



Private Equity

U.S. Private Equity Market Recap

Activity and Trends

ROPES & GRAY

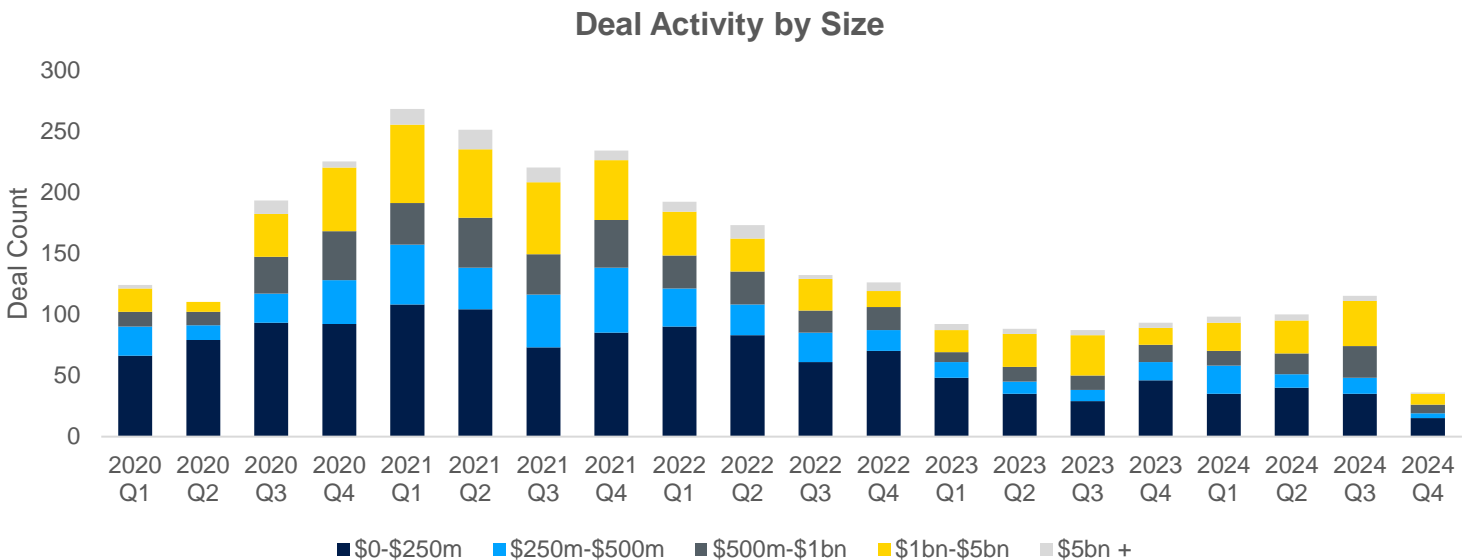
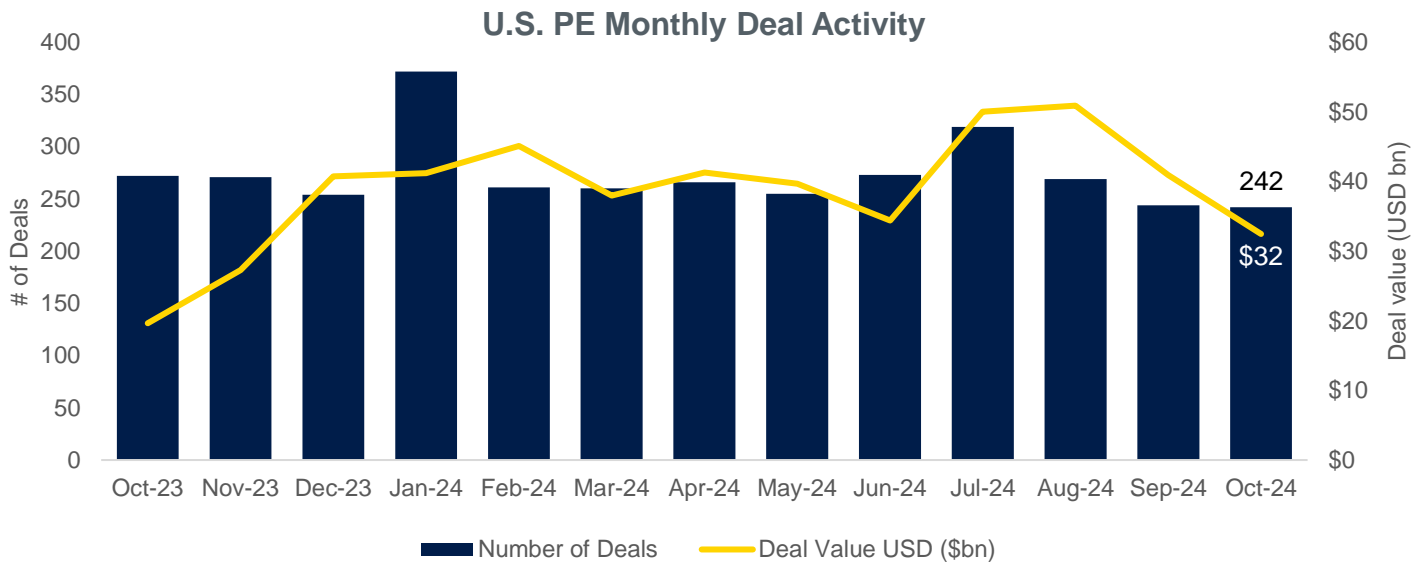
November 2024

