European Private Equity Outlook 2019

Munich, February 2019
Our 10th European Private Equity Outlook reveals how experts view the market and its development in 2019

The European Private Equity Outlook 2019 is the 10th consecutive publication in a series launched by Roland Berger in 2010.

More than 2,500 experts from private equity investment companies across Europe were contacted for the PE outlook.

The results reveal what experts in the market anticipate for various countries and regions and what they consider to be relevant factors for the private equity business throughout 2019.

We hope you enjoy reading this study. We would be happy to receive your feedback and look forward to the opportunity to discuss the results with you in more depth.
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A. Focus of study and methodology
This study is based once more on an exclusive survey of private equity professionals from leading PE firms across Europe.

Focus and methodology of the study

Overview of European private equity survey

1. Development of the European private equity market
2. Key challenges for private equity
3. Competitive dynamics and the private equity business model

Overview of participants
Private equity survey, 2019

% of responses
Geographical focus

Overview of participants
Private equity survey, 2019

% of responses
Geographical focus

PE experience
[&% of responses]

< 6 years
13%

6-10 years
13%

> 10 years
74%

Scandinavia
15%

UK
11%

Benelux
9%

France
11%

DACH
23%

CEE
5%

Spain & Portugal
3%

Italy
14%

1) Germany, Austria, Switzerland

Source: Roland Berger
B. Executive summary
PE professionals are less optimistic about the outlook for Europe in 2019 than they have been in the past

The outlook for M&A transactions with PE involvement has become less optimistic: For the first time in several years, more PE professionals expect a decrease (48%) rather than an increase (31%) in the number of transactions with PE involvement – The share of respondents expressing a positive outlook is 20 ppt. down on 2018

Among the most influential factors for M&A with PE involvement in 2019, PE professionals expect the overall economic situation/cycle and political stability to deteriorate at least slightly – On the whole, the availability of attractive acquisition targets is expected to remain broadly stable

Geographically, respondents differ more in their growth expectations: Positive developments are expected for Spain and Portugal, Scandinavia and CEE in 2019 – The lowest growth expectations are for the UK, which is clearly impacted by the uncertainty around Brexit negotiations followed by Italy, Greece and France

Pharma & healthcare, technology & media and business services & logistics are the top three industries expected to yield the most M&A deals with PE involvement in 2019

The mid/small-cap segment is considered the most promising in 2019 with regard to M&A with PE involvement, whereas PE professionals expect a (slight) decrease for the large-cap segment

The "development of portfolio companies" is the focus of PE activity for 2019, followed by "making new investments" – Last year, the main focus was "divesting existing investments", an activity which is now expected to become slightly less relevant after several years of intense divestment activity
Executive summary

IPO as an exit channel is viewed with increasing skepticism – Valuation multiples are largely considered overvalued

7 With regard to exit channels, sales to PE investors and strategic investors are expected to be most promising – The IPO channel is increasingly viewed with skepticism, and its importance is expected to decline; this may also be the result of a difficult stock market environment during the survey period (YE 2018)

8 Majority shareholdings in family-owned companies and secondary buyouts continue to be seen as the most important sources of attractive targets in 2019 – Overall, the target attractiveness level is broadly in line with past years

9 The current valuation multiples paid are considered (slightly) overvalued by the vast majority of PE professionals (91%) – Nearly two thirds expect valuation multiples paid to (slightly) decrease in 2019, a strong change from 2018, when respondents still expected stable to slightly increasing multiples

10 Half of the PE professionals (50%) expect no change in the level of competition for fundraising in 2019

11 The involvement of external consultants is highest during acquisition and pre-exit phases in the lifecycle of PE portfolio companies
Process uncertainty is expected to increase in 2019 – Add-ons and digitalization/Industry 4.0 are still seen as key value creators

12 Competition for deals from Chinese strategic and financial investors is not expected to continue to increase in 2019. Survey results instead suggest a stable level of competition from Chinese investors

13 External financing, especially refinancing and recapitalization, is expected to become slightly more difficult to raise in 2019 – Growth financing is expected to see little change

