

PEM presentation

PRIVATE EQUITY MARKET TRENDS

The challenge of recession and the need
to create value and invest

September 2020

EY

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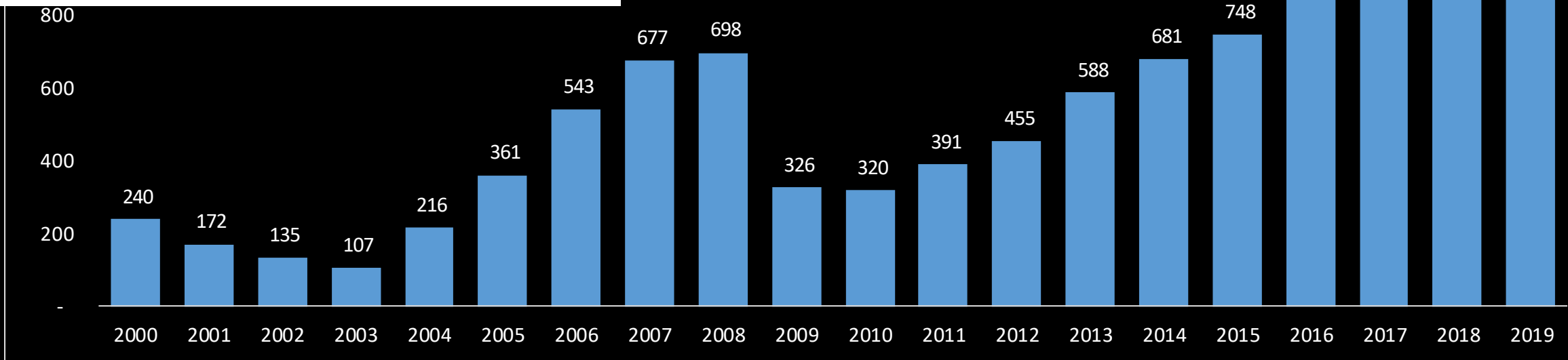
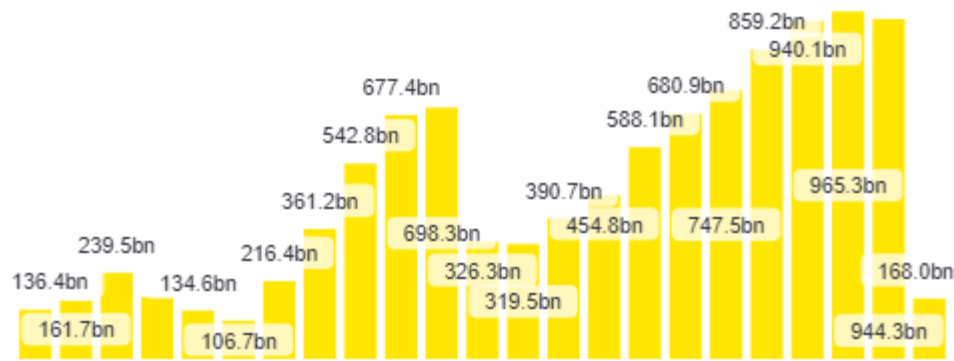
EY

Building a better
working world



Fund Raising (\$ b)

...\$1tn per year, but since 2016 the trend has flattened



■ Aggregate Capital Raised (USD)

