



Department of Business and Management

Chair of M&A and Investment Banking

Sponsor-to-Sponsor M&A in Europe: Value Creation or Overpayment?

The BioFarma Case

Prof. Luigi De Vecchi

Supervisor

Prof. Andrea Salvati

Co - supervisor

Matteo Brischi

(ID No. 785531)

Candidate

Abstract

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Matteo Brischi

This dissertation explores the growing phenomenon of sponsor-to-sponsor M&A transactions in Europe, focusing on whether these deals are driven by sustainable value creation or by private equity funds' pressure to deploy capital. In recent years, the volume of secondary buyouts (SBOs) has increased significantly, raising questions over potential overvaluation risks, particularly in a competitive market environment with record levels of dry powder.

The thesis addresses two core issues: first, whether sponsor-to-sponsor deals consistently exhibit valuation premiums, and second, how investment banks contribute to shaping pricing dynamics and managing competitive processes in this segment of the M&A market.

The research combines a quantitative analysis of recent European SBO transactions with an in-depth case study. Data was collected from public sources, financial press, and sector reports. Multiples such as EV/EBITDA were gathered from reliable financial softwares, and compared against sector benchmarks and comparable transactions. A reverse discounted cash flow (DCF) model was also applied to the selected case, BioFarma, to assess valuation consistency. In addition, a qualitative scoring framework was developed to evaluate the strategic impact of the advisor on deal processes and outcomes, by interviewing professionals such as Paolo Menna (Investment Manager – Ardian) and Michael Fanelli (Vice President Investment Banking – J.P. Morgan)

The findings suggest that sponsor-to-sponsor transactions frequently close at valuation levels exceeding sector medians, particularly in cases characterized by structured competitive processes, targeted buyer positioning, and well-crafted equity stories, factors where the role of financial advisors proves pivotal. While certain transactions justify these valuation premiums through

credible growth trajectories and strategic rationale, others reveal signs of potential overpayment, often driven by the pressure to deploy accumulated capital in a context of limited high-quality assets.

The analysis supports the conclusion that investment banks, especially those with strong execution capabilities play a critical role in shaping valuation outcomes, not only by managing auction dynamics but also by framing the narrative that underpins sponsor confidence. However, the broader market trend, characterized by sustained high multiples and increasingly optimistic assumptions, raises structural concerns over the sustainability of returns and challenges the margin of safety traditionally sought in private equity transactions. These dynamics carry significant implications for both fund performance and the evolving advisory model in sponsor-to-sponsor M&A.



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Introduction

In recent years, sponsor-to-sponsor M&A transactions, also known as secondary buyouts (SBOs), have become an increasingly relevant component of the European private equity landscape. These transactions, where one private equity sponsor acquires a company from another, have sparked significant debate within the financial community. On one hand, they are seen as a natural evolution of mature private equity markets, providing liquidity to existing investors and continuity for portfolio companies. On the other hand, critics argue that the rising volume of sponsor-to-sponsor deals may reflect market saturation, inflated valuations, and pressure on private equity funds to deploy record levels of dry powder.

This dissertation aims to investigate whether the growing number of sponsor-to-sponsor transactions in Europe reflects genuine value creation or is, at least partially, a result of overpayment driven by capital deployment pressures, with an analysis focused on the buyout transaction of BioFarma by Ardian. In particular, the research focuses on the extent to which investment banks, through their advisory role, influence the pricing dynamics and competitive processes of these deals.

The topic holds practical relevance for both M&A practitioners and private equity investors, especially in the current market environment characterized by abundant capital availability and high competition for quality assets. Understanding the mechanisms behind SBO valuations, and the strategic role of advisors, is essential to assess whether these deals contribute to sustainable value creation or risk compromising future returns.

The dissertation is structured as follows:

- **Chapter 1** introduces the context and motivation behind the study. It outlines the resurgence of sponsor-to-sponsor (S2S) transactions within the European private equity market following the post-2022 rebound in deal activity. The chapter defines the research problem, whether the rising premiums observed in these transactions are economically justified.
- **Chapter 2** Presents the methodological framework and it also describes the data sources, research design, and structure of the thesis. Provides a theoretical and market overview of private equity exit strategies, with particular focus on the evolution, drivers, and mechanics of sponsor-to-sponsor transactions. It explores the strategic rationale behind these deals, the conditions under which they tend to emerge, and the role of investment banks in managing competitive dynamics, positioning equity stories, and influencing valuation outcomes.
- **Chapter 3** constitutes the empirical backbone of the dissertation. Rather than relying on transaction-level multiples (often affected by limited disclosure and EBITDA adjustments), it uses trading EV/EBITDA multiples from publicly listed comparables to establish valuation benchmarks across market regimes (2015–2019 vs 2022). The chapter then focuses on one in-depth case study, BioFarma. The analysis includes reverse DCF models with 3 assumptions and scenarios. A conservative, a neutral and an optimistic one to evaluate whether the price paid implies aggressive assumptions, and integrates qualitative insights on process structure, sponsor behavior, and advisory strategies. In the end interviews to Ardian and J.P. Morgan are shared to assess how valuations and advisor contributions manifest in practice.

The objective is to offer a balanced view of the sponsor-to-sponsor phenomenon, combining market data with practical case evidence, to assess whether these transactions reflect value-maximizing dynamics or excessive valuations driven by fund deployment pressure.

Market Framework

1.1 Background and Motivation

The private equity industry has experienced one of its most challenging periods since the global financial crisis. Following two years of steep declines in both buyout investments and exit activity, 2024 marked a partial rebound for the sector. According to Bain & Company, global buyout investment value increased by 37% to \$602 billion, while global exit value rose by 34% to \$468 billion, breaking the negative trend but remaining well below historical averages.

In this complex market environment, sponsor-to-sponsor (S2S) transactions, also known as secondary buyouts, have emerged as a key driver of the industry's recovery. These transactions, where one private equity fund sells a portfolio company to another, recorded exceptional growth in 2024, with S2S deal value increasing by 141% to \$181 billion and a 48% rise in average deal size. Moreover, 6 of the 10 largest global exits were S2S transactions, highlighting their growing relevance.

S2S deals have gained importance not only as an exit mechanism for funds but also as a response to persistent liquidity constraints. Despite the rebound in dealmaking, the industry faces a "liquidity dilemma": distributions to Limited Partners have fallen to a historic low of 11% relative to Net Asset Value, compared to an average of 29% in previous years. This has reinforced the need for funds to generate liquidity through alternative channels such as S2S transactions.

At the same time, pressure to deploy large amounts of uninvested capital dry powder remains intense. Although global dry powder slightly declined to \$1.2 trillion, the share of aged capital (held for four years or more) reached 24%, with over \$280 billion classified as aged dry powder. This has contributed to heightened competition for quality assets and record-high valuations, particularly in Europe, where average deal multiples reached 12.1x EBITDA¹.

These market conditions raise critical questions regarding the sustainability of recent S2S transactions, the role of investment banks in these deals, and whether premiums paid are justified by underlying value creation or primarily driven by the pressure to deploy capital.

¹ Private Equity Outlook 2025: Is a recovery starting to take shape? (2025, April 10). Bain. <https://www.bain.com/insights/outlook-is-a-recovery-starting-to-take-shape-global-private-equity-report-2025/>

1.2 Research Problem and Objectives

The growing relevance of sponsor-to-sponsor transactions has sparked debate within the private equity and M&A community. While these deals provide much-needed liquidity and facilitate ownership transitions, concerns persist regarding the elevated premiums paid, especially in a market characterised by intense competition and abundant capital seeking deployment.

This dissertation aims to investigate whether the recent surge in sponsor-to-sponsor M&A activity in Europe reflects genuine value creation or is partly driven by overpayment resulting from capital deployment pressure among private equity funds.

The specific objectives of this dissertation are:

- **Evaluate whether the acquisition price paid in sponsor-to-sponsor transactions embeds aggressive or optimistic operating assumptions**, using the BioFarma–Ardian deal as a primary case study;
- **Assess the robustness of the implied Enterprise Value through a Reverse DCF analysis**, under varying assumptions for revenue growth, discount rates (WACC), and terminal value;
- **Analyze the strategic rationale of the acquiring sponsor (Ardian) and its expected value creation levers**, such as organic growth, operational efficiency, or future bolt-on acquisitions;
- **Explore the role of investment banks in sponsor-to-sponsor transactions**, with a focus on their contribution to competitive tension, price discovery, and the overall process architecture;
- **Critically reflect on the notion of overpayment ‘ex ante’ in private equity buyouts**, especially in deals priced on forward-looking metrics and executed in highly competitive environments.

Through this analysis, the dissertation aims to provide insights into the implications of the S2S boom for private equity fund performance, M&A advisory practices, and the sustainability of valuations in the current market environment.

Chapter 2: Sponsor-to-Sponsor Transactions: Market Dynamics and Strategic Implications

2.1 Methodology and Data Sources

This dissertation combines a quantitative and qualitative approach to investigate the dynamics of sponsor-to-sponsor M&A transactions in Europe, with a particular focus on valuation trends, capital deployment pressure, and the role of investment banks in shaping transaction outcomes. The research is structured in two complementary phases:

Quantitative Analysis

The quantitative phase aims to assess whether sponsor-to-sponsor (S2S) transactions embed valuation assumptions that exceed prevailing market benchmarks, and to evaluate the extent to which such pricing reflects fundamental value creation expectations rather than purely competitive or capital-deployment pressures.

Rather than constructing a transaction-level dataset of exit multiples, often affected by limited disclosure, heterogeneous EBITDA adjustments, and inconsistent deal structures, the analysis adopts a market-based benchmarking approach. Trading EV/EBITDA multiples of publicly listed comparable companies are used as a transparent and consistent reference point to capture contemporaneous valuation conditions in the European market.

The quantitative analysis focuses on the European private equity context over the period 2020–2024, with particular attention to the normalization of valuation levels following the post-2022 market adjustment. Trading multiples observed in this period are contrasted with those prevailing during the pre-2020 peak valuation environment (2015–2019), in order to assess whether recent sponsor-to-sponsor transactions imply assumptions above long-term market norms.

The quantitative framework is then complemented by an in-depth case study of BioFarma, acquired by Ardian in a sponsor-to-sponsor transaction. For this case, a reverse discounted cash flow (DCF) model is employed to infer the growth, profitability, and risk assumptions embedded in the transaction price.

The dataset will distinguish between:

- Market-based valuation benchmarks derived from trading EV/EBITDA multiples of publicly listed comparable companies
- Fundamental valuation implications inferred through the reverse DCF case study-to-sponsor transactions (secondary buyouts)

For the transaction, where available, the following data will be collected:

- Deal size and estimated enterprise value (EV)
- Target company EBITDA at the time of the transaction
- Implied EV/EBITDA multiples
- Buyer and seller profiles (sponsor, corporate, founder)

Data will be obtained from public sources, including:

- Financial databases (e.g., Refinitiv, Orbis, PitchBook where accessible)
- Industry reports (e.g., Bain & Company Private Equity Report)
- Financial press and specialised publications (e.g., BeBeez, Mergermarket, Il Sole 24 Ore)

Qualitative Case Study Analysis

The qualitative component of the analysis focuses on a single in-depth sponsor-to-sponsor transaction: the acquisition of BioFarma by Ardian. The purpose of the case study is to complement the quantitative findings by examining the strategic, behavioral, and process-related factors that shaped valuation outcomes beyond purely financial metrics.

Rather than adopting a multi-case comparative approach, the analysis uses BioFarma as a representative and information-rich case to explore how valuation is formed in competitive sponsor-to-sponsor processes and under what conditions premium pricing may emerge.

- The structure and dynamics of the competitive sale process
- Buyer behavior and sources of competitive tension in sponsor-led auctions
- The role of strategic fit, execution certainty, and investment conviction in valuation outcomes

- The extent to which valuation reflects fundamental value creation expectations versus market pressures

Semi-structured interviews with market participants, where possible, will complement the analysis. Industry insights from advisory professionals may be cited, subject to consent and respecting confidentiality.

Insights from private equity investors and financial advisors are cited where appropriate, subject to consent and confidentiality constraints. Interview evidence is used not as standalone case material, but as interpretative support to assess whether the mechanisms observed in the BioFarma transaction are consistent with broader market behavior.

This combined methodology will allow for a comprehensive understanding of whether S2S transactions reflect genuine value creation or overpayment driven by market pressures.

2.1.1 Definitions

Private Equity fund

A private equity fund is an investment vehicle that invests in the equity of privately held companies with the aim of creating value and exiting the investment over a medium-to-long-term horizon.

Typical structure. Most commonly a closed-end fund, where investors commit capital that is drawn over time (commitment-based structure). This matches the illiquid nature of private assets and stabilizes the manager's investment horizon.

Lifecycle. Usually ~10 years, typically split into:

- Investment period (capital deployment)
- Harvest/divestment period (exits and distributions)

Economic objective. Maximize investor returns via value creation and exit. Value creation is commonly attributed to:

1. operational improvement
2. multiple expansion (multiple arbitrage)

3. leverage and deleveraging effects (capital structure optimization)

Fees and carried interest:

- Management fee: recurring fee paid to the manager; typically steps down after the investment period.
- Carried interest (carry): performance-based share of profits allocated to the GP, typically after a hurdle / preferred return, governed by a distribution waterfall.

Minimal formulas:

- Management fee:

$$\text{Mgmt Fee}_t = \text{Fee Rate} \times \text{Base}_t$$

where the base is often Committed Capital during the investment period and Invested Cost / Unrealized Cost thereafter.

- Carry:

$$\text{Carry} = \alpha \times \max(0, \text{Distributable Profits} - \text{Hurdle})$$

with α often ~20% in PE (deal/fund-specific).

