

Listed Private Equity Insights

Validating valuations

Overview

Listed private equity is an important and growing segment of the private equity market and an alternative way for a broad range of investors of all sizes to invest in private equity managers or funds listed on stock exchanges around the world.

As of 29 December 2024, assets under management by listed firms and funds totalled €4,140 billion globally and these firms had a combined market cap of €663 billion (source LPX Indices). They include some of the biggest names as well as mid-market private equity and venture capital firms, both direct investors and funds of funds.

Listed private equity truly democratises private markets

In effect, listed private equity truly democratises private markets - investors of all kinds and sizes can buy into a listed private equity fund, or into the private equity company managing a portfolio of private companies, for the price of a share. And with the flexibility, liquidity and regulation that public markets provide. This widens access to investing in privately held assets that can generate performance and returns with a track record of outperforming public market benchmarks over the long-term. And a way to invest in interesting high quality companies undergoing transformation, at an early phase of their growth and development or in subsectors not listed on public markets.

Discomfort around valuations may affect share price

As with any listed company, listed private equity firms and funds are subject to the fluctuations of the market. The share price is determined by the market at any point and a share may trade at either a premium, when its market price per share is higher than its net asset value, or NAV, per share, or discount when its market price per share is lower than its NAV per share. One feature of listed private equity in recent years has been that many listed private equity shares have been trading at significant discounts to NAV, despite the strength and health of underlying portfolio assets. Commentators and analysts have suggested that one of the factors that contributes to this persistent discount is mistrust of valuations: uncertainty around how portfolios are valued, an impression that they may be overvalued as well as a perceived lack of transparency. The industry believes this discomfort is misplaced. Firms typically sell the companies in their portfolios at a material uplift on their most recent carrying value, which provides evidence that their valuations are prudent.

Substantiating prudent valuations

Invest Europe has set out to substantiate this by collecting, collating and publishing data from its listed members who are part of its Listed Private Equity Roundtable on uplift on exit versus last unaffected/published valuation based on actual transactions from the last six years. Our research shows that, at exit, listed private equity generates material uplifts on the last reported asset valuation. For listed private equity companies investing directly in assets the average was 36% over the six years from 2019-2024, while for listed private equity funds of funds, the average uplift was 47% over the same period. We believe this is convincing proof at point of sale that valuations are conservative. Or, looked at another way, there is significant value in listed private equity assets that is not reflected in the share prices.

“Invest Europe has set out to substantiate valuations by collating data on uplift on exit versus last published valuation.”

+36%

average uplift on last published valuation for direct funds

+47%

average uplift on last published valuation for funds of funds

€4,140bn

assets under management by listed private equity firms globally

€663bn

combined market cap for these firms

The findings

For the six years from 2019 to 2024, which includes the period of the COVID-19 pandemic contraction and recovery, listed private equity exits delivered a consistent and significant average uplift on the last published valuation of assets.



Direct funds

Years	Number of transactions	Average uplift	Maximum	Minimum
2019	32	43%	294%	-89%
2020	26	37%	120%	-14%
2021	51	35%	228%	-98%
2022	27	47%	256%	-6%
2023	32	39%	253%	-30%
2024	25	9%	59%	-33%
Total - 2019-2024	193	36%	294%	-98%

Funds of funds

Years	Number of transactions	Average uplift	Maximum	Minimum
2019	478	54%	136%	27%
2020	613	71%	280%	7%
2021	605	65%	179%	26%
2022	668	32%	47%	12%
2023	399	26%	68%	-6%
2024	323	35%	87%	16%
Total - 2019-2024	3,086	47%	280%	-6%

Uplift by year plotted against the MSCI Europe Gross Return Index and FTSE All-Share Total Return Index indicates how private equity valuations show less volatility and tend not to follow the public markets all the way up nor all the way down. Market-moving events can cause large swings in public market prices, but private equity managers tend to be more conservative with their valuations, taking a more measured approach to writing assets down in a down market and being slower in writing them up in a rising market.

