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Private equity barometer

Q2 2019 Figures based on preliminary data from Europe's
specialist private equity information provider



533

Lowest PE deal volume
for nine quarters

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Key Findings

Overall European private equity

- There was a weakening in private equity activity in Q2 2019, with total deal volume and value dropping compared with Q1.
- PE houses completed 533 investments across buyout, expansion and early-stage deals, a nine-quarter low.
- The amount of capital invested, including debt, fell on the previous quarter, but was only a two-quarter low.

Buyouts

- Buyout investments rose 6% compared with the previous quarter to 238.
- The total enterprise value of completed deals fell 19% compared with the previous quarter, to €34bn.
- Q2 buyout volume was the highest since Q4 2018 and value was only the lowest since Q4 2018.
- A softening in large-cap (€1bn+) and mid-cap (€100m-1bn) buyout numbers was offset by a steep climb in small-cap transactions (<€100m).
- Mid-cap volume dropped to its lowest since at least Q1 2017, with 49 deals.
- Large-cap volume, a typically volatile figure, dropped to six from 11.
- Small-cap volume rose 20% to 183, rebounding from a weak Q1 to reach a level in line with the average over the last 10 quarters.
- The weighting of activity toward the smaller end of the market naturally impacted aggregate buyout value, with mid- and large-cap value dipping by €9bn compared with Q1, while small-caps provided a lift of almost €1bn.
- The average buyout value settled to a more normal level of €145bn from the previous quarter's high €192bn.
- In terms of vendor type, 131 buyouts were sourced from family and private owners, up from 117 in Q1 and in line with the rise in smaller deals.
- There were 63 secondary buyouts, four fewer than the previous quarter and the lowest over the last 10 quarters.
- In contrast, carve-outs from local parent companies increased to their highest number in the last 10 quarters, with 24 such transactions.

- Regionally, France had its weakest buyout volume and value in the last 10 quarters with 42 investments worth €2.2bn. Volume was down 28% compared with the previous quarter and value down 61%.
- CEE rebounded from a weak start to the year, with the number of transactions trebling to 12.
- The UK & Ireland was top in volume with 45 deals and DACH was top in value with €10.8bn invested.
- DACH value was boosted by the €9bn acquisition of Nestlé's Skin Health business by a consortium led by EQT Partners and Abu Dhabi's ADIA, the largest deal of the quarter.

Growth Capital

- There were 245 growth capital/expansion investments in Q2, down 14% on the previous quarter.
- Total capital deployed jumped 45% to €11.9bn, the highest figure in the last 10 quarters.
- Growth capital investors have deployed more than €5bn in Europe in every quarter since Q1 2017. There were only three €5bn+ quarters in the decade prior.
- The high aggregate value figure was aided by Carlyle Group's significant minority investment in Cepsa, a Spanish energy company, but aggregate value is still high even if this deal is excluded.
- UK & Ireland was the largest contributor to growth capital deal volume with 85 investments, continuing a recent hot streak of 75-100 deals per quarter.

Early-stage

- Early-stage volume dropped 34% compared with the previous quarter, with 50 investments.
- Total value fell by 28% compared with the previous quarter, to €477bn.
- Volume and value were their lowest for the last 10 quarters.
- Seven of the 10 largest investments were in pharmaceuticals and biotechnology.
- A consortium led by Auvén Therapeutics led the largest investment round of Q2, with a \$76m investment in Switzerland-based ADC Therapeutics.

Q2 witnesses lowest deal volume since Q1 2017

Overall European private equity

European private equity's recent exuberance eased in Q2 as mid- and large-cap buyout deal volume slowed. There was also a weakening in early-stage investments, but small-cap buyouts and expansion deals continued to post figures consistent with a high investment appetite.

