Private Equity & Transactions 2023

OC&C deal activity at a glance

OC&C Strategy consultants

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2023 deal activity *at a glance...*

If 2021 was the all-time deal-making peak and 2022 brought instability and macro-economic tempests, what did 2023 bring?

Inflation was generally more pernicious than most had expected, and interest rates rose significantly in most countries throughout the first part of 2023, raising the cost of debt. Combined with economic uncertainty, this made buyers much more selective on what assets they looked at and cautious on valuations on those opportunities they did pursue. Consequently, completed deal activity across the market in H1 23 was well below that of the same period the previous year and remained muted for the rest of 2023.

Yet, we also see investors adapting to the changed deal-making environment. Buyers are focusing on high quality assets with strong fundamentals (an important precursor to get past the higher levels of scrutiny from investment committees) – and placing greater emphasis on profitability rather than a sole focus on growth.

And while the macroeconomic environment may have not got much easier, investors have got greater clarity on how these dynamics are playing out and the implications for potential investments.

On the sell-side, we are seeing a greater focus on better and earlier exit preparation – to build and prove more robust value creation plans and to give options and flexibility on the timing and nature of exits.

In a world that has been so uncertain and unstable over the last few years, we'd be cautious on making bold predictions for 2024 – geopolitics, the many national elections taking place this year and the future development trajectory of AI all inject substantial uncertainties into the outlook. But there are perhaps some encouraging signs from the taming of inflation, plateauing of interest rates and trajectory of increasing activity we see in the market.

Against this backdrop, we believe the need for depth and robustness in commercial insights to support investment decision-making remains at an all-time high – and we are ready to support our clients in meeting this challenge throughout 2024.

"Robustness in commercial insights to support investment decision-making remains at an all-time high"

Tom Gladstone,
Partner and Head of Private Equity

Consumer

CONSUMER GOODS

After a bumper 2021 and then a challenging 2022, 2023 has been a more stable year for transactions in Consumer Goods.

Following the turbulence of 2022 – as inflationary pressures intensified, and consumers rapidly adjusted their spending patterns – investors have begun in 2023 to better understand these dynamics and the implications for both profitability and growth.

Against this backdrop of emerging stabilisation, there have been particular hotspots of deal activity which look set to continue. Pet remains a highly resilient sector with enduring underlying growth drivers, whilst Ingredients is another sector seeing increased interest and activity amongst investors.

Both Health & Wellness and Personal Care & Beauty have also demonstrated their continued resilience and strong fundamentals. Our transaction support spanned all these areas in 2023 – with Butternut Box in Pet, Orkla Food Ingredients (OFI), Bonusan in Health & Wellness, and Elida Beauty, CMed Aesthetics and Suave in Personal Care & Beauty – providing examples of our deep expertise across the full spectrum of sectors within Consumer Goods.

From a thematic perspective, carve-outs remain a consistent theme as corporates carry out much needed portfolio evolution in search of improved growth and profitability, while investors recognise the opportunity for commercial and operational optimisation in these assets. We have continued our recent track-record of supporting clients on high profile carve-outs, including working with Orkla (OFI) and Unilever (Suave, Elida Beauty). Whilst there is activity across quality tiers, the premium space has remained active in the face of a challenging consumer landscape.

We have worked on several deals involving more premium businesses (KEP, Au Vodka, Butternut Box) that have all built sufficient strength and differentiation in their propositions to continue to cut-through with consumers despite the macroeconomic headwinds.

Looking forward, we are seeing continued signs of resurgence in the market, with strong activity in Q4 2023 (although these are yet to be reflected in closed deals). This includes the Food and Drink sector, which appears to be regaining momentum after several years of more muted activity. Across sectors, we see investors increasingly focused on understanding assets' organic growth and full commercial potential, alongside the potential for structural cost synergies, in order to offset the impact of continued higher debt costs.

CONSUMER GOODS

Au Vodka	Commercial Due Diligence for	Metric Capital Partners
Bonusan	Commercial Due Diligence for	bd-capital
Butternut Box	Commercial Support for	Butternut Box
Ciemme Alimentari	Commercial Due Diligence for	Hyle capital partners
CMed Aesthetics	Commercial Due Diligence for	azimut; Electa Ventures
Elida Beauty	Vendor Due Diligence for	Unilever; elida beauty
European Candy Group	Refinancing for	Bencis
GoodLife Foods	Vendor Due Diligence for	EGERIA
H&S Manufacturing	Commercial Due Diligence for	NPM
KEP Italia	Commercial Due Diligence for	Arcadia SGR
Maileg	Commercial Due Diligence for	Metric Capital Partners
Marly	Vendor Due Diligence for	Parfums de Marly Paris; SBGC
Mondeox	Commercial Due Diligence for	Eulero Capital
Orkla Food Ingredients AS (OFI)	Vendor Due Diligence for	Orkla
Rügenwalder Mühle	Vendor Due Diligence for	Rügenwalder Mühle
Salpa	Commercial Due Diligence for	Apheon
Suave	Vendor Due Diligence for	Unilever

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RETAIL AND LEISURE

In a difficult M&A context with sector market transaction values down by 23%, (the worst level since 2013), our Retail & Leisure activity has continued to flourish.

