

Double or nothing

While some LPs will recoil at Covid-19's impact on their co-investment portfolios, others see opportunities to up the ante



UK exits continue
lagging in Q3

DACH players eye
upcoming carve-outs

Spotlight on ArchiMed,
Sherpa Capital

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Demand seeks supply

In our September issue, we noted that PE activity showed promising signs of recovery at the start of Q3, with buyout volume spiking in a number of markets in July. This pent-up appetite to get deals over the line did predictably die down somewhat in August, while preliminary September figures from *Unquote Data* indicate an improving, if not spectacular, level of activity.

Overall, Q3 will be a marked improvement following one of the worst quarters for European PE deal-doing. That said, a consensus is emerging from conversations the *Unquote* team has had with market participants following the summer lull: despite deep pockets and an improving leverage landscape, deal-doers will be happy to keep their powder dry until the quality of dealflow improves significantly.

One corollary of this is GPs' own reluctance to bring assets to market unless they are guaranteed high levels of interest and correspondingly solid valuations – which is far from a given outside of a handful of sectors. When it comes to the UK market ([see page 16](#)), exit activity has been more subdued than investments so far this year, even as deal-doing showed signs of picking up from July onwards. Bearing in mind that secondary buyouts have accounted for almost a third of European PE activity in the past three years, and that this proportion reaches 60% once looking at deals valued in excess of €100m, cutting off large chunks of that buyout pool

will inevitably take a prolonged toll on transaction totals.

Meanwhile, many in the market were eyeing carve-outs from stressed corporates as an opportunity to secure fundamentally sound assets at reasonable prices ([see page 18](#)). Statistical evidence indicates that the prop of various government support schemes across Europe, as well as corporates' own desire to see the dust settle before embarking on drastic disposal sprees, mean that PE could be waiting for a few more weeks for these assets to hit the market in force.

As for turnarounds and other distressed plays, activity has been ramping up over the past three months, but from a very low base. A recent study by CMS in association with *Mergermarket* highlights that nearly three quarters of private equity firms surveyed cited distressed/turnaround plays as one of the two greatest motivations for acquisitions in the current environment. Nevertheless, a very limited number of GPs are strategically and operationally geared up to act on these opportunities.

This continuing bifurcation between high-risk/high-reward opportunities on the one hand, and ultra resilient but suitably pricey assets on the other, is likely to leave large swathes of the mid-market GP cohort with little choice but to keep focusing on their portfolios and doubling down on origination prep work well into 2021. ■



A unique angle

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Co-investment: get out or double down?

LPs could start to feel the weight of the co-investment boom as portfolios bear the strain of Covid-19. But could it be an opportunity for others to up their game and deploy into opportunities arising mid-cycle? Denise Ko-Genovese reports

The past few years have seen co-investment on the rise, with LPs eager to share in the upside of continued PE outperformance. But the robustness of an investor's co-investment strategy is being put to the test this year in light of the difficult social and economic conditions in the wake of Covid-19, with some questioning whether this will lead LPs to rethink their strategy.

Research from Cambridge Associates estimated co-investment value to have amounted to \$60bn in 2017, equivalent to 20% of overall private equity investment. This is part of a long-term trend and, although reliable data is hard to come by, the number is likely to have risen since then.

"In a bull market, it is natural for investors to want to double up on something that seems to be a success," says Stephan Seissl of advisory firm Co-investment Partners. "But when the market turns, unlike in a fund you are not protected

by your maximum commitment level in a co-investment. "In the latter phase [of a positive cycle], co-investments become very fashionable because investors tend to hear success stories. Experienced managers tend to keep 15-20% of a co-investment fund in reserve in order to be able to support companies and thus protect their investments in a downturn."

Feel the pain

What is clear is that just as LPs will benefit from being closer to the asset when the going is good, the same investors will equally suffer when a portfolio company takes a hit. And at an unprecedented juncture like the coronavirus pandemic, limited partners that have double exposure – through both fund and direct investments – to sectors such as casual dining, physical retail spaces and travel have felt the pain as much as their GPs.

Active co-investor CPPIB – with half of its \$95bn allocation to private equity invested in direct and co-investments – is one. The LP has a direct stake in Hotelbeds alongside private equity houses Cinven and EQT, and undertook a €430m capital injection for the company in April, alongside its fellow sponsors. The group suffered a massive ►

"In the latter phase [of a positive cycle], co-investments become very fashionable because investors tend to hear success stories"
Stephan Seissl, Co-investment Partners



and sudden drop in volumes earlier this year as the accommodation sector ground to a halt due to lockdowns worldwide.

But Hotelbeds is not alone and there has been no shortage of private-equity-backed companies in need of a helping hand in the form of new money.

Others include UK-based oilfield services group EnerMech receiving £50m in new money from sponsor Carlyle and its lenders in July. EQT also looked to shore up liquidity for its Danish hearing aid provider WS Audiology by raising €150m in new money during the pandemic, as well as agreeing to inject new equity worth €50m into Dutch dental chain Curaeos Covid-19, which all but shut down its operations, according to *Unquote* sister publication *Debtwire*. Co-investing LPs – if there were any – would have equally borne the brunt alongside their GPs.

Lemonade from lemons

Despite the pain of a liquidity squeeze, the same funding need could also provide fertile ground for co-investors willing to continue in the strategy but open to changing tack.

“We always stress [to our clients] that when you embark on a co-investment programme you should expect to make a series of commitments over time,” says Nick Warmingham from advisory and research firm Cambridge Associates. “If there is a downturn, it is important to look through the cycle because, like PE itself, co-investment is a long-term activity and you should anticipate ups and downs, and unexpected turns of events.”

“An interesting development in the market is the opportunity to co-invest at different points in the life of an investment. Typically, an LP comes into a co-investment at the start, but the situation

with Covid-19 could accelerate the trend in the increasing number of situations where co-investment opportunities arise at different points in the life of an investment, perhaps to pursue an acquisition or recapitalisation of some description.”

In fact, the team at DWS – previously the asset management arm of Deutsche Bank – has carried out six investments dubbed “mid-life co-investments” since it separated from the bank into its own entity in 2018. The difference in strategy is that typical co-investments are carried out on day one of a private equity buyout, head of private equity Mark McDonald told *Unquote* earlier this year.

As well as those in need, there has been a flurry of private equity sponsors wanting to take advantage of the current situation with opportunistic add-on acquisitions and looking for recaps to fund them. Ardian-owned Italian healthcare software developer Dedalus is one example, launching a debt package at the end of July in order to acquire DXC Technology Healthcare, with others rumoured to be on the lookout, too.

Some companies have done extremely well during the pandemic, with private equity houses wanting to expand in these sectors. Be it new equity, new debt or a recap or add-on, these are all new money needs that co-investment capital could provide.

There is certainly the opportunity for a new set of co-investors to come in, but if an LP comes in mid-way, the investor needs to look at how the GP’s existing position is valued and make sure there is protection for all parties. There should be a way to structure the deal so that the alignment is optimised in follow-on rounds, explains Erik Wong, a partner in the co-investment team at asset manager Pantheon.

“The GP universe certainly sees the value that co-investment capital can bring to support their deal execution and portfolio company developments, such as add-ons or transformational M&As,” says Wong.

“If there is a downturn, it is important to look through the cycle because, like PE itself, co-investment is a long-term activity”

Nick Warmingham, Cambridge Associates

Here to stay

Given that there are still copious amounts of dry powder in co-investment funds, it is unlikely that the strategy will be sidelined despite some hits to portfolio companies. Co-investment is inherently more risky than investing into a diversified pool of assets, but many will still regard the benefits to be sufficiently attractive.

Furthermore, some observers with whom *Unquote* spoke noted that the appetite for co-invest will not wane at all and there will be investors wanting to double down on robust assets in defensive sectors at this time.

What could also emerge is more appetite for debt co-investment, given that some liquidity needs in recent weeks have been filled by debt. These include KKR-backed Italian vending machine specialist Selecta receiving €50m in fresh financing, while EQT-backed, Switzerland-based visa application provider VFS Global and German transformers producer SGB (backed by One Equity) have both received a cash injection in the form of fresh debt.

Traditionally more popular in the US than in Europe, credit co-investments – which essentially works in the same way as an equity co-investments – have been gaining traction: an LP invests in a direct-lending fund and when that vehicle provides the debt for a private equity buyout, the LP is invited in as a co-investor, bringing down average fees and boosting its own returns.

Says Sam Kay of law firm Travers Smith: “I would expect sophisticated and experienced co-investors will be able to continue their programme throughout the current turmoil and even thrive by having sufficient resources to support portfolio companies (so avoiding dilution) and be able to target high-growth investments. For investors who followed the fashion because everyone was talking about co-investment, they are going to be faced with a heavy dose of realism and some difficult decisions.”

And for those troubled assets that are no longer wanted or able to be retained, there is the option of the secondary market, though if there is

“For investors who followed the fashion because everyone was talking about co-investment, they are going to be faced with a heavy dose of realism and some difficult decisions”

Sam Kay, Travers Smith

underperformance in a co-invest an LP would not be keen to sell unless forced.

“There is a growing opportunity here [for co-invest secondaries], as existing investors who have held some of these assets for a decade, or longer in some cases, are willing to exit at a bigger discount,” says Gunter Waldner, head of private equity at Tyrus Capital. “However, secondary buyers have to know what they are doing – given the naturally higher concentration and higher risk versus a diversified secondaries portfolio made up of dozens of interests and maybe hundreds of underlying companies, it is vital to understand the asset inside and out. Investors who do not have the resource or capability to analyse the asset bottom up, in detail, are at risk of underwriting too low. For those sophisticated buyers with a strong grasp of the underlying asset, the higher returns profile such deals present versus traditional secondaries portfolios is very attractive.” ■

Co-invest boom

According to Bain, around 50% of LPs headed into 2020 underallocated to private equity. It is therefore easy to see why investors want more exposure. In the past two years there has been a rise in the number of co-investment funds raised. Harbourvest raised its fifth co-investment fund on \$3bn, exceeding its \$2.5bn target in November 2019. Similarly, Ardian closed its fifth co-investment fund on \$2.5bn in September 2019, exceeding its \$1.2bn target. Earlier in the year, Hamilton Lane closed its fourth co-investment fund on \$1.7bn, exceeding its \$1.5bn target and Crown Co-invest raised \$1.3bn in May. And still on the road now is Lexington's fifth co-investment fund, which launched in August 2019 and has a target of \$2.5bn. NB Strategic Co-invest is also on the road with its fourth fund, having launched in July last year.

GP Profile: ArchiMed



Alessia Argentieri
Senior reporter

Lyon-headquartered ArchiMed is a private equity firm dedicated to investments in the healthcare sector, with a focus on small and medium-sized companies based in Europe and the US, operating across the biopharma, medical technology, diagnostics, life sciences, healthcare IT, consumer health, public safety and care services sectors.

The firm was founded in 2014 by former 3i global head of healthcare Denis Ribon and now employs 40 people. It currently has €1.7bn under management and an investment capacity of more than €2bn when including its strategic investment partners.

Says Ribon: "Our team is composed of a group of global professionals from 12 countries, who have extensive experience in investing across the healthcare industry, having managed more than 40 healthcare SMEs throughout the world over the last 30 years, with a combined value of around €5bn."

The GP recently held a final close on €1bn for its MED Platform I fund, exceeding its €800m target. The vehicle was launched in Q2 2018 and held a first close on almost two thirds of its original target in October that year, followed by several interim closes.

MED Platform I received commitments primarily

from institutional investors, including pension funds, insurance companies, endowments, foundations and sovereign wealth funds, and for a minority from family offices. Around 70% of its LPs come from Europe and the rest from North America.

"Despite the pandemic, we received strong backing from our LPs and were able to close the fund above our initial target," says Ribon. "Our investors were attracted to the strong performance achieved by our portfolios, as well as our deep and extensive knowledge of the healthcare industry, which allows us to provide strategic and tactical assistance to our businesses, in addition to financial support."

MED Platform I focuses on Europe- and US-based companies with enterprise values of at least €100m, and invests €50-500m. "In addition to its sector specification, our fund also has a very distinctive investment approach," says Ribon. "It plans to make a moderate number of platform investments, while focusing on an intensive buy-and-build strategy, to support small and mid-cap businesses in

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Denis Ribon, ArchiMed

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Following the close of its new €1bn fund, ArchiMed chair and founding partner Denis Ribon talks to Alessia Argentieri about the fundraising and investment strategy of the firm's latest vehicle, as well as portfolio management and its deal pipeline

their expansion and growth ambitions. This allows us to help our portfolio companies scale up and increase their revenue generation and customer base, while consolidating fragmented segments across the healthcare industry.”

Buy-and-build

Since it began investing in mid-2019, MED Platform I has acquired three platform businesses: Bomi Group, an Italian specialist in complex healthcare logistics; UK-based Direct Healthcare Group (DHG), a fully integrated manufacturer of pressure care products; and most recently Namsa, a US-based contract research organisation focused on medical devices.

Bomi has already made two add-ons: the acquisition of Logifarma, an Italian logistics business for the pharmaceutical industry; and the bolt-on of Ecuador-based Integrated Logistics Services. In addition, the GP told *Unquote* that a third add-on in Europe was expected to close in September.

DHG has also inked two add-ons, both in Sweden: the acquisition of Gate Rehab Development in February 2020, and the carve-out of Handicare's Patient Handling division in April 2020. With this last add-on, the size of DHG was doubled, the GP told *Unquote*. Furthermore, the company will close a third bolt-on in another European country.

“Through our fund's buy-and-build strategy we intend to internationalise our portfolio companies' businesses by broadening their geographical scope and market presence, or expanding their product range and service offering,” says Ribon. “In addition to our add-on pipeline, we are also actively looking for some new platform deals. We are ahead of our plans for capital deployment, and we have a broad and healthy pipeline in Europe

and North America.” The vehicle expects to make at least one new deal in the next six months, probably before the end of the year, Ribon says.

