THE EUROPEANISATION OF PRIVATE EQUITY: TRANSCENDING BORDERS TO BUILD AN INTEGRATED PLATFORM.

andera PARTNERS

FOREWORD

From the Winter of US Distributions to the Springtime of European Private Equity?

LUDOVIC SUBRAN

Chief Investment Officer, Allianz

The trade war launched by President Trump is slowing the flow of capital between Europe and the United States. But will it create an opportunity for European private equity to consolidate and strengthen?

Our dependence on the United States is, to a large extent, a concrete consequence of the dominance of the dollar and the fact that US capital has been massively deployed in Europe for years. When Trump threatened to impose an exit tax on investment income from the United States, many investors - particularly Europeans - took fright.

Trade barriers have quintupled. The effect normally expected from such a measure would have been inflationary. But the dollar has depreciated sharply, to the point where several countries, including China, are accumulating gold. In terms of both monetary policy and capital flows, the cards are being reshuffled: could this be the moment for the euro?

We often hear about Europe's industrial, military, or energy dependence, but far less about its financial and monetary dependence. In 2020, France invested 10 points of GDP during the health crisis to prevent the economy from collapsing. In 2021, the economy rebounded faster than expected, and companies paid out substantial dividends... nearly 40% of that performance went to the United States, into the accounts of American pension funds!

Why? Because many US funds hold stakes in major CAC 40 companies. This is not inherently negative: we too hold stakes in American companies. But it does raise several questions: how can we benefit from the fruits of our investments while socializing losses? How can we create capital loops within our own geographical area? How can we secure more ambitious European financing than what is currently available?

The Draghi and Letta reports propose several avenues, notably investing in the single market: pooling investments in areas such as peace, energy, telecommunications, and defence, and creating financing loops through the much-discussed Capital Markets and Savings Union.

Admittedly, we do not have pension funds, but we do have record savings rates (20% in Germany, 17% in France) and many institutional investors. We do not have a wealth problem, but rather a problem of passive savings. Europe relies heavily on banks and very little on markets; banks lend, of course, but do not invest, or do so only sparingly. Capital therefore does not circulate as quickly as it does in the United States.

So how do we address this? Through listings, first - but we can see that this is difficult. Through debt, second - and that works. Through equity, finally. And it is on this last point that we need to be more effective, because equity finances the future and growth companies. We need to accelerate, and the answer clearly lies in private equity. A European-style private equity makes perfect sense, especially as we are currently experiencing a winter of distributions from major US players.

To build this European private equity, we must learn from the past twenty years of a sector dominated by Americans in Europe:

1. **Bigger is not necessarily better:** large players are often too removed from their targets. Losing affinity with investment targets at a time when exits are a critical issue is not a sound strategic choice.

2. **The leverage effect of debt:** 75% of the returns of LBO-backed companies over the past 15 years have come from debt, with relatively weak ROCE in the strict sense. Today, debt is more expensive. The Fed is cutting rates, but this is not being reflected in the cost of credit. The viability of traditional LBOs with excessive leverage is being called into question, including in the eyes of LPs. The challenge, therefore, is to find partners who **put equity and assets to work, not debt.**

3. **Sector expertise:** funds need to know the sectors in which they invest in greater detail. Sometimes quick reactions are required: AI is a disruptor of tech itself, which should prompt us to re-examine the weighting of cloud, for example, without succumbing to trends. Critical infrastructure is clearly a sector to overweight, as are health and defence: Europe has a wealth of possible and useful investments ahead of it. Certain sectors are facing lasting difficulties, particularly anything related to "passive" real estate, such as warehouses. Conversely, other segments still present solid prospects: telecommunications, renewable energy, retail when it consolidates, and services, particularly in education and health.

To return to the European dimension of private equity: let us stop being ashamed of our growth and thinking that it lags behind the rest of the world. The United States will have only 1.5% growth in 2025, driven almost exclusively by AI and digital, and up to 3.5% inflation. Admittedly, we do not have the dollar - which saves the US administration from its economic policy mistakes - nor the American or Chinese tech giants, but we do have a high-quality AI scene, particularly in France, and several cards to play in finance, infrastructure, and the environmental transition.

On the transition, playing with fire with people's savings is not viable in the long term, and Europe understands this. So does China, which is becoming the first "electro-state". It is a real European strength to have been the first to turn the environmental transition and greening into an economic sector with a strong and resilient business model.

On finance, as on the environmental transition, we must accept the need to tackle our dependencies. Economic patriotism is not a dirty word. Let us ensure that we are proud of our currency, our institutions, that we believe in the rule of law, and that we put the capital of 450 million people - who are looking for one thing: to reinvest locally so that their continent has stronger growth potential - to work.

Of course, there are cycles in private equity, and we are currently at a low point in terms of exits and therefore distributions, including in Europe. Nevertheless, it remains relevant to continue investing: this is precisely the right time to invest at the bottom of the cycle, especially as financing in Europe should be slightly less expensive, while needs are considerable. These investments should be made in equity, but can also be made in private debt, favouring more prudent "sponsorless" approaches in terms of leverage, to avoid the difficulties encountered by certain private debt players in the United States, whose model differs significantly from that of European players.

Continuing this momentum requires greater selectivity. In this context, the "retailisation" of private equity is a particularly positive development at the European level, as it promotes greater transparency, education, and reporting: it is a virtuous mechanism for all stakeholders, including institutional investors who also benefit from it.

Yes, there are divergences between countries. France, Italy, and Germany are likely to remain, for some time, the locomotives of European private equity. But tremendous opportunities will emerge very quickly in Central and Eastern European countries.

There are therefore good reasons to be optimistic, including at the European Union level: the Commission is evolving profoundly, and everyone now understands that an overly narrow vision of competition is no longer appropriate. It is becoming necessary to think in terms of relevant markets, to recognise that there is room for concentration and therefore for M&A. "Omnibus" regulations will help to remove technical barriers to true market unity, particularly in software and energy efficiency.

We will experience a European springtime of private equity!

The Europeanisation of private equity: transcending borders to build an integrated platform.

For a long time, "investing in Europe" meant putting Europe together yourself: selecting local funds, adding up regulatory dialects and finally multiplying GP/LP relationships. This enlightened DIY approach has had its day. Institutional investors now want global, easy-to-understand products that embrace the continent's diversity without diluting it. This is what lies at the heart of the Europeanisation of private equity: not the illusion of a homogenous market, but the engineering of a vehicle capable of reflecting and arbitrating European plurality.

What LPs want: simplicity, diversification, resilience and performance

The impetus comes from customers, not from management companies. LPs are in favour of solutions that reduce the complexity of relationships (fewer contacts but solid, long-term, pan-European partners) and optimise diversification. Diversifying here means two things. Firstly, capturing the differences in macroeconomic cycles between countries: Spain and Portugal grow faster than Germany in some years. Secondly, taking advantage of the sectoral 'tones' specific to each economy: we tend to think more in terms of industry in Germany and Italy, and tech and services in France, but Spain has also built up a solid technological base. In essence, the same product should be able to play local dynamics and specific assets in turn, but with no hint of caricature.

The decade of low interest rates (2011-2021), coupled with the growth of the market and funds, has mechanically pushed investors towards larger tickets and therefore fewer domestic investments, accelerating the Europeanisation of strategies. At the same time, increasing regulatory requirements for LPs and their limited internal resources are encouraging a reduction in the number of interlocutors in favour of platforms capable of delivering integrated products and solutions on a continental scale.

This demand for simplicity and diversification has a major corollary: a genuine European product does not exist 'naturally'; rather, it is manufactured. Ideally, this construction is carried out with partners with whom it is possible to plan ahead over time, particularly as the market evolves with *evergreen* funds.