14 Over half of the PE professionals (54%) expect process uncertainty in the M&A environment for PE companies to remain a challenge in 2019 – Only 14% of respondents expect a reduction in process uncertainty

15 When it comes to the private equity business model, more active portfolio management, an increase in the portfolio's resilience to economic changes (i.e., the "weatherproof" portfolio company) and geographical expansion are expected to gain importance for the majority of PE professionals

16 Add-on acquisitions, digitalization/Industry 4.0 and cycle resilience of portfolio companies are expected to be the most important portfolio improvement/value creation measures in 2019 – Cycle resistance has grown the most in importance (+10 ppt.) compared to the year prior
C. Results of the PE Outlook for 2019
The outlook for M&A transactions with PE involvement has changed: More PE professionals expect a decline in numbers

M&A transactions with PE involvement – 2019 vs. 2018 [%]

"What change do you expect to see in 2019 regarding the number of completed M&A transactions with PE involvement?"

- 48% Decline of more than 10%
- 35% 0% to -10%
- 21% 0%
- 27% 0% to +10%
- 4% Increase of more than 10%

Sources: Roland Berger

> Compared to last year’s expectations, PE professionals have become less optimistic in their expectations for 2019 after a successful 2018 and 2017.

> For the first time in several years, more respondents expect the number of M&A transactions with PE involvement to decrease (48%) rather than increase (31%).
The economy and politics are behind the slightly negative outlook – The availability of attractive targets is expected to remain stable

Overview of relevant factors for M&A business in Europe – 2019 vs. 2018 [%]

"What will be the most influential factors affecting the number of European M&A transactions with PE involvement in 2019? How will they develop?"

<table>
<thead>
<tr>
<th>Importance of factors</th>
<th>Development of factors in 2019</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall economic situation/economic cycle</td>
<td>84%</td>
<td>7% 62% 26% 3% 2%</td>
</tr>
<tr>
<td>Political stability (e.g., Brexit, populist governments)</td>
<td>66%</td>
<td>8% 57% 24% 9% 2%</td>
</tr>
<tr>
<td>Availability of attractive acquisition targets</td>
<td>60%</td>
<td>1% 24% 60% 15% 0%</td>
</tr>
<tr>
<td>Development of valuation levels</td>
<td>50%</td>
<td>1% 32% 37% 28% 2%</td>
</tr>
<tr>
<td>Trade conflict/regulation</td>
<td>49%</td>
<td>1% 42% 46% 11% 0%</td>
</tr>
<tr>
<td>Availability of inexpensive debt financing</td>
<td>46%</td>
<td>8% 47% 42% 3% 0%</td>
</tr>
<tr>
<td>Competition from strategic investors</td>
<td>24%</td>
<td>1% 14% 66% 19% 0%</td>
</tr>
</tbody>
</table>

% of responses: ▲ Positive trend ▼ Negative trend

> The most important factor is the overall economic situation/economic cycle, which is expected to deteriorate in 2019 compared to 2018

> Political stability is expected to further deteriorate in 2019 – Uncertainty associated with the China-US trade war, the Turkish economic crisis, political instability in Italy, ongoing Brexit negotiations, German elections in the eastern federal states, as well as elections in Eastern Europe (e.g., Poland, Ukraine) are key drivers of this development

> The availability of attractive acquisition targets is expected to remain stable compared to 2018

Source: Roland Berger
Respondents differ more regarding their regional growth outlook – Positive outlooks for Spain/Portugal, Scandinavia and CEE

Change in PE M&A activity in major countries – 2019 vs. 2018 [%]

"What change in PE M&A activities do you expect to see in the following countries in 2019?"

