Private equity barometer

Q1 2018 Figures based on preliminary data from
Europe's specialist private equity information provider

€54bn

Aggregate deal value reaches highest quarterly level since 2007

Key Findings

Overall European private equity

- European private equity kicked off 2018 in fine form, with 514 deals in Q1, up 10% on the previous quarter.
- The combined value of private-equity-backed investments rose 24% to €54bn – the highest value quarter in the last decade.
- Average deal value was €105m in Q1, its highest value over the last 10 quarters.

Buyouts

- The aggregate value of European buyout deals climbed to a post-crisis high of €48bn in Q1.
- Volume rose 5%, and at 221 it was the most for two quarters.
- Deal volume has surpassed 200 for four consecutive quarters for the first time in the last 10 years.
- Dealflow gained momentum in the small-cap (<€100m) and large-cap segments (≥€1bn) ranges, but slowed in the mid-market (€100m-1bn).
- The number of small-cap deals bounced back to 163 – more in line with the segment's recent strength – after stumbling in Q4.
- Mid-cap volume fell to 46, its lowest since Q1 2017.
- There were 12 large-cap deals, the most in any quarter since Q2 2007.
- Average buyout value jumped to €219m from €177m in the previous quarter, and was the highest over the last 10 quarters.
- France was home to the most buyouts for the third consecutive quarter after volume rose to 52 from 51.
- Volume was flat in the UK at 44 transactions, and cooled in DACH to 36 from 47.
- Two mega-deals created a large surge in deal value in Benelux to €15bn from €3.8bn in the previous quarter.
- The number of deals sourced from family and private vendors climbed to 133 from 100. In contrast, deals sourced from other institutional investors dropped to 59 from 77.
- The largest buyout was once again a carve-out. The Carlyle Group and Singapore Investment Corporation wholly acquired the chemicals arm of Dutch paints giant AkzoNobel in a €10.1bn transaction.

Growth Capital

- Growth capital dealflow built on its recent strength with 210 deals completed in Q1, a 10-quarter high.
- Value fell 11% compared with the previous quarter to €4.8bn, but remains broadly in line with 2017's buoyant levels of investment.
- The biggest investment was Blackstone and Blue Water Energy's $1bn injection into Oslo-based Mime Petroleum.

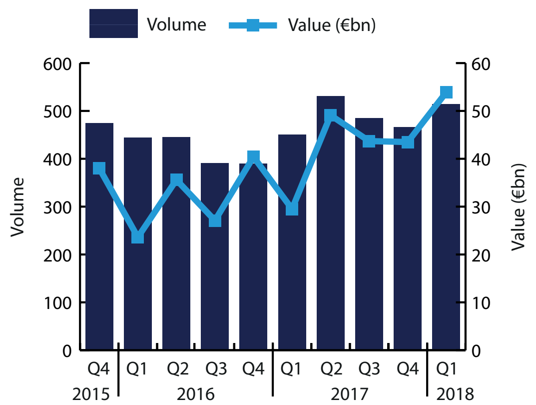
Early-stage

- Early-stage deal volume rose 6% to 83 in Q1, the most transactions in a quarter since the same quarter last year.
- The amount of capital invested dropped by 31% to €667m, but it was still the second-largest quarter in value terms over the 10-quarter timeframe.
- The biggest investment was the €225m series-A funding round for German biotech firm BioNTech, which involved US hedge fund Redmile Group, with participation from Janus Henderson Investors, Invus, Fidelity Management & Research Company and several European family offices.

Mega-deals propel quarterly value to post-crisis record

Overall European private equity

Volume & value of all European private equity



Source: *unquote" data*

	Volume	Value €bn
Q4 2015	475	38.0
Q1 2016	444	23.6
Q2 2016	445	35.6
Q3 2016	391	27.1
Q4 2016	390	40.4
Q1 2017	451	29.5
Q2 2017	531	49.1
Q3 2017	485	43.7
Q4 2017	466	43.5
Q1 2018	514	53.9
2016	1,670	126.7
2017	1,933	165.8
2018	514	53.9

The European private equity market began the year in a similar vein to how it finished the last. Deal volume was robust while value continued its upward trend, leading to the highest-value quarter since 2007.

