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EMEA Private Equity Market Snapshot

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November 2020 | Issue 27

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Editor's Note

Welcome to the 27th 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.

From a numbers perspective, mega deals were the big news this quarter. Though the number of completed deals was down, aggregate value in EMEA grew 25%, with two sectors, Communications Services and Industrials, dominating the field. Notably, cross-border investments received significant attention from EMEA-based General Partners.

That said, the big questions on investors' minds remain centred on the global pandemic and how we can expect it to reshape the Private Equity landscape in the coming months. This issue, we put our ear to the ground to bring you insights from the 2020 British Private Equity and Venture Capital Association Summit. Across several speakers, themes of agility and trust come through strongly, as investors seek to place capital with firms who have quality track records on delivering returns.

We close with a feature article on the European leveraged finance market and its resilience in the face of the global uncertainty that has defined 2020. While it is too early to have a complete understanding of the long-term impact of the COVID-19 pandemic, there is reason to believe that banks have learned important lessons from the Global Financial Crisis of 2008 and that we will weather this storm with less overall collateral damage

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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Mega Deals Stage Comeback

Global General Partners' (GPs') investments in EMEA grew 25% year-over-year, from €21.4bn in Q3 2019 to a total of €26.7bn, after excluding the €17.2bn buy-out of thyssenkrupp's Elevator Technology business, in Q3 2020. However, the number of completed deals declined 8% year-over-year, from 1,303 in Q3 2019 to 1,202 in Q3 2020.

Table 1: Completed entry deals in EMEA valued at €1.0bn or more in Q3 2020

Target Name	Target Region	Primary Sector	Primary Industry	Buyer	Deal Value (€bn)
thyssenkrupp Elevator AG	Germany	Industrials	Industrial Machinery	Advent International Corporation; Cinven Limited; thyssenkrupp AG; RAG-Stiftung	€ 17.20
MásMóvil Ibercom, S.A.	Southern Europe	Communication Services	Integrated Telecommunication Services	Cinven Limited; KKR & Co. Inc.; Providence Equity Partners L.L.C.	€ 4.90
Viridor Limited	United Kingdom	Industrials	Environmental and Facilities Services	KKR & Co. Inc.; KKR Global Infrastructure Investors III L.P.	€ 4.20
MBCC Group	Germany	Materials	Construction Materials	Lone Star Americas Acquisitions, Inc.; Lone Star Fund XI, L.P.	€ 3.20
Schülke & Mayr GmbH	Germany	Consumer Staples	Household Products	EQT Partners AB; EQT VIII	€ 1.00

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

The growth in aggregate deal value was partly aided by deals involving German and Southern European targets valued at €1.0bn or more. German targets received €21.0bn across 152 completed deals in Q3 2020, compared with €1.9bn across 159 completed deals in Q3 2019. Similarly, aggregate deal value in Southern Europe increased from €1.9bn across 147 completed deals in Q3 2019 to €5.8bn across 149 completed deals in Q3 2020. However, global GPs' investment activity remained concentrated in the United Kingdom (UK), with investments in UK targets rising 20% year-over-year to a total of €7.8bn across 280 completed deals, compared with €6.5bn across 292 completed deals in Q3 2019.

During the quarter, the Communication Services and Industrials sectors dominated large deals. Aggregate deal value in the Communication Services sector grew three-fold to total €5.9bn across 109 deals, compared with €1.3bn across 126 deals in the comparable quarter of the previous year. Similarly, the Industrials sector soared to €22.4bn across 120 deals, a steep increase from the €3.0bn across 159 deals in Q3 2019.

On the other hand, Global GPs' divestments involving EMEA targets soured, with aggregate capital realized plummeting by 50% year-over-year to only €11.2bn in Q3 2020, compared with €22.5bn in Q3 2019. The number of completed exits deals also dropped 35% year-over-year, from 302 in Q3 2019 to 194 in Q3 2020 and only two exit deals notched a €1.0bn+ valuation during the quarter.

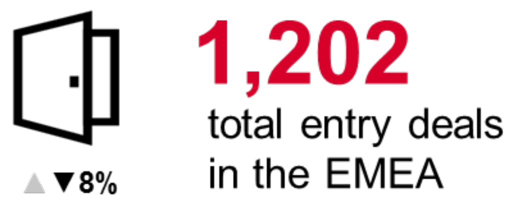


Table 2: Completed exit deals in EMEA valued at €1.0bn or more in Q3 2020

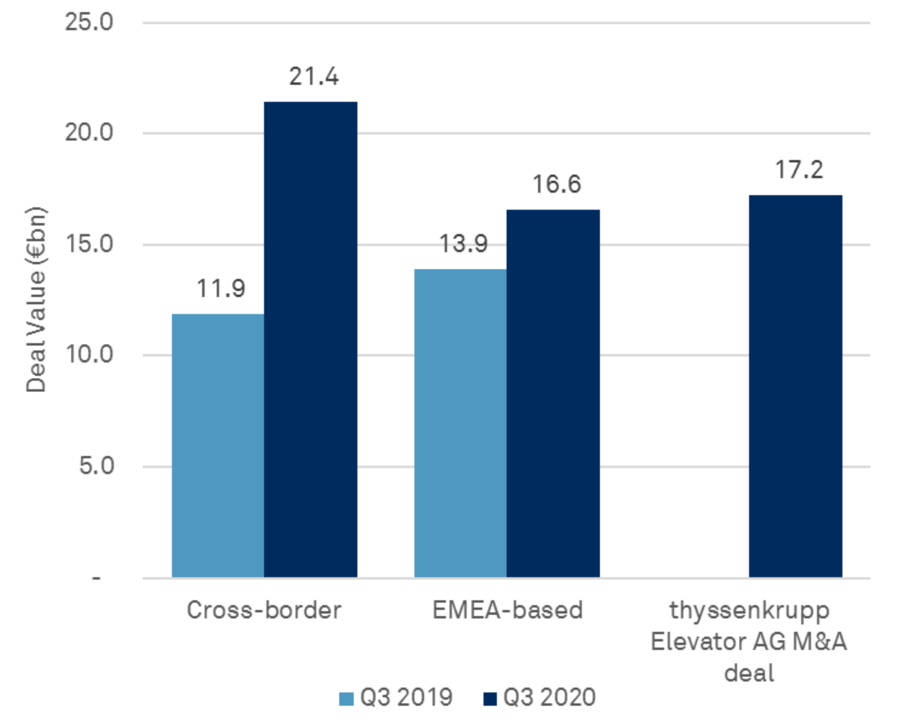
Target Name	Target Region	Primary Sector	Primary Industry	Seller	Deal Value (€bn)
THG Holdings plc	United Kingdom	Consumer Discretionary	Internet and Direct Marketing Retail	West Coast Capital; D.C. Thomson & Co. Ltd.; Zedra Trust Company (Jersey) Limited; Meadowside Nominees Limited; Belerion I L.P. Incorporated; KKR Gym (Cayman) Limited; FIC Shareco Limited	€ 2.10
Peak Oyun Yazilim ve Pazarlama AS	Middle East	Communication Services	Interactive Home Entertainment	Earlybird Venture Capital GmbH & Co. KG; Hummingbird Ventures Comm. VA; Hummingbird Ventures II CVA; Endeavor Catalyst, Inc.	€ 1.70

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

EMEA-based GPs' Turn to Cross-border Investments

EMEA-based GPs' aggregate capital deployed globally rose 47% to total €38.0bn in the quarter, after excluding the €17.2bn buy-out of thyssenkrupp's Elevator Technology business, compared with €25.8bn in Q3 2019. However, the number of completed entry deals declined 4% year-over-year, from 1,526 to 1,464.

Fig. 1: EMEA-based GPs' Aggregate Capital Deployed by Region



Data as of 28/10/20. Source: S&P Global Market Intelligence. For illustrative purposes only.

Cross-border regions, which include Asia, North America, Latin America and Indian Sub-continent, were targets for high-value investments during the quarter. Aggregate capital deployed to cross-border targets soared by 80% year-over-year, from €11.9bn in Q3 2019 to €21.4bn in Q3 2020, with the number of completed deals also increasing 11% year-over-year, from 395 in Q3 2019 to 374 in Q3 2020. Similarly, EMEA-based targets received a 19%

increase in aggregate capital deployed, from €13.9bn in Q3 2019 to €16.6bn in Q3 2020, despite a 7% reduction in the number of completed deals (from 1,152 in Q3 2019 to 1,069 in Q3 2020).

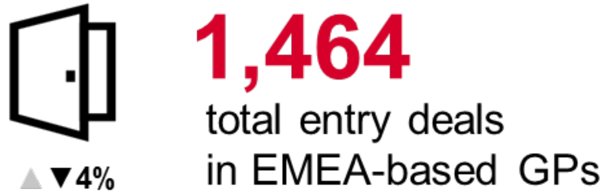
Table 3: EMEA-based GPs' completed entry deals involving cross-border targets valued at €1.0bn or more in Q3 2020

Target Name	Target Region	Primary Sector	Primary Industry	Deal Value (€bn)
Contemporary Amperex Technology Co., Limited	Asia	Industrials	Electrical Components and Equipment	€ 2.50
RSA Security LLC	North America	Information Technology	Systems Software	€ 1.90
Epic Games, Inc.	North America	Communication Services	Interactive Home Entertainment	€ 1.50

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

EMEA-based GPs' aggregate capital realized from divestments decreased by 32% year-over-year to €16.2, compared with €24.0bn in Q3 2019. The number of completed exit deals also dropped 31% year-over-year, from 293 in Q3 2019 to 201 in Q3 2020.

