THE INDEPENDENT VOICE OF EUROPEAN PRIVATE EQUITY

RealDeals

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INSIDE

THE KEY TO LUXEMBOURG

Region focus: Why Luxembourg is a fund jurisdiction of choice.

Editorial

Leader Talya Misiri

All grown up

As the industry matures, it must become more aware of the responsibility it has to make a positive impact on its portfolio companies, but also the world.

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Real Deals the magazine has reached the ripe age of 21 this month!

While we cannot celebrate our birthday in person, this year, we have taken to celebrating via our first virtual Private Equity Awards [on the 3 November], our upcoming celebration of diversity and inclusion in the industry with our Future 40 Diversity and Inclusion Leaders soon to be announced and a bumper 44-page issue!

In this magazine, we provide you with heaps of content in our region focus on Luxembourg [page 8 onwards] , a round up of one of the industry's biggest events, the BVCA Summit 2020 [page 6], and more on the deals and moves shaping the industry.

In a number of countries around the world, the age of 21 is widely celebrated. The coming of age and transition into adulthood. In the US, 21 is the age where people are permitted to drink legally, it is the "crown year" in Holland where the young adult is treated like a King or Queen as part of a celebration, and in the UK, it is not uncommon for parents to speak about the growth they have seen in their child over their 21 years. Some fly the nest and move onto the next stage in their lives. But for all, the step into adulthood brings much greater responsibility.

Global responsibility

With the maturation of the industry, private equity is being reminded of this responsibility too. The onus is on private equiteers to think beyond high returns, profit and their personal gains. Speaking at the BVCA Summit earlier this month [page 6], BVCA chair and chair of Silverfleet Neil MacDougall stated that the PE industry should invest to "solve real world problems".

PE has a critical role in supporting the economic recovery and the UK's transformation in the wake of Covid-19, he explained.

David Gauke, head of Public Policy at Macfarlanes said at a time when there is considerable need for economic investment in businesses, PE is going to be absolutely vital. "I hope there is a growing awareness and recognition of how important that sector is going to be in changing the world."

Additionally, increasing demand from LPs in terms of transparency and accountability around ESG, combined with growing regulatory scrutiny across the world, is forcing private equity and their portfolios to act more responsibly.

Small but mighty

Our focus on Luxembourg this issue also explores how the growth of the region has led to increased pressure to responsibly administer funds. As a fund jurisdiction, Luxembourg is one to beat and although small, it is certainly mighty.

As a centre for financial services, the country and its many service providers continue to flex their muscles and adapt to the ever changing financial landscape. Noted in our cover story [page 8], Luxembourg has emerged from this period of dislocation in good shape and eager to accelerate digitalisation and ESG in the alternatives space.

The jurisdiction serves asset managers across the globe and is able to match local structures. It is also increasingly providing one-stop-shop solutions [as discussed on page 14] and is offering alternative options for funds post-Brexit [page 13]. The jurisdiction is a frontrunner when it comes to fund domiciliation and services and it is its continually forward-looking approach that has helped it to achieve this.

The region has certainly stepped up and continues to serve its existing and new clients wholeheartedly. ●

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Alphabites

European PE outperforms listed equities - Invest Europe

European buy-outs have had an annualised net IRR of 15 per cent for over a decade, compared with 5.84 per cent achieved by the MSCI Europe.

This has been revealed by two new Invest Europe reports; Benchmarking Public and Private Markets with the Public Market Equivalent and, The Performance of European Private Equity Benchmark 2019. Both reports examine PE's long-term outperformance of public equities.

European growth investments and venture capital also beat equities benchmarks. Venture capital returned a net IRR of 16.79 per cent over a 10-year horizon, performing on par with North American funds during the same period.

Eric de Montgolfier, CEO of Invest Europe, said: "With the publication of these two reports, Invest Europe is demonstrating European private equity's clear outperformance, while supporting the drive to more consistent and robust performance metrics that can enable investors to compare assets more easily."

Triton Debt Opportunities II raises €744m

Triton Debt Opportunities II has completed its fundraising with commitments of €744m, surpassing its targeted €550m. TDO II received strong support from existing investors and commitments from a range of institutional investors globally, particular from European and US pension funds.

Triton has also raised a Separately Managed Account, which will serve as an overflow account for the fund. The new fund is already 40 per cent invested, deploying capital throughout 2020.

As the market recovers, Amyn Pesnani, Head of TDO, said there is "a healthy pipeline of exciting opportunities ahead."

TDO II will invest in the same sectors and geographies as Triton's private equity funds, focusing on the industrials, business services, consumer and health sectors, across the Nordics, DACH and Benelux.

It invests in non-control positions across the capital structure in mid-market companies, with its average investment size typically between €10-40m.

BWAM calls on investment firms to promote racial equity

The group has penned an open letter to encourage the investment community to take meaningful action to dismantle systemic racism.

Industry organisation Black Women in Asset Management (BWAM) is calling on the investment industry to promote racial equity through their investment activities.

The group has penned an open letter to encourage the investment community to take meaningful action to dismantle systemic racism. This can be done through promoting racial equity through investment portfolios, recruitment, community engagement and public advocacy.

The communication is being published during Black History Month "to keep these issues front and centre within the asset management industry", BWAM said.

The letter highlights findings from the McGregor Smith Review (2018), which reports that equal participation and progression across ethnicities would add £24bn per year to the British economy. And, other studies have shown that closing the racial wealth gap in the US alone would create an additional $1trn in earnings and add $8trn to GDP.

Furthermore, BWAM has made five recommendations for investment firms and institutional investors. These are: build an anti-racist investment portfolio, promoting equity and justice; expand the pipeline of young Black women entering investment careers; promote Black women to senior leadership positions; develop partnerships with Black women to support investment activities and advocate for policy changes that dismantles systemic racism in society.

"Dismantling systemic racism creates a more sustainable and equitable society, however, investment firms have been slow to see racism as a serious investment risk," says Jacqueline Taiwo, co-founder of BWAM and associate general counsel at TowerBrook Capital Partners. "Our letter sets out actions I believe will lead to progress and give Black women a greater voice in shaping investment decisions."

Formed in 2019, BWAM has 300 members and has become a valuable community for investment professionals, lawyers, consultants, administrators, and other advisers in the asset management industry.

BRIEFS:

Arcano launches secondary fund

Arcano Asset Management has launched the fourth generation of its secondary market program, Arcano Secondary Fund XIV, targeting €300m. The new private equity fund will invest globally, with a particular focus on Europe and the US. Arcano said it will invest at least 80 per cent in the secondary market, while the remaining 20 per cent will be used for direct co-invests in companies.

The fund aims to take advantage of new opportunities to invest in private companies at current, attractive prices. With the launch of the new fund, Arcano further strengthens its position in the alternative assets market.

EQT launches growth strategy

EQT has launched EQT Growth, a new investment strategy focused on partnering with founders and management teams from technology, tech-enabled and scalable businesses.

As part of the new strategy, EQT has hired Marc Brown, former Microsoft corporate vice president of corporate development, as partner and head of EQT Growth.

Having joined the firm earlier this year, Carolina Brochado, EQT partner in London, will join EQT Growth. EQT's latest expansion into growth, positions the firm as one of few private markets firms globally with investment strategies that address the entire company lifecycle.

Earth Capital reshapes business

Earth Capital has its extended equity ownership of the business. Earth Capital co-founders Stephen Lansdown and Gordon Power have invited the senior team Phil Culver Evans (CFO), Richard Burrett (CSO) and Neil Brown (CRO) to become shareholders, while remaining majority shareholders themselves.

Alphabites

Elaghmore raises £30m as pipeline of opportunities grow

UK private equity firm Elaghmore Partners has closed an additional £30m fund to add to its initial Elaghmore Fund 1.

Co-founders, David Manning and Andy Ducker, launched the first fund in December 2016 with an initial raise of £60m from institutions in the US and Europe.

The additional £30m has come from US institutions to create Elaghmore Fund 1A and will allow the firm to capitalise on growing acquisition opportunities in the UK small to mid-cap market.

Ducker pointed out that the pandemic has led to a pipeline of interesting opportunities, "especially as Government support schemes end, and bank support is limited."

"Another driver is that many owners are concerned that possible changes to Capital Gains Tax rumoured for next year, means that this is the time to realise the value of their own investments," he added.

Since the original fund launched, Elaghmore has completed nine acquisitions, which have been combined to create three distinct businesses: The Total Vehicle Solutions (TVS) Group, Alucraft and The Hexcite Group.

LitCapital raises €34m for second fund

LitCapital has closed its second growth capital fund on €34m to invest in the Baltics.

LitCapital Opportunity Fund has been established in cooperation with Lithuania's INVEGA and €6m has been invested from the European Regional Fund.

The new vehicle secured commitments from key institutional Baltic pension fund investors and existing investors, most of which have increased their commitments.

The fund aims to provide substantial growth capital investment to Baltic companies in the range of €3m to €30m.

LitCapital has made 10 investments so far, seven of which are already exited. The firm's portfolio has generated more than 25 per cent IRR and delivered more than 2.6x multiple on invested capital.

Pictet launches first thematic fund

The fund will invest in 20 to 25 tech-focused funds and will target up to 20 direct co-investments in private companies over an investment period of 3-4 years.

Pictet Alternative Advisors (PAA) has launched its first thematic PE fund, which will focus on technology investments.

The fund will back 20-25 best in class funds globally and will target up to 20 direct co-investments in private companies over an investment period of 3-4 years.

The fund will take advantage of the irreversible trends ongoing in the digital transformation of the global economy and its impact on society, global and local economies. The recent pandemic has accelerated these ongoing trends and has further underlined the strong reliance our society has developed in only a few years towards digital processes, software applications or social networks.

Pierre Stadler, head of thematic private equity, explains: "Technology remains a fertile sector. We are still in the early stage of the global digital transformation, and hence there continues to be many attractive investment opportunities.

"Software, for example, remains the fastest-growing sector globally, with an expected double digit compounded annual growth rate over the next five years.

"Unsurprisingly, the private equity universe of tech focused fund managers has been increasing in size and number in the last decade. We believe technology as a theme is attractive from an investment perspective, as most software companies are still privately held. Once the technology fund is established, we will consider our next move, possibly into healthcare."

Since 2008, PAA has set up 11 multi strategy funds and manages numerous segregated accounts with $17bn of assets under management, having started investing in private equity in the 1990s.

Sovereign co-founder hands over reigns

Sovereign Capital Partners' founding partner and managing partner of the firm Andrew Hayden has now taken the role of chair; promoting Dominic Dalli to managing partner.

Hayden will continue to chair Sovereign's investment committee, while Dalli will lead transactions alongside driving the strategic direction of the firm.

Dalli will also manage operations with the support of his fellow partners.

Hayden co-founded Sovereign in 2001 and since then, the business has grown to become a leading buy & build house in the lower mid-market.

The firm has partnered with over 50 businesses to deliver over 250 buy and build transactions.

New managing partner Dalli joined Sovereign in 2002 with a strong background and expertise in healthcare. He was promoted to partner in 2008 and has led healthcare and pharma deals in a number of businesses since then.

Investindustrial launches €600m China-Italy fund

Investindustrial, China's sovereign wealth fund China Investment Corporation (CIC) and Italian bank, Unicredit have launched a €600m fund to invest in Italian mid-market businesses.

The new vehicle, the China-Italy Industrial Cooperation Fund (CIICF), will be managed by Investindustrial. The new fund will target Italian mid-market companies primarily in the consumer, industrial manufacturing and healthcare sectors, with a view to accelerating their business development in China and internationally.

Andrea Bonomi, managing principal of Investindustrial, said Italy has investment opportunities with "solid foundations and clear growth paths globally" and that "Italian mid-market companies deserve to be both bigger and more competitive on a global scale."

As the sole manager of the new fund, Investindustrial will make investments alongside Investindustrial VII, which raised €3.75bn in November last year.

BVCA Summit 2020

Tackling climate change is "one of the greatest opportunities of our time" – Mark Carney

Tackling climate change and ESG concerns is "one of the greatest opportunities of our time", former head of the Bank of England, Mark Carney has said.

Speaking at the conference, UN Special Envoy for Climate Action and Finance, Carney, explained that private equity firms have a significant role to play in assisting portfolio companies, owners and management teams to ensure that they are implementing ESG considerations into their businesses.

"This is not about having a portfolio that is purely made up of green assets, this is about helping companies to transition from where they are today to where they need to get to".

Emphasising his message to management teams and investors, Carney added: "Ensure that every financial decision takes climate change into account. Ask yourself, is this part of the solution or part of the problem when it comes to climate change?"

Carney also highlighted the "three R's": reporting, risk management and returns that need to be taken into account when monitoring ESG.

Responding to Carney's comments in a following ESG panel, the speakers were all in agreement that the reporting element is the greatest near-term challenge.

Geoffrey Geiger, head of private equity funds & co-investments at USS, said: "The biggest near term challenge is agreeing what the reporting standards are and aligning between GPs and LPs."

Christoph Lueneburger, managing director at TowerBrook agreed that the difficulty in the reporting element is understanding the "metrics worth reporting on and how are they related to value creation".

Moreover, Vanessa Maydon, corporate affairs director of Cinven, and Stephanie Wall, ESG manager at Palatine, also shared the same view. Maydon offered an additional reason, noting that different regulations around ESG have blurred reporting requirements.

Earlier this month the British Private Equity and Venture Capital Association hosted its first virtual annual conference. Key themes of the day included ESG and climate change; the evolution of PE firms and hybrids; impact investing; secondaries and more. Clearly, in unprecedented times, many speakers highlighted the asset class' important role in making a real difference to society and the modern world.

By *Real Deals team*

Emotions and unconscious needs to play a key role in PE activity

Emotional finance looks at the key role emotions play in investment decisions in private and public markets. A key focus of the study area is considering the impact of uncertainty, such as in the current market, on investment decision outcomes.

Speaking at the BVCA Summit this month, Richard Taffler, professor of finance and accounting at the Warwick Business School (DWS) discussed a recent emotional finance study of PE stakeholders. The DWS report, "Rational or Emotional: The Real World of Private Equity", revealed that while the majority of respondents felt feelings were more important than data analysis, 40 per cent viewed emotions as something that should not be talked about.

That is an outlook that Taffler said is out of step with the psychological reality.

"Emotions and unconscious needs play a key role in PE activity, even if this is not formally recognised. We need to start recognising how emotions, conscious and unconscious, are the fundamental drivers of everything we do, even if we don't like this."

He added: "Acknowledging this can only enhance the quality of our investment decisions."

Also speaking on the panel was David Cooper, managing partner at Cooper Limon. Cooper said there is some recognition of the role of emotions, but pinning down its influence could prove extremely beneficial for decision makers. "A lot of PE investors recognise that gut feel and intuition play a primary role, especially when it comes to the big decisions." He says there is a lot more that could be done to determine, tracking and managing what influences gut feel and emotional decision making.

"Digital tools will not impact deal sourcing" – Gilles Collombin

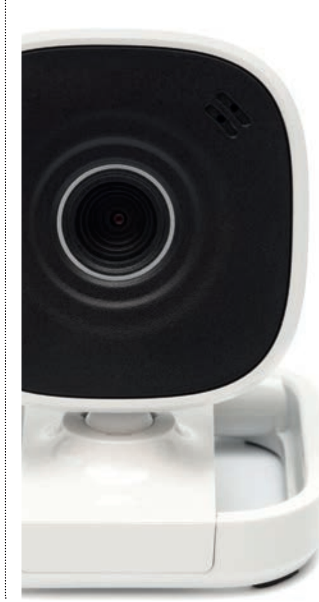
Digital tools will not impact the speed at which deals are sourced, it has been argued.

The pandemic has led to numerous shifts in how private equity firms are managing their portfolio companies and evaluating new deal opportunities. Most notable has been the increased adoption of technology.

Speaking at the Summit, Livingbridge founding partner Shani Zindel said: "Technology has saved time and money, particularly in international deals and it can be a huge enabler. But, private equity is not a desk-based job and that won't change...We are much better in a room together."

Gilles Collombin, partner at Charterhouse Capital Partners, said the pandemic has driven more efficiency in using digital tools for deal management. "We were doing this before the pandemic to an extent, but perhaps now we are doing it better." However, Collombim also noted that digital tools will not impact deal sourcing. "Technology is about efficiency and when it comes to sourcing deals, speed is not of the essence."

Henry Sallitt, co-founder of FPE Capital, agreed that communication with portfolio companies "is now a lot more seamless" thanks to digital platforms like slack and zoom. However, he said: 'there is no substitute for an in-person meeting" and "the key question will be how to balance this in the future."



Is purpose in PE a trend or is it just a talking piece?

Purpose and responsibility has been on the agenda for private equity firms for some time.

Increasing demand from LPs in terms of transparency and accountability around ESG, combined with growing regulatory scrutiny across the world, is forcing private equity and their portfolios to think more about their responsibility.

Speaking on a panel at the BVCA Summit, Anna Grotberg, associate partner in EY-Parthenon, said this trend has been accelerated since the outbreak of the pandemic. "The topic of conversation is now deeply focused on the purpose and responsibility that many private equity-backed portfolios are bringing to the table coming out of this huge economic crisis… Conversations are centred on the jobs that private equity is helping to secure and the essentiality of some of the services that private equity-backed companies are giving to society."

Grotberg pointed to the growth of impact investing, noting that 700 private equity funds are now signed up to the principles of responsible investing (UN PRI); a clear sign of a shift toward purpose-driven investment practices.

Groteberg added that there is a growing body of evidence which suggests a greater focus on responsible investing leads to superior returns.

However, when asked if purpose can be a strong lever for value creation, the panel was divided, suggesting this is still a disputed area and one that is likely to be given greater focus going forward.

PE industry should invest to "solve real world problems" – Neil MacDougall

PE has a critical role in supporting the economic recovery and the UK's transformation in the wake of Covid-19, it has been highlighted.

Neil MacDougall, chairman at Silverfleet Capital Partners, and BVCA chair, noted that times of change are usually those when PE returns are very strong. "Our role is to invest money and time in making sure that the best ideas prosper and develop and get applied to solve real world problems."

As an industry that invests in peaks and troughs of the economic cycle, leaders have an opportunity to bring their expertise to bear help out of uncertainty.

Economic transformation

In the wake of Covid-19, PE and VC investment is proving pivotal in areas like biotech where a lot of the tools and the equipment and solution are being developed. Software is incredibly important space where PE has made industry changing investments that are enabling a lot of the key remote working and virtual tools. Which will be features of how people continue to work and operate going forward.

Also speaking on the panel, David Gauke, head of Public Policy at Macfarlanes said at a time when there is considerable need for economic investment in businesses, PE is going to be absolutely vital. "I hope there is a growing awareness and recognition of how important that sector is going to be in changing the world. It's a sector that has a huge role to play." But, he was not sure if the public sees it in the same way.

Mastering public perceptions

If the past years of media and public scrutiny is anything to go by, its the downsides and necessary cutting of losses that have been leading public perceptions of the PE industry.

The recovery and transformation will come with significant and unavoidable changes for companies, especially those negatively affected by the crisis.

MacDougall pointed out that there are likely to be significant cuts and restructurings. "You can't save every position, but you can save certain ones. People will paint the industry in a bad light because of these cutting your losses sort of actions."

Despite what the public may think, he asserted that this process is critical for the UK economy and a key tenet of PE's role. "It is fundamental that this actually happens and that we don't have businesses kept alive by subsidy which ultimately has to be switched off." MacDougall says private equity has a responsibility to better communicate that to the UK public.

Michael Moore, director general of the BVCA added that while progress on this front has been made, the industry has to do more for and in the eyes of the public. "We can't just say that we do a great job for investors, we have to be able to explain to other stakeholders and society what we do, why we do it and why it is good for the country."

According to the BVCA, 972,000 people in the UK are employed by PE and VC backed businesses. In the past 5 years, BVCA members have invested £43bn, 90 per cent of those investments were into UK SMEs.

