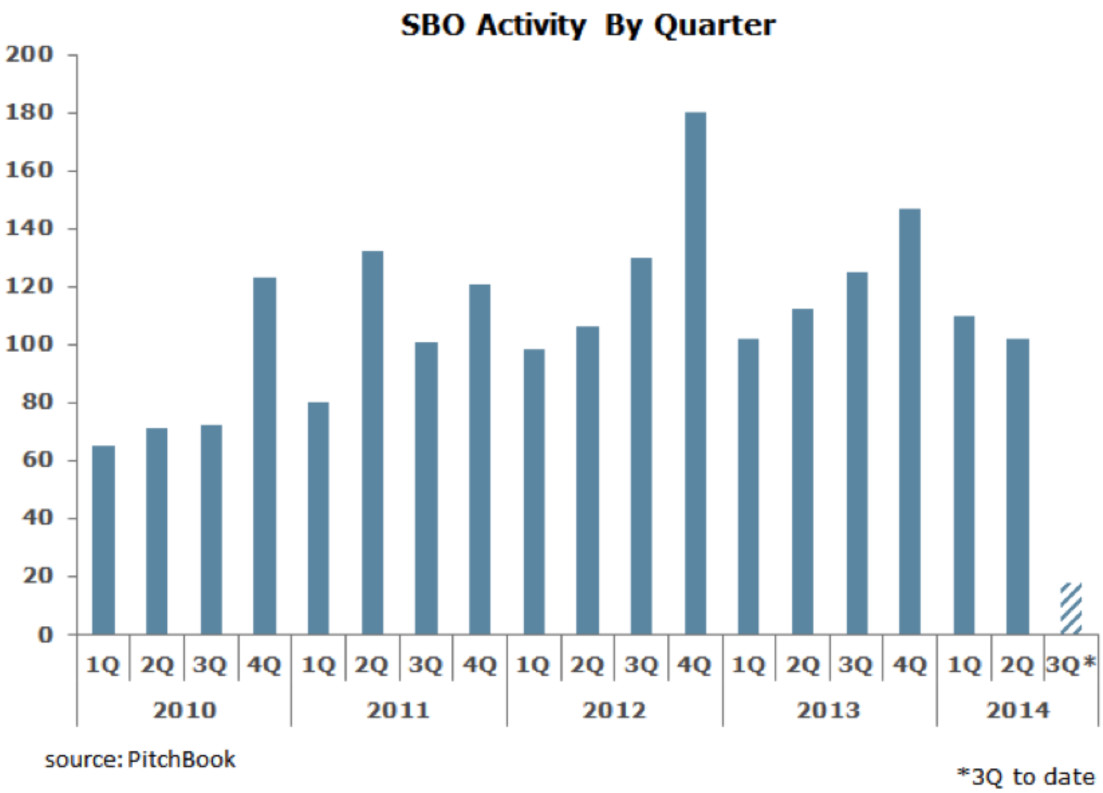
The Pulse of Private Equity – 7/14/2014

PitchBook | July 15, 2014

Secondary Buyout Activity



Secondary buyout activity seems to be declining somewhat thus far in 2014, with only 230 recorded in the PitchBook Platform. 2013, in comparison, saw 486, and 2012 logged the current record of 514. However, when breaking down deal activity by size, one can see a potential cause for the decline so far: over the past few years, SBOs over $1 billion have increased considerably, illustrating how deal multiple increases may be depressing activity in all but the loftiest ranges. For example, compared to the 30 $1 billion+ SBOs in 2010 and 2011 combined, the next two years saw 63 altogether, even as deal-making as a whole dropped. The trend of fewer but bigger SBOs doesn’t appear to be changing this year either, with 18 over $1 billion completed so far. In addition, deal count in the $25 million to $100 million range dropped from 45 in 2012 to 28 last year, and only 13 in 2014 thus far.

In addition, IPOs have rarely been more attractive as an exit choice to PE firms, so that also isn’t helping SBO activity. So it would appear that SBO activity will continue to chug along unspectacularly albeit solidly for the rest of 2014, with larger deals capturing the most investor attention, but cheap debt fueling the middle-market otherwise. The high levels of dry powder will also help keep SBO activity going, even if it isn’t as strong as it has been. On a happier note, 4Q 2012 and 2013 saw upticks in deal activity, so maybe this year will follow that trend.

Contact: Adley Bowden

Senior Director, Analysis

adley.bowden@pitchbook.com