The Pulse of Private Equity – 12/1/2014

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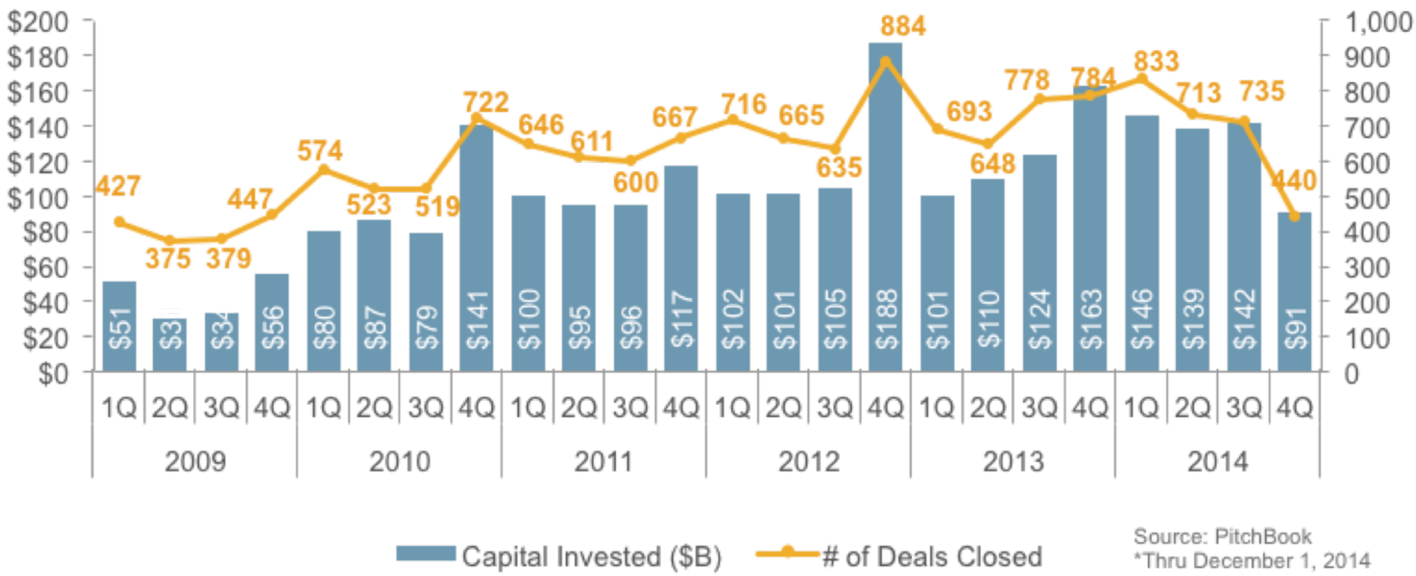
A Soft Fourth Quarter This Year

We've heard from some industry professionals that fourth quarter deal flow is probably going to be softer than normal this year. The first two months of 4Q 2014 have seen 440 PE deals close in the U.S. worth a combined $90.9 billion. Total value in 4Q is going to get a boost if the $9 billion Safeway deal closes before year-end, as anticipated. Otherwise, 4Q 2014 is likely to be down quite a bit compared to previous quarters: Deal flow and value in 4Q 2014 totaled 784 transactions and $163.3 billion, and 4Q 2012 was even higher at 884 transactions and $187.8 billion, about double what we're seeing this quarter through December 1.



We'll likely see a pullback when the final 4Q numbers are tabulated for a few reasons. Closings were abundant in the first half after more deals were finalized in the first quarter than usual. Investors are resting a bit, in other words, at least compared to previous fourth quarters. There's also the fact that valuations were very high in the first half of the year, when many agreements would need to be signed in time to close by 1Q 2015. Valuations have been widely blamed for a dearth in upper middle market activity, not to mention take-private buyouts, which have all but disappeared in the past two quarters. One of the silver linings in the current environment is more add-ons, which are buoying top-line deal flow numbers but keeping the capital invested number down.

Whatever the case, it's not likely we'll see the usual fourth quarter frenzy this year, at least not in the data. Time off, though, might be a bit higher this holiday season.

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

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