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**Private Equity M&A
2015 In Review**

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PRIVATE EQUITY M&A

2015 IN REVIEW

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I. Market Trends and Developments

a. 2015 Sees Return of Large Deals, But Less Capital Invested¹

- i. Private equity investments declined with respect to both total number of transactions completed and to aggregate transaction value as compared to 2014.² In 2015, there were 3,602 completed U.S. private equity investments representing a decrease of 8.2% from 2014, and \$606 billion invested representing a decrease of 4.8%, or approximately \$30 billion, from 2014. However, as compared to 2013, both volume of completed transactions and aggregate transaction value were up 10% and 18%, respectively. Seven deals worth more than \$3 billion were announced in the third quarter of 2015, which showed a substantial increase in deal value as compared to the second quarter, climbing from \$144 billion to \$198 billion, an increase of nearly 38%. The third quarter also demonstrated strong year-over-year growth, with total deal value increasing 23% from the \$160 billion in the third quarter of 2014.³ However, the fourth quarter produced the lowest totals for 2015 with respect to both deal volume and deal value, with only 746 closed deals for a total value of \$122 billion, representing declines of 22% and 38% as compared to the third quarter, respectively. By contrast, in the fourth quarter of 2014 the total deal volume was 1,015 and the total deal value was \$171 billion. The fourth quarter decline was partly attributed to looming uncertainty regarding the enormous sell-off of the Chinese stock market, the devaluation of Chinese currency, the widening of high-yield debt spreads and the continuing decline of energy prices.⁴
- ii. In 2015, so-called “mega-deal” transactions with values of \$2.5 billion or greater saw a resurgence, with \$134.74 billion invested in such deals, the

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¹ Deal data represents preliminary data collected from 2015 year-end surveys and is subject to update as additional deals are reported.

² The total value of global M&A activity reached record highs of over \$4.2 trillion in 2015. Deidre Hipwell, “Golden Year for M&A With More to Come” *Raconteur* (December 2015): <http://raconteur.net/finance/golden-year-for-ma-with-more-to-come>.

³ Alex Sherman, “U.S. Buyout MegaDeals Signal More on the Way Before Reset,” *Bloomberg Business* (September 30, 2015): <http://www.bloomberg.com/news/articles/2015-09-30/u-s-private-equity-mega-deals-signal-more-to-come-before-reset>.

⁴ PitchBook Annual U.S. Private Equity Breakdown 2015 (January 2016).

largest sum since 2007.⁵ Sixteen deals accounted for the nearly \$135 billion, marking a substantial increase over the 11 such deals in 2014, which accounted for only \$47 billion.⁶ However, of the 47 deals valued at over \$10 billion announced in 2015, only three involved private equity.⁷ Additionally, three of the five largest private equity transactions in 2015 occurred in the Infrastructure Software segment, consisting of:

1. The Carlyle Group L.P.’s acquisition of Veritas Technologies Corporation for \$8 billion, which signed on August 11, 2015;
2. Permira and CPP Investment Board’s completed acquisition of Informatica Corporation for \$4.77 billion, which closed on August 6, 2015; and
3. Thoma Bravo and Silver Lake Partners’ acquisition of Solarwinds, Inc. for \$4.38 billion, which closed on February 5, 2016.⁸

Since the financial crisis, the private equity industry has become more specialized, resulting in an increase in add-on deals, with the number of so-called “buy-and-build” investments growing as firms gain a better understanding of the markets involved. The proportion of deals that were add-on deals represented 62% of all buyouts in 2015, as compared to 60% in 2014, and 45% in each of 2007 and 2008. This growing percentage reflects private equity firms’ continued focus on growing their existing portfolio companies.⁹

- iii. In 2015, as in 2014, B2B (Business to Business) and B2C (Business to Consumer) together accounted for more than 50% of the U.S. PE Deals completed.¹⁰
- iv. This year saw a resurgence of higher profile, larger strategic deals. In contrast, financial buyers continued to be under-represented in the public M&A space, accounting for only 6% of 2015 deal value.¹¹ Similarly, financial buyers accounted for 14% of U.S. public M&A volume, the

⁵ The largest private-equity backed deal of the year was HJ Heinz Co.’s acquisition of Kraft Foods Group, Inc., valued at \$53.1 billion, which was completed on July 2, 2015. “US Retail and Consumer Deal Insights: 2015 Year in Review and 2016 Outlook,” *PricewaterhouseCoopers* (January 2016):

<http://www.pwc.com/us/en/deals/publications/assets/deals-insights-2015-review.pdf>.

⁶ PitchBook Annual U.S. Private Equity Breakdown 2015 (January 2016).

⁷ Chelsey Dulaney, “Private Equity Sits Out 2015’s M&A Madness,” *Wall Street Journal Money Beat* (December 9, 2015): <http://blogs.wsj.com/moneybeat/2015/12/09/private-equity-sits-out-2015s-ma-madness/>.

⁸ 2015 Full Year Trends Report: Private Equity Industry,” *Berkery Noyes* (January 25, 2016): <http://www.berkerynoyes.com/publication/trends/2015FY/pe.aspx>.

⁹ PitchBook U.S. Annual Private Equity Breakdown 2015 (January 2016).

¹⁰ PitchBook Annual U.S. Private Equity Breakdown 2015 (January 2016).

¹¹ Jeff Golman, “Four Reasons 2016 Will Be A Strong Year for M&A,” *Forbes Business* (January 11, 2016): <http://www.forbes.com/sites/jeffgolman/2016/01/11/four-reasons-2016-will-be-a-strong-year-for-ma/#1784998a4d49>.

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