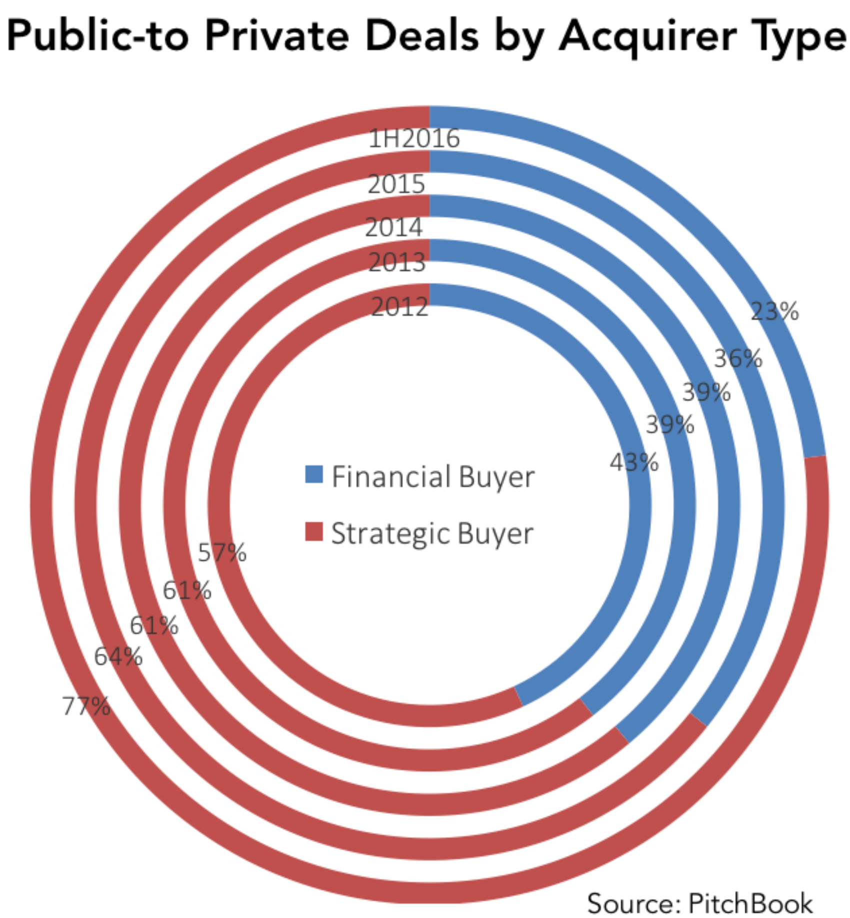
The Pulse of Private Equity – 8/8/2016

PitchBook | August 10, 2016

PE Buyers Are Still Not Taking Public Cos. Private

Through the end of June, financial sponsors accounted for only 23% of all take-privates in North America and Europe. This isn't necessarily a result of the overall incidence of take-privates diminishing either, since strategic buyers logged no fewer than 77 in 1H 2016, already 66% of 2015's total of 117. Even as strategic buyers have upped their activity and relative proportion, accordingly, financial buyers have decreased theirs, largely as a consequence of the M&A boom and still-elevated market levels.



Valuations have been propped up for some time now across the market, even as volatility has induced periods of considerable drops, by a combination of steady if unspectacularly minimal economic growth in a handful of major economies and accommodative monetary policies, among other factors. Thus, even as the tide of M&A has begun to recede—as is natural in the wake of a highly active period—financial buyers still do not have compelling reasons to engage in the public playing field, by and large, as it simply is still too rich for their blood.

In addition, there are few public targets that justify both the scale of expenditure necessary and even fewer private equity firms that boast the requisite operational expertise and hoard of dry powder necessary to justify delisting. A few token buyouts stand out all the more, such as Vista Equity Partners' announced purchase of Marketo. More worthwhile targets are to be found downstream, where PE firms' typical investment theses make all the more sense. Hence the ever-increasing concentration of overall PE activity within the bounds of the middle market, particularly its core.

Read PitchBook's 2Q 2016 M&A Report here.

Contact: Garrett Black
garrett.black@pitchbook.com