

Private Equity Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The Global private equity market is expected to grow at a CAGR of 10.2% during the forecast period of 2022-2028. As per the analysis, the global buyout value reached USD 1,120 million in 2021. The availability of a huge volume of capital in the market and the growing need for diversification of that capital are the key reasons contributing to the growth of the private equity market. In addition, the correlation of private equity compared with other investment classes is low, making it a preferable choice for ultra-high net worth individuals (UHNIs) and high net individuals (HNIs). The emerging trend of start-up culture is estimated to increase the number of private equity deals. Furthermore, as the general public does not take up investing in private equity firms, it does not have many rules and regulations. This contributes to the growth of private equity deals as the investors have more control and freedom over their funds without the government's interference.

The COVID-19 pandemic has tested the Private Equity (PE) industry in ways not seen before, handcuffing their ability to pounce as investors everywhere remained cautious or complacent. But as the situation begins to stabilize, expect PE firms will enthusiastically reengage and help lead the recovery, applying their historical expertise and value-creating capabilities to stand companies back up and position them for long-term success.

Private Equity Market Trends

Growth Investments Have Become Larger and More Complex

Growth investments of USD 19.6 billion in 2021 are lower by around 14% compared to 2020. However, growth investments in 2020 were propped up by mega investments worth USD 15.1 billion in RIL group companies. Adjusted for these one-off deals, growth investments in 2021 are almost 2.5 times the value recorded in 2020 (USD 7.8 billion, adjusted value) and more than twice

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the value recorded in any of the previous years. This growth was not only driven by a higher number of deals but also by an increase in the average deal size. 2021 recorded 187 deals, 61% higher compared to 2020 (116 deals) and an average deal size of USD 105 million, which is almost 50% higher than earlier years except 2020 which had a higher average deal size due to the mega deals in RIL group companies. Eight sectors recorded over USD 1 billion in growth investments in 2021, led by e-commerce, media and entertainment, real estate, and financial services.

Emergence of SPACs to Boost the Demand for Private Equity

The SPAC IPO has been around in its current form since the 1990s, but the surge in popularity is more recent. 2021's SPAC proceeds of USD 143 billion nearly doubled 2020's record USD 73 billion. The number of SPAC mergers (including both announced and completed acquisitions of target companies) hit new records every quarter in 2021 to peak at 104 in Q4'21, although the pace slowed in 2022 so far. In the first two months of 2022, the average redemption rate for a SPAC merger reached 80% - meaning 4 out of 5 shares were redeemed before the target was acquired - up from about 50% in 2021 and just 20% in 2020. Moreover, the future of SPACs will likely involve private equity firms in sponsoring many SPACs by utilizing their financial resources, networks, deal-making expertise, and industry experience. This will further contribute to the rapid expansion of SPACs as a preferred investment vehicle in the forthcoming years. Lastly, some forces like the lingering pandemic and geopolitical turmoil are also driving PE deal-making imperatives.

Private Equity Market Competitor Analysis

The global private equity market experiences intense competition due to the presence of numerous established companies in the market. SPACs have a short lock-in period (usually 18 to 24 months) compared to PE portfolio companies (5-6 years). They can earn sizeable returns more quickly than a private equity fund. Some of the leading players involved in the production and marketing of the Global private equity market include Advent International, Apollo Global Management, The Blackstone Group Inc, The Carlyle Group Inc, CVC Capital Partners, KKR & Co. Inc, Thoma Bravo, EQT AB, Vista Equity Partners, TPG Capital, Bain Capital, Warburg Pincus LLC, and Neuberger Berman Group LLC among others.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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