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Equity Firms in Modern Private Markets: Traditional Investment Models and the Rise of Hybrid Platforms (Including the IMCI–Rubicon MFLP)

Abstract

Equity firms—more formally known as private equity (PE) firms—have long been recognized as pivotal actors in modern private markets. These organizations provide long-term capital, governance oversight, and strategic direction to privately held enterprises. Traditionally, PE firms operate through closed-end, commingled fund structures, raise capital from institutional and accredited investors, acquire significant minority or controlling stakes in companies, and aim to realize value through disciplined operational improvement and structured exit strategies.

The private equity environment of 2024–2025 has been markedly influenced by global macroeconomic tightening, higher interest rates, and constrained exit liquidity. These developments have altered investor behavior, extended holding periods, and increased pressure on general partners (GPs) to demonstrate deeper operational value creation capabilities. Recent authoritative industry analyses report that global private equity deal activity has regained momentum, reaching approximately **USD 2 trillion in 2024**, while total private-equity assets under management (AUM) stood at **USD 13.6 trillion** in the first half of 2024. Available “dry powder”—committed but uncalled capital—remains substantial at around **USD 1.2 trillion** (Bain & Company, 2025; McKinsey & Company, 2025).

This paper offers a comprehensive academic review of the core functions and economic logic of equity firms. It contrasts classical PE investment models with emerging advisory-led platforms that utilize mezzanine and hybrid finance structures to bridge persistent financing gaps, particularly in the SME and corporate fundraising segments. Within this context, the **Mezzanine Leveraged Fundraising Program (MFLP)** developed under the IMCI / Rubicon Consortium is discussed as an illustrative example of contemporary hybrid execution in private markets.

Keywords: equity firm, private equity, fundraising, buyout, hybrid finance, mezzanine debt, MFLP, governance, value creation, private markets

1. Introduction

An investment management company that deploys its own capital—or capital sourced from third-party investors—for expansion, transformation, and growth initiatives is commonly described as an **equity firm**. Although simple in appearance, the concept refers to one of the most important institutional mechanisms for financing private-sector development. Equity firms mobilize patient, risk-bearing capital and channel it into enterprises that require strategic support beyond what can typically be achieved through conventional bank lending or internally generated resources alone.

Over the past several decades, private equity has evolved into a major subset of the global private markets. PE-backed firms operate in sectors as diverse as consumer retail, industrial manufacturing, renewable energy, healthcare, technology, and infrastructure. The influence of equity firms extends well beyond financial returns: it affects corporate governance standards, employment structures, productivity strategies, and the long-term competitive positioning of thousands of companies worldwide.

The years 2022–2024 marked a period of significant transition. Rising interest rates and volatile public markets constrained exits and reduced distributions to LPs, thereby affecting new fundraising. Nevertheless, 2024 and early 2025 have shown a gradual normalization in dealmaking activity, while simultaneously reinforcing the need for innovation in how capital is structured and sourced.

1.1 Defining Equity Firms

A private equity firm can be formally defined as an investment organization that typically performs the following roles:

- **Direct capital deployment:** investing into the private equity of operating companies;
- **Fundraising:** raising capital commitments from institutional and accredited investors;
- **Private ownership:** remaining unlisted on public exchanges;
- **Remuneration:** earning periodic management fees and performance-based profit participation.

Because PE firms do not normally raise capital through public listings, they avoid many regulatory obligations imposed on publicly traded companies. Their governance discipline is instead derived from limited partner agreements (LPAs), advisory board structures, and evolving professional standards such as ILPA Principles and Invest Europe reporting norms.

Equity firms are often referred to as **financial sponsors**. Their objective is to acquire ownership stakes in companies where they believe they can create measurable value through strategic and operational transformation. Such transformation can include implementing growth plans, modernizing processes, introducing digital technologies, or restructuring capital stacks in stressed situations.

1.2 Industry Relevance

The importance of private equity in the contemporary economy is widely acknowledged. Many of the goods and services used daily by consumers originate from private equity-backed companies. From global retail

chains to critical energy infrastructure projects, PE ownership has become an integral component of corporate expansion and renewal.

The broader ecosystem supporting this industry is reflected in educational platforms such as the Corporate Finance Institute (CFI), which reports that more than **2.8 million professionals** utilize its resources to develop skills relevant to accounting, valuation, and financial modeling (CFI, 2025). This professionalization of knowledge has contributed to more sophisticated investor oversight and more demanding diligence processes.

At the same time, equity firms continue to operate within an environment shaped by monetary tightening. Bain reports that distributions as a percentage of NAV declined to approximately **11% in 2024**, creating liquidity pressure for LPs and contributing to slower commitment cycles (Bain & Company, 2025). Despite these headwinds, global exits increased by nearly **20% in 2024**, signaling early signs of recovery.

2. Functions of Private Equity Companies

Private equity firms engage in a defined investment cycle to ensure that they realize returns for their investors. These functions can be categorized into four main operational stages.