Aggregate capital deployed within the Venture Capital (VC) segment was similarly robust. Global VCs' deployed €4.9bn of capital across 748 deals in the EMEA region during the quarter, compared with €4.4bn across 759 deals in Q3 2019. The Healthcare sector received the majority of this funding; aggregate capital deployed by global VCs in the Healthcare sector jumped 20% year-over-year to a total of €1.2bn across 127 deals during the quarter, compared with €1.0bn across 96 deals in Q3 2019. EMEA-based VCs also increased capital deployment globally, rising from €7.9bn across 913 deals in Q3 2019 to €8.9bn across 911 deals in Q3 2020.



Conference Chatter: British Private Equity and Venture Capital Association Summit 2020[1]

Value Creation in the Post-COVID Environment

The global financial crisis was "painful for everybody," and the asset class began changing and adding value creation teams, moving away from the focus on the "L of leveraged buyout, a lot of leverage," Gilles Collombin, partner at mid-market firm Charterhouse Capital Partners LLP,[2] told listeners at the virtual BVCA Summit 2020.

As Collombin went on to explain, the "COVID-19 crisis has been much more operational than the previous one, which was much more financial." Businesses backed by private equity (PE) firms with these new value creation teams in place have had access to capital and skills. Those few firms that have not focused on the operational aspects of their portfolio companies and are "still very hands-off and putting [in] a lot of leverage," however, may find it more difficult to help their portfolio companies through the pandemic.

[1] BVCA Summit "New Horizons" took place on October 7-8, 2020. Retrieved from: https://www.bvca.co.uk/summit/

[2] Charterhouse Capital Partners. Market Intelligence Platform as of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4217366

'Nimble' With Sector Approach

On whether the pandemic has demonstrated the benefits of being a generalist fund manager, Shani Zindel, founding partner and Chief Investment Officer at mid-market manager Livingbridge,[3] noted that PE managers are "known to be nimble" and firms are "good at taking up opportunities in the areas they are familiar with," adding, "I don't believe — and I never have — that there is one winner in generalist versus sector specific. I think people figure out how to do the best they can within the areas that they have the most experience."

At this stage, Zindel remarked, she would be "very surprised" if anyone is considering changing their sector strategies: "Even if you are investing solely in a sector that's been heavily affected by COVID, you need a bit of time to see how that is going to wash through. And most sectors are pretty broad."

PE firms will introduce efficiencies post-COVID-19, but panellists said the business is "not a desk job" and teams work better when they can work together and travel to meet stakeholders. The PE industry has digitalized in recent years, using software for pipeline and customer relationship management, for example, which has improved efficiency. However, the general sense is that when it comes to sourcing and value creation (process), the COVID-19 pandemic will not change anything.

Limited Partners Continue PE Investment Despite Uncertainty

Limited Partners (LPs) have not slowed down allocations to PE in 2020, despite the restrictions on activity and market turmoil caused by the COVID-19 pandemic, according to investors speaking at the BVCA Summit.

Joana Rocha Scaff, Managing Director and Head of Europe Private Equity at Neuberger Berman Group LLC,[4] said her firm does not attempt to time the market, "certainly not in private equity fund investing." Offerings come and go, then come back a few years later, or, as she continued, "at least they used to come a few years later — now they come every year. But still, we don't attempt to try to time the market."

As a result of the pandemic, there has been an acceleration of a flight to quality GPs and investment opportunities both for the firm and across the market more broadly. It has also been "a more challenging environment" for emerging managers raising the first iterations of funds, due to the limitations on being able to physically meet and build relationships – Rocha Scaff added.

That said, Richard Hope, Managing Director and Head of EMEA at Hamilton Lane Inc.,[5] noted that his firm has "not slowed down" on its fund investment activities and year-to-date has increased both new fund meetings and on-site due diligence — all in a remote work environment.

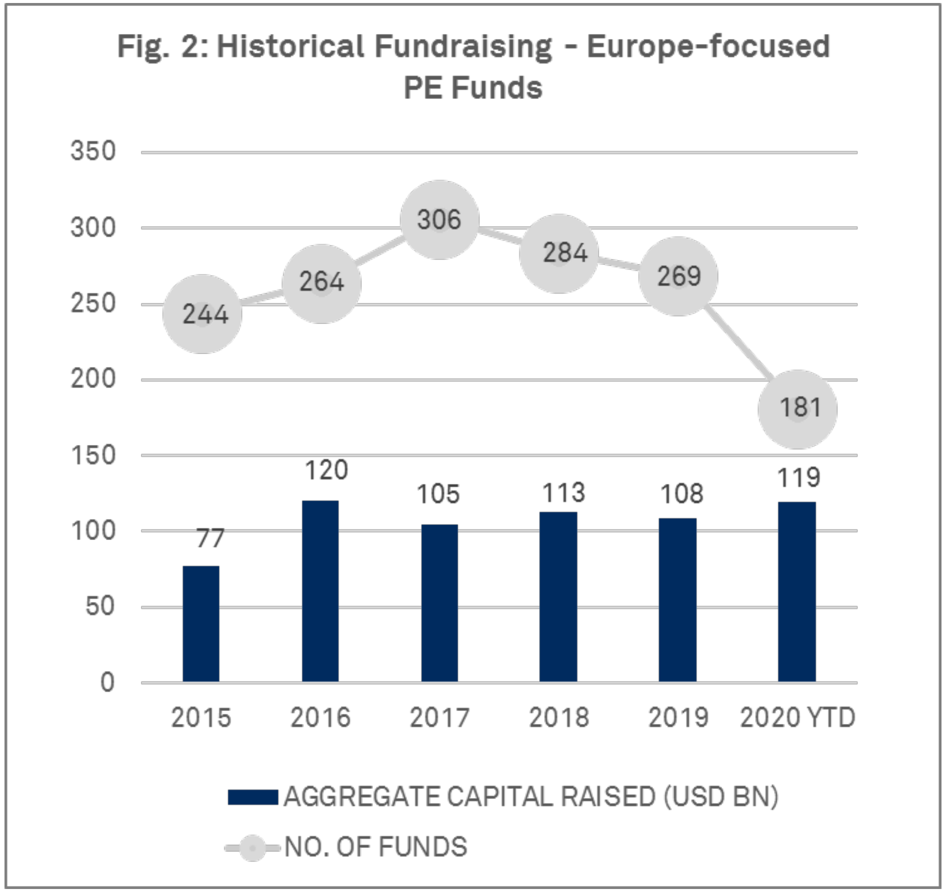
The latest global PE fundraising numbers confirm Hope's observation. Despite a noticeable decline of over 40% in the number of funds raised in 2020 year-to-date compared with the year prior, as well as aggregated capital falling back to 2015 levels, the average fund size has climbed to a new record level of $476m. Moreover, LPs' appetite for European assets continues to be in high demand, with the $119bn capital raised year-to-date in 2020 already topping the previous three years, with the average fund size skyrocketing to $714m – meaning that capital is being aggregated in the hands of fewer, but larger, PE players (Fig.2).[6]

[3] Livingbridge. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4246239

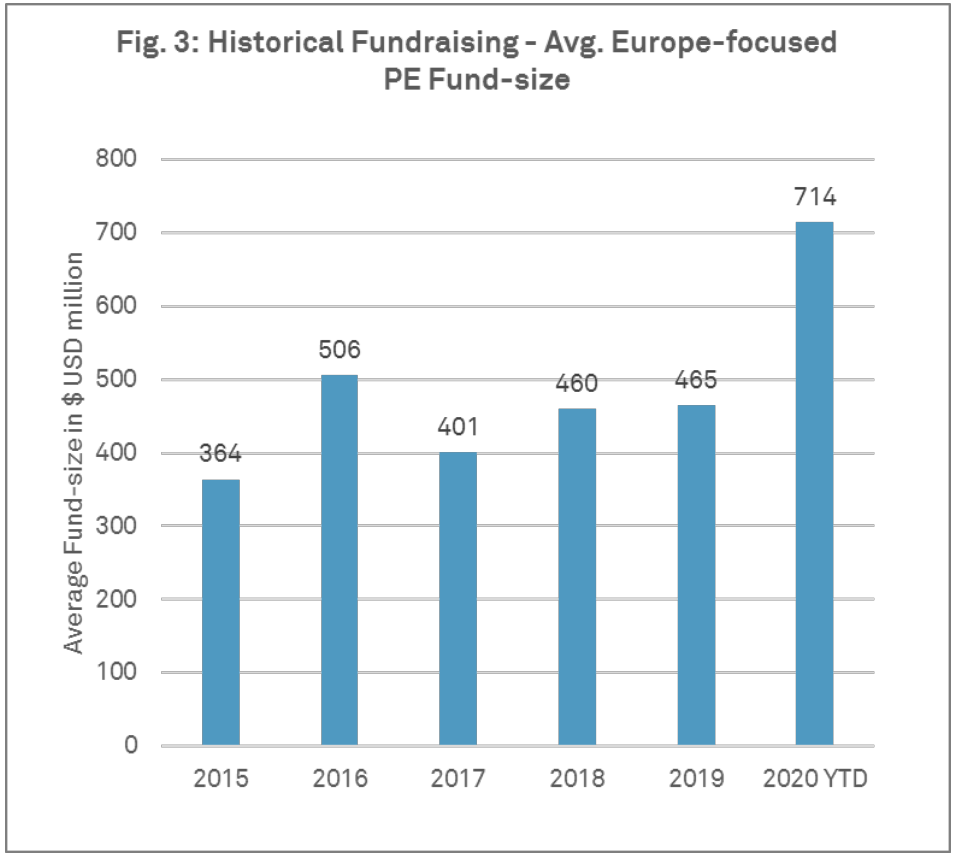
[4] Neuberger Berman Group LLC. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4233908

[5] Hamilton Lane Inc. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#company/profile?KeyProductLinkType=2&id=4921111

[6] Preqin Historical Fundraising Data. As of November 6, 2020. Retrieved from: https://www.preqin.com/



Data as of 6/11/20. Source: Preqin. For illustrative purposes only.



