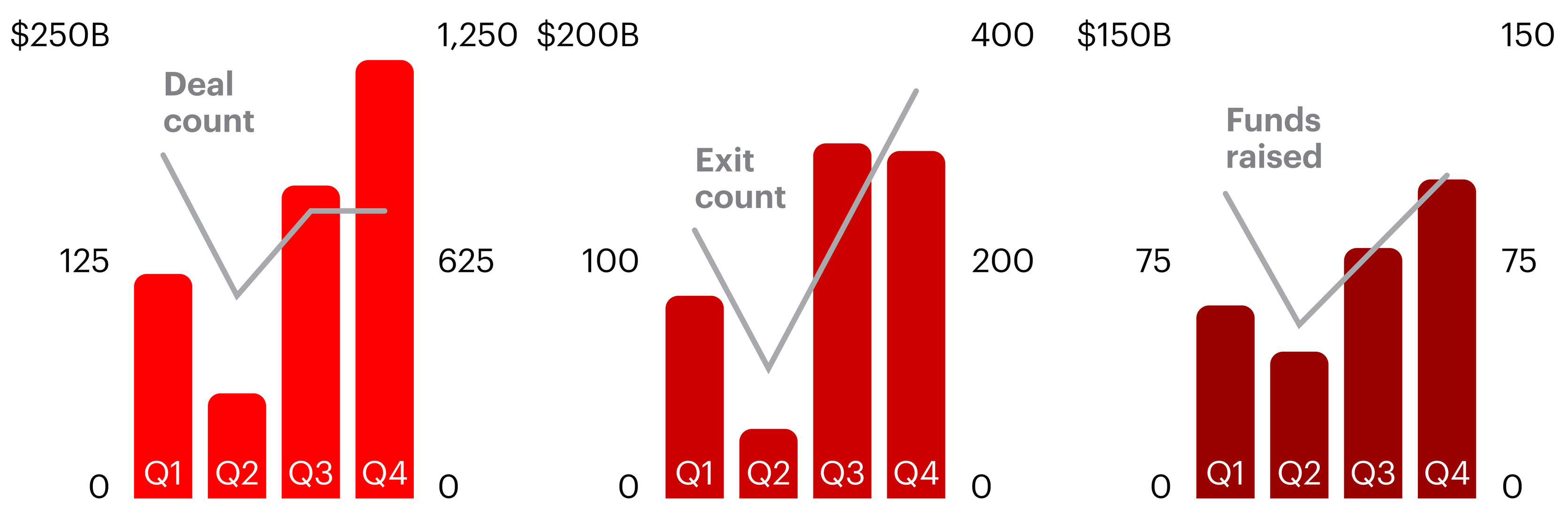
The Resilience of Private Equity in 2020

Private equity emerged largely unscathed from a year like no other, but challenges await the industry in 2021 and beyond.

