

Clearwater International Multiples Heatmap

Q1 2021

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

INSIDE

EUROPEAN OVERVIEW:

With average multiples hitting a record peak, European PE dealmakers appear to have quickly adjusted to the post-pandemic dealmaking environment – delivering record deal value during the first quarter of the year

SPOTLIGHT ON: Nordics

SECTOR FOCUS: Healthcare

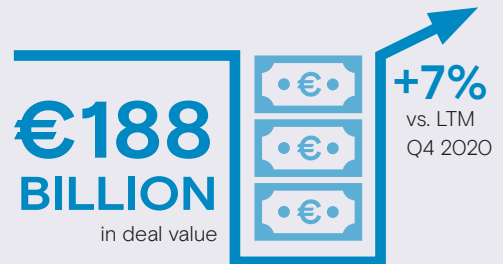


At a glance: Q1 2021

LTM trends

Q1 2021 vs Q4 2020

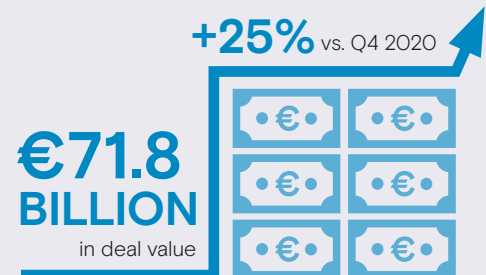
In terms of last twelve months, PE deals were up by 13% (volume) and 7% (value) in LTM Q1 2021 versus LTM Q4 2020



Quarterly trends

Q1 2021 vs Q4 2020

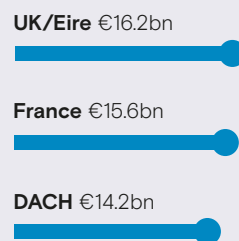
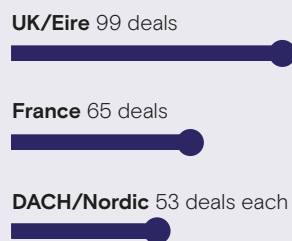
Quarter-on-quarter, volume fell by just 4%, while value rose 25% against Q4 2020



Top regions

Q1 2021

In terms of both volume and value, UK/Eire was the top-performing region in Q1 2021

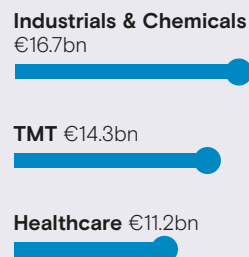
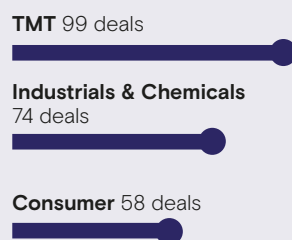


12.9x
UK/Eire had the highest average LTM multiples in Q1 2021

Top sectors

Q1 2021

In Q1, the TMT sector provided the most deals while industrials and chemicals produced the most value



13.7x
Healthcare was the hottest sector for average LTM multiples in Q1 2021



European overview

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

European PE dealmakers appear to have quickly adjusted to the post-pandemic dealmaking environment – delivering record deal value during the first quarter of the year. This follows on from a resilient performance in 2020, which saw annual deal volumes decrease only marginally despite the widespread disruption caused by the COVID-19 pandemic.

A renewed sense of confidence in the European PE market is reflected in a steady increase in valuations over the course of the year. Deal multiples saw four consecutive quarterly increases to reach 11.5x in the first quarter of the year – a new high.

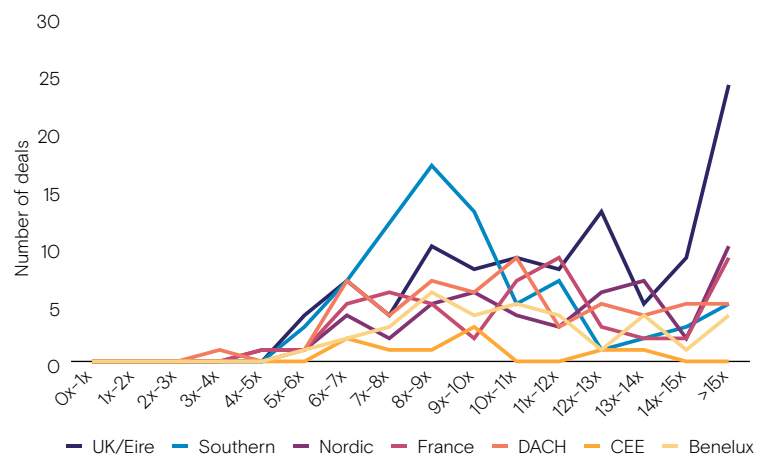
The sought-after TMT and healthcare sectors generated the highest multiples across sectors, with both displaying resilience amidst the pandemic.

