2022 ANNUAL

US PE Middle Market Report

Sponsored by

Shaping opportunity out of uncertainty.

The odds of a recession remain elevated with some unpredictable factors still in flux. In this issue's Q&A, Timothy Lyne, CEO, discusses the implications of the current market, and how capturing opportunity in this environment will require a deft hand.

Read the article in this issue ›

Antares Capital

PitchBook

Sponsored by

Antares Capital

AMERICAN INVESTMENT COUNCIL

Contents

Executive summary	4
Deals	5
Deals by size and sector	12
A word from Antares	13
Spotlight: The role of placement agents in GP fundraising	15
Exits	18
A word from AIC	22
Fundraising and performance	24
Q4 2022 US PE middle-market lending league tables	28

Methodology change disclosure: *We have changed our methodology for recording deal activity. This will apply to this and all future PE- and M&A-related reports. All announced deals will be included in our reporting of total deal activity in addition to completed deals, and announced dates will be used to reflect deal timing in favor of closing dates. We have made this change to reduce the lag time between when deals are negotiated and priced and when they close to provide a more accurate depiction of valuation trends and volume activity. Please note that this methodology change applies only to PE deals and M&A deals and not to venture-related deals, which will continue to use closing dates for recording purposes.*

PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Dylan Cox, CFA Head of Private Markets Research

Institutional Research Group

Analysis

Tim Clarke
Lead Analyst, Private Equity
tim.clarke@pitchbook.com

Jinny Choi
Analyst, Private Equity
jinny.choi@pitchbook.com

Kyle Walters
Associate Analyst, Private Equity
kyle.walters@pitchbook.com

Data

Alyssa Williams
Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Report designed by **Joey Schaffer** and **Megan Woodard**

Published on March 14, 2023

Click here for PitchBook's report methodologies.

Executive summary

Is the PE middle market finally having its moment? Middle-market funds, which we define as between $100 million and $5 billion in size, have opened a positive performance gap versus mega-funds in back-to-back quarters. This has not occurred since 2020 and is in stark contrast to Q4 2021 when mega-funds were trouncing all other funds by a wide margin. Equally encouraging is the middle market's share of all PE buyouts in Q4 2022, which rebounded to its best quarterly level in five years.

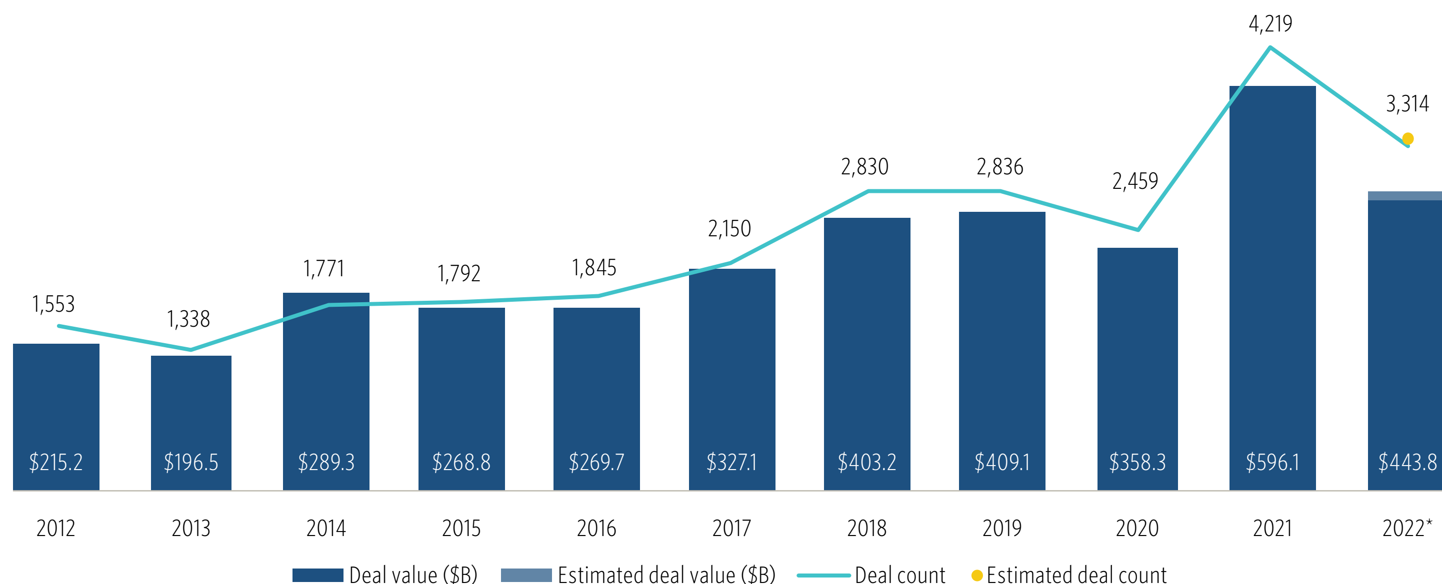
In 2022, the US PE middle market came down from what had previously been the most active dealmaking period in its history. Deal activity succumbed to bouts of high inflation, aggressive interest rate hikes, and valuation volatility—all of which afflicted the markets since the very beginning of the year—and settled 25.6% below the high-water mark set in 2021. Nevertheless, dealmaking remained well above the pace seen before the pandemic as the number of investments and buyout targets in the middle-market space remain plentiful. Diminished access to low-cost debt capital for leveraged buyouts (LBOs) and a buyer-seller valuation disconnect are leading PE firms to look in the middle market for deals that are more easily financed and completed. Add-on deals reached their highest-ever share of both middle-market deal activity and overall US PE deal activity as they became an even more attractive option for sponsors when compared with large platform acquisitions. Public-to-private deals, which have usually been confined to the largest end of the deal spectrum, are also shifting down into the middle market as public valuations drop significantly.

Middle-market exit activity also slowed down in 2022 and even slipped below pre-COVID exit flow. The strong monetization environment PE had enjoyed turned with the macroeconomic headwinds as potential sellers held out for better prices. Although public listings are not a major factor for the middle market in any given year, with the IPO market effectively closed, PE exits were supported by only two potential exit routes: sponsor-to-sponsor exits and exits to corporates. These two transaction types sustained exit flow, with the former accounting for slightly more of the middle-market exit activity than the latter.

Fundraising remained steady in the middle market, with the overall number of funds falling just shy of 2021's annual figure. The trend of rising fund sizes across the PE landscape was also reflected in the middle market: The median middle-market fund size increased almost 40% since 2021, and the top 30 funds raised during the year brought in over half of all capital raised in the middle market. GPs' rapid return to market with larger fundraises hit a wall against investors' supply of capital, with most LPs already having allocated their annual PE budgets by H1 2022 or early H2 2022. Going forward, both deployment and fundraising cycles are expected to slow from their recent rapid pace and instead revert to their historic—and more sustainable—norms.

Deals

PE middle-market deal activity

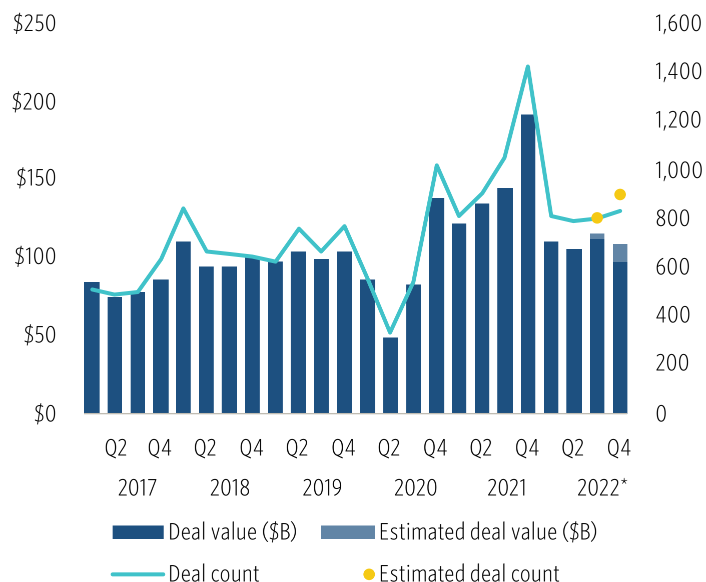


Source: PitchBook | **Geography:** US
*As of December 31, 2022

Overview

US middle-market PE saw a year of subdued deal activity in 2022 after experiencing a record-breaking pace of dealmaking just the year before. In 2021, PE firms closed or announced 4,219 middle-market deals for a combined $596.1 billion—around 50% above the previous annual records for deal count and value set in 2019. In 2022, PE firms closed or announced 3,314 middle-market deals for $443.8 billion. Deal value was down 25.6% and deal count fell 21.5% YoY as numerous macroeconomic headwinds—the highest level of inflation in 40 years, aggressive interest rate hikes, and geopolitical conflict, to name a few—persisted since the beginning of the year. Q1 2022 experienced a sharp drop in dealmaking, with a decline of over 40% in deal activity from the peak seen in Q4 2021. Quarterly activity remained flat throughout 2022, ranging from 800 to 900 deals for around $110 billion in total per quarter. When compared with the middle market's historical dealmaking pace, deal activity was healthy in 2022 and showed stabilization from the frenzied activity levels seen in 2021. Deal activity remained solidly above pre-COVID levels,[1] with deal value and deal count higher by 16.9% and 27.2%, respectively.

PE middle-market deal activity by quarter



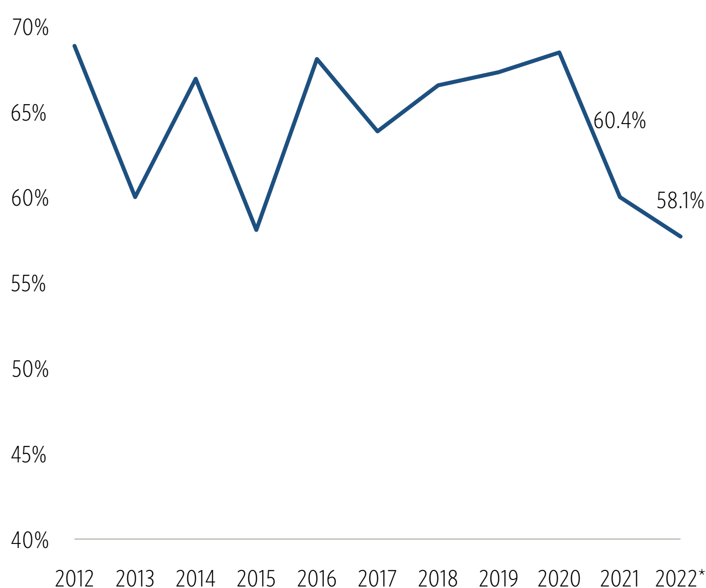
Source: PitchBook | **Geography:** US
*As of December 31, 2022

1: As measured by the average annual deal activity from 2017 to 2019

Although the macroeconomic headwinds at work in the larger PE deal space have impacted the middle market and muted dealmaking in 2022, signs point toward an easing environment. The Golub Capital Altman Index (GCAI), which tracks PE-backed middle-market companies, reported 10.8% and 9.2% YoY revenue and earnings growth for the first two months in Q4 2022, respectively.[2] This compares to a 5.4% increase in revenue and a 4.8% decrease in earnings for the S&P 500 YoY.[3] The results suggest stronger economic recovery than seen in Q2 and Q3, and demonstrate companies are able to adapt to changing conditions with the help of their PE sponsors. The four main sectors tracked by the GCAI show both positive revenue and earnings growth for the quarter, with industrials and tech leading the group with low double-digit growth for both. The ability to pass increased input costs onto consumers is critical for preventing margin compression and varies by industry. Strong earnings in the consumer and industrials sectors point to stabilizing supply chains and adjustments to higher energy costs. Healthcare, on the other hand, marked a 1.3% increase in earnings against a 10.3% increase in revenue, demonstrating the pressure posed by rising costs of labor in the sector.

