Riding the wave of market change

Global private equity report 2025

forv/s mazars

Contents

Foreword

This report summarises findings from the Forvis Mazars global private equity (PE) survey, featuring insights from over 300 respondents across North America, Europe, Asia-Pacific, Africa, and Latin America. Looking ahead to 2025, our research shows that firms remain optimistic, supported by their capacity to operationally drive value creation despite market uncertainties.

Financial services and technology & telecommunications stand out as top investment sectors, while cyclical businesses and those dependent on volatile supply chains are currently less attractive. Responses suggest increased focus on mid-market funds and deals, reflecting patterns seen in many markets and broader deal trends.

"The market is less predictable than ever, but it's positive to see from our results that PE firms globally are prepared to weather that uncertainty and succeed despite it. Value creation remains an important part of portfolio performance, and the ability to do this effectively will be a key resilience measure and indicator of future returns."

Firas Abou Merhi
Partner & Head of Financial Advisory, Forvis Mazars Group

Despite concerns around market fluctuations, interest rates and emerging technologies like AI, most respondents remain confident about the future of the market, especially in North America and Asia-Pacific. Cross-border strategies remain opportunistic in nature, with compliance challenges, cash repatriation and geopolitical uncertainty increasing the complexity and costs of international deals.

"The uncertainty of the US business environment post-election puts a new lens on deals that requires PE firms to consider the potential impacts of tariffs and regulatory changes. The market is waiting for clarity, but expectations are that deal activity could rise in 2025 as interest rates decline and inflation stabilises."

Scott Linch
Partner & Private Equity National Industry Leader, Forvis Mazars US

Foreword

Portfolio performance generally aligns with expectations, with North American firms outperforming others. Minority active shareholders report the highest satisfaction, while majority active shareholders achieve the highest returns. Firms are extending portfolio holding periods to enhance returns, leveraging formal value creation strategies amidst volatility. Delayed exits are impacting liquidity and investor confidence, leading many firms to extend fund lifecycles.

"After a difficult year with strong competition to invest in the best performing companies, PE firms are focusing on accelerating growth and resilience with their portfolios. By taking advantage of positive trends in certain sectors and geographies, along with implementing digital and sustainable strategies, firms are generating better returns for investors, extending the holding period of their portfolio companies."

Matthieu Boyé
Partner & Head of Private Equity,
Forvis Mazars Group

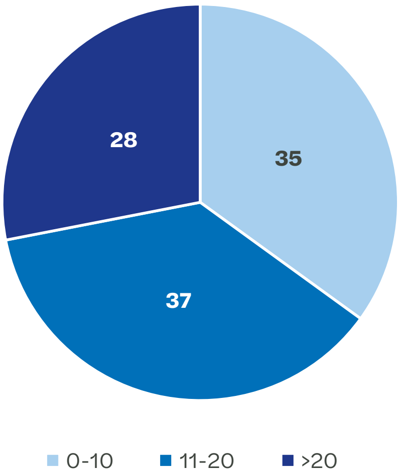
Investment trends

Investment trends

Key highlights

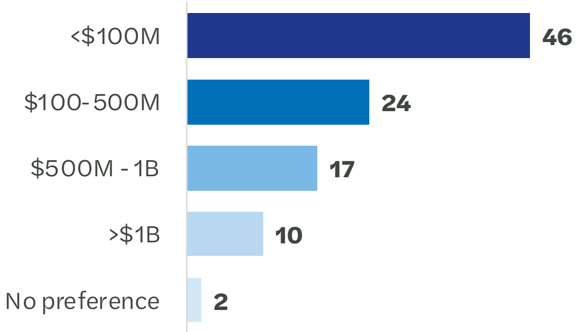
Companies in portfolio

Percent of respondents.



Portfolio company preferred size

Percent of respondents.

