

Growth, Innovation and Resilience:

What to Expect
from **Private Equity**
in Europe in 2026

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Executive Summary

01

A **Confident** Continent

Given the turbulence in private capital markets over the past couple of years, you could be forgiven for thinking that the private equity (PE) sector was feeling a bit bruised or lacking confidence. That couldn't be further from the truth. Ropes & Gray has taken the temperature of senior leaders in PE firms across the UK and Europe, and our research shows that confidence is in abundance.

The sector is emerging from an unsettled period. The last few years have been defined by geopolitical conflict, elevated interest rates, and uncertainty around tariffs. But now a new reality is unfolding. In response, senior decision makers are adapting and finding ways to succeed amid the new dynamics of the market. The research illustrates that, although there are significant challenges, the outlook is improving, transactions will increase, and there is confidence that firms will be able to capitalise on the opportunities this new era brings.





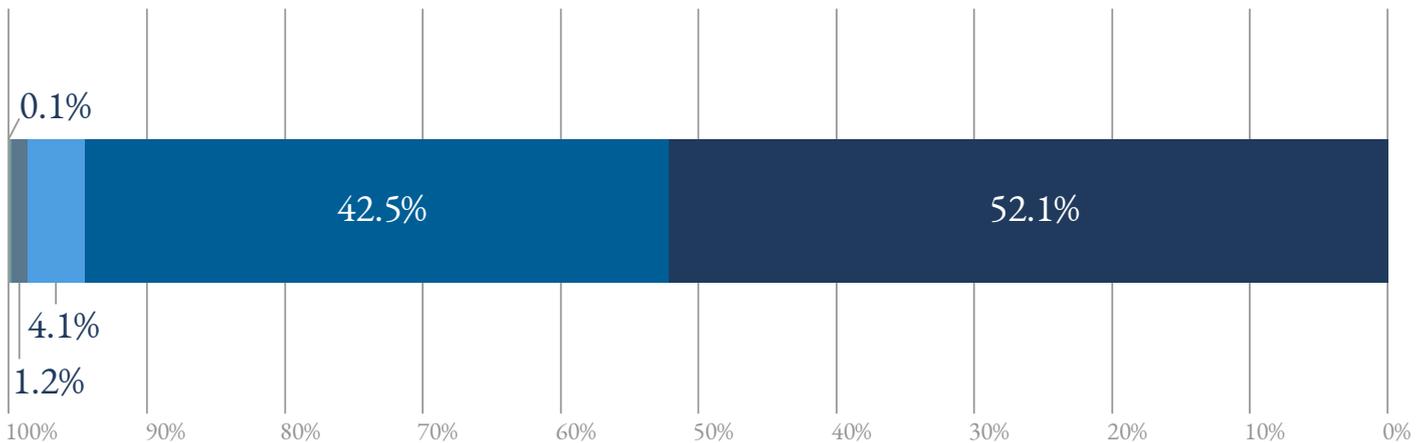
John Newton

Partner and Co-Lead of European Private Equity Transactions, Ropes & Gray



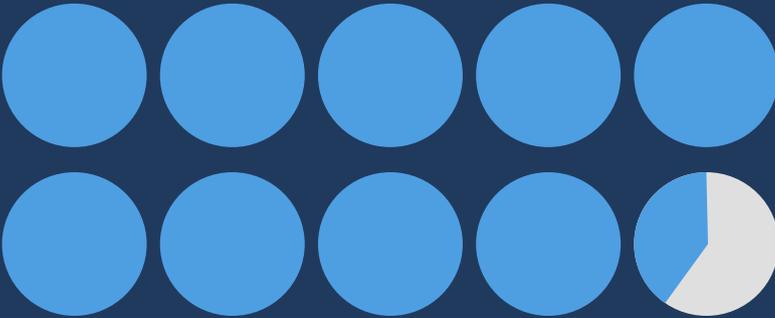
The private equity industry is in a period of flux, and this is creating real opportunities for firms in London and throughout Europe. The sector has grown massively in size, and it's also become significantly more diversified. What's clear is that, following all this change, **decision makers feel confident in their ability to adapt and deliver returns.**"

How confident are you about the overall health and resilience of the private equity market you work in over the next 12 months?



- Very confident — Strong fundamentals and outlook
- Somewhat confident — Generally positive but with some concerns
- Neutral — Mixed signals; too early to call
- Somewhat unconfident — Noticeable risks or headwinds
- Very unconfident — Significant concerns about market stability

Ropes & Gray’s research reveals a great deal of optimism about the year ahead. More than half (52.1%) of senior PE leaders across Europe and the UK describe themselves as “very confident” in the overall health of the market they work in, citing strong fundamentals and outlook. Their general confidence is backed up by strong expectations for deal flow. Almost all (94%) expect transaction volumes to increase in the next 12 months compared to the last year. Of these, nearly half (45.2%) expect deal volumes to be “significantly higher” with expectations for a surge in activity to take place over the coming year.



94%

expect transaction volumes to increase in 2026



Elizabeth Todd

Partner and Co-Lead of European Private Equity Transactions, Ropes & Gray



The market’s confidence isn’t just bravado – it reflects a genuine shift. Conditions aren’t perfect, but they’re significantly less challenging than they have been over the past few years. Financing has improved, public market valuations have recovered, and the system is starting to move again. It’s like restarting a machine – it takes time, but **momentum is clearly building.**”

Three Lingerin**g** Challenges

Notwithstanding the positive outlook of private equity decision makers, Ropes & Gray's research reveals three constraints that leaders fear will hold back their progress over the next 12 months: the regulatory environment in Europe compared to other regions; ongoing challenges in exiting investments; and the risk of tensions between LPs and GPs, partly due to a misalignment in expectations.

01

HAMPERED BY REGULATION

There has long been a divergence between Europe and the United States of America (US) when it comes to corporate regulation. From ESG mandates to data privacy rules, European regulatory frameworks are typically seen as more stringent and comprehensive. While this reflects a regulatory environment which has historically been more demanding, there are concerns among some PE leaders in Europe that, as the US pushes forward with deregulation, the transatlantic regulatory gap will grow. This will likely compound the current view from European PE leaders that the domestic regulatory environment is a major constraint, acting as a drag on transactions and the growth of portfolio companies.

02

CONSTRAINED ENVIRONMENT FOR EXITS

The optimism of European private equity leaders is also tempered by ongoing concerns about their ability to return liquidity to investors. Valuation mismatches are seen as a barrier, and with IPO markets constrained over recent times, recapitalisations and continuation vehicles are considered favourable options. The deal volumes that were seen in 2021 have not been matched since the conflict in Eastern Europe began, and a range of economic and political factors have contributed to uncertainty¹. Despite this, as we look towards 2026, the outlook is increasingly positive. Even as IPO activity remains limited and valuations stay subdued, threatening firms' ability to deliver returns significantly above those the public markets offer, almost all European PE leaders expect their transaction volumes to increase in the next 12 months.

