



# Unquote

Issue 84 – May 2020

## Waiting to draw

The secondaries market is primed for an influx of fund stakes, but buyers and sellers alike could be holding fire until Q2 valuations come in

The hunt for liquidity is on

Recruiting in unprecedented times

LPs survey the road ahead



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A wealth of further information is available through our website. This includes breaking news and analysis from each European market, features, commentary, blogs and video covering fund launches, changes in strategy and people moves, and in-depth analysis of every deal featured in this issue



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## Time to shine

I hope you, your loved ones and your colleagues are all safe and sound.

With little visibility as to when people will return to their offices on an ongoing basis, we have made the decision to suspend printing the magazine for the time being in order to reduce waste and clutter, and limit any unnecessary handling and shipping at a time when these should be reserved for essential items.

But this does not mean that you will stop receiving insightful content to help you navigate the current crisis. Our magazine has always been available as a digital edition in PDF format and we are very pleased to continue bringing this option to you – with some added interactive features, too.

This issue pulls together some of the best content we have been producing in recent weeks, and while some of it certainly falls on the gloomy side of things – such as worries over portfolio valuations, and debut funds' struggles in the current market – it also references current and future opportunities.

This theme of opportunity has been bandied about a fair amount recently. PE firms across Europe are sitting on tremendous amounts of dry powder that they will now need to deploy in a depressed environment, and some players are understandably eager to signal their willingness to meet the challenge.

But the industry could also capitalise on another, more long-term and less opportunistic, upside: GPs have a once-

in-a-generation chance to showcase how they can support portfolio companies beyond the provision of capital (however vital that component is right now, of course). The unique nature of the coronavirus crisis, with its heavy toll on people's physical and mental health, is also leading sponsors to support management teams in caring for their employees in a non-financial way, by rethinking the concepts of organisational flexibility, communication, work-life balance, and more.

Indeed, some LPs are seeing the crisis as a prime opportunity for PE to show its ability to back businesses that provide vital services to local communities and the nation at large, beyond their pure financial performance. Though some fear that ESG may fall by the wayside as GPs focus on fighting fires at portfolio level over the coming year, others are already arguing that the "new normal" makes a stronger focus on these aspects even more of a necessity.

The risk in not rising up to these opportunities is also stark. The media is already echoing voices that suggest "PE owners" (however loosely defined) will look to profit from government subsidies to ultimately line their pockets, or that their supposed fixation on a quick buck and cost-slashing has left many businesses unable to withstand the Covid-19 shock. The coming months could prove crucial in providing sufficient ammunition to counter these critics. ■



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# Secondaries: waiting to draw

LPs are bound to consider their exposure to PE and weigh liquidity needs in the wake of the coronavirus crisis, meaning fund stakes could flood the market – but despite huge amounts of dry powder, there may be a pause until valuations come in. Denise Ko Genovese reports

Less than three months ago, the market was asking what was next for secondaries, given the ever-increasing amounts of dedicated funds being raised and allocated to the strategy. With rising valuations and debt readily available to boost buyers' spending power, global secondaries transactions in 2019 reached \$85.4bn, an increase of 7.2% on the previous year, according to advisory firm Setter Capital's activity report for 2019.

And 2020 was set to be another bumper year. Indeed, with close to \$45bn raised in 2019, one of the only concerns of secondaries buyers was finding more niche strategies, given that many were being priced out of the plain vanilla ones and returns were being squeezed. One secondaries investor told *Unquote* in February that it was looking at differentiated strategies in the coming year since it was unwilling to pay the high prices being set

for what it deemed as "regular" fund stakes.

According to [Campbell Lutyens' 2020 Secondary Market Overview](#) report, at the start of 2020 there was \$103bn in dry powder to invest in the secondaries market – boosted to \$147bn when including available leverage. This figure can be compared with \$71bn (without leverage) in 2017.

"We actually thought there would be more dry powder coming into 2020," says Gerald Cooper of Campbell Lutyens. "One explanation is that 2019 was an active year for fundraising with many GPs coming back to market quicker than expected. LPs were inundated with reinvestment opportunities for their primary fund relationships, which likely crowded out some of the secondary funds seeking new capital."

Despite higher expectations, the figure is undeniably a large one. However, the context in which it will have to be deployed is now very different, as financial markets continue to assess the effects of the coronavirus pandemic.

"Pricing has been very high in recent years, at par or premiums to NAV," says Mark McDonald, global head of private equity at DWS. "There have not been many forced sellers, and investors have mainly been using the secondaries market to tactically rebalance their portfolios. But now, there could be a real liquidity need or rebalancing

"There could be a real liquidity need or rebalancing drive due to the denominator effect, so some secondaries funds could find real opportunities"

*Mark McDonald, DWS*





drive due to the denominator effect, so some secondaries funds could find real opportunities.”

With more sellers coming to market, prices are unlikely to stay at pre-Covid-19 heights, which could, in turn, encourage more opportunistic buyers.

Advisory firm [Setter Capital](#) recently released a [survey](#) with buyers expecting the pricing of secondaries transactions to go down given the diminishing buy-side appetite: for LBO funds, respondents estimated that current pricing should be at around 77% of 2019 NAV, versus 102% in Setter’s December 2019 price report (a 25% drop).

### Once more into the breach

After a pause in activity as people gather their thoughts and rethink their strategies, what follows could be rich and fertile ground for secondaries activity, as was the case after the financial crisis in 2008, says Claire Woolston Commons, head of strategy at online secondaries platform Palico.

“After the global financial crisis there was a pause in deals as investors got their bearings, but even then, you saw sophisticated LPs leverage the secondary market in order to react to market realities,” says Commons. “What is different now is that secondaries is a much more developed market, having grown five-fold, so you will see more LPs look to secondaries in order to adjust their private equity portfolios at a time like this.”

Although not all will be forced sellers, there could be several reasons for LPs to sell, Commons says: “Some LPs, such as family offices, may simply need to raise cash given that other sources of revenue are closed, and therefore need to draw on existing investments. Others will look to sell out of fund positions that have a lot of unfunded capital, as this could be deemed as a future liability since



there will be little visibility on when that capital may be called. And lastly, LPs may look to sell out of the funds that have done very well but have not returned capital, in order to lock in returns and have liquidity, so they can be nimble when opportunities arise.”

Many observers are also talking about how the denominator effect will act as a trigger for people to rebalance their overweight portfolios. In some cases, LPs have a lot more private equity exposure than they had originally hoped for and some sellers are outside of their asset allocation, so using secondaries could be a way to quickly rebalance. “But the denominator effect can go the other way,” says Commons, “as people may want to use the secondaries market to up their exposure, especially if they see the public markets getting worse.”

Although opportunistic buyers could find good pricing, funds themselves could struggle as valuations drop, says DWS’s McDonald: “Recent LP portfolio deals, and some GP-led deals, could be underwater over the coming quarters, with firms committing the cardinal sin in secondaries – losing money. Some actors may find they simply overpaid, and, with leverage on top, the new valuations do

“There’s a chance that things don’t pick-up until Q4, in which case it will be a pretty mad rush to get things done by the end of December 2020”

*Gerald Cooper, Campbell Lutyens*



not match up.” McDonald adds that, in some cases, valuation predictions are that private equity funds on average may be down around 15-20% over the next two quarters.

However, it could be a little early to try and predict the outcome, given where the market is, and that its participants are still some way off understanding the full impact of this pandemic, says Sam Kay at Travers Smith: “Secondaries transactions are normally priced off the NAV at a particular reference date. Any proposed buyer is likely going to want to wait until more up-to-date valuations are available, to understand the impact of the Covid-19 pandemic on the portfolio. We would expect that to mean a good number of transactions will be delayed. Whether there is a subsequent pick-up will depend on the ‘bounce-backability’ of the valuations, or whether sellers are prepared to accept a lower price.”

### Hold your breath

The general consensus is that secondaries transaction volume will stall until Q1 2020 valuations are available in May, at the very earliest, according to the Campbell Lutyens report. But it

is possible that some will not venture out to trade before September, when Q2 2020 valuations are released, leading to a flurry of activity in the last few months of the year, as funds seek to keep up with their previous deployment pace.

“Secondary buyers are hesitant to deploy capital in the current environment as it is not clear how severe write-downs will be once valuations are released for Q1,” says Cooper. “Some buyers are starting to express a sense that the March NAVs will not fully reflect the impact of the crisis and they may seek to wait for Q2 marks. If investors see greater stability in the public markets, they might become active over the summer, but there is a chance that things do not pick up until Q4, in which case it will be a rush to get things done by the end of December 2020.”

“If you look at the last crisis, when prices got really wide, there were no sellers of scale, so valuations need to come down for pricing to become tighter and people can underwrite off a lower base.”

Tail-end portfolios that have historically provided near-term cashflow will also struggle this year, according to the 2020 Campbell Lutyens report. This type of portfolio is typically sold for portfolio management reasons, but since they take time and effort, they will not be the focus in the current climate.

“There would be trades if sellers could get a good price, but tail-end funds are about 30% down at the moment so most prospective sellers will be holding off,” says Cooper, adding that there will likely be greater pressure to sell younger vintages because of the underfunded capital commitments in those vehicles and the fact that net cashflow is shifting negative for the first time in a while, putting greater pressure on LPs that may already be feeling the pinch due to the denominator effect.

As well as tail-end portfolios, those with public market exposure and investments in highly cyclical sectors – consumer retail, transport, industrials and energy – will suffer the most first, the report added. ■



# Private equity recruitment amid Coronavirus



Greg Gille  
Editor

For an industry in which job descriptions rarely feature “opportunities for regular home working”, private equity has had to take a crash course in flexibility over recent weeks. The travel bans and subsequent full lockdowns enforced across Europe initially took their toll on deal-making and fundraising – with face-to-face due diligence and site visits eschewed in favour of video conferencing, in order to keep processes alive as much as possible.

But as private equity firms aim to bolster their current portfolio companies and position themselves to come back strong once the crisis subsides, recruitment is another area where necessity will have to be the mother of invention.

The consensus among specialist recruiters contacted by *Unquote* is that the market is not dead, although it has admittedly lost some momentum. “There are a lot of questions and inevitable delays in the processes,” says Rupert Bell from specialised recruitment company PER. “But in the main, people are carrying on, and willing to adopt tools such as video conferencing to make it work. We are still picking up new

mandates for investment professionals, because, in any case, there is always a long lead time with these, as well as long notice periods to navigate, so we are talking months anyway.”

“The market is a mixed picture,” Georgia Rankin, a private equity partner at management consultancy Russell Reynolds Associates, told *Unquote*. “Most of our private equity assignments are ongoing, but at a slower rate. However, it can turn in the blink of an eye. We are also still pitching.”

This sentiment was echoed by specialist recruiter Finatal in a recent blog post, with director Nick Hague arguing that any drop-off should hopefully be temporary: “The consensus [among private equity firms we have spoken to] is that, after the initial shock of how quickly the situation has developed, there’s the realisation that it’s business as usual, with crucial hires still needing to occur.”

Indeed, a handful of hires by European GPs were announced in March. Among these, German private equity firm Hannover Finanz appointed Robert Pauli as a partner in Germany; UK-based ECI Partners hired William Ip in its commercial team and Fiona Evans to head its marketing efforts; Caledonia Private Capital, the private equity investment arm of Caledonia Investments, hired Lazard’s Giles Corner as a director; Tenzing Private Equity hired Glenn Elliott as a member of the firm’s portfolio growth team (although Elliott had already been leading the firm’s Entrepreneurs Panel since inception in 2017); and TPA Capital appointed Jonny Williams as an investment associate.

“After the initial shock of how quickly the situation developed, there’s the realisation that it’s business as usual, with crucial hires still needing to occur”

*Nick Hague, Finatal*

## PE-focused recruiters and some GPs are figuring out ways to progress recruitment processes under the Covid-19 lockdown, but a number of short- and longer-term challenges remain. By Greg Gille, with additional reporting from Katharine Hidalgo

Of course, a number of these processes progressed to the final stages before the crisis truly hit western Europe in March. The extent of the effects on existing processes will depend on two main factors, namely the critical nature of the hire and how advanced the process is.

Meanwhile, recruiters highlight that one of the early obstacles for processes initiated post-lockdown – especially for senior hires – will be cultural: private equity is still a people's business and GPs will only rely on technology to a point. "Most people have switched to video platforms," says Bell, "and you can certainly make great progress there. It is fine for earlier rounds, but I do not see many firms making final decisions based on that alone."

Rankin concurs: "For a few of our searches, all of the key meetings had already taken place in person, and that is really important: it is hard to see a client pulling the trigger on a senior appointment until they have met the candidate in person."

### Rethinking priorities

Recruiters also remain realistic when it comes to the inescapable fact that many GPs have had to drastically reassess their priorities in the wake of the coronavirus pandemic. "Any process will be elongated in the current environment," says Rankin. "No one has the bandwidth to deal with all of the competing business priorities at the moment and hiring is not as high up their list of priorities. Even if you can sidestep some issues

**"It is hard to see a client pulling the trigger on a senior appointment until they have met the candidate in person"**

*Georgia Rankin, Russell Reynolds Associates*

(by using video in early rounds for example), GPs will often not have the time to think strategically about the next steps."

Glenn Elliott, who recently joined Tenzing's portfolio growth team, says the firm is looking to recruit a team to support the portfolio, with plans to hire one person each quarter for an initial team of four people. But he also highlights how time-constrained GPs can be in the current environment: "Currently, the only obstacle to hiring at the firm is finding the time to do so. Everyone is working hard on helping the portfolio deal with the coronavirus, so it is just a question of carving out the time to look for hires."

It is not just the employers that could be rethinking their plans. Even when a start date has been agreed, the question is: do both parties still want to go ahead? "While the candidate may have accepted an offer, their circumstances may have changed and that could influence their thinking," Bell says, although he notes that PER has not seen anybody change their minds as yet.

Rankin agrees that candidates could also take time to see where the chips may fall: "Many private equity professionals will be watching ►



portfolio company valuations drop and inevitably contemplate what it means for their carry. This could trigger a case of “better the devil you know”, and some people will not want to crystallise losses. Having said that, career planning doesn’t necessarily stall in a crisis.”

As for processes that did go through in March – or will cross the finish line in the coming weeks – private equity houses are still left with the task of onboarding new joiners in very strange times. “Onboarding William Ip was a bit of a challenge in terms of logistics, but we managed to get all the relevant technology and equipment over to him before the full lockdown,” says ECI partner Lewis Bantin, who heads the firm’s commercial team, when discussing their most recent hire. “We have therefore managed to run a number of training workshops and team calls via Skype and Zoom, and he was also able to access training resources online.”

It is not just the practicalities of enabling new joiners to do their job effectively that need considering, either. Welcoming new talent and maintaining this sense of connection when the entire team is working remotely will also need some adaptation, especially for small and medium-sized firms, which often aim to preserve an entrepreneurial culture. Says Bantin: “It will, of course, require a period of adjustment, but we are maintaining regular contact in the team, via a business-wide call every Monday, as well as more regular catch-ups throughout the week within the



different teams. And we are gearing up for our first virtual pub quiz too.”

### Future-proofing

Looking further ahead, one of the trends that gives recruiters cause for optimism is that private equity firms will, by and large, have to resume deploying their vast amounts of dry powder at some point – and thus keep building their teams accordingly. “The challenge is really around timing, because the underlying drivers are still there,” says Bell. “Deal-making is tougher, it needs more bodies, and that has not changed. We have not got any indication that sponsors are rethinking the fact that private equity investing is more

“We have not got any indication that sponsors are rethinking the fact that private equity investing is more labour intensive than it used to be”

*Rupert Bell, PER*



labour intensive than it used to be. We are also seeing a number of multi-strategy firms pivoting towards more distressed credit (as opposed to growth capital for instance), which is a smart move, and some long-term funds are still bullish on both recruitment and investment.”