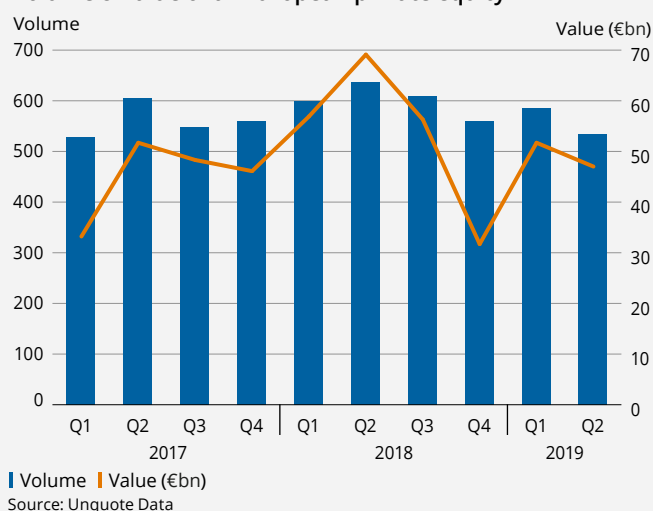
There were 533 buyout, expansion and early-stage investments over the quarter, a nine-quarter low. The amount of capital invested, including debt, also fell compared with the previous quarter but was only a two-quarter low at €47.1bn. Indeed, aggregate value was only just shy of the average over the last 10 quarters of €49.3bn, with the amount of capital invested remaining very strong overall despite the quarter's loss of momentum.

Aggregate value was dented mostly by the drop in the number of mid- and large-cap buyouts, which together knocked €8.7bn off deal value from Q1 to Q2. However, large-cap deals are especially volatile and have varied in volume between two and 11 in the last 10 quarters, while value has varied between €2.9bn and €32.8bn. The drop in mid-market buyout volume was also quite steep, but it is still at the number it was in Q1 2018. Given the ample dry powder remaining in the market, it is unlikely the softening seen in Q2 will continue.

Private equity investment appetite has also remained fairly robust given political developments in recent years, which have threatened supply chains and global trade. Many investors have given greater weighting to defensive sectors that will continue to be driven by longer-term trends; healthcare and B2B technology are typical choices.

The Q2 data also continues the trend of 500-600 transactions per quarter, with quarterly volume figures steadily climbing from 2007 onwards and then settling in this range from around the start of 2017.

Volume & value of all European private equity



	Volume	Value €bn
Q1 2017	528	33.3
Q2 2017	605	51.8
Q3 2017	548	48.4
Q4 2017	560	46.2
Q1 2018	599	57.0
Q2 2018	636	69.2
Q3 2018	609	56.4
Q4 2018	559	31.8
Q1 2019	586	51.8
Q2 2019	533	47.1
2017	2,241	179.7
2018	2,403	214.4
2019	1,119	98.9

“Q2 continues the trend of 500-600 transactions per quarter, with quarterly volume figures steadily climbing from 2007 onwards.”



Quarterly Focus

Are macro events beginning to bite?

The slowdown in economic growth in the eurozone and the UK over the last 18 months has thus far failed to put any significant dent in dealflow. Even political developments such as the protests of the *Gilet Jaunes* and various Brexit cliff edges have had a fairly muted impact. Private equity watchers and players have been paying close attention to such developments, but so far capital has continued to flow stoically in both the UK & Ireland and France, Europe's largest private equity markets.

Indeed, private-equity-backed buyouts in France reached a new post-crisis high last year in volume terms, while the UK mid-market remained robust, albeit with some slower activity among the large-cap deal makers.

However, there are signs Q2 may have been a turning point, with negativity perhaps beginning to have a substantive impact on dealflow. Both the UK and France had their weakest quarters for mid-market buyouts in at least the last three years. Comparing year-to-date figures, the two regions are well behind the level they reached over the same period in 2018 and 2017. There were 24 and 26 mid-market buyouts in France in H1 2017 and H1 2018, compared with 21 this year. In the UK & Ireland, there have only been 25 mid-market buyouts this year, compared with 33 and 36 in H1 2017 and H1 2018.

