

# Clearwater International Multiples Heatmap

**Q4 2020**

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In-depth analysis of the acquisition multiples paid for European private equity transactions

## **INSIDE**

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### **EUROPEAN OVERVIEW:**

While initially hit hard by the impact of the COVID-19 pandemic, the European deal market made a swift recovery in the second half of 2020

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**SPOTLIGHT ON:** France

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**SECTOR FOCUS:** Consumer

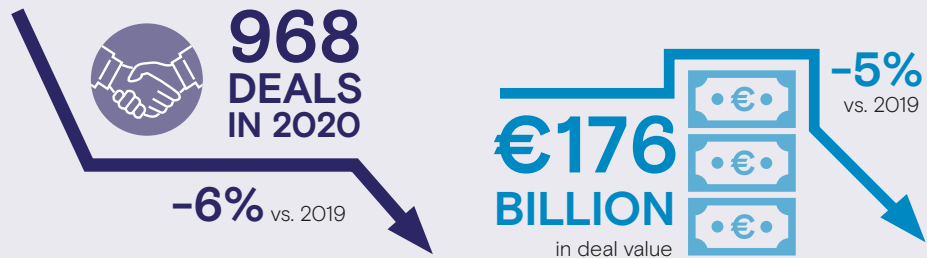


# At a glance: Q4 2020

## Annual trends

2020 vs 2019

Despite the pandemic, PE deals were down by only 6% (volume) and 5% (value) in 2020



## Quarterly trends

Q4 2020 vs Q3 2020

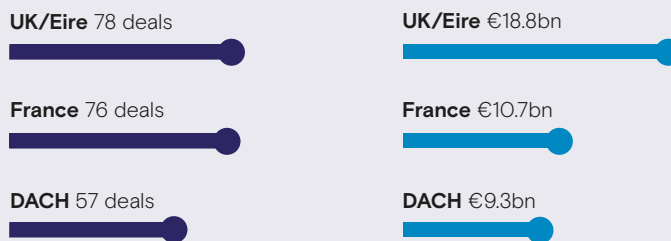
Quarter-on-quarter, volume and value were up 54% and 42% respectively in Q4



## Top regions

Q4 2020

In terms of both volume and value, UK/Eire was the top-performing region in Q4 2020

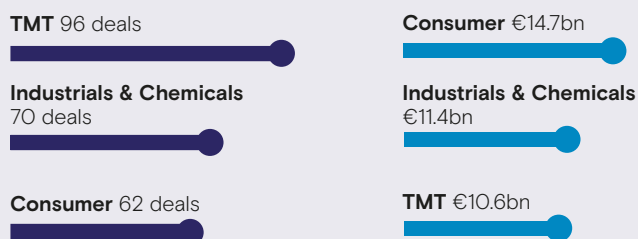


**11.8x**  
The Nordic region had the highest average LTM multiples in Q4 2020

## Top sectors

Q4 2020

In Q4, the TMT sector provided the most deals while consumer produced the most value



**12.6x**  
Healthcare was the hottest sector for average LTM multiples in Q4 2020



# European overview

**This report identifies key themes driving European Private Equity (PE) deals' EV/EBITDA multiples on a quarterly basis. Through illustrating key valuation trends across regions and sectors, we aim to support PE investors source better investment opportunities.**

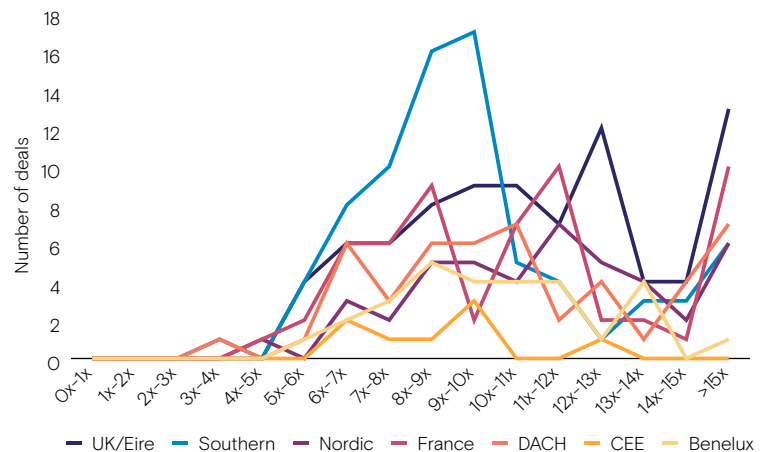
The unprecedented impact of the COVID-19 pandemic sent shockwaves across the European PE community. While the European deal market was initially hit hard by the ensuing crisis, PE dealmakers were quick to adapt to their new climate. A strong performance in the second half of the year meant that any drop-off in activity was not as pronounced as was first feared, with 2020 deal value and volume falling by just 5% and 6% year-on-year, respectively.

