ARTHUR COX

Mergermarket
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Land of opportunity

Private equity in Ireland
– 2021 and beyond

Contents

Methodology

In the first quarter of 2021, Mergermarket surveyed 100 senior executives from global private equity firms with assets under management of at least US$100m to gain insights into private equity investment in the Republic of Ireland. All responses are anonymous, and results are presented in aggregate.

Foreword

Cian McCourt
Partner and Head of
Corporate and M&A

The case for Ireland

Ireland has a strong record of working with private equity (PE) investors, both as a host to funds themselves and as a source of opportunities for the global PE community. Now, as the world begins to dare to look beyond the pandemic, there is every reason to be optimistic about what lies ahead for PE investment in the country.

Ireland's relative economic resilience during the crisis now looks set to translate into strong growth this year and beyond. Its EU membership, moreover, looks more valuable than ever in the wake of Brexit. Policymakers, meanwhile, welcome PE investors and have sought to encourage fund formation; the new Irish Investment Limited Partnership represents a watershed in this regard.

Such a supportive backdrop has not gone unnoticed. PE investors are looking forward to strengthening and deepening their Irish relationships. Their appetite for Irish investments continues to grow. Fundraising is on the increase.

In this new report, we canvas the opinions of a broad range of global PE firms on the Irish opportunity, from the areas they currently regard as most compelling to the challenges they are poised to confront. Their overall message rings out loud and clear: Ireland is open for business.

Key findings

69%
Expect to increase their own investment into Ireland over the next 12 months.

38%
Believe TMT will be the sector with the highest amount of PE investment in Ireland over the next 12 months – the top choice.

40%
Feel that the single most important trend driving PE investment into Ireland over the next 12 months will be the acquisition of new technology/digital assets.

67%
Believe Brexit will lead to an increase in PE investment into Ireland over the next 12 months, including 37% who say it will precipitate a significant increase.

95%
Nearly every investor in this research (95%) says ESG considerations are important when investing in Ireland; more than half of those investors describe ESG as extremely important.

Introduction: Ireland as an opportunity – PE in numbers

Despite the pandemic, PE activity in Ireland increased in 2020 compared to the previous year and 2021 has started strongly.

PE activity in Ireland has proven resilient during the COVID-19 pandemic. Mergermarket data reveals there were 57 PE investments into Ireland during 2020, worth a total of US$5.27bn. That compared very favourably to 2019, which saw only 38 deals worth US$2.83bn. And 2021 began strongly too, with a further 13 transactions worth US$0.9bn unveiled during the first three months of the year.

That sustained interest in Ireland from PE investors looks particularly noteworthy in the context of broader M&A in the country. While last year did see a small increase in overall volumes, from 170 deals in 2019 to 176 transactions in 2020, deal values were well down. Last year, M&A activity targeting Irish businesses was worth just US$9.94bn, a precipitous fall on the 2019 total of US$95.16bn.

A rising tide

Against this background of PE growth, our research sets out to understand what has been driving investors' enthusiasm, particularly during a period of such turmoil.

Crucially, the research also sets out to gauge investors' intentions, and the good news is that significant numbers of investors are now determined to increase their exposure to Irish businesses. The majority of investors expect their peers to do the same.

As Cian McCourt, partner and head of Corporate and M&A at Arthur Cox, elucidates, "Ireland has long been a favoured destination for inward investment due to its progressive business environment and EU membership. Given Ireland's track record, its continued growth in areas such as technology, fintech and life sciences, and the need for greater capital investment, we believe the natural economic evolution is for increased PE investment in Ireland."

The research deliberately solicited views from both PE firms based in Ireland itself (14%) and firms from other jurisdictions with an interest in the country. More than a third (36%) of PE firms surveyed are headquartered in the UK, followed by 31% in the US.

> "With widespread enthusiasm for Irish investment, the prospects for a short-term acceleration of PE activity in Ireland look strong."

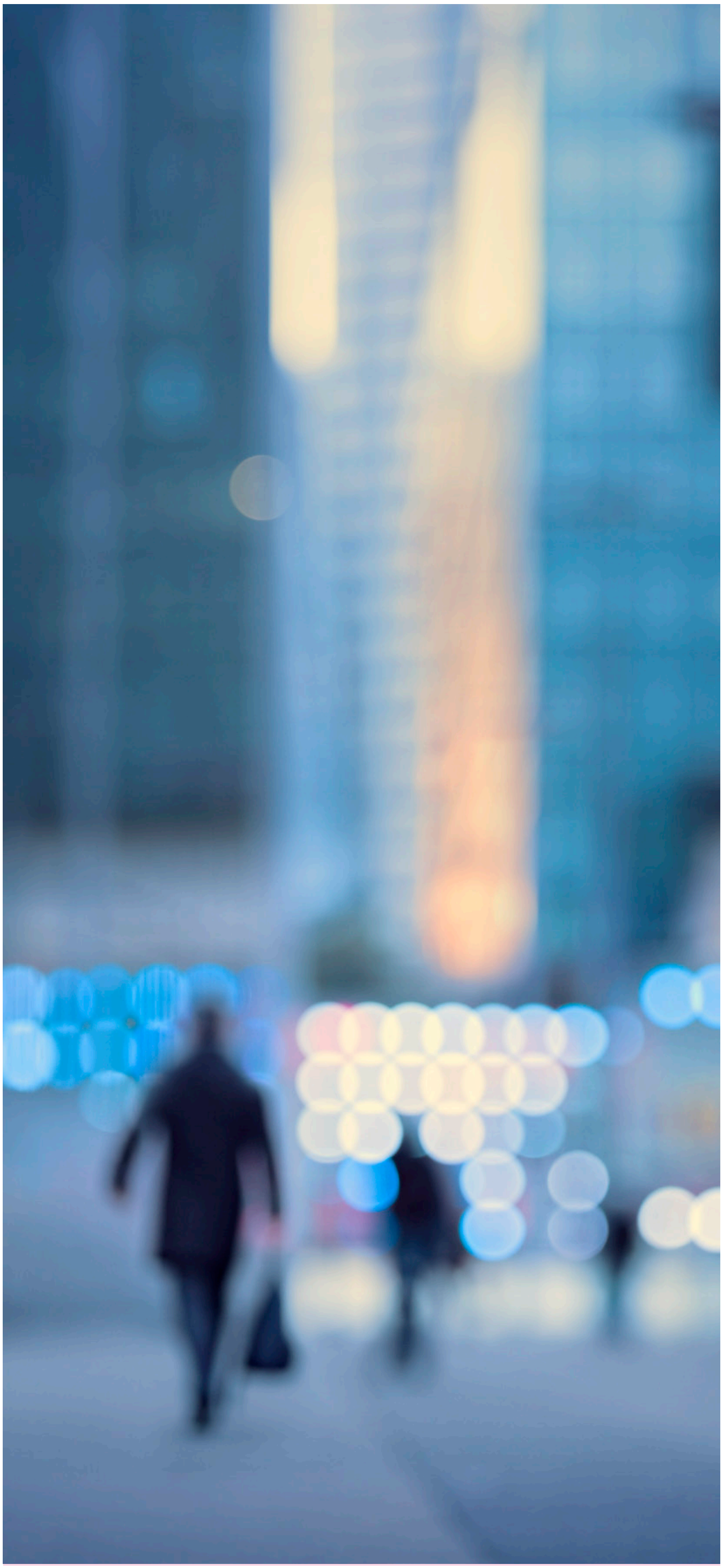
This international perspective is particularly important in the wake of Brexit. We have sought to investigate how perceptions of the Irish market may have changed in the wake of the UK's departure from the EU – whether, for example, Irish businesses now look more attractive relative to their UK counterparts.

It is also important to stress that the investors in this research are of varying sizes and characteristics. While almost three-quarters of respondents (72%) have assets under management totalling more than US$1bn, the remainder are smaller, providing a snapshot of views from across the PE sector, from the largest firms to the more specialist players.