Monthly transactional trends and other developments in the private equity industry

U.S. PE DEAL ACTIVITY	FUNDRAISING TRENDS & FUNDS RAISED	PE HOLDING PERIOD & DISTRIBUTIONS	Q3 EARNINGS COMMENTARY	U.S. HIGH YIELD ISSUANCE	U.S. LEVERAGED LOAN ISSUANCE	A LOOK AHEAD	SELECTED ROPES & GRAY PE DEALS
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U.S. PE Deal Activity

- Deal activity:** While deal count had a slow start in Q4 and fell 1% MoM in October, dealmakers remain optimistic about a pickup in transactions with the election behind us and a continued decline in rates.
- Deal value:** Deal value dropped for the second consecutive month in October but remains up 14% YTD in 2024, compared to the same period last year. 2024 is on track to have more \$1bn+ deals than 2023.



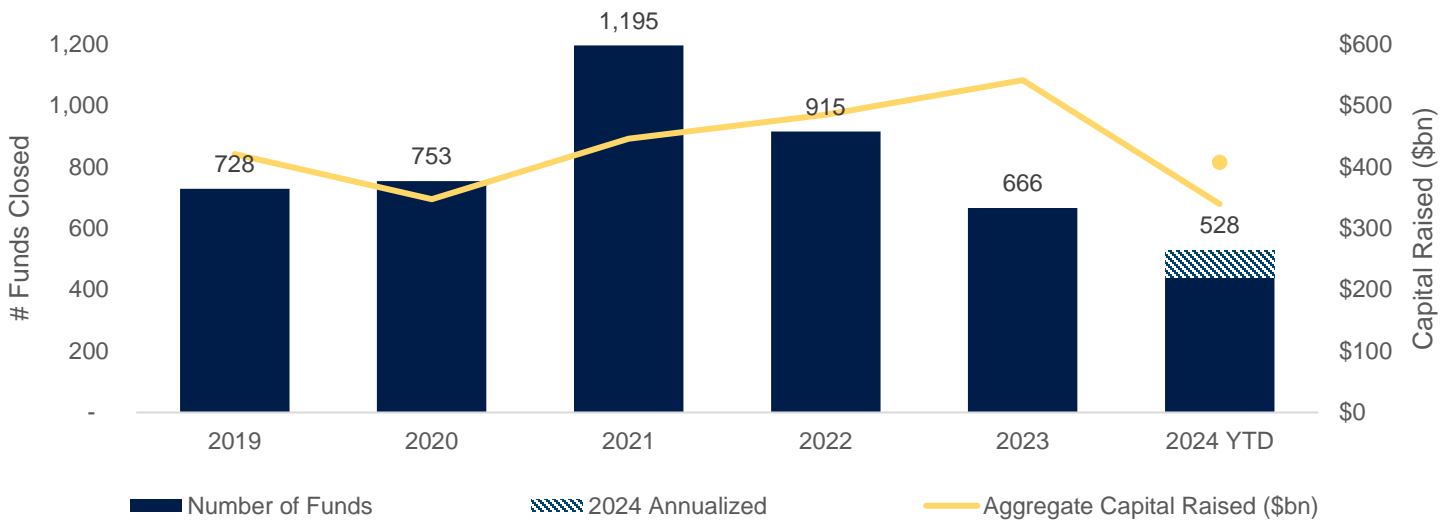
Source: Dealogic, U.S. Only, Deal Announced/Completed through 10/31/2024

