



Navigating European Private Capital Markets in 2025

ROPES & GRAY

“We appreciate their ability to be hyperlocal in their knowledge of European transactions...

...They have great specialists and wonderful junior talent as well, in addition to world-class partners.”

—Legal 500 UK 2025

Navigating European Private Capital Markets in 2025

The European private capital market will continue to evolve in 2025, shaped by a range of market forces, including AI advancements, increasing regulatory scrutiny and tax reforms, as well as new financing demands and shifting private equity dynamics.

To help you better prepare for these opportunities and challenges, we have summarised trends and themes to consider over the next 12 months. These areas of focus are based on our extensive interactions with clients in deals across a diverse range of industries. If you would like to speak to someone, please reach out to a member of our London team.

About Us

As one of the market's leading private capital firms, Ropes & Gray's London team had another busy year in 2024. Clients from Europe, the US, and Asia entrusted us with their most significant and complex transactions, across our core offerings of private equity, funds, finance and real estate, with particular activity in the life sciences, tech and infrastructure sectors – all areas of the firm's expertise.

In response to a growing demand for our services, we strengthened our London offering with the addition of nine new counsel across our finance, private equity, private equity real estate, antitrust, anti-corruption & international risk, and tax teams.

In total, the firm now features 29 partners in London, of whom 34% are women. Our London private equity and asset management female partners represent 55% and 50% of their respective partnership teams.

Innovative Lawyers in Private Capital

FT Innovative Lawyers Europe 2024

#1 UK Law Firm with the Most Female Equity Partners

Law.com International Gender Diversity Survey 2024

Corporate Firm of the Year

LMG Life Sciences Awards EMEA 2024

Banking & Finance Team of the Year

British Legal Awards 2024


Navigating European Private Capital Markets in 2025

Evolving Private Equity Landscape for Sponsors

- Healthcare and technology sectors will see continued consolidation as firms acquire complementary businesses for scale and innovation while carve-outs are expected to rise as companies streamline operations amidst economic uncertainty, creating new investment opportunities.
- Liquidity challenges are likely to persist for sponsors, prompting general partners to seek new capital sources for fund raising and non-traditional exit options including continuation vehicles and fund to fund transactions to accelerate return of cash to investors.
- Sponsors will continue to invest behind AI integration with a focus on successful implementation which will require management buy-in, training, and resource management, along with an understanding of legal and ethical implications.

Shifting Dynamics in Asset Management and Fund Regulatory Practices

- The asset management and fund regulatory sector will continue to see a focus on several key themes, including the increasing importance of High Net Worth Individuals as a capital source for open-ended funds, the ongoing debate over the use of NAV lines with a need for clear investor communication, the prevalence of co-investment and continuation funds to manage asset acquisitions and liquidations, and the shift towards open-ended fund structures to avoid asset undervaluation pressures.
- Additionally, the secondaries market will continue to grow, driven by successful fundraising for dedicated secondaries funds.



Accelerating Growth for the Life Sciences Sector, Unleashing Transformative Potential for Improved Patient Care

- Despite uncertain macroeconomic and geopolitical environments, there are early signs of market recovery to fuel dealmaking. The industry's biggest, cash-rich companies are hunting for cutting-edge, best-in-class technologies with the potential to improve patient outcomes in areas of unmet need and to fill the pipeline gaps. Key industry players are also turning to innovative start-ups (which remain reliant on partnerships and collaborations to fulfil their growth ambitions) to access novel technology platforms. These include the use of AI/Machine Learning for identifying new therapeutic targets and performing more efficient R&D.
- Acquisitions are aimed at the potential development and organic growth of assets that will shift treatment paradigms in various disease settings. For risk-averse companies, deal structures include de-risking measures along with rewards to manage potential acquisition of assets at various stages of the product life cycle in a way that reflect each party's requirements as well as market dynamics.
- Given the highly regulated environment, effective regulatory strategy and market access planning will ensure timely market access to innovation and enhance the commercial success of transformative technologies. Meanwhile, regulatory and market conditions will continue to adapt in response to ever-evolving external factors. As clinical trials become more complex, and there is a greater drive for flexibility and efficiency for R&D and manufacturing, the role of Clinic Research Organisations and Contract Manufacturing Organisations as function service providers will continue to grow.

