

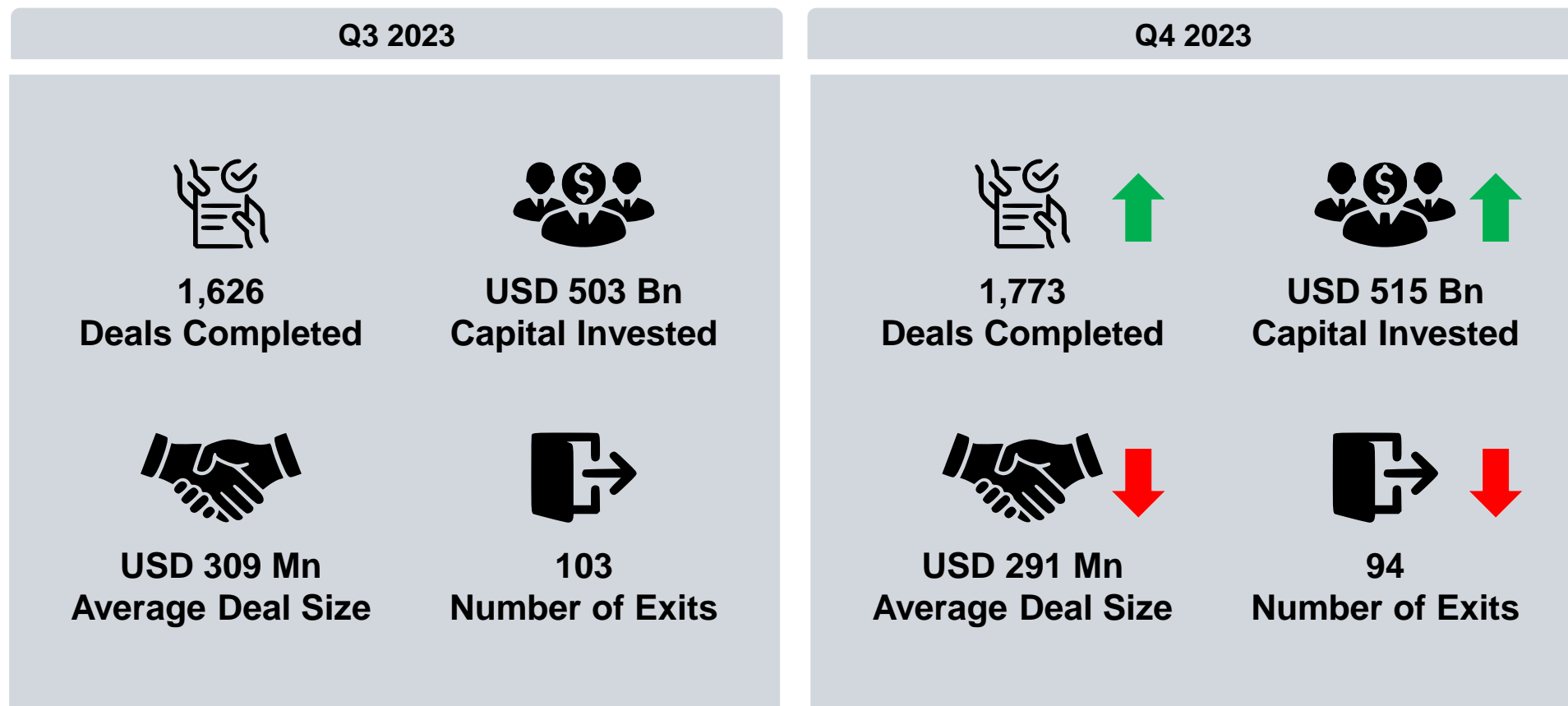
# Special Report

## Global Private Equity Factbook | Q4 2023

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# PE investments rebound in Q4 2023 on diminished apprehensions regarding potential interest rate hikes and severity of global economic slowdown



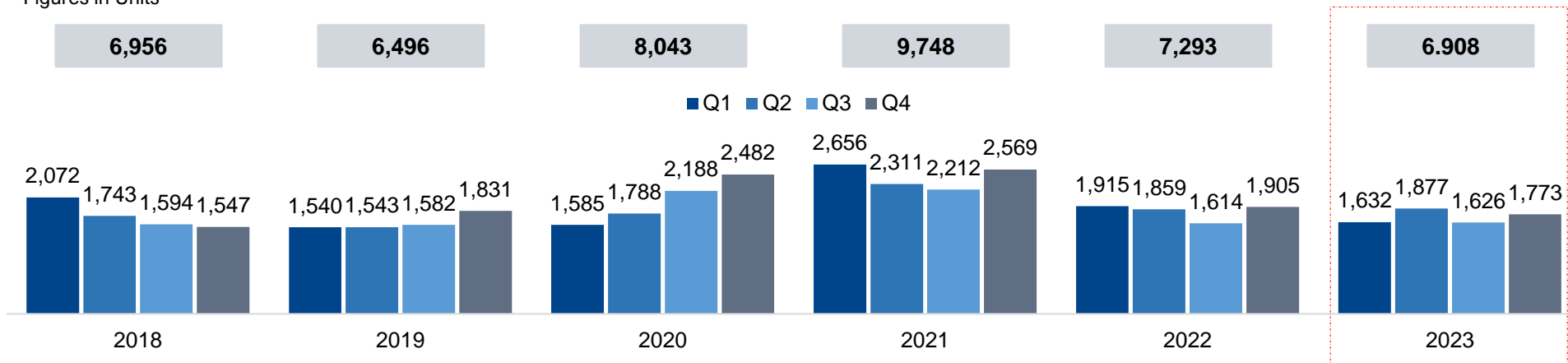
Source: Pitchbook, Aranca Analysis

Note: Quarter represents the calendar year.

