# Are PE multiples reasonable? Investors think so

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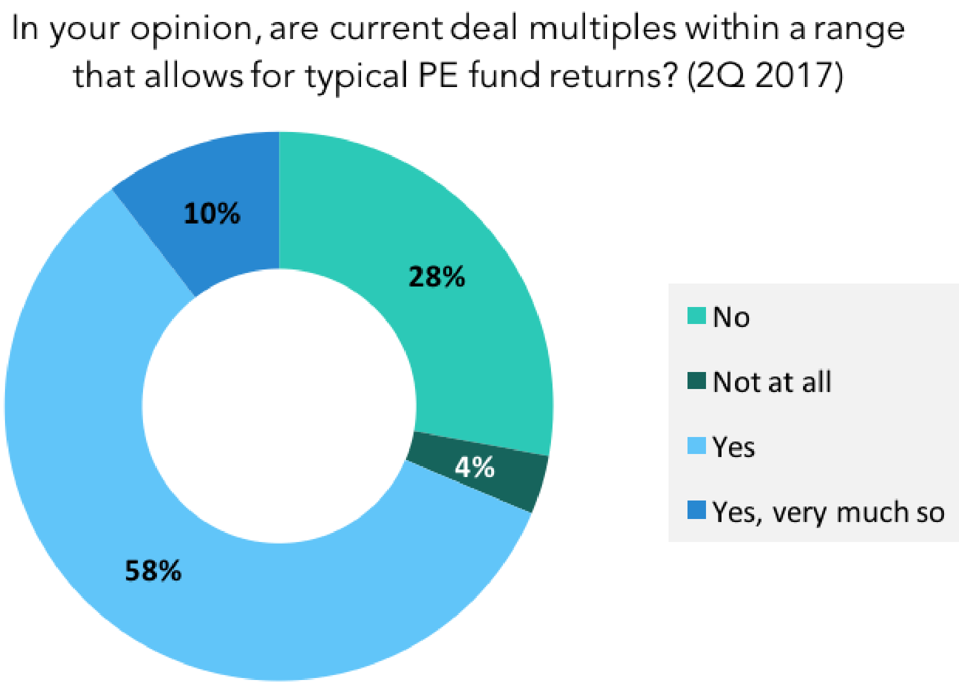


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There's an old joke in political science circles that applies, in a way, to today's PE market. Do you approve of the job congress is doing? Not at all says the vast majority, vote them all out. How about *your* congressman, are they doing a good job? Actually, yes, thank you, and I'm going to vote for them again, election after election. The makeup of congress changes little and overall approval remains stuck at 10%.

What does this have to do with private equity? According to our last Deal Terms Survey, which we're conducting again this week, respondents don't think multiples are unreasonable, despite market sentiment. In our last report, published in Q2, 68% of respondents said current multiples are "within a range that allows for typical PE fund returns." Only 28% responded "no", they're not, and a surprisingly small 3% said "not at all." That belies conventional wisdom toward the market overall, which is described as overpriced, frothy, and often hard to justify. In our last US PE Middle Market Report, we noted higher EBITDA growth and higher US GDP growth in the second quarter as partial justifications for today's multiples. But another possible explanation, as borne out by our investor surveys, might have less to do with the broader market and more to do with investor conviction on their own particular deals, regardless of what other firms are paying for theirs.

Does this ring true? We're curious what Lead Left readers have to say, especially those of you directly involved in dealmaking. The survey is a quick one and helps us shed light on the valuation debate that isn't going away any time soon. If you're interested in participating, please click on this link. All responses remain anonymous and include a chance to win a $300 gift certificate to Amazon with each submission. We'll update Lead Left readers when the 3Q 2017 Deal Terms Report is released later this year.

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