Data as of 6/11/20. Source: Preqin. For illustrative purposes only.

COVID-19 Accelerating Purpose Trend

Purpose, responsibility and transparency have been on the PE agenda for years, but the trend is accelerating during the COVID-19 pandemic, according to Anna Grotberg, associate partner at EY-Parthenon.[7] As Grotberg notes, regulatory scrutiny and developments globally have also forced the industry to become more transparent and to think more about public scrutiny. In this context, PE firms must be able to navigate developments, not only at the fund level, but also across all sectors they invest into. With four of the ten largest employers in the world being PE firms and their portfolio companies, Grotberg believes that the sector is in a unique position to become an engine of growth: "That's a huge amount of influence, in both economic and societal [terms], that private equity and private equity companies have."

In the UK which is facing challenges from both the pandemic and Brexit, PE and VC players should embrace an even greater sense of openness and responsibility, Baroness Jeannie Drake, British trade unionist and Labour Life peer, said during the BVCA Summit: "The global evidence shows that access to private capital is becoming more important, and it will have an important role in rebuilding Britain and it will be important that we get the right incentives to secure the availability of that capital in the U.K. It already employs a million people and it has an important role out there." Firms must embrace a greater sense of openness and responsibility, be more accountable in terms of what their contribution is to the economy and to the wider society, and how they demonstrate that. They may also need to have some "difficult discussions" with the government, she added.

Foregrounding purpose in PE investment plans is likely to only accelerate. As Grotberg points out, "evidence does suggest that a greater focus on elements of purpose and responsibility in terms of how private equity creates value within their portfolio companies does lead to superior returns." As Grotberg goes on to note, "there is a greater sense that the purpose behind creating value is something that can differentiate and that can really accelerate the growth trajectory as well".

FEATURE ARTICLE

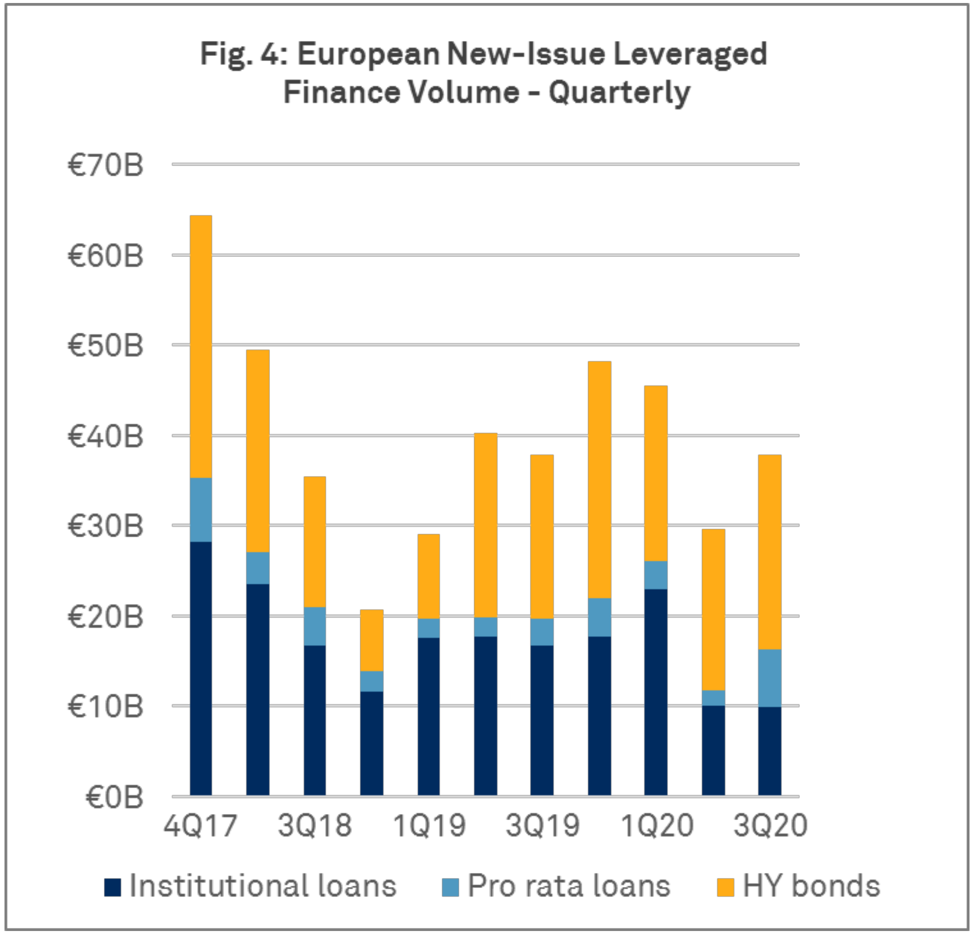
European Leveraged Finance Market

In a year defined by a global pandemic, the European leveraged finance market has shown remarkable resilience. Governmental monetary stimulus has been a lifeline to issuers, who have had access not only to government and bank lending, but also to an institutional investor market with plenty of liquidity and demand for high-yielding assets.

When the COVID-19 pandemic hit the leveraged finance markets, it was loans that took the hardest blow, as institutional loan volume – or those loans bought by institutional investors, as opposed to banks – fell from €22.9bn in the first quarter to just €10.1bn in the second quarter, according to LCD data.[8] Over in high yield, the fall was far less dramatic, with this volume contracting from €19.4bn to €17.8bn over the same period. The high-yield outperformance was largely expected due to that market's deeper investor base and perceived ability to price a wider range of credit stories, while the importance of structured investors, such as collateralized loan obligations (CLOs), as loan investors, meant liquidity was slower to come back to the loan market. Accounts first focused on their own portfolios, amid a sudden and strong wave of credit-rating downgrades. Across April, May, and June there were 78 downgrades and only four upgrades.

[7] EY-Parthenon. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#company/profile?id=4144709

[8] Leveraged Commentary & Data (LCD) is an offering of S&P Global Market Intelligence: https://www.spglobal.com/marketintelligence/en/solutions/leveraged-commentary-data



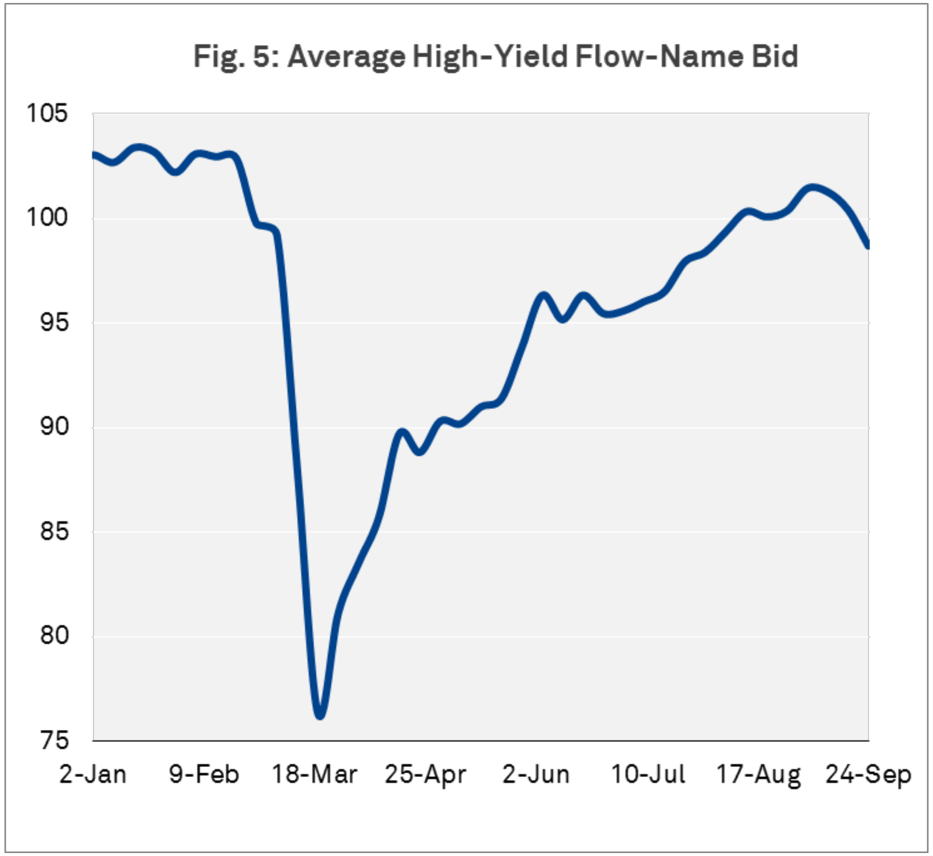
Data as of 30/09/20. Source: LCD, an offering of S&P Global Market Intelligence. For illustrative purposes only

Fast forward to the end of the third quarter and the new-issuance market has recovered dramatically. High-yield bonds had their best quarter of the year in terms of new issuance by volume and count, and Q3 2020 was only the ninth quarter on LCD's records to register a €20bn plus volume total. Meanwhile, in the leveraged loan market, although institutional issuance was down slightly at €9.8bn, the third quarter marked an overall improvement on the second, with total loan volume up to €16.2bn, from €11.8bn.

