

**What Dealmakers Are Thinking in 2017
With Bill Stoffel of EY**

Q1: *What is the state of the deal market now compared to early 2016?*

Bill Stoffel, EY:

As we look forward, this year versus last year, last year around this time the private equity market kind of took a hiatus. There was some noise in the system on the debt market side that really created an atmosphere that transactions didn't get done for two to three months. This year, we're looking past that. The first six months of this year should be pretty busy.

Q2: *What do you expect for deal activity in 2017?*

Stoffel:

You'll see a return to normalcy in terms of deals getting done. I think the interest-rate environment is known where that's going to be—at least it's settled. People are building that into their assumptions now. The amount of dry powder—and, more importantly, the last three years have been very good or very strong sales of companies and return distributions back to the LPs that you'll see money getting put to work.

Q3: *Will there be more large deals this year after a drop in 2016?*

Stoffel:

Since the days of 2007, we haven't really seen big club deals that are take-private. You'll see some transactions that will be in that \$3 to \$4-billion range, but I don't think we're going to see \$20 or \$30-million take-privates.

Q4: *How are PE firms changing the way they approach portfolio company value creation?*

Stoffel:

I think the areas you see it happening are really two-fold. One: there's executive leadership, where a fair number of funds are bringing in former executives to help that next-generation of executives and that have had experience turning around businesses or running businesses in complex, multinational-type environments. The other area where you see some expertise being added is really that functional expertise, [such as] supply chain management, procurement and IT.

Q5: *Do you expect an uptick in corporate divestitures?*

Stoffel:

Across the board, what we hear from CEOs is that they're going to get rid of non-core assets and focus on what their core fundamental business is. That's great for private equity and they love buying carve-outs. I think corporate America has said, "We need to focus on what's going to grow and what's core to our growth strategy." So, I think it's going to be a win-win situation.