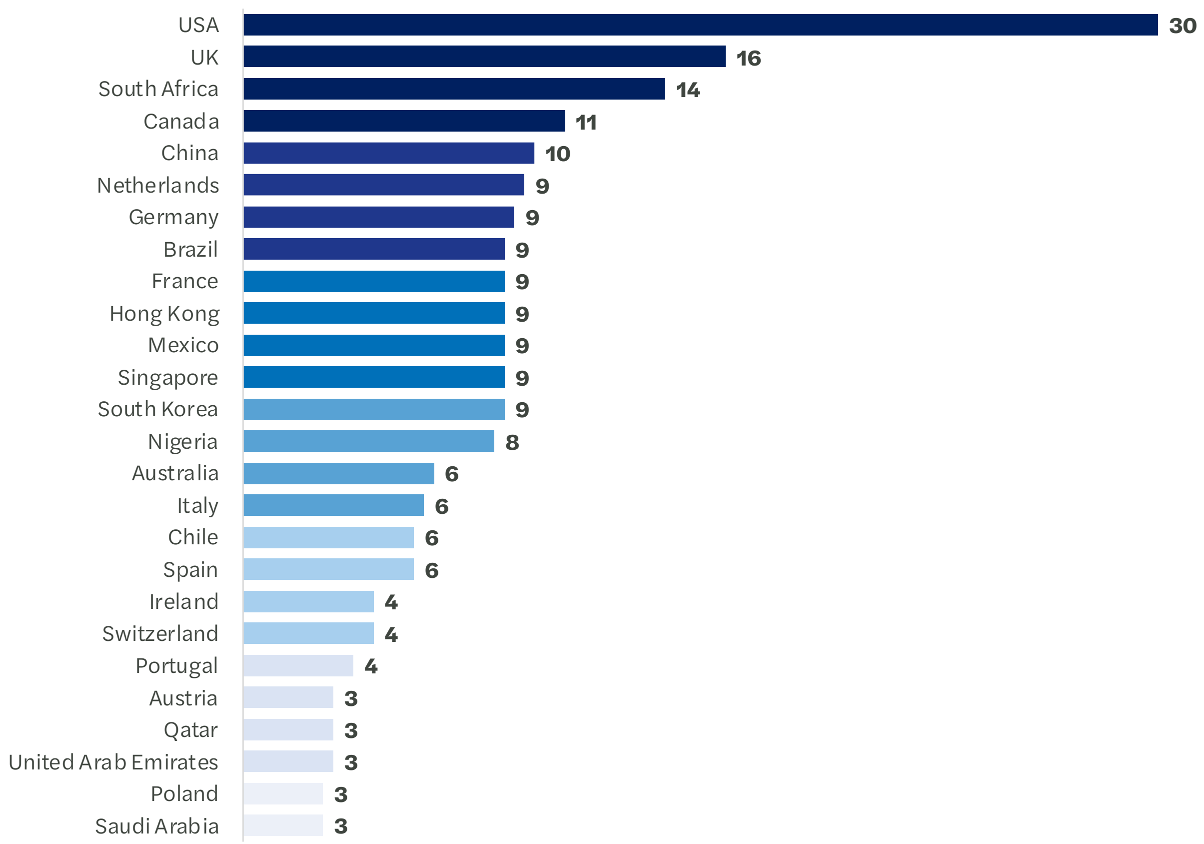


- Most respondents across regions manage portfolios with up to 20 companies, generally with valuations below $500m.
- Average investment ticket size amongst respondents is under $50m, aligning with the industry's focus on more manageable and flexible investments.
- Survey responses suggest a growing interest in mid-market funds and deals, with increased engagement in this segment.
- Tenure policies sit between 3-7 years on average, although many respondents indicate that these timeframes are currently being extended due to market conditions. This shift is reflective of a more cautious investment landscape, with firms preferring to hold on to portfolio companies longer to maximise value creation.
- In the US, add-on deals have dominated the market in the past year, indicating a preference for consolidating existing platforms. Platform deals, on the other hand, have seen a global decline, possibly due to a challenging financing environment and heightened market uncertainty. This change signals a preference for de-risked transactions with companies that are already established in the market.

Investment trends

Key highlights

Countries invested in (%)



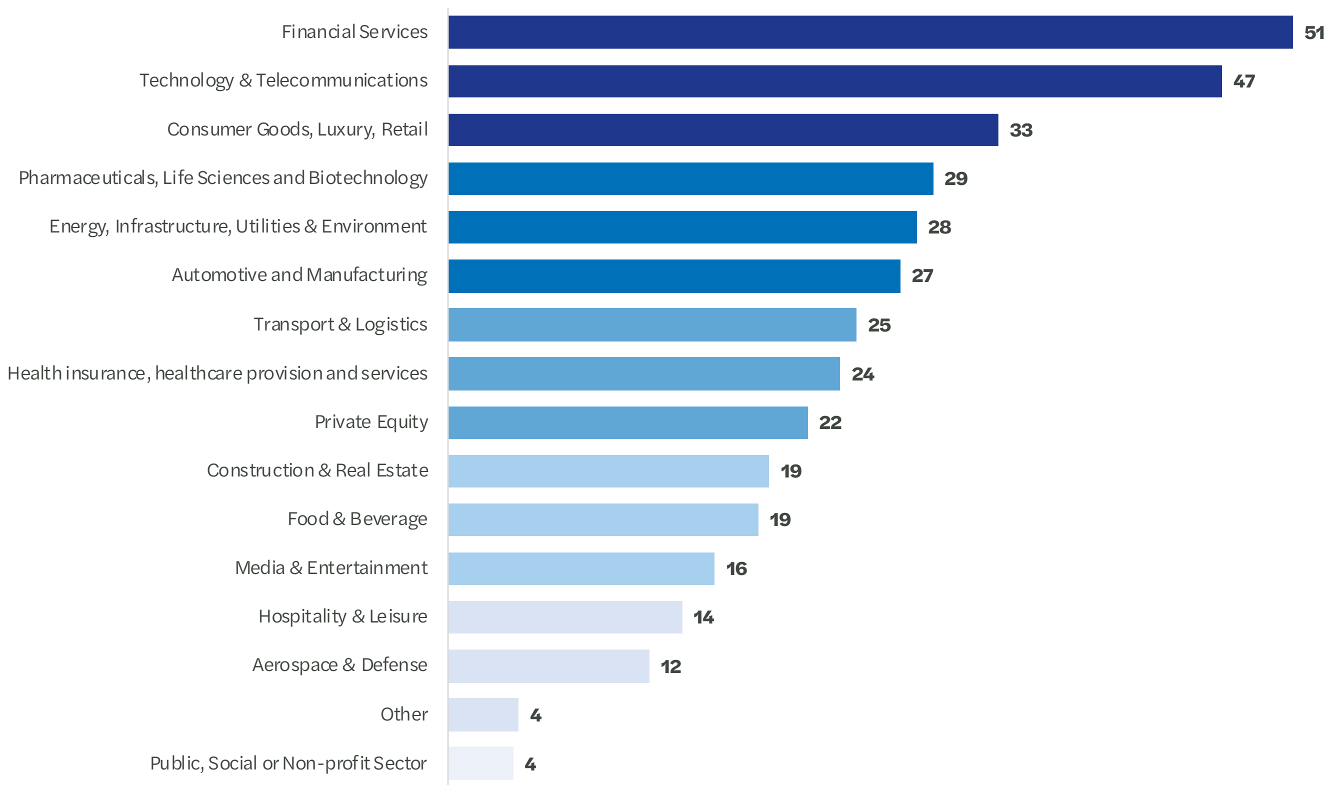
Investment trends

Sector-specific growth targets

Financial services and technology & telecommunications have been identified as primary sectors of interest, with further analysis indicating that investors are targeting sub-sectors and specific business models within these industries, rather than broader sector targeting. For instance, FinTech specifically attracts investment, due to the potential scalability and recurring revenue potential.

