

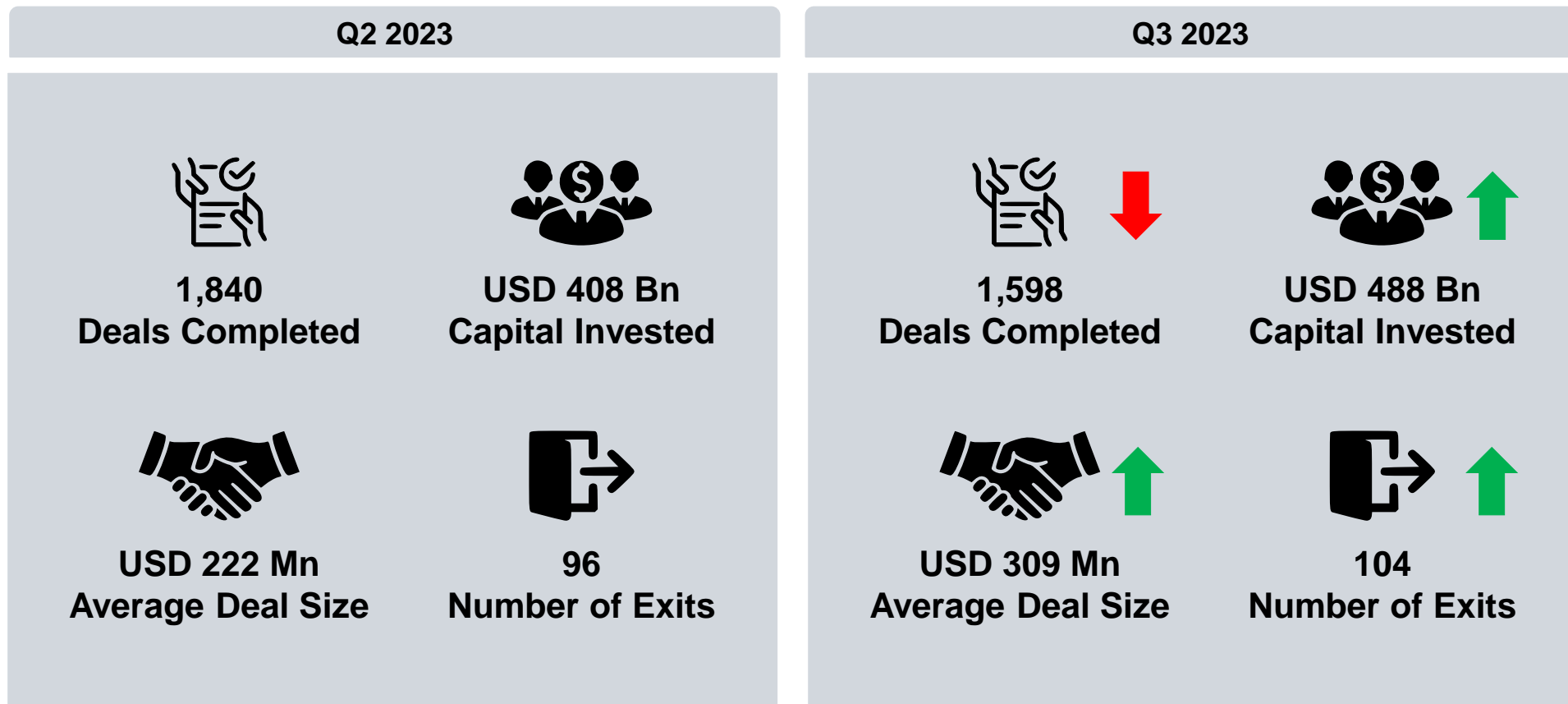
# Special Report

## Global Private Equity Factbook | Q3 2023

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# Private equity demonstrates resilience in Q3 2023, marked by heightened capital investments alongside decrease in deal volume



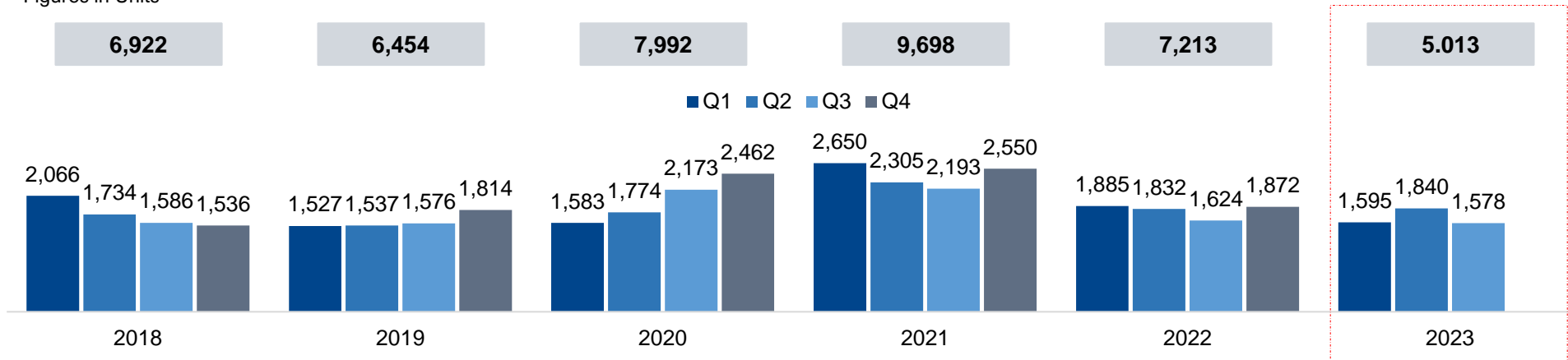
Source: Pitchbook, Aranca Analysis

Note: Quarter represents the calendar year.