Demand Recovery Quickly

Driving this issuance has been the strong investor demand for both asset classes. On the bond side, technical factors have been the primary driving force, with investors, pointing to the monetary stimulus from the European Central Bank (ECB), creating demand for assets rated double-B or lower. Bond investors were mostly happy to shrug off decimated financials — provided a company still had access to liquidity, and a business model that could function in a world impacted by COVID-19.

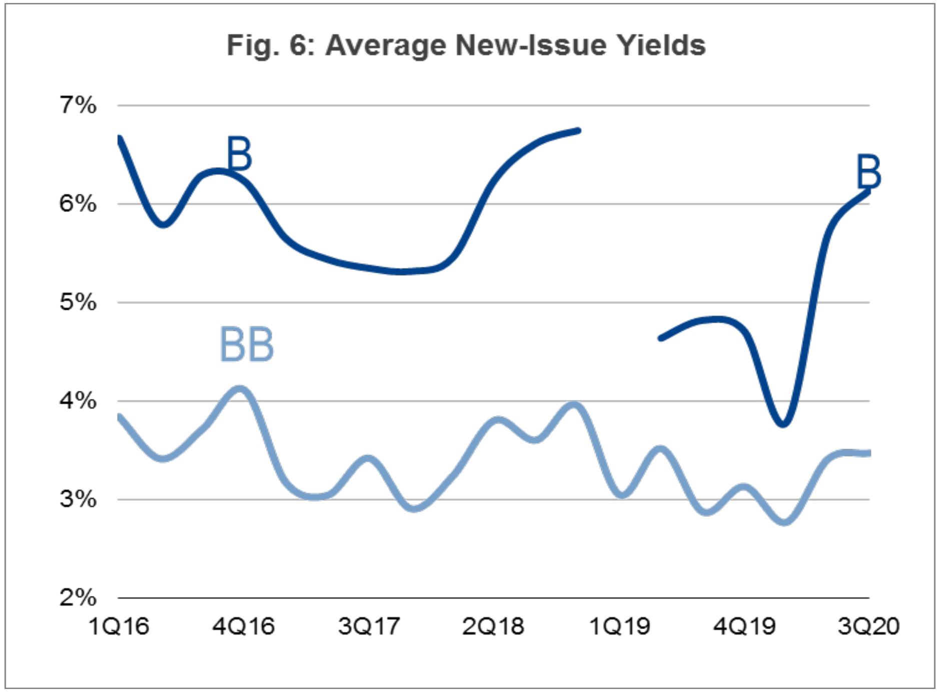
This backdrop allowed a wide array of credits to come to market, largely for opportunistic reasons, with new-issue yields still contained by historic standards, despite more instances of tarnished or pandemic-impacted credits raising debt. Secondary prices continued to rally, and investors provided a deep bid for both low- and high-yielding paper. LCD's bond flow composite ended September at 98.69 and was as high as 101.44 earlier that month — this is versus a low of 76.38 in mid-March, while, in late February, the measure was up at 102.89.



Data as of 24/09/20. Source: LCD, an offering of S&P Global Market Intelligence. For illustrative purposes only

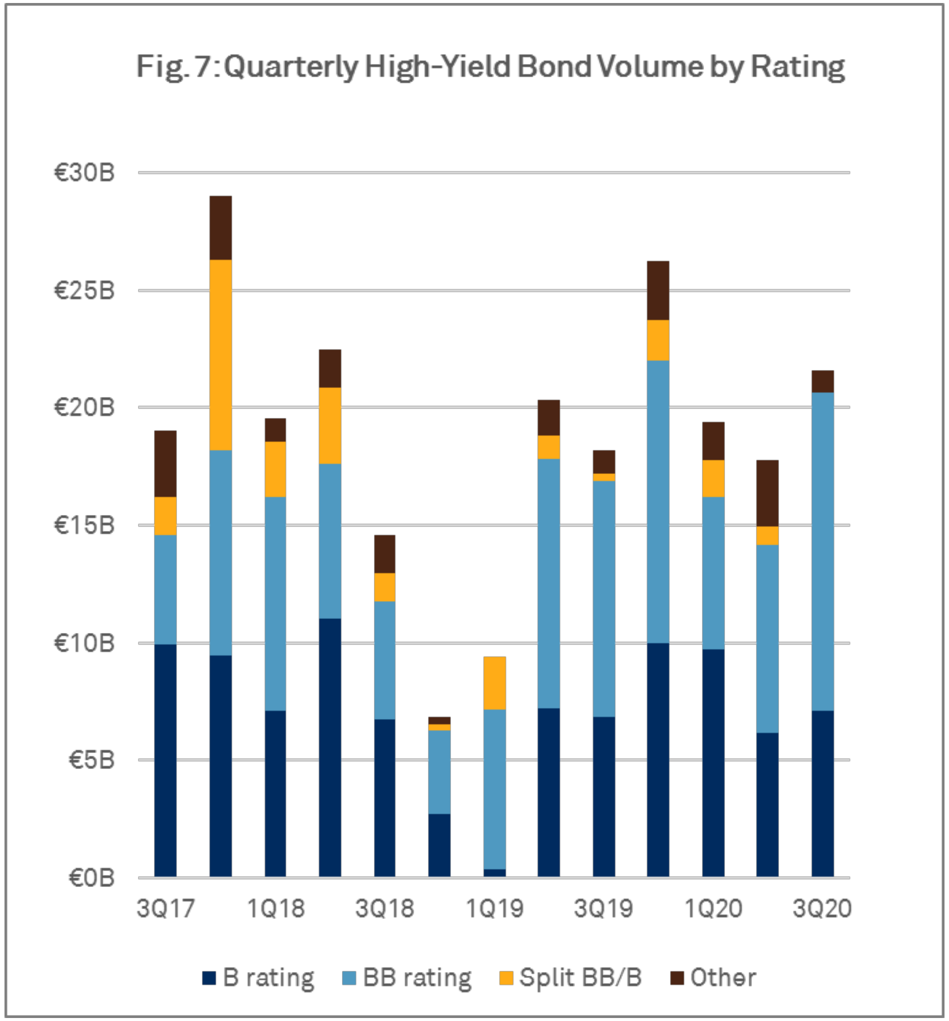
Against this backdrop there was clearly a good window for primary issuance, and Q3 2020 duly delivered a high-yield volume of €21.6bn and a bond count of 47, making it the strongest quarter of the year by both measures. While accounts have been keen on higher-yielding paper, the double-B issuer base dominated proceedings in the third quarter, accounting for 63% of the volume and 57% of the bond count. The double-B average quarterly shares on those measures since the start of 2018 are 47% and 40%, respectively.

Borrowers did have to pay up a little more, with the average double-B new-issue yield rising 6 bps quarter-on quarter, to 3.47%, though this did not prevent nine borrowers from raising money below 3%. This was made possible by ECB stimulus measures trickling down to high-yield, though bankers say high-yield money remains very sticky for these types of deals.



Data as of 30/09/20. Source: LCD, an offering of S&P Global Market Intelligence. For illustrative purposes only

Despite rising new-issue yields, on the whole, companies still came to market to refinance debt. Some 62% of issuance in the third quarter was for such measures, but that is only a little above the 59% quarterly average since the start of 2018.



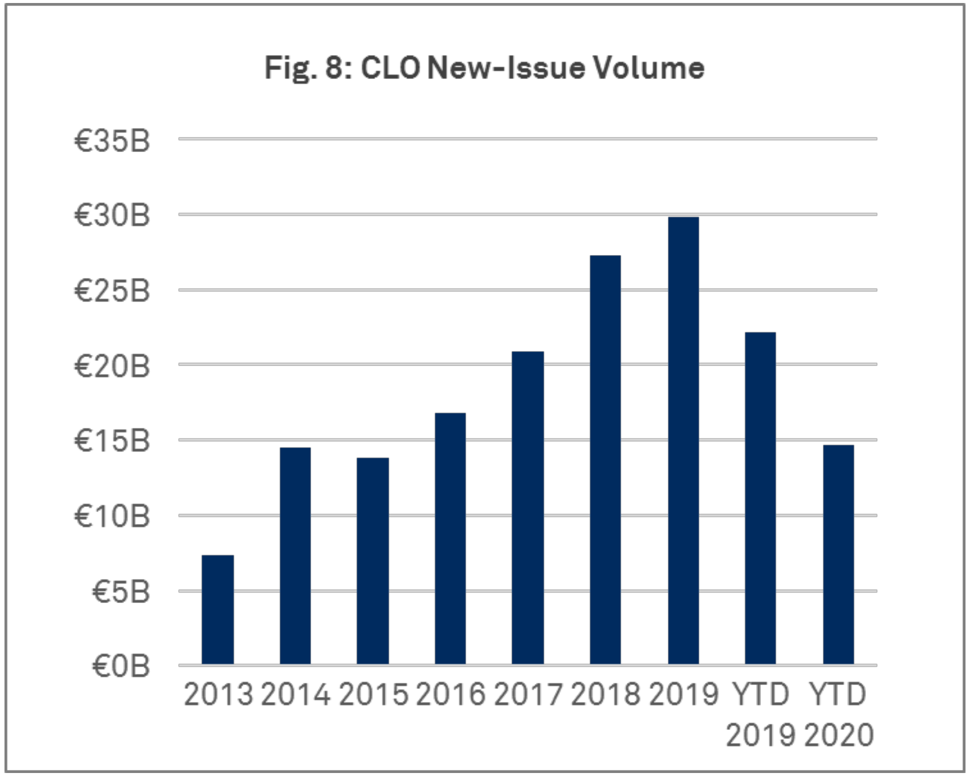
Data as of 30/09/20. Source: LCD, an offering of S&P Global Market Intelligence. For illustrative purposes only

Another key development in the third quarter in the high-yield bond market was further financing for credits heavily impacted by COVID-19. The debt raise for Stonegate Pubs became emblematic of this new dynamic, with the credit well-liked, but its sector (and sector outlook) far less popular. In the end, the company had to pay up significantly to get the deal done. [9] While this pricing for Stonegate was at the wide end of guidance, that the deal got done shows that the market was able to price risk, and that it is open to names impacted by the pandemic. Another consequence of the pandemic has been companies opting for short-dated paper en masse, with 26 five-year bonds issued in the third quarter — the highest quarterly tally since Q2 2014, which hosted 28.

