



Private Equity_____

BAROMETER

Q2 2014

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

Key Findings

Overall European private equity

- The Q2 total of 335 transactions represented an increase of just a single deal on the preceding period and is the third lowest over the two-and-a-half year sample
- Value continued its trend of wide fluctuation, echoing the jump between Q3 and Q4 last year by rebounding strongly from the €17.4bn first quarter figure to €23.1bn
- A shift from expansion deals to buyouts saw acquisition activity surge to a 10-quarter high of 126 transactions, while growth capital plunged to a low of 151
- The buyout recovery was concentrated in the sub-€1bn mid-market, which recorded a quarter-on-quarter value rise of more than €6bn

Buyouts

- Buyout activity registered a rise of 15% over the 110 deals recorded in the first quarter, reaching 126 transactions
- The segment has recorded near continuous growth from the bottom of the market (95 deals) in Q1 2013, with only the three months to March bucking a steady upwards trend
- Aggregated enterprise value also soared in Q2, rising by more than 50% to €21.3bn compared with less than €14bn last time around
- Despite the recovery in deal value, the latest quarterly figure was in fact marginally below that for the final three months of 2013
- Five deals worth €1bn or more were completed in Q2, with a total value of €6bn. This shows little change from the previous two quarters (three and four deals worth €5.6bn and €5.7bn respectively)
- The major movement occurred in the €100m-1bn mid-market, where a 35% rise in volume came alongside a 115% jump in value to €12bn
- Small-cap deals – worth less than €100m – also carried on in a positive vein, registering a second successive increase in volume and value to 86 deals and €3.3bn
- All five of the €1bn+ transactions occurred in either Germany or France, with the two finishing first and second in value terms with €7.2bn and €5.5bn respectively
- The activity total for the UK rose back into the 40s, cementing its position as the most active market and more than doubling its nearest rival
- Secondary buyout activity rose by close to 50% to 50 deals, the highest quarterly total over the past two-and-a-half years

Growth capital

- The growth capital market was alone in recording a substantial dip of 20% to a four-and-a-half year low of 151 transactions
- In the year to date, 2014 is 9% down on last year, with 339 deals completed over the six first months of the year
- Aggregated investment value also dipped sharply in the second quarter, falling by more than half from the Q1 total of €3.4bn to €1.5bn
- This is the second lowest over the 10-quarter sample and served to drag the year-to-date total below that for 2013 in spite of the strong Q1 figure
- Mirroring the regional pattern in the buyout space, the UK market was by far the most active again in the second quarter, seeing a total of 60 transactions

Early-stage

- Following a poor first quarter in activity terms, deal volume rose more than 60% in the second quarter to a total of 58 deals
- Despite the rally in activity from Q1, deal numbers in the latest period remain among the lowest seen since the beginning of 2012
- Conversely, the €411m in value recorded for the period represents a four-fold quarterly increase and is the highest total since the end of 2008
- Even despite the poor Q1 total, therefore, 2014 is up by around 8% in value terms for the year to date, with €506m accumulated over the six months
- The UK was the most active market over the period, having been home to around a third of all deals with 18 completed investments
- Austria registered a total of €81m from just two investments, including the undisclosed injection into locomotive leasing firm ELL by US giant KKR

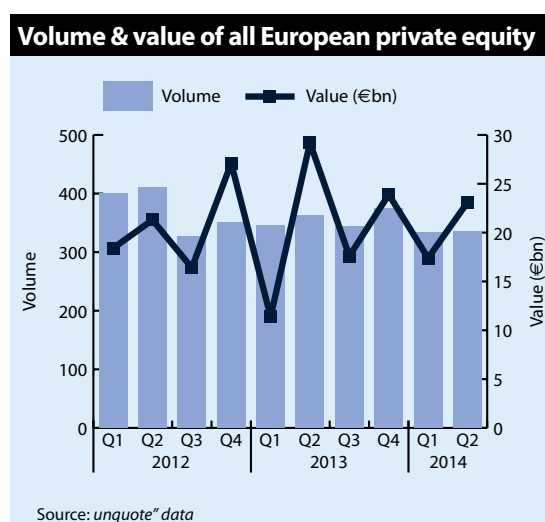
Update on Q1 2014 figures

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 Q1 2014 deals that emerged after the publication of the Barometer in April 2014.