DEAL SIZE

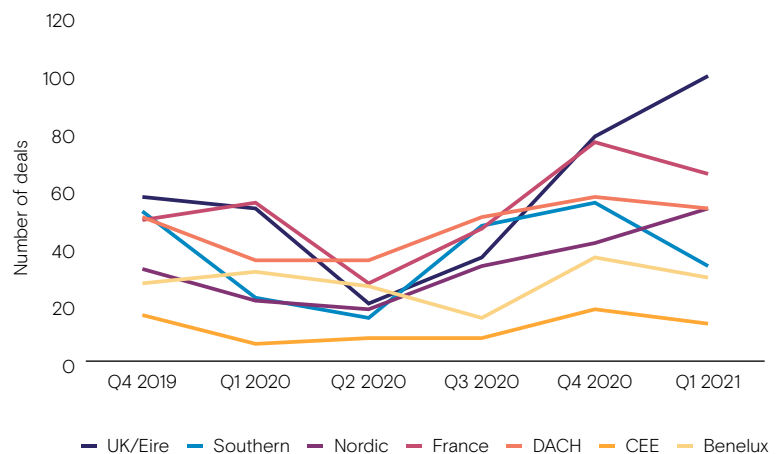
In terms of deal size, the majority of deals continued to take place within the sub €50m price bracket. Deals valued at over €1bn saw the sharpest percentage hike in volume quarter-on-quarter, highlighting a return in confidence in megadeals.

The top-end of the market also continued to generate the highest valuations. With an average multiple of 15.4x, deals valued between €500m and €1bn attracted not only the highest valuations in the first quarter, but the largest increase in multiples quarter-on-quarter. Multiples for deals within the +€1bn category also saw a quarterly rise, increasing to 14.2x in the first quarter of the year.

LTM MULTIPLES DISTRIBUTION BY REGION



DEAL VOLUMES BY REGION



European deal multiples saw four consecutive quarterly increases to reach 11.5x in Q1 2021 – a new high.



European overview continued

AVERAGE MULTIPLES OVER LAST TWELVE MONTHS – REGIONS

	Start	01/04/19	01/07/19	01/10/19	01/01/20	01/04/20	
	End	31/12/19	31/03/20	30/06/20	30/09/20	31/12/20	31/03/21
		Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Benelux		9.9	9.8	10.4	10.5	10.3	11.5
CEE		8.5	8.3	8.6	8.3	8.8	9.3
DACH		10.5	10.8	10.2	10.3	11.1	10.9
France		10.6	10.4	10.9	11.1	11.3	11.7
Nordic		11.5	11.2	11.0	11.0	11.8	12.1
Southern		9.5	9.5	9.4	9.7	10.2	9.9
UK/Eire		10.7	10.8	10.8	11.2	11.6	12.9



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

Valuations within these top two price brackets show a clear increase compared to pre-COVID levels, highlighting growing competition for deals as confidence gradually returns to the European PE market.

Deals valued between €250m and €500m also saw a sharp increase in valuations, jumping to 13.9x in Q1 – the highest average multiple in over two years. Deal volumes also registered a healthy increase compared to the previous quarter – posting the highest quarterly volume on record.

The mid-market, on the other hand, saw a decrease in activity in the first quarter. Deal volume fell by 13% in the >€100m and <€250m price bracket, and 25% for deals valued between €50m and €100m.

While quarterly multiples within the €50–€100m segment increased slightly to 10.2x quarter-on-quarter, average multiples for deals valued between €100m and €250m decreased to 10.7x. This demonstrates that while appetite within the top-end of the market is heating up, competition for deals within the midmarket appears to be cooling.

REGIONAL OVERVIEW

The UK and Ireland posted the highest valuations across Europe – and the highest quarter-on-quarter increase in multiples – with averages jumping to just below 13x in the first quarter. The region also saw the largest number of deals across Europe for the second quarter in a row – increasing by 27% compared to Q4 2020.

