

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 remained subdued in August, with 2,494 deals worth US\$186b.
- Japan continues its overseas buying spree, with the second-highest number of outbound deals ever recorded in the first eight months.
- Technology topped the charts in 2016, both in value and volume terms; it should continue to lead deal activity in the coming months.
- The year 2016 has seen a greater number of spin-off deals due to the higher number of distressed assets' disposals.
- Low economic growth, disruptive technology and sector convergence are the key drivers for the M&A activity in 2016.

IPOs

- Global IPO activity registered a YOY increase of 53% and 130% in deal value and volume respectively.
- Mainland China exchanges accounted for 47% and 42% share of global IPO activity by deal value and volume respectively.
- Global IPO activity recorded the highest proceeds for the month of August since 2010.
- The US IPO market is expected to pick up in the short term before the political uncertainty of the presidential elections strikes.

Fundraising

- Buyout fundraising fell 4.4% in August, to US\$23.1b versus a year ago. YTD, fundraising trails last year's pace by 3.9%.
- The average PE fund size in August climbed 17%, to US\$747m, from a year ago.
- Buyout dry powder ended August at US\$536.4b, up 11% from a year earlier, as fundraising stays robust while the pace of new investment remains muted.

Acquisitions

- PE acquisitions fell 23% in August, to US\$22.3b, from a year earlier, reflecting reduced investment in the UK. However, on a year-to-date basis, global activity is behind last year's pace by just 2.1%, with Americas helping the year-over-year comparison.
- PE investments in the UK for August fell to US\$208m from US\$3.6b a year earlier on half the volume and effects of Brexit.
- The technology sector remains PE's top investment destination so far this year.

Exits

- Global PE M&A exit value for August fell by nearly half, to US\$21.3b, from a year earlier, on weaker activity in all regions.
- YTD, M&A exits are trailing last year by 33%.
- EMEA posted the largest drop in disclosed deal value for PE-backed M&A exits in August, on weaker U.K. activity.
- PE may find itself using more Special Purpose Acquisition Companies (SPACs) in the near term as an alternative to IPOs.