Gain.pro

European PE Asset Handbook

A data-driven guide to finding growth opportunities in European subsectors and asset pool

2024

Introduction

Welcome to the first edition of the "European PE Asset Handbook." In this report, we give you a quantitative view of the European private equity (PE) asset pool, highlighting growth opportunities across various subsectors.

At Gain.pro, we cover every company with >10 employees. For those of threshold size (more than €5m EBITDA or equivalent metrics) we dedicate over 12-14 hours of primary research to each company. These businesses amount to more that 30,000 “investable assets” suitable for PE-backing in Europe. In this handbook, we dive deeper into this pool of opportunities.

In **Chapter 1**, our quant scorecards provide you a quick snapshot of the most attractive subsectors and regions for capital deployment based on key metrics such as growth, profitability, buy-and-build strategy, leverage and EBITDA multiples.

In **Chapter 2**, we explore how growth is key to PE value creation and identify high-growth, high-margin subsectors.

In **Chapter 3**, we go deep into metrics for each of the 27 subsectors in Europe, providing detailed insights into their growth, profitability, capital intensity, leverage, internationalization and more.

Finally, in **Chapter 4**, we explore varying degrees of private equity penetration across different sectors, highlighting trends in asset sizes, revenue concentration and sector dominance across regions.

If you have any questions about the data or the report, do not hesitate to reach out to sid.jain@gain.pro.

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01

Subsector & Regional Scorecards

Chapter 01

Subsector & Regional Scorecards

Our quantitative scorecards are based on a consistent framework that gives you a quick snapshot of subsectors and regions that could be attractive for PE investors. We've taken a first principles approach to our scorecards, keeping it simple, taking into account metrics that matter (growth, profitability, buy-and-build, leverage and EBITDA multiples).

Financial Services and TMT emerge as the most attractive sectors to invest in based on our subsector scorecard. Both these sectors feature market-leading growth rates with high profitability and above-average buy-and-build activity. Professional Services, Technical Services and Biotechnology also jump out (ranked 4th, 5th and 6th respectively based on our overall quant rank which is based on the ranking score of all 5 different metrics).

European PE Subsector Scorecard

					Growth				Profitability		Buy-and-Build		Leverage		EBITDA Multiple	
	% of firms	*Median Asset Revenue (€m)*	*Median Asset EBITDA (€m)*	Overall Quant Rank	5yr Revenue CAGR '17-22	Rank	2yr FTE CAGR Moment-um	Rank	EBITDA Margin (Last Rptd.)	Rank	# of add-ons per asset (Last 6y)*	Rank	Net Debt/ EBITDA (Last Rptd.)	Rank	EV/ EBITDA (Last 6y)	Rank
Consumer	***23%***	***103***	***7.3***	***8***	***6.2%***	***8***	***5.2%***	***5***	***7.8%***	***7***	***2.2***	***8***	***1.5x***	***5***	***11.0x***	***5***
Consumer Goods	6%	84	7.2	25	6.6%	23	5.4%	18	9.2%	19	2.2	22	1.3x	14	12.2x	17
Food	9%	119	7.3	27	6.5%	24	4.8%	20	7.0%	22	2.1	26	1.8x	19	10.3x	11
Leisure	3%	69	7.7	21	4.5%	27	7.4%	14	13.5%	7	2.4	17	2.2x	21	10.5x	12
Retail	5%	126	7.4	24	6.3%	25	4.6%	22	6.8%	23	2.2	24	0.6x	4	12.0x	16
Financial Services	***2%***	***62***	***10.7***	***1***	***11.9%***	***2***	***10.3%***	***2***	***NM***	***NM***	***5.1***	***1***	***NM***	***NM***	***NM***	***NM***
Asset Management	1%	53	12.6	2	9.8%	11	9.9%	10	21.5%	1	5.7	2	0.7x	6	12.3x	18
Banking	1%	57	5.3	17	16.4%	1	11.9%	4	NM	NM	2.2	25	NM	NM	NM	NM
Insurance	1%	70	10.8	1	11.5%	8	10.2%	9	NM	NM	5.8	1	NM	NM	NM	NM
Industrials	***29%***	***104***	***9.4***	***6***	***7.0%***	***7***	***4.2%***	***8***	***9.9%***	***5***	***2.4***	***7***	***1.0x***	***2***	***8.9x***	***1***
Agriculture	2%	113	6.5	25	7.9%	18	4.5%	23	6.6%	24	2.4	19	1.3x	14	11.9x	15
Automotive	3%	204	12.4	23	5.2%	26	3.6%	26	6.6%	25	2.9	13	2.1x	20	9.5x	6
Construction	5%	134	10.5	9	8.2%	17	4.7%	21	8.6%	21	2.9	12	0.3x	1	7.5x	2
Manufacturing	19%	90	9.1	20	6.9%	22	4.1%	24	11.1%	12	2.2	23	1.0x	11	8.9x	4
Energy & Materials	***5%***	***159***	***13.9***	***4***	***10.6%***	***3***	***4.9%***	***7***	***9.7%***	***6***	***2.4***	***6***	***1.0x***	***2***	***10.0x***	***2***
Chemicals	2%	146	14.7	18	9.1%	13	3.7%	25	10.5%	14	2.7	15	0.9x	8	11.5x	14
Energy	2%	180	14.5	11	14.7%	3	10.3%	8	8.7%	20	2.4	20	1.1x	13	9.1x	5
Raw Materials	1%	154	12.2	19	10.3%	9	3.3%	27	9.4%	18	1.9	27	0.9x	8	6.8x	1
Infrastructure	***1%***	***135***	***20.2***	***4***	***9.0%***	***6***	***5.1%***	***6***	***15.9%***	***1***	***3.2***	***5***	***2.6x***	***7***	***10.0x***	***2***
Infrastructure	1%	135	20.2	11	9.0%	14	5.1%	19	15.9%	5	3.2	11	2.6x	23	10.0x	8
Science & Health	***8%***	***73***	***7.9***	***7***	***9.2%***	***5***	***7.7%***	***4***	***13.1%***	***3***	***3.5***	***3***	***1.8x***	***6***	***13.9x***	***7***
Biotechnology	1%	35	6.1	6	14.9%	2	12.0%	3	19.7%	2	2.3	21	0.3x	1	17.8x	25
Healthcare Services	3%	70	7.5	15	11.6%	7	9.6%	11	11.3%	11	4.6	3	3.6x	24	13.1x	19
MedTech	2%	52	7.5	13	7.8%	19	6.5%	16	16.3%	4	2.6	16	0.6x	4	15.0x	23
Pharmaceuticals	2%	100	10.5	22	7.4%	20	7.0%	15	12.9%	8	2.4	18	1.4x	17	13.8x	20
Services	***20%***	***80***	***7.6***	***3***	***9.3%***	***4***	***9.4%***	***3***	***10.4%***	***4***	***3.9***	***2***	***1.2x***	***4***	***10.0x***	***2***
Education	1%	49	7.9	14	8.4%	16	11.5%	5	17.0%	3	4.0	6	4.2x	25	14.0x	21
Logistics	3%	146	12.2	16	8.6%	15	6.4%	17	9.6%	17	2.7	14	1.4x	17	8.4x	3
Professional Services	10%	71	6.5	4	9.9%	10	11.0%	6	10.0%	16	3.9	7	0.9x	8	10.0x	8
Technical Services	6%	75	7.3	5	9.1%	12	7.9%	12	10.8%	13	4.4	4	1.3x	14	9.5x	7
TMT	***11%***	***40***	***5.2***	***2***	***11.9%***	***1***	***11.5%***	***1***	***13.5%***	***2***	***3.5***	***4***	***0.8x***	***1***	***12.8x***	***6***
Media	2%	73	8.0	8	7.0%	21	7.8%	13	12.7%	9	3.5	8	0.7x	6	10.7x	13
Software	6%	26	3.4	3	12.9%	5	13.1%	2	15.0%	6	3.4	9	0.4x	3	15.0x	23
Technology	3%	60	6.1	10	12.2%	6	10.3%	7	12.6%	10	3.3	10	1.0x	11	14.3x	22
Telecom	1%	86	9.6	7	13.3%	4	13.3%	1	10.5%	15	4.3	5	2.5x	22	10.0x	8
All Sectors					**7.9%**		**6.3%**		**10.0%**		**3.1**		**1.2x**		**10.9x**	

** only includes assets carrying out acquisitions*

By region, France, Italy and CEE jump out as attractive regions for investment. France shines on high profitability, CEE on high growth and Italy on low multiples. UK and DACH are bottom of the pack for most metrics. As we highlighted in our State of European PE Report, we are already seeing a shift in deal activity away from the UK and DACH and into France and Italy.

European PE Regional Scorecard

				Growth				Profitability		Buy-and-Build		Leverage		EBITDA Multiple	
	Median Asset Revenue (€m)	*Median Asset EBITDA (€m)*	Overall Quant Rank	5yr Revenue CAGR '17-22	Rank	2yr FTE CAGR Moment-um	Rank	EBITDA Margin (Last Rptd.)	Rank	# of add-ons per asset (Last 6y)*	Rank	Net Debt/ EBITDA (Last Rptd.)	Rank	EV/ EBITDA (Last 6y)	Rank
Benelux	***83***	***6.4***	***6***	***8.0%***	***7***	***5.7%***	***7***	***8.8%***	***8***	***3.0***	***4***	***0.9x***	***2***	***9.3x***	***2***
Belgium	72	5.5	11	7.6%	16	5.8%	14	9.1%	14	3.1	9	1.1x	5	10.0x	5
Luxembourg	378	56.0	14	7.7%	14	5.1%	17	11.8%	4	3.5	4	2.8x	17	11.7x	12
Netherlands	86	6.5	8	8.3%	13	5.6%	16	8.5%	16	3.0	10	0.8x	3	9.0x	3
CEE	***72***	***8.2***	***3***	***14.7%***	***1***	***7.6%***	***4***	***11.3%***	***4***	***2.7***	***7***	***1.0x***	***3***	***10.0x***	***3***
Poland	81	8.5	1	17.7%	1	7.6%	9	10.6%	9	2.7	13	0.9x	4	8.5x	2
Other	59	8.0	13	12.3%	6	6.9%	12	12.8%	2	2.6	15	1.9x	13	11.6x	11
DACH	***127***	***10.7***	***8***	***5.9%***	***8***	***4.2%***	***8***	***9.2%***	***6***	***2.6***	***8***	***0.7x***	***1***	***12.0x***	***8***
Austria	155	11.7	17	7.7%	15	5.7%	15	8.3%	17	2.3	18	0.6x	1	10.7x	7
Germany	124	10.6	18	5.8%	18	3.8%	18	9.1%	15	2.5	16	0.7x	2	11.9x	14
Switzerland	140	40.7	16	6.7%	17	9.4%	5	11.8%	3	2.9	11	2.8x	17	12.0x	15
France	***80***	***10.0***	***1***	***9.8%***	***5***	***8.8%***	***3***	***11.6%***	***1***	***3.4***	***3***	***1.2x***	***4***	***11.0x***	***4***
France	80	10.0	2	9.8%	11	8.8%	7	11.6%	6	3.4	7	1.2x	6	11.0x	8
Iberia	***84***	***8.8***	***4***	***10.0%***	***3***	***8.9%***	***2***	***11.3%***	***3***	***2.7***	***5***	***1.8x***	***6***	***11.0x***	***4***
Portugal	83	12.8	4	10.3%	8	10.6%	4	15.9%	1	2.3	17	2.4x	16	8.3x	1
Spain	84	8.6	10	10.0%	9	8.9%	6	11.2%	8	2.8	12	1.8x	11	11.1x	9
Italy	***96***	***9.8***	***2***	***9.8%***	***4***	***6.4%***	***6***	***11.5%***	***2***	***2.7***	***6***	***1.3x***	***5***	***9.2x***	***1***
Italy	96	9.8	6	9.8%	10	6.4%	13	11.5%	7	2.7	14	1.3x	7	9.2x	4
Nordics	***71***	***5.4***	***5***	***13.7%***	***2***	***10.7%***	***1***	***9.1%***	***7***	***4.3***	***1***	***1.8x***	***6***	***11.6x***	***6***
Denmark	104	6.9	8	12.0%	7	8.7%	8	9.2%	13	3.3	8	1.4x	8	11.3x	10
Finland	71	4.9	7	13.5%	5	7.3%	10	7.8%	18	3.9	2	1.8x	11	10.0x	6
Norway	64	5.8	12	14.9%	3	11.6%	2	9.4%	12	3.6	3	2.3x	15	12.1x	16
Sweden	57	4.5	5	14.2%	4	11.5%	3	9.5%	11	5.4	1	1.6x	9	12.7x	17
UK&I	***71***	***7.2***	***7***	***8.5%***	***6***	***7.5%***	***5***	***10.2%***	***5***	***3.4***	***2***	***2.1x***	***8***	***12.0x***	***7***
Ireland	70	8.2	3	16.2%	2	12.8%	1	11.6%	5	3.5	5	1.6x	9	17.2x	18
United Kingdom	71	7.1	15	8.4%	12	7.3%	11	10.1%	10	3.4	6	2.2x	14	11.8x	13
All Regions				**7.9%**		**6.3%**		**10.0%**		**3.1**		**1.2x**		**10.9x**	

** only includes assets carrying out acquisitions*

02

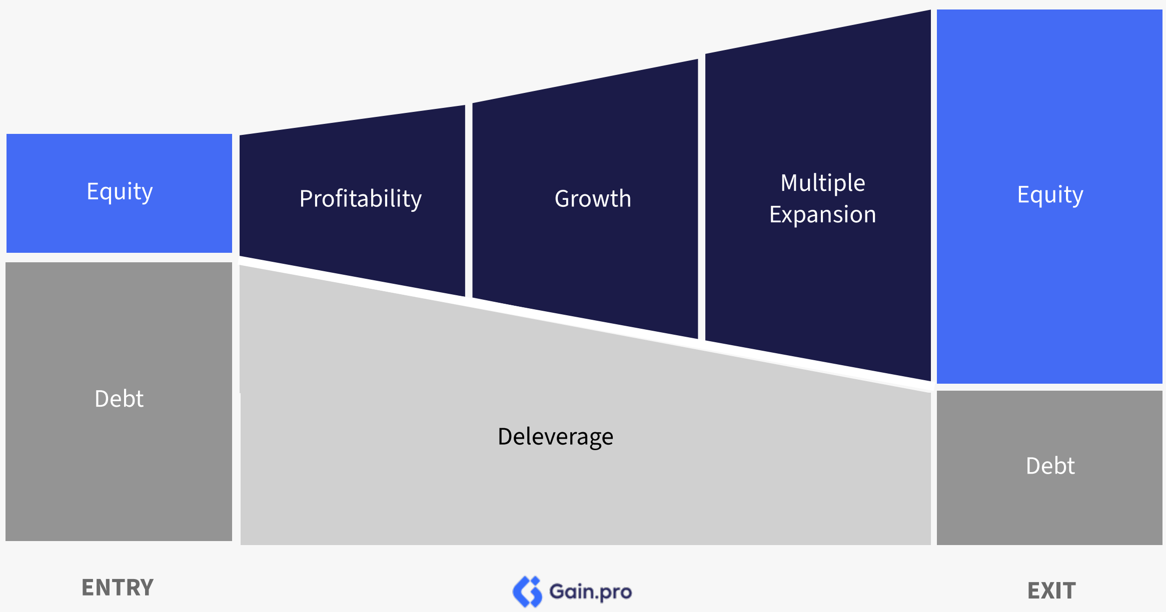
A Quest for Growth

A Quest for Growth

Value creation in private equity can happen in multiple ways:

(i) increasing profitability, (ii) achieving multiple expansions, (iii) reducing leverage or (iv) driving growth. However, evidence suggests that growth and multiple expansion are the most important levers.

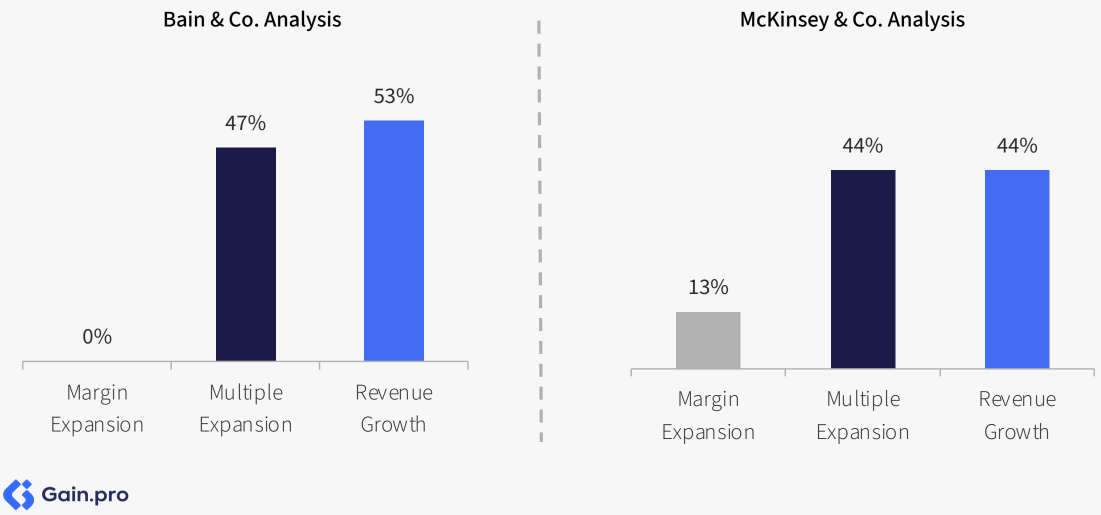
Key value creation drivers in Private Equity



Bain's & McKinsey's recent study found that a large proportion (~50%) of value creation for global PE buyout funds was through revenue growth. The rest was multiple expansion. And you could argue that the multiple in itself is dependent on revenue growth.

Revenue growth & multiple expansion drive majority of the returns

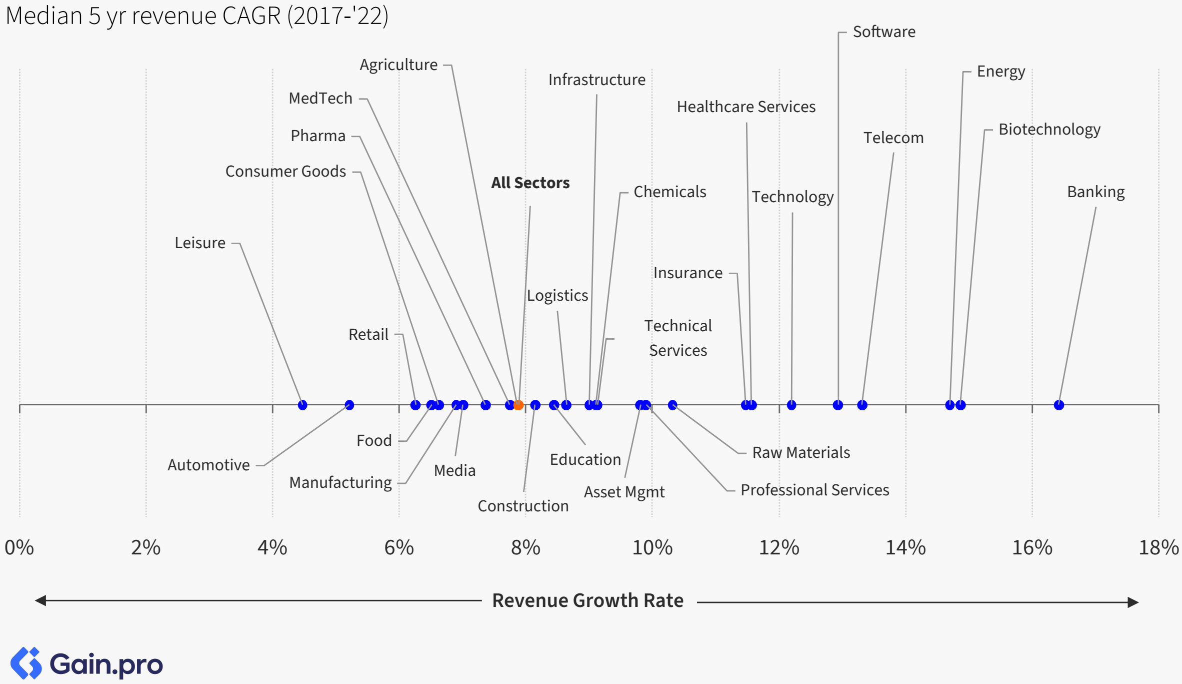
Value creation drivers for global buyouts (2010-23)



By subsector, growth is highest in Energy, Biotechnology, Banking and TMT sectors (Telecom, Software and Technology). Energy is a surprise here. Our coverage in the sector is quite broad, encompassing many renewable and EV distribution plays which had significant tailwinds from record level energy prices in 2021 and 2022 combined with regulatory stimuli.

