PitchBook

Q3
2023

EUROPEAN
PE Breakdown

Contents

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Introduction

In Q3 2023, European private equity (PE) deal value was down 4.7% quarter over quarter (QoQ) and 2.8% year over year (YoY). It still came in higher than pre-2020 figures, indicating that there is some appetite for dealmaking, but it might be too soon to call it a recovery. Similar to how central bankers are waiting patiently for interest rate rises to ease inflation, dealmakers are waiting for clearer signs of a recovery. We are, however, seeing some green shoots in the data. The average and median deal sizes increased sequentially in Q3. Sector-wise, financial services had a record quarter in Q3 with €29.4 billion worth of deals, up 83.8% from a strong Q2 and up 244.4% YoY. The rise in interest rates has put pressure on financial services, and we are seeing consolidation within the sector. This is particularly true for two subsectors: asset management and brokerage.

European PE exit value continued to pick up for the second consecutive quarter, increasing 18.4% QoQ. This was driven by eight mega-exits of over €1 billion in Q3, which cemented the year as the second largest for mega-exits after 2021. The enormous outlier in Q3 was the Arm IPO, which represented the largest exit in a decade for PE, coming in at €43.9 billion. Investors have been patiently waiting for a return of public listings after a muted period starting in 2022. Public listings now account for a fifth of total PE exit value year to date (YTD). Looking at the top 20 exits in Q3, we note that almost half are secondary buyouts, which we define as when a PE investor receives a controlling ownership stake in a target company that is already backed by a PE investor. This can occur for a range of reasons, including the need to offload assets due to the holding period, asset maturity, liquidity preferences, a change in the underlying business strategy, or simply an interesting bid from a buyer.

Fundraising in Europe continues to be driven by experienced buyout funds raising megafunds. In Q3, CVC Capital Partners closed its Fund IX, raising €26.0 billion from investors and making it the world's biggest-ever buyout fund. The strong fundraising year so far emphasises the structural shift towards private equity as an asset class for many asset allocators, pointing to a continuous increase in funds under management. 2023 has seen a concentration in fundraising, with the top three funds closed representing 57.7% of funds raised YTD compared with 35.9% in 2022.

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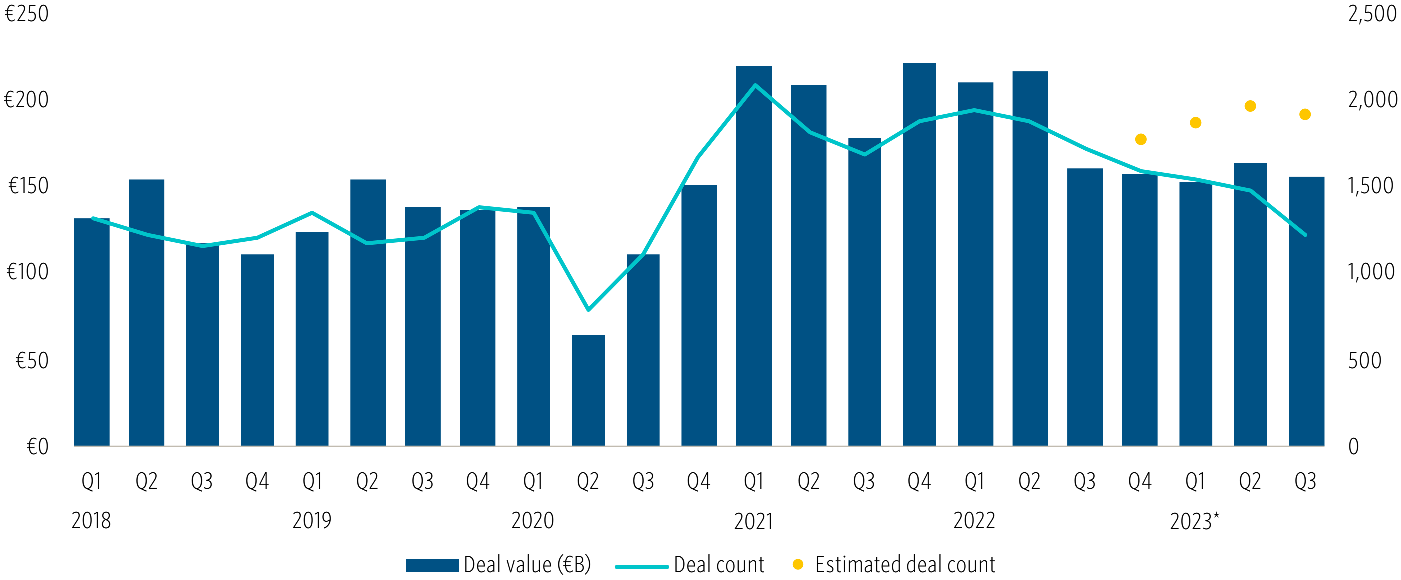
Deals

PE deal activity by quarter

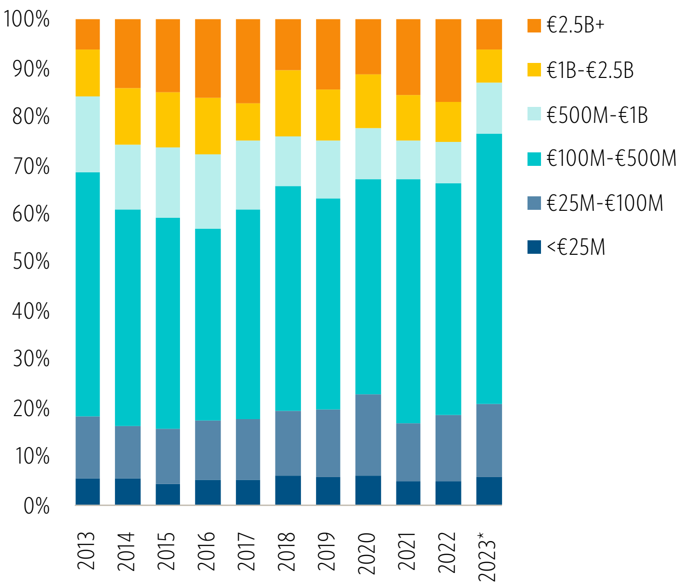


Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Dealmaking in limbo

In Q3 2023, European PE deal value was down 4.7% QoQ and 2.8% YoY. It still came in higher than pre-2020 figures, indicating that there is some appetite for dealmaking, but it might be too soon to call it a recovery. We could compare this situation to the one faced by central bank policymakers. In order to curb inflation, the European Central Bank has increased interest rates 10 times in the last 14 months, bringing the key deposit interest rate to 4.0%. However, it has now signalled a pause in raising interest rates, similar to the Bank of England, which fell one vote short of another hike at the Monetary Policy Committee meeting in September. The bottom line is that inflation is coming down, but not as fast as policymakers hoped it would, leaving policymakers in limbo when considering whether to continue increasing interest rates or not. Similarly, PE dealmaking seems to be heading towards a recovery, but at a slower pace than initially expected, leaving sponsors wary of market conditions.

