



# Global Private Equity Practice

2020/2021 HIGHLIGHTS

Dechert  
LLP

**PRIVATE EQUITY**

INVESTED IN YOUR SUCCESS SINCE 1984



We advise

300+

private equity  
clients

Interdisciplinary  
team of

250

private equity  
lawyers globally

25,245  
25,215



Notwithstanding the short, sharp shock that the private equity industry experienced in the first half of 2020 due to the COVID-19 crisis, the industry has proven to be resilient.

Consistent with this trend, Dechert's global private equity practice successfully completed another record-breaking year in 2020.

From fund formation, secondaries transactions (including advising this year on the largest-ever fund secondaries transaction globally), M&A, finance, tax and restructuring to IP, cybersecurity, litigation, labor and regulatory/trade, a team of 250+ Dechert lawyers across 18 offices represents a growing roster of more than 300 private equity firms, sovereign wealth funds, family offices and other alternative asset managers.



Dechert's Mark Thierfelder spoke with CNBC about the surge in PE buyout activity seen in late 2020 and other global trends likely to impact dealmaking in 2021.



We advise  
**700+**  
private funds  
worldwide

As detailed in Dechert's 2021 *Global Private Equity Outlook* report, published in collaboration with *Mergermarket*, several trends helped define the private equity industry in 2020 and are expected to shape it in the year ahead. We have summarized a number of those trends below:

**Healthcare, life sciences and TMT industry sector gains.** The healthcare, life sciences and TMT sectors saw positive momentum with 2020 increases on the previous year. Pandemic-inspired trends, including a focus on innovation, the search for COVID-19 therapies and vaccines, and an accelerated digital transformation, helped drive these activity levels, and this is expected to continue into 2021.

During 2020, like years past, Dechert advised on a number of noteworthy and market-changing transactions in these sectors. For example, in the healthcare and life sciences industry, a cross-border Dechert team represented **Cerberus Capital Management**



# Committed Capital

A GLOBAL PRIVATE EQUITY PODCAST



on the sale of its portfolio company, Covis Pharma, a global specialty pharmaceutical company headquartered in Switzerland, to funds managed by affiliates of Apollo Global Management, which involved a multidisciplinary team of Dechert lawyers across six offices in the U.S. and Europe. Dechert also represented **Cerberus Capital Management** on the acquisition by one of its affiliates of National Dentex Labs, the largest network of fully owned dental labs in the United States. Other examples include representing European private equity health care specialist firm **ArchiMed** on the partial sale of Polyplus-transfection® SA, a developer of innovative and cost-effective technology used in gene and cell therapy, to Warburg Pincus (which has been shortlisted by *Private Equity International* for 2020 PE Exit of the Year), **Morgan Stanley Capital Partners** on its acquisition of digital health care education company US HealthConnect, and **Ridgemont Equity Partners** on its acquisition of Anne Arundel Dermatology Management. In addition, we advised **KKR** on the tax-structuring aspects of its €3.3 billion acquisition, alongside other co-investors, of the Elsan group, France's

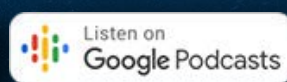
second-largest operator of private clinics and hospitals, and subsequently advised **Elsan** on the tax-structuring aspects of its proposed acquisition of the C2S group of generalist clinics from Eurazeo Patrimoine.

Our work in the TMT sector included guiding long-standing client **Court Square Capital Partners** and its portfolio company AHEAD through a series of concurrent transactions, drawing on our deep expertise in the technology sector. While simultaneously advising AHEAD and its PE sponsor on its sale to Centerbridge Partners, Dechert also represented **AHEAD** on its acquisitions of IT companies Kovarus and RoundTower, which were already underway. As a result of our deep understanding of our client's business, we were able to expertly manage and navigate a range of complex deal dynamics and help successfully close all three transactions on the same day. Another illustration of Dechert's work in the TMT sector was our representation of the Singaporean sovereign wealth fund **GIC** in connection with the sale by an investor consortium that included Silver

## Dechert delivers global PE industry insights as and when issues emerge.

Against a backdrop of macroeconomic and political uncertainty, combined with record sums of dry powder and a history of outperforming the public markets, Dechert launched its Committed Capital podcast series in 2020 to explore current issues and trends affecting PE globally. Hosted by members of Dechert's private equity practice, Committed Capital features conversations with leaders from across the industry, including senior investment professionals from **Ares, Blackstone, Cerberus, Court Square, First Atlantic Capital, H.I.G. Capital, KKR, Morgan Stanley Capital Partners, One Equity Partners, Partners Group** and **Vista Equity Partners**, in 2020.

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# Private equity lawyers in

# 18

## offices throughout the United States, Europe, Asia and the Middle East

Lake, GIC, Spectrum Equity, Permira and other equity holders of Ancestry®, a global leader in digital family history services operating across 30+ countries with 3.6 million subscribers, to Blackstone for a total enterprise value of US\$4.7 billion. We previously represented GIC, which will continue to retain a significant minority stake in Ancestry®, in the consortium's initial acquisition of the company four years prior. A cross-border Dechert team also utilized their deep emerging markets and private equity experience to advise **Cerberus Frontier** on a novel transaction involving the carve-out and subsequent acquisition of a stake in seven subsidiaries operating in the telecommunications and consumer goods sectors from the MCS Group, in what marks the largest-ever private equity transaction in Mongolia.

