PitchBook

Q1 2023

EUROPEAN PE Breakdown

PitchBook

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Introduction

European PE dealmaking slowed in Q1 as the macroeconomic environment's impact on the industry finally started showing in the data. European PE activity continued to drop sequentially, having peaked in Q2 2022, with Q1 2023 seeing €182.8 billion in deal value across a deal count of 1,932 deals—down 8.7% and 3.8% quarter-over-quarter (QoQ), respectively, and down 6.8% and up 6.1% year-over-year (YoY), respectively. We have seen deal count stay fairly resilient while deal value dropped harder, as sponsors continued avoiding megadeals in favour of smaller bolt-on acquisitions, which represented 59.8% of deal count as opposed to 22.6% for platform buyouts.

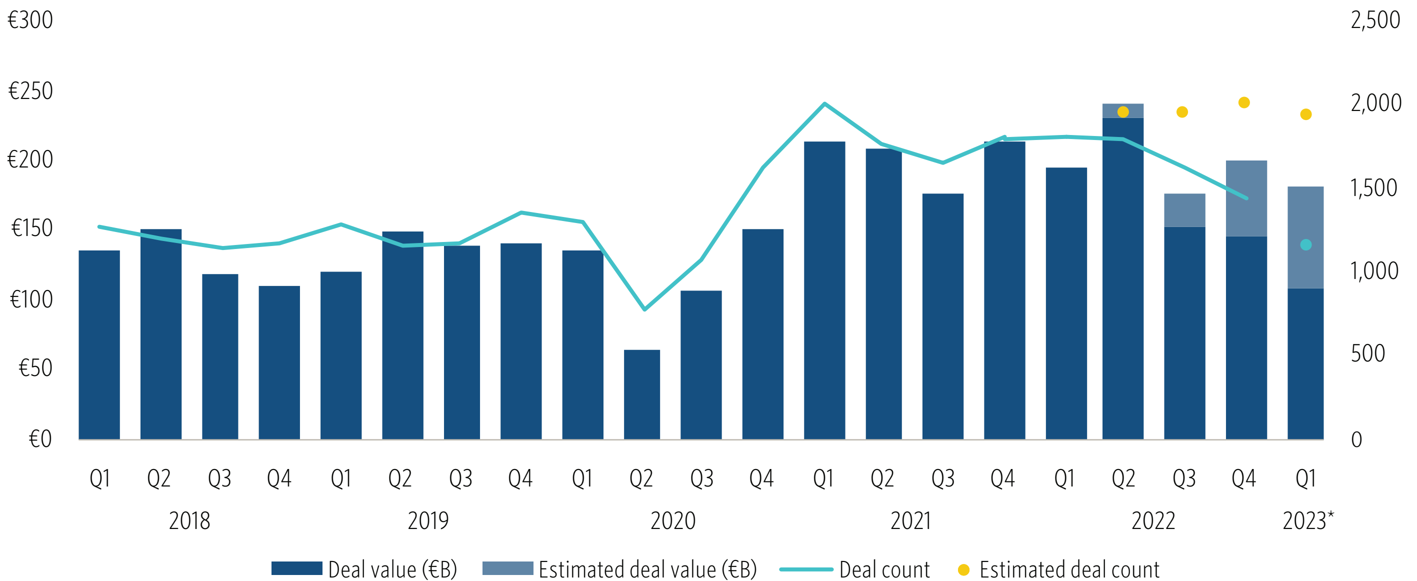
Deal value from non-European investors fell sequentially for three consecutive quarters going from a peak of €109.1 billion in Q2 2022 down to €28.6 billion in Q1 2023, a 73.8% decrease in less than a year. The drop is partly due to the entire industry suffering from higher interest rates and depressed markets, but it can also be attributed to the lower inflows into Europe-based companies from non-European investors. Another explanation relates to the denominator effect, which has forced LPs to rebalance their portfolios by selling out of private markets to reinvest in public markets. Given that around 60% of the world's PE capital lies in the US, we expect less of it to flow into Europe.

Purchase price multiples for LBOs are contracting as interest rates continue rising. For PE sponsors, higher interest rates imply higher borrowing costs, meaning less leverage and at greater expense, and thus a lower propensity to pay high multiples for a given business. For LPs, higher interest rates and higher borrowing costs impact their commitment levels to GPs and trigger asset allocation rebalancing through the denominator effect, which in turn negatively affects GPs through fund outflows and tougher fundraising conditions. The lower purchase price multiples are also forcing sponsors to strengthen their portfolio companies' balance sheets, focusing on revenue and margin expansion to unlock value instead of multiple expansion.

European PE exit activity has plateaued in recent quarters, falling from the highs seen in 2021 and early 2022. In Q1, we saw €70.7 billion worth of exits, which was unchanged compared with the previous quarter and down 12.0% YoY, mostly driven by corporate acquisitions as opposed to public listings and buyouts. European median buyout multiples fell from a peak of 14.5x EV/EBITDA in Q1 2022 down to 10.2x EV/EBITDA in Q1 2023 on a rolling four-quarter basis—the lowest level since the global financial crisis (GFC). The drop in multiples and sluggish exits derive from the unfavourable credit conditions caused by higher interest rates, which led sponsors to hold onto their assets for longer.

European PE fundraising picked up in Q1, raising €26.4 billion, and is on pace for a higher fundraising year than 2022. This is a signal of confidence to private markets in our opinion, as we have seen some very large megafunds emerge in Europe already in Q4 2022 with Nordic Capital's €9.0 billion fund. In Q1, we continued to see large funds accounting for the bulk of fundraises, including one megafund—Permira's €16.7 billion eighth flagship fund. With a focus on fundamentals and established track records, the majority of funds raised come from traditional buyout funds. In periods of uncertainty, we see the familiarity bias prevail.

Deals

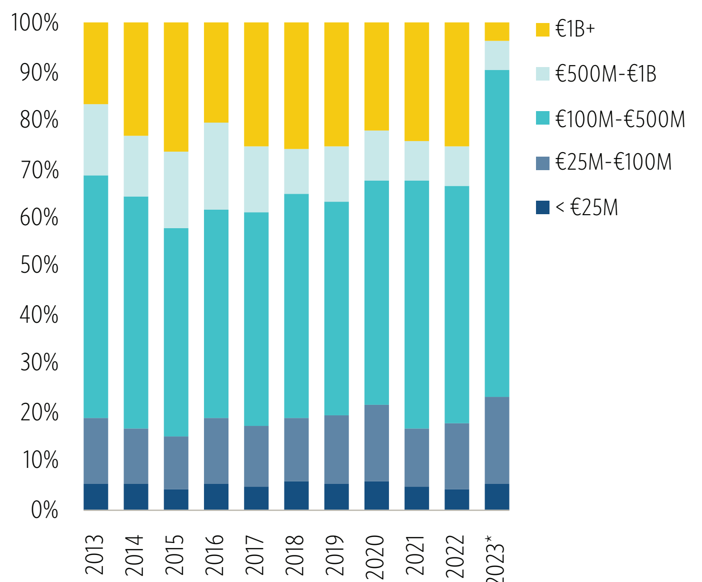


Source: PitchBook • Geography: Europe
*As of March 31, 2023

Fewer and smaller deals

European PE dealmaking slowed in Q1 as the macroeconomic environment's impact on the industry finally started showing in the data. European PE activity continued to drop sequentially, having peaked in Q2 2022, with Q1 2023 seeing €182.8 billion in deal value across a deal count of 1,932 deals, down 8.7% and 3.8% QoQ, respectively, and down 6.8% and up 6.1% YoY, respectively. We have seen deal count stay fairly resilient while deal value dropped harder as sponsors continued avoiding megadeals in favour of smaller bolt-on acquisitions. While Q1 2022 totalled 17 megadeals last year, we saw only three megadeals close in Q1 2023, the largest being the asset sale of Italian refinery ISAB by Lukoil to a consortium led by Trafigura for €1.5 billion. Other deals include the buyout of French automotive data firm A2Mac1 by Providence for €1.4 billion and the rescue acquisition of French nursing home group Orpea by the country's public lender Caisse des Dépôts Group for €1.1 billion. Over two-thirds of overall deal value in Q1 2023 came from deals between €100 million and €500 million, compared with 10-year average of 47.9% of overall deal value for that deal size, emphasizing that we are seeing smaller PE deals in the current climate.

