CLAIRFIELD INTERNATIONAL

CLAIRFIELD ANNUAL OUTLOOK 2020

CELEBRATING 15 YEARS OF M&A

CLAIRFIELD
INTERNATIONAL

300+
TEAM MEMBERS

80%
OF OUR MANDATES ARE INTERNATIONAL

6
SECTOR TEAMS OF SPECIALIZED EXPERTISE BACKED BY

22
COUNTRY TEAMS ACROSS THE WORLD

30%
OF OUR DEALS ARE CLOSED WITH INTERNATIONAL BUYERS

70
INDUSTRY ADVISORS

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 22 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

130+
DEALS CLOSED ANNUALLY

EUR 20 billion
CUMULATIVE DEAL VALUE LAST 5 YEARS

www.clairfield.com

Letter from the chairman

Celebrating 15 years supporting our clients in the middle market

This year Clairfield celebrates 15 years as trusted advisor of our clients in M&A. Since our establishment by four M&A boutiques in 2005, we have grown to 34 offices worldwide in 22 countries. We have continued to enhance our core capabilities for crossborder transactions and have advised on more than EUR 50 billion in aggregate deal value. We are proud of our industry expertise and our ability to leverage our international access to the advantage of our clients. 2019 was a record year for Clairfield after a record 2018, positioning Clairfield firmly among the top 10 firms in Europe and in many markets in the top five.

We look back on a good year for M&A despite geopolitical ruffles. Increased investor skepticism, an uncertain international outlook with regard to Europe and China, and mixed earnings results from corporations over the past year all contributed to perceived volatility. At the same time, low interest rates, strong balance sheets, and the steadiness of economic indicators such as consumer sentiment contributed to transaction activity. Equity markets have risen to all-time highs in spite of political uncertainty.

In 2019, Clairfield International maintained growth and continued to provide clients with the highest quality of service in corporate finance. We successfully advised on over 130 transactions in 2019, continuing to execute strategies across all sectors for our clients to create value. We were joined by new partner firms in Sweden and the Netherlands who bring access to vibrant areas in Europe as well as middle market and private equity specialisms. We also enhanced our services with the establishment of a Capital Solutions practice group, formally bringing together our worldwide expertise in capital raising and equity/debt advisory in order to provide our clients with the best access to financing sources. We are delighted by the progress in attracting young talent and the Clairfield Academy program, and what it offers to our young professionals. The need for continuous learning affects all of us as digitalization and artificial intelligence changes our clients' business models and our own advisory business, reinventing best practice and lifting one's skill set to a higher level.

In our Outlook 2020 this year, we discuss the past 15 years in M&A, the challenges and opportunities facing various industries, and how we can provide the best strategic solutions to create value and promote growth in this climate. We look at stimulating and challenging issues with contributions on impact investing, ESG, and digitalization. We look at where we have been and where we are going as a firm, advisor, and fiduciary to our clients. Our industry experts weigh in on what threats and opportunities face the market and M&A in the coming year, and we thank them for their thought-provoking contributions.

On behalf of the board and all of us at Clairfield, we thank you for your commitment to Clairfield, and hope that you find value in this publication. We look forward to working with you, our clients, as we strive to develop Clairfield to an ever higher level. Here's to the next 15 years in M&A.

Alexander Klemm
Executive Chairman
aklemm@clairfield.com

Contents

CLAIRFIELD INTERNATIONAL

CELEBRATING 15 YEARS OF M&A

A look back at our biggest milestones

2004

Recently formed M&A advisory firms in France, Italy, Spain, and the US begin to collaborate. They decide to form their own midmarket partnership and call it Clairfield Partners to emphasize the transparency and honesty that forms the basis of their practice.

Boom in worldwide M&A activity that lasts until 2008.

2005

These founding firms are joined by Germany.

Clairfield Partners is registered as a holding in Geneva, Switzerland.

2006

New partner in Belgium.

2007

Coca-Cola acquired the German bottler business from 20 separately-owned companies

"This transaction, worth over USD 650 million, was the largest outbound US deal Coca-Cola had done at that time. It was actually 20 simultaneous transactions, and was certainly the most complicated my team had ever undertaken."

Albert Schander

The iPhone goes on the market and the smartphone era truly begins.

2008

New partner in Australia.

2008 is a banner year for Clairfield, as with a small number of partner offices, we are ranked by the Thomson Financial league tables as one of the top 25 financial advisors in Europe, Australia, Benelux, France, Germany, Italy, and Spain.

Lehman Brothers collapses. The worldwide financial crisis begins with repercussions for M&A.

2009

With clean energy a cornerstone of economic recovery, Clairfield closes six deals in the sector in a 12-month period.

Clairfield expansion begins in earnest with new partners in Brazil and Poland. We soon cover every important economy worldwide.

2010

"No Distance Too Far" is the motto for our meeting in Sweden. Five Clairfield athletes cross the finish line at the Stockholm half-marathon, cheered on by the rest of the team.

New partner in the UK.

2011

"We coordinated in-depth audits to reassure the French buyers, and structured the deals with the stakes growing larger over several years, with incentives."

Thierry Chetrit

Two French-Brazilian deals closed in 2011, the first of many between these countries.

vega was sold to egis

VIVA ANTÉ acquired a majority stake in LM FARMA

CLAIRFIELD INTERNATIONAL

Brand overhaul, with renaming of brand to Clairfield International, new logo, and new look.

2012

Arab Spring

"The addition of this facility is a big step in reaching ENEA's strategic goal of operating 250-350 MW wind power generation plants by 2020."

Piotr Kolodziejczyk

Enea acquired Bardy Wind Farm

Clairfield establishes a presence in Hong Kong.

New partner in Finland.

2013

"Most of our deals are crossborder and show the strength of the Mexican midmarket, which is Clairfield's focus and passion."

Pablo Coballasi

Clairfield strengthens our position in the Americas with a Mexican partner and in the Nordics with a Norwegian partner.

Partner Sharon Doyle becomes non executive director at Social Investments Australia.

"Among various board positions I have had, I want to use my expertise at this impact investment fund."

Sharon Doyle

2014

Clairfield sponsors the 2014 M&A forum at the China International Fair for Investment and Trade (CIFIT) in Xiamen.

New partner in Denmark.

"We have advised Alma Media, a Helsinki-listed media company focusing on digital services and publishing, on eight successful crossborder M&A transactions on both the buy and sell side."

Juha Raunio

alma sold Alma 360 to otavamedia

2015

THOMSON REUTERS

Clairfield consistently ranks among the top advisors for small and midcap transactions in major league tables. Clairfield Nordic is ranked number 1 in the region.

New leadership to define and drive strategy in coming years.

"I joined Clairfield to help drive the effort to achieve a more integrated and ever more successful firm."

Alexander Klemm

China becomes the second largest source of outbound foreign direct investment and recipient of inbound investment.

2016

Brexit referendum

New partners in Austria, Hungary, and Israel.

Ravaglioli was sold to DOVER

"This deal shows our strength in the automotive sector and also the interest by US public companies in European manufacturing."

Giuseppe R. Grasso

2017

Clairfield workflows organized around six sector groups to pool expertise.

ADB SAFEGATE was sold by PAI PARTNERS to THE CARLYLE GROUP

"This deal was the culmination of our relationship with ADB through various sale processes."

Bertrand Hermez

2018

Clairfield ranked #1 in High Technology in the Refinitiv league tables.

ØYA was sold to Superstruct

FLOW FESTIVAL was sold to Superstruct

nets acquired dotpay and CARD

nets established a strategic alliance with Przelewy24

Niche and not so niche specialisms: top advisor on Nordic music festivals and e-payment.

Digitalization and Artificial Intelligence set to be the next business disruptors.

New partners in Canada and Turkey.

2019

China desk established as propietary resource for accessing Chinese corporates, investors, and political entities.

Capital Solutions group formed to assist companies in all stages of the life cycle. Hans Buysse leads the group of international specialists.

Clairfield expands with new Dutch and new Swedish partners.

2020

Clairfield celebrates 15 years since founding.

We look forward to delivering value to our clients for many more years to come.

CELEBRATING 15 YEARS OF M&A

Reflections on 15 years of M&A

We asked our partners what has changed most in M&A since 2005 and found themes that resonated.

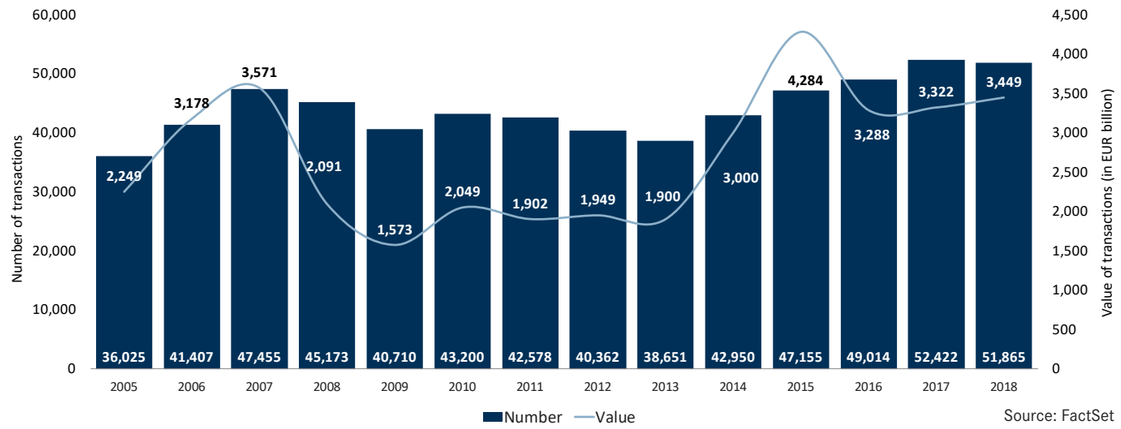
Brian O'Hare is a founding partner of Clairfield Spain and Clairfield International. He has advised transactions in real estate, healthcare, business services, financial institutions, and transportation, among other sectors. Brian is a frequent commentator on M&A and international business. He is currently first vice-president of the American Chamber of Commerce in Spain and is a member of the Institute of Venture Capital in Spain. Brian serves on the board of directors of Clairfield International.

Filippo Guicciardi is a founding partner of Clairfield Italy and Clairfield International. He specializes in M&A processes in the textile, pharmaceutical, mechanical engineering, logistics, and machine-tool sectors as well as the private equity industry. He is a founding member of "Tavolo M&A" of AIFI, the Italian Association for Private Equity and Venture Capital. Filippo serves as CFO of Clairfield International.

Since the founding of Clairfield Partners in Geneva in 2005 (now named Clairfield International), the mergers and acquisitions market has remained robust. Both the number and volume of deals closed continue to be cyclical over the years, reflecting the opportunistic nature of M&A. The main issues that our sell-side clients address with an M&A deal continue to be a lack of succession, a need for liquidity and estate planning, refocusing on core business, and, in some cases, differing views among shareholders. On the buy-side we see a need for M&A for the following primary reasons: the need for inorganic growth to achieve strategic goals, requirements to strengthen presence in markets or segments, or to participate in the consolidation of a market. Additionally, the coming of age of private equity funds means that there is also a segment that simply needs to find a home for its investment euros or to rotate its portfolio.

As part of our celebration of Clairfield's 15th anniversary, we surveyed our colleagues throughout our worldwide offices and asked them one simple question: what has changed most in M&A in the last 15 years? We received much more material than we expected and consequently had to choose what we considered to be most relevant to include in this article. The following points reflect the views of many senior partners who have been serving clients over the last 15 years or more in some of the hundreds of deals our partner offices have advised on since 2005.

Volume and value of mergers &acquisitions worldwide, 2005-2018



Source: FactSet

Increased activity across the globe

Global M&A activity increased from 32,000 transactions in 2004 to 47,000 in 2018, an increase of 46%. Deal value has almost doubled from USD 2.1 trillion to USD 4 trillion. These are strong growth figures in both cases and a clear sign that M&A is here to stay as a strategic tool for management and shareholders alike. Crossborder deals have also increased in deal number from 9,000 to 14,000 and in deal value from USD 600 billion to USD 1.5 trillion (estimated, due to confidential deal values).

Private equity

Private equity has matured a great deal since 2005. In 2004 there were, by some accounts, just over 1,700 private equity funds active in the market. This figure has grown to more than 5,400 at the end of 2018, creating many more specialized and niche players. During the same period, assets under management have ballooned from USD 700 billion in 2004 to USD 3.5 trillion in 2018, a fivefold increase, with an astonishing USD 2.4 trillion of dry powder yet to be deployed. In 2005 private equity accounted for just over 1,800 deals for a total value of just over EUR 300 billion while it accounted for more than 3,000 deals and EUR 380 billion in 2015. In the years in between, totals exceeded 4,000 deals and more than EUR 415 billion in value depending on the year.

Private equity funds invest in growth industries, industries in need of consolidation, and buy-and-build platforms, leading to increased M&A activity. Specialization has also led to a tiered universe of PE funds: large cap, mid cap, and small cap (to keep it simple) that invest in deals from EUR 1 million in enterprise value to more than EUR 10 billion in enterprise value. It is also interesting to note that between 2006 and 2017 while the number of listed companies in the developed market fell by 16%, private equity funds increased their portfolio of companies by 106%.

