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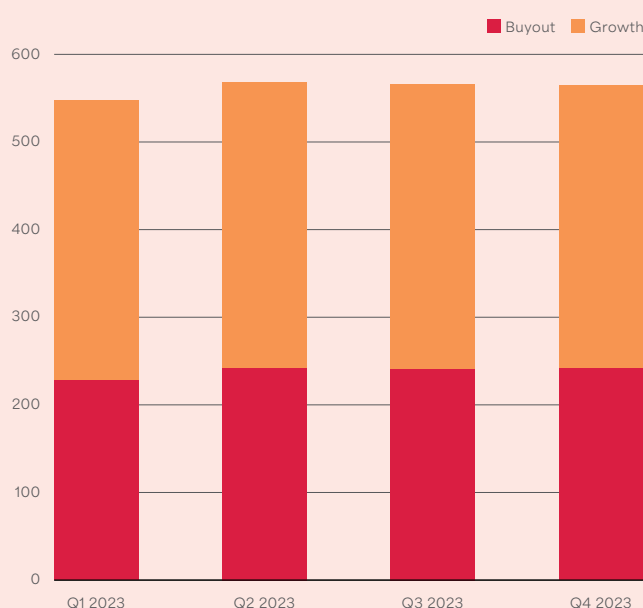
MARKET TRACKER Q4 2023

Q4 2023 DATA HUB MARKET TRACKER

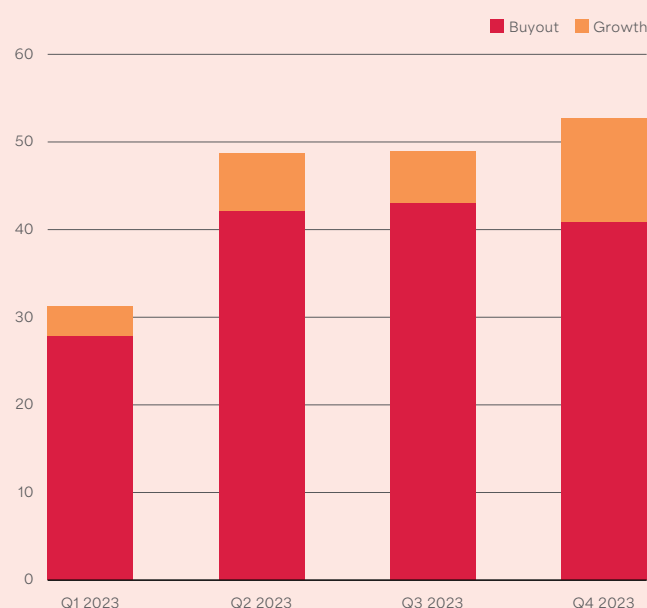
Flat final quarter caps off relatively solid year

After a slow first quarter, deal activity remained fairly constant for the rest of 2023 and while the headwinds facing deal-doers certainly appear more of an obstacle for those active in the larger cap brackets, overall deal volumes for the year were impressive. *Julian Longhurst* reports

Volume of deals by type and quarter



€bn value of deals by type and quarter



Market overview

According to the latest figures from the *Real Deals* Data Hub, activity in the later-stage European PE space fell marginally in the final three months of 2023 to round out a relatively solid year given the extent of the tough market conditions. In total, 565 growth- and buyout-stage deals were identified in Q4 – down a shade on the previous two quarters – taking the 2023 total to 2,247, 9.4% above FY22.

A closer look at the figures shows that the market in 2023 was significantly propped up by strong numbers of deals classified as growth capital and it is important to note that bolt-ons fall into this category. While the number of buyouts recorded in the final quarter was at its highest level in 2023, the differential between quarters was insignificant and, versus FY22, the buyout market actually contracted, albeit marginally, down five

deals at 955. On the other hand, the number of growth capital deals remained comparatively buoyant throughout the year and the 1,292 transactions that were confirmed represents an increase of more than 18% on the FY22 figure. With GPs finding it more challenging to deploy capital in new acquisitions, a very significant portion of the quarterly dealflow was accounted for by M&A activity among GPs' existing portfolio firms.