“We are still actively looking to build the team in strategic areas,” says ECI’s Bantin. “If we want to find the right people to put the business on the front foot for the future, we have to keep these efforts going. So we are working with recruiters to find the right people and trying to get as far as we can in the current circumstances – although, of course, you would prefer to have more face-to-face interactions when restrictions are eased.”

“If we want to find the right people to put the business on the front foot for the future, we have to keep these efforts going”

*Lewis Bantin, ECI Partners*

Meanwhile, Finatal noted that GPs could be on the hunt for cash-focused CFOs and finance directors, particularly those with experience in distressed situations, to bolster their portfolio businesses.” Clients are looking for talent who can come into a business swiftly with the skills for building cashflow, cash planning and scenario forecasting,” executive consultant Dominic Mellett wrote in a recent insights piece. And Russell Reynolds’ Rankin says her firm is currently exploring the availability of high-calibre CEOs, CFOs and other execs that have experienced previous crises first-hand, in order to help GPs with crisis management.

But once again, given the fact that private equity houses will be laser-focused on their portfolios in the coming months and likely to prioritise business-critical hires, one could be concerned for the more junior-level hires in the industry. Terra Firma notably cancelled its 2020 graduate intake, according to media reports, foregoing its usual raft of new analysts that end up accounting for a large part of the junior ranks in its investment team. Others are still keen to push through later in the year though, with Andy Gregory from BGF telling *Unquote* that the firm would aim to continue growing its network and recruiting talent during this period: “This week, we are conducting a virtual assessment centre for our internship programme, which will take place later this year.” ■



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# GPs turn to preferred equity for emergency liquidity



**Denise Ko Genovese**  
Associate editor

As cash reserves run empty, private equity firms are focusing hard on emergency liquidity for their portfolio companies. Most will have drawn down on overdrafts or revolving capital facilities, and those in eligible sectors will be trying to tap into government rescue funding. But many will also be seeking an additional buffer for their assets as they try to wrap their arms around the unknown future.

"GPs are wondering how they should build up their war chest and how to raise pots of capital fast," says Kate Downey, head of the European private equity funds practice at Fried Frank. "Those that can will raise portfolio leverage. But this can be hard as you need to look at anticipated cashflow, and right now revenues are depressed so this additional debt is not open to everyone."

PE owners Cinven, EQT and CPPIB only a few weeks ago injected €400m into portfolio company Hotelbeds. But rather than putting the money in as equity, the facility was put in at the top of the capital structure, ranking *pari passu* to existing term loans, according to a report by sister publication *Debtwire*. This was seen as a lifeline for the B2B accommodation provider, showing that the sponsor believes the business is viable post-pandemic.

In a similar move, Pizza Express secured £70m in new money from direct lender HPS Investment Partners, which got super-seniority in the capital structure so that it is repaid first and has first call on any money coming back. In both cases, existing lenders are seemingly acquiescent, as interests in defending the portfolio companies are aligned.

"GPs are rigorously looking at all their portfolio companies at the moment and there will definitely be a divergence between companies deemed worth backing and those that are not," says one leveraged finance banker. "Private equity houses will look to see if the company was good pre-Covid and still viable after, as they will be gauging whether it is worth injecting fresh funds in order to keep things going or whether it would be a case of putting good money after bad."

## More flex at fund level

Since it is unclear what the future holds and when other cash needs might develop, those vehicles that have little or no uncalled capital left might look to raise an additional facility at the fund level.

Indeed, one approach to gaining more flexible liquidity – as developed through the secondaries market and GP-led transactions – is a preferred equity facility at the fund level, says Sam Kay at Travers Smith.

"There has been a noticeable increase in the number of enquiries about these types of transactions," says Kay. "The benefit of a preferred equity structure is that it can be implemented relatively quickly and it does not necessarily require LP involvement or consent. It also means that the fund retains the upside after the preferred equity instrument has been repaid."

In a sense, the facility acts as a blind pool of capital that can be used for any company in the portfolio, as opposed to being specifically earmarked for one asset.



## Previously popular with secondaries funds, preferred equity is set for a massive boost in popularity for buyout vehicles. Denise Ko Genovese reports

A facility based on NAV – secured against the underlying assets in the portfolio – is also an option, though it is still considered leverage, and, while less expensive than the hefty 12–14% cost of preferred equity, may take longer to put in place, as well as being potentially more restrictive. Preferred equity on the other hand has the advantage for the user of only obliging payouts when there is actual cashflow from a company, and typically there is not a quarterly or half yearly mandatory payment schedule. Both sit roughly in the same place in the structure of the vehicle – below existing debt and above LP equity.

“The big sales pitch of preferred equity to GPs is that it is usually unfettered by restrictions on the ability of the GP to deal with its portfolio. It generally relies on a contractual entitlement to cashflow from a fund’s underlying portfolio companies,” says Downey.

Preferred equity has been on the fund landscape for some time and specialist providers such as 17 Capital and Whitehorse Liquidity Partners have been very successful in building a business model around this type of funding. Whitehorse closed Fund III in October last year on its \$2bn hard-cap and 17 Capital is reportedly in the process of raising its fifth fund for the strategy, with a target of €1.8bn.

17 Capital founding partner Pierre-Antoine de Selancy says his firm has been inundated with queries for preferred equity, with enquiries totalling \$3bn in just three weeks – with 90% coming from GPs. This is compared with \$10bn for the 12

months to the end of 2019, which consisted of a more diverse range of clients (GPs, LPs and family offices).

“Banks have been providing NAV for a long time, as well as capital-call facilities,” says de Selancy, “but they will struggle to provide something that does not have a maturity schedule and only has cashflow from companies coming back. Preferred equity is very flexible as you can use it for 20 companies or tailor it to just five or six in the portfolio.”

A downside, apart from the cost, is that LPs might struggle with another quasi-equity provider ranking ahead of them and getting first dibs on returns as cash comes back from exited portfolio companies. But in the current environment, when liquidity is key, interests will likely be aligned with the first priority of all stakeholders being to fiercely protect and support the underlying companies.

“You are only going to raise preferred equity if a fund is fully called and you need access to liquidity. It needs to make sense and it is usually to defend your portfolio, so at that point LPs will be on board,” says de Selancy. ■

### LISTEN: Fund financing in a fix

*Katharine Hidalgo hosts the Unquote Private Equity Podcast, speaking with Denise Ko Genovese and Oscar Geen about NAV lending and preferred equity, with Investec’s Matt Hansford discussing the evolution of such facilities and pricing.*



[Listen to the podcast here](#)

# Coronavirus: LPs consider course corrections



**Sofia Karadima**  
LP researcher  
and writer

Over the past two years, *Unquote* has often asked key players in the institutional investor and private equity communities if they foresaw any bumps in the road ahead and when the next crisis would erupt, given that the financial world was seemingly nearing the end of a cycle after eight years of growth. “I wish I had a crystal ball to answer this question” was a common response.

But when travel bans were imposed and offices started closing down in March, it was clear a crystal ball would not be needed anymore.

The Covid-19 outbreak had a near immediate effect on LPs’ ability to assess investment opportunities. “We are unable to visit managers on site. This hinders us in our due diligence requirements. For now, this results in a challenging situation for new commitments. Despite this, we are still actively executing our due diligence from our desk at home currently,” says Dick Tol, a portfolio manager at Pensioenfond PGB.

Others are finding ways to progress work streams as much as is feasible. Swedish pension fund AP4 is still looking to close some opportunities during Q2, with its alternative

investments team continuing business as usual as much as possible, says senior portfolio manager Hanna Idestrom. She adds that the LP has converted planned meetings to video meetings, instead of physical meetings, for advanced due diligence processes.

“With the speed at which countries have locked down populations across the globe, it has really tested organisations’ business contingency plans and location strategies,” says Mike Dickey, global head of product at MUFG Investor Services. “Organisations that are not appropriately set up for robust remote working practices may be exposed as they try to adapt to new working conditions, while dealing with regular-service-level deliverables and quarter-end processes for their clients. Additionally, providers with significant presence in low-cost jurisdictions will face challenges, as remote working and local infrastructure may not be set up, or in a mature state to support the demands required.”

## Assessing the known unknowns

Of course, the practicalities of remote working are just the tip of the iceberg. The global financial crisis is a reminder that more bankruptcies, unemployment, liquidity concerns, project cancellations, economic uncertainty and political instability are on their way.

These previous events had significant regulatory and strategic ramifications for financial institutions. But LPs are not unanimous in their opinion of how the current pandemic will reshape ways of thinking.

“With the speed at which countries have locked down populations across the globe, it has really tested organisations’ business contingency plans”

*Mike Dickey, MUFG Investor Services*

## From navigating the initial constraints on day-to-day investment workflows, to positioning themselves to weather an uncertain future, European LPs share key takeaways from the first stages of the coronavirus crisis with Sofia Karadima

“Covid-19 may lead to more attention to real-world risks and outcomes,” says Piet Klop, senior adviser for responsible investment at PGGM. “Or it may not, and may reimpose a short-term investor mindset. Time will tell whether and how this will affect different private markets.”

Mikael Falck, head of alternatives at Kåpan Pensioner, also agrees it is too early to assess the long-term impact of Covid-19, highlighting that the LP is not currently altering its strategy or allocation to private markets: “It is too early to assess return implications. Private markets follow a quarterly reporting scheme, so even just the impacts of Q1 2020 will not be known until April or May. What we can envision are the most obvious sectors being hit the worst in the short term, regardless of asset class, including oil-price-sensitive energy, transportation, mostly air-traffic-related, and the hospitality sector at large, especially tourism.”

PGB's Tol anticipates that prices will come down, and, as the Dutch pension fund has a young private equity programme, its underlying GPs are expected to be able to acquire businesses at much better prices compared to a couple of months ago.

“Inevitably there will be a downward impact on valuations and a slowdown in realisations,” says MUFG's Dickey. “We have already seen several clients delay new launches. When you look back at the global financial crisis, this is what happened. In the current environment, it appears that the impact is more immediate and potentially more damaging to the operating companies that firms invest in. Given that most assets are valued

“Covid-19 may lead to more attention to real-world risks and outcomes. Or it may not, and may reimpose a short-term investor mindset”

*Piet Klop, PGGM*

once or twice a year, it will be interesting to see how firms reflect these impacts in their valuations. I suspect those investments with weak cashflow will struggle the most. We have seen our asset manager clients draw heavily on financing for liquidity, which may help managers' returns in the short term.”

### Pivoting to new opportunities

LPs will also search for silver linings in the current environment, and opportunities to pivot quickly to adapt to the new landscape if and when the situation stabilises. The last global financial crisis triggered a sell-off of illiquid assets from large pensions and institutional investors to meet allocation requirements and offset losses in the liquid portfolios, often creating more losses, according to Dickey. “Given the increased allocations to private markets in the last decade, it will be interesting to see how LPs react this time, and whether they have addressed how they deal with allocations to avoid compounding losses. Given that private markets tend to have longer return horizons, they may be better placed to weather the storm.”





For AP4, areas of opportunity include secondaries and distressed investments. The pension fund is looking to keep its long-term strategy in private markets unaffected, despite the current challenge.

“AP4 is a long-term investor in the financial markets, and is able to take a long-term view even in these turbulent times,” says Idestrom. “Our long-term strategy is unaffected in real assets, as well as private credit and private equity. However, we think opportunities could materialise within, for example, secondaries or distressed assets, which we would then actively evaluate.”

Brunel Pension Partnership also sees opportunities in secondaries. “We have specifically sought the maximum permissible weighting in private equity secondary funds to take advantage of pricing movements, and appointed a manager to source tactical infrastructure co-investments for our clients,” says Mark Mansley, chief investment officer at Brunel Pension Partnership.

“Given the majority of our clients’ money committed via Brunel is still dry powder, we believe our selected managers are well placed to deliver or exceed the anticipated returns, but only time will tell,” says Mansley. “Thus far, money in the ground is in assets that are resilient, although clearly not immune to the rapid and dramatic impacts of the virus.”

Financial crises, much like viruses, have incubation periods, peaks, and end dates. But they also have a tendency to resurface, leading some LPs to advocate for more awareness of the warning signs and better preparedness for an uncertain future. This includes targeting investments that are not only providing returns, but also impact from an environmental, social or governance point of view.

“We believe that Covid-19 is bringing to the fore how important sustainability of investments is, as shown by the huge decline in oil prices, fossil-fuel-powered energy, and transport,” says Mansley. ■

# VCs adapt to new paradigm

At a recent Financial Technology Partners webinar on EMEA-based venture capital amid the Covid-19 crisis, panellists discussed what actions they were taking to ensure the longevity of portfolio companies and how to keep doing business. Katharine Hidalgo reports



**Katharine Hidalgo**  
Reporter

**F**inancial Technology Partners has been holding Covid-19-focused webinars on venture capital recently, and its meeting discussing EMEA found VC players were as cautious as those in private equity, but were now taking more offensive actions to combat the crisis.

Most VC participants were working towards generating enough cash to secure the financial positions of portfolio companies for 18 months or until the end of 2021. Balderton partner Rob Moffat said: "We've been ensuring they have enough equity, throwing on debt lines, doing cost cuts and moving around internal finances."

Managing director Aaron Goldman of General Atlantic agreed: "Eighteen months doesn't seem like an unreasonable threshold. Founders need to think hard about what their cost structure looks like and what they need to do to make capital decisions."

Speedinvest's lead partner, Stefan Klestil, said the government packages surrounding loans and grants for the payment of

furloughed individuals was an aspect of the economic situation that differs from the US. "But those that have high cash burn rates will need to raise funds in the next three to six months and may need internal assistance from us."

However, Sean Park, founder of Anthemis Partners, cautioned against founders making rash decisions. "In this crisis, weeks are like months or quarters. There's more information coming out daily that affect each company's growth prospects and we want to delay the time when we can make more fundamental adjustments to as late as possible."

## Face-to-FaceTime

Most panellists agreed they were unlikely to make fresh investments in unknown companies over Zoom, but showed little resistance to the notion of investing in existing portfolio companies.

Speedinvest's Klestil said: "We have closed a few deals in the last week, but discussions started long before Covid-19 came about. We have a policy like most VCs: a few partners have to meet

the founders in person. For new investments, I'm pretty sure there are going to be fewer deals in the coming months."

The panellists also touched on the crisis's effects on valuations, largely dispelling the idea that all companies were going to witness a wholesale drop in valuations. Most believe the bifurcation between high-quality companies being able to raise quickly and at high valuations, with the lower quality ones raising more slowly, was going to widen further. Anthemis's Park said: "Companies that are great are going to start pulling away from the pack, which will make it more competitive in terms of valuations."

## New paradigm

The panellists all agreed that VC was going to be altered forever by the crisis. Anthemis's Park said: "We think this will get rid of some of the inertia that was stopping some macro and tech trends playing out. The world post-Covid-19 should be friendlier to more fintech-focused companies than their incumbent competitors." ■

# Debut managers face daunting fundraising market



**Katharine Hidalgo**  
Reporter

The jury is still out as to the eventual impact of the coronavirus crisis on fundraising processes – with some managers near their targets now pushing for quick closes, which could help boost H1 figures, despite the ongoing turmoil. But the consensus among a number of market participants contacted by *Unquote* is that debut managers out to market are unlikely to hold closes in 2020, and very few new teams are likely to launch funds.