Share of PE deal value by size bucket



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

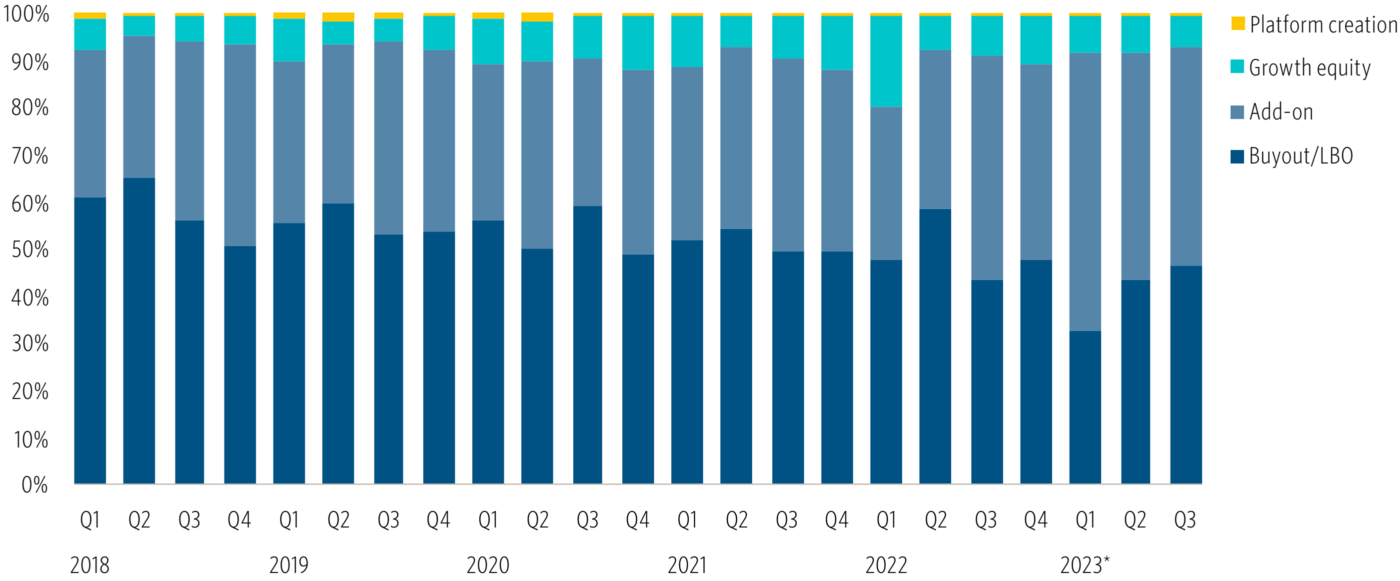
LBO green shoots

Since the financial market peak towards the end of 2021, we have seen European PE deals become smaller as sponsors shift away from megadeals in favour of smaller add-on-type deals. Indeed, in Europe we have seen only 28 megadeals of over €1 billion in the first three quarters of the year, tracking for the lowest year in a decade. On the other hand, 56.8% of deal value YTD has come from deals between €100 million and €500 million, the highest percentage in any given year. As such, the average PE deal size is also within this size bucket and has increased sequentially, going from €124.1 million in Q1 to €289.6 million in Q3, further exhibiting green shoots. These deals are often add-ons to existing businesses, providing growth by buying out a competitor or a complementary business in the same vertical. So far in 2023, more than half of

PE deals have been add-ons. For example, in Q3, the Mandarin Oriental hotel in Barcelona sold to The Olayan Group for an estimated €240 million; the acquirer is a PE firm from Saudi Arabia with an existing real estate portfolio that includes the Mandarin Oriental Ritz hotel in Madrid.

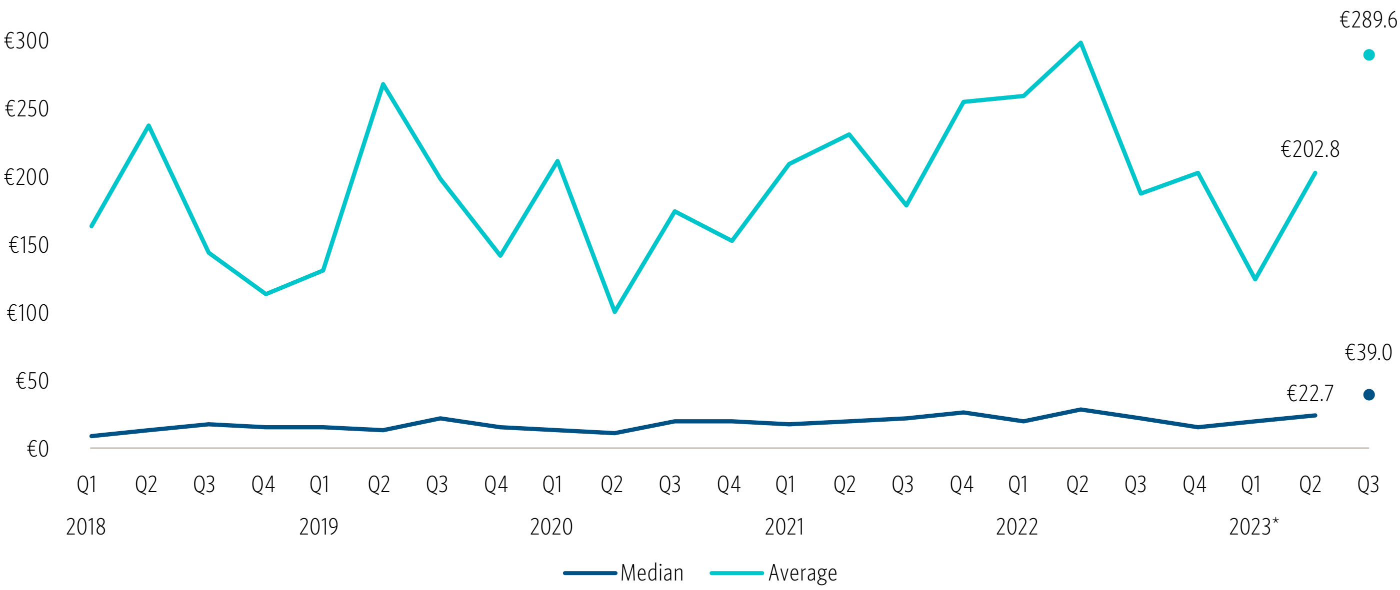
As interest rates increase, so do borrowing costs, making it more expensive for sponsors to execute large LBOs. PE firms have also been turning to private credit to finance certain transactions, shifting away from syndicated loan markets offered by the traditional bulge bracket banks. Private credit is often a more expensive option but tends to be quicker to execute. According to LCD, Q3 saw the largest private credit deal on record when Vista Equity Partners refinanced Finastra's debt with a €4.8 billion loan package led by Oak Hill Advisors and Blue Owl Capital. Ares co-founder Mike Arougheti sees the $1.5 trillion private credit market doubling to $3 trillion within the next five years.[1] The rise in private credit in 2023 has allowed PE firms to stay afloat and continue financing LBOs despite higher rates.

Quarterly share of PE deal value by type



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Median and average PE deal value (€M) by quarter



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

1: "Ares' Arougheti Sees Private Credit Doubling in 5 Years," Bloomberg, Katharine Hidalgo and Ronan Martin, September 21, 2023.

Higher dealmaking in financial services as a result of consolidation

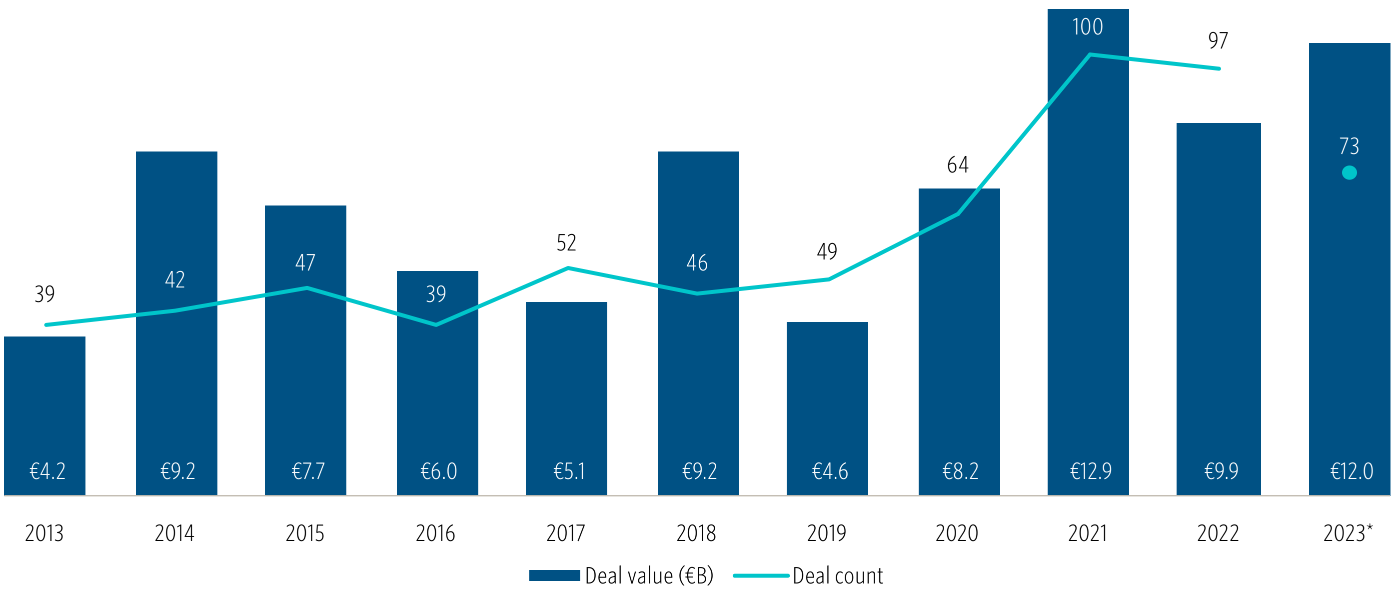
In Q3, financial services had a record quarter with €29.4 billion worth of deals, up 83.8% from a strong Q2 and up 244.4% YoY. Roughly half of the deal value was accounted for by the top three deals, which included the partial sale of Worldpay in the UK, the acquisition of Degroof Petercam in Belgium, and sale of Prelios in Italy. As discussed in our 2023 UK Private Capital Breakdown, the rise in interest rates has put pressure on the financial services sector, and we are seeing consolidation within the sector as a result. This is particularly true for two subsectors: asset management and brokerage.

