



Unquote

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Building up hopes

Buy-and-build is a good match for the current climate, but not immune from a tough financing market and pricing expectation mismatches



Lockdown's toll
on fundraising

CPP Investments,
Suma Capital profiled

PE-backed gyms
face tough future

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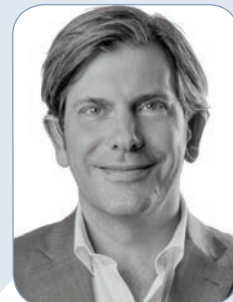
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Eight's the magic number

It still seems hard to believe that two separate fundraising records could be set in the midst of an unprecedented pandemic – a crisis that threatens to wreak havoc on most economies for a significant amount of time, on top of the continuing uncertainty fuelled by the still-unresolved Brexit saga.

And yet, this is what happened in the space of just over a month, starting with Ardian closing its eighth secondaries mega-fund on \$19bn, exceeding its \$18bn target and officially becoming the world's largest secondaries vehicle.

When Lexington briefly set a new high-water mark with its own \$14bn vehicle in January, the general consensus was that it would not be long to wait until Ardian regained the top spot. Still, the fact that the firm navigated the home stretch in such circumstances is testament to both its incredible journey since inception, and the unabated appetite for secondaries. That corner of the market will likely remain in a holding pattern on the investment side until the first set of post-Covid valuations emerge, but it is still widely expected to benefit massively from the allocation shifts and hunt for liquidity that will pave the long road out of the pandemic.

The immediate pipeline of mega-buyouts may seem less promising, but that did not stop CVC from closing CVC Capital Partners VIII on \$21.3bn in early July, barely three months after launch. Even at the height of lockdown,

there were signs that the firm would not struggle too much to meet its target, as a string of US LPs, in particular, were willing to write big tickets to get in.

Some will view CVC and Ardian raising such unprecedented amounts of capital at this particular juncture as an ill-timed act of hubris, bound to blow back if the macroeconomic situation deteriorates further. Others are firmly of the view that some of the best opportunities can only become available to bullish investors at times of dislocation, and that being in a strong position to vie for the best assets as soon as possible amid tough competition will pay dividends.

Another positive takeaway is that these two record-breaking fund closes highlight the continued confidence in PE's long-term prospects on the part of financial institutions worldwide, even in times of uncertainty. This should not be mistaken for the indicator of an easy fundraising market, though. Two large US public funds explicitly referred to their goals of concentrating commitments to "top-tier private investment managers" and "core, high-conviction, existing relationships" as key drivers in their decision to allocate to CVC VIII. This bifurcation is nothing new, but preliminary Q2 statistics from *Unquote Data* (see page 36) indicate that it is bound to intensify, and will make life difficult for those GPs not blessed with a potent brand name and/or a stellar track record. ■



A unique angle

Discover a new
competitive edge

Building up to recovery

Given the current difficulty in making platform investments, bolt-ons have proven key to deploying capital and building value, but a tough financing market and unaligned pricing expectations hinder progress. Harriet Matthews reports

GPs across Europe have had to balance the emergency liquidity demands of many of their portfolio companies with the need to deploy capital and continue to create value. Deal volume and value has decreased, according to *Unquote Data*, with 334 buyouts between January to May 2020 amounting to an aggregate value of €72.35bn (although the €17.2bn acquisition of Thyssenkrupp Elevator will have significantly boosted this), compared with 412 deals totalling more than €79bn in the same period in 2019.

Furthermore, activity recorded over April and May 2020 (which would also cover any deal inked in March under lockdown but announced later) fell to 96 transactions worth an aggregate €11.9bn – a far cry from the €29bn over 168 deals in the comparable period last year.

In light of the coronavirus-induced drop in activity, many were quick to highlight bolt-ons

as one way to keep deploying capital. Many GPs believe now may be an opportune time to build a group in a sector that they know well, based on a platform investment for which they have already secured acquisition financing. “Buy-and-build is easier than doing a new platform right now, since there is usually committed financing,” says Carsten Rahlfs, a partner at Waterland Private Equity. “Also, you are already invested in the sector, so it is easier to test the likelihood of a dramatic downturn in that company. For example, we know the healthcare space inside out, so we can assess what will happen after the crisis and the specific risks.”

Searchlight Capital bought a majority stake in Global Risk Partners (GRP) in February 2020, with the deal completing in June, and announced its intention to support the company in a buy-and-build strategy. Oliver Haarmann, founding partner at Searchlight, says it has been challenging to conduct due diligence and often impossible to hold face-to-face meetings under lockdown, but argues that this is not such a challenge when it comes to bolt-ons. “Add-ons can be easier, since you typically already know the companies quite well. For example, the companies that we are buying will have been known to GRP’s senior ▶

“Buy-and-build is easier than doing a new platform right now, since there is usually committed financing”

Carsten Rahlfs, Waterland Private Equity



“Sellers want a higher price than the buyers do. You may need to wait a few weeks and months before the buyer and seller can agree”

Gilles Collombin, Charterhouse

management for years, as will their clients. The managers have relationships and a higher level of familiarity, so it is easier to understand the risk.

“The second thing that makes it easier is that synergies are so much higher; an acquisition always has information benefits and synergies if it is an add-on.”

Getting through

Although the appetite to do bolt-ons is certainly there from private equity’s perspective, getting sellers to the table and ironing out a deal remains challenging. The gap between buyers’ and sellers’ pricing expectations are regularly cited as a barrier for deal-doing in the current market, and it goes some way to explaining why bolt-on statistics have also been depressed in Q2.

According to data from *Unquote* sister publication *Mergermarket*, build-up activity has fallen significantly in 2020, following a record year for add-on value. Private-equity-backed

companies in Europe made 251 add-ons with an aggregate value of more than €2.6bn in Q1 2020, compared with the 238 add-ons totalling €7.56bn in Q1 2019, indicating that the appetite for bolt-ons was still present, albeit with a preference for targets with a lower enterprise value.

However, Q2 2020’s numbers look unlikely to challenge those of Q2 2019; as of the end of May 2020, there were 78 add-ons amounting to €769m, compared with 226 deals totalling €8.42bn in Q2 2019.

“Overall, right now, it is our preference to do more buy-and-build,” says Rahlfs. “But if the seller is sticking to the old historic price level, they will have to agree to a lower price right now, and that is the typical problem, as the levels of the past two years are no longer valid.”

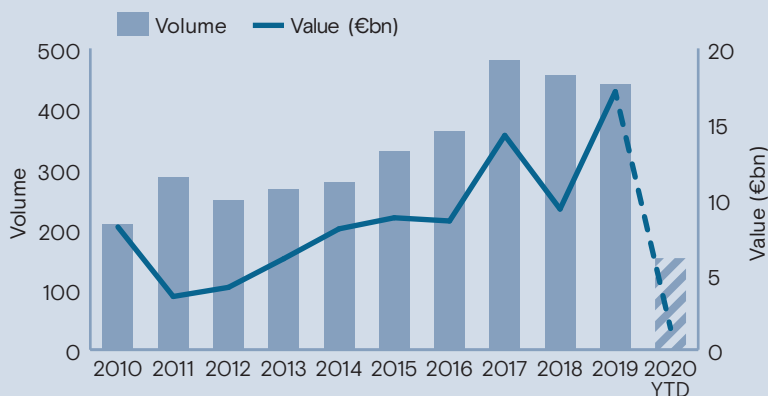
Gilles Collombin, head of investor relations at Charterhouse, concurs: “During the Covid-19 crisis it could be more difficult to agree a price – buyers want to know more about the company, and sellers want a higher price than the buyers do. You may need to wait a few weeks and months before the buyer and seller can agree.”

Rahlfs points out that familiarity with a particular market segment is a good way to communicate with potential sellers, and try to overcome sell-side reluctance in coming to market under difficult circumstances: “Bigger groups are usually more stable and can be a strong partner to help a single clinic or nursing home through the crisis, to help the employees and the company to come into the company ‘family’ and be a strong partner.”

Healthcare businesses, ranging from eyecare clinics to care homes, have been key targets for sponsors pursuing buy-and-build strategies. Rahlfs notes that there are operational and procurement advantages for healthcare companies joining a buy-and-build group: “Take protective equipment, for example: if a company joins our clinic group, we can help with protection material for employees in a couple of days, as we are bigger and can source in Asia.”

Florian Schepp, a partner at Family Trust Invest, told *Unquote* that the IT consultancy market was

European buy-and-build platform deals



Source: *Unquote Data*

a key one for buy-and-build – following the GP’s acquisition of Germany-based AlphaQuest – and that the strategy benefits the companies in the group. “It is a very fragmented industry and it makes sense for a smaller company to join a bigger group. Clients appreciate one-stop shops. And when it comes to bigger companies, the customer acquisition is easier – they have a bigger network, so it is easier to generate new sales. From the risk perspective of a larger client, if a company consists of a group of 15 highly specialised data scientists, for example, a large project might take up half of the staff. But with a bigger organisation, bigger clients can trust you from a risk perspective and it makes sense for them to hire bigger groups. That is why buy-and-build makes sense in the sector.”

Collombin says buy-and-build is one of Charterhouse’s key value-creation pillars, and that the appeal of being owned by a private equity firm in difficult times can be a powerful tool. However, he also notes that this has not led to a surge in add-ons in the market, as evidenced by the aforementioned *Mergermarket* statistics: “We

“[IT consultancy] is a very fragmented industry and it makes sense for a smaller company to join a bigger group. Clients appreciate one-stop shops”

Florian Schepp, Family Trust Invest

have not seen much of it happening yet during the coronavirus crisis, but for some companies it makes sense to join a bigger platform.”

Lending a hand

Now might not be the best time to initiate a new buy-and-build play either, given the challenging financing conditions. “The financing markets have definitely got much tougher,” says Haarmann. “Having said that, the insurance industry is still reasonably popular with investors and lenders, as it is seen as quite resilient in times of recession. From that perspective, the Global Risk Partners platform investment is still a deal you could finance today, although perhaps on less attractive terms. We were fortunate to have signed it before.” ▶

Case study: Waterland Private Equity’s healthcare platform Median Kliniken

Waterland acquired Berlin-headquartered healthcare provider Median Kliniken from Advent International and Marcol Healthcare in 2014 in a deal valued at €1bn. SEB and IKB Deutsche Industriebank arranged a €250m all-senior debt package to support the deal. The same backers then provided a €415m term loan and a €90m rolling credit facility to refinance the business in 2015, according to *Unquote* sister publication *Debtwire*.

Waterland deployed equity to acquire Median via Waterland Private Equity Fund V, which held a final close in July 2011 on €1.1bn. The GP subsequently merged the group in 2015 with market competitor RHM Kliniken, which Waterland acquired in 2010. In October 2014, Waterland announced that the company had secured €705m via the sale and lease-back of 40 of its Germany-based rehabilitation clinics.

Waterland has focused on a buy-and-build strategy for Median in a fragmented market, making a series of acquisitions of other clinic groups. By June 2017, Median had made 16 add-on acquisitions; the addition of Frankenpark Klinik in Bad Kissingen and Rehazentrum in Wilhelmshaven brought the group’s revenues to €1bn. In July 2019, Median acquired rehabilitation clinic Klinik Eschenburg and ambulatory rehabilitation centre Rhein-Reha, marking the company’s 20th and 21st bolt-ons.

Waterland has also invested in real estate and equipment during the investment period. The clinic group now manages 116 sites, according to its website, providing treatments in the areas of orthopaedics, mental health, neurology, cardiology and internal medicine (including gastroenterology, oncology and diabetes). It has 16,000 patients and a similar number of employees.

Case study: Searchlight Capital's Global Risk Partners

Searchlight Capital bought a majority stake in Global Risk Partners (GRP) in February 2020, deploying equity from Searchlight Capital II, which held a final close in December 2015 on \$1.5bn. Penta Capital invested in GRP in 2013, providing capital of up to £88m to enable the company to pursue a buy-and-build strategy.

GRP focused largely on casualty and property brokerage at the time of Searchlight's investment. The company has 300,000 clients and a customer retention rate of 80-90% across renewal cycles. GRP reported run-rate EBITDA of its operating entities of £50m in December 2019 based on run-rate income of £139m. The company was valued at £800m, according to *Unquote* sister publication *Mergermarket*. It reported pro forma EBITDA of £50m in February 2020.

GRP planned to pursue a buy-and-build strategy in the fragmented insurance brokerage sector and has

completed 59 bolt-on acquisitions and integrations since its foundation in 2013, Searchlight said in a statement in June 2020. According to *Mergermarket*, the company is seeking targets with EBITDA of £1-10m and aims to double its EBITDA in the next five years.

The company has already made several add-ons during Searchlight's investment period. GRP acquired Brighton-based businesses RT Williams Insurance Brokers and NIB Insurance Brokers via its south-eastern-UK-focused business Greens Insurance Group in April 2020. Both companies cover insurance products – including property, commercial and personal insurance – with a customer base largely based in East Sussex, Surrey and London.

In July 2020, GRP bought Towcester-based Premier Choice Healthcare with the aim of expanding its product offering in the healthcare insurance sector.

Collombin agrees that the debt market is unlikely to be there for new deals, but argues that add-ons should be relatively trouble-free, provided portfolio companies are in a sound financial position and sponsors have capital to deploy: "You do not need the debt market that much, and often you can use the cash from the business. We are under 5x leverage across the portfolio, so we have debt capacity and are well-positioned to inject equity into businesses that we own in order to finance acquisitions."

Non-bank debt can also be an option, seeing as debt funds face the same deployment conundrum as their equity cousins – although

they are also likely to proceed with caution. Peter Gottron, a partner at Beechbrook, tells *Unquote*: "Special steps need to be taken with the analysis, and it is currently more difficult to integrate the businesses, given the lockdown restrictions. We are still open for business, though, and we are still looking for opportunities; if a business stacks up, has a solid strategy and can show that it has not been affected by the crisis, then we will definitely consider providing funding."

"The most challenging thing is to assess the impact of the coronavirus crisis on the target/add-on and the main company – to properly assess the impact and assess the long-term effects on it," Gottron says. "For example, whether its recovery will be a V-shape, U-shape or an L-shape, and then to see whether the add-on fits with the main company."

Laying the foundations

With record amounts of dry powder accumulated in the past three years by European GPs – and little opportunity to deploy it at scale for new deals in the current environment – bolt-ons also

"The market may see add-on valuations coming down and a higher percentage of the price being pushed into the earn-out, which reduces the risk from the buyer's perspective"

Oliver Haarmann, Searchlight Capital



have the appeal of keeping deployment steady. Thus, many sponsors would not rule out backing add-ons with equity from their funds if necessary. Says Haarmann: “For existing platform investments, we would obviously always want to use debt to fund the add-ons if we can. But if we think it is a particularly interesting value-enhancing acquisition, we would also consider using equity and putting value into the platform. It would depend on the relative value of the deal.”

Meanwhile, earn-outs can go some way to mitigating the difficulties in agreeing a price in the current market, says Haarmann. “A lot of the time, when you make a small add-on, you do not pay all of it up front; you pay an entrepreneur a certain amount and the remaining two thirds over the next few years, for example, as an earn-out. The market may see add-on valuations coming down and a higher percentage of the price being pushed into the earn-out, which reduces the risk from the buyer’s perspective. In some ways this is even more valuable, since it gives a lot of protection.”

“Even three to four years down the road, when you should be thinking about the exit, in some cases you will continue to do buy-and-build... an exit may not be available any time soon”

Gilles Collombin, Charterhouse

Collombin says the coronavirus crisis should boost buy-and-build strategies in the longer term, too, in an environment where exits will inevitably be few and far between and organic growth can be more challenging to achieve. “People will want to do more buy-and-build, as it is a tool very often used at the beginning of the holding period, so that you have enough time to benefit from the synergies,” he says. “But even three to four years down the road, when you should be thinking about the exit, in some cases you will continue to do buy-and-build, as you know that an exit may not be available any time soon at a price that makes sense for you.” ■

European fund closes slump by 42% amid lockdown



Mariia Bondarenko
Data reporter

The first quarter of 2020 saw a decent level of fundraising activity, with 73 funds reaching either a first or final close over the first three months of the year, comparing favourably with quarterly figures seen since the beginning of 2019. While this could suggest that the onset of lockdowns across the world in March had a limited impact on fundraising, looking at the three-month period between March and May tells a different story.

Overall, 44 funds held a first or final close between the start of lockdown and the end of May, for aggregate commitments of €23bn, according to *Unquote Data*. With the average quarterly figure between Q1 2019 and Q1 this year standing at 77 closing events, the Covid-19 outbreak has put a dampener on funds crossing the finish line.

