

NOV 2020

 Silverfleet

EUROPEAN BUY & BUILD H1 2020



A report by Silverfleet Capital in conjunction with Mergermarket, an Acuris company



INTRODUCTION

Silverfleet Capital has analysed the trends in Buy& Build activity within the European private equity market since 1998. Based on data from respected research company Mergermarket, this report covers global add-on activity undertaken by European headquartered companies backed by private equity during the 6-months between 1st January 2020 to 30th June 2020.

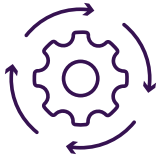
Our objective with the Buy & Build Monitor is to highlight new developments in Buy & Build activity, including: changes in the number and value of transactions during a designated year or half-year; regional trends; and identifying the largest transactions during the period.

Due to the global pandemic, there was naturally weakened activity in H1 2020. However despite the huge fall in global economic activity, private equity backed businesses still completed a substantial number of add-ons, showing the resilience of Buy& Build as a value creation strategy.

We hope you find our latest report useful. If you have any questions or would like to discuss any of the findings, please feel free to get in touch with Ian Oxley at Silverfleet Capital (London).

One final point to note is that Mergermarket converts the deal data into EUR at the rate following the day an add-on is announced, hence FX rates used in the report will vary.





METHODOLOGY



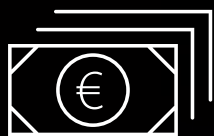
- The data used in the Silverfleet Buy & Build Monitor is prepared by Mergermarket. It only includes add-on acquisitions made by companies where more than 30% of their equity is held by one or more private equity fund(s) and where the platform business is a European headquartered company.
- The value of the add-on needs to exceed €5 million or the target should have at least €10 million of sales to be included. Datasets reported on by other commentators do not appear to have this minimum size threshold and would therefore not be directly comparable.
- One challenge that we always face when writing this report is that the data for the last quarter being reported on is usually incomplete, especially as smaller add-ons are less well reported and frequently come to light after the analysis has been completed.
- To account for this, we have typically made pro-forma adjustments to the dataset since our 2015 report. Since then, the level of adjustments have varied between 12-30%, averaging at 20%.
- For the H1 2020 dataset, as with previous reports we have applied a pro-forma adjustment of 20% (the average level of adjustment we have made in previous years) to the Q2 2020 numbers. Other than this very high-level trend we have not made any pro-forma adjustments to the data set. 16 additional transactions (pro-forma) have therefore been added to the H1 2020 reported volumes. Extrapolating this methodology of creating pro-forma numbers to any detailed breakdown of the data such as the regional analysis is however much less straightforward, so we have chosen not to do so.
- Please note that a number of possible add-on transactions have been excluded as the equity stake % in either the platforms or the add-ons were not disclosed.

Resilience of Buy& Build as a value creation strategy



253

add-on deals¹



€1.9b

Total disclosed deal value



H1 2020 MAIN FINDINGS

1

There were 253 add-ons¹ in H1 2020 in spite of the global pandemic

Despite the huge fall in global economic activity, private equity backed businesses still completed a large number of add-ons, showing the resilience of Buy& Build as a value creation strategy.

- This is much lower compared to previous half-years: 387 in H1 2019, and 350 in H1 2018
- Unsurprisingly, most of the add-ons occurred in the first quarter of the year where we saw 156 reported add-ons, compared to the second quarter with 81 reported add-ons

2

Average and total disclosed add-on deal values are significantly lower compared to prior years

Total disclosed deal value was significantly lower compared to prior years with a total value of €1.9b; only 32 add-ons disclosed values (representing 14% of total). The average deal value for the year was €59m

- vs. H1 2019: €3.5b total deal value with 50 disclosed deals (13% of total). Average deal value of €70m
- vs. H1 2018: €5.0b total deal value with 32 disclosed values (9% of total). Average deal value of €155m

3

Seven add-ons exceeded €65m with fewer “mega-deals”

- Of the seven add-ons that exceeded €65m, the deal with the highest value was €405m; unsurprisingly, all the large add-ons happened in Q1 2020
- The number of large add-ons are similar to H1 2019 and H1 2018, where 12 and nine add-ons exceeded €65m, respectively
- Interestingly, prior periods have seen bigger deals, with the highest value in H1 2019 and H1 2018 being €550m and €1.7b, respectively

