

EUROPEAN PRIVATE EQUITY SURVEY – SUMMARY

7 NOVEMBER 2022

INVEST
EUROPE

ARTHUR D LITTLE



Welcome

INVEST
EUROPE

ARTHUR LITTLE

PE SURVEY
PROJECT
TEAM



Julien Krantz
Research Director



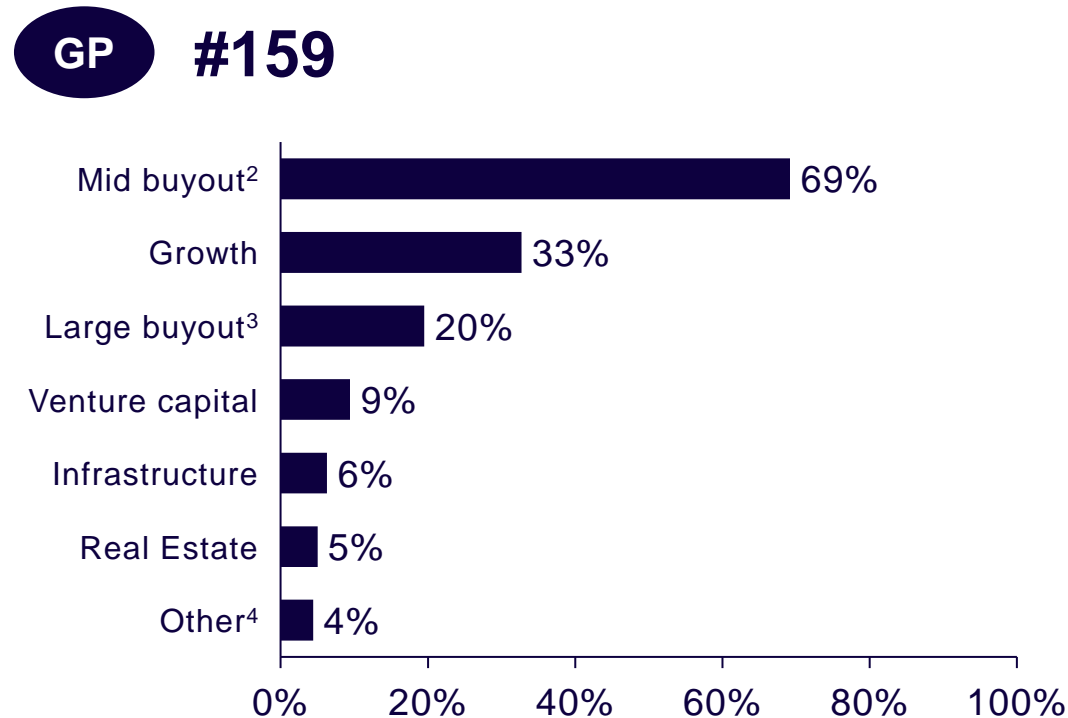
Jonas Fagerlund
Global Private Equity Leader



Guillaume Picq
Private Equity France and
Benelux

The survey was conducted June – August 2022 and involved 239 participants¹, out of which 159 were GPs and 80 were LPs

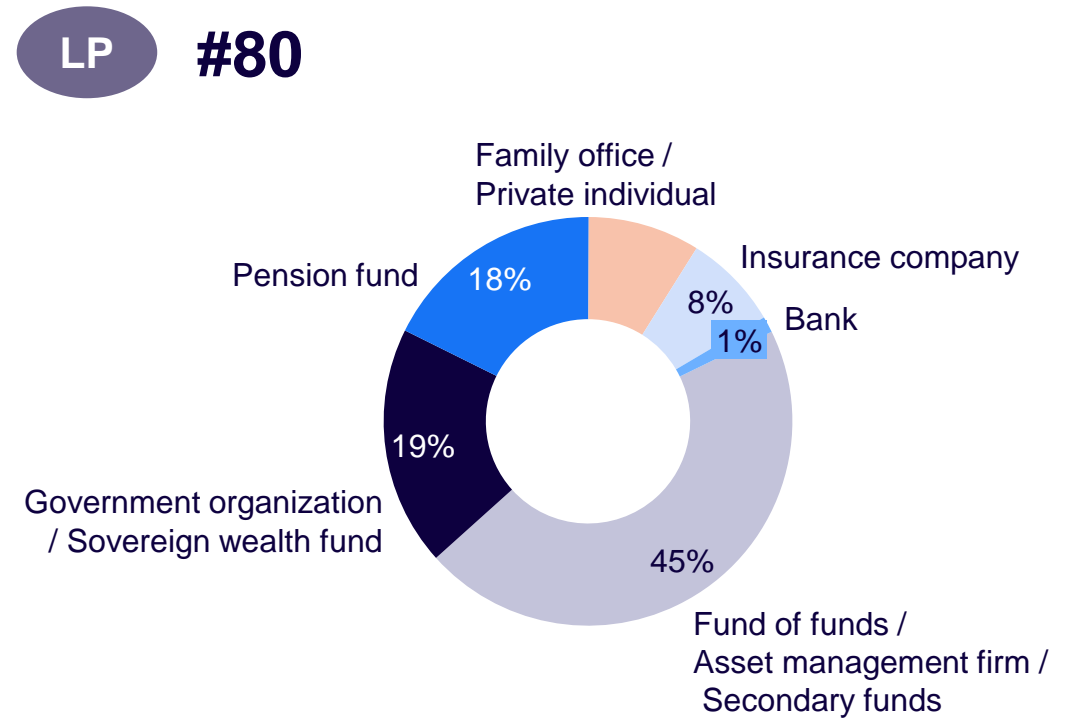
Most important investment stage for respondents²