Key trade-off: Closed-end structure fits illiquid investing, but creates potential agency issues (fees are relatively certain; performance is uncertain; lifecycle timing can affect investment/exits).

GPs and LPs

In a typical limited partnership structure, the General Partner (GP) manages the partnership and bears unlimited liability; the Limited Partner (LP) provides capital, has liability limited to its investment, and generally does not take part in day-to-day management.

Roles:

- GP: sources deals, performs due diligence, structures financing, governs portfolio companies (especially in control buyouts), and executes exits.
- LP: provides capital and performs oversight mainly through governance mechanisms (e.g., LP Advisory Committee / LPAC) and monitoring of reporting, fees, and conflicts.

Incentives. Management fee + carry are designed to align GP and LP interests, but can generate misalignment (e.g., incentives to deploy capital or time exits around fund lifecycle constraints).²

Dry Powder

In private equity, dry powder is the amount of capital available for future investments that has been raised/committed but not yet invested (some definitions also net out expected future fees, depending on the data provider)

Practical measurement:

- Fund level: typically uncalled commitments, adjusted for reserves (follow-ons, fees, expenses).
- Industry level: aggregate uninvested committed capital, used as a proxy for competitive pressure and deployment intensity.

Minimal metric

$$\text{Dry Powder} \approx \text{Commitments} - \text{Called/Invested Capital} (\pm \text{adjustments})$$

Interpretation limit. Dry powder is not “cash ready to invest in one deal” because of mandate constraints, reserves, and market conditions.

Secondary Buyout (SBO or sponsor to sponsor, Trade sale and IPO

Secondary buyout / sponsor-to-sponsor: A sponsor-to-sponsor transaction (secondary buyout) occurs when a financial sponsor sells its stake in a company to another financial sponsor.

Trade sale: A trade sale is an exit where the investor sells the stake to a strategic (industrial) buyer driven by strategic rationale.

² AIFI – Associazione Italiana del Private Equity, Venture Capital e Private Debt. (n.d.). Private Equity e Creazione di Valore <https://www.aifi.it/visualizzaallegatodocumenti.aspx?chiave=Di46C13m3yGpa321r887xq4QFmlTVw>

IPO: An IPO is a public offering intended to initiate the listing of a company on a stock exchange.³

DCF (principles, cash flows, WACC, terminal value, sensitivity)

Definition: DCF valuation estimates intrinsic value as the present value of expected future cash flows discounted at a rate consistent with their risk.

Cash flow choice:

- FCFF (Free Cash Flow to the Firm): discounted at WACC to estimate Enterprise Value.
- FCFE (Free Cash Flow to Equity): discounted at cost of equity to estimate Equity Value.

Core FCFF valuation:

$$EV \approx \sum_{t=1}^N \frac{FCFF_t}{(1+WACC)^t} + \frac{TV_N}{(1+WACC)^N}$$

WACC:

$$WACC = \frac{E}{D + E} r_e + \frac{D}{D + E} r_d (1 - T)$$

Terminal value: Typically via:

- perpetual growth (Gordon growth), or
- exit multiple consistent with a steady-state market multiple

Key limitation: Highly sensitive to assumptions (WACC, terminal growth/multiple, operating drivers), especially because terminal value often drives a large share of EV.⁴

³ Definitions and Methodologies (n.d.). InvestEurope <https://www.investeurope.eu/media/xajjt2wl/invest-europe-research-publications-methodology-definitions-september-2025.pdf>

⁴ Free cash flow valuation. (n.d.). CFA Institute. <https://www.cfainstitute.org/insights/professional-learning/refresher-readings/2026/free-cash-flow-valuation>

LBO (mechanics, leverage, capital structure, IRR, covenants)

Definition: A leveraged buyout is the acquisition of a company using a high proportion of debt, repaid primarily through the target's future cash flows.

Core mechanics (as a model). An LBO model estimates equity returns given:

- purchase price
- financing structure (senior/subordinated/equity)
- debt paydown via cash flows
- exit assumptions (multiple and/or growth)

Common leverage and risk metrics.

- Debt/EBITDA, Debt/EV
- coverage metrics (e.g., EBIT / interest expense)

IRR: IRR is the annualized compounded return implied by investment cash flows and is often used as an underwriting constraint (best treated as a range, not a universal constant).

Covenants:

- maintenance covenants: periodic tests
 - incurrence covenants: tested upon specific actions
- “Covenant-lite” structures weaken creditor protections in borrower-friendly markets.

2.2 Private Equity Exit Strategies Overview

2.2.1 The Private Equity Lifecycle

Private equity (PE) funds play a crucial role in global financial markets by providing capital, strategic expertise, and operational support to portfolio companies with the goal of enhancing their value over a defined investment horizon. Typically, PE funds operate within a structured lifecycle that encompasses fundraising, deal sourcing, value creation, and, ultimately, exit.

The exit phase represents a critical moment for private equity sponsors, as it allows General Partners (GPs) to monetize the value generated during the holding period and to return capital and profits to their Limited Partners (LPs). Successful exits are essential not only to demonstrate the fund's track record but also to fuel the fundraising process for subsequent vintages. Consequently,

the availability of attractive and timely exit opportunities is a fundamental component of the private equity business model.

In this context, understanding the different exit routes available to private equity funds and the factors influencing their choice provides essential insight into the market's functioning and valuation dynamics, which are central to the present research.

2.2.2 Private Equity Exit Routes (Trade Sale, IPO, Secondary Buyout)

Private equity firms have three primary exit routes for realizing returns on an investment: selling to a strategic (corporate) buyer, taking the company public via an IPO, or selling to another financial sponsor (a secondary buyout). Each route's popularity and feasibility can shift over time with market conditions. Below we expand on these exit options – trade sales, IPOs, and secondary buyouts – discussing their significance, historical trends, and the current (2023–2024) market environment.

Trade Sales (Strategic Exits)

A “trade sale” is the sale of the portfolio company to an incumbent corporate or strategic buyer in the industry. This is often the most common and significant exit route in private equity. Historically, strategic trade sales have accounted for roughly half of all PE exits⁵.

Corporations may pay a premium due to potential synergies, making trade sales attractive for PE sellers seeking a full exit. During strong economic periods, strategic buyers provide deep exit markets, and in downturns they often remain the default route when other exits (like IPOs) are unviable.

Changes over time: The prominence of trade sales tends to *increase* when alternative exits dry up. For example, after the record PE exit boom of 2021, global exit activity plummeted – down

⁵ Bell, S. (2024, August 28). *Trade Sale Vs Private Equity: Which Path is Right For Your Business?* Pierce Business Advisory and Accountancy Group. <https://www.pierce.co.uk/insights/guidance/trade-sale-vs-private-equity-which-path-is-right-for-your-business>

~32% in 2022⁶ and another 44% in 2023⁷, and trade sales dominated the reduced exit volume. In **2022**, trade sales reached **\$302.5 billion** globally (about **77%** of total PE exit value that year, a higher share than any of the prior four years)⁸. By **2023**, despite an overall slump to the lowest exit levels in a decade, corporate acquisitions still made up nearly **80% of exit value** (approximately **\$271 billion** in strategic exits). This unusually high share reflects how **trade sales became the fallback route** amid weak IPO and sponsor-to-sponsor markets. Notably, even trade buyers pulled back in absolute terms, 2023's strategic exit value was 45% lower than 2022's, as many corporate acquirers paused M&A plans due to rising interest rates and macro uncertainty⁹.

Initial Public Offerings (IPOs)

An IPO exit involves listing the portfolio company on a public stock exchange, allowing the PE fund to sell shares (often gradually over time). IPOs can potentially yield high valuations, especially in bullish equity markets, and confer prestige and liquidity. However, they are highly sensitive to market conditions and investor sentiment. As a result, IPOs are historically the least frequent of the three major exit routes, generally comprising well under 20% of PE exits¹⁰. The frequency of PE-backed IPOs has fluctuated dramatically with stock market cycles.

⁶ *Private equity exits plummet in 2022*. (2024, August 9). S&P Global Market Intelligence. <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2023/1/private-equity-exits-plummet-in-2022-73712038#:~:text=2021%27s%20record%20year>

⁷ *Private Equity outlook 2024: The liquidity Imperative*. (2024, November 13). Bain. <https://www.bain.com/insights/private-equity-outlook-liquidity-imperative-global-private-equity-report-2024/#:~:text=Exit%20activity%20fared%20even%20worse,was%20slack%20across%20all%20geographies>

⁸ *Private equity exits plummet in 2022*. (2024, August 9). S&P Global Market Intelligence. <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2023/1/private-equity-exits-plummet-in-2022-73712038#:~:text=Trade%20sales%2C%20however%2C%20increased,the%20year%2C%20according%20to%20Pr>
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⁹ *Private Equity outlook 2024: The liquidity Imperative*. (2024b, November 13). Bain. <https://www.bain.com/insights/private-equity-outlook-liquidity-imperative-global-private-equity-report-2024/#:~:text=While%20corporate%20buyers%20remained%20the,and%20the%20uncertain%20macro%20environ>
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¹⁰ Lauri Lehtinen (2025). *Exit Strategies in Private Equity*. University of Vaasa. https://osuva.uwasa.fi/bitstream/handle/10024/18993/Uwasa_2025_Lehtinen_Lauri.pdf?sequence=2&isAllowed=y#:~:text=their%20prevalence%20and%20the%20factors,reasons%20behind%20the%20relatively%20lower

Changes over time: In the late 1990s, IPOs were a prominent exit channel (during the dot-com boom), but after 2000 their prevalence dropped sharply as market conditions deteriorated¹¹. Post-2008, many PE firms favoured sales over IPOs due to volatility and regulatory costs. Nonetheless, in exuberant markets IPOs surge. 2021 showcased this: PE-backed public listings worldwide soared to 196 IPOs raising \$74.5 billion, about four times the 2022 volume. At the peak of the cycle, IPO exits accounted for roughly 12% of global PE exit value a notable share by historical standards. This reversed abruptly when markets turned. 2022 saw PE-backed IPOs “slow to a trickle,” collapsing to just 52 IPOs raising \$23.7 billion globally¹². That was a ~68% drop in capital raised, and Q4 2022 recorded the fewest PE IPOs of any quarter in recent memory. With equity markets in decline, the IPO window effectively closed in 2022, making it a minor contributor to exits. The drought persisted into 2023: despite modest stock market rallies, only a handful of buyout-backed IPOs occurred. Bain reports the IPO channel showed “some signs of life” in 2023, rising to \$11.8 billion (from an even lower \$6.9 billion in 2022). Yet this was just ~3% of total exit volume in 2023, essentially a rounding error. In Europe, for example, IPOs made up only 3% of exit count in 2023¹³, underscoring how rare public listings were in the current cycle.

Secondary Buyouts (Sponsor-to-Sponsor Exits)

A secondary buyout (SBO), or sponsor-to-sponsor sale, is an exit where the PE firm sells the company to another investment fund or financial sponsor. In essence, one private equity sponsor “exits” while another enters, via an M&A transaction. Secondary buyouts have evolved from a niche option to an integral exit route in the PE industry. Academic and industry studies find that in recent decades roughly 30%–40% of PE exits occur through sales to other sponsors¹⁴, making

¹¹ Kitzmann, J., & Schiereck, D. (2009b). A note on Secondary Buyouts-Creating value or recycling capital. *iBusiness*, 01(02), 113–123. <https://doi.org/10.4236/ib.2009.12015>

Kitzmann, J., & Schiereck, D. (2009b). A note on Secondary Buyouts-Creating value or recycling capital. *iBusiness*, 01(02), 113–123. <https://doi.org/10.4236/ib.2009.12015>

¹² *Private equity exits plummet in 2022*. (2024b, August 9). S&P Global Market Intelligence. <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2023/1/private-equity-exits-plummet-in-2022-73712038#:~:text=Private%20equity,exit%20path%20for%20many%20firms>

¹³ *Private Equity outlook 2024: The liquidity Imperative*. (2024c, November 13). Bain. <https://www.bain.com/insights/private-equity-outlook-liquidity-imperative-global-private-equity-report-2024/#:~:text=resulting%20in%20an%20unbridgeable%20spread,between%20bid%20and%20ask>

¹⁴ Lauri Lehtinen (2025). *Exit Strategies in Private Equity*. University of Vaasa. https://osuva.uwasa.fi/bitstream/handle/10024/18993/Uwasa_2025_Lehtinen_Lauri.pdf?sequence=2&isAllowed=y#:~:text=their%20prevalence%20and%20the%20factors,reasons%20behind%20the%20relatively%20lower

SBOs nearly as important as trade sales in some periods. This is a marked change from the 1990s, when secondary sales were relatively rare (back then, IPOs and trade buyers dominated). The rise of SBOs reflects the maturing PE ecosystem: today there are many funds with different strategies and holding periods, enabling one fund to sell to another that sees further value to unlock. In practice, SBOs allow PE investors to realize gains even when public markets or strategic acquirers aren't available – effectively “recycling” assets within the PE community during tough markets.

