



PRIVATE EQUITY
INTERNATIONAL

Chinese private equity

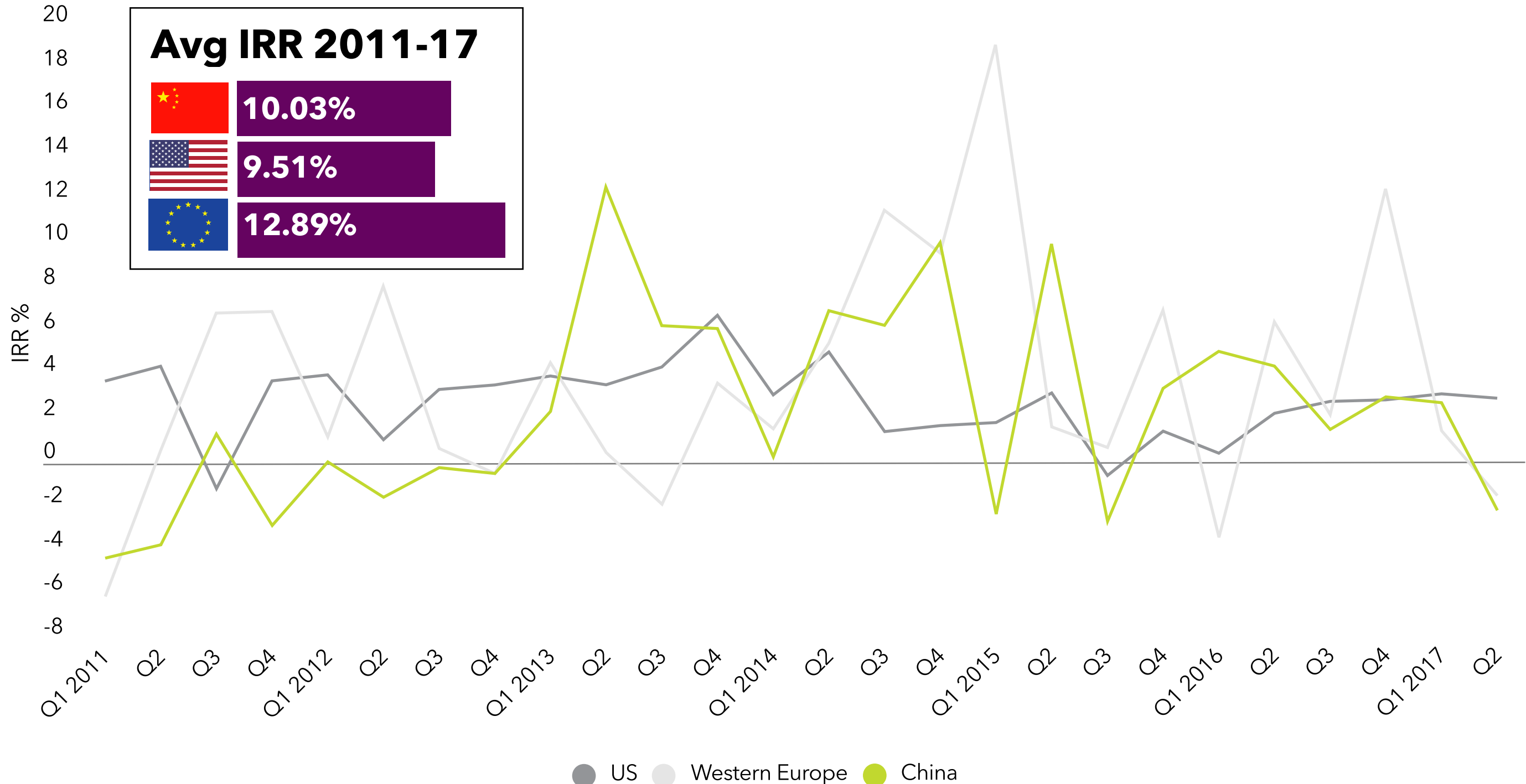
How to ride the buyout wave



Why you should want to invest in China

Private equity returns compare well with the US and Europe...