CLO Rebound Boosts Loan Demand

On the demand side for loans, one of the main drivers was the rebound in CLO issuance. The European CLO market priced €14.7bn from 44 transactions in the year to September 30, including €8.87bn from 30 COVID-era prints (from April 1 onwards), characterized by lower leverage and shorter non-call and reinvestment periods (which managers hope will allow them to refinance at more favorable levels next year). This effort is in contrast to €22.15bn from 53 deals in the same period last year.

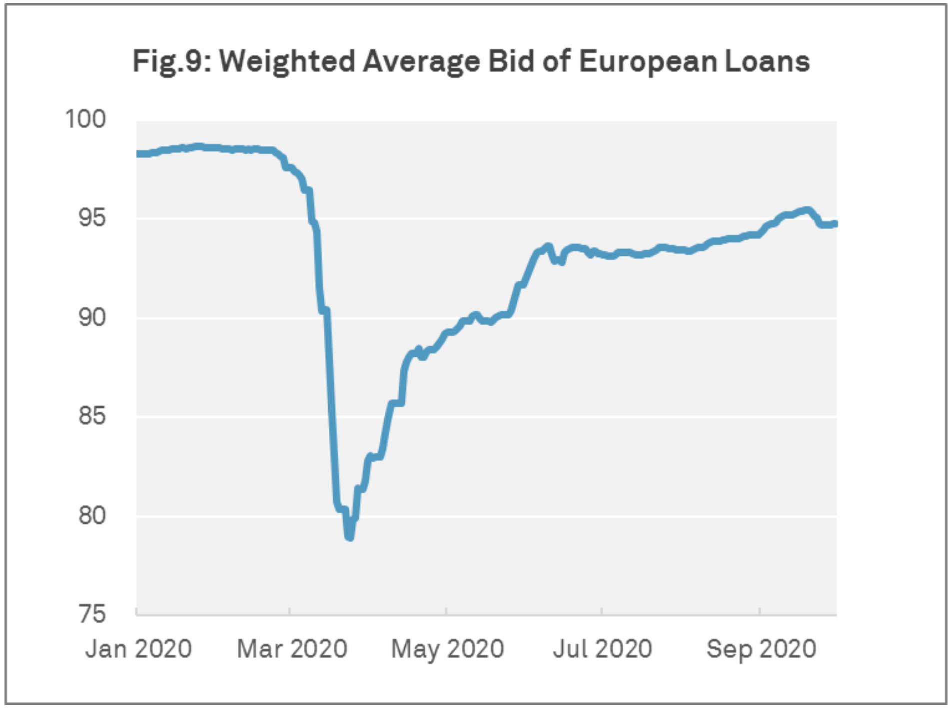
[9] Stonegate Pub Company Limited acquires Ei Publican Partnerships Limited. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1733841



Data as of 30/09/20. Source: LCD, an offering of S&P Global Market Intelligence. For illustrative purposes only

A reduction in the cost of funding for CLO funds is providing a key support for new-issue CLO creation, and some analysts have revised their CLO issuance forecasts for the year upwards. What's more, there is also continued strong demand from non-CLO investors. Anecdotally, investors have told LCD that they are still seeing inflows, mainly from existing investors, into their non-CLO funds, including managed accounts and other funds. However, some admit they are not seeking new investors as actively due to the market conditions.

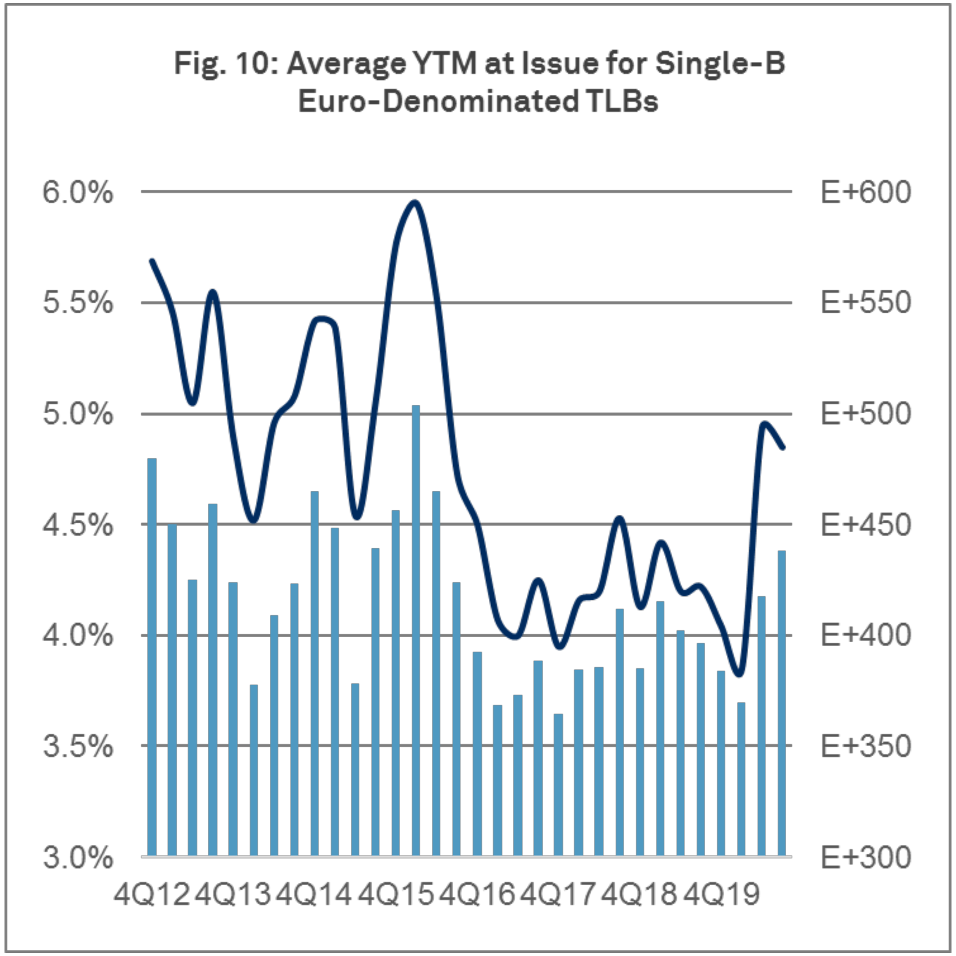
This, alongside overall monetary stimulus, a general search for yield that is resulting in demand for leveraged assets, and the fall off in new issuance during the height of the pandemic, means that loans are popular in both the primary and secondary markets and the direction of travel appears to be in borrowers' favor. Indeed, the S&P European Leveraged Loan Index (ELLI) reached 94.79 on September 30, only roughly four points away from its 2020 peak of 98.66 hit in January, and nearly 16 points above its pandemic-low of 78.92, recorded in March.



Data as of 30/09/20. Source: LCD, an offering of S&P Global Market Intelligence; S&P European Leveraged Loan Index. For illustrative purposes only

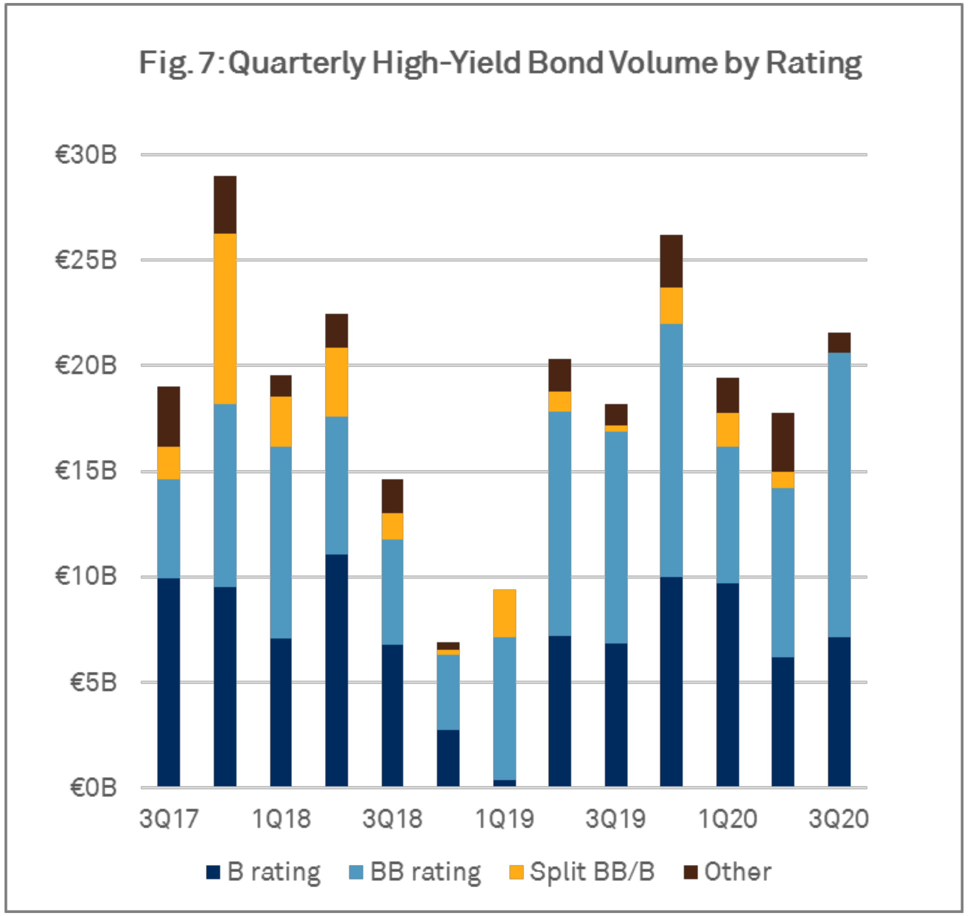
For primary pricing, although spreads over Euribor and yields have widened in the European primary market since the end of the first quarter — from an average of 369.7 bps and a 3.85% yield-to-maturity for single-B euro-denominated loans, to 437.5 bps and 4.85%, respectively, for the three months ending September 30 — yields have declined since the second quarter, from 4.94% on average. This is due to shrinking original issue discounts over the quarter, as spreads have actually widened from 417.3 bps on average. There is also a variation in pricing dependent on credit. "There is a size and sector 'halo' effect, in that if you're not too big and in the right sector, then pre-pandemic pricing is available," commented an investor. "But if it's a bigger LBO and a new one, you have to pay a premium."[10]