Growth is highest in Energy, Biotechnology, Banking and TMT sectors

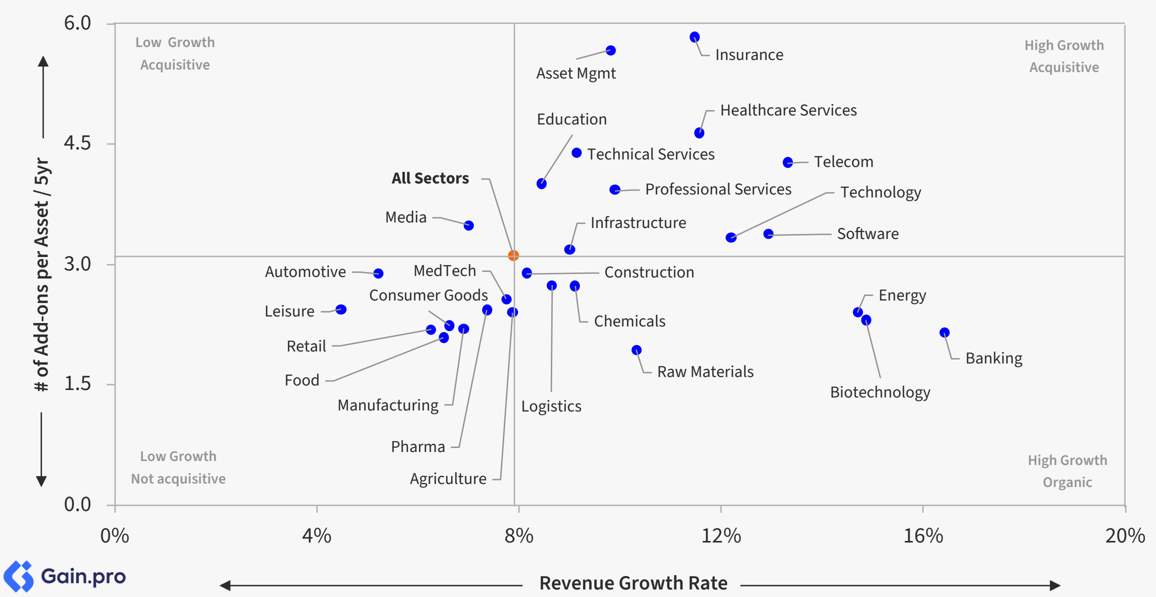
Median 5 yr revenue CAGR (2017-'22)



Growth in Asset Management, Insurance, Healthcare Services and Technical Services is driven by add-ons. Buy-and-build strategy is a key tenet of PE value creation. Selecting the right target at the right price can drive a lot of value by not just accelerating revenue growth, but also cost synergies and multiple arbitrage.

Growth in Asset Management, Insurance and Healthcare Services is driven by acquisitions

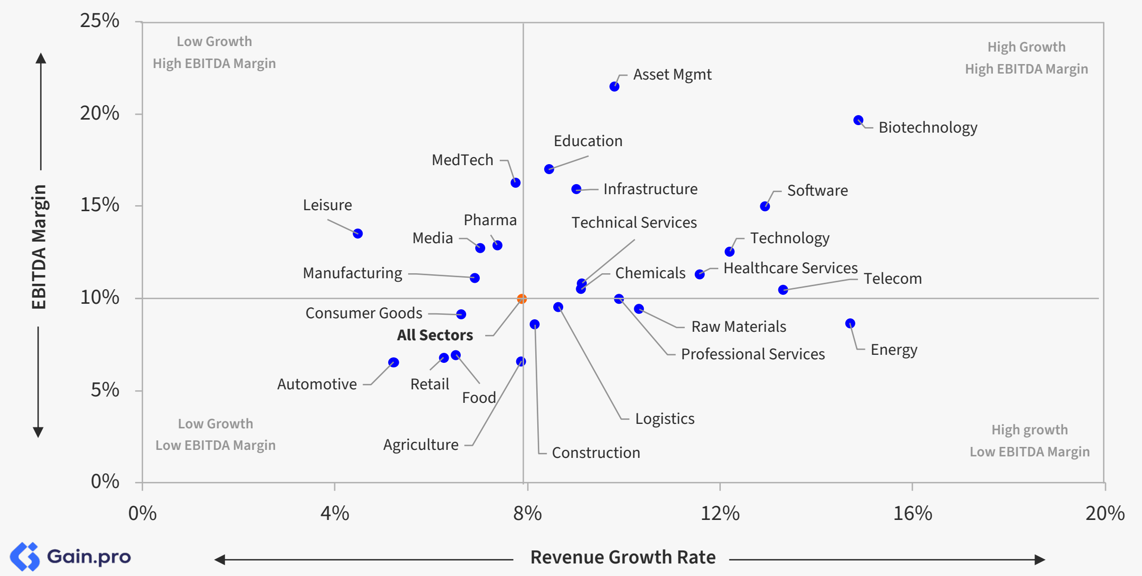
Median 5 yr revenue CAGR (2017-'22) vs. Add-on activity (5 yr avg. per asset)



Growth in itself is good, but growth with high margins is even better. Biotech, Software, Asset Management and Technology stand out as high growth, high margin subsectors. Subsectors such as Retail, Automotive, Food and Consumer Goods lag in both growth and margins. There's no surprise they have been struggling to get investor interest and have one of the highest holding periods in PE portfolios.

Biotech, Software, Asset Mgmt, and Technology stand out as high growth high margin subsectors

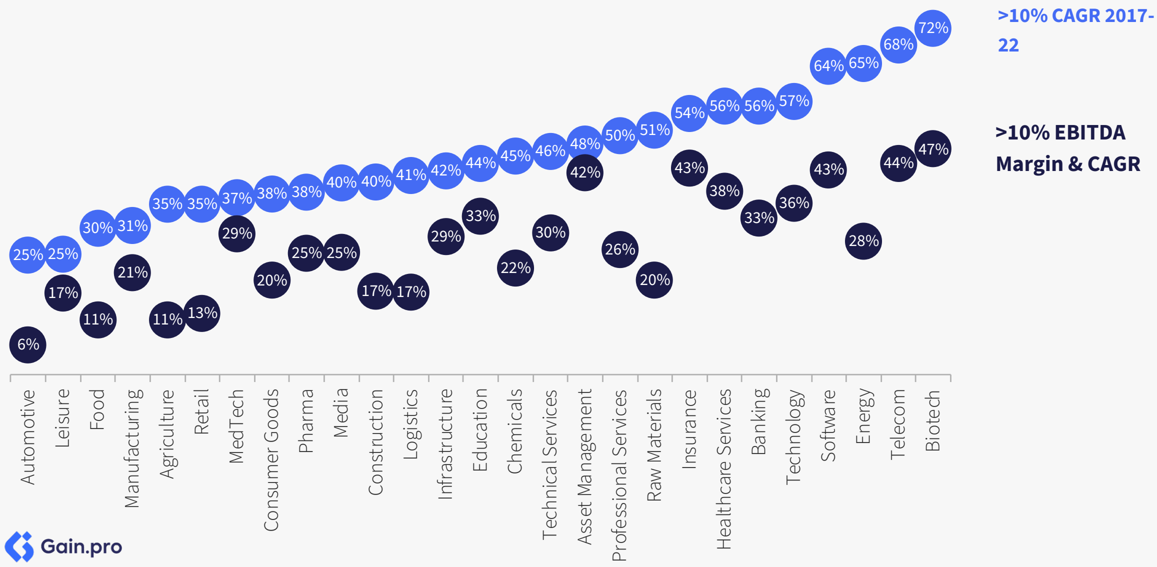
Median 5 yr revenue CAGR (2017-'22) vs. EBITDA Margin (Last reported)



Although growth and margins are higher in some subsectors than others, there are pockets of opportunities in each subsector. Take for example, Manufacturing. It has close to a third of companies growing faster than 10% p.a. With it being the largest subsector in Europe, you could argue that there is a ton of opportunity there.

High quality assets exist in each subsector, finding them is harder

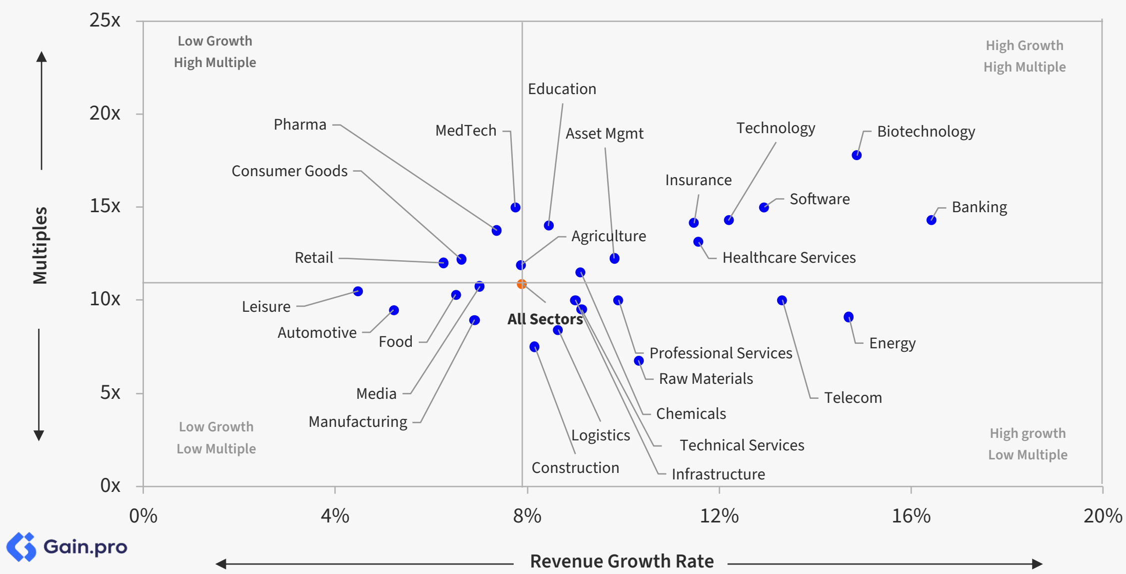
% of companies in the subsector growing at >10% revenue CAGR 2017-22 and >10% EBITDA margin



MedTech and Pharmaceuticals appear to have relatively high multiples given their growth rates. On the other side of the spectrum, sectors such as Telecom, Energy, Technical Services and Professional Services appear to offer good growth at lower multiples.

MedTech and Pharmaceuticals appear to have relatively high multiples given their growth rates

Median 5 yr revenue CAGR (2017-'22) vs. Multiples (last 6 years)



03

Subsector Deep Dives

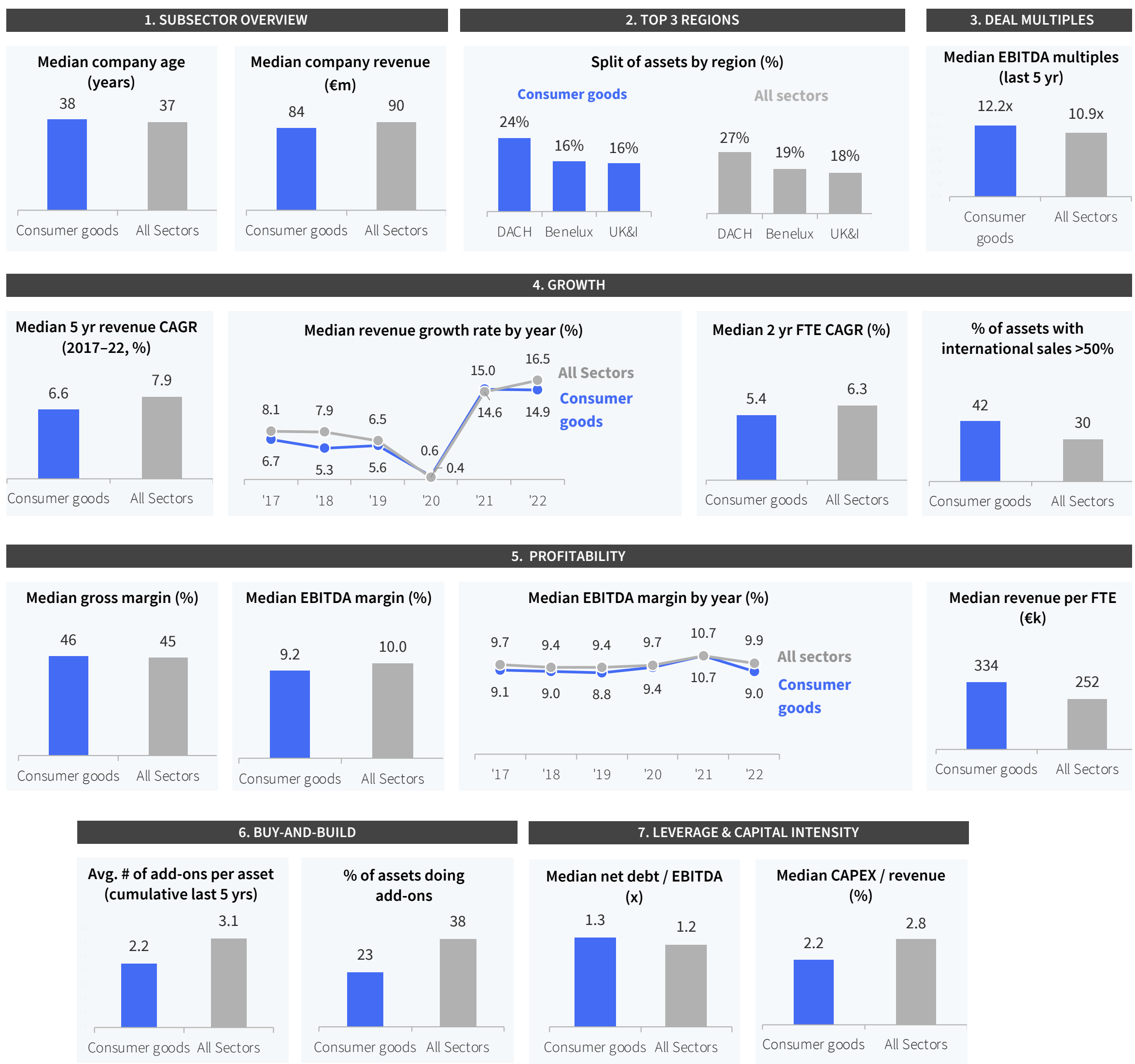
In this section, we go deep into the metrics for each of the 27 subsectors in Europe.

Consumer

23% of the asset pool

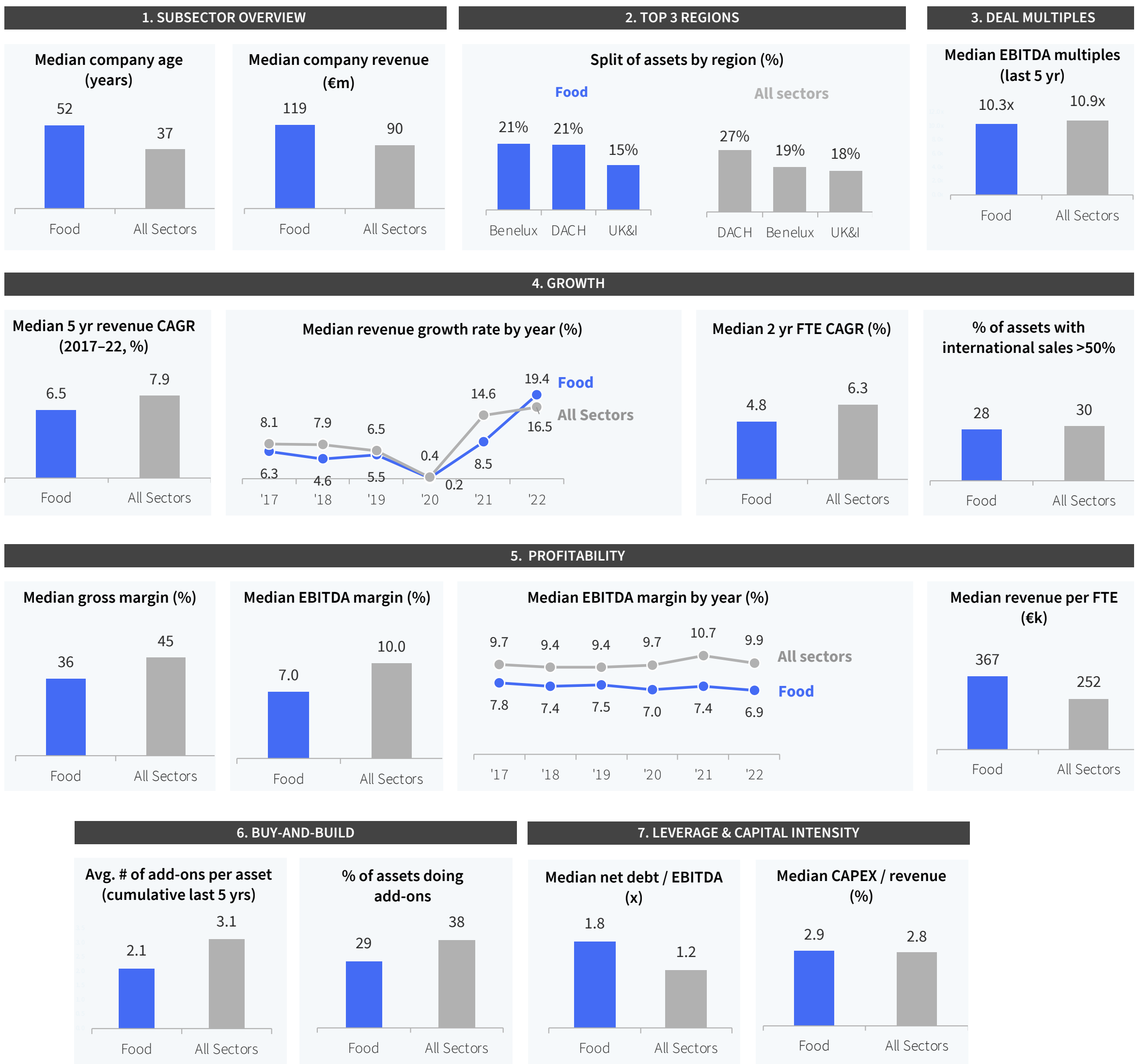
Consumer Goods

- Consumer Goods subsector trades in line with the market, with assets having a similar growth and margin profile to the overall median, exhibiting limited to no deviation over the years.
- Firms in the subsector rarely do add-ons: only 23% of these companies have acquired another asset in the last 5 years (vs. 38% for the whole market).
- The subsector tends to be more international than average, with 42% of businesses getting a high proportion of their sales (>50%) from international markets (vs. 30% for the overall market).



