PitchBook

European PE Breakdown

2019 Annual

PitchBook

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Introduction

European PE deal activity remained robust in 2019, totaling €453.5 billion across 3,867 deals, falling slightly shy of 2018's record totals. The median annual European PE deal size ballooned to €30.8 million, propelled by sustained access to cheap financing, heightened competition for deals from nontraditional investors and the acquisition of high-premium businesses that GPs deem to be recession-resilient. Deal activity in the UK & Ireland remained strong despite the geopolitical ambiguity, and we expect activity in the region to increase in the short to medium term as GPs are likely to pull the trigger on transactions they've delayed amid the prolonged uncertainty. IT and healthcare were the only sectors to post YoY gains in deal value, with IT hitting a new annual record. Deals with non-European investor participation as a proportion of overall European PE deal volume also hit a new high.

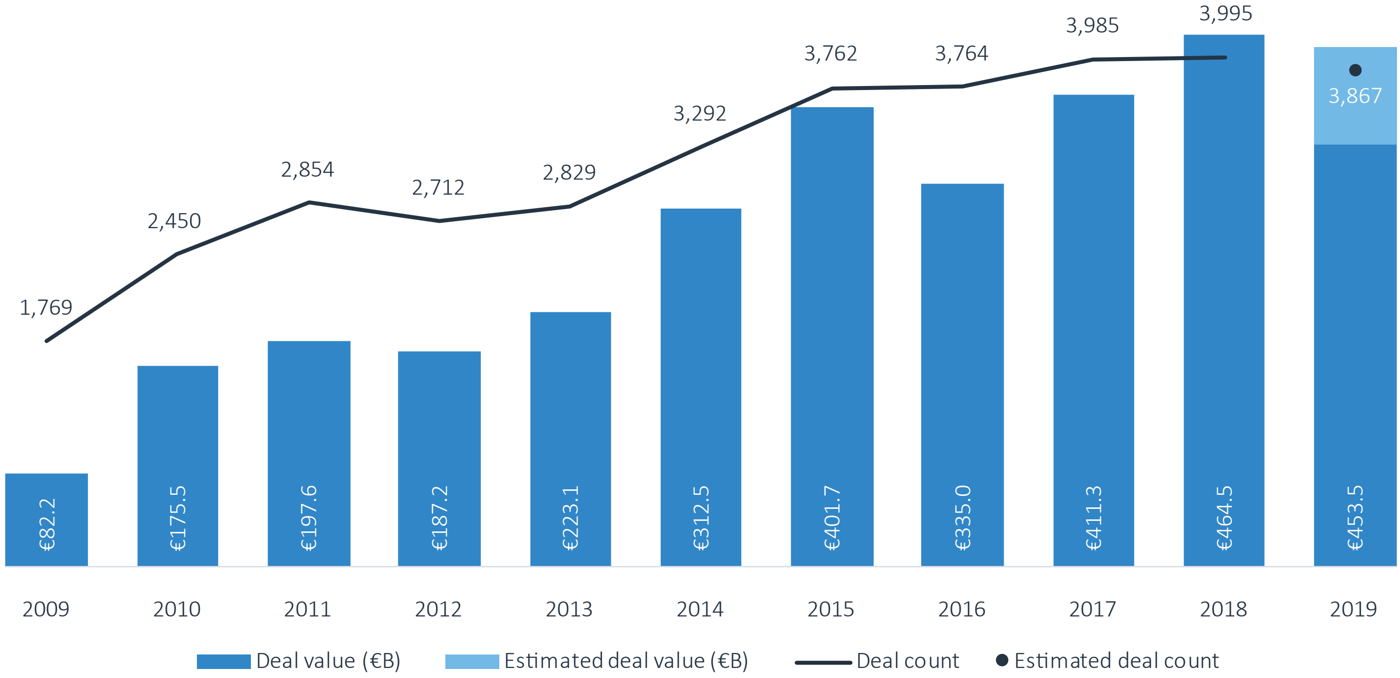
Both exit value and volume in 2019 dipped far below the postings of recent years. 900 European PE exits closed for a total of €201.7 billion, though we anticipate these figures to increase as we collect more data. The rise of bolt-on investments, GP-led secondaries and long-dated funds has consolidated exit activity. Exit value via IPO hit a nine-year low, as PE firms sold a heightened proportion of portfolio companies to strategics. The IT sector accounted for nearly a quarter of total PE exit value in 2019, its largest annual proportion in our dataset.

2019 set a new annual record for European PE fundraising, with €86.4 billion raised across 89 vehicles, graduating the asset class from the fringes of the capital markets closer to the mainstream. Fund count, on the other hand, dropped to its second-lowest figure in over a decade, suggesting LP capital is chasing larger but fewer funds. The strong distributions and risk-adjusted returns the industry has seen have meant LPs are actively reallocating that capital at higher levels, as institutional investors now see PE as an effective requirement for diversified global growth. Overall, we expect 2020 European PE fundraising to remain robust. At least three Europe-headquartered firms are reportedly poised to return to market with flagship vehicles that are collectively raising north of €38.0 billion.

Dominick Mondesir
EMEA, Private Capital Analyst

Overview

PE deal activity



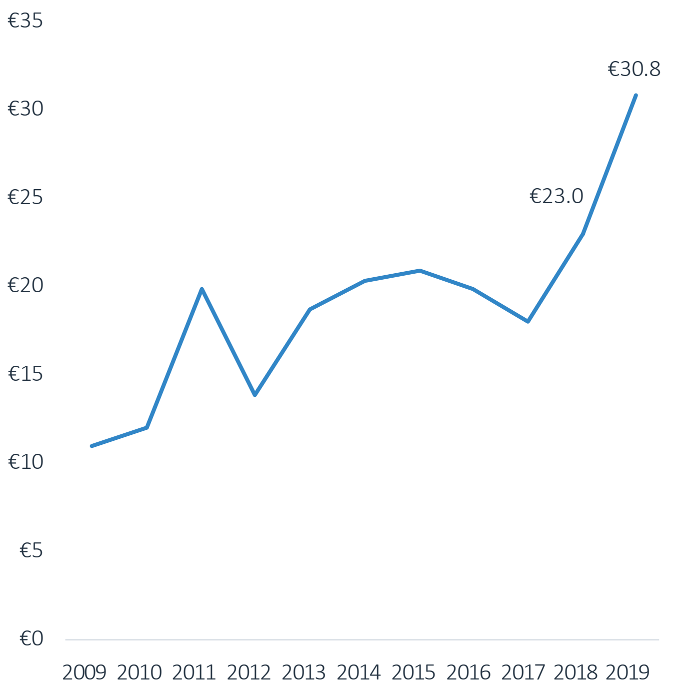
Source: PitchBook | Geography: Europe

After a record-setting 2018, European PE deal activity in 2019 remained robust. €453.5 billion closed across 3,867 deals, reflecting YoY declines of 2.4% and 3.2%, respectively. Deal value recorded its second-highest reading in our dataset, which was largely propelled by the 34.1% YoY growth in the median deal size to a decade peak of €30.8 million. Historically lofty multiples and the acquisition of high-premium businesses that GPs deem to be recession-resilient have helped to push up the median deal size. Additionally, the persistence of trends including a fiercely competitive transaction environment, mounting dry powder levels and inexpensive financing costs has also contributed to the sharp rise.

The near 4.5x growth in European PE deal value over the past decade and 2019's record fundraising year in terms of capital raised largely point to an industry that has graduated from the fringes of the capital markets closer to the mainstream. An ever-growing number of institutional investors who previously shied away from PE allocations now see the asset class as fundamental to their portfolios in order to achieve diversified global outperformance.

The third quarter of 2019 saw the second-largest European buyout since the global financial crisis. A consortium of investors led by Sweden-based PE group EQT carved out Nestlé Skin Health (NSH) for €10.6 billion.