"We are at a tipping point" of impact transparency – Sir Ronald Cohen

Sir Ronald Cohen, who chairs the Global Steering Group for Impact Investment, has called on the finance industry to push for impact transparency.

The VC veteran said: "We are at a tipping point…Governments are going to come out of Covid, laden with debt and high levels of unemployment. We have to achieve transparency if we want our system to create solutions rather than problems when it pursues profit."

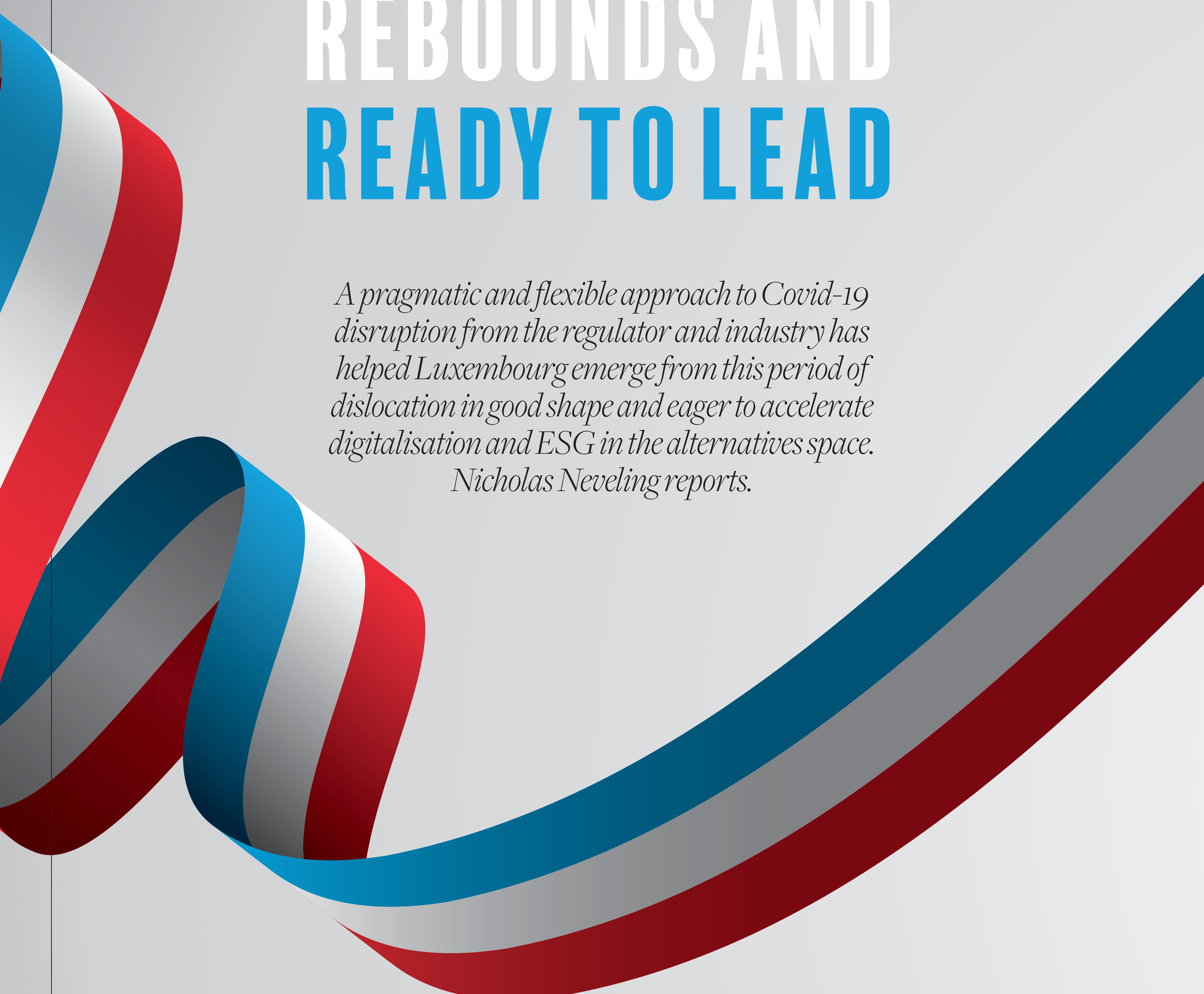
This, as Cohen sees it, is now possible with the help of big data. "Technology has allowed us to measure the impact companies create, bringing it to the centre of our economy alongside profit."

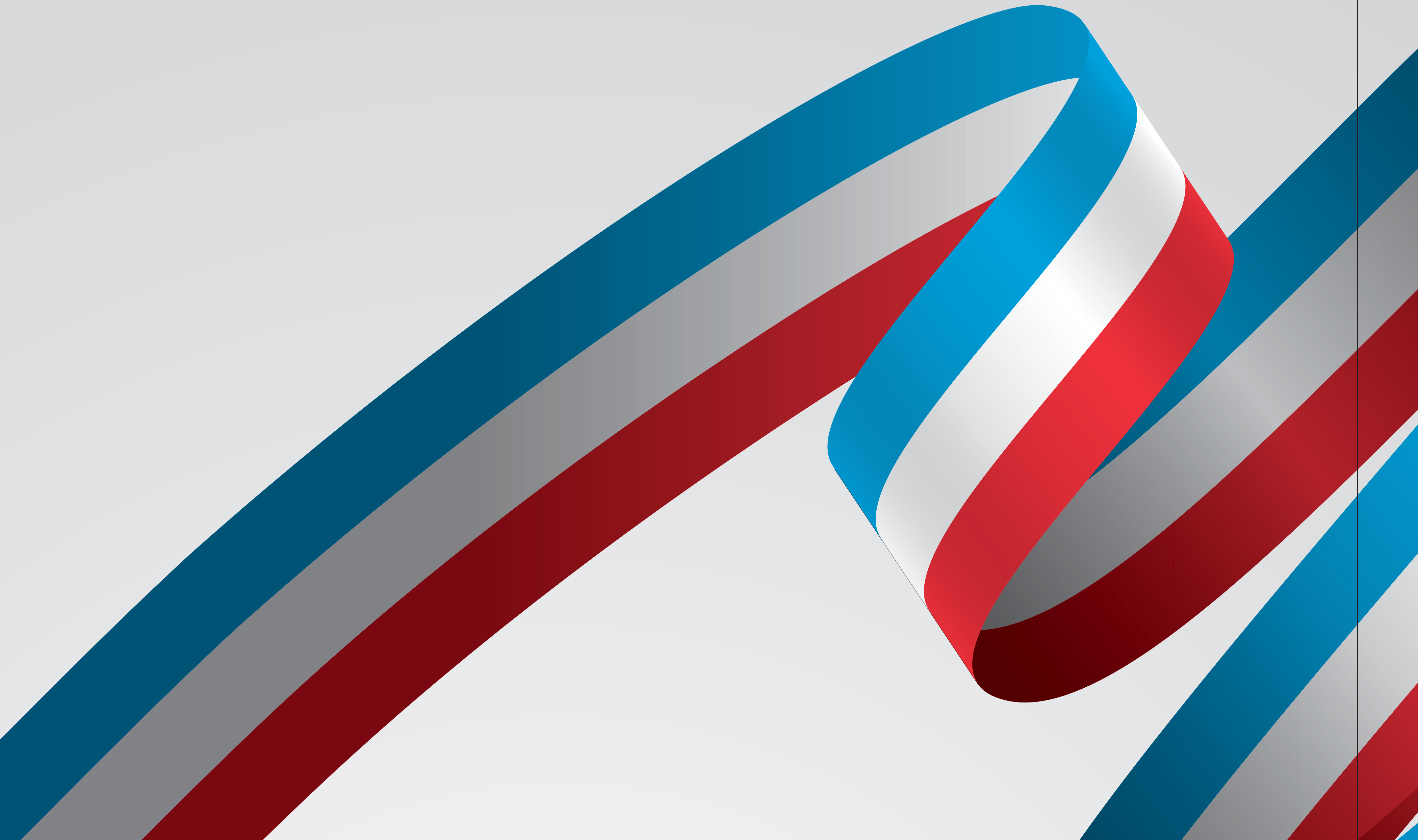
Cohen and Professor George Serafeim at Harvard Business School have been working toward a system of impact-weighted accounting, which adds the impacts companies create through their products and their employment practices to an accounting system.

Cohen said this system will become an important way of valuing companies in the future. The "big effort" now, he said, is for investors and governments to mandate companies to publish impact-weighed accounts. Cohen said he hopes this system can be adopted by 2022. "It's coming, it's coming very soon," he said.

LUXEMBOURG REBOUNDS AND READY TO LEAD

A pragmatic and flexible approach to Covid-19 disruption from the regulator and industry has helped Luxembourg emerge from this period of dislocation in good shape and eager to accelerate digitalisation and ESG in the alternatives space. Nicholas Neveling reports.





At the end of 2019, before Covid-19, social distancing, travel restrictions, face masks and Zoom calls, Luxembourg was able to look back on another year of successful expansion and growth in its funds industry.

Net assets under management (across funds in all asset classes) had reached a 20-year high of €4.71trn, 16 per cent up on the previous year. The only other global jurisdiction with funds managing more capital was the US.

The Grand Duchy's private equity industry was among its standout performers. Domestic private equity assets under management climbed by just under a fifth through the year. The number of funds worth more than €1bn doubled and Luxembourg's regulator, the Commission de Surveillance du Secteur Financier (CSSF), issued more than 110 new operating licences to global asset managers, private equity firms, banks and payment institutions.

THE PANDEMIC RESET

The outbreak of the coronavirus and subsequent lockdowns, however, upended expectations across all industries and jurisdictions. The Stoxx Europe 600 Stock Market Index shed a third of its value from the middle of February to the middle of March, and in a paper published by the Luxembourg Private Equity Association (LPEA), the net asset value of private equity portfolios fell by more than a fifth in Q1 2020 before staging a recovery later in the year.

The scale of the disruption and subsequent volatility has inevitably challenged the Luxembourg private equity community, yet the jurisdiction has managed to navigate these near unprecedented headwinds with minimal disruption.

Although net assets under management did slide from US$4.71trn to US$4.40trn in April, when lockdowns were in full force, the industry is still bigger than at any time prior to 2019.

Despite all the uncertainty that the pandemic wrought, Luxembourg's private equity professionals have kept their focus on the long term. In a survey of the Luxembourg private equity community conducted by the LPEA, 90 per cent of respondents did not anticipate changing staff counts and 80 per cent assessed the impact of Covid-19 at medium. No panic. No hysteria.

"Luxembourg's response to Covid-19 disruption has been resilient and organised. There has been minimal disruption to service provision and liquidity management tools (LMT) have been effective. There have been hardly any suspensions or fund gatings," Marc-André Bechet, deputy director general at the Association of the Luxembourg Fund Industry (ALFI) says. "There was of course a major dip across all assets classes in March, but the market has rebounded strongly since then. From April to August net inflows to funds totalled €160bn. There has not been a run on funds. Nobody has overreacted."

The fund industry's reaction to lockdowns and transition to home-working has been particularly seamless. In the April LPEA survey, 89 per cent of respondents felt ready to deploy contingency plans and ensure business continuity.

"The fund administration industry has also been fortunate to have made strong advancements in digitalisation," says Robert Brimeyer, country executive for Luxembourg at Alter Domus. "It was a huge transition, but it went very smoothly because the digital infrastructure was already there."

"Service providers have been able to quickly respond to the challenge and implemented home-working, with minimal disruption," Daniela Klasen-Martin, Luxembourg managing director and group head of management company services at Crestbridge, adds. "The landscape has been shifting rapidly and dramatically, from changes in economic substance, to amended value-at-risk limits, and modified liquidity management requirements within portfolios. By ensuring meticulous attention to detail on all regulatory and compliance issues, service providers are removing a potentially burdensome and onerous variable in their clients' operational activities. This will go a long way in minimising, or at least mitigating, the Covid-elicited disruptions to their business."

"The dialogue between the CSSF and the industry has been excellent. Both sides have been pragmatic and flexible."

JOINED UP THINKING

The pragmatic approach of the CSSF has been as important as the response of the fund ecosystem to the pandemic.

"The dialogue between the CSSF and the industry has been excellent. Both sides have been pragmatic and flexible. Communication with all stakeholder groups has been frequent and clear," ALFI's Bechet says.

Joost Mees, managing director for Luxembourg at JTC, says the CSSF "made every effort to ensure the operational continuity of the Luxembourg fund industry". He says some of the most helpful measures included the Grand Ducal regulation, issued in March, which provided measures that allowed board and shareholder meetings to proceed remotely, even when not allowed by articles of association, given the public health risk. The measure has been extended to the end of the year.

Klasen-Martin says the government's extension of tax return deadlines, a wide-reaching stimulus package and the CSSF's encouragement of the uptake of digital ID systems when face-to-face identification is not possible are further examples of how the state and regulator have supported Luxembourg's fund industry.

Alain Kinsch, EY Luxembourg partner and co-chairman of the ALFI Private Equity Committee says the robustness of Luxembourg's ability to maintain business continuity through 2020, however, is also the result of a long-term focus on building up the jurisdiction's alternative assets capability.

"Growing the alternatives industry in Luxembourg has been a long-term priority. The industry was a small one in Luxembourg ten to 15 years ago, but it has been on a strong upward trajectory. The jurisdiction has expanded its alternatives toolbox and moved up the supply value chain from back office accounting to compliance, tax and legal structuring. Covid-19 hasn't changed that," Kinsch says.

Indeed, Luxembourg's first private equity structure, the SICAR, was only launched 15 years ago. Since then, and against the backdrop of the AIFMD's roll-out across Europe, growth in the jurisdiction's alternatives industry has accelerated. In 2013, Luxembourg launched the Special Limited Partnerships (SLP), effectively transposing the US and UK limited partnership structures private equity was used to across the range of Luxembourg fund offerings. The Reserved Alternative Investment Fund (RAIF) arrived soon after in 2016. This allowed for new funds to be regulated at alternative investment fund manager (AIFM) level rather than requiring the CSSR to sign off every single new vehicle. Private equity firms can also have their fund's AIFM, auditor, depositary bank and administration, as well as a holding company, in a single jurisdiction, a very appealing offer as Base Erosion Profits Shifting (BEPS) tax rules place ever higher stock on substance.

LOOKING FORWARD

With its alternatives framework in place and tested, and with the initial wave of Covid uncertainty negotiated, Luxembourg's private equity community is now looking to what comes next.

What has become evident through the course of the pandemic has been the critical role of digital in the future of financial services and the increasing attention paid by investors to sustainability.

These have been two areas Luxembourg has already been focused on and is now positioned to lead.

In the Grand Duchy's Agenda 2025, a strategy document for the financial services industry published by Luxembourg's Agency for the Development of the Financial Centre, "Leading on Sustainability" and "Pushing Innovation" are two of the six key strategic objectives for the industry.

"The pandemic has accelerated digitalisation, and Luxembourg is at the forefront of bridging the gap. The jurisdiction had already prioritised digital in its Agenda 2025 and following lockdowns, that is simply progressing at a much faster pace," Bechet says. "On sustainability, Covid has sparked a surge in interest and activity. Morningstar figures show that net inflows into sustainable funds have more than doubled this year. Investors are recognising that ESG considerations go to value. The way a company behaves and treats its staff and suppliers impacts its productivity, financial performance and ability to recruit talent."

With these two strands already embedded in its long-term plans, Luxembourg has been well-prepared to meet the demands of clients and investors in these areas.

On the sustainability side, for example, ALFI renewed its Corporate Social Responsibility (CSR) Label this year, an accreditation issued by the National Institute for Sustainable Development and Corporate Social Responsibility (INDR) and first secured by ALFI in 2014.

On the digital front, meanwhile, the jurisdiction showcased its technology capabilities in October when VNX Exchange, a Luxembourg-based digital asset investment platform, completed the first ever VC deal in Europe using blockchain technology.

With a difficult year behind the alternative assets industry, Luxembourg is looking to what lies ahead in a post-Covid market with confidence.

Q&A

JOOST MEES

Managing Director – Luxembourg, JTC

JTC's Joost Mees reflects on the jurisdiction's resilience, how the pandemic could see long-term changes to the way private equity funds operate and sustainable investing in a post-lockdown world.

By *Nicholas Neveling*

How have Luxembourg fund service providers reacted to Covid-19 disruption? Have they been able to maintain service levels and business continuity?
Luxembourg fund service providers have moved swiftly in converting their regular business continuity plans to make sure they could provide the same level of services whilst respecting the necessary measures taken by the government, especially related to remote-working. Apart from making sure services were continuously delivered, focus has been on re-evaluating the risk management framework to address the new and enhanced risks that Covid-19 is creating.

A change from physical, in person meetings to telephone and video conferencing has enabled service providers to keep close to their clients and other stakeholders. It was interesting to see the kind of creativity shown on the business development side, where virtual social events, like wine tastings and similar events were organised on a regular basis. Size does matter in these uncertain times, and larger, global organisations might be better equipped, based on their investment in software solutions, than smaller firms, and we have been lucky and prepared in that respect.

How have new fund activity levels compared year-on-year to 2019? How has the drop in overall private equity deal and fundraising activity affected Luxembourg's private equity community?
We have seen significant interest in new projects in the alternative investment sphere throughout 2020 for Luxembourg investment vehicles, almost to the level of 2019, however the period between set-up of the vehicle and first closing has increased significantly in this environment. The volatility in the market provides for uncertainties at the level of managers and therefore, we see an obvious difference in lead times for various funds. I believe the impact on private equity funds especially, might actually be twofold; on the one hand, it has proven to be hard for funds to value their assets due to the pandemic and thus delaying potential assets, predominantly in the space of retail investments. Whereas, there is a lot of dry powder, so a lot of funds are eager to invest, but given the difficulties in valuing assets, one wonders whether the moment is right.

Deal activity has been low in Q2 & Q3, but will hopefully recover in Q4 and Q1 of 2021 as there will be more visibility on the financial impact at the level of portfolio entities.

What support for the funds industry has the Luxembourg government and regulator been able to provide?
From the start of the Covid-19 crisis, the Luxembourg regulator, CSSF, has made every effort to ensure the operational continuity of the Luxembourg fund industry, encouraging remote-working as one of the early adopters in Europe. For example, the Grand-Ducal regulation (20 March 2020) provided several measures to facilitate board and shareholder meetings, and in particular, the possibility to hold the meetings without a physical presence, for all Luxembourg companies and other entities.

The regulator's efforts in combination with the Grand-Ducal regulation have provided essential regulatory support to all service providers in offering the most seamless experience for their clients and stakeholders as possible. The aforementioned regulation has just been extended until the end of the year and the CSSF is developing a circular that will lay out a set of remote-working recommendations for Luxembourg financial outfits.

Will Covid-19 drive any long-term changes to how the funds industry works more generally?
The virus will force new ways of working in the fund industry. On the fundraising side, roadshows have for some time been the preferred means of courting new investors. However, travel and in person meeting restrictions imposed due to the Covid-19 pandemic have stopped this approach in its tracks, so the managers have to adapt their strategy to convert roadshows into a virtual roadshow, which might have to look very different to the traditional one.

One interesting conundrum will be how technology will keep virtual client events engaging and interesting. As the remote-working environment drags on, one should be conscious that it might become increasingly difficult to retain investors' attention via digital meetings.

For service providers, remote-working, in some form, is here to stay and the industry needs to respond by digitalising even swifter than envisaged and making sure their IT security is more robust than ever.

Is there a particular investment trend that you see growing in Luxembourg, post Covid-19?
As I think we are seeing in other jurisdictions, there is a clear trend developing for green, sustainable and responsible investments – while this may have been exacerbated by the global conscience-shock of a pandemic, it was a trend that was already in the making pre-Covid. Luxembourg ranks as the second greenest financial centre in the world after Amsterdam, and lists more than half of the world's green bonds.