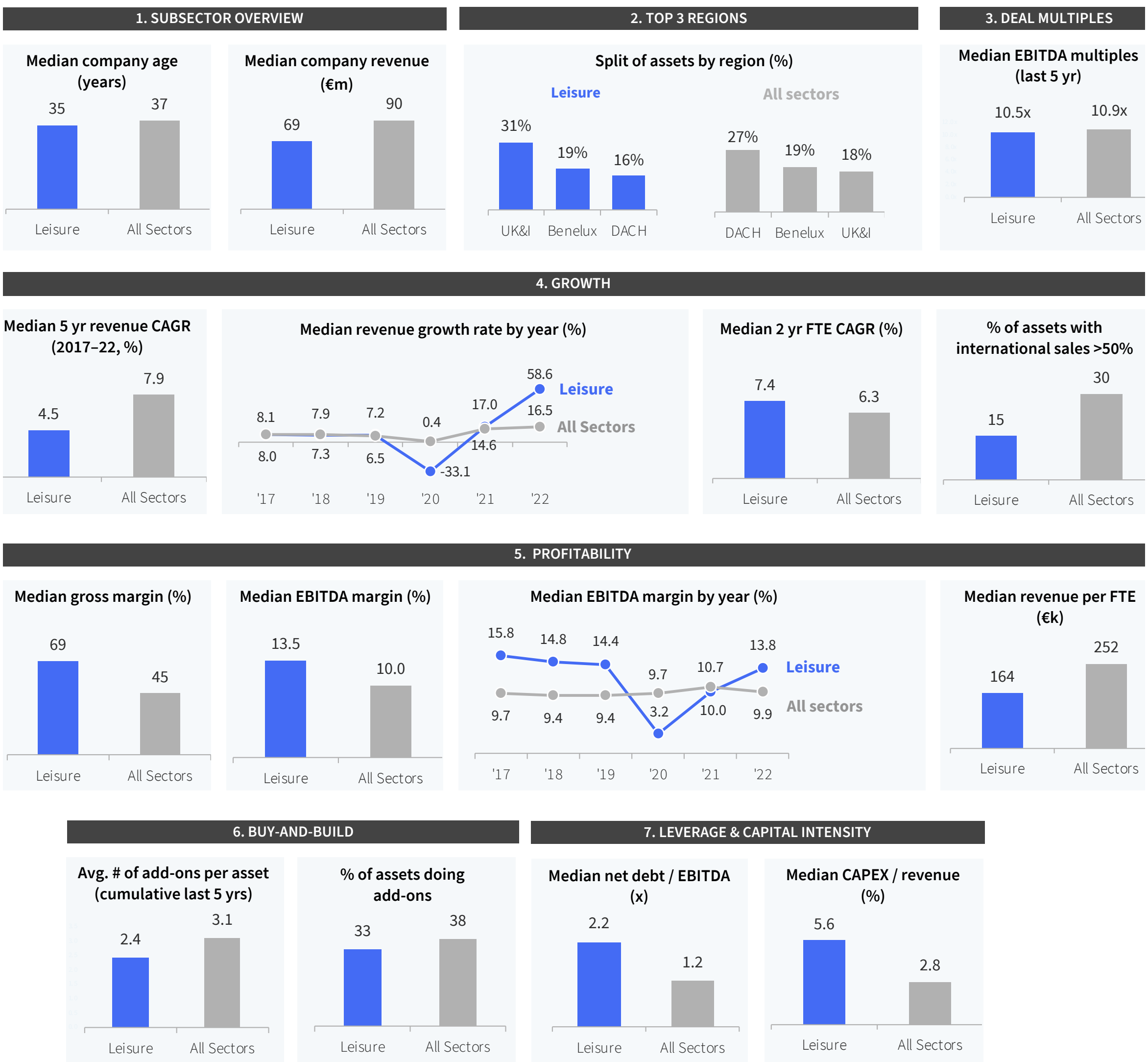
Food

- Food is one of the slowest-growing subsectors, with a median revenue CAGR of 6.5% (vs. 7.9% for the overall market).
- The subsector also has limited opportunities for buy-and-build (only 29% of assets do acquisitions in the subsector vs. 38% for the overall market). Additionally, EBITDA margins are among the lowest (4th lowest at 7% vs. 10% for all sectors).
- Other than growth and margins, the subsector is middle-of-the-pack for most other metrics, e.g. FTE growth, revenue / FTE, CAPEX / Sales or the multiple.



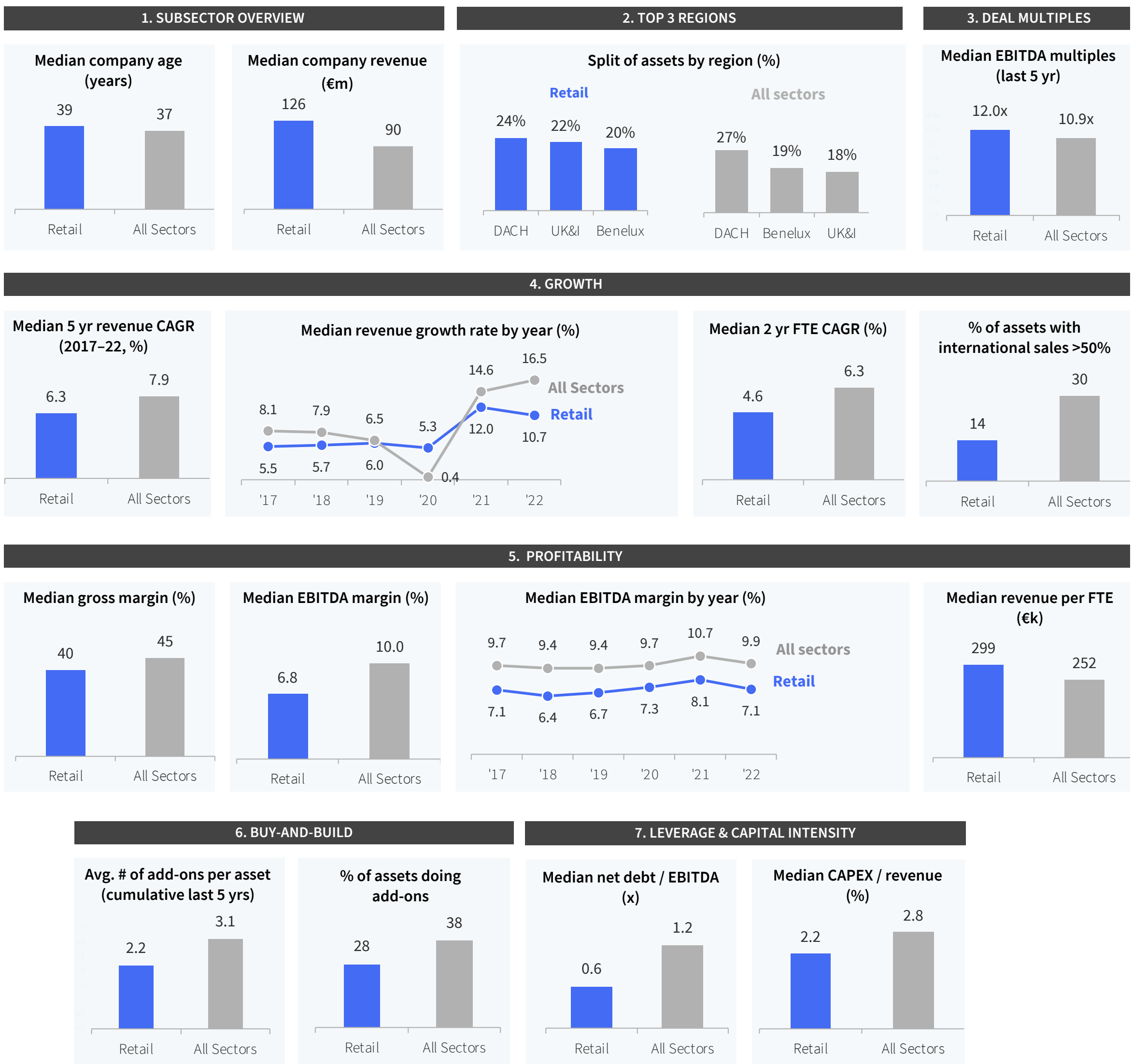
Leisure

- Leisure was one of the sectors that was hit the hardest during the Covid pandemic: growth rates declined to -33% in 2020 but have recovered well in the last few years.
- Assets in this subsector are more domestic and smaller in size (median revenue of €69m vs. €90m for the overall market), with below-average buy-and-build activity.
- CAPEX requirements in the sector are high (median CAPEX to sales of 5.6% vs. 2.8% for the overall market). Additionally, this subsector faces a high debt burden (median net debt/EBITDA of 2.2x vs 1.2x for the overall market).



Retail

- Retail is one of the slowest growing and lowest margin subsectors (3rd lowest for both), with limited buy-and-build opportunities (only 28% of companies carry out acquisitions vs. 38% for the broader market).
- Assets in this subsector tend to be more domestic in nature, with only 14% of assets generating a high proportion (>50%) of sales from international markets.
- On the positive side, the subsector has one of the lowest debt/EBITDA of only 0.6x (vs. 1.2x for all sectors).



Retail

Company in Spotlight

Arcaplanet is an Italian pet food and pet care retail chain. The company's business model mainly revolves around retailing proprietary and third-party brand pet food and pet care products. It's the #1 pet food & care retailer in Italy in terms of sales.

Founded in 1995, the company changed its PE owners 4 times, while consecutively increasing its valuation: in 2005 (EV n/a), 2010 (€46m), 2016 (€350m) and 2022 (€1,300m, 20x EV/EBITDA multiple) when Cinven took over.

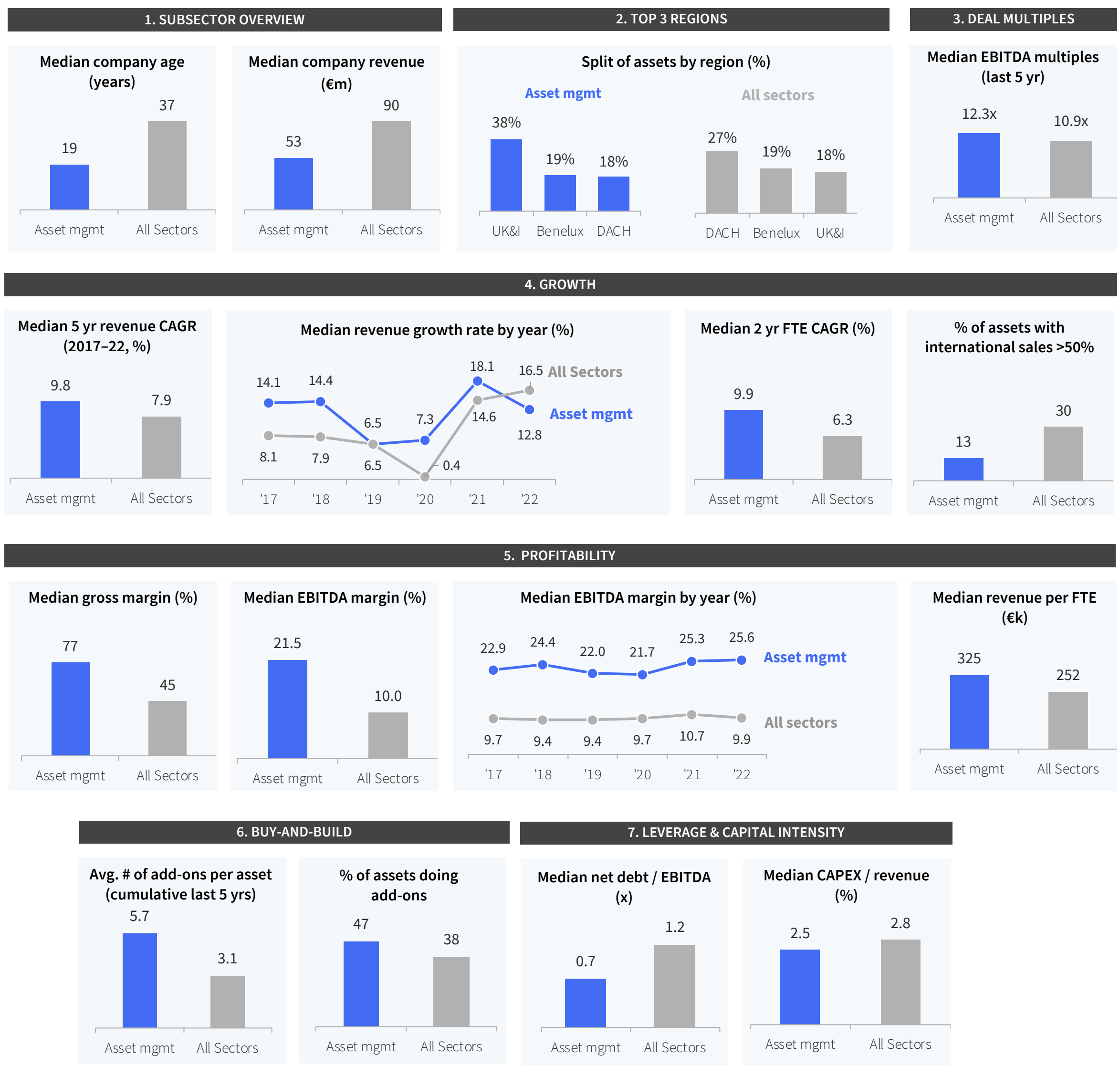
Arcaplanet has grown at a fast pace during the last few years, with tailwinds including pet humanisation and an increasing # of household pets as well as an extensive buy-and-build strategy. In the time period 2018-2023, the top-line has grown at a 22% CAGR, while EBITDA has grown at 34% CAGR. In July 2024, Cinven decided to exit the retailer to a strategic owner, Fressnapf Group.

Financial Services

2% of the asset pool

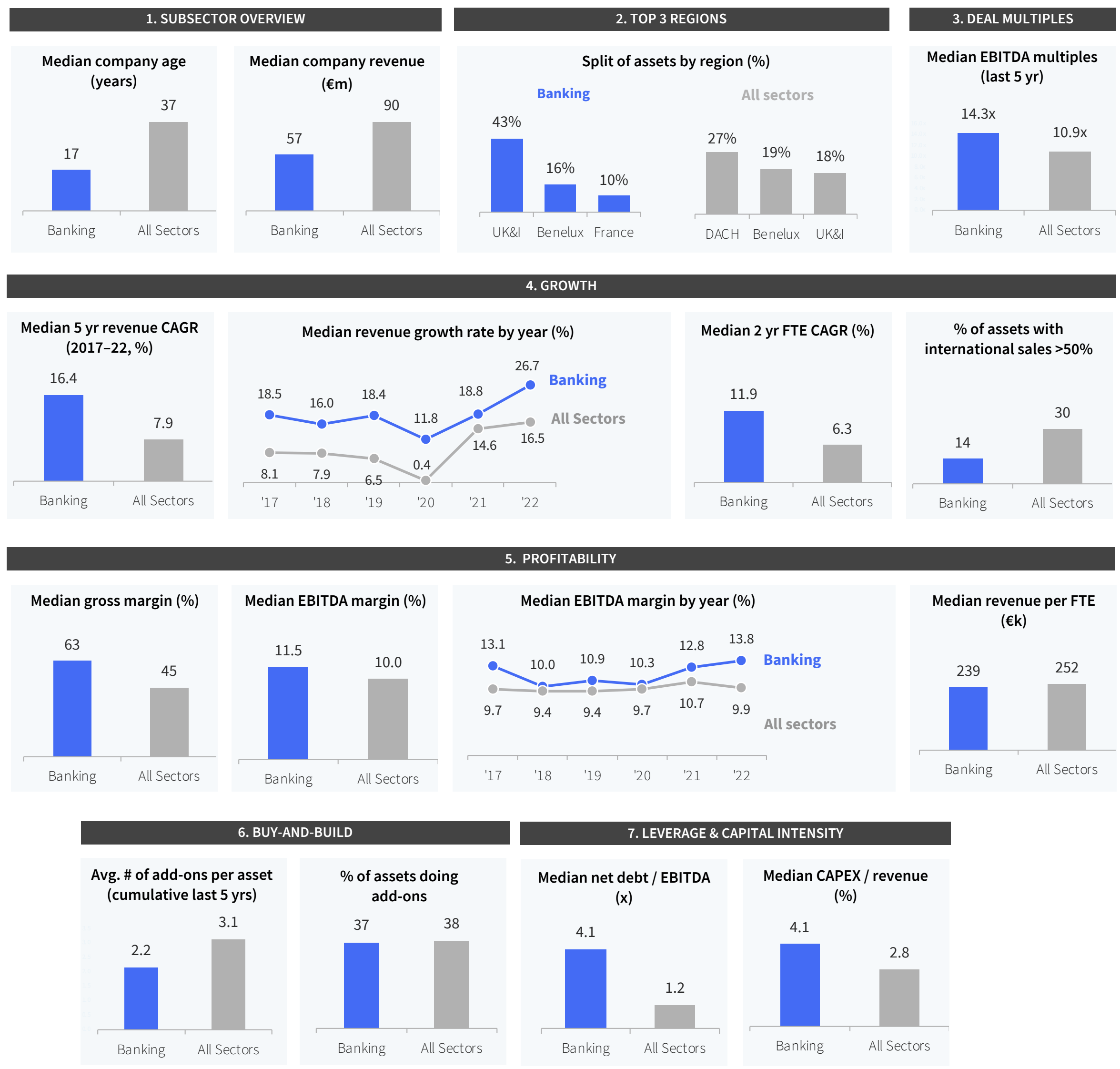
Asset Management

- Asset Management generates the largest margins among all companies, with a median EBITDA margin of 21.5% (vs 10% for the overall market). The subsector also features an above-average growth rate driven by the high level of buy-and-build activity.
- Firms in Asset Management are relatively young, established <20 years ago, explaining its fragmented nature and low ratio of mega-large companies (4% of companies in the sector have >€1bn in revenue vs. 10% for the whole market).
- The subsector is predominantly domestic, with only 13% of companies generating >50% of their revenues outside of their home market. UK&I stands out as a big hub for assets in this subsector (38% of assets).



Banking

- Banking assets grow the fastest in the industry, with a revenue CAGR 2017-2022 of 16.4% vs. 7.9% for the whole market.
- The exceptional growth rates can be attributed to the prevalence of young start-ups (median age of 17 years and only 2% mega-large companies) operating in the UK digital banking and lending space.
- The growth is achieved predominantly organically, as only 37% of Banking companies have done an add-on in the last 5 years, with an average of 2.2 add-ons per company (vs. 3.1 for the overall market).



Banking

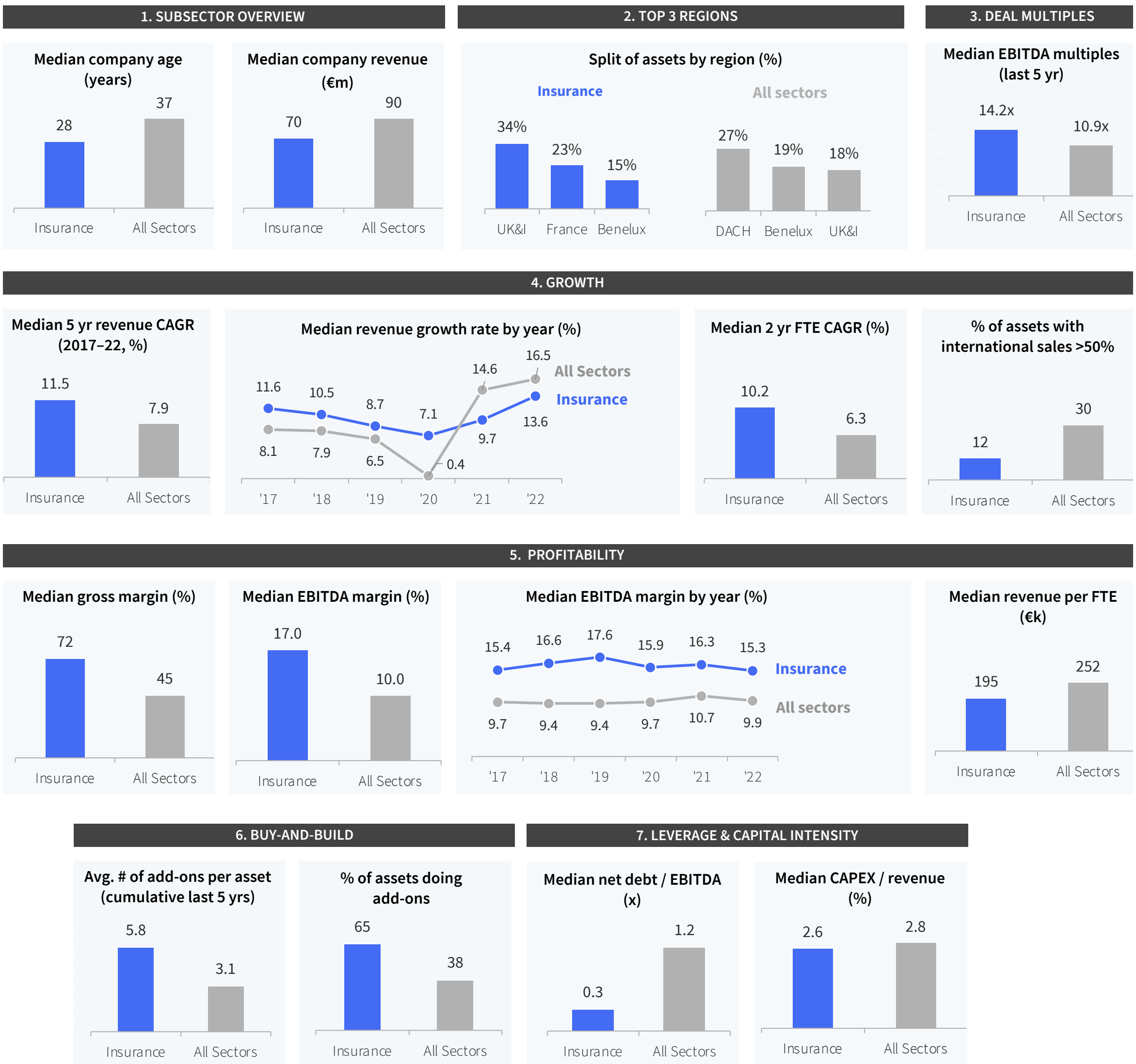
Company in Spotlight

Haydock Finance ("Haydock") is a British provider of SME lending services. The company's business model revolves around providing financial lending and leasing services to UK-based SMEs for the purchase or deployment of commercial assets.

