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Emerging Market Private Capital Opportunities Attract Investors at Levels Not Seen Since 2008 Funds raised and capital invested reach US\$61 billion and US\$49 billion

Washington, D.C., 21 February 2018: EMPEA's just released [Year-End 2017 Industry Statistics](#) reveal year-on-year gains in funds raised and capital invested for private capital in emerging markets ("EM"). Public market exits for private capital-backed EM companies also increased as fund managers ("GPs") took advantage of attractive conditions on public exchanges to list companies and conduct follow-on sales.

"EMPEA's year-end data illustrate that private capital in many emerging markets regained momentum in 2017," noted Jeff Schlapinski, EMPEA's Research Director. "Even with EM regions globally at different stages of the fundraising and capital deployment cycles, the strong performance of public equities was broadly positive as fund managers took to exchanges to generate liquidity for their investors."

Emerging Asia led EM private capital fundraising, which reached its highest level since 2008. Fund managers raised US\$61 billion for EM-focused funds in 2017, of which US\$50 billion went to Emerging Asia private capital vehicles and US\$9 billion to just one fund, **KKR Asian Fund III**. Private capital in Emerging Asia has benefited from the growing interest of a diverse array of global commercial LPs moving into the region with large-scale commitments. While fundraising outside of Emerging Asia is more variant from year to year, capital raised for Latin America and Sub-Saharan Africa may yet rebound in 2018 as large, experienced GPs return to the fundraising trail.

Fundraising highlights from EMPEA's Year-End 2017 Industry Statistics:

- **The composition of fundraising by strategy has shifted as venture capital, infrastructure and private credit continue to gain ground.** In line with long-developing trends, the growth equity share of capital raised by EM funds was just 25% over the most recent two-year period (2016-2017), compared to 41% in 2008-2009 and 51% in 2010-2011.
- **Venture capital funds led an upturn in fundraising for first-time teams in 2017, especially in MENA, China and India.** Six MENA-focused, first-time funds held closes in 2017, the highest number of new entrants to the region since 2010. Debut funds raised for the region included **Five Capital Fund I** and **Ezdehar Egypt Mid-Cap Fund**. Three of the first-time funds that raised capital for MENA in 2017

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employ a VC strategy, a sign that new teams with a specific focus on tech-enabled entrepreneurship and innovation continue to find backers.

- **Both experienced and new teams are tapping into LP interest in renewable power and other infrastructure opportunities.** Infrastructure fundraising reached US\$8.1 billion in 2017 as managers continue to raise capital at scale to address the infrastructure gap in emerging markets. Just under 49% of infrastructure funds raised accrued to funds specifically targeting renewable power. The largest funds raised included **Macquarie Asia Infrastructure Fund II** (reported commitments of approximately US\$3 billion), **Actis Energy 4** (US\$2.75 billion) and **A.P. Moller Capital's Africa Infrastructure Fund I** (US\$650 million), a debut vehicle investing in assets that will support the African continent's continued sustainable development.
- **Private credit fundraising surpassed all previous years on record in 2017.** GPs raised US\$7.3 billion for EM private credit funds, beating the previous high of US\$6.6 billion raised in 2015 and illustrating growing investor interest in credit-oriented strategies.

Disclosed capital invested in emerging markets reached the highest level on record, but deal activity across different regions has not recovered at the same pace. GPs deployed US\$49 billion in disclosed transactions in 2017, up from US\$34 billion in 2016 and US\$40 billion in 2014, the previous high. Disclosed capital invested in Emerging Asia and CEE & CIS increased 57% and 120%, respectively, from 2016 levels. In contrast, investment activity in other regions was more subdued in 2017, with time likely still needed for improving economic conditions to translate into a faster pace of capital deployment.

Investment highlights from EMPEA's 2017 Year-End Industry Statistics:

- **Consumer services led all other sectors for investment in 2017 at US\$17.9 billion in disclosed capital invested, nearly triple the 2008 total.** The two largest investments recorded in 2017—Hillhouse Capital Management and CDH Investments' US\$2.2 billion buyout of **Belle International (China)** and Mid Europa Partners, Cinven and Permira's US\$2 billion¹ acquisition of **Allegro (Poland)**—were both in the e-commerce segment. Over the last decade, capital deployed in consumer services (inclusive of retail, media and travel) has risen at a faster rate than in any other industry category, surpassing both utilities (including power) and health care.
- **Large transactions have accounted for a higher share of disclosed capital invested in growth and buyout deals in recent years.** The share of middle-market investments in the US\$25 million to US\$100 million range, declined to 14% of disclosed capital invested in 2017, compared to one-third of all capital deployed in 2012.

After a subdued 2016, public market exits² rebounded in 2017. The total number of disclosed IPOs, back-door listings or follow-on sales for EM-based companies reached 181 in 2017, up from 140 the year prior. Portfolio

¹ Includes reported equity commitment to total transaction size.

² Includes all IPOs, listings without formal offer of shares, back-door listings and follow-on sales.

flows into emerging markets and foreign exchange improvements over the course of 2017 have allowed private capital fund managers to generate liquidity for their investors.

Exit highlights from EMPEA's 2017 Year-End Industry Statistics:

- **In 2017, publicly disclosed exits via the public market route increased 29%, year-on-year, whereas strategic sales and secondary sales both declined by 29% and 21%, respectively.** However, higher levels of global equity market volatility in 2018 may have an impact on fund managers' plans going forward.
- **Latin America and CEE & CIS stand out amid the public market exits revival of 2017.** Fund managers completed public market exits for 14 Latin America-based companies, including 11 IPOs. Fund managers in Central & Eastern Europe followed suit, with 5 private capital-backed IPOs across exchanges in the United Kingdom, Poland, Hungary and Turkey.

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Additional EMPEA Member Data Resources

In addition to the [Year-End 2017 Industry Statistics presentation \(PDF\)](#), EMPEA members can access the full Excel workbook, including performance data from Cambridge Associates, using their logins.

EMPEA will also be releasing its members-only quarterly [Data Insights](#) later this month. These market snapshots contain high-level executive summaries, key data points and underlying fund, investment and exit listings for each major EM region, as well as Brazil, China and India. For more information about EMPEA's content offerings, contact research@empea.net.

About EMPEA

EMPEA is the global industry association for private capital in emerging markets. An independent, non-profit organization, the association's membership comprises 300+ firms representing institutional investors, fund managers and industry advisors who together manage over US\$5 trillion in assets across more than 130 countries. EMPEA's members share the organization's belief that private capital is a highly suited investment strategy in emerging markets, delivering attractive long-term investment returns and promoting the sustainable growth of companies and economies. EMPEA supports its members through global authoritative intelligence, conferences, networking, education and advocacy. To find out more, please visit EMPEA.org.

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