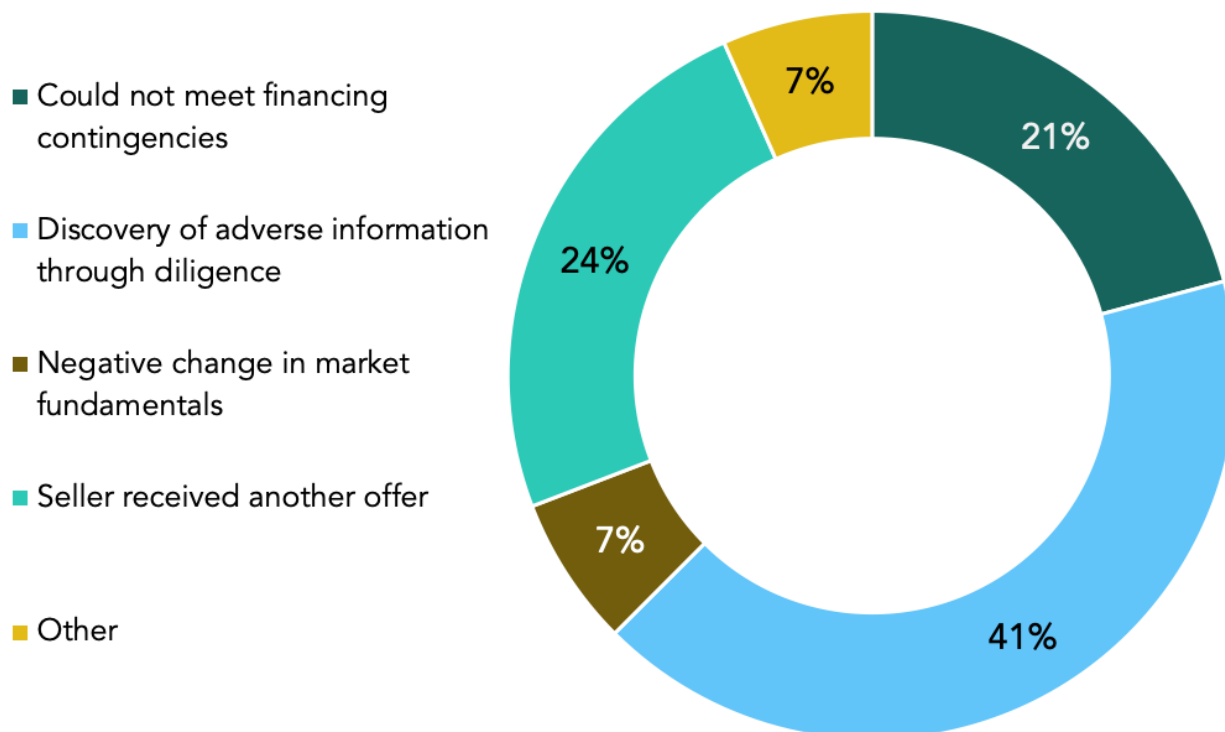


Tea leaves for multiples

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Reasons for canceling or renegotiating deals



News this week about the yield inversion will probably have an effect on investor psyche. Inversions have historically predated recessions by as many as 24 months—that particular lag (2005-07) also included a significant rise in the S&P. In four of the last five years, the lag between inversion and the start of a recession has lasted at least a year. That’s not the case with market corrections, which in two of five cases have begun in three months or less. [Another tidbit](#) came earlier this year from Bain & Co.’s Hugh MacArthur, who noted “only three periods historically (where) private multiples generally exceed the public average: during the ‘Barbarians at the Gate’ era of the mid-1980s, during the exuberant runup to the 2008 global financial crisis, and now.”

The sky has been falling for a long time among prognosticators, and the tea leaves above don’t give us much of a schedule to work with. At PitchBook, we’ve been trying to gauge investor sentiment through our PE Deal Multiples Survey. In our last survey, we asked respondents for their reasons for canceling or renegotiating their most recent transactions. Those responses painted an optimistic picture among dealmakers, with only 7% citing negative changes in market fundamentals. The two most-cited responses reflect a strong market—41% said they found adverse information during due diligence and 24% said another buyer swooped in with a better offer. On the first, even not-*that*-bad information found during diligence is legitimate grounds to rethink purchase prices. There isn’t a lot of room for error with today’s multiples, and we’ve heard plenty of anecdotes of deals taking upwards of 12 months to close. Second, there are lots of buyers trying to put money to work, so overcautious

dealmakers will lose out to higher bidders. Those two reasons accounted for 65% of our results.

We're curious about your thoughts as dealmakers in our newest survey, [which is now live](#). All deal data is kept confidential and isn't published on our database. Participants receive the full aggregated report and are entered into a \$300 Amazon gift card drawing—and everyone gets a candid look of current market sentiment, which may shift in the next month, or year, or two years.