Preliminary figures indicate that Q2 will likely have the fewest fund close announcements for some time. Interestingly, the number of first closes looks set to exceed the number of final closes, suggesting that proceeding through early fundraising stages is still possible in lockdown, and that some GPs may have heeded advice to lock in commitments as early as they can (even if not on an optimal figure) given the ongoing uncertainty.

The number of first closes looks set to exceed the number of final closes, suggesting that proceeding through early fundraising stages is still possible in lockdown

One bright note is that the quarterly value drop is not expected to be significant, owing to a handful of large closes that are likely to significantly boost H1 commitment totals – and perhaps disguise the true extent of the slowdown in fundraising across the market. In June, France-based Ardian closed its ASF VIII fund on \$19bn, making it the world's largest vehicle dedicated to the secondaries market to date. One month prior, IK Investment Partners closed its IK IX mid-cap investment vehicle on its target of €2.85bn. That same month, Deutsche Beteiligungs AG (DBAG) held a final close for DBAG Fund VIII on €1.109bn, slightly above target, following a first close in December 2019 on €1bn.

Still on the road

Meanwhile, a number of investors continue inching towards their targets. Around 194 European funds that have been launched since the beginning of 2018, but are yet to hold a final close, are seeking to raise a total of €125bn, to which can be added 91 registered funds in pre-marketing. While the overall tally may include structures that failed to reach their original stated targets and therefore quietly closed to new commitments, it is a sign that there will be a high number of GPs still on the (largely virtual) fundraising trail in 2020. Among the high-profile GPs expected to target fund closes in the short term are CVC Capital Partners, EQT, BC Partners, Bridgepoint Development Capital and Eurazeo.

Those on the road in the middle of an unprecedented health and economic crisis will find

Unquote recorded 44 first or final closes of European private equity funds between March and May, a 42% drop on the three-month average seen across 2019. Mariia Bondarenko and Greg Gille report

solace in the fact that such situations can present opportunities for private equity players, and by extension their LPs. Historically, the best vintages for small-cap and mid-market funds over the past 15 years were 2008 and 2009, according to Hervé Gevers, senior vice-president at Unigestion. This strong performance was driven by several factors, he says. First, PE investors were able to benefit from lower entry valuations in the years immediately following the global financial crisis (GFC). Second, the small-cap and mid-market companies in which PE firms invested were those that had already survived the GFC, clearly demonstrating the

resilience of their business models. Finally, the eventual economic recovery from 2009 onwards provided a useful tailwind to all companies. With certain important caveats, the next one to two years may provide similar conditions for investors, particularly in the small- and mid-cap segments.

But GPs currently raising will still face stiff competition for whatever opportunities arise in the post-Covid-19 landscape, given the rude health of the fundraising market in recent years: *Unquote* has recorded 495 buyout and venture funds holding final closes between 2017 and 2019 alone, for aggregate commitments of €254bn. ■

Large European funds currently on the road

FUND NAME	MANAGER	COUNTRY	FUND TYPE	TARGET (€m)
CVC Capital Partners VIII	CVC Capital Partners	UK	Buyout	17,500
EQT IX	EQT Partners	Sweden	Buyout	14,750
LAC I	BPI France	France	Buyout	8,917
BC European Capital XI	BC Partners	UK	Buyout	8,500
Ardian Buyout Fund VII	Ardian	France	Buyout	6,000
Coller International Partners VIII	Coller Capital	UK	Secondaries	7,368
Montagu VI	Montagu Private Equity	UK	Buyout	3,000
EMK Capital Partners II	EMK Capital	UK	Buyout	1,200
Bridgepoint Development Capital IV	Bridgepoint	UK	Buyout	1,189
France-China Cooperation Fund	Eurazeo	France	Buyout	1,500
Trilantic Capital Partners VI Europe	Trilantic Europe	UK	Buyout	1,000
Eurazeo Growth Fund III	Eurazeo	France	Buyout	1,000

Source: *Unquote Data*

Secondaries players weigh up “ring-fencing” deals



Alessia Argentieri
 Senior reporter

Evolving from traditional vanilla sales of LP interests, the secondary market has developed a variety of new solutions for underperforming portfolios, as well as highly profitable assets that can benefit from a longer holding period, while allowing GPs to more efficiently manage liquidity issues and needs.

This evolution is likely to be pushed even further by the experimentation imposed by the coronavirus pandemic, primarily towards a rise in interest for GP-led transactions and fund restructurings.

“Despite a temporary cooling down while buyers and sellers await clarity around valuations, secondaries are expected to find new opportunities in the uncertainty caused by the crisis, all the while developing strategies suitable for a private equity landscape affected by liquidity concerns.

One such strategy consists of bundling up a group of underperforming assets affected by the crisis and transferring them into a separate vehicle, suitable for an ambitious and resourceful LP base. This could mean breathing room for many companies that were healthy before the

outbreak and started to underperform when their sector or supply chain were hit by the crisis.

“The idea is to separate assets into two categories, a good and a bad pile,” says Nico Taverna, a partner at Mill Reef Capital. “The latter would be composed of risky and underperforming assets affected by the crisis and with an uncertain recovery path ahead of them. They could include risky assets or companies that have the clear potential to recover if the economic scenario improves.”

By segregating the two groups, the GP could deploy a targeted and tailor-made strategy to support the struggling assets’ recovery, without excessive write-downs and avoiding depleting capital, or impairing the portfolio’s combined performance.

“Moving some troubled assets to another fund is a possible solution if there is a funding need within the portfolio that cannot be met by current LPs,” says Ely Place Partners’ Daniel Roddick. “This cashflow need could be because the companies are underperforming or need more time and capital to reach their potential.”

When mixed, these assets might negatively impact the entire portfolio, while divided they make it easier for the GP to appeal to different LPs able to sustain and fuel a successful recovery strategy.

“This type of GP-led transaction would focus more on the additional capital coming in rather than on the ability of investors to roll over and hold their position in the portfolio,” says Sam Kay, a partner at Travers Smith. “This would create a balance between maintaining your investors

“A lot of people have been talking about this because the philosophy of dividing bad assets from good assets and applying specific strategies to them has worked in the past”

Sunaina Sinha, Cebile Capital

GP-led transactions isolating assets hardest hit by the Covid-19 crisis could appeal to adventurous secondaries players, but challenges abound. Alessia Argentieri reports

economically interested in the portfolio and bringing in extra capital, which is going to dilute the existing investors.”

Known unknowns

But while the idea is simple and can present undeniable advantages, the practice is quite complicated and includes many organisational, structural and financial challenges.

“A lot of people have been talking about this because the philosophy of dividing bad assets from good assets and applying specific strategies to them has worked in the past,” says Sunaina Sinha, managing partner at Cebile Capital. “In our current situation, it could be the right approach for assets in some of the most affected sectors, such as leisure, travel or retail.

“However, the problem is that nobody knows how these industries will play out, what the length of the recovery is and if it will be a U-shaped or a V-shaped recovery. Some of these low-performing companies have real solvency risks, and in some cases might not even be around at the end of the crisis if the Covid-19-driven recession lasts longer than expected. Furthermore, this is a new type of crisis that entails different economic and psychological mechanisms. We do not know what the long-term impact of the lockdown on consumer behaviour will be and for how long product and service demand will be affected.”

The risks intrinsic to this strategy at a time when the implications of the crisis are still unclear make valuations very difficult to form. Kay says:

“One of the challenges with these transactions is around valuations, given that any future return will be dependent on the value that you attribute to the pool of assets at the moment of the transfer, and currently one of the main difficulties that the market is facing is valuing assets.”

Attributing the right valuation to the bundled assets can be particularly important in ensuring that existing LPs will not see this strategy in a negative light. “The fund manager needs to be very careful when assigning a price to this pool of assets because of potential conflicts,” says Roddick. “Its main priority should be its fiduciary duty towards its existing LPs. One way of addressing this is to offer existing LPs the option to roll over some of their commitments into the new vehicle for no extra cost. This can help the GP ensure it has treated its LPs fairly.”

Finding the right type of buyers for these pools of assets can also be challenging. Typically, these transactions would fall into the domain of secondaries players, but the high risk they entail and the difficulty in getting a fast and tangible return might discourage most of the secondaries specialists and instead attract different categories of investors.

“Once it becomes clear where the bottom of the crisis is, we might see some specialist secondaries players approaching these bundles of assets,” says Sinha. “At the moment, it is much more likely that some opportunistic buyers, special situation players and distressed investors will come to the surface. The problem can be that they might not be the type of buyers that want to recapitalise these groups of assets.” ■

Gyms facing an uncertain post-covid future



Katharine Hidalgo
Reporter

In 2019, prior to the Covid-19 crisis, consumers in the UK alone spent £5bn on 10 million gym memberships, according to a Sports Think Tank report. Buyout and growth capital investment volume in the sector grew during the past decade, reaching a high of seven deals in 2018 across Europe, against just one acquisition in 2010. Household names such as Virgin Active, Gym Box and Pure Gym have all seen investment from private equity backers.

After being forced to close due to lockdown restrictions in response to the Covid-19 pandemic, gyms have been engaging in negotiations with landlords for rent holidays and furloughing a significant proportion of their workforces to keep afloat. Meanwhile, those with private equity backing have benefited from equity injections where necessary, with investors assisting them in gaining access to government loan schemes.

Unlike pubs and restaurants, which can still offer take-away, fitness clubs have few other potential revenue streams.

As an alternative to gyms, interest in home fitness has exploded across Europe.

Tom Raymond, a director at commercial due diligence firm Armstrong, says: “Middle-class bellwether John Lewis experienced a 496% increase in sales of home gym equipment, while yoga and pilates equipment sales were up by 315%, and sports shoes orders increased by 72%.” He also cites performance monitoring and gamification specialists such as Fiit as a thriving group of assets.

Fitness apps, webinars and even Instagram gym class streaming have proliferated, and some gyms have tried to tap into this market; but such measures can only go so far to relieve pressure. “When gyms release online classes, that is more about customer engagement, rather than revenue generation,” says Harry Kalmanowicz, a managing director at Lincoln International. “Many gym CEOs have not thought it worthwhile to commit investment to online classes or creating their own digital content and, instead, are focusing their efforts on reopening and adjusting their operations to comply with social distancing guidelines.”

Back on the treadmill

The potential date for some countries to reopen their gyms now draws closer, with some countries, such as Switzerland, already having done so. But with new influences at play in the sector, the question now is whether customers will start to go back to their gyms either in the short or even the long term.

Aude Doyen, a managing director with Lincoln ▶

“Many gym CEOs are focusing their efforts on reopening and adjusting their operations to comply with social distancing guidelines”

Harry Kalmanowicz, Lincoln International

As gyms and fitness clubs across Europe gear up to welcome back consumers, Katharine Hidalgo explores their tricky path out of lockdown

European gym assets in portfolios

ASSET	PE BACKER	COUNTRY	YEAR
L'Orange Bleue	Axio Capital	France	2020
Énergie Fitness	Bridges	UK	2019
L'Usine	123 Investment Managers; Sigma Gestion	France	2019
Dynamo Cycling	Eutopia; Experienced Capital	France	2019
Beat81	EQT Partners	Germany	2019
Groupe Moving	CDC International Capital <i>et al.</i>	France	2019
Sport City/Fit For Free	Bencis Capital Partners	Netherlands	2018
Appart Fitness	Amundi Private Equity	France	2018
Altafit	MCH Private Equity	Spain	2018
Let's Go Fitness	Natixis Private Equity	Switzerland	2018
Hansefit	Waterland Private Equity	Germany	2018
NRG Gym	Puma Private Equity	UK	2018
Genae	123 Investment Management	France	2018
Supera	Portobello Capital	Spain	2017
Pure Gym	Leonard Green & Partners	UK	2017
The Corporate Gym	Alliance Entreprendre	Spain	2017
Keep Cool	BPI France <i>et al.</i>	France	2017
Wellness Sport Club	Pechel Industries	France	2017
Wellyou Verwaltungsgesellschaft	Auctus Capital Partners	Germany	2017
Gymbox	Hotbed; Octopus Investments; BGF	UK	2016
Xercise4less	BGF	UK	2016
Viva Gym	Bridges	Spain	2015
Snap Fitness 24/7	Capital Mills	Netherlands	2015
Impuls LTU	Baltcap Management	Lithuania	2015

Source: Unquote Data

International, is positive about the future: “We have seen examples from other countries where gyms have reopened and membership has not dropped significantly. In the US, Planet Fitness has also reported usage is continuing to climb consistently across gyms the longer they have reopened. This is encouraging.”

To comply with new guidelines, gym equipment will have to be spaced out or marked out of bounds, barriers may need to be put up between machines, companies will have to invest significantly in cleaning staff and supplies, while the fate of changing rooms and exercise classes is as yet undecided.

A spokesperson for one private equity investor in the sector says: “It is hard to know how this will influence customer behaviour. The fundamentals are still good in principle, as people still want to exercise. We are going to have to wait and see how consumers react.”

But different gyms will battle different issues when it comes to reopening, the spokesperson says, suggesting that larger gyms would be able to implement social distancing measures more easily than small gyms due to their increased ability to space out equipment.

At a premium

Armstrong’s Raymond thinks one area that will be more resistant to drops in revenue will be the premium sector. Luxury and high-end gyms have been a focus for backers, notably with the acquisition of France-based L’Usine by 123 Investment Managers and Sigma Gestion, and UK chain Third Space by Encore Capital.

“Some gyms will fall by the wayside, but where there is a positive outlook we see sponsors or banks willing to put in additional cash”

Harry Kalmanowicz, Lincoln International

Says Raymond: “Premium gym customers want to get back to the gym because it is an important part of their lives to which they have made a significant commitment, financially and emotionally. Secondly, consumer perception of premium leisure brands is that they have the quality of facilities and upkeep to maintain very high standards of cleanliness – fear of infection will be lower than for users of mid-tier and budget gyms.”

Premium gyms, however, suffer their own set of obstacles, such as more expensive real estate costs, as well as more diverse and costly staffing – hiring physiotherapists, professional trainers and masseuses, for example.

Lincoln’s Kalmanowicz says: “With low cost gyms, the business is about volume, so it would be damaging to have a serious decline in membership, but there is a lower fixed cost base to counteract that. With higher-end gyms, the cost base is, of course, much greater, but there are higher margins to play with. Depending on the operator model, there will be different strategies needed to survive at a lower membership level.”

All gyms across Europe, both big and small, premium and low-cost, will have to adapt significantly to keep members coming through the doors. Says Doyen: “A number of European operators are thinking about outdoor classes, with or without an extra fee. It is about offering something to reassure those who do not feel safe indoors at first.”

However, the bifurcation occurring throughout the economy – which will likely see suffering assets fall into administration, while stronger assets remain in business – is likely to occur in this sector also.

Kalmanowicz says: “Some gyms certainly will fall by the wayside, often smaller gyms or boutiques, but where there is a positive outlook we see sponsors or banks willing to put in additional cash. The better assets will hold on through the crisis.” ■



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Early secondaries help assuage LP default fears



Denise Ko Genovese
Associate editor

When a financial crisis hits, talk of defaults rises in all camps, as institutions and individuals struggle to meet their commitments. LPs are not immune to the rumours and, when the coronavirus lockdown began to impact markets in March, talk of limited partners being unable to fulfil their commitments was rife.

Capital calls are currently running well in excess of distributions, so private equity programmes are seeing cash outflows on a net basis after years of inflows, further boosting speculation about a spike in LP defaults. But several market players believe that since the modern LP universe mostly comprises well-funded institutional investors, the idea of widespread defaults remains an urban myth for now.

“There has obviously been disruption,” says Nicolas Vagner of Axelium Capital, an independent placement agent and GP consultancy, “but much of it has been just logistical, which in some cases has led to LPs being simply a bit late funding capital calls, since the process has not been originally designed to be fully dematerialised. Short notices for some of those portfolio cash injections or opportunistic acquisitions have also compounded the problem.”

“There has obviously been disruption, but much of it has been just logistical, which in some cases has led to LPs being a bit late funding capital calls”

Nicolas Vagner, Axelium Capital

“Funding is much more dependent on pension contributions, insurance premiums and corporate cashflow than distributions,” says Mathieu Dréan of fund advisory firm Triago. “As a result, we expect a minimal rise in defaults tied to the Covid-19 crisis.”

Answer the call

Limited partners typically have 21-30 days to stump up money when a capital call is made and, if this does not materialise, an LP goes into default. If a €10m commitment was made at closing and the first €8m has already been drawn, failure to pay the outstanding commitment when requested would technically result in the original €8m being forfeited. However, if a fund has only recently closed and there have been no capital calls to date, an LP could walk away without any immediate financial penalty.