As a result of all the activity, private sellers understand PE better than 15 years ago. Gone is the image of Gordon Gekko looking to flip a family-owned company to make a mint. Private equity has generally embraced a more low-key, warm and friendlier approach looking to "partner" with families or management (even though the fine print may have changed little). With so much firepower at the ready, private equity funds will surely continue to play a significant role in providing the M&A market with much-needed activity.

Globalization

Globalization is now a fact of life for companies both large and small. Since 2004 global trade of goods and services has more than doubled to USD 25 trillion and is now equal to 30% of world GDP. Globalization has impacted every entrepreneur, who must have critical mass in order to compete in the global market. The typical family-owned business is now too small to compete globally and they must decide if they grow, or if they morph into a defensible niche player. This is a very strong motivation for them to talk about M&A. Clairfield now sees family-owned or owner-managed companies who would never have dared to undertake an acquisition 15 years ago putting it on their board agendas. They have realized what the large, listed corporates have known for some time: that M&A is a key strategic tool that enables them to rapidly reach their strategic objectives and maybe even thwart the plans of a "dear" competitor.

A generational question

In post-WWII Europe, most entrepreneurs were interested in creating a family-owned company that would be revered and have a prominent place in their community. They were reluctant to sell and afraid of what people might say about selling out, especially in the event of plant closures that could eventually affect their communities. A good deal of their decision making was emotion-based. These first-generation business owners are now well into old age, may not have a successor, and need to think about the long-term stability a new owner can give to their employees and clients. But things have changed for family-owned-and-operated businesses in the last fifteen years. The younger generations, now in their forties to sixties, are more knowledgeable about their markets, understand the challenges moving forward, how partnerships can make businesses stronger, and why taking on a financial investor could be the right move. They are much more open to rational decision-making based on the merits of the case. We might even go so far as to say that in 2005 entrepreneurs did not talk about M&A

in the ordinary course of business, but now it is a topic on every entrepreneur's agenda, both on the sell and buy sides, at an early stage of company history.

Technology

Technology has revolutionized many aspects of our lives as private citizens. It is no less true that technology has impacted how M&A processes are structured and managed. Email and word processing technology have sped up contract negotiations (in 2005 faxes were still common). Cloud services have made due diligence less intrusive and more complete, and on-site data rooms are a thing of the past. Technology means that geographic distance will not necessarily place a buyer at a significant disadvantage. While a phone call or a video conference will never replace on-site management visits, high-quality video conferencing enables buyers and sellers to develop a trusting relationship more quickly with more frequent "face-to-face" interactions but without the travel.

Information availability

The advent of the internet means that more information is available at all times, though guidance is needed to make sure it is the right information. As an old professor used to say, "questions are great, but the right questions are even better." Due diligence can be conducted faster and more securely. Identifying potential buyers, investors or targets no longer requires access to proprietary or expensive databases. Additionally, competitive analysis has become deeper and more complete, resulting in better and timelier decision making on both sides of the negotiating table. Information on deals and transaction structuring is more widely available, ranging from EBITDA and other multiples to terms and conditions in an SPA, leading to clearer market standards.

Convergence between Europe & North America in M&A practice

Executing M&A transactions in Europe and North America continues to have basic differences but we have seen convergence over the last 15 years. Some key differences, such as asset versus share deals (the latter more common in Europe), are related to tax codes and concern liability and responsibility issues. SPAs in Europe have started to look more like their North American counterparts in the last 15 years in spite of the fact that most European civil code provides more protection to both parties even without voluminous R&Ws. R&Ws seem to follow similar patterns now on both sides of the Atlantic albeit with slight differences based on transaction specific issues. The aggressively litigious US environment continues to make R&Ws more important. R&W insurance and locked-box are probably more prevalent in Europe. Non-compete, non-poaching and non-solicitation are all now standard operating procedure in SPAs and readily accepted by sellers.

Locked-box vs. completion accounts

We have seen a pronounced rise in European M&A in the use of the "locked-box" method to handle the final purchase price adjustments instead of the more traditional completion accounts approach. Post-closing price adjustments create nerve-racking anxiety for most sellers. Most of these adjustments are related to the amount of working capital delivered at the closing date. As many mid-market companies will have little experience in estimating working capital at closing, which may occur at a date different than the end of the month, sellers get nervous about "getting it wrong" and having to return part of the purchase price to the buyer. The completion accounts approach can also take several months to conclude, thus making it an anxiety-inducing experience for the sellers. The locked-box method allows for "leakage", amounts usually paid on behalf or to the sellers, and are generally identified and well known at closing. Price certainty at closing alleviates much of the nervousness that surrounds an M&A at closing and, as a result, the locked-box method is increasingly popular with sellers who want to sleep better at night up to, and beyond, deal completion.

R&W insurance

When sellers divest, they typically have to guarantee that there are no hidden or unrealized liabilities in the financial statements. The sellers make a representation (the "R") that there is no undisclosed liabilities and provide a warranty (the "W") that should any liability come to light post-closing, they will pay for it. This means that they must indemnify the buyer in the sales & purchase agreement which they sign at closing. Oftentimes, as an "insurance" policy the buyer will require a real guarantee against identified but unrealized liabilities. Such a real guarantee typically takes one of three forms: retention of purchase price, creation of an escrow account, or a bank guarantee, all subject to a complex claims mechanism and a time limit. Over the last 15 years the insurance industry has developed an insurance product to replace these types of guarantees so that the sellers can collect the price at closing and not have to worry about a phone call from their lawyer informing them that there has been claim. The insurance is not cheap, but peace of mind never is. Private equity funds like the product because the clean break means post-closing is easier vis-à-vis their limited partner investors. R&W insurance is here to stay.

Vendor's due diligence

Due diligence has been around in one form or another since people have been doing business. When a company goes public or lists a bond offering, the coordinating investment bank conducts due diligence at the risk of being liable if things are found after the listing that damages the value of the shares of bonds. Due diligence became standard practice for acquirors in the successive waves of M&A involving private companies. The acquiror would undertake and pay for the due diligence investigation, drafted for its sole benefit, and would ask for exclusivity in exchange for undertaking the expense in time and resources. In the 2000s, audit firms began to sell a service whereby a seller could conduct a due diligence on itself, hence a "vendor's due diligence", and effectively "sell" it to the buyer. This change in procedure meant that the seller did not have to give exclusivity until approaching the closing thus allowing the seller, and their advisors, to run auctions until virtually the day before closing and ensuring a higher sale price in the process.

Sources: Clairfield research, Preqin, Pitchbook

Seller-friendly process

Back in the 1990's the guy with the money laid down the rules in M&A deals. But with the rising sophistication of the M&A process, sellers are more in control of what is acceptable and how things will be done. The process is drafted by the seller and their advisors, management meetings are used to get buyers comfortable with the business and its management, timetables are set by the sellers, increasingly sellers are drafting SPA's early in the process, and R&W clauses are lighter than ever. This is largely possible because of the increased number of bidders–specifically private equity firms who are not competitors of the business and can gain valuable access to key information. Clairfield has seen how the sale process has evolved in favor of the sellers over the last 15 years and we think that there is no turning back.

Use of M&A advisors

In the past, the seller would seek a brand name or local bank to sell their company because they did not know that any alternative existed. This would lead them to choose a Tier 1 bank, but they ended up working with the B or C team at the bank and did not get the appropriate attention, oftentimes leading to disappointing results for the client. Such results offered a window of opportunity for experienced, entrepreneurial corporate financiers looking to exit the stodgy and highly regulated corporate banking environment to set up independent corporate finance advisory businesses based on real nuts-and-bolts M&A expertise and a desire to provide top-flight service to all clients regardless of size. These firms avoid the trappings of multiproduct integrated financial institutions. Boutique M&A advisors have flourished and multiplied since 2004 across all major developed markets in Europe and the Americas. As a result of all these developments, today's clients are more savvy. Family-owned and owner-managed businesses have become much more knowledgeable about corporate finance and are better advised before a sale process starts. Clients also tend to be more demanding when selecting an advisor because of the number of advisors active in the market. Clients want to understand what deals the advisor has done in their sector, average deal size, and incentive-based success fees to determine whether an advisor is the right fit. Clients wants to know the extent to which the advisor does global transactions but are reassured that they can contact someone local (and in their native language) when issues arise. This means that advisory firms have had to develop, focus on, and market their USPs to differentiate themselves from the crowd with such things as sector focus, international presence, and proven track record.

Many of Clairfield's offices were young or only recently founded in 2005. Many of our partner firms are now recognized as among the most established midmarket firms in their respective markets. At the end of the day, this means that it is far easier to gain access to companies; when we call them with an idea, they answer. Now we have a history of success to build on. ■

Environmental, social, governance

The changing definition of what it means to be a great business

Bettina Gereth is an impact investing consultant and senior advisor of Clairfield specializing in corporate responsibility.

Environmental, social and governance (ESG) – why has this become such a huge investment topic lately?

The topic of ESG investing started with a letter. In 2004, the former UN General Kofi Annan invited over 50 CEOs of major financial institutions to join the World Bank's initiative, designed to integrate ESG into capital markets. Kofi Annan probably could not have imagined ESG investing becoming such a growing priority for institutional investors worldwide, along with another acronym, the SDGs. They represent the 17 Sustainable Development Goals which the United Nations created in 2015 as a roadmap toward a more sustainable world.

Various actors such as governments, private and public companies as well as civil protesters such as the Swedish teenager Greta Thunberg have propelled ESG/SDG investing lately. Tightened regulations have resulted in increasing interest and obligation of institutional investors including asset managers, insurance companies, and pension funds to incorporate ESG criteria in their investment strategies. Equally important, recent initiatives contributed to improving the level of transparency on ESG criteria.

The European Commission, for example, published a first-time taxonomy in June 2019 laying out which economic activities are "green", making benchmarking for ESG bond market participants easier and more effective. Furthermore, new digital technologies not only revolutionize the corporate world these days. They also significantly improve the quality of ESG data.

How has the view towards ESG changed?

Employees, customers, and governments are all increasingly pressuring companies to play a more prominent role in addressing critical challenges such as climate change and economic inclusion. Medium-sized companies as well as large corporates respond by actively searching for new Corporate Social Responsibility (CSR) projects, in addition to their traditional CSR activities.

Several multinationals initiate social businesses in developing countries either alone or together with strategic partners such as development banks. To mitigate the risk of these direct equity investments they often contribute their own technology and product know-how to those social business start-ups. This type of CSR project resembles venture philanthropy addressing social challenges while supporting business reputation and growth.

More companies, no matter their size, begin to screen their own activities with regard to whether and to which degree they comply with the SDGs. This often leads to investing strategically in their people and processes in order to be more socially or environmentally minded. Also, there is a growing number of companies matching their own SDG profile with their financial investments, including alternative investments such as corporate acquisitions. Another example of a notable change in the approach towards CSR is the increasing number of corporate VCs focusing on socially responsible startups, often combined with providing pro bono advice. This strategy not only allows investments in new innovative products and services with sustainable growth opportunities. Simultaneously, these "CSR investors" assist in strengthening the business angel scenes in countries such as Germany while attracting and retaining talented staff. I am confident that initiatives like the ones briefly listed above will become common CSR practice.

Fair practices, acting responsibly for the environment, supporting the community – all of these things cost money. How is ESG good for a company's bottom line?

A company strategy consistently incorporating ESG practices will always be financially beneficial, if not immediately then in the medium term. Numerous studies have recently been undertaken showing that companies with sustainable practices outperform companies that have not integrated ESG considerations into operations. These studies are still rather fragmented and lack scale but companies have already shown in several ways how best to monetize the ESG/SDG potential. The following examples illustrate the link between ESG/SDG compliance and financial performance:

- Penetrate new markets with a focus on environmental sustainability or societal needs that other companies have not done. Despite the initial investment, being a first mover in a market with untapped customer groups is often a wise strategic move leading to long-term profitable growth.
- Identify and invest in new products or business models with a clear ESG/SDG focus that open up new geographic or demographic markets or which allow the development of lower cost products and services for already existing markets.
- Develop more inclusive supply chains that are more cost effective since they depend on fewer suppliers and distributors and allow raw material sourcing closer to the end market.
- Increase sales and support premium pricing on products that have an environmental or social impact and are reasonably sourced. This product strategy, for example, in the consumer goods industry, can also lead to higher customer loyalty.
- Gain a competitive advantage in attracting, engaging and retaining talent. More meaning from work often translates into more robust financials.
- Obtain favorable financing terms since there is a rapidly expanding source of equity and debt funding requiring companies to show genuine commitment to ESG values.

Have you seen ESG taken into consideration in M&A processes?

Despite the struggle of balancing short-term and long-term objectives, I have seen both corporate and private equity sponsors evaluating and subsequently investing in companies having applied ESG criteria. Drivers were not merely the avoidance of potential litigation or own investor pressure. The additional ESG lens was applied with a view of evaluating the cultural fit of the target company, reducing future business risks as well as building sustainable competitive advantages eventually resulting in a higher company evaluation. Various private equity firms I worked with in the past not only use ESG criteria for identifying target companies. They also use them as KPIs to measure and report on the progress of their portfolio companies. Not surprisingly, some of the largest global private equity firms have already raised impact funds. TPG, for instance, has raised the largest global private equity impact fund (USD 2 billion) to date and is about to raise a new USD 3 billion fund. This year, KKR topped the USD 1 billion fundraising goal for its first Global Impact Fund which invests in businesses providing commercial solutions that specifically contribute measurable progress toward one or more of the SDGs. The millennial generation, which is already actively involved with socially responsible investing, will soon make inroads into decision-making levels at corporates, institutional investors, family offices, and foundations. In this capacity, they will surely be another driver in making ESG analysis a standard tool in the M&A process.