Average number of portfolio companies

29,5

Type of investor



Share of European assets managed by private equity

56.8%

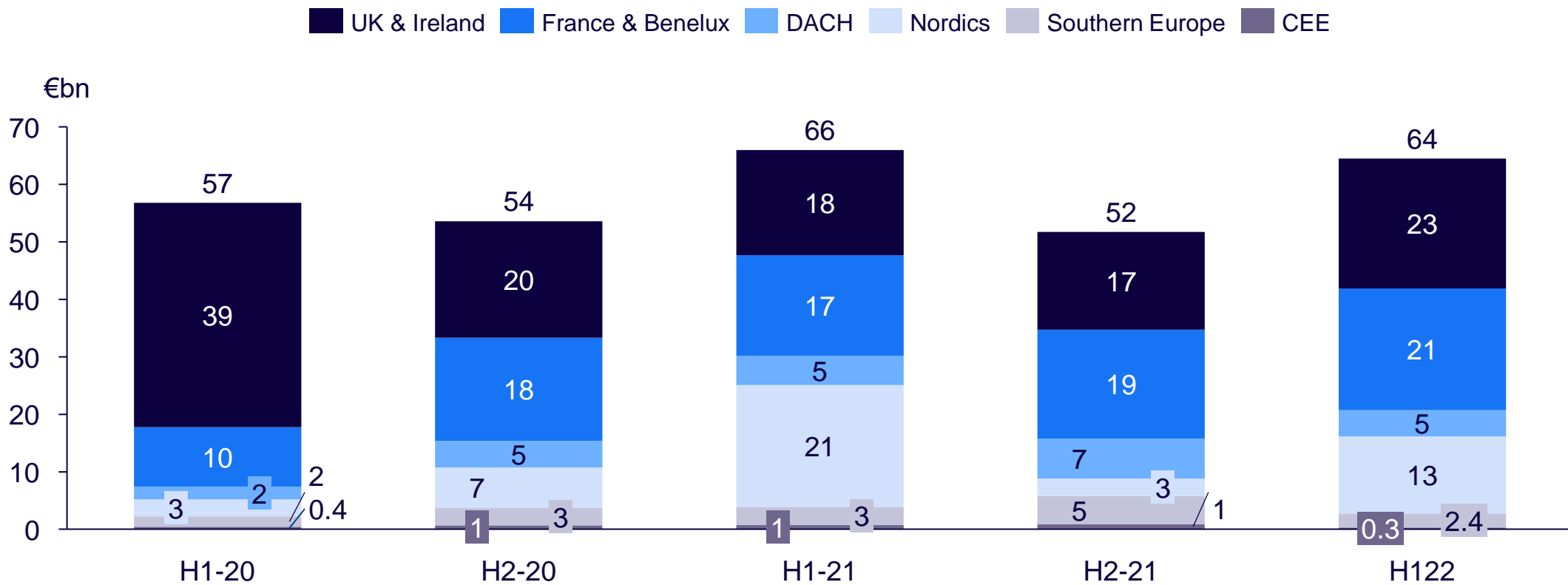
Source: Arthur D. Little, Invest Europe

Note: 1) Not all 239 respondents completed the surveys, the completion rate for GPs is 81% and the completion rate for LPs is 85%. Consequently, the number of GPs / LPs answering respective question differs throughout the surveys, 2) Mid buyout <€150M equity per deal, 3) Large buyout >€150M equity per deal, 4) Multiple choices possible



Overall fund raising seems to have been on a similar level as in 2021, however large swings between countries

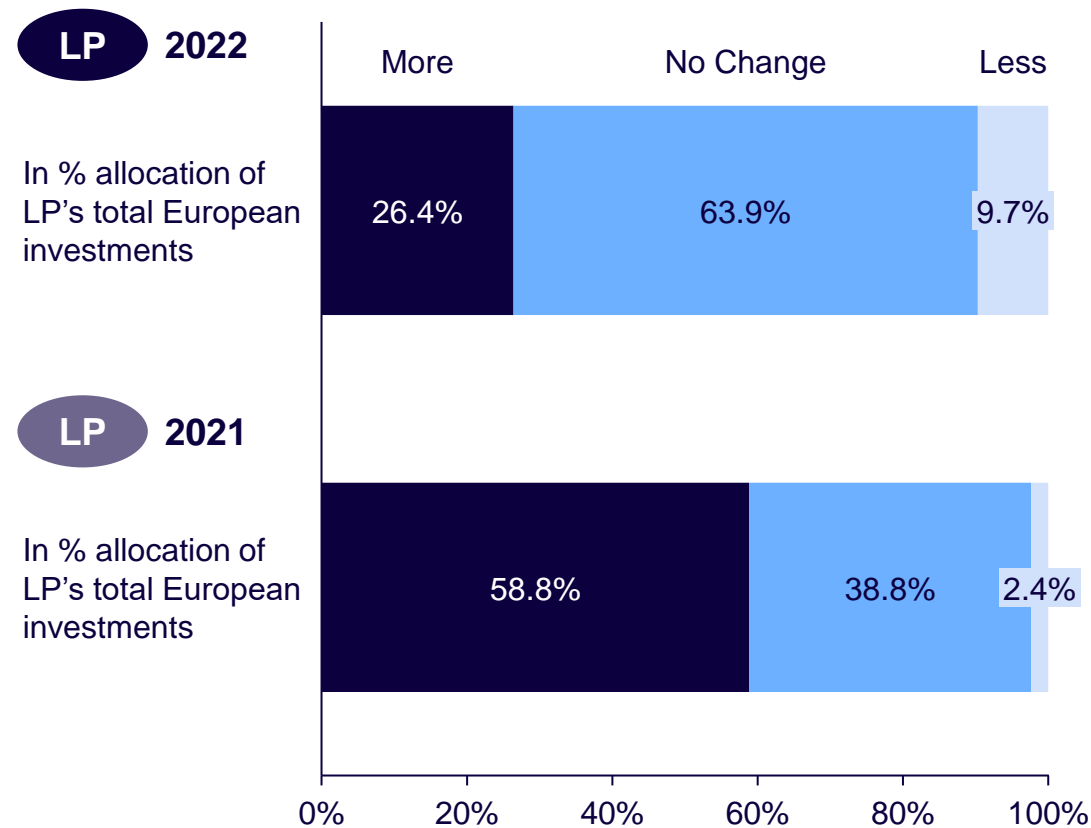
Funds raised by European Private Equity and Venture Capital funds, (€bn)