There were 514 deals in Q1, up 10% on the previous quarter. The rise builds on 2017's strong dealflow and is the second largest quarter for deal numbers over the last 10. Much of this market momentum can be traced to Europe's buyout market, which helped overall deal value reach a post-crisis quarterly high of €54bn in Q1.

The first quarter posted 221 buyouts, up from 210 in the previous quarter. The buyout market has been strengthening consistently, and has now posted more than 200 deals in four consecutive quarters for the first time in the last decade. Growth capital deals also had a big quarter. There were 210 investments, a 10-quarter high. GPs continued to invest a large amount of growth capital – €4.8bn – which, while down on the previous quarter, is in line with the higher levels of capital deployed over recent quarters.

Early-stage investments picked up, with a 6% rise to 83 in Q1. Despite early-stage deal value declining to €667m, it was the second largest amount invested over the last 10 quarters. The early-stage sector appears to be slowly returning to the sort of deal numbers it posted prior to 2016, when it tended to exceed 100 investments per quarter.

Within the buyout market, the number of large-cap (≥€1bn) deals climbed to a post-crisis high of 12. This naturally led to a sizeable increase in this segment's contribution to deal value. In fact, 64% of Q1's deal value can be accounted for by these mega-deals. The small-cap (<€100m) segment also performed well with 163 deals, up from 150, while the mid-caps (€100m-1bn) dropped to 46 from 52.

Quarterly Focus

Flurry of large-cap buyouts lifts deal value to post-crisis high

The spike in large-cap (€1bn+) activity across Europe took deal value to a new post-crisis peak in Q1 2018. The 12 large-cap deals completed in the period was the most in any quarter since Q2 2007 (when 17 were registered), taking the quarter's aggregate deal value to €48bn.

New post-2008 highs are being reached regularly following the steady improvement in the European buyout market over last several years, which is also reflected in buoyant levels of fundraising as well as dealflow. The average quarterly number of large-cap deals has climbed from four in 2011 to five in 2014 and 6.3 in 2017.

What is more, activity is not just limited to the major European markets of the UK, France and Germany; robust buyout momentum is visible across the continent. A large-cap transaction was registered in each of the six European regions covered in this report, a feat not accomplished at any time in the last 10 years. There were four large-cap investments in France, the most since Q2 2006, while Benelux, home to two of the three largest buyouts, had its biggest quarter ever in value terms. These were The Carlyle Group and Singapore Investment Corporation's carve-out of the chemicals arm of Dutch paints giant AkzoNobel and the take-private of Refresco by PAI and British Columbia Investment Management Corporation. At €10.1bn, the AkzoNobel deal was the biggest European private equity transaction in the last decade, comfortably overtaking last year's carve-out of Unilever's spreads business by KKR in a deal worth nearly €7bn.

The data underlines the consistency of the recovery in many markets that struggled to rebound following the financial crisis, especially southern European countries such as Italy and Spain (included under Rest of Europe), which both registered a single large-cap deal in Q1. It also shows that global players are not being put off by the near-20% appreciation of the euro against the dollar since the beginning of 2017, or Europe's political headlines. The upbeat economic growth outlook, the need to put capital to work and easier access to various forms of debt are bigger underlying factors.

The quarter also highlighted the growing trend of direct investments from LPs, which are tending to funnel their capital into cash-generative investments at the higher end of the market. Three large Canadian LPs were present among the quarter's large-cap investors. The British Columbia Investment Management Corporation invested alongside PAI in the Refresco deal while the Public Sector Pension Investment Board and Caisse de Depots du Placement de Quebec took minority stakes in French engineering firm Fives from Ardian, which retained a minority stake. Five of the quarter's 12 large-cap transactions were full or partial secondary buyouts.

