The Pulse of Private Equity – 6/20/2016

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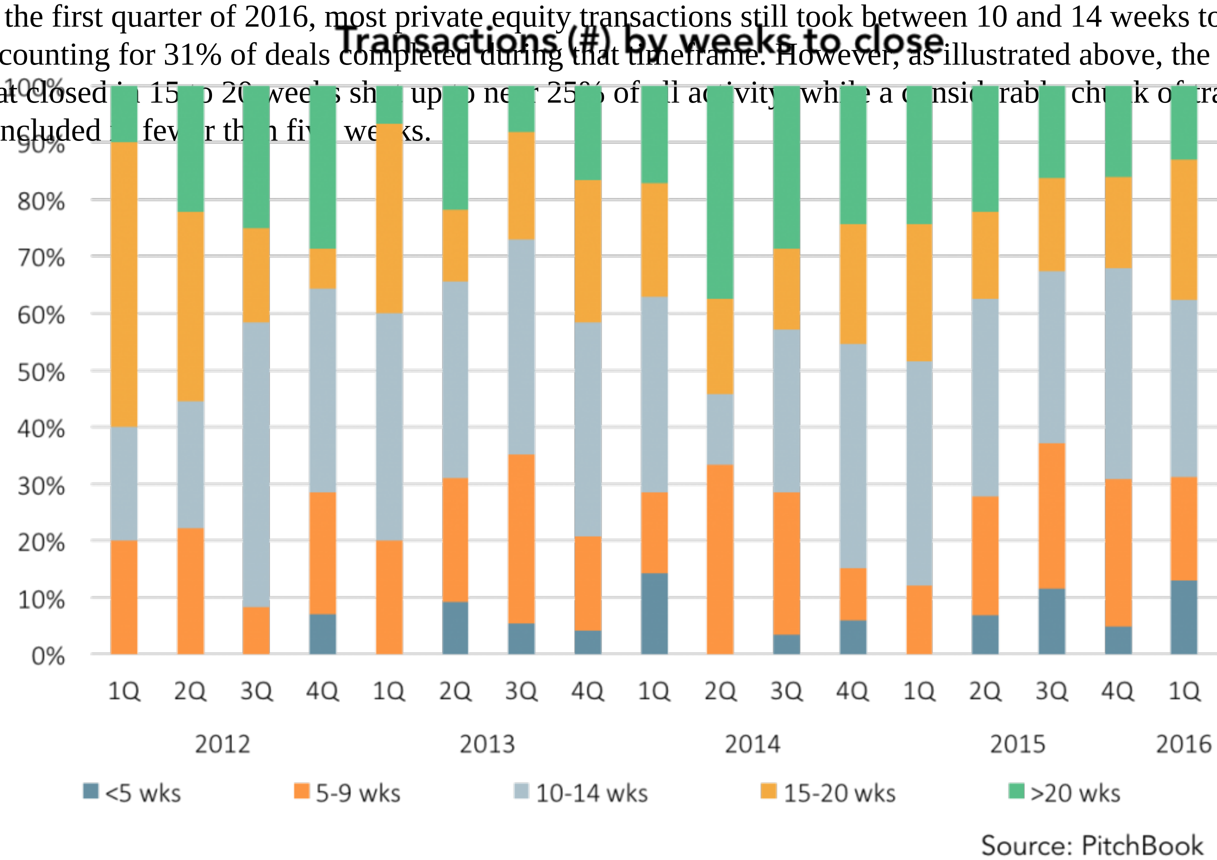
Closing times indicate divergence in company quality

In the first quarter of 2016, most private equity transactions still took between 10 and 14 weeks to close, accounting for 31% of deals completed during that timeframe. However, as illustrated above, the portion of deals that closed in 15 to 20 weeks shot up to near 25% of all activity while a considerable chunk of transactions concluded in fewer than five weeks.



These coincident increases speak to a divergence in the quality of companies in the market, with some deals taking a fair amount of time to close as sponsors more closely scrutinize targets' financials and extend due-diligence periods. On the flip side, the handful of quality opportunities available are getting snapped up quite quickly.

In today's dealmaking climate, PE buyers are pressured on two fronts. First, with plenty of dry powder, they have to move quickly to take advantage of valuable targets as the level of competition is intense. Second, with material risks to economic growth still present, buyers must price that in on top of whatever issues the prospective company already has.

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