

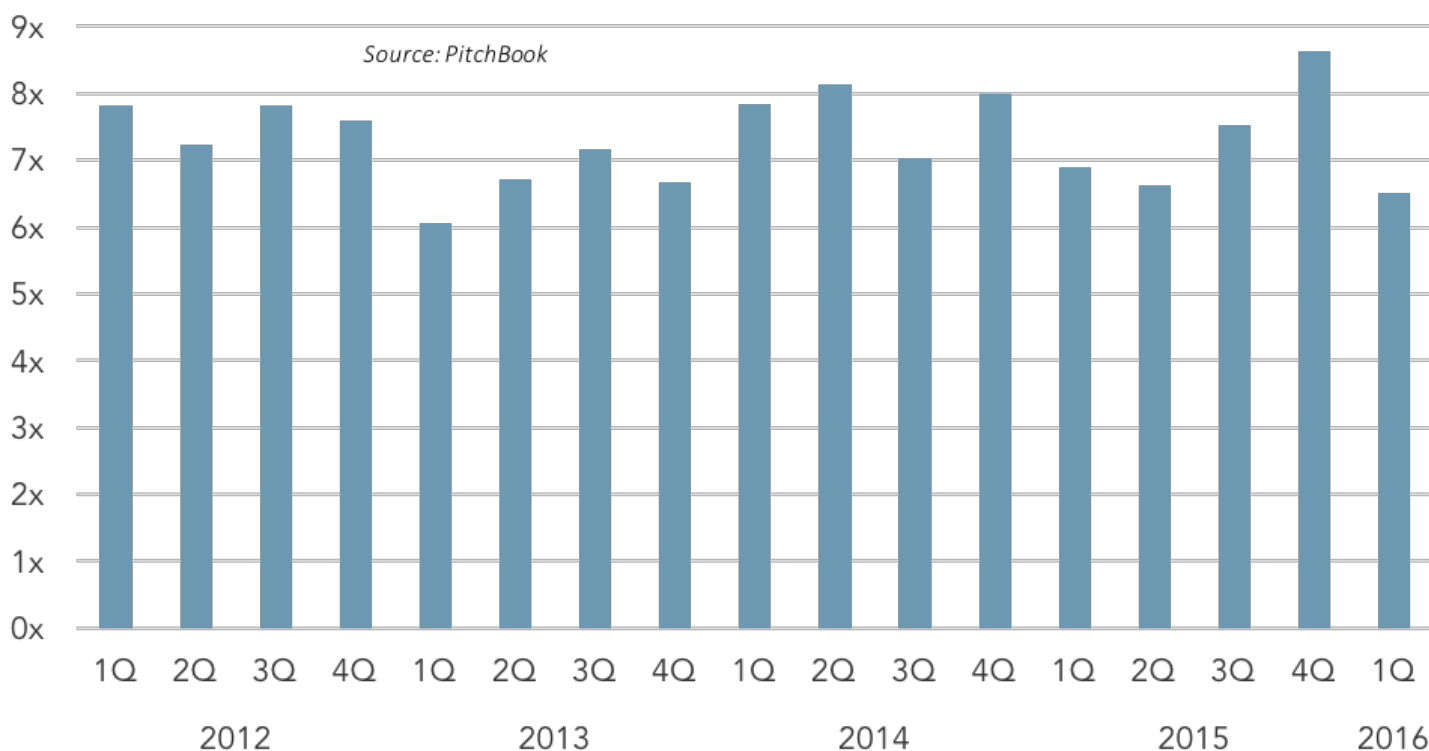
The Pulse of Private Equity – 6/13/2016

PitchBook | June 15, 2016

Core-middle-market buyout multiples slide in Q1 2016

Between the end of 2015 and the first quarter of 2016, median buyout multiples for the central middle market slid considerably. Calculating multiples by enterprise value over EBITDA, and then breaking them down by enterprise values from \$25 million to \$250 million, reveals a decline from 8.6x in Q4 2015 to 6.5x in Q1 across that core segment of the middle market.

Median EV/EBITDA buyout multiples by EV from \$25M to \$250M



This downturn was largely driven by a decline in the typical quality of companies coming to market, as many of the best targets in private equity portfolios as well as brand-new platform opportunities had already been snatched up. Multiples remain elevated in some cases as PE buyers still have plenty of dry powder to put to work, so healthier companies can continue to command heightened prices. But by and large, investors are more risk-averse in the current climate, not only due to weaknesses in prospective deal flow but also sluggishness in general economic growth. The tumble in buyout multiples can also be attributed to the overall decrease in transaction price tags, since much of buyout activity still occurring consists of platform-building add-ons of smaller companies.

As 2016 winds on, it'll be interesting to see how all those trends combined continue to affect buyout multiples. On the one hand, PE firms are still scouring the market for worthwhile targets, leading to considerable

competition. On the other hand, the pipeline of quality opportunities is still largely sputtering, with deal flow accordingly depressed. It's likeliest that multiples will remain subdued below what was seen in much of 2014 and 2015, in line with or close to what was recorded in Q1.

Contact: Garrett Black

garrett.black@pitchbook.com