

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.



FEBRUARY 2017

M&A

- 2016 was a strong year for global M&A, with US\$3.5t of deals announced.
- Cross-border M&A remained robust, despite rising nationalistic geopolitical sentiment, with 8,730 deals valued at US\$1.3t.
- Technology was the busiest sector for M&A in 2016, registering 8,129 deals worth US\$567b.
- The M&A outlook for 2017 remains positive as companies look to more regularly optimize portfolios.
- Future-proofing the business will be a key driver of M&A as companies look for disruptive trends within their core activities and innovation outside their own sectors.
- One of the most important stories of 2016 was the growth of the industry's dry powder. PE firms hold more than US\$525b in dry powder in buyout funds alone, representing an 11% increase over 2015, and significantly exceeding the roughly US\$480b that firms held in 2006-2007.

IPOs

- Global IPO activity saw a YOY decline of 14% and 32% in terms of deal volume and value respectively in 2016.
- The Asia-Pacific region dominated global IPO activity, both in terms of deal volume and value.
- The 2017 IPO outlook remains optimistic despite ongoing uncertainty in a period of transition.
- In 2017, Asia-Pacific should lead global IPO activity, the US is expected to make a strong recovery from what has been the slowest annual activity since 2009 and European IPO activity should surpass the 2016 level.

Fundraising

- 2016 was another strong year for PE fundraising, with firms raising US\$531b, on par with 2015. However, with exit activity slowing and the industry already in possession of record levels of dry powder, the outlook for 2017 may be constrained.
- Europe saw a marked increase in fundraising, while the US and Asia-Pacific saw declines.

Acquisitions

- PE acquisition activity declined modestly in 2014. While firms currently have record levels of dry powder on hand, valuations remain high, and many firms are wary of overpaying.
- PE firms announced 1,536 deals valued at US\$319b in 2016, a 4% decline by value versus last year.
- Utilities, Health care and Technology saw the most significant increases in PE activity in 2016.
- Add-on activity declined 26% after a record year in 2015.

Exits

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