At present, Luxembourg funds currently represent 31% of all European responsible investment funds, and the jurisdiction is a global leader in 'inclusive finance' with a 61% market share of global assets under management in microfinance investment vehicles – according to Luxembourg for Finance 2020.

Luxembourg is making a real effort to support this trend. The Luxembourg Ministry of Finance announced on 2 September 2020 that it had become the first European country to adopt a reference framework for sustainable bonds (the Sustainability Bond Framework).

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GP WORKSHOP

How to market a fund successfully

Investindustrial's *Carl Nauckhoff* and Neuberger Berman's *Elizabeth Traxler* discuss ways to successfully position a fund and how marketing has evolved since the global pandemic.

Carl Nauckhoff, senior principal and head of IR, Investindustrial

We begin with a strong internal IR team, with client facing professionals and project management professionals. It is a seven person strong team in Europe and the US to make sure that we have a broad reach.

Secondly, we start from our existing investor base, who, for us, has always been the loyal, sticky anchor who tends to always invest more as a group than what they invested in prior fundraises. Then, you need to make sure that you take in new capital of the highest quality and really think about how to address evolving preferences.

Pre-marketing

For new capital, we look at additions to our investor base by type and geography. In the past, funds had been raised fairly quickly, but with investors that are further from you, it can be difficult for these investors to be on board with that same speed. So, the speed of fundraising tends to be at the detriment of adding good investors from overseas. As a result, we made a conscious effort to pre-market in Asia and the Middle East and that worked well in the process for Fund VII.

There are different cycles across countries, so in Japan for instance, the country has a clear budget cycle that starts at the beginning of the year. Historically, they wanted to start the year with a list of names they had in mind, so relationships needed to be established early.

For fund VII, we also wanted to add more public pension capital in North America, particularly in the US. To appeal to these investors, we utilised our office in New York and our partners were able to invite potential investors to our office to get to know us. We were also doing lots of video calls, even pre-Covid, in order to build that relationship.

People or strategy?

It is a combination of both the people representing the fund and the fund strategy that are important to investors. For us, the strength of Investindustrial is our great professionals, but also our strategy. An investor needs to feel that they can invest large amounts of capital on behalf of their pensioners or insurance companies, etc. and whether I as an investor will still be around or not, the institutional relationship is still there. That common culture is important above anything else.

Reference pool

A strong reputation among fellow investors, with portfolio company managers, with the financial community, and that overall body of references is worth a lot. Having very high, consistent feedback from those sources are much more important than an even stronger track record with negative references. Investors love to make copious amounts of reference calls during their due diligence; guided by the GP and on their own initiative. If the reputation isn't strong enough, then investors will become aware of that.

Elizabeth Traxler, managing director, Neuberger Berman,

There are a couple of themes that funds will need to consider when marketing. The first theme is that you want to make sure that the fund can check the box. What I mean by that is most people that are allocating capital to private equity do not have fungible capital. They can't just invest in anything that's interesting; and maybe they have different types of capital they can allocate. So the key thing is to find out if they have capital to invest in that box and if you can fit into that box. It's part of the communication and prep work to understand where they have capital as you don't want your fund to get boxed out. A lot of people have capital that is allocated on an annual basis, so if you come to market to them today, they may have no capital left. You should consider timing closes to get those investors.

Early deals

One thing that can be very helpful [in marketing a fund] is if you start investing your fund before the final close, and you have some assets already. If they're performing well, we call those funded primaries, which may entice investors. But if those assets start to underperform, investors may not be as interested.

Moroever, some managers have turned their annual meeting into a much more detailed annual meeting for potential investors. This becomes a sort of due diligence day, at the same time as their annual meeting. Investors have been more willing to have these calls and meetings as they aren't travelling anymore, so there is a lot more transparency from a conversation perspective with GPs and having that information is important.

Resources and culture

One thing that funds have started to weave into their pitch is that they have strong client services for their LPs. It's not just giving information during the fundraise process and irregular information after that, but it is an infrastructure that they have developed to support LPs' increasing need for ad-hoc requests, more visibility and greater input. A lot of the larger LPs are looking for a partnership and someone has to manage that. Certain firms are using these sevices as a selling point.

A challenge when it comes to marketing funds is that some managers think that their pitch is more unique than it sounds! The key thing is that investors are looking to understand the repeatability of your track record or of the strategy that you're marketing. There are two ways in which it can be articulated well and that is highlighting their team and their resources. While that sounds generic, many managers focus solely on the most senior level team and oftentimes, I'm asking, who does the work? And how many team members do you have at the mid and junior level? Being able to build on a team and grow a team, shows a culture of retention. It's really important to understand the people, the culture and the processes that have built that track record.

QUOTES:

The best way to market a fund is to focus on relationship building with LPs early and before you need to ask them for capital. A long period of pre-marketing is critical to the velocity and volume of the funds raised when you do launch your fundraise. Ask for a warm introduction to an LP through another investor or through your placement agent. Touch base with that LP quarterly to keep them updated on your investment strategy, portfolio progression, team and exits.

SUNAINA SINHA
managing partner, Cebile Capital

My approach has always been to give investors a "warts and all" view. I find that LPs really appreciate openness about tough investments and humility on winners. I once read a book by Harry Hill (the comedian) and his advice was "Open up your routine with your best joke and finish it with your second best joke". I apply that principle to stories from our track record.

GARRY WILSON
managing partner, Endless

On the one hand, the more obvious tools that are necessary to be successful in fundraising include matters such as brand recognition, excellent track record, longstanding dedicated teams, and deep knowledge of the investor universe. But I would highlight several other important themes. Firstly, before launching any product, it is crucial to consider three key factors: fund managers capabilities in the current market environment, macro vision in order to position portfolios strategically and according to market cycles, and market intelligence collected from the investors themselves. The successful combination of these three factors are necessary to offer and build products that fit well amongst the client base. Also critical in today's investment environment is the approach to ESG matters.

PEDRO HAMPARZOUMIAN
partner, Arcano Partners

COMMENT

Navigating funds post-Brexit

Daniela Klasén-Martin, Group Head of Management Company Services, Managing Director at Crestbridge Luxembourg explains how Super ManCos offer a workaround for UK managers who are soon to be cut off from Europe.

With less than three months to go until the end of the Brexit transition period, asset managers face the loss of the cross-border relationship that allows them to manage and sell funds in the European Union.

How can you market your fund in Europe after the Brexit transition period ends?
The UK's asset management industry is largely under-prepared for the UK to be regarded as a third country, according to a recent PwC report, with 80% of alternative managers and 60% of UK listed UCITS funds lacking existing presence in Europe. There are a number of options facing UK asset managers in this position, such as obtaining fresh authorisation, relocating or delegating.

With a trade deal looking increasingly unlikely, private equity managers without a European presence already are enlisting the help of third party super-management companies, a cost-efficient alternative to setting up your own European office. These are attractive, as the services supermancos provide for a fund can be rapidly scaled up or down to meet manager needs and regulatory stipulations. It's for this reason that ahead of the previous Brexit deadline and its numerous extensions, supermancos saw a huge surge in demand. Delegating to Super ManCos has been one of the most promising approaches for asset managers so far and the PwC 'Observatory for Management Companies' 2019 report showed an increase of Super ManCos in Luxembourg since the previous year.

Why Third Party Super ManCos are so popular
Simply, third party supermancos are a quick way for UK managers to gain access to the European market. They also allow managers to be agile, implement rapidly and they

> **"With a trade deal looking increasingly unlikely, private equity managers without a European presence already are enlisting the help of third party super-management companies, a cost-efficient alternative to setting up your own European office."**

are much less costly than a manager establishing their own presence within Europe or running their own management companies. Managers that use this approach will be able to tailor their sales and marketing approaches rapidly, as new regulations and authorisations around Brexit become clearer.

The increasing popularity around ManCos has put a spotlight on the space. Regulators have cracked down on so called letter-box entities, which were being used increasingly as a box ticking exercise as opposed to actual management hubs. New regulations require a minimum of three to four

employees, of which at least two should be senior managers with proven experience in risk, compliance and investment management.

These new regulations make ManCos expensive to set up, largely due to the high staff costs of hiring highly skilled employees that have the right substance category expertise.

Given the additional requirements and in particular, the increased on-sight controls that the regulator is implementing, it is becoming more expensive to run a fully compliant operation and to provide a quality service when you act as a service provider, according to Daniela Klasén-Martin, Group Head of Management Company Services, Crestbridge.

This conversely makes Super ManCos more attractive due to the ability to umbrella two or more authorisations (AIF and UCITS for example) under one entity which allows for certain, more generalised services such as oversight and administration can be mutualised.

Luxembourg based Super ManCos have experienced huge inflows of business since the Brexit vote. According to a 2020 PwC report, since December 2018 there have been increases of 243 employees and 17% in AUM which is the equivalent to 592bn EUR.

Spotlight on Luxembourg
After the US, Luxembourg is the world's biggest funds center with over $320bn AUM investment funds. Funds based in Luxembourg can be marketed and sold in more than 70 countries around the world.

The need to hire substance requirement meeting experts to facilitate ManCo activities has facilitated a supply vs demand problem in many of the promising fund domicile options as service providers compete for a shrinking talent pool. Luxembourg benefits from having a well-established and experienced workforce that also shares cultural and linguistic affinities with France, Belgium, and Germany.

All the data supports a sector wide adoption of Luxembourg-based SuperManco's with over 39% of the top 50 EU ManCos AUMs' being housed in Luxembourg, which brings the total AuM of Luxembourg ManCos to 3991bn, which is a 592bn increase since December 2018 (The PwC 'Observatory for Management Companies' 2019).

Luxembourg may be compelling for US private equity managers in particular because of their special limited partnership (SCSp) structure, which does not have a legal personality, similar to limited partnerships in English law. Ireland does not yet have a similar structure in place, though there are ongoing discussions there to allow for the creation of a similar structure.

It looks increasingly unlikely that politicians in Westminster will convince Brussels to back a compelling equivalent to the UCITS regime before the end of the year. If you are one of the UK asset managers unsure about how to navigate the Brexit problem, we hope this article provides some compelling solutions and encourages you to get in touch with us.

Q&A

TMF GROUP

Anja Grenner, Market Business Development Lead Fund Services, TMF Luxembourg.
Marco Cipolla, Founding Partner and Managing Director, Selectra Management Company

TMF Luxembourg's Anja Grenner and Selectra's Marco Cipolla discuss one stop shop providers, the benefits of domiciling in Luxembourg and remaining ahead of the curve.

How did TMF Group decide on the acquisition of Selectra? What did the business have to offer TMF? And what does the combination of the businesses mean for Selectra?

Anja: It is easier for clients to talk to one party only. Most of our clients come from outside Luxembourg and for them, it is easier to consider a "one-stop-shop" solution. We can obviously provide multiple functions, but respond to the client with one voice.

There are a number of "one-stop-shop" providers in Luxembourg; and we know that if you do not have an AFIM offering, it also makes it more difficult to service your clients. So, that is what triggered the search for a partner - and Selectra was able to offer a well-established and a well-managed company that has all the required licenses. Selectra is authorized to manage real estate, private equity, private debt, fund of funds and also infrastructure funds. Selectra has the experience but it also provides existing fund structures – in short, it is the perfect partner for us.

Marco: After seven years of successful organic growth in Europe, Selectra was looking for a partner for its non-organic growth, and TMF Group has been the perfect match. Solidity, international reach (TMF Group covers more than 85 jurisdictions) and integration of services (one-stop-shop solutions) are the key elements for a success story going forward.

What does the business now offer overall? How does this compare to competitors?

Anja: The fully-fledged service offering alone is not what sets us apart – there are a number of administrators who do this. It's TMF Group's unrivalled international presence across 85 jurisdictions, with real operational presence where we service our clients - not just representative offices - that differentiates us. In these countries, we offer local administration services to local companies, but also to local SPVs set in the context of a Luxembourg fund mandate. So, if a Luxembourg fund invests globally, we can service the fund and all SPVs. TMF Group will have the ability to offer a seamless service in Luxembourg through the acquisition of Selectra, but also vertically to service the entire chain of entities including fund services and SPV services in Luxembourg and abroad. On top of that, there are many jurisdictions where we also provide fund administration services, like Jersey, Guernsey, China, India, Singapore and Australia.

Is it better for private equity managers to access their administrative services from one sole provider?

Anja: Fund managers often question what the benefit of one single service provider is; and whether they should be putting all their eggs in one basket. The answer is that when the fund is up and running, servicing it can become fairly complex. If you use multiple service providers, it is often the asset manager who will have to coordinate those. This can take a lot of time; and I really do not think it is the job of the asset manager to handle this coordination. If I look at our US clients, for example, they have the additional challenge of being in a different time zone from Luxembourg, so they tend to go for a "one-stop-shop" solution.

Concerns can be raised around independence, if all services are provided by one party. This is an important question, but in our case the AIFM on the one side, and the depositary and central administrator, on the other, are two legally separate entities. While they may be under one roof, there are regulatory barriers between the two entities. It is a tried and trusted model that is accepted throughout Luxembourg.

I think that fund-related services from one provider is the best solution.

Marco: PE managers have the complex task of managing their portfolio and investors, their most valuable assets in the fund project.

To do so, a single integrated partner and single point of contact, which can help them in reaching these goals, is fundamental. Benefits for PE managers are in operations, data management, automation (with new digital solutions) and proximity (with local presence close to their business).

Luxembourg has built a strong reputation as a fund service centre. What is keeping this going and what is attractive about the region for alternatives managers?

Marco: Attractiveness of Luxembourg will continue over time, and I'm convinced Luxembourg will increase its market share in alternatives, because of the unique ecosystem and high-quality services. Political stability and the AAA rating, multicultural environment ability to serve clients in every language, good quality of service providers with a complete tool box, and continuous support from the government to the financial industry makes Luxembourg continuously attractive for existing and new managers. Huge investments on digitalisation and services integration will help Luxembourg remain the jurisdiction of choice for each fund.

Anja: As Luxembourg is such a small country, the large majority of our clients come from abroad, which forces us to listen to their requests. Also, there is a large range of structures that can be used for setting up funds in Luxembourg. Wherever our clients are based, they tend to find a structure that resembles the one that they know from their home country. Since we introduced the Special Limited Partnership and revamped the law relating to the this, managers from the US and the UK can use structures they know.

Being such a small country on the map, Luxembourg has always been quick in responding to the demands of its clients.

Luxembourg has reinvented itself so many times over the years, it has always been forward-looking and can locate future growth early.

How is the funds industry in Luxembourg evolving and how is it ahead of the curve?

Marco: Luxembourg is getting ready for the future. Technology is the first driver, with digitalisation and process optimisation.

Sustainability is the second driver, with not only new products dedicated to sustainability, but a full integration of ESG principles in the industry.

Luxembourg has decided to position itself at the forefront for both drivers.

PODCAST
IN CONVERSATION WITH JIM STRANG AND MOUNIR GUEN

Hamilton Lane's Jim Strang and MVision's Mounir Guen sat down with *Real Deals* for a wide-ranging podcast covering everything from how private equity has fared through Covid-19 disruption and LP risk appetite to operational diligence and the what the future holds for single country mid-market funds

By *Nicholas Neveling*

Covid-19 has caused profound disruption across capital markets in 2020, but despite the upheaval private equity has navigated the crisis well. Portfolios have been triaged, liquidity positions strengthened and the transition to homeworking facilitated.

But what comes next for private equity in a post-pandemic world? *Real Deals* spoke to private equity mega brain Jim Strang, a managing director at global private markets investor Hamilton Lane and the chair of Hamilton Lane EMEA, and MVision founder Mounir Guen, in an in-depth, hour-long conversation on how the asset class has transformed and what the future holds.

Here are some of the highlights:

Investor risk appetite and return expectations

Strang said the goal of any GP was to "keep the lights on until the optimum time to exit the business", and that given private equity's control of liquidity decisions, the asset class had an asymmetric risk/return profile. The private equity value proposition was still evolving and the fact that the industry was continuing to grow showed that it was meeting investor risk/return requirements.

"The loss rates in private equity, especially from the larger more established brands, is actually quite a low one," Strang said. "The golfer Gary Player is a hero of mine and he would always say that in golf, it is not how good you are when you are good, but how good you are when you are bad. For private equity, even when it is bad it is pretty good, which is very helpful."

Strang added that although there had been some downward pressure on upside returns, there was "a mixed picture" with some GPs continuing to consistently deliver outperformance. The asset class's improved operational capability and ability to take advantage of multiple expansion had supported ongoing strong risk/returns.

Guen added that pre-Covid, the investor community was already preparing for the cycle to peak and that there was "a drive to safety". This saw LPs focus on "consistent returns, regular deployment and principal protection".

This had moved the needle in favour of bigger private equity franchises, as there was "comfort" that bigger managers could satisfy these criteria. LPs had also expanded their direct investment programmes alongside their primary activity to manage their return outcomes. Again, this played to the strengths of larger managers who had the capacity to offer more co-invest.

"The larger funds are able to give more co-invest, so when you package it all together, the market is heading in a direction that favours larger platforms," Guen said. "The mid-market funds can outperform the mega-funds, but there is volatility in their performance. The question is whether you want to take that volatility in these times or have that safety?"

ON THE PANEL:

Jim Strang
Hamilton Lane
Jim Strang is a managing director at global private markets investor Hamilton Lane and the chair of Hamilton Lane EMEA. In addition, Jim is a fellow at London Business School, a senior adviser to Bain & Company and the chair of the Hg Capital Trust.

Mounir Guen
MVision
Mounir Guen is the founder and chief executive of fund adviser MVision and has worked in the industry for more than 30 years, advising on more than 300 fund closes during that time.

Operational diligence: as important as returns?

Operational diligence of a manager has become increasingly important for investors, who are paying almost as much attention to the governance, processes, infrastructure and reporting of a manager, as much as the returns track record and investment proposition.

Strang said Hamilton Lane had wholly separate teams to assess operations and investment strategies. An investment team reviewed the investment case and was completely separate from the operational due diligence team. Both teams reported into the investment committee and both had to give an opportunity the green light for an investment to proceed.

"The stakes continue to rise and the bar that is set around standards of governance across multiple dimensions is very high. Most sophisticated investment teams will have some kind of operational due diligence track," Strang said.

Guen said: "Back in the early 2000s, if you said you did private equity, people gave you money. The flow of capital into the industry was faster than the governance was growing and then a light went off and investors started looking at how GPs ran their businesses. Operational due diligence is still in its early days but if I think about fundraising today, the operational due diligence is now dwarfing the commercial and legal due diligence at the moment."

Guen added that there still wasn't a consistency to how operational due diligence was conducted, but that the focus on operations was a positive for the industry overall, despite the additional workload it placed on GPs.

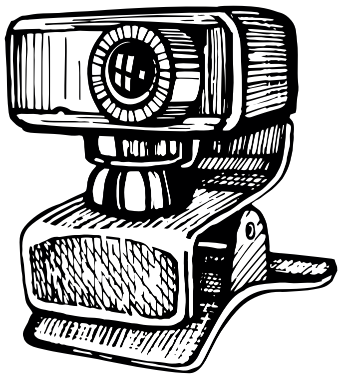
Strang said that benchmarking softer but crucial factors, like leadership, succession and deal attribution across a unique group of firms a was a particular area of interest.

"Data is prevalent and you turn to it because it is comforting, but it doesn't give you the whole picture because it is all about humans," Strang said. "You need to have a way to understand that, and relatively rank that to get a sense of what you are getting."

The next step was to go beyond basing people decisions on gut feel, and improve the depth of interactions between LPs and GPs to reveal insights about teams.

Guen said it was interesting to compare the current market with earlier periods in the market where there wasn't as much choice and a higher number of first time funds.

