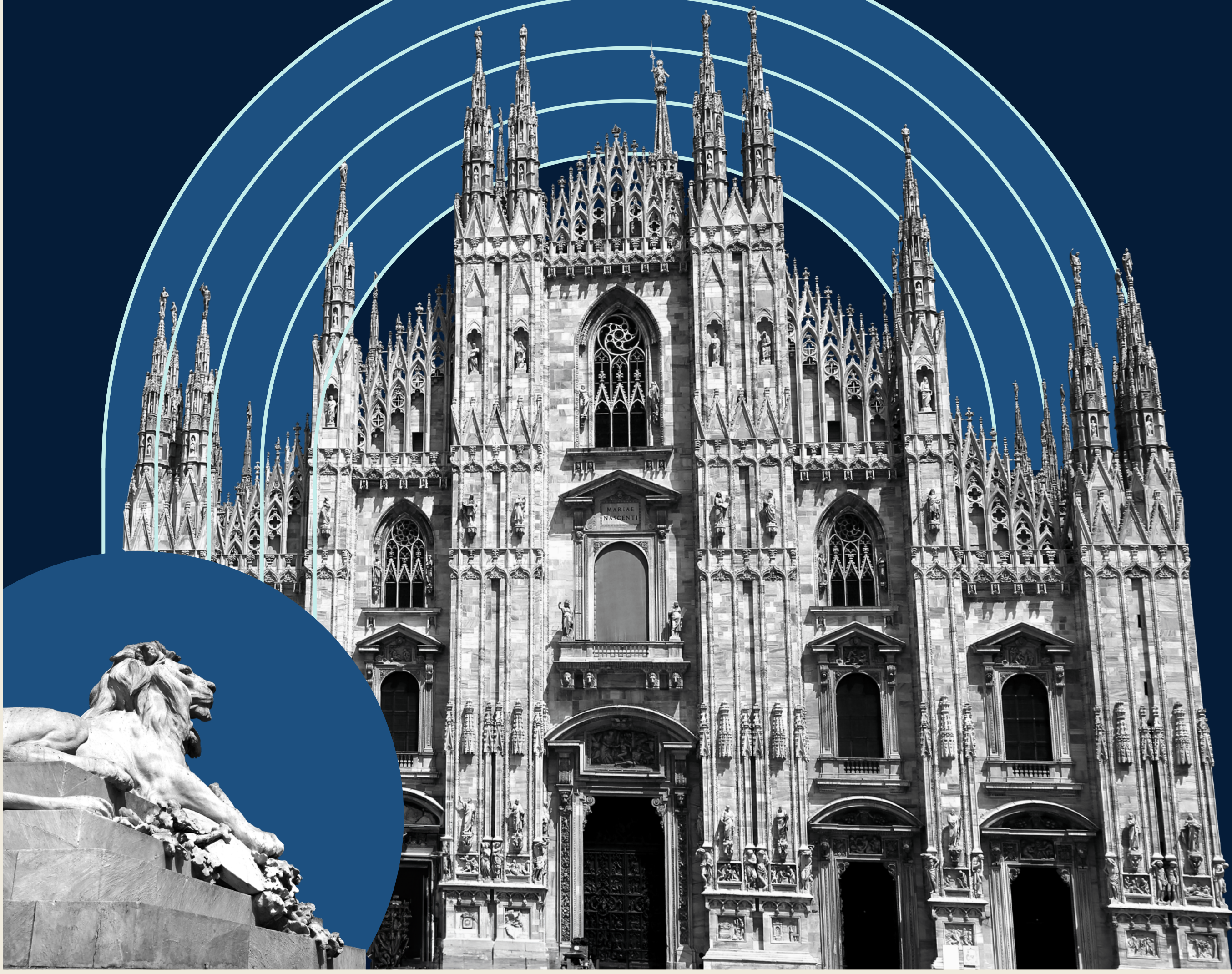
PitchBook

Q3 2024

EUROPEAN PE Breakdown



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Introduction

Our estimates show 2024 is pacing for 27.5% YoY growth in terms of deal value and 11.5% YoY growth for deal count. With rates coming down, we have seen bid-ask spreads converge, allowing buyers and sellers to find a middle ground. Add to this the fact sponsors are close to record levels of dry powder, and we can see why capital deployment will continue to intensify as market conditions become more favourable. Investor appetite for megadeals has returned across all types of deals, such as take-privates, corporate divestitures, and sponsor-to-sponsor transactions. Corporate divestitures have increased their share to 18.2% of deal value in 2024 YTD—the highest share since 2019. By sector, IT is pacing for its best year since 2021 in terms of deal value. Finally, we are seeing an increase in capital from non-European investors compared with last year, with non-European investors participating in eight of the top 10 deals YTD.

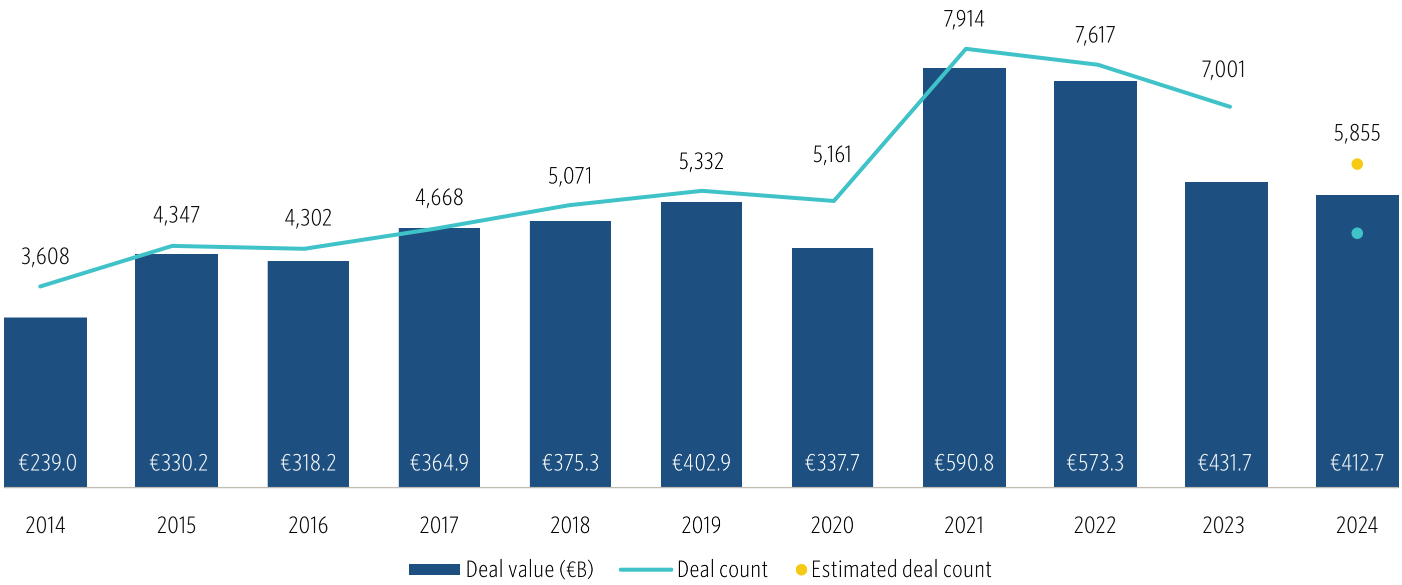
Exits in Europe remain sparse, and exit value is pacing to finish roughly flat YoY but down 34.3% from the highs of 2021. After some initial green shoots in H1—with a few high-profile IPOs such as those of CVC Capital Partners, Galderma, and Douglas—Q3 was lacklustre, with only two small public listings. Looking at those H1 IPOs, we note that about half are currently trading below their IPO price, including Exosens, Douglas, and Renk. This does not bode well for sponsors looking to exit, especially when considering that the STOXX Europe 600 index is up 9.3% YTD.[1] For a recovery to occur within exits, we will need a few large IPOs to perform well. Furthermore, we have seen a lack of exits to corporates leading to a shift in the mix with sponsor acquisitions accounting for over half of exit counts for the first time since 2014.

European funds raised €110 billion in new capital in the first nine months of 2024 as fundraising continues to be strong in Europe, regardless of macroeconomic conditions. Diving deeper, we notice fundraising in Q3 was much weaker than in the first two quarters of the year—which were particularly high. Tenzing's latest fund is one of only two growth/expansion funds closed at over €1 billion in 2024, as the strategy has largely lost market share to traditional buyout funds. In fact, PE growth/expansion funds have raised less than 10% of European PE capital YTD, marking the lowest total since 2017. On the other hand, middle-market fundraising remains healthy, pacing for slight growth in terms of both count and value. Median step-ups for European funds have decreased from 1.6x in 2022 down to 1.5x in 2023 and further down to 1.4x in 2024 YTD. Six new continuation vehicles closed in Q3, taking the total to 16 in Europe YTD.

1: As of market close on 30 September 2024.

