

EMEA Private Equity Market Snapshot

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S&P Global
Market Intelligence

Editor's Note

Welcome to the twelfth issue of the EMEA Private Equity Market Snapshot, a quarterly publication focusing on the private equity [PE] market in Europe, the Middle East & Africa [EMEA] from S&P Global Market Intelligence.

This issue leads with a review of 2016, noting the slow pace of inward investment from global PE buyers into the EMEA region compared to 2015. Q4 in particular felt the brunt of this decrease with a 52% drop in capital deployed by foreign PE firms compared to the same period in 2015. Diving deeper into sub region activity, we look specifically at BeNeLux and Southern Europe which interestingly experienced the most notable decline, quite the opposite to our positive findings for these regions in issue 9 & 10.

Next, we journey to CEE and take a closer look at the positive trends Russia and Poland experienced, with Russia emerging as the clear winner in 2016, attracting 78% more capital from global investors than in 2015. Within these regions, the Information Technology [IT] sector has been the most active in terms of number of deals, attracting 1204 new deals for the period 2002 - 2016.

We then turn our focus to the Real Estate sector, noting that globally the sector has been growing at a steady pace since the 2007 financial crisis. 2015 was a particularly successful year with a record high €103.5bn capital being deployed into this sector - a jump of 186% compared to 2014. But is this all thanks to the US? Although the global outlook is positive we note EMEA Real Estate targets in North America have overtaken EMEA in 8 out of 10 years between 2007 and 2016. Finally, looking at 2016 alone, this proved to be the toughest year for EMEA Real Estate, experiencing a 60% drop in allocated capital.

In our feature article we visit Asia-Pacific, a region that until 2016 experienced year-on-year growth in outward PE investments into Europe. Will this sudden decline be the start of a new trend or can this region overcome the political instability and changing demographics to get back on the road to recovery? Finally this section looks at the 2007 - 2016 period, noting that outside of local markets, APAC favours North American over Europe, with Europe experiencing a 30% decline in invested capital in 2016.

At the heart of our analysis is the S&P Capital IQ Platform, an offering of S&P Global Market Intelligence. The platform incorporates a database capturing more than 3.1 million historical transactions, including deal values and transaction multiples, target company fundamental data, sector-level financials and comprehensive private equity manager and fund information that allows you to fully replicate the analysis in this publication, or extend your analysis to other geographies, industry segments and time periods.

We look forward to receiving feedback and suggestions on regions or sectors of interest for future analysis. To subscribe or comment on the EMEA Private Equity Market Snapshot, email market.intelligence@spglobal.com

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EMEA Failed to Attract Global PE Capital in 2016

Throughout 2016, EMEA-based targets struggled to attract similar levels of new capital from global PE buyers compared to 2015. The year ended on a low point, with Q4 2016 showing a continuation of the downward trend as discussed previously in Issues 9, 10 and 11 of this report¹.

Total capital deployed by foreign PE firms dropped by more than half (52%), dipping to €18.4bn in Q4 2016 versus €38.5bn in Q4 2015. The EMEA region experienced a more moderate fall in the number of incoming deals, a 25% decline, from 1341 in Q4 2015 to 1006 in 2016. In general, Q4 2016 was characterized by smaller size PE deals compared to the same period in 2015, with average entry deal size at €50.3mn in 2015 down to €31mn in 2016.

While all EMEA sub-regions were negatively impacted by low PE activity, BeNeLux and Southern Europe experienced the largest declines in aggregate capital received. New PE investments into BeNeLux totalled €0.4bn in Q4 2016, a significant 83% drop compared to Q4 2015. Southern Europe-based targets dropped by 80% in 2016, totalling €1.4bn vs. €6.9bn in the year prior. Both regions saw a reversal of the positive trends discussed in previous Issues, Issue 9 and Issue 10. Interestingly, the drop in the number of new investments into both regions was smaller than the EMEA average at -24% [45 deals] and -37% [91 deals], respectively.

The PE deal activity in EMEA on a sector basis paints a more asymmetric picture, with clear winners and losers emerging compared to the sub-regional breakdown, where all sub-regions experienced declines. Consumer Staples attracted the most new

capital from the global PE firms out of all sectors, totalling €3bn and realising a remarkable 234% growth. Materials and Consumer Discretionary were among the biggest losers in Q4 2016 in terms of new capital allocation, dropping by 83% and 73%, respectively. The Materials sector also experienced the largest drop in the number of new PE deals, 55%, going from 53 to 24 deals.

Global PE divestiture activity also continued to decline. Foreign PE firms realised 31% less capital from EMEA-located target exits² during Q4 2016 compared to Q4 2015. Out of all sub-regions however, BeNeLux² was the exception, growing by 80% in Q4 2016 [from €2.9bn to €5.3bn].

EMEA GPs Timidly Favouring Local Targets

EMEA GPs behaved similarly to their global counterparties over Q4 2016, reducing total capital allocation into new targets versus the same period in 2015. The EMEA-based PE firms deployed €20.4bn of capital across 1082 new deals, making it the worst performing quarter of the year [Q1 2016 - €52.8bn; Q2 2016 - €42.3bn; Q3 2016 - €22.1bn].

In terms of where the capital is being invested, 51% of €20.4bn was invested into EMEA-based targets across 894 new deals, with the UK taking the largest cut at €2.7bn. This is in contrast to trends discussed in previous issues where EMEA GPs favoured North American and Asian targets³.

² The transaction total has been calculated after removing the single largest transaction to avoid over estimating the trend on the back of a single deal: Altria Group Inc. (NYSE:MO), Aberdeen Asset Management PLC and others sell SABMiller plc (LSE:SAB) for a record €103.3bn.

³ Download Issue 10 and Download Issue 11

¹ Download Issue 9, download Issue 10, download Issue 11

On a sector basis, EMEA GPs favoured Healthcare, Consumer Discretionary and Real Estate in Q4 2016. Capital deployed into these sectors reached €4.4bn, €3.5bn and €3.2bn, respectively, with their combined total accounting for 54% of all capital invested globally. The biggest loser among all sectors was Utilities, dropping by a significant 84% in Q4 2016 compared to 2015 [from €10.4bn to €1.6bn].

On the exits front, capital realised by EMEA GPs from target sales dropped by 61% during the study period, from €71.3bn to €27.8bn across fewer deals. Yet, some sub-regions displayed an upward trend, with Southern Europe experiencing the largest amount of capital realised by EMEA GPs, €7.4bn, growing by 39%. Interestingly, unlike entry transactions into the Southern Europe for global PEs, exits proved to be more fruitful for EMEA-based GPs.

In the world of Venture Capital [VC], EMEA VCs' investments are showcasing more of a positive trend. Capital deployed grew slightly by 4% across 20% fewer deals⁴ in Q4 2016 compared to the same period in 2015. However, the EMEA-based VC targets attracted fewer new investments from the global buyers at the end of 2016, standing at €1.8bn vs. €2.3bn.

Russia, Czech Republic and Poland lead the Way for CEE

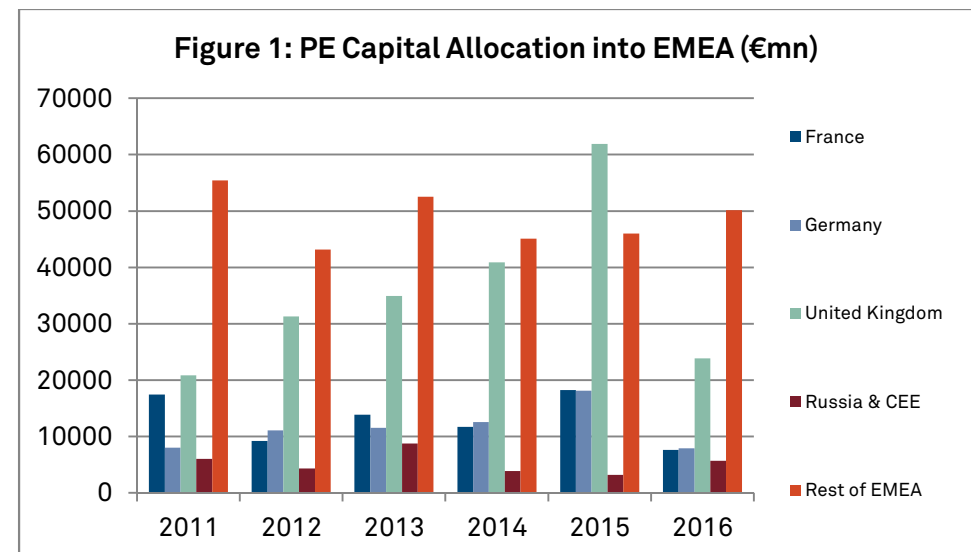
2002 – 2016 has been a period of ups and downs for Russia and the CEE. Judging by the small 6% of total capital invested by global PE firms into Russia and the rest of Central Eastern Europe [CEE]⁵ in the

⁴ Total number of deals went from 457 in 2015 vs. 330 in 2016

⁵ For the purposes of this article, Central and Eastern Europe is defined as per OECD definition: Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania.
<https://stats.oecd.org/glossary/detail.asp?ID=303>

2011-2016 period, it is fair to highlight that the region has not been a geography of focus for PE firms in Western Europe [Fig. 1]. However, Russia & CEE have seen some short lived highlights over this period; in 2007 experienced a record high amount of capital allocated into Russia and CEE over the last 15 years [2002-2016], standing at €9.4bn across 297 deals.

Since 2007, the sub-region has been going through peaks and troughs, with 2015 registering the lowest total capital deployed by the global PE buyers – €3.2bn across 363 new deals [Fig.2]. Interestingly, while 2016 was a challenging year for the majority of the EMEA sub-regions, Russia and CEE were the exception. Alongside the Middle East, it was the only other sub-region that experienced growth in investments, attracting 78% more capital from the global investors compared to the previous year [the Middle East grew by 24%].



For illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

In terms of number of deals, the last 15 years [2002-2016] recorded a 10% CAGR in the number of transactions involving Russian/CEE targets [from 72 deals in 2002 to 288 in 2016]. 2016 registered a slight decline in the number of new transactions compared to 2015, (-20%), but the deals themselves were bigger. The average transaction size into the sub-region grew from €14.7mn in 2015 to €33.3mn in 2016, a remarkable 125% increase.

Out of all the countries in the sub-region, Russia is the clear leader when it comes to PE investments. From 2010 to date, Russia received a total of €20.7bn of new capital from global PE buyers, a 56% of the aggregate for the period. In spite of the last few years being turbulent for the Russian economy⁶ with low oil prices, currency fluctuations and economic sanctions, investors' interest did not appear to be meaningfully affected. At €1bn, 2015 attracted only 7% less capital compared to 2014. And 2016 showcased 72% growth, standing at €1.8bn.

The Czech Republic and Poland were the second and third favourite destinations, attracting €6.3bn and €6bn from 2010 to 2016, respectively. Interestingly, in 2016 the Czech Republic also netted the largest deal of the year within the sub-region, when GIC Pte. Ltd. acquired PointPark Properties s.r.o. for €2.4bn.

Sector strategy: PE investors favour IT in Moscow and Krakow

Looking at the breakdown of investments on a sector basis, Telecommunication Services, Consumer Discretionary and Industrials were the clear winners in terms of new capital amounts. The

⁶ Suggested reading: "Economic Research: Russia Faces A Second Year Of Recession" by S&P Global Ratings, https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?DocumentId=33429325&Form=SNP_CRS

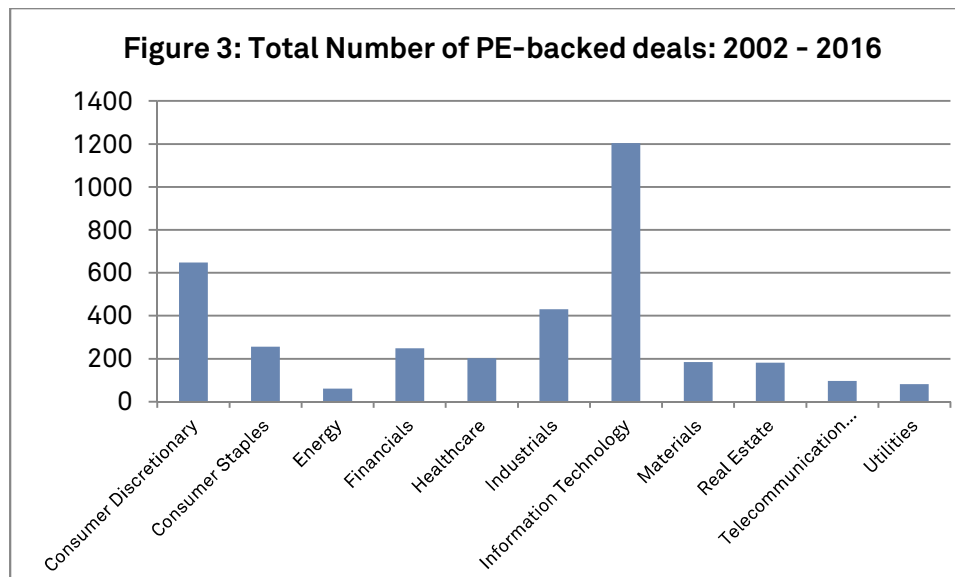
Telecommunication Services sector was the most invested into sector since 2002, attracting more capital than other sectors in 5 of the 15 years. Consumer Discretionary and Industrials followed closely behind, dominating 3 years each.



For illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

However, PE activity within Telecommunication Services in Russia and CEE can be characterized by large opportunistic acquisitions. From 2002 to 2016, the total number of deals executed within the sector only reached 96, while Consumer Discretionary and Industrials attracted 648 and 430 new transactions, respectively [Fig. 3].

2013 was the most successful year for the Telecommunication sector, attracting €3bn of new capital across only 6 deals. Yet, €2.8bn out of €3bn was attributed to a single deal which saw VTB Bank's Investment arm acquire Tele2 Russia Telecom. Since then the activity within the sector dramatically decreased with 2016 registering only 1 new deal.



For illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

At the other end of the spectrum, the sector that leads the pack in terms of the greatest number of deals is Information Technology. While only attracting €2.6bn of new capital from 2002-2016, it is the sector that netted 1,204 new transactions over the same period [Fig. 3]. PE activity within Information Technology picked up pace in 2011 when the number of new deals grew by a significant 120%. Since then PE buyers have been active within the IT space, completing 125 deals in 2012, 178 in 2013 and the sector's record high 226 in 2014. Although the last two years have seen a slowdown in the number of deals, IT still remains the leader.