Adding to this point, bolt-on deals continued thriving, offering growth to companies through M&A. In Q1, bolt-ons accounted for 59.8% of overall deal count as opposed to platform buyouts at 23.1%, and PE growth/expansion investments at 17.2%. This was the highest percentage of overall deal count to date, eclipsing the 10-year average of 44.7%. The same point can be made looking at deal value, which saw bolt-ons represent 54.2% of overall deal value in Q1 compared with the 10-year average of 35.6%. In one example, Q1 saw the Irish food manufacturer Kerry Group dispose of its sweet ingredients portfolio to US PE giant



Source: PitchBook • Geography: Europe
*As of March 31, 2023

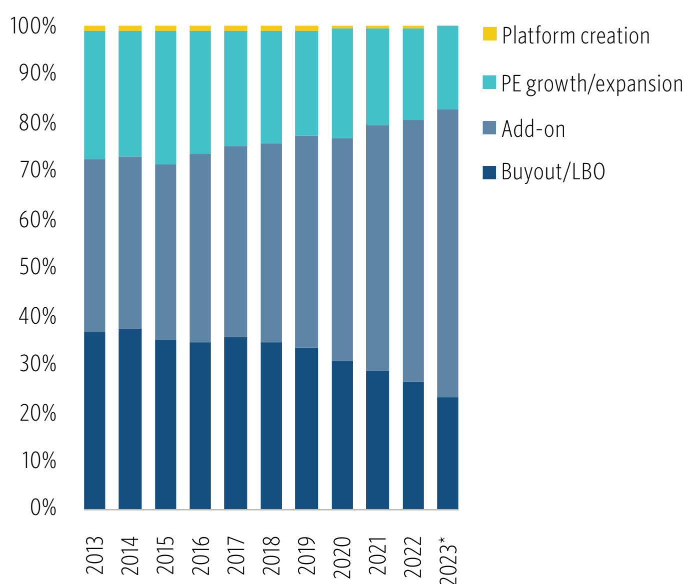
Advent for €500 million. The acquisition was made through one of Advent's portfolio companies, IRCA, a producer of Italian dessert ingredients, which it bought in 2022 for €1 billion. This is a classic buy-and-build PE strategy with Advent adding a smaller complementary business to its initial centerpiece.

Foreign investors retreat

European PE AUM has more than doubled in the past decade, going from around €400 billion to a record €874 billion in AUM in 2022. A large contributing factor to this has been the increased investments from non-European investors—mostly coming from North America—reaping the benefits of globalisation, cheap interest rates, and a strong US dollar. However, we have seen deal value from non-European investors fall sequentially for three consecutive quarters from a peak of €109.1 billion in Q2 2022 down to €28.6 billion in Q1 2023—a 73.8% decrease in less than a year and the lowest quarter since Q1 2016.[1] Of course, the drop is partly due to the entire industry suffering from higher interest rates and depressed markets, but it can also be attributed to the lower inflows into Europe-based companies from non-European investors. March 24, 2023 marked the one-year anniversary of the start to the devastating Russia-Ukraine war. The conflict hit Europe unexpectedly in March 2022, and most experts did not foresee it lasting over a year. This has resulted in an energy crisis across the continent with all major commodities rising in price, a loss in business confidence, lower growth, higher inflation, and lower purchasing power due to a fall in currencies versus the US dollar. Add the politics to this, from the UK navigating a post-Brexit environment to Italy electing a far-right party, and Europe has clearly suffered economically. This could help explain why non-European investors are becoming more hesitant and cautious to deploy capital in Europe.

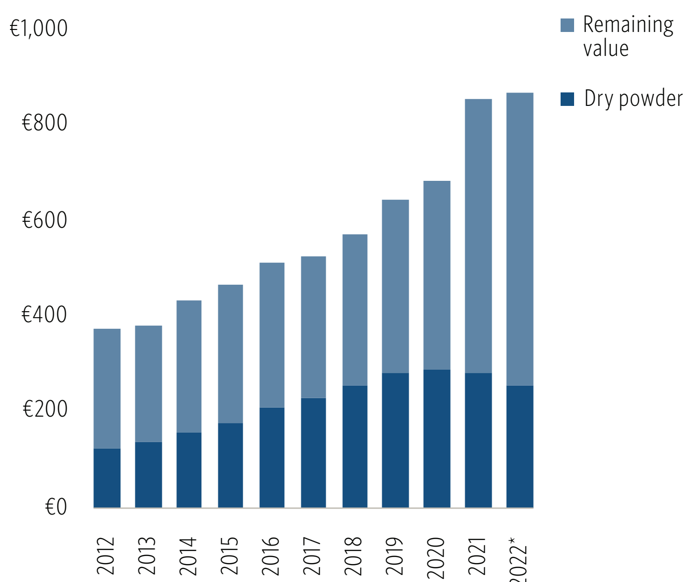
Another possible explanation relates to the denominator effect. By definition, it occurs when the value of public market assets drops in one's portfolio relative to the value of the portfolio's private market allocation, and as such the allocation to private markets grows beyond its target asset allocation range. The consequence of the denominator effect is that LPs are forced to rebalance their portfolios by selling out of private markets to reinvest in public markets. Given that 60% of the world's PE capital lies in the US, it is safe to assume that when US LPs rebalance their private market portfolios, they are more likely to keep their US PE funds rather than their European ones, nurturing their established relationships with domestic GPs based close to them and benefiting from dollar-based funds, thus reducing their risk appetite for investment abroad. For more coverage of the denominator effect, see our [2022 Allocator Solutions: Taking the "Demons" Out of the "Denominator Effect."]

Share of PE deal count by type



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

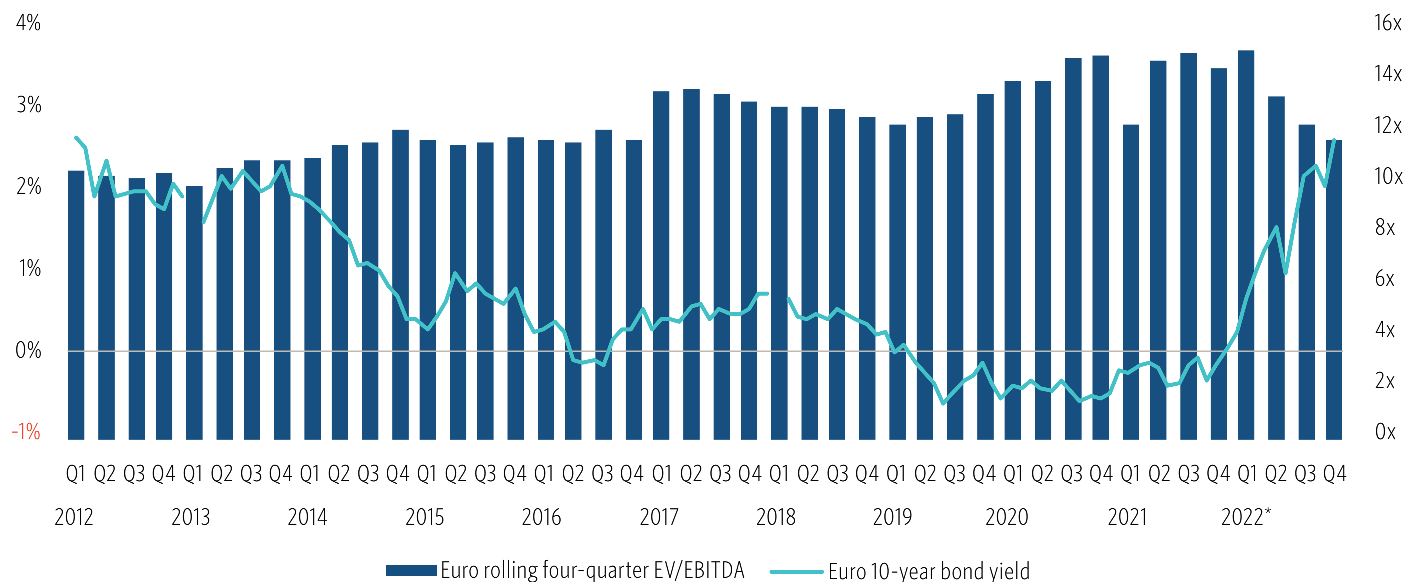
PE AUM (€B)



Source: PitchBook • **Geography:** Europe
*As of December 31, 2022

1: Note: Excluding Q2 2022, which was entirely attributable to pandemic lockdowns.