Deals

PE deal activity

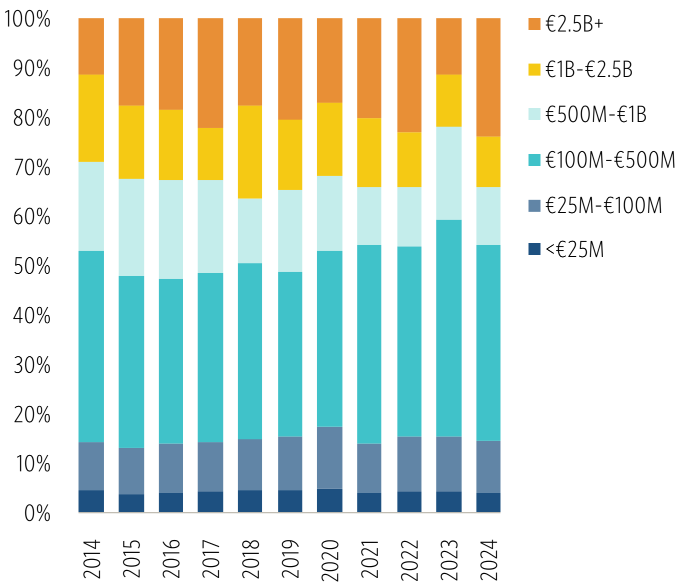


Source: PitchBook • Geography: Europe • As of 30 September 2024

Monetary easing is in full swing

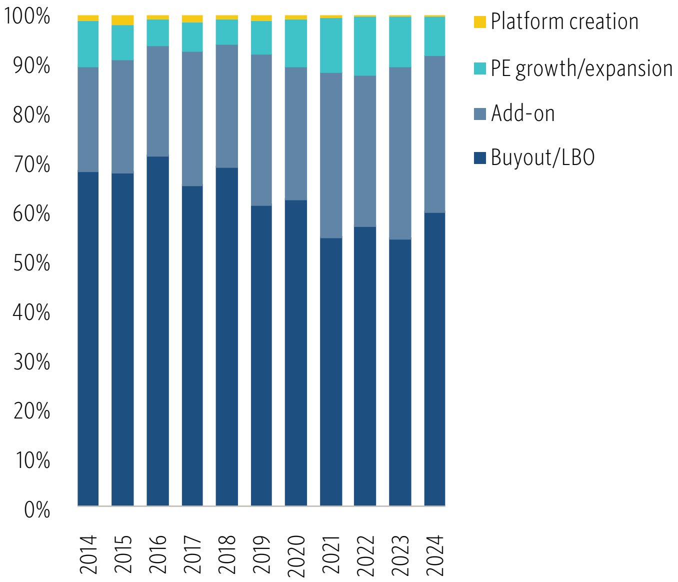
Central banks across Europe have slowly been decreasing interest rates given inflation has stabilised around its target rate in recent months. The European Central Bank has cut rates twice since June. The Bank of England cut rates once, while Sweden's Riksbank and Switzerland's Swiss National Bank dropped their respective rates three times each. Keeping an eye on monetary policy and expectation is key to PE dealmaking, as it affects the entire deal flow process from portfolio valuations to borrowing capabilities, public market comps, and market sentiment. Public market indexes have been hitting fresh records, with the STOXX Europe 600 hitting an all-time high on 27 September 2024. Private markets, on the other hand, tend to lag public markets by a few months, but signs of a recovery have started appearing in the data towards the end of Q2 and Q3. Our estimates show 2024 is pacing for 27.5% YoY growth in terms of deal value and 11.5% YoY growth in terms of deal count. This is 6.9% short of the highs of 2021 for value and 1.4% short for count. With rates coming down, we have seen bid-ask spreads converge, allowing buyers and sellers to find a middle ground. Add to this the fact sponsors are close to record levels of dry powder, and we can see why capital deployment will continue to intensify into 2025 as market conditions become more favourable.

Share of PE deal value by size bucket



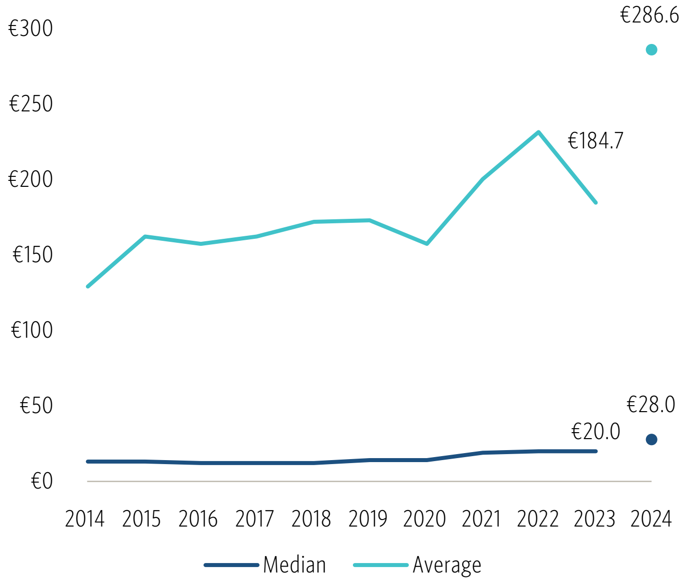
Source: PitchBook • Geography: Europe • As of 30 September 2024

Share of PE deal value by type



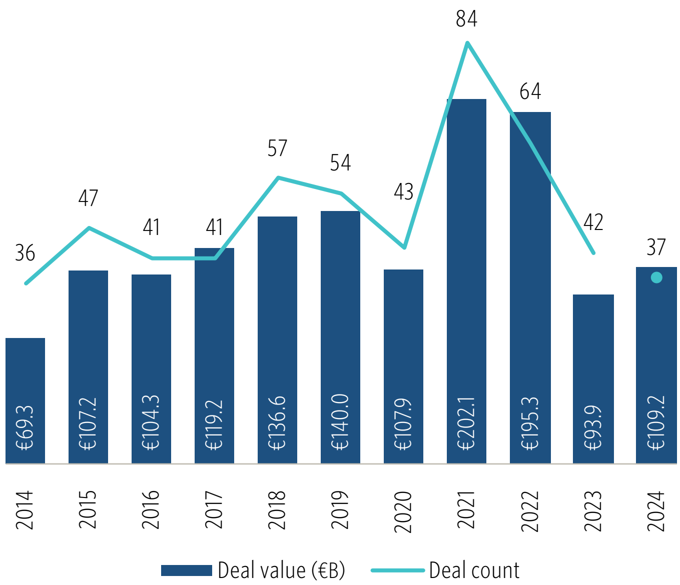
Source: PitchBook • Geography: Europe • As of 30 September 2024

Average and median PE deal value (€M)



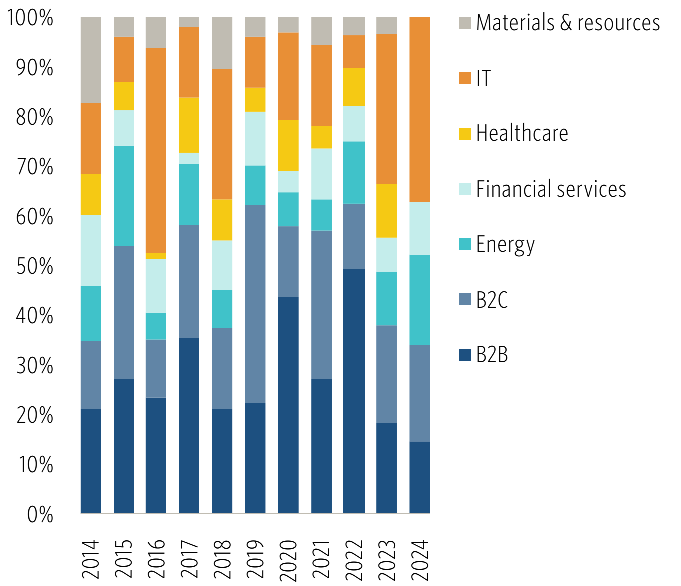
Source: PitchBook • Geography: Europe • As of 30 September 2024

