PitchBook

Q3 2022

US

PE Breakdown

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Executive summary: The old normal

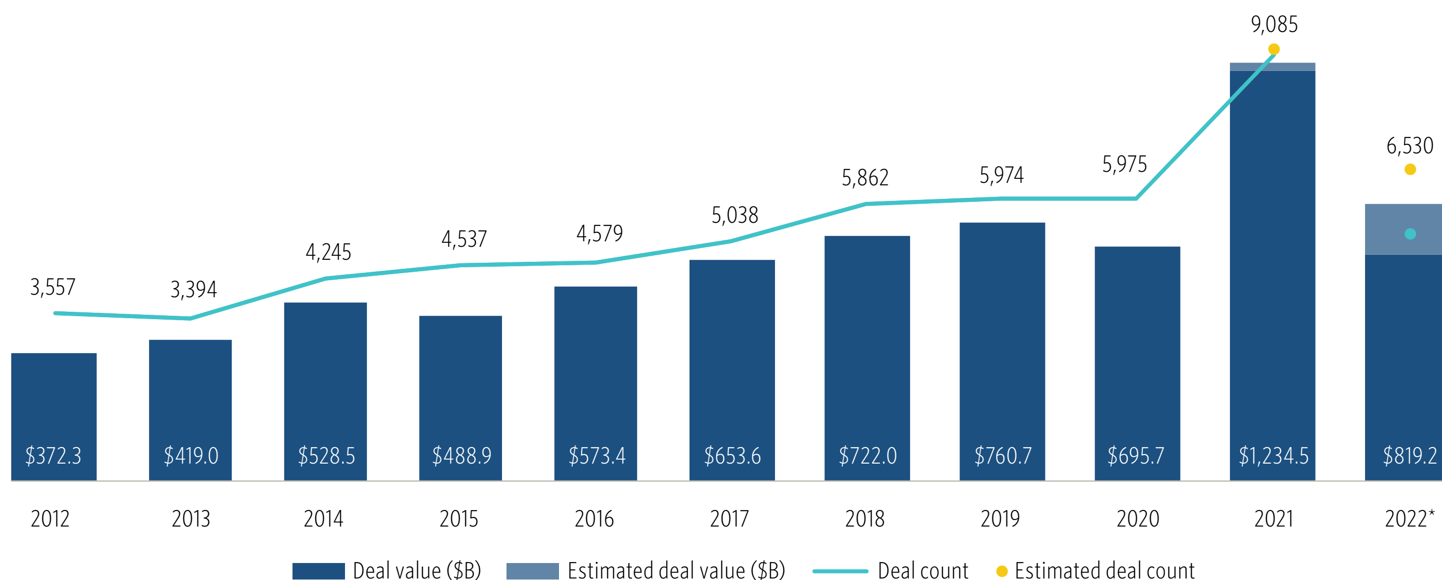
PE-led deal activity finally felt the bite of higher interest rates that have been rising for nearly a year now. The fact that we are anywhere near 2021 levels this late into the year is no small feat. Last year, after all, was an aberration. The combined forces of fiscal and monetary stimulus unleashed a torrent of deal activity for most of 2020 and all of 2021, with certain areas of capital markets doubling—and sometimes tripling—from pre-COVID-19 levels. A fairer comparison would be to benchmark today's activity to the three-year period heading into the COVID "bump." Even on that basis, Q3 activity is flat to slightly up when compared with the "old" normal of 2017 to 2019, which at the time was considered a blistering pace for US PE dealmaking.

Exits are a different story. Activity has been comping down all year, and the shortfalls have been getting worse with each successive quarter both year-on-year and sequentially. The value of Q3 exits came in at just 30.1% of 2021's Q3 total. Looking at the number of exits, the correction was less severe but down materially, nonetheless. Here, too, the industry is up against impossible comparisons from one year ago, when exits surged by two- to three-fold, owing in part to IPO markets that were still wide open and publicly listed SPACs that were buying everything in sight. Relative to the old normal of 2017 to 2019 and before public markets exploded as a window of opportunity, exit activity has reset to moderately lower volumes and a slower cadence through the first nine months of 2022. This divergence between buy-side deals and sell-side exits has occurred at other junctures in PE's industry life. Eventually, pent-up demand will force open the door for new public listings. Until then, the mismatch between PE investors lining up to buy rather than sell cheap assets is likely to get worse before it gets better.

Fundraising has tracked surprisingly close to 2021's pace when a record $366.1 billion was raised for PE strategies. Last year also featured a record number of PE fund closings. That will not be the case this year as a thinning of the herd has prevailed, resulting in more mega-funds and fewer closings. We are also unlikely to see a big finish to the year in Q4 like prior years and 2021 in particular. Fundraising and LP allocations are, for the most part, wrapped up for the year, and many observers expect that two of every three funds in the market will need to postpone their closings until next year.

Deals

PE deal activity



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Overview

In Q3, PE-led investment finally felt the bite of higher interest rates, which have been rising for one year now as measured by two-year Treasuries. However, it was not until March of this year that it breached the engine room of PE's dealmaking machine, the leveraged buyout (LBO). That is when the Federal Reserve embarked on the first of five interest rate hikes, driving lockstep change in the Secured Overnight Financing Rate (SOFR) and other benchmarks used to determine the floating rates for leveraged buyouts. At three full percentage points in just six months, this has been the steepest backup since the early months of the 1977 to 1981 cycle, which saw the federal funds rate eventually climb to nearly 20%.

While no one is calling for a repeat of those dark days, this has been a historic interest rate shift nonetheless, and the impact to the PE world is significant. Floating rates for loans on leveraged buyouts averaged 4.8% in February before doubling to 9.8% in September. For the old 70/30 LBO template of 70% debt, 30% equity, that means taking the equity component to 50% or more to keep interest costs in check, and we are seeing early evidence of that playing out. The other remedy, of course, is to find assets at a 50% haircut to what they were once valued at. Sellers are resisting that for now, and deal activity has declined as a result.

After holding steady throughout the year and early summer months, deal volumes finally hit the wall in August and September, and the decline went well beyond a seasonal summer slowdown. The number of M&A, growth equity, and recap deals collectively slowed by 20.4% in Q3 year-over-year and is on par with 2021 year-to-date. Still, the fact that PE deal count was running ahead of 2021's frenzied pace through the first seven months of 2022 despite a hostile backdrop is a testimony to the resilience of the industry and the enormity of dry powder that continues to build and be deployed.

Healthcare

Healthcare PE deal activity showed resiliency in Q3, especially in the middle market. The sector is broadly seen as acyclical, as insurance and the nondiscretionary nature of healthcare somewhat insulate providers from changes in consumer spending. Nevertheless, healthcare businesses also face significant headwinds. Staffing shortages are squeezing virtually every type of healthcare services organization, thus increasing costs and inhibiting growth—or forcing service reductions. The financial strain is most acute for hospitals, which is a potential boon for PE-backed platforms that would otherwise face competition from regional health systems for acquisition targets. Also heavily affected are healthcare

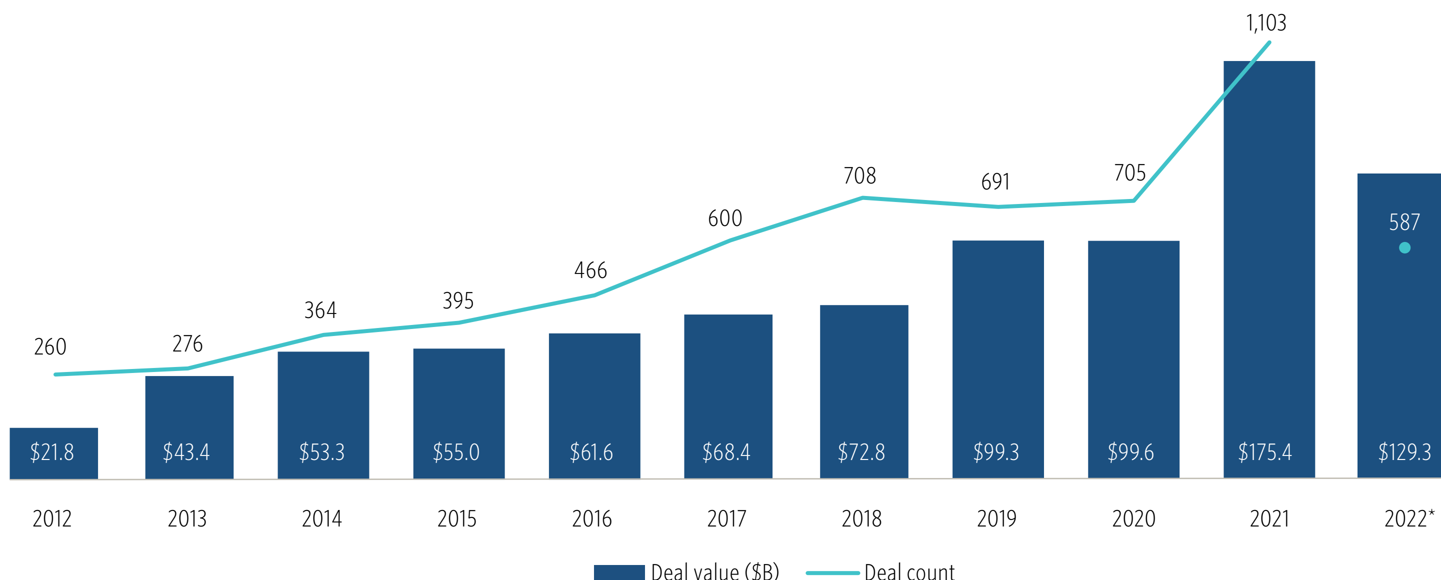
organizations that rely on low- to moderately skilled care providers and operate on lower per-visit margins, such as home care agencies, applied behavior analysis (ABA) therapy clinics, and group homes for people with intellectual and developmental disabilities. Heavily levered platforms may struggle with debt service and see growth plans and exits delayed as a result. Similarly, the outlook for healthcare information technology (IT) and medical equipment providers is mixed and depends on the product portfolio. Software and equipment that offer immediate, measurable efficiencies—especially by reducing administrative burdens for care providers—will still find buyers among hospitals, as will medical equipment that is essential for high-revenue business lines.

Despite these challenges, the healthcare deal pipeline overall remains resilient, especially in healthcare services. Many platforms are still growing aggressively, and multiples have relaxed only slightly, reverting to approximately 2019's levels. Large platforms continue to change hands, albeit not at the pace of 2021. In 2022, deals have closed in ophthalmology, with Olympus Partners' acquisition of EyeSouth Partners for around $1 billion in September;[1] gastroenterology, with Texas Digestive Disease Consultants' $2.2 billion management buyout in September and Charlesbank Capital Partners' LBO of Action Behavior Centers for around $840 million at a 21x multiple in August;[2] and eating disorder treatment, with Revelstoke Capital Partners' LBO of Monte Nido for $725.0 million in July. Most recently, InTandem Capital Partners announced the sale of Paradigm Oral Surgery to BlackRock Long Term Private Capital for around $900 million and a respectable high-teens multiple.[3] In the coming quarters, we should continue to see a steady pace of both sponsor-to-sponsor deals for platforms bought out in the 2016 to 2018 range—as multiple expansion over the past five years will enable profitable exits, even at a discount to 2021's prices—and new platform creations in the lower middle market, as independent practice owners seek retirement options after more than two years of disruption.

Technology

The uncertain macroeconomic outlook has been a major hit to tech stocks in public markets this year, with high-growth tech stocks tumbling and valuations pulling back amid the volatility. The adjustment in valuations and increasing interest rates led to investor caution and a dip in IT deal activity. YTD IT deal count is down 24.4% compared with the first three quarters of 2021. More sell-offs in tech stocks could come as tech companies are likely to miss earnings estimates with inflation and a strong

Software PE deal activity



Source: PitchBook | **Geography:** US
*As of September 30, 2022

1: "Scoop: Olympus Buying Shore-Backed EyeSouth," *Axios*, Sarah Pringle, September 6, 2022.
2: "Scoop: Charlesbank Backs Action Behavior Centers in $840M Deal," *Axios*, Sarah Pringle, August 17, 2022.
3: "BlackRock LTPC Buys InTandem's Paradigm for $900M-Plus," *Axios*, Sarah Pringle, September 22, 2022.

dollar dragging down their profits, while higher interest rates continue to diminish the value of future earnings. Despite the headwinds in the broader market, investor appetite for IT deals remained robust. Although deal activity declined compared with the frenzied pace of investments seen in 2021, YTD deal value is higher than the average values seen in the three years before the pandemic. In Q3, investors continued to put capital to work in IT, with 254 deals closing at an aggregate value of $57.5 billion. While both deal value and count continued to decline, they remained in line with the historical quarterly average. At a whopping 29.2%, IT deal value accounted for a greater portion of 2022's PE deal total, demonstrating that IT is more resilient than other sectors amid the current market volatility. Many investors view the shift in valuations as a buying opportunity for tech assets that were previously too expensive, and we expect PE firms to find attractive take-private targets as public market valuations face more dislocation than that of private markets.