“GPs who recently raised are the most worried, as the funds that have not drawn down on any commitments could see LPs walk away if liquidity is a concern,” says Sunaina Sinha of Cebile Capital.

Reputational risk is very high in all scenarios though, both for the GP and the LP, so all parties will tread with caution. An institutional LP defaulting would close most GP doors in the future and mean it is up against a very significant liquidity squeeze, since its future in deploying and remaining committed to the asset class would be called into question.

Given this, defaulting on a commitment could suggest there is a bigger issue going on and the Covid-19 crunch is merely a catalyst, especially since limited partners are sophisticated and very well-funded, Vagner argues.

With the Covid-19 outbreak leading investors to suddenly reassess their exposure to private equity, some GPs have feared that a number of LPs could start defaulting on commitments. But such fears appear somewhat overblown, writes Denise Ko Genovese

“There was also quite a bit of noise around LP defaults in 2008-2009,” says Vagner, “but the cases where LPs refused to fund capital calls were typically not the result of a liquidity issue. There was usually a bigger issue with the GP.” He says there were actually very few LP defaults at the time, not least because of the reputational damage associated with it.

Meanwhile, GPs potentially faced with a default situation would also have to think twice about the best way forward. Clauses in fund documentation vary, and although the GP may technically have the right to bring a claim against a defaulting LP for failure to pay and for loss of management fees and running interest, it may not be in its best interest to actually bring a claim.

“Contractually, an LP is committed and will be in breach of the partnership agreement if it does not meet a capital call, but do they [the GP] really want to wait and count down the days until it can default an investor?” asks Daniel Greenaway, head of funds at Mishcon de Reya. “There is usually the ability to try to sell the interest on the LP’s behalf either to other investors or on the secondaries market.” If no buyer of the stake can be found, a GP may ultimately be able to forfeit an interest if they so wish, with the investor only retaining a subordinated right to a return of its contributed capital, he adds.

Copious amounts of dry powder have been raised in the secondaries market, so any LP anticipating a default would indeed likely try that avenue first.

Many have looked to the secondaries market in recent years as a liquidity solution and, in 2019 alone, close to \$50bn was raised for the strategy, with little sign of capital or appetite dwindling, as Ardian’s \$19bn raise at the beginning of June has shown.

Regardless of whether an LP is in a liquidity squeeze, it may wish to use the secondaries market to be rid of undrawn commitments if it sees them as a liability. A handful of buyers of so-called “early secondaries” or highly unfunded positions are coming to the fore, with many funds-of-funds such as Ardian already involved in such programmes.

From a buyer’s perspective, pricing could even be seen as advantageous when taking a highly unfunded liability away from an LP, as the purchaser could be getting assets that are already in the fund for a cheaper price.

“Until the Covid-19 crisis, the overwhelming majority of secondary market activity revolved around relatively mature assets – including tail-end assets,” says Triago’s Dréan. “In a repeat of what happened during the global financial crisis, we are seeing a very strong proportionate increase for deals involving funds that are only 5-20% drawn.”

Early secondaries account for at least a third of the deal volume initiated since mid-March – up from 5% or so of annualised volume in a typical year, according to Triago.

“Because secondary market discounts only apply to invested capital, early secondaries are a fairly painless way for sellers to get out of commitments and for both buyers and sellers to find prices at which deals can clear,” says Dréan. ■

LP Profile: CPP Investments

CPP Investments (CPPI) was established in 1997 to oversee and invest on behalf of more than 20 million contributors to the Canada Pension Plan. With an initial size of \$8.8m in 1997, the fund now has a total of \$297bn in assets under management as of 31 March 2020.

According to the group's annual report, the fund's exposure to private equity stands at 24.7%, with assets worth \$67.4.6bn in 2020, up from \$62.5bn at the end of its 2019 financial year. Despite the uncertainty introduced by Covid-19, the fund's diversified PE portfolio continued to outperform the returns of the relevant public equity benchmarks on a five-year basis, the group said in its report. Over the past five years, PE generated a net return of 12.3% and net income of \$27.1bn.

"We take a long-term approach to private equity and believe in patient capital to deliver strong, risk-adjusted returns over cycles," CPPI's head of private equity funds, Delaney Brown, told *Unquote*. He added that there were no plans to scale back the fund's allocation to PE, but rather that CPPI is looking into new areas in which it can invest. In 2019, a new office in San Francisco was set up

CPPI has 167 private equity professionals across five offices globally and this is reflected in the geographic diversification of its holdings. As of 31 March 2020, the split globally was weighted at 64.2% in the US, 14.8% in Asia, 12.5% in Europe, excluding the UK, 4.9% in the UK and 3.6% across the rest of the world, according to the annual report.

Co-invest and direct investments

Across the \$67.4bn private equity asset base, CPPI's PE portfolio is split evenly between direct (including co-investments) and fund investment strategies, with 152 direct investments and 152 manager relationships currently.



"We take a long-term approach to private equity and believe in patient capital to deliver strong, risk-adjusted returns over cycles"

Delaney Brown, CPP Investments

and a new venture capital programme established, with current investment of \$149m so far across four GP relationships.

Unquote's Sorcha Williams recaps key takeaways from CPP Investments' latest annual report, and hears from head of PE funds Delaney Brown about the Canadian LP's outlook on fund allocations, direct investments and secondaries

CPPI recently made a direct investment in US-based self-driving car company Waymo's first external investment round, alongside Silverlake and Mubadala Investment Company, in a deal worth \$2.25bn. Another notable direct investment was in Merlin Entertainments, the second largest themed attractions provider in the world; CPPI invested alongside Blackstone and Kirkbi in a transaction valued at £5.9bn, with Blackstone and CPPI together acquiring a 50% stake.

One investment hit hard by the coronavirus pandemic was portfolio asset HotelBeds, which faced immediate liquidity issues as demand dropped due to the cessation of travel. CPPI, along with fellow sponsors Cinven and EQT, undertook a €430m capital injection for the company in April.

Funds strategy

Despite the higher concentration of risk and greater exposure of certain sectors to the pandemic, and the fact that some LPs have been negatively impacted by their direct and co-investments, Brown told *Unquote* that CPPI was not planning to scale back on this area of the strategy since the organisation still believes in the partnership approach.

In the 2019/20 financial year, the PE funds portfolio grew from \$23.2bn to \$23.7bn and the group made commitments to 22 funds to the tune of \$6.8bn. Of these 22 fund commitments, 14 represented existing relationships with GPs, including two that backed adjacent strategies to the manager's core platform. The remaining eight investments were done with new managers. According to *Unquote Data*, CPPI made commitments to funds including TPG Partners VIII

fund, CVC Strategic Opportunities Fund II, CVC Global Special Situations Fund II, Bain Capital Europe V and Vista Equity VII in 2019.

"We have been really busy since the start of the year and one thing that surprised me was the resilience of the fundraising environment, in terms of how many managers have been able to attract LP capital and hit closes," said Brown. He added that CPPI's pipeline remained full, with recent closes including a re-up to Clayton Dubilier & Rice Fund XI, and more now at the final investment committee stage.

In terms of secondaries in the last financial year, CPPI's dedicated team led the full or partial sale of \$1.8bn in net asset value in LP interests across five transactions in the fund's portfolio. This comes as the organisation is taking a more cautious approach to secondaries investments on the buy-side, given growing market uncertainty, with \$496m invested across six transactions in the year. ■

Key team members

Delaney Brown is head of private equity funds. He joined CPPI in 2013 and leads the team responsible for fund investments across Europe and North America.

Shane Feeney is senior managing director and global head of private equity. He leads CPPI's private equity programme, including teams dedicated to investments in direct private equity, Asian PE, PE funds and secondaries.

Ryan Selwood is managing director and head of direct private equity. He leads the direct private equity team of 60 people based in Toronto, London, San Francisco and New York.

Q&A: Pemberton's Eric Capp on direct lending



Katharine Hidalgo
Reporter

Katharine Hidalgo: How have sponsors been acting for the health of their portfolio companies so far?

Eric Capp: We think they have been behaving well. So far, where new capital has been required, GPs have been putting it in. This has only been necessary in a small percentage of situations, but our sense is that GPs have been willing to support strong businesses.

The important thing is that, if a portfolio company was not performing well before the Covid-19 outbreak, the current environment could push them over the edge. Our view is that, across the direct-lending market, the full impact of the pandemic remains to be seen, but we feel good about our own portfolio.

Over the longer term, it may take anywhere between six months to two years for companies to recover to original sponsor equity cases. The economic environment, in addition to central bank support for low interest rates, will

“Over the longer term, it may take anywhere between six months to two years for companies to recover to original sponsor equity cases”

Eric Capp, Pemberton

be the ultimate driver and I would expect to see more defaults depending on the shape of the recovery.

KH: How is your strategy going to change in the wake of the coronavirus crisis?

EC: We continue to be focused on providing debt financing to high-quality, market-leading borrowers with solid fundamentals, operating in non-cyclical sectors and with excellent management teams. Our approach has not changed post-Covid-19 and we are going to do more of the same: lend capital to the core mid-market, while being sensitive to the economic environment. It is no surprise that we will be allocating capital to more defensive and resilient business models in



Eric Capp, the UK head at asset manager Pemberton, discusses how sponsors have been dealing with debt during the coronavirus crisis and his long-term view of the direct lending market with Katharine Hidalgo

food, healthcare and technology, and companies focused on non-discretionary spending.

We will continue to use the same origination process as before with our network of local office investment teams speaking to intermediaries including sponsors, banks and advisers with whom we have built strong relationships over the years, and, of course, to some new ones in the same geographies we currently cover, but with even more of a defensive tilt and a sensitivity to the effects of the coronavirus pandemic.

KH: Do you expect debut private debt managers to enter the market in this environment?

EC: I would not expect many new entrants, even though I think 2020 direct lending vintages will perform incredibly well. In my view, unless you have the investing track record and are willing to make a massive investment in people and infrastructure, it is very difficult for new managers to enter the market, especially now. New entrants can be nimble on the edges of the market, but I would be surprised if they had a lot of traction. In a mid-market deal, with a bilateral lending relationship, private equity and debt funds are co-dependent on each other, and for a sponsor to engage with a new private debt fund that it does not know well can be risky.

KH: Would you consider working with any GPs today that you have not previously worked with?

EC: There are not many GPs we do not know as we cover around 200 sponsors, but if we did not

know them, we would of course be willing to have a conversation. That being said, right now, we are focused on maintaining and building our existing relationships with sponsors.

KH: What is Pemberton focused on currently?

EC: We have been spending a lot of time looking at existing portfolio cashflows and looking at add-ons for portfolio companies. There are always opportunities to fund add-ons and there have already been some forced sellers due to Covid-19. We have also been working on new investment opportunities. We are fortunate to have a pan-European origination network of local offices, as it would be difficult to get deals done in Europe if you are stuck in London only.

New deals have been mainly more proprietary-type investments for companies not affected by the outbreak of Covid-19, such as insurance platforms, e-commerce platforms, and food production businesses. We have also been evaluating some hung syndications in the broader syndicated loan market, given the new-issue leverage loan market is essentially closed. The competitive intensity for these investments is low and there are very few private debt funds with the capital and resources to do it, as they tend to involve large commitments above €200m.

Private debt funds getting involved in syndications would not be a permanent feature of the market as we assume it will resume in its past form, but it is good to harvest these opportunities where available. ■

GP Profile: Suma Capital



Alessia Argentieri
Senior reporter

Barcelona-headquartered private equity firm Suma Capital is a growth capital investor that targets rapidly growing businesses to accelerate their expansion. The GP invests in lower-mid-market companies across Spain that generate annual revenues in the €10-50m bracket. Suma has a team of 17, led by founding partner and CEO Enrique Tombas, alongside founding partner David Arroyo and partner Pau Bermudez-Cañete, who leads the growth capital business.

The GP is currently raising its second fund, Suma Capital Growth II, which was launched with a €125m target and held a €65m first close in December 2019. Suma expects to hold a second close in the summer and slightly delay its final close in order to attract additional capital from international LPs and institutional investors, which have been a bit more reluctant in committing capital to the country than local LPs. “Our fundraising is proceeding well despite the crisis, and we have recently received additional commitments from some Spanish and international LPs,” says Bermudez-Cañete.

Suma Capital Growth II received commitments from all the LPs in the previous vehicle, including the European Investment Fund, Institut Català de Finances and 20 Spanish family offices. In addition, British asset manager Aberdeen Standard Investments and a Luxembourg-based fund-of-funds committed capital to the vehicle, while a



From left: Pau Bermudez-Cañete, Enrique Tombas and David Arroyo, Suma Capital

French family office joined the investor base a few weeks ago, the GP told *Unquote*.

Suma intends to attract additional European family offices in the coming months, which are expected to contribute a third of total commitments. The remainder will be composed of public and private institutional investors.

“While the investor base in our debut fund was almost entirely Spanish, this second vehicle will comprise around 50% international LPs,” says Bermudez-Cañete.

The fund has inked two deals so far; the first was the acquisition of a 55% stake in Implika in December 2019. Suma backed the company alongside a Spanish family office, which took 5%, while the company’s founder and chair Zigor Maritxalar retained the remaining minority stake. The GP invested an equity ticket of almost €10m via the purchase of shares from a minority shareholder and a capital increase. The fund has recently signed its second deal: the investment in Nice People At

“Our fundraising is proceeding well despite the crisis, and we have received additional commitments from Spanish and international LPs”

Pau Bermudez-Cañete, Suma Capital

Suma Capital partner Pau Bermudez-Cañete talks to Alessia Argentieri about the GP's fundraising and strategy for its second fund, as well as portfolio management and investment pipeline during the coronavirus crisis

Work (NPAW), a specialist in online video analytics. The GP acquired a stake of around 25% in the company with a ticket slightly in excess of €10m.

"We started negotiations to buy this fast-growing company last year," says Bermudez-Cañete. "We are confident that NPAW will continue to grow and double its revenues by 2023. We also plan to accelerate its expansion through a buy-and-build strategy and have three add-ons in the pipeline. The technology sector has been performing very well despite the coronavirus crisis and we expect a further improvement in the coming months."

The GP has taken a different approach for newer opportunities, says Bermudez-Cañete: "For other, more recent and new processes, we have put our due diligence on hold when the sector was badly hit by the crisis, or have renegotiated new conditions to guarantee better terms to our investors. It is important to be cautious at this stage and look for resilient companies. At the same time, this can be a time of great opportunity for a growth capital fund like Suma and we are very optimistic."

Business as usual

Suma is also managing the portfolio of its debut fund, Suma Capital Growth Fund I, which is currently 90% deployed. The fund raised €50m in 2015 and is fully invested, performing at 2.4x.

"Four fifths of the value of Suma Capital Growth Fund I is doing well," says Bermudez-Cañete. "All our companies are operating as usual, except for two businesses in the retail and travel sectors, which had to stop their activity. All of them, including these two, have strong balance sheets, not much leverage and sufficient liquidity to face the challenges and find the necessary oxygen to recover and continue to expand after the crisis."

The portfolio of Suma Capital Growth Fund I is composed of seven companies. It includes online sport clothing and accessories retailer Tradeinn, which generated turnover of around €188m in 2019. Suma acquired a 30% stake in the company in November 2015. "Tradeinn generated a 40% revenue increase in 2019 and has grown amid the pandemic," says Bermudez-Cañete.

The fund's portfolio also comprises aluminium bottle manufacturer Alucan, which was acquired in 2016 and generated revenues of €35m in 2019, 70% of which came from outside Spain.

"We are currently working on three add-ons for three of our first fund's portfolio companies," says Bermudez-Cañete. "On the exit side, we will wait until next year. This is not the ideal environment for performing a successful exit – we can take our time and wait until the emergency has resolved and the market goes back to normal."

The GP also manages two infrastructure funds. "This is a really good time for sustainability and energy efficiency, and our infrastructure strategy is performing extremely well," says Bermudez-Cañete. ■

Key team members

Enrique Tombas is founding partner and CEO. Prior to founding Suma, he worked for WindCorp, Privat Bank Degroof and Banco Urquijo, among others.

David Arroyo is a founding partner. He has previously worked for Alantra Private Equity, Corsabe Capital and Deloitte Corporate Finance.

Pau Bermudez-Cañete is a partner. He has worked as a consultant with Oliver Wyman, Asma Capital and Baring Private Equity Partners.