EU 10-year government bond yields versus buyout EV/EBITDA



Sources: European Central Bank, PitchBook • **Geography:** Europe
*As of December 31, 2022

Higher interest rates and lower buyout multiples

Purchase price multiples for LBOs are contracting as interest rates continue rising. Despite some global seismic moves of nonconfidence in the banking sector in March 2023 with the collapse of Silicon Valley Bank (SVB) and the takeover of Credit Suisse, major central banks around the world stayed on course to tackle elevated levels of inflation by increasing interest rates. The European Central Bank hiked rates twice by 50 basis points in Q1, taking the benchmark interest rate to 3%. The Federal Reserve and the Bank of England followed, albeit increasing by only 25 basis points the second time following the unprecedented events in the banking sector. The UK base rate currently stands at 4.25% as of the end of Q1. For PE sponsors, higher interest rates imply higher borrowing and refinancing costs, meaning less leverage at a greater expense, thus a lower propensity to pay high multiples for a given business. For LPs, higher interest rates and higher borrowing costs impact their commitment levels to GPs and trigger asset allocation rebalancing through the denominator effect, which in turn negatively affects GPs through fund outflows and tougher fundraising conditions. Ultimately, buyout multiples contract when rates increase. This inverse correlation can be illustrated with the above graph that uses the Euro 10-year bond yield as a proxy for interest rates. The lower purchase price multiples are also forcing sponsors to strengthen their portfolio companies' balance sheets, focusing on revenue and margin expansion to unlock value instead of riding the wave of expanding multiples in a world of abundant capital and low interest rates. As explained in our Q2 2023 PitchBook Analyst Note: Exploring European Buyout Multiples, we feel we are at an inflection point in the PE industry.

PE deal activity with non-European investor participation by quarter

Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

Lower valuations and more take-privates

Lower buyout multiples make take-privates look more attractive. 2022 saw a correction in valuations in public markets, and as such has allowed PE sponsors to purchase companies at favourable multiples using some of the record dry powder they have been amassing during the 12-year-long bull market characterised by low interest rates, which ended in 2021. One such example was the take-private of UK-based finance adviser K3 Capital Group by Sun Capital

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Partners for €307.4 million. Having said this, we have seen considerably more take-privates in the US in Q1 compared with Europe, although we expect take-privates to be a major theme in European PE in 2023 as outlined in our 2023 European Private Capital Outlook. PE sponsors are by nature opportunistic, and a depressed public market can be a competitive advantage for the industry. Moreover, the past decade has shown us that PE is willing to go into any and every sector and geography in the market to unlock value. In fact, the only thing that lies between PE and take-privates can be regulators. This was perfectly illustrated in the recent collapses of SVB in the US and Credit Suisse in Switzerland. Both banks were ultimately looking for an acquirer of last resort to avoid a meltdown in the wider financial system. On the one hand, SVB would have shaken down half the US VC industry, and on the other hand, Credit Suisse's bankruptcy would have put the European banking sector's solvency into jeopardy. In both cases, the press reported interest from the PE industry, but ultimately SVB was bought by First Citizens Bank in the US,[2] while Credit Suisse was taken over by its archrival UBS with the Swiss regulator strong arming UBS in a bid to ensure the bank's Swiss identity.

More renewables

The European energy crisis caused by heavy reliance on Russian oil and gas has reminded European politicians and citizens alike of the importance in investing in the energy transition towards renewables. Five out of the top 20 deals in Q1 2023 were related to cleantech. Powerfield, a Dutch solar company that develops, builds, and manages "virtual power stations" connecting solar farms to external storage and electric vehicle (EV) charging units, received €500 million in structured equity and portfolio financing from EIG Energy Partners.[3] Similarly, UK-based EVC secured €186.1 million from Denham Capital Management to continue expanding EV charging points in the UK. Elsewhere in Italy, EOS Investment Management signed a purchase agreement for solar energy production plants located in Sardinia, Puglia, and Sicily for €400 million. We believe we will continue to see substantial dealmaking within cleantech and renewables in Europe given this is an area of high priority for the European Commission, as evidenced by its 2030 goal of "reducing greenhouse gas emissions to at least 55% below 1990 levels."[4] Additionally, we have seen the bubble burst in certain industries such as solar panels and EVs in 2021. Many companies in these sectors rushed to IPO in 2020, attracting ludicrous amounts of capital and pushing valuations away from their fundamentals before the bubble eventually burst. We saw Arrival's share price fall 92.2% from its 2020 high alongside a range of other EV companies like Lucid Motors, Workhorse, and Arcimoto—all of which went public in 2020 and had their share price collapse subsequently.[5] This has opened the door for private equity to snap up some of these companies for a fraction of what they were worth at the peak of the bubble, playing into our take-private theme mentioned earlier. PE players are well-placed to become industry experts and help advance the technology in these areas whilst also making full use of the various government subsidies that are often associated with these industries.

Top five cleantech deals in Q1 2023*

Company	Investor(s)	Deal date (2023)	Deal value (€M)	Post-money valuation (€M)	Deal type	HQ location
Powerfield	EIG Global Energy Partners	February 1	€500.0	N/A	PE growth/expansion	Netherlands
IPC	EOS Investment Management Group	March 6	€400.0	€400.0	Buyout/LBO	Italy
Amarenco	Arjun Infrastructure Partners	March 14	€300.0	€1,000.0	PE growth/expansion	Ireland
EV Chargers	Denham Capital Management	February 28	€186.1	N/A	PE growth/expansion	UK
PolyTech	Equinor Ventures, FSN Capital, Verdane	January 12	€135.0	N/A	PE growth/expansion	Denmark

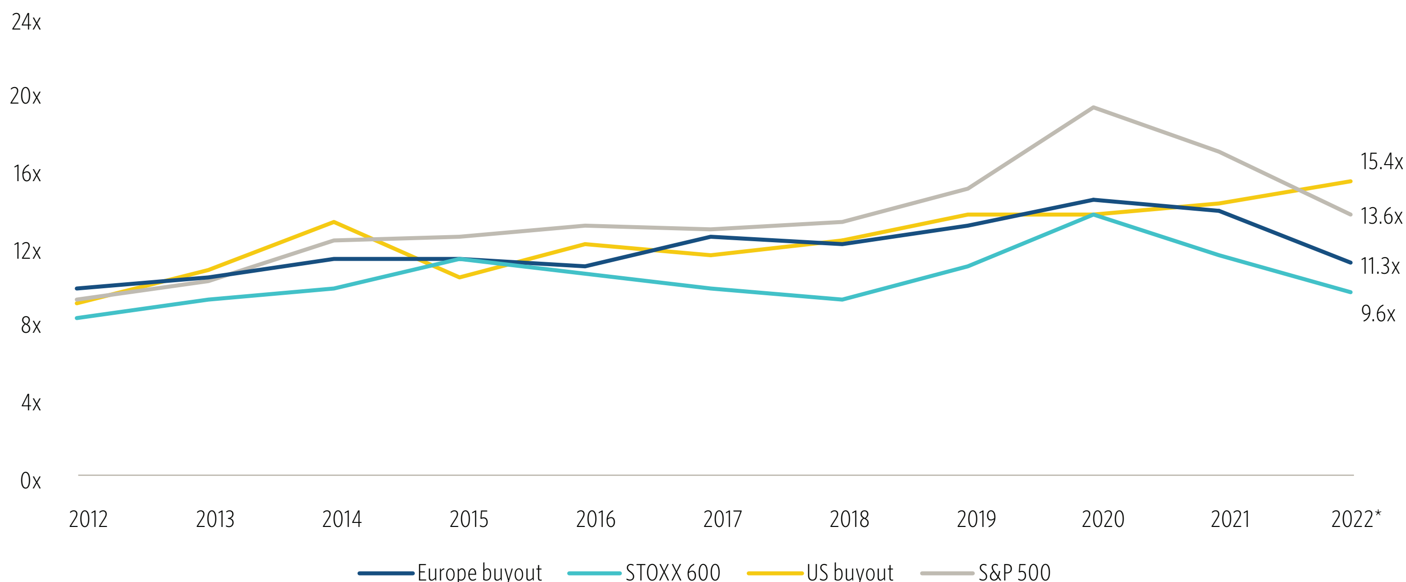
Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