In 2016, Russian and Polish IT targets accounted for 43% and 22% of the sector's total number of deals, respectively. That being said, these two countries also netted the most new capital within the IT sector in 2016. Global PE buyers invested €204mn into the Russian-

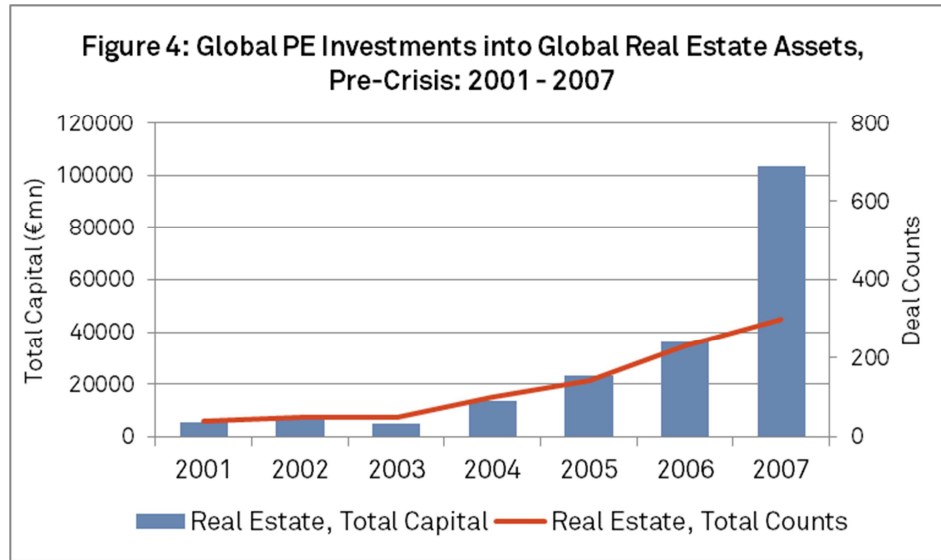
based IT companies while Poland received €106mn.

Looking deeper into Russia and Poland, there are well established hubs that attract IT investments. The Russian capital, Moscow, took the lion's share of new capital, attracting €191mn out of €204mn in 2016. Out of this €191mn, €139mn was invested into the Internet Software and Services targets.

In Poland new IT investments were more spread out, and the only city that received a constant inflow of new money from foreign investors was Warsaw, albeit the amounts being small. In 2016, the Polish capital attracted €11mn, 37% less than in 2015. The outlier in Poland in 2016 was Krakow, netting €48mn of capital, while from 2010-2015 the city only had a combined total of €3mn in investments. Interestingly, just like in Moscow, Internet Software and Services sub-sector accounted for the biggest share of new capital invested into both Warsaw and Krakow. The sub-sector netted €9mn and €43mn in Warsaw and Krakow in 2016, respectively.

Real Estate and Private Equity: An Affair to Remember

Private Equity appetite for the global Real Estate sector has been growing at a steady pace, having rekindled the interest lost in the financial crisis. In the early days, PE investments into Real Estate global targets by the foreign PE firms grew exponentially at 51% CAGR over the 2001 – 2007 period. 2007 registered a record high of new capital deployed into the sector, proudly standing at €103.5bn, a 186% increase compared to 2006 [Fig.4]. This placed Real Estate in the Top 3 most invested sectors of 2007, sitting behind all-time favourites Consumer Discretionary [€180.4bn] and Industrials [€112.9bn].



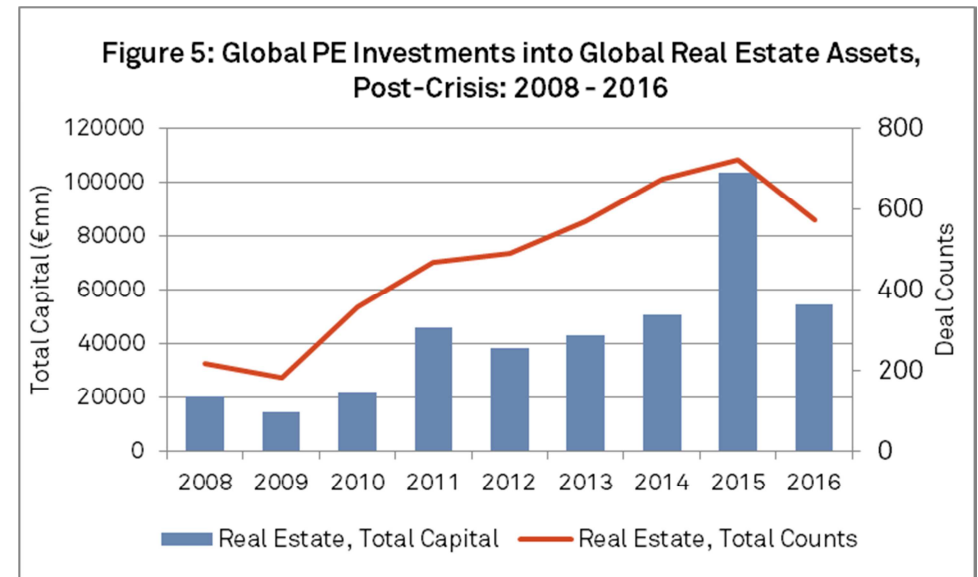
For Illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

Like most other sectors, Real Estate wasn't immune to the global financial crisis, losing a great deal of its attractiveness to global PE buyers. Total aggregate capital invested fell by 80% in 2008, reaching €20.2bn, to only continue its fall further through 2009 to €14.4bn. In conjunction with the declining total capital allocation into the sector, the number of deals also dropped. In 2008 PE buyers completed 27% fewer transactions within Real Estate, compared to the previous year – a trend that continued throughout 2009 as well.

Looking at the overall study period from 2006 to 2016, 2009 proved to be the worst year for investments into the sector, as both capital allocation and deal counts reached an all-time low.

As economies recovered after the crisis, so did the Real Estate sector, and its attractiveness to the PE community flourished even more.

As illustrated in Fig. 5, total capital deployed by global PE buyers recovered sharply, but not without a few bumps in the road.⁷



For Illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

2015 proved to be the most fruitful year for the sector, reaching a previous record high of €103.5bn new capital from global PE buyers across the most number of deals since 2001 [722]. In total, from 2008 to 2015 the sector attracted €338.2bn of capital, growing at 23% CAGR.

North American Real Estate Targets, PE's Sweet Spot

Looking at global capital, the largest proportion of new investments were made into North America, with EMEA coming second and Asia

⁷ 2012 recorded the lowest amount of new capital since 2009, €38.5bn.

third [Fig. 6]⁸. From 2007 to 2016, North America overtook EMEA in 8 of the 10 years. In 2015, North American targets accounted for 58% of total new capital invested by the foreign PE firms into the three regions.

Interestingly, from a global perspective EMEA's Real Estate weathered the first post-crisis years (2008 – 2009) best, dropping only by 7% in 2008 and accounting for 70% of total invested capital in 2008. Reflecting an expectation of lesser direct domestic impact of the sub-prime crisis.

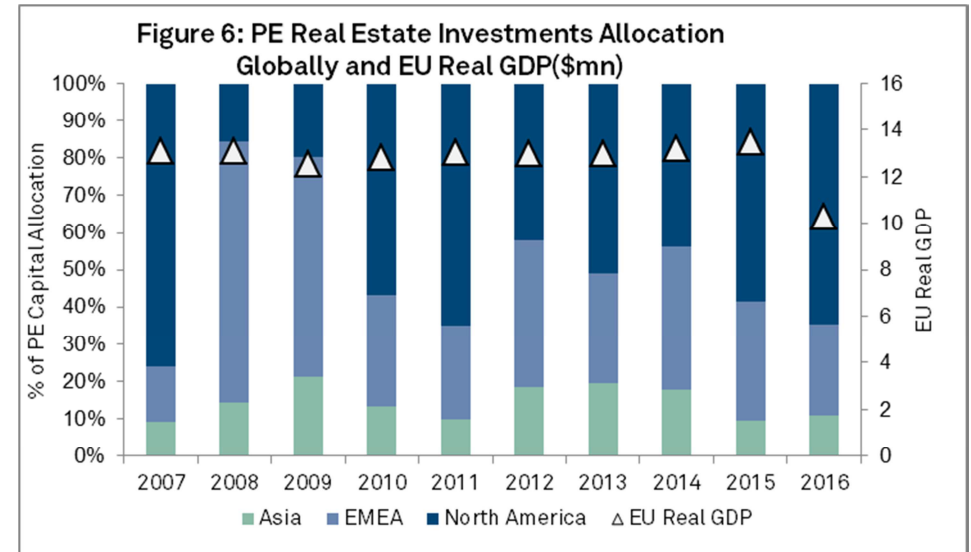
However, 2016 was the toughest year for EMEA as the region was the hardest hit compared to North America and Asia, possibly due to Brexit uncertainty⁹. EMEA experienced a 60% drop in allocated capital [from €33bn to €13.2bn across 233 deals], with North America and Asia realising a 42% and 40% drop respectively.

Real Estate Operating Companies Disproportionately Likeable

Regardless of the drop in the amount of invested capital into EMEA, Real Estate realised the second highest level of investment in 2016, sitting behind Information Technology. Real Estate targets attracted €13.2bn of new capital, with IT netting a slightly higher figure, €15.9bn. The majority of the success behind the IT sector is due to a lot of small investments into Venture Capital, with average deal size standing at €12.2mn. The average Real Estate on the other hand, registered an average entry transaction size of €118.6mn in 2016.

⁸ EU Real GDP is calculated taking the average of 4 quarters of the year, and 2016 values are projected as Q4 2016 is not reported yet.

⁹ Suggested reading: "Market Tremors Add To U.K. Real Estate Uncertainty" by S&P Global Ratings, <https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?articleId=&ArtObjectId=9742468&ArtRevId=1&sid=&sid=A&>



For illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

Statistics of the sub-sector breakdown, point to some favourites, with one sub-sector in particular flourishing – Real Estate Operating Companies. In 2015, within EMEA, the sub-sector accounted for 92% of the region's total. In 2016, the trend continued with Real Estate Operating Companies accounting for 94% of total capital invested into EMEA, standing at €12.4bn of a total €13.2bn¹⁰.

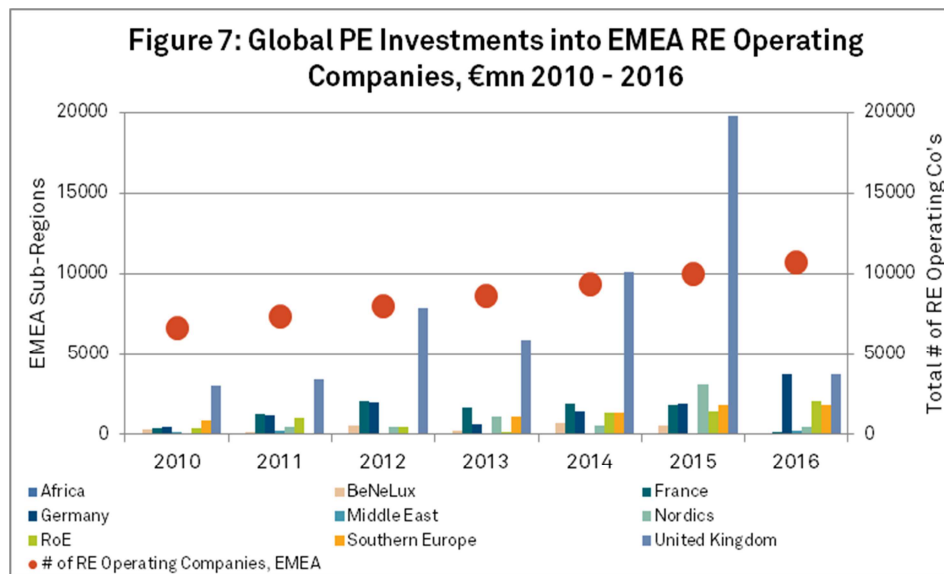
Since 2012, a large portion of these investments went into the UK-based Real Estate Operating targets, accounting for more than half of the sub-sector total each year, with the exception of 2016 [Fig.7]¹¹. In 2016, for the first time since 2012, Germany overtook the UK in attracting more capital, at €3.8bn, mostly as a result of a few large

¹⁰ Other Real Estate sub-sectors include: Diversified Real Estate Activities, Diversified REITs, Healthcare REITs, Industrials REITs, Office REITs, Real Estate Development, Real Estate Services, Retail REITs, Specialised REITs.

¹¹ Real Estate Operating Companies founded since 2000

deals¹². The UK, on the other hand, is still the most invested into sub-region by number of transactions [55 out 206] and the second in terms of aggregated capital.

With a growing number of Real Estate operating companies continuing to emerge, this sub-segment appears well poised for continuous growth.



For illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

Asia Pacific Eyes Out North America

With Asia-Pacific continuing to grow at a stellar pace compared to Europe and North America, it remains a highly attractive region for Private Equity investors globally. However after increasing year-on-year for five years, foreign buyout and venture capital investments dropped abruptly to €2.89bn in 2016, down from €16.4bn in 2015, supporting the idea that the region is facing significant and varied challenges. These include a fall in mineral revenues, political instability, changing demographics, and a continued shift towards a consumption economy in China amidst slowing domestic growth and laden debt levels¹³.

Considering the increasing sophistication and need for diversification of Private Equity investors in the region, as well as the domestic challenges they face, we reviewed the evidence for an increased global investment footprint by APAC investors. We found that Chinese private equity in particular is increasingly investing in North American targets – with a growing focus on portfolio diversification, and buying globally advanced technology and products that could help to shape a competitive domestic China market. Likewise, globally-minded Chinese private equity firms are increasingly attractive to sellers as this new kind of sponsor could help them gain a toehold for their businesses in China's higher growth market.

