

PRIVATE EQUITY'S OUTLOOK FROM DRY POWDER MOUNTAIN



PRIVATE EQUITY IS ON THE PROWL FOR NEW DEALS



64%
intend to
increase the
amount of
capital deployed

58%
plan to prioritize
acquisitions
over exits

Only **13%**
expect exits to be
the primary driver
of deal flow

THE APPETITE FOR ACQUISITIONS IS HIGH, SO WHAT'S STALLING CAPITAL DEPLOYMENT?

Fund managers attribute the build up of dry powder to...



37%
Strong
institutional
interest in private
equity

31%
Competition
for deals

24%
High valuations

SIZING UP TAX REFORM¹



What made it into the final tax reform law

From fund managers' greatest fears...

48%
Taxing carried interest
as ordinary income
(only applicable to investments
held for under 3 years in
final proposal)

44%
Elimination or
limitation of interest
deductibility

57%
say tax reform is the
national policy issue
that will have the
greatest impact on
investment strategies

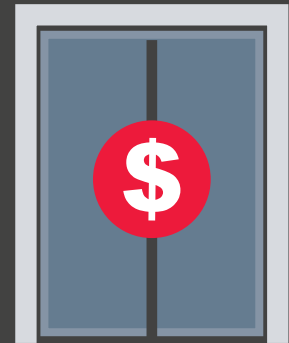
To the top of private equity's wish list...

32%
Lower corporate
income tax

26%
Lower tax rates
for partnerships

1. Responses were collected in October and November 2017, prior to when the tax reform bill was signed into law.

GOING UP?



DEBT LEVELS KEEP RISING*

56% of fund managers
plan to raise debt
in the next 12 months

Here's how they plan to put the
leverage to work:

20%
Refinance portfolio
companies' existing debt

17%
Take dividend recap

15%
Finance operational
improvements

*Tax reform includes limits to interest rate
deductibility, which could impact private equity firms'
plans to raise more debt



People who know Private Equity, know BDO.

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