

# COVID-19 Slump Bites into Q2 Private Equity Activity

**Predicted slowdown takes full effect in Q2, even as dry powder climbs towards \$1.5tn**

The COVID-19 pandemic had relatively little effect on Q1 activity, not impacting European or North American countries until the end of the quarter. But the slowdown was very much evident in Q2, with fundraising and buyout-backed dealmaking both seeing significant declines. Just 225 funds closed globally, the lowest quarterly total seen in five years, and the \$110bn they raised was the lowest since Q1 2018. Buyout-backed dealmaking also declined, with just 888 deals made for a total value of \$61bn – around half the level of activity seen in Q2 2019. But dry powder has continued to climb, and now sits at an estimated \$1.48tn, increasing the pressure on managers to find good opportunities. A decline in the targets of funds coming to market would also suggest that managers' attention is turning away from raising capital and towards deploying it.

**For more information and analysis, see the full *Private Quarterly Update: Private Equity & Venture Capital Q2 2020* here:**

<https://www.preqin.com/insights/research/quarterly-updates/preqin-quarterly-update-private-equity-and-venture-capital-q2-2020>

## Christopher Beales, Private Equity Spokesperson:

*“The second quarter is when COVID-19 really took effect in North America and Europe, and so is likely to be the most depressed quarter in terms of fundraising and dealmaking activity. It’s notable that the venture capital deals market, where a far greater proportion of activity is in China, has already ticked back up from declines in Q1. If other regions follow a similar trend, then we could see signs of recovery in Q3 as and when countries re-open their economies. And while fundraising is a more challenging prospect than in recent years, the potential opportunities for private equity fund managers deploying capital in the next 12 months will be greater than for their immediate predecessors – and in the longer term, 2019/20 vintage funds could see higher performance as a result.”*

## Key Q2 2020 Private Equity & Venture Capital Facts:

- Just **225 funds closed in Q2 2020, raising a combined \$116bn**. This is compared to 425 funds that secured \$150bn in the equivalent quarter of last year.
- Buyout-backed deals also slumped, as **888 deals were announced worth a total of \$61bn**. This is around half the activity seen in Q2 2019, when 1,567 deals were recorded worth a combined \$115bn.
- **Venture capital-backed deals were much more stable**: 3,280 deals were recorded in Q2 ticking up from 3,099 the previous quarter. The \$60bn in total deal value is up from \$57bn in Q2 2019.
- **Dry powder has kept rising**, increasing from \$1.41tn at the end of 2019 to \$1.48tn at the end of Q2 2020.
- Looking ahead, **there are 3,754 private equity funds in market globally, seeking a total of \$884bn**. This is on par with the number of funds recorded in January (3,524), but a decrease from their combined targets (\$926bn).
- The largest investors' appetite for private equity, meanwhile, has diminished: the **proportion of investors looking to commit more than \$300mn in the next 12 months has halved** from 22% in Q2 2019 to 11% in Q2 2020.
- But the **proportion looking to commit less than \$50mn has remained stable**, suggesting compression at the top end rather than a general fall in investor appetite.

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