STUDY

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2025

European Private Equity Outlook 2025

The balancing act continues

Roland Berger

The European Private Equity Outlook 2025 is the 16th consecutive publication in a series launched by Roland Berger in 2010.

Cover mbolina/iStock

This year's key messages include

→ Over 90% of the professionals surveyed anticipate increased M&A activity involving private equity (PE), driven by portfolio exits deferred from recent years and by improved financing conditions, including stabilized interest rates and better debt financing availability.

→ Technology, software & digital solutions and pharmaceuticals & healthcare remain the most attractive sectors for PE investments because of their resilience and scalability. Valuation multiples for these industries are expected to rise, while other sectors, such as automotive, may see (further) declines.

→ Small- and mid-cap segments continue to be seen as the most promising asset classes as they are less debt dependent. The financing outlook for infrastructure investments is likewise positive, while large-cap deals continue to face heavier constraints due to high-volume capital requirements – even though they are expected to improve from current conditions in 2025.

→ Digitalization, data analytics, add-on acquisitions and commercial excellence are expected to be the most important drivers of value creation going forward.

→ Primary investments and secondary buyouts are expected to be the most important deal sources in 2025. Majority investments are forecast to offer significant value creation potential. Secondary buyouts will become relevant as many PE exits were postponed in 2024.

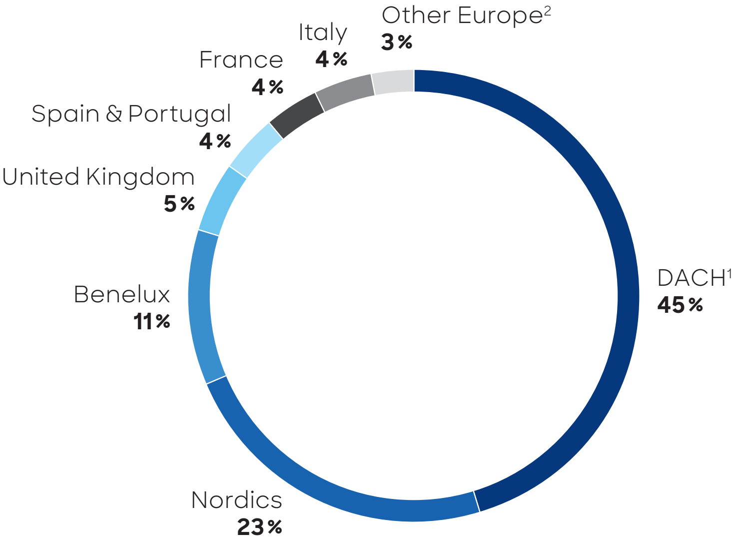
→ Secondary buyouts and family-owned company acquisitions are expected to drive deal sourcing. Resilience-focused measures such as investing in stable businesses and add-on acquisitions are seen as effective strategies to guard against potential economic downturns.

Exclusive survey of private equity professionals from leading PE firms across Europe

Methodology: Approximately 3,000 experts from private equity investment companies and M&A advisories across Europe were contacted for this year's PE Outlook. The results reflect market experts' expectations regarding key investment topics of relevance to the private equity industry in 2025, covering various perspectives on the European investment landscape.

Industry experience
[% of responses]

Participants' investment focus
[% of responses]



1 Germany, Austria and Switzerland 2 Including Eastern Europe

Total may not add up to 100% due to rounding

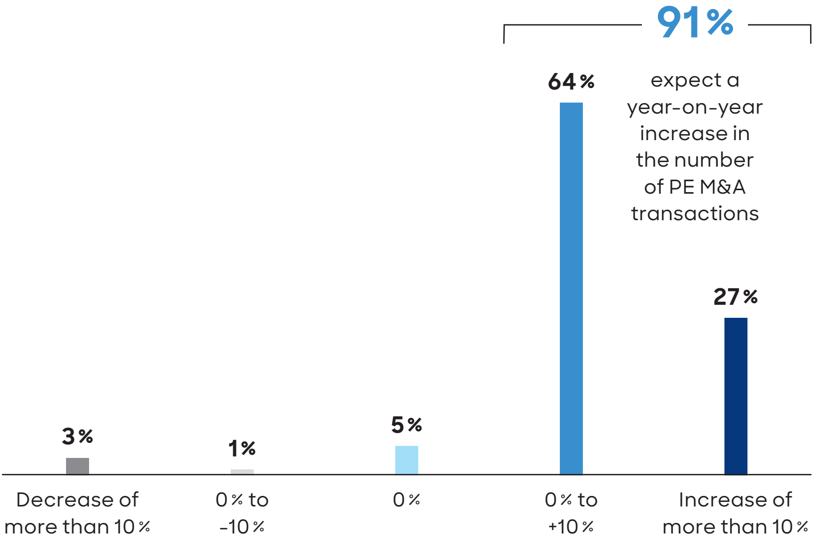
Source: Roland Berger

Over 90% of respondents are expecting an increased level of M&A transactions with PE involvement in 2025

More than 90% of respondents anticipate more M&A transactions involving private equity (PE) firms in 2025 than in 2024. This marks a significant increase from last year's survey, where only 65% of respondents expected a positive development. Several factors are contributing to this anticipated increase: (1) The economic outlook in 2024 appeared more promising, pointing to stable or lower interest rates and a continued recovery across most key European economies. This positive trend is expected to continue into 2025. (2) Many portfolio company exits by private equity firms have been deferred until 2025. The fact that investors anticipate more favorable market conditions is driving this delay.

What change do you expect to see in 2025 in the number of completed M&A transactions with PE involvement?

Expected change in M&A transactions with PE involvement – 2025 vs. 2024 [%]



% of responses [only one answer possible and excluding blank answers]
Total may not add up to 100% due to rounding

