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2026 EMEA Private Capital Outlook

Our analysts' outlook for EMEA private capital in 2026

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

2026 outlooks

Introduction

At present, opportunities and risks are abundant across various countries, sectors, and asset classes in the EMEA region. Public markets are choppy, geopolitics are frosty, and AI valuations are frothy. As a result, it is becoming increasingly challenging to predict what will happen in the region's private markets. Tariffs, central bank policies, and the rapid development of AI infrastructure emerged as key factors in 2025.

Looking back on the past year, both European and MENA PE deal values are shaping up to be some of the strongest on record, underscoring the asset class's recovery after two years of pressure from higher interest rates. 2025 has shown positive momentum via an increase in megadeals, and US investor participation in European deals continues to rise steadily. The Nordic region has exhibited resilience in PE deal count compared with other parts of Europe. Among sectors, sports are becoming an increasingly attractive option for PE firms, as reflected in the growing pace of deals. At the current run rate, full-year European PE exit activity is on track to finish with modest YoY growth, a much stronger outcome than anticipated at the end of Q2. In 2025, European PE fundraising has slowed significantly, following the trend already observed in North America and Asia over the past two years.

European VC dealmaking softened in Q3 2025, signalling that full-year totals may decline YoY. Activity is increasingly concentrated in larger rounds, particularly in AI. The AI sector continues to dominate, accounting for nearly 40% of deal value in Europe YTD and setting the pace with blockbuster raises. Outside of Europe, Saudi Arabia has grown its share of VC deal count in the MENA region. European exit activity so far in 2025 can be defined by the "Klarna effect," with the fintech company's IPO accounting for nearly a quarter of exit value YTD. Beyond Klarna's listing, exit momentum remains muted, with activity trending lower than last year and reliant on a handful of large transactions. IPOs have increased their share of exit value as public market volatility has subsided, yet volumes remain thin, underscoring how recovery is concentrating in a few large transactions. 2025 is shaping up to be one of the weakest years for European VC fundraising in recent history, with momentum slowing sharply since 2024.

Using our proprietary data and in-house expertise, the 2026 EMEA Private Capital Outlook explores major themes our analysts consider important in the year ahead.

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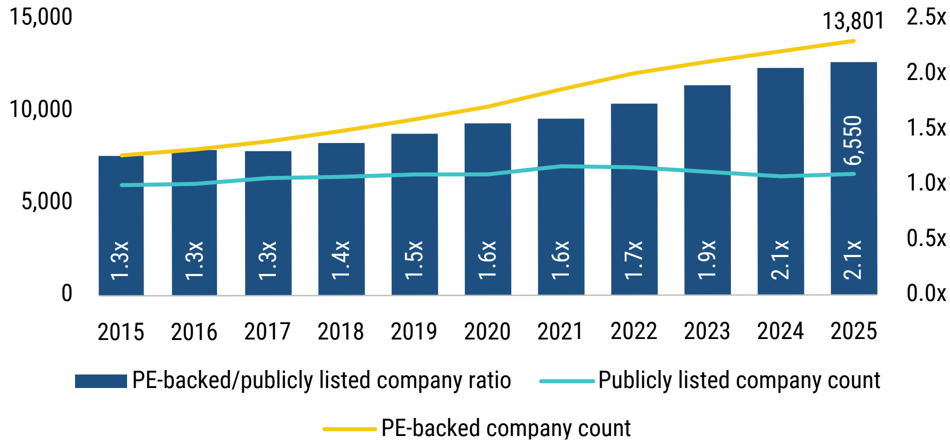
OUTLOOK

The ratio of PE-backed companies to public companies in Europe will reach a fresh record of 2.3x.

PE-backed company/public company ratio



Source: PitchBook • Geography: Europe • As of 31 October 2025

Rationale

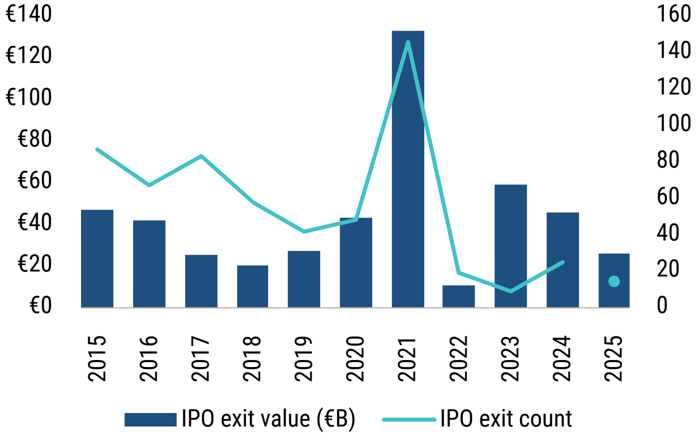
Europe's PE universe has expanded dramatically over the past decade. Since 2014, the number of PE-backed companies has doubled to roughly 13,800, while the number of publicly listed firms has remained largely stagnant, hovering between 5,700 and 7,000 for the past two decades. PE-backed companies first outnumbered listed firms in 2011, marking the start of private markets' structural ascent. The next milestone arrived in 2024, when the PE-backed cohort was twice the size of the public universe.

