

## Private equity deal flow up in Florida

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*By Keith Larsen*



James Cassel, chairman and co-founder of Cassel Salpeter & Co.

Florida continues to be an attractive destination for private equity, as deal flow grew for the third time in the past four years, according to a report by Miami-based private equity and investment banking firm [Cassel Salpeter & Co.](#)

There were 259 Florida private equity deals completed last year, up from 256 in 2016. The report noted, however, that the number of actual deals could be higher than 259, since preliminary data generally lags actual activity.

Overall, economic conditions are looking good for private equity, according to [James Cassel](#), chairman and co-founder of Cassel Salpeter & Co. And things could be even better in 2018, due to the recently passed Tax Cuts and Jobs Act.

"The tax bill will spur growth of companies as the economic growth rate increases due to the stimulus," Cassel said in the report. "The increased profitability should increase the value of these companies."

Cassel Salpeter releases private equity deal flow reports using data from PitchBook, an industry database and analyst. The reports include all private equity investments related to business growth – buyouts, add-ons, growth, recapitalization – made to companies based in Florida, excluding real estate investments.

As with most businesses, deal flow has a lot to do with timing. Big events like tax changes and possible interest rate spikes can mean that companies prefer to close deals in one year, as opposed to another, but largely when a deal closes depends on the players.

The number of private equity firms based in Florida continues to grow, according to the report. In 2017, there were 56 firms in the Sunshine State, up from 47 at the end of 2016.

Cassel said one of the reasons more private equity firms are opening up in Florida is due to lower taxes compared to states in the Northeast.

"Florida, like Texas, has very big tax advantages," Cassel said. "You will continue to see more firms come to Florida."

But he said another explanation for private equity's rise in Florida is that senior managers are now leaving some of the larger, yet relatively new, firms in Florida to start their own funds.

As more deal flow enters Florida, Cassel said he specifically sees more private equity investment in health care companies.

More such deals closed in the health care sector in 2017 than in previous years.

In 2017, health care surpassed business-to-consumer as the sector with the second most private equity deal activity in the state, accounting for about 22 percent of activity last year. Overall, business to business deals remained the largest sector of Florida private equity deal activity.

Cassel added that, going forward, there will also be more investment in the state's technology companies.

"Florida is certainly not a big manufacturing state," Cassel said. "I think you will see more technology that will be grown in Florida."