Sunaina Sinha, managing partner at Cebile Capital, says: “Debut managers face particularly difficult headwinds because the market has undoubtedly slowed. There will certainly be a lower number of debut funds coming to market in the next 6-12 months, and while a number of first-time funds are currently raising, I do not know many that are expecting to hold a close this year.”

Currently, around 20 debut funds are raising across Europe, including BD-Capital I, Metrika I and IceLake Capital I, according to *Unquote Data*.

“It is going to take a while if you are a first-time fund to raise,” says MVision CEO Mounir Guen. “An expected 2020 close might not happen. We see exceptions to that, though; we have first-time

funds that are quite far along.” MVision is currently advising on three debut funds in Europe.

Some market participants have reported a [complete freeze among some LPs](#) on investing in any buyout strategies. As such, these investors are unlikely to look at debut managers for their 2020 allocations. Furthermore, following a stabilisation of the market, when LPs will begin investing as normal, market participants expect LPs to [prioritise their existing relationships with established GPs](#) rather than investing in relatively unknown debut managers.

Ricardo Felix, a director at Asante Capital, says: “For most new groups, it would be premature to launch a debut fund in today’s uncertain environment, unless there is a cornerstone group of LPs who have known the principals from their prior life – we are seeing interest developing in the case of certain new special situations and uncorrelated strategies where they can argue they are relatively well positioned for the 2020/21 vintage that lies ahead.”

## Take what you can

To those managers stuck in the difficult situation of fundraising in this market, Felix says: “Our advice for debut managers already in the market would be to refocus efforts on commitments they can close in the near-term. If there is visibility on a close, we would recommend they accelerate sub-doc collection and secure that capital.”

There is definitely a fine balancing act – while managers may not want to signal failure by closing below their target, they are also mindful of being able to hit the ground running with some quantity

“While a number of first-time funds are currently raising, I do not know many that are expecting to hold a close this year”

*Sunaina Sinha, Cebile Capital*



## Amid the coronavirus pandemic, debut managers are likely to face a challenging fundraising market in 2020. Katharine Hidalgo reports

of dry powder when the market returns to a more normal footing. “The strategy for subsequent closes can be recalibrated following the timeline relief provided by the first close,” says Felix. “The impact of not having capital to deploy as the dust settles and not being able to demonstrate to the market that they are ‘in business’, outweighs any negative perception of holding a close on a sub-optimal figure.”

Another strategy that many debut managers engage in, prior to raising an institutional fund, is deal-by-deal investing. This could be a good way for managers in pre-marketing to progress. Guen says managers looking to raise capital for deal-by-deal transactions may still be able to do so: “It is a much more transaction-orientated investor base that sees this type of investing as much less risky because there is more visibility on what the capital is going towards.”

### Uphill battle

Even in boom times, such as those the market has seen in the past several years, the market is challenging for debut managers. Guen says: “In a normal fundraising market, any debut fund usually takes 18-24 months to raise, while established funds can raise in less than a year.”

Track record continues to be essential when it comes to the allocation of capital to private equity strategies, which can factor in an LP’s reluctance to invest in a debut fund. Many debut funds turn to sector specialisation as a differentiating factor. Preservation Capital, a debut fund that held its

first close in Q4 2019, is focused on asset-light financial services businesses, while FrenchFood Capital, a fund that closed on €132m in April 2019, is dedicated to the French food sector.

Says Felix: “The spinout stories that we tend to see succeed are managers that come from well-established, large GPs who are able to effectively install and replicate best practices and institutionalise a new team at a smaller scale, typically with a focus on a particular sub-vertical or market niche.”

The bifurcation in the market between funds that have an established investor base and then raise rapidly, in comparison with less well-known funds that can take longer to raise (if they are able to raise at all), is particularly acute for debut managers. In recent years, however, this has not stopped them from emerging.

Sinha says: “We rarely take on debut managers ourselves, but in general there has been record-high volumes of debut managers coming to market. The risk appetite among LPs has been high and the capital has been flowing during the past few years.” Some LPs focused on smaller market segments have also expressed a keen interest for debut funds, as they see managers as potentially more focused on performance without past funds to manage and rely on for compensation.

From March 2019 to date, nine debut managers held a final close across Europe, while the previous year saw 15 debut funds close, according to *Unquote Data*, though many more will have launched and been unable to raise successfully. ■

# How PE is helping fight the Covid-19 outbreak



**Eliza Punshi**  
Reporter

**M**any private equity firms have announced efforts to fight against the ongoing coronavirus emergency. While some are in a position to use the expertise of portfolio companies to fight the pandemic, others have offered donations of food and medical supplies, financed research into testing and treatment, and launched relief funds to help staff at their portfolio companies and the wider community.

## Relief funds

Advent International launched a \$25m Advent Relief Fund to help healthcare professionals, first-responders, front-line workers, employees of its portfolio companies, and others in the community impacted by the outbreak. Senior team members of the private equity house contributed individually to the fund.

Partners Group co-CEOs David Layton and Andre Frei, and other executive members of the board, will forego 100% of their salaries and make the funds available to various hardship initiatives at their portfolio companies via a Portfolio Support Fund. The fund will also see voluntary contribution from other employees in the PE firm.

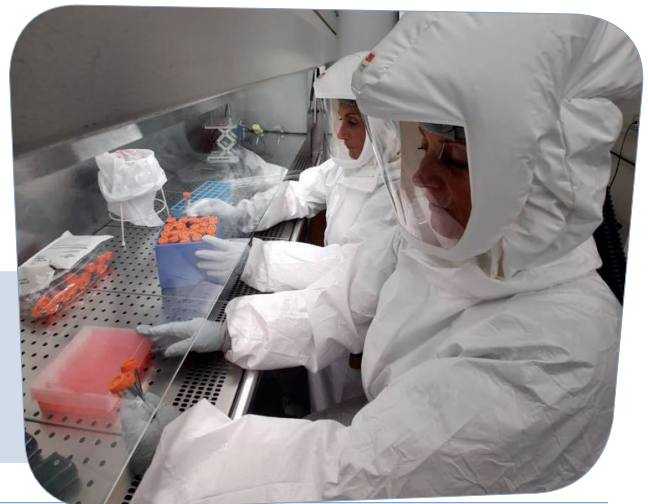
Eurazeo decided to set up a €10m solidarity fund financed from its cash holdings and donations from the supervisory board, the executive board and the executive committee members. The executive board members will contribute 10% of their annual bonuses for 2019 to the solidarity plan.

## Leveraging portfolio expertise

Healthcare-focused GP ArchiMed's portfolio company Diesse Diagnostica Senese in Italy has developed a blood test capable of tracking Covid-19 antibodies. It was expected to be distributed in late April, following a final evaluation of its performance.

Czech pharmaceutical company Zentiva, backed by Advent International, has started manufacturing hand sanitiser to help reduce the spread of the virus.

ArchiMed portfolio company Diesse Diagnostica Senese in Italy has developed a blood test capable of tracking Covid-19 antibodies



## As the coronavirus pandemic spreads into the second quarter of 2020, GPs across Europe – and their portfolio companies – are coming forward to help their communities. Eliza Punshi reports

Two further Advent portfolio companies have been working to combat the virus: German outpatient intensive care provider DFG-Bonitas has increased capacity in its intensive care units to help hospitals free up ICU beds for treatment of Covid-19-infected patients. And in Poland, logistics business Integer has been delivering PPE supplies to hospitals and food to healthcare professionals, as well as distributing second-hand computers to children without access to equipment for home-schooling.

Caixa Capital Risc-backed Spanish mental health startup Psious is using its virtual reality platform to provide free psychological help sessions for citizens and other healthcare workers, to cope with the emotional stress brought on by the Covid-19 outbreak.

Eurazeo-backed Doctolib is offering free remote consultations and has increased the number of doctors providing consultations from 3,500 to 63,000.

Kibo Ventures-backed digital library platform Odilo has opened access to its service for schools and institutions, and is also providing educational material for remote work.

Inflexion-backed PharmaSpectra, a developer of scientific dissemination data and analytics software, is providing its coronavirus database free of charge.

Landon-backed Sercotel and Meridia Capital-owned Hotel Barcelona 1882 are providing free accommodation for healthcare workers.

Umbra Capital-backed Hastee is letting all staff

deemed essential during this outbreak access their wages ahead of payday free of charge – including employees of the NHS, police and fire services. The app's services will also be free for all users across the UK for the next three months.

### Donations

Inflexion Private Equity Partners, via the Inflexion Foundation, has made donations totalling £2.5m for various causes. It is donating £2m to the National Emergencies Trust, which is raising funds for local organisations providing vital support to people in the quickest way possible. The GP also donated £250,000 to Turn2Us, a national charity providing financial support to people, and £125,000 each to the Roundhouse and The British Exploring Society, two charities with which Inflexion has longstanding relationships, to help support them through this period.

Intermediate Capital Group is donating £250,000 to the Covid-19 Solidarity Response Fund for the World Health Organisation, and City Harvest, a London-based charity turning surplus food into meals for the vulnerable.

Italian GP Aksia Group and its portfolio companies have contributed €100,000 to various local hospitals and Civil Protection Departments across Italy.

In Spain, Miura Private Equity and Suma Capital have made donations to the Hospital Clinic in Barcelona to finance ventilators and other medical equipment, as well as fund research into the coronavirus. ■



# Q&A: Cambridge Associates' Josh Featherby



**Katharine Hidalgo**  
Reporter

**Katharine Hidalgo: How has the coronavirus affected the fundraising market so far?**

**Josh Featherby:** It is too early to tell how coronavirus will affect the 2020 fundraising environment, although I doubt we will see the same level of capital raised as over the past few years. Funds that are in the latter stages of the fundraising process are still planning to close, although perhaps they will see demand soften a little. However, for funds that are closer to their launch, we do expect timings to slip as the logistics of raising capital – never mind the debate around appetite – becomes more difficult. Over the past few years, we have seen an increasing bifurcation between funds that find it easy to raise and those that struggle, and I would expect this to widen further.

There are a few small instances of GPs trying to bring forward their fundraises, whether that be to address an evolving opportunity set or to

which allow them to raise capital relatively easily. If you have to travel and build new relationships to fundraise, it is going to be challenging. In all circumstances, when it comes to setting fundraising deadlines, we are encouraging GPs to be mindful of the increased complexities that LPs are facing, be that investment committees with other priorities, or less efficient documentation processes, given remote working.



“When it comes to setting fundraising deadlines, we are encouraging GPs to be mindful of the increased complexities that LPs are facing”

*Josh Featherby, Cambridge Associates*

shore up their capital base before we enter more uncharted waters. However, those tend to be the groups with strong existing investor bases,

## Josh Featherby, investment director for private investments at Cambridge Associates, shares his thoughts on the short- and longer-term outlook for private equity with Katharine Hidalgo

All that said, investment opportunities do remain and we continue to advise clients to maintain vintage-year diversification, and look to deploy commitment budgets into high-conviction GPs. For some LPs, this may even be an opportunity to gain access to GPs that previously were harder to access.

### **KH: How might private-equity-backed businesses prove resilient to a recession?**

**JF:** Historical precedent is typically a useful framework for assessing the potential implications of a downturn, but this crisis is so different to anything we have experienced before, or at least for generations. No industry is going to be immune, and private equity is the same. Valuations will take a hit, some invested capital will be permanently impaired, and I expect many GPs will find their funds on the wrong side of history, in terms of levels of leverage used and valuation multiples paid.

That said, there are some green shoots for private-equity-backed businesses: private equity firms tend to have more operational expertise today than they did during the global financial crisis, which should hopefully mean a greater ability to guide management teams through this crisis; the extraordinary rise of covenant-lite loans may provide some much needed breathing room for companies' balance sheets; and over the past decade the industry has seen a general pivot towards sectors and business models that may prove

*“Valuations will take a hit, some invested capital will be permanently impaired, and I expect many GPs will find their funds on the wrong side of history”*

*Josh Featherby, Cambridge Associates*

relatively defensive through this downturn, namely technology, healthcare and recurring revenue-orientated businesses.

Perhaps most importantly, private-equity-backed businesses tend to have the benefit of time relative to their public peers. Management teams, with the support of their investors, are more able to take difficult decisions away from the spotlight of published quarterly earnings figures and may even be able to use this period as an opportunity to reshape their company for the future, be that organically through a strengthened culture or an evolved footprint, or through transformative M&A opportunities. With the support of their GPs, and hopefully the depth of the GPs' pockets, perhaps private-equity-backed businesses will prove relatively resilient. I certainly hope so.

### **KH: What market dynamics do you think will affect deal activity?**

**JF:** We have already seen a mixed response from the buyout world in terms of deal activity, with some latter-stage deals still going through, other deals being renegotiated, and some transactions

being cancelled altogether. Modelling pro forma revenues, even with the creativity of many private equity managers' valuation processes, becomes difficult when effective revenues sit at zero, as they do sadly for many businesses today.

Unfortunately, it is overly simplistic to think that lower valuations will lead to a flurry of deal activity from private equity houses looking to take advantage. Unlike in the public markets where the opportunity set remains relatively stable in terms of the number of listed companies for which you can buy and sell shares, private equity requires a constantly revolving door of corporate transactions. Today is not a great time to be selling a company, certainly a good company, and so if you are a wealthy family or divesting corporate you are more likely to try to ride out the storm and try to sell at a more opportune time. This dynamic helped drive a severe decline in the number of transactions through the global financial crisis and I would expect to see the same today.

Aside from this dynamic, there are several others that will limit deal activity, namely distracted GPs needing to focus their energies on existing portfolios, and the availability of leverage for new transactions. However, unique to this crisis is the limited opportunities for thorough due diligence due to travel and social distancing restrictions. It is hard to do due diligence on a company and its management team if you cannot meet them in person or walk the factory floor. If, and how, GPs can get comfortable with a different

diligence model will also be interesting to watch.

All that said, history demonstrates that the next few years could be strong vintage years to deploy into and so we are actively looking to commit capital across strategies and geographies. Manager selection, however, remains critical.

**KH: What do you think will be the long-term effects of the crisis on the industry?**

**JF:** Private equity has an important role to play in the local and global economy, and I believe this will be as true, if not truer, coming out of this crisis. I hope that private-equity-backed businesses will be at the forefront of responding to the crisis, in terms of corporate responsibility, employee welfare and combatting the health and societal needs of our populations. We are already seeing that in our venture capital portfolios, whether it be through drug development, telehealth or 3D printing.

Will the current crisis affect private equity over the short to medium term? Absolutely; private-equity-backed businesses are real-world businesses that operate like every other, experiencing significant losses in revenue and with employees that will be worrying for both their personal and professional wellbeing. I expect there will be meaningful write-downs, and write-offs, across many portfolios, and very few managers will have net benefited from this crisis. That said, good private equity managers will have learned lessons from prior crises, will stay close to their portfolio companies, providing support where necessary, and hopefully will be able to take advantage of new opportunities at more reasonable entry valuations.

I believe that private equity will again demonstrate an ability not only to preserve capital but to outperform during periods of stress. With prudent portfolio management, and a continued focus on manager selection, institutional LPs can help position their portfolios for a successful future, with private equity at its core. ■

“History demonstrates that the next few years could be strong vintage years to deploy into and so we are actively looking to commit capital”

*Josh Featherby, Cambridge Associates*

# Hold or exit: how the previous crisis affected holding periods

Analysing the evolution of holding period patterns around the global financial crisis (GFC) could provide insights as to what the next few months may hold, although a turnaround could be quicker this time. Mariia Bondarenko reports



**Mariia Bondarenko**  
Data reporter

Historically, periods of economic uncertainty and financial crisis have made private equity players adjust investment strategies. The periods before the GFC and the Brexit referendum saw a shortening of holding periods among portfolio companies on the European market. Indeed, the average holding period fell by 7% in 2007, with the number of exits reaching its peak.