**Buy-and-build deals are on the upswing.** Roll-up strategies are one of private equity's tried-and-true ways of creating value – General Partners (GPs) can significantly increase their returns by buying a platform company, bolting numerous companies on to it and selling

the stronger and scaled-up entity. Buy-and-build transactions are one of the few forms of M&A that increased in number throughout 2020.

Dechert provides sophisticated representation to the portfolio companies of private equity sponsors throughout their life cycle. Our approach is to leverage a team whose members were involved in the initial acquisition of the company so as to provide relationship continuity that promotes greater efficiencies, while also helping to build an effective bridge between the company and its private equity sponsor. Advising **Direct Healthcare Group (DHG)**, a portfolio company of **ArchiMed**, on its 2020 acquisition of the Patient Handling Europe division of Swedish-listed group Handicare is a prime example of this. Having previously advised ArchiMed on its acquisition of DHG in December 2019, the same team represented the portfolio company on what was a complex, cross-border carve-out transaction.

Another example was our 2020 representation of **Clarity Software Solutions**, a portfolio company of **Morgan Stanley Capital Partners**, on its acquisition of Premier Graphics, following our representation of Morgan Stanley Capital Partners on its acquisition of Clarity Software Solutions the prior year. We also advised **One Equity Partners'** portfolio company Computer Design & Integration in connection with three add-on acquisitions in 2020, including those of Plan B Technologies, P5 Solutions, and High Availability.

**Carve-outs are on the rise.** Acquisitions of corporate assets can be expected to rise in 2021, not in spite of the coronavirus pandemic but because of it. After more than a decade of accumulating debt in the low interest rate environment precipitated by the Global Financial Crisis, corporate liabilities are at an all-time high. The amount of global debt from financial and non-financial corporates rated by S&P Global Ratings

topped US\$20.6 trillion in 2020. As earnings come under pressure amid the economic fallout of the health crisis, and liquidity requirements continue to be a challenge for companies with significant leverage, this could tip some large businesses into default territory. An attractive option for corporates seeking to deleverage their balance sheets is to review their operations to identify any non-core business units that can be divested. Dechert actively advised on carve-out transactions in 2020, and consistent with predictions by leading PE industry players, we expect this trend to further increase in 2021.

In 2020, Dechert advised **Graham Partners** on its carve-out acquisition of Berry Global's flexible packaging converting business and concurrent combination of the business with Graham Partners' flexible packaging portfolio company, Advanced Barrier Extrusions, which we helped Graham Partners acquire in August 2018. Also in the flexible packing space, Dechert advised **C-P Flexible Packaging**, a **First Atlantic Capital** portfolio company, in the carve-out acquisition of Genpak Flexible from Canadian conglomerate Jim Pattison Group.

Other examples include advising consumer and retail private equity firm **Tengram Capital Partners** on its acquisition of the haircare and skin-cleansing business of High Ridge Brands Co., pursuant to a competitive auction conducted under Section 363 of the U.S. Bankruptcy Code where Perrigo Company plc partnered with Tengram in the auction to acquire the oral care business of High Ridge Brands, and representing **Precisely (f/k/a Syncsort)**, a portfolio company of **Centerbridge Partners**, on its sale of Confirm to Dude Solutions, a SaaS provider of cloud-based operations management software.



US\$4.7 billion

Sale of Ancestry® to  
The Blackstone Group

Counsel to GIC



Sale of AHEAD to  
Centerbridge  
Counsel to Seller/Target

AHEAD  
Acquisitions of Kovarus  
and Round Tower

Counsel to Buyer

**cerberus**

Sale of Covis Pharma to  
Affiliates of Apollo Global  
Management

Counsel to Seller





Equity investment in  
Snooze by Brentwood  
Associates

Counsel to Snooze



US\$22 billion  
Merger of Ultimate  
Software and Kronos  
Incorporated

Counsel to GIC



Sale of Command Alkon  
to Thoma Bravo

Counsel to Seller/Target

## Private credit has arrived as a partner to PE.

The long-term growth of private credit has been nothing short of stratospheric. In 2000, the private credit market scarcely existed, worth at the time little more than US\$40 billion. Today that has ballooned twenty-fold to more than US\$800 billion. This has been propelled by direct lending funds, which have grown in number and size in tandem with the leveraged buyout market they almost exclusively finance. GPs have grown accustomed to the benefits of this source of deal financing, such as looser covenants and more generous leverage ratios, in spite of the higher cost of capital that comes with those advantages.

Dechert actively represents lenders across the capital stack, including senior, second lien, unitranche, mezzanine and PIK. Having previously represented **Ares Management Limited (Ares)** on the 2019 refinancing of Daisy Group in one of the largest European private credit transactions ever completed, and the 2020 financing to the Ocorian Group in connection with its acquisition of Estera from Bridgepoint, we continued to represent Ares, as well as leading funds such as **Alcentra, Barings Asset Management, BC Partners** and **CVC Credit Partners**, to name a few, as lenders in connection with numerous U.S. and European private equity financings this year.

