

IPEM PRIVATE EQUITY PAN-EUROPEAN SURVEY 2019

Conducted with the
support of :



Your contacts:

Pierre LABARRAQUE – pierre.labarraque@csa.eu

Amélie Bouvet – amelie.bouvet@csa.eu

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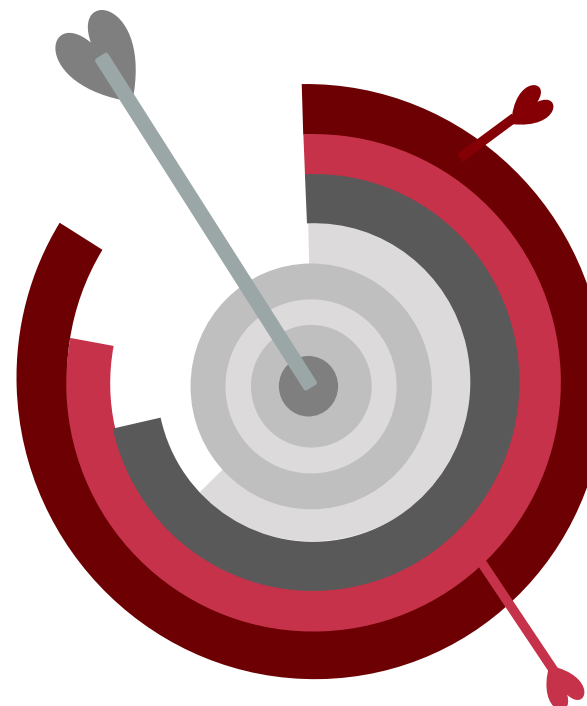
Context and objectives

IPEM is the largest Private Capital trade exhibition to gather the whole value chain of the industry :

- ✓ 1,600+ participants from 30+ countries (LPs, GPs, Advisors and Business Services)
- ✓ 150+ exhibitors
- ✓ 40+ conferences
- ✓ 30+ networking events

The 4th edition will be held in Cannes, Palais des Festivals next 22-23-24 January 2019.

Together with 11 national associations supporting the event, IPEM conducted a pan-European survey to gauge the mood and review the trends of the industry in 2019.



Anticipate the trends of the market and provide the industry with **useful** information ahead of 2019

Analyse risks, opportunities, and priorities in 2019

Survey methodology

Methodology



Data collection

Online questionnaire (25 questions)



Target respondents

383 interviews completed by the members of the participating associations



Time period

23th October to 30th November

Mapping of associated countries

The associations involved have 900+ GP members that represent ~90% of the European Private Equity industry.



Belgium / Netherlands



Spain / Portugal



Germany / Austria



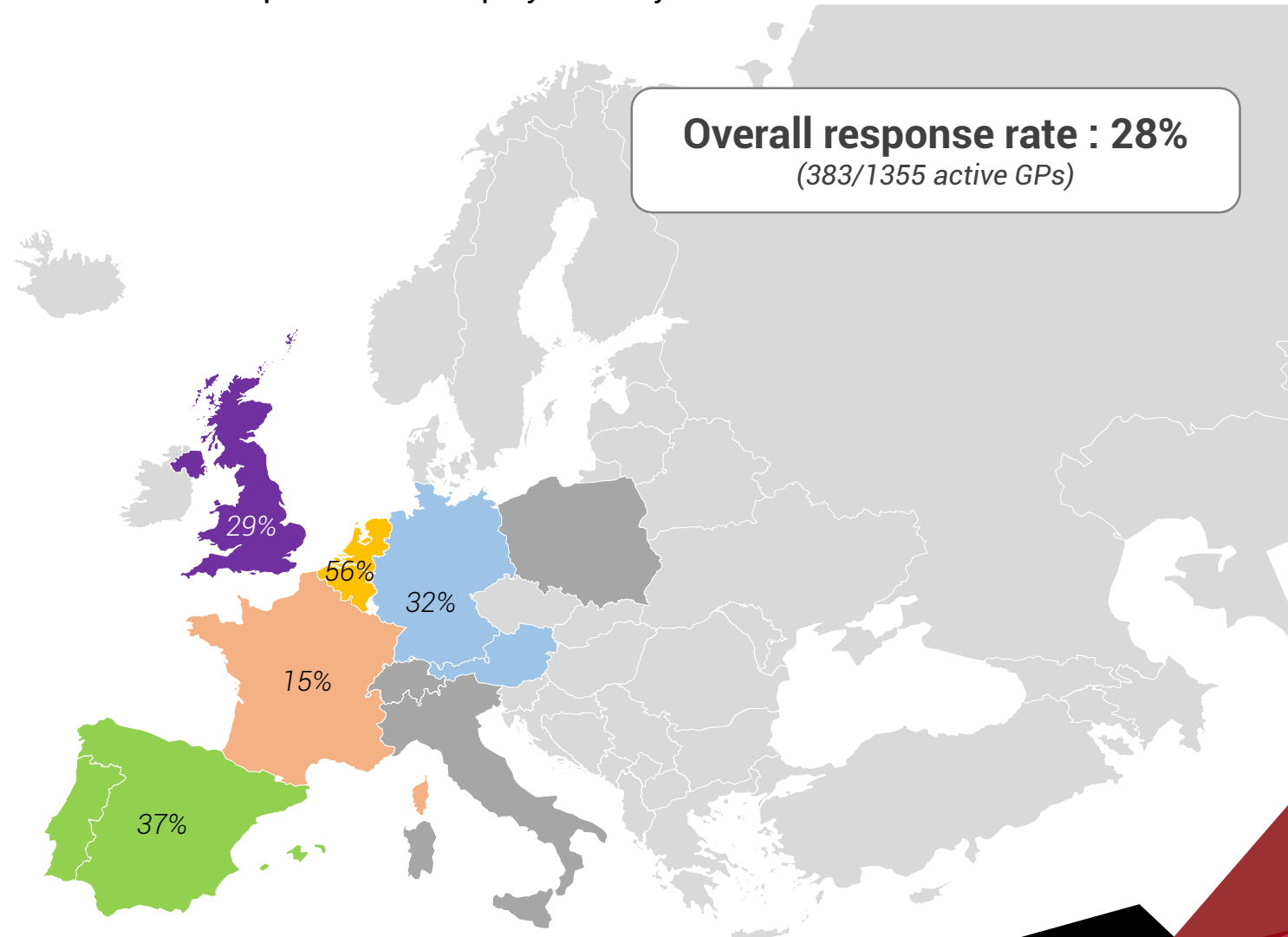
France



United Kingdom



Poland, Italy and Switzerland



*Response rate per zone

Participation of IPEM supporting associations

Poland

PSIK Polskie
Stowarzyszenie
Inwestorów
Kapitałowych

! 21 respondents

Italy

AIFI
Italian Private Equity, Venture Capital
and Private Debt Association

! 18 respondents

Switzerland

SECA

! 21 respondents

Belgium / Netherlands

BVA
BELGIAN VENTURE CAPITAL &
PRIVATE EQUITY ASSOCIATION

NVP
Nederlandse Vereniging
van Participatiemaatschappijen

59 respondents

IBERIA - Spain / Portugal

Ascri
ASOCIACIÓN ESPAÑOLA
DE CAPITAL, CRECIMIENTO
E INVERSIÓN

APCR

40 respondents

DACH Germany / Austria

BVK

German Private Equity and
Venture Capital Association e.V.

AVCO
AUSTRIAN PRIVATE EQUITY AND VENTURE CAPITAL ORGANISATION

43 respondents

France

**France
Invest**
Association des investisseurs
pour la croissance

39 respondents

United Kingdom

BVCA
British
Private Equity &
Venture Capital
Association

142 respondents



Low number of respondents / Qualitative data

How to read the report?

Comment of the page

Basis of respondents

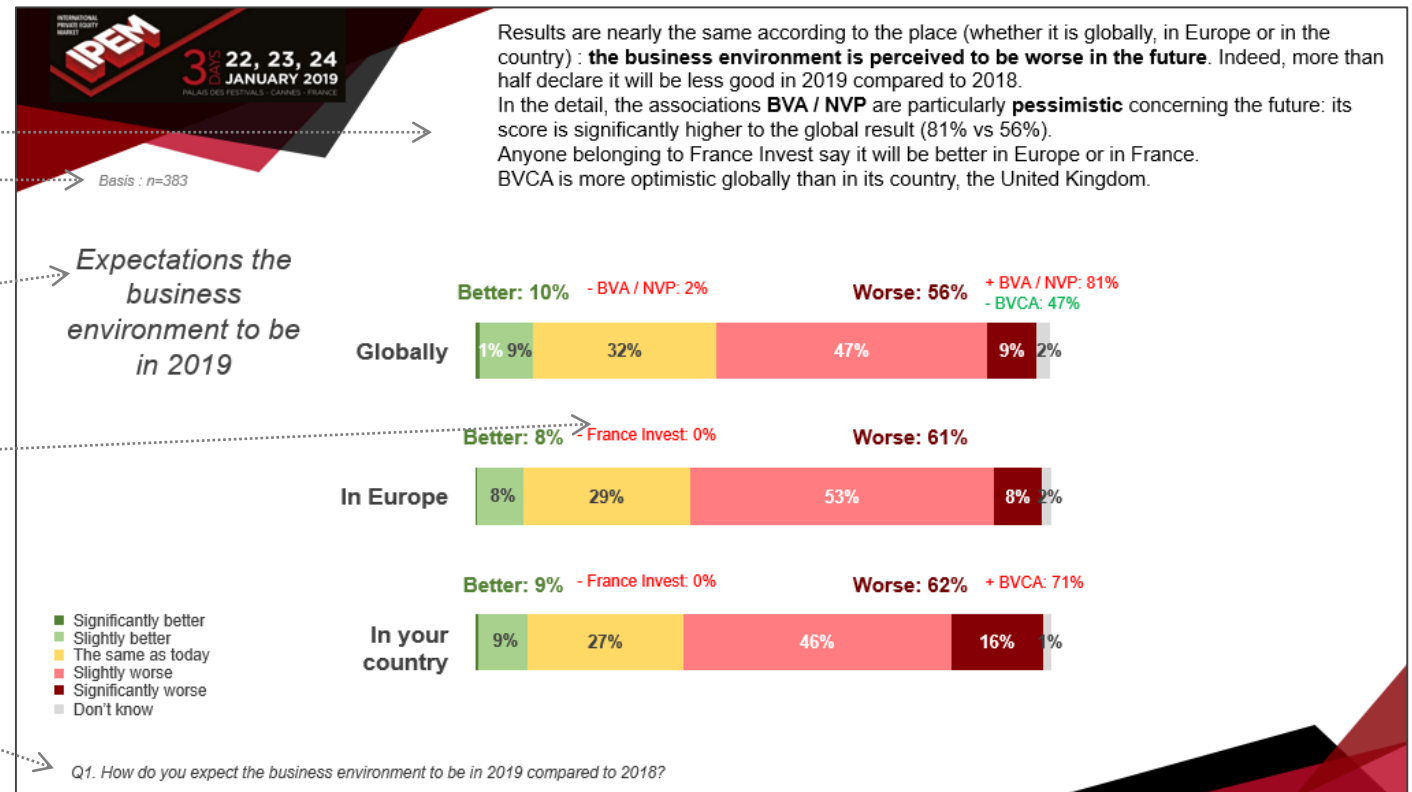
"N" represents the number of people that have answered the concerned question(s)

Title

The significant differences are used to present:

- Differences significantly higher than the global result: + **association** (XX%)
- Differences significantly lower than the global result: - **association** (XX%)

Asked question(s)





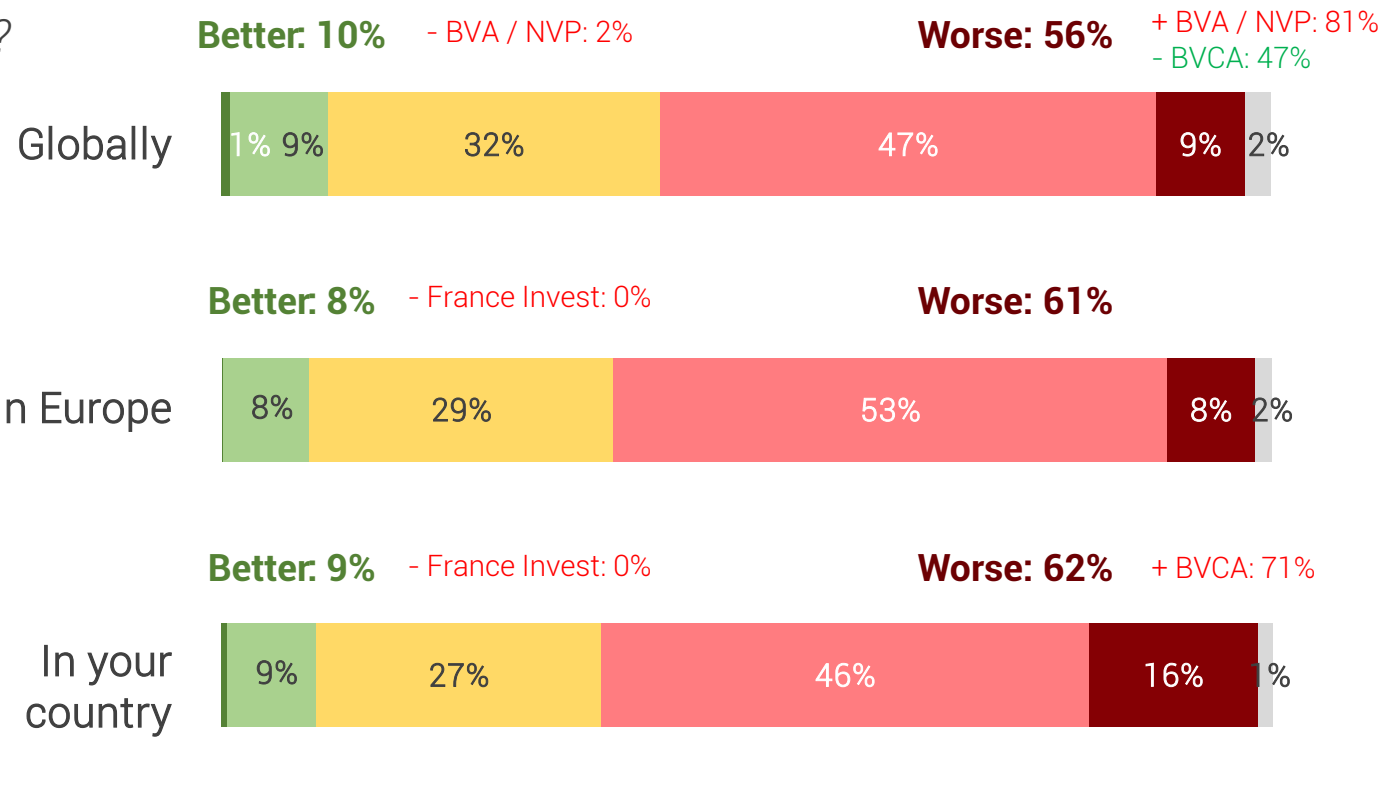
What's ahead in 2019?

Basis : n=383

For all markets surveyed, whether globally, in Europe or locally : **the business environment is expected to be more difficult in 2019 than in 2018 by a majority of respondents.**

In details, members of **BVA / NVP (Benelux)** are particularly **pessimistic** with 81% of respondents expecting tough business conditions in 2019 globally. France Invest respondents think that the environment will be **better in Europe and in France though**. BVCA members (UK) are much more optimistic globally than in their own country.

How do you expect the business environment to be in 2019 compared to 2018?



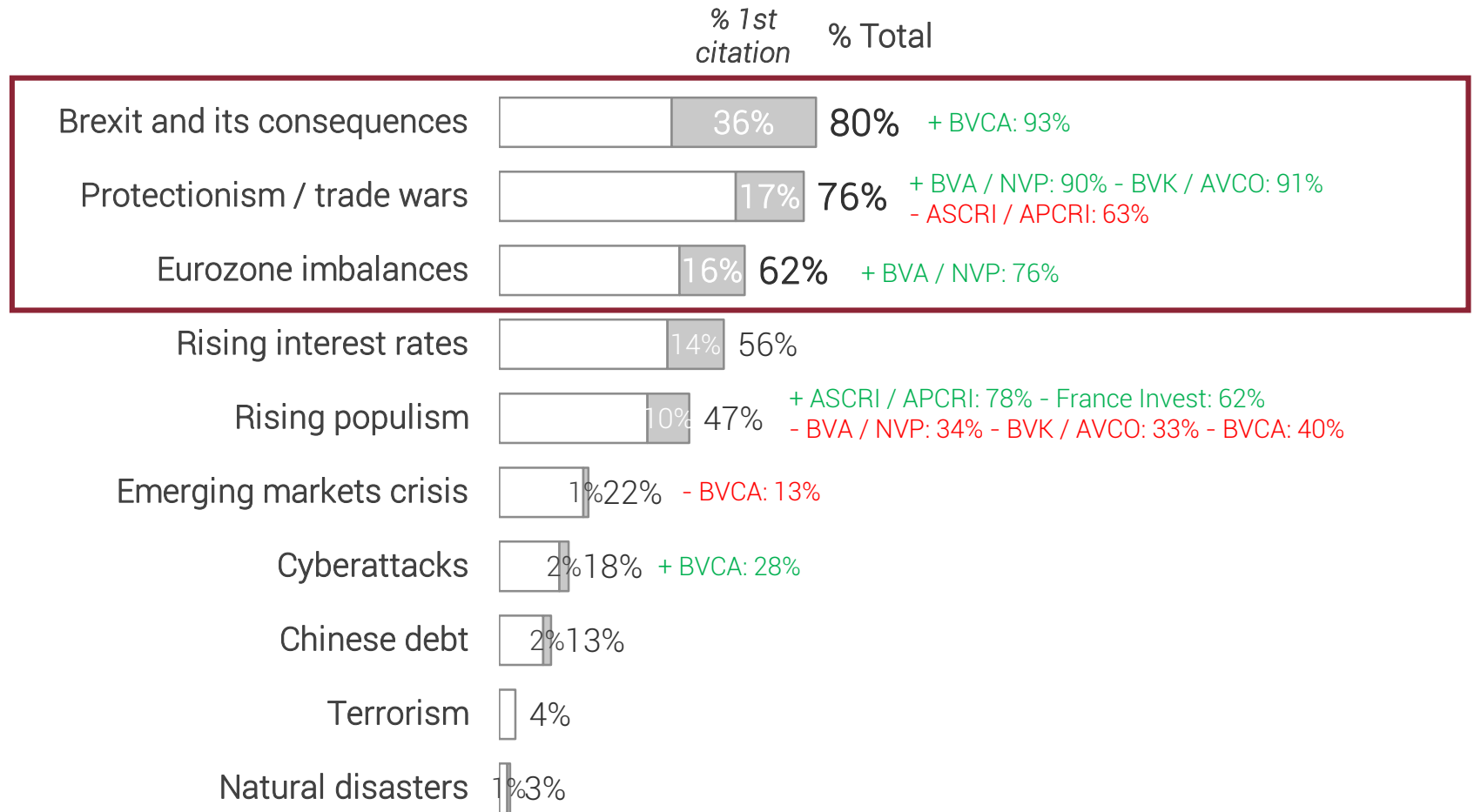
Consequently, **55% of respondents fear a major economic correction in 2019.**
Brexit and its consequences and **protectionism / trade wars** are the top 2 threats mentioned globally ; **Brexit comes first for about 4 out of 10 people.** Threats assessment varies much among the countries surveyed.

Basis : n=383

What externals threats will the European Private Capital industry face in 2019?

55%

fear a major economic correction in 2019



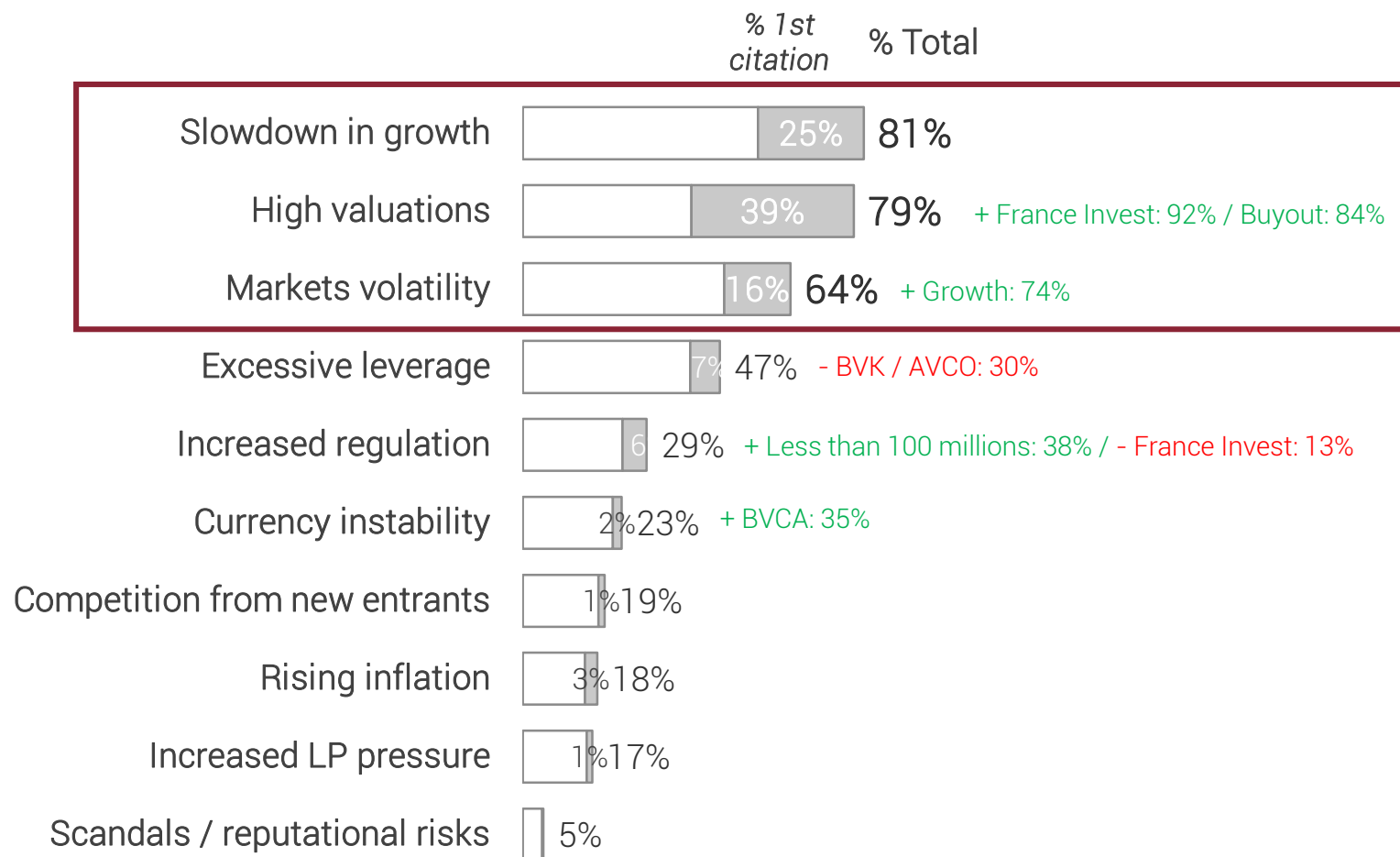
Q2. Do you fear a major economic correction in 2019?

