



Private Equity_____

BAROMETER

Q2 2017

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

Key Findings

Overall European private equity

- In Q2 2017, overall deal volume rose by 11% to 444 from 400. It continues the market's rebound after a two-year decline that ended in Q1.
- The combined value of European private-equity-backed deals jumped 50% to €42.9bn from €28.6bn.
- The average deal value in Q2 2017 was €96.5m, up 35% on the €71.6m posted in Q1.
- Deal volume was the highest since Q4 2015, while deal value was the highest for a decade, since €47.8bn's worth of deals were completed in Q3 2007.

Buyouts

- The aggregate value of buyouts climbed to €35.8bn, an increase of 56% compared with the €22.9bn recorded in Q1 2017.
- The number of buyouts rose by 31 deals from Q1's 169 to 200 in Q2, the highest volume since Q2 2008, while aggregate deal value was only the highest since Q4 2016.
- The net rise in dealflow was shared across each of the three deal value ranges (<€100m, €100m-1bn, and ≥€1bn).
- The number of small-cap (<€100m) deals grew to 138 from 120, while value shot up €1.2bn to €5.3bn.
- Volume in the mid-market (€100m-1bn) rose to 56 deals from 44 with value increasing strongly to €17.2bn from €10.8bn.
- The large-cap range (≥€1bn) ticked up to 6 deals from 5 while value went up €5.3bn to €13.3bn.
- Buyout volumes climbed in all regions except for the UK, where 48 deals were posted in Q2, a drop of three from Q1. Buyout volume surged in Benelux from 11 to 18, and in the DACH region, from 18 to 29.
- Aggregate deal value saw a similar pattern, rising in every region while the UK slowed slightly. The sharpest rise was in the Nordic region, where it jumped to €7.7bn from €1.8bn.
- The biggest deal was KKR and Cinven's €4.8bn sale of Norwegian software business Visma to a consortium of investors led by HgCapital and including GIC, Montagu and Intermediate Capital Group.
- The extra deals were sourced mostly from family and private vendors, with deal numbers increasing to 116 from 84.

Growth Capital

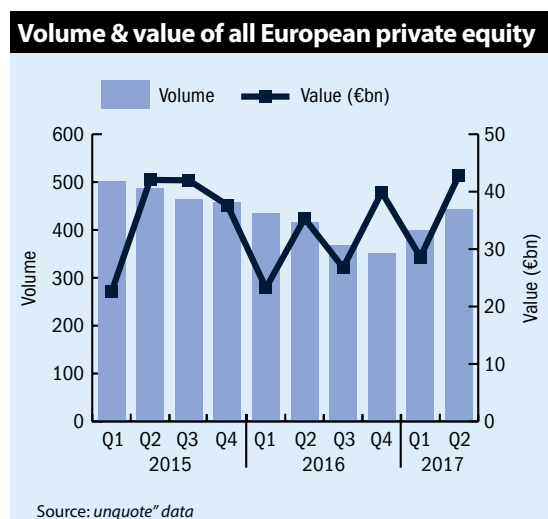
- The growth capital sector registered 181 deals in Q2, a climb of 10% on Q1.
- The total quarterly value of deals also strengthened, surging 26% to €6.6bn.
- Deal volume was the highest since Q4 2015 while aggregate value was the highest since Q2 2011.
- The biggest deal was EQT's investment in German medical technology firm Ottobock.

Early-stage

- Early-stage was the only sector of the market that cooled, with 63 deals completed in Q2, down from 67 in Q1.
- Aggregate value edged down to €450m from €460m.
- Both early-stage deal volume and value were the lowest since Q4 2016.
- The biggest deal was the £40m (€46m) series-B fundraising round for UK biotechnology company Bicycle Therapeutics. It was led by Vertex Ventures and also included Atlas Venture and SV Life Sciences.