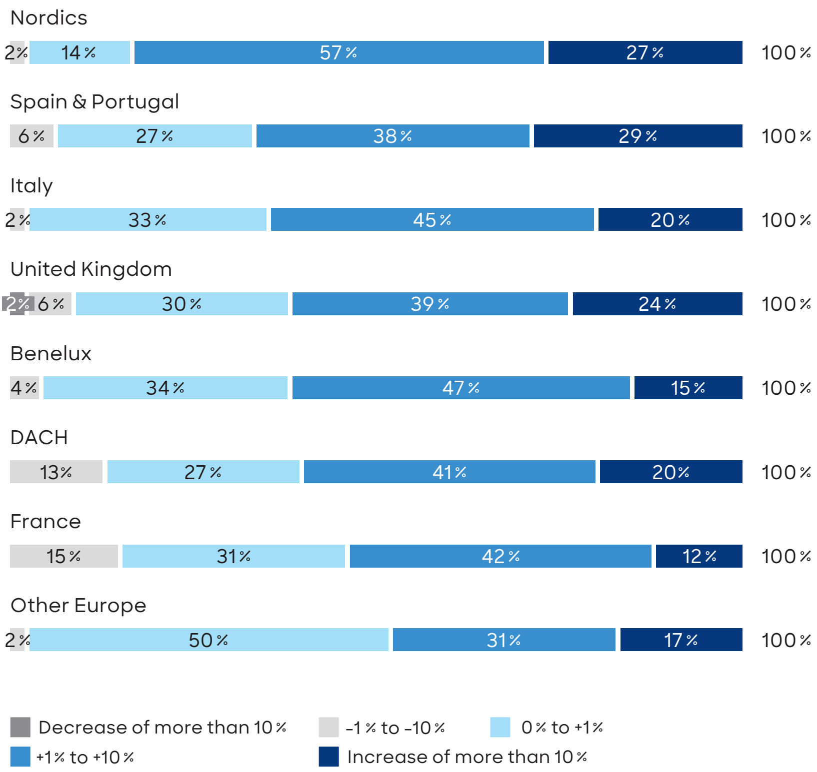
Source: Roland Berger

Deal flow expectations differ across major European countries and regions

The outlook for M&A transactions with PE involvement differs between major European countries and regions. Respondents expect the Nordics region to see the strongest shift in momentum in 2025, followed by Spain & Portugal and Italy. While growth expectations for France are also distinctly positive, participants appear to be slightly more conservative in their view of this market than is the case for other countries.

What change in PE M&A activity do you expect to see in the following countries in 2025?

Change in PE M&A activity in major countries – 2025 vs. 2024 [%]



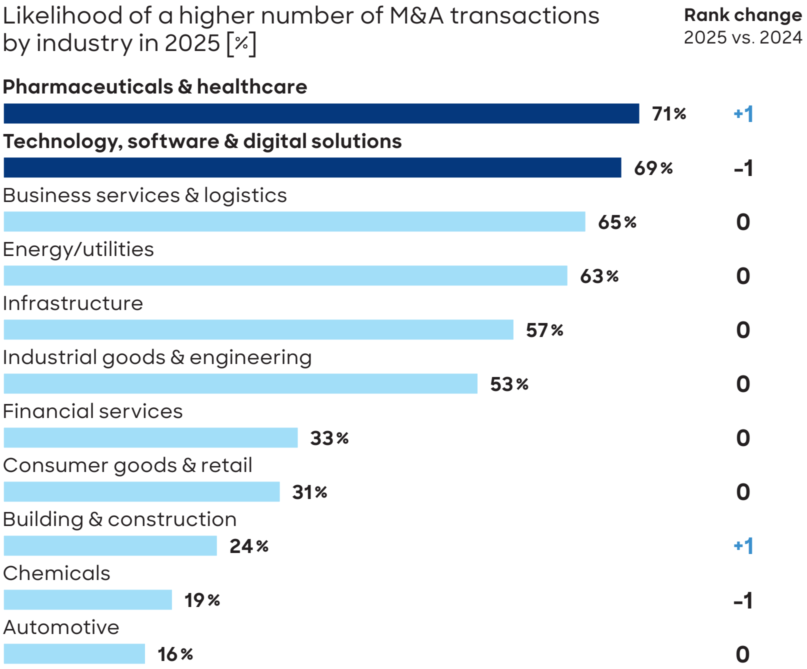
% of responses [only one answer possible and excluding blank answers]
Total may not add up to 100% due to rounding

Source: Roland Berger

Pharma & healthcare, technology, software & digital solutions are expected to generate the most M&A deals with PE involvement

The outlook for M&A transactions with PE involvement varies from industry to industry. As observed in recent years, pharmaceuticals & healthcare, technology and software & digital solutions are all expected to lead the field in M&A transactions with PE involvement in 2025. Key reasons include the frequent association of these sectors with resilience against economic cycles, the need to strengthen the supply chain and product portfolio expansion in pharmaceuticals & healthcare. For technology and software & digital solutions, software as a service (SaaS) and digital transformation solutions are key. These industries are of particular interest to PEs due to their fundamental growth characteristics, their resilience and their scalability.

What change do you expect to see in 2025 with respect to the number of completed M&A transactions with PE involvement?



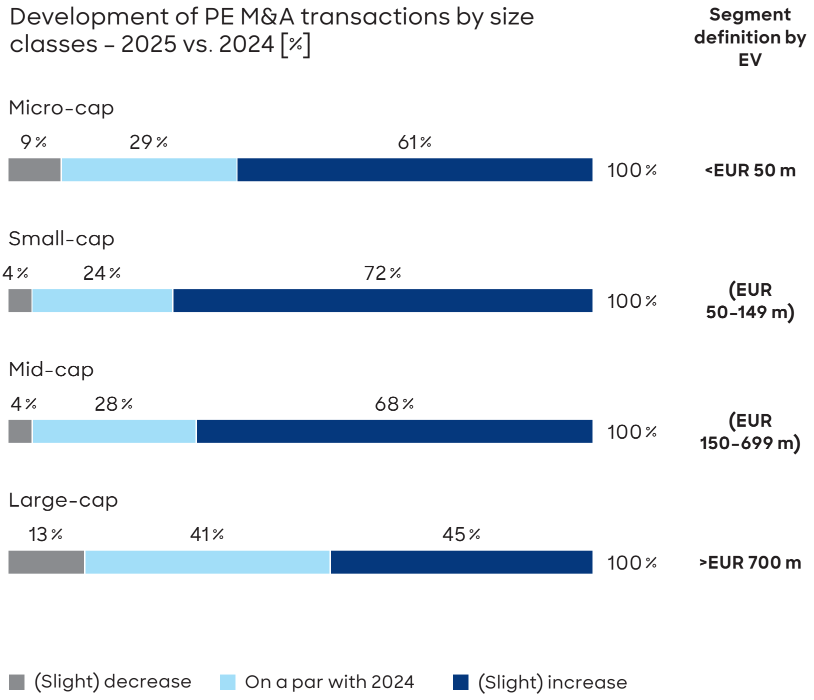
% of responses that expect a high number of transactions

Source: Roland Berger

Regarding growth in the number of transactions, the small- and mid-cap segments are once again perceived as the most promising target asset classes in 2025

While respondents consider small caps (enterprise value (EV) estimates of between EUR 50 m and EUR 149 m) and mid-caps (EUR 150 m to EUR 699 m) to be the most promising segments in 2025, PE professionals remain circumspect about the large-cap segment of the European M&A market (>EUR 700 m). This is primarily due to the significantly higher debt tickets required for large-cap deals, which banks are still hesitant to provide.

Please estimate the development of the European M&A market with PE involvement, by enterprise value (EV) size classes.