03

TENSIONS BETWEEN LPs AND GPs

For private equity fund managers, a key factor in achieving their ambitions will be through the maintenance of productive relationships with their investors. However, Ropes & Gray's research suggests that GPs may be underestimating the frustrations felt by their LPs. When asked to identify tensions affecting their relationship, LPs cited a higher number of issues across the board than their GP counterparts, the most significant of these being transparency and reporting.

Rohan Massey

*London Managing Partner, and a Leader of Data,
Privacy and Cybersecurity, Ropes & Gray*



Unquestionably there are challenges and there's been hesitation for a whole host of reasons, from interest rates to geopolitics. But if you look at the private capital sector as a whole, it is really robust. Now the dust is settling, and with so much dry powder out there, people know they need to transact, so we see **deal flow starting to ramp up.**"

Transformation in the Private Equity Market



The confidence in the private equity sector demonstrates leaders' expectations that their firms will overcome lingering challenges. In order to achieve this, they recognise there is a need to quickly adapt to the newly emerging reality.

Ropes & Gray's research shows that a significant proportion of firms across Europe and the UK plan to reposition their strategy in the next 12 months, as they adjust to reflect these market shifts. Many senior leaders we spoke with signalled a move toward building out sector-specific capabilities and bringing in industry veterans to strengthen their value proposition. This shift for firms is not just about differentiation; it's about future-proofing.

The response is encouraging and illustrates a sector that is agile and alive to current market challenges. As one senior industry practitioner observed, PE is used to focusing on investee companies and restructuring them to perform in changing markets, but it's not always so good at applying the same approach to their own models. Now the private equity industry is entering a new period, and leaders are being forced to rethink their approach to remain competitive.

John Newton

Partner and Co-Lead of European Private Equity Transactions, Ropes & Gray

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The sector is in the middle of a major transformation. It has grown and its nature is changing. We're seeing this take effect in some radical ways. Whether it's the growth of the secondaries market, or the rise of retail fundraising, or a range of new investment strategies, these shifts will alter the shape of private equity for years to come. The rewards for those that can best respond to these changes are significant. **The next 12 months will be key.**”

US Investment



John Newton

*Partner and Co-Lead of European
Private Equity Transactions, Ropes & Gray*



Europe is gaining investor attention as US unpredictability grows. This is resulting in a narrative around **Europe's stability and increasing its appeal** as a target investment destination.”

Europe Sees **Opportunity** for Increased US Investment

Amidst an evolving PE climate, European firms see that conditions are right for an uptick in US investment in their market. The interest from US investors is motivated by several factors, but three core drivers stand out. Firstly, valuations are making European assets relatively more appealing than the US and other markets. Secondly, there is a sense of comparative political and regulatory stability in Europe. And lastly, US investors are sitting on a significant volume of dry powder – reportedly USD \$1.1 trillion² of unused capital ready for investment – that needs to find a home. This desire to deploy more capital in non-US jurisdictions presents a big opportunity for European markets but, of course, the conditions for investment have to be right.



Alex Robb

Partner, Finance, Ropes & Gray



There's been conjecture about funds looking to diversify away from their exposure to US assets and Europe looks like it will benefit. A number of our US clients that haven't done many European deals to date are now very excited about the region. It's currently where they see value and **greater prospects of superior returns.**”

Attractive Valuations Driving US Investor Confidence

US investors are perceived to be interested in the competitive valuations of the European market. Our data shows that 31.4% of decision makers in Europe believe attractive valuations relative to the US or other markets are a primary factor driving US investor interest in EU/UK private equity opportunities.

What do you believe are the primary factors driving US investor interest in EU/UK private equity opportunities?

01

31.4%

Attractive valuations relative to US or other markets

02

30%

Perceived political or regulatory stability

03

29%

Desire to deploy more capital in non-USD jurisdictions

Top three answers selected by respondents in Europe.

Scott Voss

HarbourVest

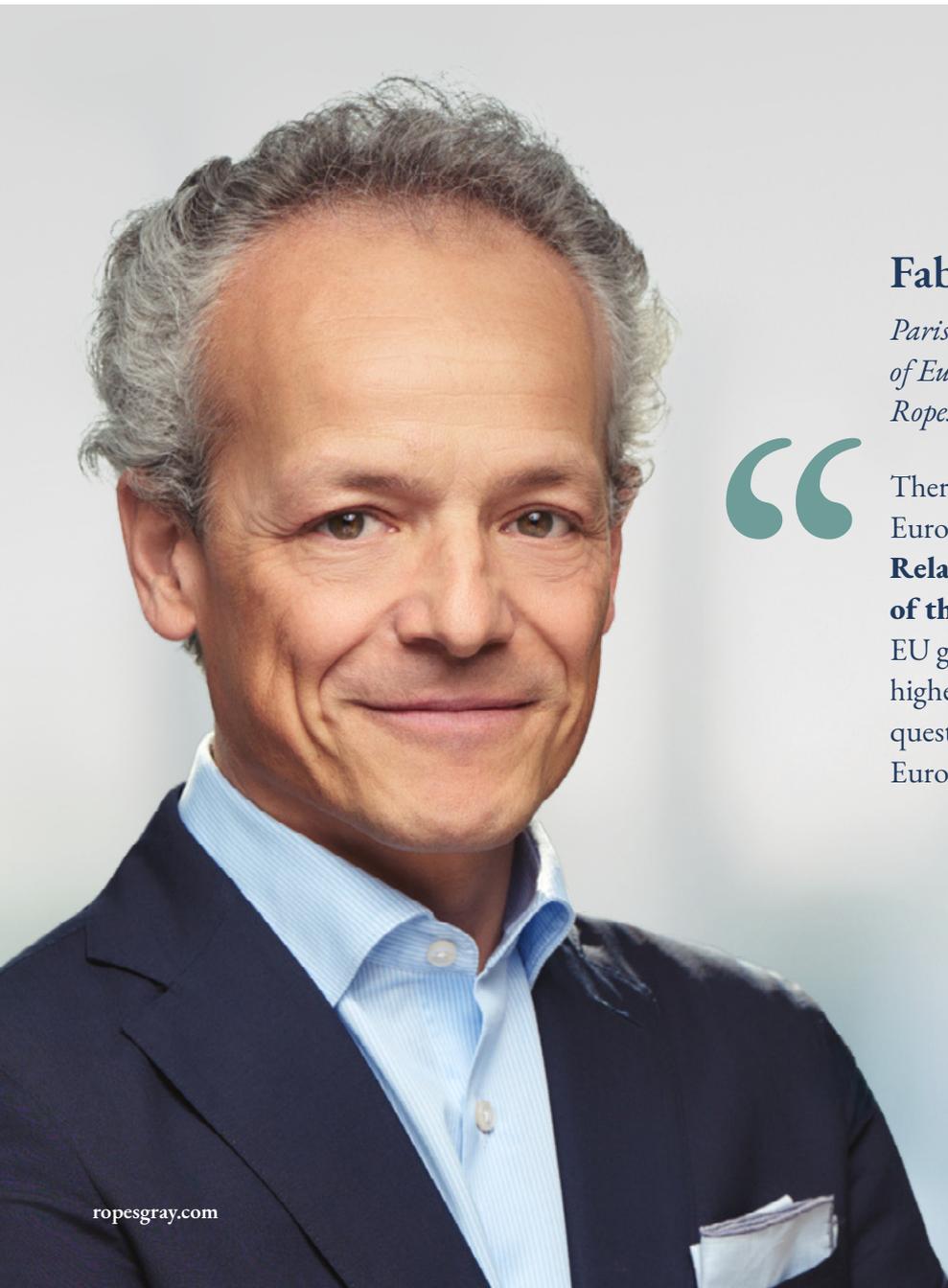
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While the US has been the core strategy for many investors, Europe is presenting a compelling alternative. The European market is offering room for value creation, due to competitive pricing and high potential returns, with private equity significantly outperforming public market comparables. It's not just about geography, it's about finding where you can truly **transform and scale businesses.**”

