The Pulse of Private Equity: How useful is aggregate PE data?

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Data drives the finance industry. Private equity is no exception – once the calendar flips to January 1, we tally the industry's annual total and compare it to prior years, under the guise that we can decipher where the industry is and where it's going using headline numbers. Problem is, at least in private equity, comparing yearly totals isn't really apples-to-apples, especially if your comparison goes back far enough.

Data Point	2006	2014	% Change
Total Deal Count	2,785	3,413	+23%
Total Value	$501.27B	$526.94B	+5%
Platform Count	1,255	961	-23%
Platforms as % of Total	45%	28%	-23%
Add-on Count	907	1,475	+63%
Add-ons as % of LBOs	42%	61%	+45%
Minority Deal Count	491	750	+53%
Minority Deals as % of Total	18%	22%	+22%
Middle Market Deal Value	$262.24B	$379.91B	+45%
Middle Market as % of LBOs	66%	72%	+9%
Median Debt Component	62%	60%	-3%
Average Holding Time (Years)	4.37	6.14	+41%
Investment-to-Exit Ratio	3.4x	2.3x	-32%
Secondary Buyout Count	441	707	+60%

Source: PitchBook

We took a look at two individual years, 2006 and 2014, which had roughly comparable U.S. headline totals but wildly different looks once the data was broken down. The small difference in total value (+5%) compared to the rest of the differences suggests that headline numbers have become almost useless for assessing the industry. The devil is in the details.

Quite a few numbers pop out. By count, add-ons outpaced overall deal flow by almost 3x while also gaining nineteen percentage points when looking at the add-on/platform buyout ratio. Minority deal flow grew twice as quickly as overall PE counts and accounted for a higher percentage of overall deal flow, as well. Platform buyouts, meanwhile, were way down from 2006 levels, by both count and proportion to overall activity. At the same time, more of the platform buyouts that are being done are through sponsor-to-sponsor sales, which were 60% higher by volume in 2014 versus 2006.

The smallest percentage difference was for the median debt component for buyout deals, down to 60% last year from 62% in 2006. Some things don't change.

To download PitchBook's 1Q 2015 Global PE Deal Multiples & Trends Report, please click here.