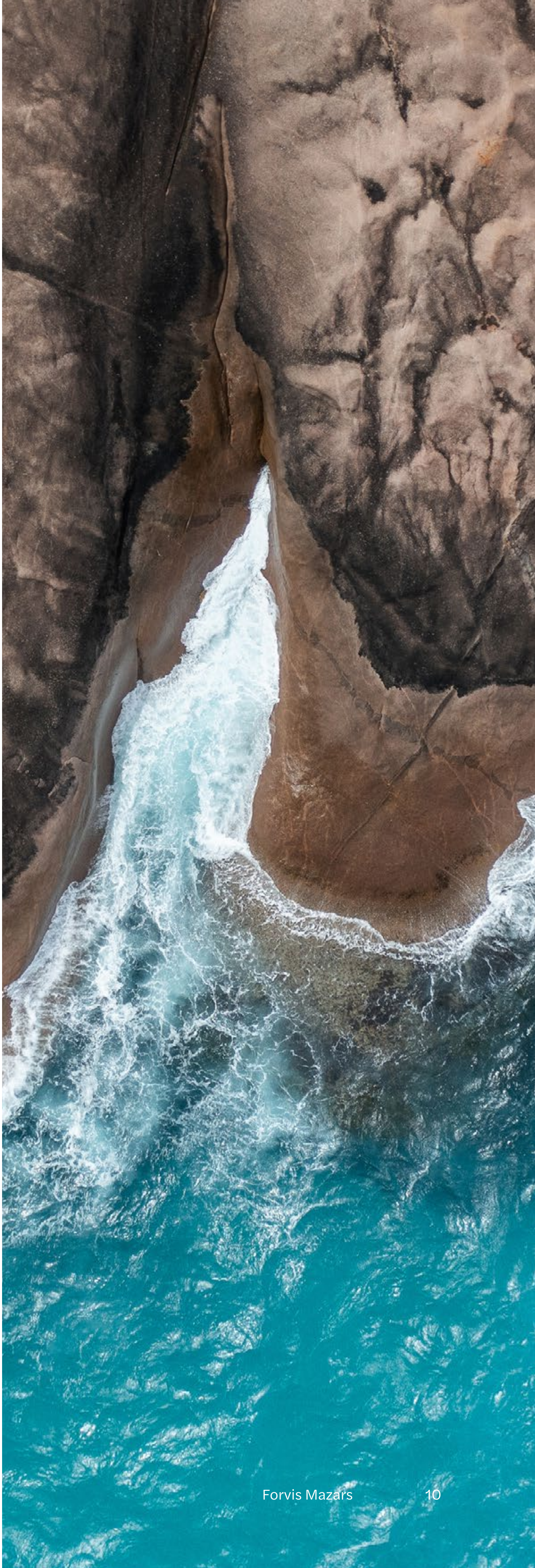
This preference aligns with a wider market sentiment favouring sectors with recurring revenue models and lower capital expenditure (capex) requirements. These business types offer greater resilience in uncertain economic climates, which is particularly attractive given current global macroeconomic pressures. The appeal of businesses with steady cash flows, low reliance on physical assets, and the ability to scale quickly has become more pronounced in recent years.

Sectors invested in (%)



Many respondents indicated their strategy to be focused on which sectors and business models to avoid. The data shows a large gap between investment in the top two sectors (51% and 47%) versus other sectors, such as hospitality and leisure (14%) or aerospace and defence (12%).

> "The portfolio is performing well but could probably perform better in a more stable and pro-business environment. Geopolitics remain an important marker for investment and growth decisions."
>
> **PE Managing Partner, France**



Investment trends

Digitalisation and ESG integration

PE firms are increasingly prioritising value creation across their portfolios. A wider trend in the PE market has been the growing importance of digital transformation in investment decisions. As businesses increasingly adapt to the digital age, firms are seeking to work with companies that have strong digital capabilities or are in the process of integrating advanced technologies into their business models for better portfolio tracing and management.

In addition to digital transformation, ESG considerations are playing an increasingly important role in deal structuring and portfolio management. Investors are focusing on companies that demonstrate strong ESG practices, both to meet regulatory requirements and to cater to an increasing demand for sustainability from consumers and investors alike. This trend is particularly prominent in financial services, where impact investing and sustainable finance are gaining traction.

> "Portfolios are increasingly incorporating ESG factors as the Korean government promotes sustainability and green energy investments."
>
> **PE Director/Principal, South Korea**

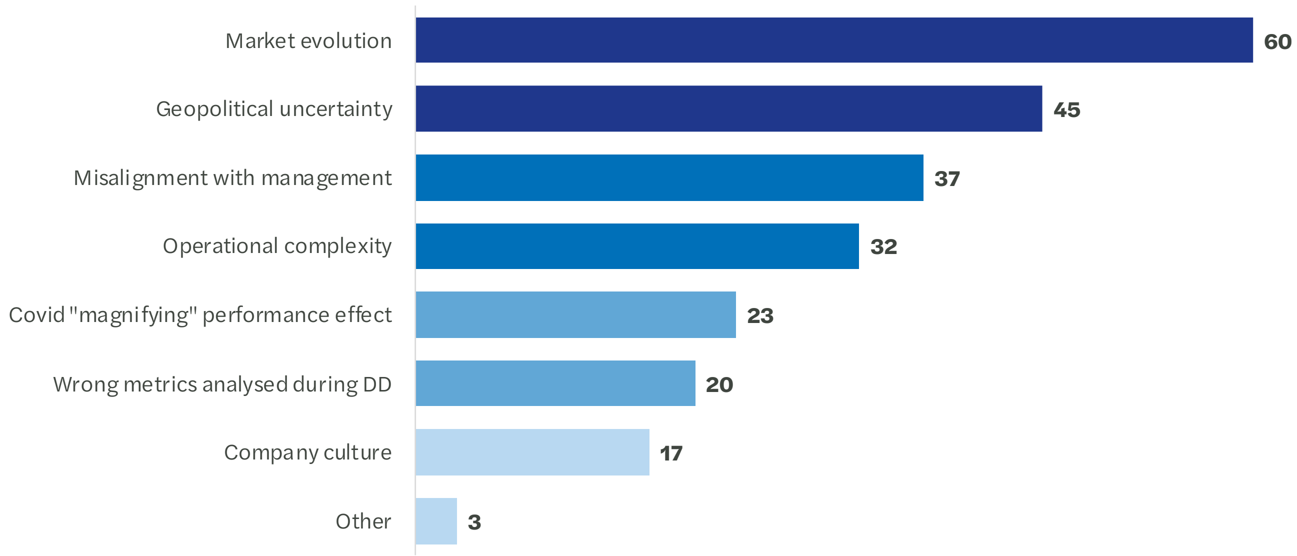
Market insights

Market insights

Respondents offered insight into the challenges posed by market activity in 2024, as well as what they anticipate moving into 2025.

> "Uncertainty is always a monster. The target is always moving."
>
> **AM Director/Principal, USA**

Top challenges negatively impacting portfolio performance (%)



Market insights
Economic volatility

Unsurprisingly, market volatility was cited as the biggest challenge impacting performance. Interest rates and inflation have impacted PE over the past year and continue to be a key concern moving into 2025, and respondents indicated that market evolutions have impacted both short-term gains and long-term investing strategies.

> “High inflation has destroyed purchasing power, lowering returns, particularly in portfolios containing low-growth or fixed income assets.”
>
> **PE Managing Partner, South Africa**

In addition to inflationary pressures, interest rate hikes are squeezing valuations, particularly for sectors with high leverage. Many portfolio companies, especially in sectors like real estate and energy, have seen their cost of capital rise, reducing their attractiveness for exit. However, there has been a noticeable shift towards more equity-heavy deals, as firms seek to avoid high debt burdens in an environment of rising rates. This is pushing firms to seek more sustainable, organic growth opportunities instead of relying on debt-driven expansion.

Despite ongoing unpredictability, a strong majority are confident in market conditions, with those in North America and Asia-Pacific especially positive about portfolio growth for 2025.