# Private equity deal volume down 14% in Q3 2023, with investors maintaining focus on add-ons and investments in public equity

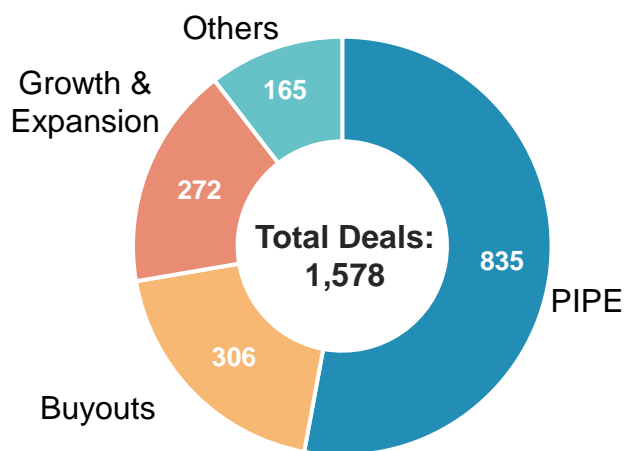
## Number of Deals

Figures in Units



## Type of Deals – Q3 2023

Indicates annual/YTD deals completed



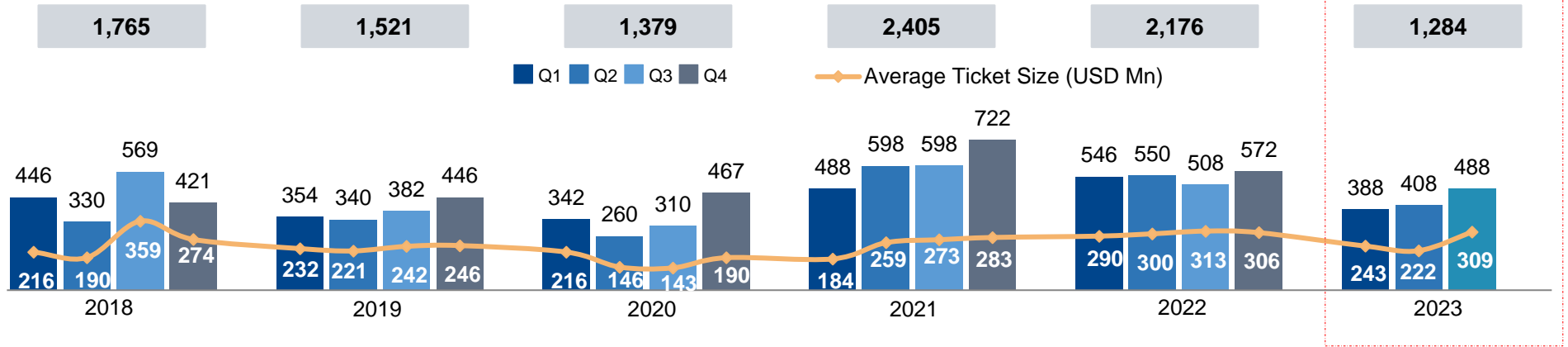
- In Q3 2023, various deal structures such as add-on and carve-out (sale of a division or part of a larger business) deals gained traction.
  - Carve-out transactions increased 50% in Q3 2023, as corporate parents divested their non-core assets.
- Private investment in public equity (PIPE) and buyouts were the primary deal types in Q3 2023, accounting for 53% and 19% of the total deal volume, respectively.
  - Tighter debt financing conditions hindered leveraged buyout activities caused a 23% QoQ decline in buyout deals.
  - Over 80% of buyouts in Q3 were add-on acquisitions.

Source: Pitchbook, Aranca Analysis

In contrast, capital investments surge 19% and reach USD 488 Bn, signaling continued market recovery from slow start earlier in the year