The TMT sector continued to generate deals throughout the year, accounting for the largest number of PE-backed transactions in 2020. The industrials and chemicals sector posted the highest annual deal value across sectors, as the €17.2 billion sale of Germany-based lift manufacturer ThyssenKrupp Elevator to Cinven Partners, Advent International and RAG-Stiftung pushed up overall value in the sector.

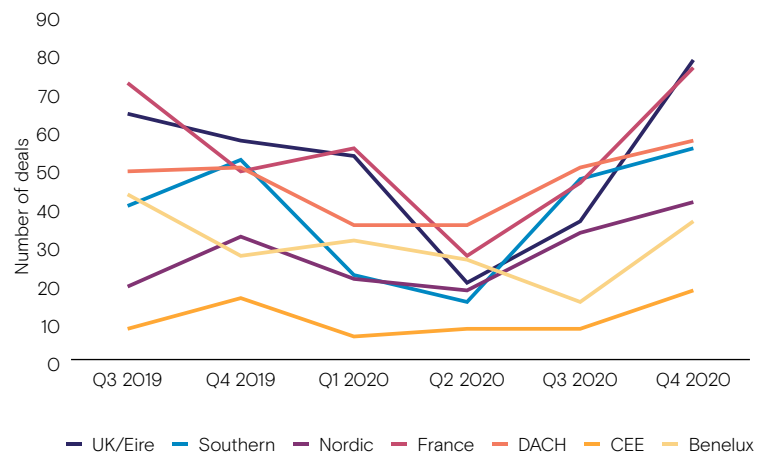
European average multiples reached 11x in 2020, 6% ahead of the previous year, as firms looked to deploy high levels of dry powder amassed during the crisis. The highly sought-after healthcare and financial services sectors were key drivers of activity – both with average multiples of 12.5x or above in 2020. The Nordic region also saw a marked uptick in valuations, posting a record final quarter.

PE displayed resilience in 2020 despite a challenging climate, and the strong rebound seen in the second half of the year signals a healthy year ahead for dealmaking. The financial services and technology sectors will continue to drive activity as firms look to deploy record dry powder. And the global vaccine drive hopefully marks the beginning of the end of a period of significant economic turmoil.

LTM MULTIPLES DISTRIBUTION BY REGION



DEAL VOLUMES BY REGION



“European average multiples reached 11x in 2020, 6% ahead of the previous year.”



# European overview continued

## AVERAGE MULTIPLES OVER LAST TWELVE MONTHS – REGIONS

	Start	01/10/18	01/01/19	01/04/19	01/07/19	01/10/19	01/01/20
	End	30/09/19	31/12/19	31/03/20	30/06/20	30/09/20	31/12/20
		Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Benelux		9.4	9.9	9.8	10.4	10.5	10.3
CEE		9.0	8.5	8.3	8.6	8.3	8.8
DACH		9.9	10.5	10.8	10.2	10.3	11.1
France		10.3	10.6	10.4	10.9	11.1	11.3
Nordic		11.0	11.5	11.2	11.0	11.0	11.8
Southern		9.6	9.5	9.5	9.4	9.7	10.2
UK/Eire		10.8	10.7	10.8	10.8	11.2	11.6



*This publication reports averages of multiples in the last 12 months for each quarter per region, sector and deal size*

## QUARTERLY RECORD BROKEN

European PE volume rebounded quickly following the initial shock of the pandemic, with a robust Q3 performance followed by a record number of deals in the final quarter of the year.

This renewed activity served to push up valuations across the continent – particularly within the highly sought-after healthcare, TMT and financial services sectors – as PE firms looked to deploy cash held back during the crisis. At 11x, average multiples paid in PE-backed transactions across Europe reached a new high in the final quarter of the year.

The Nordic region recorded the highest valuations across Europe, with average multiples jumping to nearly 12x in the fourth quarter. This is the largest quarter-on-quarter increase across Europe.

With multiples exceeding 11x for the first time, the DACH region also set a new regional record, while achieving the second highest multiples across Europe in Q4. In line with the European trend, deal volume registered an uptick compared to Q3, finishing the year 14% above Q4 2019.

