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Annual Buyout Review
2020 edition

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Last hurrah

European private equity enjoyed another standout year in 2019, and this was abundantly apparent when looking at activity in the buyout market. The 1,127 transactions recorded by *Unquote* were a new high-water mark, finally eclipsing the long-standing 2007 record.

It is mostly the sense of momentum that has been a key takeaway from the past couple of editions of the *Annual Buyout Review*: last year was the third consecutive 12-month period in which the 1,000-deal mark was passed, and the contrast with the 700 transactions recorded per year on average across the 2010-2015 period is striking. And while aggregate value finally halted its climb, it still remained above the €200bn mark, which was hitherto only reached in 2018 and the 2006-2007 boom years.

This momentum has been noticeable – and most welcome – outside the typical UK bellwether, too. France, Italy and Iberia in particular all reached record levels in dealflow. France has become the largest buyout market in Europe in volume terms, vindicating local players that have for years extolled the potential of a deep and mature business ecosystem. As for southern European countries, their continued rebound has hinted at a more attractive status among LPs, beyond opportunistic distressed plays.

The strong fundraising haul of 2019 should have also pointed at more to come, as GPs keep their foot on the gas to deploy a combined €112bn raised across 96 buyout vehicles targeting Europe last year.

But these statistics - as well as reactions and positive expectations from market participants from all over Europe - were compiled in early 2020, prior to the coronavirus pandemic sweeping through Europe and the US.

It is of course too early to precisely quantify the impact of such an unexpected and rapidly evolving situation, with official government advice on mitigation measures and their impact on business still varying across most countries. But there is widespread consensus that deal-making will be severely impacted for Q2 2020 at least, as travel restrictions and social distancing take their toll on processes and due diligence.

More importantly, the expected economic shock and the impact on portfolios across the board - beyond the immediate existential threat to many assets in the travel and leisure sectors - should all but guarantee that the activity peak recorded in 2019 is unlikely to be repeated this year.

It remains to be seen whether Europe's economies can overcome this challenge soon enough for GPs to resume sensibly deploying the vast amounts of capital allocated to private equity in recent months. ■

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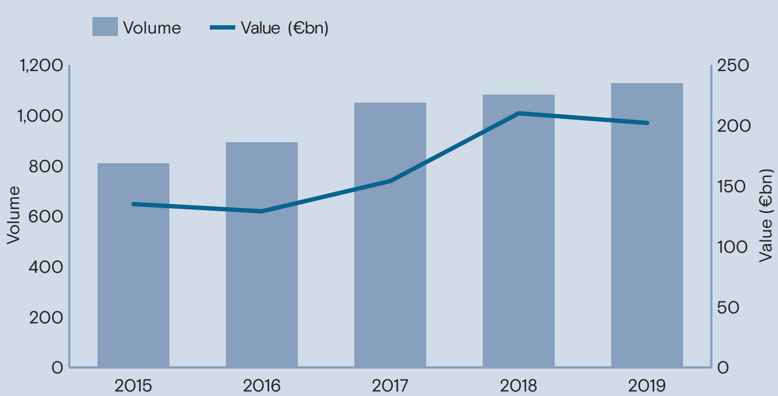
Executive summary

Deal numbers keep on rising

Market value softened slightly in 2019, but remained over €200bn, propped up by strong ongoing dealflow at the upper end of the size ranges

Forward momentum for the European buyout machine was comfortably maintained in 2019. The 1,127 deals recorded represent a high-water mark for the industry and is the third successive year the 1,000-deal barrier has been exceeded; dial back a decade and the average annual total for the 10 years from 2000 to 2009 stood at just 600 deals per annum.

Private-equity-backed buyouts in Europe



	2015	2016	2017	2018	2019
Volume	810	892	1049	1082	1127
Value (€bn)	135	129	154	210	202
Average value (€m)	167	145	147	194	179

Source: Unquote Data

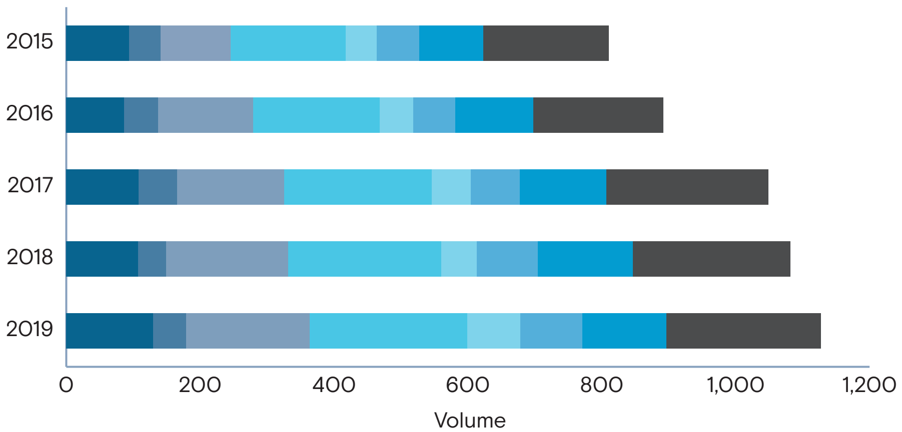
While deal volume rose by 4%, the value of deals fell by the same margin, though it remained above the €200bn mark for only the second time since the two boom years of 2006 and 2007. The fact the decline was so modest is due to the strength in the large-cap market: although the number and value of €1bn+ transactions fell, there were 84 deals worth €500m or more in 2019 versus 75 the year before. On their own, the volume of deals in the €500m-1bn bracket rose by 52%, offsetting much of the drop in the mega-deal bracket. Lower down the scale there was solid growth in the small-cap and lower-mid-cap segments, which rose by 10% and 8% respectively.

Buy, then build

The wall of dry powder is undoubtedly key in driving the relentless rise in buyouts, but it masks another trend that has been emerging in recent years. Faced with the increasingly difficult task of finding attractive, well-run and sensibly priced targets, many GPs have ramped up their buy-and-build programmes. This has a couple of important side-effects: firstly, larger investors are more likely to be seen buying up smaller assets (thereby reducing the potential deal universe for GPs normally operating in those segments) on the basis that they will make multiple add-on commitments; and there has been a sharp increase in expansion deals, under which category *Unquote* classifies funded bolt-ons.

Dealflow by region

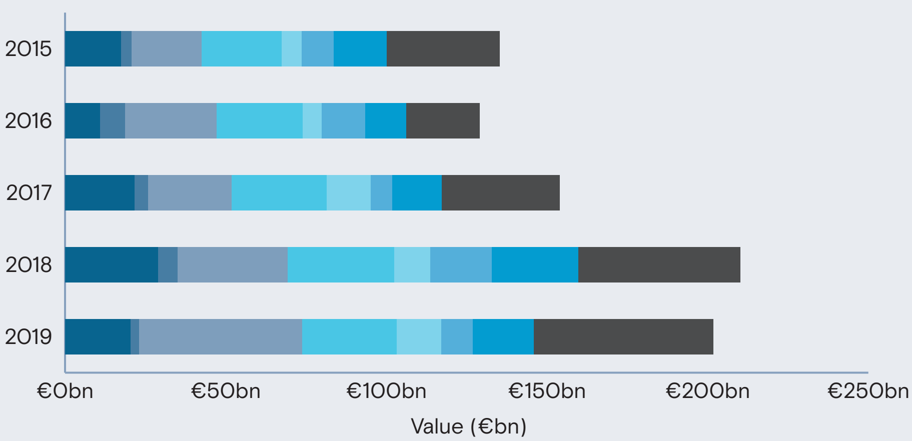
- France, DACH, Italy, Iberia and the Benelux region all reached record levels in dealflow.
- France was the largest market in Europe in 2019, eclipsing the UK for the first time.
- The UK and Nordic markets both contracted, but only modestly.



	2015	2016	2017	2018	2019
Benelux	94	86	108	107	130
CEE	47	51	57	42	49
DACH	104	142	160	182	184
France	172	189	221	229	236
Iberia	47	50	58	53	79
Italy	63	63	73	91	93
Nordic	96	116	130	142	125
UK/Ireland	187	195	242	236	231

Aggregate buyout value by region

- After a record year in 2018, more regions saw value decline than increase.
- A surge of large deals saw DACH increase by almost 50% and smash its all-time record.
- The UK & Ireland grew by 11% to reach its second highest ever level.



	2015	2016	2017	2018	2019
Benelux	17.3	10.8	21.5	28.9	20.3
CEE	3.3	7.8	4.3	6.1	2.7
DACH	21.8	28.5	26.0	34.2	50.7
France	25.0	26.9	29.6	33.3	29.5
Iberia	6.2	5.8	13.6	11.1	13.8
Italy	10.0	13.6	6.8	19.2	9.9
Nordic	16.5	12.7	15.4	26.9	18.9
UK/Ireland	35.1	22.9	36.7	50.5	55.9

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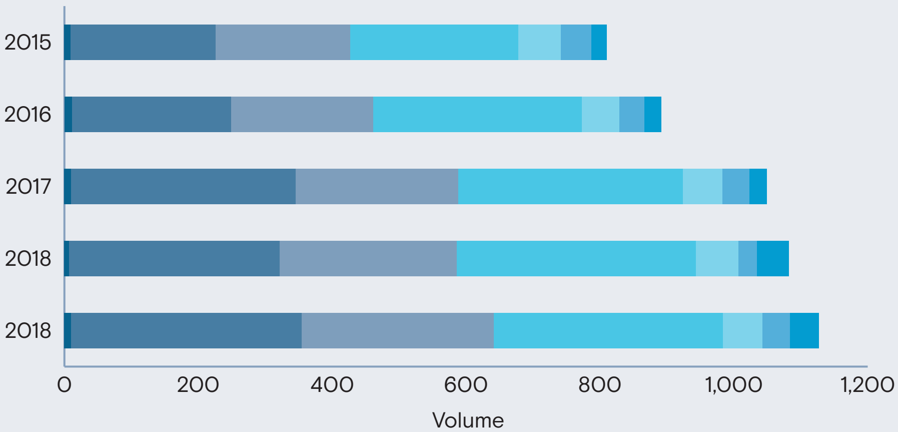
Dealflow by size range

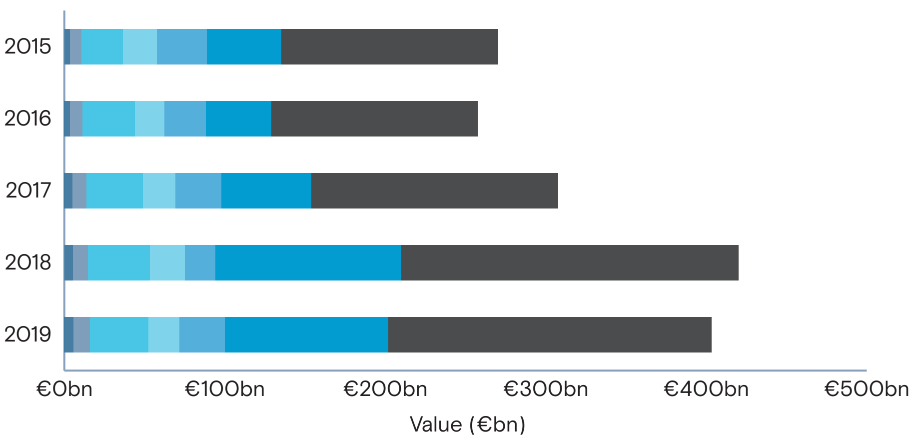
- The smallest end of the market grew most, with more than 20% growth in the sub-€50m categories.
- Although the number of €1bn+ deals fell from the 2018 high, dealflow in the €500m-1bn category bounced back strongly.



	2015	2016	2017	2018	2019
<€5m	9	11	10	7	10
€5-25m	217	238	335	314	344
€25-50m	201	212	243	265	287
€50-250m	251	312	336	357	343
€250-500m	63	56	59	64	59
€500m-1bn	46	37	40	27	41
>€1bn	23	26	26	48	43

Aggregate buyout value by size range

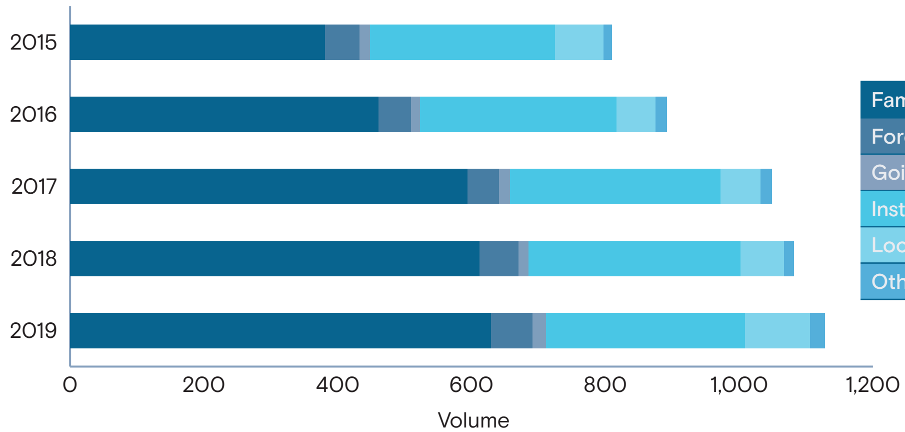
- The value of sub-€50m deals has risen for six consecutive years and stands at an all-time high (€16bn+).
- The value of €1bn+ deals fell, but remains over the €100bn mark for the second consecutive year.



	2015	2016	2017	2018	2019
<€5m	0	0	0	0	0
€5-25m	3.4	3.5	5.0	5.2	5.7
€25-50m	7.3	7.5	8.6	9.4	10.2
€50-250m	25.6	32.8	35.4	38.8	36.3
€250-500m	21.4	18.5	20.0	21.5	19.6
€500m-1bn	31.0	25.8	28.7	19.0	28.3
>€1bn	46.4	40.7	56.2	116.1	101.6
	135.1	**128.9**	**153.8**	**210.1**	**201.7**

Dealflow by vendor type

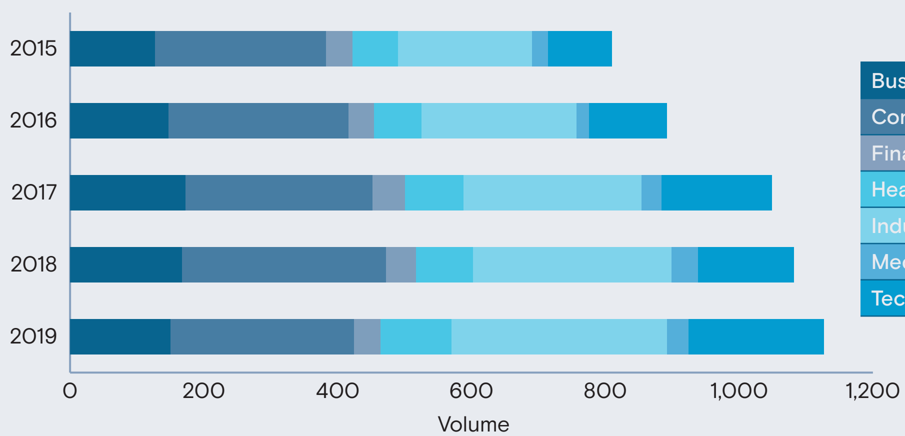
- Buyouts from family/private vendors remained steady at around 55% of the market, but SBOs fell to their lowest level in five years.
- Corporate spin-outs rose to their highest level since before the financial crisis.



	2015	2016	2017	2018	2019
Family/Private	381	461	594	612	629
Foreign parent	51	48	47	58	62
Going private	16	14	16	15	20
Institutional investor	277	293	315	317	298
Local 9arent	72	59	60	65	97
Other	13	17	17	15	22

Dealflow by sector

- Business services, consumer, financials and media all record modest falls in dealflow.
- Buyouts of technology companies grew by more than 40% to 200+, while industrials remained the bedrock of the market with a 29% share.



	2015	2016	2017	2018	2019
Business services	127	147	172	167	150
Consumer	255	269	280	305	274
Financials	40	38	48	45	40
Healthcare	68	71	88	85	106
Industrials	200	232	266	297	322
Media	24	18	30	39	32
Technology	96	117	165	144	203

Benelux

Francesca Veronesi
Reporter

Dealflow breaks records as fundraising recovers

Buyout dealflow was strong across Benelux last year and a further uptick could be on the cards for 2020 and beyond, as regional players wrap up their fundraising efforts. By Francesca Veronesi and Greg Gille

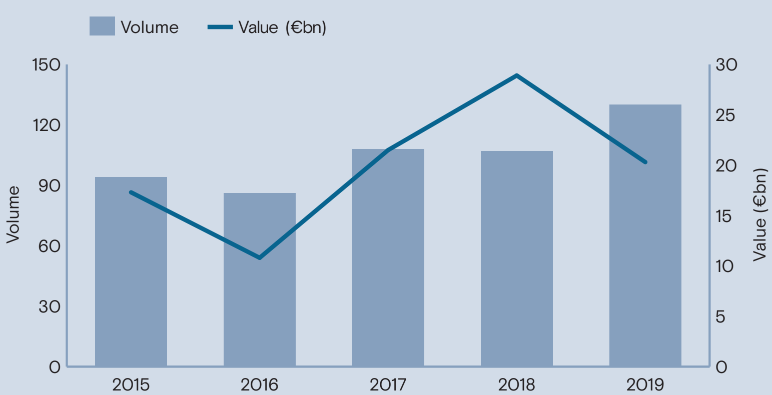
While often out of the European private equity limelight on the deal-making side, the Benelux region quietly posted an excellent 2019: last year's 130 buyouts, which collected an aggregate value of €20.3bn, surpassed 2018's volume of 107 and represented the highest volume posted since the pre-financial-crisis years, having surpassed 2007's 110 deals. The surge in volume was largely due to 17 more deals in the €25-250m EV range compared with the previous year.

In aggregate value terms, the large drop in 2019 from €28.9bn to €20.3bn can be entirely attributed to one deal: the €10.1bn carve-out of AkzoNobel's chemicals division in 2018. Furthermore, mega-deals valued in excess of €1bn in enterprise value were halved to three in the region, compared with the six transactions that took place in that bracket in 2018.

But this was somewhat offset by a strong increase in the €500m-1bn segment, with six buyouts recorded in that space against just two in 2018. The picture therefore remained healthy for larger deals overall, with nine deals valued in excess of €500m collecting €11.5bn in 2019 – meaning the large-cap space surpassed the €10bn aggregate value mark for the third year in a row, a significant departure from the 2008-2016 period.

Hogan Lovells partner Wouter Jongen adds that pre-emptive offers have been a feature in the

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	94	86	108	107	130
Value (€bn)	17.3	10.8	21.5	28.9	20.3
Average value (€m)	184	125	199	270	156
% of European volume	11.6%	9.6%	10.3%	9.9%	11.5%
% of European value	12.8%	8.4%	14.0%	13.7%	10.0%

Source: Unquote Data

"Direct lenders are competing with high-yield and the syndicated market. Although more expensive, they can do deals swiftly"

Wouter Jongen, Hogan Lovells

upper-mid-market and large-cap space, but that discipline remains. With regards to debt financing in this market segment, Jongen indicates that banks have been more conservative during the past 14 months, providing private debt lenders greater leeway in the large-cap space: "Direct lenders are competing directly with high-yield and the syndicated market. Although more expensive, they can do deals swiftly and efficiently." He expects their role to become more prominent in the upper segment of the market in 2020.

Proceed with caution

Despite the overall uptick, local players know that finding the right assets at the right price remains challenging. Gilde Equity Management partner Bas Glas, operating in the lower-mid-market, says that even towards the end of Q4 last year, a good number of companies came to market, but of very diverse quality. Some are sold at high prices, despite the fact that they have only recently shown a step up in profits, or expect one imminently. Judging critically is key, Glas says: "I do not think the quality assets are gone, but the last few years have been prolific for exits,

and many great assets have been sold, so they have just become scarcer."