Sense of **Stability** in Europe

A perception of calm in European markets, complementing the well-priced assets available, is another reason highlighted by decision makers in Europe as a driver for US focus on the continent. Almost a third of European respondents (30%), and 21.3% in the UK, say that perceived political or regulatory stability is a primary factor prompting US investment in Europe. This is also the case when looking at GP responses, with 26.5% highlighting this stability as a factor. There is a sense that Europe has moved past the uncertainty created by the Russia–Ukraine conflict and that Europe’s market reputation has benefitted in comparison to the volatility following the US’s liberation day tariffs.

The anticipated USD \$1.1 trillion in dry powder in the US will be looking to find the right home over the next 12 months. With investors indicating a desire to deploy more capital outside the US, Europe is well positioned to benefit.



Fabrice Cohen

*Paris Managing Partner and Co-Lead
of European Private Equity Transactions,
Ropes & Gray*



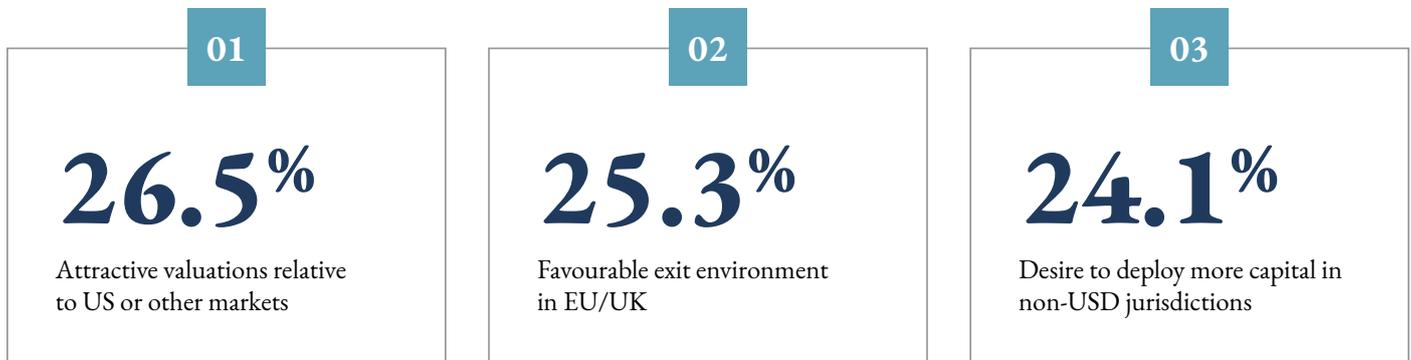
There’s a lot of attention from the US on European assets for a variety of reasons. **Relative valuations are certainly one of the biggest considerations**, with the EU generally more favourable and with higher expected return of capital. So, if the question is, ‘Where do we find value?’ then Europe offers a clear answer currently.”

Signs of **Divergence** Between UK and European Markets

When it comes to transactions, senior PE decision makers in the UK appear less confident than their European counterparts. Although a strong majority of European PE leaders expect transaction volumes to increase in the next 12 months, almost one in ten UK decision makers (9.1%) say transactions will remain the same or decrease next year, compared to just one in 20 (4.4%) in Europe. This may be due to concerns about slow growth and persistently high inflation in the UK.

European decision makers are also more confident that US firms will deploy capital in their markets, compared to their UK counterparts. Twenty-nine percent of European respondents say that a desire to deploy more capital in non-USD jurisdictions is a primary factor driving US investor interest in EU/UK PE opportunities, while 24.1% of UK respondents say the same. It's a gap that the UK PE market, and those responsible for regulation and policy making, should examine further if the UK is to be competitive in attracting inward investment into its companies.

What do you believe are the primary factors driving US investor interest in EU/UK private equity opportunities?



Top three answers selected by respondents in the UK.

Pascal Noth

Partners Group

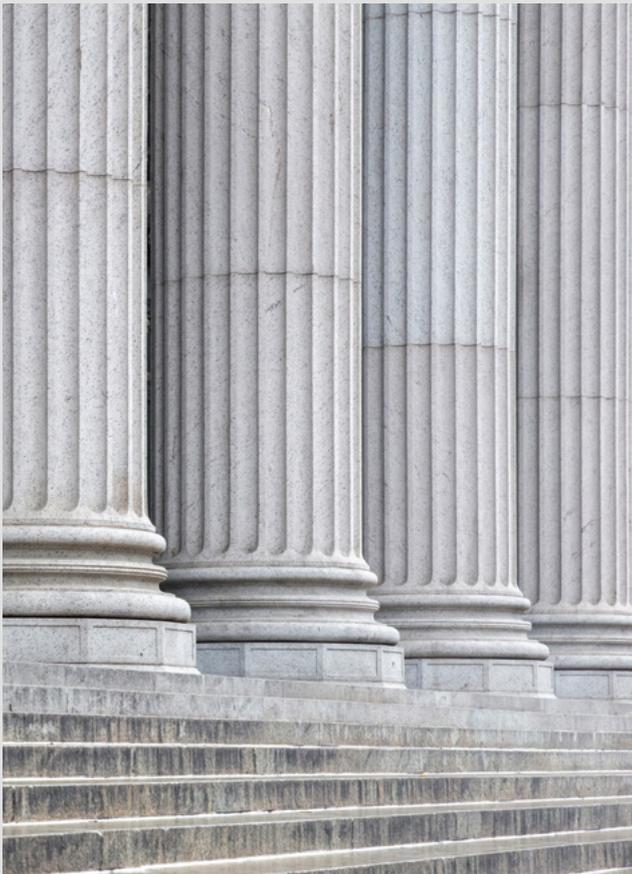


The opportunity for US investors in Europe is significant, but potential is not a guarantee of success. Europe must convert its perception of an attractive market into tangible investment. **Confidence alone won't attract capital – structural readiness will.**

Regulation



The Regulatory Sandbag

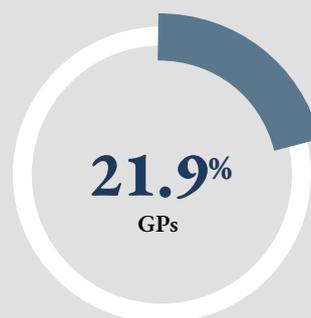
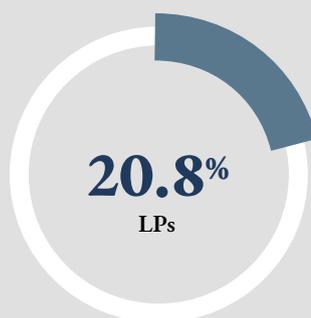
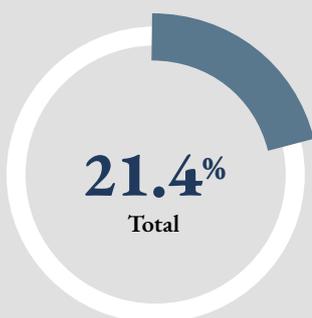


The European private equity market is not without its challenges. While political stability is one of the factors attracting US investment into Europe, the counterweight is the continent’s increasing regulatory burden.