European PE rebound gathers momentum in Q2

Overall European private equity



	Volume	Value €bn
Q1 2015	502	22.55
Q2 2015	487	42.04
Q3 2015	464	41.98
Q4 2015	458	37.66
Q1 2016	435	23.23
Q2 2016	417	35.33
Q3 2016	368	26.77
Q4 2016	352	39.91
Q1 2017	400	28.62
Q2 2017	444	42.86
2015	1,911	144.22
2016	1,572	125.24
2017	844	71.48

The second quarter was a strong one for the European private equity industry. Deal numbers climbed for the second consecutive quarter, boosted by buyouts and growth capital investments, while aggregate deal value hit its highest level for a decade. A total of 444 deals were recorded in the second quarter, up 11% from Q1 (which in turn had seen a rise of 13.6% over Q4 2016). This sharp uptick comes after a steady two-year decline that stretched from early 2015 to the end of 2016, when the market sunk to a nadir of 352 transactions. It is now the strongest figure since Q4 2015. Total deal value reached €42.9bn, its highest level since pre-crisis Q3 2007 and up 50% on Q1.

The number of buyout deals climbed to 200, the highest since Q2 2008, and expansion deals rose to 181, marking a second consecutive quarterly increase. This was more than enough to offset the slight fall in early-stage deals from 459 to 446, and lifted overall deal volume to its largest since Q4 2015.

Gains in total deal value were seen in both buyouts and expansion deals. While neither were spectacularly high, the fact they have risen congruently is the reason aggregate deal value has reached its highest since 2007. Buyout deal value rose to €35.8bn, but was lower than its value in Q4 2016. The value of growth capital deals rose to €6.59bn, and while this is the highest since 2011, it is only €1.35bn more than Q1 2017 and €290m more than Q3 2015.

Deal volumes and values rose across all buyout segments. There were 138 small-cap deals registered in Q2, up from 120 in Q1 and the highest since 2008. The number of mid- and large-cap buyouts also climbed, but were more in line with recent averages.

In the mid-cap range, deals worth €17.2bn were closed, up 60% and the highest since Q4 2015. Meanwhile, at the higher end of the market, aggregate deal value increased by 65% to €13.3bn. While the rise in large-cap deal value is sharp, it is only the highest since Q4 2016.

Looking at all segments and all deal types, the strongest region was France, where 125 transactions were completed in Q2. It was the busiest French quarter since 2011 and 15 deals ahead of the UK. France also registered the greatest deal value at €9.4bn, the most for six years. The DACH region also had a strong quarter, with total deal volume climbing to 91 from 67. Benelux, the Nordic region, Southern Europe and the UK & Ireland were little changed from the previous quarter.

Quarterly Focus

Broad-based strength lifts European buyouts

Impressive performances across Europe led to a rebound in buyout deal volumes in the second quarter of 2017. Dealflow increased in the Benelux, DACH, France, Nordic and Rest-of-Europe regions. And, while the number of UK deals slipped, activity actually remained comparatively robust in the light of Brexit uncertainty and the government's much-weakened majority following June's general election: there were 48 buyouts in the UK in Q2, down from 51 in Q1 (the busiest quarter since 2012).

Part of the reason behind the stronger-than-expected UK market will be successful capital raising. New funds are flowing into the market at a good rate and the need to put money to work in a low interest rate environment continues to outweigh the risks generated by economic and political uncertainty. It is also still possible that some of the UK's uptick in H1 2017 involves processes that may have been delayed in the middle of last year following the EU referendum, but are now coming through the pipeline.

In continental Europe, France had its third busiest quarter of the last 10 years, with 47 completed deals. Total French deal value was €8.5bn, the most since Q1 2011. In Italy, 21 buyouts were completed in Q2, the most for a decade. The strong regional performances pushed the total number of European buyouts to 200, the most since Q2 2008.

Southern European countries more generally are seeing higher dealflow due to successful fundraisings, as well as a number of other factors. Europe is a more attractive proposition to US investors due to the strength of the dollar, which might be up around 9% on the euro this year, but remains weak compared with its value only three years ago, when it was worth \$1.36. Eurozone economies are also doing better, with many areas moving from sluggish to modest growth. The European Central Bank is still providing stimulus due to tepid inflation.

Meanwhile, GPs are facing increasing competition from large corporates and sovereign investment funds, which can pay higher prices and have a longer investment perspective. This is leading fund managers to broaden their geographic scope to find the right opportunities.

One important trend revealed by the data this quarter was a significant leap in the number of deals that were sourced from private and family sources. Effectively, these accounted entirely for the increase in the number of European buyouts in Q2. Across all regions, 58% of buyouts were sourced from private sources in Q2, compared with 50% the previous quarter and an average of 48% over the previous two years.