MED Platform I is the third fund managed by ArchiMed, following its debut vehicle MED I, which raised €146m in 2014, and its second fund, MED II, which closed on €315m in 2017.

MED I and MED II focus on smaller European healthcare companies, investing in firms with enterprise values of less than €100m.

Ribon says: “MED I and MED II have been dedicated to the small-cap segment, deploying average equity tickets of €20m, while MED Platform targets larger companies and provides cheques of €100m on average. Furthermore, MED Platform only targets companies with clear and strong potential for further acquisitions, able to become aggregation hubs, while our MED range looks for businesses focused only on organic growth.”

MED I is now fully deployed and has so far generated a cash-on-cash return of more than five times invested capital. MED II has made six deals so far, including the recent acquisition of US-based Active Graph. The fund plans to ink at least one more deal in Europe by the end of the year and will have additional capital to continue its investment period in 2021.

“Our portfolio has been performing very well during the crisis. Our companies have reacted quickly to the emergency and have shown their resiliency. Some of them have also been able to redirect and refocus their activity on the fight against Covid-19, such as Diesse, an Italian diagnostic company in the MED I portfolio, which has developed a blood test capable of tracking Covid-19 antibodies.” ■

Q2 Multiples Heatmap: prices up as GPs seek safety

The first quarter of 2020 suffered a slight reduction in deal volume when compared with the same period in 2019 as the effects of Covid-19 were not yet realised by market figures. However, with the global situation worsening throughout Q2 2020, the deals market was substantially impacted, as deals in their infancy were put on hold to wait out the unfolding situation across the globe.

In Q2 2020, flight to quality and scarcity of opportunities has driven average multiples paid in PE-backed transactions throughout Europe to increase slightly when compared with the previous quarter and the same quarter in 2019. However, deal volumes were down by a third compared to the previous quarter and the lowest since Q1 2016.

Steep Scandinavia

For the fourth quarter in a row, the Nordic region saw the highest average multiples despite a 1% reduction versus the previous quarter and a 2% decrease against the same quarter in 2019. Despite these modest reductions, the average valuation for the quarter was still well in excess of 10x and the decrease in deal volume was far lower than the average drop across all European regions.

The second hottest region in Europe for the quarter was France, despite experiencing the second largest drop in deal volume at more than 50%. With a 4% increase versus Q1 2020 and a 5% increase on Q2 2019, the region also revealed the second largest increases in valuations.

The third richest region in terms of valuation was the UK & Ireland with valuations remaining broadly flat and well in excess of 10x. However, the region experienced a 62% drop in deal volume, the largest reduction of any region throughout Europe.

A similar valuation trend was experienced in southern Europe. However, average valuations were below 10x for the sixth quarter in a row, with deal volume reducing by nearly a third. Despite

Multiples paid by private equity ((LTM to end of quarter)

	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Benelux	9.6x	9.3x	9.4x	9.9x	9.8x	10.4x
CEE	9.8x	9.0x	9.0x	8.5x	8.3x	8.6x
DACH	10.2x	9.9x	9.9x	10.5x	10.8x	10.2x
France	10.5x	10.3x	10.3x	10.6x	10.4x	10.9x
Nordic	11.5x	11.2x	11.0x	11.5x	11.2x	11.0x
Southern Europe	9.3x	9.4x	9.6x	9.5x	9.5x	9.4x
UK & Ireland	10.9x	10.9x	10.8x	10.7x	10.8x	10.8x
Europe	10.4x	10.2x	10.2x	10.3x	10.3x	10.5x

Source: Unquote Data

The average multiple paid by private equity firms for European companies increased slightly in Q2, driven by a flight to quality and the scarcity of opportunities, according to Clearwater's latest Multiples Heatmap

demonstrating a strong quarter-on-quarter increase from Q1 2020, the DACH region experienced a sharp 5% decline in average valuations in Q2 2020. However, the region experienced the greatest volume of transactions in the quarter; it only placed third in Q1 2020.

Benelux saw the largest increase in valuations of any region in the quarter, up 6% against Q1 2020 and 12% against the same quarter in 2019, bringing average valuations in the region above 10x for the first time in more than six quarters. In comparison to other regions, Benelux also experienced a modest reduction in deal volume of 16%.

TMT for the win

Despite a 28% reduction in deal volume for the quarter, the technology, media and telecommunications (TMT) sector experienced the largest number of PE-backed transactions for the second quarter in a row. Furthermore, average multiples were richest in the sector for the third quarter in a row, despite a 1% decrease in valuations compared with the preceding quarter, and 2% against the same quarter in 2019.

The second hottest sector for the quarter in terms of valuation was healthcare, with valuations remaining well in excess of 10x for the sixth quarter in a row. Though valuations held in the sector, the volume of deals was down by nearly 50% on the previous quarter and 40% on the same quarter in 2019.

The financial services sector saw a modest reduction in deal volume in the quarter while

valuations remained flat versus the previous quarter, despite a 12% reduction against the same quarter in 2019. The financial services sector has often experienced the richest valuations but, in recent quarters, TMT has eclipsed the sector with healthcare also continuing to challenge.

Industrials & chemicals and business services both experienced large drops in deal volumes in the quarter, 39% and 41% respectively. However, valuations remained flat in industrials & chemicals while business services experienced a 3% increase, both with average multiples in excess of 10x. This was the third quarter in a row that business services endured an increase in average multiples paid in PE-backed transactions.

Last quarter, the consumer sector saw the lowest valuations in six quarters, dropping below 10x for the first time since Q1 2019. This trend continued in Q2 2020 with a further 2% reduction. Deal volumes also dropped 24% in the quarter and 38% versus the same quarter in 2019. ■

Q2 2020 Multiples Heatmap

This article is an extract from the Q2 issue of the Multiples Heatmap, including full breakdowns of pricing trends by sector and geography.

In addition, this issue also focuses on trends seen in US sponsor activity in Europe and in the real estate sector, now that the effects of Covid-19 have had a measurable impact on dealflow.



GP Profile: Sherpa Capital



Alessia Argentieri
Senior reporter

Established in 2010, Spanish GP Sherpa Capital has recently reached €500m in assets managed through its special situation and private equity funds. The firm has strengthened its team with eight new hires in the past six months, and now has a staff of 32.

“We target special situations across the lower-mid-market, deploying tickets of up to €20m, and always focusing on operational transformation of our target companies, in order to improve their EBITDA and overall performance,” says Sherpa founding partner Eduardo Navarro. “This is a space where there is not much competition in Spain and our strategy has been thriving over the years.”

The GP recently held a final close on €120m for its new fund, Sherpa Special Situations III, after less than a month on the road. Around 75% of the capital was committed by institutional investors from Europe and North America.

“Our fundraising began and concluded in just a few weeks, with most of our previous fund’s LPs re-upping to this new vehicle,” says Navarro. “This was possible thanks to the track record of our firm, which has historically generated above-market returns.”

Sherpa Special Situations III targets companies in

It invests in a variety of industries, excluding the financial and real estate sectors, with a focus on industrial, wholesale, healthcare, distribution, food, services, transport, logistics and leisure.

The fund plans to make 8-10 investments, writing tickets in the €10-25m range to back companies with turnover of €20-300m. It deploys mainly equity, but can also make debt investments in loan-to-own transactions.

Navarro says: “Our vehicle will target a broad and flexible spectrum of potential deals. It will invest in family businesses, divestitures and carve-outs from large groups, and companies going through insolvency or bankruptcy proceedings.”

Deployment plans

The fund expects to ink its first deals in the coming months. “The special situations space is very active at the moment,” says Navarro. “We have already identified several interesting investment

“The special situations space is very active at the moment. We have already identified several interesting investment opportunities”

Eduardo Navarro, Sherpa Capital

distress due to the current economic environment, or as a result of strategic, operational, financial or shareholding transformations and special situations.



Sherpa Capital CEO and founding partner Eduardo Navarro talks to Alessia Argentieri about the firm's latest special situations fund, as well as portfolio management strategies and arising investment opportunities during the Covid-19 crisis

opportunities, and plan to complete a number of transactions with our new fund throughout 2020."

Alongside Special Situations III, Sherpa has also raised a co-investment vehicle that will enable the firm to complete considerably larger transactions in partnership with its LPs, adding significant investment capacity and covering a much broader segment of the Iberian market.

The two vehicles together will be able to deploy up to €100m per deal, and plan to invest most of their capital in the next 12-24 months.

Navarro says: "We decided to keep the size of our new fund in the small range and raise a co-investment vehicle on the side. This strategy will allow us to invest in numerous special situation opportunities that will become available after the coronavirus pandemic in all segments of the market, including larger companies that have typically been outside our investment scope."

Sherpa is also currently managing the portfolio of its Sherpa Capital II fund, which closed on €100m in 2014 and targets lower-mid-market distressed companies based in Iberia and active across all sectors. The fund is currently around 65% deployed and plans to use some of its remaining capital to pursue a buy-and-build strategy for its existing companies.

Navarro says: "We have seven portfolio companies in this fund, which are all performing very well despite the crisis, and we are working on a couple of add-ons for the coming months."

In addition to its special situation range of vehicles, the GP manages Sherpa Capital Private Equity, a fund dedicated to profitable companies based in Iberia. The vehicle closed on €150m in May 2018, exceeding its €125m target, and is currently around 20-25% deployed. It invests in

small and medium-sized Spanish and Portuguese companies with EBITDA of €1-8m, and deploys equity tickets in the €5-25m range.

The fund has inked three deals so far: the acquisition of Omega Spice, a Spanish producer of spices, dehydrated vegetables and dried herbs; the investment in Portuguese luxury carpet manufacturer Ferreira de Sa; and the purchase of a majority stake in Barcelona-based bike sharing company CityBike. The fund plans to make a total of 8-10 main deals and around 10 add-ons, and already has two new deals in its pipeline.

Navarro says: "While in the special situation segment we have seen dealflow massively increase with numerous interesting deals, in the private equity segment the outlook is more uncertain. This is why with our Sherpa Capital Private Equity fund we intend to be more cautious and selective, looking primarily for resilient and anti-cyclical opportunities." ■

Key team members

Eduardo Navarro is founding partner and CEO of Sherpa. He is the chair of several portfolio companies. Prior to founding Sherpa, he was founding partner and CEO of Tandem Capital and Improven.

Alfredo Bru is a founding partner of Sherpa and head of the portfolio management team. He also is managing director of various portfolio companies.

Jorge Fernández Miret is a partner of Sherpa and a member of the firm's management committee. He is in charge of the management of the portfolio investment team for the special situations funds.

Lars Becker is a partner of Sherpa and a member of the management committee. He leads the investment team for the private equity fund.

Expert voices



Video: DealCloud's Matthew Hardcastle on PE's tech revolution

In the first instalment of *Unquote's* Out-of-Office series, DealCloud's Matthew Hardcastle explains how the growing use of technology among PE houses could help attract and retain a more diverse pool of talent. Hardcastle talked to *Unquote* about how the PE community fared in terms of technology going into lockdown, and how there has been historical underinvestment, meaning the systems in place have created a hard link into the office.

He went on to discuss how this year's extended period of working from home could lead to a longer-term disruption of working patterns and help enable a better work-life balance for workers. Technology not only enables flexibility to work remotely, but information



can be democratised and made available to everyone in any setting, which in turn could be a catalyst to opening up the industry by attracting and retaining a more diverse pool of talent, he said. ■



Video: PAI's Harrington on harnessing technology to boost operations

In the second instalment of *Unquote's* Out-of-Office series, PAI Partners principal Max Harrington explains how DealCloud has transformed the firm's working patterns. Harrington talked to *Unquote* about how everyday working life 12 months ago entailed navigating a complicated ecosystem of applications, people and spreadsheets. But since implementing DealCloud as PAI's internal operating system a year ago, the firm has seen greater efficiency and better access to institutional information.

He went on to say that because all interactions and meetings notes are now filed on the system, the information feeds into a range of analytics that is hugely beneficial: "We can track our deal pipeline, we can look at staffing, we can look at



loan allocation, a variety of things that are all on one platform. Everything that was previously disparate and held on different spreadsheets is now integrated on one system so we can work more efficiently." ■

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



Unquote Private Equity Podcast: H2 Preview

With the H1 figures in, the impact of Covid-19 on European buyouts is now apparent: the private equity market stalled to a crawl, reminiscent of the post-global financial crisis malaise. But did every region suffer the same, or were there bright spots amid the gloom?

Unquote editor Greg Gille hosts the entire team to break down the data in detail, analyse the signs of early recovery in some markets, and see whether industry participants are more bullish for H2 prospects. ■



Unquote Private Equity Podcast: Allocate 2020 special

This special episode of the podcast discusses our upcoming LP/GP conference, Allocate. Katharine Hidalgo speaks to Sam Kay, head of investment funds at Travers Smith, as well as Olivia Cummins, our conference producer. Topics on the agenda include illiquidity solutions and the secondaries market, long-term capital and its relevance in today's market, and ESG and diversity at the conference. ■

For more information about Allocate, to book your place, or to enquire about sponsorship opportunities, go to <https://events.unquote.com/allocate>



UK exits set to drag in Q3



Katharine Hidalgo
Reporter

The UK saw 39 exits from buyout and venture investments in Q2, the lowest level since the second quarter of 1997, according to *Unquote Data*. As the private equity industry moves towards the end of Q3, the data suggests it will be just as weak a quarter.

July 2020 saw a slight uptick to 15 from 12 realisations in June, but August saw just 10 exits. While summer months often see muted activity, this still represents a significant decline on August 2019's 21 exits and August 2018's 18 deals.

At the time of publication, eight exits had occurred in September 2020, compared with 13 exits in September 2019 and 19 in September 2018. These deals include Mobeus's sale of signage design company Blaze Signs to Elagmore-backed Hexcite, and the sale of digital currency exchange Luno to Digital Currency Group. The latter saw Ariadne Capital, Balderton Capital and Venturra Capital exit the company.