Regulation is seen as one of the biggest constraints on private equity transaction activity across Europe and the UK. One in five (21.4%) PE leaders identify regulatory issues as a constraining factor on their firm.

This sentiment is echoed across both LPs and GPs, with 21.9% of GPs and 20.8% of LPs referencing regulation as one of the top three barriers to dealmaking. For GPs, the next most significant constraints are the interest rate environment (18.8%) and geopolitical instability (17.9%). LPs, meanwhile, also point to interest rates (19.5%) along with competition for assets (22.8%) as key concerns in terms of their effect on transaction activity.

Respondents who identified regulatory changes (e.g. securities laws, antitrust, foreign investment, tax policy) as a constraint on transaction activity.



Sean Seelinger

Partner, Litigation & Enforcement, Ropes & Gray



For US firms, the European regulatory environment can feel counter-cultural – it’s more layered, more prescriptive, and often unfamiliar. But at the same time, there’s a growing recognition that Europe offers something the US currently lacks: predictability. In a policy environment that can often feel unsettled, that **stability is increasingly appealing to investors seeking confidence** in their investment thesis and valuations.”

The findings demonstrate that while there is a need for political and regulatory stability – which is boosting US investment in Europe – some investors feel the regulatory environment in Europe³ is holding them back and that, since the global financial crisis, regulation has become steadily more burdensome.

Governments in the UK and in Europe have acknowledged the weight of regulation. In the UK, the Chancellor of the Exchequer has stated that the “pendulum has swung too far” in terms of financial regulators’ appetite for risk.⁴ Initiatives such as the ‘Leeds Reforms’ aim to reduce regulatory barriers and stimulate growth in the financial services sector. Likewise in the EU, regulators are working to reduce the burden of sustainability reporting on firms. However, our data suggests that PE leaders feel these efforts have yet to deliver meaningful change.

Lisa Kaltenbrunner

Partner, Antitrust, Ropes & Gray



Private equity firms currently face a triple filing burden – merger control, foreign direct investment (FDI), and foreign subsidies regulation (FSR). Even small deals can trigger filings if they touch sensitive sectors like cybersecurity or biotech. Whilst the UK government has given a clear steer to the CMA to **encourage investment growth**, and we’ve seen more informal filings and faster responses as a result, national agencies in the EU haven’t meaningfully reduced the overall regulatory burden.”

Even so, there are some signs of relief. In the UK, the Competition and Markets Authority (CMA) continues to encourage short briefing papers – which can yield feedback within a week, compared to the five-month timeline for formal merger control. This shift reflects a broader push for proportionality and pace in regulatory decision-making, with the Chancellor recently praising the CMA, now under new leadership, for its efforts to be more pro-business. However, these efficiencies apply mostly to straightforward, low-risk deals. For more complex transactions, especially those involving sensitive sectors or cross-border elements, the burden remains substantial.

The EU is also taking steps to make the Foreign Subsidies Regulation (FSR) less burdensome by exploring procedural simplifications and offering additional guidance, which has been cited as a step forward. However, the process remains cumbersome, and the volume of filings continues to grow. For private equity firms, this means increased costs, delays and resource strain, creating operational and strategic friction.

Linford Coates

Bain Capital

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There isn't a single piece of regulation that's stopped a deal outright, but the cumulative effect is significant. We've seen a real increase in the number of filings required and the time it takes to get from signing to closing. During this prolonged transitional period, business growth can often be impacted by reduced sponsor oversight and limited management incentives, which ultimately impacts sponsor returns.”

As the previous chapter highlights, there's a significant amount of 'dry powder' in the market that presents a substantial opportunity for markets to benefit from increased inward investment. However, the right conditions and opportunities need to emerge for it to be deployed productively. On speaking with industry experts, there is not only concern about the levels of regulation required to transact but also on the regulation of the markets where investee companies trade.



Lisa Kaltenbrunner

Partner, Antitrust, Ropes & Gray

“

To boost investment, agencies should focus on streamlining filings for low-risk deals, improving coordination across jurisdictions, and refining complex regimes like the FSR. It's also important that policymakers carefully assess the necessity of new regulations – especially in areas like outbound investment – to avoid adding friction to cross-border capital flows.”

Exits



Make for the **Exit**

Investors may be confident in the overall health and resilience of the PE market, but senior leaders recognise there are challenges to making successful exits in the current climate. These challenges illustrate PE as an industry in flux, with a new normal developing that's shaping how firms exit. Our survey finds this difficulty is in part due to valuation gaps, and tight credit and financing, leading to a market that often struggles to find a route to exit by sale or IPO, and that instead favours continuation vehicles.

Elizabeth Todd

*Partner and Co-Lead of European
Private Equity Transactions,
Ropes & Gray*

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Exits are challenging due to valuation gaps – especially on those assets that are not top-performers in their sector. Holding assets longer risks losing momentum and focus, while IPOs and strategic sales are in short supply. Continuation vehicles have become a popular flexible option – a route to liquidity for LPs without sacrificing overall value if the GP has conviction in the underlying asset.”

What is Causing Difficulty?

PE decision makers highlight a range of barriers to executing exits, indicating there is no one overriding issue causing complications. The biggest barrier, according to LPs and GPs, is valuation mismatches, cited by 35% of LPs and 26% of GPs. But, while valuation mismatches are a significant issue, the broad range of barriers to exit identified by PE leaders indicates how challenging the exit environment is as a whole, and shows there's no one silver bullet that will unlock an exit. Instead, firms will need to continue to work through a diverse set of issues when considering their exit strategies so that they can deliver value to investors.

Benoit Vauchy

Permira



There is a lot of capital that needs to find a home, but **uncertain markets have pushed a flight to quality and safety.** This means that recently for some assets in more exposed sectors there are just no buyers. It's like trying to sell a great house in a difficult neighbourhood. But the good news is if you have a high-quality asset in a sector that's performing, such as software or tech, you're going to have a lot of bidders and a good price."