Going forward, will "The ESG Factor" play an increasingly important role in corporate finance and particularly for Clairfield ?

The straightforward answer is "Yes, indeed!" In 2018, assets managed by funds incorporating a socially responsible vision amounted to USD 30.7 trillion around the world. This is ten times higher than in 2006, according to the latest data published by the Global Sustainable Investment Alliance. ESG due diligence will become a core element in corporate finance advisory, despite its relative newness. It will comprise more than just a thorough environmental due diligence."Impact M&A" will address the target company's control systems, gender diversity of its business and board, health and safety standards of its workforce and suppliers, governance structures to avoid corruption, and numerous other aspects. Definitive standards around this set of indicators have not yet been accomplished, but strong efforts into the standardization of ESG criteria are ongoing. In the Clairfield Annual Outlook 2021 you may already see successfully completed transactions mapped against ESG and SDG criteria reflecting what Peter Drucker once said, "Every single social and global issue of our day is a business opportunity in disguise." ■

Purpose and profit

Impact Partners improves communities by supporting social entrepreneurs

Mathieu Cornieti is the CEO of Impact Partners, a European social-impact private-equity fund with EUR 110 million in assets under management.

The *banlieues*, troubled urban districts of Paris, attracted international attention in 2005 when a former French president said he wanted to clean up these unruly districts with a Kärcher high-pressure hose. The *banlieues* are also home to some incredible entrepreneurs who play a vital role in creating employment among those most in need. Unfortunately, their limitations dictate a much more challenging path to receive support to grow their businesses. As a social investment fund, we make providing that support and financing one of our priorities.

Clearly any action that supports the creation of employment in these disadvantaged urban pockets is a win for French society. But supporting entrepreneurship and creating jobs is not a necessity only in the French banlieues. Social issues may have certain local characteristics in different countries, but such cultural nuances are irrelevant. It is a necessity of society everywhere to create jobs. Entrepreneurs with social impact goals have an incredible opportunity to influence the growth of their respective communities. This is the focus of Impact Partners and our investment philosophy.

Impact Partners was launched in 2007 as one of the first social impact private equity funds in Europe. It now employs over 30 people and is poised to open an office in Frankfurt. Founded in Paris, we now manage some EUR 110 million in assets under management. Our investor base includes over 100 individual, private and public institutional investors who are committed to supporting entrepreneurs focused on social impact. Entrepreneurship for social impact is our passion. To date, we have invested in over 100 situations. Currently we are supporting 28 entrepreneurs in deprived urban areas who have created programs for disabled workers and apprenticeships. We have invested in the "circular economy" such as recycling and logistics companies. Additionally, we support inclusive education, e-learning, and programs for the unemployed.

In business today, management, institutional investors, and private equity funds require attention to environmental, social, and governance (ESG) issues. Impact investors go further by maintaining that sustainability, and social impact goes hand in hand with business performance. Impact Partners lives out our investment philosophy and commitment to social growth every day. As an investor, Impact Partners needs to act and be seen as uncompromisingly professional. Impact investors are not charities but very demanding investors, not in a philanthropic niche, but mainstream private equity that aims to make a profit. We connect with German cultural and social issues in Germany and French issues in France. But we are united by one common endeavor: to support social entrepreneurs in their communities. We value our partnership with Clairfield in this pursuit, as they help us connect with investors and seek new opportunities. With luck and hard work, in a few years, these successful entrepreneurs will need M&A advice and Clairfield can help! This is yet another vision of the circular economy.

SECURIVIEW NEXT GENERATION SOC backed by IMPACT PARTENAIRES was sold to LINKBYNET	+QUE PARFAIT Propreté & Services Associés backed by IMPACT PARTENAIRES was sold to
ecolotrans véhicule vos valeurs backed by IMPACT PARTENAIRES was sold to private investors	3prime backed by IMPACT PARTENAIRES was sold to APlus Finance and BPI France

CELEBRATING

15 YEARS OF serving clients

Clairfield advises multinational companies, family businesses, and financial investors on their midmarket sales and acquisitions as well as providing additional corporate finance services. We open doors internationally for every client we serve.

CORPORATE CLIENTS

Since our founding, corporate clients have seen the value in utilizing Clairfield as an advisor to execute their middle-market transactions.

The corporates we have advised, both listed and private entities, are now too numerous to count. Whether divesting a non-core subsidiary or acquiring new capabilities or geographies, corporate clients rely on us to access the relevant local or international counterparties and bring the transaction to a smooth closing. Our experienced partners and bright talent work together with our own industry experts to facilitate the best decisions and source the best opportunities on an international scale.

SELLSIDE ADVISORY

Deal spotlight: divestment of non-core assets

TRACTEBEL ENGIE

sold Tractebel Engineering Poland S.A. to

anteagroup

Clairfield assisted Tractebel Engineering in the disposal of its Polish asset. Tractebel Engineering was ENGIE Group's engineering arm for its investments in Poland. As a result of Tractebel's exit from other Polish assets (including power plants), and its refocus on renewables and nuclear energy, the Polish engineering subsidiary became a non-core asset for the group. With the help of our industrial experts worldwide, Clairfield identified several local and international buyers. After some negotiations, the company was taken over by the Dutch Antea Group, who made the most interesting bid. Antea Group is an international consultancy and engineering firm specialized in full-service solutions in the fields of environment, infrastructure, urban design, and water. For Antea the transaction represented the acquisition of specialist engineering knowledge and an opening in eastern Europe.

Recent sellside transactions for corporate clients

ITALY/FRANCE
EDIF sold its Puglia Business Unit to sonepar

GERMANY
Werhahn KG Ein Name verbindet. sold alessandro INTERNATIONAL to WildeGroup Competence in Beauty

FRANCE
SoLocal GROUP sold netvendeur to Private investors

FRANCE
SoLocal GROUP sold its online real-estate classifieds business avendre alouer.fr to the Group leboncoin

FINLAND/SWEDEN
elisa sold its call center BPO to eniro

FINLAND
elisa sold elisa LOMPAKKO to Aktia

NORWAY
SONY MUSIC sold feelgood to nonday

FRANCE/ITALY
Bodet Group sold Bodet osys to sedapta osys smart manufacturing made easy

BUYSIDE ADVISORY

Deal spotlight: corporate platform acquisition

JOST acquired ålö from ALTOR FUNDS

JOST Werke AG, the global market leader in safety critical solutions for commercial vehicles, acquired Ålö AB, one of the world's leading suppliers for the agricultural machinery industry, from Altor Fund III for a purchase price of EUR 250 million. JOST Werke AG was founded in 1952 and is stock-quoted since mid-2017. JOST heads the market in vehicle interface systems with a 60% market share. The company employs over 2,900 staff worldwide and operates 19 production sites in 21 countries.

With this acquisition JOST transforms its existing agricultural business into another cornerstone of the group. JOST expects that the integration of Ålö will generate synergies in product development and purchasing as well as in the joint commercialization of products for the agricultural industry. This transaction is a landmark example of efficient crossborder teamwork providing our client with resilient access to the seller, a creative local sounding board and management of complex due diligence workstreams under time pressure.

Recent buyside transactions for corporate clients

GERMANY
Bidcorp acquired Pier 7 Foods

GERMANY
Bidcorp acquired a majority shareholding in Gruppo DAC eccellenza per la ristorazione

DENMARK/POLAND
nets acquired dotpay CARD

US/SPAIN
THE MIDDLEBY CORPORATION acquired Josper CHARCOAL OVENS

GERMANY/FRANCE
devoteam acquired Alegri

GERMANY
REPLY acquired the German operation of CSPi

GERMANY/US/FRANCE
BECHTLE acquired inmac wstore

ITALY
openjobmetis acquired HC Human Connections

PRIVATE EQUITY

Clairfield has long experience in working with private equity as both client and counterparty.

Private equity today acts as a valuable partner to entrepreneurs, family businesses, and midmarket companies, helping them on their path to growth. The investment by private equity funds into growth industries, industries in need of consolidation, and buy-and-build platforms accounts for a large proportion of global M&A activity, especially in the middle market.

The flexibility and know-how of private-equity players make them preferred partners and more and more clients prefer financial investors to strategic acquirors. We encourage our clients to consider private equity as the partner of choice for corporate divestments, for exit/growth partnerships and problem solvers for family businesses, for management actively seeking LBO situations, and for minority positions, as well as for many other situations. Clairfield has a long history of bringing middlemarket companies and entrepreneurs to the table with private equity.

Clairfield provides end-to-end M&A advisory service to private equity. We engage and assist with private equity by offering inroads and expertise in local markets and, more importantly, by originating investment opportunities through ad-hoc or structured processes. We also regularly help PE firms on their exits by deploying our international presence to ensure that the most relevant industrial and international buyers are pulled into the sale process.

Deal spotlight: creating and delivering a unique roll-up opportunity

Adelis Equity
acquired
SÄKRA

Adelis Equity, a private-equity firm focused on the Nordic middle market, acquired all the affiliated offices of Säkra AB, thus forming a leading brokerage firm with a focus on property & casualty insurance, life insurance, pensions, and savings. With this transaction Säkra strengthens its market position, expands its customer offering, and drives market consolidation. Adelis will enable Säkra to become a strong platform for insurance brokerage at a time when the market is fundamentally changing due to new regulatory frameworks and digitalization. Clairfield has advised Adelis Equity on numerous occasions, identifying markets ripe for consolidation and bringing access to the fragmented players.

Recent transactions on behalf of private equity

FRANCE/QATAR
cdc international capital, QIA
invested in
ALSTEF, BA SYSTEMES

NETHERLANDS
NPM CAPITAL
acquired a 35% interest in
ohpen

ITALY/GERMANY
ROLLON LinearEvolution
backed by
CHEQUERS CAPITAL
acquired
HEGRA LINEAR

UNITED KINGDOM
radius
backed by
inflexion
acquired
PLANTI

ISRAEL/UNITED STATES
FORTISSIMO CAPITAL
sold
STARHOME MACH
to
telarix

POLAND/HUNGARY
PEFVI Enterprise Investors
sold
netrisk.hu
to
MCI CAPITAL S.A.

UNITED STATES/FINLAND
ABRY PARTNERS
acquired 3 Finnish software companies
Computer Program Unit, DL SOFTWARE, CASH-IN

FRANCE
CAPZA
together with
BNP PARIBAS DEVELOPPEMENT, CA
& the management team
acquired
ITAL express

FAMILY BUSINESSES

Family businesses and the core values that they have been built on are a special focus for Clairfield.

Family-owned businesses are the backbone in most of the economies where we are present and as such are a key client group. Clairfield understands the unique challenges faced by such companies, whether succession or generational issues, to growing globally in order to compete. We provide family advisory, an early sounding board, family governance, valuation, strategic advisory options, and potential transactions. Family-owned companies can count on Clairfield to deliver uncompromised advice surrounding all elements of a transaction. We help facilitate the most appropriate deal process in each situation and offer access that gets interest from the best strategic or financial counterparties. We understand the small closing details that are important to family-business owners and are on your side to achieve them.

Deal spotlight: private equity solution found for Danish family business

WENDELBO
was sold to
MAJ INVEST

Wendelbo, a furniture-design brand, sold a majority stake to Maj Invest Equity, the leading Danish private-equity fund. Wendelbo is a family-owned company, which, since 1955 and through three generations, has been owned and led by the Wendelbo family. Its products are sold globally via 200 distributors with North America as its largest market. In recent years, the company achieved significant double-digit growth rates across products, distribution channels and geographic markets, and growth reflects both increased sales of existing designs and success with the launch of new designs.

The deal team worked with the family to find an investor that would take the company to the next level while permitting its continued involvement and respecting its values as a proud Nordic design company. The investment by Maj accelerates further international expansion and provides an experienced partner in the sector. The family will continue in the management of the company and as minority shareholders after the transaction, providing the perfect solution for this growing, international, family business.

Recent transactions on behalf of family businesses

NORWAY/DENMARK
FURNES JERNSTØPERI AS
was sold to
AVK

UNITED KINGDOM
Unsworth Family Investments
acquired
GEARY'S

ITALY/GERMANY
FARINA PRESSE
was sold to
SCHULER

FINLAND/US/SWEDEN
BELLA
was sold to
NIMBUS

DENMARK
HELGSTRAND DRESSAGE
sold a majority stake to
WATERLAND PRIVATE EQUITY INVESTMENTS

UNITED KINGDOM
wellocks the perfect ingredient
was sold to
WILLIAM JACKSON FOOD GROUP

AUSTRALIA
CrescentCapitalPartners
invested in
HALL CONTRACTING PTY LTD
AUSTRALIA | ASIA | PACIFIC

UNITED KINGDOM
INTERNATIONAL PROCESS TECHNOLOGIES
sold
Piascoat
to
AXALTA

OPENING DOORS IN ASIA

Clairfield offers unique access to decision makers at Asian corporates, investors, and political entities, as well as local Asian experts and advisors.