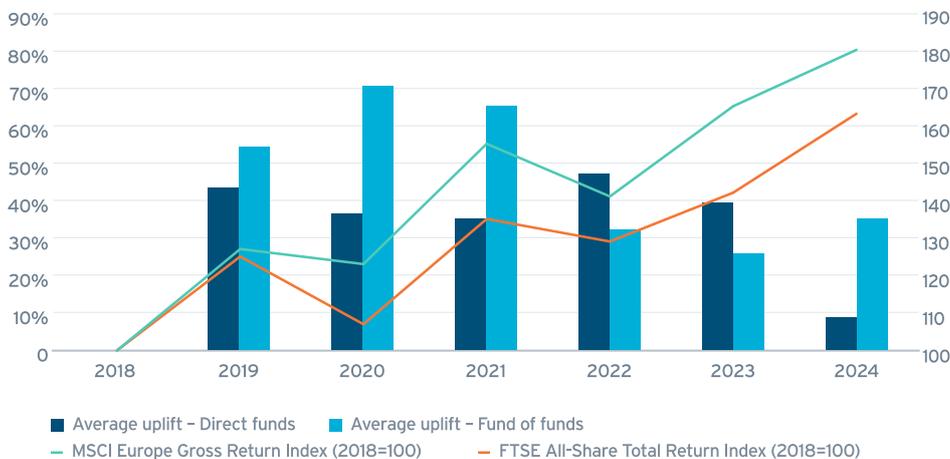
+36%

average uplift on last published valuation for direct funds

+47%

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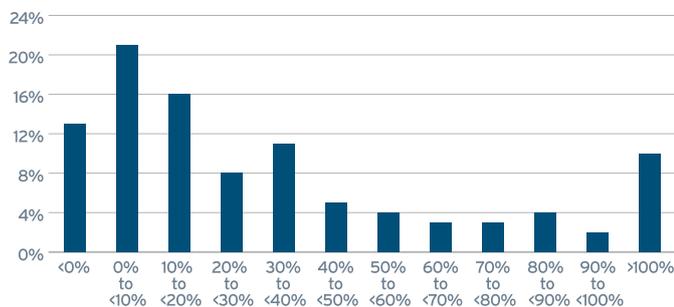
Uplift by year plotted against MSCI Europe Gross Return Index and FTSE All-Share Total Return Index



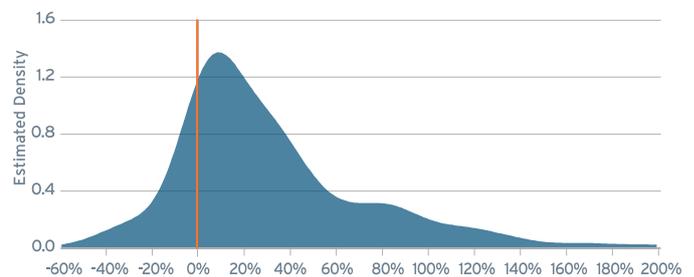
As noted above, individual listed private equity exits vary from the average, while the data shows consistent activity throughout the period. By smoothing the sample results using Kernel Density Estimation (KDE), we obtain a clearer view of what the true distribution of uplifts might look like. For direct private equity funds, we perceive a peak of positive uplifts between 0% and +20%. The left tail of the distribution demonstrates the chances of negative uplifts. However, the density estimation shows a long right tail, of highly positive uplifts. For listed private equity funds of funds, the KDE shows a tighter distribution, as expected. As is visible also in the distribution bins charts, it also interestingly displays a higher peak, above that of direct funds, centered between +20% and +40% uplift. This more concentrated shape visually suggests a lower frequency of extreme deviations from the peak, as evidenced by the narrower tails.

Private equity managers use a variety of inputs to derive a fair market value with most using a weighted combination of publicly traded comparables (observed valuation metrics of comparable publicly listed companies, such as price-to-earnings ratios, applied to the earnings of a private company to derive an implied valuation), transaction comparables (similar private transactions), and discounted cash flow models (projecting future earnings for a company and applying a discount rate to calculate a present value). This is in line with best practice methods and internationally accepted guidelines on valuations.

