PE firms are clubbing again

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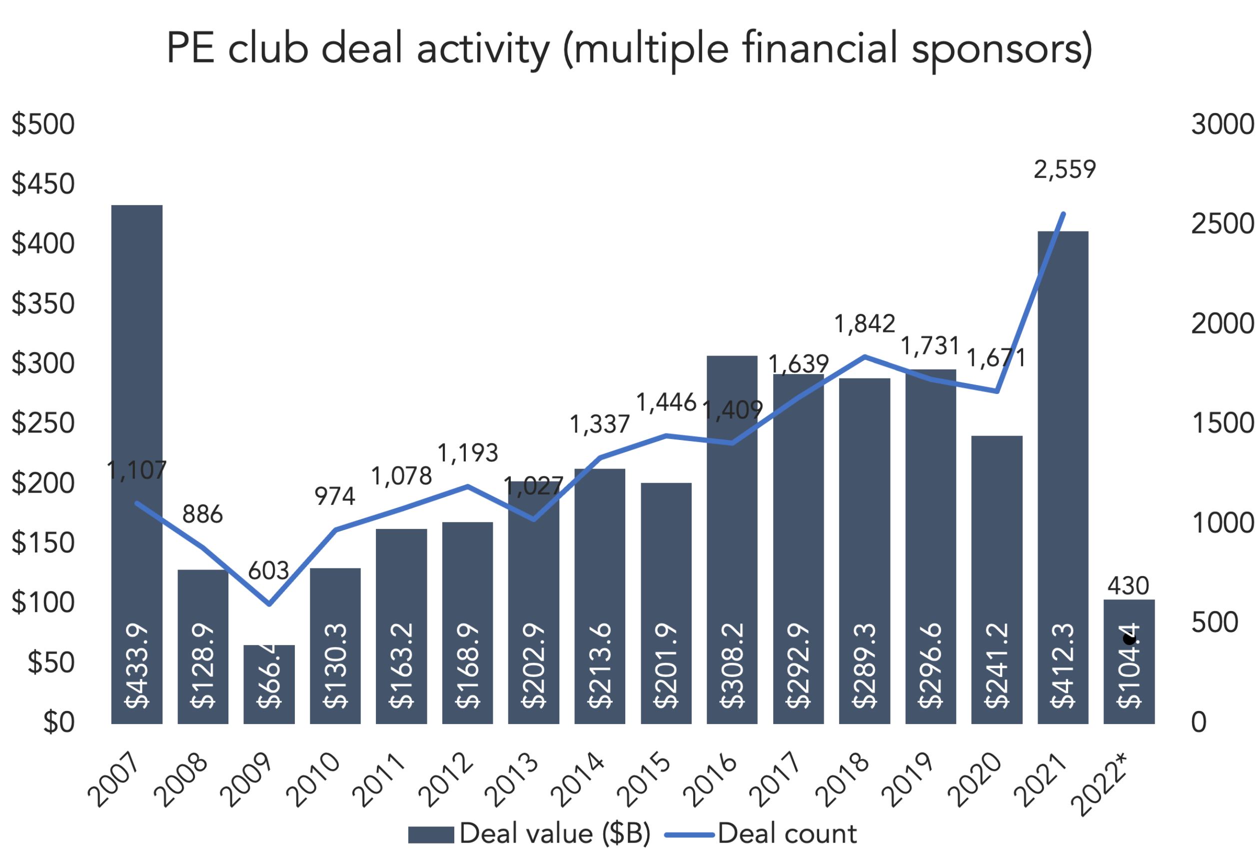

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During the buyout boom of 2005-2008, "club" deals were a common sight, especially at the high end. When the music stopped in 2008, many of the biggest portfolio companies were held by three or more PE firms, who had to make "club" decisions about what to do next. That approach to dealmaking largely fell out of fashion after that.

But PitchBook's Q1 US PE Breakdown Report found a resurgence of them in 2021. For the first time since 2007, club deals were responsible for at least $400 billion of aggregate deal value. Moreover, there more than 2,500 club deals for the first time. That number is markedly different from the buyout boom era, when just as much capital was being invested in far fewer transactions. Among other things, that means the typical club deal of 2021 was much smaller than it was 15 years ago.

Even if club deals are smaller than they used to be, LPs have expressed hesitation once they've experienced them. "As an LP, you've now entered into secondary relationships with GPs that you may not want to be associated with…You have to be comfortable that that's not within your control anymore," one investor told *Institutional Investor*. She likened it to multiple people buying a house together. That sounds like a good idea for a Netflix series, actually; it's not "drama," it's "deal complexity." It also sounds like a show that many LPs wouldn't care to watch.

(Past performance is no guarantee of future results.)