

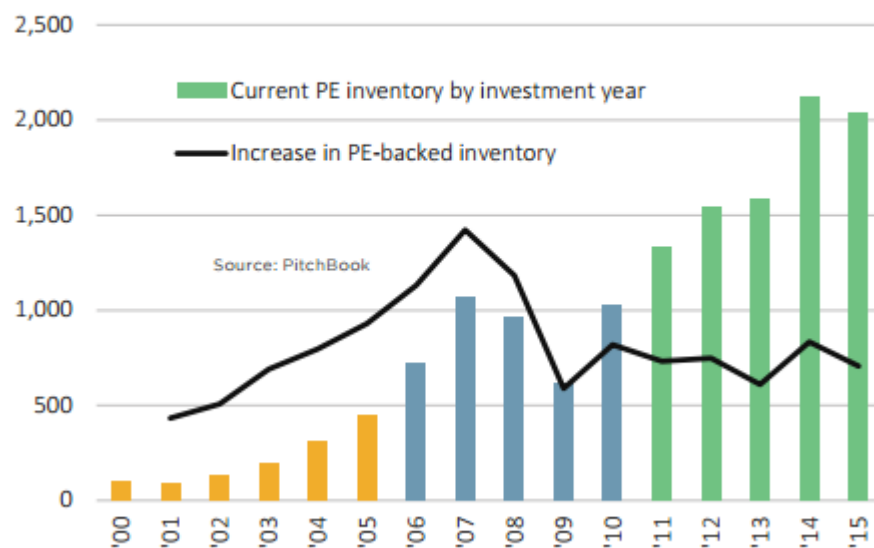
# The Pulse of Private Equity – 2/29/2016

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## PE's Other Overhang

For several years now, the U.S. and Europe have essentially entered a post-buyout boom era, this trend can be seen in the multiples and a competitive

**Since the buyout boom, inventory increases have more or less plateaued**  
Current PE-backed company inventory by investment year



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aged inventory already.

PE firms

have been putting their money to work in other ways than strict buyouts, such as taking minority stakes, looking to reduce the industry's other overhang of undeployed capital. As investment strategies have diversified, accordingly, it's worthwhile to wonder if inventory will ever increase again at even half the rate seen last decade. If fears of an oncoming economic malaise if not outright recession are proved true, PE firms could take advantage of growing distress across more sectors than just, say, energy, where investors are anticipated to ramp up activity soon. That could produce a boost of sorts to the inventory. Yet by and large, the seller's market may well counterbalance the company inventory, simply as PE firms seek to liquidate the most elderly of their holdings, in what could be the waning stages of an M&A boom cycle.

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