4

Although most regions experienced a decline in add-on activity for H1 2020, the Nordic region was the most active in the period, with the UK & Ireland coming in second place

- With 51 add-ons, the Nordic region again was the most active region (down from 89 add-ons in H1 2019)
- UK & Ireland are in second place with 38 add-ons, down from 72 add-ons in H1 2019
- This is then followed by DACH (32 add-ons), Benelux (29 add-ons), and Iberia (20 add-ons)
- Interestingly, the DACH, Benelux and Iberia regions showed relative resilience in number of add-ons compared to H1 2019; Nordic, UK and Ireland, France, Italy, and North America showed notable declines

1) The total add-on figure is a provisional number which includes pro-forma add-ons (see methodology for further details)



TRANSACTION VOLUME AND VALUE

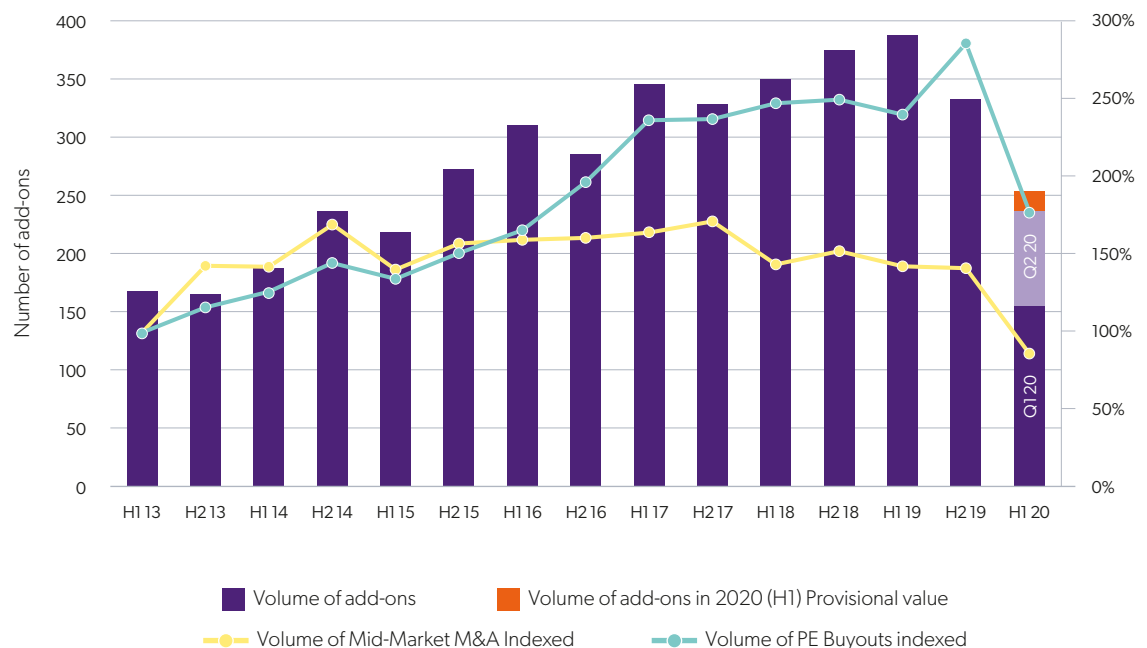
A provisional total of 253 add-ons took place in H1 2020 compared to 387 in H1 2019, representing a 35% decline. This represents the lowest level of add-on activity in the half-year since H1 2015.

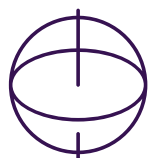
Activity levels in Q2 2020 have been revised upwards by 20% as this represents the average level of adjustment that we have made since 2015 – this is illustrated in orange in the graph below.

The graph below shows the half-yearly volumes of European add-on acquisitions against mid-market M&A activity and overall European buyout indices, based on information provided by Unquote™ data. Unsurprisingly, the volume of add-on deals, mid-market M&A and PE buyouts have all declined relative to previous half-years.

We have shown below the split of H1 2020 add-ons by quarter. From this, we can see that the add-on activity in Q1 2020 remained relatively strong, but most of the impact was seen in Q2 2020. We explore this later in Section 7 where we look at monthly trends in add-on activity.

Bi-annual volume of add-ons





GEOGRAPHIC TRENDS

We analyse the geographic data based on the location of the add-on rather than the acquiring business.