¹² EQT VII, a fund sponsored by EQT Partners AB, acquired fourteen entities comprising the Building, Facility and Real Estate segment of Bilfinger SE (DB:GBF) for €1.2bn, <https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=345247351&companyId=345243294>
Brookfield Property Partners L.P. (NYSE:BPY) and Korea Investment Corporation acquired Quartier Potsdamer Platz for €1.3bn, <https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=313906546&companyId=79354288>

¹³ Suggested reading: "Sector Review: China's Corporates Hunker Down for Worsening Credit Conditions" by S&P Global Ratings, https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?DocumentId=35612508&From=SNP_CRS and "APAC Economic Snapshots: Year Begins With Modest Reflation" by S&P Global Ratings, https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?DocumentId=35630632&From=SNP_CRS

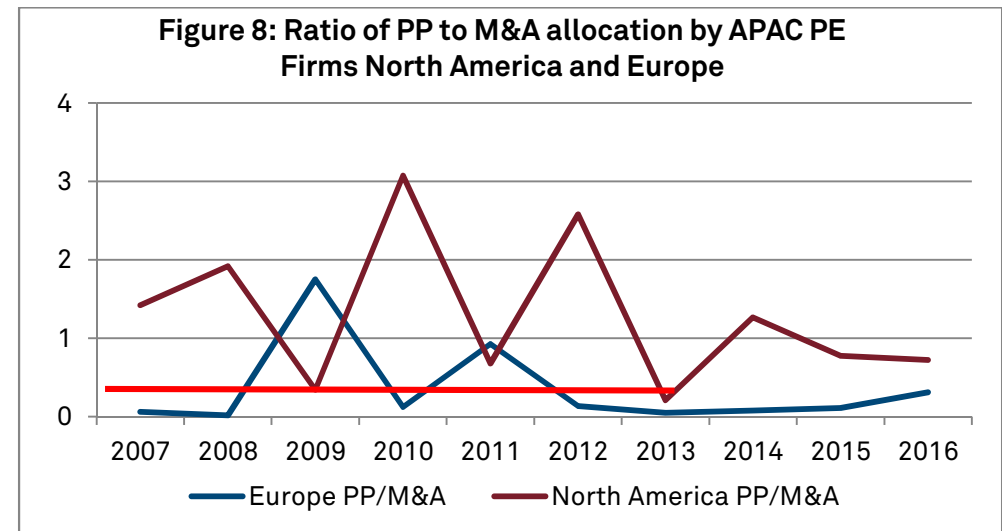
Over the period from January 2007 to December 2016, total invested capital from APAC PE-backed transactions equaled €589.5bn, growing from €38.3bn in 2007 and reaching €101.9bn in 2016 (16.5% CAGR). Of this, 69.9% was invested locally (€411.9bn), with an additional 16.4% (€96.8bn) and 11.6% (€68.7bn) being directed at North America and Europe, respectively.

Over the study period domestic deals have been dominated by venture capital and growth investment, with 2015 being the strongest year to-date at €62.2bn private placement investments, compared to a €16.1bn average from 2007 to 2014. Similar to foreign private equity investments into APAC, 2016 has also been less active for domestic buyers, with a drop of €21.7bn in 2015. An interesting contrast has been the focus of Private Placements on domestic activity, accounting for €231.5bn (56% - 10,705 deals) over the last decade, and a greater appeal of Buyouts when APAC investors engage in cross-border activity. M&A represented 53% (€51.1bn) and 90% (€61.5bn) of activity in the US and Europe, respectively.

Taking a closer look at investments into Europe we find that the significant bias towards M&A activity compared to North America shows no shift in trend over the period. Europe-bound private placement investments have not exceeded 30% of total invested capital in our sample over the last five years, whereas Mergers and Acquisitions outperformed Private Placements in North America in only one year over the same five-year period.

From a sector perspective APAC investments into Europe focus largely on traditional sector targets, with Industrials (€16.25bn), Consumer Discretionary (€13.67bn) and Telecommunication (€12bn) leading the pack and Information Technology coming in fifth (€5.67bn). The majority of the Industrials allocation was targeted at Road and Rail, Machinery, Building Products and Transportation

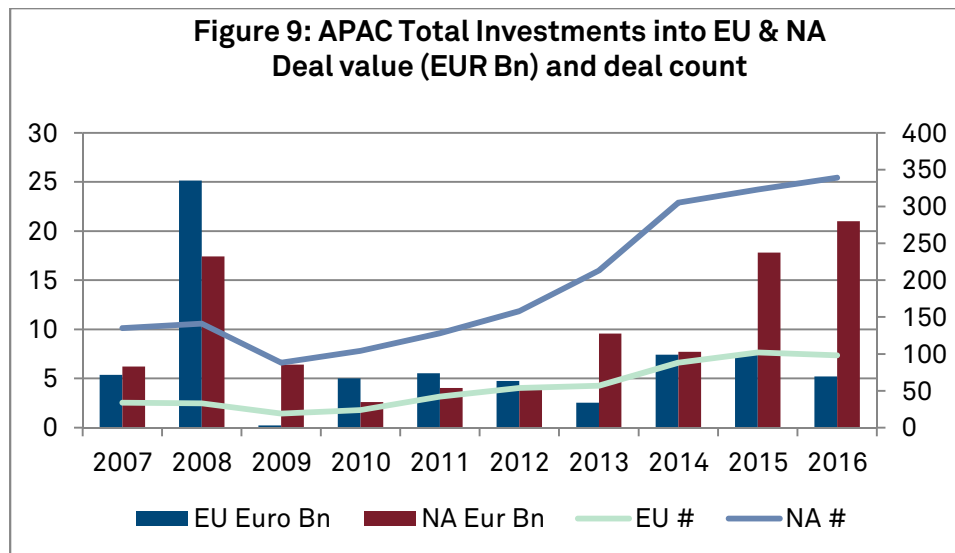
Infrastructure, together totaling €12.5bn which confirms the interest from Asia towards European IP and industrial know-how. This is in stark contrast to investments aimed at North America where Information Technology dwarfs all other sectors with €35.3bn across all deals, followed by Financials (€14.8bn) and Consumer Discretionary (€12.9bn).



For illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

Furthermore, our data displays a volatile but consistent upwards trend in North America while the capital allocation towards Europe has remained largely constant over our sample period. Total investment in North America increased from €6.1bn in 2007 to €21bn, whereas Europe stayed flat at €5.2bn, down from €5.37bn.¹⁴

¹⁴ Suggested reading: Private Equity Market Snapshot Issue 3, <http://marketintelligence.spglobal.com/our-thinking/ideas/emea-private-equity-market-snapshot-issue-3>



For Illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

Investors looking past the run-of-the mill European targets

Within Europe there are vast differences in capital allocation from APAC, with the United Kingdom alone accounting for €24.6bn (M&A €22.5- and PP €2.1bn) of the total €68.7bn. Luxembourg (€19.4bn), Spain (€3.9bn), Switzerland (€3.7bn) and the Netherlands (€3.5bn) complete the top 5. Only Spain recorded a larger proportion of venture and growth investments than buyout deals (€2.4bn versus €1.5bn). The other traditional leaders in European PE activity along with the UK – Germany and France – are only 7th and 8th in terms of the amount of APAC capital allocation (€2.6bn and €2.2bn respectively), potentially due to entry barriers and stiff competition for the preferred target sectors in these countries.

As was the case with Europe as a whole, the United Kingdom displays a volatile capital allocation from APAC over the sample period, ending

2016 in roughly the same position as 2007 (€1.03bn and €1.05bn) and confirming that the industry is leaving a challenging year behind.

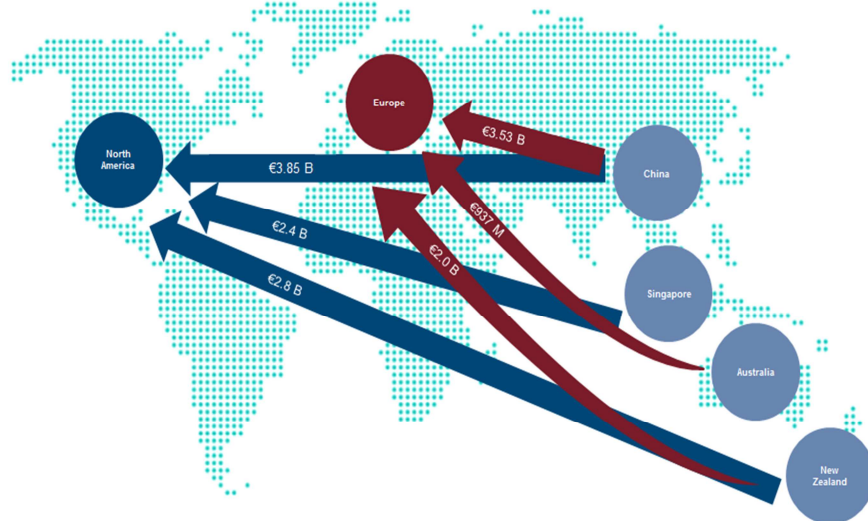
Noticeably, the vast majority of APAC investments into Europe and North America are club deals, highlighting the continued importance of either finding experienced partners in the local market or sharing the risk. Focusing on single-buyer deals into Europe in our sample we note that China is the largest investor (€3.53bn) followed by New Zealand (€2bn) and Australia (€937mn). For North America, China again leads the way with €3.85bn, followed by New Zealand (€2.8bn) and Singapore (€2.4bn). However, aggregate single buyer deals into both regions amount to only €21.1bn; a small fraction of the total allocation at €165.5bn.

The majority of the capital allocation over the last decade went to deals over €500mn, amounting to 82% (€56.4bn) and 67% (€64.6bn) of the total for Europe and North America, respectively. Data for Europe in particular confirms the strong predilection of APAC investors for large buyout deals in the region with capital allocation gradually increasing along the deal size scale. North American activity shows much more balanced capital allocation, with APAC investments in the venture capital range in line with the mid-market range (€8.4bn and €8.2bn).

Overall, our data seems to support the view that North American and domestic venture capital investment opportunities are far more widespread and attractive to APAC investors. This is especially true in the IT sector and also recently in the Healthcare sector where, in recent years, deals, albeit smaller in value, represented more than 30% of Chinese investments by deal count. Buyout activity from the region towards Europe is marginally stronger but remains insignificant compared to domestic European investment. Primarily our data would tend to highlight the widespread start-up challenges

in Europe; although talent, infrastructure and government legislation are all in place, startup activity remains relatively low outside a few key metropolitan centers. On a global scale it is dwarfed by the sheer size of North America – and increasingly Asia – in Information Technology.

Top APAC Countries Outbound Transactions by Deal Value



For illustrative purposes only. Source: S&P Capital IQ. As at 03/01/17

APAC: challenges and opportunities aplenty

Domestic investment by APAC Private Equity players highlights the diversity of the macro challenges and development needs in a region which includes developing and developed nations, alongside the two most populated and arguably fastest growing nations on earth. Amongst all the latent pitfalls, the booming middle classes and a huge potential for increased Internet penetration make the region a theoretical gold mine for venture capital investment, together with a

solid long term base for Minerals and Infrastructure investments. Over our decade-long sample we note that China and Australia lead the way in total capital invested in the region, although with widely different scale and strategies. China represents 52% of the total domestic capital allocation (€214bn) while Australia represents 12% (€53bn). This chasm is the result of the sheer size of Venture Capital and growth investments in China, which outstrips Australia 47 to 1 in our sample (€164bn and €3.4bn). Led by the €8.8bn go-private acquisition of Qihoo 360 Technology¹⁵, Information Technology in China received €64.1bn over the sample period of which €47.6bn was allocated to growth and venture investments. In contrast, the leading sector in Australia was Industrials at €18.4bn in total capital allocation, while Consumer Discretionary led the way in private placements at €725mn. This highlights the varied nature and different needs of private equity investors in the region, from booming internal consumption in China and South East Asia, to sluggish growth and Minerals fatigue in Australia.

Looking at the other growth engines in the region we find that India, Japan and South Korea have attracted €22.3bn, €16.2bn and €8.9bn of investments, respectively. This particularly highlights the growth potential investors continue to find in India, which similarly to China has a bias towards growth capital investment and more limited opportunities for buyouts (€12.2bn).

In Japan we have observed a steady increase in the number of transactions from a low of 21 in 2007 to a peak of 371 transactions last year. When we examined transaction values throughout the sample period we found they were concentrated in four sectors – Industrials € 5.0bn (30.8%), Information Technology €3.8bn (23.2%),

¹⁵

<https://www.capitaliq.com/ciqdotnet/Transactions/transactionDetail.aspx?transactionId=304242829&companyId=85076655>

