

The background of the cover is a dark blue grid. Overlaid on the grid is a faint image of a person in a suit, with their hands clasped in front of them. The person's right hand is pointing upwards with the index finger. The overall aesthetic is professional and financial.

# **Global Private Equity Fact Book**

## **Q2 2020**

# Global private equity (PE) investment activity slowed down in Q2, leading to further pile up of dry powder at high levels



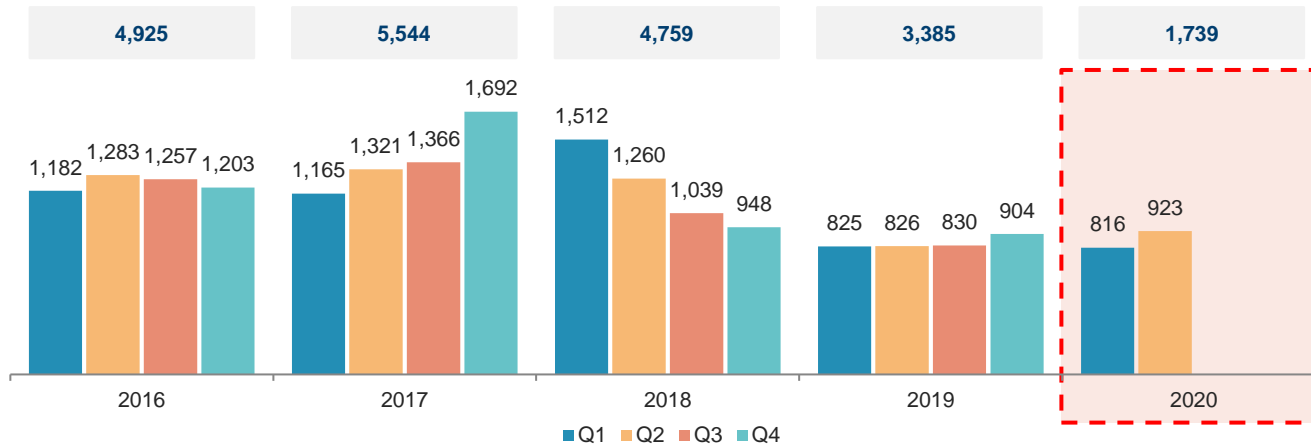
\$2,875 Mn	Median Fund Size	\$3,450 Mn
17%	Internal Rate of Return	14%
\$103 Mn	Median Dry Powder	\$172 Mn
1.5x	DPI Multiple	1.1x
2.0x	TVPI Multiple	1.8x
0.2x	RVPI Multiple	0.7x

Source: Pitchbook, Aranca Analysis

Note: Quarter are representative of calendar year

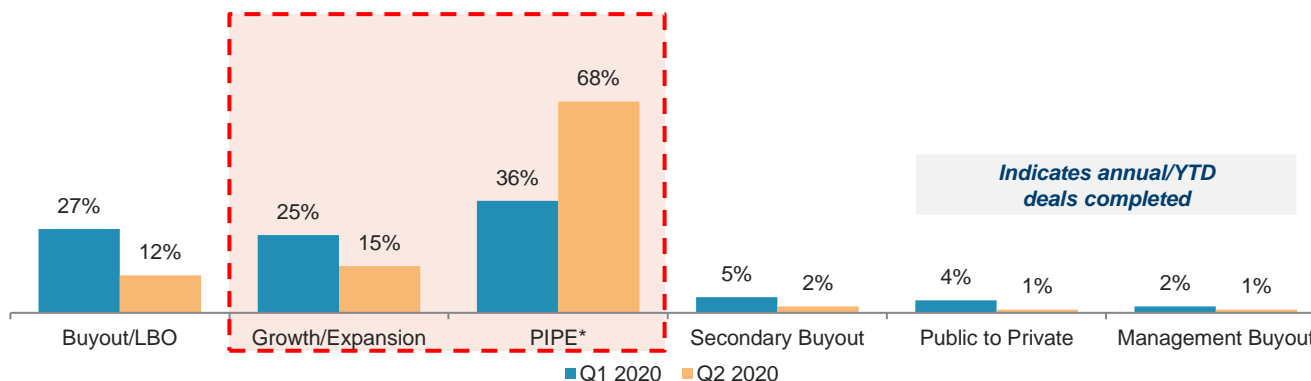
# Despite COVID-19-related economic pressure, deal activity grew by 13% in Q2, with interest in PIPE deals almost doubling over the quarter

Number of Deals (Units)



