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Deal activity surges, multiples tick up

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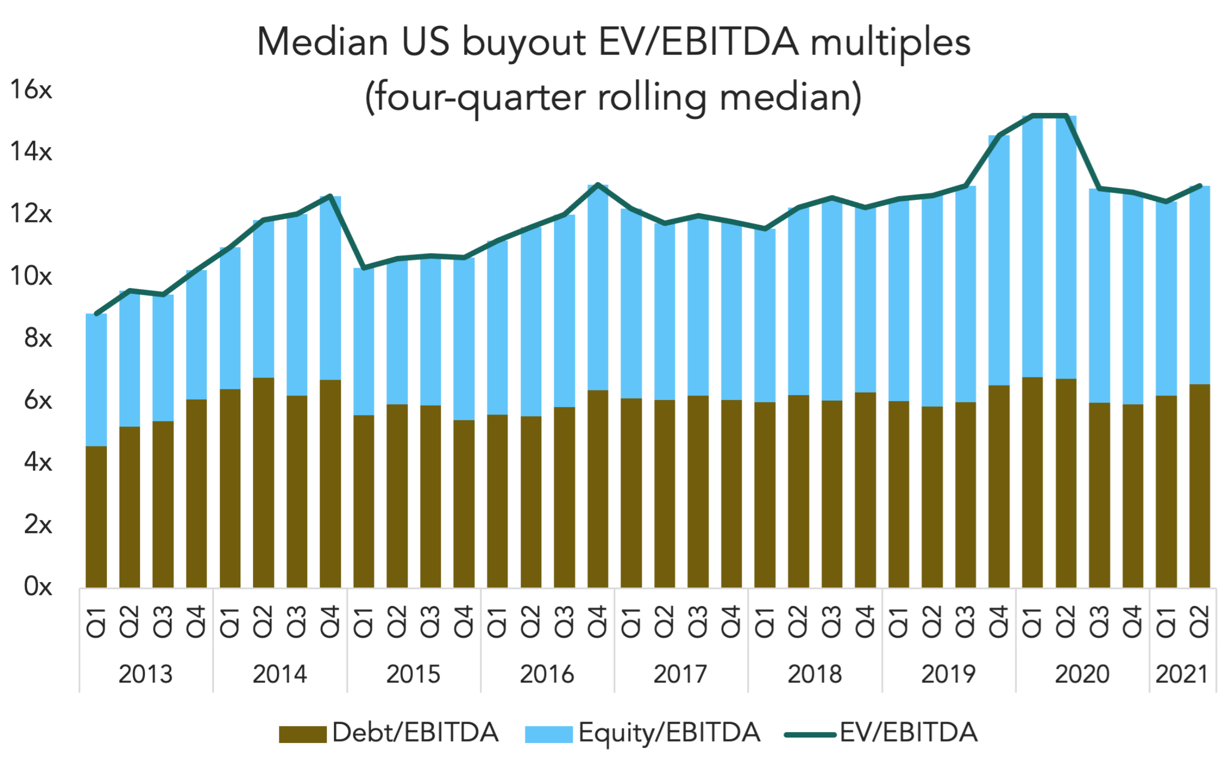

Download PitchBook's Report here.

At the halfway point, US PE dealmaking is on pace to break records. PitchBook's latest US Breakdown Report is now released, which shows rocketing numbers through two quarters. Juxtaposed against those deal numbers, though, is a slight uptick in buyout multiples, which went up for the first time since Q1 2020. The Q2 2021 median now stands at 13.0x (on a four-quarter rolling basis), up from 12.4x in the first quarter. That's still down from pre-pandemic times, when the median was north of 15x for two straight quarters before plummeting almost two-and-a-half turns. At 13x, we're now back in late 2019 territory.

We discussed last week how busy the market has become. Deals are being passed over because pipelines are too full, even though the bypassed deals would have been attractive any other time. Sales processes are becoming competitive, with a "flight to quality" aspect that is animating investors in multiple sectors. It isn't surprising to see multiples bump up a bit as a result. There's also more confidence around debt financing, it appears. Q2 deals had an aggregate debt component of 50.7%, the first above-50 reading since early 2018. The decline—which bottomed out at 44% in early 2020, pre-dated Covid, but the last two quarters have been visibly higher, even relative to 2019 deals.

(Past performance is no guarantee of future results.)