




# UK Mid-market PE review

**Our perspective on Private Equity activity  
during H1 2021**

August 2021

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[kpmg.com/uk/midmarketPE](https://kpmg.com/uk/midmarketPE)

 PitchBook

# The landscape

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\* Environmental, Social and Governance (ESG)

All data provided by Pitchbook

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## H1 2021 activity versus H1 2020

### All PE activity

785	£73.7bn
deals, up	deal value, up
61%	48%

### Mid-market PE activity

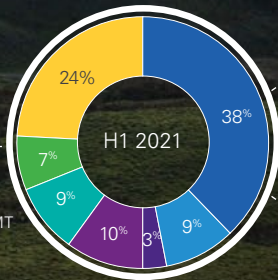
377	£20.7bn
deals, up	deal value, up
45%	39%

### PE exit activity

47
deals, down
29%

### UK mid-market PE deal volume % by sector

- Business services
- CG&R
- Energy
- Financial services
- Healthcare
- Industrials
- TMT



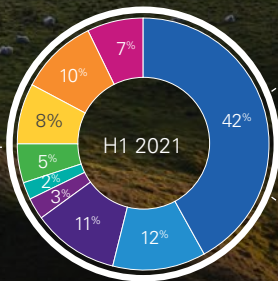
Business services **144** deals, **38%** of all mid-market PE deals

**TMT 89** deals, **24%** of all mid-market PE deals

**CG&R 33** deals, **9%** of all mid-market PE deals

### UK mid-market PE deal volume % by UK region

- London Region
- Midlands
- N. West
- N. East
- N.I./OM/C. Isles
- Scotland
- Yorkshire & Humber
- S. East
- S. West



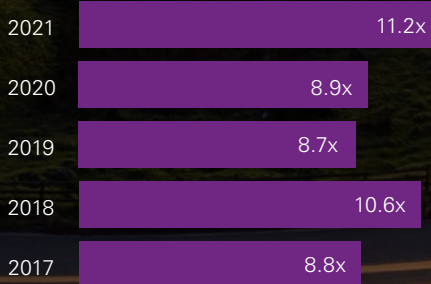
London **159** deals, **42%** of all mid-market PE deals

Midlands **46** deals, **12%** of all mid-market PE deals

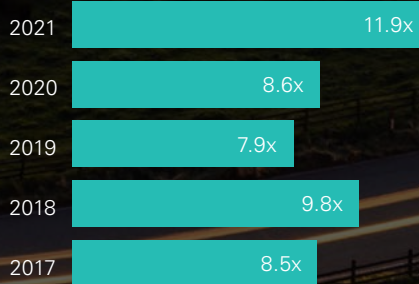
N. West **41** deals, **11%** of all mid-market PE deals

## The landscape

#### All PE average EV/EBITDA\* multiples



#### All mid-market\* PE average EV/EBITDA multiples



Period covered 1 January 2021 to 30 June 2021

\* deals with an EV of £10-£300m

Source: Pitchbook



Jonathan Boyers  
Partner - UK Head of  
Corporate Finance

## The frenetic deals market in H1 2021 strongly suggests that the bounce-back from the pandemic is well and truly underway.

Deals that had been put on hold in spring and summer 2020 jumped back to life as deal-makers saw an opportunity to get deals done in a different way. This led to a burst of activity, particularly in Q1 2021, as confidence began to return and pent-up demand was released.

The mid-market was buoyed further by concerns over an anticipated change to the Capital Gains Tax (CGT) regime expected in the spring budget. At the larger end, a slew of deals that had been held back, first for Brexit, then for the pandemic, finally came racing out of the blocks, driving a substantial increase in aggregate deal value, as well as volumes.

The result was one of the strongest half-year performances in recent memory, albeit one that was skewed towards a stellar Q1 2021, followed by a fall-back in Q2 2021 to levels more in line with historical performance.

It's an interesting point that the sheer number of deals completed in Q1 – the highest for at least five years – was significantly aided by the working efficiencies created by the impacts of the pandemic. With the move to virtual meetings and digital transacting, deals were progressed more quickly and more efficiently. It's arguable that as the market reverts to 'normal', with people able to travel and meet in person again, this may pose some challenges in maintaining the exceptional level of activity seen in Q1.

There was some discussion about whether the new National Security and Investment Bill would affect deal activity. Although the Bill is now effective, the approval process that deals have to go through has only recently become clear, so its full impact is yet to be seen.

In terms of sectors, it's not surprising to see TMT and Business Services – many of which will have a strong tech angle – attracting the lion's share of PE investment and rising multiples. We expect this to continue as digital transformation becomes an increasingly important strategic consideration in so many sectors.

In this report, we look further at some of the key trends shaping UK mid-market PE investment. These include:

- The continuing impact of the pandemic
- The strength of the TMT and Business Services sectors
- The increasing importance of bolt-ons and minority investments
- Trade buyers going head-to-head with PE funds
- Record valuation multiples in the mid-market



# Our perspective



Alex Hartley  
Partner - Head of Private  
Equity and London Regions -  
Corporate Finance

Mid-market PE deal volumes surged in the first half of 2021, growing by 45% versus the first half of 2020, showing that the mid-market is returning to a level of activity not seen since the first half of 2017.

One of the main drivers of its resurgence in Q1 2021, and going back to Q4 2020, was that it was widely anticipated that as part of the March budget, CGT rates for business disposals would be subject to material change. The CGT increase did not in the end materialise, but it remains very much on the cards and is likely to remain a factor in entrepreneurs' thinking going forward.

There was also a noticeable air of relief from entrepreneurs keen to release some of their wealth after the shock of the pandemic. Business owners often have a large proportion of their family wealth tied up in the business – some businesses were more fragile, and in some cases more resilient than they thought. The opportunity to de-risk their personal asset portfolio as circumstances improved was welcomed.

Given the stop-start nature of the mid-market over the past few years, there were a number of PE funds focused on deployment. As we came through the worst of the pandemic towards the end of 2020 and into 2021, there was a frenzy of activity in sectors that had proven their resilience and confirmed their high growth potential, like Business Services and TMT. This is likely to continue, from both an acquisition and exit perspective as funds are focused on capital deployment and there remains record levels of PE capital available.

We are also seeing ESG factors become more of a focus for PE houses. Based on our own analysis, deals with a specific ESG angle made up around 10% of all PE deals in H1 2021, the strongest sectors being Business Services, Energy and TMT. Traditional buyouts, in particular, showed a disproportionate level of ESG activity, followed by bolt-ons. This may suggest that PE houses are gearing up to scale platform investments and drive further value from ESG investing.

Every fund is increasingly being measured on their ESG commitment by their investors. When an a business does have demonstrable ESG strategies in place, it becomes more a strategic opportunity, which is inevitably reflected in the pricing. Businesses that have emerging and already embedded ESG principles will attract strong buyer appetite and premium pricing.



# Total UK PE activity

“After years of uncertainty over Brexit and two general elections, and amid rumours of an expected increase in tax rates, many dealmakers bit the bullet and got back to the negotiating table, albeit virtually”

Our previous report, looking at mid-market PE deals for the full year 2020, ended with a burst of activity towards the end of the year that we expected to continue into 2021.

It is satisfying to see that those positive expectations were not just fulfilled, but exceeded.

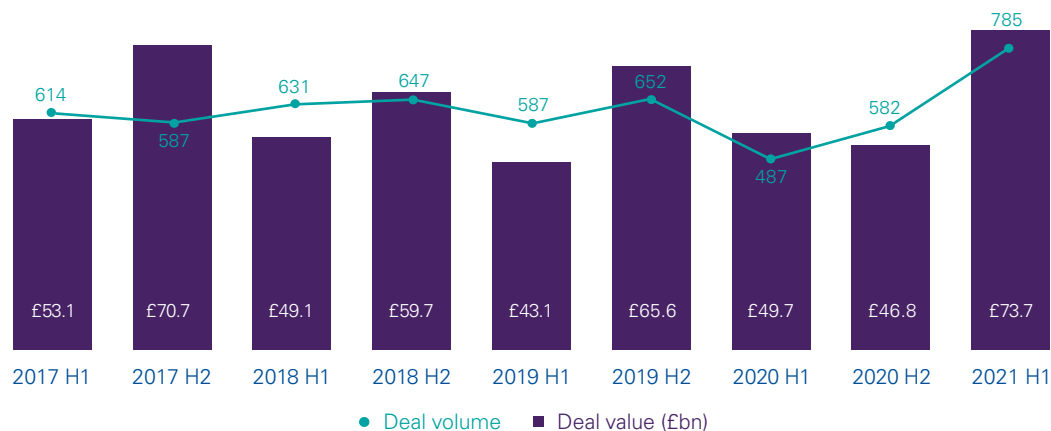
The total number of PE deals closed during H1 2021 shot up to 785 deals. This represents a 35% rise on the 582 deals recorded in H2 2020, and an impressive 61.2% more deals than H1 2020. Deal values performed even more strongly, reaching an aggregate value of £73.7 billion, a 58% rise on deal values during H2 2020 and a 48% increase in H1 2020.

Although on closer inspection of the data much of the strong performance occurred in the first quarter, with the second quarter performance significantly flatter, these half-yearly figures for both deal volumes and value were the highest for at least five years.

Much of this strong performance can be attributed to the bounce-back from the pandemic. Deals that had been put on hold in the spring and summer of 2020 came roaring back to life as entrepreneurs and investors adjusted to the new circumstances. After years of uncertainty over Brexit and two general elections, and amid rumours of an expected increase in tax rates, many dealmakers bit the bullet and hurried back to the negotiating table, albeit virtually.

Interestingly, the fact that deal values increased by significantly more than volumes (58% vs. 35%) suggests it was larger PE deals that were getting done, a sign of pent-up demand being released in Q1, as well as the reopening of stock markets and strong market pricing.

## UK half yearly PE deal volumes and values (£bn)

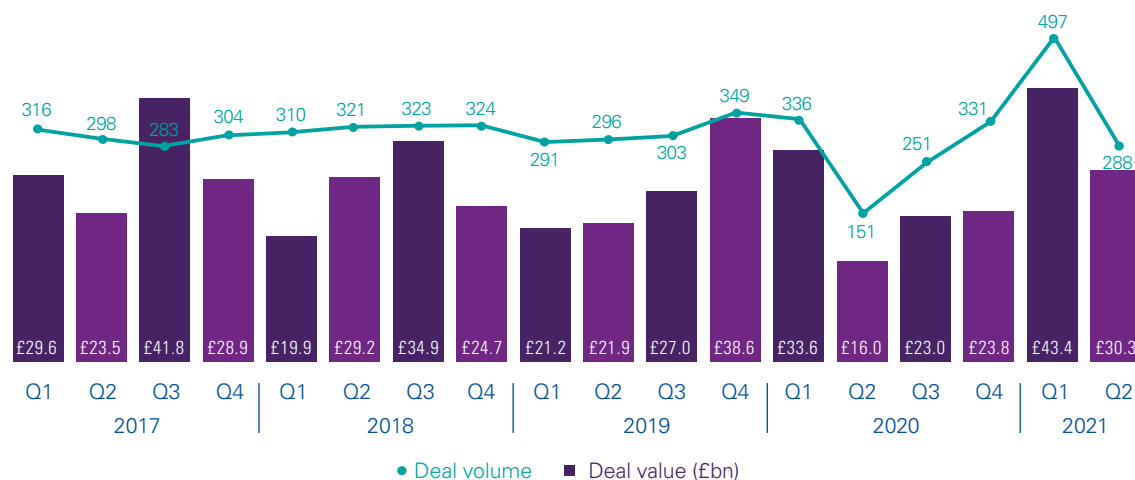


% YoY Volume Change 2020 v 2021      % YoY Value Change 2020 v 2021

H1 v H1    H2 v H2      H1 v H1    H2 v H2

Total UK PE activity HY	H1 v H1	H2 v H2	H1 v H1	H2 v H2
	61.2%	34.9%	48.4%	57.5%

## Total UK PE quarterly deal volume and value (£bn)



% Volume Change 2020 v 2021

Q2 v Q2    Q1 v Q1    Q4 v Q1

% Value Change	88.7%	29.2%	82.5%
% Volume Change	90.7%	47.9%	50.2%

Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

# A perspective on ESG - ESG: Coming ready or not



Christian Mayo  
Partner  
Corporate Finance

“Successful companies should recognise ESG not as an expense or a box-ticking exercise, but as a real opportunity to create value for their business.”