In December 2017, the company was acquired by Apollo Global Management at €20m revenue and €7.6m EBIT. In 2018-2023, it managed to grow its top-line at the above-sector levels (43% CAGR), while organically ensuring continuous EBIT and margin growth (55% and 23pp, respectively). Top-line growth was mainly driven by the increase in customer base and loan book, resulting in >1k customers served with net receivables of >£600m as of May 2024.

Insurance

- Insurance is characterized by above-average growth rates driven by one of the highest levels of buy-and-build activity. 65% of the companies in the subsector have made an acquisition in the last 5 years (vs. 38% for the broad market), with an average # of add-ons per asset being 5.8 (vs. 3.1 for all sectors).
- Despite the high number of acquisitions, Insurance remains a regional business, with only 12% of assets generating a high proportion (>50%) of sales outside of their home market.
- UK&I and France stand out as big markets, with just those two countries accounting for 57% of assets in the subsector.

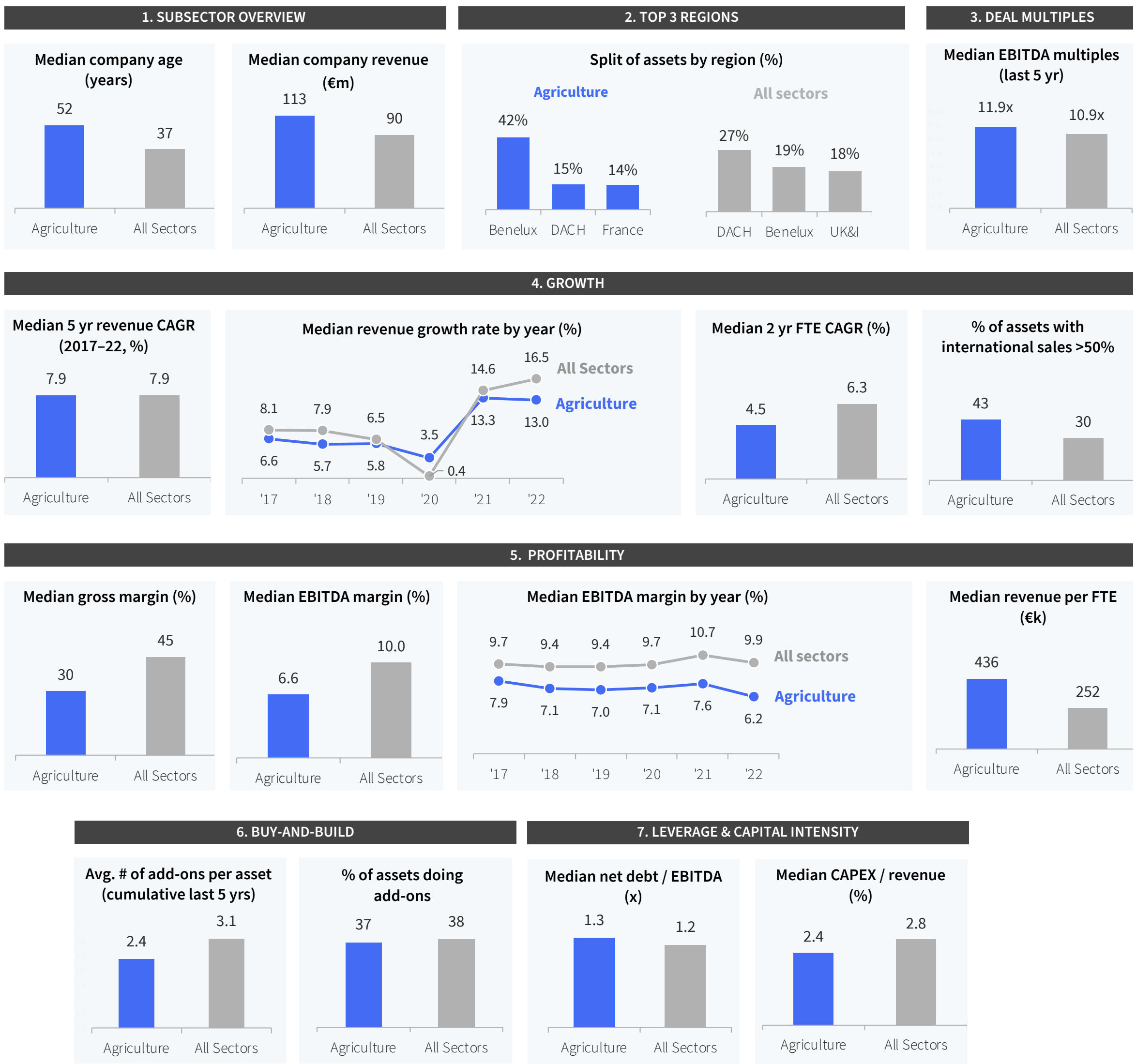


Industrials

29% of the asset pool

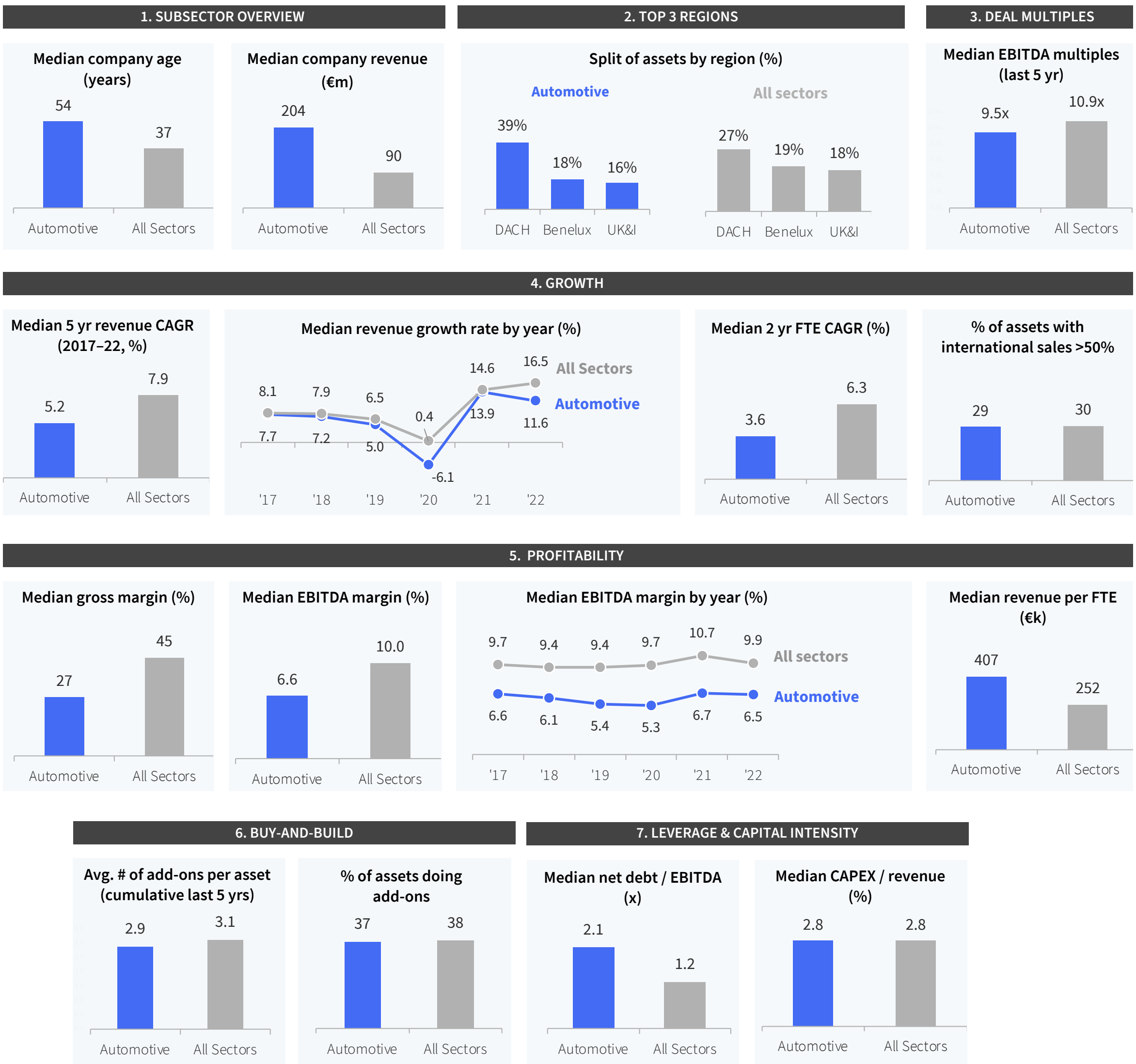
Agriculture

- Agriculture has one of the lowest margins in the industry, with a median EBITDA margin of 6.6% (vs. 9.9% for the whole market). Gross margins lag behind too (30% in Agriculture vs. 45% for the overall market).
- Growth in the subsector is in line with the market and Agriculture has one of the highest revenue/FTE ratios of €436k vs. €252k median.
- Assets in Agriculture are mostly concentrated in the Benelux region which makes up for 42% of identified assets.



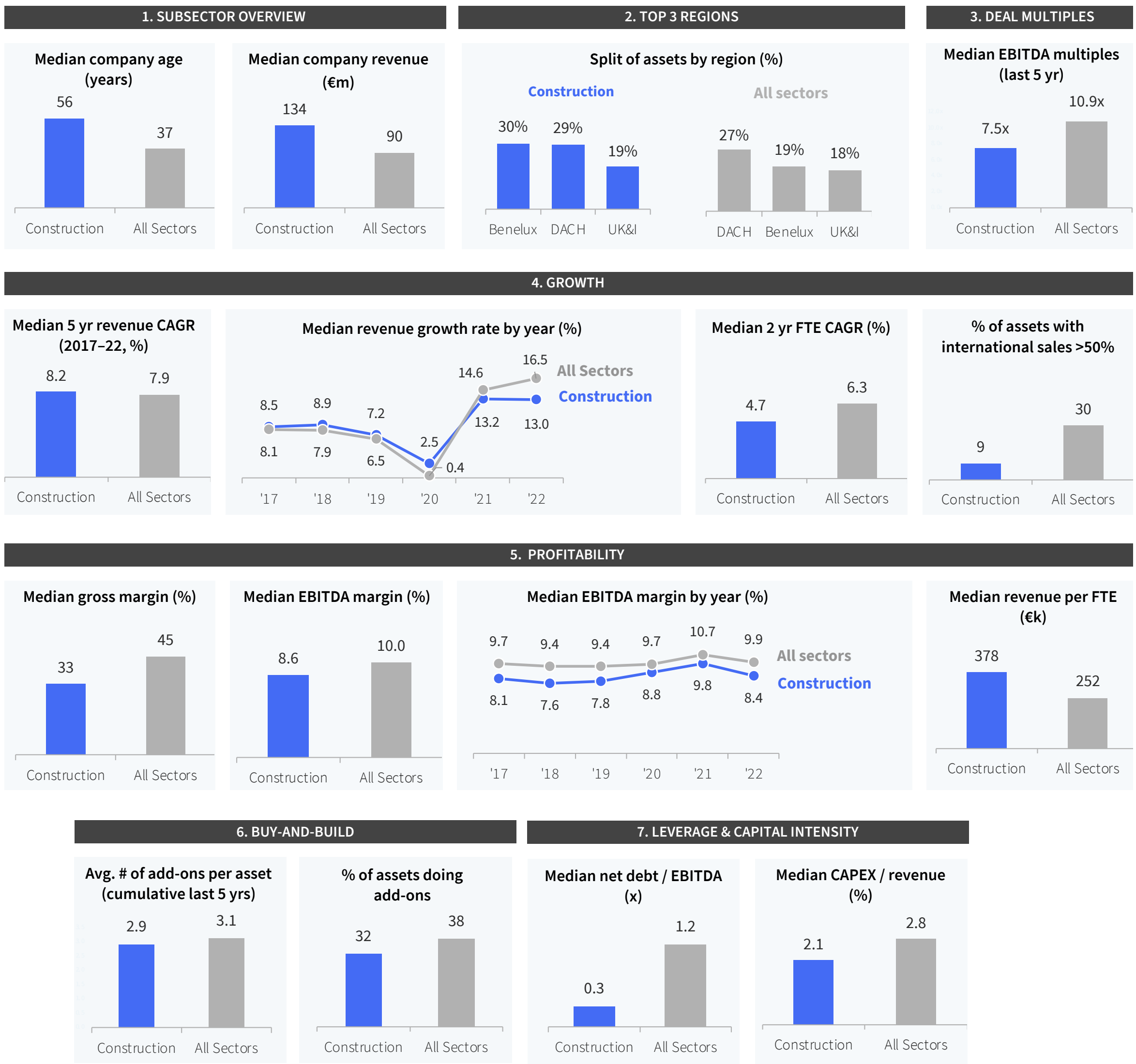
Automotive

- Automotive has one of the lowest growth rates and margins in the industry (2nd and 3rd lowest respectively) despite having market-like buy-and-build activity.
- We attribute part of this low growth to the subsector's maturity, where companies tend to be older (54 years median age) and larger (#1 median revenue of >€200m; larger assets constitute >40% of all companies).
- DACH is the #1 market for automotive assets, making up 39% of all assets.



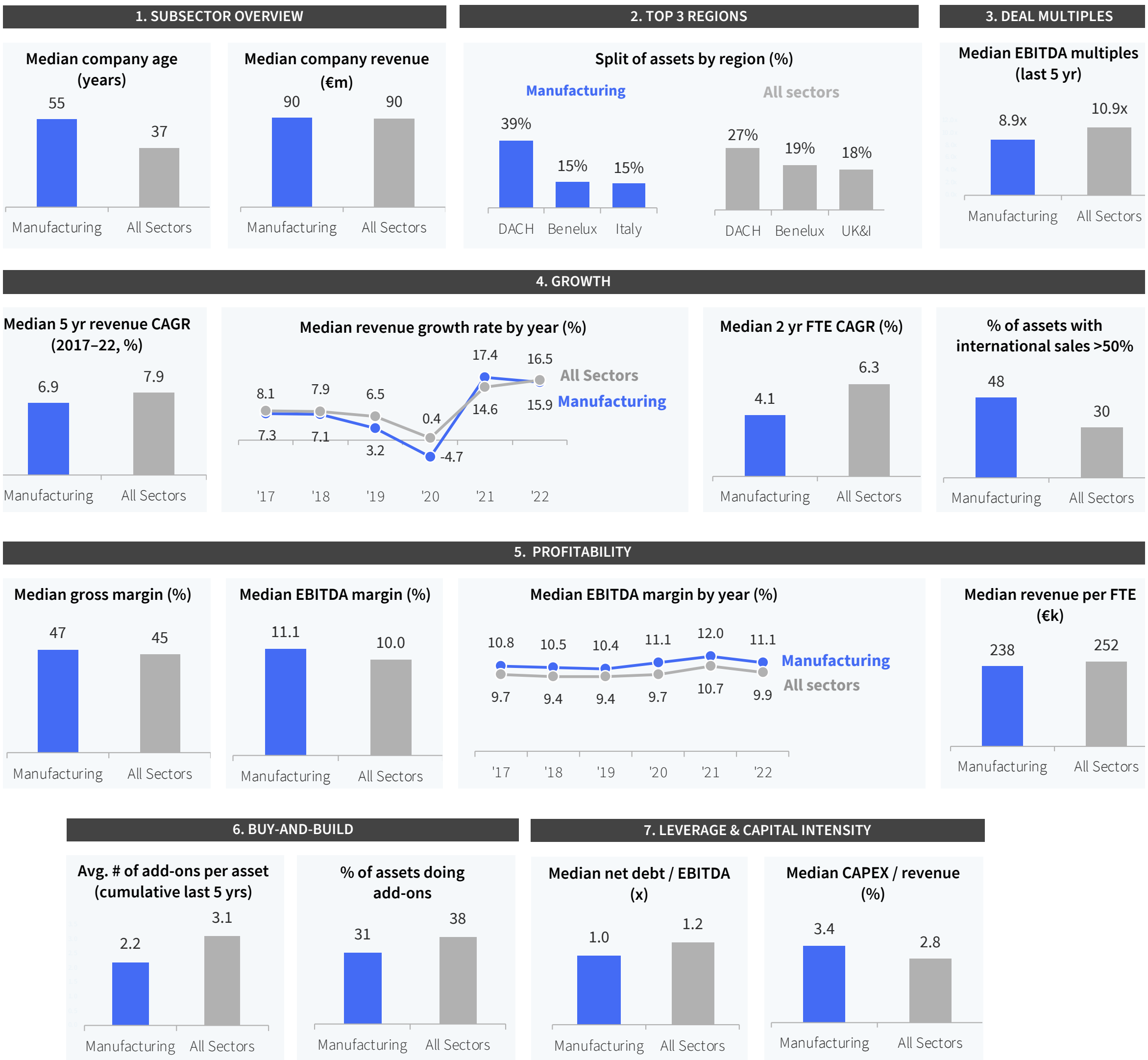
Construction

- Construction assets are the 3rd oldest in the industry (median age of 56 years vs. the market average of 37 years) and are mainly focused on domestic markets (<10% of assets generate >50% of revenues outside their home market).
- Medium-sized companies prevail in this segment, as 56% of companies are in the €50-250m bracket (vs. 30% for the whole market).
- Growth for the subsector is similar to that of the broader market (8.2% CAGR) but it has lower EBITDA margins (8.2% vs. 10% for the overall market). Multiples are lower too (7.5x vs. 10.9x for the overall market).



Manufacturing

- Manufacturing has one of the largest asset pools of all subsectors (19% of all identified assets). Companies are among the oldest in the market, with a median age of 55 years, and DACH being the dominant region (39% of all assets).
- The identified assets grow at a slower pace than the market. Only 37% of them grew at >10% rate in the last 5 years (vs. 47% for all sectors). The sector also has lower-than-average buy-and-build activity.
- Manufacturing is an international subsector as nearly 50% of identified assets generated half of their revenues outside of the domestic market.



Manufacturing

Company in Spotlight

All4Labels is a German producer of labels and packaging. The company's business model primarily revolves around the design, development and production of a vast range of label types and packaging.

In August 2019, Triton acquired the company from GENUI Partners, which, at the time, generated ~€400m in revenue and employed ~3,000 people at 29 production sites. Since then, All4Labels has more than doubled to an estimated >€1,000m in revenues on the back of an extensive buy-and-build strategy of >15 add-ons across the world.

As of July 2024, the company serves >13k clients and operates 57 production facilities on 4 continents. Worth mentioning, it was rumored in October 2023 that Triton explored the sale of the business at ~€2bn.