The deal environment for IT will remain favorable, given the long-term trends in increased digitalization and tech innovation that will drive attractive growth opportunities in the sector. Still equipped with ample dry powder, PE firms are likely to remain active buyers of tech companies despite headwinds from the rising cost of capital and inflation. Cybersecurity continues to gain attention. Increased usage of digital services and the subsequent rise in cyberattacks make cybersecurity a hot investment theme, while the falling valuations in the tech industry help buyers attain attractive prices. Thoma Bravo, one of the most prevalent investors in the sector, announced in August that it would take authentication software company Ping Identity private for an estimated $2.8 billion. Cybersecurity also provides plenty of opportunities for consolidation plays because the space remains fragmented, with over 5,500 companies in Europe, the Middle East, and Africa (EMEA) and North America alone. In September, HelpSystems announced its acquisition of Outflank, which will add to its portfolio of vulnerability management and simulation solutions. A PE consortium led by TA Associates backs HelpSystems, which has made 14 add-ons in the cybersecurity space over the past five years. Given the various cybersecurity companies focusing on different security tools and client solutions, add-on activity is well-poised to continue as the sector expands and develops market leaders in each niche. For example, System High, via its financial sponsor Enlightenment Capital, acquired online privacy protection services provider ManageYOURiD for an undisclosed amount in August. System High, which provides proactive protection systems across government and commercial customers, plans to leverage the acquisition to expand its offerings to critical infrastructure sectors.[4]

Take-privates

Take-privates are on track for a second consecutive year at $100 billion or more in deal value, a first for the industry in more than a decade. PE takeovers of public companies have a history of notorious boom-bust cycles. They usually begin with cheap valuations in public markets relative to private markets, or cheap money to finance mega-deals, or all the above, as was the case at the start of the current cycle. Ironically, the last time conditions were this good was the year Blackstone went public. In 2007, the industry racked up 107 take-privates for a staggering $326.5 billion. That was also the last time that the federal funds rate rose from almost nil—around 1%—to something much higher than nil—more than 5%—in a compressed period of time, thereby putting the brakes on take-privates while the wheels were coming off of the larger leveraged economy.

The PE industry and bank lenders have been much more disciplined in the current cycle than during the one that preceded the global financial crisis (GFC). There will likely be around 30 public-to-private LBOs in 2022—compared with 100+ during the pre-GFC cycle. Still, the number of mega-deals of $1 billion+ abound, combining for the same deal value in 2022 as 2021, with three months to go. This mirrors the trend in fundraising: fewer funds and larger sizes. With mega-funds now pushing $30 billion at the extreme high end, GPs have little choice but to expand their strike zone to public markets to deploy these larger sums. Fortunately, thanks to the IPO and SPAC frenzy of the last few years, public markets are target rich with many attractive companies, some seeded by the same PE investors looking to buy them back at compelling prices.

Recently announced take-privates have featured high-growth software-as-a-service (SaaS) companies acquired at steep discounts to what these companies would have fetched 12 months earlier, including Avalara, at $8.4 billion, a 51% price discount; Zendesk, at $10.2 billion, a 49% price discount; and ChannelAdvisor, at $725.0 million, a 20% price discount.[5] All of these companies were VC-backed and exited via IPOs within the last 10 years, so this is a homecoming of sorts to private markets and sponsor ownership.

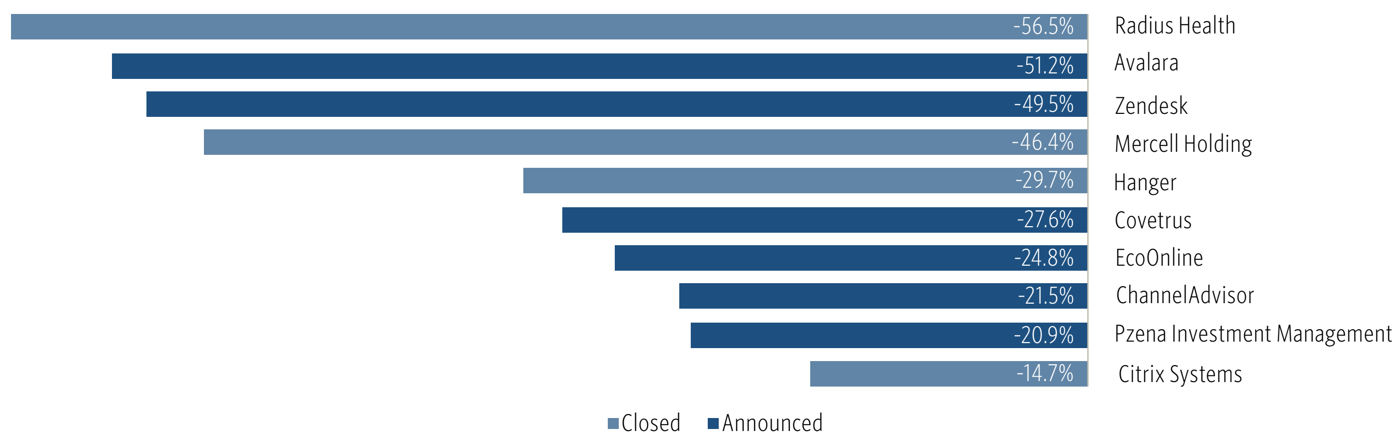
Notable public-to-private LBOs completed during Q3 include the Vista-led takeover of Citrix for $16.5 billion, Thoma Bravo's $6.9 billion acquisition of Sailpoint Technologies, and the $5.8 billion buyout of Cornerstone Building Brands by Clayton, Dubilier & Rice.

4: "System High Expands Proactive Protection Solutions with Acquisition of ManageYOURiD," System High, August 15, 2022.
5: Percentages represent change from 52-week high preceding deal announcement.

While PE firms are lining up to buy big public companies on the cheap, financing those deals has become difficult and costly. Emblematic of this trend was Citrix's long ordeal raising new debt capital for its merger with TIBCO, a Vista-backed platform. Announced in late January, the deal took seven months to receive all necessary regulatory approvals, shortly after which TIBCO and Citrix launched two offerings in the high-yield and leveraged loan markets for a combined $8.5 billion. Already under stress from risk-off conditions and the summer rate hikes, investors ultimately absorbed these notes and loans but not before they were heavily discounted to yield a higher-than-expected 10%. Wall Street banks reportedly lost $700 million for their efforts, sending shock waves throughout the syndicated loan and high-yield markets.[6]

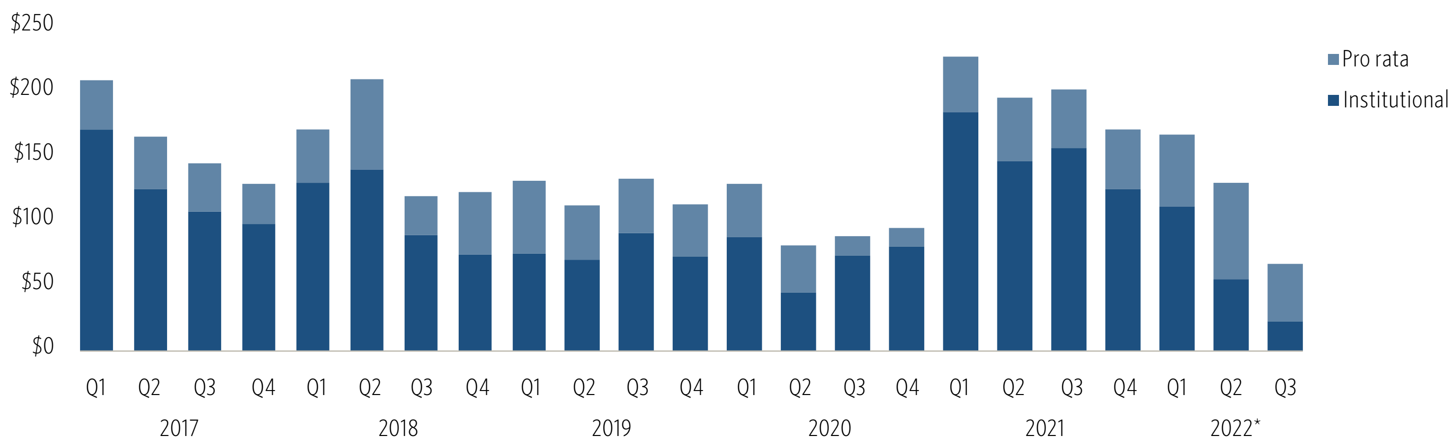
Not coincidentally, all four of the take-privates announced since late July have gone the nonbank route to finance their deals. Avalara, Ping Identity, Hanger, and ChannelAdvisor represent $14.7 billion in announced deal value, of which $6.9 billion is reported to be financed by private credit funds, implying a 53.1% equity contribution. That's a far cry from the LBO playbook that prevailed until recently and regularly featured a 70/30 debt-equity split. As for the leveraged loan market, quarterly institutional issuance collapsed to its lowest level since late 2009, when the market ground to a halt in the aftermath of the GFC.[7]

Take-private PE deal discounts relative to 52-week high share price by select companies



Source: PitchBook | **Geography:** US and Europe
*As of September 30, 2022

Leveraged loan value ($B) by type



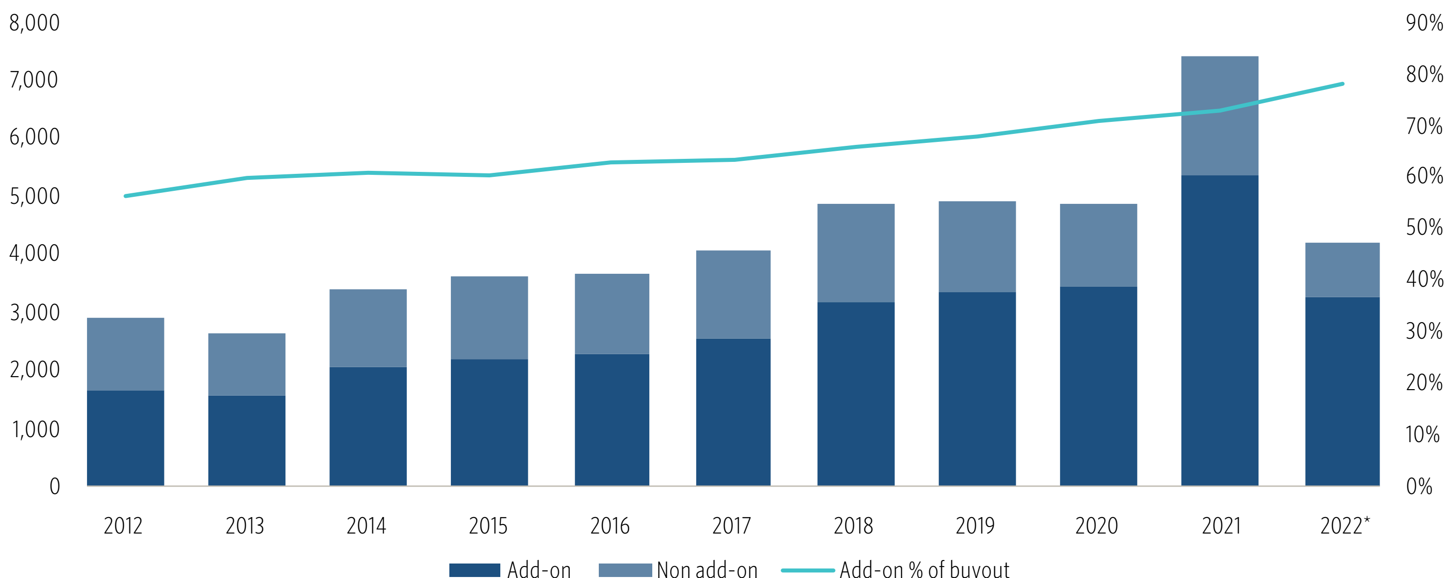
Source: LCD | **Geography:** US
*As of September 22, 2022

6: "Banks Close Painful Citrix Debt Chapter with $700 Mln Loss -Source," *Reuters*, Abigail Summerville and Matt Tracy, September 21, 2022.
7: "Q3 Wrap: US Leveraged Loan Issuance Plunges to Lowest Level Since GFC," LCD, Tyler Udland, October 3, 2022.

Add-ons

Add-ons have been increasing as a proportion of buyout activity. As of Q3, the number of add-ons as a share of buyout deals reached a new high of 77.9% despite the consecutive three-quarter decline in the absolute number of add-ons as deal activity slows from the pace of 2021. PE firms employ add-on strategies to scale their existing platform investments or to create synergies that can reduce costs or add revenue. Smaller acquisitions, which add-ons often are, tend to have less of a valuation disconnect between buyers and sellers, thus allowing sponsors to tack on to their platform companies with relative ease. Buy-and-build strategies also allow PE firms to average down the portfolio company's combined multiples through the lower multiples of the smaller acquisitions. Opportunities for add-on acquisitions are more prevalent in the middle market because the industries in which they operate tend to be more fragmented and ripe for consolidation. For example, in Q3, PE-backed Alliance Ground International (AGI) acquired passenger- and cargo-handling specialist Total Airport Services for $143.0 million. The acquisition will accelerate AGI's passenger-handling operations at key US hubs, and fits AGI's plans to expand its product offerings and global reach through strategic acquisitions.[8] While buy-and-build strategies have long been a common play for PE investors, the current downturn in public markets and adjusting private market valuations could bolster add-on activity while platform deals stall. Add-ons will likely increase during a market downturn due to smaller transaction sizes being easier to finance. On top of that, buyers anticipate an uptick in add-ons from companies—especially family-owned businesses without clear succession plans—that are looking to get out of an uncertain market.

