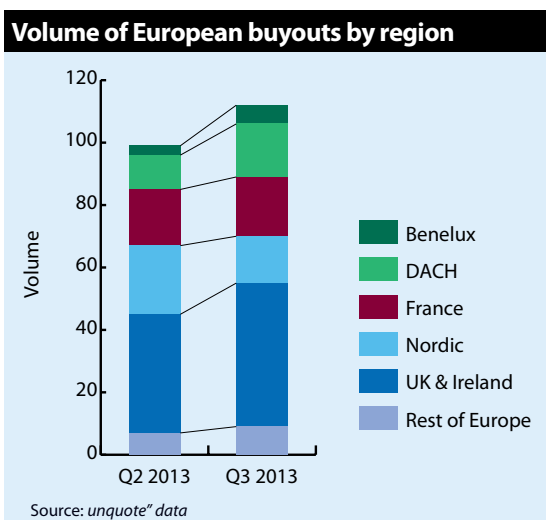


Value of European buyouts by size range



	<€100m Volume	%	€100m-1bn Volume	%	>€1bn Volume	%	Quarterly total
Q3 2011	95	73	32	25	3	2	130
Q4 2011	82	73	28	25	3	3	113
Q1 2012	95	79	21	18	4	3	120
Q2 2012	77	73	24	23	4	4	105
Q3 2012	81	70	33	29	1	1	115
Q4 2012	65	63	32	31	7	7	104
Q1 2013	66	73	24	26	1	1	91
Q2 2013	63	64	31	31	5	5	99
Q3 2013	81	72	31	28	0	0	112

	<€100m Value	%	€100m-1bn Value	%	>€1bn Value	%	Quarterly total
Q3 2011	3,360	19	10,075	58	4,034	23	17,469
Q4 2011	3,207	23	6,587	47	4,240	30	14,034
Q1 2012	2,530	18	5,464	38	6,302	44	14,296
Q2 2012	2,146	13	6,987	43	7,041	44	16,174
Q3 2012	2,427	18	9,710	72	1,365	10	13,502
Q4 2012	2,380	10	10,520	45	10,688	45	23,589
Q1 2013	2,466	29	5,114	59	1,050	12	8,630
Q2 2013	2,411	10	11,784	49	10,069	41	24,264
Q3 2013	3,354	22	12,116	78	0	0	15,470

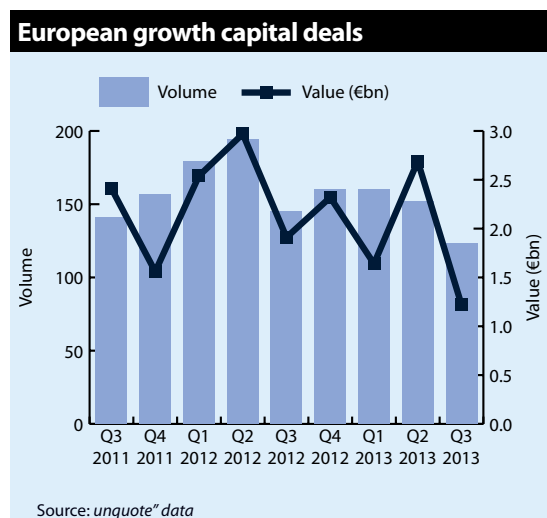


	Volume		Value (€m)	
	Q2 2013	Q3 2013	Q2 2013	Q3 2013
Benelux	3	6	98	1,275
Deutsche	11	17	9,108	2,129
France	18	19	4,362	1,798
Nordic	22	15	3,230	2,037
Rest Of Europe	7	9	1,838	789
UK	38	46	5,629	7,441

Ten largest European private equity-backed buyouts, Q2 2013

Deal name	Country	Value (€m)	Equity provider
OGF Group	France	900	Pamplona Capital Management
David Lloyd Leisure Ltd	United Kingdom	879.88	TDR Capital
Domestic & General	United Kingdom	859.75	CVC Capital Partners
Ewos	Norway	823.56	Altor Equity Partners, Bain Capital Europe
Terveystalo Group	Finland	650	EQT Partners
Skrill	United Kingdom	600	CVC Capital Partners, Investcorp
AHT Cooling Systems GmbH & Co KG	Austria	585	Bridgepoint
Host Europe Group (HEG)	United Kingdom	512.39	Cinven Ltd
TSL Education	United Kingdom	467.94	TPG
London Luton Airport Group	United Kingdom	452.11	AXA Private Equity

Growth capital



	Volume	Value €m
Q3 2011	141	2409.18
Q4 2011	157	1557.05
Q1 2012	179	2537.09
Q2 2012	194	2966.90
Q3 2012	145	1906.33
Q4 2012	160	2324.50
Q1 2013	160	1637.94
Q2 2013	152	2685.19
Q3 2013	123	1223.54
2011	693	11952.15
2012	678	9734.82
YTD 2013	435	5,547

Activity in the growth capital segment is often seen as a bellwether of sentiment within the investment community, as such deals are by their nature designed to support business expansion and thus numbers tend to fall away in times of economic strife. It is therefore perhaps telling that activity in this category was the weakest of any in Q3, with volume falling 19% from 152 deals to 123 and marking the third quarter without growth, the second successive decline and the lowest figure in the sample period.