As the data in this report shows, mid-market PE activity is already showing signs of a bounce-back from the pandemic. But even if we can look forward to greater stability and certainty in the market, this won't be a return to business as usual. Businesses are under increasing pressure from investors, consumers, shareholders and government to ensure the bounce-back is not only strong, but also sustainable.

Previously, the growing focus on ESG criteria was largely confined to FTSE companies. But it is now having an increasing impact on mid-market PE deal activity too.

This is largely because those FTSE investors who have been refining their ESG strategies over the past two to three years are the same entities that invest in PE funds, so these stricter ESG requirements are filtering down to the mid-market. At the same time, there are a number of specialist PE funds that have a specific focus on ESG that are also becoming more active in the mid-market.

This sharper focus on assets that have a demonstrable ESG angle means new opportunities to create additional value. PE houses that can improve a business's existing ESG metrics as part of their investment strategy are likely to find a more receptive market when it comes to exit. While for businesses themselves, it is clear that PE funds will pay more for assets with a compelling ESG story, potentially up to 10% or 20% percent more based on recent evidence.

Take the recent investment in Matrix Telematics by Bridges Fund Management in June 2021, on which KPMG advised. Matrix is a software and data business seeking to create safer drivers and sustainable travel for the UK fleet industry. It has a powerful ESG angle that was a perfect fit for Bridges, which is a specialist sustainable and impact investor.

Of course, businesses are already facing enormous challenges in the current situation, which may make it harder to prioritise investment into ESG-related initiatives even if they wanted to. The pandemic has certainly dented some efforts in the short term, as companies struggle to increase margins and control costs amid uncertainty around the future of consumer spending.

In the long term, however, successful companies should recognise ESG not as an expense or a box-ticking exercise, but as a real opportunity to create more value for their business. In fact, KPMG recently analysed M&A transactions in consumer sub-sectors to understand ESG deals' financial metrics and value drivers. It observed a 14% higher average Earnings Before Interest and Taxes (EBIT) multiple of 23.3x for sustainability-driven acquisitions. That's value worth having for any business.



# A perspective on ESG - Leveraging ESG financing in PE deals



Marc Finer  
Director and ESG lead  
Debt Advisory

“One thing is clear: ESG is here to stay and, from a financing perspective, sponsors need to be alive to the reality that ESG is becoming ever more deeply embedded into credit processes. A clearly articulated ESG strategy can be positioned as a key credit strength and help to drive competition for the financing.”

It is difficult to overstate the rapid acceleration of ESG up the board agenda among businesses, financial institutions and investors over the recent period. And it is this alignment of ESG focus between both the providers and the users of capital that has driven the growth in ESG financing activity, including in the global leveraged finance markets. But how seriously should sponsors be taking ESG, whether appraising new investment opportunities or seeking to maximise value from existing investments? And what are the opportunities – and challenges – in leveraging ESG financing in PE transactions?

## ESG financing options

There is now a growing list of debt deals involving banks, credit funds and high-yield bonds which are described as green or sustainable financings, covering the full range of sectors and both large-cap and mid-market businesses. Many of these fall into the category of “sustainability-linked” financings: loans raised for general corporate purposes or M&A, but including commitments by borrowers to hit one or more ESG-linked performance targets during the life of the facilities. Others fall into the category of “green”, “social” or “sustainable” financings, where the entire proceeds of the transaction are to be used for an ESG purpose or project.

The **E**, **S** and **G** are all relevant, with examples from recent transactions highlighting the breadth of what can be captured, including:

**E:** A commitment to use loan proceeds to refurbish business premises to achieve a minimum BREEAM ‘Excellent’ energy efficiency rating;

**S:** A performance target linked to reducing the amount of sugar content in food; and

**G:** A performance target linked to increasing the number of women in senior management positions.

## The red pricing herring

Much has been reported about ESG margin ratchets within these financing deals. But while it is true that incorporating ESG commitments into debt deals can offer pricing upside, the upside on offer for hitting ESG targets is typically marginal and may be balanced by a margin step-up if targets are not hit. And pursuing the ESG financing opportunity primarily as a route to reducing cost of capital misses the wider opportunity that ESG offers. ESG is not just the right thing to do, it is the commercially smart thing to do. It has the potential to enhance returns, increase access to capital and build resilience against market changes and the evolving preferences of a company’s stakeholders, including regulators, employees, suppliers, customers and LPs. In short, ESG provides an opportunity for value creation, and therefore should be high on sponsors’ radars.



### Raising the ESG bar: the greenwashing challenge

But the pace of growth in this space, and the sheer breadth of what could conceivably be caught under the banner of E, S or G, can make it difficult for sponsors and borrowers to cut through the noise and define a clear ESG strategy, underpinned by a set of sustainability performance targets or investment plans which are appropriate for the business and also acceptable to lenders. Ask yourself, are we doing the bare minimum or setting ourselves nominal 'targets' which have already been met? How do our targets stack up against what our competitors are already doing or aiming to do in the relevant area? Consider as guiding principles that ESG financing targets should be:

- Relevant and material to the borrower's business and of strategic significance to current and/or future operations;
- Measurable or quantifiable by reference to recognised methodologies; and
- Able to be benchmarked, to help assess the borrower's level of ambition.

Consider also the increasing expectation among banks and credit funds that borrowers' ESG commitments should be subject to independent external assurance, both pre-deal and on an ongoing basis. Lenders' demands for independent assurance and for stretching benchmarkable ESG targets point to fast-growing maturity and standardisation in ESG financing, and the importance of avoiding any perception of so-called 'greenwashing'. Of course, this also points to the potential for greater process complexity at deal stage, which all parties and their advisors need to be mindful of.

### No ESG, no capital

One thing is clear: ESG is here to stay and, from a financing perspective, sponsors need to be alive to the reality that ESG is becoming ever more deeply embedded into credit processes. Lenders do remain 'credit first', and a sponsor's or borrower's strong commitment to ESG will not, in and of itself, make a difficult credit a more attractive lending prospect. But with the ESG value creation opportunity in mind, a clearly articulated ESG strategy can be positioned as a key credit strength and help to drive competition for the financing. We would therefore challenge sponsors to have the mindset that all debt financing should be ESG-linked unless there is a compelling reason otherwise, and not the reverse where ESG is viewed as a nice-to-have. Directionally, a market where no ESG strategy could mean no access to capital, does not appear to be a long way off.

# Private equity deals with an ESG component\*

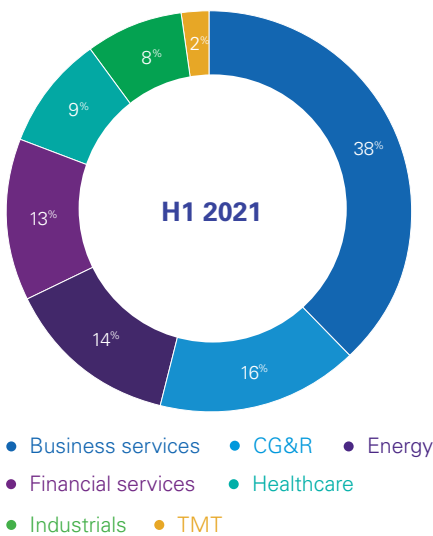
Whilst ESG reporting and ratings is largely the focus of large and public companies whose activities and strategies are founded around some or many ESG principles. This is often driven by a requirement from individual investors who invest in IMPACT or ESG specific funds, but there is also an emerging rationale that ESG investing is more than box-ticking, it's a route to creating longer term value, which is increasingly seen as attractive to Private Equity investors.

With the exception of investments made by pure IMPACT/ESG funds, there is no clear way of defining a PE deal as having a specific ESG rationale. However, it is possible to take a view on the investments made by looking at the type of business (and it's component parts) and assess the likelihood that it had some ESG characteristics.

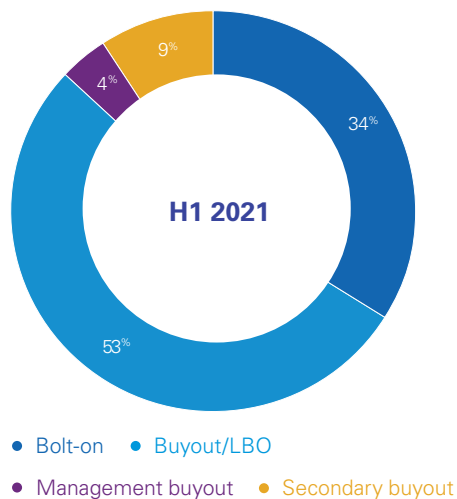
Having undertaken such a view on all the UK PE investments made in the first half of 2021 it appears that:

- During the first half of 2021 there were 79 deals into businesses which had an ESG component to them, representing 10% of all PE activity in the first half of 2021.
- A breakdown of these ESG deals by sectors indicates that 38% of these investments were made into business services companies, followed by Energy, TMT and Healthcare.
- Deal types represent a different picture to the broader mid-market activity in that there were more traditional buyouts into companies with an ESG component to them, at 42 deals, followed by Bolt-on's with 27 deals. Indicating that PE could be gearing up to scale platform investments and drive further value from their ESG investments.

## ESG deals by sectors



## ESG deals by Type

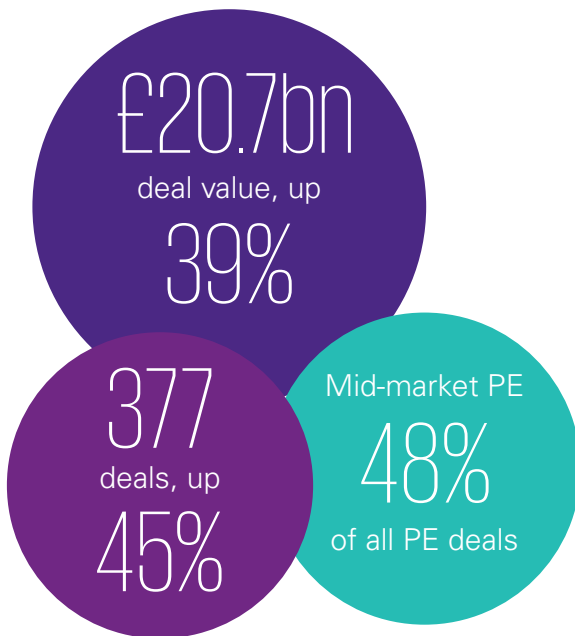


Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

\* See methodology on page 47 for identifying deals with an ESG component.



# UK mid-market PE activity



“Most of the mid-market activity was completed in Q1, which saw the highest number of deals for at least five years with 244 – a 39% increase on the already-impressive volume of deals in the previous quarter.”

Despite economic uncertainty and the on-going pandemic, mid-market PE investment volumes rose to the highest level since H1 2017.

This could be at least partially explained by the fact that mid-market deals picked up a quarter earlier than large deals. A lot of larger deals closed in Q1 that had been held back for the previous three quarters, whereas mid-market deals had already started to pick up in Q4 2020, so the uptick in Q1 2021 was less pronounced and overshadowed by the much steeper rise in large deals.