Median PE deal size (€M)



Source: PitchBook | Geography: Europe

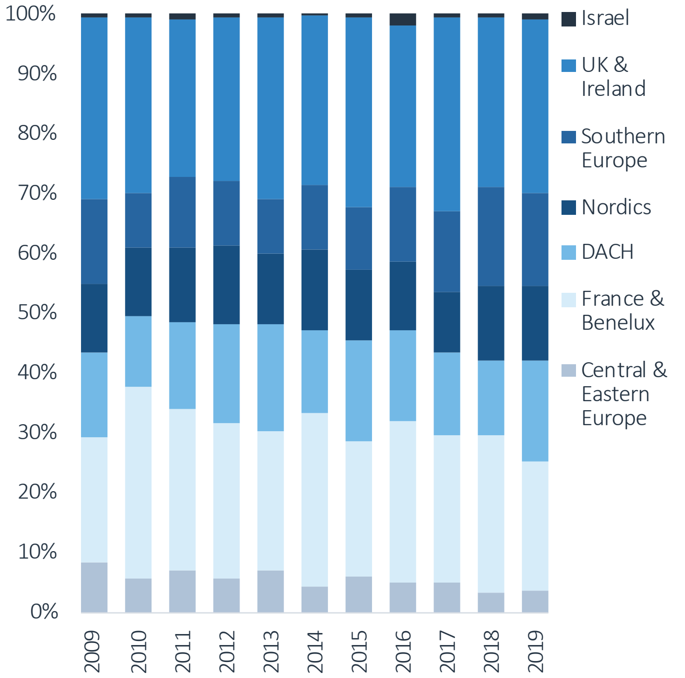
NSH has been rebranded as Galderma and will become the largest independent global dermatology company in the world, focusing on US and China expansion.

Amid pronounced pressure to execute deals and experts frequently citing a dearth of available quality targets, deal count in 2019 surprisingly remained in line with the figures of recent years, posting the third-highest absolute annual figure on record. Despite 2019's consistent deal volume showing, challenges remain for GPs seeking to close transactions. Among them are stiff competition from nontraditional investors such as strategic buyers, SWFs and pension funds; gaps between buyer and target company valuation expectations (which become more concerning late cycle); and risk exposure uncovered during the due diligence process. Political uncertainty, the regulatory environment and deal sourcing inefficiencies also present obstacles.

As has been the case over the past few years, PE firms will be laser-focused on deploying their gargantuan levels of dry powder. It will be critical for them going forward to gain better access to company management, pursue more preemptive bids before companies have a chance to auction and foster relationships with and begin due diligence processes for target companies years prior to when they may want to exit. PE firms are also looking to move away from archaic founder-led approaches of deal sourcing, fundraising and investment decision making. These entities are pivoting towards the operational and organizational practices of traditional institutional asset managers, which involves digitizing deal sourcing and due diligence processes, outsourcing and automating business practices and improving use of data and analytics for value creation methods. This should assist them in successfully identifying and executing on more targets, helping bolster deal count in years to come.

The bulk of PE transactions has continued to close within the UK & Ireland; the region contributed nearly a third of the continent's total deal activity in 2019. Over the past decade, the region's proportion of annual European PE deal value and count has remained largely stable on both fronts, which is testament to the UK's robust and stable rule of law, wide target company opportunity set and political resilience. Given the now steadfast date for the UK's departure from the EU following the recent election, we are bullish on the UK in the short to medium term, believing GPs are likely to pull the trigger on transactions they delayed amid the prolonged uncertainty. Dan Zilberman, who serves as Head of Europe and Partner at Warburg Pincus, also sees the UK as a potential bright spot in 2020. "We think this is a strong economy," he stated in an interview with Private Equity News. "It's actually a great market, but it's been frozen for two-and-a-half years."[1] Zilberman points to his firm's investment in UK-based clothing retailer Reiss, which he says saw EBITDA growth of 21.3% to €22.7 million in the year to February 2019 and which he expects to grow an

PE deals (€) by region



Source: PitchBook | **Geography:** Europe

additional 55.0% in 2020. Reiss achieved rapid growth with a three-pronged value creation approach, replacing the company's management team and creating operating enhancements in both its brick-and-mortar and online presences.

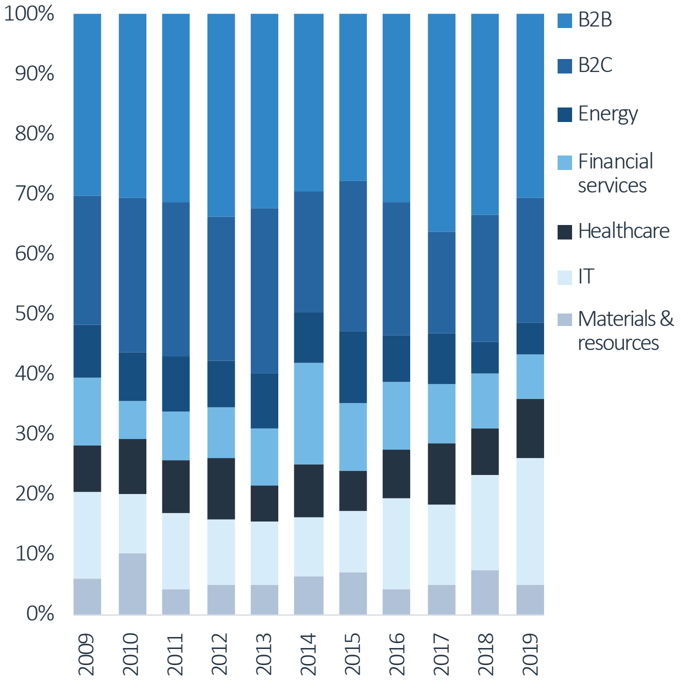
While we do not foresee a recession hitting Europe in 2020, risk-off or defensive subsectors such as the automotive aftermarket and food & beverage industries may see heightened PE deal activity in the years ahead. Capital invested into the European automotive PE sector has been increasing over the past two years and in 2019 has nearly doubled from 2017's €2.4 billion reading. 2019 also marked €13.2 billion in deal value for the food & beverage sector, its second-highest reading in five years.

Of the broader sectors we cover, IT and healthcare were the only sectors to post YoY gains in deal value in 2019. Respectively, the industries contributed €79.0 billion and €36.1 billion to the overall total, or 21.4% and 9.8%. It is of no surprise these somewhat recession-resilient sectors are seeing heightened capital inflows as LPs and GPs adjust their portfolios for potential market volatility.

European IT deals accounted for €79.0 billion of total value in 2019, the highest annual figure on record for the sector and an over 6.5x increase over the past decade. Nearly 60.0% of IT deals occurred in the software space, with the subsectors of business & productivity, financial, application and network management software accounting for most of the total deal count.