The midyear **comeback**

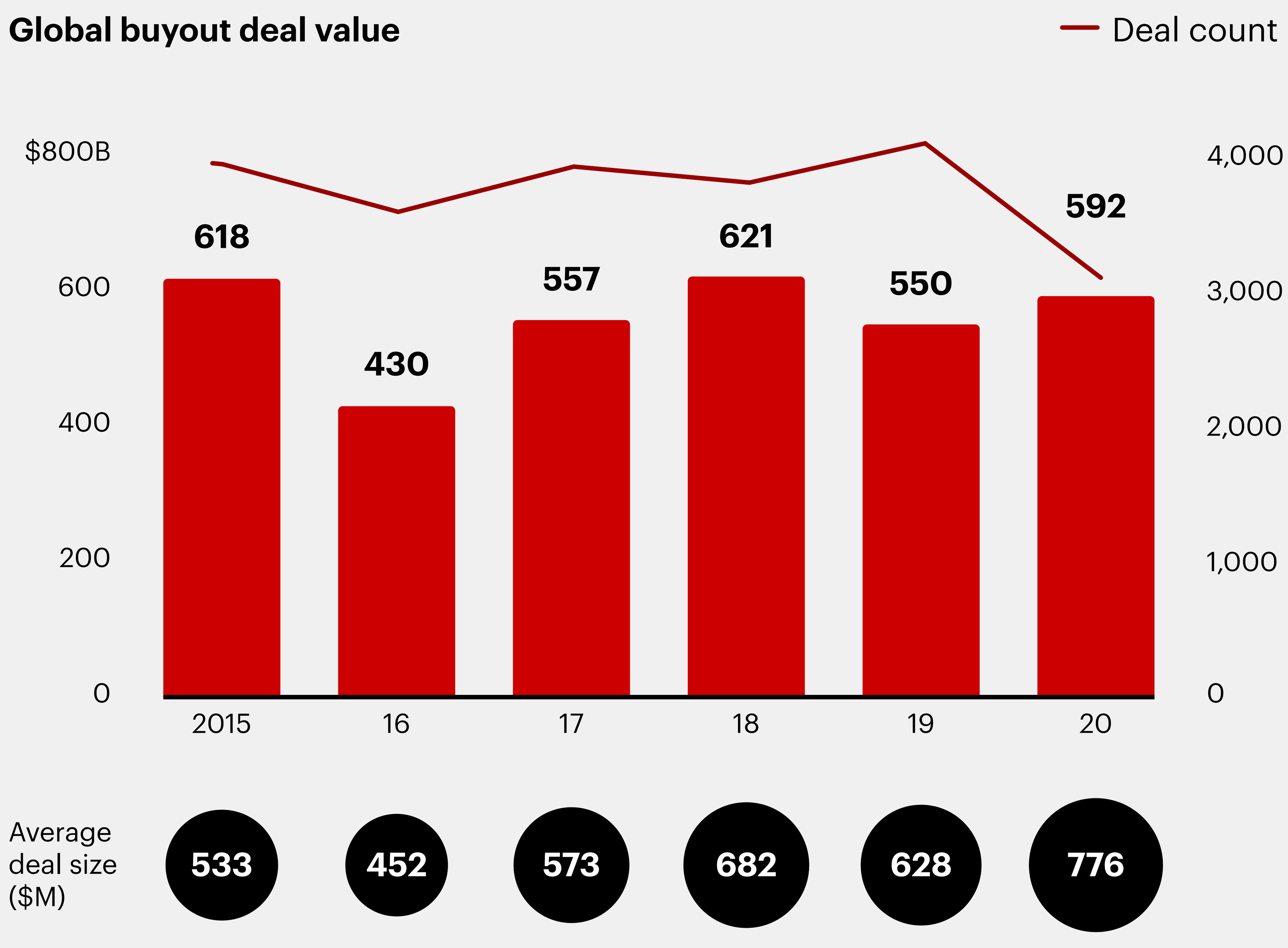
After a sharp drop in the second quarter as the pandemic hit, dealmaking snapped back vigorously in the last half of 2020



This rebound was largely the result of robust credit markets, loose monetary policy, and fiscal stimulus