Deal-making momentum, which had been continuing upward unabated since the immediate post-crisis years, had seen some stagnation in several regions over the course of last year. Many private equity houses reported a mismatch in price expectations between vendors – who had watched their financials improve dramatically over recent years of strong growth – and GPs – who were beginning to think that the economic cycle was cooling. However, while the price mismatch was widespread, it was most significant in the DACH and CEE regions.

It may be cause for some concern that Q2's slowdown was concentrated in Europe's two largest markets. The DACH mid-market has also had a slow first half with only 13 transactions, compared with 22 in H1 2018 and 21 in H1 2017, but small-cap and large-cap deals made up for the shortfall, so the overall buyout picture was quite healthy. This was not so in the UK and France, where overall buyout numbers reflected the mid-market trends, with a slow quarter in Q2 and weak H1.

Despite Q2's statistics portraying a mostly negative story, there were some bright spots in both France and the UK. Expansion deals had a strong Q2 and H1. There were 85 expansion/growth capital investments in the UK in Q2, and, after an impressive Q1, the first half is the best of the post-crisis era. France had 51 expansion investments in Q2, down on Q1, but not far off its average over the last 10-quarters of 53.

Buyouts

A sharp rebound in the number of small-cap buyouts helped to boost total buyout volume in Q2 amid a drop in the volume of mid-cap and large-cap deals. However, this naturally meant a drop in total deal value. There were 183 small-cap deals, a 20.4% increase compared with the previous quarter, marking a rebound from a three-year low. It brings small-cap volume back into line with its average over the last 10 quarters of 185.

Mid-cap deals dropped to 49 in Q2 – the lowest since Q1 2018 and a sizeable drop from 61 in the previous quarter. Large-cap deal volume also fell back, with six deals, down from 11 in the previous quarter. The rise in small-cap buyouts more than offset the sluggish mid-cap and large-cap deal volume to lift total European buyout volume to 238, a rise of 6% compared with the previous quarter. Total buyout volume has now failed to surpass the 250 mark for three consecutive quarters, suggesting it may have lost a touch of steam; five of the seven quarters from Q1 2017 to Q3 2018 registered more than 250 buyouts.

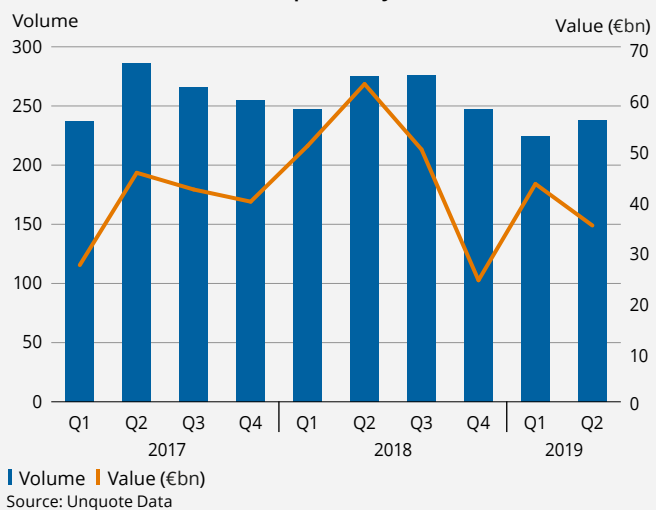
Total buyout deal value dropped to €34.7bn, a 19% drop from the previous quarter, with mid-cap deal value losing €5.4bn and large-cap deals down €3.3bn.

There were 131 buyouts sourced from family and private owners in Q2, up 12% compared with the previous quarter. In contrast, there were 63 secondary buyouts, down 6% and the lowest over the last 10-quarters. Less related to the overarching trends, but also notable, was the fact private-equity-backed carve-outs from local parent companies increased to their highest number in the last 10 quarters, with 24 such transactions.