Two phases of Europeanisation: 'pan-European' and 'multi-geographical'

Firstly, the pan-European fund is a single, large-scale vehicle that deploys an integrated strategy across the whole continent. It speaks to the LP in the language of simplicity: one ticket, one governance and investment team, one allocation key, one platform that aligns sourcing, underwriting and value creation. By its very nature, it is aimed at large allocations and transactions of significant size (Upper Midcap Cap), i.e. groups that are already highly international and whose identity goes beyond the nationality of their head office: a credible pan-EU company can be counted in billions of euros to deploy 10-15-20 holdings in a balanced way and absorb the fixed costs of a continental organisation. The **Anglo-Saxon** leaders – CVC, EQT, Blackstone and others – have shown the way with local teams and global distribution. In Europe, this route is becoming increasingly popular with LPs: it ticks the boxes of "sustainability, resilience and performance" and reduces geographical cherry-picking on the part of investors.

Secondly, the multi-geography fund (or platform) – this is Andera's DNA – sees Europe not as a uniform blanket but as a cluster of markets where we set up operations for good, country by country, with well-established teams and strategies adjusted to cover the 'mid market' or 'mittelstand', the fabric of dynamic SMEs and mid-sized businesses, often still local but well on the way to internationalisation. Investment models remain comparable from one strategy to another; it is above all the size of the companies targeted and the nature of their challenges that vary. Unity does not mean a single vehicle, but a coherent architecture: several pockets, several geographies, the same investment and reporting standards and governance that orchestrates allocation without evening it out.

Contrary to the sometimes idealised vision of local autonomy, investment decisions are centralised in Paris, guaranteeing the consistency of the model. The benefits for the LP: fine diversification (macro and sectoral), greater deal-flow proximity, and the ability to access the local alpha of these mid-market SMEs and mid-sized businesses while remaining within a robust institutional framework. In equity, local presence is almost a condition of access to the 'good deals'. In private debt, the requirement is sometimes not so clear, but the big lenders have also meshed the field.

Andera Mid Cap's strategy is a good illustration of the balance between direct sourcing and participation in intermediated processes, combining primary and secondary deals to expand its European footprint. For each of Andera's strategies, the aim is to export what has proved successful in France to continental Europe: for Life Sciences and Andera Infra, business expertise; for Andera Mid Cap, the ability to transform SMEs into international mid-sized businesses; for Andera Acto, a philosophy that allows the majority ownership of managers in secondary LBOs.

The difference is, therefore, not so much ideological as architectural: pan-Europeanism promises integration through unity, while multi-geography implies integration through proximity.

Critical size, hubs and regulatory situations

This kind of engineering has very practical implications. Size is not a fetish, but rather the tool that enables us to provide a clear product, finance teams in several countries, and deliver real diversification within a single framework. Hubs enable the concentration of asset management. This is true of London, which is being challenged by Paris and Frankfurt but still accounts for 80% of private equity and private debt asset management. Mechanically speaking, this is where we find the largest GPs and the largest products that water Europe. In short, regulation. The union of capital markets is a useful horizon, but not a magic wand. There is no excuse for not adapting to local regulations, as the number of deals with the United Kingdom, which has never been part of Monetary Union, proves. Europeanisation is first and foremost a discipline of implementation.

Certain public catalysts play a decisive role. This is the case of the EIF (European Investment Fund), which, with its European mandates and its mission to select the GPs it supports, encourages the emergence of champions who meet the criteria of sustainability, resilience and performance. This preference is not opposed to multi-geography architectures, but rather encourages them as long as they show the ability to aggregate Europe with local means.

In essence, Europeanising private equity means accepting that Europe is not uniform – and building products that turn this heterogeneity into an advantage. The pan-European fund and the multi-geography platform are two coherent responses to the same demand: simplify things for LPs, without sacrificing the richness of the field. What comes next will depend on our ability to keep these promises over the long term: maintaining proximity while increasing scale, orchestrating allocation without sterilising it, and making European complexity a source of performance, not a hidden cost.

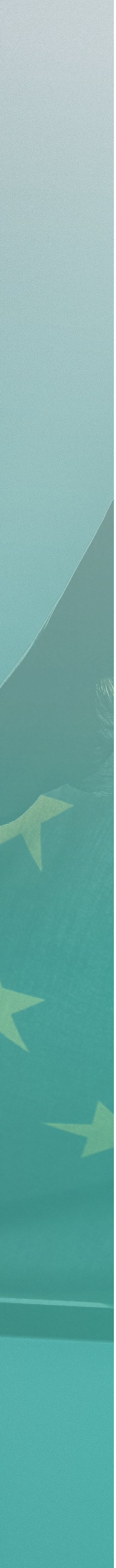
Managing Partners of Andera Partners

STÉPHANE BERGEZ

Managing Partner

FRANÇOIS-XAVIER MAURON

Managing Partner



1. TWO TRENDS IN THE EUROPEANISATION OF PRIVATE EQUITY: PAN-EUROPEAN FUNDS AND MULTI-GEOGRAPHY FUNDS

For a long time, French private equity was firmly rooted in France. This paradigm has now shifted. To maintain their credibility with institutional investors (LPs) and continue to grow while diversifying their LP base, asset management companies need to demonstrate their ability to originate, implement and exit deals beyond their own borders. The gradual harmonisation of tax frameworks is facilitating this shift, but the key factor lies elsewhere: the changing expectations of LPs, who are now looking for platforms capable of addressing markets and growth trajectories on a European scale.

Against this backdrop, Andera Partners has adopted a pragmatic and sequenced approach to Europeanisation, based on expertise differentiated by business and target size: opening offices in targeted hubs, fine-tuning local sourcing and thematic expertise, and supporting companies to turn them into 'national and then international champions'. The stakes are not just financial. It is strategic – accessing more ambitious deals, broadening the investor and industrial base, supporting the rise of European companies, right through to exits.

A macroeconomic context that is driving Europeanisation

The Europeanisation of private equity in Europe is accelerating, but in a paradoxical way. *"Since the sovereign debt crisis, the decade of low interest rates that followed has boosted demand and encouraged large and upper midcap houses to structure themselves on a European scale,"* observes **Sophie Elkrief**. *"The movement has been underway for about 8 to 10 years now. In the upper mid and large cap segment, the market is already pan-European, with long-established local offices,"* adds **Francesco Gonzaga**. The novelty, he believes, lies in the arrival of this trend in the mid-market. This more recent Europeanisation reflects a clear rationale: to support companies in their growth trajectory by combining a sales network, the identification and sourcing of external growth opportunities and strategic support.

While investment markets are opening up beyond national borders, at the same time the sector is experiencing a structural squeeze: funds that are unable to get the edge are finding it difficult to raise new funds. *"We are seeing an inevitable consolidation of the sector,"* says **Ignacio Moreno Martinez**. *"In Spain, several funds are struggling to raise capital. Some will have to seek investors elsewhere in Europe; others will have to merge."*

From a Franco-French base to a European approach

Credibility with LPs now depends on the ability to invest outside France and to show a pan-European understanding of the markets. Tax harmonisation is helping, but it is above all the changing expectations of institutional investors that make Europeanisation essential.

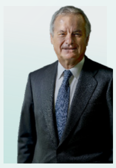
"We compete with local funds on very basic issues, such as when Italian, Spanish or Belgian companies first open up their capital," says **Francesco**. The idea is not to merge into the mass of pan-European players, but rather to provide a genuine alternative, combining operational proximity with the strike force of an international player. On secondary transactions, Andera MidCap is already positioned as a direct competitor to the large pan-European funds. It is in primary investments, however, which often take longer and are more complex to structure, that the team aims to gain the edge. As **Francesco** underlines, this requires *"teams on the ground, who are able to understand local dynamics and to come up with solutions that give us the edge."*

SOPHIE ELKRIEF

Business Development Partner

FRANCESCO GONZAGA

Partner Italy
Andera MidCap



IGNACIO MORENO MARTINEZ

Senior Advisor, Spain
Andera MidCap

Critical size, the polarisation of fundraising and expansion models.

By opening up to other geographies, we can achieve critical mass without changing our target segment, while replicating success stories from one country to another. In an increasingly polarised world of fundraising, critical size imposes its own standards and dictates the grammar of credibility. Faced with these dynamics, asset management companies have two options: either build an integrated pan-European platform, or orchestrate a step-by-step, multi-geography expansion, anchoring local teams capable of sourcing primary products.