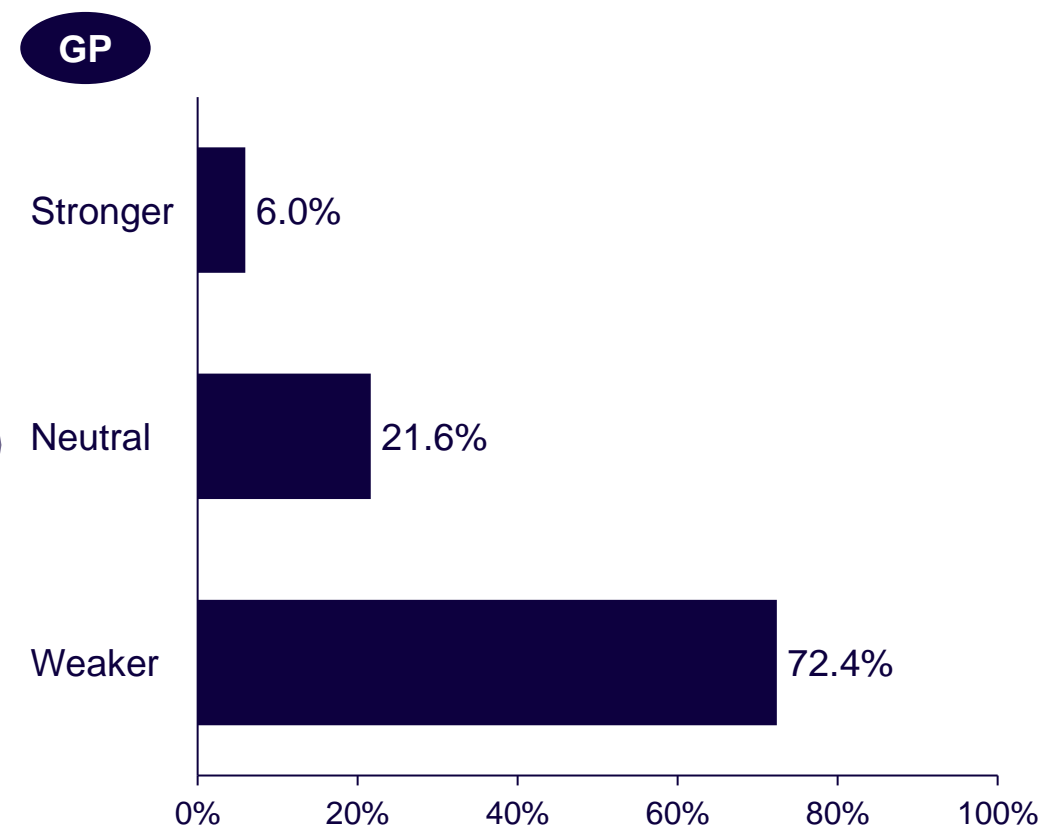


Short-term momentum in fundraising is expected to slow down, but still a large majority, >90% of the LPs plan to allocate same or more capital as historically to PE

Capital allocations to PE asset class next 3 years

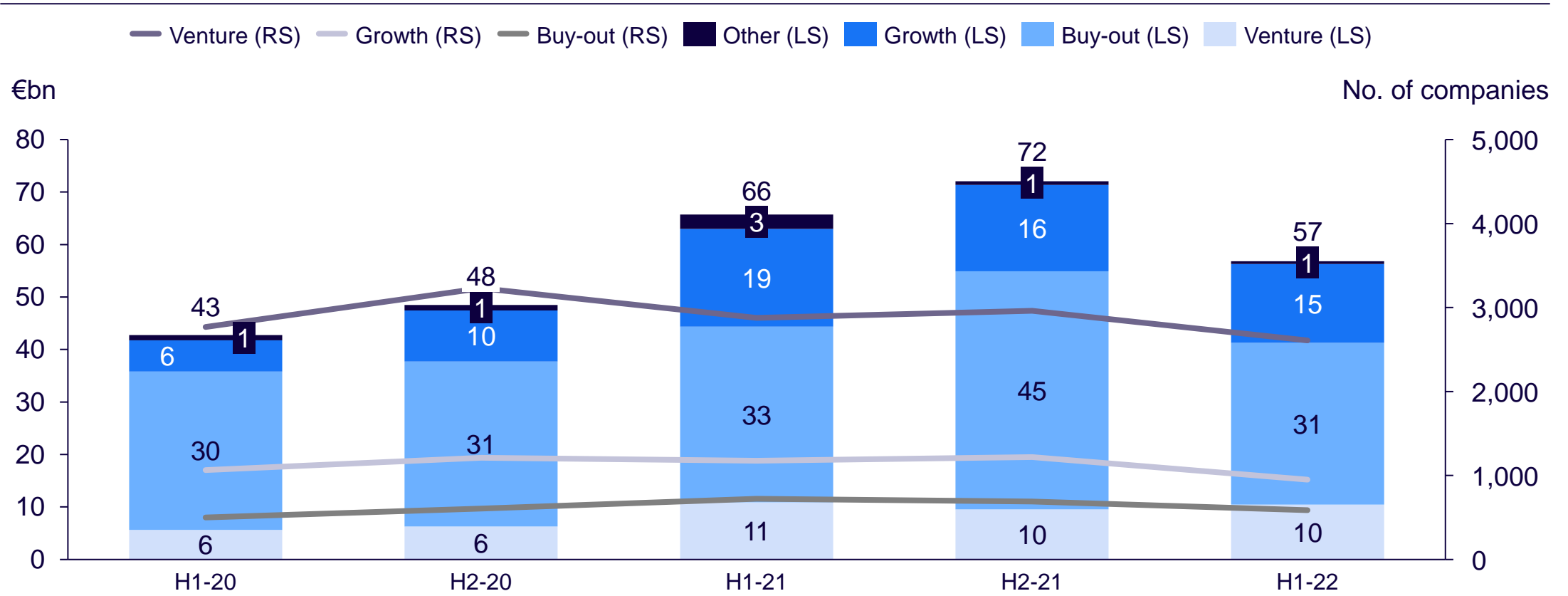


Fundraising next 12 months comp. to the last 12 m



Investments in general and especially by buy-out funds have dropped significantly in 2022

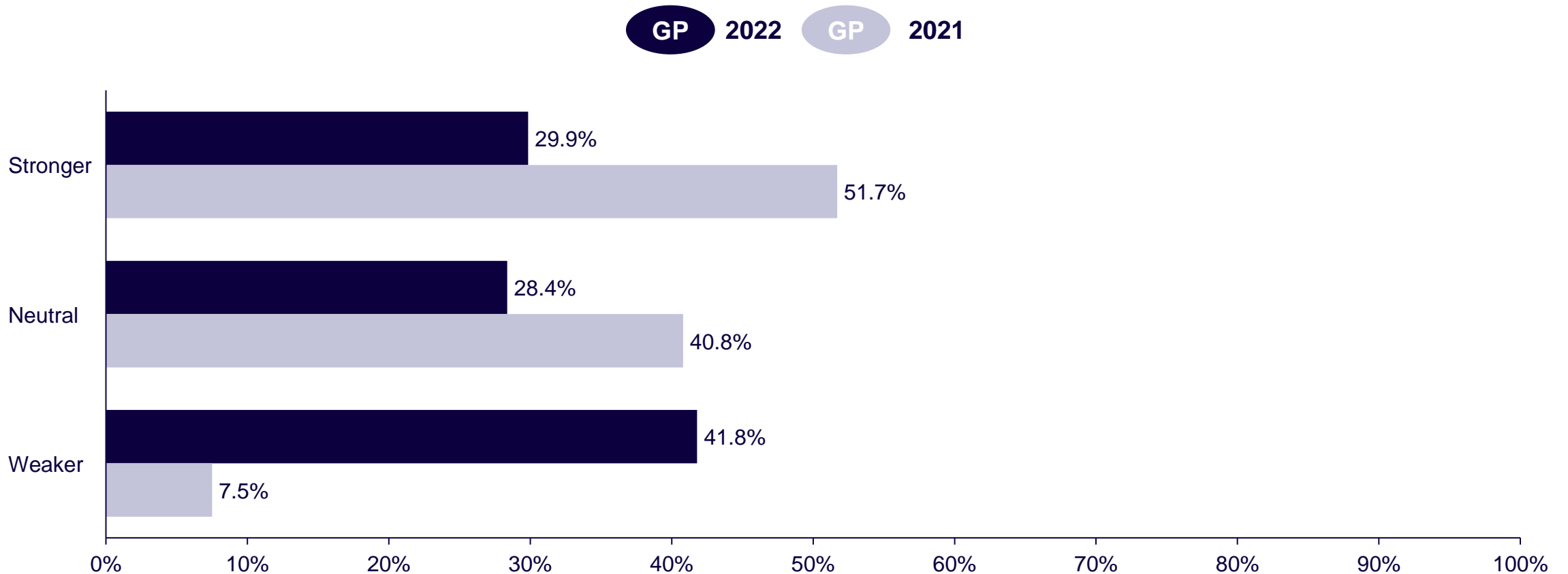
Investments by stage in value and volume



