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PRIVATE EQUITY M&A

2016 IN REVIEW

I. Market Trends and Developments

- a. In 2016 Private Equity Investments Declined Amid Increased Competition and Rising Target Valuations¹
- i. In 2016, U.S. private equity investments declined with respect to both the total number of transactions completed and aggregate transaction value as compared to 2015.² There were 3,538 completed U.S. private equity acquisitions in 2016, with an aggregate transaction value of \$648.7 billion, representing a 14% decrease in the number of deals closed and a 12% decrease (approximately \$88 billion) in aggregate transaction value.³ Each quarter in 2016 saw a decline in the total number of private equity deals as compared to the corresponding quarter in 2015. Notably, the third quarter of 2016 recorded the fewest completed transactions in any quarter since the third quarter of 2010, with only 662 completed transactions. As compared to the

¹ ©Cleary Gottlieb Steen & Hamilton LLP. This outline was prepared in March 2017. Deal data represents preliminary data collected from 2016 year-end surveys and is subject to update as additional data becomes available.

² The total value of global M&A activity declined to \$2.7 trillion in 2016, down 16% from a record high in 2015. Thomson Reuters, Mergers & Acquisition Review – Financial Advisors (Full Year 2016).

³ PitchBook Annual U.S. Private Equity Breakdown 2016 (January 2017).

third quarter of 2015, which had 1,002 transactions completed, this represented a 34% year-over-year decrease.⁴ The overall decline in deal volume was partly attributable to growing competition from both strategic players and private equity firms, increasing valuations and concerns regarding protectionism and global political conditions.⁵

- ii. The decline in transaction volume and aggregate value in U.S. private equity investments also reflected a general decrease in North American M&A activity. In 2016, M&A activity in North America saw transaction volume decline by approximately 24%, dropping from 12,832 completed transactions in 2015 to 9,801 completed transactions in 2016. Aggregate transaction value in North America decreased by approximately 7%, from \$1.50 trillion in 2015 to \$1.40 trillion in 2016. The disproportionately small decrease in aggregate value as compared to the number of transactions completed was the result of the average deal size increasing approximately 22%, from \$116.6 million in 2015 to \$142.4 million in 2016. This increase was in turn driven by an increased percentage of deals with a transaction value of at least \$1 billion.⁶
- iii. In 2016, completed transactions with a value of at least \$1 billion accounted for

⁴ PitchBook 3Q 2016 U.S. Private Equity Breakdown (October 2016).

⁵ PitchBook Annual U.S. Private Equity Breakdown 2016 (January 2017).

⁶ PitchBook Annual M&A Report 2016 (January 2017).

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