- Since the publication of the initial data in April, 26 new deals have come to light, taking the overall transaction total to 334 for the first three months of the year
- In value terms, the additions to the database have added around €860m to the aggregated figure, which has risen from close to €16.6bn to a little more than €17.4bn
- Buyouts again accounted for the smallest shift in volume terms with just three deals being added taking the total to 110. In value terms the figure for the quarter has risen by a little less than €500m to a shade below €14bn
- For the third quarter running the largest number of deal additions came in the expansion segment, which is up by 17 deals to a Q1 total of 188. This has resulted in value rising by around €360m to almost €3.4bn
- The early-stage segment has seen six new first-quarter deals registered since April, taking the total for the period to 36. This resulted in a minor uptick of €7m in value terms to a new aggregated investment of €96m

Buyout rebound drives value resurgence

Overall European private equity



	Volume	Value €bn
Q1 2012	400	18.42
Q2 2012	411	21.28
Q3 2012	326	16.37
Q4 2012	351	27.15
Q1 2013	345	11.39
Q2 2013	363	29.23
Q3 2013	344	17.64
Q4 2013	375	23.93
Q1 2014	334	17.42
Q2 2014	335	23.14
2012	1,488	83.23
2013	1,427	82.19
2014 YTD	669	40.56

It is often said that the only certainty in life is uncertainty; so it is for European private equity. Or rather – based on the evidence of the past two years and the trend that persisted into the second quarter – the only certainty is inconsistency.

Following a low-key first quarter, activity levels for the three months to June remained suppressed, with the total of 335 transactions representing an increase of just a single deal on the preceding period and the third lowest over the two-and-a-half year sample. In contrast, the value of European private equity continued its haphazard fluctuation by rebounding strongly from the €17.4bn first-quarter figure to €23.1bn.

Behind the vagaries of the statistics, however, lies a narrative of resurgent buyout dealflow, which is being offset (perhaps even influenced by) a falling away in follow-on 'expansion' investments. So it was that acquisition activity surged to a high for the 10-quarter sample of 126 transactions, while growth capital investments plunged to a corresponding low of 151. The segment stands apart from the wider market in this regard; even the struggling venture capital sector posted a substantial rise in Q2.

Of perhaps even greater significance is that the buyout recovery was concentrated in the sub-€1bn mid-market, which actually accounted for the vast majority of the value uplift with a quarter-on-quarter rise of more than €6bn. Conversely the €1bn+ top end of the market has witnessed a creeping consistency over the past few quarters, and the small-cap segment continued a recent pattern of steady incremental increases in both volume and value.

While substantial movements in activity and aggregated value invariably make headlines, it is the fortunes of the oft cited 'engine room' of private equity that will be relevant to most observers. That all three areas, including the large-cap space, registered increases surely also speaks to the confidence that is returning to all parts of the market and, crucially, to lenders.

Quarterly Focus

Buyouts in focus: The French-German connection

Industry analysts often refer to the fractious relationship between Europe's two largest economies as being at the centre of its economic and political fortunes. Given their size and pivotal role in the interconnected markets of the European Union and its single currency, it stands to reason that France and Germany would also be critical in defining trends in mergers and acquisitions, not least in private equity.

What is perhaps surprising, though, is the degree of correlation that can be observed of late between investment volumes across the continent and, in combination, France and the Germany-dominated Dach region.

Since Q1 2013, when a meagre total of €9bn was recorded in the European buyout segment and just €3bn was transacted in France and Dach combined, lows in the mid-teens of billions of euros in the broader totals have come in periods when the collective total for these markets hovered around €4bn. In contrast, the intervening quarters have seen comparatively high overall figures in the early twenties; the France-Dach totals similarly soared to €9bn and nearly €13bn.

