Press Release

13th March 2018

Private Equity Buyout Funds Focus on IT Sector

IT companies comprise 23% of 2018 YTD deal activity, as fundraising reaches new peaks

Private equity buyout funds are increasingly becoming involved in the information technology sector, particularly as some technology companies become larger and more mature. Sixteen information technology-focused buyout funds closed in 2017, equalling 2015's record, and raised $40bn – more than twice the previous record of $17bn registered in 2013. The average size of IT-focused private equity buyout funds in 2017 was $2.5bn, and this includes two funds of more than $10bn each. At the same time, deals in information technology account for a rising proportion of buyout-backed deal numbers. In 2017, 823 deals in information technology comprised 19% of the global number of private equity buyout deals, a record high, and in 2018 YTD they account for 23%. Information technology also accounts for a significant proportion of total deal value – 19% in 2017 – but this does not approach the all-time high of 33% recorded in 2015.

For more information and analysis, see the full *March 2018 Private Equity and Venture Capital Spotlight* here:
http://docs.preqin.com/newsletters/pe/Preqin-Private-Equity-and-Venture-Capital-Spotlight-March-2018.pdf

Key Information Technology Buyout Facts:

- Information technology-focused buyout fundraising has accelerated in recent years. **More than $10bn was raised for the sector in four of the past five years**, a level matched in just one year prior to this period.
- 2017 in particular was a record year. **Sixteen IT-focused buyout funds secured a combined $40bn**, equalling the record for the number of closures and the doubling the previous record for capital raised.
- **More and larger funds are entering the market**. Average fund size surpassed $1bn in four of the last five years, and 2017 saw a record average vehicle size of $2.5bn.
- The **information technology sector accounts for a growing proportion of buyout deal numbers**, up from 15% in 2015 to 19% in 2017 and 23% in 2018 YTD.
- Although the share of total deal value going to IT companies has fallen from a record 33% in 2015 to 19% in 2017, this remains well above the level seen prior to 2013.
- **2017 saw a record 823 buyout-backed deals** in information technology announced, worth a combined $66bn.
- **North America and Europe account for the largest proportions** of the global number of deals in information technology, accounting for 56% and 39% of transactions in 2017 respectively.
- However, **Asia-based deals accounted for almost a third (31%) of total private equity-backed buyout deal value in IT in 2017**, up from 8% in 2015.

Christopher Elvin, Head of Private Equity Products:

"Private equity buyout involvement in the information technology sector is growing. Although there are some longstanding buyout firms which focus on the IT industry, fundraising and investment in the sector has traditionally been dominated by venture capital and growth funds. This perception has been changing in recent years, though, with increasing numbers of buyout funds focussing on making investments in this industry. 2017 in particular marked a banner year for buyout funds focusing on IT: funds closed through the year raised more than twice the previous record capital total, and deal activity in the sector accounted for almost one out of every five deals announced for buyout firms.

This level of activity speaks to the high investor appetite for information technology investments, spurred by rapid developments in computing and software technology that have seen increasing numbers of IT companies become large and mature enough to be viable private equity buyout targets. However, with so much competition for these deals valuations are high, and private equity fund managers must compete with corporate and retail investors that are also becoming more active in the sector. Record fundraising is a mark of confidence, but fund managers will have to effectively deploy that capital in order to maintain the current appetite.

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