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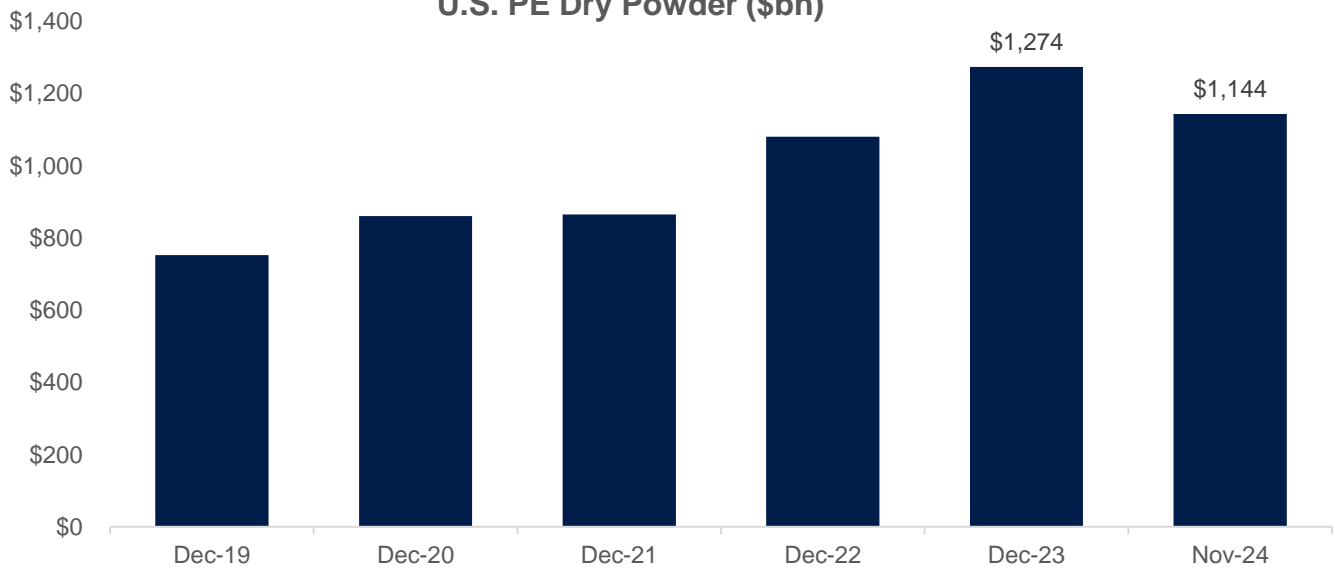
PE Dry Powder & Fundraising Trends

- **Fundraising:** The fundraising environment remains difficult, and 2024 is on track to have the fewest number of closed funds since 2016.
- **Deploying dry powder:** PE firms continue to deploy the large sums of amassed dry powder, and dry powder in buyout funds has dropped by 12% since December 2023.

Annual U.S. PE Fundraising Activity



U.S. PE Dry Powder (\$bn)



