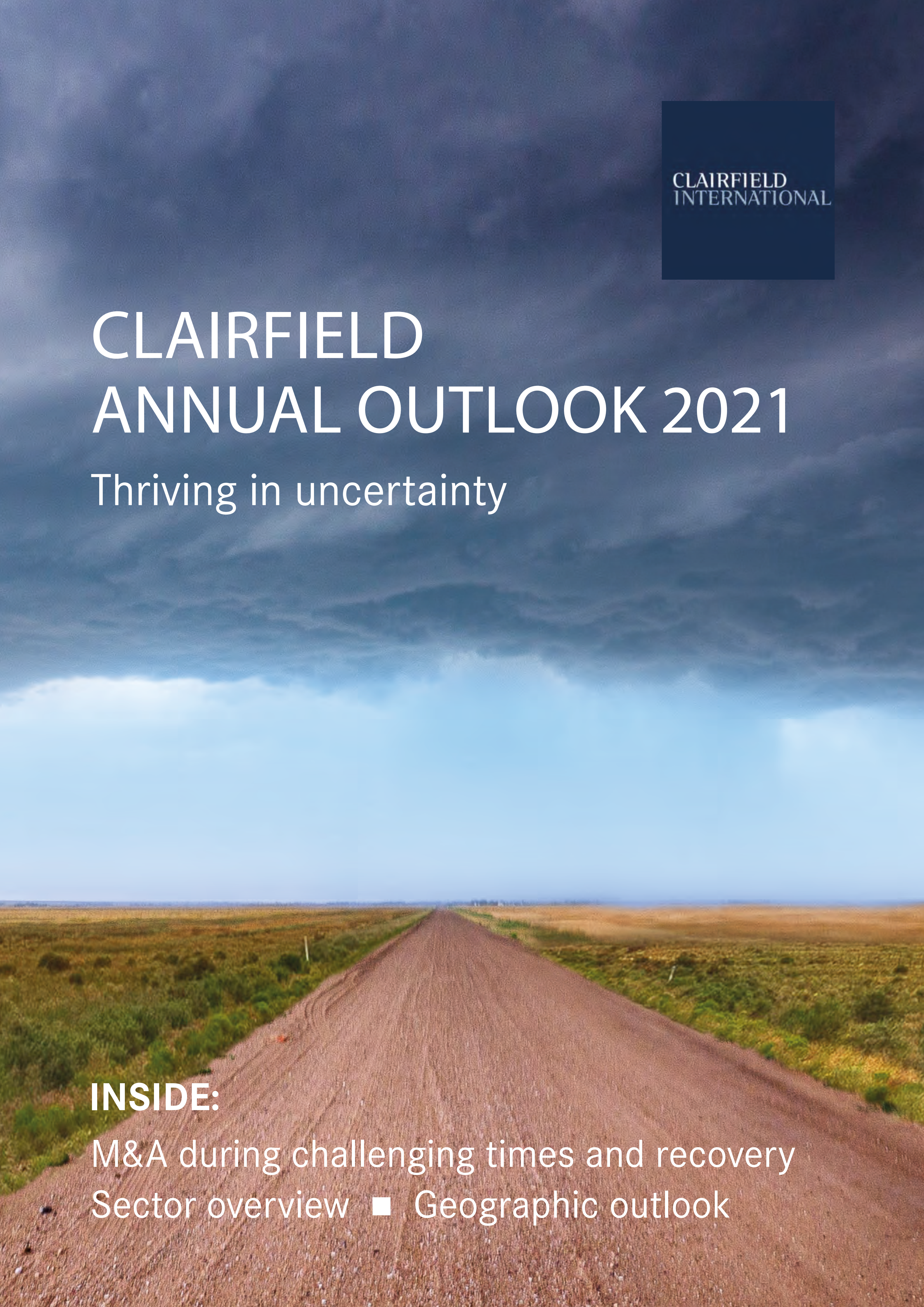
CLAIRFIELD INTERNATIONAL



CLAIRFIELD ANNUAL OUTLOOK 2021

Thriving in uncertainty

INSIDE:

M&A during challenging times and recovery

Sector overview ■ Geographic outlook

Letter from the chairman

Looking forward to a renewal

Along with the rest of the world, we are eager to turn the page on 2020 and begin a new year. As we begin afresh however, we should consider lessons learned. Will recovery from the pandemic bring us back to where we were before, or has something fundamental changed to a new normal? Clearly the pandemic accelerated digitalization in business and society at large, showing deficits in some areas with the resulting impact on competitiveness. The pandemic cannot, however, be blamed for neglecting to embrace change earlier. Automation in manufacturing, climate impact in the use of resources and energy, and digitalization in business, public services, and education are some of the most prominent factors in the new normal of shorter cycles, more frequent external shocks, and hence, greater uncertainty. The latter has impacted many businesses to hold back at a time when courage to invest and execute strategic M&A is called for. But then again, massive public debt and likely future tax increases and possible inflationary trends, lack of a true digital internal market, over-engineered state intervention in society, and ideologically-driven energy and mobility policies have not helped an open debate on sustainability, which would give confidence to present and future generations.

Was making it through the pandemic just a test for businesses that were going to thrive anyway? In this year's edition of the *Clairfield Outlook* we focus on businesses that have successfully embraced the challenges of last year and beyond.

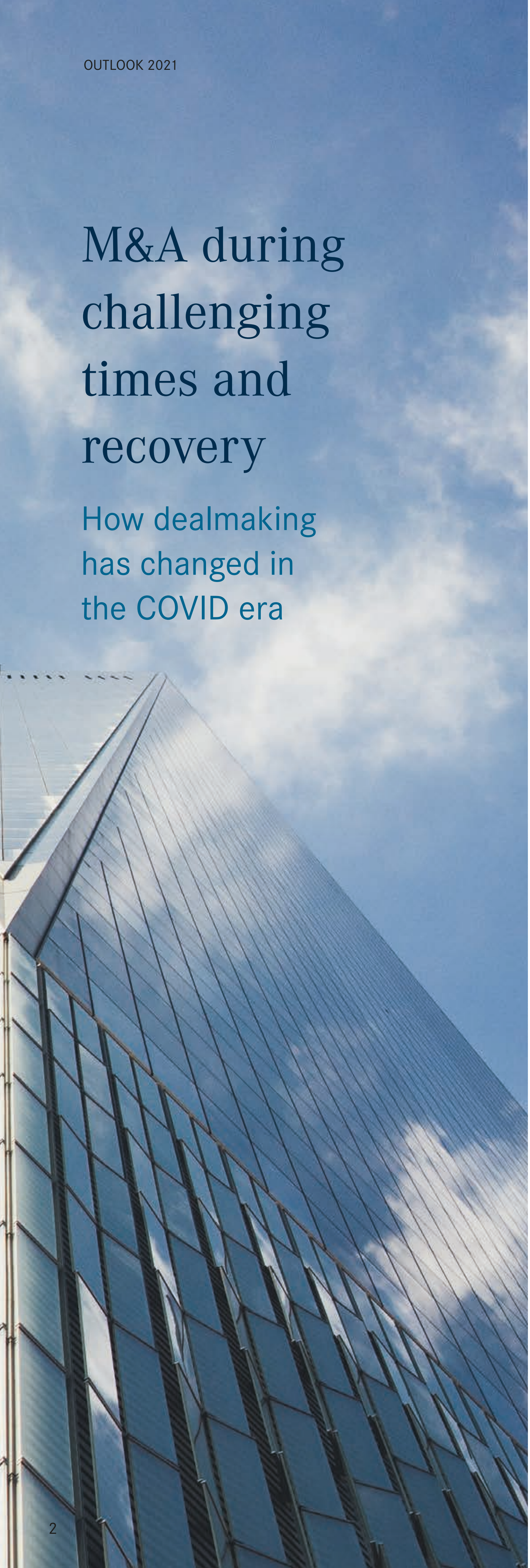
We are privileged to count ourselves among these thriving businesses. Our long-established firms in countries across the globe and longstanding relationships with our clients have seen us through 2020 for which we are thankful. Our Capital Solutions group became especially relevant as clients sought advice on debt financing and other equity solutions. We closed over 120 M&A transactions in 2020 on behalf of our clients, a year that required special skills in COVID-adjustments in business plans and valuations, due diligence and transaction structuring, and contract negotiations. We are honored to have assisted our clients in these troubled times.

This year's publication focuses on innovative businesses and topics that have gained in relevance: digitalization, health, environment, social impact, and governance. We also examine strategic advisory in the year ahead. We see recovery in some sectors and an increasing tendency to consider organic capital investment, and merger and acquisitions for growth as well as non-core asset disposals to lighten balance sheets and focus management attention.

We thank our clients, senior advisors, and all contributors who shared their thoughts and experience in this year's *Clairfield Outlook* and we invite you to join us in focusing on new beginnings. On behalf of the Clairfield team, we look forward to working with you as we seek to recover and thrive in 2021 and beyond.

Alexander Klemm
Executive Chairman
aklemm@clairfield.com

Contents



M&A during challenging times and recovery

How dealmaking has changed in the COVID era

Entrepreneurs thrive in uncertainty. Will 2021 be another example of overcoming adversity?

Alexander Klemm is chairman of Clairfield International. Alex has advised many international and domestic clients in M&A and equity capital markets transactions over his long career in international banking.

Global M&A was initially knocked off balance by COVID-19 in the spring. But pipelines were full in early 2020 and deals got done. After a slight lull M&A activity roared back to life during the remainder of last year. Yet many unknowns remain as to the long-term economic repercussions.

Heading into 2021, we face similar economic and geopolitical uncertainties as we did twelve months ago. Some situations are evolving as they take their course: the impact of policy initiatives under the Biden administration in the US, China's role and relationships across the world, the new EU trade treaty, and what Brexit actually means for the UK and Europe. We expect to see M&A activity to increase dramatically when the path to economic recovery comes into focus. This clearly depends on how the virus, vaccinations, and public response in terms of stimuli to the economy have an impact.

Overall – 2020 was a buoyant year in global M&A

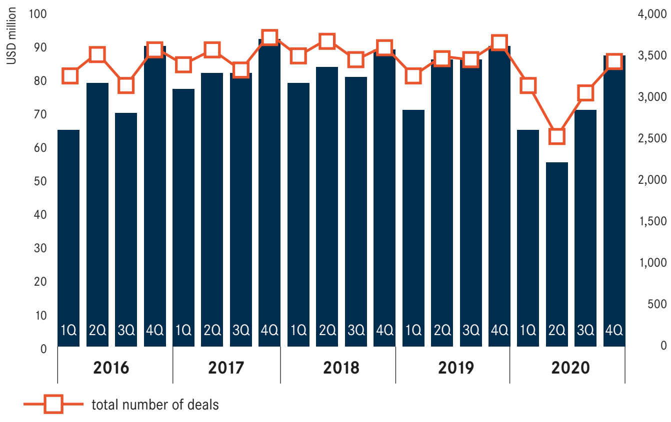
2020 began with significant economic and geopolitical uncertainties, and then the pandemic upstaged all other considerations. But for M&A markets at least, the second half of the year showed opportunity and resilience. Global transaction numbers held up well with both value and volume of deals almost identical to the previous year. Global midmarket M&A deals with value under USD 500 million (including undisclosed value deals), reached approximately USD 952 billion during full year 2020, virtually the same as the previous year, according to Refinitiv. By number of deals, midmarket transactions barely decreased to about 48,700 deals, only a 2% decline compared to a year ago. Bigger differences are seen in the private equity sphere, where PE-backed midmarket M&A deals increased 30% to USD 216 billion, an all-time record.

"I see many decision makers who adhere to the motto when the winds of change blow, some build walls and others build windmills."

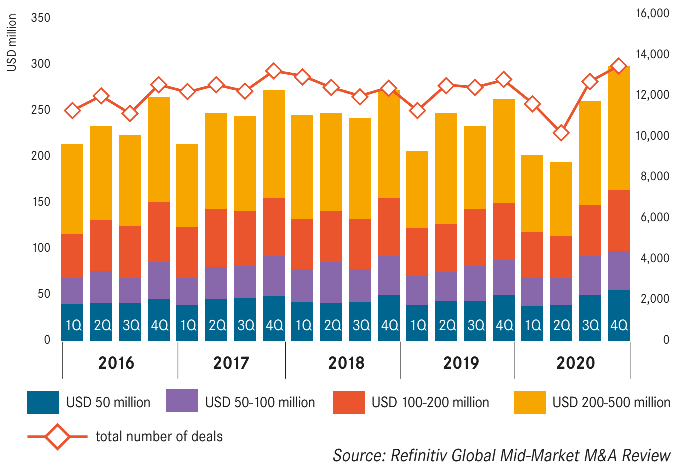
Dirk Middelhoff

A few key themes were prominent in last year's transaction

Global midmarket crossborder M&A, up to USD 500 million



Global midmarket M&A, deal size composition in USD billion



Source: Refinitiv Global Mid-Market M&A Review

activity, which are likely to also be relevant for years to come. The pandemic accelerated many issues in business in terms of digitalization, business models, and growth perspectives. The events of 2020 catalyzed fundamental shifts in the way that the world lives, works, and plays, not least the importance of technology, science, and health in all of our lives. The pandemic implied competing priorities for capital regarding immediate challenges of the business downturn, financing structures being stressed and firefighting being the order of the day particularly in sectors under duress. Clients and advisors focused on risk allocation and execution. In our business, creativity and innovation in deal structures, valuation and pricing, contracts, and partnering situations were essential elements to de-risk M&A transactions.

"Companies with a consolidated market positioning and strong financials should not be afraid to make strategic choices in times of uncertainty. The best growth opportunities generally arise in these periods of discontinuity and companies have to be ready to seize them."

Filippo Guicciardi

The rebound in activity sustained high levels of M&A activity, say Clairfield transaction advisors. "Deal appetite from private equity groups and corporates stayed consistent and once private credit markets stabilized things really took off," says Christian Given, of Clairfield in Atlanta. Filippo Guicciardi of Clairfield Italy agrees. "Compared to other recent crisis periods, M&A did not collapse. Most of our transactions that began before the pandemic were successfully closed, even if with some changes in valuation or type of counterparty. In terms of M&A transactions, COVID has been a transitory situation and not a structural economic crisis."

Activity with agility and persistence – getting deals done

M&A is a people business and therefore it came as a welcome surprise that deals could get done without both sides in a transaction frequently meeting face-to-face. But apart from the physical distancing issues, Clairfield financial advisors have noted few other significant changes to the deal process, as long as due diligence is observed. Digital management meetings and virtual site visits were common, as technology in greatly enhanced quality and utility made it possible. We have not seen any significant change in risk appetite from our clients. Investors are doing extra due diligence to understand the impact of COVID and the potential risks of an investment, but this is just an extension of the existing due diligence process and has not impacted our deals materially.

Key for clients and advisors alike is the need to understand the economic impact of the pandemic on any target. Buyers specifically must focus on normalizations as part of their due diligence regarding effects of the pandemic on trading and projections. Other issues to assess are government support, advantages of regulatory easing that may give rise to future liabilities (such as deferring tax obligations), steps the target may have taken in relation to employees, and how resilient the target's supply chain and customer base have proven to be.

Clearly larger and often listed corporates are affected by compliance with legal requirements (for example, in relation to redundancies), potential reputational or industrial relations issues, environmental issues, and restrictions on distributions to shareholders or executive pay as a condition for government aid. As a result, buyers need to consider whether to seek information about, and warranties in relation to, such areas that may have been put to the test as a result of the pandemic.

"Some caution is always prudent when times are uncertain, but uncertain markets also create opportunities. One of our mantras is that companies should only undertake M&A if it accelerates a strategic objective they already have in place. So if uncertain markets create an opportunity to do this, go for it!"

Sharon Doyle

In addition to enhanced due diligence, we have identified three main changes in the M&A process: accelerating the deal once the key terms are agreed to avoid the impact of external factors; negotiating MAC (material adverse changes) clauses with greater attention and avoid walk away opt-outs pegged to COVID cycles; and more in-depth discussion of conduct of business between signing and closing, as it can take longer than initially planned to close the deal. As regards deal terms, we are seeing a greater focus on earn-outs based on the final numbers. In terms of W&I insurance as part of transaction structures, we don't see more than in previous years but insurance companies are offering less expensive packages with more coverage at the moment.

Looking ahead

A K-shaped economic recovery from the COVID-19 crisis is beginning to form across many industrial sectors. The market has rarely if ever polarized so quickly, with so much of the economy off-limits for investors (aerospace, automotive, hospitality, live events), meaning there is much cash left chasing opportunities in areas of the economy that are growing and developing. This has been driving up valuations in certain key subsectors and will continue to drive demand in 2021. There is a real split in valuations between high-growth tech and COVID-resistant businesses in comparison to those hit hard by COVID, particularly in the services and consumer sectors with fundamental changes in how consumers shop, where they work, and how they fill their leisure time. This will have a huge impact on the high street, city centers, product delivery, foodservice, and hospitality and leisure. Valuations could continue to increase for COVID-enhanced companies that are making use of the situation and have modern service offerings and payment schemes. Unfortunately, stability in certain sectors will not return for some time yet. We expect a significant increase of insolvency cases and non-core asset disposal projects in 2021.

"While extreme events bring into question the long-term stability of businesses, they can also make others feel more resilient. 'If I can get through this I can get through anything!'"

Gary Ecob

This year will probably be a year of transition in business. Nevertheless, we expect a positive year in M&A driven by the aggregation opportunities that will be pursued by the leading companies in each industry. Eventually we can expect a certain euphoria as we cycle through to recovery.

In the few world territories that have managed to get the pandemic under control, such as Australia, consumer confidence has returned. Driven by stimulus, low interest rates, and the retirement rate of the baby boomer generation, our Australian colleagues are expecting a lot of deal activity, particularly on the buyside as companies see this period as an opportunity to acquire competitors.

As long as interest rates remain low, we can expect that valuations will continue on the high side, especially for companies that have shown themselves to be virus-resistant. A race for investment in particular subsectors will continue to drive valuations up. Parts of the market connected to home delivery in the consumer sector, for example, are likely to see growth steady and flatten out as the astronomical growth slows. We do not foresee a decline, however, and this sector will remain very attractive for investors and particularly private equity. The high value of publicly listed companies will also buoy valuations. There is too much private equity dry powder and cash on corporate balance sheets to see too much of a pull back in multiples.

In the wake of the 2008 financial crisis, a surge of M&A transformed advanced industries—including the automotive, machinery, semiconductor, electronics, aerospace, and defense sectors—and post-2020 activity promises to be even larger and more disruptive. Clients and M&A are impacted by trends that have been brought to the fore this year: digitalization, supply chain issues, connectivity, and energy transition. Various studies and observers say that now is the time for action as the pandemic has created opportunities for winners in a sector to shape the future of the industry

"If the price is right given the uncertainty, there is no reason to delay a transaction. In fact, it can be a good opportunity."

Luiz Penno

and set the stage for the next S-curve of innovation, growth, and leadership. McKinsey research suggests that the companies that act boldly, quickly, and decisively improve their odds of outperforming competitors over the long run. They do so by understanding their M&A capacity, transforming their approach to value creation, and strengthening their programmatic-M&A set up. 2020 saw a lot of high-speed, situational decision making. Moving into 2021 it is time to find the conviction to capitalize on the trends shaping the future of industry, which are only accelerating.

Private equity impact

In 2020, private equity funds were back to being the dominant buyers in M&A processes due to their liquidity and to less competition from industrial buyers who often suspended their investment strategies due to the coronavirus crisis. The prominent role of private equity will likely continue in 2021 and result in continued high level of demand for middle market deals.

Many private equity firms are keen to deploy capital and very appreciative of deal flow. However, at the same time, due to COVID their appetite has changed slightly with a higher watermark to get a deal through and a strong focus on industries that are either enhanced by COVID, or COVID resistant.

We have noted special offers from private equity for COVID-impacted firms. More and more investors are willing to offer valuations based on pre-pandemic numbers and with bonuses in valuation if targets recover in 2021 or 2022.

“Private equity was able to invest in 2020 and some were quite aggressive despite market conditions. Too much money means competitive deals and rising valuations.”