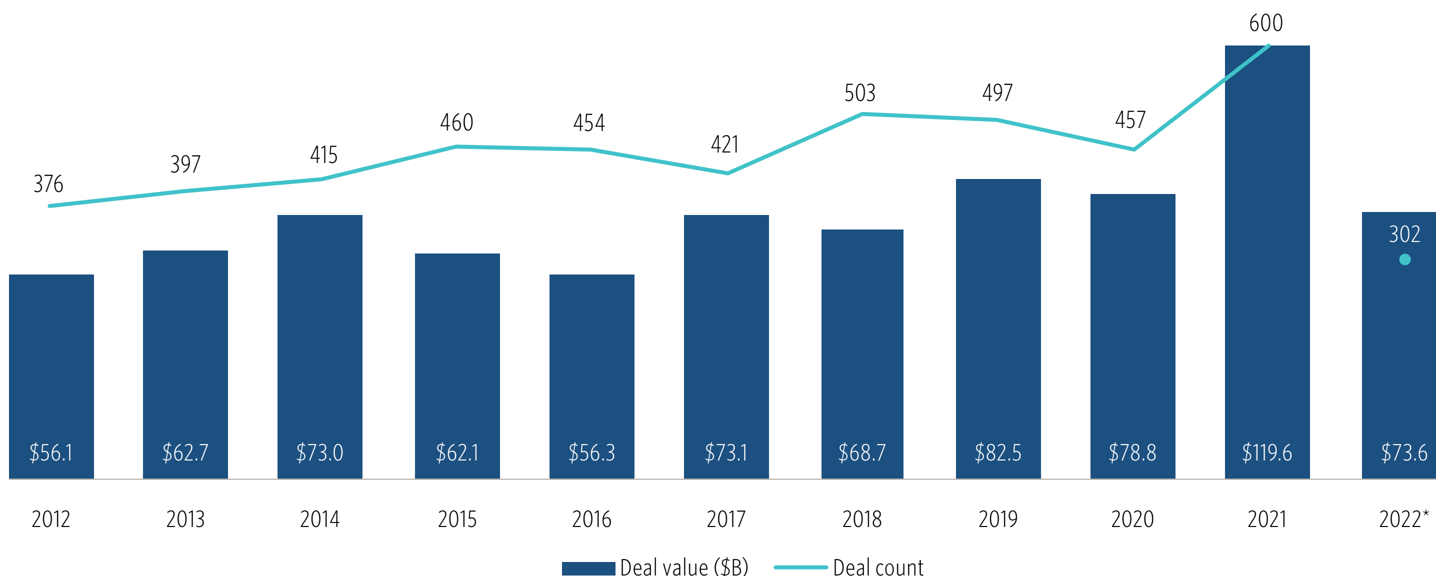
Add-on PE deal count



Source: PitchBook | **Geography:** US
*As of September 30, 2022

8: "AGI Acquires Total Airport Services," Alliance Ground International, July 25, 2022.

Carveout and divestiture PE deal activity



Source: PitchBook | **Geography:** US
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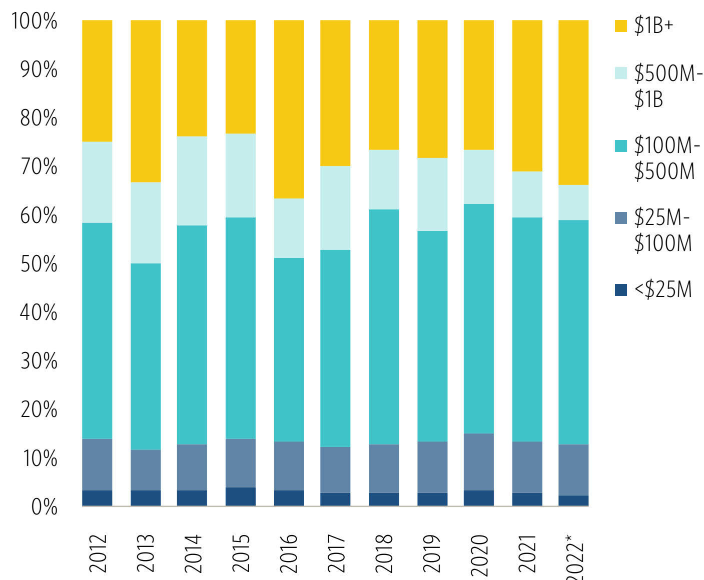
Carveouts

Carveouts and divestitures can provide an attractive source of deal flow for PE investors. As an economic cycle turns over, many companies reassess their business models to identify nonperforming or noncore assets and then divest those businesses through carveouts to unlock value, simplify operations, and strengthen balance sheets. PE buyers will often scoop up these assets at cheap prices and drive returns through capital infusion and focused value creation strategies. There has been a steady pace of carveouts and divestitures in 2022, and we can expect more activity in the coming quarters as companies continue to struggle in the inflationary environment and potential recession. Financial services and energy each saw upticks in PE carveouts and divestitures this year, accounting for 16.9% and 10.1% of US PE carveout values, respectively. In September, Clarivate announced it will sell its subsidiary MarkMonitor, an enterprise domain management solutions provider, to Newfold Digital via its financial sponsors Clearlake Capital Group and Siris Capital Group for $302.5 million. The sale of MarkMonitor will better position Clarivate to focus on its core portfolio while providing expertise in the domain needs of digital companies for Newfold Digital's portfolio of web presence solutions.[9] In another example, Professional Warranty Service Corporation (PWSC), a specialty insurance and home warranty company and subsidiary of Kingsway Financial Services, was acquired by PE-backed PCF Insurance Services (PCF) for $51.2 million in July. The sale of PWSC represents a roughly 10x return on investment for Kingsway and frees up capital for the company to improve its balance sheet and make new investments in its different business segments.[10] For PCF, a national commercial insurance brokerage firm, the acquisition of PWSC enhances its portfolio of risk management solutions and deepens its presence in the real estate and construction industries.[11]

9: "Newfold Digital Signs Agreement To Acquire MarkMonitor from Clarivate," *Cision PR Newswire*, Clarivate PLC, September 12, 2022.
10: "Kingsway Financial (KFS) Sells PWSC for $51.2M; Reports Q2; Enters Option Agreement to Repurchase Part of Debt," StreetInsider.com, August 4, 2022.
11: "PCF Insurance Services Acquires Specialty MGA Professional Warranty Service Corporation," *Cision PR Newswire*, PCF Insurance Services, August 4, 2022.

Share of PE deal value by size bucket



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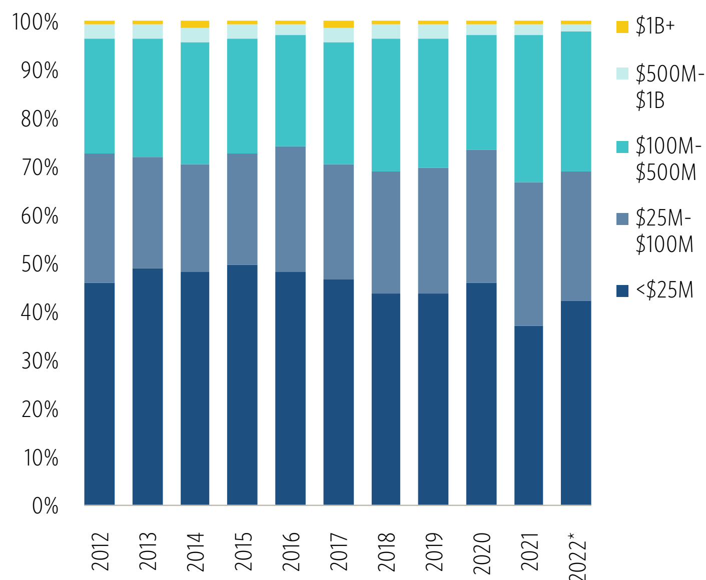
Share of PE deal count by size bucket



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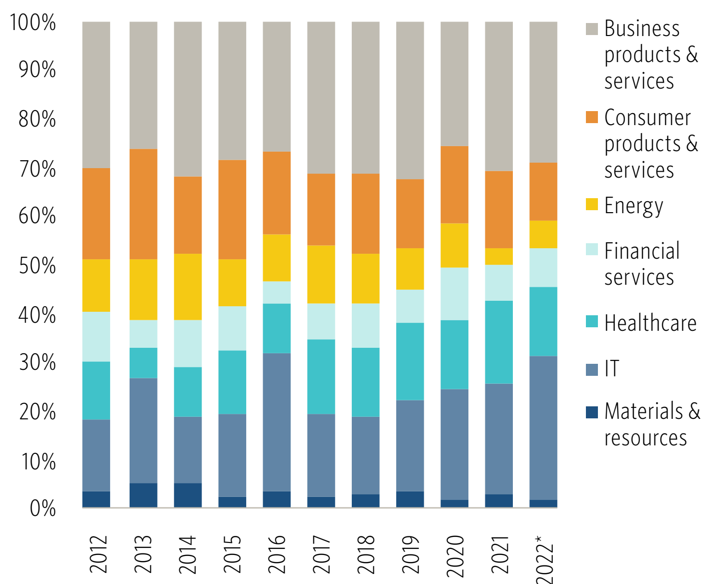
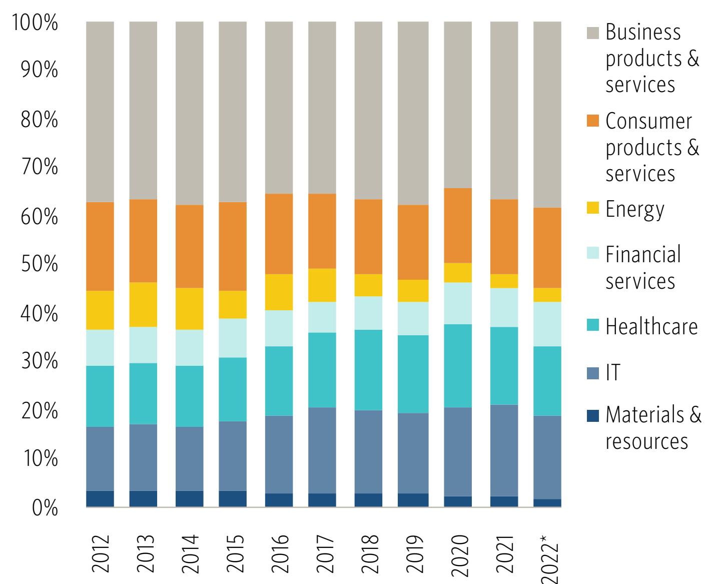
Share of PE deal value by sector



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Share of PE deal count by sector



Source: PitchBook | **Geography:** US
*As of September 30, 2022

A WORD FROM STOUT

End-to-end insight and expertise along the M&A lifecycle

Given all the volatility this year, what are your thoughts heading into Q4?

Zellner: I am cautiously optimistic. While the public market has been volatile, the M&A market has remained strong. There's still a considerable amount of capital ready to be invested in the private equity space, so I think there will continue to be deals over the final quarter of the year and moving into 2023. The state of the economy at the end of the year will certainly drive people's investment strategy going forward.

Spaman: Much of this year's volatility has settled down, and the market has held together better than initial expectations, given current events. From a valuation perspective, areas that were a little gray earlier in the year due to factors such as geopolitical conditions or supply chain disruptions have started to clear up. The private market tends to move a little less drastically than the public markets, so private company valuations have not been hit quite so hard. And earnings and revenues have generally held up well, so valuations are holding up, too.

Jeff Zellner

Managing Director, Financial Due Diligence Practice

Jeff is a managing director in the Financial Due Diligence practice of the Transaction Advisory group. He has over 13 years of experience in professional services, including 10 years focused on leading due diligence engagements for both private equity and strategic clients.

Jamie Spaman

Managing Director, Portfolio Valuation Practice

Jamie is a managing director in the Valuation Advisory group and leads Stout's Portfolio Valuation practice. He has over 15 years of experience providing valuation services and financial opinions to private equity, corporate, venture capital, and commercial banking institutions.

On the buy and sell sides, what trends are you watching most closely in PE?

Zellner: On both sides, I've found that some processes are taking a little longer than they have in the past. Given the overall multiples and expectations of price, there's potentially a gap between buyers and sellers. Sellers are still in the mindset of last year's significant demand and high prices. But buyers are more timid given macroeconomic factors, leading to a gap in expectations and, subsequently, valuations. That said, multiples are still high across the board—although the question remains if multiples are going to remain as high as they have been over the last 12 to 18 months.

Spaman: There's cautiousness as people approach deals; it's not quite the frenzy from 2021 and earlier this year. It's taking longer for people to pull the trigger on deals, as they are paying closer attention to valuations, entry points, and other relevant data. Deals are happening, though the "buy it now before you lose it" sentiment is fading.

How have your PE client concerns evolved—if at all—throughout the year thus far?

Zellner: Private equity is being more diligent in what constitutes a good underwritable earnings base. Sellers and their advisors have been aggressive in proposing run-rate and pro forma adjustments to increase adjusted EBITDA. As a result, buyers need to understand what qualifies as a legitimate or sustainable level of earnings going forward. Depending on industry, aspects such as customer pricing and input costs—such as freight, material, and labor—can mean that there's a lot of potential noise due to the environment of the last year or two. Those could have driven earnings higher than what they might be in the future. So, buyers really need to evaluate whether that is something that requires the same multiple evaluation on that earnings base, or if it needs to be cut down to get to a more reasonable go-forward earnings prediction.

Spaman: Over the last couple of years, investment firms have had record amounts of money that needed to be put to work, and they needed to move fast on opportunities that would quickly pop up and then go away. Now, there is a more measured, diligent approach. Firms still have plenty of capital that they need to put to work, and lending is still open and fairly affordable. But they're paying a little closer attention to the earnings capacity of companies and making sure they have recovered from supply chain shock or other disruptive events.

What can companies do to better prepare pre-sale, sale, and post-sale efforts?

Zellner: On the pre-sale side, they should be getting experts involved as early as possible. We see a continued focus on sell-side quality of earnings engagements. Getting professionals involved early in the process is only going to help accelerate the sales process and add value to the company contemplating the sale.

As far as the sale process, make sure you give yourself enough time for due diligence. Don't rush through an engagement because it's a super competitive process.

Post-sale, people must think through how to integrate and ensure quality financial reporting. Many companies may purchase entities only to realize that the companies are more complex and messier than originally thought. Assessing companies prior to the deal will allow them to hit the ground running and avoid a headache post-deal, which can then be followed up with a successful integration.