It may be the case that higher multiples are luring private vendors to the market, choosing to sell their businesses at premium selling prices rather than continue operating through economic and political uncertainty. It is certainly revealing that the number of private sales in the UK rose to 30, its highest quarterly figure in the post-crisis years. However, private sales to GPs were also at elevated levels in the Nordic and DACH countries, and in France.

Buyouts

After a sluggish start to the year, the buyout market rebounded in Q2 to record its highest number of transactions for nearly a decade. Aggregate deal value – often volatile – bounced back to a high level after its Q1 dip.

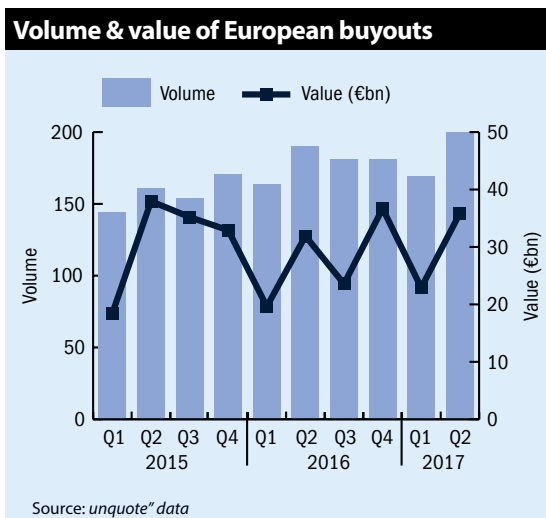
There were 200 buyout transactions across all regions in Q2 2017, up from 169 the previous quarter and the highest it has been since 2008. The total amount of cash (debt and equity) invested was also strong at €35.8bn, which, though high, is only the most since Q4 2016.

All three segments of the buyout market (<€100m, €100m-1bn, and ≥€1bn) picked up the pace in Q2. The number of small-cap deals surged 15% to 138, marking the busiest quarter for the segment since 2008. The mid-market also strengthened in volume terms with 56 deals, a three-quarter high, while six large-cap deals were registered compared with five in Q1.

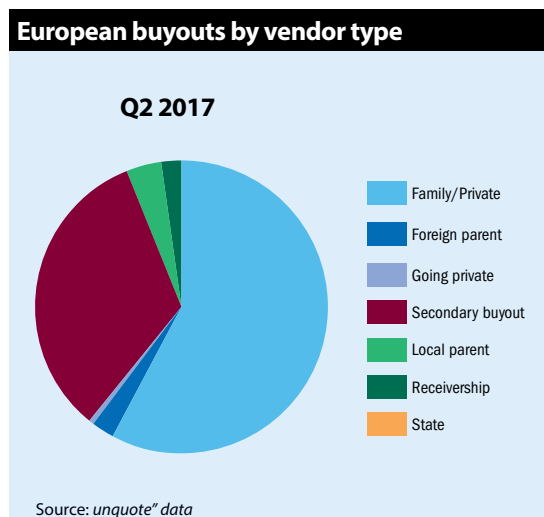
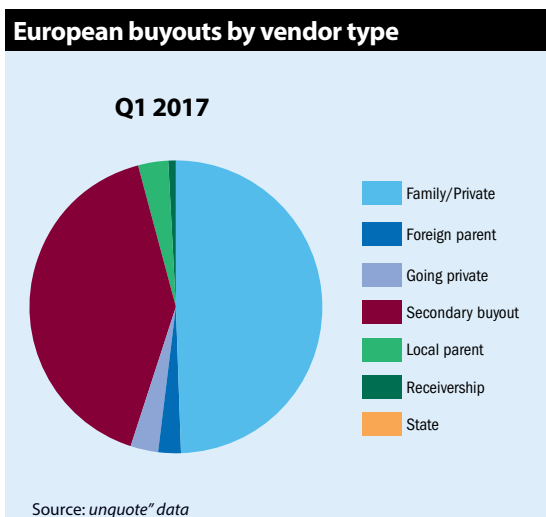
In terms of aggregate deal value, a solid contribution to the quarter was made by the mid-market. Deal value in the segment rose by 59% to €17.2bn, a six-quarter high. At the larger end of the market, the amount invested jumped to €13.3bn from €8bn.

