EMEA Private Equity Market Snapshot

Essential tools for strategic decisions

September 2020 | Issue 26

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Editor's Note

Welcome to the 26th issue of the EMEA Private Equity Market Snapshot (PEMS), a quarterly publication focusing on the Private Equity (PE) market in Europe, the Middle East and Africa (EMEA) from S&P Global Market Intelligence.

Economies may be re-opening across Europe, but as our analysis shows, it is clear that deal-making activity in EMEA has not yet recovered from the COVID-19 shut-down. Not only did the region hit record lows in Q2, but previously high-performing sectors – IT in particular – witnessed stark reductions in deal value and aggregate capital deployed.

It's not all doom and gloom, however. As human behaviour shifts in response to both temporary and permanent changes caused by the pandemic, certain sectors are experiencing rapid growth, like Education Technology (EdTech). From displaced school-aged children to adults with new flexibility and freedom to pursue education opportunities, EdTech is serving a whole new segment hungry for non-traditional modes of learning. While this is a global movement somewhat dominated by the North-American and Asia-Pacific regions, there are a number of European EdTech players to watch.

We close where we begin, asking how COVID-19 is impacting deal-making activity. This time, however, our analysis is based on a survey we conducted in July 2020 to help us understand how the PE community sees the pandemic affecting their immediate and near-term investment activity. The results show a clear differentiation by geographic location. On the whole, we can see a distinct link between respondents' perspectives and the specific impact COVID-19 has had, or is continuing to have, on their region.

We look forward to receiving feedback and suggestions on regions or sectors of interest for future analysis. To subscribe or comment on the complimentary EMEA PEMS, please email market.intelligence@spglobal.com.

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Deal-making Confidence Slumps despite Easing of Lockdown Restrictions

With the decline of new confirmed infections and COVID-19 related deaths, governments across Europe began to ease lockdown restrictions in response to pressure to reopen schools and businesses and generally relax movement restrictions. France, Spain and other countries across Europe began lifting their lockdowns in early May and the UK unveiled a three-phase strategy to encourage a return to work soon after. Despite the gradual re-opening of economies, however, business confidence remained bleak and deal-making within the Europe, Middle and Africa (EMEA) region hit record lows in Q2 2020.

Global General Partners' (GPs') investments in EMEA totaled €23.7bn in Q2 2020, compared with €26.5bn in Q2 2019, a reduction of 11% year-over-year. Similarly, the number of completed deals declined 10% year-over-year, from 1,385 in Q2 2019 to 1,248 in Q2 2020. That said, there was no movement in the number of large deals – those valued at €1.0bn or more – produced during the quarter, with the number remaining at four deals with a total value of €11.1bn.

€23.7bn
PE/VC capital deployed in EMEA
▲▼11%

The involvement of two German targets in €1.0bn+ deals drove the meteoric rise in capital within the region and helped partially offset declines in aggregate capital deployed into EMEA. Germany attracted €6.0bn of investments across 145 deals in the quarter, compared with €1.4bn across 155 deals in Q2 2019. These large deals involving German targets include the KKR & Co. Inc. (NYSE:KKR) acquisition of an additional 9.7% equity ownership in the European publishing house Axel Springer SE (XTRA:SPR) for €3.3bn [1] and the SCP Group and x+bricks AG buy-out of hypermarket chain Real GmbH for €1.3bn.[2]

1,248
total entry deals in EMEA
▲▼10%

On the other hand, deal-making in the UK suffered a 22% reduction year-over-year in Q2 2020, recording the highest decline in deals across the EMEA region (259 versus 332 in the comparable quarter of the previous year). Despite this, the aggregate capital deployed in the region rose to €9.3bn, from €9.2bn in Q2 2019, boosted by the largest deal of the quarter involving The Blackstone Group's (NYSE:BX) leveraged buyout of the housing company Iqsa Services Limited for €5.5bn.[3] Southern Europe also managed a 64% increase in capital with Premira Advisers Ltd. acquisition of a majority stake in the apparel and footwear retailer Golden Goose S.p.A. for €1.3bn.[4]

€4bn
PE/VC capital deployed in the IT sector
▲▼51%

During the quarter, Global GPs transitioned their high-value deals into the Real Estate and Communication Services sectors, leaving the Information Technology (IT) sector with a 51% reduction in aggregate capital received. Deal value in IT plummeted to €4.0bn across 512 deals, from €8.2bn across 532 deals in Q2 2019. On the other hand,

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[1] KKR & Co. Inc. (NYSE:KKR) completed the acquisition of an additional 9.7% in Axel Springer SE (XTRA:SPR) in April 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=652158043&companyId=874816

[2] The SCP Group and x+bricks AG completed the acquisition of Real GmbH from Metro AG (XTRA:B4B) on June 25, 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=655415662&companyId=580381083

[3] The Blackstone Group Inc. (NYSE:BX) completed the acquisition of Iqsa Services Limited from Wellcome Trust, West Street Capital Partners and others on May 15, 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=656321047&companyId=585030196

[4] Permira Advisers Ltd. completed the acquisition of an unknown majority stake in Golden Goose S.p.A. from The Carlyle Group Inc. (NasdaqGS:CG) on June 16, 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=654537237&companyId=268829476

Real Estate targets received €5.5bn investments across nine deals, and Communication Services targets received €5.4bn investments across 116 deals.

€6bn
PE/VC capital deployed in Germany
▲▼329%

Global GPs' divestments activity in EMEA successfully capitalized on large deals, which resulted in a 35% surge in total realized capital. Aggregate capital realized totalled €27.6bn in the quarter, compared with €20.5bn in Q2 2019, despite a 22% decline in the number of completed exit deals, from 218 in Q2 2019 to 170 in Q2 2020. The primary driver of this uptick is the increase in the number of large deals, from five deals with a total value €13.4bn in Q2 2019 to six deals with a total value of €21.3bn in Q2 2020 – a 59% rise in total realized capital. In the same way, divestments also transitioned to high-value deals in the Real Estate sector. Real Estate targets amassed €15.5bn across four deals, three of which had €1.0bn+ valuations. These standout real estate divestments include the sale of real estate operating company ADLER Real Estate AG (XTRA:ADL) for €7.3bn,[5] housing company Iqsa services for €5.5bn, and real estate developer Globe Trade Centre S.A. (WSE:GTC) for €2.7bn.[6]

259
total entry deals in the UK
▲▼22%

EMEA-based GPs Continue to Pour Money into North America

Global investments of EMEA-based GPs slowed even further than the single-digit decline of the first quarter noted in PEMS Issue 25, to a 13% reduction in total invested capital year-over-year. Aggregate capital deployed totaled €37.0bn in the quarter, compared with €42.5bn in Q2 2019. In the same way, the number of completed deals declined 8% year-over-year, from 1,594 to 1,462. The number of large deals – those valued at €1.0bn or more – produced during the quarter remained at six; however, the total value was reduced from €18.4bn in Q2 2019 to €14.2bn in Q2 2020.

€27.6bn
PE/VC capital realized in EMEA
▲▼35%

While slowdown in deal activity impacted both cross-border and EMEA-based targets, it was more pronounced in the latter. Aggregate capital deployed to cross-border targets modestly declined by 4% year-over-year, from €25.1bn in Q2 2019 to €24.1bn in Q2 2020, with the number of completed deals also dropping 11% year-over-year, from 368 in Q2 2019 to 328 in Q2 2020. EMEA-based targets, on the other hand, were hit with a 25% reduction in aggregate capital deployed, dropping from €17.4bn in Q2 2019 to €12.9bn in Q2 2020, despite only a 7% reduction in the number of completed deals (from 1,226 in Q2 2019 to 1,134 in Q2 2020).

