

Special Report

# Global Private Equity Factbook (Special Edition) – Q1 2021

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## PE Investments in New Age Economy

Growing adoption of digital transformation technologies spurred by pandemic are making new age sectors a key focus area for global private equity (PE) investments

Q1 2021



- The traditional sectors refer to sectors that have not changed significantly despite the adoption of advanced technologies.

- These include the primary and secondary sectors such as consumer goods, iron and steel, banking and insurance, energy and infrastructure, industrials, healthcare, and chemicals.

- The new age sectors focus on developing cutting-edge technologies to achieve business growth.

- These include technology, insurance tech, consumer tech, alternate energy, big data, payment gateways, digital wallets, SaaS, enterprise software, and clean tech, among others.

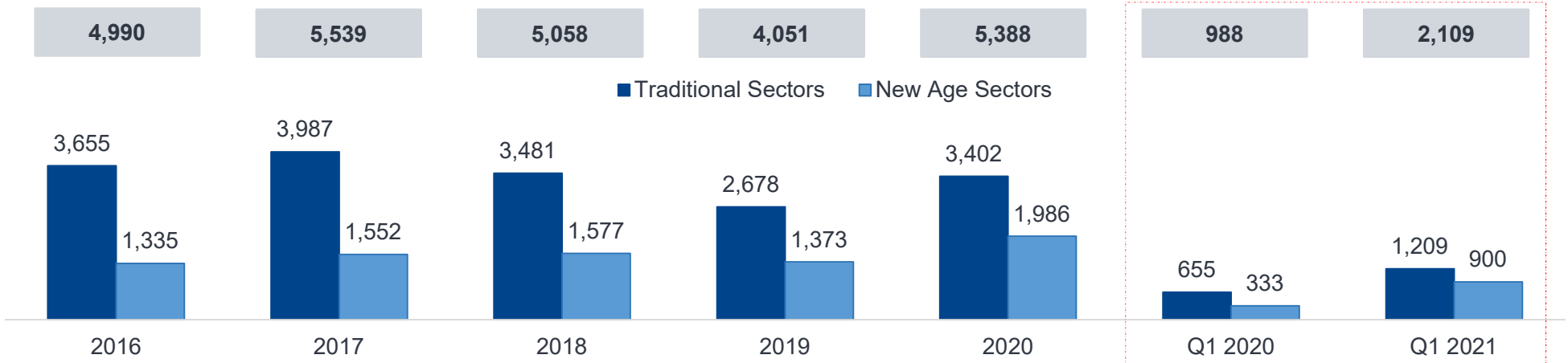
Source: Pitchbook, Aranca Analysis

Note: Quarter represents the calendar year.

Number of deals grew by almost 3x in new age sectors compared to 1.8x in traditional sectors y-o-y\*\*; PIPE and growth transactions accounted for majority of deals

### Number of Deals

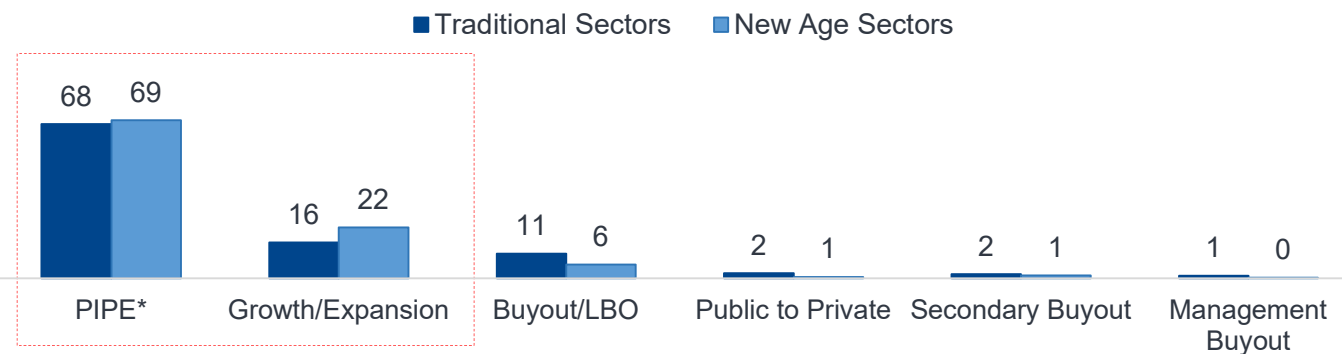
Figures in Units



Indicates annual/YTD deals completed

### Type of Deals – Q1 2021

Figures in Percentages



*“PE firms are flush with investor cash and are being drawn to startups helping companies to reinforce their businesses following the impact of the COVID-19 pandemic.”*

**– Tech Focused Advisory Boutique Firm**

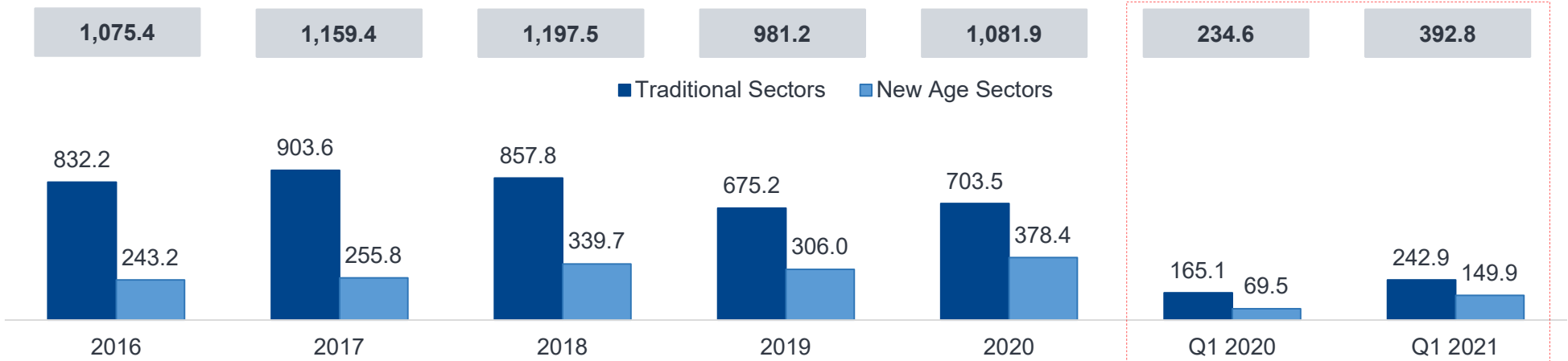
Source: Pitchbook, Aranca Analysis

Note: \*PIPE: Private Investment in Public Equity  
 \*\*Y-o-Y: Q1 2021 vs Q1 2020