Buyouts

The amount of capital deployed in the European buyout market reached a new post-crisis high in Q1 as the market continues its upward march.

There were 221 buyouts in the first quarter, up from 210 in the final quarter of 2017. It marked the fourth consecutive quarter in which buyout numbers have surpassed 200 – the first time this has happened in the last 10 years, and is reflective of the consistent strength of European buyout investments.

Aggregate buyout value climbed 30% to €48bn – its highest since Q2 2007. This was due to the large amount of €1bn+ deals, which accounted for 64% of buyout deal value in Q1.

There were 12 such deals, which more than made up for a fall in investments in the mid-market (€100m-1bn). The value of mid-market deals fell 15% to €11.6bn and is the second lowest quarterly value figure for the segment over the 10-quarter timeframe. Volume in the segment declined to 46, the lowest since Q1 2017, but is not too far away from recent averages – the average for the last 10 quarters is 53.

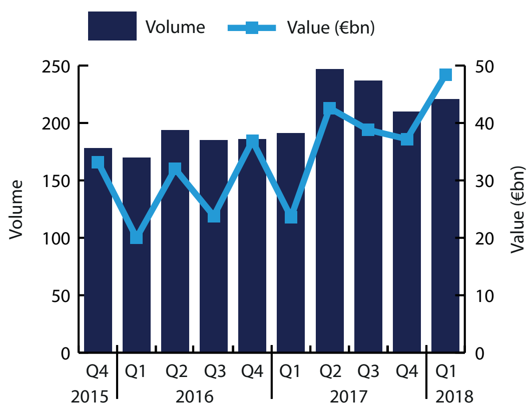
France registered the highest number of buyouts of any region for the third consecutive quarter with 52 deals, up from 51 in Q4. The UK was flat at 44 and the DACH region returned to more normal levels of 36 from 47.

The rise in deal volume was instead due to the Nordic region, with 33 deals up from 26, and the Rest of Europe, with 35 deals up from 23. Deal value also rose in these regions, but its rise to a post-crisis high can be mostly attributed to Benelux, which was home to two of the 12 large-cap deals. Benelux buyout value was €15.1bn in Q1, up from €3.8bn in the previous quarter.

Benelux was home to the largest buyout of the quarter, with The Carlyle Group and Singapore Investment Corporation's carve-out of the chemicals arm of Dutch paints giant AkzoNobel in a €10.1bn transaction.

The quarter saw a rebound in buyouts sourced from family and private vendors and a sharp decline in secondary deals. There were 133 sourced from family and private vendors, up from 100 in Q4, while purchases from other institutional investors dropped to 59 from 77, the lowest number over the past 10 quarters.

Volume & value of European buyouts

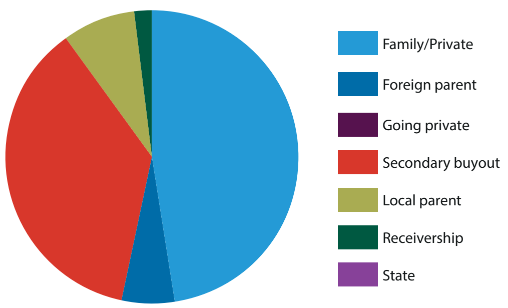


Source: *unquote" data*

	Volume	Value €bn
Q4 2015	178	33.2
Q1 2016	170	20.0
Q2 2016	194	32.0
Q3 2016	185	23.8
Q4 2016	186	36.9
Q1 2017	191	23.6
Q2 2017	247	42.6
Q3 2017	237	38.8
Q4 2017	210	37.2
Q1 2018	221	48.4
2016	735	112.7
2017	885	142.1
2018	221	48.4