% of responses
Total may not add up to 100% due to rounding

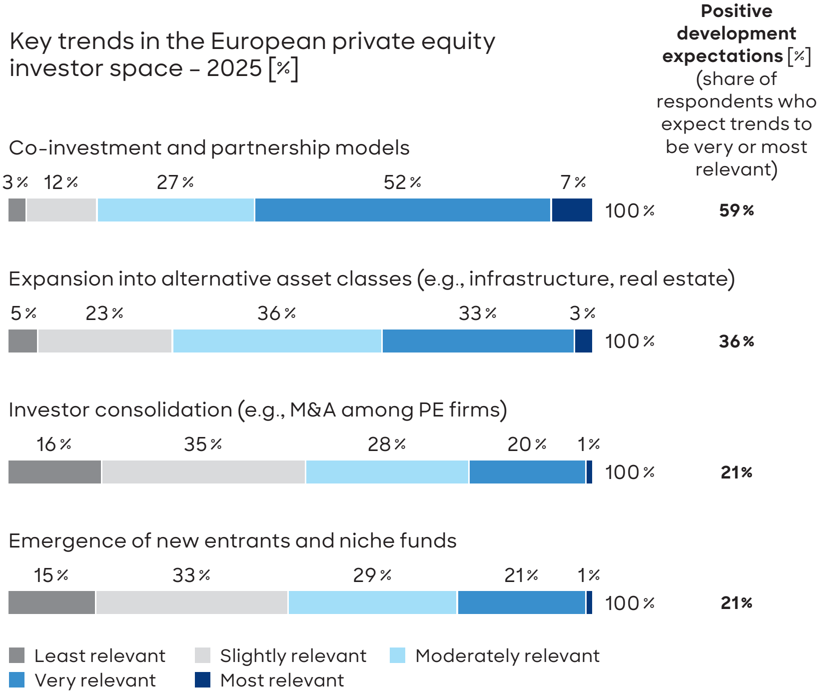
Source: Roland Berger

Co-investment and partnership models are expected to become key trends in the European PE space in 2025, followed by expansion into alternative asset classes

Respondents expect that co-investment and partnership models will become one of the key trends in the European PE space in 2025, followed by expansion into alternative asset classes. Ongoing investor consolidation and the emergence of new entrants and niche funds are expected to be of little relevance in the year ahead.

Which key trends do you observe in the European private equity investor space for 2025, and how do you expect these trends to shape the market?

Key trends in the European private equity investor space – 2025 [%]



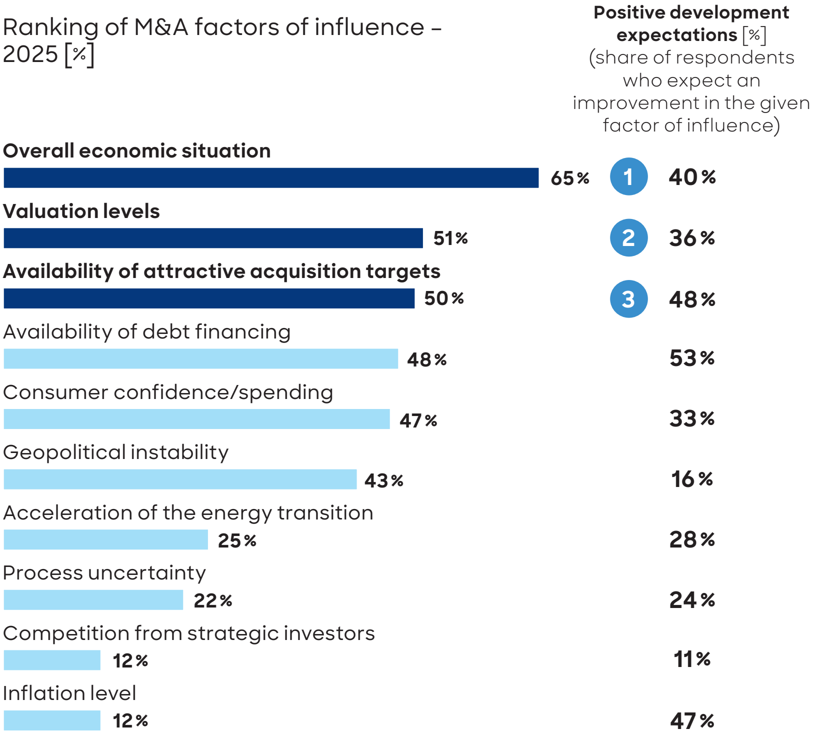
% of responses [excluding blank answers]
Total may not add up to 100% due to rounding

Source: Roland Berger

The overall economic situation, valuation levels and the availability of attractive targets are expected to be key drivers of PE transactions in 2025

Nearly all respondents identify the overall economic situation, valuation levels, the availability of attractive targets and the availability of debt financing as the primary factors influencing the number of M&A transactions involving PE in 2025.

What are the most influential factors affecting the number of European M&A transactions with private equity involvement in 2025?



Based on a ranking from 1 (least influential) to 5 (most influential) – The percentage shown represents the share of respondents assigning a score of 4 or 5 to a given factor relative to the total number of respondents

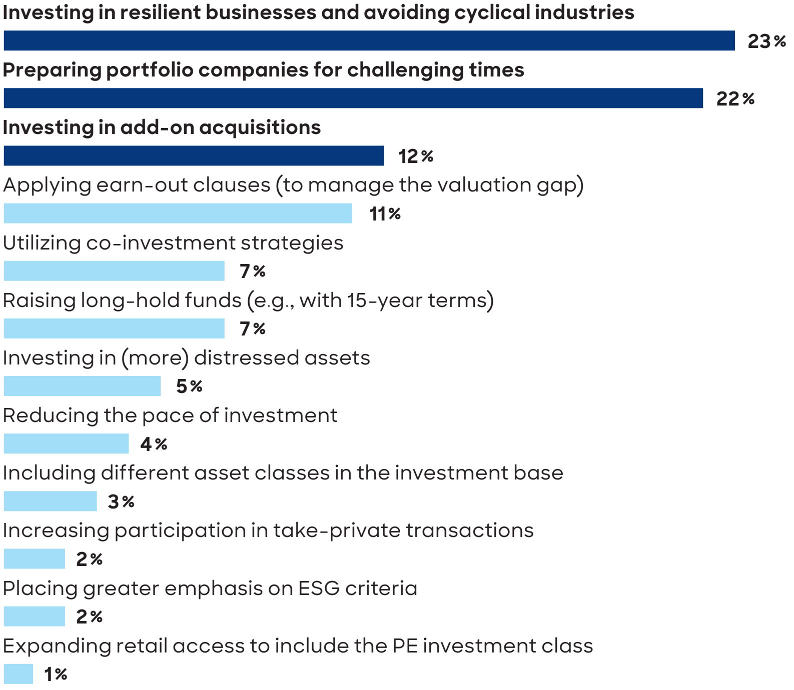
Source: Roland Berger

Investments in resilient businesses, performance programs and add-on acquisitions are seen as good ways to guard against a downturn

PE professionals believe that actions such as investing in resilient businesses, preparing portfolio companies for challenging times by applying dedicated weatherproof programs and making add-on acquisitions could provide valuable protection against a potential downturn. Conversely, the same professionals also hold the view that expanding retail access to include the PE investment class and placing greater emphasis on ESG criteria are the least effective ways to guard against a potential downturn.