Buyout activity climbed in every region except for the UK. However, despite falling slightly, UK deal volume remains at a robust level and more buyout transactions were completed than in any other region. There were 48 deals in the UK, down from 51, while in France deal numbers rose to 47 from 42. However, France led in terms of value with deals worth €8.5bn being announced. There was also a significant climb in the value of Nordic targets. Total Nordic buyout value rose to €7.7bn from €1.8bn, spurred on by KKR and Cinven's €4.8bn sale of Norwegian software business Visma to a consortium of investors, which included Montagu Private Equity and Intermediate Capital Group.

The surge in deals was entirely accounted for by sales from family/private vendors. There were 116 buyouts of privately owned businesses, up from 84 in Q1 and a nine-year high. This contrasts with secondary buyouts which fell to 66 from 69 despite the overall increase in buyouts. All other buyout sources managed to creep upward except for take-privates, where the number of deals fell to one from five.

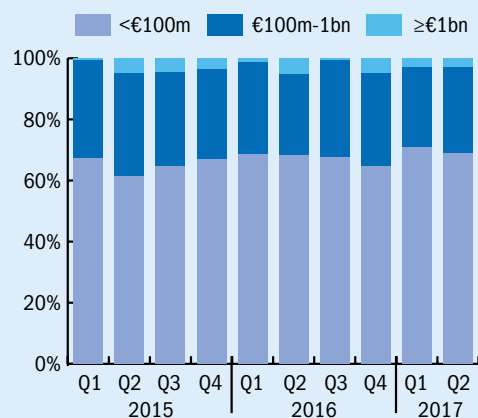


	Volume	Value €bn
Q1 2015	144	18.49
Q2 2015	161	37.97
Q3 2015	154	35.20
Q4 2015	171	32.91
Q1 2016	164	19.63
Q2 2016	190	31.91
Q3 2016	181	23.56
Q4 2016	181	36.69
Q1 2017	169	22.92
Q2 2017	200	35.83
2015	630	124.57
2016	716	111.79
2017	369	58.75



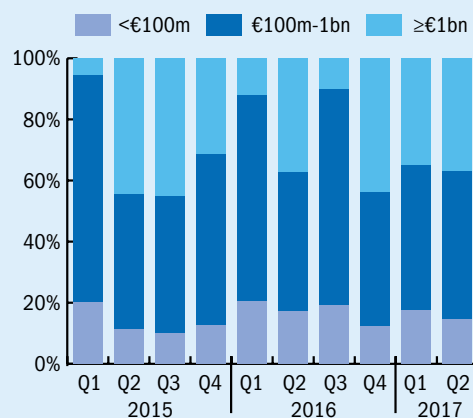
	Q1 2017	Q2 2017
Family/Private	84	116
Foreign parent	4	5
Going Private	5	1
Institutional Investor	69	66
Local Parent	6	8
Receivership	1	4
State	0	0

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range

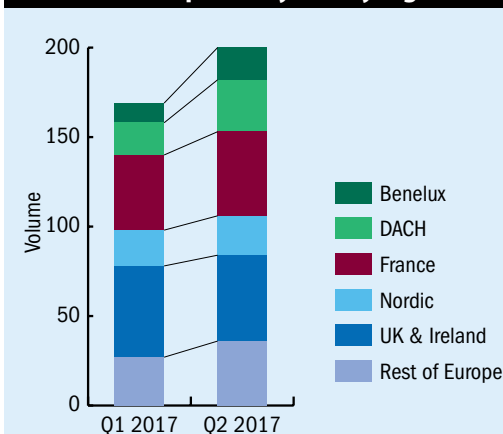


Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q1 2015	97	67%	46	32%	1	1%	144
Q2 2015	99	61%	54	34%	8	5%	161
Q3 2015	100	65%	47	31%	7	5%	154
Q4 2015	115	67%	50	29%	6	4%	171
Q1 2016	113	69%	49	30%	2	1%	164
Q2 2016	130	68%	50	26%	10	5%	190
Q3 2016	123	68%	57	31%	1	1%	181
Q4 2016	117	65%	55	30%	9	5%	181
Q1 2017	120	71%	44	26%	5	3%	169
Q2 2017	138	69%	56	28%	6	3%	200

