Press release

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The European private equity deal market comes roaring back in 2015

- The European private equity deal market is on track to achieve its highest total value for a given year since 2007
- Big deals are back, with the average value per deal currently the highest since 2007
- Total European exit value for 2015 is already over €100bn and remains on track for a record year, however volatile equity markets put a halt on IPOs in Q3

The European private equity deal market is on track to achieve its highest total value for a given year since 2007, according to the latest data published by the Centre for Management Buyout Research (CMBOR), sponsored by Equistone Partners Europe Limited. After a strong Q3 2015 totalling €20.3bn, the total value for buyouts in 2015 currently stands at €58.4bn but with three months to go it is expected that 2015 will surpass 2014’s total of €68.6bn. This would take 2015 to the highest cumulative value of deals since 2007, when it stood significantly higher at €172.9bn.

Despite the high cumulative value, the number of European deals for 2015 is set to be lower than last year based on the current run rate, totalling 462 after Q3 compared to 669 for the whole of 2014. Importantly however, the size of the deals so far in 2015 have been significantly higher with the average value currently at €126.3m – this is the highest average deal value since 2007 when the figure stood at €171m.

Meanwhile the total exit value in Europe is already over €100bn and on track to break the previous record total of €122bn, again from 2007. However, volatile equity markets have put a halt to IPOs this quarter with no successful flotations of private equity-backed companies taking place between July and September.

Highlights

- **Big deals are back in Europe.** So far in 2015 there has been €22.4bn worth of €1bn+ deals, surpassing all previous annual totals between 2008-14. However, the 2015 value of €1bn+ deals still only accounts for approximately a quarter of the total value of €1bn+ deals seen in 2007 (£83.7bn) and only a third of the number (12 in 2015 versus 36 in 2007). Whilst the European market for big deals looks healthy with 2015 already recording the greatest value of €1bn+ deals since 2007, it is a mixed story for deals below €500m. For the year, total deal value for transactions between €100-€250m currently stands at €6.4bn, meaning this range is unlikely to match last year’s overall figure of €12.7bn. However, the total value of deals between €50-€100m and €250-€500m are in line with previous years currently totalling €2.8bn and €11.8bn respectively versus €2.9bn and €13.6bn for the whole of 2014.

- **The UK continues to drive the European deal market,** totalling €22.2bn so far in 2015 out of the €58.4bn total for Europe – this equates to 38% of all European deal value. However, at its current run rate the number of UK deals looks likely to fall short of 2014’s total currently standing at 150 compared 233 for the whole of 2014. Conversely, by value, the UK deal market is likely to surpass last year’s figure of £16.4bn, currently standing at £16.0bn, meaning the UK is on track for its highest value since 2007 (£44.1bn). Evidently it is bigger deals that are driving the UK’s deal market, as illustrated by the highest average size of deal (£106.9m) since 2007 thereby mirroring the trend at the European level. After 10 quarters of no billion pound deals, three have been...
completed so far in 2015 with 1 in Q3 (Virgin Active) and two in Q2 (New Look, ERM Group/Environmental Resources).

- **Germany continues to firmly establish itself as the second biggest buyout market in Europe**, accounting for €10.0bn worth of deals so far in 2015. This is comfortably ahead of the third and fourth largest buyout markets in Europe for 2015 so far, with France totalling €4.9bn and Switzerland €3.8bn. In terms of the number of deals, France is actually ahead of Germany so far in 2015 at 62 versus 56 illustrating that it is bigger deals that are boosting the German market. The largest deal across Europe in Q3 was also German (Douglas at €2.8bn), following on from two other €1bn+ deals earlier in the year (Sivantos/Siemens Audiology Solutions and Senvion).

- **The 10 largest deals so far in 2015 have a pan-European flavour.** The UK has the highest number of deals in the top ten at four (Virgin Active, New Look, ERM Group/Environmental Resources and Stemcor Holdings) followed by Germany with three (Douglas, Sivantos/Siemens Audiology Solutions and Senvion). The remaining three largest deals are from Switzerland (SIG Combibloc Group), Austria (Constantia Packaging), and France (Labco). Furthermore, five of the ten largest deals so far this year are from this quarter (Douglas Holding, Virgin Active, ERM Group/Environmental Resources, Stemcor Holdings and Labco).

**Christiian Marriott, Investor Relations Director at Equistone Partners Europe Limited, commented:**

“So far we have had a very significant year in terms of deal activity. With the average European deal value already at its highest level since 2007 and three £1bn plus deals in the UK completed, we can safely say that big deals are well and truly back. Whilst there has been a mixed picture for deals in the mid-market so far this year, there are still many businesses in this range across Europe and different sectors that are ripe for investment in order to take them to the next level.

Geographically, the UK is still the engine room of the European private equity deal market, accounting for over a third of total buyout value, while Germany is now firmly established as the second biggest buyout market in Europe. The fact that Germany is behind France in terms of number of deals but ahead in value highlights that, after the UK, it has become the most established market for larger deals too.

While total European exit value is on track to achieve record levels, the ongoing tension in European markets is clearly starting to have an impact and has firmly put the handbrake on IPOs in this quarter. With no sign of the markets settling down any time soon, private equity-backed IPOs may be challenging for a while longer, although Worldpay, Hastings and others may indicate that some companies will be able to float despite the volatility."