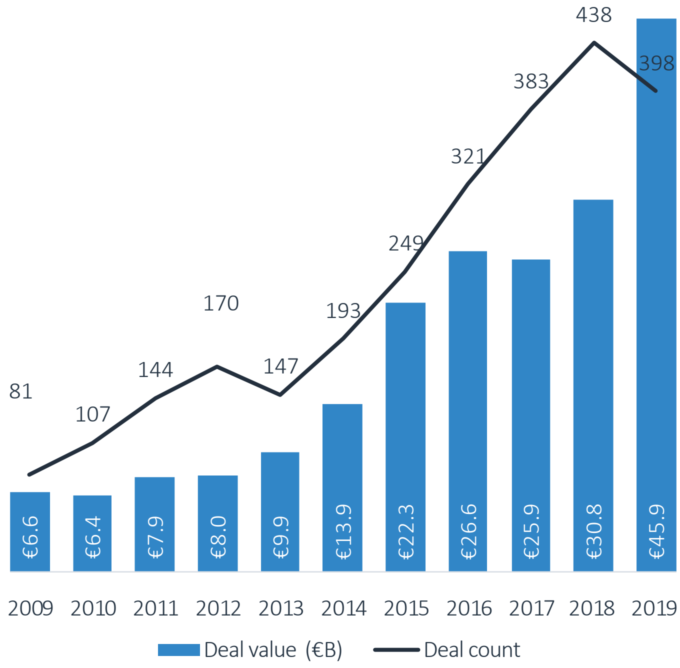
1: "How Warburg Pincus Wants to Buy-and-Build Its Way to Continued Growth," Private Equity News, Selin Bucak & Francesco Guerrera, January 5, 2020

PE deals (€) by sector



Source: PitchBook | Geography: Europe

Software PE deal activity



Source: PitchBook | Geography: Europe

An example transaction from the operating systems and application software space includes Micro Focus' €2.5 billion divestiture of Germany-based SUSE to Ardian and EQT in Q1 2019. The acquisition represents the second-largest European IT deal of 2019. EQT and Ardian reportedly paid 26.7x adjusted operating profit for SUSE.

The edtech subsector in particular could be one to watch in 2020. Since 2016, the industry has grown consistently, with 2019 setting a new record of €1.8 billion invested across 20 transactions.

Just over a third of 2019's IT deals closed in the UK & Ireland, with 40.0% of the top 10 transactions by deal size closing in the region. Take-privates of UK-based companies with an IT focus were also a fertile hunting ground for GPs in 2019, as evidenced in the accompanying table and the 2.0x increase in deal volume from 2018.

The healthcare subsectors of telehealth, provider services and payor/payee services could be ones to watch in 2020. A notable deal within this realm in 2019 was the €550.0 million bolt-on of Belgium-based Armonea in Q2 by IK Investment Partners via its portfolio company Colisée, a leader in the elderly care industry. The combination will reportedly become the fourth-largest European player in the elderly care segment with approximately €1.0 billion in revenue and will demonstrably diversify its geographic European presence, a play we expect to see more across the healthcare industry.

The subsector of healthcare IT is also primed for heightened capital inflows in the years ahead. Technologies used by hospitals, patients and general practitioners are often mission critical and used daily to keep healthcare companies running. These healthtech solutions often replace convoluted, cumbersome and costly processes with more efficient

Notable UK IT take-privates in 2019 by deal value

Acquirer(s)	Target	Close date	Deal value (€B)
Thoma Bravo	Sophos	Announced	€3.0
Apax Partners, Warburg Pincus, CPPIB and Ontario Teachers' Pension Plan	Inmarsat	December 3	€3.1
Evergreen Coast Capital and Siris Capital	Travelport Worldwide	May 30	€1.8
Macquarie Asset Management	KCOM Group	August 19	€0.7
Basalt Infrastructure Partners	Manx Telecom	May 9	€0.3

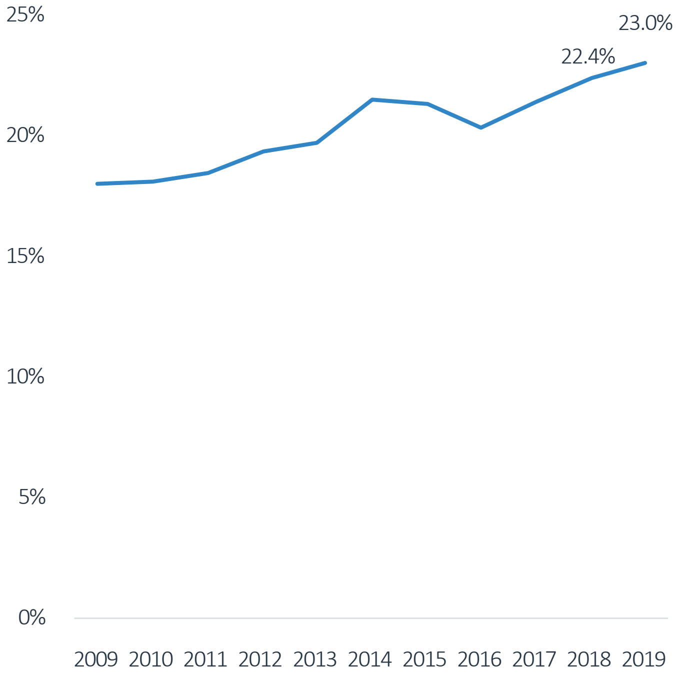
Source: PitchBook | Geography: UK

practices. A notable healthcare IT deal to close in 2019 was BC Partners' €2.2 billion SBO of UK-based healthcare software service provider Advanced in Q3, in which it acquired a 50% stake from Vista Equity Partners.

Over the past decade, an increasing proportion of non-European investors are leading or participating in European transactions. In 2019, non-European investors participated in 726 deals worth a combined €125.8 billion. Abu Dhabi Investment Authority, Public Sector Pension Investment Board and Ontario Teachers' Pension Plan contributed to deals that comprised nearly a quarter of annual transaction value. Though the absolute value and volume of these deals declined YoY, their annual proportion of deal volume increased to a record high of 23.0%. Seven of the top 10 European PE deals in 2019 involved at least one non-European investor, with five of the seven including an investor from North America.

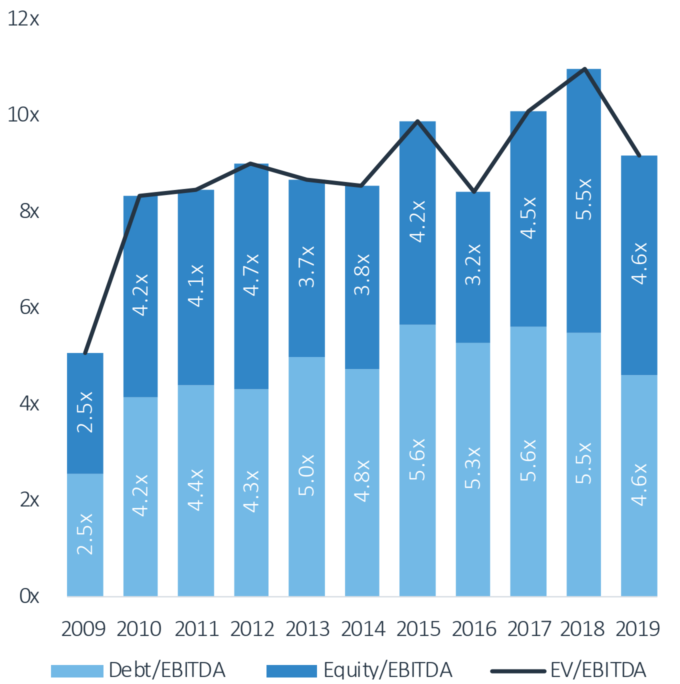
We expect non-European investor participation in European deals to increase in 2020 given some of the largest non-European buyout shops raised record Europe-focused mega-funds in 2019, including Carlyle and KKR, and given the proliferation of SWFs and pension plans competing for more deals. Moreover, the median European EV/EBITDA buyout multiple has depressed to 9.2x in 2019 from 2018's decade high of 11.0x. This is markedly lower than the 10.9x reading for the US PE market. Finally, some of the geopolitical uncertainty found in Europe abated in Q4 2019. This multitude of factors should lead to enhanced pockets of opportunities for non-European investors in 2020.