# Capital invested grew at similar rate in both new age and traditional sectors, led by PIPE and buyout transactions, respectively

## Capital Invested

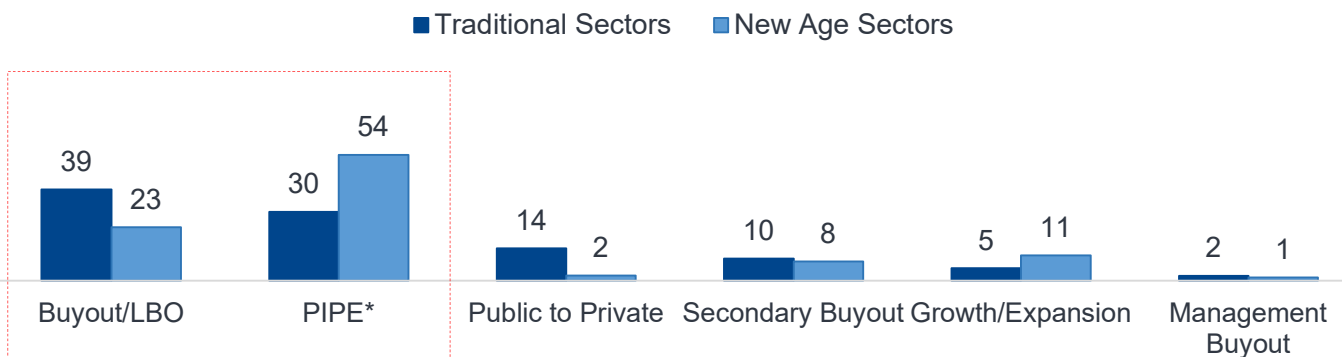
Figures in USD Bn



Indicates annual/YTD capital invested

## Type of Deals – Q1 2021

Figures in Percentages



*“We expect the emergence of unicorns and the smaller companies working on these new technologies to become more attractive to venture capitalists, private equity houses and corporates, once matured.”*