Joseph Sabet

Positive M&A outlook for 2021

Transaction activity is likely to rebound and stay at high levels due to strong balance sheets, cash of many corporates, and private equity dry powder as well as low interest rates that are likely to continue into 2023, given stimulus programs and public debt. We also believe that improved consumer and business sentiment due to a new US administration that is perceived as more friendly to trade and consumer stimulus programs will have a positive effect. In this vein, following the US in late 2020, there are further elections to come in Germany (2021), France (2022), and elsewhere.

As corporates review business models in the context of the pandemic, they will align business models and look to M&A for value creation. We expect to see more M&A activity to revolve around the following themes:

- Consolidation at OEM and supply chain level, more nearshoring and investment to mitigate against external shocks.
- Non-core asset disposals to realign portfolios, distribution models, and products.
- Restructuring balance sheets and striving for asset-light business models.
- More services to generate recurring revenues and increase proximity to the customer.
- Acquisition of technology to innovate, create barriers to entry, and increase pricing power with proprietary IP and know-how.
- Activist shareholders and capital markets premia on ESG compliant corporates.
- Focus on ESG and sustainability.

Public corporate and private family businesses alike are expected to focus on these themes. We therefore encourage our clients to focus on strategy and embrace M&A as a programmatic development tool, securing alignment between investors and stakeholders, and a leadership team’s strategic work.

Environmental, Social, Governance: Building back better

The COVID crisis has added to the challenges and drivers toward ESG.

Bettina Gereth is an impact investing consultant and senior advisor of Clairfield specializing in corporate responsibility. She is an entrepreneur in the sustainable finance sector, having previously worked in structured finance and debt advisory.

The definition of what it means to be great in business is changing and along with it, the idea of corporate responsibility is evolving. Those changes have a direct impact on corporate investments. Initiatives relating to Environmental, Social, Governance (ESG) have become an important part of successful mergers & acquisitions, a trend that the COVID-19 pandemic has accelerated. We expect it to play an even greater role in 2021 and beyond. The new normal will entail an assessment of ESG issues in vetting transactions and potential targets, and as a standard part of the due diligence process.

Shifting perspectives

World perspectives are shifting. Both countries and companies are moving to adapt and adopt informed operational strategies as they respond to different challenges. Environmental challenges are paramount. Industrialization and fossil fuels have led to pollution and global warming. There are also a range of negative externalities stemming from human activities, from an overabundance of trash to deforestation. Climate change, greenhouse gas (GHG) emissions, and resource depletion are chief concerns.

There is also growing awareness around social challenges. Inequality is rampant. In addition to gender and racial discrimination, there are also issues surrounding societal responsibility. Over 700 million people live in extreme poverty while atrocities such as slavery and child labor are still realities in many parts of the world. There are also conflict regions and indigenous communities to consider as well as broader issues of health, safety, and employee relations.

Economic conditions are in play as well. The depletion of traditional energy sources impacts growth. Governments need to consider how to address climate change while avoiding recession and the companies who operate in that sector need to abide by environmental regulations while maintaining or preserving profitability. There are also questions of executive pay, gender, political donations, tax strategy, and board diversity.

Key drivers toward ESG

Global challenges are significant issues, but there are other drivers that encourage ESG goals and they are no less significant:

Public awareness: Public awareness of ESG-related concerns is increasing. Independent groups of researchers and scientists are working towards more awareness, but they are not alone. In addition, think tanks and non-profits as well as grassroots organizations are taking part.

Corporate pressure: The shift in mentalities and increased social pressures are compelling many corporations to embrace ESG concerns, anticipate regulations on the horizon, and participate in sustainability goals.

Government regulation: Governments are under increasing pressure to take stronger actions and address Sustainable Development Goals ("SDG") originally set by the United Nations and further developed by a whole ecosystem of governmental and self-regulating bodies, including the EU Commission's "green deal", sustainability codices, and asset management guidelines. In turn, this creates stricter corporate internal regulation and stronger commitments to sustainability policies.

ESG a success factor in the COVID-19 crisis

The COVID crisis introduced additional concerns as people and economies struggle to remain profitable in the face of the pandemic – and those with ESG in place largely did so. More than 70% of the major ESG funds outperformed the S&P 500 during the onset of the COVID crisis.

Many challenges remain but the trend is your friend. ESG investing is already reshaping global capital markets. Private companies and projects are increasingly being evaluated by third party providers of reports and ratings. At the same time, the tangible benefits of ESG and SDG are being studied and publicized. In some cases, ESG can validate the divestment of non-core activities or assets, for example, subsidiaries that do not align with sustainability efforts or operate in a geographic area that does not align with corporate goals. ESG can also introduce buyside opportunities for vertical integration and other synergies.

Finally, ESG can improve sourcing. Sustainable development and financial performance are linked in a variety of ways. For example, more inclusive supply chains can be more cost effective because they can allow raw material sourcing closer to the end market. Similarly, when companies focus on targets with clear ESG objectives they may identify new geographic areas or lower cost products for existing markets.

ESG and the bottom line

ESG and compliance with Sustainable Development Goals can have a significant impact on company bottom lines. Reports show that a strong ESG proposition correlates with higher equity returns while ESG assets have consistently displayed higher valuations in the recent years. Even ESG ETFs are outperforming the S&P 500 as well as MSCI Europe, among other indices.

SDG addresses the elimination of poverty or hunger as well as overall wellbeing or access to education. They also encompass gender equality, reduced inequalities, and decent work conditions. SDG can involve environmental concerns as well, such as sanitation, clean energy, climate action, and responsible consumption. These sustainable development goals are becoming integrated parts of company culture and create their own ecosystems as a result. When companies adopt ESG/SDG and integrate those criteria into the way they are structured, they create a sustainability ecosystem that offers synergies throughout corporate operations and supply chains. These benefits improve profitability and public perception, but the advantages do not end there. Company performance and valuations are also impacted.

Companies with ESG/SDG in place tend to have higher valuations. Numerous studies have already demonstrated that environmentally aware, socially conscious, and climate-compliant companies performed better during the COVID-19 crisis than those without these policies in place. Further, companies with strong ESG propositions post higher equity returns.

Mergers & acquisitions and ESG

ESG has been a hidden success factor in many M&A transactions. It can act as a proxy for firm culture. A review of 231 M&A deals by Sustainalytics found ESG or cultural compatibility to

MEXICO/US
Te Creemos Financiera Popular
acquired
FINSOL

ITALY
LADURNER
RENERWASTE
was sold to
snam

HUNGARY
GREEN FOX ACADEMY
raised funds from
IMPACT VENTURES

AUSTRALIA
Foresters Community Finance
was acquired by
Cufa

FRANCE
ecolotrans
backed by
IMPACT PARTENAIRES
was sold to
private investors

ITALY
Ambiente & Nutrizione
sold
VOMM
to
Aksìa group

positively contribute to the success of post-merger integration. ESG compatible transactions saw performance that was more than 20% higher than ESG incompatible deals as measured by cumulative returns after completion. Interest is growing among investors and other stakeholders in understanding and assessing the performance of companies based on ESG metrics. Companies will be disclosing ever more significant amounts of quantifiable information on a basis that will permit comparisons within and across industries. This information will be used by companies, investors, asset managers and other stakeholders in making real-world business decisions, including decisions relating to M&A.

ESG investment activity

While ESG is not yet fully embraced by M&A advisors, institutional investors and capital markets are much more advanced. The past year has seen institutional investors and other stakeholders stressing the importance of ESG disclosures by their portfolio companies. We see this also in in the private equity industry.

The impact of ESG on dealmaking manifests itself in several ways. While some companies show a preference for innovative, renewable-based target businesses, there is also the issue of how well acquisition targets match or complement company ESG efforts. Finding cultural matches and ESG synergies add an additional component to issues surrounding governance, compliance, and morality. Consider too the influence of lenders. Many financiers and funding sources are looking at ESG as a risk factor that impacts the creditworthiness of companies and industries.

Opportunities for advisors

The impact of the growth in ESG on M&A cannot be underestimated. In the near-term, ESG performance will be incorporated into company valuations and risk assessments, and acquirors and targets will be expected to factor in ESG performance when evaluating the impact of potential transactions. All aspects of M&A will be affected; for advisors, key questions will be:

- Client vetting: Know-Your-Client and client considerations in creating and adhering to an ESG strategy, being in an industry that is exposed to ESG risk, etc.
- Transaction vetting: is this a deal one should be involved in as an advisor if there is high break-up risk due to ESG issues in due diligence, support from investors, lenders, and so on?
- Due diligence criteria in ESG: does one need to understand ESG better and develop a specific skill set to assist clients? ■

The new due diligence

At Clairfield, we are adapting our diligence to reflect the new ESG reality. We are including ESG issues as part of our valuations and focusing on sectors and markets with high ESG/SDG potential. Here are some of the metrics we are using to benchmark ESG considerations when looking at business situations:

Energy:
- Total energy consumption and energy per unit/employee
- Source of energy
- Potential energy savings
- Total greenhouse gas emissions

Recycling:
- Total waste and waste per unit produced
- Amount of waste recycled
- Percentage of material recovered for reuse in a circular economy
- Recycling schemes within the company

Suppliers:
- Supplier agreements and supply chain partners screened for accordance with ESG
- Percentage of product recalls for safety or healthy reasons
- Percentage of the supply coming from sustainable sources

Innovation:
- Percentage of revenues from products at end of life-cycle vs percentage of new/enhanced products introduced
- Total R&D expenses
- Partner/supplier agreements to develop new products
- Number of patents

Staff:
- Staff turnover
- Training programs in place
- Age and gender distribution of employees
- Women in leadership positions
- Absenteeism rate, accident rates, staff health issues

These issues crop up in any typical due diligence exercise by investors and buyers of businesses. With the ESG/SDG hat on, these become ever more specific and relevant to the new age in due diligence. Clairfield advisors are well equipped to discuss these requirements with sellers of businesses, buyers and investors.

An Industry Perspective on Environmental, Social, Governance and M&A

ESG is more than a management buzzword. It is a term that encompasses all aspects of a truly sustainable future.

Martin Laudenbach is a senior advisor to Clairfield for the chemical sector. He has held senior leadership positions at BASF, Almatis, Solvay in Europe, North America and Asia, is a board member of CIECH, a Polish chemical company, and chairman of Calucem, a German chemical business owned by Ambienta, an Italian ESG private equity fund.

Environmental, Social, Governance (ESG) concerns have seeped into modern consciousness. ESG is a concern for many consumers and most corporations have adopted ESG policies and practices. However, strong ESG policies are not limited to public-facing corporations, renewable energy producers, or trendy consumer companies targeting eco-conscious millennials. The chemical industry, where I have spent my career, is significantly influenced by ESG and that, in turn, impacts merger and acquisition activity in that sector. To understand its influence, let's start with an understanding of ESG in practice.

ESG includes governmental regulations as well as societal pressures, trends towards environmental awareness, and efforts around environmental responsibility. The way it manifests itself within the chemical industry differs from other industries. While automotive companies, airlines, tech firms, and retail stores often benefit from consumer goodwill, chemical corporations rarely have that advantage, prompting them to adopt ESG policies long before the acronym appeared.

One reality is that ESG is the next logical step in good management practices. The best-run companies in any industry understand how to maximize their value. ESG practices, smartly and strategically executed, allow them to manage their operations to produce the highest sustainable earnings. ESG also has benefits for investor portfolio strategies. Eyeing investments with a mind towards company ESG policies can help identify M&A targets as well as provide insight in the best way to manage portfolio assets. However, investors need to fully understand how and why ESG has that level of influence before they can predict movement within the sector.

The connection between ESG and the chemical industry

Environmental, Social, Governance is inextricably part of the chemical industry. Our modern, material world is chemistry at work, making chemicals part of the problem and the solution. While we as a society need chemicals to produce everything from the clothes we wear to the technology we use, chemicals inevitably impact the environment. Resources are consumed and manufacturing produces effluents that consumers are well aware of. However, chemistry is also part of the solution. Chemistry is behind more efficient materials and more effective recycling. The industry can also help expand the resource limits of finite materials. In many ways, ESG is both a challenge and an opportunity.

Within the Environmental, Social, Governance class of concerns, imperatives fall into several categories. Some standards are "Must Follow," meaning that they are absolute requirements while others are "Smart to Follow" or "Wise to Follow."

Must Follow: Must-Follow ESG issues threaten the survival of the company or at least its bottom line. Chemicals can be toxic and explosive so they are highly regulated, and violations or sanctions can be expensive. In the 1980s, companies learned of the impact of these Must-Follow standards the hard way (Hoechst, Sandoz, Seveso, Bhopal, to name a few tragedies) and that trend has only continued. In 2015, the Tianjin explosion caused China to start buckling down on ESG and various lawsuits in the United States have caused continuous tightening.

Smart to Follow: ESG standards can also be Smart-to-Follow. Chemicals often meet public skepticism. They can be smelly and toxic, which leads to distrust and a general lack of appreciation for chemicals' indispensable contribution to modern life. Even among completely benign chemicals, there is an inherent bias which may result in distrust from the community and difficulty attracting talent to the company. Companies in the chemical industry often adopt voluntary transparency and traceability to boost credibility, and many investors and financiers are starting to require these efforts because they have seen how well they work.

Wise to Follow: Other ESG standards may not be required but they are smart or Wise-to-Follow. These are efforts that have negligible immediate impact on profits and may be difficult to quantify on a benefits basis, but they allow the company to stay ahead of regulations and societal trends. Companies and associations contribute resources and expertise to politicians creating ESG policies and timelines. Areas of focus include gender equality, green energy, and sustainable manufacturing.

ESG as a strategy

Several larger corporations have started to use ESG as a core element of their strategy, working to integrate ESG into every element of their business. For example, Solvay One Planet creates public ESG targets that are on par with their financial targets. They developed a sustainable portfolio management system and adopted an M&A strategy based on ESG-influenced megatrends. Gender equality has become a focus area. BASF is another good example. Its goals are linked to the UN's Sustainable Development Goals. They are pursuing carbon neutral growth until 2030 while targeting sales growth above chemicals market growth.

Other companies, such as Ambienta, were founded with a focus on sustainability. Each portfolio company establishes ESG targets, reports of which become part of the Annual Investors Meeting, the quarterly board meetings, and the monthly scorecard. Poland-based chemical group Ciech joined the UN's Global Compact in July 2020. The firm benefits from an anchor investor with ESG value orientation that has made a sustainability commitment.

The ESG reality today

The Environmental, Social, Governance reality today is complicated. While most companies and people agree on the importance of ESG, the implementation of those standards is a fraught task.

Transition speed is an important issue. It takes time to transform portfolios and even longer for companies to adapt their technology while avoiding stranded assets in the process. Financial performance needs to offset the investment of adopting ESG policies or they need to offer long-term value that is tangible to stakeholders. There is also a competitive aspect to consider. Some countries have less advanced ESG regulations and guidelines which can make it more difficult for companies in stricter regions to compete financially with those entities. Government subsidies are one element that companies can track, or they may look at where the US is headed (even if the EU is not there yet or vice versa).

In the short-term, there are significant challenges. For one, companies need to do research before committing to an ESG initiative or direction. Informational uncertainty is one element, especially when the cost to generate meaningful data is so high, but there are other challenges too. The COVID pandemic is a major disruption, as are emerging technologies and broader societal trends.

Understanding the ESG impact

We believe that understanding the implications of ESG on targets and deals is becoming more important. Environmental, Social, Governance concerns may not change the world overnight, but they are already having a measurable impact. Investors need to include ESG in their portfolio strategy in order to remain competitive. We recommend looking at M&A targets and managing assets with an eye towards which companies are being proactive in ESG. ■

M&A FOCUS IN 2021

In 2021 we foresee activity in these focus areas

Disposal of non-core assets

Corporate carveouts are often linked to underperforming assets. Strategic focus has shifted to portfolio management, and to emerging stronger into opportunities beyond lockdown. Non-core asset disposals and carveouts were aggressively pursued by corporates last year, shifting management attention away from marginal activities. We have seen many businesses take the opportunity to consider their spending in all areas, and enter this year feeling leaner and more efficient, and subsequently confident in their own business models.

Many disposals are turnaround or former turnaround situations. The asset is not thriving in its current home; perhaps it is not getting the attention needed from a parent company that is now focusing on new technologies or regions. In a disposal situation, a thorough study of a buyer universe must be undertaken and the timing of the transaction must be carefully considered. A tenacious deal team is a must, and they must possess creativity and patience to look beyond the obvious buyer pool to find the ideal home for the asset.

Given underperformance in many businesses in recent months, coupled with an excess of dry powder on the private equity side, it seems likely that we will see more such disposals in 2021. Any sellers will have to be certain of what they want to achieve and what they will do with the cash once they sell.

FRANCE/SPAIN/SWITZERLAND

solocal sold adqmedia to AS EQUITY PARTNERS

GERMANY/CHINA

vossloh Locomotives was sold to CRRC

SWEDEN/NETHERLANDS/CANADA

SAAB sold QPS. to total specific solutions

AUSTRIA/GERMANY

christof group CEA was sold to SPIE

FINLAND

Call center BPO of elisa was sold to eniro

GERMANY

Gehring was sold to NAGEL HONEN SUPERFINISHEN

DISTRESSED SALE DEAL SPOTLIGHT

Clairfield exclusively advised insolvent Gehring Technologies on the sale to the Nagel Group

The events of last year brought into sharp relief the businesses that succeed and those that barely survive. Companies are struggling to get access to new or extended liquidity, and it seems that the number of impacted businesses is higher today than in the crisis of 2008. Government action around the world has been instrumental in buoying up faltering businesses, but as aid programs come to an end, other business saviors will have to step in. The good news is that financial institutions are stepping up to make resources available and there are many investors looking for businesses to support.

In distressed situations, a strong team that can work under legally mandated time pressure is essential in order to save iconic businesses and forestall layoffs. The Gehring transaction is a prime example. Clairfield's project team managed a multi-phased fast-track M&A process under extraordinary circumstances including:

- Identification and approach of a buyer universe of strategic and financial investors.
- Evaluation of indicative offers and selection of bidders qualifying for the next process phase.
- Population of the virtual data room and evaluation of critical information.
- Management and assistance of parallel due diligence processes together with the management (financial, legal, commercial, crossborder tax and ES&H) and external advisors.
- Set-up and execution of on- and offline site visits, strategy workshops, and expert calls.
- Support in antitrust issues and acquisition concepts to secure a flawless transaction.
- Coordination and harmonization of all parties involved.
- Support in negotiations up to signing and closing.

The competitive process was conducted mainly online during the COVID lockdown and was concluded in under 10 weeks.

Taking private

Public to private transactions are an ever-present feature in M&A. Weighing up advantages of private versus public ownership is on the agenda of any public company director. The takeover of a publicly-listed company and taking private, either stand-alone, typically with the backing of a financial sponsor, or by being absorbed by a larger strategic buyer, occurs throughout the market cycle. P2Ps have become more topical now that we are seeing reduced asset values driven by the COVID pandemic. Public companies will likely see both wanted and unwanted takeover approaches in the next 12 months. Typically these have been fairly evenly divided between strategic and financial investors.

For P2P we are seeing activity on assets severely damaged by COVID. However we also see resistance to opportunistic investors. There is an understanding that time and a vaccine will heal much of the damage.

The liquidity situation on the private equity side will also drive public-to-private transactions. Companies have too much cash on their balance sheets and once you subtract the cash, valuation is reasonable for those companies underperforming the market.

There can be a substantial difference in the price paid depending on the nature of the investor. Listed takeover targets cannot always control their public market position, but they can better control the process by managing advance preparation. In addition to active strategic investor relations, management needs to have a defense manual ready and a plan for how to engage with bidders most likely to pay a strategic premium.

ASX-listed National Veterinary Care Ltd, the Australian and New Zealand veterinary services provider, sold 100% of the issued share capital of NVC to VetPartners, another provider of veterinary services. VetPartners now holds all the shares on issue in NVC, and NVC has been delisted from the ASX. The transaction values National Veterinary Care at a fully diluted market capitalization of AU$ 251.5 million and an enterprise valuation of approximately AU$ 325.5 million.

