

'Private equity must demonstrate commitment to real economy'

Marc Auxenfants - 15 July 2020

PRIVATE EQUITY



On 1 September 2020, Rajaa Mekouar will leave her CEO functions at LPEA, the Luxembourg Private Equity and Venture Capital Association, to fully focus on her PE/VC Head and Portfolio Manager functions. She will be succeeded by Stephane Pesch, who has served as the LPEA's Director of Strategy since October 2019.

Mekouar considers the pandemic a unique opportunity for the PE industry, and not just a threat. And for her, Luxembourg has more than ever the potential to play a growing role as a European hub for deal-making and structuring.

Rajaa Mekouar, what has been the impact of the pandemic on Luxembourg's private equity industry?

over April–May. And new fund launches came to a halt. But since June, the activity is picking up again. However, middle- and back-office operations have remained active. Amid the Covid-19 crisis, portfolio and underlying asset monitoring have become an even more essential part of the value chain. Hence, as a top domiciliation and operating centre, Luxembourg could preserve its jobs to a great extent.

Although PE is a long-term business, where short-term shocks take time to come through fully and translate into valuations, we have seen a sharp drop in the share prices of the five listed private equity companies: Blackstone, Carlyle Group, KKR, Ares Capital and Apollo GM.

Their NAVs decreased by -8 to -20%, following the Q1 2020 Earnings releases. Firms active in hospitality, energy and credit sectors were the most affected. But their stock prices have since then returned to their pre-pandemic levels.

The Q2 NAVs will tell more about the impacts. And the industry already foresees a valuation drop by 5 to 15% for 2020, depending on regions and sectors.'

How does the PE industry see future activity?

'According to our recent surveys among our members, PE operators appear more optimistic now than they were at the beginning of the crisis. But more generally, they remain concerned about the current economic situation and unemployment beyond financial services.

cash over the last years. This will have to be deployed in the next three to four years, at a time when the best opportunities in terms of pricing and value creation potential will come up.'

What will be the effects of Brexit on the Luxembourg PE industry?

'London is traditionally the first centre for PE deal-making in Europe. It is also the place where most investment teams operate. With the Brexit uncertainty, Luxembourg is increasingly perceived as a complementary centre for funds, family offices and private banks.

During the pandemic, the country has demonstrated its stability and could reassure the international financial industry. I am therefore confident that more domiciliation services, and funds and asset management companies will settle in and move their operations to Luxembourg.'

Are you optimistic about the post-pandemic era?

'We remain cautious about the short- and medium-term. But we are optimistic for the longer term. Since the 2008 crisis, the PE industry has become much more professional: Firms have reacted pro-actively, by divesting some assets while investing in others.

Our biggest challenge now is to demonstrate to public stakeholders our commitment to the real economy, our ability to preserve jobs, create operational value and generate innovation.

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heart of the economy, by dedicating 80% of its investments to SMEs, while investing in start-ups and innovative ideas, via its venture capital business.'

You are leaving your role as CEO at the LPEA within a year. Why?

'I joined the association four years ago and became CEO in September 2019. During those years, I never gave up my job as an investor for an investment company owned by Luxembourg-based entrepreneurs. I now wish to resume these activities on a full-time basis.

But I will remain actively involved as a goodwill ambassador and active member, more particularly when it comes to promoting women in our still male-dominated industry.

What achievements are you most proud of?

During my mandate, I presented a plan to transform the association, with the aim to institutionalise it, to enable the Luxembourg private equity industry to grow and make it more visible internationally, especially in Europe.

Following the pandemic, we went online with our programme, launched the "LPEA Academy" and a YouTube channel, and gained huge visibility locally and internationally. My mission is therefore accomplished. And I 'm handing over to someone local who can assume the CEO functions as a full-time job, continue lobbying for our PE industry and raising our profile and image amongst public stakeholders.'

and venture Capital Association aims to represent, promote and protect the interests of its 280 members including 50% of investment firms (GPs and LPs), of which 30 family offices and 70 funds. It aims at growing membership to 500 by 2025 as the PE industry pursues its growth.

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