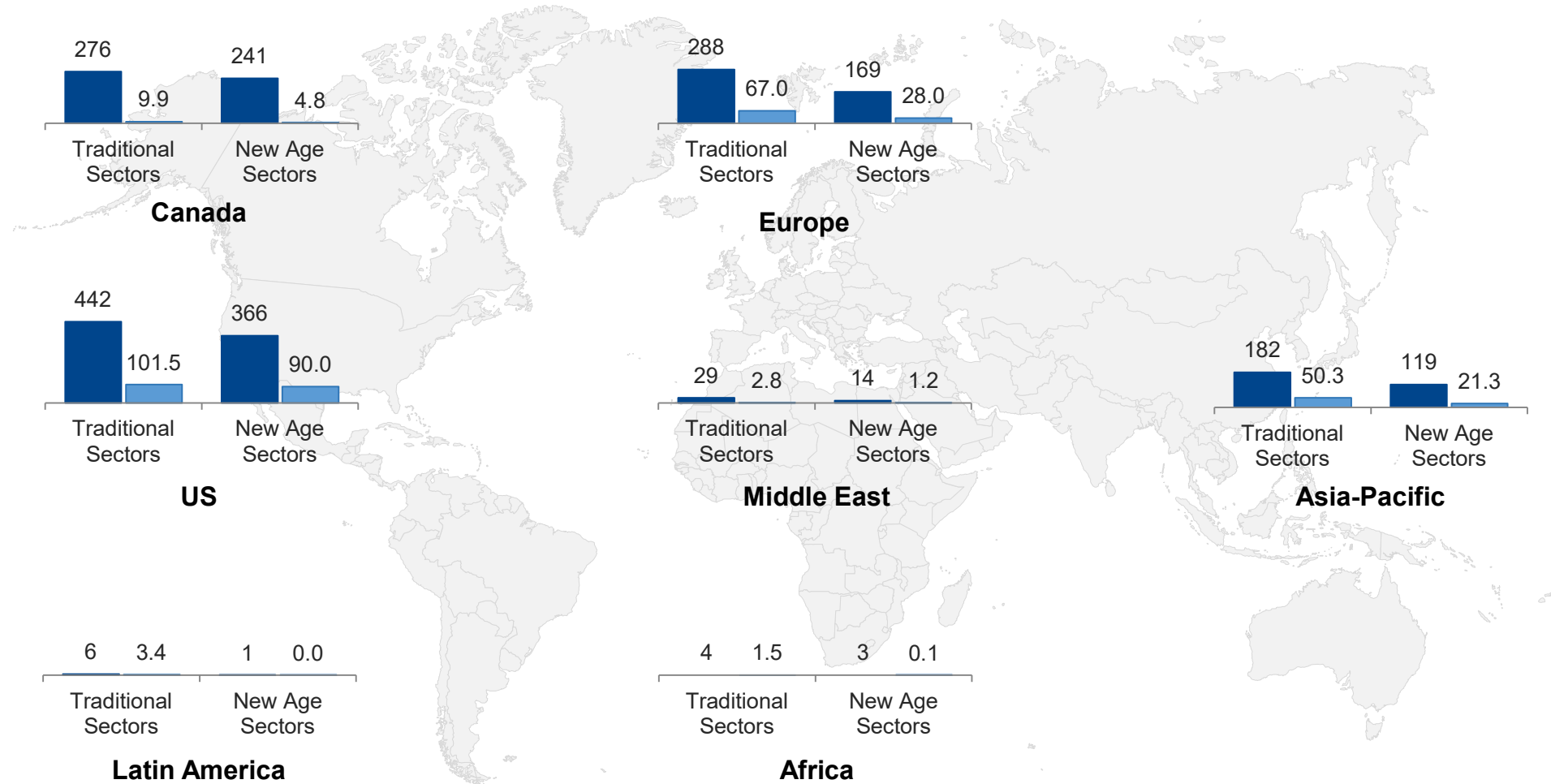
**– International Investment Bank**

Source: Pitchbook, Aranca Analysis

Note: \*PIPE: Private investment in public equity

# The US, Canada, Europe led number of deals in new age sectors, in sync with the investments in traditional sectors

## Target Geographies – Q1 2021

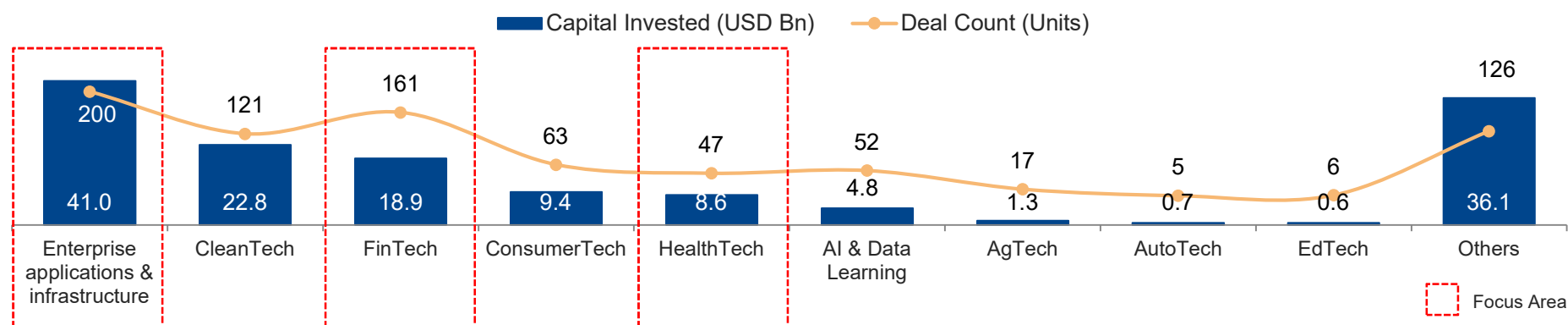


Source: Pitchbook, Aranca Analysis

■ Number of Deals (Units) ■ Capital Invested (USD Bn)

# Enterprise applications and infrastructure, FinTech, HealthTech expected to attract higher PE investments fueled by pandemic

## Target Sectors



- The new age sectors have been attracting PE investments over the years; the trend has continued even during the pandemic. In Q1 2021, enterprise applications and infrastructure, cleantech, and fintech witnessed majority of PE deals. Nonetheless, the following sectors have not only been resilient to the pandemic but are further expected to attract PE investments in the current economic and business environment:

  - **Enterprise applications and infrastructure:** Rapid adoption of innovative technologies to adapt to the uncertain business environment
  - **FinTech:** Shift toward digital banking services, online payments, digital wallets, etc. to continue after the pandemic as well
  - **HealthTech:** Continued adoption of innovative technologies to support the healthcare sector across the globe

Source: Pitchbook, Aranca Analysis

# Enterprise applications and infrastructure



# Introduction of innovative technologies coupled with strong fundamentals of enterprise software companies led to growth in PE investments

## Enterprise applications and infrastructure\*



- Enterprise applications and infrastructure includes software solutions that offer business tools to model business processes for organizations to improve productivity and efficiency.
- It includes enterprise software, big data/data analytics, digital marketing, SaaS, business intelligence, 3D printing, Internet of Things, and cloud technology, among others.

Source: Pitchbook, Aranca Analysis

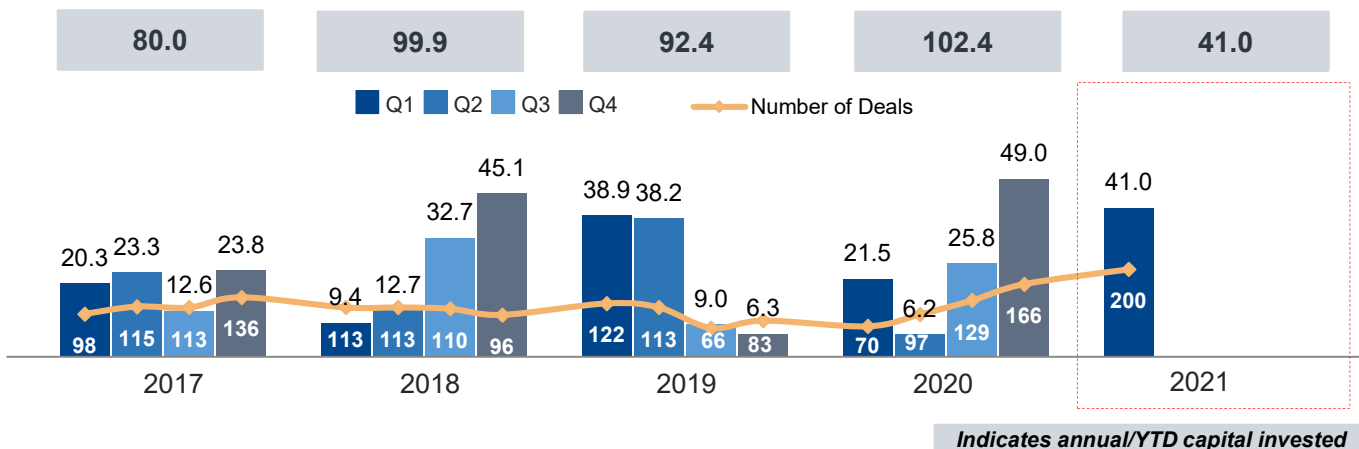
Note: Quarters represent the calendar year.  
Includes sectors such as 3D printing, big data, CloudTech, IoT, SaaS, and advertising and marketing technology