Despite ongoing issues, exit timelines and liquidity are cited by just 21.9% of GPs, and 21.8% of LPs as the biggest source of tension in their relationship. This is the lowest selected option for both groups of investors, and suggests expectations here have become aligned, with both recognising the challenges in achieving successful exits in the current market.

WHAT ARE THE BIGGEST BARRIERS TO EXECUTING EXITS IN THE CURRENT MARKET?



Valuation mismatches between buyers and sellers



IPO market remains closed or unattractive



Limited PE buyer appetite or demand



Tight credit and financing environment



Weak performance of portfolio companies



Regulatory or geopolitical uncertainty



Volatile or uncertain market conditions for portfolio companies

Tight Credit and Financing

Although exits are not necessarily a big cause of tension, LPs and GPs view the barriers to doing so differently. LPs see tight credit and financing as a key concern (28.1%), while the most significant issue for GPs is weak performance of portfolio companies (25.2%). As such, GPs are pursuing other options to realise liquidity, including minority stake sales, and carve out sales.^{5,6}

Scott Voss

HarbourVest

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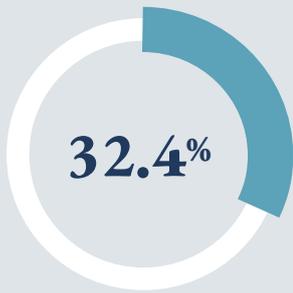
The credit market dictates the velocity of capital and is the linchpin that will unlock liquidity in private equity. Debt financing isn't just about borrowing money, it's about **creating flexibility and opportunity** for transactions to happen.”

Routes Forward

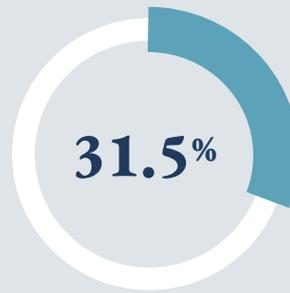
A challenging exit environment is pushing investors to employ a range of options in order to achieve liquidity. In this new era, LP secondaries volumes have increased dramatically, and continuation funds have become a key part of exit strategies.

In our data, 32.4% of European and UK decision makers selected recapitalisation as the most viable liquidity route for portfolio companies, 31.5% selected secondary buyouts, and 29.9% selected internal fund-to-fund transfers or continuation vehicles. This suggests that firms are keeping their options open to achieve liquidity, and continuation vehicles have become more popular as firms are appraising their strategies to build greater long-term value.

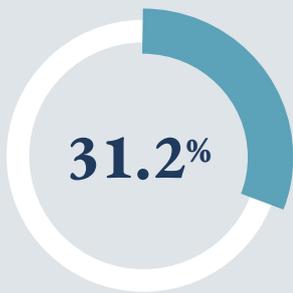
What is currently the most viable liquidity route for portfolio companies?



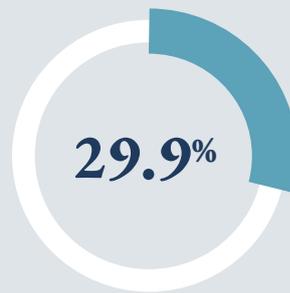
Recapitalisation — Partial exit through refinancing and dividend recap



Secondary buyout — Sale to another private equity firm



Initial Public Offering (IPO) — Listing on a public exchange



Internal fund to fund transfer or continuation vehicle

Our data reveals that IPOs also remain a potential route to exit, despite sluggish activity currently, with 31.2% of decision makers selecting IPOs as a viable liquidity route for portfolio companies. The market expectation is that IPOs will return to pre-pandemic and pre-inflation status, and that is driving confidence more broadly.

Scott Voss

HarbourVest

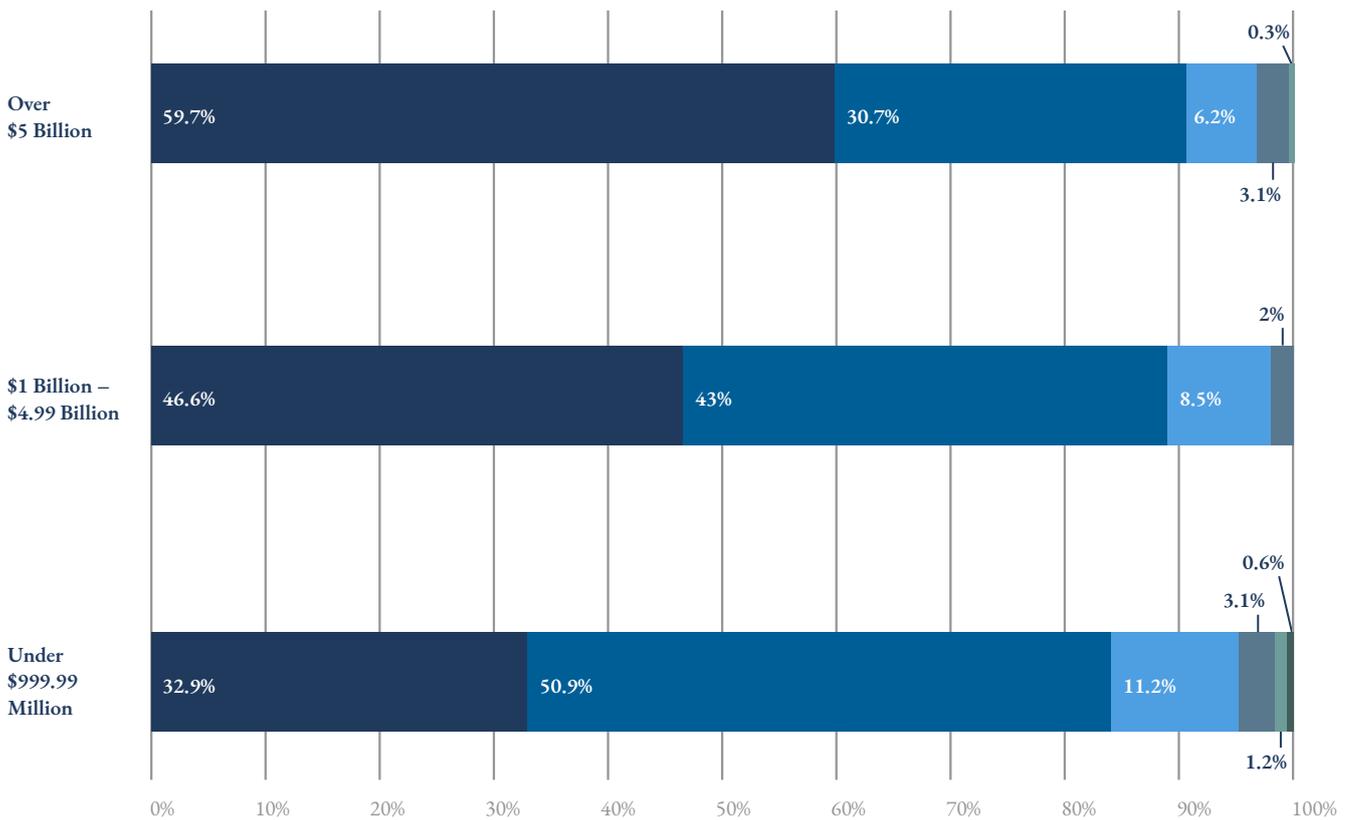


The liquidity stack is changing. We're seeing GP-led secondary transactions become 50% of the secondary market and secondaries accounting for as much as 20% of all liquidity. If you're not hungry for liquidity, you can roll over these transactions to continue participating. But the key question for firms is: **can they continue to deliver value-added capital in this constrained environment?**"

Market Favouring Bigger Firms

Our data also suggests a divided picture when considering responses based on firm size. Larger firms are significantly more confident that they will achieve successful exits for portfolio companies over the next 12 months. The larger the firm by AUM, the more confident they are of exit capabilities.