Looking back over the year, volume in 2020 generally was boosted by strong activity in the first two months of the year. Indeed, institutional loan volume hit €15.1bn in January, making it the busiest month in the market since November 2017. Of this total, €11.7 bn was sponsor-driven — the highest monthly institutional volume of this type since May 2007. For the third quarter, institutional issuance supporting buyouts fell to €3.4 bn, down from €4.2 bn in Q2 2020 and €6.87bn in Q1 2020. Other M&A-related issuance rose, however, to €2.87bn, up from €2.07bn in Q2 2020. This measure was still down from the first quarter, though, which included €5.73bn of other M&A-related deal flow. Recaps, refinancings and all other issuance stayed roughly steady at €3.52bn, compared with €3.80 bn in Q2 2020. This category saw a huge drop off from first-quarter levels, however, when companies rushed to take advantage of favorable pricing conditions, completing €10.25bn.



Data as of 30/09/20. Source: LCD, an offering of S&P Global Market Intelligence. For illustrative purposes only

[10] Quotes here and following are from LCD sources who have asked to remain anonymous



Data as of 30/09/20. Source: LCD, an offering of S&P Global Market Intelligence. For illustrative purposes only

In 2020 so far, M&A-related financings have comprised the largest percentage of institutional volume by deal purpose at 59%, which is roughly consistent with the same year-to-date period in 2019 (at 57%). But in absolute terms for the year-to-date, the M&A-related volume of €28.6bn is the lowest such total recorded in the comparable time frame since 2013.

M&A Stops and Starts

The pipeline of new M&A transactions coming out of the summer was heavily impacted by the coronavirus pandemic, despite the fact that the market has remained largely functional. Some deals that were underwritten before the pandemic have stalled, but others have since progressed, like the multi-currency financing backing Ineos Styrolution's takeover of BP's global petrochemical business, which was completed in October. [11]

Some of the biggest transactions being worked on are corporate carve-outs, such as Philips' appliances business and Walmart's sale of U.K. grocer ASDA, with a financing of roughly £4bn expected from the Issa brothers and TDR's bid for it. [12] The spin-off of Unilever's tea business — which houses brands including PG Tips, Lipton, and Lyons — is also in the works. [13] Market participants tell LCD that it is the bread and butter secondary buyout pipeline that seems most lacking, as buyers and sellers disagree on valuations amid widespread economic uncertainty, in spite of the relative strength of PE markets.

As one investor said: "There are some potential LBO deals out there, but when are they going to get done? And how do you even work out valuations right now with all the uncertainty?" Even so, deals have recently emerged, including

[11] INEOS Styrolution Group GmbH to acquire Petrochemicals Business of BP p.l.c., Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1749452

[12] TDR Capital LLP to acquire ASDA Group Limited. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1769731

[13] Top buyout firms weighing bids for Unilever's tea business. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#news/article?KeyProductLinkType=2&id=59168573

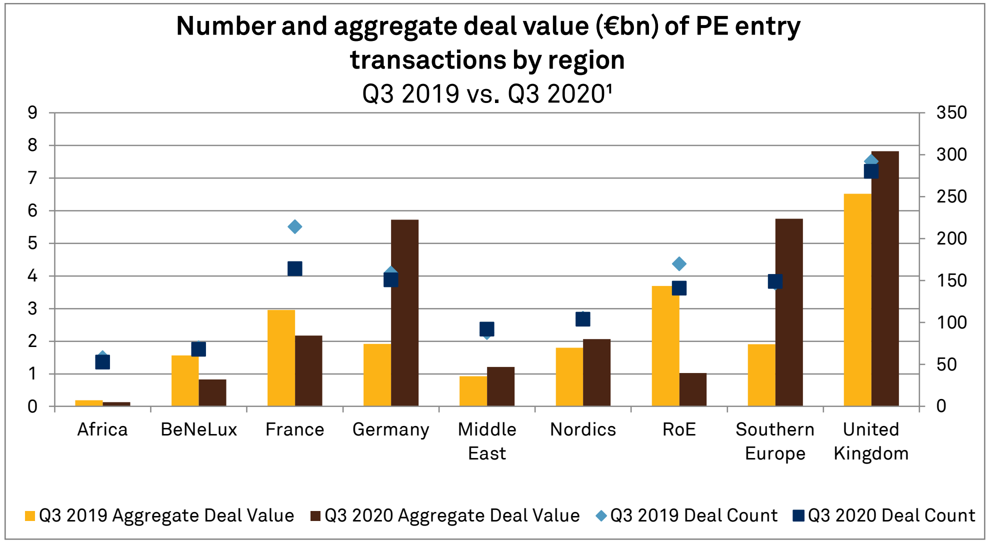
Permira's speciality pharma group Neuraxpharm from Apax[14] and the cross-border financing backing Ardian's acquisition of ANGUS Chemical Co.[15]

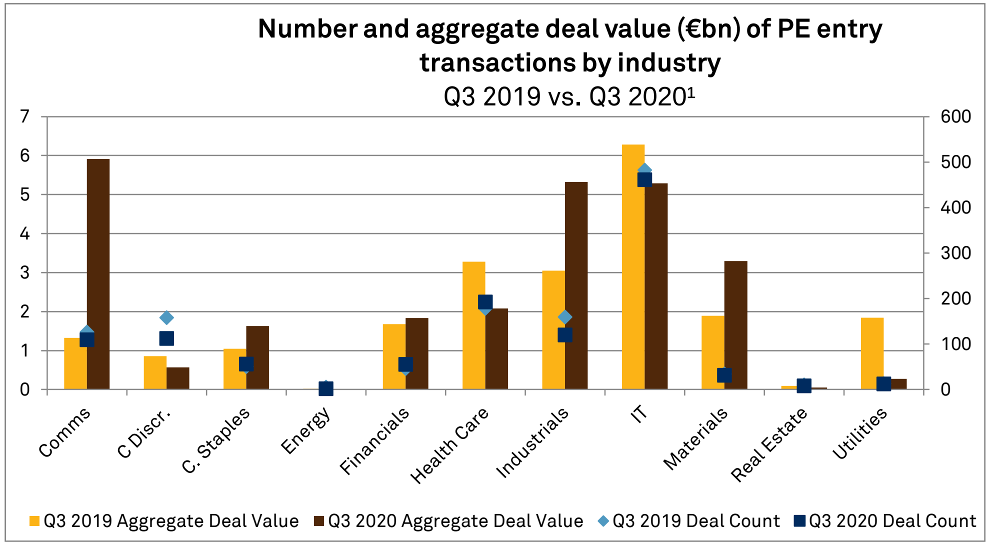
The European leveraged finance market has functioned well in the wake of the coronavirus pandemic, particularly when contrasted with the global financial crisis (GFC) of 2008. "The GFC was a banking crisis, but now the banks are in better shape and not rationing credit. The financial system is in better shape," explained one investor. But there is uncertainty ahead, and fears of a recession. "Traditionally cyclical companies are performing well, but the biggest risk is a broader economic downturn and fiscal stimulus ending," said another market participant. And the long-term impact of the pandemic on businesses in Europe is still not entirely clear.