<table>
<thead>
<tr>
<th>Country</th>
<th>% of expected change in PE M&amp;A activity in 2019 compared to previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Spain &amp; Portugal 1.7%</td>
</tr>
<tr>
<td>2</td>
<td>Scandinavia 1.6%</td>
</tr>
<tr>
<td>3</td>
<td>CEE excl. Poland 1.4%</td>
</tr>
<tr>
<td>4</td>
<td>Poland 1.2%</td>
</tr>
<tr>
<td>5</td>
<td>Benelux 0.7%</td>
</tr>
<tr>
<td>6</td>
<td>Germany 0.5%</td>
</tr>
<tr>
<td>7</td>
<td>Austria &amp; Switzerland 0.1%</td>
</tr>
<tr>
<td>8</td>
<td>France -0.3%</td>
</tr>
<tr>
<td>9</td>
<td>Greece -0.4%</td>
</tr>
<tr>
<td>10</td>
<td>Italy -0.9%</td>
</tr>
<tr>
<td>11</td>
<td>UK -3.9%</td>
</tr>
</tbody>
</table>

% of expected change in PE M&A activity in 2019 compared to previous year [only one response per country possible]
1) Includes Denmark, Norway, Sweden  2) Central and Eastern Europe includes Bulgaria, Croatia, Czech Republic, Hungary, Romania, Slovakia and Slovenia

> Stronger differentiation with regard to the regional growth outlook
- Most favorable outlook for PE markets in Spain & Portugal, which may benefit from positive catch-up effect
- Germany's outlook remains positive, albeit with less intensity than seen in past years
- A slight decline is expected for France. Expectations have shifted sharply away from the positive sentiment around a more reform-oriented agenda in last year's survey
- UK expected to see a decline in M&A activities in the context of ongoing difficult Brexit discussions

Source: Roland Berger
Pharma & healthcare, TMT and business services & logistics are expected to yield the most M&A deals with PE involvement in 2019

Likelihood of a high number of M&A transactions by industry – 2019 vs. 2018 [%]

"In what industries do you expect to see the most M&A transactions with PE involvement in 2019?"

<table>
<thead>
<tr>
<th>Industry</th>
<th>2019 Likelihood</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharma &amp; healthcare</td>
<td>72%</td>
</tr>
<tr>
<td>Technology &amp; media (TMT)</td>
<td>70%</td>
</tr>
<tr>
<td>Business services &amp; logistics</td>
<td>65%</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>48%</td>
</tr>
<tr>
<td>Financial services</td>
<td>37%</td>
</tr>
<tr>
<td>Engineered products</td>
<td>35%</td>
</tr>
<tr>
<td>Energy</td>
<td>22%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>20%</td>
</tr>
<tr>
<td>Automotive</td>
<td>11%</td>
</tr>
<tr>
<td>Building &amp; construction</td>
<td>7%</td>
</tr>
</tbody>
</table>

% of participants who expect a high number of transactions

Source: Roland Berger

> The pharma & healthcare, TMT and business services & logistics industries are expected to be the most active in terms of the number of M&A transactions with PE involvement

> Respondents also expect the consumer goods and financial services sectors/industries to account for a large number of M&A transactions in 2019

> A fairly low number of PE transactions is expected in the building & construction industry (a decline of 11 ppt. from last year's survey)
The mid/small-cap segment is expected to further drive growth, whereas the large-cap segment is expected to slightly decrease.

Development of PE transaction size classes – 2019 vs. 2018 [%]

"Please estimate the development of the European M&A market with PE involvement by size classes."

<table>
<thead>
<tr>
<th>Size class</th>
<th>Development of size classes in 2019</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;EUR 100 m</td>
<td>18% 34% 48%</td>
<td></td>
</tr>
<tr>
<td>EUR 100-250 m</td>
<td>21% 45% 34%</td>
<td></td>
</tr>
<tr>
<td>EUR 250-500 m</td>
<td>33% 49% 18%</td>
<td></td>
</tr>
<tr>
<td>EUR 500-1,000 m</td>
<td>41% 48% 11%</td>
<td></td>
</tr>
<tr>
<td>&gt;EUR 1,000 m</td>
<td>56% 30% 14%</td>
<td></td>
</tr>
</tbody>
</table>

Trend towards (slight) increase
Trend towards (slight) decrease
Stable compared to 2018
(Slight) decrease

Source: Roland Berger

> The small-cap segment, with deals up to EUR 100 m, followed by the mid-cap size classes of EUR 100-500 m, are considered the most promising in 2019.