Asset managers have suffered greatly from the increase in interest rates for two reasons. First, the rate hikes have negatively impacted public markets, leading assets under management (AUM) to drop in value for asset managers, meaning less performance fees earned. Secondly, higher rates tend to lead to more outflows as clients hit margin calls and are forced to trim their allocations. This in turn results in less management fees earned by the asset managers due to the lower AUM. To counter this effect and boost their AUM, we have seen asset managers grow through M&A by purchasing smaller competitors. A subsidiary of Credit Agricole acquired Degroof Petercam for €1.6 billion in Q3, Lansdowne Partners acquired CRUX Asset Management for €1.0 billion in Q2, and Caisson Investment Management merged with IO Asset Management for €113.2 million in Q1.

Brokerage has also seen a consolidation in Europe in 2023, but for different reasons than asset managers. In 2018, the brokerage sector in Europe went through sweeping regulatory changes with drastic modifications to the MiFID II regulations: Starting that year, brokerages and banks in Europe needed to split the fees earned from equity research from trading. The fees, which were previously bundled together, placed a cost on equity research for the first time. According to industry body Euro IRP, equity research fees have dropped by more than a third since the changes went into effect, ultimately squeezing brokers' profits.[2] In 2023 alone, we saw Deutsche Bank buy Numis, Redburn and Atlantic Equities merge, and Cenkos and finnCap merge.

The following chart shows the PE deal activity in the capital markets/institutions industry group, which includes asset managers and brokerages.[3] Indeed, deal value increased 21.5% YoY and is pacing for a record year, with €12.0 billion worth of deals closed in the first nine months. We expect strong dealmaking to continue in this industry group as consolidation moves forward.

Capital markets/institutions PE deal activity



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

2: "London Brokers Braced for Shake-Up as Equity Market Languishes," The Financial Times, Emma Dunkley, May 15, 2023.
3: Capital markets/institutions is a subcategory of financial services that includes asset managers, brokerages, investment banks, PE firms, and other capital markets/institutions. It does not include commercial banks, insurance or other financial services companies such as REITs, consumer finance companies, or fintech companies. For more on industry classification, please visit our Help Center page on financial services sector definitions.

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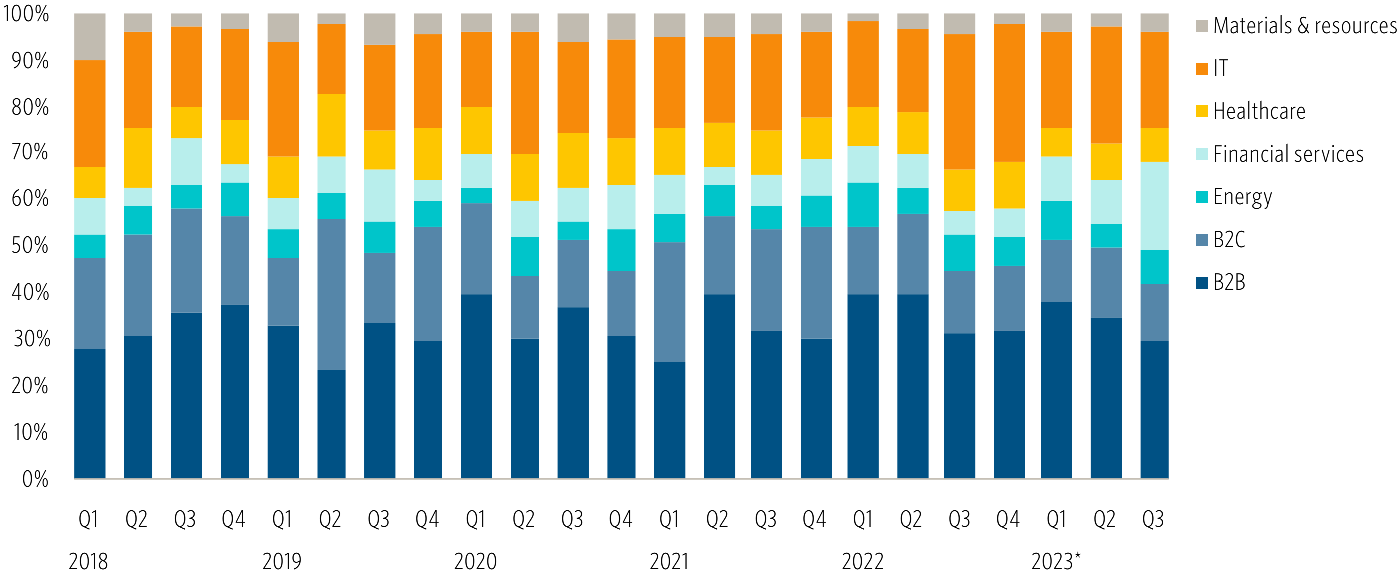
Quarterly share of PE deal value by sector



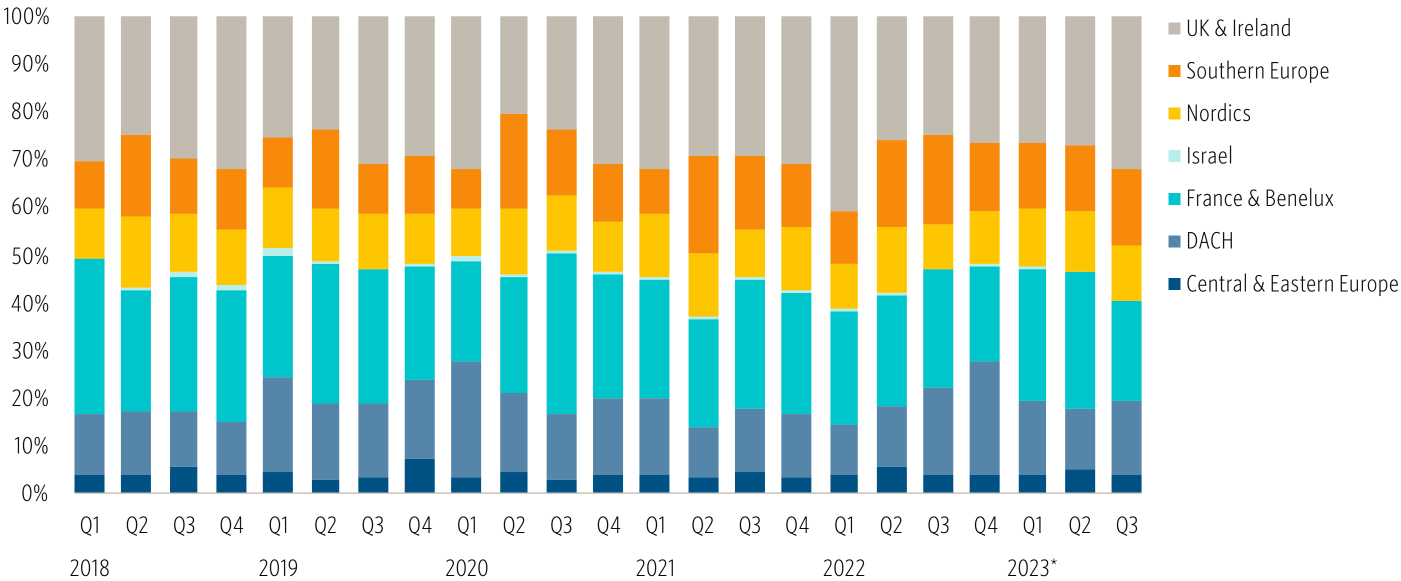
Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

UK & Ireland back on top of dealmaking

Regionally, the UK & Ireland accounted for almost a third of deal value in Q3, ticking slightly higher than the 10-year average of 29.7%. This is reflected in the top 10 deals in Q3, of which three came from the UK & Ireland, including the Worldpay megadeal. Worldpay was purchased by Fidelity National Information Services in 2019, and in Q3 2023, 55% of the company was sold via auction to US-based private equity firm GTCR for €11.7 billion. The company's headquarters remain in London.