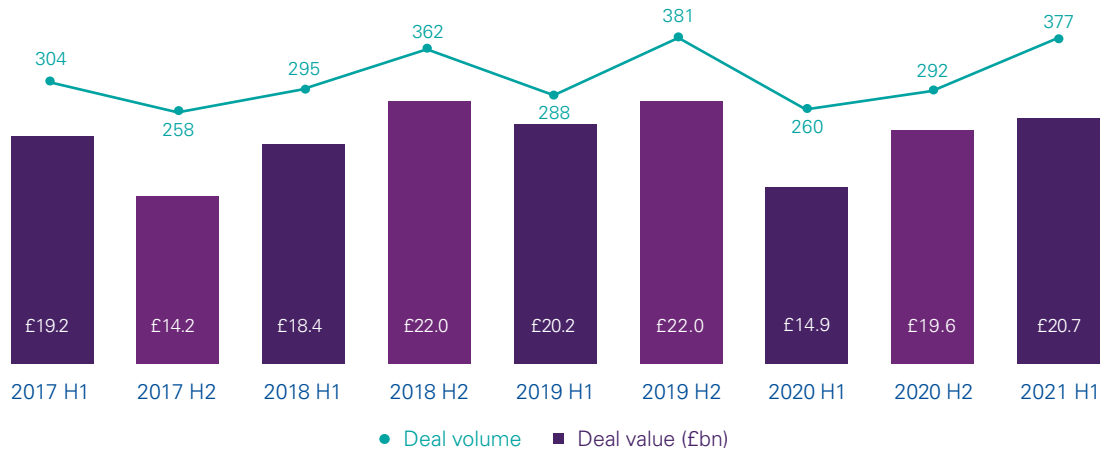
Deal volumes increased in H1 2021 to 377 from 292 in H2 2020, a rise of 29%, and a rise of 45% on the same period in 2020. Deal values, meanwhile, increased only slightly, up 6% to £20.7 billion, from £19.6 billion in the previous six months. This still represents a significant 39% increase on deal values in H1 2020, however.

As with total PE deals, most of the mid-market activity was completed in Q1, which saw the highest number of deals for at least five years with 244 – a 39% increase on the already-impressive volume of deals in the previous quarter. Volumes then fell back in Q2 to 133.

It was a similar story for values, which reached £12.8bn in Q1, only to fall to £7.9bn in Q2.

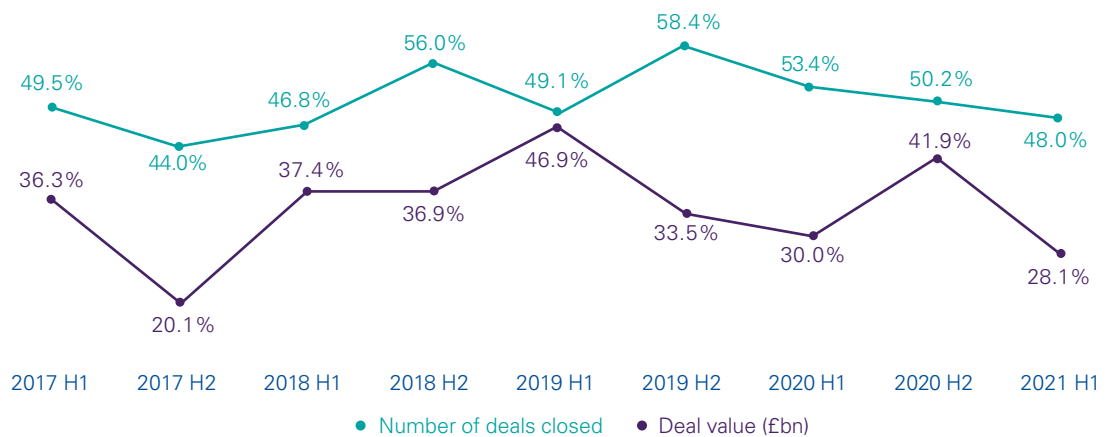
Although mid-market deal values and volume reached their highest levels since 2019, the strength of deal-making at the top end of the market seems to have driven mid-market percentages down. As a proportion of all UK PE deals in H1 2021, the mid-market proportion fell to 48% from 50% in H2 2020 in terms of deal volumes. The decrease was even more pronounced for deal values, where the proportion of mid-market PE deals declined to 28%, from 42% for the six months previous.

## UK half year mid-market PE deal volumes and value (£bn)



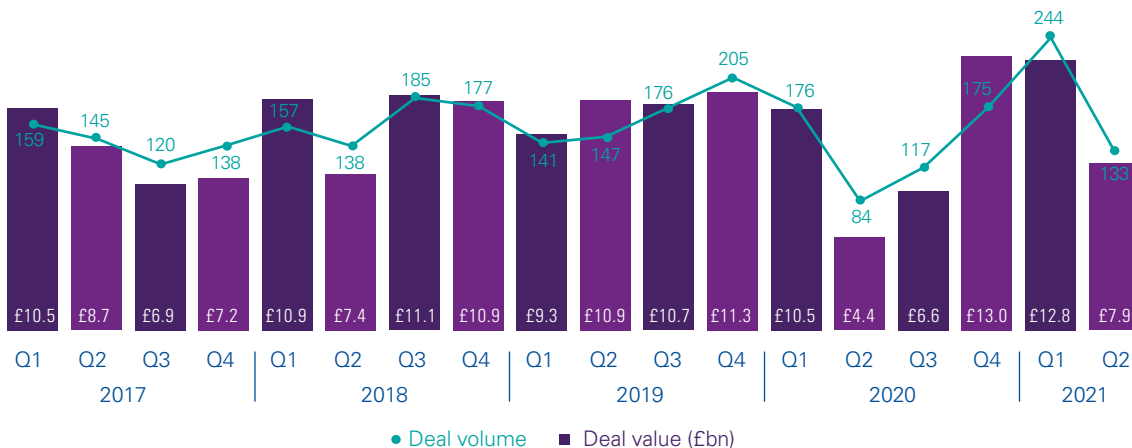
	% YoY Volume Change 2020 v 2021		% YoY Value Change 2020 v 2021	
	H1 v H1	H2 v H2	H1 v H1	H2 v H2
Total UK mid-market PE activity HY	45.0%	29.1%	39.0%	5.7%

## UK mid-market PE deals as a % of all UK PE deals



Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

## UK quarterly mid-market PE deal volumes and value (£bn)



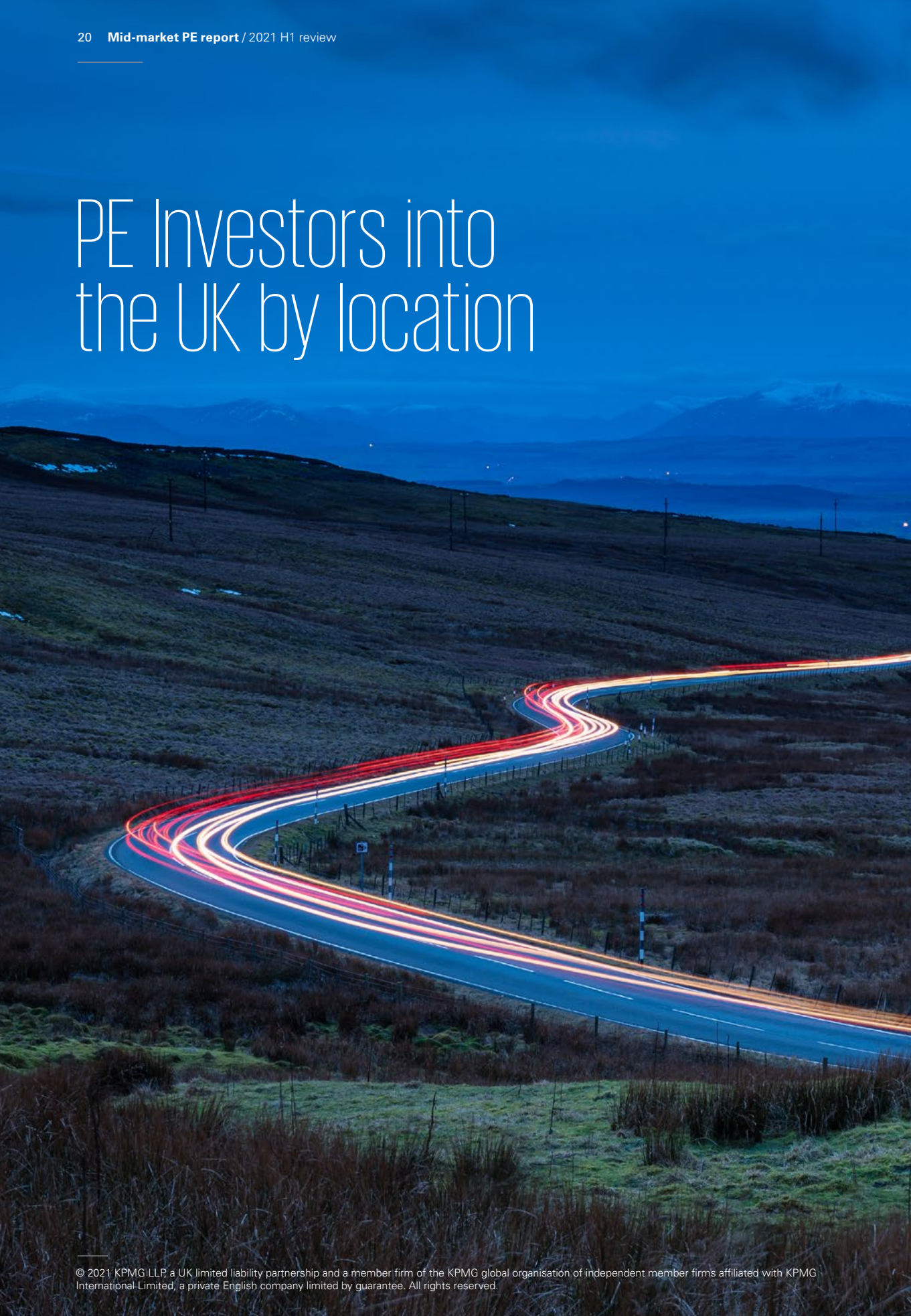
## % Volume Change 2020 v 2021

	Q2 v Q2	Q1 v Q1	Q4 v Q1
% Value Change	81.5%	21.4%	-1.3%
% Volume Change	58.3%	38.6%	39.4%

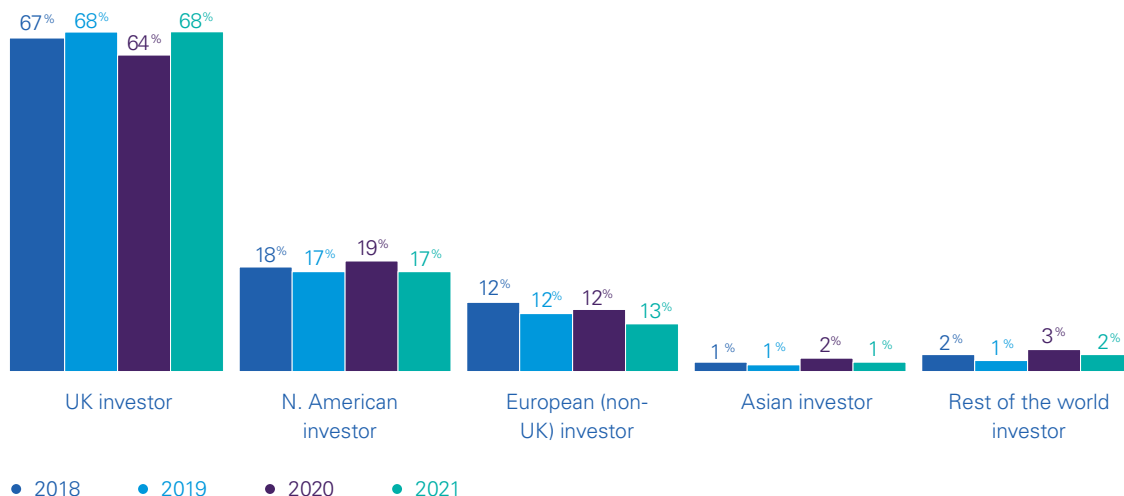
Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021



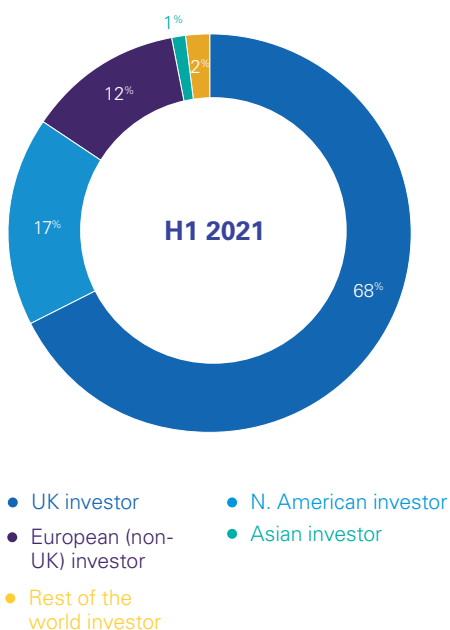
# PE Investors into the UK by location



## % split of UK M&A deal volume by investor geography



“US firms saw their proportion of UK mid-market activity decline from almost 20% to 16.9%, possibly influenced by the return to lockdown in the UK and uncertainties at home”



Domestic PE investors saw their relative level of activity resurgence between H1 2020 and H1 2021 by 6%, increasing from 62% to 68%.