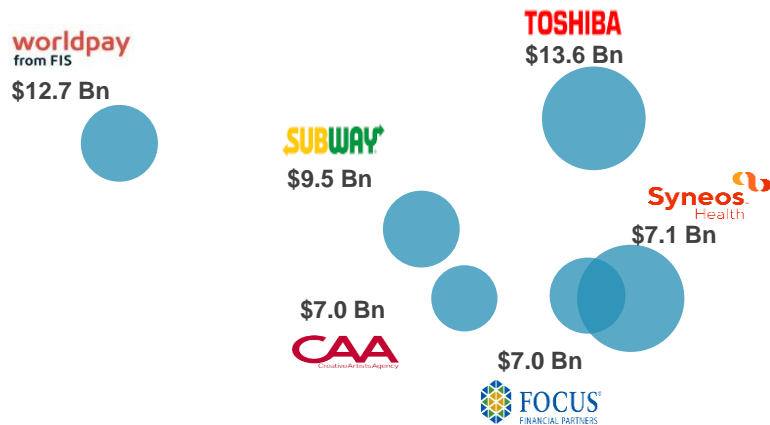
## Capital Invested

Figures in USD Bn



## Top 5 Deals – Q3 2023

Indicates annual/YTD capital invested

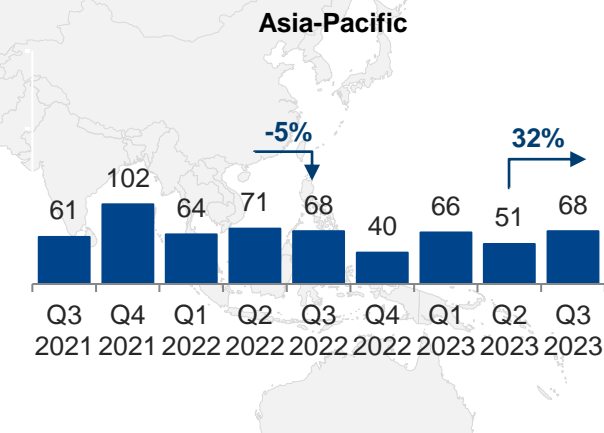
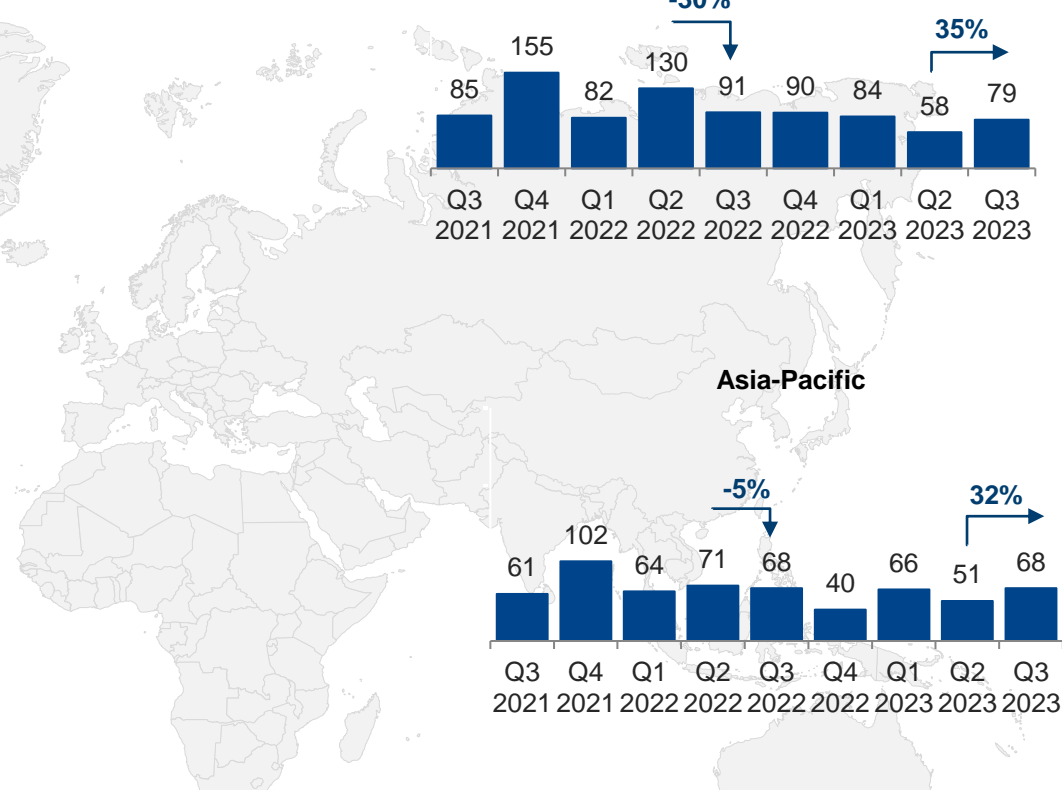
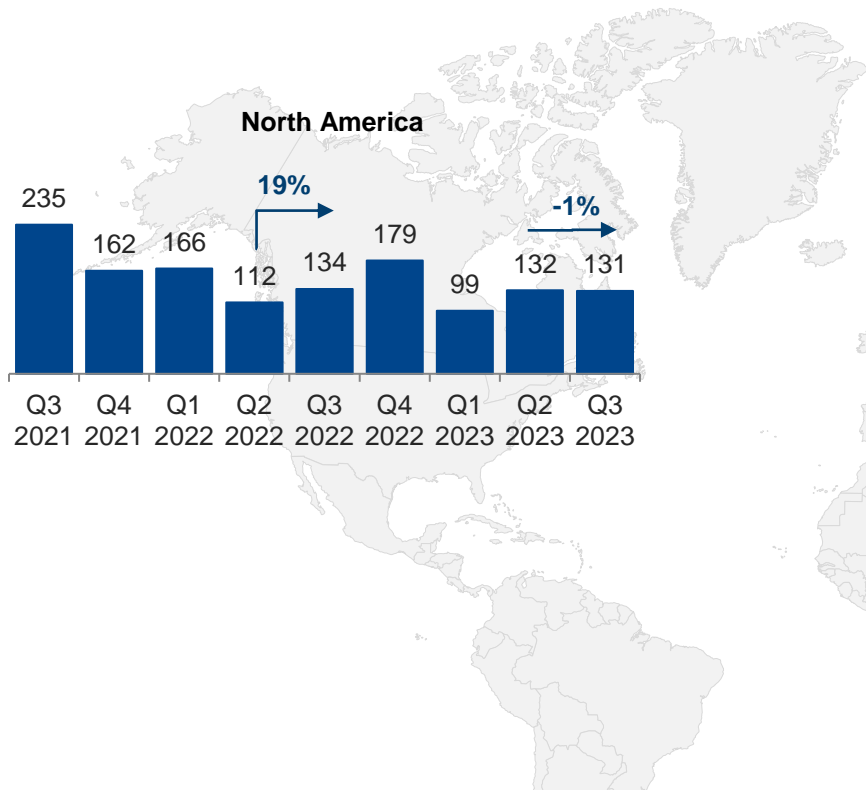


- The ongoing high interest rate scenario compels PE firms to augment their equity contributions in order to fulfill the debt financing requirements of their portfolio companies.
- Capitalizing on the stock market's dislocation, PE firms strategically invest in undervalued assets.
- There is a strong emphasis on value creation, leading to record-breaking investments in talent acquisition.

