

# Clearwater International Multiples Heatmap

**Q4 2021**

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In-depth analysis of the acquisition multiples paid for European private equity transactions

## **INSIDE**

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### **EUROPEAN OVERVIEW:**

PE buyouts in Europe shattered all previous records in 2021, with both volume and value soaring to the highest levels yet seen.

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### **SPOTLIGHT ON: UK & Ireland**

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### **SECTOR FOCUS:**

Industrials & chemicals



# At a glance: Q4 2021

## LTM trends

Q4 2021 vs Q3 2021

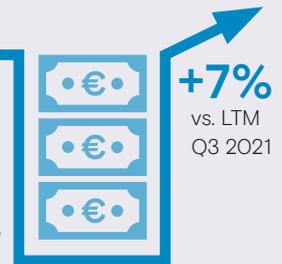
In terms of the last twelve months, PE deals were down by 7% (volume) and up by 7% (value) in LTM Q4 2021 versus LTM Q3 2021.

-7% vs. LTM Q3 2021

1,273  
DEALS  
LTM Q4 2021



€278  
BILLION  
in deal value



## Quarterly trends

Q4 2021 vs Q3 2021

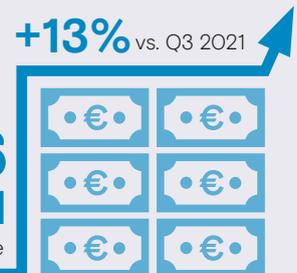
Quarter-on-quarter, volume fell by 21%, while value rose 13% compared to Q3 2021.

-21% vs. Q3 2021

264  
DEALS  
IN Q4 2021



€76  
BILLION  
in deal value

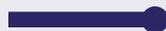


## Top regions

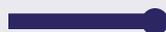
Q4 2021

France and Southern Europe were the joint top-performing regions by volume in Q4 2021 (52 deals each). UK/Ireland saw the highest value (€19.8bn).

France 52 deals



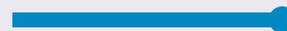
Southern 52 deals



DACH 51 deals



UK/Ireland €19.8bn



Benelux €13.9bn



DACH €13.6bn



14.3x

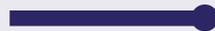
The UK/Ireland region had the highest average LTM multiples in Q4 2021.

## Top sectors

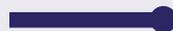
Q4 2021

For the second quarter in a row, the industrials and chemicals sector provided both the most deals (71) and value (€21.1bn) in Q4 2021.

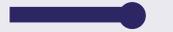
Industrials and chemicals 71 deals



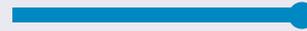
TMT 56 deals



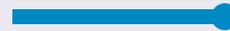
Business services 44 deals



Industrials and chemicals €21.1bn



TMT €15.5bn



Business services €9.7bn



15.1x

TMT was the hottest sector for average LTM multiples in Q4 2021.



# European overview

**Our quarterly report identifies the major themes driving EV/EBITDA multiples in European private equity (PE) deals. The objective is to help PE investors understand trends across regions and sectors, leading to better investment decisions.**

PE buyouts in Europe in 2021 shattered all previous records, with both volume and value soaring. By the end of the year, dealmakers had logged a total of 1,273 transactions – 24% higher than the previous peak in 2019. It was an even more spectacular picture in terms of deal value, with transactions for the year totalling €278bn, up 50% on the previous record of €186bn, again from 2019.

Abundant dry powder – estimated at €1.15tn, according to Preqin – continues to propel PE activity. Indeed, a key feature of 2021 was the increasingly dominant position of PE in the overall deal landscape. To put this in context, PE-backed deals accounted for 23% of all M&A volume in Europe in 2021 – the highest proportion on record.