In most cases, these firms have significant experience of Irish investments, with 53% having completed one or two transactions in the country in the last five years, and a further 30% having completed three or more deals. However, the research also includes the views of firms that do not have experience of dealmaking in Ireland; many believe they are likely to acquire that experience in the near future.

Overall, our research concludes that the recent strength of PE investment into the country is likely to be sustained. Indeed, with widespread enthusiasm for Irish investment, the prospects for a short-term acceleration of PE activity in Ireland look strong.

As for the longer term, the stable backdrop that Ireland offers, alongside enticing investment opportunities and a supportive regulatory environment, give PE investors good reason for confidence. As we shall see, many investors expect a long-term uptick in interest in Irish investments.



Optimism abounds: Environment and opportunity

The outlook of PE investment in Ireland is bright and the country could experience a PE boom in the next few years, according to our survey.

Ireland has a compelling economic case to make. It provided a rare bright spot of resilience during last year's COVID-19-induced global economic growth, with the European Commission (EC) estimating that the Irish economy expanded by 3.0% over the course of the year. That would make the country one of the few in Europe to see positive growth and the EC expects further expansion in 2021 and 2022, projecting 3.4% and 3.5% GDP growth respectively.

Those forecasts reflect a strong performance last year from the country's exports, particularly in sectors such as healthcare and IT. Looking forward, Ireland is set to benefit from the same boost in consumption expected in other countries as economies reopen following pandemic lockdowns and restrictions, and consumers begin to spend again.

Stable, innovative and engaging

According to McCourt, "Despite the impact of COVID-19, Ireland remains a compelling investment case. Its economy is strong relative to other European countries, it has demographics in its favour, a pro-business environment, political stability and exercises policy flexibility. Ireland also has a strong presence in a number of key industries and has a culture of innovation.

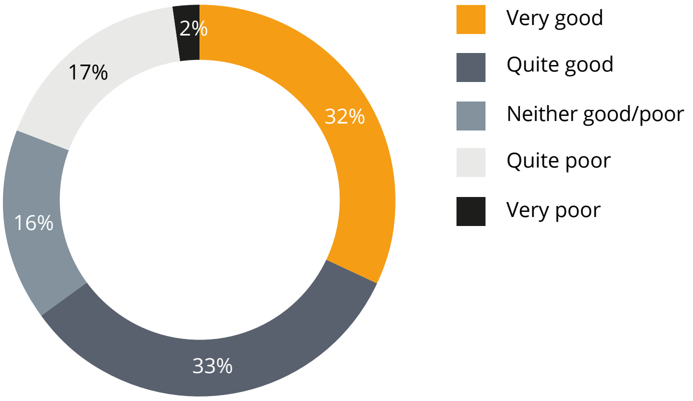
If you add that all together, the investment opportunities are strong." This outlook is broadly reflected, too, in the qualitative comments given by respondents to our survey.

Against this backdrop, global PE investors are upbeat about the opportunities that Ireland has to offer. Almost two-thirds describe the country's attractiveness for PE investment as very good (32%) or quite good (33%); less than one in five believe it offers poor prospects (19%).

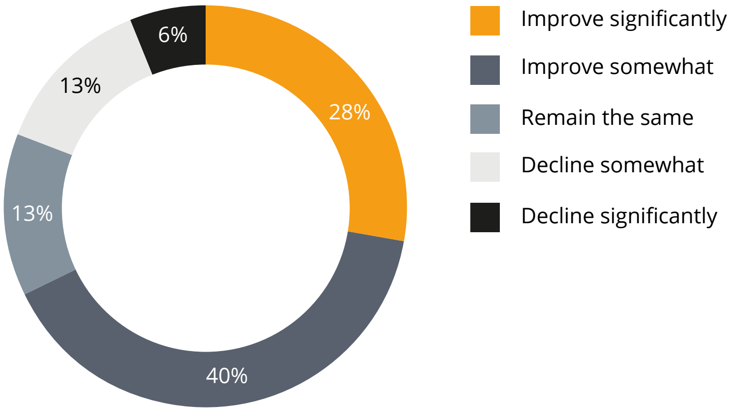
Asked to explain their views, many respondents cite the country's stable foundations, while also welcoming Irish businesses' willingness to embrace innovation and to engage with investors. "Ireland is very attractive because of its political and economic stability," says the investment director of a France-based PE firm. "The targets are open to new suggestions post-integration whereas in other regions, there is some pushback by management teams." At an Ireland-based firm, meanwhile, a partner adds: "The availability of niche talent and the level of technology integration across key sectors is quite attractive."

And as Ireland's economy moves towards more rapid rates of growth, PE firms expect the fundraising environment to improve. More than two-thirds of respondents (68%) anticipate such progression, including 28% who expect a significant improvement. That, in turn, is feeding expectations of increased PE investment in Ireland: 58% of respondents foresee growth over the next 12 months, including 21% who

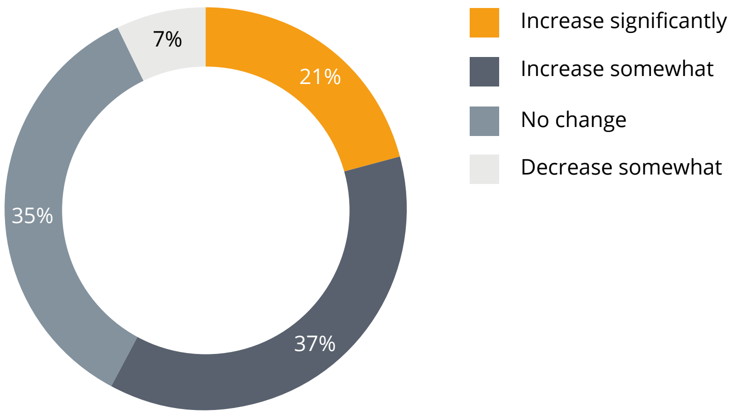
In comparison with other countries, how would you assess the attractiveness of Ireland as a location for PE investment?



How do you think the fundraising environment for investment in Ireland will change over the next 12 months?



What do you expect to happen to the level of PE investment into Ireland in the next 12 months?



expect the country to attract significantly more PE capital.

Speeding up

This is not to suggest PE firms have steered clear of Ireland until now. "PE investment has grown significantly in Ireland and there is high potential for development in many sectors," says the managing partner of one PE firm based in the country.

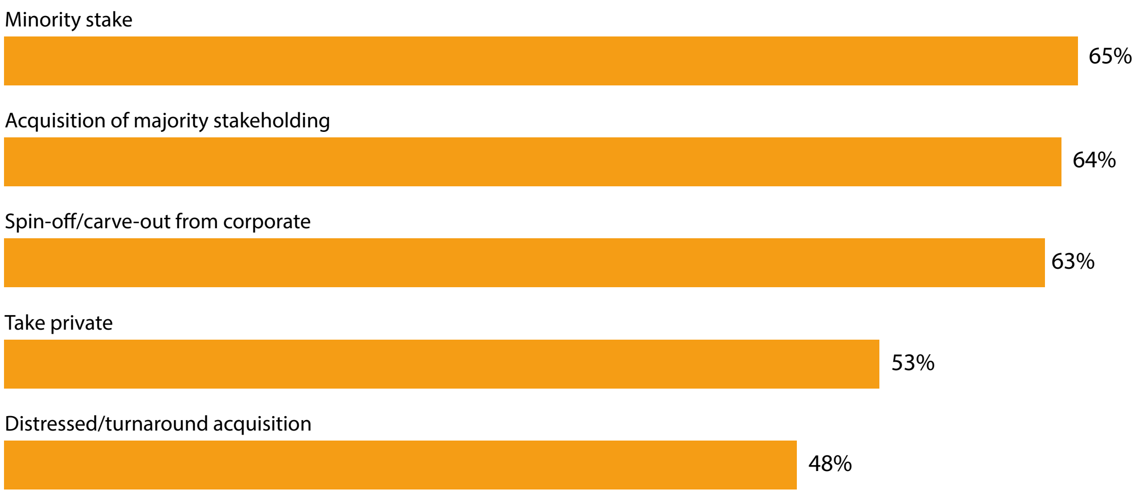
Now, however, dealmakers see potential for an acceleration. Ireland's favourable landscape should mean PE firms step up their interest as the country's economy moves into a higher gear. "The deal climate in Ireland is very good in comparison to other regions," argues one respondent. "There are more opportunities in the technology and infrastructure sectors and the rate at which companies are developing is ideal for investors."