VCs and GPs alike have shown caution surrounding potential exits. Dawn Capital general partner Haakon Overli says: "We are not in any major exit processes right now. As it stands, we

to achieve a certain revenue to be interesting and some need a little more time to get there. But strategic sales often happen earlier for 'deep-tech' assets."

Even among PE investors that are shifting away from a focus on portfolio management and are beginning to look at investments in the current environment, exit prospects are yet to match their appetite for acquisitions.

One such GP is FPE Capital. The firm recently went into exclusivity on a deal in the technology sector and is considering further investments; however, managing partner David Barbour says the firm is not expecting to make any exits soon.

Pause for thought

The drop in volume could be a symptom of wider uncertainty surrounding potential buyers. In August, Tenzing Private Equity managing partner Guy Gillon told *Unquote*: "We were initially contemplating some exits this summer and have had a lot of inbound interest, especially from PE-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."

Indeed, UK M&A activity in general took a dip in August 2020 to 40 acquisitions, down from more than 130 in March, according to *Unquote* sister publication *Mergermarket*. This suggests that appetite among trade buyers has dropped dramatically

Price expectations are another stumbling block. Andrew Harrison, head of investor relations at Silverfleet Capital, says: "Those who

"We are not in any major exit processes right now. We are not expecting to make any exits in 2020, but that can quickly change, as there is an exciting tech market right now"

Haakon Overli, Dawn Capital

are not expecting to make any exits in 2020, but that can quickly change, as there is an exciting tech market right now. In general, companies need

Following a dramatic drop in exit activity in Q2, early figures from the third quarter suggest that very few GPs will be in sell mode for the rest of year. Katharine Hidalgo reports

are selling currently are unlikely to get away with the premiums being achieved prior to the crisis, except where a high-quality asset can demonstrate some resilience to the effects of the coronavirus crisis.”

Proceed with caution

Realisations are unlikely to rise in the short-term, with the effects of the coronavirus pandemic continuing to wreak havoc on revenues for many PE-backed businesses, such as gyms, restaurants and tourism companies. With infection rates on the rise in the UK, further restrictions could once again level off consumer confidence and push some areas back into lockdown, limiting investors’ ability to perform due diligence.

Nevertheless, a handful of GPs are tipped to brave the choppy waters as 2020 draws to a close. Among others, Carlyle and Palamon are preparing to sell their UK dental care portfolio company IDH Group, *Mergermarket* reported in August. The sale of the company, which operates UK dentistry chain MyDentist and dentistry supplier DD, could begin in Q4 2020, though no sell-side adviser has yet been appointed.

In addition, L Catterton-backed Sweaty Betty – a UK-based retailer of exercise wear – is in preparation for an auction. The asset could potentially fetch £400m, according to *Bloomberg*.

Meanwhile, some ongoing processes are showing signs of progress. Côte Restaurants sponsor BC Partners has entered negotiations to sell the UK-based French-style casual dining chain to Partners Group.

Direct investors Ontario Municipal Employees Retirement System and Ontario Teachers’ Pension

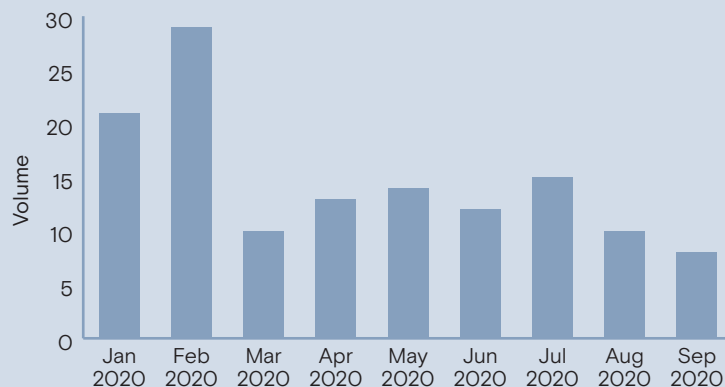
“We have seen more sale processes starting than there have been, and there is already a material difference in activity in recent weeks”

Paul Mann, Squire Patton Boggs

Plan are also selling their stakes in smart meter company MapleCo. Second bids for the asset are due on 21 September 2020, with DC Advisory advising on the process.

Some market participants are therefore cautiously optimistic. Paul Mann, a partner at Squire Patton Boggs, says: “We have seen more sale processes starting than there have been, and there is already a material difference in activity in recent weeks. I think there are certainly challenges, but I am encouraged by activity in the market.” ■

Monthly UK exit volume in 2020



Source: Unquote Data

PE players await DACH carve-outs uptick



Harriet Matthews
Reporter

The aggregate volume of private-equity-backed carve-outs in the DACH region fell to its lowest figure for several years in H1 2020, according to *Unquote Data*. There were four carve-out deals with an aggregate value of almost €110.2m during this period.

The drop in value when compared with previous half-yearly figures is largely a result of uncertainty brought about by the coronavirus pandemic in the region from February 2020 onwards, which saw a number of higher-value processes put on hold while corporates addressed urgent capital structure and liquidity issues.

While H1 2020's figures for carve-outs are comparable to previous half-yearly figures in terms of deal volume, the fact that no carve-outs valued at more than €50m were recorded is significant.

"My impression is that we saw fewer corporate carve-outs during March to June [because] companies handled their own problems and had no time to look at strategic decisions," says Simon Schulz, a partner at Aequita. However, he anticipates that this is likely to change in the near future: "Now they are more settled and are focusing more on strategic transactions again."

"The lockdown drained a lot of the equity of many Mittelstand companies – the large-cap ones are in a better position"

Michael Czesla, McDermott Will & Emery

A number of sponsors were expecting that insolvency filing obligations might trigger carve-outs in the DACH region, once the German federal government's suspension of the obligation for companies to file for insolvency came to an end. The suspension was announced in March 2020 and was due to come to an end on 30 September 2020, but the suspension has been extended until the end of 2020.

The extension of state support programmes, including Germany's Kurzarbeit scheme, will not be a silver bullet for corporates, however. Andi Klein, an investment advisory professional at Triton, and head of the firm's smaller mid-cap strategy, says that government support programmes, and the effects of lockdown, could actually make it more difficult to market businesses. "There will be more in-depth price discussions regarding the normal underlying earnings levels. If businesses have used Kurzarbeit, how should you look at that? Especially if you have businesses that have underperformed for many years – how much of that is due to the underperformance per se, and how much is due to Covid-19?"

Picking up pace

Nevertheless, Michael Czesla, a partner in McDermott Will & Emery's private equity team, says the market is already seeing a shift: "The lockdown drained a lot of the equity of many Mittelstand companies – the large-cap ones are in a better position. If there is a second wave and a lockdown, partially or fully, many companies will be in difficult situations, and they are preparing for various

With corporates under pressure due to the coronavirus pandemic, opportunities are likely to open up for sponsors interested in carve-outs. Harriet Matthews reports on the opportunities and challenges for GPs looking to invest in the DACH region

scenarios: some are preparing for partial sales and carve-outs to ensure there is enough liquidity. They want to do this strategically and earlier to improve their equity position, rather than waiting until there is a crisis."

Carve-outs always present specific operational needs and challenges that GPs must address, and some of these processes will be complicated by the coronavirus pandemic. Klein highlights a problem unique to the current crisis: "Management teams have to operate in a volatile economic environment, where you have to manage Kurzarbeit, capex cuts and some permanent layoffs, and adapting to non-physical meetings and sales. On top of that, the issue of how to carve themselves out with the help of the acquirer is a serious undertaking. People will look at how the deals are being prepared, and what the management capacity and experience is. In a more stable economic environment, this would have been easier to manage."

Difficulties in securing financing for deals have been widespread across Europe during the pandemic. For non-distressed carve-out situations, which can still be leveraged, questions of company financials can be challenging for lenders. Says Klein: "Generally, leveraging banks apply caution when it comes to carve-out financials, since there is always a risk of underestimating the needs of a business. In a volatile economy, that could be subject to further weakness – people will talk about creative structures. Unavailability of leverage could be replaced by a vendor note."

Certain business models and sectors are likely

to be prioritised by both GPs and lenders when making decisions about risk level. "Business services will see good backing from lenders, unless you cater to an industry that is in distress," says Klein. "There is also a lot of carve-out appetite for consumer and healthcare. We have seen debt funds get more defensive in harder economic environments, with a run for more stable businesses. I would think they would continue to focus on that. For businesses that are more exposed to cycles, they are likely to be extra cautious. But the competition for the better assets will be very fierce and that may impact margins and documentation."

Mixed options

Klein expects the market to present a range of assets in the coming months, comprising both distressed and more stable businesses. "We will see a mix of well- and under-performing units. The top performing units will be sold by sellers with cash needs or who are in distress. The more difficult businesses will probably be sold by corporates that have unsuccessfully tried to turn the businesses around themselves for a while and now need to divest."

Oliver Würtenberger, a senior adviser at Accursia Capital, anticipates that corporate decision-making and processes could advance quickly: "Covid-19 has pushed certain developments at a much faster pace: it has pushed the fast-forward button to two or three years ahead on developments that companies might have already anticipated. Processes might jump forward with a new sense of urgency." ■

DACH buyout deal value sees sharp summer decline



Harriet Matthews
Reporter

At first glance, activity figures from July and August suggest that DACH buyout dealflow remained resilient in the face of the ongoing Covid-19 pandemic – much as it did over the second quarter.

But aggregate DACH buyout deal value did see a sharp decline over the summer months. The region saw 31 buyouts totalling €2.8bn during the period, versus 35 deals totalling almost €12.7bn in July and August 2019, and 36 buyouts totalling €8.24bn in the same period in 2018. The absence of upper-mid-market deals during 2020's summer months largely accounts for the fall in aggregate value: just two deals valued at more than €250m were announced in July and August 2020, whereas there were 10 such deals in the same period in 2019, according to *Unquote Data*.

"The majority of reasons for the drop in aggregate value are related to Covid-19 to some extent," says Christoph Ulrich, a managing director at Duff & Phelps. "But we should be careful to not conclude from these figures that the same type of acquisitions took place as in previous years, but simply at lower valuations."

Indeed, many upper-mid-market processes were

put on hold, as lockdowns were imposed across Europe, with the DACH region being no exception. Opportunities at the smaller end of the market were more prominent than in recent years, with deals valued at less than €25m excelling in the DACH region in July and August 2020 in comparison with the previous summer. During this period, buyout deals that took place included HQ Equita's acquisition of microwave components producer Muegge, as well as Bid Equity's acquisitions of Pisa Sales and Infopark. There was one notable exception to the absence of large-cap deals, further highlighting the low average value of buyouts inked over the period: Permira acquired Switzerland-headquartered EF Kids and Teens in a deal valued at \$1.5bn in July.

Reluctant sellers

The consensus among the market sources with whom *Unquote* spoke is that sponsors and corporates alike have been reluctant to bring businesses to market unless they need to for strategic reasons, or unless they operate in relatively unaffected sectors, in particular software. Says Ulrich: "Anyone who today owns a quality asset will likely be reluctant to put it on the market, unless they can be sure that they can achieve pre-Covid-19 valuation levels in a sale process. It is more a question of the supply of assets than the demand, since the demand is there. But the vast majority of sellers have postponed their exits to Q4 2020, if not to Q1 2021, in order to be able to demonstrate the recovery of the performance of their businesses and achieve respective purchase prices."

"We should be careful to not conclude that the same type of acquisitions took place as in previous years, but simply at lower valuations"

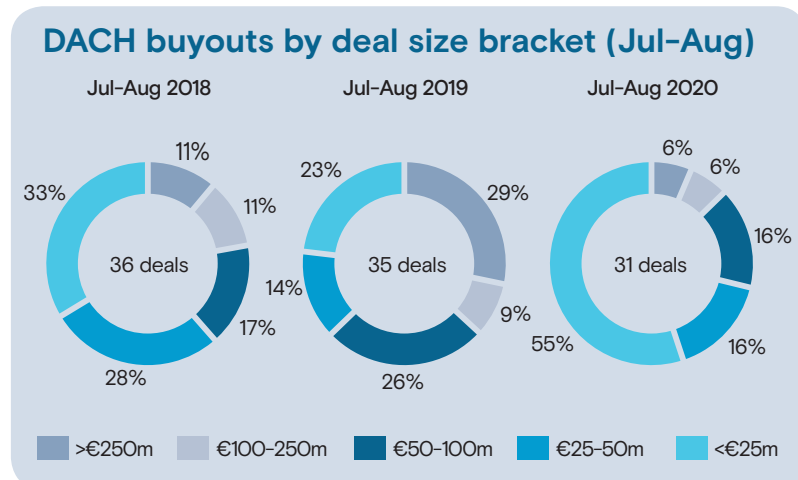
Christoph Ulrich, Duff & Phelps

Following a quiet period for upper-mid-cap dealflow in the DACH region, Harriet Matthews gauges market sentiment as to whether activity could pick up before year-end

Georg Christoph Schneider, a partner at Noerr, expects some of the processes that were halted when lockdowns took hold might restart in the coming months. “Many typical buyout deals came to a standstill at the start of lockdown and people are considering restarting these processes perhaps at the end of the year. M&A advisers are testing the market with opportunities in smart sectors such as healthcare or IT/software, seeing if the market has the appetite and confidence, so at the end of Q4 we will see a second wave where typical buyout deals that came to a standstill might restart.”

Fellow Noerr partner Holger Ebersberger says uncertainty around company financials is still a key factor in delaying larger deals. “The impact on the numbers from coronavirus has not become clear yet and many PE firms and M&A advisers were reluctant to start processes without having robust numbers. It is a question of the right timing, the right purchase price and multiple. We are not seeing so many billion-euro transactions in the market yet – beyond coronavirus and the compression of the deals landscape in the second quarter of 2020, there could be other reasons [for the fall in aggregate deal value] that are not entirely clear. Economic pressures on companies could encourage strategic reviews and disposals, and create further opportunities in the market to do big deals.”