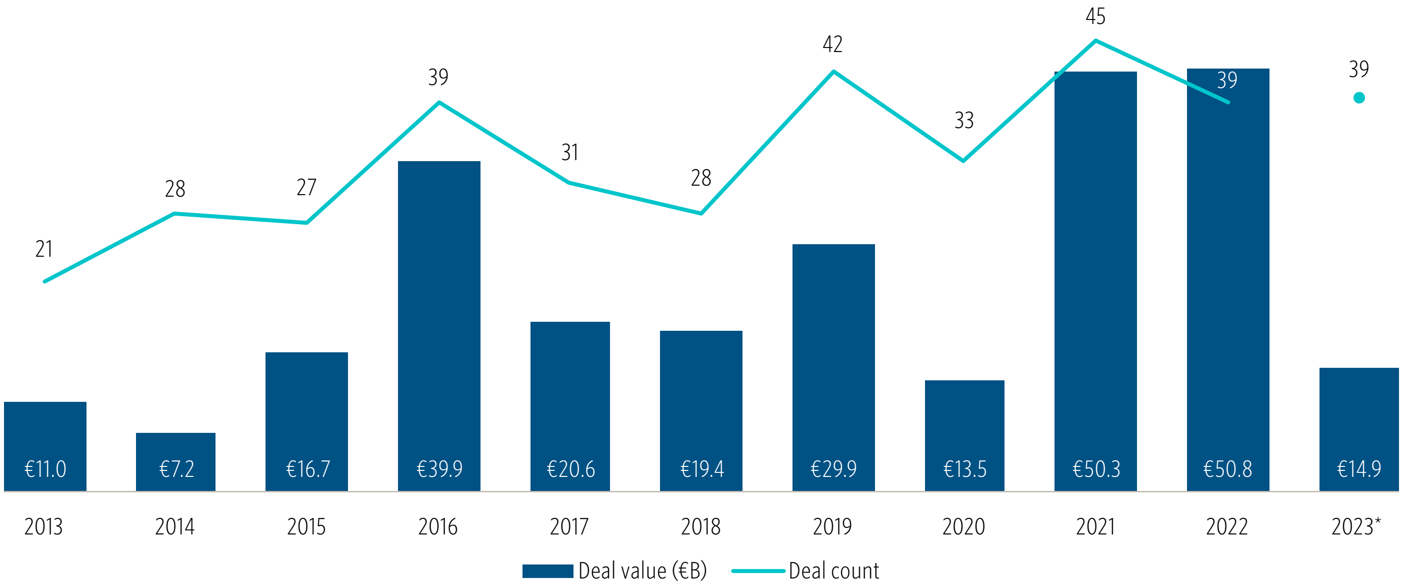
On the other side of the spectrum, one of the largest quarterly declines was seen in France & Benelux, which saw deal value drop 30.1% QoQ and 18.2% YoY as the UK & Ireland regained the dealmaking top spot after two quarters of trailing.

Quarterly share of PE deal value by region



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

PE take-private deal activity



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Take-privates still popular

In 2023 YTD, we have seen 39 take-privates by private equity firms—the same figure as 2022. However, the total deal value YTD is less than a third of the take-private deal value of 2022, meaning that take-privates are much smaller in size than in previous years. Various factors are driving these take-privates in Europe, such as structural issues in the UK stock market, as outlined in our 2023 UK Private Capital Breakdown; the drop in valuations due to higher discount factors resulting from higher interest rates; or even the large amounts of dry powder that PE sponsors have amassed in recent years. In Q3, Norwegian-listed e-learning platform Kahoot! announced its acquisition by the private equity arm of Goldman Sachs for €1.5 billion.

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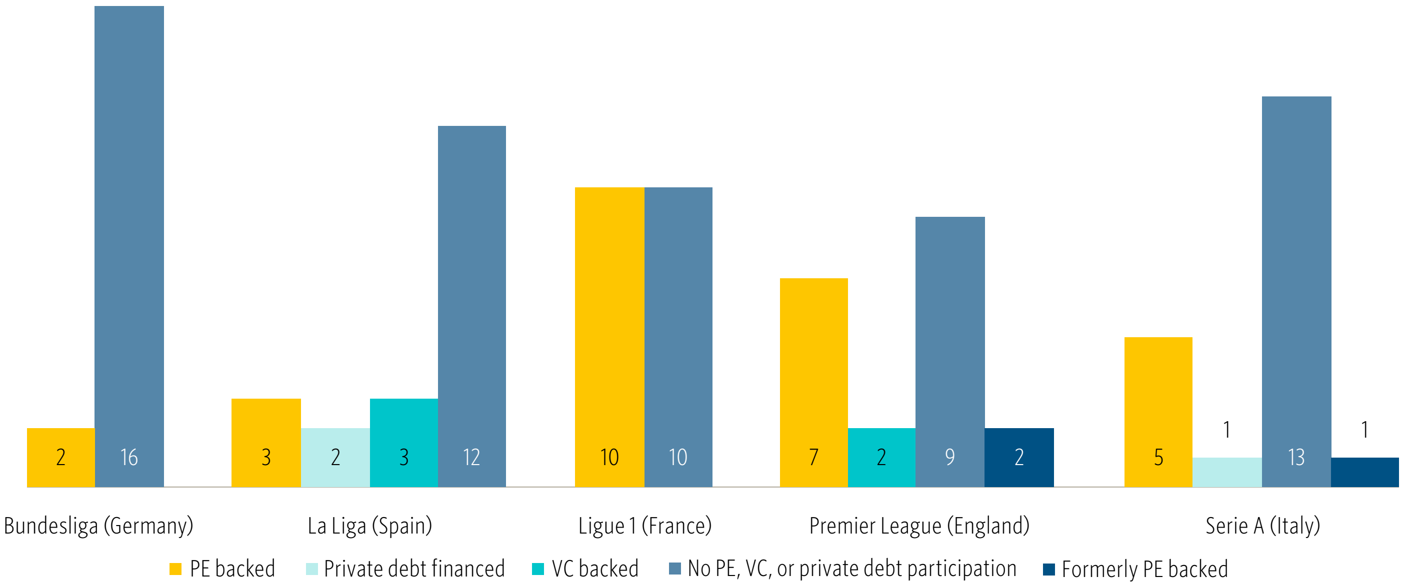
SPOTLIGHT

Private capital in European football

Aggregate financing status for Big Five leagues*



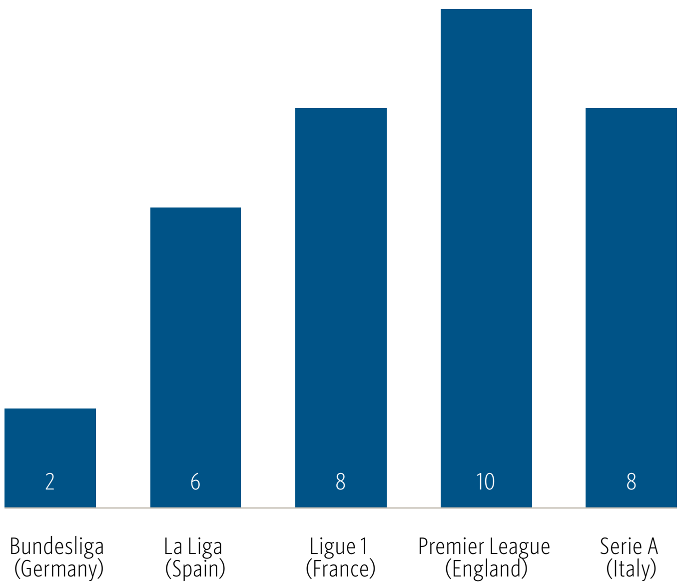
Source: PitchBook • **Geography:** Europe
*As of August 3, 2023

This spotlight is an updated, abridged excerpt from our Q3 2023 Analyst Note: Private Capital in European Football, which was published on August 3, 2023. Please see the full note for additional analysis.

Private capital ownership in football increasing

We found that 35.7% of clubs have PE, VC, or private debt participation, whether it is a minority or a majority stake. To collect data on PE in football team ownership, we looked at the ownership structure of 98 clubs that make the "Big Five" leagues in Europe by exploring company websites, company filings, and PitchBook data.[4] Football clubs often have complex ownership structures, and we believe this to be understated in the data, as football clubs can be rather opaque in terms of disclosure. We also note that private capital does not only flow into football through ownership but also through specific revenue segments, including broadcasting, commercial, and others.

Clubs with US investor participation by league*

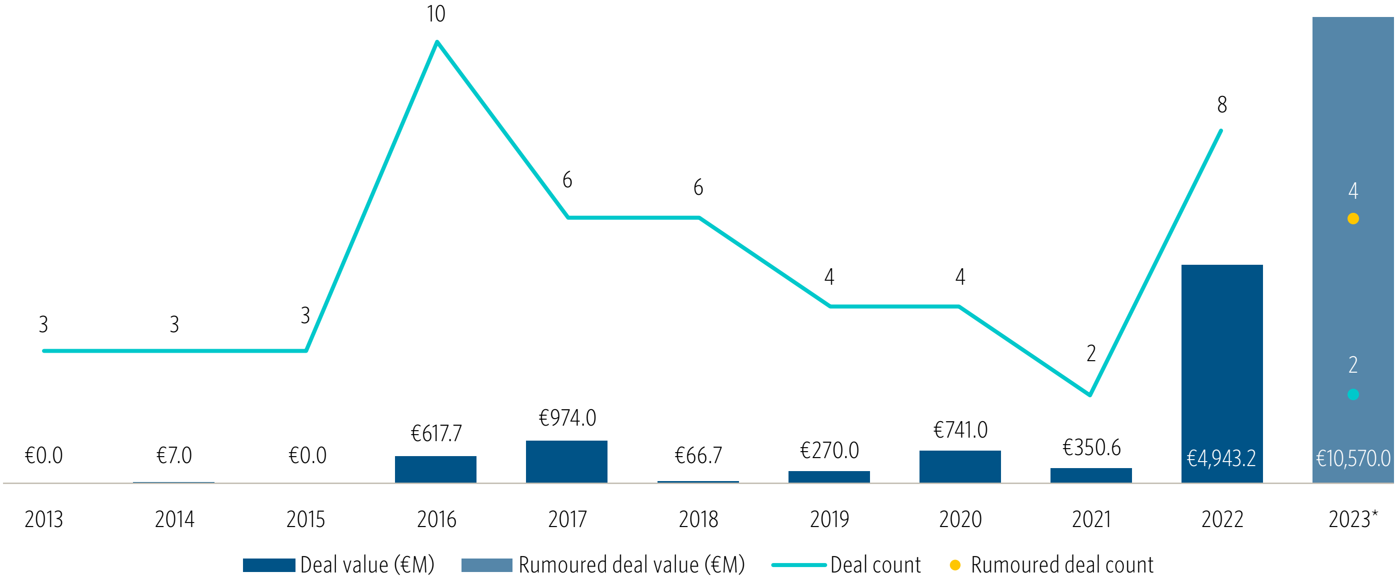


Source: PitchBook • **Geography:** Europe
*As of August 3, 2023

4: The data was current as of the 2022-2023 season.