Energy & Materials

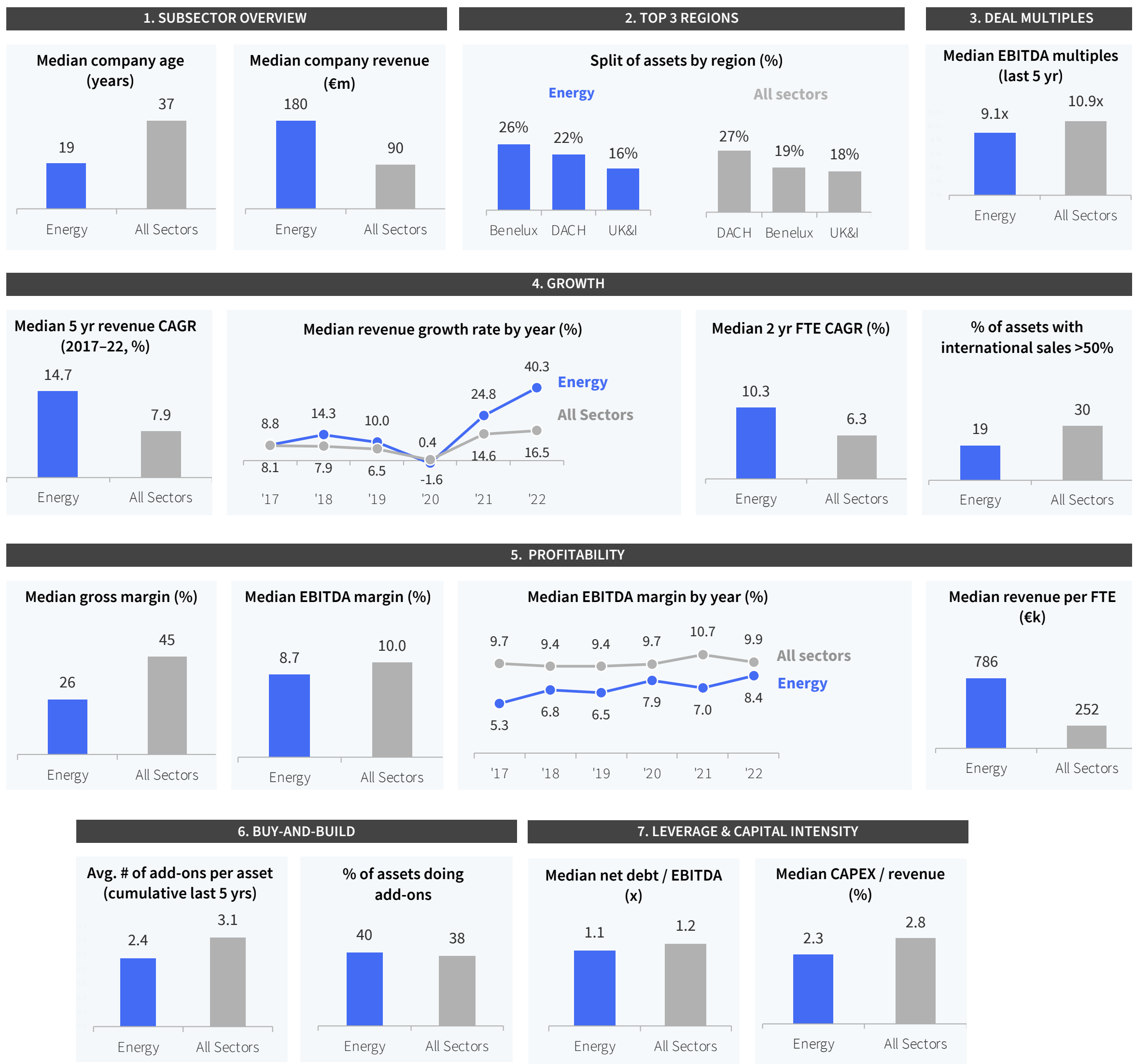
5% of the asset pool

Chemicals

- Chemicals is another mature sector (next to Agriculture and Automotive) composed of the oldest (median age of 59 years) and largest companies (median revenue of €146m).
- Companies in this subsector are very international, with 53% of Chemicals assets generating more than half of revenues outside the domestic market (vs. 30% for all sectors).
- Growth and profitability in the sector is slightly higher than average and the sector has one of the highest revenue/FTE ratio of €553k (#3 rank and double the overall median).

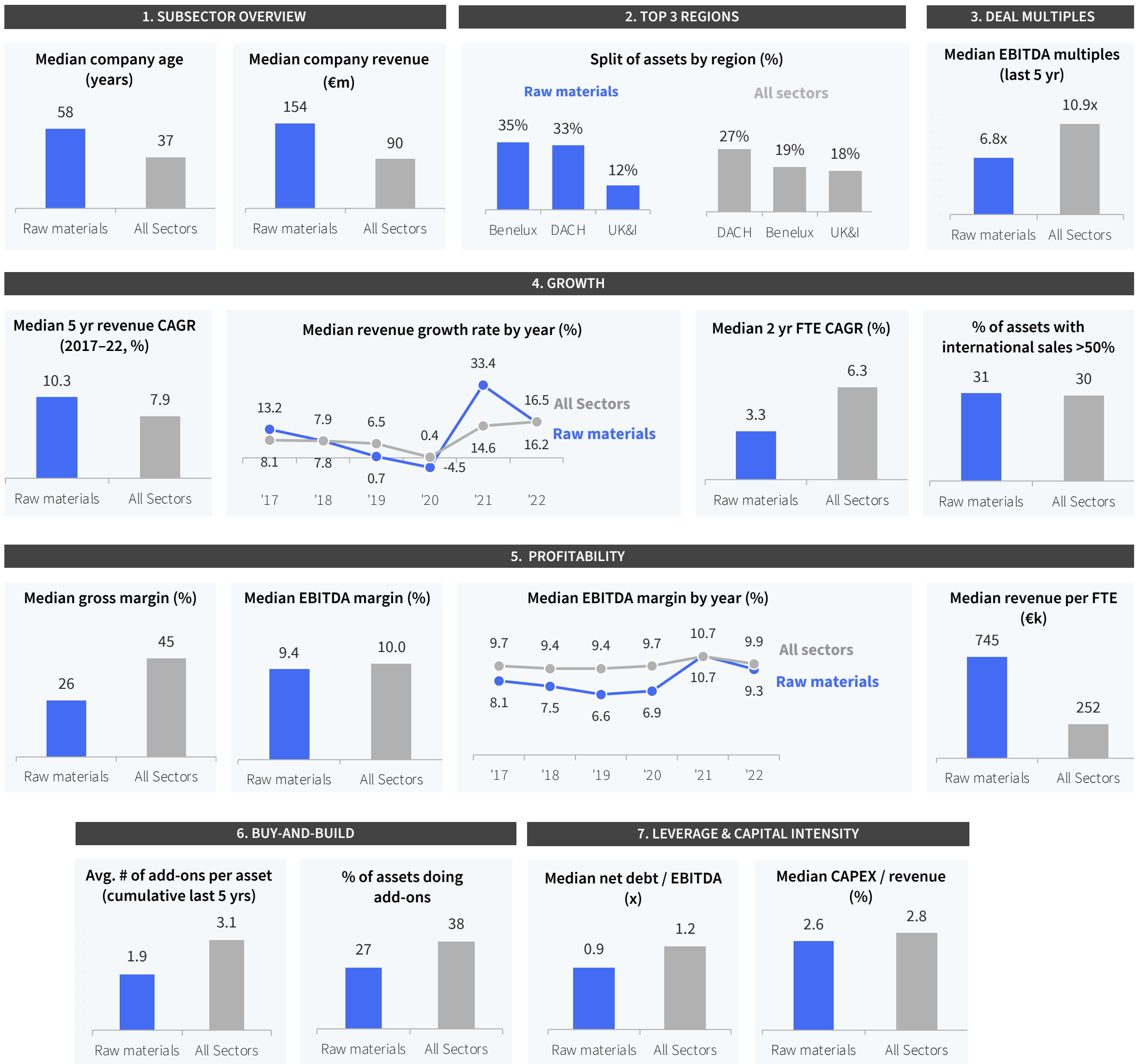
Energy

- Energy is one of the fastest-growing sectors, with a 14.7% top-line CAGR 2017-2022. Our coverage in the sector is quite broad, encompassing many renewable and EV distribution plays which were boosted by record level energy prices in 2021 and 2022.
- The growth is relatively evenly distributed, as ~70% of Energy assets grew at >10% rate during the last 5 years.
- Energy has one of the highest revenue/FTE levels (€786k vs. €252k for the overall market) and a large share of large and mega-large companies (43% of the assets in the subsector are in the >€250m revenue bracket vs. 27% for the whole market).



Raw Materials

- Companies in Raw Materials are among the oldest and largest in size, with a median age of 58 years (vs. 37 years for overall market) and a median revenue of €154m (vs €90m). DACH and Benelux regions account for 68% of all identified assets.
- Growth for the subsector is highly cyclical driven by commodity boom and bust cycles. Further, the subsector has limited buy-and-build opportunities, with only 27% of businesses carrying out add-on acquisitions (vs. 38% for all sectors).
- Multiples are among the lowest, with a median EV/EBITDA multiple of 6.8x (vs. 10.9x for the overall market).

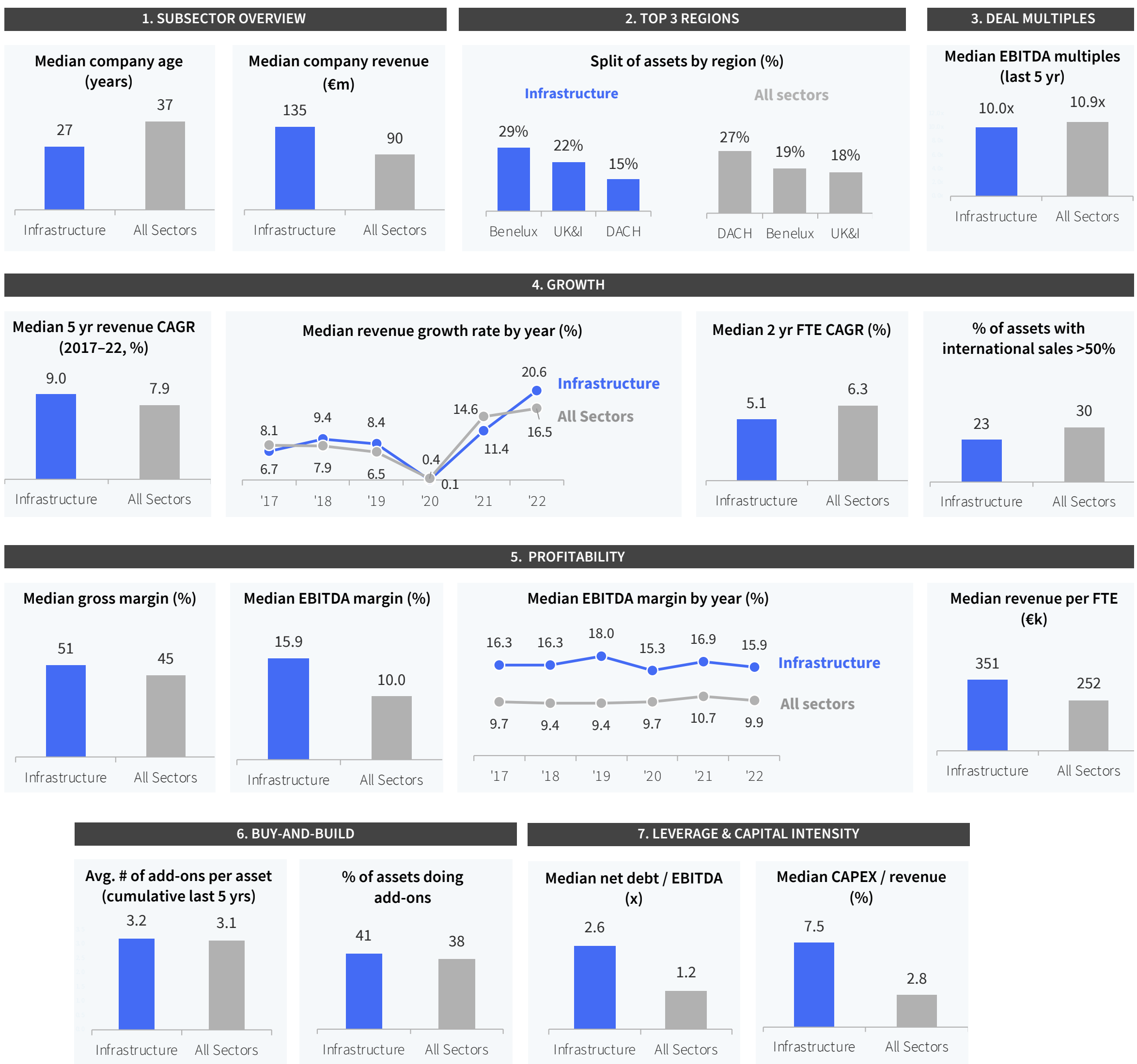


Infrastructure

1% of the asset pool

Infrastructure

- Infrastructure subsector is home to many large and mega-large assets: 34% of the assets in the subsector are in the >€250m revenue bracket (vs. 27% for all sectors).
- Unsurprisingly, CAPEX levels are high, with a median CAPEX-to-sales ratio of 7.5% for infrastructure assets vs. 2.8% for all sectors.
- The segment stalled a bit in 2021 in terms of revenue growth (11% vs. 14% for all sectors) but quickly bounced back in 2022 with above-market rates (21% vs. 16%).

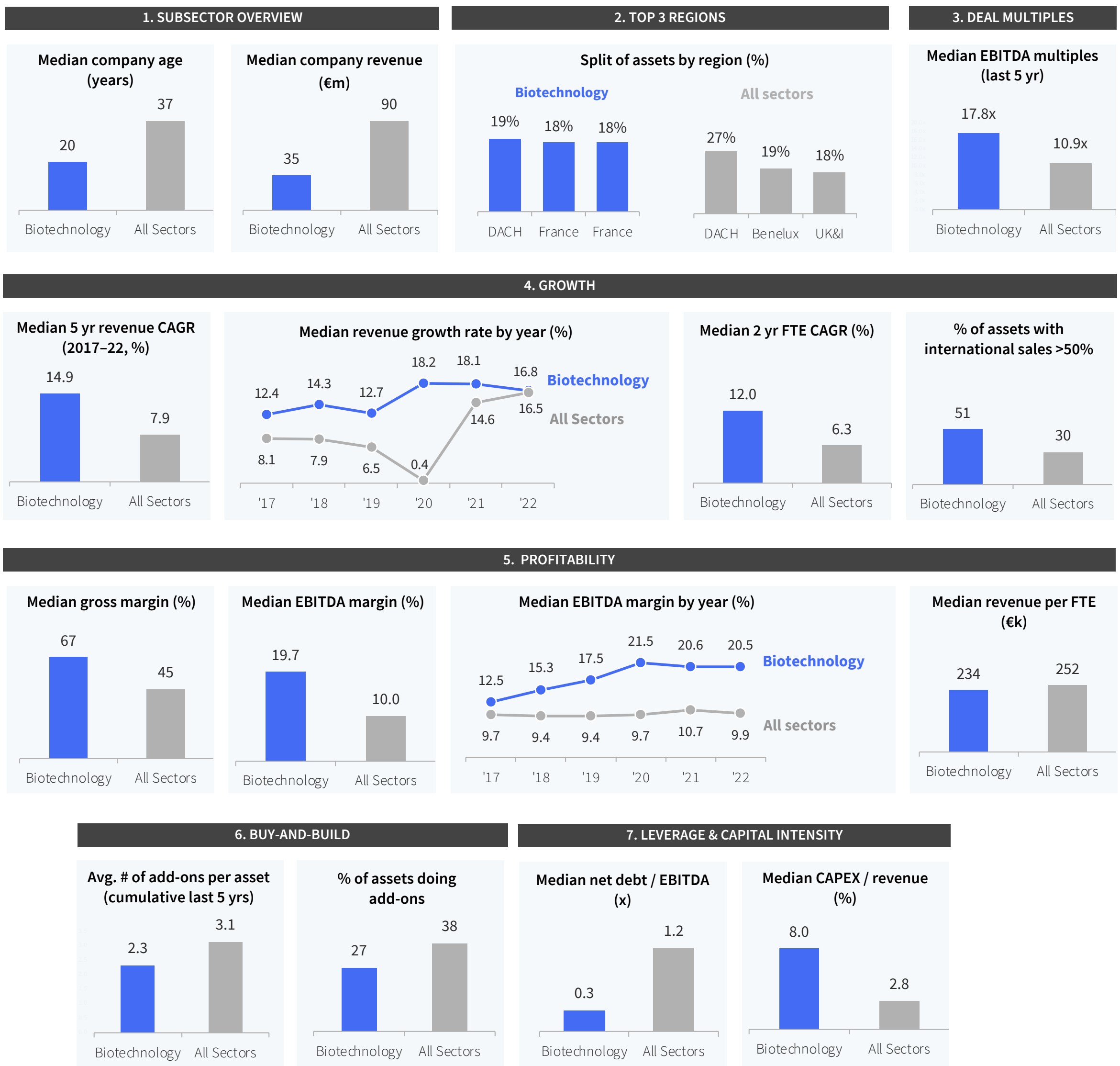


Science & Health

8% of the asset pool

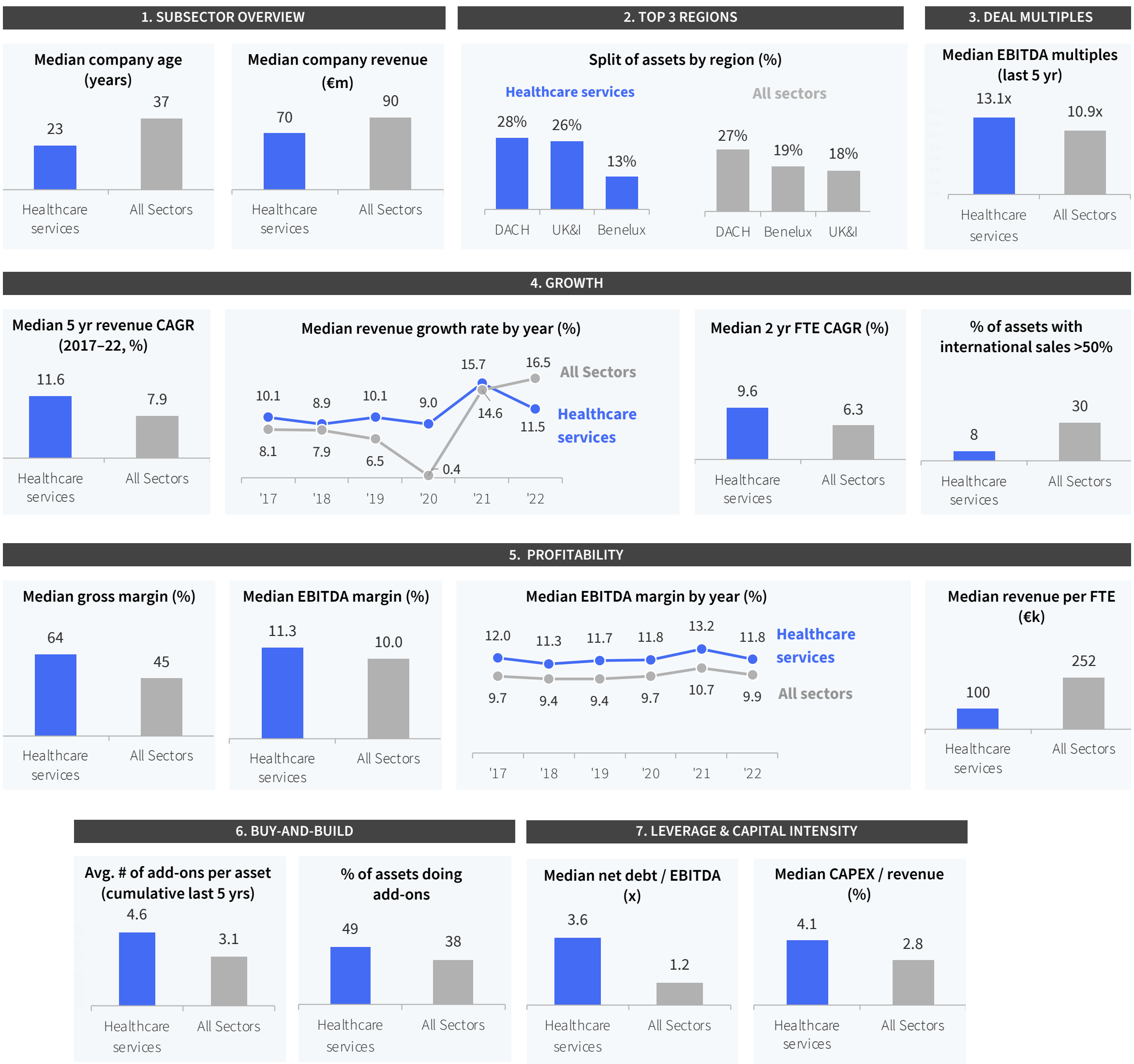
Biotechnology

- Biotechnology is one of the fastest-growing subsectors, with a ~15% revenue CAGR 2017-2022, translating into leading multiples of 17.8x.
- Fast growth comes at the expense of high CAPEX costs - 8% of revenue (#1 subsector) mainly due to considerable R&D expenditures. Nevertheless, margin-wise, Biotechnology assets rank 2nd, with a median EBITDA margin of ~20%.
- Biotechnology assets are one of the youngest and most fragmented, with a median revenue of €35m (vs. €90m for the overall market).