> For the large-cap segment, with enterprise values above EUR 500 m, a large number of PE professionals expect a stable to slightly decreasing development (97% in 2019 vs. 50% in 2018).

1) Simplified; excluding significant decrease and significant increase
In 2019, PE activity is expected to focus on developing portfolio companies and making new investments.

Focus of PE investors on lifecycle stages – 2019 [%]

"On which phase of the PE value chain will you focus most in 2019?"

- Development of portfolio companies: 32%
- Making new investments: 25%
- Divesting existing investments: 22%
- Fund-raising: 12%
- Prolongation of existing funds: 9%

% of participants who plan to place most of their focus on this phase of the PE value chain

Source: Roland Berger

> The development of portfolio companies is the new top priority for financial investors in 2019, up 10 ppt. from 2018.

> The top priority in 2018, cited by 30% of respondents, was the divestment of existing investments – At 22% in 2019, this has become slightly less important.
The exit channel "sale to PE investors" is anticipated to develop favorably – IPO channel expected to decrease in importance

Change in exit channels – 2019 vs. 2018 [%]

"How do you expect the individual exit channels to change in 2019?"

<table>
<thead>
<tr>
<th>Exit channels</th>
<th>Development of exit channels in 2019</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>M&amp;A with PE investors</td>
<td>1% 13% 48% 35% 3%</td>
<td></td>
</tr>
<tr>
<td>M&amp;A with strategic investors</td>
<td>2% 23% 46% 27% 2%</td>
<td></td>
</tr>
<tr>
<td>Dual track (e.g., IPO and M&amp;A process)</td>
<td>13% 49% 30% 8% 0%</td>
<td></td>
</tr>
<tr>
<td>Triple track (e.g., IPO, M&amp;A process and refinancing)</td>
<td>17% 46% 26% 11% 0%</td>
<td></td>
</tr>
<tr>
<td>IPO</td>
<td>27% 49% 19% 5% 0%</td>
<td></td>
</tr>
</tbody>
</table>

- In 2019, all exit channels are viewed less favorably compared to past years
  - Sale to both strategic and PE investors is slightly more conservative but still considered promising: 29% and 38% of respondents expect an increase, respectively
- PE professionals expect IPO exits, dual tracks (e.g., IPO and M&A process) and triple tracks (e.g., IPO, M&A process and refinancing) to decrease (slightly) in 2019

Source: Roland Berger
Majority shareholdings in family-owned companies and secondary buyouts continue to be viewed as key sources of targets

Sources of most attractive targets – 2019 vs. 2018 [%]

"What will be the source of the most attractive targets in 2019?"

<table>
<thead>
<tr>
<th>Source of Targets</th>
<th>2019</th>
<th>Rank Change 2019 vs. 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Majority shareholdings in family-owned companies</td>
<td>65%</td>
<td>0</td>
</tr>
<tr>
<td>Secondary buyouts</td>
<td>46%</td>
<td>0</td>
</tr>
<tr>
<td>Parts of groups/carve-outs</td>
<td>41%</td>
<td>0</td>
</tr>
<tr>
<td>Listed companies (taking private)</td>
<td>22%</td>
<td>+1</td>
</tr>
<tr>
<td>Insolvent companies/distressed deals</td>
<td>20%</td>
<td>+1</td>
</tr>
<tr>
<td>Minority investments</td>
<td>18%</td>
<td>-2</td>
</tr>
</tbody>
</table>

% of participants who expect this source of targets to be important or very important [multiple answers possible]

> Majority shareholdings in family-owned companies are viewed by 65% of PE professionals as the most important source of attractive targets in 2019 – The 2019 figure is significantly above 2018’s 58% and roughly on the 2017 level (72%)  
> The importance of secondary buyouts and parts of groups/carve-outs is the same as in 2018  
> Listed companies (taking private) and insolvent companies/distressed deals increased in attractiveness compared to 2018 by +9 ppt. and +10 ppt., respectively  
> Minority investments are considered less important: -4 ppt. compared to 2018

Source: Roland Berger
PE professionals expect the attractiveness of available targets in 2019 to be similar to 2018

Expected development of investment opportunities – 2019 vs. 2018 [%]

"Overall, targets available on the market in 2019 will be more attractive than in 2018. Do you agree or disagree?"