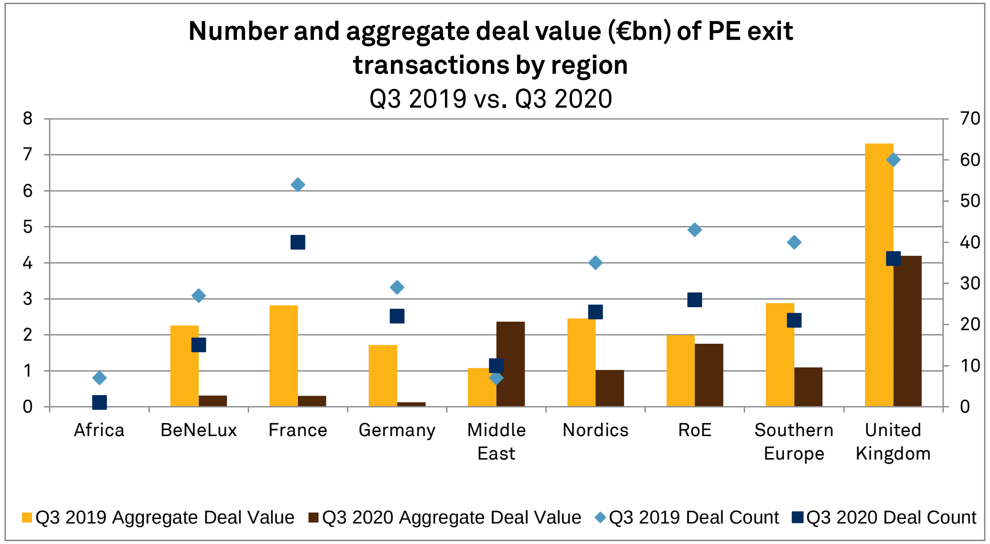
[14] Permira Advisers Ltd. to acquire neuraxpharm Arzneimittel GmbH. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1767667

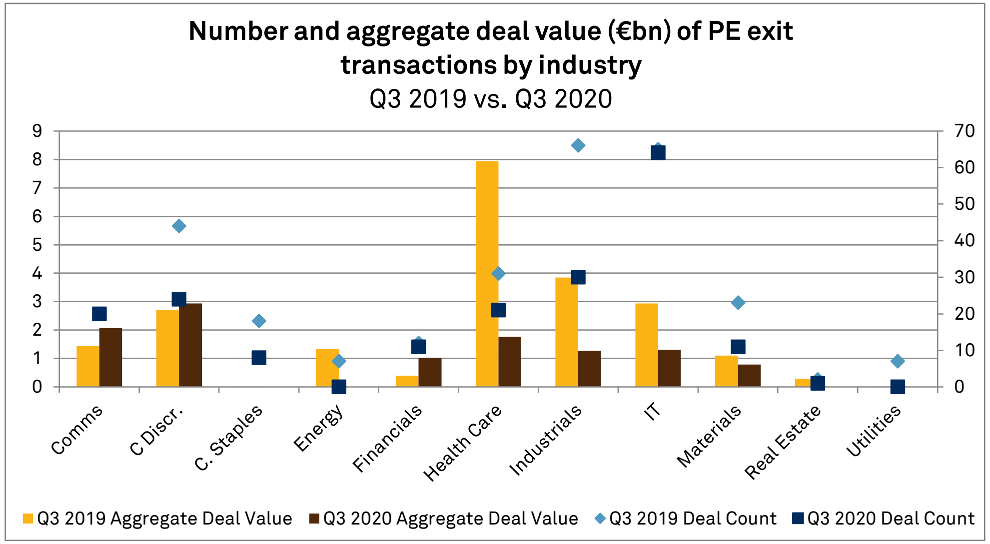
[15] Ardian to acquire 50% of ANGUS Chemical Company. Market Intelligence Platform. As of November 6, 2020. Retrieved from: https://platform.marketintelligence.spglobal.com/web/client?auth=inherit#mna/dealOverview?ID=1771676

EMEA-Based Targets









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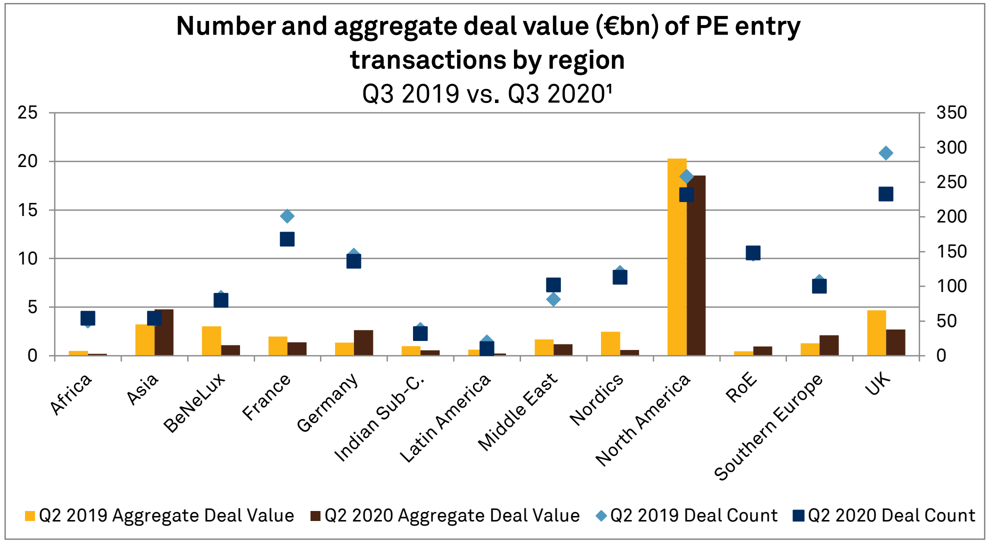
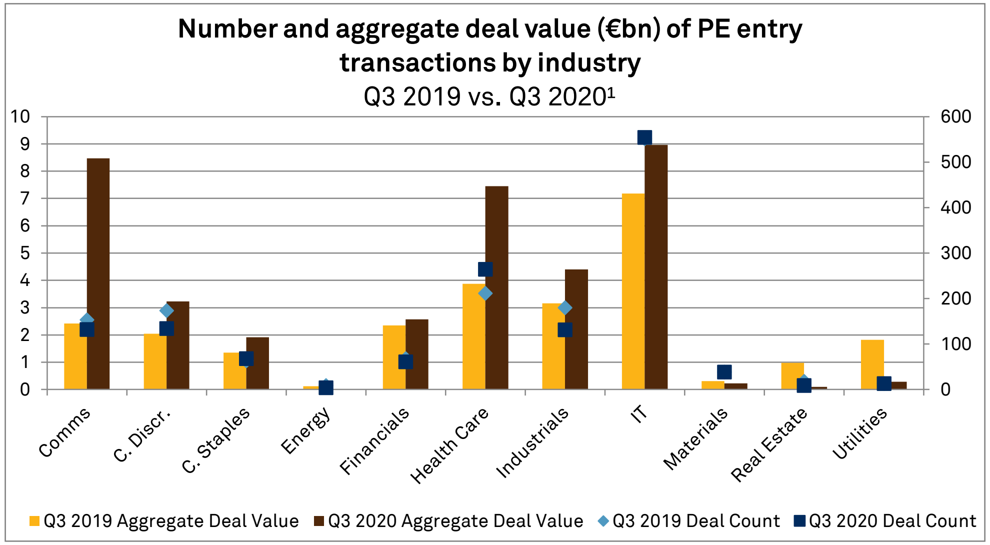
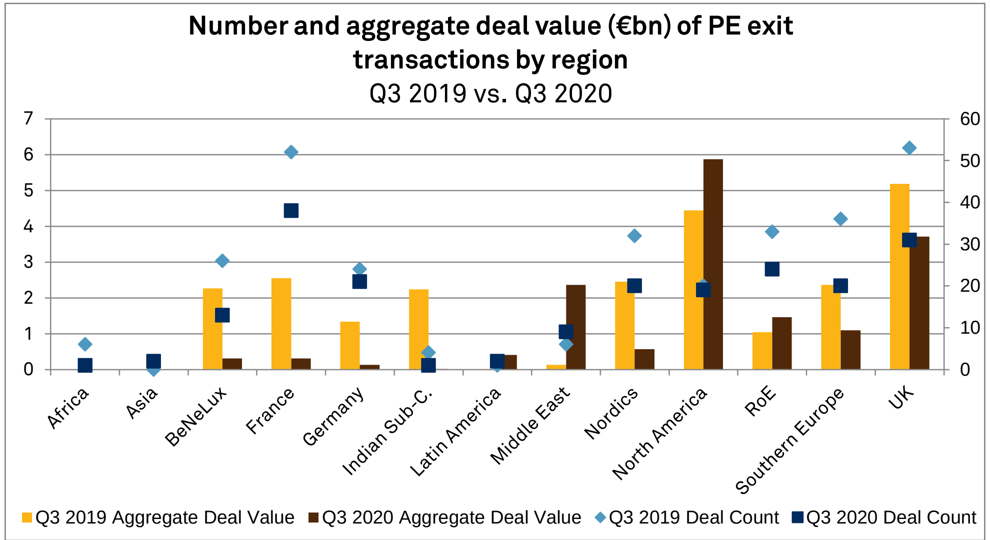
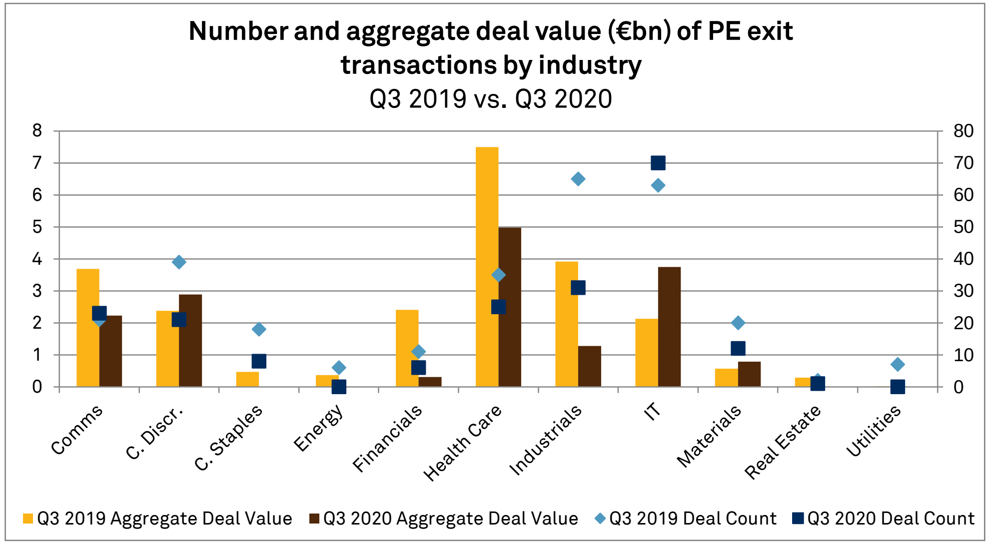
EMEA-Based GPs









