Private Equity in 2025: Key Takeaways from Actum Group's Private Equity Value Creation Forum

After a year of relative respite, with easing interest rates and more aligned valuations raising hopes for a more stable market, 2025 has quickly descended into another turbulent period for private equity (PE).

Driving this latest wave of uncertainty are new U.S. tariff rules, which are sending shockwaves through markets, trade flows and supply chains, and complicating both investment and exit strategies for funds.

M&A activity has unsurprisingly had a slow start this year. According to Actum data, the number of buyouts targeting U.K.-based firms between January and March 27 fell by 35.6%, compared to the opening quarter of 2024 to just 58 buyouts. Deal value has also declined, and is on course to drop to its lowest quarterly value since Q1 2022.

For the deals that are moving forward, complexity has increased. Vanilla deals are rare, with buyers encountering meaningful operational hurdles and requiring heavy lifting to realise assets' full potential. Beyond tariff and other macro uncertainty, value creation playbooks are being adapted to deal with the disruptions and opportunities brought by AI, as well as with pressures in talent, revenue growth and regulation.

These challenges were front and centre at Actum's Value Creation Forum in London in March, where the PE community came together to share strategies for navigating this uncertainty. Read on for our key takeaways from the day's discussions.

01 Geopolitics and tariffs driving 'race to resilience'

From Covid to wars and tariffs, the 2020s have so far been defined by an unprecedented pace and scale of change. Some of the impacts of these forces are a reshape of global trade flows, with significant declines in foreign investment in China and increased inflows into other Asian countries and the Middle East, the emergence of shorter supply chains and shifting national industry policies.

Building resilience has been PE's main answer to this market reality. Asked about what this means for portfolio management and investment dynamics, panellists at the event said they've been pushing companies to put in place robust worst-case scenario planning, being more disciplined around commercial agreements in response to tariff changes, and exploring investment and exit opportunities in the GCC investor ecosystem.

Exit readiness is also high on the agenda – there is a strong focus on sharpening the equity story and ensuring companies are ready to move quickly when the exit window reopens in full.

02 AI: what's hype vs. what's real?

There's not only excitement from the PE industry but a great degree of action when it comes to using AI in both diligence and portfolio value creation. While most funds seem to be deploying AI to some extent, panel discussions revealed varied approaches to its implementation.

Some funds are more inclined to open-ended experimentation, embracing trial and error as part of the learning process. Others are taking a more structured approach: instead of experimenting randomly, they are tracking AI adoption through clear KPIs (e.g., quality, product improvements) to help measure impact before linking it to the bottom-line.

Within portfolio companies value creation, operational efficiency is emerging as a key AI use case, with many businesses using it to streamline workflows and speed up processes. Beyond immediate savings, AI can also improve decision-making, product quality and efficiency, leading to long-term value creation. In diligence, AI is helping PE funds analyse data quicker, making tasks like reviewing investment memoranda and financial reports more efficient.

The consensus among panellists seems to be that AI should not by hype-driven but instead be deployed strategically for real efficiency gains and smarter decision-making.

> **Operational efficiency is a key AI use case within value creation, with businesses using it to streamline workflows and speed up processes**

03 ESG recognised as good for business

ESG is a powerful value creation tool for PE firms when wielded in the right way. According to A&M's recent research, publicly traded PE funds with robust ESG practices have outperformed lower-rated peers by 77% cumulatively, while also achieving competitive internal rates of return. We also revealed that portfolio companies that report on ESG have experienced a 45% cumulative rise in deal value and a 30% rise in average revenue multiples.

Panellists at the event agreed that while ESG is widely recognised as good for business, the challenge lies in proving its financial value.

This requires clear assessments of ESG impact on Capex, Opex and top line growth, as well as of its downside risks in due diligence and exit narrative. There seems to be growing optimism around EU's plans to simplify sustainability reporting and extend timelines, with some PE managers expecting it will help boards better articulate the business benefits of ESG.

Companies focusing on brown-to-green tech, physical risk tech, climate tech and carbon markets were highlighted as those offering PE firms avenues to align sustainability with financial performance.

04 CFOs are anchor point of value creation

CFOs are increasingly regarded as the common link between portfolio companies and PE investors, subjecting them to closer stakeholder scrutiny and high delivery expectations compared to other functional leaders. Anecdotal evidence suggests that the tenure of PE CFOs tends to be much shorter than that of their corporate counterparts, reflecting the intense demands of the role.

The tougher market environment of recent years has only turned up the pressure – if in boom times if was far easier to hit investment cases, now a strong performance from the CFO is required.

At the same time, with data becoming a cornerstone of value creation plans, CFOs are increasingly valued by PE sponsors as their source of truth. As such it is their responsibility to understand what best-in-class performance looks like in each function, leverage data to define key success metrics and ensure effective execution.

Panellists highlighted some of the common difficulties facing finance leaders in this high-pressure, high-expectation environment. Some CFOs still struggle to effectively leverage data within their businesses – a challenge reflected in the longer hold periods and complex sales processes that have come to characterise today's market. Processes can fail based on availability and reliability of data, which ultimately comes back to the CFO. Likewise, while AI and machine learning hold great promise, they can only deliver meaningful business value if the right data and foundations are in place.

> **With data taking centre stage in value creation, CFO are increasingly valued by PE sponsors as their source of truth**

05 The push for commercial excellence

Revenue growth has taken on a prominent role in value creation plans since the pandemic, as multiple expansion strategies have fallen out of favour in the new higher-interest-rate regime. Improving core business operations, primarily through cost-cutting, remains important, but increasingly there is an emphasis on driving sales growth to maximise value on exit.