# PE activity up 9% QoQ in Q4 2023, but remains below levels observed in Q4 2022 and Q4 2021

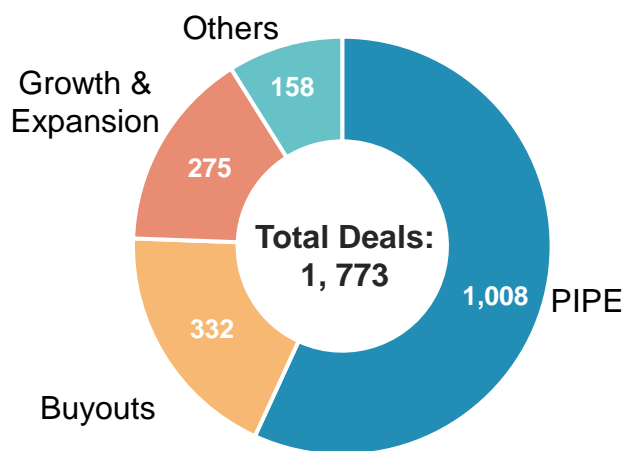
## Number of Deals

Figures in Units



## Type of Deals – Q4 2023

Indicates annual/YTD deals completed



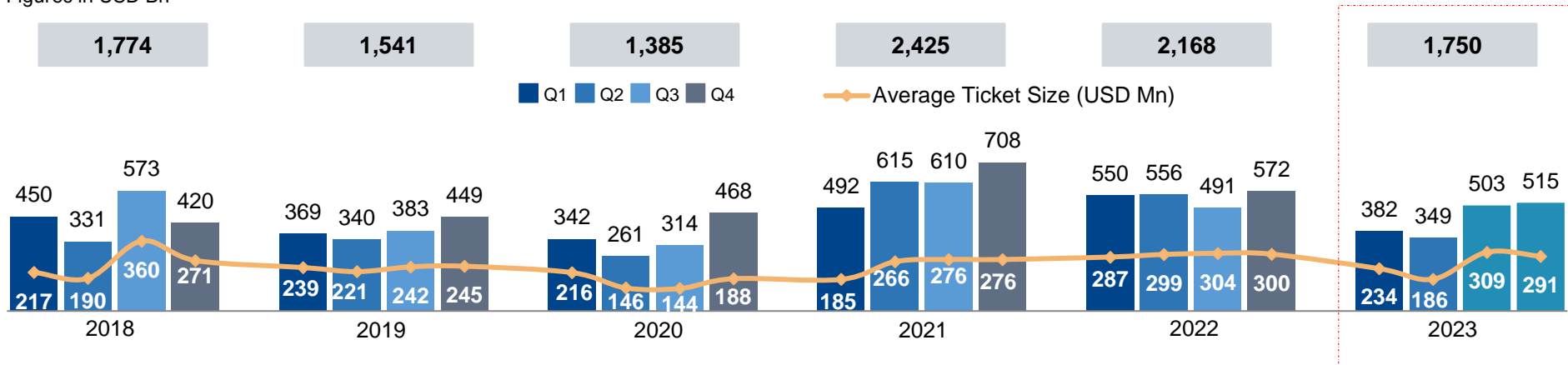
- In 2023, private equity (PE) faced a series of challenges, including a banking crisis and rising capital costs, which contributed to a persistent valuation gap between buyers and sellers in deal transactions. As a result, deal activity was subdued, falling 5.4% below 2022 levels.
- In Q4 2023, PE deal volume saw a 9% increase, largely propelled by a rise in public-to-private deals, private investment in public equity (PIPE) deals, and buyouts, which recorded growth of 18%, 15%, and 7%, respectively.
- In contrast, the volume of IPO deals declined 26% and that of growth and expansion deals was down 1%.

Source: Pitchbook, Aranca Analysis

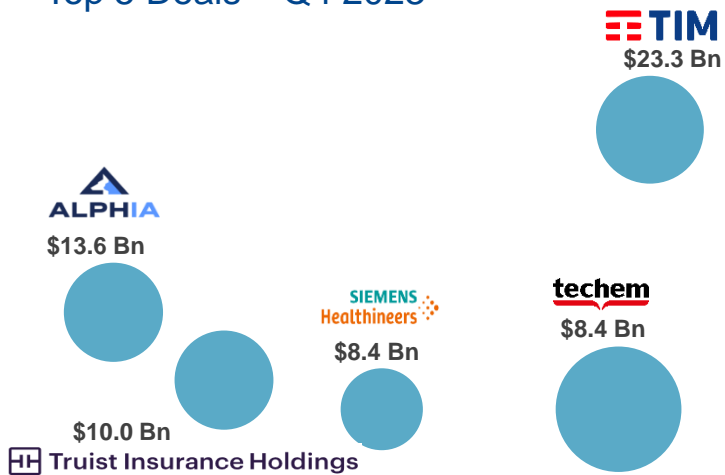
In Q4 2024, PE firms see 2% increase in invested capital, whereas average ticket size decreases 6%, signaling a trend toward small-value deals

