Q3 numbers: interest rates starting to bite

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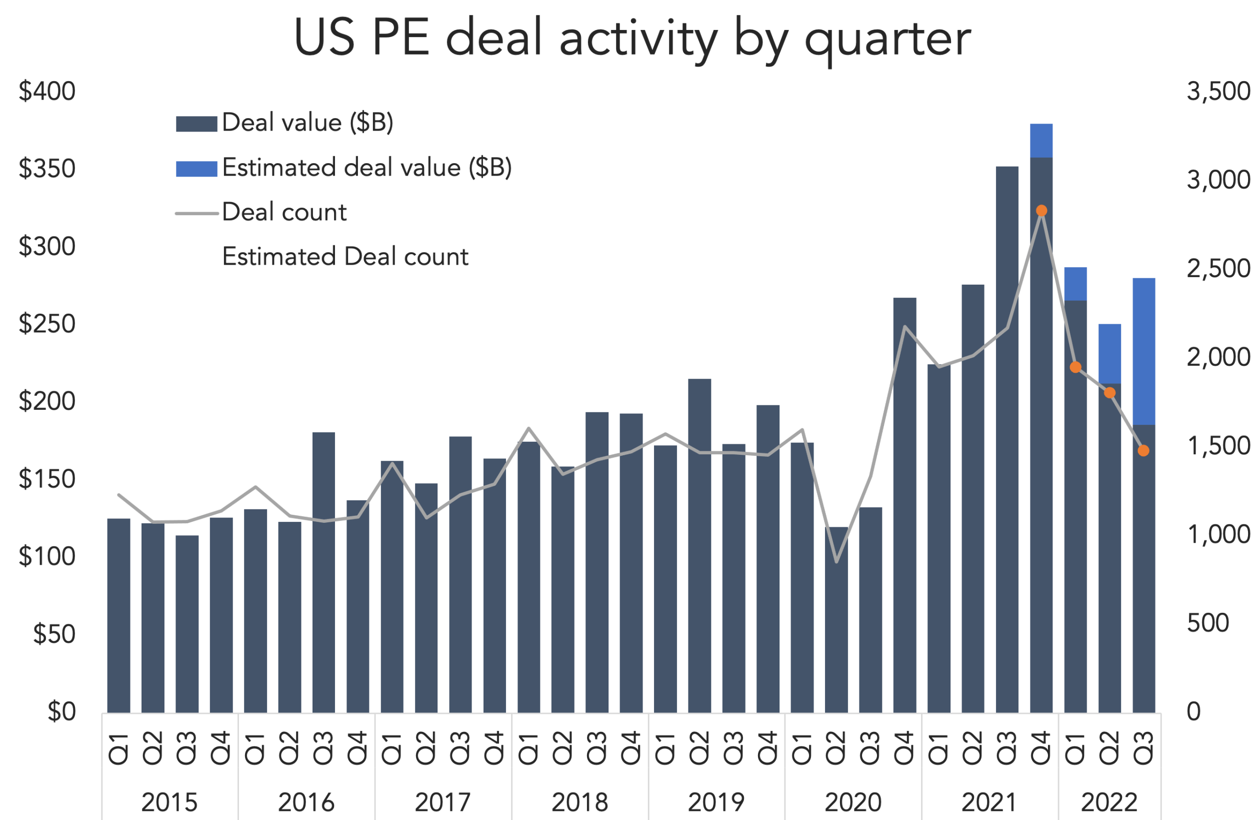

Download PitchBook's Report here.

PitchBook has just released the Q3 2022 US PE Breakdown, available for free here. Both deal volume and total value are now in silver medal territory, eclipsing annual numbers seen in pre-COVID years. Deal momentum has been strong enough to carry 2022 to historically impressive levels, though it appears to be waning: "Deal volumes finally hit the wall in August and September, and the decline went well beyond a seasonal slowdown," the report notes. Q3 was a new post-COVID low for deal volume.

Interest rate hikes are making their presence felt, and investors are increasingly pressed to boost their LBO equity contributions to keep interest costs in check. Those pressures are pushing buyout activity down relative to add-ons and growth investments. For investors trying to avoid higher equity contributions, steeper discounts need to be found, and we're seeing more of those in the take-private category. 2022 has recorded $113 billion in take-privates so far. Combined with 2021 ($118 billion), it's the first back-to-back $100 billion performance since the buyout boom of the mid-aughts. Notable take-privates include Avalara, which is going private for $8.4

billion, a 51% discount to its 52-week high. The $10.2 billion Zendesk buyout is a 49% discount. Both deals are expected to close this quarter, which would push 2022 past last year's totals—one of just a few categories that can say that.

(Past performance is no guarantee of future results.)