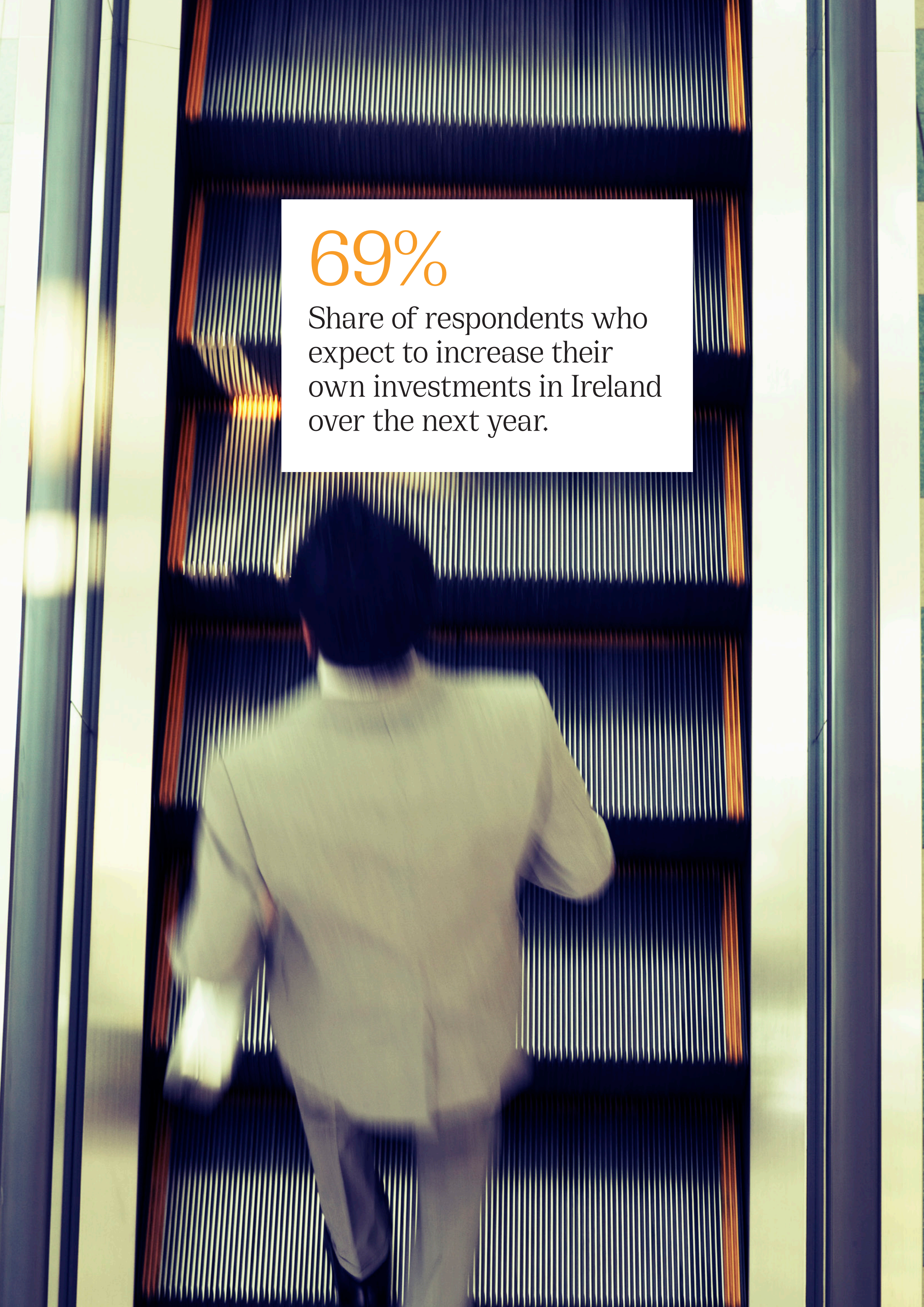
Our survey suggest these are not just platitudes – respondents' investment intentions are strong. As well as predicting that general levels of PE investment into Ireland will increase over the next 12 months, significant numbers of respondents anticipate taking advantage of emerging opportunities themselves. More than two-thirds (69%) expect to increase their own investments in the country over the next year.

There is strong appetite for a broad range of different types of investment. Some 64% of respondents foresee taking control of a target company in Ireland through the acquisition of a majority shareholding; 63% think they are likely to buy a business spun off from a larger parent company. There is also plenty of potential for minority investments, with 65% of respondents expecting to invest in Ireland by taking a non-controlling stake in a business. Nor is it only privately-owned companies that are in investors' sights; more than half (53%) can see themselves seeking to take a publicly-listed business into private ownership.

Do you anticipate increasing your investment in Ireland in the next 12 months?

Which type of investment are you likely to undertake in Ireland in the next 12 months? (Select all that apply)





69%

Share of respondents who expect to increase their own investments in Ireland over the next year.

Betting on tech: Deal drivers and key sectors

Ireland is home to a significant number of tech players and this fact has not been lost on PE firms. Technology is a thread that weaves through their deal motivations and sector preferences.

While respondents view Ireland as a reliable and trustworthy place to do business, their motivations for buyouts are driven by two other factors, according to our survey. First, the country is home to a thriving technology sector, with investors focusing on targets with high-growth potential and, second, reasonable valuations offer an opportunity to secure exposure to that potential at affordable prices.

An even keel

Stability is certainly a key word here. The two factors that investors most commonly cite when asked why Ireland is a favourable location for investment are its stable legal and regulatory framework (81%) and regulation that is favourable to investment (83%). Given the uncertainties of the pandemic, investors crave security: 22% and 21% of investors respectively cite these two factors as the most important reasons to invest in Ireland.

"A stable regulatory framework is paramount for firms to conduct their due diligence – especially in this environment," says the managing partner of an Ireland-based PE firm. This is important not only to investors, but also to capital providers, points out a partner at another Irish firm. "Since the pandemic began, financing institutions in some regions have become very conservative, and lending has declined," the partner points out. "But in Ireland, the availability of financing and the country's EU membership make it a favourable location."

The latter point is an important one. In the wake of Brexit, 73% of investors say the country's ongoing membership of the EU represents another reason to look favourably on the country. "EU membership, favourable tax laws and a good workforce all contribute to Ireland being a strong location for investment," says the investment director of a French firm. "These factors ensure that businesses remain cost-effective and able to drive the returns expected."

Deal drivers

When it comes to buyout motivations, 78% say they are interested in the acquisition of technology and digital assets, including 40% who regard this as their most important focus. This means both investing in technology businesses as growth opportunities in their own right, but also as a means of acquiring access to intellectual property (IP) for existing portfolio businesses.