Q3. What type of externals threats will the European Private Capital industry face in 2019?

A **slowdown in growth** and **high valuations** are the most mentioned industry / economic risks. For 6 in 10 respondents, **markets volatility** would also be an important risk for the European industry in 2019. In details, **Growth's fund managers** are more concerned by **markets volatility** (74%) and **Buyout specialists** by **high valuations** (84%). Managers of **smaller funds** (<100m€) **tend to fear increased regulation** more than others (38% vs 29% globally).

Basis : n=383

What principal industry / economic risks will the European Private Capital industry face in 2019?



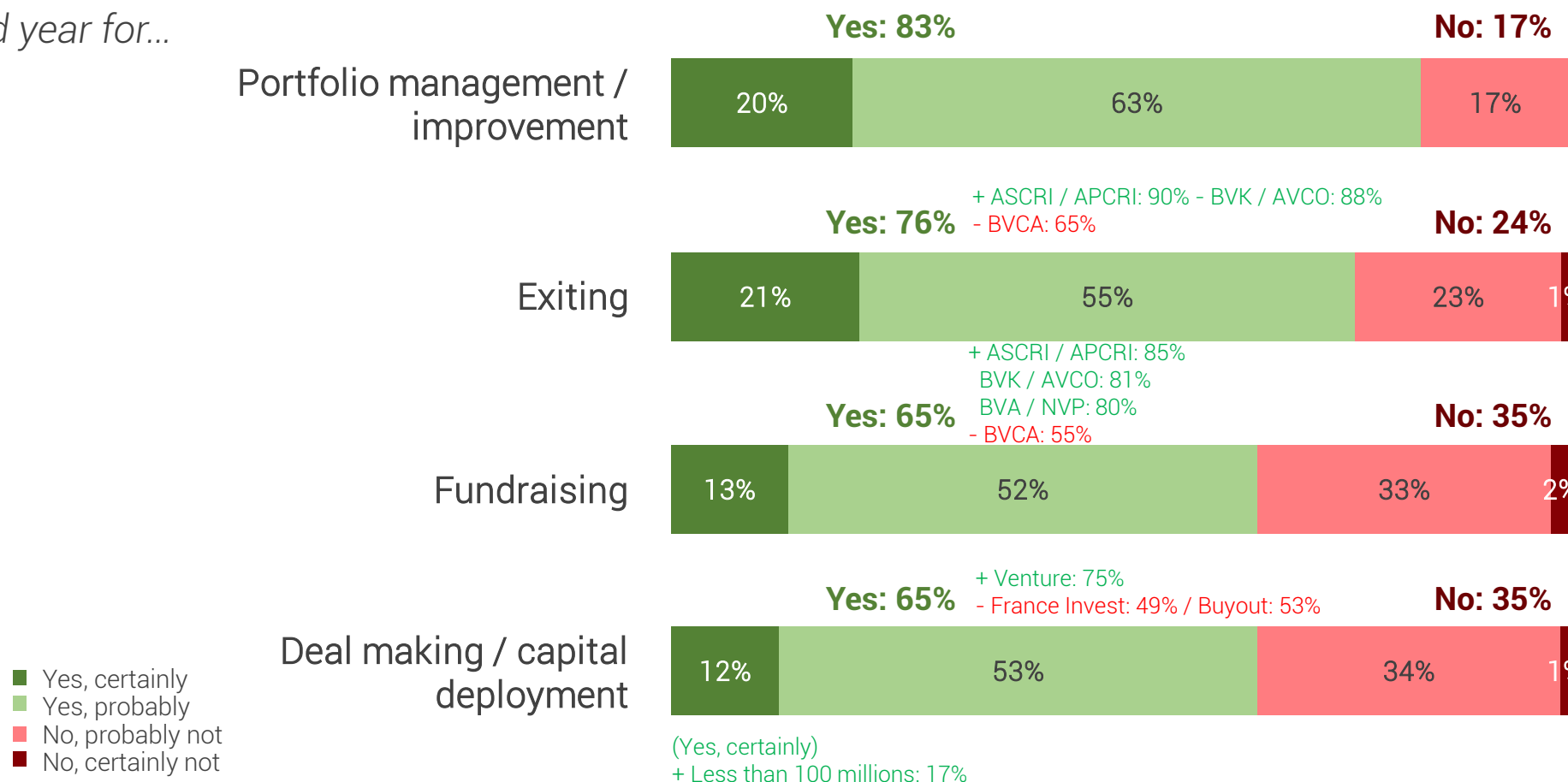


Fundraising and dealmaking in 2019

Basis : n=383

Do you consider 2019 as
a good year for...

Fund managers see a good opportunity in 2019 to **manage and improve operations in their portfolio companies**. This sentiment is shared in all European markets. 2019 should also be a good vintage to **exit investee businesses**, especially in Iberia (ASCRI / APCRI) and the DACH region (BVK / AVCO). Still, 2019 would offer a positive environment for **raising funds and making deals for 65% of respondents**. UK-based managers see a less promising context for fundraising than their continental peers. French GPs are less optimistic about their ability to deploy capital in 2019 ; on the other hand, managers of smaller funds (typical fund <100m€) see a buoyant environment for new investments.



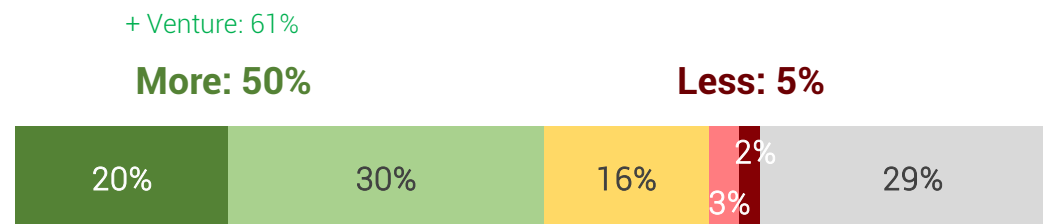
Q11. In your markets (by geography and market segment), do you consider 2019 as a good year for:

In 2019, **50% of European fund managers expect to raise more capital compared to their last funds** ; only 5% think their next funds won't reach the levels of their last vintages whereas 29% have no fundraising plans to date. **61% of European GPs also expect to deploy more capital in 2019 than in 2018** ; this is especially the case in the DACH region where 30% of surveyed managers expect to deploy "significantly more" capital this year.

Basis : n=383

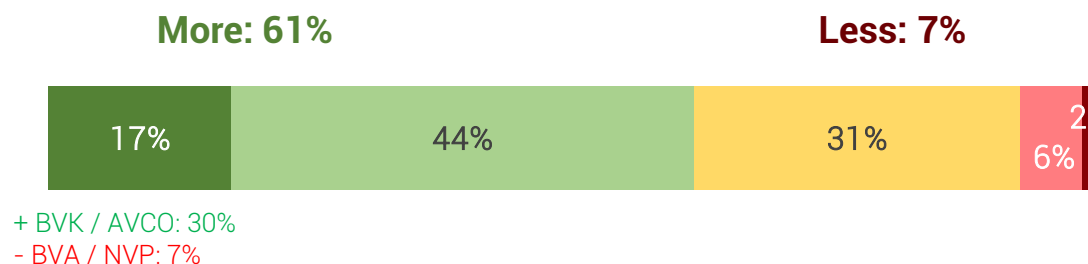
Do you expect to raise more or less capital in 2019 compared to your last fund?

■ Significantly more ■ Slightly more ■ The same as today ■ Slightly less ■ Significantly less ■ Not applicable



Do you expect to deploy more or less capital in 2019 compared to 2018?

■ Significantly more ■ Slightly more ■ The same as today ■ Slightly less ■ Significantly less



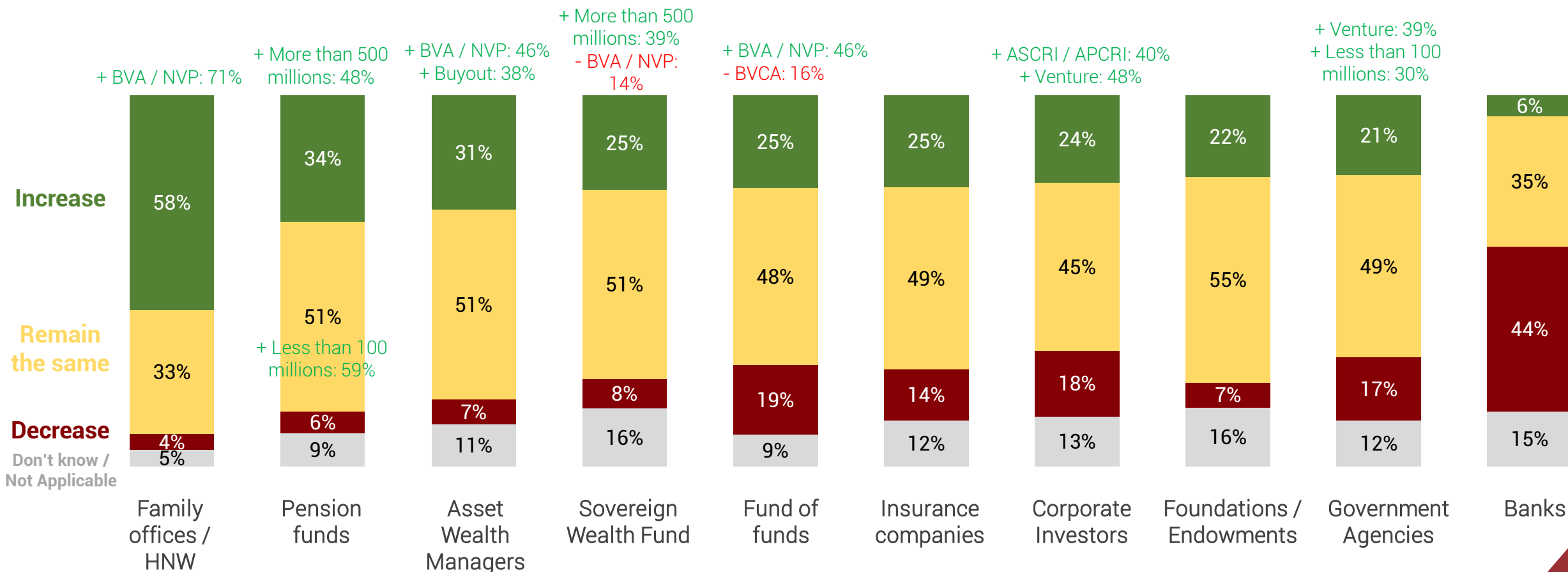
Q19. If you have fundraising plans, do you expect to raise more or less capital in 2019 compared to your last fund?

Q21. Do you expect to deploy more or less capital in 2019 compared to 2018?