North America has once again attracted EMEA GPs' money, receiving €18.5bn of investments across 232 deals, although its deal value declined by 9% year-over-year (Q2 2019's numbers totaled €20.3bn across 258 deals). This, after notching three large deals with a total value of €10.9bn: the €6.7bn acquisition of a 55.3% stake in Tallgrass Energy, LP (NYSE:TGE);[7] the €2.8bn in proceeds

€37bn
total capital deployed globally by EMEA-based GPs
▲▼13%

[5] ADO Properties S.A. (XTRA:ADJ) completed the acquisition of a 91.93% stake in ADLER Real Estate AG (XTRA:ADL) from a group of shareholders for approximately €7.3 billion on April 9, 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=648236139&companyId=8089642

[6] Optimum Ventures Private Equity Fund managed by Optimum Ventures Magantokealap completed the acquisition of 61.5% of Globe Trade Centre S.A. (WSE:GTC) from Lone Star Funds on May 27, 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=662435708&companyId=10062138

[7] Blackstone Infrastructure Partners, L.P. completed the acquisition of an additional 55.3% stake in Tallgrass Energy, LP (NYSE:TGE) on April 17, 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=634768100&companyId=285932557

from Waymo LLC's equity round of funding;[8] and the €1.4bn in proceeds from the issuance of Albertsons Companies convertible equity.[9]

EMEA-based GPs' aggregate capital realized from divestments decreased by 9% year-over-year to €23.8, compared with €26.2bn in Q2 2019, after excluding the deal involving T-Mobile US, Inc.'s (NasdaqGS:TMUS) acquisition of Sprint Corporation (NYSE:S) from Softbank Group Capital Limited.[10] The number of completed exit deals also dropped 22% year-over-year, from 227 in Q2 2019 to 178 in Q2 2020.

€18.5bn

total capital deployed in North America by EMEA-based GPs

▲▼ 9%

Turning to Venture Capital (VC) deals, global VCs poured 16% less capital into EMEA-based targets. Aggregate capital deployed decreased to €3.6bn during the quarter, compared with €4.3bn in Q2 2019, as the number of completed deals declined by 7% year-over-year (from 835 deals in Q2 2019 to 776 deals in Q2 2020). Nordics targets took the biggest hit; investments plunged by as much as 75% year-over-year, leaving the region with just €0.3bn in aggregate capital across 76 deals. In contrast, EMEA-based VCs increased their investments globally by 23% to €11.3bn, compared with €9.2bn in Q2 2019, despite 5% fewer completed deals.

Growing EdTech Industry

The global Education market expenditure was an estimated $5.9tn in 2018 and is projected to reach $7.8tn in 2025 and $10tn in 2030. Global Education Technology (EdTech) expenditure, on the other hand, represented just 2.6%, or $152bn, of the total Education expenditure in 2018 but is projected to double by 2025 to $342bn, or 4.4% digital spend.[11] However, the COVID-19 pandemic has undoubtedly changed the education landscape, not only temporarily, but most likely, permanently. According to the World Economic Forum, over 1.2bn children across 186 countries were impacted by school closures – and this number does not even include students and adults pursuing higher education or additional qualifications. As a result, there has been an increased demand and usage of online learning software, language apps, virtual tutoring and other digital learning tools. Although some predict that this "unplanned and rapid move to online learning – with no training, insufficient bandwidth, and little preparation – will result in a poor user experience," others strongly believe in the future of online education and the expedited integration of information technology into education.[12] Moreover, widespread remote working environments, accelerated by the pandemic, have also stimulated the demand for online learning outside the academic sector. Adults and corporate workers are increasingly embracing the "lifelong learning"[13] trend and are taking advantage of the wide variety of time- and location-flexible online learning platform options to stay on top of a rapidly changing world. Udemy, Inc president Darren Shimkus recently said, "The biggest challenge is [sic] for learners is to figure out what skills are

[8] Waymo LLC closed the transaction on May 12, 2020 and received €2.8bn in the transaction. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=656966116&companyId=421556717

[9] Albertsons Companies, Inc. closed the transaction on June 9, 2020, where it issued 1,410,000 shares of 6.75% series A-1 convertible preferred stock and 340,000 shares of 6.75% series A convertible preferred stock in the transaction. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=672505561&companyId=317807696

[10] T-Mobile US, Inc. (NasdaqGS:TMUS) completed the acquisition of Sprint Corporation (NYSE:S) from Softbank Group Capital Limited and other shareholders on April 1, 2020. (As of 19/08/2020). Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=560880489&companyId=417206

[11] Global Education in 10 Charts, Holon IQ, February 2019. As of August 25, 2020. Retrieved from: https://www.holoniq.com/wp-content/uploads/2019/02/HolonIQ-2019-Global-Outlook-Deck.pdf

[12] "The COVID-19 pandemic has changed education forever. This is how." World Economic Forum.(As of August 25, 2020). Retrieved from: https://www.weforum.org/agenda/2020/04/coronavirus-education-global-covid19-online-digital-learning/

[13] Grand View Research, Education Technology Market Size Report, 2020-2027. (As of August 25, 2020). Retrieved from: https://www.grandviewresearch.com/industry-analysis/education-technology-market

emerging, what they can do to compete best in the global market. We're in a world that's changing so quickly that skills that were valued just three or four years ago are no longer relevant. People are confused and don't know what they should be learning."[14] Udemy, Inc is claiming to now have over 5000 corporate clients [15] and in February 2020 announced another round of funding of €46.4m led by Benesse Holdings, Inc. (TSE:9783) valuing the company at €1.85bn.[16] Alongside Udemy, Inc, other global EdTech unicorns have also announced new investments in the first half of 2020 (Table 1).

Table 1: Private EdTech Unicorns with Rounds of Funding H1 2020

Company name	Country	Year Founded	Last Round of Funding	Deal Round	Raised During Last Round (EUR,M)	Total Amount Raised since Inception (EUR,M)	Post Money Valuation (EUR,M)
Think & Learn Pvt Ltd (BYJU'S)	India	2008	June 26, 2020	Series F	21	1,102	9,355
Beijing Zhenguanyu Science and Technology Co., Ltd.	China	2012	March 20, 2020	Mature	906	1,385	7,069
Coursera, Inc.	USA	2011	July 17, 2020	Series F	114	443	2,187
Udemy, Inc.	USA	2010	February 19, 2020	Series E	50	223	1,852
Easy Education Inc.	Canada	2015	May 4, 2020	Series C	65	115	1,300
Duolingo, Inc.	USA	2011	April 14, 2020	Series G	9	126	1,166

*Conversions were made using historical rates (as of deal announced date). Source: S&P Global Market Intelligence. For illustrative purposes only.

EMEA EdTech Deal Activity

The global EdTech ecosystem is dominated by larger players from the Asia-Pacific and North America regions, but, according to S&P Global Market Intelligence, there are currently just more than 2,700 operating EdTech firms across EMEA. While the majority of the entities are operating from mainland Europe, there are 92 firms operating on the African continent and 159 firms in the Middle East (Table 2).