Source: Pitchbook, Aranca Analysis

# Europe and Asia-Pacific witness surge in deal activity, with capital investments soaring by over 30%, while North America records slight dip in investments

## Key Geographies



Other Geographies	Q2 2023 (In USD Bn)	Q3 2023 (In USD Bn)	Growth
Latin America	13.4	9.1	-32%
MENA	4.1	4.5	10%

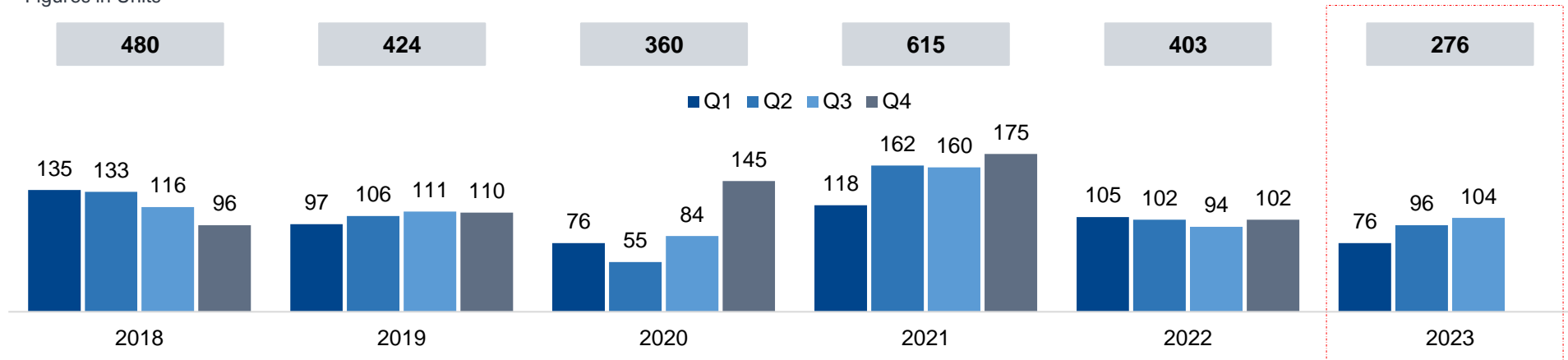
Capital Invested (USD Bn)

Source: Pitchbook, Aranca Analysis

# PE exits rebound with 8% volume increase in Q3 2023 on buyout growth, while IPO exits decline compared to Q2 2023

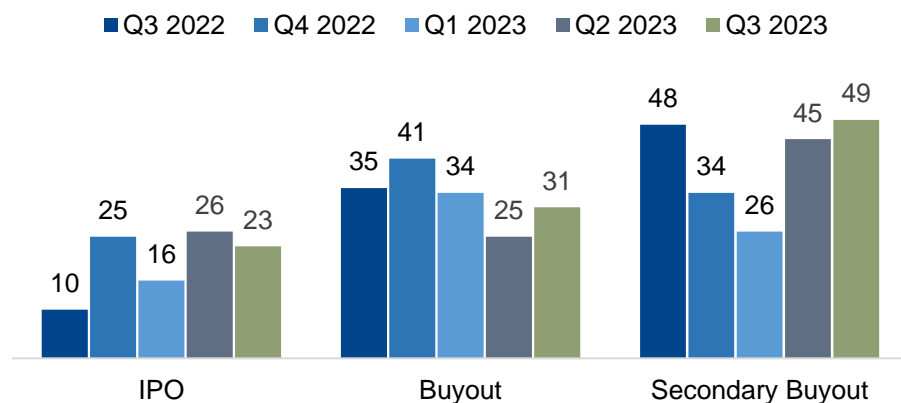
## Number of Exits

Figures in Units



## Key Exit Routes

Figures in Units



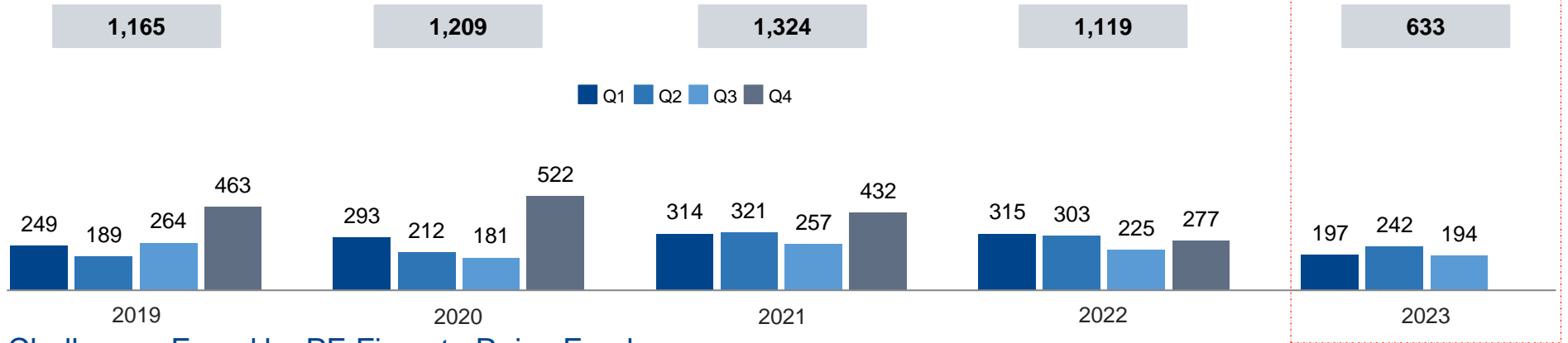
- In 2023, the third quarter was the most active period for exits, mainly driven by a decrease in valuation multiples.
- The reduced multiples may indicate PE sponsors adjusting valuations to counter higher interest rates and decreased debt capacity while striving to achieve their targeted returns.
- Almost half of all PE exits in Q3 2023 were secondary buyouts, totaling 49 transactions.