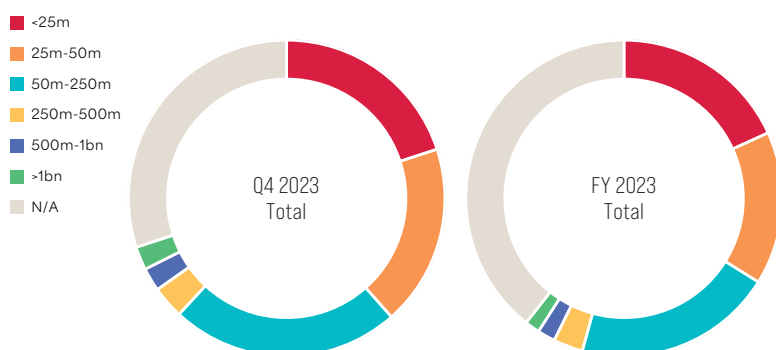
In value terms, the year-on-year comparison was much gloomier, with FY23 seeing later-stage deals worth an estimated total of €182bn, down nearly 17% on the previous year (€219bn). Within that, it was the value of buyouts that saw the sharpest drop – down 18% at €154bn – while the value of growth capital deals fell by 9% despite strong deal numbers. In average terms, deals

were worth almost €26m less each in 2023 (€81m) than in 2022 (€107m). However, the fact that the combined quarterly values grew steadily throughout the year, reaching a high of €52.7bn in Q4, is perhaps some cause for optimism.

While that positive note certainly has some mileage, according to cautious anecdotal predictions of a return to growth in M&A activity during the year ahead, the green shoots of recovery still have to push through against various economic and geopolitical headwinds. In the UK at least, the occasional monetary committee vote to reduce interest rates and slivers of good news about inflation are outweighed by continuing instability in Eastern Europe and growing tensions in the Middle East, and as a result it is difficult to see anything other than modest growth during 2024.

1. DEALFLOW BY SIZE BRACKET

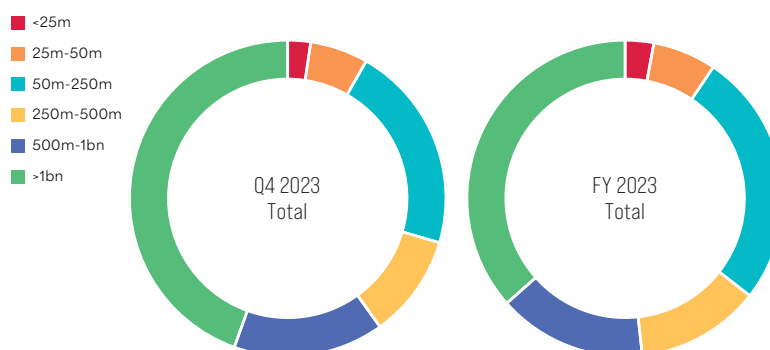
Volume of deals by quarter and value range, Q4 vs FY2023



1.1. In full-year terms, the point mentioned above about the role bolt-on deals has played in 2023 is immediately obvious: every other size category was flat or down in the year, while the number of bolt-ons (typically not assigned a value as they are often funded via existing or new lines of credit) rose by a massive 44% in 2023. Meanwhile, despite a relatively robust final quarter, deals in the small-cap (<€25m) and lower mid-cap (>=€25m and <€50m) were down by 0.2% and 7.4% respectively on FY22 levels. In value terms, the small-cap space was up 4%, but the lower mid-cap was down by more than 7%.

1.2. In contrast, the core midmarket bracket (>=€50m and <€250m) – arguably the most important area of the European industry – experienced a lean final quarter, with deal numbers falling from 120 in Q3 to 103, which meant that numbers for the full year fell short of the FY22 level by 5% (458 versus 481). However, the average size of the deals recorded in this bracket clearly rose significantly as core midmarket deals were valued at €47.5bn in FY23, up 2.2% on FY22.