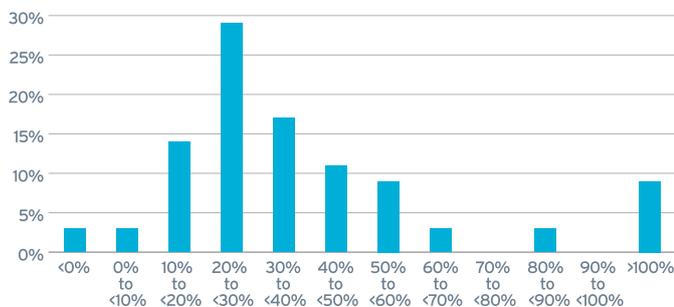
Direct funds 2019-24



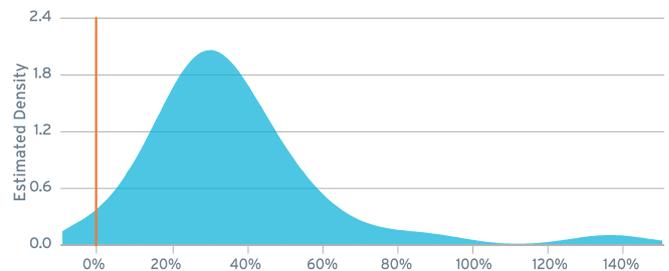
Kernel density estimation - Direct funds



Funds of funds 2019-24



Kernel density estimation - Funds of funds



Key takeaways

- At exit, listed private equity generates material uplifts on the last reported asset valuation evidencing that valuations are conservative
- There is significant value in listed private equity assets that is not currently reflected in the share price
- Listed private equity managers use best practice to value their assets within rigorous governance frameworks
- Carrying value is a useful measure of a private company's valuation, but it doesn't reflect the premium frequently achieved on exit

What is private equity?

Private equity is a form of professional investment that involves taking an ownership interest in a private company, and holding it in private hands - as opposed to listing it on a stock exchange.

Private equity is a well-established and growing way of funding businesses. In Europe alone, there are 3,000 private equity and venture capital firms with more than 8,400 funds and around 28,610 businesses benefitting from private equity investment.

Private equity managers provide investment to companies, grow and improve them over time, and, when the time is right, sell them to a corporate buyer or another investor that values the transformation or float them on the stock market providing a return to investors.

Private equity funding is an option that suits many companies because it enables them to focus on longer-term goals, without the costs and distractions of being public, or managing the short-term expectations of shareholders. It also means they can access additional funding as needed over time. Private equity firms also bring expertise - built over years of investing in private businesses - to support companies and their management teams. They often hire top level talent to develop and run businesses and have in-house experts and external consultants who have specialism in certain sectors. This approach not only benefits the companies themselves but can have a positive impact on the overall economy, innovation and job creation. Invest Europe's Private Equity at Work report, which tracks private equity's contribution to employment and job creation in Europe, shows that, in 2023, 11.2 million people, 5% of Europe's workforce, worked in 28,610 private equity backed companies, 21,536 of them SMEs.

Private equity firms generally raise money from long-term investors, such as pension funds, insurance companies, sovereign wealth funds and family offices. As private equity funds cater towards sophisticated institutional investors, they typically have high minimum investment thresholds out of reach of small investors. That's where listed private equity comes in.

What is listed private equity?

Listed private equity refers to private equity companies and funds that are themselves listed on stock exchanges, while holding underlying companies and assets that remain in private hands.

Listed private equity companies provide an alternative way to invest in private equity, and one that is open to a wider range of investors of all sizes providing flexibility and liquidity inherent in public markets. Listed private equity is subject to the same level of regulation and public disclosure as any other listed corporate structure.