Family offices / HNW is the only source of funds expected to increase by more than half of respondents. Managers from Benelux are even more positive than their peers about this category of investors (71% of increase vs 58%). Banks' commitments to PE are expected to decrease in 2019 by 44% of respondents.

Basis : n=383

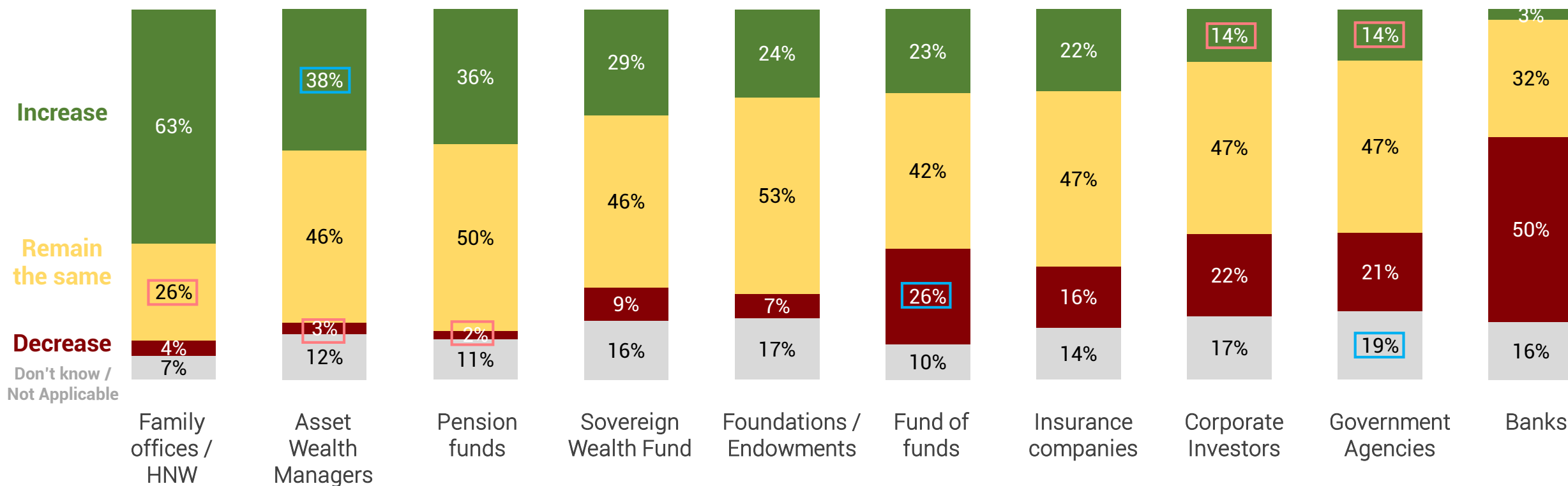
Which sources of funds do you expect to gain importance in fundraising in 2019?



Family offices / HNW are also expected to be dynamic buyout funds investors in 2019. 26% of buyout specialists expect **fund of funds** investments to decrease in 2019 (this score is significantly higher than the global score).

Basis : n=157

*Which sources of funds do you expect to gain importance in fundraising in 2019?
 (Buyout fund managers)*



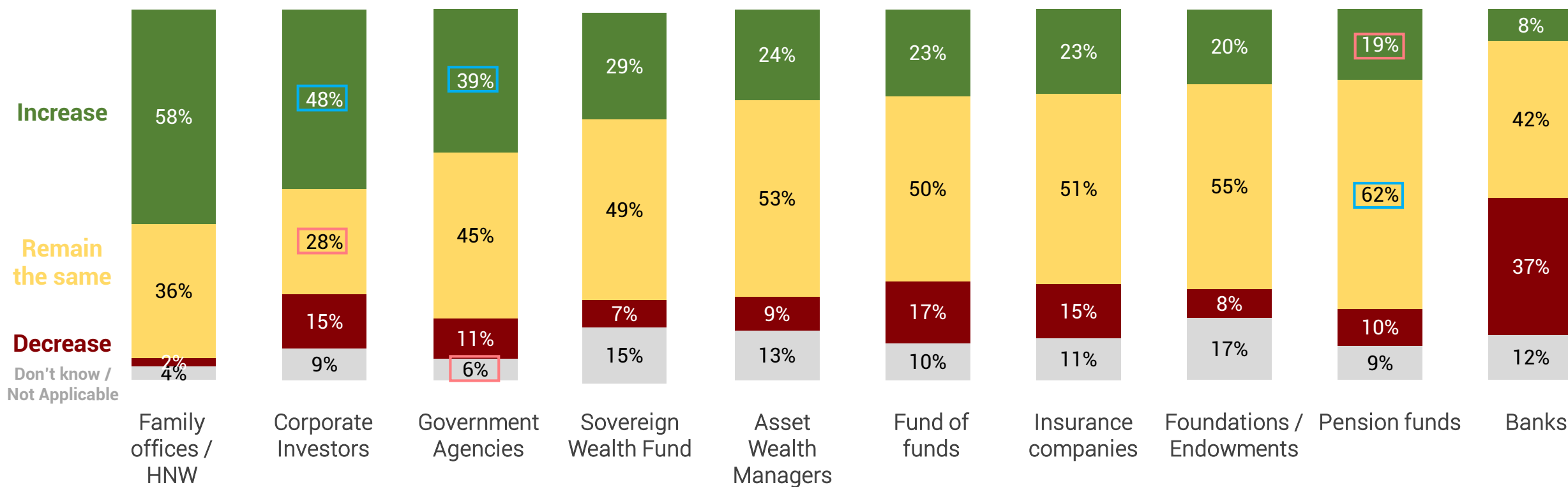
 Differences significantly higher than the global result

 Differences significantly lower than the global result

Q12. In your markets (by geography and market segment), which sources of funds do you expect to gain importance in fundraising in 2019?

Basis : n=91

Which sources of funds do you expect to gain importance in fundraising in 2019?
 (Venture capital fund managers)



 Differences significantly higher than the global result

 Differences significantly lower than the global result

Q12. In your markets (by geography and market segment), which sources of funds do you expect to gain importance in fundraising in 2019?

57% of European GPs expect the Private Capital Markets to be predominantly “LP-Led” in 2019. Smaller fund managers (typical fund <100m€) see a “LP-Led” market (69%) whereas larger GPs (typical fund >500m€) think the balance of power is in their favour (58%). Overall, LP/GP relationships are expected to remain as good as they are.

In 2019, do you expect the Private Capital market in Europe to be...

Basis : n=383

+ Less than 100 millions: 69%

« LP-Led »,
LPs having
overall more
power than GPs

57%



+ BVA / NVP: 64%
+ More than 500 millions: 58%

43%

« GP-Led »,
GPs having
overall more
power than LPs

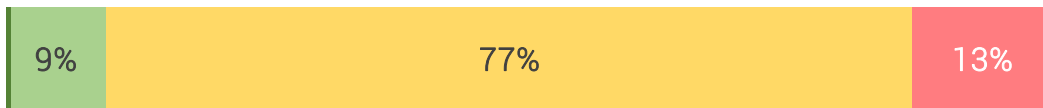
In 2019 compared to 2018, do you expect LP-GP relationships to be...

■ Significantly better ■ Slightly better ■ The same ■ Slightly worse ■ Significantly worse

Better: 10%

- ASCRI / APCRI: 3%

Worse: 14%



Q5. In 2019, do you expect the Private Capital market in Europe to be?

Q6. In 2019 compared to 2018, do you expect LP-GP relationships to be...

Basis : n=383

How do you expect target valuations to evolve in 2019 compared to 2018?

There is **no consensus as regards valuations trends in 2019** : 38% of respondents expect target valuations to increase, 33% to remain at their level and 29% to decrease. Though, **41% of European GPs believe it will be more difficult to find attractive investment opportunities in 2019** compared to 2018. French managers will find it especially hard (62%) whereas VCs are more optimistic about their dealflow.

■ Significantly increase ■ Slightly increase ■ Remain the same ■ Slightly decrease ■ Significantly decrease

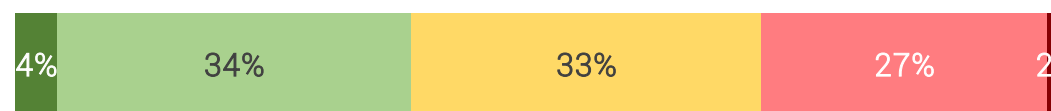
+ ASCRI / APCRI: 58%

+ Venture: 51%

- Buyout: 30%

Increase: 38%

Decrease: 29%



Will it be easier or more difficult to find attractive investment opportunities in 2019 compared to 2018?

■ Significantly easier ■ Slightly easier ■ Remain the same ■ Slightly more difficult ■ Significantly more difficult

+ Venture: 24%

- Buyout: 10%

Easier: 16%

+ France Invest: 62%

More difficult: 41%



Q13. In your markets, how do you expect target valuations to evolve in 2019 compared to 2018?

Q14. In your markets, will it be easier or more difficult to find attractive investment opportunities in 2019 compared to 2018?

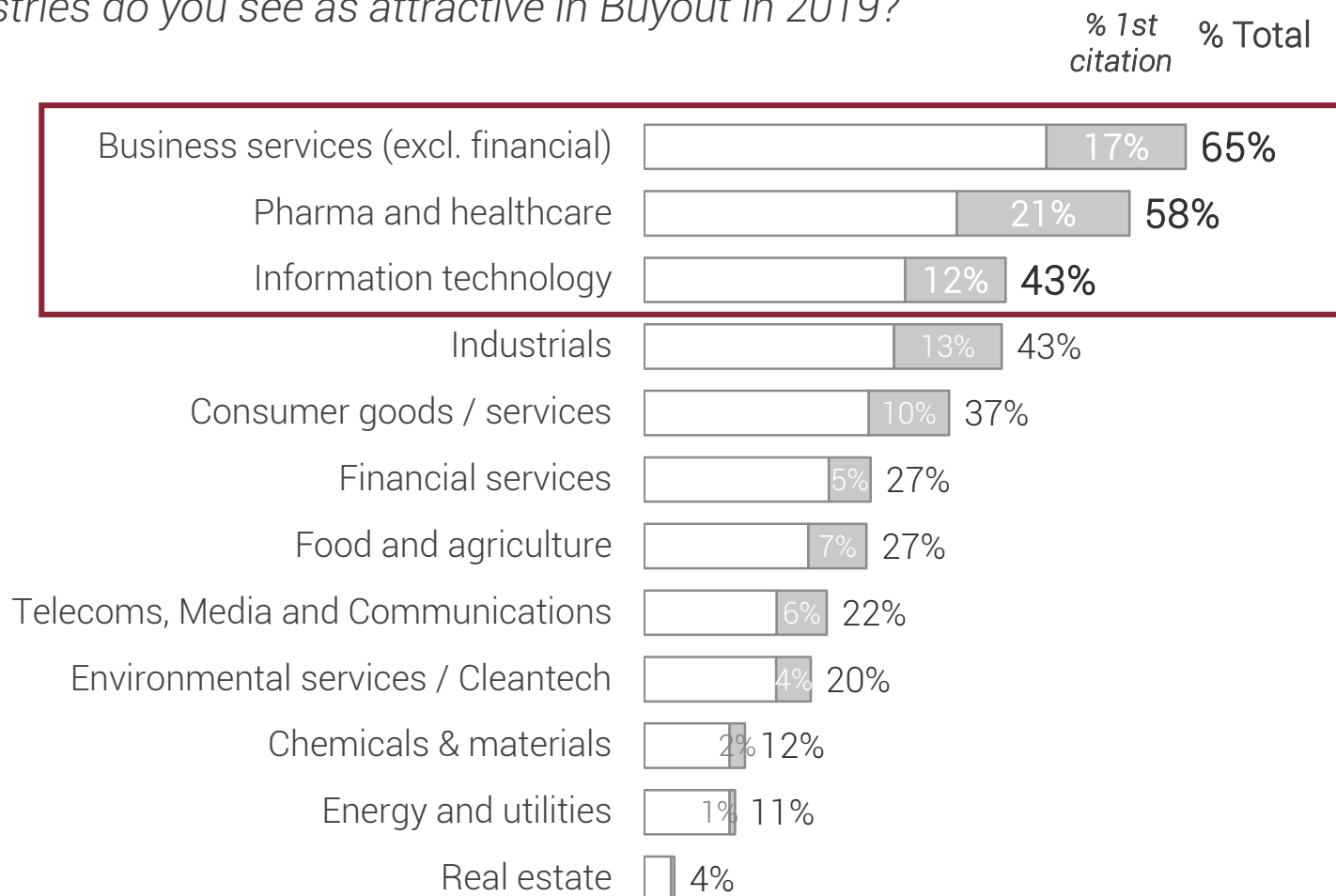
In the buyout segment, **business services**, **pharma/healthcare** and **information technology** will be the most attractive industries in 2019. **21% of respondents see pharma/healthcare** as the most attractive industry.