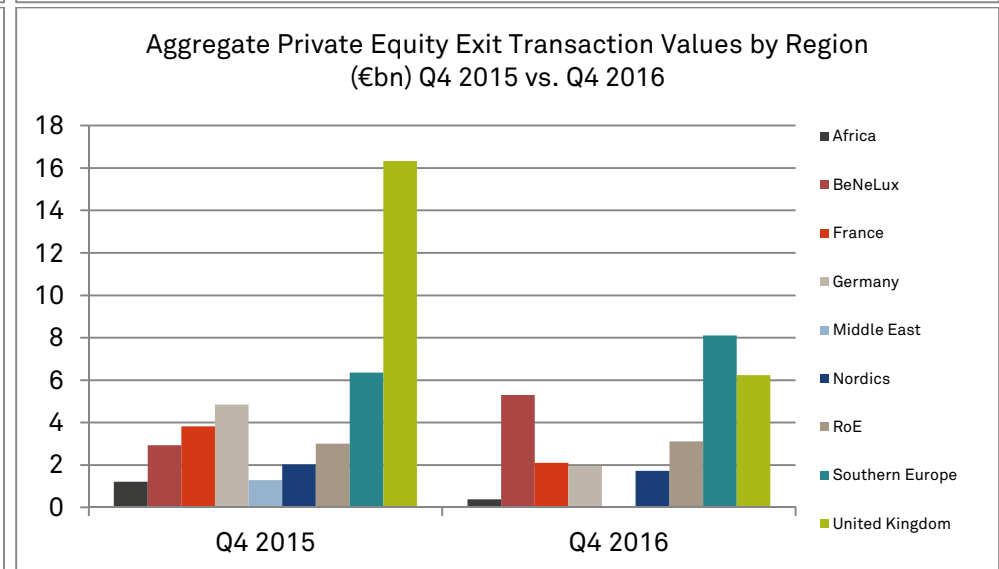
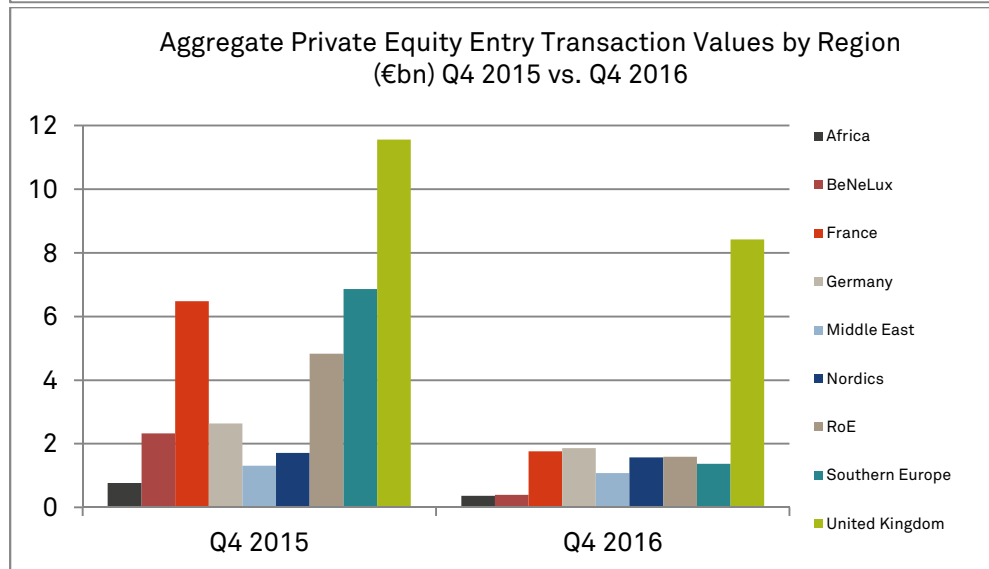
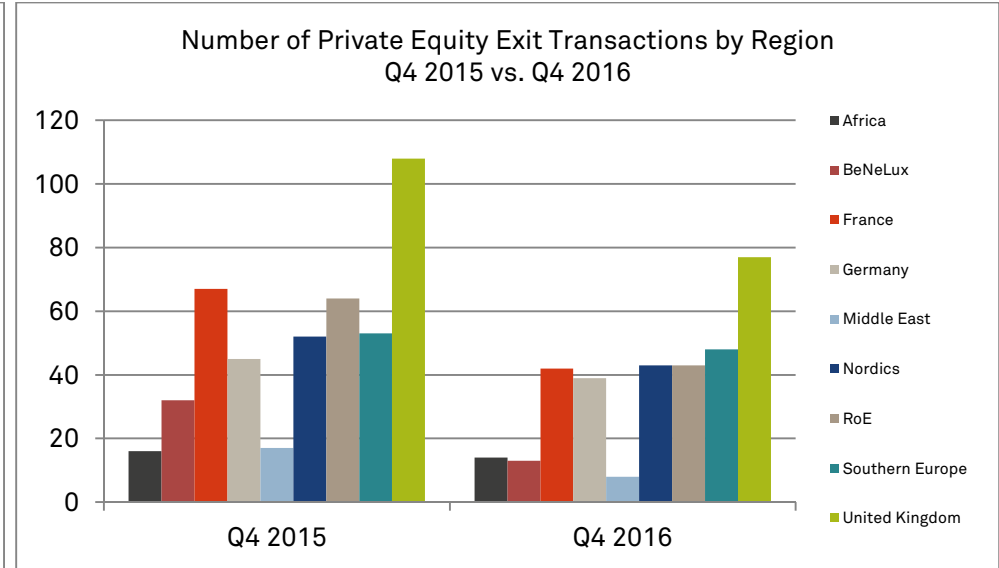
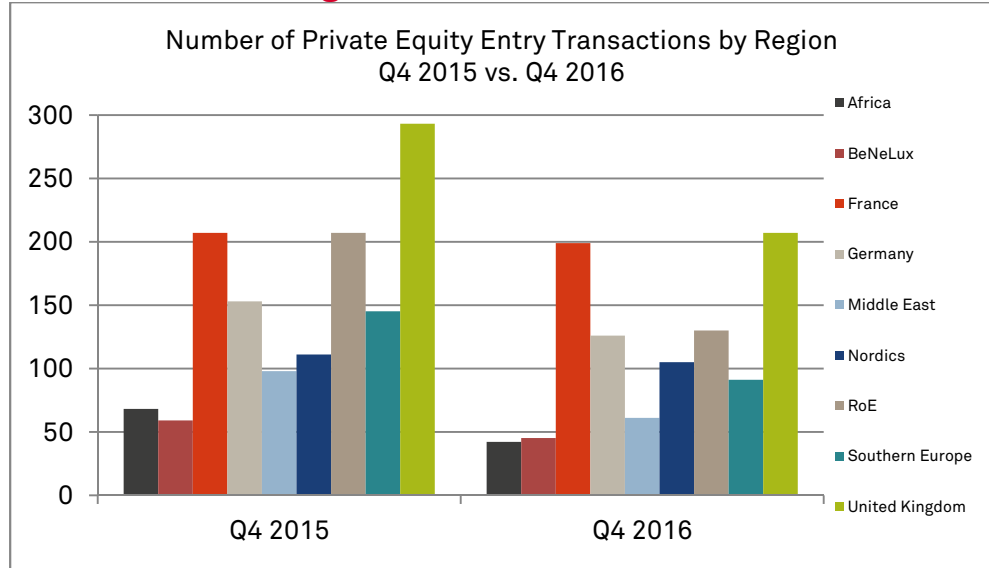
Financials €3.2bn (19.6%) and Consumer Discretionary €1.9bn (11.4%). From 2015 to 2016 the number of transactions increased from 313 to 371, with the total transaction value increasing from €1.1bn to €1.3bn and reflecting increased confidence in the Japanese economy.

As we head into 2017, increasing risks for Asia-Pacific of 1) higher interest cost and volatile forex, 2) pressure around upcoming corporate refinancings, and 3) the impact of potential trade policies of the Trump administration¹⁶ could help set the stage for an interesting year for APAC Private Equity firms. While it is too early to determine how diverging forces might come together to impact investment opportunities, portfolio company performance and exit opportunities, APAC has continued to be active in early 2017 led by a rumoured competitive process for potentially the largest buyout deal ever in the region.¹⁷

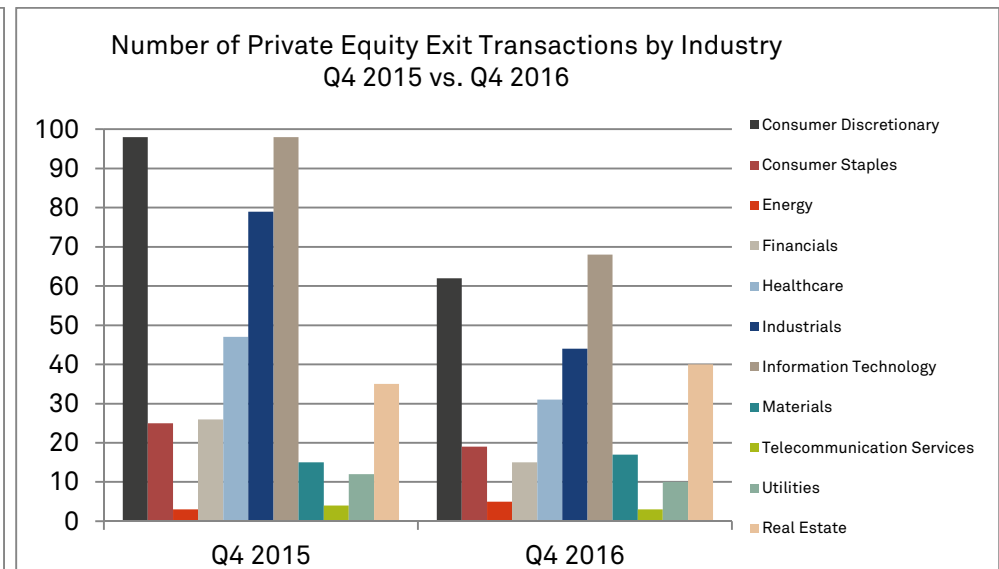
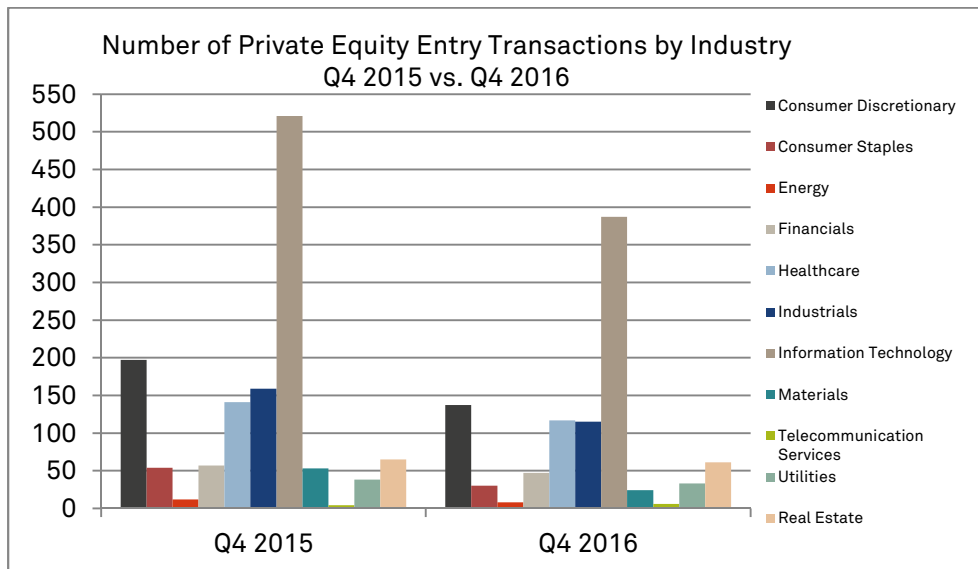
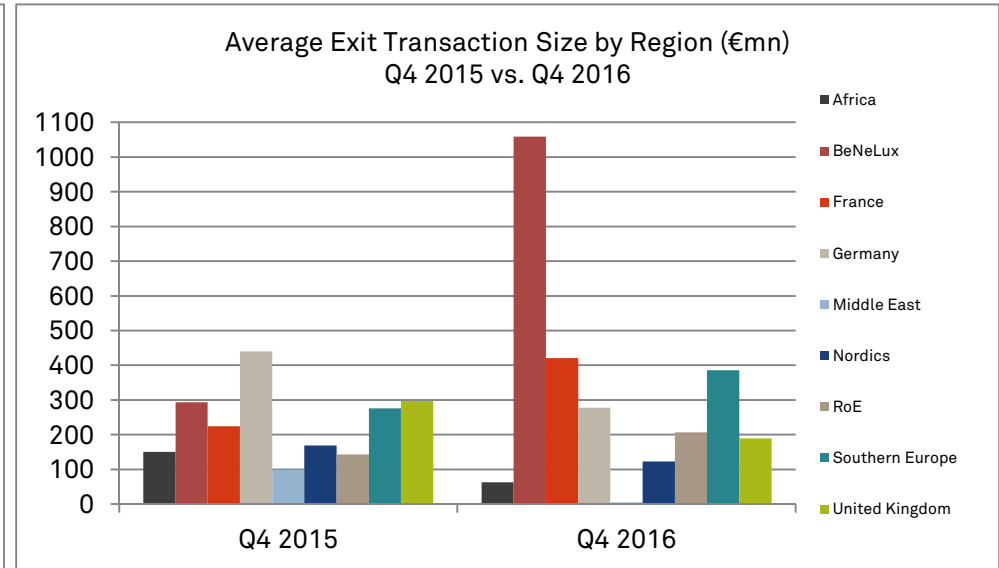
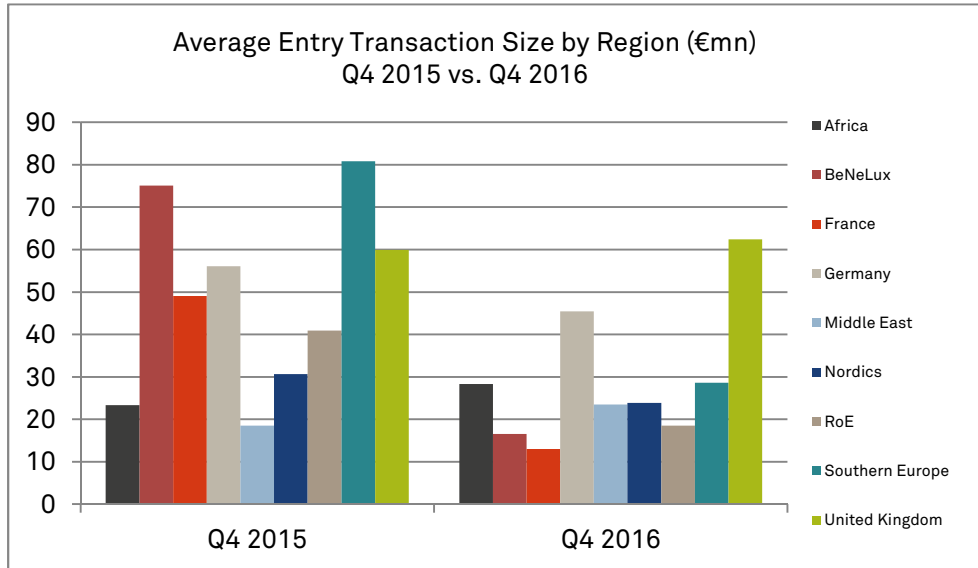
¹⁶ Suggested Reading: "Asia-Pacific Credit Outlook 2017 - Trump, Growth, And Risks" by S&P Global Ratings - https://www.capitaliq.com/CIQDotNet/CreditResearch/SPResearch.aspx?DocumentId=35315394&Form=SNP_CRS

