Private Equity

Meet BlackRock investors

Q&A with Nathalie von Niederhaeusern

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Meet the investor

Nathalie von Niederhaeusern

Nathalie von Niederhaeusern is the head of BlackRock's Private Equity Partners in the EMEA region, based in Switzerland. In this role, she oversees 14 investment professionals in London and Zurich. Nathalie has more than 25 years experience as a private equity investor and specialises in the global healthcare and industrials sectors.

Can you tell us about your background?

N.V.N.: I was born, raised and educated in Switzerland. I moved from the capital Bern to the financial services center Zurich almost three decades ago, and started in M&A. Back then private equity wasn't really known, at least in Europe – it was just M&A.

In the late 1990s, I was at Swiss Re, and they said, "Would you be interested in figuring out private equity?" And I was, so we started. We initially did it only for the balance sheet, but after a few years we began to raise third-party capital. And that's how I really got going in the private equity industry.

Fast forward to 2012, and we had grown the assets to US$7.5 billion, and at that point we were sold to BlackRock.[1] I had the great luck to be asked to join and to lead the European effort – and a dozen years later here I am.

How do you view private equity as an asset class?

N.V.N.: If you think about private equity, it's really a lot of different strategies. You can go into growth capital, or you can go into distressed turnaround; you have different sectors and different regions. That means that you could find attractive opportunities independently of the economic cycle where the investor may create value. The other thing that's specific to private equity, and that I think is instrumental in the performance of the asset class, is the active ownership component. You do the due diligence and figure out exactly what you want to do with a company and then, after the purchase, you execute on a clear business plan that aims to make the company bigger, better, faster, smarter.

That's why, for me, private equity is really an all-weather strategy. Clients sometimes ask, 'Is this the right time? Should I invest now or wait?' and I say, if a team is doing it right and doing it well, then any time could be the right time to invest.

What are the main differences between the U.S. and Europe?

N.V.N.: Generally speaking, in Europe the deals are smaller and the companies are more in the mid-market space. And I think that the industry consolidations that you've seen in the U.S. – healthcare, dental clinics, veterinary clinics – they're only just starting to happen in Europe.

Then there's the local aspect. Across Europe, it's not one country, one currency, one language. Localisation is essential.

And that fragmentation also influences which strategies are used – for example, take-privates can be much harder to do in some countries than others. Restructurings, letting people go, things like that are highly complex in many European countries.

So I'd say, given the relative newness of private equity here, there's much more white space, but at the same time there's more restrictions.

Source: 1. BlackRock, Investor Relations. Press release details, BlackRock to Acquire Swiss Re Private Equity Partners AG; Announces Strategic Alternative Investment Partnership with Swiss Re; Enhances Private Equity Fund of Funds Capabilities; Deepens Presence in Switzerland, 3 July 2012.

It’s been a tough time for private equity. What’s your outlook?

N.V.N.: Starting in 2022, and certainly in 2023, a lot of things were difficult for private equity: fundraising, exits, investment volumes and so on. But there are signs that things are changing. If you look at 2024, investment activity has been increasing as people have adjusted to volatility, and the gap between sellers and buyers has closed, or at least is closing. Also, the financing market is back. If you look at 12-18 months ago, it was basically impossible for a European company to get significant financing.

Now you could get lending of €1 billion or more, and this obviously helps buyouts. I think the large end of the market is still a little behind, but the mid-market and the smaller end of the market are definitely very active again.

What kind of activities are you seeing?

N.V.N.: There's a lot of buy-and-build strategies, where strong companies are either taking advantage of the weaker positions of some of their competitors, or where there is white space in countries where they’re moving aggressively to gain market share. I think this will be the play of 2024. For example, a Dutch food producer buying up companies in Spain or in Germany.

On the exit side, while 2023 was so-so it wasn’t the worst year we have ever seen. And this year there have already been some IPOs, which will create liquidity. Meanwhile, strategics are buyers, and we’re seeing them especially in high-quality assets in the healthcare, consumer and industrial sectors.

Finally, some of the large funds are sitting on quite a lot of capital, and they will go and hunt for opportunities, especially in mid-caps.

Are any specific sectors busy?