Navigating AI Integration and Cybersecurity Demands

- 2025 will see a continuation of business activity focused on addressing key themes relating to the evolving role of AI in business, where organisations must balance leveraging AI for growth with the risk of obsolescence, and the need to comply with a growing framework of local and extraterritorial regulation, including the EU AI Act, which requires robust governance and stakeholder education.
- Additionally, businesses must continue to prepare for new EU cybersecurity laws, including the NIS2 Directive and the Digital Operational Resilience Act, which impose strict operational and reporting requirements.
- The UK is also advancing its digital regulation landscape with new legislation such as the Data (Use and Access) Bill and the Cyber Security and Resilience Bill, impacting industries such as technology, healthcare, infrastructure, digital markets, and financial services.

Embracing Green Financing and Alternative Funding in a Dynamic Market

- Continued themes such as the rising demand for green and sustainability-linked financing in Europe, driven by investors' preference for strong ESG practices, benefit industries like energy and real estate but also creates complexities in other jurisdictions such as the US where there are diverse views on the topics.
- There is also a shift from pure 'green' financing to 'transition' financing, as investors focus on genuine sustainability improvements in legacy assets, affecting industries such as industrials, infrastructure, and technology. Additionally, the growing prominence of private credit and direct lending as alternative funding sources offer flexible financing, but require careful scrutiny of borrower quality, impacting sectors such as technology and healthcare. There is also an increase in asset-based lending and infrastructure financing as companies seek flexible financing options in tightening credit markets.
- Lastly, the anticipated recovery in M&A activity and significant debt maturing from 2025 to 2027 are expected to drive issuance volumes, necessitating proactive refinancing strategies to manage liquidity challenges and rising credit spreads, affecting sectors across the board.

Overcoming Refinancing Challenges and Embracing Sustainability in Real Estate

- The real estate market is expected to face refinancing challenges, driven by a significant volume of maturing debt, higher interest rates, and stricter lending standards, increasing demand for private credit, bridge financing, and preferred equity.
- Back leverage is likely to remain an attractive strategy for enhancing returns. Price adjustments, coupled with evolving tenant preferences and adaptive repurpose strategies, are revitalising interest in office and retail spaces beyond 'trophy' assets.
- Sustainability will stay at the forefront, prompting the transformation of outdated buildings into greener, more efficient spaces. Meanwhile, growing AI adoption is expected to boost demand for data centres and streamline debt origination and asset management through advanced data-driven tools.

Enhancing Governance Amid Continued Regulatory Scrutiny

- There is increased regulatory scrutiny on non-financial misconduct and an emphasis on creating a culture which facilitates 'speaking up'. This requires organisations to establish robust governance structures and compliance programs to mitigate legal, financial, and reputational risks, and to detect misconduct.
- The US Safe Harbor Policy incentivises voluntary self-disclosure of misconduct discovered during the course of M&A transactions, underscoring the need for thorough due diligence. Additionally, governments worldwide, including jurisdictions outside the US such as the UK, are enhancing national security laws and sanctions enforcement on cross-border transactions, with increased resources and new enforcement agencies.
- These trends impact industries such as life sciences, healthcare, technology, infrastructure, and consumer sectors, as well as business types like private equity funds, asset managers, and sovereign wealth funds.

Adapting to Significant Tax Reforms and Incentives in the UK and Europe

- In 2025 the UK fund industry faces significant tax reforms with phased changes to carried interest and the non-domiciled regimes, alongside a new Corporation Tax Roadmap providing greater certainty for inbound investors.
- European tax authorities' increasing focus on economic substance in cross-border investments is expected to result in enhanced scrutiny for funds with EMEA platforms and portfolios.
- Rising UK social security rates may affect executive compensation structures, whilst in line with global trends European tax policies (such as the UK's ten-year infrastructure plan) increasingly seek to incentivise infrastructure investments.

