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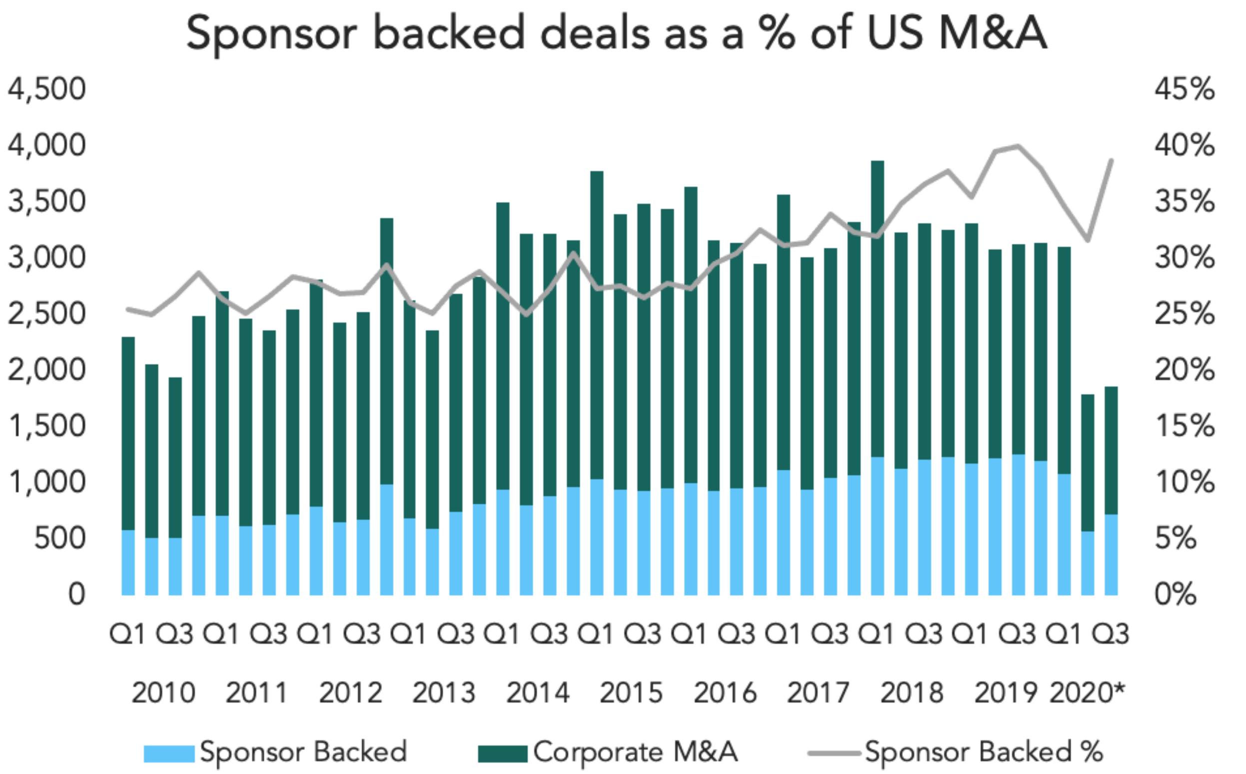
Not everyone is buying

PitchBook | October 22, 2020



Download PitchBook's Report here.

Private equity enjoys some advantages over corporate acquirers right now. PitchBook's latest North American M&A Report, now available, visualizes this trend in the chart above. Third quarter numbers show a small uptick in PE deals and a small slowdown in corporate M&A, resulting in a sharp spike in the PE vs. corporate M&A ratio. Neither group is particularly active, but one appears to be shopping more than the other.

PE firms are constrained by fund timelines and need to put money to work sooner rather than later. Corporate acquirers are under no such constraint—deals are only made when they present a net benefit. Even though many would-be targets are struggling and are open to solicitations, not all corporate buyers are in the mood to buy. Many don't have a playbook for an environment like this and pass at the idea of picking up distressed competitors. We've heard anecdotes of corporate buyers, with plenty of money to spend, simply refusing to do deals right now. Most companies are juggling problems of their own and aren't anxious to add more to their plates. Others are, especially if they have experience acquiring in a down, uncertain market. For the most part, though, the market hasn't turned into a buy-side free-for-all.

The waning appetite for corporate M&A may turn out to be temporary, and well-capitalized strategic buyers can change course at a moment's notice. For the time being, though, financial buyers have fewer competitors to deal with. That will help compress valuations (which haven’t budged much, by the way) for PE firms. Strategics are just as likely to solicit bids from PE firms—to sell off a subsidiary and boost their own liquidity—as they are to compete with them for new deals. It adds up to a brief respite for PE firms, which are looking to put their money to work if they can.