How confident are you in achieving successful exits over the next 12 months?



- Very confident — Strong pipeline and market conditions
- Somewhat confident — A few challenges, but overall on track
- Neutral — Uncertain; could go either way depending on market shifts
- Somewhat unconfident — Facing delays or market headwinds
- Very unconfident — Significant obstacles to timely exits
- Not applicable — No planned exits in the next 12 months

While larger firms are more confident about their ability to exit, they are also better placed to attract investment. Bain & Company's Global Private Equity Report 2024 highlighted the concentration of fundraising in 2023, with the average size of a buyout fund in 2023 at USD \$1.2 billion, an 83% increase from 2022. In fact, just 20 funds out of 1700 accounted for more than half of the USD \$400 billion buyout capital raised.⁷

Cataldo Piccarreta

*Partner and Co-Lead of European
Private Equity Transactions, Ropes & Gray*



Larger firms have more access to new markets, as well as more public assets that garner greater interest from buyers. Bigger assets create more capital that has **more liquidity potential**, and that catches the eye of investors. This environment means smaller firms are having to be more **selective in their approach**, with small funds now often focussed purely on specific areas and specific sectors.”



LP/GP Relationship

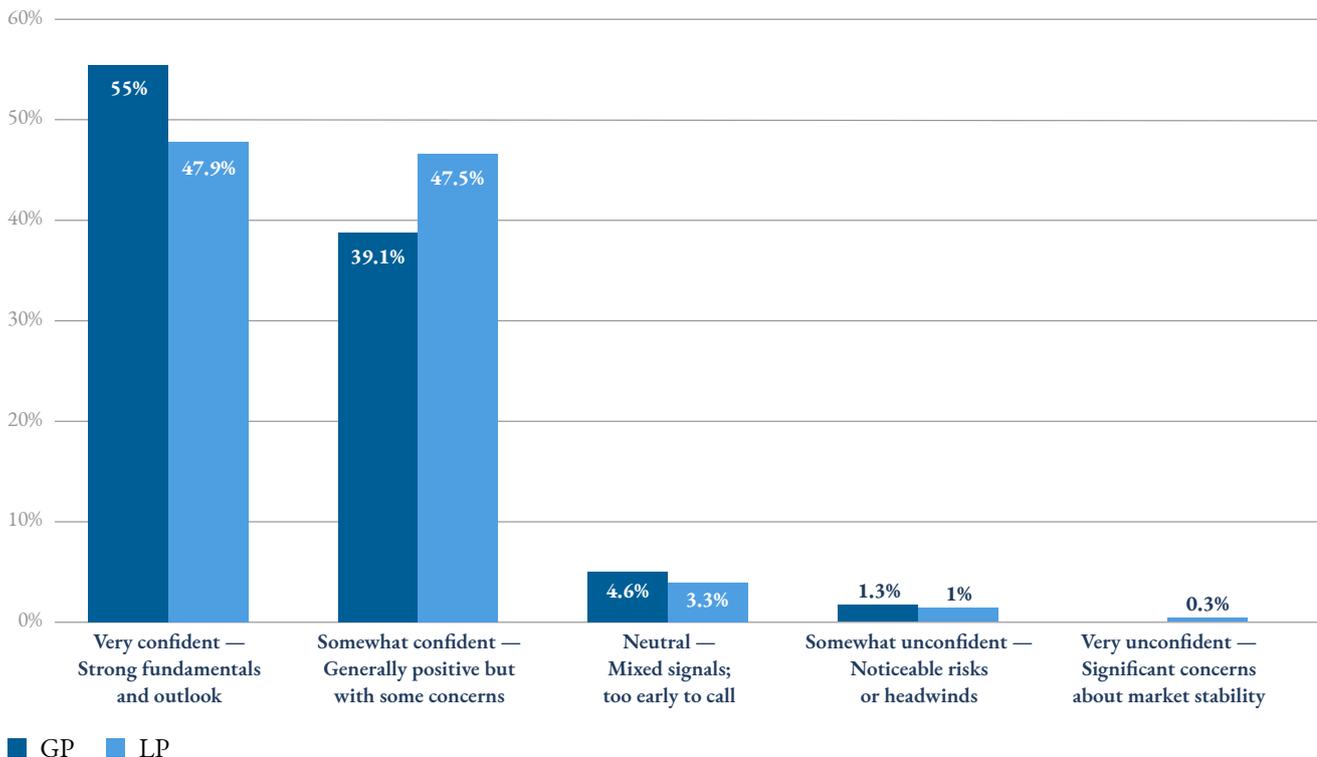
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LPs and GPs: Emerging Tensions

Whilst our data shows there is broad confidence in the health of the private equity market over the year ahead, there is some divergence in expectations between LPs and GPs.

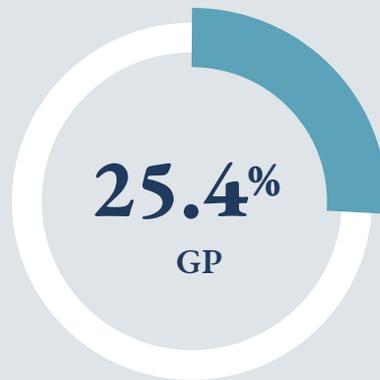
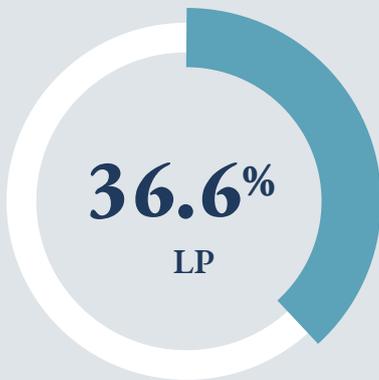
GPs tend to express stronger confidence in the market, whereas LPs are notably more cautious. Almost half of LPs describe themselves as only “somewhat confident”, citing “some concerns” about the resilience of the market over the next 12 months. This is eight percentage points higher than for GPs, with 39.1% only “somewhat confident”. This gap in sentiment reflects the differing priorities and pressures faced by each group.

How confident are you about the overall health and resilience of the private equity market you work in over the next 12 months?