Andera Partners has chosen the second path: *"We have become multi-geographic, rather than pan-European,"* says **Sophie,** by opening offices in Italy, Spain, Belgium and Germany to broaden the liabilities and demonstrate a real capacity for cross-border deployment.

The pan-European model is accompanied by a natural bias towards companies that are already pan-European, often intermediated, where the value of the local angle is lower and competition more head-on. The strength of the model therefore lies in the industrialisation of deployment; the limitation lies in the risk of standardising sourcing. **Hans Van de Velde** points out that *"These funds retain a distinct nationality. We have yet to see the emergence of a truly pan-European fund, with no declared nationality."*

Multi-geographies make it possible to deliver on the promise of primary markets, to enjoy access to less competitive regional niches and national platforms ready to become European thanks to cross-border build-ups. *"The key to success is to combine a strong local presence, which is essential for understanding the cultural workings and specific features of each market, with a truly European structure, enabling us to source deals and deploy buy and build strategies on a continental scale,"* explains **Serge Prosman**. This is a demanding choice: it requires human and cultural investment, a willingness to accept a period of integration, and governance that reconciles common standards with scope for initiative on the ground. But it preserves an essential competitive advantage for midcap funds: *"going after primary deals, sourcing locally,"* says **Sophie**. Lastly, the de-globalisation that started after the health crisis, the movement towards local re-industrialisation and a growing awareness of our dependence on essential goods (medicines, energy, etc.) are all creating a scenario of particularly solid opportunities for the lower midcap.

HANS VAN DE VELDE

Senior Advisor
Belgium
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SERGE PROSMAN

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GONZALO BOADA

Director
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Andera MidCap

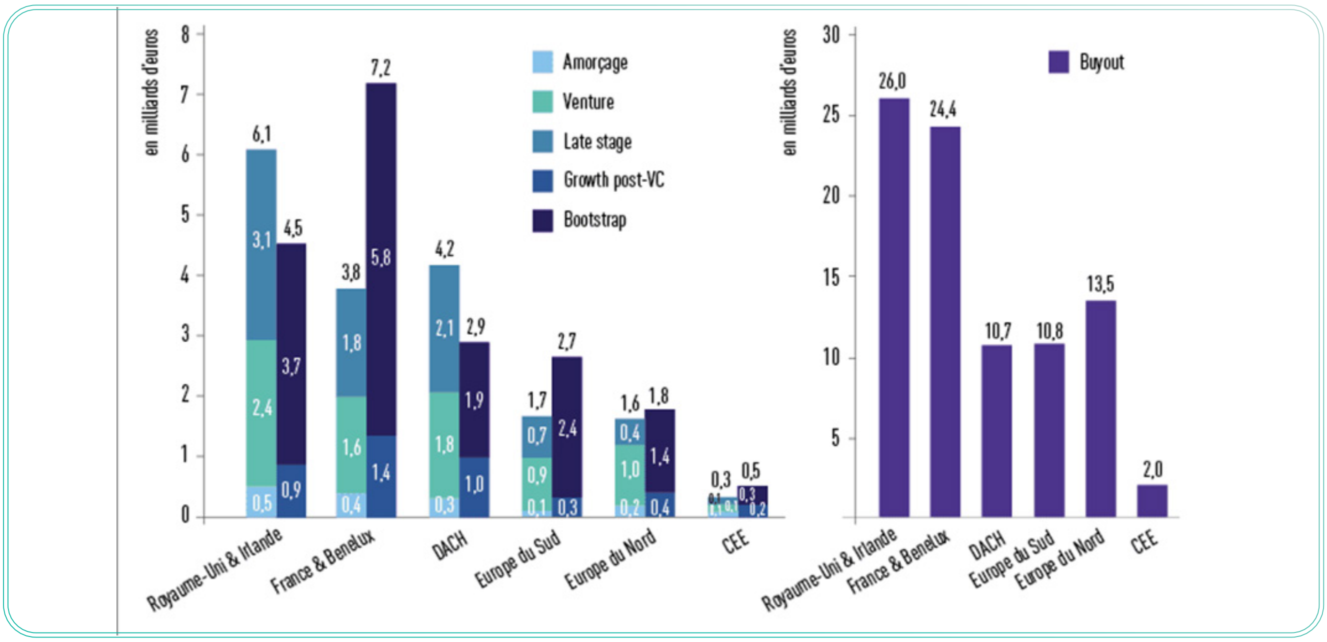
Between local sourcing and thematic strategies

Europeanisation is not uniform: it depends on size and verticals. *"The real added value lies in the lower midcap, in locally sourced primary investments,"* explains **Sophie**. For Andera, this step-by-step approach is consistent with its DNA: creating proof through operations. Opening offices in Milan or Munich is not simply a matter of geographical expansion: each office captures a local deal flow, speeds up implementation and becomes a relay for post-acquisition integration. This local orchestration feeds a narrative of progressive credibility with LPs: not the display of a map of Europe, but a series of concrete transactions in several different countries, with synergies achieved and teams that 'speak local' to entrepreneurs, investment banks and lenders. *"Primary private equity deals rely heavily on local funds because they are the ones who know how to identify 'nuggets' and establish a relationship of trust with managers, who must be able to see themselves working with the new investor. This is where cultural proximity plays a decisive role, and opening local offices is therefore becoming a prerequisite for finding and investing in these 'nuggets',"* explains **Gonzalo Boada.**

This does not mean that Andera is abandoning the segment of secondary transactions, which are largely intermediated. This is the playing field for Andera Acto's sponsorless mezzanine strategy, which is rapidly expanding in continental Europe and establishing itself in intermediated processes thanks to its unique management recovery solution.

Supporting growth trajectories, not just financing them

In terms of value creation, the two models are converging towards the internationalisation of portfolio companies, but travelling down different paths. The pan-European approach is rapidly deployed on targets already structured for continental scale, while the multi-geography approach builds platforms by starting with national players, structuring external growth and opening up adjacent markets. This trajectory, which was more artisanal at the outset, can produce robust 'champions', precisely because it was rooted in the reality of local markets before being extended. For Andera, Europeanisation does not mean copying an integrated Anglo-Saxon model, but rather exporting to continental Europe what has proved its worth in France in each business area. *"The challenge now is to grow the liabilities – in other words, to attract LPs who want more and more European deals,"* says **Sophie**. Europeanisation through proof is, in this case, a natural accelerator for the investor base.



Key figures for Andera's Europeanisation:

4 offices

in Europe:
Milan, Antwerp, Munich, Madrid

Andera Midcap

2 out of 3 acquisitions in Europe outside France

20% in Europe

of our investments have been outside France in Europe for the last 25 years

363 companies invested in, including 94 abroad and 70 in Europe

2. GOVERNANCE AND DEDICATED RESOURCES

The Europeanisation of private equity is forcing an in-depth reorganisation of management companies, which need to build a robust operational base capable of supporting investments in several different jurisdictions. *"International funds are much more complex,"* states **Ignacio**. *"This requires a solid backbone – central functions shared between different strategies. This is what enables us collectively to take advantage of shared resources."*

The organisation of multi-geography management companies

This shared backbone approach – bringing together ESG, legal, compliance, reporting and investor relations functions – is becoming standard practice among multi-strategy groups, to optimise operational agility while ensuring consistent practices from one country to another. ESG in particular is an area where integration is becoming critical.

Beyond the legal aspects, Europeanisation is also transforming the way investors approach due diligence. *"Investors are very attentive to the geographical mapping of portfolios,"* observes **Alberto Cornegliano Cattaneo**. *"When they invest in a fund, they want to know precisely in which countries and in which sectors their money will be deployed – and certain territories still pose a problem".* This increased demand is forcing GPs to deepen their preliminary analysis work, to integrate local expertise earlier in the process, and to show greater discipline in their choice of jurisdictions. In other words, Europeanisation does not erase borders; on the contrary, it forces us to manage them finely.

What is the internal governance model?

