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Private equity barometer

Q1 2020 figures based on preliminary data from *Unquote*, Europe's specialist private equity information provider



-29%

Private equity dealflow
suffers considerable
Q1 slump

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Key Findings

Overall European private equity

- European private equity suffered a slow start to the year, recording 702 deals in Q1 2020, down 29% on Q4 2019.
- Despite the contraction in dealflow, a substantial amount of capital was deployed in Q1, with quarterly deal value growing modestly to the highest level since Q2 2018.
- Average deal value was €99m in Q1 2020, the largest since Q2 2018.

Buyouts

- The number of buyouts declined to 223 in Q1 from 304, a fall of 27%.
- Buyout value rose 7% on Q4 to €59.8bn, posting its highest figure since Q2 2018.
- Dealflow edged down in all three value ranges – the small-cap (<€100m), mid-cap (€100m-1bn) and large-cap (>€1bn).
- The number of small-cap deals fell to 175 from 240, a fall of 27%.
- Mid-cap deals decreased to 39 deals from 51, reaching the lowest amount in at least 10 quarters, with value falling to €10.3bn from €12.9bn.
- There were nine large-cap deals, down from 14, but value climbed to €43.4bn from €34.2bn, reaching its highest figure since Q1 2018.
- Buyout volumes declined in all regions except for France. The steepest falls were in southern Europe, with a drop from 56 to 24; CEE, down from 16 to four; and in the Nordic region, from 34 to 21.
- Deal value went down in all regions except for France and DACH. It decreased by 58% in Benelux, by 75% in the Nordic region, by 22% in southern Europe, by 41% in the UK & Ireland and by 83% in CEE.
- France was the only region that had a robust quarter with 55 investments worth €13.4bn. Volume was up 8% and value almost tripled on the previous quarter.

- Dealflow in the DACH region fell sharply from 53 to 35, while deal value doubled to €24.1bn on the previous quarter.
- In terms of deal sourcing, there was a significant decrease in the number of secondary buyouts and transactions involving family/private vendors.
- The largest deal was Advent International and Cinven's €17.2bn majority investment in Thyssenkrupp Elevator, a Germany-based manufacturer of elevators, escalators and moving walkways.

Growth Capital

- Growth capital dealflow lost momentum in Q1, with volume falling to 369 from 432 in the previous quarter.
- Total capital deployed in Q1 edged down to €8.6bn from €11.3bn
- DACH and France were the largest contributors to growth capital deal value, with €1.7bn and €1.5bn respectively.
- The largest deal was the minority reinvestment by Reinet Fund, Abu Dhabi Investment Authority and CVC Capital Partners in Pension Insurance Corporation, a UK-based provider of bulk annuities to corporate pension schemes.

Early-stage

- Early-stage deal volume dropped 19% in Q1 compared with the previous quarter, to 110 from 135.
- The amount of capital invested went down by 25% to €918m, losing its momentum and failing to cross the €1bn line.
- DACH was the largest contributor to early-stage deals in Q1, with 47 deals worth €451m.
- A consortium led by General Atlantic led the largest investment round of Q1, with a €117.94m investment in UK-based Immunocore.

Year of sustained growth finally halted in Q1 2020

Overall European private equity

The European private equity market cooled in Q1, after an especially active Q4 2019. The market showed signs of an abundance of capital chasing too few assets.

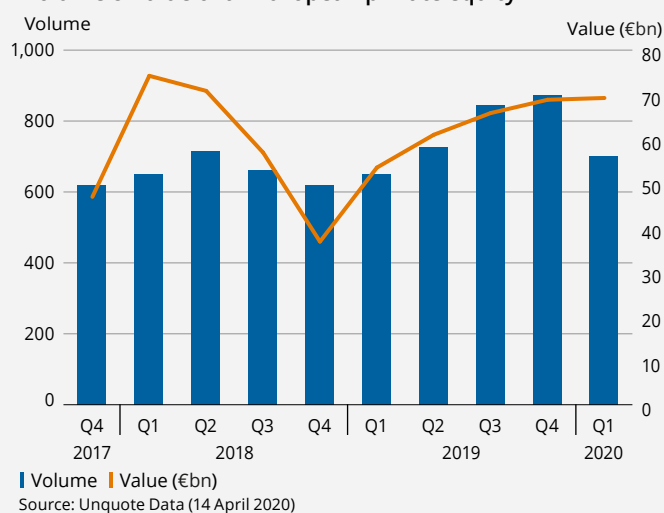
Dealflow significantly slowed, falling from 872 to 702 deals in Q1. Deal volume had been gradually increasing since the beginning of 2019 but failed to continue its upward trend in Q1 2020. Meanwhile, total deal value came in at €69.3bn. It was slightly up on Q4, posting its third highest figure in the last decade.

