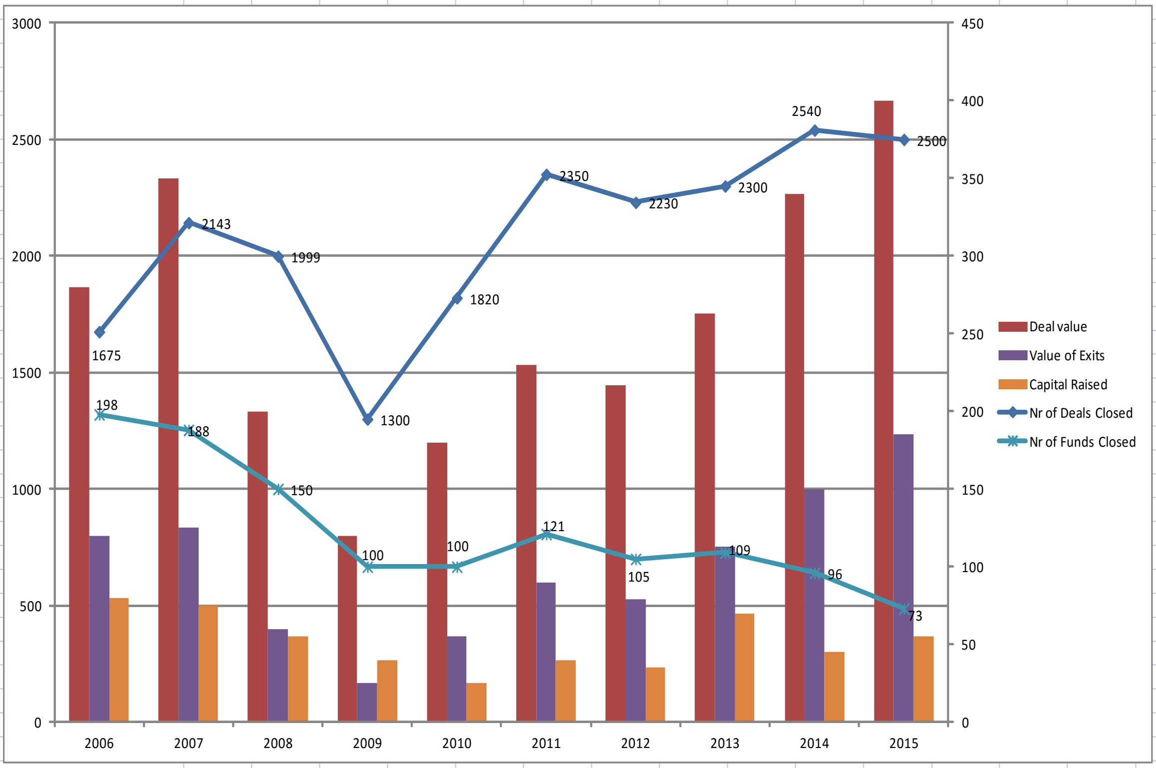
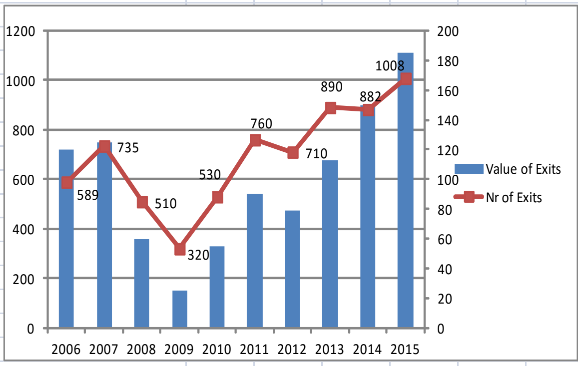
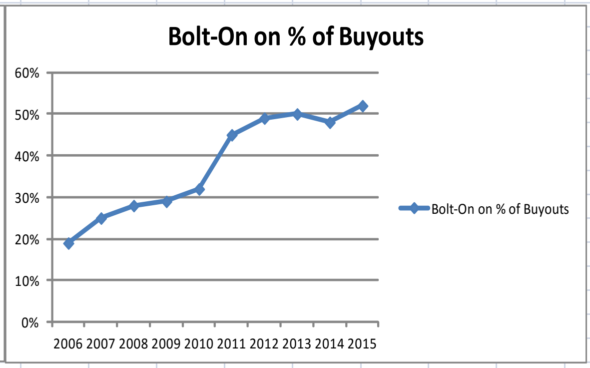
European Private Equity Situation and Trends (February 2016):

1) Trends in the PE sector in terms of investment and strategy.

