

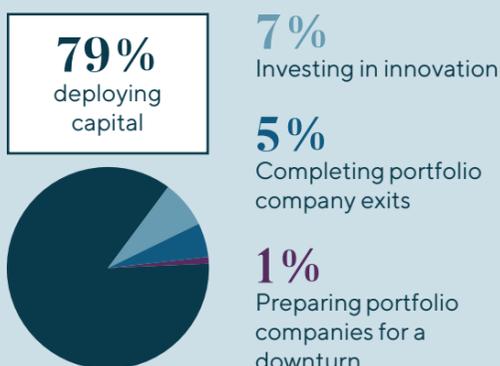
Supply-Demand Imbalance Continues as Private Equity Looks to Deploy Capital in 2021

Pulse on Private Equity: Recent survey of more than 150 global private equity investors uncovers key trends heading into 2021.

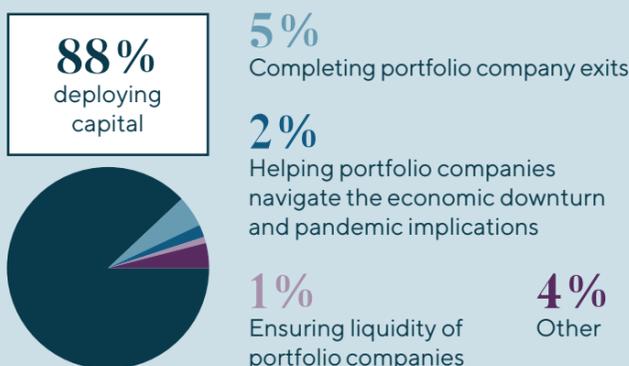
PE investors continue to focus on deploying capital.

Private equity investors amassed record levels of capital over the past few years. With ample dry powder on the sidelines, their number one priority heading into both 2020 and 2021 is deploying capital.

PRIORITIES HEADING INTO 2020:



PRIORITIES HEADING INTO 2021:



PE investors face a supply-demand imbalance of quality businesses.

Private equity investors remain focused on identifying acquisition targets. However, the capital available to deploy exceeds the number of quality businesses available, continuing the supply-demand imbalance from 2020.



Investors are willing to pay higher multiples for businesses that performed well during the pandemic and will work quickly to complete those deals, given the shortage of quality buying opportunities today. With so much capital ready to be deployed investors are also willing to widen their aperture, searching for targets in new geographies around the world.

PE investors look for management teams with a strong pandemic story.

Economic uncertainty is most likely to lead investors to do the following in 2021:

