

Preqin Territory Guide

Buyouts in the US 2023



Buyouts in the US

Private equity buyout fundraising and deal activity fell in 2022 as high inflation, interest rates, and backsliding public equity markets weighed on funds and investors alike. Even as AUM (assets under management) crossed the \$2tn mark in the first half of the year, fundraising failed to build on 2021's record highs. The slowdown also spilled into the deals market, with far fewer deals and less capital invested. Technology remains a bright spot for the market, with several of the largest funds closed since 2020 focusing specifically on the sector.

Charts in this guide

Figure number	Chart title	Page number
Assets, investors, and fund managers		
1	US private equity buyout assets under management, Dec 2001 – Jun 2022	7
2	Number of active US-based buyout fund managers, 2018 vs. 2023 YTD	8
3	Number of active investors in buyout funds in the US by type, 2018 vs. 2022	8
4	Annual number and value of US-focused buyout funds raised, 2017 – 2022	9
5	Annual number and value of US-based buyout funds raised, 2017 – 2022	9
6	Largest US-focused buyout funds closed, 2020 – 2023 YTD	10
7	Largest US-based buyout funds closed, 2020 – 2023 YTD	10
Deals		
8	Annual number and value of US buyout deals, 2017 – 2022	11
9	Annual number and value of US deals with non-US buyers, 2017 – 2022	12
10	Annual number and value of US-based buyout deals with US buyers, 2017 – 2022	12
11	Annual number of US buyouts by sector, 2017 – 2022	12
12	Annual aggregate value of US buyouts by sector, 2017 – 2022	13
13	Annual number and value of exits from US buyouts, 2017 – 2022	14
14	Annual number of exits from US buyouts by exit route, 2017 – 2022	14
15	Annual number of exits from US buyouts by sector, 2017 – 2022	14
16	Largest buyouts of US-based companies, 2022	15
17	Most active GPs by number of US buyouts, 2017 – 2023 YTD	16

Figure number	Chart title	Page number
Performance		
18	Rolling IRRs of US-based buyout funds, 2010 – 2019	16
19	Rolling IRR interquartile range of US-based buyout fund returns, 2010 – 2019	16
20	US-based buyout fund horizon IRRs as of June 2022	17
21	Top-performing US buyout funds by net IRR, vintages 2009 – 2019	17
22	Most consistent buyout fund managers	18

Buyouts in the US 2023: key figures

810

Number of active US-based buyout fund managers

\$2.01tn

US-based AUM makes up 61% of the global market, and has grown at an 18.5% CAGR since 2019

\$417.4bn

Targeted capital of 704 funds in market focused on the US buyout market

\$667.5bn

Average size of US buyout deals – a figure that has grown with both the number of deals and aggregate value of those assets

18.8%

5-year horizon IRR – 2.3% below the 21.4% global composite IRR

\$46.2bn

Buyout-fund capital closed by Thoma Bravo since 2020 – all three funds focus specifically on technology companies

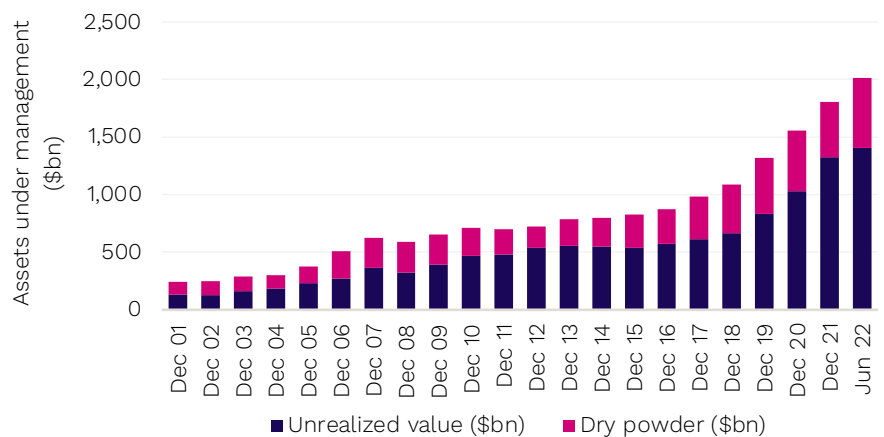
The private equity buyout market in the US remains at the core of the global alternatives universe.

US buyouts: masters of the universe

US-based buyout funds crossed another milestone in the first half of 2022. AUM surpassed the \$2tn mark for the first time, reaching \$2.01tn at the end of June (Fig. 1) – representing 61% of global buyout assets. Strategy AUM in the US previously passed \$1tn in 2018. AUM grew by nearly 53% (a CAGR of 18.5%) from the end of 2019 to June 2022, and added \$697.2bn in net assets over that period.

Unrealized value was the key component of this growth. At the end of June, the value of assets held by funds was estimated to be \$1.4tn, after adding \$83.9bn in value over the first six months of the year and \$379bn over the preceding 18 months. This 36.8% growth over the period outpaced that of dry powder (14.7%), which was estimated at \$606.4bn by the end of June. Dry powder’s share of total AUM was nearly 30% at that time. While this was up slightly from the end of 2021 (26.7%), both figures represent 10-year lows as a proportion of total AUM, despite sitting at record absolute highs.