The relationship in the past two years is plainly evident. What is less clear is why the two should so closely have mirrored each other at a time when their economic performance could not, seemingly, be more disparate. France is in the midst of a protracted slump that voters have blamed on a government they firmly rejected at the European ballot in May. Germany is still basking in the glow of its economic conservatism and pre-crisis prudence, establishing itself ever more firmly as the key economic voice on the continent.

Despite this, the second quarter saw the importance of the two at the heart of European private equity most starkly evident: all five of the €1bn+ transactions occurred in either Germany or France, with the two finishing first and second in value terms with totals of €7.2bn and €5.5bn respectively, together accounting for more than 60% of the overall number.

Perhaps it is simply a case of European diversification having stalled in recent years as once fast-emerging markets have retrenched and the dominance of established powerhouse economies has been reasserted. The UK, too, could be added to this mix: a rebound in Q2 saw the activity total bounce back into the 40s – more than double the nearest rival – and despite not a single large-cap transaction completing over the three months the region saw its value total rise more than a third to €3.8bn.

Buyouts

Buyout activity registered a rise of 15% over the first quarter, reaching 126 transactions. In fact, the trend is one of consistent growth from the nadir of 95 recorded in the first three months of last year, with only the corresponding period of 2014 disturbing a pattern of otherwise continuous increase. It is only the fact that 2013 got off to such a sluggish start – it remains the only period in the past four years during which less than 100 buyouts were transacted – that means the year-to-date numbers are sharply favourable for this year, up by 16% to 236.

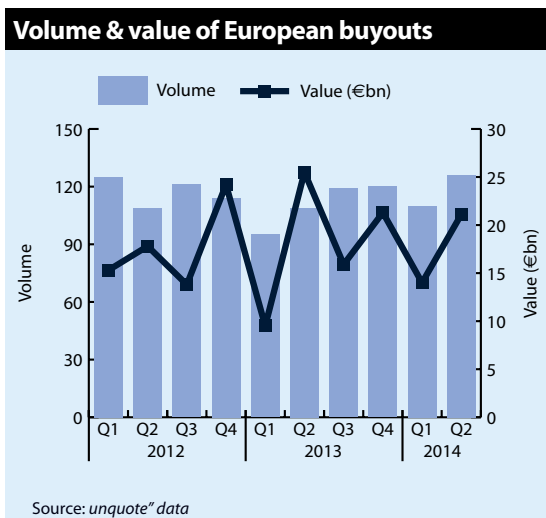
Aggregated enterprise value, too, soared in Q2, but was more accurately continuing a period of sharp fluctuation characterised in the past year by alternating troughs in the mid-teens of billions of euros to contrasting peaks in the early twenties. Thus even the 51% rise to €21.3bn recorded for the three months to June resulted in a total marginally below that for the final quarter of 2013 – and the €35.2bn combined for the first half overall is virtually identical to last year.

While such a volatile pattern in value might normally be put down to fitful dealflow and skittish sentiment at the top end of the market, the segment has actually displayed much greater consistency in the past three quarters. There was a rise in €1bn+ deals in Q2 – a welcome sign of confidence among investment houses and lenders – but with five transactions worth a total of €6bn the figures are not much changed from the three and four deals worth €5.6bn and €5.7bn respectively in the preceding periods.