Expert voices

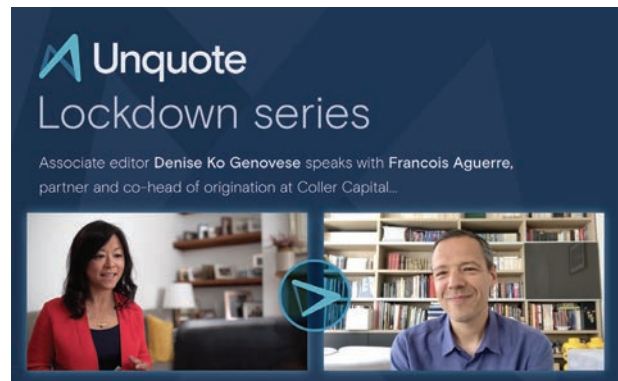


Video: Collier's Francois Aguerre on PE's reasons to be cheerful

In the third of *Unquote's* Lockdown series, Francois Aguerre, partner and co-head of origination at Collier Capital, discusses how long-term investment prospects are still strong despite the current economic disruption.

The correction we are likely to see in the secondaries market will be part of a wider global correction leaving all market players starting from a new basis, Aguerre says, adding that there will most certainly be a better pricing environment for secondaries buyers.

Aguerre also notes that Collier's pipeline of opportunities has not declined commensurately with transaction volumes, meaning activity could pick up fairly quickly once there is more certainty on both the buy- and sell-side. ■

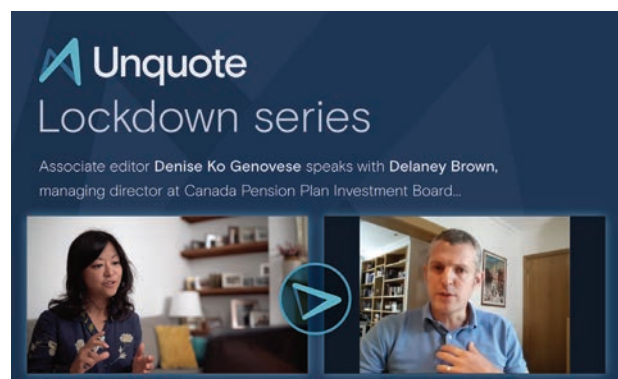


Video: CPPIB's Delaney Brown on improved LP/GP relations

In the fourth of *Unquote's* Lockdown series, Delaney Brown, managing director and head of PE funds at Canada Pension Plan Investment Board (CPPIB), discusses improved GP/LP relations since lockdown began and how there are no plans to scale back on direct or co-investments

CPPIB takes a long-term view in private equity and has the ongoing belief in patient capital to deliver strong risk-adjusted returns over cycles, says Brown, adding that, of its C\$95bn asset base in private equity, 50% is made up of direct investments in Asia, Europe and North America.

Brown also discusses the recent €400m injection into HotelBeds due to short-term liquidity



constraints caused by a drop in demand and cessation of travel, as well as finding new areas to invest in, such as venture. ■

Unquote continues to gather insights from the industry's prominent practitioners across videos, podcasts and webinars



Unquote Private Equity Podcast: Startups slow down

This *Unquote* Podcast checks up on the venture sector – featuring an interview with Dawn Capital's Norman Fiore.

As VCs come to terms with what the coronavirus crisis means for European entrepreneurs, investors are looking to see what opportunities may arise, if any.

When will activity return to normal levels? And how will venture funds rebound in comparison with the global financial crisis in 2009?

Katharine Hidalgo explores the venture ecosystem with an *Unquote* panel discussion before an interview with Norman Fiore of Dawn Capital. ■

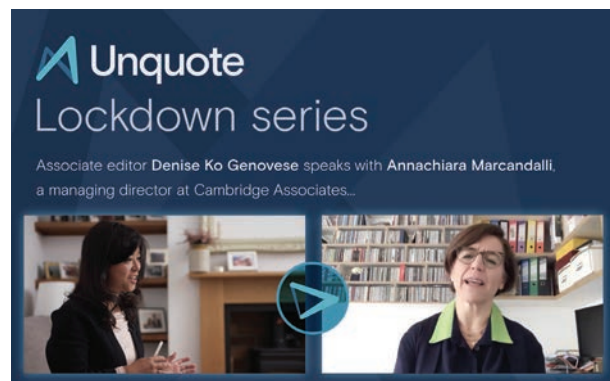


Video: Cambridge Associates' Marcandalli on impact investing

Denise Ko Genovese continues *Unquote's* Lockdown series of interviews with Cambridge Associates managing director Annachiara Marcandalli, who explains why it is unlikely that impact investing will be sidelined post-pandemic.

Marcandalli also addresses the convergence of financially motivated investors and ethically motivated ones, moving beyond the traditional dichotomy of whether financial returns would be compromised in impact investments.

She also talks about how the definition of what is impactful has evolved. She says that by helping clients scrutinise their portfolios during the pandemic, Cambridge Associates has been surprised to find that many were already financing



sectors that have been crucial during this time such as telemedicine, online education and food delivery: "We have been rehearsing some of the great investments that are already in portfolios but are also impactful and necessary." ■

DACH venture capital looks for a new normal



Harriet Matthews
Reporter

Between April and May 2020, the DACH region saw 91 venture capital deals, with an aggregate value of almost €858m, giving an average value of €9.42m per deal. That is less than half the €21.45m average deal size recorded in the same period in 2019, when 36 deals worth almost €767m were completed. The fall in average deal size reflects the fact that many VCs have spent time in recent months shoring up their portfolio companies, rather than investing in large funding rounds. Nevertheless, copious amounts of dry powder and the search for entrepreneurship in the face of the crisis continue to bolster the market.

“There is a great deal of uncertainty in the venture world, but it is different from segment to segment,” says Roland Manger, a co-founder and partner at Earlybird Ventures, which announced the sale of its Turkey-based portfolio company Peak Games to Nasdaq-listed Zynga for a valuation of \$1.8bn in June 2020. “Telemedicine and gaming are benefiting; some software-as-a-service businesses that are not business-critical are not, though, as a lot of companies are making cuts. All in all, the impact is felt, and people are assessing if things will be the way they

were before and what the structural long-term consequences are.”

Although VCs in the DACH region welcome the government’s support programmes for startups struggling in the wake of the coronavirus pandemic, some questions remain. “Political mindsets have changed and public funding vehicles have become more powerful and professional,” says Wolfgang Neubert, a partner at Apex Ventures. “In the context of Covid-19, what has been done for startups is revolutionary; it is not perfect, but it is a good step in awareness that startups should be supported by the public during difficult times.”

Embracing change

There might also be a “new normal” to come for how venture capital firms operate, with many anticipating greater flexibility in how they work and invest. Neubert says Apex has embraced the opportunities for investing remotely from its second fund, which focuses on digital health and held a first close on €13m in Q1 2020. “We have made a six-digit investment where we never met the founders personally; just via Zoom. It is challenging but we were so convinced [by the company] that we did it. We also have startups with employees across Europe who cannot travel easily.”

“VC has got used to working remotely,” says Christian Weiß, a partner at Heal Capital, “but the question is to what extent we will work back; this is similar to the situation with digital health or telemedicine. A lot of things will remain remote. Venture capital is one of the areas where this

“There is still a lot of money around – it is probably too early to look for strong evidence, but there will probably be a flight to quality.”

Roland Manger, Earlybird Ventures

Although dealflow in the DACH venture capital market has remained fairly strong amid the coronavirus crisis, deals have shrunk in average size, and uncertainty lingers. Harriet Matthews reports

is possible and it could be an advantage for countries where the venture capital scene is not as concentrated. We might change from in-person-only business models.”

It also remains to be seen if the pre-IPO mega-rounds seen in 2019 will return. Weiß, whose healthcare- and technology-focused firm is currently on the road for its debut fund, notes that companies will be looking for investors to fill the funding gaps. “In healthtech there have been very few mega-rounds, so there is not a lot to lose in that sense,” he says. “We could close the gap to other companies that have reached this realm, but it will be difficult to raise pre-IPO rounds, and they have also got a little out of hand recently. If the mega-rounds are less available, companies will look for funding; the question is who will jump into the gap. If there is a smaller VisionFund, some European players might come in, to a certain extent, but looking into IPOs might be an option again.”

Runways and risks

Neubert notes that Austria-based startups might face further challenges over national attitudes towards international investors looking to fill potential funding gaps. “What we are more concerned about is that we now have the national government wanting to prevent foreign investors coming into their industries at low price points. For infrastructure and defence, that is reasonable, but for startups, it is shooting them in the knee. If as a startup you must apply to the Ministry when a US

investor holds a 10% stake, this is very difficult, and there is a danger that this will happen in Europe due to the fear about foreign investors.”

While the market adapts, VCs see more potential pain to come, as some startups begin to approach the end of their liquidity runways in the coming months. “When the situation has levelled off a bit, and we are back to normal in terms of fundraising and startups, it will be good to see who is really driven and who is here to stay,” says Weiß. “A lot of capital will have been deployed by companies and will need to be re-raised; many companies have been afraid they would not survive the next six months, so we will have to see what happens once the short-term support is over.”

Earlybird’s Manger anticipates that there could be more competition for the most successful assets in the medium term: “There is still a lot of money around – it is probably too early to look for strong evidence, but there will probably be a flight to quality. Companies that can prove they can do well in the new normal will attract a lot of interest and may have better trends than before.” He says that VCs will face some crucial choices. “One scenario I have in mind is this: if you have a lot of money to deploy as a fund, the question is whether you will put everything on hold for a long time, or look for some companies that have seen a neutral effect or are benefiting from the circumstances. If investors can identify those, they will be keen to go there, but there will be more competition for a smaller set of assets.” ■

Confidence soars for Nordic e-commerce



Eliza Punshi
Reporter

According to a report published by postal group PostNord, Sweden saw a 44% surge in online purchases in April 2020, with 78% of Swedish people shopping online, the highest proportion ever measured in the report.

E-store platform provider Vilkas Group has estimated that e-commerce sales went up 60% in Finland in the last two weeks of March 2020. The numbers were based on the sales figures of more than 2,000 Finnish online shops. Meanwhile, Norway saw a 32% increase in online shopping, according to fintech company AfterPay Insight.

Private-equity-backed companies prospering from this trend include Swedish supermarket Mathem, which opened a new warehouse in May and has employed an additional 500 staff since early March to deal with the increased demand.

Helsinki-based online refurbished smartphones retailer Swappie, which recently raised \$40m in a series-B round, saw a fivefold increase in net revenues in April and May 2020 compared with the same period last year, the company said in a statement.

Next generation

Prior to the pandemic, the shift from offline to online shopping had mainly been attributed to the changing habits of younger people. But the lockdowns have – out of necessity – introduced a new age group to online shopping.

Magnus Wiberg, managing partner at eEquity, says: “The strongest growth in e-commerce has been due to shoppers in the 65–79 age group. Older people have been forced to use online shopping and we have achieved during Covid-19 what we would not have seen in five years.”

Says Staffan Morndal, partner at Verdane: “After the pandemic, there will be enough old people who will have learnt how to do online shopping. There will obviously be those who look at shopping as an activity, as they are bored at home and therefore want to go out. But there will also be those who are sick or too old and would rather order online. So they will continue to contribute to the changing shopping behaviour.”

Best and worst performers

Not every e-commerce sub-sector has been affected equally. Verdane is an investor in 23 online retail businesses, and Morndal says he has seen a 20% average growth in the online retail portfolio since March 2020. The best vertical for the GP has been pharmacy, which has seen growth of several hundred percent during the lockdown period. “For many other e-commerce businesses, it is hard to grow that fast, but medicines are small, they are easy to

“Older people have been forced to use online shopping and we have achieved during Covid-19 what we would not have seen in five years”

Magnus Wiberg, eEquity

E-commerce has experienced extraordinary demand, but also fresh challenges, during the pandemic. Eliza Punshi reports on the ups and downs of the industry in the Nordic region

ship, and there is regulation behind the industry.”

Verdane’s online grocery companies have seen the second largest boost in growth, in excess of 50%. It has also seen a 40% increase in the sale of home decorations and gardening products, followed by cosmetics and beauty products, for which it has seen a 30-40% increase.

For eEquity, the strong performers have also been grocery retailers, and beauty and health product businesses, Wiberg says.

For both GPs, sales for fashion and shoes have been the weakest. Two of Verdane’s companies have faced liquidity issues, with both of them being fashion retailers. “But the sector is dynamic and the impact is different depending on country and target age group,” Morndal says. Wiberg says that, despite the overall sector not performing as strongly as others, Aim’n and Na-kd, two clothing brands targeted at young consumers in its portfolio, have seen a strong uplift.

Not out of the woods

Even with the introduction of new customers to online shopping, uncertainty from the pandemic still looms. Losing customers to physical shops once lockdowns have eased or losing them as a result of a downturn in the economy are two issues that could impact the sector in the coming months.

Morndal believes that unemployment will go up and there will be negative effects on local GDPs for this year and the next. However, he is positive about the long-term health of the e-commerce

“We have not had many M&A transactions in e-commerce yet, because so far subsidies from the government have helped businesses”

Michael Nyman, Eversheds Sutherland

industry: “The pandemic is really shaping people’s behaviour and solidifying demand. If you buy from a shop just one time, it is not solidified, but if you buy from the same shop five times, it is. And we are seeing a lot more repeat customers than before.”

Wiberg is similarly optimistic with a touch of caution. He says: “After the lockdown has eased, people will continue to practice social distancing. Until we have a vaccine, people will avoid going to physical shops. The only concern is if people lose their jobs. If that happens, whether it is online or offline, people will lose their will to spend as much.”

In the meantime, Michael Nyman, a partner at Eversheds Sutherland, says that the current deal volume in the sector has not reflected the underlying appetite for e-commerce businesses yet: “We have not had many M&A transactions in e-commerce yet, because so far subsidies from the government have helped businesses and there have not been as many bankruptcies. But we have seen a lot of interest, and during the summer and beginning of autumn, we will see more of these.” ■

UK fundraising: pausing for breath



Katharine Hidalgo
Reporter

While a decent number of funds in the UK have pushed towards final and first closes in the midst of the coronavirus crisis, other GPs that held final closes between 2013 to 2016, and are therefore likely to be heavily deployed and nearing a new fundraise, are more reticent.

How quickly the economy rebounds in the wake of the first coronavirus wave will have a bearing on market sentiment, but, for now, several GPs have expressed a desire to focus on their portfolios and push fundraising further down the line. Many such firms have decided to delay funds planned for 2020 to 2021, while others have altogether shelved plans to raise a new fund for the time being, instead in some cases resorting to requesting extensions to existing funds.

This aligns with findings from a recent LP survey from placement agent Cebile Capital, which found that 80% of respondents have seen fund delays. It also concluded that 40% of LPs would find it helpful if GPs delayed fundraisings.

Lonsdale Capital Partners is expected to recommence fundraising for its second-generation fund in the second half of 2020.

Unquote understands the firm plans to hold a first close towards the end of the year. The firm closed its debut fund on £110m in April 2016; the vehicle is now 80% deployed and is looking to deploy further capital in the short-term, actively seeking new deals.

In the large-cap segment, Charterhouse initially expected to launch its next vehicle in June 2020; the process is understood to be likely to occur following the release of Q3 results. Charterhouse XI will have a target of €2.5bn. Charterhouse X held a final close in November 2016 on €2.3bn, below its target of €3bn. It was 68% deployed as of November 2019.

Despite challenging conditions for consumer companies, Piper Private Equity is now expected to launch its seventh-generation fund in 2021, managing partner Chris Curry told Unquote. The fund is expected to target £150-175m. The consumer-focused firm is currently deploying Piper Private Equity VI, which closed on £125m in October 2016. The firm owns stakes in restaurants and bars such as Turtle Bay, Loungers and Flat Iron.

Buyout and growth capital investor Panoramic Growth Equity closed its latest fund on £65m in May 2016 and is currently 60% deployed. Managing partner Stephen Campbell told Unquote that the firm initially intended to launch the fund at the end of 2020, but now wants to focus on deploying the predecessor fund. Panoramic Growth Fund III is expected to target around £80m.

Several lower-mid-market firms should have been good candidates for a fresh fundraise in the not-so-distant future, having held fund closes between 2013-2016 and deployed at pace

A number of Irish and UK-based GPs that closed their most recent funds more than three years ago have delayed fundraises to either later in 2020 or 2021, or have altogether decided to explore new options. By Katharine Hidalgo

Dublin-based Causeway Capital Partners closed its debut fund in April 2016 on €50.5m, which is now 80% deployed. The firm, which was made famous by its acquisition of troubled café chain Patisserie Valerie in February 2019, is currently focused on its existing portfolio, rather than fundraising, a source close to the situation told *Unquote*.