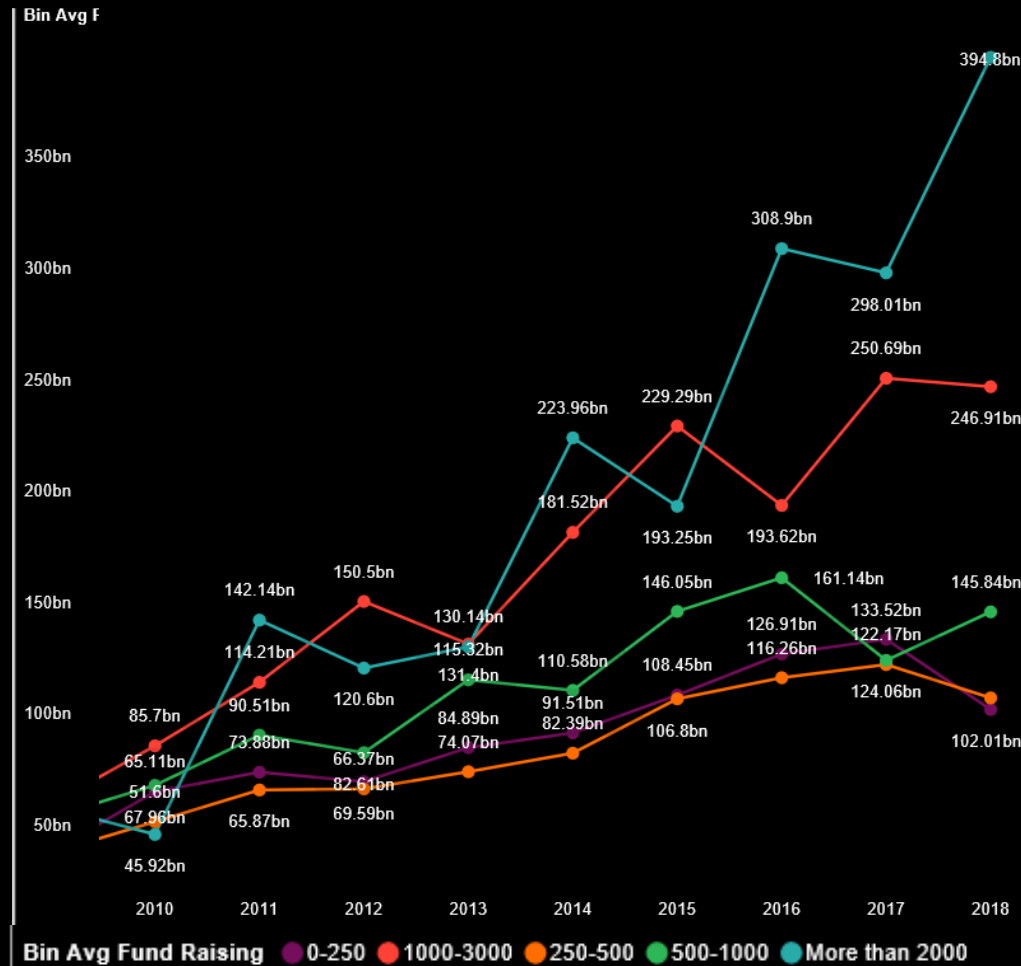
Source: Preqin

Notes: Fund types included: Balanced, Buyout, Co-investment, Co-Investment Multi-Manager, Direct Secondaries, Distressed Debt, Early Stage, Early Stage: Seed, Early Stage: Start-up, Expansion / Late Stage, Fund of Funds, Growth, Hybrid, Hybrid Fund Of Funds, Infrastructure, Infrastructure Fund of Funds, Infrastructure Secondaries, Mezzanine, Natural Resources, Real Estate, Real Estate Co-Investment, Real Estate Fund of Funds, Real Estate Secondaries, Secondaries, Special Situations, Timber, Turnaround, Venture (General), Venture Debt