Which measures do you consider to be most effective in guarding against a potential downturn?

Measures to guard against a downturn – 2025 [%]



% of responses (relative frequency)

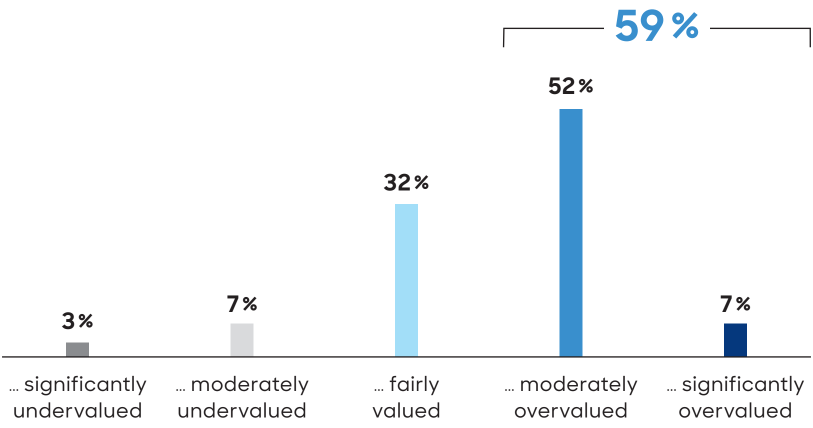
Source: Roland Berger

Almost 60 % of PE professionals – considerably fewer than in the previous year – believe that current multiples are overvalued

In this year's survey, 59 % of respondents indicated that valuation multiples were overvalued, down from 76 % in 2024. Sentiment has tended to shift away from rating valuations as extremely high (7 % of respondents in this year's survey, compared to 22 % in 2024). Instead, 52 % of respondents now perceive valuations as slightly overvalued, down from 54 % in the previous year. On the other hand, the proportion of respondents who believe assets are fairly valued doubled from 16 % a year earlier to 32 % in 2024. Conversely, the number of respondents who perceive assets as undervalued has increased slightly, with 10 % of the surveyed PE professionals expecting valuations to be undervalued (compared to 7 % in the previous year).

Which designation best describes the current status of valuation multiples paid during M&A transactions with PE involvement? Assets are ...

Current status of valuation multiples – end of 2024 [%]



1 %	7 %	16 %	54 %	22 %

Previous year's results (2024)

% of responses [only one answer possible]

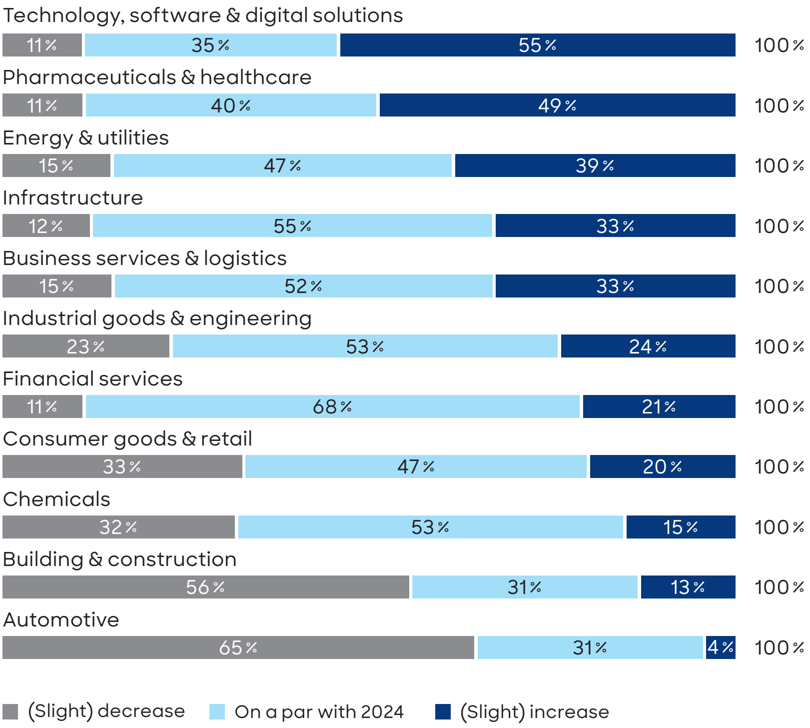
Source: Roland Berger

Valuation multiples will probably continue to increase in technology, software & digital solutions, pharmaceuticals & healthcare and energy & utilities

Most respondents (55 %) expect valuation multiples to increase in technology and software & digital solutions in 2025, followed by pharmaceuticals & healthcare (49 %) and energy & utilities (39 %). The majority of respondents expect valuation multiples to decrease for assets in automotive (65 %) and building & construction (56 %).

How do you expect valuation multiples paid in transactions with PE involvement to develop in 2025?

Expected development of valuation multiples by industry – 2025 [%]



% of responses [only one answer possible]

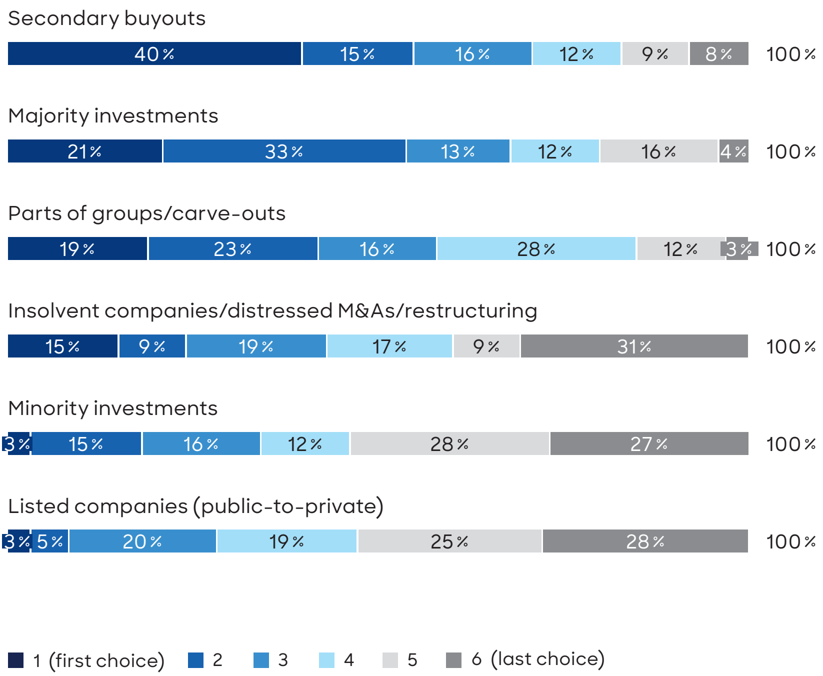
Source: Roland Berger

Secondary buyouts and family-owned companies are seen as the most important sources of attractive targets in 2025

Secondary buyouts are believed to be an important source of attractive targets in 2025, being named by 55% of survey participants as either first or second choice when asked the question shown below. Since many PE exits were deferred in 2024, rebound effects are expected in 2025. Majority investments in family-owned companies are also still seen as an important source of targets (having been ranked as first or second choice by 54% of survey participants).