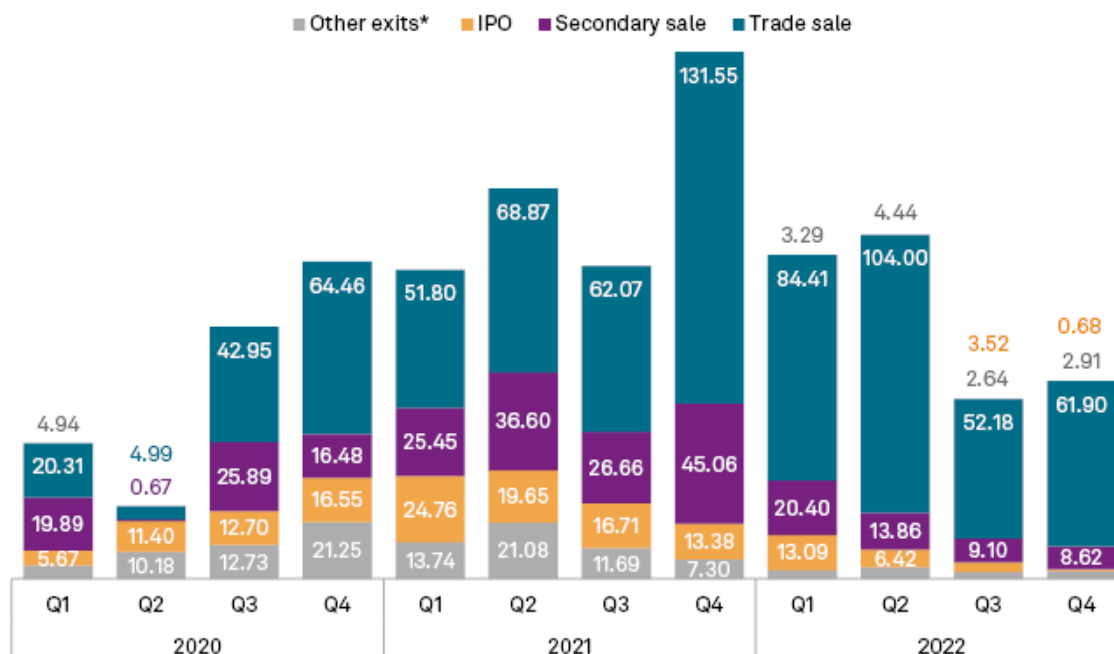
Changes over time: Secondary buyouts gained popularity in the 2000s and 2010s, especially when other exits were challenging. After the dot-com bust and early-2000s downturn, for example, many PE firms turned to selling assets to each other as IPOs dried up and corporate buyers pulled back. Over time the stigma that SBOs were merely passing the parcel diminished, as research showed they can create value. (One study found no significant difference in profitability between exits via secondary buyout and trade sale on average¹⁵, suggesting SBOs are a legitimate value-realization strategy, not just a second-best recourse.) By the late 2010s, sponsor-to-sponsor deals had become commonplace, buoyed by record levels of PE dry powder and the proliferation of buyout funds. In fact, during bull markets, SBO activity can surge dramatically. For instance, in the 2021 boom, sponsor-to-sponsor exits spiked Bain reported a 141% year-over-year leap in global sponsor-to-sponsor exit value at that time. This contributed to 2021's record exit tally, as sponsors eagerly traded assets in a high-valuation environment¹⁶. However, SBO volumes are highly sensitive to credit conditions because these deals still rely on leveraged financing. The recent market downturn exemplifies this sensitivity. 2022 saw secondary buyout exits plunge to \$52 billion globally, the lowest annual SBO value in at least five years¹⁷.

¹⁵ Kitzmann, J., & Schiereck, D. (2009c). A note on Secondary Buyouts-Creating value or recycling capital. *iBusiness*, 01(02), 113–123. <https://doi.org/10.4236/ib.2009.12015>

¹⁶ *Dealmaking rebound sees private equity recovery taking shape* — Bain & Company Global PE Report. (n.d.). Bain. <https://www.bain.com/about/media-center/press-releases/20252/dealmaking-rebound-sees-private-equity-recovery-taking-shape-bain-global-private-equity-report/>

¹⁷ *Private equity exits plummet in 2022*. (2024c, August 9). S&P Global Market Intelligence. <https://www.spglobal.com/market-intelligence/en/news-insights/articles/2023/1/private-equity-exits-plummet-in-2022-73712038#:~:text=Shifting%20exit%20routes>

Figure 1: Private Equity-backed exits by type, 2020-2022 in Billions



Data compiled Jan. 4, 2023.

* Includes bankruptcy or writeoff, private placement or follow on, sale to management, and unspecified exits.

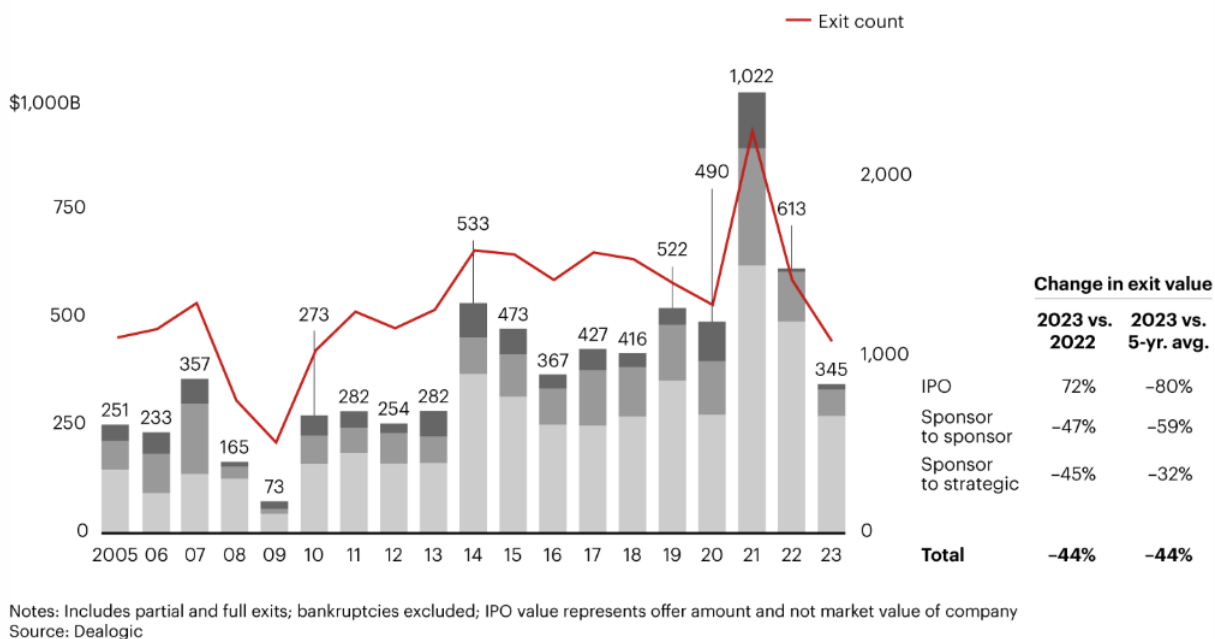
Source: Preqin Pro.

© 2023 S&P Global.

Similarly, 2023 was extremely slow for sponsor-to-sponsor deals: the value of PE-to-PE exits fell ~47% year-on-year to about \$62 billion. This collapse was driven by the surge in interest rates – buyers found that acquiring a company from another sponsor meant paying more to borrow (at higher rates) for the same asset than the seller originally did, a recipe for lower returns. Consequently, a wide bid-ask valuation gap emerged between what sellers wanted and what other sponsors could pay, stalling many would-be secondary deals. By 2023, the SBO route accounted for only ~18% of exit value (down from roughly one-third in more normal times)¹⁸.

¹⁸ *Private Equity outlook 2024: The liquidity Imperative*. (2024e, November 13). Bain. <https://www.bain.com/insights/private-equity-outlook-liquidity-imperative-global-private-equity-report-2024/#:~:text=The%20sponsor,spread%20between%20bid%20and%20ask>

Figure 2: Global buyout-backed exit value, by channel



Meaning, the recent high-rate environment severely challenged sponsor-to-sponsor M&A, contributing to the industry’s growing backlog of unexited companies.

2.2.3 Trade Sales and IPOs as Exit Routes in Private Equity

Private equity (PE) firms typically exit their investments through three primary routes: trade sales, secondary buyouts, or initial public offerings (IPOs). A trade sale (also known as a strategic sale) involves selling the portfolio company to a corporate buyer in the industry, whereas an IPO involves taking the company public by listing it on a stock exchange and selling shares to public investors. This section provides an overview of how trade sales and IPOs function as exit strategies, their advantages and disadvantages for PE sponsors, and recent trends (2023–2024) in their usage. These routes are discussed in comparison to sponsor-to-sponsor secondary buyouts, which have been another key exit channel for PE firms. Recent global PE exit channel trends (2024 vs. historical). Data from Bain Global Private Equity Report 2025: Sponsor-to-sponsor exits surged in 2024 (+141% year-on-year), far outpacing trade sales (flat growth) and IPO exits (which rose from 2023’s trough). However, despite the rebound, IPO exit activity in 2024 remained ~46% below its five-year average level, underscoring the continued weakness of the IPO market. By contrast, secondary buyouts (sponsor-to-sponsor deals) in 2024 were 26% above their five-year

average, reflecting PE firms' growing reliance on sales to other sponsors when public markets are unfavourable¹⁹. Trade sales, while still comprising the largest share of exits by value, were about 15% below the five-year norm in 2024.

Trade Sales (Strategic Exits)

In a trade sale, a PE fund sells its portfolio company to a strategic (corporate) buyer. This route provides an immediate and complete exit for the PE investor, as the acquirer (often an operating company in the same sector) purchases the business outright, usually for cash or stock. Trade sales have historically been a dominant exit route for private equity – especially for mid-sized companies – because strategic buyers may pay a premium for synergies or strategic value. In fact, Preqin data shows that from 2018–2022, about *97% of middle-market PE exits were achieved via M&A sales* (either to strategics or to other sponsors) rather than IPOs. This underscores that outside of the largest deals, most PE realizations come from selling companies to corporate or PE buyers.

Advantages of Trade Sales:

Full and Quick Realization: A trade sale typically allows the PE fund to exit completely in one transaction, converting its equity stake to cash (or liquid stock) immediately. There is no need for a prolonged sell-down period as with IPOs, so the fund can return capital to investors promptly.

Strategic Premium: Corporate acquirers might pay higher valuations if the target company offers synergies or strategic benefits (e.g. access to new markets, technology, or cost savings). This can boost the PE fund's returns compared to a financial buyer who might not pay for those synergies.

Less Market Volatility Risk: Once a deal is agreed, the exit is less exposed to public market swings or investor sentiment compared to an IPO. The sale price is negotiated privately, so the exit can still occur even during stock market downturns (barring extreme conditions).

¹⁹ FS Investments. (2025, April 28). Mid-market PE managers less impacted by slowing IPOs | FS Investments. <https://fsinvestments.com/fs-insights/chart-of-the-week-2025-4-24-25-pe-exit-channel/#:~:text=IPO%20market%20for%20liquidity.%20,2>

Disadvantages of Trade Sales:

Finding the Right Buyer: A successful strategic sale depends on locating a willing corporate buyer with strategic interest and financing capacity. If the industry is out of favor or buyers are scarce, a trade sale can be difficult or may yield a lower price. High interest rates or economic uncertainty can dampen M&A appetite, as seen in 2022–2023 when corporates grew cautious and financing costs were elevated

Potentially Lower Multiples: While strategics can pay a premium, in some cases an IPO in a frothy market might garner a higher valuation multiple than any single buyer would offer. If equity markets are very strong, a trade sale might seem “cheap” relative to a public listing (though the PE seller must weigh that against the certainty of a trade sale).

Deal Execution Risks: M&A deals carry execution and due diligence risks – a transaction can fall through if issues surface or if regulatory approvals (e.g. antitrust) are impediments. This uncertainty can delay exits. In contrast, a well-prepared IPO might be timed and executed quickly if market windows open.

Recent Trends (2023–2024): Trade sales have remained the largest exit channel by value for PE in the recent subdued exit environment, but their volume has also been constrained by market conditions. After the record-breaking exit year of 2021, trade sale activity slowed. In 2022, sales to strategic buyers proved more resilient than other routes they were above the five-year average and ended only 21% below 2021’s level, even as overall exits plummeted²⁰. This relative strength was attributed to corporate buyers’ solid earnings in 2022, which enabled some acquisitions despite the downturn. By 2023, however, overall exit volumes had fallen further amid high inflation and uncertain credit markets, meaning many PE firms delayed exits. Trade sales in 2023 were subdued, roughly tracking the prior year’s low levels. In 2024, as conditions began to improve, strategic exit values remained roughly flat year-on-year, a sign that corporate M&A had not yet roared back. According to Bain & Company’s 2025 report, strategic acquisitions by corporates showed no growth in 2024 versus 2023 (flat in aggregate value²¹). Nevertheless,

²⁰ *Private equity outlook in 2023: Anatomy of a slowdown.* (2023, April 10). Bain. <https://www.bain.com/insights/private-equity-outlook-global-private-equity-report-2023/>

²¹ *Private equity on the rebound.* (2025, March 4). <https://peprofessional.com/2025/03/bain-private-equity-on-the-rebound/#:~:text=The%20rebound%20in%20exits%20in,from%20an%20average%20of%2029>

because other channels were so constrained, trade sales still accounted for a major share of exits. Indeed, over half of global PE exit value in 2024 came from trade sales, making it the single largest route for distributions to investors. Going forward, if interest rates continue to ease and corporate confidence returns, trade sale exits are expected to pick up. But the recent period demonstrated that trade sales alone could not fully compensate for the drying up of the IPO market and the earlier slowdown in secondary buyouts.

Initial Public Offerings (IPOs)

An **IPO exit** involves a private equity sponsor taking its portfolio company public by listing it on a stock exchange and selling a portion of its shares to new investors. This route turns the company into a publicly traded entity. IPOs have a high-profile appeal and, in boom times, can achieve very high valuations. However, they come with significant dependence on capital market conditions. Typically, a PE firm will *not sell 100%* of its stake at the IPO – it might sell a fraction of shares in the offering and then gradually exit the rest through follow-on offerings or open-market sales after lock-up periods expire. Thus, an IPO is often a **partial exit** initially, with the PE backer’s full exit taking more time as remaining shares are sold.

