



ACCESS CAPITAL PARTNERS PRIVATE ASSETS IN EUROPE

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

FIRST QUARTER 2016



1. Primary investments

Deal-making continues as GPs backed by Access cherry-pick the most attractive opportunities amid an expensive market

In aggregate, Access' GPs completed 16 deals in Q1 2016, stable compared to Q1 2015 when 17 deals were finalised. This relatively subdued level of deal making activity can be explained by the typical low level of activity of the first quarter of the year, and by the cautious and disciplined approach of GPs deploying capital in a market that remains characterised by increasing entry prices. In this context, Access' GPs continue to demonstrate their ability to maintain their conservative approach to leverage, structuring deals with significant equity cushions, while the general trend of the market exhibits a high propensity to increase debt levels;

Buy-out activity in the UK has slowed down over the first quarter of 2016, witnessing its lowest level volume since 2009. This decrease can be explained by an array of factors, mainly arising from uncertainties relating to a potential Brexit, alongside the typical seasonality of the market in Q1. Notwithstanding the foregoing, the UK market remains dynamic, historically accounting for 50-60% of the overall European buy-out transactions. Should the pace of deal making in the region remain moderate over the next quarter, it can reasonably be expected to normalise back to its historic level of activity over the second half of the year, depending on the outcome of the June referendum.

Multifactorial forces could hinder portfolio valuations' rise...

The past year has been characterised by a very strong level of activity on the exit market, alongside a sharp rise in valuations. Private Equity portfolio performances undoubtedly benefitted from the aforementioned dynamic. Subsequently, a significant number of underlying funds have passed the hurdle rate and are now in carry mode.

Further, the pound sterling lost 12.5% of its value between its recent peak in July 2015 and the end of Q1 2016, notably as a consequence of perceived risks and uncertainties relating to a potential Brexit. The valuation of GBP-denominated portfolios will therefore be adversely impacted in Q1 2016;

Nonetheless, companies in Access' portfolios exhibit sound financial and economic health, significantly outperforming the European economy: the average expected sales growth within Access portfolios for

2015 stands at 10% while the average expected EBITDA growth is 13%.

Fundraising momentum remains apace...

Access constantly source and analyse management teams with strong and sustainable track record, pursuing original and coherent strategy value creation strategies and having the demonstrated operational added value in companies on the European small and mid-market buy-out segment. In that respect, the beginning of 2016 is characterised by a dynamic fundraising market, presenting attractive opportunities with high quality teams coming to the market. So far in 2016, Access sourced 33 potential primary investment opportunities versus 16 for the same period a year ago.

2. Exit activity

After a buoyant year in terms of activity, the volumes on the exit market are expected to gradually normalise back to their historic levels. This dynamic begun over the first quarter of 2016, as 10 companies were sold across Access' primary and secondary portfolios, down from the 26 divestments recorded over the last quarter of 2015. Despite this, the performance on these exits remains strong, as they delivered an average gross cost multiple of 3.3x, in line with the average multiple recorded in 2015 (3.1x).

3. Secondary market activity

The deal flow analysed by Access over the first quarter was strong and diverse, despite the fact that some buyers were waiting for the publication of December 2015 NAV to dispose portfolios. If the trend continues to follow the same dynamic, it could foreshadow yet another busy year on the secondary market, allowing Access to deploy capital and seize attractive opportunities on its core market segment.

As such, the average discount to NAV for the 4 secondary transactions completed in Q1 2016 by Access stands on average at 17%, significantly below the overall market average discount to NAV of 6% (Cogent). Overall pricing on the secondary market remains strong, but continues to present attractive opportunities for players like Access who capitalises on its expertise on niche segments of the market and maintains a strict investment discipline.

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 €6.5 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.



ACCESS CAPITAL PARTNERS

www.access-capital-partners.com

Telephone: +33.1.56.43.61.00