## Capital Invested

Figures in USD Bn



## Top 5 Deals – Q4 2023



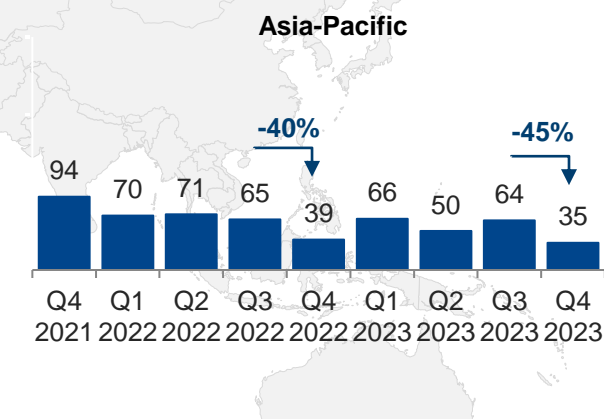
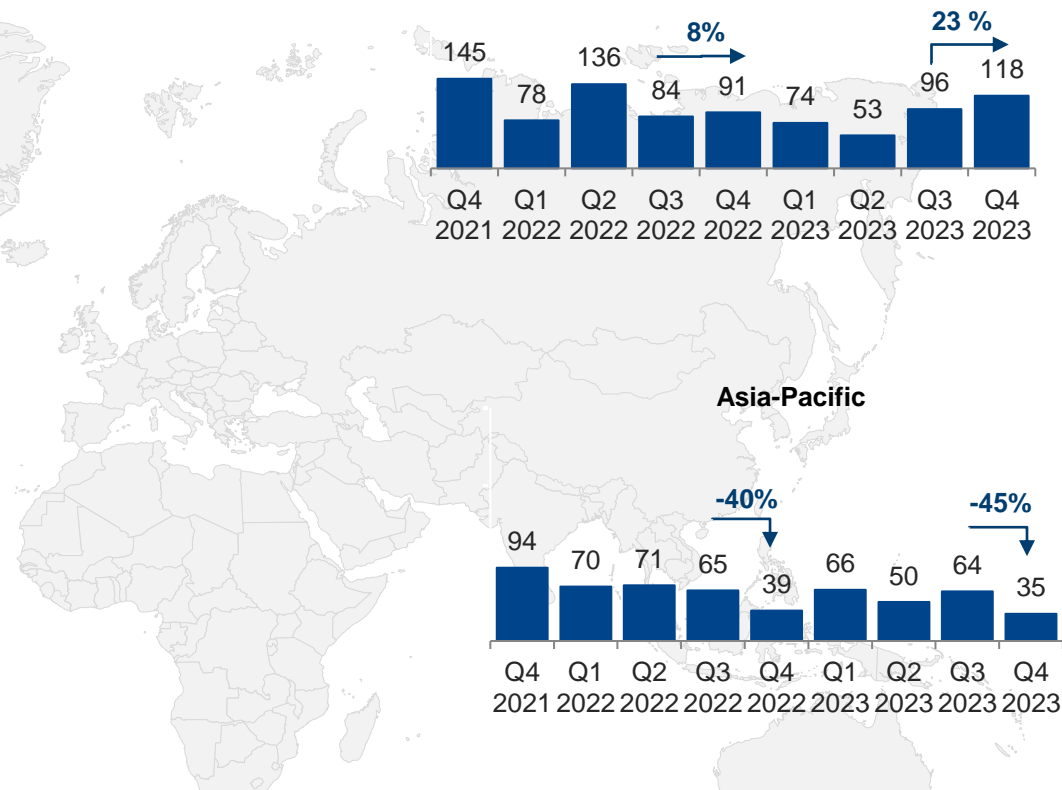
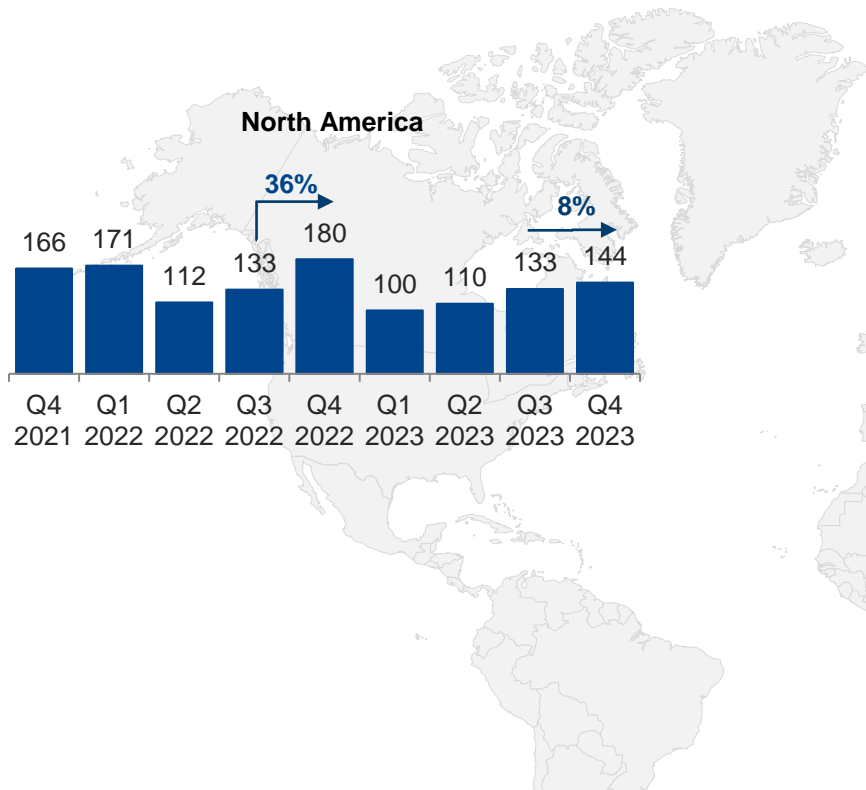
Indicates annual/YTD capital invested

- PE transactions have either diminished in size or demand a larger proportion of equity in the total purchase price, rather than relying heavily on debt, which aligns with the trend observed throughout the year.
- Public-to-private deals saw the highest growth rate in terms of volume, but there was a notable 43% decline in the capital invested, indicating the prevalence of smaller deals. Furthermore, investments in growth and expansion deals dropped 40% quarter-over-quarter.
- On the other hand, capital invested in asset divestiture and acquisition deals saw a significant increase from USD 11.9 billion in Q3 2023 to USD 57.0 billion in Q4 2023.
- In the secondaries market, transaction volume reached USD 54.4 billion in Q3 2023, up from USD 16.5 billion in Q1 2023, reflecting investors' appetite for liquidity.