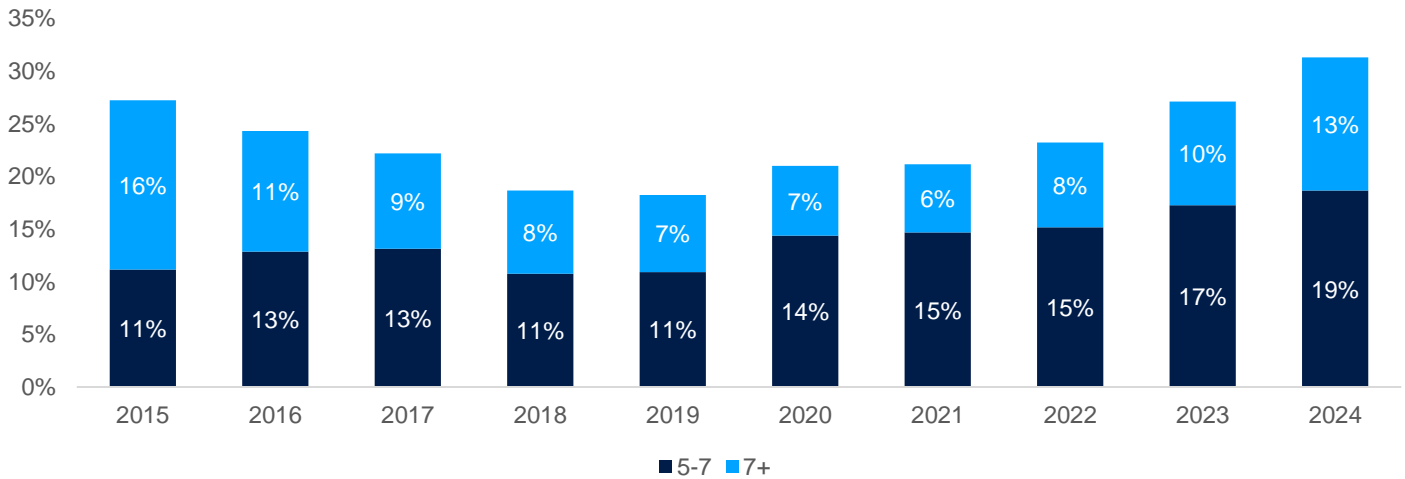
Source: Preqin, Data as of 11/01/2024, Excludes VC dry powder
ropesgray.com

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PE Holding Period & Distributions

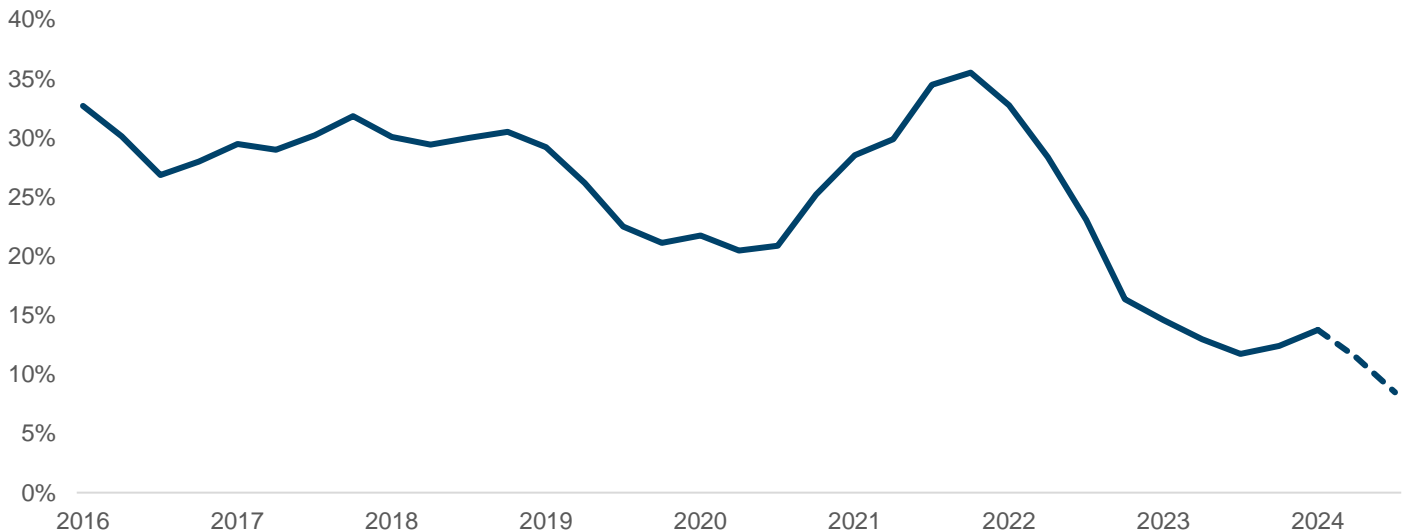
- **Prolonged holding period:** Currently, over 30% of buyout-backed companies have been held for 5+ years.
- **Low distribution yields:** Distribution yields remain near GFC-level lows, but alternatives such as continuation funds and dividend recaps are helping to provide some liquidity.
- **Pressure to exit:** PE firms continue to face pressures to exit and return investor capital.

Share of buyout-backed companies by holding period (years)



Source: Pitchbook, data through 10/08/2024.