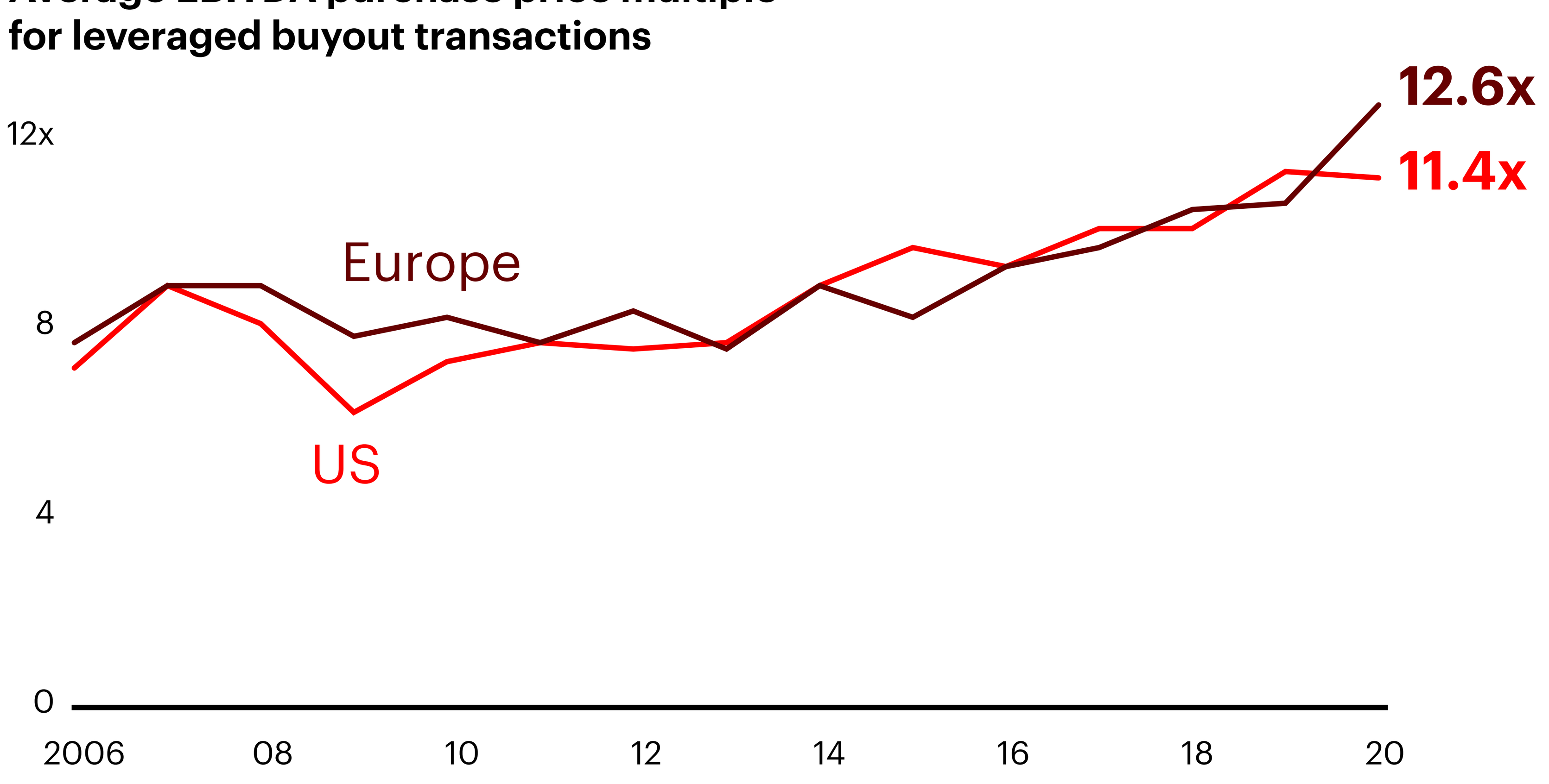
While the number of deals fell, **total deal value rose**

Despite a **24%** drop in deal count, overall deal value rose in 2020, spurred by a **24%** increase in average deal size to **$776 million**



