Private equity funds increasingly optimistic and vast majority actively seeking new opportunities in 2021, reveals Mazars' global survey

- More than 90% of respondents are looking to invest in new businesses
- Revenue decline expected to be less severe than previously thought
- Majority expect 'U-shaped' recovery, are comfortable completing deals from home, and say governments have responded well

24 February 2021: Mazars, the international audit, tax and advisory firm, today releases 'Covid-19 and the world of private equity: optimism in an uncertain environment', a global survey that gauges investor sentiment in the institutional funding market.

It finds the investor market to be generally optimistic, focused on new opportunities and comfortable completing deals from home. Respondents predict revenues to fall less severely over the next 12 months than previously expected, a U-shaped recovery and shorter delays to their exit strategies than earlier predicted.

Conducted in December 2020, survey respondents are from the private equity and private debt landscape primarily in Europe as well as Asia, North America and South America. The survey follows Mazars' June 2020 report on the same topic.

Stéphane Pithois, Global Head of M&A, Mazars, says: "*The second edition of our survey confirms and reinforces the sense of optimism for which the private equity community is known. In an uncertain environment, investors have proven resilient and are seeking new opportunities in the immediate term, while expertly settling into remote working conditions. If the political environment remains more settled and capital continues to be made available, then we can expect private equity to actively remain on the lookout for investment opportunities."*

More than nine-in-ten looking for investment opportunities

Some 91% of respondents say they are 'very much open for business' and looking for opportunities to invest in new businesses and scale platforms with bolt on acquisitions. That compares with 74% in June.

Funds seeking new opportunities, less focused on managing the downside

Asked what best describes their fund's strategy for the next 12 months, 39% of respondents say 'focus on originating new platform opportunities'. That is nineteen points higher than the June findings. As for the number of funds that say they will be focusing on managing the downside in existing portfolios, it stands at just 10% in December 2020 compared to 24% in June 2020.

Revenues to fall but to a lesser extent

Despite expectations that revenues will fall over the next 12 months, respondents view the decline as less severe than previously reported. Some 30% of respondents expect a fall in revenue of 11%-25%, compared to 50% of respondents in the June 2020 survey. In addition, 40% of respondents say they expect a decline in revenue of just 0%-10%, compared to 17% of respondents in the first survey.

Respondents, overall, are far more optimistic about the market than they were in June: only 4% of respondents report a level of optimism of three or below according to the survey criteria, compared to 29% previously. Similarly, 15% of respondents report a level of optimism in excess of eight, compared to just 5% in June.

More distressed opportunities

There are more distressed opportunities in the market, according to the latest findings. Some 70% of respondents report seeing them – of those that see them 41% say they are of interest, 29% say they are not. This compares to 54% of respondents in June saying they had come across distressed opportunities.

Majority expect U-shaped recovery

While the majority (63%) of respondents still anticipate a U-shaped recovery (compared to 82% in June) the number of respondents expecting a V-shaped recovery has increased significantly from 10% to 27%. This increase in optimism is likely to be a result of vaccinations starting in Q1 2021, alongside government measures to support businesses in the meantime.

The most common 'other' response aside from U or V was a K-shaped recovery, which occurs when different parts of the economy recover at different rates following a recession.

Very comfortable with completing deals from home

Investors are slightly more comfortable working from home now than they were in June; 89% of investors say it is possible to complete deals remotely, compared to 88% in the earlier survey. More than a third (37%) of respondents now see completing deals from home as 'business as usual', which is 23 points higher than the June findings. Just 11% say it is 'not possible' to complete deals from home, which is one point lower than in June.

Shorter delays on exits expected

Just over half of respondents (51%) expect to delay their exit strategies in the next 6-12 months and beyond. That is 28 points lower than June, when 79% of respondents said their exit timings would be delayed. This further indicates an increased level of optimism emerging in the second half of 2020.

Governments have responded well, say majority of investors

A majority (65%) believe their government has responded well to the pandemic (vs 51% previously). However, a significant proportion (20%) still consider it too early to tell (vs 31% in previously). The percentage of participants that feel their government has not responded well fell from 20% to 15% in the latest survey.

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Methodology

Similar to the last survey carried out, the majority of the participants were leveraged buyout and growth capital funds, making up a combined 75% of total respondents. Other respondents came from venture capital, distressed or private debt funds. Survey participants were primarily based across the UK and Europe (84%), with the remaining respondents from Asia (6%) and the Americas (1%).

Most investors surveyed had a fund size between £0m and £500m. The most common fund size was £51m-£200m (37%), with the second most common being £0m-£50m (33%). These two fund sizes account for around 70% of respondents.

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About Mazars

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of more than 42,000 professionals – 26,000+ in Mazars' integrated partnership and 16,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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