Value of deals by quarter and value range, Q4 vs FY2023

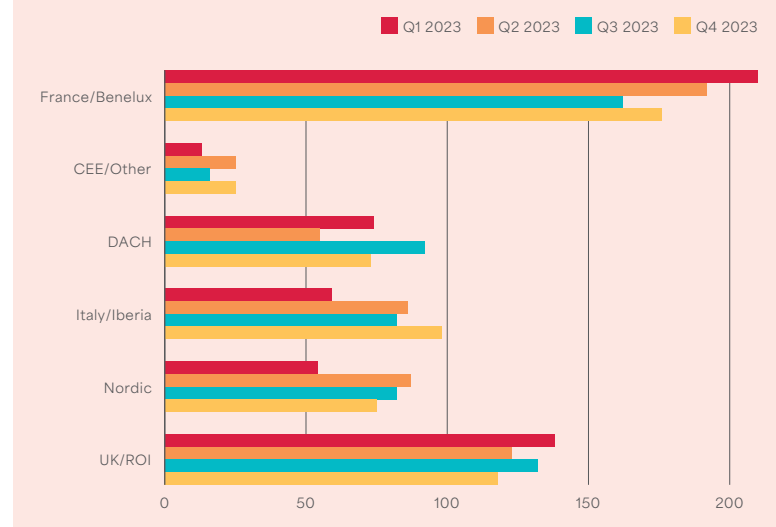


1.3. The upper mid-cap bracket (>=€250m and <€500m) enjoyed a relatively strong second half of the year, recording 19 deals in both Q3 and Q4. In total, the 68 deals seen in FY23 matched the previous year, as did the cumulative estimated value of €23bn.

1.4. As one would expect, the impact of the higher interest rate environment was felt most keenly in the large-cap space, where annual numbers declined by 16% in the >=€500m and <€1bn bracket, and by 31% in the >=€1bn segment. However, as mentioned above, the number of deals in both categories significantly increased when comparing H1 2023 with the second half of the year. Despite a strong showing in the largest bracket in Q4, annual values in both size categories were well down on 2022.

2. DEALFLOW BY EUROPEAN REGION

Volume of deals by quarter and European region

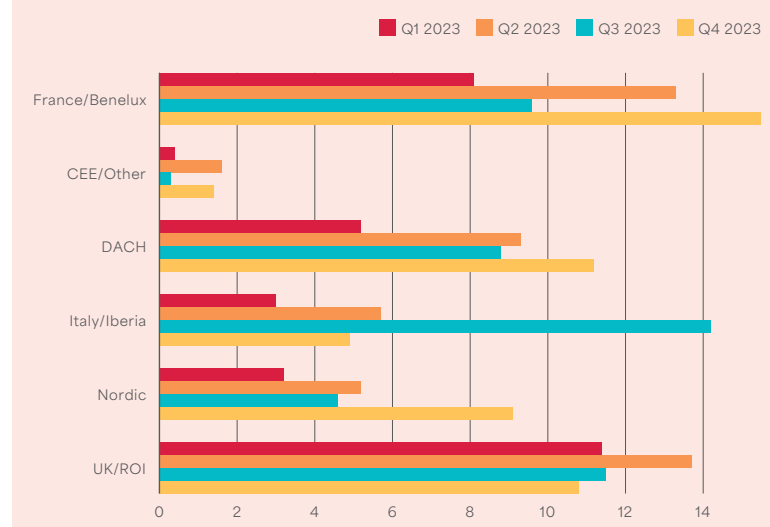


2.1. After seeing a drop in activity in Q3, Europe's main volume market of France/Benelux saw a boost in deal announcements in the final three months of the year, though the number posted (176) remains well below the values seen in H1. Overall, though, the region saw significant growth in deal numbers, with the 740 transactions recorded weighing in at nearly 20% more than the previous year. In common with most other regions, the cost-of-capital crunch means that annual estimated value plummeted by 43% to €46.5bn and that was despite recording the single highest quarterly total in Q4 (€15.5bn). Major Q4 deals in the region included the €3bn+ deal

involving Cooper Consumer Health (led by Charterhouse) and the €1.5bn SBO of Coriance Group by Caisse des Dépôts and Vauban Infrastructure Partners.