In contrast, US firms saw their proportion of mid-market PE activity decline from almost 20% to 17%, possibly influenced by the return to lockdown in the UK and uncertainties at home as the Biden presidency found its feet.

Although the move to digital transactions during the pandemic did level the playing field for overseas investors to a certain extent, it is still the case that mid-market deals, particularly at the smaller end of the scale, often benefit from a physical element, such as a face-to-face meeting or a dinner. As such, these deals tend to have a more natural fit with local rather overseas PE houses.

It is also less likely that a mid-market deal of £30m to £50m will have a compelling US or global narrative to their strategy, making them a less obvious target for US or other overseas PE houses.

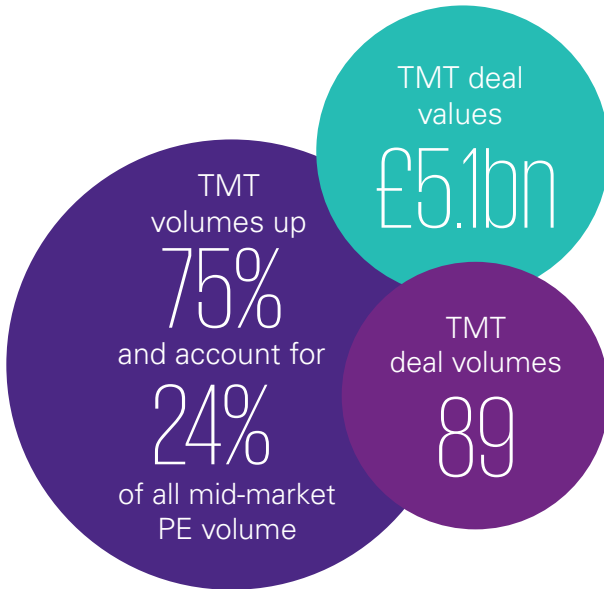
European firms have accounted for a relatively steady proportion of PE activity over the past five years, and this continued in H1 2021. Looking ahead, despite the recent uncertainties of Brexit, the UK is still a strong market in private equity. Rather than reducing their activities in the UK, it is likely European houses could actually increase their level of investment.

Activity from Asian and RoW investors also fell slightly, returning to normal, historic market levels.

Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

# Sectors

## TMT mid-market PE activity H1 2021



“Deal volumes increased for every sector measured in H1 2021. Business Services and TMT were once again the standout performers.”

Deal volumes increased for every sector measured in H1 2021. Business Services and TMT were once again the standout performers. The former increased from 96 deals in H1 2020 to 144 deals in H1 2021, an increase of 48%; while the latter saw an even bigger increase of 75%, from 51 to 89 deals.

It was a similar story in terms of deal value: the aggregate deal value in TMT almost doubled between the first half of 2020 and 2021 (£2.8bn to £5.1bn), while Business Services saw a robust increase from £4.1bn to £6.8bn, a growth of approximately 66%. Together, both these sectors accounted for 62% of total mid-market Private Equity deal volume in H1 2021.

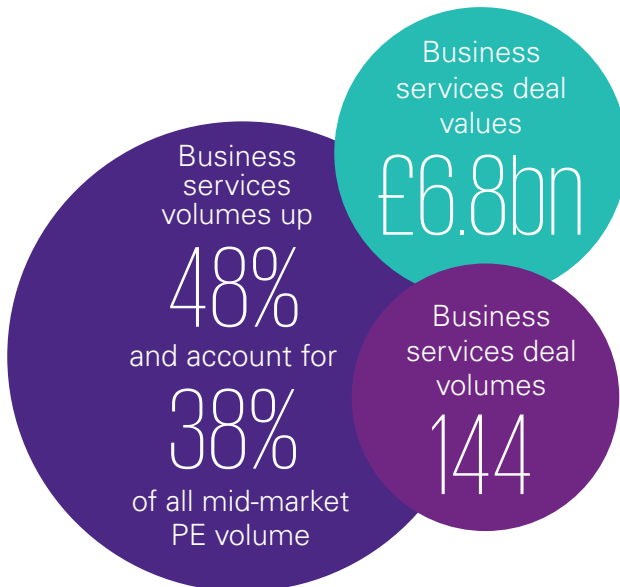
It is no surprise that TMT and Business Services accounted for so many deals. Unlike many other sectors, the pandemic actually accelerated growth in these sectors, rather than restricting it. The widespread shift to remote working and catalytic effect of lockdowns on digital transformation boosted investment in TMT businesses and tech-enabled Business Services, with PE firms focusing on backing digitally-driven businesses to keep pace with accelerated demand. This served to bring forward exit strategies for fast-growing businesses in these sectors by 12 months or more.

Industrials was the next best performer, increasing its number of deals by almost 50% from 15 in H1 2020 to 28 in H1 2021, although values posted a more modest increase from £1.1bn to £1.6bn.

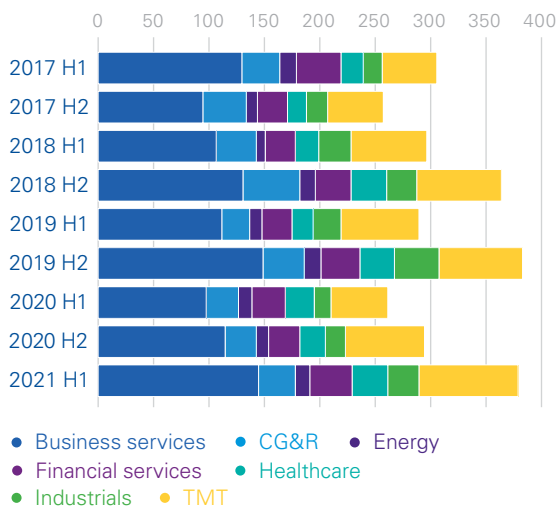
Healthcare also saw a modest increase in deal volumes, although aggregate value remained flat, while

Energy actually saw deals value decrease, despite closing one more deal in H1 2021 than in H1 2020.

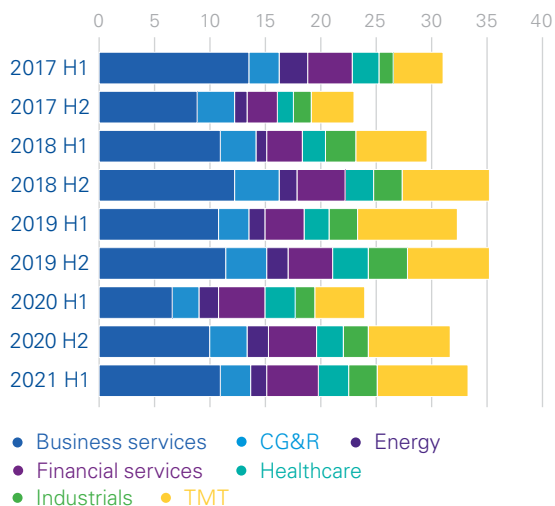
## Business services PE activity H1 2021



## UK half year mid-market PE deal volumes by sector



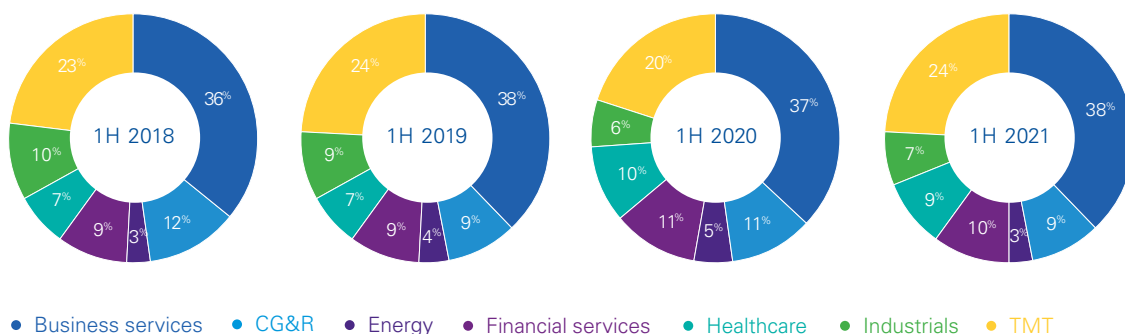
## UK half year mid-market PE deal values by sector (£bn)



## % change deal volume and value by sector

Sector	% Volume Change 2020 v 2021		% Value Change 2020 v 2021	
	H1 V H2	H1 vH1	H1 V H2	H1 vH1
Business services	26.3%	48.5%	10.3%	64.6%
CG&R	17.9%	13.8%	-16.5%	16.3%
Energy	18.2%	8.3%	-25.0%	-22.2%
Financial services	35.7%	26.7%	7.8%	9.6%
Healthcare	39.1%	23.1%	17.9%	3.8%
Industrials	55.6%	86.7%	10.5%	52.2%
TMT	25.4%	74.5%	10.8%	82.3%

## UK mid-market PE deal volume % by sector

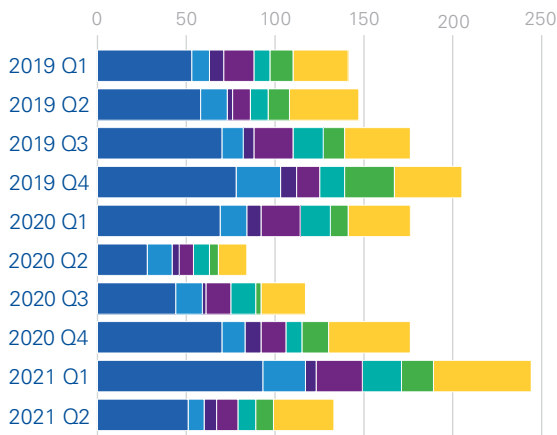


Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

Given the decimation of the high street over the past 12 months and more, Consumer Goods and Retail saw an unexpected rise in both deal volume and deal values. This likely reflects the two contrasting experiences of businesses in the consumer sector. On the one hand, many traditional bricks and mortar retailers have struggled to survive. But at the same time, direct-to-consumer e-commerce businesses have boomed as consumers switched to online shopping, which probably accounts for the slight increase in deal volumes and values.

