



# Unquote

Issue 87 – September 2020

## Out of the ashes

H1 stats lay bare the impact that Covid-19 has had on buyout dealflow – but early signs of recovery and growing bullishness in the market show promise



Fashion assets  
face uphill battle

How fund T&Cs  
could be affected

Spotlight on  
Tenzing, Emeram



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## Back to business

The summer is always a busy time for *Unquote*, as our researchers diligently crunch the numbers – and the reporters catch up with their contacts across the industry – so that we can give you a clear picture of activity during the first half of the year and see what's on the horizon.

This month's cover story, and the raft of regional updates we have put together, are pretty clear on the impact that coronavirus has had on dealflow from March onwards. The headline figure of 714 deals inked in Q2 can make it look like the slowdown wasn't as sharp as expected, but that is purely because venture and growth capital activity held up pretty well. If we look at European buyout volume, that dropped by almost 40% in Q2 – a 20-quarter low – and the value of transactions fell to less than one third of that seen in the previous two quarters.

This makes for grim reading – but there is hope. First of all, as our cover story explores, the preliminary figures for July indicate a sharp rebound in the number of PE deals announced. While we still saw low levels of deal-doing compared to typical July periods in recent years, this seems to suggest that there was a fair bit of pent-up appetite unleashed once the situation started improving in late Q2. It is also worth noting that there is usually a buffer between processes crossing the finish line and them being recorded in our data set, meaning that the figures

likely illustrate that a number of deals still managed to progress in lockdown.

Furthermore, the regions that were originally hit the hardest by the outbreak saw the sharpest rebounds in July, and the large-cap segment also woke from its slumber over the summer – as evidenced by the deals for Elsan in France, Ima in Italy, and more recently Visma in Norway.

Market players we have been speaking to are indeed feeling increasingly bullish for the rest of the year, but there are a couple of caveats to that. The first one is that GPs are still likely to be very selective, so competition for the best assets is bound to be intense – obviously in tandem with punchy price tags. In that sense, the wave of opportunistic plays or a general cooldown in pricing that some may have expected as the pandemic hit have not quite materialised yet. And the other caveat is that the situation is still extremely fluid, as recent news events have shown – any new flare-ups and potential lockdowns (even if more limited in scope) could still throw a spanner in the works and reduce the appetite to invest.

We will be keeping a close eye on activity and market sentiment as Q4 looms, to confirm that these early signs of rebound are not a mere post-lockdown blip. In the meantime, the whole team joins me in wishing you a fruitful rest of the year. ■

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# Green shoots

The buyout market is picking up again following one of the worst slumps on record, with some of the regions originally hardest hit becoming busier in July – but caution will prevail for some time

**A**fter losing a great deal of momentum in Q2 2020, the buyout market has started to overcome the impact of the Covid-19 outbreak, according to *Unquote Data*.

The preliminary figures for July indicate a sharp rebound in the number of PE deals announced. Total buyout volume went up from 51 in June to 85 in July, an increase of 66% – although it has to be noted that this volume total is low compared with typical July periods in recent years (with 132 deals recorded in July 2019, for instance).

“There is no escaping that [M&A] activity will be significantly down this year, on a net basis,” says Baird managing director Vinay Ghai. “But the mood in the market, and activity levels, have already been positively shifting in the space of just two months.”

Buyout activity rebounded or stayed nearly

the same in all regions across Europe except for Benelux, where it fell by half. Meanwhile, the regions originally hit the hardest by the pandemic saw the sharpest rebounds in July. These include southern Europe, where deal volume increased from three transactions in June to 20 in July; and France, up from nine to 22, both reaching pre-crisis volume totals. The UK & Ireland, DACH and Nordic regions also had a more robust month, with a promising deal volume increase on the previous month, but buyout dealflow remained scarce overall. The UK was home to only eight deals in July, while Germany saw 10 transactions.

## A reawakening

The large-cap segment woke from its slumber in France and Italy too, boosting the aggregate value figures seen in these countries in July. In the former, KKR and Ardian invested in Elsan, an operator of private hospitals and clinics owned by CVC Capital Partners; the deal gave the company an enterprise value of around €3.3-3.5bn, equal to almost 12x EBITDA.

Meanwhile, in Italy, BC Partners made the first move towards a take-private of Milan-listed company Ima, a manufacturer of packaging ►

“[M&A] activity will be significantly down this year, on a net basis. But the mood in the market, and activity levels, have already been positively shifting in the space of just two months”

*Vinay Ghai, Baird*





machinery, in a deal valuing the company at €3.6bn.

The Nordic region also saw aggregate value spiking, given TA Associates' acquisition of a minority stake in Sweden-based enterprise software provider IFS from EQT; the deal valued the company at €3bn.

All other regions remained weak in terms of aggregate deal value, with a noticeable drop on the previous month, further indicating that any activity recovery is likely to be driven by small-cap and mid-market deals for some time.

The smaller end of the European market did rebound in July, with deal volume increasing 66% on the previous month, while the mid- and large-cap segments remained even. Meanwhile, an increase in large-cap aggregate value (from €2bn to €11bn in July) significantly boosted the total deal value of the month. Nevertheless, the €13bn aggregate value total for deals announced in July sits at the lower end of the scale for a typical pre-covid month.

### Oiling the cogs

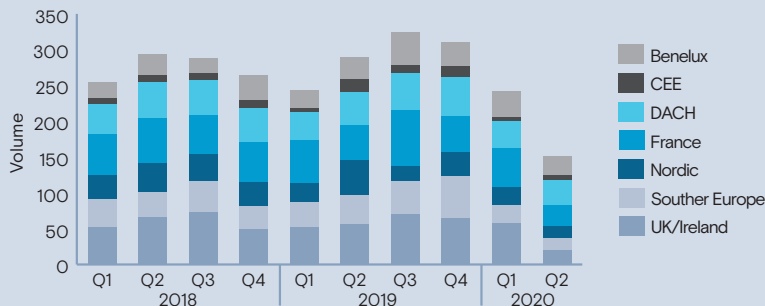
Baird managing director Paul Bail says the outlook is also changing when it comes to the debt market. "Syndication is moving again, as evidenced by the ThyssenKrupp Elevator syndication, which is a clear indication that the public debt markets are open across leveraged loans and high yield," says Bail. "The Covid-19 overhang is being sorted out, and new and larger deals can now come to market. Talking to banks, there is now appetite to underwrite again."

Club deals have been scarce during the crisis, with the notable exception of the provision of a \$1.3bn loan in KKR's acquisition of Coty's professional beauty and hair business, Wella.

Speaking specifically about the German market, GCA Altium managing partner Norbert Schmitz says: "If you are a strong sponsor and have shown that you care for your portfolio in the past three months, you can still get bank financing. The banks are there, but they are selective."

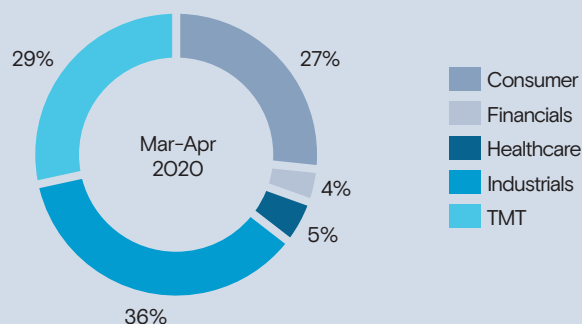
Says Baird's Bail: "Unitranche has remained available, and borrowers have been hungry for the product. But it will remain for the high-profile, resilient businesses." Bail points to deals including Hayfin's provision of 5x EBITDA unitranche leverage of €100m for Avista Capital Partners' acquisition of Vision Healthcare as an example. "Nevertheless, leverage has generally remained at 0.5-1x below pre-Covid-19 levels, with unitranche pricing 50-150bps above, although more recent deals are seeing competition driving these differentials down."

### European buyout activity Q1 2018–Q2 2020



Source: Unquote Data

### Buyout volume per Industry



Source: Unquote Data

## Looking ahead

Driven by the easing of lockdowns and a recovering debt market, industry participants are cautiously optimistic that Q3 and Q4 could see a path to further recovery. Says Schmitz: "As long as things remain as they are at the moment, and there is no massive second wave, M&A processes for high-quality assets are getting going and people are thinking about selling or bringing assets to market. We expect more activity in September and Q4 2020, but you always need a seller willing to sell and a buyer who is willing to take a view on EBITDA. You need them to believe it and agree, although there are mechanics such as earn-outs and vendor loans. We believe Q4 will be more active on the add-on, refinancing and M&A side."

Most deals inked during Q2 have been for assets well-known to potential buyers, and with processes often initiated pre-pandemic, says

"M&A processes for high-quality assets are getting going and people are thinking about selling or bringing assets to market. We expect more activity in September and Q4 2020"

*Norbert Schmitz, GCA Altium*

Ghai: "Processes that may come up in Q3 and Q4 will be less well-known to the buy-side, which will impact how they play out. Processes are likely to become more tailored and nuanced. This could benefit PE, which tends to be nimbler and more deliverable on tight deadlines; corporates will be slower out of the gate for M&A."

A significant driver as to whether or not processes trickle back in Q3 and Q4 is indeed corporates' M&A outlook, says a partner at a ►

## Q2 slump

*Unquote's* recently released Q2 statistics lay bare the impact that coronavirus has had on dealflow from March onwards. Buyout volume dropped by almost 40% in Q2 and the value of transactions fell to less than one third of that seen in the previous two quarters.

In all, there were 151 buyouts announced between April and June, a 20-quarter low and a sharp drop from the 241 deals completed in Q1. As would be expected, it was the slowdown at the top end of the market that impacted overall buyout value the most. The quarter's four >€1bn buyouts were worth just €5.4bn, in sharp contrast to the previous quarter's €43.4bn. It was the lowest value in the last 10 quarters and took overall buyout value to €18bn from €60.9bn in the previous quarter. The weakness at the top of the market led to a fall of 53% on the previous quarter in average buyout value to €119.8m.

Almost all regions saw a sharp decline in activity in Q2, with the UK and France (both down from 58 to 20), being the hardest hit. Of the main PE markets, the DACH region suffered the least, arguably helped by a robust crisis response from the government and an early return to

business. Deal value also declined in most regions in Q2, rising only in the Nordic countries (47%) and Benelux (35%) on the previous quarter. Meanwhile, it decreased by 81% in DACH, 67% in southern Europe, 65% in France, 59% in the UK & Ireland, and 25% in CEE.

The largest buyout of the quarter was Permira and Warburg Pincus's minority investment in Tilney Smith & Williamson, a London-based wealth manager. The deal has been estimated to be valued at around €2bn, the largest transaction recorded by *Unquote* in Q2.

In May, Bridgepoint acquired a majority stake in French insurance broker Groupe Financière CEP from US-based investment firm JC Flowers and the company's founder. The deal valued CEP at around €1.3bn, equating to approximately 10x EBITDA.

Meanwhile, BDT Capital Partners acquired a minority stake in London-based makeup and skincare company Charlotte Tilbury in an SBO from Sequoia Capital, Samos Investments and Venrex Investment. The financial terms of the transaction were not disclosed, but the deal reportedly valued the company at more than £1.2bn.



German PE house: “The portfolio reviews have just taken place and corporates now have to decide, in triage mode, where they will invest and what they do not want in the portfolio. 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. So processes might jump forward with a new sense of urgency.”

### Wallets at the ready

That urgency could be met by that of GPs, especially those that raised capital in the 2017-2018 heyday and are contemplating the prospect of a lost year in their investment period. Says Ghai: “Covid-19 will knock a year off the usual five-year investment cycle for PE. There will be a huge pressure to deploy, with fewer assets to go around. So we are seeing a significant reallocation of sector priorities for PE firms. But it will be tough for them to find the right dealflow, and consequently pricing for quality assets will also stay high for the time being.”

Nevertheless, Ghai does not expect this pressure to prompt standard buyout funds to seek a potential upside from riskier businesses in the near term: “We are not seeing a lot of movement yet on appetite for riskier assets, as opposed to focusing on the ‘ultra-resilient’ bracket. Most PE houses are not set up to do riskier or more complex deals, and riskier assets will continue to be very difficult to finance, further limiting PE appetite. That said, pressure to deploy could easily change this dynamic next year.”

“At the same time, we have seen an awful lot of



money being raised for special situation vehicles,” says Bail. “So we could see a large divergence between high-quality and distressed dealflow – with not much in between – for some time.”

This is echoed by a number of GPs *Unquote* spoke to over the summer, who are keen on deploying again over Q3 and Q4, albeit with a high degree of caution. “Covid-19 had a material effect on dealflow, but in the past eight weeks, we have seen a significant uptick in activity,” says Adam Maidment, managing director at Kester Capital. “The bar has gone up in terms of the deals we want to do – we are looking for

“We have seen an awful lot of money being raised for special situation vehicles. So we could see a large divergence between high-quality and distressed dealflow – with not much in between”

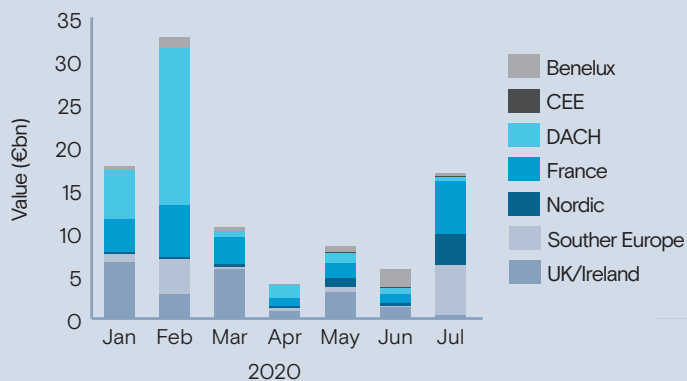
*Paul Bail, Baird*



robust, resilient businesses with growth potential, and there is simply a smaller set of deals today than pre-Covid. For those good businesses that come to market, there is likely to be intense competition. We will stick with our strategy and we will not be investing in rescue deals. Ideally, we would like to complete a new investment before the end of the year, but we will be selective.”

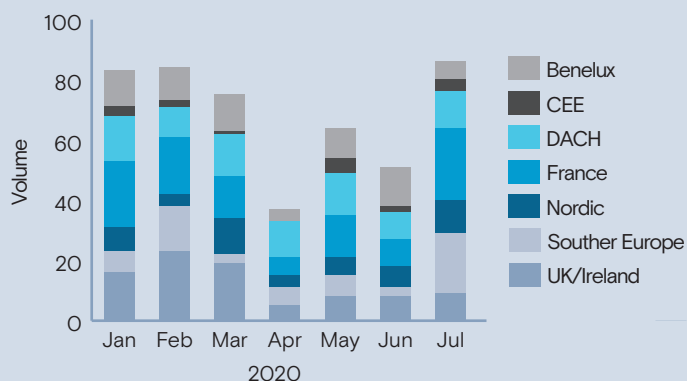
Others – especially single-country funds in geographies where activity has yet to show signs of recovery – are still downbeat about the near-term forecast, though. “Dealflow is

### Value of monthly buyout activity Jan-Jun 2020



Source: Unquote Data

### Volume of monthly buyout activity Jan-Jun 2020



Source: Unquote Data

very poor at the moment,” says a partner at a Benelux-focused GP. “I do not believe that Q4 will pick up – the companies in the market are not those that are interesting for PE as the quality is poor, and it is not just about volume of deals. A lot of PE firms have been put under pressure – in the past two to three years, companies were bought for high prices, with a lot of leverage, so firms were busy with their own portfolios and they have not had time to look at new deals. The preparation for deal sourcing was quite poor in Q2 and Q3, so we will see some of this have an effect in Q4.” ■



# How the crisis could affect fund terms & conditions



**Harriet Matthews**  
Reporter

Exits in the European private equity market plummeted in Q2 2020, reflecting a reluctance from buyers and sellers alike to engage in such transactions in an uncertain market: 155 exits were completed, with an aggregate value of €8.45bn, according to *Unquote Data*. In Q2 2019, 274 exits totalling €50.2bn were recorded. The last time the market saw an aggregate value of exits of less than €10bn was in Q3 2009, when 202 deals were completed totalling €8.7m.

Amos Veith, a partner in law firm P+P Pöllath + Partners' funds advisory team, explains the difficulties that many LPs are facing against this backdrop. "We have seen some clients who are investing in PE funds and other investment programmes that hold hundreds of fund positions and base their liquidity plans and forecasts partially on returned capital: say they are holding 100 old funds in their harvesting period that are making distributions, and at the same time another 100 in their investment period, and they are using the money returned by the older funds to meet their capital commitments to the new ones. But they can see that there are no exits

going on in the current market; buyers often want 30-40% purchase price reductions, whereas the seller can wait another year."