Spaman: For larger deals, getting valuation advisors involved pre-sale to ballpark some of the future accounting treatment and issues is always a good idea. Post-sale, integrating add-on acquisitions or prepping the reporting systems of a platform company are also important. From a private equity standpoint, you need good reporting to implement strategy and make key decisions. If you have to wait for that to get sorted out after the deal, it can result in lost time. Getting the right people involved early can save you six or nine months for each acquisition, and this will pay off.

What are some of the mistakes you've seen companies make during the M&A lifecycle?

Zellner: We're in an environment wherein the amount of data being provided over the course of a sales process is more than ever before. But the timeline to complete diligence is probably the shortest that we've ever had. Processing a massive amount of data under a crunched timeline requires a robust process. Certainly, if you have the internal expertise, that's great. But many companies need to leverage external experts to help them evaluate that data in a short amount of time.

It can also be beneficial to use the same company throughout the process, from due diligence to purchase price allocation. There can be a synergy in the knowledge transfer between teams and the ability to share information, which allows for getting the purchase price allocation up and running quickly. That's one less thing that the new buyer or company needs to worry about post-closing. In the first 100 days, you have all kinds of important items to check off the list. If you can easily transition work from the diligence group to the valuation group, it's one less thing to worry about.

Spaman: One mistake that companies will make is trying to do everything on their own by leveraging internal resources. Unfortunately, this can lead to an unsuccessful deal or lower returns in doing the deal because they did not have the specific expertise or the right amount of resources to get through the information. The result is that they end up doing a deal that they either should not have done or they see much lower returns because of delays or missteps. So, there can be many mistakes if you do not have the right people and processes in place.

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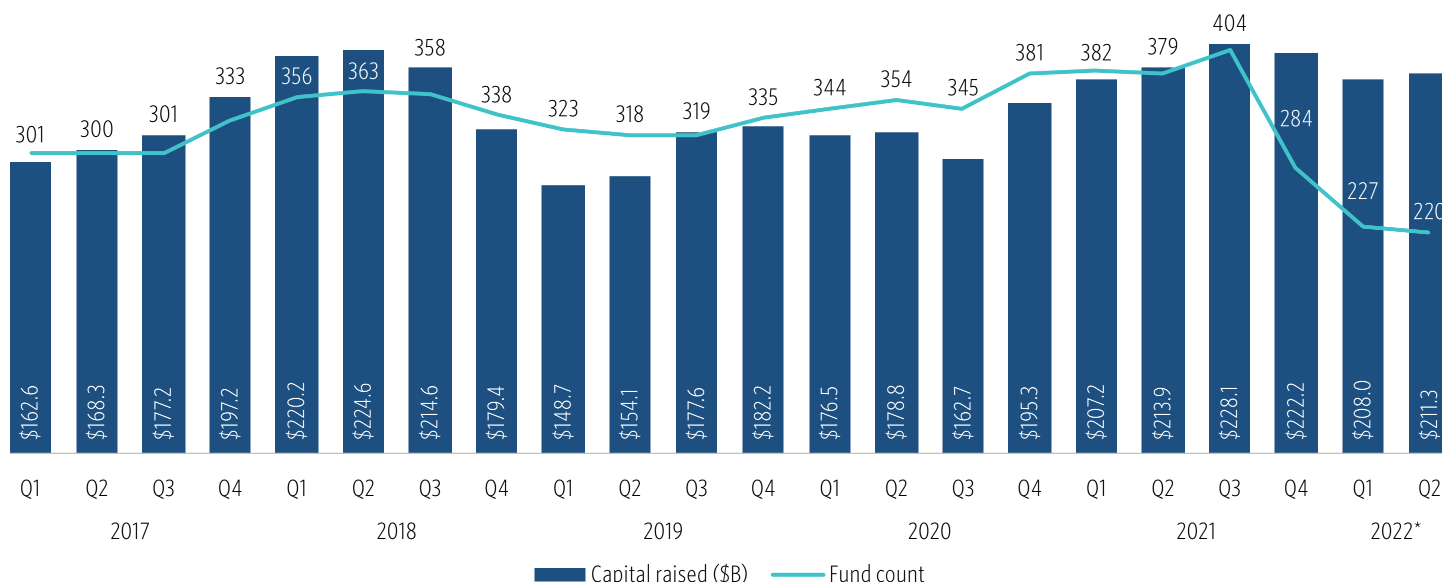
Spotlight: H1 2022 Global Private Debt Report

Rolling 12-month private debt fundraising activity



Source: PitchBook | **Geography:** Global
*As of June 30, 2022

Note: This spotlight is abridged from our "H1 2022 Global Private Debt Report." Please see the full report for additional analysis on the private debt industry.

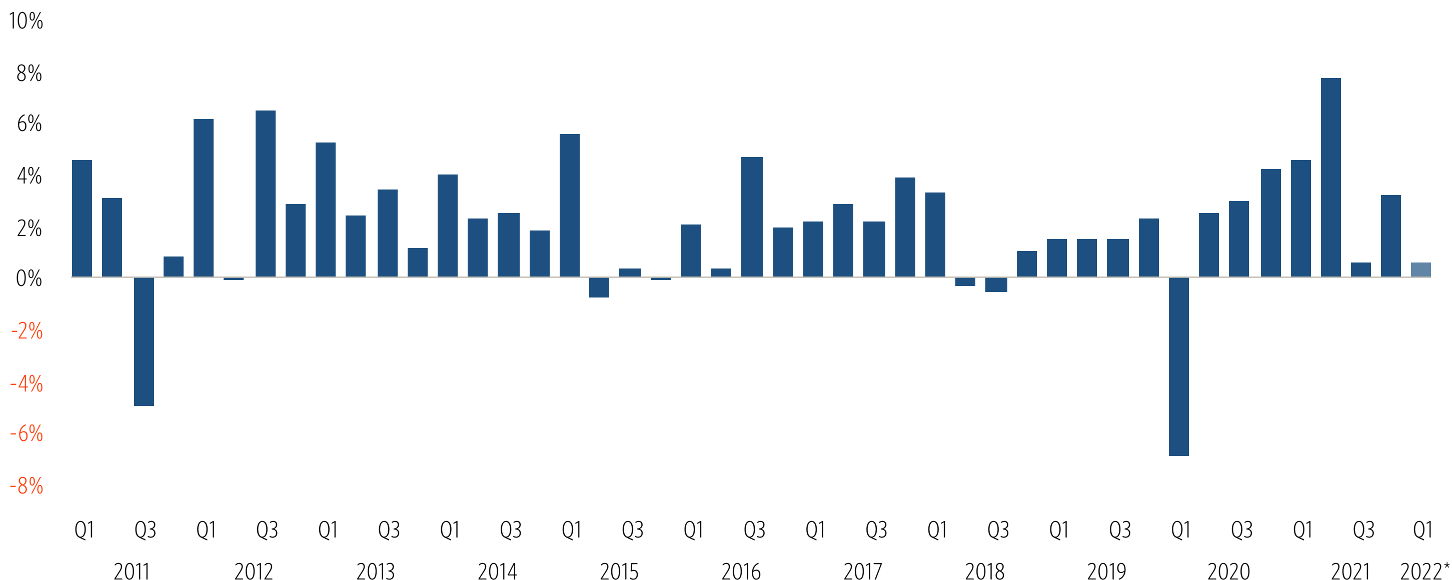
Private debt fundraising stagnated in H1 2022 but is still on par with last year's record-setting pace. Direct lending continues to be the standout strategy, accounting for more than one-third of capital raised in the first half of the year. We expect the continued growth in PE dealmaking, combined with direct lenders' taking of market share from banks, to fuel private debt's dealmaking capacity in the coming years. It has been a tough year for the leveraged loan and high-yield bond markets in both the US and Europe, according to data from LCD. Concern over inflation, rising rates, the potential for a recession, supply chain issues, and the ongoing war in Ukraine weighed heavily on sentiment, sparking downturns in the secondary market not seen since the onset of the pandemic. The Morningstar LSTA US Leveraged Loan Index was down 4.6% YTD, the second-worst reading for any comparable period since the GFC.

Fundraising and overview

Following a record-setting 2021, private debt fundraising decelerated slightly in the first half of 2022. Managers raised $82.0 billion across 66 funds globally in the first six months of the year. Looking at the trailing 12-month period, however, fundraising is on par with its 2021 peak, totaling $211.3 billion in commitments in the year ended Q2 2022. Direct lending continues to be the standout strategy, accounting for more than one-third of capital raised in the first half of the year, but other substrategies, such as special situations funds and real estate debt funds, also garnered plenty of attention.

The macroeconomic backdrop—characterized by rising rates, slowing economic growth, and surging inflation in most developed economies—presents a double-edged sword for private debt funds. On the one hand, the floating-rate nature of many of these instruments makes existing loans more lucrative, as coupon rates will rise in step with central bank rate hikes. On the other, rising rates could make new fixed-income

Private debt funds quarterly IRR



Source: PitchBook | **Geography:** Global
*As of March 31, 2022

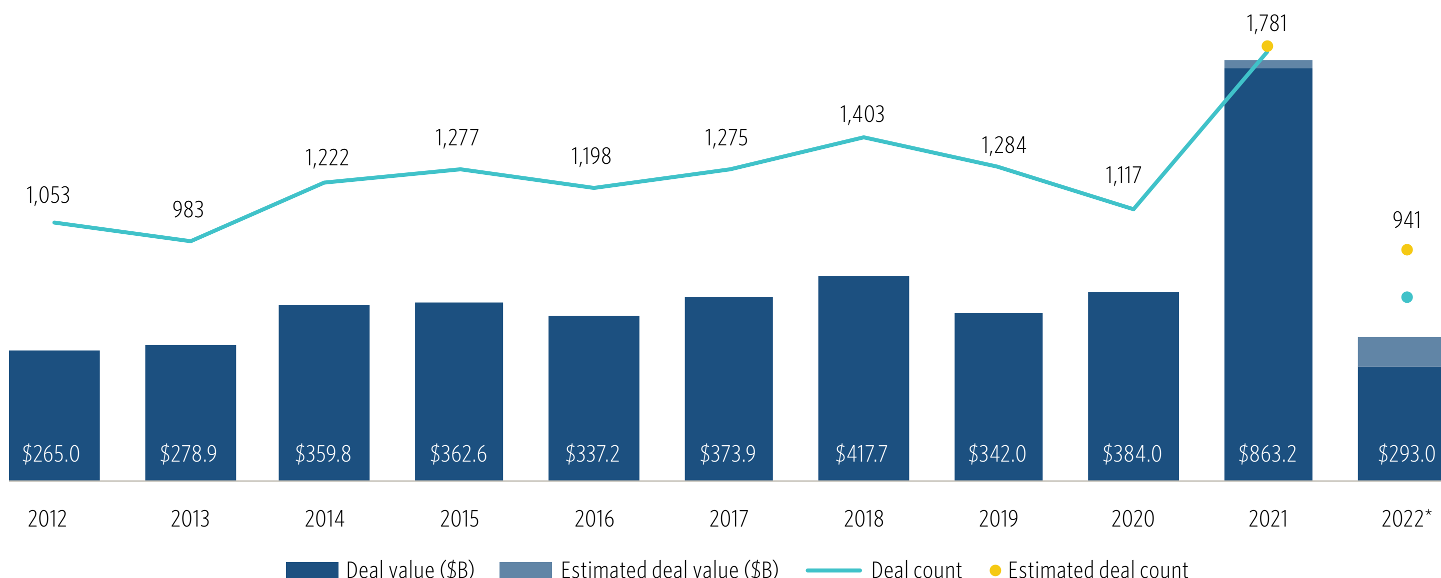
investments such as corporate bonds, government bonds, and real estate-related debt relatively more attractive to allocators. A main reason that LPs have shifted allocations away from traditional fixed income and toward private debt in recent years is that interest income in a near-zero interest rate environment became nearly negligible for many institutions. If real yields rise back to long-term averages, LPs will be more incentivized to maintain allocations to more-liquid credit investments.

Performance

Q4 2021 private debt performance came in at 3.2%, an improvement over Q3's 0.6%, but our preliminary Q1 2022 figure shows another pullback down to 0.6%, as rising interest rates begin to take a toll on income assets. Given the limited upside—and hopefully limited downside—of private debt due to the return of capital plus interest characteristics that provide few opportunities for outsize returns, private debt will generally lag when equities are rising dramatically. The 14.9% one-year IRR is well below the 37.6% posted for all private capital funds. Distressed and special situations—which posted negative one-year results in each of the first three quarters of 2020 as the uncertainties around the pandemic led to write-downs—led the way in Q4, posting a 21.8% one-year horizon IRR. Mezzanine and bridge funds ended the year up 18.1%, while direct lending vehicles, the largest private debt category, returned only 7.0%.