Building on its strong performance in Q4 2020, the Nordic region delivered a solid valuation increase in Q1 – posting an average multiple of over 12x for the first time in over two years. Deal volume saw three consecutive quarterly increases to post a new record of 53 deals in Q1 – marking a clear return to pre-pandemic levels of activity.

The Benelux region also saw a steep increase in multiple averages, increasing from 10.3x to 11.5x quarter-on-quarter. Despite this increase in valuations, deal volume dropped 19% compared to Q4 2020 and remains marginally below pre-pandemic levels.

The Nordic region delivered a solid valuation increase in Q1 – posting an average multiple of over 12x for the first time in over two years.



Spotlight on: Nordics

The Nordic PE market continued to see record levels of deal value in Q1, with valuations soaring even higher as the pandemic-driven uncertainty is giving way to optimism in many sectors, say Clearwater International partners Tomas Almgren and Lars Rau Jacobsen

The Nordic region was home to 53 deals in Q1 this year, up from 41 in the preceding quarter, and significantly in excess of the 21 deals recorded in Q1 2020, according to *Unquote* and Clearwater International data. Furthermore, deal value in the region soared to €12bn in Q1 2021, compared to €4.7bn in the previous quarter, and €724m in Q1 2020.

Tomas Almgren, Clearwater International partner in Sweden, says the market is booming, with strong appetite on both the buy- and sell-side. His fellow partner in Clearwater International's Denmark office, Lars Rau Jacobsen, highlights how optimism is soaring in the market: "There are many sellers who thought their businesses would get into financial distress or would even be at risk of going bankrupt last year, so they trimmed their operations; but things are looking better now, with demand even stronger than before in many sectors. Similarly, buyers last year expected challenging market conditions, so they focused on trimming their own operations, expanded their credit lines, etc. Many put extra capital aside to be ready for a great recession, but that didn't happen. So now they are looking to put that capital to work for acquisitions."

The average entry multiple for PE deals, which has always been high in the Nordic countries compared to other regions of Europe, climbed even higher in Q1 this year to 12.1x, compared to 11.8x in Q4 2020 and 11.2x in Q1 2020. The consumer sector in particular has been frothy, Jacobsen says: "A lot of consumer deals, especially in e-commerce, have seen very strong valuations. But it is connected to the growth these businesses are seeing – we have seen triple-digit growth in many of these businesses, as the trends seen in e-commerce over the years accelerated during COVID-19."



“Many put extra capital aside to be ready for a great recession, but that didn't happen. So now they are looking to put that capital to work for acquisitions.”

Lars Rau Jacobsen, managing partner,
Clearwater International Denmark



Spotlight on: Nordics continued

Notable e-commerce deals Clearwater advised on recently include Sinful, an online retailer of adult toys and related products, which was acquired by Polaris; Kaffekapslen, a retailer of coffee capsules, which was acquired by Ceder Capital; and electronics accessory retailer AV Cables, which was acquired by FSN-backed Kjell and Company.

The trend of PE-backed companies going public also continued in the first quarter, particularly in the TMT sector, but companies choosing this route are mostly smaller businesses raising capital to fund their growth, says Jacobsen: "In Denmark, companies choosing the IPO route are mostly high-growth, small-cap businesses. We haven't seen a lot of the large-cap IPOs yet, because going with strategic or PE buyers still tends to be the most attractive exit route from a valuation perspective."

Almgren adds: "We have seen a lot of e-commerce businesses going down the IPO route following PE ownership in Sweden. They have been successful, but we have seen valuations that are similar or at least close to our sell-side M&A mandates. I also agree with Lars that large IPOs haven't materialised yet in Sweden."

ESG BACK ON THE AGENDA

ESG has also been a key deal driver, says Jacobsen. "Companies who are positively affected by ESG trends and drivers, and especially sustainability are extremely popular right now. It was also last year, but we really are seeing a strong focus on businesses that have a value proposition that is connected to ESG. We aren't seeing any presentations going out to investors that don't address the ESG or sustainability angle. It is one of the first things we discuss, and we see a lot of new PE funds where part of the strategic focus area is to invest in ESG-driven business models," he says.