Buyout

Basis : n=157

What industries do you see as attractive in Buyout in 2019?



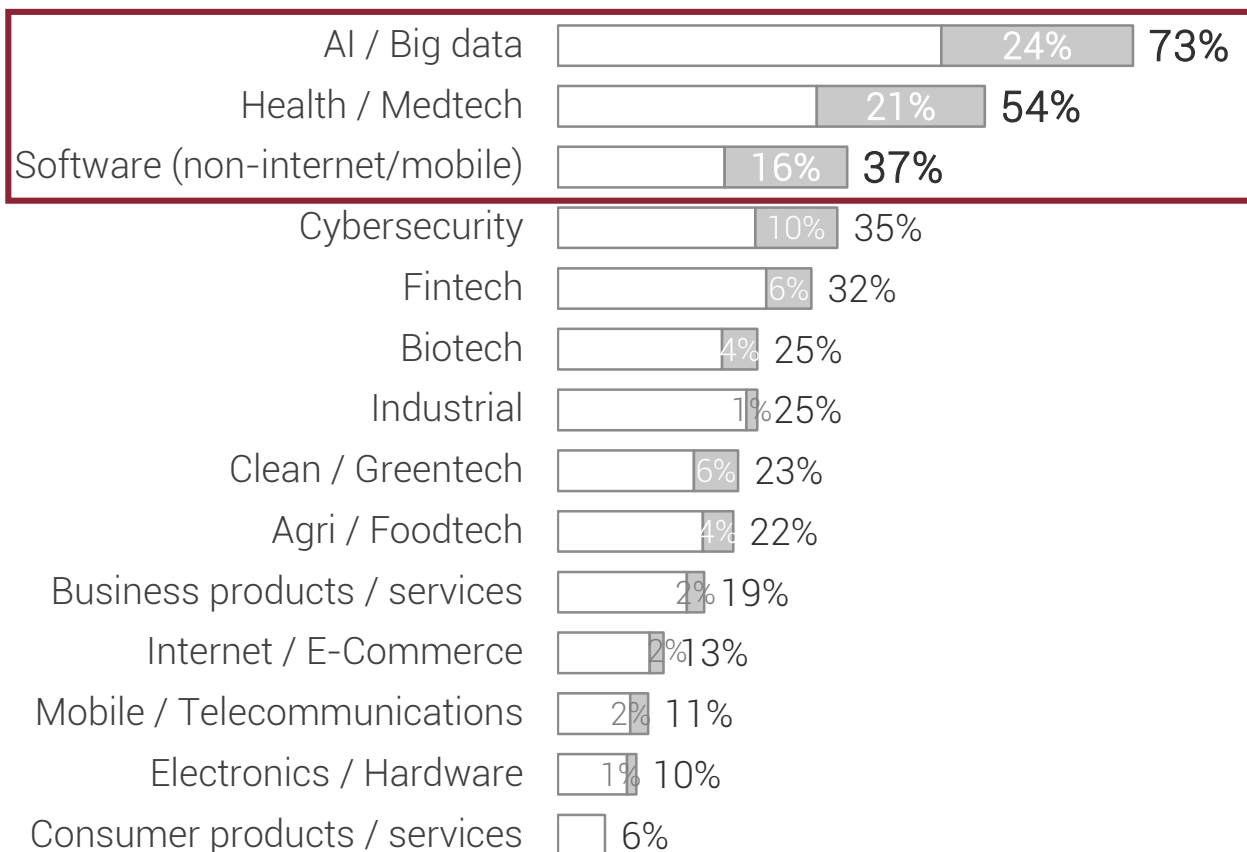
AI / Big Data, Health / Medtech and Software (non-internet/mobile) are considered as the 3 most attractive industries in 2019 by European VCs and growth managers.

What industries do you see as attractive in Venture & Growth Capital in 2019?

Basis : n=91

Venture

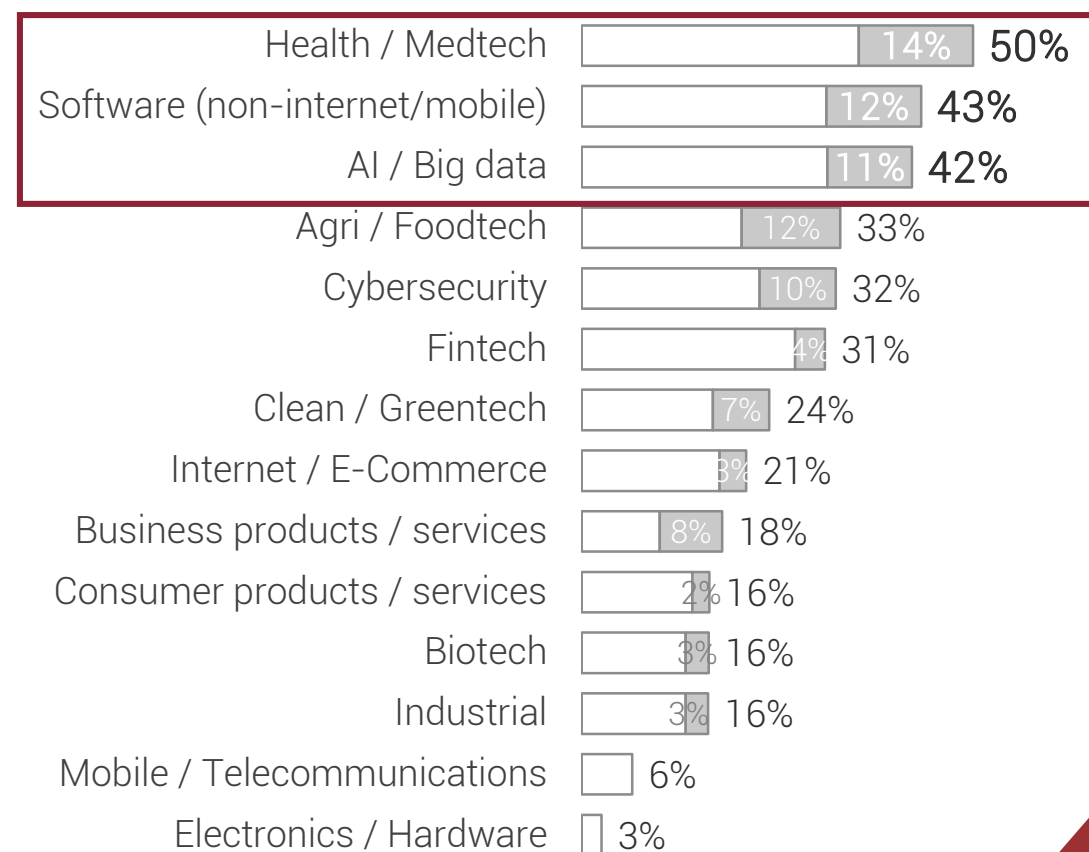
% 1st
citation % Total



Basis : n=77

Growth

% 1st
citation % Total



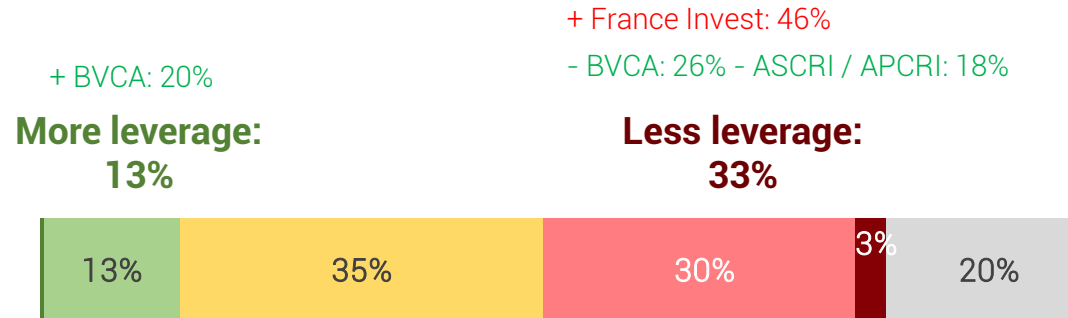
Opinions on the leverage in buyout deals remain mixed for 2019.

33% of surveyed GPs think that leverage in buyout deals will decrease in 2019 ; French managers tend to be even more convinced (46%).

Basis : n=383

Do you think that transactions in 2019 will have more, less or equal leverage than in 2018?

■ Significantly more leverage
■ Slightly more leverage
■ The same leverage as today
■ Slightly less leverage
■ Significantly less leverage
■ Don't know / Not applicable