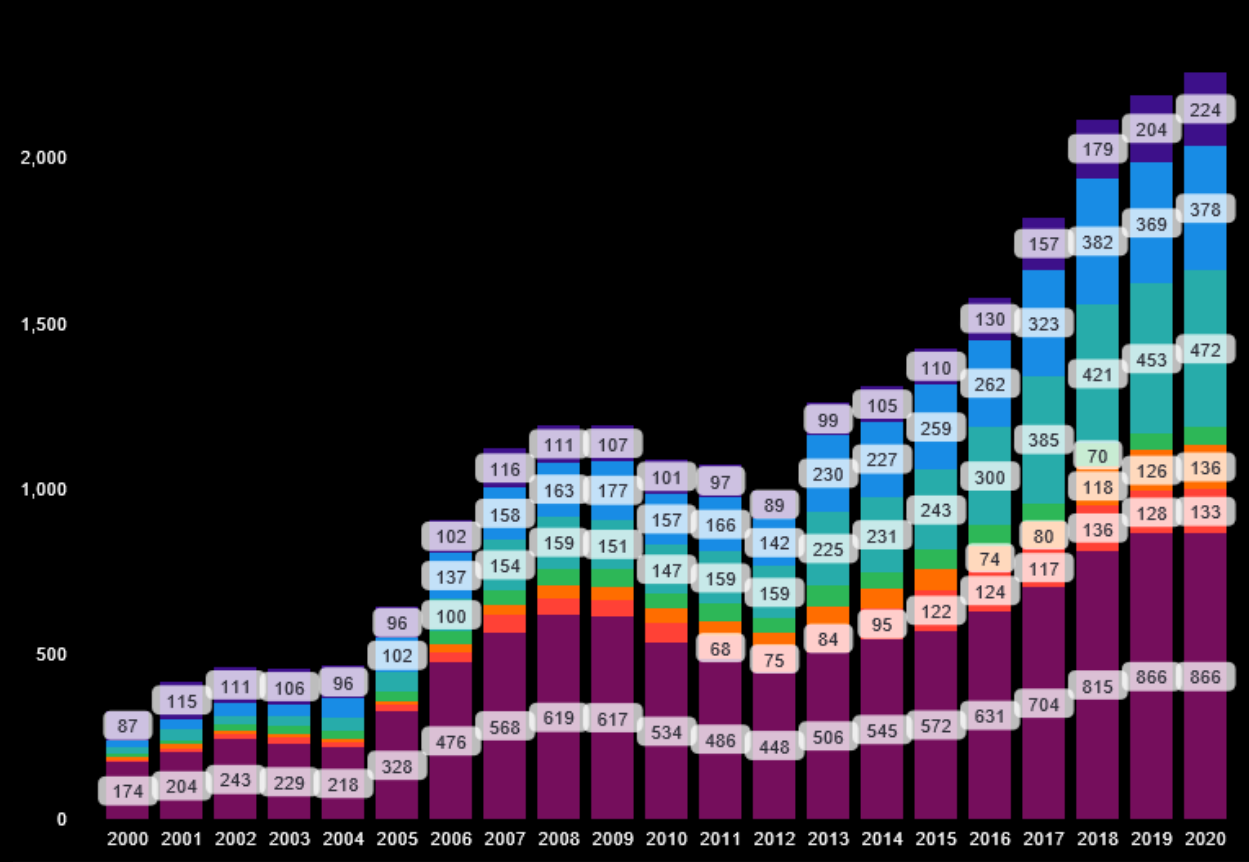
LPs preference for large funds continues, while dry powder reaches new records every year

Fund-raising by type of fund

(bln \$)



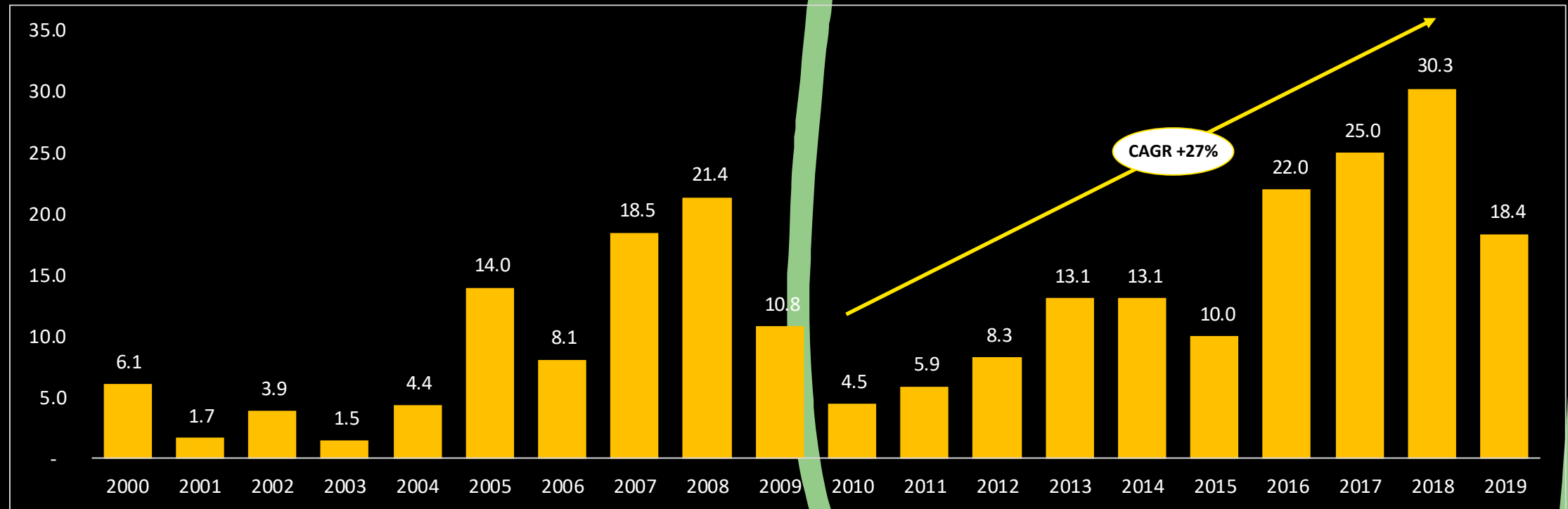
Attribute Buyout Distressed PE Growth Mezzanine Other Real Estate Venture



