ROUNDTABLE

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Choppy waters continue

Three industry veterans talk dealmaking, slow exits, the outlook for the coming months, tariffs and the twists and turns of the markets.

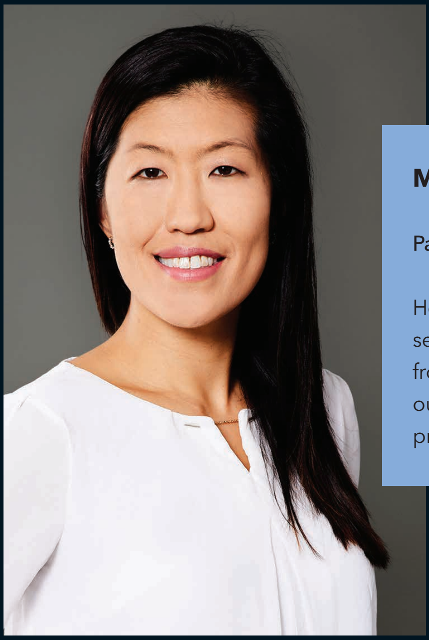
By Claire Coe Smith and Mary Kathleen Flynn

In early October, *Buyouts* and *PE Hub* once again assembled a group of senior women from across the private equity industry for the third annual Women in Private Equity Roundtable. Three female leaders joined Mary Kathleen (MK) Flynn, editor-in-chief of *PE Hub*, for a wide-ranging discussion about how they had got into private equity, their career paths, the dealmaking environment, competition in PE and the outlook for the rest of 2025 and beyond.

Martha Heitmann is a partner at the global alternative investment firm LGT Capital Partners, where she has long specialized in private equity secondaries. She relocated from Zurich to San Francisco in 2022, with a remit to expand LGT Capital Partners' West Coast presence, particularly in growth equity and venture capital across primaries, secondaries and co-investments.

"I started my career in investment banking in Silicon Valley in 2001," recalls Heitmann. "It was a depressing time with not many deals and a lot of layoffs but piqued my interest in moving to the buy-side. I moved to Europe for my husband and attended the INSEAD business school near Paris on a nine-month program. While I was there, partners of several private equity firms came to campus to talk about secondaries, which, back then, was an unknown and nascent derivative of PE."

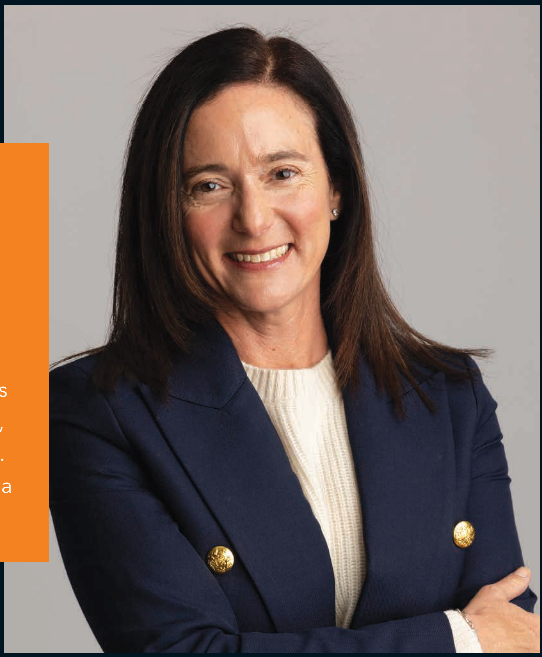
Heitmann recalls how two things about secondaries appealed to her: the opportunity to invest in a broad range of companies versus just one, and the ability to do a lot of transactions. "I decided to apply to secondaries firms, and that led me to LGT Capital Partners, where I became the first staff member



Martha Heitmann

Partner, LGT Capital Partners

Heitmann joined with LGT Capital Partners in 2007 to cover PE secondaries. In 2019 she was promoted to partner. She relocated from Zurich to open the firm's San Franciso office in 2022, to build out the venture and growth capital business while maintaining a primary focus on secondaries.



Sonya Brown

General partner, co-head of growth equity, Norwest

Based in Menlo Park, Brown is co-head of the growth equity team at Norwest with a focus on investing across consumer products and services, retail, internet/e-commerce and business services. Her investments at Norwest include Aesthetic Partners, Babylist, Divi, Face Reality, Madison Reed, SmartSign, and more. She joined the business in 2011 having previously spent nearly a decade at Summit Partners.

