The Pulse of Private Equity – 5/11/2015

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The latest numbers for U.S. private equity cash flows reveal just how successfully firms have taken advantage of recent exit opportunities. As of the end of 3Q 2014, PE distributions back to LPs were a huge $205.9 billion while contributions were a more modest $99 billion, producing a net cash flow of $106 billion. With a full quarter's worth of data to be reported still, it's likely last year will end up even more lucrative in terms of distributions than 2012 and 2013.

Lead Left Submission US PE cashflows higher res

These results aren't necessarily surprising, as the exit environment last year was markedly robust across all major exit channels. What is surprising is seeing some recent talk of PE investors being disappointed with returns, which perhaps says more about their unreasonable expectations than the returns themselves, or the context in which they are viewing results. Contrasting returns with the still-strong bull market may be overly skewing perceptions of success downward. There is a widespread consensus among prominent industry voices that as dealmaking remains highly competitive and the market bullish, PE firms will find it more and more difficult to succeed. But for now, with general partners still delivering their backers record amounts of cash, LPs still have plenty of reason to maintain or increase allocations. Plus, the exit environment does not show any signs of substantial change. M&A is still active across the board while public markets' strength should prove a welcoming environment for PE portfolio companies' IPOs.

PitchBook's 2Q 2015 Global PE & VC Benchmarking & Fund Performance report will be released shortly. Get your free copy by clicking here.

Contact: Garrett Black
garrett.black@pitchbook.com