Then there is the question of cost, culture and time. The pan-European approach outsources some of the complexity to the central organisation, at the cost of sourcing that is more exposed to competition. Multi-geographies internalise this complexity in local teams, at the cost of a heavier upfront investment and a cultural graft that has to be successfully completed. *"The obstacles are threefold: price, cultural graft and the time needed to set up successfully,"* says **Sophie**. It is precisely these three areas that Andera has chosen to invest in, in order to align the way it raises, deploys and creates value with its promise to LPs.

The local senior advisor plays a pivotal role in this integrated private equity model: he or she acts as a link between the management company's global standards and the actual situation of the national market, facilitates access to entrepreneurial networks and reinforces the fund's credibility in local negotiations. Success depends on the timing and depth of the ecosystems targeted: *"We need to assess the maturity of a region, its ability to host build-ups, and our knowledge of the local ecosystem,"* says **Francesco**.

ALBERTO CORNEGLIANO CATTANEO

Senior Advisor, Italy
Andera Acto

3. OBSTACLES TO THE EUROPEANISATION OF PRIVATE EQUITY

One of the main obstacles to the Europeanisation of private equity is the fragmentation of capital markets in Europe, which limits the exit prospects for portfolio companies. The lack of a genuine European stock and bond market is holding back the emergence of continental champions capable of achieving critical mass. *"To support exits, we need a truly European equity and debt market,"* says **Ignacio**. *"Today's markets are essentially national. Everything that goes in the right direction is useful, but without a strong fiscal impetus, the Europeanisation of equities and debt will remain a short-term challenge."*

In addition to these structural barriers, there are also allocation constraints: a politically disunited Europe, in a tenser geopolitical context, encourages institutional investors to favour national initiatives, de facto reducing the truly pan-European share of commitments. Furthermore, Europeanisation – and therefore fund growth – remains conditional on market dynamics, which in itself is sensitive to political and fiscal uncertainty, as well as interest rate levels.

The completion of a Capital Market Union (CMU) would, therefore, be an essential lever for facilitating exits, harmonising listing standards and making the European market more attractive vis-à-vis the United States.

Regulatory harmonisation plays a facilitating role, but it is mainly built up at the national level. *"Legislators have made an effort to homogenise and attract capital, but it doesn't really come from Brussels,"* points out **Francesco**. The example of Italy is revealing, with its tax funds benefiting from preferential channels. France saw a real breakthrough in 2021: until then, a grey area obliged French funds to set up complex structures, putting a hold on their investments abroad. Since then, they have been able to invest directly, with no particular tax filter.

To reinforce this Europeanisation, taxation remains a key structural issue. Tax consolidation rules, the taxation of capital gains and dividends, and capitalisation rules differ widely from one country to another. *"Deals are not necessarily structured in the same way in different jurisdictions. Legal and tax harmonisation would foster better integration of private equity at the pan-European level,"* underlines **Serge Prosman**.

Exits: preserving European champions

Finally, exits highlight the strategic importance of this choice. In both models, the target is European liquidity, but multi-geography increases the likelihood of strategic European buyers, as the platforms have been designed to operate in several different countries and interact with local ecosystems. The question asked by **Sophie** – *As soon as a company is natively European, the exits will be with other European companies. The question is: what can we do to keep these champions in Europe?*" – has an initial answer: by building companies that are natively European in their own markets, teams and operations, not just in the address of the fund that owns them.

Another weakness is the lack of outlets for exits, particularly via IPOs. Euronext has not yet completely fulfilled its role, and many innovations, particularly in Life Sciences, continue to favour the US public markets for their IPOs.

Beyond Capital Markets Union, the challenge is to provide European funds with the resources to support companies over the long term, avoid default sales outside the continent, and anchor value creation in Europe.

4. LIFE SCIENCES: A HISTORICALLY EUROPEAN AND TRANSATLANTIC SECTOR

In Life Sciences, Europeanisation is not an option – it's a necessity. The market is global and the challenges faced by all players are the same: big pharmas and medtechs are facing the "patent cliff", with blockbusters falling into the generics sector every year, undermining their revenues. "*As of today, around 80% of the new drugs approved by the FDA and the EMA, etc. that reach the market initially come from biotechs. Fifteen years ago, it was the other way around,*" points out **Olivier Litzka**.

The researcher-entrepreneurs who set up these companies have often worked in foreign laboratories, further reinforcing the international nature of the ecosystem. Europe, with its biotech and medtech hubs, therefore has a major card to play – provided that private capital continues to mobilise. "***The real issue is to activate private capital so that it invests in innovation,***" sums up **Olivier**.

OLIVIER LITZKA

Andera Life Sciences Partner

A business model unlike any other in private equity

This segment of venture capital operates according to a radically different model from the other branches of private equity. From the outset, the major healthcare venture teams have invested well beyond their national borders. Whereas midcap and buyout VCs have been gradually Europeanised over the last decade, Life Sciences VCs have been transnational for the last fifteen years.

Andera Life Sciences illustrates this process: initially focused on France, the team rapidly expanded its scope. "*Nowadays, 70% of our investment is in Europe, including around 20% outside France, with the balance (30%) mainly in the United States,*" explains **Olivier**.

A highly international and competitive market

The Life Sciences venture is, by its very nature, a globalised business. "*Competition is everywhere. We look for the best companies in a therapeutic area and we find them all over Europe, and some in the US,*" explains **Olivier**. In fact, Andera's Life Sciences team is the most international team in the group, thanks to its varied backgrounds and nationalities.

Unlike midcap funds, the physical presence of offices is not always essential: "*In specialist funds, we can do deals without a local office because the entrepreneurs and managers are deeply rooted in their local area.*" However, proximity remains essential: "*Doing deals on the spot, meeting the managers, that makes all the difference,*" he insists. It's a subtle balance between the hyper-internationalisation of the sector and the importance of human contact in local ecosystems.

European differences and the pioneering role of France

While Europeanisation is an established fact, market maturities remain uneven. France is currently ahead of the game, with three internationally recognised Life Sciences venture funds in Europe and the US, including Andera Partners. "*Germany, on the other hand, went through a complicated slump of almost ten years from 2008 to 2015, when there were no local funds, or they were not managed and were unable to grow in the same way as funds of our size,*" notes **Olivier**. The country was still scarred by the failure of the New Market in the early 2000s, and its public bank KfW stopped investing for eight years. Since 2015, KfW has once again played a role comparable to that of the BPI in the field of innovation. It has also succeeded in attracting institutional investors to a fund of funds, called "Wachstumsfonds," which has been a great success. The Netherlands, on the other hand, has gained in importance, while the United Kingdom, with its solid focus on the City and Anglo-Saxon capital, is in a class of its own.

France also benefits from government support via the Tibi initiative, which has enabled a massive amount of institutional capital to be channelled into venture capital. "*Tibi was a great success. In Germany, an equivalent scheme – WIN – has been launched, but it is only just beginning to produce its first effects,*" explains **Olivier**.

