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INDUSTRY EMERGING

Private-equity business picking up

Deal values, investments and IPOs on the rise

By Thomas Heath

Private-equity firms including the D.C.-based Carlyle Group are doing more deals, raising more money and taking more companies public as the industry emerges from the worst economic climate since the Great Depression.

On Friday, for example, Nielsen Holdings filed with the Securities and Exchange Commission in preparation for a potential initial public offering that could raise as much as $1.75 billion. The television and media ratings company is owned by a consortium of private-equity firms, including Carlyle, Blackstone Group and Kohlberg Kravis Roberts & Co.

Last month, the Halifax Group, another D.C. private-equity firm, sold its interest in an Alberta-based oil company, indicating that the market for lower-end leveraged buyouts is loosening up.

"We are now seeing a pickup," said Carlyle co-founder David M. Rubenstein, who declined to discuss the pending Nielsen stock offering. "Valuations in our portfolio companies for the last three quarters have gone up. There has been a pickup in deal value and a pickup in distributions" back to the people and firms that give private-equity companies money to invest.

The value of private-equity acquisitions has climbed 75 percent in the first five months of 2010 compared with the corresponding period last year, according to the Private Equity Council, the industry's trade group.

Firms invested $80 billion of equity and new debt in acquisitions, compared with $45.7 billion at this time last year.

The industry is also doing 12 times as many IPOs for its portfolio companies as it did last year. The stock valuations in those companies are higher as well. So far this year, private-equity-backed companies raised nearly $9.3 billion through IPOs, compared with $309 million last year.

"You are going to see a lot of pent-up IPOs and lots of sales because a lot of private-equity firms have to get their money back to investors," Rubenstein said. "A lot of investors are saying we haven't seen money back in a few years, and they would like to get more money back and they will probably commit to new funds."

Josh Wolf-Powers, co-founder of **Blue Wolf Capital Management** in New York, said the market for owning and selling companies is the best it has been in years.

"Finally, folks have some visibility into how companies are going to be for the next 12 to 24 months," he said. "People feel more confident about how companies they own or are looking at acquiring are going to do over the near term. And that makes transactions much more possible. It's easier to transact if you know how a company is going to do with some precision."

Wolf-Powers said investors have ratcheted down their commitment to private-equity funds in recent years to restore balance in their portfolios, increasing investment in stocks, bonds and other assets.

But, he said, big players such as Carlyle and Blackstone have far less trouble than others when it comes to attracting investors' money to their funds.

"The mega-funds like Carlyle, with brand names, are likely to be less affected by that slowdown," he said. "Investors are very fond of brand names and niche strategies."

Niche funds, such as health care, distressed debt, energy and software, have a specific focus and have been getting a larger share of private-equity attention.

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