Q4 aggregate value was boosted mostly by a 27% growth in the number of large-cap buyout deals, which also helped to offset a fall in the value of small- and mid-cap buyout investments in Q1.

Deal numbers decreased in the buyout, growth capital and early-stage segments in Q1. The number of buyouts dropped to 223 from 304, while growth capital deal volume fell from a 10-year high, dipping to 369 from 432. Early-stage dealflow also lost its momentum in Q1 as deal volume declined from 135 (its highest figure on record) to 110.

The aggregate deal value of buyout investments went up 6% in Q1, hitting €59.8bn, its third highest level over the 10-quarter period. Meanwhile, deal value contracted across other segments. Growth capital values edged down to €8.6bn from €11.3bn and early-stage to €918m from €1.2bn. Early-stage and expansion deal value is in line with their respective averages over the previous 10 quarters, while total buyout value is above it.

Volume & value of all European private equity



	Volume	Value €bn
Q4 2017	618	47.0
Q1 2018	649	74.3
Q2 2018	716	70.9
Q3 2018	661	57.0
Q4 2018	620	36.9
Q1 2019	651	53.6
Q2 2019	725	61.0
Q3 2019	844	65.9
Q4 2019	872	68.9
Q1 2020	702	69.3
2018	2,646	239.1
2019	3,092	249.4
2020	702	69.3

“The market showed signs of an abundance of capital chasing too few assets.”



Quarterly Focus

PE faces rapidly changing landscape

It is hard to believe as we move into the second quarter of 2020 that the current global pandemic crisis is less than four months old: it was not until January 7th this year that officials of the World Health Organisation announced that they had identified the novel '2019-nCoV' virus. But such has been the speed that barely 10 weeks after the first cases were identified in Europe, economies have ground to a standstill and M&A activity has been hit hard.

As the stats in this report show, private equity dealflow has clearly been affected already, with overall transaction volumes down by some 19% and buyout numbers down by 27%. It is also notable that the rate of activity has fallen most sharply in southern Europe – the continent's worst-hit area – with buyout numbers more than halving from their (admittedly robust) Q4 2019 levels.

In recent weeks, *Unquote* has sought to canvass opinions from many quarters of the PE industry in order to assess the ongoing impact of the coronavirus on activity levels. Anecdotal reports clearly show that the market has already seen a tangible shift, with some later-stage deals still going through, other deals being renegotiated, and some transactions being cancelled altogether. Aside from the logistical problems caused by not being able to visit potential investees, or carry out meaningful due diligence exercises, there will obviously have been a sharp change in the mentality of vendors: now is not a good time to be divesting,

unless it is forced in a distressed situation; vendors in the current climate are more likely to try to ride out the storm and try to sell at a more opportune time.

In addition, it is much more likely that GPs' attentions are going to be diverted to focus on addressing liquidity issues within existing portfolio businesses, helping them to ride the storm. And this, according to one commentator, is where today's private equity community is perhaps better placed to help than it was in previous downturns or times of stress: "PE firms tend to have more operational expertise today than they did during the global financial crisis (GFC), which should hopefully mean a greater ability to guide management teams through this crisis."

Nevertheless, in the short term it seems fair to assume that the impact on the market – especially in terms of buyout activity – is only just beginning. Although some of the hardest hit regions are now cautiously looking at easing some of the more punishing restrictions, it is very likely that buyout dealflow will fall further in Q2 and possibly in Q3 as well.

On the flip side, the slow down on the earlier-stage investment side has not been so pronounced. The flow of growth and venture capital into sectors that may prove relatively defensive through this downturn – such as healthcare providers, med-tech and technology generally – may soften the decline in deal numbers.

Buyouts

A slowdown at the smaller end of the market dented overall buyout volumes in Q1. There were 223 buyouts over the quarter, a 10-quarter low and a sizeable drop from the 305 deals completed in Q4.