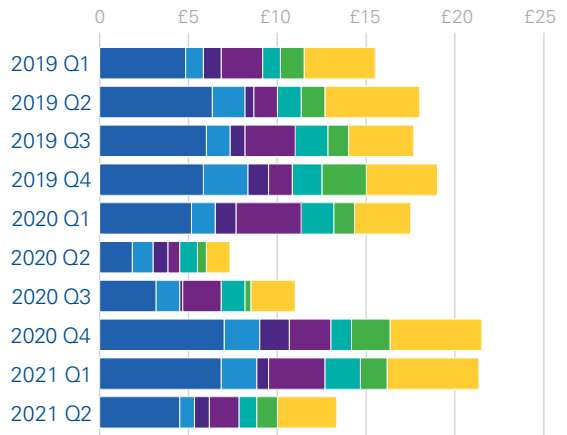
Leisure and Hospitality are also likely to have seen very divergent experiences in different parts of the market. Foreign travel and hospitality businesses have faced month of drastically reduced income, while 'staycation' related businesses, such as holiday parks or cottage rentals, have enjoyed unprecedented demand.

### UK quarterly mid-market deal volumes by sector



- Business services
- CG&R
- Energy
- Financial services
- Healthcare
- Industrials
- TMT

### UK quarterly mid-market deal values by sector (£bn)



- Business services
- CG&R
- Energy
- Financial services
- Healthcare
- Industrials
- TMT

### % change deal volume and value by sector

Sector	% Volume Change 2020 v 2021			% Value Change 2020 v 2021		
	Q2 v Q2	Q1 v Q1	Q4 v Q1	Q2 v Q2	Q1 v Q1	Q4 v Q1
Business services	82.1%	34.8%	32.9%	153.6%	33.3%	-3.7%
CG&R	-35.7%	60.0%	84.6%	-32.5%	61.2%	2.2%
Energy	75.0%	-25.0%	-33.3%	12.3%	-45.0%	-64.0%
Financial services	50.0%	18.2%	85.7%	142.9%	-15.0%	38.9%
Healthcare	11.1%	29.4%	144.4%	-2.0%	6.8%	67.1%
Industrials	100.0%	80.0%	20.0%	107.8%	28.2%	-25.9%
TMT	112.5%	57.1%	19.6%	139.1%	57.9%	-1.4%

Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021



# Sector Perspective : a focus on Direct-to-consumer (D2C)



**Robert Baxter**  
Partner, Head of Consumer,  
Corporate Finance

“E-commerce is not a new business concept of course, but the pandemic accelerated the growth and profitability of many mid-market direct-to-consumer (“D2C”) consumer businesses, making them more investable than before the onset of Covid-19.”

Whilst the consumer sector has mirrored other sectors in the increase in mid-market deal activity in Q4 2020 and Q1 2021, the nature of this activity has fundamentally changed from pre-Covid days. Sectors such as travel and leisure, that were previously subject to hotly-contested auction processes have seen little solvent activity, whereas direct-to-consumer models have become more investable for institutional sponsors. E-commerce is not a new business concept of course, but the pandemic accelerated the growth and profitability of many mid-market direct-to-consumer (“D2C”) consumer businesses, making them more investable than before the onset of Covid-19. Many take the view that a large proportion of the channel shift we have witnessed in favour of online will be permanent – consumers will convert habits learned during lockdowns into lifelong learnings.

However, private equity houses are not the only parties investing in e-commerce models. Strategic buyers caught out by the acceleration in channel shift are weighing up whether to buy or build their own D2C capability and in many cases are opting to acquire. At KPMG we have seen this first-hand – for instance, in late 2020 we sold D2C recipe box business, Mindful Chef, to Nestlé and in several other transaction processes we have seen trade parties having more conviction in relation to D2C assets.

E-commerce is not the only driver of activity in the consumer sector – the ESG agenda is becoming an increasingly prominent driver of transactions. Again we have witnessed this first hand advising circular economy business, Company Shop, in relation to the sale of the business to Biffa plc and several of our clients have adopted B-Corp status as part of their commitment to ESG standards.

Whether it is D2C or ESG, disruption seems to have been a constant feature of the consumer market in recent years, but this disruption has been more pronounced than ever during the pandemic. In many cases Covid-19 has accelerated trends that already existed and, as with previous crises, large market share gains and losses have occurred. Whilst there is a real dilemma about how to value businesses emerging from the crisis, the consumer sector is more investable than ever – exit routes to trade (such as KKR’s exit of The Bountiful Company to Nestlé) and via IPO (such as Permira’s listing of Dr. Martens) are strong, there is greater visibility in relation to winners and losers and the profitability of D2C models makes them more investable for private equity. Financial sponsors will need to be nimble to compete for the best consumer assets in the market.



# Sector perspective: a focus on Pharma Services



**Anthony Ball**  
Managing Director,  
Head of Healthcare,  
Corporate Finance

“The market outlook for the Biotech & Pharma Services market remains extremely positive with transactional activity and Private Equity interest expected to continue.”

If there was an industry vertical that the pandemic has shone a light upon it would be the Health & Life Sciences sector. As the impact of Covid-19 began to be felt globally in early 2020 the Health & Life Sciences ecosystem stepped up its efforts to support and often lead in the battle to contain Covid-19 and contribute to the development of a route map out of the pandemic. These efforts ranged from sequencing the genetic makeup of the virus in the early days through to developing Covid tests to allow better monitoring of how the virus was spreading and mutating and ultimately the development of vaccines. In parallel, frontline workers fought to protect and support those most severely impacted by the virus.

The development, mass manufacturing and subsequent administering of the vaccines in record time is true testimony to the value the Industry delivers but importantly provides unequivocal evidence that collaborative working across the industry can – and does – achieve great results. The successful development and deployment of the Covid -19 vaccination programme has been, and continues to be, dependent upon the constituent parts of the Industry working together through partnerships and collaborations; bringing individual organisations’ unique skillsets together from discovery and research expertise, through to development and manufacturing know-how to ultimately effective communication with regulators, health professionals and society as a whole.

At all times, by monitoring through technology, data and real world evidence the progress and effectiveness of efforts at each stage of the journey, these joint efforts have had immense impact.

Consequently, there is a much broader appreciation across society of how the Biotech and Pharma Industry has developed over many years into a complex tapestry of specialisms that work together in developing innovative and personalised therapies for the benefit of our communities globally. Pharma and Biotech organisations increasingly rely on such partnering through outsource arrangements with specialists that can support their endeavours in developing new vaccines, medicines and therapies. In doing so these groups improve their chances of success from identifying candidates in the drug discovery phase to reducing the time between the laboratory and the approval and administration of new therapies. This Biotech and Pharma Services Outsourcing market is substantial and growing with market commentators estimating it will grow to in excess of \$91bn by 2028.

The forecast continued growth in the Biotech & Pharma services outsourcing market is underpinned when you look at the flow and deployment of money into, and by, the Biotech & Pharma Industry. A recent report by the UK Bioindustry Association commented that in 2020 UK-based biotech companies alone raised a record amount of money and over ten times that raised in 2012.



Such significant capital flows into the life sciences sector continues whilst at the same time proportionate aggregate R&D expenditure by global pharma companies reached record highs in 2020. This all culminates in increasing activity levels across the various phases of drug research and development with IQVIA estimating that the industry has more than 5,700 drugs in its early stage development pipeline and 3,200 in its late stage development pipeline.

As such the market outlook for the Biotech & Pharma Services market remains extremely positive with transactional activity and Private Equity interest expected to continue. The last 18 months has seen a significant number of Private Equity backed transactions in the vertical including Bridgepoint Capital's acquisition of Fishawack Health, a process led by KPMG, CD&R taking Huntsworth Health private and subsequently acquiring Nucleus Global, and Arsenal Capital acquiring Cello Health. Similar transactions continued into 2021 with Lucid and Prime Global refinancing with new equity backers in the form of ICG and LLCP respectively. The Pharma Services transactions were not limited to the Medical Communications segment of the Pharma Services market with Arcinova, a specialist CDMO being acquired by Quotient Sciences, another transaction led by KPMG as well as, Phastar, a specialist biometrics CRO being acquired by Charterhouse which was a deal advised on by other parties.

Looking forward I expect M&A activity and Private Equity interest levels in the Biotech and Pharma Outsource Services market to continue to be underpinned by the strong tail winds in the form of capital flows and development pipelines that exist in the broader Biotech and Pharma markets. Competition for assets across the vertical will continue to be high as the established market participants look to add scale, capabilities and geographical reach whilst Private Equity seek out platforms from which to build and capitalise on the strong market backdrop.

# Regions

London deal volumes up 39%, to 159.

42%

of all mid-market PE deals

Midlands deal volumes up 77%, to 46.

12%

of all mid-market PE deals

N. West deal volumes, up 37%, to 41.

11%

of all mid-market PE deals

“By H1 2021 there was a clear resurgence in deal-making across every UK region.”

The first half of 2020 saw an unsurprising decline in deal-making across the UK as Covid-19 pandemic ravaged the nation’s economy. By H1 2021, however, there was a clear resurgence in deal-making across every region.

London increased its number of deals by 39%, from 114 in H1 2020 to 159 in H1 2021. The Midlands also saw a healthy increase of 77% in deal volumes (26 to 46), while the North West – historically one of the strongest regional PE markets - completed 41 deals, up 37% on H1 2020, and the South East recorded 46% more deals than the same period last year (38 vs. 26).

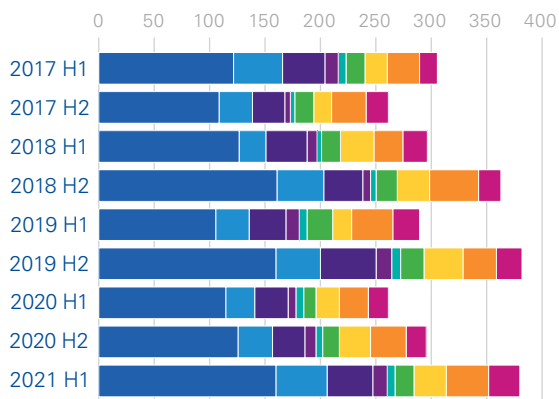
In terms of values, the increases were slightly less pronounced. The aggregate value of London deals increased 39%, Midlands deals almost doubled in value from £1.5bn to £2.9bn, while the value of North West deals rose by 29% from £1.7bn to £2.2bn. South East deals also saw decent growth in deal values of 36%.

There were minor shifts in the proportions of UK mid-market deal-making across the regions between the first halves of 2020 and 2021.

While London once again accounted for the predominant portion of mid-market deals at 42%, the Midlands, North East, Scotland and South West also saw modest growth in the proportion of deals completed in that region compared to the first half of 2020.

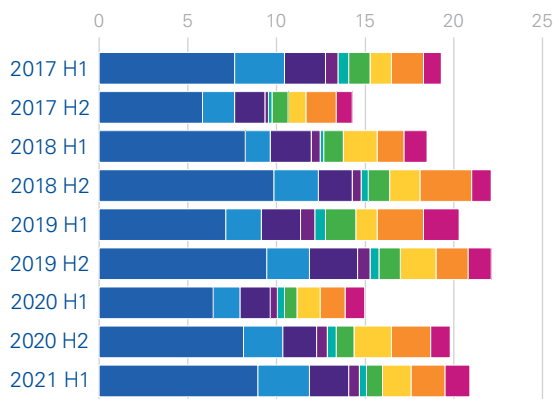
The North West, Yorkshire and Humber, and South East, despite growth in deal volumes and values, saw their proportion of total deals either decline, or remain flat.