TTM PE buyout fund distributions as a share of beginning NAV



Source: Pitchbook, data through 9/30/2024. The values for the two most recent quarters were estimated from buyout exit values.

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Q3 Earnings Commentary

- **Deal activity optimism:** Executives from public PE firms shared that they expect transaction activity will continue to pick up in coming months.

Blackstone

“In Q3, for the second consecutive quarter, we invested or committed over \$50 billion, the highest in more than 2 years... I was talking with the private equity guys the last day or so, and the number of nondisclosure agreements, confidentiality agreements, is up 2.5-fold in September versus where it was a year ago. Now that doesn't necessarily mean it's going to turn into that volume of deals, but it **clearly shows you there is more enthusiasm**. And we know in the private equity world, there's a lot of companies that need to be sold, similar story in real estate. So it feels like there's a lot of **pent-up demand for realizations for DPI, and I think we'll see that in 2025.**”

– Jon Gray, President and COO (October 17, 2024)

CARLYLE

“Being past the election has removed market uncertainty, first and foremost. Markets like certainty, and you're seeing that broadly across capital markets, particularly in the stock market yesterday. Over the medium to long term, **this should be a further catalyst for IPOs, M&A** and key sectors we invest in. This should be an environment in which we are well positioned to capitalize on monetization opportunities and put capital to work ...Prior to election, we had already seen the U.S. Federal Reserve's shift in stance on interest rates, and that was a clear sign that we entered a new era of monetary policy and that inflation has stabilized. **The election certainty and the change in monetary policy are a powerful combination supporting economic growth and our business.**”

– Harvey Schwartz, CEO (November 7, 2024)

Brookfield

“Inflation has eased and central banks have begun to lower rates. Liquidity has returned to the market as the direction of travel on rates is now clear. This shift has generated greater confidence among market participants, and this normalization is unlocking value across our business. This has **allowed transaction activity to pick up, leading to both the buyers and the seller's market**. We see attractive investment opportunities, especially for large transactions or opportunities that need capital to grow...In general, across the industry, **we anticipate a significant return of capital to limited partners**, and this recycling of capital will add further support to an increasingly constructive fundraising environment.

– Bruce Flatt, Brookfield (November 4, 2024)

Source: Earnings Transcripts

U.S. PE DEAL ACTIVITY

FUNDRAISING TRENDS & FUNDS RAISED

PE HOLDING PERIOD & DISTRIBUTIONS

Q3 EARNINGS COMMENTARY

U.S. HIGH YIELD ISSUANCE

U.S. LEVERAGED LOAN ISSUANCE

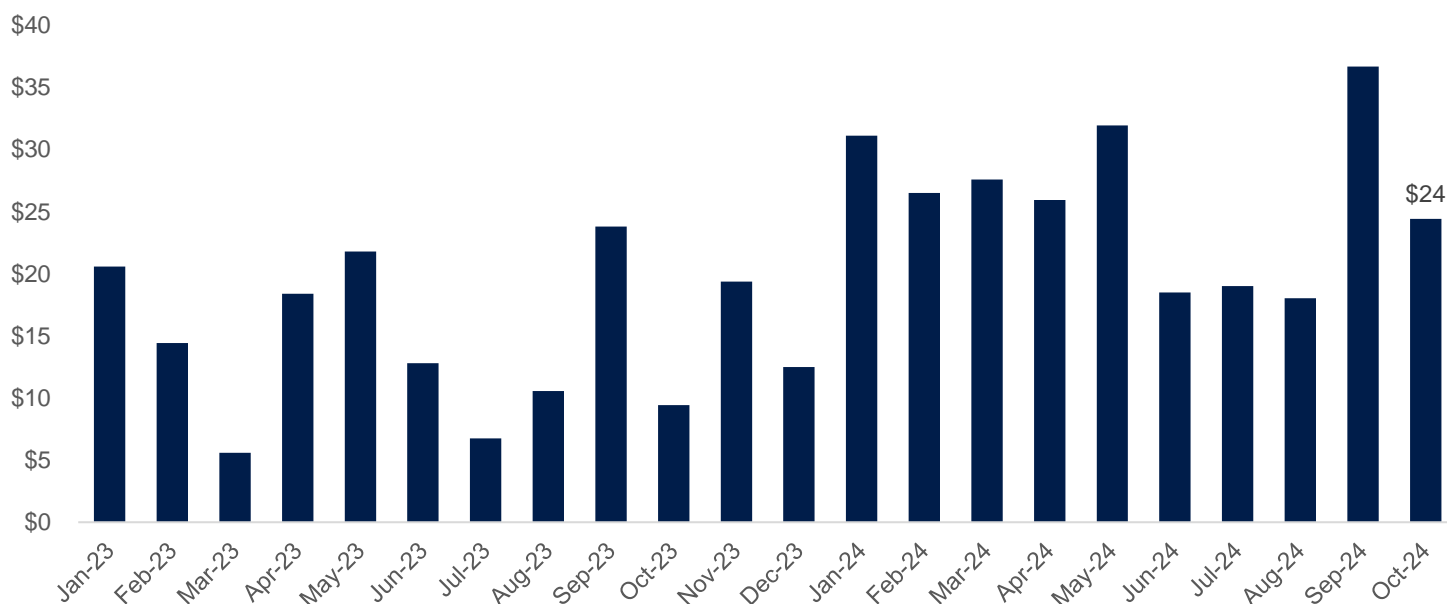
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SELECTED ROPES & GRAY PE DEALS