Source: Pitchbook, Aranca Analysis

# Fundraising down 20% QoQ as PE firms face challenges in securing more funds

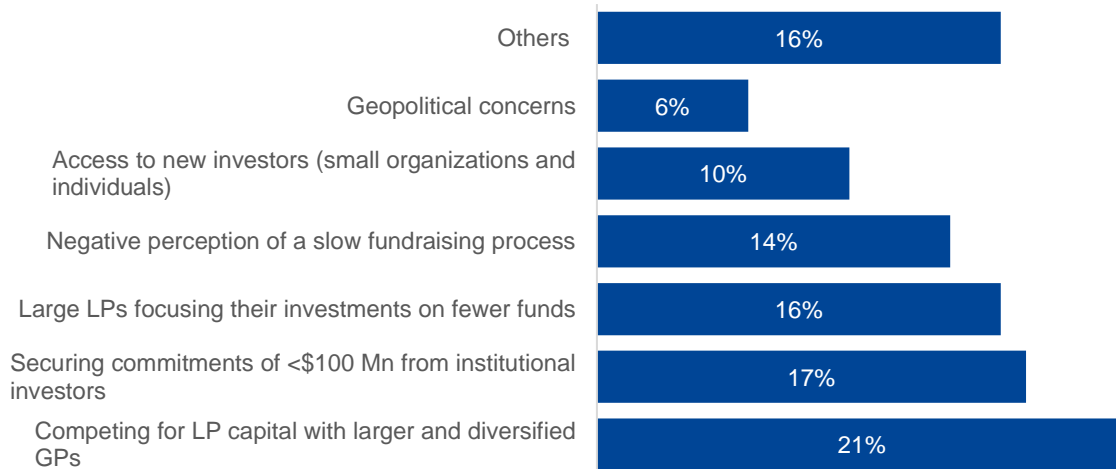
## Capital Raised

Figures in USD Bn



## Challenges Faced by PE Firms to Raise Funds

Figures in Percentages

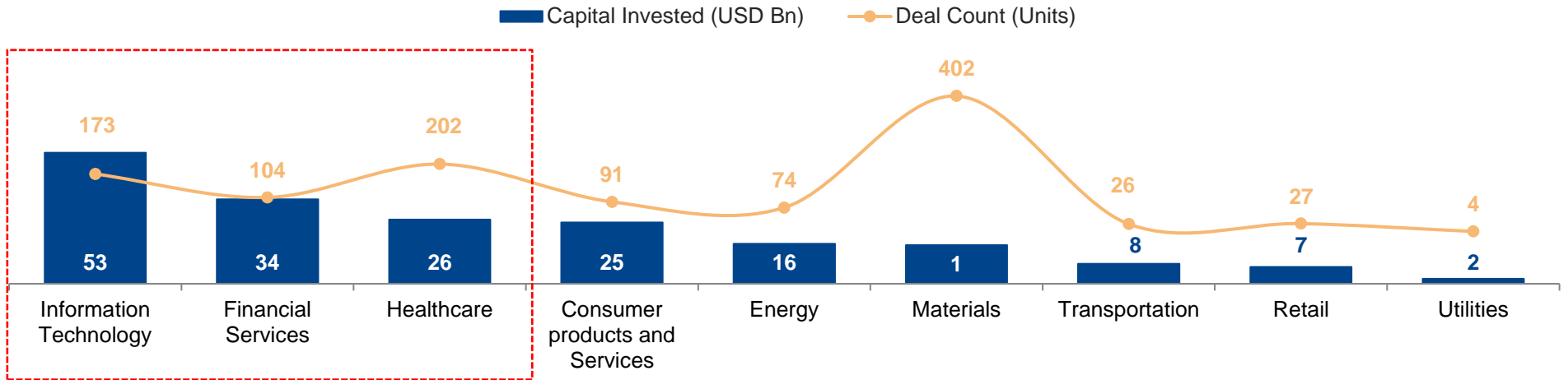


- PE firms are facing several challenges in raising capital.
- According to a Mergermarket survey, 21% of PE firms cite competition with large, diverse partners as a primary concern, while 17% express apprehensions about securing smaller fund allocations.
- In Q3 2023, buyout funds continue to dominate, securing more than half of the total capital raised.
- Simultaneously, GPs are exploring innovative options such as annex funds and secondaries to secure additional capital.

Source: Pitchbook, Merger Market, Aranca Analysis

# IT, financial services, and healthcare attract about 47% of total capital invested by PE firms in Q3 2023

## Top Sectors\* – Q3 2023



Note: \*Only includes deals for which sector-level information is available. Deals include those completed and announced

*“Software deals historically tend to use less leverage, so in this year's restrained loan market, financing was not as big of an issue as it has been in other industries that require more leverage.”*

**– A law firm**

*“The vast majority of PE funds have taken an opportunistic approach to dealmaking in 2023. The healthcare and life sciences, business services and technology and software industries continued to represent a core investment focus for many funds.”*

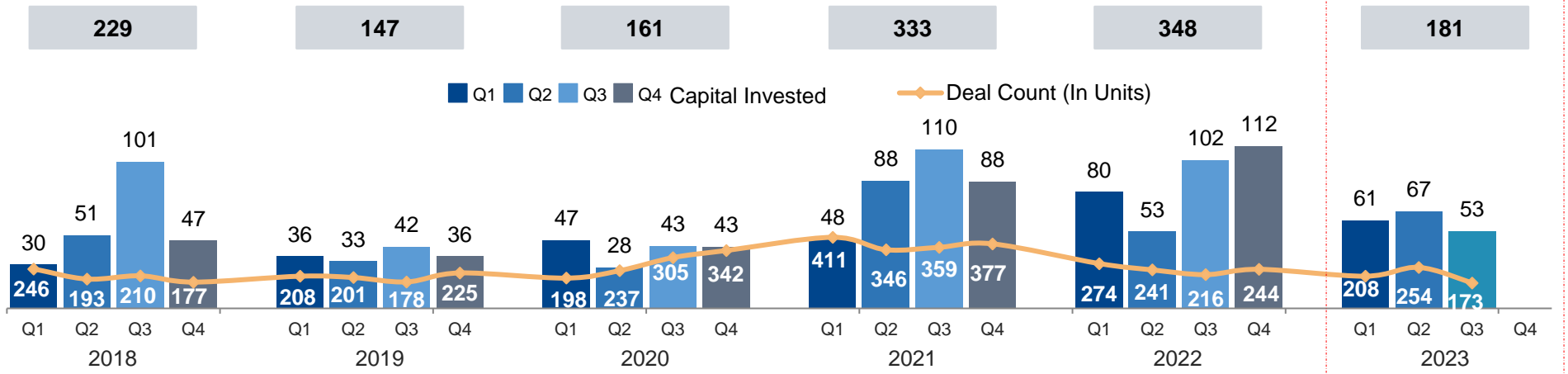
**– A corporate finance business issue publisher**