The table shows the geographic split of add-on targets acquired in the first half-years from 2018 up to H1 2020. The regions are presented in order of total activity in H1 2020.

The H1 2020 pro-forma volume adjustment of 16 is shown separately and hence we expect the geographic data for H1 2020 will increase slightly in most regions.

Target Region	H1 2018	H1 2019	H1 2020	H1 19 vs. 20 (% change)
Nordic	54	89	51	-43%
UK & Ireland	75	72	38	-47%
DACH	48	41	32	-22%
Benelux	27	32	29	-9%
Iberia	21	18	20	11%
France	42	39	19	-51%
Italy	27	32	18	-44%
CEE	9	13	7	-46%
SEE	1	3	0	-100%
Total Europe	304	339	214	-37%
North America	23	35	16	-54%
Asia-Pacific	15	7	7	0%
Latin America	3	4	0	-100%
Middle East & Africa	5	2	0	-100%
Total RoW	46	48	23	-52%
Pro-forma			16	
Grand Total	350	387	253	-35%



The Nordic region was
the most active



51

add-on deals announced



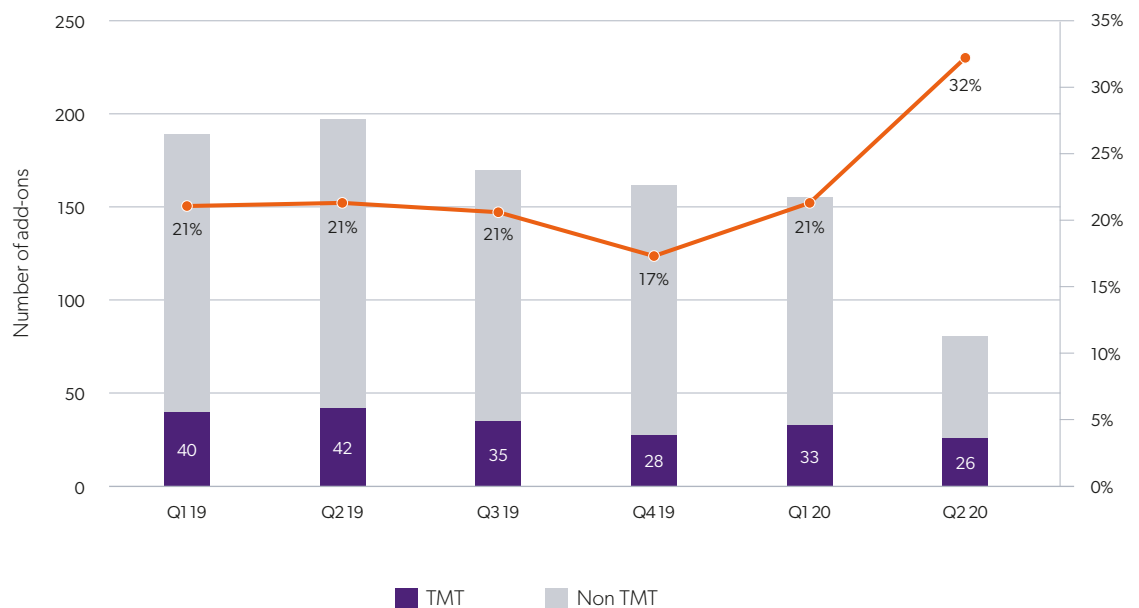
SECTOR TRENDS - TMT

Below we have analysed the evolution of TMT vs. non-TMT add-ons over the past 18 months¹.

We can see that the TMT sector has been relatively resilient during the pandemic, with 26 add-ons during Q2 2020² which is fairly comparable to previous periods. In addition, we can see that TMT has outperformed other sectors during the pandemic; in Q2 2020, they make 32% of total add-ons, up from an average of 20% in previous periods.

We hypothesise this is due to the resilience of the software and technology sector which has seen an increase in growth, driven by its fairly recession-proof and remote-working friendly macro drivers.

