# KKRâ€™s canceled offering a sign of the times

Private equity firm KKR's withdrawn stock offering is sending yet another negative signal regarding the current state of capital markets.

KKR moved its shares to the New York Stock Exchange last month and was planning to raise $500 million in additional stock but canceled its plan Monday citing unfavorable market conditions. KKR did so despite the S&P 500 being up 5 percent in the last month. KKR shares have lost 6 percent since they started floating on July 15 and further declines could be in store.

KKR's move also tells us that although credit markets have been robust, they haven't been strong enough to finance large buyout transactions and fuel a significant rebound in private equity activity. At the same time, bank lending hasn't come back yet, making deal financing more difficult to obtain.

As we've previously mentioned , although PE activity is increasing, this is only from low levels. PE firms have been more busy selling companies than making new acquisitions and as a result continue to have dry powder at close to an all-time high level.

KKR reported a 29 percent decline in net income for the second quarter, to $433.1 million, compared with the same period a year ago. Net income measures profit but exclude some costs. And some analysts expect that performance to persist for a while.

"Economic net income could be very lumpy quarter over quarter due to the distributions and realizations on investments, which will dramatically affect carried interest," Ryan Roebuck, an analyst at M Capital Partner, told Bloomberg. "They didn't realize as much carried interest this quarter."

One thing that didn't go down is compensation of KKR employees. The firm reported $49.4 million in compensation and benefits for the quarter, up 28 percent from last year.