Advantages of IPOs:

- **Potential for High Valuations:** In strong equity markets, an IPO can attract a high earnings multiple due to investor optimism or comparables in the public market. In periods of market exuberance, IPO valuations can exceed what any single buyer would pay. For example, the 2021 boom saw many PE-backed IPOs at rich valuations, rewarding sponsors with outsized returns (often augmented by post-IPO share price pops).
- **Access to Public Capital:** Post-IPO, the company can tap public markets for additional capital, which can help it grow and thus benefit the remaining stake the PE firm holds. Even as an exit route, the IPO gives the company a *currency (public stock)* that can be used for acquisitions or employee incentives, potentially enhancing the business’s value for the shares the PE retains.
- **Prestige and Branding:** Taking a company public can enhance its brand and credibility. For the PE sponsor, successful IPOs also burnish its track record and reputation. This can

be strategic for the firm’s fundraising and image, even if the monetary exit could have been similar via a private sale.

Disadvantages of IPOs:

- **Market Dependency and Timing Risk:** IPOs are highly sensitive to stock market conditions. If the market window is closed (e.g. high volatility, investor risk-aversion), even a solid company may be unable to go public at a favorable price or at all. This makes IPO exits unpredictable and often causes delays.
- **Partial and Staged Exit:** An IPO does not usually yield a full immediate exit for the PE fund. Underwriters and market norms often require the sponsor to retain shares for some time (typically 6+ months lock-up). The fund remains exposed to post-IPO stock price fluctuations and cannot fully liquidate on day one. If the stock underperforms after listing, the final exit proceeds could disappoint.
- **Costs and Disclosure:** The IPO process is costly and complex. It involves underwriting fees, regulatory compliance, and the company must disclose financial and business information publicly. Preparing for an IPO can be time-consuming, and the company will face ongoing reporting obligations. These factors make IPOs less attractive for smaller companies; only larger portfolio companies tend to pursue this route, given the fixed costs and complexity. (As noted, mid-market PE firms rarely use IPOs – from 2018–2022 only ~3% of middle-market exits were via IPO, with the rest via M&A sales²²).

Recent Trends (2023–2024): The IPO exit route has been the most volatile and constrained in recent years. After a banner year in 2021 (when booming markets enabled many PE-backed IPOs), the situation reversed sharply. 2022 saw an almost complete collapse of IPO exits, as inflation and war-related volatility spooked markets Bain reports that the public offering market was “virtually shut down in 2022²³”. This drought severely affected PE’s ability to exit via IPO, particularly hurting large-cap sponsors who historically count on IPOs for some of their biggest exits. With the

²² FS Investments. (2025b, April 28). *Mid-market PE managers less impacted by slowing IPOs* | FS Investments. <https://fsinvestments.com/fs-insights/chart-of-the-week-2025-4-24-25-pe-exit-channel/#:~:text=middle%20market%20private%20equity%20managers%2C,2>

²³ *Private equity outlook in 2023: Anatomy of a slowdown*. (2023b, April 10). Bain. <https://www.bain.com/insights/private-equity-outlook-global-private-equity-report-2023/#:~:text=Image>

IPO window closed, many firms delayed exits or turned to sales and secondary transactions. In 2023, the IPO market remained largely sluggish. Global PE-backed IPO activity stayed at very low levels (2023 IPO exit value was a small fraction of total exits) as market conditions remained unfavourable.

There were some signs of life in early 2024 a few PE-backed companies managed to list (for example, EQT and Triton completed successful IPOs of portfolio companies in Europe, as of Q1 2024) and IPO volume ticked up slightly. In fact, one report noted that in the US, IPO exits rose from accounting for just ~6% of PE exit value in Q1 2023 to about 16% in Q1 2024 as markets tentatively reopened²⁴. However, this rebound was modest and from an extremely low base. Across the full year 2024, IPOs remained a minor slice of PE exits. Bain's Global PE Report 2025 highlights that IPOs represented only around 6% of global PE exit value in 2024²⁵, a reflection of how limited the IPO channel was²⁶. Moreover, relative to historical levels, 2024's IPO activity was still 46% below the five-year average for PE-backed listings. In short, the IPO route has been the least utilized exit path recently, and the backlog of portfolio companies awaiting favourable market conditions has grown. Many sponsors have had to seek alternate paths (or hold assets longer) due to the IPO slowdown. Notably, this environment particularly impacted large-cap deals; mid-market PE managers were less affected, since they seldom rely on IPOs and can more readily exit via private sales²⁷.

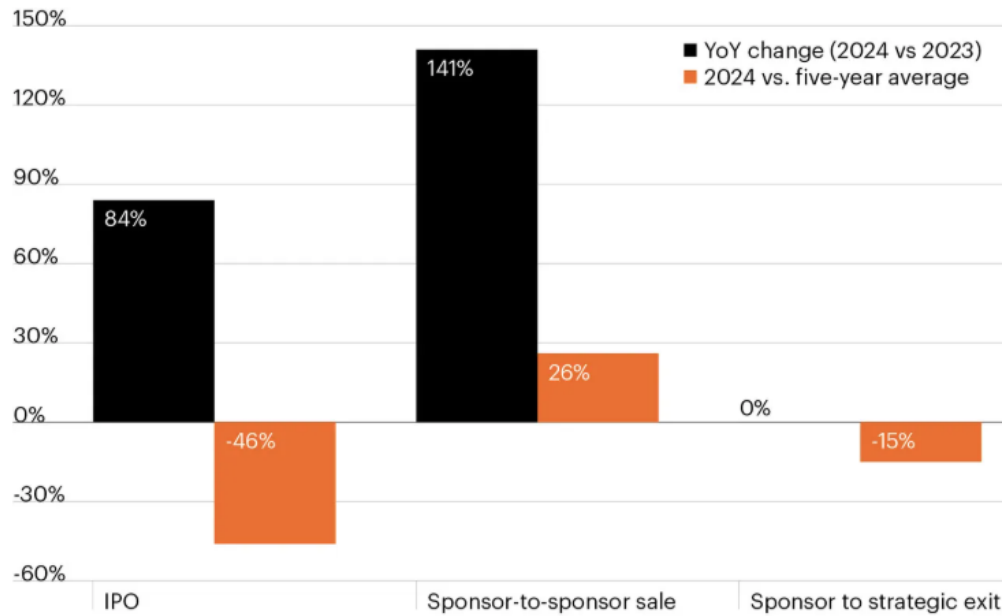
²⁴ *How alternative exit strategies are unlocking liquidity*. (2025b, May 26). <https://www.moonfare.com/blog/how-alternative-exit-strategies-are-unlocking-liquidity>

²⁵ *Private equity on the rebound*. (2025c, March 4). <https://peprofessional.com/2025/03/bain-private-equity-on-the-rebound/#:~:text=The%20rebound%20in%20exits%20in,from%20an%20average%20of%2029>

²⁶ *Private equity on the rebound*. (2025c, March 4). <https://peprofessional.com/2025/03/bain-private-equity-on-the-rebound/#:~:text=The%20rebound%20in%20exits%20in,from%20an%20average%20of%2029>

²⁷ FS Investments. (2025d, April 28). *Mid-market PE managers less impacted by slowing IPOs* | FS Investments. <https://fsinvestments.com/fs-insights/chart-of-the-week-2025-4-24-25-pe-exit-channel/#:~:text=over%20year%20in%202024%20and,2>

Figure 3: % Change in Private Equity exits by channel



Source: Bain Global Private Equity Report 2025.

Relative Importance and Comparison to Secondary Buyouts

Trade sales and IPOs are both crucial exit routes, each with distinct profiles, and their attractiveness can invert depending on market cycles. Historically, trade sales tend to deliver more steady volume and have constituted the largest share of exits by count and value, whereas IPOs occur in waves during bull markets and dry up in downturns. Secondary buyouts (sponsor-to-sponsor sales) have emerged over the past two decades as an equally important exit mechanism, often rivalling trade sales in share. In favourable conditions (such as 2021), all three routes are active: many companies find strategic buyers, others are flipped to new PE owners, and some go public. In tougher conditions, the balance shifts for example, when the IPO window closes, PE firms lean more on sales to corporates or to other sponsors.

The 2022–2024 period vividly demonstrated this dynamic. With public exits largely unavailable, secondary buyouts and trade sales provided the vast majority of liquidity. Even those channels were under pressure in 2022–2023 (sponsor-to-sponsor exits plunged ~58% in 2022 amid

financing cuts²⁸, and trade sales slowed as well), but they comprised essentially all significant exits in the absence of IPOs. By 2024, secondary buyouts staged a strong comeback, global sponsor-to-sponsor exit value surged 141% year-on-year to \$181 billion in 2024, nearly equalling the value of trade sales, which stayed roughly flat. Strategic trade sales still slightly exceeded other routes in total exit value, but their growth was lacklustre, whereas sponsor-to-sponsor deals rebounded fast. IPOs remained a distant third by value. This meant that in 2024, trade sales and secondary buyouts together accounted for about ~94% of PE exit value, with IPOs only ~6%²⁹. From a private equity firm’s perspective, each exit route has its role. Trade sales often maximize certainty and speed of exit, IPOs can maximize price (when markets are hot) but come with risk and delay, and secondary buyouts offer a middle ground of a financial buyer when strategics or public investors aren’t available. Notably, the industry has also developed a “fourth” exit route in recent years: GP-led secondary transactions (continuation funds), where the PE sponsor sells the asset to a new vehicle it manages, often backed by secondary fund investors. Many GPs now see these GP-led deals as a mainstream option alongside the traditional triad of IPOs, trade sales, and sponsor-to-sponsor sales. These alternative exits have grown in response to the difficult exit climate, allowing GPs to deliver partial liquidity to investors when they might otherwise be “stuck” holding an asset. Even so, such solutions remain a relatively small portion of exits the “vast majority” of capital returned to PE investors still comes from the classic exit routes of trade sales, secondary buyouts, and IPOs.

2.2.4 Sponsor-to-Sponsor Transactions in Private Equity (2023–2024)

Volume and Value of S2S Deals: Global and Europe

Sponsor-to-sponsor exits, have rebounded sharply in 2024 after a lull in 2022–2023. Globally, S2S exits totaled about \$181 billion in 2024, a 141% jump from the very low base in 2023. This surge made sponsor sales one of the primary exit routes – accounting for roughly 39% of global buyout

²⁸ *Private equity outlook in 2023: Anatomy of a slowdown*. (2023c, April 10). Bain. <https://www.bain.com/insights/private-equity-outlook-global-private-equity-report-2023/#:~:text=Amid%20the%20sharp%20declines%20in,from%202021>

²⁹ *Private equity on the rebound*. (2025d, March 4). <https://peprofessional.com/2025/03/bain-private-equity-on-the-rebound/#:~:text=The%20rebound%20in%20exits%20in,from%20an%20average%20of%2029>

exit value in 2024 (6 of the 10 largest exits)³⁰. By contrast, 2023 saw subdued activity following a steep decline in 2022, when sponsor-to-sponsor deal value had dropped 58% year-over-year amid financing constraints³¹. In Europe, the trend is similar: 2024 marked the first time since 2014 that exits to sponsors outpaced exits to corporates. Year-to-date 2024, over 50% of European PE exits (by count) were sales to other sponsors, representing 47.1% of exit value³². This indicates a significant uptick from 2023, when European exit activity was weak and largely flat. Overall, while global exit value in 2024 remained below the 2021 peak, the resurgence of S2S Key Drivers Behind the Rise in S2S Transactions

Several factors have fueled the rise of sponsor-to-sponsor deals in 2023–2024:

Record Dry Powder and Aging Capital: Private equity firms are sitting on mountains of undeployed capital. Global buyout dry powder remains near record highs (>\$1.2 trillion), with a growing share of “aging” dry powder (capital >4 years old) putting pressure on GPs to invest or return money. By 2024, ~24% of dry powder was over four years old (up from ~20% two years prior). This mountain of capital, much of it “use it or lose it”, has encouraged sponsors to aggressively pursue deals, including buying peer firms’ portfolio companies. In Europe especially, high dry powder levels have led to “aggressive deployment by PE firms, often in the form of sponsor-to-sponsor deals”. On the exit side, many buyout funds from the 2016–2018 vintages are reaching the end of their life, pushing GPs to find buyers for aging portfolio companies. With an estimated 29,000 unsold companies globally (representing ~\$3.6 trillion in unrealized value) stuck on balance sheets, selling to another sponsor has become a viable way to generate liquidity for investors.