U.S. High Yield Issuance

- **High yield issuance up:** YTD 2024 through October, high yield issuance is up 80% compared to the same period last year.
- **Issuance breakdown:** 74% of the high yield issuances in 2024 YTD have been for refinancings.

High Yield Issuance (\$bn)



YTD Activity by Industry

Industry	Deal Count	%
Oil & Gas	62	17%
Services & Leasing	57	15%
Computers & Electronics	26	7%
Insurance	18	5%
Real Estate	17	5%
Other	194	52%

YTD Activity by Purpose

Purpose	Deal Count	%
Refinancing	278	74%
M&A/Acquisition	41	11%
Corp Purpose	14	4%
Recap/Dividend	14	4%
M&A/LBO	8	2%
Other	19	5%

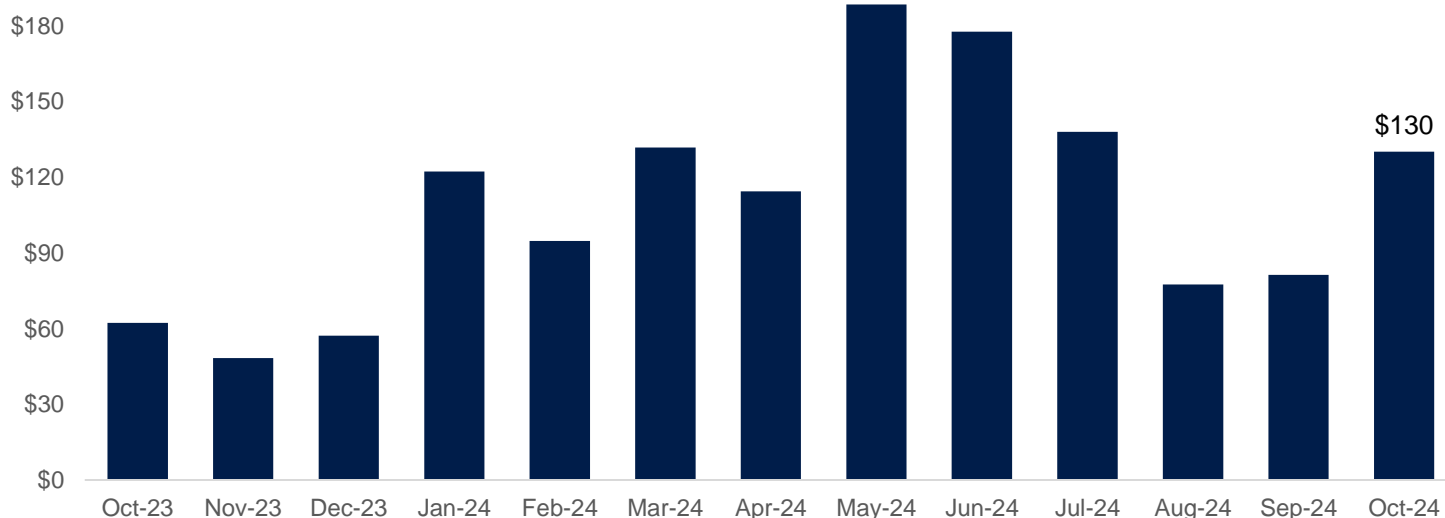
Source: Pitchbook LCD, data through October 2024

