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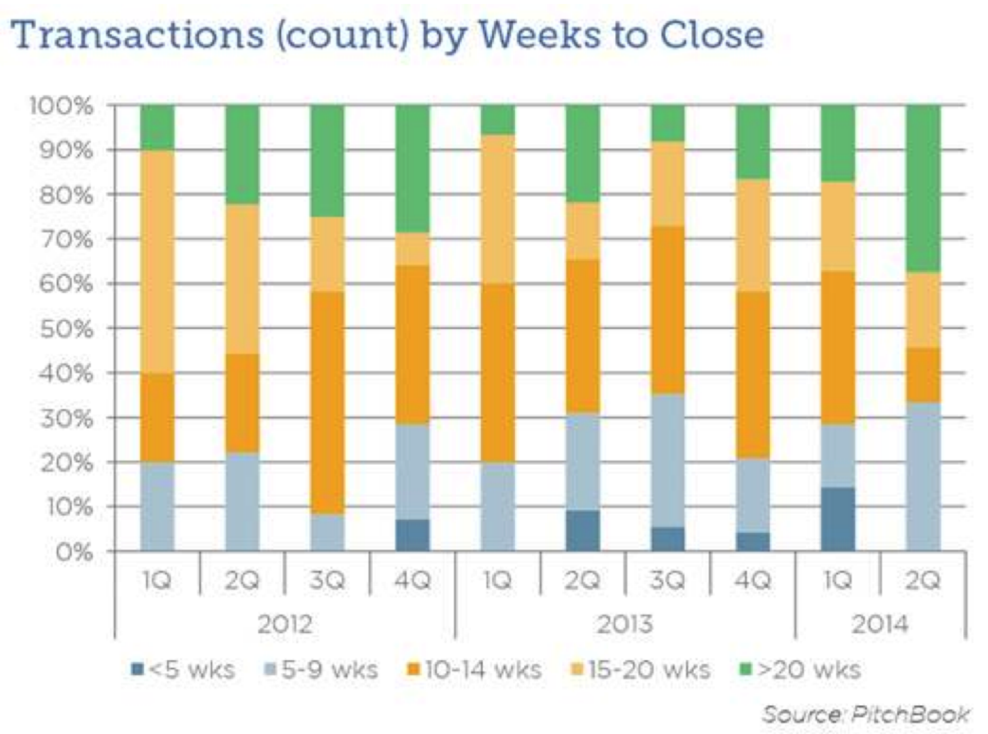
The Pulse of Private Equity – 9/15/2014

PitchBook | September 17, 2014

Are Valuations Pushing Out Closing Times?

PitchBook recently conducted a survey with Hilco Global of private equity deal terms and valuations. One of the interesting data points to come out of it was the lengthening of close times seen in 1H 2014. The chart above is a bit noisy but the key trend is seen by looking at the green bar and yellow bars. You will see that over the last few years about 40% of deals take 15 weeks or longer to close, however this has jumped up recently to the point where in 2Q 2014 55% of all deals took longer than 15 weeks and nearly 40% took over 20 weeks.



It is hard to pin this on any one thing but more likely yet another example in the data of what happens in a competitive deal market with high valuations. We've heard anecdotes of auctions today being more competitive with multiple serious bidders, pushing out bid dates as more people kick the tires and even pushing out the number of rounds of bidding. Then once those LOI's are signed GPs are performing very thorough due diligence in this environment given the high valuations in the market, as PEGs are taking more time crossing t's and dotting I's before signing the dotted line at a final price.