2: SVB's independent UK subsidiary was bought by HSBC.
3: "Investors Pour €500 Million Into Powerfield's Solar Park Campaign," Tech.eu, Callum Cyrus, February 2, 2023.
4: "2030 Climate Target Plan," European Commission, n.d., accessed April 11, 2023.
5: "FT Alphaville Presents: The Burst EV Bubble," Financial Times, Robin Wigglesworth, August 17, 2022.

SPOTLIGHT

European buyout multiples

Median European and US private versus public EV/EBITDA



Source: PitchBook • **Geography:** Europe & US
*As of December 31, 2022

This spotlight is abridged from our Q2 2023 PitchBook Analyst Note: Exploring European Buyout Multiples. Please see the full note for additional analysis.

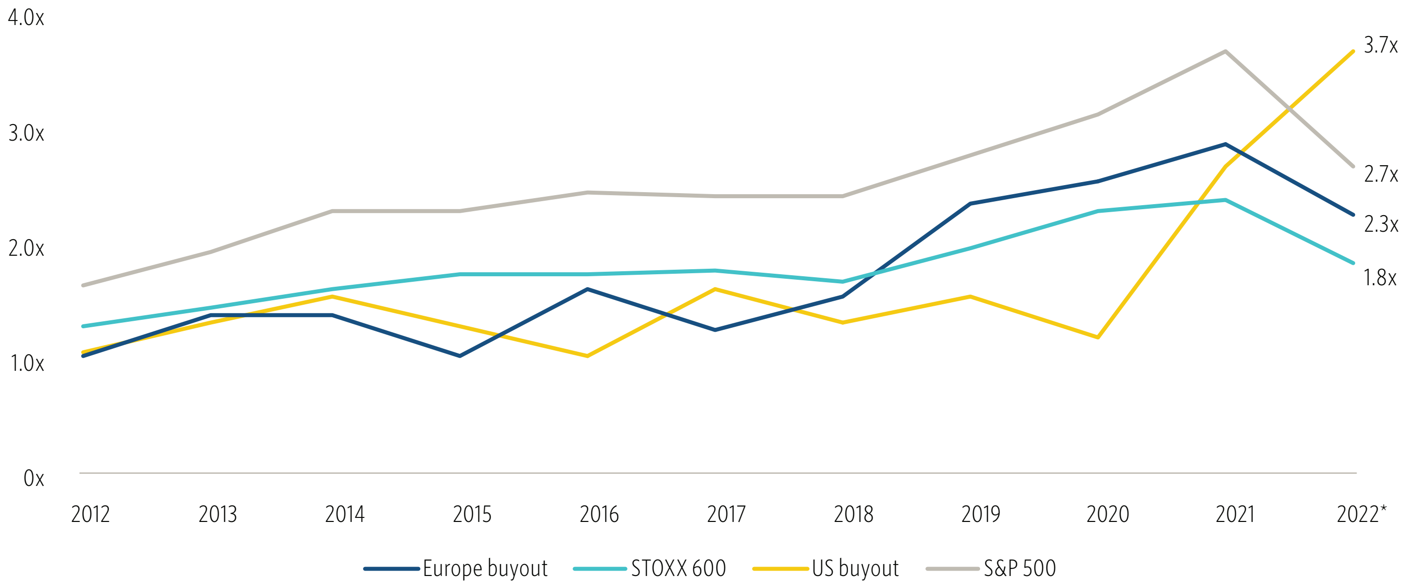
Public versus private multiples

Financial theory stipulates that public multiples should be higher than private multiples because public markets offer a liquidity and transparency premium to investors. In addition, public markets are accessible to everyone and have greater numbers of market participants willing to offer a higher multiple, thus driving valuations higher. But we have seen that real-world data sometimes diverges from theory. For instance, in Europe, EV/EBITDA multiples for PE buyouts have tracked higher than public multiples in the STOXX 600 benchmark. In fact, they have been on average 1.6x higher than public markets over the past 10 years.

On the other hand, in the US, which lately has commanded higher multiples than Europe, we see that the S&P 500 tends to be higher than median US PE buyout multiples by an average of 1.1x EV/EBITDA over the past 10 years. This could be in part because the US benchmark is heavily dominated by tech companies, which represent 25% of the index,[6] compared to 7% for the European benchmark.[7,8] Tech tends to fetch higher multiples than other industries, which helps explain the divergence. More interestingly, however, we note that 2022 saw PE buyout multiples in the US leap higher than public multiples by 1.8x EV/EBITDA. Historically, such a crossover tends to happen in periods of market downturn such as the GFC, where we also saw multiples crossover. This can be explained by several factors. Firstly, the PE asset class has boomed over the past decade, leading to record amounts of dry powder chasing similar assets and thus driving private multiples higher. Secondly, as we have commented in our 2022 Annual European PE Breakdown, companies have preferred to stay private in the current downturn environment, avoiding costly IPOs and public market volatility in valuations—they see less benefit from going public than ever before. Therefore, companies with strong multiples that would have typically publicly listed have remained in private

6: "iShares S&P 500 Index Fund," iShares, December 31, 2022.
7: "EXSA iShares STOXX Europe 600 UCITS ETF (DE) EUR (Dist)," iShares, March 31, 2023.
8: A year ago, these percentages would have been even higher, as tech sector share prices fell the most relative to the other sectors.

