



Key Takeaways

M&A

1

- While private equity remains the top-performing asset class, the COVID-19 pandemic, the war in Ukraine and rising inflation (driven largely by energy costs) have challenged the industry. General Partners (GPs) managing their portfolios – and sourcing potential targets – are now confronted with these challenges along with additional pressure points such as 1) China/US trade relations; 2) Europe's anaemic GDP growth; 3) Energy transition and 4) Inflation.
- Democratisation of private equity – shorter investment periods, lower investment capital requirements for investors, easier access. The risk for GPs to be aware of is reputational damage.
- GPs hold on to good assets for longer provided they are acting in the interests of Limited Partners (LPs). Lessons can be learnt from the real estate industry, which has built core, core-plus and opportunistic strategies for investors to consider
- Impact of listed equity versus private equity – there has been a shift in private markets and a sell-off in public markets. This will likely result in increased secondary market activity
- Software sector - perfect sector to combat inflation, backing companies whose technology can help clients re-engineer their processes and remain productive in a tight labour market with rising costs.
- ESG - raising capital for impact funds requires managers to have a clear investment proposition as accusations of greenwashing continue to surface in the industry. There is a lot of focus on sustainability, yet some believe that there is a detriment in focusing on sustainability. We believe the opposite. There is no arbitrage between financial impact and sustainability.

FINANCE

2

- Healthcare predictably continues to be a major counter-cyclical haven for investment.
- The reduction in anticipated multiples (for the time being) will likely delay some sell-side opportunities until alignment is reached between buy-side and sell-side of what a fair multiple is for a particular asset.
- With interest rates rising and volatility among currencies, there is renewed focus on hedging, and volatility may lead to high pricing.
- Funds continue to fundraise in a slightly more challenging environment but PE and private credit provide alignment for 'patient capital' to deliver strong returns to investors over the life of the funds.
- Stressed and distressed opportunities are growing, which may provide for market consolidation in certain asset classes.
- Very strong (and growing) focus on ESG among investors who also see that ESG investments (as opposed to investments with an ESG requirement) are capable of driving very strong returns through the value chain.

FUNDS

3

- Healthcare focused private equity funds are in resurgence, with this sub-sector of private equity growing ever more important in a macro environment of an ageing population combined with the reality that the provision and expansion of state sponsored healthcare models may be nearing their limit of what is possible without private sector help. Healthcare private equity will become ever more important over the medium to long term.
- Distressed debt and distressed asset funds are perfectly placed to take advantage of the changing macroeconomic environment (but still a valuation gap mismatch between buyer and seller expectations remains).
- A clear focus on private equity as an asset class in adding meaningful and measurable value to portfolio companies and investing in the right management teams even more so than before to generate returns.
- Growing importance of secondaries and a return to old-style secondaries i.e. buying and selling second-hand fund interests and tail-end assets, rather than the GP-led secondaries.

FRANCE

4

The country has access to a deep SME market and the French government has been supporting companies in growth technology. The growth equity market is getting very crowded and is very much “in demand” so investors need to be mindful of this. In Venture Capital (VC), France has enjoyed a record fundraising year YTD in 2022. This has been helped by the fact that talent is choosing to remain in France rather than travel overseas. President Macron has also overseen an effort to attract talent to France. The message to large corporations is: “Sign more contracts with start-ups. It is how you drive change.”

GERMANY

5

Germany has everything to make a successful PE market: hidden champion Mittelstands, companies led by successful entrepreneurs, sophisticated management teams, efficient debt providers and experienced advisors for all functions.

ITALY

6

Although family business is still the backbone of the Italian economy, interest in private equity and venture capital investments is growing strongly. If there is a need for capital — as there is — Italian entrepreneurs seem to look less and less to banks as an answer, often to private equity. Not least because there is an evolution taking place in the latter's operating philosophy. In fact, private funds are increasingly willing to consider minority stakes in companies and not just control. And what is more, buyouts, which were a rare event in the Italian M&A landscape just a few years ago, now account for more than a third of PE transactions. And the same approach applies to scalable companies. Q2-22 recorded the second best result in the last five years and venture capital rounds are showing a noticeable growth in terms of maturity: Series A and Series B raised more in the first half of 2022 than in the whole of 2021, up 17% and 66% respectively, despite international macroeconomic and financial tensions. Several elements, including the increasing interest registered by foreign operators in investment rounds, suggest that we are indeed on the right track to witness a decisive growth of the entire Italian innovation ecosystem.

United Kingdom

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The UK is home to a strong pool of entrepreneurial talent; an advantage it will need to hold on to post-Brexit. In that regard, the UK's private equity market plays an important role in providing capital to both start-up entrepreneurs and more established SMEs. Inflation, compared to recent

years, is very high, which is a concern for private market participants in the UK, but this is not likely to result in an asset bubble bursting, as was seen in the dot.com crash and in the housing crisis in 2007/8.

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Grégoire is recognized by leading directories for his dealmaking, and constructive approach. His clients highlight his legal skills, business sense and availability.

