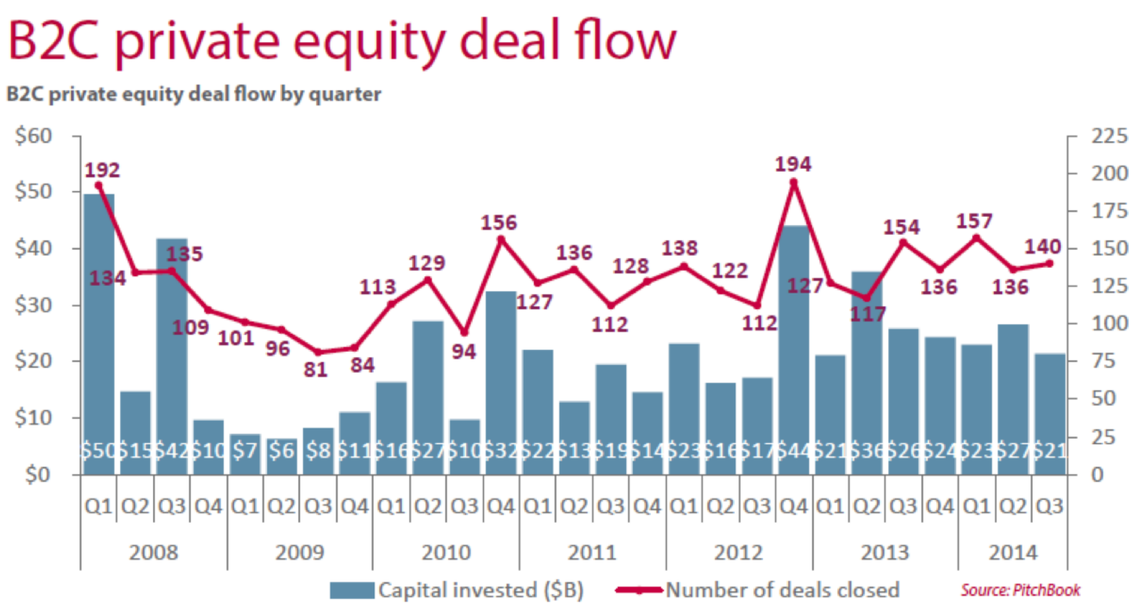
The Pulse of Private Equity – 11/24/2014

PitchBook | November 26, 2014

PE Sentiment is Strong in the Consumer Sector

Black Fridays mean spending and acquiring, often with a little competition thrown in the mix. What's true for regular consumers has also been true of PE investors, which have been jostling with strategic acquirers and high valuations for the past several quarters. Screaming B2C deals have been all but impossible to find, and some of the expensive deals that PEGs are trying to make are instead going to strategics, which can afford to pay more and justify high valuations because of synergies. Strategics in the consumer space aren't seeing a lot of growth right now, making aggressive acquisitive growth the only real option on the table for them.



Despite the headwinds, PE investment in B2C has been surprisingly strong. About $71 billion has been invested in the U.S. B2C industry through the third quarter, about in line with previous years. The fourth quarter is expected to close out the year on a high note, especially with the $9 billion take-private of Safeway slated to be completed by year-end. Counts are on pace to set a post-crisis record, surpassing the 566 deals made in the sector in 2012. Heading into next year, industry professionals don't expect the optimism to subside much, with cheap credit likely remaining cheap and dry powder levels remaining elevated.

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Contact: Alex Lykken
alex.lykken@pitchbook.com