

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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M&A

- Global M&A remained stable during the first half of 2016, recording 17,642 deals worth US\$1.5t.
- Although inbound deal activity into the UK did not suffer extensively in 2Q16, the environment will likely be uncertain for capital and M&A markets due to the Brexit vote.
- Strategic deals, including spin-offs, could drive the next wave of M&A.
- Low economic growth, disruptive technology, sector convergence and changing consumer behavior will remain key deal drivers in 2016.

Acquisitions

- PE acquisition activity in the second quarter was flat versus a year ago, down 0.2% to US\$92.1b. Overall, the industry continues to adjust to a tight financing market, with YTD activity trailing last year's pace by 14%.
- PE investments declined in the Americas in Q2 by 14%, while EMEA and Asia Pacific saw increased activity versus last year.
- The technology sector received the largest proportion of PE investment in H1 2016. It accounted for 23% of deal value, and a fifth of overall PE deal volume.

IPOs

- Global IPO activity registered a YOY decline of 71% and 51% in deal value and volume respectively.
- June 2016 recorded the strongest IPO activity YTD in terms of capital raised with three US\$1b+ deals.
- This month, EMEA and Asia-Pacific led in terms of deal value and volume respectively.
- Global IPO activity is expected to remain subdued in the near term, as current market conditions remain challenging due to uncertainties arising from UK's vote for the Brexit and concerns regarding global economic growth.

Exits

- PE M&A exit value fell 25% in Q2 to US\$66.2b versus a year ago, as PE firms have a reduced imperative to realize investments.
- There were 20 fewer announced M&A exit transactions during the quarter, as the industry shifts its focus from realizations towards deployment.
- The value of PE-backed IPOs fell 51% in Q2 versus a year ago, to US\$9b. However, activity increased markedly from Q1, which was the slowest quarter for PE deals since 2009.

Fundraising

- Buyout fundraising rose nearly 3% in Q2 versus a year ago, to US\$122.2b. YTD however, fundraising is trailing last year's pace by 2.2%, with US\$230.8b in aggregate commitments.
- Buyout dry powder ended June up 11% from a year earlier, to a record US\$526.6b, partly reflecting industry's continued patience towards investing.
- Average fund sizes increased 67% in Q2, to US\$842.9m, aided by the seven funds that closed above US\$5b in the quarter.