The UK and Ireland saw the largest uptick in deal volume across Europe – overtaking the DACH region to become the most active region in Q4. Deal volume more than doubled Q3's figure to reach a new record. In addition, average multiples for Q4 hit a high of 11.6x.

The TMT sector has proven resilient to the COVID-19 pandemic, continuing to attract interest from PE buyers during an uncertain year. Reflecting the growing popularity of TMT assets, the sector was host to the largest number of PE-backed transactions for the fourth quarter in a row. Deal volume within the sector shot up 35% compared to Q3. Increased activity is pushing up valuations, which recovered throughout the year to reach 11.8x in the final quarter.

The industrials and chemicals sector also attracted a healthy number of deals during the fourth quarter. While deal volumes have recovered from the dip in activity seen in Q2, they have not yet returned to pre-COVID levels, with Q4 volume down 14% compared to Q4 2019. In line with deal volumes, multiples grew throughout the year to reach above 9x.

“The UK and Ireland saw the largest uptick in deal volume across Europe.”



# European overview continued

Having registered the highest multiples for much of the year, the financial services sector continued to perform well in Q4. However, it was overtaken by the healthcare industry, which saw its average multiples rise to 12.6x in Q4.

With a multiple of 10.2x, the consumer sector broke the double digit barrier for the first time since Q4 2019. PE transaction volumes reached record heights in the fourth quarter, highlighting the enduring appeal of consumer assets amid the COVID-19 pandemic.

In line with the historical trend, the largest number of deals took place within the sub €50m price bracket in Q4. Deal activity within this category remained relatively stable compared to pre-COVID levels. For the third quarter in a row, the lowest number of deals took place within the +€1bn category, indicating potential caution at the top end of the market following the outbreak of the COVID-19 pandemic.

Deals within the €1bn mark attracted the highest multiples in the fourth quarter, at 13.8x, although this was a drop from 14.3x in Q3. The €500m-1bn range was not far behind with a multiple of 13.7x. This represents a marked increase compared to pre-COVID levels, highlighting an increasing competition for deals within this price bracket.

Deals within the €50-100m category saw a significant quarterly increase in multiples in Q4, exceeding 10x for the first time on record. In addition, deal volume within this price bracket more than doubled in the fourth quarter.

In this quarter, the Multiples Heatmap focuses on France, which has been one of the busiest PE markets in Europe during 2020, and on the consumer sector, which saw a sudden increase in activity in Q4 2020.

**AVERAGE MULTIPLES OVER LAST TWELVE MONTHS – SECTORS**

Start End	01/10/18 30/09/19	01/01/19 31/12/19	01/04/19 31/03/20	01/07/19 30/06/20	01/10/19 30/09/20	01/01/20 31/12/20
	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Automotive	8.8	8.9	8.9	8.4	8.2	8.3
Business services	9.4	9.8	10.0	10.3	10.8	11.0
Consumer	10.2	10.0	9.6	9.4	9.2	10.2
Financial services	11.8	11.9	11.0	11.0	11.9	12.5
Food and beverage	9.2	9.6	9.4	9.4	10.1	10.5
Healthcare	10.9	10.9	10.7	11.0	11.7	12.6
Industrials and chemicals	9.4	9.7	10.1	10.1	9.8	9.7
Real estate	8.9	7.5	8.2	8.0	8.0	9.3
TMT	11.6	12.0	11.8	11.8	11.6	11.8



*This publication reports averages of multiples in the last 12 months for each quarter per region, sector and deal size*





# Spotlight on: France

**With a strong rebound in dealmaking after the Q2 2020 lockdown, the French PE market remains the busiest in Europe – and deal-hungry sponsors with deep pockets should ensure processes remain heated in the coming months**

France was home to 204 buyouts worth a combined €38bn last year, according to Unquote Data. Although down by around 6% year-on-year in volume terms, these figures certainly do not look out of place when compared with the rest of the post-2015 period – if anything, aggregate value reached an all-time high in 2020 thanks to a handful of mega-deals including Ceva Santé Animale and Elsan. But the fact that this was achieved against the backdrop of a pandemic that threatened to completely upend the market early in the year is nothing short of spectacular.

“The thinking early on was that the market would completely freeze, but these fears were pretty quickly assuaged,” says Thomas Gaucher, managing partner at Clearwater International France. “We continued to work on several processes even during the first lockdown, with a number of virtual closings.”

While numbers did take a hit in Q2, a glut of deals therefore crossed the finish line in early summer and, following the traditional August lull, dealflow picked up again despite a second wave of restrictions to finish Q4 on a high. As a result, France remained the busiest PE market in Europe last year, especially as the UK continued to lose market share.

