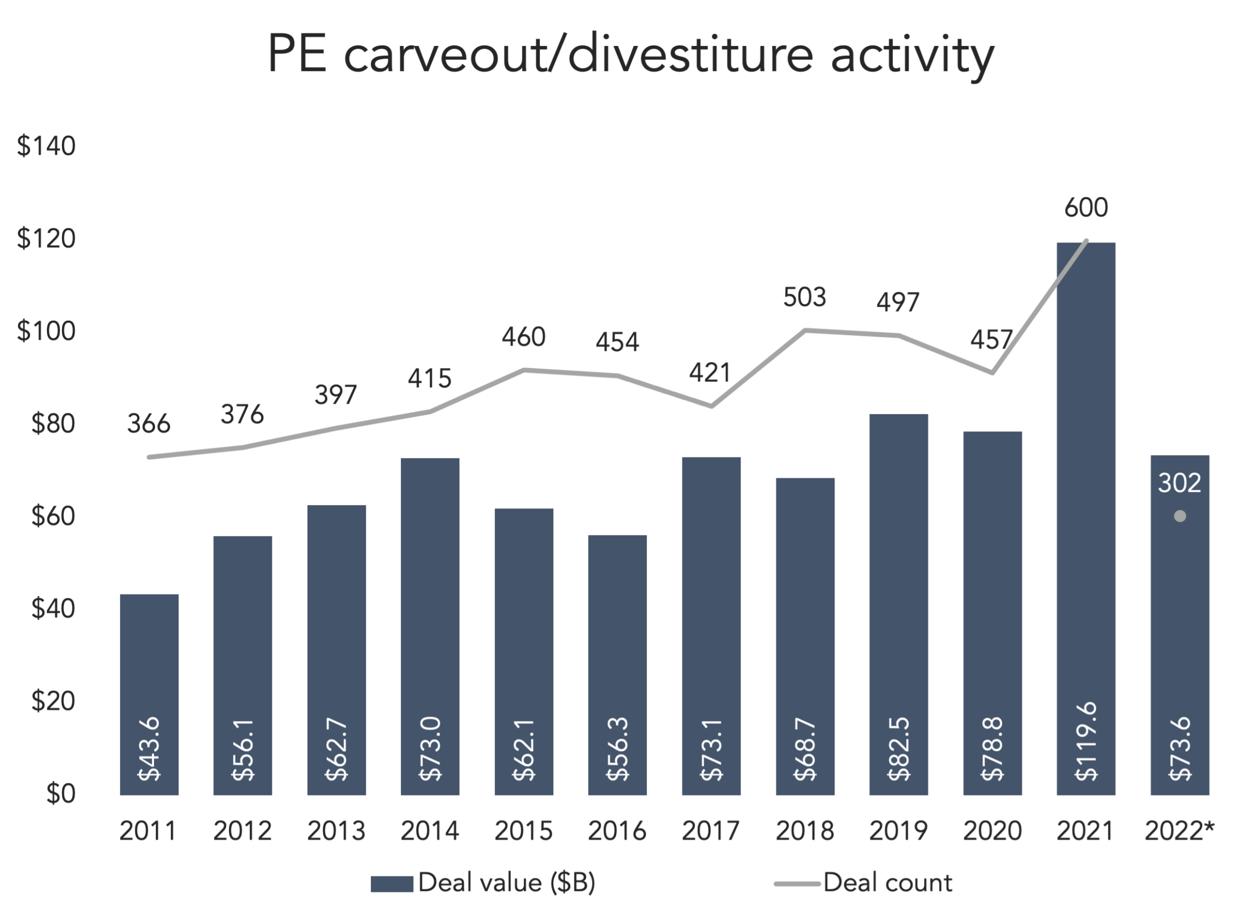
A good year for carveouts

PitchBook | November 17, 2022



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PE-led carveouts are having a good year, according to PitchBook's Q3 US PE Breakdown. A healthy fourth quarter will bring 2022 in line with prior years, despite the sluggish market overall. Corporate America continues to struggle in this inflationary environment, creating opportunities to shed noncore assets to raise cash and streamline priorities. Almost $74 billion of PE capital has gone to carveouts this year, which would be a decent showing by itself. But with another quarter to go, we expect to see a strong finish for the chart above.

A healthy carveout market isn't new to 2022. Carveouts were popular last year, as corporates reset their priorities in a post-Covid environment. Divestitures were a popular tool to do that. In early 2022, as the market's outlook changed from jubilant to inflationary, corporates felt new motivations to divest noncore assets. For their part, PE firms are using the carveout playbook to add on to existing portfolio companies. Investors prefer to plan out their buy-and-build strategies in advance. But with corporates trying to divest in an uncertain environment, those divested add-ons are more opportunistic than deliberate.

(Past performance is no guarantee of future results.)