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Shirin Deyhim focuses her practice on structured finance transactions; in particular LBO transactions, acquisition financing (build-ups), funds financing (equity bridge financing) and debt restructuring.

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Steven Haywood focuses his practice on private investment funds and alternatives asset management. He has extensive experience in advising alternative asset managers on the structuring, establishment and operation of private investment funds across alternative asset classes, including private credit and direct lending funds, private equity and private equity secondaries, infrastructure and real estate funds, as well as advising institutional investors on primary and secondary fund investments and on co-investments.

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Prior to joining McDermott, Steven worked for a multinational professional services firm as the lead lawyer for private investment funds in their UK financial services law team. He also has magic circle, international and offshore law firm background. In addition, Steven has significant in-house legal industry experience gained within alternatives asset management divisions of a multinational investment bank and a multinational insurance company giving him both adviser and client perspectives.



DIANA HUND

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Diana Hund advises clients on a wide variety of corporate transactions, including domestic and cross-border mergers and acquisitions, and leveraged buyouts.

Diana represents private equity sponsors, founders and managers in connection with acquisitions and disposals. She also represents German corporate groups in their investments in French companies and other cross-border transactions. In addition, Diana advises venture capital funds, corporate clients and entrepreneurs on venture capital and growth transactions of various types in sectors such as e-commerce and technology.

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Arélien Jugand focuses his practice on French and international acquisition and leveraged financing. He acts for financial institutions, direct lending funds and mezzanine debt providers.

Aurélien has prior experience in-house, where he worked for the structured finance team of a French investment bank for four years. He also has significant experience working as part of the banking and finance team in global law firms.

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Aymen Mahmoud is the co-head of the London Finance, Restructuring and Special Situations Group. He focuses his practice on complex debt financing transactions for private equity funds and their portfolio companies, hedge funds, corporate borrowers and issuers and other financial institutions including banks, direct lenders, family offices and other alternative sophisticated capital. His experience includes acting in respect of direct lending, leveraged buyouts, domestic and cross-border syndicated senior, second lien and mezzanine lending, distressed debt trading, portfolio acquisitions and restructurings, emerging markets and other debt securities, including high-yield debt offerings. Aymen also has significant experience in connection with pre-EBITDA and recurring revenue financings.

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Aymen played a key role in first establishing the Loan Market Association forms of leveraged and high yield documentation and has been recognized in *Global Restructuring Review's* global "40 under 40" rankings in 2022.



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Henri regularly represents private equity sponsors in their domestic and international transactions and reorganizations. He has advised top executives, management teams and employees in leveraged management buyout (LMBO) and leveraged management buy-in (LMBI) transactions valued up to €6 billion. Henri is recognized as one of the key players in this field on the Paris market. He also regularly assists domestic and multinational corporations in their acquisitions, divestitures and corporate reorganizations. In addition, he represents family-owned groups and founding shareholders in relation to equity reorganizations and their partnering with private equity or venture capital institutions.



FABRICE PIOLLET

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Fabrice Piollet focuses his practice on mergers & acquisitions and private equity transactions, handling a range of mandates across all sectors, both nationally and internationally. He works with some of the most active and widely recognised private equity funds on the market.

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Fabrice works alongside entrepreneurs and corporate groups, counselling them on strategic challenges – including focus on external growth and M&A.

He has developed a particular experience within scale-up companies (digital, technology, artificial intelligence and medtech) and supports founders and investors in their venture capital and private equity operations.



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As an experienced legal adviser in corporate, banking and financial law, Ettore Scandale helps his clients to build their commercial vision using complex, pan European financing strategies.

Ettore is well known for his ability to intimately understand his clients' business and the sectors they operate in and through this understanding he plays a key role in creating the right conditions for the success of all parties.

Advising national and international corporations along with investment funds, financial institutions and high net worth individuals, the work of Ettore and his multilingual team extends across a range of sectors, from private equity to financial services, health care and life sciences, automotive, retail, industrial manufacturing and real estate.

Ettore also advises on portfolio management, financing and exit strategies. In the capital market sector, he has worked on listing processes as well as on public offers for shares of Italian companies in regulated markets.

His broad array of clients includes JZ International, Palamon Capital Partners, Educas Investments, Grafton Capital, Montana Capital Partners, Mandarin Capital and Principia SGR.

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Antoine also regularly provides tax advice to high-net-worth individuals on a broad range of domestic and international tax matters and has significant experience in the structuring of equity compensation schemes for management teams.

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Tom Whelan focuses his practice on private equity, advising private equity sponsors, multi strategy funds, other private capital investors and corporates, helping them deploy capital across the world.

Tom handles buyouts, including secondary buy-outs and secondaries, take privates and co-investments, general M&A, bolt-ons, management incentive plans, restructurings and refinancings through to exits. During the course of any investment, Tom advises on portfolio company work and any changes to management incentive plans.

Tom regularly executes transactions in regulated sectors such as healthcare, technology, media and telecoms, financial services, water and energy, as well as handling many transactions in other sectors such as real estate, hotels and leisure, food, consumer and retail, industrial and automotive.

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