France had its weakest quarter for both buyout volume and value in the last 10 quarters with 42 investments worth €2.2bn. Volume was down 28% compared with the previous quarter and value down 61%. However, it was still the second largest source of buyout targets in Europe, only narrowly behind the UK & Ireland. The UK & Ireland was top in volume with 45 deals and DACH was top in value with €10.8bn invested. DACH value was boosted by the €9bn acquisition of Nestlé's Skin Health business by a consortium led by EQT Partners and Abu Dhabi's ADIA, the largest deal of the quarter.

Despite being top in volume, it was also the UK & Ireland's slowest quarter in the last 10 after dropping from 53 investments in the previous quarter. The CEE region turned out to be a Q2 bright spot after volume rebounded from a very weak start to the year, with the number of transactions trebling to 12. Southern Europe, too, saw return to form, with volume jumping to 38, a three-quarter high.

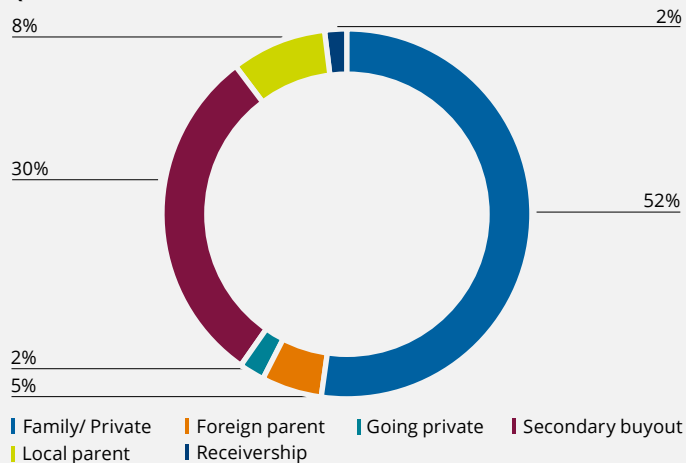
Volume & value of all European buyouts



	Volume	Value €bn
Q1 2017	237	26.9
Q2 2017	286	45.1
Q3 2017	266	41.8
Q4 2017	255	39.4
Q1 2018	247	50.4
Q2 2018	275	62.6
Q3 2018	276	49.7
Q4 2018	247	23.9
Q1 2019	224	42.9
Q2 2019	238	34.7
2017	1,044	153.2
2018	1,045	186.7
2019	462	77.6

