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 value was at a record level in 1H18, with 16,854 deals worth US$2.3t.
- Megadeals (US$10b+) were a prominent feature, with 33 in the year so far — the highest number ever recorded in the first half of the year.
- After a stellar first half of 2018, the M&A outlook is expected to remain robust for the remainder of the year, driven by surplus cash with corporates and rising PE buyouts.
- A major trend is large companies merging with older rivals to compete with increasing competition and technological disruption through scale.

IPOs

- Global IPO activity saw mixed results in 1H18. While IPO activity registered a YOY decrease of 18% in terms of number of deals, it increased 9%by proceeds.
- There were 15 mega IPOs in 1H18 compared with 11 in 1H17, indicating better valuations despite uncertainties and risks.
- While Asia-Pacific saw a notable decline in deal number in 1H18 compared with 1H17, EMEA saw a slight decline in deal number but an increase in proceeds. The Americas saw a marked increase in deal number and proceeds, mainly driven by US activity.
- Global IPO activity is expected to be driven by strong equity markets, solid corporate earnings and healthy pipelines across sectors and markets.

Fundraising

- Fundraising activity remained strong in 1H18, albeit off last year's record levels. PE firms have closed 376 funds so far this year with aggregate commitments of US$267.8b.
- Activity was driven by closings from a number of large funds. The average size of PE funds closed in 1H18 increased by 27% versus a year ago.
- Buyout funds remain the most active strategy, accounting for 36% of funds raised in 1H18, followed by real estate (20%) and infrastructure (13%).

Acquisitions

- Investment activity grew markedly in 1H18 versus the same period last year, jumping 61% to US$250b across more than 800 deals.
- It was the busiest first half of the year in more than a decade.
- •Activity in the Americas grew the most, increasing by 71% versus a year ago, followed by EMEA and Asia-Pacific, where acquisition activity increased by 59% and 42% respectively.

Exits

- PE exits have witnessed a modest decline so far this year, with 526 deals valued at US$178b, down 6% from a year ago.
- Declines in exit activity were evident in both M&A and IPOs.
- Overall, PE exits are falling, although secondaries are increasing as PE firms seek ways to deploy dry powder.
- From a regional perspective, while the Americas and EMEA regions saw declines in exits, activity in Asia-Pacific increased substantially.

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