What will the source of the most attractive targets be in 2025?

Sources of most attractive targets – 2025 [%]



% of responses that expect the given source of targets to be important or very important (by selecting it among the top two choices out of six possibilities)

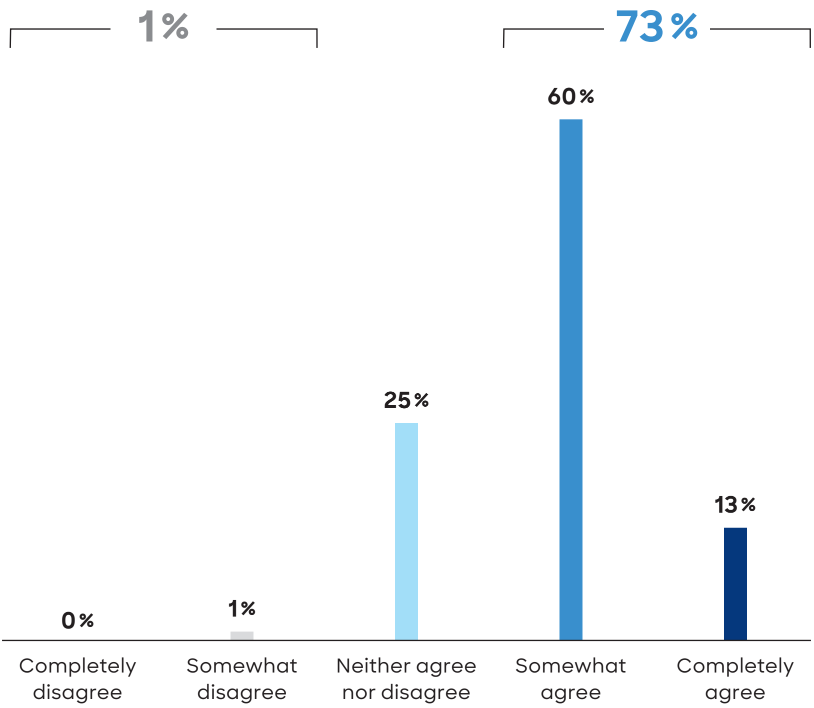
Source: Roland Berger

Most European PE professionals expect the targets available in 2025 to be more attractive than those in 2024

98% (compared to 90% in 2024) of respondents expect the targets available in 2025 to be as attractive as or more attractive than those that were available in 2024. Only 1% of PE professionals (down significantly from 10% in 2024) assume that this year's targets will be less attractive than those in the previous year.

Overall, targets available on the market in 2025 will be more attractive than those in 2024. To what extent do you agree?

Expected development of investment opportunities – 2025 vs. 2024 [%]



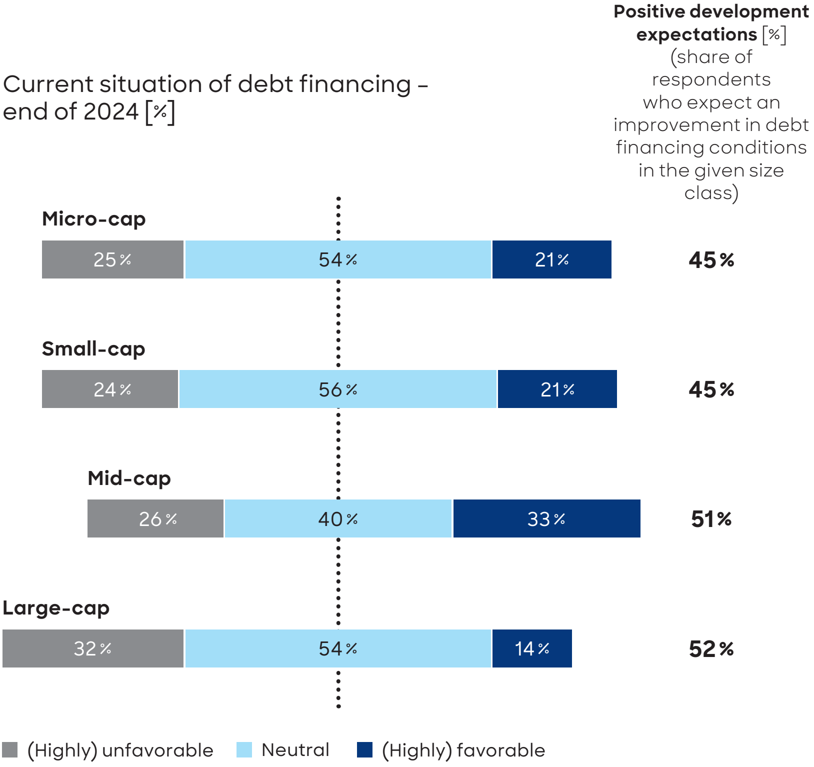
% of responses [only one answer possible]
Total may not add up to 100% due to rounding

Source: Roland Berger

Mid-caps in particular currently look promising for debt financing – As debt financing conditions are generally expected to improve, the outlook is positive

Roughly 33 % of respondent PE professionals expect debt financing conditions to be the most favorable for the mid-cap asset class in 2025. That said, debt financing for all size classes is expected to improve or remain on a par with the previous year, indicating a positive overall trend in debt financing.

What is the current situation of debt financing (end of 2024) and how do you expect debt financing to develop per asset class in 2025?



