12x the rest of the year?

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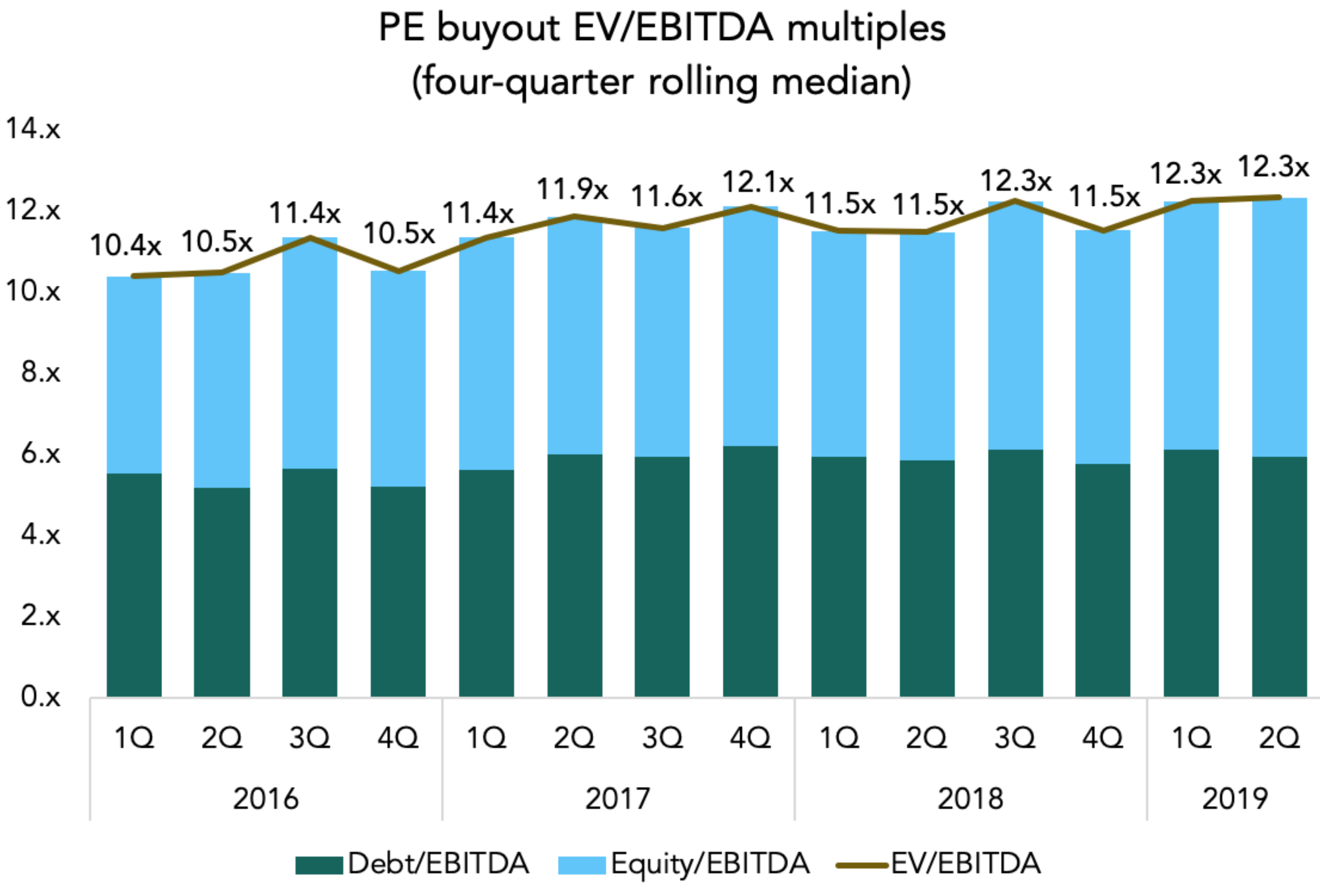

Download PitchBook's Report here.

Two quarters into 2019 and buyout multiples remain above 12x on a median basis, according to PitchBook's recently released PE Breakdown Report. Quarterly readings from 2015 to early 2016 were in the 9.5x to 10.5x range, with multiples gradually building over time. Though high, investors have gotten used to them. The question is whether the market will now normalize 12x medians and build its way toward normalizing 13x. There are reasons to think that it will. For one, there's a fair shot the Fed will cut interest rates at some point this year, which among other things would likely boost public comps even higher. The public equity markets just recorded their strongest first half since 1997 and show few signs of abating. Prolonged levels of lower rates will help GPs mitigate financing costs and allow for richly-priced bids. That's one reason we anticipate a rolling median of 12x for the rest of the year. Deal sizes are up quite a bit too—the $276m median through H1 was 45% higher than the $190m median seen last year.

Things are so good for GPs raising new funds that some are able to shelve them for a while. "Some guys are basically taking down commitments, closing the fund and then putting the commitments on the shelf for six to nine months before activating it," according to an LP speaking to PE Hub back in May. Backburner fundraises and persistently high multiples can’t thrill LPs, but their enthusiasm is partly responsible for some of the numbers we’re seeing.