

Private Equity, how is the temperature?

The "Private Equity, how is the temperature" is an opinion item of the LPEA Newsletter curated by **Olivier Coekelbergs**, Vice-President of LPEA. The "thermometer" provides you with a quick update on the current market trends and key data of the Private Equity industry.



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Economic environment

- The International Monetary Fund (IMF) forecasts global economic activity to remain sluggish, with slowing growth in emerging economies.
- Economic momentum gained pace in the US; while performance in Eurozone and emerging economies remains mixed.
- The US reached a trade agreement with Canada and 10 Pacific countries, to boost trade through reduced tariffs.
- Equity markets were volatile during September, though volatility moderated by month-end.

M&A

- Global M&A activity continued to ride high, registering the second-highest quarterly deal value on record.
- The year is set to be a stellar one for M&A, with YTD value up 30% against the same period in 2014.
- US-targeted M&A in the YTD has surpassed the full-year value of 1999 — the record year for US M&A.
- Chinese companies have set a new record for outbound M&A as they pursue overseas growth amid a slowing domestic economy.
- Global M&A should remain firm in the near term, barring any systematic shocks.

IPOs

- Global IPO activity was subdued in September due to the turmoil in Asian capital markets.
- September was a slow month for IPOs in the US, but it is set to increase, backed by the enduring strength of the US economy.
- The outlook for other parts of Asia-Pacific is promising, with the looming US\$11b IPO of Japan Post Holdings Company.

Fundraising

- Buyout fund raising rose 2% in the third quarter, to \$99.8b versus a year earlier, aided by energy-infrastructure and real estate opportunities. YTD, fund-raising is flat versus last year, at US\$342.3b.
- Buyout dry powder increased 5% to US\$487.2b from a year ago, as high-valuation concerns keeps PE investment in check.
- Fundraising is ripe for continued growth, as business leaders at many growth companies expect to be active in M&A.

Acquisitions

- PE-backed deal value rose 21% in the third quarter from a year earlier, to US\$69.4b. YTD, PE deal value is up 3.3% versus last year.
- The technology sector has secured the most PE investment so far this year, and will likely continue to offer opportunities related to big data, financial services, and health care IT.
- The U.S. leveraged loan market is on pace to be the slowest year since 2012.

Exits

- Deal value for PE-backed M&A exits in Q3 fell by 1.8% in comparison to the same period last year (which included the largest PE-backed M&A exit on record). YTD, M&A exit value is 15% behind last year's pace.
- More dual exit-track processes are concluding with an M&A exit because of increased volatility in stock markets.
- The closure of China's IPO market is affecting PE-backed IPOs. PE-backed IPOs in Q3 2015 fell 85% to US\$6.6b from a year earlier. YTD IPO deal value is down 60%.