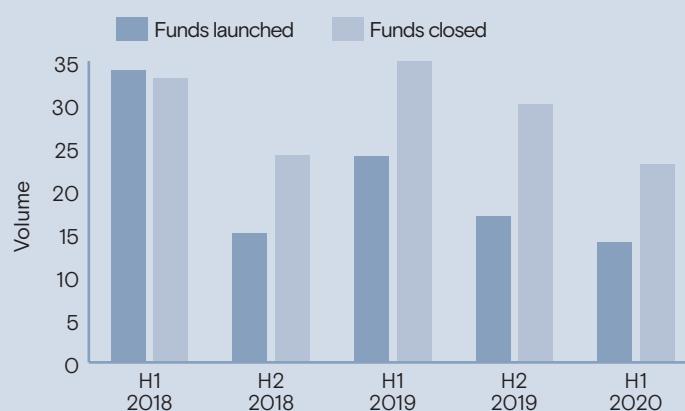
Back for more

Lower-mid-market firm RJD Partners is not looking to raise another fund currently, according to a source familiar with the situation. The firm closed its third-generation fund on £50.5m in April 2015. Soon after the lockdown was put in place following the coronavirus crisis, the firm requested an extension to RJD Private Equity Fund III, which LPs granted. The firm is now actively looking to invest from the existing fund, and most recently acquired Improve International for £12.75m in June 2020 (see page 40).

Industrials-focused firm Elaghmore has taken similar steps in lieu of raising a new fund. The firm is currently raising for an extension to its debut fund, which initially held a final close on £60m in December 2016. The firm expects to close this fundraising towards the end of Q3 2020.

Several other lower-mid-market firms should have been good candidates for a fresh fundraising in the not-so-distant future, having held fund closes between 2013–2016 and deployed at

UK fund closes and launches



Source: *Unquote Data*

pace, though it is unclear at this stage how the crisis will influence the timing of a potential return to market.

Among these are Key Capital Partners, which closed its most recent fund on £65m in November 2016. The fund was 80% deployed as of February 2020, according to *Unquote Data*. Other firms that should be nearing a new fundraising cycle include PHD Equity Partners, which most recently closed its No 2 fund on £20m in May 2015. Rutland Partners also closed its most recent fund in January 2015 on £263m.

Causeway Capital Partners, Charterhouse, RJD Partners, Elaghmore and Lonsdale Capital Partners declined to comment, while Key Capital Partners, PHD Equity Partners and Rutland Partners could not be reached for comment. ■

Lockdown impact derails French buyout momentum



Mariia Bondarenko
Data reporter

France enjoyed a more robust first quarter than a number of its neighbours this year, with both deal volume and value increasing on the previous quarter. Deal volume increased 8%, regaining some momentum after a weak Q4. In terms of deal value, France had its strongest quarter in the last 10, recording €13.4bn in aggregate buyout value, up from €5bn in Q4.

This outperformance is unlikely to be repeated for some time, though. Monthly deal volume has been gradually decreasing since January 2020, with predictably depressed totals in March and April.

A sizeable number of deals that were not signed before the lockdown are now on hold – even the March figures will by and large reflect transactions inked pre-Covid-19. Of the 180 deals announced in Q1 2020, almost 24% (43) are still pending, according to the latest Deal Drivers report by *Mergermarket*. A significant proportion of these may yet convert from ‘pending’ status to ‘lapsed’ or ‘withdrawn’.

The only exception are small transactions that do not require leverage to get over the line. “As long as there is a need to reach out to banks to

get new, large financing for the transaction, it is much more challenging for the time being,” says Fabrice de la Morandiere, a private equity partner at Linklaters. He adds that non-French banks have by and large deserted the market too, especially when it comes to US lenders.

In general, banks have been quite supportive throughout the Covid-19 outbreak, contributing to a number of state-guaranteed financing schemes. Oliver Golder, a partner at Siparex, says that lenders will face challenges in assessing the normative profitability of companies, which means the available leverage is likely to be more limited. “However, it is too soon to say, as we have not seen many concrete situations post-crisis,” he says.

The lack of debt financing is already being felt in the large-cap segment, as there was only one deal valued at more than €1bn in Q2, while Q1 saw three deals valued in the €1-5bn range.

The largest deal of Q2 was Bridgepoint’s acquisition of a majority stake in French insurance broker Groupe Financière CEP from US-based investment firm JC Flowers. The deal values CEP at around €1.3bn, equal to approximately 10x EBITDA. The second largest deal was the investment in ArchiMed portfolio company Polyplus-transfection, a gene and cell therapy specialist, made by US-based private equity firm Warburg Pincus. According to a source familiar with the situation, the deal valued the company at €550m. HLD Europe also recently announced it is in exclusive negotiations to acquire a majority stake in petrol station and fuelling equipment company TSG, in a

“Companies will be running out of cash faster, resulting in a rise in the number of opportunities, as well as casualties. The difficulty will be to sift out the bad from the good”

Hervé Gevers, Unigestion

Even as France is now emerging from a stringent lockdown, the uncertain road ahead is threatening to undo months of improving activity and market sentiment. Mariia Bondarenko reports

deal understood to value the company at €550m.

Most deals announced between April and June were companies operating in software (38 deals), business support services (nine deals) and biotechnology (nine deals) – industries that are expected to be the most popular for private equity in the short term, as they are generally seen as more crisis-resilient.

Tough times ahead

Not surprisingly, local GPs are negative in their forecast – deal volumes are expected to come down further, as firms have been focused on monitoring, managing and assuring liquidity in their portfolio. “The current trading of various companies is not that good, as companies had been shut down for three months. We expect the number of deals to decrease by 30–40% in 2020, compared with 2019,” says LBO France’s Nicolas Manardo. Since the start of the lockdown, there has been very limited deal activity in Europe, but France has been among the countries most affected in terms of its usual market share, seeing fewer transactions than both the UK and Germany.

With the lockdown recently eased in France, many people are now back working in offices. However, this is yet to have a significant bearing on private equity activity. “We work with corporates, and not everybody is back to normal among them. There are few new processes, but they are not imminent,” says Anthony Dubut, CEO at InnovaFonds, adding that dealflow is likely to become more significant in September or October.

The second half of the year could see fewer processes and transactions due to a more limited access to leverage. But on the other hand, there might be more primary, and therefore less competitive, opportunities that will involve direct one-to-one conversations, according to local players. In addition, privately owned companies will be looking for build-up acquisitions and may open up their equity in order to finance them, says Siparex’s Golder.

As businesses struggle to attract financing, valuations are likely to go down. “Companies will be running out of cash faster, resulting in a rise in the number of opportunities, as well as casualties. The difficulty will be to sift out the bad from the good. Investors betting on the right horses may benefit from lower valuations than pre-Covid-19,” says Hervé Gevers, senior vice-president at Unigestion. However, this is not expected to happen immediately, adds Manardo: “From the various opportunities we have seen and from what we have heard from bankers, price expectations are still quite high. Prices may go down a bit but not right now, possibly by the end of the year”.

Given the market uncertainty, activity is not expected to pick up significantly in the near future, despite the vast amounts of dry powder raised by French GPs in the past couple of years. All market players *Unquote* spoke to agree that it should approach normality by the end of the year, and more likely in 2021, once the effect of the crisis is fully assessed and the debt market is reopened again. ■



Funds round-up

CVC hits €21.3bn close for eighth buyout fund

CVC Capital Partners has closed its eighth buyout mega-fund on €21.3bn, *Unquote* understands.

The fund, which was launched at the beginning of the year, has surpassed its initial target of €17.5bn. CVC VIII is the largest European buyout fund ever raised, according to *Unquote Data*.

The GP commitment is currently set at 3%. The management fee is set at 1.425% of total commitments during the investment period, lowering to 1.25% of unreturned cost after the investment period. Carry is set at 20%, but CVC opted for a lower hurdle rate of 6% (compared with the industry standard 8%).

CVC VIII is larger than its predecessor, CVC Capital Partners VII, which closed on its €15.5bn hard-cap in mid-2017. The fund originally targeted €12.5bn.

The vehicle attracted a number of large US institutional investors in the past few months, with commitments of €50-100m.

The board of the Pennsylvania State Employees' Retirement System (SERS) notably approved a follow-on commitment of up to €50m to the vehicle in a meeting on 21 April.

The investment division of the state of New Jersey proposed an investment of up to €100m in

the fund to the State Investment Council, according to a document seen by *Unquote*.

In March, Hamilton Lane told the Teachers' Retirement System of Louisiana that it planned to commit up to €70m to CVC VIII on behalf of the pension fund.

The fund targets North American and European companies. It would typically invest in 30-40 companies in its lifetime, with enterprise values of around €1-5bn. Equity ticket sizes would be in the range of €200m-1bn.

The CVC investment team for CVC VIII consists of 109 investment professionals in Europe and the Americas.

CVC has raised significant amounts of capital across various strategies this year, most recently securing total commitments of \$657m for its second US-focused direct lending fund, CVC Credit Partners US Direct Lending Fund II, surpassing its \$500m target. It also closed its fifth-generation Asia-Pacific fund on \$4.5bn last April.

CVC also closed its second growth vehicle, CVC Growth Partners Fund II, on \$1.6bn (including a sidecar co-investment vehicle) at the end of last year. The vehicle targets mid-market technology businesses. ■

CVC Capital Partners VIII

TARGET	€17.5bn
LAUNCHED	Jan 2020
CLOSED ON	€21.3bn, Jun 2019
FOCUS	Buyouts
FUND MANAGER	CVC Capital Partners

A round-up of recent fundraisings throughout the private equity industry, including CVC's €21.3bn close for its eighth buyout fund; Ardian closing its eighth secondaries mega-fund on \$19bn; and IK Investment Partners holding a €2.85bn close for IK IX

Ardian closes eighth secondaries mega-fund on \$19bn

Ardian has closed Ardian Secondary Fund VIII (ASF VIII) on \$19bn, exceeding its \$18bn target.

Launched in July 2018, ASF VIII is the world's largest vehicle dedicated to the secondaries market to date, taking the crown from Lexington Capital Partners IX, which closed on \$14bn in January. It intends to provide the necessary liquidity to investors amid the Covid-19 pandemic.

ASF VIII's capital comprises \$5bn in co-investment interests. The fund is larger than its predecessor, ASF VII, which closed on \$14bn in April 2016, surpassing its initial target of €9bn.

"In the current environment, the secondaries market has a crucial role to play in providing institutional investors with liquidity," said Vincent Gombault, head of Ardian fund-of-funds. "It is a vital tool for pension funds and investors in how they allocate investments in private equity."

"While this is another significant milestone in the growth of our fund-of-funds platform, more important is how it highlights the continued development of the secondaries market," Gombault said. "It is now a mature market that will only grow in importance for private equity investors in the years to come."

Ardian manages funds on behalf of around 1,000 clients across five asset classes: funds-of-funds, direct private

equity funds, infrastructure, real estate and private debt.

Ardian's fund-of-funds platform, which covers both primary and secondary funds-of-funds, now has \$53bn in assets under management, with an exposure to more than 10,000 portfolio companies through 1,600 underlying funds.

The fund attracted 275 investors from 40 countries across the Americas, Europe, Asia and the Middle East.

LPs comprise major pension funds, sovereign wealth funds, insurance companies, high-net-worth individuals and financial institutions.

There was strong growth among Asian, Latin American and Middle Eastern investors. This reflected Ardian's increasingly diversified and international client base and its strong relationships across the globe, according to the firm.

The fund's investor base includes, among others, Singapore's sovereign wealth fund GIC; Axa, with an \$875m ticket; Abu Dhabi Investment Authority, which committed \$500m; Italian insurance company Assicurazioni Generali, with \$367m; and pension fund AFP Colombiana Protección, which committed \$130m.

The fund's strategy will focus on purchasing direct stakes in mature private equity funds across Europe and the US, and portfolios of stakes in unlisted companies. ■

Ardian Secondary Fund (ASF VIII)

TARGET	\$18bn
LAUNCHED	Jul 2018
CLOSED ON	\$19bn, Jun 2020
FOCUS	Secondaries
FUND MANAGER	Ardian

IK closes ninth-generation fund on €2.85bn

IK Investment Partners has closed its IK IX mid-cap investment vehicle on €2.85bn.

The fund was registered in February 2019 with a €2.5bn target. It held a first close on €1.85bn in May 2019. The fund is a Luxembourg SCA, though the firm is based in London.

The fund has a 10-year term, with a five-year investment period and European style carry waterfall structure.

A spokesperson for the firm said “The fund was already oversubscribed by December 2019, but we encountered some market disruption due to coronavirus, which stretched out the timeline.”

The predecessor vehicle, IK VIII, held a final close in November 2016 on €1.85bn and had deployed 87% of its capital as of December 2019, generating a Net IRR of 10%.

The fundraise attracted participation from an institutional investor base across Europe (representing 60%), North America (30%), Asia (7%) and South America (3%), with more than €1bn raised from limited partners investing in IK funds for the first time. The GP commitment to the fund was €75m.

The fund will invest in around 18 companies with enterprise values of €100-500m, investing equity of €50-150m. It has yet to make any investments. The spokesperson said “We are continuously assessing the market, but we do not anticipate any investments until late Q3 or Q4 of this year.”

IK IX will continue to invest across the Nordic region, the DACH region, France and Benelux, targeting mid-market businesses. ■

IK IX

TARGET	€2.5bn
LAUNCHED	Feb 2019
CLOSED ON	€2.85bn, May 2020
FOCUS	Pan-European mid-market companies
FUND MANAGER	IK Investment Partners

Corten closes debut fund on €392m

Corten Capital has closed its debut fund on €392m. The fund’s hard-cap was initially set at €300m, but the firm raised it with the agreement of investors.

The firm began raising in January 2019. Managing partner Joseph Schull said: “We started our fundraising well before the coronavirus crisis hit, so we had broken the back of it before any disruption could occur.”

The firm’s investment committee consists of founding partners and former Warburg Pincus executives

Joseph Schull and Simon Begg, former CEO of Inmarsat Andrew Sukawaty and the chair of the London Stock Exchange Group, Don Robert.

The fund has seven LPs in total. Corten targeted university endowments and large family offices from North America, Europe and Asia. The fund will provide up to €250m to two or three platform companies, with initial investments of €50-150m.

The firm will invest in both Europe and America in B2B services, information and software companies. ■

Corten Capital I

TARGET	€300m
LAUNCHED	Jan 2019
CLOSED ON	€392m, Jun 2019
FOCUS	B2B services, information and software companies
FUND MANAGER	Corten Capital

Tenzing closes second fund on £400m

Tenzing Private Equity has closed its second-generation fund on £400m. The fund had a target of £350m with a hard-cap of £400m and was raised in nine weeks.

“We were initially expecting to go to market in Q2 or Q3, as we expected to make one or two more deals from Fund I,” Tenzing managing partner Guy Gillon told *Unquote*. “As the coronavirus crisis hit, we wanted to look at the existing portfolio companies and we decided we may only have dry powder for one more deal so the right time to go to market was earlier than we initially thought.”

The fund’s predecessor, Tenzing Private Equity I, closed on £200m in January 2017. The firm had an initial target of £150m but reached its hard-cap, according to a statement.

The firm has only realised one asset to date. The investment in FMP Global, which was backed by Access Capital Partners, preceded the launch of Tenzing’s first fund.

Gillon said: “We were initially contemplating some exits this summer and have had a lot of inbound interest, especially from private-equity-backed trade. However, in the current environment, I expect it will take six months to a year for those companies to rebound enough for that interest to become real again. We are not in a rush to sell and are happy to be patient capital.”

In total, the fund had around 30-35 investors, 15 of which came from a pool of 18 existing investors. “The three existing investors that

did not come into the fund had their own internal considerations and were supportive, but not within the time frame we were looking at,” said Gillon.

LPs in the fund’s predecessor include Schroder Adveq, Ohio State University, University of California Berkley Foundation and Bregal, which contributed the largest tickets of up to £30m.

Almost 50% of the LPs are from the US, while the rest are evenly split between the UK and Europe, save one investor from Asia.

The fund will focus on fast-growing technology businesses and technology-enabled businesses based in the UK, Ireland and northern Europe.

“We expect to have around 10-12 investments in the fund, up from the nine we expect to make in Fund I,” said Gillon. Fund I currently holds stakes in eight companies.

The equity tickets for the fund will be around £20-25m. “Part of why the fund is larger is because we plan to provide more follow-on capital to the companies, so we are expecting to make a total investment of £30m per portfolio company.”

Regarding upcoming investments, the firm expects to make one more investment via Tenzing Private Equity I. “Dealflow is quite good right now,” said Gillon. “We have two or three businesses we are looking at, but we do not expect anything to close in the next few weeks. We plan to be active in Q3.”

