The Pulse of Private Equity – 9/26/2016

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Median EV/EBITDA buyout multiples surge in 2Q 2016 for sub-$25M enterprises

Respondents to PitchBook's most recent Deal Multiples survey reported a median EV-to-EBITDA multiple of 6.13x at the sub-$25 million EV range in 2Q 2016. That figure is nearly a turn higher than what was recorded in the first quarter of the year. One of the primary responsible factors is clearly the pressure exerted on middle-market managers by contested auctions, which are helping prices overheat even in the lower ranges of the market.

sept-26-2016-pitchbookAnother contributing factor is that amid the overall decline in lower-middle-market PE deal flow observed in 2Q, relatively fewer companies saw their buyouts close within the timeframe, as deal processes were either pushed out or scotched altogether by investors cautiously working through extended due diligence. Consequently, businesses of higher quality and corresponding higher multiples were still snapped up at the same rate, although activity declined overall for that lower-middle-market segment. Last but not least, it's always important to note that after several quarters of highly active investment in a particular area of the market, a lull is to be expected, especially in a relatively high-priced environment. It's not just that PE firms are taking a breather, but the pipeline of compelling investments has to refill as well.

? **Read PitchBook's 2016 Global PE Deal Multiples Report here.**
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