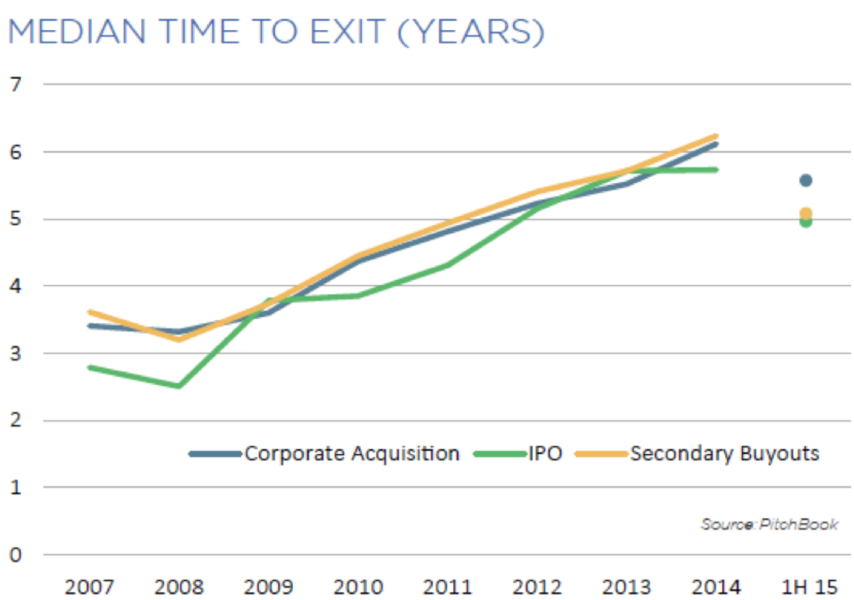
The Pulse of Private Equity – 8/10/2015

PitchBook | August 12, 2015

Do holding periods go down from here?

For the first time since the crisis, the median holding period for private equity is heading downward. For all exits, the H1 median came in at 5.25 years, a sharp fall from the 6.12 median at year end. Companies that were exited via IPO in 1H were held for a median 4.96 years, the first sub-5 showing for any exit ramp since 2011.



There's been plenty of talk in recent years about "health" concerns for the PE market. From high valuations to more secondary buyouts, observers have cast a wary eye on the industry. But one of the more overlooked aspects of the current market is that, as valuations have climbed and PEGs have quietly (but meaningfully) improved their companies, the time it takes to realize those investments has started to fall. Among other things, this will help prop up IRRs and likely level off the global company inventory, which hit an all-time high 14,138 through June. It should also help PE firms continue to fundraise successfully – which, admittedly, it hasn't had a difficult time doing, anyway.

[Click here to download PitchBook's 3Q U.S. PE Breakdown Report.]

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