The slow economic recovery after the GFC resulted in prolonged holding periods, reaching a peak in 2013. Over that period, the proportion of companies exited in less than five years began to plummet. Among other factors driving this trend was the tightening availability of credit, which further decreased demand on the buy-side and pricing.

With the double-edged sword of a macroeconomic cycle reaching its peak and the inevitable fallout from the Covid-19 outbreak, PE investors may face a similar challenge.

The average holding period fell 4% last year to 5.4 years, after edging down slowly from a high point of six years in 2016.

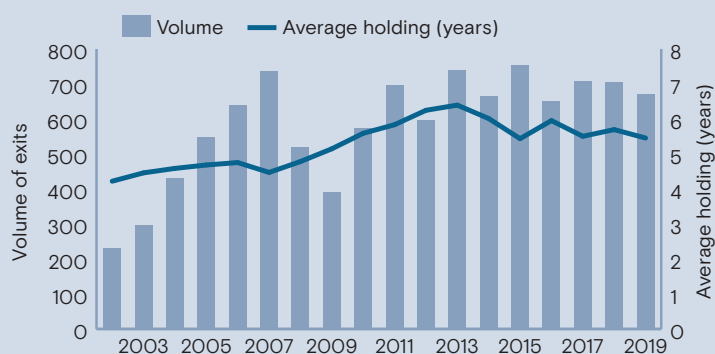
With holding periods shortening, the percentage of companies realised in less than five years has been increasing since 2018. The urgency to sell may reflect investors' anticipation of a recession, which could make it harder to exit later.

However, the current crisis is very different from its predecessor. For one, the short-term business

downturn is likely to come to an end once the virus has been contained. Having said that, PE firms, as strong players in times of crisis, do not have an urgent need to force exits for their portfolio companies. Instead, they tend to be hyper-focused on keeping their portfolio companies afloat during times of financial stress.

Moreover, with unprecedented levels of dry powder at their disposal, PE firms could be seen as crucial in supporting firms after the outbreak. ■

## European PE holding periods & exit volumes



Source: Unquote Data



# UK government extends lifeline to PE assets



**Katharine Hidalgo**  
Reporter

On 16 April 2020, HM Treasury made an announcement stating that private-equity-backed businesses will have access to its guaranteed loan schemes. Prior to this, several [concerns surrounding the Coronavirus Business Interruption Loan Scheme \(CBILS\) were raised](#) in the private equity community.

Private-equity-backed and founder-owned businesses alike reported difficulties accessing funding, with banks offering loans at interest rates of 30%, or asking for excessive personal guarantees. In a survey of 42 GPs by the British Venture Capital Association, of the respondents' more than 750 portfolio companies, only 29 had been successful in their application for CBILS as of early April.

Another concern was the grouping of private-equity-backed companies' revenues, so the sum of the portfolio's revenues would surpass the £45m cap for CBILS eligibility. However, soon after HM Treasury's initial announcement, the British Business Bank, the conduit for government funding to accredited CBILS lenders, also indicated that "grouping" arrangements would be removed.

Partner James Collis of Squire Patton Boggs says the clarification from the government

is helpful, but has concerns about CBILS's larger cousin, the Coronavirus Large Business Interruption Loan Scheme (CLBILS): "They have not given the same clarification for CLBILS, and this is the scheme that will be of interest to many more private equity businesses. Of course, there is no upper turnover limit for CLBILS, so aggregation does not matter in that sense, but if it does apply does that mean the portfolio as a whole is capped at a single funding limit?"

While the government still needs to clarify on some terms, particularly with CLBILS, these announcements indicate its willingness to have private equity assets gain access. GPs that have not already done so; can now turn to the practical implications of the funding, which have also garnered criticism.

## Finding the right fit

How CLBILS funding will fit into the capital structure of portfolio companies is one area that has not yet been clarified. Callum Bell of Investec says: "There is a range of ways that government funding may fit into the capital structure. We have heard of these facilities being put in as subordinated loans. Equally, it could come under super senior and *pari passu*.

"All the options are there and all eyes are on how stakeholders, creditors and shareholders negotiate this, and in particular the inter-creditor aspects between different parts of the capital structure."

Without clarification from the government

"Every business has its own circumstances and the optimal outcome to cater for all stakeholders needs to be negotiated in light of these"

*Callum Bell, Investec*

## Katharine Hidalgo explores the difficulties that could arise from the implementation of CBILS and CLBILS funding

on where this funding can sit in the capital structure, taking on CBILS and CLBILS funding may require lengthy negotiations with credit holders and the possibility of outright rejection from lenders. Furthermore, there has been a shift away from traditional bank lenders towards private debt funds that may be less susceptible to government pressure.

These lenders, many of which participate in sponsored transactions, may not be amenable to having more debt brought into the company without a shift in their own terms to compensate for the greater risk implied by extra leverage.

Collis says: "Consent issues with existing creditors may still remain, as any loan will need to find its place in the capital structure, particularly if additional indebtedness baskets are insufficient. This may be true for businesses not backed by private equity, but the capital structures around portfolio companies, coupled with tighter, leveraged credit, means these terms are likely to add an additional layer of complexity."

Ben Squires, a partner at Squire Patton Boggs, also raises concerns around other potential restrictions that could be implemented on companies taking out these loans, depending on the approach the government takes. He says: "If the CLBILS scheme in any way mirrors the proposals for the Main Street Lending Program (MSLP) in the US, there could be restrictions on executive remuneration and the payment of dividends and capital distributions. As such, private equity sponsors will need to consider the potential

repercussions of these restrictions, if imposed, very carefully before accessing the CLBILS scheme."

Bell says of the potential for wider restrictions: "Every business has its own circumstances and the optimal outcome to cater for all stakeholders needs to be negotiated in light of these, but there are certainly some restrictions that are reasonable." Bell says, for example, that it is fairly typical to have restrictions on dividends for private-equity-backed businesses in the mid-market when the business operates at a high leverage.

It is unclear whether the potential obstacles to portfolio companies exist deliberately, or are simply a result of teething issues. Market participants have suggested that with record-high levels of dry powder, the government may expect private equity to shore up companies. Others suggest that as accredited lenders attempt to triage the companies most in need of funding, those with wealthy backers are unlikely to top the list.

However, Squires cautions against creating obstacles for these companies when accessing these loans: "Clearly, large pension funds constitute a not insignificant proportion of the investor base of many private equity funds and, as such, providing private equity portfolio companies access to schemes like CBILS and CLBILS not only supports the employees of such companies, but also provides an indirect benefit to pension pots of the population at large. Perhaps the private equity industry as a whole could be better at explaining the wider benefits their structures bring to UK plc." ■

# PE-backed restaurants and pubs look for silver linings



**Katharine Hidalgo**  
Reporter

**T**he UK's pubs and restaurants were some of the first assets to be hit by the full scope of the coronavirus crisis, when UK prime minister Boris Johnson instructed various retail businesses to close indefinitely on 20 March 2020.

The sector has already seen its first major casualty. Restaurant chain Carluccio's announced it had gone into administration on 30 March, blaming challenging trading conditions exacerbated by the coronavirus pandemic.

In the past decade, the UK's casual dining sector has seen significant interest from private equity. The number of buyouts in the restaurants and bars sector reached a peak of 11 in 2014, with brands such as Pizza Express, Côte Restaurants and TGI Fridays being acquired.

Yet, having enjoyed considerable backing for a sustained period, the sector has more recently come across challenging times due to oversupply and changing consumer behaviour, as well as macroeconomic and political headwinds. Prior to the coronavirus crisis, margins were notably squeezed by the introduction of the national

living wage, decreasing consumer confidence and business rate hikes, particularly in London. Chains that used aggressive roll-out strategies under their private equity owners were left particularly vulnerable.

Casualties in the private-equity-backed restaurants sector included the closure of 94 sites of TPG Capital's Prezzo in 2018. That year, burger chain Byron also announced it was to close up to 20 of its 67 restaurants as part of a restructuring deal that saw Three Hills Capital Partners (THCP) buying half of Hutton Collins' stake in the company.

In the current circumstances, the prospects of the sector have deteriorated even further, with the revenues of many UK businesses reaching zero.

## Time for reinvention

So far, private-equity-backed pubs and restaurants have taken measures to mitigate the situation, by closing sites, furloughing staff and shifting to takeaway strategies. "With Rosa's Thai we have been fortunate," says Trispan operating partner Robin Rowland about the firm's portfolio company, a chain of cafes that sells Thai food. "More than a third of revenue was from takeaway. We identified the sites that were best suited to remaining open and those sites are trading very well."

Other companies are also attempting to preserve revenue generation. Risk Capital Partners-backed Small Batch Coffee is now

"There are too many variables in the implementation of the government funding. We do not have clarity on what the banks are looking for from businesses and there is no uniform approach"

*James Knott, Lonsdale Capital Partners*

## UK-based, private-equity-backed pubs and restaurants have remained somewhat resilient to the coronavirus crisis so far, due to government schemes and understanding lenders. But the situation may well deteriorate further, writes Katharine Hidalgo

delivering its coffee. Meanwhile, Mayfair Equity Partners-backed Yo! Sushi has continued to advertise its branded line of products, which is available in supermarkets.

The government's pause on business rates and the offer to pay 80% of wages for furloughed employees has been welcomed by investors and management teams alike, but some doubt the efficacy of government lending schemes.

James Knott, a director at Lonsdale Capital Partners, which owns a stake in cocktail bar Simmons, says: "There are too many variables in the implementation of the government funding. We do not have clarity on what the banks are looking for from businesses and there is no uniform approach. Lots of them were burnt in the global financial crisis and do not want to take on too much exposure, and hence are reluctant to lend."

Many organisations have indeed reported that banks have refused them emergency loans, according to the BBC.

Another area that investors have highlighted as problematic is the government's resistance to implement stronger measures on rent holiday. "This is a major issue right now that the government needs to help solve," says THCP managing partner Mauro Moretti.

On 23 March, government departments announced a ban on evictions for commercial tenants that miss rent payments, which has led to confusion for some businesses. Says Trispan's Rowland: "The current rent moratorium in place will just lead us to a long and difficult conversation

with landlords, who clearly have to protect their own income. It would be great to get guidance or support from the government."

### Extra clout

Dealing with landlords, as well as lenders, could be one area where having a private equity backer could be beneficial, though. A partner that is experienced in negotiations and financially committed to the success of the company can assuage the fears of lenders and landlords alike.

Lonsdale's Knott says: "We have been lucky in that our landlords have so far been very sensible, and our lender OakNorth has been very commercial in dealing with the situation, bearing in mind we are not highly leveraged."

"We are very pleased with our initial reaction from Santander," says Rowland, "but bankers are going to stay with businesses that are bankable. The devil is in the detail and the government is going to be important in keeping the banks on track."

Some market participants have told *Unquote* that they would be willing to provide fresh equity to portfolio companies on a case-by-case basis where necessary.

Nevertheless, investors are expecting at least another two quarters of damage from the coronavirus situation; however, Trispan's Rowland cautions against underestimating the challenge of reopening once the situation stabilises. "It is not like flicking a switch; and, while closed, you have to make sure you remain relevant to your employees and your customers." ■



# German GPs weigh up portfolio damage



**Harriet Matthews**  
Reporter

In March 2020, Germany launched a credit programme managed by the Kreditanstalt für Wiederaufbau (KfW) to issue loans to businesses experiencing liquidity issues as a consequence of the coronavirus pandemic, administered via the country's house banks or local banks. The programme is tailored to suit the needs of businesses of different sizes. The loans are restricted by a number of criteria including up to €1bn per business, up to 25% of a company's 2019 turnover, or the company's current liquidity needs for the next 12-18 months, depending on the size of the entity in question. The KfW also reduced the risk assessment requirements for loans.

KfW announced that it would assume 80-90% of working capital and capex for SMEs and larger companies; in response to concerns that banks would not be willing to take on a portion of risk for certain smaller companies, KfW announced on 6 April that it would fully guarantee loans of up to €500,000 for Mittelstand businesses with 11-50 employees, and up to €800,000 for those with up to 249 employees.

**"The challenge for the industrials sector is that many of these businesses have been impacted on multiple fronts by this exogenous shock, on the demand and supply side"**

*Thomas Fetzer, Baird*

Thomas Fetzer, managing director at Baird, says the nature of Germany's industrials-weighted economy has caused problems for some GPs when it comes to liquidity needs: "The German portfolio of private equity investors is a reflection of the makeup of the local economy, so they often have a meaningful industrial element to them," he says. "Many are fairly exposed and have been undertaking measures to ensure liquidity. But at the same time, the situation of individual sponsors varies quite a bit, depending on their portfolio and where they are in their fundraising cycle."

Fetzer adds: "The challenge for the industrials sector is that many of these businesses have been impacted on multiple fronts by this exogenous shock, on the demand and supply side. Sponsors' immediate priority is ensuring liquidity for as long as possible, to the extent that government funding is available. There is a concerted effort on the part of private equity firms to support their portfolio companies in accessing these government programmes. To the extent that covenants are likely to be breached or will be breached already, companies and sponsors are engaging in discussions with their lenders to ensure liquidity."

## Turning a corner

Kai Roelf, a partner at Afinum, says that liquidity has been a priority for the firm's portfolio companies and that the GP has assessed the KfW programme. "It would be

## Lockdown measures in Germany intended to stop the spread of the coronavirus have naturally affected local portfolios. Harriet Matthews reports on the country's state-backed loan programme and how GPs are addressing liquidity issues

completely irresponsible not to evaluate the options, even for what currently appear to be 'safe' businesses," he says. "It is hard to find an unaffected sector. Generally, depending on the outcome of negative scenarios, every business will be affected, so every business and all investment managers should look into it. Some businesses with short-term cash needs are in the application process now. And the government has learned that there must be an option for smaller businesses where banks do not take any risk.

"We have one case where we are applying for KfW funding, where we are getting positive signals, so we will keep our fingers crossed," a partner at a mid-market Germany-based GP tells *Unquote*. "I think the biggest problem is that, if the government does not give 100% guarantees, they are pushing some of the risk onto the banks, and the banks do not want to take that risk since the companies requiring the cash are those most hit. This makes processes more difficult – it is variable how supportive they are."

The same source added that the arrangements for Germany-based businesses with foreign subsidiaries are more complex, since the KfW programme is designed only to help companies in Germany: "There are restrictions on pushing the money down to subsidiaries abroad, so companies are relying on local programmes in other countries to help, which makes matters more complicated."

"It would be completely irresponsible not to evaluate the options, even for what currently appear to be 'safe' businesses"

*Kai Roolf, Afinum*

### New hope

Nevertheless, Fetzner says a new phase could be beginning for some DACH-based GPs. "A couple of weeks ago, most of their attention was turned towards weatherproofing their portfolio, but we are already seeing a change in sentiment; when companies have been weatherproofed and liquidity has been assured, GPs are raising their head above water and looking for investment opportunities. We are not expecting this in large numbers very quickly, but most of the firms that have been around for longer will see that they made some of their best investments in the immediate aftermath of a downturn; for example, 2010 was a very good vintage, so it is about looking at potential targets now to be ready when the market comes back."

Roelf concurs: "We are absolutely looking into acquiring businesses, especially add-ons. We have a list of interesting and attractive competitor companies for each of our portfolio companies. We will try to seize opportunities." ■

# Italian fundraising disrupted by Covid-19 crisis



**Alessia Argentieri**  
Senior reporter

Italian GPs on the trail are struggling to maintain the fast pace of 2019, when buyout and generalist vehicles raised €6.8bn. LPs are becoming more anxious and reluctant to being over-exposed to the country, and coronavirus fears are expected to slow down fundraising for at least the next six months.