Hilary Dengel

Partner, Davis Polk

Dengel is a partner in Davis Polk's Sponsor Finance practice. Corporate borrowers and financial sponsors seek her counsel on a wide range of transactions, including leveraged and investment grade acquisition financings, corporate credit facilities, high-yield bond issuances, asset-based financings, complex restructurings and debtor-in-possession and exit financings.

to join the firm's secondaries practice after the two co-heads," she says. "Today, our secondaries team has grown to nearly 40 professionals, and it has been incredibly rewarding to see how far the firm has come."

Sonya Brown is a general partner and co-head of the growth equity team at Norwest, based in Menlo Park, California. With a focus on growth equity and buyouts, Brown invests across a wide range of sectors including consumer, e-commerce, retail and business services.

"I went into investment banking out of undergraduate school," she says. "Then I went to work for a public company CFO and decided that wasn't quite as interesting as I thought it would be, and from there I joined an internet company and got involved in the dotcom bubble."

Brown says: "That is where I cut my teeth to understand the broader financing space, venture and private equity. I was in a corporate development role interacting with the board and investors. After the bubble burst, I went back to business school and came out knowing I wanted to be on the buyside."

She joined Summit Partners in 2002 and moved to Norwest in 2011. "I was raised from age 10 by my father and grandfather," says Brown.

"I came into finance, which was pretty male-dominated, and I was often the first female at my level or the most senior female in the room. My father and grandfather were both hard-working people and their expectation was that I would work hard too – calling home to complain about the workload during those early days in investment banking was met with little sympathy."

Hilary Dengel is a partner in the sponsor finance practice at Davis Polk, where she has practiced since 2007. Having worked on restructurings through the Great Financial Crisis of 2008, she says the experience of cycles has been one of her great learning curves.

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MARTHA HEITMANN
LGT Capital Partners

"I remember when Silicon Valley Bank collapsed a few years ago, just looking around at the junior associates who were wondering what was going to happen," says Dengel.

"Being able to say this isn't good, this is challenging, but you are working at a stable firm that people tend to turn to when things get choppy, that was important. This is going to get interesting and you are going to get asked questions you have never been asked before.

"I remember back in 2008 when institutions were collapsing, people were getting laid off, and it was terrifying as

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>
> **SONYA BROWN**
> **Norwest**

a junior associate. Having the benefit of hindsight is nice going forward."

Dealmaking in uncertain times

The last few years have been challenging for private equity professionals, and the conversation turned to the deals that have been getting done in 2025. "Everyone thought that 2025 was going to be a big M&A year until the tariff changes were imposed," says Brown. "In areas where tariffs had an impact, that slowed things down that would otherwise have brought some M&A movement."

Nevertheless, Norwest has seen several bright spots of activity. "We have seen services continue to move and we have made a few investments there," says Brown. "Healthcare has been interesting, because that too has had questions around the current administration. But enterprise software is a big area that we invest in and we have continued to find good investment opportunities there."

Heitmann observes that, in the secondaries market, the increasing prevalence of GP-led transactions has sustained strong and growing dealflow, largely driven by LPs' liquidity constraints stemming from a slowdown in distributions. "The distribution yield, or distribution to NAV ratio, has been about 10 percent over the last three years. Normally it ranges between 20 to 25 percent, which means an asset turns every four to five years rather than every 10 years as it does now," she says.

"The last time we saw dividend yields around 10 percent was back in 2009, which was one of the biggest financial crises in decades. Are we in that state today? Not necessarily, but we do have a huge volume of unrealized NAV, around $13.5 trillion if you include all private markets asset classes."

The inability of the IPO market and the M&A markets to provide exits for all these assets is what is driving the growth of secondaries, she says, with single asset continuation vehicles and Asian secondaries being two particular growth areas.

For her part, Dengel has been focused on what happens to capital structures as hold periods lengthen. "We have seen a lot of repricings in the last 12 months," she says. "Deals that were done in 2022 and 2023, when the markets were choppy and margins and spreads were higher than people would have liked, have been repriced and repriced again. I have seen a number of portfolio companies reprice three times in the last 24 months."

That trend is driven not only by debt markets strengthening but also by such a lack of new deals that lenders are reluctant to lose their allocations on deals they like. In many deals, over 90 percent of debt investors are rolling over their positions, says Dengel.

"I have also seen a number of dividend recapitalizations, as that becomes another way to return capital to investors when the exit market is not strong," she says. "And the other trend we have seen, particularly in the early-stage company space, is founders and investors holding on for longer pre-IPO, partly because of choppiness but also because people want to see those companies grow for longer."

