



Eva Davis and Grine Lahreche Discuss U.S. and Europe Private Equity Markets with *NextStep Magazine*

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Winston & Strawn partners Eva Davis and Grine Lahreche were featured in a Q&A with *NextStep Magazine*, where they discussed recent trends in the United States and European private equity markets. In the Q&A they provided insights on topics including strategies adopted by funds to cope with the slowdown in the rate of disposal of their portfolios, predictions for the market in the coming months, the impact of ESG criteria on the market, the main differences in how deals are structured in France compared to the U.S., and more.

Eva noted, “Transactions led by private equity funds slowed down on the U.S. market from the end of 2022 and throughout the year 2023. Rising interest rates slowed the momentum of new LBOs, which were hampered by overpriced debt, but financial investors compensated for this drop in activity by stepping up buy-and-build strategies for their holdings. The last two years have been dominated by add-on deals for platforms owned by funds.”

“In the midmarket, we have seen a number of these transactions, in the \$10m to \$100m valuation range on average. Buyers consider these smaller transactions advantageous, as they are accretive for the platform and do not require any new debt. Despite their scarcity, large company mergers have created carve-out opportunities for funds on the lookout for complementary acquisitions to diversify the vertical markets of their holdings and their geographical exposure. Financial shareholders are no longer reluctant to pursue their buy-and-build strategy long after the initial exit deadline, to maximize the value of their holdings when the environment is more favorable to disposals,” she continued.

Grine provided insights on the European market stating, “The slowdown in private equity deals has been more limited in France than in other, less mature, European markets. The success of several fund-raising operations has enabled a certain vitality to be maintained in the external market and significant valuations for the best assets. We have also observed a growing appetite among foreign buyers, particularly American funds, for French targets, which are considered to be more dynamic given the appreciation of the dollar, and more attractive than in other European countries.”

“This is good news for sellers, as these investors tend to be sector agnostic and have a very business-like focus, with teams of operating partners well-versed in optimizing operational processes. Finally, as always in tense times, the polarization of premium and more standard assets has become more pronounced, boosting the tech and

healthcare sectors, which are more sought-after than ever. Reinvestments in tech and healthcare companies have also increased thanks to the growing popularity of continuation funds,” he continued.

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