We expect this divergence to persist in 2026. The growth of PE-backed businesses is expected to continue outpacing public market growth as allocations to PE rise within investor portfolios. Historically, the asset class has delivered superior risk-adjusted returns, attracting both institutional capital and, more recently, private wealth and retail investors through semi-liquid fund structures. This democratisation of access should sustain momentum even as traditional fundraising slows at the institutional level.

Public markets, by contrast, remain challenged. IPO activity in Europe has been subdued, with exchanges such as the London Stock Exchange seeing record delistings. European companies have also shown a persistent preference for US listings, drawn by the region's deeper liquidity, higher valuations, and more extensive analyst coverage. Meanwhile, the exit environment for PE has been muted since 2022, prompting sponsors to rely more on alternative exit routes such as secondaries and sponsor-to-sponsor exits than on public listings.

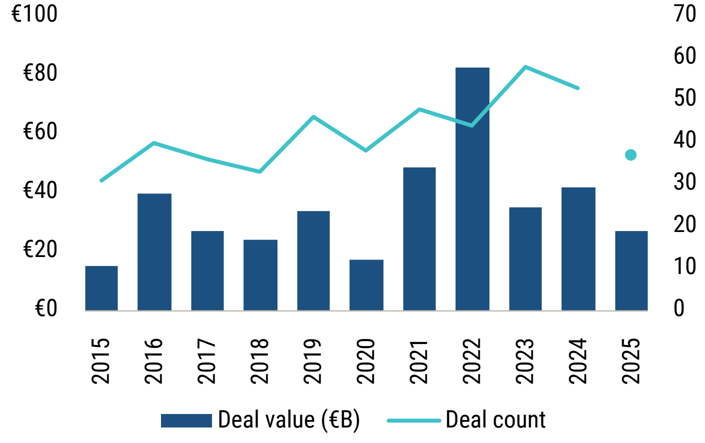
This preference for staying private is further highlighted by the surge in take-private transactions since 2022. The market correction that followed the 2021 valuation peak

PE-backed IPO activity



Source: PitchBook • Geography: Europe • As of 31 October 2025

PE take-private deal activity



Source: PitchBook • Geography: Europe • As of 31 October 2025

created opportunities for sponsors to acquire listed assets at a discount, particularly so-called "boomerang stocks" that had gone public during the previous bull market.

In the past five years, the population of PE-backed companies in Europe has grown at a 5.4% CAGR, while the number of listed companies has declined by 1.6% per year. Extrapolating these rates, we forecast the ratio of PE-backed companies to public companies to reach 2.3x by the end of 2026, up from 2.1x at the end of 2025, a new record that cements PE's expanding footprint across European corporate ownership.

Risks

A key risk to this outlook would be a recovery in European IPO activity to levels last seen in 2021. A reopening of public markets, supported by lower interest rates, stronger equity valuations, and improving investor sentiment, could prompt both PE sponsors and corporates to return to public listings as a viable exit route. This would slow the relative growth of PE-backed companies, especially if the pipeline of mature PE assets built up since 2021 begins to clear through IPOs.

Regulatory reforms could also alter the balance between private and public ownership. Initiatives such as the UK's Prospectus Regime Review and the EU's Capital Markets Union aim to simplify listing requirements and attract new issuers, which could partially reverse the decline in the number of listed companies.

Ultimately, this outlook depends on whether the current shortage of public listings is a structural or cyclical issue. If it proves cyclical, a recovery in IPO volumes would boost publicly listed companies. But if it is structural, IPOs may no longer be considered the Holy Grail of corporate success they once were.