Table 2: EMEA EdTech Landscape

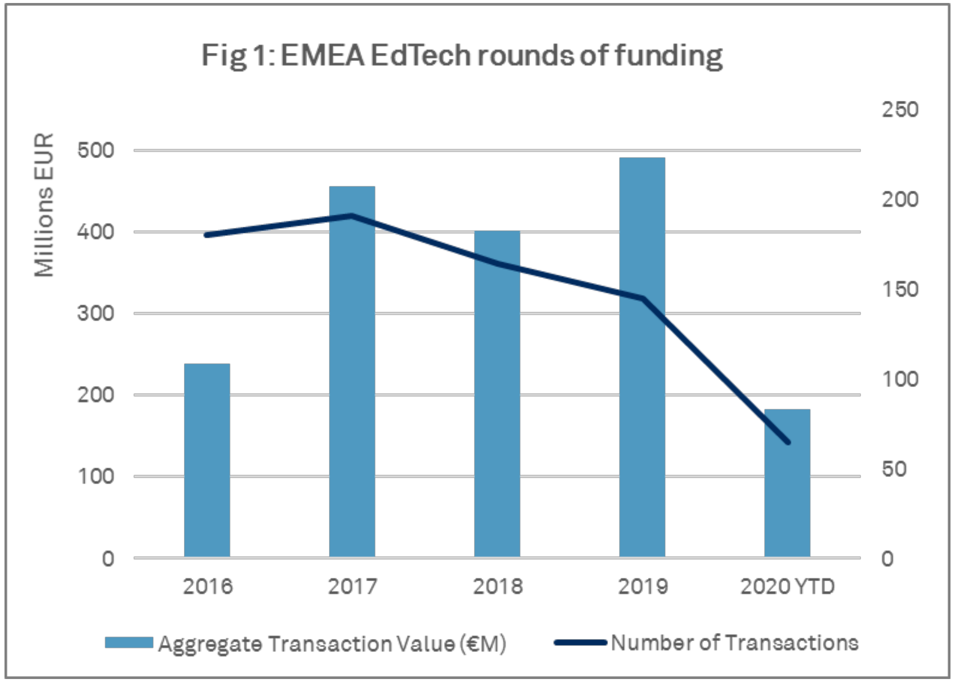
	Africa	Europe	Middle East	Total
Operating Companies	92	2473	159	2724
Total Amount raised (EUR millions)	266	2,685	198	3,149

Source: S&P Global Market Intelligence. For illustrative purposes only.

Historically, EMEA's EdTech firms have raised a total of €3.15bn in aggregated deal value but the majority (€1.77bn or 56%) have been raised by the firms over the past four and a half years across 745 deals (Fig. 1). The biggest EdTech round of funding deal during this period was recorded by

[14] "The Rise of Online Learning." Forbes. (As of August 25, 2020). Retrieved from: https://www.forbes.com/sites/ilkerkoksal/2020/05/02/the-rise-of-online-learning/
[15] Udemy Secures $50 Million Investment from Long-time Partner, Benesse Holdings", Businesswire. (As of August 25, 2020). Retrieved from: https://www.businesswire.com/news/home/20200219005239/en/Udemy-Secures-50-Million-Investment-Long-time-Partner
[16] Udemy, Inc, S&P Global Market Intelligence platform. (As of August 25, 2020). Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?ID=4609664

Actis LLP and their €233 million[17] investment in Honoris United Universities as a way to tap into the increased demand for English language distance learning among students and employers in Africa.[18] In 2019, a record €491 million was raised by EMEA's EdTech firms across 145 deals.[19] The majority of the firms (77) collecting an aggregated amount of €351 million in funding in 2019 were based in the UK (50), Germany (14) and France (13). The most prominent PE investors in the EdTech industry in 2019 were Educapital SAS, [20] with investments in three French companies: 360Learning SA (Series–B, €36m); Lalilo (Pre-Series A, €5m); and Open Digital Education (Growth, €2m). Bpifrance Investissement SAS[21] also participating in the 360Learning SA Series-B round in addition to investing in Ornikar SAS (Series-B, €35m); Cood (Venture, €1.6m), a French programming education platform; and Seven Shapes SAS (Venture, €0.6m). One EdTech company to watch is coachhub GmbH.[22] The Berlin-based platform offering personal video coaching sessions with top business coaches was only founded in late 2018 but received a formidable €19.6m in funding across three rounds last year from participating investors, including RTP Global, HV Holtzbrinck Ventures, Partech Partners and others.



* Deal Valuations are as of Agreement Date.

** 539 out of 745 deals had a reported transaction value

Source: S&P Global Market Intelligence. For illustrative purposes only.

[17] Actis LLP investment in Honoris United Universities on July 12, 2017. S&P Global Market Intelligence. (As of August 25, 2020). Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#offering/capitalOfferingProfile?ID=2026219

[18] Actis LLP – Honoris United Universities Case Study. (As of August 25, 2020). Retrieved from: https://www.act.is/media/1704/case-study_honoris-united-universities.pdf

[19] 115 out of 145 deals had a reported transaction value. S&P Global Market Intelligence. (As of August 25, 2020).

[20] Educapital SAS, S&P Global Market Intelligence. (As of August 25, 2020). Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=8702744

[21] Bpifrance Investissement SAS, S&P Global Market Intelligence. (As of August 25, 2020). Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=4548430

[22] Couchhub GmbH, S&P Global Market Intelligence. (As of August 25, 2020). Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=19100521

Other European e-learning providers with significant deal-making activity since 2016 include Lingumi Ltd[23], Developing Experts Ltd[24] and MEL Science Ltd[25]. Lingumi Ltd, an English language learning application, raised a total of €6.6m across five rounds, including the most recent €4.5m Series-A financing on March 12, 2020, with participation from North Summit Capital Management Limited, Senderwood LLP and others. Developing Experts Ltd, an online library of interactive lessons, has concluded six early stage rounds of funding since 2017, raising a total of €1.6m from multiple angel investors. The 2014 founded and London-based MEL Science Ltd, which provides virtual reality chemistry lessons via mobile and website, has raised a total of €9.4m in four rounds since the end of 2016 with participation from international corporate and VC investors.

Although the overall funding deal count in EMEA's EdTech sector in 2020 will probably continue to decline in line with the overall deal-making activity caused by COVID-19, we are also more likely to see bigger investments being made in these firms as the industry matures and the demand for online learning platforms grows. For this industry, the pandemic has certainly turned out to be two folded, with the general slowdown accompanied by an increase in opportunity.

FEATURE ARTICLE

The Impact of the COVID-19 Pandemic on the Private Equity Market

COVID-19 continues to adversely affect economies globally. With the full extent of its impact still uncertain, we reached out to the PE community to learn more about their perspectives on the impact of the pandemic on PE markets in their respective regions.[26]

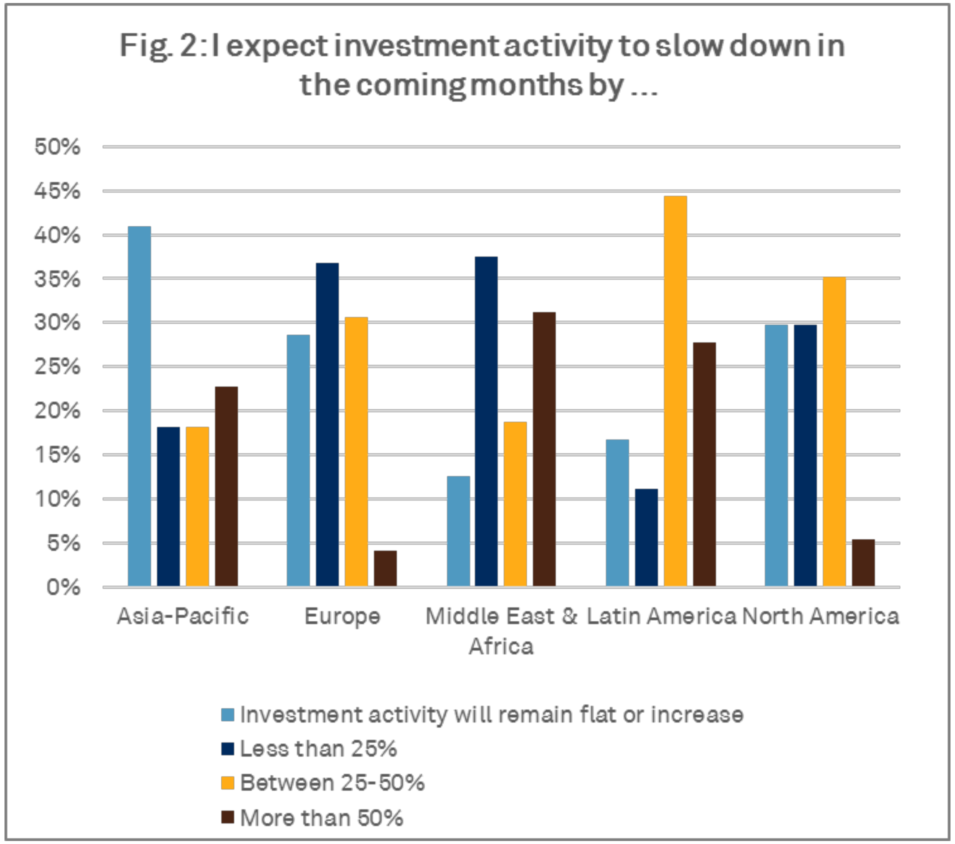
The survey results showed that the pandemic has had, and will continue to have, serious repercussions on PE activity, but the sentiment of PE players varies significantly across regions.