European buyouts by vendor type

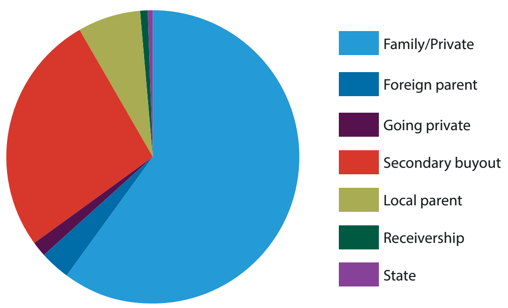
Q4 2017



Source: *unquote" data*

European buyouts by vendor type

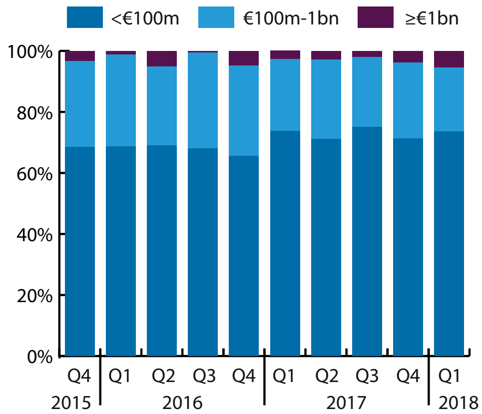
Q1 2018



Source: *unquote" data*

	Q4 2017	Q1 2018
Family/Private	100	133
Foreign parent	12	7
Going Private	0	4
Institutional Investor	77	59
Local Parent	17	15
Receivership	4	2
State	0	1

Volume of European buyouts by size range



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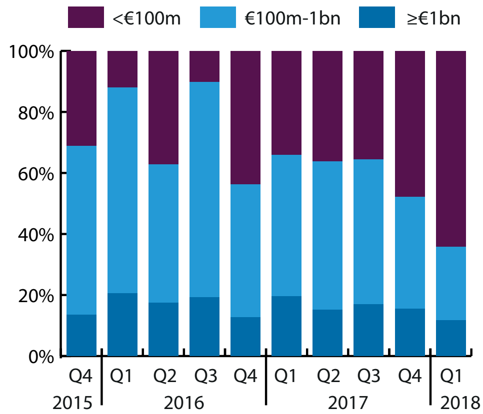
Value of European buyouts by size range

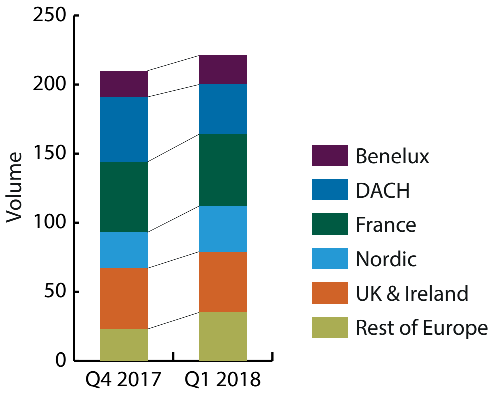


Source: *unquote" data*

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q4 2015	122	69%	50	28%	6	3%	178
Q1 2016	117	69%	51	30%	2	1%	170
Q2 2016	134	69%	50	26%	10	5%	194
Q3 2016	126	68%	58	31%	1	1%	185
Q4 2016	122	66%	55	30%	9	5%	186
Q1 2017	141	74%	45	24%	5	3%	191
Q2 2017	176	71%	64	26%	7	3%	247
Q3 2017	178	75%	54	23%	5	2%	237
Q4 2017	150	71%	52	25%	8	4%	210
Q1 2018	163	74%	46	21%	12	5%	221