Source: Investing in Europe: Private Equity Activity H1 2021, Invest Europe
 Note: *LS = Left scale; RS = Right scale

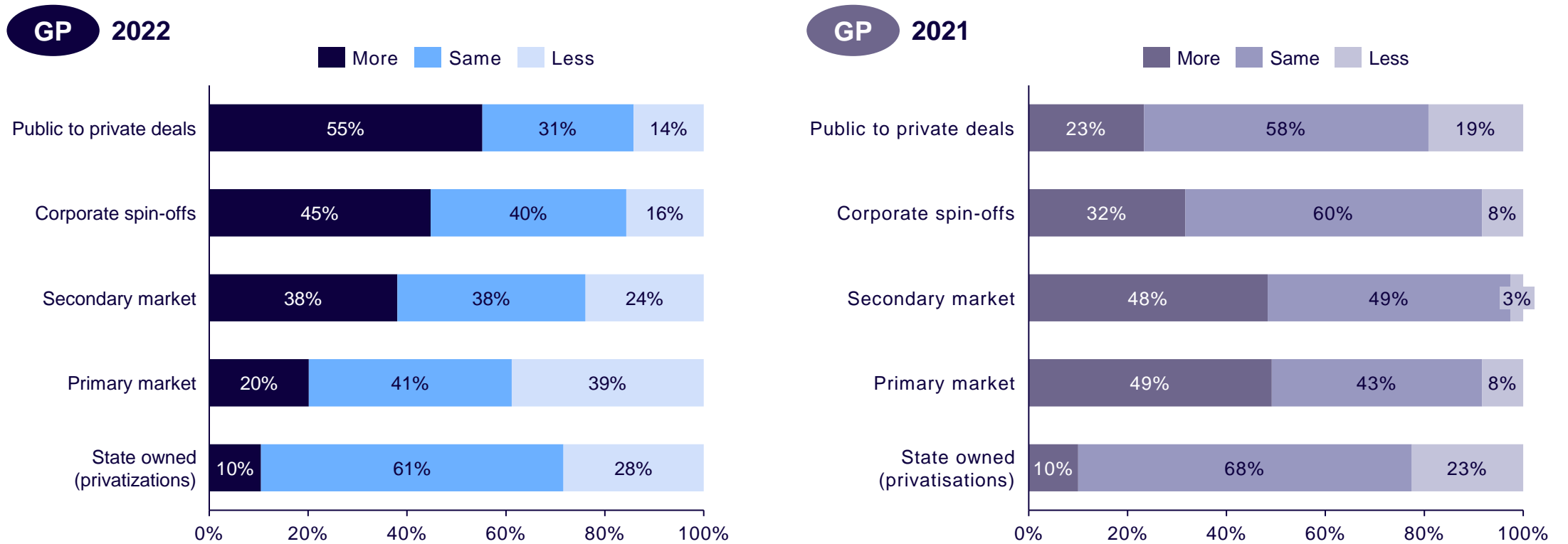
GPs have grown less optimistic regarding potential investment opportunities...

Perception of investment opportunities in the market within the next 12 months compared to the last 12 months, (Europe, 2022 & 2021)



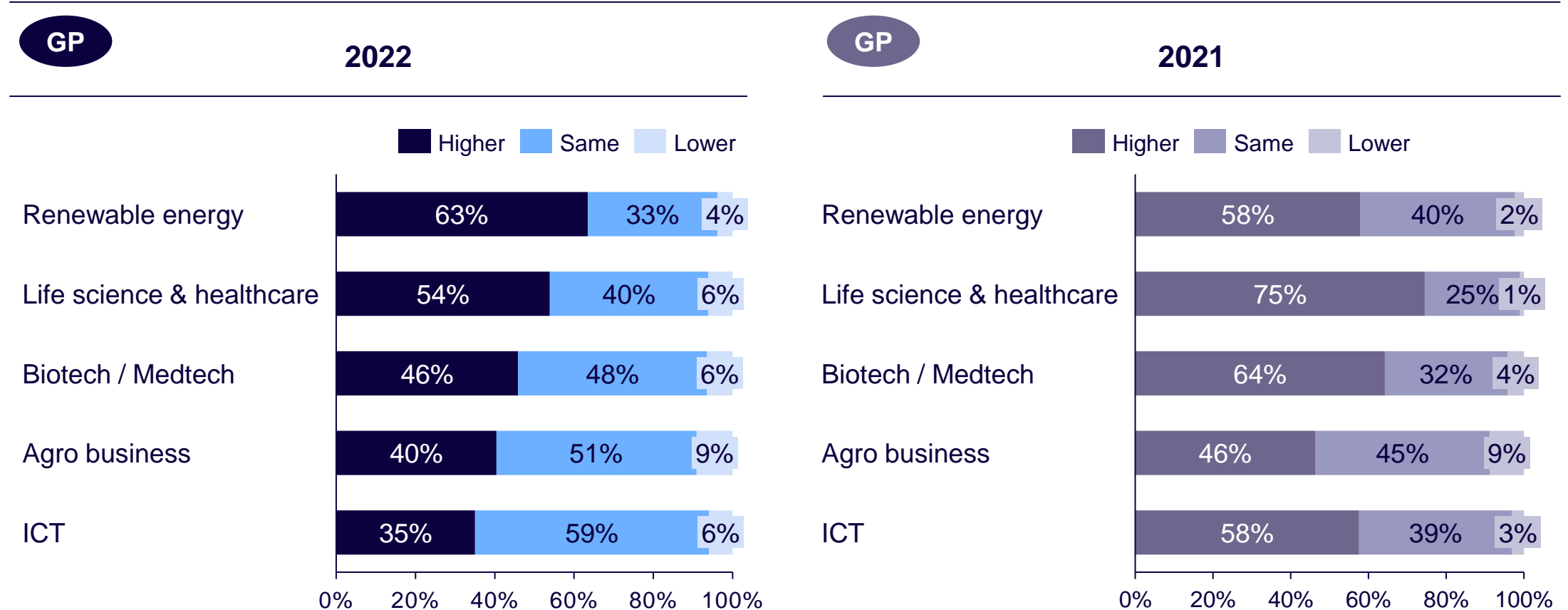
The PE transaction market is expected to see more public to private deals, but few GPs foresee changes in investment focus regarding public vs. private companies

Expected changes Private Equity transaction market over the next 12 months compared to the last 12 months, (Europe, 2022)



...but remain confident in certain industries, which are perceived more attractive...