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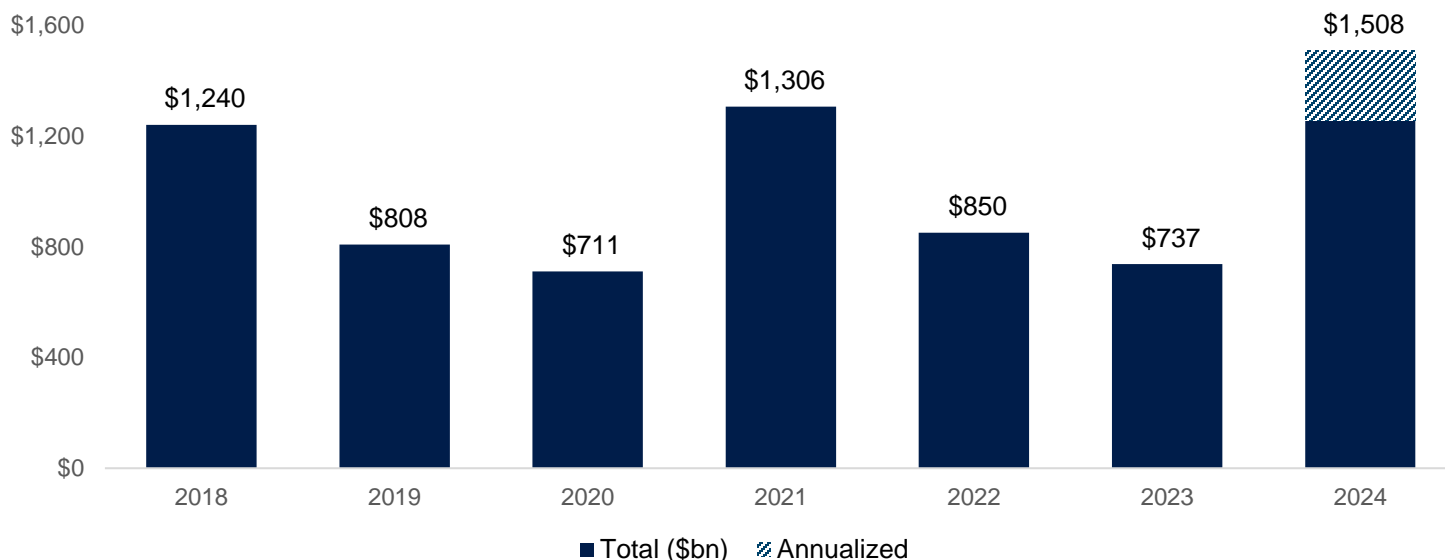
U.S. Leveraged Loan Issuance

- High issuance levels:** Monthly issuance levels rose to \$130 billion in October, up 60% from September; YTD issuance is at \$1.26 trillion, nearly double the amount issued during the same period last year.

Monthly Leveraged Loan Value (\$bn)



Annual Leveraged Loan Value (\$bn)



Source: Refinitiv LPC, data through October 2024

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A Look Ahead

- **Election impact:** Wall Street has had a favorable reaction to President-elect Trump's election win, with public equity markets trading up following the election and dealmakers expressing optimism.
 - **Regulatory environment and M&A:** Dealmakers are hoping that the incoming administration will bring a more lax regulatory and anti-trust environment and, in turn, boost M&A activity.
 - **Industry dynamics:** Industries in regulatory crosshairs, such as energy, tech, life sciences and others, may experience a shift in dynamics around deal activity levels and capital flow.
 - **Policy uncertainty:** Investors can look back to President-elect Trump's first presidency for a playbook, but uncertainty remains over how antitrust, tariff and foreign investment policies will play out and affect the private capital industry.
- **Rate cuts continue:** The Fed cut interest rates for a second time this year at its November meeting and remains on track to continue cuts in the coming months.
- **Individual Investors in PE:** Private equity firms are looking to attract capital from high-net-worth individuals as an untapped pool for future growth.
 - **Firm initiatives:** Some firms are rolling out investment funds aimed at high-net-worth individuals and others are adding private banking veterans internally to attract affluent clients.
 - **Differing perspectives:** Some investment advisers are excited about the PE investment opportunity for their clients, citing benefits from private-market exposure and diversification, while others are less sure due to high fees and liquidity concerns.