The Benelux region has a very stable economy and there are no signs of the region suffering a recession shortly, but GPs have started to think more about the potential vulnerability of the assets they are about to acquire, according to Glas. Contingency scenarios are being considered more than before, he says: "It has become increasingly important for sellers and management teams of companies to get a GP on board that has the capabilities and stamina to support the business, even when things do not go as planned."

Tech triumphs

Looking at 2019 activity from a sector perspective lends further credence to the view that GPs are focusing on defensive and/or high-growth assets in the region. The only significant loser appears to have been the consumer segment, with dealflow falling from 32 to 23 year-on-year. Meanwhile

activity was rampant in technology (28% year-on-year increase), healthcare (with deal count more than doubling from three to eight) and to a lesser extent financial services (from the lone deal in 2018 to three last year). Surprisingly though, the industrial sector posted its strongest performance in years with 45 deals, a 32% increase on the 2018 number.

Standout transactions in the technology space last year included Apax Partners selling its stake in Dutch accounting software provider Exact Software to KKR in a deal thought to be valued at around €1.65bn. The sale ends a holding period of almost four years for Apax, which acquired the company for an enterprise value of €730m in 2015. KKR made the investment through its long-term capital programme, Core Investments.

Carve-out craving

Meanwhile, last year did not usher in significant shifts when it comes to sourcing patterns in Benelux. The overall deal volume increase was relatively evenly distributed across vendor types, with one notable exception that highlights the underlying appeal of the region's industrial and services sectors: carve-outs sourced from local corporates more than doubled from four to 10 year-on-year. It bears noting that 2018 was more of a blip in that regard, with the yearly number of such deals being closer to eight on average across the past decade.

The Benelux countries remained relatively fertile ground for primary deals, overall. Secondary buyouts accounted for around 22% of all dealflow in 2019, which is still below the Europe-wide proportion of 26% and lower than that seen in France (40%) and the Nordic region (29%), for instance.

"It is important for companies to get a GP that has the capabilities and stamina to support them, even when things do not go as planned"

Bas Glas, Gilde Equity Management

Fundraising comeback

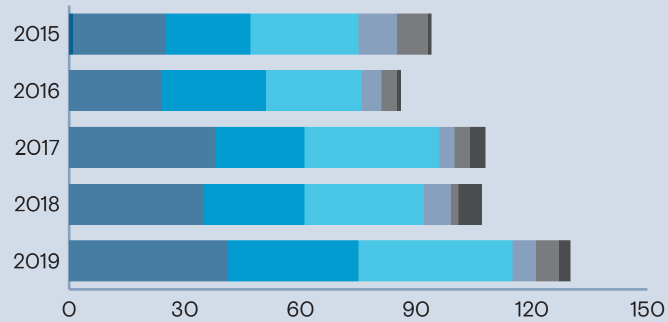
Strong deal activity marched hand in hand with a slight uptick in fundraising in 2019, with seven funds collecting almost €1.8bn, following a quiet year in terms of final fund closes in 2018 (just €620m aggregate value raised across six funds). Ergon Capital Partners, whose last fund had closed in 2010, held the most prominent fund close, with Ergon Capital Partners IV collecting €580m. It was followed by Nordian's Fund III (€320m), Vendis Capital III (€300m), and Gilde Healthcare Services III (€200m).

A number of established regional players held final closes in 2016 (Parcom, Bencis, H2 Equity Partners and Vendis Capital), as well as in 2017 (Waterland, Egeria, Avedon, Gilde Equity Management, Main Capital and Mentha). The following year was very quiet in terms of final fund closes, but 2019 saw a couple of these aforementioned players return to market: Vendis closed its new fund and Main Capital launched its Main Capital VI fund in the summer. The latter vehicle collected €535m by December and is expected to hold a final close in Q1 2020 on €564m; that would be more than double the size of its predecessor, which closed on €236m in 2017.

Another fundraising update to keep an eye on is the close of Gilde Buy Out's sixth fund, which the Dutch press reported as being on the fundraising trail since early 2019, targeting a €1.5bn final close. If that target is hit, this vehicle would represent a step up in terms of size compared with Gilde Buy Out Fund V, which closed on €1.1bn in Q4 2015.

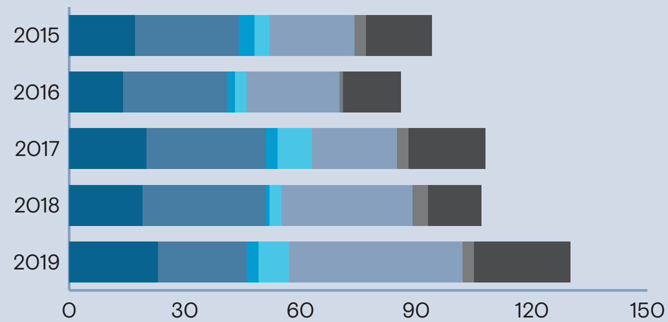
With regional players likely to wrap up their latest efforts, and others back on the trail, all signs point to 2020 seeing a fundraising uptick after a quieter 2018-2019 period – potentially fuelling a sustained increase in deal activity, should GPs remain confident in the region's medium-term outlook (and barring the ongoing coronavirus outbreak making a prolonged dent in investment activity worldwide). ■

Benelux buyouts by size range (volume)



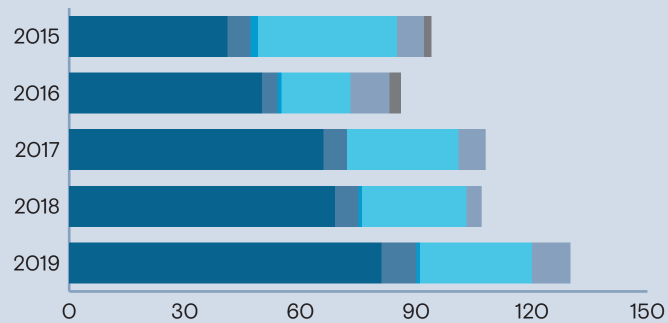
	2015	2016	2017	2018	2019
<€5m	1	0	0	0	0
€5-25m	24	24	38	35	41
€25-50m	22	27	23	26	34
€50-250m	28	25	35	31	40
€250-500m	10	5	4	7	6
€500-1bn	8	4	4	2	6
≥€1bn	1	1	4	6	3

Benelux buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	17	14	20	19	23
Consumer	27	27	31	32	23
Financials	4	2	3	1	3
Healthcare	4	3	9	3	8
Industrials	22	24	22	34	45
Media	3	1	3	4	3
Technology	17	15	20	14	25

Benelux buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	41	50	66	69	81
Foreign parent	6	4	6	6	9
Going private	2	1	0	1	1
Institutional investor	36	18	29	27	29
Local parent	7	10	7	4	10
Other	2	3	0	0	0

Source: Unquote Data

Benelux exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
Endemol/ Endemol Shine Group	Trade sale	2,000 (est)	Apollo Global Management
Armacell	Secondary buyout	1,400	Blackstone Group
Action	Secondary purchase	1,000	Partners Group
M7 Group (CDS Topco)	Trade sale	1,000 (est)	Astorg Partners
Campbell Europe/Continental Foods	Trade sale	900 (est)	CVC Capital Partners
SecureLink	Trade sale	515	Investcorp
Metallum Holdings	Trade sale	380	Towerbrook Capital Partners
Newtec	Trade sale	250	PMV, SmartFin Capital
Da Vinci Group/BRB International	Trade sale	163	Bencis Capital Partners
Roxit	Trade sale	100 (est)	Main Capital Partners

130 buyouts

Third successive 100+ year

Smaller deals

Strong gains in the €5-250m brackets

81 buyouts

Sourced from family/ private vendors

Benelux funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
Ergon Capital Partners IV	Ergon Capital Partners	500	580
Nordian Fund III	Nordian Capital Partners	n/d	320
Vendis Capital III	Vendis Capital	300	300
Gilde Healthcare Services III	Gilde Investment Management	n/d	200
Kempen European Private Equity Fund	Kempen Capital	150	193
H2 Equity Partners NL Fund	H2 Equity Partners	n/d	150
Quadrum Investment Fund II	Quadrum Capital	n/d	100

Benelux deals 2019

Deal name	Business description	Deal value (€m)	Sector
Trivium	Producer of metal packaging	n/d (>1bn)	Industrials
Exact Software	Developer of accounting software	n/d (>1bn)	Technology
Armacell	Producer of flexible technical insulation material	1,400	Industrials
team.blue	Web hosting service	900 (est)	Technology
Royal Wessanen	Producer of organic food products	870	Consumer
Synthon International	Developer of complex generics and hybrid medicines	n/d (500-1,000)	Healthcare
Loparex	Manufacturer of silicone-coated papers and films	n/d (500-1,000)	Industrials
Vermaat Groep	Catering and hospitality service	n/d (500-1,000)	Consumer
Dutch Ophthalmic Research Center	Provider of instruments for ophthalmic surgery	n/d (500-1,000)	Healthcare
Barentz	Producer of ingredients for pharmaceutical and food industries	n/d (250-500)	Consumer
Royal Reesink	Distributor of agricultural machinery products	n/d (250-500)	Industrials
KidsFoundation	Operator of childcare centres	n/d (250-500)	Consumer
Miya	Operator of water assets	400 (est)	Industrials
Solidus Solutions	Manufacturer of fibre-based packaging	330	Industrials
Seal For Life Industries	Provider of corrosion prevention and waterproofing products	289	Industrials
Eichholtz	Designer and wholesaler of luxury furniture and lighting	n/d (50-250)	Consumer
Joulz Diensten	Provider of energy infrastructure equipment and services	220 (est)	Industrials
Dept	Digital marketing service	n/d (50-250)	Media
Sucsez	Insurance intermediary company	n/d (50-250)	Financials
Amadys	Provider of passive network equipment services	n/d (50-250)	Industrials

Central & Eastern Europe

Mariia Bondarenko
Data reporter

Growing maturity shrugs off political intermediation

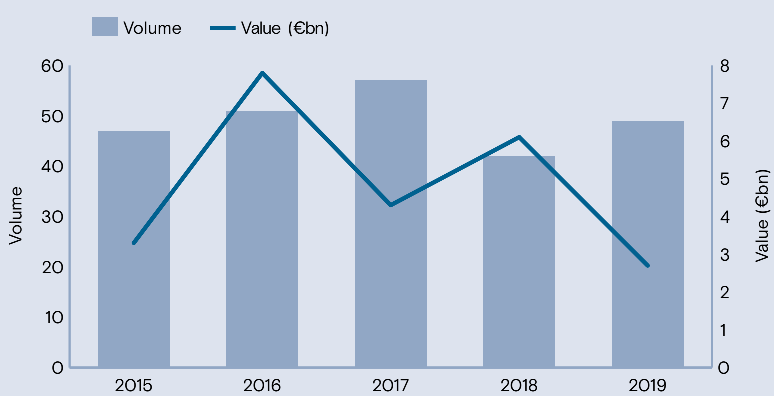
As CEE's economies continue to mature, and consumer spending among a growing middle-class escalates, PE must strike a balance between price expectations and acceptable returns. Mariia Bondarenko reports

The political and economic environment in central and eastern Europe was largely favourable for private equity investors in 2019. Currency stability, consistency of economic policy and the avoidance of measures that could lead to unsustainable growth were three key factors contributing to this attractiveness. Across most of the region, irrespective of the political dynamics, those criteria have been met.

Nevertheless, there were some worrying political developments in the region that impacted business, such as the recent nationalisation of fertility clinics in Hungary. In 2019, prime minister Viktor Orbán designated fertility clinics a strategic sector for Hungary as part of his efforts to push a nativist agenda and increase the population. Hungary's state asset manager MNV took ownership of all the firms that were operating in this market to provide free pregnancy treatment and the ruling party effectively banned any private sector investment in the area.

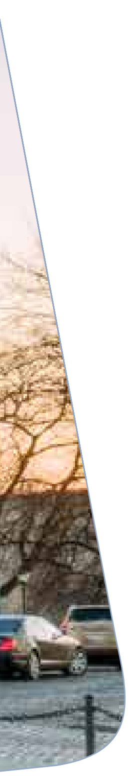
The Polish market also saw some distressed deals last year. Polish and other regional financial markets have been developing very fast over the last 20 years and are quickly catching up with the mature European standards. However, a small number of transactions in the financial markets, combined with aggressive growth strategies and increasingly challenging regulatory requirements, resulted in a couple of situations in which regulators stepped in with punitive actions.

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	47	51	57	42	49
Value (€bn)	3.3	7.8	4.3	6.1	2.7
Average value (€m)	69	153	75	146	56
% of European volume	5.8%	5.7%	5.4%	3.9%	4.3%
% of European value	2.4%	6.1%	2.8%	2.9%	1.4%

Source: Unquote Data



> "CEE consumers are not used to saving. During communism there was nothing to save, so people are not trained to save"
> *Paweł Gieryński, Abris*

However, according to Paweł Gieryński, managing partner at Abris: "These were one-off events and do not suggest a trend."

Having said that, Innova Capital senior partner Andrzej Bartos emphasises the importance of investing in businesses that are not exposed to regulatory risks: "We either try to understand the consequences of regulations deeply in the first place or stay away from such investments altogether."

On the whole, 2019 was fruitful for private equity activity in CEE; there were 49 buyouts recorded, up 17% on the previous year. Total deal value weighed in at a modest €2bn, which was one third of the result for 2018. However, last year's higher numbers were the result of a handful of mega-deals valued at more than €1bn.

Positive dynamics

CEE has been enjoying a gradual improvement in the quality of assets over the years, which can be explained by the growing maturity of the markets and institutional frameworks, as well as the more developed expertise of entrepreneurs, and greater focus on deal preparation. This reduces the potential for mismatches between vendor and buyer expectations, and allows investors to be selective.

There also was a positive change in the general economic development. As GDP per capita is increasing, consumer spending is going up, resulting in a higher demand in the consumer sector. Says Gieryński: "CEE consumers are not used to saving. During communism there was nothing to save, so people are not trained to save. Now when people have more disposable income, they are spending."

Bifurcated market

The pricing trend for deals in CEE continued to rise in 2019. On occasions this has led to unrealistic vendor expectations and hence the latter half of 2019 saw a number of processes being pulled.

The market has also become increasingly bifurcated, according to Matthew

> "While some committed investors continue to support their GPs, it is not the best time to attract new investors"
>
> *Matthew Strassberg, Mid Europa Partners*

Strassberg, co-managing partner at Mid Europa: "While we are not seeing distressed deals, we are seeing opportunities arising from a more bifurcated market, where some hot assets trade at lofty valuations, while other assets with genuine potential but slightly less compelling stories become available in a less competitive context."

Enjoying a generally favourable economic situation and experiencing a bumper year, some companies adjusted their price expectations to a level beyond the reach of many GPs. Those companies were at the peak of their cycles, with their profits going up.

Meanwhile, some investors did not see many changes in valuations across most of the industries in the region. "As for Abris," says Gieryński, "if we consider paying higher multiples today compared with our average from previous years, we relate it to bigger equity tickets that we target or the higher quality of those assets rather than an increase of multiples for comparable assets."

Conscious fundraising

The current fundraising environment in CEE is relatively challenging due to its continued perception as a niche market and the absence of outperformance over the US and western Europe, resulting in questioning the benefits of the exposure.

Mid Europa's Strassberg says fundraising continues unabated for those with established LPs, but starting from scratch is a challenge: "While some long-time committed investors continue to support the GPs with whom they have long-standing relationships, it is not the best time to attract new investors." Aside from the issue of performance, another challenge is the rapidly burgeoning assets under management of key LPs: typical CEE funds lack the scale necessary to attract those larger LPs.

In the meantime, the region still draws attention on the fundraising scale as there is less competition due to a lower number of investors exposed to the market and yet higher rates of returns. In two to three years, the correlation is expected to be adjusted to the western markets' level, bringing more competitors and therefore compromising on returns. ▶

Narrower exit routes

The CEE exit environment has always favoured transactions with strategic buyers over IPOs. Last year was no exception, with a noticeable reduction in the number of IPOs as an exit route. One of the reasons is that the threshold for companies to go public has risen. "Exit routes became narrower", says Innova's Bartos. This reflects the strong tendency of the public markets to favour very large market capitalisations and avoid the small and medium-sized businesses.

IPOs became less attractive following the pension funds reform in Poland in 2014 that negatively influenced liquidity on the Warsaw Stock Exchange (WSE). The WSE used to offer attractive valuations, forming a genuine exit alternative for PE firms. However, this channel has been shut down for many companies, as the pension fund reforms introduced a few years ago significantly changed the stock market environment. The reforms restricted investment activity of private pension funds, which are collectively considered to be the largest private investor on the WSE. Reduced demand from pension funds has resulted in lower valuations and made it attractive for strategic investors to place bids at lower prices.

However, some GPs did not experience much tension from the change of rules. "For Abris, non-performing public markets has not affected our investment strategy, as our most common exit route has primarily been a trade sale," says Gieryński.

Strassberg notes the reduction in IPOs is chiefly among SMEs. "At the same time, as more PE money has been raised, the reduction in the number of options has not led to reduced opportunities to exit." The good news for regional private equity players is the rise of the secondary market in the region, which is now quite active.

"The threshold for companies in central and eastern Europe to go public has risen. Exit routes have become narrower"

Andrzej Bartos, Innova Capital

Regional challenges

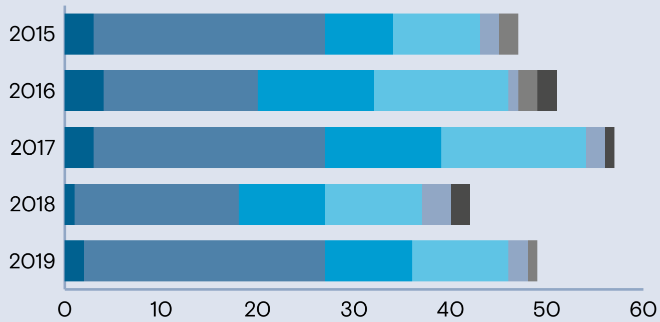
There may be small differences between countries, but challenge number one is widely believed to be labour workforce availability and wage pressures, as unemployment in the region is disappearing and businesses are strengthening. Companies are facing a growing pressure to automate and improve their production facilities. Large capex programmes are on the way in 2020 and several of them will be financed by additional leverage or equity from investors. However, investors believe that it is also a possibility for business improvements – hardly a reason not to invest but a strategic factor to take into account.

The growing cost of energy and access to reliable supplies of electricity has become another challenge for investors. "Energy prices are higher in Poland than anywhere else in the EU, and the stability of energy supply in some parts is not very good," says Gieryński. "Long term, we are dependent on the supply of gas from Russia, and it's certainly a challenge."

Decarbonisation is another aspect of policy-making that has not been regulated in the region, leading to uncertainty among investors. "Across CEE, I don't think there's any government that has a clear policy for how they want to achieve [decarbonisation]," says Gieryński. "We know this will be a significant change that will affect the region, but we can't see the pattern yet."

