

Private Equity, how is the temperature ?

The "Private Equity, how is the temperature" is an opinion item of the LPEA Newsletter curated by **Olivier Coekelbergs**, Vice-Chairman of LPEA. The "thermometer" provides you with a quick update on the current market trends and key data of the Private Equity industry.



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Economic environment

- The global economy continues to lack momentum;
- Global regulators finalised reforms to enhance the loss absorbing capacity of "too big to fail" banks.
- Global central banks are moving on divergent policy paths — while the US Fed officials have hinted at a possible rate hike in December, the European Central Bank (ECB) and Bank of Japan (BoJ) look set to expand stimulus measures in coming months.
- Equity markets surged during October; volatility moderated through the month.

M&A

- Global M&A activity continued to ride high, registering the fifth-highest monthly deal value on record.
- The year is set to be a record one for M&A, with YTD value now higher than the same period in 2007.
- US targeted M&A continues to dominate, attracting record value.
- EY's 13th Global Capital Confidence Barometer (CCB) finds that the recent wave of M&A is set to continue, with 59% of global companies now planning to acquire in the next 12 months.
- Global M&A should remain firm in the near term, barring any systematic shocks.

IPOs

- Global IPO activity was strong in October 2015, resulting from continued accommodative measures taken by global central banks.
- The month witnessed the return of US\$1b+ IPOs from across geographies, led by the EMEA region.
- As the US economy continues to grow at a steady pace, US IPO levels should remain strong in 4Q15, while potential downside risks associated with a possible interest rate rise in December remain.

- The IPO market in Greater China should increase in 4Q15, as activity on mainland China exchanges is expected to resume in November. Moreover, the outlook for other parts of Asia-Pacific is promising, with strong activity expected in Japan and India.

Fundraising

- Buyout fund-raising fell 82% in October versus a year earlier. YTD, fund-raising remains strong, and is trailing last year's pace by just 4.6%.
- The fund-raising boom is leading to a raft of new funds - new PE firms are being formed faster now than any prior year. There have been 625 new fund managers created so far in 2015; the prior record was 547 in 2007.
- Buyout dry powder ended October up 3% from a year earlier, to US\$485.2b. Investment opportunities in areas such as energy and real estate are helping marketing efforts.

Acquisitions

- PE investments rose 33% in October versus a year ago, aided by a large real estate deal in the life sciences sector. YTD, deal value is up 6.5%, to US\$237.6b.

Exits

- PE-backed M&A exit deal value for October fell 21% to US\$19.6b from a year earlier; YTD, exits by M&A are behind last year's pace by 14%.
- Technology accounted for 41% of disclosed PE value for M&A exits
- PE-backed IPO exit deal value more than doubled in October to US\$12b from a year earlier on weaker volume. (13 vs 20) Despite the strong month, YTD deal value is down 84% to just US\$52.1b.