*"The speed at which equity valuations are changing right now is unprecedented. But private equity clients understand this. They are out looking now at what there might be to buy. They may prefer resilient assets with conservative business plans at first."*

**– Global co-head of Alternative Capital, Global Investment Bank**



*"Given the trillions of dollars in dry powder that PE firms had going into this year, I think private equity could play an important role in providing capital, and they definitely have the ability to do so. And PIPEs, allow PE firms to provide financing to companies that would otherwise have trouble raising money in public markets"*

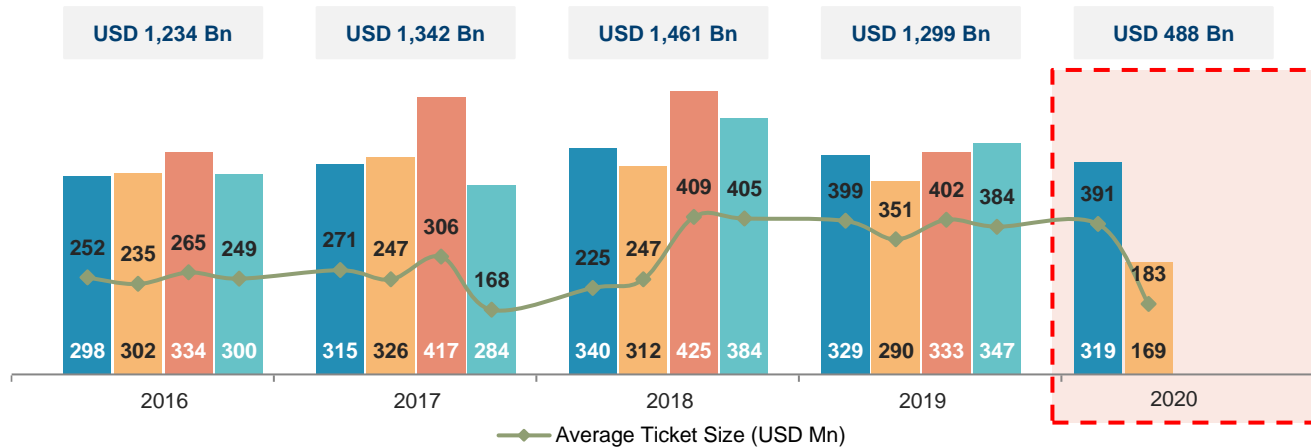
**– Professor (Finance), US based Business School**

\*PIPE: Private Investments in Public Equity

Source: Pitchbook, Aranca Analysis, Euromoney, Qrius

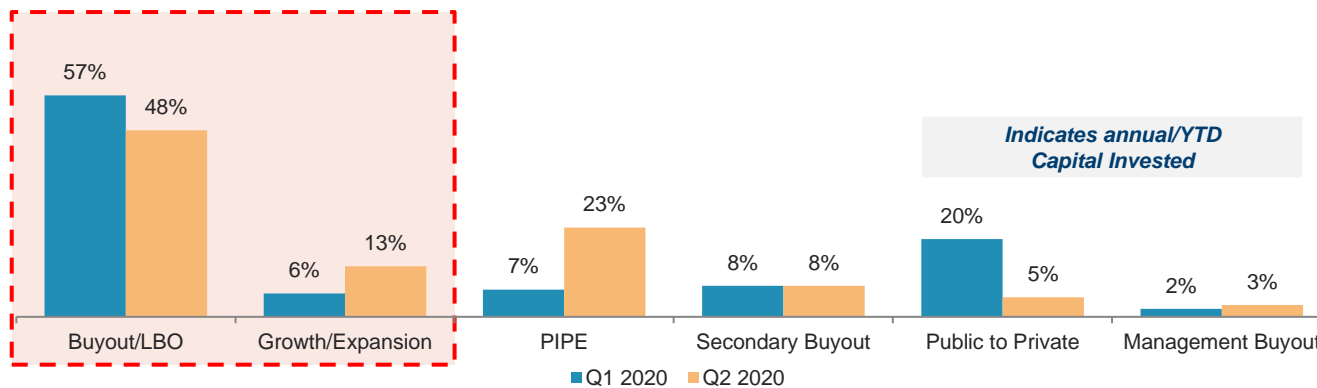
## Also, more PE firms held on to cash leading to lower invested capital and average ticket size declining to USD 183 Mn vis-à-vis USD 384 Mn in 2019

Capital Invested (USD Bn)