Western midmarket companies are eager to explore strategic alternatives with Asian parties, yet the lack of up-to-date and effective knowledge on how to go about accessing buyers is widespread, with most Western advisory firms unable to conduct approaches and advise on ramifications. China is of particular interest in recent years. Clairfield's dedicated China Desk provides the solution by liaising with the right people in China for each situation.

The China Desk offers in-depth understanding of both Western and Asian business practices and culture, transaction and language support as well as advice on market developments and government policies. Our extensive network in China permits access to both state-owned enterprises and private businesses and investor groups. We also have top contacts to the most effective and knowledgeable advisors in Japan, where we closed four crossborder deals in 2019 alone.

Clairfield boasts a significant track record of deals successfully closed with Asian counterparties with such well-known names as Huawei, Mitsubishi, and Ajinomoto, and industrial giants CRRC, Weichai, and SH-ABC.

Recent transactions with Asian involvement

GERMANY/CHINA
vossloh signed a contract for the sale of vossloh Locomotives to CRRC

ITALY/CHINA
STAR CAPITAL and the other shareholders sold OGT to CNG China Glass Holdings Limited

AUSTRALIA/CHINA
BJP Laboratories was sold to DZG Investments Pty Ltd

ITALY/CHINA
Italglobal Partners sold CMI to SH-ABC

FRANCE/CHINA/NETHERLANDS
ASi Logistics merged with SEDIS Logistics

AUSTRALIA/SINGAPORE
AVS Nutrition was sold to VERITA HEALTHCARE

UNITED KINGDOM/JAPAN
premierpaper was sold to OVOL Japan Pulp & Paper Group

JAPAN/BELGIUM/SPAIN
AJINOMOTO acquired through its subsidiary OmniChem a majority stake in Agro2Agri, the consortium comprising DADELOS, AgriTecno, Ag

CAPITAL SOLUTIONS

The Capital Solutions team focuses on acquisition financing, project financing, fundraising, leveraged buyouts, real-estate advisory, public-private partnerships, and company advisory in the context of public and private offerings.


Hans Buysse


Kalle Helander

Clairfield's Capital Solutions team, led by Hans Buysse and Kalle Helander, has years of collective experience advising boards, CEOs, CFOs, and shareholders in strategic decisions regarding capital structure, positioning in the capital markets, and financing as well as landmark private-public-partnerships. The group has access to an extensive network of banks and alternative financiers.

Private finance initiatives include work in sectors such as energy, utilities, networks, healthcare, transport and infrastructure, and project finance for real estate. Specific services include:

- PPP: Focus on infrastructure and transport, work for the bidding consortium in tenders initiated by a public authority.
- Credit advisory and acquisition financing advisory.
- LBO: Complete structuring with focus on both debt and equity.
- Special financing: troubleshooting using mezzanine debt and bank debt providers.
- Growth capital and venture capital, particularly for the technology advisory.

Capital Solutions transactions

BELGIUM/FRANCE
VIVALTO HOME refinanced credit facilities through RIVAGE INVESTMENT with a EUR 100 bond issue

BELGIUM
BROUWERIJ MARTENS Private financing

BELGIUM
bam COFELY reached financial close on the Brabo II project

GERMANY/POLAND
expondo was refinanced with senior debt

BELGIUM
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

FINLAND
TRADEKA refinancing and debt capital raising for the acquisition of MED GROUP

NETHERLANDS
QWIC attracted growth financing from DEHOGEDENNEN CAPITAL

SPAIN
GRUPO ADI acquired QUATERNIA

CELEBRATING 15 YEARS OF

sector expertise

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

Business services

In the last 15 years, the business services sector has undergone massive technological transformation.

The business services sector is constantly adapting to the changing needs of customers and evolving market landscapes. Because of the constant changes, the services sector has many opportunities to improve processes and efficiencies in companies across a wide range of industries. One key change over the last few years has been the rapid pace of technological advancements. We are looking at Services 4.0, a revolution that uses technology and automation to reduce costs and personnel while boosting customer satisfaction, with huge ramifications for industry and society as a whole. Market share and value chain positions are fought for hard and M&A can be what companies need to come up to speed quickly.

The nature of the competitive environment illustrates that value creation through M&A can be very advantageous. Acquisitions in order to gain market share, maneuver in a rapidly changing competitive landscape, or gain new technologies are some of the most cited reasons for M&A heading into 2020.

When the economic climate faces a more uncertain outlook, investors tend to feel more comfortable in a sector such as services, in which many sub-segments have a lower exposure to shifts in the economic climate. In addition, these companies tend to help clients in the day-to-day business, while saving money. For the clients, these services are often must-have services, rather than nice to have, and tend not to impose any major capex investments but rather use SaaS-models (Services as a Service), with monthly fees or fees per transaction. In regions such as Poland and the CEE region too, investment activities in the BPO segment dominate as foreign and local companies take advantage of lower labor costs to establish and expand their banking, financial services, accounting, insurance and IT services. Foreign investors employing more than 4,000 BPO workers include Capgemini, IBM, Nokia, Credit Suisse, State Street Citigroup, and Sii. Rapid expansion of this segment is expected to continue allowing smaller local businesses, including startups, to grow as a result of existing BPO services.

The services sector is an important and active one for Clairfield. We expect the high activity level to continue for this sector.

SECTOR HEADS

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GSS was sold to COVISIAN

Business services deal spotlight

Clairfield advised Spanish BPO company on its sale to PE-backed Italian leader in international services transaction

GSS, a EUR 118 million revenue BPO and call center company operating in Europe and Latin America, was sold to Covisian, one of the leading Italian companies in outsourcing business processes. GSS will now be integrated with the second largest BPO firm in Italy.

GSS is a multi-country, multi-channel provider of value-added BPO services such as telesales, contact center, field marketing, and collection, with a blue-chip client portfolio of banks, telecoms, insurance and energy companies, among others. Founded in 1997, the company has a significant international presence with 65% of revenue generated in Spain and 35% generated in Latin American through its Peruvian subsidiary and employs over 7700 people in Spain and Latin America.

Covisian is controlled by the Aksia Capital IV Fund. Originally established in 2016 through a merger of a data analytics firm and an established BPO enterprise, Covisian has a workforce of over 5000 people that offers solutions for customer relations, brand strategy, and business processes through a patented artificial intelligence system.

In the rapidly consolidating BPO, contact and call center market, GSS was looking to partner with an industrial company who could assist the company in its continued growth in LatAm and Spain. Covisian, backed by the Italian private equity fund Aksia, offers a good geographical fit and provides GSS with access to its SPARTA software to enhance productivity. Top management of GSS is reinvesting into Covisian with the acquisition of a joint 5% stake, so the transaction also takes on a merger consideration. The transaction results in a combined staff of over 14,000 employees in 12 countries and revenues in excess of EUR 300 million, and allows GSS to offer its services throughout Europe while maintaining its interests in high-growth countries.

Clairfield International had worked with GSS on previous occasions and was engaged as a trusted advisor again to lead the sale process. Clairfield provided GSS with a full range of financial advisory services including strategic advice, senior M&A tactical advice, valuation, marketing materials preparation, transaction structuring, and due diligence coordination of both GSS and Covisian. Leveraging on the expertise and contacts of Clairfield's business services sector group, the team contacted a wide range of international financial and strategic investors. Clairfield's Spanish and Italian offices worked together seamlessly to manage the negotiations until the successful closing.

Selected recent transactions

BRAZIL/GERMANY	UNITED KINGDOM	ITALY	DENMARK	FRANCE	GERMANY/POLAND
was sold to itelligence	Management & LIVINGBRIDGE acquired NATIONWIDEHIRE	sold its business unit to	sold a majority stake to Forenede Service	CAPZA together with & the management team acquired ITAL express	was refinanced with senior debt

AUSTRALIA/US	ITALY/FRANCE	SPAIN/UK	SPAIN/UNITED STATES	FRANCE/UNITED STATES	FRANCE/BRAZIL
BCT Solutions was sold to accenture	ACCHI a company of sonepar acquired DEMO	Santander backed the MBO of IDE	Kernel analytics was sold to BCG	vincia. was sold to JLL	Trescal acquired MEC-Q

DENMARK/FRANCE	SWEDEN	NETHERLANDS/UK	UNITED KINGDOM	FRANCE	MEXICO
was sold to ARTELIA	ALTOR FUNDS acquired	m3 self-storage was sold to The Carlyle Group safestore	Management & LIVINGBRIDGE acquired NATIONWIDEHIRE	COGEPART acquired ETCHEVERRY HARISCAIN	CEMSES was sold to FirstCash

Travel and education: sectors that evolve and enrich

Q&A with Patrick Siegenthaler

Patrick Siegenthaler founded ESL Education in 1995 and built it into the leading study-abroad program in Europe. An active entrepreneur, he also founded language schools and now focuses on a Korean beauty brand that he created five years ago.

Tell us about the language education and study-travel sectors. Have these traditionally been local or global businesses, and is it a fragmented market?

Language education and study travel sectors are totally complementary industries. It represents a pretty wide business field that includes all kinds of service providers of different sizes, and business models. It features recruiting agents (outbound) and hosting school centers (inbound), but also accommodation providers, transportation or insurances providers, and more. It is generally very fragmented, with global and local players, although the process of consolidation seems to be increasing in the last couple of years.

The sector is strong because it is based on promoting something priceless in the sense of investing in your future and becoming a more prepared global citizen, as well as taking a smart vacation. However, the sector can also be vulnerable and directly impacted by geopolitical issues and travel trends.

Language education has a big delta of possibilities due to its flexibility and focus on individual needs. For example, it can run anything from an academic year to a one-week summer course, as opposed to higher education which is always long-term and on fixed dates. Language education targets a diverse client base, from young learners starting at age seven to students 50 and over, with a core business of students in their twenties. Additional services include business language courses for professionals and teacher training courses.

Your company grew to become an indisputable market leader. What were your successes and challenges along the way?

I always enjoyed working in summer camps in the Swiss mountains when I was a student and the business began when my friend Alain Vadi and I opened our own summer camp. That grew into the language school and student-placement agency. We developed by opening branches in different countries. ESL became the sole independent agency to go international and to be able to replicate high-quality Swiss expertise in a number of different markets.

The local presence in about 50 branches enabled us to add value to the student recruitment process, in terms of both quality and quantity, for the schools we represent as well as for the students themselves. To cast our net wide, we also developed a large portfolio offering more than 20 languages to learn in more than 250 destinations.

Both the network of branches and the large portfolio require high maintenance at many levels. Technology, online recruitment tools, and methods of education evolve constantly. At the end of the day size mattered, and so having the right size in terms of reach and profitability was a main challenge for us.

Is language education another sector that is being disrupted by technology?

Yes, on many different levels. Internet and social media play a predominant role in terms of access to information about training programs, study centers, language travel experience, and more. Online platforms also have an influence on pricing, making it more dynamic with frequent promotions and incentives. But it is a sector where businesses use different software and where there hasn't been technological consolidation as you see in the hotel or airline industries.

In terms of the classroom and as part of the syllabus, blended learning methodologies have developed that take advantage of new technologies.

What has changed in the language-education sector in the last 15 years?

From a Western European market perspective, in the past 15 years there have been some changes in student behavior, such as a reduction by approximately 30% in the number of years of language study. This reduction of study length comes from different factors, such as a more mature and targeted approach to language study as well as the students' starting with a higher level of English. Language courses have also developed by integrating more specific electives in business, arts, or sports, for example, to the general language course. Student accommodation has evolved with more students choosing residential accommodation over homestays and the residences being upgraded, looking more like comfortable studios rather than dull dormitories. Finally, dedicated courses for students aged 30 and over are also one of the major developments in the last 15 years.

Do you think the current geopolitical climate is increasing or decreasing the demand for international education experience?

International education is about travelling, and travelling needs a feeling of security. In that sense, the current geopolitical situation is not a very favorable one, particularly in the scope of the last five years, which saw a number of tragic events such as terrorist attacks. Political uncertainty such as Brexit, trade wars, and other social upheaval, can sometimes have a negative impact on student travel. On the other hand, a situation such as Brexit can paradoxically have some positive effects on travel, as a lower sterling can result in a more affordable cost of studying and living in the UK. Alternatively, the currently strong US dollar combined with the unpopularity of President Trump among most European students does directly affect the US as a study destination.

What trends do you foresee in the sector over the next 15 years?

In all probability there will be more and more M&A activity, and more consolidation in the sector. The traditional learning experience won't be replaced by online learning but there will certainly be more technology as part of the toolbox to learn and to monitor a student's progress. I also believe that language programs will include a more content or industry-based syllabus.

SWITZERLAND/UK/US

HEVERALD CH
Holding company of
ALPADIA LANGUAGE SCHOOLS ESL
was sold to
KAPLAN INTERNATIONAL ENGLISH

You recently sold your company to Kaplan, a large strategic player. Tell us about what led to that sale and how Clairfield helped you achieve value in the transaction.

