2025 EMEA Private Capital Outlook

Our analysts' outlook for EMEA private capital in 2025

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

PitchBook Data, Inc.

Nizar Tarhuni Executive Vice President of Research and Market Intelligence

Dylan Cox, CFA Head of Private Markets Research

Institutional Research Group

Analysis

Nalin Patel
Lead Analyst, EMEA Private Capital
nalin.patel@pitchbook.com

Navina Rajan
Senior Analyst, EMEA Private Capital
navina.rajan@pitchbook.com

Nicolas Moura, CFA
Analyst, EMEA Private Capital
nicolas.moura@pitchbook.com

Data

Charlie Farber
Senior Data Analyst

Oscar Allaway
Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Designed by **Megan Woodard**

Published on 18 December 2024

2025 outlooks

Introduction

Our 2025 EMEA Private Capital Outlook provides forecasts of the key themes that will impact private capital markets in 2025. Based on data collected and major trends we identified through 2024, we have outlined six crucial outlooks for 2025.

A lot has happened in 2024. Several government elections took place across the globe that affected financial market sentiment—most notably in private market hubs such as the US and UK, where new political parties have been elected. Geopolitical tensions continue to weigh on economies, with conflicts persisting in the Middle East and Ukraine. Macroeconomic indicators still reflect a precarious position for many countries, giving rise to fears that rebounds in areas such as public equities could be short-lived.

Within the PE space, high-level 2024 statistics point towards cautious optimism heading into 2025. Monetary easing is underway in Europe, albeit slowly, with inflation rates closer to target levels, and the improved borrowing conditions have helped dealmaking. Notable large asset transactions in 2024 included the take-private of Hargreaves Lansdown for €6.4 billion, the divestiture of IGT's gaming and digital business for €5.8 billion, and the buyout of Evri for €3.2 billion. 2024 PE exits were sparse; among the largest were the listings of CVC, Galderma, and Douglas. Liquidity will be a key consideration moving forwards given weak post-exit growth of listed companies in 2024 and the emergence of secondaries strategies that are top of mind. Meanwhile, European PE fundraising was strong—with megafunds, including EQT X at €22 billion and Partners Group Direct Equity V at €14.2 billion, boosting figures.

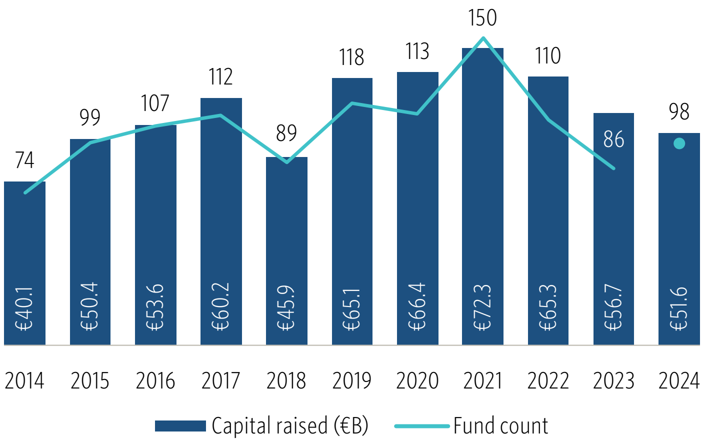
Dealmaking in the European VC ecosystem was weak in 2024. Despite lower overall figures, AI dealmaking was expectedly strong and is anticipated to be a key pillar of the asset class as we head into 2025. Alternative deal structures have become prevalent, with the rise of venture debt adding to funding options for startups. We see venture debt as an important strategy in 2025, although deal activity may not match 2024's. VC-backed exit activity was limited in 2024, indicative of nervousness around valuations that has persisted throughout the year. Although exit value was underpinned by the listing of Puig at a €12.7 billion valuation, market-related factors needed for an IPO window appear to be improving. Therefore, we are positive on the outlook for European IPOs in 2025. VC capital raised has been resilient. Noteworthy 2024 closes included Index Ventures Growth VII at €1.4 billion and Forbion Ventures Fund VII at €890 million.

Our 2025 EMEA Private Capital Outlook profiles the rationales and risks affecting important themes for 2025.