Deals with non-European investor participation as proportion of overall PE deals (#)



Source: PitchBook | **Geography:** Europe

Median PE EV/EBITDA buyout multiples



Source: PitchBook | **Geography:** Europe

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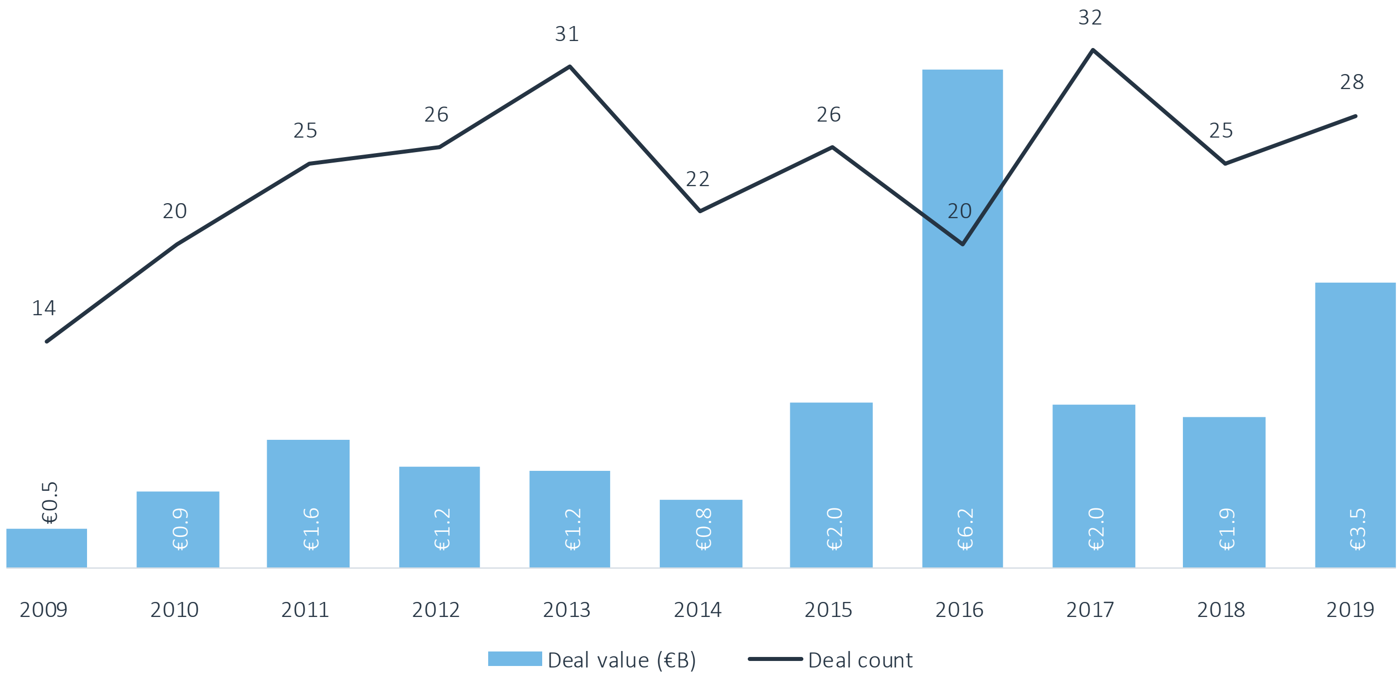
Spotlight: Israel

PE deal activity



Source: PitchBook | **Geography:** Israel

Israel closed 28 PE transactions worth €3.5 billion in 2019, logging YoY increases of 12.0% and 90.9%, respectively. Israel nearly doubled its annual deal value YoY despite closing on a similar amount of deals. If we strip out 2016's outlier €4.0 billion acquisition of Playtika, 2019 would have marked Israel's biggest year for PE investment. It should be noted that the volume of transactions in the region is limited by the size of the economy, and deal activity is typically skewed towards small- and mid-sized transactions.

Over the past decade, of the investors headquarted outside of Israel that have participated in the largest deals, the top three are all China-based. Europe-headquartered GPs, on the other hand, have left the region largely untapped. A multitude of factors are coming together in Israel that leads us to believe the country's PE market may see further growth in 2020 and could provide compelling investment targets for Europe-based investors.

For example, European VC-backed entities are more frequently exiting to PE groups. 66 such companies exited to PE firms in 2019 for a total exit value of €750.0 million, marking the second-highest figure for this liquidity option in Europe in over a decade. With a thriving VC and technology ecosystem, the "Start-Up Nation" is well positioned to provide lucrative opportunities for PE groups to finance the next stages of development or maturation in these companies' lifecycle as they prepare to exit.

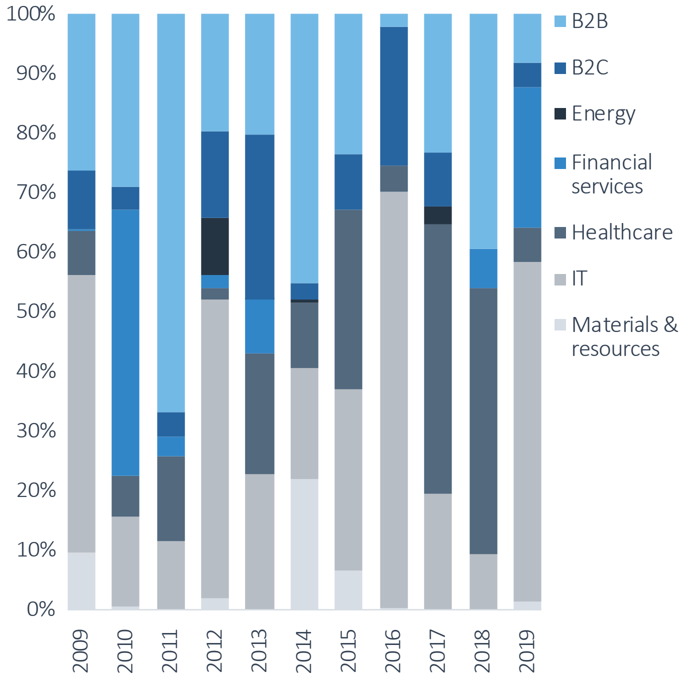
Additionally, we're seeing a rising number of local PE groups such as Fortissimo Capital, Tene Investment Funds and FIMI Opportunity Funds, all of which have north of €850.0 million in AUM and have fueled PE investment into the region. For example, Fortissimo Capital successfully exited an investment in Starhome Mach, a developer of network optimisation suites and roaming services in Switzerland in late 2018 to Telarix via its financial sponsor, Visa Equity Partners. It was reported the deal reflected almost triple returns for Fortissimo.

Lastly, high-profile investments into Israel-based companies by the likes of BC Partners, CVC, Permira, Apax and Warburg Pincus have increased visibility of the region. For instance, in Q1 2019, a Warburg Pincus-led consortium acquired Max (formerly known as Leumi Card), an Israel-based credit card issuer, for €671.2 million via a corporate divestiture. A strategy initiative of Warburg Pincus in 2020 is hunting for targets in what they call "hard to reach places," especially in the payments industry. Dan Zilberman, who served as the lead partner from Warburg Pincus on the Max deal, recently stated, "Getting to Tel Aviv, Dubai and Johannesburg is not as easy as getting to Milan. A lot of our competitors are investing in the UK, Europe and Nordics. Our payments investments are mostly in Africa, Middle East and China, where we think there is a lot more growth because penetration hasn't happened yet."

As noted in the overview, there has been an uptick in PE's appetite for IT transactions, and this can be seen in Israel, notably in Tel Aviv. 12 deals closed in the Israeli IT sector worth a total of €2.0 billion in 2019, more than doubling 2018's readings. The largest deal to occur in Israel in 2019 was the €879.1 million MBO of cyber surveillance company NSO Group from Francisco Partners. The UK-based PE group Novalpina Capital also participated in the deal alongside NSO management. The NSO Group was founded in 2010 and was acquired by Francisco Partners in 2014 for €94.2 million. After a successful €214.4 million dividend recap in 2017, Francisco failed in two attempts to exit its stake in NSO Group to Blackstone (NYSE: BX) and Verint Systems (NASDAQ: VRNT). Under PE ownership, the company will continue to develop technology for governments and intelligence agencies to help tackle terrorism and organised crime.