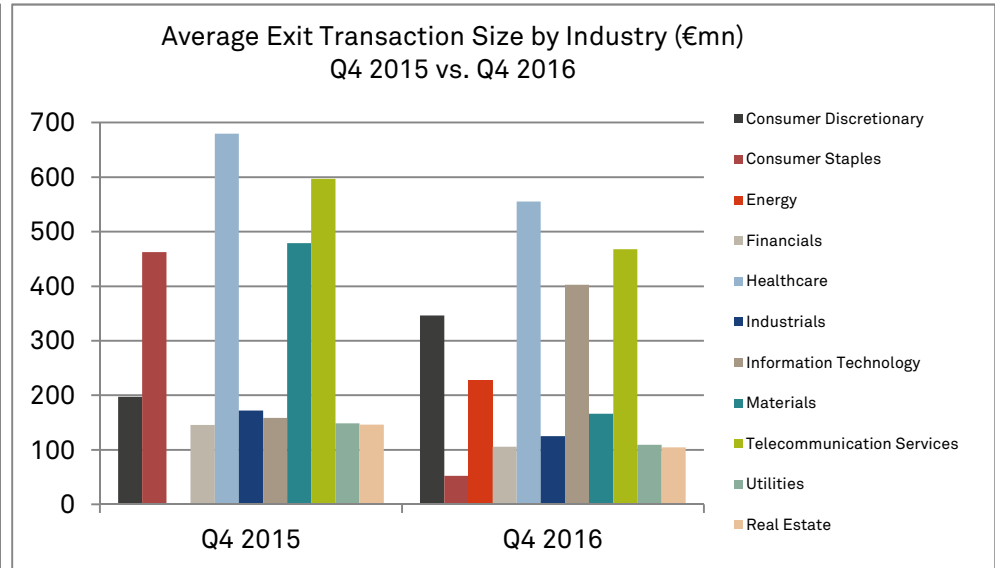
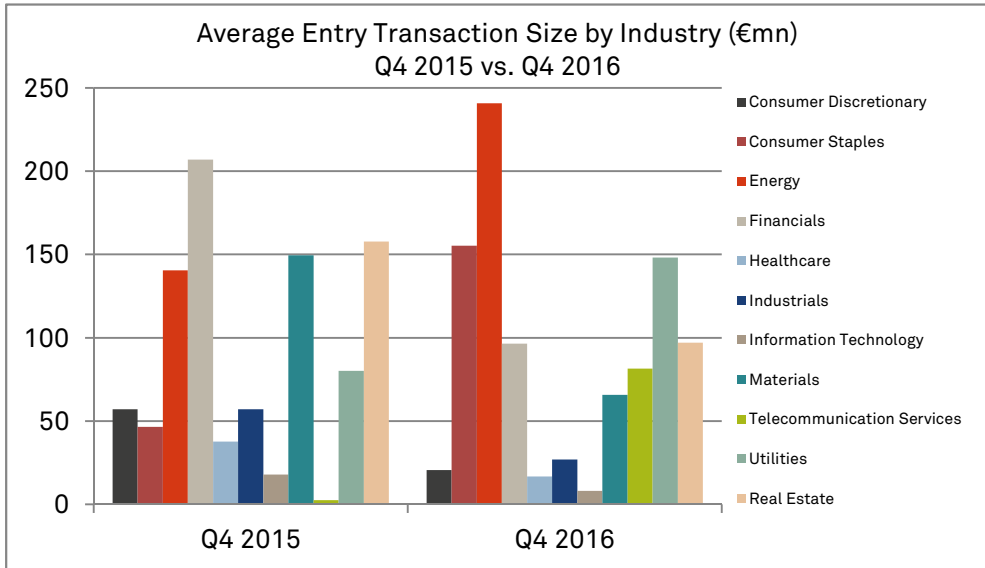
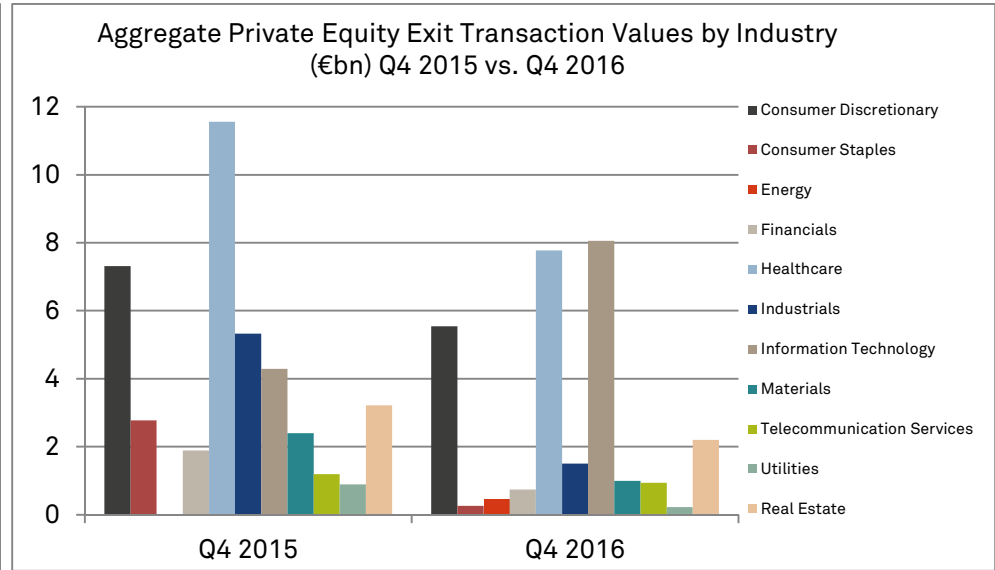
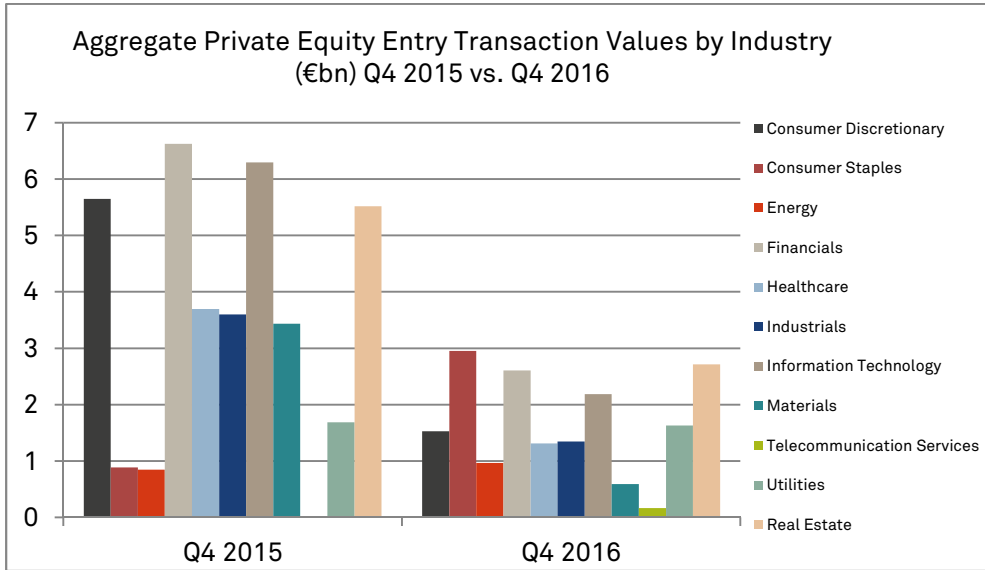
¹⁷ KKR & Co. L.P. (NYSE:KKR) announced acquisition of Hitachi Koki Co., Ltd. (TSE:6581) for €1bn on January 13th 2017, <https://www.capitaliq.com/ciqdotnet/Transactions/transactionDetail.aspx?transactionId=416210605&companyId=21401>

EMEA - Based Targets ¹

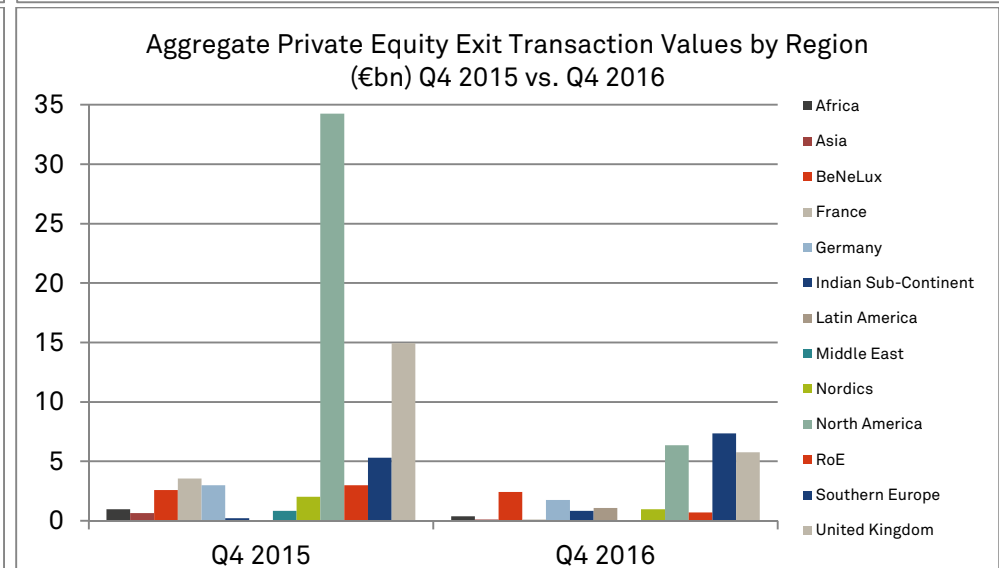
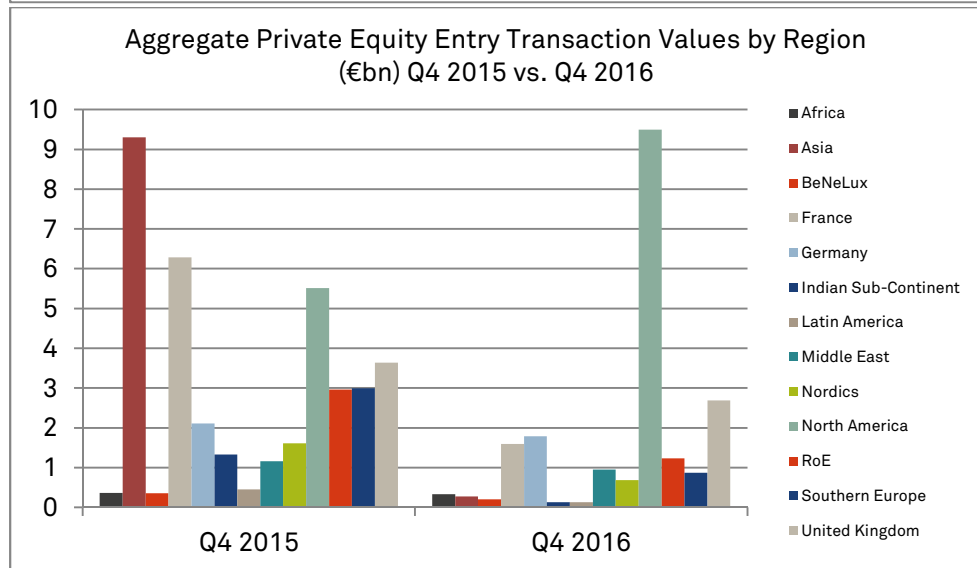
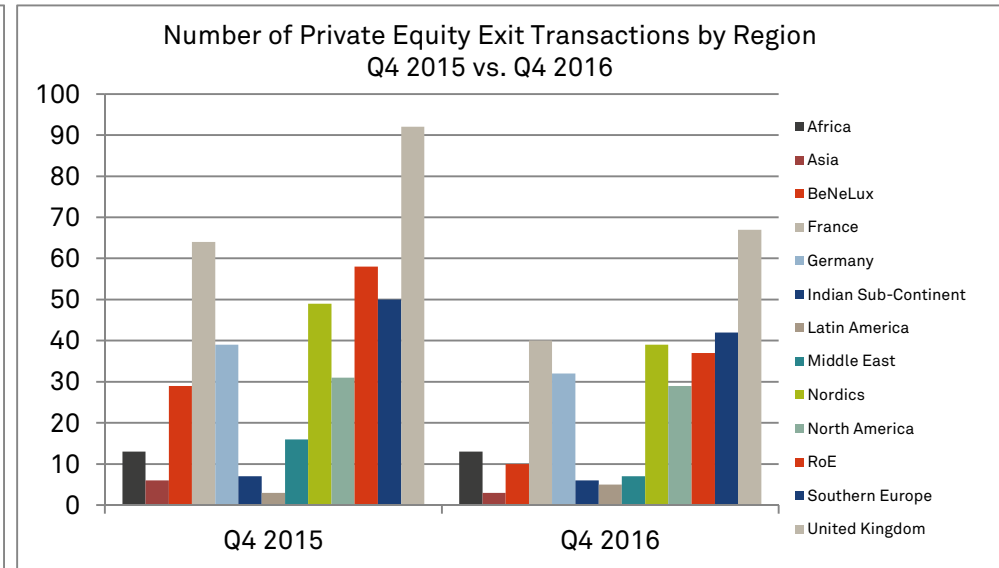
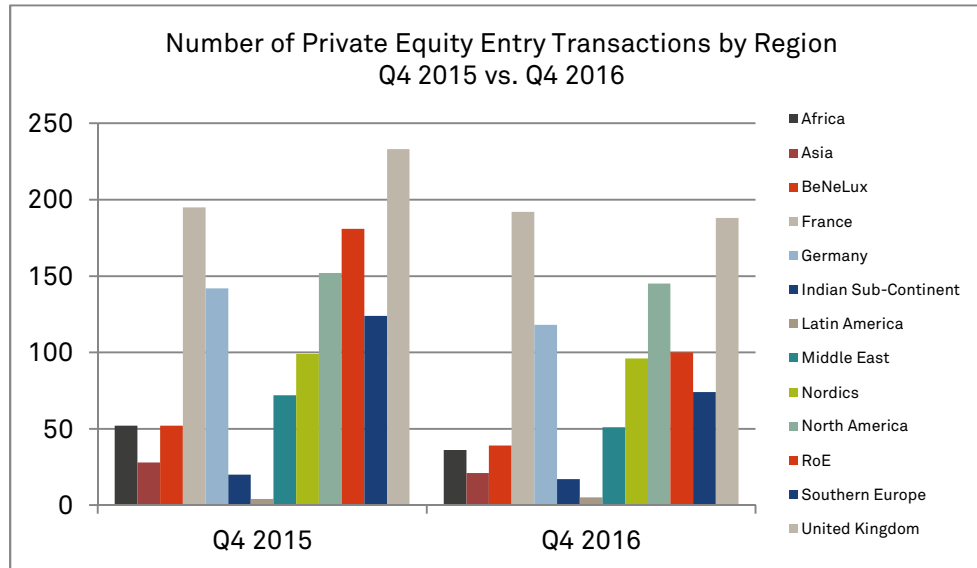