This was particularly evident at the upper end of the market, which remained more buoyant than ever in the country as sponsors fought tooth and nail for prized assets in defensive sectors such as healthcare (Elsan), higher education (Galileo) and financial services (CEP).

## ONWARD AND UPWARD

With vast amounts of dry powder accumulated in recent years, sponsors targeting French assets have remained aggressive in processes, meaning that pricing continued on



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Thomas Gaucher, managing partner,  
Clearwater International France



# Spotlight on: France continued

an upward trend even as COVID-19 hit. “It certainly seems like the market has gone up by two turns of EBITDA in the past couple of years, meaning that comparables are almost always on the low side” says Gaucher. “Looking at the past year, processes remained pretty aggressive, and not just because of the sell-side banks – buyers are very keen on pre-emptive offers to snap up the best assets, and this doesn’t mean that they will pay less.”

Gaucher adds that Clearwater has tracked no fewer than 16 mid-cap processes valued in excess of 15x EBITDA in France in the past year. Unsurprisingly, the glut of these were in the healthcare sector – where increased competition from cash-rich infrastructure players on the lookout for fresh opportunities has contributed to heated processes.

A look at 2020 activity against longer-term trends highlights how the PE market shifted in the wake of the pandemic – and where it is likely to continue heading as uncertainty looms large on 2021 prospects. According to the Heatmap data, industrials accounted for 28% of dealflow in volume terms across 2018-2019, with healthcare at 6% and technology assets at 15% – last year, a quarter of French buyouts (25%) were in the tech sector, healthcare’s market share rose to 8%, and industrials fell to 23% of all dealflow.

## TESTING THE WATERS

On the sell-side, PE players seem to have been more cautious. Exit activity for French assets was down by nearly a third year-on-year, according to Unquote Data, while realisations took less of a hit in other European regions such as DACH or the UK.

However, this merely reflects a sharp bifurcation in the market, Gaucher notes: “There were two clear trends: on the one hand, a number of processes for portfolio companies were indeed postponed as sponsors wanted to assess the damage and potential way out, in order not to crystallise losses and take a hit on returns. But for those that weathered the storm, or even benefited from it, sponsors didn’t hesitate to bring timetables forward and take these companies to market, with strong results. COVID-19 basically acted as a real-life crash test for portfolios across the board, and those that passed it with flying colours will continue to attract strong valuations

and therefore tempt sellers.”

Looking forward, the French market remains in a fairly strong position – especially as the country is rich with standout, mature businesses in the healthcare, technology and services spaces. However, the COVID-related picture remains very uncertain: while the promise of a vaccine rollout should embolden market participants, the rapid rise in cases linked to more potent variants could hint at yet another damaging lockdown on the horizon.

But Gaucher remains confident that sponsors will feel buoyed by their resilience in recent months: “I believe that the more encouraging, medium-to-long-term prospects will prevail over short-term uncertainty. GPs know they can transact even in the middle of a complete lockdown, and are therefore still displaying a strong appetite to invest.”

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# Sector focus: Consumer

## As investors shift their focus on defensive assets, the consumer sector saw both a sharp increase in activity and a rise in average pricing as 2020 drew to a close

When the severity of the COVID-19 outbreak and the prospect of weeks in lockdown across Europe dawned on investors in early Q2 2020, the received wisdom was that assets in the consumer sector would be hit hardest. This certainly came to pass in the early phase of the pandemic, as a number of consumer businesses in PE portfolios – particularly those in a leisure or tourism vertical – were suddenly contemplating a complete drought of revenues. Correspondingly, ongoing processes for most consumer assets suffered disproportionately as M&A came to a sudden halt in late March.

But Q4 data shows how the market adapted as the year went on and sponsors gained more clarity on the casualties, survivors and winners of the pandemic. The volume of buyouts in the European consumer sector increased by 68% between October and December compared with the previous quarter, resulting in an activity level broadly in line with typical pre-COVID quarters. In addition, the food and beverage segment also saw a sharp 100% increase in dealflow in Q4.

Pricing analysis would also suggest that these processes came to fruition on very appealing terms for vendors. According to the Q4 Multiples Heatmap data, the average entry multiple for consumer assets ticked up by 1.6 turns of EBITDA, in what was the strongest sectorial increase recorded across the data set. With the average LTM multiple reaching 10.2x, it was also the first time that the consumer sector broke into double-digit valuations since Q4 2019.

