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The Pulse of Private Equity – 12/7/2015

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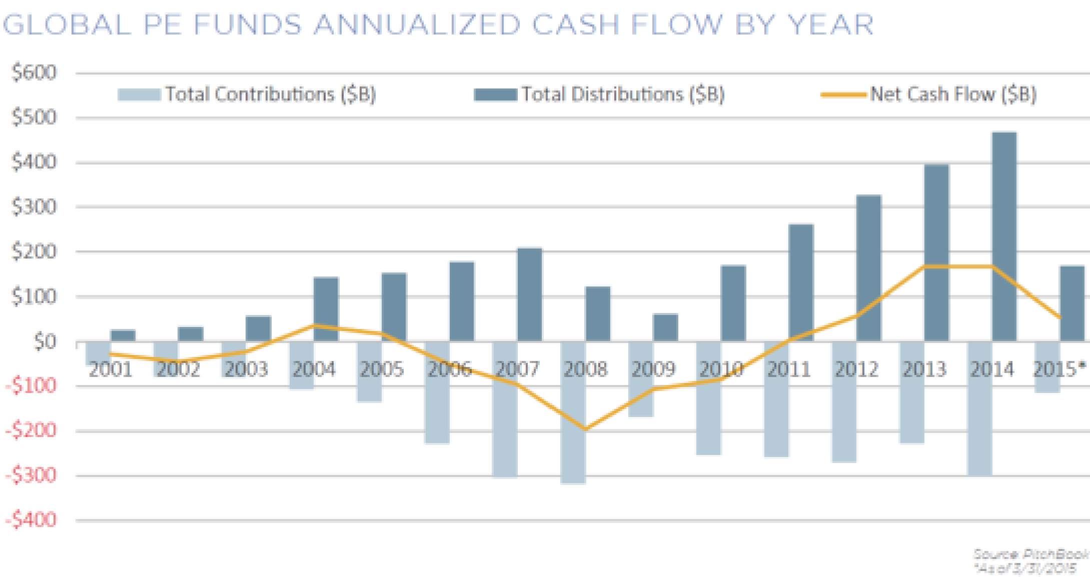
Global PE Cash Flows for 2015 Already Strong

In the first quarter of 2015, private equity firms worldwide have already distributed $168.2 billion back to their limited partners, while calling down $114.3 billion. Those two sums combined produce a net cash flow for 2015 of $53.9 billion already, no less than 32% of last year’s total of $167 billion. What is more, that $167.0 billion in 2014 came after $167.2 billion for 2013, so putting it all together, since the start of 2013, and through the end of March, the industry’s net cash flow stands at an aggregate $338.1 billion. The flow of distributions to fund backers is simply staggering, with over $1 trillion across the same timeframe.



At this point, one wonders just how long these massive flows can continue. However, with $230 billion in total capital exited in the U.S. alone through the end of September, we may see substantial distributions back for at least the short to medium term. That could produce some more positive feedback for PE funds in the form of recommitments, which, in turn, could exacerbate the issue of ongoing capital overhang the industry is still confronting. But PE firms are hardly likely to turn down fresh capital—barring increasingly stringent terms in limited partner agreements—as long as they can expect a reasonable chance of putting it to work sooner rather than later. Instead, the trend of PE firms angling for vehicles with more flexible investment dates than typical is likely to continue if not accelerate. It’s worth noting, however, that fundraising has slowed by count, so perhaps LPs and fund managers are dialing back efforts when it comes to raising fresh pools, with a cautious eye on that mountain of dry powder.

Contact: Garrett Black
garrett.black@pitchbook.com