

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.



APRIL 2017

M&A

- February saw a temporary slowdown in global M&A.
- The value for US-targeted deals seen so far this year was US\$207b – a four-year high.
- The M&A outlook for 2017 remains positive as companies look to portfolio reorganization.
- EY Global Corporate Divestment Study 2017 finds that nearly half of companies globally are planning to divest in the next two years.
- Future-proofing will be a critical M&A driver as companies look for disruptive trends within their core, and innovation outside their sectors.

IPOs

- Global IPO activity increased in February 2017, witnessing a YOY increase of 65% and 18% in terms of number of IPOs and proceeds, respectively.
- The Asia-Pacific region continued to dominate global IPO activity, in terms of both number of IPOs and proceeds.
- This month saw the highest February activity since 2011, both in terms of number of IPOs.
- The UK IPO market should see higher IPO activity in 2018 and beyond, as the Financial Conduct Authority (FCA) aims to bring greater transparency to the IPO system and loosen bank control.

Fundraising

- Fundraising continues to see strength, with PE firms raising US\$30.2b in February. Year-to-date, firms have closed funds valued at US\$75.0b, up 23% from last year.
- Average fund sizes are up 36% in 2017 versus the full year 2016.
- Buyout firms now have more than US\$520b in capital available to fund new deals.

Acquisitions

- PE acquisition activity remains strong after a robust January. February saw PE firms announce 113 deals valued at US\$24.9b, an 87% increase from last year. Year-to-date, firms have announced 209 deals valued at US\$41.1b, a 90% increase from the same period a year ago.
- Deal activity has increased across all regions in 2017 versus the same period a year ago.
- Tax reform is a top-of-mind issue for PE firms. While specifics remain unknown, there are a number of proposals under discussion that could markedly impact the PE industry.

Exits

- Year-to-date, PE firms have sold 132 PE-backed companies sold in M&A transactions with an aggregate value of US\$39.4b, down 10% from the same period last year.
- The IPO markets have become more amenable in recent months in light of strong global equities markets. PE firms exited five companies in February, bring the total to 12 on the year, up 140% by volume versus 2016.
- The US IPO of Snap in early March, with a market value of US\$29b, is expected to further stoke sentiment with primary market investors.