Quarterly IRR since 2011: China vs US and Europe



Source: eFront data



... and China is seeing a wave of buyouts

Deals have risen sharply in the last five years as private equity shifts from growth capital to a more consumption-driven buyout model

2017

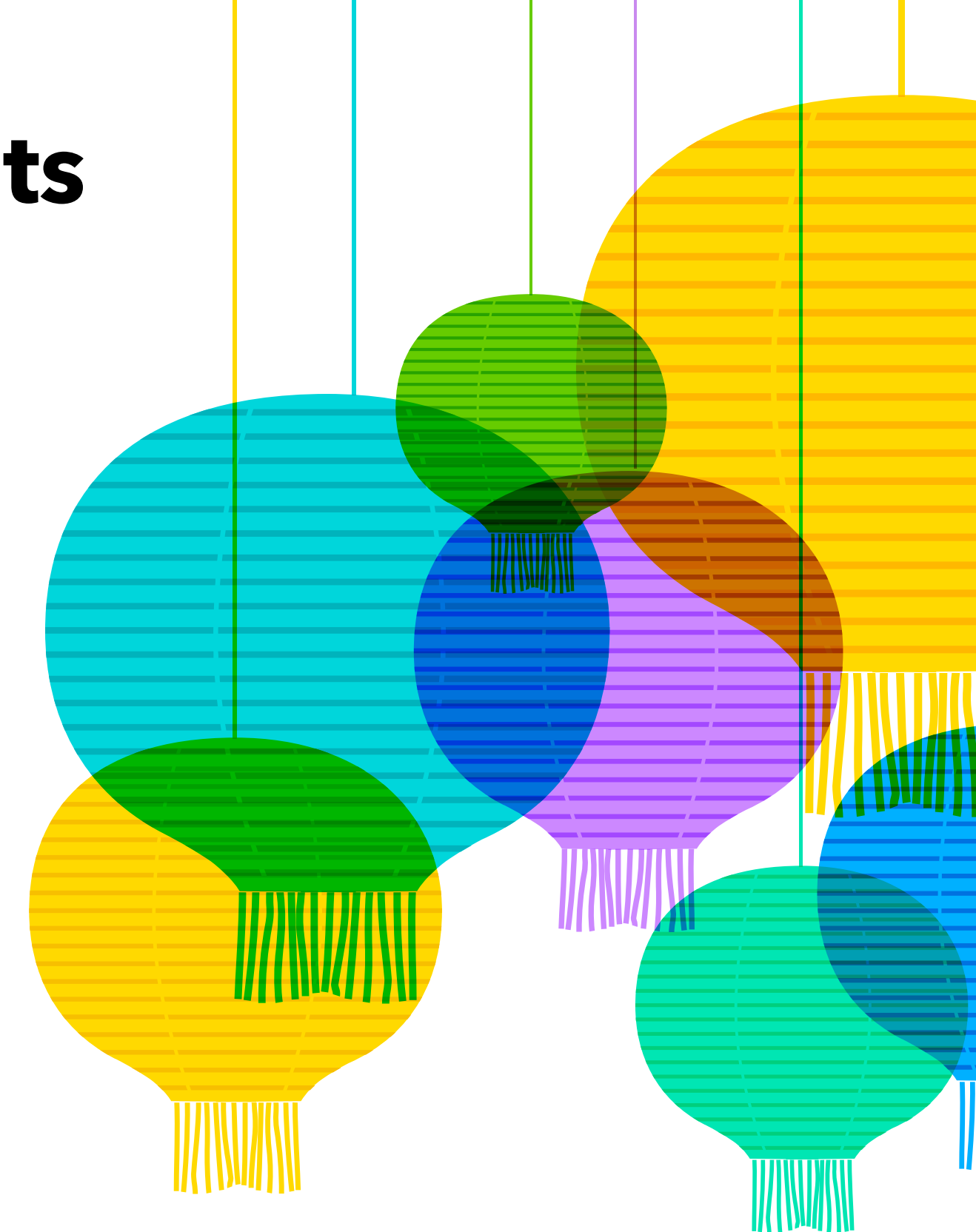


Worth
\$73bn

Up **56%** on the
2012-16 average

Worth