Nicolas Moura, CFA
Analyst, EMEA Private Capital
nicolas.moura@pitchbook.com

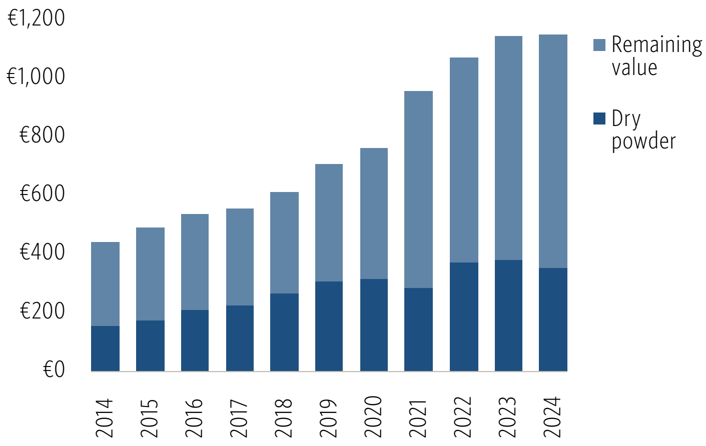
Outlook: European PE middle-market fundraising will return to growth.

PE middle-market fundraising



Source: PitchBook • Geography: Europe • As of 30 November 2024

PE AUM ($B) by type



Source: PitchBook • Geography: Europe • As of 31 March 2024

Rationale

Middle-market fundraising includes fund sizes between €100 million and €5 billion. These often represent the heartbeat of the PE industry and exclude megafunds, which heavily skew fundraising data. To illustrate this point: 2024 is tracking for a record year in terms of capital raised, yet the number of new funds is at a decade low. In our series of analyst notes on The Rise of European Megafunds Part I and Part II, we explain how megafunds have been raising the bulk of the capital in recent years in Europe. As such, we prefer to look at middle-market fundraising to get a more accurate picture of the health of PE. Since peaking in 2021 at more than €70 billion in capital raised, middle-market fundraising in Europe has been declining sequentially, raising just over €50 billion in 2024 through 5 December. This was a result of two factors: deteriorating financing due to higher-for-longer interest rates and a muted exit market in which LPs have not been receiving distributions they can reinvest into fundraising. However, we expect 2025 to look much different than the previous three years, reversing the downward middle-market fundraising trend back into YoY growth territory. Deal activity in Europe is already recovering and is expected to have grown 25% to 30% YoY in 2024. If we extrapolate this growth for middle-market fundraising, we could expect capital raised to land around 2022 levels—still short of record 2021 levels. Monetary easing and favourable economic conditions will be the driving factors behind this recovery in the short term. As for long-term secular trends, we expect PE as an asset class to continue growing its AUM as various new types of investors start allocating to PE.

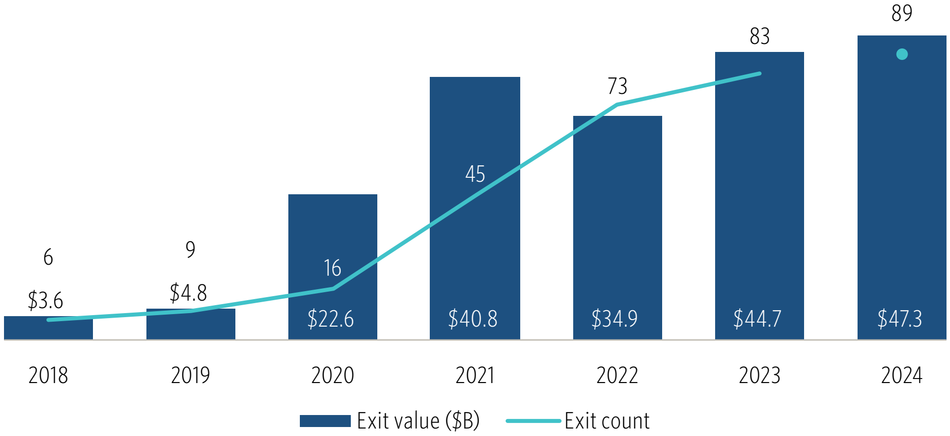
Risks

European markets have shown high volatility in recent years due to various geopolitical events, from the Russia-Ukraine war to more recent government instabilities in France and Germany. These events tend to hamper PE recovery and restrain capital flows. During periods of monetary tightening, we have seen LPs prioritise experienced managers with proven track records. These priorities tend to favour the megafunds as opposed to middle-market funds. If further tightening, or lack of easing, is felt in the market, middle-market funds may once again fall out of favour.