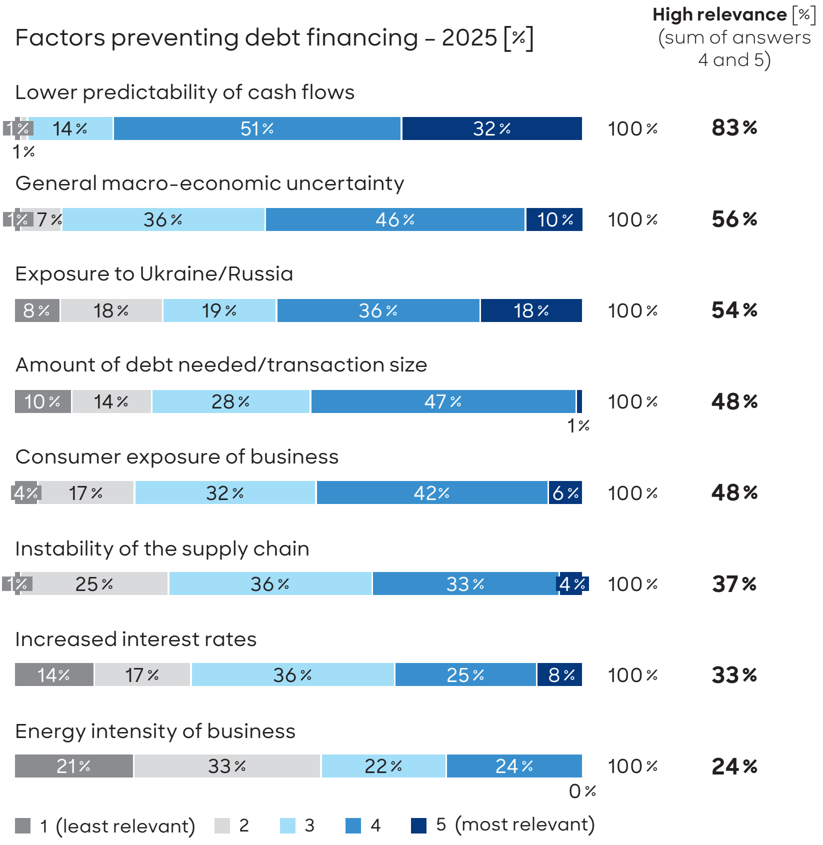
% of responses [only one answer possible]
Total may not add up to 100% due to rounding

Source: Roland Berger

The main obstacle to the availability of debt financing is the relatively low predictability of cash flows

PE professionals attribute limitations on the availability of debt financing primarily to factors such as less predictable cash flows, general macro-economic uncertainty and exposure to Ukraine and Russia. Additionally, the amount of debt required and businesses' exposure to consumers are seen as further constraints on debt availability.

What are the most influential factors preventing debt financing for target companies in 2025?



% of responses [only one answer possible]
Total may not add up to 100% due to rounding

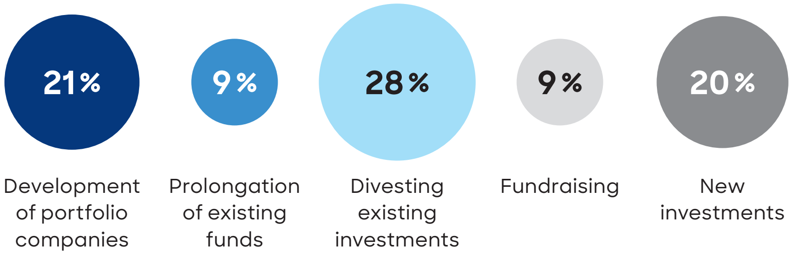
Source: Roland Berger

In 2025, PE activity will focus primarily on divesting existing assets, developing portfolio companies and initiating new investments

About 28% of respondents indicate that divesting existing assets will be the principal focus of PE activities in 2025. Another key focus is expected to be the development of portfolio companies, although much less so than in the previous year (21% in 2025 vs. 41% in 2024). Respondents expect fundraising to slip out of focus in 2025 (9% in 2025, down from 17% in 2024). Compared to last year's survey, competition for fundraising is still expected to be intense in 2025 but to a lesser extent (45% in 2025 vs. 54% in 2024).

On which link in the PE value chain will you focus most in 2025?

Focus of PE investors by value chain link – 2025 [%]



% of respondents that will place most of their focus on this phase of the PE value chain [multiple answers possible]

What degree of competitiveness do you expect in fundraising in 2025?

Expected level of competition for fundraising – 2025 [%]

45%
I expect the competitive situation to get more intense

49%
I don't expect any change in the competitive situation

5%
I expect the competitive situation to ease up

% of responses [only one answer possible]

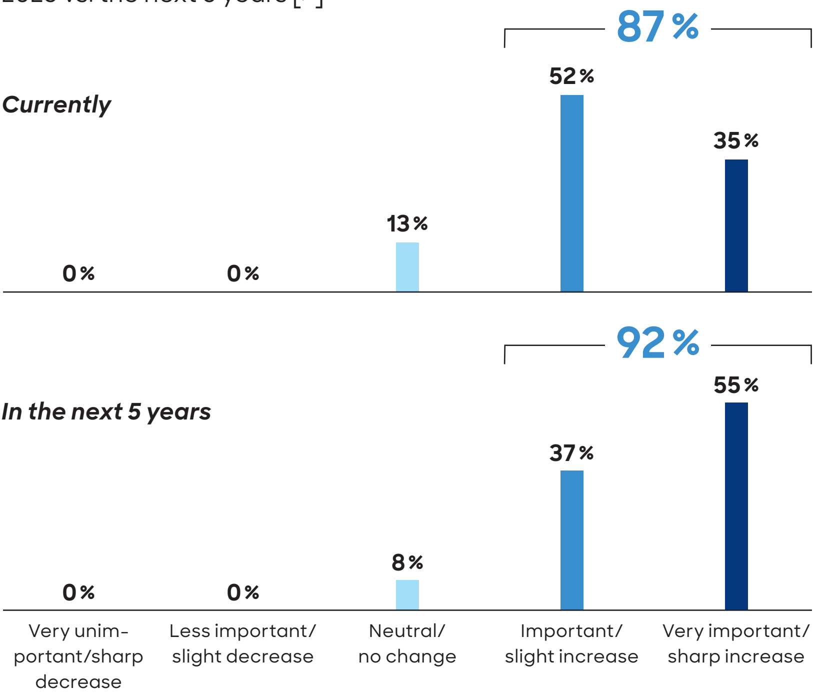
Source: Roland Berger

In 2025, PE professionals expect value creation initiatives in the portfolio to gain even greater importance

87 % of respondents believe value creation will have an important or very important role in 2025. 92 % believe this will be the case in the next 5 years. These figures reflect a sharp increase in importance compared to our survey in 2024 (59 % and 79 %, respectively). Especially in times of higher interest rates, investors are constantly looking for additional ways to create value beyond mere capital gains. Since interest rates are expected to normalize going forward, the focus on value creation will become more diversified.

What role will value creation play in 2025 and in the next 5 years?