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Selected Ropes & Gray Private Equity Deals from September and October 2024

Deal	Industry
Represented Kohlberg & Company in its majority investment in CLEARResult	Energy
Advised Audax Strategic Capital in its growth investment in Amtivo	Business Services
Represented MediQuant in a growth investment from Revelstoke Capital Partners	Tech
Represented Partners Group on raising an equity investment in EdgeCore Digital Infrastructure	Digital Infrastructure
Represented Genstar Capital in its investment in AffiniPay	FinTech
Represented American Industrial Partners in its investment in Austin Powder	Manufacturing
Advised EQT Private Capital Asia in its acquisition of a controlling stake in GeBBS Healthcare Solutions	Health Tech
Represented THL Partners in its agreement to acquire a majority stake in AMI	Tech
Represented GI Partners in its majority investment in eClinical Solutions	Health Tech
Represented Genstar Capital in its majority investment in Flourish Research	Life Science
Advised Partners Group on its investment in Akur8	Tech
Represented VMG Partners and [solidcore] in the sale of [solidcore]	Consumer
Represented Bain Capital in its acquisition of a majority stake in Red Baron	Transportation
Advised Partners Group in its investment in Gateway Fleets	Transportation
Represented TPG Capital in an agreement to acquire AT&T's 70% stake in DIRECTV	Media / Telecom
Represented TPG-backed DIRECTV in an agreement to acquire DISH TV and Sling TV	Media / Telecom
Represented Carisk Partners , a Lee Equity Partners PortCo, in its acquisition of HeadsUp Healthcare	Health Care
Represented BV Investment Partners in its sale of Risk International	Insurance
Represented New Mountain Capital in its minority investment in Portage Point Partners	Financial Services
Represented H.I.G. Capital and PortCo Oxford Global Resources in its acquisition of Linksap Europe	Business Services
Represented The Duckhorn Portfolio in its agreement to be acquired by Butterfly Equity	Consumer
Represented the management owners of Arena Investors in strategic relationship with CC Capital and Westaim	Asset Management
Represented Crosspoint Capital Partners in an investment in SynthBee	Tech
Advised AIP in its acquisition of the U.S. and Canadian architectural coatings business of PPG	Manufacturing
Represented EQT in its consortium investment in Nord Anglia Education	Education
Represented Flexential and GI Partners in an investment in Flexential from Morgan Stanley Infrastructure Partners	Digital Infrastructure
Represented Sverica Capital Management in its investment in Electronic Source Company	Manufacturing
Represented BP Energy Partners in its growth investment in Novitech	Tech / Energy
Advised Mariner in its sale of a minority stake to Neuberger Berman	Wealth Management
Represented Good Springs Capital in its investment in Tectonic	Construction
Represented AIP in its sale of Virtek Vision International	Manufacturing

How We Can Help

Our clients get unsurpassed counsel throughout the life cycle of their private equity transactions from one of the largest and most sophisticated private equity practices in the world, focusing on both private equity funds and transactions.

Ropes & Gray lawyers routinely advise leading large and middle-market clients in multiple industries on every aspect of their largest and most complex global transactions. Our 40-year track record in the industry allows us to anticipate issues that might derail deals and get them back on track to close. We guided clients in 800+ U.S. private equity transactions from 2021–2023.

RECENT RECOGNITION



The American Lawyer
“Law Firm of the Year” (2022)



U.S. News Best Lawyers
Recognized six times as “Law Firm of the Year” for leveraged buyouts and private equity



Law360
Eight-time winner of “Private Equity Group of the Year”



Chambers USA 2024
Nationwide Band 1 Private Equity Buyouts, Mid-Market Ranking

New York Band 1 Corporate / M&A Highly Regarded Ranking

Massachusetts Band 1 Corporate / M&A Ranking



2022 Impact Deal of the Year (Pfizer’s \$11.6bn acquisition of Biohaven Pharmaceuticals)

2022 M&A Firm of the Year

BROAD CLIENT BASE

60+

Of the Top 100 Biggest Private Equity Firms on the 2023 PEI 300 List

80+

Middle-Market Firms

125

Private funds in transactional and other matters

Our Commitment

350+
Adjacent-practice lawyers

250+
M&A lawyers

150+
Years of practice history

14
Offices to support deals

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