¹ The exit transaction totals and averages have been calculated after removing the amount of the single largest transaction to avoid over-estimating the trend on the back of a single deal: Altria Group Inc. (NYSE:MO), Aberdeen Asset Management PLC and others sell SABMiller plc (LSE: SAB) for a record €103.3bn

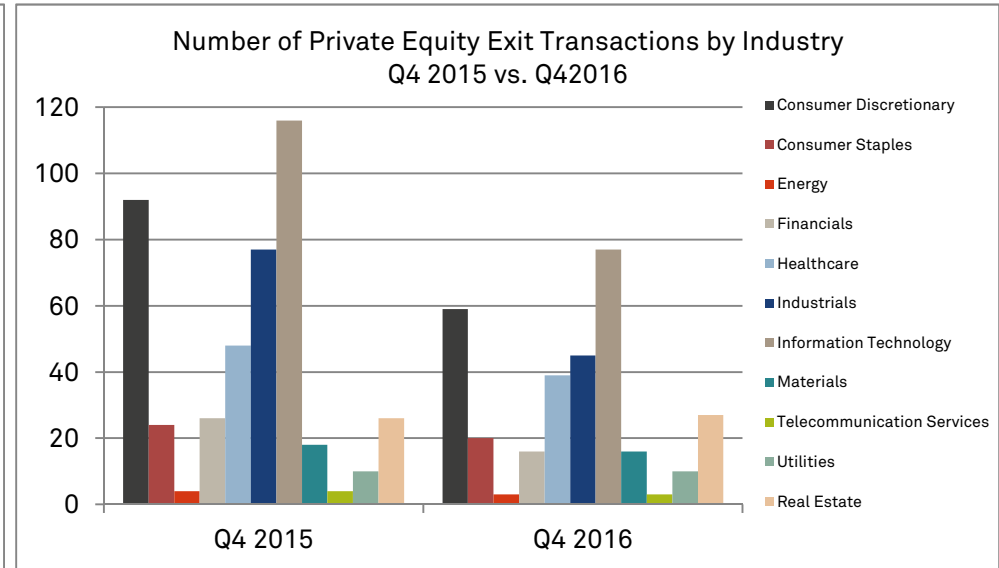
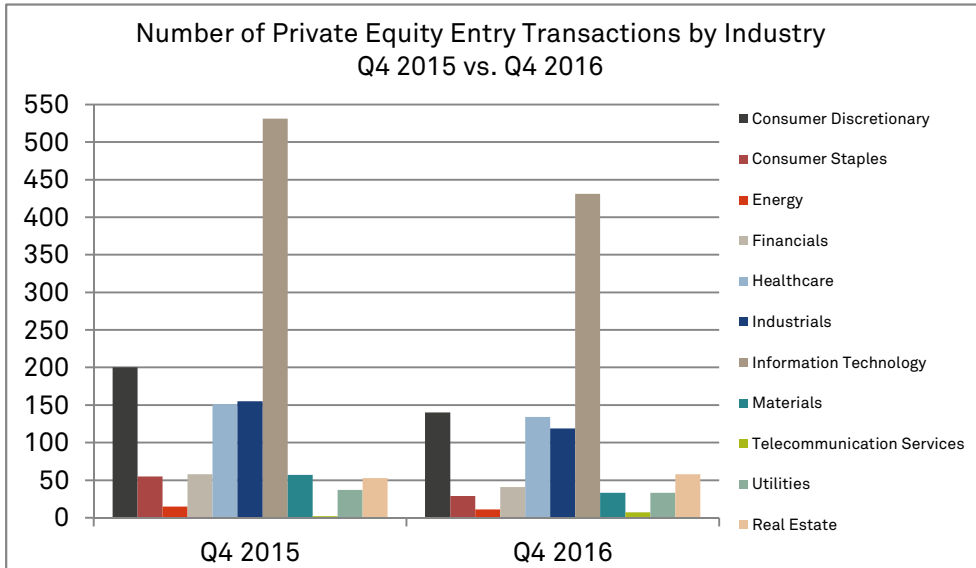
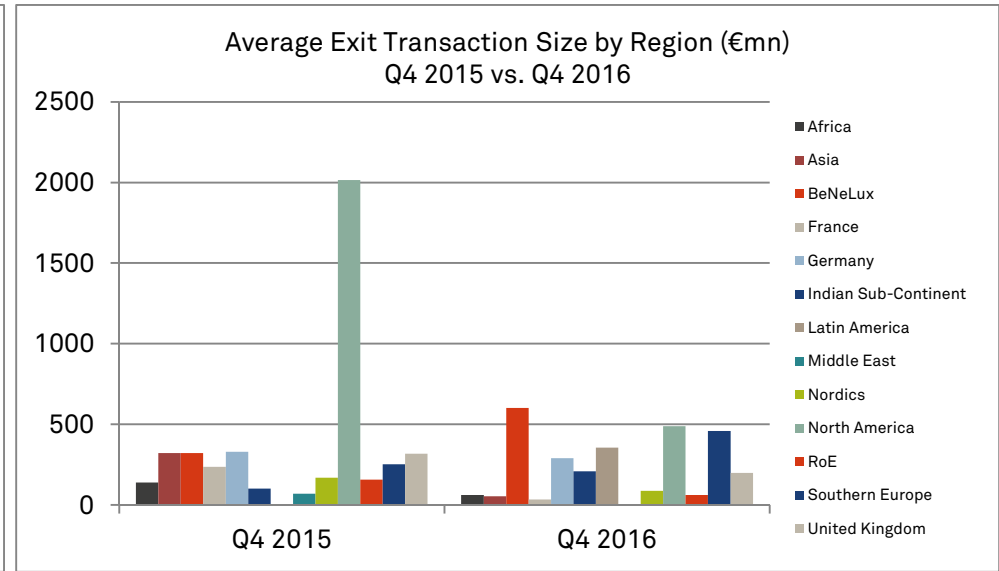
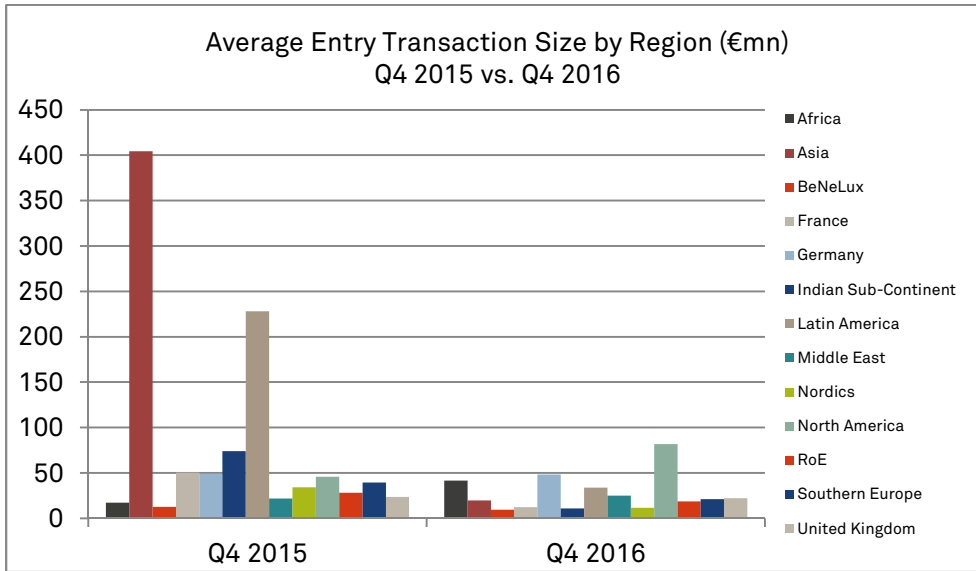


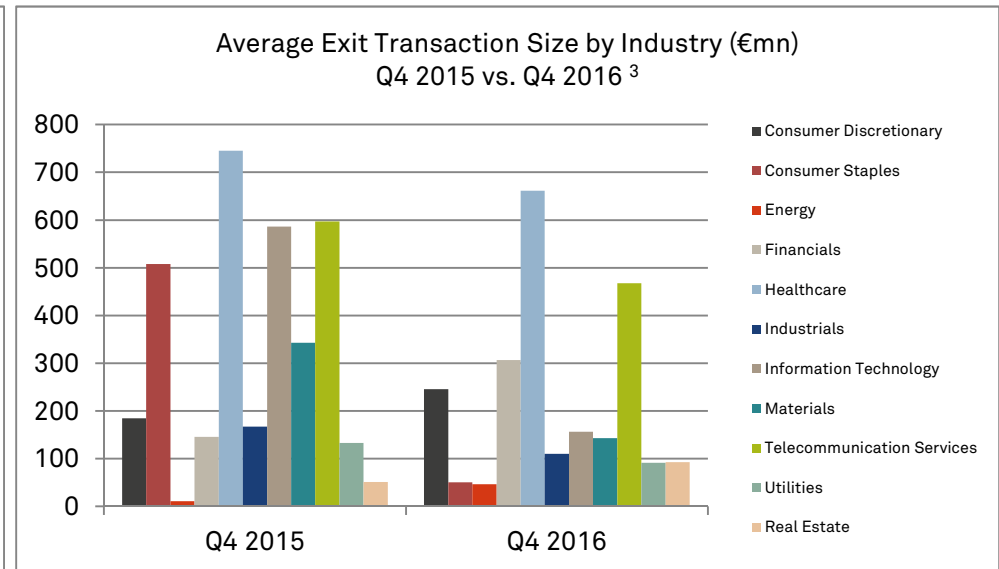
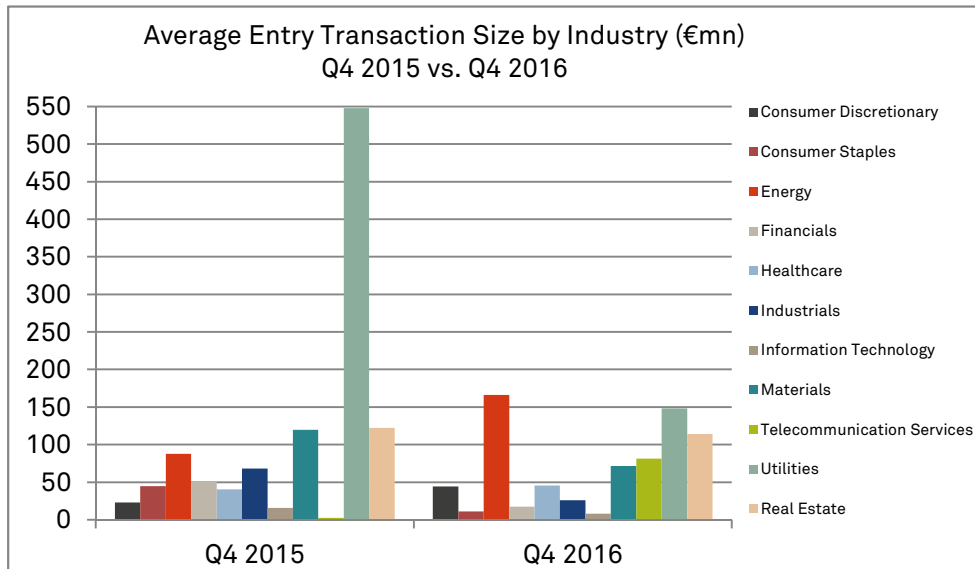
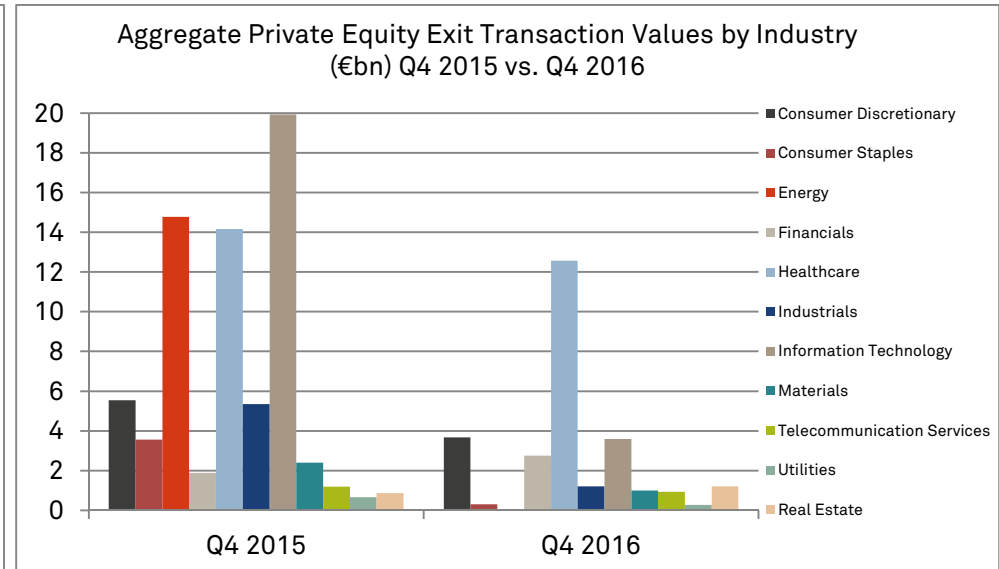
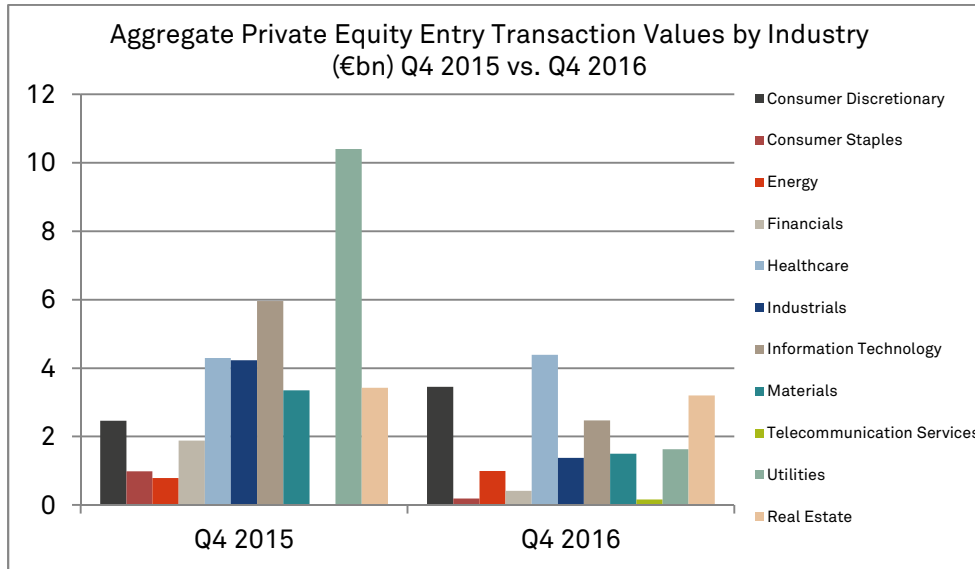


