



Private Equity\_\_\_\_\_

# BAROMETER

Q4 2014

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

**SL Capital Partners**

unquote ”

## Key Findings

### Overall European private equity

- The number of European private equity-backed deals rose by 10% in the fourth quarter of 2014, from the 334 transactions seen in the previous three months to 366 transactions.
- Combined deal value also staged a recovery, rising by 19%.
- In fact, at €73m, the average deal value in the fourth quarter was 9% higher than that of the previous quarter and only 4% lower than the peak recorded during the last ten quarters (in Q2 2013).
- Overall, 2014 witnessed a movement towards larger deals; total deal value increased by 5%, while total volume slipped by 5%.

### Buyouts

- Deal numbers rose to 137 in the fourth quarter, an increase of four from the 133 deals completed in the third quarter, and registered the second-highest total seen over the last ten quarters.
- Aggregated value increased markedly – rising by 19% from the previous quarter's total of €20bn, to €23.7bn.
- The 547 deals (worth €82bn) recorded in 2014 represent an 11% uplift on 2013 (4% up in value terms).
- The core mid-market value segment (€100m–€1bn) was responsible for three of the four additional buyouts in the fourth quarter, up from 41 to 44 deals.
- This range registered the most pronounced rise in value terms – increasing by 24%, from €11bn to €13.5bn.
- Overall, core mid-market deals accounted for 32% of the total number of deals and 57% of deal value in 2014.
- Both the small-cap (sub-€100m) and large-cap (€1bn+) ranges remained stable in terms of the number of completed transactions relative to the third quarter.
- The largest deal bracket saw four deals transacted in the fourth quarter, exactly the same as the preceding quarter, but with the total value rising 20% from €5.7bn to €6.9bn.
- The DACH region recorded the most pronounced rise in deal numbers – up 62%, from 13 to 21 deals. Total deal values nearly quadrupled from €1.8bn to €7bn.
- The buyout of SIG Combibloc Group accounted for more than half of the region's total deal value (€3.8bn).
- Apart from the DACH region, the UK was the only region to register an increase in total deal value, accounting for 40% of the capital invested in European private equity-backed buyouts.
- The UK's deal volume also rose from 47 to 50 completed buyouts.
- In terms of the source of buyouts, deals involving family- and privately owned businesses saw the most significant uptick in volume, rising from 52 deals to 58.

## Growth Capital

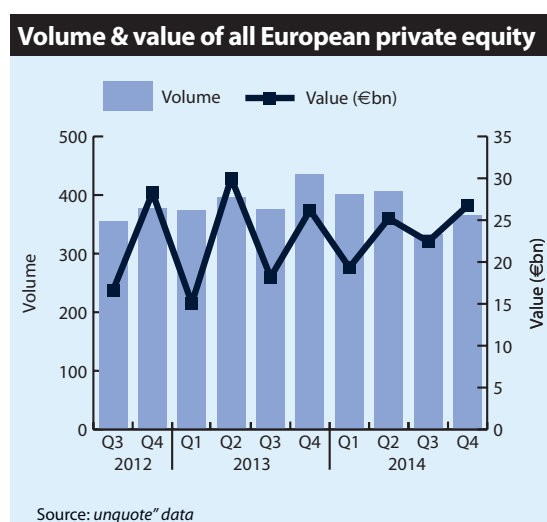
- In value terms, the growth capital sector registered a sizeable rise of 21% – from €2.3bn in the third quarter, to €2.7bn in the fourth quarter.
- The total number of deals also witnessed an uptick, increasing by 15 transactions – from 170 to 185 deals (+9%).
- The total value of deals during 2014 exceeded 2013 values by 11%, up from €9.6bn to €10.7bn.
- Aggregate deal volume in 2014 (765 transactions) fell short of the 2013 total (788) by 3%.
- As is the case in the buyout segment, the UK is the predominant market in terms of the volume of expansion deals, accounting for 60 completed transactions – 32% of the total.
- France recorded one of the largest proportional increases in total deal volume, which almost doubled from 12 to 22 deals.
- Southern Europe was home to the largest deal of the quarter – Alchemy's €228m acquisition of a controlling stake in Spain's Endeka Ceramic via a debt restructuring operation.