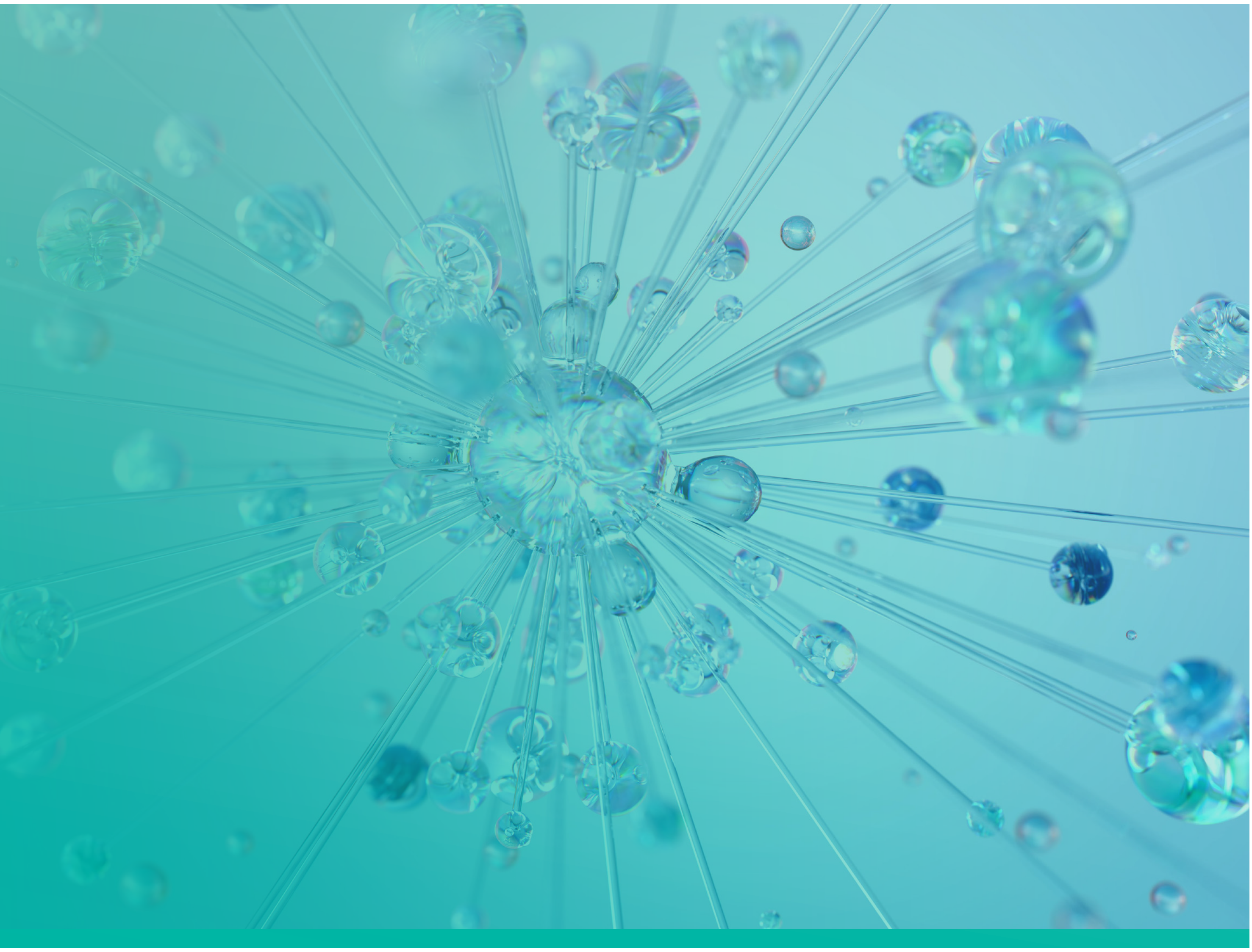
LPs and the role of advisors

In this highly international context, relations with LPs are crucial. For the past four years, Andera Partners has relied on a specialist advisor to facilitate access to strategic and institutional contacts. This dimension is reinforced by the European nature of the sector: LPs are used to seeing portfolios covering several different countries. This cosmopolitanism is seen as a sign of credibility and robustness, not as a risk-taking strategy.

Exits: between industrial M&A and international IPOs

The exit cycle for Life Sciences investments also differs from other private equity segments. Secondary transactions between funds are rare, almost non-existent. *"The real exits are either industrial takeovers or IPOs,"* says **Olivier**. Every year, around thirty high-quality, large-scale industrial transactions occur in Europe, which shows the vitality of the sector. The buyers are major American, European and Japanese pharmas and medtechs.

IPOs are a significant but more delicate subject. The Euronext market is considered to be insufficient, mainly because of a lack of analysts, market depth and liquidity. The Nasdaq remains the natural destination for European biotechs. A fund like Andera Life Sciences should therefore help these portfolio companies to access this listed market, which is vital to the development of biotech and medtech, alongside a few Japanese buyers.



5. THE EUROPEANISATION OF SECTOR AND IMPACT FUNDS: BETWEEN SOVEREIGNTY, COMPLEXITY AND OPPORTUNITIES

For a sector fund like Andera Smart Infra, positioned in a regulated sector such as energy, Europeanisation is not simply a geographical move: it is a change on the strategic scale. It meets three major requirements:

1. **diversifying risks**, in particular the regulatory impacts specific to each Member State;
2. **access to sufficient market depth** to build robust, scalable portfolios;
3. **capitalising on the European regulatory architecture**, in particular SFDR and Article 9 status, which structure sustainable investment and extra-financial reporting.

In energy, where regulation determines the economic equilibrium of assets (tariffs, support mechanisms, connection rules, taxonomy, capacity markets), the European scale is becoming the natural optimum for deployment, origination and risk management.

Different environments, a source of wealth for investors

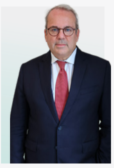
The energy transition is a laboratory for European diversity. As **Guy Auger** sums up: *"Each Member State can do what it likes with its energy mix. This is interesting for investors, as it allows them to identify similar companies based on very different underlying factors."*

This heterogeneity, a source of opportunities (multiplicity of mechanisms, adoption pace, local value chains), is also an operational constraint: regulations evolve rapidly, sometimes asynchronously, forcing teams to continually recalibrate investment theses, models and industrial plans. **Prune des Roches** emphasises the need for detailed implementation: *"The man pack in France is not the same as in Italy or Spain. Laws and tax benefits are different. We always have to be accompanied by local experts, because it's only when we're actually there that we really know the rules."*

The need for diversification: assets and investor base

In regulated energy, concentrating a portfolio on a single country is tantamount to overweighting political and regulatory risk. Multi-country architecture makes it possible to smooth out schedules (permitting, calls for tender, grid connections), arbitrate price cycles and capture niche markets (storage, flexibility, self-consumption, efficiency).

As for LPs, there is still demand: *"In our highly regulated sectors, we cannot expose ourselves to just one country. We have to diversify,"* insists **Prune**. The dynamics of fundraising are changing accordingly: *"We used to set up an initial domestic fund, then move on to the United States or Asia. Nowadays, this trajectory is changing: the depth of the European market means that raising capital here is a priority, except for very large funds."*



GUY AUGER

Andera Infra
Partner

PRUNE DES ROCHES

Andera Infra
Partner

Impact, driving alignment and credibility

The Europeanisation of funds is fuelled by regulation. "*Article 9 has been a real boost, especially for first-time funds,*" says **Prune**. The SFDR framework has professionalised the thesis of measurable sustainability (intentionality, materiality, ex-ante/ex-post measurements), which has accelerated access to capital for transition strategies. This advantage is currently confined to European borders: Article 9 no longer has any impact outside Europe. In addition TO these "Article 9" funds, there is the concept of impact funds, which seek to maximise impact (environmental or social) and financial profitability.

In **Guy's** opinion, the impact on the transition infrastructure is "*natural and quite profound*". The rise of sovereignty issues (security of supply, value chains, storage) reinforces this logic. The European level creates an implementation framework where environmental ambition and the protection of strategic interests converge.

Uneven market maturity, dynamic mapping

National maturities are not the same. **Prune** points out that "*The energy transition investment market remains less mature in Italy and too narrow in Belgium, while the UK is extremely mature, particularly in energy storage.*"

For **Guy** what makes the difference is origination: "***To buy at the best price, you need to know the counterparties and be upstream on the markets.***" Implementation depends on local teams – sourcing, permitting, relations with the authorities, reading weak signals. **Guy**: "*There's no substitute for language and culture when it comes to talking to local players. We will see a growing need to internationalise our teams.*" From Paris, **Prune** sees it as a lever for precision: "*Even if we don't intend to set up teams all over Europe, I'm still in favour of creating local teams. This avoids underestimating the impact of regulations in each country.*"

6. PRIVATE DEBT IN EUROPE:
AN EXPANDING MARKET WITH CONTRASTING NATIONAL TRENDS

The growth of private debt in Europe is part of a trend towards the Europeanisation of private equity, which is fundamentally reshaping the way companies are financed. There are three main drivers almost everywhere: the marked withdrawal of traditional banks from certain segments, the demand for rapid, tailor-made implementation and the growing sophistication of sponsors. But behind these converging trends, national situations still contrast with each other – whether in Spain, Belgium, Italy or Germany.