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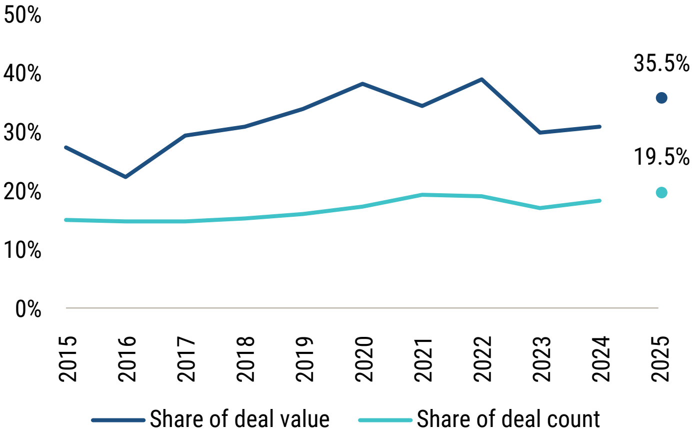
OUTLOOK

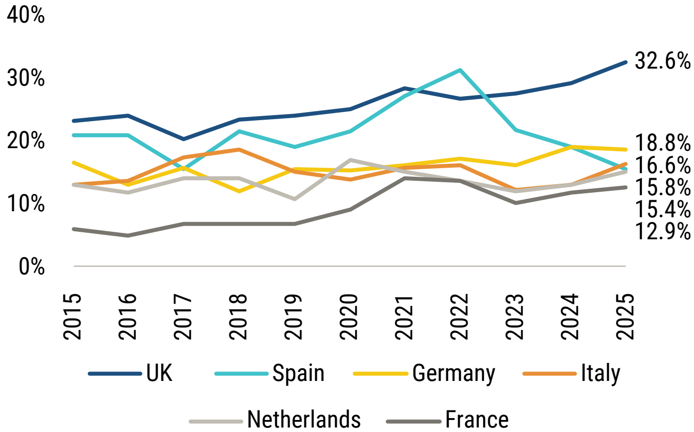
US investor participation will reach 25% of European PE deal count.

PE deal activity with US investor participation as a share of all PE deal activity



Source: PitchBook • Geography: Europe • As of 31 October 2025

PE deal count with US investor participation as a share of all PE deal count by country



Source: PitchBook • Geography: Europe • As of 31 October 2025

Rationale

European PE deal activity is set for one of its strongest years on record. This renewed buoyancy in dealmaking can be attributed in part to the growing participation of US investors in European transactions. The first half of 2024 marked a notable rotation of capital from the US into Europe, driven by faster monetary easing in Europe, where interest rates fell to roughly half the level of those in the US from April onward. Since 2023, Europe has also surpassed North America in overall M&A volume, a reflection of the continent's more fragmented markets, which naturally create more midmarket opportunities. European targets also tend to trade at a valuation discount relative to their US peers, adding further appeal.

Given that the North American PE market is roughly twice the size of Europe's, US investors are increasingly seeking geographic diversification outside of a crowded domestic landscape. The share of European PE deals involving a US investor has risen from 18.2% at the end of 2024 to 19.5% YTD, meaning roughly one in every five European deals now includes US investor participation.

US sponsors are especially active in large-cap deals and megadeals, leveraging deeper capital pools and established transatlantic networks. In the second half of 2025, seven of Europe's 10 largest deals featured at least one US investor. This trend has underpinned a sustained rebound in deal momentum, which is expected to accelerate into 2026, supported by greater access to financing, record dry powder, and a more favourable rate environment.

At the 2025 instalment of Europe's largest private capital gathering, IPEM Paris, managers openly discussed the strength of these cross-border flows. Firms such as KKR, which deployed a record $20 billion in Europe during 2025, highlighted the region's strategic importance. In the UK, Europe's largest PE market, US investors continue to dominate, with one in every three deals involving a US sponsor YTD. Notable commitments include Blackstone's £100 billion investment pledge over the next decade and CD&R's £2 billion deployment target within five years.

Together, these moves underscore how US capital is reshaping the European PE landscape and reinforcing Europe's status as a priority destination for global private markets investment.

Risks

The main risks to this outlook stem from political uncertainty in Europe and potential valuation shifts in the US.

Across Europe, rising political volatility and a more interventionist regulatory environment could dampen deal activity and temper nondomestic investor appetite. France offers a clear example: Political instability and a growing protectionist stance have already weighed on dealmaking, with US investor participation in French PE deals sitting at just 13% YTD, well below the European average. The broader rise of far-right movements across several European countries could intensify these pressures, potentially leading to new regulatory measures that limit nondomestic ownership or strategic-sector investment, particularly from non-European sponsors.

On the other side of the Atlantic, the valuation gap that currently makes Europe attractive could narrow if the US market undergoes a re-rating. Furthermore, should the Federal Reserve tighten monetary policy more aggressively in 2026, bringing US rates back in line with Europe's, relative pricing advantages would erode, reducing the incentive for US sponsors to look abroad.

Finally, new exogenous geopolitical factors such as tariffs or wars could further derail our outlook.