Hendrik Hirsch, a partner at CMS, says companies and advisers are looking for ways to mitigate this uncertainty to get larger deals done. “Many sellers decided to provide additional financial data, to show whether the effect of



Source: Unquote Data

coronavirus was long-term. Some deals could have been much quicker, but they decided it would be helpful to provide more additional intelligence on the Covid-19 impact. For one deal that we did, we were able to update the interested parties on actuals and we came up with a specific report on Covid-19 impact, as an additional fact book, which is very common now.”

The DACH region saw its first large-cap deal in two months in September 2020, when Apax sold Neuraxpharm to Permira in a deal valued at more than €1.6bn, following a fast-moving auction process. Market players expect sponsors to be ready with large amounts of dry powder following months when deal-closing was on hold. “Generally, clients of ours with deeper pockets and who are well-funded feel it is their time to go out into the market,” says Hirsch. ■

Italian PE players highlight silver linings amid crisis



Alessia Argentieri
Senior reporter

“**T**he pandemic has dramatically hit the private equity industry, causing a reduction in deal volume and value, and a significant decrease in fundraising activity,” said PwC partner Giovanni Tinuper, setting the tone of the discussion at *Unquote’s Italian Private Equity Forum*. “Since July, the market has shown signs of a recovery and the outlook looks promising, with a rich pipeline and several deal processes kicking off in the next few weeks. However, concerns remain high on how the market will deal with new challenges presented by the crisis.”

Fundraising activity across the country has been particularly affected by the outbreak, with disruptions and delays in numerous fundraising processes. Italian GPs have raised less than €1bn so far in 2020, and it is very unlikely they will manage to reach the record of last year, when buyout and generalist funds collected €6.8bn across 10 closes. However, this crisis is unprecedented and differs from every disruption the industry has faced in the past, thus presenting unique challenges requiring new strategies.

“Despite this enduring uncertainty, there is an abundance of capital in the market looking

for returns,” said Raffaele Legnani, managing director and head of Italy at HIG Capital. “This is nothing like what we saw in 2008, when there was an economic recession and a credit crisis. Today, especially across the alternative assets market, there is a lot of dry powder available and investors continue to believe that private equity is a very promising space to allocate money. To attract resources, GPs need to guarantee stable and predictable returns by diversifying risk across different countries and geographical regions. This wider strategy is much more appealing than focusing only on one country, especially in the current market scenario.”

Overexposure concerns

For local GPs with a specific focus on Italy, enticing LPs that are reluctant to become overexposed to the Italian economy has been difficult and has often resulted in delays to the launch of their new platforms. Challenges in completing successful exits and dull portfolio performances have also contributed to a temporary stagnation of their fundraising activity.

“This crisis has affected our ability to launch new funds in the short term, not only because it has caused delays in our discussions with LPs, but also because it has severely impacted our exit strategy,” said Eugenio De Blasio, CEO and managing partner of Green Arrow Capital. “Exits are essential to measure the successful performance of a private equity fund and the pandemic has caused postponements in exit plans for our existing

“Exits are essential to measure the successful performance of a private equity fund and the pandemic has caused postponements in exit plans”

Eugenio De Blasio, Green Arrow Capital

Fundraising challenges, strategies to support portfolio companies and new opportunities amid the coronavirus crisis were key themes discussed at *Unquote's* Italian Private Equity Forum, which took place online on 22 September. Alessia Argentieri reports

portfolios. That is why we decided upon a delay of six to nine months for the launch of our fourth private equity vehicle."

The success of a fundraising project can also be impacted by the specific needs and expectations of the LPs that a private equity firm intends to attract, as Eriprando Gueritore, partner at law firm Gatti Pavesi Bianchi, underlined: Insurance companies, for example, have reduced their allocation to private equity and this is due to the capital requirements they need to face. However, more opportunistic LPs and various funds-of-funds continue to invest in the Italian market, alongside state-sponsored vehicles."

Marco Natoli, head of lower-mid-market for northern, eastern and southern Europe at the European Investment Fund, spoke of how the fund had taken steps to bolster the industry: "We have opened new facilities to respond to the specific needs of the market during the crisis, and have facilitated fundraising by speeding up our process and taking part in first closings as much as possible, helping funds reach their critical mass."

In order to attract investors amid the complex situation generated by the pandemic, GPs have increased their diversification by broadening their investment spectrum, exploring new market segments and strengthening debt, credit and special situation strategies.

"Private debt has become a very interesting strategy across Italy, able to attract large pools of capital from a diversified base of LPs," De Blasio

said. "We noticed that banks are more focused on providing financing to small companies and that there is space for interesting investment opportunities for debt funds. This is why we changed our schedule and decided to accelerate the launch of our second private debt fund."

Venturing out

Another winning strategy amid the pandemic is venture capital. The segment has been attracting the interest of a number of LPs and has been able to raise larger pools of capital than in previous years, panellists argued. Natoli underlined that the venture capital industry is becoming stronger, and has been benefiting from the emergence of new business models and the pre-eminence that the technology sector has achieved. Therefore, valuations across the segment have not been as impacted by the emergency as they have been for private equity buyouts.

GPs have also expanded their reach by focusing on companies with specific needs, which can be more suitable for receiving the support of a sponsor. "Most investors are currently chasing companies that have not been affected by the pandemic, with the risk of overpaying for them," Legnani said. "On the contrary, we prefer to focus on companies that are excellent assets in the long-term, but have been affected by the coronavirus emergency in the short-term. They provide an interesting opportunity for a transformation process of their business models, which will guarantee high returns." ■

Funds round-up



DPE Deutschland IV holds final close on €1bn

Mittelstand-focused sponsor Deutsche Private Equity (DPE) has announced the first and final close of DPE Deutschland IV on €1bn.

Quest Fund Placement acted as placement agent, while P+P Pöllath + Partners provided legal advice. The fund was registered in January 2020 and was on the road as of July 2020.

The fund's predecessor vehicle, DPE Deutschland III, held a final close in January 2017 on €575m.

DPE IV is the largest vehicle raised so far by DPE. Its debut fund had a total volume of €250m and closed in December 2007.

DPE has made 30 platform investments and 70 add-ons for its portfolio companies since its

inception in 2007 and one platform acquisition and one exit so far in 2020.

The fund received more than half of its commitments from new investors, according to a statement. The majority of its LP base (74%) comprises investors based in Europe. The fund also saw commitments from investors based in the US and Asia, committing 21% and 5% of the fund volume respectively.

The fund will focus on DACH Mittelstand businesses, following the strategy of its predecessor vehicles. DPE IV will continue to deploy equity tickets of €20-60m in spite of its increased total volume. It plans to make 15-18 investments, according to *Unquote Data*. ■

DPE Deutschland IV

TARGET	€1bn
CLOSED ON	€1bn, Sep 2020 (final close)
FOCUS	Buyout
FUND MANAGER	Deutsche Private Equity

Notion IV to surpass £125m target

Notion Capital IV is expected to close in 2020 above its £125m target, according to a source close to the situation.

The fund held a first close on £75m in October 2019, following its registration in May 2019, and has a hard-cap of £175m.

LPs in the fund include Nuclear Liabilities Fund, Pentland Group, Pool Reinsurance Company, Pruger Investments, Key Capital, Danish pension

fund Industriens Pensionsforsikring and British Patient Capital.

Management fees are 2.25% with a 20% carry rate and a 5% kicker should the fund achieve net returns above 4x.

The fund will focus on software-as-a-service companies in the financial services, healthcare, insurance, agriculture and legal sectors with annual recurring revenues of more than €1m. ■

Notion Capital IV

TARGET	£125m
LAUNCHED	May 2019
FOCUS	B2B software-as-a-service companies
FUND MANAGER	Notion Capital

A round-up of recent fundraisings throughout the private equity industry, including DPE Deutschland IV's €1bn final close; Bridgepoint Development Capital IV hitting its £1.5bn hard-cap; and Ardian Expansion V closing on €2bn

Bridgepoint Development Capital IV hits £1.5bn hard-cap

Bridgepoint Development Capital IV (BDC IV) has held a final close hitting its hard-cap of £1.5bn, against an original target of £1bn, *Unquote* understands. The fund was launched in January 2020 and held a first close in May 2020 on an undisclosed amount, according to a source.

The vehicle is larger than its predecessor, Bridgepoint Development Capital III (BDC III), which closed on £605m in June 2016, exceeding its £500m target. The vehicle is currently nearing completion of its primary investment period, with 80% of its capital invested across 12 assets.

BDC IV's investor base comprises institutional investors from the US, Europe, the Middle East, Asia and Australia.

Fundraising for the vehicle benefited from strong re-commitment among existing investors, with an increase in commitment of around 90% on average, *Unquote* understands.

According to *Unquote Data*, the vehicle's investor base includes several US pension funds, including Pennsylvania Public School Employees Retirement System, which committed around £125m; South Carolina Retirement Systems, with a £75m commitment; Teachers' Retirement System of Louisiana, with a £50m ticket; and Santa Barbara County Employees' Retirement System, among others.

BDC IV deploys equity tickets in the £20–100m range, investing in European mid-market companies with enterprise values of £30–150m.

It targets buyouts and growth capital opportunities, and plans to make around 20 investments.

The fund is poised to target a range of sectors, with a focus on business services, consumer, financial services, healthcare, industrials, media and technology.

Geographically, the fund is expected to follow the same strategy as its predecessor, deploying at least 80% of its capital in its core markets, which include the UK, France and the Nordic region.

In addition to its Bridgepoint Development Capital range, which is dedicated to investments in the European lower-mid-market, Bridgepoint also manages the flagship Bridgepoint Europe funds, which target companies valued at €200m–1.3bn.

Furthermore, the firm invests through its Bridgepoint Growth range, which makes growth capital investments in the consumer, media, technology and business services sectors in companies using digital technologies. In the debt space, the firm operates via Bridgepoint Credit, which specialises in private debt lending to European mid-market companies. ■

Bridgepoint Development Capital IV

TARGET	£1bn
LAUNCHED	Jan 2020
CLOSED ON	£1.5bn, Sep 2020
FOCUS	European mid-market
FUND MANAGER	Bridgepoint

Sagard NewGen holds first close for €300m debut fund

French private equity firm Sagard NewGen has held a first closing for its debut fund, which focuses on the European healthcare and technology industries.

The fund was launched in July 2020 with a €300m target and held a first close just south of €150m, the GP told *Unquote*. It expects to hit its target and hold a final close by the end of 2021.

The fund is led by three founding partners: Bérangère Barbe, Agnès Huyghues Despointes – both formerly partners in Sagard MidCap fund – and Guillaume Lefebvre, who is joining the team from Keensight Capital.

The capital for the first close was provided by Sagard NewGen's anchor investors: Sagard Holdings, the holding company of the Canadian Desmarais family, and Belgium-based

family office Sienna Capital. The fund plans to resume its fundraising from mid-2021, attracting a diversified group of LPs.

Sagard NewGen invests in majority and minority stakes of European companies operating across the healthcare and technology sectors, generating EBITDA of €2-15m and revenues of up to €150m. The fund deploys equity tickets in the €10-50m range.

Sagard NewGen has already made its first investment, by taking part in a €40m round for Laboratoires Delbert, which specialises in acquiring and reintroducing drugs affected by supply shortages.

The fund has a rich pipeline and plans to invest in at least one more company by the end of the year, the GP told *Unquote*. ■

Sagard NewGen I

TARGET	€300m
LAUNCHED	Jul 2020
CLOSED ON	€150m (1st close), Sep 2020
FOCUS	European healthcare and technology
FUND MANAGER	Sagard NewGen

Dawn closes fourth fund on \$400m hard-cap

Dawn Capital has closed its fourth-generation fund, Dawn Capital IV, on its \$400m hard-cap.

The fund was launched in February 2020 with a hard-cap of \$400m. Haakon Overli, a general partner and co-founder at Dawn, told *Unquote* the fund was oversubscribed.

"We were very confident we were going to hit our hard-cap," said Overli. "We launched at the end of February and, amazingly, Covid-19 did not change our timeline, it just changed the nature of the fundraise."

The fund's predecessor, Dawn Capital III, closed on £165m in April 2018 and has now made its final initial investment – in automation software provider Bryter – though some capital remains for follow-on rounds.

The fund has 50 LPs, of which 14 were new LPs to the firm. All the firm's existing LPs invested in the fund, according to Overli.

The fund will target initial investments of \$5-20m, aiming to make 20 investments in total over a three-and-a-half-year investment period. ■

Dawn Capital IV

TARGET	\$400m
LAUNCHED	Feb 2020
CLOSED ON	\$400m, Jul 2020
FOCUS	European series-A, series-B
FUND MANAGER	Dawn Capital

Ardian Expansion V closes on €2bn

Ardian Expansion V has closed on its €2bn hard-cap. Launched in January 2020, the fund's original target was €1.5bn. It is domiciled in France as an SLP. The firm did not use a placement agent.

"It is a surprising fundraising environment because of Covid-19, but, in the end, the fundraise was smooth and quick because of our regular contact with our investors and the LPs we target," said François Jerphagnon, head of Ardian Expansion. "Our investors were convinced by the quality of our performance and how the team was behaving throughout the pandemic. The difficult part was the logistics side. Since people could not travel, some of the due diligence had to take place via video call or was delayed because investment committees were delayed in occurring," he said.

Jerphagnon told *Unquote* that the fund's management fee, carry and hurdle rates are in accordance with market standards.

The fund's predecessor, Ardian Expansion IV, closed in June 2016 on €1bn, above its target of €650m. The fund is now fully deployed across 14 investments. Jerphagnon said: "We have no need to make any exits currently, as we have done six during the past 18-24 months. We will look at them on an opportunistic basis, as the fund has almost been reimbursed from the first three exits we have made, so we have time," he said.

The fund has 140 LPs from 19 countries. Investors from previous

Ardian Expansion funds represent 50% of Ardian Expansion V's LPs. Several managers of Ardian Expansion's portfolio companies also made commitments, which amount to nearly 5% of the size of the fund.