Deal volumes fell in all buyout value ranges in Q1. There were 175 small-cap deals, down from 240 in Q4, and 39 mid-cap deals, down from 51 – both posting their lowest figures in the last 10 quarters. The number of large-cap buyouts also weakened but not dramatically so: there were nine deals, down from 14 in Q4 2019.

Nevertheless, buyout deal value continued its upward trend after beginning to gain momentum at the beginning of 2019. It rose on Q4 to €59.8bn, reaching its third highest level over the 10-quarter period. In the large-cap segment, deal value increased to €43.4bn from €34.2bn, posting its second highest figure in the last 10 quarters, with values declining in the mid- and small-cap range. Q4 saw the signing of nine €1bn+ mega-buyouts, which significantly boosted value.

The strongest region for buyouts was France, where the total reached 55, increasing 8% and gaining momentum after the weak Q4. Meanwhile, deal volume declined in all other regions, with the

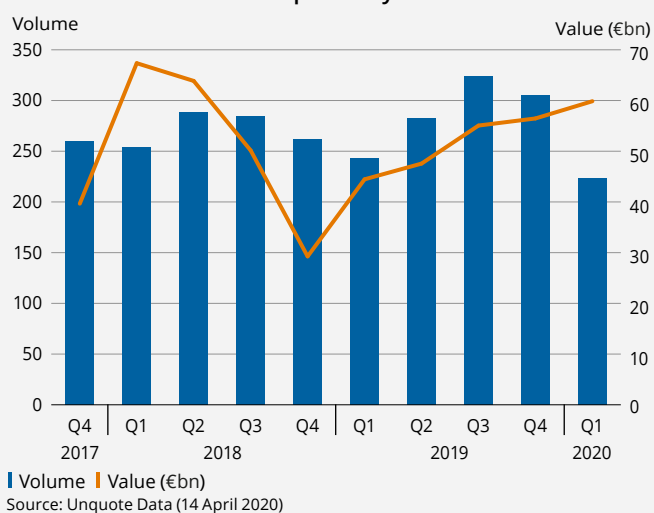
sharpest fall in the southern Europe, Nordic and CEE areas. In the UK & Ireland deal volume dropped by 16%, in DACH by 34%, in the Nordic countries by 38%, in southern Europe by 57%, and in the CEE by 75%. In Benelux, deal volume decreased from 32 to 31.

In terms of deal value, the DACH region and France had their strongest quarter in the last 10. DACH recorded €24.1bn in aggregate buyout value, up from €12.5bn in Q4, while France had €13.4bn, up from €5bn in Q4. In all other regions it decreased – by 58% in Benelux, by 75% in the Nordic region, by 24% in southern Europe, by 41% in the UK & Ireland and by 80% in the CEE.

Breaking the data down by vendor type reveals that the number of secondary buyouts fell 31% in Q1, while carve-outs from foreign parent companies rose by 27% and carve-outs from local parent companies fell 26%. There were 129 buyouts sourced from family and private owners in Q1, a significant drop from 176 in the previous quarter.

The largest buyout deal was Advent International and Cinven's majority investment in Thyssenkrupp Elevator, a Germany-based manufacturer of elevators, escalators and moving walkways. The deal has been reported to be €17.2bn.

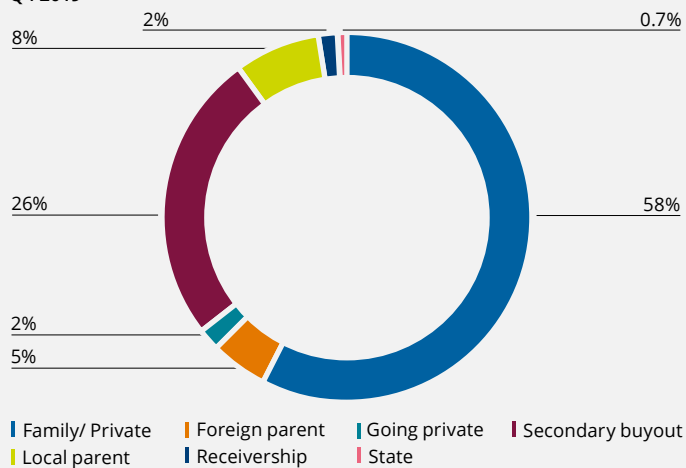
Volume & value of all European buyouts



	Volume	Value €bn
Q4 2017	260	39.6
Q1 2018	254	67.3
Q2 2018	288	63.8
Q3 2018	284	50.1
Q4 2018	262	29.2
Q1 2019	243	44.4
Q2 2019	282	47.5
Q3 2019	324	55.0
Q4 2019	305	56.4
Q1 2020	223	59.8
2018	1,088	210.3
2019	1,154	203.2
2020	223	59.8