"The way that an LP made a commitment was to spend time with a manager. The average fundraise involved ten or 12 meetings... sometimes more," Guen said. "People spent a lot of time together and both GP and LP could get a feel for the other person." ●



Analysis

By Sam Birchall

The $2.5bn IPO of KKR's British ecommerce platform The Hut Group in September, followed by Allegro's debut on the Warsaw Stock Exchange, which saw the private equity-backed Polish online retailer rocket to a $17.7bn valuation, is breathing new life into Europe's lacklustre IPO market.

Prior to these deals, only eight other businesses floated on the UK exchanges so far in 2020 according to the latest PitchBook data, and activity on the European exchanges has been equally sluggish, with just 119 listings during this time.

Devastation caused by the pandemic and ongoing uncertainty around Brexit is partly to blame, but Peter Whelan, senior advisor at PwC, thinks the recent push online means the exchange market is ripe for a comeback, with technology companies leading the way. "It is an interesting landscape right now...We're seeing that the market is open, especially for businesses with an online offering and sponsors are going to want to take advantage of that."

Pawel Padusinski, partner of Mid Europa Partners told *Real Deals,* until recently "the IPO market has not been strong." However, Padusinski notes that many PE-backed businesses in the last half decade have undergone transformations and "emerged as higher quality businesses with strong prospects as listed companies."

Richard Sanders, partner of Permira, said Allegro was one such business that was "more suited to public markets...a consumer brand, a national champion with a strong growth story." Indeed, Allegro, the Polish ecommerce platform owned by Cinven, Permira and Mid Europa Partners, is Europe's biggest IPO so far this year, valuing the company at a $17.7bn valuation.

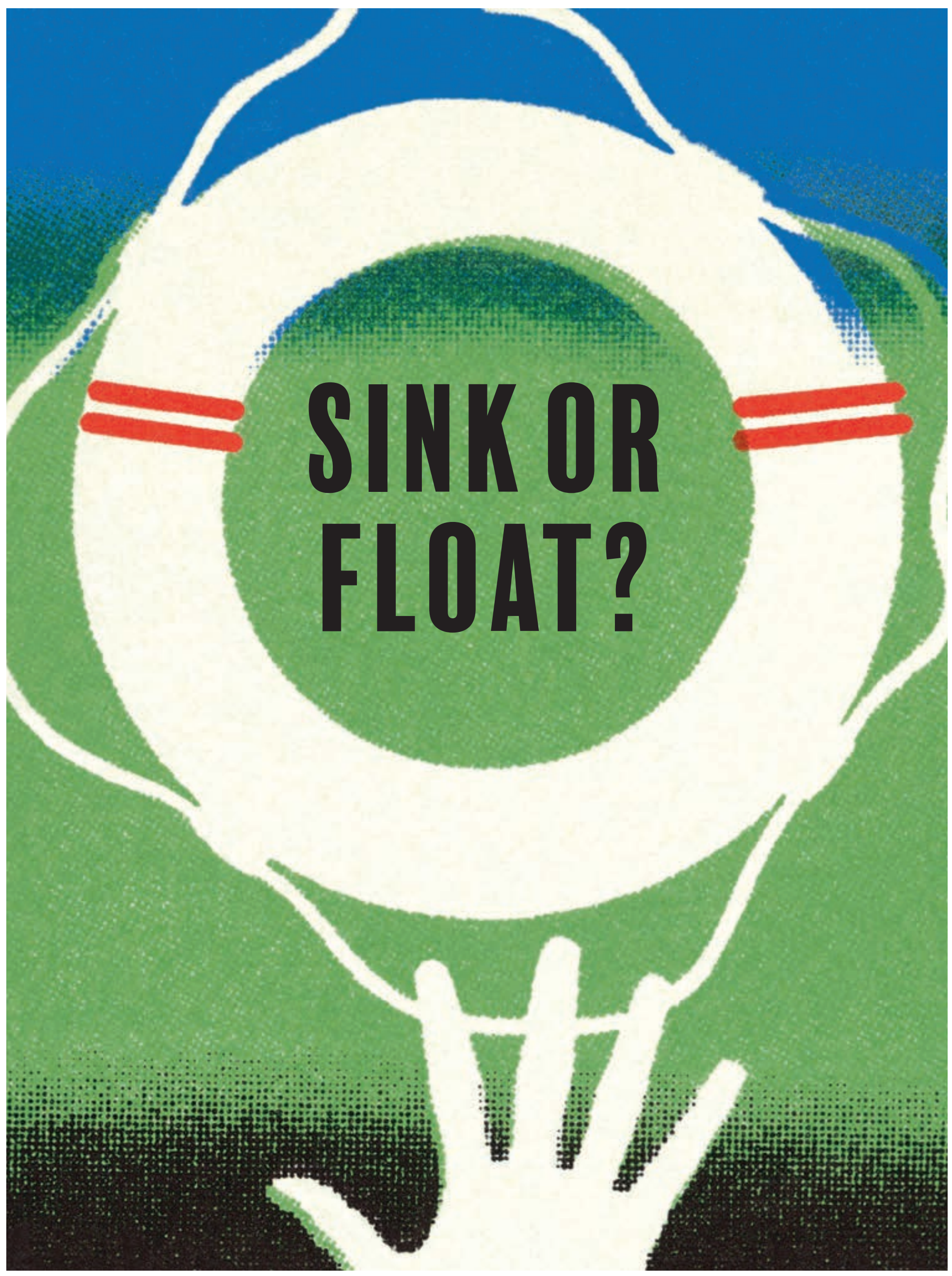
Allegro's IPO follows a number of other tech IPOs to have priced this year in Europe. KKR made a profit of more than 300 per cent by selling its minority stake in online retailer The Hut Group during its public offering on the London Stock Exchange.

"You can talk about IPO windows, but the reality is that high quality businesses can IPO regardless of market and economic conditions. And for a lot of those companies, their time has come to IPO," Richard Sanders, partner of Permira said.

Nonetheless, Whelan said deals like this are restoring confidence in the IPO market, encouraging sponsors to push forward their exit plans and take advantage of the hot market. "If sponsors are looking at an online digital business for an exit in 2022 or 2023, they may be well-served to bring that forward and go to market sooner rather than later."

Shifting sentiment

Sentiment around the IPO market is certainly improving. According to one market analyst, a trend prompting this shift is the success of the public funds in providing support to companies that are looking to survive post-Covid. For the last few years, such has been the dominance of



The recent uptick in GP-led IPOs is breathing life into the dormant UK and European exchanges. Still, GPs must proceed to float with caution when entering a hot market or else run the risk of sinking.

buyouts and the weight of PE's proverbial dry powder that dual track processes - openly pursuing an IPO, while simultaneously exploring the sale of portfolio companies through a private auction - have increasingly been seen as a feint; much to the frustration of the public market. According to Whelan, far fewer exits have gone down the IPO route following a dual track process.

Now, however, due to multiple factors with receptive public markets and perhaps also driven by a reduced level of fundraising by small to mid-cap PE houses through the lockdown, Whelan said the scales are starting to tip. "It could be that the strategy on the dual track will become more balanced toward IPOs."

If this trend continues, more GP-led IPOs could look to launch in the coming months.

Post-IPO

Despite the widely-reported stock market successes, there is still lingering skepticism around IPOs, much of which is rooted in reality. Historically, PE's track record on the exchanges have been dogged by disappointment. This was explored in a recent Bain & Co report: Reversing the Winner's Curse of the IPO, which analysed 90 global IPOs backed by buyouts between 2010 and 2014 and found that over 70 per cent of these underperformed. Luxury-car maker Aston Martin and retail chain Poundland are two examples of companies floated by PE firms that subsequently failed to deliver on shareholder returns. Bain's report goes on to say that the IPO is "more hype than substance," underlining the risk associated with weak post-IPO performance.

Post-IPO performance is critical for the company and for the investors, including the PE firms that retain partial ownership. It requires a detailed strategy that lays out where growth will come from and what systems are in place to track this progress. Whelan, however, believes risk management is now being given less attention. "You often have a situation where there is a lot of support during the IPO, but after that it can quite quickly fall away." Managers are then put under pressure and can face difficulties, especially in an environment of remote working, by the time the first set of results are revealed.

"There is a danger that in a situation like this, where the market is hot and sponsors have a business in the right sector, companies are rushed into an IPO," Whelan said.

The rise of SPACs

Another trend to be swiftly gaining momentum as an alternative approach to the traditional IPO, is the SPAC strategy. Special purpose acquisition vehicles, or SPACs, are blank-check companies that raise money through an IPO to buy other companies and are increasingly being seen as a more efficient way to enter the stock market. They allow PE investors to draw from public backers, which widens their investment base and can be faster than raising capital from LPs. This comes as pricing an IPO at a time when the stock market has been notoriously volatile can be hazardous.

"The SPAC IPO market has been resurgent in recent years and has continued to accelerate through the summer of 2020. SPACs have gained a foothold as a preferred vehicle for private companies to enter the public markets in these volatile times," Daniel Forman, a partner in Proskauer's Capital Markets Group, said.

Already, the strategy is permeating into all parts of the industry and, according to data by PitchBook, SPACs have accounted for 38 per cent of US IPO filings and have raised $6.5bn in 2020 so far. US sports betting company, DraftKings, was brought public via merger with a blank check company in April of this year, and SportsRada, a preeminent sports data company, is considering a similar move later this year. However, SPACs have not caught on in Europe yet, due to structural differences which make the strategy less favourable in the region.

Q&A

ROBERT BRIMEYER

Country Executive Luxembourg, Alter Domus

Alter Domus's Luxembourg head Robert Brimeyer discusses navigating lockdown, the evolution of the relationship between fund administrators and private equity clients and why the KYC process would benefit from standardisation.

By *Nicholas Neveling*

How did Luxembourg's financial services industry come through the lockdown period?

Overall, I would say Luxembourg has come through lockdown well. All regulated entities were required to have sound business continuity plans in place before the Covid-19 pandemic, and although nobody could have anticipated what would happen this year, those processes have proven resilient.

The fund administration industry has also been fortunate to have made strong advancements in digitalisation. At Alter Domus, we normally have 1,000 people in our Luxembourg office, but during lockdown we had less than 10 people coming in to answer phones, open and dispatch mail and send faxes. It was a huge transition, but it went very smoothly because the digital infrastructure was already there.

One ongoing concern has been the large proportion of our workforce that live in Belgium, France and Germany —if they work from home beyond a certain threshold, their personal tax positions are impacted. Governments have been pragmatic and initially made allowances for this until the end of June and those allowances were then extended to the end of the year. We're hopeful that those allowances will continue into next year as we continue operating under this new normal.

What about your clients across the alternatives space? How have they reacted and what impact has there been on new fundraising and fund formation activity?

It is important to point out that in the alternatives space, the fund cycle is a long one. It can take up to a year from the moment we win a new fund client to when the fund is actually launched, investors are onboarded, and capital calls can commence.

Although some fund launches may have been postponed, we continue to be on track to meet our annual sales target, and I sense that our peer group have had a similar experience. Launches may take a little longer, but overall the market has proven resilient. Many of our clients have been very quick to improve their liquidity positions early on in the crisis and none have faced any significant issues. However, medium and long term impacts will exist and will probably vary significantly depending on each fund's investment strategy.

Alternative assets have undergone a significant period of growth and transformation during the last decade. How has the relationship between the fund administrator and client evolved?

Fifteen years ago, alternative assets were a young asset class in Luxembourg. There were only a few specialised service providers and most of them provided a very basic service. Another observation is that fund terms, as well as reporting requirements, were all quite bespoke at that time.

Today, fund administrators are more sophisticated and have built up specialised teams, systems and processes. There has also been a push for more standardisation of terms and reporting templates which has allowed for more automation to happen.

While in the past, fund administrators merely tried to fulfil client requests and instructions, specialised players are now actively supporting their clients to become more efficient and accepting more standardisation and automation. Administrators today are delivering real added value and are able to support managers in handling the complexity of regulatory compliance.

In the current market, what would you say a private equity firm looks for when deciding which fund jurisdiction to choose?

Investor preferences are the number one criteria. Investors will only back funds that are in credible jurisdictions where it is easy to do business. Luxembourg has a long track record as a fund structuring jurisdiction and has built a cluster of specialised service providers, a stable regulatory and tax environment and an attractive suite of vehicles for structuring funds. This is all it takes to be competitive in the eyes of fund managers and investors alike.

How has the focus on ESG changed the way firms report and think about their businesses?

ESG has moved away from nice marketing to something that firms and investors take very seriously. It has gone beyond a statement on a website to something that actually makes a difference in how companies operate. The work we do for clients on ESG is much greater than it was as recently as two years ago. With sound ESG reporting now in place with many fund managers, the focus has shifted to embedding ESG into investment decision making. Managers want to invest in robust target companies that deliver a meaningful contribution in terms of ESG and thereby generate sustainable added value to their investors.

A recurring theme for all stakeholders in the fund industry is KYC and AML requirements. Where do those regulations stand and is there anything that can be done to improve the process?

Complying with AML/KYC rules both on the investor and investment side is no longer a differentiator; it's a "must have" or "must comply" topic where focus should now be on boosting efficiencies for all stakeholders. Many players have implemented investor portals and other ways to automate the KYC processes, but a lack of standardisation and efficiency across the market is penalising all stakeholders. Presently, every stakeholder has slightly different processes and standards, and investors have to provide slightly different identification packs to different funds. The industry should strive for more standardisation and efficiency around this process.

COMMENT

PE structure & trade credit rating agencies: solving the issues

James Piper, Managing Director of Lightbulb Credit explains why understanding and leveraging the complex world of trade credit ratings can be the key to unlocking growth for PE-backed businesses, even during a time of immense economic pressure and volatility.

Business credit ratings play an active part in many financial aspects of a business, but despite this many companies still don't understand the direct impact they can have on day-to-day operations, and more importantly business continuity and growth. Understanding these credit ratings is complex, but even more so in the PE environment.

PE is often misunderstood, especially by the trade credit rating agencies. Their complex often debt-laden structures with negative net worth and loss-making characteristics don't align well with the scoring criteria set by the rating agencies. Add to that complex ownership arrangements and working to EBITDA rather than statutory accounting rules, and it's easy to see why this is the case.

The idea for business credit repair came after spending many years working in a Plc and PE-backed turnarounds, which often involved working closely with all of the UK credit rating agencies. It quickly became clear that due to a number of issues within this long-established process, companies were not always getting ratings that reflected their current operating status.

The UK trade credit market

There are five main credit rating agencies in the UK and all LLPs and Limited companies are rated using their respective algorithms. The scoring methodology for each agency is different, but all utilise data from Companies House, alongside payment data collected to evaluate how suppliers are paid against agreed credit terms.

Business credit ratings directly impact on working capital, tendering and funding, but many businesses don't monitor their ratings or really understand how they can be improved. With more credit checks being done than ever before, and each credit rating agency having a different approach, it's vital to get specialist help in this area.

PE investors need to be the first to know of any changes to the credit profile of their businesses, arming them with the data they need to make key decisions and maximise financial capabilities.

Leveraging business credit ratings

Working directly with five credit rating agencies in the UK, Lightbulb Credit helps businesses to identify their specific issues and take direct action and is the only service of its kind in the UK. By collating and sharing company YTD MI with the agencies, ratings and limits can be re-evaluated, often in just a few days. All without revealing more data into the public domain, which has proven to be a useful tool for the PE investors who have worked with Lightbulb Credit so far.

Business credit repair is helping to turn the tide for PE backed businesses, simply because investors and management teams like the way it deals directly with some of their biggest issues. These include:

- Providing funding growth through working capital rather than the investor injecting funds
- Breaking down the specific EBITDA vs. stat accounting issues and explaining how non-cash items can affect accounting results
- Having a positive impact on tendering for new work
- Enabling trade credit insurance

The benefits also extend to management teams on the ground as it's quick to deploy and delivers instant results, immediately solving a problem that could have had severe negative implications if ignored.

Covid-19 effect on business

With the impact of Covid-19 creating even more challenges within the credit backdrop, companies in the UK are facing turbulent times. The Office for National Statistics (ONS) said gross domestic product (GDP) fell in the second quarter by 20.4% compared with the previous three months. This is the biggest quarterly decline since comparable records began in 1955, with the UK appearing to be the worst hit of all the G7 nations.

In contrast to the 2008 financial crisis, Covid-19 has seen bank lending to the corporate sector accelerate rapidly, with many businesses seeking loans to help cover their costs as revenues stalled. As business costs start to rise, companies are likely to be even more constrained in taking on additional debt. Credit repair offers a credible alternative to boost PE backed businesses in this difficult and changing climate.

Benefits of credit repair

The good news for CEOs is that the credit repair service is protected by a watertight NDA that avoids any data leakage into the market. All information submitted as part of the credit repair process remains completely confidential and does not form part of general accounting records.

In the current economic climate, PE investors need to be the first to know of any changes to the credit profile of their businesses, arming them with the data they need to make key decisions and maximise their financial capabilities.

Ongoing monitoring of credit can also put businesses in a better position to proactively manage, understand and improve relationships with their key suppliers and clients.

An improved credit rating can achieve positive and significant results in a short amount of time, which is now more important than ever.

For PE backed businesses, keeping control of credit ratings could be the key to giving their company the stability and strength needed to prosper post Covid-19.

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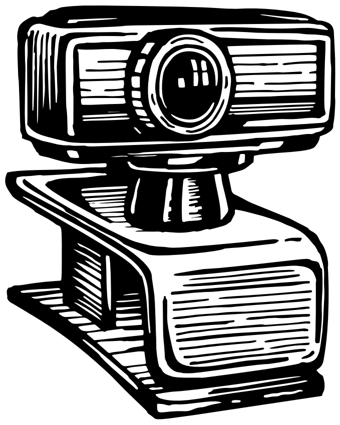
WEBINAR
STAYING AHEAD OF THE CURVE

Tech has become an increasingly critical factor in PE transactions. In a recent *Real Deals* webinar, industry stakeholders discussed managing new risks while integrating tech innovation into portfolio strategies.



By *Simon Thompson*

ON THE PANEL:

Karine Gourley
managing consultant at Intuitus

Giancarlo Beraudo
partner at Ambienta

Ian Oxley
partner at Silverfleet Capital

Host: Alice Murray
editor of The Drawdown

While tech is increasing opportunities and targets in the market, it is also bringing a number of risks less familiar to the PE industry. In a recent *Real Deals* webinar, industry experts discussed how best to assess tech risks and integrate opportunities into the portfolio. Here are some key points from the discussion.

Tech emergence

With IT becoming a backbone of many organisations, the PE industry is seeing tech become a larger force in the market. Technology assessments are increasingly creeping into the viability checks of more PE transactions. Karine Gourley, managing consultant at Intuitus said tech due diligence is becoming front and centre in sizing up any deal. "It is about understanding what the vulnerabilities and the opportunities are within each organisation. In each sector you can see where technology is providing companies with unique advantages."

Technology is central to a lot of the deals that Silverfleet Capital do. Partner, Ian Oxley, said that pertains both to the technology the company may be built on, as well as the technology integrated into its operations. "The pace of change in technology is accelerating, the virus has brought a lot of it to the fore."

Tech and ESG compatibility

Ambienta is a sustainability focused investor. The way the firm looks at markets and investments is always through the environmental impact of its product and services. Giancarlo Beraudo, partner at Ambienta said that that has naturally brought the firm to tech companies. "It is all linked, the moment you deliver efficiency to your customer and reduce production costs, you also deliver an environmental benefit. That might be in consuming less energy or making less waste. If you're delivering a cost saving, you're also likely to be delivering an ESG impact." Beraudo noted the mega trend of digitisation as a key example. "When you transform a business process from physical meetings and paper being signed, to fully digital and remote, you have convenience, cost reduction and also an environmental benefit; no travel, no waste of fuel, no paper, you save trees."

Oxley suggested that the virus has only emboldened investor's interest in tech opportunities linked to climate change. "People are noticing that the air is clean and realising if you harm your environment, it can come back and harm you. People want to see change in the post-virus world. Companies need to have basic strategies for their carbon footprint." He claimed that tech companies that are good for both the environment and the economy are going to be the "sweet spot" for the next generation of investors.