Fig. 1: US private equity buyout assets under management, Dec 2001 – Jun 2022



Source: Preqin Pro



\$430bn

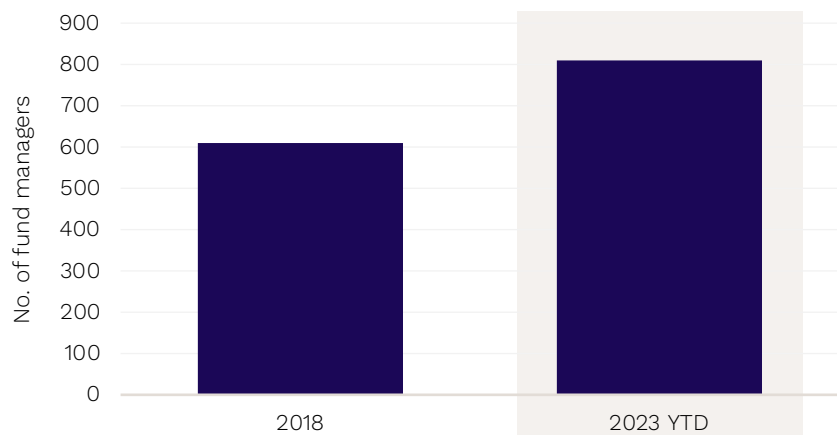
Total deal value

Deals dip from record highs, still strong

The aggregate value of buyout deals in 2022 was an estimated \$429.7bn across a total of 4,380 deals (Fig. 8). Both figures were a step back from 2021's record year (\$486.8bn across 5,139 deals), yet still very high in a historical context. For example, \$307.3bn was closed across 3,422 deals in 2018.

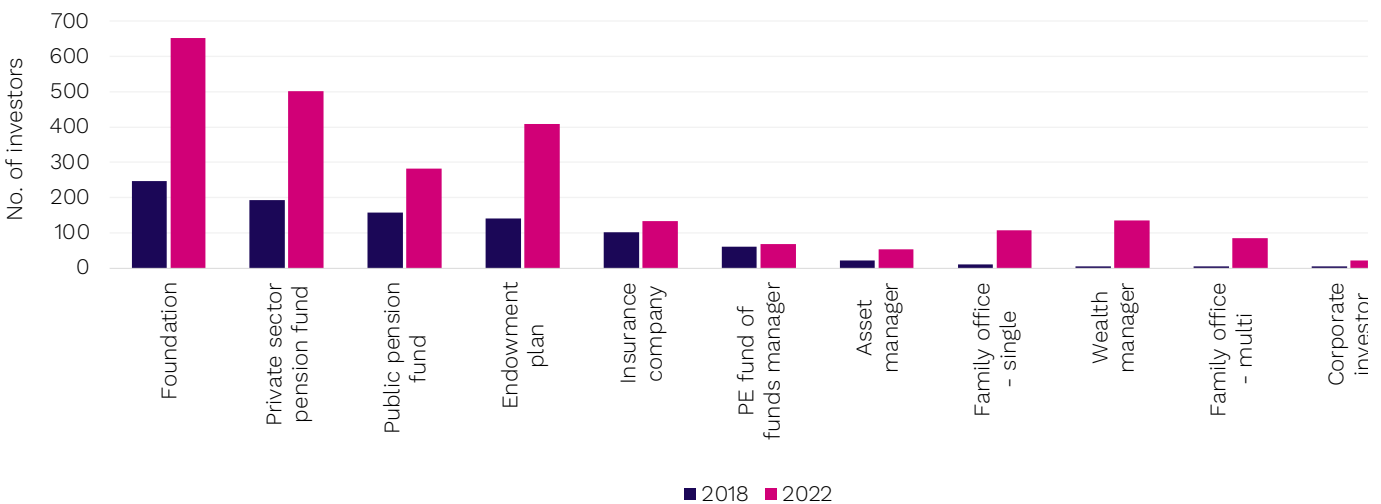
Much of the decline in deal values and deal numbers from 2021 can be attributed to both the high interest rate environment and overall wary market sentiments around a possible recession in 2023. However, the relative strength of the US economy is expected to buoy buyout markets in the region relative to other regional markets.

Fig. 2: Number of active US-based buyout fund managers, 2018 vs. 2023 YTD



Source: Preqin Pro

Fig. 3: Number of active investors in buyout funds in the US by type, 2018 vs. 2022

