

ROPES & GRAY

IN FOCUS

2019 AND THE YEAR AHEAD



10

10 YEARS IN LONDON

155 YEARS STRONG

THE VIEW FROM ROPES & GRAY

The breadth of the private capital industry will continue to grow in 2020. The European Private Capital industry showed remarkable resilience in 2019, despite the strong macroeconomic and geo-political headwinds.

For our clients, whilst it is true to highlight an increased focus on more Euro-centric deals, on particular sectors (tech, life science and healthcare in particular), the diversity of targets unsurprisingly suggests an industry meeting the challenges of our changing times.

As we start the new decade and celebrate the 10th anniversary of our London office, we will continue to be committed to adding real value to what our clients are doing.

2019 NUMBERS UP-CLOSE

LONDON



51 M&A
TRANSACTIONS

Enterprise value of

GBP£24
billion+

GLOBAL



195 M&A
TRANSACTIONS

Enterprise value of

US\$135
billion+

PRO BONO

Awarded “Pro Bono Program of the Year”

by Chambers & Partners at the 2019 Chambers
Diversity and Inclusion Awards

Partnered with Kids in Need of Defense UK

to provide legal advice and representation to
undocumented children who have lived in the UK for
7 years or more to apply to regularise their stay in the UK



Partnered with the New England Innocence

Project to overturn a wrongful murder conviction after
Gary Cifizzari spent 35 years in jail

Created the Ropes & Gray Justice Fellowship

that will provide recent law school graduates with a paid,
full-time position to pursue advocacy in racial justice and
immigrant rights

KEY DEALS OF 2019

Q1
19

NORDIC CAPITAL



Advised **Nordic Capital** on co-investment arrangements on the acquisition of **Orchid Orthopedic Solutions LLC**, a maker of orthopedic implants

Advised a **top ten global private equity house** on its bid for **Nestlé Skin Health**, one of the world's largest providers of a range of medical and consumer skincare products

Advised **Kupanda Holdings**, a joint venture between Kupanda Capital and TPG Growth, on its partnership with Mavin Global, Africa's industry-leading music label

Advised **Smedvig Capital** on its £175m sale of **My Home Move**, a company engaged in providing probate and estate administration services, conveyancing services and property marketing



Advised **Bain Capital Credit** and **Intermediate Capital Group** as lenders on the financing for the acquisition of **Study Group**, the leading provider of international education

Advised an **American multi-national biotechnology** company on its \$800m acquisition of a clinical-stage gene therapy company based in London

Advised **Altice France** with obtaining stapled financing commitments and the entry into €1.9bn senior secured credit facilities to finance fibre-to-the-home infrastructure by SFR FTTH

Advised **Johnson & Johnson** on its \$400m carve-out acquisition of the **TachoSil** business from Takeda



Advised **Baring Private Equity Asia** on purchasing a 30% Stake in **NIIT Technologies Limited**, an Indian IT services company for \$700m

Advised **Silverfleet Capital** on its investment in **CARE Fertility Holdings**, a leading UK fertility group

Advised **Virgin Media** in connection with a \$1.2bn senior secured notes issuance

Advised **Altice Europe** in connection with the €2.8bn of new 8-year Senior Notes at Altice Luxembourg SA following a well-oversubscribed offering

Q2
19



Advised **Partners Group** on its minority investment in **Idera, Inc.**, publisher of B2B productivity software

Advised **Northgate plc** in relation to its £500m refinancing

Advised **Mitsubishi UFJ Trust and Banking Corporation** on its acquisition of **Point Nine**, an industry leader in outsourced operations, processing and reporting for post-trade execution

Advised **All3Media** in connection with the €405m first lien syndicated term loan B and £75m privately placed second lien refinancing

intrum

Advised a consortium of banks on an €850m senior notes offering due 2027 by **Intrum**, Europe's largest credit management company

Sotheby's

Advising **BidFair** on the financing aspects of its proposed \$3.7bn acquisition of **Sotheby's**, one of the world's leading auction houses

-AXCEL

Advised **Axcel** on the \$230m acquisition of **Phase One**, the technology business



Advised **Avista Capital Partners** on the sale of **Trimb**, a leading consumer healthcare company based in Stockholm, Sweden, for MSEK 3,400

Q3
19



Advised **Arrow Capital Partners** on its SIRE joint venture with **Cerberus** to acquire and manage a €2bn portfolio of industrial and urban logistics properties across Europe



Advised **Goldman Sachs** with both the bridge and revolving financing, and the bond refinancing supporting the SEK13bn public takeover by the Af Jochnick family of **Oriflame Holding**



Advised certain selling shareholders on the sale of **Quotient Sciences**, a global provider of outsourced drug development services



Advised certain selling shareholders of **FirstPort**, a leading UK residential property management company



Advised **Alibaba Group** on its strategic partnership with **Richemont** and its joint venture with **YOOX Net-A-Porter Group**



Advised **Liberty Latin America** on the financing aspect of its \$1.95bn acquisition of **AT&T's** operations in Puerto Rico and the US Virgin Islands



Advised **Silverfleet Capital** on its acquisition of a majority stake in **BOA CoreDux**, the Netherlands and France-based designer and manufacturer of metal pipes for gas transportation



Advised **MUFG Investor Services** on the acquisition of select divisions of the fund administration business of the international advisory, administration and family office firm **Maitland**

Q4
19



Advised **Bridgepoint** and its portfolio company, **HKA**, on the acquisition of **The Kenrich Group**, a business and litigation consulting firm



Advised **Nordic Capital** on equity investment matters relating to **eResearchTechnology (ERT)**



Advised **Partners Group** on the €10.25bn sale of its minority equity stake in **Action**, Europe's leading non-food discount retailer



Advised **Duke Street Capital** and **Great Rail Journeys** in relation to the acquisition and financing of **Vacations by Rail**, a U.S. provider of railway holidays

MARKET OUTLOOK



MACRO TRENDS

2020 should be a strong year. Everybody we speak with expects a significant uptick in deal flow. That said, we believe it will start more slowly than it will finish.