## Early-stage

- The three months to December saw the market stage a recovery after a decline in the third quarter, the number of deals increasing by 42%, from 31 to 44 deals.
- Value continued the decline it witnessed during the third quarter, down 5% from €228m to €217m.
- Despite an impressive second quarter, during which the highest total deal value of the ten-quarter period from Q3 2012 to Q4 2014 was reported, the aggregate value of deals in 2014 fell short of 2013 values by 5%, decreasing from €1.12bn to €1.07bn.
- The most active market on a regional basis was Germany, which was home to 16 deals (worth €58.5m), or more than a third of the total number of deals in Europe.
- With eight deals worth a total of €86m, the UK outpaced all other regions in value terms.
- The UK was home to the largest deal of the quarter – the €35m investment in haemodialysis systems developer Quanta Fluid Solutions, led by Seventure.

## Strong Q4 for volumes and values, but overall decline in annual deal numbers

### Overall European private equity



	Volume	Value €bn
Q3 2012	356	16.63
Q4 2012	378	28.28
Q1 2013	375	15.08
Q2 2013	396	30.02
Q3 2013	376	18.20
Q4 2013	435	26.19
Q1 2014	401	19.34
Q2 2014	406	25.21
Q3 2014	334	22.44
Q4 2014	366	26.72
2012	1,601	85.99
2013	1,582	89.49
2014	1,507	93.70

Despite a comparatively robust end to the year for European private equity, the longer-term trend towards declining deal numbers and rising deal values is continuing. The strong recovery staged by the industry during the years after the crisis (2009–2011) has slowly tailed off, despite recent improvements in the buyout markets.

The volume of all PE deals recorded in the final quarter of 2014 rose by 10% more than the 334 deals seen during the third quarter to reach 366 deals. Despite this uptick, the quarterly total represents the lowest deal volume of any fourth quarter during the last five years. With 1,507 transactions reported in 2014, deal volume declined by 5%.

The picture in terms of value is different, though: total deal values were relatively consistent throughout 2014 after a slow start and overall have risen 5% from the €89bn seen in 2013 to €94bn. Approximately 30% of these, or €27bn, can be attributed to deals during the fourth quarter, marking a 19% rise over the €22bn reported during the third quarter. In fact, aggregate values have steadily climbed since 2012, up 9% during the three years to 2014.

As a result, the size of the average European private equity deal has also increased over the years, from €32m in 2009 to €62m in 2014. At €73m, the average deal value in the fourth quarter was 9% higher than that of the previous quarter and 4% lower than the peak recorded during the last ten quarters in Q2 2013.

As is to be expected, this trend towards higher average values is driven largely by the fortunes of the buyout market generally, and the large cap segment most importantly. As such, the €3.75bn acquisition of SIG Combibloc Group, a Swiss packaging company, by Onex during the fourth quarter of 2014 had a significant impact on the overall figures. The deal was not only the largest European deal of the year, but also the second-largest during the last five years.

## Quarterly Focus

### Mid-market strengthens while attention shifts South

At a pan-European level, the vitally important core mid-market (€100m–1bn) segment continues to strengthen. In total, 44 deals were reported in the fourth quarter – the second-highest number of transactions in this size range over the last fifteen quarters. This takes the annual total to 154 – the highest number seen since 2007. Meanwhile, aggregate deal value in the core mid-market segment rose from €11bn to €13.5bn (+24%) during the fourth quarter, leaving the annual total only 4% short of the seven-year peak of €46bn (2013).

Also gaining in strength is the market for secondary buyouts, volumes of which rose by 6% from 52 to 55 transactions in the final three months of the year. Not only does this mean Q4 saw the most secondary deals of any single quarter since Q2 2011, but it takes the annual tally to 197 – the highest number of secondary buyouts since 2007.