Origination

The virus has challenged many firms' traditional deal sourcing approaches.

Beraudo said that it has required some rethinking especially when it comes to tech and SaaS deals. "If you think of generating deals and prospects in a B2B context, it is through trade fairs. This year all of them have been cancelled. The way you originate business has had to become more digital. This means more of a presence on the web, you need to engage with customers, in a digital and remote way."

As highlighted by Oxley, Silverfleet's sourcing approach to tech deals starts early on. Before identifying targets or tapping into industry networks, Oxley revealed that the firm's process starts in mapping and analysing tech sectors and different markets' demands. "It goes right back to where we start, we are looking at different technologies and sectors and then seeing where there are opportunities."

Dedicated tech panels

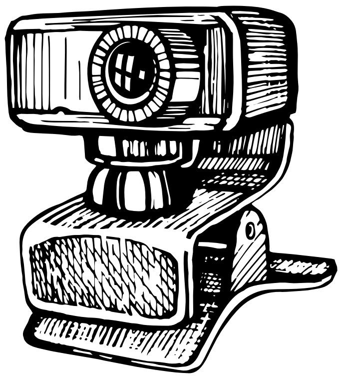
With the increasing nichification of tech, many firms are bolstering their expertise and strategies with insights and advice from different tech experts. Oxley said Silverfleet's inhouse tech panel is made up of top tech expert advisors in each of the sectors the firm covers. "They give us insight into the upcoming trends that we need to be aware of. We try to have at least one person who can answer each technology question pertaining to different companies. For other needs, we have a network panel approach, a black book which is available for all of our deal teams and portfolio companies."

Though Gourley claimed that with increasingly niche tech investment firms will still need experts from outside their companies. "We [at Intuitus] have an extensive consultant network that we utilise and draw on for very specialist expertise. While it may make sense for [PE firms] to have that capability in house, I think there will always be the need to augment that. For specialist deals, I can see an ongoing need for independent advisors."

Tech on exit

With new emerging markets and technologies, so too comes new risks. Beraudo asserted that technology investments have risk factors on exit that are less familiar to PE investors. "If you think about how you were doing exit preparation years ago, it was a lot around financials, VDD, tax, legal and insurance. Now tech DD is becoming as important."

Gourley explained that this reality can lead firms to do 'ongoing DD'. "We have had an ongoing relationship with a firm, where we have gone in 18 months after the initial process to check up on the DD recommendations we made and how they have progressed." She asserted that in tech, it makes sense to engage in DD in preparation for a sale. "It is a little bit like selling your house, you are better off understanding where the problems are before the surveyor turns up." ●



Q&A

RENAUD OURY

Group Chief Revenue and Data Officer, Apex Group

Apex's Renaud Oury discusses the trends, challenges and opportunities facing the private equity industry in the Grand Duchy.

By *Talya Misiri*

What market trends are you currently seeing in Luxembourg?

During the last decade, Luxembourg has emerged as one of the most important hubs for private equity fund domiciliation, capital raising and transaction activity. We are seeing many managers who have previously launched funds in offshore jurisdictions but are now looking to come onshore, often at the behest of their investors. This is not a trend limited to the private equity space, although the structures available and range of service providers in Luxembourg mean that the jurisdiction is particularly attractive to managers.

The Covid-19 crisis has certainly slowed down the sustained pace of investments in the private equity sector, which has been growing steadily for more than 10 years, particularly in Luxembourg. Since the 2008 crisis, markets have been very volatile and interest rates are very low, this makes debt cheaper and pushes yield down. Private equity players have done well in this context, by the very nature of their industry.

What impact do you anticipate Brexit will have on Luxembourg's funds industry?

Luxembourg is among the biggest winners from Brexit as businesses shift operations out of UK. Many private equity funds need to guarantee that they have access to the European market to be able to raise capital, which Luxembourg facilitates. To support business flowing from the UK, Luxembourg has created a transitional regime to allow UK investment firms to continue to provide cross-border services into Luxembourg in the event a "no-deal" Brexit. However, it is worth noting that this regime is only available to those firms with existing mandates, which have contracts in place before Brexit and as such UK firms will not be able to rely on the transitional regime to enter into new agreements after Brexit.

How can funds position themselves to take advantage of upcoming market trends and regulatory requirements?

It is interesting to note that fundraising fell only 4% over the first six months of the year compared to 2019. As private equity has raised a lot of new money in recent years, many distressed businesses may be supported with this capital, if their business models are sufficiently resilient. It is therefore possible that private equity will achieve its best performance since the years following the financial crisis of 2007-2008.

The biggest area of diversification will probably be into private debt combined with an increased interest in distressed transactions over the next 12-24 months.

It's a good time for those managers, including large direct lending firms with distressed situation capabilities to capitalise on the current conditions.

How has Covid-19 impacted the services that funds in Luxembourg require?

The Coronavirus pandemic brought many challenges to the private equity industry and at Apex we have worked hard to support our clients through this pandemic and market fluctuations. Crucially, we responded to client demand and created Apex Connect, a 24/7 secure portal with online dealing functionality to improve efficiencies and remote accessibility of fund data.

In addition, to improve the ability of fund managers to work remotely, Apex launched a pioneering Digital Bank and Onboarding platform for asset managers via a Luxembourg-based subsidiary, European Depositary Bank. This digital banking solution removes the need for managers to provide physical document copies or the need to send information via mail.

Finally, not only in Luxembourg, but across the private equity landscape, there has been a renewed focus on ESG investment, driven indirectly by the pandemic.

Quality ESG data capture, analysis and reporting is critical for ensuring risk mitigation and sustainable returns for investors. We listened to the investor concerns that our private equity clients are receiving about ESG investing and developed an ESG Ratings and Advisory service for private markets.

What should funds look for when choosing their service provider in Luxembourg?

As the number of private equity funds domiciled in Luxembourg grows, so too does the demand for outsourcing of fund administration, particularly as compliance costs and regulatory pressures grow. When establishing and launching a fund in the market, arguably one of the most important decisions you will make is that of which service providers will support you through the process and beyond.

Managers are now increasingly seeing the major advantages to having one provider – primarily the cost and administrative efficiencies achieved, seamless integration and a single point of contact for ongoing management of the relationship. Speed to market is also a clear benefit of using a single-source solution as it can greatly reduce time spent navigating through different KYC processes with multiple providers, which can be a source of great frustration for managers.

Whilst a fund's initial priority will be appointing a service provider with local expertise and boots on the ground, we encourage managers to take a longer-term view, and assess whether the service provider is well-resourced and positioned to support your business' needs in the future, and in other jurisdictions you may look to enter.

THE DEALS THAT MADE 2019

Once again, European private equity managers delivered admirable returns for their investors in 2019. Over the next six pages we profile the very best deals from each European region. These are the transactions that exemplify the expertise and innovation that private equity brings to the art of growing businesses. These are the shortlisted deals that we will recognise at the 19th *Real Deals* Private Equity Awards.

Central and Eastern Europe Deal of the Year

ARX Equity Partners
Anwis

ARX Equity Partners generated a 3.3x return and an IRR of over 30 per cent on its exit of window cover manufacturing company Anwis. The Polish-based company was acquired by Novaco Invest, a subsidiary of the Warema group. Under ARX's five years of ownership, the company consistently increased sales and more than doubled its workforce headcount. The company achieved a turnover of €32.6m in 2018. The strategy positioned the company to benefit from the fast growth of the e-commerce channel in key export markets in Germany and the Netherlands.

Enterprise Investors
3S

Enterprise Investors exited 3S to regional telecom operator P4 in a deal that valued the company's enterprise value at €96m. Enterprise Investors first acquired a 75 per cent stake in the business for €21m in 2015 via its Polish Enterprise Fund VIII. 3S operates a 3800km-long fibre optic network and offers tailor-made telecommunication solutions that include internally developed cloud services to B2B clients in Poland.

3S now employs over 250 people and generated €20m in revenues in 2018.

Innova Capital
Neomedic

Innova Capital exited Neomedic in a €70.5m deal, six years after it acquired the hospital operator for PLN150m (€35m). The company operates four hospitals across Poland and a number of outpatient and primary care medical centres. In 2018 it reported revenues of around €28m and saw 7,600 babies born in its hospitals. The firm achieved success by focusing on the range and quality of specialist services offered.

Jet Investment
Benet Automotive

Jet Investment exited components manufacturer Benet Automotive to trade buyer Teijin to push its expansion strategy in Europe. During Jet's ownership, the company succeeded in accelerating synergistic effect with its other portfolio company Fiberpreg. The company was transformed in terms of its organisation to satisfy the robust demand in the market for Benet's products. The company has approximately 720 employees and made sales in 2018 of €35.2m.

LitCapital
Baltik Vairas

LitCapital sold bike manufacturer Baltik Vairas to sporting goods investment company KJK Sports, achieving one of its largest exits from LitCapital I KŪB fund. Since 2013, the company's Ebitda quadrupled and it achieved revenues of €58.5m last year. The firm has focused on expanding the company's activities in the development, manufacturing and sales of electric bicycles in Lithuania.

Baltik Vairas is one of the largest companies in Europe for the development, manufacturing and sales of e-bikes and bicycles.

Mid Europa Partners
Bambi

Mid Europa sold Serbian confectionery producer Bambi for €260m, making a 4x money return. The exit value represented nearly a third of the €880m fund it deployed to invest in the company. Bambi was part of the Danube Foods Group including dairy group Imlek and mineral water producer Knjaz Miloš and was acquired by Mid Europa in 2015. Since then, the firm has strengthened the company's brand recognition and customer base through disposing its chocolate division and investing more in its core biscuit brands. Karlovarské minerální vody, a.s. and PepsiCo agreed to acquire the company in June 2019.

TFI Capital Partners
Piotr i Pawel

TFI Capital Partners sold its stake in Polish supermarket chain Piotr i Pawel to South African listed food retailer Spar Group that owns stores in the UK, Ireland and Switzerland. The co-founders of the company are brothers Piotr and Paweł Woś, who created a supermarket chain as part of a Polish family company from a small local store in Poznań.

France and Benelux Deal of the Year

Apax France
INSEEC U

Apax France sold education service provider INSEEC U to Cinven for about €800m, representing a 14x return on its investment. Since Apax France's investment, INSEEC U has grown from a collection of reputable schools into a structured and coherent education platform, offering multi-disciplinary academic programmes and increased employability to over 25,000 students in France and abroad. Over the five years of ownership, Apax has worked with the company management to broaden the course base and expand the range of programmes offered and to create centres of excellence around French specialities including luxury goods.

Apax France
Altran

Apax France exited consultant Altran to Capgemini for €3.6bn. Under Apax France's ownership, the company focused on increasing Altran's share of the outsourced R&D market and rationalising its portfolio of activities and geographies. In March 2018, Apax Partners and Altamir assisted Altran in the $2bn acquisition of US-based Aricent. Altran now has over 47,000 employees in over 30 countries. In 2018, it reported a revenue of almost €3bn, nearly double the revenue it generated when it was acquired.

AURELIUS Equity Opportunities
Solidus Solutions

AURELIUS generated a 16x return on its exit of Solidus Solutions to Centerbridge Partners for an enterprise value of €330m. At the time, AURELIUS said the exit was the largest and most successful exit for the firm to date and reflects the significant effort exerted on the business over the last four years. AURELIUS supported the company's growth through a strategic acquisition programme and extended the company's geographical footprint and operational efficiency. It also implemented a €60m investment program, which included upgrades to existing machinery and processes, product innovation and a company review of operational and commercial activities.

Bridgepoint
eFront

The sale of investment management software provider eFront to BlackRock generated a 4.8x return for Bridgepoint. Bridgepoint acquired the French-based company in a €300m transaction in 2015 and aimed to provide the company with access to new clients and to enhance its value proposition. eFront's software has more than 700 clients and is used to manage the alternative investment lifecycle, from due diligence and portfolio planning through to performance and risk analysis.

CVC Capital Partners
Parex

CVC sold the industrial mortars business of French construction company Materis - Parex Group - in a $2.55bn deal. CVC Fund V was deployed for the business and the Parex team has delivered a very strong performance, increasing sales from €750m in 2013 to over €1bn. Over a five-year period, Parex entered three new countries, opened 16 new plants, added 11 bolt-on acquisitions and built a new global R&D centre.

Investcorp
SecureLink

Investcorp sold cybersecurity infrastructure and managed services provider SecureLink Group for an enterprise value of €515m, nearly four years on from acquiring the company. SecureLink was sold to global telecoms group Orange, and experienced strong organic growth, adding leading providers in Scandinavia, the UK and Germany to its platform and expanding in China during Investcorp's ownership.

Main Capital
Axxerion

Main Capital sold its stake in Axxerion for €75m in a trade sale to tech and consulting group Nemetschek Group, nearly two years on from the closing of its €85m Fund IV that was deployed to invest in the company. During Main's ownership, the business broadened its product-suite towards the real estate segment through the acquisition of Plandatis in 2018. Axxerion delivers its SaaS-based property and real estate management software to about 2,000 global customers across many industry sectors.

PAI Partners
B&B Hotels

PAI Partners exited French-based budget hotel chain B&B Hotels in a deal valued at nearly €2bn to the merchant banking division of Goldman Sachs. The group almost doubled its Ebitda since PAI's acquisition, which the company attributes to an aggressive growth strategy averaging one new or refurbished opening per week. The Financial Times values the company at up to €1.9bn.

Germany, Austria and Switzerland Deal of the Year

AnaCap Financial Partners
heidelpay

AnaCap Financial Partners sold its holding of heidelpay GmbH to KKR in a deal that valued the company at c.€700m to €800m and represented an IRR of 80%. AnaCap exited the business two years after its initial investment. In this time, it supported the business both through organic growth and strategic M&A, totalling seven acquisitions. Founded in 2003, heidelpay enables its clients to accept online and mobile payments and is used by over 30,000 merchants. It currently has an above market CAGR of more than 100 per cent since AnaCap's acquisition.

The Carlyle Group
Vereinigte Wirtschaftsdienste (vwd)

The Carlyle Group exited Vereinigte Wirtschaftsdienste (vwd), a European provider of software solutions for investment professionals, to Infront ASA for €130m, almost double its initial investment. Carlyle originally invested in vwd in a €72m take-private deal in 2012 through its Carlyle Europe Technology Partners II (CETP II), a pan-European small & mid-market buyout fund. Headquartered in Frankfurt, Germany, vwd is a provider of software for the investment industry. It assists wealth management and investment professionals with making smarter, more efficient and regulatory-compliant investment decisions.

Deutsche Beteiligungs
Infiana

Deutsche Beteiligungs more than doubled its capital investment through the sale of films manufacturer Infiana. Following the closure of its €700m DBAG Fund VI in 2012, DBAG acquired the company, then named Huhtamaki Films, in 2014 for €141m. The company develops polyolefin films for a range of growth industries and generated a revenue of €227m last year. Infiana serves an international customer base from two manufacturing locations in Forchheim, Germany, and Malvern, USA. Infiana has been sold to Pamplona to continue its next phase of growth.

EQT
Charleston

After founding German care home operator Charleston in 2014, EQT has sold the business to Italian healthcare group KOS. The business was founded by the private equity firm with the vision to pursue a buy-and-build strategy in the German care home sector. In the last five years, EQT and Charleston's management team have executed nine add-on acquisitions, opened several greenfield projects and has grown revenues by 16 times, as well as building a growth platform with a focus on quality care. Headquartered in Füssen, Germany, Charleston operates 47 care homes with 4,050 beds, four day care centers and seven ambulatory care locations. It generates revenues of over €160m and has around 3,400 employees. As

part of the exit, EQT has also sold Charleston's real estate portfolio to Primovie, a European healthcare and educational focused real estate fund managed by Primonial REIM.

Kennet Partners
HYPE Innovation

Kennet Partners sold software specialist HYPE Innovation in a secondary buyout deal to Main Capital after holding the business for five years. Kennet's support led to recurring revenues with a CAGR of c.27 per cent between 2015 and 2018. The firm initially engaged with HYPE's management team in 2014 and built upon its organisational development and market position during its holding. The company currently serves a diversified and global blue-chip customer base with over 220 customers across various industries. These include: Airbus, Nokia, Deutsche Post DHL Group, Fujitsu, Volkswagen and Toyota.

OpCapita
NKD

OpCapita made a 4x return on the sale of fashion chain NKD to TDR Capital. Since its initial investment in 2013, OpCapita was instrumental in recovering the once loss-making business to now out-perform the market. NKD swung from a €34m loss to €45m Ebitda in 2018. Over the past three years, its growth has outperformed the market, with an average 7.5% increase in sales per year. Headquartered in Bindlach, Germany, NKD is a leading discount clothing retailer. It operates a chain of c.1,800 small-format stores across Germany, Austria, Croatia, Italy and Slovenia. In addition to its capital investment, OpCapita supported operational aspects of NKD's business, assisting with buying and pricing decisions. The firm also re-built the company's supply chain, including reducing the number of suppliers while increasing their geographic spread, and closing underperforming branches.

TPG Capital
Transporeon

TPG generated a 2.5x return, c.35 per cent IRR on the sale of its majority stake in Transporeon Group. The global cloud-based business network for industrial logistics company was sold by TPG to UK rival Hg in a deal valuing the business at over $800m.

TPG initially backed Transporeon in 2016 and has supported management in expanding the company internationally, investing into research and development and extending its suite of platform-enabled visibility, data and data-related products. This was achieved through organic growth and the acquisition of market intelligence provider TIM Consult in 2018.

Meditarranean Deal of the Year

Aksia Group
Lameplast

Aksia Group sold Lameplast to Genstar Capital-backed packaging material maker Tekni-Plex for an EV of €88m and a realised IRR of over 60 per cent. The manufacturer of primary plastic containers for the pharma industry was acquired by Aksia in 2016 in a leveraged management buy-in. During its holding, the investor has supported the strengthening of the management, R&D capabilities and assisted with the re-design of its commercial strategy. In addition, Lameplast established a strategic partnership with a Florida-based injection moulding company for the local production and commercialisation of plastic packaging.

Ambienta
Safim

Ambienta received a 3.6x money return on the transatlantic sale of Italian hydraulic components specialist Safim to U.S. car parts maker DexKo Global. The deal generated an 80 per cent IRR. Backed by Ambienta in partnership with its founding Mamei family and the new management team, Safim expanded its market share, gained key global customers, acquired its German distributor and strengthened its expertise in electronics. The Milan-based private equity firm also applied its "ESG in action" program to integrate ESG management guidelines and practices into the company's daily operations. With the investor's support, Safim was able to double revenues and increase profitability in 24 months.

ArchiMed
Primo Group

Healthcare-focused private equity firm ArchiMed secured 3x return on its exit of Primo Group to Aksia in October. The secondary buyout generated a 36 per cent annualised return, equal to three times ArchiMed's initial investment. Archimed acquired the Italian dental services chain in 2015 through its inaugural MED I fund, which closed on €150m. In the holding period, the number of Primo's directly owned dental clinics rose from 15 to 50 and its workforce expanded to 200 from 80. Primo Group's profits also rose by 36 per cent in this time

Artá Capital
Gascan

In under two years, Artá Capital generated 2.7x return from its sale of Gascan. The Spanish firm sold the energy company to UBS Asset Management Funds for €118m in February, generating an IRR in excess of 65 per cent since it invested in 2017. Gascan is a key player in the piped LPG segment in Portugal, serving more than 65,000 domestic clients located throughout the country. It manages its own supply infrastructure, comprising over 2,000 tanks and nearly 750km of associated pipes, and supplies over 12,000 tonnes of LPG each year. During Artá's ownership, Gascan hired a new management team and acquired 12 piped-propane gas operators, gaining 8,000 new customers in the process. With Artá's support, Gascan also promoted the development of energy efficiency business Energyco.