Clairfield's industry expertise was instrumental in assessing NVC's and VetPartners business plans and finding possible synergies. The understanding of sector dynamics and the local M&A market (both private equity and financial investors) also contributed to the determination of the seller's priorities and identification of genuine competitors in the process.

This was enhanced by the wider Clairfield International team through which our Australian partners were able to rapidly reach out across the globe and identify strategic and private equity buyers likely to be interested in NVC.

AUSTRALIA

nvc

was acquired by

VetPartners

Innovation-related businesses

Without a doubt M&A for all deal types will continue and those innovating are leading the way. Innovation is not limited to technology. We count among innovative businesses those that are able to discover new business models and distribution channels, pivot towards profitable areas, and recognize when to invest in the long term. Even traditional businesses will be incorporating innovative technologies such as automation and virtual reality into their everyday business. We expect that smaller (innovative and technology driven) targets in these areas will become a focus for larger strategic buyers. As usual it is easier to acquire than to create.

We are excited to support companies that pioneer innovative technologies in sectors that are increasingly relevant today such as virtual payment and digital transformation, as well as for the future including electric vehicle technologies and green energy.

NETHERLANDS

FASTNED

acquired

MisterGreen

DENMARK/POLAND

nets

acquired

P24

NETHERLANDS

EALYZE

was sold to

NPM CAPITAL

FRANCE

ielo

secured EUR 140m of financing from

DIF CAPITAL PARTNERS

and other financial partners

GERMANY

REPOLY.DE

was sold to

infinex Group

Capital Solutions in critical times

Global uncertainty and distressed industries are challenging the economy in an unprecedented way.

Clairfield Capital Solutions practice heads

Hans Buysse
hbuysse@clairfield.com

Kalle Helander
khelander@clairfield.com

COVID-19 has impacted the global economy and financial markets in unprecedented ways. In 2020, we witnessed severe disruption and even suspension of public services, education, and businesses as well as significant turmoil in global financial and commodity markets. Lenders and investors raised concerns about the ability of companies to manage liquidity and avoid defaults under loan documentation. On top of this, the impossibility of meeting in person considerably slowed down the closing of ongoing transactions. Companies doing well on the sell-side postponed transactions because they preferred to sell based on their positive 2020 results. Companies not doing well faced serious liquidity problems and abandoned their buy-and-build strategies waiting for better times.

Each borrower had to assess how the COVID-19 outbreak would impact its own finances in the short, medium, and potentially long term. The impact can include serious liquidity problems, fallbacks in turnover, exceptional organizational costs, and shrinking EBITDA margins. Most governments have been swift to react with fiscal relief packages, support to employees and programs for state guaranteed credit enhancement. Borrowers needed to quickly develop an understanding of how governments, investment agencies, and banks may help them navigate through this storm.

Government support for businesses has varied widely from region to region. Government rescue plans or crisis funding helped a significant number of companies avoid liquidity issues but it was challenging to navigate, particularly for companies acting in multiple jurisdictions. This was an area where our capital solutions team saw a great need for professional advice.

In these critical times Clairfield's capital solutions team also provided support on tasks such as:

- Mapping companies' liquidity needs and exposures under the current and new loan documents.
- Conducting relevant financial (scenario) analyses and building of financial models to structure solutions.
- Optimization of the companies' financial debt structure.
- Negotiation and documentation during government support but also when the support will end.
- Setting up operational cash management (debtor and creditor control) and assistance in forced sales of pledged assets.

An interesting year ahead

Market liquidity remains relatively stable in early 2021. Though liquidity needs are far larger and more volatile, throughout 2020 and into 2021 liquid market funding remained available. Banks, institutionals, private equity players and family offices offer attractive options. For 2021, we believe debt and equity markets will remain liquid but become more selective. What will the Corona effect be on the business plans of our targets? Many foresee double-digit drops in sales and EBITDA figures.

Overall corporate leverage will be significantly higher and weaker companies will face default and require debt restructuring and turnaround advice. We are seeing a wide range in the types of company seeking debt advisory. Many companies are wisely doing their homework before they get to a possible financing round. Clairfield can also support them with this preparation.

Banks will continue to struggle with tightening regulations and the bond market is volatile again. One thing is sure: we have an interesting year ahead.

Going forward with Capital Solutions

In 2021 the international Capital Solutions team will continue to offer its services to clients worldwide. For new clients, we follow a 3-step approach whereby we first focus on the optimization of the capital structure, followed by a debt transaction, and after which we continue to monitor the company and analyze the balance sheet on a continuous basis.

Our aim is to be present early in the funding process, form a common focus and goal, and become a long-term advisor supporting the client in growth, acquisitions, disposals and post-deal integration.

INCLUSIO

IPO advisory

CAPITAL SOLUTIONS DEAL SPOTLIGHT

Clairfield acted as financial advisor in the IPO of Inclusio, the first Belgian ESG-focused REIT

Clairfield successfully supported Inclusio as financial advisor and fairness opinion provider in its IPO preparation process.

Inclusio is a Belgian real estate company ("REIT") offering high-quality homes to vulnerable groups at affordable rent and for the long-term. The majority of the buildings are rented to social renting agencies, ensuring affordable housing to people in need. Furthermore, in the development of its projects, Inclusio focuses on infrastructure adapted to disabled people and on social infrastructure, including schools, daycare and reception centers for asylum seekers. Inclusio has been certified as a B Corp (corporations that address social and environmental problems) by the international B Lab Association.

In November 2020, Inclusio announced its IPO on Euronext Brussels. The company closed its funding process successfully by mid-December. Funds will be used to further develop its activities and offers, as such, an answer to the increasing demand of investors to invest in socially relevant projects. Clairfield Belgium and corporate finance boutique Walkiers & Wauthier were appointed as financial advisor and fairness opinion provider.

In that role, Clairfield reviewed and optimized the appointment of the joint global coordinator Belfius and advised the company on the equity story, positioning of Inclusio and the capital structure (institutional vs retail investors). We also provided input on the valuation and the IPO pricing process, including the price range and the final issue price, based on the chosen structure and equity story.

Selected recent transactions

FINLAND	FINLAND	ITALY	FINLAND	GERMANY/POLAND	GERMANY
versowood Renegotiation of EUR 80 million senior debt portfolio	FIXCEL Negotiation on senior debt financing	ITI GROUP EUR 30 million Long-Term Facility	Terra Patris Renegotiation of EUR 40 million debt portfolio and additional debt financing	expondo was refinanced with senior debt	Capital advisory for LAGUSO

BELGIUM/FRANCE	BELGIUM	BELGIUM	NETHERLANDS	MEXICO/US	BELGIUM
VIVALTO HOME refinanced credit facilities through RIVAGE INVESTMENT with a EUR 112 million bond issue	BROUWERIJ MARTENS - BOCHOLT - Private financing	bam COFELY reached financial close on the Brabo II project	QWIC attracted growth financing from DEHOGEDENNEN CAPITAL	CATTRI acquired lightbox OOH VIDEO NETWORK	Member of the STAR consortium Advisory to the Belgian state sfpi fpim on the disposal of BNP-Paribas, Proximus, Bpost, Belfius, Ethias, National Lottery, Brussels Airport, and other assets

SECTOR ACTIVITY

- Business services
- Consumer & retail
- Energy, cleantech & resources
- Healthcare
- Industrials
- Technology, media & telecom

BUSINESS SERVICES

In general, the business services sector did not see much upside to the pandemic and shutdowns in 2020 but recovery looks promising for many segments.

Clairfield sector head

Gustav Rova
grova@clairfield.com

Facilities and hygiene services suffered initial disruption but can expect business to take off in 2021. In addition a services company that offers hygiene is well placed to take over further functions from its clients. BPO companies will do well in a new environment where companies look to outsourcing in order to remain competitive. The work-from-home trend allows employers to hire staff without regard to proximity to an office.

There was strength in size in 2020, and we expect that fact, coupled with rising cash balances, to encourage M&A activity in 2021. Once again, we forecast that M&A will be driven by the need for digital transformation as the strategic route is always the quickest way to build capabilities. Services companies are better able to invest in digitalization and customer service when they are large enough to have the means for dramatic transformation.

Selected business services transactions

US
H2O-IQ Aqua Smart, Inc. was sold to Colonial Group, Inc.

FRANCE
CREAD Institut was sold to édh Groupe des Écoles Denis Huisman

NORWAY
TECHSTEP acquired optidev TrueMobile Solutions

HUNGARY
CER raised funds from SZÉCHENYI TŐKEALAP-KEZELŐ ZRT.

US
VISION Managed Mobility Services was acquired by motus a portfolio company of THOMABRAVO

NORWAY
ELCOLINE acquired parts of Caverion

NETHERLANDS/US
FRIGO was sold to Lineage

FRANCE
EDEA acquired DÉCO JARDINS, KA'RENOV Jardins

UNITED KINGDOM
NFP acquired Johnson Fleming

FRANCE
KORUS acquired lbc

FRANCE/UNITED ARAB EMIRATES
JETEX acquired a majority stake in JEM AVIATION

HUNGARY
GREEN FOX ACADEMY received investment from IMPACT VENTURES

HUNGARY/FINLAND
SUPER CHARGE was sold to siili_

FRANCE
PACKSOLUTIONS reorganized its capital with SIPAREX

US
ess merged with GlobalHR

FRANCE
Management team supported by ixo, bpifrance acquired Murie Galopin

ITALY/UK
Bip Business Integration Partners acquired chaucer

GERMANY/POLAND
expondo was refinanced with senior debt

sold a majority stake to

BUSINESS SERVICES DEAL SPOTLIGHT

Clairfield advised Luandre on the majority sale to Grupo GPS

Luandre, the leading work agency in Brazil, is now part of Grupo GPS, one of the largest providers of outsourcing services, with more than 88,000 employees and annual revenues greater than approximately USD 720 million.

Luandre was founded in 1970 in the center of São Paulo as a company specialized in human resources, but rapidly expanded its services with the introduction of services for the management of temporary workforces (agency work). In the 1990s the company expanded its offices and extended its professional staff, establishing itself as one of the main agency work companies in Brazil. Since 2014, Luandre has been making major investments in technology to guarantee high performance and quality service. The company is now a leader and reference on attraction, selection, and management of talent.

Grupo GPS is one of the largest third-party service providers in Brazil offering facilities, security, logistics, utilities, industrial, food, and infrastructure services. The company is known for its innovative solutions, quality of delivery, and the ability to offer the best cost-benefit solutions to its customers.

Grupo GPS is an investee of Warburg Pincus and Gávea Investimentos, two leading private equity funds in Brazil. The company is planning to make an IPO in the short term. With the acquisition of Luandre, GPS will deploy its expertise in providing services to its customers in the human resources area, strategically expanding its portfolio in this sector.

Clairfield International in Brazil acted as the exclusive financial advisor to Luandre Soluções em Recursos Humanos. Luandre received proposals from several multinationals, funds, and large Brazilian companies. They chose GPS for several reasons: the freedom for the operational management team to stay with Luandre; broad national reach; services that complement Luandre's; a history of over 60 years of success; financial robustness; and values compatible with Luandre's, with a focus on serving clients. Luandre is now responsible for the temporary workers and R&S division of GPS.

During the pandemic the number of job vacancies grew in Brazil, but under new work regimes: temporary labor and outsourcing. In October of 2020, the temporary labor force reached the highest hiring numbers ever recorded. Between June and October 2020, the number of Brazilians employed as temporary workers in companies specialized in this type of recruitment grew 25%.

Lead advisor Diego Batista notes that in this uncertain environment companies try not to commit themselves to permanent contracted workers and as an alternative, temporary hiring is relatively widespread, including in labor-intensive sectors. Companies need to meet fluctuating demand, but due to the uncertain economic scenario they seek options in case they need to reduce their workforce quickly. Luandre was clearly an attractive business model as it allows companies to reduce the risk of direct hiring and replace it with temporary and outsourced services.

Q&A with Lloyd Ernst, founder and CEO of Australian outsourcing provider Cloudstaff

“We were worried that COVID could end the deal, but it turned out that the investor’s willingness to continue was partly due to how we were able to respond to the pandemic and how well we set up the work-from-home staff.”

Lloyd Ernst was an early player in the outsourcing business in China, where he established Beijing-based SinoCode Limited. Lloyd now focuses on Cloudstaff, a cloud-based staffing provider in the Philippines. Cloudstaff was recently named one of the fastest growing Australian businesses of 2020 by the Australian Financial Review.

Can you tell us a little bit about how Cloudstaff was traveling coming into 2020?

The year actually started really well for us. January and February were both record sales months for us and the whole outsourcing/offshoring model that forms the basis of our operations was continuing to develop momentum. In fact, we were looking at a series B fundraising round at the time and had already been working on the due diligence process since November with the aim of completing it towards the end of March.

Which is exactly the time that COVID really exploded around the world. How did that affect the funding round?

Yeah, so that was interesting. Trying to complete a AU$ 30 million series B investment as the world’s businesses were all being shut down isn’t ideal but somehow we made it. We moved over 2,500 staff into a work-from-home setting, I think on March the 12th, just days away from the due date to finalize the deal. Obviously this was a dramatic change to the working model that we were used to, but on the Thursday night before we were due to close, we met with the new investors and they decided to push ahead. Of course we were worried that COVID could end the deal, but It turned out that the investor’s willingness to continue was partly due to how we were able to respond to the pandemic and how well we set up the work from home staff.

How were you able to prepare for such a major operational shift?

We always try to be prepared for disasters. Business Continuity Planning is a big part of everything that we do and is something our customers depend on us for. We operate primarily from the Philippines so we prepare for volcanoes and typhoons and earthquakes and floods, political unrest. We run workshops for all these things and have back-up locations set up for all of those sorts of things. What we didn’t have, however, was a plan for a global pandemic. But, you know, I guess all the other BCP training we did paid off because we were able to react very well.

We had close to 94% of our 2,500+ workforce operating from home within 48 hours, and that was partly due to the planning and preparation that we put into place. Another element was teamwork. When we did make the call to move, the way in which all the teams worked together was just fantastic. And, of course, you also need a little bit of luck with some of these things so we attribute our success this year to those three factors.

Once you set up the new operation model, how was Cloudstaff able to fare throughout the pandemic?

Well, being an almost entirely cloud-based company, we were able to adapt to the new conditions fairly quickly without too many of the issues that many companies were faced with this year.

Of course our customer base, which is made up of small to medium-sized businesses in high-cost economies, was also quite adaptable, because by working with us, they had already embraced varying degrees of cloud-based remote working practices into their businesses. We had also been looking at building a work-from-home product offering for quite some time before this all happened. COVID just forced our hand and moved a lot of processes forward.

What changes did you have to make to make the new model work?

We had to add mobile tech support and purchase cars to deliver and support hardware at the homes of the staff. We

also built staff support applications, changed the way we approach employee engagement, and reconfigured our offices once some staff started to return.

It's been non-stop, but we think that the investment is important because we think this is just the way in which the world is going to be moving forward. Millions of people around the world were given a rapid lesson in remote working via cloud technology and as such more businesses are now awake to the fact that people don't always need to be in their office.

Over many years we have observed a direct correlation between businesses adopting outsourcing as they adopt cloud-based technologies so we are optimistic about what the future holds.

How did the pandemic affect the wider outsourcing industry?

Different sized BPOs were affected differently. There were a number of larger BPOs that didn't manage to respond as quickly as we did or didn't have operations that could be conducted in a work from home setting

Being in a developing country also meant that many staff in the industry didn't have access to a reliable home internet which really affected a lot of competitors.

I mentioned that element of luck earlier and in regards to home internet, we definitely had a lot of luck fall our way. Two years ago, we ran a promotion for our staff with a local internet service provider offering home fiber internet with a bit of a discount on the fee. As a result, when we moved to work from home, it turned out that far more staff had fiber internet in their homes than we expected. I think our survey showed that it was 60 or 70% of staff.

Do you feel that operations are starting to return to normal now?

I think this is the new normal. It's just the way in which everything is going to be moving forward. I look around and feel that after the operational changes that so many businesses made this year, things will never quite be the same again.

For us that means a permanent mix of home-based and office-based staff with all of our facilities still available whenever the home based staff need them.

In light of the year's events, what opportunities have you identified for 2021?

Overall, we grew approximately 32 or 33% during 2020 in spite of COVID. January and February were record months for us so we would have liked to have achieved a much higher growth rate. Everything slowed right down when the pandemic hit but things have turned around now as businesses are looking for ways to sustainably rebuild after taking a big hit this year. We hit a new sales record in November, and December looks like it may be even bigger again.

I don't want to say that it was a good year because there are so many people that have been affected by COVID and will be for some time. We have, however, certainly made the best of a bad situation and can see many opportunities for our model to assist businesses around the world as they embark on their recovery strategies. ■

cloudstaff
received investment from
NAVEGAR

Clairfield advises Cloudstaff on investment from Navegar

Cloudstaff Modern Workforce, a leading global cloud-based workforce provider, raised AU$ 30 million in Series B funds from Philippines-focused private equity firm Navegar. Cloudstaff is incorporated in Australia and based in the Philippines.

Navegar was previously an investor in TaskUs, a large provider of BPO solutions, which was sold to Blackstone for AU$ 250 million in 2018. Building on this success, Navegar identified Cloudstaff as a leader in this sector. The investment will be used to accelerate Cloudstaff's growth and development.

Clairfield acted as Cloudstaff's corporate advisor. We added significant value by helping management to articulate the strong growth story, and managing discussions with multiple parties throughout Australia and Asia. Ultimately, we were able to complete the transaction despite severe market disruption due to COVID-19 restrictions.

CONSUMER & RETAIL

Except for some fortunate segments, the consumer sector has a hard hit to recover from in 2021.

Clairfield sector heads

Gary Ecob
gecob@clairfield.com

Martin Lemmer
mlemmer@clairfield.com

Businesses in the hospitality and leisure segment and brick-and-mortar-based retail can expect a long recovery period and few will escape unscathed. Some trade groups estimate that 20% of restaurants permanently closed as a result of the pandemic. The travel industry and performance venues will likely need years to get back on track. On the other side of the coin, e-commerce businesses and retail of products for home-based consumption and for home improvement can expect continued growth and may well emerge stronger than ever. The resiliency of the market and government intervention has kept consumer confidence relatively high.

M&A in this sector will be all about survival. Small brands suffered greater supply chain disruptions than larger competitors and will be looking for secure homes this year. Health and wellness targets will be interesting, and an e-commerce focus is more essential than ever. We also foresee activity in the auto aftermarket, residential services, and packaged and branded food.

Selected consumer & retail transactions

BRAZIL	FINLAND	FRANCE	MEXICO/US	NORWAY/SWEDEN	DENMARK/CANADA
EBC Alimentos, Dutrigo were acquired by Companhia Sulamericana de Distribuição	Donier Gastronomie was sold to Folmer	Fruiliance (Les 4 Saisons, Confit de Provence) was sold to French Gourmet Food	A private Mexican pawn shop operator was acquired by FirstCash	Nordic Live was sold to FKP Scorpio	Arkas was sold to Lynx Equity Limited

ITALY	UK/NETHERLANDS	FINLAND/US	ITALY	ITALY	FRANCE/SPAIN
Everton Tea House, Taste of Nature was sold to Cronos Capital Partners	Jupiter Group acquired Cool Fresh	Func Food was sold to Celsius	Consorzi Agrari d'Italia acquired Bonifiche Ferraresi	Caffo 1915 Group acquired Ferro-China Bisleri	Groupe RG controlled by LBO France acquired Joysa

ITALY	ITALY/NETHERLANDS	GERMANY	UK	NORWAY	FINLAND/SWEDEN
Newlat Food SpA acquired Centrale del Latte d'Italia	Caffo 1915 Group acquired Petrus Boonekamp	Capital advisory for Laguso	Neptune International invested in Vivino	bRest was sold to 4service, Norvestor	Hong Kong was sold to Rusta

Mandarin Capital Partners

acquired a majority stake in

KLAPP GROUP

CONSUMER DEAL SPOTLIGHT

Clairfield advised Mandarin Capital Partners on the acquisition of Klapp Group

Mandarin Capital Partners acquired a majority stake in KLAPP Group, an established player in the beauty market that stands for high-quality professional skin care products with focus on innovation, research expertise and "Made in Germany" product quality.