Exits

PE exit activity



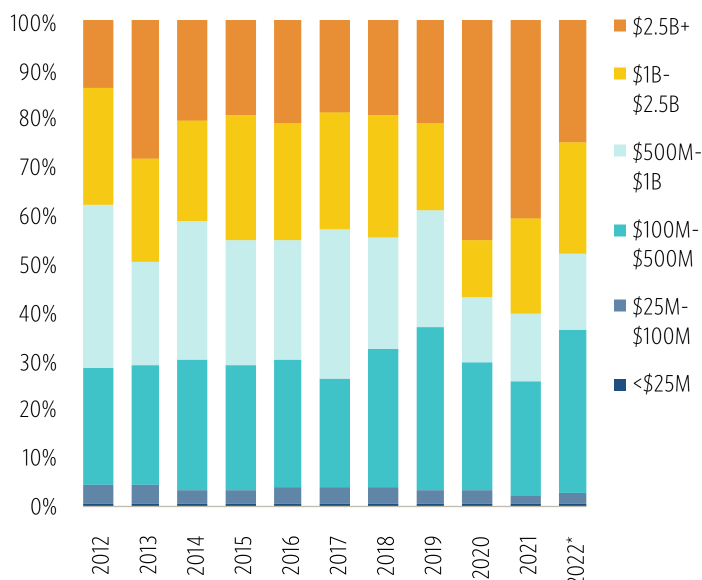
Source: PitchBook | **Geography:** US
*As of September 30, 2022

Overview

US PE exit activity dropped for the third consecutive quarter, with 337 exits during Q3 for a cumulative value of $89.0 billion. Although exit values and volumes reduced sharply compared with the record-breaking levels witnessed in 2021, exit activity is still healthy relative to historic levels and is on pace to come close to the activity of previous years excluding 2021. On average, cumulative PE exit value hovered below $400 billion in the years leading up to the pandemic and reached $293.0 billion this year by the end of Q3. The disappearance of IPOs as a viable exit path for PE-backed companies drove the decline in exits. IPOs accounted for roughly one-third of exit value in the last two years as bullish markets gave way to a flurry of private companies listing on the public market with elevated valuations. In 2022, IPOs contributed a mere 1.6% of total market exit value as investors shied away from new issues amid market volatility, and valuations dropped with market correction. As for other exit routes, sales to corporates and other sponsors have remained broadly in line with historic levels. On a quarterly basis, exits through corporates and sponsors are also slowing. PE firms are holding on to their investments rather than being forced sellers in an unattractive market environment, thus slowing the flow of exits this year. The exit to investment ratio hit a 10-year low of 0.41x as GPs bide their time for the right exit opportunities.

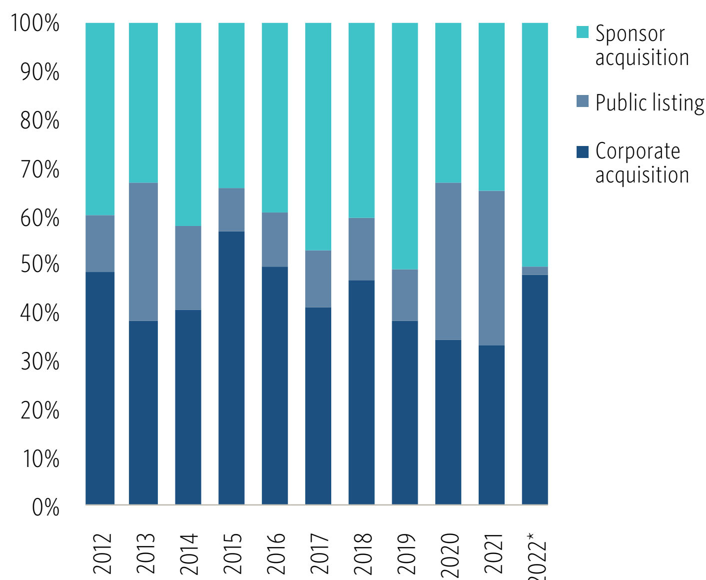
While exits will slow due to a reticence to accept lower valuations, it will not stop, as GPs continue to find ways to opportunistically exit portfolio companies. PE sponsors still have plenty of dry powder on hand to act as a reliable exit route for other GPs. And while corporations may become more hesitant to buy PE-backed companies amid recessionary fears and focus instead on protecting their balance sheets, compelling valuations can prompt them to make strategic acquisitions. In YTD 2022, the median exit size was $360.0 million, which is greater than pre-2021 values, thus demonstrating that PE firms have still been able to close sizable exits despite a challenging landscape. The median size of sponsor-to-sponsor exits remained high, while the median size of exits to corporates saw a slight uptick in 2022, which suggests that the paths to exits remain strong despite the disappearance of IPOs.

Share of PE exit value by size bucket



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Share of PE exit value by type



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Sponsor-to-sponsor exits

Compared with Q2 and 2021, sponsor-to sponsor exits stepped down in Q3. During the quarter, PE investors exited 121 companies to other sponsors for a total of $34.4 billion. That is the lowest quarterly reading for this metric since Q1 and Q2 of 2020, during the onset of the pandemic, and equates to just 34.9% of 2021's quarterly total. This decline is roughly in line with the overall contraction in exit activity, which means it is not sponsor-to-sponsor specific. If anything, sponsor-to-sponsor exits have steadily increased over time as a share of total exit activity. Putting aside the volatile IPO market and considering corporate exits versus sponsor exits for PE-backed companies, the split is 55/45 in favor of sponsor exits—a complete flip-flop from 10 years ago. This can be attributed to dynamic growth in the number of PE managers, whereas the universe of corporate strategics has remained fixed.

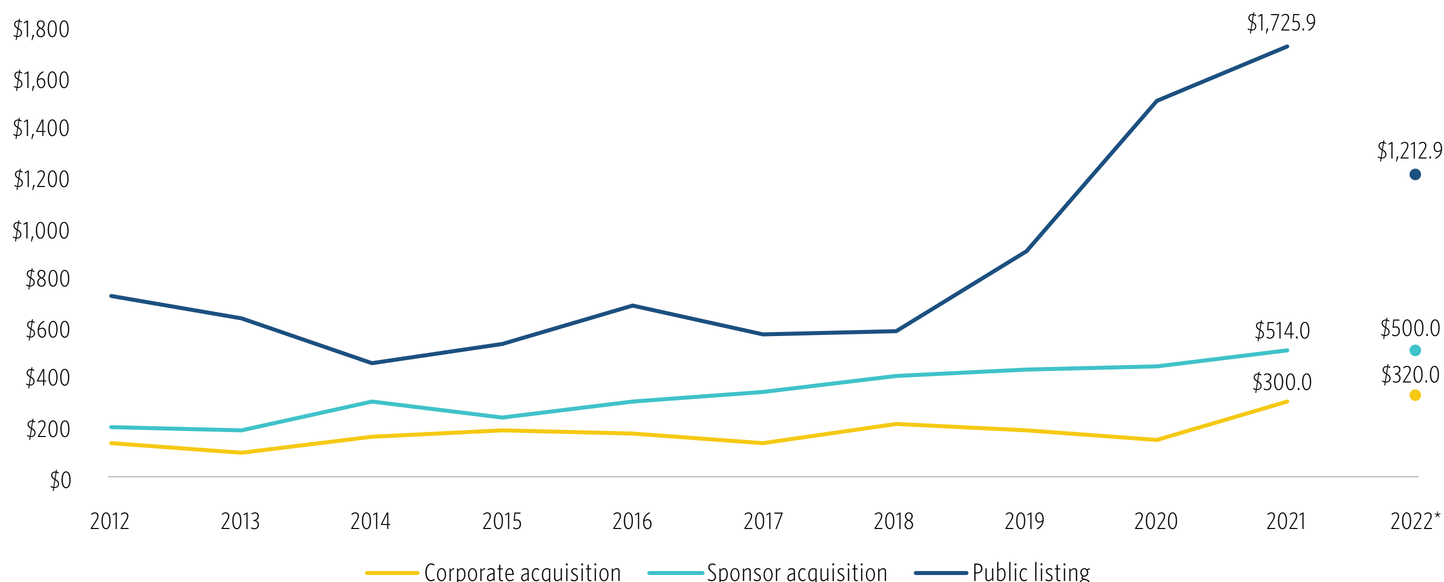
Notable exits during Q3 include the $8.0 billion buyout of Information Resources (IRI) by NPD Group, a platform company owned by Hellman & Friedman. This represented a partial exit for New Mountain Capital and Vestar Capital, the previous owners of IRI, which will continue to retain a significant stake in the combined company. IRI provides predictive analytics and Big Data services to businesses operating in consumer-packaged goods, retail, and over-the counter healthcare verticals. The merger with NPD creates a leading global technology, analytics, and data offering for clients seeking a comprehensive view of consumer behavior and retail consumption trends.

Exits to corporates

PE exits to strategics registered a similar steep decline in Q3. In a typical quarter, corporate buyers snap up 150 to 200 companies from PE sellers. That activity has been halved in recent quarters. An oversold stock market and unforgiving investment sentiment means that strategics have far less margin for error—especially when making large acquisitions—as the reaction to Adobe's $20.0 billion acquisition of Figma clearly demonstrated. While not PE-backed, it was the largest-ever acquisition of a VC-backed company, and Adobe lost nearly that much in market value as the shares sold off by 17.1% post-announcement. If risk-averse and ultra-deliberate prior to this transaction, corporate development officers are likely to be doubly so afterward.

Targa Resources' $3.5 billion acquisition at 7.5x EBITDA of Lucid Energy Group topped the charts among PE exits to strategics in Q3. The transaction provided a full exit for Riverstone Holdings and Goldman Sachs Asset Management, which acquired the company just four years earlier through a $1.6 billion LBO. Lucid provides natural gas processing

Median PE exit value ($M) by type



Source: PitchBook | **Geography:** US
*As of September 30, 2022

services to producers working in the Delaware Basin. The deal increases Targa's size and scale in the Delaware Basin and is expected to be immediately accretive to distributable cash flow per share. Targa's shares were relatively unchanged following the announcement.

Business products & services: Industrial

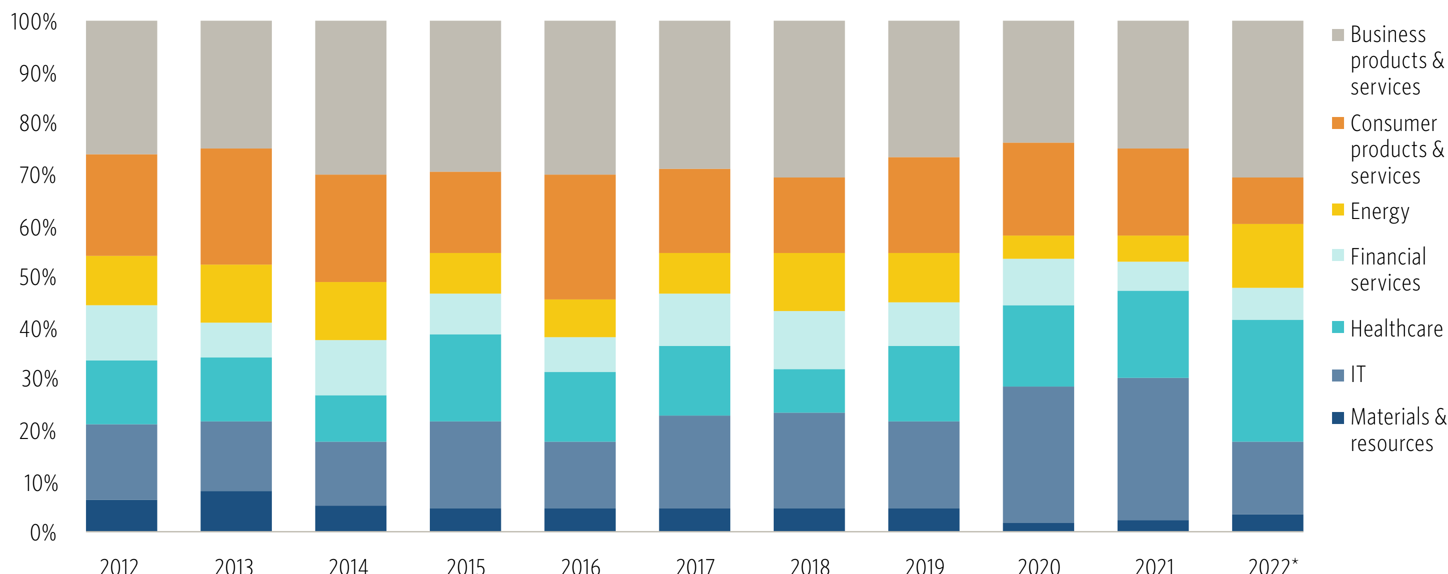
The business products & services sector comprises a broad mix of primarily nontech businesses. It encompasses everything from manufacturing to professional services, such as accounting and consulting firms, to transportation and infrastructure. The common denominator is that they all rely heavily on human services, and they cater to business customers. The business products & services sector had the greatest relative strength in an otherwise weak quarter for exit activity. 92 exits were completed in Q3, for $25.8 billion in total value, a slight uptick from Q2's $23.7 billion, which translated to a whopping 42.9% of total exit value across all sectors.

The sector has always been active, taking turns with technology as the primary or secondary contributor to exit value realized in any given quarter. Tech led for the five quarters ended Q3 2021. Since then, the rotation has run heavily in favor of business products & services as tech valuations collapsed and PE firms resisted selling into that weakness. On the buy side, PE firms will often toggle between these two sectors. Tech provides exposure to raw top-line growth and disruptive potential, while business products & services offers ways to improve efficiency, given its high labor intensity. More recently, the sector's large workforce has become an attractive quality for investors seeking exposure to human capital as a competitive advantage amid the growing worker shortfall.

A major vertical within the business product & services sector, industrial includes manufacturers of heavy equipment, building materials, electrical components, transportation vehicles, and infrastructure, as well as services related to these manufacturing processes. PE firms have been riding a positive wave of sentiment—first from the Infrastructure Jobs Act of 2021 and followed by the Inflation Reduction Act of 2022. Exits have been strong as a result.

This rationale was captured in the largest industrial-related exit of the quarter. In August, Kohlberg & Company, along with Neuberger Berman, acquired a 50% stake in US Infrastructure Company (USIC) for $2.1 billion. The transaction provides a partial exit for Partners Group, which will continue as a joint owner of the company. USIC is a leading provider of outsourced utility locate services, which involve locating, identifying, and marking subsurface utility infrastructure such as pipes, cables, and fiber. Kohlberg & Company is betting that the need for grid modernization and eventual rollout of 5G will drive significant new demand from USIC's telecom and utility customers and that this growth will be "further

Share of PE exit value by sector



Source: PitchBook | **Geography:** US
*As of September 30, 2022

accelerated by infrastructure stimulus."[12] The deal values USIC at $4.1 billion, more than double what Partners Group paid when it acquired the company in 2017 for $2.0 billion. Before that, Leonard Green owned USIC, and in 2013, the company was owned by Ontario Pension's PE arm. This is a great case study for the PE ecosystem's evolution over the years; PE has created its own aftermarket and source of liquidity for companies that elect to stay private and continue growing.