Charme Capital Partners
ATOP

Charme Capital Partners sold its majority stake in ATOP to IMA Group. Through the exit of its majority stake, Charme generated a 4.5x return and an IRR in the range of 100 per cent. Charme first acquired ATOP via a special purpose vehicle in 2017 through its Charme III fund. Italy-based ATOP manufactures machines and automatic lines used in the production of electric motors that encompasses the E-Mobility, automotive, household appliances, and power tool sectors. During Charme's ownership, the business doubled in size, achieving a 28 per cent Ebitda, increased revenue from €39m in 2017 to a forecasted €89m this year and also expanded into the E-Mobility sector. The sale has given the company an EV of c.€380m.

Eurazeo
Moncler

Paris-based Eurazeo exited Moncler in a €445m deal. After holding the Italian luxury clothing brand since 2011, the private equity firm made a cash-on-cash multiple of 4.8x and an IRR of 43 per cent. Eurazeo sold its remaining 4.8 per cent stake in Moncler via an accelerated bookbuilding to institutional investors. Since its initial investment, Eurazeo assisted with the business' continual growth and expanded its points of sale from 60 to 200. In 2013 Eurazeo was involved with Moncler's IPO and oversaw growth in luxury spending, expanding its international presence and the development of a wider retail network.

Palamon Capital Partners
Il Bisonte

Palamon Capital Partners banked a 3x return on its first exit from its third fund Palamon III. The sale of Italian luxury retailer Il Bisonte generated a 26 per cent gross IRR. Founded in 1970 in Florence, Il Bisonte is a large, independent producer of hand-crafted luxury leather handbags and accessories, with a footprint covered Europe, the US and Asia. During its holding, Palamon institutionalised the business' management, rationalised and modernised its product range, expanded into new markets through wholesale, online and selective retail expansion and developed its online retail channel by appointing a digital team and launching a redesigned website. Its points of sale increased from less than 200 to over 400, which led to a doubling in revenue from €20m at entry to more than €40m in 2019.

Trilantic Europe
Gamenet Group

Trilantic Europe sold Gamenet to Apollo for a 3.5x return in October. The deal, which saw Trilantic Capital Partners IV Europe sell its remaining stake in Italian sports betting and gaming business Gamenet Group to the US private equity firm, recorded a 15 per cent IRR following its nine-year hold. Trilantic Europe first acquired a controlling stake in Gamenet in November 2010 via a primary deal. During Trilantic's ownership Gamenet grew 10-fold from €14m at entry to €158m Ebitda and increased its number of employees from 80 to almost 800. Gamenet gained access to the capital markets with the issuance of four high yield bonds in the 2013 to 2018 period and listed on the Milan stock exchange in 2017.

Nordic Deal of the Year

Cinven
Visma

Cinven agreed to exit its stake in business management company Visma to Hg and the Canada Pension Plan Investment Board (CPPIB). The transaction represented Cinven's final realisation of Visma, following its partial realisation to an Hg-led consortium in June 2017.

Having followed Visma since 2008, Cinven ultimately invested in Visma in 2014.

Since 2014, Cinven worked closely with

Visma's management team and its co-shareholders to generate strong financial performance, with revenue growth of more than 25 per cent per annum and transformed the Group into a more "pure-play" cloud-based solutions provider, driving a premium exit valuation for Cinven.

EQT
AutoStore

EQT sold automated cubic warehouse systems provider AutoStore to THL Partners, retaining a ten per cent stake.

Headquartered in Nedre Vats, Norway, AutoStore's cubic warehouse solution has automated more than 350 warehouses in 28 countries globally. EQT initially became aware of AutoStore in 2011 through its previous portfolio company XXL's use of the cubic system. Following the business since then, EQT acquired AutoStore in January 2017. During its ownership, EQT worked with management to accelerate AutoStore's growth journey. Revenues quadrupled in two years, Ebitda increased by 4.5x and the workforce more than doubled.

IK Investment Partners
Ellab

IK Investment Partners sold a majority interest in global thermal applications solutions and services supplier Ellab to EQT, retaining a minority stake. Founded in 1949, Ellab is a global supplier of solutions for validating, measuring, recording and monitoring critical parameters of thermal applications. During IK's ownership, Ellab has successfully broadened its product portfolio, executed a M&A strategy and continued to strengthen its organisation. The company also more than doubled its number of employees over the past three years, creating over 100 new jobs whilst maintaining its strong profitability.

Litorina
Fresks Group

Litorina sold building supplies firm Fresks to trade buyer Kesko for €200m. Company sales have more than doubled from SEK 850m to SEK 2.1bn during Litorina's holding period, with the firm supporting a buy-and-build programme of eight bolt-on acquisitions.

Norvestor Equity
Nomor

Norwegian private equity firm Norvestor Equity sold Swedish pest control company Nomor Holding to US-based trade buyer ServiceMaster for $200m. During its ownership, Nomor made nine strategic acquisitions in Norway and Sweden and increased revenues from SEK 104 million in 2013 to approximately SEK 500 million. Nomor is today the fourth largest pest control company in Europe.

Sievi Capital
iLOQ

Sievi Capital sold Finnish self-powered digital locking systems provider iLOQ to Nordic Capital. Founded in 2003 in Oulu, Finland, iLOQ is a provider of self-powered digital and mobile locking systems that has transformed the way people have access to buildings. Its technology and software are developed and patented enabling electronic locking without batteries or cables.

Silverfleet Capital
Phase One

Silverfleet has agreed to exit digital imaging software company Phase One for a 4.6x return. Danish private equity house Axcel agreed a deal to acquire the business.

Silverfleet supported the company's transition from a hardware focus to a software-centric business focus. This helped drive a revenue compound annual growth rate of 38 per cent in its software imaging business unit between 2014 and 2018. The business is headquartered in Denmark, with operations in Germany, Hong Kong, Israel, Japan and the US. The company also acquired Mamiya Digital Imaging in 2015 and subsequently created Phase One Japan.

UK Large Deal of the Year (EV €200m+ on entry)

BC Partners
Acuris

BC Partners sold its majority stake in financial data business Acuris to ION Investment Group in a deal valued at £1.35bn. BC Partners reportedly returned a 5x money multiple from the exit, although the firm declined to comment

It is understood that the European buyout firm will retain a 25 per cent minority stake in Acuris which will see BC Partners executive Nikos Stathopoulos, who led the deal, remain on the group's board.

Acuris, known formerly as Mergermarket, was sold to BC Partners by Pearson for £382m in 2014.

Exponent Private Equity,
Loch Lomond

Exponent Private Equity sold its majority stake in Scotland's well-known whiskey distiller, Loch Lomond Group, to Hillhouse Capital for £400m.

Established in 1842, Loch Lomond is a producer of malt, blended and grain whisky. The business had remained in family ownership until Exponent acquired it in 2014 for a reported £210m.

During Exponent's five-year ownership, Loch Lomond expanded its international presence. The whiskey distiller now generates 70 per cent of its revenue from overseas markets, up from 10 per cent at acquisition. Chief executive Colin Matthews and his senior team reinvest in the business.

GHO Capital
Quotient Sciences

GHO Capital, the specialist healthcare investor, sold a majority stake in Quotient Sciences, a provider of software platforms used for R&D and drug discovery, to Permira in July 2019. During GHO's hold, Quotient's annual revenues grew to more than £100m (€119.5m), established its product in the US, validated its position as a commercial drug product, doubled its capacity and made large investments in operational infrastructure.

GHO Capital first backed the company in 2015. The company is led by chief executive Mark Egerton.

Hg
Foundry

Hg sold British visual effects software provider Foundry to US trade buyer Roper Technologies in a deal valuing the business at £410m (€479m). Foundry has been under private equity ownership for a number of years and has demonstrated continued growth.

Carlyle first backed Foundry in 2011, acquiring it from Advent Venture Partners. Hg backed the company in 2015.

The creative software business extended its offering from a purely film-based focus with a single product, Nuke, to a number of high-end products servicing the commercial, TV, design and games industry.

Foundry was established in 1996 and has worked on a number of successful films over the years, including the Harry Potter Franchise, Gravity, Guardians of the Galaxy and Star Wars.

KKR
Trainline

KKR floated UK bookings website Trainline last summer and saw the group's value rise to £2bn on day one of trading. Pre-listing, the firm owned 79% of the company, which was reduced to 25% post-IPO. KKR sold down shares worth £28m in September, fully exited the group in November. KKR acquired Trainline from Exponent Private Equity for £450m in 2015 and grew the business organically and via acquisitions with deals like the purchase of French online ticketing company Captain Train.

L Catterton
Elemis

Natural cosmetics company L'Occitane International acquired UK skincare brand Elemis from Steiner Leisure, a business owned by consumer-focused private equity firm L Catterton. The deal valued Elemis at $900m (€788m).

Founded in 1990, Elemis owns a range of skincare brands and sells through five strategic distribution channels, namely digital, retail, QVC, professional spas and onboard ships.

L Catterton first invested in Steiner Leisure in 2015 and has since worked with Elemis to expand its product range and appeal to a wider consumer audience.

UK Small/Mid-Cap Deal of the Year (EV less than €200m on entry)

August Equity
SecureData

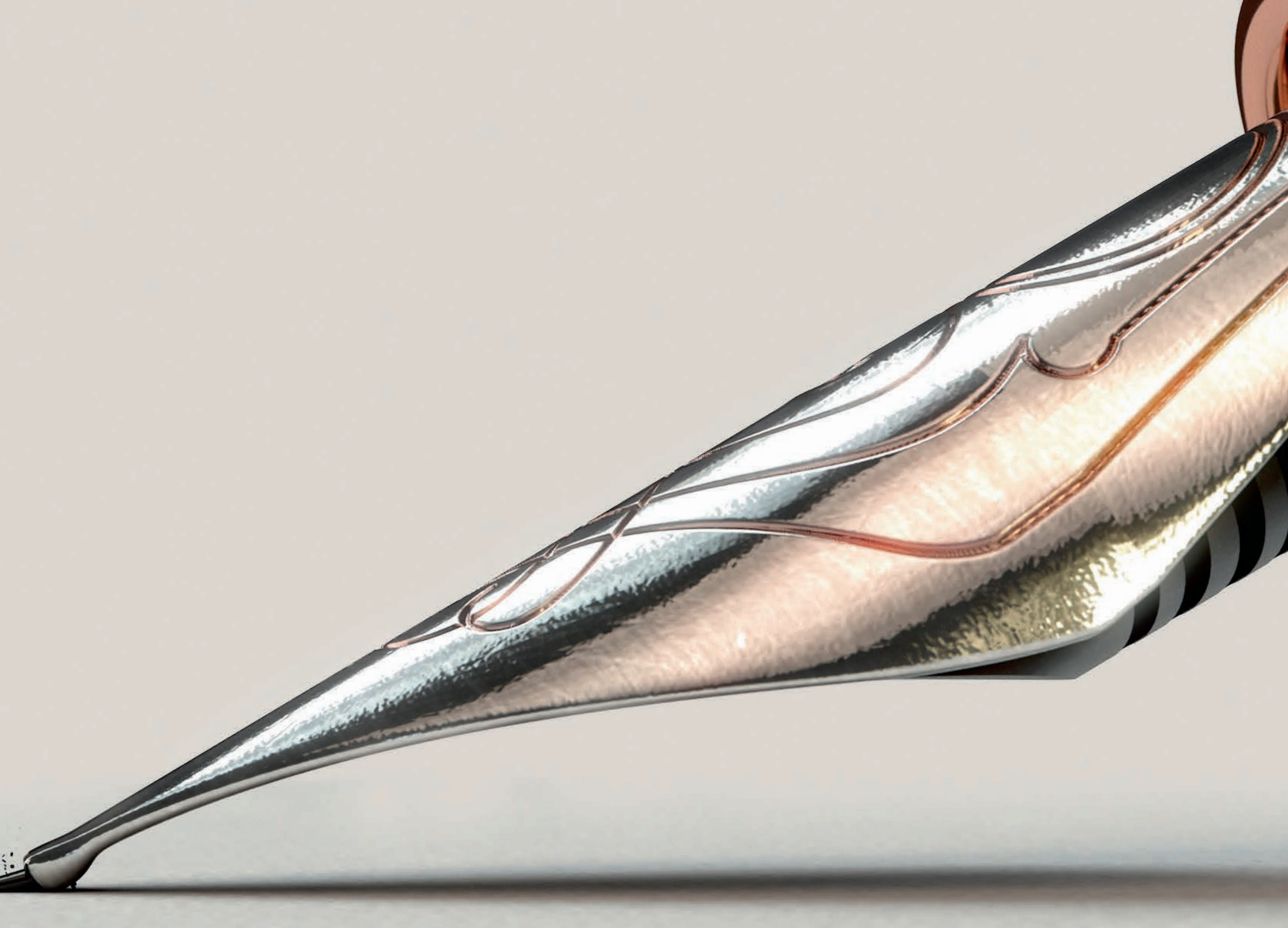
The deal delivered a 7x return for UK private-equity firm August Equity, which backed SecureData in 2012 and sold the business to Orange. August Equity initially invested in SecureData in 2012 and supported the management team in making four bolt-on acquisitions, including Cygnia Technologies in April 2017.

The exit was led by SecureData board member Mike Biddulph and August's Mehul Patel. The sale marked the seventh exit by August Equity since the start of 2018 and brought the total enterprise value of realisations during this period to more than £1bn.

The Carlyle Group
graze

Carlyle Europe Technology Partners sold healthy snack business graze to consumer giant Unilever. It was reported that the company was sold for £150m.

Founded in 2008, graze began life as a snack box delivery service, with a focus on personalisation based on order history. It is now a multichannel brand, with products available in store, via ecommerce and direct to the consumer.



Carlyle first invested in graze in November 2012. The company has since experienced strong growth in its delivery service, as well as expansion into retail stores in the UK and US, including Sainsbury's, Boots, Costco and Target.

Inflexion
Cawood Scientific

Inflexion made just under 3x money from its sale of Cawood Scientific, only two years on from buying the business.

Investors close to the deal said the return was attributed to three bolt-on acquisitions that greatly boosted the company valuation. These broadened the breadth of service in other market sectors and geographically, and also enhanced scale. The business is said to have also greatly benefitted from added investment in technology and data optimisation.

Waterland Private Equity acquired the analytical sampling and testing service company, joining HistoGeneX in its portfolio, which conducts scientific tests for developing, approving and monitoring new anticancer drugs.

Livingbridge
Sykes Holiday Cottages

Livingbridge sold a majority stake in UK holiday home provider Sykes Holiday Cottages to Vitruvian Partners.

Livingbridge partnered with the company for five years and helped it reach a record year in 2019 with bookings up 26 per cent, taking 1.6 million people on holiday. The business' profit rose to over £20m during the year to September 2019 after sales of £68m. In April, the company acquired a majority stake in Bachcare, a holiday rental company in New Zealand, with over 2,000 properties.

Mobeus Equity Partners
Plastic Surgeon

Mobeus Equity Partners sold Plastic Surgeon, the surface repair and restoration specialist, to Polygon Group, in a deal that delivered a 5.6x money multiple and an IRR of 20.5% over an eleven-year hold period. Mobeus originally invested £2m to support the MBO of Plastic Surgeon in 2008 and supported the business through the subsequent recession, which affected its key house-build market. During the investment term, the management team took the company into new markets, changed its culture and invested in technology and marketing.

Phoenix Equity Partners
Travel Chapter

Phoenix Equity Partners made a 3.6x money return and an IRR of 62 per cent on the sale of its stake in UK holiday accommodation business Travel Chapter to ECI Partners.

Chief executive James Morris will reinvest in the business as part of the deal and continue to lead it.

Phoenix first invested in the business in April 2016, putting £30m (€33.4m) into it through its fourth fund, which closed at £415m in July 2017.

Under the firm's hold, Travel Chapter made 20 bolt-ons and increased its property portfolio, headcount and revenues.

Synova Capital
Stackhouse Poland

vSynova first backed Stackhouse, an insurance brokerage focusing on high-net-worth customers, in 2014 when it invested alongside chief executive Tim Johnson. During Synova's hold, revenues have more than tripled to £55m (€61.2m) and the business is now placing £300m of gross written premiums into the market. Employee numbers have grown from 160 to more than 500, with Synova supporting 12 acquisitions and expansion into other specialist areas including real estate, commercial and healthcare insurance.

Tenzing Private Equity
FMP Global

Tenzing Private Equity sold its investment in FMP Global to Hg's IRIS Software Group, banking a 5.4x return on exit.

Founded in 2006, FMP Global provides payroll services and software, with operations spanning 135 countries.

Since backing FMP Global in 2016, Tenzing has supported the growth of the business by helping to widen its service offering, expand overseas, and broadening its payroll expertise.

Specifically, during its investment, Tenzing focused on re-engineering FMP Global's marketing strategy to fuel growth, with a specific focus on lead generation from Tenzing's Entrepreneurs Panel.

FMP Global also built M&A capabilities throughthree strategic acquisitions. ●

House of the Year Shortlist 2020

Real Deals is pleased to announce the House of the Year shortlists for the 2020 Private Equity Awards. The shortlists recognise the private equity houses that excelled in fundraising, new deals and exits, as well as the overall evolution of the firm.

Congratulations to all the finalists!

Global House of the Year

Advent International
The Carlyle Group
CVC Capital Partners
KKR
Permira
TA Associates

Pan-European House of the Year

Astorg
Five Arrows Principal Investments
GHO Capital
Keensight Capital
L-GAM
Oakley Capital
Triton
Waterland Private Equity

UK House of the Year

Bowmark Capital
Inflexion
Livingbridge
Mayfair Equity Partners
Synova Capital

Continental Regional House of the Year

Altor Equity Partners
FSI
Invision
Miura Private Equity
Paragon Partners
ProA Capital
Summa Equity
Ufenau Capital Partners

Special Situations House of the Year

Alchemy Partners
Alteri Investors
Aurelius Equity Opportunities
Endless
Sun European Partners

Advisory Awards Shortlist 2020

Real Deals is pleased to announce the Advisory Awards shortlists for the 2020 Private Equity Awards. The shortlists recognise the achievement of the lenders and advisers who have gone above and beyond over the past year.

Congratulations to all the finalists!

Asset-based Lender of the Year

Leumi ABL
ABN AMRO Commercial Finance
Secure Trust Bank Commercial Finance
Wells Fargo
IGF: Independent Growth Finance

Commercial Due Diligence Adviser of the Year

Armstrong
CIL Management Consultants
Luminii Consulting
onefourzero
Candesic

European Corporate Finance House of the Year

Arma Partners
Baird
William Blair
Houlihan Lokey
Clearwater International Ltd
BDO
DC Advisory
Rothschild & Co

Fund Administrator of the Year

Apex Group
Vistra
IQ-EQ
SANNE
Langham Hall
Crestbridge
JTC
Intertrust
Aztec Group

Lender of the Year

HSBC UK
Ares Management
OakNorth Bank
CVC Credit Partners
Tikehau Investment Management
Sumitomo Mitsui Banking Corporation
Investec Bank
Hayfin Capital Management

Pan-European Legal Adviser of the Year

Latham & Watkins
DLA Piper
Addleshaw Goddard
Mayer Brown
Clifford Chance
Weil, Gotshal & Manges (London)
CMS
Eversheds Sutherland

Placement Agent of the Year

Rede Partners
FirstPoint Equity
Asante Capital Group LLP
Athos Partners
Houlihan Lokey
Campbell Lutyens

Regional Legal Adviser of the Year

Foot Anstey LLP
Gateley Legal
Taylor Wessing
Wardynski and Partners
Capital Law Ltd

Specialist Adviser of the Year

Aon
Intuitus
Validus Risk Management
Palladium Digital Group
SIA Group
Chatham Financial
Ramboll
Capstone

UK Corporate

UK Corporate Finance House of the Year

HMT
Arma Partners
Baird
Spectrum Corporate Finance
Houlihan Lokey
Grant Thornton UK
Alantra
Rothschild & Co

Organic Growth

Often an overlooked aspect of private equity value creation, organic growth is essential for materially improving companies' professionalism, geographical reach and product and service offering. Real Deals presents some examples of organic growth success. Simon Thompson reports.

momox

VERDANE

Staffan Mörndal, partner

momox is a Berlin-based online platform founded in 2004 that purchases and acquires used books, media and clothing and then sells them via it's own online shops and also on various marketplaces in Germany, Austria, France and the UK. momox's brand, leadership in a rapidly growing niche supported by offline-to-online migration, and strong position to develop into a substantially larger European market leader with an expanded assortment underpinned our original investment decision in 2018. Today, it is the largest and most profitable re-commerce business in Europe, supported by consumer preferences for sustainable business models. It is a large-scale volume operation, sending out 1.1 million packages per month.