# Investments in IT sector drop by about 20% QoQ to USD 53 Bn, with majority of investments focus on software deals

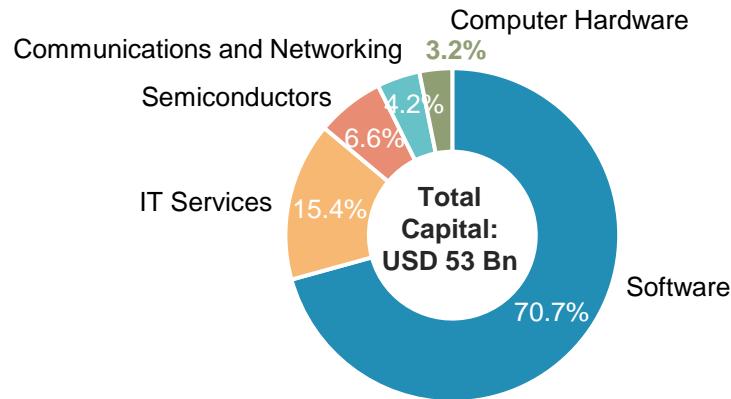
## Top Sectors – Information Technology

Figures in USD Bn



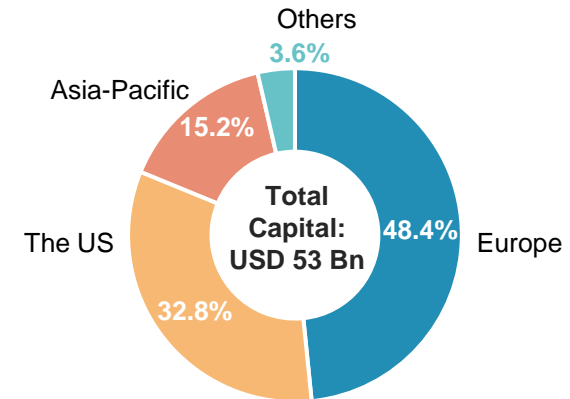
## IT by Primary Sectors in Q3 2023

Figures in Percentage and USD Bn



## IT by Geography in Q3 2023

Figures in Percentage and USD Bn



Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Top PE investments in IT sector in Q3 2023 *(Illustrative)*

IT Sectors	Subsectors	Company Name	Company Description	Geography	Deal Size (USD)	Deal Type	Investors	EV/ EBITDA	EV/ Revenue
Software	Financial Software	Finastra	Developer of payment infrastructure	The UK	6,490.5 Mn	Growth & Expansion	Vista Equity Partners	-	-
	Business/Productivity Software	Software (FRA: SOW)	Software solution provider for banks, media, etc.	Germany	2,591.6 Mn	Buyout/LBO	Silver Lake	29.9x	3.5x
IT Services	IT Consulting & Outsourcing	ChinData Group	Carrier neutral hyper-scale data center solution provider	China	3,160.0 Mn	Buyout/LBO	Bain Capital	6.3x	3.0x
		Atos	Provider of IT data centres and business processing services	France	2,212.3 Mn	Buyout/LBO	EP Equity Investment	-	-
Semiconductors	Production	Runpeng Semiconductor	Manufacturer and developer of integrated circuits and chips	China	1,755.3 Mn	Growth & Expansion	Baoan Fund, CCB Investments, CCBT Private Equity, China FAW Group	-	-
	Application Specific Semiconductors	Socionext	Designs, develops, and sells systems on chips as a fabric supplier	Japan	1,298.5 Mn	PIPE	-	-	-
Communications and Networking	Wireless Communications Equipment	Cellnex	Operator of mobile phone towers	Denmark	781.0 Mn	Growth & Expansion	Stonepeak	-	-
	Telecommunications Service providers	Altafiber	Provider of telecommunication services	The US	600.0 Mn	Growth & Expansion	Ares Management, Macquarie Infrastructure, Retail Employees Superannuation Trust	-	-
Computer Hardware	Electronic Equipment and Instruments	Kenter	Distributor of electrical equipment	Netherlands	760.0 Mn	Buyout/LBO	APG Group, OMERS Infrastructure Management	-	-
	Other Hardware	SK Shieldus	Manufacturer of security devices	South Korea	664.0 Mn	Buyout/LBO	EQT	-	-
	<b>Median</b>							<b>18.1x</b>	<b>3.2x</b>

