Transcript MuMAC video 2

Dr. Nikolaus von Jacobs:

Ladies and gentlemen, many thanks for being with us to our first panel on MuMAC 2020 on M&A and private equity in 2020. M&A and private equity in pandemic times. Let me shorly the introduce the panel. We have with me Fritjof Franz, Partner from capiton AG from Berlin, Germany, a mid-market fund. Carsten Hagenbucher, Partner from Charterhouse Capital Partners from London focusing on European mid-market. We have Richard Ramsauer, Managing Partner from VTC Industriebeteiligungen, an industrial holding active in the mid-market. We have Andre Waßmann, Head of M&A from Helbling Business Advisors, also responsible in the board for M&A doing corporate finance. And we have Philipp Heer, Partner from HWF Partners, an M&A insurance broker, very active in the market. Gentlemen, great for having you. Thank you for being with us and on this session, obviously, we want to dive in the general market, but the general market is obviously somewhat abnormal in these days. And I would like to start with actually, how did you all experience the days and the weeks during the lockdown? How did you see transactions further develop, stop? What was your sentiment? What was your experience? And maybe Philipp, I would like to start with you given that I think you have a large exposure to a lot of transactions and have seen a lot. What was your experience? #00:01:44#

Dr. Philipp Heer:

Sure, sure. Happy to. So from our perspective, we had a rather regular March; we had all transactions that were lined up and being underwritten during March complete. It felt a little bit as if a plug was pulled in April and literally, every deal we had on the deal sheet got to a halt. That lasted for about three or four weeks and then we saw specific sectors picking back up again. We have been very active in infrastructure, renewal transaction during this time and then slowly, we eased back into the general wider PE market starting off with very selective smaller add-on transactions in sectors that were pretty much protected from the impact of COVID-19. We did see a downturn across the board over all sectors of about 60% to 70% during lockdown period. Over the past, I would say, six weeks or so, we are getting back to regular business activity, probably even a little more than pre-COVID. #00:02:53#

Dr. Nikolaus von Jacobs:

Interesting. Fritjof, what was your view as an investor active in the market? #00:02:59#

Fritjof Franz:

Yeah. Interesting times, of course. So a few transactions were on hold in that period as we all could see being active in the market. But also on the other side, the transactions we already have been working on and have been in the process for quite a time, we continued. We maybe had a little time where we of course, had difficulties traveling and couldn't have like the meetings you have to have usually to proceed and to kind of going through the process. But we signed actually three deals in that time, which was a lucky situation. So on the one side we had an exit, we sold the company. Actually, it was a very long process already started last year, we sold it to a strategic investor. And on the other side, the two transactions we also signed were transactions not that affected, which was also good for us and we were quite lucky actually being able to sign. On the other side, some other projects on hold and now maybe picking up and we could see right after the shutdown that the market was kind of, at least from my perspective, kind of aggressive I had the feeling. Trying to get some deals done because nobody's knowing exactly what's going on maybe early next year, first quarter 2021. So I kind of have the feeling that especially the last, I would say, two months, also I have experienced that in a process that there was kind of a rally to kind of get some deals done. So yeah, maybe… #00:04:53#

Dr. Nikolaus von Jacobs:

So business is coming back, yeah. #00:04:56#

Fritjof Franz:

Yeah. #00:04:56#

Dr. Nikolaus von Jacobs:

Richard, from your perspective out of Munich, what did you experience? #00:05:01#

Richard G. Ramsauer:

What did we see? I mean, I think we saw two phases similar to what was mentioned already. In the first phase, lockdown period, things got to a halt and nothing was really happening. Everybody was looking at the damage and just trying to figure out what was happening. After that, we saw a pickup again during the summer, but I think the market just changed in a way where you see different sectors being affected in different ways. So I don't think it's exactly the same, the overactivity might've been picking up, but you see strong differences between the types of deals and sectors and that's what we see. So there is an overheating in some sectors, clearly and then you have a large pool of deals where companies are still affected, cash flows are affected and the buyers and sellers clearly don't know how deal with the situation. So that's what we are currently observing and unfortunately, one or two of our deals that were in the pipeline got affected because of that fact that the expectations simply weren't matching anymore. #00:06:13#

Dr. Nikolaus von Jacobs:

Carsten, what are those sectors, which you see which are stronger, which ones are weaker? Some priceable at all? #00:06:23#