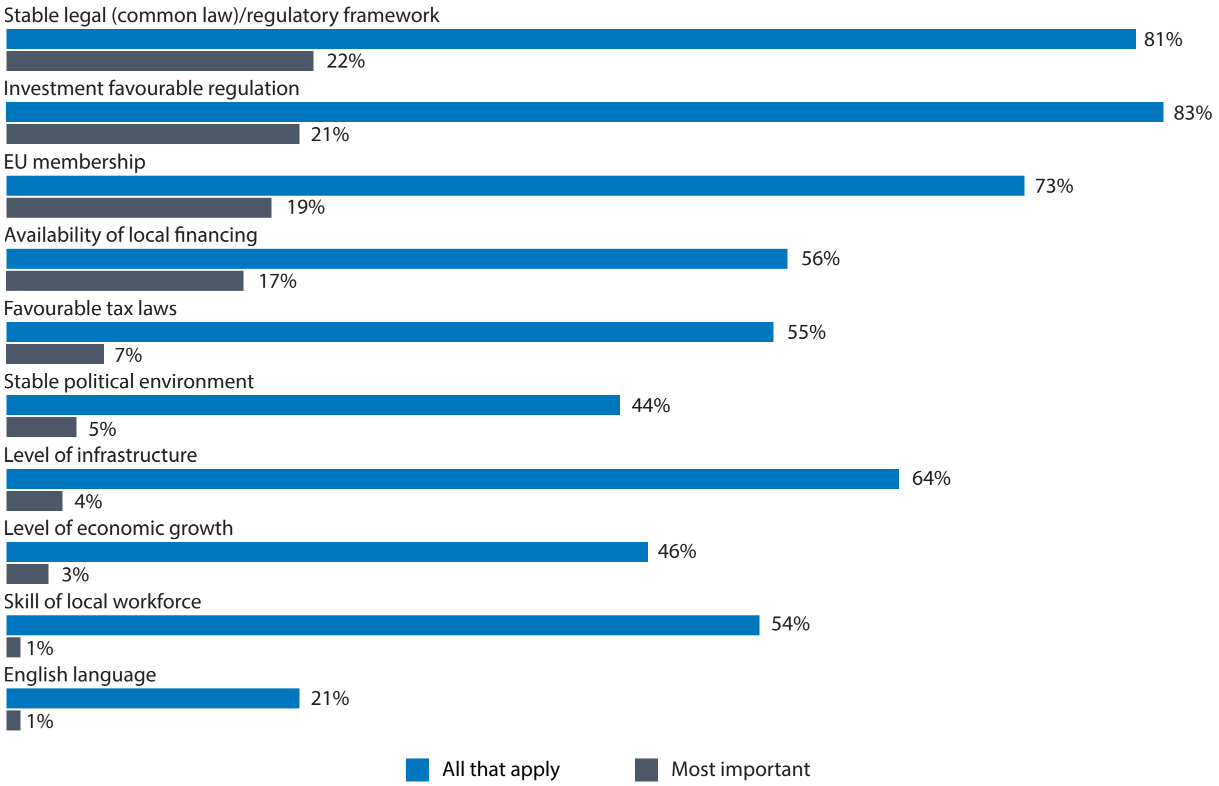
"Acquiring new technology will be vital for PE firms over the next 12 months," argues the managing director of a US-based firm. "They will insist that portfolio companies accelerate their digitalisation process."

Tech control

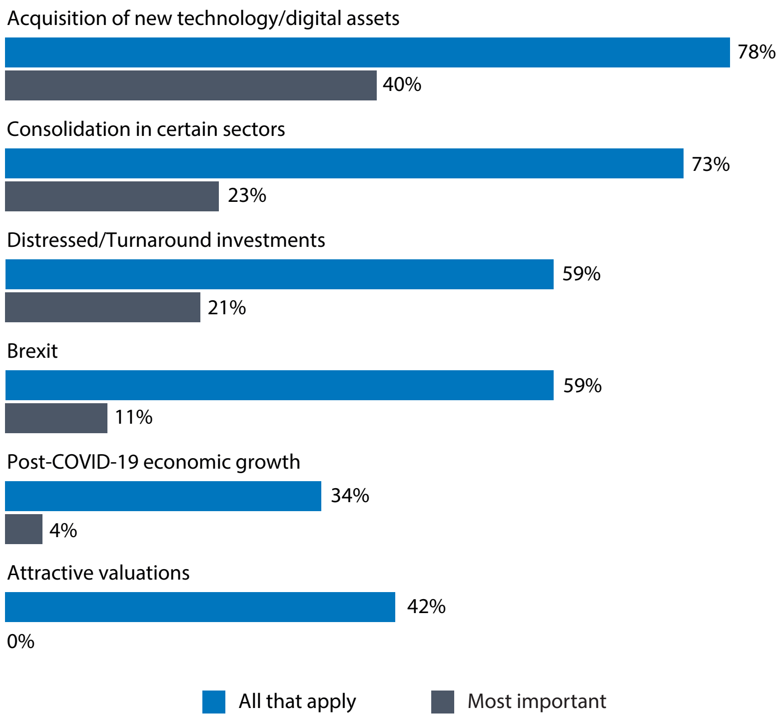
Ireland is the place to do that. The country continues to punch above its weight as a European hub for technology businesses and firms from the broader technology, media and telecoms (TMT) industry, having made significant efforts to court international companies. Apple, Google, Facebook, Amazon and Airbnb all have significant presences in the country, supporting a thriving ecosystem of small and medium-sized businesses.

Moreover, the pandemic has seen many businesses in the country invest significantly in their digital competencies. As in other countries, Ireland has seen a surge in ecommerce activity during the crisis, and has

Which factors make Ireland a favourable location for investment?



Which trends will drive PE investment in Ireland in the next 12 months?



> "EU membership, favourable tax laws and a good workforce all contribute to Ireland being a strong location for investment."

Investment director
of a French firm

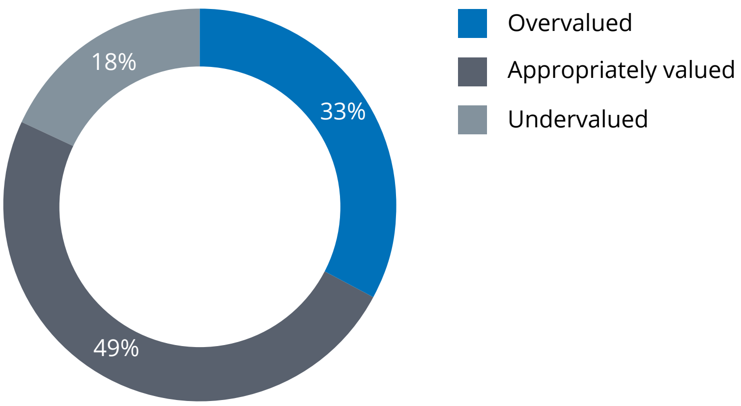
encouraged employers to ensure that staff are able to work from home wherever possible. “With workforces operating remotely in some sectors, digital assets have become something of a priority for companies,” says the managing partner of an Ireland-based firm. “There is demand for new technology solutions.”

As Maeve Moran, Corporate and M&A partner at Arthur Cox, explains, “While the number of transactions in Ireland within the TMT sector had been increasing steadily over recent years, the level of investment in these industries has been accelerated by the onset of the COVID-19 pandemic, reinforcing the importance of these sectors during the last 12 months. Valuations of TMT assets have remained strong over the last year, and in fact soared in some cases, with an increased focus on transactions involving newer forms of technology, in particular health-tech.”

Overall, 38% of respondents pick TMT as their first choice for the sector that will see the highest level of PE investment in Ireland over the next 12 months, with a further 25% citing it as their second choice.

“PE investors will be prepared to pay a higher amount for those assets that are in high demand – there is scope for scaling these businesses in new markets,” argues the managing director of an Ireland-based firm. In the UK, the investment director of a PE firm adds: “New tech assets will be highly valuable; before they think about expansion or global investment, they have to strengthen their current companies, so new technology will be applied to develop portfolio companies further.”

How would you describe the current valuation of targets in Ireland?



On the flip side, investors are most likely to regard industrials & chemicals as the sector that will record the lowest levels of PE investment over the next 12 months, with 47% of respondents picking this as their first or second choice. Some 42% of investors believe energy, mining and utilities will finish bottom of the rankings when investment inflows are tallied.

