



Adaptation and innovation: the outlook for European private

Insights - 06/11/2023

Recent global shifts and challenges have prompted a transformative era for the dynamic private equity industry, which continues to demonstrate resilience, adaptation and innovation.

According to quarterly reports from EY, private equity (PE) activity climbed 15% in the second quarter of 2023 versus the first - an increase driven by a rise in deals in Europe - and the number of deals continued to climb substantially in the third quarter of this year. However, they are still a way off the high deal values seen in the first half of 2022, or the record-setting year of 2021.

A degree of macro-economic uncertainty is still affecting PE activity, understandably delaying decisions. However, globally there is a near all-time high of private equity "dry powder" that must be deployed by these investors - roughly US\$2 trillion of dry powder, as reported by S&P Global. According to Jersey-based partner Richard Daggett, co-head of Ogier's global Private Equity team, PE now needs to be more creative around how they use debt in their structures in order to meet their own and their investors' requirements.

"We've been hearing the phrase 'cautious optimism' used in the private equity market for some time. However, PE firms were some of the strongest and most agile performers during the pandemic, in terms of assessing market risks and opportunity - and they will likely be quick to adapt to the changing conditions we have at the moment. One staple of the PE model is the 'buy and build' strategy and present market conditions could offer considerable deal opportunity to enhance existing portfolio business, especially in the areas of technology and AI, infrastructure, ESG and sustainable investment," he said.

"In terms of deal activity, we're still seeing a relatively high number of take-privates but there has been a shift in the last quarter. PE firms are diversifying their exit strategies to meet market conditions. Compared to the first half of the year, we're seeing a broader set of deal types, including secondaries and carve-outs. Should we be cautiously optimistic? I think so."

Upward trend likely in Ireland

Corporate partner Dominic Conlon from Ogier in Ireland agrees that a continued upward trend is likely - and Ireland, as a jurisdiction, is well-placed to ride the crest of that wave.

“The industry is aware that money is out there to be put into structures and put to work. There’s been a lot of headwinds in the last two and a half years, so investors haven’t been deploying at full capacity. That pressure is now growing as they won’t get their fees unless that capital is actively working, and so there will be an uptick,” he said.

“We’re regularly showing clients comparison tables and guidance notes on why having an Irish fund makes sense. It’s going to be a good couple of years for PE industry in Ireland.”

Private equity in Europe demonstrates resilience

This optimism extends elsewhere in Europe, too. Ogier’s team in Guernsey is seeing deal volumes so far in 2023 remain relatively buoyant, driven by the private equity investment appetite for regulated business, mineral prices and the consolidation of offshore businesses.

In Luxembourg, the overall performance of PE as an asset class throughout recent years has also shown significant resilience, as partner Laurent Thailly from Ogier’s Private Equity team explains:

“Even in the current market situation, if the inflation-recession cycle is relatively short, private markets can be expected to rebound rapidly, with PE in particular taking advantage of periods of market stress. With the continuing success of ESG-related strategies (SFDR and Taxonomy), the trend towards the retailisation of investment funds (ELTIF 2.0) and upcoming regulations framing the digital assets space (MiCAR), the opportunities for the PE space are becoming even more numerous, and exciting times lay ahead.”

How can Ogier help?

In the face of uncertainty, having a seasoned team of legal experts is paramount. Ogier’s global private equity specialists boast an intricate understanding of international and domestic private equity markets and regulation, and includes market-leading legal specialists in the technology and ESG spaces.

Just as the private equity landscape diversifies, so do the challenges. Ogier’s client-centric approach helps clients to craft bespoke legal strategies to help them achieve their commercial objectives.

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