Carsten Hagenbucher:

Charterhouse has always focused on very resilient, growth-oriented businesses, so shying away from more industrially exposed and cyclical topics. So for us, basically, it was actually a very busy and successful lockdown. We signed two deals, one in the education space and one more like banking software-related, and we continued focusing a lot of efforts on our business services. I mean, absolutely in terms of overall pipeline and nationally, the more secretly exposed businesses, machine building or others, I think there, it feels like the pipeline has dried up significantly. Other assets that already struggled funding bias, I think pre-COVID probably now struggle even more because some sectors, and we all know which sections we're talking about here, basically are now really completely out of favor. So there's a bit more bifurcation between like, healthcare, tech, software seeing very, very rich valuations, valuation levels even higher than pre-COVID and some other sectors that almost have no buyer anymore. #00:07:31#

Dr. Nikolaus von Jacobs:

Interesting, having no buyer. I mean, Andre, you look for the buyers and for the sellers potentially, of course, but what is your impression? I know you have some affinity also to the tech sector, so did you see a shift in terms of what's happening? #00:07:47#

Andre Waßmann:

Well, we have a very interesting and surprising experience. On the one hand side, deals were quite, in a disciplined way, conducted even with companies that are from risk areas like the lumbar dye. So we had just closed a deal with a company from there although, the negotiations went a bit rougher and they looked much deeper into the financials and into the business model again, so it was like a bit postponed. This is the one. So we have a disciplined way of conducting these transactions. And on the other hand, in my areas where I ask my clients, “What do you think is the best strategic way to go forward?” They asked me, “Andre, what do you think should I do?” When should I go to the market with, for example, financing? It’s not necessarily that the market itself really blanched, but I think it's more the anticipating of reducing, going down valuations. What has not happened in that way, many experienced or many people thought before and I think we have also to look into the fact that evaluations were quite high anyways. So I think we have more a normalization of the situation and I also believe that we can catch up quite soon again. #00:09:18#

Dr. Nikolaus von Jacobs:

So you are optimistic? #00:09:20#

Andre Waßmann:

I'm optimistic. #00:09:21#

Dr. Nikolaus von Jacobs:

A banker. #00:09:22#

Andre Waßmann:

Yeah. #00:09:22#

Dr. Nikolaus von Jacobs:

No, that's interesting. I mean, in terms of—and I would like to stress that, I think my impression was that at the beginning of the lockdown, everybody thought that prices would crumble, that there would be risk factors factored in, discounts effectively to cover for risk and my experience at least was that the opposite happened and I think you mentioned it as well. That basically prices rather than went up and I'm not so sure is it already a part of asset inflation? Is it obviously larger competition for less assets very focused? As Carsten, you have pointed out. But maybe if you think it's normalizing, do you think the prices – what does that mean in terms of pricing? Does that mean price will go up even high on now with more money in the market? I mean, a sort of inflation at least. Or do you think they will come down a bit obviously, depending maybe on industries, but how do you think the pricing will continue? #00:10:30#

Andre Waßmann:

In our experience, and this is also what we see when we look into statistics, we see that those business models that are quite sustainable and future demand will increase the evaluations. This is what we see, definitely and also, with supply going back because companies don't really go to the market at the moment, they will come back in like Q3, Q4 and more. I think with this fact in mind, we will also see a normalization of the prizes again in terms of getting back to 2019. But if we look into mid-market valuations, we were at like at 10.3 times EBITDA which is quite high. This was an all-time high in 2019. For the small cap area, we were at 8.5 and now reduced into 7.5 approximately, which is not crashing. I mean, this is more a normalization and I'm pretty sure that those business models that have a future, like technology, IOT, big data, all these things that are important to many, many industries out there will catch up again and those that don't have a future will not necessarily be taken with the market anymore and they will probably be obsolete in the future. #00:11:55#

Dr. Nikolaus von Jacobs:

Richard, regarding pricing, right? I mean, are you willing to take this, I'd say, extra mile in pricing what we have experienced sort of – I had the impression there were some surprises in the market. So as an investor, how do you cope with that? Do you say, "Well, we'll drop out of the market for the time being it's simply too high. It's not sustainable"? #00:12:18#

Richard G. Ramsauer:

Yeah. That's a good question. It's a tough time because you have results for this year which are not normal. You have to normalize and you have to deal with it. So what's happening in the future and what we see much more now is of course, earn-outs and so we see the structure a little bit changing compared to last year already. Of course, to maybe at work with the uncertainty. On the other side, as you all know, we have all collected a lot of money. We have kind of a pressure to also figure out where to invest it and find the niche markets, which all of us very much like, and of course, they're still there, but maybe it's not as easy anymore as it used to be and it's driven by uncertainties and finding there the right targets these days is maybe getting a bit more not complicated. But it's not that easy anymore and also, then negotiating of course, the structure has changed a little bit. That's what we see right now. #00:13:26#

Dr. Nikolaus von Jacobs:

Carsten, would you support that? #00:13:29#

Carsten Hagenbucher:

We are paid to deploy. So I think it's like yes, it's fine to basically focus for a period of time on your portfolio and make sure they have support in the best possible way. But ultimately, I mean, our business basically thrives off in investing and I think particularly for secondary deals, you have to pay up because many of these assets were bought in 2016, 2017 already at quite high levels. So I think those owners, to make their two, two and a half times money, you need basically high EBITDA and you need a high multiple. Why would you sell, otherwise? So, yes, if they're open for bilateral discussions or… but they're not willing to basically just let assets go at a discounted price. So almost, you either pay up or happy to wait for another year and let's talk next year. So I think if you want to play today for what a performing assets yeah, prices are quite full. #00:14:19#

Dr. Nikolaus von Jacobs:

Richard, I mean, as an industrial holding, do you look for different niches then effective? Is this your time, basically? Because lots of investors drop out of traditional old economy assets, if you like, at first sight, old economy assets and you have a special look at them and can buy at a discount maybe even in these times. #00:14:43#

Richard G. Ramsauer:

Well, first of all, I think we are fortunate enough not to be paid for deploying money. So since we were investing our own money, we are operating under a little bit less pressure to deploy funds. So that's a good starting point, I think in times like this anyway. What is our focus? I think we have two directions. One is, we're certainly focusing on our portfolio because we're lucky enough to have a very strong portfolio with companies which happen to operate in sustainable industries. So I think adding any sort of value to those companies will pay off in the future even more because I'm not expecting prices or valuations to drop for these kinds of companies. So that's a rewarding, I think, effort, on one hand. On the other hand, going forward, making new deals, you have to just take a closer look if you are investing your own money. I think if you go into any sort of straightforward situation with an interesting asset, strong cash flows, strong growth opportunities, unless we have some sort of strategic or operating angle, I think it almost doesn't make any sense for us to approach the asset, given the current valuations. And I think of course, I would like to see things like flexible structures, earnout structures, things like that. But in reality, I don't really see a lot of that because there's so much pressure and there's so much competition happening that instead what we see is all equity structures, people moving very fast, so that's the reality. So again, attractive assets, unless there's an angle, we wouldn't look at those. And with other assets, I think there's opportunities opening up in some sort of unfavored industries because you clearly have them. We haven't mentioned them, but we all know what that is. There is a couple of companies or industries that are completely out of favor with any sort of capital market participant starting from banks to private equity firms and there will be interesting opportunities and of course, we're looking for interesting valuations there. And I think that will be happening more as we move forward in the keynote speech, the mispricing of assets, that's the area where I see it. The other area with the interesting assets, the mispricing is going the wrong way, I think. #00:17:23#

Dr. Nikolaus von Jacobs:

Yeah, yeah. It's an interesting market. One thing which I want to mention, dear ladies and gentlemen, is please ask any questions for our Q&A session via the chat function and we're looking forward to those questions. Philipp, I mean, again, also looking at the current market after the lockdown. When you've seen a lot of processes, has the nature changed? Higher competition? When we talked to you, you mentioned some exclusivity agreement. So what is the mood of the market? What is sort of the morale also in the markets, has it changed? Is it back to normal? #00:18:05#

Dr. Philipp Heer:

It feels like it has changed a little bit in the interim. We have seen more competition in processes, which I think is just in nature of less deals happening, that more players just jump on the fewer assets that are attractive and are in the market. We have seen processes being run much more competitively than they used to be. We have seen the tone in negotiations be a little different. We have seen a lot more situations. So typically, in our world, when we run in an auction process, everybody always wants to set up different trees and different bidders and clean teams for structures and it never really happens unless it's a real high-level asset. We've done those on pretty much every occasion. In the last couple of months, we have seen a number of processes where there supposedly was exclusivity in the process, but no one really cared about it at the end. Something that I haven't seen in 10 or 15 years. So the tone has become rougher. That seems to fade out a little bit with things slowly trending toward normal, I would say. #00:19:19#