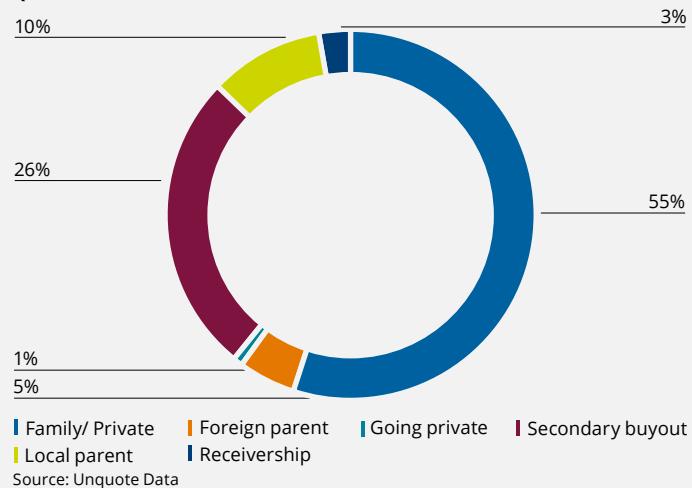
European buyouts by vendor type

Q1 2019



European buyouts by vendor type

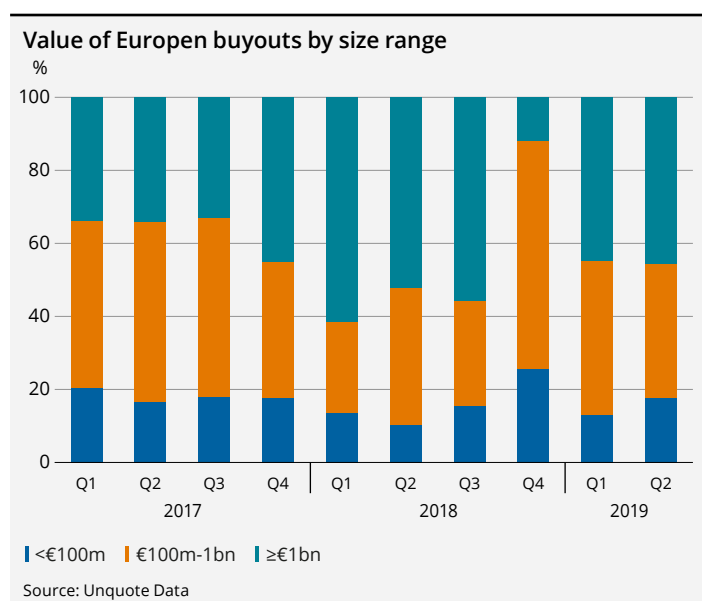
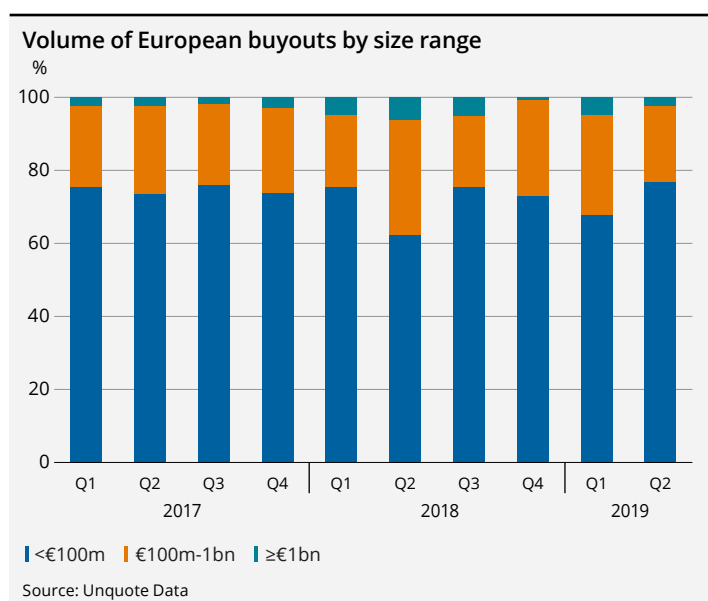
Q2 2019



	Q1 2019	Q2 2019
Family/Private	117	131
Foreign parent	12	12
Going Private	5	2
Institutional Investor	67	63
Local Parent	19	24
Receivership	4	6
State	0	0

“The largest buyout was the €9bn acquisition of Nestlé’s Skin Health business by a consortium led by EQT Partners and Abu Dhabi’s ADIA.”

