

Hot Topics in Private Equity M&A

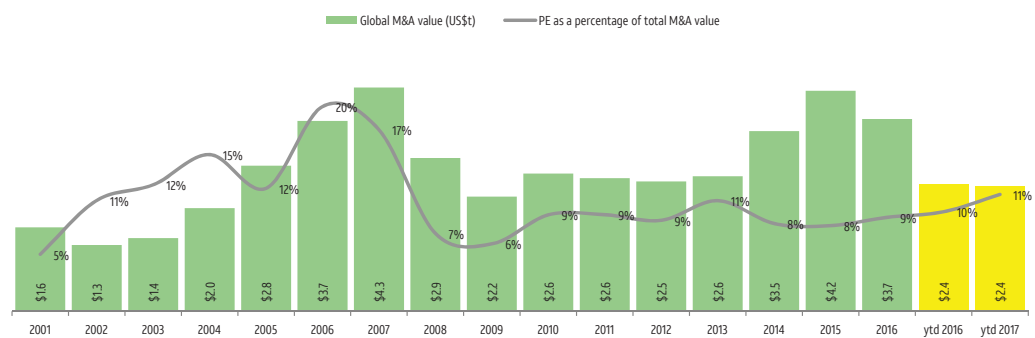
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The University of Texas School of Law
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M&A activity moderates

Global M&A activity set a new record in 2015. Activity has since moderated, with 2016 down 13% from the prior year, and 2017 roughly in line with last year.

Unlike 2006-2007, the current M&A boom has been led by corporate acquirors. In 2006, PE firms accounted for 20% of global M&A value; currently, they account for 11%.

Global M&A activity since 2000 (in US\$t)



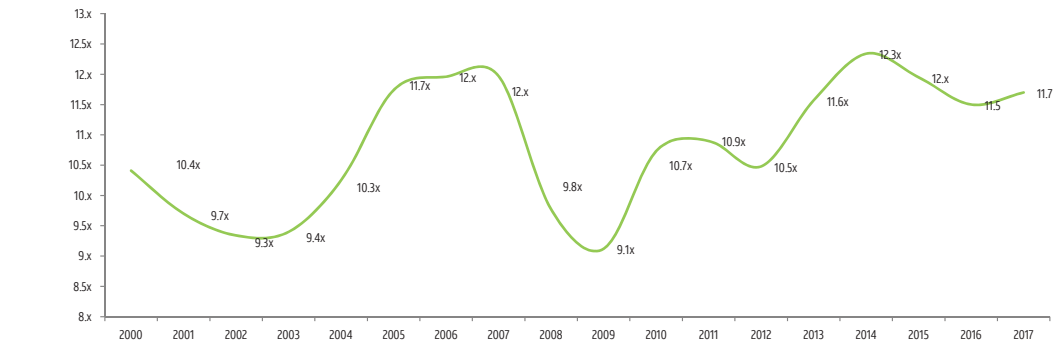
Source: Dealogic, to Sept 30, 2017

Valuations remain elevated

With lots of dry powder and an otherwise accommodative M&A environment, valuations have been a primary factor keeping PE activity in check.

Global M&A multiples have been trending lower in recent months, as volatility in the public equities markets and concerns around global growth have trickled to private market valuations.

Global M&A EV/Ebitda multiples



Source: Dealogic, through Sept 30, 2017

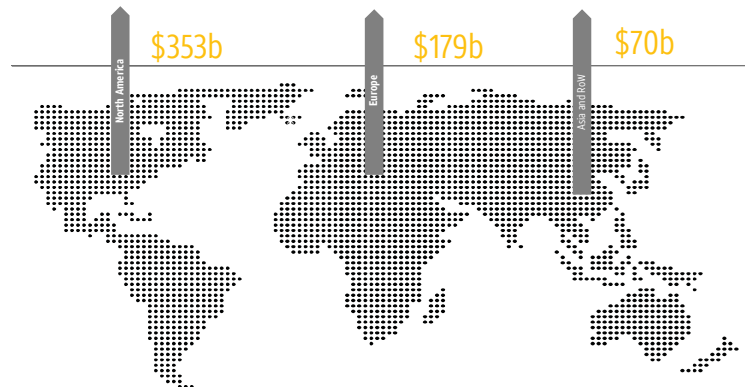
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Dry powder at a record high

Dry powder now exceeds the 2006-2007 highs, as firms raise capital faster than they can deploy it.

Global dry powder has grown 27% since the beginning of 2016, to \$602b.

Global PE dry powder by region (in US\$b)



Source: Preqin, through Sept 30, 2017

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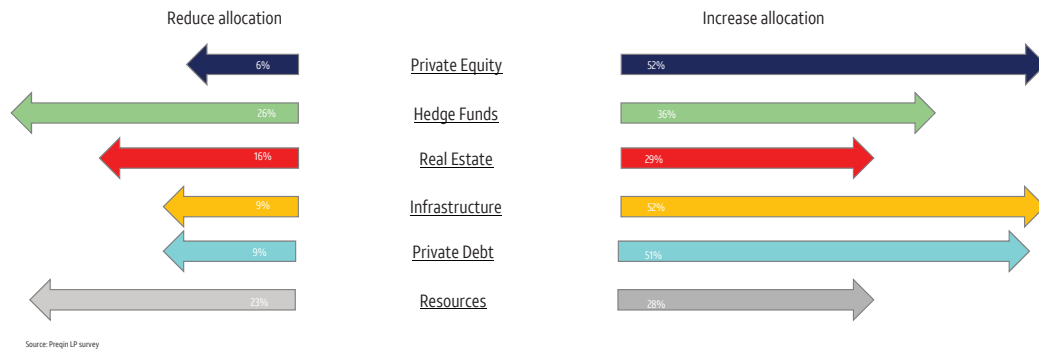
Continued investment in PE is strong

Large institutional investors remain interested in PE as an asset class.

In a recent survey by Preqin, 52% of LPs said they intended to increase their allocations to PE over the longer term.

Debt and infrastructure are similarly popular, while hedge funds and natural resource funds saw the highest percentage of LPs intending to reduce their allocations.

Results of Preqin LP survey – attitudes towards various asset classes

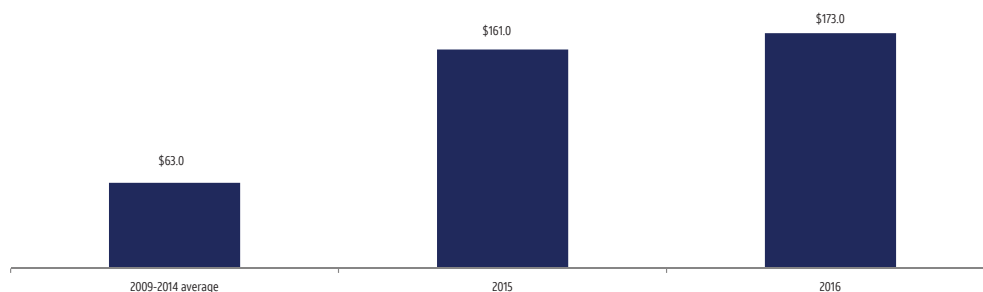


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“Shadow capital” accounting for an increasing slice of the market

PE firms are also looking at increasing their co-investment activity, direct investments, and commitments to separate accounts as ways to further reduce fees paid to PE managers.

PE “shadow capital” – co-investments, direct investments, and separate accounts



Source: Triega Quarterly, November 2016

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