Dr. Nikolaus von Jacobs:

Coming back to normal, maybe a few words on valuation. Andre, do you see – I mean, obviously higher prices but I mean maybe that's not deriving from a sustainable valuation really, but looking at valuation in these times, I mean, looking at – how do you also look at historic financial figures maybe? Well, how do you look at business models as an extra layer of obviously checking in order to prepare a target to be sold or? #00:19:54#

Andre Waßmann:

Maybe two things here. The first thing, financials. We will not be able to look into the future from the historic financials in this pandemic, I think. We will have to look into the sustainability and the potential that we have with a certain business model in the future during the pandemic and after that. This is my personal view and I'm convinced that this is the right way to look at this. I think in a normal M&A process, it's already difficult to look into historics, but I think now it's even worse or even more difficult because the time periods that we call strategic are getting smaller and smaller. So we cannot really foresee what is happening or what is going to happen in one year, two years’ time period. So I think, and this is the second point, we have to look into more qualitative things like what really is the business model? Is it scalable if we come to more technology-based areas? But I think this also applies to traditional companies. Is the business model sustainable? Is it scalable? Is the team the right one that is pursuing this? Do I have a USP compared to competitors? Is the technology the right one? And does it have a superiority that is also to be marketed to the stakeholders? I think this is the way we have to look into this more and more and this is already what we see in the transactions we do. Not only in the venture capital area, but also in those that are dedicated to more traditional companies. #00:21:48#

Dr. Nikolaus von Jacobs:

Fritjof, as an investor, how do you approach the asset? I mean, is there an extra layer obviously of perspective now? How do you look at financials, the business model to do sort of a checking the first box, probably? How do you…? #00:22:03#

Fritjof Franz:

Yeah. As I said before, I think COVID has changed that a little bit due to the fact that we had an impact, which kind of – yeah, it's changing, especially this year financials or has impacted the financials. Very important to get a feeling of how quickly maybe you can recover or you have these one-time or this special situation to be normalized in the next years or what will happen.

So it's on the one side, of course, financials. Also, financing these kinds of deals is also a very important part. You have to also convince your financing partners. And on the other side, as just already, I think we've talked about that what will happen in the next years. So that's the most important, what is changing in a long-term perspective. And so we have some sectors, of course. Let’s for example, look into healthcare. I actually think there are a lot of opportunities, even more than in the past as now the understanding of what is happening and could happen and can happen maybe also in the future and the awareness of certain things has totally changed. We have seen that also in the digital world due to the fact that, of course, due to the situation, things have dramatically changed and also, I think will change the world also in the next years. And yeah, that has to be translated into financials and that is, to a certain degree, not that easy as we don't know 100 percent of what will happen. But also will give us opportunities which we see and we also see that in our portfolio already. We were also very lucky to invest into companies which also actually picked up during that time as they were right positioned already had either the technology or the systems in place which also were in favor to the situation. Yeah. #00:24:24#

Dr. Nikolaus von Jacobs:

I mean maybe one question, only short question, and I know that our next panel will focus on that more. But given the market, given the potential for the debt being drawn, the question distressed M&A is maybe a coming way of insolvencies where from a balance sheet perspective, the company's on distress, but not from an operational perspective. Is that something where you say, “Well, there might be opportunities in that scenario?” Or would you say, “Well, there's enough other things to do. I don’t, in addition, have to take care of restructuring even if it's only the balance sheet by bringing in cash”? Is that something where you see there might be opportunities or would you say we don't even touch it because –? #00:25:09#

Fritjof Franz:

In general, we are not a distressed investor. So that's not our, I would say, home turf. But of course, we have a special situation now and as you said, if it's more of a balance sheet which is distressed and of course, there can be opportunities. We also used them in the past. Actually, we had some very nice and also, if you look at the history of Capitan, you get some very, very good deals especially out of these kinds of situations. So of course, that's something you have to look at and yeah, let's see. I think it's too early a little bit. The state is doing all they can do to avoid these kinds of things, which of course is good, but it won't last forever. I think that will be much more in the picture for second quarter next year. #00:26:02#