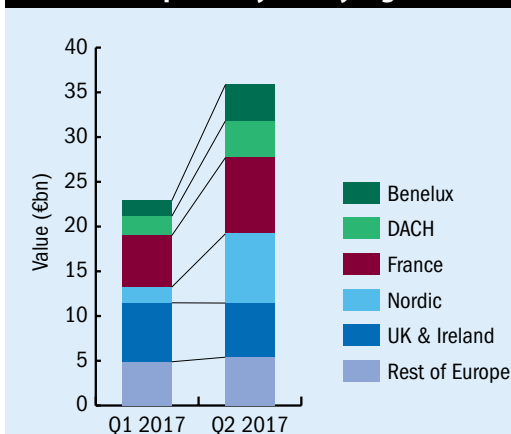
	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q1 2015	3.76	20%	13.73	74%	1.00	5%	18.49
Q2 2015	4.38	12%	16.74	44%	16.85	44%	37.97
Q3 2015	3.53	10%	15.75	45%	15.92	45%	35.20
Q4 2015	4.20	13%	18.36	56%	10.36	31%	32.91
Q1 2016	4.04	21%	13.19	67%	2.40	12%	19.63
Q2 2016	5.51	17%	14.49	45%	11.91	37%	31.91
Q3 2016	4.56	19%	16.58	70%	2.42	10%	23.56
Q4 2016	4.54	12%	16.03	44%	16.13	44%	36.69
Q1 2017	4.05	18%	10.82	47%	8.05	35%	22.92
Q2 2017	5.27	15%	17.24	48%	13.31	37%	35.83

Volume of European buyouts by region



Source: unquote® data

Value of European buyouts by region



Source: unquote® data

	Volume		Value (€m)	
	Q1 2017	Q2 2017	Q1 2017	Q2 2017
Benelux	11	18	1,742	4,037
DACH	18	29	2,172	4,113
France	42	47	5,765	8,504
Nordic	20	22	1,762	7,728
Rest Of Europe	27	36	4,891	5,395
UK	51	48	6,593	6,048
	169	200	22,924	35,826

Ten largest European private-equity-backed buyouts, Q2 2017

Deal name	Country	Value (€m)	Equity provider
Visma	Norway	4,762	HgCapital, GIC, ICG
Q-Park	Netherlands	2,950	KKR
DomusVi	France	2,000	Intermediate Capital Group
IPH Group	France	1,000	Advent International
Novo Banco	Portugal	1,000	Lone Star Funds
Færch Plast	Denmark	941	Advent International
Aernnova	Spain	900	Torreal Spain, Towerbrook Capital
QA-IQ	United Kingdom	802	CVC Capital Partners
Breitling	Switzerland	800	CVC Capital Partners
The Office Group	United Kingdom	573	Blackstone Group

Growth capital

European growth capital deals



	Volume	Value €bn
Q1 2015	256	3.83
Q2 2015	228	3.65
Q3 2015	211	6.30
Q4 2015	182	4.39
Q1 2016	174	2.96
Q2 2016	138	2.88
Q3 2016	139	2.98
Q4 2016	128	2.85
Q1 2017	164	5.24
Q2 2017	181	6.59
2015	877	18.18
2016	579	11.67
2017	345	11.83

The growth capital sector continued its rebound in Q2 2017 after its slowest quarter for 12 years at the end of last year. Private equity houses put more cash into growth capital transactions, with aggregate deal value building on Q1's impressive showing.

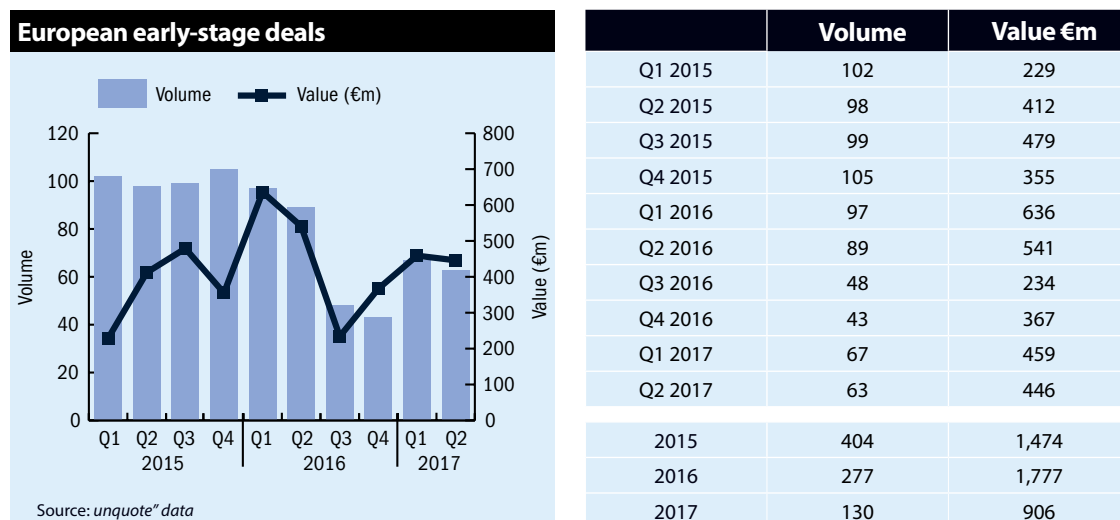
There were 181 expansion investments completed in Q2, up from 164 in the previous quarter and the highest since Q4 2015. In Q4 2016, the number of growth capital deals fell to a low of 128, the slowest quarter since 2004. Deal values also edged up, rising to a six-year high of €6.59bn from €5.24bn in the previous quarter.