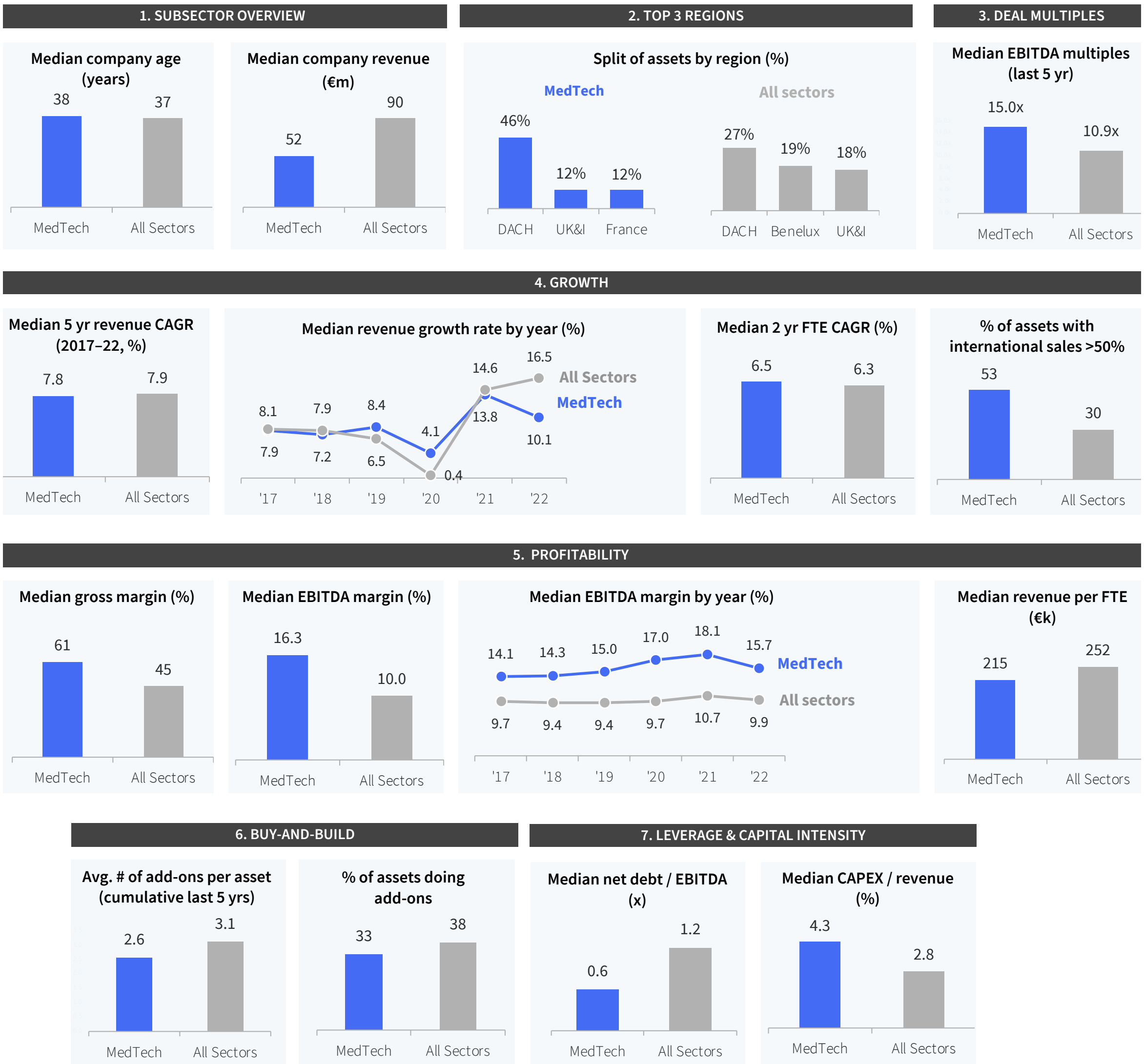
Healthcare Services

- Healthcare Services subsector has the highest percentage of domestic assets: only 8% of them generate >50% of international revenue.
- Growth in the subsector is high and stable (11.6% CAGR vs. 7.9% for the market) along with stable margins that are slightly higher than the average.
- Assets in the subsector are highly acquisitive: 49% of them engage in add-on strategy, with an average of 4.6 add-ons per company (vs. 3.1 for all sectors).



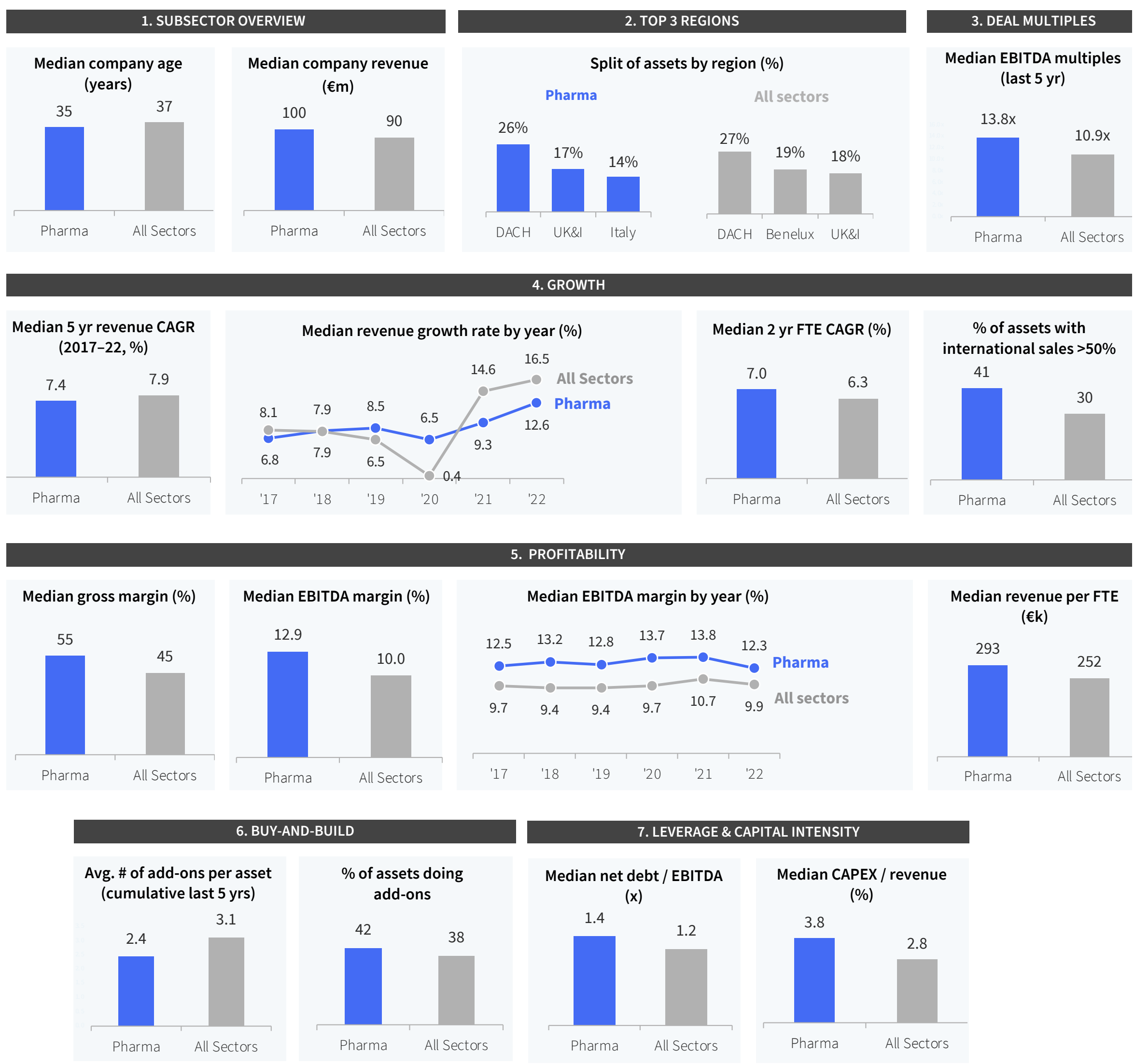
MedTech

- MedTech is the most internationalized subsector among all: 53% of identified assets generate more than half of their revenues outside of the domestic borders (vs. 30% for all sectors).
- Assets in this sector tend to have stable growth rates with above-average margins which lead to higher-than-average multiples (15.0x vs. 10.9x for the broader market).
- MedTech providers are highly concentrated in the DACH market, with 46% of assets in this sector headquartered in the region.



Pharmaceuticals

- Pharmaceuticals is dominated by medium-to-large enterprises, with stable growth rates and higher than average margins (both gross and EBITDA).
- Given the stability, multiples in this subsector tend to be higher (median of 13.8x vs 10.9x for all sectors).
- DACH (26% of all assets), UK&I (17%) and Italy (14%) have the largest ecosystem for pharmaceutical assets.



Services

20% of the asset pool

Education

- Education is a fragmented market, consisting predominantly of smaller assets (52%) with low median revenue (€49m) and revenue/FTE ratio (€117k).
- As a result, the subsector is highly acquisitive: ~60% of identified assets have made an add-on in the last 5 years (vs. 38% general market). Consolidators purchase 4 companies on average over a rolling 5 year period.
- Margins in the sector are high (EBITDA and gross margin of 17% and 63%) but the sector also has a high debt burden (median net debt / EBITDA of 4.2x vs. 1.2x for the overall market).

Education

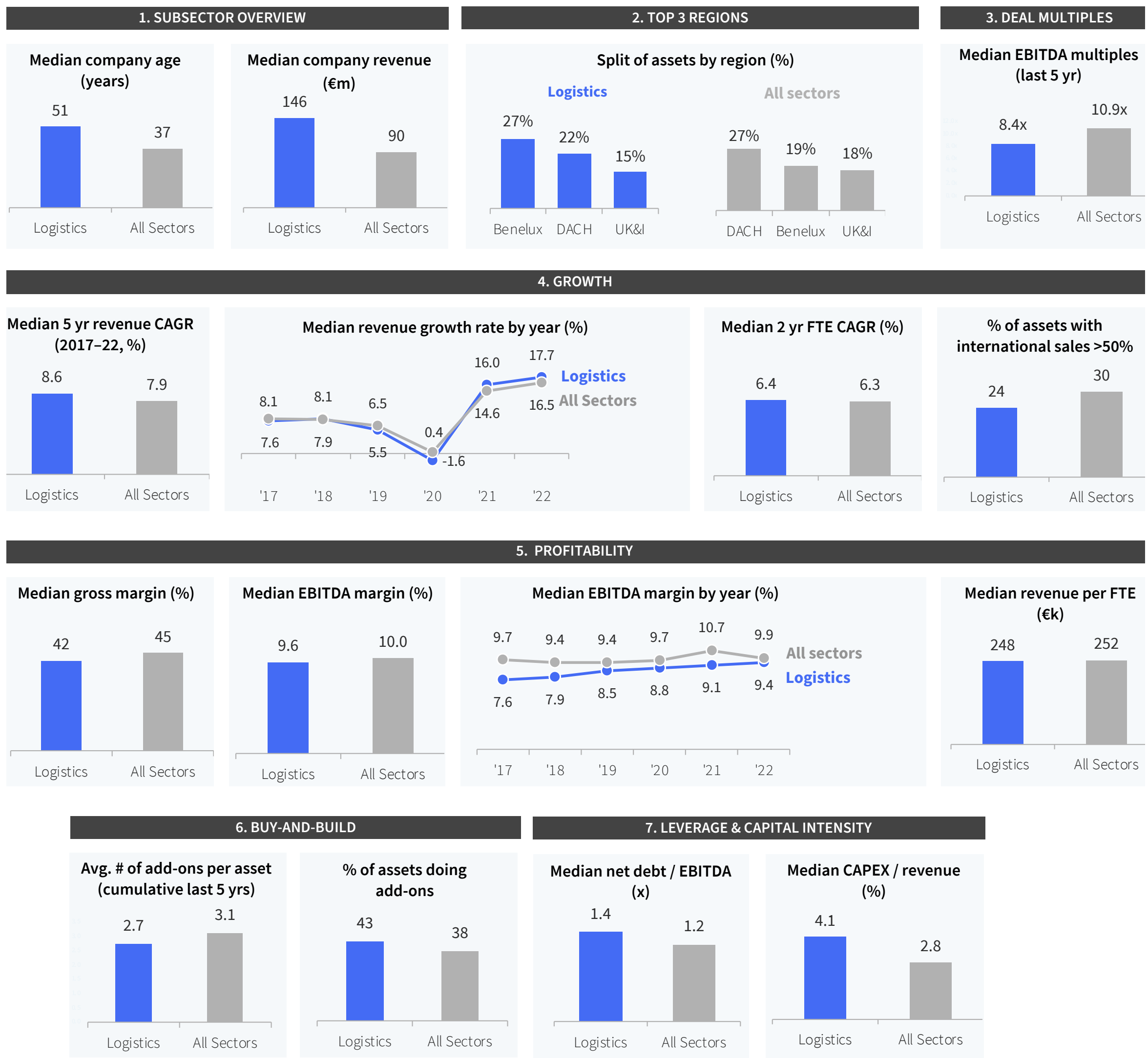
Company in Spotlight

Multiversity Group is an Italian online education and certification provider. Its offering focuses on undergraduate and graduate degrees, specialisations and certifications in a broad range of fields. The group is an owner of Italy's largest online university Universitá Telematica Pegaso ("Pegaso"), as well as Mercatorum University.

In August 2019, CVC acquired a 50% stake from its founder at €1bn EV and then acquired the remaining stake in September 2021 at €1.5bn EV. In 2019-2023, the group increased its sales at 32% CAGR, with EBITDA margin improvements (+5pp).

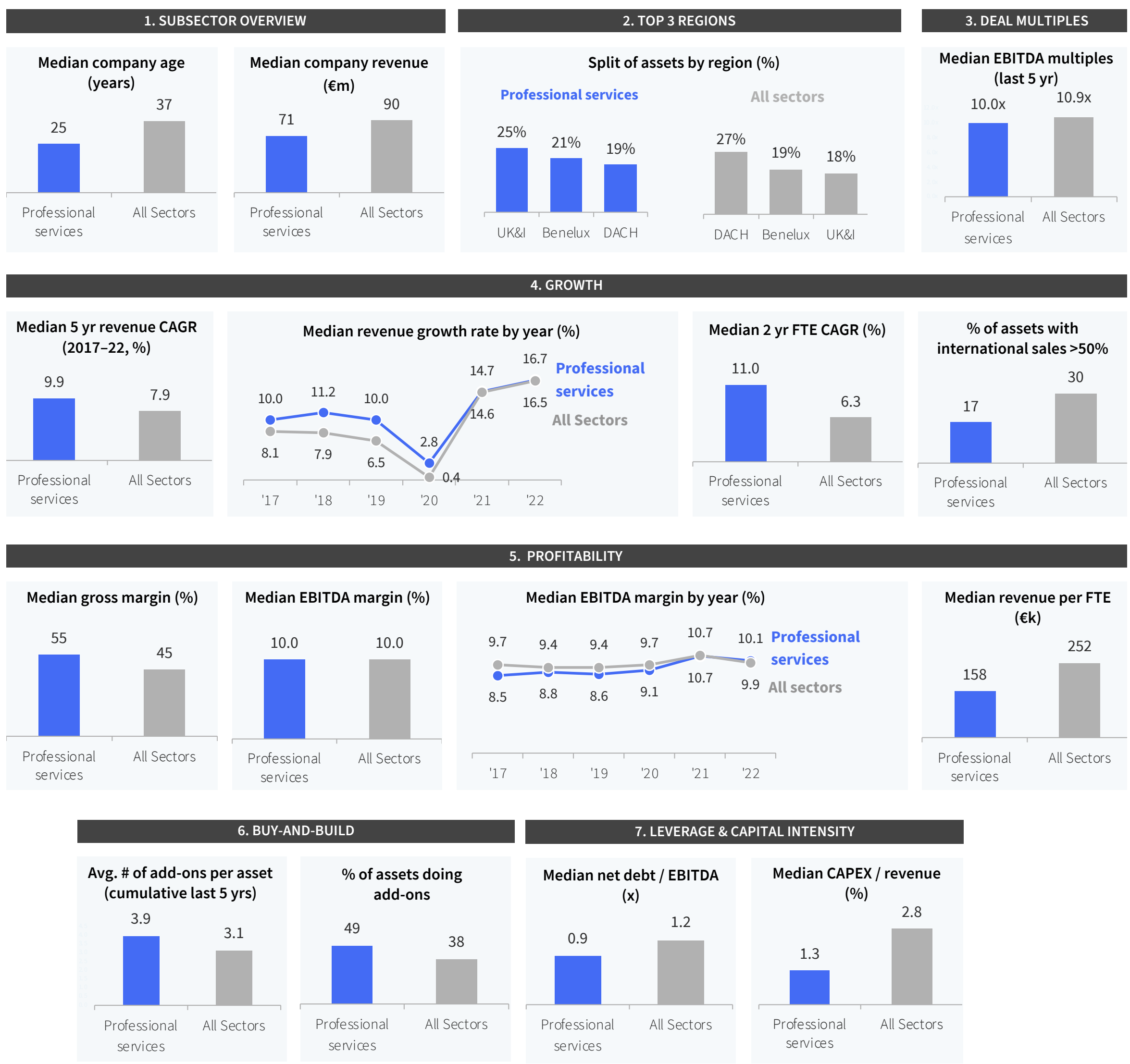
Logistics

- Growth and margins in the Logistics subsector are market-like with little to no delta in terms of YoY revenue variability over time.
- Logistics requires scale and assets are typically larger in size (median revenue of €146m vs. €90m for the overall market) and older (median company age of 51 years vs. 37 for all sectors). The subsector also has a high CAPEX to sales requirement (4.1% vs. 2.8% for the overall market).
- Logistics assets are one of the cheapest to buy, with EV/EBITDA multiples of 8.4x (vs. 10.9x for all sectors).