Role of value creation – 2025 vs. the next 5 years [%]



% of responses [only one answer possible]

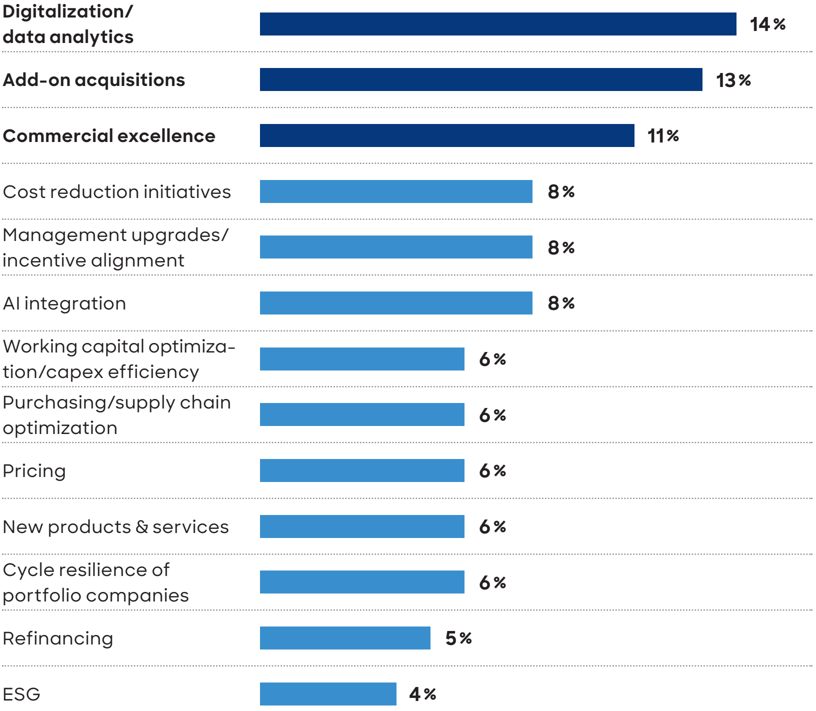
Source: Roland Berger

Digitalization, data analytics, add-on acquisitions and commercial excellence are expected to be the most important drivers of value creation going forward

Respondents expect digitalization/data analytics to command top priority as the most important measures for portfolio management and value creation in 2025 (14 %), followed by add-on acquisitions (13 %) and commercial excellence (11 %).

Which of the following portfolio management/value creation measures do you consider to be the most important in 2025?

Importance of portfolio management/value creation measures – 2025 [%]



% of responses [maximum of four answers possible]

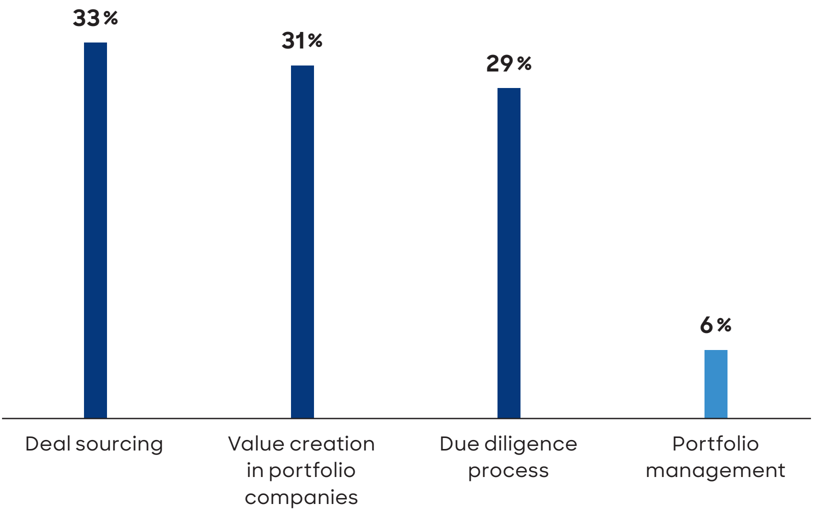
Source: Roland Berger

AI is predicted to yield the greatest benefits for PE firms in deal sourcing, creating value for portfolio companies and supporting due diligence processes

33% of respondents expect AI to lead to benefits in deal sourcing, while a further 31% believe it will help create more value for portfolio companies by leveraging available data. 29% anticipate that AI will enhance the due diligence process, for example by deriving unique insights from open-source market data.

In which of the following links in the private equity value chain do you expect artificial intelligence (AI) deployment to deliver the most benefits?

Benefits of artificial intelligence – 2025 [%]



% of responses [only one answer possible]
Total may not add up to 100% due to rounding

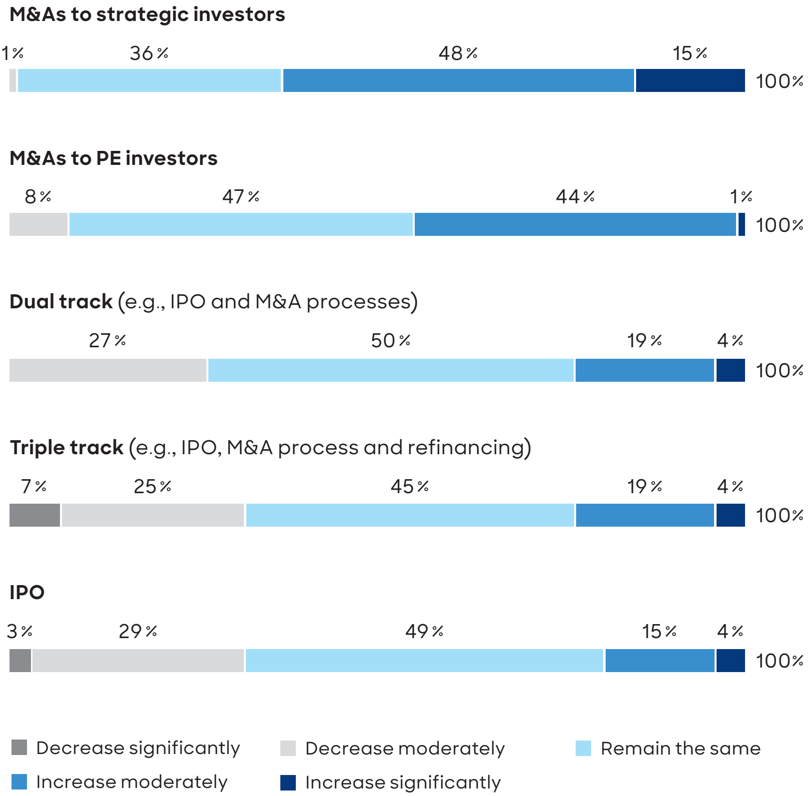
Source: Roland Berger

Strategic and other PE investors remain the most promising exit channels in 2025

Going into 2025, respondents see sales to PE investors as the most promising exit channel, followed by sales to strategic investors. Compared to 2024, expectations surrounding the development of sales to PE have become more positive. Due to more favorable market conditions, IPOs and dual/triple track exits are expected to remain largely stable, following on from a projected decrease in 2024.

How do you expect the individual exit channels to change in 2025?

