

## Will Private Equity Direct Deals Hit Half of All Capital Deployed Within a Decade?



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Will private equity directs (incl. independent sponsor deals) represent half of capital deployed in a decade? (Hint: a leading ibank thinks so.)

- Directs focus on a single, identifiable company, offering greater visibility, influence, and certainty to investors (as compared to the traditional blind pool fund model).
- "Prior to 2019, directs existed, but in an undeveloped form ... by 2019, we had the beginnings of a directs ecosystem, with specialized [sponsors], limited partners, placement agents, dedicated legal teams, and banking groups burnishing the reputation of directs as a legitimate investment category." (see article below)
- "Today, directs are recognized as a huge growth opportunity. If the typical return goal in a private equity fund is 2x investment cost and a 15% annual return, in directs, where the focus is on one single asset, the return goal is usually 3x investment cost and a 30% annual return."
- Family offices account for over 30% of the dollars going into directs today, with SBICs, specialized funds (ie, that invest solely in independent sponsor transactions), private equity funds, and strategic investors accounting for

the rest.

- “For investors, putting money to work immediately in assets where the tires can be kicked is appealing. Given that deals are hard to close right now, the record level of uninvested capital sitting in traditional funds on which fees are levied is a major problem for investors. Directs eliminate that issue.”
- “PE funds are just as vital today as they’ve ever been, but directs add real alpha to a sophisticated investor’s portfolio.”

John J. Koepfel's commentary on "[The Takeaway: A Q&A With Matt Swain on Direct, Single-Asset Private Equity Investments](#)," *Houlihan Lokey*

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