Karl Adam, a partner at placement agent Monument Group, notes that it is not just the M&A market that might be causing problems for LPs: "Some US university endowments, for example, are having issues, as they are having to provide refunds for students and not getting course fees, so their programmes are taking a hit. And there are hospitals that are no longer doing elective surgeries and need money for Covid-19."

However, he says that LPs have not put commitments on hold as a whole: "Some LPs are very conservative and want to wait and see. But they are in the minority; the majority of LPs are still maintaining their programmes – they do not want to miss out on the good vintages by sitting on their hands."

## New incentives

In a correspondingly tough fundraising environment that will see LPs think long and hard about where to deploy capital (if at all), GPs will be looking for all the incentives they can possibly provide.

An obvious one would be to offer lower management fees combined with a lower carried interest for the GP, so that terms are more favourable to potential LPs, who would therefore have to pay less and might see returns on their investments sooner. "The traditional discount is on the management fee and/or carry – GPs generally

"There are a handful of funds that have reduced the hurdle to 6% instead of 8%, but these are exceptions"

*Britta Lindhorst, HQ Capital*

## GPs might seek to offer more attractive fund terms to incentivise LPs in the current climate. But what form might such incentives take, and are GP/LP relations likely to be affected more fundamentally in the longer term? Harriet Matthews reports

do not touch the hurdle rate,” says Monument Group’s Adam.

Britta Lindhorst, a managing director and the head of European investments at HQ Capital, concurs: “There are a handful of funds that have reduced the hurdle to 6% instead of 8%, but these are exceptions.”

Adam does not expect such changes to be widespread. “Generally, there would just be a modest discount to drive the closing and differentiate from other funds. The problem is that this is so specific to the GP – if they are, for example, on their third fund with a loyal LP base, the chances are that they will be able to close without an incentive.”

Lindhorst says LPs are likely to be reluctant to agree to a 2% management fee on capital that might not be deployed for some time: “We always make sure that we do not pay management fees on funds where there is still dry powder in the predecessor fund. But now this is even more important.”

### Learning from a crisis

The consensus from market players with whom *Unquote* spoke was that the market standard hurdle rate of 8% is unlikely to change due to the impact of the coronavirus crisis. However, the way in which returns are calculated, including the use of fund financing and draw-downs, are also something to consider. Edyta Brozyniak, a partner at MJ Hudson, says managers are instead getting creative in other ways: “We have seen some

“The majority of LPs are still maintaining their programmes – they do not want to miss out on the good vintages by sitting on their hands”

*Karl Adam, Monument Group*

adopting hybrid waterfalls (part distribution going through the whole of the fund waterfall and the remainder through a deal-by-deal waterfall).”

In addition, Brozyniak notes that changing a hurdle rate is complex. “Such change would usually involve a unanimous consent of all investors under the terms of the limited partnership agreements. This can be – and has been – done, but it is a relatively rare occurrence as the GP should have a good rationale for lowering the hurdle rate, as the investors who have already been admitted to the fund would be required to consent.”

There are some parallels to be drawn between how fund terms are likely to change in the wake of the coronavirus crisis, and what was seen during the global financial crisis. “As fundraising will be more difficult, GPs might adapt certain terms, as they did during the 2008 crisis,” says Isabel Rodríguez, a partner in the fund team at King & Wood Mallesons (KWM). “The background of the GPs is very relevant; the LPs are still thinking of keeping up allocations to PE, but given the uncertainty of the market at this moment, it is safer to bet on the sponsors you already know, ►



whose funds you have invested in for years, as it is difficult to predict right now what the impact will be on the portfolio in the long term. But in the middle of fundraising, the question is what you can do to move things forward and compensate for the effect of Covid-19.”

When a vehicle is beyond its fundraising period, in crisis situations, GP removals could be contemplated – the precedent and provision for which can be set out in an LPA as a means for LPs to react to challenging circumstances. In theory, no-fault removals can allow a majority of LPs to remove a fund manager without alleging any “fault”; for-cause removals can be used when misconduct or mismanagement is alleged on the part of the GP.

P+P’s Veith says the implementation of for-cause removals are a rarity, even if they are in theory possible and could be favourable to LPs: “A for-cause removal provision is never applicable in practice; typically, you require a court decision, which takes years. As an LP, you want to be able to act or react, and this is what this right provides. If the vast majority want to remove the GP, they can do that for no reason; there is compensation in respect of lost management fees and carried interest and you are in a position to remove the GP.”

The inclusion of provisions for no-fault removals, on the other hand, and indeed the implementation of such terms, might play a greater role than in previous years if LPs are seeking more control and security amid financial uncertainty, suggests Veith: “I would expect that no-fault investor protection rights, removal or termination will have more practical impact as



a means of putting leverage on the GP. If that happens, we might see changes to those terms in the future. We have very limited experience so far in those provisions: in 20 years, I have only seen three or four cases where the no-fault removal right has been exercised or threatened to be exercised to put on leverage. It has almost no practical relevance, which will make GPs quite relaxed; but if LPs use this in this crisis, where it is not down to GP mismanagement or the investor’s fault, then they might have a different view on those provisions in the future.”

### Long-term commitment

However, the consequences of GP removals can be dire for GP and LP relationships, and the market players with whom *Unquote* spoke do not expect these to be used extensively. In fact, LP and GP communication will be key

“A for-cause removal provision is never applicable in practice; typically you require a court decision, which takes years”

*Amos Veith, P+P Pöllath + Partners*



as the market recovers from the crisis. Collier Capital's latest private equity barometer provided an early indicator that the market is doing well in this regard. It revealed that four fifths of LPs are currently satisfied with GP transparency, compared with 39% in the same period in 2012 and 40% in 2009.

"Most GPs have really been making an effort to manage communications much better in this crisis, to speak to LPs a lot more and to increase transparency and trust," says Monument's Adam. "In the last downturn, it seemed there was a lot less transparency, and GPs wanted to be left alone to fix and sort it out. But communication improves the relationship with the LP and it makes them less likely to panic if they know what is going on."

Communication will also be vital in the expected wave of fund restructurings, continuity

**"It is important for the managers to consider if any such restructuring or merger would require an adequately high level of investor consent"**

*Edyta Brozyniak, MJ Hudson*

vehicles and extensions that could come in the wake of the crisis, although longer holding periods were already an emerging trend pre-crisis. Says MJ Hudson's Brozyniak: "We can expect a lot more restructuring and stapled transactions, and fund mergers. It is important for the managers to consider if any such restructuring or merger would require an adequately high level of investor consent."

"Some GPs have already requested consent from their investors to extend the investment period, and in one way or another this has happened in the past, including in the crisis in 2008," says KWM's Rodríguez, noting that this will affect management fees. "It is normal for LPs to accept this, but with a reduction in management fee; for example, the fee will no longer be calculated on total commitments, but with a different formula. If a GP is asking for an extension as they need liquidity for the portfolio, they are putting on the table that they are in a bit of trouble and need more time, and there the LPs can ask to have an adjustment for everyone and reduce management fees."

Brozyniak says LPs will also step up their due diligence process, not only if a fund's investment period is extended due to complications arising from the coronavirus crisis, but also due to the significant impact of the crisis on the GP's portfolio companies. "There is more scrutiny on the terms of the investments, including financial, operational and legal due diligence, and the investors are more sophisticated and more vocal. There is more debate on the GP/LP balance and focus on real alignment of interests. ■

# GPs face a tough year in the fashion sector



**Alessia Argentieri**  
 Senior reporter

**T**he fashion sector has been hit hard by the Covid-19 pandemic, which has led to a dramatic loss of sales, threatening thousands of jobs, affecting established designer boutiques and putting at risk high-street retailers and clothing manufacturers.

According to the latest economic forecast published by the European Commission in July, retail spending has fallen by 11.7% in the euro area, with France, Italy and Spain recording the worst figures – a 30% decrease in April compared with February. Furthermore, industrial production has collapsed by 17.1%, resulting in a cumulative contraction of around 27% since February, with the clothing and leather goods sectors being among the most affected, recording a decrease of 60% and 40% respectively.

This worrying trend has already had the effect of discouraging some investors from scouting the fashion industry for new opportunities, driving them towards more resilient segments of the market. According to *Unquote Data*, six buyouts have been inked across the sector since the

coronavirus outbreak, worth an aggregate value of only €110m. By comparison, in March–July 2019 the industry saw 11 buyouts for an EV of €899m, while 13 buyouts worth €593m were signed in the same period of 2018.

“We have seen a noticeable slowdown in deal-making across the sector, especially from private equity players, which are considerably reducing their exposure to the fashion industry,” says Fabrice Martineau, co-CEO of DC Advisory France. “Fashion has always been a difficult business, affected by intricate global trends and which requires a high level of expertise, and the pandemic is making this game even more challenging for private equity investors.”

Fashion deals that have stalled or have been delayed amid the pandemic include the sale of Valextra, an Italian luxury bags brand owned by Neo Investment Partners; the company had attracted the interest of financial and industrial players before the outbreak.

The sale of a minority stake in Ermanno Scervino, an Italian fashion group that came on the radar of various private equity funds at the beginning of the year, has also been delayed, and so too has the search for a financial investor initiated at the beginning of this year by Italian streetwear label GCDS.

Carlyle had mandated JP Morgan as financial adviser in January for the sale of Italian fashion brand Twinset, which generates revenues of around €230m and EBITDA of €40m. The sale was expected to take place in the second quarter of

“We have seen a noticeable slowdown in deal making across the sector, especially from private equity players, which are considerably reducing their exposure to the fashion industry”

*Fabrice Martineau, DC Advisory France*



## Fashion has been one of the sectors hardest hit by the Covid-19 pandemic, resulting in depressed M&A trends for the foreseeable future and a tough road ahead for GPs. Alessia Argentieri explores dealflow expectations and potential silver linings for the segment

this year, but might be further delayed by the crisis.

In the UK, the sale process for footwear brand Dr Martens, launched by Permira in 2019, when the GP hired Goldman Sachs and Baird to explore its exit options, saw KKR drop out in March, leaving Carlyle as the only bidder. The process seems to have stalled for the moment and might resume after the summer.

### From rags to riches

While this inactivity is undeniably concerning, new opportunities have arisen for managers able to bet on a sector that, despite its current challenges, has always been fertile ground for profitable and healthy assets.

Several restructuring funds have been launched in the past few months, to seize the best deals available and support the recovery of companies at risk of collapsing, including Antares' Fondo Lusso & Lifestyle, a vehicle exclusively dedicated to the fashion industry. The fund has a €300m size and is composed of two separate compartments: a credit section and a finance unit for the relaunch and development of its portfolio companies.

"This crisis has hit every level of the supply chain and, with different intensities, each segment of the fashion industry from high-end couture to high-street retail," says Angelo Bonisconi, managing partner at legal firm CBA, which is advising Antares in the management of the fund. "The retail segment has been devastated, experiencing a vertical drop in sales, especially in

"The sector is developing a massive borrowing burden towards both its financial lenders and its commercial suppliers, and needs a strong recovery intervention"

*Angelo Bonisconi, CBA*

countries such as Italy, where only around 5-6% of customers shop online."

Italy, where some of the most prestigious fashion companies are based, has been one of the countries most affected by the pandemic and has seen deal activity across the industry contract significantly. The country recorded only one buyout in the sector between March-July 2020, while four deals were closed in the same period in 2019 and five between March-July 2018.

Bonisconi says: "Companies operating in the fashion industry present a significant working capital absorption compared with other sectors, because of the timeframe of around 12-18 months between the launch of a new collection and the actual sale. In addition to this structural feature, the need for capital for fashion companies has become even more stringent with the unprecedented drop in sales and the supply chain disruptions caused by the pandemic. This is why the sector is developing a massive borrowing burden towards both its financial lenders and its commercial suppliers, and needs a strong recovery intervention." ►

A large stake of the fashion and luxury industry is already in the hands of private equity funds, which have been heavily investing in the sector in the past decade. While this might be bad news for some of these assets, especially those with liquidity issues or on the verge of collapse, for others the backing of a sponsor could provide the additional capital and support necessary to endure the downturn and recover.

Italian casual footwear designer Golden Goose was acquired by Permira from the Carlyle Group just before the coronavirus outbreak, marking the company's fourth buyout. The deal gave Golden Goose an enterprise value of €1.28bn, equal to around 15.5x its 2019 EBITDA and 13x the EBITDA expected for 2020.

UK-based Neo Investment Partners owns several assets in the fashion sector. In addition to Velaxtra, the GP has a stake in British luxury fashion brand Victoria Beckham; French upper contemporary menswear brand AMI Paris; and London-headquartered luxury fragrance specialist Miller Harris.

In France, notable fashion assets owned by private equity houses include cashmere brand Eric Bompard, which was acquired by Apax and BPI France in 2018, in a deal that valued the business at around €130m; luxury and high-end children's fashion CWF, bought by Arkéa Capital, Raise Investissement and Dzeta Private Equity last year in a €125m deal; and luxury womenswear designer Zadig & Voltaire, backed by Peninsula in January 2020, in a deal that saw the exit of TA Associates.

In Italy, Progressio holds a majority stake in

Save the Duck, which designs luxury coats without using animal-based products; Consilium owns luxury footwear group GMI; Lion Capital controls shoes designer Menghi; and FSI is the sponsor of fashion house Missoni.

"There are many fashion companies in private equity portfolios that were in healthy shape before the coronavirus outbreak and saw their performance deteriorate during the pandemic," says DC Advisory's Martineau. "For these assets, the best strategy that a GP can put into place is to wait until we have a clearer understanding of the long-term impact of the crisis and how much revenues and profits will be affected across the sector."

### Building up

Instead of embarking on prolonged and risky negotiation for rushed exits and uncertain deals, most GPs are currently focusing on expanding and strengthening their fashion assets via a buy-and-build strategy. This can be a winning approach to navigating the crisis, especially for companies that have a strong export-orientated ethos and a wide and diversified international client base, which might shield them from the worst repercussions of the pandemic.

"Pursuing an aggregation strategy represents an extremely effective way of facing the crisis, especially across the fashion industry," says Bonisconi. "Companies that are going through a hard time are more willing to accept the prospect of becoming part of a cluster. They can be integrated in a strong platform that will combine revenues and boost EBITDA, while building on strategic synergies and creating a solid group able to face competition in the international markets."

Rino Mastrotto, a leather goods company backed by Neuberger Berman's NB Renaissance, has recently bolted on Nuova Osba Italia, a producer of leather for fashion brands. Rino Mastrotto sells its products in 60 countries worldwide and generates EBITDA of around

"There are many fashion companies in private equity portfolios that were in healthy shape before the coronavirus outbreak and saw their performance deteriorate during the pandemic"

*Fabrice Martineau, DC Advisory*

€45m from revenues of €320m, of which 60% come from outside Italy.

Another fashion asset that has been pursuing a buy-and-build strategy despite the pandemic is Mandarin Capital-backed Margot. The company was established in October 2019 when Mandarin acquired Eurmoda, an Italian manufacturer of metal and leather accessories for the luxury goods industry. Margot bought ABC Morini, an Italian manufacturer of metal accessories for leather goods last May, with capital from Mandarin Capital III.

Andrea Tuccio, a partner at Mandarin, told *Unquote*: “The pandemic has deeply affected the sector’s revenues this year, with a decrease in demand and a sharp decline in tourism, which will also contribute to a reduction in sales across the fashion and luxury industry. Building an aggregation platform able to cover the entire supply chain for fashion accessories is the best way to weather the storm and thrive in the coming years.”

### Potential for change

Alongside unprecedented challenges, the pandemic has also triggered new needs across the fashion industry, accelerating some structural changes that are destined to last.

“We have seen some key trends picking up steam amid the crisis and reshaping the sector,” Bonissoni says. “The distribution model of the fashion industry has irreversibly changed, with a strong shift towards online shopping, and the disruptions to the supply chain call for substantial revisions and adjustments.”

“Digitisation and technological innovation have become an essential ingredient,” he adds. “We have already started to see the importance of using blockchain for brand protection, to identify and trace specific goods and avoid counterfeiting issues. In addition, blockchain can be used to improve the supply chain, identifying products and monitoring manufacturing processes from raw materials to finished goods. This also implies

“Building an aggregation platform able to cover the entire supply chain for fashion accessories is the best way to weather the storm and thrive in the coming years”

*Andrea Tuccio, Mandarin*

the possibility to comply more effectively with sustainability and ESG principles, making sure the materials used are produced protecting workers’ rights and the environment.”