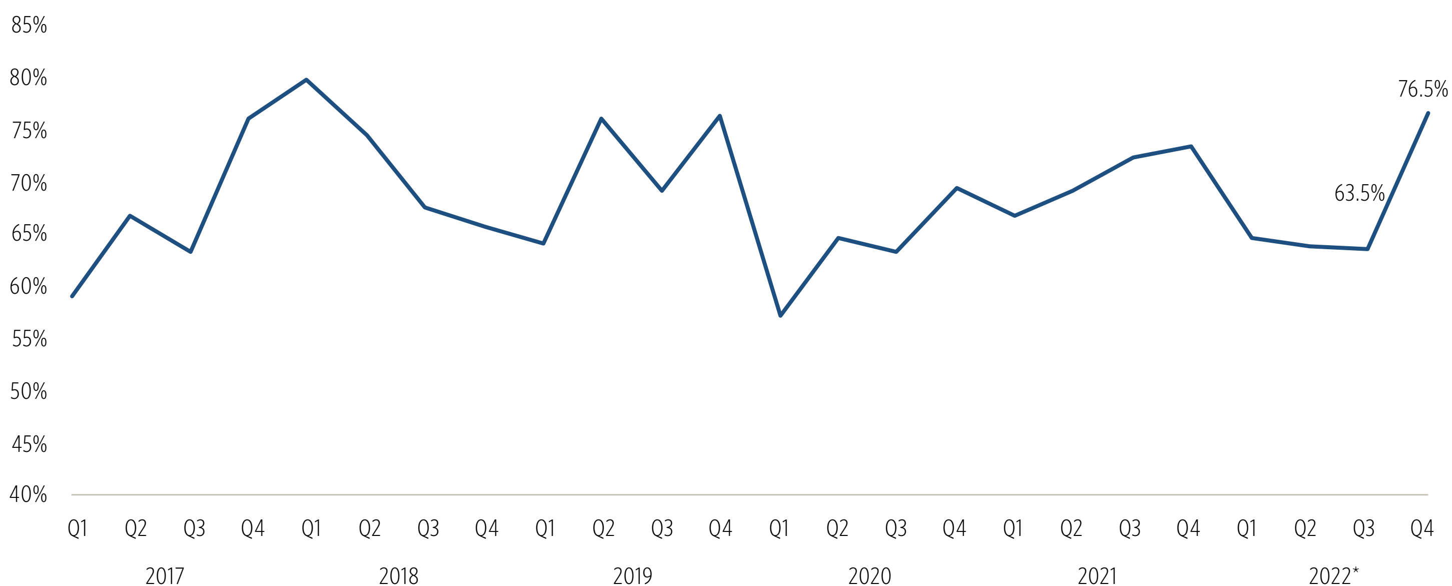
Since the peak of 69.3% in 2012, share of total PE buyout value has drifted down over the past 10 years to a low of 58.1% by year-end 2022. The middle market's share of total PE deal value

PE middle-market deal value as a share of all PE deal value



Source: PitchBook | **Geography:** US
*As of December 31, 2022

PE middle-market deal count by quarter as a share of all PE deals



Source: PitchBook | **Geography:** US
*As of December 31, 2022

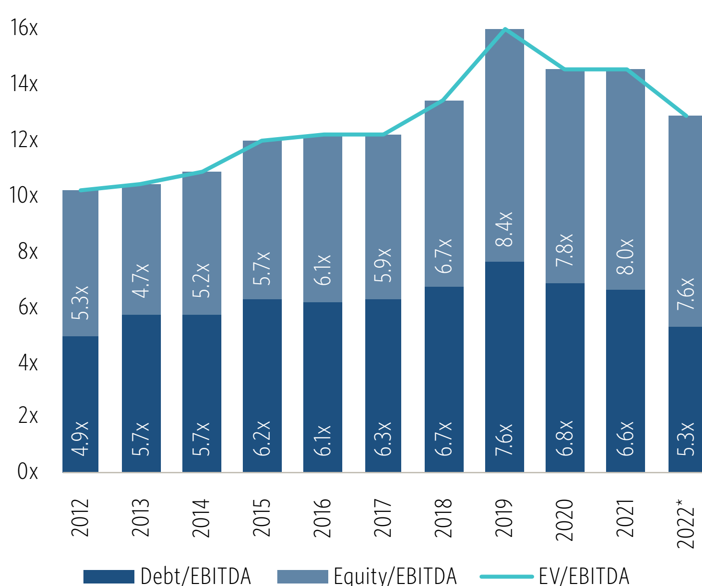
2: "U.S. Middle Market Growth Shows a Positive Surprise," Golub Capital, n.d., accessed March 2, 2023.
3: "Earnings Insight," FactSet, John Butters, February 24, 2023.

broke below 60% for the first time since 2015 when it was 58.3%. The loss in share reflects the explosive growth in mega-funds (funds of $5 billion or greater) in the past several years, which have crowded out middle-market and smaller funds both in fundraising and deal value. With the massive amounts of capital the mega-funds have needed to deploy, mega-deals (deals of $1 billion or greater) have taken up a whopping 34.4% of all PE deal value in 2022. The middle market's share of all US PE value took a nosedive in Q2 2022, accounting for only 44.9% of PE deals in the quarter due to a peak in take-privates, which were some of the largest buyouts during the year, but it rebounded to 69.9% by Q4 2022. Deal count points to an interesting shift. Middle-market deal count as a share of all PE deals reached the highest quarterly level seen in five years at 76.5% of deals in Q4 2022. For the year, 2022 annual deal count settled at 66.8%, which was below its five-year average. The recovery in the middle market's share of PE deal count could be a sign of deal fatigue setting in on larger deals. As it becomes more challenging to finance big buyout deals, PE firms are more inclined to turn to add-on investments or growth equity deals rather than large LBOs. Looking at just the middle market, the median buyout deal size slipped to its lowest level since 2016, falling to $147.0 million in 2022 from its previous high of $200.0 million in 2019. The median and average deal size mirror those seen during the pandemic-related slowdown.

Multiples

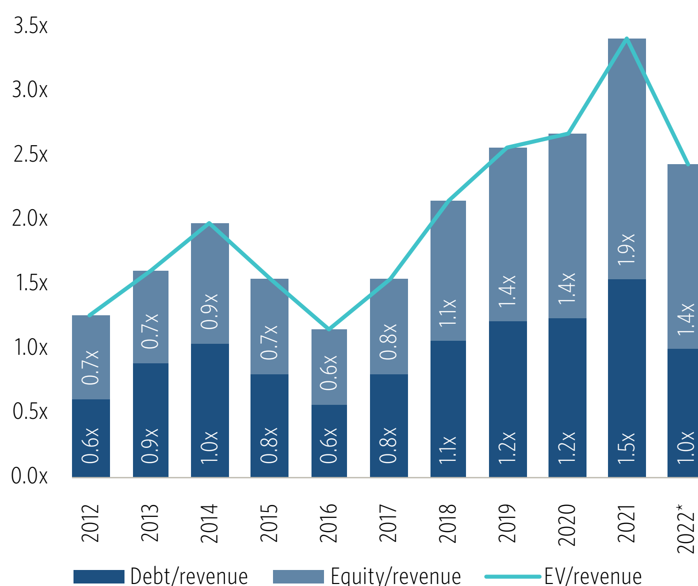
While rising interest rates had the greatest impact on public company valuations, with high-growth companies experiencing the sharpest falls, private markets were not immune to adjusting valuations. Valuations were driven down across asset classes as future cash flows became less valuable when discounted at higher rates. While less of a problem for the middle market, increased borrowing and leverage costs dampened deal activity and affected multiples for the transactions that did go through. Median EV-to-EBITDA deal multiples for the middle market contracted from 14.6x in 2021 to 12.9x by the end of 2022.[4] Middle-market EBITDA multiples peaked in 2019 at 16.0x, while the rest of the market peaked later in 2021—coinciding with the record-breaking deal activity. As valuations in public markets have fallen even more precipitously, sponsors are increasingly likely to turn to take-privates and carveouts of middle-market companies at compelling prices. At the same time, due to tight lending conditions, middle-market PE buyers are needing to contribute more equity capital to deals, making them even more price sensitive at the margin.

Median PE middle-market EV/EBITDA multiple



Source: PitchBook | **Geography:** US and Europe
*As of December 31, 2022

Median PE middle-market EV/revenue multiple



Source: PitchBook | **Geography:** US and Europe
*As of December 31, 2022

4: Multiples were calculated from US- and Europe-based middle-market deals. Given the similarity between the two regions and their datasets, and due to declining disclosure rates in the US, we combined them to gain greater sample size.

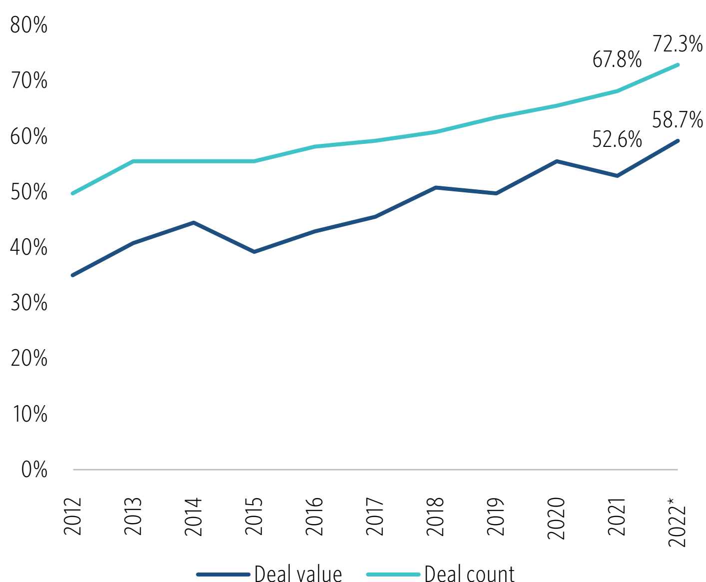
Add-ons

Add-on activity ended 2022 at its highest-ever level representing 72.3% of all US PE middle-market deal count, while making up 58.7% of total middle-market deal value, another record level. The greatest surge was seen in the upper middle market (deals between $500 million and $1 billion), which is in part due to deal sizes shrinking out of the mega-deal category as financing deals became progressively more difficult as the year went on. PE firms tend to employ add-on strategies as a source of inorganic growth, which allows them to accelerate the growth of platform investments or create synergies that can reduce costs or increase revenue. The middle market in particular offers numerous opportunities to scale given that it is smaller and more fragmented, and middle-market companies are often more agile than those at the larger end of the market, which tends to make for a smoother integration into an existing platform. Add-on opportunities have always been of interest to investors in the middle market, but demand has increased further. As public markets suffer at the hands of macro headwinds and private market valuations adjust to reflect this trend, add-ons become an even more attractive option for GPs looking to scale existing portfolio companies. Add-ons tend to be smaller by nature, and as such there tends to be less of a valuation disconnect between buyers and sellers like there is at the larger end of the market. This allows sponsors to tack acquired companies onto their platforms with more ease. Add-ons also allow PE firms to acquire smaller companies for lower multiples and average down the portfolio company's combined multiple. 2022 saw add-ons most active in financial services and healthcare, making up a vast majority of respective deal counts. Add-ons in these industries can often help with transformation and innovation through technology or help with consolidating the market.

Carveouts

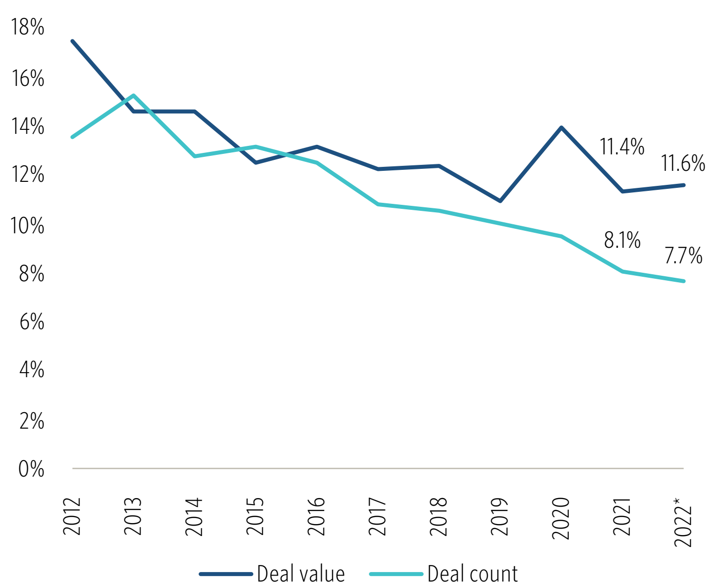
2022 was a year of margin compression for big corporations. Shrinking profits forced big public companies to reassess core versus noncore assets, and consider divesting those assets to other buyers—oftentimes cash-rich sponsors. In 2022, 251 carveouts took place in the middle market worth an aggregate of $50.0 billion, a slight drop from activity seen before the pandemic, but capital invested was in line with pre-pandemic levels. After increasing as a proportion of all US PE carveouts in 2021, 2022 saw that percentage drop back down. Carveout activity remains significant despite the slight dip from 2021 levels. In 2022, middle-market carveouts made up 53.7% of all US PE carveouts, down from 56.5% in 2021. These divested assets can sometimes suffer from neglect or underinvestment prior to their disposal. This provides PE firms an opportunity to pump in new money, turn around company results, and drive growth. Buying smaller pieces of large companies and