> **“Many of the portfolio are focused on enterprise clients and with many experiencing tricky trading environments this has had a knock-on effect in terms of project start dates... there has been a common theme of delays in starting.”**
>
> **PE Director/Principal, UK**

Market insights
Geopolitical uncertainty

Another highlighted performance challenge moving into 2025 is geopolitical unease, which is perhaps expected in today's climate. Respondent considerations were:

- More than 60 countries held elections in 2024, many of which resulted in significant leadership changes. This could have material impacts on the equity market, though these impacts are yet to crystallise.
- US investors continue to focus less on Europe due to the Russia/Ukraine conflict, despite a period of increased activity in the region 2-3 years ago due to the regulatory environment.
- Ongoing friction with China has pushed companies to diversify supply chains and redirect investments to other Asia-Pacific markets. Whilst the Chinese market is still important, opportunity in other Asia-Pacific markets is becoming more attractive.

These geopolitical developments can also cause currency volatility, which has a direct impact on cross-border transaction profitability and financial planning. Respondents indicated that these fluctuations are materially impacting the profitability of their international deals and global operations.

> "Geopolitical uncertainty is limiting the levers of regional integration and requires us to manage the exchange rate risk."
>
> **PE Director/Principal, France**

Technology & telecommunications may be among the top sector focuses globally, but international deals in high-tech fields are often subject to increased scrutiny, especially at intersections with other heavily regulated and protected sectors, requiring PE firms to navigate an increasingly tangled web of regulatory complexity.

> "Many countries have introduced stricter investment screening, especially in sensitive sectors like technology and defense. The EU and US have enacted new regulations to monitor foreign direct investments and cross-border data flows. This shift is impacting the ability of companies to engage in mergers, acquisitions, and partnerships across borders, particularly in high-tech fields."
>
> **PE Director/Principal, USA**

Market insights

Cross-border strategies

Perhaps exacerbated by geopolitical concerns, most firms, especially in Asia-Pacific and North America, approach cross-border investments opportunistically rather than out of necessity. International activity is also more likely to be for add-on deals than platform deals. Some of this is driven by more ordinary challenges of doing cross-border business.

> "Due to recent geopolitical tensions, we are extremely sceptical when it comes to any cross-border investment projects."

PE Managing Partner, China

This shift in focus has led to a greater reliance on regional expansion strategies, particularly in emerging markets where the cost of entry can be lower but comes with its own set of challenges. Policy changes and political developments exacerbate the unattractiveness of international investment for many funds.

> "Most people underestimate the cost of doing deals internationally. The cost of repatriating cash from various locations, compliance costs, having local people in the right hub cities... it all adds up to make international deals less attractive."

PE Director/Principal, USA

This evolving landscape has made some firms more cautious, balancing the promise of high returns with the increased costs and risks involved in global expansion.

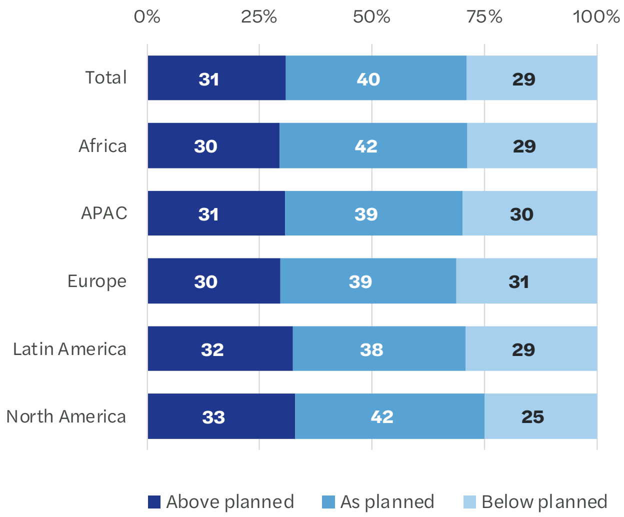
Portfolio performance

Portfolio performance

Overall, firms demonstrate similar performance relative to planned outcomes at both 3 years and exit. However, there are important nuances in the portfolio performance of firms in different markets, as well as the strategies being employed to address underperformance.

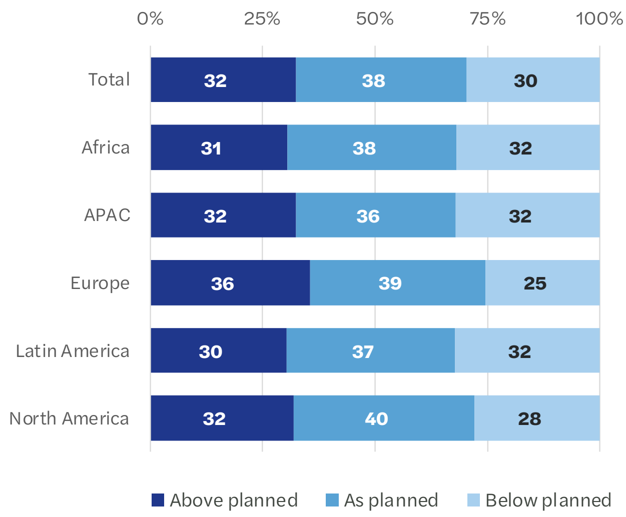
Regional performance at 3 years

Percent of respondent's portfolio performing above plan/as planned/below plan after 3 years: by region.



Regional performance at exit

Percent of respondent's portfolio performing above plan/as planned/below plan at exit: by region.



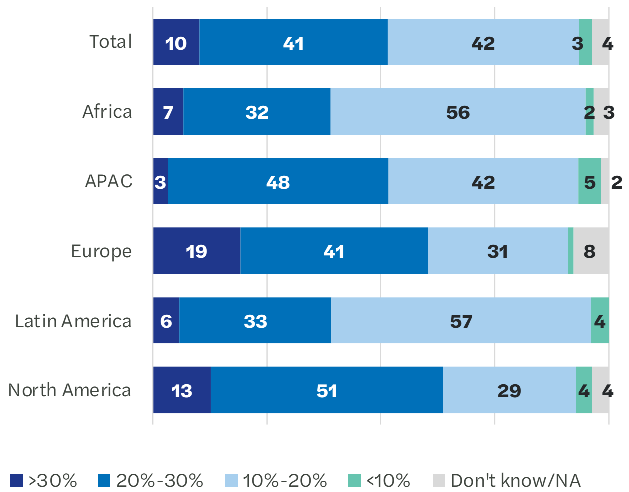
Portfolio performance

IRR and performance alignment

Europe and North America showed the highest internal rates of return (IRR) amongst survey respondents, whilst Africa and Latin America demonstrated the lowest returns. However, the ability to anticipate these returns was fairly consistent globally. North American firms demonstrated the highest rate of portfolio performance against expectations, which may contribute to their optimism around 2025 portfolio growth.