Median European and US private versus public EV/revenue

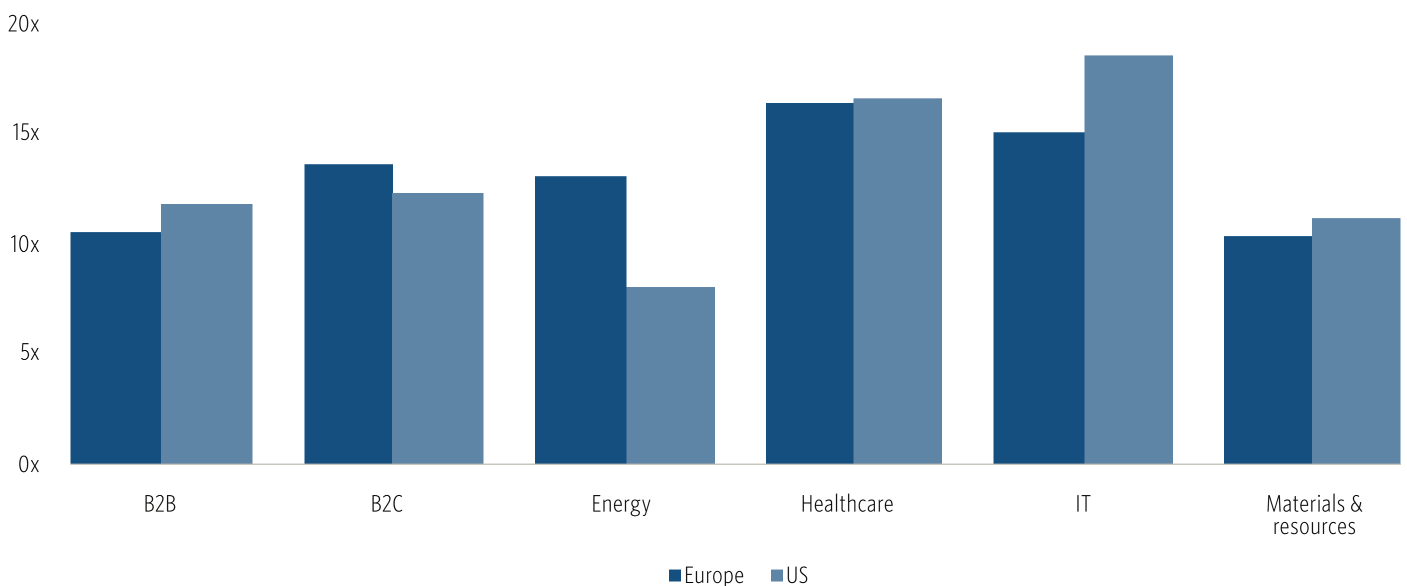


Source: PitchBook • **Geography:** Europe & US
*As of December 31, 2022

markets. This has gone hand-in-hand with the increase in take-privates, which have been immensely popular in the past year and continue to be so into 2023. Finally, there is the fact that private markets lag public markets, and we would only see PE buyout multiples contract in future quarters if the public markets continue to be sluggish.

We expect PE as an asset class to continue growing in the medium term as it becomes more accessible to different industry players, from wealth managers looking to diversify their asset allocations, to institutional investors seeking to add private markets to defined contribution plans, to retail investors tapping into the asset class through new platforms such as Moonfare. As a consequence, PE will start dictating buyout multiple levels, and we expect the gap between public and private multiples to converge and the traditional premium associated with public markets to continue to disappear.

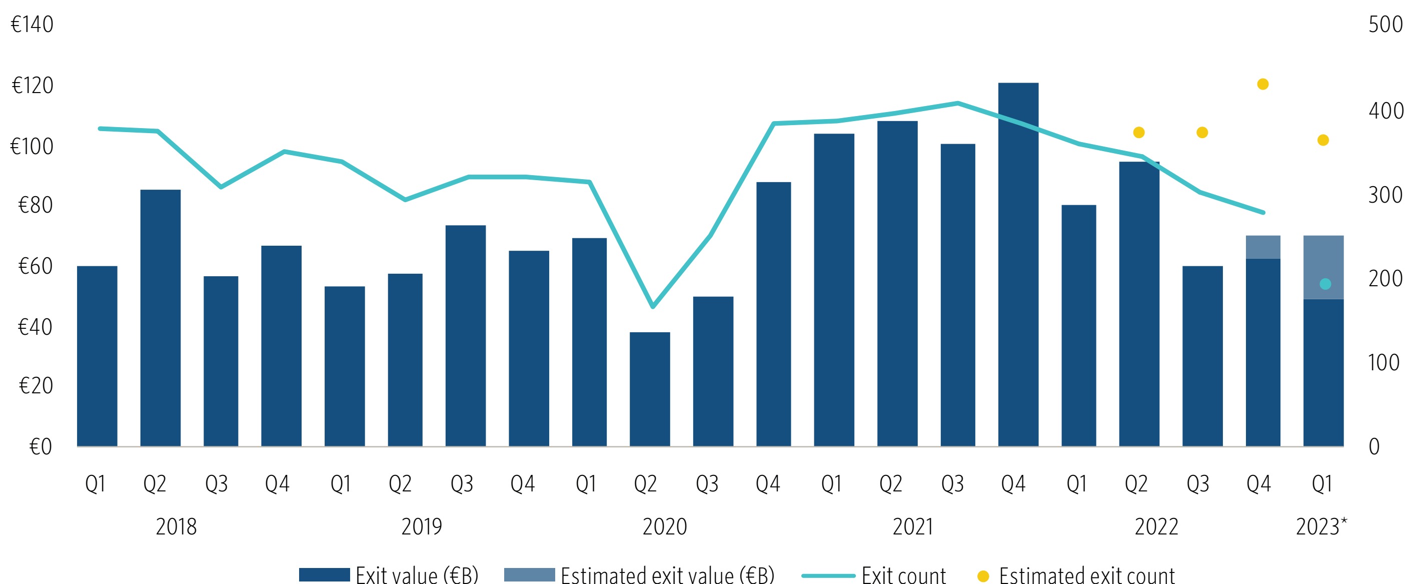
Median European vs US buyout EV/EBITDA multiples by sector, 2018-2022*



Source: PitchBook • **Geography:** Europe & US
*As of December 31, 2022
Note: Deal count is below 30 in the US for energy and materials & resources.

Exits

PE exit activity by quarter



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

European PE exit activity has plateaued in recent quarters, falling from the highs seen in 2021 and early 2022. In Q1, we saw €70.7 billion worth of exits, which was unchanged compared to the previous quarter and down 12.0% YoY, bringing us back to levels last seen in the second half of 2019. However, the macroeconomic conditions could not be more different from 2019's, as we are now in a stagflationary environment juggling interest rate increases and an energy crisis linked to a war between two European nations.

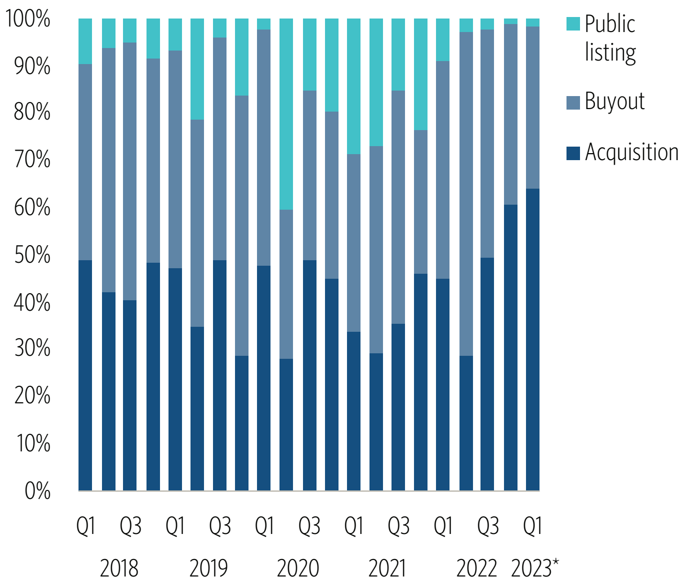
M&A leading the way

Corporate acquisitions dominated exit types in Q1 2023, accounting for 63.9% of exit value and 46.4% of exit count, as opposed to public listings and buyouts. In periods of market downfall, corporates with strong balance sheets emerge as opportunistic takeover acquirers, looking to continue growing inorganically through M&A. These companies are able to pay lower buyout multiples for their competitors or add value through bolt-ons as mentioned earlier. For the target company, there are often not many options as it may be strapped for cash or struggling to grow in a competitive environment and will take advantage of synergies from its acquirer. For example, British events organiser Informa bought Tarsus for €882.4 million in March 2023. This is a typical horizontal type of acquisition as Tarsus has been a direct competitor of Informa in the B2B event space for years. In fact, Informa has tried to buy Tarsus twice before. Informa weathered the storm through the pandemic despite the events industry being closed thanks to sound balance sheet management that included a £1.0 billion equity issuance and the divestiture of its Pharma Intelligence unit for £1.9 billion. Informa was then able to absorb its rival and expand into new geographies. Charterhouse Capital Partners had taken Tarsus private in 2019 for €613.2 million.