[23] Lingumi GmbH, S&P Global Market Intelligence. As of August 25, 2020. Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=9087489

[24] Developing Experts Ltd, S&P Global Market Intelligence. As of August 25, 2020. Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=10360318

[25] MEL Science Ltd, S&P Global Market Intelligence. As of August 25, 2020. Retrieved from: https://platform.mi.spglobal.com/web/client?auth=inherit&overridecdc=1&#company/profile?id=6591797

[26] The COVID-19 survey was conducted in July 2020. We received 142 responses from participants globally. Geographically, 45.8% of respondents were from the EMEA region, 26% from North America, 15.5 % from APAC, and 12.7% from LatAm.



Data as of 1/9/20. Source: PE Mid-Year Survey, S&P Global Market Intelligence. For illustrative purposes only.

Out of all respondents to our survey, only 27% expect investment activity in the coming months to remain flat or increase. Relative to other regions, APAC investors appear to be the most optimistic, with 40% anticipating a positive outlook amidst the ongoing COVID-19 developments. This relative optimism is perhaps not surprising given that China and East Asia were first in and first out of the pandemic; their regional economies are further along the recovery path and have even seen an uptick in investment activities. According to S&P Global Market Intelligence data, PE and VC entry value in the APAC region rose by 31%, from $23.7bn in the first three months of the year to $31.2bn in the second quarter. At the same time, however, the situation in other core Asian markets, such as India, remains precarious, a difference which likely accounts for the 22% of respondents from the territory who predicted a slowdown in investment activity of more than 50%.

On the opposite site of the spectrum are investors in the Middle East & Africa (MEA) region, 88% of whom anticipate a significant slowdown in deal-making activity in the second half of 2020. Similarly, 83% of Latin American (LatAm) Investors also expect a downturn in deal-making activity in the near future. Given the devastating effects of COVID-19 on emerging economies, it is not surprising that both these regions also have the largest number of GPs across the globe (31% and 27%, respectively) predicting a decline in investment activity of more than 50%.

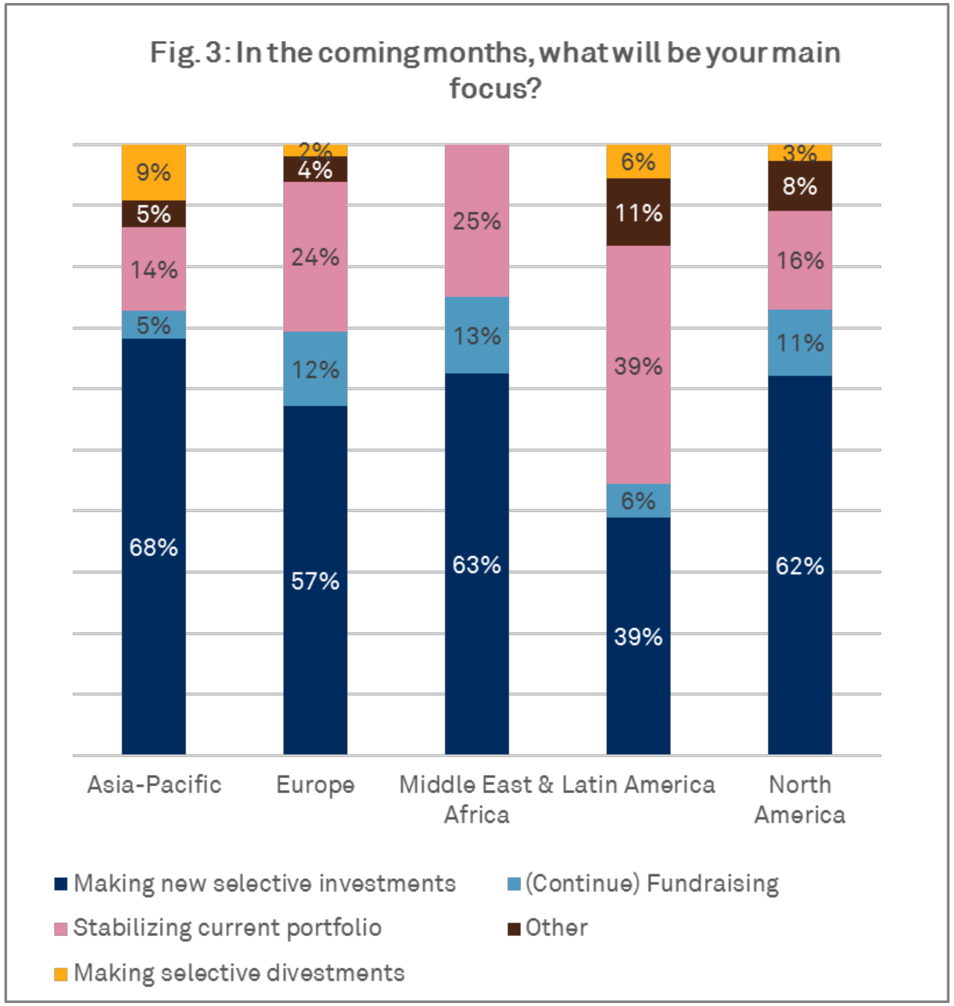
European and North American investors are broadly aligned in their expectations for the near-term investment landscape. More than two thirds of respondents from both regions (70%) expect investment activity to decrease in the coming months. Minor differences are mainly reflected in the degree to which respondents believe that deal-making activity will taper off. North American investors are leaning toward a more cautious outlook, with 35% of respondents reporting that they expect a decline of between 25-50%, as opposed to only 31% of European respondents sharing the same view.

That said, European PE deal-making dropped to a five-year low in the first half of 2020, a 13% drop across the same period the year before. The fall for US entries was even steeper, with a 26% year-over-year drop in deals announced (from 3168 in the first six month of 2019 to 2339 in the comparable period in the current year).[27] In line with 2019 trends, IT was the most resilient sector across both the US and Europe. Not surprisingly,

[27] European PE deal-making activity drops to five-year low in H1'20. (As of 13/08/2020). S&P Global Market Intelligence. Retrieved from https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#news/article?id=59747825&KeyProductLinkType=17

Healthcare was the second most invested industry, as demand for services increased amid the COVID-19 fallout.[28]

At the onset of the pandemic, the immediate focus was to stabilize existing portfolios. Now PE players are turning their attention back to sourcing and executing new investment opportunities. The majority of survey respondents (58.5%) expect to make selective new investments, likely in order to take advantage of low-asset valuations in certain sectors. Less than a quarter (22%) still plan to focus on addressing the short-term needs of their portfolios, with the exception of LatAm respondents, where this number is as high as 40%. Fundraising still remains on the agenda, particularly for investors in Europe and North America, with 12% and 11% of respondents, respectively, indicating that fundraising will continue to be top of mind. Yet for the remaining regions, fundraising activities were brought to a standstill, in stark contrast to the expectations of the GPs who took part in our annual survey on the outlook for the year ahead at the end of 2019.[29]