**European private equity exit market is on track for a record value**

- While exit numbers rose to 485 in Europe in 2014, with only Q4 to go exits numbers are relatively lower so far in 2015 at 322. In contrast, the exit value in Europe so far in 2015 is currently €105.6bn and on track for a record, with the previous high being €122.4bn in 2007. At €344.9m, the average value of exits in 2015 so far is the highest on record. Center Parcs at €3.4bn was the largest Q3 2015 exit, following on from two €5bn exits earlier in the year (Grandvision and Springer Science & Business Media).

- Trade sales have been strong so far for the year, already ahead of 2014 (€41.0bn) at €44.2bn and the highest value since 2011, however in terms of number they are significantly down on last year’s Q3 standing at 41 and 57 respectively. The value of secondary buyouts has also been strong (€30.3bn) having already surpassed the whole of 2014 which stood at €29.3bn. However, again, in terms of numbers secondary buyouts are currently down in Q3 2015 (35) versus Q3 2014 (49).

- Volatile stock markets have a put a brake on European IPOs in Q3, with no successful IPOs of private equity-backed companies in quarter, compared to 9 in Q2 2015 and 16 in Q1 2015. However,
private equity-backed Hastings Direct and Worldpay have both announced their intention to float, potentially paving the way for others to exit via the equity markets.

UK on track for record year for exits and highest deal value since 2007

- The UK exit market is on track to set a record for total value, with the figure standing at £33.2bn after three quarters against the previous record of £35.9bn for the whole of 2014. However, the total value of exits has declined from one quarter to the next so far this year (Q1: £12.9bn, Q2: £10.6bn, Q3: £9.7bn).

- Regionally, London continues to dominate the number (45) and value (£5.9bn) of deals so far in the UK for 2015. London also saw by far the highest number (15) and greatest value (£3.3bn) for deals in Q3. The South West (New Look: £1.9bn) and Yorkshire (Sky Bet: £720m) have had particularly strong years so far in terms of deal value at £1.9bn and £1.6bn respectively, although the South East remains number two to London with £3.8bn worth of deals taking place during the three quarters of the year so far.

- Deal structures are noticeably more conservative in the UK compared to the rest of Europe with debt accounting for 51.1% of funding for deals in the UK above £50m against 58.4% for similar deals across continental Europe.

TMT and retail lead on European exits, whilst manufacturing dominates deals

- TMT has had a particularly strong year for exits with €26.2bn worth recorded so far, putting it ahead of second placed sector, retail, with a cumulative value of €14.1bn. Both sectors have completed 53 and 23 deals respectively. Leisure has also performed well, with total value already substantially ahead of last year at €8.9bn versus €5.9bn in 2014, aided this quarter by Blackstone’s €3.4bn sale of Center Parcs to Brookfield Property Partners. Following on from previous years, manufacturing looks set to be the leading sector for deals totalling €15.6bn for the year so far versus retail at €8.8bn with the second highest total.

Non-European institutions continue to shape deal markets

- The high average deal size may be fuelled by the number of large North American buyout firms active in the European market. Canadian and US private equity firms including Onex, Omers, KKR and Lone Star have all made large European investments in 2015, including ERM Group/Environmental, Jurys Inn Group and thetrainline.com. Similarly, the value of foreign divestments for the year currently stands at €9.8bn, which already greater than all other yearly totals between 2008-14. Notable foreign divestments include Reynolds Group’s (New Zealand) €3.8bn disposal of SIG Combibloc Group and Suzlon Energy’s (India) disposal of Senvion in a €1.1bn deal.

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Notes to editors

Methodology
The data compiled by CMBOR summarizes trends in buyouts* across Europe (Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Czech Republic, Hungary, Poland, Romania and Turkey and the UK). Data cut-off date: the data in this press release is for deals completed by 17 September 2015.

*Buyouts: CMBOR defines buyouts as over 50% of shares changing ownership with management or private equity, or both having a controlling stake upon deal completion. Equity funding must primarily be from private equity funds and the bought-out company must have its own financing structure, e.g., MBO/MBI.

About CMBOR
The Centre for Management Buy-out Research (CMBOR) was founded in 1986 and moved to Imperial College Business School in 2011. CMBOR is world-renowned as the long-standing leader in providing robust analysis of the buyout market. CMBOR data covers all buyout activity and therefore includes transactions funded on a cash or debt-only basis as well as traditional private equity-funded buyouts. CMBOR is independently sponsored by Equistone Partners Europe.

About Equistone
Equistone is an independent investment firm wholly-owned and managed by its executives. The company is one of Europe’s leading investors in mid-market buyouts with a strong, consistent track record spanning over 30 years, with more than 350 transactions completed in this period. Equistone has a strong focus on change of ownership deals and aims to invest between €25m and €125m of equity in businesses with enterprise values of between €50m and €300m. The company has a team of 35 investment professionals operating across France, Germany, Switzerland and the UK, investing as a strategic partner alongside management teams. Equistone is currently investing its fifth buyout fund, which held a final closing at its €2bn hardcap in April 2015. Equistone is authorised and regulated by the Financial Conduct Authority.

Further information can be found at www.equistonepe.com