The Pulse of Private Equity – 6/23/2014

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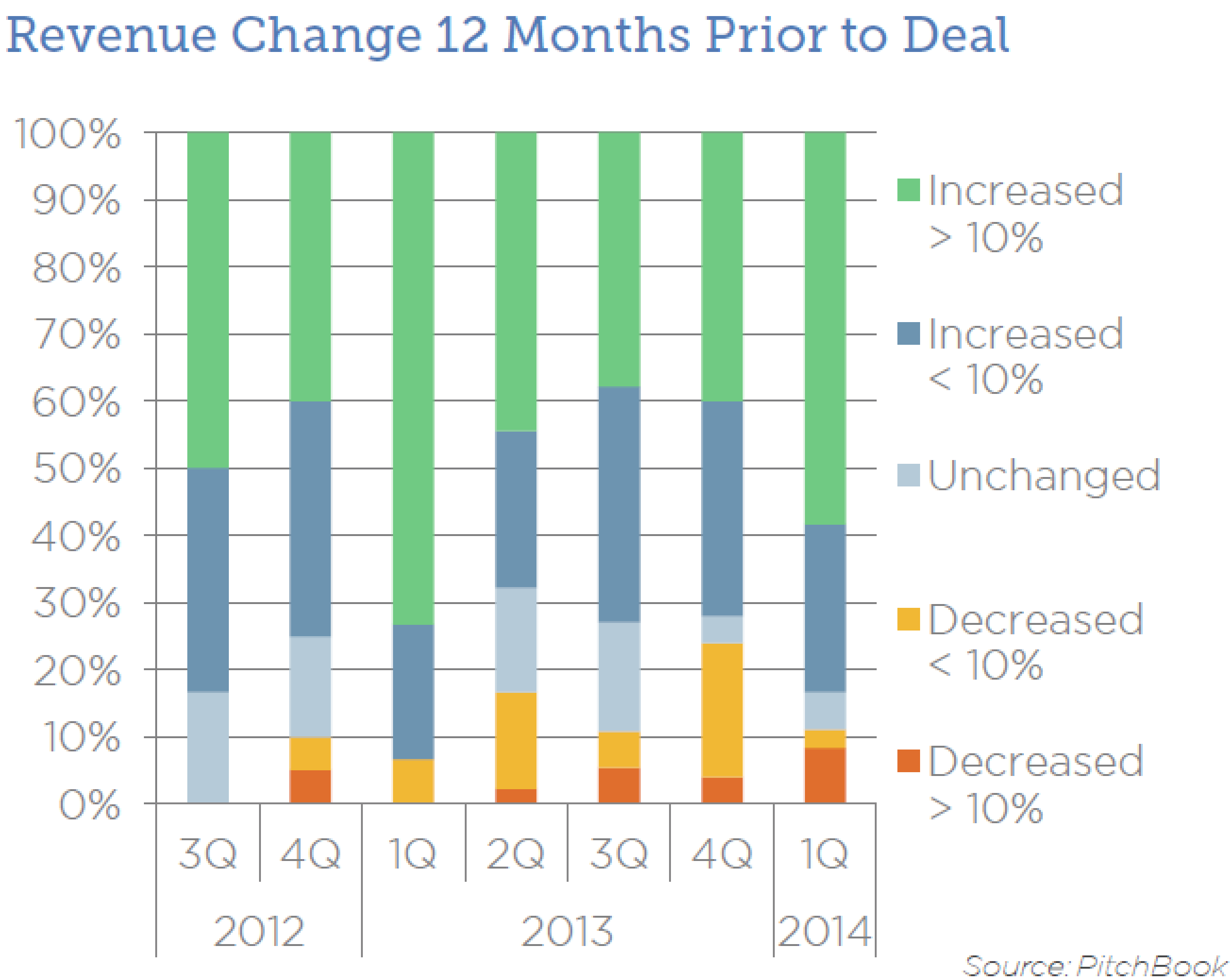

Over the last several years the biggest opportunity for PE firms was in solid companies that were struggling with generating growth and then to use their operation expertise to fix it up in order to drive growth and better margins.
For the first time in several quarters though,PE firms are showing a renewed interest in high-growth companies. 1Q 2014 shows a big jump in recent acquisitions that were growing revenues at a 10% clip or higher prior to the deal. Almost 60% of 1Q acquisitions were in that category, compared to around 40% for the prior three quarters. All told, more than 80% of recent acquisitions were of companies experiencing revenue growth prior to investment.

At the same time, there’s also renewed interest in struggling companies; 8% of respondents picked up a company in 1Q with revenues declining by more than 10%. We noticed a similar trend in our last report; over 20% of companies acquired in 4Q 2013 were experiencing revenue declines prior to the deal. Then and now, PE firms are confident about their growth prospects; 94% of respondents anticipate revenue increases for their companies over the next twelve months.

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