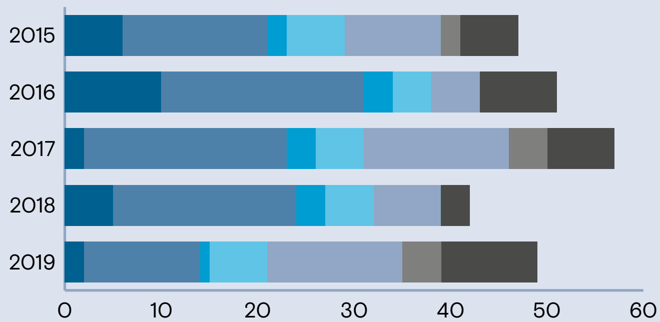
The current macroeconomic cycle is thought to be coming to an end, which may not an impediment to PE. The asset has a good track record of navigating downturns – largely by controlling exit timing to avoid crystallising an unfavourable valuation and by being able to invest as a contrarian, taking advantage of valuation dips – so the investor enthusiasm for PE is not expected to decline. ■

CEE buyouts by size range (volume)



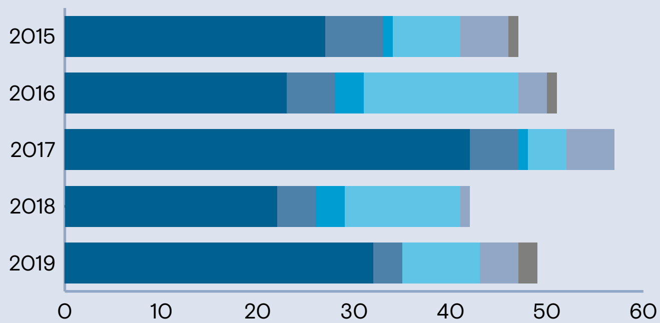
	2015	2016	2017	2018	2019
<€5m	3	4	3	1	2
€5-25m	24	16	24	17	25
€25-50m	7	12	12	9	9
€50-250m	9	14	15	10	10
€250-500m	2	1	2	3	2
€500-1bn	2	2	0	0	1
≥€1bn	0	2	1	2	0

CEE buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	6	10	2	5	2
Consumer	15	21	21	19	12
Financials	2	3	3	3	1
Healthcare	6	4	5	5	6
Industrials	10	5	15	7	14
Media	2	0	4	0	4
Technology	6	8	7	3	10

CEE buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	27	23	42	22	32
Foreign parent	6	5	5	4	3
Going private	1	3	1	3	0
Institutional investor	7	16	4	12	8
Local parent	5	3	5	1	4
Other	1	1	0	0	2

Source: Unquote Data

CEE exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
Lenta	Other	2,752 (est)	TPG, VTB Capital
Headhunter	Flotation	603 (est)	Elbrus Capital Partners
Melita	Secondary buyout	550 (est)	Apax France SA, Fortino Capital
Bambi (a part of Danube Foods Group)	Trade sale	260	Mid Europa Partners
Knjaz Milos	Trade sale	200	Mid Europa Partners
Iyzico	Trade sale	148	Amadeus Capital Partners, SpeedInvest, et al.
Rutaxi/Fasten	Other	117	UFG Private Equity
3S	Trade sale	96	Enterprise Investors
Neomedic (formerly Ujastek Obstetrics and Gynaecological Hospital)	Trade sale	71	Innova Capital

49 Buyouts

Dealflow up 17% year-on-year

Lower-mid boost

€5-25m deals rise to 25 from 17

Inactive large-cap

No >€1bn deals

CEE funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
Innova/6	Innova Capital	150	271
Emerging Europe Growth Fund III	Horizon Capital	134	179
Tar Heel Capital III	Tar Heel Capital	n/d	100
V4C Poland Plus Fund	Value4Capital	150	91
AK PE Fund I	AK Portfoy	45	33

CEE deals 2019

Deal name	Business description	Deal value (€m)	Sector
Melita	Provider of converged telecommunications services	550 (est)	Technology
Group IASO	Providers of obstetrics and gynaecological services	266	Healthcare
RTB House	Developer of digital advertising technology	262 (est)	Technology
Kiwi.com	Operator of an online travel booking platform	194 (est)	Technology
Baltic Classifieds Group	Operator of online advertising platforms	150 (est)	Technology
Tedom	Manufacturer of electricity co-generators	n/d (50-250)	Industrials
Mlinar	Producer and retailer of bakery products	n/d (50-250)	Consumer
Meyra	Manufacturer of medical equipment	n/d (50-250)	Healthcare
Rossiysky Uchebnik	Publisher of textbooks	86 (est)	Media
EuroWagon	Rolling stock leasing company	n/d (50-250)	Industrials
Global Technical Group	Developer of security systems and software	n/d (50-250)	Technology
Idea Bank Ukraine	Provider of banking services	53	Financials
Optiplaza	Chain of opticians and eyeware sellers	n/d (50-250)	Healthcare
Vipap Videm	Paper manufacturer	n/d (25-50)	Industrials
Flamengo kvetiny	Retailer of flowers	n/d (25-50)	Consumer
Tes Vsetín	Producer of generators and electric motors	n/d (25-50)	Industrials
Krekenavos agrofirma	Meat processing company	n/d (25-50)	Consumer
Arvutid	Owner and operator of Apple premium reseller stores	n/d (25-50)	Consumer
Baltik Vairas	Manufacturer and distributor of electric bicycles	n/d (25-50)	Consumer
Flying Wild Hog	Developer of games	n/d (25-50)	Technology

DACH

Harriet Matthews
Reporter

Dealflow weathers political and economic storms

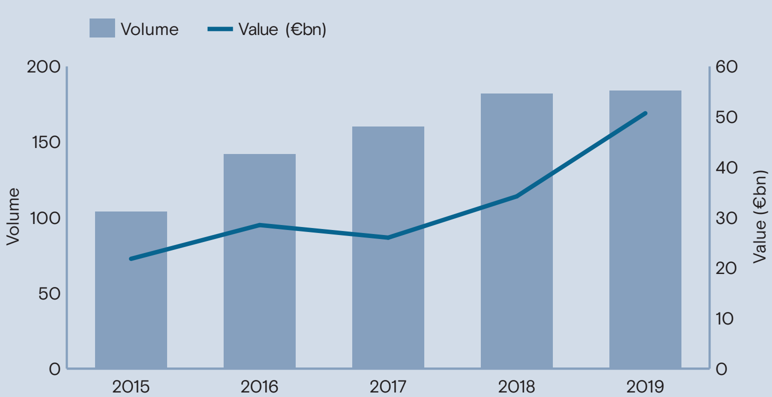
As growth near ground to a halt in the region's economies, DACH's private equity community bucked the trend with a record year for buyout activity. Harriet Matthews reports

Economic uncertainty dogged the DACH region in 2019, with stable if muted economic growth in Austria and Switzerland accompanied by concerns regarding the region's largest economy: Germany reported economic growth of 0.6% in 2019 but Q2 saw a drop to -0.2%, and growth stagnated at 0% in Q4. This lacklustre performance is widely attributed to the US-China trade war introducing a significant element of uncertainty into Germany's industrials sector.

On the political front, last year witnessed Angela Merkel's resignation as CDU leader, although she remained as German chancellor. This disruption was compounded in February 2020 when her touted successor, Annegret Kramp-Karrenbauer, also resigned as CDU leader after CDU colleagues in Thuringia breached the party's long-standing pledge to never cooperate with the far-right group Alternative für Deutschland (AfD) when they voted with them to oust the central state's left-wing premier. The AfD remains a political force regionally and nationally.

In Austria, the FPÖ-ÖVP coalition collapsed following the involvement of far-right FPÖ leader Heinz-Christian Strache in a corruption scandal, and a Green-ÖVP coalition was established at the start of 2020 headed by Sebastian Kurz.

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	104	142	160	182	184
Value (€bn)	21.8	28.5	26.0	34.2	50.7
Average value (€m)	209	200	163	188	276
% of European volume	12.8%	15.9%	15.3%	16.8%	16.3%
% of European value	16.1%	22.1%	16.9%	16.3%	25.2%

Source: Unquote Data

Value soars

Against this backdrop, the aggregate value of DACH buyout deals did well to rise once again ▶

> “We have a huge amount of dry powder in the market; the funds have to be spent and this in itself is a driver for bigger deals”
> *Emanuel Strehle, Hengeler Mueller*

in 2019, giving a record figure of €50.7bn across 184 deals, compared with €34.2bn and a total of 182 deals in 2018. Last year saw 17 deals valued at more than €500m, compared with 11 in 2018, which significantly boosted aggregate value. DACH deals made up 25% of the total value in European buyouts, compared with 16% in 2018.

Emanuel Strehle, private equity partner at Hengeler Mueller, cites dry powder as a factor that has emboldened GPs looking for high-value deals: “We have a huge amount of dry powder in the market; the funds have to be spent and this in itself is a driver for bigger deals – people were less shy to look at really big targets in DACH. And the funds sometimes team up, particularly for bigger deals.” Strehle also notes that PE competes with corporates on price for high-value assets: “Valuations are pretty much at a record, and this also stems from the fact that there is strong competition with strategic investors.”

Last year’s largest deal was the CHF 10.2bn (approximately €8.9bn) buyout of Nestlé Skin Health by a consortium led by EQT, the Abu Dhabi

Investment Authority and the Public Sector Pension Investment Board. The deal holds the record for the second largest buyout in the DACH region, beaten from the top spot in February 2020 when Advent, Cinven and RAG Stiftung acquired Thyssenkrupp Elevator for €17.2bn.

Great expectations

Equally as striking as the peak in aggregate deal value is the fact that the buyout volume in the region has practically plateaued, after rising significantly every year since 2015 and reaching record highs in 2017 and 2018. The volume and value of exits also fell in 2019, with GPs exercising more caution: there were 134 exits in 2019 totalling €15.4bn, compared with 149 exits amounting to €18bn in 2018.

GPs report a disparity of expectations between vendors and potential buyers regarding valuations and EBITDA multiples, which began to emerge towards the end of 2018 and has dampened deal completion rates. "People tried to sell businesses in 2019 on the back of a strong 2017 and 2018, with high valuation expectations, but the quality was not as good," Joachim Braun, partner at SIlverfleet, tells *Unquote*. "We have seen many more broken auctions."

Nevertheless, Wolfram Schmerl, managing partner and chairman of Alantra Germany, notes that auction processes were still hotly contested: "The competition in transactions was intense in 2019 – there were often three or four interested bidders in the last round. Overall, the valuations in 2019 were, from what we saw, still attractive for sellers." He also highlights the effect of dry powder in the market: "There is plenty of debt available, be it banks or debt funds, as the latter are gaining market share due to their flexible terms and repayment conditions. And when it comes to the equity sponsors, a lot of funds have raised new money and many players have increased the size of their funds by 40-50%."

Direct lending surge

Another key trend of 2019 was the expanding direct lending market. Says Hengeler's Strehle: "One driver for private debt is the huge amount of dry powder that requires funds to deploy from every pipe they have to distribute their capital. It has become quite a material business line – private lending is very important."

Karsten Langer, managing partner at the Riverside Company, highlights some of the decisions that can play a role in choosing between bank or debt fund financing: "On price, for the most part the national and domestic bank lenders are still the most attractive in most markets, but on certain terms, like cashflow cover, amortisation and covenant levels, the fund-based lenders can be preferable. With a company that will reinvest a lot of cash flow into growth, you might be better off paying a bit more for a debt fund package than taking an amortising loan from a local bank."

Schmerl notes that the availability of capital from debt funds can not only help GPs to get deals done, but provide financing flexibility later on: "Overall, private debt is quite often used for an interim period – we see many deals that were financed by a debt fund but are refinanced after around 12-24 months. Quite often we have seen that a debt fund with a unitranche was delivering a leverage level that could not have been done by a club of lending banks, which has an impact on the ability of PE funds to win the transactions and to increase their IRR."

Cyclical concerns

According to a survey by Deutsche Beteiligungs AG published in February 2020, 70% of market players expect to see more restructurings this year. The majority of the 50 GPs surveyed also ▶

> "A lot of funds have raised new money and many players have increased the size of their funds by 40-50%"
>
> *Wolfram Schmerl, Alantra*

"Hospital chains, medical equipment and medical parts are in high demand simply because the sector is expected to grow"

Florian Zimmermann, Idinvest

expect Germany's economic growth to hinder the performance of their portfolio companies. Hengeler's Strehle does not view the increased rate of restructurings as a symptom of recession, noting that the problems are generally occurring in industries undergoing change: "Some companies may have run into problems as they went too global too quickly or had succession planning problems. We also have industries coming under pressure due to changed consumer behaviour or changed regulations, particularly car suppliers with products mainly focused on fossil-fuel-consuming engines."

Despite this uncertainty, deals in the industrials sector held up well in 2019: 65 deals with an aggregate value of €14.2bn were reported in the sector, compared with 61 deals totalling €9.7bn in 2018.

2019 was another solid year for deals in the healthcare and technology sectors, which Idinvest managing director Florian Zimmermann expects to continue: "Hospital chains, medical equipment and medical parts are in high demand simply because the sector is expected to grow based on the ageing population – there will be a change in the market size naturally." Schmerl also expects software deals to remain popular: "I think the dealflow will still be good in areas that are future-orientated, such as software. It will also help assets in the engineering and machinery sectors when there is a software component attached."

"PE has shown it can transform businesses in a positive way... an important consideration for a company owner evaluating a sale"

Thomas Fetzer, Baird

Perceptions and predictions

The oft-discussed perception of private equity in the DACH market and the Mittelstand has continued to improve steadily in 2019. The number of buyouts sourced from family or privately owned businesses has steadily risen over time and continued to grow in 2019. The figure more than doubled from 52 deals in 2015 to 113 deals in 2019.

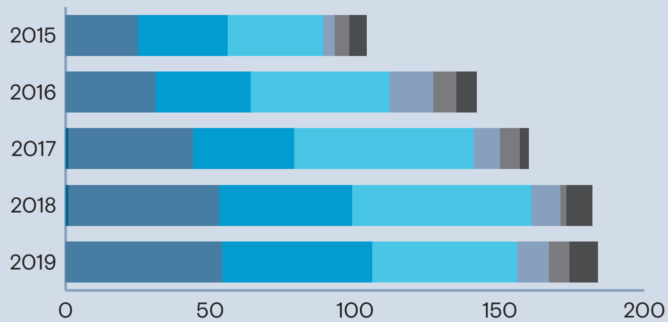
Thomas Fetzer, managing director and head of DACH investment banking at Baird, believes private equity has proven itself to the Mittelstand: "There has not been that much high-profile buyout precedent, but my sense is that the acceptance of private equity as a solution provider for company owners without family successors has increased substantially over time," says. "I think this is in part because private equity firms have shown that they can transform businesses in a positive way, which can be an important consideration for a private company owner evaluating a sale."

Market players are hesitant to make predictions but remain cautiously optimistic for 2020. Silverfleet's Braun says: "2019 was characterised by uncertainty around Brexit, and trade wars between the US and other countries. As we move into 2020, some of those uncertainties will have been removed – there will be a view, or we will at least come to the point when we know what form things will take."

Schmerl expects buyout activity to remain stable in 2020, but also exercises caution: "In recent years, assets have been flipped more quickly than 10 to 15 years ago. We assume that this trend will continue, which will help the M&A market significantly. But there will not be significant growth in M&A. In this environment, transactions take a bit longer and the volume of aborted processes may increase."

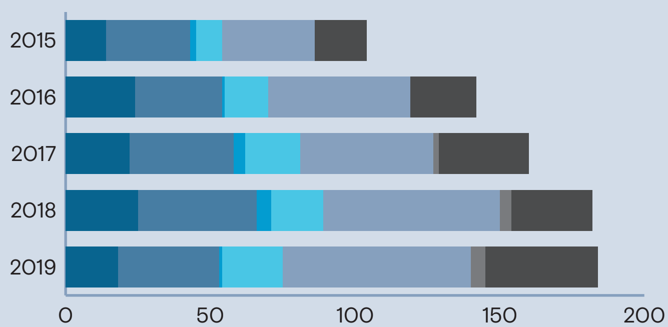
DACH

DACH buyouts by size range (volume)



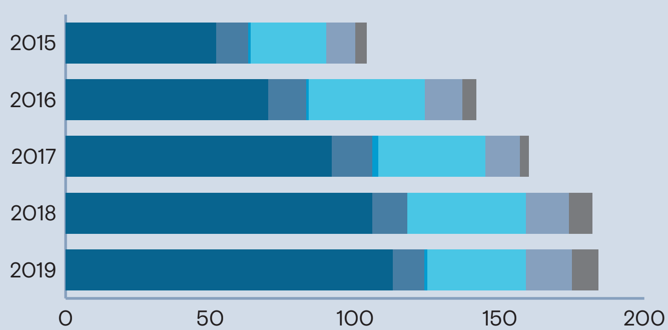
	2015	2016	2017	2018	2019
<€5m	0	0	1	1	0
€5-25m	25	31	43	52	54
€25-50m	31	33	35	46	52
€50-250m	33	48	62	62	50
€250-500m	4	15	9	10	11
€500-1bn	5	8	7	2	7
≥€1bn	6	7	3	9	10

DACH buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	14	24	22	25	18
Consumer	29	30	36	41	35
Financials	2	1	4	5	1
Healthcare	9	15	19	18	21
Industrials	32	49	46	61	65
Media	0	0	2	4	5
Technology	18	23	31	28	39

DACH buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	52	70	92	106	113
Foreign parent	11	13	14	12	11
Going private	1	1	2	0	1
Institutional investor	26	40	37	41	34
Local parent	10	13	12	15	16
Other	4	5	3	8	9

Source: Unquote Data

DACH exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
TeamViewer	Flotation	5,994	Permira
Personal & Informatik	Secondary buyout	2000	Permira
Competence Call Center/CCC Holding	Trade sale	915 (est)	Ardian
Cobex/SGL CFL/CE/Cobex	Trade sale	825	Triton Partners
Heidelpay	Secondary buyout	750 (est)	AnaCap Financial Partners
VDM Group	Trade sale	532	Lindsay Goldberg Vogel
Schleich	Secondary buyout	400	Ardian
Cartonplast	Secondary buyout	300	Stirling Square Capital Partners, Infracapital Partners *et al.*
Comcave Group	Trade sale	200 (est)	Gilde Investment Management
LAP Laser/Lap Group	Secondary buyout	180 (est)	Capiton

184 buyouts

All-time volume record

€50.7bn in value

A quarter of European total

39 tech deals

Second most important sector

DACH funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
The Triton Fund V	Triton Partners	4,000	5,000
Partners Group Global Value 2017	Partners Group	n/d	1,500
Paragon Fund III	Paragon Partners	500	780
Ufenau VI German Asset Light	Ufenau Capital Partners	300	560
Invision VI	Invision Private Equity	375	375
Equita V	HQ Equita	400	308
Steadfast Capital Fund IV	Borromin Capital Management (formerly Steadfast Capital)	250	297
PG Impact Investments I	PG Impact	131	183
BID Equity Fund II	BID Equity	100	125
Lenbach Equity Opportunities II	DUBAG	35	40

DACH buyouts 2019

Deal name	Business description	Deal value (€m)	Sector
Nestle Skin Health	Provider of skin health products and services	8,934	Consumer
Axel Springer	Media and technology company	6,800	Media
BASF Constrction Chemicals	Manufacturer of construction chemicals	3,170	Industrials
Evonik Industries (methacrylates business)	Manufacture of speciality chemicals	3,000	Industrials
AutoScout24	Operator of a digital real estate and automobile marketplace	2,900	Technology
Gategroup	Provider of airline catering services	n/d (>1,000)	Consumer
IFCO	Producer of reusable plastic packaging products	2,187	Industrials
Personal & Informatik	Developer of cloud-based HR software	2,000	Technology
WebPros	Software provider for web server and website administration	n/d (>1,000)	Technology
Inexio	Provider of telecommunications services	1000 (est)	Technology
DFE Pharma	Manufacturer of excipients for the pharmaceutical industry	n/d (500-1,000)	Healthcare
Tele München Gruppe	Operator of an audiovisual content platform	n/d (500-1,000)	Media
All4Labels	Manufacturer of self-adhesive labels	n/d (500-1,000)	Industrials
Adco Group	Manufacturer of portable toilets	n/d (500-1,000)	Consumer
Heidelpay	Provider of online payment services	750 (est)	Business services
Transporeon	Developer of a cloud-based logistics platform	n/d (500-1,000)	Technology
Bosch Packaging Technology	Manufacturer of packaging machinery	n/d (500-1,000)	Industrials
Board International	Developer of business intelligence software	n/d (250-500)	Technology
Schleich	Toy manufacturer	400	Consumer
NKD	Discount clothing retailer	n/d (250-500)	Consumer

