The Pulse of Private Equity – 6/22/2015

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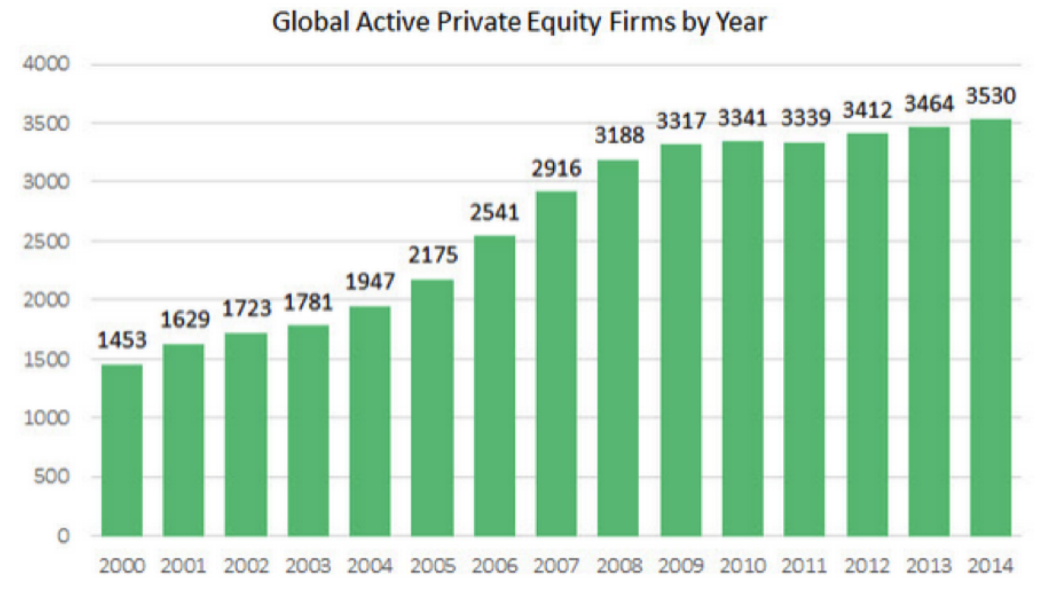
If it seems like the PE market is getting crowded, it's been that way for a while. The number of active global PE firms, defined here as having raised a fund in the prior five years or completing a deal in the prior three, has been on an almost-uninterrupted increase since 2000. From 1,453 active firms that year to 3,530 last year, that's a 143% increase over 14 years. The numbers have leveled off somewhat post-crisis, which may reflect a ceiling being hit, or it may hide continued growth among new firms that's been canceled out by a number of failed GPs following the fallout in 2009. In any event, there are still more active PE firms today than there were in 2008, which speaks to the staying power of the asset class.



Since 2000, the number of North American firms has essentially doubled, from 936 that year to 1,956 last year for a compound annual growth rate (CAGR) of 4.7%. Globally, that's on the low end. The Central/South/Southeast Asia region has seen a 13.9% CAGR over the last 14 years and increased by 677% by firm count, from 13 in 2000 to 101 in 2014. East Asia has seen a similar trajectory: a 12.7% CAGR and an increase from 26 firms to 180 today. Africa is close behind on a CAGR basis (11.5%), though its absolute totals are still low (43 active firms today compared to only eight at the turn of the century).

Some have said that the crowded PE market is a sign of its demise. It's certainly no longer greenfield, but that doesn't mean its dying. Over 3,500 (and counting) investors would beg to differ.

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