Dr. Nikolaus von Jacobs:

Curious to see. Richard, is that something also you have in mind and something you would look at? Again, I know you all are not distressed investors, but I think these areas are a bit different, obviously. It's more about opportunity of an operational healthy company, but which is financially, obviously in distress due to the pandemic and where you would see opportunities, or is that…? #00:26:30#

Richard G. Ramsauer:

That's the theory. I mean, in theory, they're interesting cases. They're hard to find because in many cases, there is operating reasons why people have bad balance sheets, so. But we've done those deals and we would look at those. Operating distress is not something we're dealing with. #00:26:48#

Dr. Nikolaus von Jacobs:

Yeah. Good. Philipp, I mean, obviously in these markets, the deals have changed, the players have a different mood. I mean, as an M&A insurance broker, you see a lot. What has changed in your market, so to say, in your service, in your offer? I mean has pricing changed, has due diligence changed when you look at, what the insurers then later to look at? Maybe you want to share some thoughts if – #00:27:18#

Dr. Philipp Heer:

Absolutely. I mean, our market has moved significantly during that time. I mean, for the positive and for the negative. For the positive, it feels like the entire M&A insurance market has taken a breather. It was a sector that just grew exponentially over the past couple of years when more and more transactions were actually insured and we have all, hopefully, taken this time to consolidate a little bit to reflect what has been good in the past, what has been not good, where can we be better. Insurers and brokers have tried to come up with new solutions. Examples being, how can we help in distress scenarios should they materialize? How can we help the growing demand in synthetic W&I products? Those are all movements that have been kickstarted during the pandemic, which I would put under the column of being very positive outcome of this breather that we all had. On a more negative side, we all struggled with the lack of deals. I mean, our industry just thrives on the number of deals, the sheer quantity of deals. We have been in a situation where there were good quality deals and then the competition on our side was as large as the competition on the investor side was. That resulted in prices dropping even more than they have before, which, at first glance, obviously makes a lot of sense, even from an investment perspective makes a lot of sense. However, it always has to be sensible in the sense that it doesn't help in the long run if short-term, you get good pricing on the insurance, but then you kick out an insurer of the market from the market and you'd just have this massive exposure for all the deals they have insured. Everybody has struggled a little bit to wrap their heads around what does the pandemic really mean if translated into the transaction documents and into the risk profile of the particular transaction. Initial reactions from many insurers was just to put in a blanket COVID-19 exclusion, which obviously doesn't make any sense because you can never tailor it narrow enough to only cover those instances. This has eased up a little bit and now, we just see more scrutiny in relation to what effect did the pandemic have on the assets and what mitigation have been have been taken? How have the parties discussed it? So things that any player would any way to win a transaction. So from that perspective, we have had positives and negatives. I think overall, the market has made it through the pandemic quite nicely and we'll see. I mean, the overall hope is that everybody made it financially sound and that this run for additional premium will come to an end eventually because I don't see this going into a positive direction if it continues. #00:30:17#

Dr. Nikolaus von Jacobs:

Yeah, interesting that that market, if you like, changes a lot as well. I mean, from a short perspective to the positive at first sight with dropping premiums. Maybe that will make M&A insurance overall more acceptable or more sought for in the market. #00:30:37#

Dr. Philipp Heer:

I mean, it will, it will. It just has led everyone to be a little more precise and diligent in terms of what are the areas that we really need to focus on in every transaction and I think, in particular, this time has been used to come up with new products without which I think we, as a market, need to do more. We're just too young and too small. We're all working at maximum capacity all the time. So yes, there are questions around distress and no one has an answer because our market is so young that we haven't seen the last wave of distress transactions. So obviously, we all have to come up with a framework and requirements on how to deal with it should the time come that these are needed. #00:31:21#

Dr. Nikolaus von Jacobs:

Maybe looking a bit at the financing situation. Andre, what is your experience in terms of – I mean, we know the investors are looking at active, mostly the prices go up, but obviously, it all has to be financed. So what does the acquisition finance landscape look like? Is it, do the banks continue, are they dropping out, are the debt funds moving more and what is that side of the field? #00:31:50#

Andre Waßmann:

It's more difficult, to be frank. So more equity finance deals are coming out and even those, if you look into maybe not the mega deals, but the somewhat mid-market deals are more difficult because also, those that finance the equity consolidate their portfolio, they stabilize their portfolio. So they don't want to have new portfolio companies or necessarily not certain portfolio companies in a certain area. So it's becoming more difficult, that's true. I mean, financing via the bank has been difficult in the past anyways coming to M&A. Some structures in between mezzanine is a bit easier, to be frank even if you have assets backed, it's also easier. So I see more questions for, do you have an asset there that I can use as a security? We have done this, for example, in transport and location and transportation, where we have actually a leasing financing. But yeah, the pure debt, the pure equity is getting more difficult. Debt funds are not necessarily – yeah, it's easier with them, but they still have certain restrictions that they also have to overcome. #00:33:19#

Dr. Nikolaus von Jacobs:

Carsten, your view on the financing? Has it changed –? #00:33:25#

Carsten Hagenbucher:

I see it slightly differently. So we play in the kind of upper mid-market and as I said before, everything evolves around growth and partnering with management teams and founders. And we've all, I think, worked through the – lived through the last crisis 12, 13 years ago. And I think we're looking at a completely different world financing wise today because compared to back then, where it was largely bank-dominated. Today, in our mid-market, 50% plus some markets like the UK, two-thirds of the market and then Germany basically is financed through unitranche to alternative debt providers, however you want to name them and yes, there was also a period of time at the beginning of this COVID period where there was a bit more caution, but now we see tremendous amount of liquidity. I think in some countries, banks are still closed, but there's a lot of financing available at very aggressive terms and also, those unitranche providers approaching the market in a very entrepreneurial spirit, building in a lot of flexibility for buy and build and transformation. So I think that is also propping up the market and the valuation levels we see today because that is available. So I think for the right asset, there is a lot of liquidity available. That's my experience. #00:34:39#

Dr. Nikolaus von Jacobs:

Fritjof, would you support that? #00:34:41#

Fritjof Franz:

Yeah. Pretty similar experiences. Of course, all debt providers were very nervous at the beginning of the COVID period. So the first weeks, I've talked about this deals we were doing through the lockdown and of course, they were also kind of okay, what's going on here? Let's check that out, wait a little bit, let's see what's happening. But I have to say, at the end, not much has changed. Banks of course, are a bit more complicated as we all know; that hasn't changed. Debt providers, debt funds, et cetera, alternative debt providers are still keen to move for good deals. You also see region wise in that region a bit different. So Switzerland is very, very good, much easier also with banks compared maybe to Germany. But in general, I would say the market is still okay, working. Yeah, yeah. #00:35:46#

Dr. Nikolaus von Jacobs:

Richard, is that also your experience? #00:35:49#

Richard G. Ramsauer:

Yes. #00:35:49#

Dr. Nikolaus von Jacobs:

I mean, are you also inclined to be quicker, ahead of the competition despite obviously liquidity in the market, but doing all equity deals, is that something you work with a lot? #00:35:59#

Richard G. Ramsauer:

We've done that in the past and we would certainly consider it now as well. So that's something to move you ahead of the pack. But apart from that, answering the debt side, similar experiences. I don't think there's any radical structural shifts at the moment happening. It's gradual shifts that we've seen over the past few years anyway and that's just more and more of that is happening. #00:36:28#

Dr. Nikolaus von Jacobs:

Okay. Yeah, maybe I would like to invite the audience also to ask any questions for the Q&A session and we'll start diving into a few questions, tweaking them a bit maybe. In terms of size also talking about technology as a new driver, as a new area over these and I know you're obviously are mid-cap plus investors, if I may say so. Do you think that given these circumstances smaller, tiny deals will play a larger role also in terms of add-ons maybe, Fritjof? Do you look at add-ons, small add-ons, with a specific technological edge maybe from a different perspective now? Is that something you consider or you would overall also consider the market for venture capital to play a larger role? Would you say well, now we're looking at what we always have looked at different circumstances, but business as usual? #00:37:27#

Carsten Hagenbucher:

Maybe if I start. I think our industry has evolved a lot and I think also, like with regard to that kind of portfolio, kind of operating teams, and like while this was a theme 10, 15 years ago only relevant for the last cap. I think by now each and every one of our firms specifically has also like kind of operations teams. And with that, you have a lot more resources to also like really actively support your businesses and buy and build has always been a big theme for us. So eight of our current 10 portfolio companies are platforms where we do a serial M&A. And I think yes, in terms of like, we would currently consider doing smaller deals, starting with smaller deals, but then basically having a very ambitious plan to triple, quadruple these businesses over a period of 4 or 5 years in largely, M&A land. I think in the past, that was a bit more challenging because you just didn't have the right resources. But now I think that gets easier and easier and I think you have to be nimble in the current time. So I see quite a few sponsors being also a bit more flexible size wise and then typically, this is a bit more flexible towards the lower end of the range than upper end. So absolutely. #00:38:38#

Dr. Nikolaus von Jacobs:

Fritjof? #00:38:40#

Fritjof Franz:

Yeah, absolutely. Same with us. All of our investments, I think almost all of them, we did add-ons and we have platform deals as well. It's part of our, at the end, equity story. We have done a couple of deals also this year for add-ons in the portfolio also through the COVID period and that will be always a focus for us. Opportunities are there right now also due to the situation and of course, you look now maybe a bit different because there are new opportunities, there also may be new technologies, which you see are helpful due to the fact what happened. Yeah, and it will be, I think an ongoing opportunity to follow. Yeah. #00:39:36#

Dr. Nikolaus von Jacobs:

Richard, would you agree? Have you always done that or will it change in terms of smaller add-ons or? #00:38:41#

Richard G. Ramsauer:

Well, VTC was founded 20 years ago on the idea of industry roll-ups, so we've got a long, long history in that and we continue doing that. So add-ons are certainly a focus. I've mentioned that before. We're quite cautious in generally moving down the ladder in terms of size because I don't think that's the right strategy for us going forward. But occasionally, we are looking into even growth situations, even you might call them venture capital situations where we think we do have some sort of angle again and some sort of relation to our standard business and so we are kind of diversifying out of our original space a little bit, yes. #00:40:29#

Dr. Nikolaus von Jacobs:

Andre, I know that you have an affinity to basically tech companies, new developments, digitization and so on. Do you see a shift due to – I mean, we all worked with Zoom throughout, Zoom was a new surprise and we got to love it, the stock market and then the stock price went bazooka. And I recall after the IPO, everybody said, “Well, this is a bit funky and it might not work,” and we have data protection issues and everything. But I think it has quadrupled since, if I'm not totally wrong. So, I mean, looking at these sort of developments, looking at smaller ventures coming up with disruptive issues, is that something you see coming more increasingly now, or would you expect to have them? #00:41:15#

Andre Waßmann:

Also, here, I think you cannot really generalize. Maybe yes, but not due to COVID. I think the entire industry, if you put it into one cluster technology, be it FinTech or others, they are getting more major. So they really grow up and they have larger funding volumes, but this also can be answered with the fact that they improved their business models, that they are more mature into the B2B area. So they are getting better compared to like 5 to 6 years ago and so they also get more trust into the VC area. I think this is the main area. If you are financing a business model that is dedicated to certain trends, mega trends that we are rely on, then this will be the case. Due to COVID, I think we see that investors get more cautious, but they look into this more from a qualitative point of view, not from a business volume or transactional volume point of view. I think I would not say that this is a COVID thing. #00:42:39#

Dr. Nikolaus von Jacobs:

Maybe we're running towards the end. Maybe only in no more than two sentences, yesterday, there was an article – well, there was a news that IG Metall would want to set up its own private equity fund called the BOG, Best Owner Group and I wonder Richard, do you see a lot of competition by IG Metall now? #00:43:05#

Richard G. Ramsauer:

Not on that front. I would be surprised. No, I mean as you all know, conflict of interest is one of the biggest teams in the industry and I think we can all find quite a few areas where there is conflict of interest in this area. So I don't see this being a big thing. #00:43:25#

Dr. Nikolaus von Jacobs:

Carsten? #00:43:26#

Carsten Hagenbucher:

Good luck to them. #00:43:27#

Dr. Nikolaus von Jacobs:

Good. Fritjof, same? #00:43:30#

Fritjof Franz:

Yeah. Same pretty much. Yeah. #00:43:32#

Dr. Nikolaus von Jacobs:

Yeah. So, well, thank you, dear panelists. Thank you for being with us. It's great. Thank you, dear audience. Ladies and gentlemen, it's great having you with us and we're looking forward to you joining also our next panel, opportunities in the distressed environment and thank you very much. #00:43:51#