## UK mid-market deal volumes by region



● London Region ● Midlands ● N. West  
 ● N. East ● N.I./IOM/C. Isles ● Scotland  
 ● Yorkshire & Humber ● S. East ● S. West

## UK mid-market PE deal value by region (£bn)

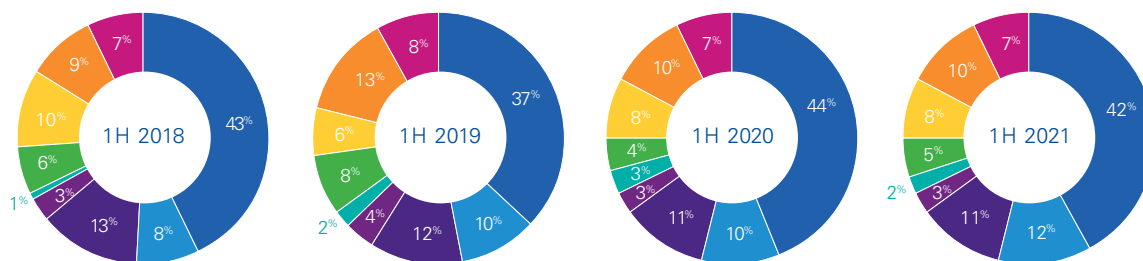


● London Region ● Midlands ● N. West  
 ● N. East ● N.I./IOM/C. Isles ● Scotland  
 ● Yorkshire & Humber ● S. East ● S. West

## % Change deal volume and value by region

Region	% Volume Change 2020 v 2021		% Value Change 2020 v 2021	
	H1 v H2	H1 v H1	H1 v H2	H1 v H1
London Region	27.2%	39.5%	10.2%	39.4%
Midlands	48.4%	76.9%	31.8%	96.2%
N. West	41.4%	36.7%	12.6%	26.9%
N. East	30.0%	85.7%	3.3%	38.0%
N.I./IOM/C. Isles	16.7%	0.0%	-14.5%	-5.7%
Scotland	13.3%	54.5%	-15.1%	17.5%
Yorkshire & Humber	3.6%	38.1%	-24.5%	23.7%
S. East	18.8%	46.2%	-10.2%	39.8%
S. West	55.6%	55.6%	26.3%	27.1%

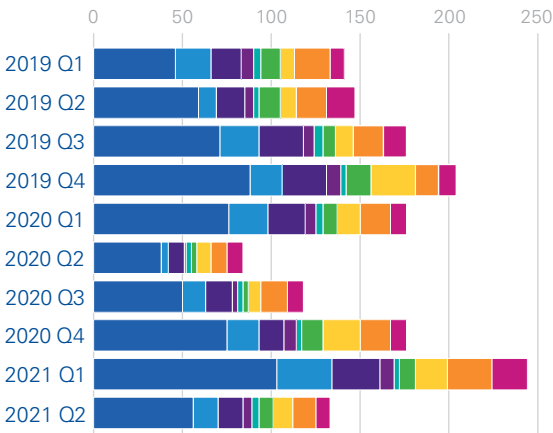
## UK mid-market PE deal volume % by UK region



● London Region ● Midlands ● N. West ● N. East ● N.I./IOM/C. Isles  
 ● Scotland ● Yorkshire & Humber ● S. East ● S. West

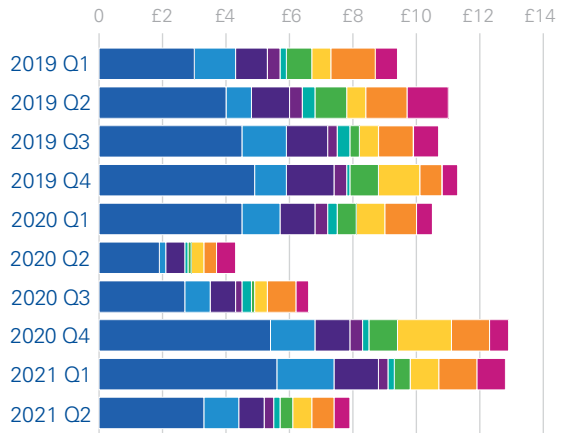
Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

### UK quarterly mid-market PE deal volumes by region



- London Region ● Midlands ● N. West
- N. East ● N.I./IOM/C. Isles ● Scotland
- Yorkshire & Humber ● S. East ● S. West

### UK quarterly mid-market PE deal values by region (£bn)



- London Region ● Midlands ● N. West
- N. East ● N.I./IOM/C. Isles ● Scotland
- Yorkshire & Humber ● S. East ● S. West

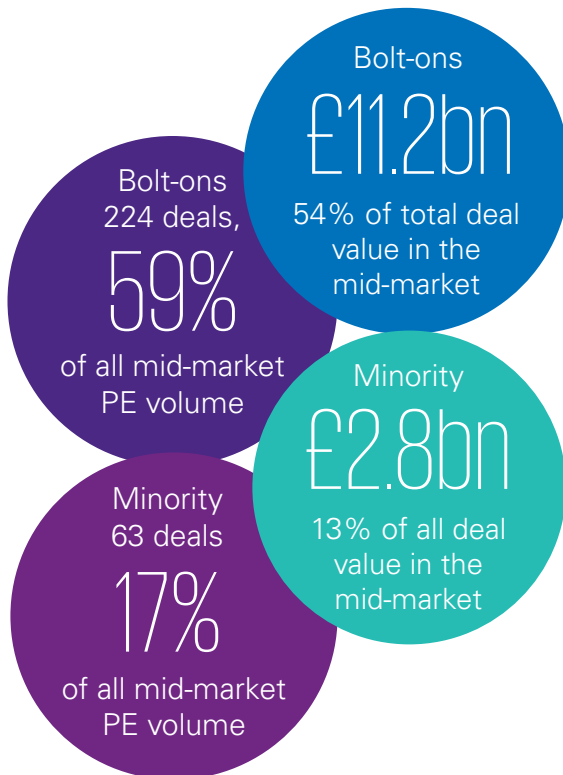
### % change deal volume and value by region

Sector	% Volume Change 2020 v 2021			% Value Change 2020 v 2021		
	Q2 v Q2	Q1 v Q1	Q4 v Q1	Q2 v Q2	Q1 v Q1	Q4 v Q1
London Region	47.4%	35.5%	37.3%	71.2%	25.5%	3.4%
Midlands	250.0%	40.9%	72.2%	368.0%	43.8%	28.7%
N. West	55.6%	28.6%	92.9%	31.8%	24.4%	27.3%
N. East	400.0%	33.3%	14.3%	1283.2%	-18.9%	-20.4%
N.I./IOM/C. Isles	33.3%	-25.0%	0.0%	96.2%	-49.1%	-17.8%
Scotland	166.7%	12.5%	-25.0%	353.5%	-28.9%	-47.9%
Yorkshire & Humber	37.5%	38.5%	-14.3%	52.5%	10.1%	-44.6%
S. East	44.4%	47.1%	47.1%	79.8%	24.3%	-0.2%
S. West	-11.1%	122.2%	122.2%	-17.1%	76.4%	39.6%

Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021



# Deal types



“There were 224 bolt-ons in H1 2021, with an aggregate value of £11.2bn. This represents a 60.0% rise on deal volumes and a 44.6% increase in aggregate deal value.”

Bolt-on deals reached record highs in H1 2021 in terms of deal value and deal volume, cementing its position as the most common type of PE deal by far over the last five years.

There were 224 bolt-ons in H1 2021, with an aggregate value of £11.2bn. This represents a 60% rise on deal volumes of the same period last year, and a 45% increase in deal value.

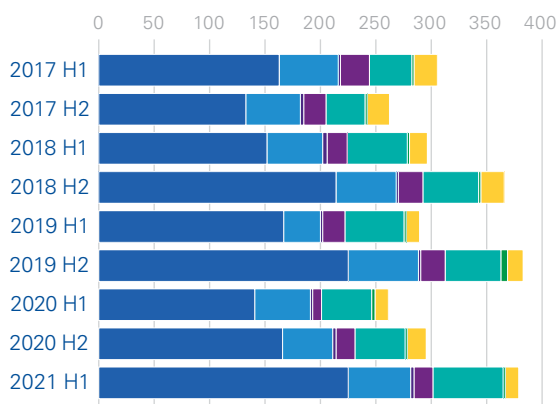
The popularity of bolts ons was driven by both a desire to put capital behind existing, proven management teams through the uncertainty of pandemic period and a reduced flow of primary investment opportunities. It also opens up the opportunity to reduce the average multiple paid for an investment if PE houses can bolt on businesses at a lower multiple than the primary investment was made at.

Minority investments grew by 40% in volume and 88% in aggregate value compared to H1 2020. This is likely due to a new willingness on the part of entrepreneurs, in the shadow of the uncertainty of the pandemic, to cash in some of their capital and reduce their personal portfolio risk, without losing ownership or control. An approach that could have been given further impetus by the expected rise in CGT in spring 2021.

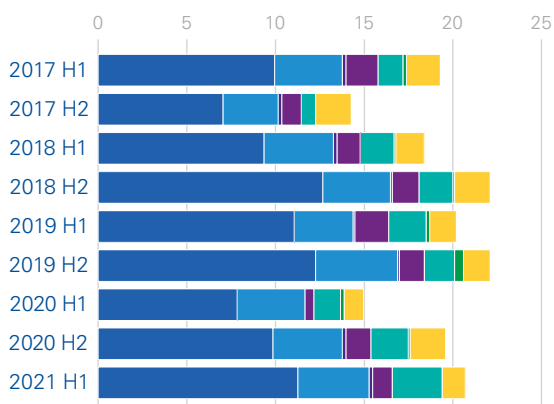
It also suggests that PE firms are increasingly willing to gain minority exposure to promising, fast growing businesses in order to diversify their overall portfolio.

After a spike to around one-quarter of all deal value in H1 2020, traditional buy-outs returned to more normal historic levels, accounting for around one-fifth of total deal value.

## UK full year mid-market PE volumes by deal type



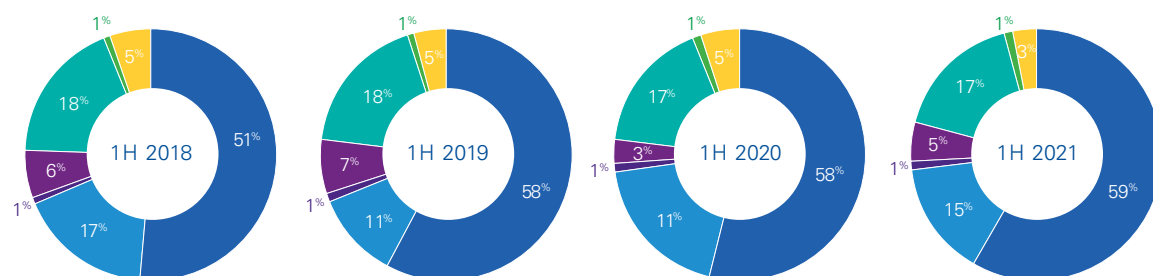
## UK full year mid-market PE values by deal type (£bn)



## % Change deal volume and value by deal type

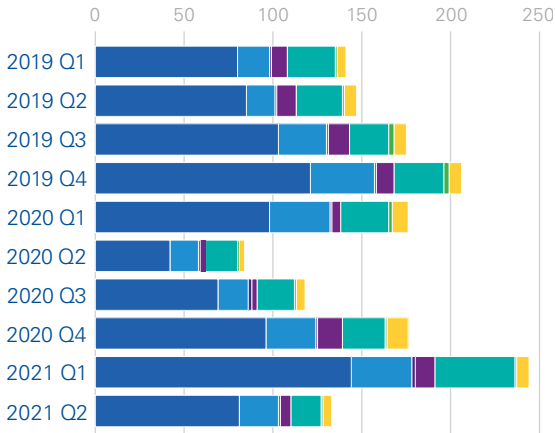
Deal type	% Volume Change 2020 v 2021		% Value Change 2020 v 2021	
	H1 v H2	H1 v H1	H1 v H2	H1 v H1
Bolt-on	35.8%	60.0%	14.6%	44.6%
Buyout/LBO	24.4%	12.0%	2.4%	7.0%
Management buy-in	0.0%	50.0%	13.3%	0.0%
Management buyout	0.0%	112.5%	-21.8%	104.0%
Minority	40.0%	40.0%	30.2%	89.7%
Public to private	0.0%	-33.3%	-100.0%	-100.0%
Secondary buyout	-29.4%	0.0%	-34.1%	18.3%