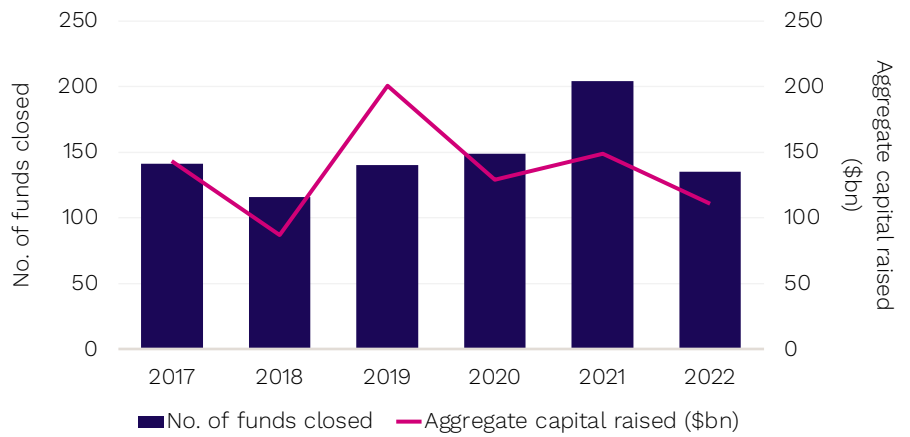


Source: Preqin Pro

These feelings of comparative strength can be seen when we look at the location of buyers. Even as overall deal numbers slipped in 2022, funds based outside the US remained active during the year, with \$157.2bn in total deal activity (Fig. 9). While down by around 2.6% from \$161.5bn in 2021, last year’s figure still accounted for 37% of total deal value. Meanwhile, US-based deal activity fell by 12.2% during the year (Fig. 10). It should be noted that much of the deal activity data in the dataset includes deals with buyers both in and outside the US, and aggregated estimates from private markets will often not reconcile perfectly.

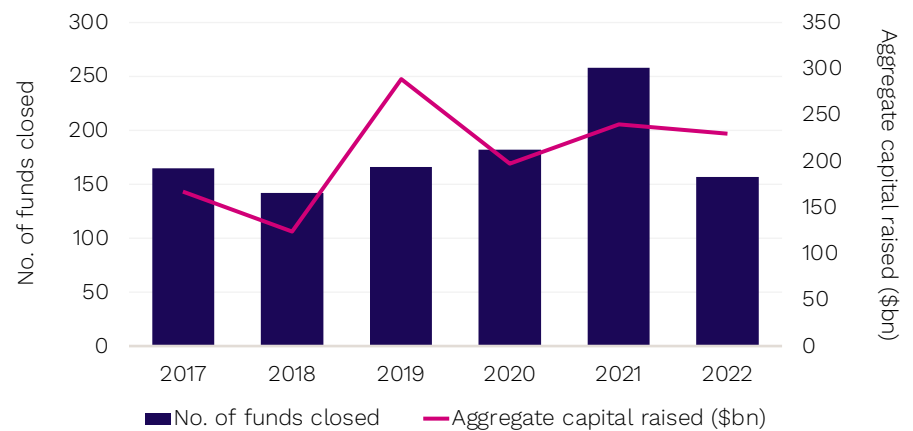
Mega-fund managers topped the list of buyers over the past five years. KKR and Blackstone were involved in 81 deals each since 2017, as other names such as H.I.G. Capital (77), TPG (75), and Hub International (75) were also among the most active (Fig. 17). Among others, these names punctuated the top deals of 2021 and 2022.

Fig. 4: Annual number and value of US-focused buyout funds raised, 2017 – 2022



Source: Preqin Pro

Fig. 5: Annual number and value of US-based buyout funds raised, 2017 – 2022



Source: Preqin Pro

Fig. 6: Largest US-focused buyout funds closed, 2020 – 2023 YTD

Fund	Firm	Headquarters	Fund size (mn)	Primary industry focus	Final close date
TA XIV	TA Associates	Boston, MA	\$12,500	Diversified	Jun 2, 2021
Veritas Capital Fund VIII	Veritas Capital	New York, NY	\$10,650	Information technology	Oct 12, 2022
Genstar Capital Partners X	Genstar Capital Partners	San Francisco, CA	\$10,200	Diversified	Apr 5, 2021
BDT Capital Partners Fund III	BDT Capital Partners	Chicago, IL	\$9,088	Diversified	May 12, 2020
TSG 9	TSG Consumer Partners	Larkspur, Ca	\$6,000	Consumer discretionary	Jan 11, 2023
Thomas H. Lee Equity Fund IX	Thomas H. Lee Partners	Boston, MA	\$5,455	Diversified	Oct 4, 2021
Thoma Bravo Discover Fund III	Thoma Bravo	Chicago, IL	\$3,929	Information technology	Oct 26, 2020
Charlesbank Equity Fund X	Charlesbank Capital Partners	Boston, MA	\$3,750	Diversified	Feb 2, 2021
Jade Equity Investors II	Leonard Green & Partners	Los Angeles, CA	\$3,600	Diversified	Apr 29, 2022
Kohlberg Investors IX	Kohlberg & Company	Mount Kisco, NY	\$3,352	Diversified	Jan 26, 2021

Source: Preqin Pro

Fig. 7: Largest US-based buyout funds closed, 2020 – 2023 YTD

Fund	Firm	Headquarters	Fund size (mn)	Primary industry focus	Final close date
Advent International GPE X	Advent International	Boston, MA	\$26,000	Diversified	May 23, 2022
Hellman & Friedman Capital Partners X	Hellman & Friedman	San Francisco, CA	\$24,400	Diversified	Jun 15, 2021
Thoma Bravo Fund XV	Thoma Bravo	Chicago, IL	\$24,342	Information technology	Nov 17, 2022
Silver Lake Partners VI	Silver Lake	Menlo Park, CA	\$20,000	Information technology	Dec 1, 2020
KKR North America XIII	KKR	New York, NY	\$19,000	Diversified	Apr 26, 2022
Thoma Bravo Fund XIV	Thoma Bravo	Chicago, IL	\$17,897	Information technology	Oct 26, 2020
Clayton, Dubilier & Rice Fund XI	Clayton Dubilier & Rice	New York, NY	\$16,000	Diversified	Mar 1, 2021
Green Equity Investors IX	Leonard Green & Partners	Los Angeles, CA	\$15,200	Diversified	Dec 20, 2022
KKR Asian Fund IV	KKR	New York, NY	\$13,734	Consumer discretionary, information technology	Mar 31, 2021
Francisco Partners VII	Francisco Partners	San Francisco, CA	\$13,500	Information technology	Jul 12, 2022

Source: Preqin Pro



\$168bn

Aggregate value of tech deals

The Elon Musk-led \$44bn take-private deal for Twitter headlined the deal market, with capital provided notably by Andreessen Horowitz and Sequoia Capital. The Johnson & Johnson Pension Fund took medical device maker Abiomed Inc. private in the fourth quarter of 2022 for \$16.6bn, while earlier that year Vista Equity Partners and Evergreen Coast bought software giant Citrix for \$16.5bn (Fig. 16).

