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Context for Private Capital Investment
TRANSCRIPT

Private Equity in 2016 – Exits & IPOs
With Peter Witte of EY

Three Strong Exit Years

Peter Witte, EY:

Exits have been one of the big stories for the last two or three years. After the global financial crisis, I think the big concern was really whether or not exit activity is going to be sufficient for private equity firms to sell down the companies they had acquired back in 2006 and 2007. What we saw over the last few years is that it absolutely was—2014 was a record year for PE-backed exits across all channels, 2015 was not quite what we saw that year, but it was also very robust. In 2016, I think we've reached a point where the cycle has wound down quite a bit.

Deal activity on the exit side is on track for about a 26% decline versus 2015. I think PE firms, in general, are a lot more comfortable with the size and the age of their portfolio than they were a few years ago.

It's really been strategic buyers that have been driving the exit activity and that's been the case for the last few years. Strategic acquirers were about two-thirds of buyers of PE assets back in 2015. They were about 70% in 2016, so they're really driving the market right now. Secondary deals—if you look back maybe 10 years ago in 2006 and '07—they were almost half of PE exits. Now, they're about 20% and IPOs are making up the balance. They made up about 10% of exits in 2016 and that was really where we saw the greatest disruption last year—in the IPO markets. We saw declines across all regions.