We have seen some clear winning subsectors and models getting a lot of attention from investors. Those assets typically share a few common traits: resilience in a context of discretionary squeeze on spend, material and visible headroom for growth, sustainability of the business model and competitive moat.

One area with a strong tailwind has been Beauty, Health & Wellness. We have supported many deals in the beauty industry, in beauty retail (e.g., Pinalli), in beauty clinics (with a few closing in 2023 such as Epilate) or in the broader wellness space for every type of consumer need, from massage chairs and sofas (e.g., Meubelzorg) to Pet Wellness (e.g., Ciam or Animal Wellness Products)! We have also supported a range of deals in the broader fitness environment (e.g., Thirdspace) and activity continues to be sustained in this sector.

As part of the mega-trend of people investing in their health, we have seen a continued strong demand for Sports-related assets. We supported Castore, a disrupting force in sportswear, providing sports kits to top tier sports club as well as designing their own line of clothing, in their flagship capital raise. And more deals are on the cusp of closing – stay tuned in early 2024!

Some sectors that have been more challenged from a macro environment perspective (e.g., Fashion) have attracted investors where there are winning brands or models clearly emerging. We supported Reiss, a winning brand in the premium fashion space, in the successful exit by Warburg Pincus – while in the premium / affordable luxury jewellery space we have been active advising on the Georg Jensen and Monica Vinader transactions.

Finally, we have a resurgence of deals in the foodservice industry. This sector has been heavily impacted, first by covid, with months of closure and disruption, and shortly after the reopening by high-cost inflation clearly creating a challenge on margins. Nonetheless, the industry worked through those crises and some players have emerged stronger. Food inserts in the grocery space continue to be in demand and the headroom is strong, answering retailer needs to capture more food-to-go occasions. We supported Snowfox/Yo Sushi on their successful transaction last year, and the market continues to be buoyant for other players in the space. We also see the consumer need for more affordable and convenient offerings with variety and choices driving the success of many Quick-Serve propositions. The successful transaction of Chaiwalla, a leading QSR brand offering authentic Southeast Asian food and its famous chai, is a great example of the potential in this space for a well-defined and executed consumer proposition.

Looking forward, we are increasingly confident on consumer outlook for 2024 – supported by a better than expected disposable income outlook and increasing consumer confidence (albeit off a low base). We should see more PE owners preparing for exit which should increase the number of deals on the table for next year. Now is the time to identify the space or types of assets you want to invest on, and we would be delighted to support you in that thinking for the Retail, Leisure and Consumer Services space.

RETAIL

Animal Wellness Products
Commercial Due Diligence for
CHERRY BAY CAPITAL GROUP

Castore
Commercial Support for
CASTORE

Ciam
Commercial Due Diligence for
QCapital

epiLate
Commercial Due Diligence for
VERTEQ capital

Georg Jensen
Vendor Due Diligence for
INVESTCORP
GEORG JENSEN

Meubelzorg
Commercial Due Diligence for
VENDIS CAPITAL
BUILDING BRANDS TOGETHER

Monica Vinader
Commercial Due Diligence for
Bridgepoint

Pinalli
Vendor Due Diligence for
PINALLI

Reiss
Vendor Due Diligence for
REISS
WARBURG PINCUS

LEISURE

Chaiwalla
Commercial Due Diligence for
LOTE

Direct Ferries
Commercial Due Diligence for
ICG

Opera Laboratori Fiorentini
Business Assessment for
Costa

Thirdspace
Commercial Due Diligence for
SEARCHLIGHT

Yo Sushi and Snowfox
Vendor Due Diligence for
YO! 活
SNOWFOX

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B2B/Services

B2B/SERVICES

Although overall M&A volumes declined in 2023, our B2B/Services team was involved in more deals than in the previous year.