That raises the question of whether going public is even the goal for exit strategies today. "Some GPs underestimate how challenging it can be to sell shares quickly when holding more than 10 percent of a public company," says Heitmann. "In many cases, IPOs do not provide the level of liquidity that sponsors had anticipated.

"In growth equity, many founders are increasingly hesitant to go public, seeking to avoid the short-term pressures and heightened scrutiny associated with public markets. As a result, they often choose to remain private for longer."

Accessing the retail channel

One big theme for the asset class over the past few years has been the opening up of access to retail investors, via semi-liquid structures likes business development companies, interval funds and tender offer funds.

The rise of evergreen funds has impacted the secondaries space, says Heitmann: "We see a lot of those 40 Act funds that need to deploy capital and want diversification. As they acquire substantial portions of LP portfolios, they are having a noticeable impact on deal pricing."

All three women expressed concern about the need to ensure retail investors fully understand private equity and how it works before they commit capital.

"It is risky," says Brown, "but as people look for ways to aggregate more capital, it may be inevitable that we will see more creativity as a means to tap that channel. I'm not surprised to see that happening, and hope it ends well."

Intense competition between private equity funds chasing limited deals and constrained LP capital was another topic of discussion, along with the need for funds to differentiate or potentially embrace consolidation.

"It is more competitive out there," says Brown. "For us to find new deals and be able to close on new deals is more competitive than it was in the past. There are more companies proactively reaching out to founders. We have to think about what we do best as investors and the types of founders we work best with, and then segment the market around that."

Dengel says that a growing number of her clients are trying to source deals outside of traditional auction processes, particularly clients that are not mega-funds. "Sponsors are not wanting to incur significant expenses on diligence and outside advisers, running at everything in an auction. They can spend significant money and resources on professional advisers, only to come up empty handed.

"A lot of the focus among PE sponsors that I represent is on making sure that once they really want to invest, they are able to position themselves to win. Whether that means pre-empting an auction or finding a target on their own, that is the priority."

$13trn

Volume of unrealized NAV (including assets in all private markets), according to Martha Heitmann

$200bn

Heitmann's prediction for total secondaries transaction volume in 2025, up from $170bn last year

The outlook for the rest of 2025 and beyond

Looking forward, liquidity will remain a big topic among both GPs and LPs and will continue to fuel activity in the secondaries market, according to Heitmann. "I would predict that we are going to have a record year for secondaries in 2025, when we will probably reach $200 billion of transaction volume, up from around $170 billion last year. Over the next five years, the market could possibly expand to reach $500 billion, given the strong trajectory and the ongoing liquidity needs of investors."

Heitmann predicts that innovation will remain a feature of the secondaries space as new technologies are created to solve LP and GP challenges. She also says an M&A pick-up and a revival in the IPO market will do little to dent demand: "If you take buyouts alone, there are around $3.1 trillion of unrealized assets," she says. "M&A and IPOs simply cannot absorb that volume, even over five years, so there will continue to be a continued need for liquidity and exit paths for those companies."

Dengel is predicting a recovery in the deal market. "I am hopeful that the M&A pipeline continues to open up," she says. "We have seen some good

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HILARY DENGEL
Davis Polk

developments in 2025, notwithstanding some of the uncertainty caused by tariff announcements. Despite the ups and downs, people are moving forward with deals.

"An interesting factor now is the number of financing structures available to accommodate activity. There are a lot more players – we have gone from a lot of deals being done in the broadly syndicated market, to private credit filling a hole, and now both of them working together on a lot of transactions. We are seeing convergence of the players in the space, of deal terms and of structures being done, creating a lot of interesting opportunities out there to finance deals."

Brown says it has become easier to see a positive trajectory for the deal market. "The tariff piece has settled now," she says, "with people figuring out ways around those challenges and making adjustments where they need to. Interest rates also feel like they are now heading in the right direction. Those two pieces should help to engage a more robust M&A market next year."

Where she remains cautious is on the risk position that PE will be ready to take. "That's where I'm not 100 percent sure," says Brown. "People will be ready to bring things to market because they will have more certainty in their forecasting, but then the next question will be whether the private equity market is risk on or risk off. Assuming we don't have another shock to the system between now and Q1, it feels like by Q1 we might expect activity to be fairly robust."

Navigating the choppy waters of the last few years has called for senior private equity professionals to dig deep, to draw on their experience of previous cycles and to embrace creativity as a means to stand out in a crowded market. Now these industry-leading women are preparing for a more bullish M&A pipeline in the months ahead. ■