## UK mid-market PE deal volume % by deal type



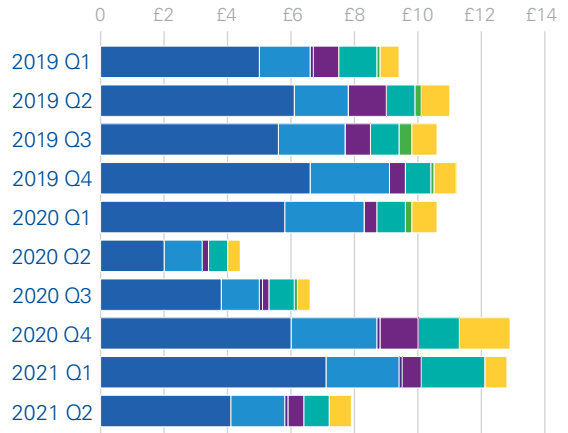
Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

### UK quarterly mid-market PE deals by types by volume



- Bolt-on
- Buyout/LBO
- Management buy-in
- Management buyout
- Minority
- Public to private
- Secondary buyout

### UK quarterly mid-market PE deals by types by value



- Bolt-on
- Buyout/LBO
- Management buy-in
- Management buyout
- Minority
- Public to private
- Secondary buyout

Deal type	% Volume Change 2020 v 2021			% Value Change 2020 v 2021		
	Q2 v Q2	Q1 v Q1	Q4 v Q1	Q2 v Q2	Q1 v Q1	Q4 v Q1
Bolt-on	92.9%	46.9%	50.0%	105.3%	23.4%	19.2%
Buyout/LBO	37.5%	0.0%	21.4%	41.5%	-9.5%	-16.3%
Management buy-in	0.0%	100.0%	100.0%	0.0%	0.0%	121.1%
Management buyout	100.0%	120.0%	-21.4%	203.7%	60.5%	-50.2%
Minority	-5.6%	66.7%	87.5%	33.1%	128.6%	49.7%
Public to private	0.0%	-50.0%	0.0%	0.0%	-100.0%	0.0%
Secondary buyout	66.7%	-22.2%	-41.7%	82.4%	-12.5%	-59.4%

Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021





# Deal multiples

“The strength of PE multiples reflects the sector bias of deals over the past six months, particularly TMT, Business Services and tech-enabled businesses in general.”

In contrast to the wider M&A market, where multiples stayed flat during H1 2021 at 9.4x EV/EBITDA, multiples in both overall PE activity and particularly mid-market PE activity rose to their highest levels for five years, at an average of 11.2x and 11.9x respectively.

The strength of PE multiples reflects the sector bias of deals over the past six months, particularly TMT, Business Services and tech-enabled businesses in general. These have shown themselves to be resilient, high-growth investments in growing sectors, which have commanded high multiples accordingly.

It's also the case that PE funds are behind on their 2020 deployment rate, so they have been particularly keen to secure the best assets as circumstances improved in 2021, either through pre-emptive bids – which are becoming more common – or very competitive auctions.

The high multiples point to another interesting trend in that PE is now clearly outbidding trade buyers from a pricing point of view in both large and mid-market deals. With record levels of dry powder available, the need to deploy their capital increasingly means PE funds will accept lower rates of return where it allows them to push strategic value on the valuation.

Debt markets are also very liquid, with more debt options than there has ever been. More leverage in a deal generally means valuations can be stronger, a trend that has been amplified by the move of credit funds into the mid-market, which are able to leverage multiples that high street banks could never have matched.

# 9.4x

All UK M&A average  
EV/EBITDA multiples



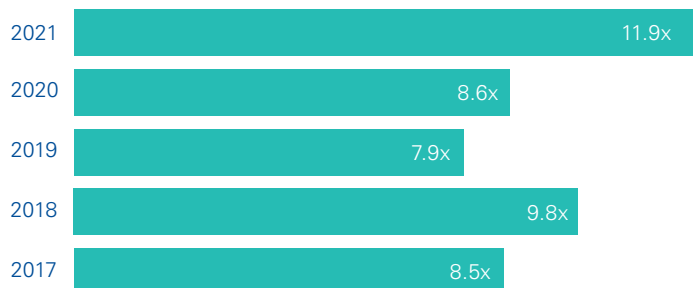
# 11.2x

All UK PE average  
EV/EBITDA multiples



# 11.9x

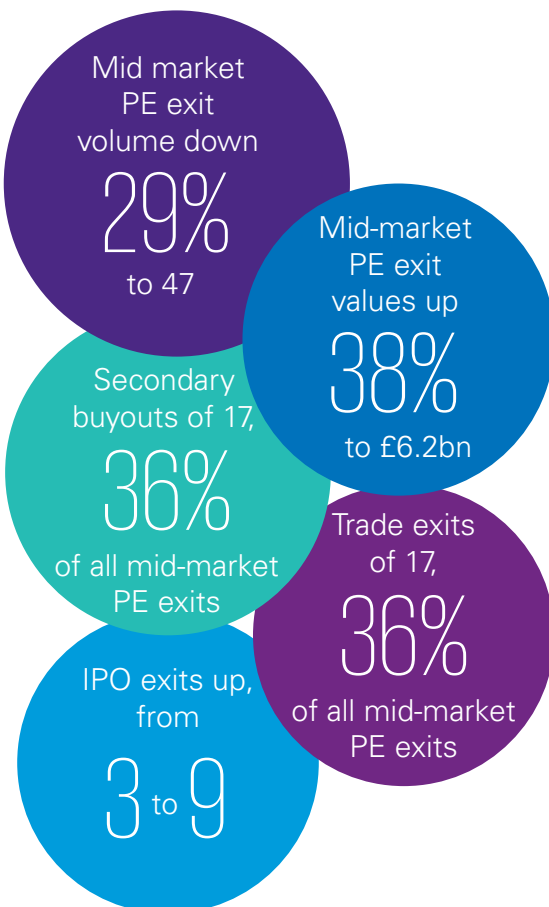
All UK mid-market  
average EV/EBITDA  
multiples



Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

# Mid-market PE exits

“Of the PE exits which have occurred in the mid-market, there is a clear competitive dynamic between trade and private equity, who are going head to head for these businesses. Mid-market private equity appears to have the monetary fire power to compete aggressively on price for these businesses.”

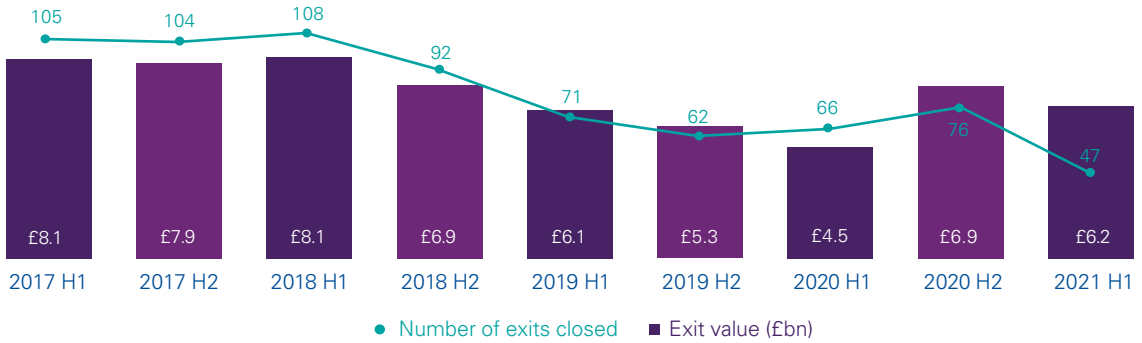


Exits have been few and far between over the last three years. The expectation was that with Brexit out of the way, exits would pick up again in 2020. That didn't happen, for obvious reasons. At least, not until the final quarter of the year, which saw a flurry of exit activity at a level not seen for three years, driven by the success of the vaccine rollout and increasing confidence that the worst of the pandemic was behind us.

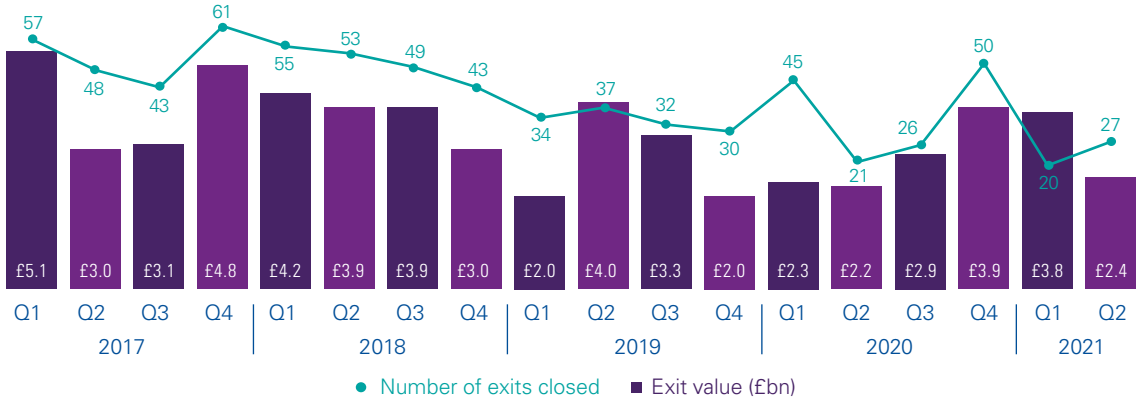
The expectation was that this would continue into H1 2021, but the data tells a slightly different story. H1 deal volumes declined by 29% from 66 to 47 deals, versus H1 2020, with exit activity slightly higher in Q2 2021 which saw 27 exit transactions. However, aggregate exit values increased during the first half, by 38% versus H1 2020, from £4.5bn to £6.2bn, likely driven by the highly competitive market for these businesses from trade and other private equity investors and is also due to the increase in the number of IPOs seen as during the half year.

Of the PE exits which have occurred in the mid-market, there is a clear competitive dynamic between trade and private equity, who are going head to head for these businesses. In H1 2021 trade and private equity accounted for 36% of all exits respectively, representing 72% of acquirers of mid-market PE exits, creating a highly competitive exit landscape. Mid-market private equity appears to have the monetary fire power to compete aggressively on price for these businesses. Whilst this competitive dynamic has created an even split in terms of the proportion of mid-market PE exits being sold to trade and private equity, the values being paid by private equity are significantly higher. Total mid-market exit values during the first half of 2021 were valued at £6.2bn of which secondary buy-outs (SBOs) to PE accounted for £2.9bn or 46% of total exit values and total exits to trade acquirers represented 27% of the total exit values.