![PitchBook]

M&A activity in European football clubs



Source: PitchBook • **Geography:** Europe
*As of August 3, 2023

Our data also finds strong US participation in football ownership—we find that 34.7% of the Big Five clubs have US-based private capital participation at the ownership level (disregarding broadcasting and sponsorship stakes). Diving deeper into those 34 clubs with US participation, 21 of them are also PE backed, showing the correlation between US ownership and PE financing. The remaining US ownership can be attributed to high-net-worth individuals, VCs, or corporations. This makes sense for three reasons. The first explanation is that 60% of the world's PE capital lies in the US. Second, we have seen the rise of dedicated sports funds in the US, such as 777 Partners, which have been deploying newly raised capital in European football. The third reason is that the popularity of football is growing rapidly in the US, both in terms of time spent playing as well as time spent watching. In the US, Paramount secured a six-year deal to broadcast the UEFA Champions League to US viewers on CBS, paying a record $1.5 billion or 2.5x the previous contract's value. The Champions League final in 2022 attracted a record US viewership of 5.2 million.[5] The US will also be one of the host nations for the 2026 World Cup. These factors put together give US investors a comparative advantage through their dry powder and track record to bid for football clubs. Out of the 34 clubs with US-based participation, 19 of these US investments have come in the previous five years, showing the growing interest in European football ownership by US investors. The Premier League in particular has US participation in half of its clubs, the most out of the Big Five. US participation has effectively been a major reason for the increase in private capital ownership of European football clubs, also driving valuations to new highs. However, there are a number of additional reasons explaining the rise of private capital ownership in football.

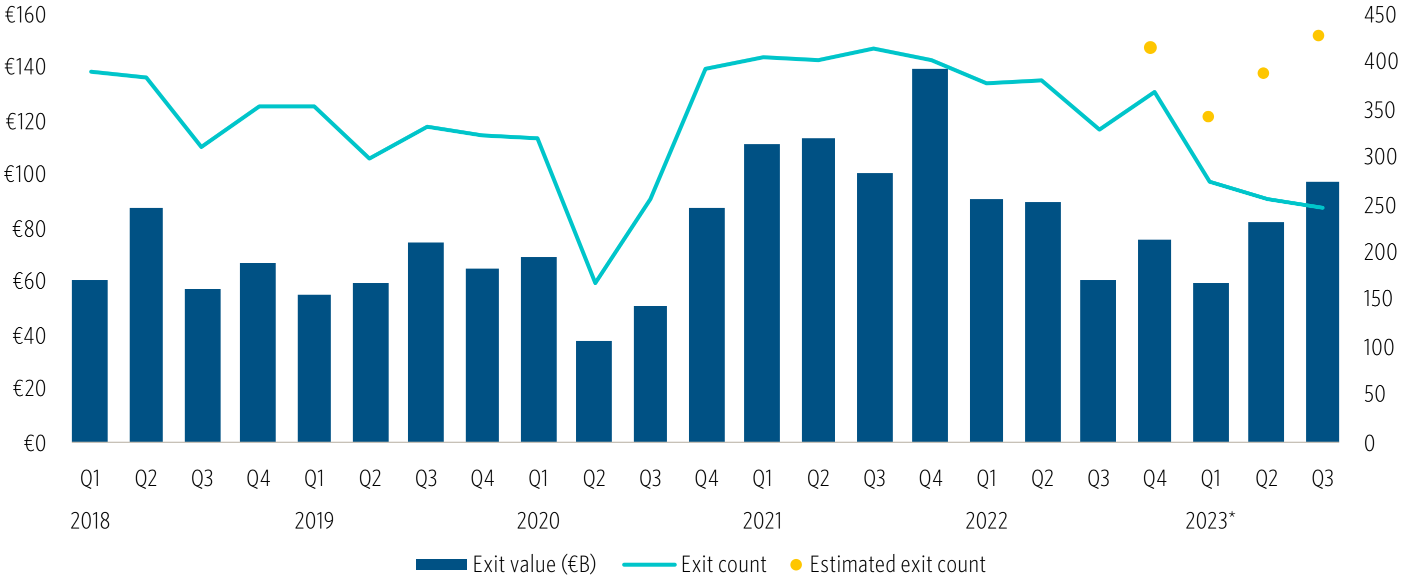
Football deal value booming thanks to private capital

Our data shows that dealmaking within the Big Five leagues went from €66.7 million in 2018 to €4.9 billion in 2022. With some teams facing a dire financial situation in the aftermath of COVID-19, many football club owners looked for external financing or for an outright sale. The largest deal ever recorded in football saw Chelsea sold through an LBO to a consortium of US-based PE firms in 2022 for £2.5 billion (€3.0 billion) after its former Russian owner was forced to sell the club—which he had bought in 2003 for £60.0 million (€85.7 million). Other recent PE deals include the purchases of AC Milan for €1.2 billion, Newcastle United FC for €350.6 million, and Atalanta BC for €275.0 million. These recent transactions have set a precedent in terms of club valuation but also prompted many owners to consider selling to PE. We estimated that dealmaking could double from 2022's total and reach a total deal value over €10.6 billion in 2023 if the current deals pipeline crystallises, most notably Manchester United, which could fetch a record-breaking valuation over $6.0 billion (€5.5 billion). Since publishing our note, Everton was sold to US-based PE sports fund 777 Partners for £550.0 million (€641.9 million), and Liverpool sold a $100 million (€95.5 million) minority stake to US-based Dynasty Equity.

5: "Paramount Pays Record $1.5bn to Keep Champions League on CBS," The Financial Times, Samuel Agini and Sara Germano, August 19, 2022.

Exits

PE exit activity by quarter



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Public listings account for 20.5% of exits YTD as IPOs resurface

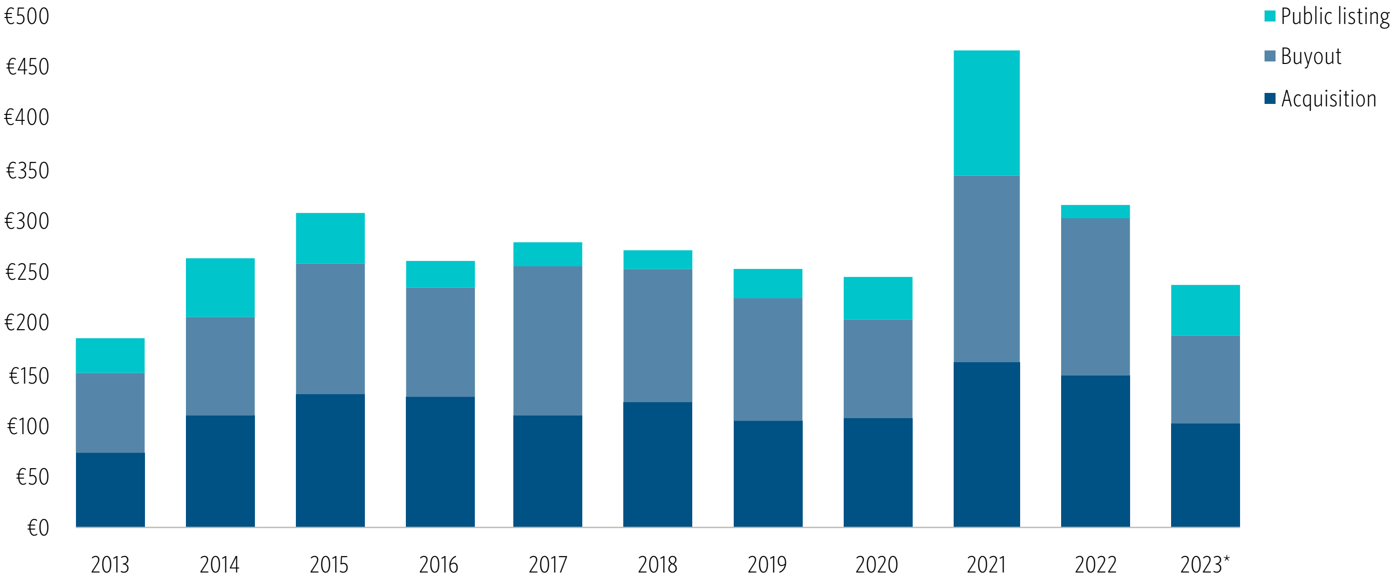
In Q3 2023, European PE exit value continued to pick up for the second consecutive quarter, increasing 18.4% QoQ. This was driven by eight mega-exits of over €1 billion, which cemented the year as the second largest for mega-exits after 2021. This also led the average and median exit values to increase 69.7% and 31.1%, respectively, from 2022 full-year figures. The enormous outlier in Q3 was the Arm IPO, which represented the largest exit in a decade for PE, coming in at €43.9 billion. Investors have been patiently waiting for a return of public listings after a muted period that has lingered since the start of 2022. Another IPO occurred in Q3 with Israeli beauty company Oddity Tech listing for €1.7 billion. It is worth mentioning that both these companies listed in the US on the Nasdaq stock exchange, shunning European stock exchanges; we covered this in more depth in our 2023 UK Private Capital Breakdown. Public listings now account for a fifth of total PE exit value YTD, or €48.7 billion, pacing for the third-strongest year in a decade. Once again, we see green shoots pointing to a recovery, this time within exits. However, we remain cautious in calling the rebound because the data remains heavily skewed towards some very large exits, most notably the Arm IPO. We also note that many European PE-backed companies, such as Planisware and DKV Mobility, have delayed plans to go public until 2024 given the current market conditions.[6]