This becomes particularly relevant considering that a more conscious, ethical and considerate way of buying products, especially food and clothing, has emerged, enhancing a shift in consumers’ behaviour that the pandemic seems to have accelerated.

“This trend towards responsible consumption has been gaining momentum and represents one of the main challenges that most fashion companies have to face,” says DC Advisory’s Martineau. “Consumers want to be aware of what they are wearing, where it comes from, if it is good and healthy for themselves and sustainable for the planet. Selecting companies that have integrated these values into their mission will become essential for the private equity industry.”

In addition to digital consumer engagement, e-commerce platforms and cashless payments, fashion businesses will be expected to prioritise health, safety and the wellbeing of their employees, as well as ESG and sustainability in the production and supply chain of their goods.

“This can become a time of development for companies that have a long history of family ownership and a traditional management approach,” says CBA’s Bonissoni. “With adequate investments and know-how provided by specialists, they can maximise the opportunities offered by an increasingly digitised, smart and sustainable economy.” ■



# GP Profile: Tenzing Private Equity



**Katharine Hidalgo**  
Reporter

**T**echnology-focused GP Tenzing Private Equity closed its second-generation fund on its hard-cap of £400m after nine weeks of fundraising in what was an entirely virtual process, according to managing partner Guy Gillon.

In total, the fund has around 30–35 LPs, 15 of which came from a pool of 18 existing investors. “The three existing investors that did not come into the fund had their own internal considerations and were supportive, but not within the time frame we were looking at,” says Gillon.

LPs in the fund’s predecessor include Schroder Adveq, Ohio State University, University of California Berkley Foundation and Bregal, which contributed the largest tickets of up to £30m. Other LPs include Lombard Odier, SCS Financial Services and University of Oxford Endowment.

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

“We were initially expecting to go to market in Q2

companies and we decided we may only have dry powder for one more deal so the right time to go to market was earlier than we initially thought.”

The fund’s predecessor, Tenzing Private Equity I, closed on £200m in January 2017 and was 75% deployed at the time of the AGM in February 2020.

However, Tenzing’s primary focus when the coronavirus crisis intensified in March 2020 was the health of the existing portfolio, says Gillon: “We invest in mission-critical B2B technology companies with recurring revenues and a high ROI per customer. But no company is used to the economy stopping overnight. We had to check in on the health of the businesses.”

Tenzing Private Equity Fund I portfolio companies



“No company is used to the economy stopping overnight. We had to check in on the health of the businesses”

*Guy Gillon, Tenzing Private Equity*

or Q3, as we expected to make one or two more deals from Fund I,” says Gillon. “As the coronavirus crisis hit, we wanted to look at the existing portfolio

## Following a busy start to 2020, topped by its £400m fundraise, Tenzing Private Equity is setting its sights on making further investments later this year. Katharine Hidalgo reports

include Leeds-based Smoothwall and – its most recent acquisition – Activpayroll, which Tenzing bought in January 2020; the latter is a payroll outsourcing specialist providing international payroll, payment services and HR support.

Gillon says: “We found [Activpayroll] to be well-positioned, with a good cash balance and solid liquidity.”

The firm has only realised one asset to date: FMP Global. The £29.4m investment in the treasury software developer, which was backed by Access Capital Partners, preceded the launch of Tenzing’s first fund. It was sold to Hg-backed Iris Software Group and the firm generated a money multiple of 5.4x and an IRR of 72% on the sale.

Gillon says: “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.”

### Upcoming investments

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

The equity tickets from Tenzing’s latest fund will be around £20–25m. “Part of why the fund is

larger is because we plan to provide more follow-on capital to the companies, so we are expecting to make a total investment of £30m per portfolio company,” says Gillon.

Since the pandemic has intensified, the firm has also been focused on its own organisation, making several hires and creating new teams. In March 2020, the firm hired Glenn Elliott, who previously founded human resources technology business Reward Gateway and led it through two periods of private equity ownership.

Soon after he was hired, Elliott told *Unquote* he had started recruitment for a four-person portfolio growth team to help portfolio company CEOs and management teams grow their businesses. He will also continue to lead Tenzing’s Entrepreneurs Panel, which he has been doing since its inception in 2017.

Other hires include Charlie Taylor, who has recently joined the firm as marketing director. John Messer and Milan Kellner have also been promoted to the position of investment lead. ■

### Key team members

**Guy Gillon** is a managing partner and co-founded Tenzing following his position as a partner at Bluebird Partners, where he led origination of investment opportunities. He also has previous experience in corporate finance at PwC as a director.

**Christian Hamilton** is a co-founder and managing partner of Tenzing. Prior to the foundation of the firm in 2015, he was a partner at Inflexion Private Equity.

# Tipping the ESG balance through secondaries

## Participants

**Claire Woolston Commons**  
Head of strategy  
*Palico*

**Chris Varco**  
Managing director  
in the ESG and  
impact investment  
group  
*Cambridge Associates*

**Paul Newsome**  
Partner and head  
of investment  
solutions  
*Unigestion*

**Moderator:**  
**Denise Ko Genovese**  
Associate editor  
*Unquote*

**Denise Ko Genovese: Unigestion has almost \$20bn under management – \$7.5bn of which is in private equity. Paul, can you talk us through your environmental and social governance (ESG) journey and where you are at now?**

**Paul Newsome:** It has been quite a journey and if I go back to 2010 when we launched our first environmental, sustainability-focused fund-of-funds, it made sense to have an ESG process as part of that. We partnered with an external foundation to provide us with the expertise. We learned that ESG was a great tool for controlling the risk in investments, identifying the risks before investment and then engaging with your GPs of underlying portfolio companies during the holding period, to drive positive change and improve standards. It was no coincidence that the best performing managers had the best standards in the end. Since that crash course at the beginning we have really embedded this into our overall PE strategy – including secondaries – and see ESG as a driver of returns, and another tool in the value creation box.

**DKG: With Palico being a funds marketplace, where LPs can list the fund stakes they want to sell, Claire, you presumably see the secondaries market used for many different reasons – have you seen much in terms of ESG trends?**

**Claire Woolston Commons:** The secondaries market is used for many reasons and has had very interesting growth over time. In 2001, there was only a couple of billion in transacted volume each year

and on the sell-side there were some elements of distress. But what is exciting is that it has now become more of a portfolio management tool and, as private equity portfolios mature, investment strategies evolve – what was an interesting and appropriate investment in the 1990s and 2000s might not be the right strategy for today. We see the secondaries market becoming a powerful tool to reposition your portfolio and we see sellers for different reasons, including ESG.

There is a big opportunity because we all see ESG investment criteria differently, so I might have something that does not fit with my ESG programme, but it might fit and be positive for you with yours. And on the buy-side, there is more clarity and control since investors are not buying a blind pool, but can actually see into the portfolio and make sure that the individual assets match up.

**DKG: Paul, how do you feel at Unigestion about the use of secondaries to rebalance a portfolio? Is rebalancing for ESG a realistic use of secondaries or do you think people are fighting real-life fires at the moment and disposing of assets that are affected by the coronavirus crisis?**

**PN:** We absolutely and wholeheartedly use secondaries. It is usually to sell tail-end portfolios, but we had an instance four to five years ago when one of our maturing portfolios became very US-dollar heavy and, since we thought we were over-exposed, we sold a chunk of the dollar-denominated portfolio on the secondaries market



**Unquote teamed up with funds marketplace Palico for a live briefing in July, discussing whether LPs are using this unprecedented time to scrutinise their portfolios and perhaps look to sell positions that do not align with their values and ESG criteria**

so we could crystallise returns. On ESG, I can think of two discreet examples where we had funds that we had fallen out of love with for governance reasons, so we extracted them from our portfolio through the secondaries market.



**DKG:** It seems fairly easy to see how you could use the secondaries market to do some retrospective ESG analysis and get rid of what does not line up – like when Georgetown University said in February they wanted to divest fossil-fuel related investments. What about buying into more impact-related assets? Chris, are there enough of these to go around?

**Chris Varco:** There is now, and that has been a big trend. We have clients aiming for “net-zero”

portfolios going forward. Divestment [in fossil fuels] was always a bit black and white where we see transition risk in the producers but not the burners of fossil fuels, but we now have clients building private programmes entirely around climate alignment. It means a very different allocation to real assets and infrastructure, with more focus

*“We see the secondaries market becoming a powerful tool to reposition your portfolio and we see sellers for different reasons, including ESG”*

*Claire Woolston Commons, Palico*

on sustainable agriculture and renewable power where we are thinking very hard about 21st-century infrastructure rather than 20th-century. The opportunity set keeps growing.

**DKG:** Claire, have you seen more investors on Palico using technology as a tool to make investment decisions? Is there a link between Covid-19 and sustainability in terms of investors’ decision-making behaviour?

**CWC:** Covid-19 has been the dress rehearsal for all the ESG things we need to do and we are being forced to adapt to a new normal, where you do not get on a plane for a meeting and you do not get in the car to see the doctor, as its Zoom and telemedicine now. And even the tech-phobic, institutional investment management industry that

we are in is starting to change. We are moving towards more sustainable habits and behaviour, and we have all been surprised at the positive change around how much work we can do (and how efficiently we can do it) using technology.

At Palico, we have been a huge beneficiary of this change in activity, and we have seen more activity and traction in the three months after Covid-19 compared with the three months before. We feel like we are the future in terms of investing in a digital platform. For example, on the small end of secondaries transactions, having a digital platform that easily connects people takes the guessing out of the processing and admin. It is the future and we are happy to see we are part of it. It is a trend that has done better with all of us working remotely.

**DKG: Can you talk a bit about how the secondaries market in general has evolved and now offers much more choice for sellers and buyers – perhaps making it easier to choose assets that align with their values?**

**CWC:** Last year the market was pushing \$100bn [worth of transactions] and with that has come this wonderfully rich assortment of buyer and seller desires and needs, and a more liquid and efficient market that has been created. On our platform, we have sellers that are perfectly happy with fund relationships, but they are tail-end

under the sun if you have a portfolio management tool as easy to use as in the public markets.

On the buy-side, a lot of the users have diverse needs; some really specialise in bigger deals and some in smaller deals, and others in young funds or a hybrid between primary and secondary. We feel like having this marketplace becomes a win-win situation because both buyers and sellers can get what they need out of the transaction. And to hone in on the smaller end, which is where we see the growth, especially in the use of a digital platform, this is where you want an easy process and connection between buyers and sellers. We think that a third of LP stakes have not transacted because there has not been an easy tool through which to do so, and that is where we see technology adding massive value: through the matching and document standardisation and digitisation.

**DKG: Do you think that what is defined as impactful is changing, given that the coronavirus pandemic has shown us that the likes of online education, telemedicine or online delivery can have massive impact?**

**CV:** It is a spectrum. We are building out some private portfolios that are totally focused on sustainability alignment with [the UN's] Sustainable

“ESG was a great tool for controlling the risk in investments, identifying the risks before investment and then engaging with your GPs of underlying portfolio companies”

*Paul Newsome, Unigestion*

funds which do not move the needle in terms of performance, so sellers are just looking to clean up their portfolios; or shift from mega-funds to smaller funds, or create some vintage-year diversification. There are just as many reasons



Development Goals (SDG) having a positive impact, aligning with family office or endowment values. We will probably end up at about 25% of GPs explicitly labelled around sustainability and impact and 75% mainstream managers that are converging on these themes, be it in healthcare or venture, or the convergence of cleantech and venture



capital. What Covid-19 has heightened is the 'intangible' and 'digital' taking market share over the 'tangible' and 'analogue'. This is a massive area of convergence in venture capital and there are lots of venture managers who are very aligned to a low-carbon and more equitable society.

Within impact, things have evolved a lot and, if you look back at the Cambridge Associates benchmarks, the early vintages underperformed. We were comparing private equity in microfinance in sub-Saharan Africa with Sand Hill Road venture capital returns, whereas the convergence has meant that there is now a lot more in the mainstream.

We have some very interesting data on impactful companies, be they impact funds or mainstream GPs, and the degree of change from underperformance is huge. If you look at which companies would have qualified for Cambridge Associates' cleantech benchmark, whether they

were in a conventional or impact fund, from 8,000 funds in our database, turnaround in the later vintages is amazing: 33.4% pooled IRR for cleantech companies in the PE/VC pool compared with 23% for the mainstream in 2017. Turnaround in performance has been extreme. Everything is converging quite fast and coronavirus is accelerating that.

**"What Covid-19 has heightened is the 'intangible' and 'digital' taking market share over the 'tangible' and 'analogue'"**

*Chris Varco, Cambridge Associates*

**PN:** I agree, if you look at how we invest, we have nine investment themes that cut across the SDGs and this is intentional, because our underlining ESG investment philosophy is that driving positive change is consistent with driving positive returns. So, SDGs to us represent important tailwinds and both consumers and policymakers will continue to push in the same direction as the SDGs. We have investment themes – such as future of work, resource efficiency, healthcare 2.0 – that are completely aligned to the SDGs so, to some extent, since we are playing these investment themes we are making an impact in these areas. We are doing it primarily because we see financial returns, but also because we think that the two are linked. ■

### Webinar: ESG and rebalancing through secondaries



*Denise Ko Genovese hosted the Unquote Virtual Briefing: ESG and rebalancing through secondaries webinar, in association with private equity fund marketplace Palico. Watch at: [www.unquote.com/3020233](http://www.unquote.com/3020233)*





# GP Profile: Emeram Capital Partners



**Harriet Matthews**  
Reporter

**E**meram Capital Partners was co-founded in Munich in 2012 by Christian Näther, Kai Köppen and Kai Obring. “We started Emeram to provide a professionalised approach to investing in the German Mittelstand,” says Näther. “We focus on growth situations only, where we can support organic growth and add further companies to platform investments.”

The GP generally invests in DACH-based companies with enterprise values of €30–250m. “We look for companies with a strong software or technology element, a strong service business model, and/or a consumer-centric approach,” says Näther. Emeram’s focus, therefore, lies in consumer goods and retail, business services, industrial goods, software and technology, as well as healthcare. It has so far focused on companies with revenues of €20–150m.

“We act as a business development partner to companies and their management teams, since these businesses typically do not have

the office of the CFO, selecting the right training and supporting recruitment. We also help to digitalise financial reporting, so the monthly board meetings do not have to focus too much on the numbers, and we track key performance indicators. We also help with digitalisation, and, last but not least, ESG, especially ecological topics such as CO<sub>2</sub> reduction.”

Emeram currently has a portfolio of seven companies and has made 19 add-ons. The GP is investing from its debut fund, which held a final close in January 2015 on €400m, having launched in April 2013. The fund’s LPs include fund-of-funds managers DB Private Equity and SwanCap

“We look for companies with a strong software or technology element, a strong service business model, and/or a consumer-centric approach”

*Christian Näther, Emeram Capital Partners*

the resources to afford these services and scale up,” Näther says. “We look at strategic and organisational development. We focus on HR and



## Christian Näther, senior partner at Emeram Capital Partners, speaks to Harriet Matthews about how the portfolio has fared during the coronavirus crisis, the GP's fundraising plans and its current M&A pipeline

Partners, according to *Unquote Data*, as well as institutional investors including RWB Group.

The GP also completed a €50m capital increase for Emeram Fond I in a GP-led secondaries deal in April 2019, with 80% of the new capital coming from new investors such as Arcano Capital, Schroder Adveq, Unigestion and Lombard, as reported.

The fund currently has a number of deals in the pipeline, Näther says: "We have three deals under observation – we plan to close one by the end of Q3, but would like to make at least one more."

The GP also anticipates a move towards launching its second fund after Q3 2020. Says Näther: "We will hold our AGM this year digitally and will kick off fundraising in September or October, when we are in a position to assess the portfolio. So it might kick off in Q4 2020 and H1 2021."

### Steering the portfolio

Asked how the firm's current portfolio has fared during the coronavirus pandemic, Näther says: "All in all, we are quite pleased with how the portfolio has held up. We have companies that partially or totally benefited, some where it has been a bit of a rollercoaster, and others with a more mid-term financing situation to resolve."

One portfolio company that Näther would classify as having seen a "rollercoaster" effect is Germany-based surfing equipment retailer Boards & More. The GP acquired the company in November 2013 in a deal valued at €39m, according to *Unquote Data*. "Boards & More's sales dropped by 80% initially," he says. "As lockdowns have been eased country by

country, there was a significant uptick in sales, and in some weeks we had double the sales compared with the same period in the previous year. The H1 2020 sales will be above the figure for H1 2019 now."