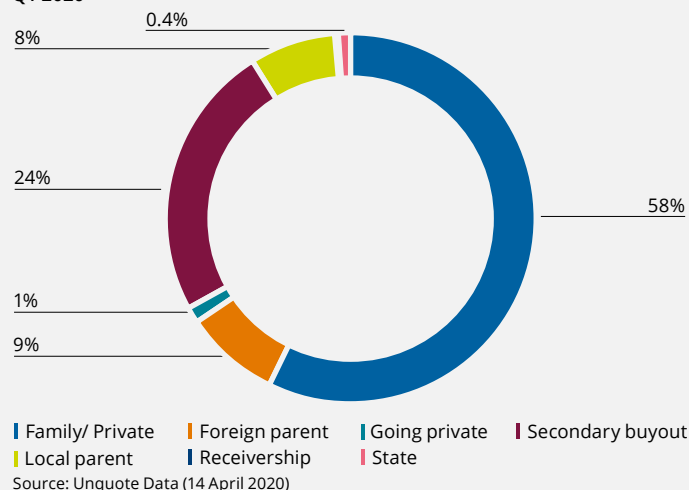
European buyouts by vendor type

Q4 2019



European buyouts by vendor type

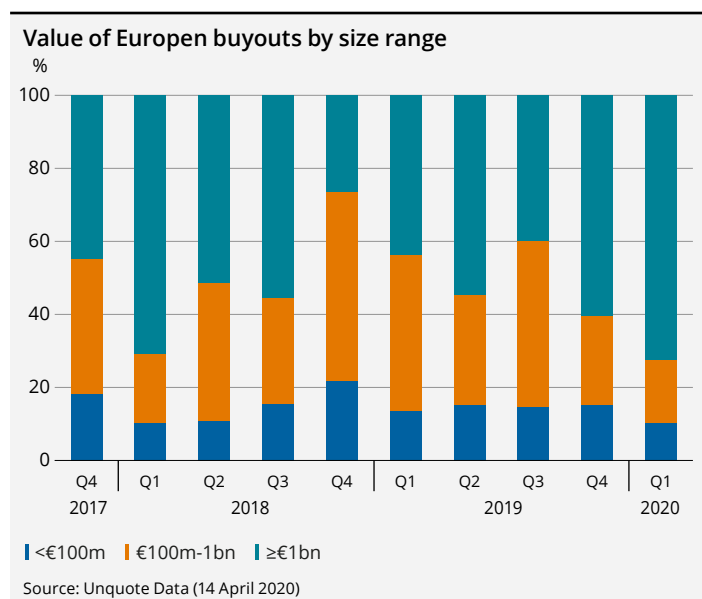
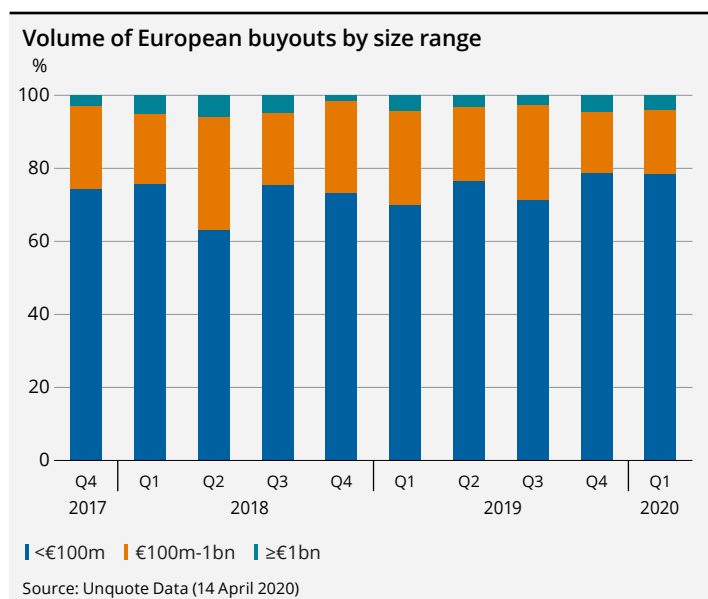
Q1 2020