Several private equity firms ready to come back to the market with a new product are instead choosing to postpone the launch of their funds, including Consilium and Green Arrow Capital, among others.

Consilium is delaying the launch of its new buyout fund, [Consilium IV](#), according to a source familiar with the situation. The vehicle intends to make 10 or 11 investments in Italian companies with enterprise values in the €40-80m bracket, generating EBITDA of €5-20m. It will target majority stakes and will deploy equity tickets in the €15-30m range, but will also be open to co-investments with LPs for larger transactions.

Green Arrow is also postponing the launch of its fourth fund, [Green Arrow Private Equity](#) fund 4 – initially expected in Q1 2020 – according

to a source familiar with the situation. The vehicle will have a €350m target and €400m hard-cap. It will invest in majority and controlling positions in Italian companies with EVs of up to €150m and EBITDA in excess of €7m. Green Arrow 4 will deploy equity tickets in the range of €10-60m and target businesses operating in the fashion, industrial engineering and technology sectors.

## Delays expected

Other Italian funds already on the market are postponing their final closings to Q3 2020 or further, depending on how quickly the emergency is resolved and how badly the aftermath of the coronavirus crisis hits the country.

One such example is Quadrivio, which is raising two sector-focused funds, [Made in Italy](#) and [Industry 4.0](#). Made in Italy is dedicated to the fashion, design, beauty and food industries, and deploys equity tickets in the €10-15m range. The fund was launched in January 2018 and was planning to hold a final close in April 2020, surpassing its initial target of €200m and reaching €250m.

The GP told *Unquote* that the fund is postponing its final close by a couple of months, but is also considering increasing the target to €300m. “We expect more capital to pour in once the crisis is resolved,” said the GP.

Industry 4.0 was launched with a €300m target and held a €100m first close in October 2018. Its final close, which was expected in the

Several private equity firms ready to come back to the market with a new product are instead choosing to postpone the launch of their funds

## The Covid-19 outbreak is likely to cause delays and postponements for most vehicles across the country, although a handful of managers have also launched new vehicles in recent weeks. Alessia Argentieri reports

first half of 2020, has been postponed to the end of this year or the beginning of 2021, the GP told *Unquote*.

Mandarin Capital is also raising its third vehicle, [Mandarin Capital Partners III](#) (MCP III). The fund was launched with a €250m target and a €300m hard-cap, and has raised €175m so far. It will have to postpone its final close, expected in July 2020, by at least six months, the GP told *Unquote*.

The fund targets businesses with enterprise values in the €30-70m range and EBITDA of €3-7m, operating in a wide array of sectors, including mechanical engineering, chemicals, cosmetics and food.

Aksia Group has also postponed the final close of its fifth fund, [Aksia Capital V](#), which was launched in February 2019 with a €200m target and held a €100m first close in July 2019. The fund targets European businesses with potential for high growth, buy-and-build and international expansion, and deploys equity tickets in the €15-25m bracket.

"The fundraising has been very smooth for our fifth fund," the GP told *Unquote*. "We have raised commitments of €120m so far and will reach €150-160m after the summer. However, we think it might be beneficial to postpone the final closing, which was scheduled for the end of 2020, by around six months."

DeA Capital is raising its second agri-food-dedicated buyout fund, [Taste of Italy 2](#). The vehicle was launched in October 2019 with a €250m target and €300m hard-cap. *Unquote*

"We think it might be beneficial to postpone the final closing, which was scheduled for the end of 2020, by around six months"

*Aksia Group*

understands that the GP is on track with its fundraising and expects to hold a final close by the end of 2020 or in Q1 2021.

### Braving the storm

Despite the prediction of an imminent recession, some new vehicles have been launched in the midst of the coronavirus crisis, benefiting from the support of the Italian state. Friulia Veneto Sviluppo, for example, has launched a €75m private equity vehicle, [Fondo Sviluppo PMI II](#), with a €20m commitment from Veneto Sviluppo, the investment vehicle of the Veneto region.

Furthermore, debt and restructuring funds are gaining momentum, and several vehicles have been launched in the past few weeks to support the recovery of Italian companies hit by the coronavirus emergency. Among others, Main Capital launched its [UTP Restructuring Corporate Fund](#); Riello Investimenti announced a €150m private debt fund, [Impresa Italia Private Debt II](#); and Springrowth plans to raise a [Rescue Financing Fund](#) with a €200m target. ■



# Funds round-up



## YFM closes Buyout Fund II on £80m

YFM Equity Partners has closed its Buyout Fund II on £80m.

The fund held a first close in March 2019 with a target of £60-75m and had no formal hard-cap. It held a final close on 31 March 2020.

Mike White, the partner at YFM responsible for fundraising and investor relations, said: "The coronavirus situation only affected the fundraise towards the end of it, as we had already won most of our commitments. Over 90% of investors committed, with only a small number, who had to reorganise assets, dropping out."

The fund's predecessor closed on £45m in May 2017 and has made 10 investments and one realisation. Domiciled in the UK, YFM Buyout Fund II is structured as a UK LP and has an eight-year fund life with two one-year extensions. It has a 2% management fee, 8% hurdle and 20% carry rate. White said: "We only charge a management fee on drawn, rather than committed capital."

Addleshaw Goddard provided legal advice and the fund did not use a placement agent.

The investor base of the fund is made up of around 45-50 UK-based investors, including cornerstone investments from Kent County Council Superannuation

Fund and Nottinghamshire County Council Pension Fund, according to *Unquote Data*. The remainder are entrepreneurs and high-net-worth individuals. Some members of YFM-backed management teams have also invested.

A majority of Buyout Fund I investors also participated in this fundraise. LPs in the predecessor fund included Kent County Council Superannuation Fund and Nottinghamshire County Council Pension Fund. The investors typically committed £500,000-5m.

The fund will invest £3-10m per transaction in businesses with strong growth potential located across the UK. Its investment period is around three to four years.

The fund has not yet made an investment and has one deal on hold. White said: "The investment team is pretty active right now. We have several things in various stages of the pipeline and we hope to invest later this year."

He continued: "I think our investors understand there is going to be a hiatus in the market, and they appreciate that the businesses we invest in need to be in the right shape to warrant that investment. We also expect prices to drop somewhat in the current environment." ■

### YFM Buyout Fund II

<b>TARGET</b>	£60-75m
<b>LAUNCHED</b>	Jun 2018
<b>CLOSED ON</b>	£80m, Mar 2020
<b>FOCUS</b>	UK SMEs
<b>FUND MANAGER</b>	YFM Equity Partners

A round-up of recent fundraisings throughout the private equity industry, including YFM closing Buyout Fund II on £80m; Patrimonium holding a €100m first close for its debut fund; and Gilde Healthcare V closing on its \$450m hard-cap

## Axcel holds first close for sixth flagship fund

Danish GP Axcel has held a first close for its sixth fund, Axcel VI, on €507m, and made its debut investment from the vehicle.

The GP launched the fund in December 2019 and held a first close in February, *Unquote* has learned.

The GP is targeting to raise €800m for Axcel VI, and has already raised 77% of the amount raised by Axcel V, which held a final close in April 2018 on its DKK 4.8bn (€617m) hard-cap.

The GP plans to continue fundraising through 2020, despite the restrictions imposed in response to the coronavirus outbreak.

The investors in the fund are mostly from the Nordic region, although there are also a number of international investors, and backers include pension funds, wealthy families, banks, funds-of-funds and foundations.

Axcel will focus on investments with an enterprise value of €75-250m for Axcel VI.

The GP's sixth fund, like its previous vehicles, will invest in platform companies with headquarters in the Nordic region, but will look at bolt-on opportunities worldwide. Axcel has teams on the ground in Copenhagen and Sweden, and expects most

transactions to occur in Denmark and Sweden.

The fund will focus on goods and services across all sectors. It will target IT, technology, healthcare and consumer companies. It will, however, avoid physical retail businesses.

The vehicle made its first investment recently by acquiring a controlling stake in Norwegian business SuperOffice for reportedly NOK 1bn.

Axcel V was the first fund to be raised under Christian Schmidt-Jacobsen, the firm's managing partner who took over from founder Christian Frigast in June 2015 after a highly publicised struggle to find a replacement.

The fifth fund succeeded Axcel IV, a 2010-vintage buyout vehicle that raised DKK 3.6bn at final close.

Other big Nordic names currently on the fundraising trail include EQT, which is aiming to raise a substantial €14.75bn for EQT IX after launching earlier this year; and CapMan, which launched CapMan Buyout XI in 2018 and held a first close in June 2019 on €160m towards a €250m target. Norvestor VIII was also registered in 2018, while Polaris Private Equity V was registered in H1 last year with a target of €550m. ■

### Axcel VI

<b>TARGET</b>	€800m
<b>LAUNCHED</b>	Dec 2019
<b>CLOSED ON</b>	€507m, Feb 2020 (1st close)
<b>FOCUS</b>	Nordic mid-market
<b>FUND MANAGER</b>	Axcel

## Patrimonium holds €100m first close for debut fund

Patrimonium has held a first close for its first private equity vehicle on €100m, following its launch in October 2018.

The vehicle is structured as a Luxembourg SCSp and was registered in August 2018. It has market-standard 2-8-20 conditions and has a lifespan of 10+2 years.

The fund target is €200m, with a hard-cap of €225m. The vehicle is targeting a gross money multiple of 2.5x and a 20% IRR.

The fund plans to invest in DACH-based lower-mid-market companies with turnover of €20-150m and enterprise values of €10-120m, with a buy-and-build focus.

"We did most of the preparation and personal meetings for the fundraising before the coronavirus hit, so it had no impact on the first close," Werner

Schnorf, managing director for private equity at Patrimonium, told *Unquote*.

Asked about the final close, Schnorf said: "We will make the final close within 12 months. It is important for fundraising that you can meet in person. We had a lot of meetings before the first close and we need the follow-up meetings to be in person, but we do not yet know how long this will take, since every country will not follow the same sequence in terms of opening up again. On the other hand, we have good contacts through our private debt group, we have a lot of great investors who trust Patrimonium and we have contacts ready to use."

The first close was backed by European and Swiss institutional investors and family offices. The minimum commitment for institutional investors is €5m. ■

### Patrimonium PE vehicle

<b>TARGET</b>	€200m
<b>LAUNCHED</b>	Q4 2018
<b>CLOSED ON</b>	€100m (1st close), Mar 2020
<b>FOCUS</b>	DACH lower-mid-market
<b>FUND MANAGER</b>	Patrimonium

## Silverfern holds first close for SGO Fund III

Silverfern has held a first close for Silverfern Global Opportunities III on more than €110m, having launched the vehicle in 2019.

The vehicle is domiciled in Luxembourg. The GP did not work with a placement agent, but Loyens & Loeff and Kirkland & Ellis provided legal advice.

Robert Spittler, managing director at Silverfern, told *Unquote*: "We expect to hold a final close in 2020, but the current environment has obviously changed some of the expected

timings. If the lockdown goes on until July, it may take longer, but if we open up in April or May we will aim to close in late summer or autumn."

The fund will deploy equity tickets of €20-100m, with an average of €30m. "The opportunity is in overlooked businesses, meaning businesses that are not in the focus of our competitors," said Spittler. "Our objective is to make conservative investments in the private equity environment with low leverage and robust business models." ■

### Silverfern Global Opportunities III

<b>TARGET</b>	€300m
<b>LAUNCHED</b>	H1 2019
<b>CLOSED ON</b>	c€110m (1st close), Apr 2020
<b>FOCUS</b>	Buyout, growth capital
<b>FUND MANAGER</b>	Silverfern Capital

## Gilde Healthcare V closes on \$450m hard-cap

Gilde Investment Management's Gilde Healthcare V fund has closed on its hard-cap of \$450m.

Launched in December 2019 with a target of \$350m and an initial hard-cap of \$400m, Gilde Healthcare managing partner Pieter van der Meer told *Unquote* the firm decided to extend the fund's hard-cap to \$450m to accommodate interest from LPs.

Van der Meer said: "We probably would have taken the coronavirus situation into account had we not yet started fundraising, but we began the due diligence process and site visits in December 2019. Despite the circumstances, the process went extremely smoothly and even while the crisis was taking effect, we were able to maintain interest."

He continued: "We did have one small investor that became concerned about the level of exposure to funds and decided to scale back its commitment."

The fund's predecessor, Gilde Healthcare IV, closed on €250m in June 2016 and is likely to make one more investment before it is fully deployed. Van der Meer said the fund already has above-average returns from the exits of several businesses.

He said: "We have portfolio companies that are directly assisting with the coronavirus situation and are thus seeing positive demand from the crisis. Even when we can see an end point to the crisis, there is likely to be demand for more healthcare solutions from diagnostics to treatment."

Structured as a CV, the fund is

domiciled in the Netherlands. Legal advice was provided by a team from Jones Day led by partner Quirine Eenhorst.

Gilde Healthcare V saw banks, pension funds, funds-of-funds, sovereign wealth funds, endowments, family offices, entrepreneurs and Gilde partners invest. Van der Meer said the fund has a re-up rate of 90%.

LPs include existing Gilde investors Royal Philips, Rabo Corporate Investments, Haniel, KfW Capital, BNP Paribas Fortis Private Equity, Belgian Growth Fund, Danish Growth Fund and the European Investment Fund (EIF).

Said van der Meer: "We are fortunate to be adding a lot of major LPs who we have been talking to for some time but have previously not invested. Many of them have extensive due diligence processes, high demands and severe criteria, so we are pleased they have finally decided to join us."

The fund makes venture and growth capital investments in sectors such as digital healthcare, medical technology and therapeutics in Europe and North America, and will also have a focus on private healthcare companies enabling improved care at an affordable cost.

The typical equity cheque will be \$10-40m. Van der Meer told *Unquote* the fund is likely to have 15 or 16 investments when fully deployed. "We may also add an extra portfolio company through the reinvestment of cash proceeds from exits. We like to recycle proceeds as a result of early exits. ■

### Gilde Healthcare V

<b>TARGET</b>	\$350m
<b>LAUNCHED</b>	Dec 2019
<b>CLOSED ON</b>	\$450m, Mar 2019
<b>FOCUS</b>	Healthcare companies
<b>FUND MANAGER</b>	Gilde Investment Management



# UK & Ireland deals

**£238m**  
**Reported**  
**revenues**

## Oakley exits Inspired Education

Oakley Capital has sold the remainder of its stake in Inspired Education.

Oakley invested in Inspired Education from its second-generation fund in 2013. The fund held a final close on €524m in December 2014 and has since made realisations from five other portfolio companies. Remaining assets include Daisy Group and North Sails Europe.

Oakley Capital Investments (OCI), a listed investor that takes stakes in Oakley funds and co-invests in Oakley deals, also fully realised its stake through both its investment in Oakley Capital Private Equity Fund II and its direct investment in the company. OCI's proceeds from the sale amounted to £99m.

Established in 2013 and headquartered in London, Inspired manages a network of 50 private schools, educating 45,000 students across Europe, Australia, Africa, the Middle East and Latin America.

Oakley invested €16.8m in Inspired through Oakley II and directly via OCI. Subsequently, TA made a growth capital investment in the company in July 2017, and both OCI and



Oakley partially realised their investments.

EQT Credit provided €115m in debt to support the company's expansion plan in 2018. The GP drew capital for the financing from its €530m EQT Mid-Market Credit Fund, which held a final close in April 2016.