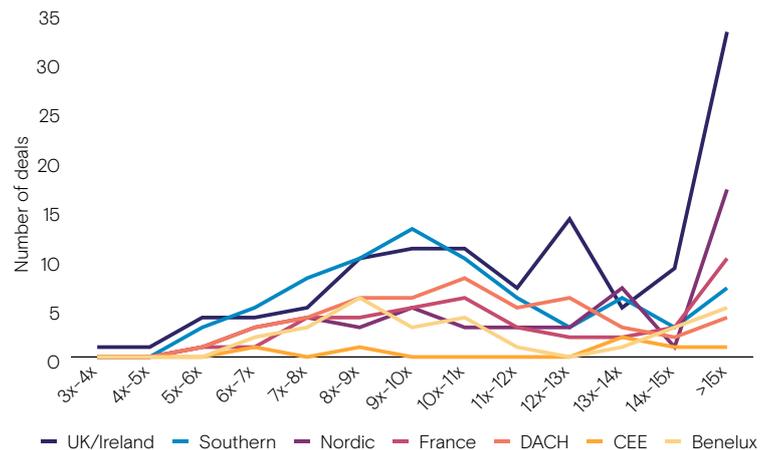
Buttressed by these formidable levels of activity, long-term multiples for PE-backed deals in Europe continued their seemingly unstoppable rise. In Q4, the average EV/EBITDA multiple over the last 12 months (LTM) for European PE-backed transactions climbed to 12.8x from 12.4x the previous quarter. TMT stands out as the top sector, with the average LTM deal multiple climbing to 15.1x in Q4 – the first time any sector has crossed the 15x threshold.

## THIS QUARTER'S HOTSPOTS

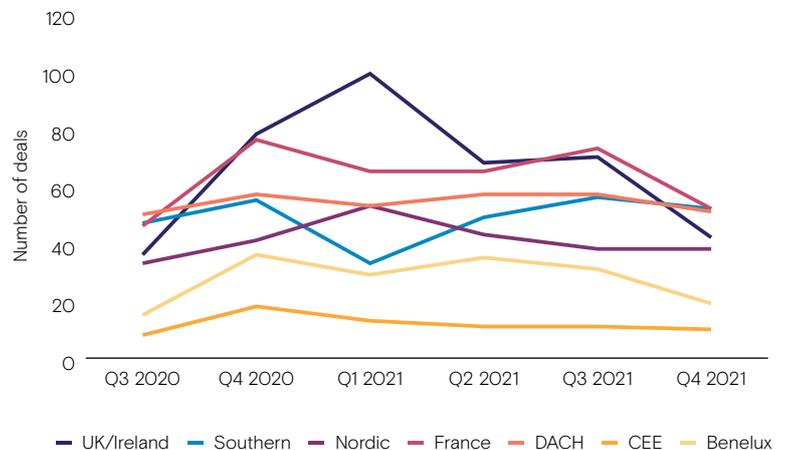
Among the diverse regions covered in our analysis, Q4's hottest performers were the UK & Ireland and Central & Eastern Europe (CEE). The former recorded a quarterly average multiple of 14.3x, the highest in Europe, while the latter logged the second highest average multiple (14.1x) as well as the strongest quarter-on-quarter change (up by 1.5x).

Concerning key sectors, attention continues to centre on TMT, which saw average LTM multiples of 15.1x in Q4, up from 14.3x in the previous quarter. The food & beverage and

LTM MULTIPLES DISTRIBUTION BY REGION



QUARTERLY DEAL VOLUMES BY REGION



**PE-backed deals accounted for 23% of all M&A volume in Europe in 2021 – the highest proportion on record.**



# European overview continued

## AVERAGE MULTIPLES OVER LAST TWELVE MONTHS – REGIONS

	Start End	01/10/19 30/09/20	01/01/20 31/12/20	01/04/20 31/03/21	01/07/20 30/06/21	01/10/20 30/09/21	01/01/21 31/12/21
		Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Benelux		10.5	10.3	11.5	11.6	11.2	11.9
CEE		8.3	8.8	9.3	9.7	12.6	14.1
DACH		10.3	11.1	10.9	11.4	12.0	11.7
France		11.1	11.3	11.7	11.9	12.0	12.5
Nordic		11.0	11.8	12.1	12.3	14.3	13.8
Southern		9.7	10.2	9.9	10.0	10.5	11.0
UK/Ireland		11.2	11.6	12.9	13.2	13.5	14.3



*This publication reports averages of multiples in the last 12 months for each quarter per region, sector and deal size*

financial services sectors performed similarly brightly, and in fact recorded faster quarter-on-quarter multiple growth – up 1x and 2.7x respectively – than PE-favourite TMT.