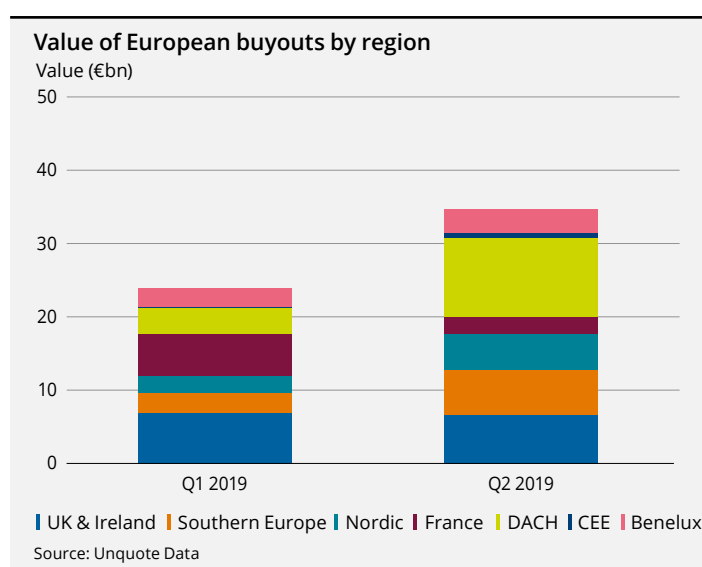
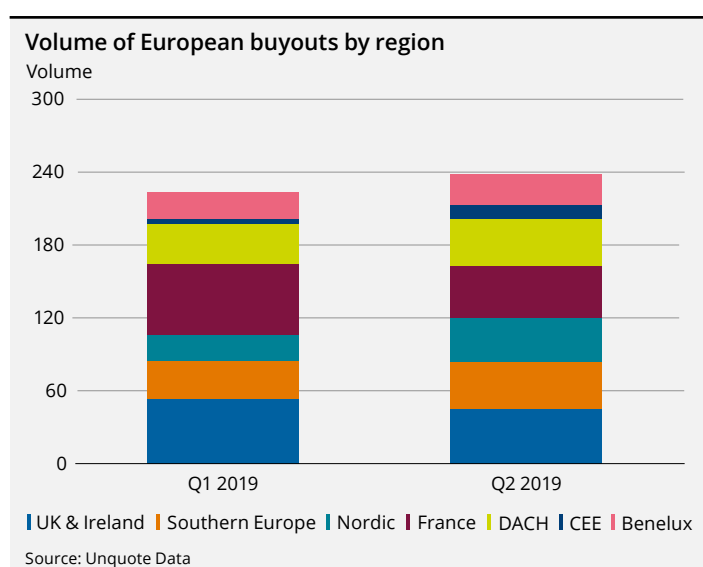




	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q1 2017	179	76%	52	22%	6	3%	237
Q2 2017	210	73%	69	24%	7	2%	286
Q3 2017	202	76%	59	22%	5	2%	266
Q4 2017	188	74%	59	23%	8	3%	255
Q1 2018	186	75%	49	20%	12	5%	247
Q2 2018	171	62%	87	32%	17	6%	275
Q3 2018	208	75%	54	20%	14	5%	276
Q4 2018	180	73%	65	26%	2	1%	247
Q1 2019	152	68%	61	27%	11	5%	224
Q2 2019	183	77%	49	21%	6	3%	238

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q1 2017	5.5	20%	12.3	46%	9.1	34%	26.9
Q2 2017	7.4	16%	22.3	49%	15.4	34%	45.1
Q3 2017	7.4	18%	20.5	49%	13.8	33%	41.8
Q4 2017	7.0	18%	14.6	37%	17.8	45%	39.4
Q1 2018	6.8	14%	12.5	25%	31.1	62%	50.4
Q2 2018	6.4	10%	23.3	37%	32.8	52%	62.6
Q3 2018	7.6	15%	14.3	29%	27.8	56%	49.7
Q4 2018	6.1	25%	14.9	63%	2.9	12%	23.9
Q1 2019	5.6	13%	18.1	42%	19.2	45%	42.9
Q2 2019	6.1	18%	12.7	37%	15.8	46%	34.7