Average IRR: regions

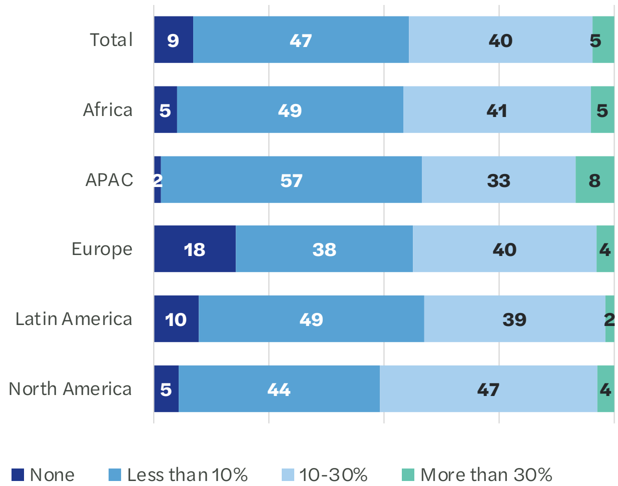
Firm's average IRR at exit, percent of respondents, by region.



Meanwhile, European firms are most likely to improve performance between 3 years and exit. Respondents and advisors suggest that this is likely due to the stability of the European market, which has weathered recent economic turbulence better than other regions.

Portfolio deals on hindsight: regions

Proportion respondent would have walked away from, percent of respondents, by region.



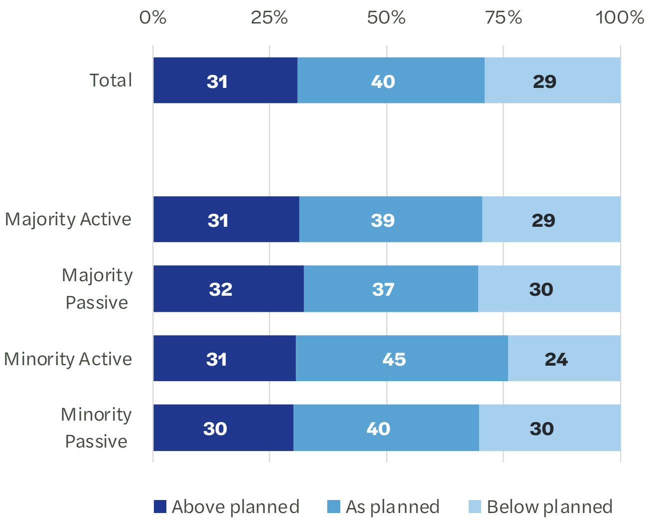
Regret rate is very low across the board, with Asia-Pacific and Latin America showing the lowest numbers of deals they would have walked away from in hindsight. For Asia-Pacific firms, this is also contributing to optimism; they remain happy with their strategy performance and feel confident in their ability to generate returns in line with expectations. However, some respondents noted that regulatory challenges and political instability in certain markets may dampen performance in the short term.

Portfolio performance

IRR and performance alignment

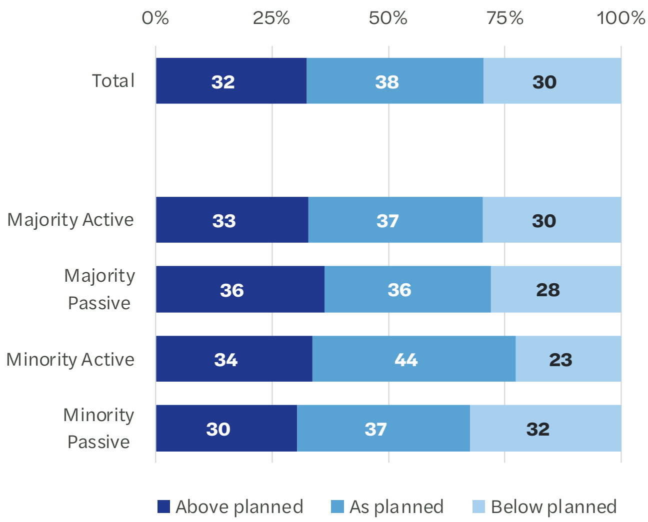
Investor performance at 3 years

Percent of respondent's portfolio performing above plan/as planned/below plan after 3 years: by firm type and profile.



Investor performance at exit

Percent of respondent's portfolio performing above plan/as planned/below plan at exit: by firm type and profile.



Another interesting result lies in the portfolio satisfaction of majority versus minority shareholders. Minority active shareholders show the strongest portfolio performance at both 3 years and exit, whilst majority active shareholders reported higher internal rates of return (IRR), with some speculating this could reflect the types of businesses likely to take on minority shareholders.

"With majority shareholders, the investors are taking on the risk. But when a business looks for a minority shareholder to come in, the onus is still on them to achieve results, which often results in a stronger partnership and better results."

PE Director/Principal, USA

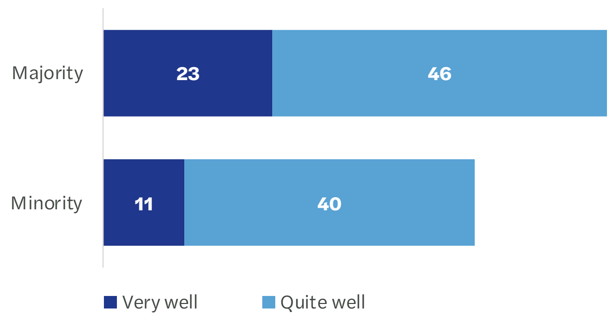
The dynamics between majority and minority shareholders are evolving, especially in a market where many firms are moving towards co-investment strategies. Co-investment opportunities allow minority shareholders to align more closely with the long-term goals of the business while benefiting from the expertise of the majority investors. This trend is particularly prevalent in respondents' top two sectors (technology and financial services), where fast-paced innovation requires a collaborative approach between investors and management teams.

Portfolio performance
Evolving value creation and exit strategies

Paired closely with existing market challenges, operational failings were the top voted reason for portfolio performance not meeting expectations. So unsurprisingly, the ability to enhance operational strategies are crucial for firms who need to close performance gaps.

Top reasons portfolio performance does not align with expectations (%)

How well firms anticipated the influence of other shareholders, by typical shareholding (%)



Whilst the data showed average tenure is between 3 and 7 years, respondents consistently indicated that it's been extended by up to 50% in recent years, largely because they prioritise overall returns and value creation over adherence to exit timeline expectations.

"When returns aren't looking like they'll be as high as expected, it makes sense to hold onto those companies a bit longer and partner more closely to generate that value."