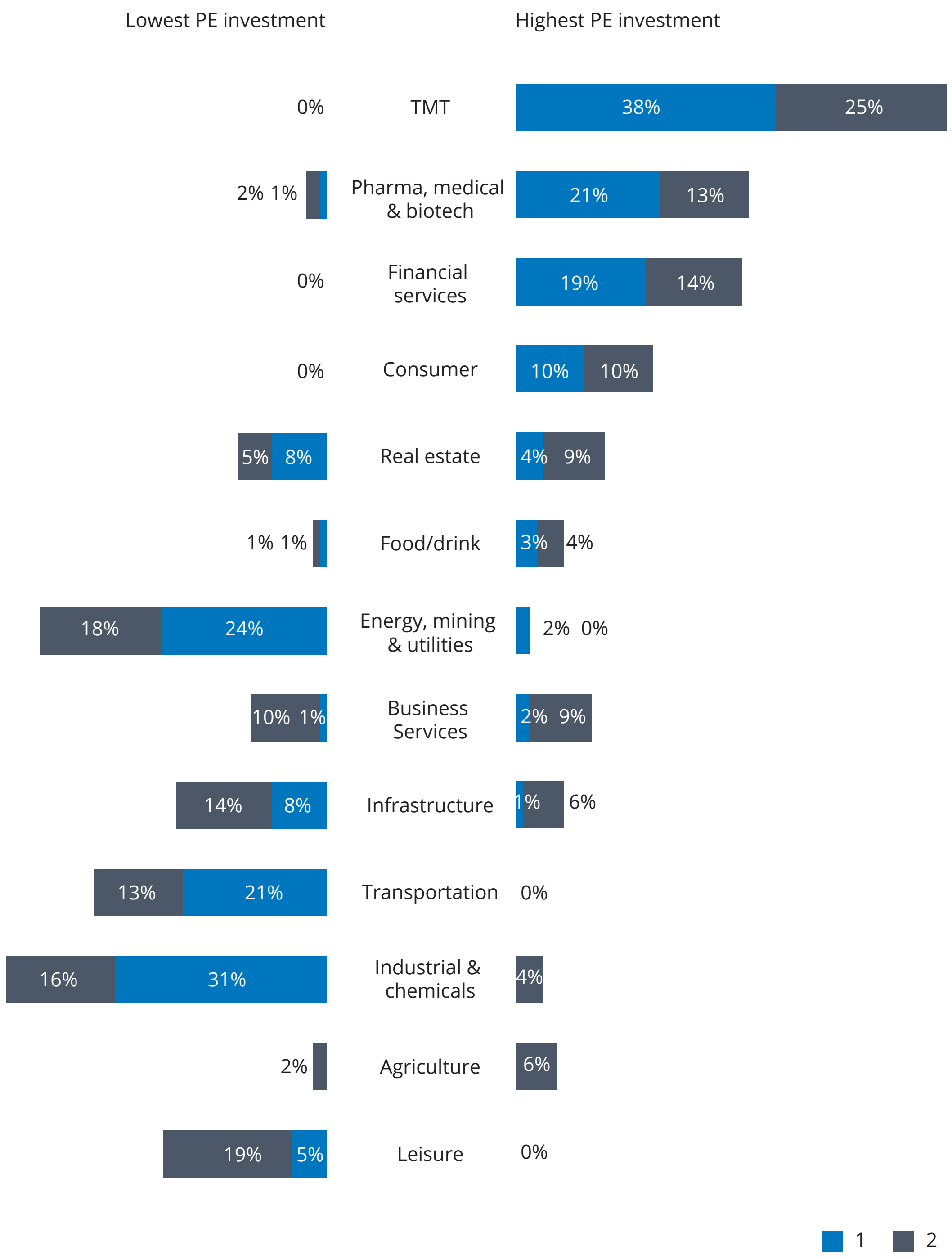
This is not to suggest these sectors are struggling; in many cases, businesses in these industries have offered defensive qualities during the pandemic, though there has been disruption to supply chains and distribution. Looking forward, it may simply be that investors are now focused on more exciting opportunities elsewhere, as they refocus their attentions on growth.

A fair price

The good news in that context is that many investors believe they can buy into growth stories at an affordable price compared to what is available in other countries. Almost half of respondents (49%) believe targets in Ireland are appropriately valued, though a third worry about excessive valuations.

Indeed, Ireland’s businesses are attracting global interest on pricing grounds. Some 65% of respondents from the Americas cite attractive valuations as a key trend in Irish PE over the year ahead, against only 34% of European respondents who make the same point.

Which sector will witness the lowest/highest PE investment in Ireland in the next 12 months? (Select top two)



The benefits of being European: Brexit and beyond

As the complexities of Brexit are becoming increasingly evident on the other side of the Channel, PE firms see Ireland's continued integration as a genuine advantage.

The geographical proximity of the UK and Ireland brings the two countries' views on EU membership into sharp relief. While the UK formally left the EU last year – though subsequent trade negotiations were protracted and painful – Ireland remains an enthusiastic supporter of the European project.

From PE investors' perspective, the contrast is striking. More than two-thirds of respondents in this research (67%) believe Brexit will lead to an increase in PE investment in Ireland over the next 12 months; more than half of those respondents expect the increase to be significant.

Overall, 85% of respondents believe that Ireland's EU membership is an important factor in strong PE interest in the country; that figure includes 59% who regard it as an extremely important consideration.

"EU membership is extremely important because of the effect on the regulatory framework and compliance," says the managing partner of an Ireland-based firm, who points to the level playing field for Irish businesses seeking to sell products and services across the EU. The managing director of a UK-based investor adds: "To initiate new plans for development and expansion into other EU regions would be much more difficult without membership – the cost of expansion and new deals would be much higher."

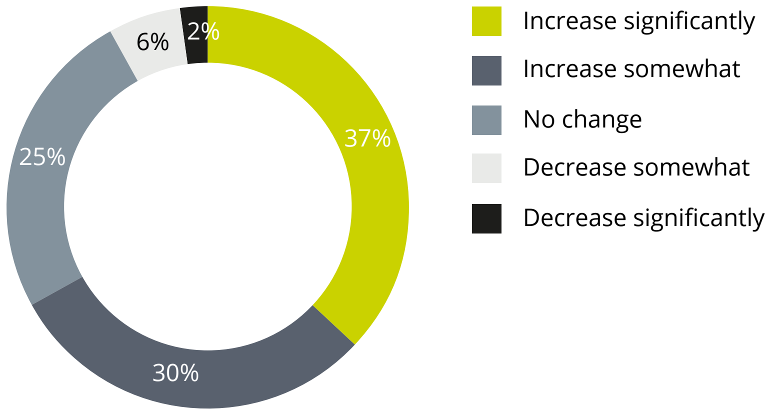
Significantly, US PE firms focusing on Europe are particularly likely to see the benefits of Irish EU membership. Almost three-quarters of US respondents (73%) describe it as an extremely important factor when investing in Ireland. "The single market means a common environment for overseas trade; without EU membership, there would be significantly more trade barriers to deal with," says the managing director of one US-based firm. "Access to niche talent and EU markets are vital to assist our portfolio companies in global development," adds another US investor.

The tipping point

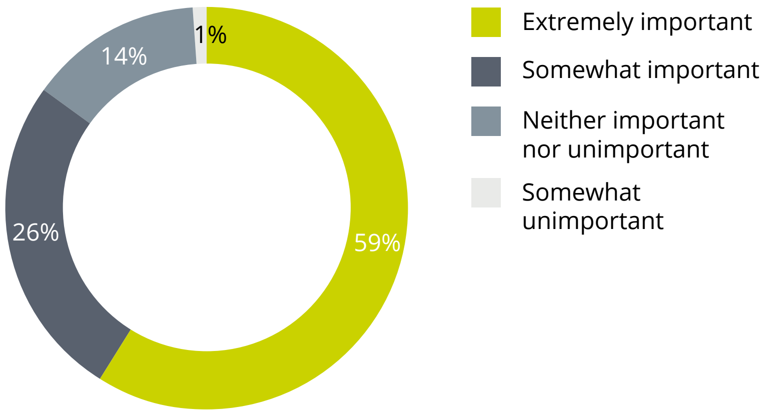
Ireland's EU membership is so important to PE investors that many see it as tipping the debate as to whether they target Irish or UK companies for investment. Almost half of respondents (46%) say that following Brexit, they are now more likely to focus on companies in Ireland than to look for opportunities in the UK. More than a fifth (21%) say they are much more likely to explore Irish opportunities.

