Asia-Pacific Private Equity Report 2024

Staying the course amid upheaval

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Authors and acknowledgments

This report was prepared by:

Sebastien Lamy, a Bain & Company partner based in Tokyo and coleader of the firm's Asia-Pacific Private Equity practice;

Lachlan McMurdo, a partner based in Melbourne and a member of Bain's Australia Private Equity practice; and

Elsa Sit, practice vice president with Bain's Asia-Pacific Private Equity practice.

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Asia-Pacific Private Equity: Investors pulled back, and deal activity plunged

- The number of private equity deals and exits fell sharply in most markets amid ongoing uncertainty.
- Asia-Pacific PE funds raised just $100 billion in 2023, the lowest level in a decade.
- Faced with a tough market, GPs developed new strategies to find buyers and improve exit value.
- Alternative asset classes such as infrastructure and private credit offer a growth opportunity for Asia-Pacific-focused funds.

For the second year in a row, uncertainty hovered over Asia-Pacific private equity (PE) markets. Many investors put dealmaking on hold in 2023, worried about slowing economic growth across much of the region, persistently high interest rates that raise the cost of PE debt, and volatile public stock markets. Ongoing geopolitical tensions and global conflicts reinforced investors' concerns. Unable to fathom what was ahead, funds retrenched to wait out the storm. The unsettling mix of macroeconomic conditions was investors' key concern, according to Bain's 2024 Asia-Pacific Private Equity survey.

Deal value fell to $147 billion, extending the dealmaking slump that began in 2022. Exits plunged, and fund-raising declined to its lowest level in 10 years *(see Figure 1).*

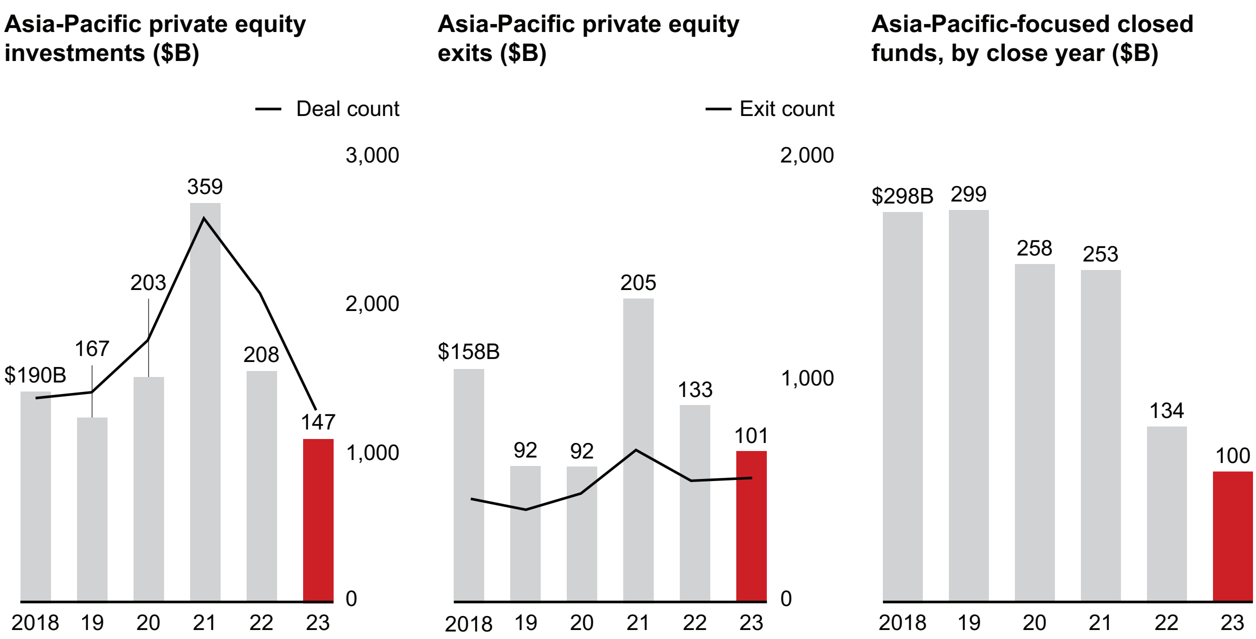
Investors remained especially cautious of buying companies in Greater China, and a murky economic outlook affected the entire region. Global general partners (GPs) reduced their investments in Asia-Pacific countries, and deals and exits declined.

Japan was the only market to buck the trend, with a rise in deal activity. Investors found comfort in Japan's deep pool of target companies with performance improvement potential, its stable regulatory environment, and persistently low interest rates.

Technology was again the largest industry sector in terms of deals and exits. The energy and natural resources sector was the only investment area in which deal value and volume grew—a sign that investors are increasingly betting on assets related to the energy transition.

Greater China's exits via initial public offerings (IPOs) were by far the biggest source of exit activity, mostly in technology-related sectors (such as semiconductors) that are typically the domain of government-affiliated funds. Excluding IPOs in Greater China, exit value fell to $65 billion, down 30% from the previous five-year average.

Figure 1: Asia-Pacific deal value, exit value, and fund-raising plunged further in 2023



Note: Excludes real estate
Sources: AVCJ; Preqin; Bain analysis

Grappling with the sixth year in a row of low or negative net cash flow, limited partners (LPs) put new allocations largely on hold. Many limited fund-raising to funds with demonstrated success, exposure to preferred markets, and differentiated strategies.

Asia-Pacific PE assets under management (AUM) dropped to 27% of global AUM, a second year of decline following more than a decade of steady share growth *(see Figure 2)*.

By year-end, several signs of market improvement began to appear, but the timing of a recovery remains unclear. Inflation rates began falling in most markets after spiking in 2022. Interest rates in most Asia-Pacific markets are forecast to decline in late 2024 or 2025. And some currencies that depreciated against the US dollar in 2022 and 2023 started to recover. Finally, stocks ended the year with strong performance in most markets, except China and Southeast Asia.

PE returns were a bright spot in 2023, reconfirming that PE is still an attractive investment class, far outperforming public markets over 5-,10-, and 20-year horizons. And at year-end, industry data pointed to consistently high levels of dry powder in the region, ensuring funds have ample capital to do more deals.

New sectors hold promise once a recovery takes off. Disruptive innovations like generative AI are creating fresh opportunities. Our research shows most GPs are using generative AI to mitigate risk,