2.2. The UK/ROI saw its weakest quarter in the final three months of 2023, leaving FY23 numbers down by 4% at 511 deals. In terms of overall value, the trend was also down during the year though, leaving the FY23 total 14% below the previous year. Nevertheless, the region remained the largest in Europe in value terms at an estimated €47bn (€55bn in FY22). The region saw seven large-cap deals during the final quarter (23 across all of Europe),

€bn value of deals by quarter and European region



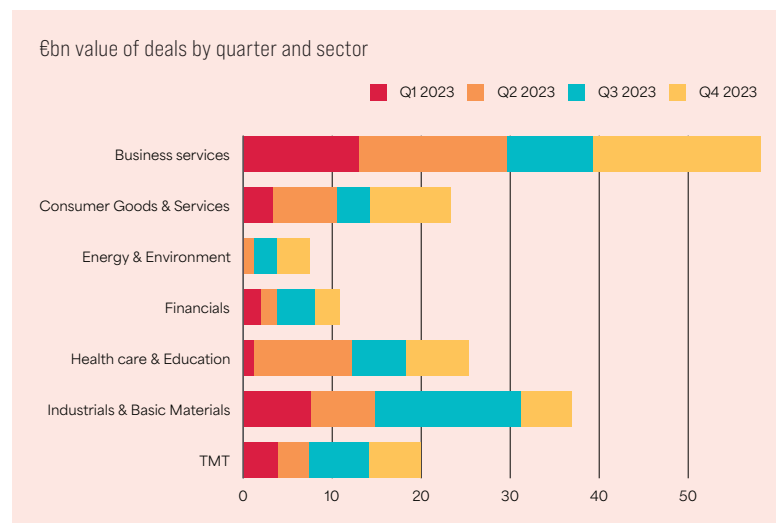
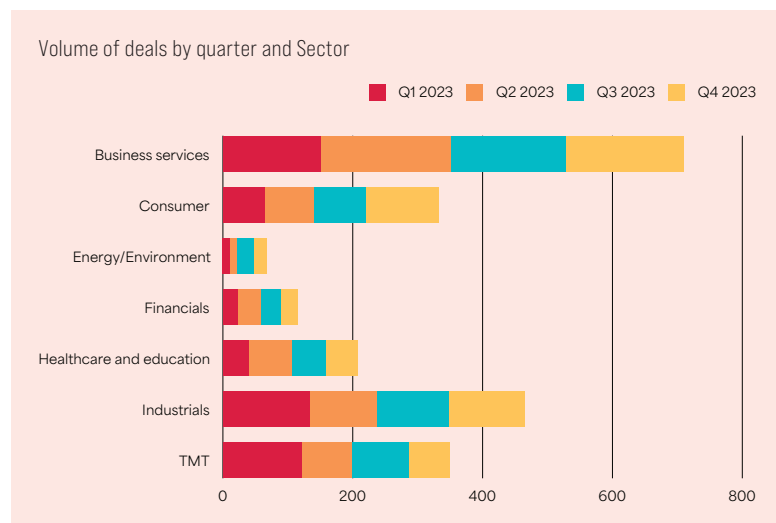
including the SBO of Civica (Blackstone) and acquisitions of Arriva Group (iSquared Capital) and the GlobalData Healthcare division (Inflexion).

2.3. The most significant annual growth in deal numbers was seen in the Nordic region, where 298 deals worth some €22bn were recorded – up 39% in volume and 6% in value. Meanwhile, the DACH region lost ground against its northern neighbours in volume terms, down 4% on FY22 at 294 deals, though a raft of larger transactions during the year meant that the aggregate value of dealflow jumped by more than 50% to €34.5bn in FY23. The region saw five

€1bn+ deals in the second half of the year, with the buyouts of Rosen Swiss AG, Synlab and GGW Group (Aterion, Partners Group and Cinven respectively) all coming in the final three months.