Energy

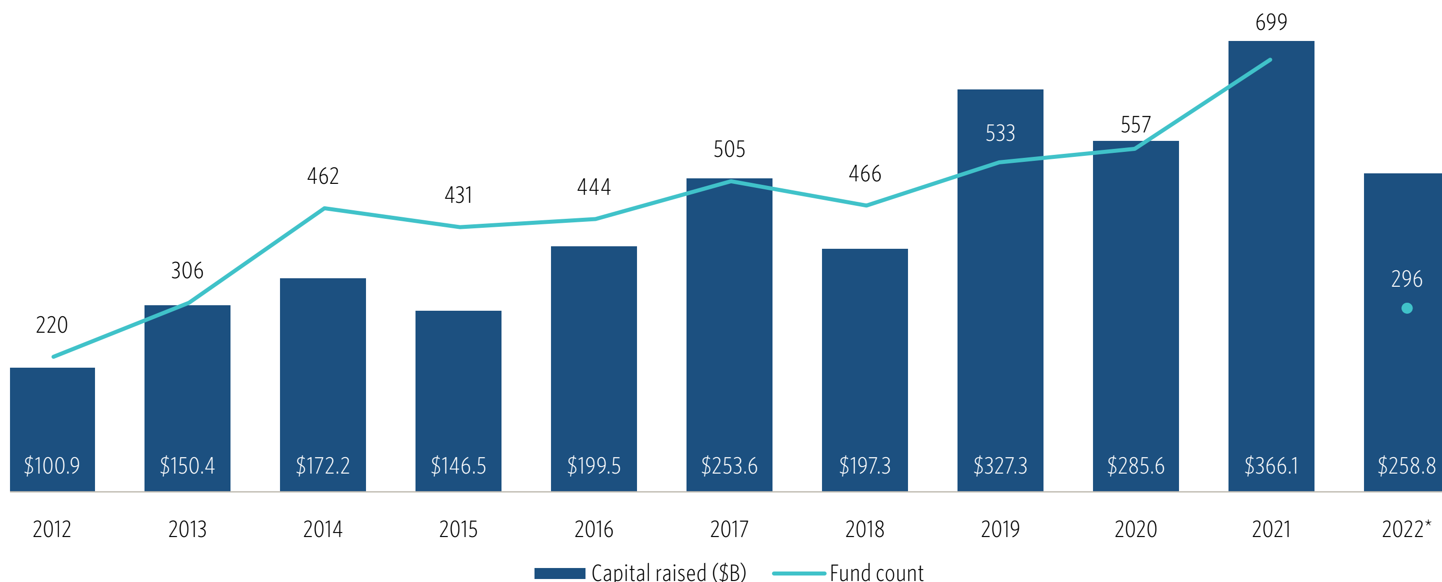
The energy sector has continued to attract attention as volatility in energy prices persists. After spiking to over $120 per barrel in June, US crude has retreated by 35.3% as investors worry that steep interest rate hikes could push the economy into a recession and undercut energy demand. Still, energy prices are well above their five-year average, and investors are taking advantage of that strength to exit their energy holdings. In July, Warburg Pincus sold RimRock Oil & Gas to Devon Energy for $865 million. RimRock focuses on the acquisition and development of unconventional oil & gas assets in the Rocky Mountain region of the US.[13] The deal will add more than 100 undrilled inventory locations and boost production capacity for Devon.

Similarly, in September, Tailwater Capital sold NorTex Midstream Partners to Williams Field Services Group for $423 million. With oil & gas services in high demand, we expect strong exit activity to continue in the energy sector. For other participants in the sector more aligned with environmental, social, and governance (ESG), they, too, are using strength in commodity prices to exit their holdings in clean tech, climate tech, and alternative energy businesses. In July, PE firm Pfingsten Partners sold Dynapower to Sensata Technologies for $580 million. Dynapower manufactures energy storage and power conversion systems for an array of clean energy applications. Exits in oil & gas outnumber exits in clean energy, and the reverse is playing out on the buy side, with clean energy far outnumbering oil & gas deals. This reinforces the fact that PE firms are favoring ESG plays within the energy space over wagers on traditional fossil fuels.

12: "Partners Group Holding AG (PGHN)," MarketScreener, October 1, 2022.
13: "RimRock Announces Sale to Devon Energy," *Cision PR Newswire*, Rimrock Oil & Gas, June 8, 2022.

Fundraising and performance

PE fundraising activity

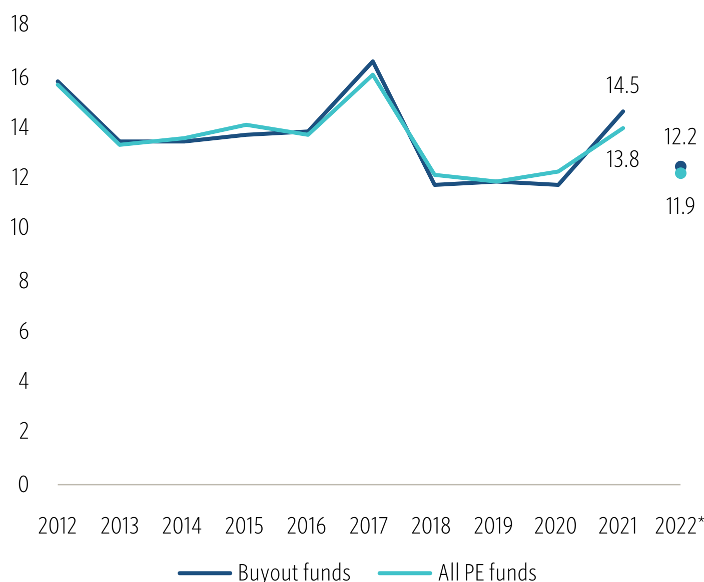


Source: PitchBook | **Geography:** US
*As of September 30, 2022

Overview

Three quarters into 2022, US PE firms have raised $258.8 billion across 296 funds, on par with 2021. However, whereas fundraising in 2021 ended with a bang and resulted in a record year, we expect 2022 to end with a thud. After raising and then deploying record amounts of capital in 2021, sponsors have been returning to their LPs and seeking re-ups throughout 2022. As a result, many LPs have already hit their allocation targets for the year. The consensus view at this year's Super Return conference was that two out of every three funds in the market today will need to push their closings into 2023. Even then, given the overcrowding in the fundraising space, large institutional allocators are prioritizing certain GPs over others, often putting their most tenured relationships first. Due to the extensive track records of these long-standing relationships, larger and more-established managers are likely to fare better with their fundraising efforts than emerging and middle-market managers.

Average time (months) to close for PE funds by type

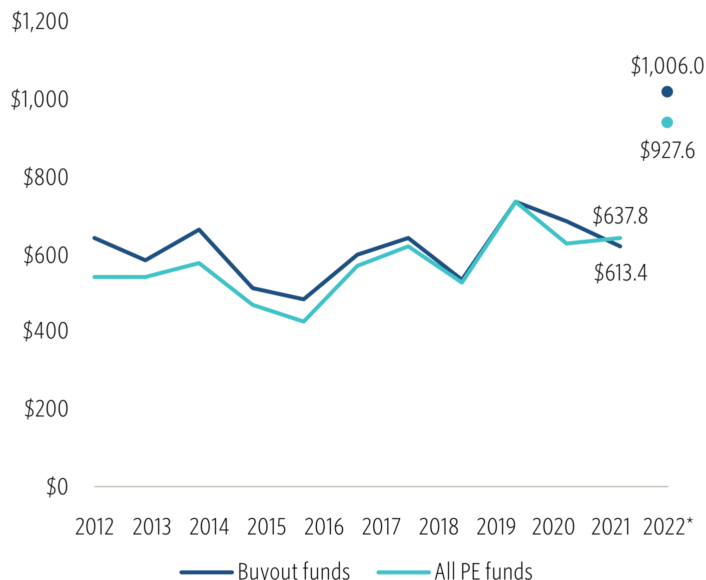


Source: PitchBook | **Geography:** US
*As of September 30, 2022

The denominator effect is only adding to the difficulties seen in the fundraising market. Public equity holdings are down by 20% or more across the board, while many private holdings have been marked down by mid-single digits, thereby causing PE allocations to swell. Future fundraising can be negatively affected, as this phenomenon is being cited by investment committees across the country. For example, the investment council of Oregon's Public Employee Retirement Fund announced plans to reduce its allocation to private equity, specifically citing the denominator effect as causing PE to become its largest asset class. As long as the current gap between public and private equities persists in a down market, fundraising from traditional LPs will be hampered. This will cause GPs to intensify their search for alternative sources for fundraising, such as retail, sovereign wealth funds, and international investors.

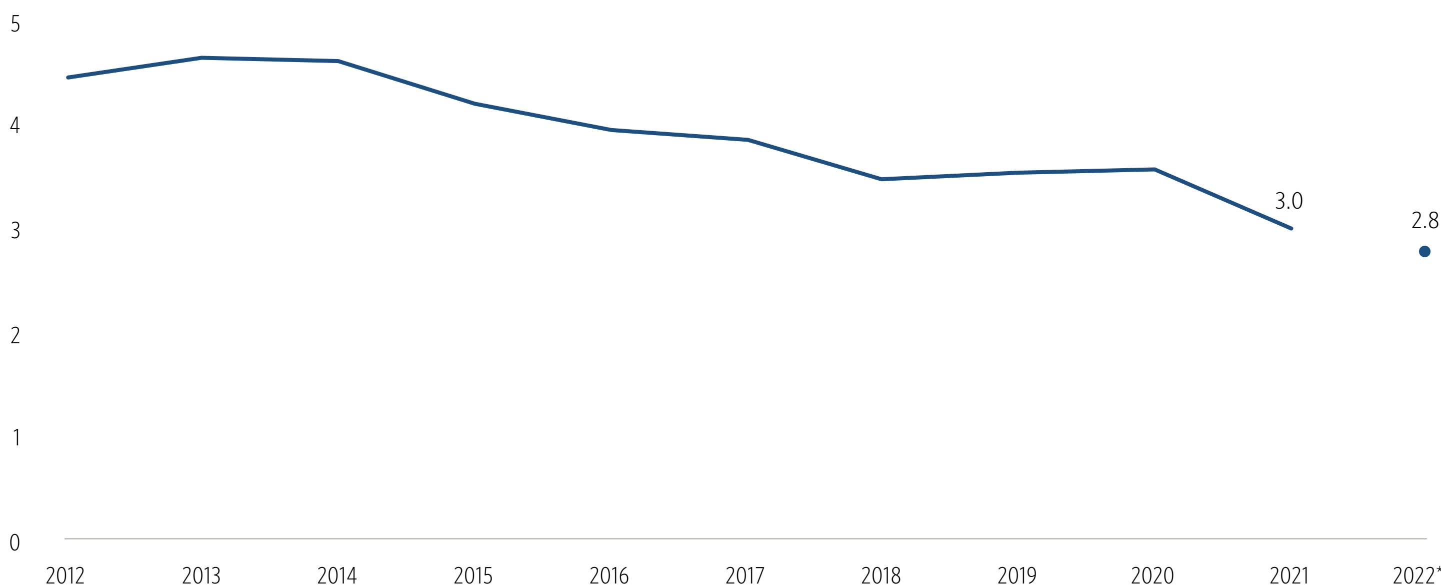
Going forward, deployment and fundraising cycles will likely revert to their historical norm as the current pace is unsustainable for LPs and GPs alike. Anecdotal conversations with LPs indicate that they are seeing slower deployment and think that fundraising will return to a more manageable cadence. The rapid pace of deployment seen in 2021 started to squeeze LPs and their cash balance; however, LPs are now more comfortable pushing back on GPs as most LPs are sharing the same pain of rapid re-ups with limited capital. We will be closely monitoring this trend in the coming quarters.