This reflected some of the characteristics of the best businesses in this space, having either some structural resilience to fluctuations in GDP or interest rates, or being positioned to benefit from long-term tailwinds – examples included energy transition, ESG, tech enablement and the early stages of AI affecting people-based businesses. Several of the verticals that we focus on should see continued healthy levels of investment activity in 2024 where the same principles apply; in particular Built Environment, Agri & Food, broader Supply Chain, and other situations where end-customers' sustainability concerns are adding to demand beyond what regulatory changes create.

Within professional services, there continues to be plenty of interest in (and very high multiples paid for) consultancies with a sustainability or ESG flavour (Anthesis being a prime example). The search for resilience has also prompted significant activity in engineering and infrastructure with a variety of deals likely to come to market and a huge range of strategy work to support existing assets. Buy and build has also proven attractive as professional services businesses aim to replicate the value creation levers that are increasingly well understood.

The TIC sector continued to offer the rare but very attractive combination of resilience and excellent growth potential – especially for platforms that provide further roll-up M&A potential in what remain very fragmented markets. The sale of Fera, finally completed late this year after its unusual ownership structure was untangled, was yet another example of a high-quality asset that has carved out a strong position in its niche but with potential to expand.

Within our Built Environment subsector, the focus on limited downside risk is clear, with various deals in utilities services likely to complete in early 2024, and interest where there are strong regulatory tailwinds (e.g., US Engineering businesses buoyed by the Inflation Reduction Act and IIJA). Energy Transition is increasingly topical as the urgency to achieve net zero increases, and we expect to see further deals focussed on the circular economy.

Our Automotive and Logistics team continues to support investors and businesses leveraging the trends in automotive finance, energy transition and tech enablement. Notable deals included buy-side support on Air-serv and sell-side support around new investment for Nexus Vehicle Rental and Evolution Finance. There remains significant headroom to add value through tech-enablement within automotive, with a variety of further deals riding this secular trend likely to come to market in the next 12 months. Outside of these areas, there was less activity in leasing and rental in 2023 as residual values weighed heavily on balance sheets. Looking forward, a more stable supply and demand market means we are already seeing a strong pipeline for deals coming to market in 2024.

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B2B/SERVICES

AB&C Groep	Commercial Due Diligence for	AB&C Groep
ACS&T	Commercial Due Diligence for	arcus Infrastructure Partners; Constellation Cold Logistics
AirServ	Commercial Due Diligence for	Caledonia Investments
Bartosz	Commercial Due Diligence for	Exponent
Bnext.nl	Vendor Due Diligence for	next.nl
Bully Pulpit	Commercial Due Diligence for	Broad Sky Partners
CMS	Financial & Commercial Sell Side support for	CMS
Curtis Metal Finishing	Commercial Due Diligence for	HAT
Electrogalvanica Settimi	Commercial Due Diligence for	
Evolution Finance	Commercial Due Diligence for	LDC
Examinetics	Commercial Due Diligence for	Coalesce Capital
Fera Science	Commercial Due Diligence for	Bridgepoint
Fifth Beat	Commercial Due Diligence for	Xenon Private Equity
I am Property	Vendor Due Diligence for	iam property; LDC
Idwal	Commercial Due Diligence for	LDC
Italtergi	Commercial Due Diligence for	PM & Partners Private Equity
LTM	Commercial Due Diligence for	
Line Spacing 2	Commercial Due Diligence for	
MCR	Commercial Due Diligence for	Freshstream
Minerva Hub	Commercial Due Diligence for	SQ
Mint Innovation	Commercial Due Diligence for	Inspire Impact
Movares	Commercial Due Diligence for	Innovus Limited Engineering Consultants
New and Best HF	Commercial Due Diligence for	
Nexus Vehicle Rental	Vendor Due Diligence for	Phoenix Equity Partners; Nexus Vehicle Rental
Pakelo Motor Oil	Commercial Due Diligence for	Alkemia
Saber Power Services	Vendor Due Diligence for	Oaktree; Saber Power
TECNOPLAST	Commercial Due Diligence for	Dea Capital Alternative Funds SGR
Value Group	Commercial Due Diligence for	Azimut Libera Impresa
Vi.Pi.Effe Pen	Commercial Due Diligence for	HAT
V&F & Colso	Commercial Due Diligence for	arcus Infrastructure Partners; Constellation Cold Logistics

TMT

TECHNOLOGY

The second half of 2023 saw large software deals come back in Europe, following the completion of a handful of pioneering $1bn+ deals in the early summer. We've seen a steady flow of larger deals through H2, with several now close to being announced. Unusually, the US market in software appears to be recovering confidence more slowly than Europe. Our work in ICT Services never slowed down and continues at pace in all geographies.