Investments in the sector remained subdued in first half of 2020 but picked up pace in last two quarters; trend expected to continue, driven by PIPE and growth transactions

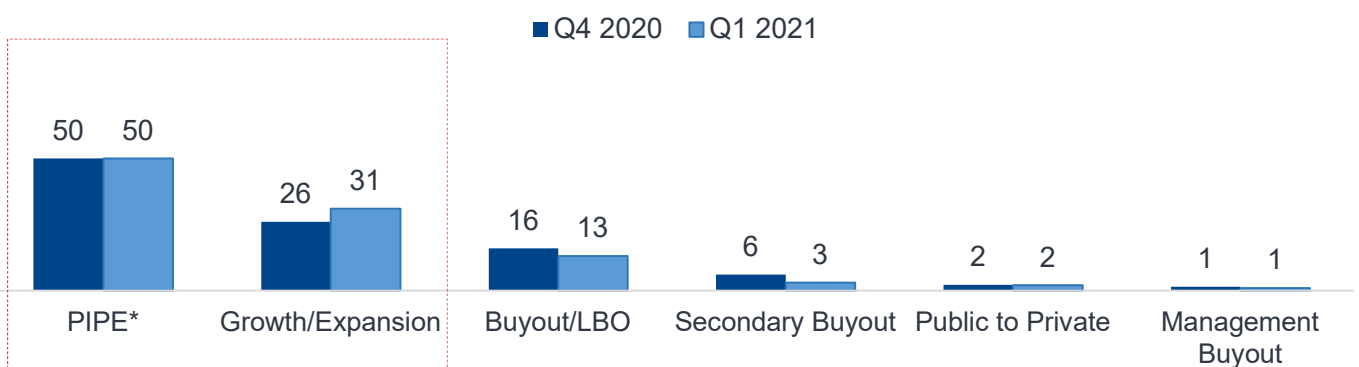
## Capital Invested

Figures in USD Bn



## Type of Deals – Q1 2021

Figures in Percentages



- The technology industry has steadily attracted PE investments over the last decade.
- In 2020, the deal activity in enterprise software companies continued to be resilient amid the pandemic.
- PIPE transactions led the 20% growth recorded in Q1 2021.
- Consumers and businesses looking for technology solutions to support new ways of working and living are acting as a catalyst for PE investments.
- The pace of deals is likely to increase in 2021 as companies introduce new technologies to create efficiencies and automate processes.

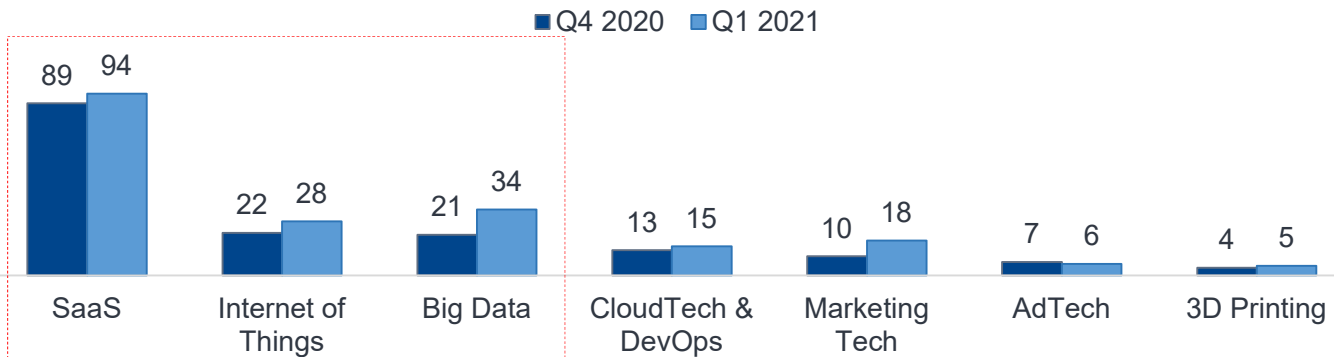
Source: Pitchbook, News Articles, Aranca Analysis

Note: \*PIPE: Private investment in public equity

# SaaS, internet of things, big data dominated deal activity in enterprise applications and infrastructure sector in Q1 2021

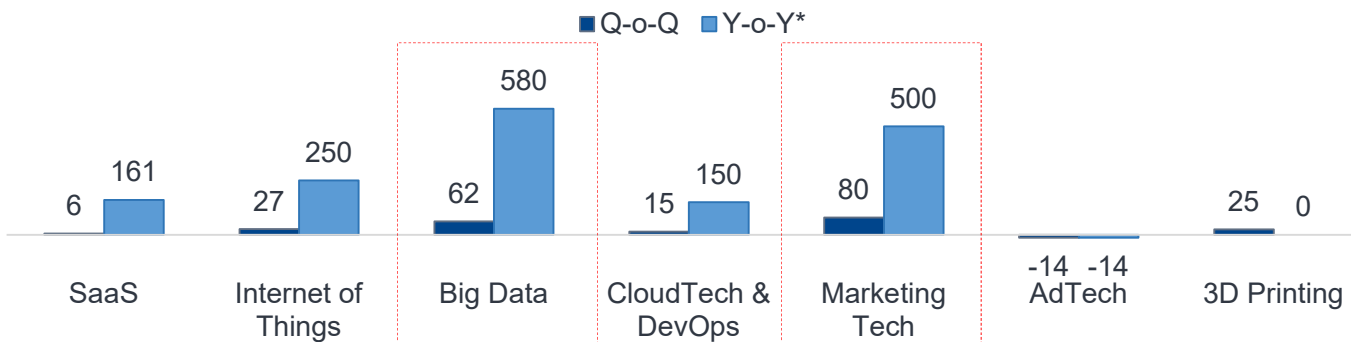
## Number of Deals

Figures in Units



## Growth in Deal Count

Figures in Percentages



*“Behind PE’s insatiable appetite for software is an interesting shift in mindset from bottom-line to top-line growth. While growth through consolidation remains a viable strategy, PE shops are increasingly eyeing smaller, younger and arguably riskier targets in the cloud.”*