Add-on deals as a share of all PE middle-market deals



Source: PitchBook | **Geography:** US
*As of December 31, 2022

Carveout and divestiture deals as a share of all PE middle-market deals



Source: PitchBook | **Geography:** US
*As of December 31, 2022

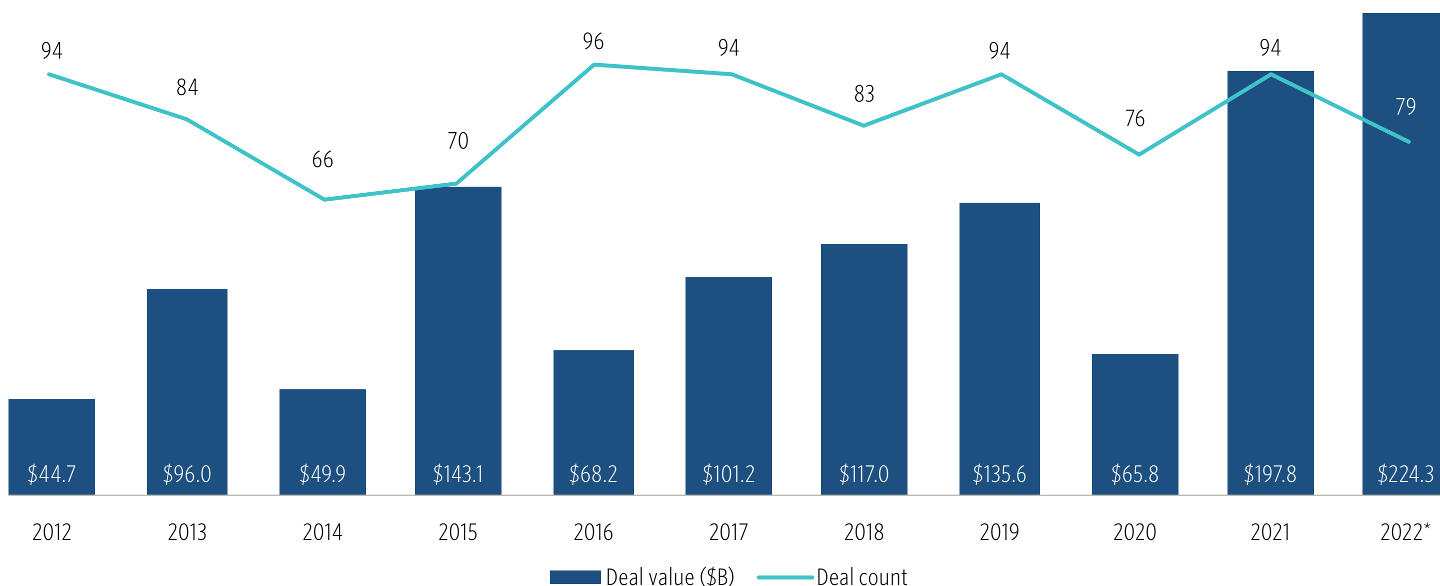
either restoring them back to health or bolstering their growth prospects is a classic PE strategy. In October, TreeHouse Foods completed its divestiture of now-named Winland Foods to Investindustrial for $950 million. The spinout allows TreeHouse to simplify its business to improve execution and accelerate growth, while allowing for Investindustrial to step in and continue to drive product development and operational efficiency.[5] Similarly, in November, PE firm Cinven acquired TaxAct from Blucora for $720.0 million. Cinven will bring TaxAct and Drake Software, a Cinven portfolio company, together to create a full-service tax solutions provider for professionals and consumers.[6] The sale of TaxAct allows Blucora to fully shift its focus into wealth management with a rebranding to Avantax, concentrating on tax-focused wealth management.[7]

Take-privates

79 take-privates above $100 million were announced or completed in 2022. Of those 79, 34 were PE-led and below $1 billion in size, showing that as market caps dropped into the middle-market territory, sponsors took advantage of the opportunity to take these firms private.

Take-privates are a tried-and-true strategy for PE firms, especially when public markets undergo a sharp correction and private markets hold out for higher prices. This describes the current environment. Sponsors are able to scoop up attractive public companies at significant discounts to what they traded at just a year ago in 2021. Moreover, public targets have a more seasoned and fully transparent record of operating results making them more bankable, which is especially helpful in today's tough lending environment. Normally, take-privates tend to be the largest buyouts of the year with deal sizes well north of $1 billion. That was the case in the first half of 2022, when the median deal size of all announced take-privates equaled $1.7 billion. That figure shrank to $316.0 million in the second half of the year. The frequency of deals also slowed from 48 take-private announcements in H1 to 31 in H2 2022. The last two months of 2022 were especially slow with just three announced deals, including none for the entire month of November. It's clear to us that as compelling as take-privates are in the current environment, deal flow is slowing due to the inability of sponsors to source loans for larger deals, and the trend toward smaller deals of less than $1 billion is solidly in place.

Public-to-private LBO PE deal activity



Source: PitchBook | **Geography:** North America & Europe
*As of December 31, 2022

5: "TreeHouse Foods Completes Sale of Significant Portion of Its Meal Preparation Business to Investindustrial," PR Newswire, October 3, 2022.
6: "Cinven to acquire TaxAct," Cinven, November 1, 2022.
7: "Blucora Announces Closing of TaxAct Sale," GlobeNewswire, December 19, 2022.

Take-private deals under $1 billion in 2022*

Company	Announced date (2022)	Acquirer(s)	Deal value ($M)	% discount 52-week high
Trean Insurance Group	December 15	Altaris Capital Partners	$316.0	-35.1%
Pushpay	October 28	BGH Capital, Sixth Street Partners	$902.2	-42.6%
Elmo Software	October 26	K1 Investment Management	$307.7	-25.5%
Weber Inc.	October 24	BDT & Company	$222.2	-54.0%
AgroFresh Solutions	October 24	Paine Schwartz Partners	$158.07	28.8%
Semcon	September 26	Ratos Group	$262.4	-6.4%
ChannelAdvisor	September 4	CommerceHub, Insight Partners	$725.0	-21.5%
Nearmap Australia	August 21	Thoma Bravo	$734.8	-15.6%
Ted Baker	August 16	Authentic Brands, Blackstone, CVC	$234.6	-28.2%
Maca	July 26	Elliott Management, Hochtief, Thiess	$239.4	-23.8%
Sharps Compliance	July 12	Aurora Capital Partners	$170.0	-16.4%
Prima Industrie	July 10	Alpha Associates, Peninsula Investments	$134.9	-3.9%
Oncodesign Services	July 10	Edmond de Rothschild Group	$102.0	15.2%
Cary Group	June 28	CVC, Nordic Capital	$824.1	-21.2%
CareTech Holdings	June 27	DBAY Advisors	$993.6	-12.5%
Radius Health	June 23	Gurnet Point Capital, Patient Square	$890.0	-56.5%
Momentum Software Group	June 20	Aareon, Advent International	$178.2	-4.3%
The Go-Ahead Group	June 13	Kinetic Group	$751.1	27.3%
EcoOnline	June 2	Apax Partners	$389.9	-21.0%
Mercell Holding	May 25	Thoma Bravo	$321.9	-46.4%
CAST Software	May 17	Bridgepoint Advisers	$226.6	21.3%
Trecora Resources	May 11	Balmoral Funds	$286.0	30.3%
Points International	May 6	Plusgrade, CDP, Novacap	$385.0	29.9%
Hemisphere Media Group	May 6	InterMedia Partners	$283.8	-50.1%
Ocean Outdoor UK	May 3	Atairos	$580.0	9.5%
GTY Technology Holdings	April 29	GI Partners	$372.0	-21.5%
Blueknight Energy Partners	April 21	Ergon	$812.7	10.7%
Tufin	April 6	Turn/River Capital	$570.0	-0.5%
Manning & Napier	April 1	Callodine Group	$249.0	26.1%
Virtus Health	March 14	BGH Capital	$698.0	31.8%
Stagecoach Group	March 9	DWS	$912.2	20.7%
IntriCon	February 28	Altaris Capital Partners	$241.0	-13.9%
Volt Information Sciences	February 14	ACS Group	$132.9	9.1%
SOC Telemed	February 2	Patient Square Capital	$302.5	-68.4%
Median			**$311.8**	**-13.2%**

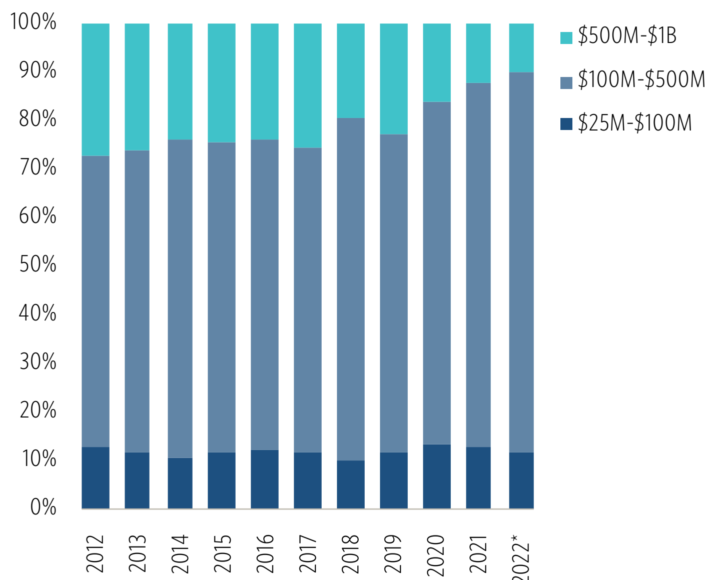
Source: PitchBook | **Geography:** North America & Europe
*As of December 31, 2022
Note: This table includes only deals of $100 million or more. "Nonbank" indicates deals using private debt, all-equity structures, or those not broadly syndicated by banks.

B2B

B2B deal activity remained resilient, and B2B was one of two sectors that saw positive growth in its share of total middle-market deal activity, with the other being financial services. In 2022, there were 1,423 B2B deals for an aggregate of $173.4 billion in value. Despite the dip in YoY deal activity, the sector's share of middle-market deal count increased 2.5% while its share of deal value jumped 3.7%. B2B's share of middle-market dealmaking was above its five-year average, demonstrating the sector's relative strength against other sectors during periods of market volatility. The sector, which comprises a broad mix of primarily nontech and service-oriented businesses, spans everything from manufacturing to professional services to transportation. B2B offers ways to improve efficiency against rising labor costs, and for the middle market especially, it provides a highly fragmented market with opportunities to consolidate market share and scale businesses. Industrials, one of the major verticals within the B2B space, includes manufacturers of heavy equipment, building materials, electrical components, transportation vehicles, and infrastructure, as well as services related to these manufacturing processes. While rising input costs challenge dealmaking, sponsors are likely to seek opportunities in the middle market to strategically expand their platform companies and pick up divestures of noncore assets. In November, HIG Capital acquired the distribution business of Avient Corporation for $950.0 million. HIG Capital renamed the business to Formerra and plans to accelerate its growth as an independent business and leader in polymer distribution. Ongoing attention to strengthening the supply chain remains a key driver of deal activity for B2B, and the increased desire to nearshore operations could further boost investor attention in the space.