Source: Pitchbook, Aranca Analysis

# PE investments in Europe experience 23% increase, while North America sees 8% uptick; conversely, investment levels decline in APAC and MENA regions

## Key Geographies



Other Geographies	Q3 2023 (In USD Bn)	Q4 2023 (In USD Bn)	Growth
Latin America	7	6	-12%
MENA	5	2	-48%

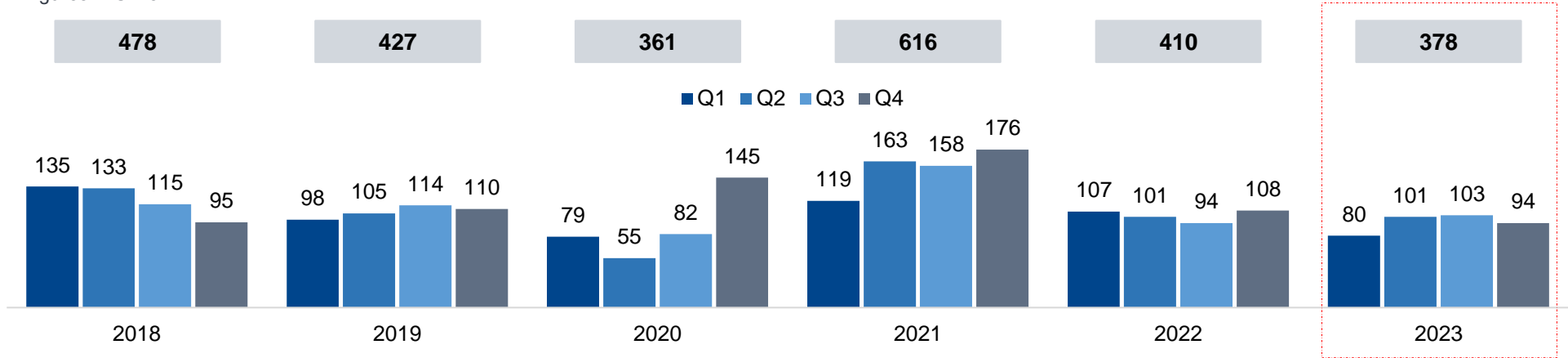
Capital Invested (USD Bn)

Source: Pitchbook, Aranca Analysis

# PE exits fall 9% as firms revamp exit strategies, making significant overhauls to original investment thesis of portfolio companies

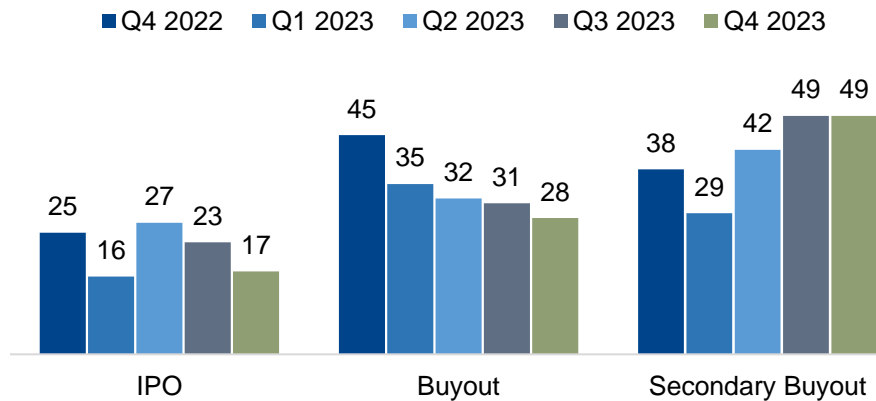
## Number of Exits

Figures in Units



## Key Exit Routes

Figures in Units



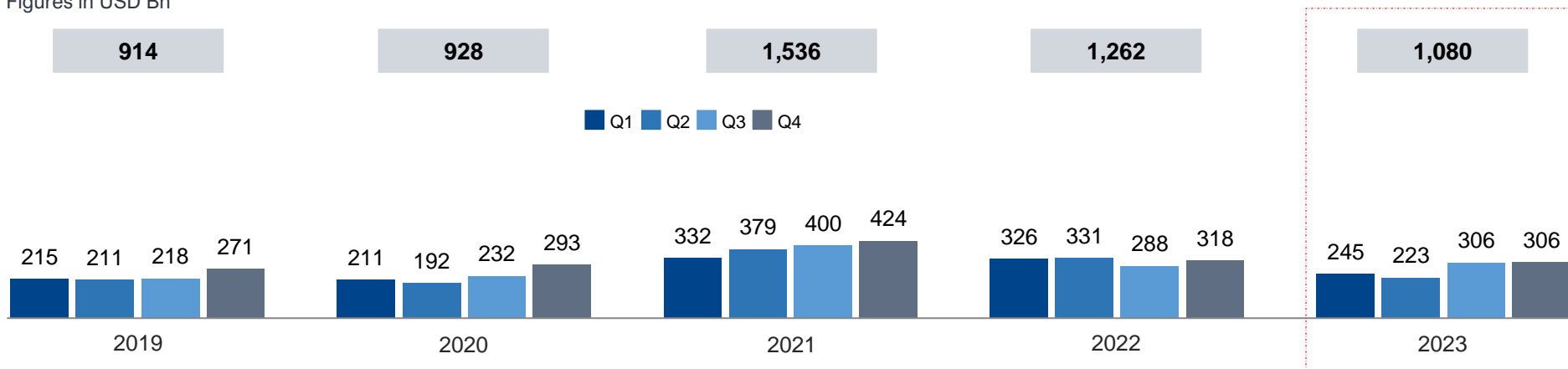
- Companies acquired during periods of high valuation are now being held onto in anticipation of improved returns.
- PE firms are adapting their growth strategies, placing more emphasis on operational improvements and taking a more selective approach to acquisitions in order to counteract diminishing returns.
- However, limited partners are pushing for capital returns, potentially prompting the sale of assets held for extended periods, even if it means incurring losses, to reinvest elsewhere or with different asset managers.
- Consequently, there is growing acceptance of financing alternatives such as NAV loans, as limited partners (LPs) and general partners (GPs) gain a better understanding of their utility.