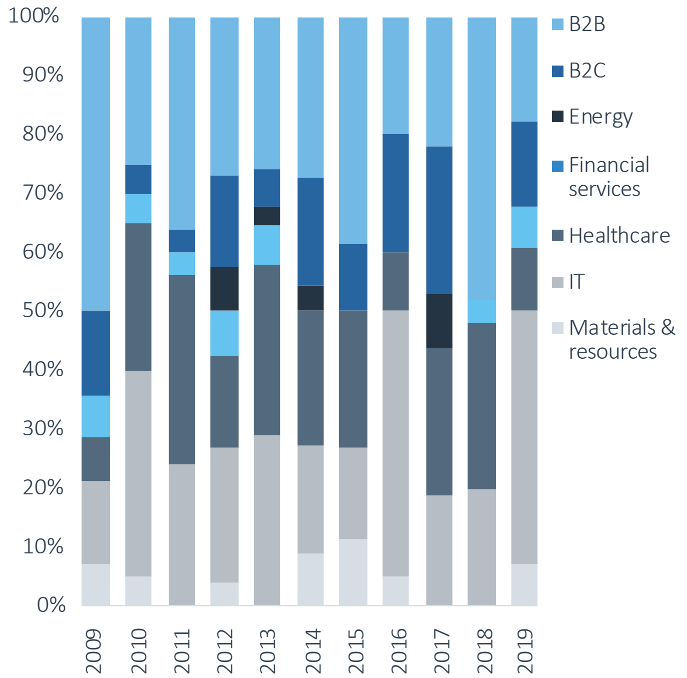
Recent movements point towards growing opportunities for PE investments in Israel, with the market underpinned by less competition, lower valuations and a growing number of quality technology targets. We understand completing transactions in the region will not be friction-free, due in part to possible corruption risks, geopolitical uncertainty and local regulatory bureaucracy. Each deal will come with its own unique set of challenges. However, rewarding opportunities could stem from having a dedicated Israel-focused team and/or an office on the ground. Partnering with the right advisors/ finders will also be critical. Furthermore, having a thorough understanding of the complexities and potential upside of a transaction, as well as diligently working through the post-transaction value improvement of a target, will assist in executing on more Israel-based targets.

PE deals (€) by sector



Source: PitchBook | **Geography:** Israel

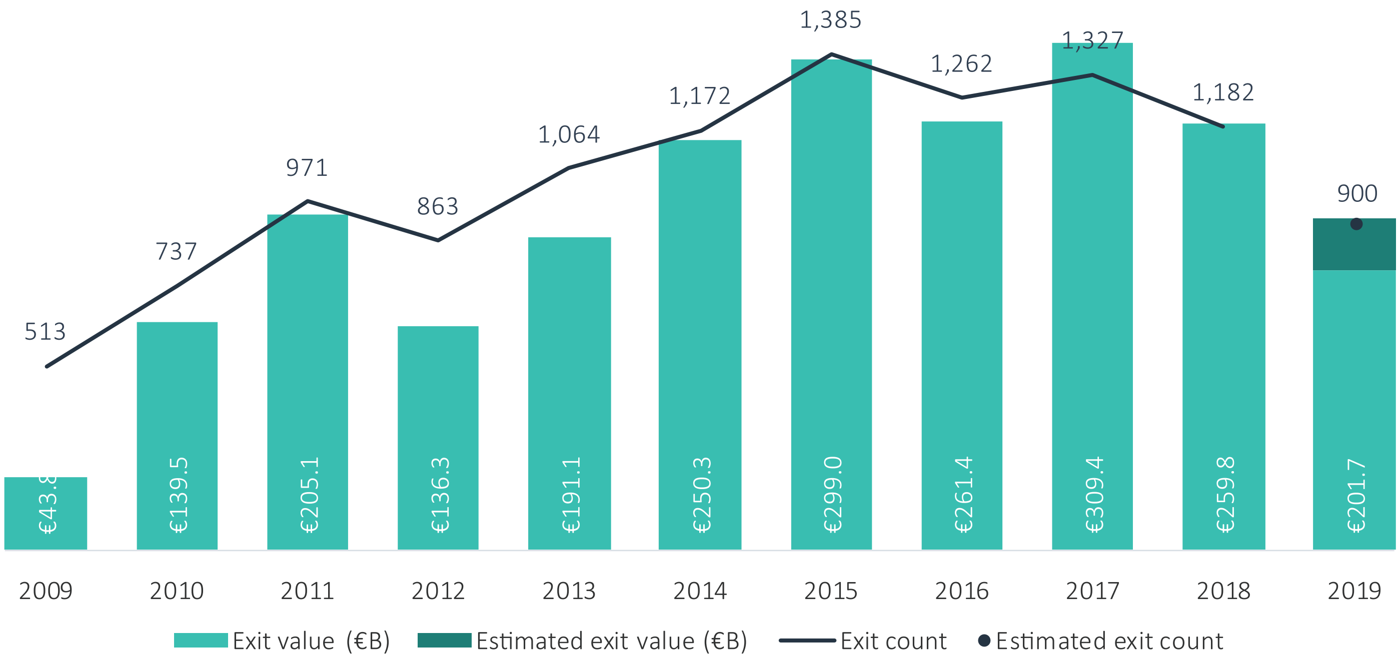
PE deals (#) by sector



Source: PitchBook | **Geography:** Israel

Exits

PE exit activity

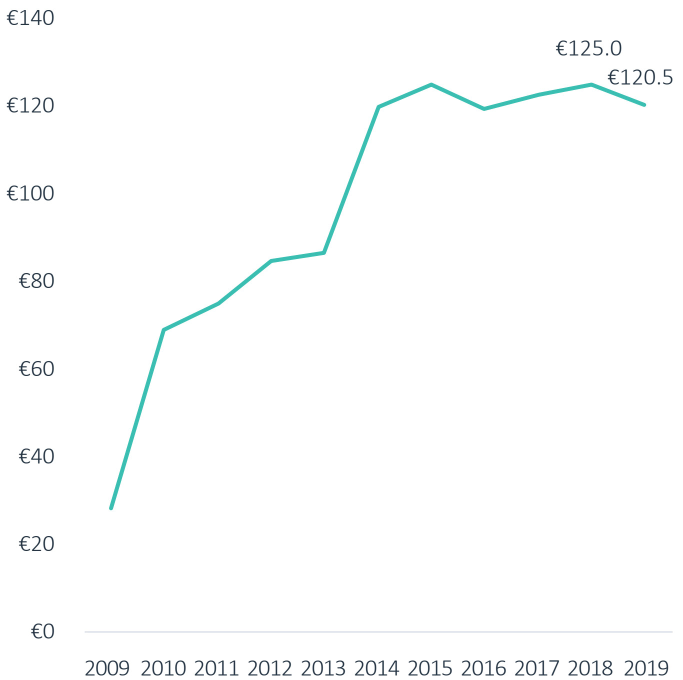


Source: PitchBook | **Geography:** Europe

900 European PE exits closed for a total of €201.7 billion in 2019, finishing with the lowest totals in recent years. That said, we do expect exit activity to increase from reported figures due to reporting and data collection lags. We see a few reasons for this drop-off. Bolt-on investments have ballooned in the past five years, accounting for 44.0% of overall European PE deal volume, compared with 29.1% a decade ago. As the buy-and-build strategy continues to proliferate, portfolio/platform entities have become larger, which has resulted in a dwindling number of total exits as these bolt-on acquisitions will not be exited individually but as part of a larger entity. We see this trend continuing in 2020, as GPs look to demonstrably diversify platform companies via geography and product to weather any potential Black Swan event that may cause periods of volatility.