DACH buyouts 2019

Deal name	Business description	Deal value (€m)	Sector
Tertianum	Provider of senior residential care services	n/d (250-500)	Healthcare
Cartonplast	Operator of a pool system for reusable plastic layers	300	Business services
Zahneins Gruppe	Operator of dental clinics	n/d (250-500)	Healthcare
Omnicare Pharma	Distributor of finished medicinal products	n/d (250-500)	Healthcare
Infiana	Developer and producer of packing products	n/d (250-500)	Industrials
Clariant (Healthcare Packaging business)	Manufacturer of packaging materials for pharmaceuticals	278 (est)	Industrials
Walterscheid Powertrain Group	Provider of powertrain components and services	n/d (250-500)	Industrials
Bilcare Research	Provider of pharmaceuticals packaging	250 (est)	Industrials
Sintetica	Manufacturer of sterile injectable solutions	n/d (50-250)	Healthcare
Bartec	Provider of industrial safety technology	n/d (50-250)	Business services
EA Elektro-Automatik	Manufacturer of electronic power supply units	n/d (50-250)	Industrials
MDT Technologies	Manufacturer of smart building components	n/d (50-250)	Industrials
Carl Cloos	Manufacturer of arc welding and robot technology	196	Industrials
Lap Group	Producer of laser projection and measurement systems	180 (est)	Industrials
Ondal Medical Systems	Producer of pendant systems for medical applications	n/d (50-250)	Healthcare
Valantic	Developer of digital consultancy and enterprise software	n/d (50-250)	Technology
Saal Digital	Manufacturer and retailer of photo products	n/d (50-250)	Consumer
RAFI	Manufacturer of electronic components	n/d (50-250)	Industrials
Xovis	Developer of sensor technology	n/d (50-250)	Technology
Unitank	Provider of oil storage infrastructure services	n/d (50-250)	Industrials

FRANCE

France

Francesca Veronesi
Reporter

Fervent French market finally claims top spot

France finally became the busiest buyout market in Europe last year, and the record fundraising numbers posted in 2019 have paved the way for even busier times ahead. By Francesca Veronesi and Greg Gille

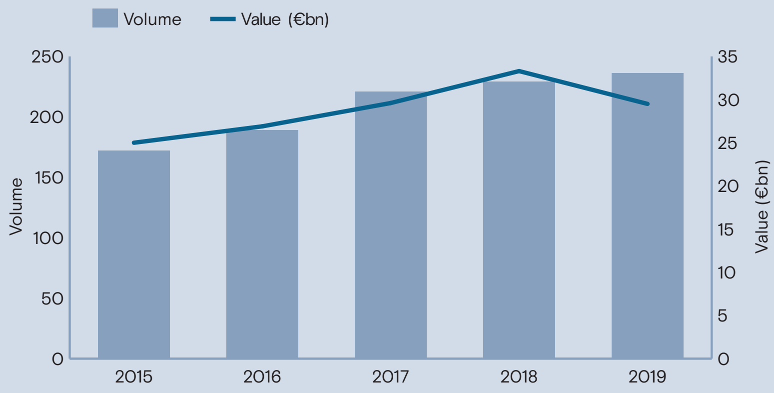
With €29.3bn invested across 236 buyouts in France, 2019 was a busy year, during which industry players adapted to macroeconomic ups and downs while still dealing with an abundance of dry powder. The total volume was the highest recorded by *Unquote* in the post-financial crisis years, just about surpassing 2018's 228 transactions, notably due to an incremental uptick in the small-cap and lower-mid-market brackets.

For the first time ever, according to *Unquote* statistics, France was officially the busiest buyout market in Europe last year in volume terms, finally overtaking the UK by the smallest of margins. It is also worth bearing in mind that the country's buyout market has been on a sustained run of form for some time now, with the steady increase in dealflow showing no sign of abating since 2014.

On the other hand, the aggregate value came short of 2018's record €33.1bn, due mostly to a decrease in the number of mega-deals valued at more than €1bn; France was home to seven deals in that bracket last year, compared with 12 in 2018. The UK also posted a significantly higher aggregate value thanks to a more vibrant large-cap market.

As impressive as France's year-on-year gains have been in the past five years, they were also in step with the overall growth of the European buyout market, meaning the country's market share has remained on an even keel across that timeframe ▶

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	172	189	221	229	236
Value (€bn)	25.0	26.9	29.6	33.3	29.5
Average value (€m)	145	142	134	145	125
% of European volume	21.2%	21.2%	21.1%	21.2%	20.9%
% of European value	18.5%	20.8%	19.2%	15.8%	14.6%

Source: Unquote Data

"Companies face challenges in terms of digitalisation and automation, and PE backing can help them guarantee resilience for the future"

Maxence Bloch, Goodwin

(around a fifth of all European transactions).

Looking ahead, it remains to be seen whether France can keep building on that momentum in deal volume, given the maturity of the market and the already very high level of competition and intermediation. "The real challenge will be sourcing in 2020, and managing an important pressure to deploy experienced by GPs," says Maxence Bloch, a partner at Goodwin. "Having said this, companies are facing important challenges in terms of digitalisation and automation, and PE backing can help them guarantee resilience for the future - we see a lot of scope for PE in France, especially as GPs perfect their understanding of tech."

Eurazeo Capital managing partner Marc Frappier says competition remained at a very high level in France last year, but pre-emptive approaches and excessive valuations were not as prominent as they were in 2018: "I would say there is an element of greater prudence, and players are choosing their battles more than ever." GPs investing in both the mid-market and large-cap spaces believe that vendors' and buyers' expectations drifted even further apart in 2019. Some auctions had very high prices set out from the start, which sometimes deterred bidders to take an interest in the assets.

Carve-out push

In such an environment, GPs are looking at sourcing more complex or unconventional deals. Reflecting a trend seen elsewhere in Europe, the popularity of carve-outs, first seen in 2018, continued into last year, with around 10% of all French buyouts being sourced from corporate vendors during the 2018-2019 period, against 6% in 2016-2017.

More unconventional sourcing avenues that are expected to gain prominence include take-privates, traditionally less plentiful in France. Says Bloch: "Take-privates were possible only if minority shareholders owned less than 5%. However, this threshold was changed by the Loi Pacte bill to 10% this year, so the practice might become more popular in the future."

A surge of technology buyouts was noticeable last year, with 39 deals collecting a value of

FRANCE

€5.5bn, equating to a 95% increase in volume and 65% increase in value on the previous year. Eurazeo's Frappier notes that five years ago these assets were not

> "I would say there is an element of greater prudence, and private equity players are choosing their battles more than ever"
>
> *Marc Frappier, Eurazeo Capital*

targeted by mid-market GPs, but are now sold at high multiples, given their growth expectations and resilient nature.

In that sense, GPs seem to be reaping the rewards of the strong VC activity in France in recent years. The value of technology early-stage deals has gradually risen in the 2015-2019 period, with the aggregate value of €180m in 2019 representing a 72% increase compared with 2014. These investments have laid the foundation for subsequent late venture rounds, which flourished in 2019 - paving the way for some of these businesses to transition to their fist PE-backed buyout.

A new fundraising record

While managing tough competition and handling the pressure to deploy, French GPs are making the most of a strong fundraising environment: with €10.7bn collected across 11 buyout funds' final closes, last year's aggregate value surpassed 2016's record-breaking €9.67bn, raised across 13 vehicles.

Remarkably, the record value was achieved without the contribution of two of the most prominent French GPs, Ardian and PAI. However, other GPs completed significant fundraises: Astorg VII raised €4bn, Eurazeo Capital IV closed on €2.5bn, Five Arrows Principal Investments III gathered €1.25bn, and Keensight V held a close on €1bn, all heavily contributing to the overall aggregate value.

First-time-fund closes are always a good proxy to monitor how the GP competitive landscape is evolving. But last year was not particularly fruitful on that front: while five closes were recorded by *Unquote Data* in 2018, only two took place in 2019 – B & Capital closed on €217m in November and FrenchFood Capital on €132m in April. Raising a debut fund is always a daunting task but the fact that some LPs are currently shying away from small tickets is discouraging them from backing smaller and new funds.

> "LPs consider the will to change labour laws a sign of positive momentum, allowing PE players more access to create value"
>
> *Frédéric Stévenin, PAI Partners*

Debut difficulties

First-time funds do remain an attractive option for some LPs, as they often promise greater returns on capital invested compared with their well-established peers. Axonia Partners founding partner Alexandre Alfonsi says that whether or not the fund is managed by investors who have spun out from a well-known firm is often a clincher for LPs: "The real struggle is for first-time teams managing a maiden fund, which may require for them to start investing on a deal-by-deal basis."

Looking ahead, the heavyweights are the ones likely to draw attention as 2020 unfolds, and add to a buy-side landscape already rich in dry powder: Ardian LBO Fund VII, with a €6bn target, is on the fundraising trail and was deployed for Ardian's acquisition of businesses Staci, Frulact and Sante Cie. And PAI Partners is launching a pan-European mid-market fund to complement its existing large-cap strategy, two sources told *Unquote*. The fund target has not been firmed up yet, but is expected to be around €600m, according to a source close to the situation.

"The overall investment sentiment is positive among LPs; they consider the will to change labour laws as a sign of positive momentum, allowing private equity players more access to create value," says Frédéric Stévenin, partner and chief investment officer at PAI Partners. He adds that the fact that the British sterling fell on a number of occasions due to political uncertainty during 2019 encouraged LPs to invest in euro-denominated vehicles.

Sources across the board agree that sourcing will remain the biggest challenge for 2020, but, for the time being, the French market remains more than appealing to both local and international LPs. Even the mega-buyout space, which was relatively muted in 2019, has been firing on all cylinders in the first weeks of 2020, with the likes of Galileo, Céva Santé Animale and Gerflor getting across the line in Q1. ■

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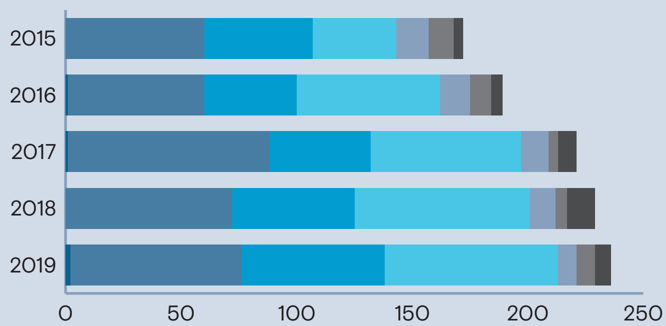
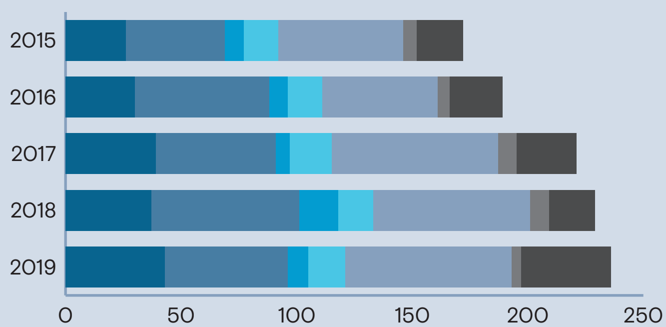
France buyouts by size range (volume)



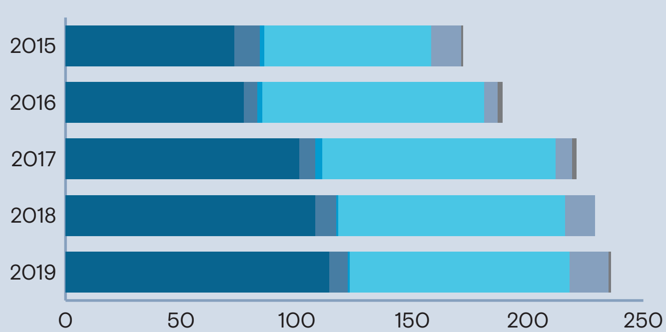
	2015	2016	2017	2018	2019
<€5m	0	1	1	0	2
€5-25m	60	59	87	72	74
€25-50m	47	40	44	53	62
€50-250m	36	62	65	76	75
€250-500m	14	13	12	11	8
€500-1bn	11	9	4	5	8
≥€1bn	4	5	8	12	7

France buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	26	30	39	37	43
Consumer	43	58	52	64	53
Financials	8	8	6	17	9
Healthcare	15	15	18	15	16
Industrials	54	50	72	68	72
Media	6	5	8	8	4
Technology	20	23	26	20	39

France buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	73	77	101	108	114
Foreign parent	11	6	7	9	8
Going private	2	2	3	1	1
Institutional iinvestor	72	96	101	98	95
Local parent	13	6	7	13	17
Other	1	2	2	0	1

Source: Unquote Data

France exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
Verallia	Flotation	3,200	BPI France, Apollo Global Management
Webhelp	Secondary buyout	2,400	Kohlberg Kravis Roberts & Co
ParexGroup	Trade sale	2,222	CVC Capital Partners
B&B Hotels	Other	2,000 (est)	PAI Partners
Laboratoires Filorga	Trade sale	1,496	HLD Associés
eFront	Secondary buyout	1,142	Bridgepoint
Cérélia Group	Secondary buyout	810 (est)	IK Investment Partners
Groupe Marle	Other	800 (est)	IK Investment Partners
Inseec	Secondary buyout	800 (est)	Apax France
Staci	Secondary buyout	600 (est)	Cobepa Belgium

FRANCE

236 buyouts

Europe's largest market

Market value dips

Fewer €1bn deals completed

€10.7bn raised

Fund final closes exceed 2016 record

France funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
Astorg VII	Astorg Partners	3,200	4,000
Eurazeo Capital IV	Eurazeo	2,500	2,500
Five Arrows Principal Investments III	NM Rothschild	1,000	1,250
Keensight Capital V	Keensight Capital	750	1,000
BlackFin Financial Services Fund III	BlackFin Capital Partners	750	985
RB Capital France 1	B & Capital	200	217
K2 Business Club	Capital Croissance	n/d	200
iXO 4	Ixo Private Equity	150	200
Cairn Capital II	Capital Croissance	100	140
FrenchFood Capital	FrenchFood Capital	100	132
Cap 6	UI Gestion	100	105
Evolver Fund I	Evolver Equity	n/d	50
Momentum Invest I	Momentum Invest	100	110
LTC III	LT Capital	100	105
Small Caps Opportunities	LBO France	n/d	104

France deals 2019

Deal name	Business description	Deal value (€m)	Sector
Webhelp	Operator of call centres	2,400	Business services
Groupe Primonial	Wealth and asset management service	2,000 (est)	Financials
eFront	Developer of business software for financial services	1,309	Technology
Spie Batignolles	Building and infrastructure construction service	n/d (>1,000)	Industrials
Domidep	Owner and operator of retirement homes	1,150 (est)	Healthcare
Kyriba	Developer of web-based cash technology	1,054	Technology
Biscuit International	Manufacturer of private label sweet biscuits	n/d (>1,000)	Consumer
April Group	Provider of insurance services	n/d (500-1,000)	Financials
Cérélia Group	Manufacturer of ready-made baking dough	810 (est)	Consumer
Inseec U	Operator of business schools	800 (est)	Consumer
Emera	Operator of nursing homes	625 (est)	Healthcare
Jacky Perrenot Group	Provider of freight transportation solutions	n/d (500-1,000)	Industrials
Staci	Provider of retail logistics services	600 (est)	Business services
Nuxe	Manufacturer and retailer of cosmetics	500 (est)	Consumer
Hana Group	Producer of Asian ready-to-go meals	n/d (500-1,000)	Consumer
Siblu Holdings	Operator of holiday parks	400 (est)	Consumer
Evernex	Provider of computer maintenance services	400 (est)	Technology
In Extenso	Provider of business advice and accounting services	n/d (250-500)	Business services
Sogelink	Developer of civil engineering software	330 (est)	Technology
Acolad	Provider of translation services	325 (est)	Business services
Ionisos	Provider of ionising radiation treatment services	n/d (250-500)	Healthcare
Revima	Provider of aerospace services	n/d (250-500)	Industrials

France deals 2019

Deal name	Business description	Deal value (€m)	Sector
Looping Group	Owner and operator of leisure and amusement parks	n/d (250-500)	Consumer
Maesa	Designer and manufacturer of beauty brands	n/d (50-250)	Business services
Eres	Provider of employee savings and pension insurance plans	235 (est)	Financials
Nutripack Ecocup	Manufacturer of food packaging products	220	Industrials
EPSA Groupe	Management and purchase consultancy	n/d (50-250)	Business services
Wifirst	Provider of wifi internet access technology	195 (est)	Technology
Sintex NP	Manufacturer of plastic and metal electronics	n/d (50-250)	Industrials
Smile	Provider of open-source integration services	n/d (50-250)	Technology
Graitec	Developer of structural analysis and computer-assisted design software	n/d (50-250)	Technology
Celeste	Internet access service	n/d (50-250)	Technology
Focal & Naim	Designer and manufacturer of audio equipment	n/d (50-250)	Consumer
Euro Techno Com Group	Distributor of telecoms equipment and supplies	n/d (50-250)	Technology
Rougnon	Provider of environmental engineering services	n/d (50-250)	Business services
Groupe Moving	Operator of fitness clubs and sports centres	n/d (50-250)	Consumer
EPC Groupe	Manufacturer and distributor of explosives for civil use	n/d (50-250)	Industrials
Moustache Bikes	Manufacturer and seller of electric bikes	150 (est)	Consumer
Haudecoeur	Producer and distributor of food products	n/d (50-250)	Consumer
Sateco	Manufacturer and distributor of metal formwork	145 (est)	Industrials

Iberia

Alessia Argentieri
Senior reporter

Iberian PE activity reaches record highs

Despite political upheaval and macroeconomic forecasts casting a gloomy shadow over Iberia's growth, the buyout market in the region posted record deal activity. Alessia Argentieri reports

Despite uncertainty and conflicts dominating Iberia's political landscape, and a worsening of its macroeconomic indicators, 2019 was one of the most buoyant years for private equity activity in the region.

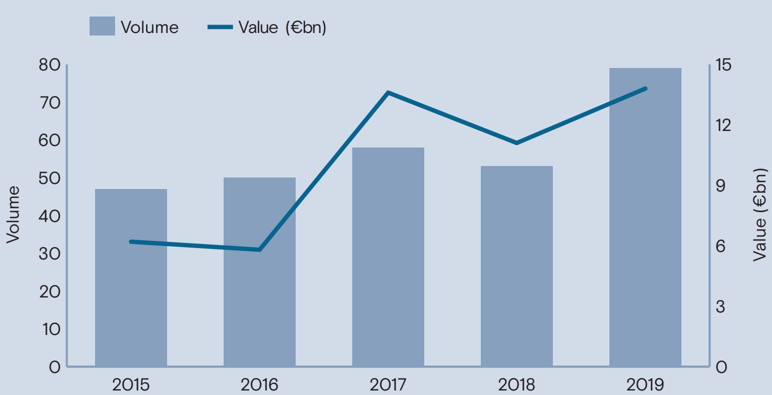
While turmoil continued in Catalonia, whose failed bid for independence in 2017 triggered one of the country's biggest political crises, Spain also held two general elections and struggled to find a solid government coalition able to ensure stability across the country.

After a general vote in April ended with no clear majority and the Socialists failed to form a coalition government, a new election was held in November - Spain's fourth general election in as many years. The country's governing Socialist Party (PSOE) won the most seats but fell short of a majority, while right-wing parties made major gains. The conservative Popular Party (PP) came in second, and extreme-right-wing party Vox more than doubled its seats, becoming the country's third most powerful party.

However, 2020 started on a positive note, with the formation of a coalition government between the socialist party led by prime minister Pedro Sanchez and the anti-austerity Unidas Podemos alliance.

