

Feb 25, 2020 08:31 CET

The PE sector focuses on the further development of portfolio companies: Sustainable business models are becoming increasingly important

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- **Companies see sustainability as an increasingly relevant criterion for their portfolio management**
- **70 percent of experts are preparing for an economic downturn in Europe**
- **PE professionals consider the markets in Scandinavia, Italy and Greece to have the most promising outlook in 2020**

Munich, February 2020: The issue of environmental sustainability is having an increasingly concrete impact on investment behavior in the private equity industry. Among the most important criteria for portfolio management, this topic has the highest increase (5%) compared to the previous year and thus ranks among the top five portfolio value creation measures. This is one of the core findings of the "*European Private Equity Outlook 2020*", for which Roland Berger surveyed around 2,500 PE experts across Europe.

"Investors' increased attention on environmental sustainability not only reflects the strong public sensitivity to environmental issues," says Sascha Haghani, Member of the Global Executive Committee and Head of Restructuring, Performance, Transformation & Transaction at Roland Berger. "Today, the climate compatibility of an investment portfolio is also a key factor for the value of assets."

Weak economy leads to investments in cyclically resilient companies

Overall, the industry is cautiously optimistic about 2020, with around a third of those surveyed expecting no change in M&A transactions with PE involvement compared to the previous year, while 29 percent expect a slight increase. However, 42 percent of those surveyed expect the European economy to decline slightly; more than two thirds of PE professionals (70%) are preparing for a potential economic downturn.

"Investments in stable companies that are less susceptible to economic fluctuations are considered to be the most effective measures to prepare for a downturn," says Christof Huth, Partner at Roland Berger. The focus of activities is therefore also on consolidating portfolios. The low interest in new business may also be due to the valuation of the markets; 94 percent of PE professionals currently consider the market to be overvalued.

Big differences between regions

The forecast development of the PE market differs significantly between regions. For example, M&A activity in Scandinavia is expected to grow by 2.3 percent compared to 2019. The experts also anticipate a catch-up effect for Italy and Greece, with growth of 1.5 and 1.4 percent respectively. Great Britain, DACH and France are expected to remain stable in 2020.

The sectors with the highest expected M&A transactions with PE involvement have not changed fundamentally compared to previous years. In 2020, most experts (90%) expect Technology, Software & Media to take the lead, followed by Pharma & Healthcare (81%) and Business Services & Logistics (59%). At the bottom of the scale are the automotive (7%) and construction industries (11%).

"Investors continue to be particularly interested in companies with innovative technological approaches from which they expect high growth rates in the coming years. In addition, small and medium-sized companies in particular are still considered promising targets in 2020," explains Christof Huth.

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