

22%

of total deals announced in Q3 2024 involved private equity investors.

— 63% —  
DECREASE

– in the average number of days taken by the OIO to assess applications for consent under the Overseas Investment Act 2005 (significant business assets pathway) compared to 2023.

## Significant developments in 2024

### Rise in mid-markets investments

Mid-market investments were the key theme of private equity in 2024. Current trends indicate mid-market activity will continue to rise in 2025, with Australian investors in particular playing a larger role. The focus on mid-sized businesses mirrors global patterns, where funds are targeting companies with high growth potential and adaptability to navigate economic uncertainty, and rising capital costs.

### Dividend recaps

With an increased focus on Distribution to Paid-In Capital (DPI) the market is also seeing more dividend recapitalisations to pay investor returns, by increasing portfolio company debt but not selling the asset. Given dividend recapitalisations enable a return to be made to investors in advance of a liquidity event, we expect this trend to continue into 2025 if the market remains a “buyers’ market”.

### Legal trends

2024 was a buyers’ market, and this was clearly reflected in the legal M&A process. Rather than competitive auctions, bilateral negotiations were the norm as parties attempted to streamline transactions and manage risk. Earn-out provisions were a common way to bridge valuation gaps and contracts were overall more buyer-friendly, with an increase in material adverse change (MAC) clauses and other buyer friendly protections (e.g. security packages, unusual conditions precedent etc).

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### Diversified portfolios

KiwiSaver providers and fund managers are increasingly entering the private equity space, exemplified by Simplicity's stake in Stabicraft (a prominent New Zealand boatbuilder) and Fisher Fund launching their PE fund. This development reflects growing appetite for diversified portfolios and alternative asset exposure among investors.

### Rise of private debt / private credit

Private credit has gained traction in recent years, offering tailored lending solutions beyond traditional bank channels with faster access to capital and more predictable pricing. Unlike bank loans, these financing options are flexible in terms of size, structure, and timing, with most private credit being floating rate. Opportunities in this space include providing capital to relieve financial pressure on businesses, funding high-quality growth companies, and offering rescue financing in a challenging economic climate.

### Take privates

Amid reduced formal sale processes and economic uncertainty, take private deals have emerged as a notable feature in New Zealand's private equity market in 2024. These transactions enable private equity firms to unlock value in listed companies, leveraging market conditions to pursue strategic investments. Notable examples include Stonepeak's successful takeover of Arvida Group and Adamantem Capital's attempted acquisition of The Warehouse Group.

## On the horizon for the new year

### Changes to the Overseas Investment Office (OIO) making investment easier

The Government has announced plans for major reforms to the Overseas Investment Act, with new legislation targeted for 2025. Cabinet has agreed to the principles for reforming the Act, with the starting presumption that investment can proceed unless there is an identified risk to New Zealand's interests. This reform seeks to streamline approvals and foster a more investment-friendly environment, with the ultimate goal of encouraging more foreign capital to market in New Zealand. The proposed changes could reduce regulatory hurdles and make acquisitions and capital inflows more efficient.

Notably, we have already seen a marked shift in approach from the OIO under the (relatively) new National-led Coalition Government, with approvals taking significantly less time to be made than in the recent past.

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### Commerce Act review

On 5 December 2024 the Government announced a review of the Commerce Act 1986, with a clear intention to combat monopolies and improve the effectiveness of the New Zealand Commerce Commission. So called ‘creeping acquisitions’, in particular, are in the spotlight and Consumer Affairs Minister Andrew Bayly has signalled a strong interest in “roll-up” acquisitions by private equity funds.

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### Industries of interest

Healthcare, infrastructure, technology, and financial services continue to command significant investor attention. These sectors align with global trends as private equity firms seek opportunities in resilient industries poised for long-term growth and sustainable demand.

## Hot topics on the global radar for 2025

### Global M&A outlook

The global M&A market is poised for growth, with key markets signalling increased activity. In the US, liquidity is rising as the Federal Reserve's recent 50-basis-point rate cut creates more favourable conditions for dealmaking. In the UK, private equity firms are increasingly optimistic, with 84% of respondents in a recent Deutsche Numis survey expecting to execute 5 - 10 deals in 2025. M&A activity in the UK has already risen nearly 30% year-to-date, driven by the financial, industrial, and consumer sectors, reflecting improved financing conditions and increasing investor confidence in core markets. New Zealand deal making is likely to follow suit.

### ESG considerations

Institutional investors, particularly superannuation and KiwiSaver funds, are prompting an increased focus on Environmental, Social, and Governance (ESG) considerations in New Zealand's private equity landscape, by encouraging enhanced ESG performance from their portfolio companies. This reflects the growing recognition of ESG credentials and a focus on delivering more sustainable, resilient, and long-term returns.

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### Any questions? Talk to one of our experts



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