EMEA – Based GPs²



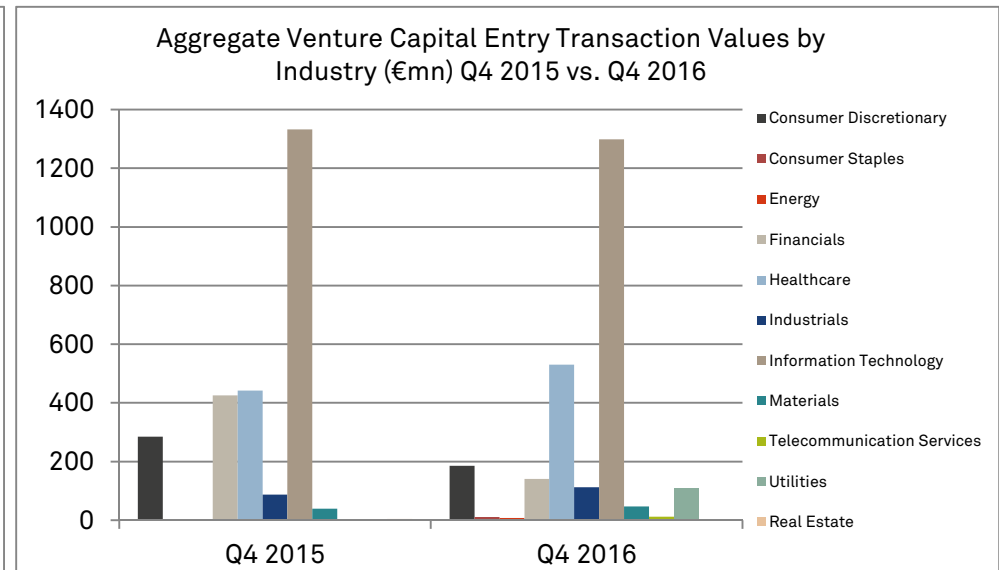
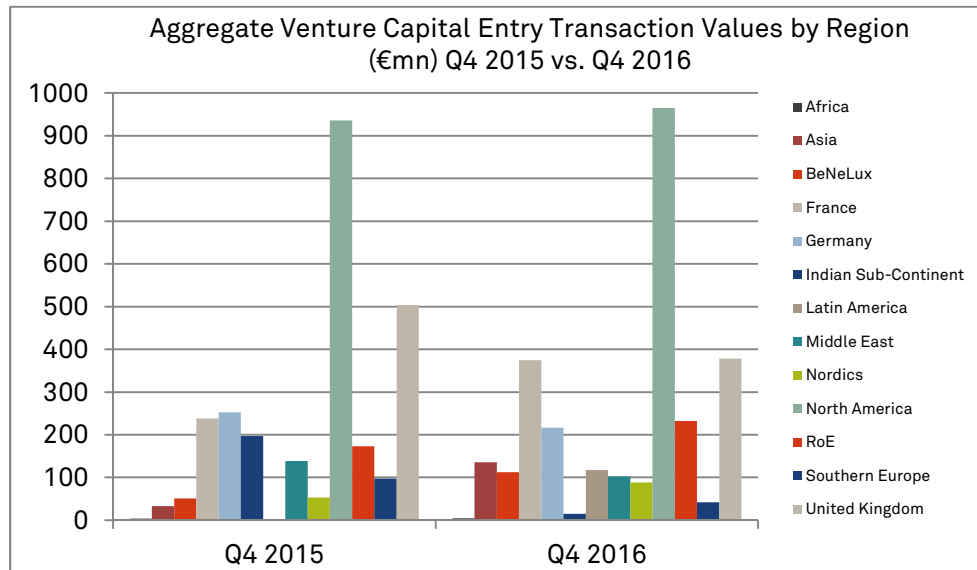
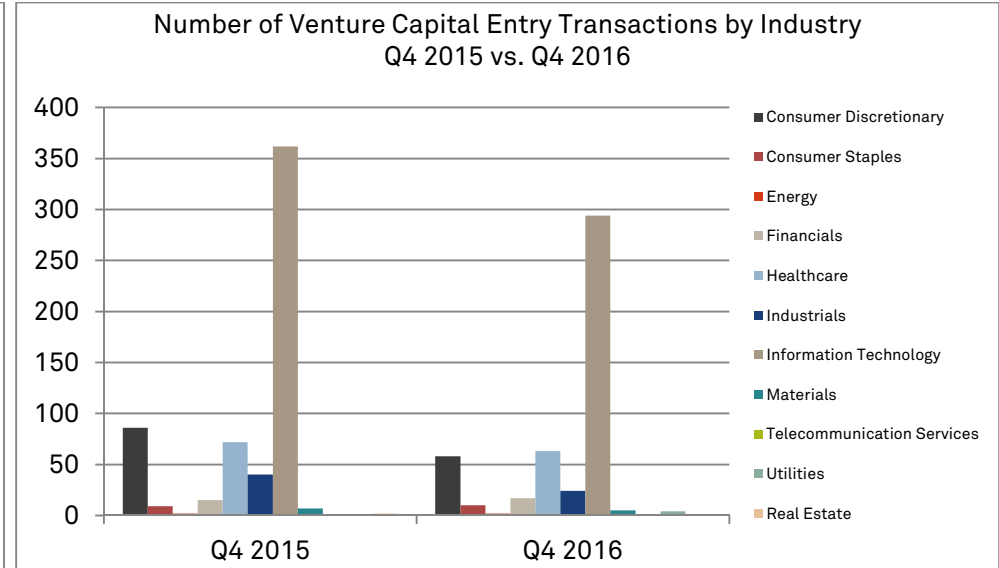
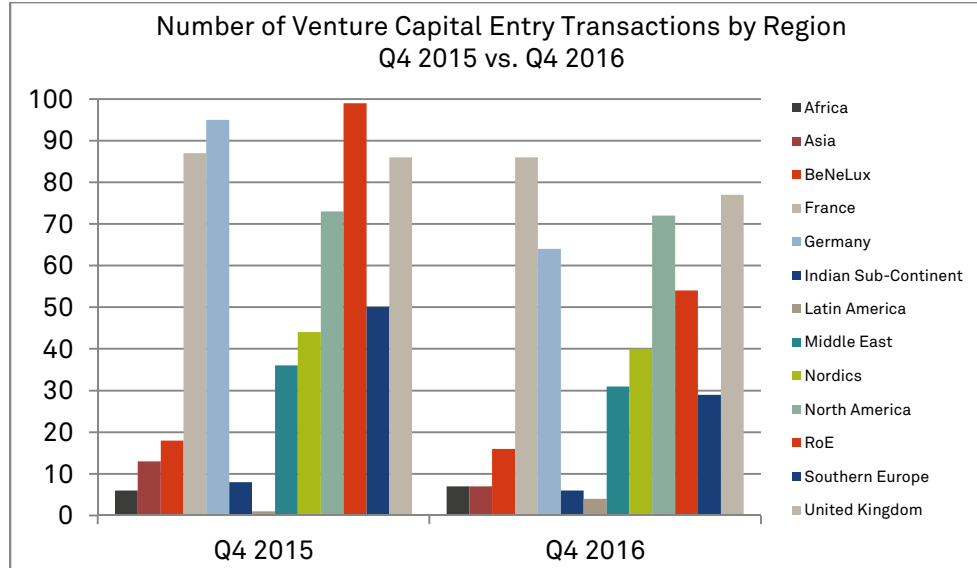
² The exit transaction totals and averages have been calculated after removing the amount of the single largest transaction to avoid over-estimating the trend on the back of a single deal: Altria Group Inc. (NYSE:MO), Aberdeen Asset Management PLC and others sell SABMiller plc (LSE: SAB) for a record €103.3bn

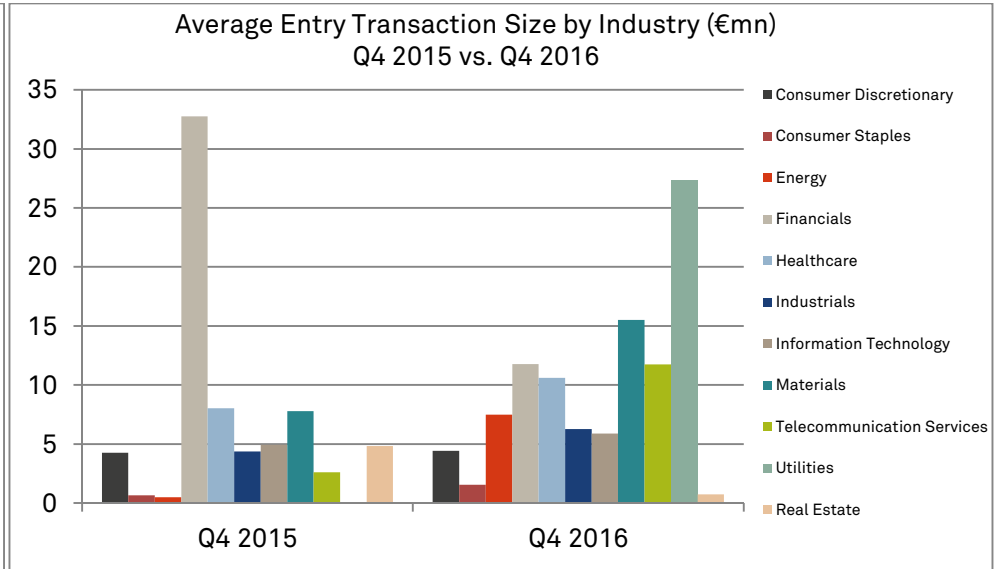
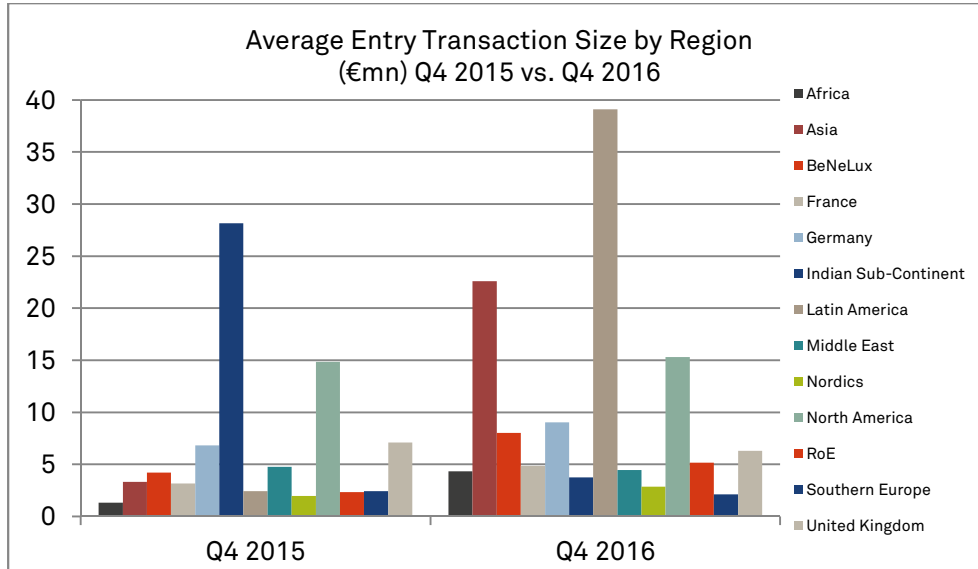