Tough market for buyouts and public listings

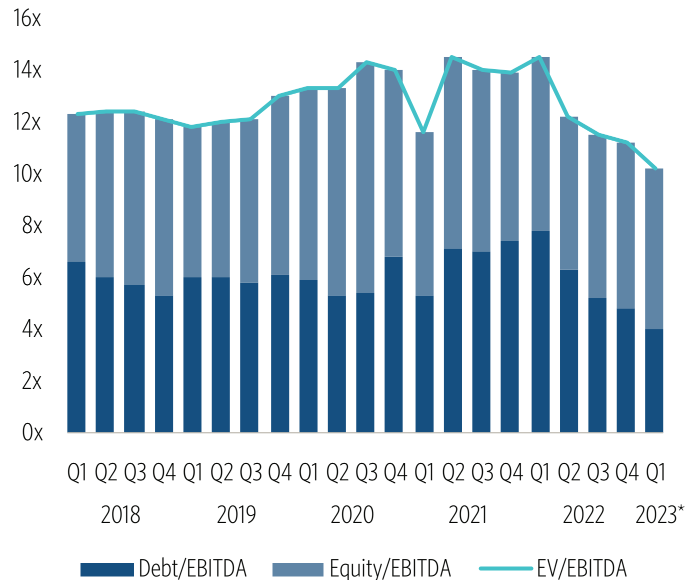
On the other side of the spectrum, buyouts and public listings have suffered. The rise in borrowing costs has made traditional LBOs costlier and has reduced the amount of leverage being used. The rise in interest rates also lowers valuations of companies through the increase in the discount factor, which can be observed by the contraction in buyout multiples. European median buyout multiples went from a peak of 14.5x EV/EBITDA in Q1 2022 down to 10.2x EV/EBITDA in Q1 2023 on a rolling four-quarter basis—the lowest level since the GFC. For the better part of the last decade, sponsors were able to generate value through buyout multiple expansion, as the credit conditions were favourable. However, as the same credit conditions tighten, there will be a shift towards more emphasis on revenue and margin expansion if sponsors want to continue generating value. This will add pressure to exit activity as it is foreseeable that sponsors will hold on longer to their assets to meet return targets.

Share of PE exit value by type



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

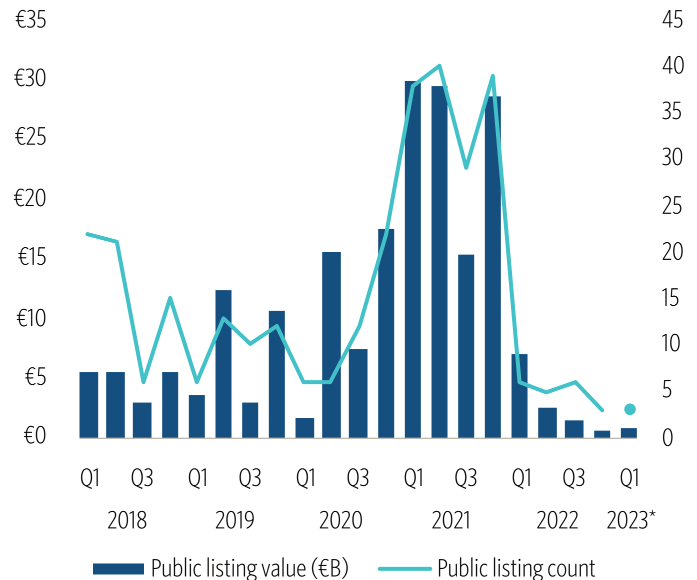
Rolling four-quarter median PE EV/EBITDA multiple



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

Public listings have suffered in the past year as public markets have seen high volatility ultimately leading to lower valuations for most public companies, especially those within the tech sector. Sponsors have been holding off on taking companies public after seeing recent examples of publicly listed companies collapse in share price amid the current hostile macroeconomic environment. They have opted for corporate acquisitions and secondary buyouts instead, keeping their portfolio companies within private markets, which is somewhat insulated from that volatility. In Q1, we saw a mere three public listings, compared with six in Q1 2022, and 38 in Q1 2021. The three in 2023 included two IPOs—EuroGroup in Italy and Hotter Shoes in the UK—and one SPAC deal by a blank-check company owned by Bernard Arnault, the majority owner of LVMH, for the EV business of Lotus Cars in the UK. These public listings will be heavily scrutinised by sponsors looking to exit investments this year. We expect more public listings than the 17 we saw in 2022—which was the lowest year in nine years, as covered in our 2022 Annual European PE Breakdown—on the basis that the macroeconomic environment will stabilize and we will have better visibility into the terminal rates of central banks. However, we predict fewer than 40 PE-backed public listings for 2023 in Europe, as per our 2023 European Private Capital Outlook.

PE-backed public listing exit activity



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

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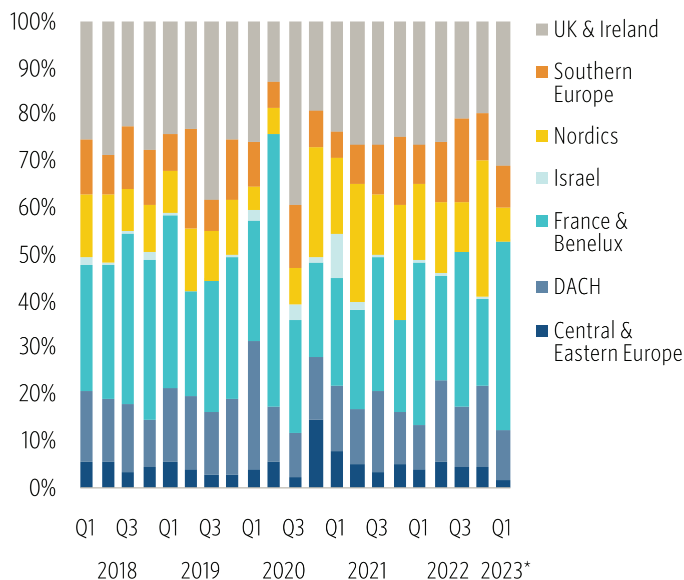
Exit resilience in the UK & Ireland

The UK & Ireland region is proving to be more resilient than some of the other regions in Europe with its quarterly exit value coming in at €15.1 billion, up 22.3% QoQ and up 21.3% versus Q3 2022—despite it being down 28.0% YoY. However, it is the region with the lowest YoY decline, and the UK remains the largest market in Europe in terms of exit activity, accounting for four out of the top 10 largest exits in Q1. This is rather surprising as the UK has been going through some difficult times since Brexit, politically as well as economically. The UK has the highest persistent inflation among the most advanced developed economies; the size of the UK economy will not reach its pre-pandemic level until 2026, and the International Monetary Fund has predicted it will be the worst performing economy among the advanced developed economies. Finally, its economic growth rate has more than halved since the GFC.[9]