**– Global Technology Practice Head, Financial Advisory Firm**

*“While the pandemic has hurt the broader economy, the technology sector has been less impacted, as consumers and businesses have looked for technology solutions to support new ways of working and living. As a result, tech deal-makers appear to have increased levels of optimism.”*

**– Global Accounting Firm**

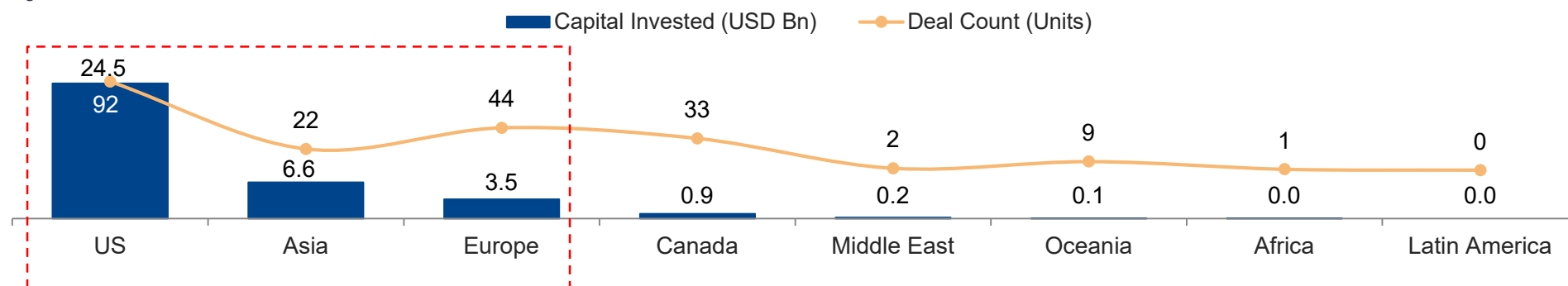
Source: Pitchbook, Aranca Analysis

Note: \*Y-o-Y: Q1 2020 vs Q1 2021

# The US, Asia, Europe accounted for more than 75% of total deals in Q1 2021

## Target Geographies – Q1 2021

Figures in USD Bn



Company Name	Deal Date	Deal Size (USD Mn)	% Acquired	Deal Type	Investors	Deal Size/ EBITDA	Deal Size/ Revenue	EV/ EBITDA	EV/ Revenue
Precisely (New York)	Mar-21	3,500	100	Buyout/LBO	Clearlake Capital Group, TA Associates Management	12.1x	5.8x	12.1x	5.8x
MagnaChip Semiconductor	Mar-21	1,400	100	Buyout/LBO	Wise Road Capital	30.8x	2.8x	24.6x	2.2x
TripleLift	Mar-21	1,400	100	Buyout/LBO	Visa Equity Partners	-	-	-	-
Newfold Digital	Feb-21	1,100	50	Buyout/LBO	Clearlake Capital Group	-	-	-	-
nThrive Technology	Jan-21	1,000	100	Buyout/LBO	Clearlake Capital Group	-	-	-	-
<b>Median</b>						<b>21.5x</b>	<b>4.3x</b>	<b>18.4x</b>	<b>4.0x</b>

Source: Pitchbook, Aranca Analysis

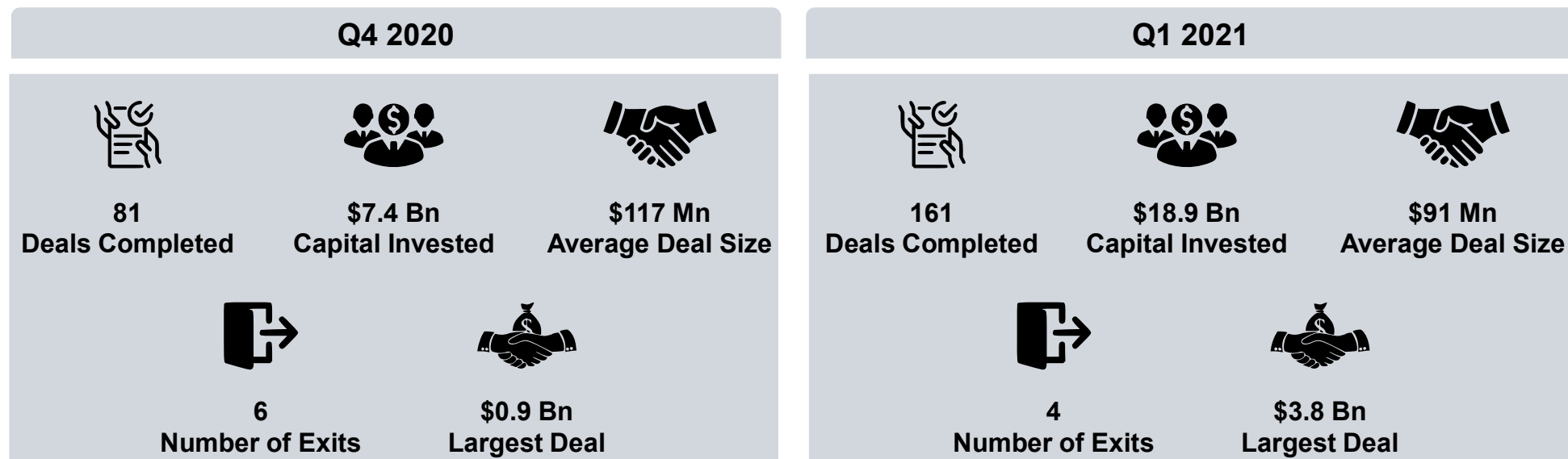
Deals include both completed and announced

# FinTech



PE investments in FinTech doubled in Q1 2021 due to growing adoption of digital technologies, further triggered by pandemic

### FinTech\*



- FinTech includes businesses that develop or use technology to automate or enhance the delivery of financial services.
- It includes crowd funding, digital wallets, payment gateways, financial product aggregators, P2P lending, mortgage tech, B2B payments, and cryptocurrencies, among others.