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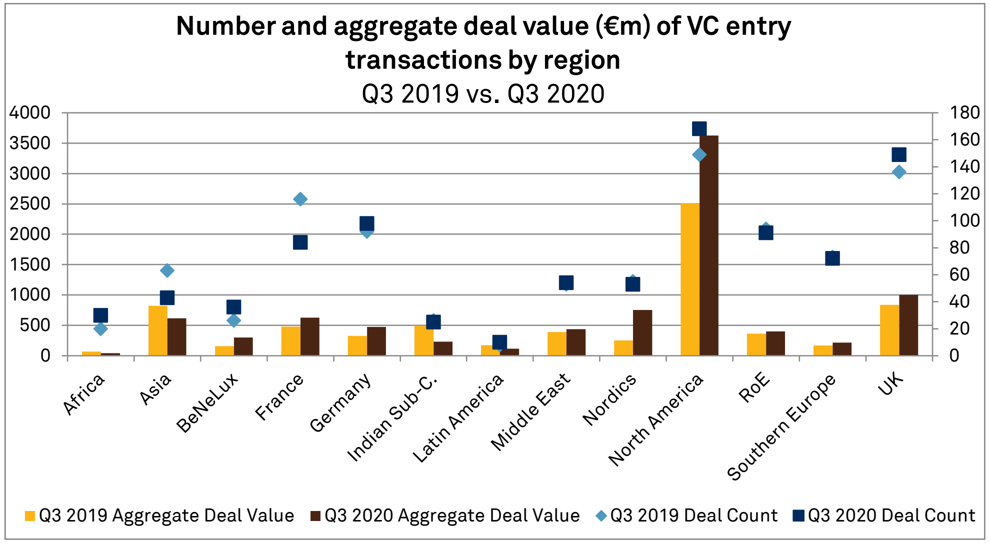
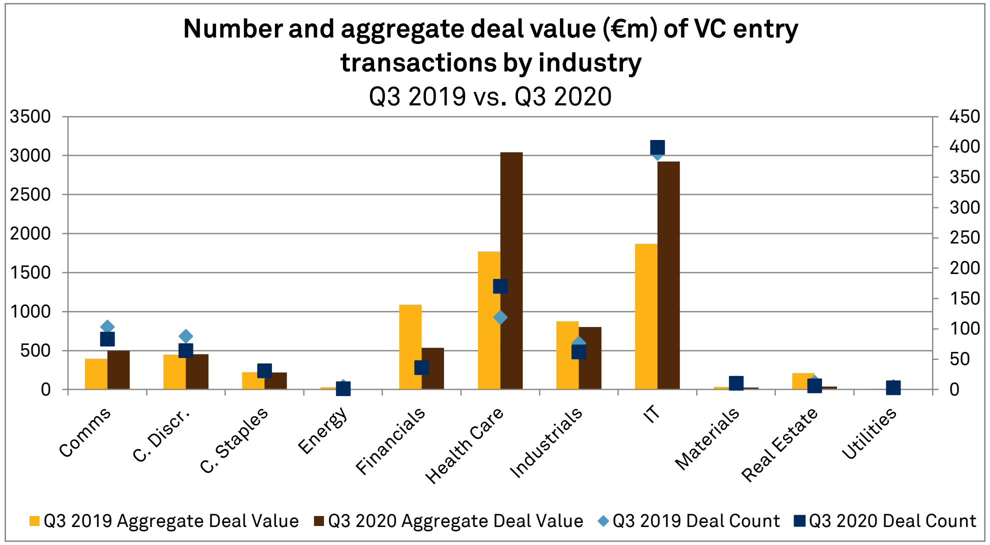
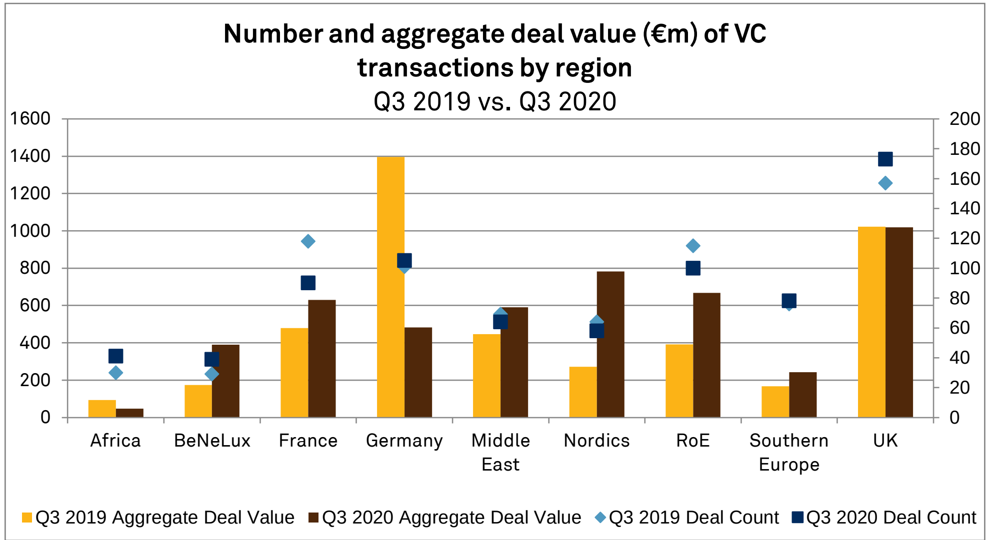
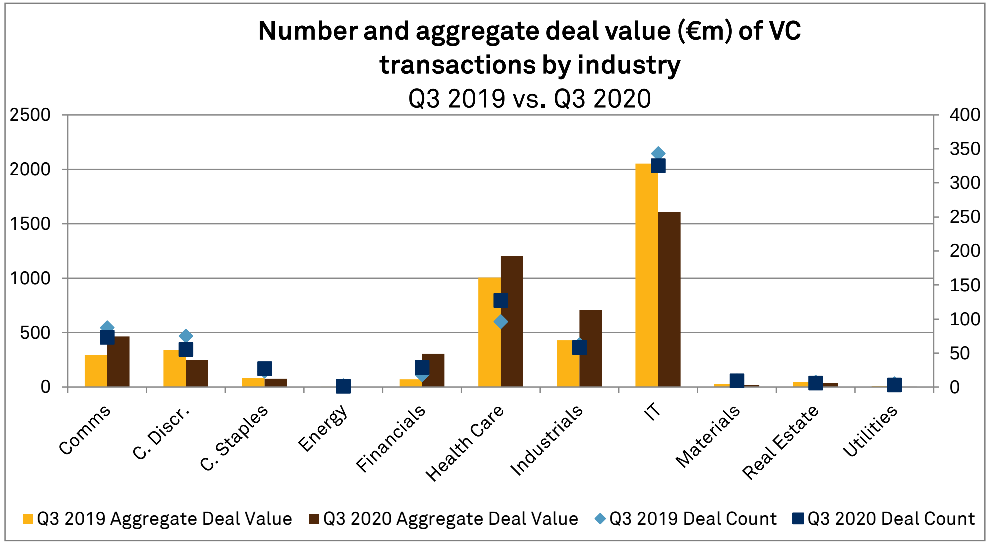
VC EMEA-Based GPs





VC EMEA-Based Targets





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Multiples Table EMEA

Implied Enterprise Value/EBITDA	EMEA Private Equity Exits 01/07/2019 - 30/09/2020	M&A 01/07/2019 - 30/09/2020
Communication Services	17.2	10.2
Consumer Discretionary	11.1	10.5
Consumer Staples	6.4	10.9
Energy	3.8	6.6
Financials	14.5	8.9
Health Care	18.8	11.7
Industrials	11.4	10.5
Information Technology	18.9	14.0
Materials	11.9	10.7
Real Estate	36.8	18.8
Utilities	***12.3***	10.0

Implied Equity Value/LTM Net Income	EMEA Private Equity Exits 01/07/2019 - 30/09/2020	M&A 01/07/2019 - 30/09/2020
Communication Services	40.9	19.7
Consumer Discretionary	20.5	16.0
Consumer Staples	11.2	15.2
Energy	8.7	9.8
Financials	14.2	11.9
Health Care	32.8	21.5
Industrials	20.3	18.1
Information Technology	24.6	18.0
Materials	8.6	14.2
Real Estate	14.9	12.3
Utilities	***36.9***	21.5

- 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 entry transaction aggregates have been calculated after removing the following deal to avoid overestimating the trend: Advent International Corporation, Cinven Limited, RAG-Stiftung and thyssenkrupp AG (XTRA:TKA) completed the acquisition of ThyssenKrupp Elevator AG from thyssenkrupp AG on July 31, 2020. Retrieved from https://www.capitaliq.com/CIQDotNet/Transactions/TransactionDetail.aspx?transactionId=656525875&companyId=10437753

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

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