- PE investments continue to growth (402 billion – 20.8% increase)
- Number of deals remains stable due to 18 big buy-outs with a value over 2.5 billion each (buyouts new cycle driven by low interests rate).
- Additional complexities such as ongoing competition for quality assets fueled by an abundance of dry powder (due to the last years high distributions which were reinvested).
- Increasing competition → traditional buyout deals are not enough to keep high IRR (Traditional Drivers: GDP growth, multiple expansion, and leverage to drive alpha) →new strategy needed to create value by sustained active engagement with portfolio companies → Portfolio management.
- Increasing competition → more expertise in terms of region and sector → more niche vehicles were raised to focus on emerging opportunities.
- Competition, High level of M&A activity and dry powder increase valuations prices.
- As a result: Continued focus on medium / smaller buyout and growth capital funds.
- The rebirth of by Buyouts after crisis is focusing on bolt-on deals. A way to mitigate entry prices, create value by synergies and leverage management expertise in a sector.
- Shadow capital still account for more than 1/3 of the of all PE fundraising. Family offices also raising as direct competitors.
- American funds increased in the last years is also contributing to competition.
- See graphs below:







2) Evolution in terms of region / country in the European market ?

a. UK and the Nordic Region tied this year. The last arriving to same levels than UK.
b. Germany ranked third.
c. Italy rebounded slightly from last year's very low level (due to the reforms and increase in competitiveness), while interest in Spain and France continue to be relatively low.
d. No interest in Eastern Europe as the ongoing Ukrainian crisis and continued political issues between Russia and the West dimmed investor enthusiasm.

3) Effects of the Financial Crisis 2007-2008?

Several lessons learnt:

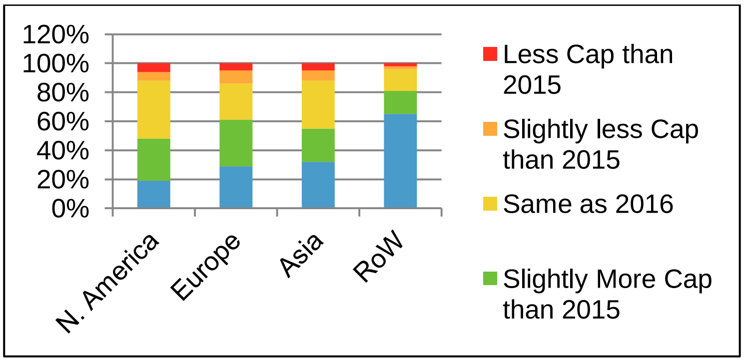
a. The diversification benefits of PE investment are lower than predicted.
b. The importance of having effective liquidity risk management tools.
c. As a consequence risk-premium assessment as well as a strategy leveraging expertise and synergies to create value.
d. New Regulations (AIFMD: Alternative Investment Fund Managers Directive). Compliance costs could rise to about 5 % of revenue at the minimum. Three major service providers: law firms, audit firms and compliance firms.

4) Exits

a. Good exits with higher value driven by high levels of M&A (also corporate buyers are growing by acquisitions) and IPO transactions.
b. Exits have been enjoying high valuations for some time, but the quality of the portfolio companies put up for sale may come under more scrutiny as lofty price levels persist.

5) Fundraising evolution and future trends

a. Exit increase pushing fundraising.
b. Fundraising concentrated in bigger funds. LPs risk aversion (in particular due to high valuations that reduce expected returns). Big deals → higher level of resource (management, region diversification, economies of scale, liquidity and bolt-on strategies) can offset such trends.
c. Gap between capital raised and called.



6) Macro Risks

a. Financial crisis affected weaker economies into deep recession.
b. GDP in those countries improving due to weak euro, lower interests rates and some structural reforms.
c. The European Central Bank (ECB) launched a €1.1 trillion quantitative easing program in an urgent bid to reignite growth (QE → ECB buys sovereign bonds → injects liquidity → reduce interests rates → increase asset price valuations).
d. But banks' business lending remains weak amid gathering signs of a recession in the major European economies.
e. Eurozone remains weakened by years of economic stagnation, increasing debt burdens and a loss of competitiveness and deflation on the periphery.
f. A partial breakup of the eurozone toward the end of the decade is to be considered.
g. PEs can take advantage of the currently favorable debt markets to lower borrowing costs, lighten covenants or pull equity out of assets that may need more time to ripen in Europe's slow-growth environment. PE funds whose portfolio businesses are net recipients (supply) of euros today should protect themselves against currency risk over the medium and long term.
h. Successful PE-fund investors will sharpen their sector focus and deepen their geographic and industry expertise as they target resilient investments in selective pockets with upside opportunity. For example, the healthcare sector will expand and diversify to serve Europe's growing aging populations.
i. As European economic growth remains stagnant, investors across the globe might increase focus on emerging regions.
j. Net exports counterbalanced by factors such as the recession and currency depreciation in Russia.
k. A slight rebound in interest in emerging markets as China came back into favor.