The country's macroeconomic outlook looks less favourable than a year ago. The European Commission estimates GDP growth of 1.9% in 2019, 0.4% down from its previous forecast and 0.5% ▶

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	47	50	58	53	79
Value (€bn)	6.2	5.8	13.6	11.1	13.8
Average value (€m)	132	116	234	210	174
% of European volume	5.8%	5.6%	5.5%	4.9%	7.0%
% of European value	4.6%	4.5%	8.8%	5.3%	6.8%

Source: Unquote Data

less than
2018. Growth is expected to decelerate
to 1.5% in 2020 and 1.4% in 2021. Meanwhile, the unemployment rate has been falling since 2013 but remains high at 13.9%. It is set to continue falling, though, to 12.8% by 2021 – the lowest since 2008.

Meanwhile in Portugal, the Socialist party won 108 seats in the general election held in October 2019, up from 86 in the previous parliament, against 79 for the opposition centre-right Social Democrats (PSD), their worst result since 1983. Despite this success, the winning party fell 10 seats short of an absolute majority leaving the prime minister António Costa needing to negotiate a new alliance with the far-left parties that backed him last time.

In Portugal, economic growth is expected to moderate from 2.4% in 2018 to 2.0% in 2019 and 1.7% in both 2020 and 2021, while the unemployment rate decreased to 6.3% and is forecast to edge down to 5.9% in 2020 and 5.6% in 2021.

Strong dealflow

Despite political instability, the region's PE industry thrived, recording a significant increase in both deal volume and value. Iberia saw 79 buyouts in 2019, worth an aggregate value of €13.8bn, according to *Unquote Data*. By comparison, 53 buyouts for a total EV of €11.1bn were inked in 2018.

"The Iberian market was very vibrant in 2019 and activity was vigorous across all segments," says Francisco J Maroto, partner at Cuatrecasas. "Deal volume increased particularly in the small-cap space and in the €100-500m bracket."

There were 14 transactions in the €5-25m segment, from 12 in the previous year, and 22 buyouts in the €25-50m range, from 17 in 2018.

The €50-250m segment showed a noticeable increase in activity with 30 deals, up from 18, while the €250-500m range saw five buyouts, up from only one in 2018. Furthermore, there were eight deals larger than €500m in 2019, compared with only five in the previous year.

Among the largest deals were PAI Partners' acquisition of catering specialist Areas for €1.5bn; the take-private of amusement parks operator Parques Reunidos by EQT Partners, which valued the company at around €1.4bn; and CVC Capital Partners' purchase of a majority stake in Universidad Alfonso X El Sabio (UAX) for an EV of around €1.1bn.

In Portugal, Apax Partners acquired life insurance company GNB Companhia de Seguros de Vida from Lone Star's Novo Banco for €168m.

Across the region, the strongest sectors last year were consumer, with 26 buyouts (up from 23 in 2018); industrials, with 19 buyouts (up on the 15 inked in the previous year); and healthcare, with 15 deals (up from seven).

On the sell side, Iberia recorded a noticeable increase in the number of exits to 66 in 2019 from 50 in 2018. Furthermore, there was a sharp rise in SBOs to 21, up from only nine recorded in the previous year.

Among the largest SBOs inked in 2019 was the sale of Accelya, a Spanish provider of airline financial analytics, sold by Warburg Pincus to Vista Equity Partners, in a deal that gave the company an EV of around €1.2bn, equal to 14x its EBITDA. Another large SBO was for business process outsourcing specialist Konecta, sold by Banco Santander and PAI Partners to Intermediate Capital Group (ICG).

"The increase in SBOs is a sign of the Iberian market becoming more mature and developed," says Cuatrecasas's Maroto. "The high quality of available assets across Spain and Portugal has attracted more international players towards the local markets and has increased the sellers' confidence in achieving returns expectations."

Taking minorities

An abundance of dry powder and the forecast economic downturn on the horizon pushed investors towards experimenting with more diversified and varied ways of deploying their capital in Iberia, following in the footsteps of the more established markets of western and northern Europe. ▶

"The high quality of assets across Spain and Portugal has attracted more international players towards the local markets"

Francisco J Maroto, Cuatrecasas

> "Even though valuations in Iberia have increased, they remain below the rest of Europe and represent a strong driver"
>
> *Oriol Pinya, Abac Capital*

In 2019 the region recorded 64 minority deals worth an aggregate of around €4.5bn. In addition to traditional private equity funds that invest primarily in majority stakes but do not disregard the occasional minority investment, the region has seen an increasing number of GPs that exclusively specialise in minority stakes.

Among others, Spanish GP Portobello Capital has recently launched Portobello Structured Partnership I, a new vehicle targeting minority investments across Spain, with a €250m target and €300m hard-cap. The vehicle will target minority stakes in mid-market companies generating EBITDA in the €10-50m range and will deploy equity tickets of €20-50m.

Notable minority deals inked in Iberia in 2019 include Three Hills Capital Partners investing €45m in Goal Systems, a provider of optimisation software for the transport industry; and Meridia Capital acquiring a minority stake in pet care specialist Kipenzi.

"Investing in minorities sometimes represents an optimal way to unlock great investment opportunities by entering the share capital of outstanding businesses, which are in need of growth capital for their expansion plans," says David Torralba, partner at Meridia Capital Private Equity. "Furthermore, there are fewer investors able to pursue a minority strategy in Iberia and therefore competition for assets is less crowded. This can give us an opportunity to invest in businesses with a very attractive risk reward proposition for our LPs."

Fundraising slowdown

Fundraising activity recorded a contraction in Iberia in 2019, affected by political instability, which discouraged some international investors from increasing their exposure to the local market.

There were only two noticeable closings last year: ProA Capital Iberian Buyout Fund III, which closed on €475m, surpassing its €450m target; and lower-mid-market fund Nazca Capital V, which hit its €150m hard-cap.

However, several funds were launched over the year and are now wrapping up their fundraising. GED Capital launched GED VI España Fund, a €175m vehicle that held a first close on €100m in March 2019, while Suma Capital held a €65m first close for its second fund, Suma Capital Growth Fund II, which invests in ESG-focused lower-mid-market companies.

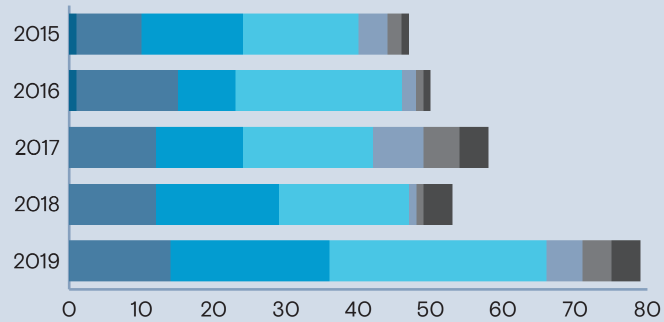
Meanwhile, MCH Private Equity launched its fifth vehicle, with a €400m target, and Magnum Capital started fundraising in December for its third fund, a buyout vehicle with a €400-450m target.

Fundraising activity is expected to flourish in the coming months, benefiting from international LPs and private investors' renewed interest in allocating capital in the country.

"The Spanish private equity market is developing and maturing at a fast pace," says Oriol Pinya, founder and managing partner at Abac Capital. "The rising interest shown by local and international investors, alongside the significant dry powder available, will probably result in a further increase in both deal volume and value in 2020. Furthermore, even though valuations in Iberia have increased, they remain below the rest of Europe and represent a strong driver for investments in the region." ■

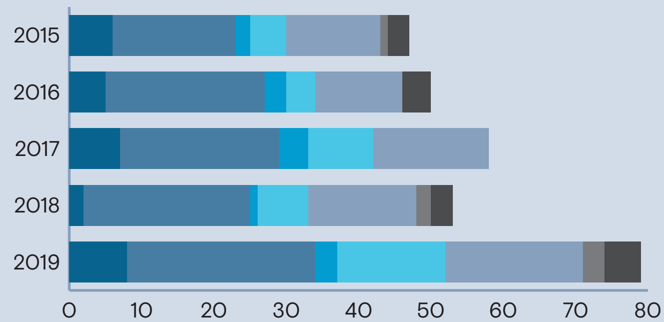
> "There are fewer investors able to pursue a minority strategy in Iberia and therefore competition for assets is less crowded"
>
> *David Torralba, Meridia Capital Private Equity*

Iberia buyouts by size range (volume)



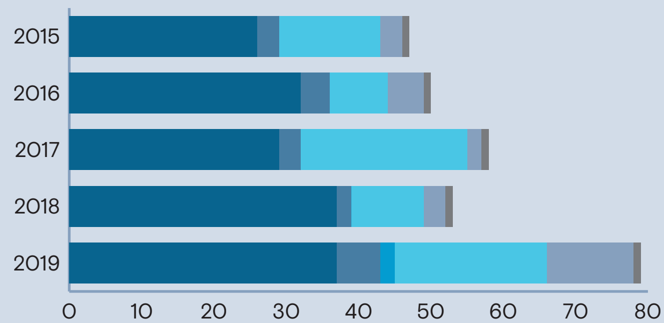
	2015	2016	2017	2018	2019
<€5m	1	1	0	0	0
€5-25m	9	14	12	12	14
€25-50m	14	8	12	17	22
€50-250m	16	23	18	18	30
€250-500m	4	2	7	1	5
€500-1bn	2	1	5	1	4
≥€1bn	1	1	4	4	4

Iberia buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	6	5	7	2	8
Consumer	17	22	22	23	26
Financials	2	3	4	1	3
Healthcare	5	4	9	7	15
Industrials	13	12	16	15	19
Media	1	0	0	2	3
Technology	3	4	0	3	5

Iberia buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	26	32	29	37	37
Foreign parent	3	4	3	2	6
Going Private	0	0	0	0	2
Institutional investor	14	8	23	10	21
Local Parent	3	5	2	3	12
Other	1	1	1	1	1

Source: Unquote Data

Iberia exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
Accelya	Secondary buyout	1,165 (est)	Warburg Pincus
Tranquilidade Seguros	Trade sale	600	Apollo Global Management
Ibérica de Congelados	Secondary buyout	600 (est)	Portobello Capital
Igenomix	Secondary buyout	400 (est)	Amadeus Capital Partners, Charme
Solidus Solutions	Secondary buyout	330	Aurelius Equity Opportunities
Grupo Palacios Alimentación	Secondary buyout	300 (est)	Carlyle Group
Gestamp Asetym Solar/ X-ELIO Energy	Partial sale	264 (est)	Kohlberg Kravis Roberts & Co
Befesa	Other	216	Triton Partners
GNB - Companhia de Seguros Vida	Trade sale	168	Lone Star Funds
Centauro / Centauro Rent a Car	Trade sale	163	Portobello Capital

79 Buyouts
All-time annual high

€13.8bn in value
Third consecutive €10bn+

Strong mid-cap
30 deals in €50-250m bracket

Iberia funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
ProA Capital Iberian Buyout Fund III	ProA Capital	450	475
Fondo Nazca V	Nazca Capital	150	150

Iberia deals 2019

Deal name	Business description	Deal value (€m)	Sector
Areas	Concession catering service	1,542	Consumer
Parques Reunidos	Operator of leisure parks	1,400	Consumer
Accelya	Provider of travel businesses analytics	1,165 (est)	Business services
Universidad Alfonso X El Sabio	Operator of a private university	1,100 (est)	Consumer
Telepizza	Operator of a chain of pizza delivery outlets	748 (est)	Consumer
Fertiberia Group	Manufacturer of fertilisers and agricultural chemicals	n/d (500-1,000)	Industrials
Konecta	Business process outsourcing service	n/d (500-1,000)	Business services
Ibérica de Congelados	Producer and distributor of frozen seafood products	600 (est)	Consumer
Dentix	Operator of dental clinics	n/d (250-500)	Healthcare
Igenomix	Testing and diagnostic service	400 (est)	Healthcare
Citri&Co	Producer and distributor of citrus fruits and vegetables	n/d (250-500)	Consumer
Neolith	Manufacturer of sintered stone surfaces	n/d (250-500)	Industrials
Grupo Palacios Alimentación	Manufacturer of food products	300 (est)	Consumer
Pastas Gallo	Producer of pastas and related products	227 (est)	Consumer
Elmubas	Producer of pet food	200 (est)	Consumer
Vitaldent	Operator of dental clinics	n/d (50-250)	Healthcare
GNB Companhia de Seguros de Vida	Provider of life insurance	168	Financials
BT's Spanish business	Networking service	n/d (50-250)	Technology
Palex Medical	Manufacturer of medical machinery	150 (est)	Healthcare
MB92 Group	Superyacht maintenance and refitting service	n/d (50-250)	Industrials

Italy

Alessia Argentieri
Senior reporter

Value drops despite buoyant dealflow

A stagnant economy has left Italy struggling to reduce its national debt, but these worries did not deter small-cap investors or the fundraising market. Alessia Argentieri reports

The Italian political landscape was dominated by conflicts and uncertainty in 2019, which affected the country's macroeconomic indicators and the private equity industry, resulting in a drop in deal value despite strong dealflow.

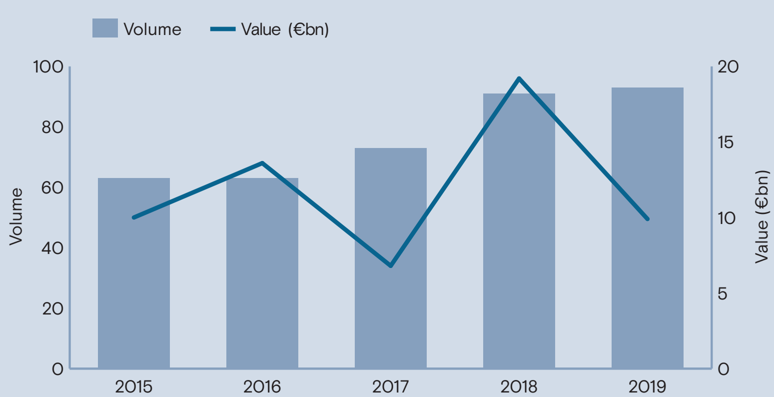
At the beginning of August, Matteo Salvini, leader of the far right party League and at the time also deputy prime minister and interior minister, withdrew his party from the coalition with the anti-establishment Five Star Movement (M5S) and issued a no-confidence motion in Giuseppe Conte's government in order to force a snap election while his party was well ahead in the opinion polls.

Instead, a new coalition government led by Conte was formed in September with an alliance between M5S and the centre-left Democratic Party (PD). The new government embraced an EU-friendly approach and less rigid immigration policies, while promising to stimulate economic growth without endangering public finances.

Despite this outcome, the country's economy has been stagnating and GDP growth slowed down in 2019 to 0.1%, according to the most recent European Commission forecast. Annual growth is expected to slightly pick up in 2020 to 0.4% and increase to 0.7% in 2021.

Government debt was 136.2% of GDP at the end of 2019 and is forecast to increase to 136.8% in 2020 and 137.4% in 2021. However,

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	63	63	73	91	93
Value (€bn)	10.0	13.6	6.8	19.2	9.9
Average value (€m)	159	216	93	211	106
% of European volume	7.8%	7.1%	7.0%	8.4%	8.3%
% of European value	7.4%	10.6%	4.4%	9.1%	4.9%

Source: Unquote Data

the unemployment rate edged down to 9.7% in December and the youth unemployment rate stabilised at 31.5%.

Shrinking deal size

Political uncertainty and worrying macroeconomic indicators affected private equity activity in the country, which saw a significant decrease in deal value, plunging to €9.9bn from the €19.2bn recorded in 2018, a 48% reduction. However, deal volume was buoyant and reached a record number of 93 buyouts, according to *Unquote Data*.

The contraction in aggregate value is attributable to the decrease in mega-deals (buyouts worth €1bn or more). There were only two in 2019 - the acquisition of machinery producer Forgital and the purchase of pharma company Doc Generici - for a total of around €2.1bn. By comparison, in 2018 the country recorded four mega-deals worth a total EV of €10.1bn.

Overall, in 2019 the average deal size decreased from €211m to €106m. However, the mid-market performed well across all segments and reached the same high levels of the year before. There were 25 buyouts in the €25-50m bracket, compared with 22 in 2018, and 42 in the €50-250m range, up slightly from 40 in the previous year, according to *Unquote Data*.

"This reduction in average deal size is a consequence of the contraction in large deals triggered by a more conservative approach adopted by both corporate and financial sponsors in their investment strategies," says DC Advisory Italy CEO Alberto Vigo. "However, most Italian companies are small and mid-sized family-run businesses with high growth potential and remain on the radar of international investors."

"Most Italian companies are small and mid-sized family-run businesses with high growth potential and remain on the radar"

Alberto Vigo, DC Advisory

The consumer sector recorded a very strong year and maintained the positive run shown in the last decade, posting an increase on its 2018 figure. There were 48 deals inked across the sector, with a predominance of the personal goods and food and beverage segments.

It was also a busy year for the country on the sell side, which saw an increase in the number of exits to 69 from 65 in 2018. One of the highest exit valuations was recorded in the IPO of private-

equity-backed Nexi, a company specialising in payment technology, which floated on the Italian stock exchange following a €2.3bn private placement. The initial listing gave Nexi a market cap of €5.7bn and an enterprise value, including debt, of approximately €7.3bn, which equates to 17.2x the company's 2018 EBITDA.

Prior to the listing, Nexi was 93% owned by Mercury UK Holdco, which is controlled by private equity firms Bain Capital, Advent International and Clessidra Capital, while the remaining stake was held by a pool of banks, including Banco BPM, Credito Valtellinese and Banca Popolare di Sondrio.

Exploring new strategies

A rising number of Italian GPs pursued a multi-asset diversification strategy by enlarging and differentiating their fund offerings with the launch of vehicles dedicated to private debt, special situations, credit recovery and non-performing loans.

"A strategy focused on multi-asset diversification can be extremely successful, allowing GPs to allocate their resources across a wide array of segments, insulate their portfolios and satisfy the different investment appetites of their LPs," says Green Arrow Capital CEO Eugenio De Blasio. "This can be enticing for certain categories of institutional investors, such as pension funds, given their obligation to pay regular distributions to their subscribers. In addition, with this approach a GP can diversify its exposure between more cyclical asset classes – which can be affected by the economic climate, such as private equity – and more anti-cyclical and resilient segments."

The country also recorded a shift towards non-cyclical sectors able to offer consolidation opportunities - such as education and healthcare - which can prosper even if the economic and political climate deteriorates.

Furthermore, large buy-and-build platforms have become a common feature of Italy's private equity landscape. This aggregation strategy

"A strategy focused on multi-asset diversification can be extremely successful, allowing GPs to insulate their portfolios"

Eugenio De Blasio, Green Arrow Capital has been particularly effective in the local fragmented market at a time when multiples are exceptionally high.

Food for thought

Ambienta's Aromata acquired Italian food specialist IPAM and French natural ingredients producer Nactis, with the aim of creating a platform focused on natural flavours and aromatic raw materials for the food industry. Meanwhile, Mandarin Capital bought Neronobile and bolted on Daroma to create an aggregation hub across the Italian coffee production sector.

"The Italian fragmented market offers a rich arsenal of great assets for building aggregation platforms via multiple add-on acquisitions," says

"The Italian fragmented market offers a rich arsenal of great assets for building aggregation platforms via multiple add-on acquisitions"

Lorenzo Stanca, Mandarin Capital Partners

Mandarin Capital Partners managing partner Lorenzo Stanca. "With our Coffee Holding, for example, we plan to cover the entire coffee production supply chain, become a leader in the segment across Italy and penetrate other markets. Furthermore, in this environment of high valuations, building strong consolidation hubs can represent an excellent alternative approach able to generate high returns."

Looking at the coming months, it is very likely that both the diversification and the consolidation trends will further strengthen and become even more widespread across the country, while buyout and fundraising activity are expected to continue at a fast pace.

"The industry is rich in dry powder, the cost of debt remains low and the Italian market provides interesting investment opportunities at attractive multiple valuations," says Vigo. "There is a wide array of high-quality, mid-sized companies with room for operational improvements and a need for fresh capital, which are likely to attract the interest of local and international funds in the coming months."