- **IPO Market Slowdown:** Traditional exit routes like IPOs dried up dramatically in 2022–2023. In 2022, the global IPO market “shut down almost completely,” and remained sluggish through 2023. By 2024, IPO exits accounted for just 6% of exit value – a very minor channel. Even though 2024 saw a few high-profile listings (e.g. Galderma’s \$2.6B

³⁰ *Private Equity Outlook 2025: Is a recovery starting to take shape?* (2025b, April 10). Bain. <https://www.bain.com/insights/outlook-is-a-recovery-starting-to-take-shape-global-private-equity-report-2025/#:~:text=A%20141,16%20billion%20acquisition%20of%20AirTrunk>

³¹ Bain Report Global Private Equity. (2022). In *Bain*. https://psik.org.pl/images/Dane-i-raporty/Publikacje-czlonkow/bain_report_global-private-equity-report-2023.pdf#:~:text=Amid%20the%20sharp%20declines%20in,to%20be%20relatively%20resilient%20throughout

³² Tracey Alper. (n.d.). *Q3 2024 European PE Breakdown | Marks Sattin Specialist Recruitment News*. Marks Sattin. <https://www.markssattin.co.uk/general/2024-10/european-q3-pe-breakdown-2024#:~:text=This%20year%20has%20seen%20a,and%20value%2C%20corporate%20acquisitions%20are>

IPO), most sponsors view IPOs as a last resort and held back offerings amid volatile markets. This IPO drought forced private equity sellers to look for alternative buyers. Strategic (corporate) acquisitions also stagnated in 2023–24, as corporates became cautious (strategic exit value was flat in 2024)³³. In this context, financial sponsors stepped into the void. As one analysis noted, “unlike the muted IPO environment, sponsor-to-sponsor sales jumped 141% in 2024”, far outperforming other exit channels. Middle-market PE firms, in particular, benefited from this dynamic since they historically rely less on IPOs and more on sales to larger sponsors. In short, the slow IPO market has funneled more exits into the S2S channel, giving GPs a practical way to realize returns when public listings are unappealing or unfeasible.

- **Need for Liquidity and Fund Recycling:** After two years of weak exits, private equity faced a liquidity crunch – distributions to LPs hit their lowest rate in over a decade by 2023. Both LPs and GPs identified the difficult exit environment as the top threat to returns. This pressure to return cash to investors has driven GPs to get creative. Many turned to partial exits, minority stake sales, and GP-led secondaries to bridge the liquidity gap. Notably, continuation funds (GP-led secondary vehicles) have become mainstream: they represented roughly 12% of sponsor-backed exit volume in 2023, up from 7% in 2022³⁴. These allow a GP to sell a company to a new fund they manage or a secondary buyer while still retaining an interest in the asset. Such structures address situations where GPs “question why they should sell their best assets to a peer” only to watch the buyer reap the upside. Instead, a continuation vehicle lets the original sponsor cash out some value (satisfying LPs wanting liquidity) while continuing to ride the asset’s growth. This trend is transforming the traditional S2S exit channel by providing an alternative to an outright sale. More broadly, pent-up exit demand from funds that matured during the 2021–2023

³³ *Private Equity Outlook 2025: Is a recovery starting to take shape?* (2025b, April 10). Bain.
<https://www.bain.com/insights/outlook-is-a-recovery-starting-to-take-shape-global-private-equity-report-2025/#:~:text=A%20141,16%20billion%20acquisition%20of%20AirTrunk>

³⁴ Private Capital Advisory: Secondary Market Overview. (2024). In *Eaton Partners*.
<https://www.stifel.com/Newsletters/InvestmentBanking/BAL/Marketing/StifelSays/2023/EatonPCASecondaryMarketOverviewFINALMarch2024.pdf#:~:text=,2023>

downturn has led sponsors to seize any exit opportunities available – often via secondary buyouts or structured sales – to recycle capital into their next fundraises³⁵.

- **Succession and Sponsor Lifecycle Considerations:** Another subtle driver is the lifecycle of PE firms and their funds. Some aging funds and leadership transitions have prompted sponsors to seek exits. For example, when a founding GP is preparing succession or a fund is nearing its end, a sponsor-to-sponsor sale can provide a clean exit and distribute proceeds, facilitating succession plans. Bain’s report notes that secondary solutions are even being used to raise cash for GP-level objectives like succession management or expanding a firm. In practice, this might involve a GP selling a stake in a portfolio (or using a continuation fund) so that retiring partners can liquidate their holdings, while a new sponsor (or new fund) takes over the asset. Additionally, secondary buyouts allow mid-sized GPs to pass the baton to larger GPs for the next phase of a company’s growth. One Asia-Pacific example: mid-market fund Advantage Partners scaled up Bushu Pharmaceuticals and sold it to EQT’s fund; EQT then sold Bushu to KKR in 2023, meaning the company stayed in PE hands through successive owners. These staged exits align with the natural succession of ownership as companies grow and move upstream to bigger sponsors with fresh capital. deals was a key driver of the 82% YoY increase in exit value seen in 2024³⁶.

³⁵ *Private Equity Outlook 2025: Is a recovery starting to take shape?* (2025d, April 10). Bain. <https://www.bain.com/insights/outlook-is-a-recovery-starting-to-take-shape-global-private-equity-report-2025/#:~:text=A%20141,16%20billion%20acquisition%20of%20AirTrunk>

³⁶ Moss, S. M. (2025, February 12). *Renewed optimism: Private Equity 2024 Year-In-Review and 2025 Industry Outlook*. Cherry Bekaert. <https://www.cbh.com/insights/reports/private-equity-report-2024-trends-and-2025-outlook/#:~:text=While%202024%20exit%20value%20was,utilized%20alternative%20exits%2C%20such%20as>

Chapter 3: Empirical Analysis of Sponsor-to-Sponsor Transactions

3.1 Research Methodology, Objective and Sample Selection

This chapter presents the empirical analysis aimed at assessing valuation dynamics in recent sponsor-to-sponsor (S2S) transactions, with a particular focus on whether such deals embed valuation levels that exceed prevailing market benchmarks. Rather than testing transaction prices in isolation, the analysis investigates whether S2S acquisitions reflect assumptions that go beyond those implied by publicly traded comparables.

The methodological framework combines quantitative market-based valuation benchmarks with a fundamental case-study analysis and qualitative evidence. Specifically, the study uses trading EV/EBITDA multiples of publicly listed companies operating in relevant sectors as a reference point to capture contemporaneous market valuation conditions. This relative valuation evidence is then complemented by a reverse discounted cash flow (DCF) analysis of a representative S2S transaction, which allows for the inference of growth and risk assumptions embedded in the acquisition price.

Qualitative insights from industry professionals further support the interpretation of the empirical findings.

The central objective of the analysis is to assess whether private equity buyers in S2S transactions systematically incorporate valuation premiums relative to market benchmarks, and to evaluate whether such premiums are driven by market-related factors (such as capital abundance, limited exit alternatives, and competitive auction dynamics) or by credible value creation opportunities at the asset or portfolio level.

The empirical scope focuses on sponsor-to-sponsor transactions completed between January 2021 and June 2024, involving European-based target companies in order to ensure geographical consistency. Rather than constructing a control group based on transaction-level multiples, which are often affected by limited disclosure and heterogeneous EBITDA adjustments, the study relies on trading multiples as a consistent and observable benchmark for valuation comparison across market regimes.

3.1.3 Data Sources

Primary data will be sourced from:

- **Refinitiv Eikon and Refinitiv Deals Intelligence:** For transaction-level deal descriptions, buyer/seller identities, and reported multiples
- **PitchBook, CapitalIQ, Gainpro:** For verification and additional details on private equity exits
- **Cerved, Aida:** For companies financials
- **Publicly available deal announcements and press releases:** Particularly for the case studies selected for closer examination
- **Sector reports and industry averages** (e.g., Bain Global Private Equity Report, Preqin benchmarks): To identify reference median EV/EBITDA multiples by industry and region

Where deal multiples are not disclosed directly, approximate EV/EBITDA ratios will be estimated based on available enterprise value and public EBITDA disclosures where possible.

3.1.4 Analytical Approach

The empirical analysis is structured in two integrated phases aimed at assessing the consistency of the valuation paid by Ardian in the acquisition of BioFarma.

The parties are:

- **Target:** BioFarma is a leading Italian contract development and manufacturing organisation (CDMO) specialising in nutraceuticals, probiotics, medical devices and cosmeceuticals. The company provides end-to-end capabilities, covering formulation, industrial development, production and packaging for third-party brands. Over recent years, BioFarma has scaled significantly through both organic expansion and a disciplined buy-and-build strategy, positioning itself among the most prominent European players in the sector.

- **Seller:** The transaction involved the exit of White Bridge Investments, an Italian mid-market private equity firm focused on backing high-growth businesses in consumer, healthcare and industrial niches. During its period of ownership, White Bridge supported BioFarma through portfolio consolidation, operational strengthening and the integration of multiple acquisitions, effectively creating a larger platform with attractive future growth optionality.
- **Buyer:** The acquiring party was Ardian, a leading global private investment firm with more than €150 billion in assets under management across buyout, infrastructure, real estate and private credit strategies. Ardian acquired a majority stake in BioFarma with the intention of further accelerating its development, leveraging its international reach, capital resources and strategic capabilities to support continued expansion.

This deal represents an example of sponsor-to-sponsor ownership rotation and serves as a useful reference point for assessing valuation dynamics and potential overpayment pressure in a highly competitive private equity market.

Relative Valuation (Market Multiples Benchmarking):

The first step involved benchmarking the EV/EBITDA multiple implied by the transaction against historical trading levels. The BioFarma deal, priced at approximately 22x forward EV/EBITDA, was compared with:

- The average trading multiple in 2022 for comparable companies in the sector, which stood at ~19x;
- The historical average for the 2015–2019 period, representing a market peak, estimated at ~24x. This comparison aimed to determine whether the multiple paid was in line with prevailing market conditions or reflected an aggressive valuation.

Fundamental Valuation (Reverse DCF Analysis):

The second component consisted of a Reverse Discounted Cash Flow model, used to test whether the €1.1 billion enterprise value paid by Ardian could be justified by BioFarma's fundamentals.

The Reverse DCF framework incorporated three valuation scenarios, optimistic, base, and conservative, each defined by varying assumptions on:

- Revenue growth rate;
- Terminal growth rate (TGR);
- Weighted Average Cost of Capital (WACC).

The goal was to identify the set of forward-looking assumptions required to support the price paid and evaluate whether such expectations are plausible given BioFarma's historical performance and sector benchmarks.

Together, these two complementary approaches, market comparison and intrinsic valuation, enable a more robust assessment of whether the acquisition valuation is supported by fundamentals or embeds an overpayment premium.

3.1.5 Limitations

While the dataset will aim for breadth, the availability of reliable EV/EBITDA multiples is constrained by disclosure practices: many transactions are private and key data points are often not publicly reported. Additionally, deal-specific factors (e.g., company growth profile, profitability, sector trends) introduce variability that may limit broad generalizations.

3.2 Valuation Multiples at Peak (2015–2019) vs. 2022 Normalization

During the mid-to-late 2010s, publicly traded contract manufacturers in the nutraceutical and healthcare sector (comparable to BioFarma's business) commanded exceptionally high valuation multiples. A representative peer group of ~10–12 CDMO and nutraceutical manufacturing

companies, including industry leaders like Lonza, Catalent, Eurofins, Siegfried, and others – traded at **EV/EBITDA multiples well above 20× at the cycle’s peak**³⁷. One industry analysis noted that the median multiple for these CDMO peers reached roughly **21× EBITDA in 2018** before a late-2018 market pullback³⁸. In fact, certain high-growth players were valued even more richly: for example, Bachem (a Swiss peptide CDMO) was trading at about **25× EBITDA in mid-2019**. Across this peer set, valuations were broadly elevated – the **mean EV/EBITDA was ~16–17×** by mid-2019 (median ~15.4×) with a **range from roughly 9.6× up to 25×**. This wide dispersion (interquartile range roughly **12× to 22×**, standard deviation ~5×) reflects the premium investors placed on high-growth nutraceutical/CDMO firms during that period. Notably, these valuation levels implied a **significant premium over the broader equity market** – e.g. in mid-2019, the CDMO peer median (~19×) was almost 50% higher than the S&P 500’s average EBITDA multiple (~13×). In short, **2015–2019 saw peak multiples** for the sector (often in the low-to-mid 20s), underscoring the market’s bullish growth expectations for nutraceutical and pharma contract manufacturers at the time.