Näther cites frozen food products producer Frostkrone as a company that has seen a slight impact, but has overall continued to see solid performance. "Frostkrone has somewhat benefited from the coronavirus outbreak due to higher consumer demand from people cooking at home. But there was a slight hit in the hospitality, restaurants and catering sector. In total, the company grew by 7% compared with last year."

The GP bought a majority stake in Frostkrone in February 2017 and backed the add-on of UK-based market peer Innovative Foods in February 2020.

Emeram announced in July 2020 that portfolio company Matrix42 had acquired US-based market peer FireScope. "Matrix42 was also able to hit last year's numbers," Näther says. Emeram initially began a sale process for Matrix42 in 2018, as reported by *Unquote* sister publication *Mergermarket*. However, the sale was halted in May 2019 following valuation issues due to EBITDA adjustments, with both Emeram and Matrix42 telling *Mergermarket* that the GP would continue its investment for another two to three years. Emeram had hoped to see a valuation of €150-200m and had marketed Matrix24 based on adjusted EBITDA of €20m.

However, the GP has further plans for the company's growth, Näther says: "The transition of its revenue model from licensing to subscription will be accelerated, but not completed before mid-2021." ■

# Expert voices



## Virtual Briefing: ESG and rebalancing through secondaries

In line with the secular trend of recent years, there has been a move towards sustainable investing in private markets, but could the coronavirus pandemic accelerate the movement, magnifying concerns for the need to build better and more resilient companies? *Unquote* teamed up with private equity fund marketplace Palico for a live briefing to explore the topic, chaired by *Unquote* associate editor Denise Ko Genovese. Panellists included Claire Woolston Commons, head of strategy at Palico; Chris Varco, managing director in the ESG and impact investment group at Cambridge Associates; and Paul Newsome, partner and head of investment solutions at Unigestion. The discussion focused on whether LPs are indeed



using this time to rethink their portfolios from an ESG perspective and realign their assets towards a more impact-focused portfolio. ■



## Unquote Private Equity Podcast: Fundraising engine stalls

In this *Unquote* Podcast, we examined the fundraising market amid the challenges of Covid-19.

The pandemic may have slowed down fundraising processes, but numerous closes have still been announced, and Q1 activity figures paint a defiant picture of the market. To get a better understanding of how fundraisers are faring on the (virtual) road, Katharine Hidalgo spoke to *Unquote* editor Greg Gille about the underlying data, and three specialists in the field: Cebile Capital founder Sunaina Sinha, Campbell Lutyens partner Andrew Bentley, and managing director of Asante Capital, Ricardo Felix. ■





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



### Unquote Private Equity Podcast: Made in Germany

In this *Unquote* Podcast, we focused on Germany, where private equity activity has remained resilient despite Covid-19.

German private equity has continued in an industrious fashion despite the coronavirus crisis, partly due to the country only partially shutting down at the virus's peak, and thanks to a swiftly organised and generous furlough scheme.

*Unquote's* Katharine Hidalgo hosted DACH reporter Harriet Matthews, who spoke with Joachim Braun of Silverfleet Capital and Klaus-Martin Haussmann from Duff & Phelps about the country's resilience. ■



### Unquote Private Equity Podcast: Calling tech support

*Unquote* partnered with technology advisory firm Intuitus to record a special podcast on the implications of the coronavirus pandemic on technology due diligence. The market segment has experienced solid growth in recent years, with considerable interest from major private equity firms. But the coronavirus crisis has undoubtedly accelerated digitalisation across the private equity industry, from remote working among firms themselves, to an increased need for cybersecurity in portfolio companies, to a bounce in the technology sector that is catching investment professionals' eyes.

Katharine Hidalgo speaks to Adrian Astley Jones, chief commercial officer at Intuitus, to discuss all this and more. ■



# Southern Europe recovers amid pandemic uncertainty



**Alessia Argentieri**  
Senior reporter

Since the outbreak of the coronavirus pandemic at the end of February, uncertainty has paralysed the southern European market, resulting in a severe decrease in deal volume and a substantial reduction in value during the first six months of the year.

According to *Unquote Data*, the region recorded 42 buyouts in H1 2020, for a combined EV of €6.3bn – a significant decrease after the 105 buyouts worth €13.5bn inked in the previous semester.

The decrease is equally significant if compared with previous years' H1 figures, which were considerably higher: 76 deals worth €12.8bn were inked in the first semester of 2019; 74 buyouts worth €15bn in H1 2018; and 74 for an EV of €12.2bn between January–June 2017.

Clearwater International partner Miquel Martí says: “The pandemic has caused delays in activity, especially in deal origination and auction sales, slowing down the positive momentum that we had seen in 2019 and at the beginning of this year.”

The southern European private equity industry had started 2020 at a very good pace, activity was strong and dealflow was rich in the first two months

of the year. According to *Unquote Data*, there were 23 buyouts worth a combined EV of €5bn in January and February 2020, more than double the €2.1bn recorded across 22 deals in the first two months of 2019.

Subsequently, when the pandemic began to spread around the region, deal activity collapsed and southern Europe recorded one of the worst months on record, with only three buyouts worth an aggregate €165m in March.

However, with infection and death rates decreasing in Italy and Spain, and the reopening of factories and commercial activities, the recovery has picked up steam. In July, the regional market recorded levels of activity similar and even higher than previous years, counting 20 buyouts worth an aggregate value of €5.7bn.

“This is not a liquidity crisis,” says Fineurop Soditic CEO Eugenio Morpurgo. “The private equity industry has plentiful dry powder to deploy and is regaining confidence in a market badly hit by the pandemic, but rich in attractive opportunities.”

Among the most noticeable deals recently inked there was BC Partners' investment in Milan-listed company Ima, an Italian manufacturer of packaging machinery, which might lead to a €3.6bn take-private; the €1bn SBO of Portuguese agrichemical business Rovensa, acquired by Partners Group from Bridgepoint; and the sale of Surfaces Group, bought by TA Associates from Astorg in a €600m deal.

Looking at the sell side, the region recorded

“The pandemic has caused delays in activity, especially in deal origination and auction sales, slowing down the positive momentum that we had seen in 2019”

*Miquel Martí, Clearwater International*

## Following an intense slowdown in dealflow and fundraising, the southern European private equity industry regained vigour and confidence in July and is set for a more dynamic second half of the year. Alessia Argentieri reports

only 42 exits in the first half of 2020, while there were 67 divestments in H1 2019, 56 in H1 2018 and 68 in H1 2017.

"This is not the right time for an exit," says Martí. "Instead of starting negotiations for risky trade sales and uncertain SBOs, most GPs prefer to focus on strengthening their portfolio companies by pursuing an intense buy-and-build strategy."

### Fundraising challenges

The pandemic has deeply affected fund activity in southern Europe, causing disruption and delays in numerous fundraising processes. Several GPs reported that discussions with LPs were put on hold, while fundraising continued but at a slower pace, resulting in the postponement of their final closes.

Across the region, nine vehicles held a final close in the first semester of the year, raising only €1.3bn. By comparison, 13 funds closed in H1 2019, with combined capital of €3.2bn, and 10 reached their final closings in H1 2018, collecting €3bn on aggregate.

GPF Capital's third buyout fund, GPF Capital Partnership III, was among the vehicles that were able to close in the first half of the year. The fund hit its €300m target, doubling the size of its predecessor, a €150m vehicle closed in 2018. In the venture segment, Programma 102, a fund managed by Italian VC house P101, held a €100m final close in June 2020.

The region also recorded eight first closes in H1 2020, a sign that despite uncertainty spread

**"The private equity industry has plentiful dry powder to deploy and is regaining confidence in a market badly hit by the pandemic"**

*Eugenio Morpurgo, Fineurop Soditic*

by the pandemic, the market is still dynamic and capable of raising capital and attracting local and international LPs, especially for well-established private equity houses. Among others, MCH held a €200m first close for MCH Iberian Capital V; the fund was launched in 2019 with a €400m target.

The market also saw a proliferation of vehicles specifically engineered to support the recovery of companies hit by the crisis, including several special situations and turnaround funds, such as Sherpa Special Situations III, which held a €120m final close.

Looking at the coming months, fundraising activity is forecast to pick up with various GPs holding final closes, including Aksia V, Suma Capital Growth II and GED VI España, while dealflow is expected to become richer.

"The market will be more active, but still challenging in the second half of the year," says Morpurgo. "Subsequently, we expect an extremely positive 2021, when regained clarity on the outlook, abundant liquidity and adjusted business plans will increase investors' confidence and ensure a buoyant dealflow across the industry." ■

# Venture, tech keep UK market afloat in H1



**Katharine Hidalgo**  
Reporter

In the first half of 2020, total investment volume held up, with 398 deals in the UK and Ireland, according to *Unquote Data*. This figure is in line with H1 2019's investment volume of 404 deals, though it represents a 15% drop from the second half of 2019's record high of 470 deals.

But looking at the headline H1 figure hides the extent to which the coronavirus crisis took a toll on dealflow in the second quarter, especially when it comes to buyouts. Overall deal volume fell from 218 in Q1 2020 to 180 in Q2, reflecting the marked drop in both appetite and ability of GPs and VCs to make investments throughout the crisis. The decline was particularly pronounced among buyouts, which saw a drop from 59 transactions in the first quarter of 2020 to just 21 in Q2, the lowest level since the first quarter of 2009.

Rupert Templeman, a director at Eight Advisory, says: "When the coronavirus crisis hit, a lot of processes went on pause or ceased. Only a small portion carried on and completed. Private equity focused inwards for at least a month or so and, compared with continental Europe, the UK has been a bit slower to have volume return."

"PE focused inwards for at least a month or so and, compared with continental Europe, the UK has been a bit slower to have volume return"

*Rupert Templeman, Eight Advisory*

Aggregate buyout value dropped to a similar degree, from £12.9bn in Q1 to £4.7bn in Q2, as mega-deals were few and far between. The second quarter's largest PE-backed transaction was Warburg Pincus's deal to invest more than £250m in an acquisition of wealth manager Smith & Williamson (S&W) by Permira-backed Tilney. The proposed acquisition of S&W was confirmed in August 2019 by the company's largest shareholder, AGF Management, and is expected to be worth £1.8bn.

## A quick exit

Exit volume also dropped, in Q2 especially. The second quarter of 2020 saw 39 exits, the lowest level since Q2 of 1997 and a 33% decrease on the 2019 Q2 volume. While this statistic reflects a reticence among GPs to put assets on the market in current conditions, the proportion of receiverships also grew. In Q2, receiverships represented 15% of exit volume, against 8% in Q2 of 2019 and 2019's annual rate of 7%.

Despite the severe decline, the UK & Ireland has fared better than other regions of Europe in terms of exit volume. Continental countries hit hardest and earliest by the pandemic saw an even sharper drop: exit activity fell by almost two thirds (65%) year-on-year in southern Europe in Q2, while France recorded a 60% decline.

Paul Mann, a partner at Squire Patton Boggs, says: "We have seen more sale processes starting than there have been and there is



## While buyout and exit volume dropped dramatically in the first half of 2020 in the UK and Ireland, venture investment has remained resilient and the technology sector has become an even larger focus for the private equity industry. Katharine Hidalgo reports

already a material difference in activity in recent weeks. There are certainly challenges, but I am encouraged by activity in the market.”

### Retail woes

From a sector perspective, the first half of 2020 indicated a further decline in interest in consumer companies among GPs. The percentage of buyouts in the consumer space dropped from 28% in the first half of 2019 to 22% in the same period in 2020. This follows a trend that has seen its representation among total deals steadily drop from 35% of all buyouts in 2015 to 21% in 2019.

Market participants think this trend has been intensified by the coronavirus crisis. Mann says: “The retail sector is struggling through incredible difficulties right now. Thousands of jobs are at risk.”

Across all types of investments, including growth capital and venture investments, as well as buyouts, the increasing importance of the technology sector to the UK PE industry was demonstrated in the half-yearly figures. The percentage of all investments made in companies in the technology sector grew from 44% in the first half of 2019 to 52% in the same period in 2020. This is another sector trend that has intensified following the Covid-19 outbreak, not least due to a shift towards remote working.

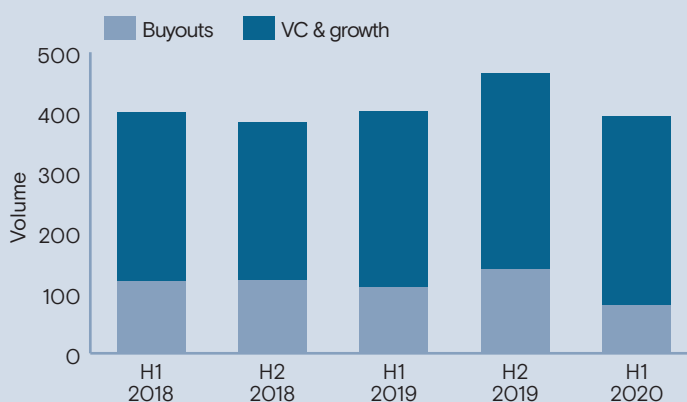
Managing partner David Barbour of FPE Capital says: “There is no question Covid-19 is accelerating digital uptake.” He thinks this

“With the recovery in public markets and continuing technology dealflow, there is confidence in the intermediary channel”

*David Barbour, FPE Capital*

momentum in the sector is likely to carry on through 2020. “If we look at the public markets, we have seen a big recovery of multiples. There is a relatively large base of M&A boutiques with a technology focus and they feel they can transact. With the recovery in public markets and continuing technology dealflow, there is confidence in the intermediary channel.” ■

### UK & Ireland private equity deal volume



Source: Unquote Data

# DACH holds up, but recovery doubts remain



**Harriet Matthews**  
Reporter

In H1 2020, the DACH region saw a drop in dealflow compared with the same period in 2019, as would be expected after the coronavirus pandemic took hold: the region recorded 75 buyouts, compared with 88 in H1 2019. And while it could have been a foregone conclusion that Q2 2020 would show a sharp downturn in activity, this was not the case in the DACH region: Q1 2020 saw 36 buyout deals, compared with 38 deals in Q2 2020.

Aggregate deal value in the first half appears to have held up well in spite of the pandemic, too, with buyouts totalling almost €27.9bn in H1 2020, compared with €23bn in H1 2019.

However, February 2020 saw the largest buyout ever recorded in the DACH region, when Advent International, Cinven and RAG-Stiftung acquired Thyssenkrupp Elevator for €17.2bn. Without such a large-value deal to boost the numbers, there were 74 buyouts completed, amounting to €10.7bn, giving an average value of almost €143m.

This also means that aggregate buyout value fell off a cliff between Q1 2020 and Q2 2020, as activity in lockdown was mostly confined to the smaller end of the market. A number of larger deals

were put on hold as the gravity of the coronavirus pandemic became clear towards the end of Q1, including the sale of Borromin's ProFagus and Ardian's D&B Audiotechnik.

Another winner was venture and growth capital. In H1 2020, 275 venture and growth capital deals were completed with an aggregate value of almost €3.5bn, compared with H1 2019's 168 deals totalling €3.4bn. In H2 2019, 241 deals were done with an aggregate value of almost €5.2bn, the previous record for both volume and value in the DACH region. Furthermore, the onset of the coronavirus pandemic in March did little to curb venture and growth deal-doing in Q2. In fact, activity increased slightly, with 140 deals recorded between April and June versus 135 in Q1.

## Leveraging potential

The fact that Germany, Austria and Switzerland did not have as sharp a lockdown as many of their European neighbours worked in their favour. Although the DACH region did not escape unscathed in terms of damage to economic growth, government support such as the KfW's loan programme and the Kurzarbeit scheme in Germany, which the federal government moved quickly to introduce, have supported PE portfolio companies. The KfW had received 81,359 loan applications and had made payments totalling more than €42.6bn as of 11 August 2020.

Nevertheless, the financing market did have a significant impact on PE deal-making in the first half of 2020, says Philip Cavaillès, a partner

"Strategic buyers were more conservative as they put their focus on their own businesses and existing participations"

*Philip Cavaillès, Taylor Wessing*

## H1 2020 figures for deal-doing prove the region's resilience, but how it will recover remains to be seen, writes Harriet Matthews

at Taylor Wessing: “PE has seen a lag compared with venture capital due to leverage financing having been impeded by generally reserved banks, although a number of mid-cap funds were quite active in the DACH market, as long as their portfolio companies were not struggling.” He says this scenario has nevertheless presented opportunities. “Strategic buyers were more conservative as they put their focus on their own businesses and existing participations. As the order books of German companies are being increasingly filled, we are also expecting a recovery on M&A activity under certain assumptions.”

