

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

- 2017 was a healthy year for global M&A, with 37,533 deals announced worth US\$3.2t.
- Europe emerged as an active buyer during the year, recording 9,680 deals worth US\$741b.
- Technology was the busiest sector for M&A in 2017, registering 9,729 deals valued at US\$564b.
- The M&A outlook for 2018 remains positive as companies view deals as a critical opportunity for growth in the coming year.
- Stakeholder demand for inclusive growth may determine dealmaking success in the coming months.

IPOs

- Global IPO activity saw a year on year (YOY) increase of 55% and 42% in terms of number of deals and proceeds respectively in 2017.
- The Asia-Pacific region dominated global IPO activity, both in terms of deal volume and value.
- The prospects of IPO activity are bright in 2018 on the back of a healthy pipeline across sectors and markets.
- Cross-border deals are likely to remain a prominent feature of the global IPO market in 2018, with exchanges in the US, Greater China and London.

Fundraising

- PE fundraising reached a record in 2017, with firms closing funds valued at US\$637.3b during the year. As more firms report on funds closed Dec. 31, the figure is expected to climb even higher.
- The increase in fundraising in 2017 is attributable to megafunds, which are up 27% from last year.
- Dry powder continues to wade deeper into record territory, ending the year at US\$633.8b, up 13% from the end of 2016.

Acquisitions

- Acquisitions were up 10% in 2017 versus the prior year, with firms announcing deals valued at US\$354.3b, the largest total since 2007.
- Activity was driven by strength in Asia-Pacific and EMEA, which were up 66% and 10% by value, respectively.
- Consumer products and retail (CPR), technology, real estate, and health care were the most active sectors.
- Barring exogenous shocks, elevated buyout multiples are expected to continue in 2018.

Exits

- Despite the gradual winding down of the exit supercycle from deals acquired at the last market peak, exits were up 10% in 2017.
- IPOs rebounded from a soft 2016, increasing 18% by value to US\$37.7b. Exits by M&A increased 9% to US\$330.1b.
- Secondary exits grew to a 5-year high.
- Investors expect PE to continue to deliver attractive returns over the next several years. According to a recent Collier Capital survey, 80% of respondents expect net annual returns of more than 11% over the next 3 to 5 years.