As LPs and GPs diverge in their market outlooks, tensions in their working relationships are also becoming more apparent. LPs are significantly more likely than GPs to report frustrations, with LPs seeing transparency and reporting as the biggest source of tension between them. More than one in three LPs (36.6%) identify transparency as a key concern, compared to just 25.4% of GPs. This discrepancy underscores a challenge in aligning expectations and communication standards. As exit timelines extend, LPs are demanding more detailed and frequent updates to maintain confidence in portfolio performance and strategic direction.

What is the biggest source of tension between LPs and GPs in your current experience?



Transparency and reporting —
Insufficient or delayed
communication and data sharing



Linford Coates

Bain Capital



Longer hold periods have made transparency more important than ever, but LPs can often feel left in the dark. What they appreciate is **deeper insight** into the efforts being made to secure exits. Without that, it can feel like assets suddenly reappear in continuation vehicles with little context as to the other avenues that have been explored – and that erodes trust.”

While transparency is a more prominent concern for LPs, GPs cite performance as the primary source of tension. Among GPs, 28.3% identify performance-related issues as a challenge in their LP relationships. Interestingly, a similar proportion of LPs (31%) agree, indicating that both sides recognise the pressure to deliver returns in a competitive and evolving market.

Chris Townsend

*Partner, Asset Management,
Ropes & Gray*

“

We're seeing **LPs push for more information** – there's a definite uptick in reporting requests from investors. We're also seeing more detailed information being requested, particularly around regulatory issues like sanctions, but also broader transparency.”

Fabrice Cohen

Paris Managing Partner and Co-Lead of European Private Equity Transactions, Ropes & Gray



The **market has changed significantly** – there’s no sense pretending it’s still 2021. Credit is massively available, but there is new competition on the debt market with the significant development of private credit. Current trading is also challenging and less predictable for many portfolio companies, and this continues to weigh on returns – there’s just not the performance that we saw five years ago unless the asset is a prime one. What the sector needs to be better at is setting clear expectations around valuations between GPs and LPs, and ensuring accurate reporting. If conversations are open and transparent, there will be less surprises and therefore less tension between the two.”

These dual concerns – performance and communication – raise important questions about the future of the LP/GP relationship. As the market evolves, there is a growing need for both parties to reassess how they collaborate and share information to ensure that expectations are well matched.

Pascal Noth

Partners Group



We believe best-in-class GP reporting should include actuals-based valuations, regular audited updates, and active, ongoing dialogue with LPs. **While some firms are moving in this direction, many still fall short of these standards.**”

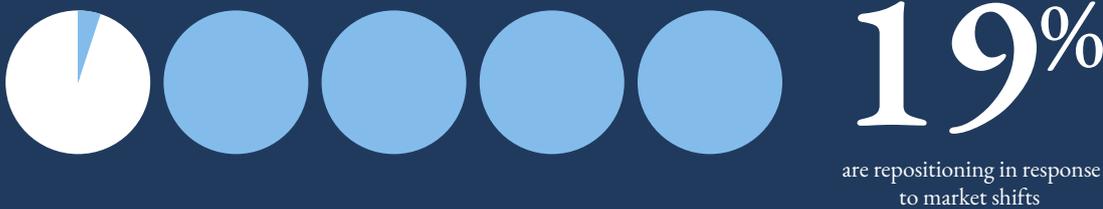
Repositioning and Conclusion



A Market in Flux

The private capital market is going through a period of evolution, and decision makers within private equity firms are responding to these shifts. As Ropes & Gray's research shows, firms across Europe and the UK have identified a variety of challenges their teams face, and they anticipate the need to adapt. They are grappling with a regulatory environment that many see as a constraint. They are looking to innovate to ensure they can return liquidity to investors. And leaders will need to act to maintain productive relationships between GPs and LPs. Yet, despite these challenges, there is confidence in the sector's ability to adapt and significant confidence about increased transactions in the year ahead.

Ropes & Gray's research shows that one in five (19.2%) private equity firms say they are planning to reposition their firm in the next 12 months. This suggests that private equity leaders are rising to the challenges the market presents and reconfiguring their firms in order to make the most of the nascent rebound in activity. As better deal volumes return and firms position themselves to maximise this opportunity, the sector is likely to evolve on three levels: consolidation, specialisation and realignment.



Benoit Vauchy

Permira



There's an arms race at the moment. The level of competition and the level of sophistication is constantly increasing, so everything you do needs to be better and better. The whole sector is having to up its game. And every firm is asking themselves: **Where am I differentiated?** Where do I have the expertise and the track record that gives me the right to win and the right to extract a higher return?"

01 Broader Scope

The focus on repositioning is most pronounced among larger firms within the sector. Twenty percent of firms with more than USD \$5 billion assets under management plan to reposition in the coming year, slightly ahead of the proportion within the market as a whole. As the largest firms look to reposition to maximise opportunities in a resurgent market, this is likely to prompt re-calibration across the private equity sector. There has been growing expectation for a round of consolidation in the PE sector and, as the demanding fundraising environment squeezes smaller firms, this will be more likely.

Elizabeth Todd

Partner and Co-Lead of European Private Equity Transactions, Ropes & Gray



It seems inevitable that **we're going to see more consolidation.** There are so many competing opportunities for LPs' funds, some GPs are going to struggle to get LP engagement and raise funds. As part of that consolidation, we will continue to see some of the strong players become very, very large asset managers."

02 Deeper Expertise

Part of the larger firms' purpose in buying up rivals is to deepen their expertise in particular areas, to improve their offering both to LPs and to their portfolio companies. And the increased consolidation in the sector could also create opportunities for smaller firms to demonstrate their point of difference to investors. As firms look to stand out in a saturated market, there is a focus on showing specialisation, and a demanding fundraising environment is putting pressure on firms to demonstrate added value and expertise. The firms that can bring this high-level know-how to bear will be better positioned to succeed in an evolving and increasingly competitive market.

Sabina Ouimet-Storrs

GHO Capital



As a specialist, GHO Capital can bring something more than just money to the table. It's how we've been able to clearly differentiate ourselves in healthcare. We go deep in certain areas and certain themes, and we bring in operating partners who have led and grown successful businesses. This is a clear differentiator that really helps management teams get excited to work with us. And so, **specialisation is a way to future-proof your firm, your people, and your assets.**"