- 34% Neither agree nor disagree
- 43% Somewhat agree
- 23% Completely agree
- 29% Somewhat disagree
- 5% Completely disagree
- 2% Completely agree

% of responses [only one answer possible]

Source: Roland Berger

> 23% of surveyed PE professionals expect targets for investments to be more attractive in 2019 than in 2018 – This is a slight decrease from 2018, when 26% of respondents expected more attractive market opportunities

> The percentage of experts who somewhat disagree with opportunities being more attractive slightly decreased by 4 ppt. – The majority of respondents neither agree nor disagree

> Participants completely disagreeing with the statement increased from 1% in 2018 to 5% in 2019
Assets in M&A transactions with PE involvement are considered overvalued by the vast majority (91%) of PE professionals.

Current status of valuation multiples – 2019 vs. 2018 [%]

"What describes best the current status of valuation multiples paid during M&A transactions with PE involvement? Assets are …"

- 91% overvalued
- 42% slightly overvalued
- 49% overvalued
- 0% undervalued
- 1% slightly undervalued
- 8% fairly valued

> Multiples paid during M&A transactions with PE involvement are seen as (slightly) overvalued by 91% of respondents (93% in 2018)

- Reasons behind this include the low interest rate environment and the persistently favorable credit markets and lending environment in combination with limited investment opportunities
- Only 8% of respondents believe that assets are fairly valued

Source: Roland Berger
At 63%, the majority of surveyed PE professionals expect valuation multiples paid to (slightly) decrease in 2019

Expected development of valuation multiples – 2019 vs. 2018 [%]

"How do you expect valuation multiples paid during M&A transactions with PE involvement to develop in 2019?"

- 63% of PE professionals expect the level of valuation multiples to decrease in 2019, a considerable change from 2018 when most respondents still expected stable to slightly increasing multiples
- Only 8% of surveyed PE professionals expect valuation multiples paid during M&A transactions with PE involvement to increase throughout 2019
- 29% of participants expect valuation multiples paid during M&A transactions with PE involvement to stay the same

Source: Roland Berger
Half of the PE professionals (50%) expect no change in the level of competition for fundraising.

Expected level of competition for fundraising – 2019 vs. 2018 [%]

"What degree of competitiveness do you expect in fundraising in 2019?"

- 50% of respondents anticipate no change in the competition for funds in 2019 compared to the current status quo.
- However, compared to 2018, more PE professionals expect a more intense competitive situation – This constitutes an increase of 9 ppt. (up from 34% in 2018 to 43% in 2019) compared to the previous year.
- An easing in the competitive situation is anticipated by only 7% of respondents (up from 4% last year).

Source: Roland Berger
The involvement of external consultants is highest during acquisition and pre-exit phases in the lifecycle of PE portfolio companies.

Involvement of external consultants – 2019 vs. 2018

"To what extent do you involve external consultants during the lifecycle of PE portfolio companies?"

<table>
<thead>
<tr>
<th>Phase</th>
<th>Low involvement</th>
<th>Neutral</th>
<th>High involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>During acquisition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.g., CDD</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Early post-acquisition</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.g., 100 day plan, detailing value creation plan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Portfolio holding period</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.g., optimization of operations, buy &amp; build</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Pre-exit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e.g., equity story, VCDD</td>
<td></td>
<td></td>
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</tbody>
</table>

> In general, external consultants tend to be involved during acquisition and pre-exit phases in the lifecycle of PE portfolio companies.
> During early post-acquisition and for the portfolio holding period, the involvement of external consultants tends to be lower.
> Compared to previous years, there is no significant change in the involvement of external consultants during the lifecycle of PE portfolio companies.