Towards the convergence of standards

The Europeanisation of private debt is progressing through the convergence of standards (unitranche, intercreditor, 'euro-standard' documentation) but use of these standards remains profoundly national – accessibility in Spain, sophistication in Italy, selective complementarity in Germany. It is also a question of granularity: moving down towards the mid-market and SMEs, as illustrated in Spain by the issue of "ticket sizes". Above all, governance and implementation remain decisive: the experience of minority shareholders in Italy and the engineering of carve-outs in Germany show that documentary alignment is not enough.

Finally, interest rate cycles and prudential constraints periodically redraw the boundary between banks and funds, making private debt a complement rather than a uniform substitute. In practice, the sponsors and managers of mid-sized businesses need to adapt the product to the local context (education and accessibility in Spain, securing governance and exits in Italy, targeting complex situations in Germany), industrialise without becoming rigid (common standards but room for adjustment in each country) and invest in relationships on the ground because deal channels are still primarily local.

Spain: accessibility and responsiveness before cost

Spain's private debt market has grown considerably thanks to a partial retreat by the banks. *"Over the last 20 years, banks have repeatedly faced major challenges in providing the expected financing, for example during the financial crisis of 2008-2014, or more recently in 2023, due to geopolitical instability and rising interest rates. The debt funds then stepped in, took a significant share of the market... and kept it,"* explains **Gonzalo**. Here, the shift was not driven by price differences, but by the accessibility and responsiveness of non-bank lenders. The main challenge now lies in the mid-market. *"The market is still in the process of adapting ticket sizes. More flexibility is needed to lower the minimum thresholds and make the products accessible to Spanish SMEs,"* explains **Gonzalo**. Sponsors have long been used to the mechanisms of structured debt, whereas companies – especially primary ones – are still in the learning phase: *"It's sometimes difficult to get them to see the benefits of a highly structured package with several different layers of debt,"* he says .

Against this backdrop, standard products (unitranche, senior debt) are now well accepted, boosted by the presence in Spain of most of the European players active in France and the UK. Sponsorless mezzanine has real potential here, given the search for low-dilution solutions by the managers of tech and service companies, which have grown tremendously over the last 10 years, and which have successfully entered into their first financial partnership with a local financial player.

Italy: legal caution and increasing sophistication

Italy combines two different dynamics: a marked caution on the part of foreign investors with regard to the legal framework, and a significant increase in private debt for high value-added operations. This uncertainty weighs particularly heavily on minority shareholders. Some players are therefore positioning themselves as alternatives to minority capital in order to circumvent this risk. This is the case of Andera Acto via sponsorless mezzanine, which enables the capital of family-owned SMEs to be reorganised without taking an equity stake.

Historically dominated by banks, Italian financing is changing. Dependence on banks is being eroded: in ten years, banks have lost a quarter of their corporate and buyout exposure, and are still withdrawing as capital providers. This window opened the way for unitranches, albeit in a highly competitive environment: *"At an interest rate of 6 or 6.5%, a unitranche cannot compete with banks that lend at 3%, except for strategic transactions such as shareholder replacements,"* he adds.

The boom, which began around ten years ago, has crystallised around complex transactions – shareholder restructurings, investor replacement operations – often accompanied by major international names. In other words, the Italian trajectory is one of increasing sophistication: less "commoditised" volume, more edge and better structured files. Which makes it a promising playground for Andera Acto.

Germany: a dual market place – strong banks, selective private debt

Germany has a unique physiognomy. Historically speaking, the Mittelstand has been based on long-term banking relationships (Hausbanken) and domestic instruments (Schuldschein, Schuldscheindarlehen) that are deeply rooted in the local financial culture. This banking depth, combined with a reputation for strict risk discipline, has long reduced the economic space for 'pure' private debt.

However, three factors have opened up opportunities for funds: the increasing complexity of Mittelstand transfer transactions (spin-offs, carve-outs, family transfers); the internationalisation of sponsors active in Germany, who are importing 'euro-standard' unitranche schemes; and the interest rate environment and balance sheet constraints, which, in cycles, are prompting some banks to withdraw from the riskiest tranche.

In practical terms, German private debt focuses on the high end of the upper mid-market and upper mid-market projects, with a marked selectivity in terms of cash-flow profile and governance. Documentation is being harmonised with European practices, but there is still fierce competition from banks for 'plain vanilla' loans. Private debt stands out for industrial carve-outs, sector-specific build-ups requiring rapid add-on tranches, and complex transactions where speed of commitment and certainty of financing take precedence over face value.

7. PRIVATE EQUITY IN GERMANY: A DEEP, DISCREET MARKET IN TRANSITION

Private equity (PE) in Germany intrigues as much as it attracts: a first-rate economy, a fabric of excellent companies, and yet the penetration of private equity remains surprisingly measured. This lag is not simply a lack of appetite: it is the mark of a specific financial history, a robust family capitalism and a long protective banking ecosystem.

A market lagging behind the non-listed sector

"*Investment in non-listed companies is ten to fifteen years behind in Germany compared to France,*" says **Sébastien Neiss**. The explanation for this is structural. Firstly, banks have long played a role of first recourse for businesses, reducing the need for alternative financing. Secondly, the backbone of the economy – the Mittelstand – is built on family continuity: facilitated intra-family transfers, patrimonial foundations, long-term governance. This institutional base secures ownership and automatically limits the opening up of capital to outside investors.

SÉBASTIEN NEISS

Senior Advisor Germany Andera Acto

Private equity penetration remains lower than the size of the German economy would suggest. The market is mainly focused on buyouts, with few minority interests – in marked contrast to France, where the range of equity investments is much broader. "*German banks have abandoned this market, while French banks remain very active,*" says **Sébastien**. Another recent change is that while French banks remain active in unlisted transactions, German banks have withdrawn from this area, highlighting the local specificity of the deals.

An attractive but highly coveted market

This low domestic intensity opens the door to increased international competition. The abundance of solid SMEs, often leaders in industrial niches, is a magnet for foreign funds. In this context, Germany has not seen the emergence of the equivalent of a major domestic pan-European champion: its national players export little, leaving a significant area of intervention for international funds. "*Germany has no equivalent of Ardian. German funds do not export much, and it is mainly foreign players who invest,*" observes **Sébastien**.

Sectoral targeting reflects the evolution of the German model. Cars and heavy industry are no longer the fields of choice. Flows are being redirected towards tech and software, industrial tech, business services and healthcare. At the same time, private debt is still much less developed than in Anglo-Saxon countries or France, which means that financing chains and deal structuring strategies are structured differently.

Specific opportunities for the Mittelstand

For Mittelstand companies, opening up to foreign funds can be a strategic accelerator. Many of them are natively export-oriented: "*German companies are natural exporters. Working with a foreign fund, which has a network beyond the German-speaking areas of Europe, opens up doors to new geographies,*" explains **Sébastien**. For entrepreneurs, the key is to strike a balance between cultural proximity and international openness. "*Entrepreneurs seek a mix of cultural proximity and international openness. French funds have an advantage: they understand the logic of family businesses better than Anglo-Saxon funds, which are often perceived as more aggressive,*" points out **Sébastien**. French funds can thus position themselves as 'bridge' partners: close enough to respect long-term codes and yet connected enough to leverage the network effect outside Germany. It is on this fine line – respecting without constricting, internationalising without rushing – that lasting partnerships are forged.

This 'soft' and 'manager-friendly' approach is embodied by Andera Acto, which will be announcing its first operation in the region by the end of 2025. Sponsorless mezzanine is fully in line with the German tradition of companies owned by individuals, whether or not they are part of the family.

Limited public support, a discreet ecosystem

Unlike the French model, public support in Germany is modest. *"The equivalent of Bpifrance has done almost nothing except act as a fund of funds. It helped during Covid, but its involvement is nowhere near that of Bpifrance,"* underlines **Sébastien**. Its occasional intervention, particularly during the Covid period, did not create a knock-on effect comparable to that seen in France. This restraint permeates the entire ecosystem: domestic funds often intervene discreetly, with less direct visibility in companies than in other countries, continuing a tradition of sobriety and reserve.