Maura McLaughlin, Corporate and M&A partner at Arthur Cox, neatly summarises the benefits that Ireland offers: "Being a common law jurisdiction with EU membership, with an economy that is open to and welcoming of overseas investors, has served Ireland

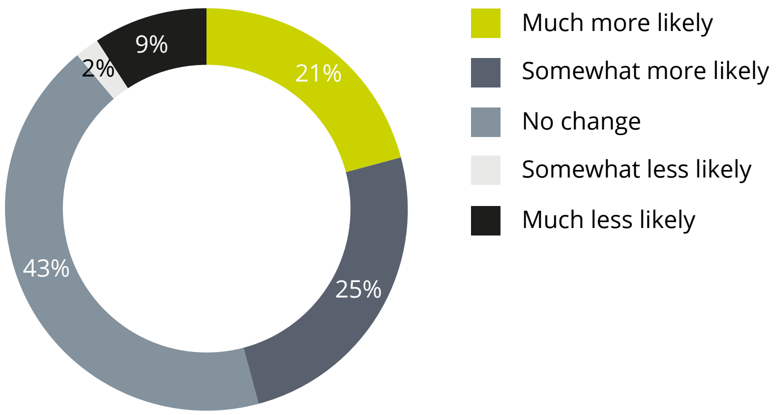
How will Brexit affect the level of PE investment into Ireland in the next 12 months?



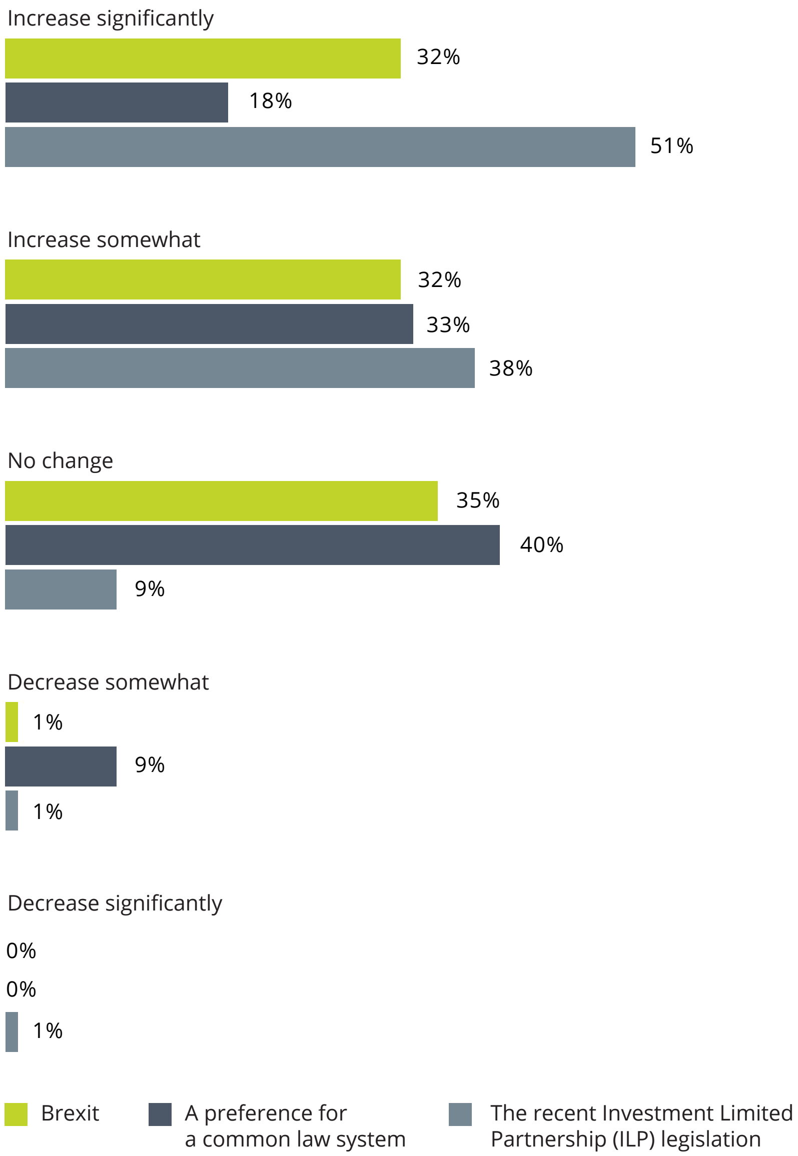
How important a consideration is EU membership when investing in Ireland?



Post-Brexit, how likely are you to target companies in Ireland compared to the UK?



How do you think fund formation in Ireland will change as a result of:



well in becoming a magnet for foreign direct investment. In light of Brexit, these attributes have become more important than ever, allowing Ireland to attract PE investors and become an investment hub for funds investing across Europe."

Even UK-based PE firms see these arguments. "For large-scale industries, EU membership is vital to run the business cost-effectively," says the managing director of one British investor. "Otherwise, the additional cost of importing raw materials would add to the overall expenses, reducing revenue and returns." Another UK-based PE executive argues: "The investor audience understands the standardised rules and the common ground for trading to limit the risk factors [of investing in Irish businesses]."

Investment Limited Partnerships

It is not only that PE investors are now more likely to go hunting for opportunities in Ireland. Our research suggests that fund formation will also get a lift from Brexit, with almost two-thirds of respondents (64%) anticipating an increase in the number of funds setting up in Ireland. Half of those investors believe the increase will be significant.

Ireland's policymakers are doing their best to drive home the advantage. Following the recent launch of Investment Limited Partnerships, European investors in private markets in Ireland now have access to a new vehicle. As Dara Harrington, partner in Arthur Cox's Asset Management and Investment Funds group, puts it, "The enhancements to the Irish Limited Partner structures will enhance the attractiveness of Ireland as a jurisdiction for funds pursuing PE, private credit, real asset and related strategies."

The legislation modernises Ireland's regulatory framework and aligns it with international standards for PE funds. The reforms are expected to strengthen Ireland's status as a financial hub, creating 3,000 jobs by 2025 and attracting €20bn a year of international capital.

Respondents to this research are upbeat about the changes. More than half (51%) believe the reforms will lead to a significant increase in fund formation in Ireland, with a further 38% anticipating a more modest uplift from the legislation.

59%

Share of respondents who consider Ireland's EU membership extremely important when investing in the country.

Sustain and maintain: ESG in the spotlight

Climate change, diversity and business ethics are driving the investment agenda and PE firms are responding.

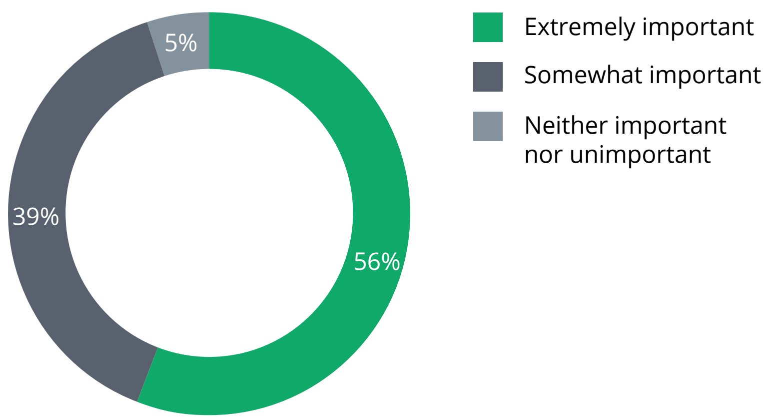
Environmental, social and governance (ESG) issues are increasingly front of mind for PE investors in Ireland. Nearly every investor in this research (95%) says ESG considerations are important when investing in Ireland; more than half of those investors describe ESG as extremely important.