The Italian market is increasingly attracting new investments. Funds having Italy as a target geography have reached \$30bn in 2018...

Fund-raising of funds with investment focus in Italy

(bln \$, ○ CAGR%)



CAGR +27%

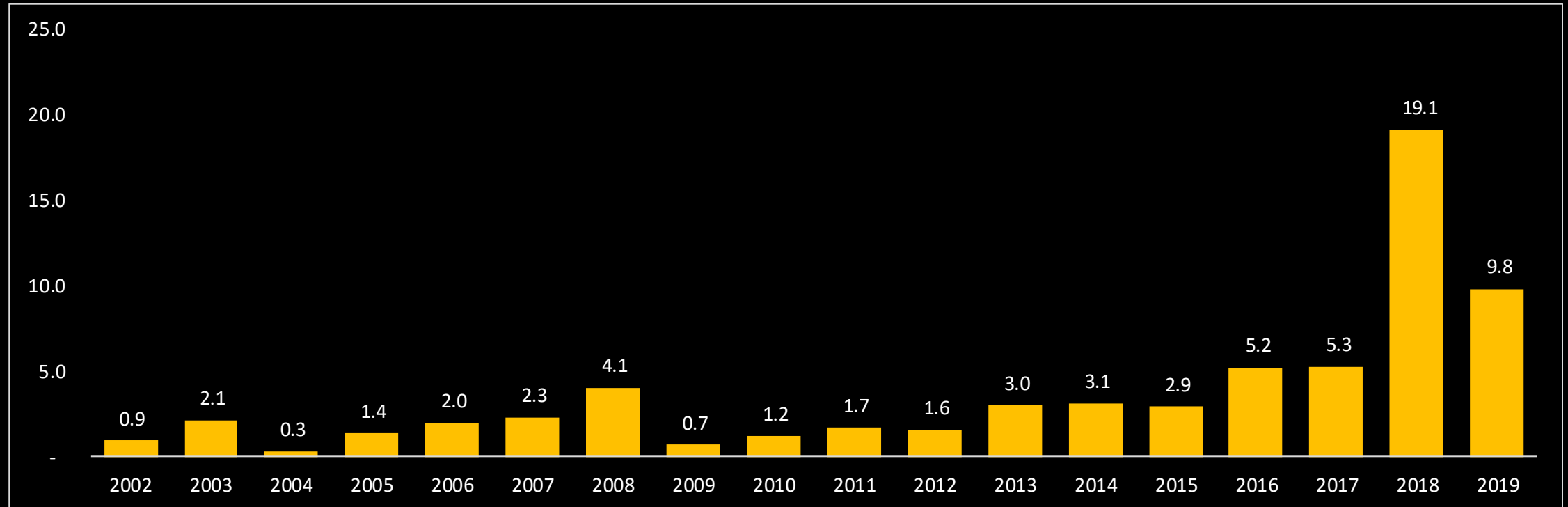
Italy focus

Source: Preqin

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... with a consequent great increase in deal size and volume...