## UK half year mid-market PE Exits by deal £bn value and volume

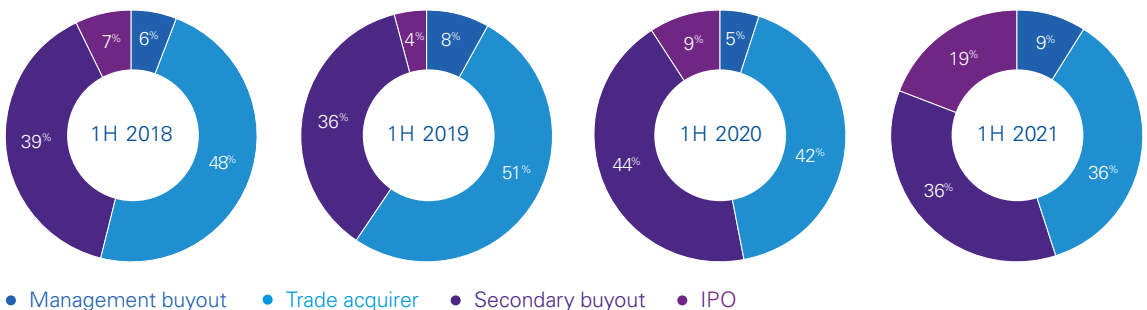


## UK quarterly mid-market PE Deal volumes and value (£bn)



Exit type	% Volume Change 2020 v 2021		% Value Change 2020 v 2021	
	H1 v H2	H1 v H1	H1 v H2	H1 v H1
Management buyout	0.0%	33.3%	-9.8%	64.1%
Trade acquirer	-51.4%	-52.8%	-29.8%	-39.0%
Secondary buyout	-50.0%	-29.2%	-37.9%	-1.5%
IPO	125.0%	200.0%	45.2%	574.8%
<b>Total</b>	<b>23.6%</b>	<b>151.3%</b>	<b>-32.3%</b>	<b>598.4%</b>

## UK mid-market PE deal volume % by Exit Type

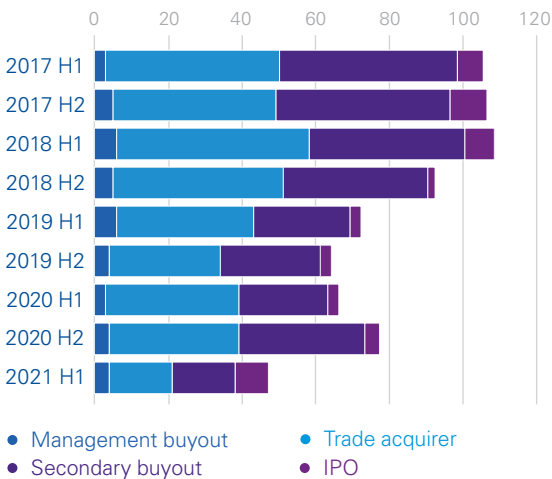


Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021

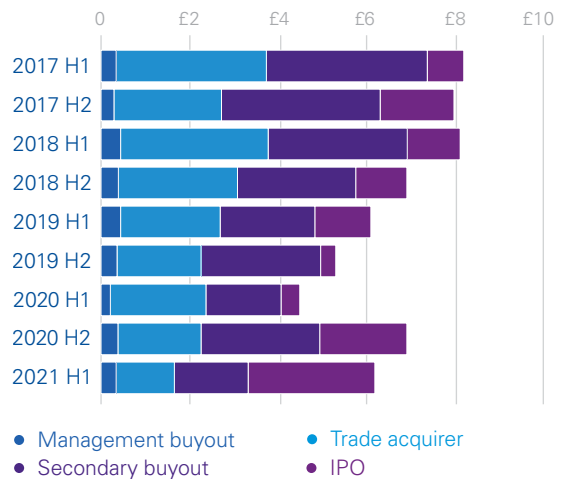
SBOs have played an increasingly important role as another route to liquidity for fund managers. SBOs also increased to a record half of all exit value in H1 2021, as fund managers deployed some of their dry powder to out-compete trade buyers to acquire sponsors' portfolio companies.

In addition, there were nine IPOs, up from three in H1 2020, with the majority of these in e-commerce and direct-to-consumer markets in the Consumer category. TMT and Business Services categories saw their proportion of total exit value increase, as did Financial Services and Industrials.

### UK mid-market Exit Volumes by Exit Type



### UK mid-market Exit Values by Exit Type (£bn)



### % change deal volume and value by Exit Type

Sector	% Volume Change 2020 v 2021			% Value Change 2020 v 2021		
	Q2 v Q2	Q1 v Q1	Q4 v Q1	Q2 v Q2	Q1 v Q1	Q4 v Q1
Management buyout	200.0%	-50.0%	-66.7%	199.3%	-56.1%	-85.3%
Trade Acquirer	0.0%	-79.2%	-75.0%	-36.6%	-42.1%	-57.7%
Secondary buyout	12.5%	-50.0%	-68.0%	-2.5%	-0.5%	-64.0%
IPO	0.0%	100.0%	200.0%	0.0%	465.6%	4059.1%

Source: Pitchbook, data period 1 Jan 2021 - 30 June 2021



# PE trends to watch out for



Jonathan Boyers  
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2021 was touted as the year when stability and confidence would return to the markets, as the uncertainties of Brexit, UK and US elections, and the pandemic, finally disappeared in the rear view mirror.

Although two of those factors have been put to bed, the third – the pandemic – is still very much with us, with the result that any expectations about the future must be couched in an extra layer of unpredictability. Whilst we have seen the wider PE market reach record levels in Q1 and then normalise in Q2, the mid-market picked up much earlier in Q4 2020 and carried record levels of activity through to Q1 2021, which is a reminder that volumes cannot be taken for granted, even within the same market.

**“Confidence, pent-up demand and sheer relief is likely to lead to an increase in GDP and ensure a healthy market for mid-market PE transactions.”**

Nevertheless, there are clear reasons to be optimistic. PE valuations have clearly stepped up in H1 2021 compared to 2020. The M&A market is strong, with lots of activity in high-growth sectors. These will continue to attract high levels of interest from private equity, both domestic and overseas.

Given the varying impacts of Covid-19 and lockdowns across different sectors, PE investment is likely to continue chasing those sectors that have fared best and demonstrated their resilience, such as TMT, Business Services, direct-to-consumer and Healthcare, along with businesses who have embedded ESG strategies.

In other sectors, the picture is likely to be more uncertain, particularly now government furlough support has been withdrawn. With labour demand currently outstripping supply in sectors such as Leisure and Hospitality, the increasing cost of labour poses a serious challenge to existing business models – and could dampen PE investments in these sectors over the course of the year.

Overall economic performance is hard to predict. As we’ve seen in the first half of the year, confidence, pent-up demand and sheer relief is likely to lead to an increase in GDP and ensure a healthy market for mid-market PE transactions, albeit with substantial variation between sectors. Reserves of investment capital are growing ever larger and debt is plentiful. This, coupled with the fact that at some point, PE owners are going to have start exiting previous investments, means the conditions look positive for a continued resurgence in mid-market deal activity in the second half of 2021.



# Methodology

## Report scope covers period 1 January 2021 - 30 June 2021

Mid-market transaction classification to be defined as deals with an EV/deal value/consideration value of between £10m-£300m.

Transaction type classification to be defined as:

1. All mid-market primary PE deals (all types), including:
  - a. Primary investment/buyout
    - i. Minority stake (PB term: growth/expansion)
    - ii. Majority stake
  - b. Management buyout
  - c. Management buy-in
  - d. Bolt-on (PB term: Add-on)
  - e. Corporate divestiture
  - f. Public-to-private buyout
2. PE Exits
  - a. Secondary buyout
  - b. PE to IPO
  - c. Trade buyer (PE term: strategic)
3. General M&A
  - a. Strategic Acquirer, non-financial acquirers (e.g. Amazon, J.P Morgan)
    - i. Reverse merger
  - b. Financial acquirer (i.e. PE firms)
  - c. Mid-market classification to be defined as deals with an EV/deal value/consideration value of between £10m-£300m.
  - d. Note: General M&A to be included for purposes of comparison (defined by mid-market and regions)

## PitchBook mid-market methodology

Capital invested is defined as the total amount of equity and debt used in the Private Equity investment. PitchBook's total capital invested figures include deal amounts that were not collected by PitchBook but have been extrapolated using a multidimensional estimation matrix. Regardless of the extrapolated deal value, deals are subsequently distributed into deal size buckets, below \$1 billion, based on the corresponding proportion of known deal sizes. Some datasets will include these extrapolated numbers while others will be compiled using only data collected directly by PitchBook; this explains any potential discrepancies.

PitchBook only tracks completed exits, not rumored or announced transactions. Exit value, like deal value, includes exit amounts that were not collected by PitchBook but have been extrapolated using a multidimensional estimation matrix. Regardless of the extrapolated exit value, exits of unknown size are subsequently distributed into deal size buckets, below \$1 billion, based on the corresponding proportion of known deal sizes. Unless otherwise noted, initial public offering (IPO) sizes are based on the pre-money valuation of the company at the time of IPO. We exclude exits in which the only PE backing was a PIPE.

The report only includes PE funds that have held their final close. Unless otherwise noted, PE fund data includes buyout, diversified PE, mezzanine, mezzanine captive, growth and restructuring/turnaround funds. Fund location is determined by specific location tagged to the fund entity, not the investor headquarters.

A Leveraged Buyout/LBO can refer to the overall category of transactions in which an acquiring entity utilizes leverage in order to gain a controlling portion of a target entity. It also refers to the specific case of a buyout wherein the entity is a PE firm and it acquires a majority share of the target company and may or may not dispense with the existing management or buy them out as well, without the management actively partaking in the transaction and also acquiring a significant stake.

A Management Buyout however refers to that latter case, wherein the managers often go out and find a buyer for the company and also put in their own capital to help finance the transaction so they can take over ownership of the company. A Management Buyout/MBO is a financial investment that occurs when a Private Equity investor partners with the company's existing management to acquire a majority (>50%) of the equity in a corporation (the Target Company). In these transactions, the PE Firm and the management receive a combined majority (>50%) stake in the company. Management or PE firm can hold majority or minority stake.

NOTE: founders retaining a stake is not considered an MBO. "Partnership" with management is not considered an MBO unless there is other evidence that the management truly invested or re-invested in this transaction.

## Identifying deals with an ESG component:

These deals were identified using the following criteria:

Investments by pure ESG/Impact focused PE firms made during the period.

Analysis of keywords in company businesses descriptions using the following which are not exhaustive:

ESG, Low carbon, Smart cities, Biomass, electric vehicles, electric vehicle charging, Clean energy, renewables, Wind farms, Solar, Clean batteries, Hydrogen, Compressed air, Bioenergy, Biopharma, Elderly care, Supported living, Mental health, Children's specialist care/fostering, Omics (genomics/ transcriptomics/Proteomics), Synthetic biology, Medical equipment for elderly, Physiotherapy, Nutritional coaching, Corporate wellbeing, Addiction treatment, Data and digital in healthcare, IT asset management, Agri-tech, Health-tech, Supply-chain transparency tech, Data protection, Cyber security, Regulatory compliance tech, Governance, Risk and Compliance, Digital compliance tech, Ed-tech/e-learning, Learning management systems, HSEQ technology, Software around data analysis and increased productivity and energy management, Telematics/intelligence traffic software, environmental compliance, Sustainable and Educational travel, Sustainable fashion, Natural ingredients, Sustainable food products, Sustainable personal care products (reduced packaging/recycled(able) ingredients), Non-meat proteins/plant based food, Vertical farming, City agriculture, Surplus products/redistribution of food/retail, Alcohol free spirits/drinks, Reversed logistics, Recycling technology, End-of life enhancement of equipment and goods, Extension of asset life, Water, Leak detection, quality monitoring, wastewater treatment, Waste Recycling (MSW, e-waste, paper & fly ash), EfW (pyrolysis, gasification, plasma & AD), Smart buildings/Homes, Sustainable housing construction, Affordable homes, Smart hospitals, Care homes, IT Asset disposal, Supply chain management, Supply chain transparency, Consultancy – governance, regulatory compliance, energy, process engineering, Recruitment – upward social mobility, Waste services, Training and re-training, Lighting, LED power delivery, plasma lighting, Water, Leak detection, quality monitoring, wastewater treatment,

Smart property Solutions & Services, Health and safety, Services to SMEs, Educational content providers, Industrial IoT, Home automation, Test & Measurement, Filtration, Marine transport, Agricultural sensors, Smart metres, Packaging (smart/recycled/re-purposed), Semiconductors, superconductors, minerals, Repair diagnostics, Fuel cells, PEM, phosphoric acid, direct methanol, alkaline, SOFC, Industrial filtration technologies, Employee benefits, Ethical consumer finance, Environmentally linked wealth and asset management.

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