We were approached by Kaplan, who was interested in our student population and wanted to enter the French and German markets. Both sides wanted to avoid an extended buyer search so it became a question of getting the best price for the sale. The team at Clairfield did a great job on this for us. They handled the technical side at an advanced level and also cracked the whip to keep the process on track when needed. At times what we really needed was on a psychological level, almost like a coach. I'm very pleased with the results, which recognized what a great business we had built over the last few decades. ■

Consumer & retail

In the last 15 years, the consumer & retail sector has undergone astonishing changes in consumer buying preferences, logistics, and marketing information.

The consumer & retail sector continues to be transformed by the ever-increasing application of technology. Fifteen years ago, retail was still dominated by the brick and mortar stores. That has all changed, with the present and future of retail being ecommerce and other smart-shopping services. Data analytics are used to analyze shoppers' every movement, as well as online patterns, time spent looking at each site, etc. Companies in this sector are constantly vying for the most clicks and site visits. The large base of consumer-trend data can be leveraged to create growth, market efficiency, and meet consumer tastes.

M&A in this sector addresses the issue of staying relevant in an increasingly globalized and instant-demand society. Delivery services and solutions as well as store environments that focus on the experience are what is needed to win. By combining an effective use of marketing and sales channels with sharp analytics, companies can enhance their advantage and continue to grow while becoming an attractive target to larger corporates..

As a firm, our expertise leads us to believe that the market will continue to the extremes of these trends, and we will continue to see innovative methods of getting the product into the consumer's hands in 2020.

SECTOR HEADS

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BALMUIR

was sold to **Polap-Team Oy**, the parent company of

LUHTA

Consumer and retail deal spotlight

Clairfield advised growing luxury retailer on sale to top Nordic brand

Wheslyn Group Oy, owner of the Finnish luxury brand Balmuir, was sold to Polap-Team Oy, the parent company of the largest Nordic apparel company L-Fashion Group, which owns the Luhta and Icepeak brands among others. The transaction included all the shares in the company.

Balmuir offers fashion accessories and home decor made from the finest natural materials. The company's average growth rate has been in excess of 30% during the past five years.

Polap-Team Oy is the parent company of the Finnish L-Fashion Group from Lahti, Finland. L-Fashion Group is the largest Nordic apparel company. Its most famous brands are Luhta and Icepeak.

Balmuir had grown rapidly since its founding in 2007 and it needed to find the right partner to develop the company in the long-term and to support its international growth. The founders of Balmuir selected Clairfield Finland to advise them on this process based on extensive experience in the consumer sector, contacts with relevant buyers, and personal rapport with the deal team.

The international Clairfield partnership as a channel to find buyers was also a factor as there was the potential of finding a buyer from abroad for such a unique target: a differentiated luxury brand with significantly growing online sales and its own retail presence both nationally and outside Finland.

The deal team recognized that Balmuir was not the kind of target to benefit from being sold through a traditional M&A sell-side process including a wide-net search for buyers. Having fielded many inquiries in previous years from interested buyers, the company knew it was an attractive target and the challenge of the transaction involved selecting the right buyer under the best terms to develop the company while remaining true to its principles.

Therefore, the process was led with a narrow focus on one-on-one discussions with a short list of pre-selected private-equity and industrial buyers. Polap-Team was identified as the right partner because of its extensive experience with brands and its capability and resources to support Balmuir's internationalization and long-term development. Once the right partner was selected, the transaction proceeded to a smooth signing and closing. A focused search and one-on-one discussions with potential buyers made this a unique sell-side process. This specialized approach also clearly benefitted the entrepreneurs who, with the sale process in the capable hands of Clairfield Finland, were able to focus on what they do best: promoting and developing the Balmuir brand.

Selected recent transactions

GERMANY
Capital advisory for
LAGUSO

NORWAY
rush
was sold to
EquipCapital

NETHERLANDS
Amsterdam Fine Cheese Company
was sold to
Cheesemakers CONO

NORWAY
bRest
was sold to
4 service
Norvestor

BRAZIL/NETHERLANDS
GRANOLAB
GRANOTEC
was sold to
Corbion

FRANCE/NETHERLANDS
BRICONORD
backed by
Société Générale
Amundi
acquired
maclean

FRANCE/SPAIN
Groupe RG
controlled by
LBO FRANCE
acquired
JOYSA

POLAND
JOYFOOD
raised capital from
Private investors

UNITED KINGDOM
Weeting Tyres
was acquired by
GOODYEAR

FRANCE
aterno
was sold to
MEESCHAERT Private Equity

FINLAND/UNITED STATES
FUNC FOOD
was sold to
CELSIUS

DENMARK
RIGTIG KAFFE
sold a majority stake to
STAMPE+STAMPE & ELWIS INVEST

FINLAND/SWEDEN
HONG KONG
was sold to
RUSTA

AUSTRALIA
fantasea Cruising
was sold to
NRMA

UNITED KINGDOM
Unsworth Family Investments
acquired
GEARY'S

MEXICO
GRUPO TURISTORE
completed a capitalization subscribed by
NEXXUS
and
ALTA

FRANCE
chaft
carried out an LBO with managers

UNITED KINGDOM
T·H·BAKER
acquired
Hobbies

Market dynamics are changing the food world

Q&A with Mark and Yvonne Tweddle

Mark and Yvonne Tweddle are the founders of Jupiter Group, a global grower and supplier of fresh produce. Mark is CEO and joint managing director, and Yvonne is joint managing director.

Consumers demand a direct relationship with the growers of food they consume.

Tell us about the history of Jupiter Group and the journey you have been on.

We started life as a fruit trader back in 2003 but have since moved back to our agricultural roots and have our own fruit farms allowing us to manage the supply chain right from seed through to shelf. A significant turning point for the business was in 2008 when we started selling internationally; we now have operations in South Africa, India, Greece, Chile, Argentina, Turkey, the Netherlands, Russia, the US, and Colombia.

Over the years, we have transitioned from being an importer of fresh produce to owning master licenses to produce brand new varieties of grapes around the world, as well as supplying prepared chopped fruit from our custom-built facility at our UK headquarters. As the business has developed, the shape, successes and challenges of the business have transformed in many different ways.

We have been recognized for several awards over the years and since 2018 we have been ranked 17th and 22nd in the Sunday Times HSBC International Track 200 which ranks Britain's mid-market private companies with the fastest-growing international sales. This is an achievement that we are very proud of.

How has your customer base changed over the years?

We started out supplying fresh produce to a limited number of small independent companies. Now we supply grapes, citrus, pineapple, melons, avocados, kiwi, and lime to over 1,000 customers worldwide including major supermarkets such as Carrefour, Aldi, Lidl, Waitrose, and Tesco, along with Whitbread and others with prepared fruit products.

This year Clairfield supported Jupiter with the acquisition of Coolfresh International. How has the transaction developed the business?

There are several reasons why Coolfresh has been a good acquisition for us. Firstly, as the business turns over about EUR 70 million, it has added scale to our existing business. Secondly, being located in Rotterdam, the acquisition provides us with a European hub with a unique mixed pallet packing ability, which we think will be important going forward in light of Brexit. Thirdly, it strengthens and diversifies our customer base within Europe. There is little overlap with our existing customers which provides us with an opportunity to sell more products to our existing and new customers. This links into the final point that the acquisition has further developed our product offering in pineapples, melons, limes, and avocados.

UK/NETHERLANDS

jupiter group

acquired

Cool Fresh

How do you see technology changing the industry that you operate in?

We are trying to lead the technical revolution within the fresh produce industry and in many ways, are leaps ahead already. Our latest developments around transparency and traceability will meet the growing needs of consumers to know and understand the origin of the produce they consume.

Ticking the boxes on accreditation is not enough. We aim to give confidence to customers about certifications, pesticide due diligence, and the origin and journey of our fruit.

How are the market dynamics changing within the produce industry?

The main change within the fresh produce industry is that consumers globally are demanding a relationship directly with the grower of food that they eat.

Social media and access to information is changing our food-purchasing behavior and also the ability to share real-time information consistently. In order to meet consumer needs and to differentiate ourselves within the market, we must invest in our infrastructure and products so that we stay relevant.

What is next for Jupiter?

We are very proud to have recently been selected to be part of ELITE's Future Shapers report, a global initiative that spans 33 countries and has a clear vision to provide companies access to the skills and network needed to scale up and make a lasting economic impact. ELITE has chosen businesses that are growing, prospering and innovating from a range of nations, sectors and backgrounds.

As a company, we endeavor to use our business as a force for good, changing the landscape of the fresh produce industry for the future.

Giving back and supporting the communities we work in is a big part of our business too. We set up the Nancy Tweddle foundation in 2009 in memory of Mark's granny, which enables us to work with local and international projects to make a positive difference to people's lives. The foundation's aim is to support community groups to achieve more. Funding applicants can be schools, sporting teams, community teams or clubs of any kind for adults or children, disabled or able bodied, in the UK or overseas, the list is endless, but the key is to benefit a group of people.

Our future vision is that all our farms will use technology in every operation in order to achieve transparency in all activities of our business. All our products will be sold under our own consumer brand around the world offering customers real-time contact with data from our farms on matters that are important to them. We will bring farmers who share our vision on our journey ensuring long term sustainability for their farms and our business. This will mean that going forward we will be agritech farmers rather than a produce company. ■

Energy, cleantech & resources

Over the last 15 years, huge advances in terms of renewable energy technology and sustainable forms of energy production have changed the industry.

Solar energy, biofuels, and other trends have the potential to shake up the future of energy use. Which companies succeed in this sector is highly affected by national legislation and policy. Political emphasis towards or away from environmental issues and consciousness has ramifications throughout the energy industry.

The largest factor impacting M&A activity in this sector is still legislative and political risk surrounding different environmental, economic, and financial impact with respect to oil and gas. Energy giants continue to consolidate and build out their offerings and infrastructure to mitigate risk. Climate change movements, political unrest surrounding the oil industry, and future oil demand are all putting pressure on industry leaders to differentiate.

One of the biggest opportunities over the next few years is going to be alternative and renewable energies as technology and the feasibility of using more sustainable forms of energy increase. Technology surrounding solar energy, wind energy, and other alternative forms to oil is becoming more effective and cost efficient. Clairfield has advised on landmark deals in this sector, both in renewable-energy sources and in clean-energy technology.

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Energy, cleantech & resources deal spotlight

Clairfield advised listed company on 50% acquisition of automation solutions provider

erm POWER invested in alliance automation

Energy retailer and energy solutions provider ERM Power Limited acquired a 50% stake in industrial automation and electrical engineering company Alliance Automation.

Australian energy retailer and solutions provider ERM Power Limited acquired a 50% stake in industrial automation and electrical-engineering company Alliance Automation.

ERM Power Limited (ASX: EPW) is a publicly-listed company providing large businesses with end-to-end energy management, from electricity retailing to integrated solutions that improve energy productivity. The company is the second largest electricity provider to commercial businesses and industrials in Australia by load.

Alliance Automation is one of the largest independent electrical-engineering and automation-solution providers in Australia and specializes in delivering value added industrial-automation solutions, consultancy, and support to customers in a range of sectors including manufacturing, infrastructure, water and wastewater, oil & gas, and mining.

ERM Power Limited's strategic investment in Alliance Automation strengthens ERM Power's ability to design holistic solutions to help businesses use energy more efficiently. The investment will be immediately EPS-accretive for ERM Power and complements ERM Power's capability and strategy in energy solutions.

This transaction is the second acquisition Clairfield has advised for ERM, following its acquisition of OutPerformers last year. Clairfield was engaged by ERM Power to source targets that met its key acquisition criteria for expansion of its Energy Solutions business.

Clairfield managed the process from identification of Alliance Automation to initial contact with the company, indicative valuation work, preparation of NBIO, due diligence, contract negotiations and through to completion. ERM acquired 50% of Alliance Automation with the intention that the two organizations would work closely together in the future on a joint proposition and hence preserving positive relationships throughout the transaction was of high importance. Clairfield worked closely with both the buyer and seller to create alignment in the transaction for all parties and to complete the transaction in an efficient and timely basis with both parties entering into their partnership with significant goodwill on both sides.

Selected recent transactions

FRANCE	FRANCE/KENYA/JAPAN	DENMARK/UK	BELGIUM/CZECH REPUBLIC	DENMARK/GERMANY	ITALY/UNITED STATES
Management & naxicap PARTNERS sold a majority stake in 2B ENVIRONNEMENT to CAPITAL EXPORT, Gaillard Participations, Capital Développement	BBOXX raised USD 50m from Mitsubishi Corporation	EIVA sold a majority stake to Sonardyne SOUND IN DEPTH	enfinity sold 3 solar parks to Verdi Capital	M.LARSEN Vognmandsfirma A/S sold a majority stake to REMONDIS	CONVERT THE PV TRACKER COMPANY was sold to valmont
FRANCE/GERMANY	**FINLAND**	**DENMARK/GERMANY**	**ITALY**	**NORWAY**	**POLAND**
LACROIX acquired SAF IT-systems	POHJOLAN ENERGIA was sold to MB Funds	KEEPFOCUS was sold to KeepFocus Europe GmbH	tholos was sold to Elettra Investimenti SpA	Barents NaturGass was sold to BROADVIEW	Enea acquired Bardy Wind Farm
GERMANY	**HUNGARY**	**FRANCE**	**ITALY/UNITED KINGDOM**	**NETHERLANDS**	**AUSTRALIA**
Städtische Werke Aktiengesellschaft acquired 49.99% of EAM Energie GmbH as part of a joint venture EAM ENERGIE AUS DER MITTE	Ferment Biogáz Kft was sold to BIOGÁZ UNIO ZRT.	ALLIANCE ENVIRONNEMENT was sold to saur	raccortubi group acquired Norsk Alloys Ltd	INNAX Energising the Future acquired Technion advisors	erm POWER acquired OutPerformers

Towards a low-carbon future

Q&A with Carlo Perrone

Carlo Perrone is Director of B2B for Engie Italia, a division of the French energy giant Engie (formed from the merger of Gaz de France and Suez in 2008), which provides energy and energy services across 80 countries and in all continents.