MANAGEMENT MENTALITY SHIFT

When we first invested two years ago, momox had yet to place sustainability at the core of its value proposition. momox's mission has always been to give second hand items a new home, but at the time of our investment, the company emphasised affordability over circularity as the primary reason to buy its products. There were also a number of baseline initiatives that needed to be put in place to make the business as a whole more sustainable. To drive the change, we realised we needed to make some far-reaching changes to the board and to the organisation. We brought in new members to the board who could provide a lot more focus on sustainability, and welcomed several key hires into the organisation that are now helping us put sustainability at the core of momox's value proposition and organisational culture.

Examples include renewable energy sources, LED lighting across all momox's warehouses across Europe, using sustainable materials for packaging and sourcing environmentally friendly office materials. Also, momox's close to 1,900 employees can now enjoy vegetarian monthly company breakfasts, locally sourced fruit, as well as vegan and organic snacks in the office. Today, momox saves the world about 7,500 tonnes of CO_2 per month, the equivalent to 45,000 peoples' energy consumption according to Germany's target energy consumption per inhabitant.

REBRANDING WITH SUSTAINABILITY

Our sustainability initiatives made sense both for the value of the company and for consumers identifying with the brand. momox conducts a regular customer service survey to better understand its customers, and at the time of investment, the most important reason by far for why customers chose momox was affordability. A few months ago, after a lot of our changes were made, our monthly customer service surveys started reflecting that the most important reason that consumers shop with momox is because it's the easiest way to sell and shop sustainably.

25%
The business saw 25% growth in 2019 vs 2018.

35%
momox saw a 35% increase in its customer base since Verdane's investment.

7500
momox is now saving 7500 tonnes of CO_2 per month.

Nuxeo

KENNET PARTNERS

Michael Elisa, managing director

Nuxeo is a provider of software for the management of very large amounts of complex content within organisations. It enables customers to manage digital content at a massive scale.

The volume of content that is being produced today by businesses has exploded – this can take the form of traditional documents, images or video. Unfortunately, the technologies for managing content have lagged behind the growth of content and that's where Nuxeo steps in. Nuxeo offers software that allows companies to manage content at an extreme scale. Its customers include Fox, Orange, LVMH, and Siemens.

BUILDING A WORLD CLASS TEAM

Kennet and Goldman Sachs acquired Nuxeo in 2016. Immediately, we worked to build a world-class board of directors and strengthen the management team. We added two highly experienced board members – Steve King, former CEO of Docusign, and Dave Kellogg, former SVP Marketing at Business Objects. Around the existing CEO and CTO, we recruited an extremely experienced chief marketing officer and a CFO we had worked with previously at another Kennet portfolio company. We try to elevate the talent at our businesses top-down. A great board of directors makes it much easier to hire the best senior management; great senior managers inspire top quality hires in their own departments.

DEFINING THE TARGET MARKET

Today, Nuxeo focuses on two key areas: the first of these is digital asset management, particularly for companies with fast product life cycles such as media, fashion and consumer electronics. These businesses use images or video as a key part of their accelerated product life cycles, from product development through to customer experience.

The second area of focus is Enterprise Content Management. For example, financial institutions have to retain and manage enormous amounts of customer data. The volume of this data is growing exponentially as banks offer an increasing number of products, each with their own compliance and KYC requirements. Content includes customer applications, scans of customer IDs and signatures, tax documentation, etc. The increase in regulatory compliance that is affecting most industries has dramatically impacted financial services and Nuxeo was well positioned to help banks and insurance companies manage these responsibilities.

Nuxeo has seen major uplift in value following the implementation of these organic growth strategies. Since our 2016 investment Nuxeo's cloud-based revenue is 25x higher. The company has attracted top tier customers and increased average customer spend. When we invested a customer paying $100K pa was a big customer. Today the company has several customers paying over $1m pa. The business sells to 5 Fortune 10 companies. The number of larger customers, who pay more than $250k year, has increased 9x since our initial investment.

5
Five of the Fortune 10 companies are customers.

9x
The number of large customer contracts increased by 9x.

25x
Cloud-based revenue increased by 25x.

Outright Games

ROCKPOOL INVESTMENTS

Ben Hutchinson, investment manager

Outright Games is a global publisher of video games, making family friendly interactive entertainment with the biggest franchises in the world. The company's core focus is on creating quality games based on well-known brands or characters, including Paw Patrol, Ice Age and Jumanji, from global entertainment companies such as Cartoon Network and DreamWorks. Rockpool supported Outright Games from the very beginning, providing growth capital to an already successful and ambitious management team in 2016, with the aim of establishing a highly skilled, niche leader within the fast-growth gaming sector.

REINVESTING FOR RAPID GROWTH

In the beginning, the strategic direction was clear: use Rockpool's growth capital investment and cash generated from trading to launch a portfolio of video games to the PC and console markets. This strategy of continuous re-investment in future growth put the company on an exponential growth curve, as the number of titles and their associated revenues increase each year, alongside growth in sales from the expanding back-catalogue.

The size of the current portfolio launched will be 18 titles by the end of the current financial year, including 6 launched post the outbreak of Covid-19. However, the rapid pace of growth created challenges, especially in an industry where development and cash investment has to happen up to 24 months before titles are launched to market.

In order to achieve ambitious growth targets, tight cash management and project forecasting accuracy was key to ensuring the company did not over-trade. As part of this, we recognised an opportunity to enhance the financial expertise and strength in the core management team with the introduction of a high-calibre CFO with significant gaming sector experience. We were also able to introduce an industry expert as non-executive chairman, also with strong financial acumen.

DIGITAL EXPANSION

Growth to-date has been largely due to an expanding portfolio of core PC and console video games. We expect this growth rate to be accelerated as Outright use new digital channels, such as subscription and streaming services, to exploit their existing portfolio of games, and the business creates content for the adjacent mobile gaming market. We have invested heavily in our in-house capability to benefit from the trend within the gaming sector towards the digital distribution and consumption of gaming content. We also launched Outright's first mobile product to market in September 2020.

Investment in a broad, international network of brand owners, developers and distribution partners has also been a key component of Outright's organic growth strategy. This has been particularly beneficial at underpinning growth with new title opportunities and lowering the cost of launching a title to market, increasing achieved gross margins. Outright has expanded its global presence to help service this network, opening offices in Los Angeles, London and Madrid, which are complemented by a global distribution network in over 25 countries. By following a clearly defined organic growth strategy, the business has grown substantially since we invested. It is forecasting net profits of over £6.5m in the current year. ●

25
Global distribution network grew to 25 countries.

18
Product portfolio expanded to 18 video game titles.

£6.5m
Raised net profits to a forecasted £6.5m in 2020.

Tekman Education

MIURA PRIVATE EQUITY

Carles Alsina, investment director

Tekman is an innovative educational service provider headquartered in Barcelona, Spain. It develops and provides K-12 schools with education programmes and academic solutions, predominantly in the language and mathematics areas. When Miura invested in 2016, the market was completely dominated by traditional publishing houses delivering typical programmes and textbooks that aren't too different to those students had back in the 60's and 70's. Miura Private Equity identified Tekman Education as an opportunity to invest in an extremely enterprising and flexible company, with a unique and refreshing approach to multiple disciplines and study areas.

INCREASED PRESENCE IN SCHOOLS

Throughout our markets we identified a huge opportunity to increase Tekman's presence in schools, through product development and partnerships with our school clients. We don't simply sell a product, we provide a service partnership. We are very close with our schools, we work to help them tailor and implement these programmes, we coach them and support them as they transform their schools and curriculums. We envisioned to maintain Tekman's dominant position in the innovative educational space.

LATAM EXPANSION

As a Spain-based education provider, we understand the Spanish speaking market and education systems intimately. Education products from Spain are received extremely well in Latin America. We launched operations there with the opening of our office in Mexico, where we experienced great interest for Tekman's differentiated methodology and approach. Besides Mexico, where there is an enormous growth potential, we also also established a market presence in Ecuador, Chile and Argentina.

DIGITAL EDUCATION EMERGENCE

When we invested, there wasn't an online programme that covered or met up with the school academic curriculums in Spain or Latin America, so we identified these needs and the emergence of these trends and decided to develop Onmat, a fully digital math programme for secondary education. In addition, the work we put into digitalisation of our education programmes, as well as our company's operations has proven totally successful, more so with Coronavirus. Indeed, Tekman's schools have been able to continue with their lessons without significant impact. Since March 2020, more than 60,000 teachers have signed up to our online training webinars to help them with the 'new normal'.

Since our investment and thanks to these organic growth strategies, Tekman has increased revenues by 2 times, started operations in four new Latin American countries, onboarded more than 500 schools, achieved a 94 per cent client renewal rate and tripled the businesses staff headcount to 150 people. ●

2x
Increased company revenues by c.2x.

500
Onboarded more than 500 new schools since investing.

94%
Tekman maintained a 94% client renewal rate.

Q&A

LP CORNER

ALEX HUTTON-MILLS

Managing Director, Lincoln Pensions

Lincoln Pensions managing director Alex Hutton-Mills discusses missed M&A risk in carve-out transactions and the impact on DB pension schemes.

By *Talya Misiri*

In the current macroeconomic environment, carve-out M&A has resurfaced as a theme for corporates and private equity companies alike. Why is this happening now?

Historically, private equity firms would buy non-core assets from large corporates, polish the acquired business unit and then look to exit, having created value.

Management teams in corporates will assess their business units and consider what M&A opportunities may arise from time to time. This picture and decisions around managing a portfolio of business units tends to become much clearer during macro-economic downturns. In the present circumstances, because of Covid-19 and the related macroeconomic downturn, business units that may have potentially been considered marginally non-core, will likely have become more clearly non-core and a source of potential liquidity. This will present opportunities for private equity firms with dry powder to look at carve-outs for these non-core assets. We therefore think there's likely to be more activity with carve-out M&A as PE firms focus on portfolio management more actively.

How are DB pensions considered when executing carve-out deals?

Covid-19's impact on the broader macroeconomy has generally affected both funding levels of DB schemes and the sponsors supporting those schemes. Some sectors, e.g. retail, casual dining and transportation, have been affected more than others. The UK Pensions Regulator has also been advocating more prudent funding targets for schemes and new legislation in the form of the Pension Schemes Bill has also complicated the picture for deal-doers.

For schemes that are sponsored by multiple employers in a Group, carve-out M&A could have an impact on the strength of the employer

covenant (or credit strength) supporting the scheme. Moreover, as DB schemes are typically seen as a "debt-like" item for purchase price adjustments in M&A transactions, the combination of the above ingredients could, on the face of it, have a more prominent impact on value. The pension scheme could, therefore, complicate the deliverability of non-core carve-outs. Buyers need to be more alive to DB pension scheme issues when thinking about what presents itself as an opportunity in carve-out M&A, either for PE or by PE.

What are the risks to pension schemes in a carve-out situation?

This will depend on the relative size and importance of the scheme and the negotiating leverage of the seller and potential buyers. If you're the buyer, you would rather take the business without the pension scheme in ordinary circumstances. However, the seller may not be willing to sell on that basis – and the least desirable outcome for a seller will be a failed auction process for a non-core asset, where the process fails because of the DB scheme. Accordingly, you need to use your negotiating leverage to set the agenda of whether to have the DB pension scheme liabilities transferred with the business unit or retained with the residual group.

As a buyer, it goes without saying that your preference would be to buy an asset as cheaply as possible and to minimise the liabilities assumed as part of that transaction. The extent to which a buyer will be comfortable assuming pension scheme risk will therefore be a factor in the decision to participate in an auction process.

Notwithstanding the advent of the Pension Schemes Act (when it comes into force end-2020 / early 2021), PE does not need to fear businesses that support DB pension schemes. Investors must go into those situations with their eyes open and have clear views, based on pragmatic advice, whether they are able to manage the pension scheme risk and accrete value during their hold.

Depending on the circumstances, a seller may be able to take actions to maximise the exit value – for example, transferring the liabilities to a third party. In the recent acquisition of Asda by TDR Capital and the Issa brothers, Asda was sold pensions-free as the pension scheme had been transferred to an insurer prior to the auction process. Market innovation, including DB pension scheme consolidators and other similar options, should provide more options to facilitate carve-out M&A activity.

With the Pension Schemes Act, trustees will have a seat at the table for material transactions given the need for the new notification requirements that will come into play.

How can carve-outs be managed to ensure pensions are not impacted and all parties are content?

The trustees of the target pension scheme need to understand how strong the employer covenant is pre-transaction and what impact the transaction may have...to determine whether mitigation is required to leave the scheme no worse off post-deal.

If you're the seller, you need to make sure that you structure things in a way where you are comfortable with the likely outcome for the scheme and the valuation impact of transferring all /part of the scheme with the non-core asset or leaving it behind with the residual group. One often overlooked aspect is making sure that you are clear whether bidders will have a clear understanding of the potential impact of the scheme on the auction process and value. It can make sense to weed out bidders who clearly don't understand the potential impact of pensions on the deal. This should improve the chances of a successful, deliverable transaction.

Finally, as a buyer, you need to understand what pensions and other risks you may be taking on; factor the pension scheme into your pricing considerations and include pensions in your exit considerations to force you to plan how you will manage that DB scheme risk during your holding period in preparation for an exit.

Q&A

OLIVIER BERTRAND

Private Equity Tax Partner, EY Luxembourg

EY Luxembourg's Olivier Bertrand discusses the changing international tax landscape in Luxembourg and what PE funds need to know about it.

By *Talya Misiri*

Base erosion and profit shifting (BEPS) has rapidly moved to the implementation phase. What does this require PE funds to do exactly and how can EY help?

There has certainly been a couple of developments including BEPS, ATAD I and ATAD II. BEPS has led to the signature of the Multi Lateral Instrument (MLI) with one of the main impacts on private equity being the Principal Purpose Test, an anti-abuse measure under which the benefit of a double tax treaty can be denied to a company if it has been established with the main purpose of deriving a tax benefit.

In addition to withholding tax on dividend and interest, asset managers should also consider potential non-resident capital gain tax when they exit an underlying asset. With year-end coming close, some of those risks might even lead to tax accruals in the scope of the 2020 audit; the first year of effectiveness of the PPT.

Asset managers are also impacted by ATAD I, introducing an interest limitation rule under which the tax deduction of interest expense is generally capped at 30% of the EBITDA.

In practice, asset managers investing into distressed assets should consider a particular risk of non-deduction of interest expense if the income they realize does not qualify as interest income for tax purposes as this would trigger the application of the interest limitation rules, i.e. taxation of a larger portion of capital gain.

Whether fair or not, everyone has a view, but taxation is generally happening at the level of the portfolio companies and underlying asset and such taxation is most probably already embedding the new tax restrictions and anti-abuse measures (ATAD, BEPS, etc..).

My view is that in the alternative investment world, the investment structure should remain tax neutral in order to mitigate any exposure in terms of double / triple taxation.

With the recent implementation of ATAD II, what should alternatives managers be aware of? What more does the ATAD II outline that GPs should consider and when?

For asset managers and PE houses, two particular measures are of particular importance: the hybrid instrument mismatch and the hybrid entity mismatch.

While the hybrid instrument mismatch refers to instruments that have different qualifications in 2 different jurisdictions, the hybrid entity mismatch is more difficult to address and relates to the difference in qualification of entities, but both measures aim for the same result - the non deductibility of payments that are not taxed in a timely manner at the level of the investor.

For example, if an intermediate holding company makes a payment to a fund that it considers to be tax transparent, such payment might not be deductible if it is received by an investor (through the transparent fund) which considers the same fund as opaque and therefore does not include the payment in its taxable basis (so-called deduction non inclusion outcome).

The Luxembourg Ministry of Finance has called for a draft law introducing a six-month deferral to the MDR Law (Law of 25 March 2020). Why and what does this mean for funds domiciled in Luxembourg? What does the Law require?

Under the MDR Law, cross border arrangements should be reported if they contain at least one of the indicators (called "hallmarks") set out by the Directive.

For private equity houses, the most likely hallmarks to consider would be transactions with low tax jurisdictions, and transactions where income might be turned into capital, both of these hallmarks being subject to an additional main benefit test where it should be assessed if one of the main purposes of the transaction is to derive a tax advantage. Missing a filing obligation may lead to penalties which are likely to be around €250,000.

In July 2020, Luxembourg introduced a six-month deferral with respect to the MDR filing obligations. In difficult times, reducing the administrative burden on taxpayers is very welcome by the industry!

Interestingly enough, this postponement was very timely and enabled managers to avoid the burden of reporting transactions in the Cayman Islands without additional main benefit test, as Cayman was black-listed until very recently.

Overall, what are the key risks that have to be considered by private equity when reviewing a company following the changes in the international tax landscape?

Since 2019, the additional tax risks we just discussed have to be taken into consideration, if not accrued in the scope of the audit.

But let's rather address the very positive answer that over the last few years, asset managers have been massively hiring in Luxembourg and setting-up high standard infrastructure with skilled back-office, middle-office and front-office employees strongly substantiating the use of intermediate holdings with solid commercial rationale (risk fencing, external lending, exit strategy, co-investment, management incentive plan, etc.).

We have also seen an exponential increase in the number of Luxembourg funds and alternative investment fund managers, giving even more purpose to the Luxembourg tax operations as it makes it more obvious to set-up your holding entities in the country where your fund is established!

Deals in brief

Cinven, Permira and Mid Europa complete 2020's largest European IPO

Online marketplace Allegro's debut on the Warsaw Stock Exchange has seen the PE-backed Polish ecommerce platform rocket to a $17.7bn valuation. This is Europe's biggest IPO so far this year. PE owners Cinven, Permira and Mid Europa priced the IPO at the top end of a marketed range, capitalising on trends in online shopping. The deal is expected to bring Europe's IPO market back to life, following a lacklustre period of listings last year. Allegro's IPO follows a number of other tech IPOs to have priced this year in Europe and the US. Cinven, Permira and Mid Europa acquired the company for $3.253bn in October 2016. In three years the ecommerce group has demonstrated significant cash generation and scale, with annual GMV and net revenue reaching approximately 25 per cent and over 30 per cent growth, respectively. Goldman Sachs, Morgan Stanley, Barclays, Bank of America, Citigroup, Santander and BM PKO BP organised the Allegro flotation.

TRANSPORT, POLAND

Target PEKAES
Out Innova Capital

Innova Capital has sold its stake in logistics operator PEKAES to sector player GEODIS of France.

Based in Błonie, in central Poland close to Warsaw, PEKAES provides logistics services and a general cargo network in Poland, with 20 national distribution terminals.

Under Innova's holding, PEKAES underwent a transformation and expansion in the Polish and international logistics market. The business has transformed from a traditional road transportation business into a modern, competitive logistic-intermodal business, meeting international standards.

In this time the business saw an Ebitda rise of over 100 per cent. The portfolio company's growth and success attracted the interest of buyer GEODIS.

TRANSPORT, HUNGARY

Target Waberer's International
Out Mid Europa
A EY
CF Rothschild & Co
L White & Case, Lakatos, Köves és Társai

CEE-focused private equity house Mid Europa Partners has agreed to sell 24 per cent of its equity in Waberer's International to Trevelin Holding, a member of Indotek Group.

