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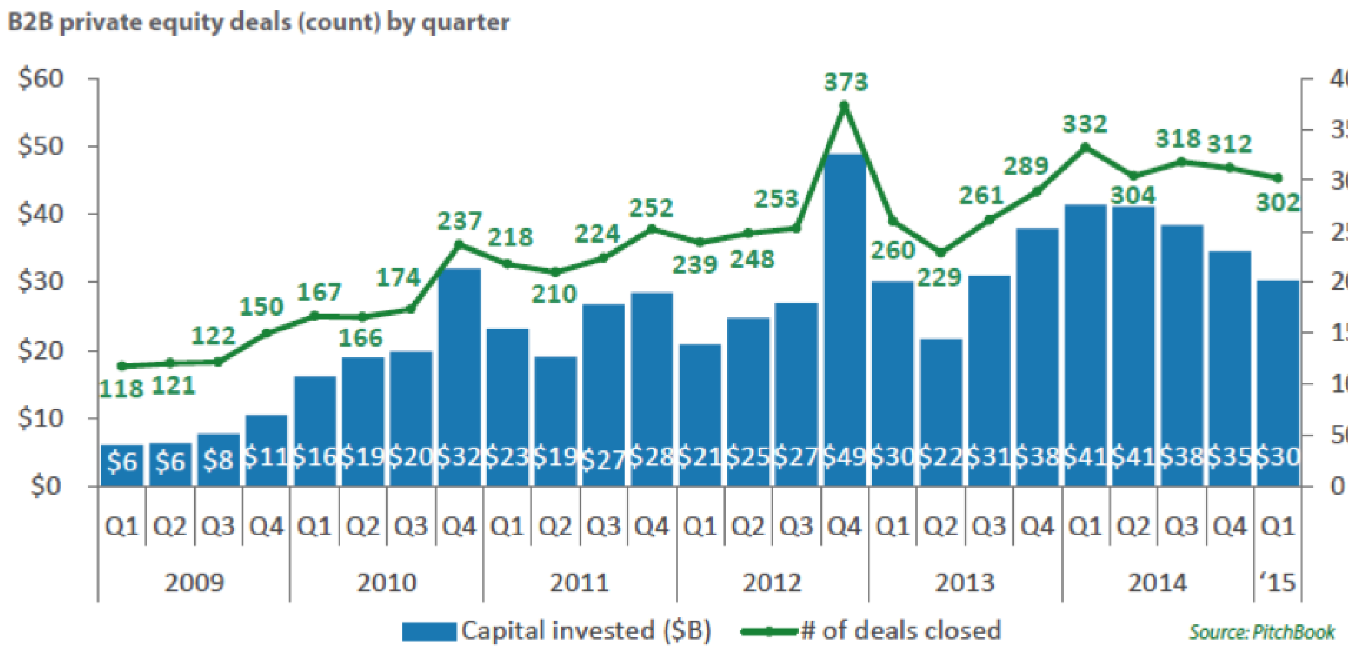
Energy prices should boost B2B

Assuming low energy prices are sustained, B2B PE activity should benefit, especially in the middle market. Activity is already pretty strong in the U.S., with another 300 deals done in Q1 totaling $30 billion. But there's reason to be more optimistic. Much of the recent boom in deal flow is because of cost reductions and efficiency improvements as middle-market companies recovered, slowly, from the recession. Lower energy costs will only add cushion and help companies continue finding more efficiencies and cut costs further. There's a concerted effort today to wean revenues away from brick-and-mortar sources and instead optimize online marketing strategies. PE firms are likely to be at the forefront of that change, and should cash in down the road once those companies are ready to exit.



Investors eyeing new platforms are tweaking their business models a bit to make up for high valuations. In some cases, one or two add-on targets are being identified and factored into the equation before the platform deal is even complete. Add-ons can help average down top-line multiples, and when they're done this quickly, they can force investors to concentrate harder on value-add starting on Day 1. Given the amount of dry powder in the market earmarked for B2B targets, it's unlikely valuations are going to come down much in 2015, but given the optimism in the sector, it's unlikely MM deal flow will go down much, either.

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