The fund expanded its geographic reach by attracting new investors from Asia and the Middle East, and attracted sovereign wealth funds for the first time, alongside insurance companies, high-net-worth individuals and pension funds.

The fund's typical equity cheque is €40-180m, which will be invested in buyout transactions involving limited leverage. The team can take either minority or majority stakes in mid-market, high-growth European companies.

Ardian Expansion V is expected to make more investments than its predecessor, and the equity cheques will also be slightly larger due to its larger size.

The fund has already made two acquisitions, Swissbit and Finaxy, and will announce its third acquisition soon. The fund is currently 10% deployed and the third acquisition will leave Ardian Expansion V 15% deployed.

Said Jerphagnon: "We do have a pipeline, but clearly the market is less active than before. What is important to us is the relationships with talented entrepreneurs we have built over the years that enable us to continue to originate opportunities in the current environment. The fact that we have made three acquisitions since the start of 2020 is illustrative of this." ■

Ardian Expansion V

TARGET	€1.5bn
LAUNCHED	Jan 2020
CLOSED ON	€2bn, Sep 2020
FOCUS	High-growth, mid-market companies
FUND MANAGER	Ardian

UK & Ireland deals

£22m
Revenues
generated

Piper sells Forthglade to IK

Piper Private Equity has sold dog food manufacturer Forthglade to IK Investment Partners.

IK is taking an 80% stake in the company, in a deal that is reported to value Forthglade at around £50m, according to the *Sunday Times*.

Based in Devon, Forthglade has been manufacturing dog food since 1970. The company now generates revenues of £22m and employs 130 people.

Tikehau Capital provided a unitranche investment to support IK's acquisition. This was the second UK direct-lending financing arranged by Tikehau, and its first sponsor-backed UK deal.

IK is currently investing from its IK IX fund, which closed on €2.85bn in May 2020. It invests in companies with enterprise values of €100–500m, investing equity of €50–150m.

A spokesperson for Piper told *Unquote* that the firm had initially planned for a formal sale process to occur in April 2020, but that was delayed to September 2020, which IK pre-empted with its bid.

Following the transaction, joint managing directors Gerard Lovell and Chris Brooking will continue



to lead the business and retain a stake, and are expected to invest in the company as part of the deal.

Return multiples were not disclosed, but the spokesperson told *Unquote* that Piper's entry multiple for the firm was "considerably lower than the exit multiple".

In 2011, Lovell and Brooking acquired the company in a management buyout.

Piper invested £6m in the business in September 2015, when the business had sales of £11m. At the time, Piper was investing from its fifth-generation

fund, which closed on £107m in July 2011. The fund has realised several assets to date, including menswear company Orlebar Brown and bar chain Be At One. ■

People

Piper Private Equity – Libby Gibson.

Advisers

People – Houlihan Lokey (*corporate finance*); Womble Bond Dickinson (*legal*); PwC (*financial due diligence*); EY Parthenon (*commercial due diligence*).

Partners Group to acquire Côte

Partners Group is currently in talks to acquire BC Partners portfolio company Côte Restaurants, a French-style casual dining chain, according to the *Sunday Telegraph*.

Partners Group is currently deploying capital for its buyout fund strategy through Partners Group Direct Equity 2016, which closed on €3bn in 2017. Meanwhile, the firm is raising for its Partners Group Direct Equity 2019 fund, which was registered in July 2018 with a target of €5bn.

The change in ownership could be made via a debt-for-equity exchange deal.

A spokesperson for Côte confirmed that a sale is among several options being explored for the company to facilitate its next growth stage, according to the report.

Côte is believed to be considering shuttering some of its 96 restaurants in the wake of the coronavirus crisis.

BC acquired the company in July 2015 from CBPE Capital, drawing equity from its BC European Capital IX fund, which closed on €6.5bn in 2012.

Côte generated £156m in sales in the year ending on 28 July 2019, with adjusted EBITDA of £18.4m. Headquartered in London, it was founded in 2006. ■

8th Investment from Tenzing I

Tenzing Private Equity acquires three payroll companies

Tenzing Private Equity has acquired HR and payroll companies Cintra, Trace Payroll Services and UnaTerra, forming the PSSG group.

The firm is currently investing from Tenzing Private Equity I, which closed on £200m in January 2017 and makes investments in companies valued at up to £75m. This is the fund's eighth investment.

The fresh capital will go towards product development, internationalisation, investment in

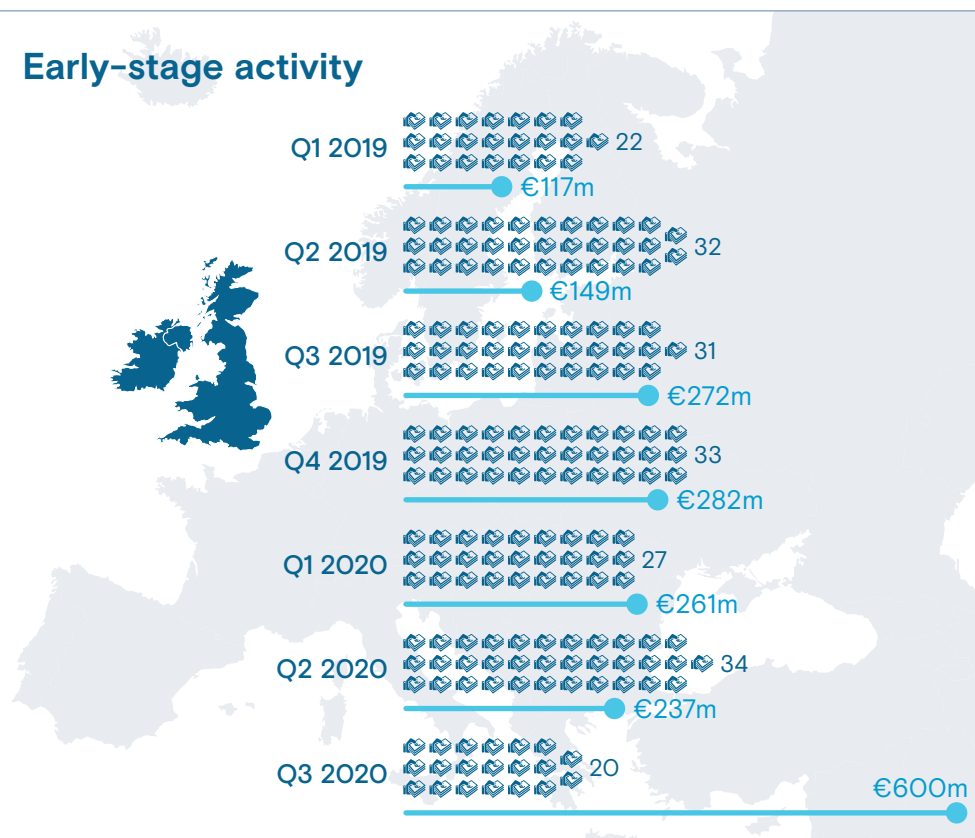
sales, and an acquisition strategy. The management teams of each company will continue to lead their divisions.

Gateshead-based Cintra was founded in 1996. It develops payroll software.

Founded in 1975, Trace Payroll is based in London and provides payroll services.

UnaTerra advises and supports organisations in establishing back-office functions in international markets. It is based in Banbury and was founded in 2015. ■

Early-stage activity



Benelux deals

3x
Money
multiple

Patrimonium and co-investors sell Fixatti to trade

Patrimonium Private Equity and co-investors have sold their stakes in plastic powder producer Fixatti Group to France-based listed chemicals company Arkema.

The exit generated a money multiple of more than 3x.

Patrimonium, Co-Investor AG, Bank of Montreal and Parvilla acquired a majority stake in Schaetti Group in May 2013, with former CEO Daniel Schaetti retaining a minority stake and Co-Investor AG taking the lead equity position. Raiffeisenbank provided debt to support the buyout. The deal was valued in the €25-50m range.

In 2005, Afinum acquired Schaetti via an MBO. The GP subsequently sold the business, along with three further portfolio companies, to Triginta Capital (formerly Avida Group).

Zurmout Madison also participated in the original deal. Following a fund restructuring that closed in January 2017, the firm's private equity team joined Patrimonium. DB Private Equity acquired the remaining assets in the fund, but this did not include the firm's stake in Schaetti, since the investment in the business was



not made via the fund structure.

Schaetti merged with Belgium-based market peer Dakota Worldwide, following which it rebranded as Fixatti. The company underwent a €20-30m refinancing at the time, backed by ING, BNP Paribas and Belfius, which provided for a small dividend recap.

Schaetti was founded in 1957 and was based in Wallisellen, Switzerland. Following the acquisition of Dakota Worldwide in 2018, the company's headquarters were moved to Nazareth in Belgium. Fixatti also has additional production facilities in Germany, India, the

US and China. The company reported revenues of €50m in 2012 and now reports revenues of around €55m. It employs 180 people.

According to a statement, Fixatti's investors focused on the development of higher-margin niche products during the investment period, with the aim of making the business a relevant potential acquisition for strategic buyers. ■

Advisers

Vendor – Rothschild & Co (*corporate finance*); Eubelius (*legal*); BDO (*financial due diligence, tax*).

Enreach bolts on HeroBase

Enreach – a portfolio company of Waterland Private Equity formed via the merger of Swyx, Voiceworks and Centile Telecom Applications in 2018 – has acquired Denmark-based cloud contact centre software company HeroBase.

The acquisition intends to expand Enreach's presence in northern Europe, as well as its sales potential in the region. Enreach will have a total of 900 employees following the acquisition.

Unquote sister publication *Debtwire* reported that the deal was financed via a combination of debt and equity from the company's shareholders, including Waterland. The acquisition financing line is provided by Pemberton. The direct lender backed the original acquisitions in 2018 and provided an additional €50m in acquisition financing in September 2019, *Debtwire* reported.

The group has made a number of add-ons during the investment period, backed by Waterland's sixth and seventh funds. The company was set to report revenues of €180m following its most recent add-on, Spain-based Masvoz, in November 2019.

Founded in 2016 and headquartered in Søborg, HeroBase employs 40 people. ■

2016
Year
founded

Novo, Sanofi lead \$83m round for Lava Therapeutics

Novo Ventures and Sanofi Ventures, the venture arms of pharmaceutical companies Novo Nordisk and Sanofi respectively, have led a \$83m series-C round for Netherlands-based T-cell cancer therapy company Lava Therapeutics.

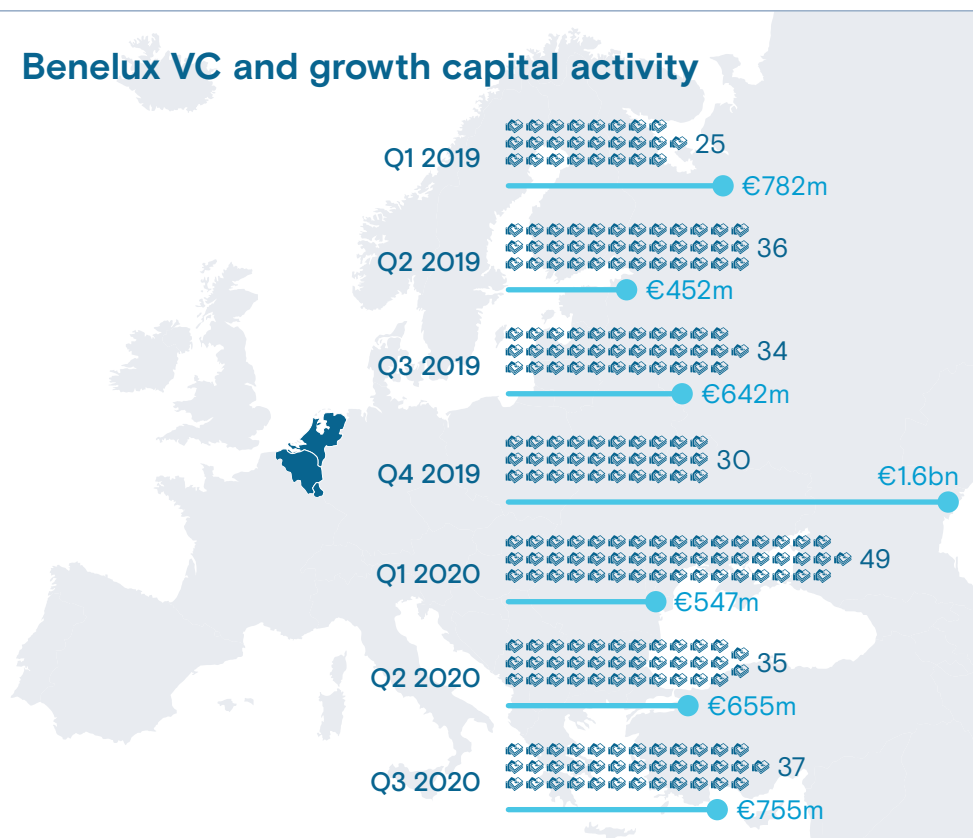
New investors Redmile Group, Ysios Capital and BB Pureos Bioventures also backed the company, alongside existing investors Versant Ventures, Gilde Healthcare and MRL Ventures.

Following the round, Novo

Ventures partner Nanna Lüneborg, Sanofi Ventures' EU head of investments, Laia Crespo, and Ysios managing partner and co-founder Joël Jean-Mairet will join Lava's board.

In May 2018, Gilde led a €16m round for Lava, joined by Lupus Ventures and Versant. Gilde invested via Gilde Healthcare IV, which held a final close in June 2016 on €250m and generally writes equity tickets of €15-25m. Versant deployed equity from Versant Venture Capital IV. ■

Benelux VC and growth capital activity



CEE deals

€10–12bn
Valuation
range

PE-backed Allegro announces intention to float

Allegro, a Poland-based e-commerce platform backed by Cinven, Permira and Mid Europa Partners, has announced its intention to list shares on the Warsaw Stock Exchange.