\$48bn

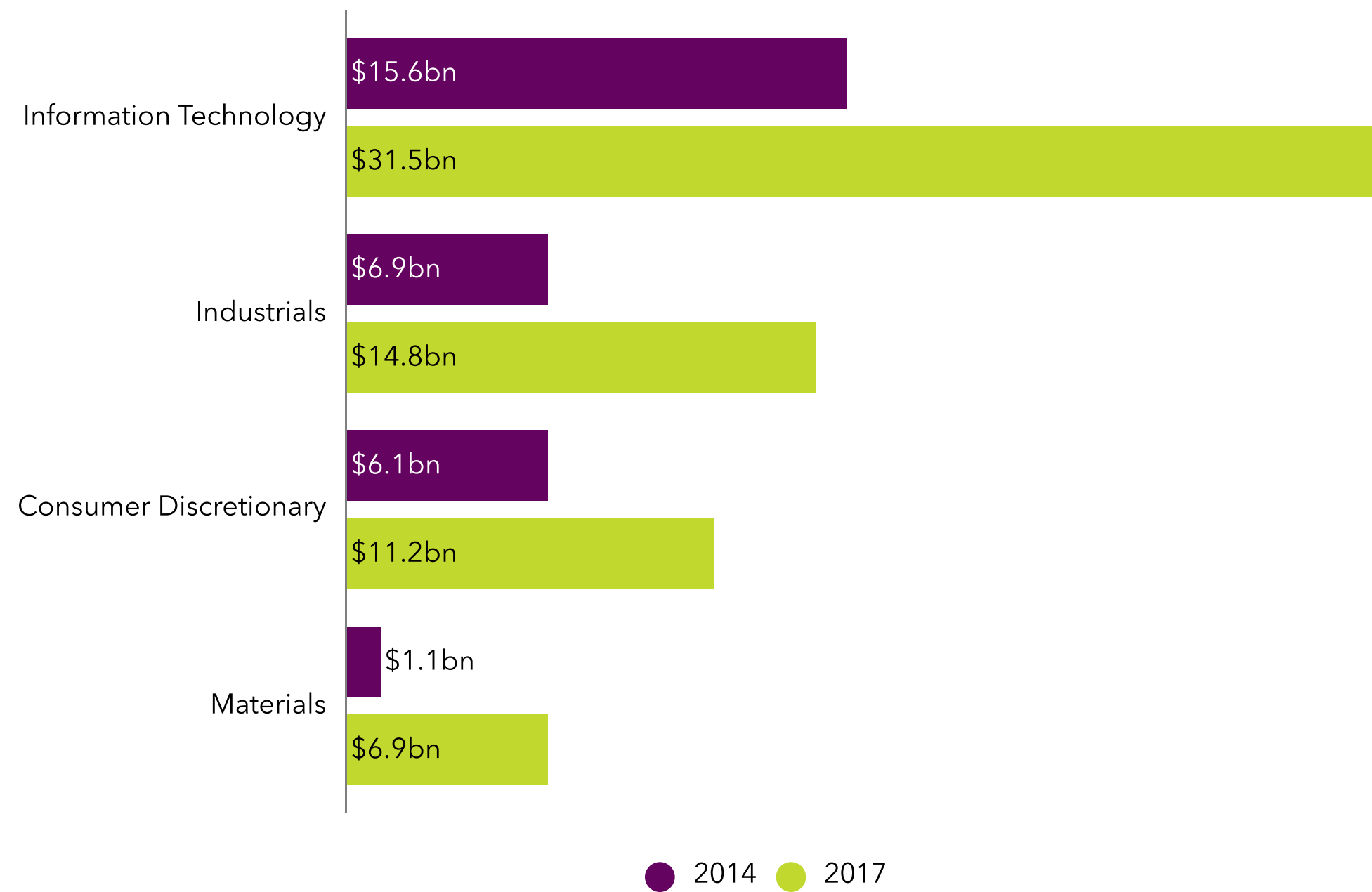
Up **9%** on the
2012-16 average



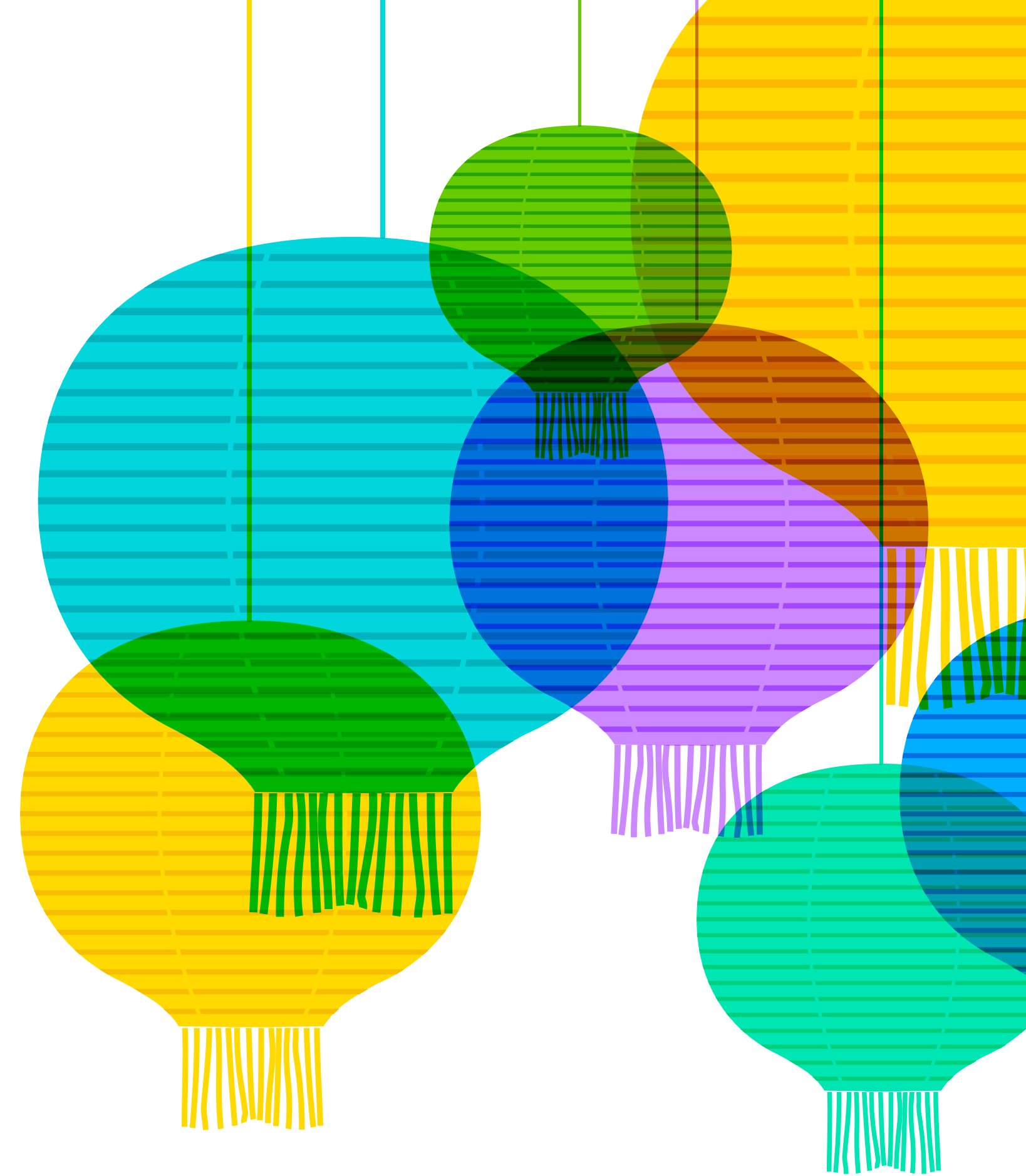
All eyes are on tech

TMT-focused funds made up 64% of sector-specific vehicles in 2017, amid a doubling in deal value in the IT sector since 2014

Fastest growing deal sectors since 2014



Source: S&P Global Market Intelligence Screening



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Technology and the new economy are gradually replacing and transforming every industry, while addressing China's unique social and demographic needs

Chris Lerner, head of Asia for Eaton Partners



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China's tech titans are leading the way

