Grading our predictions

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Earlier this year, we published our 2019 Private Equity Outlook, our crystal ball analyst note where we took a crack at predicting trends in the year ahead. With 2019 wrapping up, we'll be grading our predictions in an ACG webinar on December 17. We'll provide the link in next week's column and invite Lead Left readers to sign up for the discussion, which will be an hour and free of charge.

One of the bigger stories in finance this year has been the nonstop bull run in the equity markets. Despite heightened valuations, we predicted a rise in prominence in PE take-private buyouts, which had declined substantially in recent years. A couple factors, though, were hard to ignore going into 2019—a sudden uptick in mega-funds raised and a convergence in private and public market valuations. Several $10 billion+ funds closed in 2018 and more were still on the market at the time, many of which closed this year. The public markets, despite how expensive they've become, are one of the few hunting grounds for funds of that size. We've also been highlighting an increased convergence of private and public valuations since 2015. We calculated a 12.7x

S&P 500 multiple last November, which wasn't far off our median buyout multiple of 12.3x at the time. Both markets were, in a sense, about equally expensive, and it made less sense to shun the public markets strictly because of price tags. As of this week, the S&P 500 has risen over 20% YTD.

Nonetheless, our preliminary 2019 data points to a relatively strong year for $1B+ take-privates, which in our methodology only includes completed deals. A few big buyouts were signed over the summer that are expected to close by year-end, including Presidio ($2.1B) and Wesco Aircraft ($1.9B). Brookfield and GIC's $8.4B buy of Genesee & Wyoming might finalize in December, which would further pad 2019 numbers. Outside the scope of those completed deals are a few big Q4 announcements that will become statistics next year. Since October, Roan Resources, Pattern Energy Group, Anixter International, Cision Group and TechData have all agreed to go private for at least $1 billion. With even more $10B+ buyout funds roaming around next year, we might see a healthy 2020 for take-privates, but nothing like we saw a decade ago.