A promising market... but with strict conditions

The potential is no less real. Established houses – such as DBAG and DPE – are managing amounts of around €3 to 4 billion and are deploying tickets of between €10 and €100 million, illustrating the depth of the market for medium-sized transactions. However, success means dealing with a number of frictions: a persistent cultural mistrust of France in certain circles, a specific tax framework that requires precise engineering, and a still very low proportion of women in the sector, which raises questions about the diversity of the teams and, ultimately, the attractiveness of the professions. *"In German private equity, only 8% of senior managers are women, an extremely low figure,"* laments **Sébastien.**

Germany is one of the most structuring markets for a European private equity strategy: deep, technical, sometimes closed, but rich in industrial histories to be transformed. For players such as Andera Partners, the challenge is not to "do as they do in France", but to combine three different skills: a demanding understanding of value chains (software, industrial tech, healthcare, services), cultural diplomacy with shareholder families, and cross-border implementation capability for primary investments.

It is at the crossroads of these three points that Europeanisation will cease to be a juxtaposition, and become a genuine continuum: one where the patience of capital matches the long time frame of the Mittelstand, and where sector expertise gently opens up growth trajectories beyond borders.

Key figures for PE in the German-speaking region:

1.8 billion euros
in venture

0.3 billion euros
in priming

7.1 billion euros
invested in 2024

10.7 billion euros
in buyout

7.3% in Europe
of funds raised in Europe come from the German-speaking region
(29.6% in France, 8.5% in Spain)

0.219% of the GDP
PE represents 0.219% of the GDP in Germany
(1.004% in France in 2024)

Andera in Germany:

2021 Munich
Office opened in 2021
focused on Life Sciences and institutional investor relations

Significant operations:

- **Life sciences venture capital:** Jenavalve, T-Knife, Exciva, Tricares, Tubulis, Ariceum
- **Andera Acto**: 1st deal at the end of 2025

8. ITALY:
PRIVATE EQUITY AS A DRIVER OF CONSOLIDATION... AND EUROPEANISATION

In Italy, the last decade has seen a discreet but decisive shift: private equity is no longer seen as an intrusion into the family world, but as a lever for structuring and accelerating growth. The new generation of shareholders, the professionalisation of governance and the fragmentation of the productive fabric have led to the emergence of credible consolidators, firstly national, then European. *"In Italy, there are entire sectors where large players, often family-run, are unable to aggregate. In these cases, private equity plays a decisive role, because it enables us to do just that."* —**Alberto**

A dense, locally rooted ecosystem... rebuilt since 2017

Italy has around one hundred private equity funds. The landscape is divided between large international firms (KKR, Carlyle, CVC...) and more compact Italian firms (often €100-500 million, rarely exceeding €1 billion), whose advantage lies in their entrepreneurial proximity, sectorial finesse and regional roots. After a marked contraction between 2008 and 2015 – with office closures in Milan – a wave of relocations around 2017-2018 has reshaped the ecosystem. The result is a denser network, better connected to European flows, where the mid-market is hotly contested and where European players are deploying in both equity and private debt, either via dedicated offices or local senior advisors, depending on their location cycle.

Europeanisation is still progressing on an exceptional basis: *"Some Italian funds operate in Germany, France, the UK and even Poland, and have managed to build up an image as cross-border funds,"* points out **Alberto**. But these funds are few and far between.

However, the majority of companies in the €200 million range are still domestic, with few international build-ups. Some compensate for this with a marked specialisation, even if Italy still lacks funds specialising in Life Sciences – a window for a strategic edge if it is to exist on a continental scale.

The primaries, a bastion of national funds: proximity as a decisive asset

The majority of primary transactions are carried out by domestic funds. The key is proximity – language, regional codes, an intimate understanding of industrial niches. In a fabric of highly specialised SMEs, trust precedes operations; this relational capital then makes the fund the orchestrator of aggregation projects. *"It's a question of proximity, language and a detailed understanding of sectoral and regional dynamics."* —**Alberto**

Towards Europeanisation: when complexity calls for cross-border partners

As family businesses become more professional and complex, they are looking for partners capable of supporting cross-border trajectories. The rise of independent funds – neither bank- nor family-backed – is imposing new standards (confidentiality, governance, the discipline of value creation). While Italy is lagging behind in certain services and to some extent in tech, it has a wealth of niche industries that are ideal for aggregation strategies on a European scale. *"More and more entrepreneurs are looking for international partners because their company has reached a stage of structuring and complexity that purely local players can no longer handle. The role of funds is crucial in aggregating fragmented markets, as has been done in France in the insurance sector."* —**Francesco**

Stock markets: a gateway to professionalism

Equity markets are supporting this upmarket move. Elite, launched by the Italian stock exchange and subsequently taken over by Euronext, exposes family-owned SMEs to market standards (governance, transparency, performance culture) – all assets that make them natural targets for funds looking to expand. "*These companies are ideal targets for funds: they have a real growth project and are looking to be backed by solid partners,*" – **Francesco**

Italy is advancing by capillary action: local primaries, repeated add-ons, and sector platforms that are growing to the point of seeking out European partners. The twofold challenge is clear: to strengthen the cross-border capacity of Italian companies and multiply their specialisations – including Life Sciences. The peninsula could therefore become an effective factory of European consolidators: leaders born in local niches, designed for continental competition.

Key figures for PE in Italy:

First half of the year 2025

In the first **half of 2025** the Italian M&A market declined slightly in volume, with a **14% fall** compared to the same period in 2024, but grew by **35% in value** thanks to megadeals in the financial sector.

Year 2024

In **2024** private equity funds represented **44% of transactions** in Italy.

These funds made around **240 acquisitions** of purely Italian targets, a **14% increase** in comparison to the previous year.

Andera in Italy:

2022 Milan

Office opened in Milan in 2022

Significant operations:

- **Private Equity**:
  Pusterla, Tecnikabel, Adler Ortho
- **Life sciences venture capital:**
  MMI Microinstruments, Nouscom

9. PRIVATE EQUITY IN SPAIN: BETWEEN DOMESTIC ROOTS AND UNFINISHED EUROPEANISATION

Spain holds a unique position in the Europeanisation of private equity. Solid on its domestic base, the market has gained in professionalism, sector depth and quality of implementation. But it is still held back by incomplete internationalisation and size constraints that limit the most ambitious cross-border strategies. The movement is underway – fuelled by geographical and regulatory proximity to Europe – but the road to full pan-European integration is not yet complete.

A half-hearted maturity

Spain's private equity management companies are showing a less than stellar level of maturity. On the one hand, there is a solid domestic base and the tried and tested practices of sophisticated players; on the other, these same players have persistent difficulty projecting themselves in Europe. This is partly due to the fact that historically, the 'natural' expansion areas for Spanish family businesses have been Latin America, Portugal and Italy, where linguistic and cultural affinities facilitated the first steps. *"We are now seeing a gradual shift in the international expansion of Spanish SMEs towards Europe, which requires more structured support from multi-geography private equity management companies,"* says **Gonzalo**.

Internationalisation: numerous incomers, not so many outgoers

This refocusing on Europe is due to more coherent regulations and the proximity of markets. However, on the ground, it is mainly European funds that come to Spain rather than the other way around. Local players are still very active in primary investments, close to national champions and ecosystems. *"Very few Spanish funds have really succeeded in going international. Some have opened offices in Italy, such as ProA and Portobello, but their growth in these regions is somewhat limited,"* notes **Gonzalo**.

On the contrary, **Ignacio** cites Andera as a model of European expansion: *"They are looking to internationalise their management company after having successfully invested abroad, whereas Spanish funds generally open offices abroad without validating their local suitability with relevant investment experience."*

The constraint of size and the shallowness of markets

The average size of funds remains a determining factor. *"With the exception of the Infra funds, no Spanish GP has yet reached the symbolic threshold of one billion euros. The majority of players manage funds of between €300 and €800 million, and sometimes less. This limits their ability to implement ambitious cross-border strategies,"* observes **Gonzalo**.