2.4. Italy/Iberia enjoyed a strong final quarter (98 deals) to finish the year third behind France/Benelux and the UK/ROI on 325 deals – a 5% increase on FY22. However, a slowdown in larger deal activity meant that the annual value dropped by 22% to €28bn. The CEE region also saw growth in deal numbers – up 13% on the year – while deal values were up 48%.

3. DEALFLOW BY SECTOR



3.1. Across the industrial landscape, the business services sector remains the preeminent space for later-stage PE activity, accounting for almost a third of the dealflow seen in FY23. The 181 deals recorded in Q4 took the sector total to 710 for the year – an 11% rise on the previous year. But, like most sectors, overall values were down: despite a strong showing in Q4 (€19bn) the FY23 total of €58bn is 11% below the previous year. Standout deals in the space included the buyouts of Wood Mackenzie and Software AG (led by Veritas and Silver Lake Capital) as well as Biff Plc (Energy Capital Partners) and Infopro Digital (Towerbrook).

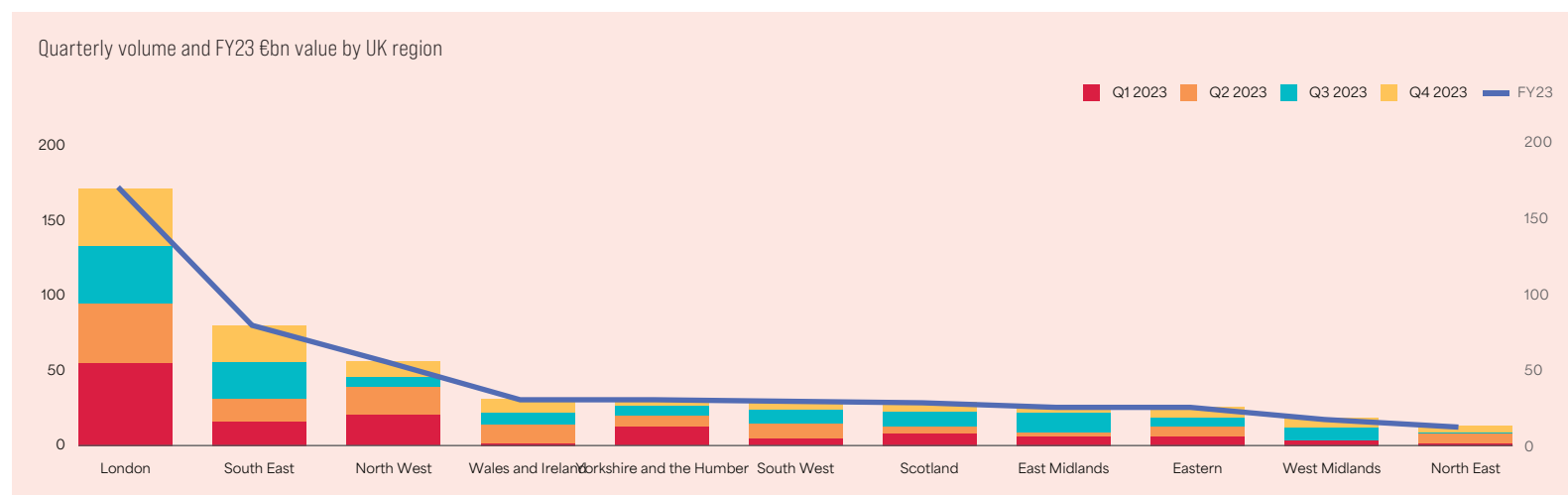
3.2. The industrials sector also enjoyed a relatively strong end to the year, with 116 Q4 deals taking the annual total to 465 – a 23% increase. Despite this, much lower values across the year (except for Q3) mean that the combined value of deals in the space fell by 8% in FY23 to €37bn, and a significant portion of that came in the €6bn+ IMA Group deal in Q3; the largest two deals in Q4 (Vulcan Engineering Group and DX group) were both estimated to sit in the upper mid-cap €250-500m bracket.