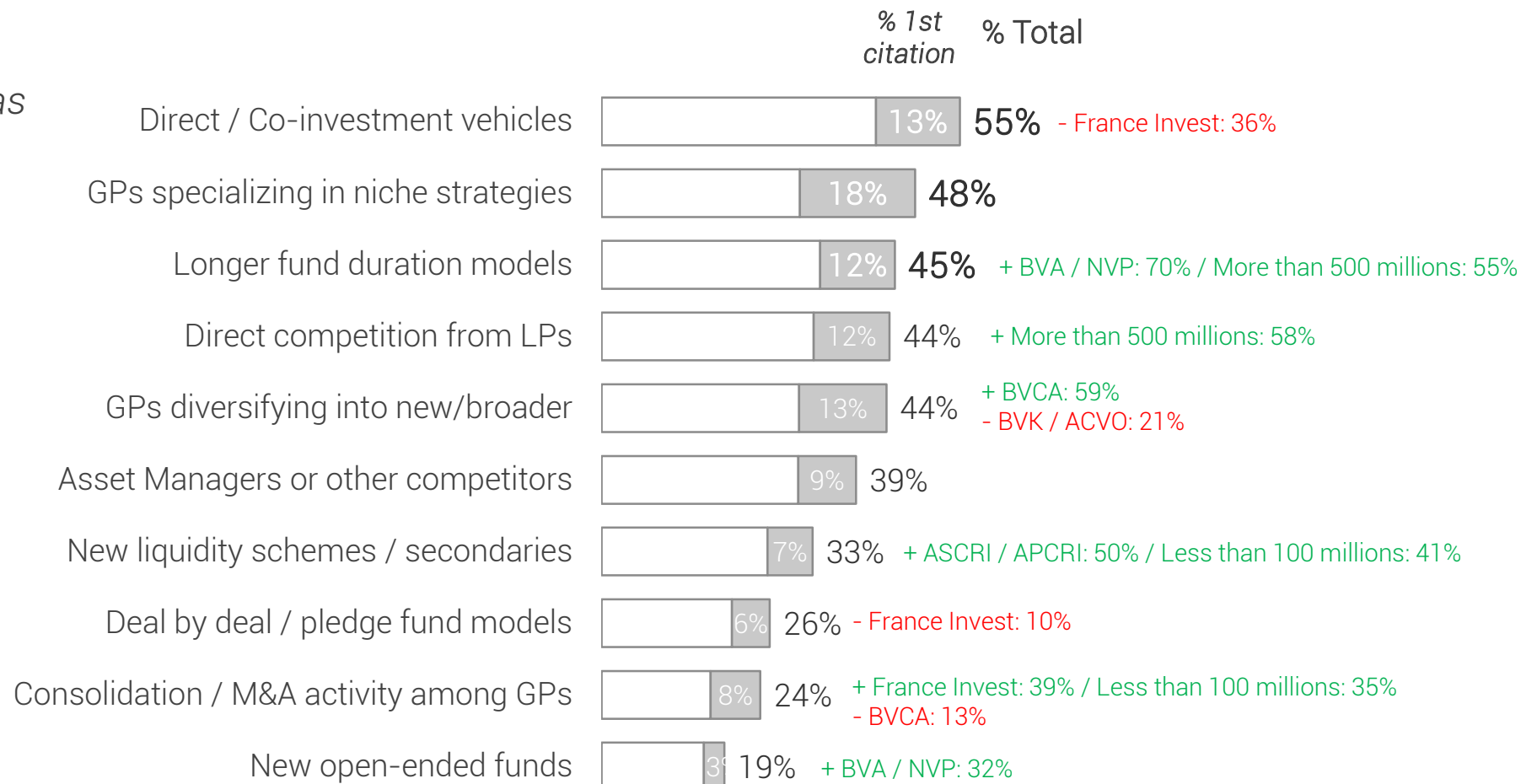


**Trends and priorities for the
industry in 2019?**

According to surveyed GPs, **direct/co-investment** (55%), **fund specialization** (48%) and **longer duration models** (45%) are the top 3 trends currently affecting the private capital business in Europe. Geographically, direct/co-investment would play a limited role in France and longer fund duration models seem to shake the Benelux industry (70%). Large fund managers (typical fund >500m€) are concerned by direct competition from LPs. Smaller managers see a growing trend of M&A / consolidation among GPs (35%).

Basis : n=383

What trends do you see as affecting the Private Capital business model?



Overall, stakeholders in the European PE industry have many plans in 2019 and expect the industry to remain very dynamic. **54%** of respondents think new GPs will enter the market in 2019, especially in Iberia (85%). **46%** would launch new strategies or funds and **61%** have fundraising plans in 2019...

How will the number of GPs in Europe evolve in 2019?

Basis : n=383

+ ASCRI / APCRI: 85%
- BVK / AVCO: 40%

Increase: 54%

- BVA / NVP: 2% / ASCRI / APCRI: 3%
+ Less than 100 millions: 20%

Decrease: 14%



■ Significantly increase ■ Slightly increase ■ Remain the same ■ Slightly decrease ■ Significantly decrease

46%

expect to launch new
strategies or fund
structures...

+ ASCRI / APCRI : 65%
- Buyout: 38%

61%

have fundraising plans
in 2019

+ ASCRI / APCRI : 75%
- BVA / NVP : 57%

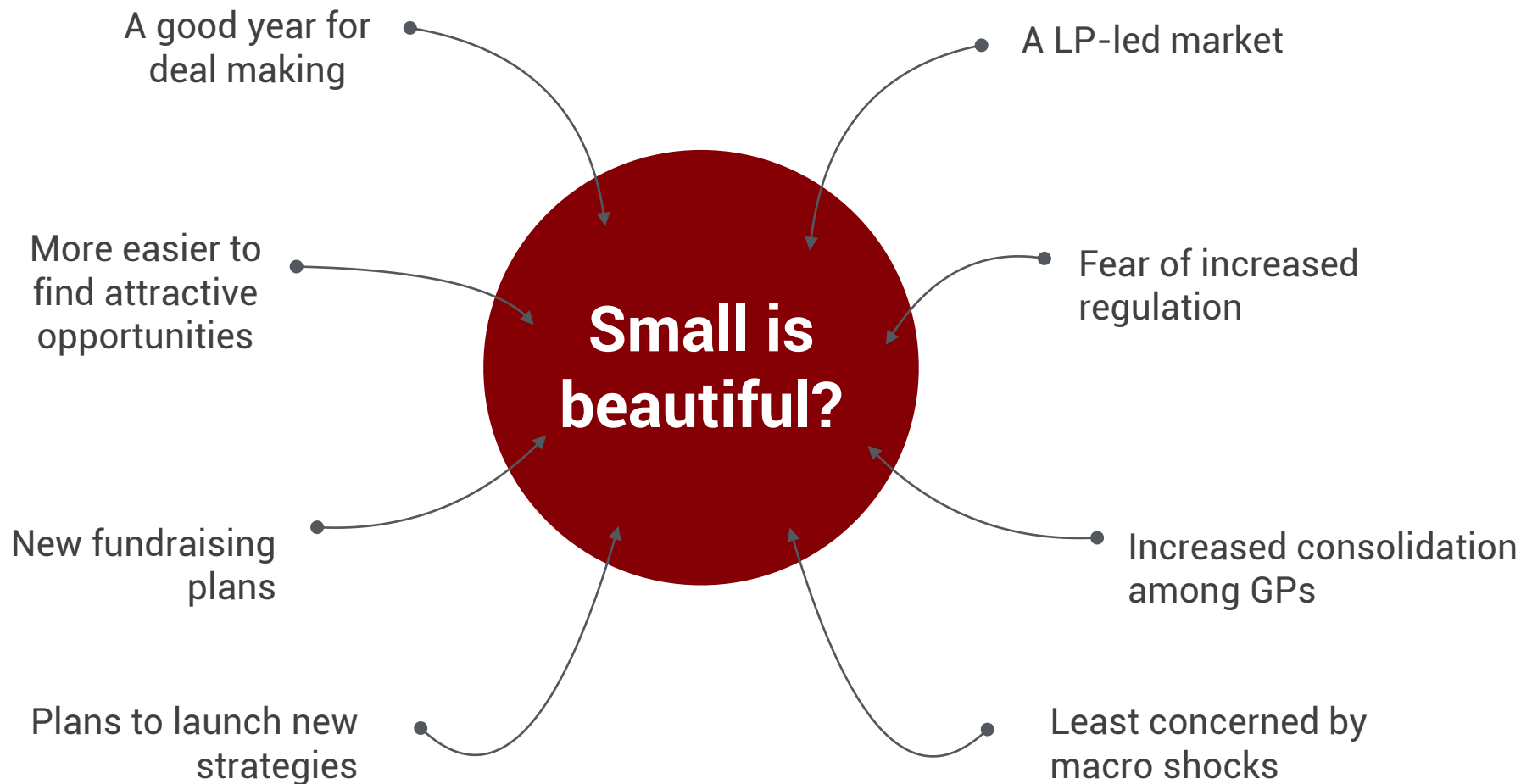
Q8. According to you, how will the number of GPs in Europe evolve in 2019?

Q19. If you have fundraising plans, do you expect to raise more or less capital in 2019 compared to your last fund?

Q20. In 2019, do you expect to launch new strategies or fund structures, etc...?

Smaller GPs (typical fund <100m€) appear to be more optimistic than larger players overall.

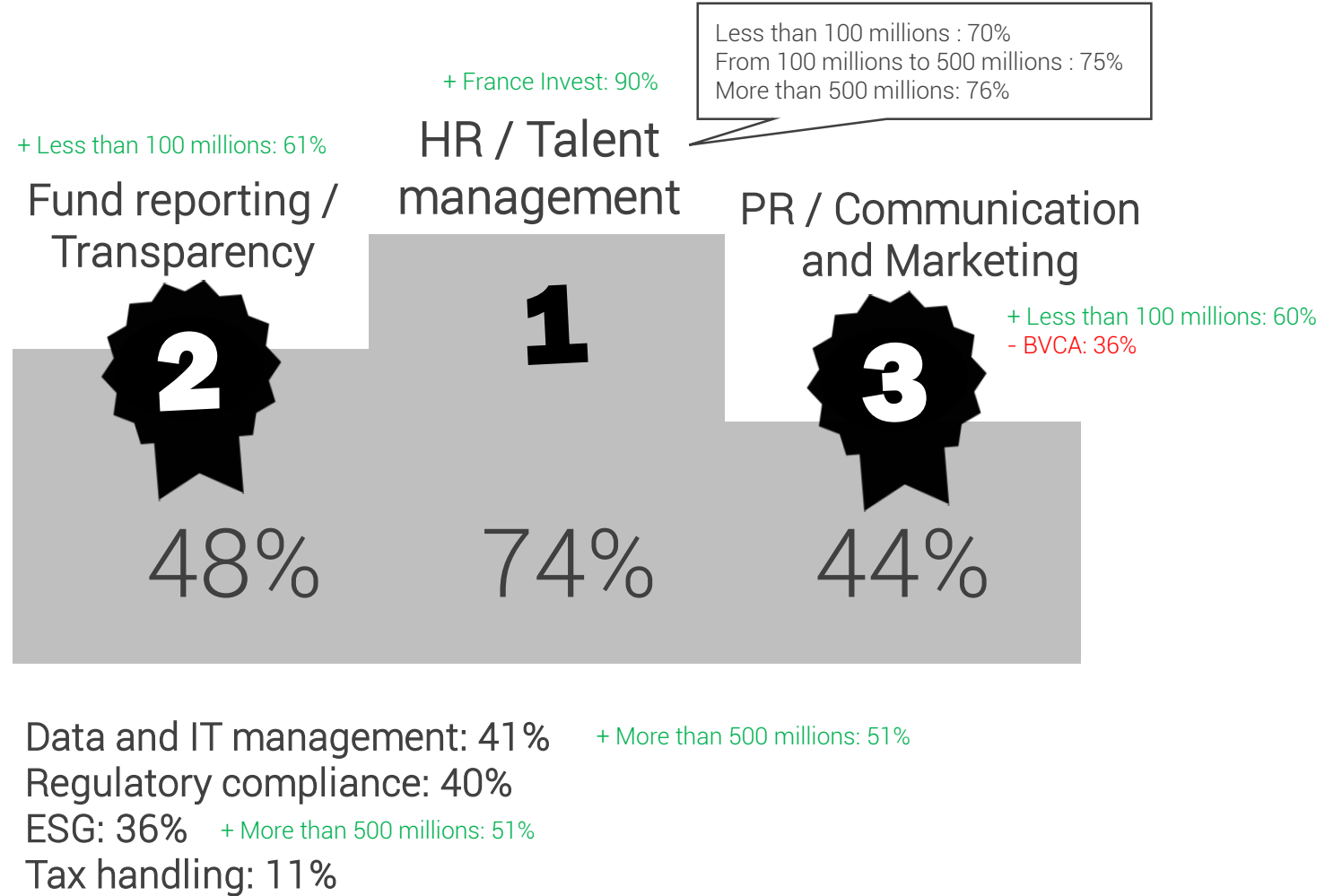
69% believe their business environment will remain as good or will be better in 2019 than it was in 2018. They regard 2019 as good year to make deals (70%) and 27% of them expect to raise "significantly more" capital in 2019 than for their previous funds. These players also have their own challenges : they fear regulation more than their larger peers and evolve in a "LP-led" market...