2.1 Raising Capital

Equity firms raise capital primarily from accredited and institutional investors. Limited partners typically include pension funds, insurers, endowments, funds-of-funds, and wealthy individuals. The traditional PE fund model remunerates GPs through:

- **Management fees:** usually calculated periodically as a percentage of AUM;
- **Performance fees (carry):** typically earned on profits generated at exit.

Although the classic “2-and-20 rule” remains common, fee structures have become more nuanced, often involving step-down provisions, hurdle rates, and more detailed governance terms (ILPA, 2019; Invest Europe, 2024).

2.2 Sourcing, Due Diligence, and Deal Closing

Once capital commitments are secured, equity firms source potential investment opportunities. The due diligence process normally includes assessment of:

- industry structure and competitive dynamics;
- the nature of the company’s products or services;
- management team capability;
- recent financial performance;
- operational and ESG risk factors;
- potential exit scenarios.

Modern diligence is increasingly interdisciplinary. PE firms rely on external experts—including investment banks, auditors, ESG consultants, and legal advisors—to ensure that underwriting assumptions are realistic and that risks are properly mitigated.

The ability to coordinate these streams efficiently is often decisive. In larger transactions, sponsor reputation and diligence depth directly affect funding terms and investor confidence.

2.3 Management Through Operational Improvement

After acquiring ownership stakes, PE firms attempt to increase enterprise value. This is commonly achieved through:

- implementing growth and market-expansion plans;
- process optimization and productivity initiatives;
- digital transformation;
- talent and incentive system upgrading;
- targeted add-on acquisitions.

The degree of involvement depends largely on the size of the stake held. Controlling positions generally result in more intensive governance engagement, while smaller minority stakes limit direct influence.

2.4 Exit Portfolio Companies at a Profit

The final stage of the PE cycle is exiting investments profitably. Typical exit routes include:

- sales to strategic buyers;
- secondary sponsor-to-sponsor transactions;
- IPOs;
- recapitalizations.

Value capture at exit depends on improving revenues and margins, paying down transaction debt, optimizing working capital, and selling the company at higher valuation multiples than at acquisition.

3. Equity Firms Versus Other Alternative Investors

Equity firms differ from hedge funds, mutual funds, and venture capital investors.

- **Hedge funds** normally invest in liquid securities with short-term horizons and minimal operational control.
- **Mutual funds** raise capital from retail investors and do not collect performance carry.
- **Venture capital** is a form of PE focused on earlier-stage, high-risk startups.

While convergence has increased—especially through distressed debt and private credit—private equity remains primarily characterized by direct stakes and governance influence.

4. The History and Evolution of Private Equity

Private equity developed from early post-war venture capital structures and became mainstream during the LBO boom of the 1980s. The post-2008 era expanded the industry to unprecedented global scale, peaking around 2021. The current period represents a more mature and disciplined environment focused on sustainable value creation.

5. Mezzanine Financing as a Strategic Bridge

Mezzanine financing bridges the gap between senior debt and equity. It provides subordinated loans, convertible features, warrants, and structured upside participation. This strategy has become increasingly relevant in tighter lending environments and in segments where SMEs continue to face structural financing constraints (OECD, 2024; IMF, 2024).

6. The IMCI / Rubicon Consortium – The MFLP Platform

Since 2025, the IMCI / Rubicon Consortium has implemented the **Mezzanine Leveraged Fundraising Program (MFLP)** as an innovative mechanism to structure, qualify, and fund expansive SMEs and large corporate projects.

6.1 Program Concept

The MFLP is positioned as a holistic transaction-execution ecosystem that integrates:

- advisory qualification and investment readiness;
- preparation and refinement of business plans, feasibility studies, ESG and EIS documentation;
- management assessment;
- external credit rating services (ICRA or equivalent);
- transaction-cost guarantees and insurance mechanisms;
- structured debt–equity stacks;
- potential use of bank instruments.

The platform aims to reduce information asymmetry and improve bankability, particularly for cross-border industrial and ESG-driven projects.

Note: Promotional program metrics—such as “approximately EUR 1 billion structured and engaged since inception”—reflect internal consortium reporting unless otherwise publicly referenced.

6.2 Process Flow

Typical phases include:

1. onboarding and mandate engagement;
2. documentation editing and investment readiness packaging;
3. independent rating inputs;
4. transaction-cost guarantee mechanisms;
5. matching with suitable hybrid capital;
6. syndication and closing.

7. Contemporary Outlook for Equity Firms (2025–2026)

Current evidence suggests a market characterized by selective LP allocations and longer holding periods. Nonetheless, private equity remains resilient, supported by gradually improving exit markets and expanding hybrid financing solutions.

8. Conclusion

Equity firms continue to represent the backbone of direct private-company investment. However, the financial constraints of 2024–2025 have increased the strategic importance of mezzanine and hybrid execution platforms. The IMCI / Rubicon **MFLP** exemplifies how advisory-led, execution-centric frameworks are emerging as important complements to traditional PE models.

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