The world has finally woken up to the danger of global warming, and Engie has positioned itself as a front runner in the delivery of low-carbon energy and the development of cleaner technologies.

How was the energy industry shaped 15 years ago?

Until recently, the energy industry was dominated by state-owned monopolies, which focused on growing their capacity to meet the energy demands and on becoming more cost efficient.

The industry used the fuel that was available, so if your country produced coal, then you burned coal, and if you ran out of coal then you looked for alternative fuels such as gas. There was little regard to emissions or to the environment, and while there was a growing awareness of cleaner technologies (such as renewable energy), this was largely the domain of scientists.

How did the move towards clean technologies come about?

Suddenly, about 15 years ago, the price of oil rose from USD 15 a barrel to USD 50, and then to USD 100 in 2008. And while fossil fuels became increasingly expensive, advancements in cleantech made renewable energy more efficient, closing the price gap between traditional and renewable sources. At the same time, there was growing awareness of climate change, especially in the West. EU leaders had already set targets that aimed to raise the proportion of energy consumption produced from renewable resources to 20% by 2020 and to reduce EU greenhouse gas emissions by 20% from 1990 levels. Cleantech was becoming important, and large utilities companies were trying to acquire these technologies or to develop them. Today it is an important and profitable sub-segment of the energy business.

How has Europe driven the change towards cleantech?

Initially, the key drivers were financial. Penalties were imposed by the EU on countries that failed to meet climate-change targets, and so governments introduced incentives to the energy industry to help attain them. First, schemes were introduced that gave money – in some cases a lot of money – towards investments in renewable energy. Later incentives focused on the reduction of energy consumption – offering refunds on investments that reduced consumption by plants. So, in the past decade, we have seen a wave of large installations of solar plants and wind turbines across Germany, Italy, France, Spain, and the UK.

At what point did Engie decide to focus on cleantech? What prompted this change in strategic direction?

Engie recognized early on that the energy sector was in transition and that some of the traditional technologies could not survive in the long-term, for example producing electricity from coal. We wanted to become the frontrunner in this trend by investing in technology that would allow countries to have stable, reliable, and clean energy systems and energy services. We therefore developed a strategy based on a balance between totally clean energy sources (renewables) and the cleanest of the existing sources, which is gas. We had to implement our new stance: we stopped the coal production side of the business, and discontinued our oil exploration and production business too – selling or shutting down plants everywhere around the world. As a result we are a completely different company today than we were six years ago, focused on producing for the cleanest sources and on helping our clients reduce their energy consumption.

Would someone have predicted the changes in the energy industry that have taken place over the last 15 years?

Probably not. One could have expected that once governments had set targets on emissions and efficiency, they would somehow incentivize the system to help achieve them. What was less predictable was the magnitude and extension of incentives to renewables and how widespread the uptake would be. You did not need to be a large player in energy to put a solar panel on your roof, so there was a lot of new, fragmented capacity arriving. Energy has become something that all businesses and individual consumers can do, and energy production is becoming delocalized and fragmented. This delocalization brings new technical complexity to address. We need a different way to control and balance the grid. We already had systems to control when people were withdrawing energy, but now we need to develop technologies to control when people are injecting energy and how to store it better.

Has the energy Industry responded by becoming more agile?

Advances in technology have opened up opportunities for new players to enter the industry. Twenty years ago, large multinational technology companies were developing and manufacturing items of equipment worth EUR 100 million for the energy industry, and there were barriers to entry. With the arrival of cleantech, even two guys working in the garage can write a piece of software that helps to run the grid better, and this is creating a world of smaller-scale companies, which are, or can become, relevant. Engie is looking at these start-ups or small companies with interest and sometimes joining forces with them, either by adopting their technology or purchasing a small stake in them, and this is where Clairfield's support becomes invaluable.

Is this fragmentation, within the industry reflected in the scale of deals being done?

Ten years ago, the industry was only doing utility-to-utility deals so, for example, a utility company in Germany would buy utilities in the Netherlands, and these were big deals over EUR 10 billion. Today, with Clairfield, I am working on deals of EUR 10 million, not EUR 10 billion, but I am doing ten of them in one year, diversifying Engie's profile.

What other advances or changes in cleantech are likely in the future?

Research and development in this sector has focused largely on increasing supply and bringing down the costs for renewable energy solutions for wind, solar and hydro-electric. This work will continue, but today, there is a multitude of different clean technologies being developed – based on hydrogen, bio-gas etc. – and research has diversified. I'm not including nuclear in the frame, because nuclear is a technology that not every country is considering and some of those using nuclear energy have a specific intention to exit this market.

Can the industry move more quickly to a low-carbon future?

Unfortunately, the energy system cannot currently cope by using renewable energy alone. Most renewables sources are unpredictable, for example the sun does not always shine and the wind does not always blow, which means we can't rely on solar and wind power to have a real-time system which provides energy to people when they need it. We must therefore balance this system with another energy source that allows us to predict and control the time and the way that energy is put into the grid, and this is where gas (which is three or four times cleaner that coal) can help. Engie believes that a mixed use of different energy sources is important for the stability of the system.

What are the differences in uptake of cleantech across different markets and different geographical areas?

The adoption of cleaner energy is not at the same level in different countries, and it is not moving at the same speed. The focus on renewable forms of energy began in Europe in the late 1990s, where there was an awareness of climate change, and the EU has continued to be the frontrunner in this sub-sector of the industry. The US has moved in and out of the climate-change program, depending on which administration is in power and on the support it wishes to give to the coal or oil industry.

Significantly, over the past 20 years, India and China have become the two main global users and producers of energy, and they also didn't begin with the cleanest technology, but with the cheapest, which was usually burning local coal. But then, quite rapidly, there has been a move towards the development of renewables in China too. Globally we need to do more to catch up as we now have emissions that weren't there 20 years ago.

Does Engie offer the same services across all countries?

Our strategy is to bring the full spectrum of Engie's low-carbon energy production and energy services to all parts of the globe. In each country we had a different starting position, depending on the local historical profile of the sector, or on our entry point, sometimes with energy, others with the services.

What are the barriers to the transition to cleantech?

In many cases, the barriers are regulatory. Laws which provide financial incentives to implement cleantech or which enable the sector to move forward are either coming too late or there are problems with their wording. This can mean that time is lost in transitioning to a low-carbon world. However, these problems can be very local, depending on the different laws/regulations in each country.

The industry needs stability as well as good regulations. In Italy, for example, there were regulations strongly supporting renewable energy until 2013, but since then there have been a few years of uncertainty, and operators hesitated to invest in cleantech. When we make an investment decision it is not for ten months, it is for ten years. So, if there is uncertainty that the next administration will no longer provide the incentives and support, we find it difficult to invest.

What is Engie doing differently from other industry players?

Right now, there are financial incentives and social pressures driving forward cleaner technology and we all have a moral duty to move towards this goal. Not acting today would be the wrong choice: we must leap into that revolution. ENGIE is responding to the current disruptive transition in energy with diverse actions. We decided to embrace the energy revolution and be a forerunner by paving the way to a future where the customer, increasingly aware and demanding, plays a central role. Compared with other large energy players we are more diversified, which means we can join up solutions. We provide both energy and energy services and this means that we have 167,000 people around the world who are not only running or developing energy infrastructure and delivering energy, but also maintaining the equipment and providing services for our clients. This means we are involved in the system much more and it is a dimension that other energy companies don't have. Our strong position in renewable power generation and global services allows us to build innovative offers using digital solutions, new technologies, and creative business models. I don't hesitate to say that currently, ENGIE may well be the most pro-active energy company.

This is a service that makes us different and it is competitive advantage that I can point to when I talk to my clients. Dialogue among all those promoting the adoption of cleaner and decarbonized solutions is essential, and we are working in this direction. ■

Healthcare

In the last 15 years, the healthcare sector has seen steady consolidation as multi-product conglomerates fought to dominate or defend their respective trade channels or outsource functions for efficiency reasons.

The impact of China and India on the API and generic drug business over this time frame, did nothing but accelerate change, only to be followed by a similar wave of pressure in consumables and medtech.

Due to cost pressure and regulation, the healthcare segment remains exposed to both legislative risks and disruptive technological improvements. Big Data, the implementation of the Internet of Things, and Artificial Intelligence have dramatically changed the way that customers interact with and pay providers. Competition has also increased over the last decade, as financial investors have sought stable returns in healthcare products or reimbursed services. All of these changes continue to drive consolidation in healthcare – particularly in services provided to an ever-older population. Several high-profile transactions in 2019 came out of the healthcare sector, including AbbVie's bid to acquire Allergan for USD 63 billion and Bristol-Myers Squibb's acquisition of Celgene for USD 74 billion. Cost and revenue synergies, as well as back-filling off-patent product portfolios, were the main drivers behind M&A in this sector. It remains to be seen if these mega-mergers can deliver or maintain valuations in the coming decade.

Looking to the future, we expect the healthcare industry to wholeheartedly embrace technologies that can save costs or provide advice or prophylactic care to the consumer. The relentless pricing assault via the internet shows no sign of abating for standardized products or medical consumables, and we likewise expect alliances in distribution to continue as the larger players move to defend margins. Antitrust and legislative risk will likely remain serious topics for the new decade as the US addresses spiraling healthcare costs. The brave new healthcare world is here to stay, and we at Clairfield are excited to assist our clients in creating value by positioning for a leaner, more technically sophisticated future in healthcare.

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The healthcare industry continues to become one of the most interesting, dynamic, and difficult as we look to the start of the next decade. Continuous technological and digital innovation, paired with social and legislative pressure and regulation, reveals that this industry is ripe for big change over the next few years.

One of the trends that we are currently seeing is an increasing prevalence of alternative payment programs, as well as physician alignment with those programs. The usage of various risk models and the integration of health applications for payment has changed the way that people pay for their healthcare. Significant disruption will occur as providers take on more risk for the health of a population.

As we know, data is shaking up almost every industry, and healthcare is no exception. Applications of artificial intelligence have changed the way we look at consumer engagement and use patterns. Data is becoming integrated with healthcare so that we can make smarter decisions for both the company and the patient. These are changing the landscape in healthcare and blurring the traditional lines within the industry as new offerings impact the competitive landscape and providers consolidate both horizontally and vertically. Incumbent models of care face meaningful pressure from disruptive models of care including critical care moving into the home, telemedicine available 24/7, apps for chronic diseases, and wearables technologies for patient monitoring.

Finally, social and legislative pressures have led to increasing proposal for reform of the pharmaceutical market in the US. The largest trend is transparency. Society is calling for lower prices and co-pays, and higher discounts depending on the nature of drugs. This pressure is thus affecting the margin of pharmaceutical companies' products and also making drug shortages more prevalent. Additionally, we believe that the generic drug market will continue to experience growth in years to come.

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Healthcare deal spotlight

Clairfield advised medical packaging leader on the acquisition of Mexican family business

Sterimed, one of the world's most important medical packaging companies, completed the acquisition of Especialistas en Esterilizacion y Envase (Grupo EEE), a major Latin American player in sterilization packaging and infection-prevention solutions.

Headquartered in France, Sterimed manufactures and sells medical packaging substrates and infection prevention solutions globally through five manufacturing sites and eight sales offices on all continents.

Meeschaert Private Equity specializes in investment in unlisted, socially responsible SMEs. It invested in Sterimed in 2016, spinning the company off from the healthcare unit of paper company ArjoWiggins.

Founded in 1983 and headquartered in Mexico, EEE is a second-generation family business and a Latin American leader in sterilization supplies. EEE manufactures and distributes sterilized bags, drapes and gowns, sterilization indicators, pouches, packaging films, and header bags for hospitals and medical-device companies throughout the Americas as well as in Asia and Europe. EEE operates two plants and four sales offices in Mexico, and five subsidiaries in Panama, Costa Rica, Chile, Colombia, and Argentina.

The joined forces of Sterimed and Grupo EEE generate significant synergies, notably by cross-fertilizing their respective networks in hospital-sterilization supplies in Latin America. For Sterimed, an increased industrial and commercial presence in North America allows the company to offer a larger and more competitive range of products and services to its medical device customers and hospitals in that region. For EEE, access to the Sterisheet® worldwide distribution network accelerates development of its sales notably outside of Latin America.

