

Multiples Heatmap Analysis | Q3 2017 update



Multiples Heatmap

Introduction



The unquote” research team, alongside Clearwater International’s sector groups and European offices, has collected data on 2,348 private equity deals across Europe between 1 January 2014 and 30 September 2017

The analysis identifies where EV/EBITDA multiples are highest across regions and sectors, and the direction of those multiples over time



The objective is to assist private equity investors in assessing which regions and sectors present good investment opportunities

Since the initial launch of the Heatmap in November 2015, data collected has seen continuous improvement in comprehensiveness and quality



As we move forward, we hope to continue to build the community of private equity investors who are happy to share data confidentially so we can continue to improve the quality of the data and analysis

Any feedback on additional ideas of useful analysis is welcomed!



Multiples Heatmap

Introduction



Six-quarter trailing multiples converging to the average of **10.4x** across the majority of regions, with average multiples cooling from a record-high quarter of **10.8x** in Q2 2017 to **10.4x** in Q3 2017

TMT was the hottest sector in Q3 2017 at **11.8x**, and over the last six-quarter period at **11.2x**. European TMT PE deals continue to represent a significant proportion of deal volume, in excess of 16% of total deals



Financial Services drops to being second hottest sector over the trailing six-quarter period with an average multiple of **10.8x**, largely driven by a significant cooling of average multiples to only **9.7x** in Q3 2017

The Nordic region continues to be the hottest region with average multiples over both the past six quarters and in Q3 2017 of **11.0x**. The Q3 2017 average multiple for the region did however cool from a peak **11.8x** in Q2 2017



Excluding outliers, best value opportunities were in the Healthcare and Food and Beverage sectors in Q3 2017, where average multiples were **9.2x** and **9.5x** respectively

The €1bn+ deal range group Q3 2017 valuation was the hottest at **14.9x**. This high level is unprecedented for a deal range group since the beginning of 2014



Average multiples by sector by region

Q2 2016 – Q3 2017

	Automotive	Business Services	Consumer	Financial Services	Food and Beverage	Healthcare	Industrials and Chemicals	Real Estate	TMT	Region averages
Benelux	-	12.0	8.4	9.3	9.1	10.8	10.5	15.1 ³	10.4	10.4
CEE	-	-	11.1	-	4.8 ²	11.8	-	-	-	10.4
DACH	9.9	11.1	10.0	12.7 ¹	9.4	10.5	9.6	10.5	11.6	10.3
France	8.8	9.5	9.9	11.8	11.8	12.0	9.9	13.6 ⁴	9.9	10.2
Nordic	11.7	11.3	10.5	10.7	11.4	11.7	10.3	10.4	11.7	11.0
Southern	6.7	10.5	10.4	11.8	10.2	9.5	9.4	7.0	12.5	10.1
UK/Eire	9.1	10.6	11.1	10.3	10.0	9.8	9.2	8.8	11.4	10.4
Sector averages	9.6	10.7	10.5	10.8	10.1	10.6	9.7	10.4	11.2	10.4

¹ Outlier multiple driven by a €700m transaction in Q3 2016

² Outlier multiple driven by a low multiple transaction in Poland in Q4 2016

³ Outlier multiple driven by €3bn Q-Park transaction in Q2 2017

⁴ Outlier multiple driven by €1.8bn Focnia transaction in Q2 2016

- This chart analyses the average multiples by sector by region for the six quarters ended 30 September 2017
- European average EV/EBITDA over the last six quarters has seen a further increase from 10.3x to 10.4x, driven by lower average multiples in Q1 2016 dropping out of our analysis
- All regions continue to see double digit average multiples with regional multiples converging to a narrow range of 10.1x to 10.4x
- The Nordic region is the only region to deviate from European average, with the highest average multiple for the sixth consecutive six-quarter period driven by continued levels of high multiple TMT deals
- The six quarters saw best value opportunities in the Industrials and Chemicals and Automotive sectors, where companies have been acquired for an average multiple of 9.7x and 9.6x respectively
- The TMT sector has again attracted the highest valuation multiples reflecting increasing PE interest in technological innovation, particularly in Q3 2016 and Q2 2017, where TMT deals represented 22% of all PE deals in Europe
- Financial Services sector prices cooled down from a 11.1x six-quarter trailing average reported in our last analysis to 10.8x but remains the second hottest sector
- Excluding the outliers, TMT in Southern region has been the hottest sector over the period at average multiples of 12.5x closely following by Business Services in Benelux and Healthcare in France, both at 12.0x