Share of PE exit value by region

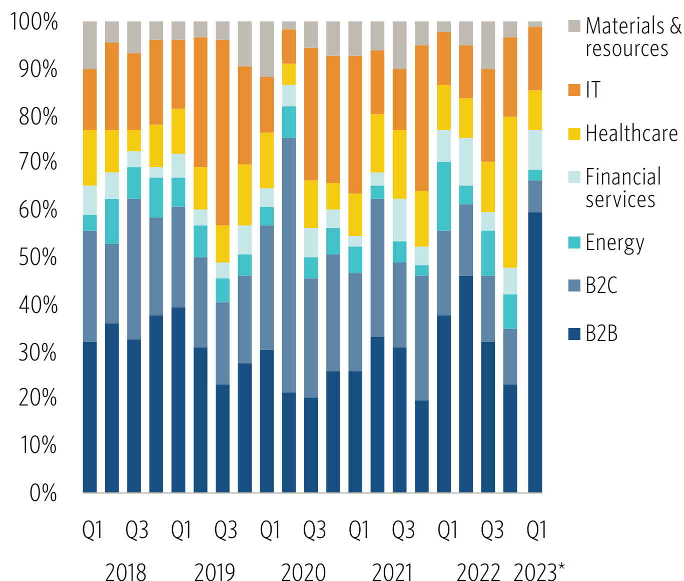


Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

B2B bounces back

The B2B sector has bounced back in Q1 2023, especially compared with other sectors. Despite being the dominant sector historically, B2B more than doubled QoQ going from €14.6 billion to €29.5 billion in exit value, even leaping its 10-year average of €23.4 billion. We note that seven out of the top 10 exits in Q1 came from the B2B sector. One such example is the secondary buyout of French automotive software firm A2Mac1 for €1.4 billion, which closed in Q1. PE giant Providence outbid rival firms EQT and TA Associates to purchase the company from previous PE owner Five Arrows.[10] Sponsors are constantly on the lookout for recession-proof businesses that are able to pass inflation costs onto their customers or scale up their business whilst improving margins. A2Mac1 is the global leader in automotive benchmarking and as such has pricing power. It also doesn't incur higher costs, as it operates a database and software that are asset-light and scalable. While we have argued that buyout multiples have largely decreased to a median of 10.2x EV/EBITDA on a rolling four-quarter basis, Providence seemingly paid 28x EV/EBITDA for A2Mac1.[11,12] We believe that we will continue seeing outstretched buyout multiples for those jewel businesses, which will attract multiple bids, but the majority of exits will see their multiples contract and fall in line with the market sentiment.

Share of PE exit value by sector



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

9: "UK Budget: Why the Economy Has Grown So Slowly," Financial Times, Chris Giles, March 13, 2023.
10: "Providence Wins $1.3 Bln Auction for French Software Firm A2Mac1," Reuters, Emma-Victoria Farr and Pamela Barbaglia, October 7, 2022.
11: Based on an EBITDA of €50 million.
12: "A2MAC1 Sale Heats Up With EQT, Permira Among Sponsors Circling Ahead of First Round," ION Analytics, Min Ho, Maryna Irkliyenko, and Charlie Taylor-Kroll, September 26, 2022.

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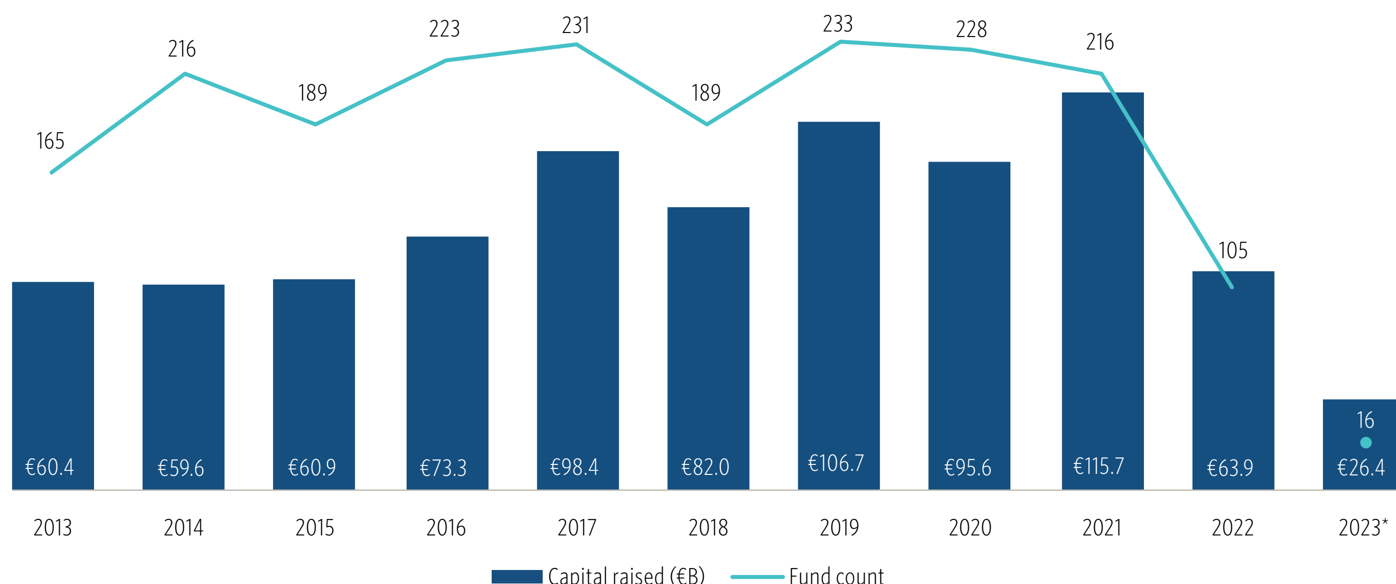
Top 10 PE exits by exit value*

Company	Deal date (2023)	Exit value (€M)	Exit type	HQ location
Webhelp	March 29	€4,490.0	M&A	France
Howden Group	March 13	€4,135.0	M&A	UK
Kensington Mortgage	March 1	€2,706.2	M&A	UK
Polyplus-transfection	March 31	€2,400.0	M&A	France
A2Mac1	January 11	€1,400.0	Buyout/LBO	France
Tarsus Group	March 9	€882.4	M&A	UK
VIC Properties	March 17	€670.0	Buyout/LBO	Portugal
Westin Paris-Vendôme Hotel	February 27	€650.0	M&A	France
EuroGroup	February 10	€500.0	IPO	Italy
Tusker	February 22	€338.6	Buyout/LBO	UK

Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

Fundraising

PE fundraising activity

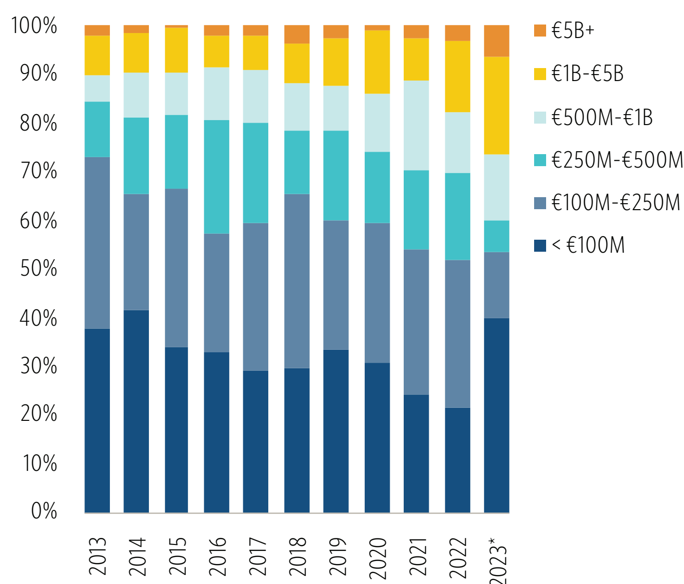


Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

Experienced managers keeping fundraising afloat

European PE fundraising picked up in Q1, raising €26.4 billion, and is on pace for a higher year than 2022. This is a signal of confidence to private markets in our opinion, as we have seen some very large megafunds emerge in Europe already in Q4 2022 with Nordic Capital's €9.0 billion fund. In Q1, we continued to see large funds accounting for the bulk of fundraises, including one megafund. Permira Europe closed its eighth flagship fund with total capital commitments of €16.7 billion, representing a 51.8% increase in size from its previous fund and exceeding its €15.0 billion target size. Within the €1 billion to €5 billion category, we saw three large fund raises all from experienced fund managers: Waterland Private Equity Investments closed its ninth fund, Oakley Capital closed its fifth fund, and Summit Partners closed its fourth. This has subsequently led to the increase in the average and median fund size from records set in 2022. Median fund size in Q1 2023 stayed relatively stable around the €200 million mark, where it has been for the last four years. Meanwhile, the average fund size more than doubled from €717.7 million to €1.8 billion, as the large funds tend to skew the average.[13] In the current macroeconomic environment of higher interest rates, we have seen LPs squeezed in part by the denominator effect—which means they need to carefully select their GPs—and squeezed in part by the higher borrowing costs, which lowers the commitments they may offer to GPs. This has resulted in a fundraising horizon beneficial to experienced fund houses and a hostile environment for first-time managers with no prior track records. We expect this trend to persist in 2023.

