

Private Equity, how is the temperature ?

Private Equity, how is the temperature is an opinion item of the Luxembourg Private Equity & Venture Capital Association (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 about the Private Equity (PE) industry.



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M&A

- Global M&A remained muted in July — recording a decline in both deal value and volume against 2015.
- The UK becomes an attractive target for overseas investors due to favorable valuations, as indicated by July numbers.
- Technology was the strongest-performing sector of 2016 in value terms, recording the third-largest M&A deal so far of 2016.
- 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

IPOs

- Global IPO activity registered a YOY decline of 17% and 14% in deal value and volume respectively.
- Asia-Pacific led, both in terms of deal value and volume, on the back of strong activity in Greater China.
- July 2016 saw the dual listing of the biggest technology IPO of the year so far, Line Corp., which raised US\$1.3b.
- Global IPO outlook is cautious, as economic uncertainty is expected to persist in the short term, with IPO candidates adopting a wait-and-see approach.

Fundraising

- Buyout fundraising fell 34% in July, to US\$38.8b from a year earlier. Year to date, fundraising is trailing last year's pace by 5.5%.
- Buyout dry powder ended July up 12% versus last year, at US\$540b, as PE firms continue to secure more commitments while they patiently wait for investment opportunities.
- PE funds are adopting higher hurdle rates in 2016 as fund managers face continued pressure from investors about management fees and transparency.

Acquisitions

- PE acquisitions fell 11% in July versus a year ago, to US\$23.5b. YTD activity is trailing last year by 11%, reflecting muted volume.
- PE deal value in the US and the rest of the Americas grew 258% versus last July, while EMEA and Asia-Pacific saw marked declines.
- The technology sector accounted for more than quarter of every dollar PE invested through July 31. Consumer products and services represented nearly 19%.

Exits

- M&A exit value declined 46% in July versus a year ago, to US\$24.6b, as the realization cycle continues to wind down and PE firms remain opportunistic with respect to exits. YTD, deal value is 29% behind last year's pace.
- PE secondary buyouts could see an increase over the near term, as volatility in the public markets makes IPOs a less attractive exit route.
- PE-backed IPOs deal value in July fell by 53% from a year earlier as unfavorable market conditions curtail volume.