3.2.1 Multiples in 2022

By 2022, market valuations for this sector had noticeably normalized to lower levels. After the frenzy of the late 2010s (and a volatile 2020–2021 period), investors became more cautious amid rising interest rates and more tempered growth outlooks. Industry data show that by the end of 2022, publicly traded CDMOs were trading around the high-teens EV/EBITDA on average. For instance, an analysis based on Capital IQ data, covering approximately 80 publicly traded biopharma service peers, shows an average EV/LTM EBITDA multiple of around ~19× in 2022. This is a substantial comedown from the mid-20s highs seen a few years prior, indicating that valuations “reverted to normal” levels. (For context, sector multiples even dipped further in 2023, averaging around 16×, before partially rebounding in 1H 2024³⁹). The narrower spread of multiples

³⁷ Bourne Partners. (2019). *Q2 2019 Pharma Services Sector Snapshot Report* [Report]. <https://bournepartners.com/wp-content/uploads/2025/09/Q2-2019-Pharma-Services-Sector-Snapshot-Report-v2.pdf#:~:text=22,OM%3ARECI%20B%29%2C%20Siegfried>

³⁸ Bourne Partners. (2019). *Q2 2019 Pharma Services Sector Snapshot Report* [Report]. <https://bournepartners.com/wp-content/uploads/2025/09/2018-Year-End-Valuations-Update-Market-Insight.pdf#:~:text=Pharma%20Services%204>

³⁹ KPMG Corporate Finance (2024), *U.S. Biopharma Services Industry Update – 1H 2024* <https://corporatefinance.kpmg.com/kpmg-us/content/dam/kpmg/corporatefinance/pdfs/2024/kpmg-cf-biopharma->

in 2022 also signaled a return to fundamentals: quality CDMO/nutraceutical firms still earned a premium vs. general market valuations, but the exuberant pricing of the mid-2010s had cooled. In the vitamins and supplements sub-sector, a similar normalization was observed – by December 2022, typical supplement companies traded near $\sim 10\text{--}11\times$ EBITDA⁴⁰, a slight decline from prior years. Overall, the sector’s average EV/EBITDA in 2022 ($\sim 18\text{--}19\times$) was more modest and in line with sustainable growth expectations, compared to the peak-era 2015–2019 average which often exceeded $20\times$ (with top-quartile multiples reaching $\sim 24\times$)⁴¹. This historical comparison supports the argument that market valuations were at a peak in 2015–2019 and had normalized by 2022, reinforcing our valuation perspective on the BioFarma deal. The €1.1 billion acquisition of BioFarma in 2022 appears to have been struck at an aggressive valuation relative to these broader trends. Contemporary reports indicate that BioFarma was valued at “over $20\times$ ” its 2021 EBITDA in the Ardian buyout⁴². In other words, the buyer paid a multiple on the scale of prior peak market levels at a time when typical peers were trading closer to $\sim 19\times$. Such a price inherently bakes in very optimistic growth and margin assumptions for the future. Indeed, compared to the cooling sector multiples in 2022, paying above $20\times$ EBITDA for BioFarma suggests that the deal’s underwriters were effectively pricing in continued high growth (or synergy/value creation) to justify that premium. This disconnects, paying a peak-era multiple in a normalized market, underlines the point that the BioFarma acquisition price carried lofty expectations. It implies that aggressive growth was assumed in the €1.1 B valuation, a stance not fully aligned with the broader market’s more cautious outlook by 2022. Therefore, when conducting a reverse DCF or fundamental analysis, one can argue **that** BioFarma’s sale price was predicated on unusually high-performance projections, highlighting risk if those projections do not materialize. The contrast between $\sim 24\times$ EBITDA valuations at the market peak vs. $\sim 19\times$ by 2022 reinforces our view: the

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v1.pdf#:~:text=biopharma%20services%20sector%20group%20during,half%20of%202024%2C%20up%2042

⁴⁰ Capstone Partners (2023), *Vitamins & Supplements M&A Coverage Report (May 2023)*

https://www.capstonepartners.com/wp-content/uploads/2023/05/Vitamins-Supplements-MA-Coverage-Report_May-2023.pdf#:~:text=Mimi%27s%20Rock%20offers

⁴¹ Marwood Group (2019), *2019 TL-CRO-CDMO Part 2* <https://www.marwoodgroup.com/wp-content/uploads/2020/11/2019.10.30-TL-CRO-CDMO-Part-2-FINAL.pdf#:~:text=Research%20shows%20that%20EV%2FLTM%20EBITDA,value%20proposition%20through%20strategic%20acquisitions>

⁴² BeBeez. (2022). *Ardian prepares auction for Neopharmed Gentili: it’s a deal worth about one billion euros*, 7 febbraio 2022. <https://bebeez.eu/2022/02/07/ardian-prepares-auction-for-neopharmed-gentili-its-a-deal-worth-about-one-billion-euros/#:~:text=here%20a%20previous%20article%20by,valuation%20of%20one%20billion%20euros>

⁴² BeBeez. (2022). *Ardian prepares auction for Neopharmed Gentili: it’s a deal worth about one billion euros*, 7 febbraio 2022. <https://bebeez.eu/2022/02/07/ardian-prepares-auction-for-neopharmed-gentili-its-a-deal-worth-about-one-billion-euros/#:~:text=here%20a%20previous%20article%20by,valuation%20of%20one%20billion%20euros>

acquisition's pricing was stretched, and any valuation justification must lean on extraordinary growth assumptions, an important consideration when assessing the deal's realism in light of broader market trends.

3.3 Definition of Scenarios and Reverse DCF Assumptions

In order to assess whether the price paid by Ardian for BioFarma (Enterprise Value of approximately €1.1 billion) is consistent with the company's underlying fundamentals, a Reverse Discounted Cash Flow (Reverse DCF) model has been developed under three distinct valuation scenarios.

The reverse engineering approach starts from the observed market value of the transaction and works backwards to identify the level of future cash flows required to justify such valuation. In other words, the analysis aims to determine whether the €1.1 billion enterprise value embeds realistic growth expectations or relies on excessively optimistic assumptions.

The model is constructed over a medium-term explicit forecast horizon following the acquisition, complemented by a terminal value estimated using the perpetual growth method (Gordon Growth Model). Different assumptions regarding the discount rate and long-term growth are applied in order to capture alternative valuation outcomes.

Three valuation scenarios are defined – **optimistic, base and conservative** – each characterized by different assumptions on the key DCF parameters, namely revenue growth, weighted average cost of capital (WACC) and terminal growth rate (TGR). Specifically:

- **Optimistic scenario:** WACC of 6%, terminal growth rate of 3%, and annual revenue growth of 14%.
- **Base scenario:** WACC of 6.96% (estimated as BioFarma's reference cost of capital based on its risk profile and financial structure), terminal growth rate of 2.5%, and annual revenue growth of 12%.
- **Conservative scenario:** WACC of 8%, terminal growth rate of 2%, and annual revenue growth of 10%.

The selected assumptions reflect different market environments and levels of operational performance. The optimistic scenario assumes particularly favourable conditions, including a low cost of capital and a very strong expansion of BioFarma, significantly above the sector trend. Conversely, the conservative scenario incorporates more cautious assumptions, such as a higher cost of capital (reflecting increased risk or rising interest rates) and a more moderate revenue growth trajectory. The base scenario represents the most realistic hypothesis, with parameters broadly in line with prevailing estimates (WACC close to 7% and sustained but moderate double-digit growth).

Across all scenarios, the terminal growth rate is kept within a relatively narrow range (2–3%), consistent with long-term inflation expectations and always below the discount rate, in order to avoid unrealistic infinite valuations.

This multi-scenario framework allows for an assessment of the sensitivity of the DCF valuation to changes in key assumptions. The core objective is to compare the Enterprise Value implied under each scenario with the €1.1 billion paid by Ardian, in order to identify under which conditions such valuation can be justified. As is well established in valuation theory, if the current price implies future cash flows that exceed what is reasonably achievable, the asset may be considered overvalued, and vice versa. The following sections present the numerical outputs of the model and provide an analytical interpretation of the results.

3.3.1 Numerical Outputs and Interpretation of Results

This section presents the quantitative results of the Reverse DCF analysis for each of the defined scenarios, supported by excerpts from the underlying Excel valuation model. For each scenario, the key assumptions, the resulting enterprise value and the comparison with the transaction price are reported, in order to assess the consistency of the BioFarma–Ardian transaction. The discussion focuses on the extent to which the present value of projected cash flows is sufficient to justify the €1.1 billion acquisition price and on the assumptions required for this to occur.

3.3.3 Conservative Scenario

The conservative scenario applies deliberately cautious assumptions in order to test a downside case in which market conditions and company performance prove less favourable than expected. The WACC is increased to 8%, reflecting a potential rise in interest rates or higher company-specific risk (for instance due to integration challenges, competitive pressures or other adverse factors). The terminal growth rate is reduced to 2%, only marginally above long-term inflation, implying that BioFarma grows broadly in line with the overall economy in the long run. Revenue growth in the explicit forecast period is assumed at 10% per annum, still positive but significantly lower than in the other scenarios and close to the lower bound of the company’s historical organic growth.

Under these assumptions, the Reverse DCF produces an Enterprise Value substantially below the acquisition price. The present value of projected cash flows declines to approximately €600–700 million, barely more than half of the €1.1 billion paid by Ardian.

Table 1: Conservative Scenario

Biofarma S.r.l. DCF											
Name	Biofarma	Conservative	434.019.858,46 €								
Date	01/06/2021	Base	672.818.706,84 €								
Year end	31/12/2021	Optimistic	1.146.520.140,28 €								
x Assumptions											
Switches											
Assumptions											
Revenue	1										
EBIT	1										
WACC	1										
TGR	1										
Valuation											
WACC	8,0%	WACC			8,0%	WACC			6,96%		
TGR	2,0%	TGR			2,0%	TGR			2,5%		
x Income Statement (12/31 CYE)											
	2020A	2021A	2022E	2023E	2024E	2025E	2026E				
Revenue	176.871.647	201.094.748	225.226.118	252.253.252	282.523.642	316.426.479	354.397.657				
% growth	--	14%	12,0%	12%	12%	12%	12%				
COGS & SG&A	159.563.352	172.395.252	184.685.417	206.847.667	231.669.387	259.469.713	290.606.078				
% of sales	90%	86%	82,0%	82%	82%	82%	82%				
D&A	30.166.570	32.125.033	36.036.179	40.360.520	45.203.783	50.628.237	56.703.625				
% of sales	17%	16%	16,0%	16%	16%	16%	16%				
EBIT	-1.107.817	7.166.505	4.504.522	5.045.065	5.650.473	6.328.530	7.087.953				
% of sales	-1%	4%	2%	2%	2%	2%	2%				
Taxes	3.633.058	5.604.824	1.081.085	1.210.816	1.356.113	1.518.847	1.701.109				
Tax rate	24%	24%	24%	24%	24%	24%	24%				
x Cash Flow Items (12/31 CYE)											
	2020A	2021A	2022E	2023E	2024E	2025E	2026E				
D&A	30.166.570	32.125.033	36.036.179	40.360.520	45.203.783	50.628.237	56.703.625				
% of sales	17%	16%	16%	16%	16%	16%	16%				
CapEx	n.a.	14.977.460	15.765.828	17.657.728	19.776.655	22.149.854	24.807.836				
% of sales	n.a.	7%	7%	7%	7%	7%	7%				
NWC	34143018										
Change in NWC	n.a.	2.081.671	2.252.261	2.522.533	2.825.236	3.164.265	3.543.977				
% of sales	n.a.	1%	1%	1%	1%	1%	1%				
x DCF											
	2020A	2021A	2022E	2023E	2024E	2025E	2026E				
Revenue	176.871.647	201.094.748	225.226.118	247.748.730	272.523.602	299.775.963	329.753.559				
% growth	--	14%	12%	10%	10%	10%	10%				
Conservative Case					10%	10%	10%	10%			
Base Case					12%	12%	12%	12%			
Optimistic Case					14%	14%	14%	14%			
EBIT	-1.107.817	7.166.505	4.504.522	2.477.487	2.725.236	2.997.760	3.297.536				
% of sales	-1%	4%	2%	1%	1%	1%	1%				
Conservative Case					1%	1%	1%	1%			
Base Case					2%	2%	2%	2%			
Optimistic Case					3%	3%	3%	3%			
Taxes	3.633.058	5.604.824	1.081.085	594.597	654.057	719.462	791.409				
Tax rate	24%	24%	24%	24%	24%	24%	24%				
NOPAT				1.882.890	2.071.179	2.278.297	2.506.127				
D&A	30.166.570	32.125.033	36.036.179	39.608.919	43.569.811	47.926.792	52.719.471				
% of sales	17%	16%	16%	16%	16%	16%	16%				
CapEx	n.a.	14.977.460	15.765.828	17.897.321	19.687.053	21.655.758	23.821.334				
% of sales	n.a.	7%	7%	7%	7%	7%	7%				
Change in NWC	n.a.	2.081.671	2.252.261	2.521.053	2.773.158	3.050.474	3.355.522				
% of sales	n.a.	1%	1%	1%	1%	1%	1%				
Unlevered FCF							21.073.435	23.180.779	25.498.857	28.048.742	
Present Value of FCF							20.605.670	21.326.469	21.721.403	22.123.652	
Period							0,58				
Discount Period							0,29	1,08	2,08	3,08	4,08
Terminal Value											476.828.617
Present Value of Terminal Value											348.242.665
Enterprise Value											434.019.858
(+) Cash											24.871.032
(-) Debt											105.609.092
Equity Value											353.281.798

Such an outcome indicates that, if reality were to align with these more cautious conditions, the BioFarma transaction would be materially overpaid from an intrinsic value perspective. In this

scenario, Ardian would face significant difficulty in recovering the invested capital under standard valuation assumptions, unless relying on a future exit at even higher multiples or on synergies beyond the scope of the DCF analysis.

Naturally, the conservative scenario represents an extreme downside case, designed to test the resilience of BioFarma's valuation under adverse conditions. It highlights that a large portion of the €1.1 billion valuation is driven by growth expectations: when such expectations are reduced to levels closer to the sector average, the theoretical valuation declines sharply. Moreover, the increase in the WACC from the base level to 8% plays a significant role in depressing value, underscoring how sensitive discounted cash flow valuations are to changes in the cost of capital. A deterioration in macroeconomic conditions or in the firm's risk profile could, by itself, erode a substantial portion of value regardless of revenue growth.

3.3.4 Base Scenario

The base scenario adopts more moderate assumptions, deemed the most realistic given the available information. The WACC is set at 6.96%, reflecting BioFarma's estimated cost of capital, taking into account country risk, risk-free rates, market risk premium and the post-acquisition financial structure. The terminal growth rate is assumed to be 2.5%, a prudent level consistent with long-term growth slightly above expected inflation. Revenue growth during the explicit forecast period is assumed at 12% per annum, still robust but less exceptional than in the optimistic scenario and only moderately above sector CAGR.

These assumptions describe a solid development path for BioFarma, based on sustained organic growth and potential international expansion, without assuming extraordinary performance beyond reasonable expectations.

Under the base scenario, the DCF model produces an Enterprise Value materially lower than in the optimistic case and, crucially, below the €1.1 billion acquisition price. Specifically, the implied enterprise value falls in the range of approximately €900–950 million, corresponding to a shortfall of roughly 15–20% relative to the transaction value.

