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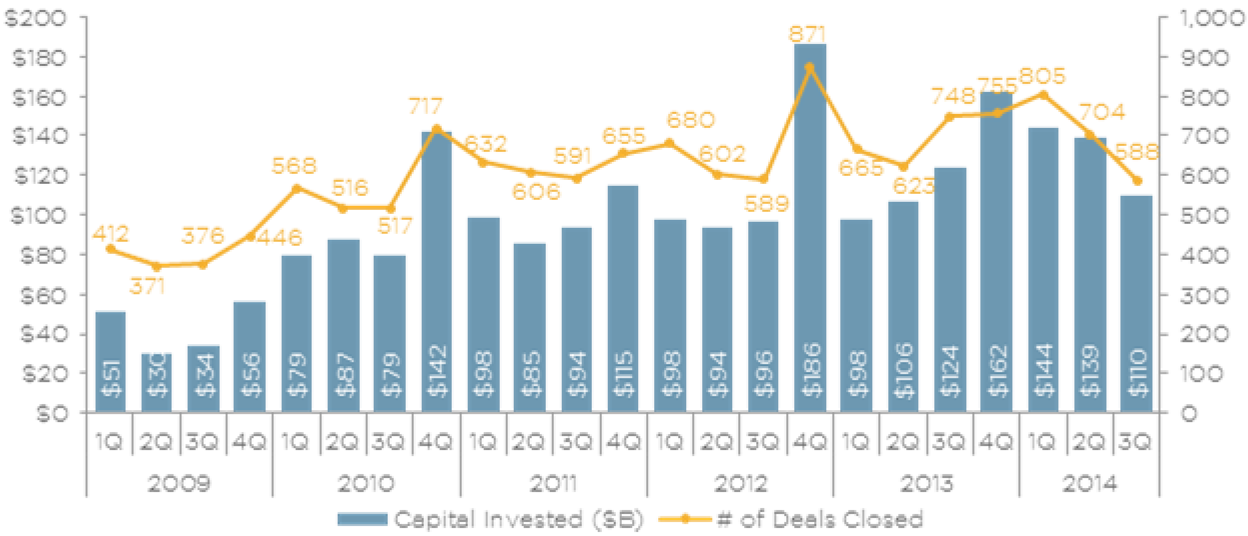
Deal Flow Continued to Decline in 3Q

PE deal flow in the U.S. continued to subside through 3Q. 588 deals were completed last quarter totaling $110.1 billion in capital invested. Deal flow is down 27% from the first quarter and capital invested declined 23% in the same period.One of the major culprits for both decreases is an industry-wide shunning of LBOs, especially public-to-private buyouts. We suspect high valuations for quality platforms is starting to have a significant impact on buyers, who are choosing instead to build out their existing investments through add-on acquisitions.



Valuations haven't dented exit activity, though. 193 liquidity events were finalized in 3Q totaling $47 billion in capital exited. The first three quarters of 2014 have combined for $159.2 billion in capital exited, which already puts this year ahead of all 2013 ($155.3 billion). With so much capital being funneled back to LPs, it's not surprising that the fundraising trail is strong right now. 88% of all fund closings in 2014 hit their target, better than the 80% that did so in 2013 and 70% that hit their targets in 2012. Overall it seems that PE firms are reacting to current markets trends, staying on the sidelines when entry prices are out of reach but exiting their investments while the sell-off is strong.

Download [4Q 2014 U.S. Private Equity Breakdown Report]

Contact: Alex Lykken
alex.lykken@pitchbook.com