

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 ended the month up, after seeing both ups and downs in March.
- However, concerns continued to persist around slowing global trade.
- The International Monetary Fund (IMF) warned of a potential crisis in emerging markets on account of huge capital outflows.
- Global stock markets rallied in March; volatility improved substantially.

M&A

- Global M&A value falls 21% year on year (YOY) —due to fewer megadeals.
- Core M&A remains healthy, with a stable performance in the US\$100m–US\$10b value band.
- China continues its overseas buying spree; is 1Q16 the highest ever quarter for outbound deals.
- Low economic growth, disruptive technology, sector convergence and changing consumer behavior will be key deal drivers in 2016.
- Global M&A should remain firm in the near term, barring any systematic shocks.

IPOs

- Global IPO activity was muted in March due to heightened economic and political uncertainty in many key regions.
- Asia-Pacific was the most active region for IPO listings during March, accounting for a 72% and 77% share of deal value and volume, respectively.
- European IPO activity was lower due to investor sentiment being affected by weakening economic indicators and the UK's impending referendum on EU membership.
- The US witnessed the slowest March IPO activity since 2009.

Fundraising

- Buyout fund-raising in Q1 fell 26% versus a year ago, partly reflecting the Limited Partners (LPs) preference to focus on its larger PE relationships.
- Mid-market fund-raising is showing strength, while fewer US\$1b+ funds have closed so far this year.
- Buyout funds ended March 2016 with 7% more dry powder (US\$499.6b) versus a year ago.

Acquisitions

- The PE industry is likely at an inflection point; after focusing heavily on realizations for the past 2-3 years, firms are ready to shift back to deployments.
- PE investment is facing headwinds, including continued valuations concerns and financing constraints. Deal value in 1Q16 fell by 42% YoY to US\$46.6b. Deal volume fell 27% and there were fewer large investments in latest period.
- Interesting sectors for PE include energy, due to low prices and in technology, as well as opportunities created by cloud, mobile and big data analytics technologies.

Exits

- PE M&A exit value for Q1 fell 34% to US\$57.1b from a year earlier, reflecting fewer deals and smaller realizations in latest period.
- PE-backed IPO deal value declined by 88% YoY in 1Q16, as increased market volatility made businesses reluctant to go public. Latest period is weakest quarter since Q2 2009.
- PE activity in Europe is waiting for the outcome of the potential Brexit, causing many firms to hold off on some deals through H116, when U.K. voters will decide on the EU withdrawal referendum.