The rise of ESG in investment is a global phenomenon, with record inflows of cash into ESG funds last year. Irish businesses have a good story to tell on ESG issues, which provides further support for PE interest in the country. "Companies in Ireland are sustainable and have been incorporating new standards when it comes to ESG," says the managing director of a Swedish PE firm.

However, it is important to recognise that investors' ESG concern goes beyond environmentalism – and the social and governance elements of their policies are growing in importance.

Certainly, climate change is cited by 91% of PE businesses in this research as an ESG issue that is important to them; that includes 48% who pick this issue out as their most important ESG concern. But other issues are also coming to the fore. For example, 66% of investors point to business ethics as a key focus while 65% cite data privacy. Diversity and consumer protection are also notable areas of interest.

How important are environmental, social and governance (ESG) considerations when investing in Ireland?



These focuses look set to continue, though investors from different jurisdictions may have different priorities. In this research, for example, 51% of EMEA-based respondents pick out climate change as the issue that matters to them most, while only 38% of respondents from the Americas say the same. The latter group, meanwhile, are more focused on business ethics, with 31% singling this out as their priority issue, against only 9% of respondents from EMEA.

ESG – but not at all costs

With such a broad range of ESG issues under consideration – and differing views of what should be the priority concerns – Ireland's strong overall reputation for stability and regulation should ensure the country continues to appeal to investors with an ESG tilt to their portfolios.

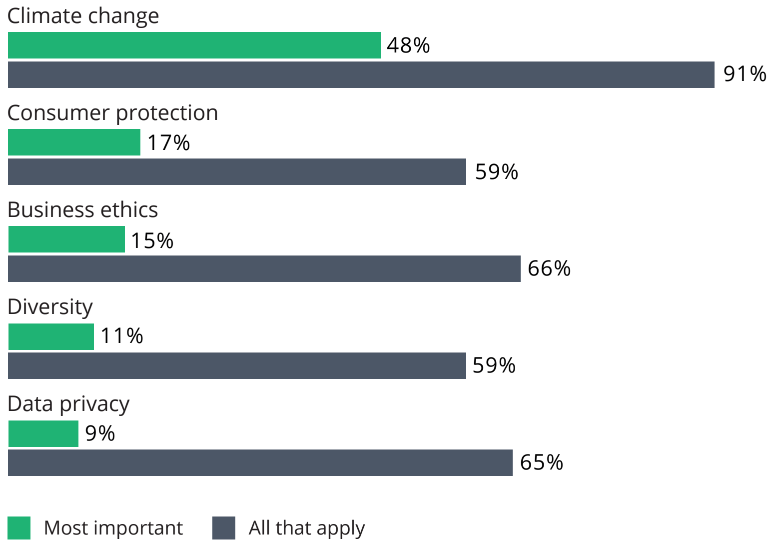
As Conor McCarthy, partner in Arthur Cox's Corporate and M&A group, explains, "ESG issues have become important considerations for many PE investors. ESG-compliant businesses that can also deliver the requisite financial performance are very attractive propositions to many PE investors. Ireland's strong reputation for stability and regulation, together with a continued focus by Irish businesses on ESG issues, should make Irish businesses appealing to ESG-conscious investors."

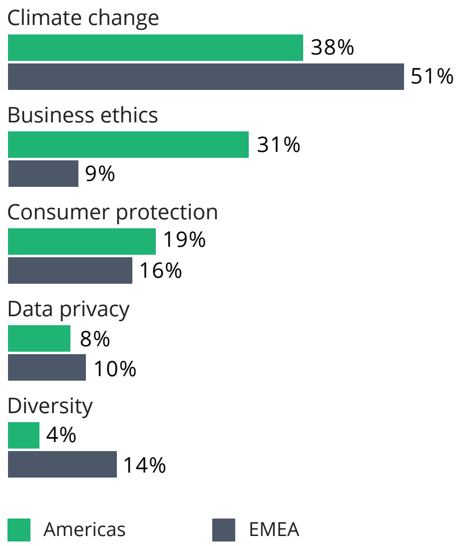
Indeed, Irish businesses may play a significant role in the ESG funds and portfolios that the PE sector is now developing at speed. "The emphasis on ESG funds and renewable investments is increasing overall," observes one partner in a European firm. "Investors are also pushing for ESG-centric funds to be developed."

If those expectations prove correct – and if Ireland can sustain and cement its reputation as a happy hunting ground for ESG-focused investors – there is good reason to think the rise of ESG can provide further stimulus for increased appetite for Irish businesses.

Equally, however, investors stress that strong ESG credentials must not come at the expense of financial performance – or of good value. Indeed, some investors warn that certain ESG-compliant companies in Ireland are now trading at premiums, particularly where these businesses are delivering in commercial terms too. "There are bound to be some valuation gaps," observes one PE firm executive.

Which ESG issues are important to you and your investor base when investing in Ireland?





Dilemmas and downturns: Challenges to PE investment

While there is widespread optimism about the outlook for PE investment in Ireland over the next 12 months and beyond, there are also potential clouds on the horizon.

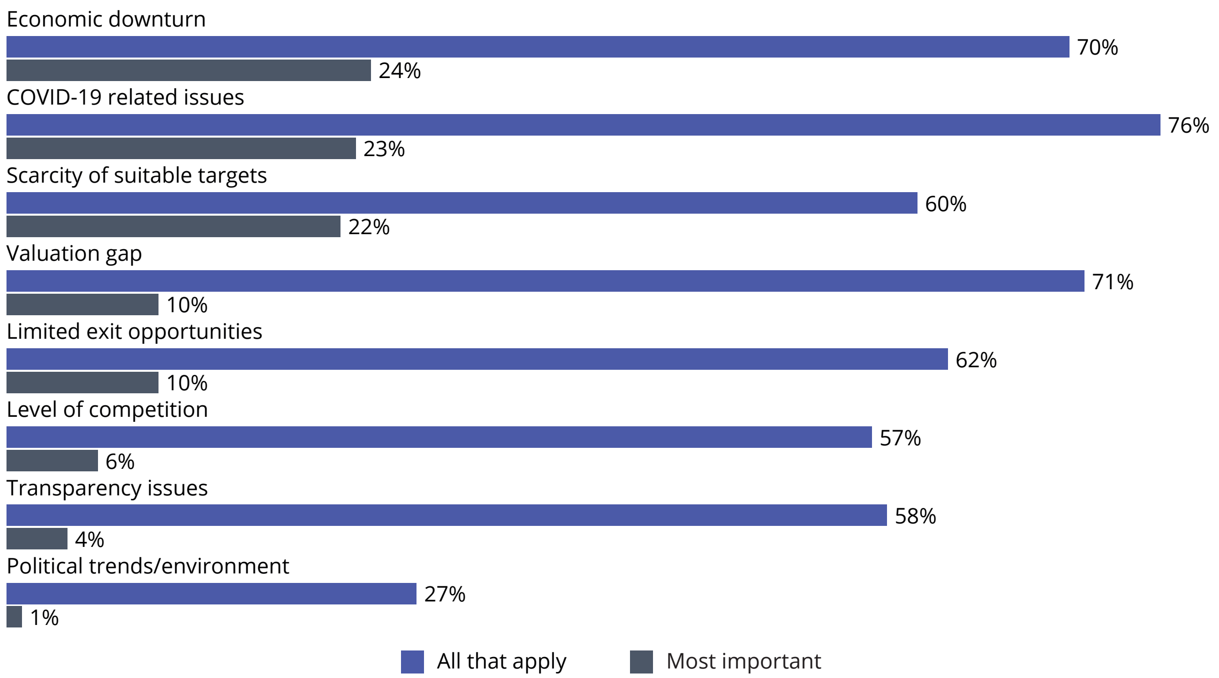
Our survey reveals that the coming years are likely to be a promising period for Irish PE investment, but both external and industry-specific risks cannot be discounted.