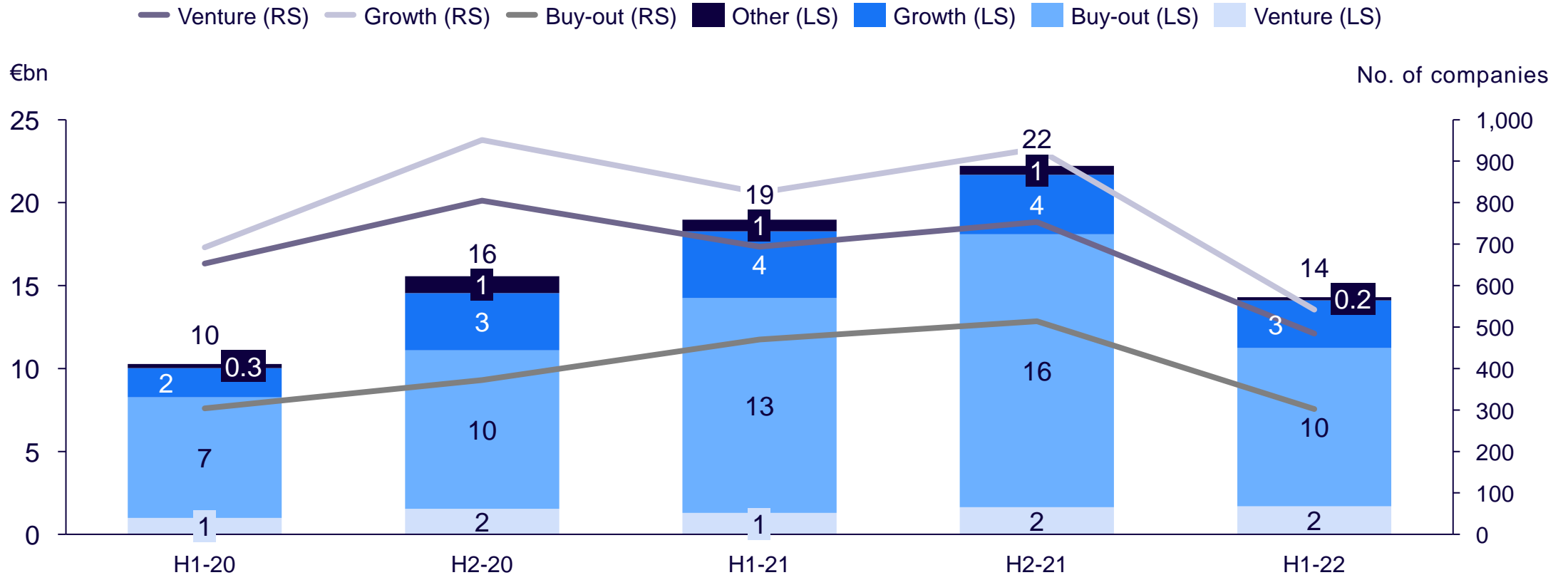
Expected investment operation activity levels per top 5 target sectors compared to the last 12 months
(Europe, 2022 & 2021)





Divestment activities have slowed down considerably in 2022

Divestments by stage in value and volume

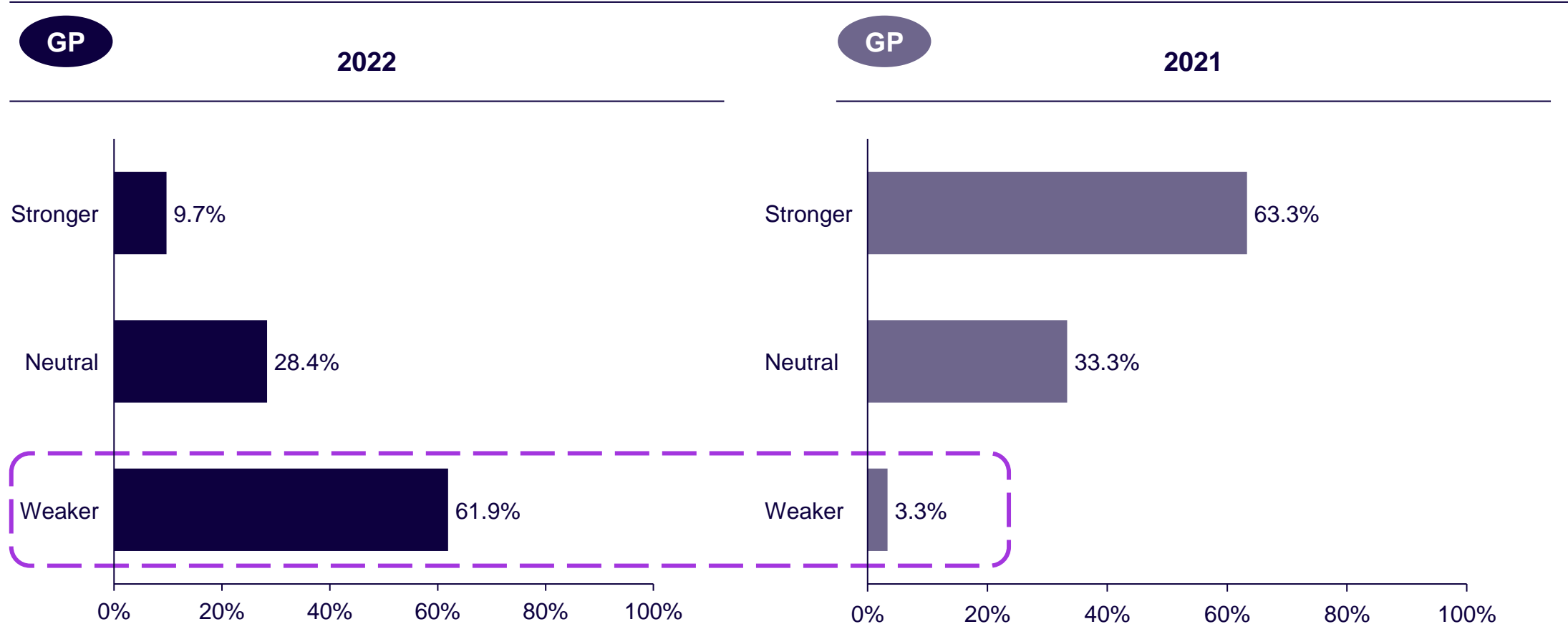


Source: Investing in Europe: Private Equity Activity H1 2021, Invest Europe
 Note: LS = Left scale; RS = Right scale



Many firms are stalling their short-term divestment plans, likely a result of the changing economic climate....