### Changing gears

A number of market players maintain that it is unlikely that H1 figures reflect the extent of the damage done by the coronavirus pandemic to portfolios and M&A. Michael Czesla, a partner at law firm McDermott Will & Emery, told *Unquote* that he would exercise caution when reviewing the figures. “Looking at the deals that were ongoing in Q1, wherever possible, people were trying to guide them towards signing and closing, which could lead to a picture of exits not going down materially. Any seller involved in an exit right now who cannot accomplish it will know that it will be a long time until they have another chance. There might have been a readiness to compromise and do the deals in Q1, and Q2 still had the Q1 wave supporting it – I would be surprised if that were the same in Q3 2020.”

Looking to Q4, many market players anticipate

“There are a lot of GP’s delaying fundraises, who will instead be coming out in 2021. But then there will be huge competition for tickets”

*Christopher Bär, MPEP*

that the financing market will gradually return, although buyers and sellers will still want to protect themselves. “There will likely be higher equity portions in PE deals that are to come, now with closing accounts purchase price mechanisms, MAC clauses and, possibly, earn-outs in order to protect against impacts of a second outbreak,” says Cavallès of the prospects for the third and fourth quarters of the year. “The financing markets are not quite back, but they are getting better and we are seeing the first all-equity deals getting refinanced. Deals needing less financing went through during the peak of the crisis, but now that banks are coming back, as long as there is no second wave, leveraging may become more feasible.”

Christopher Bär, a managing director at MPEP, highlights the role that fundraising dynamics will play in H2 2020 and beyond: “There are a lot of GP’s delaying fundraises, who will instead be coming out in 2021. But then there will be huge competition for tickets, so some might want to go out earlier consciously. As investors, we are interested in Q2 valuations from GPs – and it is good that some expectations were reset.” ■

# Finland's VC industry buoyant despite pandemic



**Eliza Punshi**  
Reporter

The amount of venture capital invested in companies based in Finland has risen steadily over the past few years, and 2020 was no different. When comparing the first half of this year to H1 2019, the country has significantly outperformed its Nordic counterparts in the number of venture capital deals recorded. Even during the second quarter of the year, the peak months of the pandemic, there were 23 venture capital deals in Finland, 27.7% higher than the deal volume recorded in the preceding quarter, according to *Unquote Data*.

The country saw more than €345m in venture capital investment during the first half of 2020, revealing a drop of merely 2.5% when compared with the same period last year – which saw an investment of €354m.

Companies operating in the technology sector account for more than half of all VC deals in Finland. These software companies, which can operate remotely, have seen limited exposure to the effects of lockdown or have even benefited from the pandemic.

“Investors are understanding, but they are still metric-driven. So, they will still want to wait until they are convinced with the growth potential of the companies”

*Juha Lehtola, Tesi*

Education technology is one of those sectors, according to Sparkmind VC managing partner Marko Kyyrönen. The VC has invested in Playvation, Kide Science, School Day and Fuzu between January and June 2020. Kyyrönen says the sector has received a lot of attention from investors and the general public during the coronavirus pandemic: “A lot of learners are flocking to the internet for digital learning, which helps attract investors.”

Juha Lehtola, head of VC investments at Finnish investment agency Tesi, says: “The talent pool in Finland is growing by the year and cost effectiveness is higher here than Silicon Valley. And, except for gaming, we do not have that many consumer internet companies. Even in fintech, we do not have giant fintech companies. But where we are strong is engineering-driven tech, healthtech companies and B2B software.”

Another advantage for the country, according to Kyyrönen, is the presence of a national investment company like Tesi itself: “They are one of the most active and professional state investors around, with enough funding of their own available for VC funds and directly for companies.”

## Filling in the gap

This could help alleviate one negative side effect the pandemic seems to have had for the Finnish startup scene. In June, online refurbished mobile phones retailer Swappie raised \$40m in a series-B round from Tesi, Lifeline Ventures, Reaktor Ventures and Inventure. Prior to the signing, a European



## Dealfow in the Finnish VC market remained strong in the peak months of the coronavirus outbreak. Has the country been spared from the effects of the pandemic? Eliza Punshi reports

growth fund previously meant to be the lead investor in the round pulled out, resulting in Tesi increasing its stake and the company being funded entirely by domestic investors.

Foreign VCs, which usually account for a large chunk of the early- and expansion-stage activity in Finland, have largely been missing in action during Q2. Consequently, government-backed schemes were launched to support startups struggling to raise capital.

In July, Tesi's venture capital arm launched the Venture Bridge programme to support Finnish tech companies. The scheme aims to mitigate the risk of international investors scaling back their investment in the region by providing bridge financing to companies. Lehtola says: "In March, it became clear that we had to adopt a new approach and act as a countercyclical investor. Over the past year, €300m of the €500m total VC investment in Finland has come from overseas. So, what happens when foreign VCs cannot travel or make these investments as a result of the pandemic and lockdown restrictions? That is where we come in." So far, Lehtola says that about a dozen tech startups have sought funding through the programme since it was launched.

### H2 prospects

The lockdown in Finland has eased, but much like other countries, the risk of a second wave of the pandemic remains. As such, whether VC activity in the second half of 2020 will surpass the first or fall short of it remains unclear.

The absence of non-regular, opportunistic investors, such as the ones that flock to Finland's startup and tech event Slush, will be felt in the second half of the year, says Lehtola, as a notable chunk of investment volume comes from first-time investors. But the seasoned investors, he says, will still be there.

Lehtola is also worried about the prospects of the companies that are still suffering in the current climate: "Investors are understanding, but they are still metric-driven. So, they will still want to wait until they are convinced with the growth potential of the companies.

"I am less pessimistic than I was two months ago. Tech stocks have recovered fairly well, and the VC funds still have dry powder. So, assuming there will be no second wave, I think we will recover partially."

As a debut fund manager with just four companies in its portfolio so far, Sparkmind has been opportunistic and is aiming to make up to 10 investments this year. Kyyrönen says: "It is easier when we have more time for new initial investments without a legacy portfolio. The competition from generalist investors is slightly lighter because they are more busy taking care of portfolio companies."

Kyyrönen, who says he has been getting a new pitch almost every day, agrees: "The dry powder is there and the most opportunistic VCs in the region are deploying it. So, one could argue that the traction will continue, and I think that Finland's position will remain intact." ■

# Funds round-up



## Ace Aero Partenaires reaches €630m first close

Tikehau Capital subsidiary Ace Management has announced the €630m first close of Ace Aero Partenaires, a fund dedicated to supporting the aerospace sector in the wake of the Covid-19 pandemic.

The fund is targeting €1bn and is backed by institutional investors, aerospace corporates and the French state. The initiative was announced in June by the French Finance Ministry.

Ace Management was selected to manage the fund following a tender process initiated by the corporates backing the fund.

Tikehau acquired private equity firm Ace Management for an enterprise value of €6.5m in 2018. Ace's investors are primarily major international groups,

operating across the aerospace and defence industries. The company manages three main categories of funds on behalf of its clients: Aerofund (aerospace), Brienne (defence and security) and Atalaya (maritime).

Airbus, Safran, Dassault and Thales have jointly committed a total of €200m to the fund. The French state confirmed its pledge of €200m, with €50m coming from BPI France.

Tikehau invested €230m from its own funds in Ace Aero Partenaires at first close.

The fund's aim is to support, reorganise and ultimately strengthen the aerospace supply chain, currently badly affected by the coronavirus pandemic. ■

### Ace Aero Partenaires

<b>TARGET</b>	€1bn
<b>LAUNCHED</b>	Jun 2020
<b>CLOSED ON</b>	€630m (1st close), Jul 2020
<b>FOCUS</b>	Aerospace industry
<b>FUND MANAGER</b>	Ace Management

## One Peak closes second growth fund on €443m

One Peak Partners has closed One Peak Growth II on €443m. Proskauer Rose and Van Kampen Liem served as fund counsel, while Houlihan Lokey served as placement agent.

The fund's predecessor closed on €250m in December 2014.

Commitments to One Peak Growth II came from several different types of LP including university endowments, foundations, public pension plans,

funds-of-funds and family offices.

The fund will primarily target significant minority interests in European technology companies with plans to expand globally. The firm will provide growth capital, capital for acquisitions, shareholder liquidity and capital for management buyouts.

The firm generally invests €5-30m per business in companies with run-rate revenues of at least €5m. ■

### One Peak Growth II

<b>LAUNCHED</b>	Jan 2020
<b>CLOSED ON</b>	€443m, Jun 2020
<b>FOCUS</b>	European technology companies
<b>FUND MANAGER</b>	One Peak Partners

A round-up of recent fundraisings throughout the private equity industry, including Ace Aero Partenaires' €630m first close; ICG launching its second recovery fund; and Vitruvian holding a €4bn close for its fourth fund

## Kester Capital closes second fund on £90m

UK-based SME primary buyout investor Kester Capital has held a final close for Kester Capital II on its hard-cap of £90m.

Kester Capital II was launched in January 2019 and held a first close in H1 2019, with a target of £75m. The hard-cap of £90m was set during the fundraising by the fund's investors.

Travers Smith provided legal advice on the fundraising, while Etienne Deshormes of Elm Capital acted as placement agent.

Kester's first fund was formed via a stapled secondary transaction when the firm span out from GCP Europe.

Asked about the fundraising timeline for Kester Capital II, Adam Maidment, managing partner at Kester, told *Unquote*: "We started the real final close efforts in November 2019. Up until lockdown, we were seeing strong momentum with LPs, the vast majority of whom we had existing relationships with. The lower-mid-market and the focus on primary buyouts is attractive, and we have a well-established and experienced team. When lockdown hit, most LPs took the first two months to spend time looking at their existing portfolios with existing GPs."

However, interest picked up again during the course of lockdown, Maidment said: "Towards the end

of May, LPs began to look again to deploy capital in new investment/fund opportunities outside their existing relationships. The fact that we had had good dialogue with them historically, and that our current portfolio was trading really well, allowed us to move from being on pause with LPs to closing the fund relatively quickly.

"Our entire LP base is institutional LPs, and the majority are funds-of-funds," Maidment told *Unquote*. "Expanding our range of relationships is key for us – we had good support from existing investors, and more than 50% of commitments are from new investors."

The fund will focus on UK-based SMEs, targeting businesses with enterprise values of £10–50m and deploying equity tickets of £5–25m. The vehicle will focus on the sectors of healthcare, business services, financial services and TMT, although it is not limited to these segments. The firm invests only in primary buyout opportunities.

The fund has made two investments so far: YouGarden, which Kester acquired in an MBO in October 2019; and Compliance Online, a digital gambling and payment sector regulatory compliance service. ■

### Kester Capital II

<b>TARGET</b>	£75m
<b>LAUNCHED</b>	Jan 2019
<b>CLOSED ON</b>	£90m (hard-cap), Aug 2020
<b>FOCUS</b>	SMEs, primary buyouts
<b>FUND MANAGER</b>	Kester Capital

## CapMan announces second growth fund

Finnish investment firm CapMan has announced its second growth fund, CapMan Growth Fund II, held a first close on €74m in July and is targeting €85m.

Managing partner Juha Mikkola told *Unquote* that the fundraising took two months and was carried out remotely, as the majority of the LPs were existing investors. The fund is expected to hold a final close in a few weeks.

The new growth fund is the same size as its predecessor, which closed at the end of 2017. Mikkola said CapMan Growth Equity Fund is nearly fully deployed, with a small amount retained for potential add-ons.

CapMan's own investment commitment in the new fund is €10m. The VC did not appoint any

placement agents or advisers for the fundraise.

The fund will make minority investments in 8–12 companies with turnovers of €5–100m. The size of investments will vary from €3m to €20m and will mostly be in the form of co-investments.

Mikkola said the strategy for the fund will be largely the same as the previous one: "The only difference now is that we have to be more selective. We are actually looking for companies that are benefiting from Covid-19 instead of suffering from it, such as software and AI companies."

The VC has already made its first investment in Finnish company Neural DSP, which creates sound processing software and hardware for musicians. ■

### CapMan Growth Fund II

<b>TARGET</b>	€85m
<b>LAUNCHED</b>	Apr 2020
<b>CLOSED ON</b>	€76m (1st close, Jul 2020)
<b>FOCUS</b>	Growth companies
<b>FUND MANAGER</b>	CapMan

## ICG launches second recovery fund

Intermediate Capital Group (ICG) has launched a second recovery fund, ICG Recovery Fund II, to invest in companies hit by the coronavirus crisis.

The fund is believed to have a target of around €1bn and has already started to pitch investors, including Teachers' Retirement System of Louisiana, which is considering a \$50m commitment.

This second vehicle will be larger than its predecessor, which was launched in 2008 to exploit opportunities in the loan market arising from the global financial crisis. The fund is currently fully deployed and has reaped an IRR of 11%.

Like its predecessor, this new recovery fund will target companies with solid businesses, which are experiencing dull performances and balance sheet problems, or where the debt is constraining the company's growth. The fund might also explore distressed and special situation strategies.

The fund is expected to provide financing primarily to support private-equity-backed companies outside of ICG's existing portfolio that may benefit from de-leveraging and an increase in funds available for growth. ■

### ICG Recovery Fund II

<b>TARGET</b>	€1bn
<b>LAUNCHED</b>	Jul 2020
<b>MANAGER</b>	Intermediate Capital Group



## Vitruvian closes fourth fund on €4bn

Vitruvian Partners has closed Vitruvian Investment Partnership IV (VIP IV) on €4bn.

The fund's original target was €3.75bn, with a €4bn hard-cap. The fund was oversubscribed, according to a statement. Evercore Private Funds Group and Monument Group acted as placement agents and Kirkland & Ellis provided legal advice.

VIP IV was formally launched in April 2020 and is domiciled in the UK. A spokesperson for the firm said: "The majority of the fundraise was done virtually using a number of platforms. In terms of ability to raise capital, and in the context of the Vitruvian investment strategy, there was little impact from the coronavirus crisis, and, in fact, a number of the Vitruvian portfolio companies have been net beneficiaries of the Covid-19 outbreak."

The fund's predecessor, VIP III, closed on €2.4bn in June 2017. It was announced in August 2016 with a target of €2bn. It has made a number of investments across Europe, including in consumer finance company Smava and holiday rental company Sykes Holiday Cottages. It has yet to make any exits.

The fund received commitments from more than 120 institutions, with more than 50% of the fund raised from North America, around 30% from Europe and the remainder of investors coming from Asia and the Middle East.

The spokesperson said: "Many investors in previous Vitruvian

funds have upped their ticket size for VIP IV and we are pleased with the interest from sovereign wealth funds in particular."

VIP IV will focus on companies with enterprise values of around €75-500m and potentially up to more than €1bn. The typical investment to any one individual portfolio company is expected to be in the range of €35-€250m.

Vitruvian mainly invests in growth buyout and growth capital phases of investment, and in asset-light sectors, such as technology, healthcare, financial services and business services.

The spokesperson said: "Vitruvian believes that sector emphasis should be flexible over time to reflect where the best investment theme ideas are emerging, as the underlying drivers of business change impact on new areas. This thematic flexibility has served the firm well to date during the recent months."

The spokesperson said of the increase in the size of the fund against its predecessor: "The Vitruvian investment strategy has not been adjusted following Covid-19. Given the increase in fund size, it is expected there will be more investments in this fund than for VIP III." VIP III was expected to make 20 investments.

The fund has yet to make any investments. The spokesperson declined to comment on timing, but said: "Now the fund has reached its hard-cap, we are seeking to invest it and have a strong pipeline." ■

### Vitruvian Investment Partnership IV

<b>TARGET</b>	€3.75bn
<b>LAUNCHED</b>	Apr 2020
<b>CLOSED ON</b>	€4bn, Jul 2020
<b>FOCUS</b>	Asset-light European businesses
<b>FUND MANAGER</b>	Vitruvian Partners

# UK & Ireland deals

**£40m**  
2018  
revenues

## Hg sells Citation to KKR

Hg has sold business support service Citation to KKR.

KKR's investment is being made through its European private equity fund, European Fund V, which closed on €5.8bn in November 2019.

The firm will also be investing from its Global Impact Fund, which closed on \$1.3bn. Citation's mission of helping SMEs look after the health, safety and wellbeing of their staff is aligned with KKR's strategy for the impact fund, according to a statement.

