

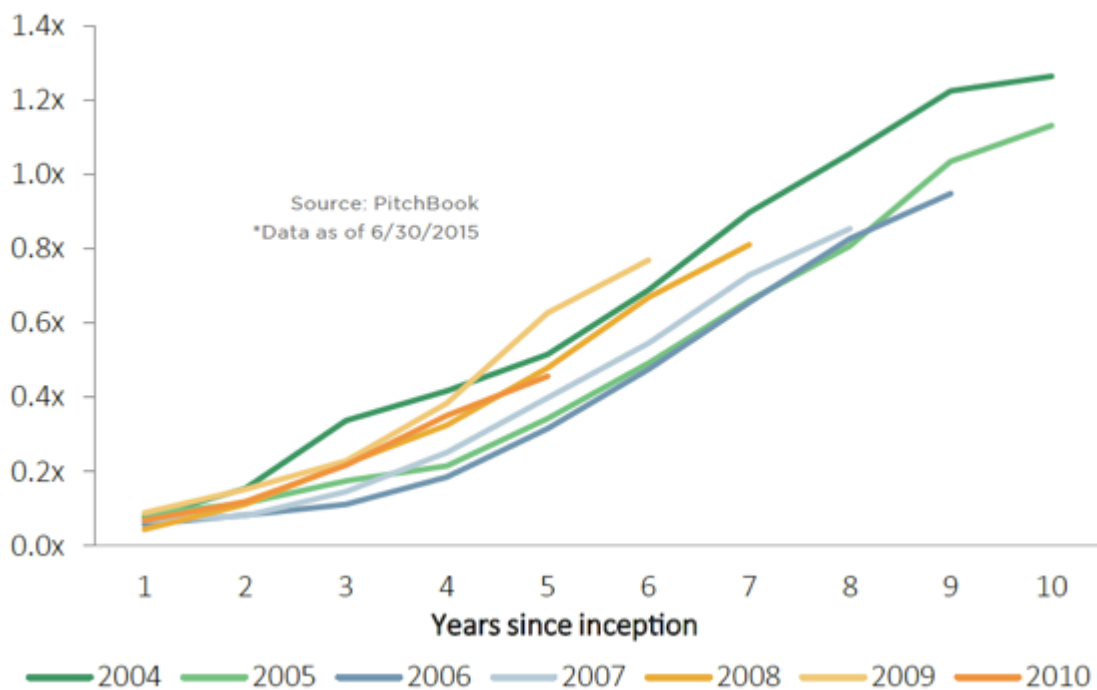
The Pulse of Private Equity – 3/14/2016

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PE funds from Recent Vintages Outpacing Those Hit by Financial Crisis

The ramifications of the financial crisis are still apparent in the numbers posted by private equity funds. Let's

Global average PE DPI multiples over time by vintage



-2005, 2006 and 2007, long it has been. As the rd are outpacing the

This outcome is hardly

surprising, given how active PE sellers have been in the past two years, with many likely taking advantage of inflated valuations to sell off their top-tier holdings, even if they had been held for a relatively shorter period of time. Hence the faster rise of the mean DPI multiple, although it should be noted that the same elevated seller's market has enabled the gradual recovery of vintages from 2005 to 2007. Limited partners have been amenable to PE fund managers' need for extended exit times, as evidenced by the recent news of The Carlyle Group receiving two extra years to liquidate a buyout fund from 2005. It remains to be seen whether PE funds on the whole will be able to sell off the last remnants of boom-era investments; many of the drivers of continued corporate M&A are still in place, but one has to wonder about the quality of companies that weren't able to be exited in the past two years. On the other hand, some businesses likely required considerable restructuring and investment, which could have prolonged exit times significantly. What is very probable is that PE sellers will adjust expectations around exit multiples downward in order to clear out aging portfolios, which could assist even the hardest-hit vintages in improving their distributions. How much they will improve remains to be

seen—there is likely to be a reset of not inconsiderable proportions around market valuations this year. But even with that reset, buyers are likely to still be willing to snap up PE portfolio holdings, and, to reiterate, fund investors and managers will be flexible to a certain degree around exit timelines if it means preserving value.

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