France recorded the most expansion deals with 59, up from 42. It was followed closely by the UK where the amount of transactions edged up to 52 from 51. Deal volumes also rose in the DACH and Nordic regions, but lost momentum in Benelux and Southern Europe. The biggest deal with a disclosed value was EQT's €600m+ pre-IPO investment in German medical technology firm Ottobock.

Ten largest European private equity-backed growth capital deals, Q2 2017

Deal name	Country	Value (€m)	Equity provider
Ottobock	Germany	630	EQT Partners
AUTO1	Germany	360	Target Global
Mergermarket Group	United Kingdom	344	Government of Singapore Investment Corp
Brewdog	United Kingdom	251	TSG Consumer Partners
Synlab	Germany	250	Novo
Gruppo Flavia	Italy	180	Cinven
Snow Software	Sweden	113	Sumeru Equity Partners
Cannon Kirk	Ireland	100	Oaktree Capital Management
Babilou	France	100	TA Associates
Claranet	United Kingdom	95	Tikehau Investment Management

Early-stage



Dealflow in the early-stage segment lost some steam in Q2 2017, with both the number of deals and their aggregate value failing to build on a positive start to the year.

There were 63 deals in Q2, down from Q1's 67. While deal numbers have recovered from a weak end to 2016, which saw the slowest quarter for at least a decade, they are struggling to reach the heights of recent years when it was common for more than 100 deals per quarter to be completed.

While deal volume is cooling, the amount invested in total in early-stage deals remains robust. Total cash invested fell to €446m in Q2 from €459m in the previous quarter. However, this figure surpasses the average value for the last 10 quarters, which is around €420m.

The DACH countries were the most popular for early-stage investments, with 25 completed, up from 22, for a total value of €145m. In the UK, the volume of deals slumped to 11 from 18, with value sliding to €92m from €165m. However, the UK was home to the largest early-stage deal: the £40m series-B fundraising round for biotechnology company Bicycle Therapeutics. It was led by Vertex Ventures and also included Atlas Venture and SV Life Sciences.

Ten largest European private equity-backed early-stage deals, Q2 2017

Deal name	Country	Value (€m)	Equity provider
Bicycle Therapeutics	United Kingdom	46	Atlas Venture, SV Life Sciences, Vertex
Arsanis Biosciences	Austria	43	EMBL Venture Capital Partners, SV Life Sciences, Polaris Venture Partners
Vivet Therapeutics	France	38	Ysios Capital Partners, Kurma Partners, Novartis Venture
Ottonova	Germany	20	B-To-V Partners, Tengelmann Ventures, Vorwerk Direct Selling Ventures
Imcheck Therapeutics	France	20	Life Science Partners, Gimv, Idinvest Partners
Sweet Inn	France	20	Qumra Capital, BRM Capital
Verse	Spain	18	eVenture Capital Partners, Greycroft Partners, Spark Capital
CornerJob	Spain	18	Caixa Capital Risc, Sabadell Venture Capital, Northzone Ventures
Hibob	United Kingdom	16	LocalGlobe, Bessemer Venture Partners, Eight Roads Venture
Anaconda Biomed	Spain	15	Innogest, Omega Fund Management Ltd, Ysios Capital Partners

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