Private Equity

BAROMETER

Q1 2017

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

SL Capital Partners

unquote

Key Findings

Overall European private equity

- Overall deal volume in Q1 rose by 3.6% to 348 from 336, ending eight consecutive quarters of decline.
- The combined value of European private-equity-backed deals fell by 30% to €27.5bn from €39.3bn.
- The average deal value in Q1 2017 was €79.1m, down 32% on €117.1m in Q4 2016.
- Deal volume was the highest since Q3 2016, while deal value was the lowest since Q3 2016.

Buyouts

- The aggregate value of buyout deals dropped to €21.9bn, a fall of 40% from €36.3bn in Q4 2016.
- The number of buyouts decreased to 152 in Q1, down 25 from Q4's 177.
- The slowdown in dealflow from Q4 to Q1 was due to fewer deals in each of the three deal value ranges (<€100m; €100m-1bn; and >€1bn).
- Buyout volume was the lowest since Q1 2015 and aggregate deal value the lowest since Q1 2016.
- The number of small-cap deals fell to 105 from 115 transactions, while value dropped to €3.6bn from €4.5bn.
- Volume in the mid-market dipped to 42 deals from 53, with value falling to €10.4bn from €15.6bn.
- The large-cap range edged down to five deals from nine, while value slid to €7.9bn from €16.1bn.
- Buyout volumes declined in all regions except the UK and France. There were 47 UK deals in Q1, up from 42, while France saw 41, up from 37. Buyout volume fell sharply in the DACH region to 15 deals from 42, though the Q4 figure was especially strong.
- Aggregate deal value rose in Benelux and fell in every other region.
- The biggest deal was the €2.1bn acquisition of UK pub chain Punch Taverns by Patron Capital and Dutch brewer Heineken.
- In terms of the source of buyouts, family/private was the most common, despite falling to 74 from 90. The same number of deals were sourced from institutional investors (64) in Q1 as in Q4.

Growth Capital

- In volume terms, the growth capital sector registered a rise of 24.2% in Q1 compared with Q4. Transactions climbed to 149 from 120.
- The total quarterly value of deals jumped 93.9% to €5.3bn from €2.7bn.
- Deal volume was the highest since Q1 2016, while value was the highest since Q3 2015.
- The biggest deal was KKR's €1.3bn investment in Spanish telecommunications infrastructure company Telxius.

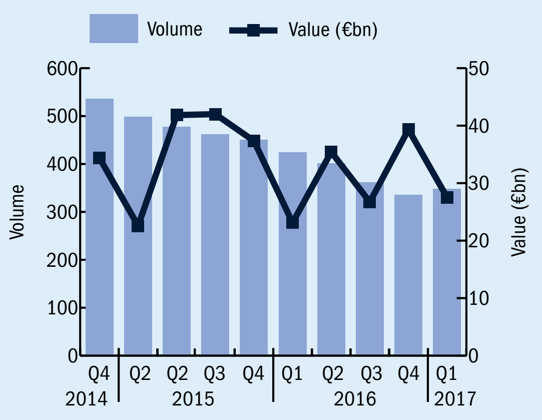
Early-stage

- Deal volume increased to 47 deals from 39 between Q4 2016 and Q1 2017.
- Aggregate value edged up 5.2% to €353m from €336m.
- Both deal volume and value were the highest since Q2 2016.
- The biggest deal was the €43.5m series-A funding round for German pharmaceutical company Breath Therapeutics, co-led by Gimv and Sofinnova partners.

Q1 deal volume bounce back halts eight-quarter slump

Overall European private equity

Volume & value of all European private equity



Source: *unquote" data*

	Volume	Value €bn
Q4 2014	536	34.37
Q1 2015	499	22.58
Q2 2015	478	41.84
Q3 2015	462	42.00
Q4 2015	451	37.33
Q1 2016	425	23.11
Q2 2016	402	35.42
Q3 2016	362	26.72
Q4 2016	336	39.33
Q1 2017	348	27.52
2015	1,890	143.74
2016	1,525	124.59
2017	348	27.52

Deal volume bounced back in Q1, ending a run of eight consecutive quarters of declining deal numbers. Meanwhile, deal value was tapered by a decline in the number of large- and mid-cap buyouts. The fall in the value of buyout deals more than offset rising values in the growth-stage and early-stage sectors, weighing on overall private equity deal value.