At a regional level, one of the strongest trends seen over the course of 2014 has been the sharp uptick in deal activity in Southern European markets. As signs of economic recovery in the region have piqued the interest of global heavyweights in the buyout space, a number of big-hitters have re-engaged in Spain and Italy in order to search out post-crisis bargains. In addition, local managers have recently raised significant new capital for the first time post-recession. As a result, despite a 20% decline in volume in the fourth quarter (from 18 to 15 buyouts) and a 21% decline in value (from €2.4bn to €1.9bn), annual deal flow jumped by 74% in terms of volume (from 34 to 59 buyouts) and 38% in terms of value (from €5.4 to €7.5bn).

Spain recorded an impressive 25 buyouts during the year – more than double the number of deals during the previous year and just two deals short of the combined deal volume of the previous two years. Of these, five took place during the fourth quarter, down from the nine deals reported during the third quarter. The total value of deals rose by an impressive 125% from (€1.8bn to €4.2bn) in 2014, although the fourth quarter registered a 24% decline from (€1.3bn to €1bn).

Similar trends were witnessed in Italy where annual deal volume hit a six-year high of 32 deals, up 45% from the 22 deals recorded in 2013. Of these 32 deals, nine took place during the fourth quarter, one more than the eight reported during the previous quarter. Aggregate deal values in 2014 declined by 9% – from €3.5m to €3.2m – after fourth quarter deal values dropped 14%, from €1bn to €860m.

If Southern Europe continues to offer up strong and attractively priced dealflow, it is very likely this trend will gather pace. However, on the flipside, this renewed interest could have the negative effect of resulting in an overcapitalisation and this would drive up prices, given the low absolute numbers of buyout transactions in those markets.

## Buyouts

Coming off the back of the weak numbers recorded in the three months to September, the fourth quarter gave way to a welcome upswing in buyout dealflow. Deal numbers increased by four deals during the quarter, from 133 to 137. Total value rose 19% from €20bn in the third quarter, to €23.7bn. Year-on-year figures also demonstrated growth, as 547 buyouts were recorded in 2014 – 54 more than the 493 in 2013 (+11%). These deals were collectively valued at €82bn, representing a 4% increase over 2013's €79bn.

Encouragingly, the core mid-market (€100m–1bn) value segment was responsible for the growth in buyout deal volume during the fourth quarter, with 44 deals recorded during this period, compared with 41 in Q3. Meanwhile, deal value increased by a healthy 24% from €11bn to €13.5bn. Moreover, this value segment witnessed improved deal volumes during every single quarter of the year – leading to a 42% growth from the 31 transactions in the first quarter to 44 transactions in the fourth quarter. Total deal values also rose, doubling from €6.6bn in the first quarter to €13.5bn in the fourth quarter. Overall, the core mid-market value segment registered 154 buyout deals during 2014, up 5% from 2013.

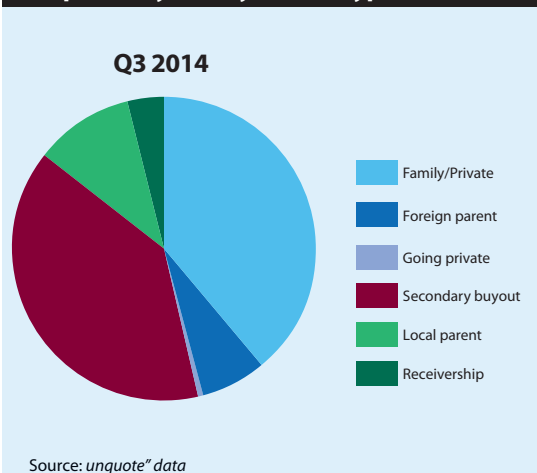
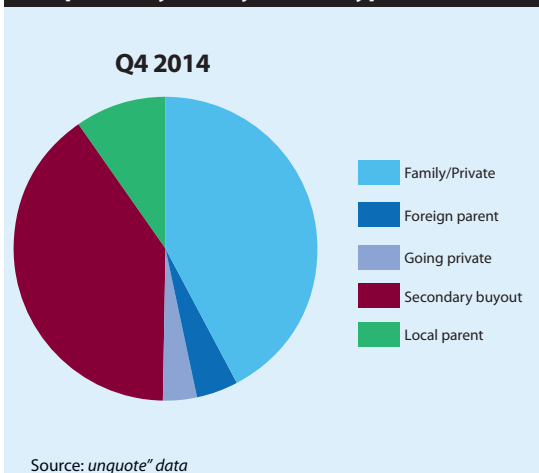
Both the small-cap (sub-€100m) and large-cap (€1bn+) ranges saw the number of completed transactions remain stable during the fourth quarter. The smaller deal bracket witnessed only one additional deal, taking its volume tally from 88 to 89 deals and its value tally from €3.2bn to €3.3bn. Although the four large-cap deals reported during the fourth quarter was the same as the number recorded during the previous quarter, aggregate deal value in this size range expanded by 20% – from €5.7bn, to €6.9bn.