We're seeing a theme of vertical industries digitising more rapidly than they were pre-Covid – especially some of the traditional 'laggard' industries in tech adoption such as Healthcare, Construction, Auto, Waste, and parts of the public sector. We love the idea of supporting investors as they drive this change.

We're also seeing a theme in supporting investors as they apply playbooks developed in the most Tech-progressive markets in less-developed geographies. Visma remains a wonderful example of this in Europe. We have worked with many assets and investors applying playbooks in DACH, CEE, Southern Europe, for example.

AI is now considered in all deals and is part of every growth strategy. We are bullish that high quality and defensible Tech businesses can typically thrive and unlock new opportunities if they take AI seriously enough – although we've also seen businesses in 2023 that we wouldn't want to bet on as they enter the AI-enhanced environment of the coming years.

Our team was busy during the close of 2023 and now look forward to working with clients in a successful 2024.

Alloggio	AutumnCare	Azets	Commify	Droppoint	Farthest Gate
Commercial Due Diligence for NextCapital	Commercial Due Diligence for onetouch	Vendor Due Diligence for Azets, Hg	Commercial Due Diligence for eci	Commercial Due Diligence for Pemba Capital Partners	Commercial Due Diligence for StarTraq

Foxway	IRIS	Logex	ReeVo	Six Point Six	SuperConcepts
Commercial Due Diligence for Nordic Capital	Vendor Due Diligence for IRIS, Hg, ICG	Commercial Due Diligence for Thoma Bravo	Confirmatory Due Diligence for White Bridge Investments	Vendor Due Diligence for 6POINT6, ICG	Commercial Due Diligence for Pemba Capital Partners

T-Pro	Visma	Webbing
Commercial Due Diligence for Livingbridge	Vendor Due Diligence for Visma, Hg	Commercial Due Diligence for wireless logic

MEDIA

Our Media dealflow in 2023 reflects a resurgence of activity across many areas of B2B media. Despite a challenged advertising market, we advised on the successful sale of two marketing services businesses, MMGY Global (an integrated marketing company for travel, tourism and hospitality) and MSQ Partners (a group of eleven creative and technology agencies). B2B information continues to be an attractive space for investors across many verticals, with our work in the space spanning aviation (OAG), legal information (Chambers) and asset management (With Intelligence), amongst others.

We have seen a quieter deal making environment in consumer media and consumer internet, though we have advised on some notable transactions in the space, including Permira and Blackstone's proposed takeover bid for Adevinta, and the merger of Bauer Media Group's price comparison assets with TA-backed Netrisk Group.

We note a perception that some assets are better suited to non-public ownership to take strategic and operational actions and investment to ride out current volatility – we look forward to seeing these situations unfold into 2024.

Adevinta	Transaction support	Adevinta
Advertiser Perceptions	Commercial Due Diligence for	EUREKA EQUITY PARTNERS
Bauer	M&A support	Bauer Media Group
Chambers	Vendor Due Diligence for	inflexion; Chambers AND PARTNERS
Hyve	Commercial Due Diligence for	PROVIDENCE EQUITY PARTNERS
MMGY Global	Vendor Due Diligence for	MMGY Global; PENINSULA CAPITAL ADVISORS
MSQ Partners	Vendor Due Diligence for	msq; LDC
OAG	Vendor Due Diligence for	OAG; VITRUVIAN PARTNERS
TrustedHouse Sitters	Commercial Due Diligence for	MAYFAIR CAPITAL
WGSN	Vendor Due Diligence for	ASCENTIAL; WGSN
With Intelligence	Vendor Due Diligence for	with. Intelligence; ICG

DIGITAL

2023 saw modest recovery of investor confidence in consumer internet assets after the market corrections of 2022, although still short of the heady heights of 2021.

While we have seen more processes get off the ground in the past 12 months, we have also observed a slower path to completion as investors approach digital assets with greater caution than in the post-pandemic boom, due in part to multiples remaining high and rapid advances in AI creating uncertainty in the defensibility of digital business models.

Nevertheless, we saw some exciting deals complete this year with highlights including our clients investing into Pinterest, TrustedHousesitters, Direct Ferries, Netrisk (online price comparison) and Butternut Box (pan-European pet food e-commerce). We believe that 2024 will bring further recovery in the digital space, with plenty of process already in progress aiming to come to market in 2024.

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We're pleased to have had the opportunity to work with so many great partners on such important opportunities. We would be delighted to share our deep sector and topic expertise with you further on any of the areas highlighted here that are of interest: **privateequity@occstrategy.com** or reach out to our team directly.

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