New EU Competition Commissioner Ushers in Pro-Growth Era

- The appointment of Executive Vice-President Teresa Ribera Rodríguez as the new EU Competition Commissioner marks a shift towards supporting company growth, innovation, and investment in the EU, impacting industries like life sciences, healthcare, technology, and infrastructure.
- Concurrently, revised Hart-Scott-Rodino rules in the US, should they come into effect, increase the information required for transaction notifications. Additionally, there will be continued scrutiny of non-EU investors through national FDI screening, with a focus on sensitive sectors, and ongoing attention on private equity investments, particularly in critical industries.
- Efforts to screen outbound investments for national security risks in sectors like semiconductors and AI may also intensify.

Restructuring Techniques Continue to Evolve Across the UK and Europe

- 2024 saw the adoption of liability management techniques by a number of companies in Europe, continuing the introduction of this US technology into the European market, and the adaptation of these tools to address multi-jurisdictional governance and legal challenges to allow their use.
- As a defensive measure against these liability management techniques, cooperation agreements have also begun to be utilised in the European market by lenders seeking to protect themselves from lender-on-lender violence in large, complex capital structures.
- 2025 will see the continued evolution of liability management techniques and cooperation agreements.

To view these insights in more detail please visit our website by scanning the QR across or [click on this link](#).



R&G Insights Lab

A New Perspective on Private Equity

Culturally-Informed, Data-Driven Approach

Our multidisciplinary team helps clients obtain new perspectives on managing risk and driving better transaction and investment outcomes. The team blends experts in legal, risk, compliance, culture, behavioral science and data analytics.

We assess risk by blending subjective and objective analysis, presented through interactive and engaging visualisations. Our approach helps investors track compliance KPIs and map risk across portfolios through the life cycle of the investment.

The R&G Insights Lab also helps design and retool compliance programs, assess organizational and risk culture (including post-closing integration), and re-imagine training.

Click [this link](#) to view the R&G Labs webpage or scan below QR code to have a look at the video to see our dashboards in action.



R&G INSIGHTS LAB

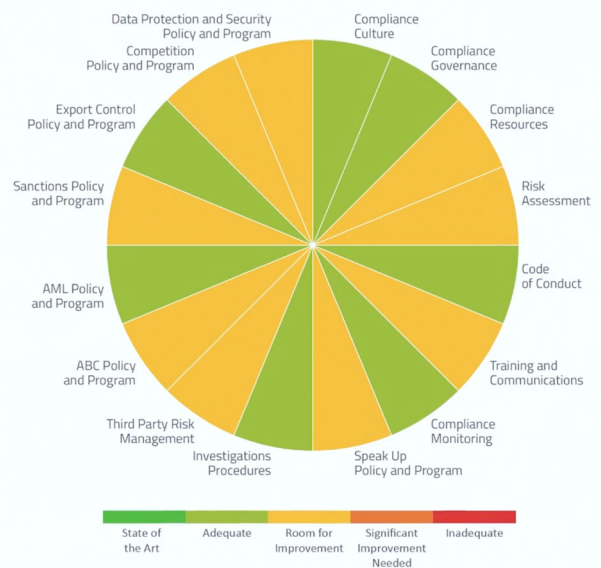


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Dynamic Interactive Dashboards

What does compliance program look like?



To calculate an overall score, we reviewed the individual quantitative assessment scores as well as the qualitative monitoring observations. Using our judgement we assigned overall scores based on this review.

We Help Investors

- Identify the areas of greatest legal, reputational and financial risk within each investment and across a portfolio to allow a more efficient allocation of resources.
- Prioritise and track opportunities for improvement which present the greatest ROI.
- Assess, manage and improve culture to drive value.

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“We see Ropes & Gray as an extension of our own team.”

—Chambers UK 2025

“A highly creative team that is able to solve for novel, precedent-setting transaction structures.”

—Chambers UK 2025

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