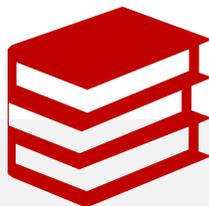




ACCESS CAPITAL PARTNERS
PRIVATE ASSETS IN EUROPE



**MARKET TRENDS
IN THE EUROPEAN
SMALL & MID-MARKET
BUY-OUT**

FIRST QUARTER 2017

1. Market overview

For the past two years, the economic environment has become increasingly uncertain. The Brexit, the US and national elections in a number of European countries have all nourished market volatility. However, for the first time since the 2008 crisis, the Euro Zone is expected to record a 1.6% GDP growth in 2017.

The European buy-out market continues to benefit from a favorable momentum sustained by higher returns (source: Preqin). Investors have significantly increased their allocation to this asset class, encouraged by successive years of strong cash distributions and stronger performances vs. traditional asset classes.

2. Deal making activity

GPs backed by Access continue to build on the dynamic investment momentum

2016 was yet another strong year for the overall European buy-out market which registers a 14% year-on-year increase with 734 sponsored buy-outs compared with the 646 in 2015. While the upper end of the market was hit by a slowdown in activity, the smaller market segment, Access' core focus, and notably the €50-250m market space, pursued its growth both in volume and in value terms. Almost 33% of the overall market value was generated by the smaller segment. In the immediate aftermath of the vote, the UK suffered of a pause in its deal making activity which rebounded in the fourth quarter reaching a stable pace.

The UK remains robust in volume and is leading the market, accounting for 42% of the total volume of the smaller buy-outs segment (EV ranging between €10m and €250m). France enjoyed an increase both in deal value and volume, placing the country as the second most important market in Europe.

In this context, Access recorded a strong start in 2017 with 25 deals completed across its primary and secondary portfolios, up from 18 last quarter. Access' GPs have demonstrated a sustained capital deployment. First quarter 2017 deals were completed at an average Enterprise Value (EV) of €86m – reaching the same level as last year.

Despite rising valuations at entry, the conservative entry metrics displayed by Access' new portfolio companies demonstrate the defensive investment choice of Access. By focusing on smaller funds targeting smaller buy-outs on segments where

competition between buyers is less intense compared to their larger counterparts, Access has been able to maintain a lower pricing and conservative debt levels across its portfolio.

From a geographical standpoint, the UK came first with 8 deals completed, followed by the Benelux and the DACH region with 6 deals each. In France and the Nordic region, deal activity has been more modest recording only 2 investments. Italy came last with 1 investment.

3. Exit activity

The first quarter of 2017 was exceptionally dynamic as Access' GPs benefitted from the rise in asset valuations. Over the full year 2016 and across its buy-out funds of funds (ACF III to ACF VI), the average exit performance reached 3x invested capital, 15% up from Access' conservative previous quarter book valuation.

As such, Access' exit activity witnessed a particularly strong start in 2017 with 37 divestments recorded across its primary and secondary portfolio and substantially above the 28 exits finalised in the same period last year. The average gross cost multiple remained high at 3.2x for its primary portfolio, significantly above the 2.4x registered over the same period in 2016 when Access finalized 10 divestments.

The proportion of trade sales still represented the most prominent exit route. Access recorded 100% of trade sale exits for its primary portfolio. In terms of geography, the UK, DACH region and France represent c. 70% of the exits completed over the period whilst the Benelux and Southern countries account for the remaining c.30%.

4. Valuations

Overall, book valuations remain on an upward trend reflecting operational growth of portfolio companies as well as quoted comparables.

The 5% fall of the GBP that happened post-Brexit has nevertheless caused negative impact on valuations of Access' GBP denominated portfolios.

5. Secondary activity

Fueled by increasing amounts of secondary dry powder and sustained pricing conditions, the secondary market is expected to hit high level in terms of volume making it more complex and expensive. Pricing on the secondary market remains

¹ Winter 2017 Economic forecasts by the European Commission

² Unquote Annual Buyout Review - 2017

³ Unquote Annual Buyout Review - 2017

strong, but continues to present attractive opportunities for players like Access who capitalize on its expertise in niche segments of the market and maintains a strict investment discipline.

ABOUT ACCESS CAPITAL PARTNERS

Established in December 1998, Access Capital Partners (“Access”) is an independent private assets manager investing in the key economies of Western Europe, active in European private equity, private debt and infrastructure, with offices in six European countries and assets under management of €7.6 billion from a diversified base of international institutional investors. The firm’s products and services encompass primary fund investments and secondary transactions as well as direct co-investments.

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