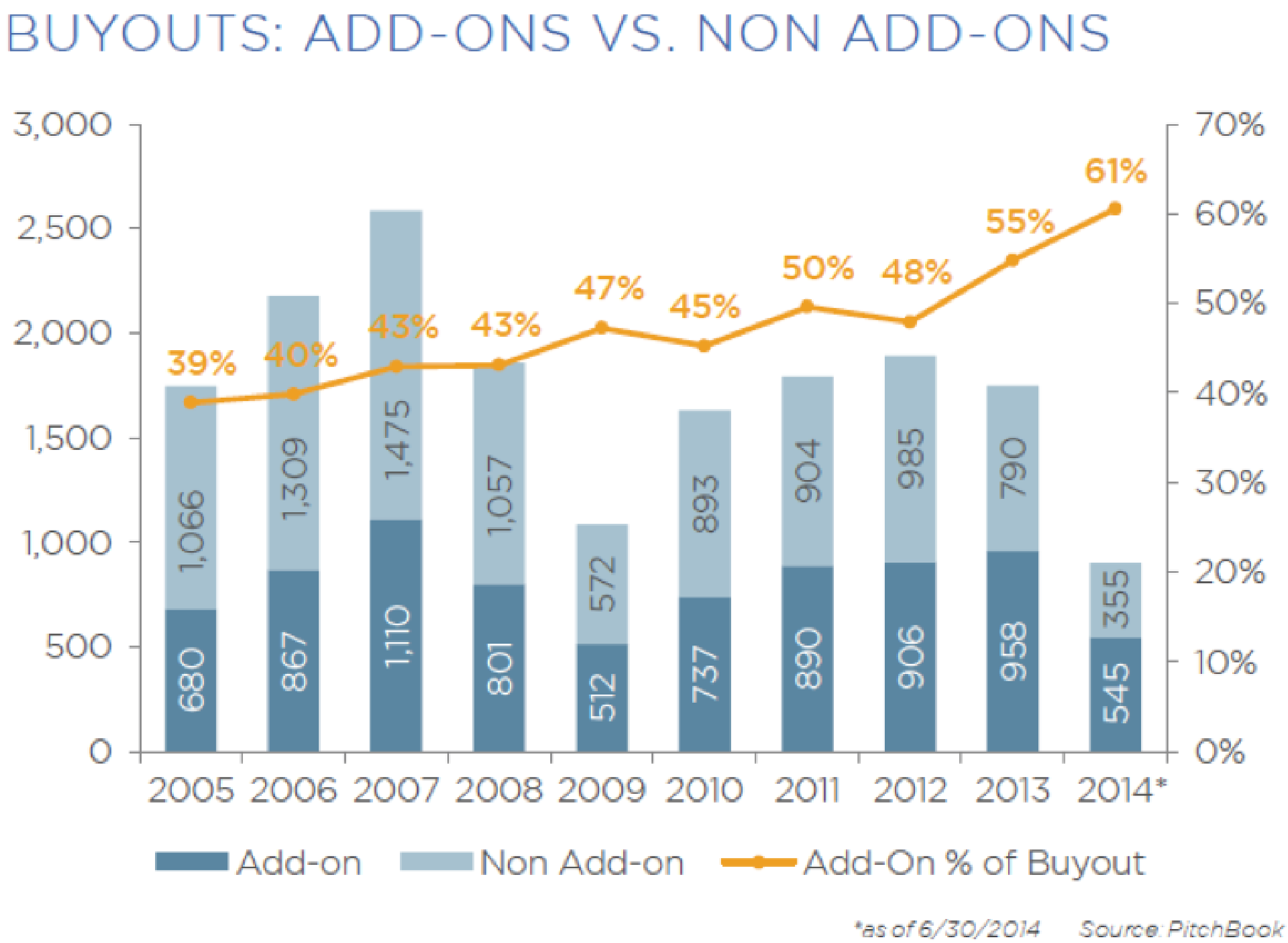
The Pulse of Private Equity – 7/7/2014

PitchBook | July 9, 2014



We have been pointing out the growing increase in Add-on activity for years, but it only continues to go up to new levels – so we will keep talking about it. In the first half of this year

acquisitions by private equity portfolio companies (add-ons) accounted for 61% of all PE deal activity. Not all of these deals involved direct money from PE firms, as many were financed directly from the balance sheet or with additional debt at the portfolio company level. Still, these 355 add-on deals or over 1,000 add-on deals if you go back to the beginning of 2013, represent a significant investment strategy change by private equity firms.

The current low growth and low yield economic environment paired with the high multiple and very competitive deal environment has left many private equity firms effectively on the sidelines. However, capital has to be put to work, so PE firms are clearly taking a more aggressive approach on add-ons. WE are finding that investors are now building proprietary sourcing operations or at least dedicating time focused specifically on finding attractive add-ons for portfolio companies or roll-up strategies. Until something changes in the economic or deal environment we imaging that many private equity firms are going to continue calling the Buy and Build play as long as they can.

Contact: Adley Bowden

Senior Director, Analysis

adley.bowden@pitchbook.com