Clairfield was brought into the transaction by Meeschaert following a first attempt to acquire Grupo EEE in 2017. The family owners of EEE were not initially receptive to another offer but with a compelling argument for the value Sterimed would bring to the company, coupled with Clairfield's capability in bridging crosscultural gaps, the negotiations advanced. Clairfield's lead deal team recognized the strategic imperative from the buyer, but also understood the family's attachment to the company. A good level of communication was established by the team on the ground in Mexico. Once critical elements were established – the valuation and the future role of the family, who maintained a minority stake in EEE – transaction negotiations prospered to the satisfaction of all parties. This transaction highlights Clairfield's skills not only with sector expertise, but also with family businesses, private equity imperatives, and complicated crossborder transactions.

Selected recent transactions

GERMANY
CARE acquired KRANKENHAUS INGELHEIM

ITALY
Zambon acquired BREATH THERAPEUTICS from SOFINNOVA PARTNERS FOR LIFE, Gimv, GBL HEALTHCARE

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

DENMARK/SWEDEN
Daintrel was sold to CAMBIO

NORWAY
Nærings- og fiskeridepartementet sold a minority stake in VESO to AQUANOVA INVEST AS

FRANCE
unisson was sold to GRAND AUDITION

DENMARK/UNITED KINGDOM
Danske Sundheds Sikring was sold to AnaCap Financial Partners

FRANCE
Handi-Pharm capital restructuring with SIPAREX Groupe, bpifrance

FRANCE
Laboratoires Humeau was sold to INTUITIS investisseurs privés

DENMARK/GERMANY
DMDD was sold to SYNLAB

UNITED KINGDOM
signis Group was sold to Antser Group

FRANCE
AXDOM was sold to SOS oxygène

BRAZIL
SanteCorp Saúde Corporativa was sold to fleury

NETHERLANDS
medsen apotheek sold a majority stake to bencis capital partners

FINLAND
ORTON was sold to HUS, MEHILÄINEN

UK/CANADA
Pebbles Care was sold to Ardenton

CANADA/US/SWITZERLAND
Celopharma was sold to linepharma

CANADA
Leamington Medical Pharmacy was sold to Rexall

Digital health: from buzzword to solutions

Q&A with Lena Rogovin

Lena Rogovin is digital health and life sciences research analyst at Start-Up Nation Central where she defines and analyzes the sector's latest investment, technology, and corporate trends in Israel and globally; and contacts with leading Israeli digital health ecosystem players.

Clairfield is celebrating its 15th anniversary this year. What did the digital health sector look like 15 years ago?

About 15 years ago, digital health had just emerged as a buzzword. There was no clear definition of what it was exactly, apart from a very vague effort to find a common name for the intersection of healthcare and emerging computerized technology. In the beginning, digital health was widely used as another name for healthcare IT, referring mostly to operational rather than clinical processes. Examples of the first digital health solutions are the digitalization of medical records and hospital logistics. In the next stage of the sector development, around 10 years ago, remote monitoring and telemedicine came into play. An example of one of the first telemedicine players is the US company Teladoc Health, founded in 2002.

What is the most impactful application of digital technology to healthcare?

There are many more than one. At some point digital health can disrupt the global healthcare system. Major applications are better outcomes, improved access to care, and decreased cost of care. This can be achieved by bringing digital health innovations to all areas of healthcare, from early detection (or even prediction), to diagnostics, continuous monitoring, and treatment. With tech getting more mature, early prediction can lead to prevention. On the non-clinical side, digital health can help streamline operational processes in hospitals and cut pharma R&D costs and time. With regard to the application of specific technologies, artificial intelligence and machine learning are definitely the leading technologies and in Israel we see this trend very clearly. About 85% of total investments in the Israeli digital health sector in 2018 were in start-ups that utilize AI solutions.

How is artificial intelligence changing the healthcare sector?

AI can be applicable to all healthcare industry domains. Today in Israel, which is especially strong in AI, we see many startups offering decision support for pathologists, radiologists and even surgeons, as well as prediction and early detection solutions. This is only the beginning, and most of these technologies have yet to prove their efficacy, but the potential to improve care and diagnostic quality is enormous.

In the future, AI solutions can help to solve the problem of a lack of physicians, make diagnostics more accessible and precise, and help the system to deal with growing amounts of data while becoming a driver for the development of personalized medicine. In a different context, AI solutions that are being applied to operational workflow in healthcare systems are attracting more and more attention and are sometimes easier to adopt as no regulatory approval is needed.

How does digital health affect the pricing ecosystem of healthcare?

Digital health is still in its early days, and there is not enough evidence of cost savings yet, however cost of care is one of the major challenges that digital health companies are trying to resolve. Some of the positive examples are:

- Use of interoperable electronic medical records (EMR), leading to lower numbers of unnecessary duplication of diagnostic tests and images (X-rays, MRIs, CTs, etc).
- Cost of home hospitalization/telemedicine is one-third of the cost of a regular hospital stay or visit, according to various estimates.
- Diagnostics and early prediction of diseases with the help of AI leads to lower costs of patient care in the future.

Another more general trend is mergers between different kinds of players in the healthcare space, for example CVS/Aetna and Optum Health/DaVita. These mergers can lead to a change in business models and have an effect on pricing.

Do you see the application of digital health integrating into other areas (payments and so on)?

Yes, of course. One of the original ideas behind digitalizing Israeli medical records 25 years ago was to digitalize codes for medical procedures to facilitate payments, and with more and more data accumulated it has gradually turned into a basis for development and implementation of clinical as well as operational solutions, including predictive analytics and decision support. Today, we see an intersection of digital health and "insurtech," that is, platforms optimizing the choice of health plans for physicians and patients (an Israeli company called VIM), natural-language-processing-based systems for automated coding of the data from patients' reports (another Israeli company called NYM), as well as solutions for the personalization and simplification of patients' billing processes.

Do you see the digital health start-up environment becoming too saturated? What does it take to break out and succeed in this niche?

It is a natural point in any industry life-cycle – rapid growth followed by a slowdown in growth and then consolidation. Digital health M&A globally is driven by digital health companies themselves – more than a half of the deals in the sector are digital health companies buying other digital health companies. In order to succeed, a start-up needs a viable business model. Today, there are many start-ups that offer niche solutions while targeting large tier-one customers. This is not easy to achieve. Companies that can build platforms, create partnerships and convince potential clients of their solutions will succeed.

Will startups stand on their own or become integrated into larger entities?

Both scenarios are possible – it depends on the product. Most large corporates in the healthcare world are very conservative and slow in decision-making when it comes to something completely new for them. Once there is more evidence of added value from digital health solutions, for example, an increase in revenues or a decrease in costs, we will see more activity from corporates and more integration. I would assume that start-ups developing solutions for medical device manufacturers or pharmaceutical companies are more likely to become acquisition targets for these players, while those developing solutions for healthcare providers are more likely to stay independent or be consolidated into larger peers. In most cases, platform solutions have higher chances of succeeding than niche solutions.

How can corporate finance solutions best assist start-ups in digital health?

Since this is a young sector, corporate finance involvement is still limited, but more and more traditional financial institutions, including global investment banks and family offices, are starting to look at the digital health sector. In addition to obvious services such as offering attractive financing models that increase shareholder value, there should also be an educational component, as most founders are not familiar with existing financing models and issues. In addition, bringing the right strategic investors that can open doors to potential customers and partners is essential for this sector. Money alone is not sufficient for the sector to advance.

Which subsectors are gaining the most interest?

Looking at digital health globally, the lion's share of funding is going into segments relating to patient empowerment, i.e. solutions designed to help a patient become a customer, as in any other service industry, rather than a passive receiver of medical services. In Israel, there is strong interest in decision support and diagnostics, subsectors with the highest share of deep-tech AI driven solutions.

The sector is heading towards platforms and offering actionable items. There are a lot of companies offering remote monitoring solutions, and the technology is becoming more and more advanced but the market is already looking for the next step – how this data can be analyzed and used for prediction, diagnostics, personalized treatment, etc.

Where do you see the impact of digital health on healthcare 15 years from now?

In a perfect world, digital health will become an integral part of the global healthcare industry, helping to overcome lack of scalability, access to care, and pricing challenges. In real life though, there is still a huge gap between what digital health start-ups offer and what healthcare providers and patients really need. While some digital health solutions, such as electronic medical record applications, wearables that track vital signs, and some telemedicine solutions, have already become parts of our everyday lives, there is a long way to go before digital health makes a dramatic impact on the healthcare industry in general. To make it happen, there needs to be more communication and understanding between all the stakeholders including doctors, insurers, entrepreneurs, and IT teams. ■

Industrials

The global industrial sector was under heavy scrutiny in 2019.

Reports of weak manufacturing data resulting from trade uncertainty placed pressure on the industry and pointed to a slowdown. Digitalization and the creation of smart factories will be the next wave in industrial advancement. Large manufacturers are focused on becoming digitally advanced and operating smart factories complete with greater connectivity from 2020.

As a cyclical industry, businesses in the industrial sector will be focused on maintaining operations and market share, and thus we might expect less M&A activity in the year to come. Capital will instead be allocated to maintaining core business operations as a general trend. Instead we may see the attractiveness of spin-offs and divestment in order to free up cash flow and streamline operations to be more agile. This in turn may provide some consolidation opportunities in certain markets. Technologies will continue to stress the importance of investment such as 3D printing capacity and IoT manufacturing.

We will continue to keep an eye on macroeconomic indicators and impact from changes in global trade as we head into 2020. Value creation and strategy with respect to innovation and technology in this sector will be critical to continued growth and expansion.

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vossloh signed a contract for the sale of vossloh Locomotives to 中国中车 CRRC

Industrials deal spotlight

Clairfield advised listed German industrial group on sale of locomotive unit to Chinese rail giant

Vossloh AG signed a contract for the sale of its business unit Vossloh Locomotives to CRRC Zhuzhou Locomotive Co., Ltd., Zhuzhou, China (CRRC ZELC), a subsidiary of the China Railway Rolling Stock Corporation Ltd. (CRRC). The transaction is pending the approval of the European and Chinese governmental authorities.

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.

CRRC Zhuzhou Locomotive Co., Ltd. was founded in 1936 and is 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.

In 2014 Vossloh decided to divest its three transportation business units in order to strategically focus on rail infrastructure. The Locomotives business unit was the last to be divested. A strong strategic partner was found for Vossloh Locomotives in CRRC. The acquisition will enable CRRC to get a foothold in the European rolling stock market and access associated engineering and homologation know-how. With the completion of the current transaction, Vossloh AG will be able to fully focus operations on its core business of rail infrastructure and smart rail track.

Clairfield ran 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. Ultimately, CRRC ZELC 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, its specialization on noncore disposals, and its integrated China Desk were instrumental in realizing this divestiture. The project team adeptly and patiently managed all aspects of this complex crossborder deal.

Selected recent transactions

FINLAND/GERMANY	UNITED KINGDOM/JAPAN	AUSTRIA/GERMANY	SWEDEN/FINLAND	UNITED STATES	NORWAY/DENMARK
högfors was sold to ARMATUREN	premierpaper was sold to OVOL Japan Pulp & Paper Group	christof CEA was sold to SPIE	GUMMI GROSSEN RengasDuo was sold to ALTOR FUNDS	NOVA PROFESSIONAL | PRACTICAL | PROVEN was sold to WATKINS Associated Industries	FURNES FURNES JERNSTØPERI AS was sold to AVR
ITALY	**GERMANY**	**ITALY**	**JAPAN/GERMANY**	**UK/NETHERLANDS**	**FRANCE / SWITZERLAND**
rototech group was sold to - INDUSTRY 4.0 FUND - QUADRIVIO GROUP	dynamics and MobileNeXt were sold to FormelD	LAZZERINI your ideal travelling companion was sold to B4 INVESTIMENTI	MinebeaMitsumi acquired mast kunststoffe	INTRINSIC EQUITY acquired FETIM GROUP AQUALOX BATHROOM DESIGN	C·M·R GROUP backed by LBO FRANCE CATHAYCAPITAL acquired costronic L'automatisme sur mesure
UNITED KINGDOM	**FINLAND/GERMANY**	**NETHERLANDS/UK**	**ITALY**	**FRANCE**	**SPAIN**
radius acquired PLANTI	NORMEK was sold to Donges STEELTEC	MAMMOET acquired ALE	SITI GROUP Your Ceramics Technology acquired DIATEX	AREM was sold to ESFIN GESTION SOFIMAC Régions CRÉDIT AGRICOLE RÉGIONS INVESTISSEMENT	A private investor group led by Turnaround VICTORY acquired MOPAVID

Legacy turf leader reinvents the industry – and keeps on winning.

Q&A with Paolo Limonta

Paolo Limonta is CEO of Limonta, a leading Italian group active in fabrics, coatings and interior coverings.

Tell us about the history of the Limonta Group. We understand it was incorporated in the 19th century as a textile company.

The Company was incorporated in 1893 by my great-grandfather and began life as a bedspread manufacturer. The Brianza district, where our headquarters are still located, was well-known at the time for its fabrics, particularly bedspreads. Under the management of the first generation, the company performed well, though without significant growth. In the 1950s my father and his cousins joined the company. The entry of the third-generation triggered growth and expansion, although the company continued to focus on household fabrics.