PE Director/Principal, The Netherlands

Whilst majority shareholders often shoulder more operational support expectations than minority shareholders, firms across both focuses show higher rates of return and more control over performance when active within their portfolio companies. This also enables minority shareholders to mitigate challenges anticipating the influence of other shareholders.

Portfolio performance
Evolving value creation and exit strategies

According to the survey data, the top two operational challenges are:

1. **Leadership team selection**
   Attracting and retaining senior staff remains challenging, with firms prioritising access to and retention of experienced leaders to support portfolio goals.

2. **KPI development and tracking**
   Firms are focusing on defining and monitoring KPIs to identify improvement areas and provide proactive operational support.

Most important tools/approaches for managing challenges (%)

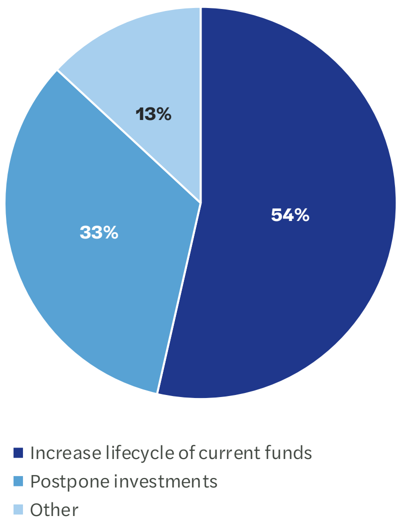
Formalised value creation offerings are becoming more regular as well, with North American firms slightly ahead of the curve. One US client described growing their operations team by 30% in the last year, as well as a focus on integrating these teams more closely with the investment teams in order to better support their portfolio. The timing of this support is also important.

"We're spending more time with the management team before the deal goes through, then giving them a bit of breathing room for a few months at least so as not to overwhelm them. This allows us to set better expectations for our level of involvement and to establish a baseline post-investment."

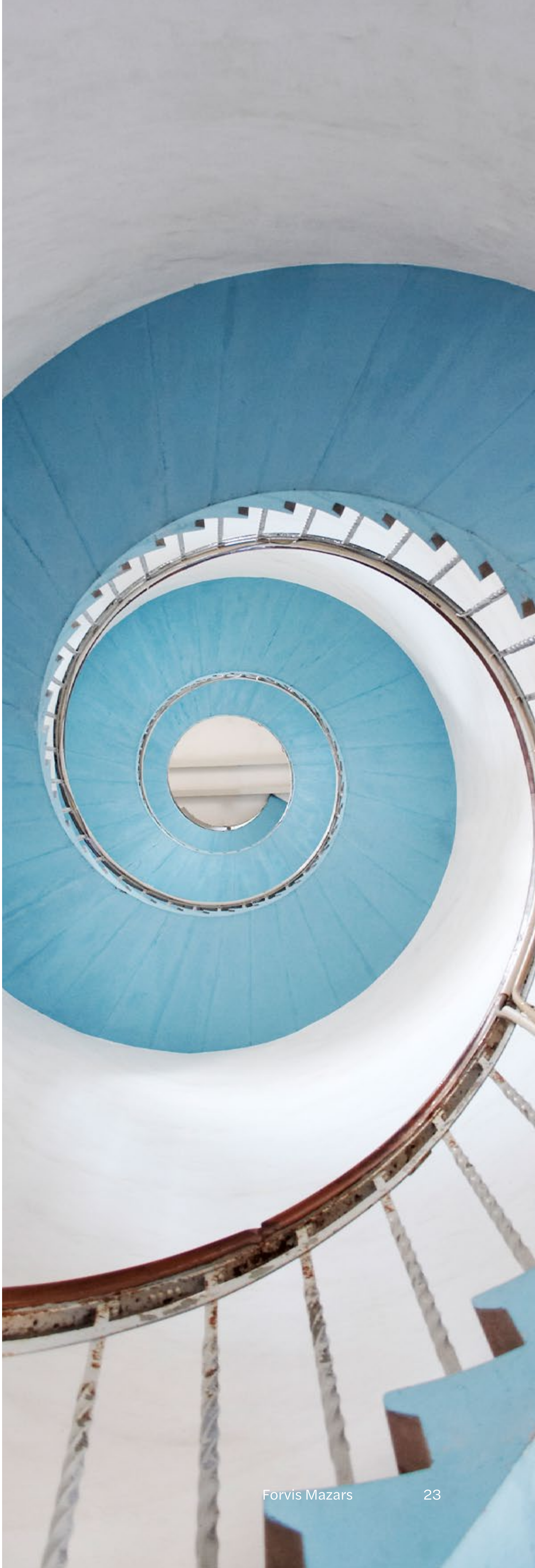
PE Director/Principal, UK

Exit delays can have a major impact on financing. When firms hold onto portfolio companies longer than expected, this affects both investor confidence and liquidity within the fund. Many firms indicated less liquidity over the last few years, meaning both fundraising and build-up strategies were impacted, despite most firms reporting a surplus of capital available in their markets.

Strategic adaptation to fundraising challenges



With new funding challenging to secure and existing investments outstaying expectations, most firms opt to extend the lifecycle of current funds to combat financing issues.



Portfolio performance

Spotlight: EU portfolio performance trends

The European private equity market offers a nuanced perspective on portfolio performance, compared to global trends, across a two-year period.

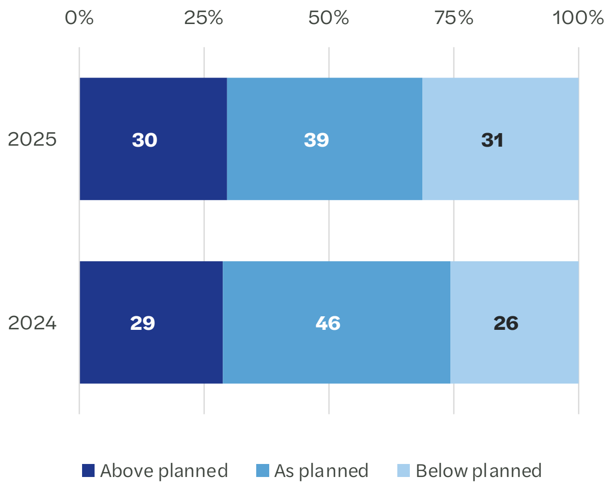
Portfolio performance at the three-year evaluation point shows a slight decline compared to the previous year.

These shifts suggest heightened market challenges impacting near-term value creation.