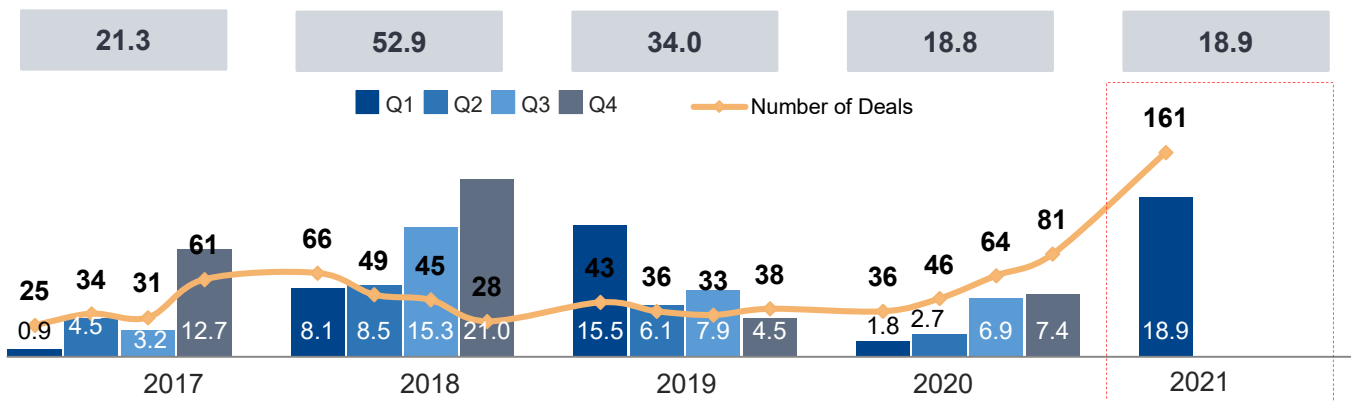
Source: Pitchbook, Aranca Analysis

Note: Quarters represent the calendar year.  
\*Includes sectors such as FinTech (B2C), B2B FinTech, cryptocurrency, and mortgage tech

# PE investments in FinTech surged in Q1 2021, reaching 2020's total capital infusion (\$18.8 Bn) in Q1 2021 (\$18.9 Bn) itself

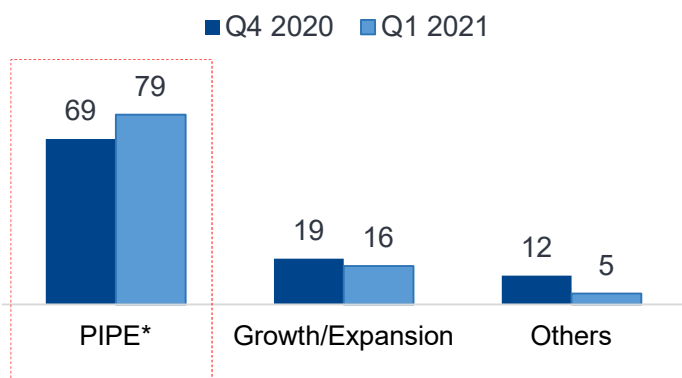
## Capital Invested

Figures in USD Bn



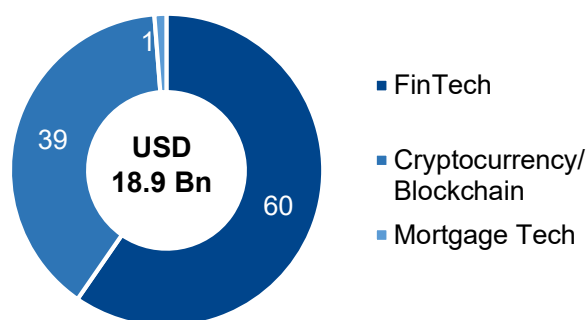
## Type of Deals – Q1 2021

Figures in Percentages



## Sub-Segments – Q1 2021

Figures in Percentages



- 2018 was a record year for FinTech; it witnessed big ticket deals in the B2C space.
- Deal activity remained subdued in 2019 and 2020 but picked up pace in Q1 2021.
- The number of deals completed in Q1 2021, amid the impact of COVID-19 across the globe, reached ~70% of the total deals completed in 2020.
- At the start of 2021, FinTech startups managed to raise substantial funding, primarily through PIPE deals.
- Interestingly, in Q1 2021, PE firms invested heavily in the cryptocurrency/blockchain space; these investments accounted for ~39% of total FinTech investments.

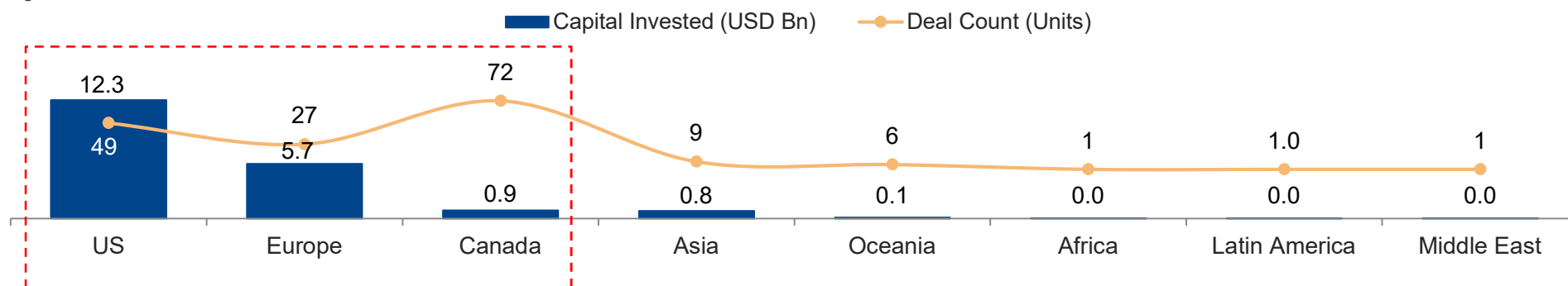
Source: Pitchbook, News Articles, Aranca Analysis