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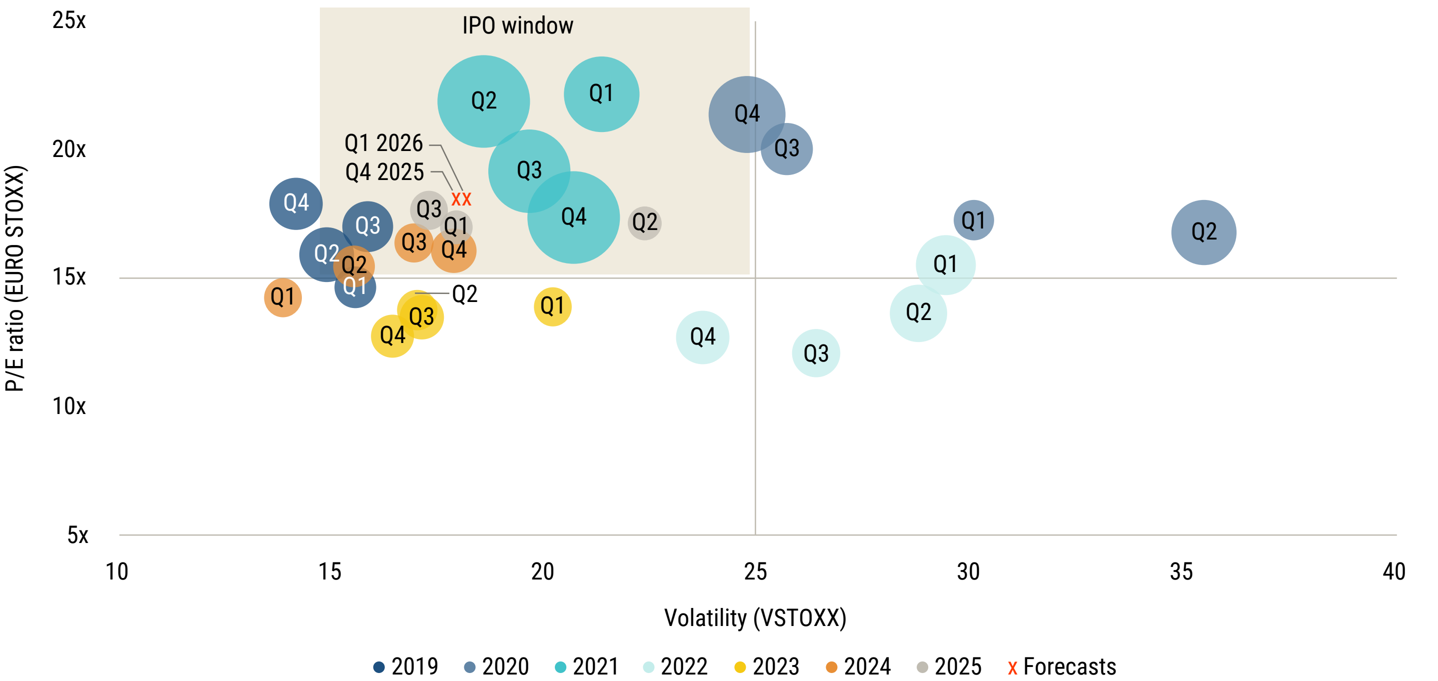
OUTLOOK

Europe’s IPO window will stay open, with mostly profitable listings.

Quarterly IPO count by select metrics



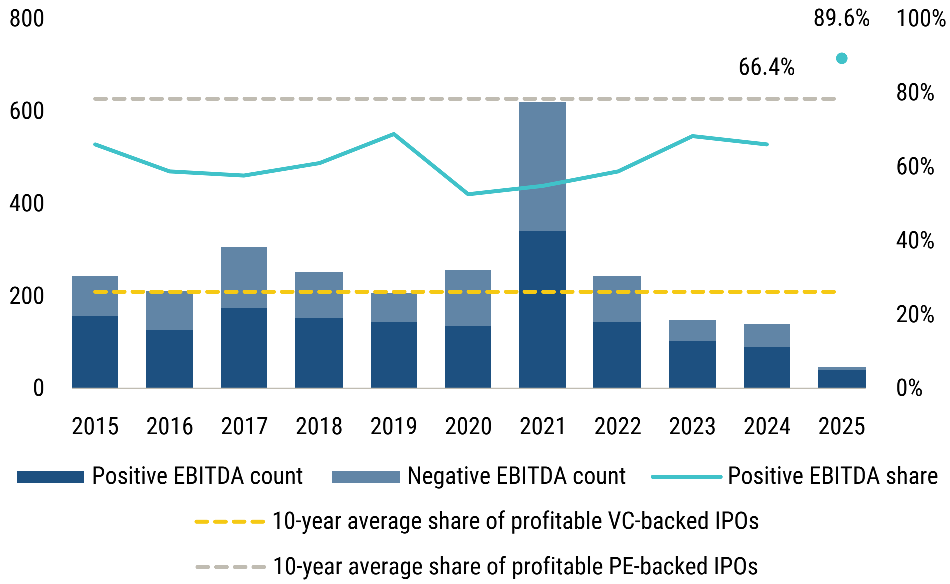
Source: PitchBook • Geography: Europe • As of 31 October 2025
Note: Bubble sizes represent quarterly IPO counts. The P/E ratio and volatility measures are monthly averages. Q4 2025 and Q1 2026 data points are forecasts.