### REGIONAL OVERVIEW

Zooming in on the regional action, the UK & Ireland stands out with an LTM deal multiple of 14.3x in Q4, up from 13.5x in the previous quarter. This reflects a phenomenal year for buyouts: our data show that PE deal value leapt 58% year on year in the UK & Ireland, while deal volume soared by 49%. Q4 marks the ninth consecutive quarter in which the long-term deal multiple for the region has either risen or remained the same. No other European region has an unbroken record of this length.

In second place – and the biggest regional riser of Q4 – was CEE, which saw its LTM multiple jump to 14.1x. This marks an increase of 1.5 turns of EBITDA versus the previous quarter, albeit on a relatively small number of transactions.

The Nordic region's run of quarter-on-quarter rises since Q3 2020 went into reverse in Q4 2021, with the LTM deal multiple sliding to 13.8x from 14.3x in the previous quarter – although it remains comfortably ahead of the Europe-wide average of 12.8x.

France, one of Europe's most prolific buyout markets, continued its upward trajectory in Q4 with an LTM deal multiple of 12.5x, up from 12x in Q3. PE accounted for 33% of all French M&A deals in 2021, up from 31% in 2020. This is a noticeably higher proportion than neighbouring Germany (28%) and far ahead of the European average (23%). Against this background, France has seen its long-term deal multiple rise in every quarter since Q1 2020.

### SECTOR WATCH

TMT broke new ground in Q4 with an LTM deal multiple of 15.1x – the first time in recent history that any sector has crossed the 15x threshold. The industry has performed extraordinarily well during the COVID-19 pandemic, with major shifts in consumer preferences and working practices driving a deluge of PE dealmaking in 2021. TMT not only commanded the highest deal multiple in Q4, but also stands out for having the fastest-growing multiple of any sector – up by 3.5 turns of EBITDA over the last six quarters.

The UK & Ireland stands out with an LTM deal multiple of 14.3x in Q4, up from 13.5x in the previous quarter.



# European overview continued

Like TMT, the healthcare sector has thrived during the pandemic, with long-term multiples showing a strong and unbroken record of quarterly rises since Q1 2020. The LTM multiple for Q4 2021 – 14.6x – is the highest recorded by the industry in recent times.

Financial services also performed well in Q4 with an LTM multiple of 14.9x, although this was based on a relatively small number of deals with reported multiples. Elsewhere, the food & beverage sector stands out as one of the biggest quarterly risers, climbing by one turn of EBITDA to 12.5x – signalling a renewed appetite for deals in a sector that was hit especially hard by the COVID-19 crisis.

## DEAL SIZE

The bigger the deal, the higher the multiple. This rule proved to hold largely true in Q4 2021. Looking at deal sizes, the biggest transactions – those with a price tag of €1bn or more – achieved an LTM multiple of 17x, marking a new high-point for multiples. Deals in this bracket also saw the steepest multiple rise of any valuation grouping, up by 2.5 turns of EBITDA. High-multiple TMT and healthcare transactions, in particular, were among the major drivers.

Elsewhere, the picture was mixed. The LTM deal multiple in the next most valuable bracket – €500m–€1bn – slid to 14.7x in Q4 from 15.2x in the previous quarter. The multiple for deals in the €100m–€250m grouping was also lower, although only marginally, at 10.9x versus 11x in Q3. Likewise, transactions in the €50m–€100m range recorded an average long-term multiple of 10.7x, slightly lower than the 10.8x seen in Q3.

By contrast, deals in the €250m–€500m bracket rose to 13.4x in Q4, up from 13.1x in Q3, although this is still lower than the 13.9x seen in Q1 2021. Meanwhile, deals in the sub-€50m bracket – the lowest value grouping – climbed marginally to 13.5x from 13.3x the previous quarter. The sub-€50m deal category stands out as the only one that has seen a rising multiple in every quarter since Q3 2020.