According to a statement, the IPO is expected to comprise a primary component that will produce gross proceeds of around €225m, as well as a secondary component from existing shareholders, including its PE sponsors and some members of its management team.

The company aims to achieve a valuation within the €10–12bn range, the *Financial Times* reported. Individuals close to the matter said the potential float valuation being targeted by Allegro's advisers would make the group the largest Polish listed company.

Allegro intends to use the proceeds, alongside a new credit facility, to repay its existing debt and to improve its net leverage, the company said in the same statement.

Lazard is acting as financial adviser to Allegro. Goldman



Sachs and Morgan Stanley are acting as global coordinators and joint bookrunners, while Santander and MB PKO BP have been appointed as joint bookrunners and co-offering agents in Poland regarding its offering to retail investors.

Barclays, Bank of America Securities Europe, Citigroup and Dom Maklerski Banku Handlowego are also acting as joint bookrunners.

Provided that the IPO proceeds, Bank Polska Kasa Opieki Spółka Akcyjna, Crédit

Agricole, Erste Group, Pekao Investment Banking and Raiffeisen Centrobank will act as co-lead managers.

The company plans to issue a prospectus to the Luxembourg Financial Supervisory Authority.

Mid Europa Partners, Permira and Cinven acquired Allegro in October 2016 from South Africa-based Naspers in a deal valued at \$3.25bn. The European Bank for Reconstruction and Development (EBRD) also provided €24m in equity to back the deal.

According to *Unquote* sister publication *Debtwire*, debt financing of \$1.2bn was provided to support the deal by Goldman Sachs and Societe Generale, alongside Bank of America Merrill Lynch, BNP Paribas, Crédit Agricole, Deutsche Bank, ING, HSBC, Bank of China, Bank of Tokyo, Alior, MBank, Erste Group, Raiffeisen, JP Morgan, PZU, EBRD and UniCredit. The consortium also provided a rolling credit facility of \$81m.

Permira invested in Allegro via Permira VI, which held a final close in January 2017 on €7.5bn. The fund was 91% deployed as of March 2020, according to *Unquote Data*. At the time of the investment in Allegro, Cinven was deploying equity via Cinven VI, which held a final close in June 2016 on €7bn. The fund was 75% deployed as of March 2020.

Allegro serves 12,300,000 active buyers, according to a statement, with 117,000 merchants selling goods on its online platform. The company has seen revenue growth of 50% in H1 2020, alongside adjusted EBITDA growth of 20% in 2019 versus growth of 28% in H1 2020, during which it reported an EBITDA margin of 45%. The firm's gross merchandise value accounts for 3% of the total retail market in Poland, it said in a statement, comprising \$7.1bn for the 12 months to 30 June 2020. ■

\$7.6m
Company
valuation

Baring Vostok, Vostok New Ventures sell Doc+

Baring Vostok- and Vostok New Ventures-backed Doc+, a Russian online platform providing an on-demand service for doctor visits, has merged with Russia-based medical clinics network Doktor Ryadom.

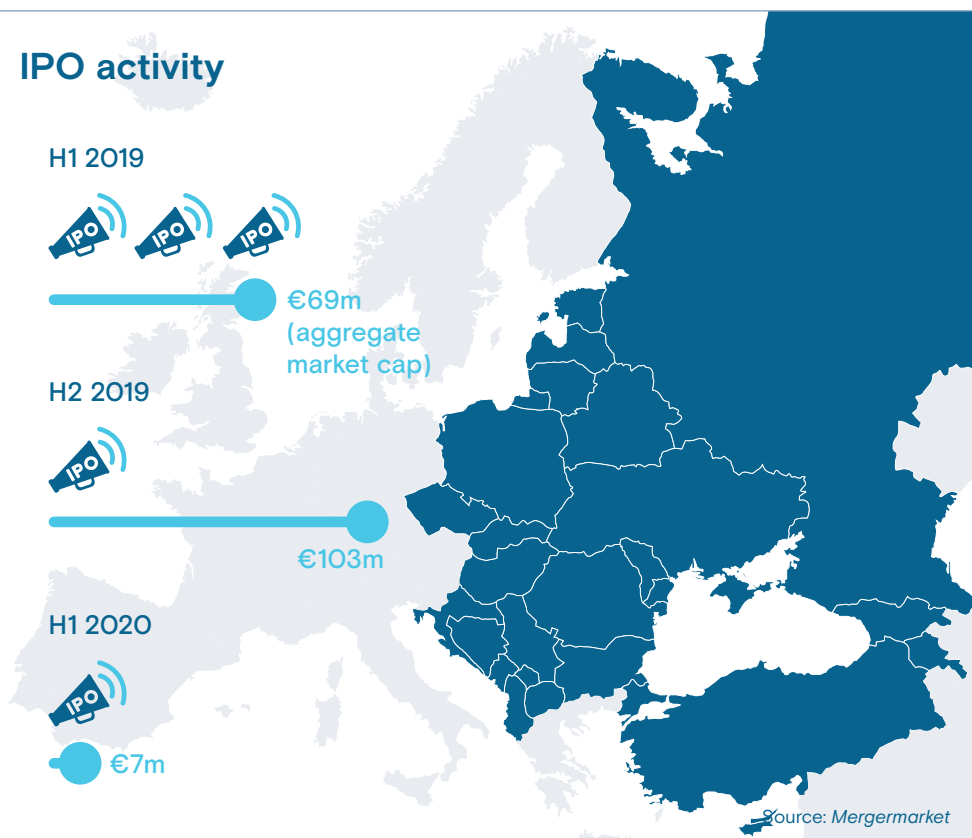
In June 2017, Baring Vostok Private Equity and Yandex provided \$5m in financing to Doc+. Subsequently, the company secured \$9m in a round led by Swedish fund Vostok New Ventures, with participation from existing shareholders Yandex and

Baring Vostok Capital Partners in August 2018.

In May this year, Doktor Ryadom raised RUB 1bn (\$13.2m) from VEB Ventures, a venture fund belonging to Russian state corporation VEB.RF.

Doc+ operates a marketplace that arranges on-demand doctor visits and tele-medicine consultations. As of March this year, a 100% stake in Doc+ was valued at \$7.6m, according to a Q1 2020 financial statement by Vostok New Ventures. ■

IPO activity



DACH deals

€44m
Revenues
generated

Main Capital Partners buys majority stake in Mach

Software-focused GP Main Capital Partners has acquired a majority stake in Germany-based Mach, a developer of government and public sector digitalisation software.

The Müller-Ontjes family, Mach's former majority owner, will retain a minority stake in the business.

"This is a sector that we like a lot; we have done quite a lot in this sector in the Netherlands and in the adjacent sector of healthcare software," Sven van Berge Henegouwen, a partner at Main Capital, told *Unquote*. "We have been in contact with Mach since 2016 and always tried to help them from a strategic point of view. Earlier in 2020, we had an update call and things got more concrete, as the time was right for the family to take on a majority shareholder." The deal process began in May 2020.

Main Capital has invested in companies that provide software for public sector organisations before, namely Excellence, SDB and Alfa.

Founded in 1985, Mach assists governmental organisations with digitalisation projects, including paper file conversion,



budget management and personnel management. Its client base includes federal and state authorities including the Bundesverwaltungsamt and the states of Saarland, Rheinland-Pfalz and Thüringen, as well as church administrations, educational institutions and NGOs.

Based in Lübeck, Mach has 400 employees and generates revenues of €44m. It generated 2018 revenues of €31.2m and 2017 revenues of €28m, according to its latest accounts.

Main Capital deployed equity via Main Capital VI, which held

a final close in May 2020 on €564m. The fund generally deploys equity tickets of €3–5m, but can deploy as much as €20m. Main Capital focuses exclusively on businesses headquartered in Europe.

"This is the fifth investment from Fund VI and we aim to make six to nine more investments with the fund," van Berge Henegouwen told *Unquote*. The fund is around 20% deployed.

The Mach deal is not currently leveraged, van Berge Henegouwen said. "We did not use debt, to make the

process simpler, but we would consider this for add-ons and inorganic growth.”

Asked about the GP’s plans for add-ons for Mach, van Berge Henegouwen said: “The add-ons will be in the public sector or adjacent sectors. We are open when it comes to size, as long as it furthers the strategic business and product portfolio – so they could be sizeable or smaller. The public sector is nationally focused, so the likelihood is that the add-ons will be in Germany or German-speaking countries.”

He added that the firm will seek add-ons in a number of adjacent software services. “We are, among others, interested in HR software and software relating to the Onlinezugangsgesetz – a legal initiative to further the German government’s digitalisation efforts towards its citizens – as well as topics surrounding smart cities.” ■

People

Main Capital Partners – Sven van Berge Henegouwen.

Mach – Rolf Sahre.

Advisers

Equity – McDermott Will & Emery (*legal*); Dustin Schwerdtfeger, (*legal*); Norman Wasse (*legal*); Grant Thornton (*financial due diligence*).

Vendor – Heuking Kühn Lüer Wojtek (*legal*); Livingstone (*M&A*).

600
Staff
employed

Deutsche Private Equity acquires Mehler Vario System

Deutsche Private Equity (DPE) has acquired a majority stake in Germany-based bulletproof vest and protective systems manufacturer Mehler Vario System from Munich-based industrial holding firm Armira.

In March 2020, *Unquote* sister publication *Debtwire* reported that the sale of Mehler was on hold amid coronavirus uncertainty, although the business was considered resilient to the pandemic.

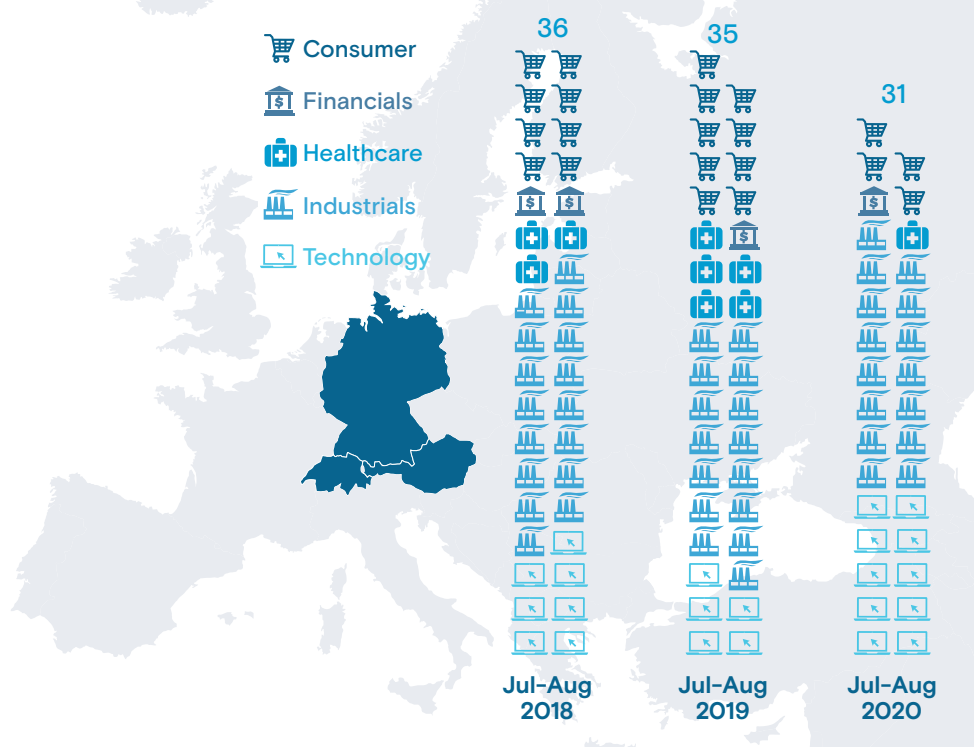
DPE invested in Mehler via

DPE Deutschland III, which held a final close in January 2017 on €575m and deploys equity tickets of €20-60m.

Previous owner Armira acquired Mehler in 2014. Under Armira’s ownership, the firm acquired Lindenhof-TakTik and Uni & Forma.

Based in Fulda, Mehler operates five locations across Germany, Serbia and Slovenia. It currently reports revenues of €100m, according to a statement, and employs 600 people. ■

Buyouts by sector in July and August



France deals

€88.3m
Turnover
2019/20

PAI buys stake in Amplitude from Apax

PAI Partners has acquired a 52.3% stake in Paris-listed orthopaedic implant specialist Amplitude Surgical from Apax France, CEO Olivier Jallabert and other senior executives for €53.8m.

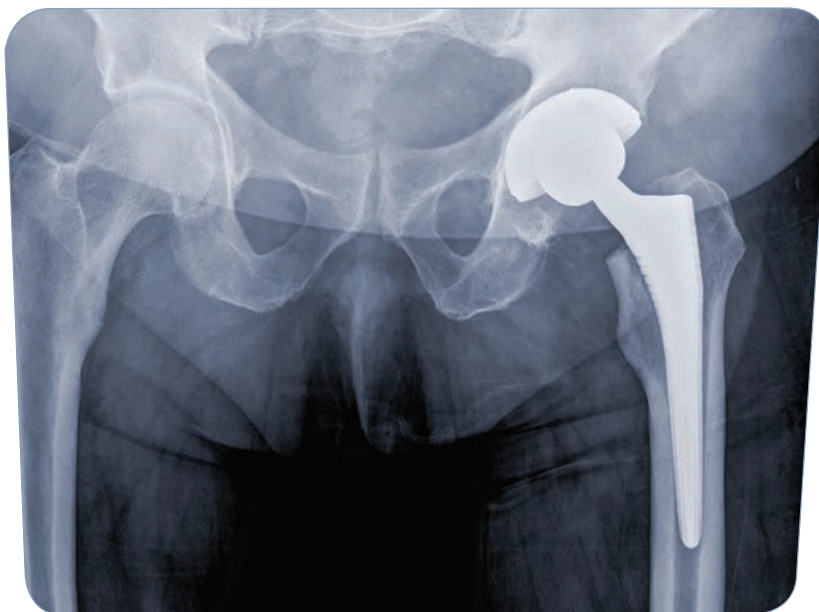
Headquartered in Valence, France, the business sells its products in 30 countries and operates via 11 subsidiaries – two in France and nine abroad.