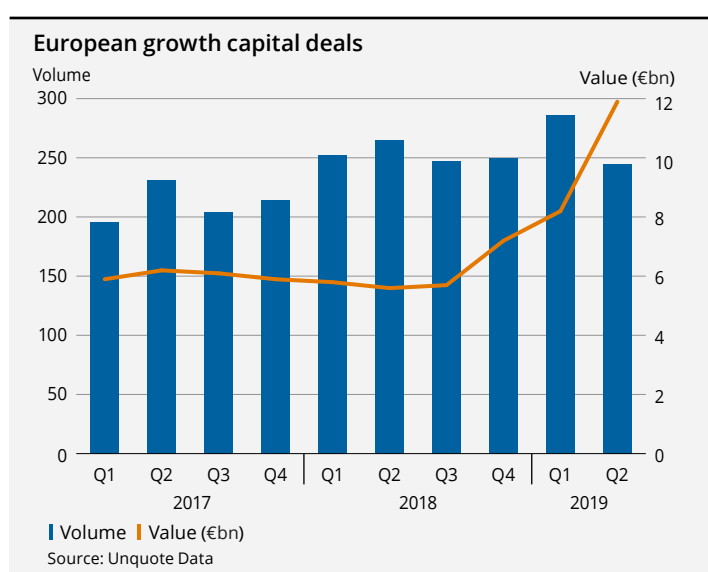


	Volume		Value (€m)	
	Q1 2019	Q2 2019	Q1 2019	Q2 2019
Benelux	23	25	2,567	3,346
CEE	4	12	227	652
DACH	33	39	3,450	10,820
France	58	42	5,800	2,237
Nordic	22	37	2,317	4,885
Southern Europe	31	38	2,633	6,218
UK & Ireland	53	45	6,893	6,557
	224	238	23,888	34,716

Ten largest European private-equity-backed buyouts, Q2 2019

Deal name	Country	Value (€m)	Equity provider
Nestlé Skin Health	Switzerland	8,934	EQT Partners, Abu Dhabi Investment Authority, PSP Investments
AutoStore	Norway	1,637	Thomas Lee Partners
Howden	UK	1,607	KPS Capital Partners
Acuris	UK	1,566 (est)	BC Partners
Doc Generici	Italy	1,100 (est)	Merieux Equity Partners, Intermediate Capital Group
Forgital Group	Italy	1,000	Carlyle Group
team.blue	Belgium	900 (est)	HgCapital
Telepizza	Spain	748 (est)	KKR
Loparex	Netherlands	n/d €500m-1bn	Pamplona Capital Management
Dellner Couplers	Sweden	n/d €500m-1bn	EQT Partners

Growth capital



The amount of equity injected via expansion/growth capital deals climbed to a record high in Q2 despite a slowdown in deal numbers. There were 245 growth capital investments over the quarter, down 14% on the previous quarter and the lowest since Q4 2017.

The total amount invested in these deals came to €11.9bn, a 45% climb on the previous quarter's figure, which was itself a new record. The average equity ticket also climbed to a new record of €49bn. Average equity tickets have been above €20m in every quarter since Q2 2016, prior to which the longest such run was only two quarters. Moreover, growth capital investors have deployed more than €5bn in Europe in every quarter since Q1 2017. There were only three €5bn+ quarters in the decade prior.

	Volume	Value €bn
Q1 2017	196	5.9
Q2 2017	231	6.2
Q3 2017	204	6.1
Q4 2017	214	5.9
Q1 2018	252	5.8
Q2 2018	265	5.6
Q3 2018	247	5.7
Q4 2018	250	7.2
Q1 2019	286	8.2
Q2 2019	245	11.9
2017	845	24.0
2018	1014	24.3
2019	531	20.1

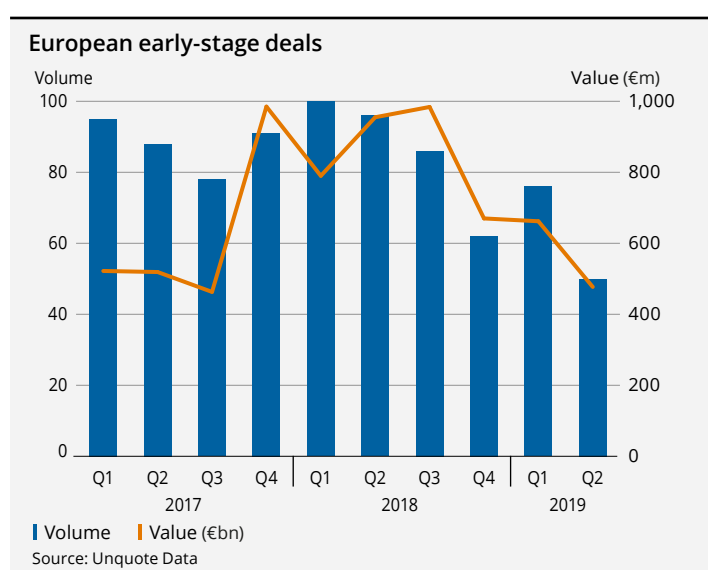
The high value figure was aided by Carlyle Group's significant minority investment in Cepsa, a Spanish energy company, but would still have been very high even if this deal was excluded. The deal has been reported in the press to be around €3.8bn.