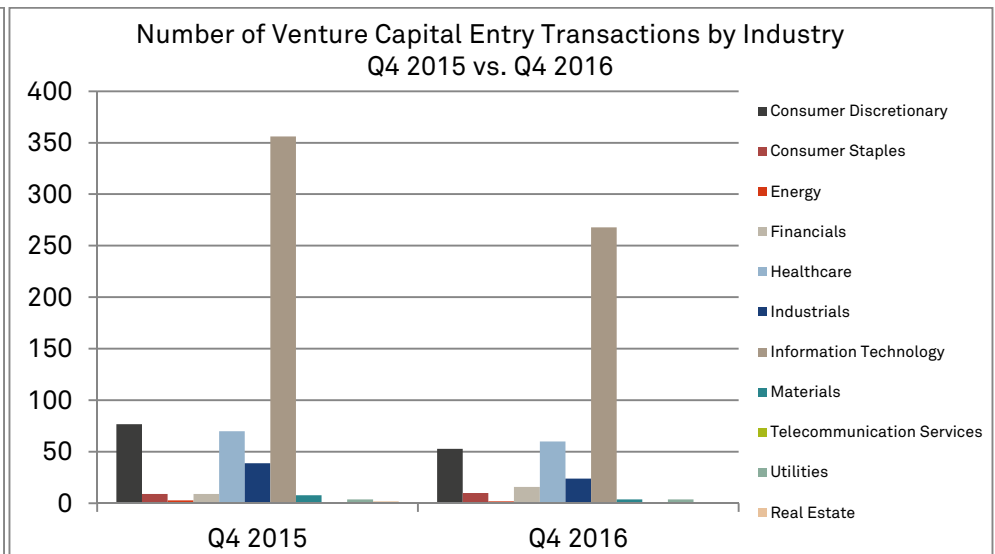
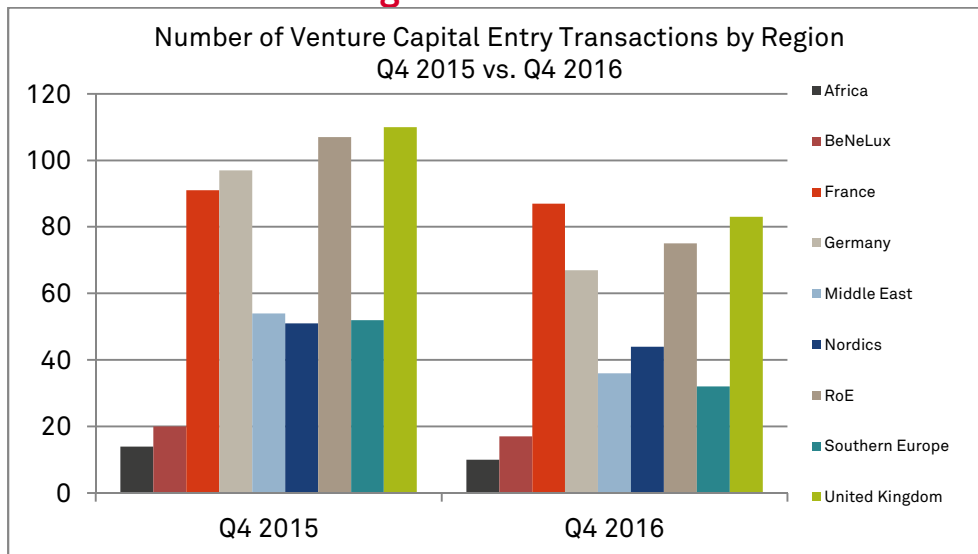
³ The Energy exit transaction average has been calculated after removing the amount of the single largest transaction to avoid over-estimating the trend on the back of a single deal: M&R MWE Liberty Llc, Kayne Anderson Capital Advisors LP, Tortoise Capital Advisors LLC, Energy & Minerals Group and others exited MarkWest Energy Partners, L.P. (NYSE: MWE) for €14.8bn

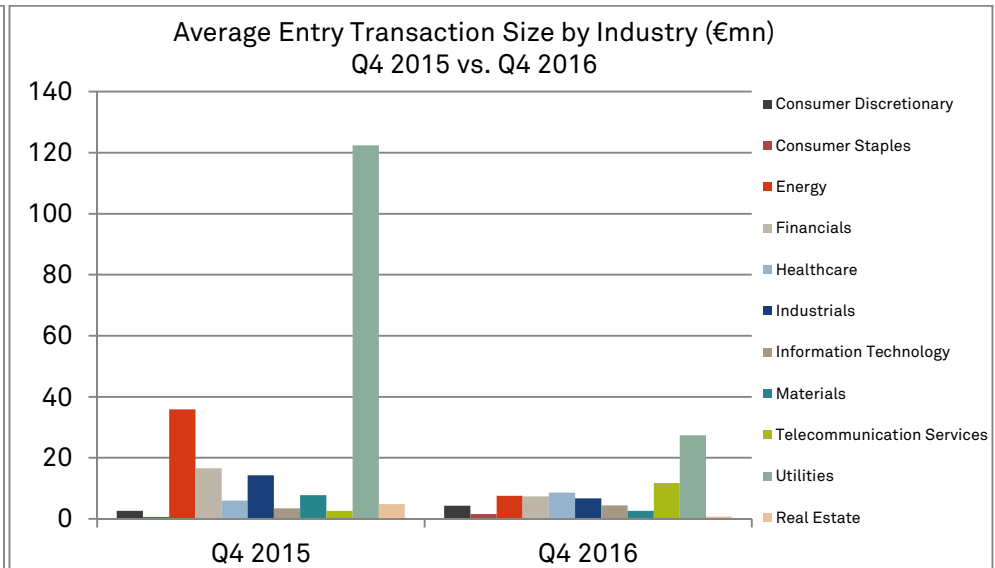
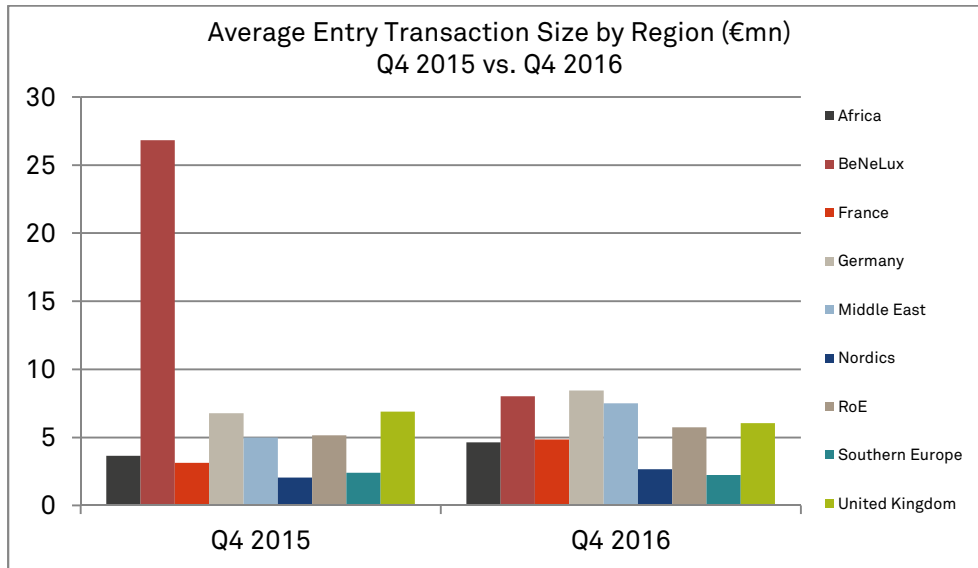
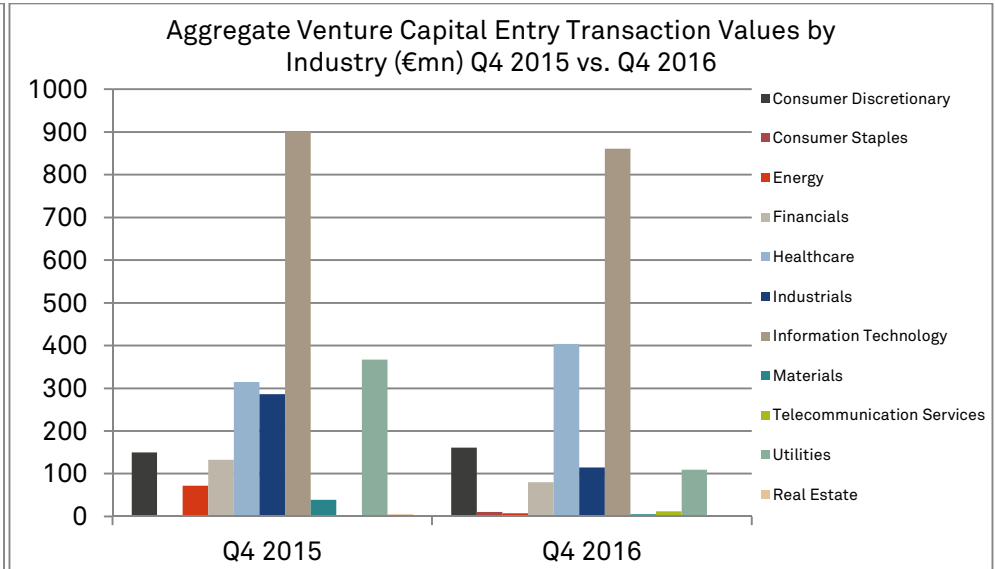
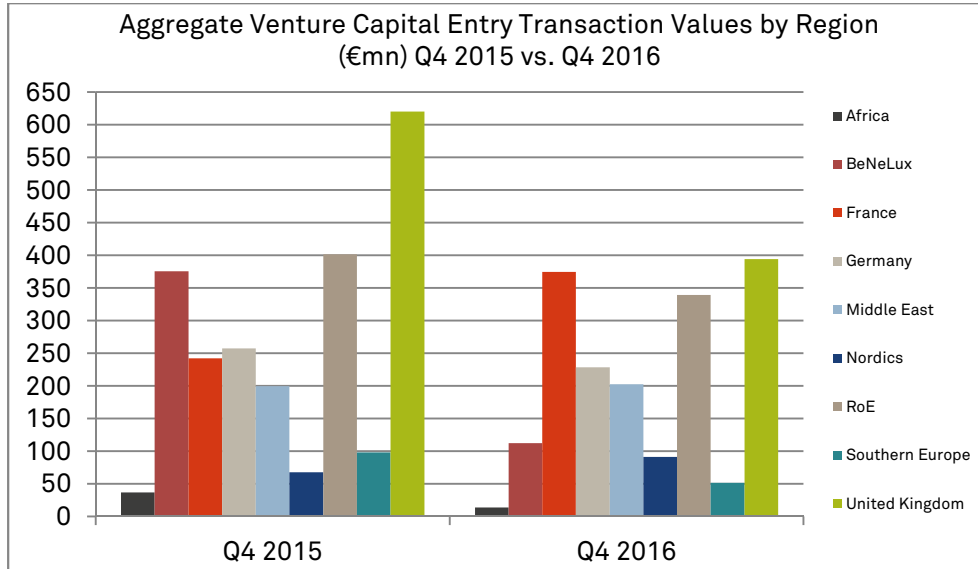
VC EMEA – Based GPs





VC EMEA – Based Targets





Multiples Table

Implied Enterprise Value/EBITDA	EMEA Private Equity Exits 1/01/2016 - 31/12/2016	M&A 1/01/2016 - 31/12/2016
Consumer Discretionary	13.6	11.3
Consumer Staples	14.8	11.3
Energy	12.7	11.4
Financials	10.5	11.3
Healthcare	13.6	13.1
Industrials	10.6	9.2
Information Technology	14.5	12.8
Materials	9.2	7.3
Telecommunication Services	7.6	7.5
Utilities	9.7	9.1
Real Estate	25.9	21.9

Implied Equity Value/ LTM Net Income	EMEA Private Equity Exits 1/01/2016 - 31/12/2016	M&A 1/01/2016 - 31/12/2016
Consumer Discretionary	18.9	17.4
Consumer Staples	19.3	18.4
Energy	21.3	10.0
Financials	22.3	17.2
Healthcare	30.3	17.2
Industrials	21.0	18.4
Information Technology	18.4	19.6
Materials	20.6	14.0
Telecommunication Services	23.0	16.8
Utilities	18.3	14.7
Real Estate	11.3	13.1

*Multiples highlighted in bold & italics represent the sector average over a two year time horizon in order to provide a more comprehensive sector average

Private Equity Market Snapshot – Create Your Own

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The screenshot displays the 'Transaction Screening' interface. At the top, there are navigation tabs for 'Companies', 'Equities', 'Fixed Income', 'Key Devs', 'People', 'Transactions', and 'Projects/Portfolios'. Below this is a search bar with the text 'Total Transaction Value' and a 'View Results' button. The interface is divided into several columns of criteria categories, each with a list of specific data points. The 'Criteria' section is expanded to show a grid of categories and their sub-items.

Criteria	Equity Details	Person Details	General Transaction Details
My Links Companies Covered Products Proprietary Data Items Saved Criteria Saved Custom Data Points Saved Formulas Saved Screens Most Used Industry Classifications Geographic Locations Transaction Dates Investment Firm Type Transaction Status Key Developments by Type Financial Statements Transaction Types Alpha Factor Library Factors Ownership Status Company Details Industry Classifications Historical SICs Geographic Locations State of Incorporation Country of Incorporation Business Descriptions Products Company/Strategy Notes Status Ownership Status Company Type Company Statistics Business Relationships Most Recent Auditor No. of Analysts Analyst Coverage Alpha Factor Library Factors Financial Information Financial Statements Industry Specific Financials Stock Performance/Volume Market Partners Valuation Multiples Operating Metrics & Ratios Estimates Guidance Business Segments Geographic Segments Proprietary Data Items Intra-Company Ranking Inter-Company Ranking	Dates Valuation Security Type Security Features Exchanges Exchange Country Indices Index Values Dividends & Splits Currency S&P Equity Rankings Corporate Actions Investment/Transaction History Bankruptcies Filings Takeover Defenses Takeover Defenses Statistics Corporate Governance Corporate Governance Statistics State Laws State Laws Statistics Company Ownership Company Ownership Insider Ownership Insider Trades Public Holders Investor Activism Campaign Dates Campaign Objectives Campaign Tactics Activist Investor Activity Activist Investor Ownership Investment Criteria / PE Funds Industries of Interest Geographies of Interest Bite Sizes Company Stages Transaction Types Private Equity Funds Investment/Advisory Firms Investment Firm Type Advisory Firm Type Primary Fund Types Managed Vehicle Type Managed Investment Style Managed	Biographies Notes Age Locations Companies Covered Ownership Compensation Options Deferred Compensation Pension Benefits Ownership Positions Education Degrees Graduation Year Colleges/Universities Majors Employment / Board Professional Job Functions Board Job Functions Committees Professional Types Titles Specialties Targeting Engine Find Buyers or Investors Find Limited Partners Project Screening Project Type Project Status Project Dates Portfolio Dates Project Description Project Classifications Project Team Project Targets Project Clients Project Categories Project Fee Types Project Fee Pipeline Project Transaction Types Project User Group Project Working Group Project References Project Proprietary Data Portfolio Characteristics Portfolio Investment Style Portfolio Currency	Dates Descriptions Pre-Deal/Post-Deal Comments Types Status Primary Features Valuations Advisors and Fees Related Transactions M&A Details Dates Valuations Features Target Security Types Target Security Details Consideration Offered Consideration Details Deal Conditions Deal Responses Deal Attitude Deal Approach Buyback Details Dates Valuations Features Spin-off / Split-off Details Dates Valuations Features Conditions Private Placement Details Dates Valuations Features Public Offering Details Dates Valuations Features IPO Exchange Use of Proceeds Security Types Security Features Security Ratings at Issuance LCD Bank Loan Details Valuations Features

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