Pricing is a particularly critical revenue growth lever, as it helps drive profitability while simultaneously opening up new revenue avenues. Pricing optimisation initiatives can reveal underperforming products or services, so that commercial focus can be redirected toward high-margin offerings.

Funds take different approaches to driving commercial excellence in their portfolio companies. Some view it as a key lever to activate from diligence and Day 1, while others prefer to assess the company and management team first, gauging their readiness to push these initiatives forward.

Regardless of the approach, companies that excel are those putting data at the centre of their commercial strategies. A case study shared during one of the panels showcased this potential. After integrating data from multiple ERP systems into a single platform, frontline sales teams at a fund's portfolio company gained access to insights such as share of wallet per consumer and margin performance at a SKU-level.

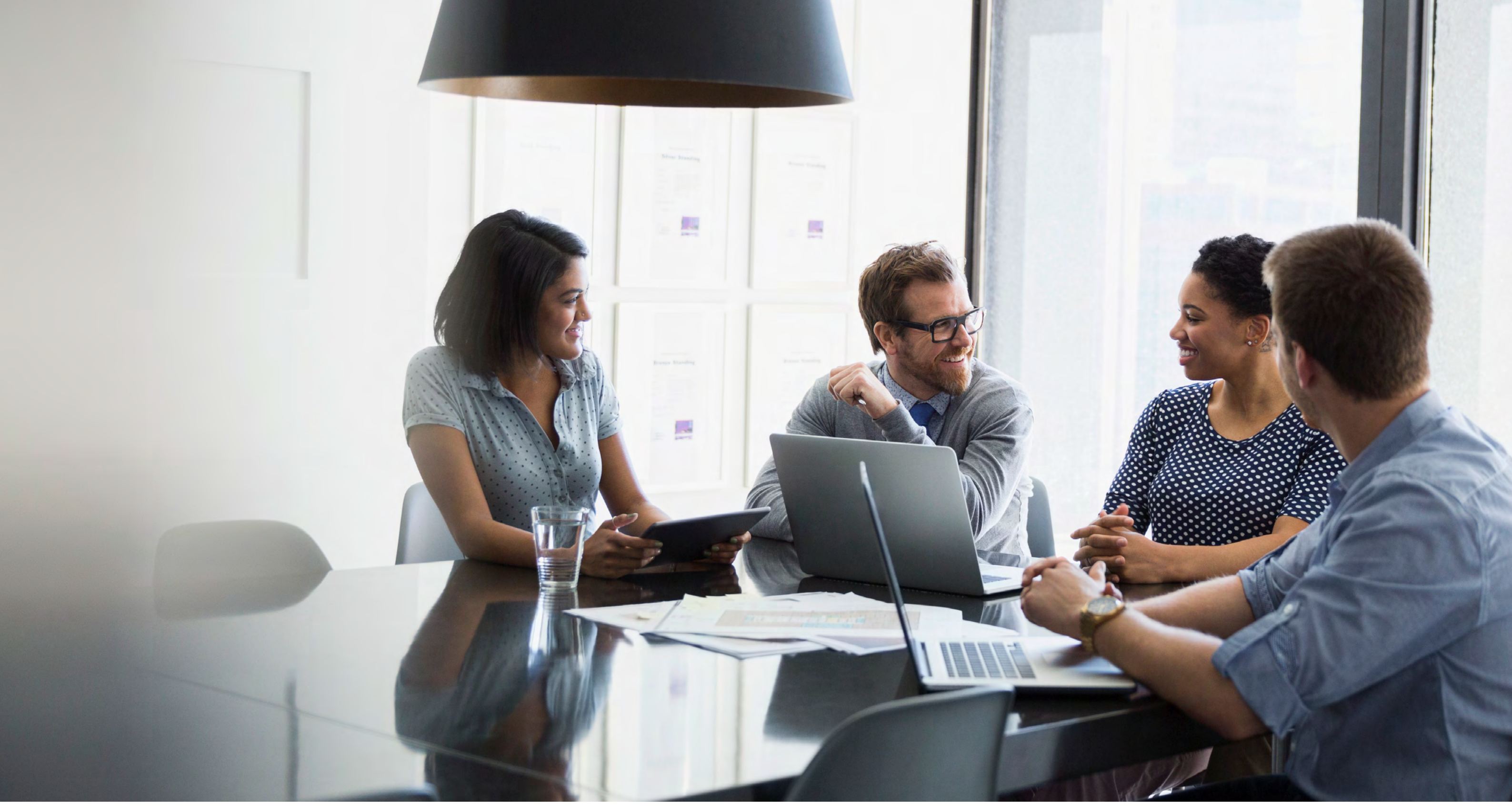
It emerged, for example, that 80% of the sales team's time was being spent on customers contributing only 20% of sales. This prompted adjustments in sales and go-to-market strategies, including the implementation of a new customer segmentation framework and a SKU rationalisation programme that have put the company back on the profitability track.

How A&M can help

With our operational and action-oriented approach, A&M has been assisting management teams to unlock value and kickstart performance for the last 40 years.

Our experts work with clients during due diligence, sign-to-close and subsequent value creation programme phases, focusing on topline, operational and service excellence as well as working capital/cash initiatives to accelerate performance and help clients to deliver value.

A&M also has deep experience in running exit readiness programmes and positioning businesses for sale based on a sound operating plan.



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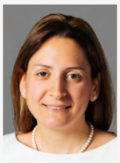

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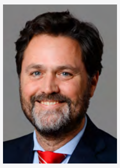

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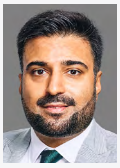

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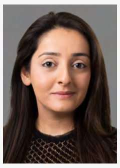

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