	Q4 2019	Q1 2020
Family/Private	176	129
Foreign parent	15	19
Going Private	6	3
Institutional Investor	78	54
Local Parent	23	17
Receivership	5	1
State	2	0

“Barely 10 weeks after the first cases of coronavirus were identified in Europe, economies have ground to a standstill and M&A activity has been hit hard.”

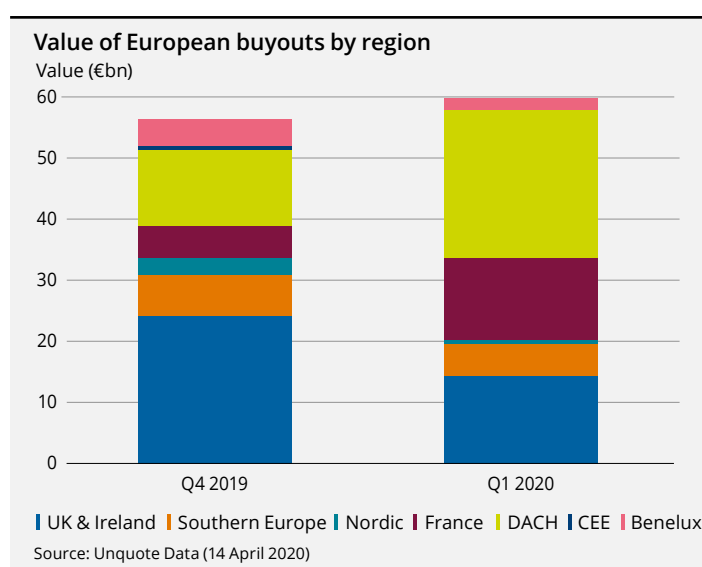
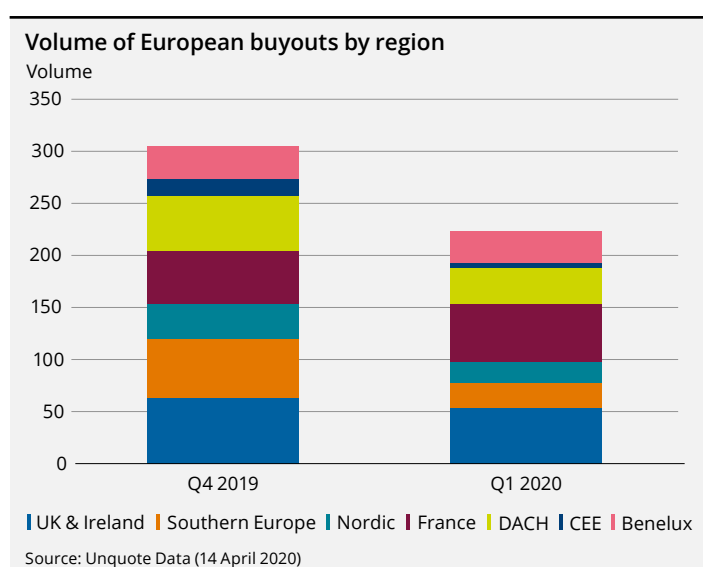




	<€100m Volume	%	€100m-1bn Volume	%	≥€1bn Volume	%	Quarterly total
Q4 2017	193	74%	59	23%	8	3%	260
Q1 2018	192	76%	49	19%	13	5%	254
Q2 2018	182	63%	89	31%	17	6%	288
Q3 2018	214	75%	56	20%	14	5%	284
Q4 2018	192	73%	66	25%	4	2%	262
Q1 2019	170	70%	62	26%	11	5%	243
Q2 2019	216	77%	57	20%	9	3%	282
Q3 2019	231	71%	84	26%	9	3%	324
Q4 2019	240	79%	51	17%	14	5%	305
Q1 2020	175	78%	39	17%	9	4%	223