In recent years, private credit funds have increasingly sought the benefits of scale, including improved access to the capital markets, increased trading dynamics from a larger, broader and more diverse investor base, and cost synergies. Often these funds have called upon Dechert's deep and highly integrated financial services M&A expertise to help them implement their growth strategies. For example, this year Dechert represented **FS/KKR Advisor**, a partnership between FS Investments and KKR Credit Advisors, in the proposed merger of FS KKR Capital



Corp. (NYSE:FSK) and FS KKR Capital Corp. II (NYSE:FSKR), two publicly traded business development companies (BDCs). The merger will create one of the largest BDCs in the U.S., with US\$14.9 billion in assets under management, US\$7.2 billion in net asset value and more than US\$3 billion of committed capital available for new investment opportunities.

**Private equity fundraising has had an incredible run, and 2020 held ground.** Annual aggregate capital raised over the past decade has reached new heights. For each of the past four years, for instance, AUM raised surpassed US\$600 billion, according to Preqin – an unprecedented feat. While 2020 levels of capital raising lagged relative to prior years, fundraising overall remained buoyant and was not severely affected by COVID-19.

Our recently expanded global team of fund formation lawyers has played a meaningful role in the US\$3.8 trillion (between dry powder and invested capital) that GPs now steward, with 700+ private funds, including **Apollo Global Management, Columna Capital** and **MiddleGround Capital** as clients. In 2020, we continued to help funds across multiple jurisdictions raise capital. In fact, Dechert is the only law firm with a funds presence in all key European fund jurisdictions, as well as throughout the U.S., Middle East and Asia, enabling us to advise clients on their most complex cross-border structuring, regulatory and tax issues. In addition, Dechert has been at the forefront of helping private fund clients navigate the evolving environmental, social and governance (ESG) regulatory landscape and requirements. Further details can be found on [\*\*Dechert's ESG for Asset Managers web page\*\*](#).

## Morgan Stanley

Morgan Stanley Capital Partners

Acquisition of US  
HealthConnect

Counsel to Buyer



Genstar Capital's  
recapitalization of its  
portfolio company,  
ConnectiveRx

Counsel to Blackstone  
Tactical Opportunities



Partial sale of  
Polypus-transfection ®  
SA to  
Warburg Pincus

Counsel to Seller

(Shortlisted by *PEI* for "2020 PE  
Exit of the Year")



Sale of BrightPet  
Nutrition Group to A&M  
Capital Partners

Counsel to Seller

**cerberus**

Cerberus Frontier

Acquisition of a stake  
in seven MCS Group  
companies

Counsel to Buyer

(Largest-ever PE investment in  
Mongolia)



Further Global

Acquisition of

AA Ireland

Counsel to Buyer

## Diversification of assets remains on the agenda for alternative asset managers, including private equity firms.

Growing assets under management (AUM) and scale combined with delivering risk-adjusted returns through the gamut of private capital asset classes are the motivating factors for this trend – at which Dechert continues to play center stage. For example, this year, Dechert represented an affiliate of **Bain Capital (Bain Capital Credit U.S. CLO Manager, LLC)** in connection with a new collateralized loan obligation (CLO) platform strategy, comprising five U.S. new-issue broadly syndicated CLO transactions, totaling US\$2.4 billion. Dechert also provided Bain with cutting-edge advice on how to address assets that were in the process of being worked out in the CLOs. With 50+ CLO managers as clients (more than any other law firm), Dechert is a market leader in the CLO space – a space that proved to be resilient in 2020 with some market participants estimating issuance of up to US\$110 billion for 2021.



In this *Drinks with The Deal* podcast, Dechert's Ken Young discussed how PE firms have diversified, recent deals on which he has worked and the importance of partner development.



50% of the  
2020 PE transactions  
on which we advised  
were cross-border

Guided clients in private  
equity transactions  
totaling more than

US\$100  
billion

We advised on two of  
the **largest** PE-backed  
acquisitions globally in  
the past three years, the  
**largest** PE exit in 2019  
and the **largest-ever** fund  
secondaries transaction  
in 2020

**FS | KKR**

US\$14.9 billion

Proposed merger of  
FS KKR Capital Corp. and  
FS KKR Capital Corp. II

Counsel to FS/KKR  
Advisor

 **BainCapital**  
CREDIT

Bain Capital Credit U.S.  
CLO Manager, LLC

US\$2.4 billion

Five U.S. new issue  
broadly syndicated CLO  
transactions

Counsel to Issuer



Acquisition of a majority  
ownership in Dura  
Automotive Systems from  
Bardin Hill Investment  
Partners

Counsel to Buyer



Selected statistics and insights are drawn from 2021 Global Private Equity Outlook, a report co-published by Dechert LLP and *Mergermarket*. The report includes insights from a survey of 100 senior PE executives in Asia, Europe and the U.S., and discusses the sector's resilience as well as emerging global trends expected to shape the industry in 2021.