

Private Equity

Advent eyes once-elusive takeover targets amid crisis

Private equity firm looking at technology, healthcare and consumer sectors

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David Mussafer, chairman of Advent International

The US private equity firm behind one of Europe's biggest leveraged buyouts is seizing on the coronavirus pandemic to open talks with once-elusive takeover targets.

Advent International, which bought Thyssenkrupp's elevator business alongside other investors for €17.2bn in February, has started talks with "global leaders" about possible deals, its chairman David Mussafer told the Financial Times.

The coronavirus crisis has sent share prices plummeting and left many companies in desperate need of cash. There is now an "opportunity for us to get involved with some of the most incredible businesses on the planet that heretofore might not have been interested, or needed capital, or sought a partner," Mr Mussafer said, notably in the technology, healthcare and consumer sectors.

"These opportunities are some of the things that were so successful for us in the last crisis . . . we've already begun to have some incredible outreach and discussions with amazing businesses," he added.

The private equity industry is sitting on a record cash pile of \$2.5tn across all fund types, according to consultants Bain & Co.

Advent is targeting companies that were "very high priced" before the pandemic

and will look for so-called carve-out deals to buy units that are spun out of corporations,

Mr Mussafer said. Its strategy could involve buyouts, taking minority stakes in public companies or facilitating mergers between companies.

The €17.2bn price tag for Thyssenkrupp's elevator business looks steep today, following the drop in valuations since their peak just a few weeks ago.

Mr Mussafer defended the deal, describing the company as "one of the world's pearls, that we are incredibly proud to own," he said. "Of course . . . we would always like to own everything at a lower price, but we don't predicate our business model on what we call trying to steal first base," he added. "You have to pay a fair price."

Some European politicians have voiced concerns that coronavirus could leave companies open to hostile cross-border takeovers. In a speech last month, European Commission president Ursula von der Leyen urged EU member states to "protect critical European companies from foreign takeovers or influence that could undermine our security and public order".

Advent is no stranger to politically contentious deals, having acquired the UK aerospace and defence group Cobham in January over objections from parts of Britain's defence establishment.

In the wake of the 2008 financial crisis, Advent and rival private equity firm Bain Capital bought Royal Bank of Scotland's payments business – Worldpay – for £1.8bn after the European Commission ordered the bank to sell it as a condition of its bailout. Worldpay's growth surged under private equity ownership, and its 2015 listing valued the company at £6.3bn including debt.

Like the rest of the private equity industry, Advent has spent much of the past fortnight trying to support its portfolio companies. It owns more



James Brocklebank, managing partner of Advent © JCTPHOTO

than 70 businesses, ranging from hotel management firm Aimbridge Hospitality to Italy's ICE, which produces chemicals from animal bile for use in pharmaceuticals.

It will pump cash into some businesses from its funds and is also considering buying back the debt of certain portfolio companies, said London-based James Brocklebank, who co-chairs Advent's executive committee alongside Mr Mussafer.

"We do have the great luxury of having kept back significant funds in our previous funds in order to support the companies through difficult times or to support M&A," he said.

"You have to ask yourself, where do I deploy that capital?" added Mr Brocklebank.

"Should I buy back the debt of individual companies, should I continue to support M&A, particularly now, when actually the multiples might be quite attractive? There are many different things that you can do with the capital."

Advent has raised \$25m in charitable donations from its 50 partners in recent weeks, to support front-line staff fighting the pandemic and some portfolio company employees.