Real sectoral strengths, but still fragmented

The Spanish ecosystem has a number of structural strengths: a large pool of family businesses, exporting SMEs, excellent management teams and a number of areas of specialisation, such as agri-food, renewable energies, engineering, infrastructure and healthcare. These niches fuel a high-quality flow of business and provide visible growth prospects.

These sectors do not, however, have the depth necessary to support specific strategies. *"In a context such as this, a generalist positioning may sometimes be the best approach,"* concludes **Gonzalo.**

Spain illustrates a pivotal moment in the process of Europeanisation: the convergence of practices is well advanced, local attractiveness is real, but the pan-European 'round trip' is not yet fluid. Spanish teams excel at being close to entrepreneurs and territories and at primary investments, although they still need to build up a capacity for projection – opening offices, pan-European alliances, larger funds – to play on equal terms in cross-border processes. Conversely, the continuing influx of European funds into Spain confirms that the country is a strategic anchor market within the Union.

Key figures for PE in Spain:

January – April 2025

From January to April **2025**, the Spanish M&A market experienced a **20% decline** in the number of deals and an **18% decline in value** compared to the same period in **2024**.

Year 2024

In **2024** private equity represented a total of **264 deals** for a total of **22 billion dollars**.

Real estate was the most dynamic sector over the year.

3rd quarter 2024

The international expansion **of Spanish funds** as of **Q3 2024:**

- **Portugal: 49** operations
- **United States: 42** operations
- **Italy: 41** operations

Andera in Spain:

2024 Madrid

Office opened in Madrid in 2024

Significant operations:

- **Private Equity**:
  Sanifit, MedLumics
  MisterTemp' Group, DGH Group
  (acquired by the ADF Group)

10. BELGIUM AS A DISCREET BUT DECISIVE LABORATORY FOR EUROPEAN COOPERATION

The Europeanisation of private equity is not just about the proliferation of cross-border funds or the adoption of 'euro-standard' documentation. It can be seen above all as the way in which national ecosystems fit together, align their practices and learn to share risk and expertise. In this regard, Belgium plays the role of a pan-European laboratory: a small market, but rich in gateways, where cooperation takes precedence over the size of balance sheets.

A local network ecosystem between science, start-ups and capital

Belgium illustrates how small economies can accelerate the translation of research into entrepreneurial value. *"Belgium is a highly organised country, with close links between the academic world and the start-up ecosystem, which facilitates the transition from academic research to the creation of spin-offs, particularly in the Life Sciences sector. In other, larger countries, this transition is often less fluid,"* explains **Jan Van den Bossche**. This local network between science and the market creates a depth of deal flow that is rare on a national scale, particularly in the life sciences, where maturation cycles are long and capital requirements are staggered.

From banking roots to European investor coalitions

Twenty-five years ago, the Belgian market was mainly driven by banks. The rise of French and Dutch funds has gradually shifted the centre of gravity towards more specialised players, particularly in growth rounds. In the meantime, local family offices have come into their own, providing patient capital, local knowledge and flexible structuring – three ingredients that make it easier for foreign investors to enter the market. This cohabitation of historical players (banks, families) and pan-European players (growth funds, sector funds) has shaped a market where 'handmade' rounds of financing are built, with no loss in the speed of implementation.

The 'relay' as a model of integration

In practice, Belgium has established itself as a gateway to Europe: *"Belgian funds today are often involved in the first rounds of financing, before handing over to larger European funds. These funds are often backed by foreign sponsors. Although the teams are Belgian, they are not yet part of a structured European framework. Life Sciences funds, on the other hand, very rarely have local teams,"* comments **Jan**. In other words, integration is progressing by sequencing rather than by complete harmonisation: the initiation is local, while growth is pan-European.

This mechanism has two virtues. Firstly, it reduces the cost of learning for investors by relying on local teams close to laboratories, university hospitals and technology clusters. Secondly, it increases the certainty of financing for entrepreneurs, via successive rounds that have already been 'pre-aligned' with European co-investors.

JAN VAN DEN BOSSCHE

Andera Life Sciences Partner

Belgium shows that the integration of private equity is progressing primarily through **functional cooperation**: this involves a division of roles between local investors (detection, seed capital, scientific de-risking) and European players (scaling, market access, liquidity). The market does not need to be centralised in order to be integrated; it needs **bridges** to transform local trajectories into pan-European success stories.

Key figures for PE in Belgium:

42% portfolio as against 39% in 2022 - 2023

In **Belgium** alternative investments are more important than ever for family offices, representing **42% of their portfolios today** compared to **39% in 2022-2023**. As a result, private equity, among other things, has become a significant part of their portfolio in order to strengthen resilience.

Main Belgian PE funds in figures:

1. **Copeba:** AuM press release: **€4,400 million**
2. **Integra:** > **€700 million**
3. **Gimv (**Euronext**): €1,800 million**

Andera in Belgium:

2019 Antwerp

Office opened in Antwerp in 2019

Significant operations:

- **13 investments in 25 years**
- **Notable portfolio companies:** Pauwels Solutions Group, Infra Group, Minafin, Pennel & Flippo, Elan Languages, Agomab, Nyxoah, Skysun

11. SUSTAINABILITY ISSUES IN AN ERA OF EUROPEANISATION – ANDERA PARTNERS' VIEW

Europe has set itself a demanding course when it comes to sustainability, notably through the CSRD, SFDR and Taxonomy. For asset management companies, the issue is no longer whether sustainability is essential, but rather how to implement it effectively in pan-European portfolios with varying levels of maturity. As summarised by **Noëlla de Bermingham, Chief Sustainability Officer at Andera Partners**: *"Regulation has been a tremendous accelerator, but the piling up of national and European regulations and frameworks is becoming counter-productive."*

Between Europeanisation and the piling up of regulations

Europeanisation runs the risk of friction: overlapping frameworks and reporting that absorbs too much energy. Complexity can sometimes distract from the essentials, especially for companies that are still immature. *"Some companies drop out completely, not because these standards are not useful, but because they are too complex and inappropriate,"* stresses **Noëlla**. The priority is to clarify expectations, avoid duplication and phase requirements according to the real maturity of companies.

Heterogeneous levels of maturity in Europe, contributing to the piling up of regulations

There are still significant differences in practice between countries. Funds are navigating through a patchwork of rules in which France stands out for its lead, supported in particular by Article 29 of the Climate and Energy Act, which has become an operational foundation and a competitive advantage. *"Asia is speeding up, the United States is slowing down, and we in Europe seem to be standing still,"* says **Noëlla**. To be effective, Europeanisation has to capitalise on its best standards and make them enforceable across the whole continent.

Moving from a "tick the box" approach to actual implementation and proven impact

Private Equity's role here is that of translator and accelerator. *"The crux of the matter is to demonstrate that sustainability protects and creates value."* Investment teams need to simplify the framework for management, focus on transforming the business model and document results. In Andera's portfolio, MasterGrid has undertaken a transition that has become a "guarantee of reassurance for buyers and investors". Both industrial players and service companies need to reduce their exposure to risk and can also create new market opportunities. *"There is no sector where we can't do interesting and transforming things, even those that seem the least advanced or the least concerned."*

Investor expectations are accelerating this trend. Compliance is no longer enough: institutional investors are demanding tangible proof at the level of portfolio companies, whether in terms of operational improvements, management of climate and biodiversity risks, or the alignment of trajectories. *"Nowadays all funds are mobilised around this issue,"* says **Noëlla**. This shift towards real impact is encouraging asset managers to move from defensive reporting to demonstrable value creation.

Towards a credible, exportable European model

Despite its complexity, Europe has the assets to impose a credible and exportable model. By limiting greenwashing and laying solid foundations, like the French framework, which is already inspiring other jurisdictions, Europe can turn regulatory rigour into a strategic advantage, provided that it focuses on clarity, comparability and implementation. *"This rigour could have a positive impact on the balance of power"* and position Europe as a benchmark for the long term.

NOËLLA DE BERMINGHAM

Chief Sustainability Officer
Andera Partners

THE EUROPEANISATION OF PRIVATE EQUITY:

TRANSCENDING BORDERS TO BUILD AN INTEGRATED PLATFORM.