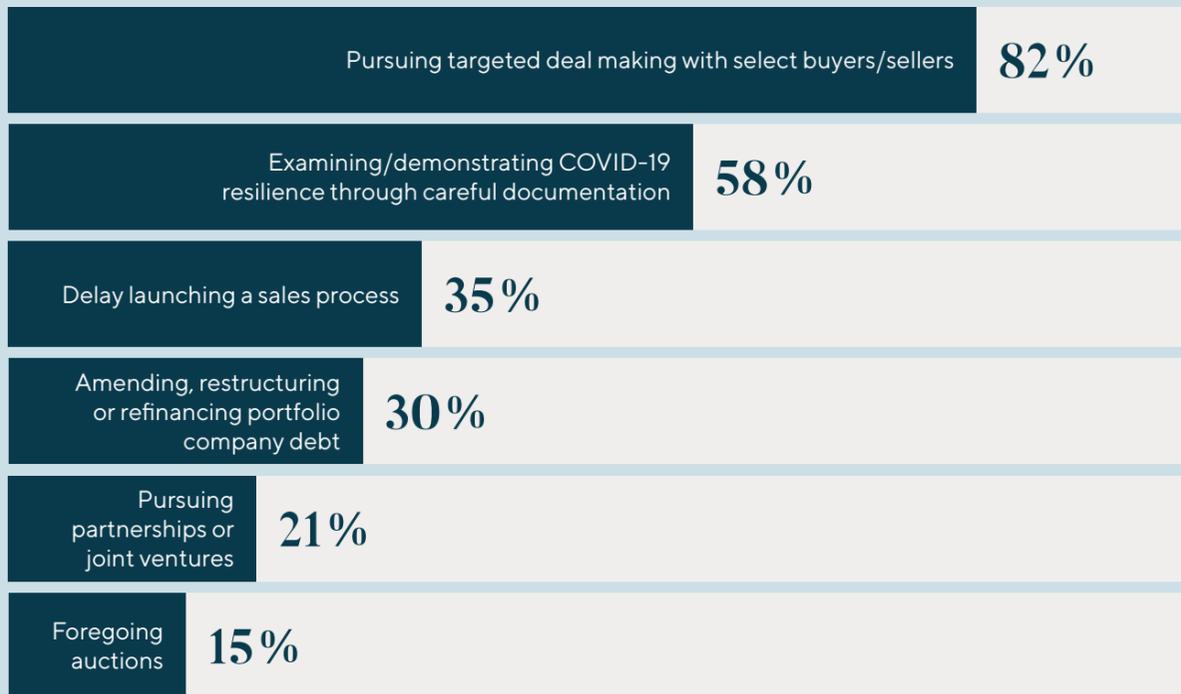


During the pandemic, PE investors attributed portfolio company success to the strength and strategies of the management team. Management teams that can tell a compelling pandemic story, explaining how they navigated COVID-19 while identifying new growth opportunities, are more attractive to PE investors.

Importance of documentation to demonstrate COVID-19 resilience.

COVID-19 created many challenges for PE investors. In light of the pandemic, 58% of investors are examining or demonstrating COVID-19 resilience through careful documentation. This is a critical step of investor post-pandemic due diligence and supports portfolio company management teams as they work to tell a strong pandemic story.

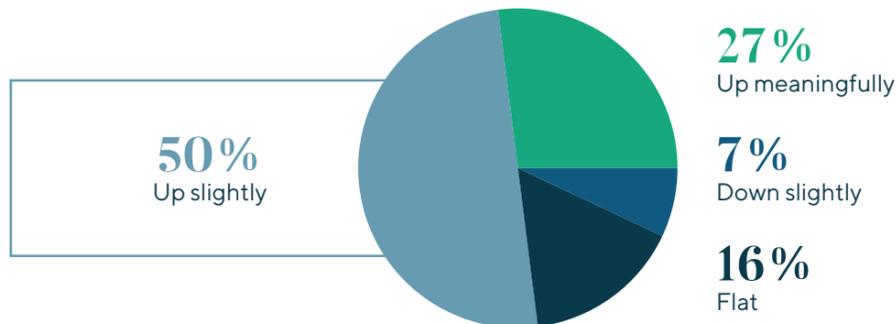
The full list of strategies PE investors have considered* include:



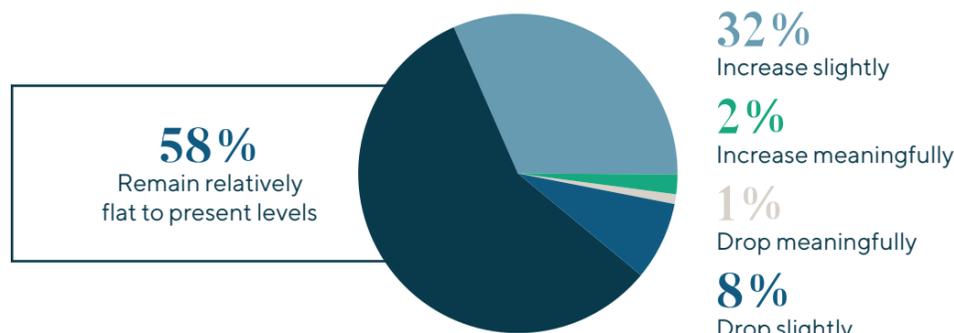
*Respondents chose up to three responses.

Despite a challenging year, PE investors expect an active future.

2019 was a strong year for M&A deal making and over half of respondents to last year's PE survey expected deal volume to remain flat in 2020 (51%). Not surprising after the challenges of 2020, [MergerMarket](#) reported that at the end of Q3 the number of completed deals dropped 27% compared to 2019. Yet despite the obstacles of this year, PE investors are optimistic for the future and expect deal volume to increase in 2021:



After historically high valuations in 2019, 80% of investors expected valuations to remain flat or drop slightly in 2020. [Pitchbook](#) reported that deal value in North America reached \$1,136.5B at the end of Q3 2020, down from \$2,180.5B at the end of 2019. Looking ahead, the majority of PE investors expect valuations to increase slightly or remain flat in 2021:



Psychologically, for the last four years investor dread of a cyclical market contraction has cast a shadow. But now we are in it—and deal making has snapped back at a rate that no one could have anticipated. Recent strides in vaccine development have further buoyed investor confidence. With some resolution of uncertainty, private equity investors have finally exhaled, and as a result we expect heightened levels of deal making in the year ahead.