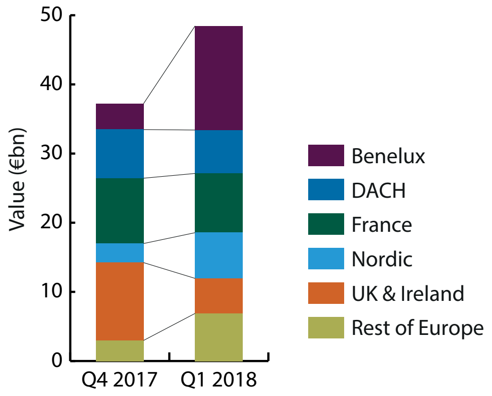
	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q4 2015	4.5	14%	18.4	55%	10.4	31%	33.2
Q1 2016	4.2	21%	13.5	67%	2.4	12%	20.0
Q2 2016	5.6	18%	14.5	45%	11.9	37%	32.0
Q3 2016	4.6	19%	16.8	71%	2.4	10%	23.8
Q4 2016	4.7	13%	16.0	43%	16.1	44%	36.9
Q1 2017	4.6	20%	10.9	46%	8.0	34%	23.6
Q2 2017	6.5	15%	20.7	49%	15.4	36%	42.6
Q3 2017	6.6	17%	18.3	47%	13.8	36%	38.8
Q4 2017	5.8	16%	13.6	37%	17.8	48%	37.2
Q1 2018	5.8	12%	11.6	24%	31.1	64%	48.4

Volume of European buyouts by region



Source: *unquote" data*

Value of European buyouts by region



Source: *unquote" data*

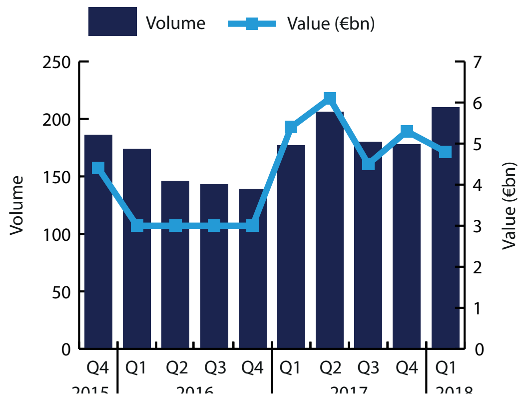
	Volume		Value (€m)	
	Q4 2017	Q1 2018	Q4 2017	Q1 2018
Benelux	19	21	3,753	15,055
DACH	47	36	7,032	6,279
France	51	52	9,446	8,565
Nordic	26	33	2,759	6,607
Rest Of Europe	23	35	2,976	6,865
UK	44	44	11,255	5,066
	210	221	37,221	48,437

Ten largest European private-equity-backed buyouts, Q1 2018

Deal name	Country	Value (€m)	Equity provider
AkzoNobel Specialty Chemicals	Netherlands	10,100	Government of Singapore Investment Corp, The Carlyle Group
Nets	Denmark	4,448	Hellman & Friedman
Refresco	Netherlands	3,300	PAI Partners, BCIMC
Italo	Italy	1,980	Global Infrastructure Partners
Imagina Media Audiovisual	Spain	1,900	Orient Hontai Capital
Nucom	Germany	1,800	General Atlantic
Groupe SFAM	France	1,700	Ardian
Fives	France	1,500	Public Sector Pension Investment Board, Caisse de Depots du Placement de Quebec
Albéa	France	1,294	PAI Partners
Wyndham Vacation Rentals	UK	1,046	Platinum Equity

Growth capital

European growth capital deals



Source: *unquote" data*

	Volume	Value €bn
Q4 2015	186	4.4
Q1 2016	174	3.0
Q2 2016	146	3.0
Q3 2016	143	3.0
Q4 2016	139	3.0
Q1 2017	177	5.4
Q2 2017	206	6.1
Q3 2017	180	4.5
Q4 2017	178	5.3
Q1 2018	210	4.8
2016	602	11.9
2017	741	21.2
2018	210	4.8

European growth capital investments continued their strong run with the number of investments reaching a 10-quarter high. There were 210 investments, up from 178 in Q4. Growth capital investment volume appears to be returning to around 200 per quarter after losing momentum in 2016 and partially recovering in 2017.

However, equity tickets have grown and averaged €22.7m in Q1. While this was down on the €30m in Q4, the trend in average equity tickets over the last two years has been an upward one. A total of €4.8bn was invested in growth capital deals in Q1, down from €5.3bn in the previous quarter, but still above the average of €4.2bn over the last 10 quarters.