Nicolas Moura, CFA
Analyst, EMEA Private Capital
nicolas.moura@pitchbook.com

Outlook: PE GP-led secondary exits will grow by double digits.

Global PE GP-led secondary exit activity



Source: PitchBook • Geography: Global • As of 31 October 2024

Rationale

In the latest cycle of monetary tightening from 2022 to 2024, a correction in market valuations led to a sharper slowdown in exits relative to deals. PE-backed public listings became scarce, sponsor-to-sponsor acquisitions were more expensive to execute due to higher borrowing costs, and corporates were squeezed for cash from the lower valuations and higher financing costs. This led PE sponsors to look elsewhere for exit liquidity, and secondaries emerged as the solution. Better guidelines around structuring GP-led secondary exits to align interests for all parties have also played a significant role, notably with the Institutional Limited Partners Association guidance published in April 2019. GP-led secondary exit value has more than doubled over the past five years whilst exit counts have risen by even more, from 16 transactions in 2020 to 89 as of 31 November 2024. In our analyst note GP-Led Secondaries, we forecast GP-led secondaries will grow globally at 13.2% per annum in our bull case. This would translate to a GP-led secondary exit value of $55 billion to $60 billion for 2025, and we forecast at least 100 transactions for the year.

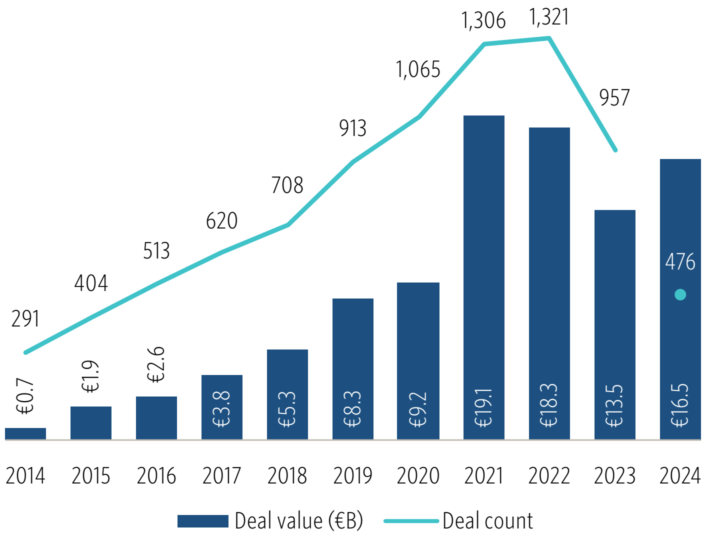
Risks

GP-led secondaries have enjoyed record growth in recent years, partly due to traditional exit routes being muted. A possible risk arises that GP-led secondaries will not grow as much if we get a reopening of the IPO market accompanied by more favourable valuations. IPOs are still regarded as the holy grail of exits by sponsors and their respective management teams. With interest rates set to steadily decrease over 2025, valuations should pick up and make the prospect of public listings more enticing. Another risk to GP-led secondaries arises from the occasional misalignment of interests on certain transactions. GP-led secondaries tend to roll over their crown-jewel assets into continuation funds, but on occasion the more mature and less prized assets are the ones GPs are looking to slowly sell out of.

Navina Rajan
Senior Analyst, EMEA Private Capital
navina.rajan@pitchbook.com

Outlook: European venture debt deal value will not match 2024 but will remain an important theme.