*"We believe PE/VC investors would continue with the 'wait and watch' approach as uncertainty around business continuity, sales forecasts, supply chains and valuations persists."*

**– Private Equity Leader, Global Consulting Firm**



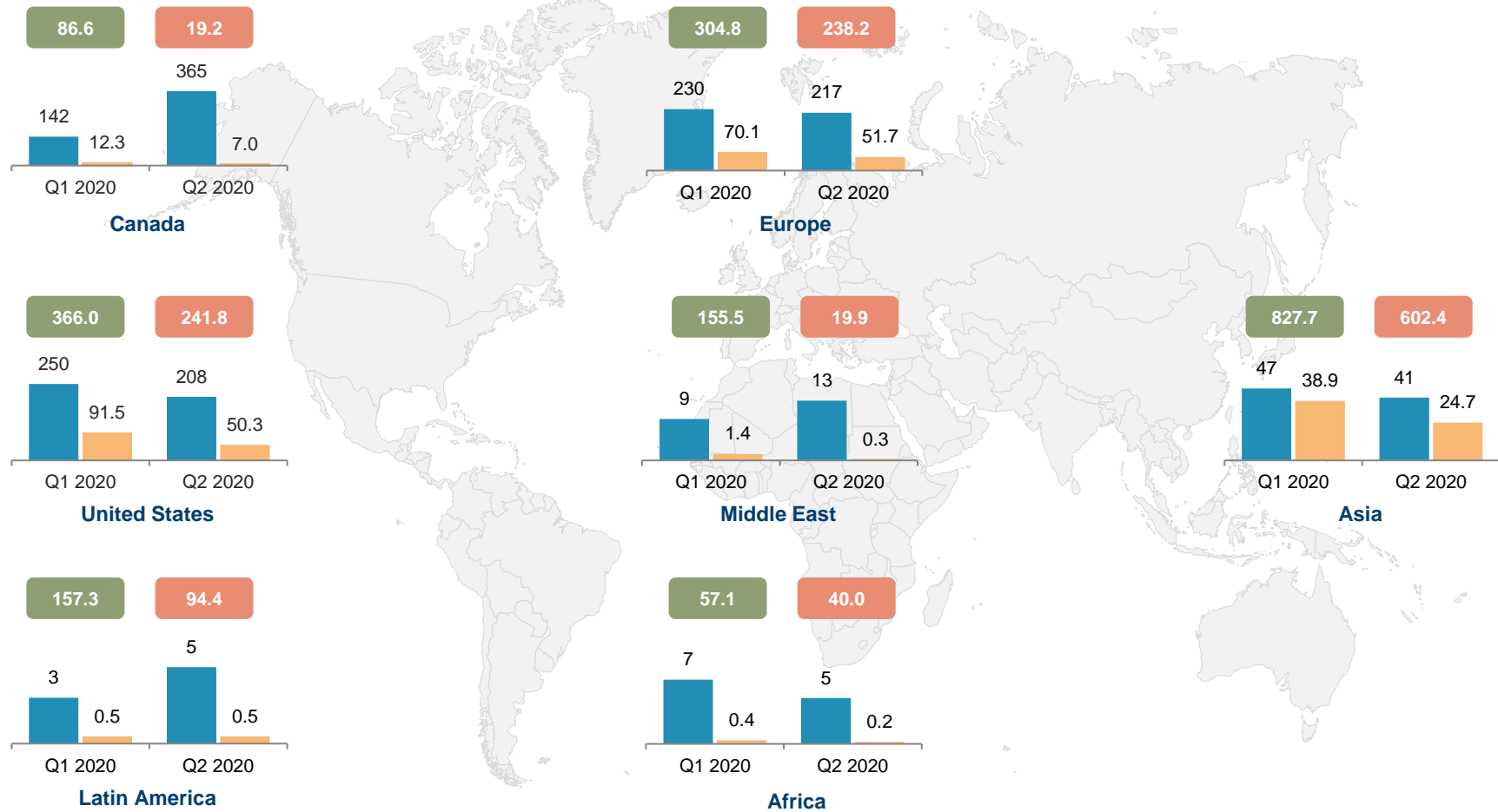
*"What we are seeing right now is that these large private pools of capital... are now presenting themselves to companies as potential providers of investment right across the capital structure"*

**– US based Investment Bank**

Source: Pitchbook, Aranca Analysis, Ernst & Young, Euromoney

# The trend was mirrored across the globe, with invested capital in North America and Asia declining by 45% and 37%, respectively

