

More Deals, Firms Than Ever

Coming off a record-breaking 2018 for private equity-backed deals, there are now more GPs with more dry powder chasing more deals than ever. What could go wrong? Our experts weigh in.

Global Buyout Deals, 2010-2018

Source: Preqin



What the Experts Say



"There were a handful of very, very large deals that skewed the totals at the market peak in the pre-recession. Some of those deals didn't turn out all that well. I think there has been a backing away from those sorts of bet-the-farm kind of deals. The average size of equity size check being written today is smaller and there's a broader range of deal sizes [among the mega-firms]"

-Michael Hogan, Harris Williams



"64% of GPs said they actually want to put more capital to work in 2019 than they did in 2018. And there's certainly the money for it. There's very high dry powder in the industry right now - I think we're at \$1.2 trillion."

-Jesse Fahy, Preqin



"2018 was another record year for the RSM transaction team. We had our best calendar year in terms of overall activity, both from a size perspective and from a volume perspective, both buy-side and sell-side due diligence. Since we are the largest middle market due diligence practice, we saw a wide range of deal sizes."

-Michael Fanelli, RSM

2018 Highlights

35% of all deals were led by PE firms

42% of PE deals were add-ons

25% Drop in fundraising total

Too Many Firms?

The population of active private equity GP groups continues to swell, raising the age-old question of whether there is 'too much capital chasing too few deals'

No. of Active Private Equity Firms Over Time
(by Vintage of First Fund Raised)

Source: Preqin



Hogan: "To the question of are there too many groups chasing too few deals, you could argue, no doubt, that the market has become incredibly efficient and much more competitive. That said, we track the number of total portfolio companies. In 2000, that number was roughly 1,750. Today, that number is over 8,000. So certainly the breadth of activity has kept up with the number of new funds coming into the market."

Fahy: "Part of what is driving this growth is Asia. We're seeing the creation of domestic PE shops across China and Southeast Asia."

Fanelli: "This is due to the success of private equity compared not only to the public markets but to other alternative asset classes. Private equity has become a consistent place where LPs put money, which is adding to the total amount allocated to private equity over time."