Mandarin Capital Partners (MCP), present in four offices across Luxembourg, Milan, Frankfurt, and Shanghai, is a fully independent firm operating as a unique crossborder private equity house for European midmarket enterprises that can benefit from enhanced growth strategies in international markets.

KLAPP Group, founded in 1980 and headquartered in Hessisch Lichtenau in Germany, develops, and distributes luxurious skin care products and comprehensive cosmetic treatment concepts for beauty salons as well as private label skin care products for large retail customers. In addition, KLAPP Group also offers extensive training and education seminars in its own training centers to employees of beauty institutes and spas/wellness hotels. The company has over 200 employees and in 2019 generated about EUR 28 million in sales serving over 2,500 customers in more than 60 countries.

MCP will act as an active partner and will assist KLAPP Group in further development. It is planning to expand the production facilities of the Group and support its growth in European and Asian markets, mainly focusing on the professional skin care business that will remain the core segment of KLAPP Group.

Clairfield International acted as exclusive financial advisor to Mandarin Capital Partners.The sale allows for all 200 jobs at Klapp headquarters to be retained, and in fact a ramp-up in production was already planned for 2020. Company founder and former owner Gerhard Klapp retains a stake in the company and joins the advisory board, continuing to support the firm with his expertise in the cosmetics industry. The sale will also allow international growth, where "Made in Germany" is an important strength.

The transaction is a clear example of how the right private equity can provide an excellent outcome for all parties.

Q&A with Kent Hahne, owner and founder of Apeiron Restaurant and of Retail AG

The hospitality industry was one of the most affected by the pandemic, but entrepreneurs are experts at uncertainty.

Kent Hahne is a longtime restaurant entrepreneur and expert on the hospitality business.

You are one of Germany's most well-known restaurant entrepreneurs. Tell us about your history in the business.

I began my entrepreneurial career as owner and manager of two nightclubs near Bonn and, at the age of 26, I became the youngest McDonald's franchisee in Germany. So you could say this has been a lifelong passion.

In 2002 I co-founded Vapiano, an Italian fast casual restaurant chain and from 2004 through 2011 I was responsible for the company's international expansion, into the UK and the US, amongst others. When the majority of the company was sold in 2011, I decided to sell my shares as well but kept a number of restaurants as franchisee until 2015.

In parallel I founded Apeiron Holding with the aim of developing new attractive restaurant concepts and developing them to market leading positions. Apeiron now has three very successful restaurant concepts (The ASH, L'Ostreria, and GreenKarma).

I currently own THE ASH which operates nine premium steak houses in Germany, and I am the largest franchisee for L'Osteria (currently 21 restaurants in Western and Northwestern Germany out of a total of about 100 restaurants). Both concepts have shown strong growth over the past years with about five combined openings per year. GreenKarma is a rather new concept focusing on sustainable and healthy food based on salad.

Were you able to prepare for the shutdown and subsequent upheaval?

The complete lockdown took us by surprise. The restaurant industry felt singled out especially as there was no proper proof that restaurants are sites of major spreading more than other places outside the home such as shops and offices.

How did your business fare throughout the pandemic? Did all of your peers react the same way?

All restaurants had to close at the beginning, which put us all on a level playing field. Apeiron very quickly managed to develop alternative business models and, as such, focused on curbside pickup and delivery business, which secured us at least around 30% of pre-corona revenues.

In parallel, we invested heavily into developing a hygiene and safety concept for both customers and employees in our restaurants, including air exchange and purification, safety distances between tables, dividers, etc., and at the same time into marketing with branded delivery cars, and our own smartphone app.

This led to a quick recovery once restaurants were allowed to open again as we were prepared and had the trust of our customers that we were prepared for a safe yet still unique experience in our restaurants.

The summer saw above pre-corona revenue levels (combination of in-house, pick-up, and delivery). We believe we are among those that managed the crisis in the best possible way.

Are you noting a return to normality?

As I said, the summer turned out to be highly successful, especially as some of our competitors were less prepared for the increased requirements on hygiene and safety and thus could not benefit or at least not benefit in the same way from the desire of people to get back to a more normal situation, enjoying summer in public with friends and family.

The second lockdown we are currently in is putting more strain on us than the first one as restaurants had to close very early, leading to a very long closing period and people are not as positively looking into the future as no one knows where this is leading us.

Will the upheaval mark a permanent change in your business? Why or why not?

We are hoping for an improvement once a large share of the population has been vaccinated and the situation is moving back to be more "normal".

The major change for us will be that we will keep the dual track distribution (pick-up and delivery in addition to traditional in-house consumption) as it has opened our business to new customer groups that normally might not have come to our restaurants regularly for different reasons. That should lead to a sustainable uplift of revenues for the coming years.

What opportunities have you identified in light of the events of 2020?

Although the situation has been and still is very demanding and putting an enormous pressure on us, we believe that many opportunities will arise in the aftermath of the pandemic.

As experts for restaurant chains are extremely scarce in Germany and continental Europe, we have used the time and situation to invest in our human capital and hire a number of highly experienced top-notch people that will enable us to grow the business much more aggressively than would have been possible without the pandemic.

How do you see the future of the restaurant industry? Where will you be in 2020, and where would you have been if the pandemic hadn't occurred? Will any rearrangement of priorities be permanent?

For us, the key factor is how long the restrictions will last and thus, how strong the market shake-out will be at the end. Restaurants will always play an important role on the social life of people, and I believe that many will value the time spent with family and friends even more in the future. We've already seen that landlords are looking very favorably upon the restaurant industry and are actively approaching us with attractive offers while not too long ago they would have preferred retailers and business clients in their properties. Therefore, I am very sure that we will come back even stronger, once we are allowed to do again what we really love, which is taking care of people.

How do you see M&A at your company and in your industry in 2021?

It is not easy to find M&A opportunities that meet our high standards and requirements, but Clairfield has done a great job in identifying attractive targets. We continue to assess these opportunities but in the circumstances we believe that organic growth may be what's in our short term future.

To this end, our strategy in 2021 is to seek growth capital in exchange for a minority shareholding in our group. It's been a tough period but I feel optimistic about what's ahead. ■

ENERGY, CLEANTECH & RESOURCES

The sector has rebounded from the pandemic and attention turns to new challenges and opportunities.

Clairfield sector heads

David Hassum
dhassum@clairfield.com

Maximiliano Turelli
mturelli@clairfield.com

We note the following broad themes to watch in the energy sector in the medium to long term:

- Generation: decentralized renewable energy generation (solar, wind, pump hydro, waste to energy, electrolysis, etc), supply of peaking capacity, control systems to manage intermittent generation and peaking systems and multi-directional energy flow.
- Storage: on-demand, dispatchable energy solutions (batteries, pump hydro, gas).
- Transmission: grid management, network stability, bilateral transmission, control systems, voltage stability, smart-grid, off-grid and small-scale grid solutions.
- Innovative wholesale and retail solutions (for example, energy sharing, blockchain).
- Demand management and supply forecasting services and tools including sophisticated data analytics.

With transformation of business models along these lines and increased renewable deployment, we see a bright future for M&A.

Selected energy transactions

NETHERLANDS
EALYZE was sold to NPM CAPITAL

UK
althelia funds invested in Recycling Technologies

DENMARK/UK
EIVA sold a majority stake to Sonardyne

BELGIUM/CZECH REPUBLIC
enfinity sold 3 solar parks to Verdi Capital

DENMARK/GERMANY
M. Larsen Vognmandsfirma A/S sold a majority stake to REMONDIS

ITALY/US
CONVERT was sold to valmont

FRANCE/GERMANY
LACROIX acquired SAE IT-systems

ITALY
aim vicenza acquired agsm energia

NETHERLANDS
INNAX acquired Technion

NORWAY
Barents NaturGass was sold to BROADVIEW

ITALY
RENERWASTE was sold to snam

POLAND
Enea acquired Bardy Wind Farm

FRANCE
ALLIANCE ENVIRONNEMENT was sold to saur

DENMARK/GERMANY
KEEPFOCUS was sold to KeepFocus Europe GmbH

ITALY
ALERIONCLEANPOWER acquired FRI-EL GREEN POWER

ITALY
EDISON acquired EDF ENERGY

EUROPE/AFRICA/JAPAN
BBOXX raised USD 50m from Mitsubishi Corporation

AUSTRALIA
erm POWER invested in alliance automation

FASTNED

acquired

MisterGreen

ENERGY DEAL SPOTLIGHT

Clairfield advised FASTNED on the acquisition of Mistergreen's fast charging network

Fastned BV (AMS: FAST) completed the acquisition of all of the outstanding shares of The Fast Charging Network BV, the fast charging stations network of Dutch electric vehicle leasing company MisterGreen.

The purchase price was financed by issuing Euronext Amsterdam listed depositary receipts to the sellers. They embark as major Fastned depositary receipt holders (>1%), thereby securing a long-term collaboration between Fastned and MisterGreen's shareholders, who continue to expand their electric vehicle leasing activities.

Fastned is the leading European fast charging stations operator. Founded in 2012, it constructs and operates stations for fully electric vehicles on about 120 high traffic locations in the Netherlands, the UK, and Germany. Electric drivers can add up to 300 km range to their vehicle battery in 15 minutes, with electricity solely obtained from the sun and wind. The company aims at expanding its network to cover all of Europe.

MisterGreen Electric Lease is a company that specializes in private and operational leasing of EVs. Its sister company The Fast Charging Network operates fast charging stations at 16 high traffic service areas along national highways in the Netherlands. The locations are primarily located in the Randstad-region, the populous western part of the country. MisterGreen's 16 fast charging locations are highly complementary to the Fastned network and perfectly align with the company's strategy to achieve Europe-wide fast charging coverage. The Dutch government grants only a limited amount of concessions to build fast charging stations at highway service areas. In light of the increasing amount of EV drivers, such concessions are becoming more and more valuable, in particular in the populous Dutch Randstad region. The fast recovery of EV usage after a short corona pandemic setback only reconfirmed this proposition to Fastned.

Clairfield International acted as exclusive financial advisor to Fastned. Clairfield supported Fastned through all aspects of deal coordination, negotiation and diligence. This included (virtual) meetings with management, assessing strategic and synergistic opportunities, negotiating deal terms and purchase price, coordinating due diligence with external advisors, and support with all closing documents. The volatile stock market movements following the COVID-19 pandemic obviously posed a challenge to this all-share deal. This challenge was overcome by introducing a settlement mechanism one year after closing of the transaction.

Clairfield continues to advise Fastned and one of its major shareholders, as this shareholder is actively expanding its footprint in the e-mobility and sustainability space. In this way Clairfield can further bolster its unique expertise in these sectors.

Roundtable on energy

The energy market, always volatile, experienced different repercussions worldwide, but is also undergoing transformation from within.

Marino Marchi is a director at leading Italian investment bank Equita where he covers energy and infrastructure. He is also a sector expert for Clairfield's energy group.

David Hassum is a director with Clairfield Australia and the head of Clairfield's energy sector group. He is a chartered accountant and company director with over 30 years of experience.

What was happening in the energy industry up until Q1 2020?

Marino Marchi: Until Q1 of 2020 it is safe to say that no one in the European energy industry could have imagined that the pandemic would have had such a long impact. The initial reaction to the first news on COVID-19 was that this was a Chinese problem that would be solved in a short period of time. Italian energy prices were at the usual levels of approximately EUR 60/MWh.

David Hassum: Until Q1 of 2020 the Australian energy industry was going through a slow migration to renewables away from coal, which has historically dominated the Australian energy sector. The cost of renewables was decreasing as was the pricing in Power Purchase Agreements and retail pricing. With the proliferation of large-scale solar farms in recent years, the spot prices for power during the day were very low and, in some instances, negative. As a result, there was a shift in focus towards dispatchable, on-demand energy solutions such as gas, batteries, and pump-hydro. Overall, the energy sector was experiencing a downward trend in energy prices, a shift from centralized coal to distributed renewables, and a focus on on-demand, dispatchable power solutions.

"Overall, while the pandemic had a short-term effect on demand, the changes in the Australian energy sector are driven more by the transition to a decentralized, renewables-based system and government policy."

Was the industry prepared for shutdowns and further upheaval?

MM: The industry was certainly not prepared. The drop in industrial production, the closure of commercial activities, and widespread remote working caused a sharp reduction in electricity demand. This drop, together with the strong contribution of renewables, caused a significant reduction of energy prices (in Italy, the so-called Prezzo Unico Nazionale or PUN) that reached levels below even EUR 30/MWh.

This number had previously only been seen in the context of long-term projections that forecast a significant market share of renewables in the Italian energy mix.

DH: I agree that the industry was not prepared for an upheaval such as the COVID-19 pandemic.

However, compared with most countries Australia fared well. While we did experience lockdowns, which particularly hit the tourism, retail, and hospitality sectors, our general industry and manufacturing sectors continued operating. As the lockdown impacted the energy demand, wholesale electricity prices traded at the lowest rate in five years; in March and April of 2020 business slowed and overall demand declined between 7% and 14% by state. However, in the latter half of the year business improved and demand returned.

Even with thousands of businesses and individuals working from home during the lockdown periods, demand in the second quarter was only 2% lower than the equivalent quarter of 2019. Reduced energy use in the commercial sector was balanced by the increased use of energy in the residential sector.

Wholesale gas priced were also reported to be at the lowest levels since 2015.

How were different energy segments affected by the pandemic? Did they all react the same way?

MM: Utility companies and companies with presence in regulated sectors proved to be more resilient while companies active in segments exposed to the market, such as those that sell energy to end customers, were more impacted by the pandemic. Not only in terms of exposure on the commodity price but also by an unexpected increase in the level of bad debts, especially for companies that already had a high level of customer churn rate.

DH: Traditional large-scale energy companies such as ASX-listed AGL and Origin Energy have seen significant decreases in their share price over the last 12 months. This decline is in part caused by the lower demand and lower pricing through the pandemic but is also symptomatic of the sector's transition away from a centralized, fossil fuel (coal) based generation model to a decentralized, renewable energy model and government policy regarding a competitive retail market.

Are things returning to normal?

MM: They are trying. After the first lockdown and an improved situation during the summer period electricity prices recovered and 2021 forward prices today exceed EUR 50/MWh.

"There will be no one silver bullet. Energy needs of the future will be met by a wide range of generation assets including solar, wind, gas, hydrogen, hydro, etc."

DH: Yes, while some sectors such as tourism continue to suffer, general economic activity is recovering and unemployment is declining. However, we are yet to see the effects of the unwinding of various government stimuli and other temporary hardship measures that will occur towards the end of the first quarter.

Has the pandemic hindered or helped "green" energy businesses?

MM: Renewable energy sources have priority in dispatching the energy produced but considering the decrease in electricity demand, there was a downward impact on market prices. Price reduction was, however, counterbalanced by the exposure of renewable capacity to market incentives that will last for another few years and that "hedged" a reduction in revenues. Therefore overall COVID-19 did not impact on green energy businesses.

DH: Overall, I don't think the pandemic has either significantly hindered or helped the green energy business. The Australian energy sector was already going through a transition and that is continuing.

Are there any permanent changes from the upheaval?

MM: It is still too early to say, but several small energy sales companies have been dramatically impacted.

DH: I can't see any significant or permanent changes to the energy sector as a result of the pandemic. There may be some permanent changes to the National Electricity Rules to support electricity retailers provide temporary hardship measures, such as payment assistance to customers, by allowing them to defer payments of network charges.

What opportunities lie in store for the energy sector?

MM: Increased renewable deployment is likely to be coupled with a growth in deployment of flexibility (for example batteries, electrolysis) as the impact of intermittent renewable generation on prices makes these storage technologies an economically attractive option and they are able to help ensure security of supply.

DH: The opportunities in the Australian energy sectors are driven by its transition from a centralized system of large fossil fuel (mainly coal) generation towards a decentralized system of widely dispersed, relatively small-scale renewable (mainly wind and solar) generators and increased competitiveness in the retail sector. This will bring challenges and opportunities in generation, storage, transmission, and customer solutions. Other opportunities will come from the emerging hydrogen economy and the global shift to electronic vehicles. In terms of hydrogen, Andrew Forrest, Australia's richest man, has committed billions of dollars to developing large-scale "green hydrogen" production capacity in Western Australia. In terms of the EV sector, Australia has many of the rare earths (lithium, cobalt, vanadium, etc) required to manufacture batteries. As an example, share prices in ASX-listed rare earth mining and battery technology companies have skyrocketed recently, particularly since the US election.

Where do you see the future of the industry?

MM: The European Green Deal adopted in January 2020 will continue to drive European energy policies, with support from the US, which will reenter the Paris Agreement under the Biden administration. Therefore a set of policy and legislative proposals defining the new long-term decarbonization strategy for 2050 will continue and deployment of new renewable capacity will be increasingly supported. Moreover, considering the potential volatility of energy prices due to increased interruptible renewable capacity, even in southern Europe there will be an increasing usage of Power Purchase Agreements that will provide hedging for large industrial consumers and visibility on future cash flows for renewable electricity producers.

DH: Australia will continue, albeit slowly on a decarbonation and decentralization transition. Our energy sector is still largely based on large scale, centralized coal-fuelled generation, which will be with us for some time yet. But coal will slowly be phased out as existing generation assets age (and are not replaced), renewable energy generation increases, and technologies and solutions emerge to store power and manage the complexity

of multiple, decentralized, intermittent generation assets and multidirectional power transmission infrastructure. This shift will be coupled with the emergence of innovative wholesale, retail and “energy sharing” business models and off-grid or local-grid solutions. Energy prices may stabilize for a time but will continue their long-term downward trend as the end-to-end cost of renewable energy generation and transmission decreases. Demand may stabilize as the benefits from demand management and small-scale, off-grid generation are offset by the uptake of electric vehicles.

How do you think M&A will play out in the energy industry in 2021?

MM: Utilities and companies operating on the regulated side of the energy chain have proven to be resilient to the pandemic in contrast to companies exposed to the market sector. For these companies there will be several M&A opportunities that major operators will try to exploit in order to consolidate the market. With the introduction of vaccines, 2021 and 2022 will be years with renewed M&A activity for sure.

DH: M&A opportunities will arise from energy-related emerging technologies and innovative service providers and business models. At a utility level we have seen some M&A activity in generation assets such as solar farms, with the movement of these assets through to development process and finally to a long-term asset holder. We have seen developers of these assets selling their portfolios to long-term asset holders such as pension funds. This M&A activity will continue. Returns from renewable assets have declined as pricing in Power Purchase Agreements has declined. Opportunities will arise in finding capital solutions for the development of new energy generation assets as well as divestments of developed assets.

We have seen a rise in the corporate investor where established energy companies are looking for strategic acquisitions. We have also seen an increase in private equity and venture capital funds focused on the energy sector and looking for deal flow. An industry in transition is good for M&A. ■

HEALTHCARE

COVID exposes regulatory blockages and lack of infrastructure spend, and accelerates digital delivery.

Clairfield sector heads

Jack Helm
wjhelm@clairfield.com

David Vorhoff
dvorhoff@clairfield.com

Healthcare manufacturers, service providers, and distribution groups were not at all immune to the headwinds faced by almost all healthcare players in the spring of 2020. It was a reality check for everyone, even for the fortunate disinfectant and vaccine producers who had to scramble for raw ingredients, saw their supply chains dry up, or saw contract manufacturers fail to deliver due to supply and personnel shortages. Valuation blips on the back of zero interest rate money quickly normalized, but what did indeed remain was long overdue recognition that the world (with few exceptions) was underinvested in public health. As a COVID-weary world enters successive waves in 2021, we remain far from normality as widespread vaccination now appears a topic for late summer. Nevertheless, we expect that by Q3, the healthcare sector should post a significant rebound due to purchase deferrals and non-critical procedures, which were put off until hospitals were "safer" or regained normal capacity. Countries such as Israel, with 100% online health care records, showed consumer data protection-wary places like the US and Germany, what could indeed be done with fully online digital health records, online service delivery, and inoculation roll-out.