This doesn't really surprise Richard O'Donnell, partner and head of the consumer sector team at Clearwater International: "Broadly speaking, you could split typical dealflow for consumer assets into three brackets: low-multiple deals because the business is struggling, so it is more of a turnaround case; the middle of the pack, where good but not



“For assets on the top shelf, where you will find all the COVID-resilient businesses, interest is incredibly strong as investors have gone back into dealdoing mode.”

Richard O'Donnell, partner and head of the consumer sector team, Clearwater International France





# Sector focus: **Consumer** continued

outstanding assets go for a typical 7-8x; and the top flight of highly attractive companies, which would have usually changed hands for multiples closer to 10x pre-pandemic.”

O'Donnell highlights how COVID-19 hasn't merely resulted in increased bifurcation, but rather focused all the action on the top-performing assets. “Struggling assets have either been pulled altogether or have become pure restructuring processes,” he says. “Meanwhile, middle-of-the-pack companies are not really coming to market, as vendors (and particularly PE owners) will most likely wait until conditions are more favourable or more up-to-date forecasts can be set. But for assets on that top shelf, where you will find all the COVID-resilient businesses, interest is incredibly strong as investors have gone back into dealdoing mode.” With the latter group commanding higher multiples and not much else coming to market, it is no surprise that the average multiple went up in the segment.

## BEST SELLERS

But while COVID-19 has pulled the attractiveness of some consumer assets into sharper focus, a number of trends guiding PE interest in the sector are long-running. Most investors and advisers alike have stopped looking at the sector along the lines of broad sub-segments (such as food, personal care, fashion, etc) but are instead focusing on specific business models and other intrinsic strengths.

We'll always ask the same basic questions when looking at consumer assets. Is the business focused on direct-to-consumer? Does it have strong, recognisable brand appeal? Is it a growth story? If a business can tick all or most of these boxes, it could be attractive regardless of the vertical it is in,” O'Donnell says.

A look at some of the most high-profile deals that were inked in the sector in Q4 indeed shows a range of sub-sectors that attracted PE capital, including PAI Partners buying Euro Ethnic Foods, the grocery business of Grand Frais, at an EV of more than €1bn (12.5x estimated multiple); Ardian securing a majority stake in higher education platform AD Education alongside management for around €600m (with an EBITDA in the €30-40m range); and Groupe Bruxelles Lambert buying German high-end bikes manufacturer Canyon Bicycles for a reported €800m (around 15x EBITDA).

Looking ahead, O'Donnell expects the market to remain rich in opportunities in the first half of 2021, especially if the UK sees no change in capital gains tax rates in April and entrepreneurs are therefore under less pressure to choose between selling quickly or postponing their exits. But PE players themselves should also contribute to dealflow, following months of relatively lacklustre exit activity. “There was so much uncertainty in the market last year, and no one wants a failed process so many will have just held out,” says O'Donnell. “I would expect to see more PE-owned consumer assets coming to market now, not least because GPs will be under more pressure to divest after a year out. And, perhaps more importantly, sponsors will now have more visibility on the impact of COVID-19 on consumer assets in their portfolios, as well as more comparables given the dealflow in that sector in recent weeks.”

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# ABOUT & CONTACTS

Clearwater International has a proven track record of excellent client outcomes. With 18 international offices and more than 250 employees, the business has completed over 1,840 transactions worth an aggregate value in excess of €93bn.

We have a rich and respected heritage in private equity, working with investors, entrepreneurs and management teams over many years. Our success comes down to our connections, knowledge, scale and global outlook.

Our experienced Debt Advisory team ensures that clients looking to raise new debt capital or refinance existing facilities have access to the most sophisticated and specialised debt packages available on international markets.

Our independence from any larger financial institution or consulting firm ensures that we can give truly objective advice, guiding clients through the challenges faced. All transactions are partner-led, offering high levels of personal service and knowledge. We take great pride in the fact that many of our clients return to us for advice on multiple occasions.

## Selected Clearwater International private equity transactions from the last quarter

 on its investment from  Sell-side Undisclosed	 on its merger with  and  Buy-side €110m	 raised finance to support the acquisition of  Acquisition finance €51m	 acquired  acquired  from  Buy-side Undisclosed
  have created Centaurus, a hotel structure financed by  Management advisory €115m	 acquired  Buy-side Undisclosed	 acquired  Buy-side Undisclosed	 sold  to B L U E G E M Sell-side Undisclosed

## To discuss any of these topics or investment opportunities, please contact:



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