The tech sector was a highlight of 2022, with \$168.3bn – or 39.2% – of the total annual deal market (Fig. 12). That aggregate value number was \$35bn more than 2021’s \$133.3bn, and by far outpaced activity in any other sector. The revival of the energy and commodities markets in 2021 and 2022 boosted activity in the energy & utilities and industrials sectors. In 2022, the aggregate deal value for industrial companies was \$44.9bn, or \$12.9bn higher than the \$32.1bn recorded in 2021. Meanwhile, energy & utilities-focused deals rose by 88% from 2021, reaching \$21.5bn. But even with this increased attention, the energy & utilities and industrials sectors still made up just 10.5% and 5% of the 2022 buyout market, respectively.

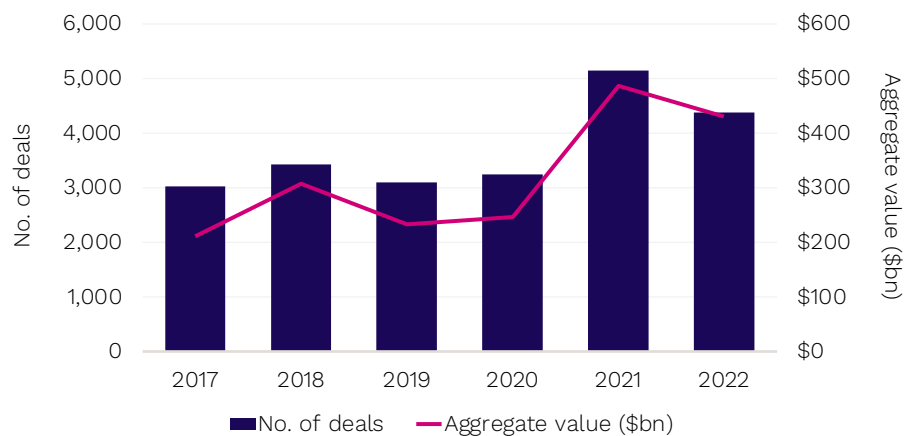
Healthcare deals fell markedly from their 2021 highs, yet the sector was still the second most active in 2022. Buyout funds deployed \$74.1bn to healthcare companies during the year. While this was \$18.8bn less than 2021, it still represented 17.2% of the market. Consumer discretionary companies, perhaps falling victim to rising input costs and a murky economic outlook, saw total deal value fall from \$82.6bn in 2021 to \$19.7bn in 2022 – a 63% drop.

Exits evaporated as GPs await better prices

The exit environment softened during the year, as falling public equity markets and rising interest rates encouraged funds to hold on to assets for longer. Preqin data shows 799 deals were exited in 2022, while a total of \$243.3bn in company value was reported (Fig. 13). Both were below their trailing five-year averages of 1,103 deals and \$262.4bn, respectively – even as the aggregate value fell to be more in line with pre-2021 numbers.

The IPO market nearly dried up completely, with data showing there were only 16 such exits last year compared with 2021’s 142 (Fig. 14). The impact of global markets can’t be overlooked. The global MSCI ACWI index fell by 18.4% in 2022, while the US large-cap S&P 500 fell by 19.4%. Even as the falling tide lowered all ships, the tech sector saw notable declines across many major companies. The number of tech exits, which includes IPOs, restructurings, secondary purchases, and, most commonly, trade sales, fell by 192 exits, or 54%, from 2021 highs (Fig. 15).