There were 348 deals in Q1, an improvement of 3.6% on the 336 in Q4, but the second lowest over the 10-quarter time scale. Aggregate deal value dropped by 30% to €27.5bn from €39.3bn, but this is mostly a reflection of a strong Q4 rather than an especially weak Q1.

Deal volumes climbed in the early-stage and expansion sectors, but buyout numbers slid. The volume of early-stage deals rose to a three-quarter high of 47 from 39, while expansions jumped to a four-quarter high of 149 from 120. The fortunes of the early-stage and expansion deals contrasted with the buyout market, where volume dipped to 152, marking an eight-quarter low.

The total value of early-stage and growth capital deals rose, but their combined contribution was more than outweighed by a significant decline in buyout deal value. Early-stage deal value increased 5.2% to €353m, while growth capital deal value jumped 93.9% to €5.3bn, a six-quarter high. Buyout deal value sank 40% to €21.9bn, but was higher than in the same quarter last year.

Volumes and values dropped across all three buyout deal ranges (<€100m; €100m-1bn; and >€1bn). The large end of the market lost the most value, down €8.1bn to €7.9bn after Q1 registered five deals compared with nine in Q4. In the mid-market value range, deal value fell by €5.2bn to €10.4bn following a drop in deal numbers from 53 to 42.

Small-cap deal volume declined by 10 to 105, with aggregate value dropping 21%, but at €960m, this drop had less of a contribution to the fall in overall buyout deal value than the mid-cap and large-cap deals.

Regionally, the strongest increases in deal numbers were in France and Italy, where volumes rose from 73 to 96 and 20 to 28, respectively. The biggest decline was in German deals, which fell to 47 from 72, marking the lowest number of deals in the country over the 10-quarter timescale. The total number of UK deals rose slightly from 88 to 93.

Quarterly Focus

Buyout slowdown masks regional surprises

After an especially robust end to 2016, dealflow has seen a slow start in the first three months of the year, with the market as a whole cooling noticeably. The drop was led by a steep dip in the number of German buyouts, which fell back substantially after an exceptionally strong Q4, and this offset more positive figures in other regions. German buyout volume dropped to 13 from 38 and value plummeted to €1.7bn from €9.7bn, though this perhaps should be viewed as a return to more normal levels.

As a result of the steep drop in dealflow in the DACH region, the European buyout market posted its slowest quarter since Q1 2015. However, this masks both steady and improved performances elsewhere; it should also be noted that the first quarter of the year is traditionally the slowest, with the second quarter of the year regularly posting a strong rebound – the last exception being 2012.

In France, despite the prospect of presidential elections, there was a small uptick in buyouts to 41 from the previous quarter's 37. The UK has also defied uncertainty with the number of buyouts climbing to a nine-quarter high of 47. The UK accounted for 30.9% of Europe's buyouts in Q1, the highest since Q4 2014 when it accounted for 33.1%.

Anecdotal reports suggest that UK businesses are benefiting from a strong export environment, helped by weaker sterling and stronger growth abroad. While this clearly bolsters the general financial performance of UK exporters, a greater diversification of revenue streams is also attractive to investors.

Adding to the impact of a weaker sterling is the fundraising environment. With so many funds having raised capital recently, investors are chasing deals more aggressively and the need to put capital to work is offsetting the problems caused by uncertainty over the UK's future trading arrangements.

Closer inspection of the data reveals the rise in UK buyouts was due to a strong performance in the industrials sector, with the number of deals rising to 19 from 8. This contrasted with the fortunes of consumer-related sectors, where the combined volume of deals in consumer goods and consumer services fell to 13 from 18.

In terms of deal size, the rise in UK deal volume was concentrated at the lower end of the market. There was only one large-cap buyout – Patron Capital's €2bn purchase of Punch Taverns (which also happened to be the largest European deal of the quarter) – down from three in Q4 2016. Meanwhile the number of mid-cap deals also declined to 12 from 15. This contrasted with deals below €100m, which jumped to 34 from 24.