The deal has also granted a call option to Indotek over Mid Europa's remaining 47.99 per cent share capital.

The transaction is subject to customary anti-trust clearance and is expected to close by the end of the first quarter 2021.

Rothschild & Co acted as exclusive financial adviser to Mid Europa. White & Case with the support of Lakatos, Köves és Társai acted as legal counsel and Ernst & Young as transaction services adviser for Waberer's.

MANUFACTURING, THE NETHERLANDS

Target CNC Holding
In Sun European Partners
A EY
C PwC
CF ING, Rothschild
E ERM
M AlixPartners, Custom Management
I Marsh
L AKD
T Royal HaskoningDHV

Sun European Partners is set to acquire CNC Holding, a European producer and supplier of substrate for mushroom cultivation.

Established in 1953 and headquartered in Milsbeek, Netherlands, CNC serves markets in 45 countries. The company benefits from recurring earnings due to its established and diversified customer relationships, significant barriers to entry, substantial historical investments, unique know-how and high-quality product.

With Sun European Partners' backing, CNC has ambitions to grow, develop and transition to the next level through international expansion.

Sun European was advised on the transaction by ING (M&A), DLA Piper (legal), Rothschild (financing), EY (financial and tax), PwC (commercial), AlixPartners (operational), ERM, Marsh (insurance), and Royal HaskoningDHV (technical). CNC was advised by EY (M&A and financial), AKD (legal) and Custom Management.

MANUFACTURING, UK

Target GKN Wheels & Structures
In Aurelius
A KPMG
CF Rothschild & Co
L Goodwin Procter

Aurelius has carved out GKN Wheels & Structures from GKN.

The non-core GKN division manufactures off-highway wheels and provides innovative engineering solutions. The company's global footprint provides Aurelius with a strong platform for future add-on acquisitions. The UK-headquartered company currently employs around 900 people worldwide with four manufacturing facilities in the UK, USA and Denmark.

In the coming months, Aurelius will support GKN Wheels & Structures' carve-out from GKN, ensuring continuity in day-to-day operations and a new brand name as a standalone entity.

Aurelius will work to build on the business by exploring further sector consolidation and leveraging its operational expertise.

Aurelius was advised by Rothschild & Co (financial), Goodwin Procter (legal) and KPMG (tax).

PHARMA, FRANCE

Target H2 Pharma
In Ardian

Ardian has taken a minority stake in H2 Pharma, a French developer and producer of generic drugs.

Established in Ile-De-France in 2009, H2 Pharma is a player in the production of non-sterile prescription and non-prescription liquid pharmaceuticals. The company's automated production processes has allowed it to continue to grow competitively in its operating markets and strengthen its strategic positioning.

Ardian's backing will allow H2 Pharma to consolidate its share of the European market and diversify its offering with expansion into other areas of growth, such as regulatory affairs and quality control.

FINANCE, SPAIN

Target Indigo Capital
In Alantra

Madrid-based GP Alantra has acquired a 49 per cent stake in pan-European private debt asset manager Indigo Capital.

The investment will further diversify Alantra's offering while strengthening Indigo's position in the European sponsorless market.

Indigo backs companies valued between €20m and €300m, and has completed investments in France, the UK, Italy, Switzerland and the Netherlands. With offices in Europe, Asia and the Americas, Alantra is seeking to expand its European footprint and the firm also partnered with Spanish insurer Grupo Mutua earlier this year.

Following the completion of the deal, Alantra will have more than €1bn of assets under management.

ENVIRONMENT, UK

Target ClimateCare
In Averna Capital
A KPMG
CF Many Waters
D Bridgepoint Credit
L Ropes & Gray, Dickson Minto, and Mourant, Linklaters, Clifford Chance

Averna Capital, a mid-market European private equity firm, has taken a majority stake in ClimateCare, a profit-with-purpose environmental

KEY:
D Debt
MZ MEZZANINE
NC NEWCO
B BROKER
CF CORPORATE FINANCE
L LEGAL
A ACCOUNTING
C COMMERCIAL
T TECHNICAL
MG MANAGEMENT
I INSURANCE
P PROPERTY
EV ENVIRONMENTAL

A round-up of deals from the past few weeks.

and social impact company.

Founded in 1997, the Oxford-based company has a focus on projects that reduce carbon emissions and fund social development. ClimateCare provides businesses and governments with carbon offset services, sustainable development programmes and environmental and social impact measurement.

Averna Investment Company is the new majority shareholder in the business. It's investment and knowledge base will further accelerate the company's growth, impact and capacity to work closely with customers on meeting climate responsibilities.

ClimateCare's founder investors will remain significant shareholders and partners in the business. Averna was advised on the investment by KPMG, Ropes & Gray, Many Waters, Dickson Minto and Mourant.

ClimateCare was advised by Michel Dyens & Co., Linklaters and Smith & Williamson. Debt was provided by Bridgepoint Credit who were advised by Clifford Chance.

MANUFACTURING, SWITZERLAND

Target Roth Group
In Patrimonium Private Equity
Out Equistone Partners Europe

Patrimonium Private Equity Fund has acquired a majority stake in Roth Group, a provider of structural fire protection, technical insulation and coatings.

This deal is set to create synergies for both partners, and Patrimonium's financial strength as a Swiss independent alternative investment management company will support targeted investments in future growth.

Roth Group shares will be bought by Patrimonium from Equistone Partners Europe, while the existing minority shareholders, which consist of Roth Group employees, will stay the same.

With Patrimonium's backing the business will maintain operational continuity while implementing sustainable growth strategies.

CONSTRUCTION, FRANCE

Target Syclef
In Ardian
Out Latour Capital

Ardian has acquired a majority stake, alongside the management team, in refrigeration business Syclef, from Latour Capital.

Latour Capital has exited its stake in the company after its initial investment five years ago.

Founded in France in 2003, Syclef specialises in the installation and maintenance of industrial and commercial refrigeration systems.

The business now has a 800-strong workforce and has focused on organic and external growth in recent years, with the acquisition of 15 companies.

Following the acquisition, Syclef aims to work with Ardian to continue its consolidation effort in its market segment.

During Latour Capital's ownership, the group introduced a new senior management team, tripled in size and made 15 acquisitions.

TECHNOLOGY, UK

Target MTI
Out Endless
L Walker Morris, Squire Patton Boggs

Endless has completed the sale of MTI Technology Group (MTI), to Ricoh Europe.

MTI is a specialist IT solutions provider that assists organisations to transform their IT operations by leveraging the latest technologies. The business has operations across the UK, Germany and France.

Endless acquired MTI in December 2016 from US-based private equity firm Garnett and Helfrich Capital.

The combination of the businesses will expand Ricoh's IT Services capabilities across Europe.

MTI will continue to operate under its existing name as a separate Ricoh entity.

Endless and the management team were advised by Walker Morris and Squire Patton Boggs.

TRANSPORT, POLAND

Target R2G Polska
In Abris Capital
A EY
C OC&C
CF PwC
L Gesse, GKW, Norton Rose Fulbright

Abris Capital Partners has acquired R2G Polska, an e-commerce delivery provider operating under the Apaczka brand in Poland.

Financial terms of the deal were not disclosed, but it is understood that Abris typically makes transactions between €30m and €75m.

Headquartered in Warsaw, Apaczka functions as a technology platform and an integrator, offering shipment services for e-commerce stores. Apaczka supports companies in the development of their business, providing professional tools to facilitate daily logistics. The company achieved revenues exceeding €30m in 2019.

With the support of Abris, R2G plans to drive the growth of the business further through the development and implementation of new solutions for entities operating in the e-commerce industry. The company said its goal is to reach new market segments with the Apaczka.pl platform.

The business is expected to benefit from the ongoing growth of e-commerce spending globally.

Transaction advisors on the sell side were PwC (M&A lead advisor) along with GKW and Gessel (legal advisors). On the buy side were EY (financial and tax due diligence), OC&C (commercial due diligence) and Norton Rose Fulbright (legal advisor).

INSURANCE, NETHERLANDS

Target You Sure
In IK Investment
Out Synergia Capital

Pan-European GP IK Investment Partners has acquired a majority stake in You Sure from Synergia Capital Partners.

The Dutch insurance distribution platform operates primarily in the property and casualty segment, serving over 60,000 customers. To date, 35 insurance portfolios have been added to You Sure's proprietary platform.

The deal marks an exit for Synergia Capital after acquiring the company in March 2019.

Following the transaction, the company's co-founders will reinvest in the business to support further growth.

RETAIL, UK

Target Membr
In NPIF/Maven
A Hurst
C Luminii Consulting
I Intechnica
L Pannone
M Argyll Fenton

The Northern Powerhouse Investment Fund (NPIF) - Maven Equity Finance, has invested in fitness platform Membr.

The cloud-based fitness software solution has created a simple and efficient digital platform.

It gives gym owners the ability to manage membership whilst also allowing their personal trainers to actively support customers on their fitness journey.

Market share of the company in the owner managed segment is set to increase due to the business being well positioned with headquarters in Worsley, Greater Manchester, and with its best in class SaaS platform.

The investment will be used to accelerate the company's international expansion through strategic industry partnerships along with their focus of serving the owner managed segment of the market.

Maven was given legal advice by Pannone, financial due diligence advice by Hurst, commercial due diligence advice by Luminii Consulting, IT due diligence advice by Intechnica and management due diligence advice by Argyll Fenton.

MANUFACTURING, FRANCE

Target Kersia
In IK Investment
Out Ardian
A KPMG, Eight Advisory
CF Amala Partners, Sycomore, Marsh
L Willkie Farr & Gallagher, Latham & Watkins, Arsene Taxand
M Bain & Company
T Aecom

IK Investment Partners has entered into exclusive negotiations with Ardian to acquire a majority stake in Kersia, the French food safety company.

Under Ardian's holding, Kersia was formed as a new company in 2016 after Hypred acquired Antigerm, LCB Food Safety, G3, Kilco, Choisy Laboratories and Holchem. In that time, the company tripled in size.

The transaction remains subject to the approval of antitrust authorities.

Advising IK on the transaction was: Amala Partners, Willkie Farr & Gallagher, Bain & Company, Eight Advisory and KPMG.

Advising Ardian was Evercore, Sycomore Corporate Finance, Latham & Watkins, Bain & Company, Accuracy, Arsene Taxand, Aecom, Marsh and Indefi.

TMT, UK

Target MaxContact
In FPE Capital
A Dow Schofield Watts, Mazars
C Altman Vilandrie
CF Pierce Corporate Finance.
L Stephenson Harwood, Gunnercooke, JMW
T Intechnica
M Continuum Ventures, Sales Blueprint

FPE Capital has financed the management-led acquisition of MaxContact, a Manchester-based independent Contact Centre as a Service (CCaaS) platform.

MaxContact is an independent challenger brand in the CCaaS market, with clients in the BPO, financial services and utilities verticals.

Ben Booth, CEO, and the wider management team have developed the MaxContact product in recent years and have each invested alongside FPE. The deal marks the first outside investment in the business and sees a full exit for the founder family shareholders.

FPE was advised on the transaction by Stephenson Harwood (legal), Altman Vilandrie (commercial), Dow Schofield Watts (financial and tax), Intechnica (technical DD), Continuum Ventures (management) and Sales Blueprint (sales).

The management team was advised by Mazars and JMW. The selling shareholders were advised by Gunnercooke and Pierce Corporate Finance.

ENGINEERING, US

Target ANGUS Chemical
In Ardian
CF Citi and Guggenheim Securities, Morgan Stanley, JPMorgan
L Latham & Watkins, Kirkland & Ellis and Nob Hill Law

Ardian has acquired a 50 per cent stake in ANGUS Chemical Company from Golden Gate Capital at an enterprise value of c.$2.25bn.

US private equity firm Golden Gate Capital, which initially acquired ANGUS in February 2015 from The Dow Chemical Company, will retain a 50 per cent stake in the company.

Ardian said it expects the sale to close by the end of 2020.

Founded in 1935, ANGUS is the world's only company dedicated to the manufacture and distribution of nitroalkane. Its solutions are widely used to help combat the spread of Covid-19, including hand sanitizer gels, antibody treatments and vaccines.

During Golden Gate's ownership, the firm made significant investments. Ardian plans to further accelerate the company's growth through the implementation of a buy and build strategy.

Citi and Guggenheim Securities LLC are serving as financial advisors to Ardian and Latham & Watkins is serving as the firm's legal advisor. Morgan Stanley & Co., LLC and JPMorgan Securitiesare serving as financial advisors to Golden Gate Capital.

Kirkland & Ellis and Nob Hill Law Group, P.C. are serving as the firm's legal advisors. ●

PEOPLE

RIVERSIDE

Riverside Acceleration Capital (RAC) has appointed two new team members in Cologne, Germany.

Partner **Christian Stein** and associate **Michael Aring** join the firm. The pair will both be responsible for sourcing investments, executing transactions and working with portfolio companies, further expanding RAC's presence in Europe.

RAC provides flexible growth capital to expansion-stage B2B software and technology companies through an investment structure that maximises alignment while minimising dilution.

Stein joins with experience investing in expansion-stage software and technology companies and in 2015, he constructed a €275m software and technology investment fund. He co-led the fund as managing director.

Aring graduated from University College London (UCL) with a Master of Science degree in Computer Science. He was also previously an investment professional in venture capital and is interested in alternative startup financing.

ALANTRA

Alantra has appointed **André Pereira-Ambrosio** as managing director of Alantra's equity capital markets (ECM) activity in Iberia.

Pereira-Ambrosio will further consolidate Alantra's position as a leading independent equity franchise in Iberia, focusing on increasing the firm's market share across the ECM spectrum, with a special focus on the small and mid-cap space.

He will also be responsible for further developing the firm's presence in the sponsored research and corporate brokerage business, this goes beyond the stock exchange extending into the BME growth segment and Euronext, leveraging on Alantra's business knowledge and track record in additional geographies.

The new managing director has 15 years of experience in the investment banking sector, successfully giving advice on over 30 transactions worth more than €15bn, including IPOs, capital increases, M&A and debt capital advisory.

EARTH CAPITAL

Earth Capital has strengthened its European investment team, Earth Capital Europe, and has appointed two new investment directors in the UK, **Avent Bezuidenhoudt** and **Simon Crook**.

Bezuidenhoudt and Crook will join CEO Gordon Power and investment associate Joshua Hope, to make new investments from the Nobel Sustainability Fund. They will also work with NSF portfolio companies' management teams to implement their strategic plans and deliver greater sustainability performance.

Bezuidenhoudt joins Earth Capital with over 25 years of experience in investment, portfolio management and corporate finance advisory. Her career has focused on high-growth technology businesses and private equity technology transactions. Prior to joining Earth Capital, she was a senior fund manager at the FSE Group.

Crook brings 18 years of experience in clean technology and sustainable finance. He has previous experience in impact investing at Greensphere Capital, where he was an operating partner, and has also worked in senior roles at Grant Thornton and ExxonMobil.

TIKEHAU

Tikehau Capital has made two new appointments, marking the next stage in its UK growth strategy. **Carmen Alonso** becomes head of the UK and **Peter Cirenza** has been promoted to chairman of the UK, as well as chairman of Tactical Strategies.

In addition to her responsibilities in the Iberian market, Alonso will now oversee all investment strategies and capital raising for Tikehau Capital in the UK, which includes private credit, real assets and private equity. She will be running the UK office alongside Cirenza. The new team will bolster fundraising for every strategy deployed in the UK and deepen the firm's relationships with institutional investors in the UK.

Having joined Tikehau Capital in 2015, Alonso has spent the past five years building the firm's presence in Iberia, establishing the firm's regional office in Madrid, building a team covering all investment strategies and growing Tikehau Capital's offering to Iberian institutional investors. She started her career in 1996 in the leverage finance departments of UBS and has worked in investment banking at Morgan Stanley, Merrill Lynch and HVB. She also gained corporate experience managing GSK's Corporate Finance activities globally.

Cirenza has led Tikehau Capital's UK office for four years, contributing to the development of the firm's private asset strategies in the region. He has more than 30 years' experience in the finance industry.

Tikehau Capital opened its London office in 2013 and currently relies on more than 50 professionals locally.

SHERPA CAPITAL

Sherpa Capital has named **Isaac Lahuerta** as an investment director in its special situations team.

Lahuerta joins with over five years of experience, most recently working as principal at private equity firm BTC where he led special situations debt and equity investments. Before that, he served as an investment analyst at Avenue Capital Group, specialising in distressed investments.

Lahuerta's appointment comes a few months after the firm raised €120m for its third special situations fund that will invest in Spanish and Portuguese companies facing transformation situations.

At Sherpa, he will be involved in investing the special situations fund. Sherpa Special Situations III plans to make between 8 and 10 investments, writing equity tickets of between €10m and €25m, in companies of different economic sectors with turnover between €20m and €300m.

ID REGISTER

Stuart Layzell has been appointed chairman of The ID Register.

He was previously the CEO at Ocorian, a global fund, corporate and private client services firm.

Layzell has international experience in regulated businesses across both fund administration and wealth management. In addition, he previously supported PE-backed businesses, helping them to start operating on an international scale, particularly in the technology sector.

GCA ALTIUM

GCA Altium has appointed **Adrian Reed** as the new head of its Manchester office, to lead the growing team.

Reed joined GCA Altium in 2000 as a graduate and has been managing director at the firm since 2012. He specialises in technology focused transactions.

GCA Altium's Manchester team comprises 21 professionals, one of the largest dedicated M&A advisory teams outside of London. In his new role, Reed will lead the team through the next phase of growth.

Reed, who currently sits on the GCA Altium European Strategic Board, is to join the firm's UK board as a director.

MCDERMOTT WILL & EMERY

McDermott Will & Emery has made the senior appointment of **Arvin Abraham** in its global corporate practice in its London office.

Specialising in fintech and corporate transactions in the UK and across the globe, Abraham has deep knowledge in the regulatory landscape for financial institutions including banking, payments and digital assets.

Abraham will play a leading role in developing the firm's UK fintech practice. He joins from HSBC where he was a director on the global banking division management team.

Prior to that, he held management roles at Morgan Stanley and worked as an attorney at Sullivan & Cromwell and Davis, Polk & Wardwell.

Vulture

Stock scandal

A new day and another fresh scandal in the world of private equity. This time its Apollo's stocks that have taken the brunt of a scandal involving the firm's CEO Leon Black and convicted sex offender, Jeffrey Epstein. Apollo's stock dropped nearly 6 per cent last week after *The New York Times* reported that Black had wired Jeffrey Epstein $50m for consulting fees and a charity donation. What's worse, the payments reportedly came after Epstein had pleaded guilty to soliciting prostitution with a minor. And you wonder why the buyout industry has such a bad rep? Black is convinced he's done nothing wrong. "There has never been an allegation that I engaged in any wrongdoing or inappropriate conduct," the CEO stated. The old bird has a feeling his LPs might need a little more pursuading…

Diva dealmakers

In true dealmaker-fashion, a certain managing partner took the time to squeeze in a quick call with Vulture whilst riding in the back of a London cab. In the fast-paced game of buyouts, this practice is relatively commonplace. But this time Raptor got more than the typical "exclusive" when the dealmaker abruptly stopped the call midway through and started arguing with his driver. Being cooped up inside during lockdown obviously hadn't been good for this hot-headed partner, but perhaps he could remember to hit mute during his next indiscretion… or better yet, stay in isolation?

Ego wars

A journalist is nothing without his/her network of contacts and sources, something that we take very seriously here at Vulture HQ. Sometimes, however, maintaining those relationships is easier said than done, especially when it involves having to pander to inflated egos. This week, for example, saw the old bird try to juggle the competing egos of three rival general partners as they fought for their quote to be the one featured in an upcoming story. Absorbed by their grandiosity, the old bird watched in horror and fascination as three sophisticated and talented dealmakers transformed into squabbling children. Oh how the mighty have fallen… ●

Real Deals
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