

# 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 rebounded in May, with over US\$300b of deals announced – the highest monthly value in 2016.
- Core M&A drives uptick, with a strong performance in the US\$1b–US\$10b value band.
- Strategic deals, including spin-offs, could drive the next wave of M&A.
- China continues its overseas buying spree, recording the highest number of outbound deals ever recorded in a year.
- Low economic growth, disruptive technology, sector convergence and changing consumer behavior will be key deal drivers in 2016.

## IPOs

- Global IPO activity in May 2016 was subdued, registering a YOY decline of 46% and 43% in deal value and volume respectively.
- In May, the US registered the strongest IPO activity so far in a single month in 2016.
- While volatility levels have dissipated, the probable Federal Reserve (Fed) rate hike and the UK referendum on European Union (EU) membership pose downside risks to the IPO markets globally.
- With IPO activity beginning to spread across mainland Europe, the outlook in the region looks promising.

## Fundraising

- Buyout fundraising in May fell 20% from a year ago, as PE firms begin to shift focus from fundraising to deployment.
- Buyout dry powder exceeds the half-billion dollar mark and ended May up 7% to US\$509.7b from a year earlier.
- The Security and Exchange Commission (SEC) plans to increase enforcement efforts vs PE fund managers for allegedly breaking agency's rules.

## Acquisitions

- PE acquisitions in May rose 24% from a year earlier, aided by improved activity in the Americas. Overall PE investment year-to-date is down 9% vs. last year.
- PE acquisitions in May in the Americas climbed 230% from a year ago and made up for decreases in Asia Pacific and EMEA.
- The technology sector has received 28% of PE investment so far in 2016, as well as nearly 21% of PE deal volume.

## Exits

- PE M&A exit value for May fell 30%, to US\$21.9b from a year ago period which included more large transactions.
- PE-backed IPO activity in May fell 43% to US\$2.8b from a year earlier, partly reflects fewer offerings in the latest period. (11 versus 15)
- PE firms and other IPO watchers will be interested in June's IPO activities, which could indicate the market's state for the rest of the year.