It remains to be seen whether the UK will see a real slowdown in the run up to the June general election, though already in April, dealflow looks as though it may struggle to surpass the number reached in any of the previous three months. This is also the case for the European market as a whole and may dent the likelihood of a traditional second-quarter bounce-back.

Buyouts

The buyout market had a slow start to 2017, with volume and value both down on Q4 2016. However, comparing the figures to the same quarter last year, which would help to adjust for seasonal effects, we find volume is down by a smaller amount, while deal value has increased.

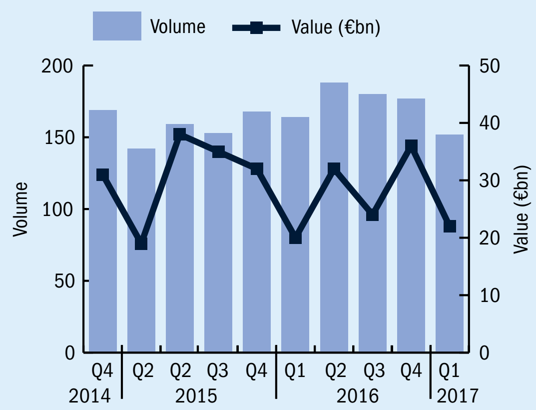
There were 152 buyout deals in Q1, down from 177 in Q4 and 164 in the same quarter last year. It marked the slowest buyout dealflow in eight quarters. Deal value dropped to €21.9bn, though this fall is not surprising due to the especially large deal value of €36.3bn in Q4. Compared with the same quarter last year, deal value was up €2.3bn.

Breaking down the figures, there were falls across all three deal value ranges compared with the previous quarter. The number of large-cap deals fell from nine to five, with deal value falling to €7.9bn from €16.1bn. Mid-cap deal volume slid to 42 from 53, with deal value falling to €10.4bn from €15.6bn. Small-cap deal volume also declined from 115 to 105, but was a lower contribution to the overall drop in buyout deal value, with the value of small-cap deals falling to €3.6bn from €4.5bn.

There was a substantial drop in the number of buyouts completed in the DACH region. The number of DACH deals fell to 15 from 42. It also marks a drop of six deals compared with the same quarter last year. DACH deal value plunged too, decreasing to €2.1bn from €11.5bn. Dealflow was also weaker in the Nordic region, with volume falling from 24 to 16 and value falling to €1.7bn from €3.2bn. Increased deal volume was registered in France in the UK, but deal value declined in both countries.

Buyouts sourced from family/private vendors remained the top deal source, despite falling from 90 to 74. Deals sourced from institutional investors remained at 64, with its overall share rising to 41.8% from 36.2%. The number of publicly listed companies taken private rose from two to five. Buyouts sourced from foreign and local parent companies, which make up small proportions of overall deal volume, declined.

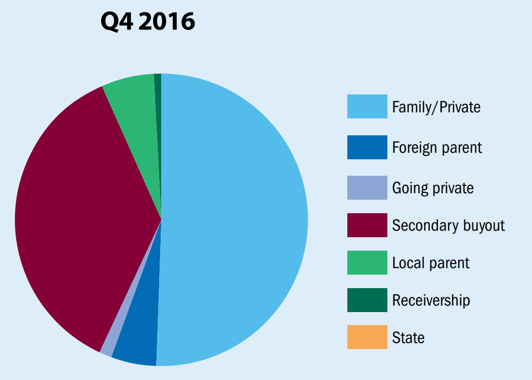
Volume & value of European buyouts



Source: *unquote" data*

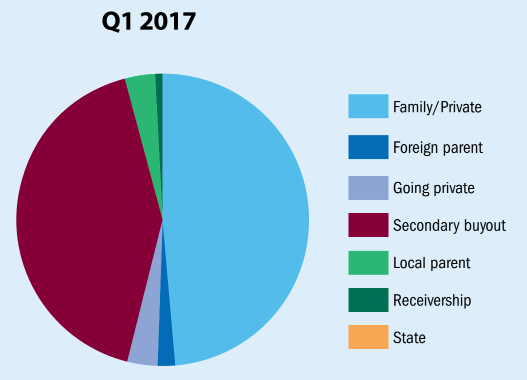
	Volume	Value €bn
Q4 2014	169	30.80
Q1 2015	142	18.53
Q2 2015	159	37.82
Q3 2015	153	35.22
Q4 2015	168	32.39
Q1 2016	164	19.57
Q2 2016	188	32.04
Q3 2016	180	23.52
Q4 2016	177	36.28
Q1 2017	152	21.89
2015	622	123.96
2016	709	111.41
2017	152	21.89