Employing 436 staff, Amplitude recorded EBITDA of €17.5m from revenues of €88.3m in the 2019/20 financial year. The company expects to reach sales of €115m in the 2020/21 financial year.

PAI had entered into exclusive negotiations with Apax to acquire a majority stake in the orthopaedics manufacturer in July.

Apax sold its entire holding to PAI, amounting to 19,799,596 directly or indirectly held shares, which represent a 41.4% stake of the share capital.

Following the deal, Amplitude CEO Jallabert will reinvest in the business retaining a stake of 10.4% and will remain involved in the management of the company.



The acquisition has been made via Auroralux, a special-purpose vehicle controlled by PAI, at a price of 215 cents per share. Following the transaction, PAI will hold a total of 25,010,557 Amplitude shares.

After completion of the deal, which is expected in Q4 2020, Auroralux will file a simplified public tender offer for all of Amplitude's outstanding shares, as well as all free shares that would potentially be issued, at a price of 215 cents per share.

Auroralux intends to

implement a mandatory squeeze-out following the public offer, should the company's minority shareholders who do not tender their shares to the offer represent less than 10% of Amplitude's shares and voting rights.

The deal ends a nine-year holding period for Apax, which acquired a majority stake in the business from Weinberg Capital Partners and Initiative & Finance via its €700m eighth fund. Under Apax's ownership, Amplitude's revenues doubled

and its EBITDA nearly tripled.

Amplitude was first backed by institutional investors in September 2004, when Initiative & Finance invested €12m to acquire a minority stake in the business.

Weinberg acquired a 53% stake in the company in June 2008, investing alongside founders Olivier Jallabert and Bruno Saint Paul, and Initiative & Finance.

Subsequently, Apax France bought out Weinberg and Initiative & Finance in June 2011. The SBO, valuing Amplitude in the €100-125m range, was the second to be financed via Apax's eighth fund.

The transaction was further supported by a senior debt package thought to represent around 40% of the deal value, and a mezzanine tranche provided by CIC Mezzanine Gestion and Idinvest Private Debt.

Amplitude Surgical floated on Euronext Paris in June 2015, with a €234.6m market cap. Following the IPO, Apax reduced its stake in the business from 84.91% to 41.4%.

Founded in 1997, Amplitude is a prosthesis designer focusing on orthopaedic implants for hips and knees. ■

People

PAI Partners – Stefano Drago.

Apax France – Bertrand Pivin.

Amplitude Surgical – Olivier Jallabert.

345
Staff
employed

LBO France completes sale of EI-Technologies to trade

LBO France and EI Capital have sold their stakes in EI-Technologies, a Paris-based Salesforce training partner, to Cognizant.

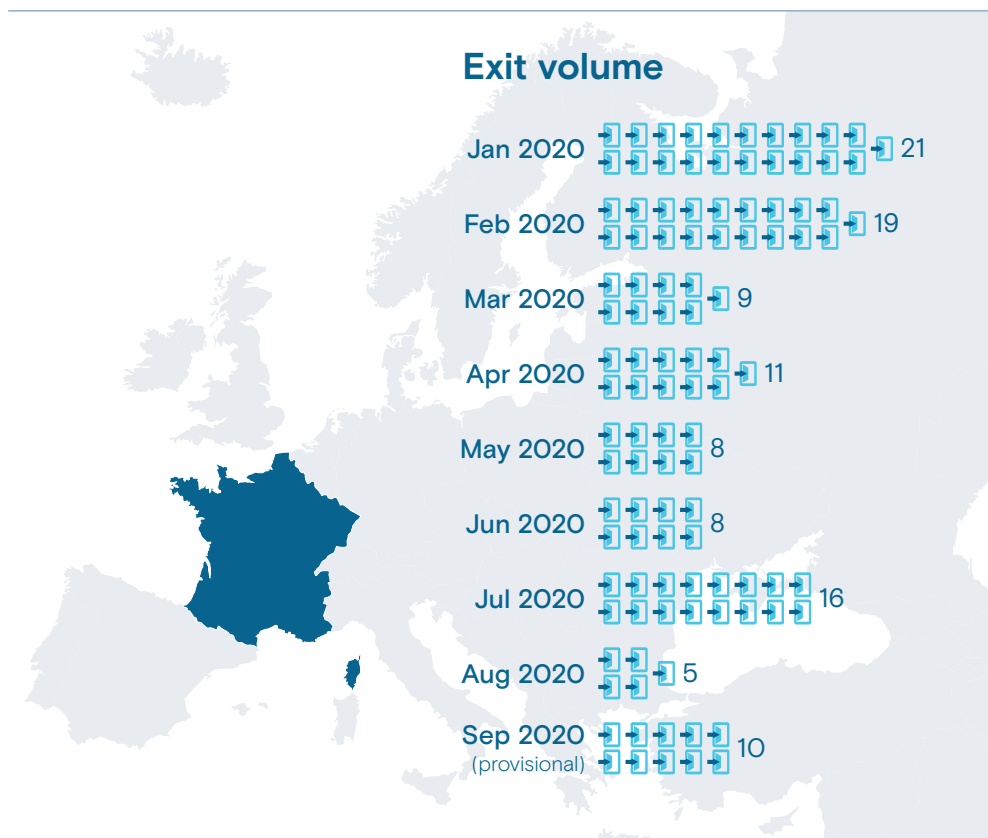
Until now, LBO France had held a 71% stake in EI-Technologies, while the company's founders and managers owned 29% via holding company EI Capital.

In 2008, LBO France acquired the company via its CDC Innovation III Fund. The acquisition, first announced in February 2020, will help

Cognizant scale up its business in Europe and enhance its Salesforce capabilities.

Founded in 2008 and based in Paris, EI-Technologies is a partner of Salesforce. Its clients include large companies in the industry, energy and utilities sectors, as well as financial services and luxury goods. The company also specialises in consulting.

It employs 345 people and it generated revenues of €37.3m in the year ending March 2020. ■



Nordic deals

€90m
Revenues
generated

Stirling Square reinvests in Docu Nordic

Stirling Square Capital Partners has reinvested in portfolio company Docu Nordic Group, retaining a majority stake, alongside TA Associates, which has acquired a significant minority.

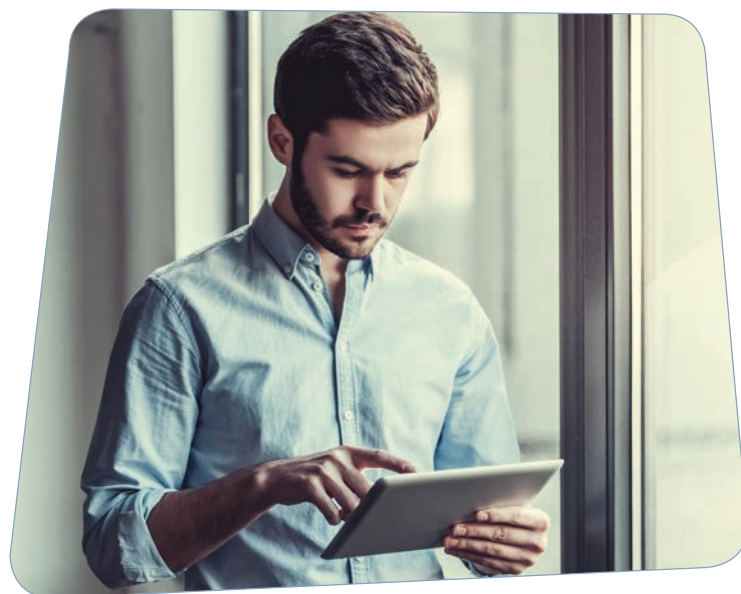
A source close to the deal said that Stirling, which has owned Docu Nordic since 2017, is looking to pursue a significant buy-and-build strategy for the company and TA Associates has been brought onboard to help it do that, given the latter's expertise in the tech sector.

Stirling is deploying equity from its fourth fund, having previously owned the company via its third fund, making it the fourth buyout investment from the fund so far.

The GP's new vehicle held a final close in January 2020 on €950m and targets mid-market companies with enterprise values of €50-500m. Meanwhile, TA has most recently been investing from its TA XIII fund, which held a final close on \$8.5bn in May 2019.

Stirling originally acquired Docu Nordic via its €600m third fund from Swedish GP Segulah in August 2017.

The deal will help Docu



Nordic act on more buy-and-build opportunities. In August, the company acquired Vortal, a Portuguese e-sourcing specialist previously backed by private equity firm Vallis Capital Partners. The add-on deal was backed with fresh equity from Stirling Square's fourth fund.

Segulah acquired Docu Nordic in August 2014 from parent Docu Group in a management buyout. Three years later, Stirling acquired the company from Segulah.

Founded in 2001 and based in Ljusdal, Docu Nordic is a

provider of business intelligence and data analytics services within the construction, real estate and healthcare markets in Scandinavia, central Europe and Iberia. The company generated revenues of around €90m in 2019.

Vinge acted as legal adviser and PwC provided structural support to Stirling on the deal. ■

People

Docu Nordic – Stefan Lindqvist.

Sterling Square Capital

Partners – Henrik Lif.

TA Associates – Naveen Wadhwa.

Klarna valued at \$10.6bn

Swedish payment service provider Klarna has raised \$650m in a round led by Silverlake, giving it a valuation of \$10.65bn.

Other investors include Singapore's sovereign wealth fund, GIC, BlackRock and HMI Capital. At the same time, Merian Chrysalis, TCV, Northzone and Bonnier have acquired shares from existing shareholders.

Current investors also include Sequoia Capital, Dragoneer Investment Company, Permira, Commonwealth Bank of Australia, Bestseller Group and Ant Group.

The latest round nearly doubles Klarna's valuation of \$5.5bn from August 2019, making it the highest-valued private European fintech company and the fourth largest in the world.

Klarna will use the proceeds to further invest in its service, continue to grow its global presence, and accelerate its growth, especially in the US.

According to a report in Reuters, the funding round is likely to be the last before the company files for an initial public offering.

Founded in 2005 and based in Stockholm, Klarna provides a "buy-now, pay-later" service to around 85 million customers and has 235,000 merchant partners. It generated net operating revenues of \$753m in 2019 and employs 3,500 staff. ■

€500m
Deal value

Nordic Capital buys Siteimprove in first deal for latest fund

Nordic Capital has acquired a 70% stake in website and digital marketing software provider Siteimprove.

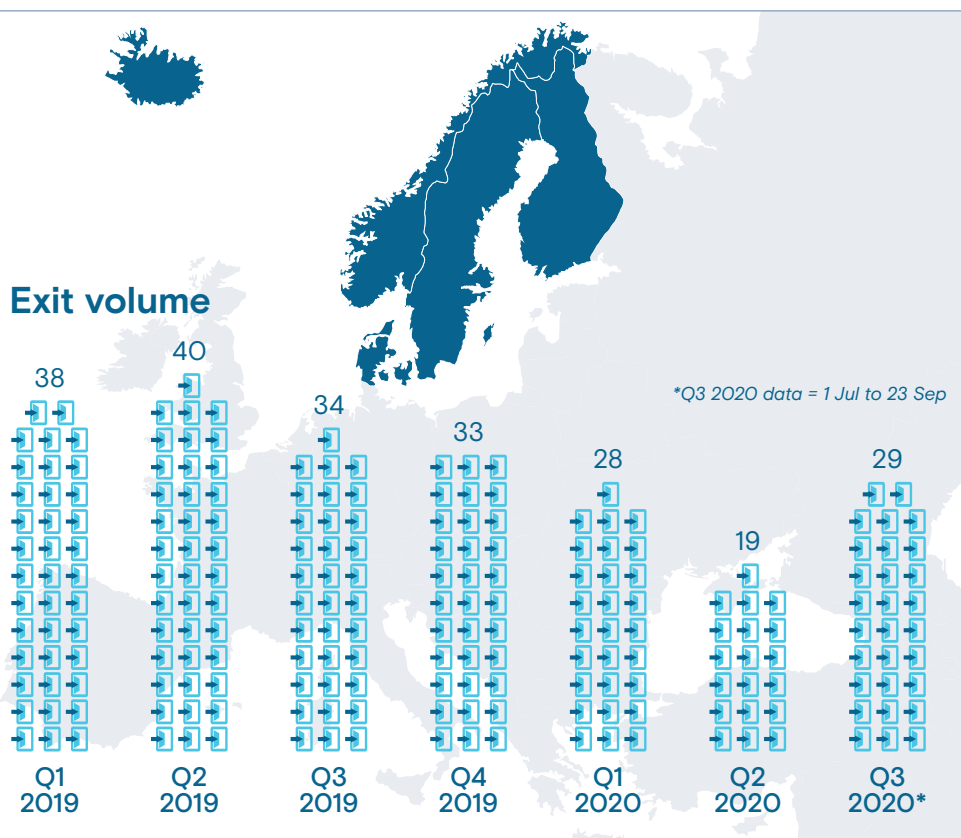
A source close to the transaction confirmed the deal value to be close to €500m.

The deal is the GP's first investment from its latest vehicle, Nordic Capital X, the source told *Unquote*. The vehicle held a first close in August on its target of €5bn and has a hard-cap of €5.75bn.

The GP will own the business

alongside founder and CEO Morten Ebbesen and his brother Niels Ebbesen, who will retain a combined stake of 30%. Growth equity investor Summit Partners, the company's current minority shareholder since 2015, will divest its holding upon completion of the transaction.

According to the company's accounts, Siteimprove generated revenues of \$73.1m in 2019, up from \$61.4m in 2018; and EBITDA of \$5m in 2019, up from a \$4.2m loss in 2018. ■



Southern Europe deals

26x
EBITDA
valuation

EQT buys Idealista from Apax for €1.3bn

Swedish private equity firm EQT has acquired Spanish online property marketplace Idealista from Apax Partners for €1.3bn.