Table 2: Base Scenario

Biofarma S.r.l. DCF										
Name	Biofarma	Conservative	434.019.858,46 €							
Date	01/06/2021	Base	672.818.706,84 €							
Year end	31/12/2021	Optimistic	1.146.520.140,28 €							
x Assumptions										
Switches										
Assumptions										
Revenue	2									
EBIT	2									
WACC	2									
TGR	2									
Valuation										
WACC	7,0%	WACC	8,0%	WACC	6,96%	WACC	6,0%			
TGR	2,5%	TGR	2,0%	TGR	2,5%	TGR	3,0%			
x Income Statement (12/31 CYE)										
	2020A	2021A	2022E	2023E	2024E	2025E	2026E			
Revenue	176.871.647	201.094.748	225.226.118	252.253.252	282.523.642	316.426.479	354.397.657			
% growth	--	14%	12,0%	12%	12%	12%	12%			
COGS & SG&A	159.563.352	172.395.252	184.685.417	206.847.667	231.669.387	259.469.713	290.606.078			
% of sales	90%	86%	82,0%	82%	82%	82%	82%			
D&A	30.166.570	32.125.033	36.036.179	40.360.520	45.203.783	50.628.237	56.703.625			
% of sales	17%	16%	16,0%	16%	16%	16%	16%			
EBIT	-1.107.817	7.166.505	4.504.522	5.045.065	5.650.473	6.328.530	7.087.953			
% of sales	-1%	4%	2%	2%	2%	2%	2%			
Taxes	3.633.058	5.604.824	1.081.085	1.210.816	1.356.113	1.518.847	1.701.109			
Tax rate	24%	24%	24%	24%	24%	24%	24%			
x Cash Flow Items (12/31 CYE)										
	2020A	2021A	2022E	2023E	2024E	2025E	2026E			
D&A	30.166.570	32.125.033	36.036.179	40.360.520	45.203.783	50.628.237	56.703.625			
% of sales	17%	16%	16%	16%	16%	16%	16%			
CapEx	n.a.	14.977.460	15.765.828	17.657.728	19.776.655	22.149.854	24.807.836			
% of sales	n.a.	7%	7%	7%	7%	7%	7%			
NWC	34143018									
Change in NWC	n.a.	2.081.671	2.252.261	2.522.533	2.825.236	3.164.265	3.543.977			
% of sales	n.a.	1%	1%	1%	1%	1%	1%			
x DCF										
	2020A	2021A	2022E	2023E	2024E	2025E	2026E			
Revenue	176.871.647	201.094.748	225.226.118	252.253.252	282.523.642	316.426.479	354.397.657			
% growth	--	14%	12%	12%	12%	12%	12%			
Conservative Case				10%	10%	10%	10%			
Base Case				12%	12%	12%	12%			
Optimistic Case				14%	14%	14%	14%			
EBIT	-1.107.817	7.166.505	4.504.522	5.045.065	5.650.473	6.328.530	7.087.953			
% of sales	-1%	4%	2%	2%	2%	2%	2%			
Conservative Case				1%	1%	1%	1%			
Base Case				2%	2%	2%	2%			
Optimistic Case				3%	3%	3%	3%			
Taxes	3.633.058	5.604.824	1.081.085	1.210.816	1.356.113	1.518.847	1.701.109			
Tax rate	24%	24%	24%	24%	24%	24%	24%			
NOPAT										
				3.834.249	4.294.359	4.809.682	5.386.844			
D&A	30.166.570	32.125.033	36.036.179	40.329.081	45.168.571	50.588.799	56.659.455			
% of sales	17%	16%	16%	16%	16%	16%	16%			
CapEx	n.a.	14.977.460	15.765.828	18.222.727	20.409.454	22.858.588	25.601.619			
% of sales	n.a.	7%	7%	7%	7%	7%	7%			
Change in NWC	n.a.	2.081.671	2.252.261	2.566.890	2.874.917	3.219.907	3.606.296			
% of sales	n.a.	1%	1%	1%	1%	1%	1%			
Unlevered FCF										
Present Value of FCF										
				23.373.713	26.178.559	29.319.986	32.838.384			
				22.919.482	24.338.243	25.485.071	26.685.938			
Period					0,58					
Discount Period					0,29	1,08	2,08	3,08		4,08
Terminal Value										754.693.807
Present Value of Terminal Value										573.389.972
Enterprise Value										672.818.707
(+) Cash										24.871.032
(-) Debt										105.609.092
Equity Value										592.080.647

This result implies that, under realistic assumptions regarding growth and risk, the intrinsic value of BioFarma estimated through the DCF does not fully justify the price paid. In other words, Ardian appears to have accepted a meaningful premium, anticipating future value creation beyond what is implied by the base-case scenario.

This finding should be interpreted in light of the specific context of sponsor-to-sponsor transactions. An enterprise value in the €0.9–1.0 billion range suggests that, if BioFarma were to grow at a still impressive but more sustainable rate of around 12% per year and without a reduction in the cost of capital, the intrinsic return would fall short of the acquisition price. The difference of approximately €150–200 million can be interpreted as goodwill or intangible value attributed by Ardian in anticipation of additional synergies and growth opportunities.

Indeed, sponsor-to-sponsor transactions often occur at elevated multiples, as the incoming financial sponsor expects to unlock further value through accelerated expansion, internationalization and operational efficiency improvements. In this case, Ardian appears to have priced in the continuation of double-digit growth and additional upside from new markets, product innovation and capacity expansion. If such initiatives are successful, the investment may ultimately be justified; however, if performance were to stabilize at more ordinary levels, the acquisition multiple would appear ex post relatively demanding.

3.3.5 Optimistic Scenario

Under the optimistic scenario, the DCF model incorporates highly favourable assumptions: a WACC of 6%, a terminal growth rate of 3% and, most importantly, an annual revenue growth of 14% throughout the forecast period. Such assumptions imply a very strong expansion path, significantly above the expected growth rate of the global nutraceutical market, which is estimated at approximately 9% CAGR.

Accordingly, BioFarma would be required to continue materially outperforming the sector, expanding its revenues at an exceptional pace year after year. Under these assumptions, the Reverse DCF yields an Enterprise Value of approximately €1.2 billion, slightly above the price paid by Ardian. In other words, only in the optimistic scenario does the present value of projected cash flows fully cover, or marginally exceed, the €1.1 billion valuation, suggesting that the acquisition price would be justified if BioFarma were able to fully realize such ambitious growth expectations.

Table 3: Optimistic Scenario

Biofarma S.r.l. DCF											
Name	Biofarma	Conservative	434.019.858,46 €	Base	672.818.706,84 €	Optimistic	1.146.520.140,28 €				
Date	01/06/2021										
Year end	31/12/2021										
x Assumptions											
Switches											
Assumptions											
Revenue	3										
EBIT	3										
WACC	3										
TGR	3										
Valuation											
WACC	6,0%	WACC		8,0%		WACC		6,96%		6,0%	
TGR	3,0%	TGR		2,0%		TGR		2,5%		3,0%	
x Income Statement (12/31 CYE)											
	2020A	2021A	2022E	2023E	2024E	2025E	2026E				
Revenue	176.871.647	201.094.748	225.226.118	252.253.252	282.523.642	316.426.479	354.397.657				
% growth	--	14%	12,0%	12%	12%	12%	12%				
COGS & SG&A	159.563.352	172.395.252	184.685.417	206.847.667	231.669.387	259.469.713	290.606.078				
% of sales	90%	86%	82,0%	82%	82%	82%	82%				
D&A	30.166.570	32.125.033	36.036.179	40.360.520	45.203.783	50.628.237	56.703.625				
% of sales	17%	16%	16,0%	16%	16%	16%	16%				
EBIT	-1.107.817	7.166.505	4.504.522	5.045.065	5.650.473	6.328.530	7.087.953				
% of sales	-1%	4%	2%	2%	2%	2%	2%				
Taxes	3.633.058	5.604.824	1.081.085	1.210.816	1.356.113	1.518.847	1.701.109				
Tax rate	24%	24%	24%	24%	24%	24%	24%				
x Cash Flow Items (12/31 CYE)											
	2020A	2021A	2022E	2023E	2024E	2025E	2026E				
D&A	30.166.570	32.125.033	36.036.179	40.360.520	45.203.783	50.628.237	56.703.625				
% of sales	17%	16%	16%	16%	16%	16%	16%				
CapEx	n.a.	14.977.460	15.765.828	17.657.728	19.776.655	22.149.854	24.807.836				
% of sales	n.a.	7%	7%	7%	7%	7%	7%				
NWC	34143018										
Change in NWC	n.a.	2.081.671	2.252.261	2.522.533	2.825.236	3.164.265	3.543.977				
% of sales	n.a.	1%	1%	1%	1%	1%	1%				
x DCF											
	2020A	2021A	2022E	2023E	2024E	2025E	2026E				
Revenue	176.871.647	201.094.748	225.226.118	256.757.774	292.703.863	333.682.403	380.397.940				
% growth	--	14%	12%	14%	14%	14%	14%				
Conservative Case											
Base Case											
Optimistic Case											
EBIT	-1.107.817	7.166.505	4.504.522	7.702.733	8.781.116	10.010.472	11.411.938				
% of sales	-1%	4%	2%	3%	3%	3%	3%				
Conservative Case											
Base Case											
Optimistic Case											
Taxes	3.633.058	5.604.824	1.081.085	1.848.656	2.107.468	2.402.513	2.738.865				
Tax rate	24%	24%	24%	24%	24%	24%	24%				
NOPAT				5.854.077	6.673.648	7.607.959	8.673.073				
D&A	30.166.570	32.125.033	36.036.179	41.049.243	46.796.137	53.347.596	60.816.260				
% of sales	17%	16%	16%	16%	16%	16%	16%				
CapEx	n.a.	14.977.460	15.765.828	18.548.133	21.144.871	24.105.153	27.479.875				
% of sales	n.a.	7%	7%	7%	7%	7%	7%				
Change in NWC	n.a.	2.081.671	2.252.261	2.612.728	2.978.510	3.395.501	3.870.871				
% of sales	n.a.	1%	1%	1%	1%	1%	1%				
Unlevered FCF							25.742.460	29.346.404	33.454.901	38.138.587	
Present Value of FCF							25.308.661	27.551.180	29.630.515	31.866.780	
Period							0,58				
Discount Period							0,29	1,08	2,08	3,08	4,08
Terminal Value										1.309.424.829	
Present Value of Terminal Value										1.032.163.004	
Enterprise Value										1.146.520.140	
(+) Cash										24.871.032	
(-) Debt										105.609.092	
x Equity Value										1.065.782.080	

It is important to emphasize the challenging nature of this scenario. Sustaining a 14% annual growth rate implies a doubling of revenues in roughly five years, which is achievable only under

conditions of exceptional execution. BioFarma has indeed exhibited a strong historical growth trajectory – revenues increased from approximately €30 million in 2016 to over €230 million in 2021, supported by double-digit organic growth and five acquisitions over four years – yet extrapolating similar growth rates into the future requires continued strategic success.

The optimistic scenario assumes that BioFarma will further increase its global market share and expand its product and service portfolio, potentially through additional acquisitions and international investments, supported by Ardian’s strategic and financial backing. Should this scenario materialize, the value generated would be sufficient not only to justify but even to slightly exceed the acquisition price, providing upside potential for the investor. However, any negative deviation from these assumptions (for instance, revenue growth merely in line with the market at around 9–10%) would significantly reduce the present value of cash flows, calling into question the recoverability of the €1.1 billion paid.

Chapter 4: Scenario Comparison and Professional Insights

4.1 The Comparison

The comparison across the three scenarios clearly illustrates the degree of optimism embedded in the BioFarma transaction price. Only under the most favourable assumptions does the present value of discounted cash flows reach, or slightly exceed, the €1.1 billion paid by Ardian. Under more realistic conditions, the estimated value falls short by several hundred million euros, while under conservative assumptions the gap widens to approximately half a billion euros.

In summary, the €1.1 billion enterprise valuation appears **justifiable only if BioFarma continues to grow at a very strong pace** while maintaining a relatively low risk profile over time. If the company were to perform merely in line with reasonable expectations, albeit still positive, the price paid would be difficult to reconcile with projected cash flows, pointing to a likely overvaluation. This suggests that Ardian incorporated into the purchase price expectations of additional growth and efficiency gains not fully reflected in the company's historical trends.

From a financial analysis perspective, the results confirm the high sensitivity of DCF valuations to underlying assumptions. Even modest changes in revenue growth rates or in the discount rate produce amplified effects on estimated value. In the present case, a reduction of a few percentage points in revenue growth or a one-percentage-point increase in the WACC leads to variations in value of several hundred million euros. This highlights one of the key limitations of the DCF approach: intrinsic value estimates can change dramatically based on relatively small assumption adjustments, and unexpected events or forecast errors may quickly render a valuation obsolete. For this reason, scenario and sensitivity analyses are essential to assess valuation robustness.

Overall, the Reverse DCF analysis provides a clear interpretative framework: the €1.1 billion transaction price is sustainable only under upside performance assumptions, while under more ordinary scenarios it appears demanding and largely justified by growth expectations already embedded in the price.

4.2 Professional Insights

To complement the quantitative analysis and provide a practitioner's perspective on sponsor-to-sponsor transactions, two professionals with direct experience in private equity and advisory were interviewed. Paolo Menna, Investment Manager at Ardian, offered insights from the buy-side, sharing how investment committees justify premium valuations, the role of discipline in competitive processes, and how value is created even in secondary buyouts. From the advisory side, Michael Fanelli, Vice President in Investment Banking at a leading global advisory firm, contributed views on the dynamics of sponsor-to-sponsor deal structuring, the importance of forward-looking equity stories, and the strategic role played by advisors in managing auction tension and aligning buyer expectations with competitive valuations. Their perspectives enrich the interpretation of the data and help contextualize the BioFarma/Ardian case within broader market practices.