Venture debt deal activity



Source: PitchBook • Geography: Europe • As of 30 November 2024

Top 10 venture debt lenders by deal count, 2014-2024

Lender	Deal count
European Investment Bank	136
TriplePoint Capital	125
Bpifrance	100
TriplePoint Venture Growth BDC	76
Kreos Capital	56
SVB Financial Group	55
Fondation pour l'Innovation Technologique	46
The FSE Group	39
BNP Paribas	36
Barclays	35

Source: PitchBook • Geography: Europe • As of 30 November 2024

Rationale

Venture debt has been a growing asset class and prevalent thematic in European venture this year. So far, €16.5 billion of deal value has occurred in the continent in 2024 as companies opt for cheaper financing, which has recently increased in availability. Whilst the cost of debt is cheaper than equity, other benefits have contributed to its increased usage, such as non-dilutive financing, potentially faster access to capital, and extending cash runways through other means in between equity rounds. As noted in our analyst note European Unicorns—Modelling Myth or Magic? this also enables a company to raise cash without having to rebase its valuations to current conditions, allowing for valuations to recover between rounds.

Venture debt has, therefore, proved popular amongst venture-growth players, with more than 80% of venture debt raised by such companies. Such firms have had the scale and cash generation to take on debt but also require significant amounts of capital to grow further, which may prove more challenging if financed through equity. Deal value has been largely buoyed by three names, which accounted for four megadeals (value of more than €1 billion), that composed half of 2024 deal value. The most prolific user of venture debt, Northvolt, also demonstrated the risks associated with the strategy, with the company amassing more than €4.5 billion of debt but declaring bankruptcy in November.

Therefore, whilst we think venture debt will remain an important and growing thematic in the European venture ecosystem, we do not think deal value in 2025 will surpass 2024. The absence of larger players such as Northvolt is a factor. However, more broadly, companies that raised financing in 2024 are unlikely to come back to the cap table in 2025 when the term loan for such instruments occurs over several years. Firms could refinance debt amidst the lower-rate environment expected next year, but we believe new issuance is unlikely to eclipse the levels seen in 2024. Any YoY growth in 2025 would imply that deal value levels could reach 2021/2022 heights, which we see as more of an anomaly than a trend. Furthermore, as we expect IPO markets to open next year, venture-growth players may opt to return to equity markets rather than debt. We suspect several companies would have undergone IPO due diligence over the last 12 to 24 months but did not pull the trigger due to unfavourable market conditions.

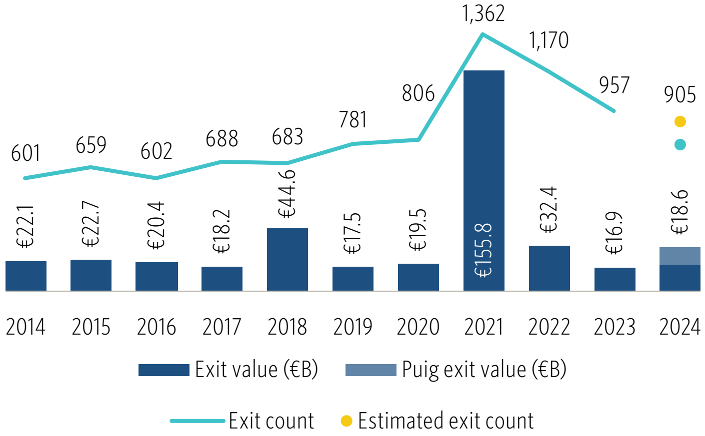
Risks

The risks to our view include that the benefits of using debt still outstrip equity, sustaining its popularity amongst VC-backed companies. Outside of the megadeals, €8 billion of debt was still raised in 2024. As supply has also become more available and cost of debt remains lower, more VC-backed companies may opt to use debt in 2025. The lower-rate environment expected in 2025 could also be supportive. Where valuations have improved through 2024, companies will expect benchmarks to further increase, especially given favourable macroeconomics. Therefore, as firms wait for better valuations before raising equity, debt may be utilised between rounds to tide over financing needs. Although rates are now higher-for-longer and not expected to settle at historical lows, a lower cost of borrowing also provides more favourable terms for those using venture debt. Outside of interest rates, we note that the time between rounds for venture equity deals has continued to increase in 2024. Debt may provide faster access to capital, as it tends to rely on the company's existing VC backing, which would also support deal activity.