Rationale

Our IPO window framework shows that valuations and volatility through 2025 have stayed at favourable levels for an IPO window. This has resulted in several listings throughout the year (although mostly from companies without private backing) as companies made use of favourable conditions after the volatility caused by President Donald Trump’s “Liberation Day” subsided. However, the year’s IPO counts have yet to catch up to historical levels, even outside of 2021 and 2022. In 2024, 181 IPOs took place in Europe, versus just 115 so far this year. We previously anticipated that the IPO window would open wider in H1 2026, and our forecasts suggest that favourable conditions are still set to continue into next year, ceteris paribus. We therefore expect IPO counts to pick up.

However, we also note that the nature of listings has significantly changed over the past few years, and lower listing counts may be the result of a quality-versus-quantity dynamic. Profitable IPOs have continued to gain share of listings since 2022, with their share now sitting at nearly 90% YTD versus 66.4% in 2024. As capital becomes more constrained, the appetite for cash-generating companies has grown. We see this trend continuing in 2026, specifically among tech companies. Fewer VC-backed players, which are often unprofitable even at later stages, are looking to public markets for financing.

IPO count by profitability



Source: PitchBook • Geography: Europe • As of 31 October 2025

Furthermore, more private companies are staying private for longer, meaning those that do not have the favourable metrics that public investors seek, such as strong and growing unit economics, may not list, leading to a higher quality of companies that do.

Risks

There are risks and nuances to our thesis depending on the sector, region, and asset class. The most direct impact on the IPO window will involve any changes to its two pillars: valuations and volatility. If tech valuations correct, such as through the bursting of an AI bubble, this may cause a wider sell-off in tech stocks. Furthermore, outside of equity markets, if exogenous macro-specific factors such as geopolitics and unexpected changes in macro policy cause volatility to increase, this will weigh on listings yet again.

Our thesis centres around the European market, but in the US, the dynamics have been and will be very different. In the US, the appetite towards growth companies is higher because of its more established ecosystem of public tech companies, given large indices like the S&P 500. In Europe, company type will shape the appetite for public financing and profitability, with AI companies expected to continue their bifurcation in exit markets and find a more favourable appetite when listing compared with non-AI-related firms. Furthermore, the profitability standard will likely be lower if listings are more weighted towards AI.

Lastly, risks to our thesis may involve differences between asset classes. We have seen more PE-backed listings historically, and from a profitable pipeline, but VC-backed listings have been fewer and less profitable. Each asset class’s exit environment and IPO pipeline is therefore a determinant of the level and nature of listings that we could see next year. As VC-backed listing markets improve, we may see fewer, profitable listings, like Klarna’s.

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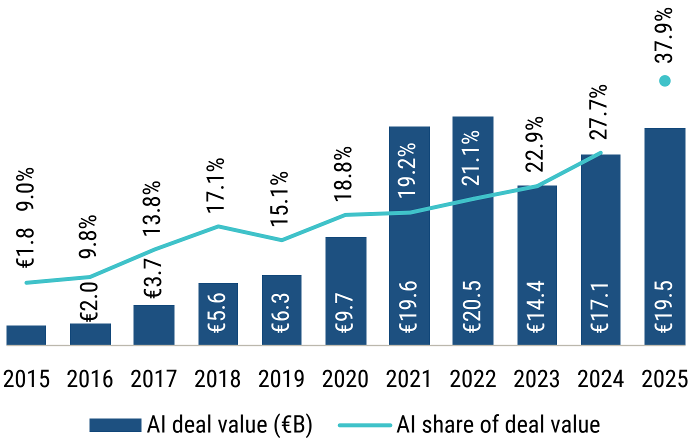
OUTLOOK