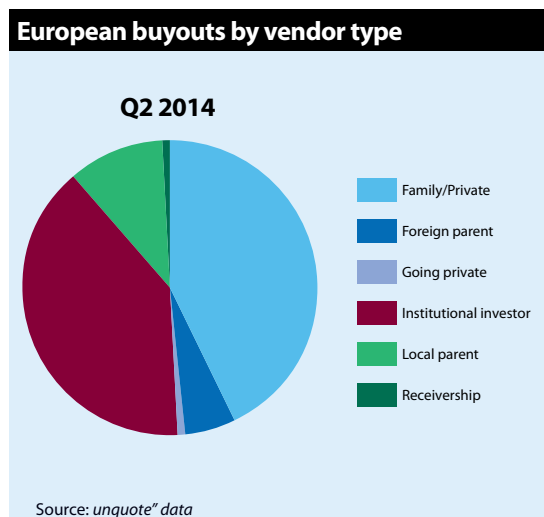
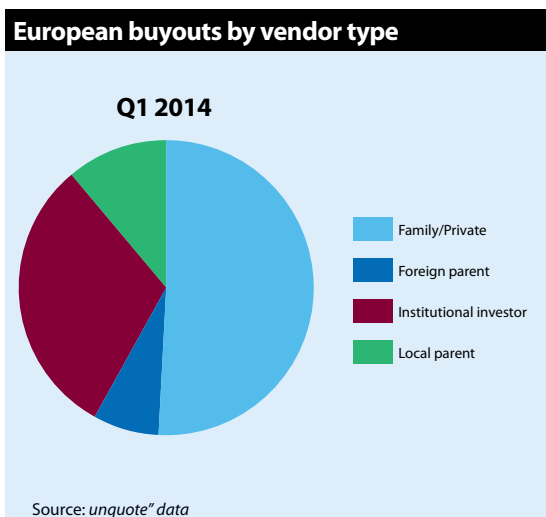
The major movement occurred in the €100m-1bn mid-market, where a slump in Q1 to a stark sample low in activity was reversed and a 35% rise in volume came alongside a staggering 115% jump in value to €12bn – a return to recent form for this key segment. Small-caps worth less than €100m also carried on in a positive vein, registering a second successive increase to 86 deals and €3.3bn over the three months.

Coinciding with the recovery in overall acquisition activity was a rebound in secondary buyouts, which rose by close to 50% from 34 deals to 50 and in the process posted the highest quarterly total over the past two-and-a-half years. Some would argue this undermines the contention that broader sentiment is improving and creates the impression of buyout houses with idle hands and piles of dry powder picking safe and mature assets from pressured, exit-hungry peers.

Such cynicism aside, even in spite of the rise in number of deals sourced from other institutional investors, the primary vendor type in Q2 was once again private and family owners. For the third time in three quarters the number of transactions in this category was in the mid-50s and it represented more than 40% of all acquisitions completed. Corporate parents continue to be more sparingly targeted by private equity buyers, with a rise of just one deal to a modest total of 13.

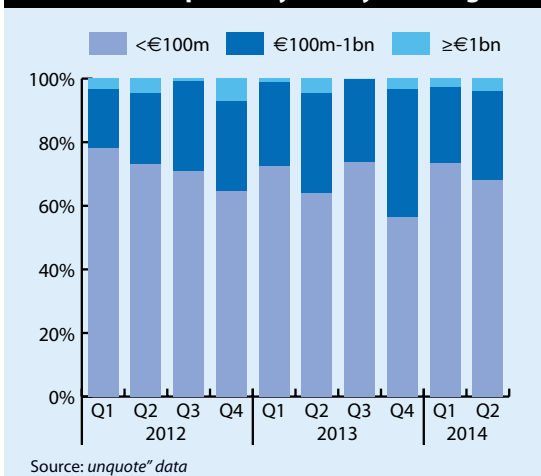


	Volume	Value €bn
Q1 2012	125	15.35
Q2 2012	109	17.84
Q3 2012	121	13.81
Q4 2012	114	24.23
Q1 2013	95	9.49
Q2 2013	109	25.49
Q3 2013	119	15.87
Q4 2013	120	21.30
Q1 2014	110	13.96
Q2 2014	126	21.29
2012	469	71.23
2013	443	72.15
2014 YTD	236	35.25

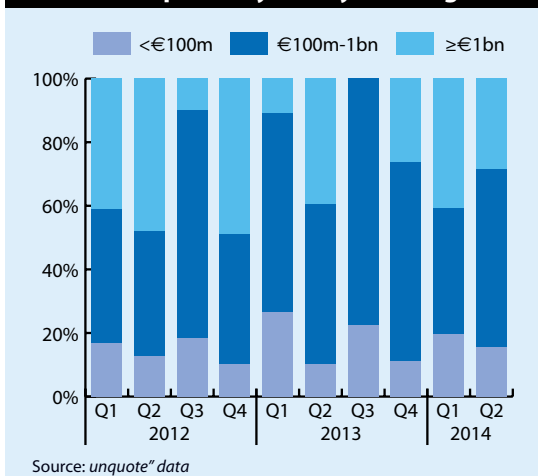


	Q1 2014	Q2 2014
Family/Private	56	54
Foreign parent	8	7
Going Private	0	1
Institutional Investor	34	50
Local Parent	12	13
Receivership	0	1
State	0	0

