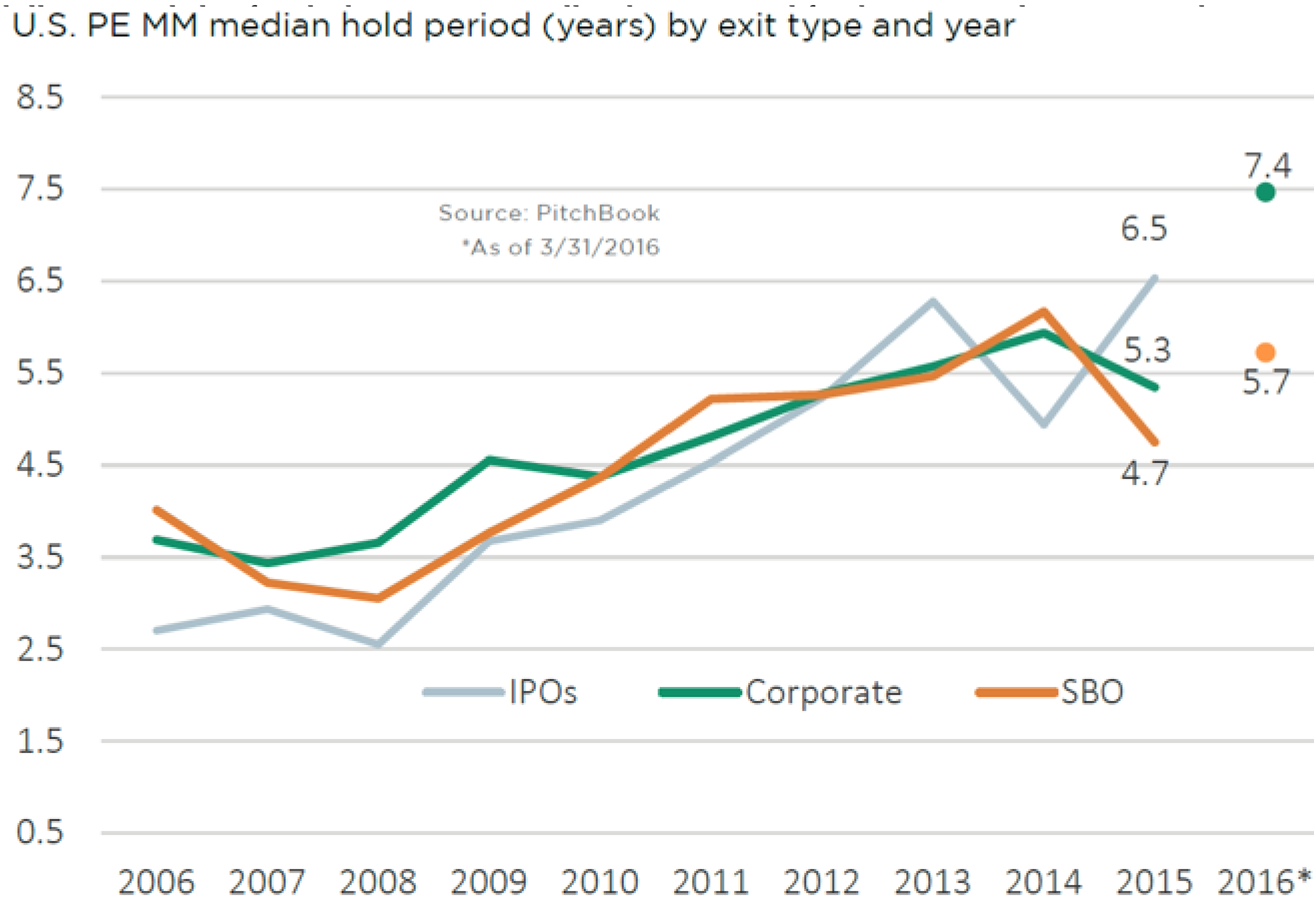
The Pulse of Private Equity – 5/2/2016

PitchBook | May 3, 2016

U.S. PE-backed hold times in the middle market remain high

Reflecting the decline in private equity-backed exit activity observed across the whole market in the first quarter of 2016, U.S. PE-backed exits in the middle market were also quite low, with only 170 sales for nearly $13



hat the
ations.
the

There

are a variety of methods for limited partners or general partners to achieve liquidity beyond those three primary exit routes listed above which have been gaining in popularity, such as the secondary market. Fund managers have doubtless also been negotiating with their backers regarding their aging holdings, looking to extend fund lifetimes and adjust expectations around prospective liquidity timelines. It's virtually certain at this point that certain fund vintages will see a fair degree of dampening when it comes to returns on an overall basis, even if they do clear most that aged inventory off their books. With continued anecdotal evidence of sellers and buyers having mismatched expectations when it comes to valuations, it'll take more time for the ongoing shakeout in the PE investment landscape for potential sellers to adjust their viewpoint around what is more reasonable. Some may well take a lower return in order to finally achieve liquidity, although it’s likelier that fund managers will simply extend out fund lifetimes. All in all, PE firms will find a way to grapple with the liquidity problem, but it remains quite pressing.

Contact: Garrett Black
garrett.black@pitchbook.com