Evercore Private Funds Group acted as the placement agent and Proskauer Rose provided legal advice. ■

Tenzing Private Equity II

TARGET	£350m
LAUNCHED	Mar 2020
CLOSED ON	£400m, Jun 2020
FOCUS	B2B technology companies
FUND MANAGER	Tenzing Private Equity

UK & Ireland deals

£10.1m
Revenues

RJD Partners to invest up to £12.75m in Improve

RJD Partners has invested in veterinary education company Improve International for a sum of up to £12.75m, including deferred consideration.

Total cash consideration for the company is up to £12.75m, comprising a £9.5m initial payment on completion and deferred consideration of up to £3.25m, payable in three instalments between completion and September 2022, contingent on certain performance conditions being met.

Improve provides both specialist postgraduate courses and qualifications, as well as continuing professional development training to veterinary professionals. Its key programmes are structured on a modular basis, comprising both face-to-face practical and classroom learning, as well as online delivery.

The service is delivered directly in eight countries and through licensed partners in a further six. Established in 1998, Improve is based in Sheffield. In the 12 months to 31 March 2020, Improve reported revenues of £10.1m and adjusted EBITDA of £1.7m.



The firm has taken a majority stake in the business, investing alongside Improve's management team led by CEO, Heber Alves and original founder David Babington, which will retain a 30% stake. This is the third education and training investment from RJD's third buyout fund. The fund was closed on £50.5m in 2015. It typically invests in UK-based companies with enterprise values of £10-50m.

The vendor of the company is

Benchmark Holdings, which is divesting the asset to focus on its core sector of aquaculture.

The business was sold in an auction process run by Cavendish, which saw both private equity and trade buyers involved, though RJD had already met the management team in 2019.

Frank Bulman, a partner with RJD, said: "We had a good amount of pre-coronavirus exposure to the business and if you do not have that, it is hard

to move deals forward. We did all our due diligence remotely in the current environment, though we did have a site visit more recently, after the lockdown was lifted.”

He continued: “I believe our ability to move quickly in the post-coronavirus environment was important. The availability of bank debt can be challenging right now, so an all-equity offer is compelling.

“The signing process took place remotely and it was very straightforward. It was a new experience for me and a sign of how processes will change in the future.”

Bulman and RJD investment director Emily Henderson will join the company’s board.

Bulman told *Unquote* that the business has suffered from the coronavirus crisis due to the inability to provide face-to-face training courses. The firm plans to invest in Improve’s distanced learning proposition, which has been in place for two years but has seen significant interest in the current environment. ■

People

RJD Partners – Richard Caston, Frank Bulman, Emily Henderson.

Improve International – Heber Alves.

Advisers

Vendor – Numis (*corporate finance*).

Company – Cavendish (*corporate finance*).

\$38m
2019
turnover

Carlyle Group exits Eggplant for \$330m

The Carlyle Group has sold software company Eggplant to Keysight Technologies for \$330m.

Eggplant was in the portfolio of Carlyle Europe Technology Partners III, which closed on €656m in May 2015. .

Founded in 2008, Eggplant is headquartered in London and had revenues of \$38m in 2019.

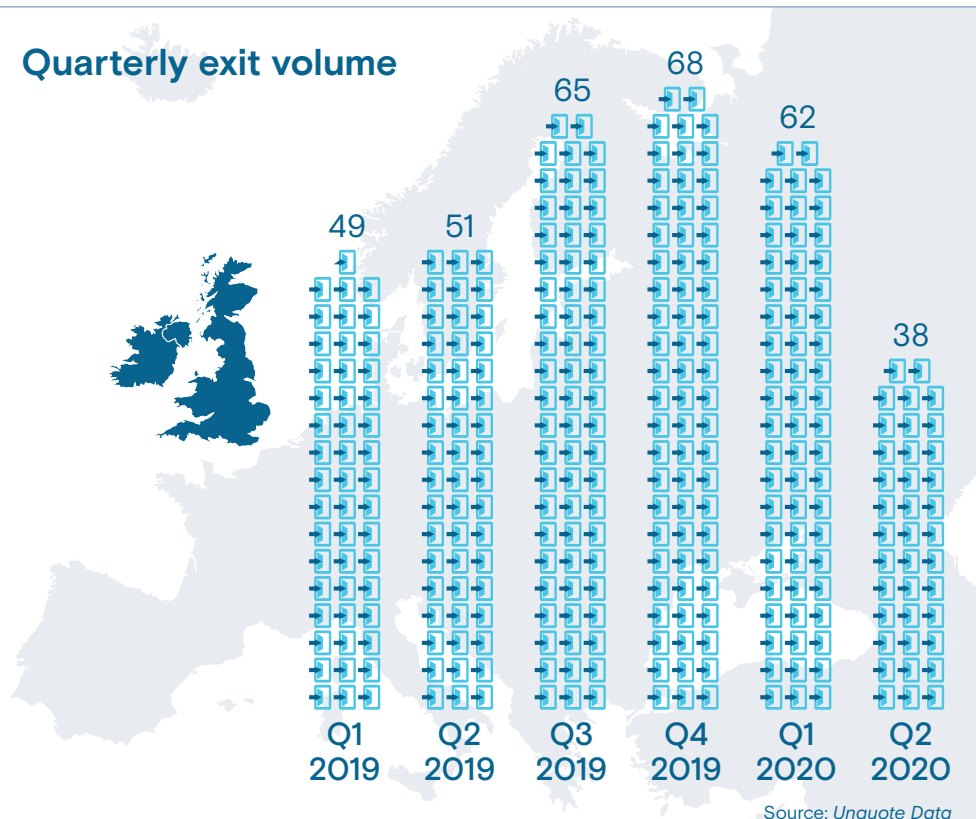
US-based Keysight Technologies is a test and measurement equipment provider for electronic design and e-mobility. CEO John Bates will

join the Keysight leadership team reporting to Soon-Chai Gooi, president of Keysight’s Electronic Industrial Solutions Group.

Seraphim led the company’s first two funding rounds, first investing £1m in September 2008, followed by a further \$500,000 in January 2009.

The Carlyle Group acquired it from venture capital firm Seraphim Capital in January 2016. The deal provided an exit for the firm, as Carlyle took a majority stake. ■

Quarterly exit volume



Source: *Unquote Data*

Benelux deals

BENELUX

€400m
Revenues
generated

KKR to acquire Roompot from PAI

KKR is set to acquire Netherlands-based holiday parks operator Roompot Group from PAI Partners.

The firm drew equity from KKR European Fund V, which closed on €5.8bn in November 2019.

At the beginning of 2020, PAI hired Rothschild to sell the company for an expected valuation of around €1bn, according to *Unquote* sister publication *Mergermarket*. In March 2020, the firm put the process on hold.

Other bidders said to have been interested in the asset included Platinum Equity Partners, Center Parcs and KSL Capital Partners.

Roompot was a PAI Europe VI portfolio company. The fund closed on €3.3bn in 2015 and has made several exits, including business support services company Konecta and healthcare provider DomusVi.

Founded in 1965 in the Netherlands, Roompot is a holiday parks operator. The business directly owns and operates 33 parks in the Netherlands, Germany and Belgium, and works exclusively with 100 third-party park



operators to support their booking and distribution efforts, and provide development, design and refurbishment services.

Roompot generates €400m in revenues, and recorded EBITDA of €72m in 2018 and €50m in 2017.

ABN Amro Capital acquired Roompot from Bencis Capital Partners in 2005. Gilde Buyout Partners then invested in the group in 2011 via its €800m vehicle Buyout Fund IV, which closed in 2010.

PAI acquired Roompot from Gilde Buy Out Partners and BNP Paribas Fortis Private

Equity for €503m in 2016. Advent International, KSL Capital Partners and EQT Partners had also been in the running for the company, as reported at the time. ■

People

KKR – Daan Knottenbelt, Joerg Metzner.

PAI Partners – Gaëlle d'Engremont.

Roompot Group – Jurgen van Cutsem.

Advisers

Vendor – Rothschild (*corporate finance*).

Astorg to acquire Normec

Astorg has signed an agreement to acquire Netherlands-based management consulting company Normec Group from growth equity investor Summit Partners, alongside the management team.

Summit Partners acquired a minority stake in Normec for an undisclosed amount in December 2017.

The transaction is expected to close in Q3 2020 and is subject to regulatory approval.

Astorg is currently investing from its seventh flagship fund, Astorg VII, which held a first and final close in January 2019 on €4bn. The fund invests in B2B companies that are already global businesses or have a strong potential to become so. Astorg VII will be deployed mainly in European companies valued at €200m-2bn.

At the end of last year, Astorg VII was part of a consortium also including Cinven and the Abu Dhabi Investment Authority attempting to acquire life sciences supplies provider LGC for £3bn.

Founded in 2016 and headquartered in Utrecht, Normec Group is a provider of testing, inspection, certification and compliance services in the foodcare and life, safety and environment markets. It employs a team of 900 across the Benelux region and Germany. ■

350
Staff
employed

EQT's Saur buys Nijhuis from Wagram Equity Partners, Egeria

France-based water treatment company Saur, a portfolio company of EQT, has acquired Netherlands-based Nijhuis Industries from Wagram Equity Partners and Egeria Capital Management. The deal is expected to complete in H2 2020.

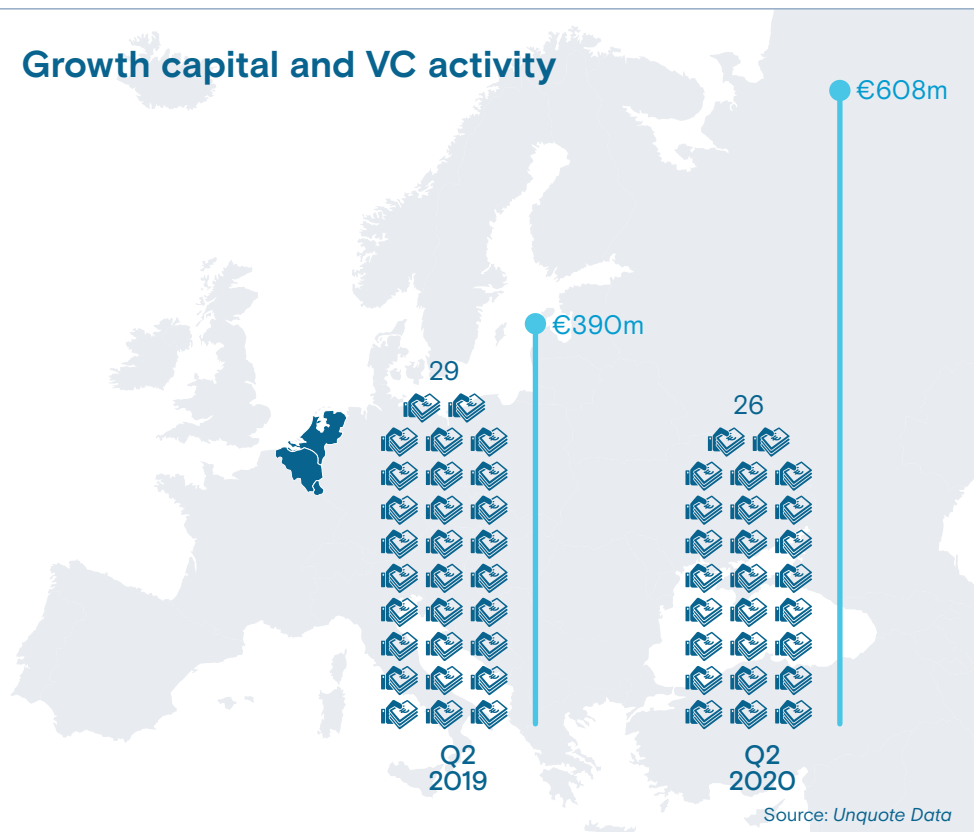
Nijhuis will join Saur Industries, Unidro and Econvert in the Saur Industrial Water platform, which reports revenues of €200m and plans to increase this figure to €300m by 2022. EQT bought a majority stake in Saur in July 2018

via its third infrastructure fund.

Egeria acquired Nijhuis in August 2008 from its parent company Alpha Group International, deploying equity via Egeria Private Equity Fund II. In July 2014, Wagram bought a majority stake in Nijhuis from Egeria. At the time, the company generated revenues of €40m and had 230 employees.

Nijhuis generated revenues of €90m in 2019, having doubled its revenues since 2017, and employs 350 staff. ■

Growth capital and VC activity



CEE deals

€179.9m
2019
revenues

Enterprise Investors fully exits Novaturas

Enterprise Investors (EI) has sold its remaining 34.4% stake in Baltic tour operator Novaturas through a series of secondary transactions on Nasdaq Baltic. The transactions generated gross proceeds of €4.9m.

EI acquired a 71% stake in the firm for €40m via its Polish Enterprise Fund VI in November 2017. The vehicle held a final close in September 2006 on €658m.

Subsequently, the GP sold a stake in the company to Itaka Holdings in June 2017.

In March 2018, EI partially exited Novaturas through an IPO on the Warsaw Stock Exchange and on Nasdaq Vilnius. The listing generated gross proceeds of €17.8m and saw Polish Enterprise Fund VI sell 22% of its holding in the company.

Novaturas was listed at a share price of PLN 44.13 in Warsaw in 2018. The current share price for the company on that exchange is PLN 10.60. Following a high of PLN 55 per share in July 2018, share price has been on a downward trend, further accelerated in February this year as the coronavirus pandemic affected global travel.



Originally listed at €10.50 apiece in Vilnius, the shares are now trading at €2.40 on that exchange.

Established in 1999 and headquartered in Kaunas, Novaturas is a tour operator active in Lithuania, Latvia and Estonia. It offers a range of travel packages in the region, including summer and winter package holidays, as well as sightseeing tours to more than 30 destinations worldwide,

including locations in North Africa, the Middle East, Asia and Latin America.

The company works with 400 travel agencies, including all the major ones in the Baltic countries and more than 60 in Belarus.

In 2019, the company reached €179.9m in revenues, with EBITDA of €4.4m. ■

People
Enterprise Investors – Sebastian Król.

Livonia sells Thermory

Livonia Partners is selling its controlling stake in Thermory, an Estonian manufacturer of thermally modified wood and sauna products, to domestic holding UG Investeeringud.

The parties are expected to sign a deal with no formal auction process in place, Livonia's co-founder Kaido Veske told *Unquote*. UG Investeeringud had been a minority shareholder of the company since the end of last year, according to Veske.

In October 2019, Thermory acquired a majority stake in Finland-based wood-processing company Siparila. The combination of Thermory and Siparila created a group with expected revenues of more than €100m.

Livonia acquired a majority stake in Thermory, investing via its first fund, Livonia Partners Fund I, which closed on €70m in August 2015, according to *Unquote Data*. This was the first investment from the fund.

Founded in 1997 and headquartered in Tallinn, Thermory has manufacturing facilities in three countries. The company has €100m in estimated annual revenues and generates double-digit EBITDA, according to Veske. It employs 700 people and exports to 50 countries worldwide. ■

1999
Year
founded

Baring Vostok, RTP Global to exit 2GIS

Baring Vostok and RTP Global are fully exiting 2GIS, a Russian provider of mapping services, to state-run lender Sberbank and O2O Holding, a joint venture of Sberbank and internet company Mail.ru Group.

Under the deal, Sberbank will receive a 72% stake in 2GIS, O2O will get another 3% stake, while the founders and managers of 2GIS will retain a 25% stake.