PE megadeal activity



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

Share of PE megadeal value by sector

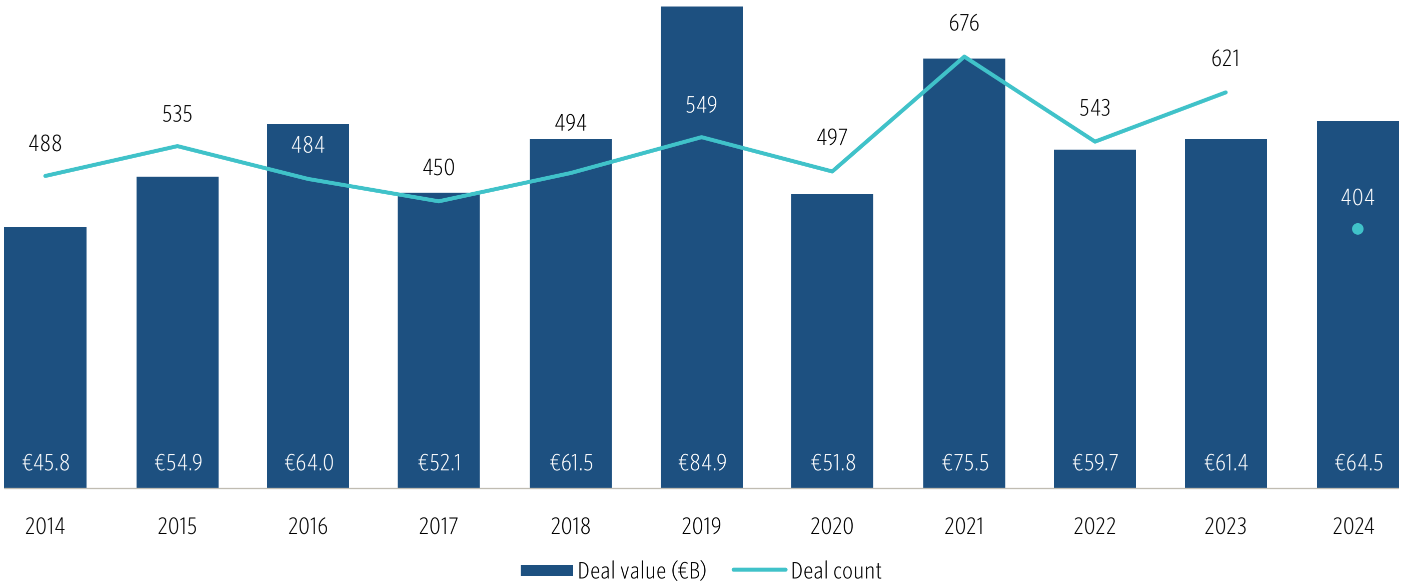


Source: PitchBook • Geography: Europe • As of 30 September 2024

Megadeals are surging

As the year has progressed, we have seen deals getting larger as market sentiment has improved. Median deal size YTD has increased 40.0% compared with 2023. With nine months of data, 2024 has already had 24.5% more deal value in deals over €2.5 billion than 2023. This has come together with an uptick in buyout deals at the expense of growth/expansion deals, which have fallen out of favour. The appetite for megadeals has returned across all types of transactions such as take-privates (for example, Hargreaves Lansdown's €6.4 billion take-private), corporate divestitures (for example, IGT sold its gaming and digital business to Apollo Global Management for €5.8 billion) and sponsor-to-sponsor deals (for example, Advent International sold Evri to Apollo for €3.2 billion). By sector, we have seen considerable megadeals within IT and energy—more specifically within sustainable energy, infrastructure, and software. The IT sector is pacing for its best year since 2021 in terms of deal value.

Carveouts PE deal activity

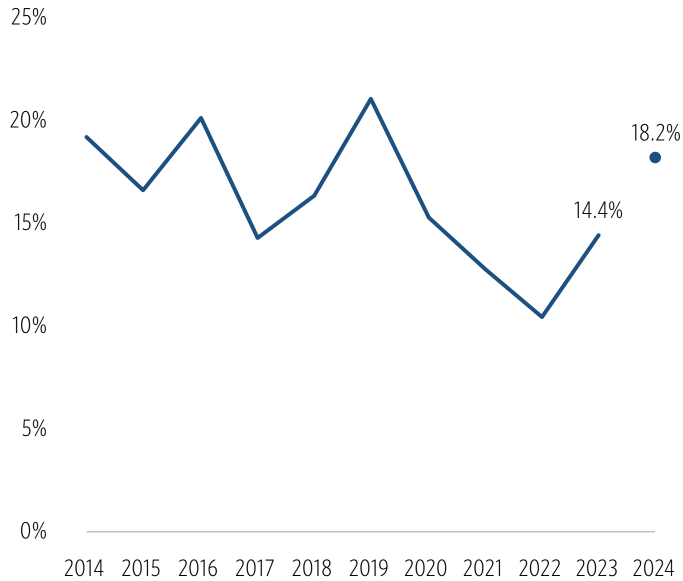


Source: PitchBook • Geography: Europe • As of 30 September 2024

Higher share of carveouts

Carveouts have increased their share of deal value: 18.2% of deal value in 2024 YTD has come from carveouts (or corporate divestitures), marking its highest share since 2019. Corporate divestitures allow companies to free up capital by selling off noncore, underperforming, or heavily indebted business units. These units may no longer align with the company's strategic objectives. From the perspective of PE firms, such divestitures present an opportunity to acquire undervalued assets with significant growth potential, particularly after restructuring and streamlining operations. Sponsors often bring specialised industry expertise, which can unlock value that the business may not have achieved while part of a larger corporate structure. The largest carveout YTD saw Telecom Italia divest of its fixed-line network, selling it to KKR for €22 billion. It is the first time a major European country's former phone monopoly divested its landline grid.[2] The deal was secured after the EU approved it following an antitrust investigation.

Share of PE carveouts deal value



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

Capital flow from US investors is rising

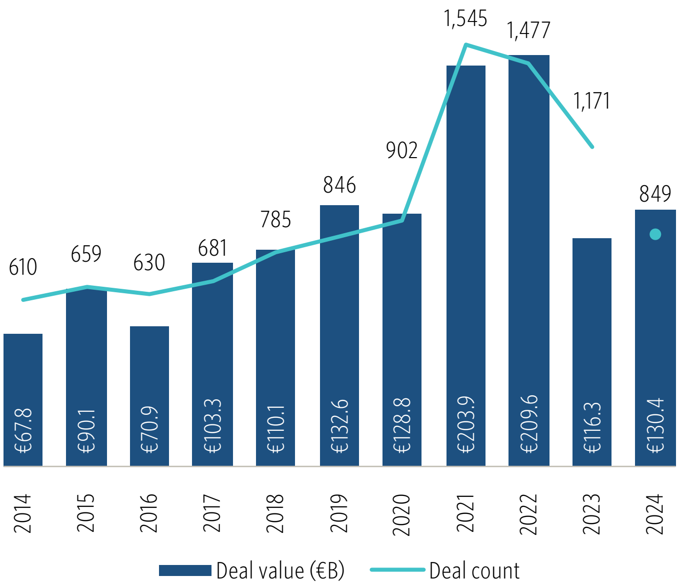
This report focuses on European PE, but the asset class should often be analysed at global scale because several regions are linked and benefit from the related capital movements. In our recent analyst note on European megafunds, we show that 20% of the capital raised by European megafunds in 2023 came from firms headquartered in North America. Similarly, 75.2% of the LP commitment count that went into European megafunds came from North America in 2023, up from 55.1% in 2021. Indeed, 2024 continues to see strong deal activity from US investors. European deal value from US investors is pacing for 49.5% growth YoY. In fact, eight of the top 10 deals YTD received North American capital.

2: "KKR Wins EU Nod for $24 Billion Telecom Italia Fixed-Line Network Deal," Reuters, Foo Yun Chee and Elvira Pollina, May 30, 2024.

Italy sees increased dealmaking

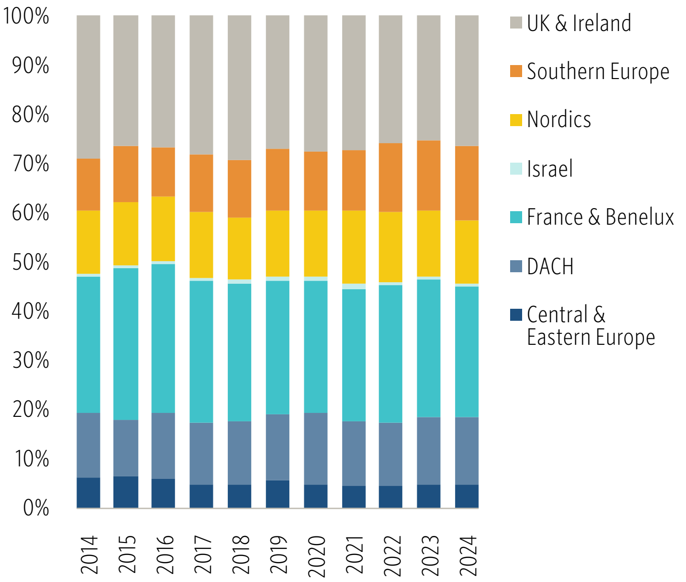
Southern Europe is pacing for a record year of deal value with the caveat that count remains somewhat flat YoY.[3] However, in 2024 YTD, Italy has accounted for almost two-thirds of deal value for the region, benefitting from a jump in dealmaking this year. Italy is on pace for its best year of PE dealmaking ever in terms of deal value. We have seen a particular interest among PE sponsors for Italian high-street-type brands such as Kiko Milano, Champion, Autry, Acqua & Sapone, and Beautynova Group. Retail has had a tough few years since 2020. First, COVID-19 closed stores, then the Russia-Ukraine War increased the prices of commodities whilst decreasing purchasing power for customers given higher inflation. Finally, the two-year cycle of monetary tightening increased borrowing costs, making it more costly to refinance existing debts. This resulted in operational challenges for retail stores, which saw their margins squeezed.

PE deal activity with US investor participation



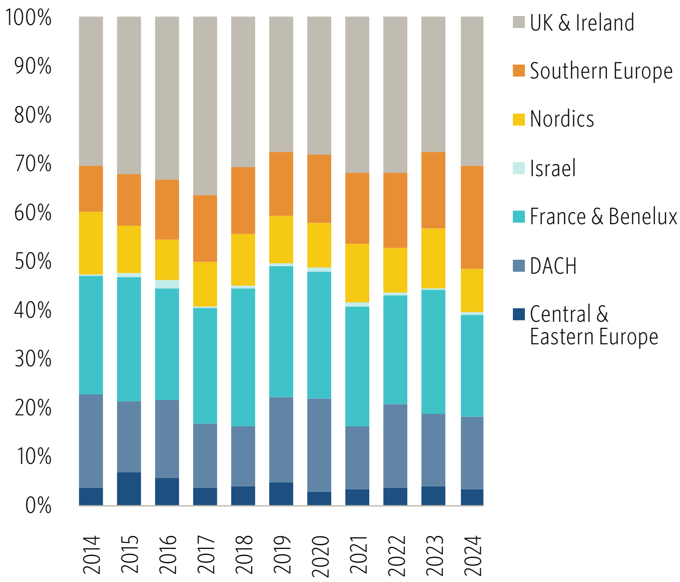
Source: PitchBook • Geography: Europe • As of 30 September 2024

Share of PE deal count by region



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

Share of PE deal value by region



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

3: Our methodology classifies the following countries as part of Southern Europe: Andorra, Cyprus, Gibraltar, Greece, Italy, Malta, Monaco, Portugal, San Marino, and Spain.