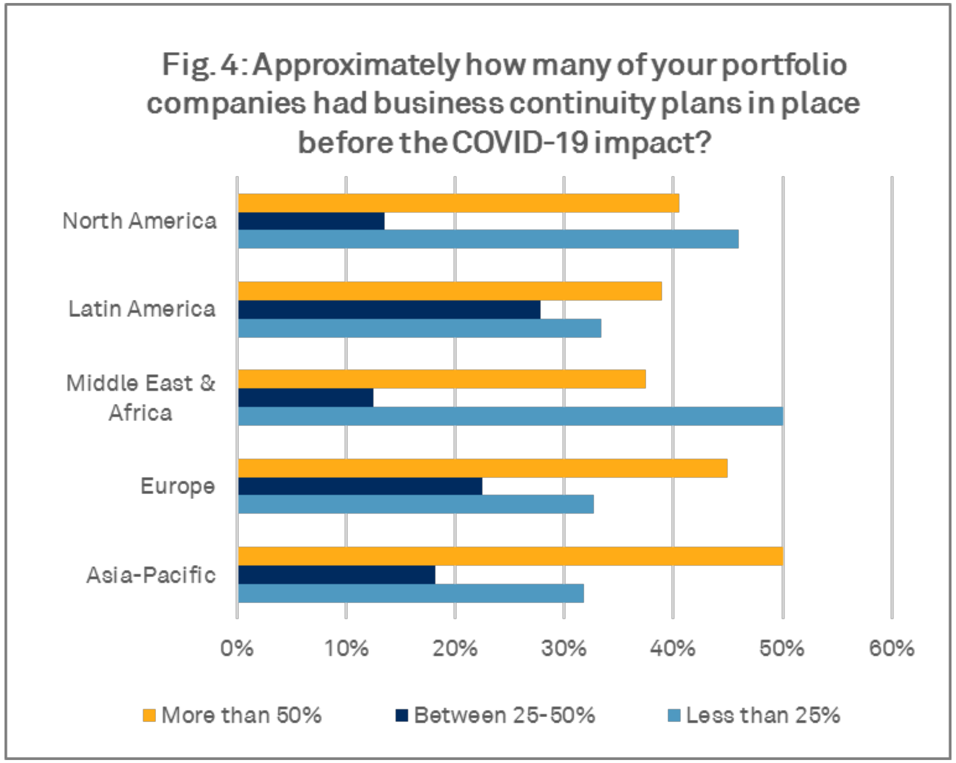
Data as of 1/9/20. Source: PE Mid-Year Survey, S&P Global Market Intelligence. For illustrative purposes only.

[28] COVID-19 dampens US private equity deal-making, fundraising activity in Q2. (As of 13/8/2020). S&P Global Market Intelligence. Retrieved from https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#news/article?id=59543623&KeyProductLinkType=6

[29] Private Equity and Venture Capital Firms shared their Outlook for 2020. (As of 13/8/2020). S&P Global Market Intelligence. Retrieved from https://www.spglobal.com/marketintelligence/en/news-insights/research/private-equity-and-venture-capital-firms-shared-their-outlook-for-2020

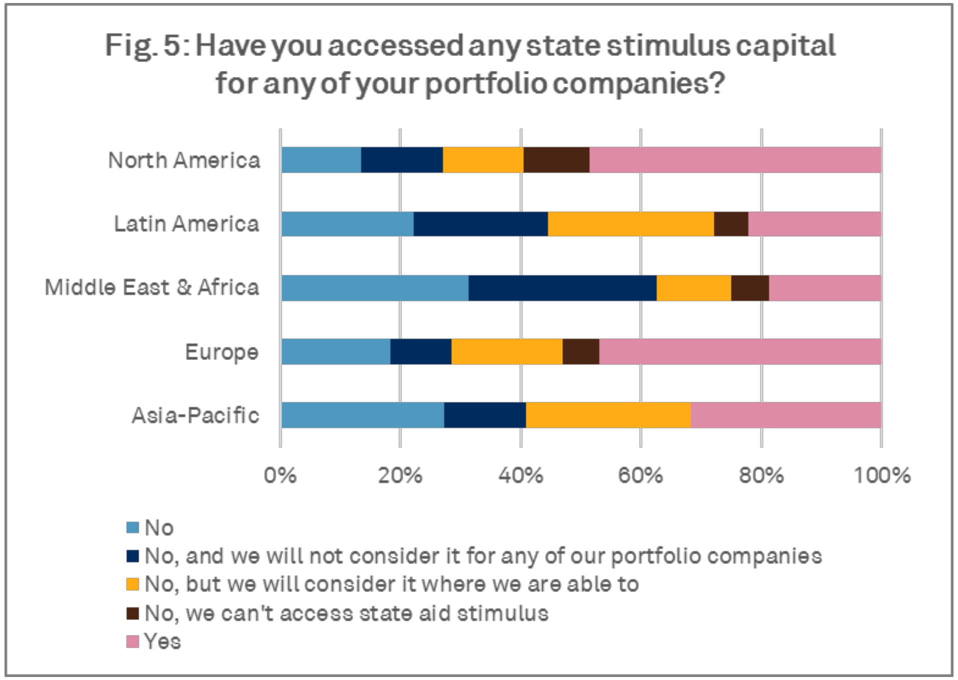
The overwhelming majority of respondents and their respective PE firms (76%) do not plan to deploy any new strategies over the next six months in response to the COVID-19 disruption. For those who are likely to pivot their strategies, distressed assets and special situations represent appealing targets.

When asked about the biggest challenge faced at the portfolio company level during the pandemic, respondents cited liquidity and finance concerns (40%), followed by the impact on workforce (21%), and supply chain and other operational disruptions (17%). For LatAm investors, inadequate response from local governments was ranked second, after the liquidity concerns. This ranking is likely reflective of the struggle within the region to strike the balance between containing the spread of the virus and the pressure to open economies, which has resulted in longer, more unpredictable and more damaging lockdown restrictions.



Data as of 1/9/20. Source: PE Mid-Year Survey, S&P Global Market Intelligence. For illustrative purposes only.

On average, 40% of participants indicated that more than half of their portfolio companies had business continuity plans in place before the outbreak of COVID-19, with APAC respondents reporting the highest percentage (50%). This might be a result of the region's previous experience battling local epidemics. Companies in the MEA region – and also, strikingly, North American-based portfolio companies, were the least prepared for serious business disruptions. Half of all respondents from the MEA region and 46% of North America said that less than 25% of their portfolios had business contingency plans ready.



Data as of 1/9/20. Source: PE Mid-Year Survey, S&P Global Market Intelligence. For illustrative purposes only.

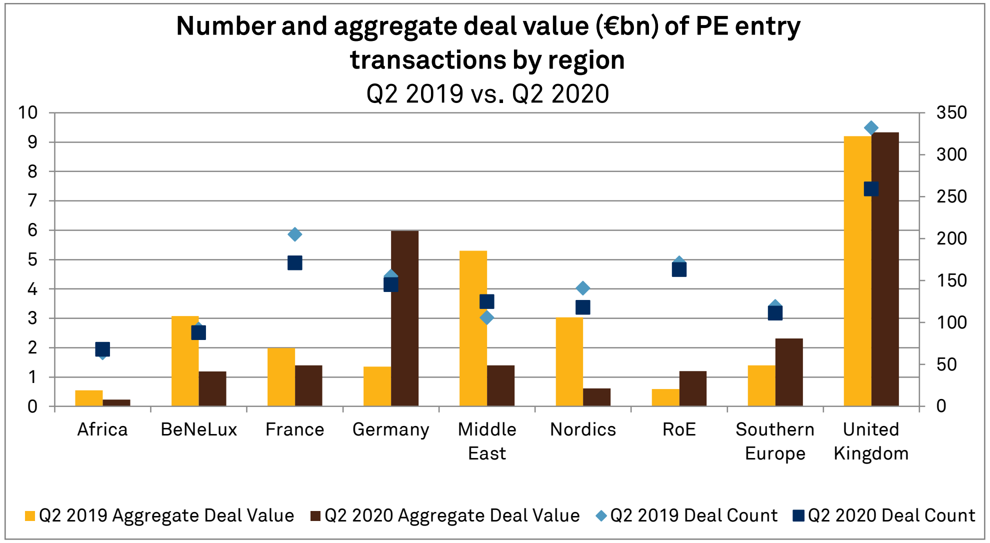
Overall, PE firms across the globe (80%) feel confident that they have enough liquidity to support the majority of their portfolio companies in the coming months. The outlier is the LatAm region, where the confidence level stands at only 55%. Moreover, the survey results indicate that, despite initial concerns and restrictions for tapping into state aid programs, nearly half of PE players from Europe and North America have already successfully accessed state aid funds to support their existing portfolios.