Average PE capital raised ($M) by fund type



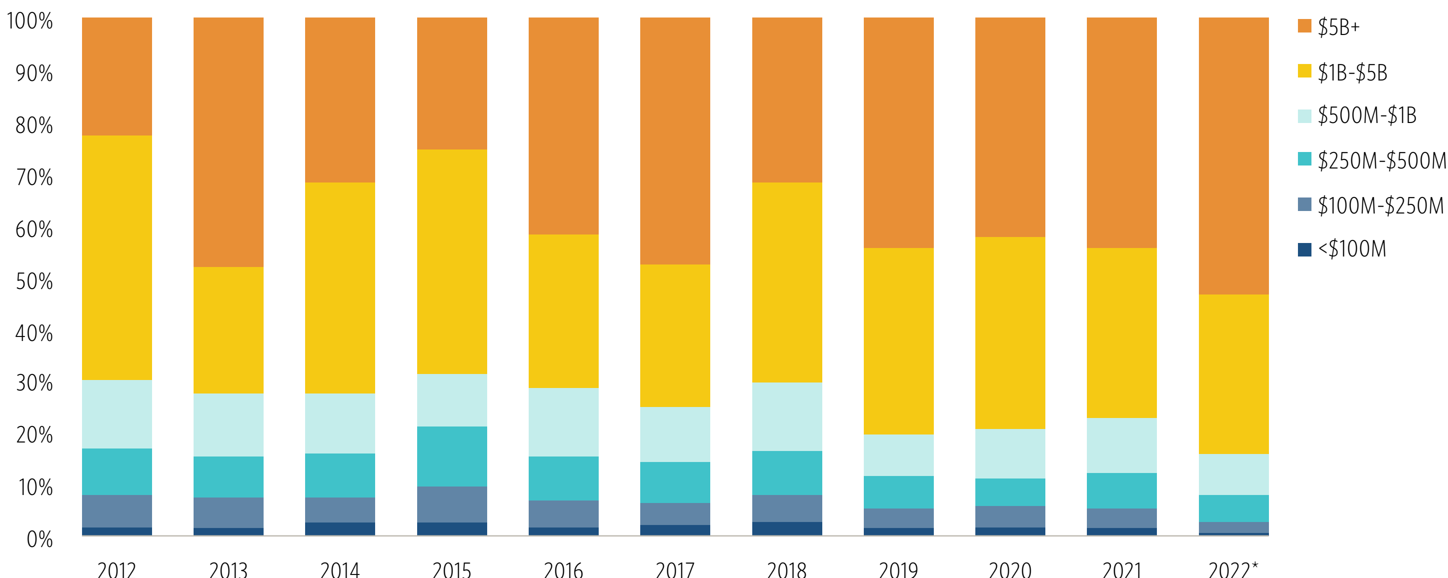
Source: PitchBook | **Geography:** US
*As of September 30, 2022

Average time (years) between PE funds



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Share of PE capital raised by size bucket



Source: PitchBook | **Geography:** US
*As of September 30, 2022

Mega-funds

Mega-funds continued to take up a greater share of capital in the crowded fundraising environment. When competition for capital is fierce, investors tend to prioritize their oldest relationships, meaning larger and more-established GPs often fare better in fundraising efforts. While mega-funds still make up the smallest percentage of fund count, at just 3.6%, they have accounted for over half of the capital raised in 2022 so far. In 2022, mega-funds raised $137.4 billion through Q3, with two new mega-funds closing during the quarter. In July, Francisco Partners raised $13.5 billion for its new flagship fund, and Stone Point Capital closed on its ninth PE fund, with $9.1 billion in commitments. Both firms remained confident in their abilities to identify compelling investment opportunities and have drawn strong support from several new investors, as well as their existing investor bases. More mega-funds are in store for the rest of the year, and it is likely that both the number and value of mega-funds are on pace to match the increased mega-fundraising activity seen in 2019 and 2021. TPG has reportedly raised half of the $10.5 billion target for its ninth buyout fund, and Blackstone expects to raise half of its $28 billion target for its new flagship before the end of the year.[14]

While firms raising mega-funds often count on large institutional investors for the bulk of their capital, with so many gargantuan vehicles in the market and slowing exits reducing GP distributions to LPs, firms raising mega-funds are also finding it harder to close as quickly or as smoothly as they used to. To counter this trend, GPs are increasingly turning to international investors for capital. During its Q2 earnings call, Apollo stated that it expects to raise a record amount of capital from investors outside the US, with already $13 billion raised for its 10th flagship fund.[15] TPG has also revealed that it is raising a larger proportion of capital from non-US investors for its ninth buyout fund relative to previous fundraising efforts.[16] In particular, foreign sovereign wealth funds have stepped in to fill the gap left by struggling US pension funds as high oil prices have left those funds flush with cash and eager to invest. In another tactic to supplement fundraising, GPs will provide LPs in an older fund with a cash tender offer from a third-party buyer group, which will in turn commit fresh capital to a new fund managed by that same GP (the so-called "tender offer plus staple" deal). Carlyle ran such a process earlier this year; it reportedly provided about $200 million in fresh capital to Carlyle's eighth flagship fund, which is targeting $22 billion.[17]

14: "Blackstone on Target to Raise over Half of New Flagship by the Fall," Buyouts, Chris Witkowsky, July 28, 2022.
15: "Apollo Global Management Q2 2022 Earnings Call," Apollo Global Management, August 4, 2022.
16: "Private-Equity Firms Look to Foreign Cash as U.S. Pension Funds Struggle," *The Wall Street Journal*, Chris Cumming, August 19, 2022.
17: "Carlyle's Tender Offer Process Boosts Fundraising on Flagship," Secondaries Investor, Chris Witkowsky, August 18, 2022.

New sources of capital and liquidity

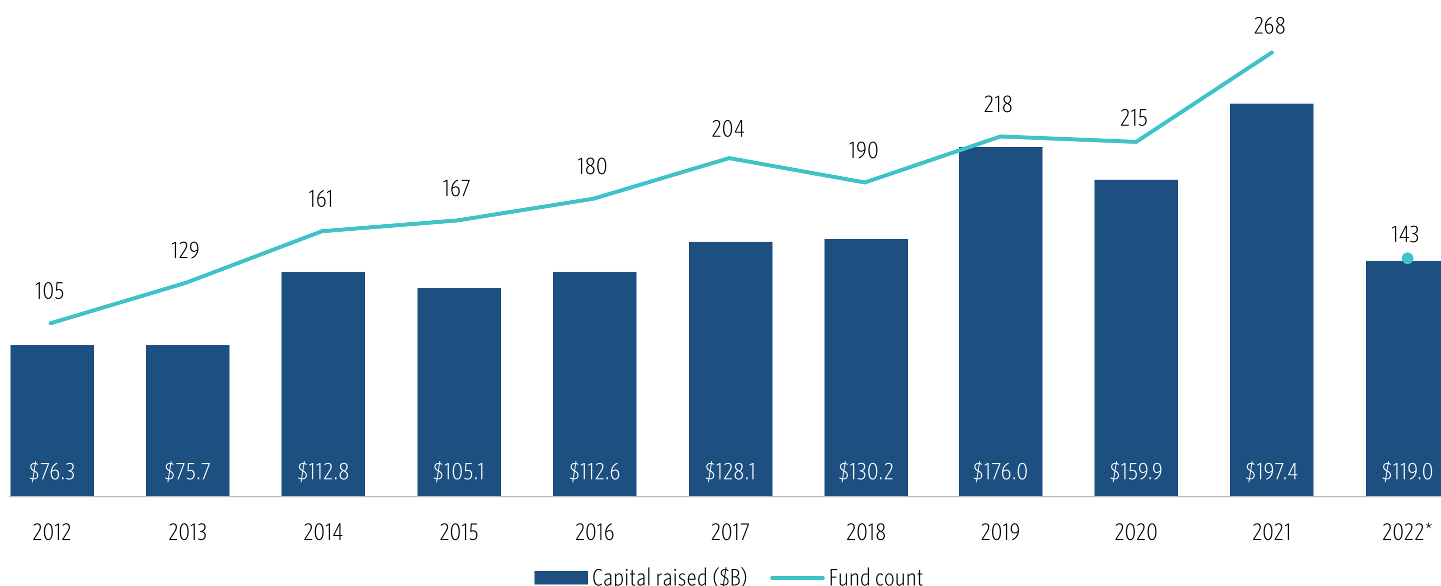
The shortfall of exits and related distributions is an additional element that is making fundraising more challenging. Most of the capital received by LPs from distributions is typically recycled into future commitments. With a dearth of capital flowing back in from legacy PE investments, LPs may need to sell other assets in their portfolios in order to meet future commitments. This has led many institutional allocators to explore private secondary markets to shed older LP interests or reduce excess allocations to certain GPs. This rebalancing trend is well underway. The California Public Employees' Retirement System (CalPERS) recently announced it had tapped secondary markets in 2021 to sell $6 billion of stakes in unwanted PE funds to free up cash for new managers and strategies.[18] CalPERS has been joined by the likes of the Teachers Retirement System of the State of Illinois and other big LPs using secondary markets to restructure their PE holdings and exposure.

The fundraising environment has become crowded, with many GPs relying on the same endowments and pension funds. This is pushing the industry to consider other sources of capital, such as the individual investor market. In Blackstone's Q2 2022 earnings call, CEO Steve Schwarzman referred to this as a vast and largely untapped market.[19] The retail market currently accounts for a low-single-digit percentage of the total money raised by private capital funds, but many believe that this will grow to 10% to 20% over the next decade. Sovereign wealth funds represent another opportunity for firms seeking new sources of fundraising. Strong commodity and energy prices have produced record profits for sovereign wealth funds, and many are looking to commit more capital to US PE managers in particular, given the strength of the dollar and its effect in padding returns for non-US LPs.

Middle market

Fundraising for middle-market vehicles has slowed in each quarter of 2022. Through the first three quarters, middle-market funds have raised $119.0 billion across 143 funds. With one quarter to go, we expect that the middle-market space will fall short of the 200+ closed funds seen in each of the previous three years. The fundraising market continues to tighten, and the middle market is feeling the pinch as LPs allocate to larger funds and capital is rationed. The same is playing out within the middle market itself, which is bifurcating between upper- ($1 billion to $5 billion) and lower-middle-market funds ($100 million to $1 billion). More and more of this limited capital from LPs allocated to middle markets as a strategy is ending up in the largest bucket ($1 billion to $5 billion), leaving the lower middle market to compete for the scraps.

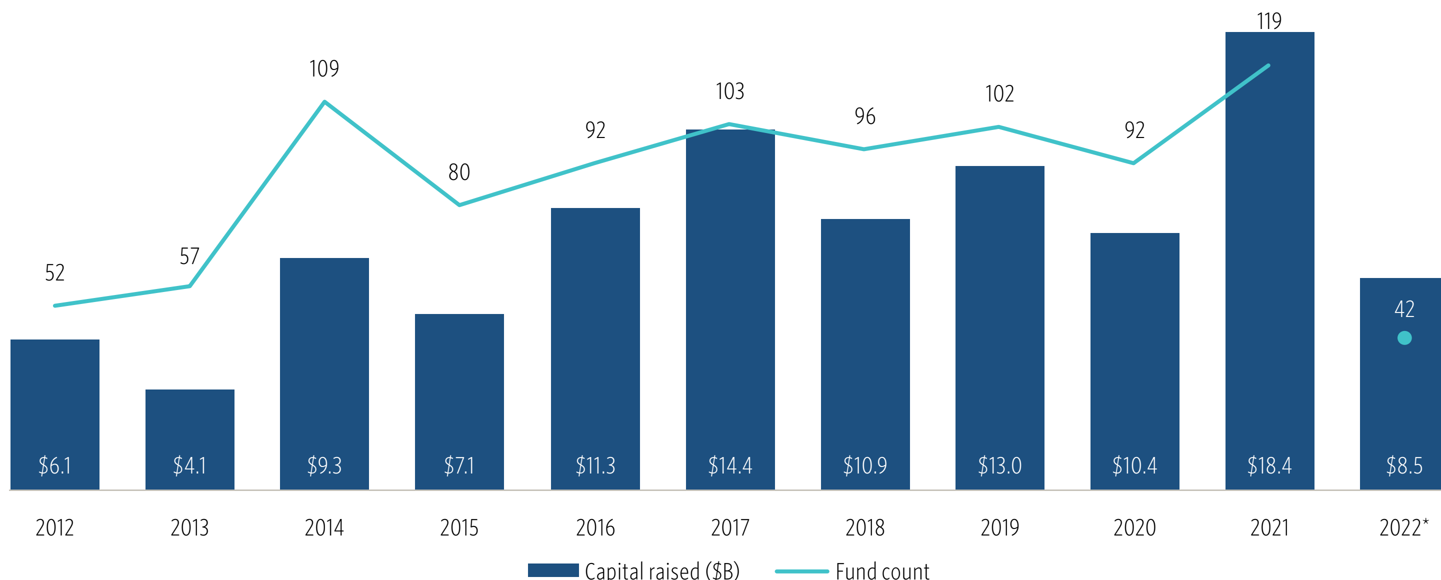
Middle-market PE fundraising activity



Source: PitchBook | **Geography:** US
*As of September 30, 2022

18: "CalPERS Unloads Record $6 Billion of Private Equity Stakes at Discount," Pensions & Investments, *Bloomberg*, July 8, 2022.
19: "Blackstone Second Quarter 2022 Investor Call," Blackstone, July 21, 2022.

First-time PE fundraising activity



Source: PitchBook | **Geography:** US
*As of September 30, 2022

First-time funds

First-time fundraising activity continues its decline compared with the impressive activity of 2021. LPs typically allocate to first-time managers in search of outperformance, differentiated strategy, and, in some cases, lower fees. This year, however, LPs have had little room to establish new relationships. This comes as more pre-established GPs are returning with re-ups sooner than expected, crowding out first-time managers in the process. Moreover, the current economic backdrop is causing LPs to become more risk averse, and with less capital in general to allocate to untested managers. In Q3, only three funds raised over $100 million, and only one fund raised over $1 billion. That fund belonged to BayPine, which closed on $2.2 billion, thereby exceeding its target of $2 billion and making it the largest first-time fund in 2022 by a margin of almost $1 billion. BayPine is led by managing partners David Roux, cofounder and former co-CEO and Chairman of Silver Lake, and Anjan Mukherjee, former Senior Managing Director at Blackstone.[20] Going forward, it will be tough for first-time managers to receive funding, but firms that have management with pedigreed backgrounds and longer track records will find better success in receiving funding.