**AVERAGE MULTIPLES OVER LAST TWELVE MONTHS – SECTORS**

Start End	01/10/19 30/09/20	01/01/20 31/12/20	01/04/20 31/03/21	01/07/20 30/06/21	01/10/20 30/09/21	01/01/21 31/12/21
	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Automotive	8.2	8.3	9.8	10.0	10.2	10.6
Business services	10.8	11.0	12.1	12.3	12.6	13.0
Consumer	9.2	10.2	10.7	11.1	11.5	11.4
Financial services	11.9	12.5	12.2	12.7	12.3	14.9
Food and beverage	10.1	10.5	11.0	11.7	11.5	12.5
Healthcare	11.7	12.6	13.7	14.1	14.3	14.6
Industrials and chemicals	9.8	9.7	9.8	10.0	10.4	10.6
Real estate	8.0	9.3	9.3	10.3	10.3	10.2
TMT	11.6	11.8	12.6	12.7	14.3	15.1



*This publication reports averages of multiples in the last 12 months for each quarter per region, sector and deal size*



# Spotlight on: UK & Ireland

**The UK & Ireland stood out in 2021 among European markets for their consistently strong buyout markets. What underpinned this performance, and what trends could define the near-term outlook for the region? Clearwater partners Sarah Taylor in the UK and John Curtin in Ireland share their insights.**

PE buyouts in the UK & Ireland scaled new heights in 2021. Dealmakers participated in a total of 279 transactions – far ahead of the previous annual record for the region of 239 deals set in 2018, and a remarkable increase of 49.2% on the 187 deals struck in 2020.

As with volume, so with value. The UK & Ireland buyout markets saw their combined annual deal total surge to €68.5bn in 2021 – an increase of 58% from the year before and a new all-time high for PE dealmaking involving UK and Irish targets, exceeding the €54.6bn worth of buyouts logged in 2019.

## CLOSING QUARTER

While dealmaking reached record levels in 2021 overall, the final quarter of the year was slightly subdued compared to the preceding frantic nine months. The deal tally in the UK & Ireland fell in Q4 with 42 transactions recorded, down 40% from the 70 logged in the previous quarter.

Aggregate deal value, however, did climb quarter-on-quarter, rising 50% to €19.8bn in Q4 from €13.2bn in Q3, denoting the announcement of a handful of very large transactions. This strong performance in value terms contributed to the higher multiples seen in the UK & Ireland, with the quarterly deal multiple climbing to 16.4x, bested in Q4 only by France's 17.9x.

With the pandemic's end in sight, dealmaking in the near term will be propelled by the PE's piles of dry powder and corporates' strong balance sheets, says UK-based Clearwater International partner Sarah Taylor: "There is a



“There is a wall of money for PE and trade. Debt is cheap, and a lot of people have cleaned up their balance sheets over the last two to three years.”

Sarah Taylor, partner, Clearwater International



# Spotlight on: UK & Ireland continued

wall of money for PE and trade. Debt is cheap, and a lot of people have cleaned up their balance sheets over the last two to three years, and they are now very focused on bringing in the right strategic assets.”

Against this strong background, the average LTM multiple also rose, up 0.8 turns of EBITDA from Q3 (and up 2.7 turns year on year) to give a multiple of 14.3x, versus a long-term multiple of 12.8x for Europe as a whole. The UK & Ireland have enjoyed six consecutive quarters of rising LTM multiples.

## SECTOR SPECIFICS

Focusing on sectors, business services was the busiest in terms of volume, with 11 deals in Q4, though these were worth just €1.3bn, the second lowest total among all sectors (only exceeding the €175m accrued from real estate's lone transaction in the quarter).

The runaway leader in value terms was TMT, which logged the second most deals with nine. Those were worth just under €6.6bn in aggregate, more than doubling the roughly €3bn posted by second-place financial services. TMT has long been a favourite among PE players and a reliable generator of deal flow, but the total of 82 buyouts in the sector in the UK & Irish markets across 2021 was especially prominent, representing an increase of around 55% year on year. The annual increase in value terms was even more pronounced, up by more than 90% to €15.4bn from 2020's €8.1bn.

Competitive bidding and the 'flight to quality' for high-quality TMT targets helped to drive up enterprise multiples. "People and businesses are adapting to new ways of working, so related assets are becoming far more attractive. In a high percentage of transactions across all sectors, technology is a big factor in the attractiveness of the target," says Taylor.

