



ACCESS CAPITAL PARTNERS PRIVATE ASSETS IN EUROPE

MARKET TRENDS IN THE EUROPEAN
SMALL AND MID-MARKET BUY-OUT

FOURTH QUARTER 2016



Looking back at 2016, the economic environment has been increasingly impacted by political considerations. Despite the decline of the British pound and uncertainties on future trade relationships with the EU, the UK economy has remained resilient. The UK economic growth held steady at 0.6% in the fourth quarter and was at 2% as a whole for 2016, slightly slower than the 2.2% for 2015, however making the country the fastest economy in the G7 in 2016.

1. Deal making activity

Against a backdrop of increasing competition, strong asset prices, low growth, and uncertainty surrounding the European economies, the investment pace in the European buy-out market as a whole has been slower than last year. The drop was most marked in the UK and particularly in the larger deal space. The latest data from CMBOR reveals that, in the UK, buy-out activity plummeted from €29.6 billion in 2015 to €15.0 billion last year, the lowest level of buy-out activity since 2009.

In that context and despite a slight decrease in the fourth quarter of 2016, Access' GPs have demonstrated a sustained capital deployment pace which remained at a healthy level on a year-on-year basis. They completed 90 deals in aggregate over 2016, across its primary and secondary portfolios, 20% up compared to 2015 when 75 deals were finalised. This amounted to 2 deals completed on average per active fund manager in 2016 versus 1.79 in 2015. Deals are still being done in the UK which is again leading the deal making volumes, followed by the Nordic region, France and the German speaking region, Benelux and the Southern countries. 31 companies have been acquired in the UK over 2016 vs 26 in 2015, thus representing one third of the investment activity. The Nordic region, France and German countries accounted for 36% of the investment volumes, whereas 11 new deals have been recorded in Benelux. Southern countries witnessed a moderate pick up with 8 investments recorded in 2016 vs 5 in 2015.

In terms of portfolio company valuations, despite the fall of stock market comparables, Access stayed the course and has witnessed a 2.8% increase over 2016 due to better than expected operational performances at company level.

The average Enterprise Value at entry at Access primary deal' level has slightly increased, standing at €76m vs €54m in 2015. The corresponding EV/Ebitda multiple at entry for the 2016 deals is 7.0x vs. 6.9x in

2015. This compares favourably with the small and mid-cap market average (Enterprise value <€250m) of 8.5x Ebitda (source Pitchbook's latest data).

2. Exit activity

In the midst of a buoyant debt market, and on the back of increasing levels of cash for both corporate and financial buyers, the exit market remained favourable for small and mid-market buyout fund managers in 2016.

2016 presented a continuation of the exit momentum observed in 2015 with 98 divestments recorded across Access' primary and secondary portfolio last year. Both 2015 and 2016 set records in numbers of exits in the last decade. The average exit performance increased to 3.5x invested capital vs. 2.3x in 2015. This strong realised performance resulted from the operational improvements portfolio companies have witnessed last year: Sales and Ebitda are expected to reach a double-digit growth, largely outperforming the European economy.

In terms of exit types, Access's GP reported c.60% of trade sales, while exits to other funds (secondary buy-outs) accounted for 20%. In terms of geography, the UK represented one third of the exit activity, followed by France, German speaking countries and the Nordics. The Benelux and the Southern countries accounted for the remaining 10%. The increased availability of debt also fueled attractive dividend recapitalisations.

3. Secondary activity

Access has been cautious in deploying capital on the secondary market in 2016, as competition was intensifying on the buy-side. Transactions were mostly driven by active portfolio management rather than liquidity needs. Thus, sellers had high pricing expectations and acquisitions of buy-out assets were often executed at par.

About Access Capital Partners

Access Capital Partners is an independent European fund manager, active in European private equity, private debt and infrastructure, with offices in five European countries and assets under management of €7.2 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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