Source: Roland Berger
Competition for deals from Chinese strategic and financial investors is not expected to increase further in 2019

Increasing competition from Chinese investors – 2019 vs. 2018 [%]

"Do you expect increasing competition for deals from Chinese strategic and financial investors in 2019?"

- Most surveyed PE professionals expect stability in competition from Chinese investors – Only 28% of respondents (vs. 42% in 2018) expect a further increase in competition for deals from Chinese investors this year
  - This is not surprising given increasing regulatory hurdles in Europe (e.g., further tightening of the foreign trade ordinance by lowering the intervention threshold from 25% to 10% in Germany) as well as increasing selectivity among Chinese investors

<table>
<thead>
<tr>
<th>% of responses [only one answer possible]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant decrease</td>
</tr>
<tr>
<td>Slight decrease</td>
</tr>
<tr>
<td>Stable compared to 2018</td>
</tr>
<tr>
<td>Slight increase</td>
</tr>
<tr>
<td>Significant increase</td>
</tr>
</tbody>
</table>

Source: Roland Berger
External financing, especially refinancing and recapitalization, is expected to become slightly more difficult in 2019.

Availability of external financing – 2019 vs. 2018

"Compared to 2018, how easily available will external financing be in 2019?"

<table>
<thead>
<tr>
<th>Financing Type</th>
<th>Last year</th>
<th>Current year</th>
<th>More difficult to raise</th>
<th>No change</th>
<th>Easier to raise</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leveraged buyouts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth financing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refinancing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recapitalization</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

> Overall, the external financing situation is expected to be slightly more difficult in 2019 compared to 2018:
- Refinancing and recapitalization are expected to become more difficult in 2019.
- Expectations for growth financing have changed the least between the two years.

Source: Roland Berger
Over half of PE professionals expect process uncertainty in the M&A environment to remain a challenge in 2019

Importance of process uncertainty – 2019 vs. 2018 [%]

“The M&A environment for private equity companies has been characterized by a high degree of process uncertainty in 2018, which will continue in 2019. Do you agree?”

% of responses [only one answer possible]

- Strongly disagree: 2%
- Slightly disagree: 12%
- Neutral: 32%
- Slightly agree: 33%
- Strongly agree: 21%

A larger number of respondents (54% up from 39% in 2018) expect process uncertainty in the M&A environment for PE companies to persist in 2019.

Process uncertainty can lead to delays in processes, pulled processes or enlarged groups of bidders.

Source: Roland Berger
More active portfolio management, increase in portfolio's resilience to economic changes ("weatherproof") and geographical exp. in 2019

Changes in the private equity business model – 2019 vs. 2018 [%]

"What changes in the private equity business model do you expect to occur in 2019?"

<table>
<thead>
<tr>
<th>Areas of change</th>
<th>Development of PE business model in 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>More active portfolio management</td>
<td>0% 3% 23% 54% 20%</td>
</tr>
<tr>
<td>Increase in resilience of portfolio to economic changes</td>
<td>0% 12% 32% 45% 11%</td>
</tr>
<tr>
<td>Expansion into new geographies</td>
<td>3% 12% 36% 42% 7%</td>
</tr>
<tr>
<td>More minority shareholdings</td>
<td>6% 26% 31% 30% 7%</td>
</tr>
<tr>
<td>More club deals with other PE funds</td>
<td>4% 23% 40% 24% 9%</td>
</tr>
<tr>
<td>More cooperation with hedge funds or strategic investors</td>
<td>8% 25% 35% 28% 4%</td>
</tr>
</tbody>
</table>

% of responses [only one answer possible]

Source: Roland Berger
Add-ons and digitalization/Industry 4.0 will likely remain key value creators in 2019 – Increasing importance of cycle resilience

Importance of value creation measures – 2019 vs. 2018 [%]

"Which of the following portfolio improvement/value creation measures do you consider most important in 2019; which measures have been most important in 2018?"

- Respondents expect add-on acquisitions and digitalization/Industry 4.0 to remain the most important value creation measures in 2019
- Cycle resilience of portfolio companies is expected to become significantly more important in 2019 (vs. 2018)
- Pricing, purchasing/supply chain optimization and working capital optimization/CAPEX efficiency and refinancing are considered less important in 2019

Source: Roland Berger
D. Comparing the PE Outlook 2019 to previous years
After an optimistic 2017-2018, PE professionals have become less confident in the development of PE-backed transactions.