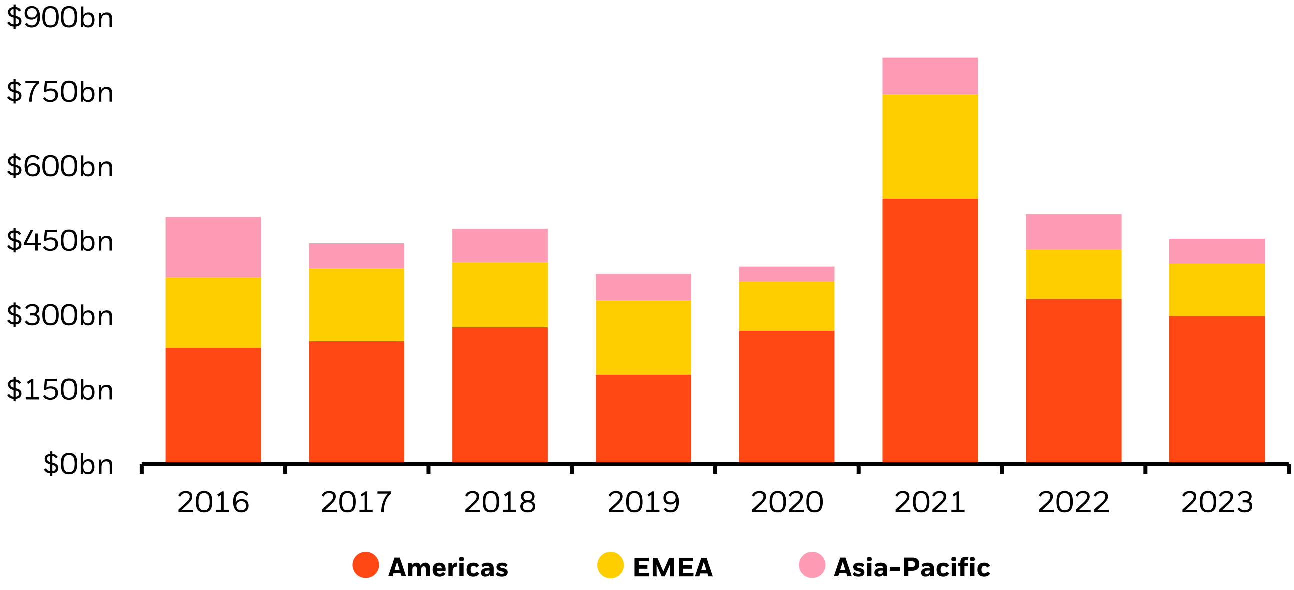
N.V.N.: One industry where we’re seeing a lot of activity is financial services. We have seen quite a lot of either financial technology growth companies or pure incumbent players trying to reinvent themselves – either by buying a fintech company, buying a payment company, or playing consolidation. I’m thinking, for example, of independent wealth managers consolidating in a country.

Healthcare is also active in Europe, for two main reasons. First, to make the old system more efficient, and then second to invest and help develop drugs and treatment methods.

On the first, healthcare is just too expensive – insurance companies, governments, they all feel the pressure, and costs need to be taken out. It has to be more efficient in areas such as targeted health, care homes, all of that.

Back to earth

Aggregate value of private equity-backed deals (excluding VC) is resetting after record highs



Source: Preqin. As of 14 February 2024. Includes the following transaction types: trade sale, IPO, sale to GP, merger, sale to management, restructuring, private placement. Currency all in USD.

And the second part is the innovation, from personalised drugs to radiopharmacy and new therapies, such as biologics.

There's also the question of how you can use artificial intelligence in healthcare. I think these are things that will keep the private equity industry busy.

You mentioned AI. What's the opportunity in Europe?

N.V.N.: Well, there are fewer pure AI companies in Europe than in the U.S.

But what we are looking at is, what's the opportunity or threat for an existing portfolio company or for a potential investment opportunity?

Over here, we are looking at it less from the view of directly investing in AI and more, how can we use AI as an opportunity, as cost-saving automatisation for a portfolio company? And, of course, where is the threat to the business model?

What do you say to those worried about the current macro uncertainty?

N.V.N.: Well, this is the third or fourth crisis of my career – that's the advantage of experience! We had the dot-com bubble bursting, the global financial crisis, we had a crisis here in Europe in 2012, and then we had the pandemic, and now most recently there are the geopolitical conflicts.

I think investors appreciate the role of private equity in a portfolio, and they have understood that the worst thing you can do is a stop-and-go strategy, often missing out on the most attractive vintage years.

Maybe they don't allocate US$500 million, they just allocate US$100 million, but I think smart investors have understood that you always should have a foot in the door. Because it's not like you buy today and sell tomorrow when it comes to private equity; you look at it today and you sell in five years. And I don't think anybody knows what things will be like in five years' time.

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