Source: Pitchbook, Aranca Analysis

In Q4 2023, fundraising levels remain consistent with previous quarter but experience 14% decline annually, following ~18% fall in 2022

## Capital Raised

Figures in USD Bn

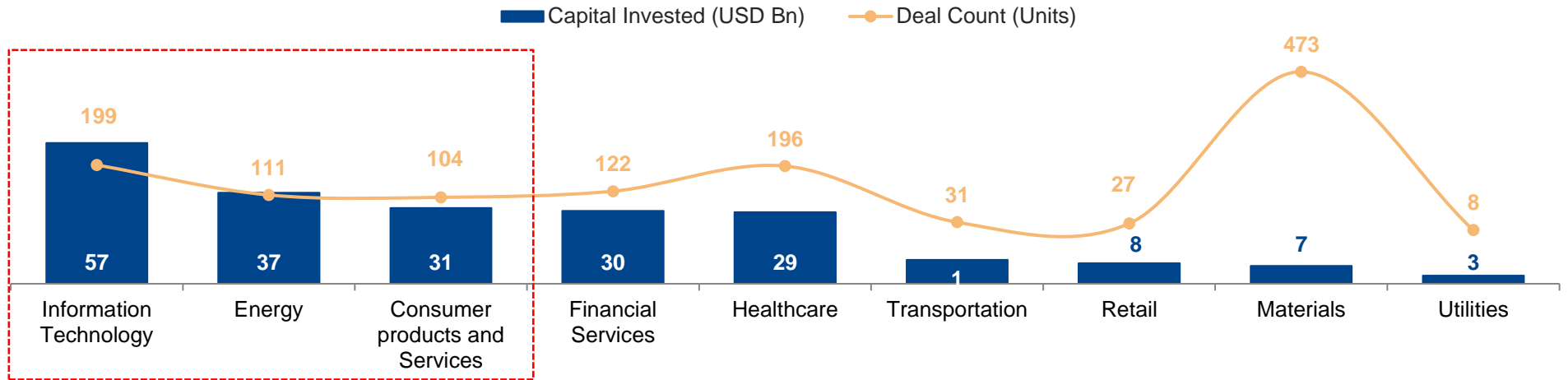


- In 2023, PE fundraising continued to decline amid a subdued market environment. LPs expect GPs to demonstrate successful exits, thereby returning cash to them in 2024 for reallocation.
- The increase in PE holdings is prompting LPs to rethink their investment allocations, making it harder for smaller and newer PE firms to raise funds. LPs are reassessing their PE investments and deciding whether to diversify or focus on specific GPs.
- Industry experts observe that LPs are allocating fewer funds to new PE commitments, showing preference for experienced managers with stable track records. Moreover, there is a shift to non-traditional investments like private credit, which offer attractive returns of approximately 15% without significant volatility.
- Two-thirds of the capital raised in 2023 came from buyouts and growth equity funds. Additionally, fundraising efforts concentrated in North America accounted for over 40% of the total capital raised.

Source: Pitchbook, Merger Market, Aranca Analysis

# IT, energy, and consumer products and services deals account for approximately 40% of total capital invested by PE firms in Q4 2023

## Top Sectors\* – Q4 2023



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

*“Despite these headwinds, there were positive opportunities for private equity investors. Some industry segments, such as technology and professional services, showed promise, while others, including energy, exceeded expectations.”*

**– A financial and management services firm**

*“Indeed, power generation carveouts from public utilities continued to be attractive targets for private equity and infrastructure fund buyouts in 2023.”*

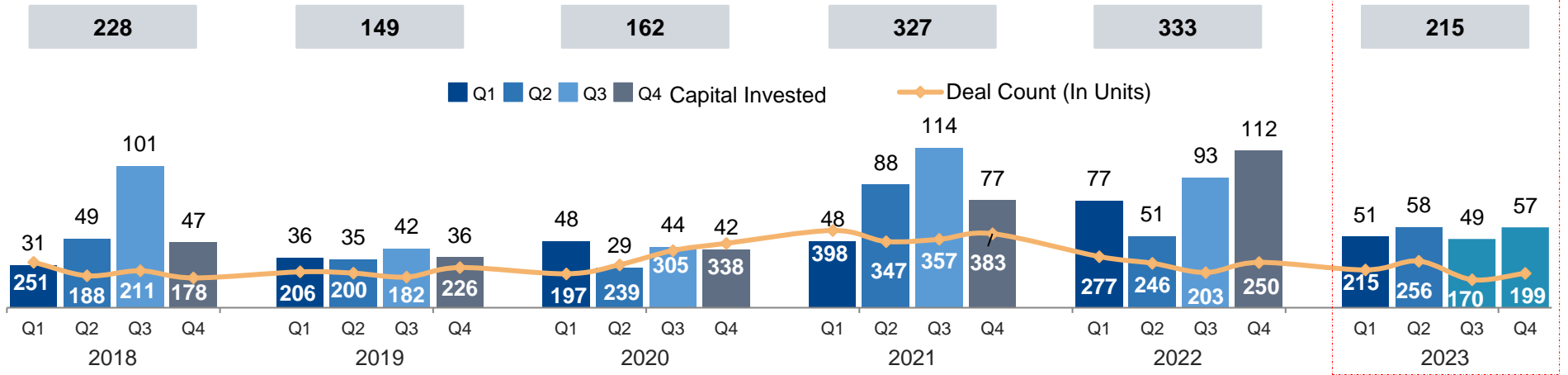
**– A private equity publication company**