A WORD FROM STAX

Sell-side due diligence: Harnessing the best of North American and European approaches

Phil Dunne
Managing Director, London
Stax

Phil Dunne is managing director at Stax, leading the firm's private equity initiatives across the UK and EMEA, and brings over 25 years of experience spanning industry and consulting within the PE ecosystem.

Will Barden
Director, Boston
Stax

Will Barden is a director at Stax, where he leads the firm's investment banking coverage focusing primarily on working with management teams, sponsors, and bankers on sell-side engagements.

Over the past two decades, the landscape of commercial sell-side support in private equity transactions has evolved significantly, giving rise to a sophisticated array of strategies tailored to the unique dynamics of each deal. These approaches have been shaped by factors such as transaction type, deal size, and the varying levels of sophistication of both buyers and sellers.

The spectrum of outputs is wide-ranging, from streamlined market sizing and customer referencing exercises—which shift the bulk of the due-diligence responsibility onto the buyers—to exhaustive, 400-page vendor due-diligence reports that place greater emphasis on educating the market and showcasing the asset's narrative through the lens of the seller and its management team. Over the past five years, Stax has seen sell-side diligence average fees increase around 8% to 10% per year, largely due to growing demand for robust scopes and deliverables.

Divergent paths: North American versus European approaches

This evolution is further distinguished by the divergent paths taken by North America and Europe in developing these methodologies. The distinct approaches have been increasingly apparent as cross-border transactions proliferate, exposing European assets to the rigorous demands of North American funds and vice versa. This transatlantic interplay has underscored the need for a nuanced understanding of regional differences in deal execution and has highlighted the importance of tailored due-diligence processes that can bridge these gaps and cater to the specific needs of global investors.

Action-oriented approach: Focusing on value-adding due diligence

As a global strategy consulting firm specializing in private equity, Stax uses its extensive transatlantic experience and buy/sell-side expertise to deliver a highly effective, action-oriented sell-side approach. We maximise value-adding components of vendor due diligence while delegating routine tasks to lower-cost sources and AI solutions. Starting with a buy-side mindset, we anticipate key buyer questions, with market size, dynamics, and growth—both historical and forecast—set as baseline expectations.

We have discovered that the most effective and impactful approach focuses on strategic enquiries: How does the asset's value proposition stand out against competitors? What drives the sustainability of its margins? Where are the specific opportunities for value creation? These insights are integral to a thorough analysis of the business plan's feasibility, ensuring that our clients are equipped not just with data, but with the actionable intelligence and insight that directly aligns with the priorities of discerning buyers in today's private equity landscape.

This targeted approach is especially crucial for tech and software assets, where Information Memorandums often depict a vast, untapped market. For an asset with $50 million in revenue, the difference between a total addressable market of $6 billion or $7 billion is negligible. What truly matters to discerning investors is understanding the asset's unique differentiators and go-to-market strategy—key drivers of capturing market share at an attractive price and margin.

Preparing for a successful exit: Strategic collaboration and analysis

This focused, compelling narrative enhances the asset's appeal to buyers while offering significant benefits to the management team in terms of exit planning. It refines the growth strategy to target key customer segments and market opportunities in a controlled setting, away from the high-pressure, time-constrained deal environment. This allows management to stay focused on running the business, minimising distractions while strategically positioning the asset for a successful exit.

The approach is built on three fundamental pillars, with each designed to align with the rigorous demands of private equity investors and maximise the asset's attractiveness in the market:

1. **Strategic collaboration with management:** Advisors should work closely with the management team to ensure they are fully equipped to address the critical questions that buyers will pose. This involves not only preparing them with robust data but also crafting compelling presentation materials that clearly articulate the asset's value proposition and strategic positioning.

2. **Rigorous analytical framework:** The methodology is underpinned by a deep data-driven analysis of market sizing, sales and customer trends, and customer behaviour over time. This includes detailed assessments of pipeline performance and win/loss analysis, providing insights into the asset's competitive standing and its potential for sustained growth.

3. **Efficient market outreach and intelligence gathering:** The market outreach programme should be highly efficient, integrating primary research—such as customer and expert interviews and surveys—with analysis of secondary research data. Leveraging a combination of AI tools and the expertise of our Sri Lankan operations team, we deliver actionable insights quickly and cost-effectively.

This comprehensive, three-pronged approach not only enhances the asset's market readiness but also ensures that the management team is well prepared and that the value of the asset is clearly communicated to potential buyers, thereby increasing the likelihood of a successful transaction.

Leveraging environmental, social, and governance (ESG) as a value driver in investor materials

A crucial enhancement to our approach and capability set is the incorporation of ESG analysis and readiness into investor-facing materials. While ESG preparedness is a more common and accepted element of the process in the European market, we are witnessing an increasing interest in this area within the US market as well. However, as Anuj A. Shah, Head of ESG & Impact Advisory at Stax, has observed, the mainstream ESG narratives in the US and Europe have increasingly diverged over the past year.

In the US, the politicisation of ESG has shifted the conversation from merely identifying and reporting ESG factors to a more focused examination of how these elements contribute to value creation and EBITDA improvement. Shah advises management teams globally to take proactive control of their ESG narrative by clearly demonstrating the linkage between material ESG factors, financial performance, and an actionable sustainability strategy designed to capture value.

Embedding ESG analysis into our investor-facing materials aligns with evolving US and European market expectations and empowers management to link ESG initiatives directly to financial outcomes. This strategic approach ensures that the asset's ESG narrative is not only robust but also positioned as a driver of value creation in the eyes of potential investors.

Open-ended exit preparation: Aligning strategy with market demands

Beyond simply generating the facts necessary to inform potential buyers, we have found that the true value in sell-side market work lies in preparing businesses and management teams for the exit or capital-raise process, rather than focusing solely on the creation of the investor-facing materials.

At Stax, we have observed the growing trend where our work is primarily geared towards shaping how an asset should position itself for buyers, and identifying the strategic steps required to bridge the gap between its current state and its optimal market position.

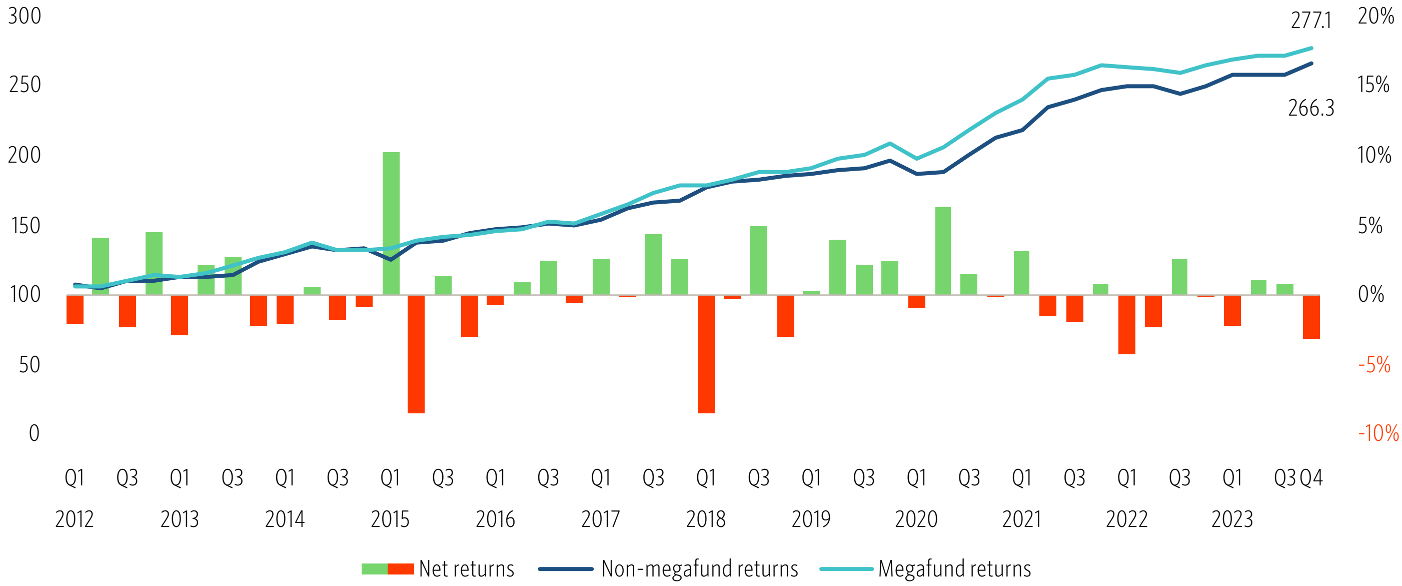
This shift is partly a by-product of the challenging market conditions of the past 12 to 24 months, which have created more sceptical investors and a discerning investment environment. Investors and investment committees are now scrutinising opportunities more closely, making it essential for management teams to be fully prepared to address buy-side questions—both those which are known to them pre-process and those which emerge from our in-depth research.