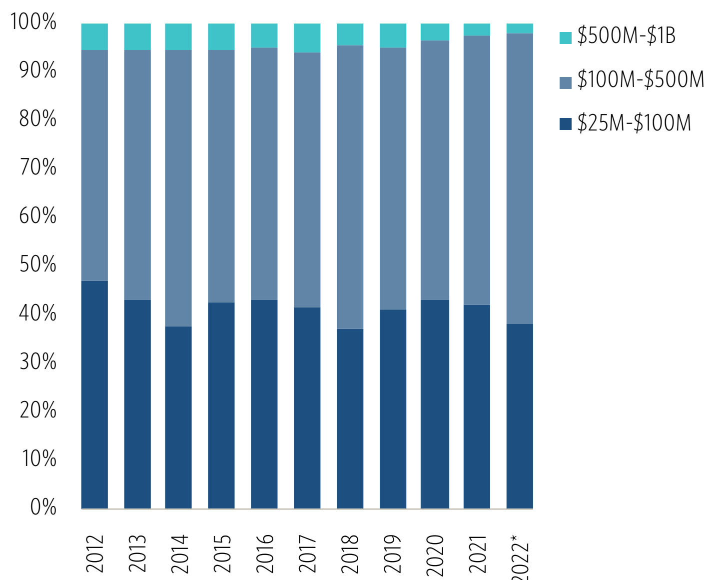
Deals by size and sector

Share of PE middle-market deal value by size bucket



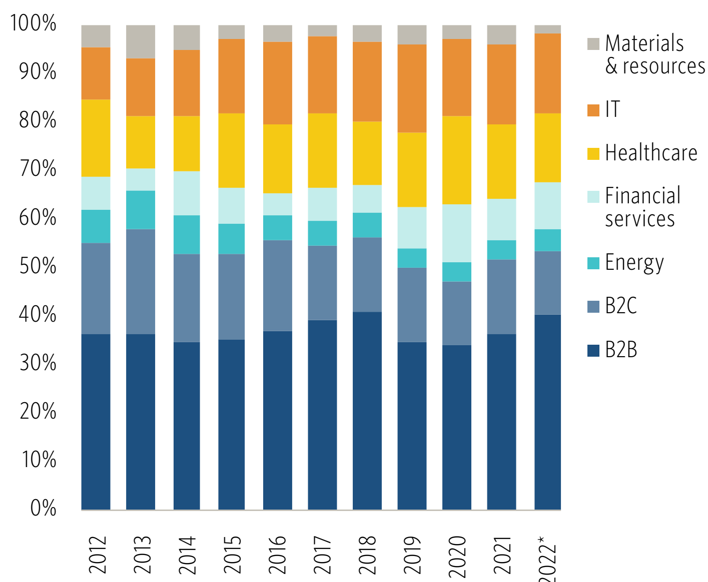
Source: PitchBook | **Geography:** US
*As of December 31, 2022

Share of PE middle-market deal count by size bucket



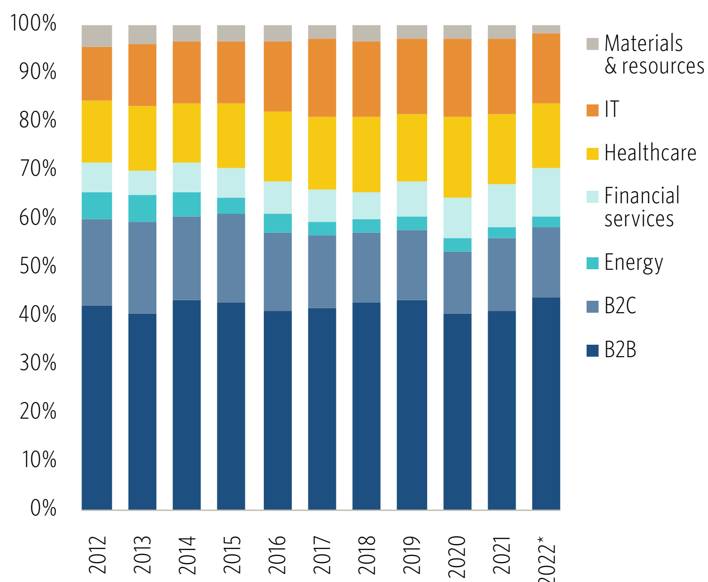
Source: PitchBook | **Geography:** US
*As of December 31, 2022

Share of PE middle-market deal value by sector



Source: PitchBook | **Geography:** US
*As of December 31, 2022

Share of PE middle-market deal count by sector



Source: PitchBook | **Geography:** US
*As of December 31, 2022

A WORD FROM ANTARES

The new old normal: Lower leverage and higher yields

Coming in for a landing

As with air travel, the most dangerous parts of the economic cycle are typically takeoffs and landings when pilot experience is critical.

Thus far, the Federal Reserve (the Fed) has had some success in dampening inflation and inflation expectations over the past several months without causing a recession. In fact, GDP growth remained aloft near 3% in Q4 2022. The latest readings were robust in January with regard to jobs and services, with payrolls up 517,000 and the Purchasing Managers Index (PMI) expansionary at 55.2%. However, indicators such as yield curve inversion and negative growth in The Conference Board's leading indicator suggest the odds of a recession remain elevated in the year ahead. Also, while the glide path to near 4% inflation seems reasonably at hand, China's reopening and energy shocks related to the Russia-Ukraine war could yet rekindle inflationary pressures. Finally, the question of whether the Fed may overshoot on tightening in the last mile of getting to its 2% inflation target remains open. While a "soft landing" or mild recession appears to be most likely, it's still best to stow your tray tables and keep your seat belts fastened.

The new old normal

While it remains unclear how hard or soft of a landing the Fed may stick in the near term, it does seem clear that the era of zero interest rates is likely over with broad implications for lenders and investors. Of course, zero-nominal interest rates were never "normal" and indeed undesirable from the Fed's perspective, but some investors may have understandably grown accustomed to a forgiving "risk-on" world of stimulative negative real rates, ever-rising valuation multiples, and near-zero default rates of the recent past. On the positive side for direct lending, the asset class' longer-term returns seem poised to benefit from a secular rise in base rates as dividend boosts at many business development companies (BDCs) would seem to confirm. Indeed, as leverage levels have come down, the average spread per unit of leverage for nonbank first-lien middle-market direct lending deals (excluding unitranche deals) reached 136 basis points in

Timothy Lyne

Chief Executive Officer
Antares Capital

Timothy is a founding partner of Antares. He is a member of Antares' Investment Committee and Antares' Board of Directors. Previous roles include chief operating officer and head of Asset Management for Antares.

Q4 2022—its highest level in seven years since Refinitiv LPC began collecting private debt data. However, while this presents an attractive environment to prudently deploy capital, underwriting and credit discipline are likely to become increasingly important with performance variance among lenders likely to rise. Private debt remains attractive, but it may increasingly matter who is flying the plane.

Q&A with Timothy Lyne, Antares CEO

Middle-market PE deal activity dropped in Q4 2022. What are your expectations for 2023?

Yes, US-sponsored middle-market loan volume slowed considerably in Q4 2022, falling 25% from the prior quarter and 57% YoY. LBO volume specifically was down even more to its slowest pace since the dark days of COVID from Q2 to Q3 2020. This reflects several factors including more expensive financing with lower leverage and tighter terms, a largely closed syndicated market, lower direct lender hold-size appetite, heightened economic uncertainty, and a wider gulf between buyer and seller expectations.

Looking forward, as of early March, markets are digesting the fastest rise in interest rates seen in decades off a prolonged period of near-zero rates, so it may take some time to recalibrate. Recent surveys such as Katten's Middle Market PE Report and Refinitiv LPC's Q1 2023 Middle Market Lender Outlook show a range of projections for middle-market M&A activity for 2023, but mean expectations appear to be flattish versus 2022. For our part, we have seen a pickup in our pipeline

in recent weeks but generally expect activity to remain tepid in H1 2023. Looking further out into H2 2023 and 2024, we see more hope for a pickup in M&A activity, assuming the Fed signals an end to rate hikes in the next few months as the forward curve would currently seem to suggest will happen. PE dry powder levels of $1.3 trillion in North America at year-end 2022 are up 26% versus 2021, with buyout-specific dry powder up 20% according to Preqin. Presumably, such pent-up PE capital and deal demand coupled with the opportunity to make acquisitions more toward the bottom of the cycle and at lower multiples will rekindle M&A activity if the clouds of economic uncertainty begin to dissipate.

You noted the syndicated market was largely closed in recent quarters. Do you expect syndicated markets will recover anytime soon?

There are still reportedly over $30 billion of hung loans on bank balance sheets yet to be cleared, but we have seen some hopeful signs of recovery, albeit from fairly depressed levels. Secondary loan prices with the Morningstar LSTA US Leveraged Loan Index are up about 3% in January and collateralized loan obligation (CLO) issuance has been strong. Yields in direct lending markets also widened in Q4 2022 relative to broadly syndicated markets, thus making syndicated executions appear incrementally more viable depending on the deal. In short, while much of the direct lending market's share gains appear to be secular, we do think syndicated markets will see some cyclical recovery in the year ahead, which could further grease the wheels for a pickup in M&A activity.

What trends are you seeing in your portfolio? Any signs yet of credit problems emerging?

Our portfolio has been performing well. The percentage of our portfolio in non-accrual status has remained low—down from an already low level in 2021—and our net loss rate has been near zero. We are seeing some headwinds building related to higher interest rates, labor shortages, and inflation, and our watchlist is up modestly with early warnings up a bit more, but both are still in a normal range versus prior years. The aerospace & defense, automotive, food & beverage, restaurant, and retail segments in particular are facing pressures, but we have relatively limited exposure to these sectors. "Flash" financials for a cohort of about one-quarter of our borrowers in late 2022 suggest some margin compression with growth flattening QoQ, but still decent EBITDA growth YoY driven by healthy double-digit revenue growth YoY, albeit inclusive of M&A activity. This picture seems somewhat consistent—at least on the revenue side—with recent year-end 2022 survey results released by the National Center for the Middle Market (NCMM), which showed 12.2% YoY revenue growth in Q4 2022 versus just 4.4% for the S&P 500.

Looking forward, consensus default rate expectations have been creeping up but remain pretty near the historical long-term average. For example, the latest Pitchbook LCD survey of loan market professionals in December 2022 shows the median trailing 12-month (TTM) default rate for the Morningstar LSTA US Leveraged Loan Index rising to a range of 2.0% to 2.5% by the end of 2023 from a low level of 0.8% as of January 2023. This compares to the 10-year trailing average of about 1.9% and the 20-year trailing average of about 2.7%. The outlook for 2024 is foggier at this point, but defaults could rise further even as the economy recovers, given a typical lag in defaults. Some industries will no doubt face more pressure than others. On the positive side, the NCMM's average middle-market company's revenue growth is still projected to be robust at 10% in Q4 2023; however, while the survey found 81% seeing growth in Q4 2022, only 58% are projected to see growth for Q4 2023, suggesting rising variance in the prospects for revenue growth among companies and segments. Also, although inflationary pressures appear to be abating, financing costs have continued to rise.

On balance, we expect default and amendment activity to rise over the next year or so but remain manageable. We continuously review our borrowers' financials and budgets—including assessment of unadjusted EBITDA and unadjusted potential cash burn—to get an early indication of where liquidity issues could be arising and proactively seek to get in front of sponsors to start discussions early. Our dedicated and experienced credit advisory team is focused solely on workouts and restructuring to maximize recoveries and has served us very well through downcycles over the past few decades. Of course, being highly selective, diligent, and experienced in underwriting; noncyclically biased; first-lien focused; and having a highly diversified portfolio with very low borrower concentrations also helps mitigate losses to begin with during rough patches. While there will undoubtably be some manageable credit headwinds ahead, with uncertainty comes opportunity.

SPOTLIGHT

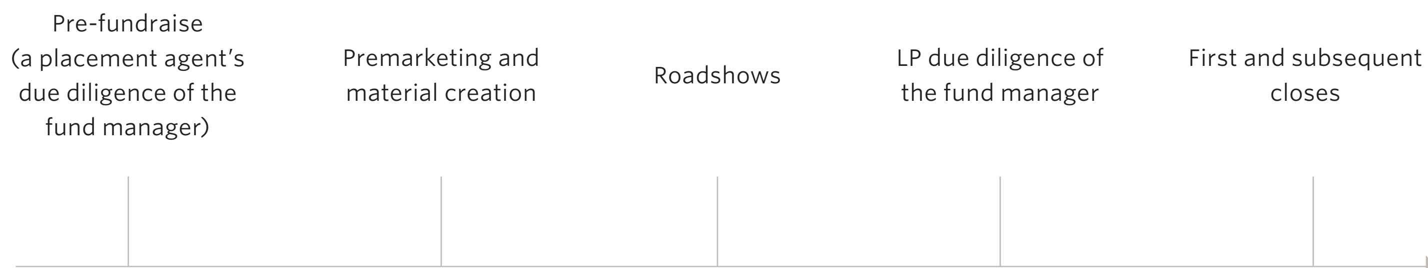
The role of placement agents in GP fundraising

Note: This spotlight is abridged from our Q1 2023 PitchBook Analyst Note: The Role of Placement Agents in GP Fundraising. Please see the full report for additional analysis on placement agents.

What are placement agents?

Placement agents are hired to efficiently identify LPs that are most likely to invest with their client—the GP—and to assist the GP through the fundraising process. Agents aim to facilitate a smooth, quick fundraising process for the GPs that they represent. While placement agents are often thought of as introduction services, that is only one component of their services. Agents assist the GP through each stage of fundraising—from preparing documents, setting up the data room, managing relationships, arranging meetings, and aiding LPs to the final close of the fund.

Broadly speaking, a placement agent may assist fund managers in two distinct ways: by assisting their clients with marketing and due diligence materials that will prepare GPs for the extensive LP due diligence processes, and by introducing the GP to a targeted list of potential LPs through premarketing meetings and roadshows, working with the GP to support an investor's commitment to the fund. These two objectives, which will be discussed in further detail later on, are developed throughout the different stages of a GP fundraise as pictured below.