Volume of European buyouts by size range



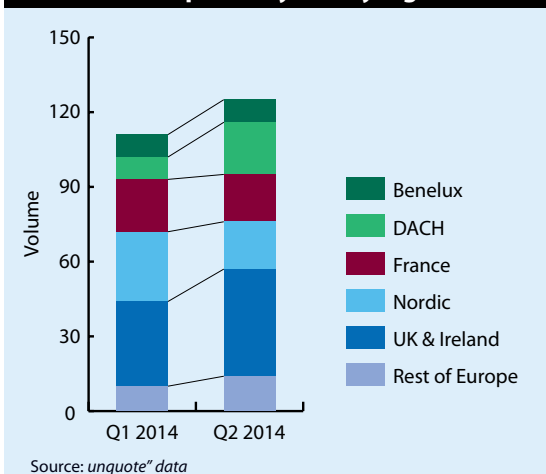
Value of European buyouts by size range



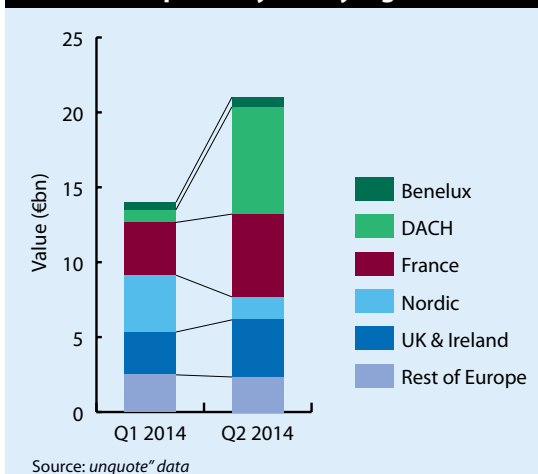
	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q1 2012	98	78%	23	18%	4	3%	125
Q2 2012	80	73%	24	22%	5	5%	109
Q3 2012	86	71%	34	28%	1	1%	121
Q4 2012	74	65%	32	28%	8	7%	114
Q1 2013	69	73%	25	26%	1	1%	95
Q2 2013	70	64%	34	31%	5	5%	109
Q3 2013	88	74%	31	26%	0	0%	119
Q4 2013	68	57%	48	40%	4	3%	120
Q1 2014	81	74%	26	24%	3	3%	110
Q2 2014	86	68%	35	28%	5	4%	126

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q1 2012	2.62	17%	6.43	42%	6.30	41%	15.35
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	2.41	11%	13.31	62%	5.58	26%	21.30
Q1 2014	2.74	20%	5.53	40%	5.69	41%	13.96
Q2 2014	3.33	16%	11.97	56%	5.97	28%	21.27