Fundraising record

Italy recorded exceptionally good fundraising activity in 2019. Buyout and generalist funds raised €6.8bn across 10 final closes, a noticeable increase compared with the €1.7bn raised in 2018, according to *Unquote Data*.

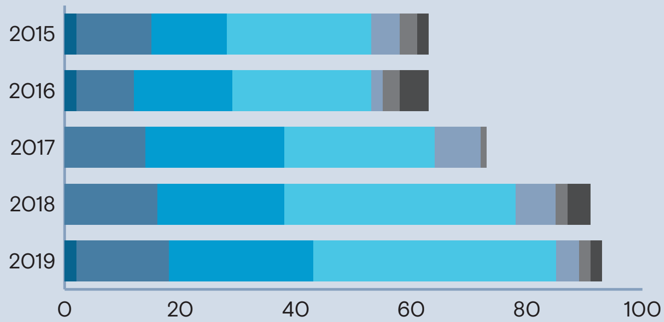
Among the largest final closes recorded last year was Investindustrial VII, which held a final close on €3.75bn, surpassing its initial target of €3bn. The fund was oversubscribed on the back of significant interest from existing investors who re-upped from Investindustrial VI - primarily pension funds and insurance companies from Europe as well as sovereign wealth funds, funds-of-funds, endowments and family offices from the US and Asia.

Other large closes recorded in 2019 included: FSI Mid-Market Growth Equity Fund, which hit its hard-cap of €1.4bn in February 2019; Wisequity V, which held a first and final close on its hard-cap of €260m in July 2019; Progressio Investimenti III, which also closed in July 2019 raising €250m; and Xenon Private Equity VII, which held a final close on €300m in November 2019.

Furthermore, several funds held their first closes over the year and are now wrapping up their fundraising, including Aksia Capital V and Mandarin Capital Partners III.

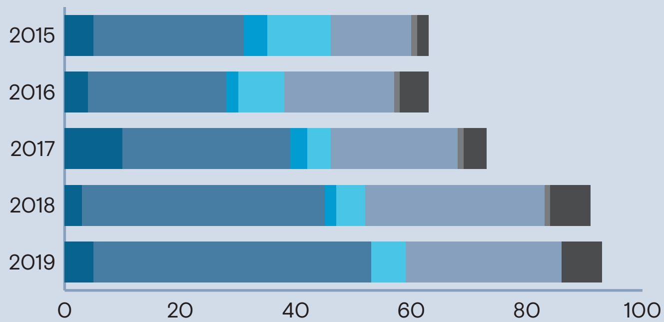
"The fundraising environment in the country has been very positive and dynamic," says Mandarin's Stanca. "An increasing number of Italian and international LPs are looking at the Italian market with strong interest. Despite its political ups and downs, Italy has proven an attractive and stable space for finding high-quality assets and putting to work the industry's increasing dry powder without sacrificing returns." ■

Italy buyouts by size range (volume)



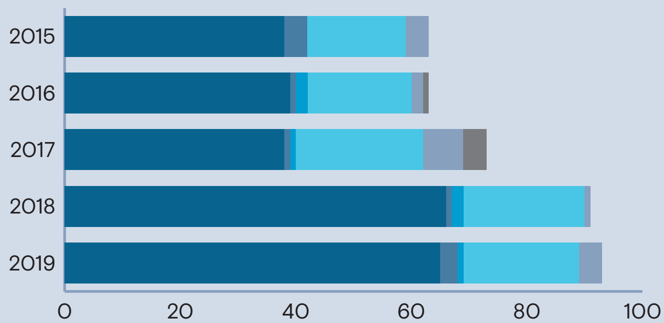
	2015	2016	2017	2018	2019
<€5m	2	2	0	0	2
€5-25m	13	10	14	16	16
€25-50m	13	17	24	22	25
€50-250m	25	24	26	40	42
€250-500m	5	2	8	7	4
€500-1bn	3	3	1	2	2
≥€1bn	2	5	0	4	2

Italy buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	5	4	10	3	5
Consumer	26	24	29	42	48
Financials	4	2	3	2	0
Healthcare	11	8	4	5	6
Industrials	14	19	22	31	27
Media	1	1	1	1	0
Technology	2	5	4	7	7

Italy buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	38	39	38	66	65
Foreign parent	4	1	1	1	3
Going private	0	2	1	2	1
Institutional investor	17	18	22	21	20
Local parent	4	2	7	1	4
Other	0	1	4	0	0

Source: Unquote Data

ITALY

Italy exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
ICBPI	Flotation	7,300	Bain Capital, Advent International, Clessidra Capital
Doc Generici	Secondary buyout	1,100 (est)	CVC Capital Partners
Moncler	Other	445	Eurazeo
Sorgenia France/Renvico	Trade sale	400 (est)	Kohlberg Kravis Roberts & Co
ATOP S.p.A.	Trade sale	380	Charme
Nuova Castelli	Trade sale	300 (est)	Charterhouse Capital Partners
Marelli Motori	Trade sale	260 (est)	Carlyle Group
Celli	Secondary buyout	250 (est)	Consilium
Gamenet	Secondary purchase	183	Trilantic Capital Partners
Farnese Vini	Secondary buyout	175 (est)	NB Private Equity Partners

93 Buyouts

Market edges ever closer to 100 mark

Smaller deals

Average deal value falls by half to €106m

48 consumer

Buyouts buck European slump

Italy funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
Investindustrial VII	Investindustrial	3,000	3,750
FSI Mid-Market Growth Equity Fund	FSI	1,200	1,400
Fideuram Alternative Investments – Mercati Privati Globali	Fideuram Investimenti	n/d	530
Xenon Private Equity VII	Xenon Private Equity	300	300
Wisequity V	Wise	260	260
Progressio Investimenti III	Progressio	225	250
Gradiente II	Gradiente	120	135
Arcadia Small Cap II	Arcadia	100	80
DeA Endowment Fund	DeA Capital	n/d	75
Fondo Agroalimentare Italiano	Unigrains	50	55

Italy deals 2019

Deal name	Business description	Deal value (€m)	Sector
Doc Generici	Producer and distributor of generic pharmaceutical products	1,100 (est)	Healthcare
Forgital Group	Manufacturer of industrial components	1,000	Industrials
Multiversity	Owner of online universities	n/d (500-1,000)	Consumer
Industria Chimica Emiliana	Producer of cholic acid	600 (est)	Industrials
Rino Mastrotto	Producer of leather	300 (est)	Consumer
Italcanditi	Producer of candied fruit and marron glacés	280 (est)	Consumer
Laminam	Manufacturer of ceramic products from furnishings	260 (est)	Industrials
Celli	Designer and manufacturer of beverage dispensing equipment	250 (est)	Industrials
Persidera	Operator of digital television signal transmission networks	240	Technology
Gruppo Menghi	Manufacturer of shoes and accessories	n/d (50-250)	Consumer
Phoenix International	Manufacturer of dies for aluminium extrusion	n/d (50-250)	Industrials
Manifattura Valcismon	Manufacturer of sports clothing	200 (est)	Consumer
Antas	Integrated energy management service	180 (est)	Business services
Farnese Vini	Producer and retailer of wines	175 (est)	Consumer
Cebat	Provider of high voltage underground cables	n/d (50-250)	Business services
AMF	Manufacture of snap buttons and personalised accessories	150 (est)	Consumer
De Wave	Provider of boat-fitting services for boats	n/d (50-250)	Industrials
Enoplastic	Manufacturer of plastic caps for wine bottles	n/d (50-250)	Industrials
Dolciaria Acquaviva	Manufacturer of frozen baked goods	n/d (50-250)	Consumer
Vetrerie Riunite	Producer of glass	110	Industrials

Nordic

Katherine Hidalgo
Reporter

High pricing hinders Nordic buyout market

The Nordic region reported sluggish activity in 2019 amid low macro growth, with weak activity in the industrial and technology sectors particularly. Katharine Hidalgo reports

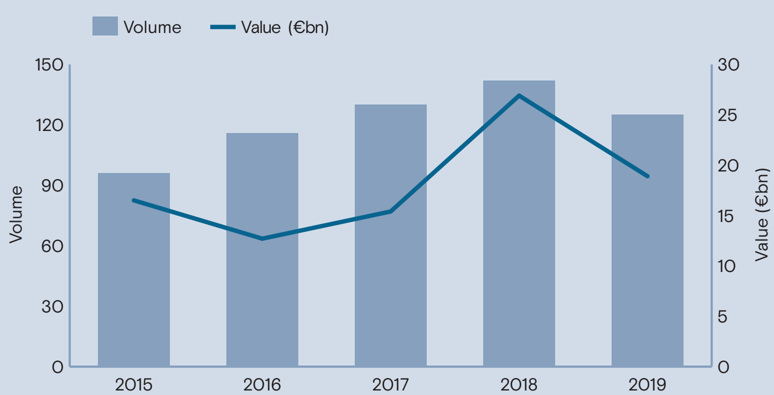
The Nordic region recorded a dip in aggregate buyout volume and value in 2019, following three years of growth. This recent decline came against a backdrop of weak economic performance for the Nordic region's largest economy, Sweden. GDP growth sat at 1.2%, while for Finland it was 1.6% and Denmark 2.1%, according to preliminary forecasts by the European Commission. The Organisation for Economic Co-operation and Development estimates Norway's real GDP grew by 1.1% in 2019.

The sluggish economic landscape reflected the buyout market somewhat, with 125 deals in 2019 down from 2018's record-high of 142. The region's share of both European deal value and volume reached their lowest levels since 2014.

"The great thing about the Nordic region is that it is a stable market from an economic and political perspective," says Kristoffer Melinder, Nordic Capital managing partner. "Brexit is not really at the core of our market; however, we don't expect a lot of growth. We've seen a macro slowdown and we are not expecting a major pick up."

Sweden remained the region's most active country with 44 deals completed in the year, a decrease on the 53 buyouts of 2018. While both Finnish and Danish buyout volume dropped on the previous year, Norway saw 30 deals, the highest annual volume recorded by *Unquote Data*. The country's deal value rose accordingly, to €3.3bn, up from €3.1bn the previous year. ▶

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	96	116	130	142	125
Value (€bn)	16.5	12.7	15.4	26.9	18.9
Average value (€m)	172	109	119	189	151
% of European volume	11.9%	13.0%	12.4%	13.1%	11.1%
% of European value	12.2%	9.8%	10.0%	12.8%	9.4%

Source: Unquote Data

"Recent years have seen a lot of activity in the Nordic region, though I'm not surprised if processes have slowed because of pricing"

Erik Berggren, Volpi Capital

Across the Nordic region, aggregate value dropped to its lowest level since 2017. The decrease was likely driven by the decline in overall deal volume, but the drop in the value of large-cap deals in the region was also a factor.

Big deal

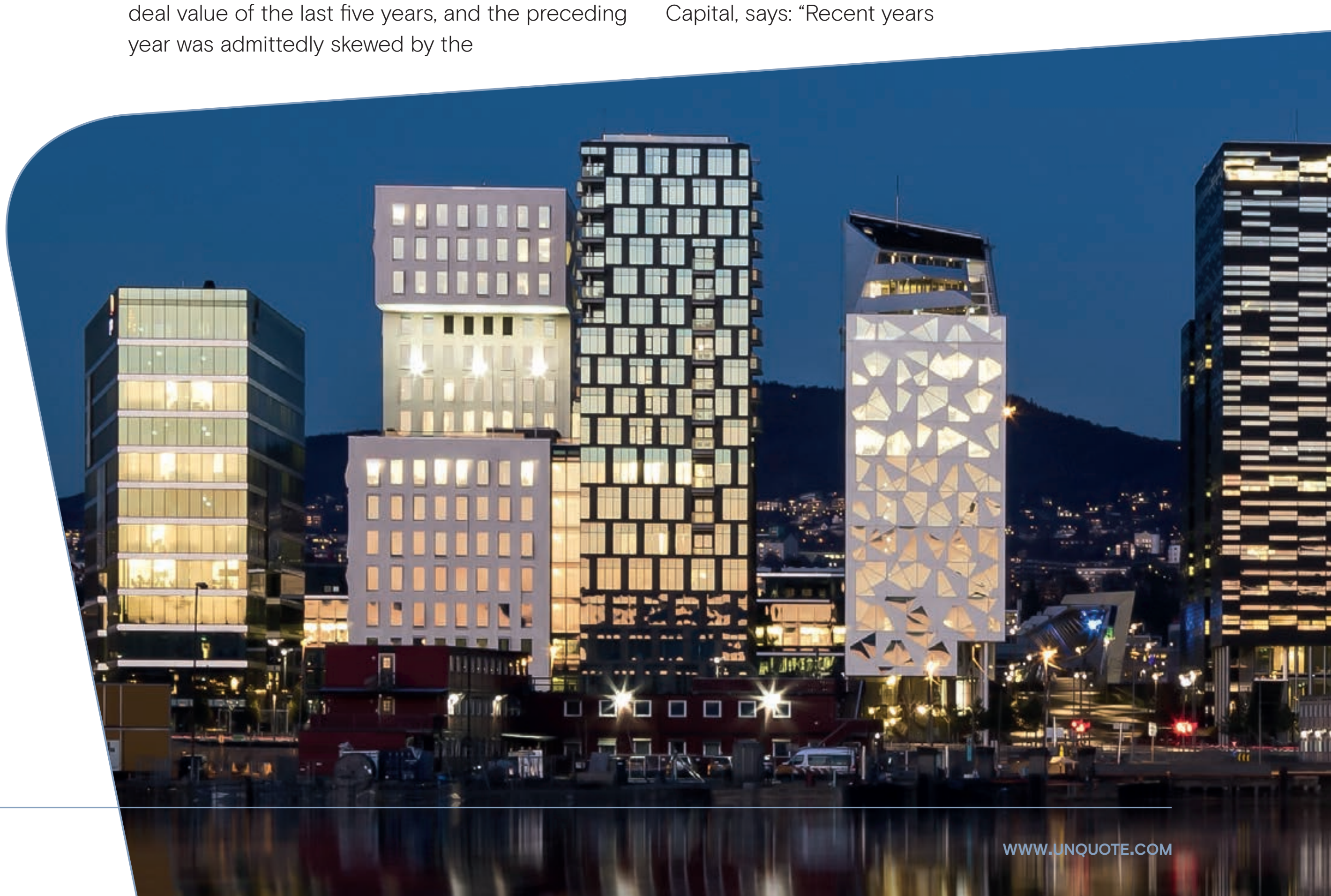
Large-cap deals – transactions worth more than €500m – amounted to an aggregate €10.7bn in 2019, a decline on 2018's €17.3bn. However, the 2019 figure remains the second highest large-cap deal value of the last five years, and the preceding year was admittedly skewed by the merger of Sivantos and Widex, which gave the combined entity an estimated enterprise value of €7bn.

Large-cap transactions accounted for 7% of deal volume, the highest level for more than five years. Nine transactions occurred, the largest of which was CVC's take-private of tool and construction equipment distributor Ahlsell for almost €3bn.

Conversely, the mid-market showed signs of slowing, recording just 41 deals, the lowest level during the last half-decade. Deal value for transactions from €50-500m reached €6bn, the second lowest share of deal value in the same period.

Paying top dollar

Deal volume may have stalled partly due to the high entry multiples seen in the region. Erik Berggren, an investment professional at Volpi Capital, says: "Recent years



have seen quite a lot of activity in the Nordic countries, though I'm not surprised if processes have slowed to some degree because of pricing. The environment becomes tougher for cyclical businesses also."

Frothy pricing has been a characteristic of the Nordic market for some time now, with the average entry multiple reaching more than 11x EBITDA since Q3 2018 on Clearwater International's *Multiples Heatmap* – the highest multiples in Europe.

Several market participants cited high entry multiples as a factor in low deal volume. Claes Kjellberg, a partner at Stockholm-based law firm Hannes Snellman, says: "Expectations from the sell side are still sky rocketing, but LPs still want 20% IRR or upwards. If sponsors are considering buying expensive assets, they may be struggling to see the back end of the deal. This might be a factor in why fewer transactions are being made."

> "Expectations from the sell side are still sky rocketing, but LPs still want 20% IRR or upwards. This might be why fewer deals are being made"
>
> *Claes Kjellberg, Hannes Snellman*

Pan-European factors that have affected pricing include high levels of dry powder and a low interest rate environment, which has increased competition and thus driven up entry multiples.

All grown up

The maturity of the private equity industry may also be a driver. Thomas Hofvenstam, co-head of the Nordic region at Triton Partners, says: "The Nordic private equity market is mature and one of the most advanced globally.

NORDIC

"The great thing about the Nordic region is that it is a stable market from an economic and political perspective"

Kristoffer Melinder, Nordic Capital

Many family owners have had knocks on the door from numerous ambitious PE firms and it is seldom you can detect an entirely untouched asset here."

While assets sold by families and private vendors still made up the bulk of deal volume, with 64 transactions and a 51% share of volume, this was the lowest amount reported since 2015.

Pass the parcel

In 2019, secondary buyouts reached a record high of 37, accounting for 30% of the region's deal volume. The last three years of secondary buyout activity have reflected that of the UK & Ireland, arguably Europe's most mature private equity market. Aggregate secondary buyout value in the region also reached a five-year high of €9.4bn.

One high-profile SBO was IK Investment Partners' sale of a majority stake in thermal validation service Ellab to EQT. Partner Thomas Kltibo of IK says: "There are still more buyers of private equity assets than sellers, so there are lots of good, long-term homes for businesses that have been through the private equity model."

One pressure on the market's high entry multiples that abated slightly in 2019 was the presence of international competition. The number of deals led by sponsors based outside of the region dropped to its lowest level since 2015: 18 international GPs made 21 deals in 2019, with IK, Triton Partners and Bridgepoint each acquiring two companies (IK and Triton have strong Nordic roots, but operate pan-European strategies and are classified as non-local due to having headquarters outside of the region). In 2018, 30 firms made 37 deals, with Cinven, Waterland Private Equity, CVC, Triton and IK making at least two deals each.

"There are more buyers of PE assets than sellers, so there are lots of good homes for businesses that have been through the PE model"

Thomas Kltibo, IK

In addition, the trend of Nordic-based firms deploying capital outside of the region continued in 2019. The number of firms that transacted outside of the region grew from five sponsors in 2018 to eight in 2019. Partner Mikael Klang of Hannes Snellman says: "We have seen some big local sponsors deploying their capital outside the Nordic region."

Cheques for tech

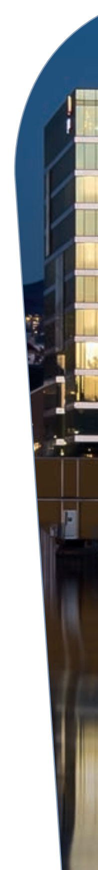
The technology, industrial and consumer sectors saw similar levels of weak activity, with 30, 29 and 28 deals respectively.

The technology sector has seen something of a plateau during the last three years, with 30 deals in 2017 and 28 in 2018. The region's share of European technology deal volume also dropped to 15%, the lowest share in more than five years.

Deal value for the sector was sluggish, reaching €4.5bn in 2019. While this represented an increase on 2018's €4bn, it failed to match the €6bn achieved by the sector in 2017. The Nordic region normally has one technology deal each year that is valued at more than €500m. In 2017, that deal was the acquisition of Visma by a consortium led by Hg for NOK 45bn (€4.8bn). In contrast, the sector's largest deal in 2019 was Francisco Partners acquisition of EG for NOK 5.4bn (€558m).

Despite this, many investors are confident in the future of the segment. GPs mention Stockholm as a key technology hub in Europe. Sweden saw the most technology deals in the region with 10 buyouts.

Says IK's Klitbo: "The technology ecosystem is very healthy and there's a pipeline of interesting



early-stage companies. The rise in both structured venture capital and private VC is supporting great ideas and great people whose companies are growing rapidly and have attractive business models."