With deep pockets and a long-term perspective, China's BAT internet trio are changing the private equity investment story



Baidu

\$80.5bn

Market Cap

RECENT ACQUISITIONS

91 Boyuan Wireless

Chinese app store
\$1.9bn (2013)

Beijing Huanxiang Zongheng Chinese Literature

Online literature platform
\$31.3m (2013)



Alibaba

\$495bn

Market Cap

UCWeb

Chinese mobile browser provider
\$4.7bn (2014)

AGTech Holdings

HK-listed lottery systems company
\$2.39bn (2016)

South China Morning Post

Hong Kong newspaper
\$262m (2015)



Tencent

\$506.7bn

Market Cap

Supercell

Finnish game developer
\$8.6bn (2016)

China Music

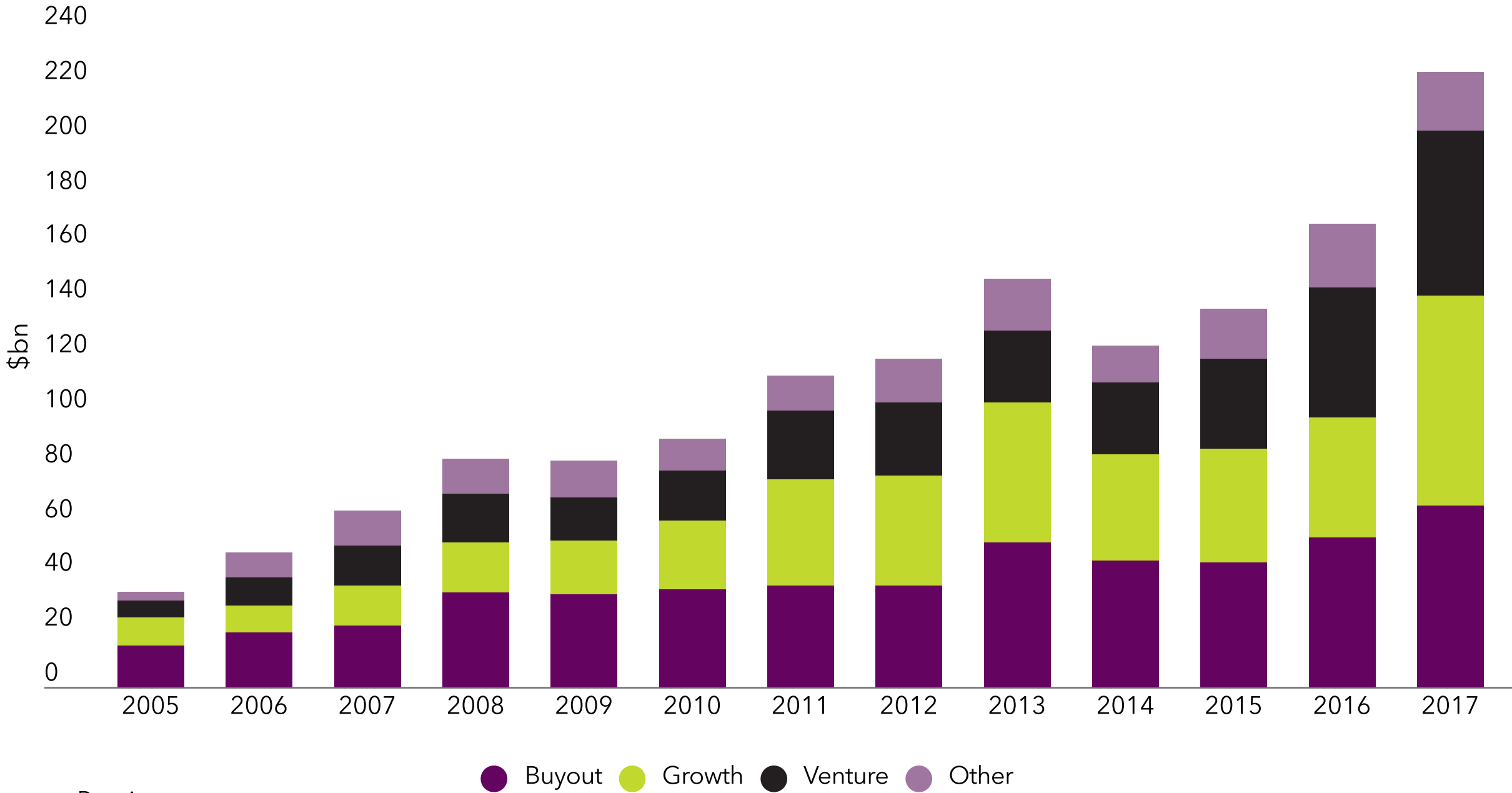
Online music streaming company
\$2.7bn (2016)