03 Sharper Expectations

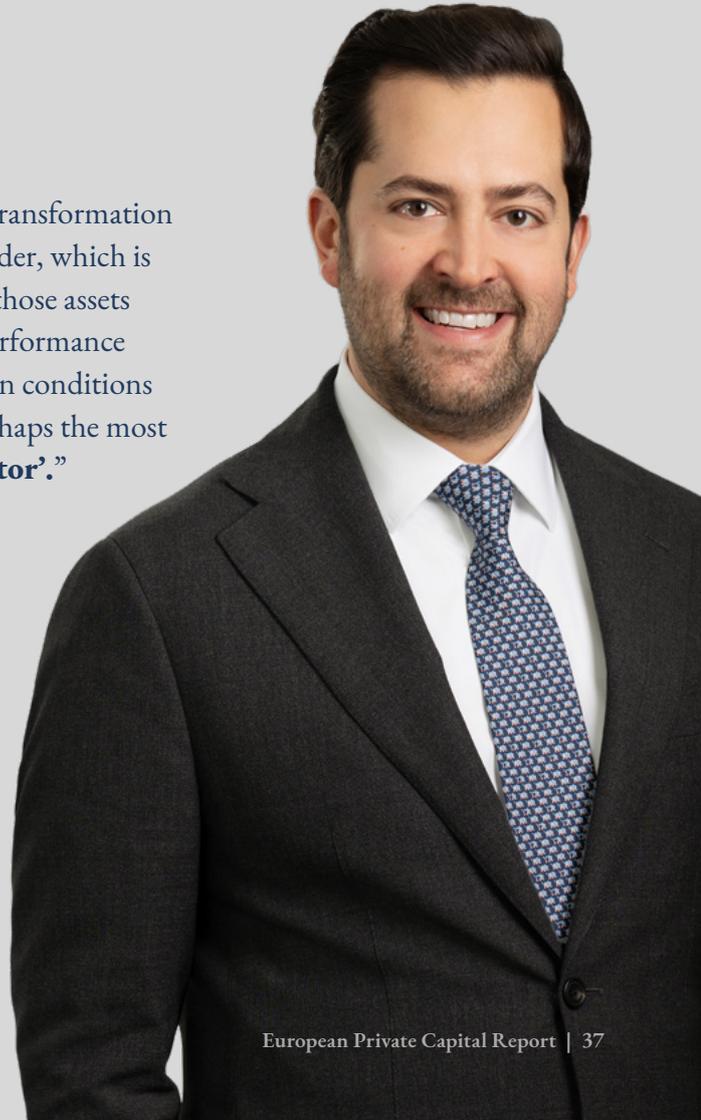
The confidence among private equity leaders that they will be able to achieve successful exits in the year ahead is positive, and it comes despite lingering market challenges. The IPO market remains subdued, and the cost of debt is unlikely to return to levels seen at the beginning of the decade. Our research highlights that LPs are looking for greater transparency from their GPs, and GPs know that if they are to hold onto assets for longer, they need to be clear about the strategy, and how they can deliver for their LPs. In this environment, continuation vehicles and other GP-led secondary transactions are set to grow in importance, but there is also likely to be a reset in expectations on valuations in order for deals to get over the line.

Sean Seelinger

*Partner, Litigation & Enforcement,
Ropes & Gray*

“There are three key influences that are prompting a transformation in the year ahead. The first is the amount of dry powder, which is putting pressure on firms to deploy capital and find those assets that will deliver returns. The second is the relative performance of the last few years which means any improvement in conditions needs to be maximised. But the third influence is perhaps the most important, **and that’s what I call the ‘human factor’.**”

“**Different people read uncertainty in different ways**, but after a while the sheer number of macro risks start to have a numbing effect. People have learnt that they need to switch off the outside noise to a certain extent and focus on the fundamentals. That’s why I think we’re seeing a rebound in activity and confidence while the opportunity is there, even if markets aren’t perfect.”



The New Reality for Private Equity

As we head towards 2026, the private equity sector in Europe looks set to capitalise on a return of market stability, with high expectations for increased transactions in the year ahead. But, as our research shows, behind the confident outlook some persistent hurdles remain: red tape continues to rein in growth; a narrowed exit environment is limiting liquidity; and misaligned expectations risk undermining relationships between GPs and LPs. Amid these persistent challenges, private equity leaders have identified the need to adapt if they are to maximise expected market improvements in the year ahead. The large proportion of firms looking to reposition themselves points to a market that is evolving to address the challenges and opportunities it faces. Whether through consolidation, specialisation or an expectation reset, leaders are rethinking the playbook so that they can take advantage of an array of developments that are reshaping the private equity sector. As the market evolves, it offers fresh opportunities. Leaders will need to keep adapting their strategic approaches to help them make the most of this market in flux.

Rohan Massey

London Managing Partner, and a Leader of Data, Privacy and Cybersecurity, Ropes & Gray

“

If your core mandate is to deploy capital and return it to investors, then **sitting idle isn't an option**. You can't sit on your hands forever. Private equity isn't about riding the economic tide, it's about finding differentiated businesses and unlocking value.”

“

And so, decision makers know that they must generate growth when and where they can, and that means adapting to the market. In this environment we're seeing firms taking a step back, almost with a white sheet of paper, and asking themselves 'What are we good at?' Because those are the areas where firms can focus, where they can have a very consistent story with their LPs, and where they can really **deliver and differentiate**.”

“

Our research shows firms are confident that they'll be able to achieve this shift in the year ahead. For those firms that can position themselves to make the most of this period, the **window of opportunity is swinging open**.”



About the **Research**

Ropes & Gray commissioned research conducted by Censuwide, among a sample of 756 senior decision makers in private equity in the UK, Denmark, Finland, France, Germany, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, and Switzerland. The data was collected between 08.08.2025 – 18.08.2025.

Censuwide abides by and employs members of the Market Research Society and follows the MRS code of conduct and ESOMAR principles. Censuwide is also a member of the British Polling Council.



Footnotes

- [European Private Equity Market Recap – H1 2025 | Insights | Ropes & Gray LLP](#)
- [U.S. Private Equity Market Recap – January 2025 | Insights | Ropes & Gray LLP](#)
- [KKR deploys record \\$20bn in Europe this year](#)
- [Rachel Reeves: the pendulum has swung too far on risk](#)
- [Private equity firms overhaul exit strategies as IPO market slams shut](#)
- [Brainlab shelves IPO in latest blow to Europe’s struggling listings market](#)
- [Global Private Equity Report 2024 – Bain](#)

With Thanks to Our Contributors

We would like to thank our clients and partners who contributed to this research. Their insights and expertise were instrumental in shaping the findings and recommendations included within the report. We would like to extend particular gratitude to those who agreed to be interviewed as part of our research and offered commentary quoted within the report:

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Partners Group

**SABINA
OUIMET-STORRS**
GHO Capital

BENOIT VAUCHY
Permira

SCOTT VOSS
HarbourVest

About Ropes & Gray

Ropes & Gray, a preeminent global law firm, has been ranked in the top three on *The American Lawyer's* prestigious "A-List" for nine consecutive years. The firm has more than 1,500 lawyers and legal professionals serving clients in major centers of business, finance, technology, and government in New York, Boston, Chicago, Los Angeles, San Francisco, Silicon Valley, Washington, DC, London, Dublin, Milan, Paris, Hong Kong, Seoul, Singapore, and Tokyo. The firm has consistently been recognised for its leading practices, including asset management, private equity, M&A, finance, real estate, tax, antitrust, life sciences, healthcare, intellectual property, litigation & enforcement, privacy & cybersecurity, and business restructuring.

For More Information



If you have questions or would like to discuss any of the topics covered in this report, please contact a member of our team. Simply scan the QR code to access a list of partner contacts, and we will be pleased to assist you further.

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