The deal gives the company a valuation of around 26x its EBITDA of approximately €50m, a source close to the company told *Unquote*. Apax reaped a 40% IRR.

EQT bought a majority stake in the company, while the management team, led by CEO Jesús Encinar, reinvested significantly into the business and retained a minority holding.

Idealista is an online real estate platform that provides a digital marketplace for home buyers and sellers across Spain, Portugal and Italy. Its platform offers a diversified portfolio of digital services, including CRM tools, data analytics and online mortgage brokerage. The company generated EBITDA of almost €50m from revenues of around €100m in 2019.

The GP invested in the company via EQT IX, which was launched in January 2020 with a €14.75bn target and a €15bn hard-cap, and is expected to hold a final close by October 2020.



The vehicle makes primarily majority equity investments in companies with strong market positions and cashflow, deploying equity tickets of €150m-1bn.

Idealista will be the second company in the fund's portfolio, in addition to Swedish enterprise software provider IFS. EQT sold a minority stake in IFS to US private equity firm TA Associates in July 2020, in a deal valuing the company in excess of €3bn. As part of the deal, the majority stake in IFS owned by EQT was transferred from EQT VII to its successor funds EQT VIII and EQT IX.

Following the acquisition of Idealista, EQT IX is expected to be 10-15% invested, based on its target fund size.

EQT intends to support Idealista's growth, strengthen its market position, accelerate its penetration in its core markets and further expand its product offering by adding new services for real estate agents to its portfolio.

The sale ends a five-year holding period for Apax, which acquired Idealista from Bonsai Venture Capital, Kutxabank and US firm Tiger Global. Apax bought a majority stake, while the

company's founders retained a significant minority.

The GP acquired the company for an entry multiple of 10-15x its EBITDA in 2015, in a deal that valued the business at around €235m.

Apax put the company on the market at the end of 2019. The sale process attracted the interest of several private equity firms, including KKR, Blackstone and Silverlake, according to press reports. The GP also explored the possibility of an IPO, but subsequently abandoned the idea in favour of a sale.

Under Apax's ownership, Idealista increased its website's traffic by more than four times and recorded a three-fold rise in revenues since 2015. The GP deployed extensive investment in the company's technology and operational divisions, increased its staff from 300 employees to more than 750, and expanded its customer base across southern Europe. ■

People

Apax Partners – Tom Hall.

EQT – Bert Janssens, Carlos Santana.

Idealista – Jesus Encinar.

Advisers

Equity – PwC (*financial due diligence*); Allen & Overy (*legal*); Freshfields Bruckhaus Deringer (*legal*).

Company – Evercore (*corporate finance*); Simpson Thacher & Bartlett (*legal*).

51%
Stake
acquired

HIG Capital backs cybersecurity specialist DGS

HIG Capital has acquired a majority stake in DGS, an Italian IT service specialising in cybersecurity. The business generated EBITDA of around €12-15m from revenues of €115m in 2019.

The GP bought a 51% stake, while DGS co-founders Vincenzo Fiengo and Salvatore Frosina reinvested in the company and retained the remainder.

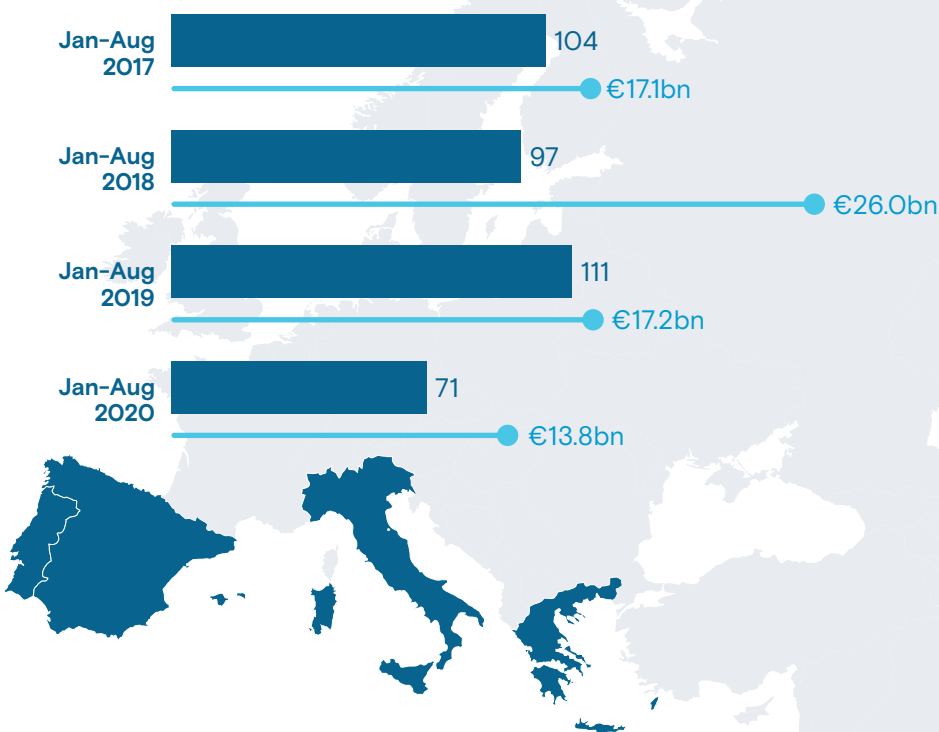
The GP invested in the company via HIG European Capital Partners II, which closed on €825m in July 2013,

exceeding its €760m target after just three months on the road.

The firm recently launched a new buyout fund, HIG Europe LBO III, with a €1bn target.

The deal was also financed with a debt package composed of senior debt provided by Ubi Banca, Banco BPM, Intesa Sanpaolo, Deutsche Bank and Muzinich's Springrowth Fund. A mezzanine facility was provided by Antares AZ I private debt fund, which is managed by Azimut Libera Impresa. ■

Buyout activity between January and August



People moves



Catherine Richards
Inflexion

Inflexion promotes Richards, Edmans

Inflexion Private Equity has promoted **Catherine Richards** and **Philip Edmans** to the position of senior partner, alongside several other promotions in the firm.

Richards joined the firm in 2005, while Edmans started his career as a manager in PwC's corporate finance team. From there he moved to Gleacher Shacklock, a corporate finance boutique, before joining Inflexion in 2010.

Meanwhile, **Chris Wright** has been hired as a partner in Inflexion's Manchester office, where he will focus on developing investment opportunities with businesses across a range of sectors in the region. Prior to Inflexion, Wright was a director at mid-market PE house LDC, where he spent six years investing in a number of businesses including Stroma, Synexus, Mini-Cam, Chargepoint and BWML. Wright spent the last two years in the Thames Valley as head of LDC South.

The firm has also promoted **Tom Pemberton** and **Kirsty Tikerpae** to partner. Additionally, **James Wigglesworth** has been promoted to investment director

in the Manchester office, while **Saloshnee Nightingale**, **Ravi Shah**, **Andreas Constantinides**, **James Stevens**, **Rob Dagger** and **Adam Moss** have been promoted to the position of assistant director.

In addition to these promotions in the investment team, Inflexion has also promoted **Edward Taylor** to the position of portfolio director and **Alex Mathers** to the position of digital director.

Bond and Birkin join MML Capital Partners

MML Capital Partners has hired **Oliver Bond** and **Brock Birkin** in its investment team and investor relations team, respectively.

Bond joins as an investment director in the UK deal team. Prior to joining MML, Bond was the CFO of Literacy Capital-backed recruitment business Dartmouth Partners. He also previously led a transformation programme at Arqiva, working at PwC in operational restructuring and acting as an operating director at LDC.

Birkin joins MML on a permanent basis as manager for finance and investor relations. He has already worked with the firm for a few years, supporting the

finance team and latterly working in fundraising and investor relations. Before joining MML, Birkin worked with KPMG in its Adelaide office, before working in London with MML as a fund finance manager, more recently returning to Australia and working for Deloitte.

The firm is currently raising for MML Partnership Capital VII, which held a first close on an undisclosed amount in October 2019.

Ambienta hires two partners for Paris office

Ambienta has opened a new office in Paris and has appointed two new partners – **Gwenaëlle Le Ho Daguzan** in France and **Hans Haderer** in Germany.

Le Ho Daguzan joins Ambienta from Bridgepoint, where she worked for 10 years. Prior to this, she launched the private equity activity of Dzeta Conseil, a Paris-based family office investing in small-cap companies. In her new role, she will lead Ambienta's Paris office.

Ambienta has been active in France for a number of years, most recently with the acquisition of Nactis in December 2019 to form Nactarome.

Haderer joins Ambienta as



Oliver Bond
MML Capital Partners

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

a partner in Germany. He was previously a senior partner at BC Partners, the Boston Consulting Group and Goldman Sachs.

Herter & Co hires Samii

Frankfurt-headquartered financial consulting firm Herter & Co has hired **Marco Samii** as managing director.

The hire aims to increase the firm's financial sponsor transaction capabilities, according to a statement.

Samii joins from IKB Deutsche Industriebank, where he had worked since 2010. He was head of the firm's leveraged finance division and managed the rollout of its LBO transaction services. He also has experience with Freitag & Co and Dresdner Kleinwort.

Jain joins HIG as managing director

HIG Capital has hired **Rohin Jain** as a managing director. Jain joins the European mid-market LBO team in the firm's London office. He joins from Triton Partners, where he led the healthcare sector team. Prior to that, he worked at Mistral Equity Partners and UBS Investment Bank.

Alongside this appointment, the mid-market LBO team has also hired **Nishant Nayyar** as

a principal in the firm's London office. Prior to joining HIG, Nayyar was a principal at Apax Partners, working in the technology, media and telecommunications sector, and leading several investments. Before that, he was a private equity investor at Warburg Pincus and started his career as a consultant at Bain & Company.

HIG launched its European Capital Partners III fund in July 2020, with a target of €830m.

Travers Smith poaches Simon Witney

Private equity specialist **Simon Witney** has joined Travers Smith as a senior consultant in London.

With experience in regulatory, transactional and fund formation disciplines, Witney will be part of the team specialising in servicing clients in the international private capital market across those practice areas.

Witney had been a special counsel at Debevoise & Plimpton since 2017. He joined the firm following 16 years at SJ Berwin (later King & Wood Mallesons).

Witney has also served in senior positions at trade associations over the years. He is currently a member of the council of the British Private Equity and Venture Capital Association

(BVCA), and previously chaired its legal and accounting committee. He is a past chair of Invest Europe's tax, legal and regulatory committee, and a current member of its professional standards committee and financial services regulatory working group. He has also been a member of the Emerging Markets Private Equity Association's legal & regulatory council.

Witney is a visiting professor in practice in the law department at the London School of Economics and Political Science, where he also teaches a course on private equity law on the LLM programme.

Imap appoints Hildebrand as partner

Imap M&A Consultants has hired **Ruta Hildebrand** as a partner in its Munich-based healthcare-focused team.

The appointment aims to strengthen the firm's healthcare advisory capabilities, according to a statement.

Hildebrand joins Imap from Acxit Capital Group, where she had worked since 2007, working on transactions for clients including corporates, family-run companies and financial investors. She was appointed as managing director in 2019. ►



Marco Samii
Herter & Co



Simon Witney
Travers Smith

People moves cont.



Harry Mahadevan
TA Associates

TA Associates rehires Mahadevan as VP

TA Associates has hired **Harry Mahadevan** as a vice-president in its London office.

Mahadevan focuses on investments in financial, business and data services companies across Europe, as well as cross-sector UK investments. He initially joined the firm as an associate in the London office in 2015, but left to attend Stanford University Graduate School of Business in 2018. Mahadevan also previously served as an investment banking analyst at Credit Suisse.

Alongside the appointment, **Benjamin Bold** and **Daniel Gold** have also rejoined as VPs in the firm's Boston office.

TA is currently investing from its eighth-generation vehicle, which closed on \$8.5bn in May 2019. It was 15% deployed as of December 2019.

Silverfleet hires Prym as investment executive

Silverfleet Capital has hired **Stephan Prym** as investment executive in its Munich team.

The appointment is the second hire in the GP's DACH-focused team in 2020, following the appointment of **Christian Süss** in July 2020. The firm said

in a statement that, since 2004, 29% of its portfolio companies have been headquartered in the DACH region.

Prym joins the firm from Alpina Partners, where he was an investment manager. He also has prior experience in Deloitte's transaction services team, where he worked for four years.

Talis Capital makes three promotions

VC house Talis Capital has appointed a new partner, as well as two principals.

Tom Williams has been promoted to the position of partner. He joined the firm in 2013 after working as a senior portfolio manager for Dart Capital. Since joining Talis, Williams has acted as a director for Learning People Global and as a board observer at Insurdata, among other positions.

Beatrice Aliprandi and **Kirill Tasilov** have both taken the role of principal.

Aliprandi started at Talis in 2018 as a senior analyst, following three years at Jefferies Investment Bank. In her time at Talis, Beatrice has sourced and led deals in construction marketplace Construyo, digital hospital Medbelle and hair brand Bleach London.

Tasilov joined Talis as an analyst in 2018 after graduating from the Hong Kong University of Science and Technology. Kirill has focused on consumer internet and enterprise software at Talis, leading deals in real estate investment platform Immo, publishing marketplace Reedsy, and Zyper, a software company.

Over the past 12 months, Talis Capital completed 17 investments and is expected to raise its next fund in 2021.

Redman joins Aberdeen Standard Investments

Aberdeen Standard Investments has appointed **Mark Redman** as global head of private markets.

Redman previously worked at Ontario Municipal Employees Retirement System (Omers), which had C\$109bn in net assets as of 31 December 2019. Redman joined Omers in 2009 to establish its European private equity business. He was then promoted to global head in 2015 and oversaw the private equity arm's growth to manage C\$14.2bn in assets.

In his new role, Redman will be supported by **Neil Slater** in his capacity as deputy head of private markets and global head of real estate. ■



Stephan Prym
Silverfleet Capital



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