The UK & Ireland was the largest contributor to deal volume with 85 investments, continuing a hot streak of 75-100 deals per quarter that began in late 2017.

Ten largest European private-equity-backed growth capital deals, Q2 2019

Deal name	Country	Value (€m)	Equity provider
Cepsa	Spain	3,200 (est)	Carlyle Group
Visma	Norway	750	HgCapital, Canada Pension Plan Investment Board
Greensill	UK	714	Softbank Corporation
Deliveroo	UK	513	Greenoaks Capital, Fidelity Management & Research Company
Kaseya	Ireland	446 (est)	Insight Venture Partners, TPG Capital
GetYourGuide	Germany	432	SoftBank Capital, Temasek, Highland Europe, et al.
Jaja Finance	UK	n/d (€100-250m)	Centerbridge Partners, KKR
APM Monaco	France	214 (est)	TPG Capital, Trail Capital
Meero	France	206	Eurazeo, Prime Ventures, Idinvest, et al.
Checkout.com	UK	205	DST Global, Insight Capital Partners, Government of Singapore Investment Corp, et al.

Early - stage



The early-stage investment space slowed in Q2, continuing a deceleration that began late last year. There were 50 transactions in Q2, the fewest in the last 10-quarters and down quite sharply from the previous quarter's 76. Value also slumped, falling 28% compared with the previous quarter to €477m.

Both volume and value have undergone a third quarter of consecutive decline. And it has been quite a steep decline; Q2's volume and value are around half what they were in Q2 2018 or Q1 2018, which marked the last decade's high point of early-stage investment.

	Volume	Value €bn
Q1 2017	95	522
Q2 2017	88	519
Q3 2017	78	463
Q4 2017	91	985
Q1 2018	100	790
Q2 2018	96	955
Q3 2018	86	984
Q4 2018	62	670
Q1 2019	76	662
Q2 2019	50	477
2017	352	2,490
2018	344	3,398
2019	126	1,139

The average equity ticket remained high in Q2 at €9.5m; it has been above €8m in six of the seven quarters since Q4 2017. Prior to this, it had never surpassed €8m.

Pharmaceuticals and biotechnology remain highly popular targets, with seven of the 10 largest investments in this sector. A consortium led by Auvén Therapeutics led the largest investment round of Q2 with a \$76m investment in Switzerland-based ADC Therapeutics. The DACH region was home to the greatest number of investments with 21, and has held top spot for the last three quarters.

Ten largest European private-equity-backed early-stage deals, Q1 2019

Deal name	Country	Value (€m)	Equity provider
ADC Therapeutics	Switzerland	68	Auven Therapeutics
Laboratoris Sanifit	Spain	55	Caixa Capital Risc, Gilde Healthcare Partners, Forbion Capital Partners, et al.
DNA Script	France	34	Life Sciences Partners, Idinvest Partners, Sofinnova Partners, et al.
Confo Therapeutics	Belgium	30	Wellington Partners , BioGeneration Ventures, Capricorn Venture Partners, et al.
Zava	UK	29	HPE Growth Capital
Imcyse	Belgium	28	Life Sciences Partners, Noshag, Epimède
Cynora	Germany	n/d (<€25m)	SBI Investment Korea, MIG
AgomAb Therapeutics	Belgium	21	Advent Venture Partners, V-Bio Ventures, Omnes Capital, et al.
Duffel	UK	19	Benchmark Capital, Index Ventures, Blossom Capital
Storm Therapeutics	UK	16	Pfizer Venture Investments , M Ventures, Cambridge Innovation Capital

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