The turning point for the business was the introduction of synthetic leather and PVC-coated fabrics during the late 1960s. My father discovered this innovation during trips to the United States and Germany, and Limonta became the first company to introduce coated fabrics in the Italian textile market. Coated fabrics quickly paved the way for diversification; these fabrics were gradually adapted for other applications, mainly for shoes, bags, and other items in the fashion industry. Continuous innovation has been the key for growth from the 1960s onwards. New materials, such as resin nylon, were launched and well received by the market. In the 1960s Limonta bet large on fitted carpet, which became increasingly popular over the next 20 years. The production of fitted carpet required a large space that did not fit in our original facility, and pushed Limonta to expand into a new plant nearby. In the early 1980s I joined the Company, beginning in the fitted carpet business. However the market for fitted carpet began a decline in 1985, so we discontinued this line and decided to focus on new business areas.

How did the company begin to manufacture synthetic turf?

In the mid 1980s, synthetic turf was applied mainly on tennis courts and American football fields. Limonta, after exiting the fitted carpet business, started to look at synthetic turf, foreseeing the opportunity to expand synthetic turf into other sports such as futsal and soccer. Starting in 1986 and for the following 20 years this business had an extraordinary evolution. The product has been the object of continuous innovation and performance improvement. In the 1990s synthetic turfs were applied to indoor football fields in Italy, Spain, Greece, and South America. The original product was not perfectly suitable for soccer but the possibility of entering this promising new market boosted R&D to adapt the turfs to soccer requirements. New yarns were adapted to make synthetic turf perform like natural grass. Achievement of this goal boosted the business up until 2010, when double-digit growth in the market began to slow. Limonta Sport's success factor was to propose complete turnkey solutions to clients, instead of just the synthetic turf. The Company also began international expansion to cover key geographic areas.

How is technology affecting something as primal as sports grounds?

Limonta Sport's value proposition is based on innovation, quality, and high-standing service. Technology has been the key to exploiting opportunities in new markets. When synthetic turf was first launched, it was intended for tennis and football, which required an elastic ground. Shifting to soccer and futsal required a change in the yarns, as the traditional ones caused carpet burns if a player fell. Technological innovation allowed the creation of new yarns that are perfectly suitable, as demonstrated by the numbers: in Italy there used to be about 15,000 grass playing fields and today more than half of all fields are in synthetic turf.

How has the landscape for synthetic turf changed in recent years and what trends do you see ahead?

A recent shift began in 2010 when private equity funds noticed the potential of this industry and began investing in synthetic turf manufacturers. In France, Belgium and Germany, the competitive market, previously populated with several small-medium players, was flooded by larger players, often backed by PE funds. The first turning point was the application of synthetic turf for futsal and the next milestone will be adopting it in professional soccer fields. Although some athletes have reservations about synthetic turfs, they represent a real advantage in terms of maintenance costs. Hybrid turfs – natural & synthetic – are a recent innovation that offer greater strength and durability. The technology is constantly improving.

Are there other applications for synthetic turf that could further drive market expansion?

When the product was first introduced, the two main applications were sports and decor & playgrounds. New promising markets include urban furnishings and private gardens driven by environmental concerns, which have become more and more important recently.

Last year Limonta Sport was sold to SLG in a transaction advised by Clairfield. How has the transaction affected the business?

ITALY/BELGIUM/FRANCE

LIMONTA SPORT
was sold to
sports & leisure GROUP
backed by
CHEQUERS CAPITAL

It was a complex but really promising transaction. The two companies have clear synergies on many levels. That is why the shareholders together with management agreed to reinvest in the new holding that controls both Limonta Sport and SLG. SLG is a Belgian company, backed by the private equity fund Chequers, operating in both leisure and sports applications, mainly focused on the European market. Limonta Sport is more focused on sport applications and thanks to its three plants in Italy, China, and Paraguay, it is able to successfully compete around the world, making it the perfect fit for SLG.

What are some of Limonta's currect projects?

My family divested the majority stake in the synthetic turf business in order to focus on Limonta Group's core business, which remains fabrics for the furniture and fashion industry. In recent years, we have decided to reduce our customer base while acquiring and reinforcing relationships with selected large clients, mainly from the luxury fashion industry. The Limonta strategy is to offer a complete set of fabrics and products suitable for clothing, accessories, and footwear. The main project for the next few years is to grow through acquisitions in niches where we are not yet present that will allow us to provide clients with comprehensive solutions.

What is your favorite stadium in Europe?

I cannot choose just one! Naturally my favorite stadiums are the ones where matches are played on Limonta Sport fields on hybrid turfs, such as the Santiago Bernabeu (Madrid), the Zenit Arena (Saint Petersburg), and the San Mamès Stadium (Bilbao). Limonta Sport has also equipped the training fields of Milanello and Appiano Gentile where AC Milan and Inter Milan teams train during the week with its synthetic turf. We hope to supply the new Milan stadium too!

Inter Milan or AC Milan?

AC Milan, of course! I am a loyal supporter even in these difficult circumstances. ■

Technology, media & telecom

Perhaps the fastest-changing industry on our radar, technology has encompassed everything over the last 15 years and seems to touch every other industry as well as every part of our lives in some way or another.

Technology is changing at an exponential rate, making it one of the most difficult industries in which to stay relevant and competitive. The "streaming wars," Software-as-a-Service, and the Internet of Things continue to be trends and developments that will define the next decade, together with AI implemented in all processes.

An IPO wave of unprofitable companies going public marked 2019, with additions such as Uber, Peloton, and Crowdstrike to major exchanges, all creating buzz and then losing value after the IPO. The impact on M&A in the technology sector is constant movement, and tech is one of the most buoyant sectors for M&A in both volume and deal size. The telecom industry awaits the arrival of 5G network technology for consumer use and IoT, which will cause a seismic shift in the way that we will compute. It will also impact the potential power of surveillance and security.

We believe the key for TMT going forward will be its applications in other industries such as energy, healthcare, transportation, and business services. Data is the commodity of the future and everyone knows it. We look forward to continuing to advise clients on strategic decision-making in this sector, accounting for around 30% of our deals each year.

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ONE VOICE was sold to F24

Technology deal spotlight

Clairfield advised on sale of Nordic emergency-technology company to private-equity-backed German leader

One Voice AS, the leading SaaS provider of incident and crisis management solutions in the Nordic region, was sold to F24 AG, a German portfolio company of Armira Partners.

One Voice was founded in 2006 in Trondheim. Its flagship product, CIM, is a complete management system for security, preparedness, and crisis management. In 2017 One Voice acquired AI Control Point UK and opened its international office in London.

F24 was founded in 2000 and is backed by Armira Partners. F24 supports companies and organizations in more than 80 countries with subsidiaries and branches in 12 locations. Approximately 1700 customers rely on F24 solutions.

By joining forces, One Voice and F24 become the undisputed European market leader in emergency notification, crisis management, and critical communications. Collaborating with One Voice accelerates F24's growth plan as part of the first phase of its buy-and-build-strategy.

Clairfield International was mandated by One Voice AS to find a buyer that would enable international expansion. The deal team at Clairfield International ran a two-stage auction with several offers at each stage.

The previous experience of Clairfield's services team had shown the immense appetite for recurring-revenue based business models among financial sponsors. The competition among these financial investors often drives valuation to such high levels that strategic bidders become hesitant. In this case, however, the corporate bidder triumphed for two reasons. Firstly F24 and One Voice had a powerfully strong fit both in terms of products and geography. The combination of the two companies would create the European market leader in software solutions for crisis management. Secondly, F24 is backed by private-equity firm Armira Partners. Therefore it had a similar approach to valuation as the keenest financial sponsors and was able to make the highest bid.

Clairfield International acted as the exclusive financial advisor to One Voice AS. The deal team identified a buyers' list of more than 25 international strategic and financial buyers, ran a two-stage auction process, led the final negotiations with the most likely buyer, and brought the transaction to a smooth closing.

Selected recent transactions

NORWAY	NETHERLANDS	DENMARK	FINLAND/US	HUNGARY	GERMANY
syscom was sold to DXC.technology	Management & QUADRUM CAPITAL acquired DataExpert	ScanCommerce was sold to fiftytwo	TUXERA acquired Datalight	RANDIVONAL was sold to russmedia	guenstiger.de was sold to Heise Gruppe

FRANCE/POLAND	ISRAEL/BELGIUM	POLAND	UNITED STATES	POLAND/NORWAY	UNITED STATES
orange acquired BLUESOFT	priority acquired OPTIMIZE	nets established a strategic alliance with Przelewy24	SIP.US was sold to bcmone	saldeo SMART acquired VISMA	GBG acquired IDOLOGY

US/FINLAND	NORWAY/UK	ITALY	FRANCE	US/NORWAY	FRANCE
ABRY PARTNERS acquired 3 Finnish software companies: Computer Program Unit, DL Software, CASH-IN	Asolvi was sold to VOLPI CAPITAL	amilon was sold to ZUCCHETTI	WEBISSIME merged with OPEN LINKING	ABRY PARTNERS acquired compilo	decalog partageons l'innovation was sold to Yoni GROUPE succeed together

Cloak and dagger for the digital age

Q&A with Stephane Salies

Stephane Salies is founder and CEO of Boss Industries, a growing cyber intelligence group including Nexa Technologies.

You've grown your company into a major player in cyber intelligence. Can you tell us how you got started in this field?

My career has always been entrepreneurship in the technology sector. After founding and selling my first electronics company to Chelton-Cobham, a listed UK company, we bought out I2E, a small IT engineering company in Aix-en-Provence in 2005. We renamed it Amesys, and grew the company until it reached EUR 100 million in revenues when we sold it to Bull (now part of Atos). We became a lead shareholder in Bull (listed on Euronext), but with one billion euros in sales and 8,000 employees, Bull was really too big an animal for what we enjoyed working with. We ended up spinning off the interception business that we had developed in 2012. That became Nexa Technologies. At the time, it consisted of only one product and one client with just a few million euros in sales. In 2020, we shall reach EUR 50 million in sales with clients on all continents, and 220 employees. We compete with all the major worldwide players.

What is cyber intelligence exactly, and what does Boss Industries do? Are your clients in law enforcement or are there business and private clients?

Cyber intelligence consists of using software and hardware systems to intercept, gather, analyze, and interpret data, be it voice, internet use, social network postings, or any other communication, in order to identify, qualify, and report threats and crimes to government intelligence and law enforcement agencies.

It is an essential tool for homeland security today when physical barriers no longer exist. It is key to intercepting digital communications, which are the main channels for terrorists, traffickers, criminals, and other dangerous organizations.

Our clients are always governmental organizations, country intelligence, or military. We never take private clients.

Is cyber intelligence an international business?

Cyber intelligence is now critical for every single country in the world on a nationwide level, but it is also used to protect groups of people, such as military forces, wherever they are deployed. It is indeed a very international business.

Our software solutions are made to be able to browse, intercept, and analyze data in any language, no matter the local telecommunication system.

Some countries use their own proprietary technologies, for example the NSA in the US, but most countries buy and utilize the most advanced solutions regardless of the nation of origin. The main players are originally Israeli, American, or European, among which a few companies, considered the best technology providers, dominate the market. State agencies organize tenders where they participate on a global level. The dominant players sell products to all geographical areas: Africa, Asia, America, and the Middle East.

Some of the well-known players include Verint (listed on NASDAQ, USD 3 billion in market cap), NSO Group (Israel, bought and re-sold by Francisco Partners), BAE Systems (UK), Rohde Schwarz (Germany), and Thales (France).

These firms are our competitors in tenders and also constitute a good benchmark in tems of value creation and recognition by financial investors.

What are the strategic considerations of these companies? Are there special issues in the M&A process due to the sensitive nature of the work?

Technological innovation is vital. Coping with fast moving data and communication systems is a key success factor.

Being able to address international clients with an extensive direct or indirect commercial presence is also important. In this industry, trust between provider and client is paramount, and to establish trust you need to see and know each other.

Geopolitically speaking, being a European player is a key success factor as it allows to work in all geographical areas except embargoed countries such as North Korea and Iran, or the US, China, and Russia.

The M&A process is indeed special given the confidentiality owed to clients but also because not all companies can be sold to any buyer. It may be considered limiting in terms of liquidity but on the other hand, the technologies mastered are so critical, promising, and rare that investors consider them as valuable investments.

We are celebrating Clairfield's 15th year in 2020. What has changed in cyber intelligence in the last 15-20 years?

Twenty years ago, cyber intelligence was basically telephone voice interception. In 20 years, IP communication has developed exponentially. It became imperative to be able to address the new technologies. At the same time, terrorism developed on a global scale, not limited by borders, as September 11th tragically demonstrated. In this context, new players have appeared and developed quickly in a kind of wild-west in the data world versus analog communications. As the industry continued to grow, all players and governments understood the strategic importance of such systems and clients became more aware and educated about which providers they could securely buy products from. Meanwhile countries where the providers are from, especially European countries, began the regulation of the sales of strategic solutions, just as they do for arms sales.

FRANCE/DUBAI

BOSS INDUSTRIES

acquired

trovicor

What is your relationship to Clairfield?

Clairfield Paris has been our advisor for the last 15 years, assisting us in all M&A transactions that we consider, including sales, strategic partnerships, and acquisitions, including two acquisitions in 2019. The team knows and understands our business and is committed as a long-term partner. Clairfield's international capability is key.

What is the future of the industry and of your group?

It will continue to change quickly, of course. Intrusive products will further develop. Digital warfare may become more and more important since military actions and weaponry increasingly involve digital commands. ■

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