Citation helps SMEs to comply with relevant regulations and ensure certain levels of quality and standards are met – in areas such as health and safety, HR and employment law, ISO and industry-specific rules and standards – by providing a combination of expert advice, software tools, and audits and assessments, mostly on a long-term subscription basis. Founded in 1995, the company is based in Cheshire and it generated £40m in revenues in 2018.

The asset was expected to be marketed based on EBITDA of £35m and could be valued at



£500-600m or an EV/EBITDA multiple of 15-19x.

First round bids were collected in March 2020, with bidders such as Permira and Providence also involved, according to *Unquote* sister publication *Mergermarket*.

The capital will go towards further growth opportunities, via expanding its customer base and its range of services.

The company was an Hg 7 portfolio company. The fund closed on £2bn in April 2013 and has made several

realisations to date, including Visma and Kinapse.

During Hg's holding period, Citation made eight acquisitions.

ECI acquired a majority stake in Citation in December 2012 in a management buy-in that valued the company at £50m. According to *Unquote Data*, ECI invested via its ninth fund.

In 2016, ECI Partners sold Citation to HgCapital, generating a 5x money multiple. HgCapital acquired a majority stake in the company alongside the existing management team. ■

## Epiris acquires Casual Dining

Epiris has acquired a majority of assets owned by Casual Dining Group (CDG), including Bella Italia, Café Rouge and Las Iguanas.

The firm drew equity from its second-generation fund, which closed on £821m in October 2018. The GP seeks to invest around £40-150m in UK-based companies with enterprise values of £75-500m and offers co-investment opportunities of £30-100m. This is Epiris II's seventh investment.

Epiris has committed further financial resources to The Big Table, the newco through which the acquisition has been made, to fund working capital and investment requirements.

The Big Table will focus on a smaller, more profitable estate of restaurants. The business has been entirely funded by Epiris, with no additional third-party debt.

Lenders KKR and Pemberton Asset Management agreed to a £150m debt-for-equity swap for Casual Dining in July 2018. The deal allocated restaurant chain company shares to the lenders, and also included a £30m new cash injection from existing shareholders and lenders.

Following the transaction, CDG saw its debt slashed by 50% to less than three times the company's core earnings. ■

**£250m**  
Gymshark  
revenues

## General Atlantic invests in Gymshark at £1bn valuation

General Atlantic has invested in fitness brand Gymshark at a £1bn valuation. The GP is currently investing from its General Atlantic Investment Partners 2017 fund, which closed on \$3.3bn in March 2013.

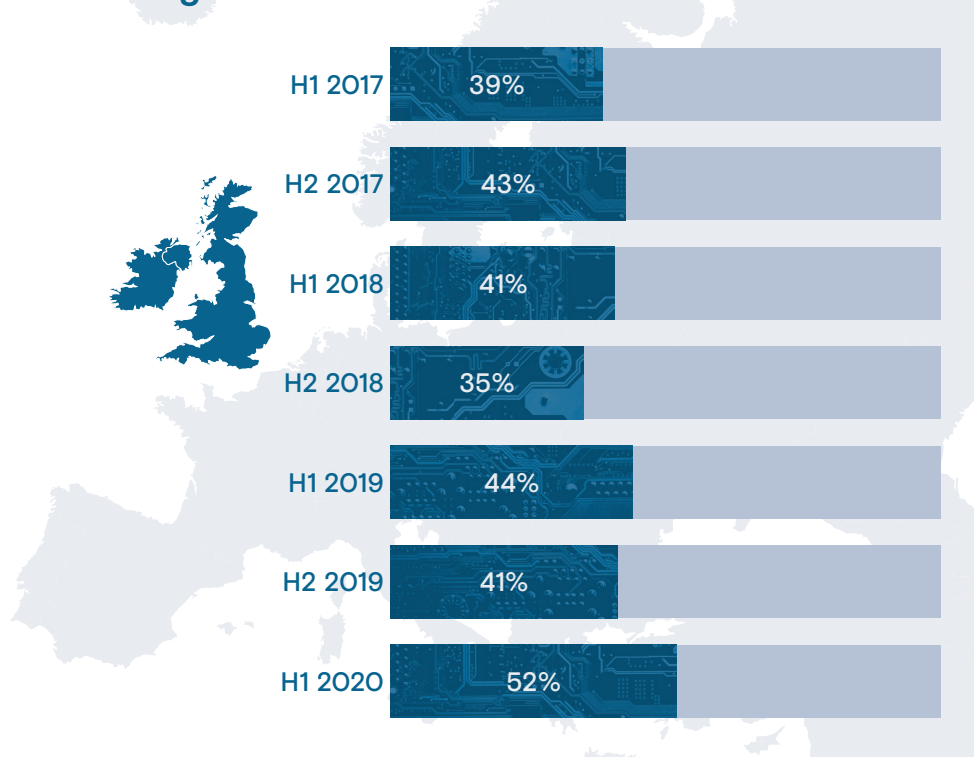
In conjunction, Gymshark founder Ben Francis is increasing his stake in the company to more than 70%, while the firm will take 21%. This is the company's first institutional funding round.

First round bids for the minority stake were collected in

early July, according to a report by *Unquote* sister publication *Mergermarket*. Other firms in the bidding included TSG, Permira, General Atlantic, L Catterton and Inflexion Private Equity. The report also suggested the company could pursue an IPO in two to three years, following the minority investment.

Founded in 2012, Gymshark sells gym clothing and is headquartered in Solihull. It most recently reported revenues of £250m. ■

### Percentage of PE deal volume in the tech sector



# Benelux deals

**2016**  
Year  
founded

## Heal Capital leads \$10.5m round for Siilo

Healthcare technology investor Heal Capital has led a \$10.5m round for Netherlands-based Siilo, a collaboration and messaging app designed for use by healthcare professionals.

Also participating in the round were Philips Health Technology Venture Fund and existing investor EQT Ventures.

Siilo plans to use the fresh capital to expand its product offering and to expand its presence in the DACH region, Benelux and the UK and Ireland.

According to a statement, the company saw an increase in app users of 309% during the pandemic, with an increase of 208% in messages and 270% in video calls.

The company launched a Covid-19 crisis management service in 2020 that aimed to allow workers to communicate and provide updates on patients with minimal risk of in-hospital transmission, as well as to address capacity and resource allocation.

The deal marks Germany-based VC Heal Capital's debut investment from its first fund, which held a first close in January 2020 on €80m. The



fund is currently on the road and targeting €100m. The fund makes equity investments of €3-5m, deploying up to €15m per company.

Founded in 2016, Amsterdam-headquartered Siilo aims to facilitate case-based collaboration, knowledge-sharing and decision-making between healthcare workers, providing a secure communication platform. The app is free for individuals, but is available as a subscription-based service for use within healthcare organisations.

According to a statement, the app is currently used by

250,000 healthcare professionals, compared with 100,000 users at the time of its last funding round in 2018. It has 48 employees, according to LinkedIn.

In October 2018, EQT Ventures backed a €4.5m round for Siilo, investing via EQT Ventures Fund. ■

### People

**Heal Capital** – Christian Weiss.

**EQT Ventures** – Ashley Lundström.

**Philips Health Technology Ventures** – Rich Wilmot.

**Siilo** – Joost Bruggeman, Arvind Rao.



## Gilde acquires HC Groep

Gilde Equity Management has acquired Netherlands-based indoor climate technology business HC Groep from its France-based parent company Airvance Group.

HC Groep's management has also invested in the business, acquiring a minority stake.

The GP is currently deploying equity from GEM Benelux IV, which held a final close in November 2017 on €300m. The fund invests in small-cap Benelux companies with enterprise values of €20-200m.

HC Groep produces indoor climate technology for use in climate ceilings, air handling systems, climate controls and car park ventilation for offices and public buildings. Based in Waalwijk, the company also has operations in the UK and Germany. It has 250 employees, according to its website. ■

### People

**Gilde Buy Out Partners** – Eschwin Hetzenauer.

**HC Groep** – Ron van Kan.

### Advisers

**Equity** – Simmons & Simmons (*legal*); EY (*financial due diligence*); JSA (*tax*).

**Vendor** – Canaccord (*corporate finance*); DLA Piper (*legal*); PwC (*financial due diligence*).

**€300m**  
Annual  
revenues

## GSH Private Capital acquires Getronics in €200m deal

UK-based investment firm GSH Private Capital has acquired Dutch IT service Getronics in a deal worth €200m.

The company was owned by Brazilian company Bottega since 2017 and, according to *Unquote* sister publication *Mergermarket*, was generating revenues of \$1.3bn in 2018. According to the GP's latest statement, Getronics currently generates annual revenues of around €300m and employs 4,000 staff.

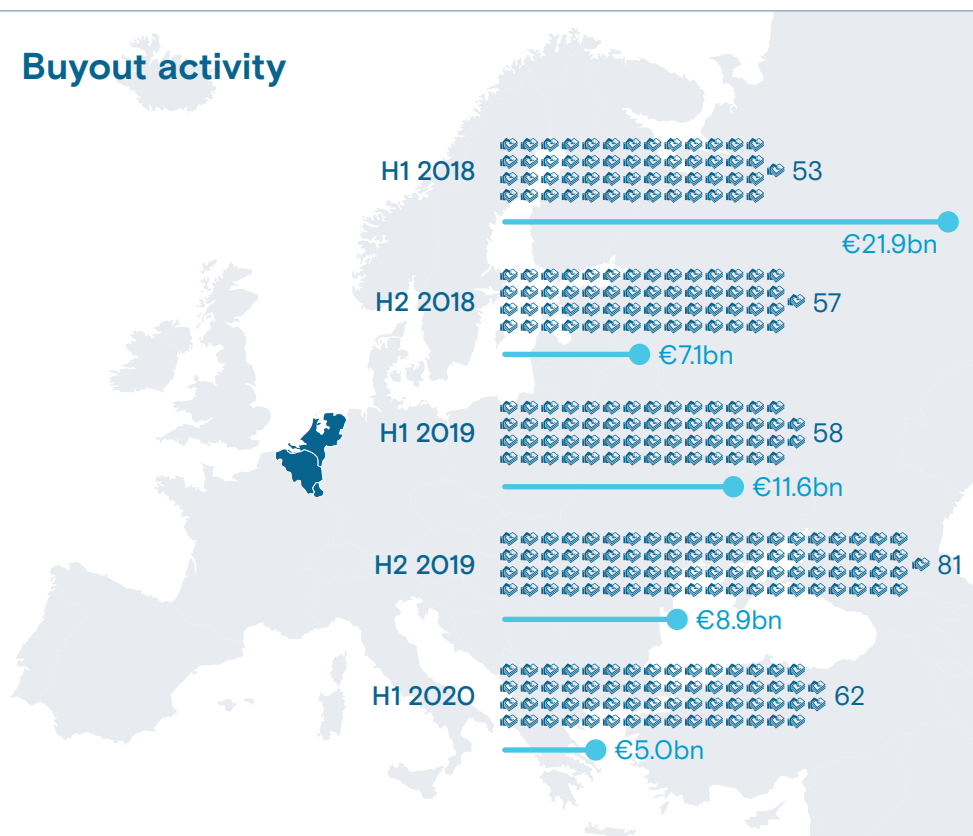
Founded in 1887 and

headquartered in Amsterdam, Getronics is an IT infrastructure company, providing office-based and cloud-based networks.

Aurelius acquired a 78% stake in Getronics in 2012, and increased its stake in the company to 100% three years later by purchasing the remainder from Dutch telecoms company KPN.

In 2017, Aurelius divested Getronics to Brazilian trade buyer Bottega for €220m, bringing the GP a cash multiple of 18.5x capital invested. ■

## Buyout activity



# CEE deals

**€40m**  
**Fund**  
**target**

## Genesis inks two deals via Growth Fund I

Genesis Capital has put its debut growth fund, which is still on the fundraising trail, to work with the acquisitions of R2B2 and Home Care Promedica.

The GP first announced the acquisition of a majority stake in Czech Republic-based digital advertising business R2B2. The company's founders, Martin Čelíkovský and Kamil Foltin, will retain minority stakes in the business.

Unquote sister publication *Mergermarket* reported in February 2020 that R2B2 was in talks with an unnamed investor that planned to assist the company with expansion abroad and to acquire a majority stake.

The GP deployed equity via Genesis Growth Equity Fund I, which held a first close on €31m in October 2019. The vehicle is targeting €40m and had raised €35m as of July 2020. The fund deploys equity tickets of €1-4m and focuses on investing in smaller companies than the firm's core private equity strategy. The fund targets businesses in the Czech Republic and Slovakia with revenues of up to €15m and EBITDA of up to €2m.



R2B2 marked the first investment from the GP's debut growth fund.

Founded in 2009, R2B2 is a digital advertising business that allows publishers to monetise their online advertising space. Its client base comprises 100 publishers and TV stations that sell placements to advertising agencies and direct advertisers, according to a statement. The company is based in Prague and also operates in Slovakia. R2B2 reported revenues of \$9.1m in 2019 and has 25 employees.

Genesis subsequently acquired a majority stake in Home Care Promedica, a Czech home care service, in mid-August. Founded in 1991 and headquartered in Prague, Home Care Promedica provides professional home healthcare services and medical equipment. The company claims it has always been funded entirely with Czech capital and plans to expand its regional presence and portfolio of offered services. ■

## Horizon exits Glass Container

Ukraine-based private equity firm Horizon Capital, alongside other shareholders, is in the process of selling its stake in Moldova-based Glass Container Company and Glass Container Prim to Vetropack Austria Holding.

The Glass Container companies are in the portfolio of Horizon's Western NIS Enterprise Fund, a 2015-vintage \$150m investment vehicle funded by the US government via the US Agency for International Development to foster the growth of small and medium-sized businesses in Moldova and Ukraine. The fund issues equity tickets of \$5-20m.

Vasile Tofan, a partner at Horizon, told *Unquote* that the exit was conducted through an auction. Financial terms of the transaction were not disclosed.

Headquartered in Chisinau, Ukraine, Glass Container Company and Glass Container Prim are suppliers of glass products exporting to 20 countries worldwide. Glass Container Company was founded in 1997. The company generated turnover of approximately €40m in 2019. In 2020, it reported a double-digit growth rate, Tofan said. He added that a typical EBITDA margin for glass businesses is in the 20-30% range. ■

**\$15m**  
Funding  
to date

## Heal Capital, EBRD in \$10.25m series-A for Infermedica

Heal Capital and the European Bank for Reconstruction and Development (EBRD) have led a \$10.25m series-A funding round for Infermedica. The round also saw participation from existing investors Karma Ventures, Inovo Venture Partners and Dreamit Ventures.

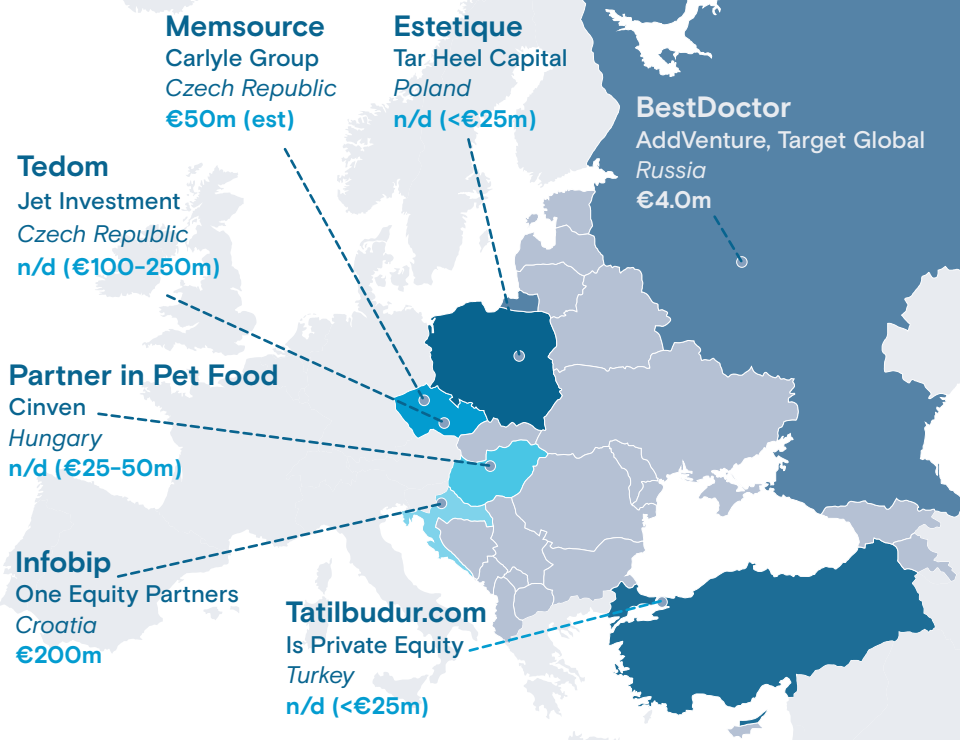
The investment will be used for platform R&D to further enhance patient triage and symptom checking features, as well as clinical decision support analysis.