European buyouts by vendor type



Source: *unquote" data*

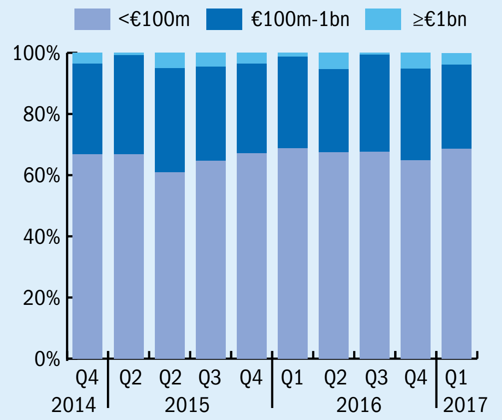
European buyouts by vendor type



Source: *unquote" data*

	Q4 2016	Q1 2017
Family/Private	90	74
Foreign parent	9	3
Going Private	2	5
Institutional Investor	64	64
Local Parent	11	5
Receivership	1	1
State	0	0

Volume of European buyouts by size range



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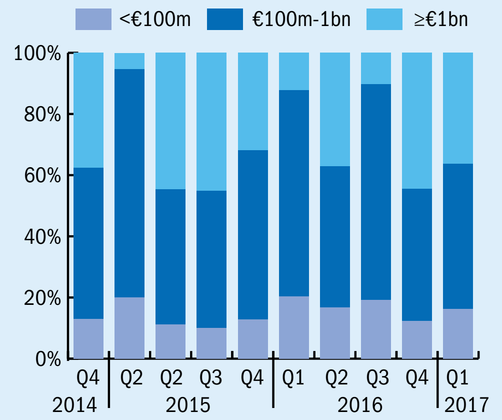
Value of European buyouts by size range

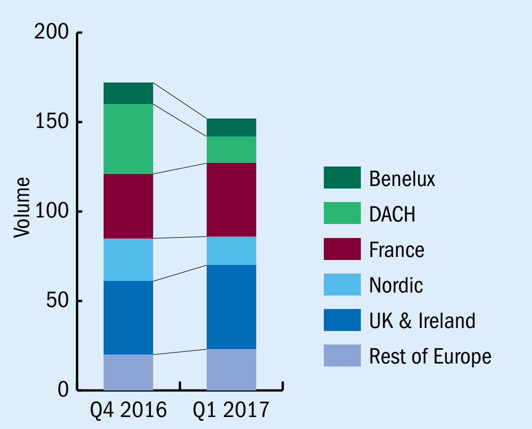


Source: *unquote" data*

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q4 2014	113	67%	50	30%	6	4%	169
Q1 2015	95	67%	46	32%	1	1%	142
Q2 2015	97	61%	54	34%	8	5%	159
Q3 2015	99	65%	47	31%	7	5%	153
Q4 2015	113	67%	49	29%	6	4%	168
Q1 2016	113	69%	49	30%	2	1%	164
Q2 2016	127	68%	51	27%	10	5%	188
Q3 2016	122	68%	57	32%	1	1%	180
Q4 2016	115	65%	53	30%	9	5%	177
Q1 2017	105	69%	42	27%	5	3%	152

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q4 2014	3.99	13%	15.21	49%	11.60	38%	30.80
Q1 2015	3.73	20%	13.80	74%	1.00	5%	18.52
Q2 2015	4.27	11%	16.70	44%	16.85	45%	37.82
Q3 2015	3.55	10%	15.75	45%	15.92	45%	35.22
Q4 2015	4.16	13%	17.88	55%	10.36	32%	32.39
Q1 2016	4.00	20%	13.16	67%	2.40	12%	19.56
Q2 2016	5.39	17%	14.74	46%	11.91	37%	32.04
Q3 2016	4.53	19%	16.57	70%	2.42	10%	23.52
Q4 2016	4.52	12%	15.62	43%	16.13	44%	36.28
Q1 2017	3.56	16%	10.38	47%	7.95	36%	21.89