The 2019 flood of private equity and VC money into digital health continued throughout lockdown with valuations remaining strong. The "normalization" in earnings which should occur throughout 2022, will show us which subsectors or companies can actually deliver the earnings to support high current valuations. Particularly hard-hit distribution groups serving hospitals, doctors and dentistry offices should also rebound as consumable margins stabilize and as price comparison portals and perhaps even ever-present Amazon is taken to task as a monopolist in select categories. The service side, whether remote patient visits, virtual health records, actual outpatient procedures, or online training and conferences, can only profit from a more accessible internet environment. Insurance companies will also put pressure on reticent lawmakers to cut costs and assure that digital delivery is reimbursed and that even brick-and-mortar facilities have beds, inventory, and staff at affordable pricing. Without the radical integration of digital health into existing healthcare delivery systems, these essential cost savings simply will not materialize in time for the next potential health crisis. Midcap M&A has remained largely uninterrupted. For 2021 we expect further consolidation in spite of rising valuations.

Selected healthcare transactions

GERMANY/US/FRANCE
ottobock. sold certain assets of FREEDOM INNOVATIONS to PROTEOR

ITALY
San Cristoforo was sold to BIANALISI analisi mediche

POLAND
ESTETIQUE was sold to TAR HEEL CAPITAL

BRAZIL
dasa acquired São Marcos

FINLAND/NORWAY
PILKE parasta pienelle was sold to Læringsverkstedet

CANADA
RICHARDS PACKAGING acquired CLARION MEDICAL TECHNOLOGIES

BRAZIL
GSH sold a minority stake to REDE D'OR

DENMARK/UK
SANOS CLINIC was sold to INVESTCORP

GERMANY
CARE acquired KRANKENHAUS INGELHEIM

INDIA
EVERSTONE entered into a strategic partnership with CPC DIAGNOSTICS PVT. LTD

DENMARK/SWEDEN
Daintel was sold to CAMBIO

INDIA/US
Biosense health • technology • people was sold to PerkinElmer For the Better

INDIA/GERMANY
sparsh NEPHROCARE was sold to FRESENIUS MEDICAL CARE Nephrology Match

NORWAY/SWEDEN
max manus was sold to Conscriptor

FRANCE
indicia bio-steril backed by its founder and Amundi was sold to PROTEX INTERNATIONAL

NORWAY
NÆRINGS- OG FISKERIDEPARTEMENTET sold a minority stake in VESO to AQUANOVA INVEST AS

CANADA/US/SWITZERLAND
Celopharma was sold to linepharma

DENMARK/UK
DANSK SUNDHEDSSIKRING was sold to AnaCap Financial Partners

pluradent

was sold to

DEUTSCHE MITTELSTANDSHOLDING

HEALTHCARE DEAL SPOTLIGHT

Clairfield advised Pluradent Group on sale to Mittelstandsholding

Pluradent Group, Germany's second largest distributor of dental consumables, dental practice equipment and accompanying technical support services, was acquired by Deutsche Mittelstandsholding, a German investment holding, as part of a debtor in a possession insolvency proceeding.

Deutsche Mittelstandsholding ("DMH") is a German investment holding focusing on special situations in German *Mittelstand* or mid-sized companies. DMH provides long-term equity for further corporate development and supports its portfolio companies strategically, commercially, and operationally.

Pluradent Germany as well as its subsidiary GLS Logistik both filed for insolvency under self-administration in February 2020 just as the COVID-19 lockdown began. Restructuring experts at the law firm Greenberg Traurig were appointed to the management boards of Pluradent and GLS Logistik to oversee the insolvency process. The insolvency lawyers and creditors committee selected Clairfield to lead the sale process for our expertise in dental distribution and a structured M&A process was initiated in the middle of the lockdown. The stakes could not have been higher since the alternative was the liquidation of both companies, which would result in significant unemployment.

The deal team conducted extensive discussions throughout lockdown with both strategic and financial investors. Great organizational care had to be taken given virtual plant visits, management presentations, one-on-one video sessions with key employees, and a fully online due diligence process, all within the constraints of the legal timetable. Tenacity and communication skills were key, along with our expertise in the healthcare sector. Clairfield understood that the seamless logistics delivery linked to technical service in modern dental distribution made Pluradent a unique asset. Deutsche Mittelstandsholding was selected at the conclusion of a competitive M&A process that was fully online.

Pluradent and GLS Logistik have since emerged from insolvency as parts of the "New Pluradent" Group sporting a completely debt-free balance sheet, a radically reduced cost structure, and a completely new investor base.

Q&A with Gerry Glynn, CEO of Richards Packaging

"Whenever you are moving into a new geography or a new vertical, you need a platform that is sizeable enough to have an appropriate starting position to grow."

Gerry Glynn is chief executive officer & trustee at Richards Packaging Income Fund and chief executive officer, director & trustee at Richards Packaging, Inc. (a subsidiary of Richards Packaging Income Fund).

Tell us a little bit about what Richards Packaging does and what differentiates you from the other players in the market (pre-COVID).

Richards Packaging is a publicly traded distributor of packaging components and healthcare supplies and products across Canada. Despite our name, a third of our revenue is from healthcare consumables and equipment and it is an area that we have been continuously looking to grow.

For example, we recently completed the acquisition of Clarion Medical Technologies in June 2020, a provider of lasers, aesthetics, and vision end products to doctors and practitioners in over 3,000 clinics across Canada. This acquisition was a diversification strategy for our healthcare verticals, which previously consisted of drug store packaging, nursing home specialized packaging solutions, and hospital equipment, consumables, and PPE products. Richards now offers over 8,000 different types of packaging and healthcare products and serves over 17,000 customers across Canada.

Leading up to the pandemic, what was your strategy i.e. what sectors/ geographies were you looking to grow?

Canada is a fragmented market in the packaging and healthcare supplies space. We recognize that the majority of the products that we sell into one vertical, can be easily be cross sold into the next. This has led our strategy to be focused on achieving a fully diversified footprint across Canada and leveraging the salesforce we have created through acquisition to grow in different verticals.

We have typically avoided the American market, as it's hard to achieve footing as a relatively smaller player and have therefore focused on gaining market share in as many verticals in Canada as possible. When expanding our existing product offering, we look to acquire regional players that can benefit from our scale across our national footprint, and when we look to move into new verticals we prefer to acquire targets with an existing large platform and offer their products into our existing end markets.

You have mentioned acquisitions a few times – how do you view the different ways of achieving growth (organic, brownfield, acquisitions).

We find it much easier to grow at scale through acquisition rather than organically and therefore focus on external growth.

To start a greenfield project, you need to lay the foundation for suppliers, salesforce, market presence, and customer confidence, which is difficult in smaller markets. When we purchased our regional nursing home provider, we utilized our cross-country footprint to scale that business outwards and found success.

Another growth strategy we use is to acquire firms with an existing large platform in a new vertical, and cross sell products from other spaces that where we currently compete.

How did you determine the key criteria you look for in acquisition targets quantitatively, qualitatively, and geographically?

As we have seen the impact of COVID-19 on multiple businesses, the most important factor we consider when looking at a target is their exposure to events similar to this pandemic. We have been fortunate that our operations have been exposed in a positive way to COVID-19, but it is important to access the financial strength of a target if they were to be exposed in a negative aspect.

From a qualitative perspective, we always ensure to look at the marketing stance, the strength of human resource, the product set, and the outlook for each target. We see ourselves as partners when making an acquisition, and when moving into new markets we like to acquire targets that are also acquisitive, where we can assist with technical and financial support of the business and allow them to continue to build out their strategies. We understand that by moving into new geographies we will be faced with changing business environments and will rely on management to guide us through our expansions. For this reason, we value the human resource on the ground tremendously in an acquisition.

Can you speak about your process when working with targets post close?

Our past two acquisitions have been based on earnouts, which allows our partners to continue to benefit from the success of the business after a transaction. The last acquisition we completed for example paid out double the original agreement, which is a win for both parties in our view. In general, we offer our newly acquired companies technical support with our computer systems and controls which helps with pricing and cost containment, which is a key tenant of our involvement from day one. From a strategic and marketing point of view, we like to take a hands-off approach and share our national resources and ideas with our companies if able, but generally rely on management teams to continue to achieve results. We want the entrepreneurial spirit to remain strong in our management teams, so we maintain a non-disruptive role in our acquired firms.

Do your acquired companies operate as stand alone divisions?

Since we operate across a number of different segments, combining our nursing home, drug store, and hospital companies for example, is not possible without complication. We believe that harmonization would be anything but positive due to the extreme execution differences between each vertical. For this reason, our companies tend to operate autonomously, and we find it works the best for each company to focus on their own separate operations.

Can you speak about any learnings from past acquisitions?

We are happy to say that our acquisitions tend to be very successful and we have been fortunate to have had only one transaction that has not achieved the result we had forecasted. In that situation we had purchased a company that was too dependent on a single individual, and when they decided not to commit to the long term success of the business, the result was undesirable.

We have learned from this experience to always look at long term sustainability attributes of a business from a human capital perspective, such as the sales organization and age profile of our targets. This is an integral factor for our acquisitions, and when we have stuck to acquiring strong human capital companies, we have found success.

When the pandemic hit, you were in the midst of the Clarion transaction. Can you share how this impacted negotiations?

Many companies that were in the middle of transactions during the pandemic halted negations and decided not to pursue any acquisitions. This was mainly due to buyers not having the financial strength and risk appetite to complete transactions during periods of uncertainty.

We have been committed to a large acquisition plan for an extended period of time and like to ensure that our deals close once we have entered negotiations. Taking a longer term view on our strategy, we do not need to adjust pricing for short-term benefit, and certainly do not want to take advantage of our future business partners. During the Clarion transaction we were not only able to learn more about the Clarion management team during an unprecedented business environment, but we were able to showcase what type of partner we intend to be moving forward, by holding true to our original offer. Richards has been operating for over 100 years and is looking to be transformative over the longer term, not the next quarter.

When COVID started appearing in Europe and North America, how did Richards prepare itself and what steps were taken to address the impact of the pandemic?

We knew that the supply channels were going to be disrupted and that demand was going to come in a fashion that would overwhelm many organizations. We have a deep inventory strategy which really paid off for us during this pandemic.

We had a large number of new customers coming to us asking for product, but our biggest focus was to satisfy our current customers who we knew would be around after the supply channels had restored. We were seeing demand increase by up to 30% from our existing customers, and made sure we could satisfy their inventory requests as our top priority. During this surge we did not raise our prices, did not reallocate inventory supply to gain market share, and were able to build a closer relationship with our customers, while still achieving unprecedented growth from the increased volume.

Can you tell us about the role of technology in your business?

We have over 17,000 customers and over 5,000 suppliers. The diversity and mass operation that we bring across Canada would not be possible without the use of technology. Without technology we would not be able to stay on top of pricing, inventory trends, or our customer service from coast to coast.

We believe that our technology allows us to effectively monitor all these attributes and we see positive results in our customer satisfaction levels, our yields on investments, and our growth. From a systems point of view during the pandemic, we were able to continue regular business operations as our systems were capable of handling extreme levels of volumes and transactions.

How has your view around M&A changed and what kinds of companies would you acquire now to position yourself for the future?

Prior to the pandemic, we were already pivoting into healthcare and we are continuing to be excited about the space. The healthcare industry tends to grow faster, have better metrics, is more innovative on the product side, and we agree with the demographics trends that support the industries long term growth. Five years ago, two thirds of our revenue came from food and beverage packaging, and today that number is below 40%.

We have really focused on growing the healthcare and aesthetic sectors of our business, mainly through acquisition, and going forward we are taking a very broad view on our acquisition strategy and hope to continue to build out all of our verticals. Through a mix of growing existing channels and entering new end markets, we are looking at every opportunity that fits our criteria. There is a scarcity of targets in the market, especially as we grow, so we have developed an opportunistic view of our acquisition strategy with a broad criteria.

Can you speak to opportunities you want to see more or less of moving forward?

Whenever you are moving into a new geography or a new vertical, you need a

platform that is sizeable enough to have an appropriate starting position to grow.

Fortunately, we have several large existing platforms which allows us to complete tuck unders if the correct opportunity presents itself. We are also open to larger acquisitions in our existing platforms, where we can combine our businesses and expand.

Richards is primarily a Canadian company. What is the vision around international expansion/growth?

In terms of international expansion, we are focused on English speaking countries, excluding the US. We see English speaking countries being the most consistent to the Canadian marketplace, and are excited by opportunities in Australia, the UK, New Zealand, or South Africa.

The approach to business, the business ethics, and the sophistication is similar to the Canadian landscape and is something that we understand.

Taking a partner approach with our acquisitions, we believe that expanding into new geographies without a language barrier would be essential for integration. ■

RICHARDS PACKAGING

acquired

CLARION MEDICAL TECHNOLOGIES

Clairfield advised Richards Packaging Income Fund on the acquisition of Clarion Medical Technologies

Richards Packaging Income Fund (TSX: RPI.UN) completed the acquisition of all of the outstanding shares of Clarion Medical Technologies, a Canadian provider of medical, aesthetic, vision care and surgical equipment, and consumables.

The acquisition will strengthen the position of Richards Packaging in the healthcare market, where its current platform includes Richards Pharma Solutions, Healthmark, and Dispill. It will also allow Clarion Medical to leverage the considerable resources of Richards Packaging to expand the reach of its healthcare innovations.

Clairfield International acted as exclusive financial advisor to Richards Packaging. Clairfield's role included a targeted acquisition search for Canadian healthcare and medical companies, whereby various screens and outreaches were conducted that led to the identification of Clarion Medical.

Following the acquisition search, Clairfield supported Richards Packaging through all aspects of deal evaluation and diligence. This included evaluating Clarion Medical's financial statements and operations, meeting with management, assessing strategic and synergistic opportunities, negotiating deal terms and purchase price, and support with all closing documents. Clairfield continues to advise Richards Packaging as it looks to acquire other Canadian healthcare and medical businesses.

INDUSTRIALS

Solid industrial balance sheets, interesting tech trends, consolidating segments are lining up and keep deal activity strong in 2021 despite COVID-19 restrictions.

Clairfield sector heads

Chris Gregory
cgregory@clairfield.com

Albert Schander
aschander@clairfield.com

The industrial sector, one of Clairfield's most active, showed relative strength and recovered quickly as of Q3 2020 following the initial COVID impact and halt to industrial production in the spring of last year.

Clairfield's regional experts report growing M&A activity in certain segments including agritech, HVAC, civil engineering & infrastructure services, building products, and regulated facility services such as elevator inspection, fire & life safety, and recycling. Certain parts of the logistics and transportation sector have been strong, driven by the increase in home deliveries.

Across many geographies we observe government support for big infrastructure projects that should drive the M&A pipeline as well as industry trends such as AI-backed machinery applications, digitization of industrial processes, augmented reality and robotics, smart supply chains, and 3D printing.

Selected industrials transactions

- GERMANY: REPOLY was sold to infinex Group
- GERMANY: Gehring was sold to NAGEL Honen Superfinishen
- AUSTRALIA: bse maritime solutions was sold to AUSTAL
- ITALY: icer Italian Ceramic Surfaces was sold to AZIMUT Libera Impresa
- ITALY/ GERMANY: OMAV SMS group was sold to SMS group
- UK/SWEDEN: BLASTRAC was sold to Husqvarna
- CANADA: E-KUT was sold to DCM
- FRANCE: Pyramide MH (Vivian & Cie, Dagand Atlantique) sold a majority stake to ADF Ateliers de France La Haute Construction
- ITALY: Ambiente & Nutrizione sold VOMM to Aksìa group
- AUSTRALIA: ATRV Aussie Traveller was sold to SENECA Capital
- FINLAND/SLOVENIA: STALA was sold to KOVINOPLASTIKA LOŽ
- SWEDEN/FINLAND: WIBAX acquired Baltic Tank
- FRANCE: Martel Groupe backed by Garibaldi Participations, Rhône-Alpes PME, Crédit Agricole acquired CLIVIO LMTS
- ITALY: IGI SGR SpA Private Equity and management sold FIMO to WISE EQUITY
- GERMANY/SWEDEN/FINLAND: MUTARES acquired NCC Road Services
- UK: EMK Capital acquired WILLIAMS Advanced Engineering
- ITALY: Vittoria was sold to WISE EQUITY
- SPAIN: Oxicorte Gatika was sold to LARRIÓN Grupo Empresarial

InCap

acquired

AWS

INDUSTRIALS DEAL SPOTLIGHT

Clairfield advised listed Finnish company on acquisition of UK target

Incap Corporation (ICP:HEL) acquired 100% ownership of AWS Electronics Group, an electronic manufacturing services (EMS) provider specialized in high complexity services with production facilities in the UK and Slovakia. AWS will continue to run its own operations as independent units within Incap.

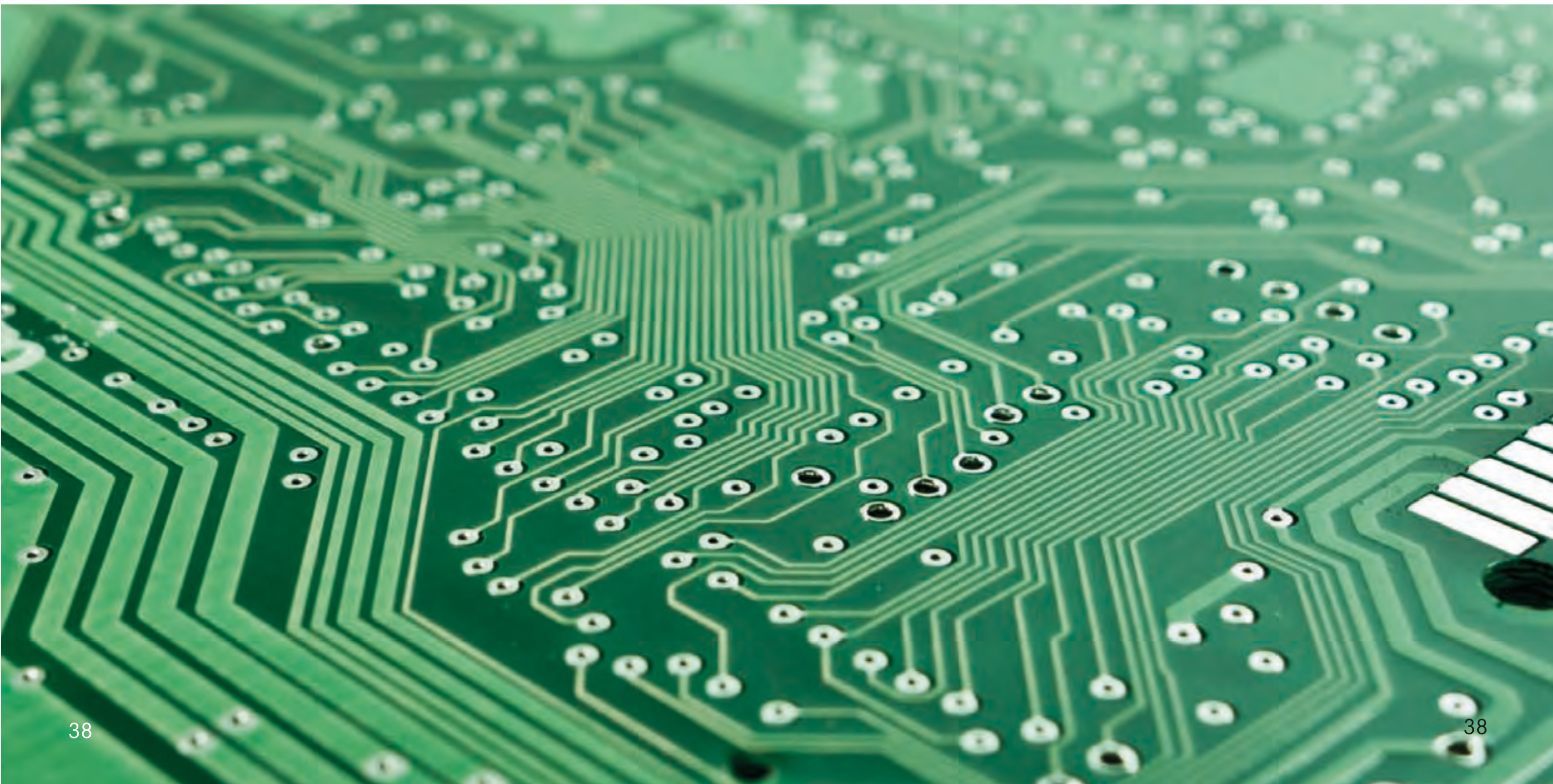
Incap Corporation is an international contract manufacturer with factories in Estonia and India, and a sourcing team in Hong Kong. Its headquarters are located in Finland, and it has been publicly listed at the NASDAQ Helsinki since 1997. It currently employs approximately 800 people. The company serves suppliers of high-technology equipment in their own business segments.