Italy investment value

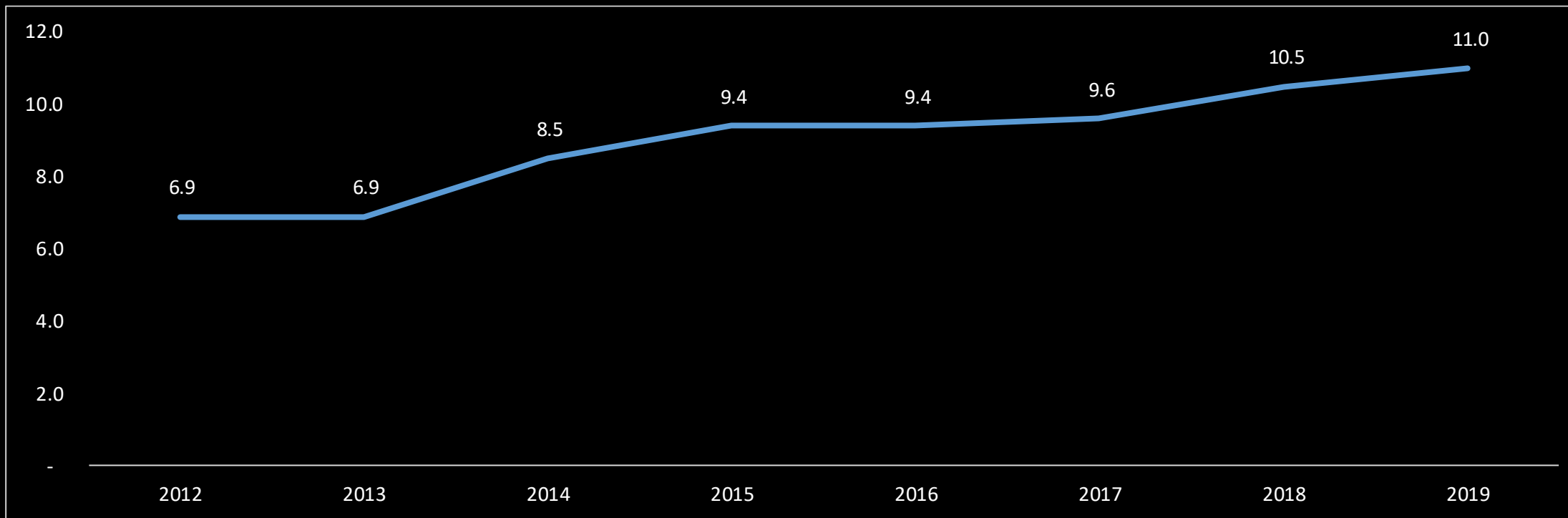


Source: PEM

... and average multiples keeping a growing pace, eventually fully aligned with European and US average multiples

Multiple trend in Italy

(EV/EBITDA)



Source: EY analysis

What are the key challenges in the new environment set by Covid19 outbreak?

- ▶ *Most of the investors have focused on resilient sectors: technology, healthcare and some of the consumer subsectors not exposed to Ho.Re.Ca, sharpening competition on the live deals, with sellers further raising prices*
- ▶ *Valuations are complicated by normalization for business losses during the lockdown period and sometimes the bounce back in July-September*
- ▶ *What is the new normal? Covid19 has changed the behavior of consumers and users and 2020 Autumn might bring heavy complexities for the new lockdowns in various countries and the potential end of labor subsidies*
- ▶ *The significant liquidity in the market and the high dry powder is forcing investors to deploy capital. At the same time, Private Equity returns have progressively aligned with public equity returns (in particular in the US).*

Source: PEM

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What are the opportunities?

- ▶ *Overnight COVID-19 has thrust the entire global economy onto a new S-curve: a global reset*
- ▶ *Disruption requires to make investments that ensure relevance and survival in the long term, but could hurt financial performance in the short run*
- ▶ *Many entrepreneurs have seriously taken into account succession and are opening to investors*
- ▶ *Finding right opportunities at an adequate price is possible but auction processes have become more challenging than ever in the past*
- ▶ *New deals in this environment **must have** a clear pre-deal value creation program. Multiple arbitrage, leverage and “standard” inorganic growth are no longer a way to create returns*

Source: PEM

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