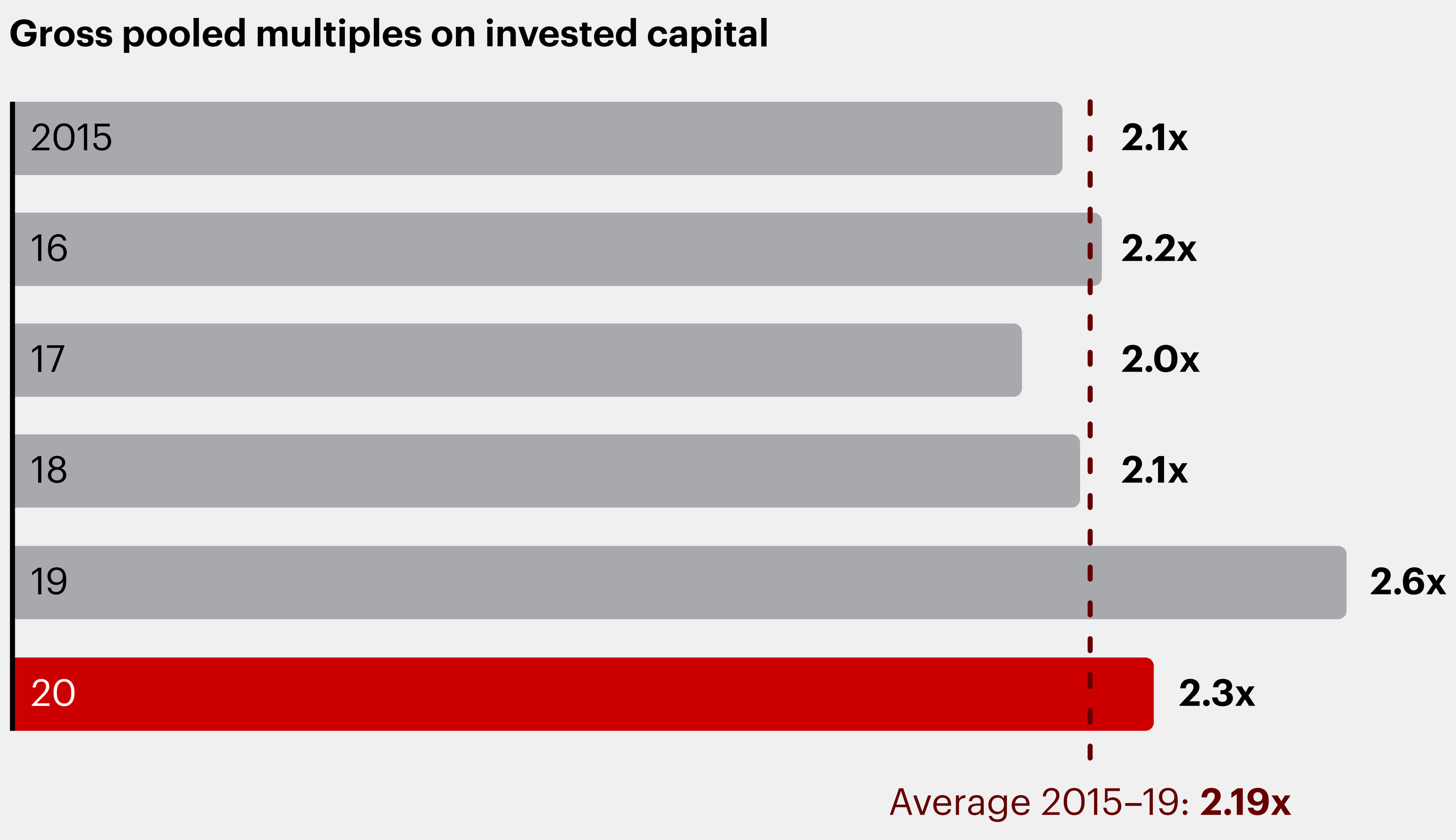
Deal multiples **remain sky-high**

Amid heavy competition and a flood of investment capital, buyout multiples were at or near record levels in 2020



Returns held up well amid the pandemic chaos

Realized returns in 2020 compared favorably with the five-year average



The outlook for investors **in 2021 and beyond**

There's lots of pent-up demand for deals
The overall 24% drop in 2020 deal count left plenty of unfinished business; pent-up demand will likely have a strong positive impact on 2021 deal numbers

There may yet be opportunity for value investors
Past downturns tell us that a V-shaped recovery can quickly turn into a W, which can bring down valuations in certain sectors

Soaring prices leave little room for error
Firms buying companies at high multiples need to generate more value to make good on return expectations

Deep sector expertise has never been more important
Firms that have an in-depth understanding of the sectors they're investing in can spot changes first

PE firms need to accelerate their digital transition
The pandemic demonstrated the need for speed and agility in a paper-driven industry

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