

Private Equity Funds' Boom - The Causes and Consequences of a New Wave of Financial Buyouts

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Abstracts

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SUMMARY

The unprecedented growth of private equity buyouts across a wide range of industries worldwide, means that private equity funds are to play an increasingly important role in the global economy, thus it is important to understand the cause and impact of such an ownership shift.

KEY HIGHLIGHTS

Private equity funds' activity surged more than ever between 2020 and 2021, with some of the largest buyouts in history completed within that period. A plethora of private equity funds deployed billions of dollars of investor capital across a wide range of industries, particularly in the developed markets of the US and Europe, with the technology sector seeing the highest activity.

The economic recession provoked by the COVID-19 pandemic created the "perfect storm" for the expansion of private equity funds. Unprecedented cheap money supply along with low yields in fixed income markets has pushed investor capital to seize higher returns from private equity funds. Furthermore, tax incentives and new investment strategy approaches by private equity funds shifting towards value generation and ESG goals have generated greater demand.

Nonetheless, the philosophy of the private equity business model may not be fit for purpose for certain industries where long-term growth, human capital and innovation are sought after. Moreover, as private equity funds take advantage of ultra-low interest rates, funding acquisitions through substantial borrowing could expose company-targets to unsustainable debt levels. In addition, the lack of transparency is a valid concern over the complex and less scrutinized structure of private ownership.

SCOPE

Learn what is driving the growth of buyouts

See what players are dominating the industry

Understand the forces causing this trend

REASONS TO BUY

What are examples of recent large buyouts?

Why is private equity so keen to be involved?

Is this likely to continue in future?

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