Private equity will remain focused on sectors such as technology, pharma, data, outsourcing, leisure and will be most attracted to businesses that either have an international footprint or can be a platform for such a footprint. The counter-intuitive investor will find value in sectors and businesses that are less fashionable and perhaps, as a result, less impacted by internationalisation, digital transitions and outsourcing.

Of course, geo-political events may have an impact, but the December General Election has given business and the deal market more certainty than it has had in years – expect big deals as well as a surge in mid-market volume.

Last year the number of UK “public-to-private” deals rose by over a third (with an aggregate value of c.£21bn – double the aggregate value in 2018). Despite the increase in share prices since the UK general election, we expect the focus on take privates to continue – valuations (compared to the private market) remain attractive and there are still a number of public companies that aren’t necessarily delivering (or able to access the capital they need to deliver) as listed entities.



ESG

There is barely an LP or GP who talks about the upcoming years without mentioning an increased focus on ESG. Whilst these conversations have been happening for a while, we believe that the industry is now at a tipping point for authentic ESG action.

We see this as partly a belated recognition that corporate behaviours can drive change for good as impactfully as government in our globalized modern world. With so much recent focus on geo-politics (Brexit, populism and trade wars), it is easy to be surprised by the developments in corporate and investor responsibility over the last decade. These, ultimately, may have a more fundamental enduring impact. The financial crisis left many questioning pure capitalism and the lack of global corporate responsibility. This (and the growing concern over the climate and environment) is leading to a profound change: agreed standards on corporate responsibility, a greater dialogue over stewardship, investor prescription, and the emergence of ESG accreditation bodies (such as the B Corp process and PRI).

From our conversations with the market, ESG will soon have a significant impact on the industry. Not only will every PE portfolio company be analysed by ESG criteria (and potentially GPs scored as against ESG benchmarks), we believe ESG stewardship will come to the forefront of our industry’s argument for purpose.



HEALTHCARE

A high proportion of our transactions in 2019 were in the healthcare and life sciences sectors. These sectors continue to be exciting investment opportunities for our PE clients – indeed, this was the highest year for European healthcare PE buyouts in the last decade with an aggregate deal value of over €16 billion, beating 2017's high of €12 billion. Ropes & Gray's global expertise in healthcare and life sciences means we have been well-placed to advise on the technical legal issues that differentiate these transactions.

Over the last year, we worked on a wide range of investments and potential investments, for example, drug products ranging from those that are pre-regulatory approval to off-patent lines; new digital services that are facilitating and improving the standards of healthcare provision; clinic businesses that are situated and regulated in multiple jurisdictions; and consumer products sold through the full range of points of sale.

We expect the trend of high levels of PE investment in these sectors to continue in 2020. We also expect the sectors to continue to be relevant at both ends of the spectrum of deal sizes. From growth investments that are seeking to invest in the next new product breakthrough, to large buyouts that invest in established products and services that can be sold to a global market.



PRIVATE DEBT TRENDS

2019 has seen debt funds deploy capital across a broader spectrum of jurisdictions in Europe, supply debt finance for a number of large-cap private equity financings, regularly invest in various levels across the capital structure of the same deal and continue to capture a greater share of new loan activity relative to previous years.

We expect these trends to continue into 2020 as debt funds seek to find opportunities to invest in an environment with healthy competition given the large volume of committed capital in the space.

Outside of the more vanilla LBO lending, we expect a continued rise in deployment of private debt by way of bespoke specialty lending and to provide additional liquidity into existing capital structures to support growth. Opportunities to deploy capital are also likely to materialise as distressed credits with flexible term loan B and/or bond documentation look to push the limits of their ability to incur additional debt.



BOSTON



CHICAGO



HONG KONG



LONDON



NEW YORK



SAN FRANCISCO



SEOUL



SHANGHAI



SILICON VALLEY



TOKYO



WASHINGTON, D.C.

LONDON PARTNER CONTACTS

PRIVATE EQUITY

Helen Croke

helen.croke@ropesgray.com

John Newton

john.newton@ropesgray.com

Will Rosen

will.rosen@ropesgray.com

Phil Sanderson

philip.sanderson@ropesgray.com

Kiran Sharma

kiran.sharma@ropesgray.com

Elizabeth Todd

elizabeth.todd@ropesgray.com

PRIVATE EQUITY REAL ESTATE

David Seymour

david.seymour@ropesgray.com

FINANCE

Robert Haak

robert.haak@ropesgray.com

Malcolm Hitching

malcolm.hitching@ropesgray.com

Michael Kazakevich

michael.kazakevich@ropesgray.com

Aditya Khanna

aditya.khanna@ropesgray.com

Alex Robb

alexander.robb@ropesgray.com

Jane Rogers

jane.rogers@ropesgray.com

Carol Van der Vorst

carol.vandervorst@ropesgray.com

ROPES & GRAY

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60 LUDGATE HILL
LONDON
EC4M 7AW
ropesgray.com