Volume of European buyouts by region



Value of European buyouts by region

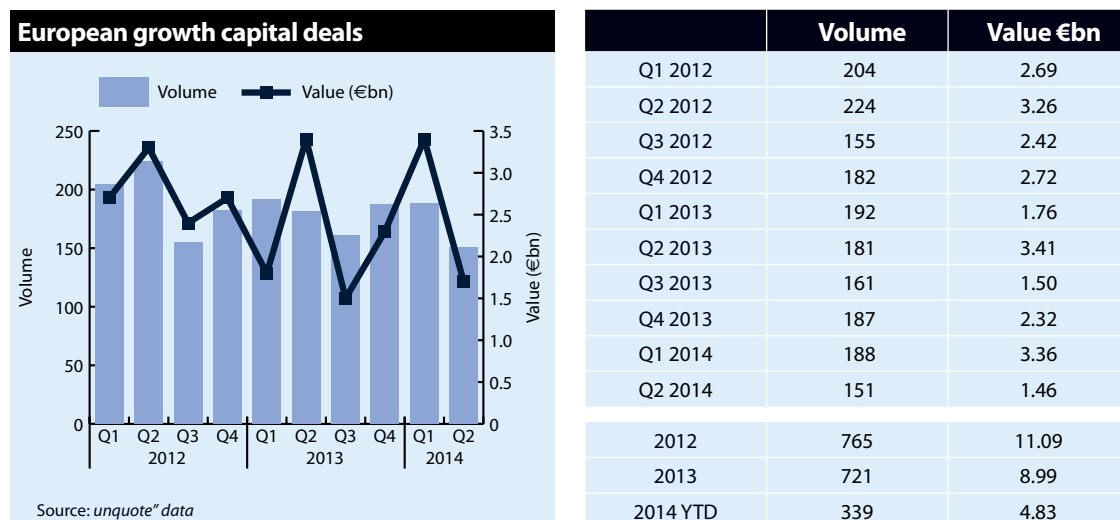


	Volume		Value (€m)	
	Q1 2014	Q2 2014	Q1 2014	Q2 2014
Benelux	9	9	498	658
Deutsche	9	21	855	7,170
France	21	19	3,512	5,519
Nordic	28	19	3,793	1,531
Rest Of Europe	10	14	2,483	2,537
UK	34	43	2,858	3,815

Ten largest European private equity-backed buyouts, Q2 2014

Deal name	Country	Value (€m)	Equity provider
Minimax	Germany	1,370	Intermediate Capital Group
GEA heat exchanger business	Germany	1,300	Triton Advisers
Mauser	Germany	1,200	Clayton Dubilier & Rice
Sebia	France	1,100	Astorg Partners, Montagu Private Equity
Médi-Partenaires	France	1,000	Bridgepoint
Santander custody business	Spain	975	Temasek Capital, Warburg Pincus
CABB International	Germany	800	Permira
Alstom auxiliary components business	Germany	730	Triton Advisers
Gas Natural Fenosa Telecomunicaciones (GNFT)	Spain	510	Cinven
Labeyrie Fine Foods	France	500	PAI partners
GHD Gesundheits GmbH Deutschland	Germany	500	Nordic Capital

Growth capital



A potential cost of the uniformly positive trend across all buyout segments was a dip in activity in the expansion segment, much of the activity in which consists of follow-on investments by buyout houses into portfolio companies. Tellingly, while acquisitions rose to a two-and-a-half year high in the second quarter, the growth capital market was alone in recording a substantial dip of 20% to a four-and-a-half year low of 151 transactions. Year to date 2014 is 9% down on last year, with 339 deals completed over the six first months.

Aggregated investment value also dipped sharply in Q2, falling by around half from €3.4bn to €1.5bn. While not as lowly a figure in comparison to recent history as the second quarter volume figure, this is the lowest over the 10-quarter sample and served to drag the year-to-date total below that for 2013 in spite of the strong Q1 figure being the second highest over the same period.

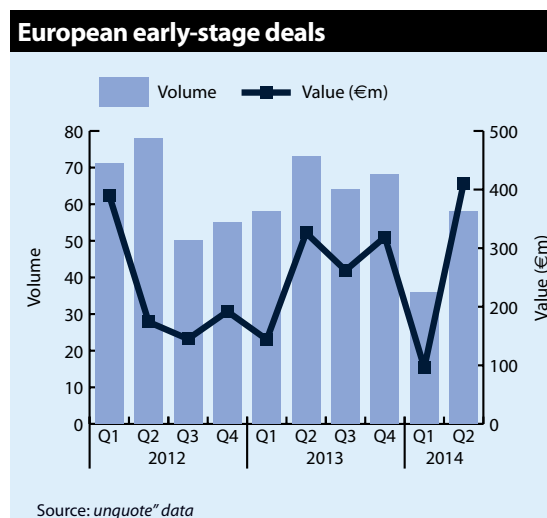
Mirroring the regional pattern in the buyout space, the UK market was by far the most active again in the second quarter having been home to 60 transactions. It was also the strongest region in value terms with a total of close to €453.9m, though at just over a quarter it represented a far less substantial portion of the market compared to the 40% it accounted for by volume.

