

# In 2017, the European private equity market confirmed its dynamism and attractiveness for institutional and private investors

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Invest Europe has just published the European Private Equity activity statistics for 2017. These confirm the very good dynamics of the asset class since the 2008/2009 financial crisis.

## Key Points

- A strong private equity market dynamic in Europe in 2017, in all its dimensions: fundraising, level of investment, liquidity;
- The main categories of investors actively support the asset class and constitute a diversified base;
- A very strong contribution from international investors, which shows their confidence in Europe and its private equity industry.

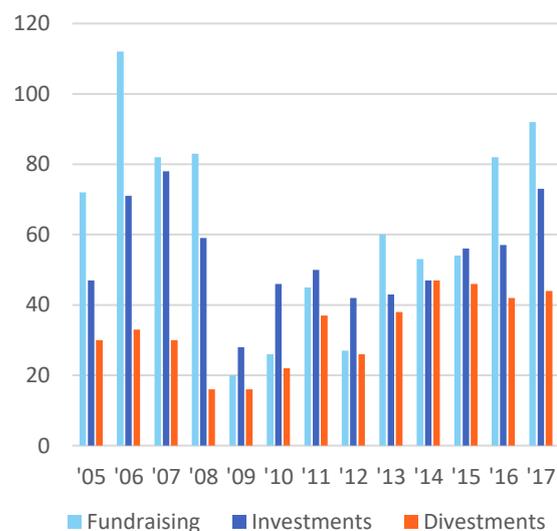
## Main activity figures

Fundraising reached €92 billion at the highest level in the last 10 years and close to the 2006 record (€112 billion).

Investment was also healthy: €72 billion vs. €56 billion in 2016. This figure is also close to the record reached in 2007 before the financial crisis (€78 billion).

Disposals amounted to €44 billion in cost price of the investments sold. This is the fourth consecutive year in excess of €40 billion, a figure that more or less corresponds to the annual amounts invested in the 2010 to 2013 vintages and reflects the good capital turnover.

**Graph 1: Overview (in € billion)**



Source: Invest Europe / EDC

## A well-diversified investor base

The diversity of investor categories is a factor of stability for private equity and a support for growth, with some categories opening up more broadly to the asset class.

Pension funds remain the main provider of funds with a stable market share, around 30% of the capital contributed to funds being raised, all private equity segments combined. In the buyout capital segment, pension funds contribute 39% of the total amount raised, vs. 4% for venture capital, which is less in line with their expectations in terms of the risk/return trade-off.

Fund of funds and asset managers represent the second largest category of investors with a market share that is increasing to 20%. This increase reflects the demand from end clients, both institutional and private, who wish to increase their exposure to the asset class and entrust its management to specialised players.

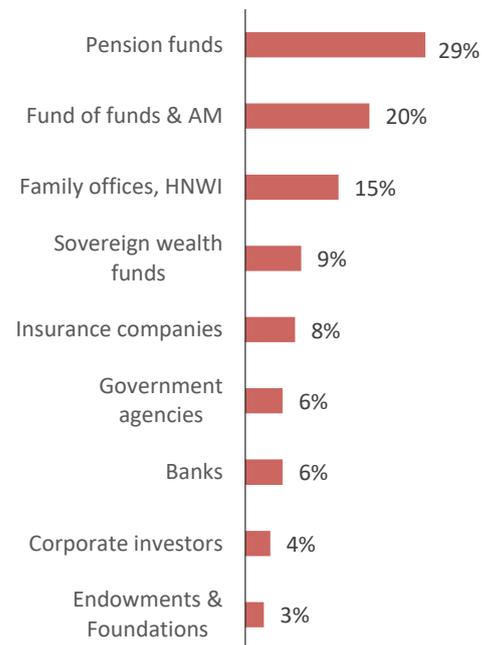
Family offices and private investors are the third most important category with a marked increase in their contribution to fundraising from 10% to 15% in 5 years. Their contribution is decisive for venture capital funds (23% of the amounts collected) and growth capital funds (25%) and significant for private equity (12%).