In regional terms, the UK maintained the consistent pace of dealflow it has generated over the last six quarters – registering 50 buyouts or 37% of all completed European buyouts. In value terms, the country accounted for 40% of the overall total with an aggregated €9.6bn. These statistics are all the more impressive when compared to the third quarter, when the UK accounted for €5.5bn in aggregate deal value. The DACH region improved from 13 deals worth €1.8bn in the third quarter to 21 buyouts worth €7bn in the fourth quarter, representing a 62% increase in volume and a 282% increase in value.

In terms of the sources of buyout dealflow, transactions coming from family and private vendors saw the most significant growth in volume, rising from 52 deals to 58 deals. Meanwhile, 55 secondary buyouts were recorded – the highest number seen over the last ten quarters. On the other hand, corporate disposals dropped from a combined 14 acquisitions to six, while receiverships failed to report a single buyout.

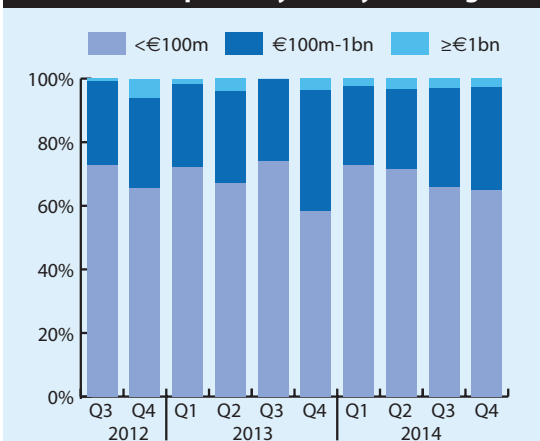
**Volume & value of European buyouts**

	Volume	Value €bn
Q3 2012	130	14.17
Q4 2012	128	25.41
Q1 2013	108	13.08
Q2 2013	122	26.10
Q3 2013	128	16.29
Q4 2013	135	23.29
Q1 2014	125	15.46
Q2 2014	152	22.77
Q3 2014	133	19.95
Q4 2014	137	23.76
2012	518	73.85
2013	493	78.76
2014	547	81.93

**European buyouts by vendor type****European buyouts by vendor type**

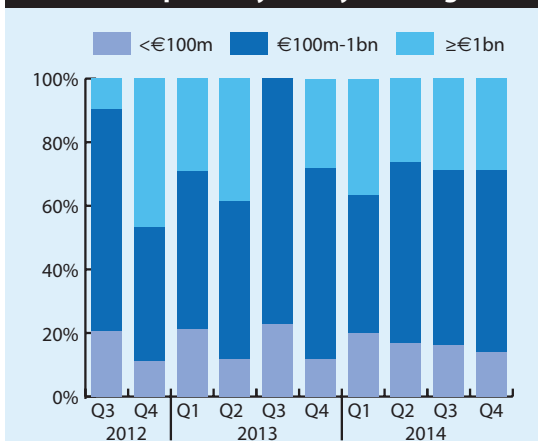
	Q3 2014	Q4 2014
Family/Private	52	58
Foreign parent	9	6
Going Private	1	5
Institutional Investor	52	55
Local Parent	14	13
Receivership	5	0
State	0	0