| Fig. 8: Annual number and value of US buyout deals, 2017 – 2022

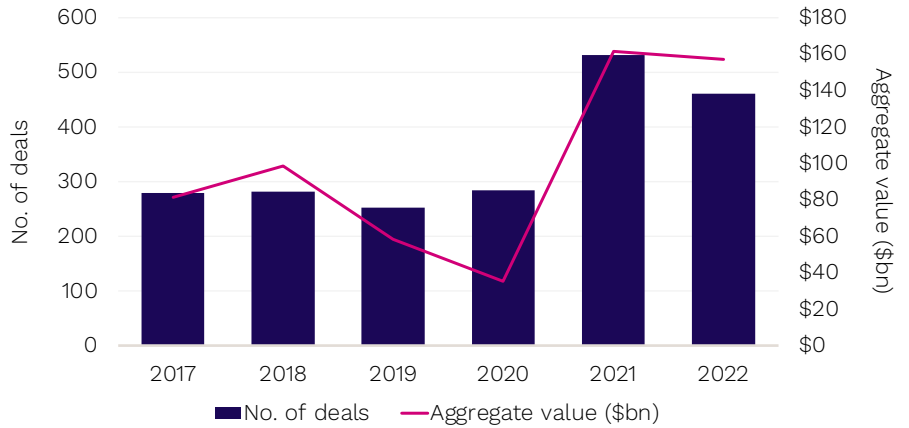


Source: Preqin Pro

4,374

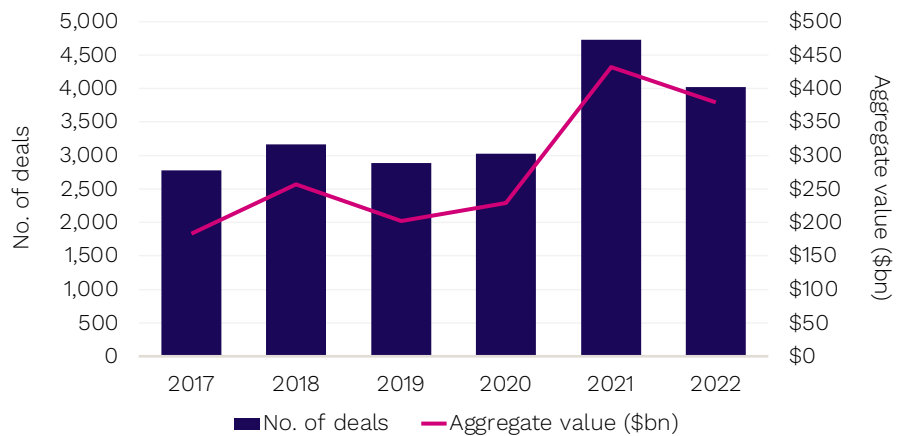
Deals completed in 2022

Fig. 9: Annual number and value of US deals with non-US buyers, 2017 – 2022



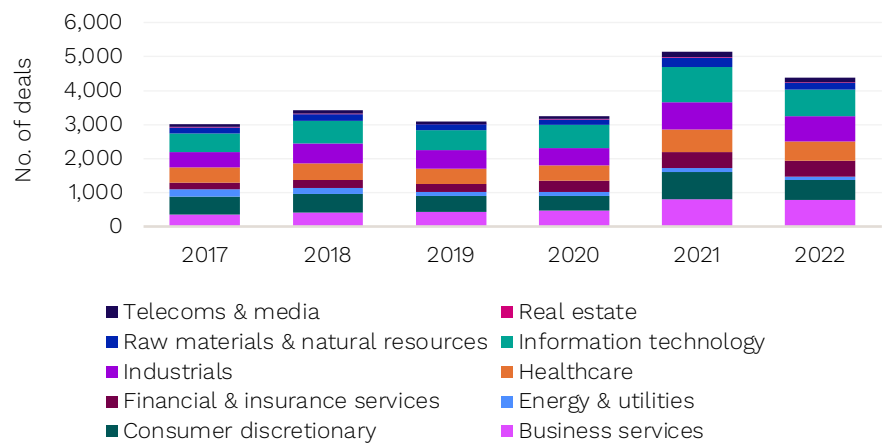
Source: Preqin Pro

Fig. 10: Annual number and value of US-based buyout deals with US buyers, 2017 – 2022



Source: Preqin Pro

Fig. 11: Annual number of US buyouts by sector, 2017 – 2022



Source: Preqin Pro

\$229.7bn

Buyout-focused capital raised in 2022

US buyout assets have trended higher as a collective since the Global Financial Crisis. According to the most recent data, the median IRR for fund vintages between 2016 and 2019 remains above 24% (annualized), even as the variability between fund returns has risen (Fig. 18). The difference between the first-quartile IRR and the third, or the interquartile range, broke away from the 15% mark for 2018 and 2019 vintages. These funds, with much of their value still unrealized, were most likely more exposed to the impact of the COVID-19 pandemic than earlier vintages (Fig. 19).

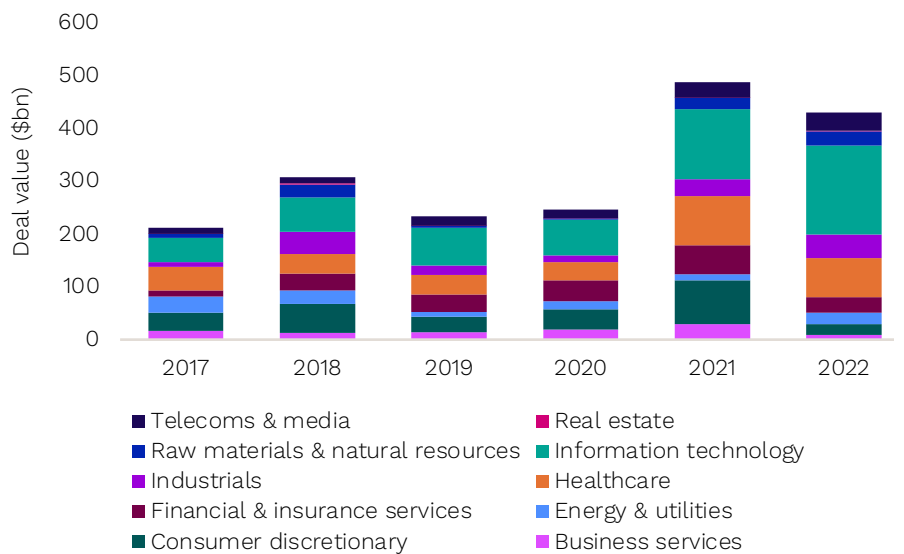
The rolling IRR for the 12 months ending June 2022 was 16.5%, the lowest figure compared with the three-, five-, and 10-year annualized numbers (Fig. 20). The three-year annualized IRR was the highest at 21.8%, benefiting from the run-up fueled by high market liquidity and recovery efforts after the pandemic.

