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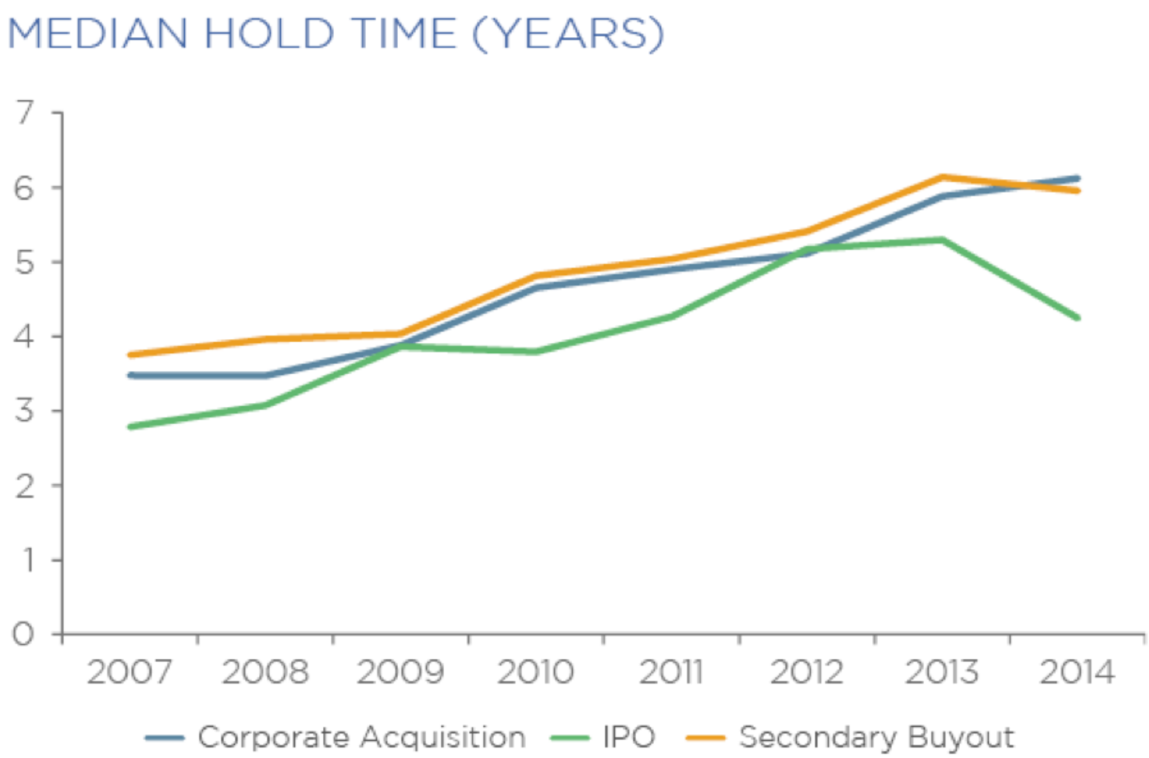
Hold times are leveling out

Hold times for PE portfolio companies have been steadily creeping upward since about 2009, peaking around five and a half to six year medians. The rates of increase has either evened out or dropped (in the case of IPOs) as exit ramps have opened up. That’s good news for a few vintages that had to effectively postpone liquidity because their exit routes were closed off during the recession. Now that exits are strong and are expected to maintain their strength in the near-term, we expect hold periods to steadily drop back down around four to five years.



It’s unlikely we’ll see them drop down below four-year medians, however, like we saw back in 2007. Even with exits coming back strong, PE firms are more operationally focused today compared to ten years ago, when it was easier to turn over investments without significant value-add. The PE model has evolved (some say matured) into a process that involves more value creation, principally through add-on acquisitions. One consequence of that is a slightly longer time horizon for investments.