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# Middle Market **Pulse**

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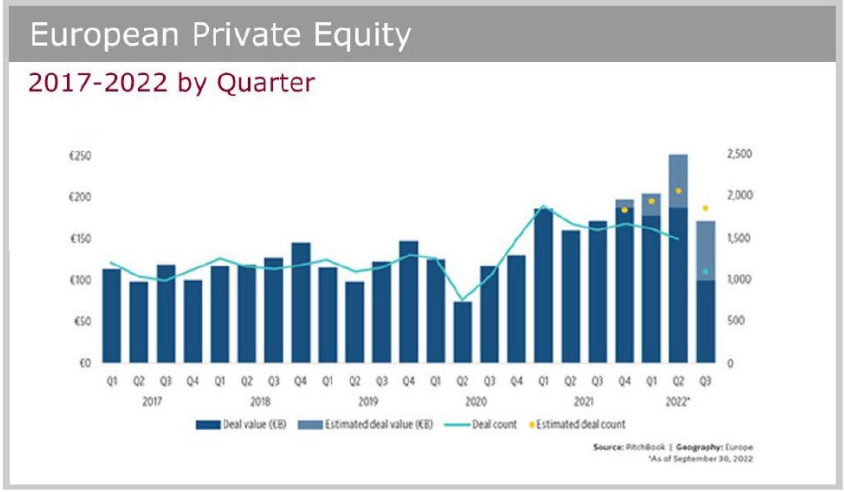
Pitchbook, a database of private M&A transactions, recently published its third quarter report on European Private Equity (PE), which highlighted resilient deal volume, declining PE exits, and fundraising becoming more focused on select sectors.

European dealmaking remained strong through Q3 2022 despite mounting uncertainties from inflation, interest rate hikes, declining GDP growth, and weakening consumer and business confidence. The number of year-to-date transactions increased by 16.1% in 2022 over 2021, but quarter over quarter saw a 31.6% decline in volume, a sign that the macroeconomic environment has become a drag on dealmaking. Further, deal due diligence timelines appear to be lengthening. In addition, higher inflation and rising discount rates make it more expensive for companies to borrow money. Companies that can pass those higher costs on to consumers, like those in the energy, infrastructure, and healthcare sectors, will likely be the winners.




Source: Pitchbook

The UK and Ireland have often comprised the strongest region in Europe for dealmaking activity, but Q3 data shows that France and the Benelux region have overtaken them, accounting for 30.4% of 2022 deals versus 27.7% for the UK and Ireland.

The war in Ukraine has caused the cost of energy to rise dramatically across Europe with consumers ultimately paying the price. With the uncertainty in the energy markets and the current reliance on Russian oil and gas, there has been a resurgent focus on renewable energy providers with European companies and countries working toward a greener future and at the same time seeking to prevent future energy woes.

Though PE exits have declined amid an environment of dipping valuations, 2022 will likely see the second strongest finish in the past ten years. Fundraising too has weakened in 2022, with investors preferring to target specific industry sectors rather than commit funds to broad based industry agnostic funds that might find it more difficult to put money to work.

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