Navina Rajan
Senior Analyst, EMEA Private Capital
navina.rajan@pitchbook.com

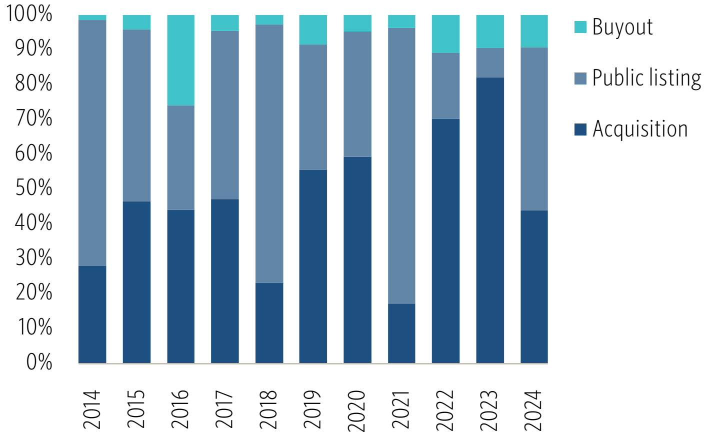
Outlook: VC-backed IPOs will have a concentrated recovery.

VC exit activity with Puig breakout



Source: PitchBook • Geography: Europe • As of 30 November 2024

Share of VC exit value by type



Source: PitchBook • Geography: Europe • As of 30 November 2024

Rationale

In early 2024 we outlined our outlook for the European IPO market. Since then, our thesis has somewhat played out, with the VC-backed listing space producing more of a vent than a window through 2024 but activity warming in the second half of the year. Public listing exit value amounted to €14.6 billion in 2024, 88.3% of which was related to IPOs over reverse mergers. We have also previously noted that Puig's IPO comprised most of this value, as the Spanish luxury brand's exit size was €12.7 billion. It is evident, therefore, that the broader market is not recovering as headline exit activity would suggest because only a few smaller listings have trickled through. However, the factors we outlined as "handles" to open a window appear to be largely aligned through the second half of 2024 to provide a more favourable backdrop for listings in the new year. These include interest rates, valuations and share price performance, geopolitics, company-specific fundamentals, and profitability.

Whilst the recovery in Europe has been concentrated, it is still important not to dismiss activity from larger transactions. Such may skew the data but are important for venture asset class returns and providing liquidity for LPs levered into European investments. Looking into 2025, we expect the recovery will continue to be concentrated. Klarna will be the most obvious example, with the company filing for an IPO in the US, announced in November. Whilst not on a European exchange, large listings need to occur to give confidence to venture stakeholders that the industry's liquidity and returns are improving. It is also important note that a rising tide lifts all boats, and instils confidence in other European market participants to list. Whether or not that translates to activity on European exchanges remains to be seen, but ultimately, we believe market conditions and a healthy pipeline are favourable for 2025's IPO exit value to supersede 2024's.

Risks

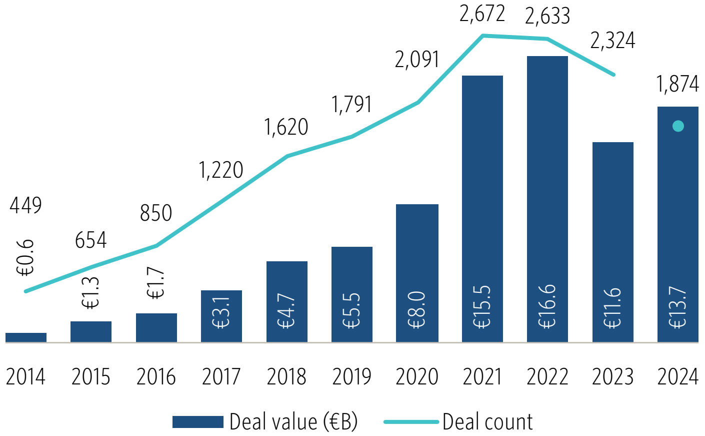
As seen in 2024, markets have proved volatile, as some of the factors noted in our five handles caused companies to pull listings at the last minute, closing the window. For instance, Tendam and Golden Goose both abruptly pulled their listings due to volatility caused by European elections. Whilst we think many of the factors that could weigh on markets are behind us, we cannot be certain whether favourable market conditions for listings seen in the latter half of 2024 will be sustained through 2025. Furthermore, it is not certain that the market warming in the second half of the year is finished or whether there will be more to come. We think the size of exit activity does not warrant a window just yet, but companies may exercise caution going into 2025. Another consideration is that favourable factors such as the need for large exits, liquidity, and the skew towards profitable listings in Europe may lead to more PE-backed companies listing versus VC-backed companies, a trend we saw play out in 2024.