PE mega-exit activity

Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

6: "European Companies Halt IPO Plans on Concerns Over Market Conditions," The Financial Times, Ivan Levingston and George Steer, October 11, 2023.

PE exit value (€B) by type



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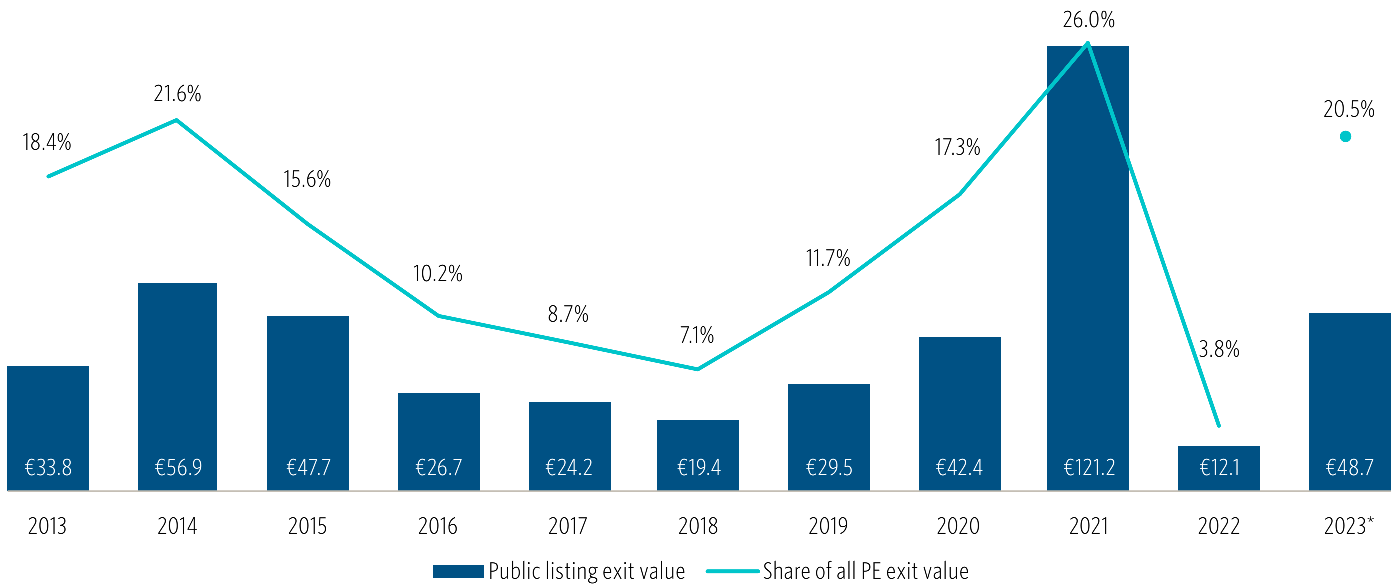
*As of September 30, 2023

Public listing PE exit value (€B)

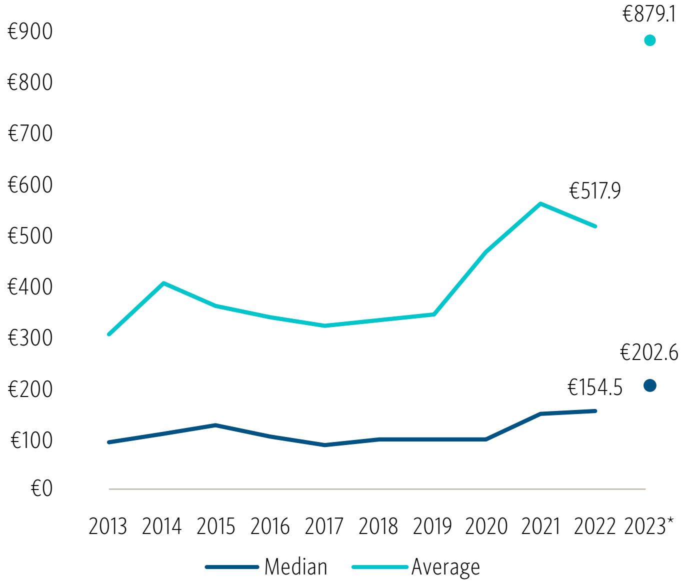


Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Secondary buyouts account for 24.8% of exit value YTD as PE sponsors deploy dry powder

Looking at the top 20 exits in Q3, we note that almost half are secondary buyouts, which we define as when a PE investor receives a controlling ownership stake in a target company that is already backed by a PE investor. This can occur for a range of reasons, including the need to offload assets due to the holding period, asset maturity, liquidity preferences, a change in the underlying business strategy, or simply an interesting bid from a buyer. For example, in July 2023, PAI Partners bought a controlling stake in Infra Group from Intermediate Capital Group for €1.0 billion. Similarly, financial data provider Macrobond was sold by Nordic Capital to US-based PE firm Francisco Partners for €700.0 million. Looking to free up capital, Nordic Capital crystallised a 6x return from its initial investment in the Swedish company in 2018.[7] Exit value through secondary buyouts has remained robust in 2023, accounting for roughly a quarter of total exits YTD.

Median and average PE exit value (€M)



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

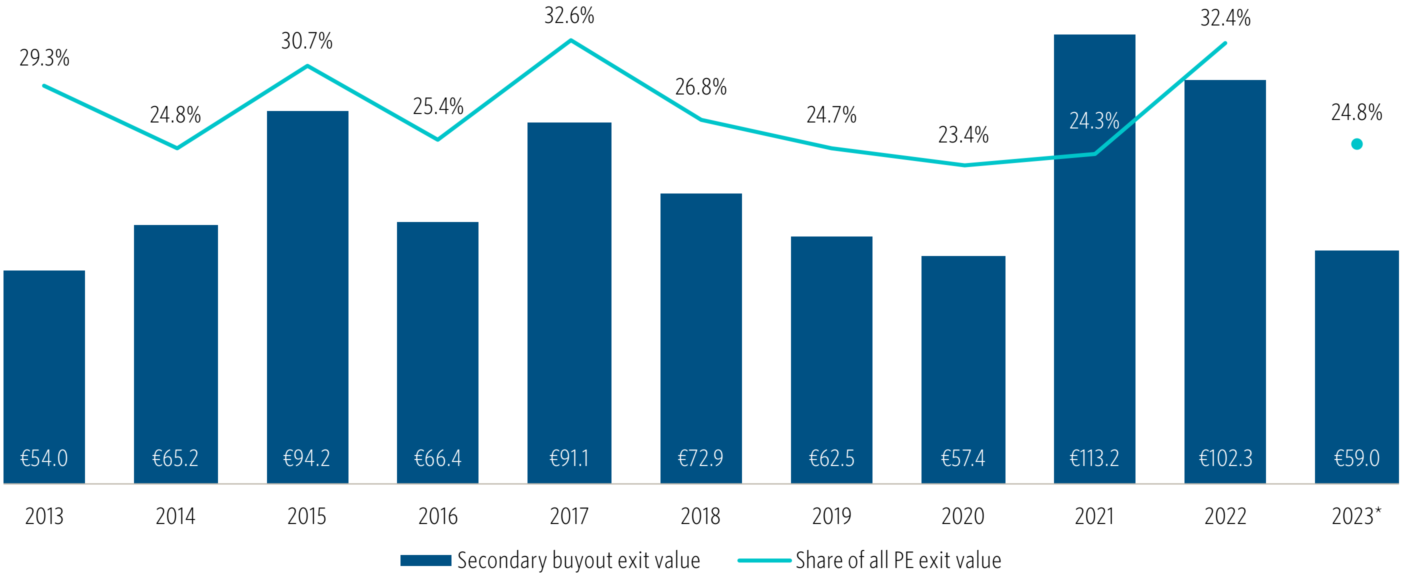
Top 20 PE exits in Q3 2023 by exit value*

