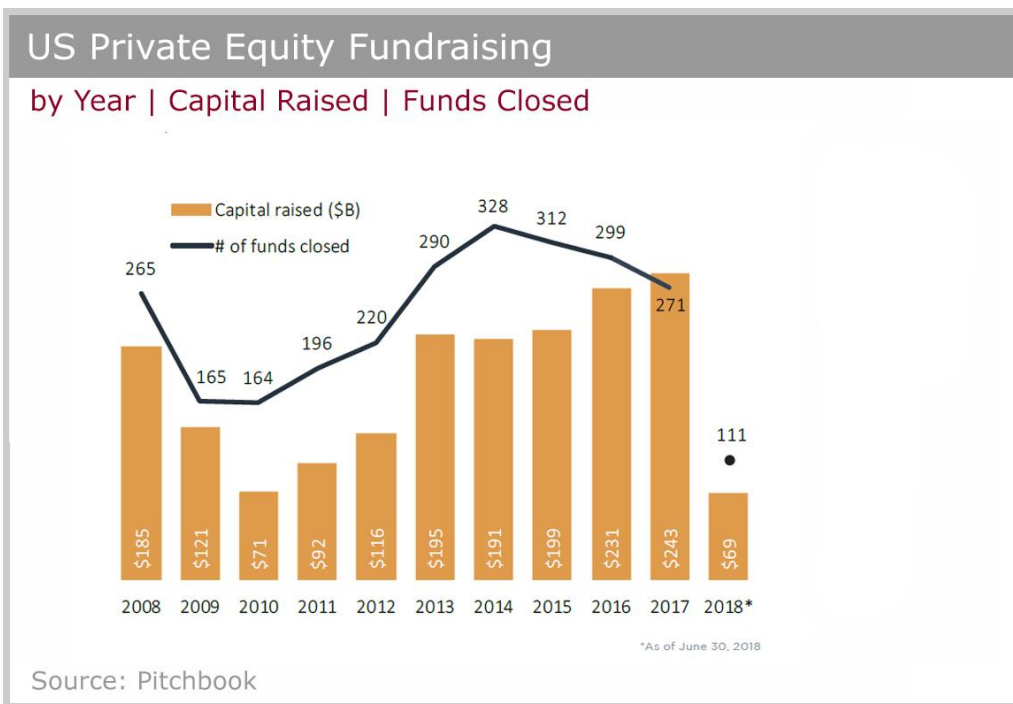




A recent report by Pitchbook, a data platform of private company transactions, indicates that, during the first half of 2018, fundraising activity by U.S. private equity firms had begun to slow from the stratospheric levels reached in 2017. Should this trend continue, we could see the lowest level of new private equity investment capital in six years. It is true that current levels of uninvested capital, or “dry powder”, exceed one trillion dollars; but fundraising activities this year will impact the amount of investments these firms make in the years to come. Couple this slowdown in fund raising with rising interest rates and, if you are a middle-market business owner with an exit in mind, you might consider this a good time to sell while conditions are still in your favor.

In 2017, \$243 billion in new funds was raised by U.S. PE firms; but, in the first half of 2018, only \$69 billion was raised. Additionally, over the past three years, we have begun to see the number of funds drop; therefore, 2018 could see the lowest levels of both fundraising and the number of funds in six years. One area that has not experienced a decline, however, is first time fundraising. Thirteen U.S. firms in the first half of this year closed maiden efforts totaling \$3.5 billion. One explanation for the continued success at first time fundraising might be the lag time that exists between conception and implementation when responding to market conditions.



In June, the Federal Reserve raised its benchmark interest rate from 1.75 to 2.00 percent and signaled that two more increases are likely before the end of 2018. With a strengthening economy, a tightening labor market and inflation slowly creeping upward, the Fed is raising interest rates to keep the economy from overheating. Ultimately, this will have an impact on deal valuations. Because most acquisitions are financed using a combination of equity and leverage, as the cost of borrowing rises, prices fall to compensate.

FOR MORE INFO CONTACT:
Corporate Finance Associates
Offices Worldwide

T/ 949.305.6510
F/ 949.305.6713
E/ info@cfaw.com

NOTICE:

Published multiples should only be used as a general guide to market conditions. Many factors will cause multiples to vary for a particular company including; industry, size, customer concentrations, management, brand and various other characteristics. Talk with your CFA representative for guidance. Information provided by Pitchbook may not be used or re-published in any form without written permission of Pitchbook or Corporate Finance Associates.

Securities offered through Corporate Finance Securities, Inc. Member FINRA | SIPC.