There is also the risk that IPOs will structurally decline as a means of financing for VC-backed companies. Firms may opt to stay private for longer or raise financing by other means, such as venture debt. As mentioned previously, the asset class has grown in popularity in the continent, especially amongst venture-growth players whose profiles would conventionally sit in the IPO pipeline. Although lower rates should bode well for equity valuations, cost of debt will remain lower. Companies may be able to raise more through debt than equity without having to take a mark on valuations. Venture debt supply has also improved, which could make it easier to access late-stage financing outside of equity markets.

Nalin Patel
Lead Analyst, EMEA Private Capital
nalin.patel@pitchbook.com

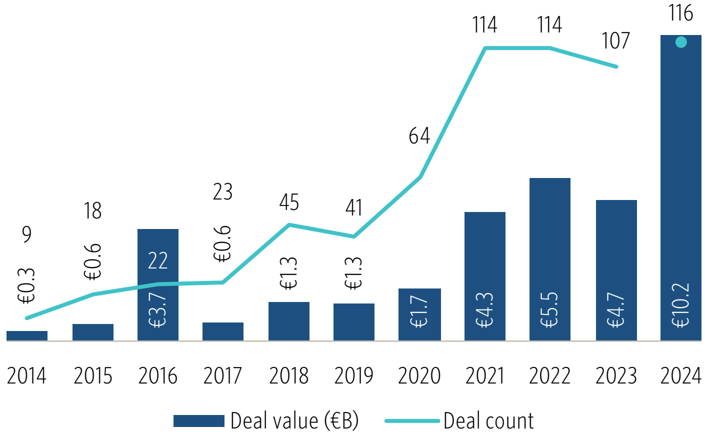
Outlook: AI investment will remain front and centre across Europe with new records likely.

AI & ML VC deal activity



Source: PitchBook • Geography: Europe • As of 30 November 2024

AI & ML PE deal activity



Source: PitchBook • Geography: Europe • As of 30 November 2024

Rationale

AI has been talked about extensively across regions, sectors, and asset classes in 2024. Tech giants are investing in the space, established companies are leveraging AI to drive efficiency, and new startups are increasingly aligning themselves to AI in creative ways. Multiple use cases have been highlighted across everyday life for businesses and consumers. It has been challenging to avoid the frenzied attention AI has garnered, so we expect investment to be strong in 2025 and anticipate new PE and VC deal activity records will be set in Europe. Not only are companies competing, but also countries and continents are vying to become AI powerhouses and drive innovation for future generations. European governments and bodies have recognised the role large US tech companies have had in powering growth for several years via stock market returns, investment into local ecosystems, and job creation. Therefore, we expect a renewed focus on Europe developing its own tech behemoths.

The speed of development is another consideration for new records to be set in the AI space. US-based OpenAI raised €5.9 billion in 2024 and is valued at a staggering €141.3 billion, roughly five times its €26.4 billion valuation in 2023. There is no doubt AI companies are hot at the moment, but it is the rapid progress they are showing that is driving up figures. Another example is France-based Mistral AI, which was founded in 2023 and became a unicorn a year later and now possesses a €6 billion valuation after a €600 million round in 2024. We expect more of these stories to emerge in 2025 as capital deployment in the AI industry intensifies.