The median annual PE-backed exit size dipped to €120.5 million in 2019, which contributed to the decline in exit value. This is in part because the median exit size for SBOs, which have served as the largest source of exit value in the past few years, decreased to €150.0 million from €160.1 million in 2018. The median exit size of corporate acquisitions also slipped, dropping to €95.2 million across 135 liquidity events from €100.0 million across 193 exits in 2018. The decline in exit activity doesn't come as a surprise given the industry has experienced longer holding periods in the last 12 to 24 months. The average holding period for companies exited via corporate acquisition, for example, has reached a decade high of 6.7 years in 2019. GPs are clearly recognizing the merit in holding assets for longer, as seen from the rise in long-hold funds, permanent capital funds and GP-led secondaries.

Median PE exit size (€M)



Source: PitchBook | **Geography:** Europe

Additionally, historically high valuations across the industry have likely deterred buyers who are cognizant of a potential market correction and whether assets can weather a less-than-robust economy.

Much of the decline in exit volume can be credited to fewer exits closing in the upper middle market (€500.0 million-€1.0 billion) and the €1.0 billion-€2.5 billion bracket, falling 48.7% and 46.7% YoY, respectively. The volume of upper-middle-market exits fell to 38 in 2019, its lowest figure in a decade.

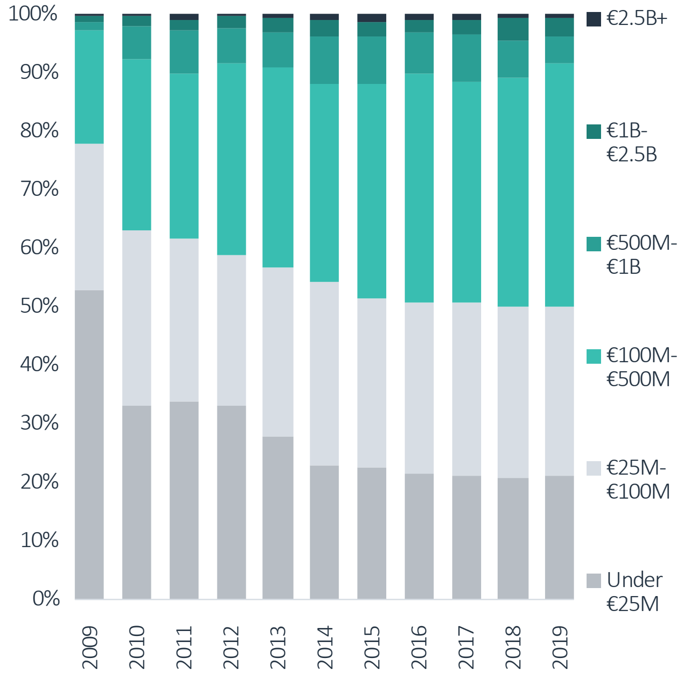
The value of exits in the upper middle market and the €1.0 billion-€2.5 billion bracket also decreased, diminishing to nearly one-half of their 2018 annual readings and accounting for a lesser proportion of overall exit value through 2019. Nonetheless, there were still notable exits in the year in both bucket sizes.

One such upper-middle-market transaction in 2019 was Tokai Carbon's (TKS:5301) €825.0 million purchase of COBEX, a Germany-based manufacturer of carbon and graphite products, from UK-based buyout group Triton. This marks one of Tokai's largest acquisitions, and with it, the Japan-based provider of carbon products aims to broaden and complement its business domains. This deal also highlights another example of non-European investors participating in European PE transactions.

The largest exit to occur in the €1.0 billion-€2.5 billion bucket was the buyout of Milan-based SIA for €2.4 billion. Hat SGR sold its stake to SWF CDP Equity, while Unicredit and Intesa Sanpaolo sold their stakes to Poste Italiane (MIL:PST). It was reported that CDP and Poste paid approximately 12.5x EBITDA for SIA. SIA has grown significantly over the years, paying just under €250.0 million in dividends in five years and managing a total of 72 billion card transactions in 2018, an approximately 18% rise from 2017.

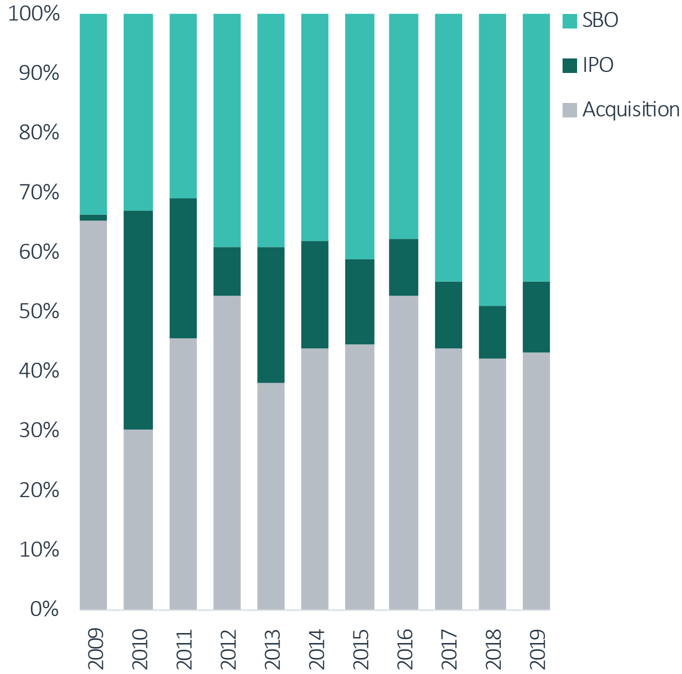
PE firms continue to rely on IPOs less and less as a liquidity option. 2019 saw 29 entities exit to public markets for €20.4 billion in total exit value (on a pre-money valuation basis), registering the lowest IPO value and volume figures since 2012. With private markets awash with capital, companies are turning to alternative exit paths, due in part to the costly, cumbersome and time-consuming nature of IPOs. There were several cancelled or postponed European listings in 2019, including Italy-based luxury maker Ferretti, Kazakhstan-based Kaspi.kz, Germany-based Domicil Real Estate Group and Switzerland-based vending machine operator Selecta. That being said, 2020 may be poised for a resurgence in PE-backed IPO

PE exits (#) by size



Source: PitchBook | **Geography:** Europe

PE exits (€) by type



Source: PitchBook | **Geography:** Europe

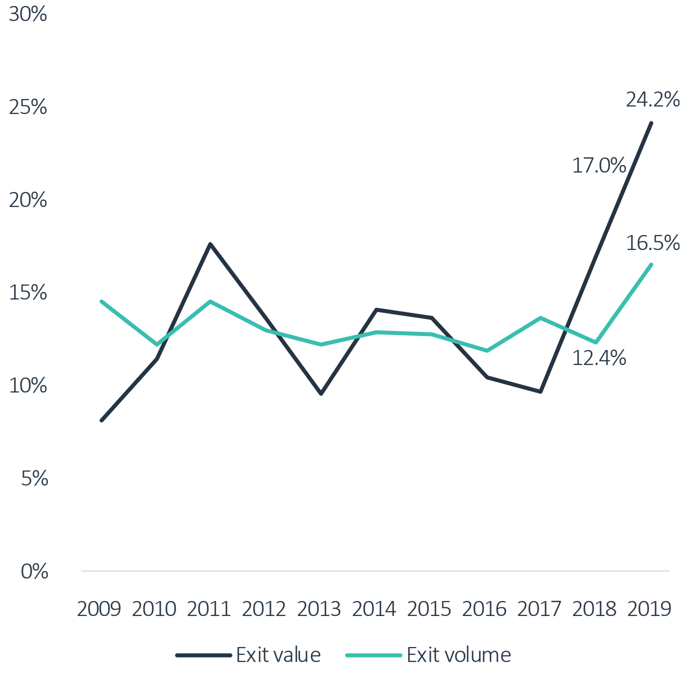
activity given undervalued European equities, a falling VIX index and a partial sense of stability restored to the European region.

