

Private Equity Firms See First Fall in Buyout Holding Periods Since Financial Crisis

The average holding period for private equity-backed buyout deals hit a record high in 2014, but has seen a notable drop for companies exited so far in 2015

The average time that private equity firms have been holding buyout investments in their portfolio has been rising year-on-year since 2008. This reached a record high of 5.9 years for companies exited in 2014, almost two years longer on average than companies sold in 2008. Yet for investments realized so far in 2015, the average holding period has dropped to 5.5 years. This marks the first point that the average holding period for buyout deals has seen a drop since the financial crisis, and is coupled with a strong exit environment which has seen a record number and total value of private equity-backed exits in 2014.

Other Key Buyout Deal Market Facts:

- The lowest average holding period witnessed was for deals sold in 2008, which had been held by managers for an average of 4.1 years.
- European companies sold so far this year had the longest average holding period of 5.7 years, compared to North America companies sold in 2015 YTD which had an average holding period of 5.3 years.
- In the period since 2006, energy & utilities companies have had the shortest holding period, with these companies being held for an average of 4.3 years. By comparison, companies in the industrials sector and consumer & retail have had the longest average holding period of 5.3 years.
- Large cap deals (\$1bn or more) have seen the largest change in average holding periods since 2006, reporting a low of 3.0 years in 2008 and a high of 7.0 years in 2014.
- The average holding period for mid-cap deals (\$250-999mn) increased from just 3.2 years in 2006 to 6.4 years for portfolio companies fully exited in 2014; and for small cap deals (less than \$250mn) this increased from 3.5 years in 2008 to 5.8 years in 2014.
- Last year, 1,686 exits valued at a total of \$442bn took place, the highest number and aggregate value of exits in any year on record.

For more information and analysis, please see the full report via the link below:
<https://www.preqin.com/docs/newsletters/pe/Preqin-Private-Equity-Spotlight-May-2015.pdf>

Comment:

“Private equity investments are traditionally long-term investments with typical holding periods ranging between three and five years. The average holding period for these deals has in fact been rising steadily ever since the financial crisis, and reached almost six years on average for deals exited in 2014. Yet for companies sold over the first few months of 2015, this average has fallen, which may indicate this trend has turned a corner.

Although fund managers are largely holding onto portfolio companies for longer, the recent exit environment has been strong; the number and total value of exits in 2014 reached their highest levels on record. Yet even with this strong exit environment and the average holding period falling slightly, a significant proportion of companies bought during the buyout boom of 2006-2007 still remain active in private equity firm portfolios.”

Christopher Elvin – Head of Private Equity Products, Preqin

About Preqin:

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Note to Editors:

- Preqin is spelled without the letter 'U' after the 'Q'.

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