3.3. In terms of importance, the next two sectors in the volume rankings were TMT and consumer, which recorded 349 and 342 deals respectively during the year. There were contrasting quarterly trends in the two areas, though, with TMT declining quarter on quarter throughout 2023 and the consumer sector seeing unbroken growth to reach 112 deals in Q4. However, in aggregate value terms, both were well down on FY22, with consumer deals worth a total of €23bn (down 32%) and TMT deals worth €20bn (-30% on FY22).

3.4. Contrasting trends were also evident in the healthcare/education and financials areas, with the former seeing a 17% drop in full-year numbers (to 208) and the latter growing by some 8% to 116. Both suffered significant drops in value, in common with most other sectors.

3.5. Despite being the smallest of the sector groups, the energy/environment space was the only one to see significant growth during the course of FY23, with deal numbers more than doubling to 67 and overall value almost doubling to €7.5bn.

4. DEALFLOW BY UK REGION



4.1. Given the overall downward trend in UK dealflow it is unsurprising that few individual regions within the country saw growth during the year. One that did was the dominant capital region: despite seeing significantly fewer deals in H2, London recorded 171 transactions worth €20.5bn during the year – a 2.4% uptick in numbers but a 23% fall in value. Among them were nine large-cap deals, including Wood Mackenzie and Civica (mentioned above), as well as Acuity Knowledge Partners (Permira), Nord Anglia Education (BPEA EQT) and PEI Media (Bridgepoint).

4.2. The one region to enjoy a significant growth year was the Northwest, which recorded 56 deals in total, versus 50 in FY22. With an aggregate value of €8.6bn (almost three times the previous year), it was also easily the second most important region, though in volume terms that position was taken by the Southeast, which fell from 83 deals in FY22 to 80, despite seeing stronger activity in the final two quarters of the year. FY23 deals in the Southeast were worth €5.1bn (down 30%), with the buyout of Ergomed by Permira the only transaction to make headlines.

4.3. Yorkshire and the Humber was the only other region to record growth in FY23, up by just one deal to 31 and by 44% in value terms to €1.2bn. Among the other more active regions, Wales and Ireland also saw 31 deals, while the Southwest recorded 30 (both level with FY22); in the case of the latter, overall value rose by almost 90% on the previous year thanks to sizeable deals involving Arriva Group and A-Gas.

4.4. Among the less active regions, Scotland recorded 29 later-stage deals during the course of the year (down 19%) while the East Midlands and East of England saw 26 each. The West Midlands also had an especially quiet year in 2023, with just 18 deals recorded, versus 29 the previous year.

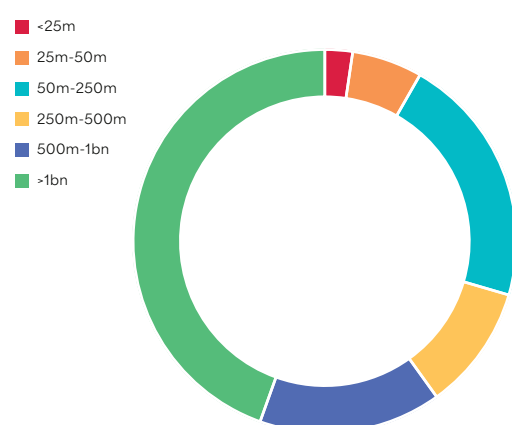
4.5. The Northeast was only home to 13 deals in the period, but one of these was the SBO of Kerridge Commercial Systems (Kerridge), which was estimated to be worth close to €1bn, which underpinned the region's overall value total.