Company	Exit date	Exit value (€M)	Financing type 1	Financing type 2	Industry sector	Country
Arm	September 13, 2023	€43,889.7	IPO	N/A	Information technology	UK
Yettel Serbia	August 2, 2023	€2,150.0	M&A	N/A	Information technology	Serbia
Saverglass	September 5, 2023	€2,022.0	M&A	N/A	Materials & resources	France
Oddity Tech	July 19, 2023	€1,743.6	IPO	N/A	Information technology	Israel
Degroof Petercam	August 4, 2023	€1,550.0	Buyout/LBO	Secondary buyout	Financial services	Belgium
Schülke & Mayr	August 7, 2023	€1,400.0	Buyout/LBO	Secondary buyout	Healthcare	Germany
Constantia Flexibles	July 31, 2023	€1,097.0	Buyout/LBO	Secondary buyout	Materials & resources	Austria
Infra Group	July 6, 2023	€1,000.0	Buyout/LBO	Secondary buyout	B2B	Belgium
Planasa	September 14, 2023	€900.0	M&A	N/A	Materials & resources	Spain
CorpAcq	August 1, 2023	€893.2	Reverse merger	N/A	Financial services	UK
LimaCorporate	September 25, 2023	€800.0	M&A	N/A	Healthcare	Italy
Macrobond Financial	July 9, 2023	€700.0	Buyout/LBO	Secondary buyout	B2B	Sweden
Parkia	July 31, 2023	€700.0	Buyout/LBO	Secondary buyout	B2C	Spain
NeXtWind	August 9, 2023	€676.9	Buyout/LBO	N/A	Energy	Germany
Assala Energy	August 15, 2023	€661.0	M&A	N/A	Energy	UK
Ideal Standard International	September 18, 2023	€600.0	M&A	N/A	B2C	Belgium
nChain	August 1, 2023	€515.3	Buyout/LBO	Secondary buyout	Information technology	Switzerland
Palex Medical	July 27, 2023	€500.0	Buyout/LBO	Secondary buyout	Healthcare	Spain
Infare Solutions	July 14, 2023	€456.7	Buyout/LBO	Secondary buyout	Information technology	Denmark
Premium Sound Solutions	August 10, 2023	€451.3	M&A	N/A	B2B	Belgium

Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

7: "Buyout Group Francisco Partners to Acquire Macrobond for Almost €700mn," The Financial Times, Will Louch and Ivan Levingston, July 9, 2023.

PE secondary buyout exit value (€B)



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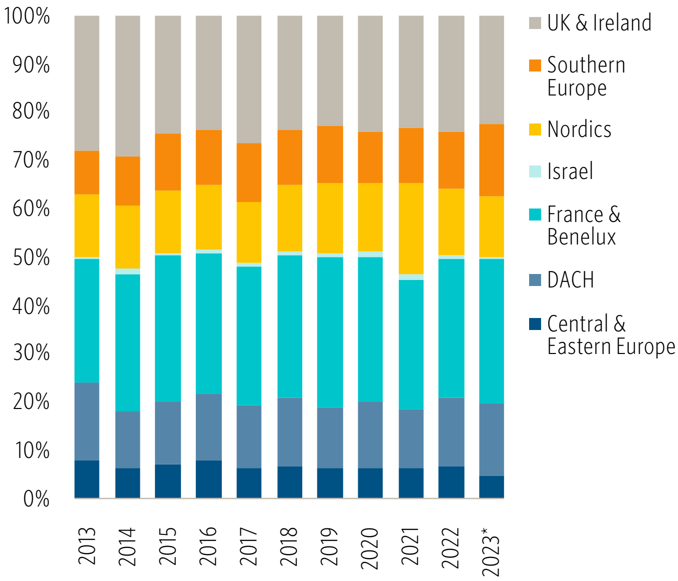
Share of PE exit count by region



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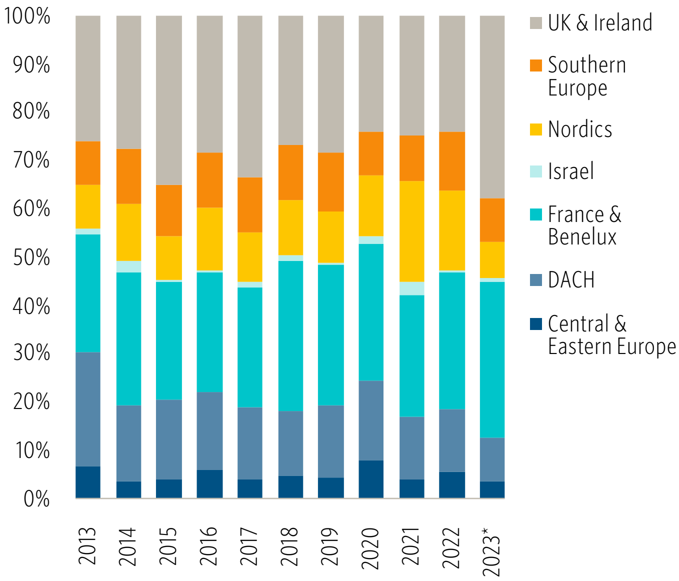
Share of PE exit value by region



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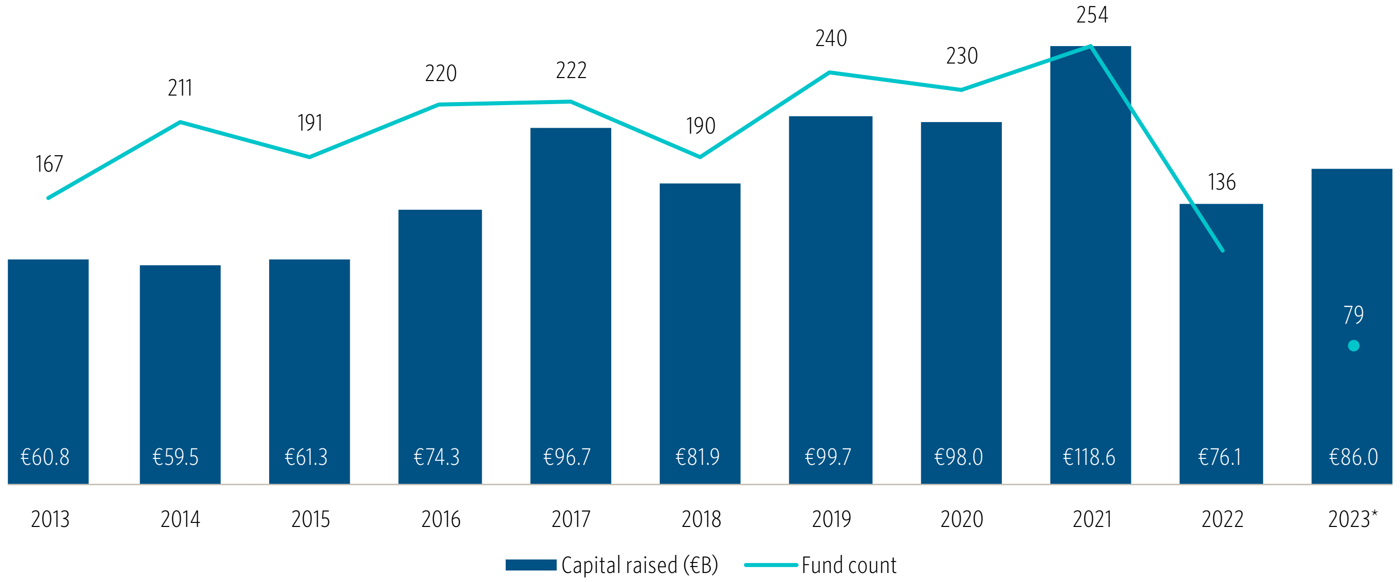
Regional breakdown of exits

Thanks to the pickup in IPOs, the UK & Ireland and Israel are the only regional markets to increase their exit value YoY, at 18.0% and 8.3%, respectively. However, all regions remain in the red when looking at exit count compared to 2022; Southern Europe is the most robust despite being down 31.8% YoY. In our Q2 2023 European PE Breakdown, we noted the resilience of exits in France & Benelux, which accounted for almost half of all exit value in H1. However, adding in Q3 data, we see that the UK & Ireland regained the top spot, accounting for 37.7% of exit value YTD compared with 32.2% for France & Benelux YTD.