Factory setting

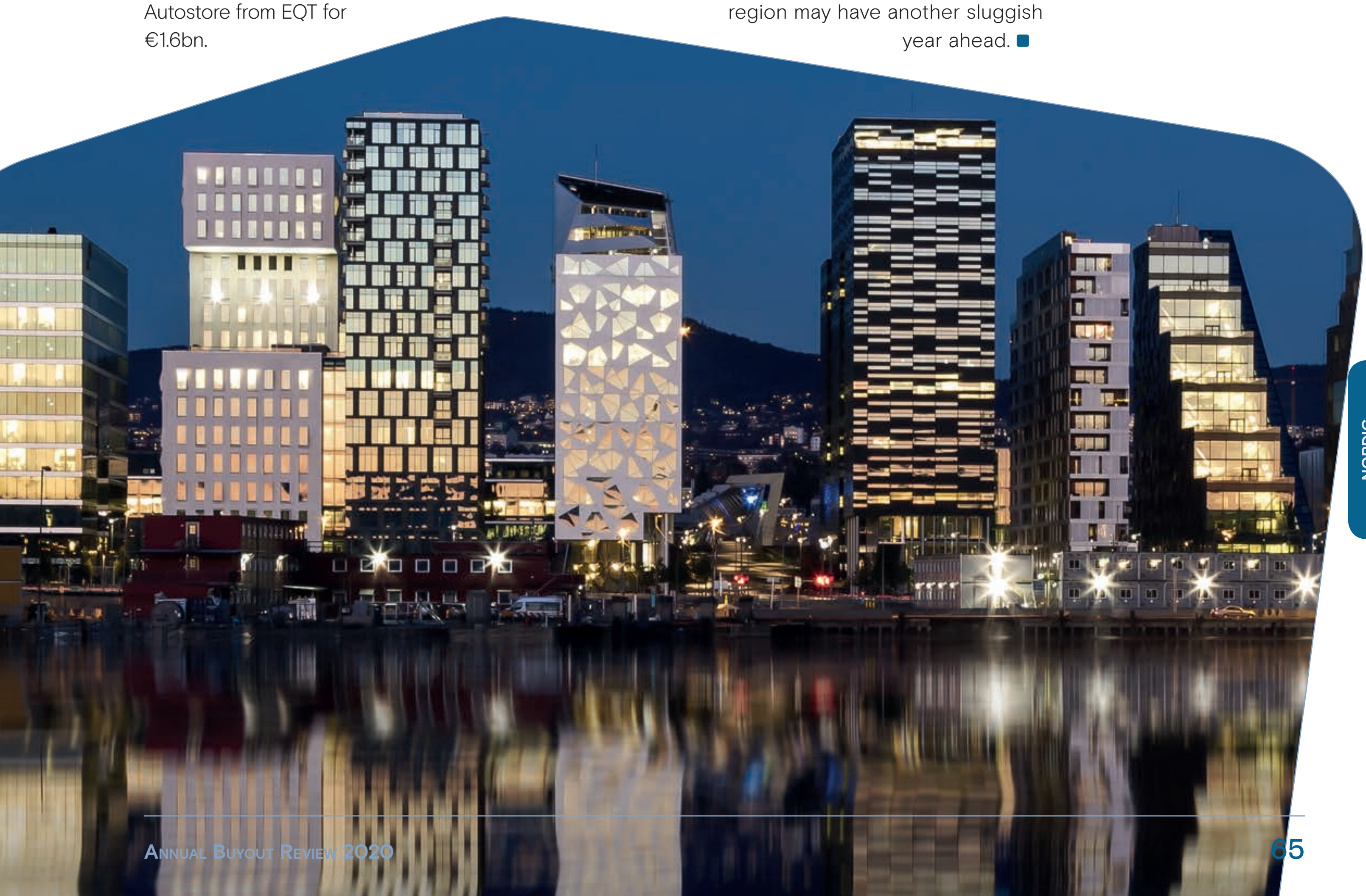
The industrials sector made up around 23% of the region's buyout volume; fairly central in the average for the past five years, accounting for 20-27% of deal volume annually.

However, deal value for the industrial sector reached a four-year high with €7.2bn, driven mainly by the aforementioned €3bn take-private of tools and construction equipment distributor Ahlsell, as well as Thomas H Lee Partners' purchase of robotics and software provider Autostore from EQT for €1.6bn.

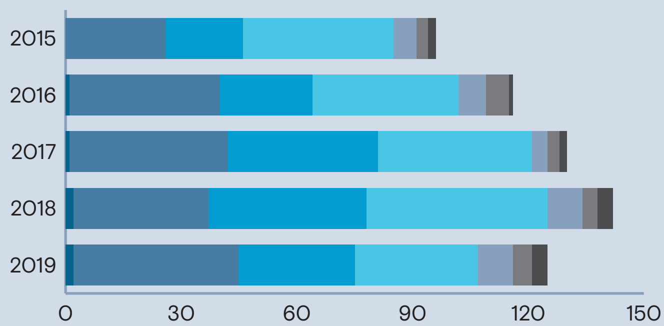
Triton's Hofvenstam says he has witnessed less activity in the sector in the past few years: "There could be multiple reasons for that; one is that several industrial assets were sold in the years leading up to 2019, and secondly, general uncertainty around cycle timing for industrial assets, as in, if we decide to sell this asset, what will the market look like six months from now?"

The Nordic buyout market is off to a weak start in 2020, with 11 deals in the first two months of the year, down from 21 in the same period the previous year. While two large-cap deals had occurred by the end of February last year, no deal has surpassed the €100m mark in the same period.

Should the trends of frothy pricing and weak macro growth continue further into 2020, the region may have another sluggish year ahead.

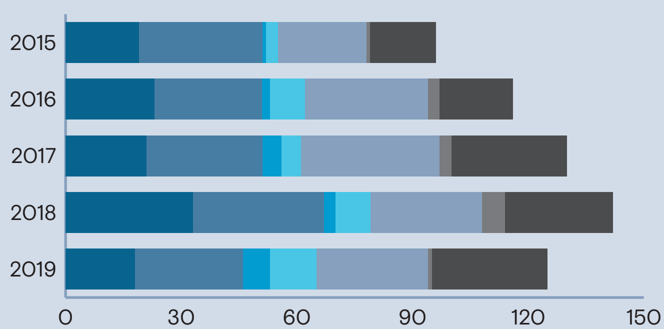


Nordic buyouts by size range (volume)



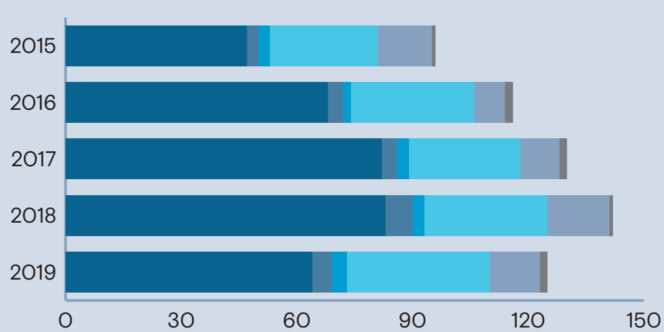
	2015	2016	2017	2018	2019
<€5m	0	1	1	2	2
€5-25m	26	39	41	35	43
€25-50m	20	24	39	41	30
€50-250m	39	38	40	47	32
€250-500m	6	7	4	9	9
€500-1bn	3	6	3	4	5
≥€1bn	2	1	2	4	4

Nordic buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	19	23	21	33	18
Consumer	32	28	30	34	28
Financials	1	2	5	3	7
Healthcare	3	9	5	9	12
Industrials	23	32	36	29	29
Media	1	3	3	6	1
Technology	17	19	30	28	30

Nordic buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	47	68	82	83	64
Foreign parent	3	4	4	7	5
Going private	3	2	3	3	4
Institutional investor	28	32	29	32	37
Local parent	14	8	10	16	13
Other	1	2	2	1	2

Source: Unquote Data

Nordic exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
Nets (account-to-account payment business)	Partial sale	2,850	Hellman & Friedman, Advent International, Bain Capital Europe, et. al.
IP-Only	Secondary buyout	1,722	EQT Partners
AutoStore	Secondary buyout	1,637	EQT Partners
Resurs Holding	Other	1,069 (est)	Nordic Capital
Visma ASA	Secondary purchase	750	Cinven
Netcompany	Partial sale	685 (est)	FSN Capital
Securitas Direct/Verisure	Partial sale	557	Hellman & Friedman
Bygghemma Group	Partial sale	521	FSN Capital
EG	Secondary buyout	496	Axcel
Fitness World	Trade sale	411 (est)	FSN Capital

37 SBOs

Record high for secondary buyouts

9 large-caps

Largest volume of deals worth >€500m

24% tech

Five-year high for technology buyouts

Nordic funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
Altor Fund V	Altor Equity Partners	2,500	2,500
Danish SDG Investment Fund	Investment Fund for Developing Countries (IFU)	672	652
Summa Equity Fund II	Summa Equity	481	626
GRO Fund II	Gro Capital	250	255
Monterro 3	Monterro	138	247
DevCo Partners III	DevCo	n/d	180
Capidea Kapital III	Capidea Management	134	116

Nordic deals 2019

Deal name	Business description	Deal value (€m)	Sector
Ahlsell	Distributor of tools and construction equipment	2,950	Industrials
IP-Only	Provider of telecommunication and data centre services	1,722	Technology
AutoStore	Developer of automated storage and retrieval systems	1,637	Industrials
Söderberg & Partners	Provider of insurance products	1000 (est)	Financials
Cherry	Operator of online casinos and lotteries	887	Consumer
Karo Pharma	Developer of drugs and medical devices	760 (est)	Healthcare
Dellner Couplers	Producer of train connection systems	n/d (500-1,000)	Industrials
Ving Group	Operator of travel agencies and airlines	n/d (500-1,000)	Consumer
EG	Provider of proprietary software products	558	Technology
Conscia	Provider of IT network and security products	402 (est)	Technology
AddSecure	Provider of data security and communications services	n/d (250-500)	Technology
OneMed	Wholesaler of healthcare products	n/d (250-500)	Healthcare
Smartly.io	Developer of advertising automation and optimisation platforms	300	Technology
Recover Nordic	Provider of damage control services	296	Business services
Consilium Marine & Safety	Producer of safety technologies	285	Industrials
Steelseries	Manufacturer of computer peripherals	268	Technology
Ellab	Provider of thermal validation services	n/d (250-500)	Industrials
Aleris	Provider of healthcare services	266(est)	Healthcare
Norled	Operator of ferry and express boats	n/d (50-250)	Industrials
Seagull/Videotel	Provider of computer-based training systems	n/d (50-250)	Business services
Phase One	Designer and manufacturer of camera systems	201 (est)	Industrials
iLoq	Manufacturer of electronic locking systems and products	190	Industrials

Nordic deals 2019

Deal name	Business description	Deal value (€m)	Sector
Caljan	Supplier of automation technology for parcel handling	n/d (50-250)	Business services
Ropo Capital	Provider of invoicing lifecycle services	n/d (50-250)	Business services
Cego	Developer of web-based online games	n/d (50-250)	Technology
Cambio Healthcare Systems	Developer and provider of e-health services	n/d (50-250)	Technology
Bergkvist-Siljan	Manufacturer of sawn wood products	n/d (50-250)	Industrials
Moberg Pharma (over-the-counter business)	Distributor of over-the-counter consumer healthcare products	138	Healthcare
Logent Group	Provider of services to logistics-intensive companies	n/d (50-250)	Business services
Covidence	Manufacturer of miniature video surveillance equipment	n/d (50-250)	Industrials
Euro Accident Sweden	Provider of health insurance and personal medical insurance	126	Financials
Ideal of Sweden	Retailer of mobile and fashion accessories	n/d (50-250)	Consumer
Baum und Pferdgarten	Designer and producer of premium clothes for women	n/d (50-250)	Consumer
Puzzel	Developer of cloud-based contact centre software	103 (est)	Technology
Infotjenester	Provider of education and training	99	Business services
SBC Sveriges Bostadsrattscentrum	Provider of management services for condominiums	94	Business services
SSG	Provider of industrial damage control and property services	n/d (50-250)	Business services
OpusCapita Solutions	Provider of digital payment services	n/d (50-250)	Financials
Axo Finans	Provider of consumer credit and loan brokerage services	n/d (50-250)	Financials
Ball Group	Operator of plus-size female clothing stores	n/d (50-250)	Consumer

UK & Ireland

Katharine Hidalgo
Reporter

Brexit dominates agenda but buyout market persists

Buyout activity held up well in the UK & Ireland, despite political uncertainty and low growth in the retail sector. Meanwhile, fundraising prospects abound for the year ahead. Katharine Hidalgo reports

The political and economic discourse in the UK and Ireland throughout 2019 continued to be dominated by the UK's exit from the European Union. The year was marked by several major political events, including the failed March 2019 deadline for triggering Article 50, the Conservative Party leadership race and a winter election.

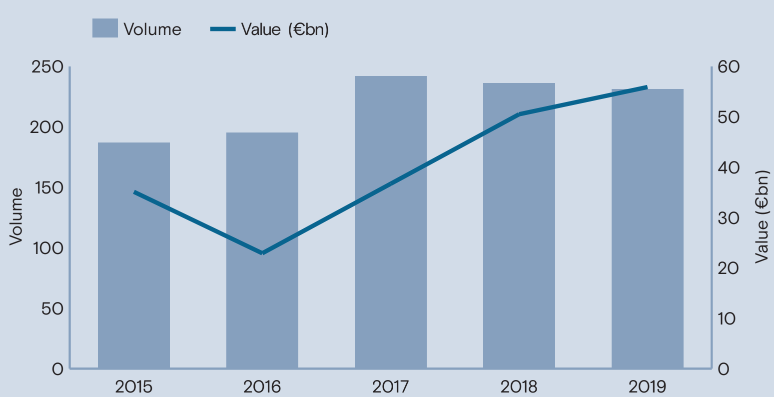
The uncertainty once again weighed on UK GDP growth, though it rose slightly from 1.3% in 2018 to 1.4% in 2019, according to preliminary data from the Office of National Statistics (ONS). In contrast, the Organisation for Economic Co-operation and Development estimates a growth rate of 3% in Ireland.

Buyout volume across the region fell modestly by 2% to 231 deals from 236 in 2018. The region recorded the decade's highest annual volume in 2017 with 242. Considering the political situation, market participants think the private equity industry held up well against uncertainty.

"An election year is always a skittish year," says Mark Ligertwood, a partner at Dunedin. "M&A tends to be a little twitchy around election time and we also had the Brexit backdrop. Despite this, volumes held up pretty well in the small-cap and lower-mid-markets. If you had asked me at the beginning of 2019, I would have been more cautious about where the year was headed."

The large-cap segment also reported modest growth. The region saw an increase in the number

Private-equity-backed buyouts



	2015	2016	2017	2018	2019
Volume	187	195	242	236	231
Value (€bn)	35.1	22.9	36.7	50.5	55.9
Average value (€m)	188	117	152	214	242
% of European volume	23.1%	21.9%	23.1%	21.8%	20.5%
% of European value	26.0%	17.7%	23.9%	24.0%	27.7%

Source: Unquote Data

of large-cap deals greater than €500m with 21 transactions, accounting for 20% of total European deal value. Furthermore, one in every four deals worth more than €500m occurred in the UK & Ireland.

"Deal activity for companies with enterprise values upwards of €500m has been more stable because they demonstrate the ability to continue to earn," says Richard Hope, head of Emea for Hamilton Lane. "In Europe, however, there's not that many huge deals around."

A driver for the large-cap activity could be the upswing in take-private activity. The number of these transactions increased from five in 2018 to 10 in 2019, the highest level in more than five years. The largest delisting was Canada Pension Plan Investment Board (CPPIB) and Blackstone's £5.9bn acquisition of theme park operator Merlin Entertainments. The enterprise value implied an entry multiple of approximately 12x Merlin's underlying EBITDA of £494m for the year to 29 December 2018.

Ireland had two take-privates in 2019: Epiris's acquisition of financial services business IFG Group, and Charterhouse Capital Partners' acquisition of publisher Tarsus Group. Prior to 2019, Ireland had not seen a take-private since 2010.

Consumer confidence

The region saw the consumer sector's continued decline in deal volume, although the rate of contraction slowed in comparison to 2017-2018. The percentage of total deals made up by consumer buyouts has steadily dropped from 35% of all deals in 2015 to 21% in 2019. Deal volume reached 49, down from 50 in 2018.

Further declines in consumer confidence had a significant impact, with consumer spending dropping by 1.2%, according to Visa's UK Consumer Spending Index. PE-backed retail brands that went into receivership included Risk Capital Partners' Patisserie Valerie, BGF's Filmore & Union, and BlueGem Capital Partners' Jack Wills.

However, consumer deal value saw an uptick from €8bn in 2018 to €11bn in 2019, reaching the second highest value in the last five years.

"M&A tends to be a little twitchy around election time and we also had the Brexit backdrop. Despite this, volumes held up pretty well"

Mark Ligertwood, Dunedin

Palatine Private Equity managing partner Gary Tipper says: "If you look at our portfolio, there's been a stark difference in growth in profitability and turnover in B2B and B2C companies. B2C businesses have had a tougher time given Brexit and the failures on the high street." In January 2020, the Office of National Statistics reported that sales in monthly terms had not risen since July 2019, a record long decline.

The advanced sector that suffered the greatest

"Deal activity for companies with EV upwards of €500m has been more stable because they demonstrate the ability to continue to earn"

Richard Hope, Hamilton Lane

decrease in activity was travel and leisure, dropping to three deals in 2019 from 10 in 2018. RJD Partners managing partner Richard Caston says: "The travel sector has had a lot of instability. Thomas Cook made the sector even more unstable, and it would benefit from some certainty around Brexit and currency volatility."

"B2C businesses have had a tougher time given Brexit and the failures on the high street"

Gary Tipper, Palatine Private Equity

The only two sectors that saw growth in deal volume were technology and financials.

Up from 20 deals in 2016 to 47 deals in 2017, technology continues to play an important part in buyout activity in the UK & Ireland with 48 deals in 2019. The sector made up 21% of all deals in the region, roughly the same as industrials and consumer businesses.

Aggregate value for the sector grew dramatically to €15.8bn, up from €10bn in 2018. Technology buyouts now make up almost a third of all deal value in the UK & Ireland, up from 4% in 2015. This illustrates the high entry multiples technology companies demand. Palatine's Tipper says that the firm has been able to buy companies outside of the sector at 7-8x. "Tech-enabled companies might demand multiples of 10x or more at the start of bidding," he says.

Goodwin partner Richard Lever agrees: "Anything branded as a tech company gets a premium." The firm has bolstered their technology team to anticipate growth in the sector. Says Lever: "We now have a large tech team and are starting to see more venture work."

Sellers' market

Family and private vendors remained the most common source for buyouts, making up 53% of vendors. Secondary buyouts declined to a 23% share of activity, down from 32% of deals in 2018.

The trend could be explained by growth in the small-cap segment of the market. As Adam Maidment of lower-mid-market firm Kester Capital says: "Because the UK lower-mid-market is such a big universe of deals, you don't see the same competitors on every deal and you get many more truly off-market deals. Everyone's got their own individual strong adviser relationships and there are so many in the lower-mid-market that no PE house can effectively cover them all."

Carve-outs also increased to take market share from SBOs. There were 38 subsidiaries sold by corporates, making up 16.5% of vendors. Almost a quarter of PE-backed corporate divestments in Europe occurred in the UK in 2019, according to *Unquote Data*. Market participants say both Brexit and the scarcity of quality assets in the market could be reasons for the sharp increase.

Exit pursued by a bear

Exit activity continued its downward trend in 2019, with a total of 214 transactions, the lowest since 1999. Brexit uncertainty, particularly surrounding the 29 March 2019 deadline for the UK to exit the EU, led to the second lowest quarterly deal volume of 47 exits in Q1. In addition, many firms sold well-performing businesses in 2018 in an effort to avoid Brexit uncertainty.