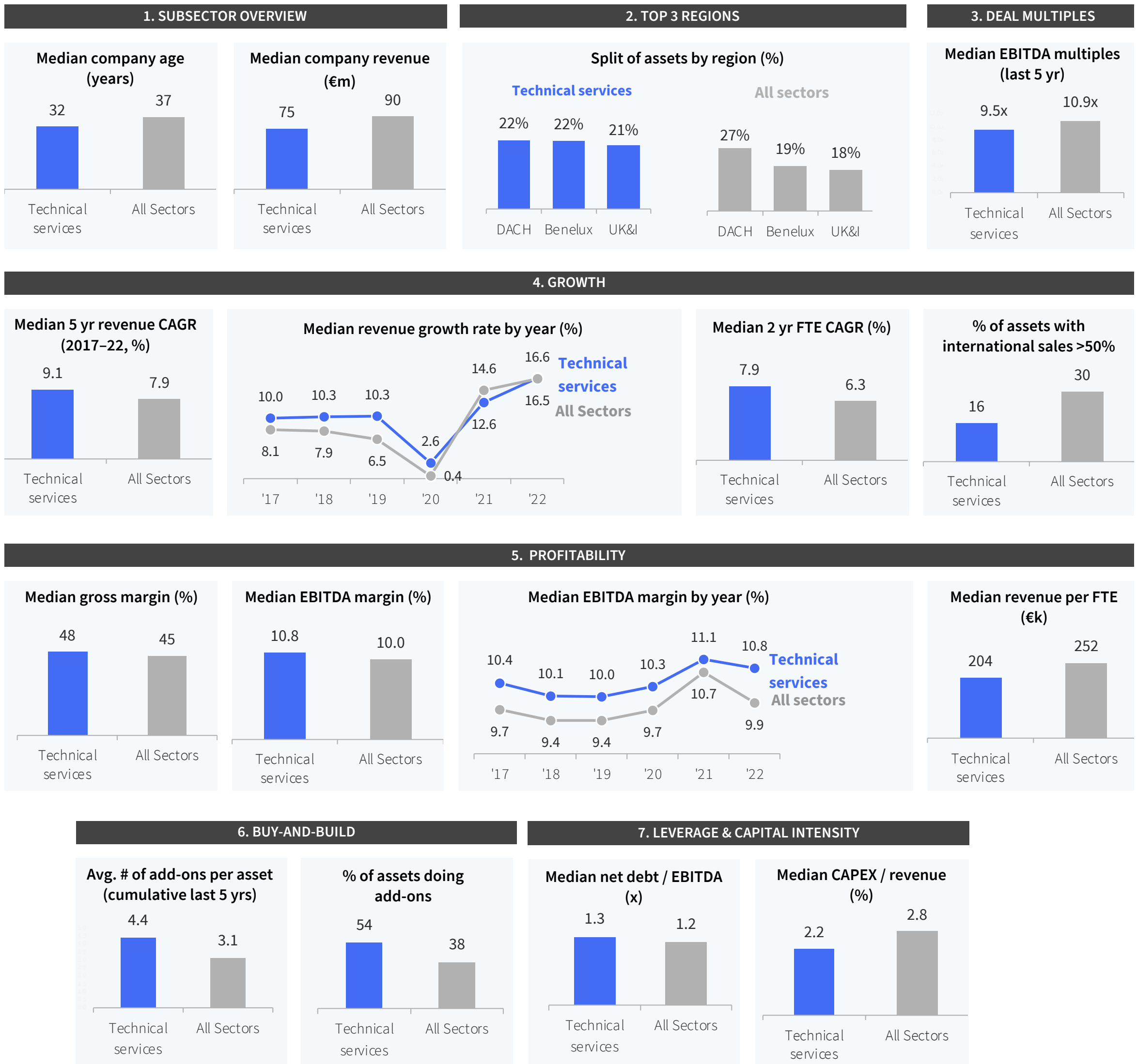
Professional Services

- Growth and margins for Professional Services are slightly higher than the overall market, driven by above-average buy-and-build activity. 49% of assets in the subsector carry out add-on acquisitions vs. 38% for the broader market.
- Companies in Professional Services are more domestic in nature with only 17% of assets generating a high proportion (>50%) of sales internationally.
- As a people-heavy subsector, Professional Services has one of the lowest revenue / FTE ratios of €158k (vs. €252k for all sectors).



Technical Services

- Growth and margins for Technical Services are slightly higher than the overall market, driven by above-average buy-and-build activity. 54% of assets in the subsector carry out add-on acquisitions vs. 38% for the broader market.
- Companies in Technical Services are more domestic, with only 16% of assets generating a high proportion (>50%) of sales internationally.
- As a people-heavy subsector, Technical Services has a relatively low revenue / FTE ratio of €200k (vs. €252k for all sectors).

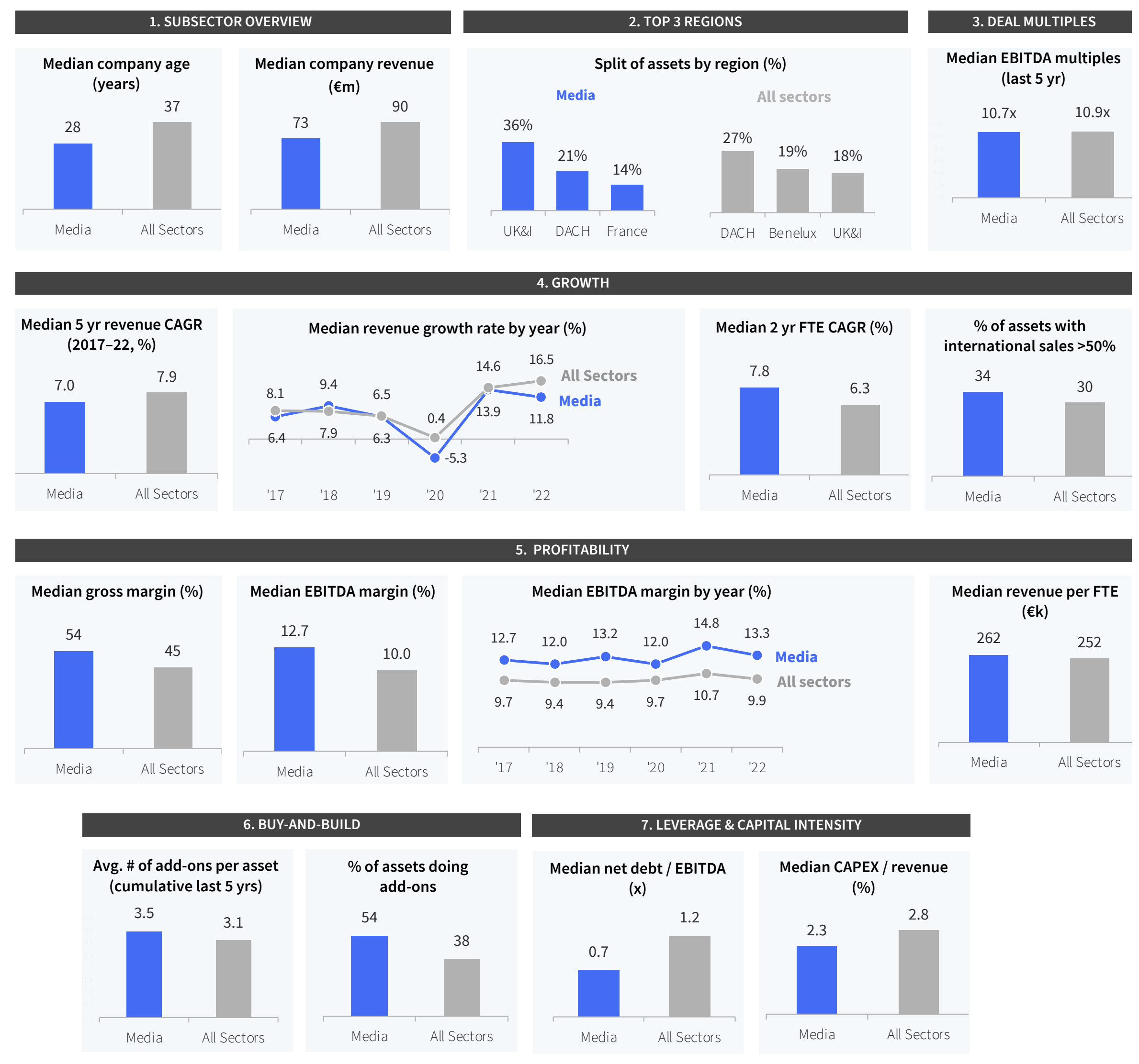


TMT

11% of the asset pool

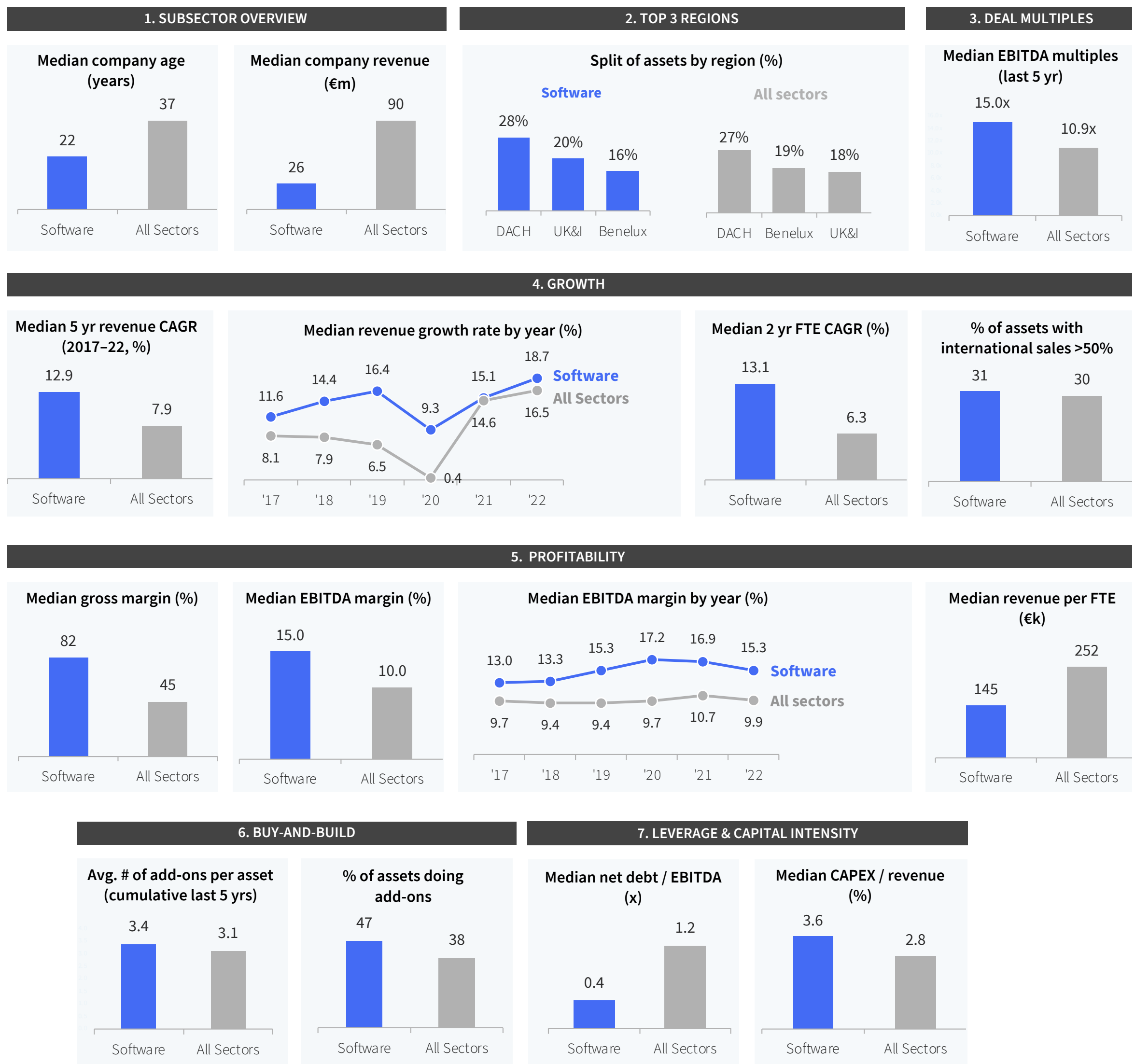
Media

- Media assets have grown slower than the overall market (7.0% CAGR vs. 7.9% for the market), despite having higher than average buy-and-build activity (54% of assets in Media have made an acquisition in the last 5 years vs. 38% for all sectors).
- Other than margins, which tend to be higher, the subsector is middle-of-the-pack for most other metrics, e.g. FTE growth, revenue / FTE, international sales or multiples.
- UK&I is a big market for the sector, making up for 36% of all assets profiled (2x that of other sectors).



Software

- Software in private markets is predominantly composed of smaller assets (median revenue of €26m vs. €90m for all assets) with very high growth rates (median CAGR of 12.9% vs. 7.9% for the overall market).
- Margins are among the highest, with a median gross margin of 82% (vs. 45% for the broader market) and an EBITDA margin of 15% (vs. 10% for the overall market). EBITDA margins have also been expanding by nearly 200 bps in the last 7 years.
- As you'd expect, Software assets don't come cheap and have the 2nd highest multiple (median multiple of 15.0x vs. 10.9x for the market).



Software

Company in Spotlight

The Access Group ("Access") is a British provider of integrated business management software for mid-market companies. The group's software provides industry-specific applications for a diversified customer base of clients operating in recruitment, education, health, manufacturing, etc.

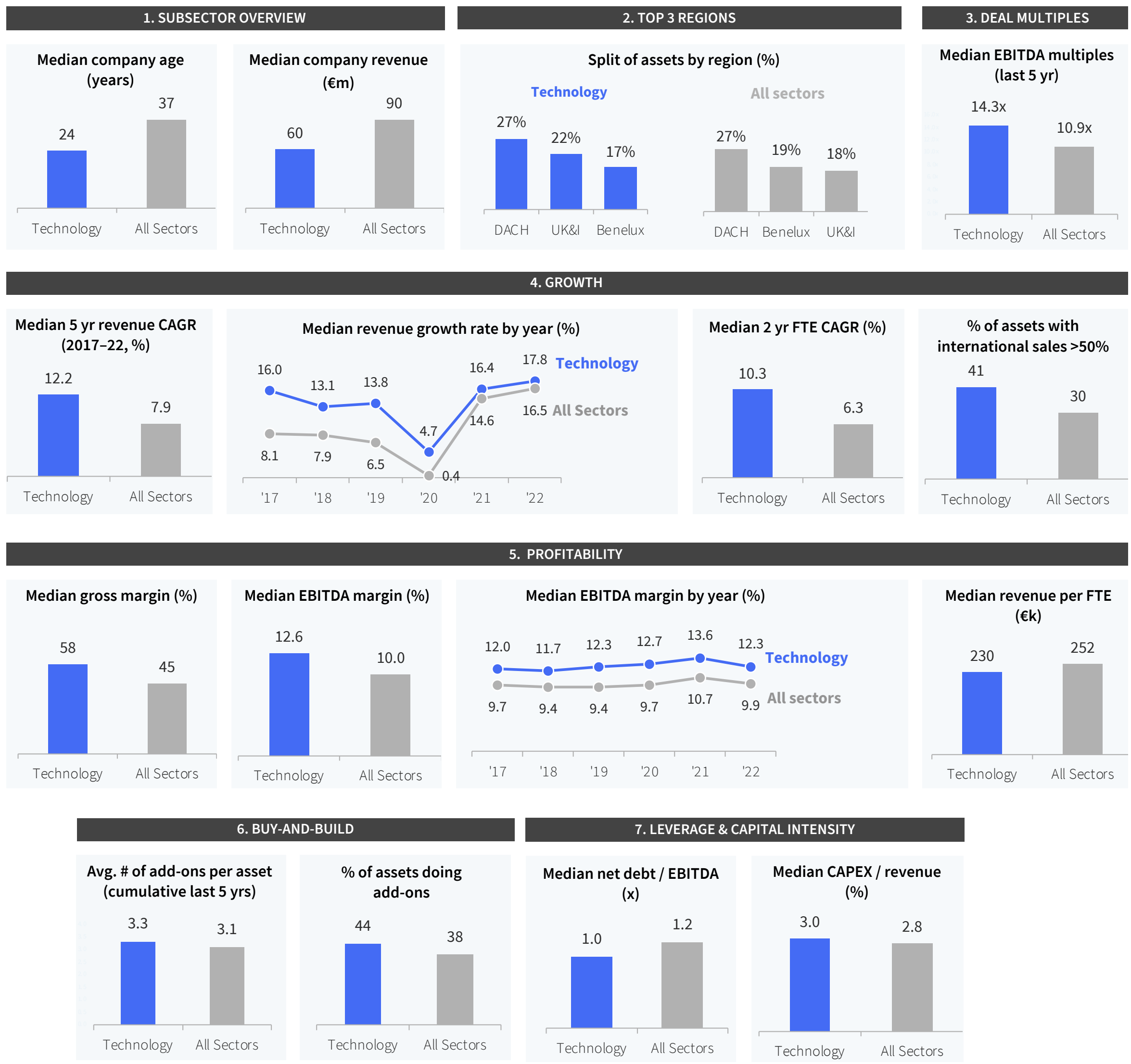
In January 2015, TA Associates acquired the controlling stake in Access from Horizon Capital. In 2015-2018, the group doubled its top-line (from €70m revenue in 2014 to €170m in 2018), executed 11 acquisitions, entered 3 new vertical markets and grew its customer base to ~13k UK businesses and not-for-profit organizations.

In April 2018, Hg joined TA Associates as a joint owner in a deal valuing the business at €1.2bn EV and 21.0x EV/EBITDA multiple. Since then, Access' top-line skyrocketed, reaching €730m sales in 2022 at 44% CAGR 2018-2022, while EBITDA grew at 53% CAGR and margins improved by ~9pp. During this period, the group has made >40 add-ons in the UK, Ireland and Asia-Pacific, grown its customer base to >60k, expanded internationally with offices in 9 countries and increased its headcount to >4,000 (vs. ~1,300 in 2018).

It comes as no surprise that in June 2022, Access received a further strategic investment from Hg and TA Associates at an associated EV of €11bn. Additionally, GIC has become a minority shareholder in the group. As of June 2024, Access operates out of ~35 offices across Europe, APAC and the US and serves >100k customers.

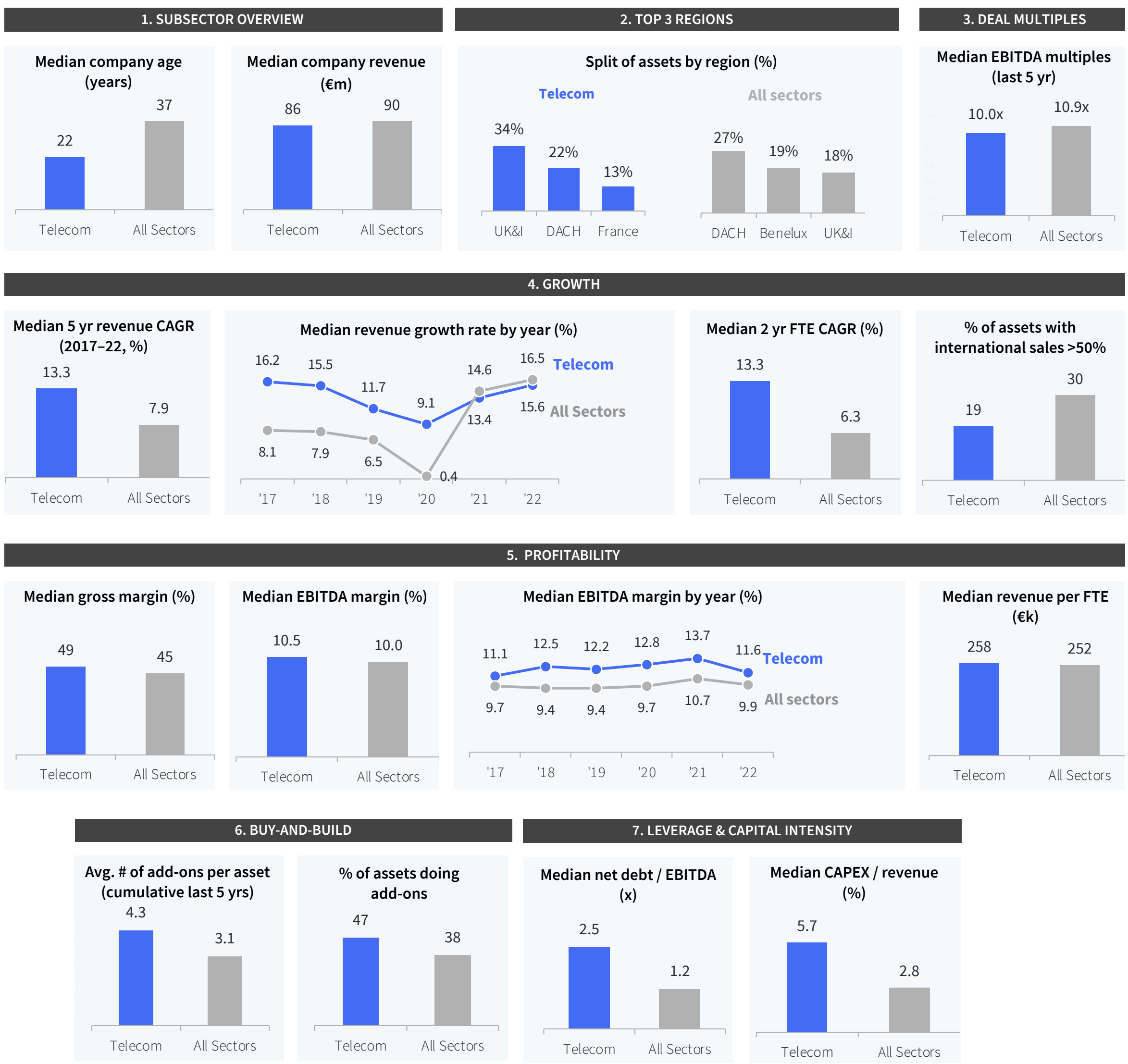
Technology

- Technology assets feature among those with the highest growth and margins (6th and 10th highest respectively). Both organic and inorganic growth is high, with 44% of assets carrying out add-on acquisitions (vs. 38% for the market).
- Multiples are high. Over the last 6 years, Technology assets sold at a median multiple of 14.3x (vs. 10.9x for all sectors).
- By nature, Technology assets tend to be more internationalized, with 41% of assets generating the majority of their sales outside their home market (vs. 30% for all sectors).