Performance

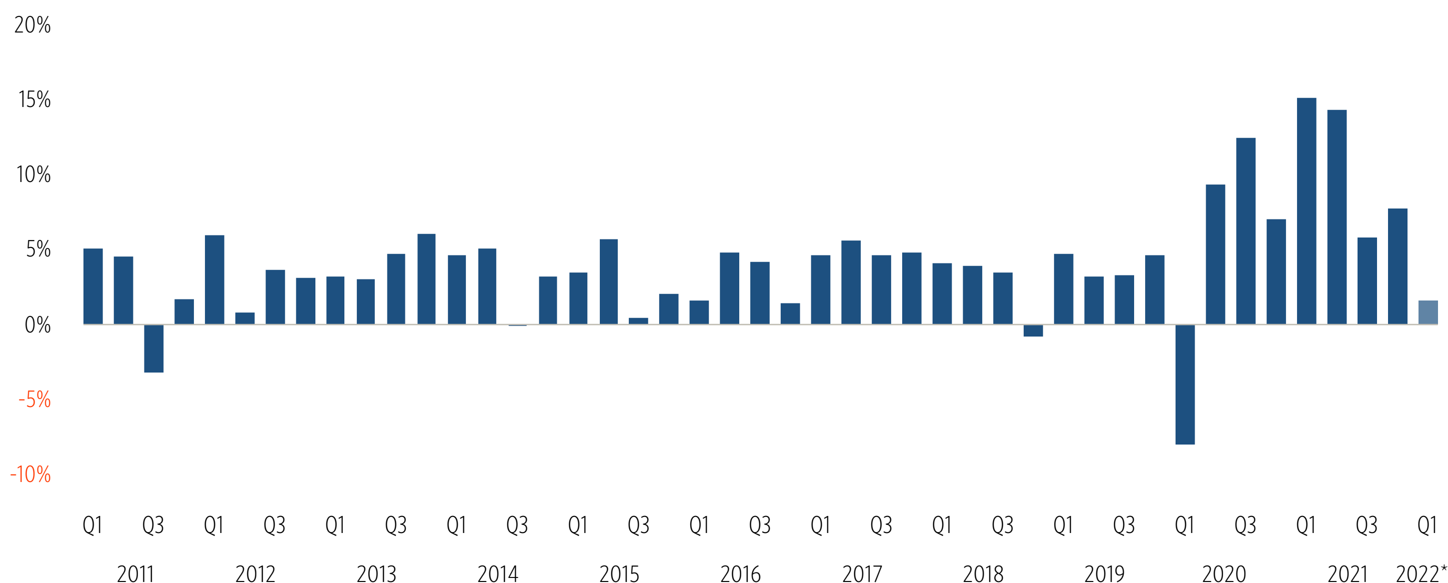
Fund investors are anticipating markdowns in their PE portfolios as private markets are unable to avoid the volatility plaguing public markets. Prior to 2022, PE witnessed several historic quarters for fund performance driven by accommodative fiscal and monetary policies. Large GPs especially benefited from the high valuations in public markets by marking their portfolio companies to market or by exiting them through public listings. Beginning in 2022, investors faced a much different macroeconomic environment. The Fed imposed aggressive interest rate hikes to curb surging inflation, while Russia's invasion of Ukraine roiled financial markets. Valuations in the public markets have tumbled, and PE-backed companies will not be immune to the economic downturn. PE firms will be forced to re-examine and write down the value of their investments on the back of lower public valuations, higher costs of capital, and a deteriorating growth outlook due to weak consumer and business sentiment. Slowing exit activity and the absence of public listings as a viable exit strategy also mean there will be a notable hit to PE returns.

20: "BayPine Exceeds Target for Inaugural Private Equity Fund and Raises Approximately $3.0 Billion," BusinessWire, September 8, 2022.

With private market returns lagging by a few quarters, we expect to see changes in PE performance in the next two quarters. Preliminary estimates for Q1 2022 for PE funds globally show returns of 1.6%, which is a sharp drop from the quarterly figures seen in the last three years, save for Q1 2020 due to the pandemic. This does not capture the markdown cycle that is likely to commence with Q2 reports; however, the reported results of publicly traded PE firms provide a good indication. In Q2, Blackstone and KKR marked their PE portfolios down by 6.7% and 7.0%, respectively, and other PE firms have signaled that they will be taking write-downs to better reflect lower public market pricing.

EQT recently marked down two of its flagship funds, while Partners Group reported its PE positions' net performance decreased by 5.2% in H1.[21] The middle market could fare better as it is less dependent on public market comparables, although continued market volatility will challenge GPs of all sizes and disrupt the incredible run of returns that PE has been able to deliver for the past several years. Some investors believe that the markdowns in PE will be healthy and that a correction in private valuations will bring more reasonable expectations of growth and profitability. PE funds will have to execute clear strategies toward scalable growth to prevent valuation drops and deliver attractive returns.

PE funds quarterly IRR



Source: PitchBook | **Geography:** Global
*As of March 31, 2022
Note: Q1 2022 data is preliminary.

21: "Side Letter: Markdowns Are Coming; BlackRock's Multi-Asset Edge; NEST's Next PE Pick," Private Equity International, PEI Staff, July 18, 2022.

A WORD FROM DEALCLOUD

Modern relationship management solutions power dealmakers' success

Tenured investment professionals know that their success depends on strategic relationship facilitation and a strong understanding of outcome-driven analytics. In an age when new connections seem to grow exponentially, managing a dealmaker's complex web of relationships can no longer be managed by manual processes alone.

Yet, software adoption rates remain low because traditional CRMs can't keep up with the fast-paced lives of investment professionals. Firms adopt CRMs to streamline and simplify the burdensome task of housing and analyzing valuable relationship data—but when the software falls short, users grow increasingly frustrated. Tools that offer only a fraction of a solution still leave firms with a fraction of the problem, and relationships suffer as a result.

To achieve the desired result, your capital markets firm needs a single source of truth—one that automates relationship intake, identifies opportunities for new connections and deal origination, customizes the user experience to meet your unique requirements, and proactively offers insights and analytics that help dealmakers act quickly and successfully. DealCloud, the industry-minded pipeline management solution for capital markets professionals, provides an extensive relationship management suite with features that deliver meaningful relationship intelligence and outcomes.

Eliminate manual data entry and stale contact data

Many firms seek and adopt traditional CRMs in the hopes of saving their dealmakers' time. However, most CRMs require dealmakers to take on the time-consuming task of manually uploading data to the platform. Not wanting to fall behind in their current work, dealmakers often forgo this task in favor of pipeline initiatives, leaving CRMs with missing or stale relationship data that's unhelpful to relevant stakeholders.

DealCloud automates relationship data intake to save dealmakers time, and serves as a single source of truth for storing and accessing a firm's relationship network. Through DealCloud's Microsoft 365 integration, existing contact books automatically sync to the platform—meaning users don't need to manually upload names and addresses.

Ben Harrison

Founder, DealCloud

Ben Harrison is the Founder of DealCloud and has served as President of Financial Services at Intapp since 2018. Prior to founding DealCloud, he worked for Falfurrias Capital Partners, a Charlotte, North Carolina-based PE firm, and in M&A advisory with Harris Williams & Co. and Edgeview Partners. Harrison received his bachelor's degree from the University of North Carolina at Chapel Hill.

Additionally, when a firm integrates individuals' inboxes to a larger, more connected relationship network, everyone in the firm can access valuable insights, including common connections, potential overlaps in client communications, and institutional knowledge that outlives employee turnover.

DealCloud also offers contact signature scraping to automatically capture expanded contact information found in email signatures—such as job titles and phone numbers—and add or update them within the relationship management solution. This saves data entry effort and helps ensure contacts remain as accurate as possible.

DealCloud's Microsoft connection also integrates relevant information—shared files, scheduled meetings, and email communications—directly into the platform, letting users access the most up-to-date, contextual information for a contact at any time. The software also provides full transparency for deals with multiple stakeholders, letting users view interpersonal communications and pipeline updates without constantly regrouping.

Access actionable relationship insights

Without a connected firm-wide network, it's difficult for organizations to understand where common connections lie or how relationships evolve over time. For example, a dealmaker may not realize that they're focusing on a target company where one of their coworkers already has a connection, or a dealmaker may forget to reach out to a vital contact, cooling the relationship.

DealCloud knows that firms need automated and robust relationship analytics that dovetail with their current workflows to access insights that inform new strategies. When firms integrate their existing relationship data in a shared single source of truth like DealCloud, connections that aid in the dealmaking process become accessible at a firm-wide level.

For example, after identifying a target company, a dealmaker can use the DealCloud platform to view their firm's personal connections to that target company. The dealmaker can then leverage those connections to make an introduction and begin the deal process—because, as every dealmaker knows, a personal introduction typically goes further than cold outreach alone, and often leads to more successful opening conversations.

When firms select DealCloud, they also gain access to relationship intelligence features designed to automatically assess the frequency of communication among contacts to produce a relationship score. Relationship scores help dealmakers understand how strong their relationships are, then adjust accordingly. If a key contact shows a low relationship score due to infrequent communication, the dealmaker may decide to reach out and schedule a call.

Identify new relationships using third-party data

In addition to helping dealmakers discover connections within their existing network, DealCloud also supports the discovery of new contacts.

Unlike traditional CRMs—which usually require dealmakers to rely on outdated and more difficult methods for relationship origination—DealCloud offers integrations with leading third-party data providers to bring enriched data discovery directly into a firm's pipeline. Firms can automatically include existing contact and company records in a contact's view, giving context to an otherwise surface-level contact.

By bringing external databases into internal processes, firms gain access to potential relationships outside of their existing contact address books. With both proprietary and third-party data accessible in a firm's pipeline management solution, relationship management technology helps save time and produce results. To learn more about integrating with third-party data providers like PitchBook, view DealCloud's full list of data partners.

Improve proactive relationship outreach

Organizing your existing relationships within a single source of truth—especially one that's tailored for capital markets firms—is important, but what dealmakers do with these contacts matters most. Insight without action leads to wasted potential, and dealmakers need to feel confident that they're leveraging processes that deliver results.

Identifying important contacts, monitoring their progress, and managing outreach for new and existing contacts all require dedicated time and momentum. But when dealmakers integrate their network within the DealCloud platform, they can automate processes and appropriately tier their contacts to better manage their priorities. For example, users can appropriately label relationships that require constant communication and create notifications to alert them as soon as a relationship starts to cool.

Users can also create templated emails to simplify their contact follow-ups. Once the software alerts a user to a cooling contact, they can deploy a templated check-in communication with a single click. Dealmakers can utilize these templated communications to schedule plans for future communications and prompt outreach at the appropriate time.

By automating and simplifying the outreach process, firms eliminate the need for manual checks. This saves vital time across the firm and lets users manage even more relationships without additional heavy lifting.

Simplify relationship management with DealCloud

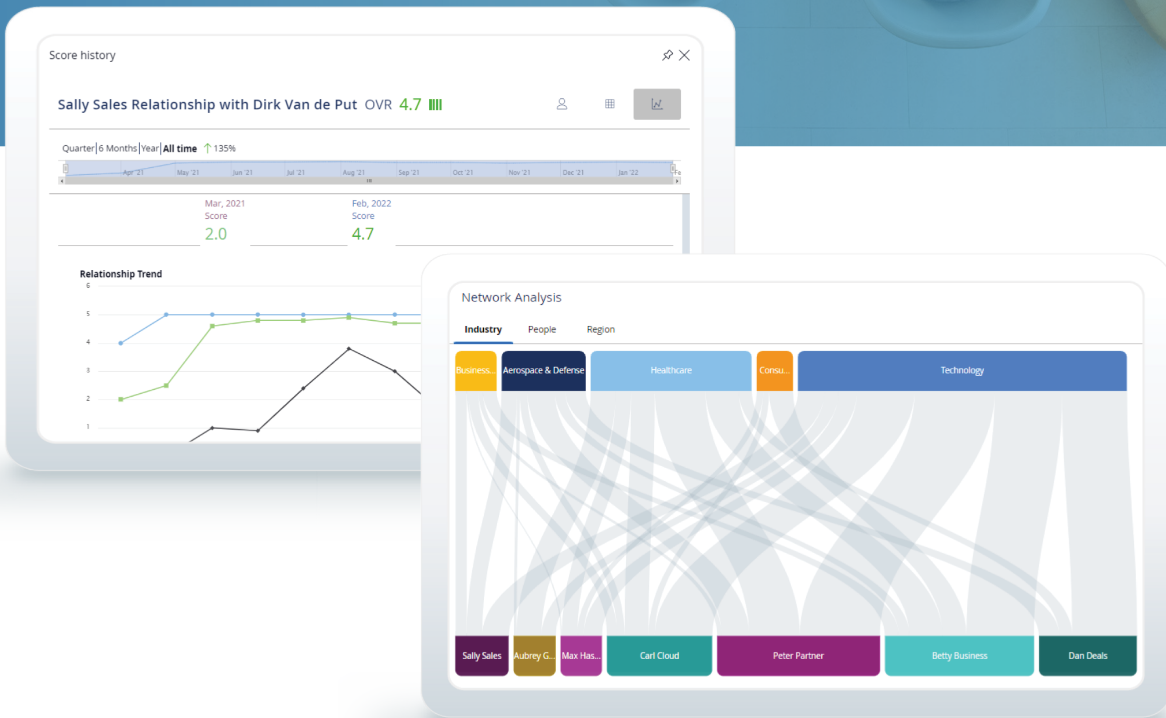
Despite the need to leverage new and existing relationships, very few capital markets professionals use dedicated tools to support their efforts. Now, firms can deploy relationship data within DealCloud to drive deal origination and outreach efforts.

DealCloud was built by capital markets professionals to address the unique problems they faced in their own roles. When a firm integrates DealCloud, Microsoft Outlook, and third-party data in a single source of truth, its dealmakers can easily automate intake, prioritization, and outreach in ways that deliver results and simplify relationship management.

DealCloud by Intapp

Automate, nurture, and capitalize on your relationships

End-to-end relationship management suite with zero-entry data capture



Best-in-class dealmakers require a keen ability to identify and cultivate strong and profitable relationships. **DealCloud offers a cutting edge, end-to-end relationship management solution** that helps to streamline complex relationships by centralizing communications data and helping firms transform day-to-day activities into actionable relationship intelligence. **Investment professionals gain time back to focus on closing deals and growing business.**

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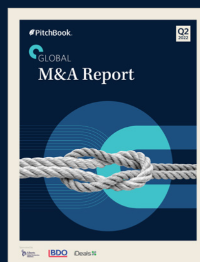

Q2 2022 Global M&A Report

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