Strong partnerships are critical to developing businesses at scale throughout key markets in Europe, say Marco Herbst, Greg Laï, Christian Rochat and Eric Rouzier at Clayton, Dubilier & Rice

European private equity dealmaking broke records last year, with 7,197 transactions closed worth approximately €754.5 billion, according to PitchBook.

Among this heightened activity was a swathe of blockbuster deals, including Clayton, Dubilier & Rice's headline-grabbing take-private of UK supermarket chain Morrisons. That transaction has earned CD&R the Deal of the Year in EMEA accolade in the PEI Awards 2021, but it is not the only noteworthy deal the firm has conducted in Europe over the last 12 months.

Here, four CD&R partners – Marco Herbst, Greg Laï, Christian Rochat and Eric Rouzier – discuss the firm’s recent investment activities in Europe and share their thoughts on key market developments.

Q How has your European strategy evolved in the past few years?

Greg Laï: Our strategy is all about discipline and focus. We endeavour to invest in companies we understand with strong business models and management teams. The partnership of CD&R’s investment and operating professionals combines investment experience, industry expertise, operating insights and financial skills throughout our ownership. Over time our investment activity has expanded across a number of sectors, subsectors and European countries.

There is also an element of cross-fertilisation, where we build on the investment success and sector expertise of our US partners and bring those insights to Europe and vice versa. Our recent development of European healthcare investment capabilities is a good illustration of that knowledge transfer.

A good measure of our success in Europe has been our ability to attract talent, both operating and investment, to bolster capabilities in key geographies, as we are doing in France with the appointment of several operating advisers to CD&R funds, including Gilles Schneppe, former chairman and CEO of Legrand, Jean-Michel Aubertin, former CEO of CG Power, and Jean-Luc Belingard, a senior executive with a successful career leading global pharmaceutical healthcare businesses.

In German-speaking regions, we appointed Björn Killmer as a financial partner of the firm and more recently engaged Gordon Riske, former CEO of KION Group, as an operating adviser to CD&R funds. We will continue to invest in our team’s capabilities ahead of growth. Since establishing our London office in the early 2000s, we have grown across all levels and functions to over 60 professionals driving the firm’s and funds’ efforts to deploy capital at scale in Europe. Scale has been and will continue to be critical to our ability to invest in an advantageous way.

Finally, a key priority is seeking to strengthen our portfolio businesses through efforts such as driving strong ESG initiatives and accelerating digitalisation across our portfolio.

Q There has been strong interest in the healthcare sector in the last 12 months. How have you approached opportunities there?

Eric Rouzier: Our investment approach is aimed at creating opportunities in sectors where we develop deep domain and operating expertise and a differentiated growth thesis. When we began our healthcare practice in Europe, we onboarded Liam FitzGerald, the former CEO of pharma services provider UDG Healthcare, as an operating adviser to CD&R funds.

As Liam and I worked together generating investment ideas and exploring the European healthcare space, oftentimes alongside our colleagues in the US, we naturally focused in on the pharma services space, where Liam has over 30 years of experience, including 16 years leading the transformation of UDG Healthcare.
This initially led us to invest in Huntsworth Health, a leading provider in the fast-growing medical communications and healthcare marketing services space, and a key competitor to UDG’s Ashfield division. We then created the opportunity to take UDG private, where we knew we would be differentiated by Liam’s experience and had the potential to combine Ashfield with Huntsworth Health to create a leading global player across the medical communications, marketing and advisory space, as well as a platform in the manufacturing and packaging services to pharma and biotech clients with Sharp.

Q Where else are you spending your time in the European healthcare space?
ER: We spend most of our time on transactions in partnership with both buyers and sellers, where another investor selects CD&R to co-own an asset with them. These investments have represented approximately 60 percent of CD&R’s global investments since 2009. In 2013, we completed our first European partnership investment in B&M Retail. Since then, we have partnered with large corporations, family owners and entrepreneurs.

A good example of that is the acquisition of Nucleus Global, a leading medical communications player. Shortly after CD&R Fund X acquired Huntsworth, the company purchased Nucleus in partnership with its founder, and he now sits on the board of the combined group. We believe the key to these opportunities is differentiated expertise; in this case we had a shared view around the long-term opportunity to drive organic growth and the need to consolidate a fragmented market, and stood out in our discussion through our approach with Huntsworth.