# IT sector investments surge 17% QoQ in deal value and volumes, with software deals and IT services comprising over 76%

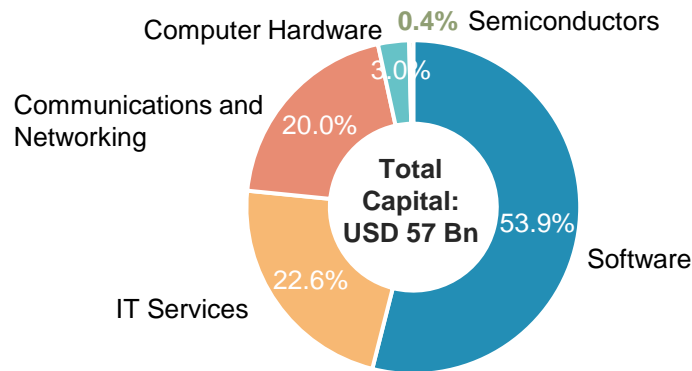
## Top Sectors – Information Technology

Figures in USD Bn



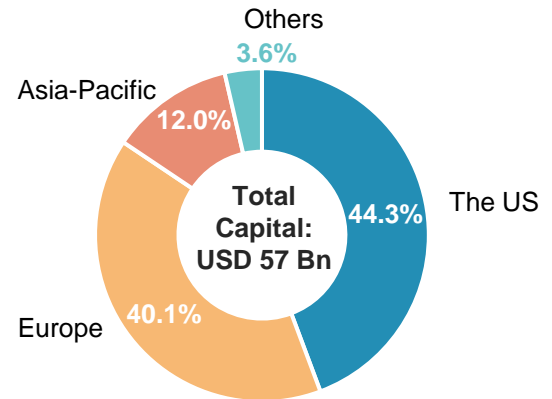
## IT by Primary Sectors in Q4 2023

Figures in Percentage and USD Bn



## IT by Geography in Q4 2023

Figures in Percentage and USD Bn



Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Top PE investments in IT sector in Q4 2023 *(Illustrative)*

IT Sectors	Subsectors	Company Name	Company Description	Geography	Deal Size (USD)	Deal Type	Investors	EV/ EBITDA	EV/ Revenue
Software	Business/ Productivity Software	New Relic	Software analytics solutions provider	The US	6,500.0 Mn	Buyout/ LBO	Francisco Partners, TPG	-	6.3x
		Alteryx	Self-service data analytics software provider	The US	4,400.0 Mn	Buyout/ LBO	Clearlake Capital Group, Insight Partners	-	4.1x
IT Services	Systems and Information Management	Compass Datacenters	Developer of data centers	The US	5,500.0 Mn	Buyout/ LBO	Brookfield Infrastructure Partners, Ontario Teachers Pension Plan	-	-
	IT Consulting & Outsourcing	ChinData Group	Carrier neutral hyperscale data center solution provider	China	3,160.0 Mn	Buyout/ LBO	Bain Capital	6.4x	3.1x
Communications and Networking	Telecommunications Service providers	Vodafone Espana	Provider of telecommunication services	Spain	5,238.0 Mn	Buyout/ LBO	Zegona Communications	-	-
		Consolidated Communications	Provider of communication services for business and residential customers	The US	3,100.0 Mn	Buyout/ LBO	British Columbia Investment Management, Searchlight Capital Partners	27.7x	4.1x
Computer Hardware	Computers, Parts and Peripherals	Technoprobe	Developer of testing solutions for chips, involved in design and production of probe cards	Italy	516.0 Mn	PIPE	Teradyne	-	-
	Electronic Equipment and Instruments	Hensoldt	Provider of defense and security electronics	Germany	261.5 Mn	PIPE	KfW Group	-	-
Semiconductor	Application Specific Semiconductor	Globetronics Technology	Manufacturer of integrated circuits, LED components, sensors, and related products.	Malaysia	29.9 Mn	PIPE	APB Resources	-	-
		ams-OSRAM AG	Manufacturer of sensors, sensor interfaces, and analog integrated circuit software	Austria	15.7 Mn	PIPE	-	-	-
<b>Median</b>								<b>17.1x</b>	<b>4.1x</b>

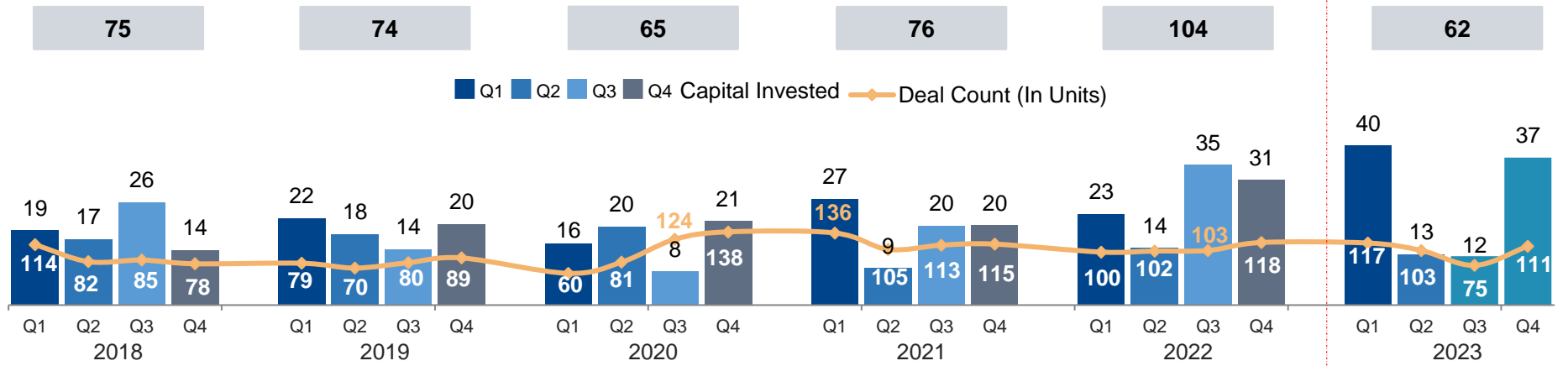
Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