Add-ons by sector between 2019 - 2020 H1



1) Sectors as defined by Mergermarket

2) The data for Q2 2020 does not include the pro-forma numbers as breaking down this data by sector is much less straightforward

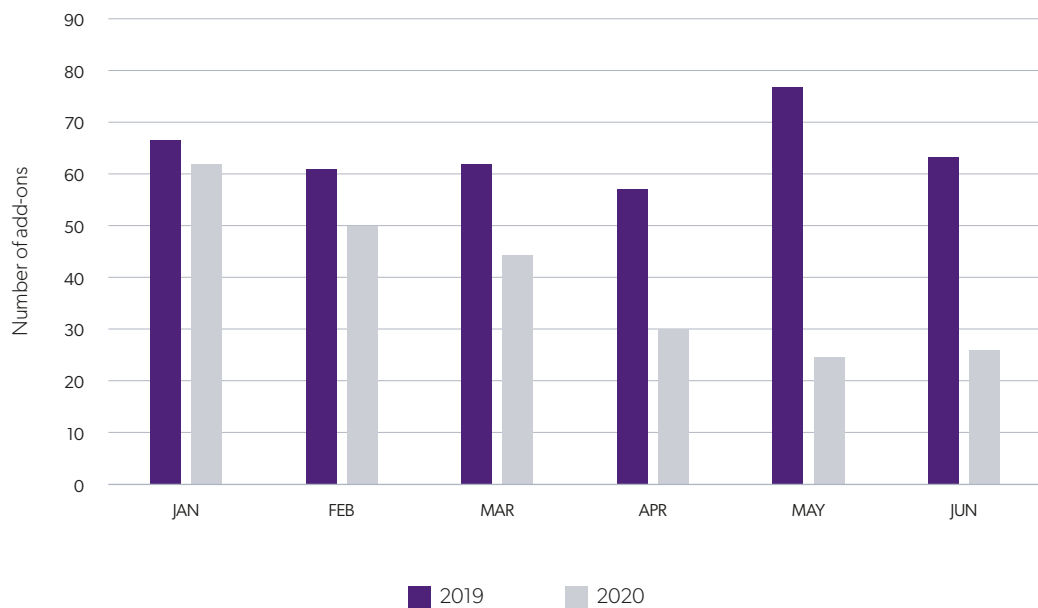


MONTHLY TRENDS

On 11 March, the World Health Organisation (WHO) declared COVID-19 a pandemic. Although the uncertainty in global economic activity would likely have affected deal volumes in January and February, we can see that the number of add-ons in 2020 drops dramatically compared to prior year numbers after March.

One challenge that we face when writing this report is that the data for the last quarter being reported on is usually incomplete, especially as smaller add-ons are less well reported and frequently come to light after the analysis has been completed. To account for this, we have made a pro-forma adjustment of 20% to the Q2 2020 dataset; however we have not allocated the pro-forma add-ons by month, as that is much less straightforward. Taking that into account, it is likely that the data for April – June 2020 is slightly underreported. Nevertheless, the additional 16 pro-forma deals would not change the overall picture.

Comparison of add-ons in H1 2019 vs. 2020








SEVEN ADD-ONS WITH EV OVER €65M

The table below presents a list of the add-ons announced in H1 2020 with values greater than €65m. These are analysed in more detail on the following two pages.

Date	Bidder	Bidder Country	Target	Sector	Target Country	Value (€m)
11/03/2020	Nets	Denmark	Centrum Rozliczen Elektronicznych Polskie ePlatnosci	TMT	Poland	405
16/03/2020	Ober Scharrer Gruppe	Germany	SpaMedica	Healthcare	United Kingdom	331
05/03/2020	The Access Group	United Kingdom	CoreHR	TMT	Ireland (Republic)	179
11/03/2020	EG Group	United Kingdom	Scotco Central Limited; Scotco (Northern) Limited	Consumer	United Kingdom	151
13/02/2020	Infopro Digital	France	Haynes Publishing Group	TMT	United Kingdom	123
25/03/2020	Advanced Computer Software Group	United Kingdom	Tikit	TMT	United Kingdom	88
23/01/2020	AlphaPet Ventures	Germany	Healthfood24	Consumer	Germany	65

Sector	Number of add-ons >€65m
Technology, Media & Telecoms	 4 add-ons
Retail, Consumer & Leisure	 2 add-ons
Healthcare	 1 add-on
Manufacturing	
Services	

SEVEN ADD-ONS WITH EV OVER €65M

Despite the massive fall in economic activity, there were seven add-ons in the half-year with EV over €65m – unsurprisingly, they all took place in Q1 2020. The sectors were predominantly in software and healthcare.