Internally, **HR / talent management** is a top priority for the industry in 2019 (mentioned by 74% of respondents) – no matter the size or the strategy. **Fund reporting** (48%), **PR / Communication and marketing** (44%) are also top concerns among European GPs. **ESG, data / IT management** appear to be predominantly large firms issues.

Basis : n=383

What are your top 3 internal priorities for 2019?





Private Equity has a reputation issue...

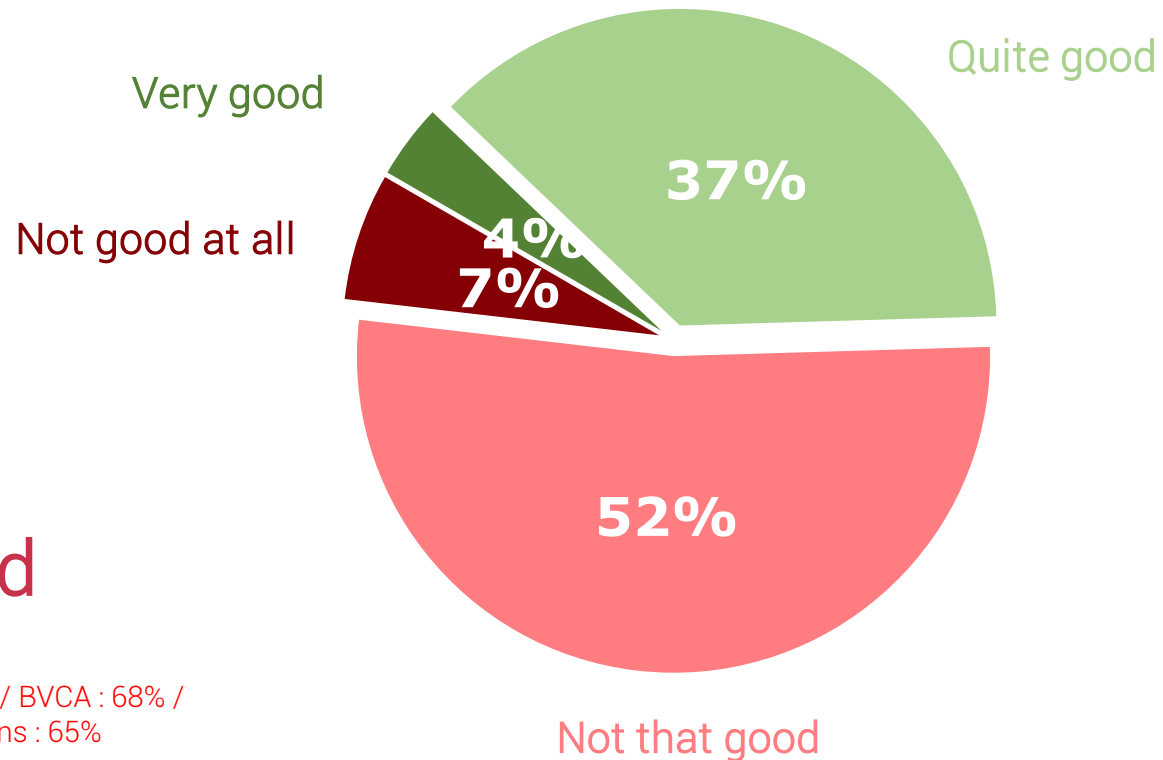
The perception of the Private Equity / Venture Capital industry and its economic role is **not good for 59% of surveyed GPs**. This reputation issue is especially raised by French / UK players and by the larger firms. Respondents from the DACH region, smaller firms and VCs believe the public perception of their role in the economy is rather positive.

Basis : n=383

What is the public perception of the Private Equity / Venture Capital industry and its economic role?

59%
Not good

+ BVK / AVCO: 40%
- France Invest: 74% / BVCA : 68% /
More than 500 millions : 65%



41%
Good

+ BVK / AVCO: 61% / Venture: 53% /
Less than 100 millions: 51%
- BVCA: 32% / France Invest: 26%

Conclusions

The background of the slide is a grayscale photograph of a panel discussion. Four people are seated in a row of modern, light-colored armchairs. From left to right: a woman with blonde hair, a man with dark hair, a man with dark hair, and a man with grey hair. The man with grey hair is speaking into a microphone. There are small round tables in front of them with water bottles. The overall tone is professional and formal.

Conclusions (1/2)

2019 is expected to be a difficult year by the European PE industry...

61% of respondents think the business climate in Europe will be more difficult in 2019 than in 2018

55% fear a major economic correction in 2019 :

- Brexit, trade war, Eurozone imbalances and rising populism seen as major threats this year
- A conjunction of growth slowdown, high valuations and markets volatility seen as the top headwinds facing European PE

Yet, the 2019 vintage could still offer good opportunities:

- **On the fundraising side:**
 - European PE sees 2019 as a good year to raise funds (65% of respondents) – except in the UK and Italy
 - 46% of respondents expected to launch new strategies or funds in 2019 (especially in Iberia)
 - 82% of the funds on the market expected to raise more than the previous vehicles
 - Most investors allocation to PE seen as increasing in 2019 – especially family offices and pension funds
Banks, corporate investors and funds of funds to be the least dynamic...
 - The market is expected to be “LP-led” in 2019 by 57% of respondents. Investors' appetite for PE to be monitored...
- **On the dealmaking side :**
 - A majority of GPs expect 2019 to be a good year to deploy capital (65%)
 - 2019 to be a very good year to improve portfolio operations (83%) and to exit (76%)

Conclusions (2/2)

- GPs views on valuations appear to be quite... blurred
- Yet, 41% think it will be even more difficult to find attractive deals – especially in France (61%)
- Business services, healthcare and information technology to be the top attractive industries in 2019 for buyout...
- AI / Big data, medtech and software in venture...

Trends affecting the industry in 2019

- New GPs / teams expected to enter the market in 2019 according to 54% of respondents, especially in Iberia
- ... launching niche strategies, a major trend for 48% of respondents
- Whereas direct / co-investment, longer duration models and competition from LPs to remain strong trends

Private equity has a big reputation issue in Europe...

- 52% of respondents think the industry has a bad image especially in France (74%) and the UK (68%) whereas their German counterparts believe PE has a good image (60%)

Talent management is European GPs 1st internal priority in 2019 (44%)

outpacing by far fund reporting (14%), ESG (11%), marketing (10%) and compliance (9%)

Key points about BVA / NVP

- **8 respondents on 10** think the business environment will be worse in 2019 compared to 2018
- They mention **protectionism / trade wars** and **eurozone imbalances** as top external threats for the Private Capital Industry in Europe
- A more **"GP-Led"** market compared to European peers
- **80% think 2019 is a good year for fundraising** (vs 65% globally)
- They expect to **deploy the same as today capital** compared to 2018



BELGIAN VENTURE CAPITAL &
PRIVATE EQUITY ASSOCIATION

NVP
Nederlandse Vereniging
van Participatiemaatschappijen

Belgium / Netherlands

Overall response rate : 56%
(59/105 active GPs)

Key points about ASCRI / APCRI

- **Only 35% of respondents fear a major economic correction in 2019 (vs 55% globally)**
- They mention **rising populism** as the top external threat in Europe for the Private Capital industry
- **The number of GPs will increase in 2019 in Europe** according to them (85% vs 54% globally)
- **65% expect to launch new strategies or fund structures (vs 46% for all associations)**



Ascri
ASOCIACIÓN ESPAÑOLA
DE CAPITAL, CRECIMIENTO
E INVERSIÓN



Spain / Portugal

Overall response rate : 37%
(40/107 active GPs)

Key points about BVK / AVCO

- DACH-based GPs think the **public perception of the Private Equity and its economic role is rather good** (61% vs 41% globally)
- **Protectionism / trade wars** is their 1st concern in 2019
- 2019 is viewed as a **very good year to raise funds** (81% vs 65% globally)...
- 30% of DACH respondents also expect to **deploy "significantly more capital"** this year
- **Software** is the most attractive industry in Venture & Growth Capital in 2019



Key points about France Invest

- **18% of French GPs expect the business environment be significantly worse in 2019 compared to 2018 (only 9% globally)**
- **Rising populism is much more mentioned (62% vs 48% globally) than elsewhere in Europe**
- **74% think the public perception of the Private Equity / Venture Capital and its economic role is not good**
- **62% say it will be more difficult to find attractive investment opportunities in 2019 compared to 2018**
- **France based managers are much more concerned by the current levels of valuations (92%) than their peers**



France
Invest
Association des investisseurs
pour la croissance

France

Overall response rate : 15%
(39/262 active GPs)

Key points about BVCA

- **UK-based GPs are more pessimistic about their business environment. 93% mention Brexit and its consequences as the top external threat for the industry in 2019**
- **2019 to be a challenging environment to raise funds for UK managers**
- **GP diversification into new / broader strategies seen as a top industry trend**
- **Financial services** among the favourite industries for buyout deals in 2019
- **68% think the public perception of the Private Equity / Venture Capital and its economic role is not good (vs 59% globally)**



United Kingdom

Overall response rate : 29%
(142/488 active GPs)

Comments (1/2)

"This is a unique survey at a unique time in advance of a unique event. It suggests a sector that is preparing for tougher conditions in the years ahead but also one that is ready to make the most of any adversity."

Tim Hames, Director General of the BVCA (UK)



« Political and macro-economic environments in Europe and worldwide may be more challenging in 2019, while positive trends open new opportunities. European private equity has a strong backbone to manage carefully growth opportunities at a micro-economic level, and to continue to adapt to a fast changing world. »

Dominique Gaillard, Chairman of France Invest (France)



«In the past, private equity has repeatedly proven to be successful and more robust than other segments of the capital market, even in difficult times. Even though factors such as the economic slowdown, trade conflicts and Brexit continue to cause uncertainty this year, we are convinced private equity will once again prove its strength. As an important part of the capital market, the asset class remains highly attractive and in the focus of LPs worldwide. In Germany in particular, private equity benefits from the enormous economic strength and competitiveness of both young and established companies. We are therefore optimistic about the year 2019. »

Ulrike Hinrichs, executive board member of the BVK (Germany)

Comments (2/2)

"Looking at the global scenario, investors see a 2019 with criticalities and uncertainties that depend more on global view than on specific situations. The points of view are obviously different and reflect the situations of different countries, once again looking more at the macroeconomic scenario than the business issues"

Anna Gervasoni, AIFI chief executive (Italy)



"While the economy is end-of-cycle and globalisation is on retreat our members are still positive about the interest rate environment and the ability to create attractive returns."