Successful exits we have advised on during this period consistently feature management teams that are not only well prepared to respond to these critical enquiries but are also agile in adjusting strategic priorities as needed. This flexibility is crucial; increasingly, sponsors and management teams are treating exit preparation work as an open-ended process, where the timing of the sale or capital raise is determined by insights gained through these studies. This approach often overlaps with our value creation work, allowing for a more nuanced and strategic positioning that aligns with market demands and maximises value at the point of engagement with potential buyers.

SPOTLIGHT

Debunking European megafund performance myths

Quarterly Europe PE returns indexed to 100 and net returns for megafunds versus non-megafunds



Source: PitchBook • Geography: Europe • As of 31 December 2023

This spotlight is abridged from our analyst note The Rise of European Megafunds: Part II published 23 August 2024.

Naysayers often argue that outperformance becomes more difficult the larger the fund. This is more certainly the case in public markets where liquidity constraints, fewer suitable opportunities, and rebalancing issues all create obstacles in achieving alpha for large funds. However, private equity is subject to fewer obstacles and benefits from less transparency and fewer disclosure requirements. In our analyst note, we aim to debunk the myth that megafunds underperform non-megafunds.

We first looked at quarterly returns from Q1 2012 to Q4 2023 for megafunds as well as non-megafunds and rebased them to show the compounded returns over the full 12-year period. Megafunds returned 177.1% versus 166.3% for non-megafunds, meaning megafunds outperformed non-megafunds by 10.8% over a 12-year period. On an annualised basis, these equate to returns of 8.86% for megafunds and 8.50% for non-megafunds. Although European megafunds mathematically outperform non-megafunds, the difference remains marginal. Furthermore, megafunds outperformed in exactly half of the 48 quarters in this period, meaning that when they do outperform, the return is slightly more (relative to non-megafunds).

We then looked at annualised horizon IRRs for megafunds and non-megafunds both in Europe and globally. We found that from five-year returns onwards, megafunds outperform non-megafunds; and the longer the time horizon, the larger the outperformance for megafunds. Over a 15-year period ending in 2023, European megafunds outperform by 130 basis points, with megafund IRRs of 12.7% per year for megafunds versus 11.4% per year for non-megafunds. This trend is consistent with the European as well as the global datasets. The fact that IRR horizons for European megafunds underperform over one-year and three-year horizons is consistent with recent fundraising trends. Because fundraising for megafunds boomed in

Horizon IRRs by strategy

	One-year	Three-year	Five-year	10-year	15-year
Global PE non-megafund	7.7%	17.8%	17.6%	15.1%	13.9%
Global PE megafund	11.0%	16.5%	17.7%	15.6%	14.7%
Europe PE non-megafund	15.3%	19.5%	17.4%	14.0%	11.4%
Europe PE megafund	12.8%	15.4%	17.9%	14.6%	12.7%

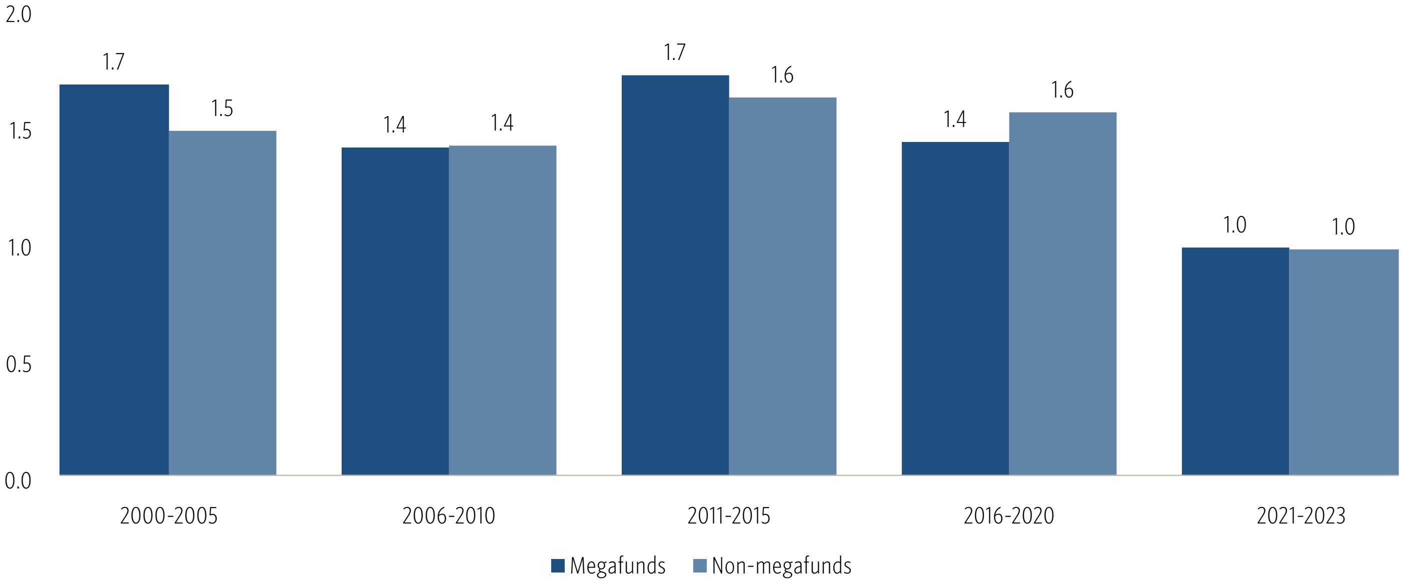
Source: PitchBook • Geography: Global • As of 31 December 2023

the past three years, we expect to see a larger percentage of new/young funds comprise those IRRs and thus drag the performance lower, as new funds tend to have low IRRs compared to older funds that are already exiting investments. On the other hand, non-megafunds will have, relative to megafunds, a higher percentage of older funds contributing to their averages.

Finally, we looked at TVPI for various vintage years between 2000 and 2023. The first observation we make is that megafunds do not consistently outperform non-megafunds. In fact, that is the case for only three out of the five ranges.

Second, funds with 2011-2015 vintage years earned the highest TVPI ratios, with medians of 1.72x for megafunds and 1.63x for non-megafunds. This can be explained by the recovery after the global financial crisis of 2008-2009 as well as the recovery after the Eurozone debt crisis of 2011-2012, which affected southern European countries. Periods of economic downturn provide PE funds opportunities to buy undervalued assets. Finally, PE funds operating in this period benefited from historically low interest rates never seen before, allowing them to maximise leverage due to cheap borrowing costs.

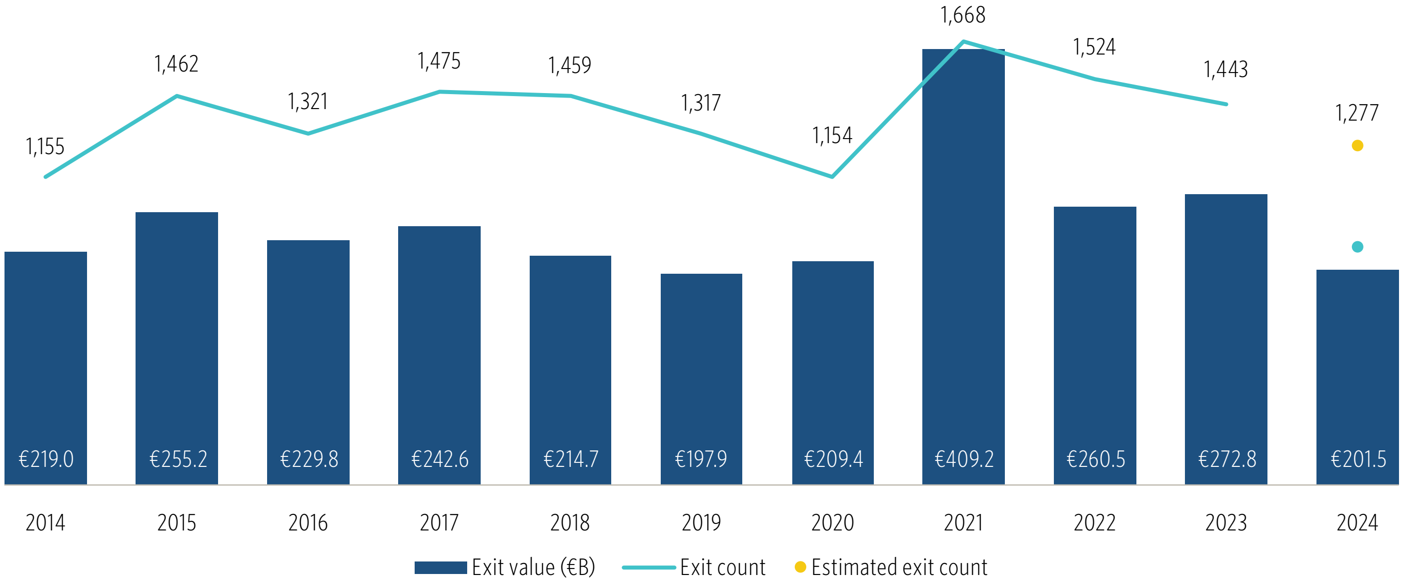
Europe PE median pooled TVPI by vintage year bucket for megafunds versus non-megafunds