This downward trend was mirrored in value terms for the three months to September, with the collective investment total of €1.2bn down by more than half against the €2.7bn or so recorded in Q2. Average deal value fell by a similar degree of magnitude from €17.7m to a little less than €10m, marking only the second time since Q4 2011 that this low threshold has been breached. In the year to date 2013 is 16% down in volume and 25% in value compared to 2012, with 435 deals completed worth €5.5bn.

Close to 60% of all deals completed in Q3 occurred in either the UK or the German-speaking DACH region, accounting for close to 70% of the total value invested over the period. The UK led the way in volume terms with 45 transactions - more than double its closest single country rival - and was also top in value terms with €435m invested. Germany came in second with 20 deals worth €292.4m, including the largest deal of the quarter: the €150m acquisition finance injection by Patron Capital into portfolio hostels business Generator Hostels.

Ten largest European private equity-backed growth capital deals, Q2 2013

Deal name	Country	Value (€m)	Equity provider
Generator Hostels	Germany	150	Patron Capital Partners
JenaValve Technology	Germany	48.05	Atlas Venture, Edmond de Rothschild Investment Partners, GIMV, Neomed Innovations, Sunstone Capital, VI Partners
Crocus Technology	France	34	Idinvest Partners (AGF Private Equity), NanoDimension, Natixis Private Equity, Sofinnova Ventures
Eaton Square School Group/ Ravenstone School	United Kingdom	29.25	August Equity
NewVoiceMedia	United Kingdom	26.48	Bessemer Venture Partners, Eden Ventures, Highland Capital Partners, Notion Capital
ObsEva	Switzerland	25.97	Sofinnova Partners, Sofinnova Ventures
Nigel Frank International	United Kingdom	25.74	HSBC Bank, Isis Equity Partners
Withings	France	23.5	360° Capital Partners, Idinvest Partners (AGF Private Equity), Inter-Risco, Natixis Private Equity
Delivery Hero	Germany	23.06	Holtzbrinck Ventures, Kite Ventures, Kreos Capital, Phenomen Ventures, Point Nine Capital, Tengemann Ventures
CeQur	Switzerland	20.43	BMC Ventures, Endeavour Vision, Permira, VI Partners

Early-stage



	Volume	Value €m
Q3 2011	63	300.15
Q4 2011	56	383.35
Q1 2012	54	365.48
Q2 2012	64	150.06
Q3 2012	29	108.15
Q4 2012	39	181.98
Q1 2013	46	123.14
Q2 2013	48	296.37
Q3 2013	48	244.44
2011	276	1,267.53
2012	186	805.67
YTD 2013	142	663.95

Venture activity has been sluggish for some time and has recorded a number of weak quarters compared to historical averages in recent years. Notwithstanding this lacklustre investing performance, it is heartening to see that the sector has at least remained steady for the past three quarters, with the Q3 volume total of 48 transactions matching that for the preceding three months and continuing the relative stability that has set in since the beginning of the year.

In value terms the story is similar, although the headline quarter-on-quarter figures might at first suggest otherwise. Aggregated investment was down 17.5% in Q3 from €296.4m to €244.4m, but this is still the second-highest total since Q1 2012 and the three months to September also marked only the second time over the same period that quarterly average deal value has been above €5m. In the year to date the market is slightly ahead in value terms with €664m invested compared to €624m last year, despite being marginally behind in volume, with 142 deals against 147.

Germany led the way in volume terms with 17 completed transactions, while Switzerland also contributed two to take the overall total for the DACH region to 19. In value terms, the region recorded a little more than €49m, although this pales in comparison to the UK, which only saw nine deals completed but accounted for a massive €145.2m, or 60%, of the overall value for this segment of the market. The vast majority of this was invested in a single deal six times the size of any other: the €113.5m investment into oil and gas exploration business Oyster Petroleum by HitecVision.

Ten largest European private equity-backed early-stage deals, Q2 2013

Deal name	Country	Value (€m)	Equity provider
Oyster Petroleum	United Kingdom	113.48	HitecVision
Acacia Pharma	United Kingdom	17.6	Fidelity Biosciences, Gilde Investment Management, Lundbeckfond Ventures
OncoEthix	Switzerland	14.65	Edmond de Rothschild Investment Partners, Endeavour Vision, Index Ventures, SV Life Sciences
Fermentalg	France	12	ACE Management, CDC Entreprises, Demeter Partners, Emertec Gestion, L'IRDI (Regional Institute for Industrial Development of Midi-Pyrenees), Vivéris Management
Ixchelsis	United Kingdom	10.55	TVM Capital
Smartfish	Norway	8	Investinor, Swedish Industrial Development Fund (Industrifonden)
Vivino	Denmark	7.9	Balderton Capital, Creandum, Seed Capital
Mind-NRG	Switzerland	6	Index Ventures, NV Industriebank LIOF
EyeEm	Germany	4.61	Earlybird Venture Capital, Passion Capital Investments, Wellington Partners
CorTec	Germany	3	KfW-Kreditanstalt für Wiederaufbau

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