- In our recent survey 30% of respondents reported portfolios performing above plan, marginally up from 29% in the previous year.
- However, the proportion of portfolios performing as planned dropped significantly from 46% this year to 39% last year, while those performing below plan increased from 26% to 31%.

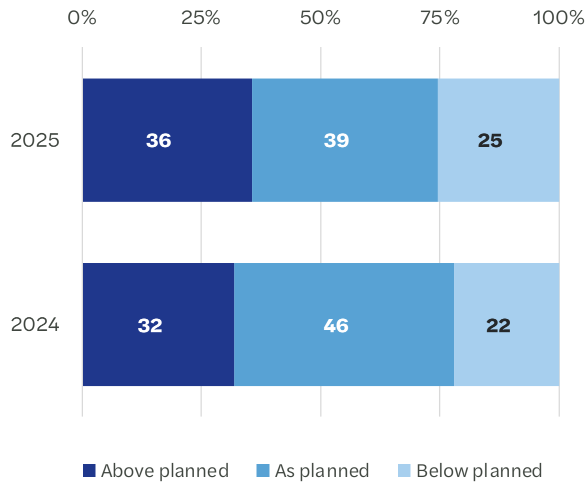
EU performance at 3 years (2024 – 2025 comparison)

Percent of respondent's portfolio performing above plan/as planned/below plan after 3 years: Europe, 2024-2025.



EU performance at exit (2024 – 2025 comparison)

Percent of respondent's portfolio performing above plan/as planned/below plan at exit: Europe, 2024-2025.



In contrast, performance at exit demonstrates a more optimistic outlook:

- The percentage of portfolios performing above plan at exit rose from 32% to 36%.
- Portfolios performing below plan dropped from 22% to 25%.

This improvement indicates that European PE firms are navigating market complexities more effectively at later stages of investment and underscores the importance of strategic value creation and disciplined exit planning in driving positive outcomes.

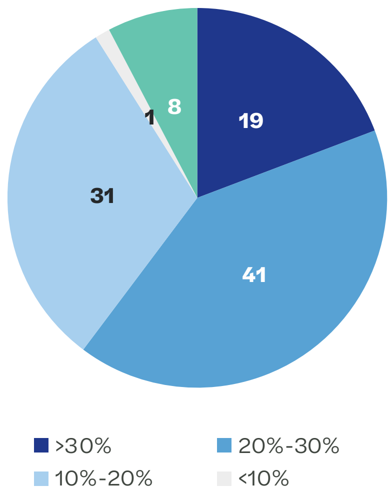
Portfolio performance
Spotlight: EU portfolio performance trends

This trend is also reflected in the internal rate of return (IRR) data:

- The percentage of firms achieving an IRR greater than 25% increased from 35% to 41% year-on-year.
- The proportion of firms reporting IRRs in the 20–30% range remained steady at 31%.
- Notably, the percentage of firms achieving sub-10% IRR outcomes dropped slightly, reinforcing the notion that value creation efforts at exit are driving improved performance.

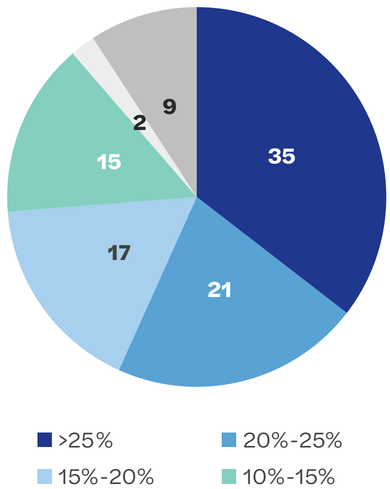
Average IRR: 2025

Firm's average IRR at exit, percent of respondents, Europe 2025.



Average IRR: 2024

Firm's average IRR at exit, percent of respondents, Europe 2024.



This year-on-year comparison highlights how the European PE market continues to navigate evolving macroeconomic conditions. Firms are adapting their strategies to address performance pressures during the three-year period while maintaining a focus on maximising outcomes at exit.

EU data comparison from Forvis Mazars' 2023 and 2024 private equity surveys.

The steady IRR results underscore the region's resilience, and its capacity to deliver robust returns amid shifting market dynamics.


Predictions for 2025

Predictions for 2025

Despite cautious optimism heading into 2024, which ended up as a relatively flat year in most markets, PE firms are now adopting a more measured outlook for 2025. This reflects the ongoing uncertainty in the global economy, particularly as the market grapples with volatility, rising interest rates, and inflationary pressures.

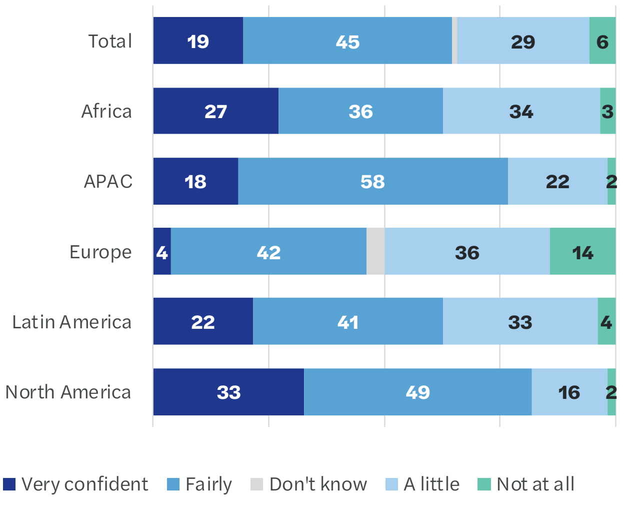
However, in regions like North America and Asia-Pacific, confidence in deal activity and portfolio performance remains high. These markets benefit from strong fundamentals, and firms here are well positioned to weather market fluctuations with a focus on resilient growth strategies.

Conversely, the outlook in Europe is more reserved, with firms grappling with economic headwinds like regulatory risk and geopolitical instability.

> "The conversations in Europe are a bit gloomy at the moment. It just means we'll need to focus on creating value within individual portfolio companies instead of relying on the market to provide that growth."

PE Director/Principal, France

Market conditions for portfolio growth



So, what drives global confidence in portfolio performance despite these external challenges?

The key factor is the significant evolution in how PE firms are managing their portfolios. Over the past few years, firms have built stronger capabilities in strategic support and operational partnership. This hands-on approach allows firms to address underperformance more effectively and help ensure that their portfolios continue to generate solid returns, even in uncertain market conditions.

> "By partnering more closely, you can better close the gap between your winners and your not-winners and get returns on both."

PE Director/Principal, UK

The ability to add operational value is now considered a core strength for firms aiming to bridge performance gaps. This active management approach has allowed firms to achieve more favourable outcomes, even when market conditions are less than ideal.