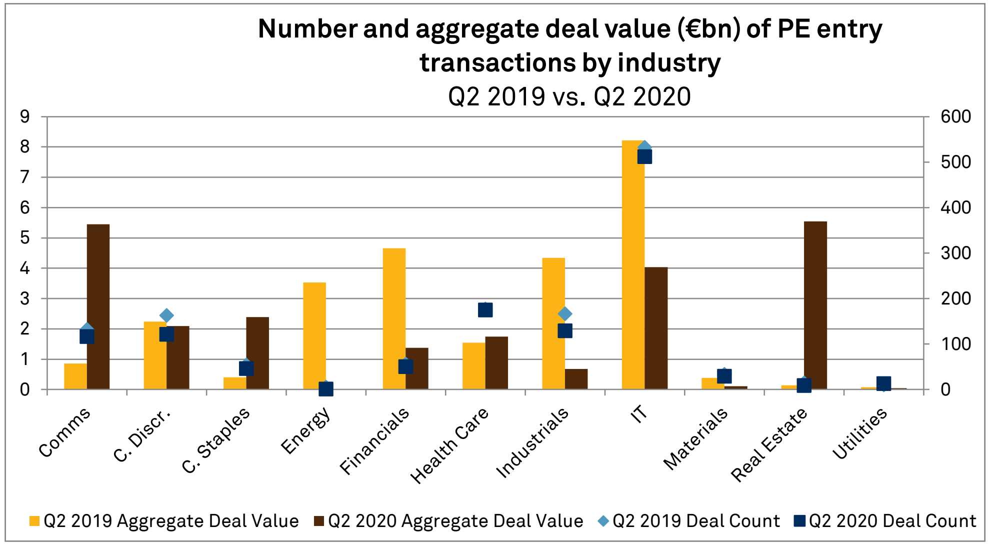
In Europe alone, a total of 58 "wide in scope" state aid schemes have been approved by the European Commission under its Temporary Framework as of April 2020, of which many were made available to small and medium–sized PE-backed businesses.[30]

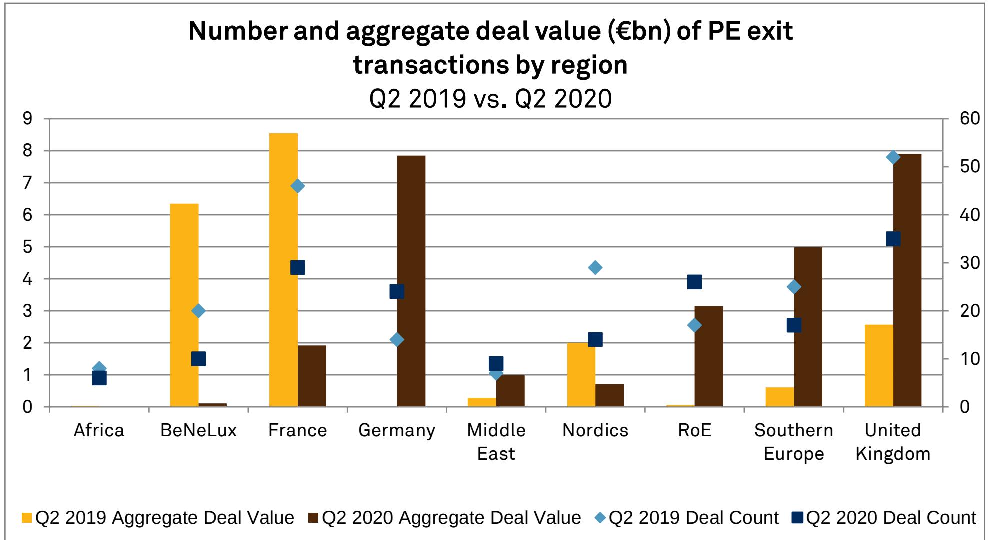
COVID-19 has caused an unexpected shock to most, if not all, economies globally and the full extent of its impact is difficult to predict. Although the PE space has not remained unscathed, it has proven to be resilient during previous economic downturns. With PE players sitting on record amounts of dry powder, the current crisis undoubtedly provides an array of new investment opportunities. Add to this valuation corrections, and we are likely at the precipice of an increase in deal-making activity.

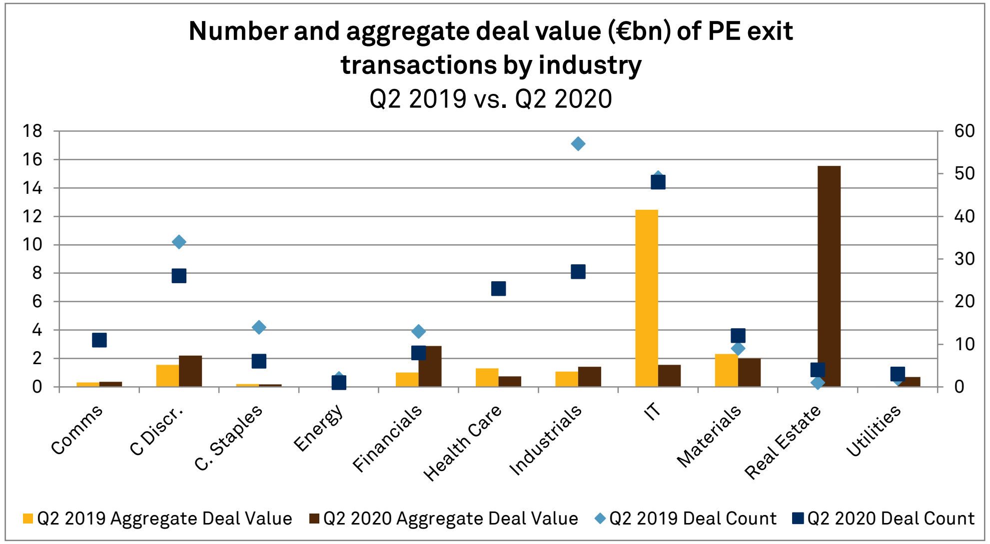
[30] UK and Europe-based PE and VC backed companies see stimulus options open. (As of 13/8/2020). S&P Global Market Intelligence. Retrieved from https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/u-k-and-europe-based-pe-and-vc-backed-companies-see-stimulus-options-open-58124863