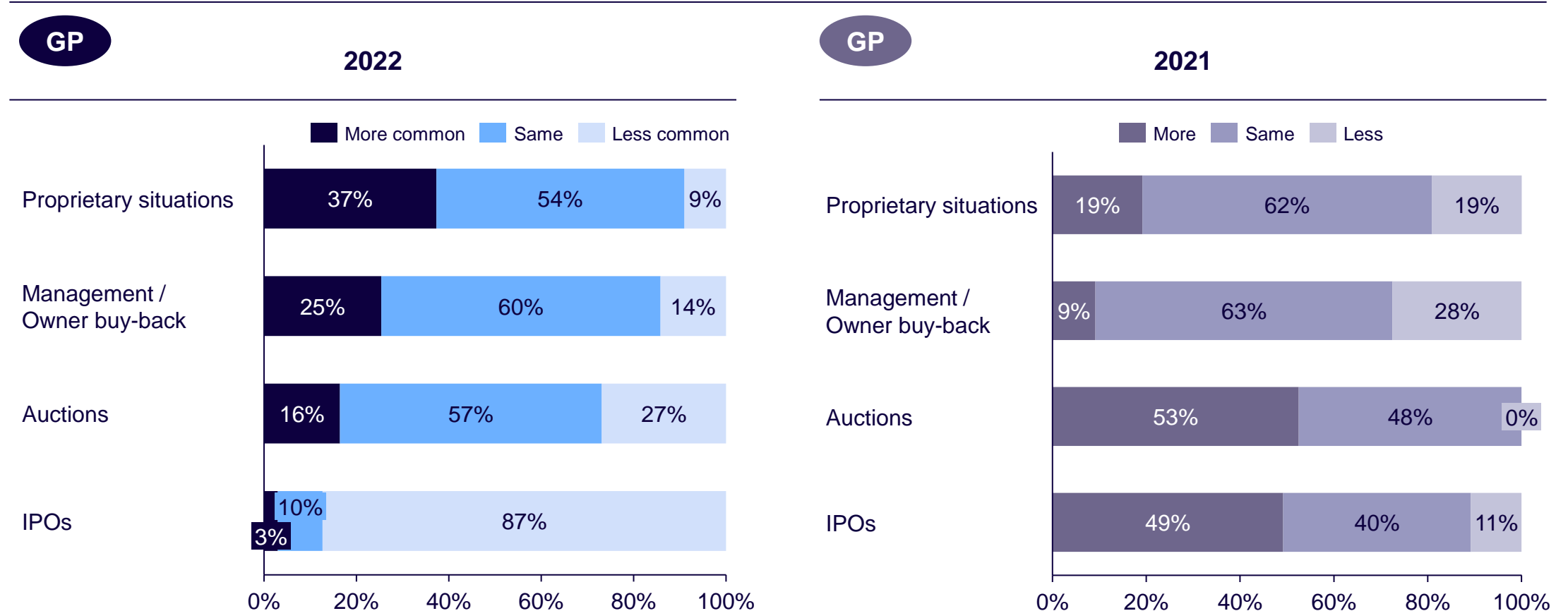
Expected changes in divestment of portfolio companies over the next 12 months compared to the last 12 months, (Europe, 2022)





Management / owner buy-backs and proprietary situations will be more common going forward, whereas IPOs will be less prevalent

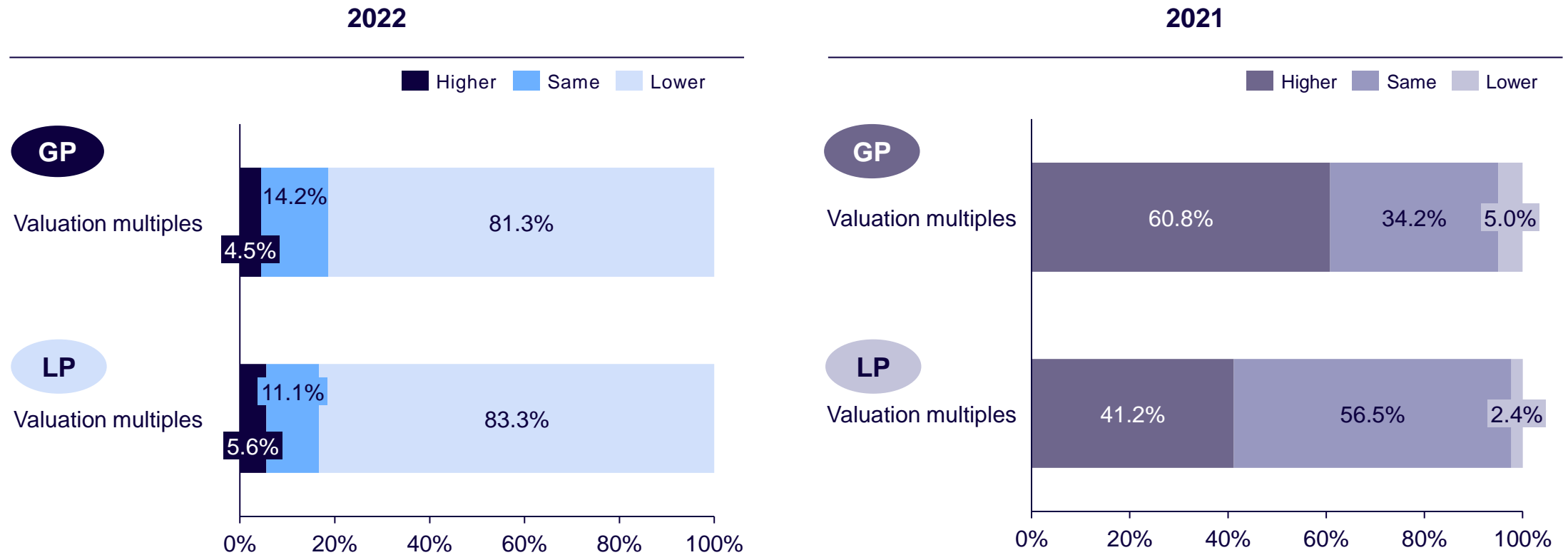
Expected changes of exit route for companies under ownership over the next 12 months compared to the last 12 months, (Europe, 2022 & 2021)





... which is also a result of expected lower valuation multiples – most believe in a correction on multiples in the next 12 months

Evolution of PE transaction market in the next 12 months compared to the last 12 months by activity
(Europe, 2022 & 2021)