Share of PE fund count by size bucket



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

13: Disclaimer: Fundraising tends to be lumpy and the data can lag and thus be backfilled in later quarters, usually with smaller funds that can decrease medians and averages albeit increasing the overall value of fundraising.

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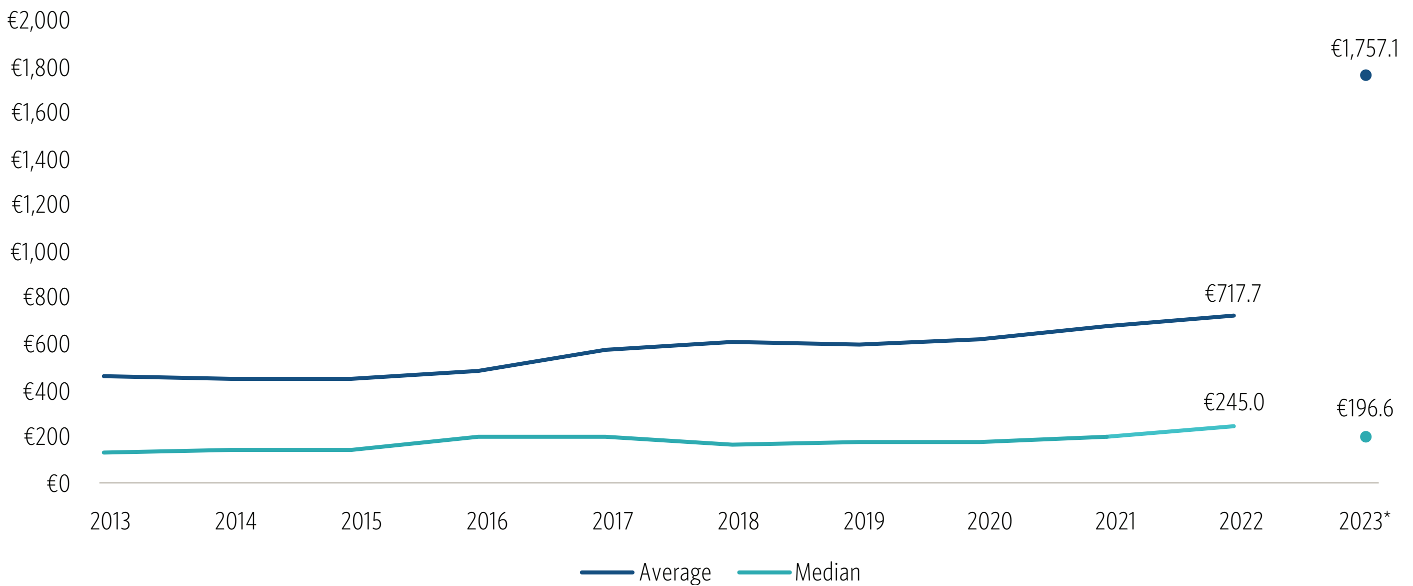
Median and average PE fund value (€M)

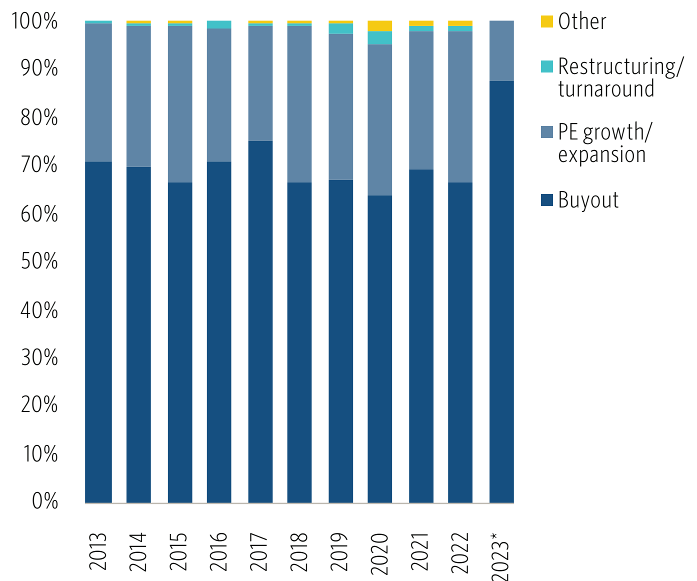


Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

Back to basics

Over the past two years, we have often written about the increased popularity of growth/expansion funds, which seek to invest in high-growth companies that sit in a sweet segment of the business cycle between the early-stage VC companies and the mature VC companies looking for a private equity buyout. In Q1, we saw only two such fundraises: Summa Partners raised €1.4 billion for its fourth growth/equity fund, and Andera Partners raised €600.0 million for its fifth midcap fund. However, 2023 may prove to be a tougher year for growth/expansion funds as GPs move away from multiple expansion to refocus efforts on revenue and margin expansion. In a recessionary environment characterised by increasing interest rates, it becomes much harder to find high-growth companies like the ones that growth/expansion funds target. Most of these companies have also seen their valuations drop further in 2022 relative to more mature companies targeted by buyout funds. With a focus on fundamentals and established track records, we have seen the majority of funds raised this quarter—about 14 out of 16—come from traditional buyout funds. In periods of uncertainty, we see the familiarity bias prevail, as investors are far more likely to commit to GPs they are familiar with.

Share of PE fund count by type



Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

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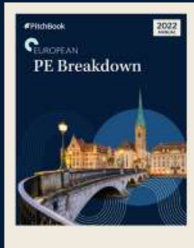
All closed funds by fund value in 2023

Fund	Fund value (€M)	Close date (2023)	Fund type	HQ location
Permira VIII	€16,700.0	March 8	Buyout	UK
Waterland Private Equity Fund IX	€3,500.0	January 20	Buyout	Netherlands
Oakley Capital V	€2,850.0	February 2	Buyout	UK
Summit Partners Europe Growth Equity Fund IV	€1,400.0	February 13	PE growth/expansion	Luxembourg
Andera Midcap 5	€600.0	January 26	PE growth/expansion	France
Waterland Partnership Fund I	€500.0	January 20	Buyout	Netherlands
Flex Capital Fund 2	€300.0	January 20	Buyout	Germany
Longship Fund III	€196.6	January 7	Buyout	Norway
Flex Capital Fund 1	€126.0	January	Buyout	Germany
Novum Capital Media Fund	€75.0	February 13	Buyout	Germany
IS Haf fjärvár slhf	€65.1	March 20	Buyout	Iceland
Strada Partners 0	€25.0	January 1	Buyout	Belgium
TFH Holland Hybrid Fund	€10.0	January 3	Buyout	Netherlands
STAR Strategic Assets Fund IV	€7.4	January 1	Buyout	UK
Genui Fund II	€0.6	March 14	Buyout	Germany
Sycamore Buyout Fund I	N/A	March 27	Buyout	Hungary

Source: PitchBook • **Geography:** Europe
*As of March 31, 2023

Additional research

European private markets



2022 Annual European PE Breakdown

Download the report here

2022 Annual European Venture Report

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Q2 2023 Analyst Note: Exploring European Buyout Multiples

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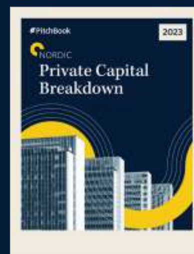

2023 Nordic Private Capital Breakdown

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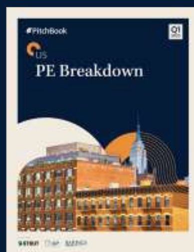

Q1 2023 US PE Breakdown

Download the report here

H2 2022 Greater China Venture Report

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