# PE inject huge capital into energy deals in Q4 2023, driven by investments in energy storage, infrastructure, and renewable assets

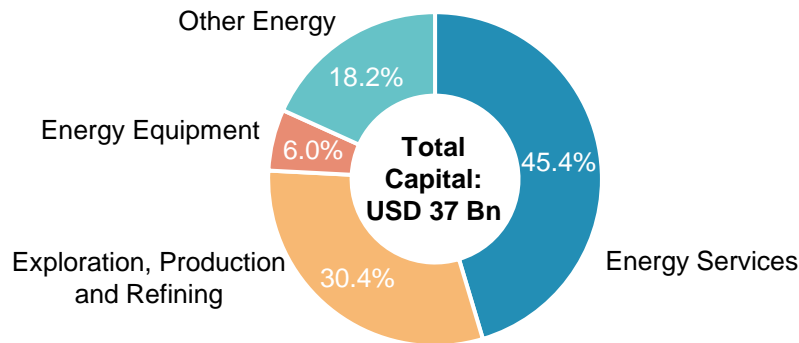
## Top Sectors – Energy

Figures in USD Bn



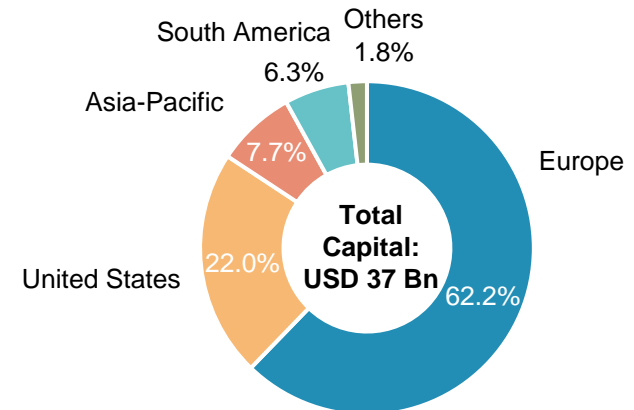
## Energy by Primary Sectors in Q4 2023

Figures in Percentage and USD Bn



## Energy by Geography in Q4 2023

Figures in Percentage and USD Bn



Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Top PE investments in energy sector in Q4 2023 *(Illustrative)*

Energy Sectors	Subsectors	Company Name	Company Description	Geography	Deal Size (USD)	Deal Type	Investors	EV/ EBITDA	EV/ Revenue
Energy Services	Energy Storage	Smart Metering Systems	Connects, owns, and maintains metering systems and database of energy companies	The UK	2,036.4 Mn	Buyout/ LBO	Kohiberg Kravis Roberts	22.4x	9.6x
	Other Energy Services	Coriance	Developer of heating and cooling networks intended for communities and industries	France	1,692.0 Mn	Buyout/ LBO	Caisse de depot et placement du Quebec, Vauban Infrastructure Partners	-	-
Exploration, Production and Refining	Energy Production	STEAG	Developer of energy infrastructures designed to extract energy from renewable sources	Germany	2,800.0 Mn	Buyout/ LBO	Asterion Industrial	-	-
		Enel Generacion Peru	Operator of energy distribution and generation	Peru	1,400.0 Mn	Buyout/ LBO	Actis	4.3x	2.1x
Energy Equipment	Alternative Energy Equipment	GCL Integration Technology Company	Specialist in clean and sustainable power production	China	670.4 Mn	PIPE	-	-	-
		Enfinity Global	Operator of solar energy power plants	The US	422.6 Mn	PE Growth/Expansion	Intermediate Capital Group	-	-
Other Energy	Other Energy	Deriva Energy	Manager of wind and solar energy assets	The US	2,800.0 Mn	Buyout/ LBO	Brookfield Renewable Partners	-	-
		New Harquahala Generation	Manager of natural gas-fired generation facility	The US	775.0 Mn	Buyout/ LBO	BlackRock, Capital Power	-	-
<b>Median</b>								<b>13.5x</b>	<b>5.9x</b>

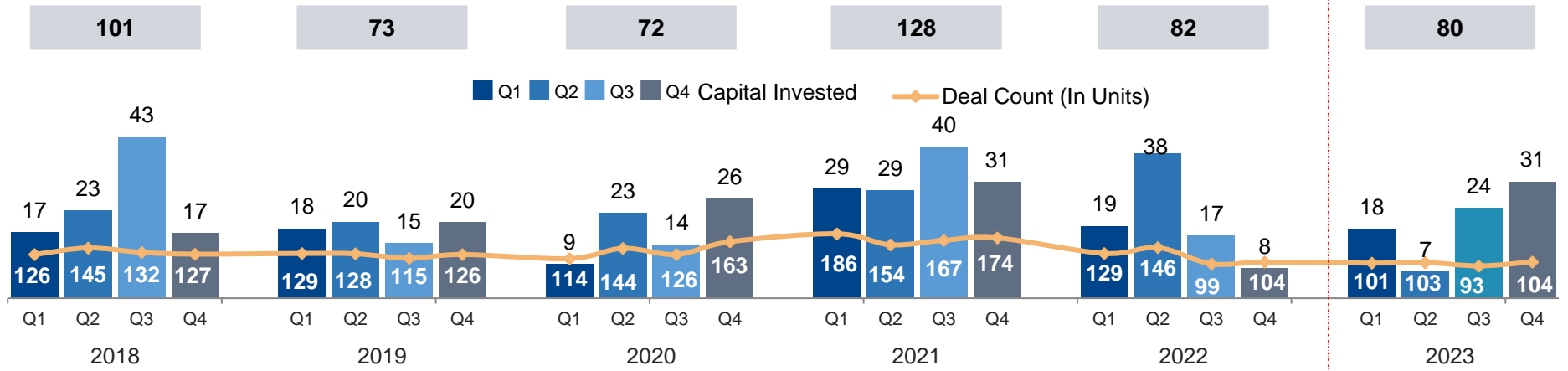
Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

