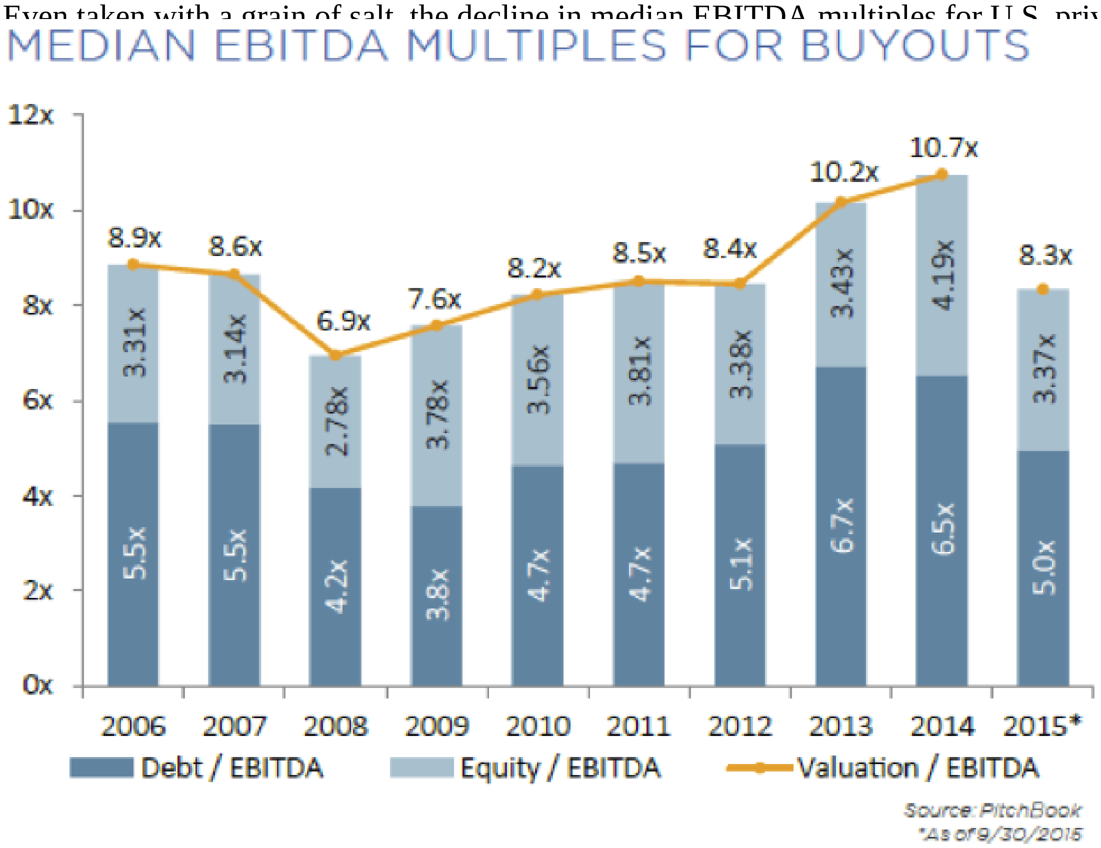
The Pulse of Private Equity – 10/5/2015

PitchBook | October 6, 2015

Median Multiples for U.S. PE Wane Further

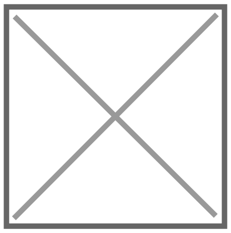
Even taken with a grain of salt, the decline in median EBITDA multiples for U.S. private equity buyouts has



eadache of high valuations, paying less. An array of targets after a couple years

The PE industry's usage of debt correlates with credit market cycles, too. Even though sponsors are likely to remain active in the middle market, as volatility in lending markets persists, the types of pricey buyouts that spike median multiples are going to be seen less and less. The question is how low of a floor median leverage levels will eventually hit. The Fed increasing interest rates shouldn't spell too much trouble, mainly because the rate of increase should be slow and steady and, moreover, has been anticipated for some time. Middle-market PE sponsors will likely continue to utilize proportions of debt similar to what we've seen for the first three quarters of 2015, adjusting to supply constraints, although that last is a variable factor. Non-bank arrangers are only ramping up middle-market lending, with BDCs scenting opportunity for steady yields as many banks decrease their exposure. Non-bank lenders can push terms more aggressively than banks can in order to capture new business—it'll be interesting to see how such courting of PE firms will affect lending trends going forward.

To Download PitchBook's 3Q 2015 Global PE Deal Multiples & Trends Report, please click here.



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