One such deal was the take-private of Mimecast, which provides secure email services for enterprises, by Permira Advisers, with a multiple of 45.6x EBITDA. Transactions like this made Q4 a milestone for the sector's LTM EV/EBITDA multiple, reaching 15.7x, a quarterly increase of 1.5 turns of EBITDA and a year-on-year jump of 2.2 turns.

One can quite safely pencil in even more activity in the all-pervading TMT space. As Ireland-based Clearwater International partner John Curtin explains, "If we look at our pipeline, over 50% of our deals relate to technology, from software and IT services to fintech and artificial intelligence. We view technology as the overarching sector, with digital transformation being a key M&A theme in 2021 – businesses that are tech-enabled are attracting strong interest from PE, which is driving valuations in the space."

Among other industries, TMT's high multiple is surpassed only by the 16x logged in financial services-related buyouts, up a noisy 5.2 turns of EBITDA from Q3. However, as alluded to previously, that industry was not nearly as sizeable or busy as TMT, logging just three deals worth under €3bn in total in Q4 and only 15 for the year as a whole. Its high Q4 multiple was down in great part to one transaction in particular, namely Vitruvian Partners' investment in CFC, a London-based technology-driven insurance business, at 41.7x EBITDA.

## OUTLOOK

Despite hotspots in the TMT and financial services sectors, competitive valuations can still be found, notably in the industrials space. Even financial services, which saw one jumbo deal skew its Q4 figures, as well as business services seem likely to offer appealing opportunities.

For Ireland's part, the future looks rather rosy, buttressed by strong fundamentals and absent the degree of political tumult that the UK is going through. As Curtin puts it, "From an Irish perspective, 2021 was a record year, and the signs for 2022 are very encouraging. We have a strong underlying open economy, along with an abundance of quality assets and a weight of private capital looking for a home."

In the UK, as far as the inflation and monetary policy outlook are concerned, the impact on dealmaking may not be as severe as some fear. As Taylor explains, "The pipeline is strong and pitch activity is continuing to grow apace. Anyone looking at multiples will have to examine the underlying business and will have to assess what that inflationary pressure may look like and whether that can be passed on, but the quality businesses will still be fought over."



# Sector focus: Industrials & chemicals

**PE investors are increasingly turning their attention to the industrials & chemicals sector. What is driving this interest, and what might the future have in store? Clearwater International's partner and head of industrials & chemicals Michael Loudon and managing partner Markus Otto explain.**

PE-backed industrials & chemicals deals in 2021 broke all previous records, with transactions totalling €70bn. This is the highest annual deal total on recent record for any sector in Europe and represents a 42% year-on-year increase in value, placing industrials & chemicals far ahead of second-placed TMT (€56bn).

Dealflow was similarly stellar, with PE transactions surging 46% year on year to reach 296. This is a new record for industrials and marks a decisive recovery for the sector, which saw deal volumes plummet to a four-year low amid 2020's pandemic-related disruption.

Focusing on deal multiples, growth in valuations has been steady rather than spectacular over the past 12 months. The average LTM multiple for industrials in Europe in Q4 2021 – 10.6x – represents an increase of 0.9 turns of EBITDA compared with the same quarter in 2020. While 10.6x is an all-time high for industrials, it was among the lowest long-term multiples achieved in Q4, with only real estate (10.2x) lower.

Modest multiples mean industrials have become a prime target for investors, says UK-based Clearwater International partner Michael Loudon: "There is a growing appetite from PE to invest across the wider industrials sector, perhaps indicating a rebalancing of focus to businesses with proven resilience and exposure to long-term structural growth tailwinds. PE firms seeking to invest in industrials are able to acquire high-quality assets at sensible prices, which is perhaps somewhat in contrast with the TMT sector currently."



## REGIONAL CHARACTERISTICS

The industrials & chemicals sector is nothing if not diverse, embracing everything from traditional heavy industry to advanced manufacturing. There is also notable regional diversity. Many industrials in the DACH region (Germany in particular) have close ties with the automotive sector. Distinct regional characteristics give rise to significant variations in LTM multiples, with Southern Europe (9.6x) and the Nordics (12.9x) representing the extremes.

While valuations vary from one part of Europe to the next, multiples everywhere are being driven upwards by three common factors: competition for targets, abundant liquidity and technological convergence.

