

## Private equity H1 2023 activity weakens as industry survey shows tentative signs of optimism and exit preparations

- Investment decelerates to €32bn, fundraising slows to €33bn amid tougher conditions
- Fifty-five percent of GPs make exit preparations a key focus, feeding improved fundraising sentiment

**Brussels, Belgium, 9 November, 2023** - Invest Europe, the association representing Europe's private equity, venture capital, and infrastructure sectors, as well as their investors, today published data for the first half of 2023 that shows a drop in activity amid challenging economic and market conditions. In partnership with global management consultancy Arthur D. Little, Invest Europe also released its annual sentiment survey that tells the story behind the statistics, highlighting preparations for exits that will feed distributions to long-term investors, as well as the drive to higher sustainability standards, and plans to open the asset class to new investors.

Invest Europe's "Investing in Europe: Private Equity Activity H1 2023," provides a detailed analysis of private equity and venture capital fundraising, investment, and divestment across Europe in the first half of the year, illustrating the effects of high inflation and interest rates, slowing economic growth, constricted financing markets, and uncertain geopolitical conditions.

- Private equity and venture capital funds invested €32 billion in the first half of 2023, 54 percent lower than 2022's strong figures and in line with levels last seen in 2016. A total of 3,524 companies received backing in the first half, a more moderate 26 percent decline from last year, reflecting smaller average investment sizes across buyouts, growth, and venture capital.
- Fundraising weakened from last year's record level to €33 billion. A total of 370 funds raised capital from investors, 15 percent below the average of the last five years. Venture capital fundraising was relatively robust and in line with levels recorded in early 2020.

Across all industry segments, investment in biotech & healthcare companies increased as a proportion of the first-half total, cementing it as a leading sector for the industry and underlining the continent's strong reputation in innovative life sciences and pharma development. Venture capital investment slowed from the record levels registered last year, but were in line with 2019 and 2020 levels, maintaining the industry on a longer-term growth trajectory.

While the activity data provides insight into the impact of challenging market conditions on private equity and venture capital in the first half of the year, Invest Europe's "The Insight: State Of The European Private Equity Industry", conducted together with Arthur D. Little, gives a forward-looking view of industry expectations over the short- and medium term.

The results highlight the effects of ongoing economic uncertainty and market disruption on both GPs and LPs. However, the findings also point to an increase in portfolio exit preparations that will crystallise strong returns for pension funds, insurance companies and other long-term investors, helping support pensions and savings for citizens. The survey indicates that fundraising sentiment is turning a corner, while optimism about new sources of capital is growing, including the potential to democratise access to a wider group of individual investors. Environmental, social, and governance (ESG) also remains a driving force as fund managers adopt a host of actions to make the industry more sustainable and cater for rising investor expectations.

- Exit preparations will be a main focus for 55 percent of GPs over the next 12 months, up 20 percentage points on last year, second only to enhanced operational improvement and support for companies.

- While half of fund managers and investors expect weaker fundraising over the next 12 months, one in five expects stronger conditions - three times the number from last year. Medium-term expectations remain strong, with almost nine out of 10 LPs forecasting allocations to remain the same or increase over the next three years. Moreover, the vast majority of GPs see opportunities to market funds to high net worths, as well as “mass affluent” clients holding over \$100,000 in investible assets.
- ESG is seen as a key differentiator by three-quarters of fund managers, with almost six in 10 GPs acknowledging investors’ expectations to register funds as Article 8 or 9 under the EU Sustainable Finance Disclosure Regulation (SFDR). Sustainability is a prominent focus for investment, with over half of GPs forecasting more activity in renewable energy, making it the top target sector ahead of life sciences & healthcare.

**Jonas Fagerlund, Partner at Arthur D. Little, said:** “Fund manager and investor expectations reflect the ongoing challenges facing the industry and the economy more broadly. However, they also point to tentative signs of optimism. More exit preparations could signal an increase in distributions that would, in turn, stimulate fundraising and new investment. Moreover, medium-term investor appetite remains positive, indicating that private equity will hold an important place in portfolios, whatever the conditions.”

**Eric de Montgolfier, CEO of Invest Europe, commented:** “Conditions are as challenging as they have been at any point since the financial crisis. Nonetheless, the industry is resilient and adaptable. Fund managers are clearly supporting companies through volatile markets while making preparations for the future, not only in terms of increased activity, but also in sustainability, with greener funds for long-term investors, as well as new vehicles that can bring the benefit of private equity and venture capital returns to a wider group of individuals.”

To access both the H1 Private Equity data and The Insight: State Of The European Private Equity Industry, [please click here](#).

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**For media enquiries please contact:**

Eric Drosin, Communication Director

Mobile +32 (0)493 51 19 82

[eric.drosin@investeurope.eu](mailto:eric.drosin@investeurope.eu)

**NOTES TO EDITORS**

**About Invest Europe**

Invest Europe is the association representing Europe’s private equity, venture capital and infrastructure sectors, as well as their investors. We have over 650 members, split roughly equally between private equity, venture capital and limited partners - with some 110 associate members representing advisers to our ecosystem. Those members are based in 57 countries, including 42 in Europe, and manage 60% of the European private equity and venture capital industry’s €1 trillion of assets under management. Businesses with private capital investment employ 10.5 million people across Europe, 4.5% of the region’s workforce.

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