Note: \*PIPE: Private Investment in Public Equity

# North America, Europe accounted for majority of total global FinTech deals in Q1 2021

## Target Geographies – Q1 2021

Figures in USD Bn



Company Name	Deal Date	Deal Size (USD Mn)	% Acquired	Deal Type	Investors	Deal Size/ EBITDA	Deal Size/ Revenue	EV/ EBITDA	EV/ Revenue
Calypso Technology	Mar-21	3,750	100	Buyout/LBO	Thoma Bravo	37.5x	15.0x	37.5x	15.0x
SoFi	Jan-21	1,200	-	Buyout/LBO	Altimeter Capital Management, Baron Funds, Blackrock, & Others	-	1.9x	-	-
InvestCloud	Feb-21	800	80	PIPE	Accenture, Citi Ventures, Clearlake Capital Group, & Others	-	2.8x	-	3.5x
Arrow Global	Mar-21	780	100	Buyout/LBO	TDR Capital	-	2.3x	-	2.3x
eToro	Mar-21	650	-	PIPE	Fidelity Investments, ION Group, Shefa Capital, Softbank, & Others	-	-	-	-
<b>Median</b>						<b>37.5x</b>	<b>2.6x</b>	<b>37.5x</b>	<b>3.5x</b>

Source: Pitchbook, Aranca Analysis

Note: Deals include both completed and announced

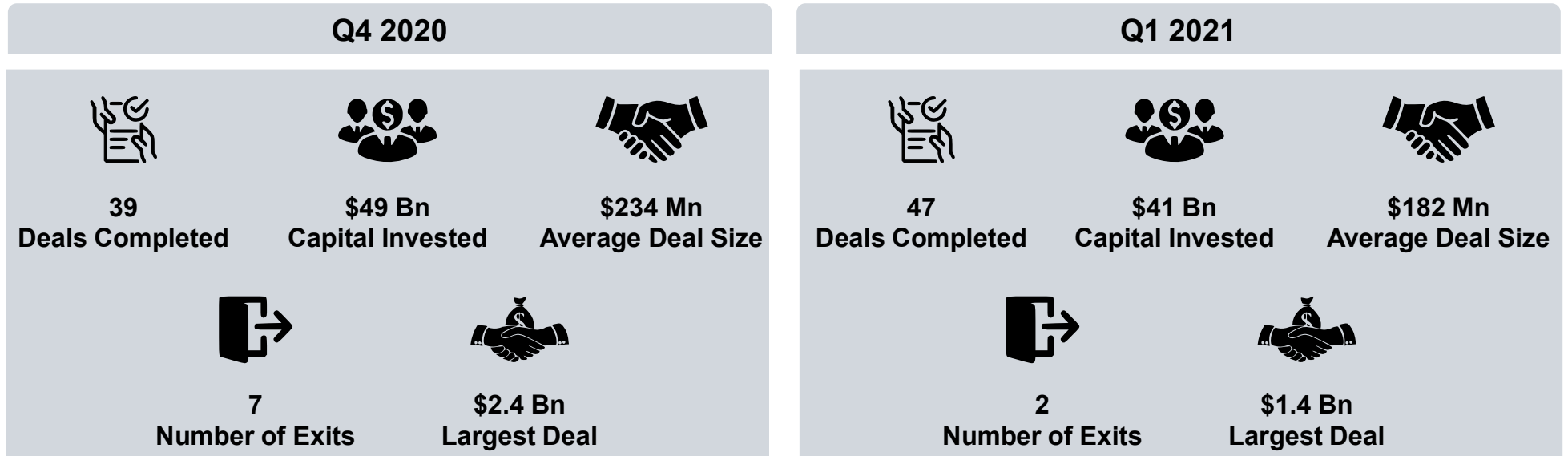
# HealthTech





Deal activity has grown ~20% as PE investors continue to invest in companies developing technologies to improve healthcare sector

HealthTech\*



- HealthTech includes companies that develop technologies/software to enhance the delivery of healthcare services.
- It includes Internet of Healthcare Things, biotechnology/bio-medicine, healthcare IT, wearables, digital health, and insurance tech, among others.

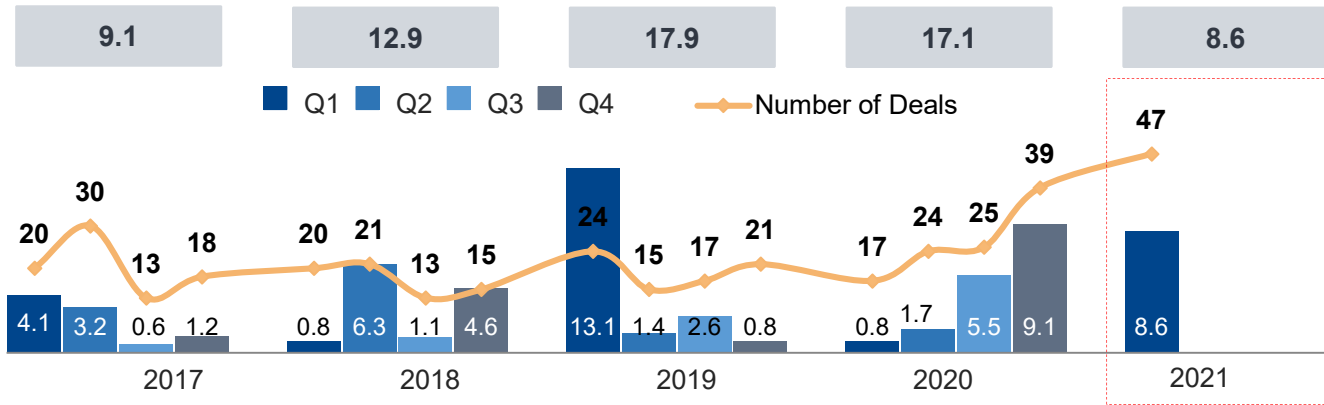
Source: Pitchbook, Aranca Analysis

Note: Quarters represent the calendar year.  
\*Includes sectors such as HealthTech, InsurTech, digital health and wearables