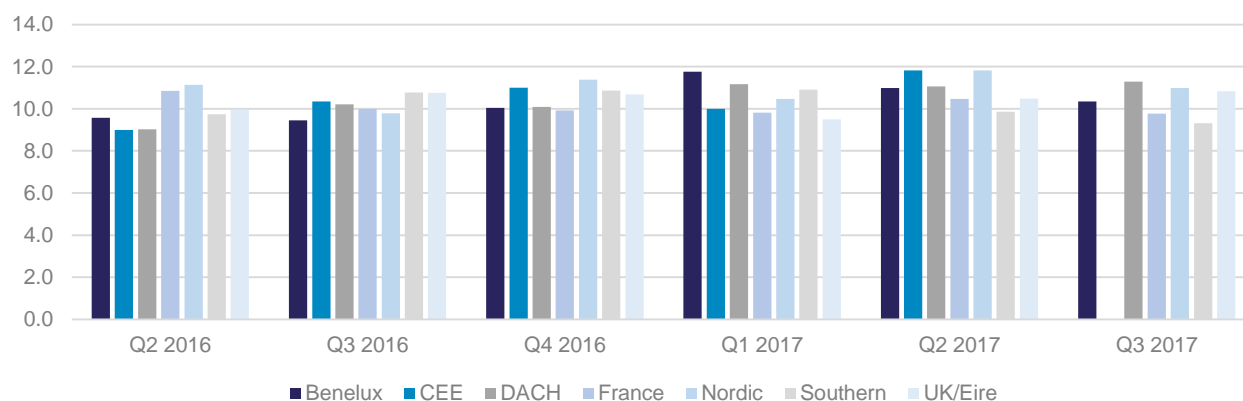
Quarterly average multiples – by region

Q2 2016 – Q3 2017

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Average	St. Dev
Benelux	9.6	9.4	10.0	11.8	11.0	10.3	10.4	1.9
CEE	9.0	10.3	11.0	10.0	11.8	-	10.4	3.3
DACH	9.0	10.2	10.1	11.2	11.1	11.3	10.3	2.6
France	10.8	10.0	9.9	9.8	10.5	9.8	10.2	2.0
Nordic	11.1	9.8	11.4	10.5	11.8	11.0	11.0	2.3
Southern	9.7	10.8	10.9	10.9	9.9	9.3	10.1	3.5
UK/Eire	10.0	10.8	10.7	9.5	10.5	10.8	10.4	3.1
Europe	10.1	10.3	10.6	10.1	10.8	10.4	10.4	2.8

- These charts analyse the quarterly multiples by region for the six quarters ending 30 September 2017
- For the first time since the initiation of our PE multiples coverage, double digit multiples have been paid in each of the last six quarters, though average multiples have cooled from a peak of 10.8x in Q2 2017 to 10.4x in Q3 2017
- DACH region saw the highest average multiples in Q3 2017 driven by high value deals including the sale of Stada Arzneimittel to Bain Capital and Cinven for €5.3bn and proAlpha Software being acquired by ICG for c.€475m
- Nordic region multiples dropped back in Q3 2017 and are now in line with its six quarter average
- Benelux and France regions have also seen a significant drop in average multiples paid in Q3 2017 to below their longer term average
- Southern region continues to see price deflation, with multiples moving below its six quarter average to 9.3x
- UK/Eire region has seen continued price inflation in Q3 2017 to 10.8x, above its longer term average
- Highest volatility continues to be seen in the Southern region, but we also note increased volatility in UK/Eire