Boutique placement agents

There are boutique placement agents that may also have global capabilities but, because of the size of these teams, will limit their fund offerings to between five and 10 per year, allowing the agent to devote significant time and attention to each client. Because these firms are smaller, team members will often wear multiple hats, responsible for both project management as well as sales and distribution. Boutique placement agents will also typically target funds between $150 million to $5 billion, identifying potential clients within a much smaller range than a larger placement agent.

Why might a GP work with a placement agent?

Before exploring the ways that placement agents interact with GPs and LPs in each of the fundraising stages mentioned above, there are likely some GPs reading this note asking themselves whether to retain a placement agent. Most funds in the market do not retain placement agents: Of the 2,760 funds that closed through Q4 2022, only 344 funds—approximately 12.5%—used a placement agent to aid in their fundraising; between 2017 and 2021, just 10.3% of funds used a placement agent to close.

Fundraising without an agent is certainly possible, but it is a monumental task. A GP's skillset lies in making deals, improving portfolio companies, and finding exits. For GPs without a strong internal investor relations (IR) team with the capacity to handle each stage of the capital-raising process, fundraising is often a taxing distraction from a GP's core focuses.

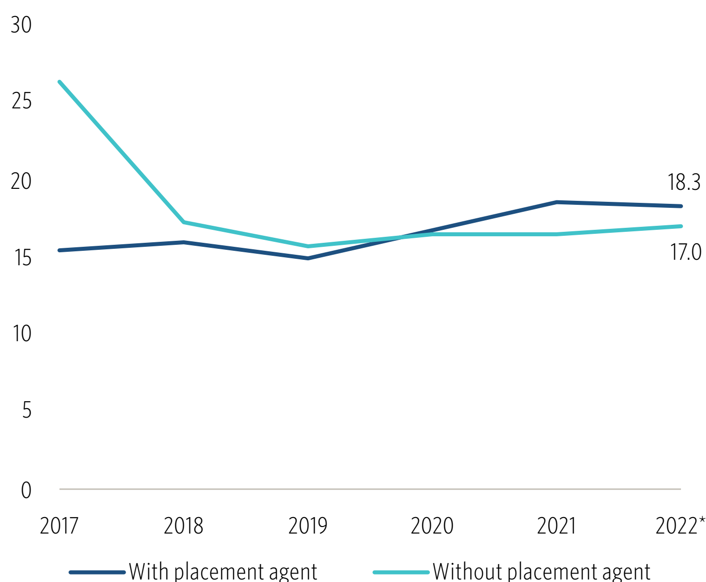
Some of the benefits of working with a placement agent are:

- Help navigating marketing laws and restrictions in different geographies.
- Setting up targeted introductions.
- Providing informed feedback to the GP on how to relay its fund proposition.
- Conveying honest and constructive criticism from LPs.

Why might a GP not work with a placement agent?

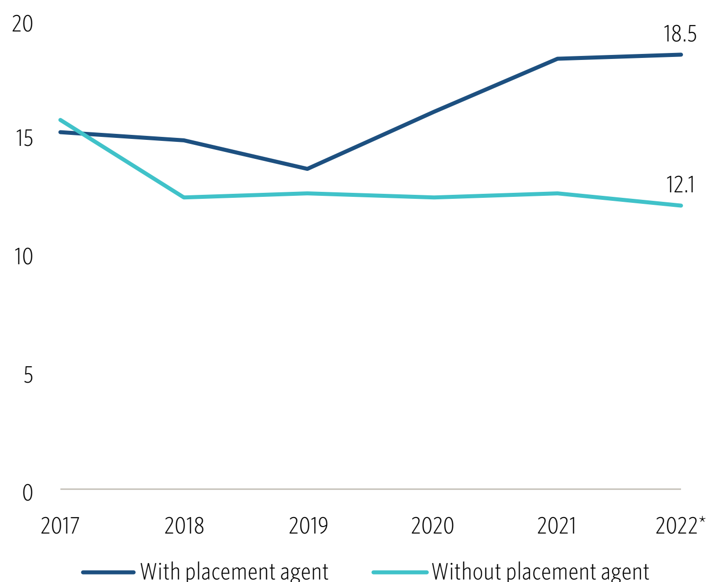
One reason GPs hire placement agents is to shorten the fundraising timeline. Until recently, there was evidence that a fund working with a placement agent would spend less time in market than a fund that was not working with one. In 2017, the average time to close for the 434 funds working with a placement agent was 15.4 months, versus the 26.4-month average of the 4,880 funds that did not work with agents. In fact, since 2020, funds that work with placement agents spend more time on average in market than those without them: In 2021, the 698 funds retaining agents took 18.6 months to close, versus just 16.6 months for the 4,575 funds that did not. The pandemic seems to have equalized the playing field for managers, given that LPs are now more comfortable with online due diligence.

Average time (months) to close



Source: PitchBook | **Geography:** Global
*As of December 31, 2022

Median time (months) to close

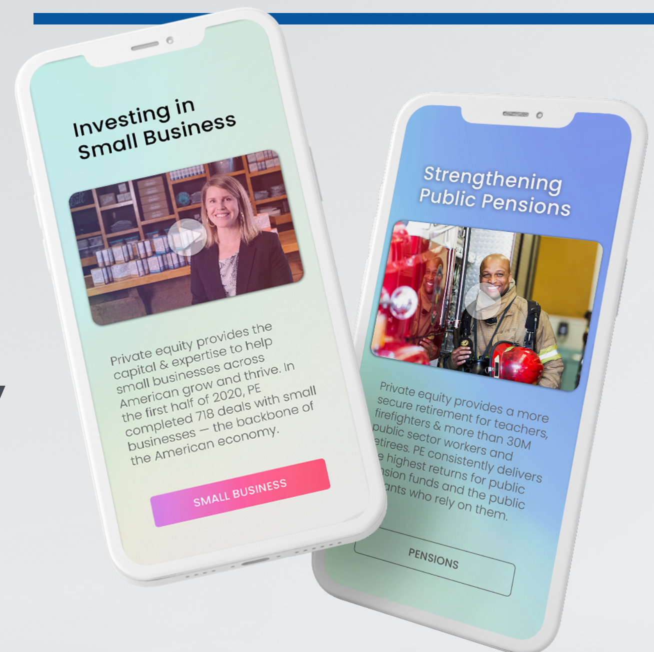


Source: PitchBook | **Geography:** Global
*As of December 31, 2022

PRIVATE EQUITY
INVESTING IN AMERICA

From urban to rural and everywhere in between, private equity is making a positive impact across America and investing in every community to:

- Back small businesses
- Support good-paying jobs
- Boost the American economy
- Strengthen public pensions



The American Investment Council (AIC) is an advocacy and resource organization established to develop and provide information about the private investment industry and its contributions to the long-term growth of the U.S. economy and retirement security of American workers. Member firms of the AIC consist of the country's leading private equity and growth capital firms united by their successful partnerships with limited partners and American businesses.

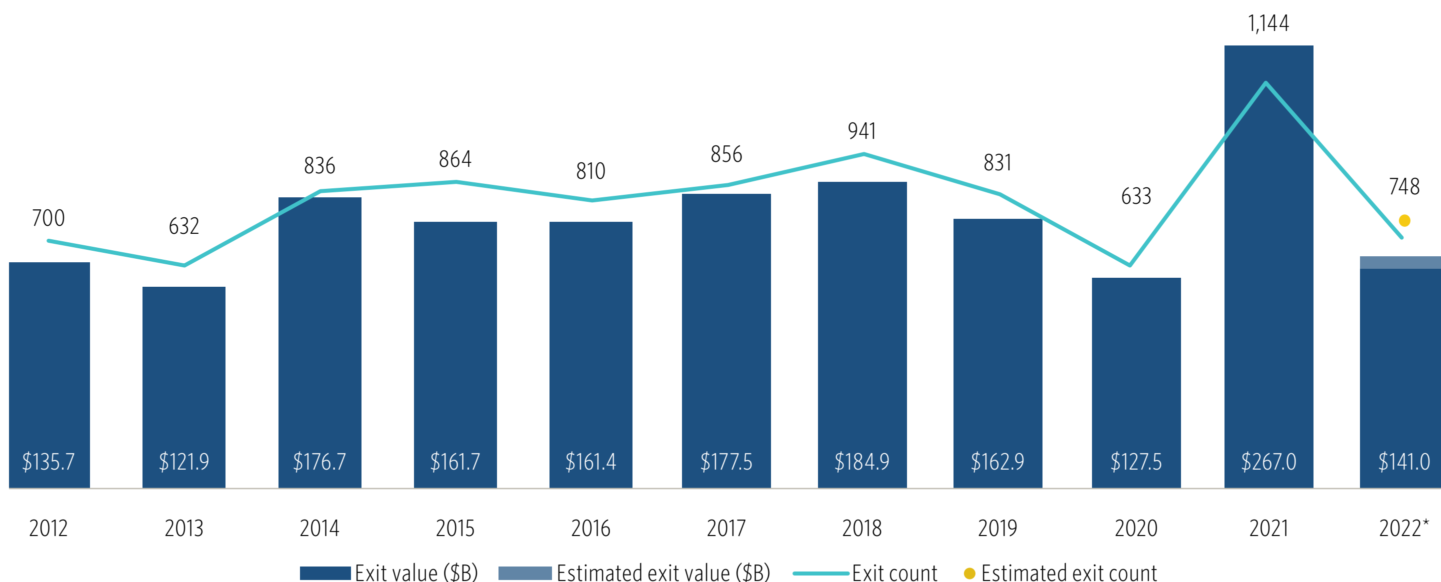
Let your voice be heard. Join the AIC today.

INVESTMENTCOUNCIL.ORG

AMERICAN INVESTMENT COUNCIL

Exits

PE middle-market exit activity

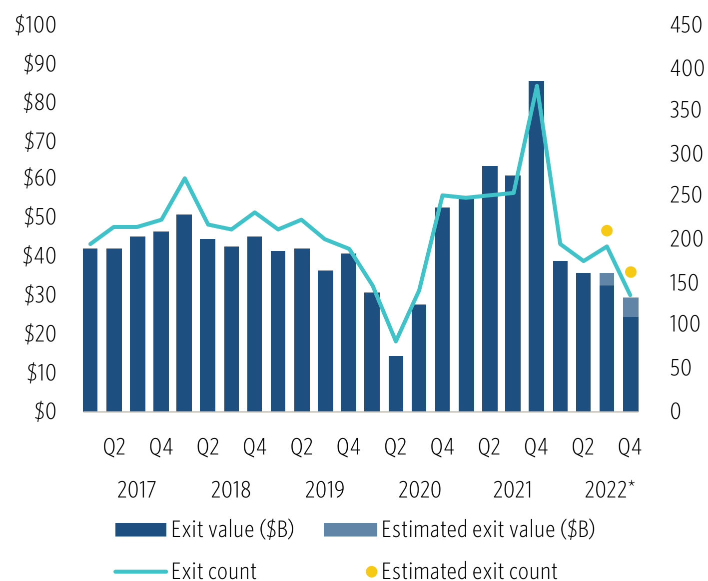


Source: PitchBook | Geography: US
*As of December 31, 2022

Overview

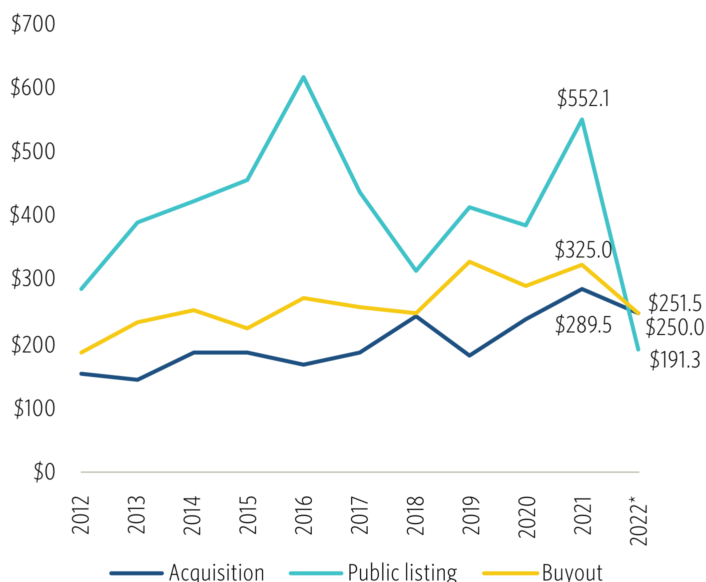
US middle-market exit activity saw a steep decline both year-over-year and sequentially through the quarters of 2022. While 2021 saw a fervent monetization environment thanks to robust economic recovery post-2020, rising multiples, and a surfeit of PE dry powder and cash on corporate balance sheets, exit activity hunkered down early in 2022 in the face of numerous macroeconomic headwinds. Inflation and rising interest rates pressured company multiples and led to market price dislocation while access to capital tightened. Potential sellers held out for better prices while potential buyers became less acquisitive, effectively slowing down exit activity. 748 PE-backed middle-market companies were exited or were announced to be exited during 2022 for a total of $141.0 billion, marking a 34.6% decline in exit count and a 47.2% decline in exit value from 2021. Exit activity was also below pre-COVID (2017 to 2019) levels, with exit count and value down 14.6% and 19.4%, respectively. Although exit activity tends to perk up in Q4 with investors rushing to close transactions before the end of the year, Q4 2022 recorded the slowest quarterly exit activity of the year at just 162 exits—announced and closed—totaling $29.8 billion. Compared to Q4 2021, this was a drop of 57.4% in exit count and a drop of 65.3% in exit value from the peak seen in Q4 2021.