Volume of European buyouts by region



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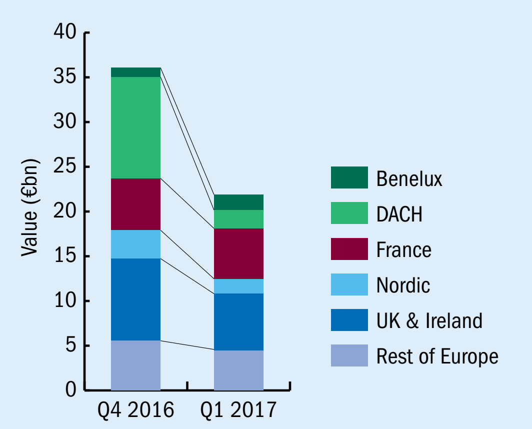
Value of European buyouts by region



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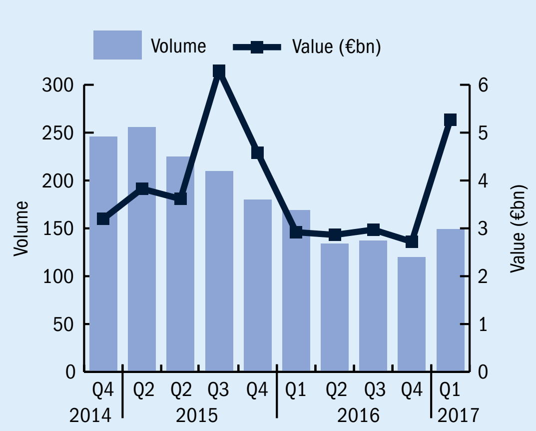
	Volume		Value (€m)	
	Q4 2016	Q1 2017	Q4 2016	Q1 2017
Benelux	12	10	1,037	1,725
DACH	42	15	11,452	2,055
France	37	41	5,949	5,630
Nordic	24	16	3,177	1,673
Rest Of Europe	20	23	5,549	4,431
UK	42	47	9,114	6,378
	177	152	36,278	21,892

Ten largest European private-equity-backed buyouts, Q1 2017

Deal name	Country	Value (€m)	Equity provider
Punch Taverns	United Kingdom	2,099	Patron Capital
Cerba HealthCare	France	1,850	Partners Group
Allfunds Bank	Spain	1,800	GIC SI, Hellman & Friedman
Corialis	Belgium	1,000	CVC
Zenith Vehicle Contracts	United Kingdom	880	Bridgepoint Capital
Nordnet	Sweden	688	Nordic Capital
Accelya	Spain	650	Warburg Pincus
Golden Goose	Italy	450	Carlyle Group
Travelopia	United Kingdom	381	Kohlberg Kravis Roberts & Co
Pacha Group	Spain	350	GPF Capital, MCH Private Equity, Trilantic Capital Partners

Growth capital

European growth capital deals



Source: *unquote" data*

	Volume	Value €bn
Q4 2014	246	3.20
Q1 2015	256	3.83
Q2 2015	225	3.61
Q3 2015	210	6.30
Q4 2015	180	4.58
Q1 2016	169	2.92
Q2 2016	134	2.86
Q3 2016	137	2.97
Q4 2016	120	2.72
Q1 2017	149	5.27
2015	871	18.32
2016	560	11.48
2017	149	5.27

The growth capital market bounced back from a 12-year low, while deal value nearly doubled to reach its highest value since Q3 2015.

There were 149 deals, up from 120 in Q4, but lower than the 169 deals posted in the same quarter last year. The value of deals rose 93.9% to €5.3bn and was also substantially higher than the same quarter last year, when €2.9bn worth of deals were recorded.