AWS Electronics Group is a UK-based company that focuses on high complexity EMS services for the entire electronic product life-cycle, including design, manufacturing, and repair. Servicing industrial controls for the medical, automotive, aerospace, and scientific instrumentation industries among others, the company has revenues of GBP 35 million and more than 400 employees in the UK and Slovakia.

With this acquisition, Incap will be able to improve service and product offering to its existing customers, widen its customer base, enter into new market segments in the UK and Central Europe, and increase its geographic presence in key areas such as the US and southeast Asia. The production facilities in the UK and Slovakia complement Incap's current production facilities located in Estonia and India. The acquisition will open the opportunity to widen the commercial prospects between the UK and India. In the long-term, the acquisition is also expected to bring synergy benefits in material purchasing and cross-selling opportunities, among other areas.

Clairfield International acted as exclusive financial advisor to Incap Oyj. The advisory work was performed by team members from Clairfield Finland and UK. The crossborder team helped Incap to create several solutions to negotiate and close the deal efficiently taking into account UK specific issues as well as requirements by a Finnish listed company. The uncertainty regarding the future trading arrangements between the UK and EU markets was an issue that Incap needed to consider carefully in evaluating the acquisition of AWS in the UK.

Clairfield provided input into this discussion with Incap, ultimately deciding that the acquisition of a prime manufacturing site in the UK was the most effective way to enter this market. "We are happy and thankful for the whole team that worked together with us in this transaction. The integrated Clairfield advisory team from Finland and the UK was able to provide solutions that were central in the deal-making," says Otto Pukk, president and CEO of Incap Group.



38

Q&A with Dirk Krämer, head of corporate M&A at Vossloh

Vossloh AG (FRA:VOS) is a leading global rail technology company with annual revenues of nearly one billion euros. How has this multinational business dealt with the turbulence of the past year and what is ahead for the industrial sector and M&A?

Dirk Krämer is the head of corporate M&A at Vossloh with long experience in M&A and a deep knowledge of rail markets.

Vossloh is a multinational company. How were you initially affected by the pandemic?

Vossloh is very much a multinational company with production sites in many parts of the world. So our first hit of COVID was of course in China. When the wave came to Europe, we soon sent all knowledge workers into remote work. Production facilities remained open, except for a few temporary shut-downs in France and India. We enforced our prevention program and so we were lucky to have had only a few infected employees.

The COVID situation slowed down all processes that were not closely related to the so-called "real work". In our M&A department, some projects were cancelled and others were delayed. In particular, the merger control and foreign direct investment processes for the sale of our Locomotives unit suffered under the new situation, as you at Clairfield well know. Meetings were postponed and response time increased due to the new working conditions and routines. Even so, in Q1 Vossloh still completed a couple of smaller divestments and in April 2020 we finally received clearance from the German federal competition authorities for the Locomotives transaction. The closing of this transaction was even more difficult as we were selling to a Chinese buyer and absolutely no one was able to travel to or from China. All meetings and even site visits were conducted over Zoom. However, closing was finally achieved in May 2020.

Were you able to prepare for shutdowns and subsequent upheaval?

Fortunately, Vossloh had no serious shut-downs of production facilities. However, we did suffer some losses due to cancelled projects. Surprisingly, the roll-out of new software for video communication went very smoothly. Everybody quickly got used to the new way of working.

Did the pandemic affect your business decisions?

Right before the start of the pandemic, Vossloh had decided to rework our corporate strategy and we had a number of divestments and acquisitions planned. When the shut-down was declared, our first thought was to halt this strategy project and instead focus on counter measures. However, in the end we decided to view the pandemic-related changes as opportunities and we went on to execute our strategy work. The completely new situation made us aware of vulnerabilities and weak points and we tried to integrate this into our strategy. Vossloh returns from this pandemic with a new strategy and a clear plan for the future.

Luckily our industry of rail infrastructure was not greatly affected by the pandemic. Only a few projects have been postponed

but others have even been brought forward. So for Vossloh, the pandemic had only a small impact (also looking forward).

How have you noted the entry into 2021?

Unfortunately we are not yet seeing a return to normality. Many knowledge workers are still working from home and business trips are not possible. However, we already started some new acquisition projects and will have to find new ways and procedures to execute them.

How do you see M&A at Vossloh and in your industry in 2021?

M&A always played an important role for Vossloh when it comes to strategy execution and that will not change in the upcoming year. Within the industry I see two drivers for future M&A: consolidation and digitization. However, I would not expect bigger transactions within the rail infrastructure sector.

I think the upheaval has made a permanent change in corporate M&A procedures. We will not see so many business trips as in the past and people are used to meeting virtually. For those who have adapted to the new working environment, this can be much more efficient. However, in our business, a personal meeting is very important to "feel" the vibes during negotiations. Also, I think that M&A processes will be much more digitized. This already started before the pandemic with virtual data rooms but might be extended into other tasks and procedures.

What opportunities have you identified ahead?

The biggest "opportunities" in light of the pandemic is certainly the faster deployment of digitization. This will leave footsteps in the ground for future development. In addition to the pandemic, the rail industry is also affected by trends that have been noted by all industrial companies. These include the use of artificial intelligence and the Internet of Things to create systems that are efficient and reliable. The rollout of 5G technology will enhance railway communications systems and big data analytics allow for the collection of data from multiple points to improve safety and better plan for repairs. We are also proud to be a key element of any zero-emissions initiative. ■

vossloh
Locomotives
was sold to
CRRC

Clairfield advised Vossloh on divestment of business unit to Chinese rail giant CRRC

Vossloh AG sold its business unit Vossloh Locomotives to CRRC Zhuzhou Locomotive Co., Ltd., Zhuzhou, China (CRRC ZELC).

Vossloh AG (FRA:VOS) is a leading global rail technology company with annual revenues of EUR 865 million. Rail infrastructure is the core business of the Group. Vossloh Locomotives, headquartered in Kiel, Germany, develops and produces state-of-the-art shunting locomotives and offers related maintenance and repair services.

Vossloh's divestment of its Locomotives business unit was part of its strategy to focus on its core business of rail infrastructure and smart rail track. A strong strategic partner was found for Vossloh Locomotives in CRRC Zhuzhou Locomotive Co., Ltd., a subsidiary of China Railway Rolling Stock Corporation Ltd. (CRRC), the largest manufacturer of rail vehicles in the world. Headquartered in Beijing, CRRC Corporation Limited has 46 wholly-owned & majority-owned subsidiaries and over 180,000 employees.

Clairfield International worked with Vossloh on this compelling divestiture, running a limited global auction through its local offices granting direct C-level access to all relevant players from the industry. The Locomotives business unit offered attractive technology but needed substantial financial investment. CRRC ZELC ultimately offered the strongest match in terms of European foothold, drive technology, and additional sales opportunities.

Clairfield's proven contacts and knowledge of the railway industry, the specialization on noncore disposals, and integrated China Desk proved instrumental in managing the complexity of this deal.

TECHNOLOGY, MEDIA & TELECOM

Unsurprisingly, recent events have accelerated migration to the cloud to the benefit of IT and digital transformation companies.

IT is a central role of all functions of business now and takes up a great proportion of company budgets. Businesses are spending on transformation of processes and system upgrades in order to remain competitive and support work-from-home environments. Data shows that while investment in IT saves money, the money saved is often used for further tech spending. Clairfield tech experts have also noted that many companies have decided to move IT services budgets from larger projects such as new ERP systems into short or mid-term projects in digitalization, e-commerce, and other areas such as logistics. IT services and consulting firms confirm that while many large projects have been postponed, the number and size of the new projects have more than compensated.

For 2021 we see investment in technology due to digitalization needs, and innovations such as edge computing, artificial intelligence, and the rollout of 5G. At the same time, there is evidence to suggest that tech spending is a factor more of GDP and a healthy economy than needed technology upgrades. In either case, with both interesting technology coming to fruition and a market itching for recovery, IT is clearly a winning sector in 2021.

Clairfield sector heads

Bertrand Hermez
bhermez@clairfield.com

Piotr Kolodziejczyk
pkolodziejczyk@clairfield.com

Selected technology transactions

NORWAY/GERMANY — Asolvi acquired TIV APP

FRANCE — Diapason was sold to Apax Partners

MEXICO/US — CATTRI acquired lightbox OOH VIDEO NETWORK

GERMANY — profihost was sold to dogado

US — PINNACLE DATA SYSTEMS was sold to doxim, a portfolio company of GI PARTNERS

BRAZIL — locaweb acquired VINDI, Social Miner, etus

NETHERLANDS — booming was sold to intracto

SWEDEN — Confirma Software acquired DataVara AB

FINLAND — Confirma Software acquired SHJ Systems

BRAZIL — Edenred acquired COOPER card

UK/NORWAY — Hg acquired Geomatikk

FINLAND — alma acquired DIAS

SWEDEN/NETHERLANDS/CANADA — SAAB sold QPS. to total specific solutions

DENMARK/POLAND — nets acquired PeP

FRANCE — ielo secured EUR140m of financing from DIF Capital Partners and other financial partners

SPAIN — pagantis sold ¡qué bueno! to a shareholder of the group

ITALY — The minority shareholders of 2CSOLUTION sold their stake to Namirial reinvesting with AMBIENTA and other shareholders of the group

FINLAND/FRANCE — Point Group was sold to ARKANCE

CLOUDALLY

was sold to

zix

TECHNOLOGY DEAL SPOTLIGHT

Clairfield advised Israeli cloud backup company on its sale to NASDAQ-listed corporation

Cloud backup and recovery solutions provider CloudAlly was sold to US-based Zix Corporation.

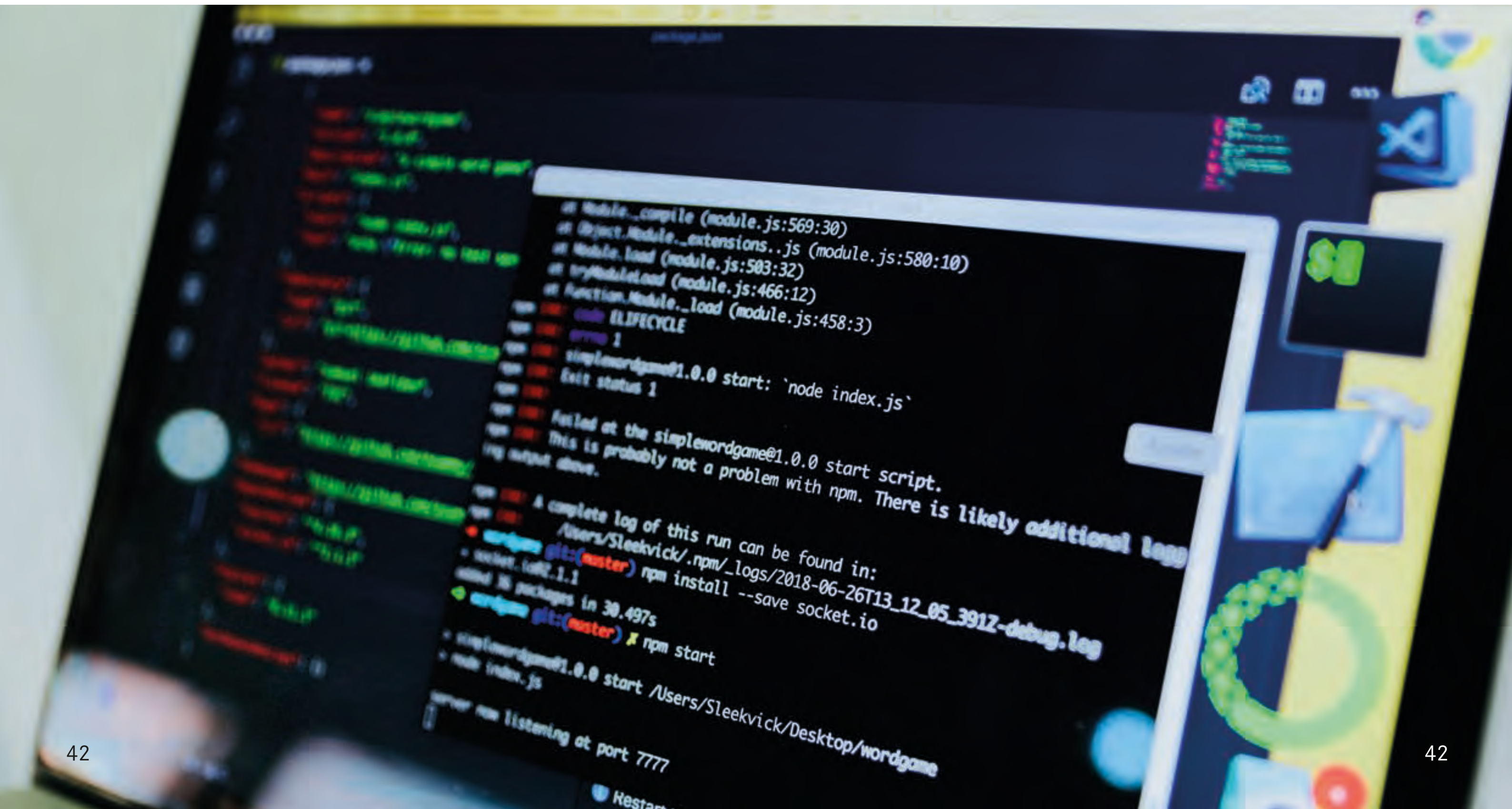
Founded in 2011, CloudAlly is an enterprise-grade, software-as-a-service (SaaS) cloud backup and recovery solutions provider. The family-owned start-up successfully developed a suite of award-winning compliant solutions for Microsoft Office 365, Google Workspace (formerly G Suite), SharePoint, OneDrive, Salesforce, Box and Dropbox. The company serves more than 5,000 customers, 250,000 users and is supported by 600 Managed Service Provider (MSP) partners.

Zix Corporation (NASDAQ: ZIXI), is a leading provider of cloud email security, productivity and compliance solutions. The acquisition expands Zix's product suite into Microsoft Office 365 backup, filling growing demand from its MSP customers as well as Zix's value-added reseller and direct channels. The synergistic go-to-market strategy has no overlap with its partner bases. CloudAlly enables Zix to enter the cloud backup and recovery market. MarketsandMarkets estimates the cloud back-up domain as a USD 1.3 billion in size growing 25%. Zix had surveyed its customers and found that at least 45% confirmed they would purchase a backup solution if it became available.

Cloud backup was identified as the number one product adjacent to their core platform. This tool enables their customers to further adopt the cloud in their digital transformation journey. CloudAlly has the potential to greatly enhance Zix's Secure Cloud platform and also removes concerns around ransomware which became a major industry concern.

As the COVID-19 pandemic put many potential buyers on pause, the initial valuations received were below shareholder expectations. Other prospective acquirors argued that the since the credit markets were closed, they were not willing to raise their initial offer. In a time of uncertainty, many proposed to pay with shares instead of cash. Since most employees were working remotely, the threat of cyber-attacks and ransomware grew.

The deal team convinced the buyers that enterprises would quickly need to respond with cloud backup and disaster recovery solutions. Clairfield positioned ClouldAlly as the last independent, profitable, and growing company remaining in this domain. Its classification as one-stop-shop, offering a full spectrum of cloud backup solutions, resonated as a key differentiator.



42

Q&A with Stanislas de Remur, founder of Oodrive

Market dynamics are changing as digitalization accelerates.

Stanislas de Remur is the founder of oodrive, the European leader in sensitive-data management.

Tell us about the history of Oodrive, and the journey you have been on.

Oodrive was founded in 2000 by three entrepreneurs: my brother Edouard, myself, and a friend, Cedric Mermilliod. Our initial plan was to create a company dedicated to last-mile delivery, as it was difficult in the early 2000s to pick up e-commerce orders without wasting a lot of time at the post office. During our brainstorming sessions, we had to share files with a lot of data, which was simply impossible at the time. USB sticks did not exist and the only solution was to use floppy discs or exchange mails with a limited size of attachments. That's how we got the idea to create a solution that enabled file sharing without using emails.

In 2001 we marketed a hard disk on the internet, and in 2002 we launched iExtranet, a secure online file page solution for companies and AdBackup, a managed remote backup service. We also pioneered innovative solutions in online collaborative working, thanks to the acquisition of Mayetic in 2006.

Our development and expansion in Europe (France, Spain, and Benelux), was also backed by several PEs (Iris Capital in 2007, TimeForGrowth in 2011, and more recently in 2017 a capital raising of EUR 65 million from Tikehau and other growth equity investors), that enabled us to completed add-on acquisitions, in electronical signature and vaults, for instance.

Oodrive is now the only player on the European market capable of providing its customers with collaborative solutions for file sharing, content and media management, data backup and electronic signing that can be accessed on demand via a single platform. Moreover, data security and protection has been at the heart of our concerns since Oodrive was created. We are committed to developing solutions that comply with the security requirements recommended by ANSSI (French National Cybersecurity Agency) and abide by current regulations. We therefore provide trustworthy services that protect our clients' most sensitive content. Oodrive achieves sales of more than EUR 50 million, with 400 employees. Oodrive has a million users in more than 90 countries, and over 15,000 corporate clients, 80% of which are CAC 40 companies. But we never did create that last-mile delivery company!

How was your company impacted by the COVID-19 and successive lockdown?

The first lockdown that began in mid-March in France was very complicated to manage and really hit us by surprise. In addition to managing internal issues—people working from home, remote connections, secured and distant access—we had concerns about our clients: would they still exist after this period? Would they be able to pay for the SaaS we were providing? Fortunately we did not experience major bad debts, but did have to deal with payment delays of one to three months during this period. Progressively, from June, our company became completely organized for employees to work from home and after a pause we noticed an increase in activity: more and more corporates became conscious of the need for digitalization and remote access.

With regards to specific measures to protect the profitability and cash position of Oodrive, we decided to retain all employees, despite subsidies proposed by the government. We also did not have to borrow any money with the state-guaranteed bank loans. Finally,

Oodrive achieved growth in consolidated revenues of around 10%, slightly lower than previous years, but still profitable. We also continued to pursue our aggressive recruitment policy to sustain our development, with the addition of 50 people in 2020.

Are you noting a return to normality?

Not yet, as far as our employees are concerned. We are still experiencing some stop-and-go regarding the lockdown or semi lockdown period since the beginning of January. We also do not really know when the population will be significantly vaccinated, and the effect of the new strains of the virus. Regarding our growth and clients however, it is pretty much business as usual.

Will the upheaval mark a permanent change in your business?

Recent events have considerably accelerated needs for digitalization and dematerialization, not only for blue-chip companies, but also for all companies whatever the size or sector We have also seen a huge demand for collaborative tools, video-conference apps such as Zoom and Teams, and the need for sharing documents online. This need arose in emergency conditions and with no forewarning. This trend is a factor for rapid growth for Oodrive and our market.

How do you see the future of your industry?

We see a brilliant future for our industry. After this rapid switch towards digitalization and electronic bookkeeping tools, companies will undergo new challenges: what is the security and confidentiality of video conference apps, of attachments? Are we sure that documents or data exchanged are not stored on the systems of major providers (Microsoft/Azure, AWS, Google, and so on)?

As we provide European alternatives to these solutions, in a totally secure environment (we own and operate the hosting assets), we are convinced that more and more clients will take the country of origin of their providers into account and will switch to our service. We have the capacity to manage sensitive data that requires a trusted partner. As an example, we recently signed a major non-governmental organization based in Switzerland as a client, because we certified that all data will remain in Switzerland on local systems.

How do you see M&A at your company and in your industry in 2021?