## Target Geographies

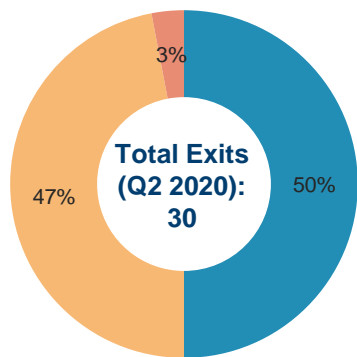
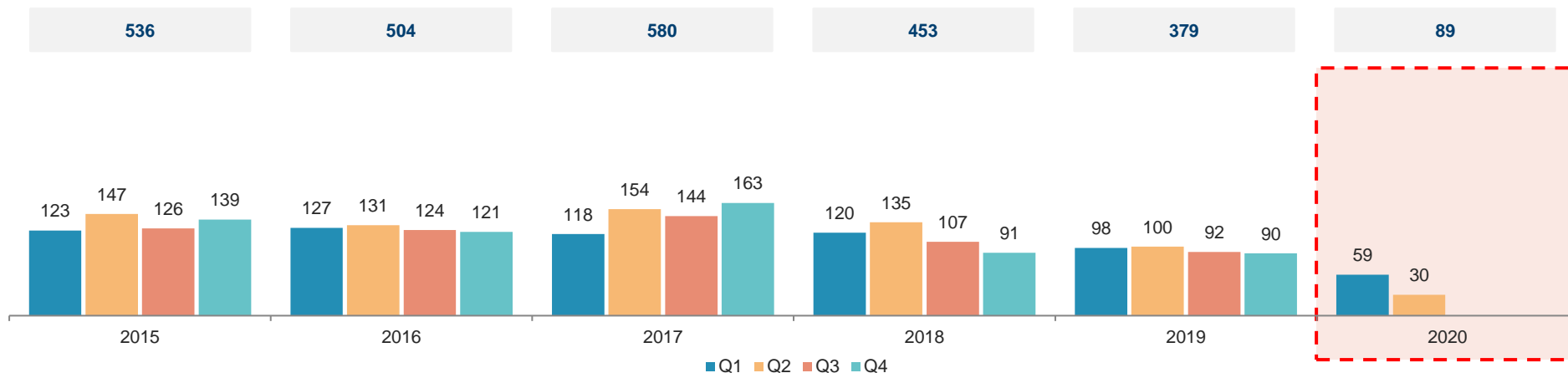


Source: Pitchbook, Aranca Analysis

■ Average Deal Size (USD Mn) (Q1 2020)
 ■ Average Deal Size (USD Mn) (Q2 2020)
 ■ Number of Deals (Units)
 ■ Capital Invested (USD Bn)

# Additionally, PE Exits reduced by 50% ascribed to weak valuation and grim investment environment

Number of Exits (Units)



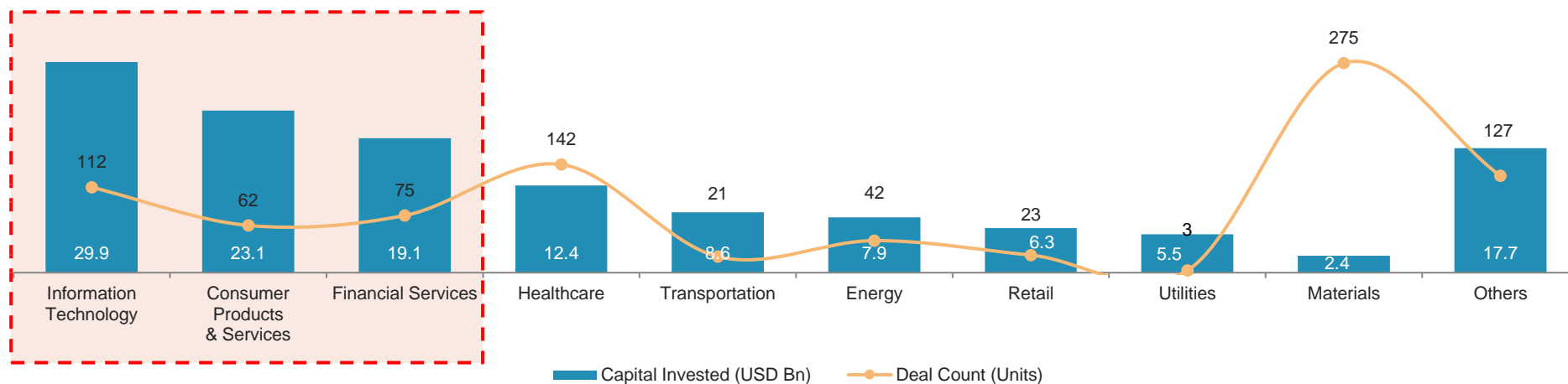
■ Secondary Buyout ■ Buyout ■ Investor Buyout by Mgmt.

