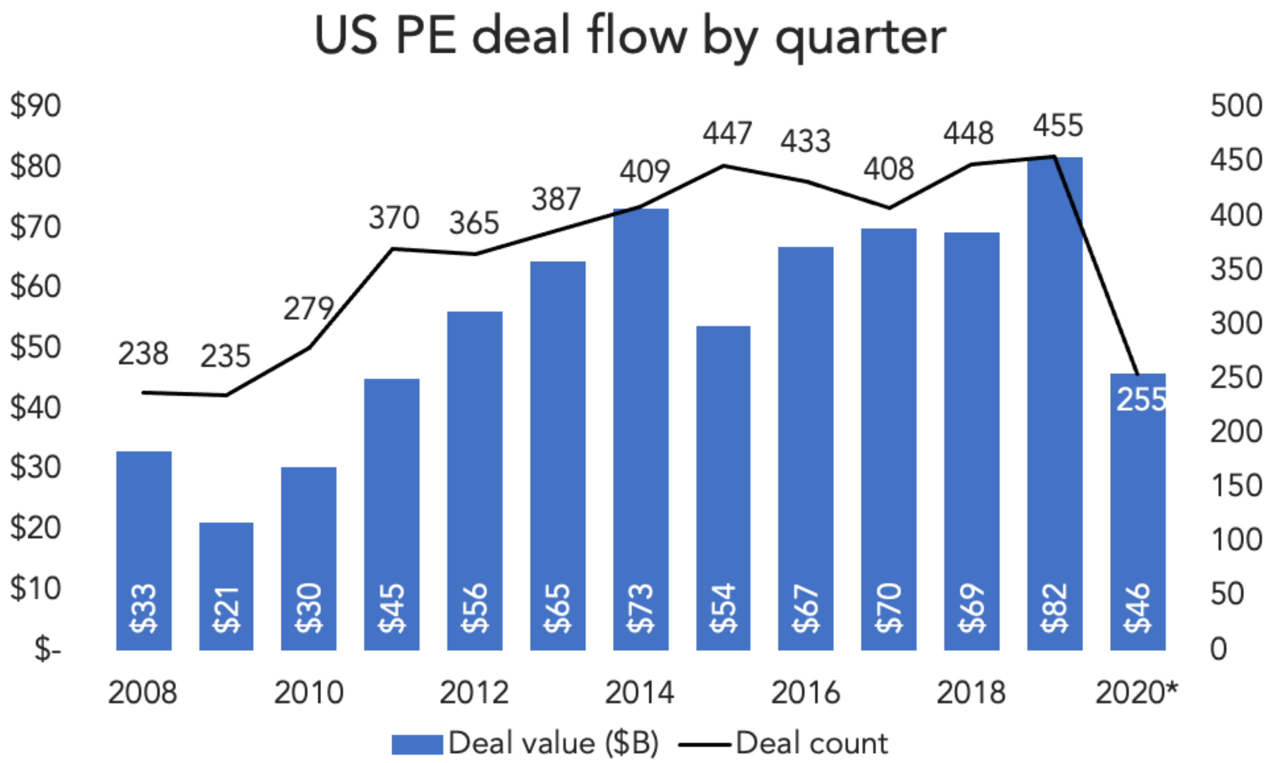
# Carveouts – up but not booming

PitchBook | October 15, 2020




Download PitchBook's Report here.

One of the earliest predictions back in March was that PE-led carveout activity would go up. PEGs had dry powder to spend and corporate sellers had liquidity concerns—they were also going to need to concentrate on their core businesses, so it made intuitive sense than ancillary businesses could be shopped around. It was especially tempting to see that happening in hard-hit sectors like retail, leisure or hospitality.

According to PitchBook's latest Breakdown Report, that trend is somewhat bearing out, but not in huge numbers. Through three quarters, only 255 carveouts have been done compared to 455 last year. Value is also down, $46 billion so far versus $82 billion last year. In the end, carveout activity will be down and to the right, like most charts. But carveouts have grown in popularity relative to other deals. 9.3% of YTD PE activity is in this category, a percentage point higher than last year's 8.4%. Interestingly, though, that's not a high jump compared to the last crisis. Carveouts comprised 8.8% of all PE deals in 2008 before jumping to 12.6% in 2009. Perhaps sentiment in corporate boardrooms was different this time around, opting to stay the course, lean heavily on credit lines and wait out the storm.

Whatever the case, 2020 hasn't broken down as predicted, especially by sector. The vast majority of standalone carveouts, where the acquired business becomes a new platform, have been B2B products or services. Notable deals have been made for subsidiaries of Baker Hughes, HD Supply and ServiceMaster. Sector activity gets much more diverse when those carved out businesses are added onto existing platforms. Opportunistic carveout/add-ons are popping up in consumer nondurables, healthcare services, insurance and software. So far, though, very few have been in retail, leisure or hospitality.