# PE investments in consumer products and services sector surge 29% on big-ticket deals in pet food, food production, and related services

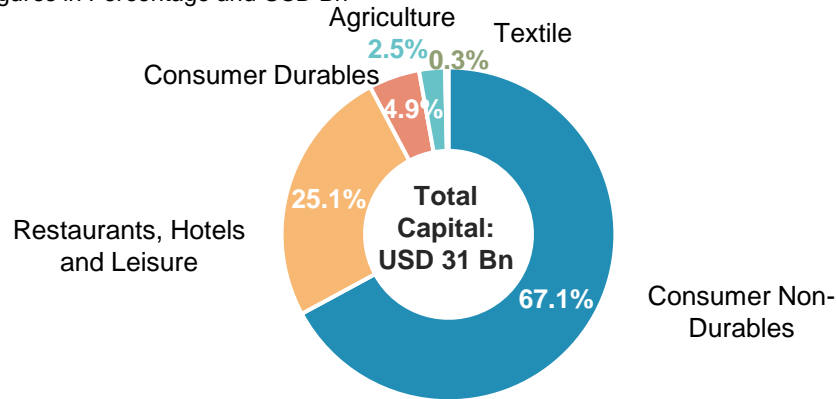
## Top Sectors – Consumer Products and Services

Figures in USD Bn



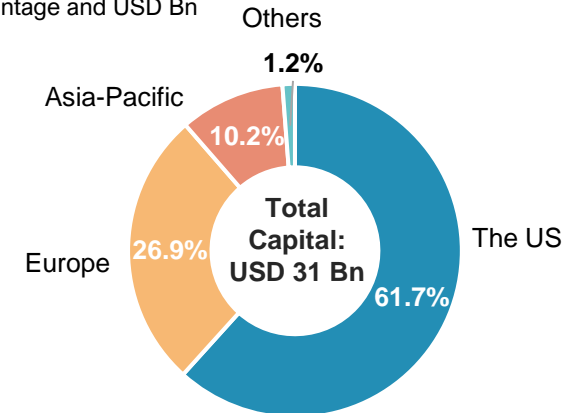
## Consumer Products and Services by Primary Sectors in Q4 2023

Figures in Percentage and USD Bn



## Consumer Products and Services by Geography in Q4 2023

Figures in Percentage and USD Bn



Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Top PE investments in consumer products and services sector in Q4 2023 *(Illustrative)*

Healthcare Sectors	Subsectors	Company Name	Company Description	Geography	Deal Size (USD)	Deal Type	Investors	EV/ EBITDA	EV/ Revenue
Consumer Non-Durables	Other Consumer Non-Durables	Alphaia	Manufacturer of pet foods and treats	The US	13,600.0 Mn	Buyout/LBO	PAI Partners	-	-
	Food Products	Newly Weds Foods	Producer of food products intended for processed food and foodservice industries	The US	4,000.0 Mn	Buyout/LBO	Redwood Holdings	-	-
Restaurants, Hotels and Leisure	Other Restaurants, Hotels and Leisure	Manchester United	Operator of a professional football club along with related and ancillary services	The UK	1,580.2 Mn	PIPE	Trawlers		
	Leisure Facilities	Ten Entertainment Group	Operator of family entertainment centers	The UK	374.4 Mn	Buyout/LBO	Trive Capital	5.6x	2.4x
Consumer Durables	Electronics	Kaynes Technology	Manufacturer of IoT-enabled integrated electronics solutions	India	168.1 Mn	PIPE	-	-	-
		Wondrwall	Designer and manufacturer of intelligent living systems	The UK	124.8 Mn	PE Growth/Expansion	InfraRed Capital Partners	-	-
Agriculture	Cultivation	Yougawalla Pastoral	Provider of sustainable cattle production	Australia	300 Mn	Buyout/LBO	Alberta Investment Management, NewAgriculture	-	-
	Other Agriculture	Biobest Group	Provider of pollination and biological control products and services	Belgium	130.5 Mn	PE Growth/Expansion	M&G, Sofiproteol, Tikehau Capital, Unigrains	-	-
Textiles	Synthetic Textiles	Ganesha Ecosphere	Manufacturer and seller of polyester staple fiber and spun yarn	India	42 Mn	PIPE	-	-	-
		Bolt Threads	Developer of textile materials designed for apparel, footwear, and beauty brands	The US	35.5 Mn	PIPE	Golden Arrow Merger	-	-
<b>Median</b>								<b>5.6x</b>	<b>2.4x</b>

Source: Pitchbook, Aranca Analysis

\*Note: Deals include completed and announced

## Aranca View

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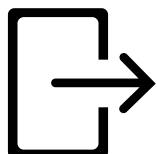
- **Globally, the dry powder available for PE surged, reaching USD 1.8 trillion as of November 2023. Despite leveraged buyout lenders demanding larger equity contributions from buyers, PE firms are well poised to pursue platform acquisitions and adopt add-on strategies.**



- **PE investors anticipate a rise in distressed transactions in the coming year, alongside an increase in secondary buyouts.**



- **Technology is likely to remain a dominant investment theme due to robust secular trends, with heavy investment expected in mature AI and machine learning companies.**



- **Sponsors may aggressively pursue exits and acquisitions to meet capital return obligations to LPs and deployment targets.**

Source: Aranca Analysis



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