	<€100m Value (€bn)	%	€100m-1bn Value (€bn)	%	≥€1bn Value (€bn)	%	Quarterly total Value (€bn)
Q4 2017	7.2	18%	14.6	37%	17.8	45%	39.6
Q1 2018	6.9	10%	12.5	19%	47.8	71%	67.3
Q2 2018	6.8	11%	24.1	38%	32.8	51%	63.8
Q3 2018	7.7	15%	14.5	29%	27.8	56%	50.1
Q4 2018	6.4	22%	15.1	52%	7.7	26%	29.2
Q1 2019	6.0	13%	19.0	43%	19.5	44%	44.4
Q2 2019	7.2	15%	14.4	30%	25.9	55%	47.5
Q3 2019	8.1	15%	24.9	45%	22.0	40%	55.0
Q4 2019	8.6	15%	13.6	24%	34.2	61%	56.4
Q1 2020	6.1	10%	10.4	17%	43.4	73%	59.8





	Volume		Value (€m)	
	Q4 2019	Q1 2020	Q4 2019	Q1 2020
Benelux	32	31	4,492	1,914
CEE	53	35	12,546	24,142
DACH	51	55	5,097	13,441
France	34	21	2,785	699
Nordic	56	24	6,699	5,153
Southern Europe	63	53	24,165	14,334
UK & Ireland	16	4	575	110
	305	223	56,359	59,793

Ten largest European private-equity-backed buyouts, Q1 2020

Deal name	Country	Value (€m)	Equity provider
Thyssenkrupp Elevator	Germany	17,200	Advent International, Cinven
Ceva Santé Animale	France	4,900 (est)	Temasek Capital <i>et al.</i>
Viridor	UK	4,886	KKR
Cobham	UK	4,875	Advent International
Veeam	Switzerland	4,458	Insight Venture Partners
Galileo Global Education	France	2,500 (est)	Canada Pension Plan Investment Board <i>et al.</i>
Gerflor	France	1,650 (est)	Cobepa, Crédit Mutuel Equity, Intermediate Capital Group
Engineering Ingegneria Informatica	Italy	1,600 (est)	Bain Capital, NB Renaissance Partners
Golden Goose	Italy	1,280	Permira
Sante Cie	France	950	Ardian, HLD Associés, UI Gestion

Growth capital



	Volume	Value €bn
Q4 2017	247	6.3
Q1 2018	276	6.2
Q2 2018	313	6.1
Q3 2018	272	5.9
Q4 2018	278	7.0
Q1 2019	318	8.5
Q2 2019	353	12.9
Q3 2019	409	10.0
Q4 2019	432	11.3
Q1 2020	369	8.6
2018	1,139	25.2
2019	1,512	42.7
2020	369	8.6

Growth capital activity lost its momentum in Q1 after a strong end to the previous year. Both deal value and volume slipped back to levels registered in the first half of 2019 – deal volume was the lowest since Q2 2019 and the total amount of capital invested was the lowest since Q1 2019.

Dealflow dropped to 369 in Q1 from 432 in Q4, while value slid to €8.6bn from €11.3bn. While down on the previous quarter, deal volume was higher than its average over the previous 10 quarters, and value was in line with its average.

On top of fewer investments being completed, the total amount invested per deal has fallen. The average equity edged down to €23.2m from €26.2m, its lowest figure since Q3 2018. Average

investments have been above €20m in every quarter since Q3 2018.

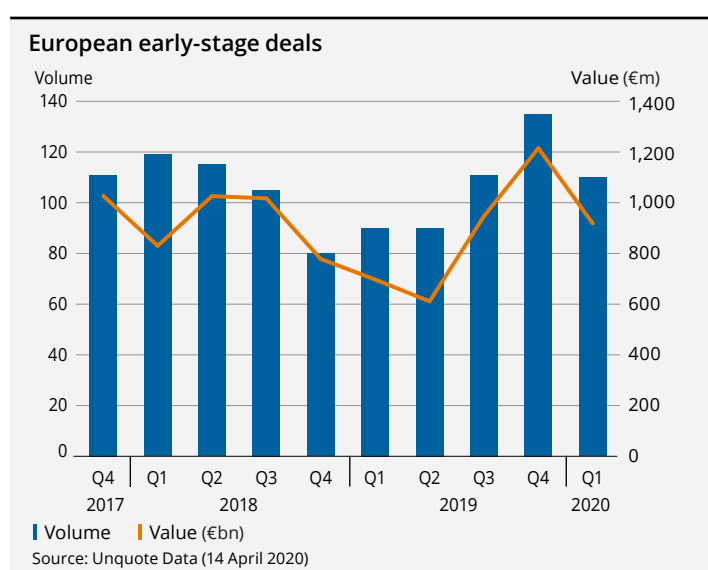
As is normally the case, the UK & Ireland was the largest contributor to both deal volume and value, with 105 investments worth €3.9bn. Growth capital volume in the region actually lost some momentum in Q1, falling 15% on the previous quarter, though the value figure stayed in line.