We see no slowdown in M&A at this stage. Companies in our sector are performing well and they did not experience bankruptcies. Most players are raising money from private equity at attractive valuations as we are seen as a resilient sector, with predictable and recurring revenues deriving from SaaS and growing underlying demand. Multiples also remain high, and it is difficult to purchase targets at an attractive price. For Oodrive, as a buyer, we see a lot of competition; as an investment target, we see a good year ahead. ■

NEW GEOGRAPHIES

OUR STRONG NEW PARTNERS FROM LONDON, ITALY, BRAZIL, INDIA, AND JAPAN SHARE THEIR GROWTH STORIES AND OUTLOOK DURING A CHALLENGING TIME.

The impact of Brexit on UK and European M&A activity

With the situation coming into focus, we expect M&A activity to flourish.

Stephen Willis, partner at Clairfield in London, has over 35 years of experience as a corporate finance practitioner and advisor.

Mark Simpson, partner at Clairfield in London, is a UK-qualified solicitor with over 30 years of experience as a corporate lawyer.

Market reaction

Ever since the Brexit referendum vote in June 2016, through to the actual separation of the UK from the rest of the EU on the first of this year, M&A activity in the UK and throughout Europe has continued without marked disruption. A few UK transactions were stalled and even cancelled altogether in the immediate aftermath of the vote and the consequent 20% decline in the UK currency. The heated Article 50 withdrawal negotiations, and the prolonged polemics and media commentary through which they were observed, created further market uncertainty which affected some prominent transactions, including the withdrawal from a GBP 2.9 billion takeover of Intu Properties by a bidding consortium comprising Peel Group, the Olayan Group, and Brookfield Property Group in 2018 due to "uncertainty around macroeconomic conditions." Generally, however, UK M&A activity has prospered despite a backdrop of four years of political and regulatory uncertainty. Now that uncertainty has been removed, there are some good reasons for the M&A market to remain even more robust going forward.

The weaker currency has created opportunities in the UK for overseas buyers, and we have certainly seen an increased number of foreign purchasers for UK assets, notably Comcast's GBP 37 billion takeover of Sky plc (2018), US-based Advent's GBP 4.1 billion acquisition of Cobham plc (2020), and Hong Kong's CK Asset Holdings purchase of Greene King for GBP 2.7 billion (2019). The pound has recovered since the signing of the EU-UK Trade and Cooperation Agreement (TCA) on December 30, 2020 and is now trading at less than 10% below its pre-referendum level. Together with lessening economic and political instability, that trend may provide increased opportunities in the EU for UK-based acquirors, particularly private equity funds.

The weeks immediately following the Trade and Cooperation Agreement have seen some initial practical, logistical, and other teething problems arising from the fact that the TCA was only finally agreed within a few days of the December 31st deadline for the UK withdrawal. Politicians and their diplomatic appointees in both the US and Europe are well accustomed to last minute deals, but such diplomacy can cause difficulty for commerce and business to respond to the changing regulations. The confusion has disrupted crossborder freight transport and certificate of origin documentation for trading in goods and particularly in animal products. EU-UK e-commerce traffic has been disrupted by the complexities of adopting new VAT procedures. Some of these procedural and logistical issues will be resolved by businesses and regulators working together in good faith under the direction of 15 specialized Trade Partnership committees, as prescribed by the TCA, but certain sectors are likely to see a re-balancing of local businesses versus crossborder exports into and out of the UK.

Brexit has generated opportunities for UK businesses to acquire an EU presence as a result of the UK withdrawal from the single market, and will continue to do so. We have already seen increased investment by UK businesses in EU-based operations in regulated services sectors such as funds management, insurance, fintech, and wealth management, where UK business owners have established subsidiary operations in EU jurisdictions. France's Europe Minister has highlighted up to 20 banks and institutions that have established Paris operations since 2016 in order to regain passporting of banking services to customers in other EU countries. We can expect UK and US business owners in those sectors to increase their appetite for acquisitions of business operations already servicing those sectors. Other sectors trading finished goods, such as e-commerce retailing, can be expected to increase their direct investments in warehousing and distribution within the EU internal market, and to be motivated to respond quickly by acquiring existing businesses with established logistics infrastructure and retailing systems.

The UK internal market remains the largest non-EU market for EU exporters. EU busi-

"Any potential buyer or seller of a business will need to consider the underlying impact of the changing post-Brexit trading and regulatory environment as it impinges on its operations, and the attractiveness of that business to a potential acquiror, rather than the M&A process per se."

nesses currently supplying their UK customers are required to adapt their supply chains for the post-Brexit trading environment and VAT procedures. Multinationals operating in manufacturing industry sectors with established complex and regulated export supply chains such as automotive, electrical goods, white goods, and so on, will be able to adapt readily to these challenges. For many medium-size businesses in the EU it will be advantageous to acquire businesses already operating within the separate jurisdiction of the UK single market.

M&A law and operations

Private and public company M&A activity is largely governed by English contract law. This is likely to remain the case after Brexit. English law has long been the preferred choice of jurisdiction for shipping and aviation, banking, and other international transactions. Some international companies may seek to have transactions governed by other legal jurisdictions as a result of the reduced influence of the UK within the EU, but the day-to-day process of buying and selling a company is likely to remain largely unaffected by the withdrawal of the UK from the EU and the oversight of the European Court.

Brexit will have a greater legal impact in other areas of corporate life and the underlying legal issues. These include laws governing intellectual property, data protection, employment, and commercial contracts. Changes to the regime governing customs procedures and product and health regulations and their effect on supply chains will have a greater impact on the day-to-day operations of EU and UK businesses. Areas such as merger control and personal data have become heavily reliant on EU regulatory standards; legal and operational changes to such standards could have a knock-on effect on M&A legal and due diligence processes.

Public takeovers

The regime governing public takeovers is likely to remain largely unaffected by Brexit, despite the trans-European dimension. The City of London is a key financial center for public markets and investment institutions, and the regime regulating public company takeovers is unlikely to change in an immediate post-Brexit world. The precise details for the equivalence regime in the UK are currently being negotiated by the regulators concerned but are expected to enable a competitive environment for financial services without driving capital and markets away from UK and Europe to North America and Asia.

An increasing trend for publicly listed companies is to consider divesting subsidiaries or divisions into private ownership, or in some cases, for the entire company to be taken private. This may in part be a consequence of the indirect regulatory and market impacts of Brexit on those parts of a company which are most affected by such challenges, which in turn may lead to value opportunities for acquirors, both strategic buyers and private equity.

Crossborder transactions

There is no overarching framework in the EU that governs international mergers and acquisitions and each transaction is governed by the country jurisdiction in which the parties have chosen to base the deal. The impact of Brexit will remain largely immaterial to crossborder transactions and how these are structured.

Looking beyond Europe, the TCA enables the UK to develop trade and investment policies and relationships as an independent member of the WTO. Businesses in North and South America and from the Asia Pacific region, for example, can expect an opening of markets and increase in M&A activity into and out of the UK, reflecting a more open and liberal stance towards trade and investment.

There have been recent press reports that the EU may, as a direct result of Brexit, be minded to add British Overseas Territories, including the Channel Islands and the British Virgin Islands, to its tax haven blacklist – whereas previously these territories, a feature in many corporate acquisition structures, had protection by virtue of the UK's membership of the EU. This could, if the remaining 27 member states so decide, have a material impact on the tax structuring of M&A transactions.

As the Trade and Cooperation Agreement settles down and the vaccination programs roll out during 2021 (other global circumstances notwithstanding) there is likely to be less political and market uncertainty, which should allow greater confidence to enable M&A activity to flourish both in the UK and the EU. ■

Q&A with Andrea Vismara, CEO of Equita

There is an opportunity for efficient European players who operate in the middle market.

Andrea Vismara is CEO at Equita, the leading independent investment bank in Italy. He is an expert in financial markets, capital markets, and investment banking and has more than 30 years of experience at leading financial institutions.

Tell us about Equita, its recent history, and its relationship to Clairfield.

Equita is the leading independent investment bank in Italy. We offer financial brokerage services, top-quality research, and alternative investment as well as investment banking services, capital raising solutions advice to corporates and financial institutions.

The business model is unique and difficult to replicate, an example of a rare old-style investment bank: it combines a high degree of independence with unparalleled knowledge and access to capital markets, both equity and fixed income, differentiating itself from large financial advisory groups and global investment banks. This is what I love about my company.

In terms of positioning, today Equita is the largest independent trading floor in Italy with outstanding brokerage capabilities on equities, bonds, derivatives, ETFs. Our research team has always been at the top of international surveys for its quality and focus on mid and small caps, and our investment banking team ranks among the top 10 Italian banks in equity and debt capital markets transactions, as well as in M&A advisory, and number one among independent players.

In 2018, Equita listed on the STAR segment of the Italian Stock Exchange, the segment where issuers commit to fulfill strict requirements in terms of liquidity, transparency and corporate governance. That was a big change in terms of visibility, especially abroad, and allowed us to speed up growth, strengthen our positioning, seize opportunities for external growth and attract talented professionals who share our vision. In 2020 we joined the Clairfield partnership, after joining forces with K Finance, the leading Italian M&A boutique advisory firm and co-founder of Clairfield.

The decision to join Clairfield was mainly driven by our entrepreneurial mindset. The partnership fits perfectly with our strategy to strengthen our ability to advise clients in crossborder transactions and share M&A advisory competences that we have developed over time with highly-specialized corporate finance professionals outside Italy.

How did you cope with the pandemic and how has your client work changed as a result?

The forward-looking investments we made in technology well ahead of the spread of COVID-19 helped the group a lot, not only to keep the same level of service to clients but also to strengthen our position in the market by guaranteeing business continuity at every moment. The number of mandates closed successfully by Equita certainly suggests a strong vote of confidence from clients.

Also, our involvement in a number of prominent transactions, including acting as an advisor in Intesa Sanpaolo's takeover of UBI Banca, has proven our ability to best serve clients, even in tough situations. Last year was an opportunity for us: by combining our client-centric approach and the technological know-how of the company, we have strengthened our ability to offer to corporates, financial institutions and investors uncompromised and high-quality advice. In the future, the human component and industry know-how (that have always distinguished advisory businesses) will not be sufficient to build successful and long-lasting relationships with clients because technology will play a key role too, making a clear distinction between winners and losers.

How do you see M&A in your industry and at Equita in 2021?

The environment for consolidation is accelerating in the European investment banking industry and – although there is nothing specific on the agenda – hopefully there could be some consolidation opportunities also for Equita.

M&A is key, and the recent transaction with K Finance closed in July 2020 is a clear evidence of the group's strategy. We are optimistic about our partnership with K Finance and Clairfield and we expect it to enable not only further growth in the domestic market but also expansion of the business into Europe.

The whole concept of serving the European midmarket is de facto a potential area for Equita to consider whether it would make sense for the group to progressively become a European player. There are very few players who can do that in Europe—there are many large European banks, many large US global banks, but very few profitable and efficient European players that can operate in the midmarket segment.

There could be an opportunity for us to build something that has more ambition and more geographical reach. In any case, we have to be very systematic, and make sure that we choose opportunities that create long-term value for all stakeholders, not only on the financial side but also in a wider sense.

Brexit or COVID-19: which one will have more lasting effects on the European economy going forward?

There are no doubts that both have already impacted the European economy and that some of the lasting effects are still to come.

COVID-19, for instance, has deteriorated public finances, threatened economic and financial soundness of small and medium enterprises, and increased unemployment, especially among young people. It is reassuring that several large-scale policy interventions at the EU level have been put in place to alleviate the impact of the pandemic. The target is to recover from the crisis as soon as possible and be better prepared for the future once the vaccine will have eradicated the virus. But it will take time.

Meanwhile, Brexit will give rise to trade barriers, inbound and outbound foreign direct investments probably will slow down, and the free movement of people between the UK and Europe will be hampered, with significant consequences for the labor market. But Brexit will also provide an opportunity for Europe to "get its act together" because the renewed push behind the Capital Markets Union is partly as a result of the UK (and London, previously the bloc's largest capital market) leaving the EU.

2020 has been a year of upheaval. Tell us what you've been thinking about the plans for recovery and promotion of SMEs, with a particular focus on capital markets.

The seriousness of the crisis triggered by COVID-19 led European institutions such as the European Investment Bank and the European Investment Fund to introduce unprecedented measures to support economic recovery, especially for small and medium enterprises. Those resources have proven to be insufficient and further changes to the economic and financial framework are urgently needed.

We appreciate, for instance, that at a European Commission level, there has been a renewed push—under the new administration—to achieve the goals set out in the Capital Markets Union agenda. This includes aims like increasing SME access to the capital markets, making it easier for capital to flow across borders within the European Union and for banks to serve corporates based across the European Union.

Then, when it comes to the midmarket, we need to see strong commitment from the European Commission to promote helpful initiatives like tax benefits to investors who invest in small caps, simplification of listings for companies, and possibly favoring smaller brokers who are the ones covering small and mid-caps.

Small and medium enterprises cannot be fully served by bank lending, so there needs to be alternatives. In order for those alternatives to be practicable, and really effective, there need to be players who really focus on those smaller companies. The European Commission is already focusing on that with the renewed Capital Markets Union plan published in September 2020 and the formation of a new technical expert stakeholder group on SMEs. However, regardless of whether or not there are changes to the regulatory landscape, I do see increased growth in this sector.

What opportunities have you identified for 2021?

Equita ended 2020 with an enhanced standing and higher market share, and well placed to take advantage of the growing confidence of entrepreneurs and managers going into 2021 to undertake strategic projects.

We are confident that with the overall economic outlook improving and, with our positioning in the market, we will do well next year. And then hopefully, we will also have the opportunity to look around for further growth opportunities. ■

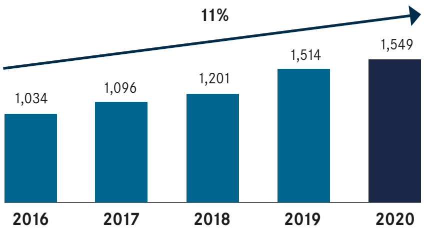
Brazil's M&A market: hot despite COVID

"There is a local saying that Brazilians live in crisis mode with windows of opportunity in between."

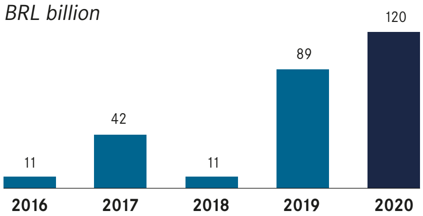
Luiz Penno is founder of Ártica Investimientos, Clairfield's exclusive partner for Brazil.

Prior to the pandemic, the Brazilian economy was finally recovering after the worst financial crisis in its history, which happened in the 2014-2016 period. M&A activity was picking up and foreign investor interest in M&A had returned after much needed economic and tax reforms. After that low, Brazil's financial markets had been increasingly rising, with new records in activity set in 2019 and 2020.

Number of M&A transactions in Brazil



IPOs on the Brazilian stock Market Bovespa
BRL billion



Sources: Capital IQ, TTR Publications, Ártica analysis

In the first semester of 2020, Brazil grabbed international headlines as the number of COVID-19 cases in the country rose sharply, casting a shadow over the country's outlook for economic development. However, pushing against the backdrop of COVID, there was a combination of low interest rates, new tax reforms and currency devaluation, all factors that have had historically positive effects in Brazil's financial markets.

Record-low interest rates have shifted capital from fixed income to equities, with the number of individuals investing in the Brazilian stock market (Bovespa) going from 500,000 in 2018 to 2.5 million in 2020—and growing. In other countries, interest rates were already slightly positive or even in negative territory, so they could not significantly fuel the economy, while in Brazil, the benchmark interest rate stood at 14.25% only four years ago, and now it is at 2%.

Further, Brazil's tax reform, widely expected to pass by early 2021, has boosted confidence in the domestic economy. A few of the measures introduced by the tax reform are the taxation of dividends, the reduction of corporate tax rates, and the unification of federal contributions in one or two value-added taxes. Together, these measures promote a promising environment for businesses in the country, one that benefits both domestic and international investors.

These investors, especially foreign ones, have also benefitted from the currency devaluation in Brazil. In May 2020, the US dollar hit the highest nominal value in Brazil since 1994, and the euro showed a similar trend. Currency devaluation has created opportunities for investments in the country via acquisition of assets at discounted prices from the point of view of buyers with funding in foreign currencies.

Together these economic factors created a thriving M&A market in Brazil in 2020. At Ártica, we have reached an all-time high volume of activity, with a full pipeline. We recently doubled the size of our staff and hired a marketing specialist. We have established flourishing international partnerships within Clairfield and, confident about the outlook for 2021, Ártica aims to help investors with the many exciting challenges and opportunities lying ahead.

Opportunities for foreign investors in Brazil

Brazil has opportunities across different industries. In technology, trends in digitalization of services, consumer preferences for e-commerce, and the rise of startups is set to create M&A activity for mature and rising firms. In healthcare, the sector has been in consolidation since 2015, when Brazil lifted a restriction on foreign capital directly investing in domestic firms. Energy, mining, and agribusiness remain well-performing, with trends of further consolidation in these sectors.

Moreover, the Brazilian government has been taking steps to create favorable policies and a healthy environment for business, with a privatization program including transportation and logistics (airport, ports, and railways), power utilities (transmission and distribution) and sanitation (water treatment and waste management). Since 2017, the government has privatized 16 of Brazil's largest airports, and 39 new airport concessions are expected by 2022.

Beyond these factors, the internationalization of Brazilian firms excites those with global aspirations. The United States remains the main investor in Brazil, with 119 acquisitions from January to December 2020. Ranking second, Germany registered 22 transactions in the same period. In 2020, Brazil had 1,549 deals, many done crossborder, due to the historical currency devaluation.

The path ahead

Building local partnerships in Brazil is important for foreign investors who seek to best leverage the country's improvements in legal, tax, and regulatory systems. Foreign investors can gain insights from local experts on specific tensions and unexplored paths within different industries in the country. With the pandemic, it is

particularly important to have eyes on the ground and quickly assess changes in the landscape, as new policies are released day by day and some may have material impact on businesses.

LATAM outlook for 2021

As the largest economy in Latin America, Brazil continues to lead the region by deal volume, with 1,549 deals, followed by Mexico (302 deals), Chile (227 deals), Colombia (152 deals), Argentina (143 deals), and Peru (95 deals), from January to December 2020.

In Latin America, there are opportunities for M&A across different industries, but one common trait across countries and industries stands out: the potential for technological disruption. Amid business inefficiency, distressed firms, and the phenomenon of digitalization, investors operating in technologically disruptive industries are leading the private sector effort of replacing the worse with the better, the old with the new. This effect is seen in the financial, insurance, healthcare, transportation, and retail sectors, to name a few. With the downturn caused by the pandemic, and the currency devaluation in some countries, restructurings and distressed assets are becoming prime acquisition targets.

Due to the forecast for the pandemic in 2021, as well as the force of technological disruption remaining a key driver, we are generally optimistic about the potential for M&A activity in Latin America. However, Brazil and other countries in Latin America will likely continue to be better suited as global targets than global acquirors in the international M&A stage. In other words, more international firms will be buying into LATAM than LATAM firms buying into firms abroad. ■

Ártica was established by three founding partners in 2014 and quickly became one of Brazil's top-ranked M&A firms.

Founding partners Luiz Penno, Diego Batista, and Ivan Barboza have built a Brazilian leader with a diverse client portfolio that includes global corporations and family-owned businesses and enjoys a close relationship with important Brazilian investors. Ártica is generalist in outlook with expertise in the M&A process in all sectors, particularly in technology and healthcare as well as in education, consumer products and mining, sectors that performed relatively favorably amid recent global upheaval. The firm also has a robust asset management arm and recently began a practice in real estate advisory.

Selected transactions advised by Ártica Investimentos

Cooper Card sold its customer portfolio to Edenred and its Brazilian brench Ticket Serviços (Ticket – uma marca Edenred)	Dasa acquired São Marcos	Locaweb acquired Vindi, Social Miner, Etus	GSH sold a minority stake to Rede D'Or	EBC Alimentos was sold to Companhia Sulamericana de Distribuição	Locaweb acquired Melhor Envio

India: A bright spot for global investors

Midmarket companies have always been an integral part of India's growth story.