M&A transactions with PE involvement by year, 2017-2019 [%]

"What change do you expect to see in 2019/18/17 regarding the number of completed M&A transactions with PE involvement?"

Source: Roland Berger
No change in expectations over the last three years regarding the top three industries for M&A activities

Ranking of industries by number of M&A transactions by year, 2017-2019 [2019 order; %]

"In what industries do you expect to see the most M&A transactions with PE investor involvement in 2019 (2018/2017)?"

<table>
<thead>
<tr>
<th>Industry</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharma &amp; healthcare</td>
<td>68%</td>
<td>72%</td>
<td>80%</td>
</tr>
<tr>
<td>Technology &amp; media</td>
<td>72%</td>
<td>74%</td>
<td>75%</td>
</tr>
<tr>
<td>Business services &amp; logistics</td>
<td>49%</td>
<td>48%</td>
<td>53%</td>
</tr>
<tr>
<td>Consumer goods &amp; retail</td>
<td>43%</td>
<td>53%</td>
<td>60%</td>
</tr>
<tr>
<td>Financial services</td>
<td>29%</td>
<td>43%</td>
<td>53%</td>
</tr>
<tr>
<td>Engineered products</td>
<td>31%</td>
<td>37%</td>
<td>53%</td>
</tr>
<tr>
<td>Energy</td>
<td>19%</td>
<td>22%</td>
<td>35%</td>
</tr>
<tr>
<td>Chemicals</td>
<td>17%</td>
<td>24%</td>
<td>-</td>
</tr>
<tr>
<td>Automotive</td>
<td>11%</td>
<td>16%</td>
<td>-</td>
</tr>
<tr>
<td>Building &amp; construction</td>
<td>7%</td>
<td>14%</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: Multiple answers possible

Source: Roland Berger
Expectations for the availability of attractive targets in 2019 are largely in line with previous years

Expected development of investment opportunities by year, 2017-2019 [%]

"Will the targets available on the market in 2019 (2018) be more attractive than in 2018 (2017)/2017 (2016)?"

Note: Only one answer possible
Source: Roland Berger
E. Buyout transaction statistics
European buyout transaction volume slightly decreased to 1,209 deals in 2018

European buyout transaction volume by geography, 2000-2018 [# of deals]

The period 2000-2018 saw ongoing growth of c.6% p.a. in annual buyout transaction volumes.

Geographies with the most buyout transactions in 2018 were the UK & Ireland followed by France, DACH, Nordics and Benelux.

After an outstanding year in 2017, buyout transactions dropped slightly in 2018 by c.17% – The strongest absolute decline was in the UK; the strongest relative decline was in Eastern Europe.

Source: Mergermarket; Roland Berger

1) German-speaking area (Germany, Switzerland, Austria)
TMT, consumer goods & retail and capital goods & engineering contributed significantly to the overall transaction volumes in 2018.

Buyout transaction volume by industry, 2000-2018 [# of deals]

> In 2018, consumer goods & retail contributed the most volume with c.270 deals, followed by capital goods & engineering (c.240 deals) and TMT (c.210 deals).

> In 2017, the majority of buyout transactions were in consumer goods & retail (c.300 deals), TMT (c.300 deals) and capital goods & engineering (c.260 deals).

> The highest CAGR over 2000-2018 was c.10% in the pharma & healthcare industry.

Source: Mergermarket; Roland Berger
More than half of all deal values in 2018 were not disclosed – Most disclosed deals fell into the value category below EUR 50 m

The majority of buyout transaction values in Europe in 2018 are undisclosed, a major change since 2000 when less than 25% of deal values were undisclosed.

Most disclosed buyout transactions had a value of under EUR 50 m (c.200 deals).

Deals valued over EUR 1 bn have seen the highest CAGR of 9%

Source: Mergermarket; Roland Berger
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