As these trends and Q1 numbers highlight, normality has returned to the Nordic region for the most part. But some hangover from the unprecedented events of 2020 remains. Almgren says that inflation – from property to industrial goods – could become a concern in the long run: "Although there has been some money-printing in Sweden, we have been more conservative than most other countries. But we are still importing some inflation from the EU and the

US, meaning that the Swedish crown has appreciated very strongly against the dollar in particular. It is good for companies that import and sell, such as e-commerce businesses for instance, but if you are an exporter, this could be an issue. And we are quite export-driven; our largest companies are Volvo and Erickson, which drive the underlying economy to an extent."

Based on their pipeline, however, both Almgren and Jacobsen predict strong deal volumes in Q3 and Q4. Jacobsen says: "If we look at our pipeline, we expect just as strong activity in Q3 and Q4 as we had in the first two quarters. For businesses unaffected by COVID-19, it is a good market, with low interest rates, lots of financing and capital, and good businesses."

He adds: "It is unclear what valuations we will see going forward, but I don't expect them to go lower. What we are not seeing is unhealthy valuations, because we aren't seeing unhealthy financing structures in the deals we have done, at least. If we continue to see a stable environment, I expect the valuations to be at a similar level, which is high and therefore enticing from a seller's perspective. But even from a buyer's perspective, we are in an environment where we have stability and very strong growth, which makes these valuations acceptable."

"We have seen a lot of e-commerce businesses going down the IPO route following PE ownership in Sweden."

Tomas Almgren, managing partner,
Clearwater International Sweden



Sector focus: Healthcare

Reinvigorated by the massive boost in financing and attention received with the spread of the pandemic, the healthcare sector saw multiple valuations pick up in Q1 2021 and hit a record high of 13.7x

Furthermore, the healthcare market recorded a stable dealflow and a significant increase in deal value compared to previous quarters. According to *Unquote Data*, 23 buyouts were inked across the sector between January and March 2021, for an aggregate value of €11.2bn. By comparison, 28 buyouts were signed in Q4 2020, for a total enterprise value of €5bn and 26 in Q1 2020, worth €8.3bn.

Reflecting the rising interest in healthcare assets, the sector saw several large deals across Europe, including the €4.5bn acquisition of French medical business Cerba HealthCare, bought by EQT from Partners Group. Meanwhile, Charterhouse sold its majority stake in Cooper Consumer Health, a France-headquartered provider of generalist over-the-counter self-care pharmaceuticals, to CVC Capital Partners. The deal valued the business at €2.2bn, equating to a 14.1x entry multiple.

In the UK, Nordic Capital launched a takeover offer for Advanz Pharma, valuing the company at more than US\$2bn, while in the Netherlands Triton invested in Bergman Clinics, a portfolio company of NPM Capital.

"Healthcare has been one of the leading sectors over the last 12 months, recording a stable volume of deals and a significant increase in valuations," says Ramesh Jassal, International Head of Healthcare at Clearwater International. "The only segment negatively affected early on, primarily due to social distancing measures, was consumer healthcare, which includes a wide range of activities, such as dentists, clinics, practices and cosmetic surgery. However, even the most impacted segments have been able to recover and adapt to the new environment, implementing an intensive use of technology to meet the needs of their clients, from virtual consultations to digital tools aiming to streamline processes and providing better data to healthcare professionals. In



addition, numerous players across the healthcare sector have benefitted from public contracts with state-owned health services like the NHS in the UK."

An additional factor that has contributed to keeping deal flow volume stable and buoyant, at least in the UK, has been the rush to get deals across the line before the increase in capital gains tax rates expected for March 2021, which ultimately did not come to pass.

Jassal says: "Deals that had been put on pause in 2020 due to the pandemic, were eventually back up and running within a couple of months once the market adapted to working in lockdown. A large volume of these deals in the UK were completed by Q1 2021 to avoid the hike in capital gains tax. Interestingly, the same number of deals that completed in nine months was equal to the number of deals done in a normal 12 month period, likely driven by the foreseen tax impact."



Sector focus: **Healthcare** continued

Considered a safe haven and an arsenal of promising assets by many PE firms, healthcare has recorded a steady increase in average entry multiples, which climbed to 12.6x in Q4 2020 and reached 13.7x in Q1 2021.

