

## **Pricing is Problematic in Buoyant Buyout Deals Market** **Over two-thirds of buyout firms believe private equity deals are overpriced at present**

Private equity buyout deal flow has increased over the past year, but it is very much a seller's market, Preqin and LexisNexis Enterprise Solutions have found.

A joint study of global private equity buyout firms has revealed that while 49% feel that the number of opportunities has increased over the past 12 months, 68% feel that these opportunities are overpriced.

Funds of vintages 2007 and 2008 account for 22% and 28% respectively of the \$391 billion in dry powder available to the private equity buyout industry. As most firms employ a five-year investment period, fund managers are under pressure to put this capital to work, increasing competition for deals significantly and resulting in higher prices.

### **Other important findings:**

- Over half of respondents believe that potential acquisitions are correctly leveraged at present
- 27% stated that over leverage is a problem in the current market – a dramatic turnaround from the immediate post-Lehman environment
- 48% stated that the overall outlook for doing deals is strong, and just 5% felt it to be weak
- 29% felt that opportunities are correctly priced
- Personal relationships are very important when it comes to sourcing deals in such a competitive market; 32% have frequently sourced deals through personal relationships and a further 46% have done so a number of times
- 98% of participants rely on referrals to source deals to some extent

The full report can be accessed here:

[http://www.preqin.com/docs/reports/Preqin\\_LexisNexis\\_CRM\\_Systems\\_and\\_Data\\_Sourcing.pdf](http://www.preqin.com/docs/reports/Preqin_LexisNexis_CRM_Systems_and_Data_Sourcing.pdf)

### **Comment:**

“The results of the study suggest that the deals market is buoyant, but pressure to put capital to work is affecting pricing and the flow of potential new deals. Increased pricing has the potential to erode future returns, which will cause concern amongst institutional investors.

In these competitive times, it is imperative that fund managers effectively source, manage and execute successful deals, and forming strong relationships with potential acquisitions at the earliest possible stage has become more important than ever in protecting fund IRRs.”

### **Manuel Carvalho, Manager – Private Equity Deals**

#### **Note to Editors:**

- Dry Powder – Capital that has been committed but remains uncalled by buyout firms
- Preqin is spelled without the letter 'U' after the 'Q'.

#### **About LexisNexis Enterprise Solutions:**

LexisNexis Enterprise Solutions is a leading provider of a range of software solutions to the professional services sectors, with its LexisNexis InterAction platform being utilised by leading private equity firms worldwide.

#### **About Preqin:**

Preqin is the leading source of information for the alternative assets industry, providing data and analysis via online databases, publications and bespoke data requests.

Preqin has built a reputation in the alternative assets industry for providing the most comprehensive and extensive information possible. Leading alternative assets professionals from around the world rely on Preqin's services daily, and its data and statistics are regularly quoted by the financial press. For more information, please visit: [www.preqin.com](http://www.preqin.com)

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