2021 Private Equity Deal Value Surpasses Pre-Lehman Brothers Peak

Negative Real Interest Rates Bolster Strong Position for Private Equity, Despite Inflationary Concerns

- **Deal and exit values soared in 2021**, and public-to-private transactions are expected to account for a growing share of future deal flow
- **Exit types**: Trade sales will continue to account for the majority of exits, but secondary buyouts to account for a growing share
- **The fundraising market** remains buoyant, with a further $645bn of global private equity fundraising forecast in 2022
- **Investors outline strong desire** to deploy more capital into private equity, with emerging markets still in favor over the longer-term

After a surprisingly resilient 2020, private equity deal flow came roaring out of the gates in 2021, as fund managers looked to deploy record amounts of investor capital, while also taking advantage of buoyant listed equity markets to exit existing positions. Around 8,000 deals are expected to have been completed, conservatively annualizing data to October 2021, with a combined value of more than $800bn, breaking the 2007 record of $712bn.

This is according to the 2022 Global Private Equity Report published by Preqin, the global leader in alternative assets, data, tools, and insights. The report also found that private equity returns continue to outperform public markets, with the global private equity funds tracked by Preqin having achieved a net initial rate of return (IRR) of 18.8% over the five years to March 2021.

The surge in private equity investment activity has been supported by a virtuous circle driving the asset class to new heights. Low interest rates are incentivizing additional investor allocations, keeping buyout financing costs low, and sustaining buoyant valuation multiples. However, there may be signs that the early-2021 boom in risk assets could be starting to moderate, with fundraising softening from Q3 2021. As the private equity market cycle progresses, and the market becomes increasingly crowded, Preqin predicts a larger portion of exits will involve sales to other GPs, also known as secondary buyouts. This could signal that the current private equity cycle is beginning to mature; it is also a natural result of companies staying private for longer.

Private equity’s expected returns will continue to push assets under management higher over the next years. In addition, Preqin forecasts further increases in global private equity fundraising, with $645 being raised in 2022 and $813bn in 2026. Preqin also anticipates that more public companies will be taken private by buyout funds around the world, as fund managers need to deploy large sums of capital and the pool of suitable private companies they can target is limited.

Private equity investments are also expected to target specific regions. In a survey conducted in November 2021, Preqin found that institutional investors are keen to deploy more capital into emerging markets private equity in the longer term. Fintech, healthtech, e-commerce, and edtech in India, Vietnam, and Indonesia are all on the verge of a boom, riding the growing wave of digital adoption. While low interest rates and more favorable valuations in Japan and Australia may offer promising opportunities for buyout funds in markets with better risk protection. More generally, there is growing investor interest in earlier-stage investments regardless of region.

Cameron Joyce, CFA, Vice President, Research Insights, Preqin, says: “While the pandemic caused a significant amount of disruption in the global economy, the policy response from the authorities in many nations was swift and powerful. As a result, private equity activity has significantly increased on a wave of liquidity and positive investor sentiment. Although concerns around inflation have been growing, the outlook for the global private equity market remains positive.”

About Preqin

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professionals are streamlining how they raise capital, source deals and investments, understand performance, and stay informed. Through close partnerships with its clients, Preqin continuously builds innovative tools and mines new intelligence to enable them to make the best decisions every day.

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