4.2.2 Interview with Paolo Menna, Investment Manager, Ardian

1. Drivers of Paying a Premium

Matteo: In your experience, what can justify paying at the top end of the valuation range in a competitive process?

Is it mostly conviction in growth levers, or more external pressure such as competition and capital deployment needs?

Paolo: Paying at the top end of the valuation range in a competitive process is rarely a decision taken lightly. In my experience, it is justified only when there is a very high level of conviction in the asset's ability to deliver outsized growth and value creation. This conviction typically comes from clear, evidence-based visibility on revenue acceleration, margin expansion, or market share gains, supported by robust market data, a proven management team, and a differentiated competitive position.

Another strong driver is strategic fit: the asset may fill a critical gap in an existing platform, unlock synergies that are unique to our portfolio, or provide access to a market or capability that

would be difficult to replicate organically. In such cases, the premium is not just about the asset's standalone performance, but about the incremental value it can generate within our ecosystem.

Of course, competitive dynamics can play a role, in a hot process, the fear of losing a scarce, high-quality asset can push bidders higher. But in a disciplined investment culture, external pressure such as capital deployment needs should never be the primary reason to stretch. The premium must be anchored in tangible, quantifiable levers of value creation, not in emotion or momentum.

2. Dry Powder and Investment Pressure

Matteo: Do you believe fundraising cycles and excess capital in the market silently push investment teams to “stretch” pricing, even when everyone wants to say valuations are fundamentals-driven?

Paolo: The reality is that large amounts of dry powder, combined with the cyclical nature of fundraising, can create subtle but real pressure to deploy capital. This is especially true in buoyant markets where high-quality assets are scarce and competition is intense. Even when everyone publicly states that valuations are driven by fundamentals, there can be an unspoken willingness to “stretch” pricing to secure deals, simply because the alternative, sitting on uninvested capital, carries its own opportunity cost.

The risk is that this dynamic can lead to valuations that are not fully supported by achievable operational plans, relying instead on optimistic assumptions or market momentum. The best safeguard against this is a strong Investment Committee discipline: clear hurdle rates, rigorous scenario analysis, and a willingness to walk away when the numbers no longer make sense. In other words, acknowledging the pressure but ensuring it does not override the fundamentals.

3. Sponsor-to-Sponsor Value Creation

Matteo: When evaluating a business that has already been owned by a PE fund, what convinces you that there is still value to unlock, rather than just inheriting what someone else has already done?

Paolo: When evaluating a business that has already been owned by another private equity sponsor, the key question is whether there is still meaningful value to unlock. The answer is often yes, but it requires a fresh perspective and a clear plan.

Value can come from new growth vectors that the previous sponsor did not pursue, such as entering new geographies, launching new products, or targeting untapped customer segments. Operational transformation is another lever: efficiency gains, digitalisation, supply chain optimisation, or ESG-driven improvements can all create incremental value.

Strategic M&A is often a differentiator, the ability to execute bolt-on acquisitions that the prior owner could not, due to size, timing, or mandate constraints. Capital structure optimisation can also free up cash flow for growth. Finally, changes in leadership or management incentives can re-energise the organisation and drive the next phase of performance. The point is to identify levers that are specific to our ownership period, rather than simply inheriting the previous sponsor's work

4. Walking Away Discipline

Matteo: What are the signs that tell you it is time to stop bidding, even if the process is still live and competitors stay in?

Is the discipline more financial, or more cultural inside the firm?

Paolo: Knowing when to stop bidding is one of the most important disciplines in private equity. The signs are usually clear: if the valuation exceeds our risk-adjusted return threshold even in the most optimistic scenario, or if due diligence reveals weaker fundamentals, higher execution risk, or structural challenges that undermine the investment thesis, it is time to step back.

Competitive over-bidding is another red flag, when price escalation is driven more by emotion, reputation, or fear of missing out than by value creation potential, the process has moved into dangerous territory. In firms with a strong investment culture, “walk-away” discipline is embedded in governance: it is as much a cultural principle as it is a financial rule. This culture ensures that decisions are made with long-term portfolio health in mind, rather than short-term wins.

5. Misalignment Between Models and Reality

Matteo: To what extent do investment committees acknowledge that deal models rely on optimistic cases?

Is there an implicit acceptance that returns could be back-ended or multiple-driven rather than purely operational?

Paolo: Most Investment Committees are well aware that deal models tend to lean optimistic. Growth rates, margin expansion, and exit multiples are often set at the higher end of plausible ranges, especially in competitive processes. There is sometimes an implicit acceptance that returns may be back-ended, dependent on exit multiple expansion or favourable market conditions, rather than purely on operational improvements.

The best practice is to confront this reality openly: stress-test the model with downside and base cases, challenge every assumption, and ensure that the investment thesis is not overly reliant on multiple expansion. The most resilient deals are those where the majority of value creation comes from tangible, controllable operational levers, things we can directly influence, rather than from external market factors. This approach not only protects against over-optimism but also builds credibility with stakeholders when results are delivered.

4.2.3 Interview with Michael Fanelli, Vice President, J.P. Morgan

1. Auction Dynamics and Behaviour

Matteo: From the advisory side, do you see bidders behaving differently now than 3 or 5 years ago? Are sponsor-to-sponsor auctions getting inherently more aggressive?

Michael: From the advisory side, bidders are demonstrating a more disciplined compared to 3-5 years ago. The pandemic and subsequent rate environment created a marked inflection point. Pre-2020, sponsors often competed on valuation alone in a zero-rate world where capital was effectively free. Today, we're seeing three notable shifts:

First, bidders are front-loading diligence intensity. Rather than rely on post-LOI confirmatory work, competitive sponsors now deploy operational and commercial teams earlier to build conviction before submitting indicative offers.

Second, there's greater bifurcation in approach. Top-tier sponsors with genuine sector expertise or platform advantage bid aggressively and with certainty, while generalist funds are either sitting out or bidding more conservatively.

Third, execution certainty has become a differentiator beyond price. Sponsors emphasize financing certainty, streamlined approvals, and management relationships.

2. Winners vs Overpayers

Matteo: In highly competitive deals, what separates the bidder who truly sees unique value from the bidder who is simply willing to pay more? Are there early signs of one vs the other?

Michael: The distinction between value creators and overpayers often crystallizes in how they articulate their investment thesis and structure their internal approvals.

Bidders who truly see unique value typically exhibit several characteristics early in process: investment thesis specificity, pre-deal planning depth, team commitment.

On the other hand, it is increasingly common to see a consortium of sponsors bidding for assets, instead of sponsors bidding individually. That often allows to set-up consortium able to bid on the basis of a lower cost of capital, hence “overpaying” compared to more equipped / prepared bidders, that simply cannot compete on price, notwithstanding their strategic angle.

3. Intrinsic Value vs Strategic Fit

Matteo: How often do you see buyers valuing a target based on “fit within their platform” rather than the standalone numbers? Is this becoming the main rationale for stretching beyond trading comps?

Michael: Strategic fit rationale has become the dominant justification for premium pricing. The majority of sponsor-to-sponsor transactions today involve some articulation of portfolio fit.

Deals with a portfolio angle often feature revenue synergies within 24 months and genuine cost structure improvements through infrastructure absorption. The economics work at higher valuations. The trading comp ceiling is effectively broken for high-quality and scarce assets.

4. Post-Deal Realities

Matteo: Do PE funds realistically expect to create operational upside in second- or third-generation buyouts, or is value creation now more tied to holding periods, market timing, and exit positioning?

Michael: Expectations around value creation in second- and third-generation buyouts have fundamentally shifted.

For second-generation buyouts, operational upside remains realistic and expected. The first sponsor typically professionalized the business, potentially taking a mid-cap sized business to a large cap status, leaving meaningful incremental opportunity in strategic M&A

For third-generation or later buyouts, the calculus changes materially, and value creation arises increasingly from financial engineering and positioning rather than operational transformation. The playbook is maintenance and marginal improvement rather than transformation.

5. Role of Debt and Macro

Matteo: Do higher rates make sponsors more cautious on price, or do they just re-cut leverage and keep bidding aggressively anyway?

Michael: Higher rates have created more pricing discipline and misalignment between buyer and seller expectations.

Sponsors raised record capital in 2020-2022 that remains undeployed, but still higher rates created a 6-12 month pause in 2022-early 2023. Deals slowly resumed to normal levels from 2023 onwards, but we have seen a number of processes either discontinued as seller's expectations were not met, or at least disrupted / delayed as a function of misalignment between buyers' valuation and sellers' expectations

Conclusion

In conclusion, the empirical results and qualitative insights developed in this thesis confirm, also in light of my research experience and the interviews conducted, that decision discipline and an evidence-based approach are now central to private equity, particularly in sponsor-to-sponsor (S2S) transactions. The analysis based on trading multiples and reverse DCF shows that many recent S2S deals embed ambitious operating assumptions and a high degree of “execution dependency”: the entry price is often justifiable only if a substantial portion of the business plan is actually delivered, with limited margin for error. However, this does not imply that premium pricing is inherently irrational. As also emphasized by market practitioners, paying a premium can be defensible when it is supported by a solid and verifiable conviction about the drivers of growth and value creation. In particular, as highlighted by Paolo Menna, a “good” conviction stems from “clear, evidence-based visibility” on tangible levers, such as revenue acceleration, margin expansion, market share gains, or a strategic fit capable of activating real platform-level synergies, rather than from generic narratives or a mere compression of perceived risk.

This conceptual framework is reflected very clearly in the BioFarma case, which represents the empirical core of the thesis and, above all, directly addresses the initial research question: are S2S transactions value-creating, or are they (at least in part) driven by overpayment and deployment pressure? My interpretation, consistent with the quantitative results, is that BioFarma appears “moderately overpaid” on a standalone basis, but potentially justifiable if one accepts (and is able to execute) a platform thesis. In practical terms, assuming an EV of approximately €1.1bn and a reference EBITDA consistent with group reporting, the price implies an EV/EBITDA multiple significantly above a typical “mid-teens” trading benchmark. This translates into an estimated premium in the range of ~10–20% (around €100–220m of EV) relative to a market-consistent valuation, with the range depending on (i) the EBITDA definition used and (ii) the benchmark selected (BioFarma Group – Annual Consolidated Financial Report 2022; trading comparables; Reuters/press).

The reverse DCF reinforces the same conclusion: the price is fully justifiable only under stringent conditions, namely if BioFarma delivers a combination of (a) sustained revenue growth

(orders of magnitude consistent with a CAGR \geq ~8–9% over a multi-year horizon), (b) margin improvement or resilience toward mid-/high-20s levels (approximately ~27–28% in the most demanding scenario), and (c) a risk profile consistent with a not excessively high WACC (around ~8–9%) and/or an uncompressed terminal valuation (terminal multiple in the ~16.5–17.5x range, or equivalent combinations of growth, margins, and multiples). In the absence of these conditions (conservative scenario: lower growth, weaker margins, higher WACC, and a more “normal” terminal multiple), the transaction appears more difficult to defend because the price already embeds a large share of the upside ex ante.

It is precisely here that BioFarma sheds light on a key point related to the initial research question: S2S transactions are not necessarily “pass-the-parcel,” because even a second sponsor may identify value levers that have not been fully exploited (geographic expansion, portfolio and technology broadening, industrial optimization, targeted bolt-ons). At the same time, however, precisely because the asset has already been “professionalized” by a previous sponsor, the buyer tends to pay more and to rely more heavily on execution, thereby increasing the risk of overpayment if the thesis is not genuinely controllable.

The two interviews help explain why these premiums occur and when they are rational. From the advisor side (J.P. Morgan), a more disciplined and polarized post-2020 market emerges, where the best bidders compete not only on price but also on front-loaded diligence, sector expertise, and execution certainty (financing certainty, speed of internal approvals, relationship with management), and where premium pricing is often defended by a strategic-fit rationale rather than by a pure multiples comparison. This is consistent with the fact that, in my models, BioFarma’s price “works” primarily when one assumes a growth and margin trajectory supported by a platform logic (Michael Fanelli Interview). From the buy-side perspective (Ardian), the interview reinforces the view that the price was not conceived as a “simply aggressive bid,” but as an investment in a platform with clearly defined industrial levers and an execution roadmap, exactly the condition that, in my analysis, makes the premium defensible (Ardian interview).

Moreover, both interviews converge on a message that I consider the broader synthesis of this thesis: the availability of dry powder creates competitive pressure and can push prices higher, but the best players maintain walk-away discipline, because they know that the difference between a “winner” and an “overpayer” often does not emerge at signing, but materializes when the thesis must be executed under real constraints (macro environment, financing costs, integration timelines, operational complexity).

Ultimately, BioFarma shows that the answer to the initial question is not binary: S2S transactions can be value-creating, but the risk of overpayment is real and measurable, and price sustainability depends on the quality (and controllability) of the operating levers, the coherence of the competitive process, and the discipline with which sponsors and advisors translate an “equity story” into an executable plan. It is on this balance, paying the right price for the right reasons, with analytical rigor and behavioral discipline, that, in my view, durable value creation in contemporary private equity is determined, especially in the mature and highly competitive and capital rich S2S markets.

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Appendix

Table 4: *Trading Multiples*

EV >500	Average EV/Ebitda multiple 2015-2019	24x
	Average EV/Ebitda multiple 2022	13x
EV <500	Average EV/Ebitda multiple 2015-2019	24x
	Average EV/Ebitda multiple 2022	37x
Total	Average EV/Ebitda multiple 2015-2019	24x
	Average EV/Ebitda multiple 2022	19x