Abhijeet Biswas is founder of 7i, Clairfield's exclusive partner for India.

Despite the uncertainties caused by the pandemic, India's growth story remains attractive to investors with a long-term horizon. By the end of 2020 the overall situation was moving towards normalization at a good pace, which was reflected in overall deal activity. The total number of deals in the year 2020 decreased by 34% but the overall deal value rose by 7%. Strategic deals accounted for over 50% of the total deal value in 2020.

The COVID-19 crisis required organizations to develop business continuity models, robust digital infrastructure, and become financially inclusive. To address the situation, the Indian government introduced a number of reforms focused on labor, sector drivers, and policy amendments to bring much needed liquidity into the market, drive the revival of core industries, and promote the ease of doing business in India. India has been given a historic opportunity to boost its manufacturing capabilities and establish itself as a global manufacturing hub, which in turn will drive the overall economic growth and garner investor interest. Healthcare & pharmaceuticals, retail & consumer, education, and IT & IT services have emerged as key focus sectors in 2020 and are expected to be a star spot for M&A and private equity transactions in the coming years.

Industry winners

Health and wellness take the forefront

The healthcare equipment & services, and pharmaceuticals, biotechnology & life sciences sectors saw some 74 M&A transactions with total deal value of around USD 2.5 billion and approximately 113 private equity transactions with total deal value of around USD 2.3 billion in 2020. India has potential to emerge as a global manufacturing hub in the medical devices space. The in-vitro diagnostics (IVD) market in India is growing at a phenomenal pace due to the demand for custom-tailored medicines, innovations in diagnostic techniques, and preference for POCT (point-of-care testing) among the general population. IVD has become an important part of preventive healthcare and has a huge role in screening large numbers of people for diseases as varied as tuberculosis, heart disease, and thyroid dysfunction.

Several companies such as PerkinElmer are expanding their footprints in the point-of-care diagnostics market thereby expanding their reach to clinics and doctors across India. Clairfield's team has been one of the leaders in advising on transactions in this space in India.

The dialysis consumables market is significantly under-penetrated in India. With an increasing number of diabetes patients and awareness of kidney-related diseases, the market is growing exponentially. Global industry players including Fresenius, Nipro, and Baxter have responded to an exploding need for dialysis equipment and supplies at hospitals in COVID-19 surge areas by stepping up production and creating a reserve pool of dialysis machines. Fresenius Medical Care (FMC), world's largest provider of products and services for renal diseases marked its prominent presence in the Indian market through the acquisition of an Indian company, Sparsh Nephrocare, which was advised by the Clairfield India team.

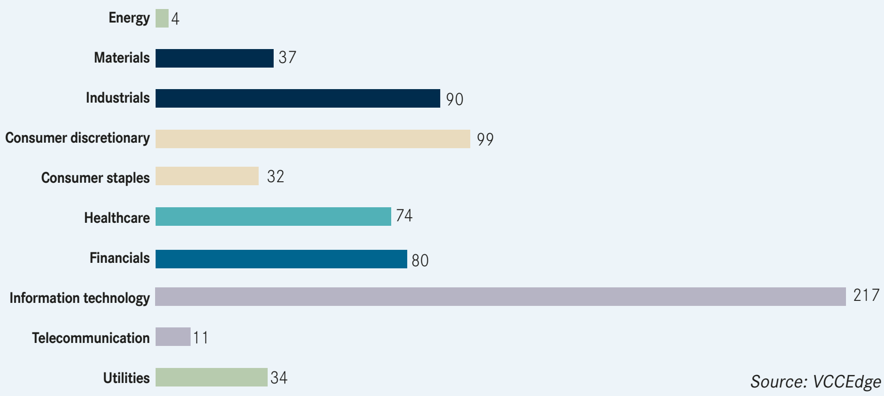
The deal landscape in the healthcare space is expected to be heated by vaccines continuing for the foreseeable future. Furthermore, the various forms of financial aid by the government has helped create opportunities in this space. As home to the world's largest vaccine manufacturer, India has the gaze of the entire world upon it to meet vaccine demand, which will give a big boost to the whole vaccine industry and its ancillary industries in India. Vaccine manufacture requires cleanrooms to avoid contamination. HVAC systems contribute a vital role in maintaining cleanroom classifications, temperature, and relative humidity. The Indian cleanroom market has been an attractive market for several international players including the Japanese Taikisha and Takasago.

One of the consequences of this pandemic has been a change in food preferences and adoption of healthy living goals. Consumers are opting for healthier eating options including fortified products. The food & beverage, nutraceutical, and pharmaceutical companies have been compelled to present innovative products that are clinically tested and well-researched to suit consumers' changing needs.

Information technology sector: scaling the next growth trajectory

Technology has been a driving force behind operational continuity of many organizations during the pandemic. A number of strategic investments in this space have been finalized and many others are expected. COVID-19 highlighted the importance of building sustainable and resilient organizations backed by digital capabilities and robust business models, and we expect these aspects to drive collaborations and partnerships in the future. In the post-COVID-19 environment, industry borders are likely to become less defined as more companies shift, ever more profoundly, towards digital channels. The software, technology services, technology hardware & equipment, and semiconductors & semiconductor equipment space saw approximately 217 transactions with a deal value of about USD 13 billion and about 764 private equity deals with a total deal

Number of deals in India by sector in 2020



Source: VCCEdge

value of about USD 18 billion in 2020. Most organizations are looking for innovative technology solutions that allow them to operate remotely, and carry out their business operations using Internet of Things (IoT)-driven applications. The demand for the technology creates ripple effects in other industries. The surge in demand will create newer opportunities for IT professionals and hence for the ever-evolving Indian technology staffing industry. Likewise, India's supply chain will go through huge transformations in the next few years. The pandemic has moved logistics companies to get ready for a digitally connected and well-integrated supply chain, thereby improving productivity. Digitalization in the logistics market will be the point of focus in a post-pandemic period.

Engineering research & development: a go-to for India

Several global architecture, engineering, and construction players have set up offices through their subsidiaries, joint ventures in India. India is the largest English-speaking outsourcing country in the world with a huge pool of skilled workforce, makes it one of the most preferred outsourcing destinations and a go-to country for all engineering service needs. Clairfield India was an exclusive sell-side advisor for the acquisition of Neilsoft, a specialist in engineering services in India which is spearheading the digital transformation capabilities of Fujita Corporation, Japan.

Beyond COVID-19

Deal success has been hampered by the uncertainty around business projections, valuations of companies, and diversion of cash flows to operational needs. Nevertheless, the government and businesses are undertaking relentless efforts to tackle the crisis and ensure that the long-term potential of investments remains intact. With India's determination towards promoting self-reliance, the government has curbed corporate tax rates and has indicated further considerations under the "Make in India" initiative, to emerge as a more favorable investment destination than its South Asian peers. Coupled with businesses exploring restructuring and supply chain diversification to address the changes in geo-political dynamics, these incentives are expected to encourage transaction opportunities over the coming years. The post-pandemic "new normal" is expected to witness a turnover in industry and trade dynamics, with investments being steered towards essential industries, to leverage underlying opportunities for innovation. M&A-related activity would continue to hold potential, as businesses acquire stressed assets, and industries witness consolidation to achieve competitive synergies in the current, challenging scenario. The stage has already been set for India to become a world economic powerhouse with a demographic advantage, strategic location for exports, expanding consumer market, and focus on digitalization. With corporate India focused on recapturing demand and building organizational resilience, supportive government reforms and policies will create a more conducive business environment for the investor community, thereby contributing significantly towards India's growth. ■

7i has positioned itself as one of the top firms in India and one of the few to focus on crossborder midmarket transactions.

7i was founded in 2013 by experienced investment bankers Abhijeet Biswas, Tapas Sarkar, and Manoj Patkar. The 7i team focuses on the sectors of healthcare & pharmaceuticals, manufacturing, telecom & media & technology, chemicals, business & financial services, and consumer goods & services. 7i also boasts a strong private equity advisory practice, offering growth and venture capital advisory, private equity exits, and partial and total divestment by founders to strategic buyers and private equity investors. 7i's FX capital advisory facilitates optimization of capital structure by access to cheaper and efficient USD/EUR based financing.

Selected transactions advised by 7i

- Neilsoft entered into a strategic partnership with FUJITA
- iCLEAN was sold to Takasago Thermal Engineering
- Biesense™ health • technology • people was sold to PerkinElmer® For the Better
- CPC Diagnostics Pvt. Ltd. entered into a strategic partnership with EVERSTONE
- sparsh Nephrocare was sold to Fresenius Medical Care Nephrology Match
- Rotostat Passion for Precision was sold to Manpower®

Japan: a new buyer universe for Clairfield's midmarket clients

A globalization wave has come, not only to large corporations but also to mid-sized corporations in Japan. Recently mid-sized corporations have been actively investing into international business and assets.

Yasuyuki Kita is executive director of Yamada Consulting Group, Clairfield's partner for Japan.

Japanese crossborder mergers and acquisitions have expanded

According to RECOF DATA Corporation, the number of "in-out" transactions in 2019, where Japanese investors buy overseas business and assets, reached 826 deals (publicly announced transactions only), the highest number in history. The number is 170% greater than that of one decade ago, in 2009. In terms of investment destination, the results are fairly evenly divided among North America (30%), Europe (25%), and Asia Pacific (40%). Due to the COVID-19 pandemic, the number has dropped approximately 35% in 2020 compared with 2019.

Even though Japan has the third largest GDP in the world, "out-in" transactions, in which foreign investors buy Japanese business and assets, have been limited. Foreign investors typically cite language and culture as a critical challenge. Even finding an advisor to bridge the language and culture gap is quite hard, especially for mid-sized deals in Japan. Even so, the number of "out-in" deals has risen to 262 in 2019 (publicly announced transactions only) and the number is double that of a decade ago according to RECOF DATA Corporation.

Historically Japanese business owners prefer to hand over the business to family members. But it has gradually become accepted to be taken over by an outside party and mergers and acquisitions are now very common. Foreign investors are increasingly accepted also.

Carve-outs and overseas business sales

The number of carve-out deals by listed corporations in the first half of 2020 reached 139, again the highest number in history. The historic number seems to indicate that listed corporations are reviewing their business portfolios due to COVID-19. The pandemic is influencing corporate strategy and spurring corporate management to divest non-core and low margin business. The presence of foreign investors in carve-out deals should be significant. The Blackstone Group announced that it plans to invest approximately JPY 500 billion into Japan within three to five years. And The Carlyle Group announced that its Japanese buy-out fund raised JPY 258 billion in March 2020. Both firms commented that

they expect Japanese-listed corporations to divest more non-core units to enhance capital efficiency. In addition, divestment of overseas subsidiaries has increased recently. As a seller of overseas subsidiaries, it is necessary to reach international investors, especially in the countries where the business is located. The opportunity to invest into mid-sized carve-out deals in Japan should be increased and it is a chance for foreign investors to expand their business in the Japanese market.

Appetite of Japanese Investors

Even though Japanese investors seem to be more selective for acquisitions with the COVID situation, their appetite for international opportunities remains large especially in their role as strategic investors to generate synergies with existing technologies and other capabilities.

Besides, the strategy and criteria for M&A by Japanese investors has been slightly changing. Japanese investors are shifting their investment focus to look beyond not only the same industry but also in other industries where further growth in post-COVID is expected, for example in promising technology. The business environment has changed significantly due to COVID-19. Japanese corporations are under huge pressure to make the right and bold decisions to sell and buy businesses to sustainably grow and survive.

Yamada Consulting Group is a publicly-listed consulting and M&A advisory firm on the Tokyo stock exchange with offices in all major Japanese cities, as well as in China, Singapore, Thailand, Vietnam, Indonesia, Malaysia, India, and the US (Los Angeles). The firm has more than 35 years of history in Japan and focuses on management consulting, financial solutions, international management, real estate consulting, and education. The M&A practice is cross-divisional and Yamada completes approximately 100 transactions per year. The management team has close relationships with decisionmakers at all major Japanese companies, making it a key partner for Japanese and international M&A. ■

Yamada, with its long history and prestige in Japan, opens doors for Clairfield in accessing buyers in Japan and deepens our existing access throughout Asia.

YAMADA
Consulting Group

In 2020 Clairfield and Yamada began a close alliance. Yamada is now the gateway for Clairfield clients into Japan, and Clairfield provides Yamada with access to its corporate, private equity, and family business clients worldwide. The partnership between Clairfield and Yamada provides strategic benefits for both parties and allows Clairfield to continue to provide top-of-the-line services to its clients on an even larger scale globally. The extensive professional networks of Yamada in Japan and southeast Asia combined with their expertise in Japanese business are invaluable. For both Clairfield and Yamada, this partnership represents an exciting opportunity for real growth and entry into new markets.

Selected transactions advised by Yamada

Kingsbury sold a majority stake of NEGRI BOSSI to NISSEI

Kotobukiya Fronte Co., ltd. sold its automotive interior business to SAGE Automotive Interiors

KOBAYASHI bought a majority stake of Alva

SHIMADZU Excellence in Science bought a majority stake of CORE Medical Imaging Inc.

JUKI smart.fast.modular. took a minority stake of ESSEGI AUTOMATION

Raito took a minority stake of FECON

BOARD MEMBERS

Alexander Klemm, Chairman
aklemm@clairfield.com

Thierry Chetrit, Vice Chairman
tchetrit@clairfield.com

Filippo Guicciardi, CFO
fguicciardi@clairfield.com

Jacqueline Curzon
jcurzon@clairfield.com

Brian O'Hare
bohare@clairfield.com

Albert Schander
aschander@clairfield.com

PRACTICE GROUP HEADS

BUSINESS SERVICES

Gustaf Rova
grova@clairfield.com

CONSUMER & RETAIL

Gary Ecob
gecob@clairfield.com

Martin Lemmer
mlemmer@clairfield.com

ENERGY, CLEANTECH & RESOURCES

David Hassum
dhassum@clairfield.com

Maximiliano Turelli
mturelli@clairfield.com

HEALTHCARE

Jack Helm
wjhelm@clairfield.com

David Vorhoff
dvorhoff@clairfield.com

INDUSTRIALS

Chris Gregory
cgregory@clairfield.com

Albert Schander
aschander@clairfield.com

TECHNOLOGY, MEDIA & TELECOM

Bertrand Hermez
bhermez@clairfield.com

Piotr Kolodziejczyk
pkolodziejczyk@clairfield.com

CAPITAL SOLUTIONS

Hans Buysse
hbuysse@clairfield.com

Kalle Helander
khelander@clairfield.com

ADMINISTRATION

Kim Rizvi, International business manager
krizvi@clairfield.com

Silvio Curioni, Finance manager
scurioni@clairfield.com

Ioana Paunescu, Communications
ipaunescu@clairfield.com

11 Rue du Conseil-Général
1205 Geneva
Switzerland
T: +41 22 518 0242
www.clairfield.com

CONTACTS

EUROPE

AUSTRIA
Vienna
Berend Yntema
byntema@clairfield.com
T: +43 1 535293713

BELGIUM
Antwerp
Hans Buysse
hbuysse@clairfield.com
T: +32 2 669 08 75

Brussels
Damien Coppieters
dcoppieters@clairfield.com
T: +32 2 669 08 75

CZECH REPUBLIC
Prague
Marek Rehberger
mrehberger@clairfield.com
T: +420 221 424 184

DENMARK
Copenhagen
Anders Eriknauer
aeriknauer@clairfield.com
T: +45 20 10 39 99

FINLAND
Helsinki
Juha Raunio
jraunio@clairfield.com
T: +358 207 613 910

FRANCE
Lyon
Jean-Noël Combasson
jncombasson@clairfield.com
T: +33 4 72 40 05 69

Marseille
Emmanuel Xerri
exerri@clairfield.com
T: +33 6 07 86 68 75

Nantes
Christian de Charentenay
cdecharentenay@clairfield.com
T: +33 2 85 52 80 44

Paris
Thierry Chetrit
tchetrit@clairfield.com
T: +33 1 40 20 12 34

GERMANY
Düsseldorf
Dirk Middelhoff
dmiddelhoff@clairfield.com
T: +49 211 917396-81

Frankfurt
Albert Schander
aschander@clairfield.com
T: +49 69 70 79 69 0

Stuttgart
Dirk Freiland
dfreiland@clairfield.com
T: +49 711 620079-0

HUNGARY
Budapest
Oliver Nemes
onemes@clairfield.com
T: +36 1 301 0218

ITALY
Milan
Filippo Guicciardi
fguicciardi@clairfield.com
T: +39 02 763 948 88

NETHERLANDS
Amsterdam
Damman Nordbeck
dnordbeck@clairfield.com
T: +31 6 1438 5059

NORWAY
Oslo
Anders Strand
astrand@clairfield.com
T: +47 901 38 832

POLAND
Warsaw
Peter Chudy
pchudy@clairfield.com
T: +48 22 826 26 43

SPAIN
Barcelona
Brian O'Hare
bohare@clairfield.com
T: +34 93 487 0330

Madrid
Alfons Cots
acots@clairfield.com
T: + 34 91 577 6920

SWEDEN
Stockholm
Johan Nylén
jnylen@clairfield.com
+46 707 229 833

SWITZERLAND
Geneva
Jacqueline Curzon
jcurzon@clairfield.com
T: +41 22 518 0242

UK
Birmingham
Chris Gregory
cgregory@clairfield.com
T: +44 121 234 6070

London
Stephen Willis
swillis@clairfield.com
T: +44 20 7098 7098

AMERICAS

BRAZIL
São Paulo
Luis Penno
lpenno@clairfield.com
T: +55 11 3707-1890

CANADA
Toronto
Ken Moore
kmoore@clairfield.com
T: +1 416 340 7200

Montreal
Thierry Pepin
tpepin@clairfield.com
T: +1 514 462 0959

MEXICO
Mexico City
pcoballasi@clairfield.com
T: +52 55 52518279

USA
Atlanta
Bo Briggs
bbriggs@clairfield.com
T: +1 404 841 3131

Austin
Justin Cunningham
jcunningham@clairfield.com
+1 512 596 2500

New York
Crosby O'Hare
cohare@clairfield.com
T: +1 212 370 4343

MIDDLE EAST

ISRAEL
Tel Aviv
Joseph Sabet
jsabet@clairfield.com
T: +36 1 301 0218

TURKEY
Istanbul
Metin Ar
mar@clairfield.com
T: +90 541 240 0000

ASIA PACIFIC

AUSTRALIA
Brisbane
Sharon Doyle
sdoyle@clairfield.com
T: +61 7 3218 9100

Sydney
Mark Steinhardt
msteinhardt@clairfield.com
T: +61 403 628 842

India
Mumbai
Abhijeet Biswas
abiwas@clairfield.com
T: + 91 986 798 2007

Japan
Tokyo
Kita Yasuyuki
kitay@yamada-cg.co.jp
T: +81 03 6212 2515

CLAIRFIELD INTERNATIONAL

300+
TEAM MEMBERS

80%
OF OUR MANDATES ARE INTERNATIONAL

6
SECTOR TEAMS OF SPECIALIZED EXPERTISE BACKED BY

70
INDUSTRY ADVISORS

25
COUNTRY TEAMS ACROSS THE WORLD

30%
OF OUR DEALS ARE CLOSED WITH INTERNATIONAL BUYERS

M&A advisor of choice for midmarket clients and transactions

Clairfield International was founded in 2005 by four European M&A boutiques and has since expanded to encompass all major economies worldwide in 25 countries.

While Clairfield International continues to grow with the addition of knowledgeable partners in key markets, we are determined to preserve our strengths – entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

Top 10
IN EUROPEAN MIDMARKET RANKINGS

Top 20
IN WORLDWIDE MIDMARKET RANKINGS

600+
DEALS CLOSED IN THE LAST 5 YEARS

EUR 20 billion
CUMULATIVE DEAL VALUE IN THE LAST 5 YEARS

www.clairfield.com


CLAIRFIELD
INTERNATIONAL

For press inquiries and questions about this report, contact press@clairfield.com.
For information on how Clairfield International can help your company, contact info@clairfield.com.

www.clairfield.com