> "The present market environment has resulted in heightened volatility, higher interest rates, and economic uncertainty, all of which have had a detrimental influence on portfolio valuations and exit possibilities. Operational issues for portfolio firms have also increased, making active management critical."

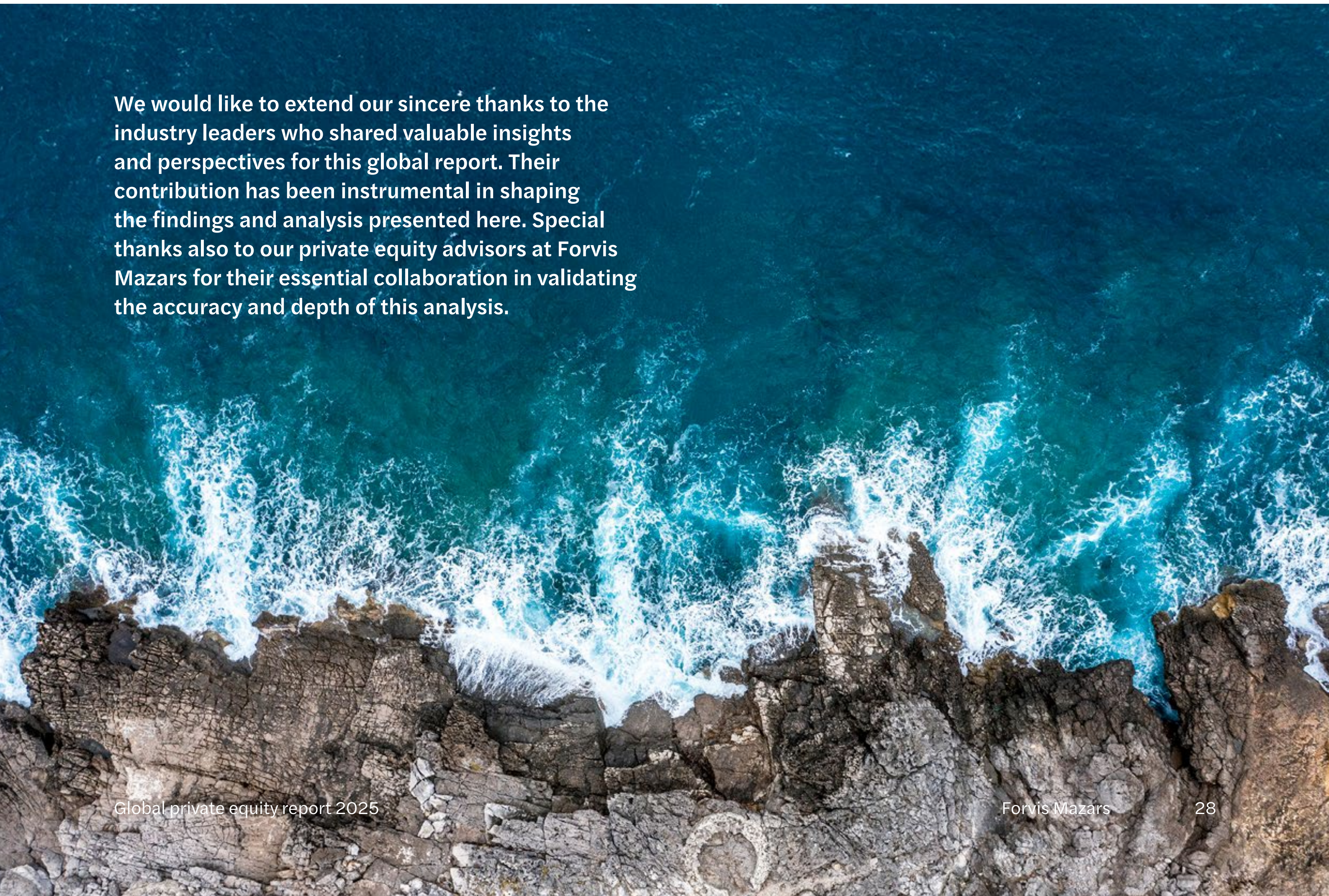
PE Managing Partner, Australia

Conclusion & acknowledgements

The private equity market is navigating through a period of volatility, driven by inflationary pressures, rising interest rates, and geopolitical uncertainties. While some regions, such as North America and Asia-Pacific, remain confident in the face of these challenges, others, particularly in Europe, are more cautious. Despite these regional differences, one overarching trend is clear: private equity firms are increasingly focused on active management and operational value creation to generate strong returns, irrespective of broader market conditions.

In particular, the ability to provide strategic and operational support to portfolio companies has proven crucial in closing the value gap for underperforming assets. As firms shift from growth-focused strategies to prioritising cash flow resilience and cost management, they are better equipped to navigate uncertainty and optimise long-term returns.

As we move into 2025, the global private equity landscape will continue to be shaped by the interplay between operational agility and broader economic factors. Firms that blend operational expertise with strategic foresight and adapt to changing economic conditions will continue to lead the way in driving value in the market.



We would like to extend our sincere thanks to the industry leaders who shared valuable insights and perspectives for this global report. Their contribution has been instrumental in shaping the findings and analysis presented here. Special thanks also to our private equity advisors at Forvis Mazars for their essential collaboration in validating the accuracy and depth of this analysis.

Appendix: survey methodology

This report summarises the findings from Forvis Mazars' Private Equity survey conducted in Q4 2024. This year's survey expanded its scope beyond Europe to additional global regions: Africa, Asia-Pacific, Latin America and North America. Respondents were well distributed across these regions.

Geography

		Sample
Africa: N=59	Nigeria	14
	South Africa	42
	Other	3
APAC: N=60	Australia	10
	China	10
	Hong Kong	13
	Singapore	13
	South Korea	10
	Vietnam	4
Europe: N=78	France	12
	Ireland	4
	Netherlands	20
	Poland	4
	Spain	5
	UK	20
	Other	13
Latin America: N=51	Brazil	20
	Chile	10
	Mexico	21
N. America	USA	55

Responses were sourced directly or via personal interview. Of the 303 responses, 80 were collected via telephone, 120 via panel, and 103 via a direct invitation from Forvis Mazars. Follow-up interviews were conducted with select clients and experts. Fieldwork was completed between 14 October and 20 December 2024.

Participants were required to work in a Private Equity fund manager, asset management firm, or family office at the time of the survey.

Firm type

	Sample
Private Equity	234
Asset Management	52
Family Office	15

The distribution across investor profiles was as follows:

Investor profile

	Sample
Majority Active	165
Majority Passive	12
Minority Active	42
Minority Passive	84

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