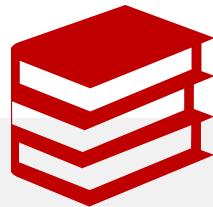




ACCESS CAPITAL PARTNERS

PRIVATE ASSETS IN EUROPE



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

SECOND QUARTER 2017

1. Macroeconomic environment

The Eurozone economic environment has emerged on a brighter note at the end of the first semester, as earlier concerns over politics appear to have receded across the region. The third estimate of GDP released by Eurostat revealed that growth had accelerated at the start of 2017. The economic outlook for the UK remains however uncertain, as the country continues to sail the uncharted Brexit waters. The Bank of England's loose monetary policy stance and healthy global demand, nevertheless, should soften the slowdown in the country.

Overall, private equity valuations remain at elevated levels contributing to a moderate deal making activity. On a more positive note, what could still fuel the 2017 exit pipeline is the high levels of dry powder in the asset class, mostly held in upper mid-market to large buy-out funds who are natural buyers for Access' portfolio deals.

2. Investment activity

Q2 investment activity level in the overall European buy-out space slightly slowed down due to the cautious and disciplined approach undertaken by fund managers to deploy capital in a continued high valuation landscape.

In aggregate, Access' GPs completed 15 deals across both primary and secondary portfolios in the quarter, down from the 25 deals completed in the preceding quarter. From a geographical standpoint, Benelux led the activity with over 55% of transactions vs. 45% for the combined pool of UK, France and the DACH region.

For the first half of 2017, the average Enterprise Value of newly acquired companies within Access' primary and secondary portfolio remains in the lower end of the small and mid-market at €75 million, in line with Access' investment focus. The average EV/EBITDA multiple at which companies were acquired stands at 7.6x for an average debt multiple of 2.8x EBITDA.

Compared to the 9.0x median EV/EBITDA average multiple at entry for the European mid-market buy-out transactions, entry prices paid by Access' backed GPs continue to demonstrate their ability to maintain their conservative approach to leverage, structuring deals with significant equity cushions amid a pricey market. The UK region has seen steady deflation with entry multiples falling from 10.7x in Q4 2016 to 9.5x in Q1 17 while France, the Nordics and the DACH

regions maintained relatively elevated acquisition multiples at 10.0x, 10.5x and 11.2x respectively.

3. Exit activity

The outlook for divestments remains very positive, in line with the dynamic trend that prevailed during the previous quarters. In Q2 2017, Access' portfolios benefited from the strong performances of the 21 exits recorded across its primary portfolio. Realizations reflected a 2.7 times money multiple, slightly below the 2.9x registered over the last quarter. While its investment activity has significantly receded, the UK leads the divestment market in volume accounting for c. 40% of the exit activity, followed by the 25% of the Southern countries. France and the DACH region came last with c.35% combined.

Dominated by corporate buyers in the last quarters, acquirers of Access' portfolio companies during Q2 2017 were predominantly private equity funds (80%) in "secondary buy-out transactions". Based on information received from Access' GPs, Access anticipates the fervent exit activity to continue this year.

4. 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 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.

On the overall secondary market, the average fund changing hands on the secondary market in 2017 is selling at a 5 percent discount to net asset value, narrowing from 6 percent last year (Source: Triago/Cogent). Transactions are mostly driven by active portfolio management and acquisitions of high quality buy-out assets are often executed at par or better.

In this context Access has been cautious in deploying capital on the secondary market focusing on direct secondary transactions. These transactions encompass a variety of situations:

- ▶ Acquisitions of portfolio companies through special purpose holding vehicles, in order to

- deliver structured solutions for atypical and complex seller issues;
- Secondary transactions involving fund and/or GP restructurings;
- Short maturity funds which show an attractive risk/return profile based on (i) high visibility on deployment (pre-identified deals), (ii) shorter fund life thanks to reduced Investment periods, (iii) attractive terms and conditions (reduced management fees and progressive carried interest) and (iv) greater alignment of interests between GP and LP.

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 €7.7 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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