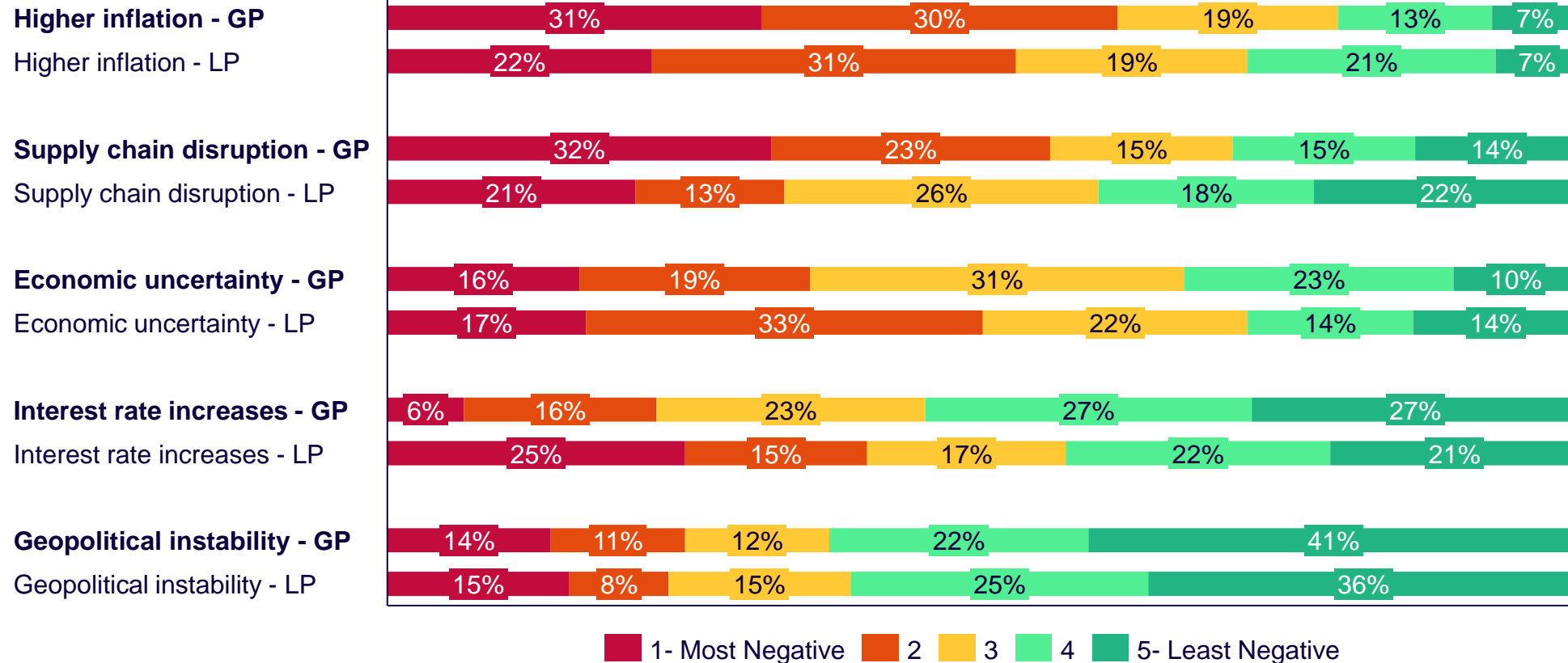




Out of issues impacting the current economic climate, GPs and LPs deem higher inflation as the most negative, followed by supply chain disruption

Negatively impacting factors on business operations and performance

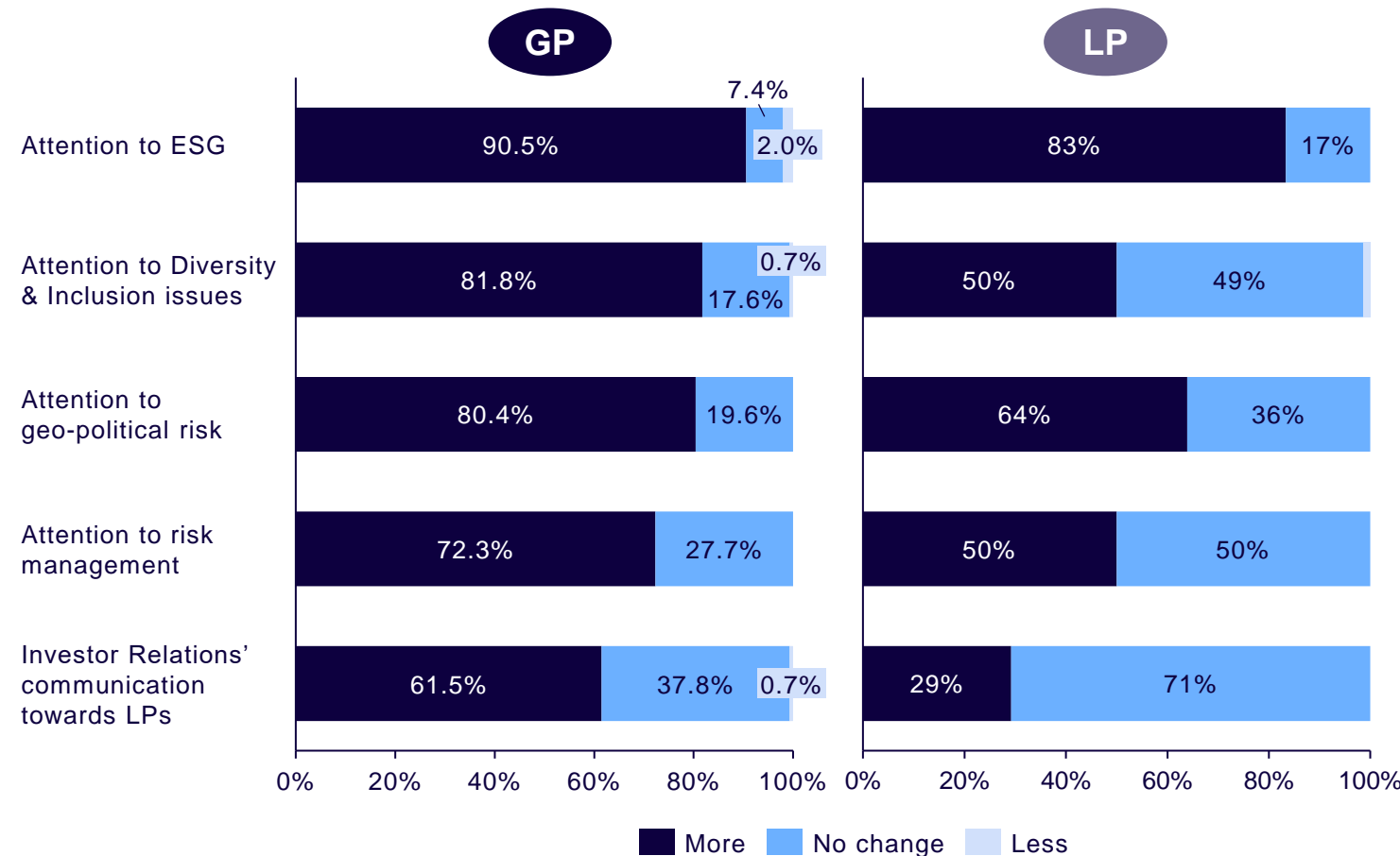
(from 1 to 5, where 1 is the most negative factor, and 5 is the least negative)