Source: PitchBook • Geography: Europe • As of 31 December 2023

Exits

PE exit activity

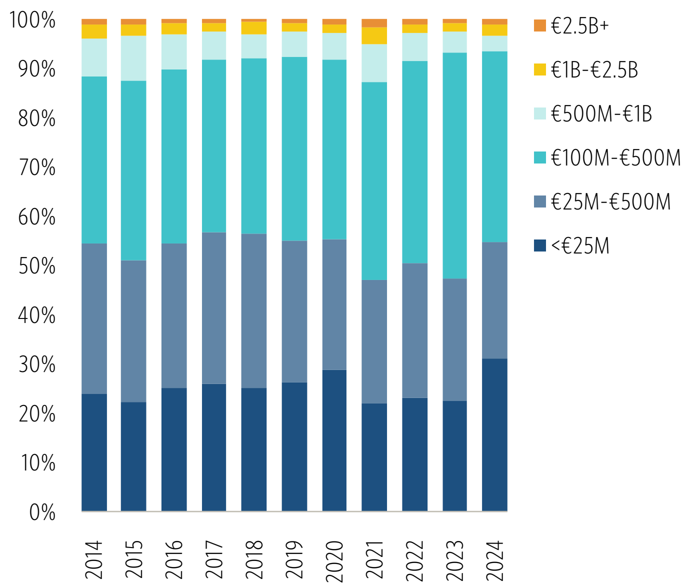


Source: PitchBook • Geography: Europe • As of 30 September 2024

More IPOs are needed for a recovery

Exits in Europe remain sparse, and exit value is pacing to finish roughly flat YoY, but still down 34.3% from the highs of 2021. After some initial green shoots in H1 with a few high-profile IPOs such as CVC, Galderma, and Douglas; Q3 was lacklustre with only two small public listings. Looking at those H1 IPOs, we note that about half are currently trading below their IPO price, including Exosens, Douglas, and Renk. This does not bode well for sponsors looking to exit, especially when considering that the STOXX Europe 600 index is up 9.3% YTD.[4] For a recovery to occur within exits, we will need a few more large IPOs to perform well. In 2024 YTD, we are tracking a megaexit count similar to levels from 2023, but the deals tend to be slightly smaller than in 2023, so megaexit value is trailing. As a result, we have seen average and median exit value drop this year compared to last year.

Share of PE exit count by size bucket



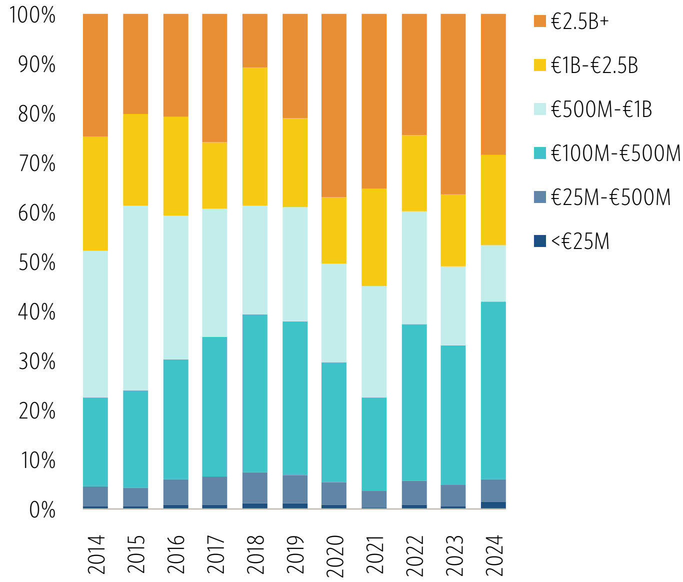
Source: PitchBook • Geography: Europe • As of 30 September 2024

4: As of market close on 30 September 2024.

Exits to sponsors overtake exits to corporates

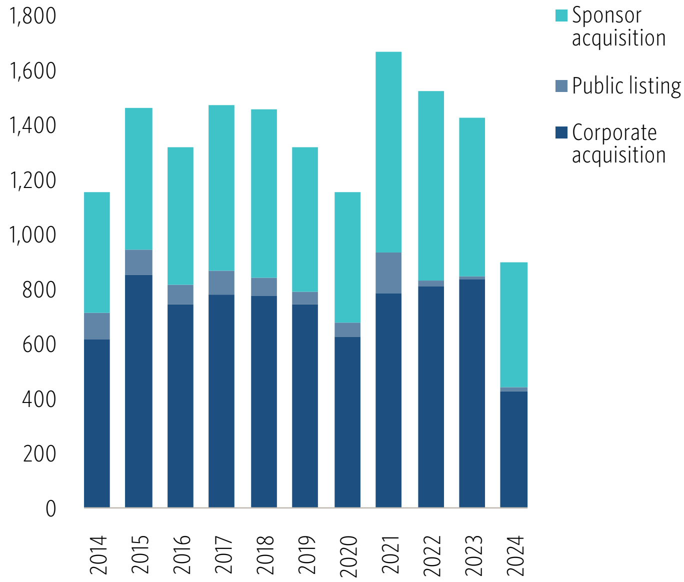
As the year progresses, we have seen a slight shift in the mix of exits. For the first time since 2014, we have seen more exits to sponsors than corporate acquisitions. Sponsor acquisitions made up just over half of exit count YTD and around 47.1% of exit value. As mentioned earlier, high levels of dry powder have meant PE firms have been deploying aggressively this year, often in the form of sponsor-to-sponsor deals. A sponsor-to-sponsor deal will be captured in our data as both a deal and an exit to a sponsor. For example, Providence Equity Partners sold a 50% stake in Globeducate to the WendelGroup in Q3. Add to this the prospect of lower borrowing costs for sponsors and we can see why sponsor acquisitions made up a higher share of the exit mix YTD. In fact, sponsor acquisitions are pacing for a roughly flat year in terms of both count and value while corporate acquisitions will end roughly a third lower.

Share of PE exit value by size bucket



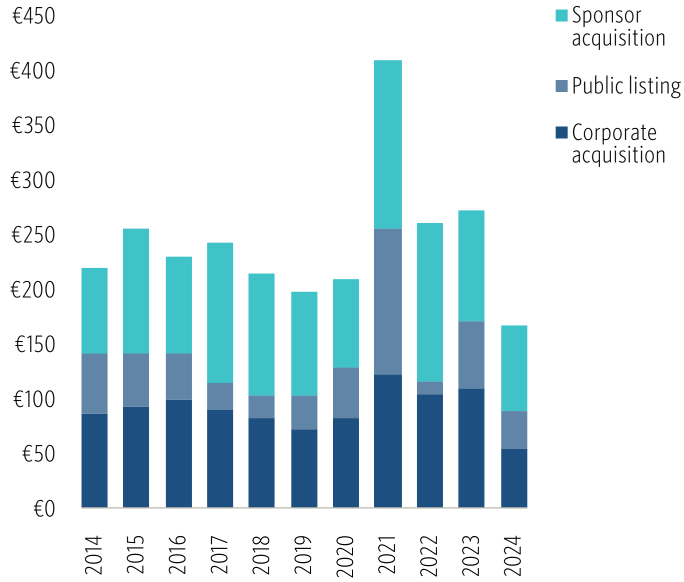
Source: PitchBook • Geography: Europe • As of 30 September 2024