1

The largest add-on acquisition in the first half of 2020 was Nets' acquisition of the high growth merchant acquirer Polskie ePłatności ("PeP") for €405m

Nets is a formerly listed Danish provider of digital payment services backed by the consortium Evergood 5 (controlled by funds managed and advised by Hellman & Friedman). The acquisition strengthens Nets' presence in Poland and completes Nets' offering to Polish merchants.



OBER SCHARRER
GRUPPE



2

The second largest add-on in the period was the £300m acquisition of SpaMedica by Ober Scharrer Group, backed by Nordic Capital

Ober Scharrer Group is a leading German provider of outpatient treatment for major causes of blindness and visual impairment, which was acquired by Nordic Capital in April 2018. SpaMedica is a UK-based provider of eye-treatment which was acquired by CBPE Capital in 2016.



corehr
an access company

3

CoreHR, an Irish cloud-based HR and payroll software provider was acquired by The Access Group (a portfolio company of TA Associates and Hg)

The acquisition will allow the combined business to gain a bigger share in \$5.2bn European HCM and payroll market and bring the Access Workspace suite of solutions to the Irish market. Financial terms of the transaction were not disclosed, but the deal is said to be valued between \$200-500m (Mergermarket has reported the deal value at the bottom of the range).



4

TDR Capital-backed EG Group acquired the largest KFC franchise in the UK & Ireland for a consideration of £132m

The acquisition is in line with EG Group's strategy of enhancing and expanding its business in food-to-go retail sector. This add-on expands their operations in the UK and allows EG Group to enter the Irish market. This acquisition is the latest in a series of acquisitions made by the EG Group, including notably the second largest add-on acquisition reported in 2018 (EG Group acquiring The Kroger Co).



5

Infopro Digital, a France-based company providing B2B information media services, acquired Haynes Publishing for £103m

Infopro Digital, a portfolio company of TowerBrook Capital Partners, acquired UK-based Haynes Publishing Group for £103m to create a leading global information services provider in the automotive industry. The combined entity creates a compelling product proposition for the Group's partners who are increasingly seeking international software, data, and insight solutions.



6

Advanced Computer Software has acquired Tikit, a UK-based legal software business, from BT Group plc

Vista and BC Partners-backed enterprise software player Advanced has acquired BT Group-owned legal software provider Tikit. The transaction extends Advanced's technical capabilities to cater for upper mid-market and large law firms. The purchase price was not disclosed, but the business was estimated to be valued at £80m when BT was first reported to be selling Tikit.



7

HealthFood24 was acquired by AlphaPet Ventures, a provider of third-party and own branded dog and cat food for €65m

AlphaPet, a portfolio company of capiton is a leading supplier in the German online market for pet food and pet supplies. HealthFood24, also headquartered in Germany, produces sustainable and high-quality pet food in the German premium pet food market.



SILVERFLEET CASE STUDY



CARE Fertility has completed its third add-on under Silverfleet's ownership with the acquisition of Nuffield Health's Woking-based Assisted Conception Service (ACS).

After a brief industry wide shut down due to COVID19, CARE Fertility was quick to reopen its clinics in May and demand for its services has been strong since. As the company promptly returned to business as usual, it was able to successfully complete the acquisition of ACS in Woking in August 2020.



CARE Fertility is the UK's largest independent provider of fertility treatment and a global leader in the treatment of infertility.

Silverfleet acquired CARE Fertility in May 2019. Since the birth of the first IVF baby in 1978, CARE's experienced pioneering team continues to specialise in IVF, ICSI, Egg Donation, Egg Freezing and genetic testing of embryos with PGT-A and PGT-M.

CARE Fertility's 500 employees are dedicated to fertility research and treatment and are achieving excellent results for patients, with clinics in the CARE group having assisted in the conception of over 40,000 babies across the UK.



Silverfleet portfolio company, CARE Fertility, has completed its third add-on acquisition



The Woking clinic is an excellent medical facility that enjoys an outstanding reputation for patient care and exceptional results.

This valuable addition will enable CARE Fertility to expand its reach and help many more patients in the Home Counties region. The completion of the deal follows CARE Fertility's acquisition of IVI Midland in Tamworth and the Countess of Chester Hospital's fertility clinic, both in 2019.

As this add-on was announced and completed in August 2020, it will be included as part of the data for the next report.

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