The largest growth capital deal was Reinet Fund, Abu Dhabi Investment Authority and CVC Capital Partners' minority reinvestment in Pension Insurance Corporation, a UK-based provider of bulk annuities to corporate pension schemes. The deal has been reported to be €892m.

Ten largest European private-equity-backed growth capital deals, Q1 2020

Deal name	Country	Value (€m)	Equity provider
Pension Insurance Corporation	UK	892	Reinet Fund, Abu Dhabi Investment Authority, CVC Capital Partners
Revolut	UK	452	Technology Crossover Ventures <i>et al.</i>
EcoVadis	France	178 (est)	CVC Capital Partners
KRY	Sweden	140	Teachers' Private Capital
Graphcore	UK	136	Mayfair Equity Partners <i>et al.</i>
Snyk	UK	134	Stripes Group <i>et al.</i>
ManoMano	France	124	Temasek Capital <i>et al.</i>
Cazoo	UK	116	DMG Ventures <i>et al.</i>
Qonto	France	104	DST Global <i>et al.</i>
Kineis	France	100	BNP Paribas Développement <i>et al.</i>

Early - stage



Deal volume and value came back to their normal levels, after hitting an all-time high in Q4 2019. The number of deals completed in Q1 dropped 19% – there were 110 investments, down from 135 in Q4 2019.

Deal value lost its momentum and failed to cross the €1bn line. The amount of capital invested in early-stage deals decreased 25%, posting its figure at €918m, down from €1.2bn in Q4 2019.

Despite the recent slowdown in volume and value, the average investment size was in line with previous quarters, at €8.3m. The average early-stage equity ticket has been at least €8m since Q3 2019.

	Volume	Value €m
Q4 2017	111	1027
Q1 2018	119	830
Q2 2018	115	1026
Q3 2018	105	1017
Q4 2018	80	778
Q1 2019	90	697
Q2 2019	90	611
Q3 2019	111	947
Q4 2019	135	1215
Q1 2020	110	918
2018	419	3,651
2019	426	3,470
2020	110	918

Technology and healthcare were the most popular targets in the previous quarter, while pharmaceuticals became highly sought after for large-ticket investments.

As is normally the case, the DACH region was home to the greatest number of early-stage deals (47) and the largest early-stage investment in Q1, which means the region has held top spot for the last six quarters.

A consortium led by Tencent backed the largest investment round of Q1, with a €222.27m investment in Germany-based Liliium Aviation, a developer of an electrically powered lightweight commuter plane. The series-C funding round also saw participation from Atomico Ventures, Freigeist and LGT.

Ten largest European private-equity-backed early-stage deals, Q1 2020

Deal name	Country	Value (€m)	Equity provider
Lilium Aviation	Germany	222	Tencent <i>et al.</i>
Immunocore	UK	118	General Atlantic, Terra Magnum Capital Partners
George Health	UK	48	Federation Asset Management <i>et al.</i>
NorthSea Therapeutics	Netherlands	36	VenBio <i>et al.</i>
VectivBio	Switzerland	31	Versant Ventures <i>et al.</i>
Sanity Group	Germany	20	HV Holtzbrinck Ventures <i>et al.</i>
Alderaan Biotechnology	France	19	Medicxi Ventures, Advent France Biotechnology
MaaT Pharma	France	18	Seventure Partners, Crédit Mutuel Innovation
Le Wagon	France	17	Cathay Capital Private Equity, AfricInvest
Refurbed	Austria	15	Evli Growth Partners <i>et al.</i>

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