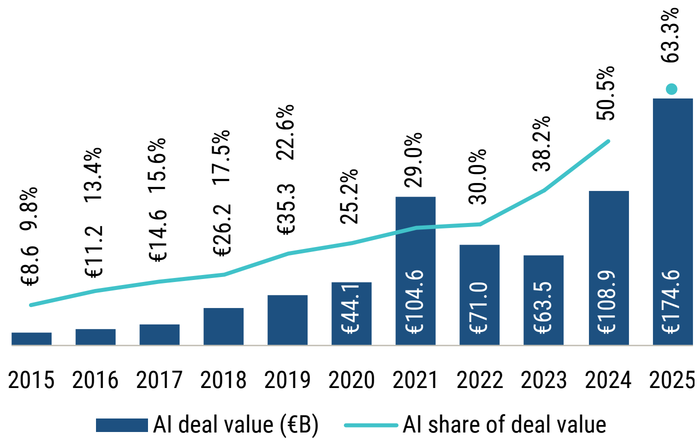
AI will make up more than half of European VC deal value.

Europe AI VC deal value and AI share of total VC deal value



Source: PitchBook • Geography: Europe • As of 31 October 2025

US AI VC deal value and AI share of total VC deal value



Source: PitchBook • Geography: US • As of 31 October 2025

Rationale

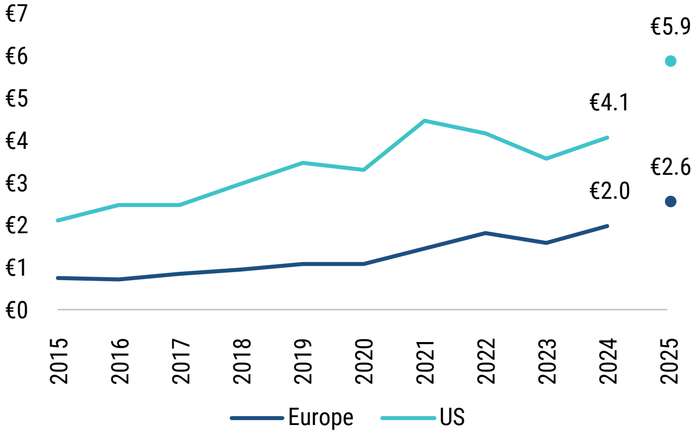
It is no surprise that AI has been the flavour of 2025. As the venture market has become more bifurcated between AI-related and non-AI-related sectors, the share of AI deals in the market has rapidly grown, now sitting at 37.9% of deal value in Europe YTD versus just 27.7% in 2024. We believe that there is still room for further AI penetration in Europe, where the AI ecosystem remains more nascent than that of the US.

Certain data points evidence the extent of the gap in European and US AI funding and ecosystems. For example, while AI holds 37.9% of overall VC deal value in Europe, it holds 63.3% in the US. As is often the case, Europe lags the development in the US. We see the continent catching up or at least following the playbook in the US over the next few years.

Furthermore, median AI VC deal sizes and valuations in Europe sit at multiples lower than the US. Despite our belief that AI valuations represent a bubble-like boom, in Europe they still have room to grow and present attractive investment opportunities when benchmarked to the US. YTD, the median AI deal size in Europe sits at €2.6 million versus €5.9 million in the US. The median pre-money valuation gap is even wider, at €8.8 million in Europe versus €44.4 million in the US.

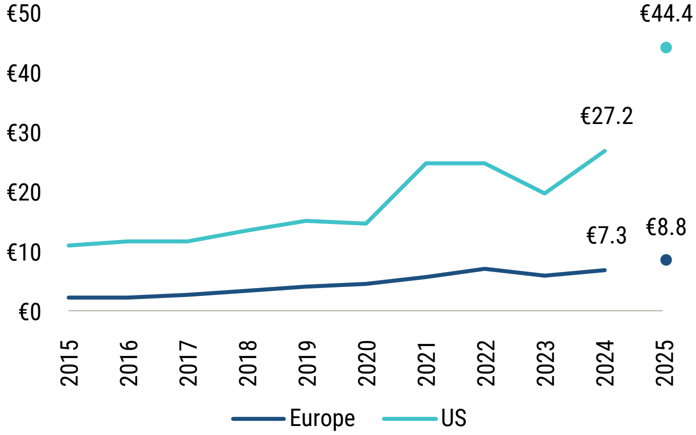
A similar point is illustrated by comparing the top AI deals in the US and Europe. Over the past 10 years, the top 10 AI deals in the US amounted to €111.7 billion compared with just €9.6 billion in Europe. Whilst the US has always had larger cheque sizes and

Median AI VC deal value (€M) by region



Source: PitchBook • Geography: US and Europe • As of 31 October 2025

Median AI VC pre-money valuation (€M) by region



Source: PitchBook • Geography: US and Europe • As of 31 October 2025

capital pools in venture, the extent of the gap highlights the potential Europe still has to reach in the near term. A need for funding within Europe remains, and we believe this will likely grow the vertical's share of European deals over the next year.