The valuation of 100% of the company's shares for the purpose of the transaction amounted to

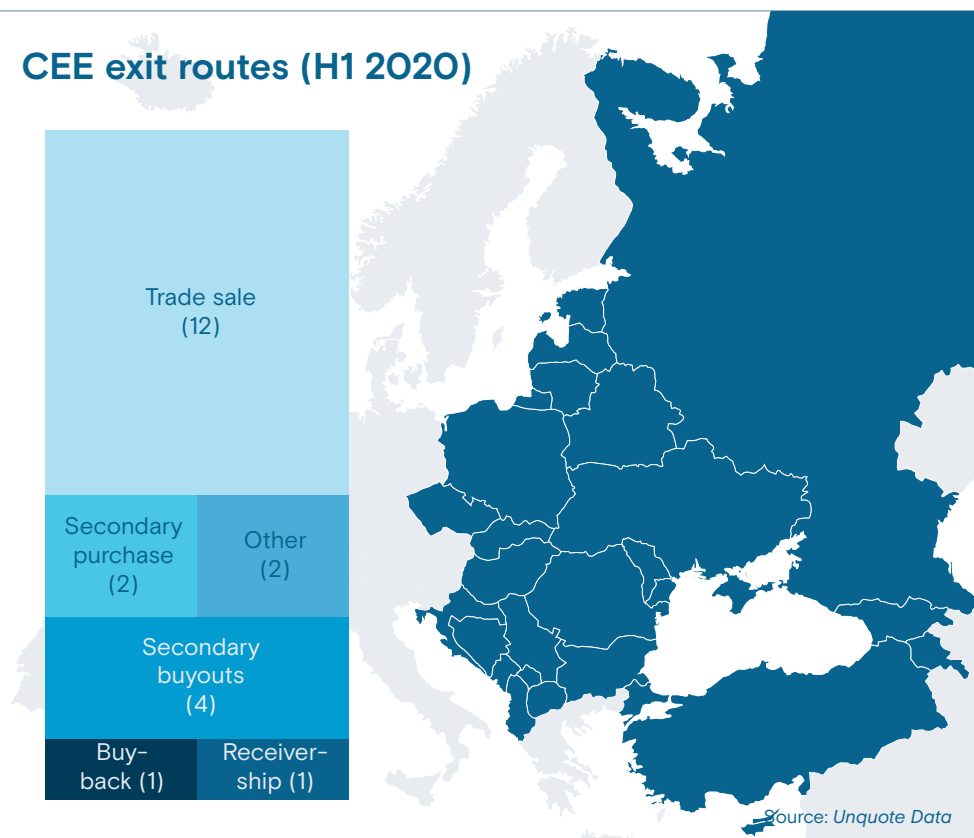
RUB 14.3bn (\$208.3m).

The representatives of Sberbank and the founders of the service will become members of 2GIS's board of directors.

The deal is subject to approval from the competition authorities.

In October 2015, Baring Vostok, along with ru-Net, structured an expansion round for 2GIS. The funding amounted to \$40m. Both the investor groups acquired a minority stake in the company. ■

CEE exit routes (H1 2020)



DACH deals

€11m
Reported
turnover

Beyond Capital Partners buys Ounda

Beyond Capital Partners (BCP) acquired a 90% stake in Germany-based optician chain Ounda, an operating company used to acquire 20 opticians in Germany.

Each formerly family-owned business in the group has revenues of €500,000–1.5m and the companies were acquired effective as of 1 May 2020.

Asked about how the deal came about, BCP managing partner Christoph Kauter told *Unquote*: “The buy-in management team approached us in 2019; in Q3 we evaluated the market, carried out market due diligence with EY, looked at the market growth potential and established relationships with suppliers for procurement. The conversations with owners took place before and at the start of the coronavirus outbreak. We did an asset deal to make sure that there was no risk for March to April.”

The GP deployed equity via Beyond Capital Partners II, which is set to hold a final close in H2 2020. The vehicle is targeting €125m, compared with the firm’s



first fund, which had a total volume of €25m.

Debt was provided by Bright Capital, which acted as lead arranger, and HF Debt, a subsidiary of Hannover Finanz. Leverage is around 3x EBITDA and EV is less than 1x the company’s revenues of €11m.

Ounda plans to buy up to 80 further opticians in total, giving the company a presence in 100 locations. “We currently

have a list of 50 businesses. We plan to add 12–15 by the end of Q3 2020, and 35–40 locations next year. In the next two to three years there will be 80–100 branches with total revenues of €40–50m,” said Kauter.

Clear focus

The business has proved resilient to problems caused by the coronavirus lockdown, Kauter said. “Opticians belong to the list of exempt businesses during

the crisis, so they were allowed to keep their shops open – revenues were down in March and April to around 50-60% of a regular month, but in May it was back to 75-80% and we expect it to be fully in line for June and July.”

“This goes hand in hand with the focus on the premium segment,” Kauter added. “The type of clientele who will, for example, pay €600-1,500 for glasses is much less sensitive to any crisis, and their consumption is not changed that much over the next few months. Others, such as the larger price-volume driven opticians, have a lower average basket price; their customers might delay their shopping execution to a safer time, but from day one our assumption was that the premium market would be strong. The business is asset-light and has the potential for long-term 4-6% margin compound annual growth.”

Ounda currently reports turnover of €11m across 20 locations in German federal states including Berlin, Bavaria, Schleswig-Holstein and North Rhine-Westphalia. The business is headquartered in Münster. Ounda reports EBITDA of less than €2m. ■

People

Beyond Capital Partners – Christoph Kauter.

Ounda – Dieter Meis, Heinz-Jürgen Petri.

-€5.1m
2017
EBITDA

Mutares buys Sabo Maschinenfabrik from John Deere

Mutares has acquired Sabo Maschinenfabrik from US-based agricultural, construction and forestry machinery company John Deere.

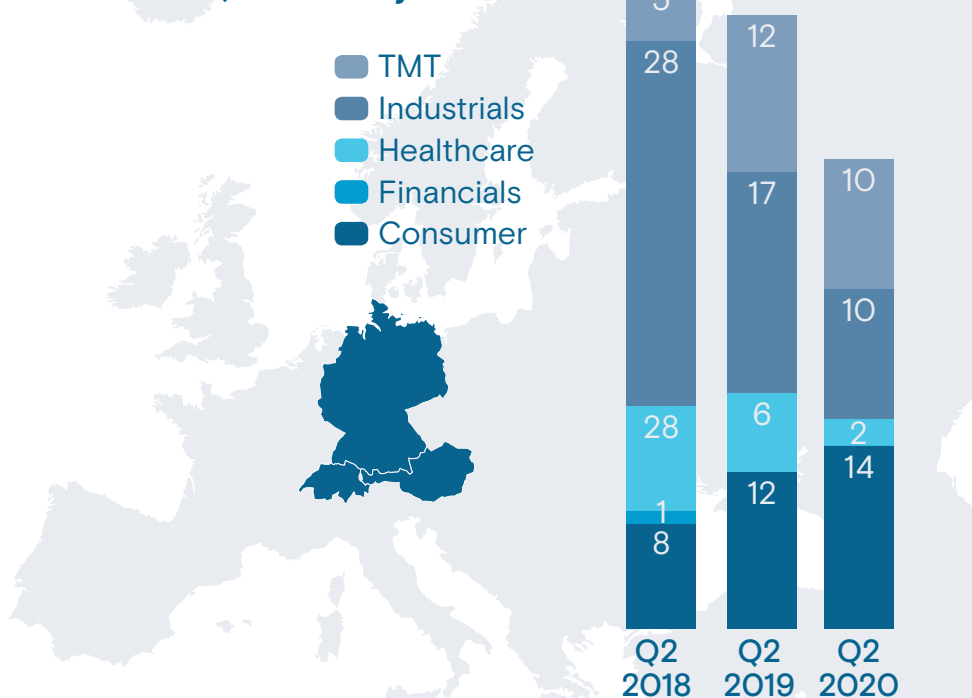
The deal is expected to close in July 2020. Mutares has acquired the company in an all-equity deal.

Mutares invests in companies with revenues of €50-500m in non-core business areas, as well as companies that make little profit under their current ownership.

The deal is Mutares’ third investment in 2020. The firm also sold Huber Packaging’s Klann Packaging division to Accursia Capital in May 2020.

Founded in 1932 and based in Gummersbach, Sabo employs 125 people. The company reported negative EBITDA of €5.1m in 2017, according to Bundesanzeiger, and sales of €63m, compared with negative EBITDA of €4.4m and revenues of €62.2m in the previous year. ■

Volume of Q2 deals by sector



Source: Unquote Data

France deals

€500m
Reported
EV

HLD in exclusive negotiations to acquire TSG

HLD Europe has announced it is in exclusive negotiations to acquire a majority stake in France-based petrol station and fuelling equipment company TSG.

TSG is being marketed based on EBITDA of almost €60m and is valued at around €500m, according to a report from Capital Finance. The report added that ICG will provide €280m in unitranche financing to support the buyout.

Unquote sister publication *Mergermarket* reported in January 2020 that TSG had mandated Natixis Partners to manage the sale process. The same report said that the company has experienced significant growth in recent years, having generated EBITDA of €5m in 2015. Triton and Platinum Equity were suggested as potential bidders at the time of the report and the company was expected to be valued at an 8-10x EBITDA multiple.

TSG provides services and equipment for petrol stations and fuel retail, focusing on areas including fuel monitoring, car washing products, electric vehicle charging and petrol



station forecourt maintenance. It also offers services in the area of energy transition, focusing on electricity, natural gas, hydrogen and biofuels.

Founded in 1980, TSG is based in Plessis-Robinson and is active in 30 countries. The company was established in its current form when Tokheim Services Group sold its dispensers and electronics businesses to Dover in 2016, leaving TSG as the remaining core business. The company reports revenues of €650m and employs 4,000 people.

Motion Equity Partners (then

known as Electra Partners Europe) backed the SBO of Tokheim from Ardian (then Axa Private Equity) in December 2005. Motion and BPI France injected the company with €80m in equity in June 2012 as part of a refinancing. Motion subsequently sold two of Tokheim's business units to US-based Dover Corporation in a deal that closed in January 2016. TSG's management then backed the €60m buyout of the remaining entity from Motion for around €60m, according to *Mergermarket*. ■

Ergon to acquire Telenco

Ergon Capital has entered exclusive negotiations to acquire France-based fibre-optic telecoms equipment producer Telenco.

Ergon plans to support the company's growth in France and abroad, according to a statement.

The GP will invest via Ergon Capital Partners IV, which held a final close in March 2019 on €580m. The fund deploys equity tickets of €25-75m, focusing on mid-market companies.

Unquote sister publication *Debtwire* reported in June 2020 that Ergon had succeeded in securing exclusivity following a process that saw interest from Abénex and Equistone (via Amadys, a portfolio company of its sixth fund).

Telenco was marketed based on EBITDA of €20m, the report added. Drawn financing of around €80m is expected and debt will be provided by a club of banks, according to the report.

Founded in 1999 and based in Moirans, near Grenoble, Telenco manufactures and distributes telecoms and technician equipment for use in fibre-optic network construction. Its products are sold in 50 countries. The company reports revenues of around €120m and employs 300 staff. ■

€150m
Capital returned

Idinvest completes secondaries deal for growth portfolio

Idinvest has sold a group of 12 growth-stage companies to a newly established fund backed by a consortium of investors led by Pantheon.

The fund and portfolio will continue to be managed by the Idinvest growth and venture team, with a five-year lifespan.

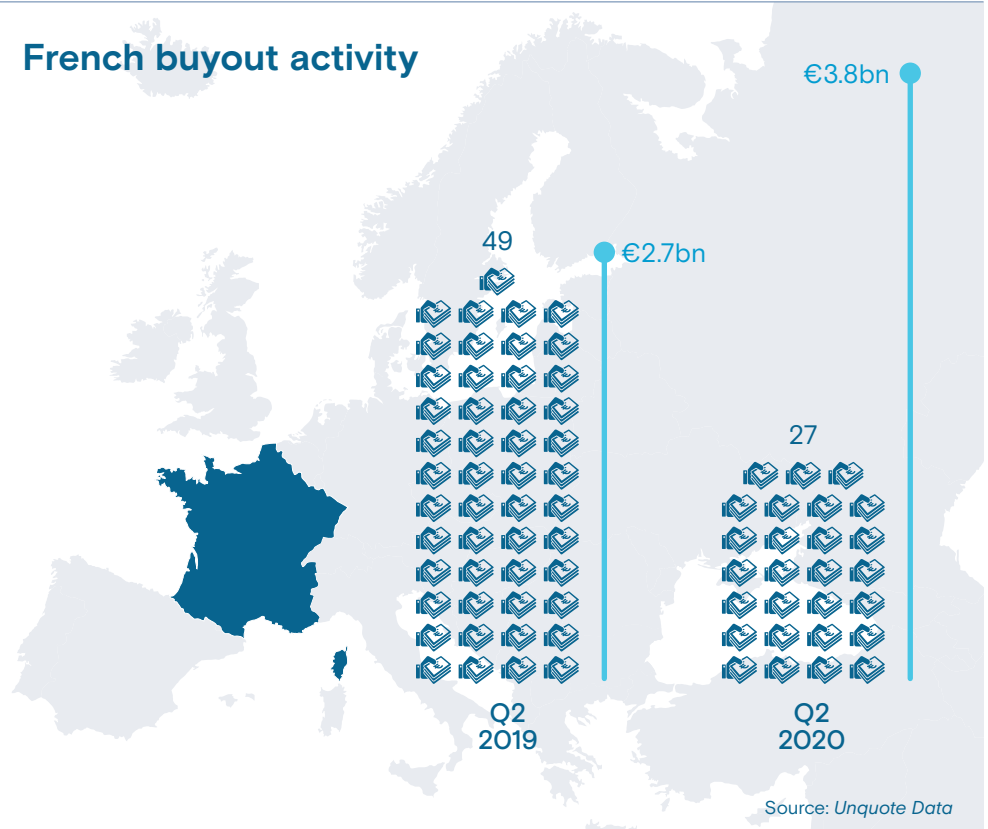
The deal enables Idinvest to return up to €150m's worth of capital to more than 40,000 retail investors in the various vehicles that previously owned the portfolio, and to further

support the growth of the companies, the firm said in a statement

The portfolio consists of investments made in companies across Europe and the US with a focus on technology and software, and includes France-based audio streaming service Deezer, France-based industrial group Forsee Power, and US-based video cloud platform Sightcall.

Idinvest is now 80% owned by Eurazeo, after a purchase option was exercised earlier this year. ■

French buyout activity



Nordic deals

€8m
2019
turnover

Vitruvian Partners acquires majority stake in Scrive

London-based Vitruvian Partners has acquired a majority stake in Scrive, a Swedish provider of digital signature and identity-verifying software.

Exiting the company were Inbox Capital CEO Martin Wattin, early-stage venture capital firm Wellstreet, and Sebastian Siemiatkowski, the founder of Swedish payments startup Klarna. A minority stake will be retained by the board members and employees of the company.

The GP's most recent fund is Vitruvian Investment Partnership III, which held a final close on its hard-cap of €2.4bn in December 2018. The vehicle invests €25-250m in companies valued at €75m-1bn.

Going digital

When asked if Covid-19 has had any impact on the deal, Scrive CEO Viktor Wrede told *Unquote*: "We have a greenfield opportunity in front of us right now. It is not a question of are people moving from paper to digital, it is a question of when. When Covid-19 happened, it was a big blow to several industries we serve, the automotive industry for example. But



overall, it made the need for our services more urgent. That is where we have seen more opportunity to expand."

The deal will help the company broaden its offering and enhance customer experience. It plans to expand into two or three new markets over the next year, focusing on organic growth.

According to sister publication *Mergermarket*, Scrive was working on raising €10m from investors in March 2017. It reportedly raised around \$3.9m prior to that, including SEK 10m from investors, including Nordic VC Wellstreet in summer 2016.

Before that, the company raised SEK 27m in spring 2016 from private investors Martin Wattin and Svante Elfving.

Founded in 2010 and based in Stockholm, Scrive has offices in the Netherlands, Norway and Denmark. It employs 100 people and records €8m in recurring revenues. ■

People

Scrive – Viktor Wrede.

Vitruvian Partners – Jussi Wuoristo.

Advisers

Company – Hansen Law (*legal*).

MCP-backed Alfa buys Joliv

Main Capital Partners-backed e-health software provider Alfa has acquired its Swedish peer Joliv.

In a report in *Het Financieele Dagblad*, Main Capital managing partner Charly Zwemstra said it had paid €6-7m for the company.

Main Capital plans to merge Joliv with Alfa, which it acquired in April 2020 for €15-20m. The combined group will service more than 500 Swedish care institutions.

The GP has recently been investing from its sixth fund, Main Capital VI, which held a final close on €564m in May 2020. Following the acquisition of Alfa, its fourth deal from the fund, the vehicle was 14% deployed.

The combined revenues of Joliv and Alfa are €10m and the GP aims to increase that figure by five times in four years' time, partly via more acquisitions.

Founded in 1999 and based in Västerås, Joliv employs fewer than 50 staff. The company provides a range of e-health services to more than 120 clients mainly in the elderly care market. Its largest product is Mobil Omsorg, a software-as-a-service. ■

People

Main Capital Partners – Charly Zwemstra.

Joliv – Christian Stromblad.

Alfa – Albert Winter.

