

Private Equity Sinks its Teeth into Tech

2018 is on course to see a record number of buyout-backed technology deals announced

Private equity buyout firms are on course to make more investments in the technology sector in 2018 than in any year prior. As at November there have been 1,079 buyout-backed tech-focused deals announced globally, approaching the record of 1,096 set the previous year. In fact, the number of buyout-backed deals in tech has increased year-on-year since 2009, although the value of these deals peaked at \$177bn in 2015, driven in part by the \$67bn merger of Dell and EMC.

Technology-focused private equity is a major industry, with funds now holding more than half a trillion dollars in assets under management as of the end of March 2018. This is twice as large as the sector was just five years ago, demonstrating the rapid rise of technology-focused private equity. This momentum seems unlikely to slow in the near future: fund managers focused on tech currently hold a record \$190bn in dry powder ready to be deployed, and fundraising in recent years has been consistently strong, with more than \$70bn raised in each of the past three years.

For more information and analysis, see the full *Technology-Focused Private Equity* factsheet here:
<http://docs.preqin.com/reports/Preqin-Private-Equity-Tech-November-2018.pdf>

Christopher Elvin, Head of Private Equity:

“Private equity firms focusing on technology is not a new phenomenon, but it is striking how much the sector has grown in recent years. In the current fundraising environment, it seems unlikely that the flow of capital will slow in the near future, while the consistent year-on-year rise in the number of deals announced shows the sector has momentum. This may in part speak to the ubiquity of technology, which sees an ever-increasing number of potential investment opportunities available in the sector. But it may also speak to a shift in strategy on the part of some firms – we have seen an increase in the number of add-on deals in the tech space, suggesting a growing prevalence of buy-and-build strategies as firms compete to provide scale and capture market share.”

Key Tech-Focused Private Equity Facts:

- While total yearly value for tech-focused private equity-backed buyout deals has declined since 2015, **the number of deals has been on the rise**. In 2018 so far there have been 1,079 deals announced worth a total of \$71bn.
- **Add-on deals are accounting for an increasing proportion of tech buyout deals**, comprising 42% of the number of deals made in 2018 as at November.
- By contrast, public to private transactions are on the decline, making up less than one percent of deals this year.
- In 2018 YTD there have been **286 tech-focused private equity funds closed**, raising a total of \$68bn.
- **This brings the average fund size to \$238mn** – the largest ever for tech-focused private equity funds.
- Strong interest in the sector has helped push **tech-focused private equity assets under management to a record high of \$569bn** as at the end of March 2018.
- This includes **\$190bn in dry powder** – a record high for the sector.

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PRIVATE EQUITY SINKS ITS TEETH INTO TECH

KEY FACTS



1,079

No. of tech-focused private equity-backed buyout deals announced in 2018 YTD.



\$569bn

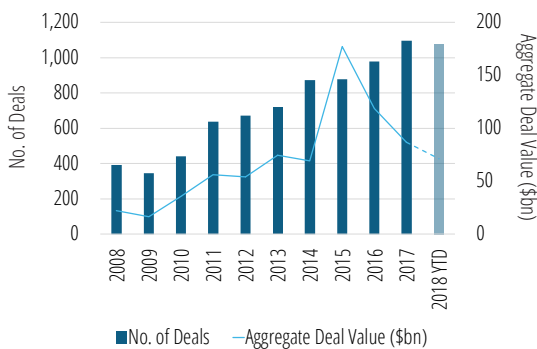
Tech-focused private equity assets under management reached a new record as at March 2018.



\$238mn

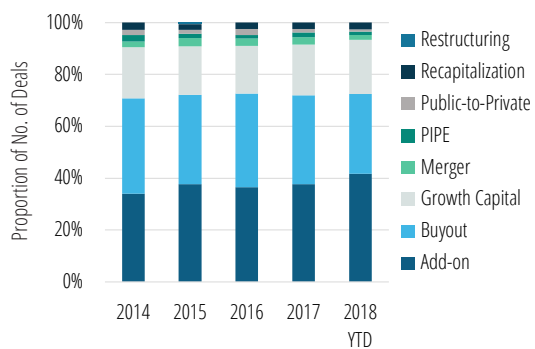
Average size of tech-focused private equity funds closed in 2018 YTD.

Fig. 1: Global Tech Buyout Deal Activity, 2008 - 2018 YTD (As at November 2018)



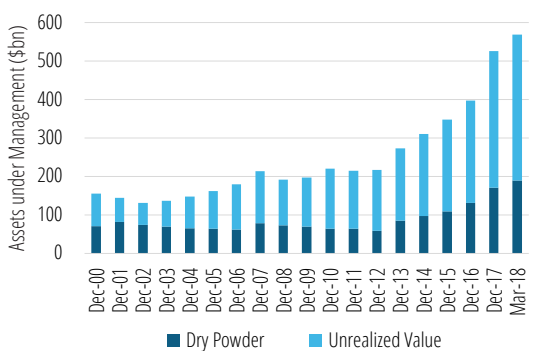
Source: Preqin Pro

Fig. 2: Number of Global Tech Buyout Deals by Investment Type, 2014 - 2018 YTD (As at November 2018)



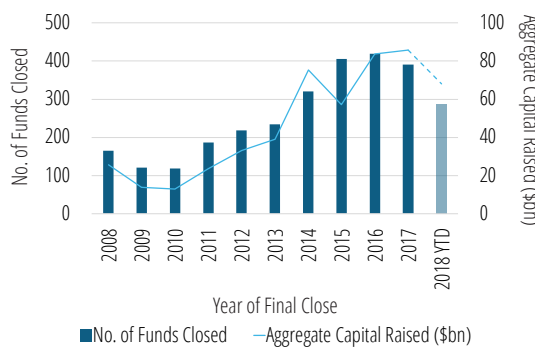
Source: Preqin Pro

Fig. 3: Tech-Focused Private Equity Assets under Management, 2000 - 2018 (As at November 2018)



Source: Preqin Pro

Fig. 4: Annual Tech-Focused Private Equity Fundraising, 2008 - 2018 YTD (As at November 2018)



Source: Preqin Pro