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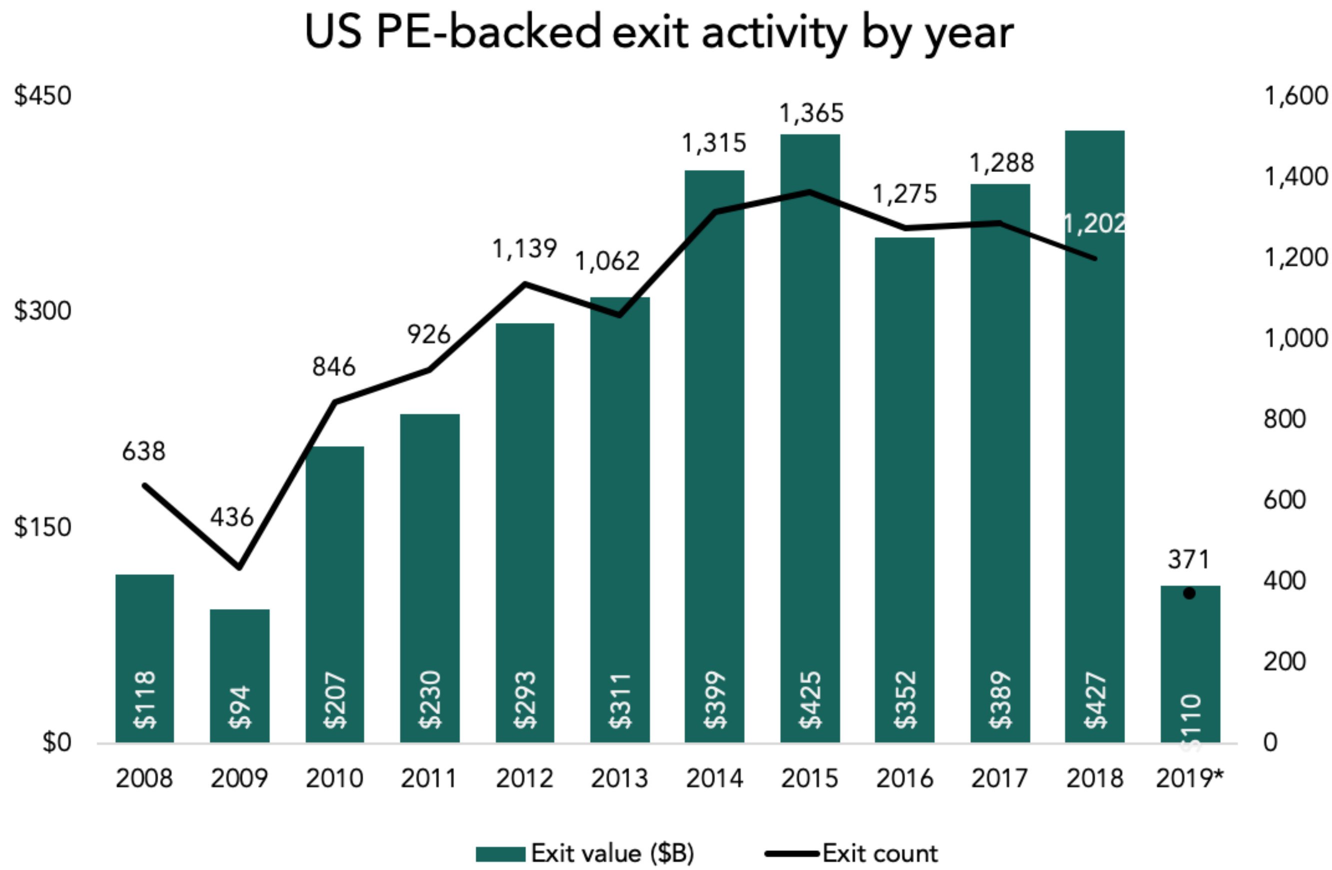
Exits are way down

PitchBook | July 10, 2019



Private equity's mid-year report card includes many of the same headwinds and tailwinds we've discussed in the past. One big one stands out. According to our US PE Breakdown Report, to be released this Friday, PE-backed exits had a very slow first half. Timing often plays a role—the rush to get deals and exits done in the fourth quarter typically translates to a quiet first quarter, before things get ramped up again by the second half. 2019 numbers will probably follow the same trajectory, but this year's numbers have a lot of catching up to do.

Through Q2 2019, $110 billion worth of PE-backed assets have been offloaded via 371 transactions. We haven't seen that lackluster of a half since 2013. Year-end 2018 numbers were $427 billion and 1,202 exits, so we're probably looking at a significant down year on the sell-side. 2018, by contrast, didn't miss a beat in the first half, logging 600+ exits valued at a combined $202 billion. In fact, every quarter last year saw at least $100 billion worth of sales, a first for the industry. It's tough to say what specifically has changed. Deal and exit values both hit all-time highs last year, so it isn't a case of PEGs concentrating on one at the expense of the other. Fundraising slid in 2018 but still posted the third-highest tally post-crisis. Investors walked and chewed gum throughout the year. Down quarters are common, especially to start the year, but exits had been consistently strong going back 20 quarters or so. If once is happenstance and twice is coincidence, a third down quarter would mark a trend.