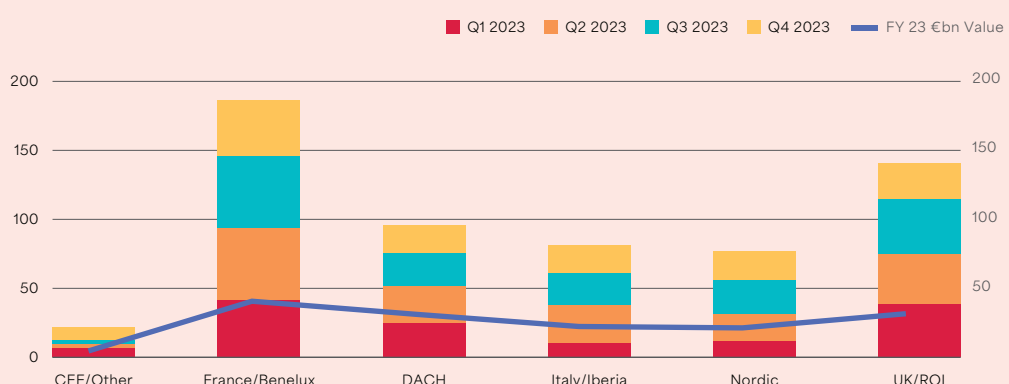
In overall terms, 2023 was a relatively strong year for exit activity, despite a somewhat lacklustre final quarter

5. EUROPEAN EXIT ACTIVITY

Volume of exits by type, FY2023



Quarterly volume and FY2023 €bn value of exits by region



5.1. In overall terms, 2023 was a relatively strong year for exit activity, despite a somewhat lacklustre final quarter. A total of 603 disposals valued at approximately €147bn were recorded – a rise of 10.6% in volume and a fall of nearly 2% in value.

5.2. Unsurprisingly, given the problems GPs have been experiencing finding and transacting new primary dealflow, exits via sales to peers enjoyed an especially strong year, with numbers rising by 17% to 318

(more than 50% of all disposals). Again though, the slowdown in deal activity involving the largest companies means that the estimated value of secondary disposals (€81.2bn) is down 16% on FY 22. Notable SBOs during the year included the sales of IMA Group, Neuraxpharm Group, Scan Global and InfoPro.

5.3. The number of trade sales recorded in 2023 also rose, albeit by a more modest 5%, to reach 257, versus 244 in FY22. Interestingly,

the combined value of these actually grew by 11% to €55bn, suggesting that trade buyers are willing to play in the larger deal space when strategic factors give them the edge. Easily the largest trade sale of the year came in the form of CVC's sale of Messer industries to its joint venture partner Messer SE in a deal reported to be worth some €8bn. Other notable trade sales involved the disposals of Polyplus, Diaverum and EA Elektro-Automatik GMBH & Co KG – estimated to be worth more than €6bn combined.

5.4. As has been reported in previous quarterly analyses, the exit market in 2023 was notable for one main reason – the return of IPOs and share sales. Although the numbers were low – just 10 during the course of the year – it is double the activity seen in FY22. While it is unlikely to grow significantly in the current year, the trend is at least in the right direction. The IPO of Arm Limited and share sales involving Software AG and InPost stole the headlines during the year.

METHODOLOGY: Real Deals' editorial and data focus is primarily on the European mid-cap space, and this report covers growth-stage and buyout deals only. While we strive to record all deals, exits and funds that come onto our radar – irrespective of size (above €1m) – the statistics outlined in this report are not intended to be comprehensive. Nevertheless, they will provide a strong indication of the trends that are unfolding in the European private equity and venture space. To make sure that the investments and divestments that you complete or advise upon are covered within these quarterly Market Trackers, please ensure that your press releases are sent to editorial@realdealsmedia.com. The data available is obtained from many sources, much of it publicly disclosed by participants. While we make reasonable efforts to ensure the data is a fair reflection of transactions that have taken place, by the nature of the data used, Real Deals Media Ltd makes no representation or warranty as to the accuracy or completeness of the data included and accordingly accepts no responsibility or liability in respect of the accuracy or completeness of the information (including in respect of any errors or omissions), or for any of the analysis or opinions contained herein, or for any loss however caused relating to this information.