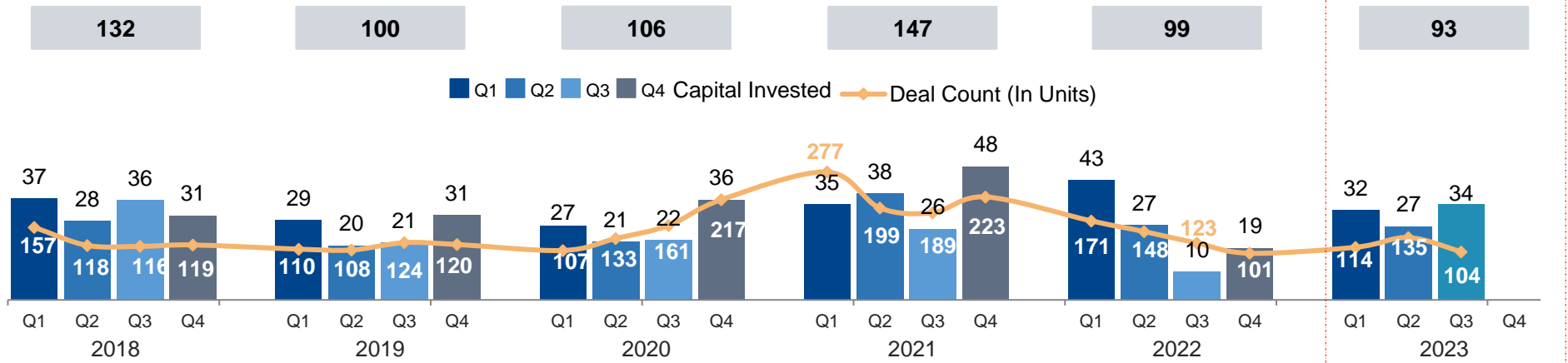
Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

# PE investments in financial services sector up 29% QoQ, particularly in insurance brokerage, investment banks, and other financial services

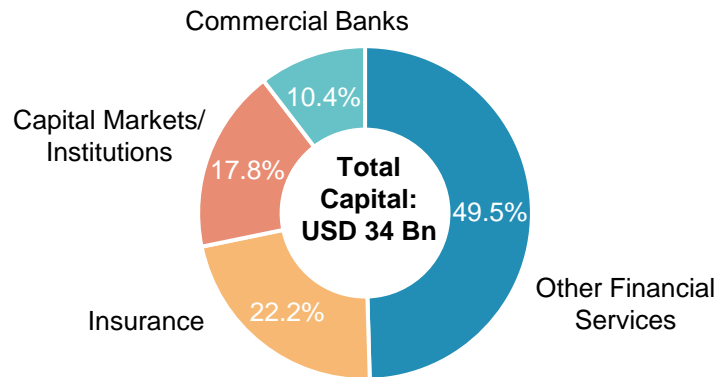
## Top Sectors – Financial Services

Figures in USD Bn



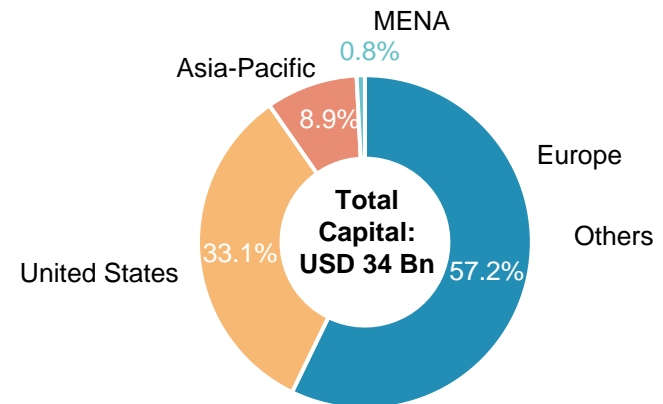
## Financial Services by Primary Sectors in Q3 2023

Figures in Percentage and USD Bn



## Financial Services by Geography in Q3 2023

Figures in Percentage and USD Bn



Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Top PE investments in financial services sector in Q3 2023 *(Illustrative)*

Financial Services	Subsectors	Company Name	Company Description	Geography	Deal Size (USD)	Deal Type	Investors	EV/ EBITDA	EV/ Revenue
Insurance	Insurance Broker	Alliant Insurance Services	Provider of insurance brokerage service for agriculture, aviation, constructions, etc.	The US	2,903.8 Mn	Buyout/ LBO	Stone Point Capital	-	-
		USI Insurance Services	Provider of insurance brokerage service for large risk management clients	The US	1,900.0 Mn	Buyout/ LBO	Kohiberg Kravis Roberts	-	-
Capital Markets/ Institutions	Investment Banks	Degroof Petercam	Provider of investment banking services	Belgium	1,715.2 Mn	Buyout/ LBO	CA Indosuez Wealth Management	-	-
	Private Equity	Samos Energy	Operator of energy investment platform	The UK	1,265.9 Mn	Buyout/ LBO	Amerocap	-	-
Commercial Banks	National Banks	U.S. Bank	Diversified financial service provider	The US	936.0 Mn	PIPE	MUFG Bank	-	-
		Union Bank of India	Retail, commercial, and investment bank	India	604.1 Mn	PIPE	BNP Paribas, ICICI Securities, IIFL Securities, JM Financial	-	-
Other Financial Services	Other Financial Services	Worldpay	Provider of electronic payment and banking services	The UK	12,700.0 Mn	Buyout/ LBO	GTCR	-	-
	Holding Companies	Home Capital Group	Specialty finance company	Canada	1,700.0 Mn	Buyout/ LBO	Smith Financial Corporation	22.8x	-
<b>Median</b>								<b>22.8x</b>	<b>-</b>

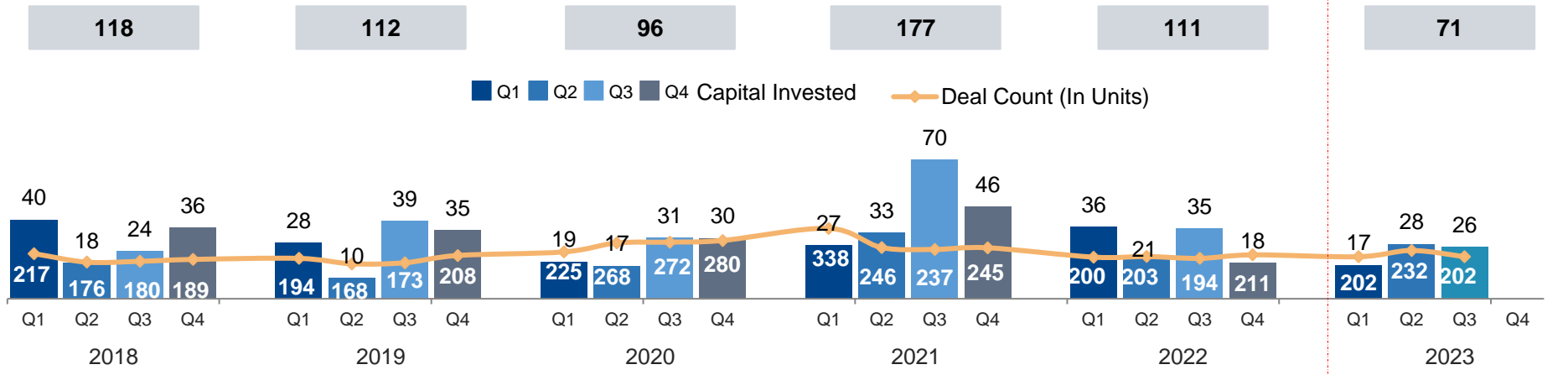
Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

