

# 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 current market trends and key data from the Private Equity industry.

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## Economic environment

- Oil prices surged by almost 11% in February.
- Concerns continued to persist around underlying strength of global economic growth.
- The International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) called for urgent actions to boost world economy.
- Stock markets' performance was patchy in February; volatility improved by month-end.

## M&A

- Global M&A value for February is up 26% as against same period last year.
- Core M&A drives uptick, with a strong performance in the US\$1b–US\$10b value band.
- China continues its overseas expansion, with 51 deals valued at US\$63b.
- Low economic growth, disruptive technology, sector convergence and changing consumer behavior are key deal drivers.
- Global M&A should remain firm in the near term, barring any systemic shocks.

## IPOs

- Global IPO activity was subdued in February due to sustained uncertainty in the market environment.
- Asia-Pacific was the most active region for listings during the month, accounting for 58% of global deal volume.
- EMEA led this month in terms of proceeds, contributing more than 52% to the global total.
- Real estate and technology were the top sectors during the month in terms of value and volume respectively.

## Fundraising

- Buyout fund-raising rose 2% in February, to US\$31.6b from a year earlier, aided by more large closings. YTD fundraising is down 33%.
- The mid-market segment is seeing strength, with several funds in the space exceeding their fund-raising targets.
- Buyout dry powder rose 5% to US\$484.6b from a year earlier, as PE continues to benefit from the flow of distributions to investors.

## Acquisitions

- PE investments in February rose 22% to US\$11.1b from a year earlier, aided by several large transactions. Ytd, PE investment is down 12% by value.
- There were three announced PE investments worth at least US\$1b each in February 2016 vs. none in the same period last year.
- The consumer services, technology and utilities sectors accounted for roughly 18% each of the month's total PE investment.

## Exits

- PE-backed M&A deal value for February 2016 rose 46% to US\$30.4b from a year earlier. Growth was led by the Asia Pacific region, where there was a more than six-fold increase in PE deal value to \$10.8b on 16% less deals.
- PE-backed IPO activity remains weak this year. February deal value down 84% from a year earlier on fewer offerings IPOs and the lack of large IPO so far this year.
- PE executives at the Super Return conference in Berlin expect the industry will likely see less realizations in 2016 as market conditions will likely mean less exits and an industry shift towards more investments.