In May 2019, Warburg Pincus and TA Associates made growth capital investments in the group. The deal saw Oakley sell down some of its shares, while OCI continued to hold its entire stake in Inspired, as well as its remaining

indirect interest through Oakley II.

OCI's share of proceeds from this transaction came to approximately €40m, while its interest in Inspired, through both its direct investment and Fund II, was valued at approximately €102m.

Inspired reported revenues of £237.68m with EBITDA of £45.26m and EBIT of £26.67m for the year to 31 August 2018. ■

### People

**Oakley Capital** – Peter Dubens.  
**Inspired Education** – Nadim Nsouli.

## CVC delays Six Nations deal

CVC has delayed its £300m investment in rugby tournament Six Nations, according to a report by the *Financial Times*.

The delay is due to the coronavirus-related financial crisis in the sport. It is still possible that the deal completes this year, but it is unclear whether the terms of the transaction will remain unchanged, according to the report.

The Six Nations said that discussions are ongoing and are taking the pandemic into account. Neither a break in negotiations nor a push to complete the deal has been agreed upon, the organisation said.

In March 2019, Six Nations received a £500m bid from CVC for a 30% stake, while in February 2020 the *FT* reported that the firm was expected to acquire a 14% stake for £300m.

CVC has shown interest in various rugby tournaments over the past two years. In December 2018, CVC acquired a 27% shareholding in the Gallagher Premiership's commercial arm, Premiership Rugby, for £220m. The firm also entered into discussions with the Pro14 tournament in March 2019 and is expected to pay £120m for a stake in the company. ■

**£15m**  
Turnover  
generated

## Elysian Capital sells Wellbeing Software Group for 4.5x return

Elysian Capital has sold Wellbeing Software Group to The Citadel Group for a return of 4.5x money.

Wellbeing provides radiology and maternity software that manages patient workflow and data. Founded in 2013, the company generated turnover of £15m in 2018, up from £14.4m in 2017. The company's adjusted EBITDA was £5.9m in 2018, up from £5.4m in 2017.

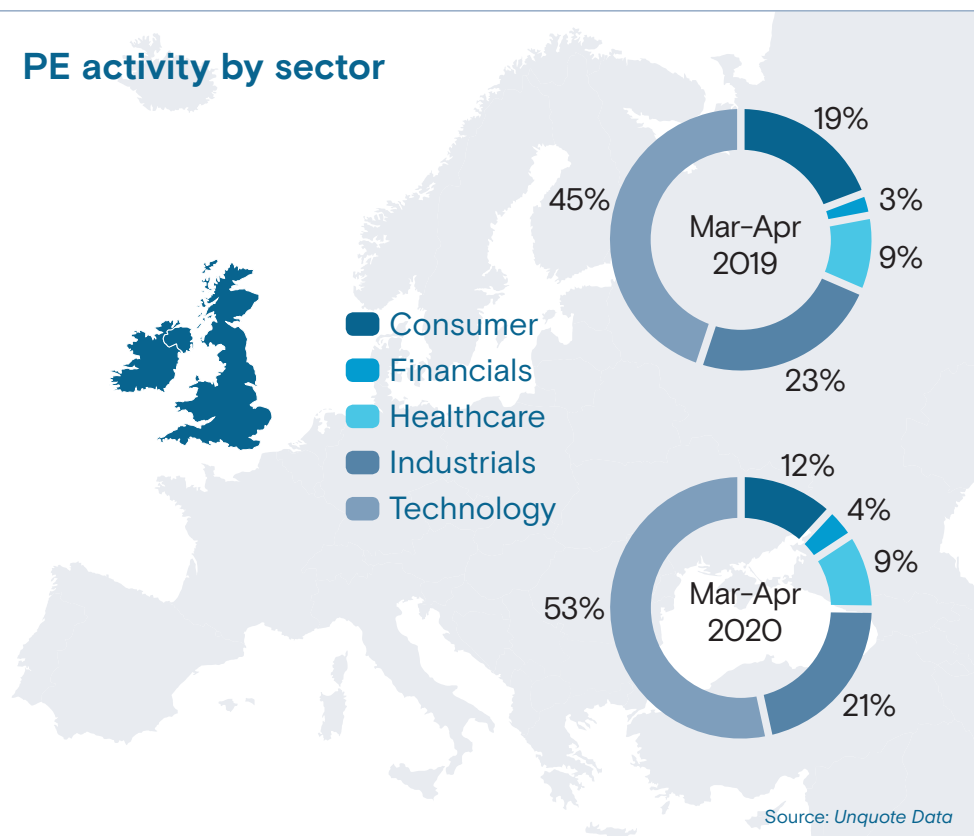
Trade buyer Citadel acquired the company for £103m. The listed technology company

made the acquisition to grow its presence in the UK and expand its product suite.

The sale of Wellbeing is the sixth exit from Elysian Capital I, which closed on £130m in 2010. The firm is currently investing from its second-generation fund, which closed on £250m in July 2015.

In 2014, Elysian backed the management buyout of Wellbeing. The new funding was used to expand the company's product range. ■

### PE activity by sector



# Benelux deals

BENELUX

**€7-8m  
EBITDA**

## Bolster buys stake in Mark Climate Technology

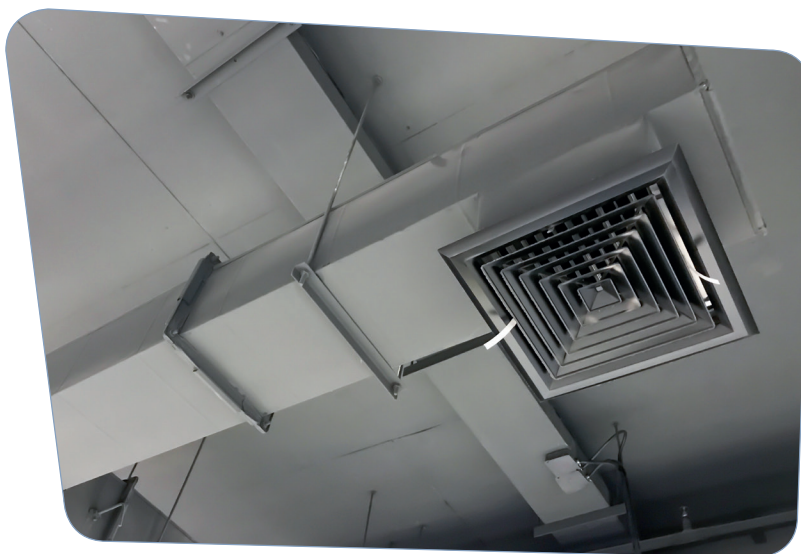
Netherlands-based GP Bolster Investment Partners has acquired a 60% stake in family-owned climate control engineering business Mark Climate Technology.

Company director Piet-Hein Bruinsma and the management team will retain a 40% stake in the business.

Mark Climate produces climate control systems to manage temperature and air handling in industrial and utility buildings. The company also comprises the subsidiaries StaticAir and CMK Luchttechniek.

Founded in 1945, the company is based in Veendam and has 200 employees. It also has sites in Germany, Belgium, Ireland, Poland and Romania. The company was taken over by the Bruinsma family in 1983. It generates revenues of €40m and the company reports EBITDA of €7-8m.

Mark van Rijn, partner at Bolster, explained how the deal came about: "In the first instance, it was a proprietary deal via a mutual connection, but other relatives who were also owners of the company



were also involved. An auction process was run by ING Corporate Finance, but after the process the family decided that they wanted to work with us – they talked to other possible investors, but in the end they saw that what they wanted was in line with us."

Asked about whether the coronavirus lockdowns in place across much of Europe had an impact on the process, van Rijn said: "We had a mutual agreement about the price and completion, and after the Dutch government introduced the lockdown, we put the deal

on hold for several weeks to do scenario testing, and the bank that provided the debt funding also wanted to do more homework and wanted more information. It was quite an event for the transaction. In the end, we came to a good arrangement and there was less than a month delay."

ING provided debt financing for the transaction. The company has an enterprise value of €50-100m.

The company plans to make add-on acquisitions of European peers following the investment, van Rijn told *Unquote*. "The

company has €40m revenues, so typical buy-and-build candidates will have €5-25m. In terms of geography, we will look for companies in the US and western Europe, with a special focus on agriculture climate system producers. The company itself is very active in industrial buildings and we see a lot of opportunity for agriculture in the sector. Usually, those companies have around a 10% EBITDA margin, and Mark Climate has around 20% EBITDA margin, which is more efficient by industry standards.”

Bolster is currently deploying equity from its debut fund, which held a final close in February 2018 on its hard-cap of €160m. It deploys equity tickets of €5-20m and plans to make 12-15 platform investments in total, targeting Netherlands-based B2B companies. It has an 18-year investment structure and generally invests in minority stakes. The fund is around 50% deployed and Mark Climate is its eighth platform investment. ■

### People

#### Mark Climate Technology –

Piet-Hein Bruinsma.

#### Bolster Investment Partners –

Mark van Rijn.

### Advisers

**Equity** – De Breij (*legal*); Simcerius (*financial due diligence*).

**Company** – ING Corporate Finance (*M&A*); Criman (*legal*).

**1992**  
Year  
founded

## Holland Capital invests in Eshgro

Holland Capital has increased its stake in Eshgro, following its first investment in the company in 2017. The GP owns a majority stake in the business.

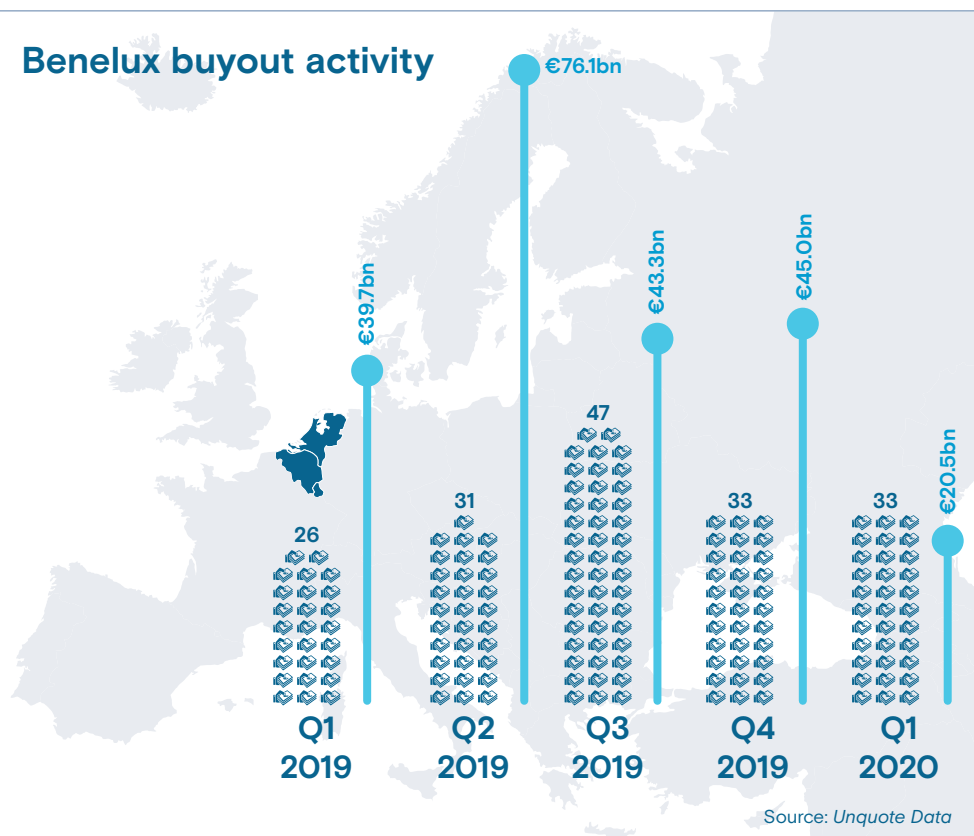
The deal was structured as a combination of growth capital and a buyout. Holland Capital deployed equity via HVESB BV, an LP co-investment vehicle of Holland Capital I.

Holland Capital backed Eshgro with a capital increase in July 2017, through which the company intended to develop its software platform and expand internationally.

Eshgro provides cloud services for Microsoft software via its automated Smarter 365 programme. It offers cloud and home office services for industries including transport, financial services and manufacturing, as well as specific packages for lawyers and accountants.

Founded in 1992 and headquartered in Boxmeer, the company also has a site in Amsterdam, and has 48 employees, according to LinkedIn. The company has added €10m in recurring revenues in the past three years. ■

## Benelux buyout activity





# DACH deals

**€75m  
EBITDA**

## EQT enters exclusive negotiations to acquire Schülke

EQT has entered exclusive negotiations to acquire Germany-based hygiene products producer Schülke, following a sale process that saw the asset becoming increasingly attractive due to the impact of coronavirus.

The deal remains subject to competition authority clearance and a final agreement between the parties.

The process is one of very few to be affected positively by the Covid-19 outbreak. The vendor, Air Liquide, ended up pushing the final bid deadline back to 23 April, sister publication *Mergermarket* reported on 31 March. Ardian, EQT and PAI Partners ultimately advanced into the final round.

The company was originally marketed based on an EBITDA of €50-70m, according to *Unquote* sister publication *Debtwire* – this was raised to €75m as the coronavirus outbreak boosted the company's trading. The company is expected to see revenues increase during and following the coronavirus outbreak due to increased consumer demand for hand sanitiser. It currently reports revenues of €335m.



*Debtwire* reported that the GP has taken a unitranche facility from HPS to finance the acquisition, citing an EQT spokesperson. Debt quantum through unitranche was pitched at around €400m, implying leverage of 5-5.5x based on EBITDA of €70-80m, according to the same report.

EQT will deploy equity via EQT VIII, which held a final close in February 2018 on €10.75bn. Following the transaction, the fund will be 70-75% deployed.

The GP aims to strengthen the company's position in existing markets, as well as expanding

into new ones, according to a statement. It will also focus on R&D for new products and support the company during the coronavirus outbreak by increasing its production of disinfectants.

Schülke was founded in 1989 and is based in Norderstedt. It has been a subsidiary of France-based Air Liquide since 1996. It employs 1,250 people. ■

### Advisers

**Equity** – Goldman Sachs (*corporate finance*); Deloitte (*corporate finance*); Freshfields Bruckhaus Deringer (*legal*).

**Vendor** – JP Morgan (*M&A*).

## Ufenau buys stake in Ikor

Ufenau has acquired a majority stake in Germany-headquartered digitalisation consultancy Ikor.

The company's management will retain a significant minority stake in the business. The deal is valued at around €20m and was an all-equity investment.

Ufenau deployed equity from Ufenau VI German Asset Light, which held a final close on €560m in August 2019. The vehicle targets companies with revenues of €15–150m and deploys equity cheques of €5–20m.

The investment in Ikor follows the acquisition of a majority stake in digital marketing agency Integr8 in March 2020, as reported by *Unquote*. The fund is currently around 25% deployed.

Founded in 1997, Ikor advises companies on digitalisation processes, including the use and implementation of SAP and Guidewire software.

The Hamburg-based company employs 200 staff and reported 2019 revenues of €31m, having grown its revenues by 24% over the past five years. ■

### Advisers

**Equity** – GÖRG (*legal*); Commercial Advisory (*commercial due diligence*); Sancovia Corporate Finance (*financial due diligence*).

**Company** – Carlsquare (*corporate finance*); Esche (*legal*).

## \$30m Round for Taxfix in April 2019

## Index Ventures et al. back \$65m Taxfix series-C

Index Ventures has backed a \$65m series-C round for Taxfix, with participation from existing investors Valar Ventures, Creandum and Redalpine.