Volume of European buyouts by size range



Source: unquote® data

Value of European buyouts by size range



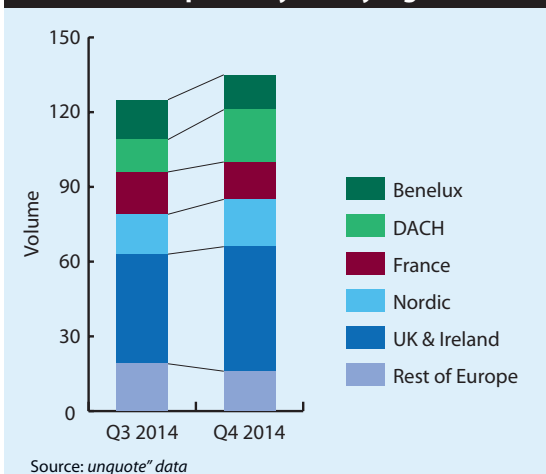
Source: unquote® data

	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q3 2012	95	73%	34	26%	1	1%	130
Q4 2012	84	66%	36	28%	8	6%	128
Q1 2013	78	72%	28	26%	2	2%	108
Q2 2013	82	67%	35	29%	5	4%	122
Q3 2013	95	74%	33	26%	0	0%	128
Q4 2013	79	59%	51	38%	5	4%	135
Q1 2014	91	73%	31	25%	3	2%	125
Q2 2014	109	72%	38	25%	5	3%	152
Q3 2014	88	66%	41	31%	4	3%	133
Q4 2014	89	65%	44	32%	4	3%	137

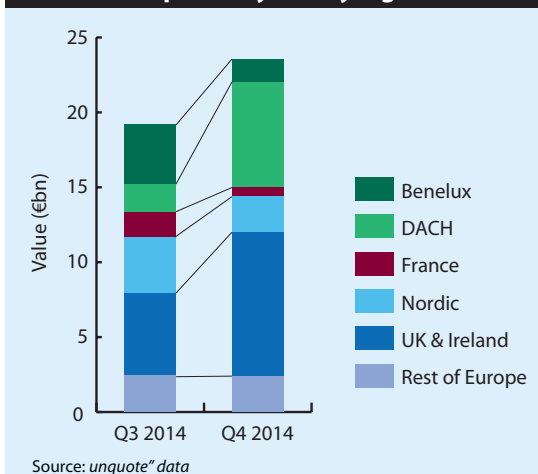
	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q3 2012	2.91	21%	9.89	70%	1.37	10%	14.17
Q4 2012	2.88	11%	10.69	42%	11.84	47%	25.41
Q1 2013	2.81	21%	6.48	50%	3.79	29%	13.08
Q2 2013	3.10	12%	12.94	50%	10.07	39%	26.10
Q3 2013	3.73	23%	12.56	77%	0	0%	16.29
Q4 2013	2.78	12%	13.93	60%	6.58	28%	23.29
Q1 2014	3.11	20%	6.66	43%	5.69	37%	15.46
Q2 2014	3.87	17%	12.94	57%	5.97	26%	22.77
Q3 2014	3.27	16%	10.96	55%	5.72	29%	19.95
Q4 2014	3.34	14%	13.54	57%	6.88	29%	23.76



Volume of European buyouts by region



Value of European buyouts by region



	Volume		Value (€m)	
	Q3 2014	Q4 2014	Q3 2014	Q4 2014
Benelux	16	14	3,947	1,526
DACH	13	21	1,846	7,046
France	17	15	1,714	610
Nordic	16	19	3,715	2,375
Rest Of Europe	19	16	2,425	2,396
UK	47	50	5,518	9,606
	128	135	19,165	23,559