EMEA-Based Targets



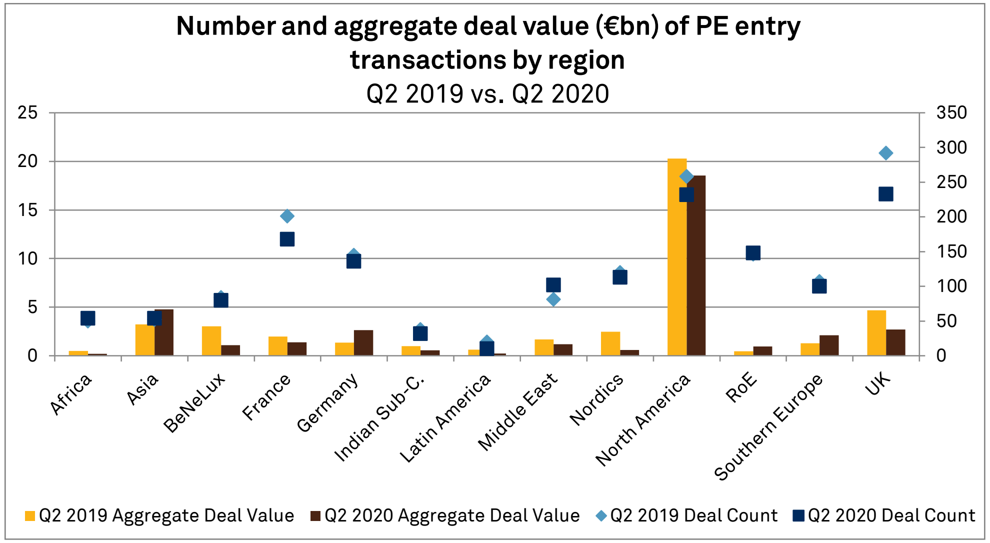


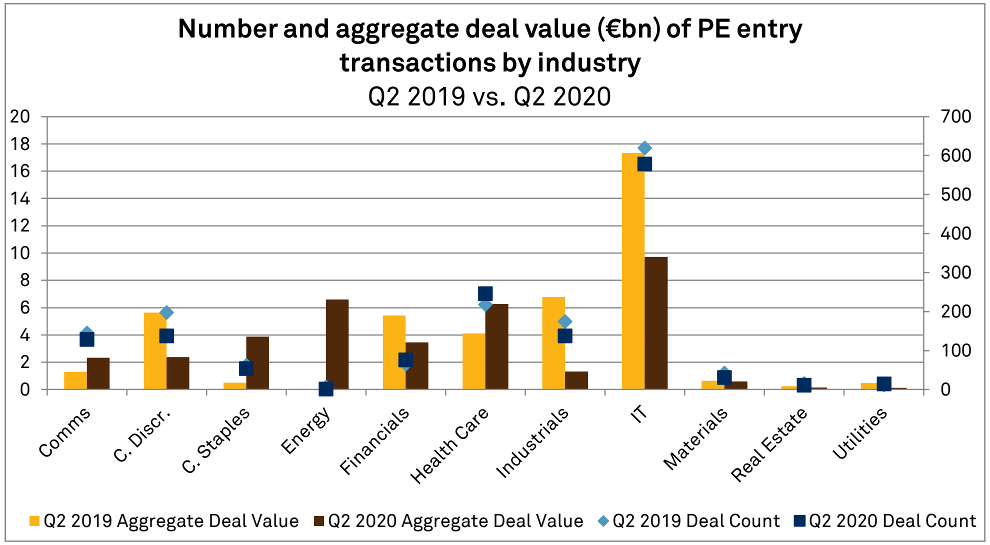


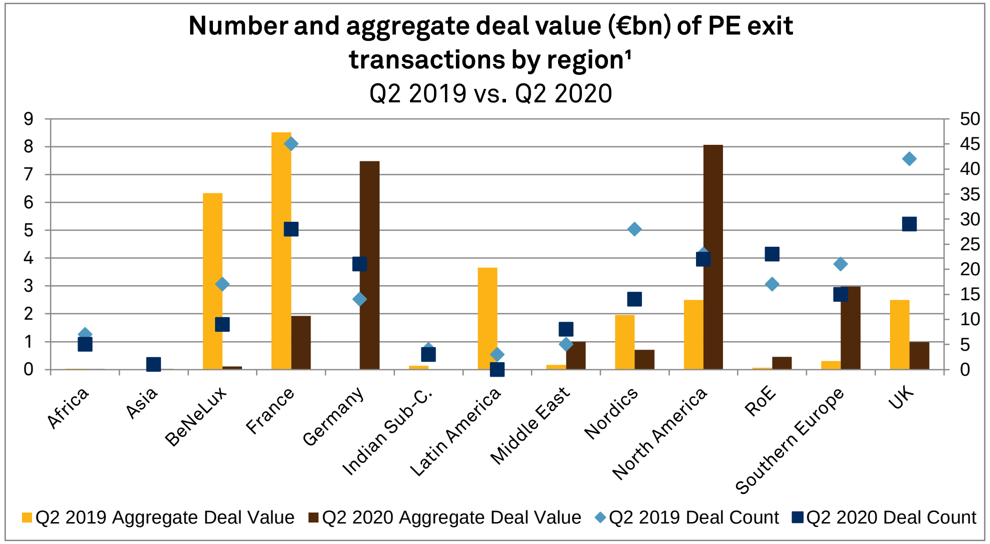


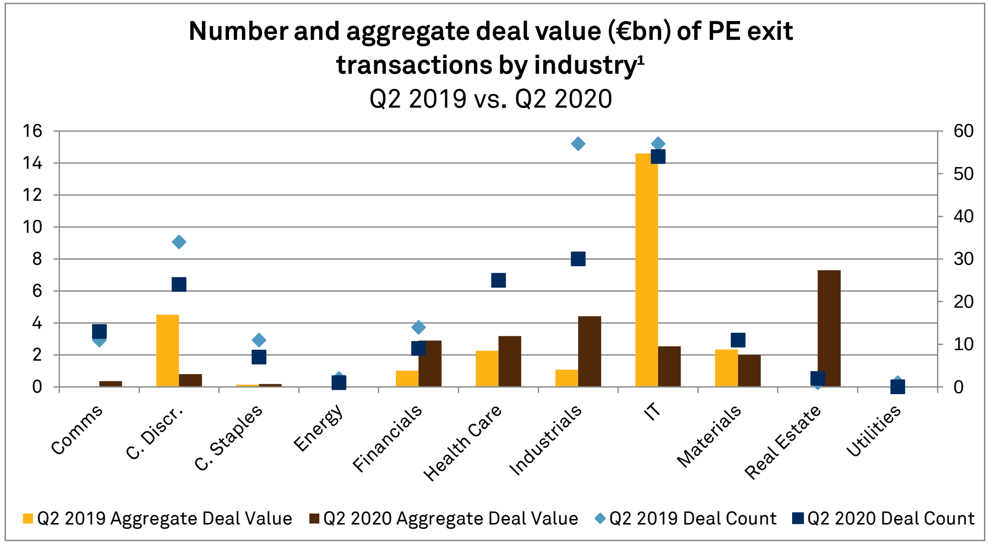
For illustrative purposes only. Source: S&P Global Market Intelligence. As of Apr, 2020