Picking up much of the offset in IPOs has been corporate acquisitions. After two years, corporate acquisitions have resumed the top spot from SBOs and accounted for the bulk of exit volume in 2019. 399 corporate acquisitions closed in 2019 for a total of €73.6 billion. Robust balance sheets, cheap financing costs and increasing pressure from shareholder activists for outperformance have encouraged corporates to pursue European PE-backed entities as a source of inorganic growth, as these entities have hopefully had large inefficiencies removed.

A notable exit in 2019 was CVC's €2.2 billion sale of ParexGroup, a France-based manufacturer of dry mix mortars, to Sika Group (SWX: SIKA) in Q2, making it the latter's largest acquisition to date. The deal is expected to double Sika's mortars business, generate as much as €118.0 million in savings and facilitate expansion into Asia and France. This transaction follows two similar deals Sika executed in 2019: the acquisitions of concrete-fibers business Propex Holding LLC and Arcon Membrane Srl, a manufacturer of roofing and waterproofing systems based in Romania.

IT accounted for a record 24.2% of total exit value in 2019, up from 17.0% in 2018. KKR's portfolio company SoftwareONE (SWX: SWON) was the second-largest IT exit of 2019 at a pre-money valuation of €2.6 billion. In a rare bright spot for European IPOs, SoftwareONE's listing was oversubscribed, with the company raising €634.1 million in secondary sales only. It was reported that it posted a €724.0 million gross profit in 2018, while its adjusted EBITDA margin rose to 33.0% from 17.0%.

IT as proportion of overall PE exit activity



Source: PitchBook | **Geography:** Europe

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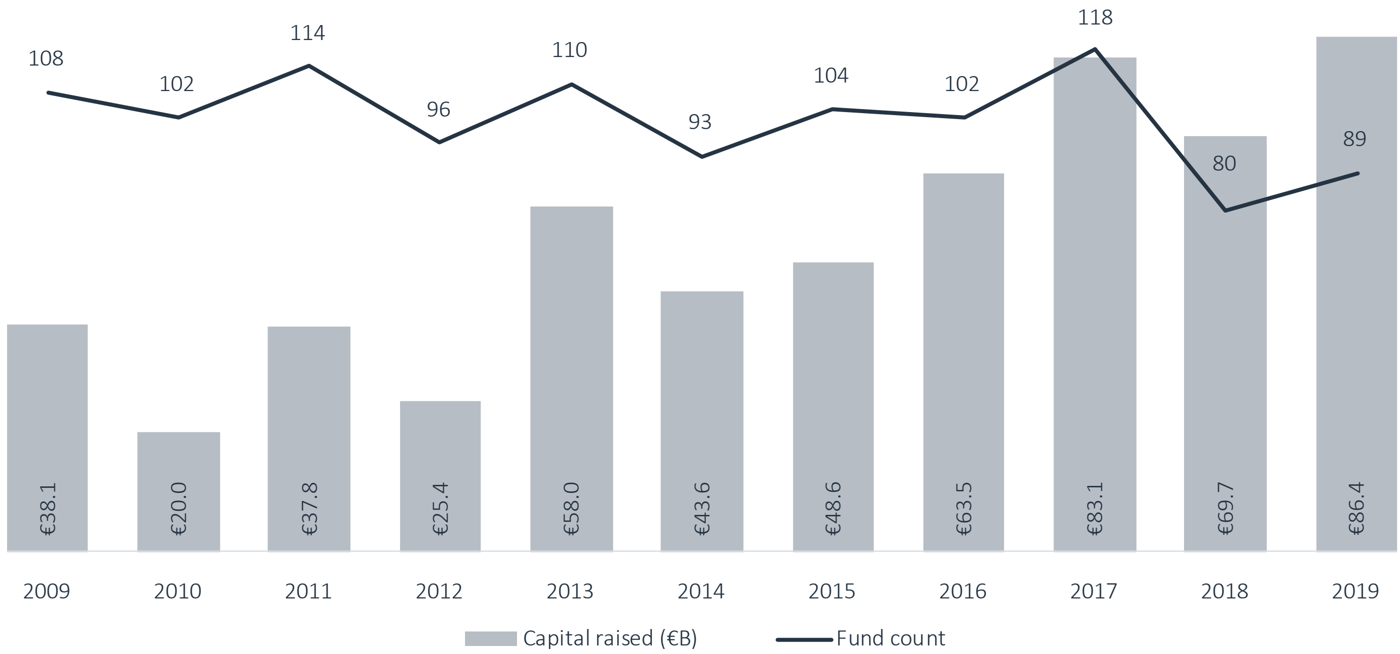
Fundraising

PE fundraising activity



Source: PitchBook | **Geography:** Europe

In 2019, a record €86.4 billion was raised for European PE funds. Although fund count increased just over 10% YoY, 2019's 89 closed vehicles represented the second-lowest annual figure in over a decade as capital continues to flow into larger funds. This is evidenced by the average buyout fund size rising by 21.4% to a new record of €1.3 billion in 2019, eclipsing €1.0 billion for the second year in a row. Much of the increase in capital raised is also attributable to the rise in the number of funds closed in the €1 billion-€5 billion bracket, which grew 62.5% YoY.

Mega-fund closures in 2019 remained static from 2018 with five vehicles closed at or above €5 billion. That said, those five alone accounted for €39.2 billion in capital raised, an 18.4% increase from 2018's five mega-funds. Chief among the 2019 roster was Permira's seventh €11.0 billion buyout fund. This is the firm's largest vehicle to date and represents a 1.4x step-up from the previous fund in the series, which raised €7.5 billion in 2017. The step-up is broadly consistent with the firm's 2014 vintage, which closed on €5.3 billion in commitments. Carlyle Europe Partners V and KKR European Fund V represented the largest European buyout funds to date for both firms, raising €6.4 billion and €5.8 billion, respectively. By end of 2019, KKR's fund has reportedly committed roughly 28% of its capital, with investments in Germany-based publisher Axel Springer, Germany-based payments group Heidelpay, and Sweden-based pension advisor and non-life insurance broker Söderberg & Partners.

Top five buyout mega-funds to close in 2019 by capital raised

Fund name	Capital raised (€B)	Fund step-up	Time from previous fundraise	Fund headquarters
Permira VII	€11.0	1.4x	2 years	Frankfurt
Seventh Cinven Fund	€10.0	1.4x	3 years	London
Carlyle Europe Partners V	€6.4	1.7x	6 years	London
Ardian LBO Fund VII	€6.0	1.3x	3 years	Paris
KKR European Fund V	€5.8	1.9x	4 years	London

Source: PitchBook | **Geography:** Europe

The heightened transaction environment has resulted in GPs raising larger funds from year to year, as highlighted by the 15.2% annual growth rate in the average buyout fund size over the past decade. Continued appetite for the asset class has helped bring down the average closing time for all PE vehicles to a decade low of 13.3 months. As previously mentioned, the maturation and outperformance of the asset class has drawn in nontraditional investors who are now competing with PE firms, to whom they previously or currently have committed capital. These LPs are increasingly turning to co-investment and direct transactions to increase their private market exposure, eliminate or reduce management and performance fees, and increase returns. As a result, valuations have been historically high, forcing PE firms to raise larger vehicles in order to compete effectively.