In 2022, the number of funds closed that targeted US assets reverted to the mean, while the total capital closed by those funds fell to a four-year low. Yet this subset still made up the bulk of global fundraising. The 135 US-focused buyout funds closed made up 47% of fund closures during 2022, while the \$110.5bn value represented 35.5% of global capital raised (Fig. 4).

The scope of both funds and the assets involved widens when looking at buyout assets managed by US-based funds investing globally. A key trend is that, despite a decline in both the number of funds closed and the assets involved, the \$229.7bn in capital raised fell by a far lesser extent (4%) than the 157 funds closed, which fell from 258, or by 39%, in 2021 (Fig. 5). Fewer funds but relatively more capital points to larger funds assuming more commitments than smaller funds – a sign of cautious investors taking fewer risks with known managers.

Several of the funds raising at least \$13bn in LP capital closed in 2022. Boston-based Advent International closed its \$26bn Advent International GPE X fund in May, while Thoma Bravo closed the 15th iteration of its Thoma Bravo Fund in mid-November, with \$24.3bn in investor capital (Fig. 7). The Thoma Bravo XV fund’s mandate specifically looks to buy technology assets, a trend common with many of the largest funds that have closed in recent years. Funds with this mandate across both the US-focused and US-based top-10 rankings list closed more than \$92.5bn since 2020. In particular, Thoma Bravo raised \$48.4bn in technology-focused buyout capital across three funds during this period.

