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The Pulse of Private Equity – 10/19/2015

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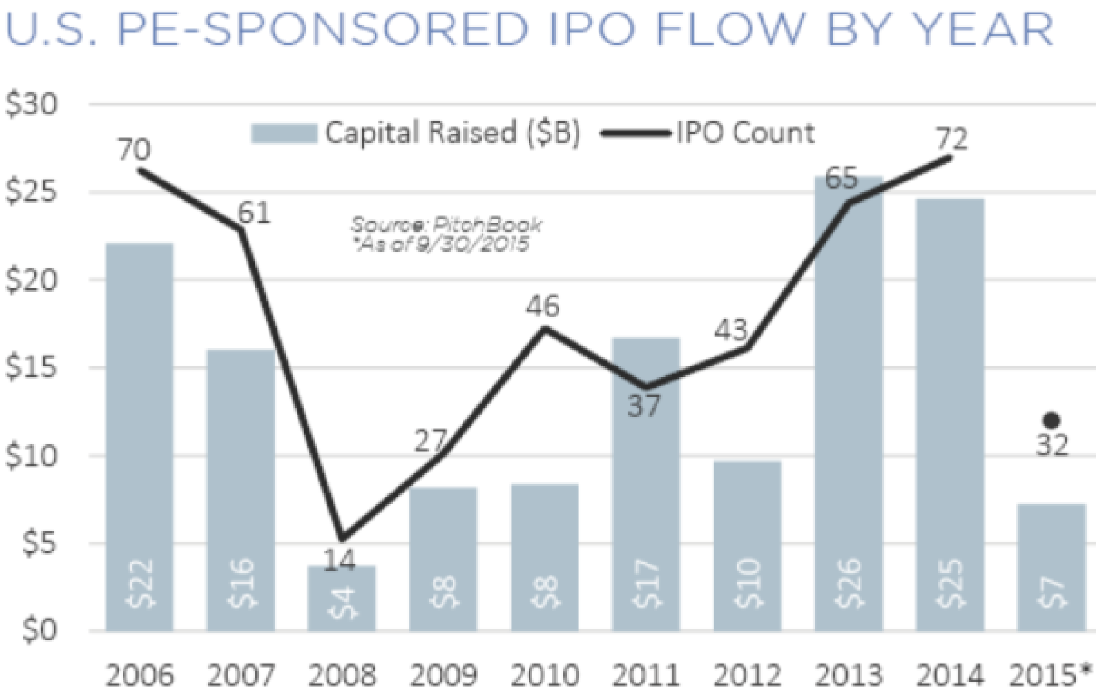
After a slow third quarter, 2015 has only seen 32 private equity-sponsored initial public offerings (IPO), raising a combined $7 billion. The IPO window for PE sponsors in the fourth quarter of 2015 may be narrowing,



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But for now, fear of

volatility and underwhelming debuts from Blackstone's Performance Food Group (NYSE: PFGC) and KKR's First Data (NYSE: FDC) seem to have spooked Cerberus Capital Management-backed Albertson's, for one, although a slide in results posted by Walmart (NYSE: WMT) didn't help matters. With many pointing to the sheer mass of debt on the balance sheets of First Data as one of the causes for investor wariness—given a potential uptick in interest rates at some, undetermined future date—fellow PE portfolio companies that are similarly leveraged, however healthy their overall financials, may well steer clear of going public in what remains of 2015. But as the First Data offering again signifies, timing isn't restricted to just the amenability of public markets when it comes to some of these PE portfolio companies. First Data was one of the last holdovers of the buyout boom era, with KKR likely biting the bullet and taking it public regardless of volatility in order to achieve some liquidity. Other prominent PE-backed companies in the pipeline, such as Univision, may eventually follow suit, if debt payments become an issue. It's either that or court a strategic buyer, but some of the companies are fairly hefty prospects for corporate acquirers to absorb. In the end, it comes down to how much PE investors will weigh various timing factors against each other. The potential increase in leverage costs, how much longer volatility will persist, and whether going public now will substantially weigh performance for some time will all be carefully considered by the PE firms whose companies are currently in the pipeline.

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