Q Eric mentioned partnerships with family owners; how can private capital most effectively partner with family businesses?
CR: We have built our reputation on being a constructive partner. At some point, many business owners find themselves seeking capital to grow and strong capabilities to guide their businesses forward. Entrepreneurs and business families across Europe are particularly drawn to partners who can add demonstrable value beyond capital.

Over the last few years, we have seen an increasing flow of family-owned businesses which, faced with the challenges of succession planning, an uncertain tax environment and, most importantly, the opportunity to grow their businesses organically and through acquisitions, have come to us in their search for a value-add partner. With around 50 percent of the world’s 500 largest family businesses based across Europe, we believe the outlook for additional partnership deals appears favourable.

Q Can you provide an example of a partnership with a family-owned business?
CR: Sure – an auto glass repair and replacement leader, Belron, founded nearly 125 years ago, has a rich, enduring history. The company is led by CEO Gary Lubner, who hails from its founding family, and is controlled by D’Ieteren Group, the family-controlled Belgian company. As you may imagine, bringing new investors into a family-owned business is a complex process, in which establishing mutual trust is key. We believe that our alignment with D’Ieteren and with management’s purpose of making a difference to Belron’s customers, employees, society and shareholders helped distinguish CD&R during the process.

In 2018, CD&R partnered with D’Ieteren and Belron management to support the company’s next stage of growth, and last year we extended our partnership by establishing a special...
purpose vehicle for the same purpose. We look forward to continuing our work with the team as we address Belron’s positive growth prospects.

**Q** In the UK, the Morrisons transaction attracted a lot of attention. Why was this deal a good fit for CD&R?

**Marco Herbst:** The Morrisons transaction is about investing in a UK grocery champion, a business we know and understand well, with a talented management team that we have deep ties to through Sir Terry Leahy, senior adviser to CD&R funds and the former CEO of Tesco. Our partnership is focused on working with management to accelerate jointly identified value-creating initiatives. For us, the investment is a growth story. The company has strong DNA in attractive areas, such as fresh products and food service, and it is well positioned in the UK market.

Going forward, it is all about capitalising on that brand and food ethos, and reaching more customers, both digitally and through stores. We have an exciting opportunity to invest in the online capabilities of the business, accelerate the wholesale expansion into new customers, and create differentiated vertical integration with food manufacturing.

**Q** How are consumer trends evolving in Europe?

**MH:** There has been an acceleration in digital trends across the consumer landscape, and we have all experienced those in our personal lives, particularly during covid, as technology has made things more accessible, more convenient and less expensive than before.

The pandemic has also forced consumers to spend more time at home, and as the world reopens and companies increasingly embrace hybrid work, we believe this trend will persist. Take France, for example, where we own BUT and Conforama, the largest omnichannel furniture retail group in the country. Historically, the expenditure on homeware has been behind the level seen in some other European geographies despite online furniture penetration being amongst the highest in Europe.

The pandemic created strong tailwinds for this category, and BUT and Conforama have been clear beneficiaries of this trend. The group’s management team has excelled at capturing share by being ready to reopen, investing in its online proposition, continuously upgrading its product range, and leveraging benefits of scale. Even as the economy reopens, these consumer trends — whether it is spending more time at home, digitisation, or the growing focus on sustainability — have not meaningfully decelerated and we expect them to remain key for consumers going forward.

**Q** In such a busy period, how is the firm balancing investment activity in the region?

**GL:** Short-term dealflow trends can ebb and flow which is why we put such a strong emphasis on long term sourcing, building trust-based relationships with sellers, and differentiating our capital as being strategic to sellers.

As a firm, we believe we are driving productivity by bringing more focus and discipline in how we organise ourselves, which projects we pursue, our decision-making efficiency and how we harness our collective effort to drive those opportunities that we judge to be most attractive. We believe this shared commitment to productivity is essential to remaining vibrant, attracting and developing the best talent, and pursuing compelling investments.

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**2021 European deal highlights**

- **Belron**
  - Date: December 2021
  - Deal value: €21 billion
  - Sector: Services

- **UDG Healthcare**
  - Date: September 2021
  - Deal value: $6.2 billion
  - Sector: Healthcare

- **Morrisons**
  - Date: November 2021
  - Deal value: £8.7 billion ($11.8 billion; €10.3 billion)
  - Sector: Consumer/retail

- **Wolseley UK**
  - Date: February 2021
  - Deal value: £340 million
  - Sector: Industrials