Telecom

- Telecom is one of the fastest-growing subsectors, with a top-line CAGR 2017-2022 of 13.3% (vs. 7.9% for all sectors). Telecom also leads in terms of headcount growth: the number of employees in the subsector has grown on average at 13% in 2017-2022 (vs. 5% for all sectors).
- Our asset base in the sector is tilted towards network infrastructure plays such as broadband and fiber, which explains the younger age of the companies and the higher growth profile. UK&I stands out as a big market for the sector with 34% of the assets being in the region.
- CAPEX is high in this sector, with a CAPEX-to-sales ratio of 5.7% vs. 2.8% for all sectors.



04

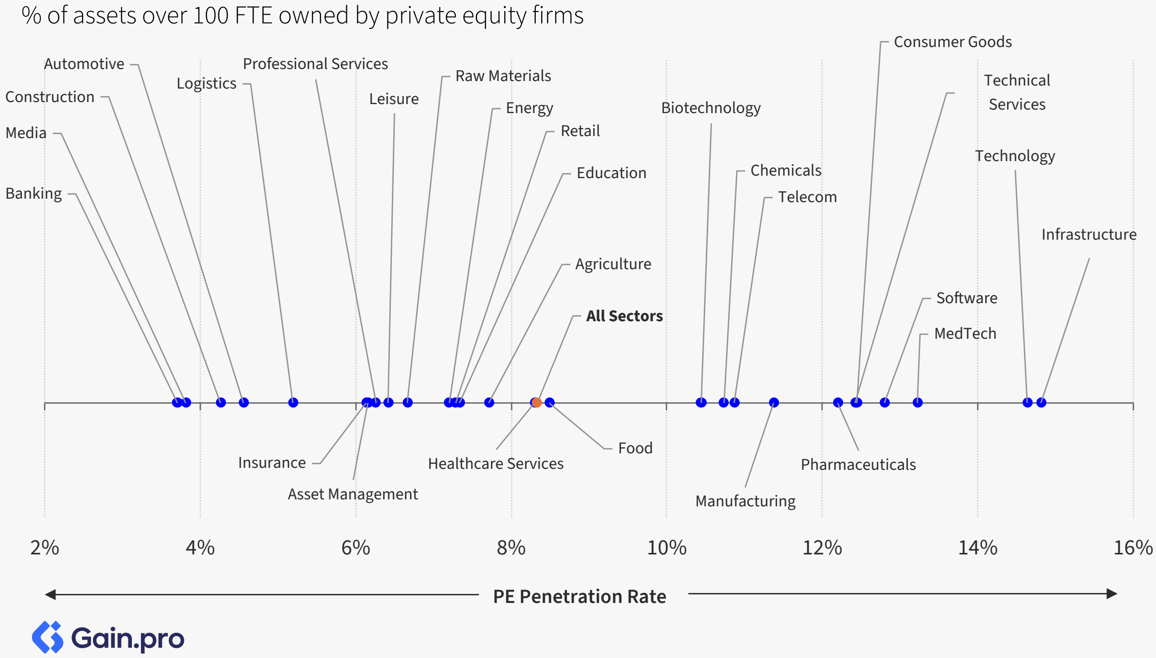
PE Penetration and Market Concentration

PE Penetration and Market Concentration

PE penetration is highest in Infrastructure, Technology, MedTech and Software. Infrastructure assets typically generate predictable, long-term cash flows making them suitable for PE-backing, while Technology and Software boast one of the highest growth rates and margins across industries.

Infrastructure, Technology, MedTech and Software have the highest PE penetration rates

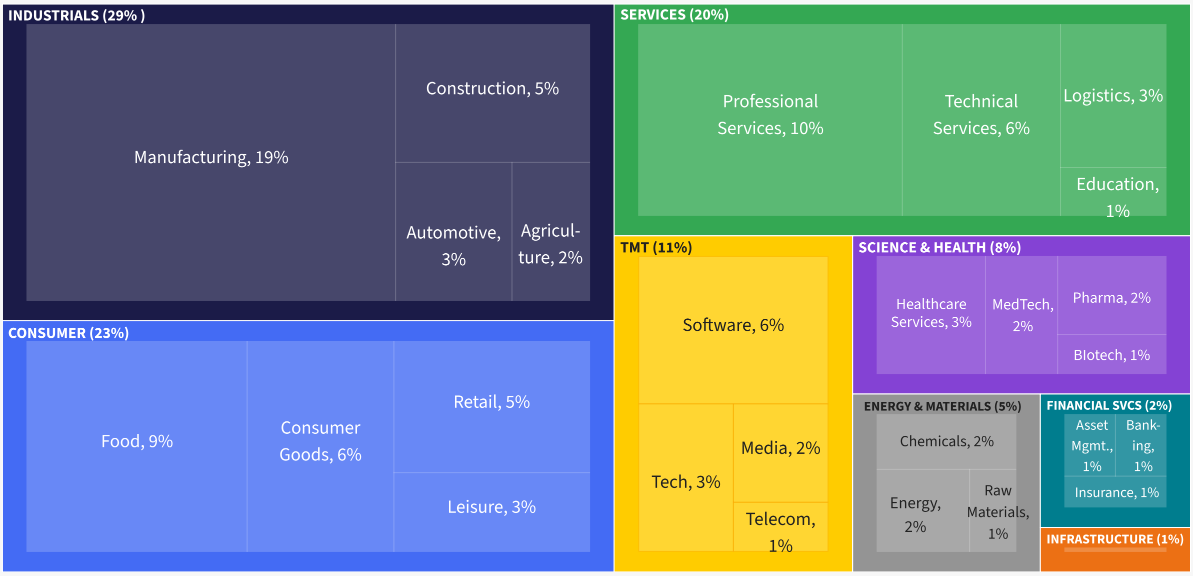
% of assets over 100 FTE owned by private equity firms



Asset availability is highest in Industrials, Consumer and Services sectors. 72% of the investable asset pool in Europe is in those sectors followed by TMT (11%) and Science & Health (8%).

Asset availability is highest in Industrials, Consumer and Services sectors

Split of total investable asset pool by sector that meet sweet spot criteria for PE-backing



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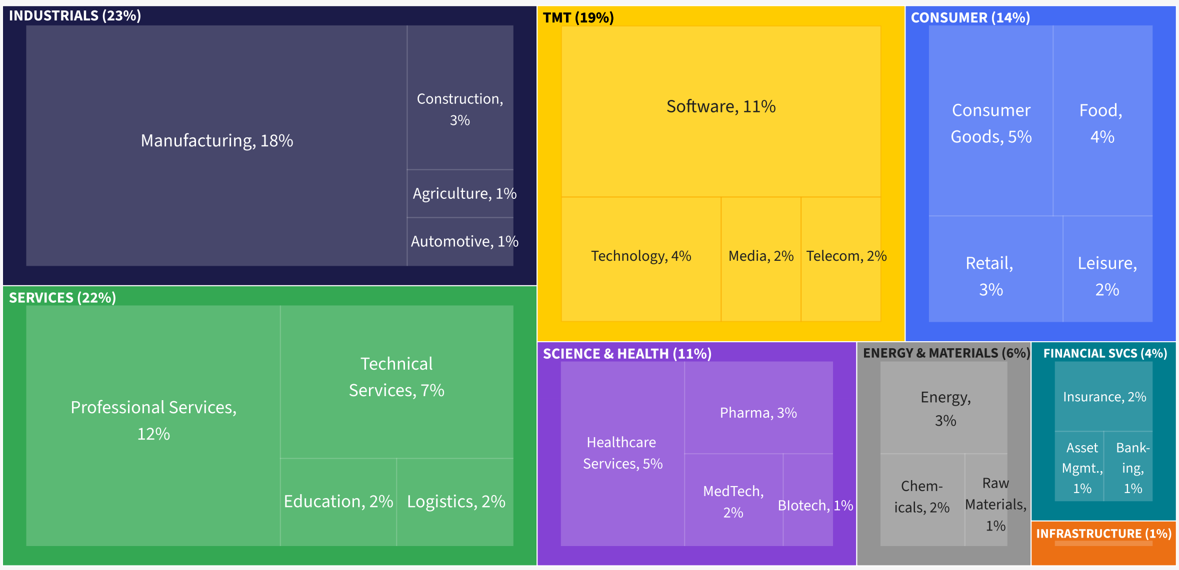
Adjusting for high quality, the asset pool for TMT sees the largest increase. Assets in Software, Technology and Telecom verticals have faster growth and higher margins. In contrast, a large proportion of Consumer and Industrials assets exhibit slower growth and lower margins.

Adjusting for high quality, TMT sees the largest increase in asset availability

Split of high quality assets by sector (>10% growth and >10% EBITDA margin)



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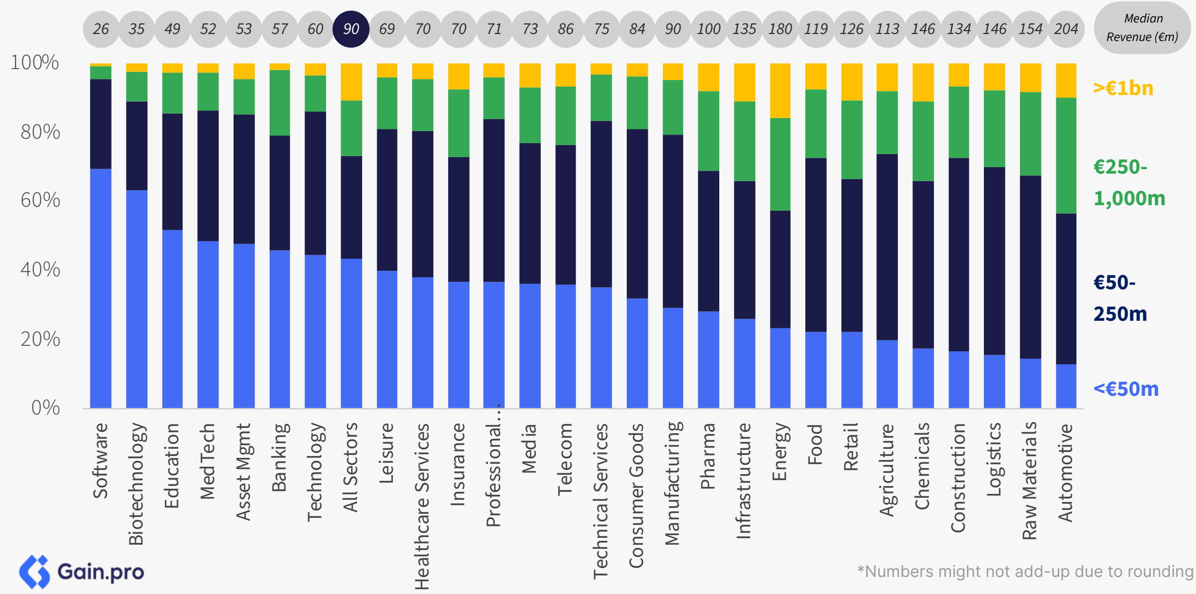
In terms of the size of the assets, Software has the highest proportion of smaller firms while Energy is skewed towards mega-large firms. Subsectors such as Automotive, Logistics and Construction also stand out with those having a high proportion of mid to large-sized firms.

Software has the most small companies while Energy has the highest proportion of mega-large firms

Median revenue (€m) and split of asset pool by revenue

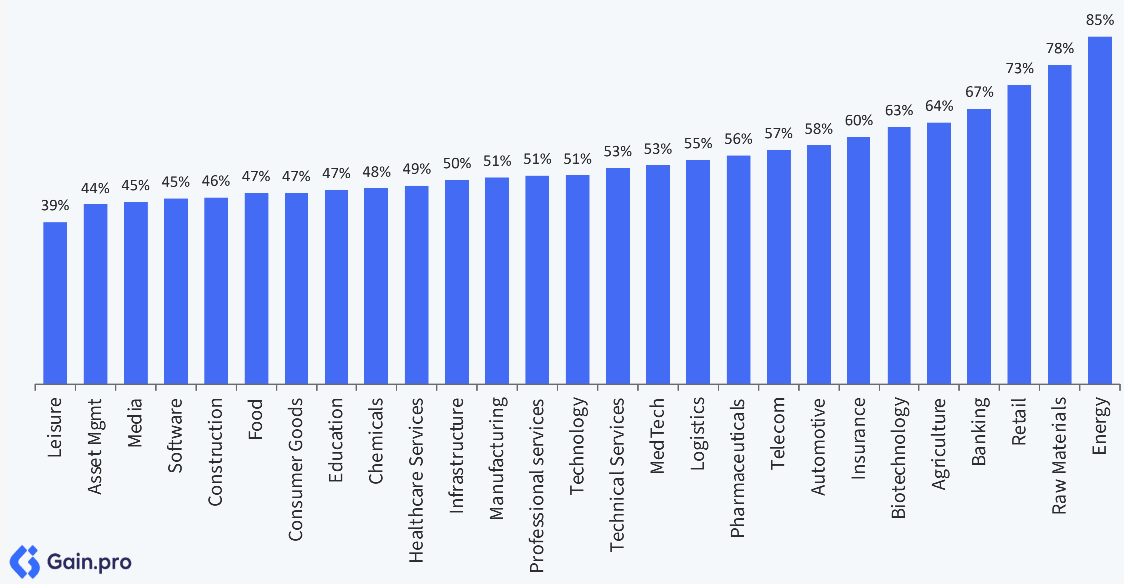


*Numbers might not add-up due to rounding

Revenue concentration is highest in Energy, Raw Materials and Retail. The largest 5% of the companies in these subsectors generate >70% of revenue in the sector. On the other side, Leisure, Asset Management and Media subsectors are less concentrated, with the largest 5% of assets generating less than 50% of total sales.

Energy, Raw Materials and Retail are the most concentrated subsectors with large players

Share of revenue generated by the largest 5% of companies in a subsector



Industrials, Services and Consumer are the top 3 sectors across European regions. Industrials remain the dominant sector in DACH, Benelux and Italy. Services and Consumer lead in the UK&I, Nordics, France and Iberia. #4-5 positions are predominantly occupied by TMT and Science & Health, excluding Benelux where Energy & Materials companies are more prevalent.

DACH, Benelux and Italy are Industrials heavy regions while Iberia is Consumer heavy

% of asset pool by sector in each investment region

INVESTMENT REGION

DOMINANT SUBSECTORS	UK&I	Nordics	Italy	Iberia	France	DACH	CEE	Benelux
#1	Services 26%	Services 23%	Industrials 37%	Consumer 32%	Services 27%	Industrials 39%	Consumer 29%	Industrials 30%
#2	Consumer 24%	Consumer 22%	Consumer 30%	Industrials 26%	Industrials 26%	Consumer 18%	Industrials 28%	Consumer 23%
#3	Industrials 16%	Industrials 20%	Services 12%	Services 16%	Consumer 20%	Services 15%	Services 13%	Services 22%
#4	TMT 16%	TMT 19%	Science & Health 8%	Science & Health 10%	TMT 12%	TMT 11%	TMT 12%	TMT 9%
#5	Science & Health 9%	Science & Health 9%	TMT 6%	TMT 7%	Science & Health 8%	Science & Health 9%	Science & Health 10%	Energy/Materials 7%
#6	Financials 5%	Energy/Materials 6%	Energy/Materials 5%	Energy/Materials 6%	Financials 3%	Energy/Materials 6%	Energy/Materials 5%	Science & Health 5%
#7	Energy/Materials 3%	Financials 2%	Financials 1%	Financials 1%	Energy/Materials 3%	Financials 1%	Financials 3%	Financials 2%

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Manufacturing is the dominant subsector in all regions except UK&I, where Professional Services is leading the pack. In general, Food and Professional Services occupy #2 and #3 positions across regions. Worth mentioning, Software is much more popular in Nordics with a #2 rank, while Consumer Goods and Leisure are overweight in Italy and Iberia, respectively.

Manufacturing is the dominant subsector in all regions except UK&I

% of asset pool by subsector in each investment region

INVESTMENT REGION

DOMINANT SUBSECTORS	UK&I	Nordics	Italy	Iberia	France	DACH	CEE	Benelux
#1	Prof svcs. 15%	Manufacturing 14%	Manufacturing 32%	Manufacturing 20%	Manufacturing 17%	Manufacturing 28%	Manufacturing 21%	Manufacturing 15%
#2	Food 8%	Software 12%	Food 15%	Food 17%	Prof svcs. 16%	Prof svcs. 7%	Food 13%	Prof svcs. 11%
#3	Manufacturing 7%	Prof svcs. 11%	Cons. goods 10%	Prof svcs. 8%	Food 7%	Food 7%	Retail 8%	Food 10%
#4	Software 7%	Technical svcs. 9%	Prof svcs. 6%	Leisure 7%	Software 6%	Software 6%	Software 6%	Construction 7%
#5	Technical svcs. 7%	Cons. goods 7%	Retail 4%	Cons. goods 5%	Technical svcs. 6%	Construction 5%	Cons. goods 5%	Technical svcs. 6%
#6	Retail 6%	Food 6%	Pharma 4%	Pharma 4%	Cons. goods 6%	Cons. goods 5%	Technical svcs. 5%	Retail 5%
#7	Leisure 6%	Retail 6%	Technical svcs. 4%	Chemicals 4%	Construction 4%	Technical svcs. 5%	Prof svcs. 4%	Software 5%

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05

Methodology

Methodology

The data for this report comes from Gain.pro. Our focus for this analysis were “investable” assets HQ’d in Europe that fit within the private equity sweet spot.

The population we have used is family-owned and PE-owned assets in Europe. We excluded VC-backed and listed assets from our analysis. VC assets often have lower margins and listed assets are a category so their exclusion made sense.

We also restricted our analysis to assets that had cleaned financials with hand-curated profiles on Gain.pro (12-14+ hours primary research).

Unless stated otherwise, the financial metrics in the report are last reported. Where possible, we have used 2023 metrics. In cases where 2023 numbers are still being reported, we have relied on 2022 metrics.

All EBITDA related metrics such as EBITDA margin and EV/EBITDA multiples exclude Banking and Insurance from calculations.

Glossary

Benelux: Belgium, Netherlands and Luxembourg

CEE: Central and Eastern Europe

CAGR: Compound annual growth rate

CAPEX: Capital expenditures

DACH: Deutschland (Germany), Austria and Confoederatio Helvetica (Switzerland)

EBITDA: Earnings before interest, taxes, depreciation and amortization

EV: Enterprise value

Iberia: Portugal and Spain

NM: Not meaningful

Nordics: Finland, Norway, Denmark and Sweden

P.A.: Per annum

PE: Private equity

UK&I: United Kingdom and Ireland

About Gain.pro

Gain.pro is on a mission to provide global private market visibility. Our industry-leading platform combines advanced AI tech with local-for-local research. It delivers the highest quality information on the companies that matter to you most.

We serve 100% of MBB/Big-4 advisories, clients representing >$500bn of private equity capital and more than 70% of the top-20 global M&A houses. Examples include Blackstone, Goldman Sachs and McKinsey. We lead the market on customer satisfaction, as validated by external research (User Evidence survey 2023).

Gain.pro has been named as one of Europe's top 50 fastest growing businesses, operating globally with offices in Amsterdam, London, Frankfurt, Warsaw and Bangalore.

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