PE middle-market exit activity by quarter



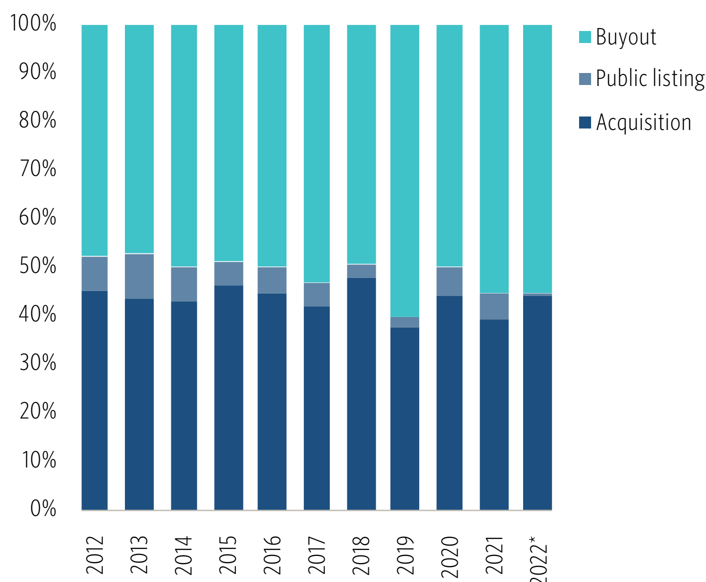
Source: PitchBook | Geography: US
*As of December 31, 2022

Median PE middle-market exit value ($M) by type



Source: PitchBook | **Geography:** US
*As of December 31, 2022

Share of PE middle-market exit value by type



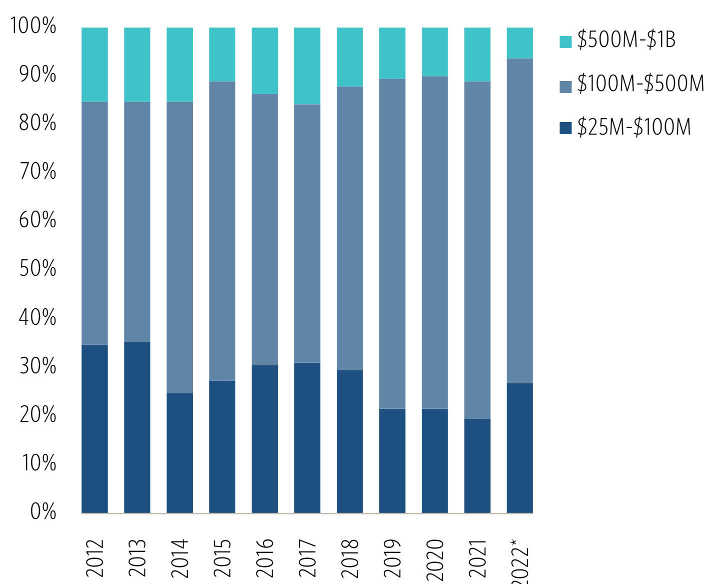
Source: PitchBook | **Geography:** US
*As of December 31, 2022

Sponsor-to-sponsor exits

During 2022, GPs exited 387 companies to other sponsors for a total of $73.0 billion. While this is a sharp drop from the record 644 deals exited in 2021 for a total of $147.4 billion, sponsor-to-sponsor exits still made up 54.9% of middle-market exit value, which is a portion similar to pre-pandemic levels. When excluding public listings, sponsor-to-sponsor exits made up 55.1% of middle-market exit value, which was down roughly 300 basis points from 2021. This is still above the 10-year average of 53.7%. When comparing sponsor-to-sponsor exits with exits to corporates, the split has favored the former for the last decade as the number of PE managers has steadily expanded while the number of corporate buyers has remained relatively unchanged. Additionally, strong fundraising activity by sponsors over the past couple of years has created attractive exit opportunities. As PE firms amass large pools of dry powder, they can more readily pursue deals and acquire portfolio companies of other PE funds even in a recessionary environment.

Across most sectors, sponsor-to-sponsor exit trends fell in line with the overall decline in exit activity. Healthcare, however, saw the greatest drop in sponsor-to-sponsor exit value at a 65.6% decline YoY. The sector struggled against a challenging macro environment, staffing shortages, and rising costs that stunted exit opportunities. Exit activity overall rotated out of the sector, which was down 4.6% as a share of total middle-market exit value and down 1.9% as share of total exit count. However, sponsor-to-sponsor exits in the space are expected to rebound due to several factors: PE dry powder will fuel sponsors to pick up PE-backed assets, and lower valuations will motivate PE-backed platforms to acquire opportunistic assets,

Share of PE middle-market exit count by size bucket



Source: PitchBook | **Geography:** US
*As of December 31, 2022

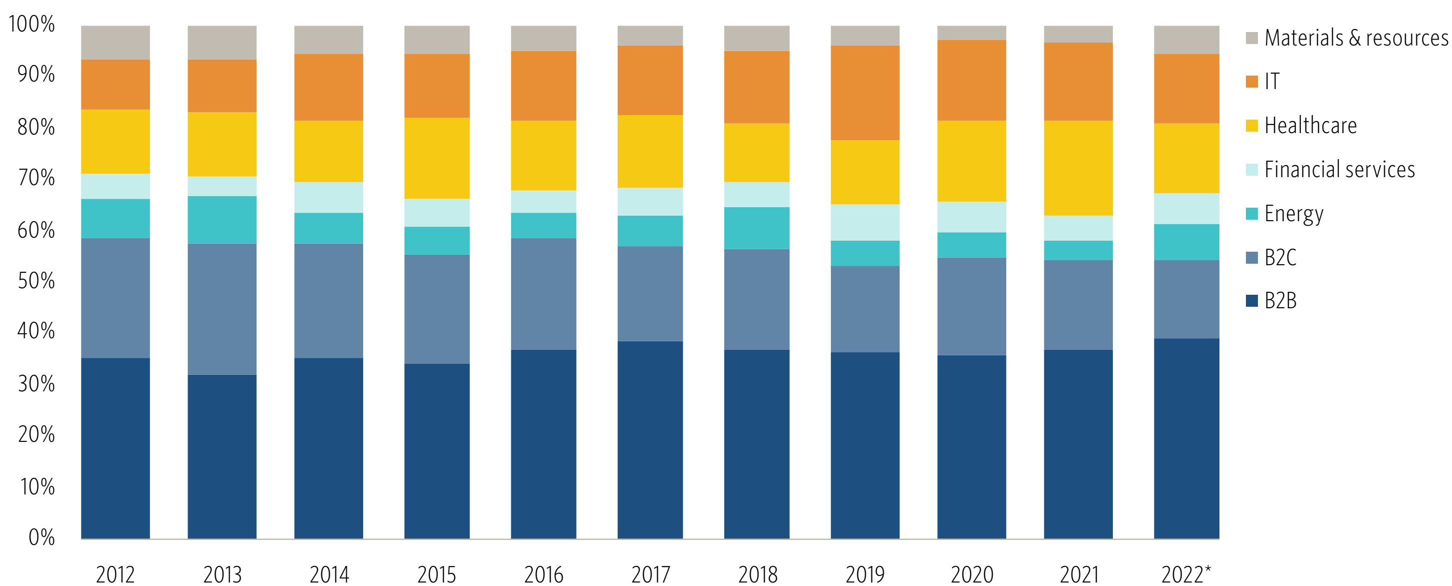
especially in the middle market. A good example of this is Spectrum Equity and Health Enterprise Partners' sale of Payer Compass, a reimbursement and pricing healthcare solutions provider, to Zelis Healthcare for $180.0 million in September. Zelis Healthcare, a healthcare payment and pricing company backed by numerous PE firms such as Bain Capital and BPEA Private Equity, plans to use the acquisition to expand its solutions for out-of-network healthcare services for clients and deliver better financial experiences for the whole industry.

Exit to corporates

PE exits to corporates experienced a steady decline through 2022, starting out the year with 102 exits for $19.9 billion total in Q1 and ending with 47 exits for $7.4 billion total in Q4. Only Q1 saw activity in line with a typical quarter, in which corporate buyers take up 150 to 200 companies from PE sellers. With corporate acquisitions typically driven by high levels of balance sheet cash and bullish sentiment in the C-suite, exits to corporates have taken a hit as higher interest rate costs and market downturns eat into cash flow and decrease appetite for risk. In 2022, PE firms exited 318 companies to strategic buyers at an aggregate value of $59.4 billion, almost mirroring exit levels seen in 2020. While exits to corporates saw a YoY decline in exit count and value of 31.2% and 44.0%, respectively, they still accounted for 44.9% of total middle-market exit value when excluding public listings.

Despite recessionary fears driving some corporations to protect their balance sheets and put acquisitions on hold, PE firms were still able to capitalize by exiting investments to companies seeking strategic acquisitions with strong fit and growth opportunities. The largest exit to corporates in H2 2022 was KKR's sale of Minnesota Rubber and Plastic (MRP) to Trelleborg Group for $950 million. MRP's strong presence in North America in fast-growing industries such as medical equipment, water management, and food & beverage will expand Trelleborg's presence in engineered polymer solutions beyond Europe.[8] Energy was the only sector that saw growth in exit value during the year, with 24 exits to corporates for $6.5 billion total. In fact, energy recorded its highest value of exits to corporates since 2011, buoyed by exits such as Warburg Pincus' $865.0 million sale of RimRock Oil & Gas to Devon Energy and Energy Capital Partners' $631.2 million sale of Sendero Midstream to Crestwood Equity Partners.

Share of PE middle-market exit value by sector



Source: PitchBook | **Geography:** US
*As of December 31, 2022

8: "Trelleborg's Acquisition of Minnesota Rubber & Plastics Finalized," Trelleborg, October 27, 2022.

Energy

In 2022, high commodity prices, geopolitical conflict, and continued trends toward renewables and decarbonization created various exit opportunities for the sector. Out of all sectors, energy had the smallest decline in exit value, dropping 10.1% from $10.7 billion in 2021 to $9.6 billion in 2022. Energy's share of total middle-market exit value grew by 3.2% YoY while exit count ticked up 0.4% for a total of 34 exits at an aggregate of $9.6 billion. Higher prices have strengthened the balance sheets of many traditional oil & gas companies, which many GPs have taken advantage of to exit their investments. For example, Earthstone Energy, an oil & natural gas exploration and production (E&P) company, acquired three PE-backed companies in 2022 to increase its net production and scale its presence in the Permian Basin. Ongoing market uncertainty within the sector driven by price volatility and geopolitical risk also means that middle-market sellers stand to gain more by finding buyers for smaller add-on deals rather than larger acquisitions. On the other side of the sector, the continued shift toward renewables creates additional exit opportunities: Large E&P companies could be more willing to divest noncore assets, which other sponsors and corporations can pick up for their shorter-term value, while assets in renewable energy are likely to pick up more interest from buyers for their long-term growth. Pfingsten Partners, for example, sold clean energy systems manufacturer Dynapower to Sensata Technologies for $577.7 million in July. Regulatory pressures, such as from the Inflation Reduction Act, are expected to drive more capital into renewables and decarbonization assets.

