

Ability to Execute Complex Transactions Crucial for Acquirers of Carve-Out Assets in 2020

London, 18th May 2020 – A buyer’s ability to execute complex carve-out transactions is predicted to be the most important factor for corporate sellers of non-core assets, according to the findings of AURELIUS Equity Opportunities’ (“AURELIUS”) Annual Corporate Carve-out Survey. This finding, which has been amplified by the uncertain macro-environment caused by the Covid-19 crisis, contrasts with previous years, where the most important factor consistently chosen by respondents was securing the highest price.

The survey’s respondents, which consists of AURELIUS’ corporate and advisory contacts across Europe, were canvassed for their opinions on the volume and drivers of divestment activity in Europe in 2020.

Most important factor for corporate sellers of non-core assets is a buyer’s ability to execute the transaction

- **47%** of respondents expect a buyer’s ability to execute the acquisition of a non-core asset to be the most important factor for corporate sellers when choosing a buyer.¹
- **26%** of respondents expect that the highest bidder to be the most important factor for corporate sellers when choosing a buyer.²

Dirk Markus, CEO of AURELIUS, said: *“While this trend was recognised before the outbreak of COVID-19 in Europe, the economic damage we will experience as a result of the virus only increases the importance of acquirers’ ability to execute transactions. Even in a benign deal-making environment, corporate carve-outs remain one of the most complex facets of the M&A market, with assets hard to diligence and the operational steps that need to be taken post-acquisition to ensure that assets can function as standalone businesses.”*

Tristan Nagler, UK Managing Director of AURELIUS, said: *“In recent weeks, the pandemic has forced corporates to focus on safeguarding measures such as securing their balance sheets, accessing governmental relief and operational housekeeping. As isolation measures are eased, the economic damage on corporate liquidity and growth prospects will drive many to carve-out non-core businesses. This will likely result in the carve-out of high performing businesses as well as stressed and distressed assets.*

“Motivated sellers need to be sure that buyers can execute these often-complex transactions, and particularly that buyers have the sophistication to understand the carve-out’s prospects in a post-pandemic world. In our view, the most likely buyers will be special situations investors who have operated through previous economic cycles and can prove they can master the complexities associated with these carve-out transactions.”

Full report summary:

¹ In 2019, 7% of respondents predicted that ability to execute the transaction would be the most important factor for sellers of non-core assets when choosing a buyer.

² This was viewed as the most important factor in 2019’s survey, with 14% of respondents choosing this. In 2018, 30% of respondents chose this as the most important factor.

- **The size of expected corporate sellers of non-core assets is predicted to increase from small-cap companies to large-cap companies**
 - A majority of respondents to the survey (**34%**) expected that companies with a market capitalisation of €1bn-€5bn would be the most likely sellers of non-core assets in 2020.
 - This represents an increase of **29%** year-on-year versus the findings of 2019's survey.³
- **Good governance named as driver for management teams reviewing their portfolios for the first time**
 - **72%** of respondents to the survey either agree or strongly agree that good management will review portfolios of their assets and divest non-core assets in 2020 to practice good corporate governance.
- **Shareholder activism remains key driver of corporate carve-out activity in Europe**
 - **49%** of respondents to the survey either agree or strongly agree that activist investor pressure will continue to encourage European corporate divestment activity in 2020
- **Significant increase in the number of respondents expecting the DACH region to be one of the most active geographies for corporate disposals of non-core assets in 2020**
 - **67%** of respondents to the survey expect the DACH region to be one of the top three regions for the disposal of non-core assets in 2020, compared with **45%** of respondents in 2019.
- **Turn in the credit cycle not expected to have a negative impact on the number of corporate carve-out deals in Europe**
 - **46%** of respondents to the survey expect the volume of divestments of non-core assets by corporates to stay the same in the event of a turn in the credit cycle
- **For second consecutive year, the three sectors that respondents expected to the most sales of non-core assets in 2020 were Industrials, Retail and Business Services**

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Notes to Editor:

ABOUT AURELIUS

AURELIUS Group is a pan-European investment group with offices in Munich, London, Stockholm, Madrid and Amsterdam. Since it was founded in 2006, AURELIUS has grown from a local turnaround investor to an international multi-asset manager.

³ In 2019, 5% of respondents predicted the most likely sellers of non-core assets would be companies with a market capitalisation of €1bn-€5bn.

AURELIUS Equity Opportunities SE & Co. KGaA (ISIN: DE000A0JK2A8, ticker symbol: AR4) is the listed entity within AURELIUS Group and focuses on investing in mid-market corporate carve-outs and platform build-ups in a broad range of industries. With a team of more than 80 in-house operations experts, AURELIUS actively supports its portfolio companies in their long-term development. AURELIUS Equity Opportunities currently has 23 portfolio companies located across Europe which employ around 13,000 people and generate annual revenues of approx. EUR 3.5 billion. The shares of AURELIUS Equity Opportunities are traded on all German stock exchanges. The company's market capitalisation is approx. EUR 1.1 billion (as of December 2019).

AURELIUS Group also operates in the areas of growth capital, real estate opportunities and debt. AURELIUS Growth Capital invests in leveraged buyouts usually in succession or corporate spin-off situations. AURELIUS Real Estate Opportunities focuses on real estate investments, the value of which can be increased in the long-term by means of active management. AURELIUS Finance Company is an alternative direct lender, focused on providing flexible debt solutions to small and mid-market firms across Europe.

With its group charity AURELIUS Refugee Initiative e.V., AURELIUS provides comprehensive support for refugees on their way towards a better life.

To find out more, visit www.aureliusinvest.de.

CONTACT

Hawthorn Advisors

Henry Lerwill

Phone: +44 (0) 20 3745 4970

E-mail: h.lerwill@hawthornadvisors.com

Ryan Smith

Phone: +44 (0) 20 3745 3805

E-mail: r.smith@hawthornadvisors.com