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But is the market already too crowded?

Asia-Pacific funds are sitting on record amounts of dry powder - \$225bn, or around 2.2 years' worth of future investment, creating a steep entry barrier to potential newcomers

Asia-Pacific-focused unspent capital



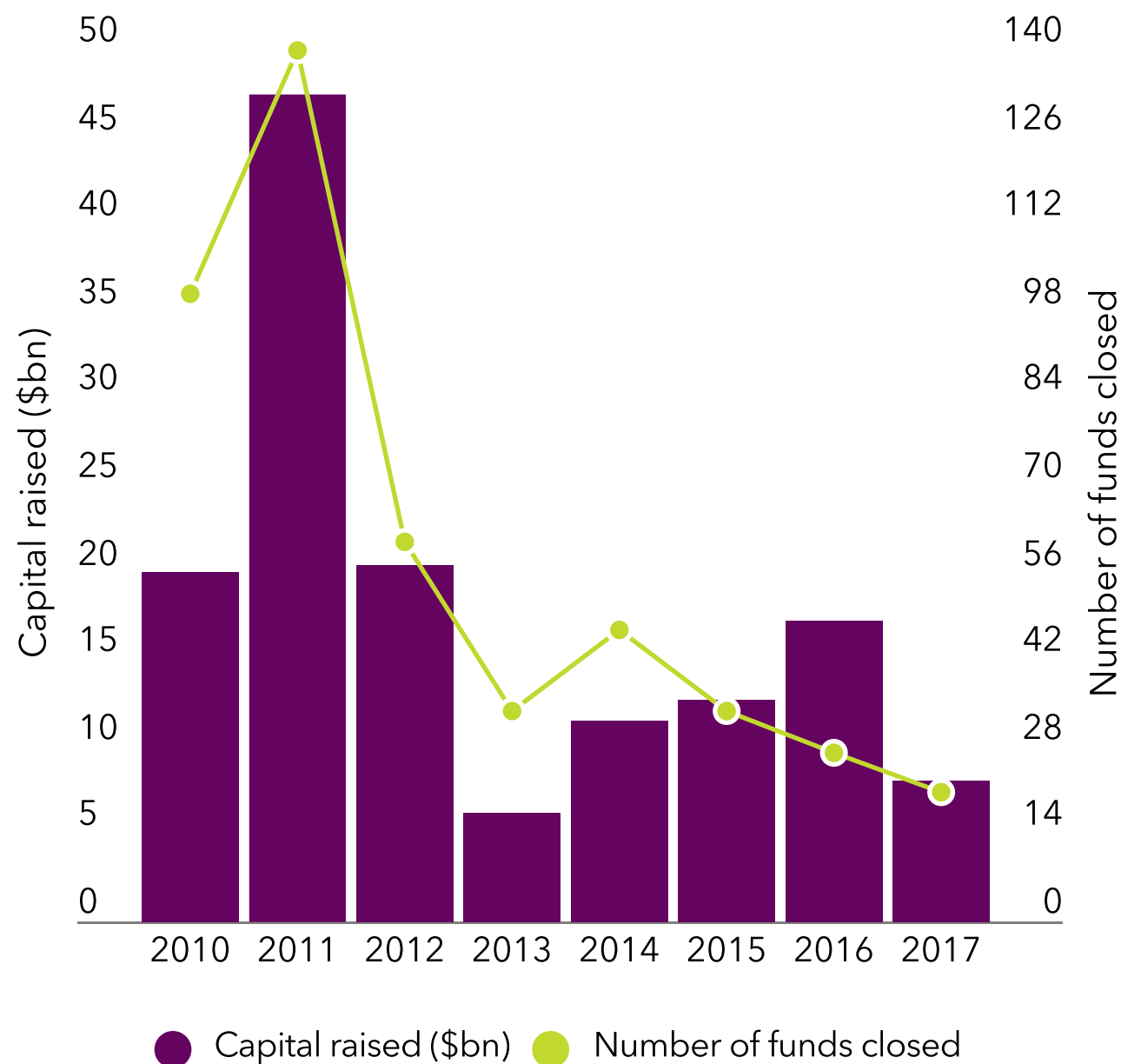
Source: Preqin



China-focused fundraising fell in 2017

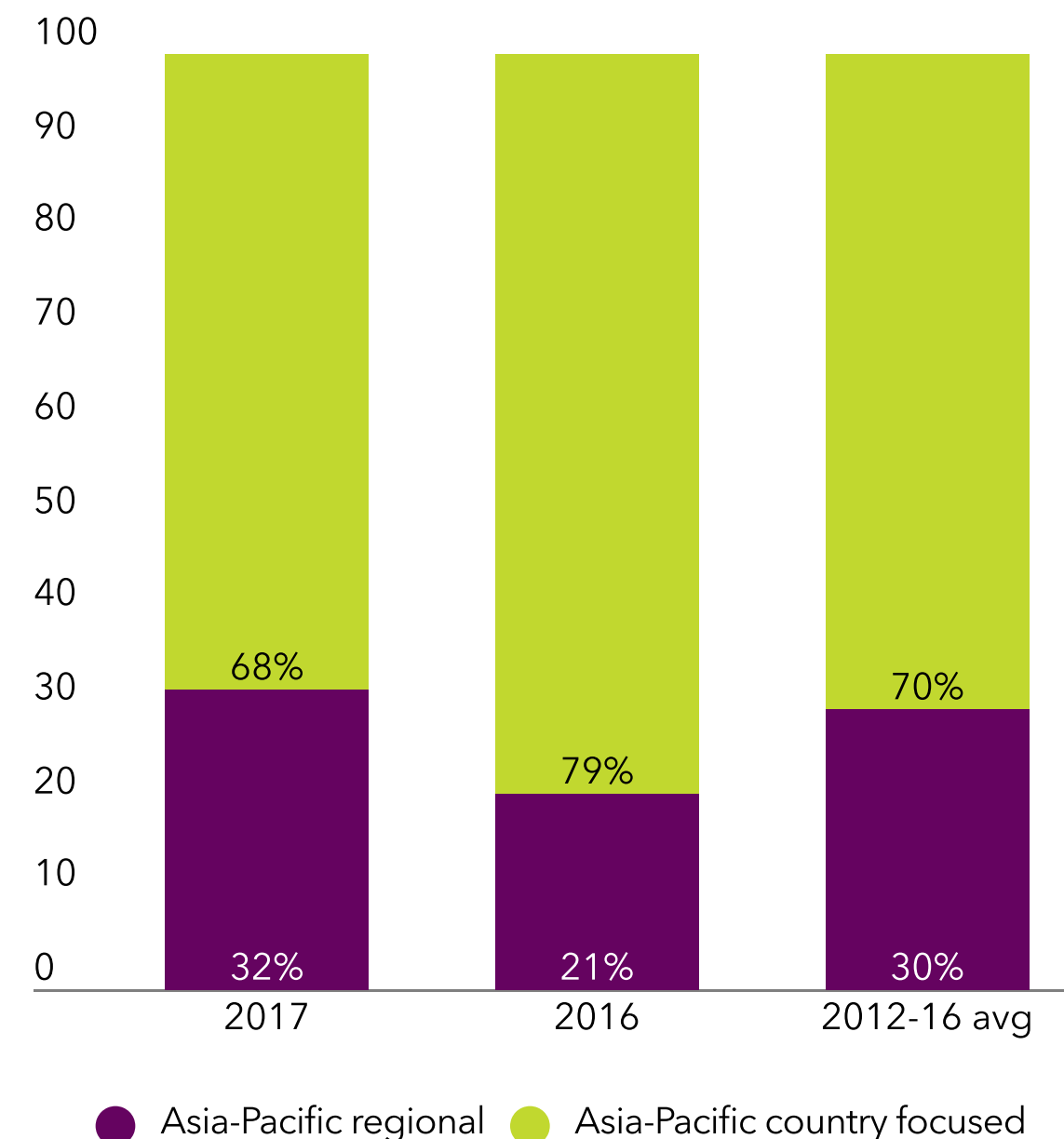
Investors are pouring more money into pan-Asian strategies