France and Italy were the biggest contributors to the rise in growth capital deals. French deals climbed to 40 from 30, while Italian deals doubled to 14, the most since Q4 2014. The number of deals also rose in Germany, Spain and the UK. The UK and France were home to the highest number of deals with 40 each; the UK has led in growth capital deals in every quarter since Q2 2015.

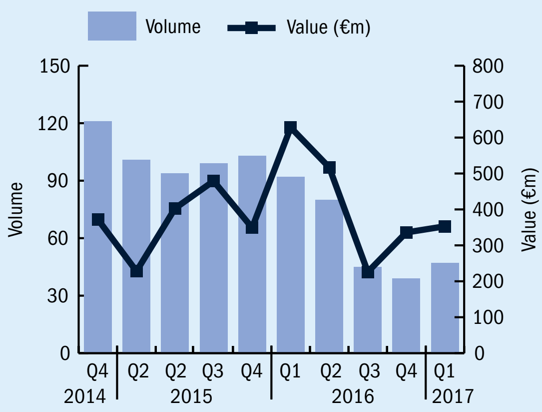
The biggest growth capital deal was KKR's €1.3bn investment in Spanish telecommunications infrastructure company Telxius.

Ten largest European private equity-backed growth capital deals, Q1 2017

Deal name	Country	Value (€m)	Equity provider
Telxius	Spain	1,275	Kohlberg Kravis Roberts & Co
Point Resources	Norway	899	HitecVision
Avaloq	Switzerland	328	Warburg Pincus
Elis	France	325	Crédit Agricole, Eurazeo
Selecta	Switzerland	180	Kohlberg Kravis Roberts & Co
Tricentis	Austria	157	Insight Venture Partners
Picnic	Netherlands	100	De Hoge Dennen Capital, NPM Capital
Linkem	Italy	100	Blackrock
High Tech Hotels and Resorts	Spain	90	Kartesia Advisor
Oodrive	France	65	NextStage, Tikehau Investment Management

Early-stage

European early-stage deals



Source: *unquote" data*

	Volume	Value €m
Q4 2014	121	372
Q1 2015	101	228
Q2 2015	94	403
Q3 2015	99	479
Q4 2015	103	349
Q1 2016	92	628
Q2 2016	80	517
Q3 2016	45	226
Q4 2016	39	336
Q1 2017	47	353
2015	397	1,460
2016	256	1,707
2017	47	353

A rise in the number of early-stage deals put an end to four consecutive quarters of decline, while deal value hit a three-quarter high.

There were 47 deals registered in Q1, up from 39 in Q4, but below the 92 deals completed in the same quarter last year.

Deal value climbed to €353m from €336m, a 5.2% rise and the second consecutive quarterly increase. However, it is still far below Q1 2016's €628m.

The highest number of early-stage deals was in Germany, where deal volume fell from 18 to 16. It was also home to the largest early-stage deal, the €43.5m series-A funding round for German pharmaceutical company Breath Therapeutics, co-led by Gimv and Sofinnova partners.

The number of French early-stage deals increased from six to 15, reaching a five-quarter high, while the number of UK deals dropped again after Q4 2016 marked the weakest quarter since 1994.

Ten largest European private equity-backed early-stage deals, Q1 2017

Deal name	Country	Value (€m)	Equity provider
Breath Therapeutics	Germany	43.5	Sofinnova Partners, Gimv
MedLumics	Spain	34.4	Seroba Kernel Life Sciences, Innogest, Edmond de Rothschild Investment Partners
Prexton Therapeutics	Switzerland	29	Sunstone Capital, Merck Serono, Forbion Capital Partners
Pulmocide	United Kingdom	28	F-Prime Capital, SV Life Sciences, SR One
Nerre Therapeutics	United Kingdom	27	Advent Life sciences, OrbiMed, Forbion Capital Partners
Advicenne	France	16	BPI France, Ixo Private Equity, Irdi
Frontrow Energy Technology Group	United Kingdom	15.3	Business Growth Fund
Ottonova	Germany	15	Holtzbrinck Ventures, B-To-V Partners, Tengelmann Ventures
Qapa	France	11	360 Capital Partners, Partech, Index Ventures
Mycs	Germany	10	Global Founders Capital

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