

# 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.



DECEMBER 2016

## M&A

- Global M&A performed moderately well in 3Q16, recording 8,029 deals worth US\$792b.
- Core M&A drove uptick in September 2016, with a strong performance in the US\$1b–US\$10b value band.
- China and Japan have been the top-acquiring Asian nations in 2016 so far.
- Shareholder demand for M&A could be one of the key deal drivers in the coming months.
- Low economic growth, disruptive technology and sector convergence are the key drivers for M&A activity in 2016.

## IPOs

- Global IPO activity registered a YOY increase of 74% in terms of deal volume, and deal value increased 5 fold.
- September 2016 recorded the strongest monthly IPO activity year to date (YTD) in terms of capital raised, with two US\$1b+ deals, including the biggest IPO of the year.
- Global IPO activity recorded the highest number of deals for the month of September since 2010.
- IPO activity is likely to be driven by emerging markets for the remainder of this year, while developed markets will see pipeline building across sectors, including some unicorns (start-up companies valued at over US\$1.0b) that may take the IPO route in 2017.

## Fundraising

- Q3 buyout fundraising fell 18% to US\$109b from a year ago, despite higher volume. The latest period includes more small funds.
- Year-to-date (YTD) however, buyout fundraising remains in line with last year's pace, up 0.4% to US\$370.2b.
- PE firms ended September with 11% more buyout dry powder than a year earlier, reflecting the industry's rapidly growing war chest.

## Acquisitions

- PE acquisitions fell 32% in Q3 versus a year ago, to US\$69.9b, on valuation concerns and a drop-off in UK activity.
- Technology accounted for four of the top five PE investments in Q3, as enterprise software companies and IT service providers attracted PE capital.
- The long-term growth in consumerism could continue to entice PE interest in Asia.

## Exits

- PE-backed M&A exit deals fell 40% by value, to US\$68.8b in Q3 from a year earlier. YTD, exit value is down 29%. The present slowdown may be partially caused by the elevated pace of realizations over the last three years.
- Many PE-backed companies considering an IPO are holding off on pulling the trigger until after the US presidential elections.
- The IPO pipeline for financial sponsor-backed businesses continues to build, as many view IPO readiness as a good business practice.