Quarterly average multiples - by region



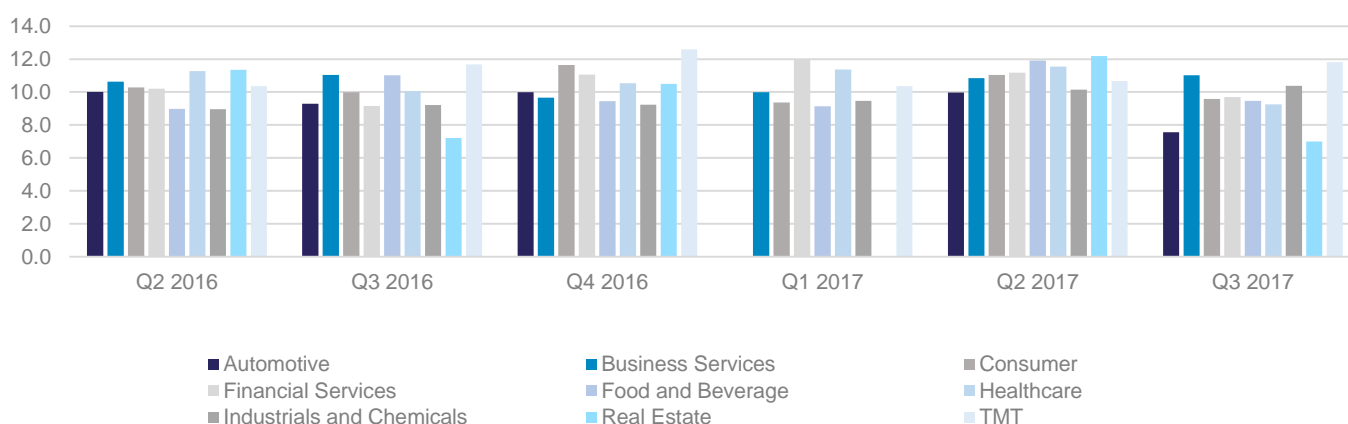
Quarterly average multiples – by sector

Q2 2016 – Q3 2017

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Average	St. Dev
Automotive	10.0	9.3	10.0	-	10.0	7.6	9.6	1.8
Business Services	10.6	11.0	9.7	10.0	10.8	11.0	10.7	3.0
Consumer	10.3	10.0	11.6	9.4	11.0	9.6	10.5	2.5
Financial Services	10.2	9.1	11.1	11.9	11.2	9.7	10.8	1.9
Food and Beverage	9.0	11.0	9.4	9.1	11.9	9.5	10.1	2.8
Healthcare	11.3	10.0	10.5	11.4	11.5	9.2	10.6	2.3
Industrials and Chemicals	9.0	9.2	9.2	9.5	10.1	10.4	9.7	2.3
Real Estate	11.3	7.2	10.5	-	12.2	7.0	10.4	2.8
TMT	10.4	11.7	12.6	10.4	10.7	11.8	11.2	3.6
Europe	10.1	10.3	10.6	10.1	10.8	10.4	10.4	2.8

- These charts analyse the quarterly multiples by sector for the six quarters ending 30 September 2017
- The majority of sectors have seen price deflation with Automotive, Consumer, Financial Services, Food & Beverage, Healthcare and Real Estate sectors all dropping to below their long term averages. We will continue to monitor this and report whether it represents a trend for any of these sectors or a temporary misalignment
- Business Services and Industrials and Chemicals have seen a small increase in average multiples, from 10.8x to 11.0x and from 10.1x to 10.4x respectively, both still above their six-quarter average
- TMT has seen the highest price inflation in Q3 2017, with average multiples increasing to 11.8x driven by high multiple deals in UK/Eire and Nordic regions, but also continuing to see the highest volatility.
- The Automotive sector continues to represent best value at 7.6x in Q3 2017 and continues to see most stability