The round is the fourth largest round in the DACH region this year, according to *Unquote Data*, and the largest in Germany since the coronavirus crisis began to slow the rate of VC investment.

Creandum and Redalpine led a €2m seed funding round for Taxfix in October 2017. Both investors also backed a \$13m

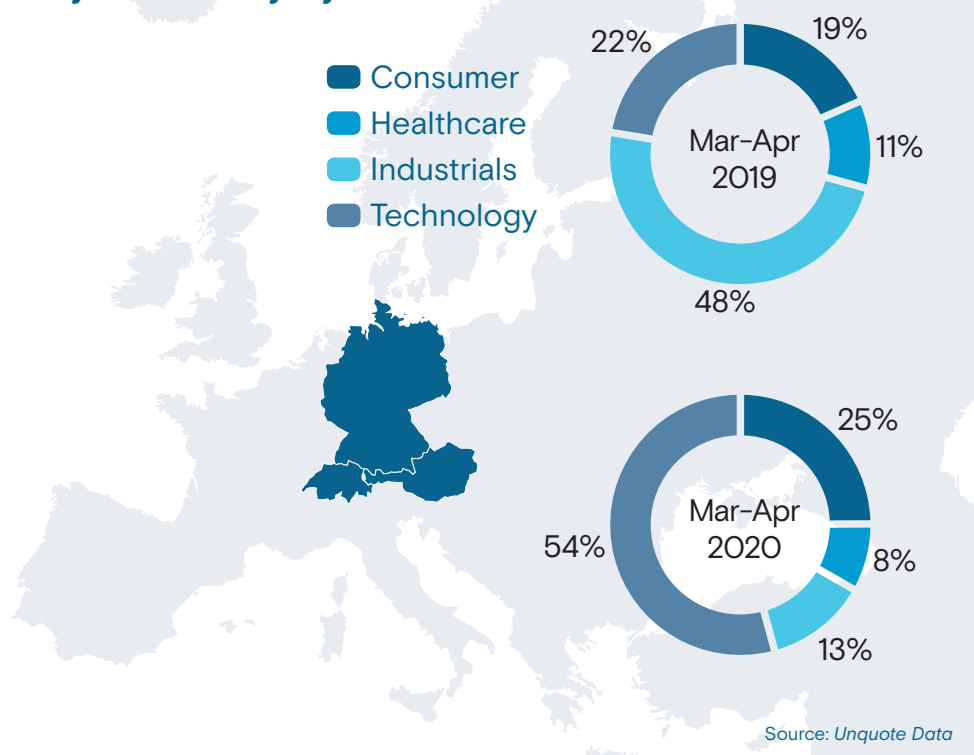
series-A in August 2018, joined by new investor Valar.

Redalpine led a \$30m round for Taxfix in April 2019.

Berlin-based Taxfix's software platform allows users to file tax declarations. The company uses an AI-backed interview process to determine a user's tax situation and the tax refund to which they are entitled.

Taxfix has 200 employees. Its revenues have tripled in the past 12 months, according to a statement. ■

## Buyout activity by sector



# France deals

**€90**  
Share price

## Five Arrows to take Harvest private

Five Arrows Principal Investments, the private equity arm of Rothschild, has secured a 93.25% stake in Euronext-listed financial software company Harvest, triggering a take-private.

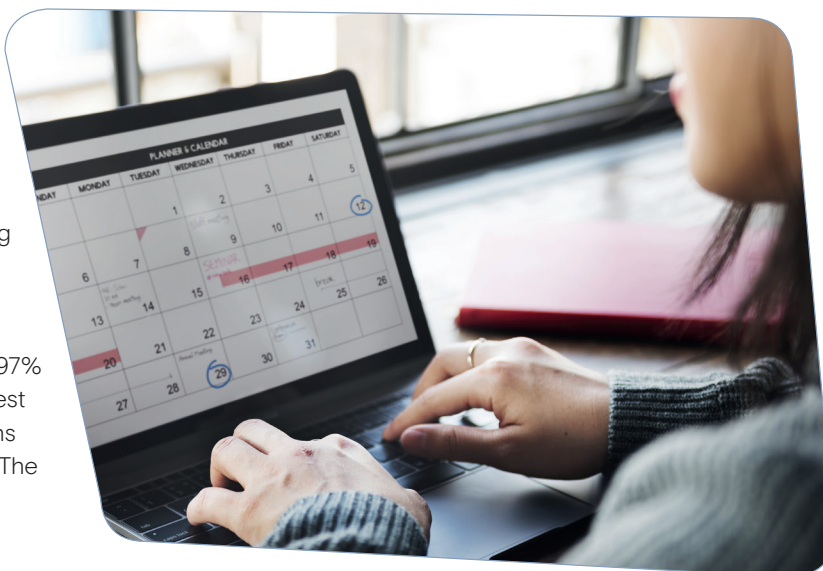
The GP completed the off-market acquisition of 9.37% of the capital and 5.97% of the voting rights in Harvest on 3 April 2020. It now owns 92.4% of the voting rights. The acquisitions were priced at €90 per share.

Winnipeg Participations, the holdco through which Five Arrows is investing, plans to file a proposed public buyout offer with French regulator AMF.

Harvest's float now represents less than 10% of its capital and voting rights, so a compulsory withdrawal will follow.

In December 2018, Five Arrows and Harvest founders Brice Pineau and Jean-Michel Dupiot entered into exclusive talks with Harvest to buy a 58.3% stake in the company, amounting to 819,724 shares priced at €85 apiece.

The acquisition was completed in February 2019, with



Five Arrows acquiring 61.04% of the share capital and 70.46% of the voting rights, bringing its total share capital in the company to 66.23%. The shares acquired were valued at €120.9m. The bidco planned to implement a squeeze-out at the end of the public offer if threshold conditions were met.

In May 2019, Five Arrows announced that its offer had been successful, with 190,134 shares tendered. Five Arrows owned an 84.65% stake in the company following the acquisition, which valued Harvest at €111.93m.

In June 2005, XAnge Private Equity backed Harvest with €1.1m in pre-IPO funding for a 6.3% equity stake in the company. The company was listed on Paris Euronext in the same month.

Harvest provides time-planning and tracking software for companies in the tax, real estate and financial services sectors.

Founded in 1989 and based in Paris, the company employs 234 people. According to its website, its 2019 turnover was €31.9m, compared with €28.4m in 2018. Its 2019 operating profit was €3.9m. ■

## Chequers carves out EBC

Private equity firm Chequers Capital has acquired Econocom Business Continuity (EBC) from Euronext-listed digital transformation specialist Econocom.

*Unquote* reported in March that the company had entered exclusive negotiations with the GP for the sale of its subsidiary.

Chequers is currently investing via Chequers Capital XVII, which closed on €1.1bn in May 2017. The fund targets majority stakes in European mid-market companies valued at €80-350m, with typical equity investments of €40-120m.

According to *Unquote* sister publication *Debtwire*, BlackRock provided unitranche financing to back Chequers' acquisition of EBC. The unitranche amounted to almost €50m, which equates to around 4x EBC's 2019 EBITDA of €12m.

EBC comprises Econocom's maintenance operations in France and employs around 440 people across 27 sites. It generated revenues of €86m in 2019.

Headquartered in Paris, Econocom was established in 1973. The company specialises in digitalisation consultancy, focusing on IT infrastructure, business services and project financing. It generated EBITDA of €180m from revenues of €3bn in 2019. ■

**30%**  
Parquest's  
stake

## Parquest, BPI France back JVS in OBO; Apax exits

French GP Parquest Capital and existing backer BPI France have invested in software and IT service JVS alongside the management team.

Apax Partners, UI Gestion and the company's founders exited the investment, while BPI France reduced its stake but reinvested in the business.

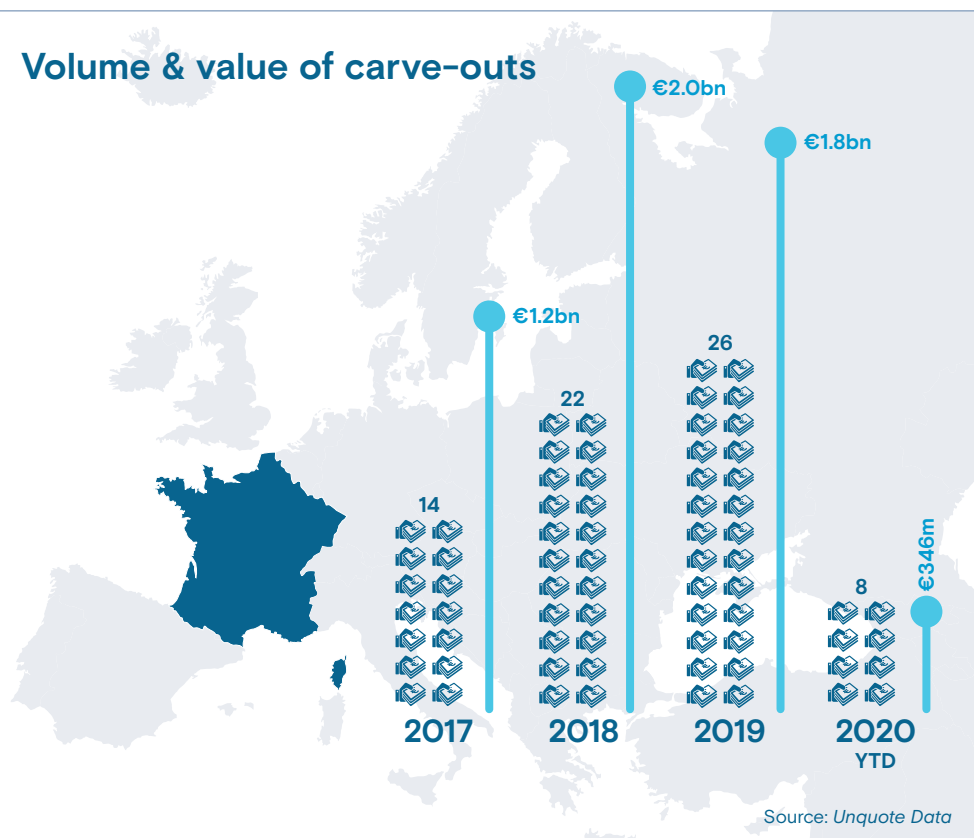
Following the deal, Parquest will own a stake of 30% and BPI France will control a stake of 10%, while the management team will own the remainder.

Additional credit to finance the transaction was provided by a pool of banks led by Crédit Agricole Nord Est.

Naxicap Partners, Societe Generale Capital Partenaires and Euro Capital invested in JVS in 2012. They sold their stakes in the company to EPF Partners (subsequently acquired by Apax) and BPI France in June 2016.

Founded in 1983, JVS employs 300 staff and generated revenues of €30m in 2019, with a 15% EBITDA margin. ■

### Volume & value of carve-outs





# Nordic deals

**€7-10m**  
**Annual turnover**

## Main Capital buys majority stake in Alfa

Dutch investment firm Main Capital has acquired a majority stake in Swedish health software companies Alfa Kommun & Landsting and Safe Care Svenska, together referred to as Alfa.

Main Capital, which had been in talks with Alfa for three months, said a sale process had initially been launched by Alfa, but it had turned into a proprietary deal by the end of the process.

The GP paid €15-20m for its majority stake, deploying the equity from its sixth fund, Main Capital VI, which held a first close in December 2019 on €535m. The deal is leveraged and is the fourth investment from the fund, which is now 14% deployed.

Charly Zwemstra, managing partner at Main Capital, described the overall process as smooth. The GP said the final price paid for the acquisition went down as a result of the current situation brought about by the coronavirus pandemic.

Alfa's management will retain a minority stake.

The acquisition is expected to enable Alfa to expand, develop its product and service offering, and maintain a long-term



relationship with its customers.

Following the transaction, current CEO Stefan Sallerfors will step down from Alfa and Safe Sare and will be replaced by Albert Winter.

The Dutch GP, which focuses on software companies in the Benelux, DACH and Nordic regions, plans to expand the business organically and through acquisitions in Sweden, and then the other Nordic countries.

Founded in 1988 and headquartered in Malmö, Alfa is a software developer for public

and private healthcare providers.

Safe Care was founded in 2006 and is also based in Malmö. The company focuses on documentation processes in the private and municipal health and care sectors.

Alfa has more than 400 customers throughout Sweden and employs 40 staff. The company has an annual turnover of €7-10m. ■

### People

**Main Capital** – Charly Zwemstra.

**Alfa** – Albert Winter.

## Axcel acquires SuperOffice

Danish private equity firm Axcel has acquired a majority stake in Norwegian software company SuperOffice.

According to Danish newspaper *Borsen*, the GP acquired around 90% of the company, mainly from the Amundsen family and minority shareholder Visma. According to the article's sources, the price of the deal was around NOK 1bn.

The company's management team will reinvest alongside Axcel.

A source close to the deal said the most difficult issue in the deal process was securing debt financing.

The deal is the GP's first investment from Axcel VI, which was launched in December 2019 and held a first close in February on €507m. The fund is targeting a hard-cap of €800m, making it Axcel's largest so far, and will focus on mid-market investments in the Nordic countries.

Axcel partner Christian Bamberger Bro told *Borsen* that the price reflected the effects the coronavirus might have on the company.

Founded in 1990 and headquartered in Oslo, SuperOffice provides cloud-based customer relationship management software to B2B companies in Europe. The company has a customer base of 5,500. ■

**2015**  
Year  
founded

## Stirling Square acquires majority stake in Assistansbolaget

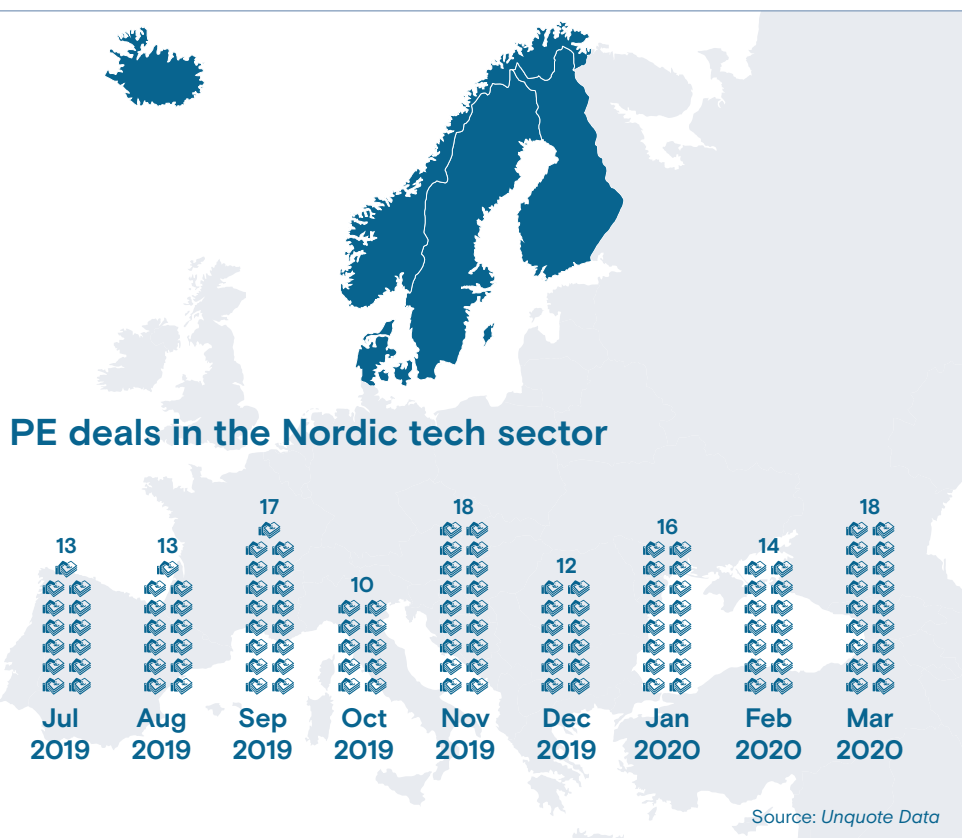
Pan-European buyout firm Stirling Square Capital Partners has acquired a majority stake in Swedish road assistance company Assistansbolaget.

