The Pulse of Private Equity – 1/8/2024

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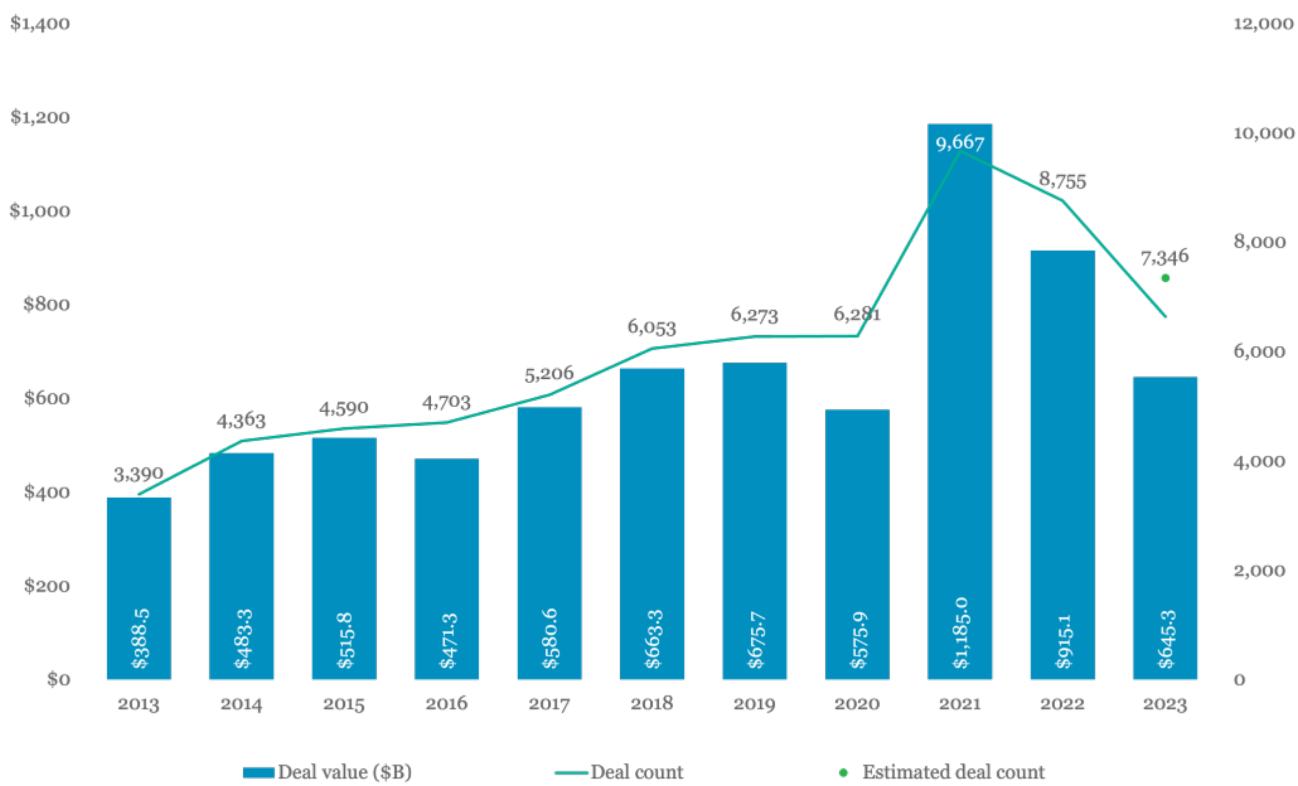
P.E Deal Activity



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US PE dealmaking finished the year similar to how it started: still struggling to find a bottom. Q4 2023 deal value declined 22.6% YoY, although deal count appears to be firming. For the full year, deal value declined by 29.5% to $645.3 billion, its lowest point since 2017 outside of the pandemic-induced lockdown of 2020. Deal count also declined by 7.3% to 8,115, inclusive of growth equity deals, add-on acquisitions, and platform buyouts.

Of all deal types, platform deals have been especially hard hit due to their greater dependency on leverage. Platform deal value is down 36.5% from 2022 and 51.8% from its peak in 2021. Leverage ratios have contracted significantly since the beginning of 2023, and this is choking the ability to pull off larger LBOs, which platform deals tend to be. Debt-to- loan ratios plunged to 45.7% in 2023, down from 50.8% in 2022 and a 10-year average of 55.0%. Debt/EBITDA ratios also contracted sharply, shrinking to 5.0x in 2023 from 5.9x in 2022.

(Past performance is no guarantee of future results.)