Kester's Maidment says: "From our anecdotal evidence, there were lots of processes that got pulled. If the asset was considered lower quality, deal processes were elongated, people were taking their time and doing more due diligence."

Trade sales were the most popular exit route, as has been the case for the last eight years. There were 97 such divestments, accounting for 45% of exits. This was the highest figure since 2015.

The highest profile sale, and the largest European exit recorded by *Unquote Data* by more than £13bn, was the sale of Refinitiv to the London Stock Exchange by Blackstone, CPPIB, GIC and several other investors.

Secondary buyouts were the second most common divestment route, accounting for 23% of all exits, with 48 deals, the lowest since 2012. This marks a departure from the prior three years, when the transaction type represented 27-32% of PE-backed sales, a figure that rose from 12% in 2012 to 24% in 2015.

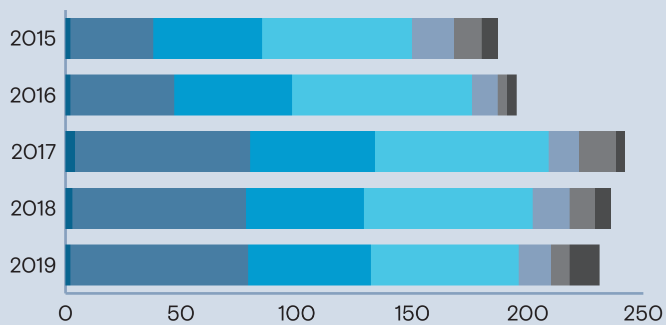
"Because the UK lower-mid-market is such a big universe of deals, you don't see the same competitors on every deal"
Adam Maidment, Kester Capital

Fundraising spike

Fund closes increased considerably in volume in 2019. In total, 31 buyout and generalist funds closed with an aggregate £47.3bn in commitments, the highest value in more than five years. Goodwin partner Michael Halford says: "We started to see towards the end of the year that, because there had been some very large fundraisings at the beginning of that year, some LPs said they had used up their 2019 allocations and so weren't able to participate, even in strong funds. This will likely mean a good start on funds going into 2020 and there's nothing to suggest anything's slowing down."

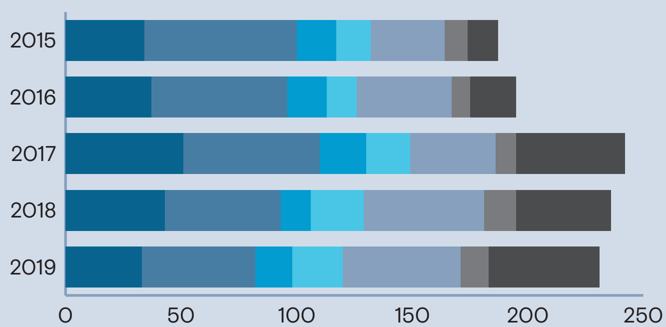
Notable large-cap fund closes in 2019 included Permira VII on €11bn and Seventh Cinven Fund on €10bn, while the largest fundraise the region saw was Advent International GPE IX's final close on $17.5bn.

UK & Ireland buyouts by size range (volume)



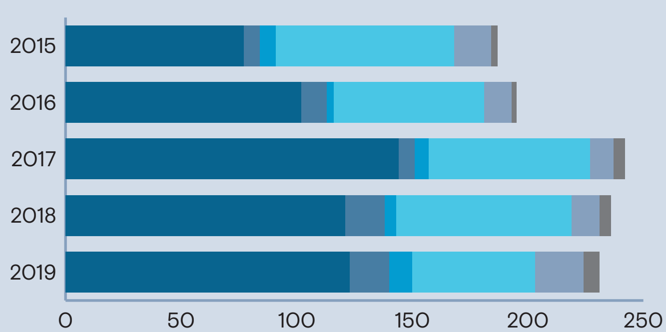
	2015	2016	2017	2018	2019
<€5m	2	2	4	3	2
€5-25m	36	45	76	75	77
€25-50m	47	51	54	51	53
€50-250m	65	78	75	73	64
€250-500m	18	11	13	16	14
€500-1bn	12	4	16	11	8
≥€1bn	7	4	4	7	13

UK & Ireland buyouts by super-sector (volume)



	2015	2016	2017	2018	2019
Business services	34	37	51	43	33
Consumer	66	59	59	50	49
Financials	17	17	20	13	16
Healthcare	15	13	19	23	22
Industrials	32	41	37	52	51
Media	10	8	9	14	12
Technology	13	20	47	41	48

UK & Ireland buyouts by vendor type (volume)



	2015	2016	2017	2018	2019
Family/Private	77	102	144	121	123
Foreign parent	7	11	7	17	17
Going private	7	3	6	5	10
Institutional investor	77	65	70	76	53
Local parent	16	12	10	12	21
Other	3	2	5	5	7

Source: Unquote Data

UK & Ireland exits 2019

Deal/Exit name	Exit route	Exit value (€m)	Full exit investors
Refinitiv / Thomson Reuters (Financial & Risk business)	Trade sale	24,260 (est)	Blackstone Group, CPPIB, GIC
Sophos	Secondary buyout	3,619	Apax Partners LLP
LGC	Secondary buyout	3,479	Kohlberg Kravis Roberts & Co (KKR)
Independent Vetcare	Partial sale	2,973	EQT Partners AB
Trainline	Flotation	1,904	Index Ventures, Kohlberg Kravis Roberts & Co
Mergermarket	Secondary purchase	1,566 (est)	BC Partners, GIC
Audiotonix	Secondary buyout	1,000 (est)	Astorg Partners
Study Group International	Secondary buyout	572 (est)	Providence Equity Partners
The Foundry	Trade sale	479	Hg
Loch Lomond Group	Secondary buyout	453 (est)	Exponent Private Equity

Total of €55.9bn

Record high aggregate buyout value

Largest exit ever

Sale of Refintiv by Blackstone, CPPIB, GIC

Tech spike

Total tech buyout value rises 60%

UK & Ireland funds 2019

Fund name	Fund manager	Fund Target (€m)	Amount closed (€m)
Advent International GPE IX	Advent International	14,121	15,445
Permira VII	Permira	10,000	11,000
Seventh Cinven Fund	Cinven	8,000	10,000
CVC Strategic Opportunities Fund II	CVC Capital Partners	4,000	4,600
Oakley Capital Private Equity IV	Oakley Capital	1,200	1,460
CVC Growth Partners II	CVC Capital Partners	854	1,367
Investcorp European Buyout Fund 2019	Investcorp	n/d	1,000
Novalpina Capital Partners I	Novalpina Capital	1,000	1,000
GHO Capital II	GHO Capital	800	975
Mayfair Equity Partners II	Mayfair Equity Partners	676	732
Bowmark Capital Partners VI	Bowmark Capital	670	670
Three Hills Capital Solutions III	Three Hills Capital Partners	400	540
Inflexion Enterprise Fund V	Inflexion Private Equity	457	457
CGE Partners Fund	CGE Partners	400	440
Synova IV	Synova Capital	350	426
Cibus Fund	ADM Capital	459	413

UK & Ireland buyouts 2019

Deal name	Business description	Deal value (€m)	Sector
Merlin Entertainments	Owner and operator of leisure facilities	6,653	Consumer
Inmarsat	Provider of satellite-based telecommunications services	4,351	Technology
Sophos	Developer of IT security and data protection products	3,618	Technology
Kantar	Provider of consulting and analytics services	3,576 (est)	Media
LGC	Provider of advanced analytical and diagnostic services	3,479	Healthcare
MagicLab	Operator of dating and networking brands	2,689 (est)	Technology
BCA Marketplace	Operator of a used-vehicle auction marketplace	2,418	Business services
Advanced Computer Software	Provider of information technology services	n/d (>1,000)	Technology
CRH (European distribution business)	Supplier of building materials	1,640	Industrials
Howden	Manufacturer of air and gas handling products	1,607	Industrials
Acuris	Provider of business analysis and data products	1,566 (est)	Media
Ontic	Manufacturer of aerospace parts	1,201	Industrials
Audiotonix	Developer of digital sound-mixing consoles	1000 (est)	Industrials
Westbury Street Holdings	Provider of catering and hospitality services	871	Consumer
Tarsus Group	Organiser of business-to-business media events	775	Media
Quotient Sciences	Provider of outsourced drug development services	n/d (500-1,000)	Healthcare
Estera	Provider of offshore legal, fiduciary and administration services	n/d (500-1,000)	Financials
Study Group International	Provider of English language and academic preparation courses	572 (est)	Consumer
BMS Group	Provider of insurance brokerage services	566	Financials

UK & Ireland buyouts 2019

Deal name	Business description	Deal value (€m)	Sector
Hyperoptic	Provider of high-speed fibre-optic broadband services	563 (est)	Technology
Acturis	Developer of insurance-related software	n/d (500-1,000)	Technology
Aspen Pumps	Manufacturer of miniature air conditioning pumps	470 (est)	Industrials
Loch Lomond Group	Producer of Scotch whisky	453 (est)	Consumer
Jane's	Provider of defence and security intelligence	428	Media
Sykes Holiday Cottages	Holiday property lettings agency	423 (est)	Consumer
Atnahs Pharma	Developer and marketer of branded medicines	n/d (250-500)	Healthcare
Aston Lark	Insurance brokerage	354 (est)	Financials
Amcor (three packaging plants)	Manufacturer of packaging products	353	Industrials
Flow Control	Manufacturer of engineered valves and pumps	314	Industrials
Granite Underwriting	Motor insurance service	n/d (250-500)	Financials
Marley	Manufacturer and supplier of roofing products	n/d (250-500)	Industrials
Acuity Knowledge Partners	Provider of financial research and data analysis	n/d (250-500)	Business services
Kao Data	Provider of wholesale co-location data centre services	263	Technology
Charles Taylor	Insurance and broking service	261 (est)	Financials
Arachas Corporate Brokers	Insurance brokerage and financial consultancy	n/d (250-500)	Financials
IFG Group	Pension administration and advisory service	241	Financials
ASL Aviation Holdings	Aviation service	n/d (50-250)	Consumer
Isio	Pensions adviser	n/d (50-250)	Business services
CH&Co Group	Catering services	n/d (50-250)	Consumer
GB Railfreight	Operator of freight trains	n/d (50-250)	Industrials

Fundraising

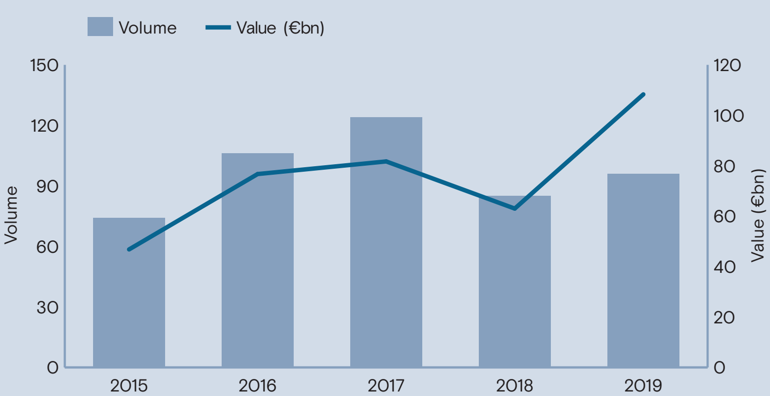
Julian Longhurst
Head of data & research

Coffers filled to bursting in record-breaking year

As the trend towards more capital being held by fewer GPs becomes more entrenched, the closing of a few super-funds in 2019 has launched the market into uncharted waters. Julian Longhurst reports

Although the number of European buyout funds holding final closes in 2019 was well below the peak seen in 2016 and 2017, activity remained robust by historical standards. In all, 96 vehicles closed their doors to new commitments during the year, up from 85 in 2018.

European fundraising activity



	2015	2016	2017	2018	2019
Volume	74	106	124	85	96
Value (€bn)	46.8	76.7	81.7	63.0	108.3

Source: Unquote Data

However, clearly the most striking feature of the market during 2019 was the sheer amount of capital secured by Europe-focused investors. Driven by double-digit-billion closings from Advent International, Permira and Cinven, as well as a slew of multi-billion euro funds from other GPs, the market total surged by more than 70% to €108.3bn.

The amount of dry powder being added to the keg is even more startling given that these statistics only include funds raised by Europe-headquartered investors or for specifically Europe-focused vehicles raised by non-European GPs. It does not count global funds raised by non-European entities and therefore excludes the giant vehicles raised in 2019 by the likes of Blackstone (Blackstone Capital Partners VIII closed on more than €22bn), Vista Equity Partners, TPG, Warburg Pincus and TA Associates: all of these funds could reasonably be expected to allocate a third or more of their capital to the European market. As a result, the actual sum raised in 2019 for investment in European buyouts is more likely to be approaching €150bn.

Big is best…

Breaking the market down by value band clearly shows the scale of the migration towards larger

Volume of funds by region

	Benelux	CEE	DACH	France	Iberia	Italy	Nordic	UK & Ireland	US
2015	6	2	7	13	6	3	6	28	3
2016	11	3	11	19	3	7	13	38	1
2017	15	5	19	20	9	4	12	40	
2018	6	5	10	20	7	5	6	25	1
2019	7	5	12	12	2	10	8	36	4

Source: Unquote Data

vehicles as LPs seek to put more money to work with fewer GPs. The amount of capital collected in 2019 by funds in the two sub-€500m brackets is below the average for the previous four years. Even the total raised by funds in the €500m-1bn segment is only at around that average. However, the picture for the two €1bn+ brackets is starkly different: funds closing at between €1bn and €5bn amassed €34bn in 2019, versus the 2015-2018 average of €24bn; and the six €5bn 'super-funds' closed in 2019 collected a massive €53.6bn alone, well over double the average for the previous four years and more than the whole of the market in 2015.

In terms of the number of vehicles raised in 2019, European growth was driven primarily by UK-based (often pan-European) investors. These GPs raised 36 of the 96 funds closed during the year. On the continent, activity was mostly flat (Benelux, CEE, Nordic and DACH) or down (France and Iberia). The exception was Italy, which saw 10 funds closed – double the annual average.

Given the tendency of larger funds to impact the overall statistics, the profile of the market in value terms was a little more mixed in 2019. In France, five €1bn+ funds held final closes during the year driving the total raised by local GPs to €13bn from around €8bn the two previous years. The region's largest fund was Astorg's seventh, which closed on €4bn at the beginning of 2019. Eurazeo and Ardian also pulled in more than €2bn each for new vehicles during the year.

Big hitters

The DACH region also more than doubled its 2018 total, raising €10bn, thanks in large part to Triton's fifth fund, which closed on €5bn. Meanwhile, Italy's strong year in terms of fund numbers was matched by a record one-year haul in value terms, with local GPs amassing €6.8bn, led by Investindustrial VII (€3.75bn) and FSI Mid-Market Growth Equity Fund (€1.4bn).

However, as one has come to expect, UK-based GPs raised the lion's share of the European

Value of funds raised by region (€bn)

	Benelux	CEE	DACH	France	Iberia	Italy	Nordic	UK & Ireland	US
2015	3.9	0.2	2.4	7.1	1.0	0.7	7.3	18.5	5.6
2016	2.0	0.3	3.0	12.6	1.1	3.7	3.3	49.6	1.1
2017	5.9	1.4	7.6	8.1	2.6	1.3	4.2	50.7	
2018	0.7	0.4	4.0	8.2	1.6	1.7	16.3	25.8	4.4
2019	1.8	0.7	10.4	13.1	0.6	6.8	4.6	56.3	14.0

Source: Unquote Data

Volume of funds by size bracket *

	<€100m	€100-500m	€500-1bn	€1-5bn	>€5bn	Grand Total
2015	21	31	8	12	1	**73**
2016	18	57	13	13	3	**104**
2017	21	66	19	11	3	**120**
2018	15	47	9	10	3	**84**
2019	12	46	13	17	6	**94**

*Excludes funds with an unknown final close value

Source: Unquote Data

annual total, propelled by the aforementioned super-funds. In total they closed €56.3bn in new money – more than 50% of the whole market. Of that, €36bn was closed by just three funds: Advent International GPE IX, which amassed €15.4bn (not all destined for Europe, admittedly); Permira VII (€11bn); and the Seventh Cinven Fund (€10bn). Other notable fundraisers included CVC (which closed CVC Strategic Opportunities Fund II and CVC Growth Partners II at €4.6bn and €1.4bn respectively), Oakley Capital and Investcorp. In a similar vein, other international investors such as Carlyle Group and KKR closed major new European vehicles: Carlyle Europe Partners V and Carlyle Europe Technology Partners IV raised €6.4bn and €1.35bn respectively, while KKR European Fund V closed on €5.8bn. ▶

Value of funds by size bracket (€bn) *

	<€100m	€100-500m	€500-1bn	€1-5bn	>€5bn	Grand Total
2015	1.1	7.1	5.5	26.2	6.8	**46.8**
2016	1.3	14.2	8.8	25.5	26.8	**76.7**
2017	1.2	16.1	13.6	22.1	28.7	**81.7**
2018	0.9	10.3	6.3	22.8	22.8	**63.0**
2019	0.7	11.1	8.8	34.0	53.6	**108.3**

Source: Unquote Data

Largest funds raised in 2019

Fund	Raised (€bn)
Advent International GPE IX	15.4
Permira VII	11.0
Seventh Cinven Fund	10.0
Carlyle Europe Partners V	6.4
KKR European Fund V	5.8
The Triton Fund V	5.0
CVC Strategic Opportunities Fund II	4.6
Astorg VII	4.0
Investindustrial VII	3.8
Altor Fund V	2.5
Eurazeo Capital IV	2.5
Ardian Co-Investment V	2.4
Advent Global Technology	1.8
Partners Group Global Value 2017	1.5
Oakley Capital Private Equity IV	1.5

Source: Unquote Data

Funds on the horizon

Fund	Target (€bn)
EQT IX	14.75
Apax X	9+
Ardian Buyout VII	6
Montagu VI	3
Permira Growth Opportunities I	2
DBAG Fund VIII	1.1
Bridgepoint Development Capital IV	1.1+
Mid Europa V	0.8
Sagard IV	0.8
PAI Mid-Market	0.6
Riverside Europe Fund VI	0.6
Quadriga Capital Private Equity Fund V	0.5
Hg Saturn 2	n/d
Silverfleet Capital Partners III	n/d
NorthEdge Capital Fund III	n/d

Source: Unquote Data

Rosy outlook

Despite ongoing fears surrounding the ability of GPs to continue making premium returns in an increasingly crowded and expensive marketplace, anecdotal reports from key industry events and from market practitioners talking to *Unquote* suggest a high level of confidence that market momentum can be maintained. For instance, at the 2020 IPEM conference in Cannes, Hamilton Lane's Jim Strang delivered a keynote address that highlighted the fact that, despite fears of a runaway capital overhang, the market has actually reached a point of equilibrium where, at current investment rates, the projected time to deploy capital is standing at the historical average of 2.7 years.

Speaking recently to *Unquote*, Triago's Antoine Dréan was equally positive about the fundraising environment and the general prospects for the industry: "There are three main factors that continue to boost private equity's success. First and foremost, performance continues to deliver, both in absolute and relative terms, despite the pricing levels seen in the market over the past few years. Resilience is also a factor – GPs have remained disciplined overall, reducing the risk profile for LPs. And finally, liquidity is now another selling point, given the continued boom and creativity of the secondaries market."

One area where practitioners may continue to feel the squeeze – given the continuing bifurcation in the market between the large super-funds on one hand and the smaller, more specialist niche investors on the other – is the market for more generalist mid-cap vehicles. As Dréan explains: "The bifurcation remains very clear. LPs are allocating hefty tickets to the larger funds for the beta opportunity, while targeting these smaller and/or specialist managers to generate alpha. Managers caught between these two will have a harder time. Overall, the natural selection is only going to get stronger, seeing as performance and the market in general are increasingly transparent for LPs." ■