2016
Year
founded

Tesi et al. in \$40m series-B round for Swappie

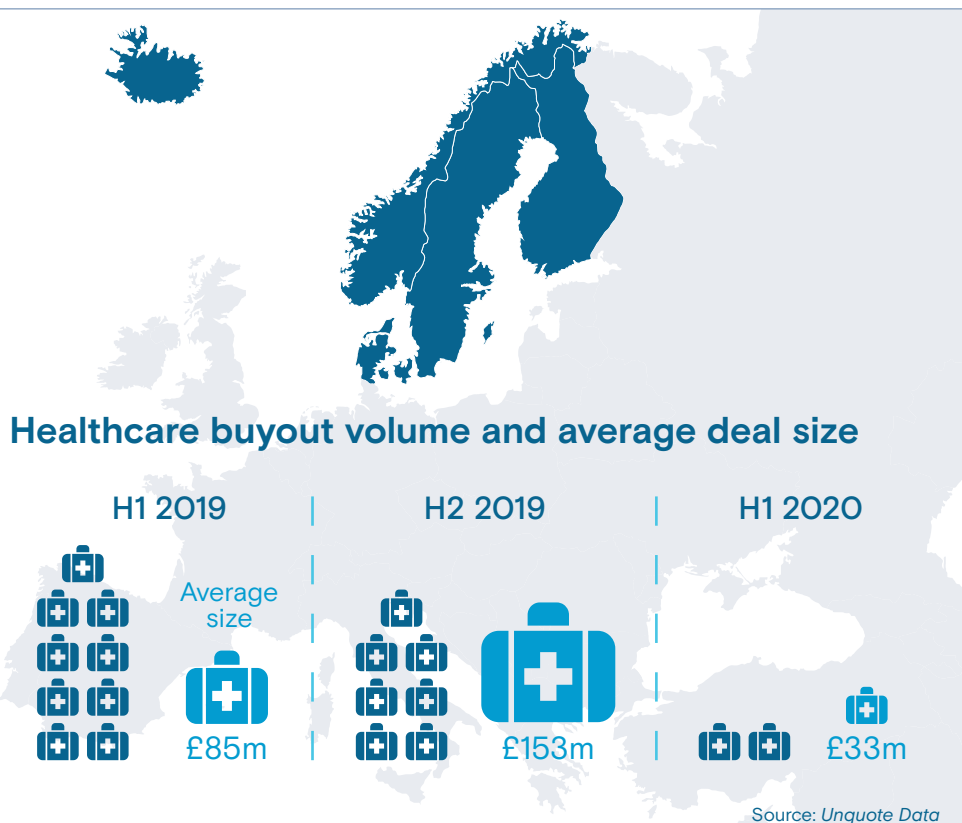
Online retailer of refurbished smartphones Swappie has raised \$40m in a series-B round from existing investors Tesi, Lifeline Ventures, Reaktor Ventures and Inventure.

The round brings the total investment raised by the company to \$48m. In January 2018, Swappie raised \$895,000 in seed funding from Lifeline Ventures. It later raised \$5.6m in a series-A round from Tesi, Lifeline, Reaktor and Inventure.

Founded in 2016 and based

in Helsinki, Swappie currently operates in Finland, Sweden, Denmark and Italy. It will use the proceeds to expand into new markets across Europe. It will also use the funding to hire additional staff, with an aim of hiring 400 people over the next year.

The company said that between 2018 and 2019, its revenues quadrupled to more than \$35m, and in April and May this year it saw a fivefold increase in net revenues compared to the same period last year. ■



Southern Europe deals

€15m
Expected
revenues

Suma backs video analytics specialist NPAW

Spanish private equity firm Suma Capital has bought a minority stake in Barcelona-based Nice People At Work (NPAW), a specialist in online video analytics.

The GP acquired around 25% with an investment of €10m. Suma sourced this deal on a proprietary basis. Negotiations and due diligence for the transaction were carried out and completed remotely during the Covid-19 lockdown.

The investment in NPAW was made via Suma Capital Growth Fund II, which held a first close on €65m in December 2019. The fund expects to hold a second close this summer and hit its target of €125m a few months later. The vehicle deploys equity tickets of around €10m and acquires majority stakes of 51-55%, or minority stakes of no less than 25%.

Following the transaction, co-founder and CEO Ferran Gutiérrez, and co-founder and chief operating officer Sergi Vergés will retain their majority stake in the business and continue to lead the company. Suma will support the management team and take two seats on the company's board.



NPAW currently has 100 clients across Europe, the Americas and Asia, including several online content providers such as Rakuten, Pluto and Hulu. It expects to generate an EBITDA margin in excess of 20% from revenues of €15m in 2020, representing a threefold increase in three years.

The company intends to use the fresh capital and the GP's support to boost its expansion, launch new modules for its Youbora platform and consolidate its position in the telecommunications segment.

"This deal will accelerate NPAW's global growth, which will be pursued organically and through acquisitions," said Pau Bermúdez-Cañete, partner at Suma Capital. "Further growth in the US and Asia will be an initial priority." Three add-ons for the company are already in the pipeline, the GP told *Unquote*. ■

People

Suma Capital – Pau Bermúdez-Cañete.

Nice People At Work – Ferran Gutiérrez.

Black Toro exits Irestal

Black Toro Capital has sold its 43% stake in Barcelona-based stainless steel manufacturer Irestal to the founding Boixareu family, who already owned 57% of the business.

Black Toro invested €40m in Irestal in June 2015, following an extensive restructuring plan undertaken by the company after the financial crisis in 2008. The business had sold off its subsidiaries in Ukraine, the Czech Republic and Slovakia in 2011, and refinanced its senior debt two years later.

The investment deployed by Black Toro was structured as a €10m working capital injection, with the remaining €30m used to acquire debt at a discount from the company's creditors. The debt was subsequently converted into equity. Black Toro also acquired a minority stake owned by Spanish GP MCH Private Equity.

Headquartered in Sant Just Desvern, Irestal employs 600 people across service centres located in Barcelona, Birmingham and New York, as well as manufacturing facilities in Galicia and Shanghai. It generated revenues of €124m in 2019.

Under Black Toro's ownership, the company increased its revenues, expanded internationally and became profitable following a period of negative EBITDA.

€15m
Combined revenues

Gradiente buys three companies, creates Argos Surface

Italian private equity firm Gradiente has acquired Argos, Aalberts Surface Treatment Italy and Impreglon Italia, which will be merged into a new group, Argos Surface Technologies.

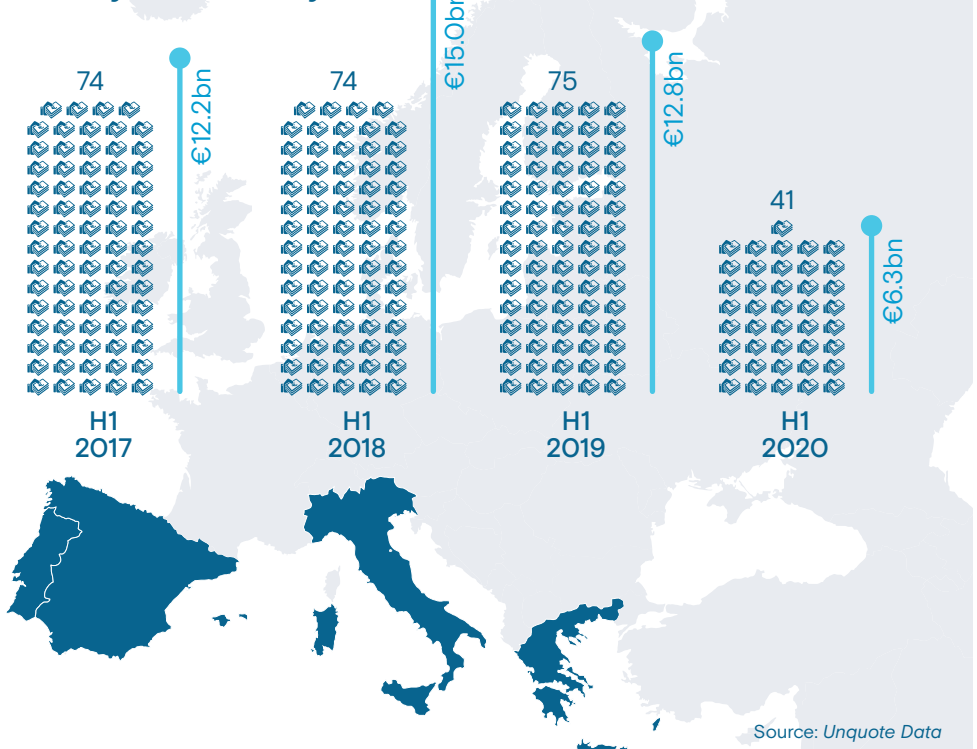
The aim is to create an aggregation platform across the Italian surface treatment market, with EBITDA of at least €10m. The three companies generate combined revenues of around €15m.

The GP deployed capital from Gradiente II, which held a final

close on its €135m hard-cap, surpassing its €120m initial target, in February 2019.

Aalberts Surface Treatment Italy was carved out from Netherlands-based listed industrial group Aalberts Industries. Argos and Impreglon's vendors and managers, Andrea Siano, Luca Garone, Paolo Grimaldi and Vittorio Sacchi, will reinvest in the combined group and will stay on with the business, working alongside newly appointed CEO Marco Winkler. ■

H1 buyout activity





People moves



Thierry Baudon
Invest Europe

Baudon to remain Invest Europe chair

Thierry Baudon, the chair of trade body Invest Europe for 2019-2020, will continue in his role for another term following the sudden passing of chair-elect **Roderick Macmillan**.

Invest Europe has named the EBRD's **Anne Fossemalle** as the organisation's chair-elect for 2021-2022.

Macmillan, the managing director for global government affairs at the Carlyle Group, was the vice-chair of the Large Private Equity Platform and was due to succeed Baudon in June 2020. He passed away last month.

Baudon is the former managing partner of Mid Europa Partners and will continue to advise Invest Europe, which is currently under the leadership of CEO Eric de Montgolfier.

Fossemalle has been the director in charge of equity funds at EBRD since 2009. Previously, she was the director of bank equity, responsible for EBRD's direct equity investments in banks. She is currently vice-chair representing the LP platform at Invest Europe.

Max Römer from Quadriga Capital has also agreed to remain as treasurer for another year.

BBB appoints Lewis La Torre as interim CEO

British Business Bank (BBB) has appointed **Catherine Lewis La Torre** as interim CEO.

The appointment takes effect from 1 September 2020. Lewis La Torre currently holds the position of CEO of the bank's two commercial subsidiaries, British Patient Capital and British Business Investments.

In October 2019, **Keith Morgan** announced that he would be standing down from the role of CEO of BBB by the end of 2020, after eight years at the helm of the UK's economic development bank.

This interim CEO appointment will be followed by a search for a permanent successor. Keith Morgan will work with Lewis La Torre through the autumn to ensure an orderly transition.

Lewis La Torre joined BBB in 2016 from Cardano Risk Management, where she was head of private equity, responsible for managing a global portfolio of private capital fund investments with more than £1bn in commitments.

Prior to this she was a partner with secondaries specialist Fondinvest Capital in Paris, having previously been one of

the founding partners of fund-of-funds manager Proventure, which focused on venture and growth capital investments in Europe.

DC Advisory hires Bijoor as MD

International investment bank DC Advisory has hired **Ajay Bijoor** as a managing director in the firm's debt advisory and restructuring division.

Prior to joining DC Advisory, Bijoor worked for Guggenheim Securities, where he was a managing director in its restructuring division since 2016. Previously, he was a managing director in the restructuring and recapitalisation practice at Peter J Solomon. He began his career as an investment banker at Credit Suisse First Boston.

With 20 years of investment banking and corporate finance experience, Bijoor has executed numerous restructuring, financing and M&A transactions during his career. He has advised companies and stakeholders across a number of industries, including automotive, consumer, energy, gaming, healthcare, media, retail and transportation.

DC Advisory is an international investment bank that provides

Catherine Lewis La Torre
British Business Bank

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

independent advice to clients pursuing M&A, financing, debt advisory and restructuring transactions. It has a staff of 500 investment bankers based in 21 locations throughout the US, Europe and Asia.

Boullier named as new PAI Partners MD

Paris-headquartered private equity firm PAI Partners has appointed **Marc Boullier** as managing director to reinforce its senior operations team, the PAI Performance Group (PPG).

In his new role, Boullier will lead IT and digital transformation across PAI and its portfolio companies. He has 25 years of experience as an IT and digital expert, having recently served as chief operating officer at Mobility Work and, prior to that, as chief information officer at Carambar & Co. He has also held senior positions at Vistali, Wavestone, Accenture and AlixPartners.

Boullier's appointment follows a number of senior hires conducted by PAI over the past year to bolster its PPG, which oversees operational transformation programmes across the firm's portfolio and supports due diligence.

Christian Atherton, a specialist in top-line growth, joined PAI in January 2020 from Simon-Kucher & Partners, while Séverine de Wulf, an expert on talent, leadership and governance, was hired in September 2019 from Spencer Stuart. They joined Franck Temam and Cornelia Gomez, long-standing members of the PPG, who focus on supply chain and ESG, respectively.

Baxter and Burnet join BMO board

BMO Private Equity Trust has appointed **Audrey Baxter** and **Tom Burnet** to its board.

The appointments took effect on 4 June 2020.

Baxter is currently chairman and CEO of food business WA Baxter & Sons, a position she has held since 2015. She has served on the boards of a number of public and private companies, charities and voluntary organisations.

Burnet is currently chair of ITG, an outsourced marketing technology provider, and chair of Kainos Group, a FTSE-250 software company. He is also the non-executive chairman of the Baillie Gifford US Growth Trust. He

was previously managing director for defence services at Serco.

The new directors were hired through the commission of an executive search company as part of the company's succession plan as other directors retire, according to a statement.

The listed private equity investor is currently valued at £315 per share, at the time of publication.

Ardian appoint Erdland as senior adviser

Ardian has appointed **Alexander Erdland** as a senior adviser in its Germany-based team.

Erdland will support the GP in fundraising and deal sourcing in the region, according to a statement from Ardian.

Erdland was previously a member of DZ Bank's management board from 1990 to 1999, and a member of financial services adviser W&W's board from 2006 to 2016. He was also president of the German Insurance Association (GDV) from 2012 to 2017.

Alongside his appointment as senior adviser at Ardian, Erdland will continue with a number of roles in consulting, finance and digital transformation, the GP said in a statement. ▶



Audrey Baxter
BMO Private Equity Trust



Alexander Erdland
Ardian

People moves cont.



Heinz Jacqui
SHS

SHS appoints Jacqui as senior adviser

Germany-based healthcare and technology investor SHS has announced the appointment of **Heinz Jacqui** as a senior adviser, effective since 1 June 2020.

Jacqui will focus on the firm's investments and developments in the area of medical technology, and will also assist with new investments, according to a statement from SHS.

Jacqui has experience in a number of organisations specialising in medical technology. In his role as global business unit president at Dräger Medical, he was responsible for the company's critical care, architectural systems and neonatal care divisions. Jacqui has previously held roles at Maquet as president and CEO, and as executive vice-president at Olympus Medical.

Frank joins OTPP as senior MD

Ontario Teachers' Pension Plan (OTPP) has appointed **Karen Frank** as senior managing director.

In her new role at OTPP, Frank will lead the private capital and "high-conviction equities" teams. Based in the London office, she

will take on the role in Q4 2020.

Frank joins from Barclays, where she had been CEO of Barclays Private Bank since 2016, and previously co-head of the European sponsors group. Her experience prior to that includes senior roles at Goldman Sachs, including in the company's principal investment area in New York and London, and building out its financial sponsors business in Europe; and at AEA Investors and Compass Partners International.

Frank will succeed current head of equities **Jane Rowe**, who will take on the new role of vice-chair for investments at OTPP effective on 1 October 2020.

Earlier this year, OTPP led a €140m funding round for Swedish healthcare software developer Kry.

EMH promotes Schwarz as partner

Munich-headquartered EMH Partners has promoted **Dominik Schwarz** as partner, effective since 1 July 2020.

Schwarz joined EMH as an investment director in 2018. In his new role, Schwarz will be part of the firm's five-strong value creation team.

Schwarz is currently responsible for EMH portfolio company Native Instruments, and also supports the investment in Brainlab. EMH focuses on DACH-based mid-market businesses, making minority and growth capital investments.

Prior to joining EMH, Schwarz was a director for Chequers Capital. He also has experience in leveraged finance and sponsor coverage at Barclays Capital.

Harper to head HIG's small-cap buyout team

HIG Capital has appointed **John Harper** as managing director and head of the London small-cap buyout team.

Harper will be responsible for leading HIG's small-cap investments in the UK, Ireland, the Nordic region and the Netherlands.

Prior to joining HIG, Harper was a partner at Inflexion Private Equity, having previously held senior positions at Duke Street and LDC.

The firm is currently investing from HIG Europe Capital Partners II, which closed on €825m in July 2013. The fund was 71% deployed as of March 2019. ■



Karen Frank
Ontario Teachers'
Pension Plan



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