“Uncertainty spread by the pandemic has caused a flight to quality from PE firms all over the world, increasing competition in a rarefied market with a limited number of outstanding assets,” says Jassal. “PE firms have become eager for businesses that were growing pre-COVID and during the pandemic were able to adapt and continue to outperform. Hence why multiples that were trading at high-single and low-double digit before the pandemic, moved to low-double and mid-double digit in Q1 2021, respectively, due to the scarcity of these assets. In the pharma outsourcing segment, the increase has been particularly significant, with assets that were trading at around 11-13x before COVID, reaching 15x plus after the pandemic.”

Among the highest multiples seen by the market in Q1 was the sale of Prescient Healthcare, bought by Bridgepoint from Baird for a mid to high double-digit multiple, while biometrics clinical research company Phastar was acquired by Charterhouse at a multiple of around 15x.

“The pharma outsourcing space is mainly composed of global companies that were able to adapt quickly to the pandemic, implementing remote working practices and virtual settings faster than any other segment,” says Jassal. “The growth in this sector has been continuous, ranging between 30-60% year-on-year, depending on the business. This has attracted a broad pool of investors, including both PE firms with a long experience in healthcare and several newcomers that had not invested in healthcare before and have now dived into the sector.”

Another hot segment across the healthcare industry has been health and social care, which provides services to hospitals, nursing homes, foster caring and nurseries.

“Following COVID lockdowns and disruptions, there will be a continued high demand for health and social care services like mental health support, as well as an increasing pent-up demand for elective surgery, which will need to be addressed immediately, but will be with us over the next five to ten years

to help clear the backlog,” says Jassal. “Companies that are able to provide additional capacity to the healthcare market will become very attractive to PE investors, which are able to ride this rising trend and maximise growth.”

Looking ahead, the healthcare market is expected to build up momentum, with new opportunities arising across Europe, not only in the biotech space, which has been booming after COVID, but also in more traditional segments of the industry, where strong consolidation is foreseen.

“The anti-cyclical nature of healthcare and the underpinned government funding in some healthcare segments will continue to generate interest across the industry, with multiples holding up over the next 12 months,” says Jassal. “We expect to see intense activity, especially from PE players, which are likely to increase their allocation towards the industry even further. Healthcare is currently one of the hottest sectors in the market and competition will remain high in the coming quarters.”

“Uncertainty spread by the pandemic has caused a flight to quality from PE firms all over the world, increasing competition in a rarefied market with a limited number of outstanding assets.”

Ramesh Jassal, International Head of Healthcare, Clearwater International

ABOUT & CONTACTS





















Clearwater International has a proven track record of excellent client outcomes. With 18 international offices and more than 250 employees, the business has completed over 1,908 transactions worth an aggregate value in excess of €96bn.

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

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

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

Selected Clearwater International private equity transactions from the last quarter

 <p>sinful</p> <p>sold to</p>  <p>POLARIS THE POWER OF PARTNERSHIP</p> <p>Sell-side Undisclosed</p>	 <p>BGF</p> <p>sold</p>  <p>ReBOUND</p> <p>to</p>  <p>Reconomy</p> <p>Sell-side Undisclosed</p>	 <p>Kaffekapslen</p> <p>sold to</p>  <p>Ceder CAPITAL</p> <p>Sell-side Undisclosed</p>	 <p>BRIDGES Fund Management</p> <p>on its investment in</p>  <p>matrix TELEMATICS</p> <p>Buy-side Undisclosed</p>
 <p>INFINITYWORKS</p> <p>on its sale to</p>  <p>accenture</p> <p>Sell-side Undisclosed</p>	 <p>BNP PARIBAS DEVELOPPEMENT and ARJISFINANCE</p> <p>and the founders of</p>  <p>sagitta</p> <p>sold a majority stake to</p>  <p>ISATIS CAPITAL</p> <p>associated to the management team and</p>  <p>BNP PARIBAS DEVELOPPEMENT</p> <p>Sell-side Undisclosed</p>	 <p>ChargePoint TECHNOLOGY</p> <p>sold to</p>  <p>ARCLINE INVESTMENT MANAGEMENT</p> <p>Sell-side Undisclosed</p>	 <p>ORIENTA PART-CARS</p> <p>sold its portfolio company</p>  <p>SIDAC</p> <p>to</p>  <p>SCHUR FLEXIBLES</p> <p>Sell-side Undisclosed</p>

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



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