Fig. 12: Annual aggregate value of US buyouts by sector, 2017 – 2022

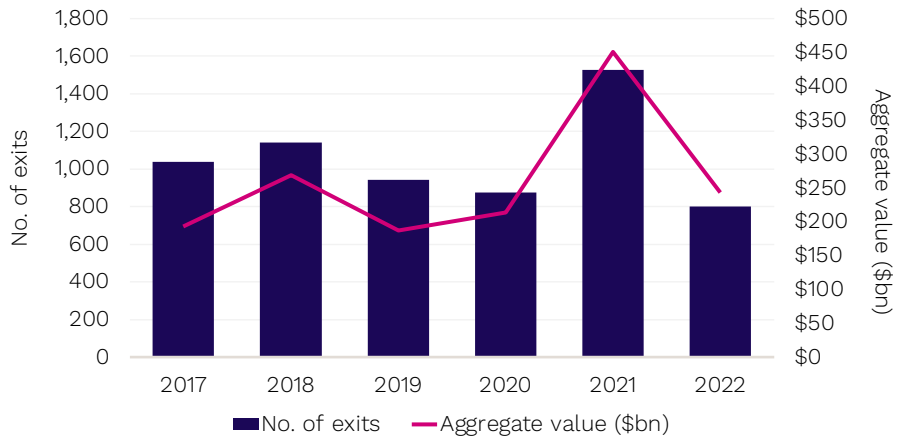


Source: Preqin Pro

16 IPOs

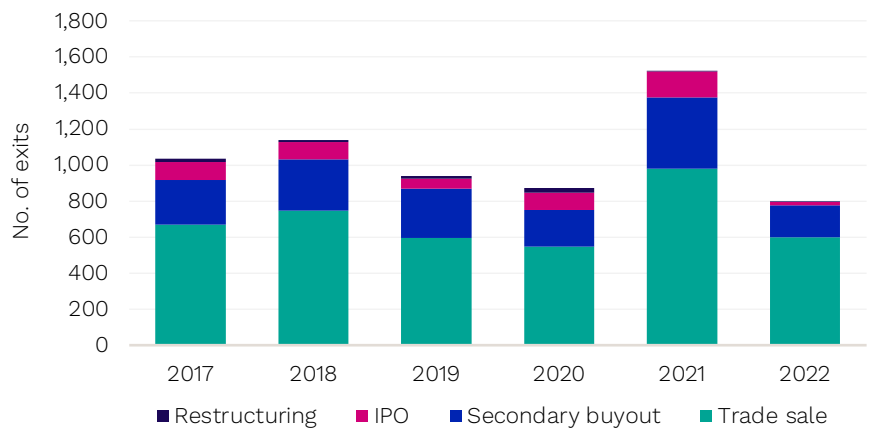
the lowest since 2008

Fig. 13: Annual number and value of exits from US buyouts, 2017 – 2022



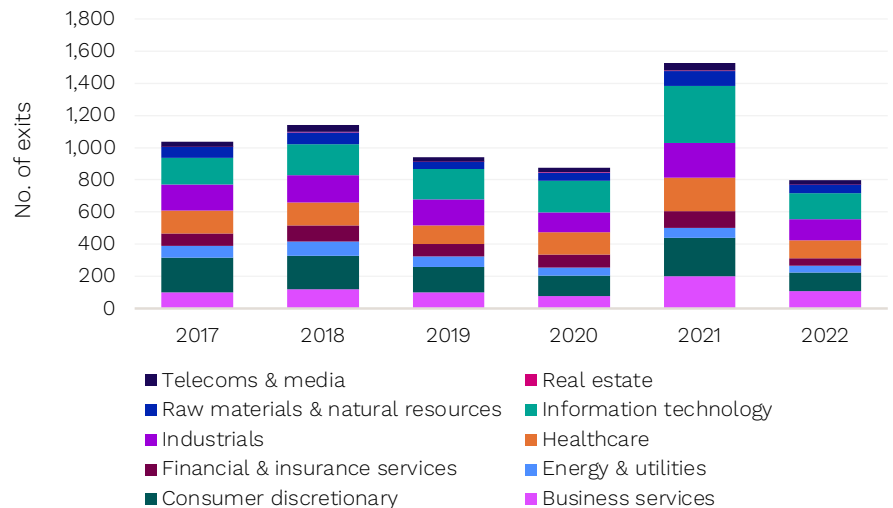
Source: Preqin Pro

Fig. 14: Annual number of exits from US buyouts by exit route, 2017 – 2022



Source: Preqin Pro

Fig. 15: Annual number of exits from US buyouts by sector, 2017 – 2022



Source: Preqin Pro

What's ahead for the US buyouts market?

Despite muted expectations for private equity – and specifically buyouts – on a global scale, the US market is likely to perform better than its global counterparts. In the *Preqin Special Report The Future of Alternatives in 2027*, in terms of private equity, Preqin's data science team estimated an annualized return of 14.5% between 2022 and 2027. While this figure is less than the 16.7% annualized return investors saw over the five years before, it is still not insignificant. That return expectation is also modestly higher than our estimate for Europe-focused funds (14.3%) and higher still than our expectations for those that are APAC-focused (11.2%). While noting that these are estimates, and may not meet reality, we continue to emphasize the relative strength of the buyout market in the US, which should continue to entice investors to the region.

Fig. 16: Largest buyouts of US-based companies, 2022

Deal date	PC name	Deal size (\$bn)	Portfolio company city, state	Industry classification	Key investors/buyers (firms)
Apr. 25, 2022	Twitter, Inc.	\$44,000	San Francisco, CA	Internet	Aliya Capital Partners, Binance, Andreessen Horowitz, Qatar Investment Authority, Sequoia Capital
Oct. 31, 2022	Abiomed, Inc.	\$16,600	Danvers, MA	Medical devices & equipment	Johnson & Johnson Pension Fund
Jan. 31, 2022	Citrix Systems, Inc.	\$16,500	Fort Lauderdale, FL	Software	Vista Equity Partners, Evergreen Coast Capital
Mar. 28, 2022	Nielsen Holdings plc	\$16,000	New York, NY	Information services	Brookfield Asset Management, Evergreen Coast Capital
Feb. 18, 2022	DuPont de Nemours, Inc.'s Mobility and Materials Unit	\$11,000	-	Chemicals	Celanese Corporation
Mar. 20, 2022	Anaplan, Inc.	\$10,400	San Francisco, CA	Software	Thoma Bravo
Jun. 24, 2022	Zendesk, Inc.	\$10,200	San Francisco, CA	Software	Permira, Abu Dhabi Investment Authority, GIC, Hellman & Friedman
Oct. 30, 2022	Emerson Electric Co.'s climate-technologies unit	\$9,500	-	Heating, cooling & ventilation equipment and services	Abu Dhabi Investment Authority, GIC, Blackstone Group
Feb. 22, 2022	Tegna, Inc.	\$8,600	Tysons, VA	Media	Apollo Global Management, Standard General
Aug. 8, 2022	Avalara, Inc.	\$8,400	Seattle, WA	Software	Vista Equity Partners

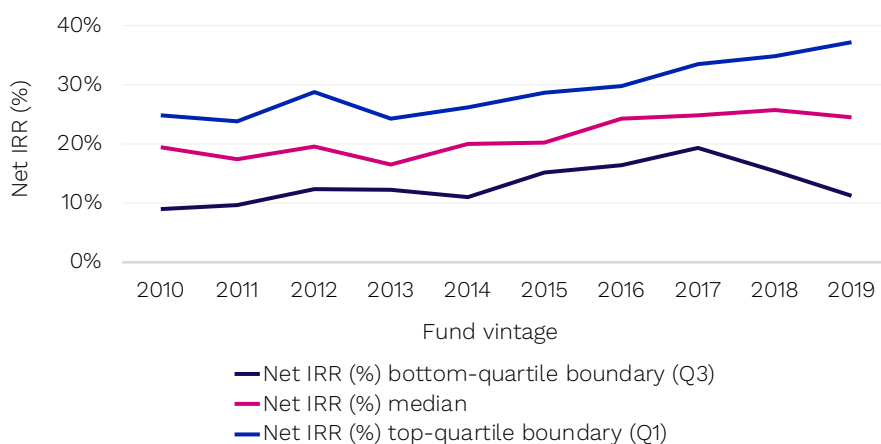
Source: Preqin Pro

Fig. 17: Most active GPs by number of US buyouts, 2017 – 2023 YTD

Investor name	No. of deals
KKR	81
Blackstone Group	81
H.I.G. Capital	77
TPG	75
Hub International Limited	75
Carlyle Group	74
Warburg Pincus	68
The Hilb Group, LLC	68
TA Associates	66
Vista Equity Partners	65