The deal is the GP's third investment from its fourth fund, which held a final close on €950m in January 2020. The vehicle targets mid-market companies with enterprise values of €50-500m.

The company's CEO, Lukas Fryklund, said in a statement that they had been approached by

many different players, but chose Stirling Square because they sought a partner that shared their approach to development and digitalisation, and that could contribute both advice and capital for the next phase in the company's history.

Following the deal, Carl Hegelund will continue to work on the board, but will step down as chairman and be replaced by Stirling Square partner Henrik Lif, while Lukas Fryklund will continue as CEO and president. ■



# Southern Europe deals

**10x  
Entry  
multiple**

## Ambienta buys software provider Namirial

Private equity firm Ambienta has acquired a 70% stake in Namirial, an Italian company specialising in electronic signature software.

The deal values the company at around €140m, which equates to around 10x its 2019 EBITDA.

The vendors are Namirial founders Enrico Giacomelli and Claudio Gabellini, who retain a combined 30% stake.

Established in 2000 and headquartered in Senigallia, Namirial specialises in developing software and providing IT services for e-signature, registered email, e-invoicing and long-term digital archiving. The company employs 430 staff and generates EBITDA of approximately €14m from revenues of around €47m.

Namirial appointed financial adviser Klecha in 2018 to start the sale process, which attracted several investors, including Marlin Equity Partners and Clessidra. The sale did not go through and was subsequently put on hold for a few months. Ambienta entered into exclusive negotiations for the acquisition of the company earlier this year.



The GP invested in Namirial via its Ambienta III fund, which held a first and final close on €635m in May 2018, hitting its hard-cap and exceeding its original €500m target. The fund targets European companies driven by environmental trends and focused on sustainability, which specialise in offering products able to reduce pollution and providing an efficient use of natural resources.

Earlier this year, Ambienta's Aromata acquired France-based Nactis Flavours, a producer of aromatic raw materials, ingredients and flavours for the food and beverage industry.

The GP merged Aromata and Nactis in a group rebranded as Nactarome, with the aim of creating a platform focused on the natural flavours and colours sector, able to serve a customer base of 4,000 clients. ■

### People

**Ambienta** – Nino Tronchetti Provera, Mauro Roversi.

**Namirial** – Enrico Giacomelli, Claudio Gabellini.

### Advisers

**Equity** – Gattai Minoli Agostinelli e Partners (*legal*); Bain (*corporate finance*); KPMG (*operational due diligence*); EY (*financial due diligence*).

## Riello backs First Advisory

Riello Investimenti Partners has bought a 51% stake in Italian insurance broker First Advisory from the company's founders and managers, who collectively owned 60%, and Ninja 2, a club of private investors that controlled 40%.

Following the deal, both the founders and Ninja 2 will reinvest in the company and retain a minority holding. A debt package was provided by Banco BPM to support the deal.

Founded in 2010 and based in Milan, First Advisory is an insurance broker specialising in life insurance. It has partnerships with numerous Italian and international insurance companies, including Allianz, Zurich Insurance, Unipol, Italiana Assicurazioni, Crédit Agricole Life Insurance and Swiss Life. First Advisory generated EBITDA of €4.2m in 2019.

Riello invested in the company via its Italian Strategy Fund, which was launched in June 2018 with a €150m target and held a €50m first close in June 2019. The vehicle targets majority and controlling minority stakes in Italian SMEs with enterprise values of €10-120m.

The GP told *Unquote* that the fund has raised €70m so far and its final close might be delayed following the coronavirus outbreak. ■

**€34m**  
Revenues  
in 2019

## Atena Equity Partners exits Portuguese foundry ASBW

Portuguese private equity firm Atena Equity Partners has sold brass foundry ASBW to its management team and minority shareholders.

Atena acquired a 64% stake in ASBW – at the time known as Alberto da Silva Barbosa & Filhos – in January 2016 via its Atena I fund.

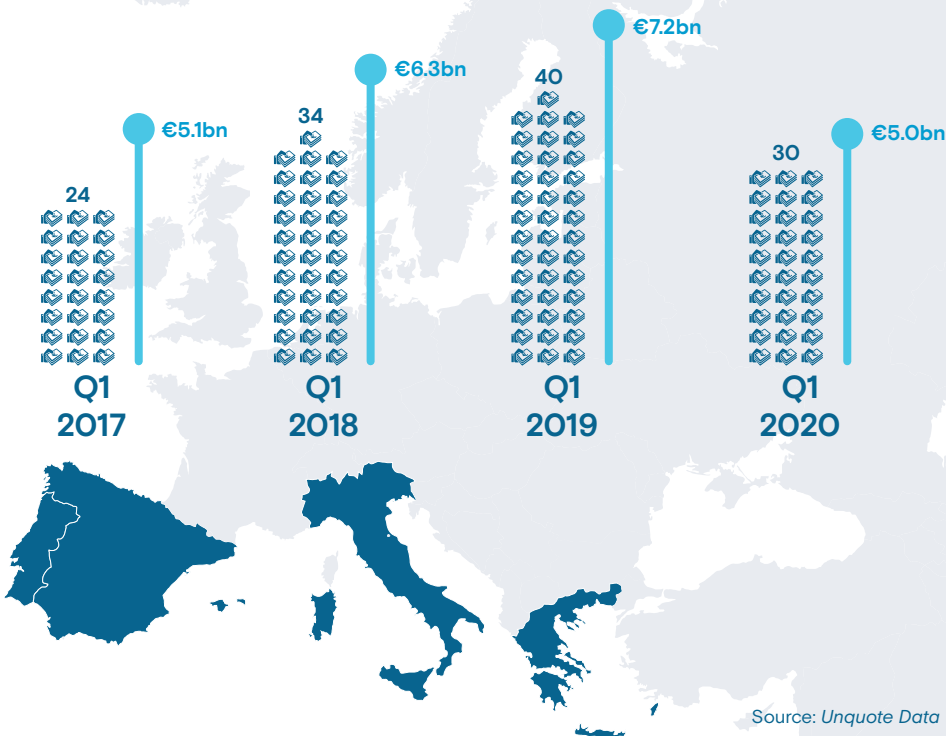
Established in 1940, ASBW is headquartered in Santa Maria da Feira, with a subsidiary in Düsseldorf. It generated EBITDA of €2.5m from revenues of €34m in 2019, of which

around 70% came from abroad.

Under Atena's ownership, ASBW tripled its revenues, consolidated its market position, and increased its exports and expansion outside Portugal, primarily in the German market.

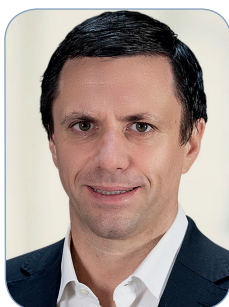
Atena is currently investing its second fund, which held a final close on €75m in January 2019. The vehicle acquires majority stakes in Portuguese companies with revenues in excess of €10m, generating positive or negative EBITDA. ■

### Q1 buyout activity in southern Europe





# People moves



**Alexander Schmitz**  
*Bain & Company*

## Schmitz joins B&C as DACH head of PE

Bain & Company has appointed **Alexander Schmitz** as head of its private equity practice group in the DACH region.

Schmitz takes over from **Rolf-Magnus Weddigen**, who held the position since 1999.

In his new role, Schmitz will advise private equity firms and their portfolio companies, including assisting them with deal sourcing and closing.

Schmitz was previously a managing partner at Bain, having joined the firm in 2003.

and assessing potential investment opportunities.

Ip joins from Oliver Wyman where he worked on a range of sectors, focusing on financial services, consumer retail and tech, and was recently part of the due diligence team for the London Stock Exchange Group's acquisition of Refinitiv.

Prior to this, he was a strategic adviser and founding team member at Grass & Co, a wellness startup, supporting the development of the business ahead of a series-A investment.

the business. In addition, he has now taken on the role of chair, overseeing the strategy, but leaving the operational oversight to the rest of the team, the source added.

Essling's fund-of-funds team – led by **Jean-Yves Lagache** – departed the business in Q1 as well. Essling recruited the fund-of-funds team of limited partner Amundi Private Equity shortly after its launch in 2017, and went on to begin raising its first vehicle. Ultimately, the offering was not met with the required level of appetite, the source said.

## ECI Partners boosts its investment team

UK-based growth-focused private equity firm ECI Partners has expanded its investment team with the appointment of **Fiona Evans** and **William Ip**.

Evans was appointed head of marketing and will lead communications across the firm. She has worked in marketing since 2012 and was previously senior marketing manager at private equity firm Livingbridge.

In his new role, Ip will be a member of the commercial team at ECI, which focuses on supporting the growth of ECI's portfolio companies

## Co-founder leaves Essling Capital

**Michele Mezzarobba** stepped down from his role of president at French multi-strategy firm Essling Capital and left the firm in Q1, according to a source close to the situation. The split is understood to have been amicable.

Mezzarobba set up Essling in 2017 alongside Massena founder **Frank-Noël Vandenberghe**. The latter initiated the project and initially held 80% of the firm, with Mezzarobba owning the remaining 20%. Vandenberghe has now bought out the 20% stake and is the sole owner of

## TPA appoints Williams as investment associate

TPA Capital has appointed **Jonny Williams** as investment associate.

In his new role, Williams will support the investment team in originating, evaluating and executing new investment opportunities, as well as supporting portfolio companies.

Williams joins TPA from Grant Thornton, where he became a chartered accountant. He began at the firm as an audit associate and later became a lead advisory manager. TPA is an equity investor that provides equity cheques of £5-50m.



**Fiona Evans**  
*ECI*

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## A round-up of recent people moves throughout the private equity industry, including GPs, LPs, corporate finance houses, law firms, placement agents, banks, alternative lenders and due diligence providers

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### MJ Hudson Alma appoints Nigro

Italian law firm MJ Hudson Alma, which is part of the MJ Hudson group, has appointed **Roberto Nigro** as equity partner.

Nigro's team, composed of **Sveva Ricci** and **Sara Aratari**, will also join the firm.

In his new role, Nigro will focus on venture capital deals and transactions.

Nigro has 15 years of experience in Italian and international private equity and venture capital. Prior to joining the firm, he worked for numerous Italian law firms, including Gianni Origoni Grippo & Partners and Labruna Mazziotti Segni.

He worked on several venture capital operations, advising fund managers, institutional and private investors, family offices and business angels.

MJ Hudson launched its Italian legal operation, MJ Hudson Alma, in January 2019. The Milan-based branch focuses on fund formation and financial regulatory mandates, and is led by managing partner **Alessandro Corno**.

MJ Hudson is an asset management consultancy headquartered in London,

with offices in Zurich, Jersey, Guernsey and Luxembourg.

The firm advises a global client base, consisting of more than 400 asset managers, fund investors and related intermediaries, and focuses on traditional asset classes, hedge funds, private equity, real assets and other alternatives. It employs 150 professionals, and invests and advises more than £700bn.

### Synova promotes Tsai to partner

Synova Capital has promoted **Zachary Tsai** from investment director to partner.

Tsai joined Synova as an investment manager in 2013 from Alantra Corporate Finance, having previously trained at PwC. With a focus on technology, Tsai has worked on a number of Synova investments, including the recent exit of tech-enabled healthcare provider 4Ways (from which the firm achieved a 6x return). He also serves as a non-executive director of agri-data business Mintec and video games developer Mediatonic.

Tsai is the first partner to be promoted internally at Synova after joining as a junior executive.

In addition to Tsai's promotion, Synova has promoted **Matthew Charman** from investment manager to investment director. He joined Synova in 2015 from McQueen Corporate Finance, after a four-year stint at KPMG. At Synova, Charman has worked on transactions with a focus on financial services, including the sale of Stackhouse Poland to AJ Gallagher, achieving a 5.6x return.

### Oakley hires Kienwald on legal team

Oakley Capital has appointed **Aaron Kienwald** as head of legal for funds.

The firm's legal team is led by **Marcus Biggs**. Kienwald will be based in Oakley's London office.

Kienwald joins from his position as an associate at Simpson Thacher & Bartlett. While at the firm, he was seconded to the investor relations team of Bridgepoint.

Previously, Kienwald was a trainee and later an associate at SJ Berwin in the international funds team.

Oakley is currently investing from its fourth-generation fund, which closed on €1.46m in July 2019. ►



**Zachary Tsai**  
Synova Capital



**Aaron Kienwald**  
Oakley

# People moves cont.



**Richard Muckle**  
August Equity

## August Equity promotes Muckle

August Equity has promoted **Richard Muckle** to investment director. Muckle joined August in 2017 and most recently co-led its investment in AirIT. He also holds board seats at Zenergi and Fosters, and was a member of the team that led the sale of Wax Digital in November 2019.

Muckle began his career in strategy consulting with Booz & Company, before working in M&A at Liberty Global. He began working in private equity at Azini Capital before joining August.

The firm closed its most recent vehicle, August Equity Partners V, on £300m in January 2020.

## SHS appoints Alilovic as managing partner

Germany-based healthcare and technology investor SHS has appointed **Sascha Alilovic** to the position of managing partner, succeeding **Reinhilde Spatscheck**, who founded the firm in 1993.

Alilovic joined SHS as a partner in 2018, but has been assisting the GP with exit transactions and fundraising since 2017, the firm said in a statement. He has experience in healthcare transactions,

and was head of corporate finance and corporate development at Germany-based biopharmaceutical company MorphoSys prior to joining SHS.

SHS focuses on growth investments in the healthcare sector, particularly in medical technology and life sciences. It is currently investing from its fifth fund, which held a final close in July 2019 on €130m.

## BC Partners hires Adia's Heberling

BC Partners has hired **Pascal Heberling** as a partner in its London office.

He joins BC Partners from the Abu Dhabi Investment Authority (Adia), where he was a senior member of the private equity investment team for six years and became head of healthcare in 2017. He led a number of investments, including Nestlé Skin Health in 2019 and Pharmaceutical Product Development in 2017.

Heberling began his career in mergers and acquisitions at Merrill Lynch. Subsequently, he spent 12 years at Cinven in London, including nine years as a partner. During this period, he invested across a diverse range of sectors, including

TMT, business services and healthcare. He worked on several investments, such as Spire Healthcare, as well as Numericable, MediMedia and Springer Science.

"Pascal is a seasoned healthcare investor and will further enhance our coverage of Germany and France in particular," said **Raymond Svider**, chair of BC Partners, in a statement. "Healthcare is a sector where we see huge potential and we are very excited to have someone of Pascal's calibre and experience to help us capitalise on these opportunities."

BC Partners is an international private equity firm with more than €23bn in assets under management in private equity, private credit and real estate. Since inception in 1986, it has completed 113 private equity investments in North American and European companies, with a total enterprise value of €145bn.

The firm is currently investing its 10th private equity fund, BC European Capital X, a €7bn vehicle targeting companies with enterprise values of more than €300m. In addition, the GP has recently launched a new buyout vehicle, BC European Capital XI, with an €8.5bn target. ■



**Sascha Alilovic**  
SHS



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