The second-largest region in both volume and value was the German-speaking Dach region, which saw a total of 24 deals worth €348.7m, mostly attributable to the 19 deals worth €318.6m that occurred in Germany.

Ten largest European private equity-backed growth capital deals, Q2 2014

Deal name	Country	Value (€m)	Equity provider
Westwing Home and Living	Germany	72	Tengelmann Ventures
Delivery Hero	Germany	61.66	Hasso Plattner Ventures, Holtzbrinck Ventures, Insight Venture Partners, et al.
Elasticsearch	Netherlands	51.36	Balderton Capital, Index Ventures, New Enterprise Associates
farfetch.com	UK	47.58	Advent Venture Partners, Vitruvian Partners
iZettle	Sweden	40	Creandum, Dawn Capital, Index Ventures, et al.
HelloFresh	Germany	36.69	Insight Venture Partners, Phenomen Ventures
Avantium	Netherlands	36	Aescap Venture, Capricorn Venture Partners, De Hoge Dennen Capital, et al.
Rina	Italy	25	Palladio Finanziaria, San Paolo IMI
Meta-Fin	Italy	25	Finint & Partners, IDeA Capital SGR
Webtrekk	Germany	25	ING Parcom Private Equity

Early-stage



	Volume	Value €m
Q1 2012	71	390
Q2 2012	78	174
Q3 2012	50	145
Q4 2012	55	192
Q1 2013	58	144
Q2 2013	73	326
Q3 2013	64	262
Q4 2013	68	319
Q1 2014	36	96
Q2 2014	58	411
2012	254	901
2013	263	1,051
2014 YTD	94	506

On the back of a very poor first quarter in activity terms, which saw the volume total plummet to a level reminiscent of the pre-dotcom bubble years of just 36 deals, it is pleasing to see venture capital activity picking up substantially in Q2. It is hardly a cause for too much celebration, though: while up by more than 61%, the total of 58 deals is still profoundly modest in historical terms, with only one quarter other than Q1 since the end of 2012 registering lower activity. In the year to date, 2014 is still down by around a third on just 94 transactions.

Conversely, the rise in value terms is even more pronounced and compares favourably to those posted in recent quarters. The €411m in collective investment recorded for the three months to June not only represents a more than four-fold increase on the preceding quarter, but is the highest registered since the end of 2008 before the full consequences of the financial crisis had come to light. Even despite the poor Q1 total, 2014 is therefore up by around 8% year-to-date with €506m transacted.

The UK was the most active market over the period, having been home to around a third of all deals with 18 completed investments. The market was also the top single market value terms with a collective total of €106m, accounting for more than a quarter of the overall figure. Around two thirds of this total was attributable to two deals: the investments led by Sofinnova Ventures and Wellcome Trust into biotechnology businesses NuCana and Kymab.

Coming a close second in volume terms and exceeding the UK in value, the Dach region was home to 17 transactions worth a collective €176m in the second quarter. While Germany was home to the lion's share of the transactions, it was by no means the largest of the three constituent countries in value – an accolade that goes to Austria, which registered a total of €81m from just two investments, including the officially undisclosed injection of capital into locomotive leasing firm ELL by US giant KKR.

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

Deal name	Country	Value (€m)	Equity provider
NuCana BioMed	UK	41.4	Morningside, Scottish Enterprise, Sofinnova Partners, Sofinnova Ventures
Wilson Therapeutics	Sweden	29.0	Abingworth Management, HealthCap Private Equity, MVM Life Science Partners
Kymab	UK	28.8	Wellcome Trust
Anokion	Switzerland	27.1	Novartis Venture Fund, Novo Nordisk, Versant Ventures
Crispr Therapeutics	Switzerland	25.0	Versant Ventures
Lysogene	France	16.5	FSI Régions, Novo Nordisk, Sofinnova Partners
Piquor	Switzerland	14.8	Versant Ventures
Heart Metabolics	Ireland	14.5	AshHill Investments, Brandon Capital Partners, Seroba Kernel Life Sciences, venBio
Enterome Bioscience	France	10.0	Lundbeckfond Ventures, Omnes Capital, Seventure
AAVLife	France	8.7	Inserm Transfert Initiative, Versant Ventures

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