Change in exit channels – 2025 [%]



% of responses [only one answer possible]

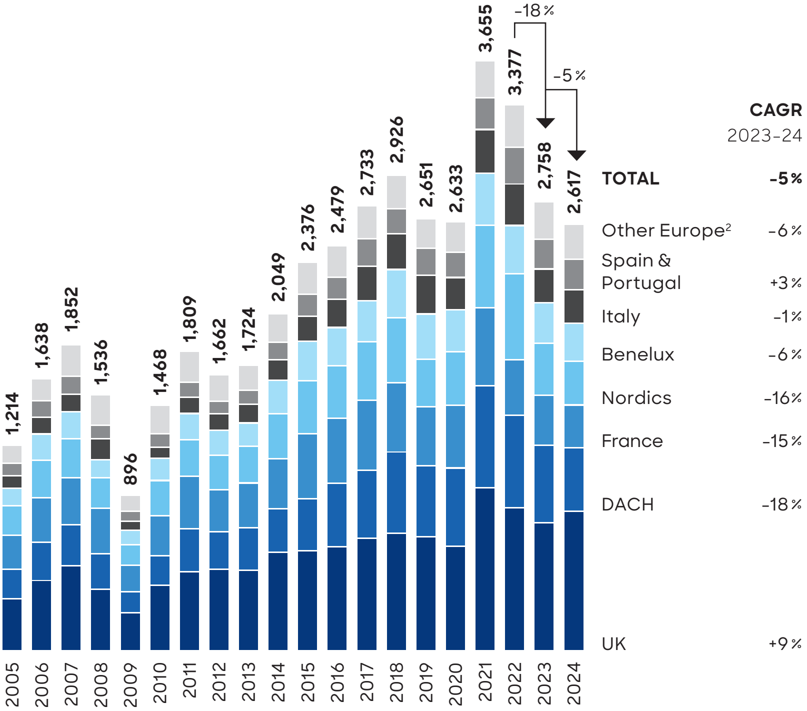
Source: Roland Berger

Deal volume continued to decline in 2024, albeit at a lower level – DACH saw a decline of 18 % compared to the previous year

Most European countries recorded a decline in 2024 compared to 2023. The UK and Italy were the only geographies that grew slightly above last year's level. Nordics surpassed France again as the 3rd largest region in terms of deal volume, following UK and DACH. The deal volumes for these regions changed by +9 % (UK), -18 % (DACH) and -16 % (Nordics), respectively. The strongest declines were observed in DACH (-18 %), Nordics (-16 %) and France (-15 %).

European transaction volume by geography[1]

2005–2024 [# of deals]



1 Including all closed and announced buyout deals available on Preqin (incl. add-on acquisitions) 2 Includes Ireland, Eastern Europe and Southern European countries not covered individually

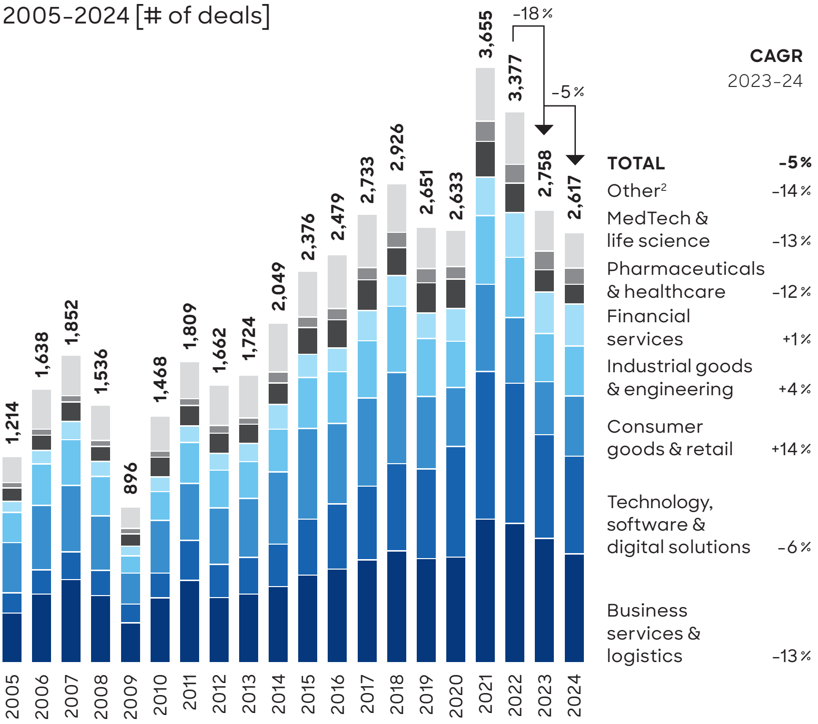
Source: Preqin (Jan. 2025 – latest data update)

Business services & logistics as well as technology, software & digital solutions recorded the highest transaction volumes in 2024

At the industry level, business services & logistics (~672 deals) and technology, software & digital solutions (~604 deals) were the main contributors to deal flow in 2024. From 2023 to 2024, most sectors experienced a decline, with energy & utilities transaction volume hit the hardest at -22%. The consumer goods & retail deal count grew in 2024 by 14%.

European transaction volume by industry[1]

2005-2024 [# of deals]



1 Including all closed and announced buyout deals available on Preqin (incl. add-on acquisitions) 2 Includes energy & utilities, building & construction, automotive, chemicals and agriculture

Source: Preqin (Jan. 2025 – latest data update)

Overall, the following key trends are expected to shape PE activity in 2025

The anticipated decline in interest rates is expected to **improve debt financing conditions**. PE firms will benefit from **better leverage options**, particularly in mid-cap and infrastructure deals, while large-cap deals may remain constrained by heavier capital requirements.

Co-investment and partnership models are becoming increasingly attractive as PE firms seek to **share risk and access larger deals** in a competitive environment. Institutional investors favor these models on account of their cost efficiency and direct involvement in decision making.

With **PE firms** sitting on large volumes of dry powder, there is **mounting pressure from limited partners** to deploy capital effectively and realize returns. This will also **accelerate exit activity in 2025**, particularly following the postponements observed in 2024.

The **micro-, small- and mid-cap segments** are expected to lead M&A transactions in 2025 due to their resilience in the face of financing constraints. At the same time, conditions for large-cap opportunities are expected to improve in 2025, primarily driven by better financing conditions.

Divesting existing portfolio assets will be a focal topic in 2025 as firms capitalize on improving market conditions following **exits deferred** in previous years. This trend will unlock capital for reinvestment in new opportunities.

Shareholders are exerting growing pressure on **corporates** to concentrate on core businesses. As a result, **carve-outs** are expected to become a **more prominent deal type** in 2025, continuing the trend witnessed in 2024 and creating attractive opportunities for private equity acquisition strategies.

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