# PE healthcare investments decline slightly in Q3 2023, with approximately 67% of investments concentrated in pharmaceutical and biotechnology

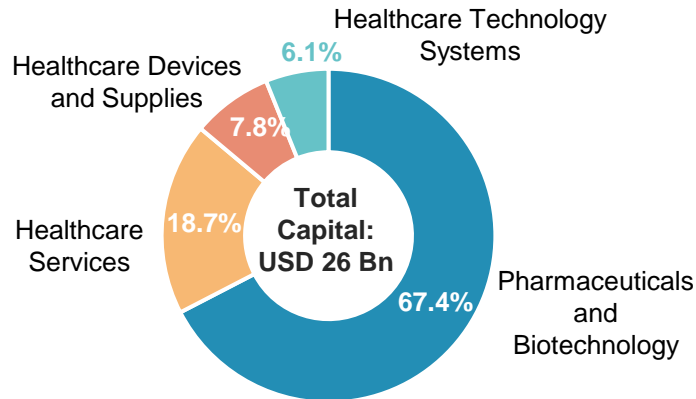
## Top Sectors – Healthcare

Figures in USD Bn



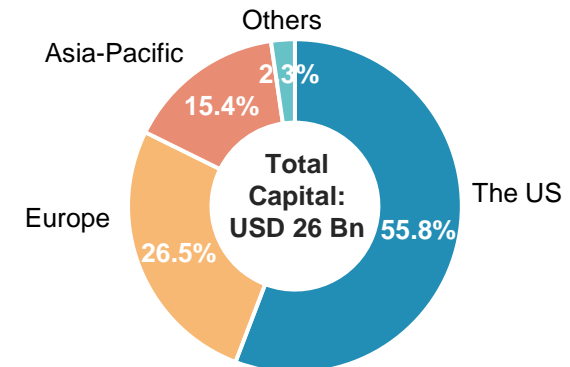
## Healthcare by Primary Sectors in Q3 2023

Figures in Percentage and USD Bn



## Healthcare by Geography in Q3 2023

Figures in Percentage and USD Bn



Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Top PE investments in healthcare sector in Q3 2023 *(Illustrative)*

Healthcare Sectors	Subsectors	Company Name	Company Description	Geography	Deal Size (USD)	Deal Type	Investors	EV/ EBITDA	EV/ Revenue
Pharmaceuticals and Biotechnology	Biotechnology	Syneos Health	Provider of contract research and outsourced commercialization service	The US	7,100 Mn	Buyout/ LBO	Elliott Management, Patient Square Capital, Veritas Capital	16.2x	1.3x
	Pharmaceutical	Schulke & Mayr	Developer and manufacturer of infection prevention and hygiene products	Germany	1,151.1 Mn	Buyout/ LBO	Athos, Bitburger Holding	-	-
	Pharmaceutical	Fabbrica Italiana Sintetici	Developer and manufacturer of active ingredients	Italy	1,415.7	Buyout/ LBO	Bain Capital	-	-
Healthcare Services	Practice Management	NextGen Healthcare	Provider of healthcare solutions	The US	1,800.0 Mn	Buyout/ LBO	Thoma Bravo	29.9x	2.3x
	Elder and Disabled Care	Estia Health	Operator of residential aged care facilities	Australia	644.0 Mn	Buyout/ LBO	Bain Capital	7.0x	1.2x
Healthcare Devices and Supplies	Diagnostic Equipment	Coloplast	Ostomy management and continence care provider	Denmark	1,347.5 Mn	PIPE	-	-	-
		Guangzhou Doppler Electronic Technology	High-tech enterprise focusing on R&D and manufacturing of ultrasound equipment	China	154.2 Mn	IPO	China Insurance Investment Fund	-	-
Healthcare Technology Systems	Enterprise Systems	NexTech	Developer of electronic medical record and practice management software	The US	1,405.0 Mn	Buyout/ LBO	TPG	-	-
		Neusoft Xikang Healthcare Technology	A city-specific cloud hospital platform	China	81.2 Mn	IPO	Ningbo Tongshang Group	-	-
<b>Median</b>								<b>16.2x</b>	<b>1.3x</b>

Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Aranca View



- The anticipated recovery in PE deal activities is driven by USD 1.4 trillion dry powder available for deployment. However, the growth momentum is expected to be tempered by the impact of higher interest rates and the increasing burden of debt, contributing to a more gradual resurgence.



- The prevailing stringent debt conditions are set to maintain the attractiveness of alternative lenders, with a growing number of participants intending to shift more toward private credit providers.
- The flexibility offered by alternative credit structures is a key factor driving this shift globally.



- PE firms are poised to boost investments in recession-resistant sectors such as healthcare, energy, and consumer essentials, supported by the historical resilience of these industries in the face of economic downturns.
- This strategic shift aligns with a cautious approach adopted in response to ongoing economic uncertainties.

Source: Aranca Analysis



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