

Private Equity Review & Outlook 2016 – Dry Powder With Peter Witte of EY

More Capital on the Sidelines than Ever

Peter Witte, EY:

I think dry powder is really the big story of 2016. PE firms have had several years now of very strong fundraising. They've raised more than \$2 trillion for co-mingled funds over the last three years. But, at the same time, the market for new acquisitions has been fairly flat. So that combination of a strong market for fundraising and a flat market for new deal has led the industry to build up this massive war chest of dry powder, more than \$530 billion in buyout funds. That's more than they had back in 2006, 2007 and it's up 17% from last year.

The Challenge of Putting Dry Powder to Work

Christopher Elvin, Preqin:

Essentially, I think it goes hand in hand with the growth of the industry. There are more private equity-held assets than there have ever been before. We're coming off the back of a robust fundraising period as well. I think there's more interest in terms of when the pricing, perhaps, will decrease, allowing fund managers to put more of that capital to work. It's a balance of scales, as it were.

Witte:

PE firms are having to be a lot more creative about how they put assets to work. The typical buyout model is coming under a lot of pressure, so PE firms are looking to get a lot more creative in terms of their moving down market into the growth capital space. They're looking for special situations where they can add value through operational improvement.