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US LBO purchase price multiples dropped in large corporate market last quarter

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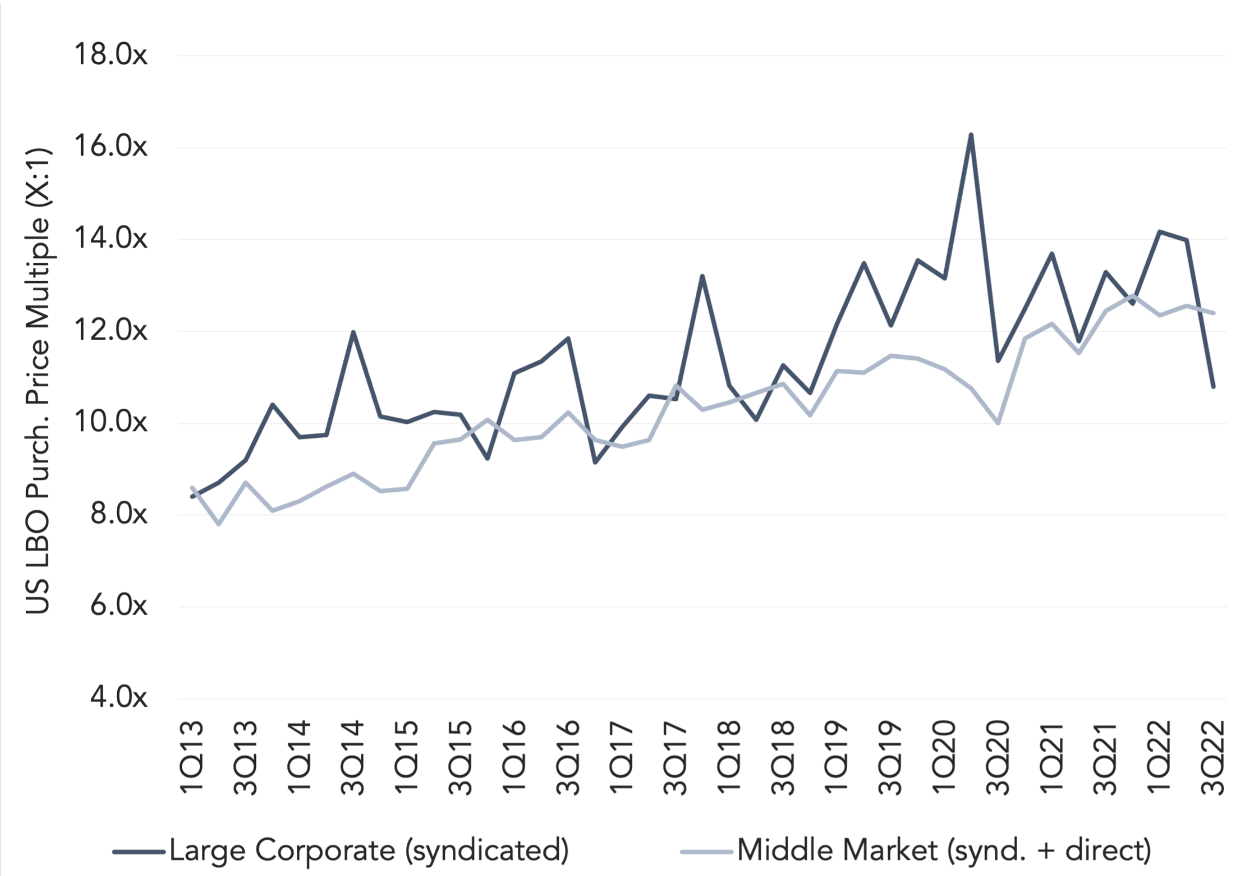

As concerns about the potential for a recession continue to cause heightened volatility across the market, more focus is put on enterprise valuations. Last quarter, LBO purchase price multiples in the large corporate syndicated market declined to 10.8x, the lowest since 4Q18. Of the 9 LBO deals tracked with purchase price multiples in 3Q22, only 3 were for 12 times or higher. By comparison, 2Q22 had 6 of 9 LBO deals with purchase price multiples 12 times or higher, while 1Q22 had 10 of 13. Many lenders say that valuations remain higher despite the current market environment. That was more evident in the middle market, where LBO purchase price multiples only marginally declined last quarter. The syndicated and direct lending middle market averaged a 12.4x LBO purchase price multiple in 3Q22, a decrease from 12.6x in 2Q22, but level with 1Q22’s level. That market has now averaged a 12x or higher LBO purchase price multiple for 6 out of the last 7 quarters, after never averaging 12x or higher before 1Q21.

(Past performance is no guarantee of future results.)