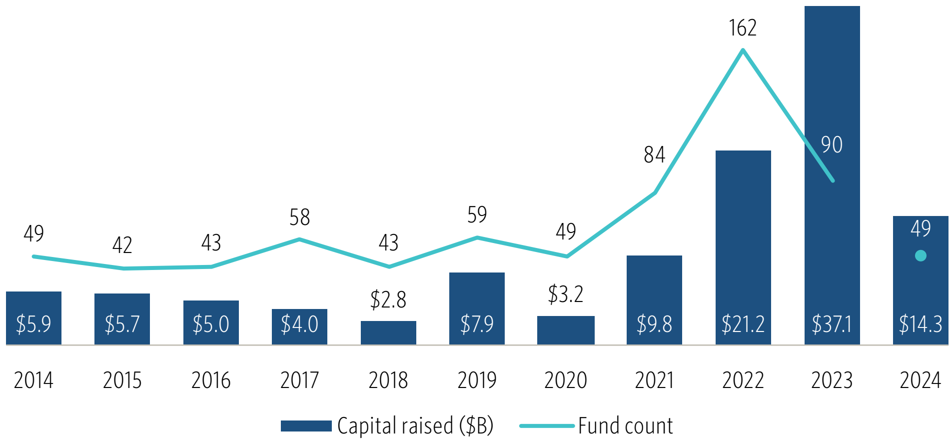
Risks

Risks to the AI boom include the market becoming overheated with everything AI-related but providing little to no unique value for investors or users. Investors could pass on investments if they feel they do not represent value for money. Prices paid in recent quarters have been high, as expected, and we have witnessed how lofty post-COVID-19 valuations have soured in recent years. Moreover, AI faces consistent questions about its ethicality and safety. The dangers of chatbots providing incorrect information, fake images and videos, or false news can have detrimental effects on the industry and populations. Regulation is another key consideration for AI investment. Governments are grappling with hefty amounts of capital flowing into the sector, which can cause scrutiny around privacy, sovereignty, competition, and cybersecurity threats. Divergent policies from country to country could affect where companies are founded, activities in which they can partake, and what countries they expand into.

Nalin Patel
Lead Analyst, EMEA Private Capital
nalin.patel@pitchbook.com

Outlook: MENA private market fundraising will develop as capital flows into the region remain strong.

MENA private market fundraising activity



Source: PitchBook • Geography: MENA • As of 30 November 2024

Rationale

The growing influence of capital sources originating from the Middle East and North Africa (MENA) region has been touted for several years, and we believe this will continue in 2025. As of 30 November 2024, private market fundraising reached $14.3 billion, and we anticipate this figure will grow in 2025. Capital raised by MENA-based funds exceeded $20 billion for the first time in 2022 and grew to $37.1 billion in 2023. Whilst fundraising dipped in 2024, we expect a rebound above $20 billion in 2025. The growth will be largely driven by the development of fund managers targeting different asset classes, local regional tech ecosystems, and the progression of capital market usage in the region. Moreover, we feel favourable tax and pro-business policies will entice more individuals, corporations, and investors to commit capital to the area.

Diversification of revenue streams, leveraging government support, and developing partnerships with experienced investors are priorities for nations in the Middle East. As a result, funds are cropping up in a range of sectors, including real assets, green energy, tourism, and IT. Fundraising activity will be reinforced by a combination of domestic and international LPs as well as substantial government resources. Numerous initiatives, such as the ambitious Saudi Vision 2030, are resulting in copious amounts of investment across sectors. Various projects are underway in healthcare, infrastructure, logistics, entertainment, real estate, and finance. We expect these elaborate plans will keep capital flows elevated and investment parties interested in raising funds in the region.

Risks

Weaker global demand and softer domestic economic-growth rates could hamper aggressive targets set within the region. Established LPs and GPs may want to focus on their domestic markets rather than look to expand into emerging markets. Further challenges could arise from ongoing conflicts, volatile oil prices, and possible sanctions or tariffs. The conflict in Gaza and Israel has caused extensive humanitarian and socioeconomic problems and remains a key risk in the MENA region. The danger of escalation and a protracted conflict creates uncertainty and complicated conditions for individuals, organisations, and economies. Whilst it may be too early to tell, new governments in the US and major European nations could make it more difficult to engage in cross-border fundraising with MENA nations in 2025.