Risks

There are several risks to our thesis. The most obvious is that we believe that valuations within the AI space are analogous to a bubble, often seen during the hype cycle of J-curve economics. Therefore, if we do see a bursting of the AI bubble over the next few years, this will weigh on dealmaking and valuations in Europe, which historically has shown less resilience during market corrections. We could therefore see a plateauing of AI penetration in European dealmaking.

Another risk is that much of the contrast between European and US AI ecosystems is structural and aligns with broader venture markets. Whilst this does not fully negate the fact that the wider venture market in Europe is developing and has the potential to follow the US, there are also several structural factors that mean a like-for-like development is unlikely. This includes higher fragmentation, smaller market sizes, and lower scalability of ecosystems. Without scalability and more mature AI companies in Europe, it will not be possible for AI deal activity and AI ecosystems in Europe to reach the penetration that the vertical has in the US venture market.

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OUTLOOK

Stockholm will challenge the big three European private market hubs: London, Paris, and Berlin.

Rationale

More often than not, London emerges as the leader when assessing private market statistics across Europe. Paris and Berlin usually follow as the big three regularly attract major deals, funds, and exits. Berlin is geared towards VC, whereas cities such as Amsterdam, Madrid, and Milan focus on PE rather than VC. However, we believe Stockholm is poised to disrupt the major private market hubs in Europe, given activity in the city in recent quarters.

In 2025, Klarna's public listing took place at a private market valuation of €12.7 billion, netting a significant return for early investors. For example, Sequoia Capital's share was worth €2.8 billion at the time Klarna's shares were priced, representing a gain of €2.3 billion, a more-than-sixfold return on investment.[1] This is a huge return for an early backer that will no doubt use that capital to fund a new batch of companies, potentially in Stockholm again. The huge exit for Spotify in 2018, combined with Sweden's historical ties to Skype, has also boosted VC awareness and opportunities in Stockholm over the past decade.

Now, companies such as Lovable are experiencing the fastest growth rates globally. Lovable reached $100 million in annual recurring revenue in eight months, a shorter time frame than OpenAI.[2] Lovable's valuation and capital requirements will grow in the coming quarters, which could boost dealmaking figures in the city. Legora is another Stockholm-based AI company that has raised over €200 million since its founding, achieved unicorn status in 2025, and is likely to attract future investment. Neko Health closed one of the largest VC rounds of 2025 at €251.4 million, and the recent closings of the €350 million G2 Fund and €500 million Creandum VII fund illustrate that capital is ready to be deployed in Stockholm. Ties to EQT within the city also indicate that experience, networks, and capital are abundant; the global powerhouse now has €266 billion in AUM and has raised enormous PE funds in recent years. EQT X was €22 billion, whilst the open EQT XI has a hard cap of €24 billion.

As a result, we believe Stockholm will rank higher among the big four cities across our market snapshots' data points.[3] From 2024 to 2025 YTD, Stockholm ranked fourth in four metrics, placed third and second in two metrics each, and was first in one metric, specifically VC exit value. We believe these rankings will rise next year.

1: "Sequoia Capital Reaps $2.7 Billion Gain on Klarna Bet in IPO," Bloomberg, Yazhou Sun and Aisha S. Gani, 9 September 2025.
2: "$100 ARR & Lovable Agent," Lovable, 23 July 2025.
3: We publish several country snapshots each quarter. Our latest editions cover the UK, France, Germany, and Italy.

Private capital activity by city since 2024

City	VC deal value (€B)	VC deal count	VC exit value (€B)	PE deal value (€B)	PE deal count	PE exit value (€B)	PE and VC capital raised (€B)	Median late-stage VC valuation (€M)	VC first-time financing count
London	€23.8	2,713	€9.2	€61.9	829	€19.8	€106.3	€21.1	719
Paris	€8.7	847	€1.1	€19.5	405	€5.1	€23.6	€29.6	204
Berlin	€4.7	572	€0.1	€1.7	123	€1.3	€1.7	€85.2	153
Stockholm	€3.7	411	€13.9	€8.3	210	€10.2	€34.9	€10.4	112

Source: PitchBook • Geography: Europe • As of 31 October 2025

Risks

The primary risk to our outlook is that London, Berlin, and Paris continue to pull farther ahead. Fund timings and capital runway needs will play into the data in 2026. VC-backed companies that are currently on a tear, pulling in record amounts of capital and achieving rapid growth, may slow down. For example, EQT X was record-breaking, but its closing time was lengthened due to market appetite. And Klarna's private valuation fluctuated in the years prior to its listing, which was arguably overdue. Moreover, it takes only a small selection of transactions to skew figures in a particular direction regionally. Structurally, Stockholm remains a strong bet for private markets, but it is not the most established in Europe, and competition is intense.