Founded in 2012 in Wrocław, Poland, Infermedica is a digital health company specialising in AI-powered solutions for preliminary diagnosis and patient triage.

It currently employs around 100 specialists and has 60 B2B clients in 30 countries.

The new capital brings total funding to date to \$15m. In June 2019, Karma Ventures led a \$3.7m seed round for Infermedica. Dreamit, Müller Medien and Inovo also participated. ■

### CEE deals (Jul 2020)



# DACH deals

**€10m**  
Revenues  
generated

## Bid Equity buys majority stake in Infopark

Bid Equity has acquired a majority stake in Infopark, a developer of a content management system (CMS).

The Berlin-based business generates revenues of around €10m and has 80 employees.

“The deal was relatively far on when lockdown came in,” a spokesperson for Bid Equity told *Unquote*. “The process began in Q4 2019 and we almost closed a few weeks after lockdown came about, but it had some impact on prolonging the closing and financing.”

Asked about the financing for the deal, the spokesperson told *Unquote*: “The deal is all-equity for now. We do buy-and-build in the small-cap software space – the intention is to find complementary synergetic companies, and fund those acquisitions all or partially via bank debt. We usually make all-equity deals in the beginning, then add debt at a later stage.”

Infopark is the second investment from Bid Equity Fund II, which held a final close in November 2019 on €125m, surpassing its target of €100m. The fund aims to make 8-10 platform investments, deploying



equity tickets of around €15m per company and seeking B2B software businesses with EBITDA of €500,000-5m valued at €3-75m.

Bid Equity generally pursues buy-and-build strategies for its platform acquisitions in the B2B software space and also plans to do so for Infopark, the spokesperson told *Unquote*. “The add-ons are likely to be relatively small, financed via all-equity, then adding debt. We will target companies in the EV €10-40m sweet spot, with EBITDA €1-3m, in the DACH region and beyond.”

The spokesperson added: “Sales-related processes is an attractive software sector – there are big players such as Salesforce

or SAP, but there is plenty of room for specialised business software around this. We want to create a platform enabling medium to large organisations to optimise and digitalise their sales processes further.”

Asked about current dealflow and investment plans, the firm's spokesperson said: “We intend to accelerate our investment pace. We plan to make additional add-ons for both existing platforms. We also hope to do one more platform deal before the end of the year and we have a number of deals in the making. Our primary focus is vertical sector-specific business software, addressing niche segment needs.” ■



## Beck Et Al buys InfoWan

IT cloud service Beck Et Al, a portfolio company of Waterland Private Equity, has acquired Germany-based market peer InfoWan as part of its buy-and-build strategy.

InfoWan's majority shareholder, Lars Riehn, will remain on board as managing director and has reinvested in the company as part of the acquisition, according to a statement.

Waterland bought a majority stake in Beck Et Al in April 2020 and merged the business with portfolio companies Direkt Gruppe and Binary, which it had acquired in Q1 2020. Waterland invested via Waterland Private Equity Fund VII, which held a final close in August 2017 on €2bn and writes equity cheques of €2-25m.

The acquisition was supported by unitranche financing from LGT Private Debt.

The add-on was financed with equity from Beck Et Al's shareholders, as well as debt.

Garching-based InfoWan and its subsidiary DrVis Software provide IT cloud services for SMEs and larger corporates such as the planning implementation and operational support for Microsoft software packages. DrVis focuses on specific services for educational institutions.

InfoWan has further branches in Regensburg and Jena, and has 80 employees. ■

**€47.6m**

Equity  
value

## Deutsche Beteiligungs AG acquires Multimon

Deutsche Beteiligungs AG (DBAG) has acquired Multimon, a provider of fire safety systems and equipment, marking the first deal from its eighth fund.

The firm will also invest €8.1m in equity from its balance sheet, corresponding to a 17% share in the business and implying an equity value for the company of around €47.6m.

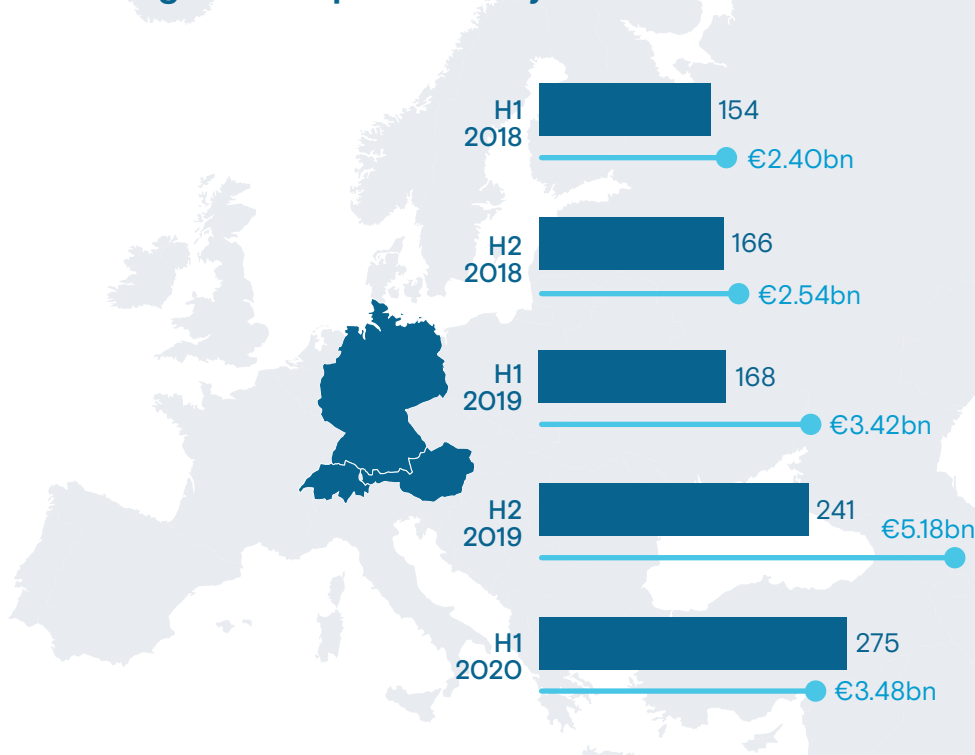
DBAG Fund VIII held a final close in May 2020 on €1.109bn, following a first close in December 2019 on €1bn.

The fund writes equity tickets of €40-100m, investing in companies valued at €75-250m.

The GP has invested in the fire safety sector before, acquiring Kraft & Bauer via its seventh fund in September 2018.

Multimon generates 70% of its revenues in Germany and 20% in Poland. The company is based in Kirchheim, with seven sites in Germany and eight subsidiaries in the CEE region. It employs 520 people and generated revenues of €59.9m in 2018. ■

## VC and growth capital activity



# France deals

**€1-1.5bn**  
**Enterprise value**

## Antin to buy PE-backed Babilou

Antin Infrastructure Partners will acquire a majority stake in private-equity-backed French nurseries operator Babilou.

Minority shareholders TA Associates and Raise Investissement are understood to retain a minority stake, while Cobepa and Societe Generale might exit the investment entirely.

The deal gives the company an enterprise value of €1-1.5bn, which would equate to a valuation of 9-14x its 2020 EBITDA, according to press reports.

Established in 2003 and headquartered in Paris, Babilou operates a network of 670 nurseries and pre-school centres for children under the age of three.

Information memoranda for the sale of Babilou were initially distributed to prospective bidders in February this year, *Unquote* sister publication *Mergermarket* reported at the time. Babilou was being marketed based on a 2020 run-rate EBITDA of €110m, up from €85m in 2019, with an expected price tag of €1.5bn.

Antin was linked to a potential deal early on, as were Blackstone, CVC, Partners Group,



Omers and trade player Bright Horizons. All parties bar CVC and Blackstone were said to be competing in the second round of the auction in mid-March. However, by that point, some of the shortlisted bidders were doubting that the sale would continue given the impact of the coronavirus on the French education system, *Mergermarket* reported at the time. The immediate nursery closures were expected to hit Babilou's 2020 EBITDA figures hard, according to a source cited in an 18 March report, with a corresponding

impact on the company's price tag.

Alpha Associés Conseil invested €15m in Babilou via Alpha Private Equity Funds 5 in return for a minority holding in February 2008. It sold its stake to Cobepa and Societe Generale in September 2013.

Raise Investissement backed the company in April 2015. Subsequently, TA Associates invested in the business in April 2017, while Cobepa, Raise and Societe Generale retained a minority stake and the founding Carle family kept the majority. ■

## PAI to acquire Amplitude

PAI Partners has entered into exclusive negotiations to acquire a majority stake in orthopaedics manufacturer Amplitude Surgical from Apax Partners.

The firm has offered €2.15 per share and is currently drawing equity from its PAI Europe VII fund, which closed on €5bn in March 2018. Prior to the announcement, the company was trading at €1.62 per share.

Apax, which currently owns 41.4% of the listed company, would fully exit its stake, with PAI acquiring a controlling stake of 52.3%.

Founded in 1997 in Valence, France, Amplitude provides surgical technology for use in lower-limb orthopaedics. The company reported annual sales of €88.3m and unaudited EBITDA of approximately €17.5m for the year ending on 30 June 2020. The company expects sales of €115m in the 2021 financial year.

Apax acquired the company from Weinberg Capital Partners and Initiative & Finance in a deal that valued the company in the €100–125m range. It listed on Euronext Paris with a €234m market cap and raised €50m to pursue its international expansion in 2015. Apax retained a 44.69% stake, down from 84.91% pre-IPO. ■

**12x**  
EBITDA

## KKR, Ardian buy Elsan stake from CVC

KKR and Ardian have invested in Elsan, a French operator of private hospitals and clinics owned by CVC Capital Partners.

The deal gives the company an enterprise value of €3.3–3.5bn, equal to almost 12x EBITDA, according to press reports. This would be one of the largest SBOs recorded by the French market to date.

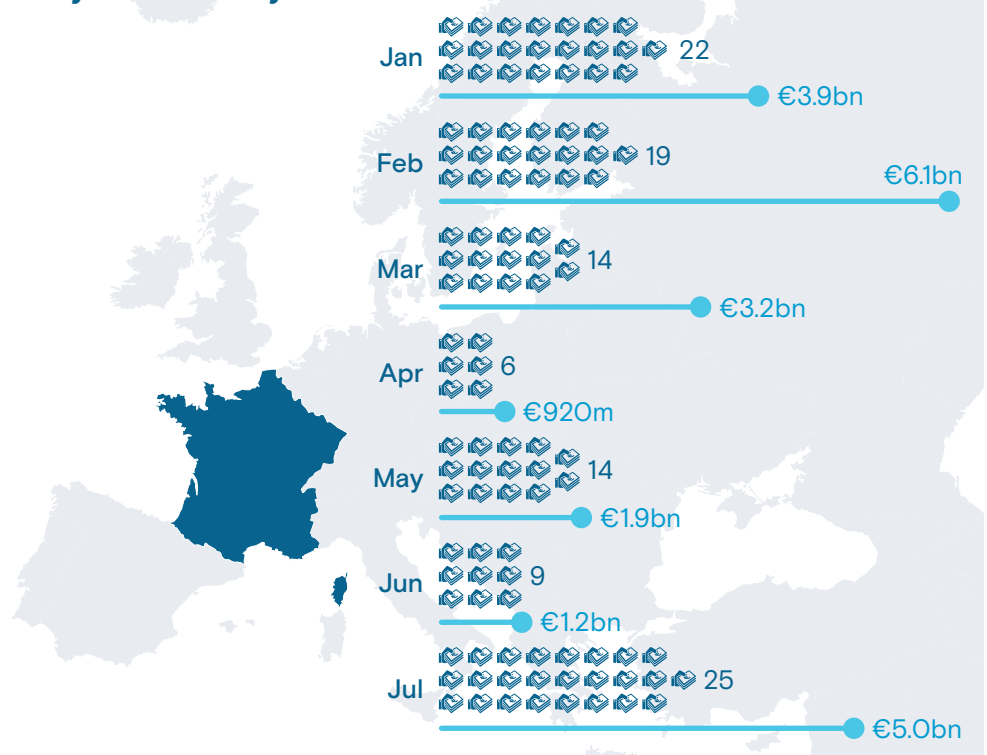
KKR is expected to acquire a 45% stake in the company, while Ardian will buy a stake of 10–15%. CVC will reinvest in the business,

but instead of deploying capital from its Fund V will use another one of its vehicles.

Paris-headquartered Elsan employs 25,000 staff and 6,500 doctors in its 120 clinics.

CVC acquired Vedici from 3i and Nixen in June 2014 via its Fund V. The GP then bought clinic group Vitalia from Blackstone in November 2015 and merged it with Vedici, rebranding the group as Elsan. The company acquired MédiPôle Partenaires in 2017. ■

## Buyout activity in 2020



# Nordic deals

**€15m**  
**Estimated**  
**EBITDA**

## Vitruvian sells Unifaun to Marlin Equity Partners

Vitruvian Partners has signed an agreement to sell Unifaun, a Swedish cloud delivery orchestration platform, to Marlin Equity Partners.

The GP is divesting the company four years after acquiring a majority stake in it from Bridgepoint via its £1bn Vitruvian Investment Partnership II fund. According to *Unquote* sister publication *Mergermarket*, bidders during the sale process included EQT and Axcel, with FSN Capital and Hg also supposedly looking at the asset. The sale auction was postponed in April ahead of first-round bids due to Covid-19, but resumed in June.

Unifaun was marketed based on EBITDA of around €15m and is valued at €200m, according to *Mergermarket*.

During Vitruvian's holding period, the company developed a B2C e-commerce module, launched a plug-and-play delivery checkout service that provided shippers with multiple delivery options, and brought to market the MyParcel tracking app for parcel recipients.

Unifaun also acquired Netherlands-based Transsmart,



expanding into the Benelux and DACH regions. In 2016, Vitruvian acquired a majority stake in Unifaun from Bridgepoint. Unifaun's management and key staff retained a significant minority stake in the business following the buyout.

UK-based PE firm Bridgepoint acquired Unifaun – then Memnon Networks – through a management buyout in June 2012, taking a majority stake through its mid-cap arm, Bridgepoint Development Capital.

Founded in 2000 and headquartered in Stockholm, Unifaun is a provider of cloud transportation connectivity

services to carriers, shippers and parcel recipients in the transport industry. Unifaun has approximately 200 employees in Sweden, Finland, Norway, Denmark, the Netherlands, Belgium, Germany and Poland. ■

### People

**Vitruvian Partners** – Jussi Wuoristo

**Marlin Equity Partners** – Peter Chung.

### Advisers

**Vendor** – Goldman Sachs (*M&A*); Kirkland & Ellis (*legal*).

**Equity** – UBS Investment Bank (*M&A*); Plesner (*legal*).



## Priveq acquires stake in Trendhim

Swedish growth investor Priveq has acquired a majority stake in Danish e-commerce company Trendhim. The company's current owners, Sebastian Petersen, Mikkel Andersen and Martin Hojberg Christiansen, will continue in their operational roles and will retain a significant minority stake.

The deal is Priveq's first Danish deal and its final platform investment from its SEK 2.3bn vehicle Priveq Investment V, which is now 85% deployed.

The deal will help Trendhim further strengthen its position and continue its global expansion.

Priveq focuses on Nordic companies with turnovers of SEK 100m-1bn. It typically deploys equity tickets of €10-30m and pursues both organic growth and add-ons to grow companies.

According to the GP, Trendhim has increased its revenues from DKK 12m to DKK 115m in four years and distributes its products through its own platform in 28 countries.

Founded in 2007 and headquartered in Horsens, Trendhim is a designer and online retailer of men's accessories. The e-commerce company distributes its products in 28 countries and in 2019 generated revenues of SKK 115m. It has 50 employees. ■

**€538m**  
Market  
capitalisation

## EQT, Vaaka Partners sell €119m worth of Musti shares

EQT and Vaaka Partners have announced the sale of 7.5 million shares in Musti Group, amounting to a 22.36% stake.

The shares in the company, which was floated on Helsinki Stock Exchange in January this year, were sold for €15.8 apiece to institutional investors. Carnegie and Nordea Bank acted as joint bookrunners on the sale.