Fundraising

PE fundraising activity

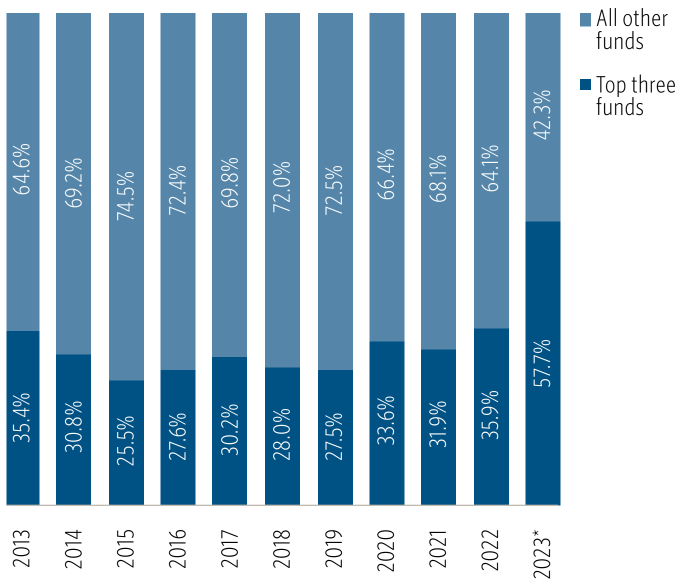


Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Record megafunds driving European fundraising

Fundraising in Europe continues to be driven by experienced buyout funds raising megafunds. In Q3, CVC Capital Partners closed its Fund IX, raising €26.0 billion from investors and making it the world's biggest-ever buyout fund. Along with Permira's €16.7 billion fundraise in Q1 and KKR's €7.5 billion fundraise in Q2, this megafund close has defied macroeconomic headwinds faced by many GPs and first-time funds, which have experienced harsher fundraising conditions in the past year given the tightening of monetary policy. However, the strong fundraising year so far also emphasises the structural shift towards private equity as an asset class for many asset allocators, pointing to a continuous increase in funds under management. 2023 has seen a concentration in fundraising, with the top three funds closed representing 57.7% of funds raised YTD compared with 35.9% in 2022.

Share of PE capital raised by the top three funds

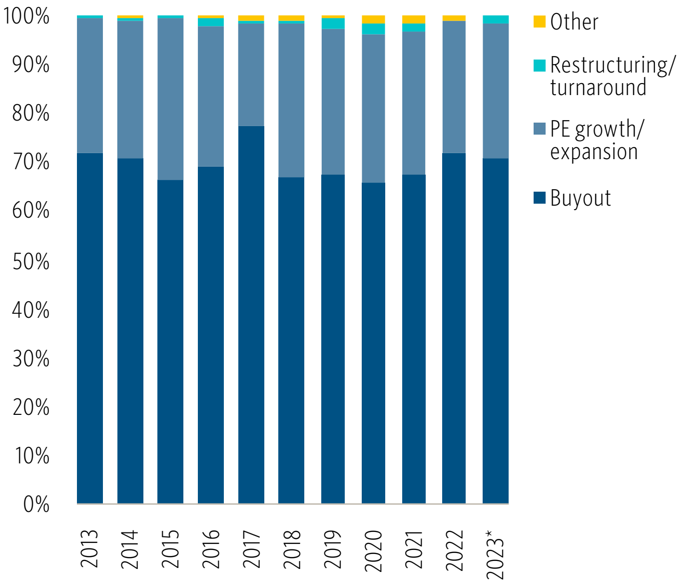


Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Buyout funds, the bread and butter of PE

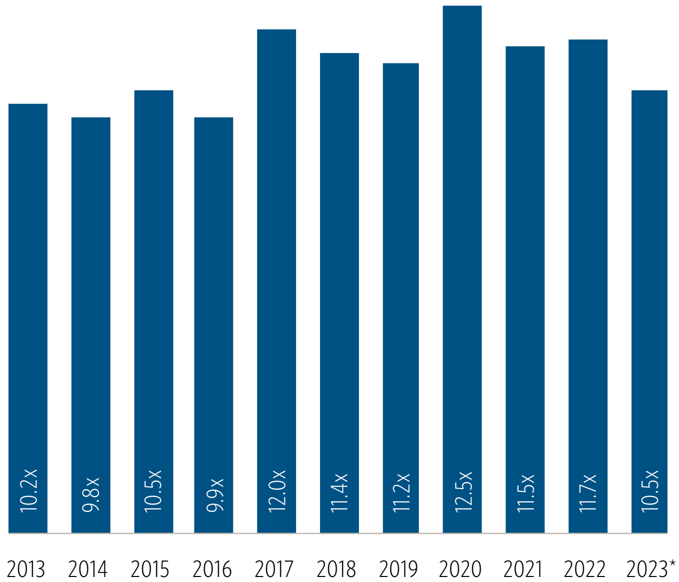
Given central banks have been hiking interest rates for over a year now, the rate increases have truly impacted PE firms with their cost of borrowing, making LBOs costlier to execute. The median EV/EBITDA has dropped, and we are seeing sponsors refocusing their energy on EBITDA improvement rather than multiple expansion through financial leverage, as it was often the case in times of low interest rates. This has also been reflected in the type of funds raised, with 70.9% of closed funds YTD being buyout funds as opposed to PE growth/expansion or restructuring/turnaround funds. This figure was similar in 2022, as expected, but it was higher than in previous years given the shift in the macro environment.

Share of PE fund count by type



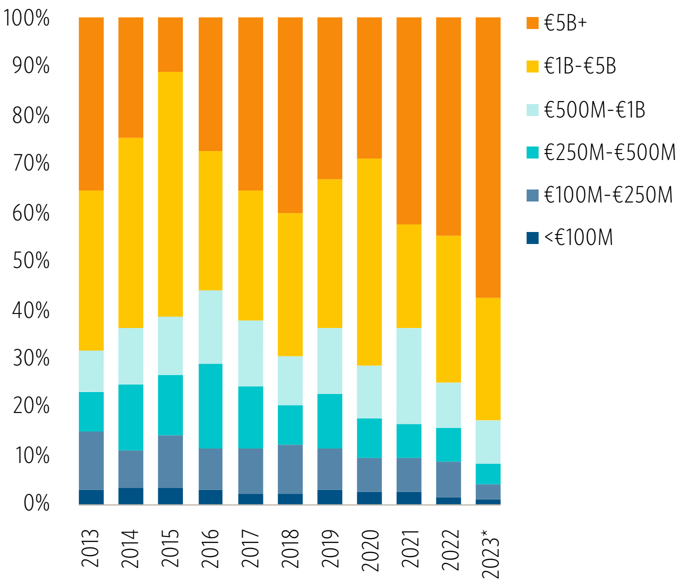
Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Median PE buyout EV/EBITDA multiple



Source: PitchBook • **Geography:** Europe
*As of September 30, 2023

Share of PE capital raised by size bucket



Source: PitchBook • **Geography:** Europe
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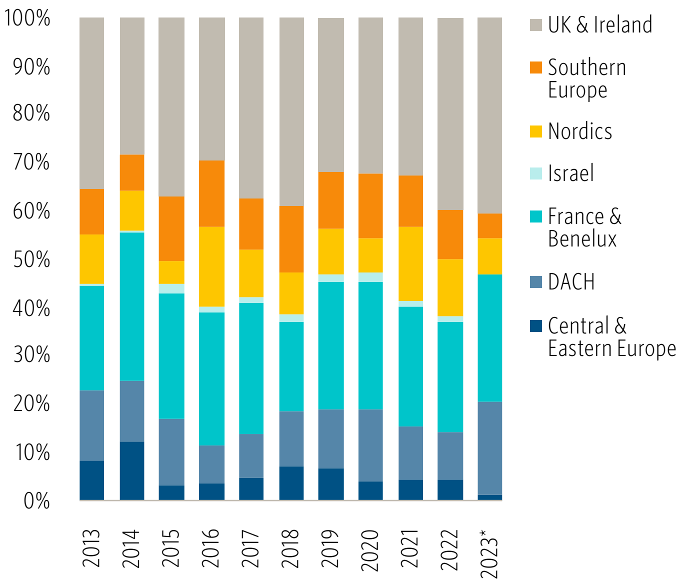
Share of PE fund count by region



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Private markets

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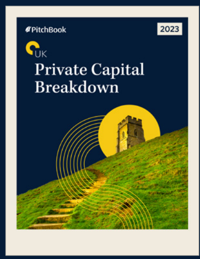

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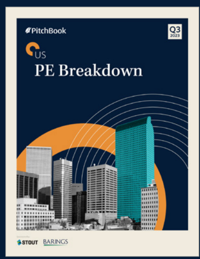

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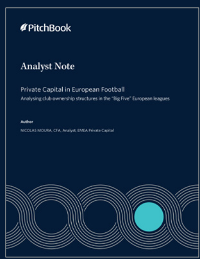

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