The biggest concern for many respondents is that Ireland's strong economic performance is not sustainable. Some 70% pick out an economic downturn as a potential threat to PE investment in Ireland, including 24% who see it as the biggest risk of all.

This fear is allied to the second standout threat identified by respondents; 76% worry about COVID-19 related issues, with 23% seeing this as their most significant anxiety. The two concerns go hand-in-hand. While Ireland is currently registering relatively few cases of the virus and its vaccination roll-out has accelerated, further breakouts remain possible. That would prompt a return to tougher restrictions on businesses and individuals, threatening the country's economic performance.

Equally, even if Ireland continues to manage its own pandemic caseload successfully, Irish businesses remain vulnerable to problems in other countries that have the potential to disrupt

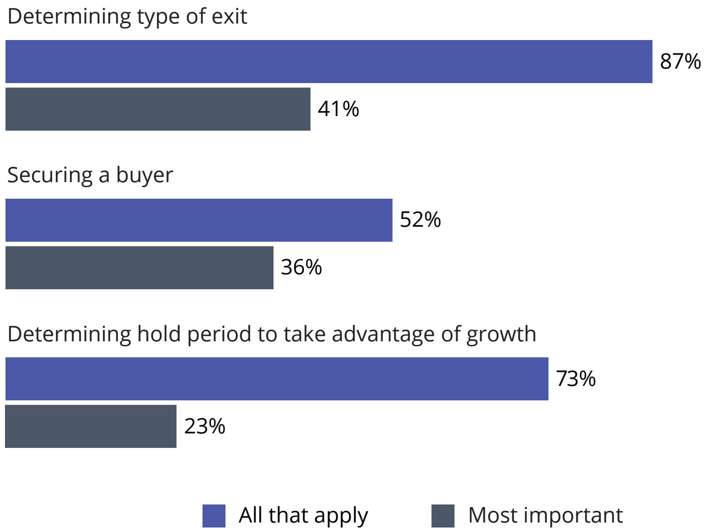
What will be the biggest challenges to PE investment in Ireland in the next 12 months?



demand and supply chains. "COVID-19-related issues have not yet been sorted," says the managing director of a US-based firm. "Governments all across the globe are still concerned about the implications for health and trade and commerce."

Against this backdrop, the managing director of a French PE firm warns that there will be continued doubt about the outlook. "Short-term returns cannot be determined with certainty," the executive says. "[In the event of a downturn] there will be pushback to rethink investments."

What are the biggest challenges when exiting investments or considering exiting investments in Ireland?



Easing fears

However, it would be wrong to exaggerate the scale of this threat, with economic forecasts remaining robust at the current time. For example, Ireland's Fiscal Advisory Council, the country's budget watchdog, is even more upbeat than forecasters at the European Commission, stating that Irish GDP growth will reach 4.5% in 2021, rising to 5% next year, as consumer spending bounces.

Other areas of concern for respondents are related to supply and demand in the Irish market. More than half (60%) are worried there is a shortage of suitable targets for PE investors in Ireland, with 22% saying this is currently their biggest challenge. Related to that, 71% of investors cite the potential risk posed by valuation gaps. "Sellers want a higher valuation because of the efforts they have put in so far," says the partner of one Irish firm. "As an investor, it is only possible to gauge the valuation based on certain performance indicators."

One other challenge appears to be front of mind for many PE investors in Ireland. More than half the respondents to this survey (62%) warn that limited exit opportunities give them pause for thought when considering investing in Irish businesses.

"It is difficult to increase investments in Ireland because of the limited exit opportunities," says the managing director of a US-based firm. "We do not want to be stuck with the target beyond a certain point as we have to free up funds for new investments."

With public market activity still volatile amid the global COVID-19 crisis and private sales dependent on so many different moving parts, some respondents warn that the route map to realisations of portfolio companies is not always clear. Indeed, 87% say it can be difficult to determine what type of exit is the right approach to moving on.

There is also some doubt among investors about how long they should hold on to portfolio companies in the current environment. The pandemic may, for example, mean that certain holdings take longer to hit their owners' growth targets than had been expected at the outset. Almost three-quarters of respondents (73%) worry it is difficult to determine hold periods.

Overall, however, many investors downplay the challenges facing PE investment in Ireland. The biggest risks remain hypothetical, given Ireland's robust economic performance to date and its success in getting on top of the pandemic. Other concerns will ease as markets normalise and more certainty is secured, including the return of more face-to-face meetings rather than virtual communication. As McLaughlin concludes, "At Arthur Cox, we believe downside risk at this time is reduced given the progress being made in reopening society both in Ireland and in its key trading partners in the EU, the UK and the US. Taking the longer-term view, the fundamentals for Ireland remain strong."

Conclusion: Land of opportunity

Pandemic notwithstanding, Ireland's PE market looks set to flourish in 2021 and beyond.

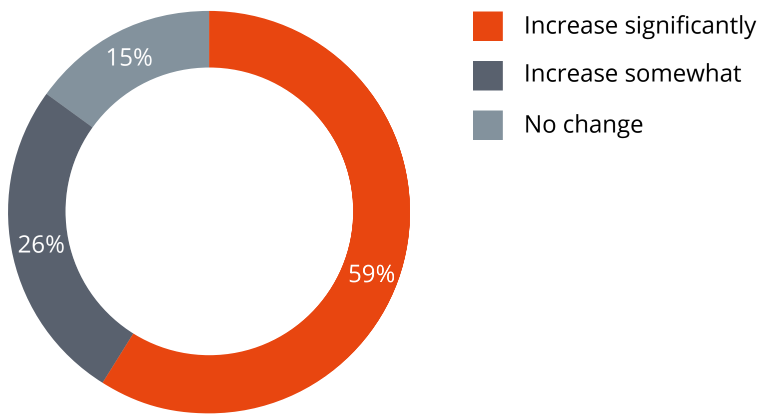
Our survey reveals that the advantages of Ireland as an investment destination are clear. PE firms are attracted to the country's stable legal and regulatory frameworks, excited by the opportunity to invest in fast-growing sectors, including Ireland's internationally-renowned technology companies, and confident that valuations remain reasonable and affordable.

Inevitably, there is concern about the potential for economic setbacks related to a resurgence in the pandemic, however, there is no sign of slippage and Ireland's vaccination programme is making good headway.

Moreover, other factors are aligning in Ireland's favour. The ongoing fallout from Brexit has highlighted Ireland's continued access to EU markets, increasing its appeal to PE investors compared to UK businesses. New regulation is encouraging fund formation. And Ireland's appeal from an ESG perspective is a further tailwind.

Against this backdrop, the medium- to long-term outlook for PE investment looks just as healthy as the shorter-term view. In this research, 85% of respondents believe PE investment into Ireland will increase over the next five years; that includes 59% who expect the increase to be significant. Not a single respondent anticipates a decline in investment during this period.

What do you expect to happen to the level of PE investment into Ireland in the next five years?



Both domestic and overseas PE firms are upbeat. "Given that Ireland's economic growth has been steady and there are no major threats perceived over the next few years, I expect PE investment into the country to increase significantly" says a partner at an Irish firm.

There is, in other words, every reason to be upbeat. As McCourt puts it, "We are confident that PE interest and investment in Irish companies will continue to grow, which will, in turn, create liquidity events for shareholders, inject fresh capital into Irish business and ultimately deliver good returns for PE investors."

Irish businesses can look forward to continued interest from PE investors seeking to provide capital to fuel their growth. And investors in funds with exposure to Irish PE are in a strong position to enjoy robust returns.

0%

Share of respondents who believe PE investment into Ireland will decrease over the next five years.

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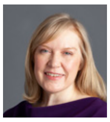

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