Rudolf Kinsky, AVCO President (Austria)



"There is no doubt that the level of uncertainty is on the raise, but it is in this particular moments of turbulence when Private Equity & Venture Capital has the opportunity to stand up again above other investment alternatives providing better and more stable returns from the point of view of investors, and as a valuable partner and source of capital from the point of view of companies and management teams. With reference to Spain we expect that in 2019 it will continue to consolidate as a core market with economic performance and stability above the European average"

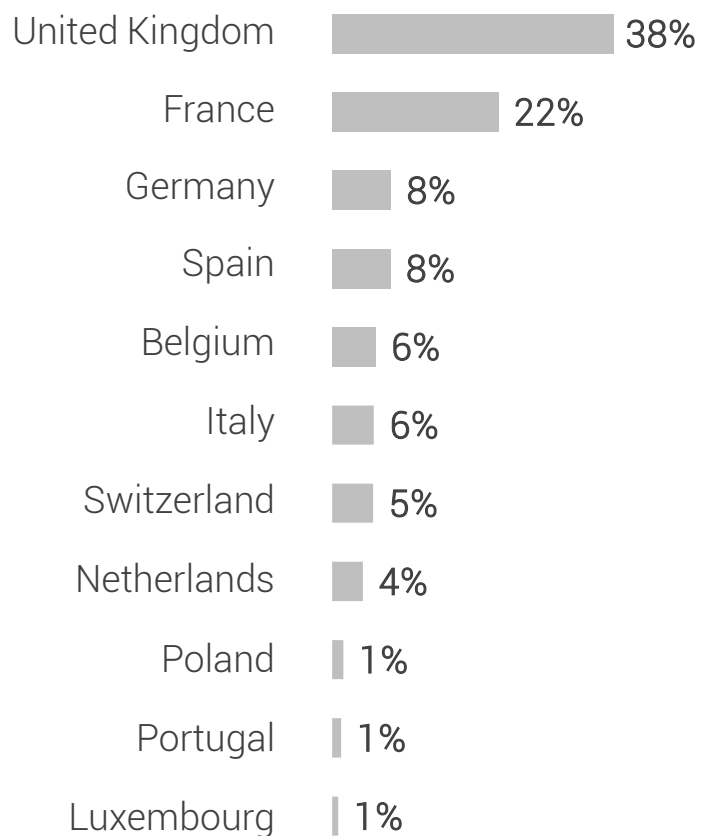
Miguel Zurita, ASCRI Chairman / Managing Partner & Co-Cio Altamar Capital Partners (Spain)



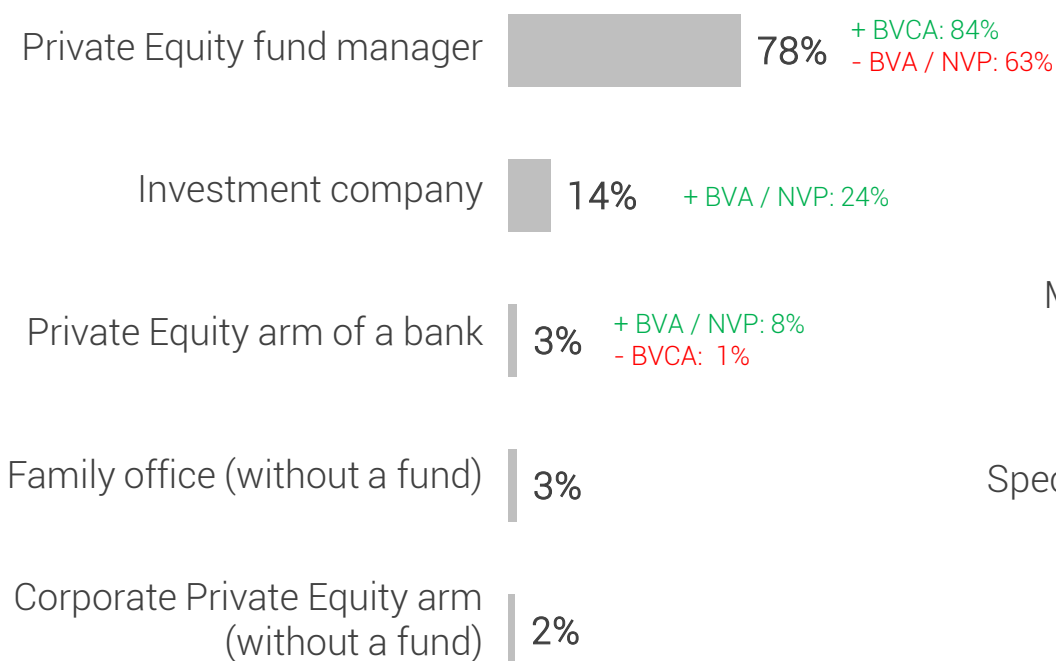
Respondents profile

Basis : n=383

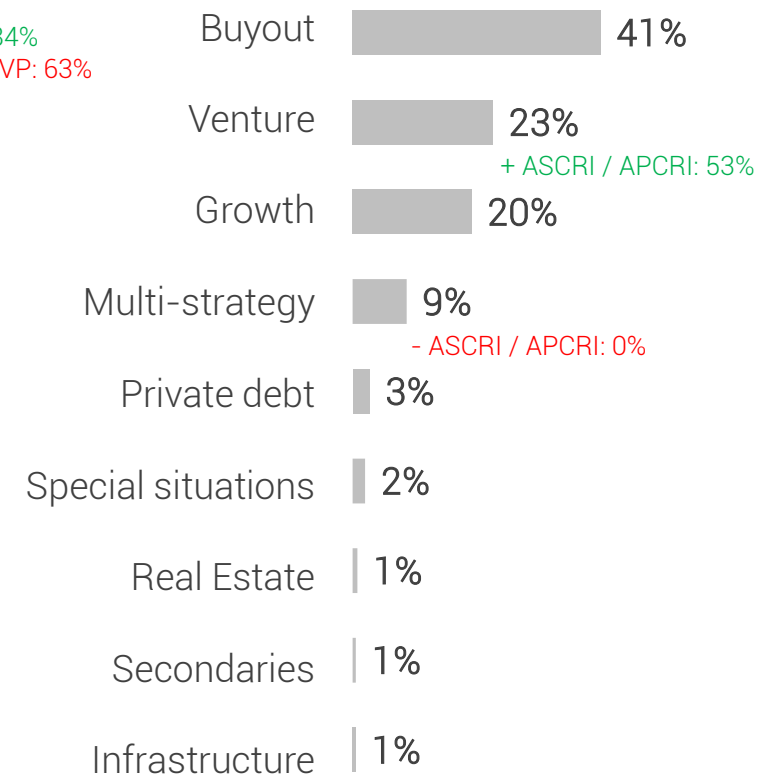
Country



The firm structure type



The main strategy of the fund



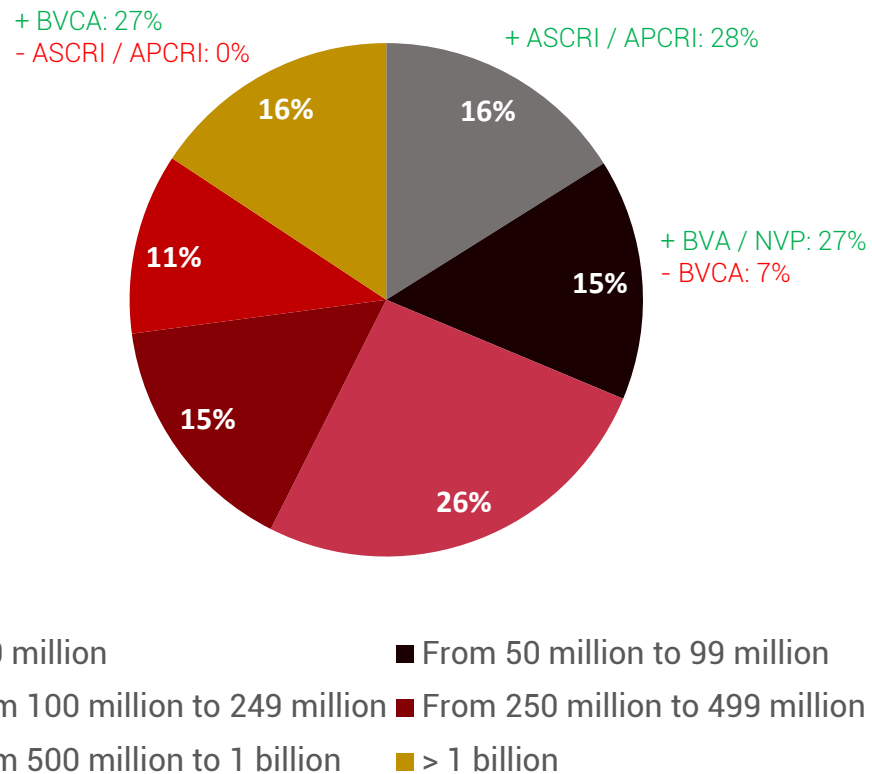
Q22bis. Please select the country where your firm is headquartered in Europe.

Q22ter. Please select your firm structure type.

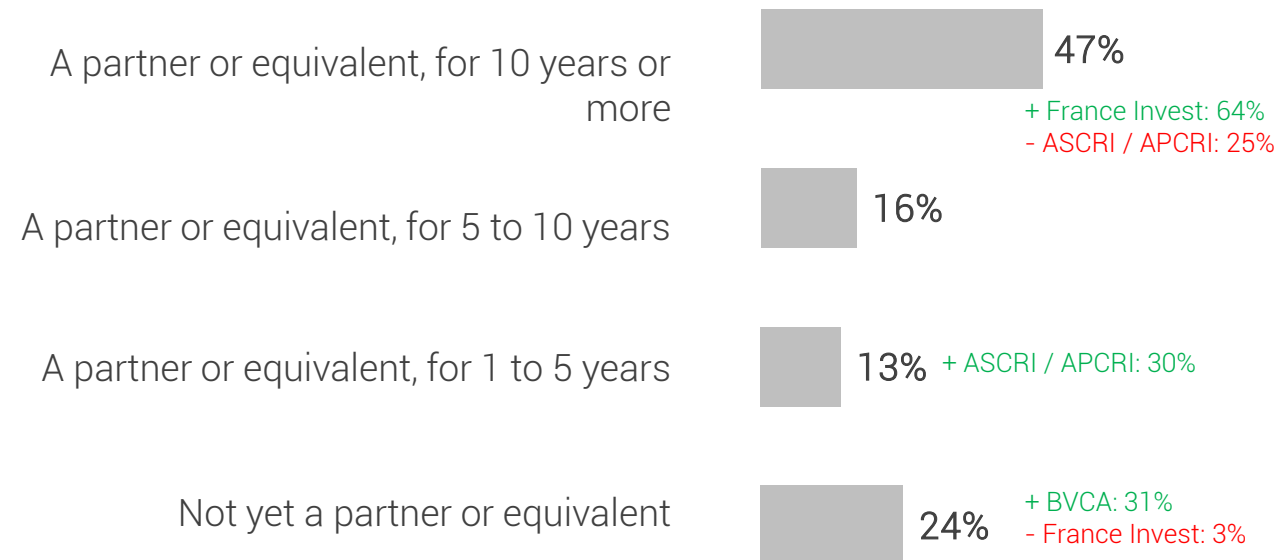
Q23. Please select the main strategy of your fund.

Basis : n=383

The size of the typical fund



Are you personally?



Q24. Please select the size of your typical fund.

Q25. Are you personally?

A black and white photograph of a panel discussion. Five people are seated in a semi-circle. From left to right: a woman with glasses, a man with a beard, a man with a mustache, and a man speaking into a microphone. A fifth person is partially visible on the far left. There are small round tables with water bottles and papers in front of them. The background is a modern, brightly lit space with large letters 'IP' visible on the right.

THANK YOU

Your contacts:

Pierre LABARRAQUE – pierre.labarraque@csa.eu

Amélie Bouvet – amelie.bouvet@csa.eu