Buyout funds have continued to account for the majority of European PE capital raised, having raised €74.3 billion across 61 funds in 2019, reflecting YoY increases of 25.7% and 5.2%, respectively. That said, the €12.0 billion raised across 27 growth equity vehicles in 2019 caught our eye, up substantially from the €4.4 billion raised across 16 funds in 2018. The fund type gained significant traction in 2019, likely given the potential for lower valuations, less competition, and a larger and more differentiated pool of targets (compared with buyouts), among other drivers.

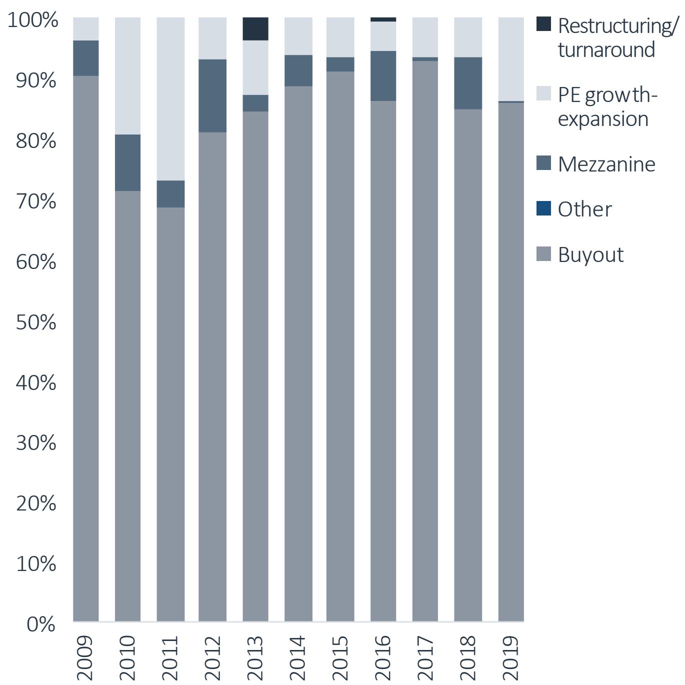
It should be noted that growth equity deals do not come without their challenges. While we understand growth investments can be active and not passive, PE firms have less control over portfolio companies. During market gyrations, majority stakes are somewhat advantageous as a GP can move more quickly than it would with minority ownership.

More and more PE firms are expanding their menu of offerings to include growth equity vehicles, country- or sector-focused funds and credit funds. GPs want to capture LP interest and effectively diversify fund strategies as pressure mounts on returns for traditional buyout funds. For example, Permira gathered €1.5 billion in commitments for its debut growth fund in 2019, Permira Growth Opportunities Fund I. The fund marks a departure from the firm's typical control buyout and credit strategies. CVC also closed on €1.4 billion in commitments on its second growth fund in 2019, CVC Growth Partners II. Additionally, Paris-based Keensight Capital raised €1.0 billion for Keensight Capital V, achieving a sharp 2.2x step-up from its 2014 vintage predecessor, Keensight Capital IV. Despite the steep increase in fund size, the firm's strategy will remain the same, targeting

Average PE fund size (€M)

Source: PitchBook | **Geography:** Europe
*As of December 31, 2019

PE funds (€) by type



Source: PitchBook | **Geography:** Europe
*As of December 31, 2019

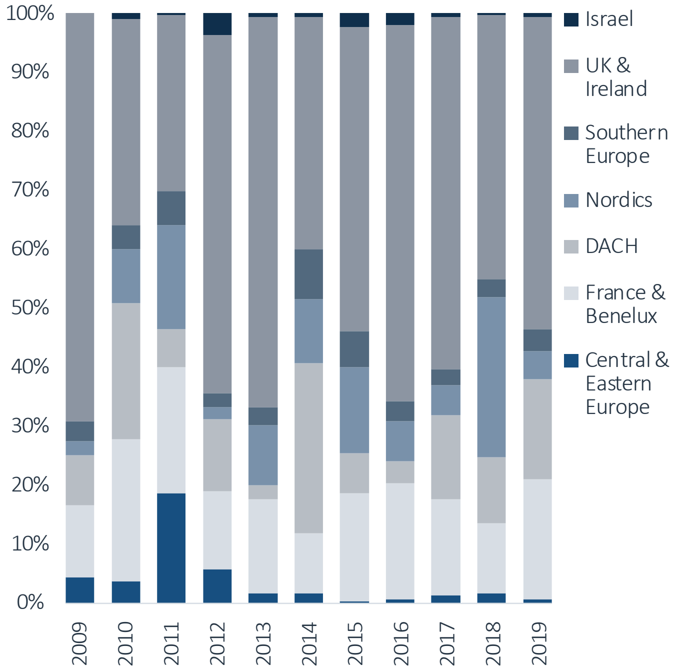
Western European companies in the healthcare and IT sectors that generate between €15.0 million and €250.0 million in revenue, are profitable and have been growing north of 10% per year.

In 2019, nearly three-quarters of total European PE capital was raised in just two regions: the UK & Ireland and France & Benelux. The UK & Ireland accounted for €45.8 billion in capital raised across 34 funds, marking YoY increases of 46.0% and 9.7%, respectively. The France & Benelux region raised €17.7 billion, a new annual record and more than double 2018's total of €8.4 billion. Removing the solitary outlier funds from our datasets in the DACH (Permira VII Fund), Southern Europe (FSI I) and Israel (Israel Investment Partners Fund I) regions, we saw YoY declines in capital raised across all other European regions (including Central & Eastern Europe and the Nordics).

In 2020, at least three Europe-headquartered firms are poised to return to market with flagship vehicles raising north of €38 billion combined, which could set 2020 up for another robust fundraising year. It is reported CVC Capital Partners will seek €18.0 billion for its eighth buyout fund, which would mark the largest European fundraise in history. Sweden's EQT is expected to raise €12.0 billion for its ninth flagship fund. BC Partners is thought to be raising approximately €8.5 billion for its flagship buyout fund.

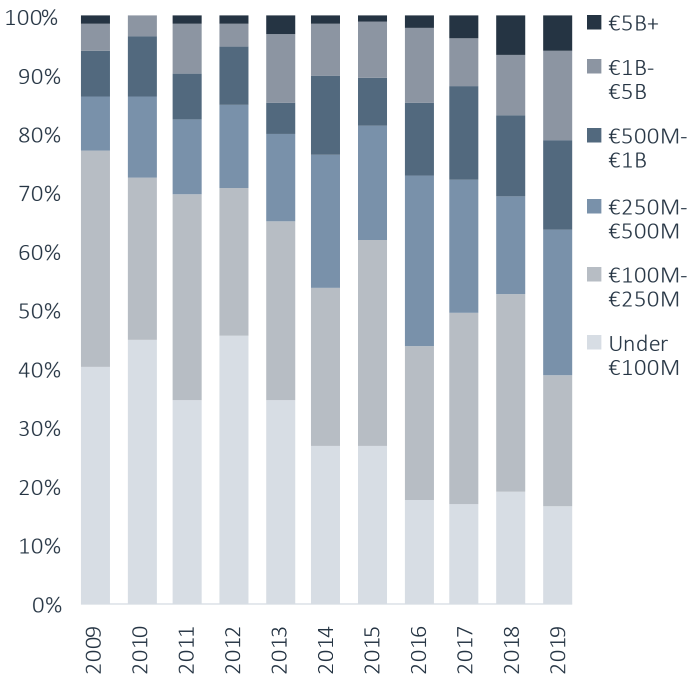
It should be noted that PE is not monolithic, and the fundraising environment is largely bifurcated. Managers that are lesser-known or lacking a palpable track record will face challenges as larger LPs look to consolidate GP relationships. Other obstacles these GPs will face include securing smaller commitments (less than €100.0 million) from large institutional investors, convincing LPs they will put capital to work quickly and meet fundraising deadlines.

PE funds (€) by region



Source: PitchBook | Geography: Europe

PE funds (#) by size



Source: PitchBook | Geography: Europe