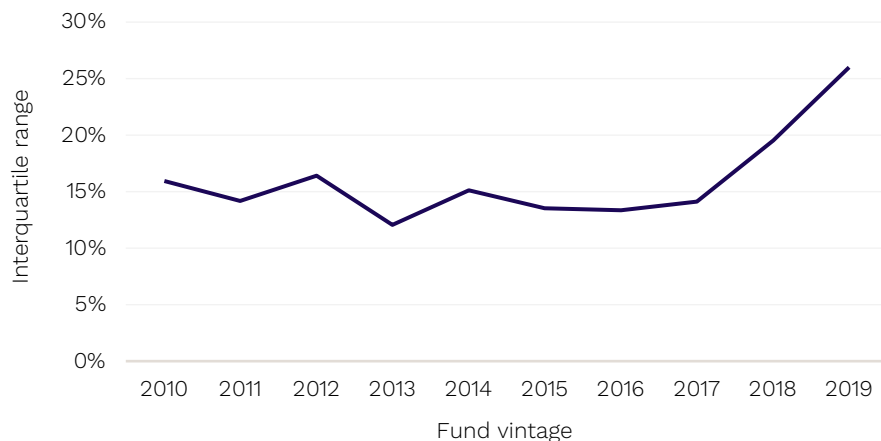
Source: Preqin Pro

Fig. 18: Rolling IRRs of US-based buyout funds, 2010 – 2019



Source: Preqin Pro

Fig. 19: Rolling IRR interquartile range of US-based buyout fund returns 2010 – 2019



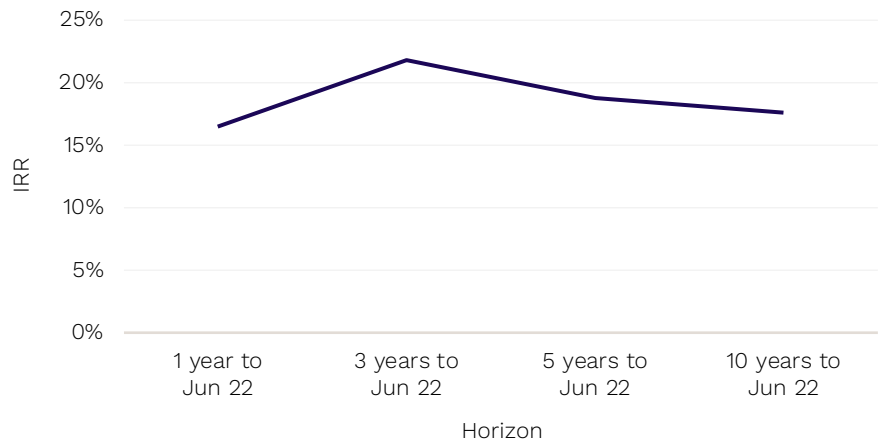
Source: Preqin Pro



21.8%

3-year IRR

Fig. 20: US-based buyout fund horizon IRRs



Source: Preqin Pro

Fig. 21: Top-performing US buyout funds by net IRR, vintages 2009 – 2019

Rank	Fund	Firm	Vintage	Fund size (\$mn)	Geographic focus	Strategy	Net IRR (%)	Date reported
1	Kainos Capital Partners II	Kainos Capital	2016	895	US	Buyout	246.8%	Jun 30, 2022
2	SKCP Catalyst Fund I	SK Capital Partners	2019	400	US	Buyout	106.2%	Jun 30, 2022
3	Renovus Capital Partners II	Renovus Capital Partners	2016	150	US	Buyout	75.0%	Sep 30, 2022
4	Cressey & Co. Overage Fund VI	Cressey & Company	2018	105	US	Buyout	65.7%	Mar 31, 2022
5	Audax Private Equity Fund VI	Audax Group	2019	3,500	US	Buyout	63.5%	Sep 30, 2022
6	Falfurrias Capital Partners IV	Falfurrias Capital Partners	2019	500	US	Buyout	59.3%	Sep 30, 2022
7	Access Holdings Fund I	Access Holdings	2018	340	US	Buyout	57.8%	Sep 30, 2022
8	Searchlight Capital III	Searchlight Capital Partners	2018	3,400	US	Buyout	56.0%	Dec 31, 2021
9	Ridgemont Equity Partners III	Ridgemont Equity Partners	2019	1,650	US	Buyout	54.9%	Jun 30, 2022
10	Gridiron Capital Fund III	Gridiron Capital	2015	875	US	Buyout	53.9%	Jun 30, 2022

Source: Preqin Pro

Fig. 22: Most consistent buyout fund managers

Firm	Headquarters	Overall no. of funds with quartile ranking	No. of funds in top quartile	No. of funds in second quartile	No. of funds in third quartile	Average quartile rank
Nautic Partners	US	5	4	1	–	1.2
Genstar Capital Partners	US	8	7	–	1	1.3
Falfurrias Capital Partners	US	4	3	1	–	1.3
Veritas Capital	US	6	5	–	1	1.3
Seidler Equity Partners	US	6	4	2	–	1.3
Industrial Growth Partners	US	3	2	1	–	1.3
Bertram Capital	US	3	2	1	–	1.3
Revelstoke Capital Partners	US	3	2	1	–	1.3
Kinderhook Industries	US	6	4	1	1	1.5

Source: Preqin Pro

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