## Ten largest European private equity-backed buyouts, Q4 2014

Deal name	Country	Value (€m)	Equity provider
SIG Combibloc Group	Switzerland	3,750.0	Onex Partners
Sky Bet	United Kingdom	1,005.8	CVC Capital Partners
MEDIAN Kliniken	Germany	1,000 (est)	Waterland Private Equity
Advanced Computer Software	United Kingdom	926.3	Vista Equity Partners
Exact Holding	Netherlands	730.0	Apax Partners
Paroc Group	Finland	700.0	CVC Capital Partners
Daisy Group	United Kingdom	633.8	Toscafund Asset Management, Penta Capital et al
Village Urban Resorts	United Kingdom	619.7	KSL Capital Partners
Northgate Public Services	United Kingdom	590.9 (est)	Cinven
Dealogic	United Kingdom	559.0	Carlyle Group

## Growth capital



	Volume	Value €bn
Q3 2012	172	2.31
Q4 2012	191	2.67
Q1 2013	204	1.86
Q2 2013	197	3.59
Q3 2013	174	1.62
Q4 2013	213	2.55
Q1 2014	226	3.76
Q2 2014	184	1.93
Q3 2014	170	2.26
Q4 2014	185	2.74
2012	807	11.18
2013	788	9.61
2014	765	10.7

Expansion deals got off to an impressive start to 2014, with 226 transactions in the first quarter – the highest number of deals over the last ten quarters. However, this category shrunk by 19% in the second quarter and 8% in the third quarter. This trend was finally reversed in the fourth quarter when deal volume jumped 9% to 185 deals. Still, growth capital deals registered their fourth consecutive annual decline, slumping to 765 deals – 3% less than the 788 of 2013 and 9% less than the five-year peak of 838 recorded in 2010.

In value terms, the sector registered a sizeable rise of 21% from the €2.3bn witnessed in the third quarter to €2.7bn in the fourth quarter. This was the third time in the last four quarters that an increase in the total value of deals was recorded, helping the category register an 11% rise from €9.6bn in 2013 to €10.7bn in 2014.

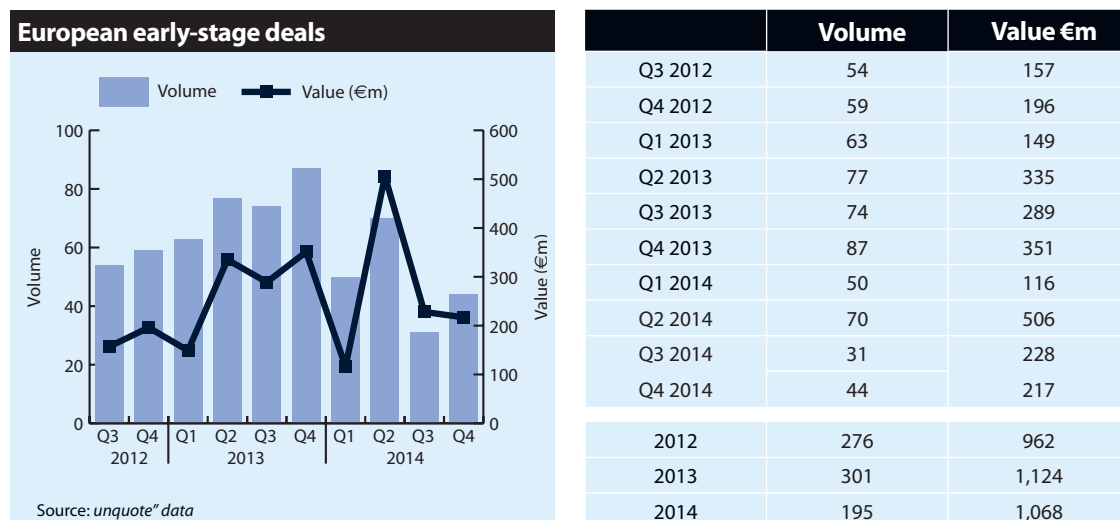
As in the buyout segment, the UK was the predominant market and accounted for 60 completed transactions, 32% of the total. At €682m, it also represented by far the largest market by combined value, 47% greater than the total posted by its nearest rival, France (22 deals, worth €465m). In volume terms, Germany came in second after reporting 35 deals, worth €296m.