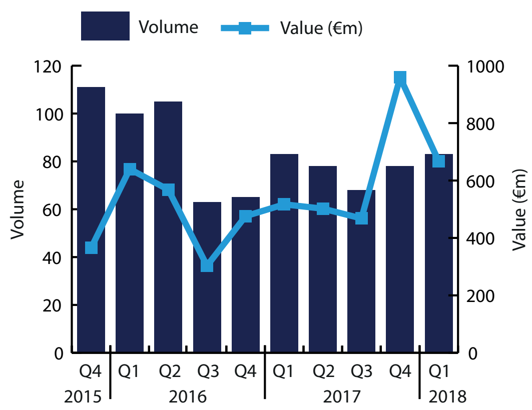
The biggest investment was Blackstone and Blue Water Energy's $1bn injection into Oslo-based Mime Petroleum. The company focuses on exploration and production on the Norwegian continental shelf.

Ten largest European private-equity-backed growth capital deals, Q1 2018

Deal name	Country	Value (€m)	Equity provider
Mime Petroleum	Norway	835	Blue Water Energy, Blackstone Capital Partners
Auto1	Germany	460	SoftBank Capital
Infinis Energy	UK	142	3i
Cabify	Spain	134	Western Technology Investment, Rakuten Capital
N26	Germany	131	Allianz Venture Partners, Valar Ventures, Horizons Ventures
Oxford Nanopore Technologies	UK	113	Invesco Perpetual, Lansdowne Partners, Government of Singapore Investment Corp
Nuts Groep	Netherlands	100	Waterland Private Equity
WernerCo	Switzerland	100	Triton Partners
Cedacri	Italy	99	CDP Equity
E-Leather	UK	80	Hermes Private Equity, ETF Partners

Early-stage

European early-stage deals



Source: *unquote" data*

	Volume	Value €m
Q4 2015	111	365
Q1 2016	100	640
Q2 2016	105	568
Q3 2016	63	303
Q4 2016	65	476
Q1 2017	83	517
Q2 2017	78	502
Q3 2017	68	468
Q4 2017	78	959
Q1 2018	83	667
2016	333	1,987
2017	307	2,446
2018	83	667

Early-stage investments posted another strong quarter. There were 83 in Q1, the most since Q1 2017. These deals were worth a total of €667m and while this was down on the previous quarter, it was the second-highest quarterly value since 2008.

Average investment sizes have been steadily rising over recent years, a trend that also continued in Q1. The average equity ticket was €8m in Q1, well above the figures recorded in the earlier quarters of the 10-quarter timespan.

The biggest investment was the €225m series-A funding round for German biotech firm BioNTech, which involved US hedge fund Redmile Group, with participation from Janus Henderson Investors, Invus, Fidelity Management & Research Company and several European family offices.

Ten largest European private-equity-backed early-stage deals, Q1 2018

Deal name	Country	Value (€m)	Equity provider
BioNTech	Germany	225	Fidelity Management & Research Company, Invus, Henderson Private Capital
Enterome	France	32	Omnes Capital, Lundbeckfonden, Seventure
Miracor Medical	Belgium	25	Ming Capital, Peppermint Venture Partners, BioMedinvest
Saga Foundation	Switzerland	25	Initial Capital, Lightspeed Venture Partners, Mangrove Capital Partners
Vaccitech	UK	23	Oxford Sciences Innovation, Google Venture, Sequoia Capital
HalioDX	France	19	Amundi Private Equity, Capricorn Venture Partners, BPI France
Abac Therapeutics	Spain	16	Debiopharm, Caixa Capital Risc, Pontifax
InnovaFeed	France	15	Finovam Gestion, Nord Création, Alter Equity
Tinyclues	France	14	EQT Ventures, Elaia Partners, Alven Capital
AlzProtect	France	14	Xerys Gestion

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