Quarterly average multiples - by sector



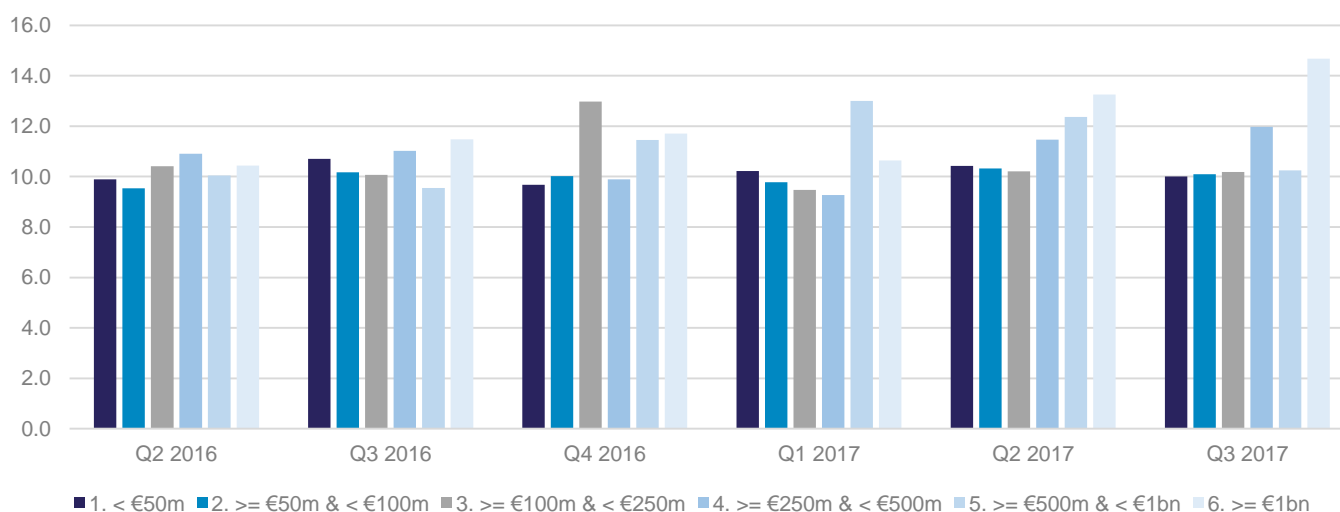
Quarterly average multiples – by deal size

Q2 2016 – Q3 2017

	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Average	St. Dev
< €50m	9.9	10.7	9.7	10.2	10.4	10.0	10.1	2.8
>= €50m & < €100m	9.5	10.2	10.0	9.8	10.3	10.1	10.0	2.8
>= €100m & < €250m	10.4	10.1	13.0	9.5	10.2	10.2	10.4	2.3
>= €250m & < €500m	10.9	11.0	9.9	9.3	11.5	12.0	10.9	2.9
>= €500m & < €1bn	10.0	9.6	11.5	13.0	12.4	10.2	11.0	2.7
>= €1bn	10.4	11.5	11.7	10.6	13.3	14.7	11.9	2.9
Europe	10.1	10.3	10.6	10.1	10.8	10.4	10.4	2.8

- These charts analyse the quarterly multiples by deal size for the six quarters ending 30 September 2017
- Transactions with EVs of €1bn and above continue to be the hottest at an average multiple of 14.7x, driven by high multiple mega deals in UK/Eire including CPA Global and Civica plc. This represents the highest quarterly average multiple for a deal size group since the initiation of our coverage
- Over the past two quarters, multiples for deals with EVs between €250m and €500m have continued to inflate reaching 12.0x, significantly above the longer term average
- Multiples for companies with EVs between €500m and €1bn continued to cool from a peak to 13.0x in Q1 2017 to only 10.2x in Q3 2017, largely driven by lower multiple Industrials and Chemicals and Consumer transactions in the Southern region
- In the past 4 quarters prices for deals with EVs under €250m have been relatively stable around their long term averages
- Higher volatility has been seen in the larger deal size ranges, with more stability being seen at sub €50m versus previous periods

Quarterly average multiples - by deal size



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