Materials & resources

Materials & resources was a source of surprising strength for exit activity in 2022. Other than B2B, materials & resources was the only other sector to take up greater share of both exit count and value, seeing an uptick of 170 basis points in both YoY. With 39 exits for an aggregate of $7.0 billion, exit count experienced a minimal slowdown of 9.3% since 2021 while exit value dropped 26.8%, which was on the lower end of the decline seen across other sectors. Exits spanned various subsectors, ranging from chemical & gas companies, such as the $505.0 million sale of specialty chemicals manufacturer Valtris Specialty Chemicals to SK Capital Partners and the $250.0 million sale of polymer manufacturer Nucera to Chase Corporations; to containers and packaging, such as the $200.0 million sale of packaging paper manufacturer Midwest Paper Group to McKinley Paper Company; to agriculture companies, such as the $122.5 million sale of hydroponic greenhouse operator Peet's to Local Bounti. Environmental, social & governance (ESG) trends also gave way to exit opportunities. For example, PE-backed Genera Energy was sold to Ara Partners in June for $200.0 million. Ara Partners is a PE firm specializing in industrial decarbonization investments and plans to expand Genera Energy's production of nonwood agricultural pulp and molded fiber products to capitalize on the sustainable packaging market and provide environmentally superior solutions to the global plastic pollution problem.[9]

Despite the uptick seen in exits in 2022, the sector is expected to remain a smaller part of overall PE middle-market exit activity. Historically, materials & resources has been around just 5% of total exit count and value, and the sector continues to face headwinds from rising costs of capital and geopolitical uncertainties. Buyers are likely to steer away from cyclical businesses in a recessionary environment, and continued ESG pressures could make potential buyers wary of investing capital during periods of change and uncertainty. Companies with strong balance sheets and long-term positive catalysts such as ESG exposure could see lucrative exit opportunities as market volatility lessens and valuations become attractive.

9: "Ara Partners Acquires Genera, Largest Integrated Manufacturer of Non-Wood Agricultural Pulp and Molded Fiber Products in North America," PR Newswire, June 22, 2022.

A WORD FROM AIC

PE and the middle market: The perfect partnership

When people think of PE, they often think of the largest and most well-known PE firms. And when they think of PE investments, only the largest and most well-known deals, or failures, tend to generate significant press coverage. While these deals are important and provide considerable value to all stakeholders—investors, workers, and communities—most PE deals are in the middle market. In 2022, middle-market transactions accounted for approximately 68% of all US PE deal value.

At the American Investment Council, the leading advocacy and education organization for the PE and private credit industries in the United States, we believe it is important that policymakers and the public understand how PE investment fuels small and medium-size businesses. This significant partnership delivers broad benefits to local businesses on main streets across the country. To maintain this partnership, the American Investment Council regularly engages with policymakers to ensure that legislation and regulation do not impede the ability of PE firms to invest.

In the United States, there are approximately 200,000 companies that are considered middle-market. The middle market spans companies with revenues as low as $25 million to companies with revenues as high as $1 billion. The sheer size of the middle market presents numerous opportunities for partnership with PE. PE investments open a new world for many businesses. While the capital provided by a PE investor is one of the clear benefits to this partnership, many of the other benefits prove impactful as well.

In recent years, value creation at PE-backed companies has been driven by growing businesses through expansion, either organically or from acquisitions. PE has a proven track record of helping businesses open new facilities, offer new products, or expand into new markets. Research conducted by a professor from the University of Georgia, along with other academics, found that PE firms earn their returns by investing in smaller private companies that either have high growth potential or are in need of considerable restructuring.

When it comes to growth through acquisition, PE firms are increasingly adopting a buy-and-build strategy to create significant value. In a recent report with PitchBook Data, we

Jamal Hagler

Vice President of Research
AIC

Jamal Hagler serves as the Vice President of Research at the American Investment Council.

The American Investment Council (AIC) is an advocacy and resource organization established to develop and provide information about the private investment industry and its contributions to the long-term growth of the US economy and retirement security of American workers. Member firms of the AIC consist of the country's leading private equity and growth capital firms united by their successful partnerships with limited partners and American businesses.

demonstrated how PE firms have employed buy-and-build strategies to deliver great impact. The report details how these strategies build more competitive businesses that provide better goods and services to their customers, at a lower price.

Earlier this year, we also released "In-house expertise: How private equity is modernizing consumer brands" in partnership with PitchBook Data. Our new report focused on the value that PE can bring to consumer brands and highlighted an important part of the PE playbook: the operating partner. Operating partners are industry experts who, in many cases, have executive experience at other, much larger businesses within the same industry. The impact and expertise of these executives can be particularly valuable for middle-market businesses that may need to professionalize or mature to reach the next level of growth.

In September 2022, the Wall Street Journal highlighted how PE firms have been investing in family-owned businesses. The knowledge and expertise brought to family-owned businesses by PE partners has led to big returns. As previously mentioned, partnering with a PE firm brings complementary skills, new relationships, and fresh ideas. Additionally, many of the levers of value creation that PE is known to pull have not yet been tried with many family-owned businesses, leaving a lot of room to grow. One example of these levers is integrating

new technology to make the business more efficient. Another is using the reach and expertise of the PE partner to drive better agreements with partners and suppliers.

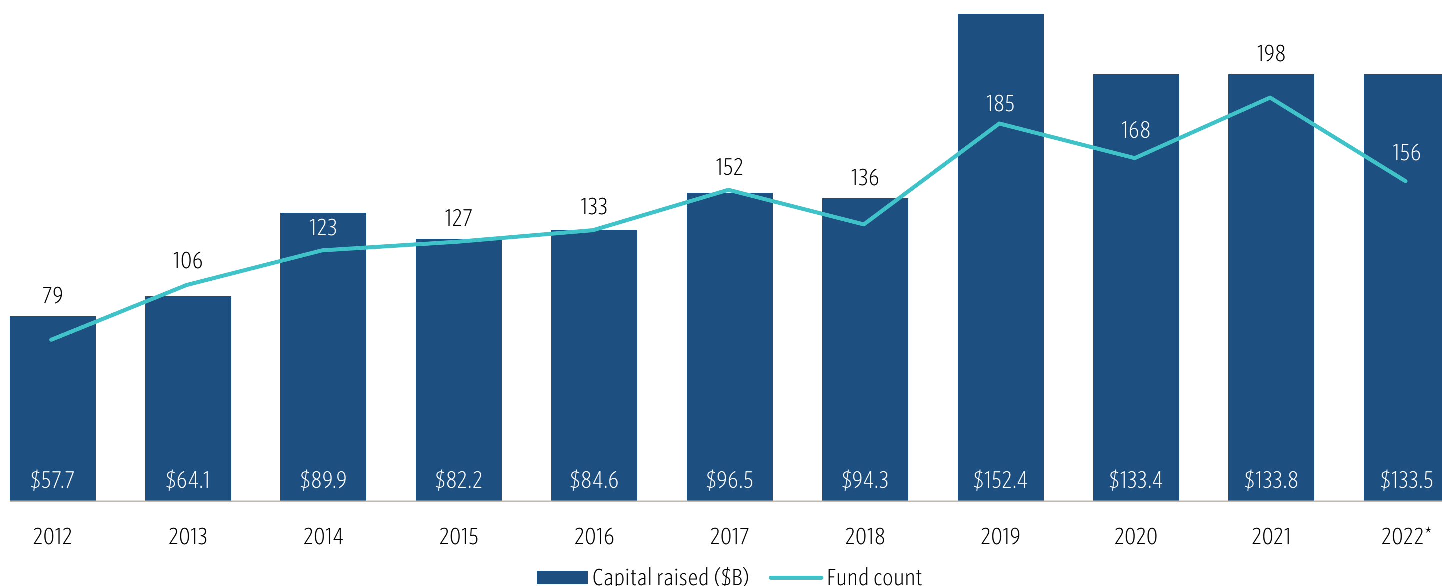
For investors, the greatest benefit of middle-market buyouts is clear: strong performance. Researchers have documented the attractive returns of small and medium-size buyouts. These investments offer great returns because of value-creation opportunities, lower deal multiples, and the ability to implement a buy-and-build strategy.

The resources and relationships that PE brings to the partnership are particularly important in turbulent times. Academic research during the global financial crisis as well as the COVID-19 pandemic found that PE-backed businesses experienced less financial distress and were able to outperform similar companies that did not have PE backing. PE-backed businesses also have an easier time accessing credit based on the relationships their sponsor has developed. PE firms employ experts who have a wealth of experience navigating difficult economic and credit cycles. And the closely held nature of PE investments allows for a sponsor to quickly pivot and address issues immediately.

High inflation, rising interest rates, and geopolitical tensions have increased economic uncertainty for so many businesses across the US. Businesses that partner with PE will better weather this storm, help their workers, and strengthen their local communities.

Fundraising and performance

PE middle-market fundraising activity

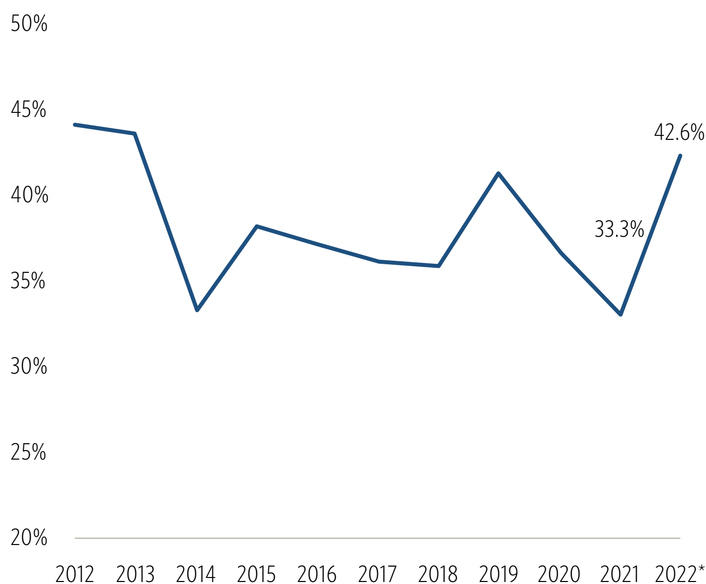


Source: PitchBook | **Geography:** US
*As of December 31, 2022

Overview

US middle-market fundraising remained steady throughout 2022, with 156 funds closing worth an aggregate value of $133.5 billion. 2022's middle-market fundraising pace remained on par with each of the previous two years, 2021 and 2020, despite 42 fewer funds being raised in 2022 than in 2021. 2022 did end at a slightly slower pace as Q4 was the weakest fundraising quarter of the year with LP capital hard to find in the second half of the year due to the surging supply from GPs in H1. Fund sizes continued to grow across the PE landscape, and this was echoed in the middle markets as the top 30 middle-market vehicles raised in 2022 brought in 53.6% of all capital raised. With the lift in fund sizes, the median middle-market fund size increased to $503.0 million in 2022, up from $365.3 million in 2021. Middle-market share of total fundraising has been trapped in a downtrend since 2018 as larger funds and sponsors continue to dominate. That continued in 2022 as the share of total capital raised slid from 50.9% to 46.0%. However, in an encouraging sign, the number of middle-market PE funds closed in 2022 made up 42.6% of all funds closed, a 10-year high. If there is strength in numbers, that tug of war is being won by middle market at present.

PE middle-market fund count as a share of all PE funds



Source: PitchBook | **Geography:** US
*As of December 31, 2022

Middle-market funds that closed in 2022 saw the average time to close contract from 15.0 months to 13.1 months, reflecting the continued rapid pace of fundraising seen throughout the broader PE landscape during the year. LPs struggled to keep up with the high demand for capital, and as such, many institutional investors reached their yearly allocations for PE shortly after H1—if not sooner—as a highly competitive fundraising environment converged with a fierce denominator effect. Market volatility and fewer exits during the year slowed the flow of capital back to LPs, further constraining LP ability to fund new commitments. 2023 could be a different story to start the year as all six of the large public PE firms expressed confidence that fundraising would be up in 2023 from 2022. Whether that carries over to middle-market funds remains to be seen, although it was encouraging to see Thoma Bravo close its two funds targeting upper-middle-market and lower-middle-market funds at large step-ups to their predecessor funds. Middle-market fundraising may also gain favor given its recent outperformance versus larger funds, as detailed in the Performance section below.

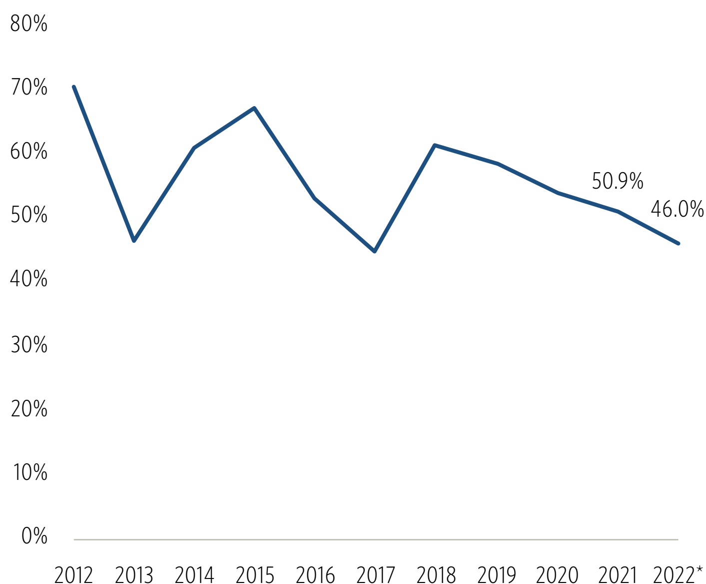
Not only were middle-market funds quicker to close, the spacing between funds within the same family also contracted. The median time between one fund closing and a new fund launching decreased to 3.1 years in 2022 from 3.6 years in 2021. Given that the fundraising cycle is tightly linked to deployment activity, which has slowed significantly in the past year, time between funds is likely to stretch out going forward.