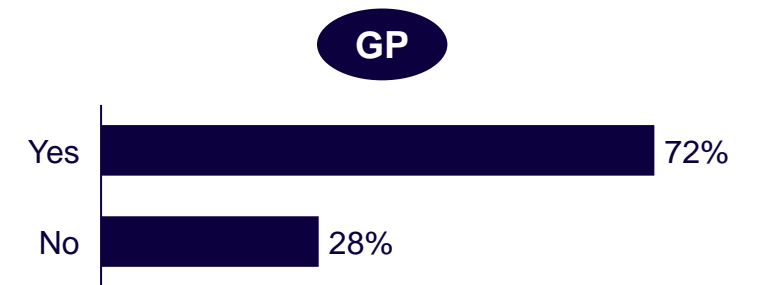


Alongside attention to “green topics”, ESG and diversity, attention to geo-political risk and risk management will increase going forward

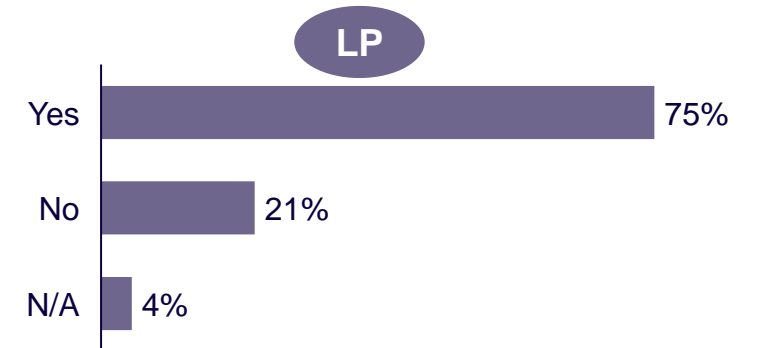
Expected changes in near future, daily operations, (Europe, 2022)



Advantages seen in registering as a “green” fund



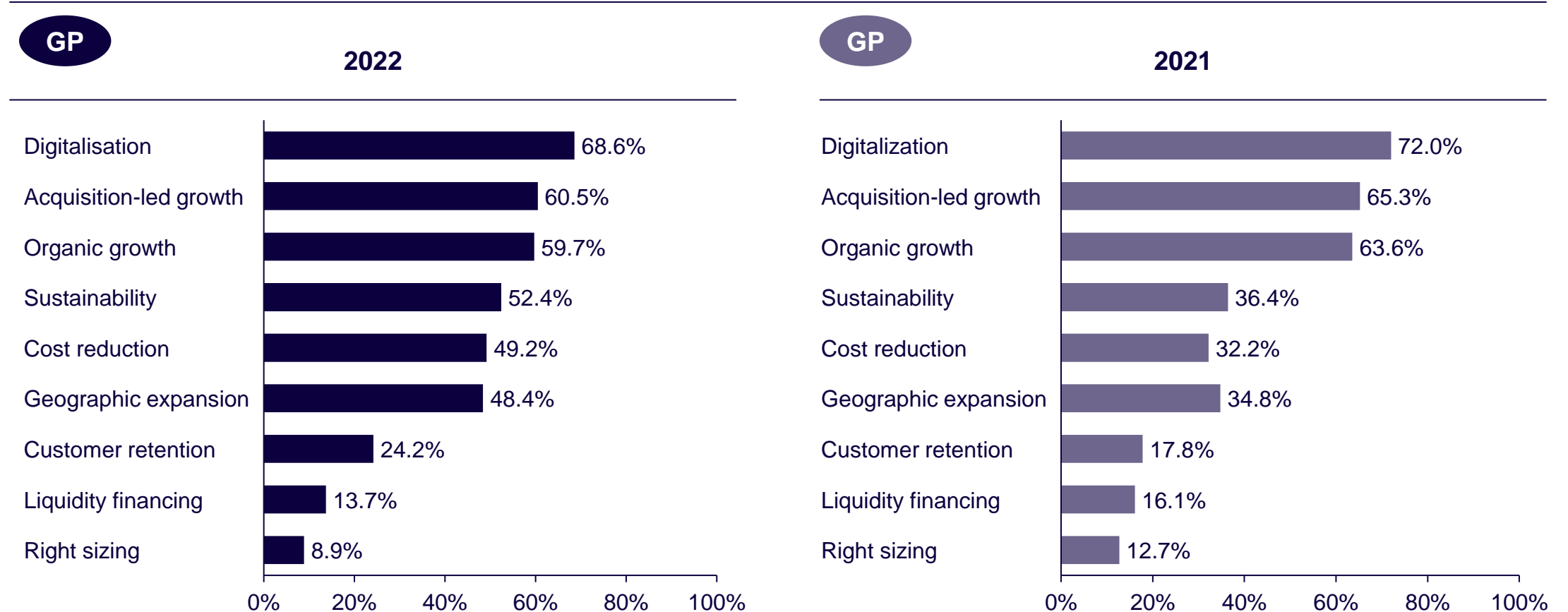
Increased expectations on funds going “greener” due to regulatory developments





Digitalization continues to be an important improvement initiative amongst portfolio companies

Most important improvement initiatives being run in portfolio companies at the moment*
(Europe, 2022 & 2021)



Source: Arthur D. Little, Invest Europe
Note: * Multiple choice answers were available

The overall sentiment in PE markets have become more pessimistic, with fundraising losing momentum, fewer opportunities, and stalled divestments

Executive summary



Fundraising expected to lose momentum, for now



Investment opportunities have dried up



Divestments are stalled



Economic climate and ESG dominate operational concerns



ESG still high on agenda and “green regulations” drive LP expectations



Digitalization continues to be the top improvement initiative

Conclusion

Questions / Answers



Available documentation and key contacts

Available documentation



- [Today's webinar presentation](#)



- A white paper of the survey will be published today and is available to everyone



- The full results of the survey is available in the form of a [full report](#)

[The insight: Keeping an eye on the horizon | Arthur D. Little \(adlittle.com\)](#)

<https://www.investeurope.eu/research/private-equity-market-insight/>

Key contacts

Jonas Fagerlund – Partner
Fagerlund.Jonas@adlittle.com
+46-709-474600

Guillaume Picq – Partner
Picq.Guillaume@adlittle.com
+33(0)155742943

Julien Krantz – Research Director
Julien.Krantz@investeurope.eu
+32(0)27150034

Arthur D. Little has been at the forefront of innovation since 1886. We are an acknowledged thought leader in linking strategy, innovation and transformation in technology-intensive and converging industries. We navigate our clients through changing business ecosystems to uncover new growth opportunities. We enable our clients to build innovation capabilities and transform their organizations.

Our consultants have strong practical industry experience combined with excellent knowledge of key trends and dynamics. ADL is present in the most important business centers around the world. We are proud to serve most of the Fortune 1000 companies, in addition to other leading firms and public sector organizations.

For further information please visit www.adlittle.com or www.adl.com.

Copyright © Arthur D. Little Luxembourg S.A. 2022.
All rights reserved.

Contacts:

Jonas FAGERLUND

Partner

E: fagerlund.jonas@adlittle.com

Guillaume PICQ

Partner

E: picq.guillaume@adlittle.com

Julien KRANTZ

Research Director

E: julien.krantz@investeurope.eu

ARTHUR  LITTLE