The UK was also home to two of the top ten deals with a disclosed value, including the €77m purchase of a 23% stake in London-based Rocco Forte Hotels. Southern Europe was home to the largest deal of the quarter – Alchemy's €228m acquisition of a controlling stake of Spain's Endeka Ceramic.

## Ten largest European private equity-backed growth capital deals, Q4 2014

Deal name	Country	Value (€m)	Equity provider
Endeka Ceramics (formerly Johnson Matthey Ceramics)	Spain	228.0	Alchemy Partners
Adyen	Netherlands	200.9	General Atlantic, Temasek Capital et al
Foncia Groupe	France	185.0	Bridgepoint, Eurazeo
Inalca	Italy	165.0	Fondo Strategico Italiano
Euromedic	Hungary	140 (est)	Ares Life Sciences fund
Rocco Forte Hotels	United Kingdom	76.7	Fondo Strategico Italiano
Cell Medica	United Kingdom	63.9	Imperial Innovations, Invesco Perpetual
Blue Yonder	Germany	60.3	Warburg Pincus
Ascendis Pharma	Denmark	48.2	OrbiMed, Sofinnova Ventures et al
arago	Germany	43.5	Kohlberg Kravis Roberts & Co (KKR)

## Early-stage



The three months to December saw the venture capital industry rise again after noting a decline during the third quarter, with latest estimates from *unquote*™ data showing a 42% increase – from 31 to 44 deals. Yet, the fourth quarter's deal volume remains far from the ten-quarter peak of the 87 deals reported in the fourth quarter of 2013. Overall, there was a 35% decline in deal numbers – from 301 deals in 2013, to 195 deals in 2014.

Having decreased from €506m in the second quarter to €228m in the third quarter (a 55% decline), total deal value fell to €217m in the fourth quarter. By the end of the year, aggregate value remained 57% below the ten-quarter peak of the second quarter of 2014. Overall, there was a 5% decline in total value from €1.12bn in 2013 to €1.06bn in 2014.

The most active market on a regional basis was Germany, which was home to 16 deals as part of an overall total of 18 across the German-speaking DACH region. With approximately €58m, the area was the second-largest in terms of the value, behind the UK, which registered €86m across the eight deals completed in the country. Beyond these two powerhouses, the Netherlands recorded the third-highest deal volume, with five deals worth €22m.

As the above figures suggest, the UK had a higher average deal value, in part due to the fact it was home to the largest deal of the quarter – the €35m investment in haemodialysis systems developer Quanta Fluid Solutions, led by Seventure. While the UK accounted for three of the top ten deals by value, Germany accounted for four. Belgium, Netherlands and France accounted for the remaining three deals.

### Ten largest European private equity-backed early-stage deals, Q4 2014

Deal name	Country	Value (€m)	Equity provider
Quanta Fluid Solutions	United Kingdom	34.5	Aliad, Seventure et al
Bicycle Therapeutics	United Kingdom	25.7	Novartis Venture, Astellas Venture Management et al
Promethera Biosciences	Belgium	20.3	Boehringer Ingelheim, Vesalius BioCapital et al
Levcept	United Kingdom	12.8	Gilde Healthcare Partners, Index Ventures et al
Ribontec	Germany	9.5	Boehringer Ingelheim, Wellington Partners et al
MYR	Germany	7.9	High-Tech Gründerfonds
Humedics	Germany	6.3	Vesalius BioCapital, Seventure
Cristal Therapeutics	Netherlands	6.0	Chemelot Ventures, BioGeneration Ventures et al
Finexkap	France	6.0	Finsight Ventures
Travador	Germany	5.5	Xange Private Equity, Capnamic Ventures et al

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