EMEA-Based GPs



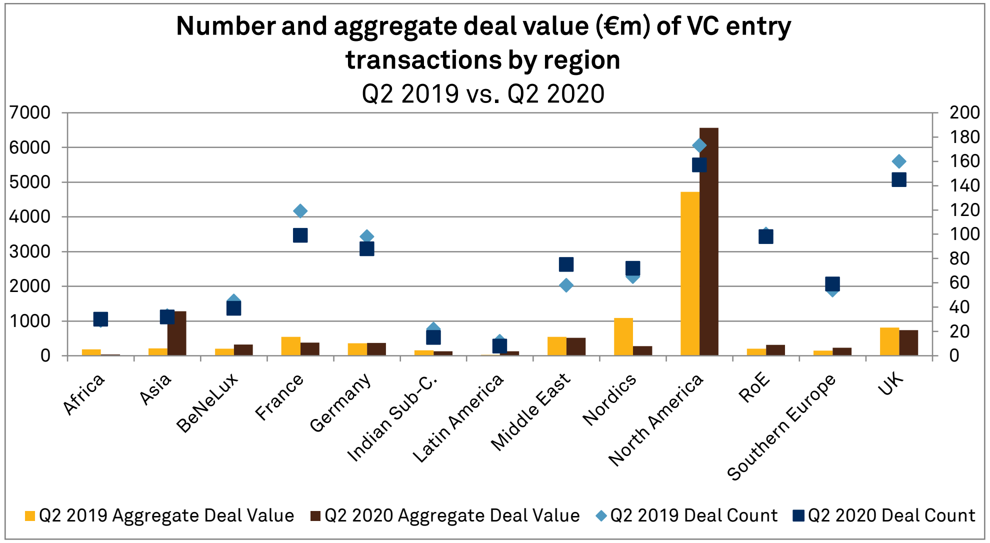


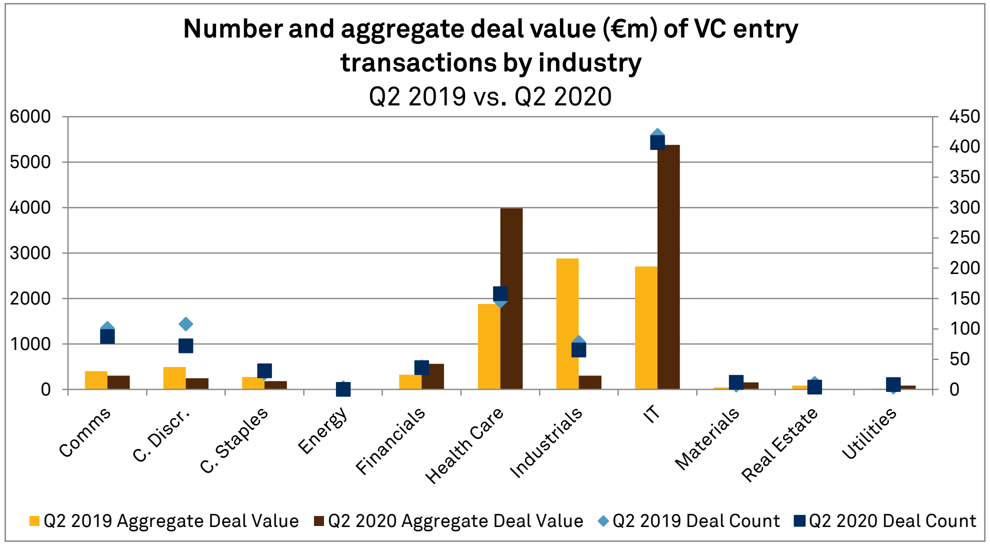




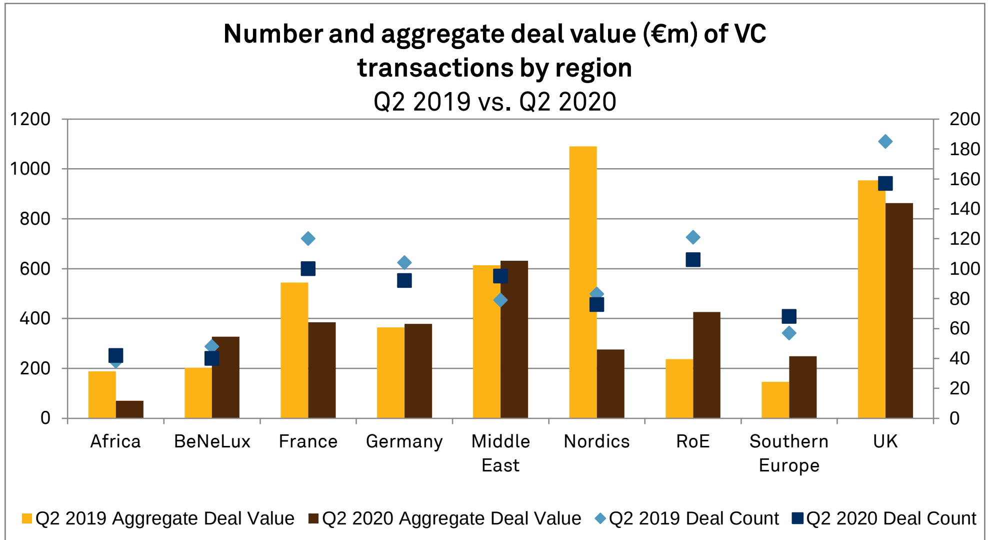
For illustrative purposes only. Source: S&P Global Market Intelligence. As of Apr, 2020

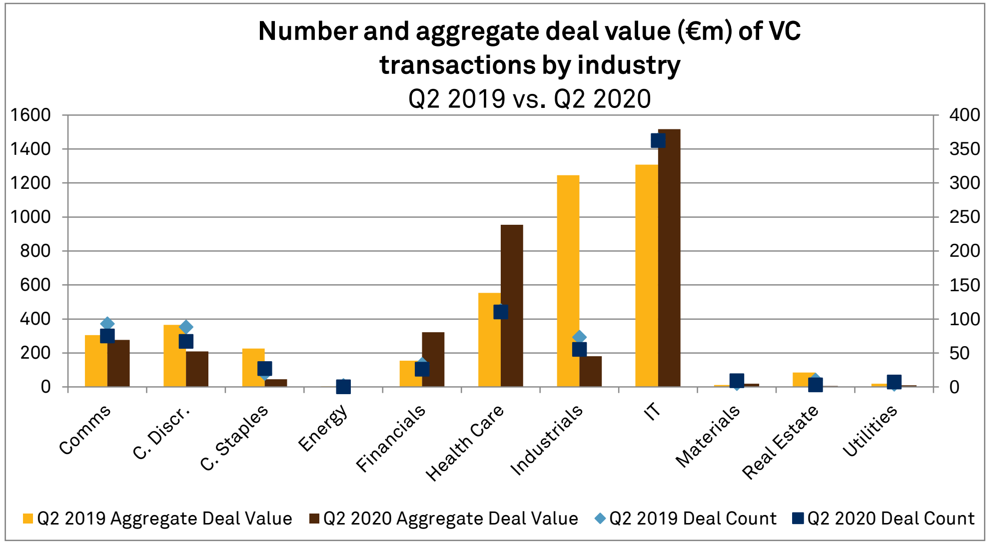
VC EMEA-Based GPs





VC EMEA-Based Targets





For illustrative purposes only. Source: S&P Global Market Intelligence. As of Apr, 2020

Multiples Table EMEA

Implied Enterprise Value/EBITDA	EMEA Private Equity Exits 01/04/2019 - 30/06/2020	M&A 01/04/2019 - 30/06/2020
Communication Services	23.1	10.5
Consumer Discretionary	11.5	9.6
Consumer Staples	6.4	10.7
Energy	3.8	5.7
Financials	10.7	11.7
Health Care	14.8	12.2
Industrials	10.0	10.3
Information Technology	18.8	12.8
Materials	11.9	10.4
Real Estate	39.2	19.5
Utilities	0.0	10.9

Implied Equity Value/LTM Net Income	EMEA Private Equity Exits 01/04/2019 - 30/06/2020	M&A 01/04/2019 - 30/06/2020
Communication Services	46.2	20.1
Consumer Discretionary	18.5	16.6
Consumer Staples	11.2	14.0
Energy	8.7	9.4
Financials	19.6	13.0
Health Care	34.1	23.1
Industrials	13.0	15.1
Information Technology	26.6	21.0
Materials	8.6	13.3
Real Estate	14.6	12.8
Utilities	0.0	19.1

- Multiples highlighted in bold & italics represent the sector average over a 2 year time horizon in order to provide a more comprehensive sector average
- Colour legend can be defined as "RED" representing the lowest multiple and "GREEN" representing the highest multiple observed across industry sectors, deal structures and multiple types during the period mentioned.

Footnote

1. The exit transaction aggregates have been calculated after removing the following deal to avoid overestimating the trend: T-Mobile US, Inc. (NasdaqGS:TMUS) completed the acquisition of Sprint Corporation (NYSE:S) from Softbank Group Capital Limited. Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=560880489&companyId=417206

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