China-focused fundraising since 2010

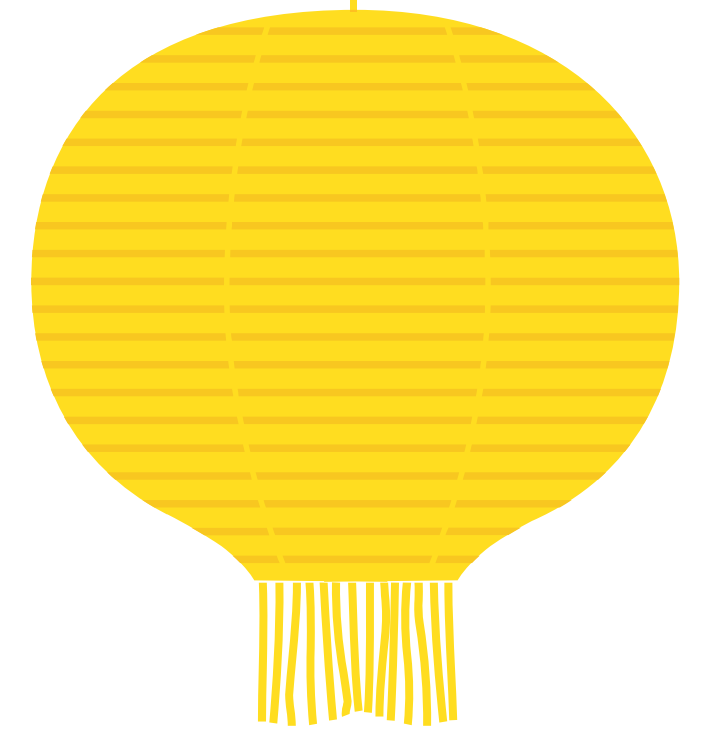
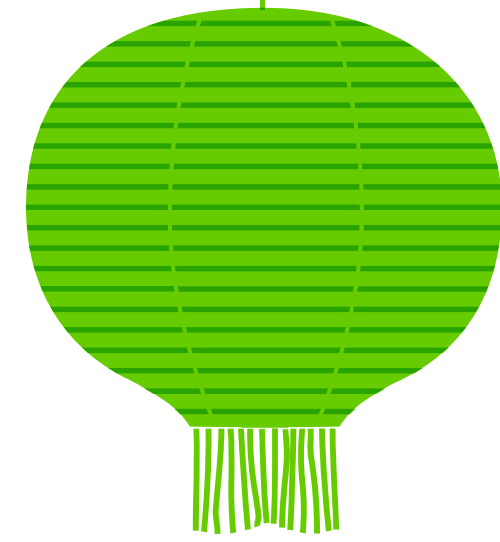


Source: Private Equity International

Regional vs country-focused fundraising



Source: Bain & Company



Trumped in the US

Deals have fallen sharply in the US as President Trump's America First policy starts to deter Chinese investment



81%

The total value of deals by Chinese firms investing in US assets plummeted, from a record \$56.7bn in 2016 to \$10.7bn a year in 2017, according to a report from law firm White & Case

The sentiment in China is that it is going to be very difficult to do a deal in the US, particularly in the high-tech space

Bee Chun Boo, Partner, Baker McKenzie, Beijing





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This report was compiled from data collected for PEI's
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Graeme Kerr

Special Projects Editor
Private Equity International
graeme.k@peimedia.com
+44 (0)203 862 7491

Carmela Mendoza

Senior reporter
Private Equity International
carmela.m@peimedia.com
+852 2153 3148

Design: Miriam Vysna