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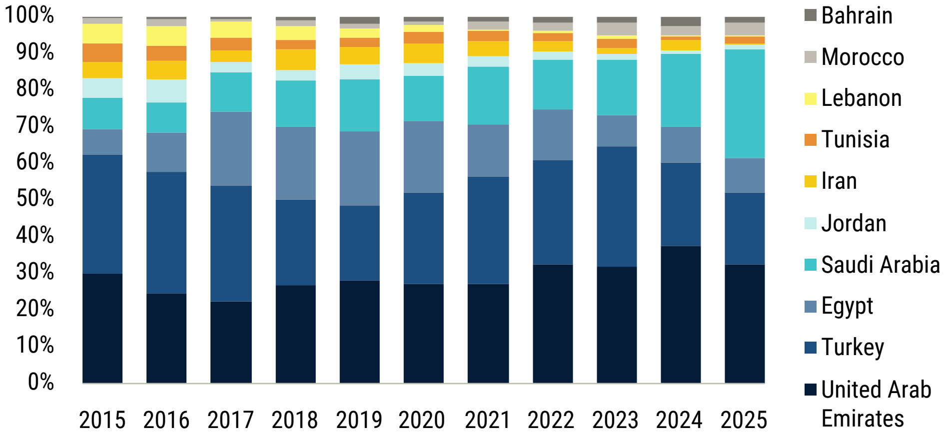
OUTLOOK

Saudi private capital markets will continue developing in the MENA region.

Share of VC deal count by 10 most active countries



Source: PitchBook • Geography: MENA • As of 31 October 2025

Rationale

The majority of VC deals in the MENA region from 2020 to 2024 were in the United Arab Emirates (UAE) and Turkey. However, the composition of the region's VC deal counts has changed as Saudi Arabia's venture market has emerged. Over 100 Saudi VC deals have taken place each year since 2021, having not crossed that mark in any year prior. So far in 2025, Saudi VC deal count has surpassed Turkey's for the first time to take second place in the region. There is still time for things to change in the remainder of 2025, but Saudi VC deals, which stand at 164 YTD, could also surpass the UAE's count (179) for the first time. The growing proportion of Saudi VC deals comes as no surprise, as the country has opened up its financial markets in recent years. At the time of this writing, Saudi Arabia is also leading YTD VC deal value in the MENA region.

Saudi Arabia's Public Investment Fund (PIF) has become a global leader in private markets, particularly in the PE space. Since 2020, it has been involved in the most PE deals in the MENA region. And with aspirational Saudi Vision 2030 targets, investment is unlikely to slow. The PIF was also part of the consortium that announced the take-private of Electronic Arts for $55 billion earlier this year. The deal was one of the largest ever seen in private markets, reinforcing PIF's global push to increase its assets across various sectors.

In summary, we expect Saudi VC dealmaking to rival that of the UAE in 2026. We also believe that Saudi-based investors, such as the PIF, will remain among the most active in the PE space in MENA.

Top five investors in PE deals by count since 2020

Investor	Deal count	Median deal value ($M)	Investor HQ	Investor type
Saudi Arabia's Public Investment Fund	45	$400.5	Riyadh, Saudi Arabia	Sovereign wealth fund
ADQ	26	$923.9	Abu Dhabi, UAE	Sovereign wealth fund
Mubadala Investment Company	23	$2,736.9	Abu Dhabi, UAE	Sovereign wealth fund
SPE Capital	18	$45.3	Abidjan, Côte d'Ivoire	PE/buyout
International Finance	17	$118.5	Washington, US	PE/buyout

Source: PitchBook • Geography: MENA • As of 31 October 2025

Risks

The main risks to our outlook focus on whether Saudi Arabia can continue to grow at its current rate. The Saudi VC ecosystem is in its infancy compared with other established ecosystems globally and in the MENA region, such as the UAE. Therefore, external investors may favour familiar locations that have a more established track record and where companies have had longer runways for growth. Another risk could be domestic capital outflows from the region to other ecosystems. Saudi Arabia continues to diversify, and while our outlook focuses on domestic activity, opportunities outside the nation may become appealing given the challenges facing other nations and potentially lower price points. High-growth or rare opportunities may also emerge in Asia, Europe, or the US, leading to a reduced appetite to invest at a national level.

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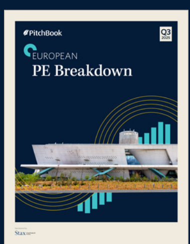
Additional research:



Q3 2025 European PE Breakdown

Download the report here

Q3 2025 European Venture Report

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