# PIPE transactions led growth in deal activity mainly in HealthTech and InsurTech segments

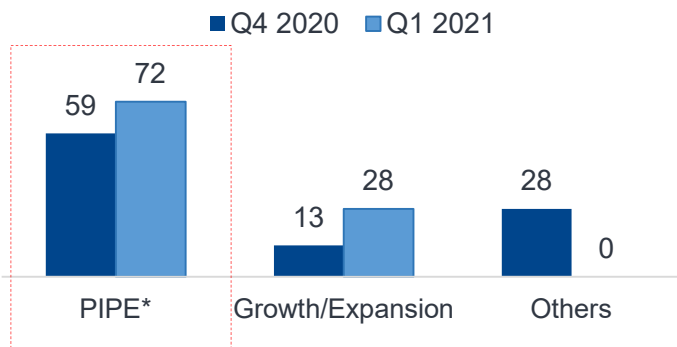
## Capital Invested

Figures in USD Bn



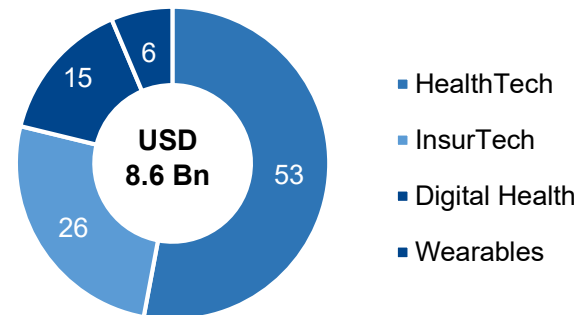
## Type of Deals – Q1 2021

Figures in Percentages



## Sub-Segments – Q1 2021

Figures in Percentages



- Historically, PE investments in healthcare technology companies have been slow.
- 2019 witnessed a boom in deal activity led by companies offering tech solutions in the healthcare sector.
- In 2020, HealthTech companies remained attractive targets for PE investments as the pandemic led to rapid adoption of digital solutions in healthcare and demand for alternative forms of care delivery.
- HealthTech innovators that focus on introducing innovative technologies are expected to raise funding through IPOs and SPACs in the coming years.

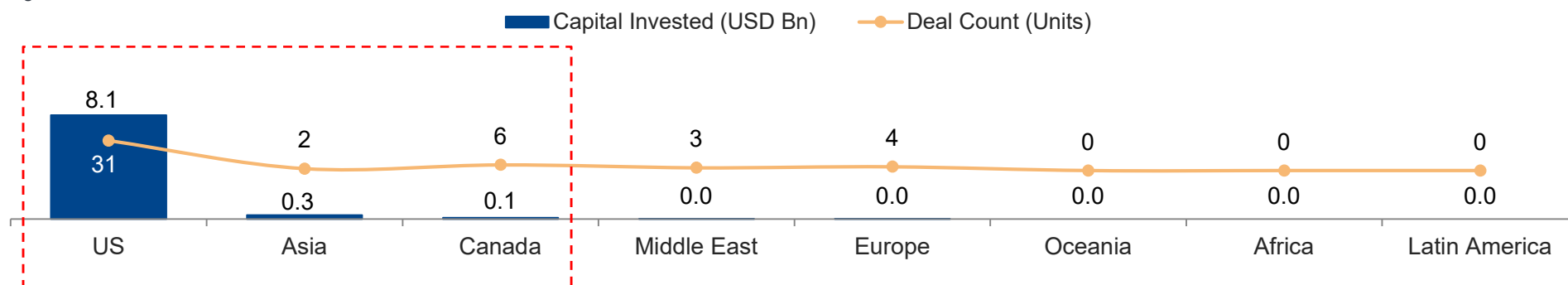
Source: Pitchbook, Aranca Analysis

Note: \*PIPE: Private Investment in Public Equity

# The US, Asia, Canada accounted for more than 80% of deals in Q1 2021

## Target Geographies – Q1 2021

Figures in USD Bn



Company Name	Deal Date	Deal Size (USD Mn)	% Acquired	Deal Type	Investors	Deal Size/ EBITDA	Deal Size/ Revenue	EV/ EBITDA	EV/ Revenue
Oscar	Mar-21	1,445	18	IPO	Coatue Management, Dragoneer Investment Group, & Others	-	2.5x	-	-
Hippo (Property & Casualty Insurance)	Mar-21	730	-	PIPE	Dragoneer Investment Group, Reinvent Capital, & Others	-	-	-	-
Sharecare	Feb-21	425	-	PIPE	Anthem, Baron Funds, Digital Alpha Advisors, & Others	-	-	-	-
Clover Heath	Jan-21	400	-	PIPE	Fidelity Management and Research	-	-	-	-
Talkspace	Jan-21	300	-	PIPE	Deerfield Management, Jennison Associates, & Others	-	4.1x	-	-
<b>Median</b>						-	<b>3.3x</b>	-	-




Source: Pitchbook, Aranca Analysis

Note: Deals include both completed and announced

# Aranca View

## PE investments in new age sectors

### Way Forward

	Enterprise applications and infrastructure	FinTech	HealthTech
	Increased use of online services and changing working dynamics are expected to drive the demand for enterprise applications and infrastructure solutions.	FinTech is expected to witness a rise in adoption of online banking, online payments, digital wallets, etc. as the economy continues to battle the pandemic.	The healthcare sector is expected to further witness a rise in the demand for digital health services and in the adoption of the services amid the pandemic.
	<p>Majority of the investments will be witnessed in mature geographies such as the US, Canada, and Europe.</p> <p>Some corporate acquisitions are also expected in the coming quarters, providing an exit route for PE firms.</p>	<p>There is likely to be a geographic shift in PE investments, from developed nations to emerging economies such as Asia-Pacific.</p> <p>PE/VC funding is expected to account for majority investments in the space.</p>	<p>The emerging economies are expected to witness high growth in PE investments in the coming quarters.</p> <p>Numerous SPAC deals are also expected to continue.</p>
	PIPE and growth/expansion transactions are expected to continue to account for a major proportion of the total transactions across FinTech, Enterprise applications and infrastructure, and HealthTech as the number of startups in these industries are likely to rise.		

Source: Aranca Analysis



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