"Competition is one of the main drivers," says Germany-based Clearwater International managing partner Markus Otto. "In tandem with this, acquisition finance for PE



# Sector focus: Industrials & chemicals continued

is favourable and there is an attractive banking sector providing access to money. On top of that, a lot of corporates have good cash positions and are actively seeking assets. All of this is driving valuations. At the lower end, we are seeing multiples of between 8x-9.5x. But with industrial tech, it could reach double digits.”

## INDUSTRY 4.0 AND ESG

One of the big factors driving multiples is the convergence of industrials and technology, otherwise known as ‘Industry 4.0’. Industrial businesses that are integrating digital technology – or where scope for integration exists – are increasingly sought after by PE investors. “Everybody is seeking tech,” says Otto. “Industrial tech assets attract the best pricing, the best valuations and the best financing.”

Hand in hand with digitalisation is the rise of ESG. “COVID-19 has served as an accelerator of ESG consciousness,” says Loudon. “It has gone from being a consideration to an imperative for businesses that are looking for investment or considering a sale process. It is coming through in the investment themes we are seeing from PE. For example, businesses that are linked to the decarbonisation agenda are garnering a lot of interest.”

Companies that fail to get onboard with digitalisation and ESG could be in for a rocky ride, predicts Otto: “They will have real difficulties getting investors and getting attractive valuations. These are mega trends and they have accelerated dramatically over the last six to nine months.”

## CHALLENGES AND OUTLOOK

The industrials & chemicals sector faces its fair share of challenges. More so than TMT and financial services, the sector relies heavily on physical inputs – from steel and copper to plastics and semiconductors. It is also a major energy user – more than 25% of all European energy consumption is accounted for by the industry, and rising input prices are a key concern.

Supply chain disruption also continues to cause headaches. “Businesses are typically having to hold more stock

“There is a growing appetite from PE to invest across the wider industrials sector.”

Michael Loudon, partner and head of industrials & chemicals, Clearwater International

and they are paying more to get freight shipped. This is influencing sale price strategies and customer service levels and in turn impacting profitability and liquidity,” says Loudon.

On top of this are the macro factors that affect all businesses, from rising inflation and tightening monetary policy to the precarious security situation on Europe’s eastern fringe. Meanwhile, tougher rules on foreign direct investment are an increasing hurdle for dealmakers. “More or less every transaction is subject to government approval,” says Otto.

Yet despite these headwinds, opportunities abound. “Infrastructure services is one really hot area – investors are attracted to businesses that have clear structural growth drivers,” says Loudon. “There is an immense amount of public investment planned over the next decade on roads, rail and transport systems, as well as in digital connectivity. The scope for private investment to support this is huge, and industrial service providers in these areas are capturing a great deal of attention.”

Sound fundamentals and strong growth prospects point to a bright outlook for dealmaking, concludes Otto: “Momentum is very strong, the climate is positive, and we are on a good track.”



# ABOUT & CONTACTS

Clearwater International has a proven track record of excellent client outcomes. With 17 international offices and more than 275 employees, the business has completed over 2,090 transactions worth an aggregate value in excess of €109bn.

We have a rich and respected heritage in private equity, working with investors, entrepreneurs and management teams over many years. Our success comes down to our connections, knowledge, scale and global outlook.

Our experienced Debt Advisory team ensures that clients looking to raise new debt capital or refinance existing facilities have access to the most sophisticated and specialised debt packages available on international markets.

Our independence from any larger financial institution or consulting firm ensures that we can give truly objective advice, guiding clients through the challenges faced. All transactions are partner-led, offering high levels of personal service and knowledge. We take great pride in the fact that many of our clients return to us for advice on multiple occasions.

## Selected Clearwater International private equity transactions from the last quarter

 acquired a minority stake in  Buy-side Undisclosed	 on its sale to  Sell-side Undisclosed	 primary LBO sponsored by  Sell-side Undisclosed	 sold to  Sell-side Undisclosed
 sold to  Sell-side Undisclosed	 backed by acquired Buy-side Undisclosed	 sold to  Sell-side Undisclosed	 raised finance to support the partnership investment in  Acquisition finance Undisclosed

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