PE exit count by type



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

PE exit value (€B) by type

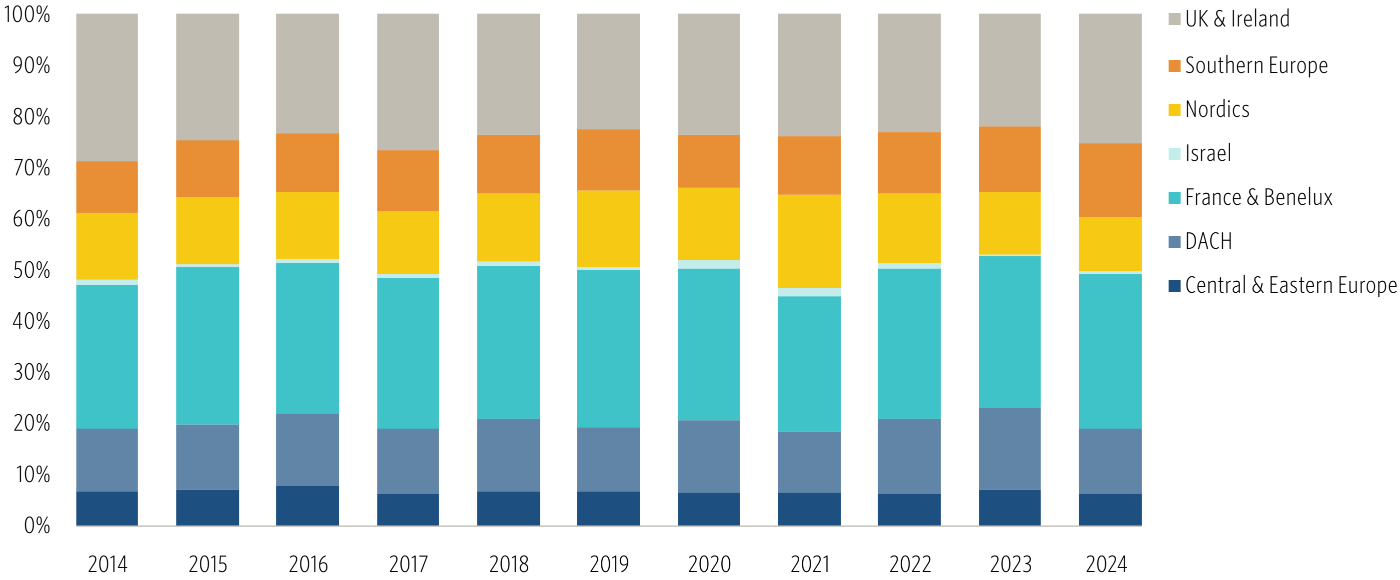


Source: PitchBook • Geography: Europe • As of 30 September 2024

France & Benelux overtake UK & Ireland

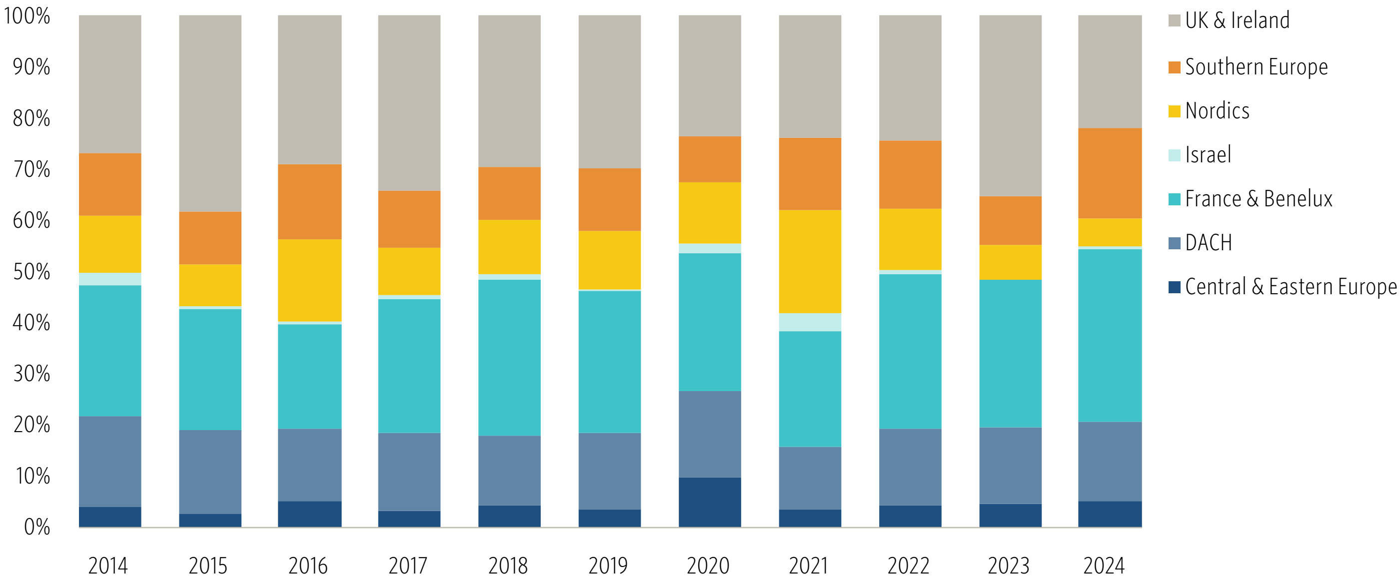
The France & Benelux region accounted for 33.9% of exit value and 30.1% of exit count YTD, higher shares than for the UK & Ireland region, which totalled 22.0% and 25.3%, respectively. Exit value was partially accounted for by the large IPOs of CVC Capital Partners, headquartered in Luxembourg, and Exosens from France. In the UK, the listing of Marex Group generated a €1.2 billion exit for sponsors, including BXR Group and JRJ Group, both based in London. However, it has been clear for quite some time that the London Stock Exchange (LSE) has been experiencing difficulties in attracting capital. This has now finally materialised in our exit data as the UK & Ireland lose share to France & Benelux. We currently await the potential listing of SHEIN, the Chinese-founded and Singapore-domiciled fast-fashion group seeking to list on the LSE for a reported £50 billion. The company counts numerous growth investors and VC firms among its shareholder base. The IPO would be the largest ever on the LSE, a record held by Glencore since 2011. This listing would be a big win for the LSE even if the business is not UK headquartered.