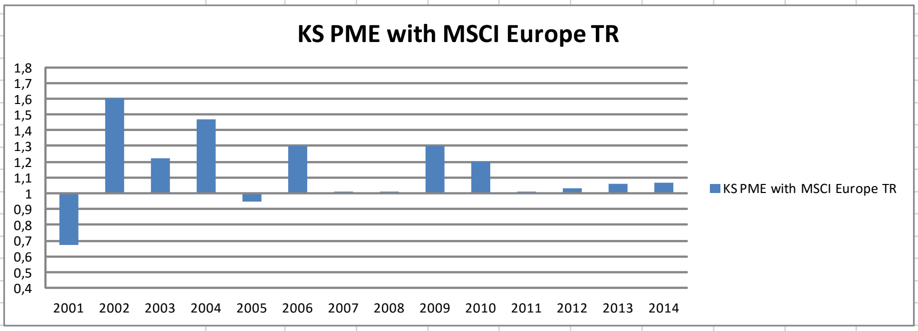
7) Impact of Oil price

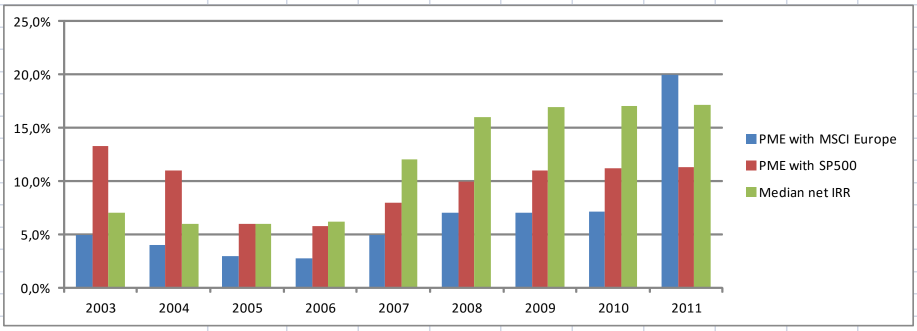
a. Important growth in B2C deals partly caused by the low levels of Oil price.

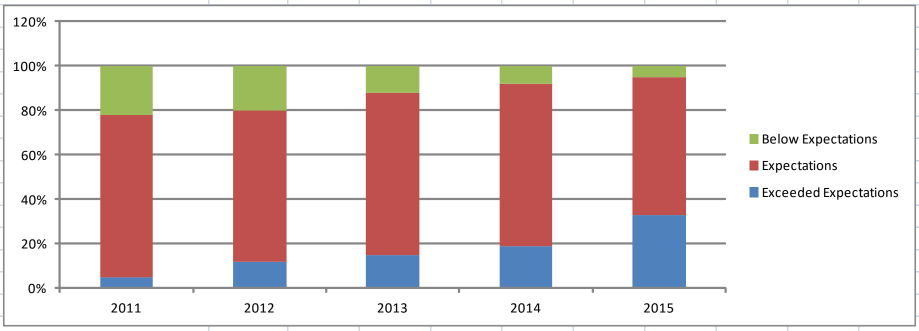
b. Positive Side 1: European economy which depends on commodities. It specially helps weaker countries to offset other issues.
c. Positive side 2: Growth in B2C deals (consumers higher acquisition power).
d. Positive side 3: It might open new opportunities for acquisitions at lower multiples.
e. Negative Side: PEs investing in Energy might get lower IRRs (due to lower valuations, although PEs like Blackstone reported recent exits at higher multiples)
f. Renewable Energy (one of the most growing and interesting targets on the long term) might suffer some losses in the short term. However:
    i. This sector has other drivers:
        1. Government-policy support remains one of the main drivers.
        2. Deployment of renewable technologies continues to rise very fast (reducing costs).
        3. The price of electricity is the main driver in Renewables, and this is not entirely a function of the cost of fuel.
    ii. First quarter of 2015, many clean-tech funds handily outperformed the S&P.
    iii. Clean-energy investments increased 17 percent in 2014, reaching $270 billion, reversing two years of declines.
    iv. Predictions say that between now and 2022, renewables will account for the majority of new power. The European Union could grow ten times by 2050 driven by all previous factors.

8) Update on performance and future expectations

a. IRR improving and overperforming Public Markets even during the years of the crisis.
b. Good IRR also pushing fundraising
c. See graph below







9) Growth Scenario for the future

a. Most analysts predicts that PE investments will double over the next five years. Global PE:

i. 1992 → 30 billion,

ii. 2015 → 5 trillion (5.4% of the market),

iii. 2020 → 8 trillion

b. Obviously a great part of this growth will go to emerging countries even if Europe remains one of the most interesting targets.

c. With all the Macro uncertainties and variables in the eurozone, a good prediction is difficult to assess.

FERNANDO SCARPATI / London, February 2016