Exit Multiple*	IPO		Buyout		Secondary Buyout		Investor Buyout by Management	
	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020	Q2 2020	Q1 2020
Enterprise Value (USD Mn)	-	-	685.6	397.8	539.8	211.4	-	-
EV/ EBITDA	-	-	11.2	27.0	9.8	14.1	-	-
EV/ Revenue	-	-	2.4	1.9	1.5	1.0	-	-

Source: Pitchbook, Aranca Analysis

\*Note: All multiples indicate median value

# IT, consumer products and financial services attracted about 55% of total capital invested by PE firms in Q2 2020



Primary Industry	Company Name	Deal Date	Deal Size (USD Mn)	% Acquired	Deal Type	Investors	Deal Size/ EBITDA	Deal Size/ Revenue	EV/ EBITDA	EV/ Revenue
Information Technology	Reliance Jio Infocomm	May-20	9,417	14.7%	Growth	Abu Dhabi Investment Authority, Al Nahdha Investment, Others	-	0.1x	-	-
	Xplornet Communications	Jul-20	2,000	100%	Buyout	Stonepeak Infrastructure Partners	-	-	-	-
Consumer Products and Services	iQ Student Accommodation	May-20	5,782	100%	Buyout	The Blackstone Group	-	-	-	-
	Coty	May-20	4,300	0.6%	Buyout	Kohlberg Kravis Roberts	12.3x	-	20.5x	-
	Duff & Phelps	Apr-20	4,200	100%	Buyout	Further Global Management, Stone Point Capital	-	-	-	-
	Airbnb	Apr-20	2,000	-	Growth	Silver Lake Management, Sixth Street Partners	-	0.4x	-	-
Business Products and Services	Autoscout24	Apr-20	3,211	100%	Buyout	Hellman & Friedman	-	-	-	-
	Brisa	Apr-20	2,830	81.2%	Buyout	APJ Group, National Pension Service of Korea, Swiss Life Asset Management	4.9x	-	6.0x	-
Energy	Merkur Offshore	May-20	2,177	100%	Buyout	APG Group, The Renewables Infrastructure Group	-	-	-	-
	Coastal Gaslink Pipeline	May-20	2,100	65%	Buyout	Alberta Investment Management, Kohlberg Kravis Roberts, National Pension Service of Korea	-	-	-	-
Median							8.6x	0.3x	13.2x	-

Source: Pitchbook, Aranca Analysis

Deals include both completed and announced

# Despite uncertain conditions and economic downturn, PE firms outperformed the overall equity market



Index		Index Returns	
		Q1 2020	Q2 2020
	Thomson Reuters Private Equity Index	24%	65%
	S&P 500 Index	26%	51%

Source: Reuters Eikon, Aranca Analysis



# Way Forward

*“While it can remain hard to get the attention of a corporate counterparty, we believe PE is going to be a bigger player in the next couple of years than it was post the 2008-09 crisis.” – **Chairman, Investment Bank (North America)***

*“This dislocation may lead to a clean-up of the sector. The absolute number of funds on the smaller side of the market may shrink, while the top-tier funds should be fine.” – **Co-founder and chief investment officer, Private Equity Fund (Asia Pacific)***

*“As we emerge from the crisis, private equity firms will increasingly prove themselves to be reliable partners for companies of all shapes and sizes - whether through creative financing solutions or their expertise in operational improvements. This may open promising investment opportunities for private equity firms.” – **Head, Private Equity (Europe)***

*“While other investors prefer to stay on the sidelines during this economic upheaval, private equity firms are buying at valuations representing deep discounts from 2019 levels. Investment in distressed companies is likely to surge.” – **Chairman, Private Equity Fund (Europe)***

Source: Aranca Analysis

## Private Equity Industry Outlook



**Investment activity to rise in next quarters**



**Investments will focus on devalued assets and public equity**



**Focus on portfolio companies and improve financial performance**



**Market to consolidate and smaller funds will perish in low return environment**

The background is a complex collage. On the left, there are several stacks of silver coins. Overlaid on the top half are a yellow line graph and a white line graph. On the right side, there is a bar chart with blue bars. The bottom half of the image shows a dark, blue-toned scene with glowing digital elements and more stacks of coins.

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