Next come sovereign wealth funds (9%), insurers (8%) and banks (6%).

Government agencies (6%) play a key role in financing growth in line with their vocation (they finance 29% of venture capital raising and 20% of growth capital raising) but contribute marginally to private equity fundraising (1%).

It should be noted that 2017 has seen the return of corporate investors confirmed, particularly in the venture capital (8%) and growth capital (7%) segments.

**Graph 2: Main investors (in %)**



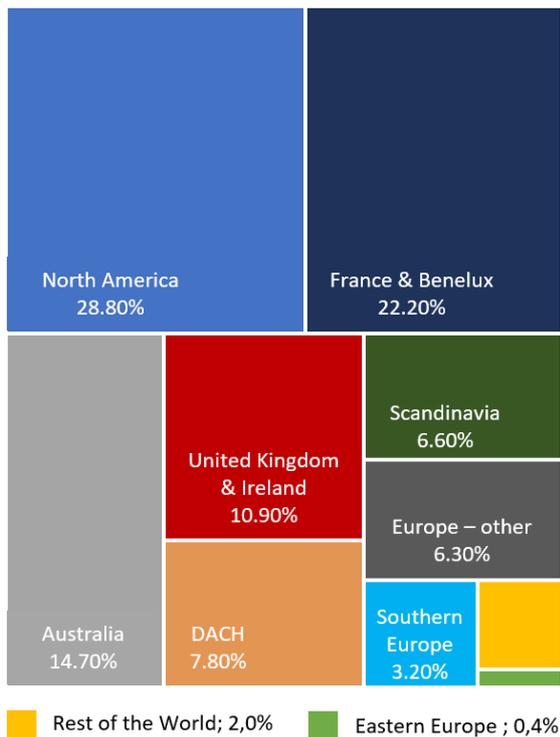
Source: Invest Europe / EDC

## Origin and geographical destination of the capital

The capital raised by European private equity funds comes from local and international sources.

More than 40% of the capital raised was provided by international investors: mainly 26% from North America and 15% from Asia and Australia. This was already the case in 2016 and these figures reflect the confidence of international investors in Europe and its private equity industry.

As far as European investors are concerned, France and Benelux are the main providers of capital (22%), followed by the United Kingdom and Ireland (11%), Germany (8%), the Nordic countries (7%) and Southern Europe (3%).

**Graph 3: origin of capital (in %)**

Source: Invest Europe / EDC

**Fundraising has an international dimension, but investment is mainly based on local anchoring.**

On the other hand, European private equity confirms its local dimension if we look at the location of managers and the destination of investments.

Of the €72 billion deployed in 2017 in European companies, €50 billion were made by Private Equity funds in their home market, €18 billion were transnational investments within Europe and only €4 billion were investments made by non-European funds.

### Conclusion

Private equity market dynamics in Europe were strong in 2017 in all its dimensions: fundraising, investment level and liquidity. The figures reflect the confidence of both private and institutional investors in the asset class, but also the ability of managers to put money to work and sell assets to distribute the return on investment in accordance with the commitments made to investors.

The European market is part of a favourable trend that is also observed in other parts of the world, particularly in North America, the world's leading market for private equity, where fundraising reached \$272 billion in 2017, an amount up 23% over one year (source: Preqin).

The whole industry benefits from a favourable economic environment with solid global growth and relatively inexpensive financing. The acceptance of private equity as a useful player that helps to strengthen the position and strategic value of the companies it supports also contributes to the steady development of the asset class in most regions of the world.

## Biography



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Jean-Yves, 56, joined Essling Capital in 2017 after 22 years at Amundi, including as head of the Private Equity fund selection team since 2007.

He began his career with the Sodexo Group, then the Suez Group.

A graduate of ESSEC, Jean-Yves holds a DESCF and a Master's degree in law and is a financial analyst.

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