This means that listed private equity can be buffeted by the same macro issues that impact stock prices even if the underlying private companies are less impacted by those concerns.

3,000

private equity and venture capital firms

8,400

funds

Source: Invest Europe

In 2023

11.2m

employees worked in private equity-backed European companies

5%

of Europe's total 240 million workforce worked in

28,610

companies in Europe backed by private equity across all industry sectors and regions

Source: EDC/Eurostat/UK ONS



Valuations and listed private equity

When private equity is traded on public exchanges, as with any listed corporate, the share price will be determined by the market at any point and a share may trade at either a premium (when its market price per share is higher than its net asset value, or NAV, per share) or discount (when its market price per share is lower than its NAV per share).



One feature of listed private equity in recent years and a sector wide issue has been that many listed private equity shares have been trading at significant discounts to NAV, despite the strength and health of underlying portfolio assets. It's been suggested that one of the aspects that feeds into this discount to NAV is mistrust of valuations: uncertainty around how portfolios are valued, an impression that they may be overvalued and/or a perceived lack of transparency.

The metric that can shine light on this is the average exit uplift: the difference between the most recent book valuation and the price at which the investment is exited. Individual listed private equity firms believe that showing that they typically exit investments at or above the carrying value at which they recognised them in their accounts before the realisation was agreed demonstrates that their valuations are conservative.

Invest Europe has set out to validate this more widely by collecting, collating and publishing data from Invest Europe's listed members who are part of its Listed Private Equity Roundtable on uplift on exit versus last unaffected/published valuation on actual transactions from the last five years.

It should be noted that for the listed sector this data is transparently publicly available (even non-holders may have access) and fully audited in line with public disclosure requirements for listed companies. Back testing of valuations is carried out routinely by private equity firms in line with International Private Equity and Venture Capital Valuation (IPEV) Guidelines on best practice.



Methodology

Invest Europe collated data from 193 direct private equity exits between 2019 and 2024, and 3,086 fund of funds exits between 2019 and 2024, submitted by 15 of Invest Europe's listed private capital members.

From the exit data collected from these members, the uplift calculated between the total sale proceeds and the last valuation in books informed most of the analysis. Transactions with missing information were excluded from the analysis.

The analysis consists of a description of the studied universe and a breakdown of the uplift results distribution, averaged over time.

All contributors confirmed they prepared valuations in line with International Private Equity and Venture Capital Valuation (IPEV) guidelines, the industry best practice endorsed by Invest Europe and many leading private equity associations in Europe and globally.

Kernel Density Estimation (KDE) is a non-parametric method for estimating the probability density function of a dataset. Unlike histograms, which group data into fixed intervals, KDE produces a smooth, continuous curve that reflects how data points are distributed across the value range. The KDE method is applied to the same underlying data used throughout the report. The bandwidth parameter, set to 0.2, controls the degree of smoothing: smaller values produce a more jagged curve, while larger ones overly smooth the data and may obscure meaningful structure. As KDE curves are scaled to integrate to one, and because the datasets differ in sample size, the absolute density values are not meaningful for direct comparison. Interpretation of KDEs is therefore based on the relative shape and height of each curve, which reflect the distribution's concentration and spread.

About Invest Europe

Invest Europe is the voice of the private equity, venture capital and infrastructure industries in Europe as well as their investors. We are a non-profit organisation with some 30 employees based in Brussels and London.

Our 650 members invest in privately held companies, from start-ups to established firms, and in infrastructure projects. They inject not only capital but also dynamism, innovation and expertise. We are the guardian of our industry's professional standards, demanding accountability, good governance and transparency from our members.

Through our research, we aim to play a constructive role in Europe's prosperity and policymaking, providing authoritative data on trends and developments in the industry, and communicating our members' role in the economy. Invest Europe is recognized as an authoritative data source for European private equity by institutions including the European Commission and OECD. The Invest Europe research team is supported by PEREP Analytics.

Invest Europe's Listed Private Capital Roundtable is a group of 25 of Invest Europe's listed members.

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