Share of PE exit count by region



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

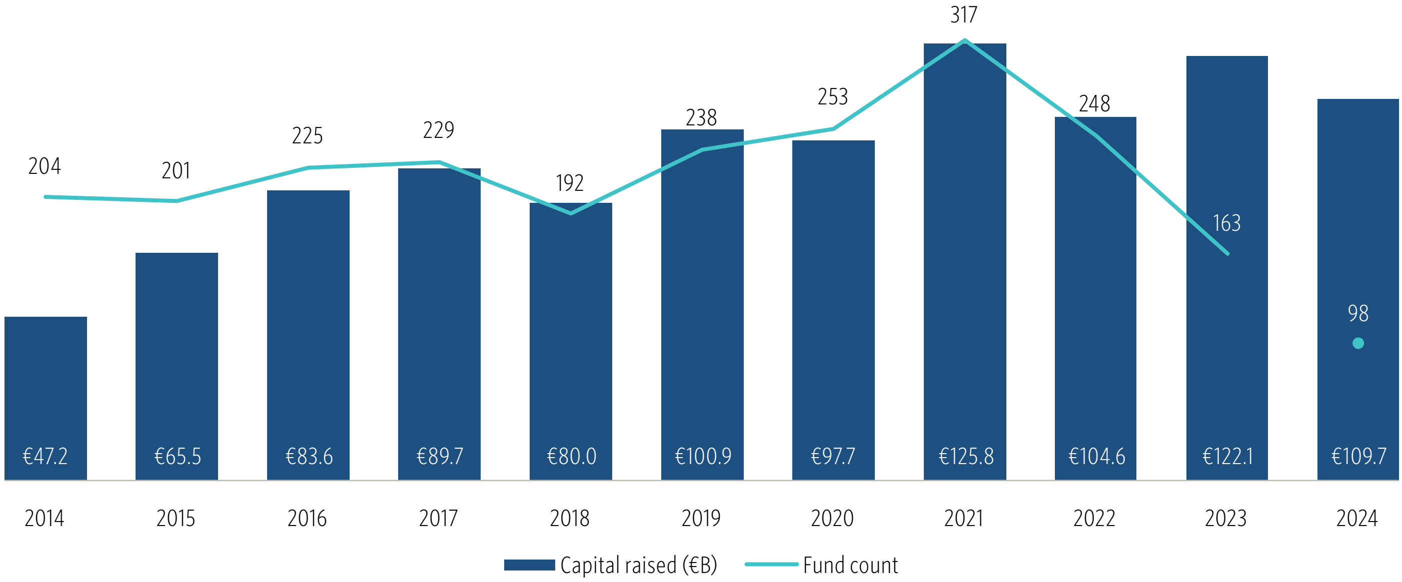
Share of PE exit value by region



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

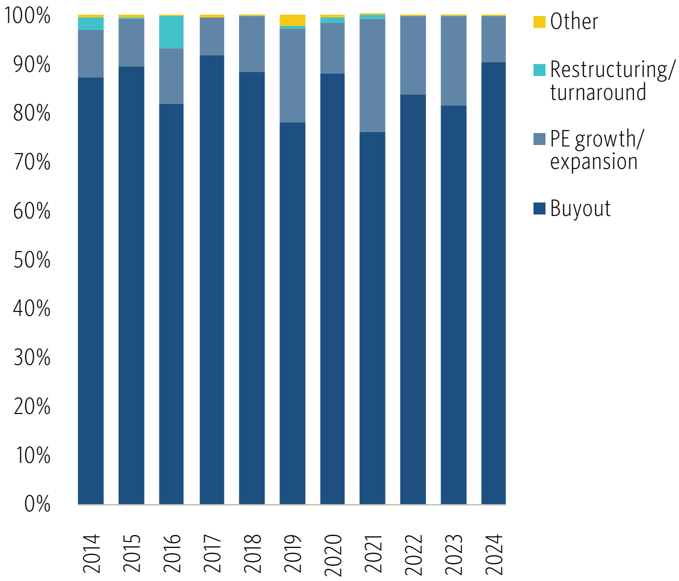
Fundraising

PE fundraising activity



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

Share of PE capital raised by type

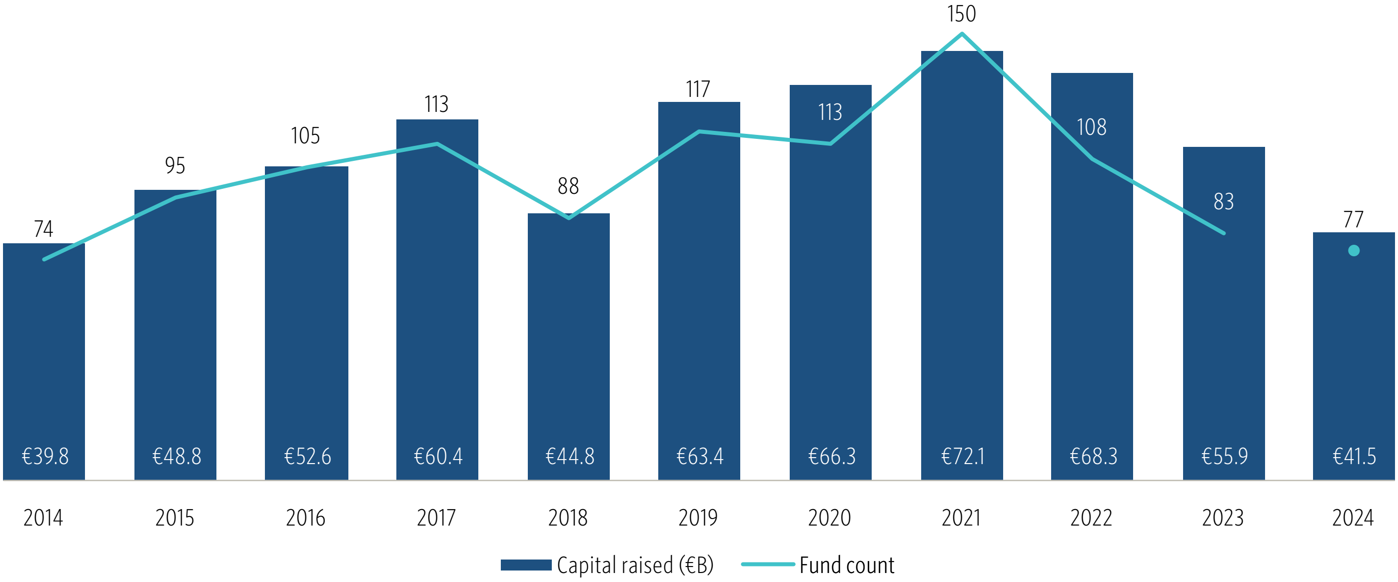


Source: PitchBook • Geography: Europe • As of 30 September 2024

Growth/expansion funds are falling out of favour

European funds have raised €110 billion in new capital over the first nine months of 2024 as fundraising continues to be strong in Europe regardless of macroeconomic conditions in terms of capital raised. Diving deeper, we notice fundraising in Q3 was much weaker than in the first two quarters of the year, which were particularly high. The largest fund to close in Q3 was the European Private Investment Club III at €2 billion, representing a 1.6x step-up on Castik Capital's second fund, which closed in 2020. Only two other funds over €1 billion closed in Q3: Inflexion Enterprise IV and Tenzing Private Equity III, both raising €1.1 billion respectively. Tenzing's latest fund is one of only two growth/expansion funds closed at over €1 billion this year, as the strategy has largely lost market share to traditional buyout funds. In fact, PE growth/expansion funds have raised less than 10% of European PE capital YTD, the lowest share since 2017. Since 2021, we have seen a shift from investing in companies pursuing growth-at-all-cost strategies towards a focus on profitability and balance-sheet management within growth funds. These funds often employ the "rule of 40" when evaluating high-growth tech or software companies. The rule of 40 stipulates that a fast-growing company's revenue growth and profit margins should add up to at least 40%, balancing growth versus profitability. Since 2021, we have seen profit margins become more important than revenue growth in this metric as investors often question the path to profitability.

PE middle-market fundraising activity

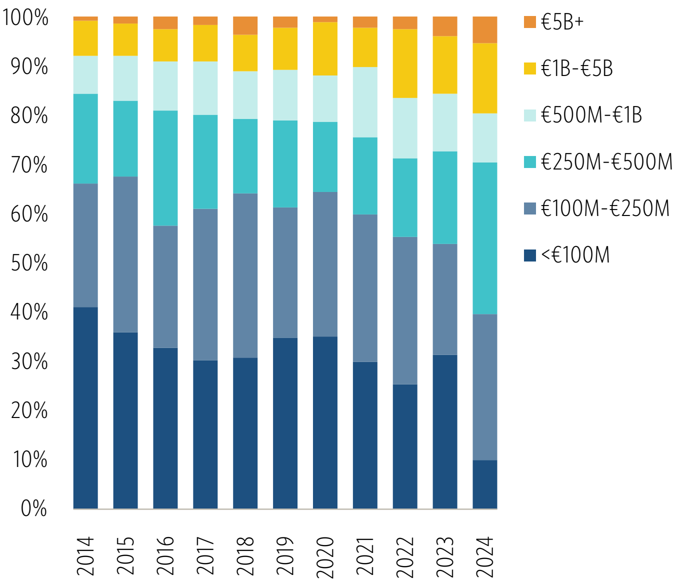


Source: PitchBook • Geography: Europe • As of 30 September 2024

Middle-market fundraising remains healthy

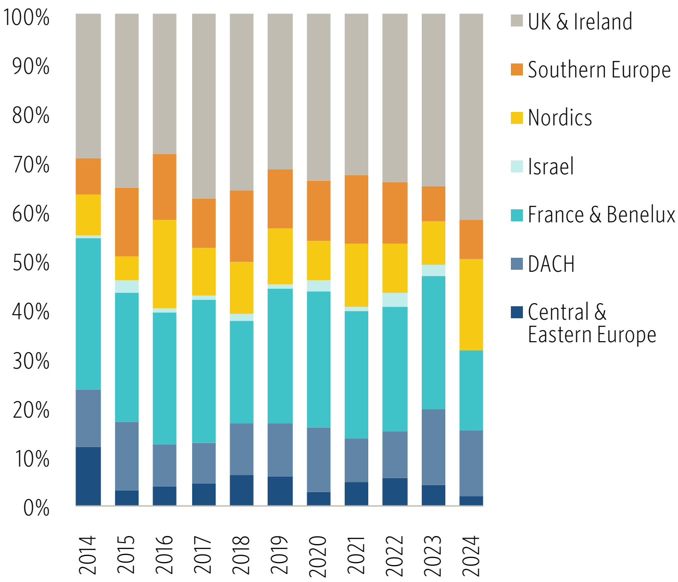
We define the middle market as funds that raise between €100 million and €5 billion. These funds are the bedrock of the private equity industry. In 2024, we are on track for slight growth in middle-market funds, in terms of both count and value. This is encouraging given some of the fundraising bottlenecks smaller firms have experienced during the period of monetary tightening and muted exits. However, we remain 23.2% off the highs of 2021. Some of those bottlenecks included longer times to close funds, as noted in our Q2 2024 European PE breakdown, as well as lower step-ups. Median step-ups for European funds have decreased from 1.6x in 2022 down to 1.5x in 2023 and further down to 1.4x in 2024 YTD. Finally, looking at the regional mix, we continue to see strong fundraising traction from the UK & Ireland as well as the Nordics, which have "outperformed" in terms of both count and value this year. However, the France & Benelux region has raised only 16 new funds, aggregating €8.6 billion YTD. This is short of the 61 funds and €25.3 billion per year it averaged over the past 10 years. Having said this, the region may still close a few funds by year-end with Eurazeo Capital V, CVC Growth Partners III, and Vendis Capital IV all open in the region.

Share of PE fund count by size bucket



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

Share of PE fund count by region



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Continuation vehicles

We just returned from several conferences where we felt secondaries were a key themes. Secondary transactions facilitate liquidity events for both LPs and GPs. Historically, LP-led secondaries dominated the market, but in the past couple of years, we have seen a rise in GP-led secondaries, which now account for 40% of the market.[5] More specifically, we have started tracking GP-led secondaries, which are also called continuation vehicles, as the GP selects one or more assets to be rolled over into a new "continuation" fund. This tends to happen to the highest-performing portfolio companies, which the GP does not want to sell and wishes to continue holding. However, it also allows LPs to exit if they wish to do so for liquidity reasons, creating opportunities to attract new investors. In 2024, we have seen 16 new continuation vehicles close YTD in Europe compared with just seven in 2020. One such example is the Astorg Normec Continuation Fund, which raised €1.4 billion from existing investors as well as new investors, including CVC Capital Partners, Lexington Partners, Pantheon, and Eurazeo. Astorg VII had made an initial investment in Normec in 2020, and after quadrupling in size through organic growth and over 40 acquisitions, Astorg was keen to hold on to the investment. Given the rather congested exit market, we expect secondaries to continue rising in popularity in the future as they still represent only a small portion of the market. And with this, we will continue seeing more secondaries funds.

5: "H1 2024 Secondary Market Insight," PJT Partners, July 2024.

Additional research

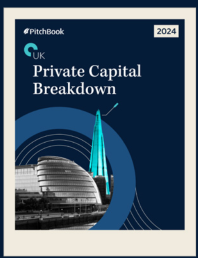
Private markets

H1 2024 Global Private Debt Report

Download the report here

2024 European Private Capital Outlook: Midyear Update

Download the report here



2024 UK Private Capital Breakdown

Download the report here

Q3 2024 Analyst Note: The Rise of European Megafunds: Part II

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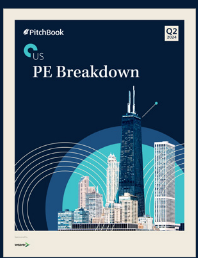
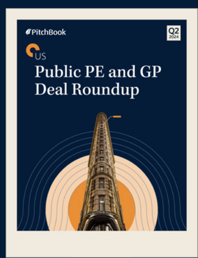


Q2 2024 US PE Breakdown

Download the report here



Q2 2024 US Public PE and GP Deal Roundup

Download the report here

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