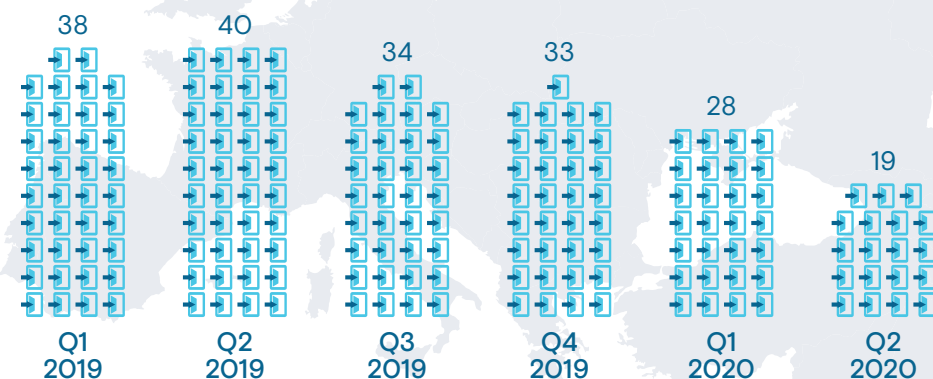
Finnish GP Vaaka acquired Musti in a management buy-in in June 2010, which saw the GP buy out owner Matti Varpula, with Mika

Sutinen taking over as CEO. EQT acquired the company in 2014 using its EQT Mid Market Fund.

Following the transaction, EQT Mid Market Fund will hold 1.9 million shares in Musti.

Founded in 1988 and based in Helsinki, Musti is a pet care specialist operating in Finland, Sweden and Norway. It has a market capitalisation of €538.2m. The company generated EBITDA of €34.3m from revenues of €246.6m for the year ending in September 2019. ■

### Volume of exits



# Southern Europe deals

**€1.6bn**  
2019  
revenue

## BC Partners backs Ima in €3.6bn deal

BC Partners has invested in Milan-listed company Ima, an Italian manufacturer of packaging machinery.

The deal gives the company an enterprise value of €3.6bn, which includes equity of €2.93bn and net debt of €637m.

The GP has acquired a 20% stake in Societa Finanziaria Macchine Automatiche (Sofima), the holding company of the Vacchi family, which owns 51.6% of the share capital and approximately 67% of the voting rights of IMA.

Financing for the transaction was arranged by JP Morgan, BNP Paribas, Unicredit, Mediobanca and Morgan Stanley.

Following the closing of the deal, Sofima will launch a mandatory tender offer to acquire all the remaining shares of Ima, with the goal of de-listing the company from the Milan Stock Exchange.

The offer will be valued at €68 per share, equating to a 26.3% and 20.8% premium on the average trading price of Ima's shares on the Italian stock exchange over the past month and six months, respectively. Should the transaction be



successful, the Vacchi family will hold a 55% stake in Ima and BC Partners will secure a 45% stake.

The agreement follows six months of bilateral discussions between the controlling family and BC Partners. The GP will have a substantial board presence and governance rights, and will work in close partnership with the family owners, who will continue to run the business, it said in a statement.

Ima employs a staff of 6,200 people across 45 manufacturing sites located in Italy, Germany, France, Switzerland, Spain, the UK, the US, India, Malaysia, China and

Argentina. It generated EBITDA of €200m from revenues of €1.6bn in 2019, of which around 90% came from outside Italy.

The company's new owners plan to drive Ima's growth both organically and via international add-ons, with a focus on North America. ■

### Advisers

**Equity** – White & Case (*legal*); PwC (*financial due diligence*); Facchini Rossi Michelutti (*tax*); Tremonti Romagnoli Piccardi e Associati (*tax*).

**Company** – Poggi & Associati (*tax*); NCTM (*legal*).

## Bridgepoint sells Rovensa

Partners Group has acquired Portuguese agrichemical business Rovensa from Bridgepoint, in a deal that gives the company an enterprise value of around €1bn.

Bridgepoint mandated HSBC and Uría Menéndez for the sale of the company at the beginning of the year. Several industrial investors and private equity houses, including Ardian, Permira and Carlyle, showed interest. According to press reports, PAI Partners, Pamplona Capital Management and Partners Group reached the second round of the auction in March and presented three binding offers.

The sale ends a four-year holding period for Bridgepoint, which bought a majority stake in Rovensa in a carve-out from Sapec valued at €456m. A pool of banks consisting of BNP Paribas, Societe Generale, Crédit Agricole CIB, HSBC, Rabobank and Mizuho provided a €250m debt package to support the transaction.

Following this SBO, Partners Group will work closely with Rovensa's management team to help accelerate the development of the company's biological portfolio. The GP also plans to support the business in boosting its international expansion and pursuing an intensive aggregation strategy with selected add-ons in the coming years. ■

**€600m**  
Enterprise value

## Astorg sells Surfaces Group to TA Associates

Astorg has sold Italian abrasive tools specialist Surfaces Group to TA Associates, in a deal that values the company at €600m.

TA is currently investing via TA XIII, which was launched in March 2019 with a target of \$7.5bn and held a final close on its hard-cap of \$8.5bn in May 2019. The vehicle focuses on mid-market opportunities globally, making equity investments in the range of \$75-400m.

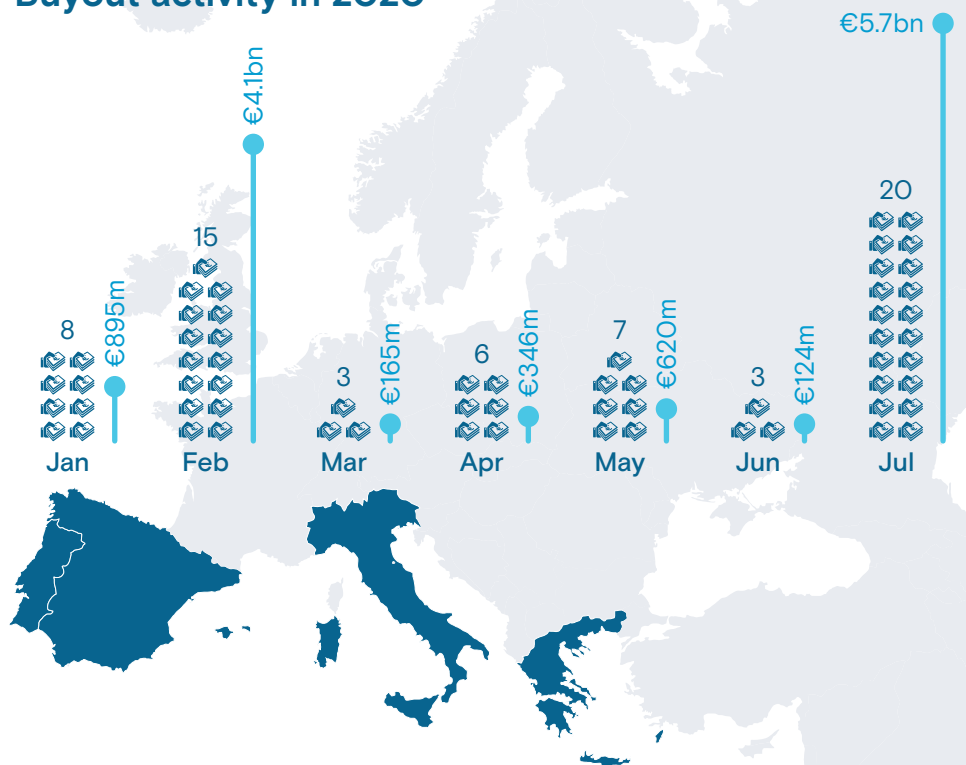
The sale of Surfaces ends a three-year holding period for

Astorg, which acquired a 75% stake in the company from Italian GP Xenon Private Equity.

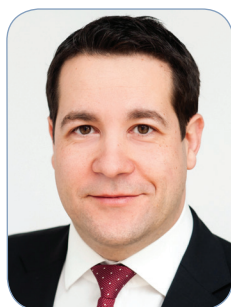
The company is based in Italy, with subsidiaries in Spain, Portugal, Brazil, Turkey, Russia, India and the US.

Astorg backed Surfaces via Astorg VI, which closed on its €2.1bn hard-cap in 2016. The GP is currently investing its €4bn seventh flagship fund, which targets B2B companies headquartered in Europe with EVs of around €200m-1bn. ■

## Buyout activity in 2020



# People moves



**Christian Süß**  
*Silverfleet Capital*

## Silverfleet hires Süß as partner

Silverfleet Capital has hired **Christian Süß** as a partner in its Munich-based team.

The firm intends to increase its presence in the DACH region with the new hire, according to a statement.

Süß joins from TowerBrook Capital Partners, where he was previously a senior principal. He also has prior experience as a director at EQT, where he worked for eight years, as well as at Bain & Company, where he was a consultant.

## Pantheon promotes Barr to head of IR for EMEA

**Rob Barr**, a partner at Pantheon, has taken on the newly created role of head of investor relations for EMEA at the investment firm.

Pantheon said in a statement that the role was created to reflect the expanded range of European and Middle Eastern client markets now covered by the firm.

Barr's responsibilities will include the overall leadership of the investor relations team across EMEA and of Pantheon's distribution relationships in France, Italy, the Middle East and Spain. Barr is based in London



**Rob Barr**  
*Pantheon*

and joined Pantheon in 2005.

In parallel to the announcement, Pantheon said its AUM has now passed the \$50bn mark, following the raise of around \$3.7bn in capital in the first few months of 2020.

## Lincoln hires three in DACH healthcare team

Lincoln International has announced new appointments in its DACH-based healthcare investment banking team, hiring **Dirk Loeffler**, **Julian Knirim** and **Jens Gerlach** from Raymond International.

Loeffler joins as managing director and head of healthcare for the DACH region, while Knirim and Gerlach will join as directors.

Loeffler has experience in healthcare transactions, in particular healthcare services, medical technology and digital health. He previously led Raymond James's Frankfurt office. He also has prior experience at Richmond Park Partners and as head of M&A at Berenberg.

Knirim has previous experience in healthcare service and medical technology deals at Richmond Park and Merrill Lynch.

Prior to joining Lincoln from Raymond James, Gerlach held roles at Citibank and Berenberg.

Lincoln has completed 45 healthcare transactions in the past 18 months, according to a statement.

## Meysson joins HIG as managing director

HIG Capital has hired **Pascal Meysson** as a managing director and head of its European direct lending affiliate HIG WhiteHorse Europe.

Meysson joins from Alcentra, where he worked for 14 years and was a managing director and a founding partner of the firm's European direct lending platform.

He also has previous experience as a vice-president at Deutsche Bank and Charterhouse.

## Baird Capital promotes two in London team

Baird Capital, the direct private investment arm of mid-market investment bank Baird, has promoted **Michael Holgate** to partner and **Andy Dyer** to director in its London team.

Holgate joined Baird Capital in 2014. Prior to this, he held roles at PwC and Spectrum Corporate Finance. Holgate focuses on the technology and services sectors.

Dyer has worked at Baird since 2016. He focuses on the industrial services sector



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

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and previously worked in EY's transaction services team, as well as with Anglo American and Clearwater International.

### Willkie hires Abrar as partner

Willkie Farr & Gallagher has hired **Kamyar Abrar** as partner in its Frankfurt-based private equity team.

Abrar joins from Weil Gotshal & Manges, where he had been a partner since 2017.

Abrar specialises in private equity transactions and has advised firms including Lone Star, GHO, EQT and Advent, according to a statement. He also has experience in corporate transactions and antitrust.

### Zeus Capital makes six promotions

Zeus Capital has made six promotions in its corporate finance, research and private client teams.

Within its corporate finance team, Zeus Capital has promoted **Nick Cowles** to deputy head of corporate finance.

Cowles has been with Zeus Capital since 2005, acting on numerous IPOs and public company takeovers. In 2020, he has worked on transactions such

as boohoo.com's £198m equity fundraising, as well as its £324m acquisition of the remaining stake in Pretty Little Thing.

**Jordan Warburton** has also been promoted to director and **Kieran Russell, Rishi Majithia** and **AJ Reus** to associate director.

Warburton joined Zeus Capital as a corporate finance executive in 2015 from EY. Since working at Zeus, he has acted for both PLCs and private businesses during his time at the firm.

In addition, **Rachel Birkett** has been promoted to director in the research team, and **Anna Thomas**, who leads Zeus Capital's private client offering, has also been made a director.

### AnaCap promotes three to partner

UK-based private equity firm AnaCap Financial Partners has promoted three of its managing directors to the position of partner.

Based in London, **Edward Green, Nassim Cherchali** and **Tassilo Arnhold** will also be appointed to AnaCap's investment committees as voting members for the firm's private equity and credit businesses.

Green joined AnaCap in 2007, starting out in its business

services team within the private equity arm, leading operational engagement across various portfolio companies. In 2018, he joined the firm's credit division, where he leads the portfolio asset management platform across London, Luxembourg, Madrid, Lisbon and Milan, including debt servicing and real estate management for AnaCap's credit investments. He also looks after the analytics team in London and Delhi.

Cherchali joined the firm in December 2008 as an associate, subsequently becoming a manager in 2012, director in 2015 and managing director in 2018. He has been responsible for establishing and building AnaCap's investment strategy in the French market and more recently led AnaCap's latest UK acquisition, Wealthtime, and AnaCap's investment in GTT, its first Spanish PE investment.

Arnhold joined AnaCap in 2015 and was responsible for driving the acquisition, seven bolt-ons and exit of Heidelberg, AnaCap's first portfolio company in Germany. He also oversaw the acquisition of Dansk Sundhedssikring in Denmark, the GP's first investment in the Nordic region. ►



**Nick Cowles,**  
Zeus Capital



**Edward Green**  
AnaCap

# People moves cont.



**Bram Grimmelt**  
*BD-Capital*

## BD-Capital appoints Advent's Grimmelt

BD-Capital has appointed **Bram Grimmelt** as partner and head of its Benelux investment activities.

Prior to joining BD-Capital, Grimmelt was head of Advent International in the Benelux region. During his 14 years at Advent, he worked from the firm's Amsterdam, London and Luxembourg offices, and was involved in seven investments, including Delft Instruments, Nucletron, Mediq, Unit4 and Ammeraal Beltech. He was a non-executive member of the board of three portfolio companies.

Grimmelt previously worked at Waterland Private Equity, where he led deals in several sectors including healthcare, consumer, services, software and industrials. He began his career at Merrill Lynch in London, working in the European leveraged finance team.

BD-Capital is a private equity specialist investing in mid-market businesses. It was established in June 2019 by Richard Baker (former CEO and chair of FTSE), and Andy Dawson (former Advent International Investment partner).

The firm launched its debut fund with a target of €400m in July 2019. The vehicle invests in pan-European mid-market

businesses. It plans to make 8-10 controlling or co-controlling investments, writing equity tickets of €25-150m with an average size of €50m.

Since its launch, BD-Capital's team has grown to 17 people, six of whom are former CEOs with experience of growing businesses in the European mid-market space.

## SNCF's Pepy joins CPP Investments

Canada Pension Plan Investment Board (CPP Investments) has appointed **Guillaume Pepy** as senior adviser for Europe.

Pepy will help support CPP Investments' current investment portfolio and deal origination efforts across Europe. He was most recently chair and CEO of French national railway company SNCF.

Pepy started his new role on 1 July and will mostly focus on France. He will be also be engaged with several investment teams in Europe, supporting the identification and delivery of opportunities that support the LP's long-term growth strategy on the continent.

Pepy joined SNCF in 1993 as chief strategy and investment officer, followed by various senior roles including group

COO in 2003. He served as chair and CEO from 2008 to 2019. Pepy started his career as a civil servant to the French government, and has also been a non-executive director of Suez Group, Nuovo Trasporto Viaggiatori, Deutsche Bahn, Keolis and Wanadoo, as well as non-executive chair of Eurostar and Systra. He currently serves on the boards of Lagardère and BlaBlaCar, and on the advisory board of Salesforce.com.

## Campbell promotes Patel to partner

Campbell Lutyens has promoted **Ronak Patel** to partner. He will also join the firm's global leadership team. Patel, who is based in London, focuses on execution in Europe.

He joined the company in 2006 after working for three years in Deloitte's strategy consulting practice. While at Deloitte, Patel worked on a number of strategy and supply chain projects for public and private sector clients, primarily in the health and media sectors.

The firm has also promoted **Vincent Ragosta** to principal in the New York office. He was previously with the private funds group at UBS. ■



**Guillaume Pepy**  
*CPP Investments*



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