Step-ups

By the end of 2022, 90.8% of middle-market funds—a new record high—closed with more capital raised than their predecessor funds. This surpassed the industry as a whole, wherein 84.9% of all funds achieved a step-up, and was significantly higher than in 2021, when 86.0% of all funds received a step-up. The median size of these step-ups in the middle market moderated somewhat from 68.9% in 2021 to 60.4% in 2022. Still, GPs in the middle-market space were met with great success increasing the size of their flagship funds. For example, One Equity Partners—a middle-market-focused PE firm—closed One Equity Partners VIII on $2.75 billion, a 57.1% step-up from its predecessor fund, which raised $1.75 billion.

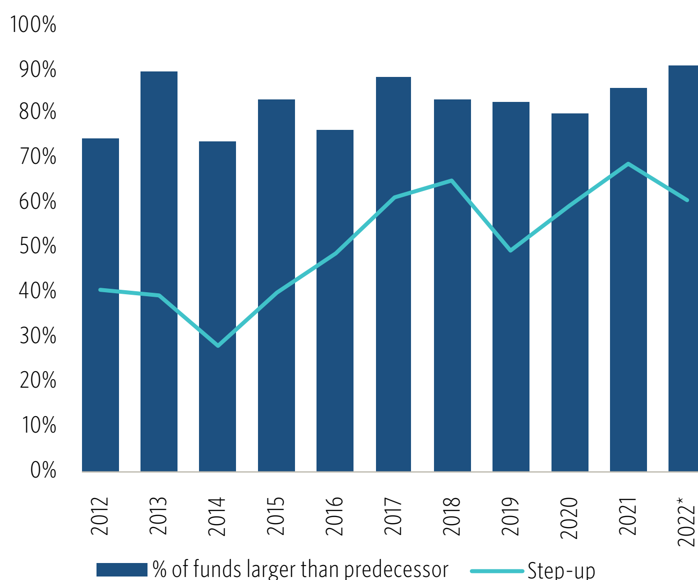
Mega-fund managers have built a strong presence in the middle-market space, with funds spanning multiple vintages targeting middle-market companies as they offer a plethora of opportunities to deploy capital. In April, Veritas Capital launched its inaugural Veritas Capital Vantage Fund with $1.8 billion of committed capital and will leverage its capabilities in technology investing to focus on the middle market. In December, Thoma Bravo closed its Explore Fund II on $1.8 billion, a fund that will focus on lower-middle-market investments, up from the $1.1 billion raised by Explore Fund I.

PE middle-market fund value as a share of all PE fund value



Source: PitchBook | **Geography:** US
*As of December 31, 2022

Median step-up from previous PE fund in fund family



Source: PitchBook | **Geography:** US
*As of December 31, 2022

Emerging managers

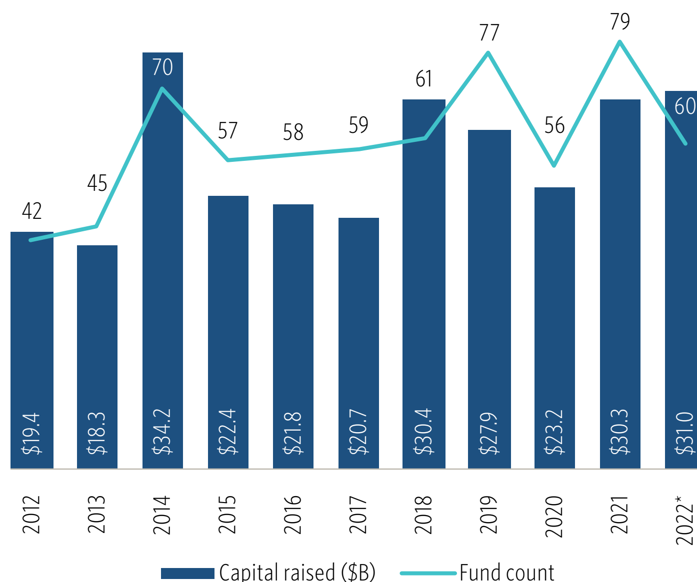
The middle market is the sweet spot for emerging managers, which we define as managers with three or fewer funds ever launched, including first-time managers. Emerging managers made up 23.2% of all capital raised in the middle markets in 2022. Moreover, the vast majority of capital raised by first-time managers in 2022, 94.9%, was raised within the middle-market space. The share of total emerging manager fundraising increased in 2022 as more capital was raised by these managers in an otherwise flat market. The average size of emerging manager funds also increased during the year to $516.7 million, up from $384.1 million in 2021, as the number of emerging manager funds declined, and the capital raised was slightly up. This reflects the broader trend in PE of fewer managers receiving more funding. In the case of emerging managers, they tend to be highly pedigreed teams with many spinning out of larger PE shops. In September, BayPine closed its inaugural fund at $2.2 billion, making it the largest first-time middle-market fund raised in 2022. BayPine was formed by former executives from Blackstone and former officials from the US Department of the Treasury. Similarly, in November, Brighton Park Capital closed its second fund at $1.8 billion. The firm was founded in 2019 by former executives at General Atlantic and Apax Partners.

Performance

In Q3 2022, middle-market funds turned the tables on mega-funds, with a median one-year horizon return of 9.0% versus 4.2% for US PE funds of $5 billion or more in size. This is in stark contrast to Q4 2021, when mega-funds led by 1,391 basis points, or 58.4%, versus 44.5% for the middle market. It has taken the middle market just six months to erase the performance gap and return two consecutive quarters of outperformance. To a large extent, the steep decline in mega-funds can be tied to the greater proximity to public markets, where prices have collapsed, and IPO markets have seized. This same dynamic can be seen at every subsector within middle markets, with the core and lower middle market exhibiting higher returns than the upper middle market. It's good to be small in the PE world, finally.

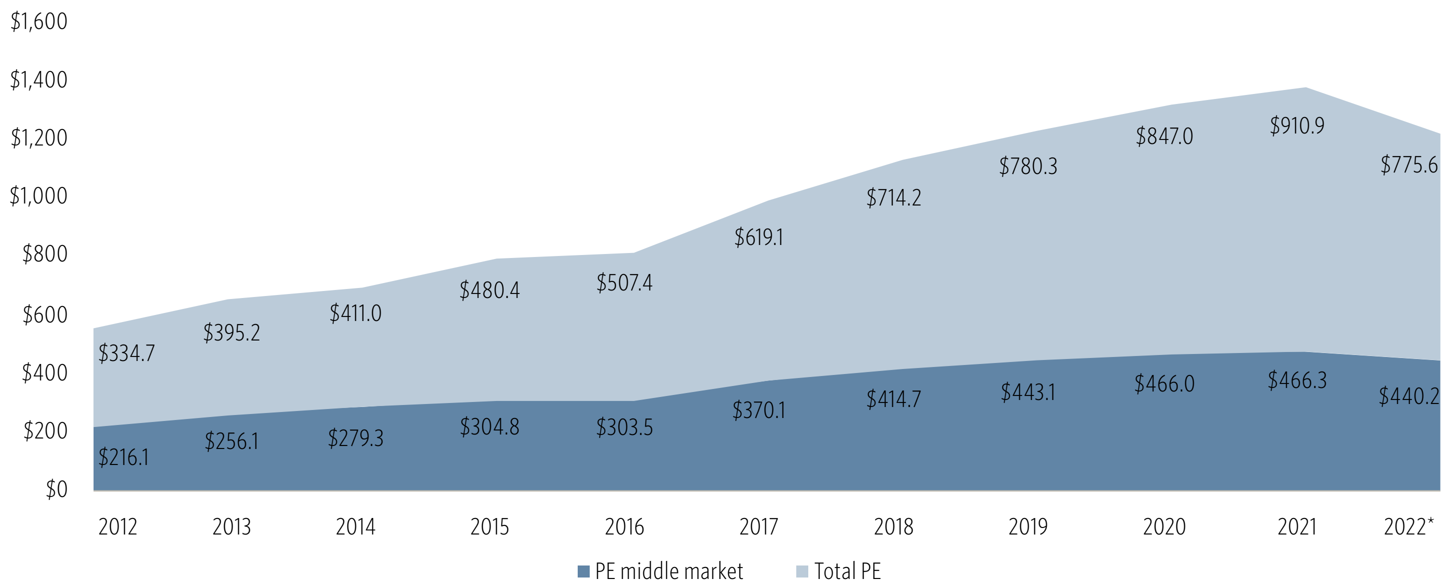
This outperformance cycle by the middle market versus the mega-fund market is nascent and will likely require many quarters and a much wider margin to begin feeding through to allocation decisions. It will start with more opportunistic investors with less stringent mandates. It's very much counter to the present psychology and fundraising trends, which favor larger managers as safe havens and ports in the storm. The middle market has its work cut out for it before it can go up against the large fundraising machines of the mega-fund platforms. Over time, however, there is no better substitute than raw performance to reverse the share of future fund flows, and recent results are a step in that direction.

PE middle-market fundraising activity with emerging manager participation



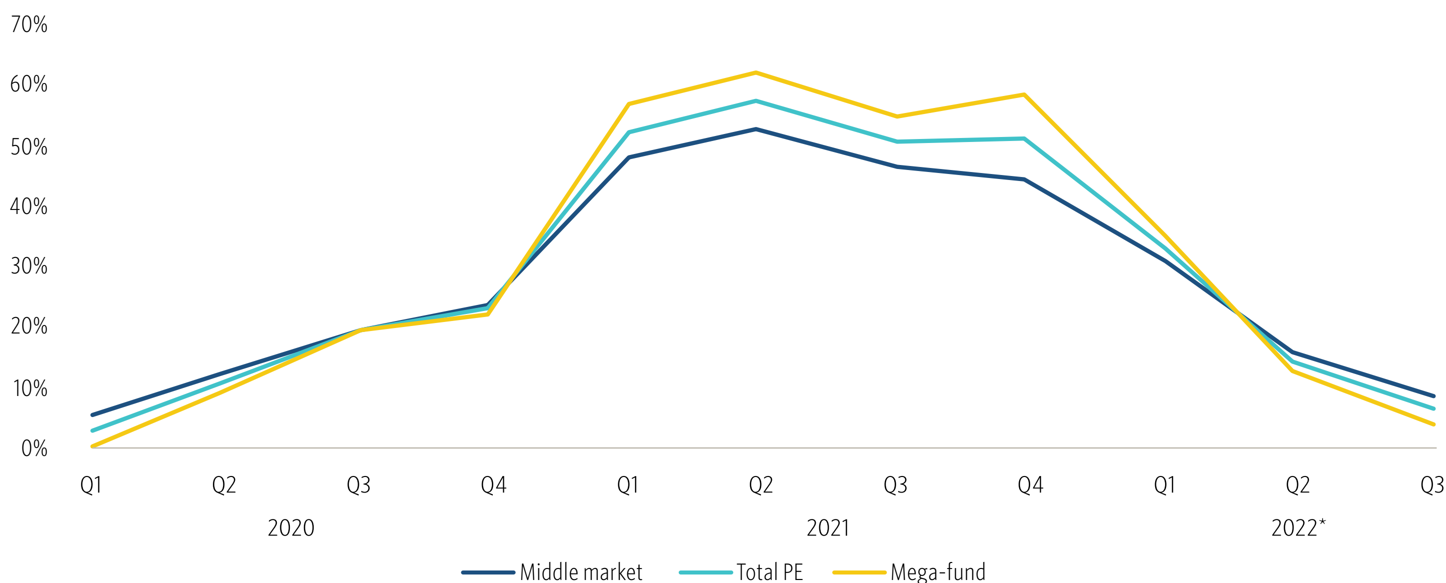
Source: PitchBook | **Geography:** US
*As of December 31, 2022

PE middle-market and overall PE dry powder ($B)



Source: PitchBook | **Geography:** US
*As of December 31, 2022

Rolling one-year PE fund performance by fund type



Source: PitchBook | **Geography:** US
*As of December 31, 2022

PitchBook

Sponsored by Antares Capital, American Investment Council

2022 Annual US PE middle market lending league tables

Overall

Rank	Company	Deal count
1	Ares	181
2	Churchill	165
3	Antares Capital	163
4	Audax Private Debt	158
5	Twin Brook Capital Partners	135
6	Golub Capital	133
7	Barings	115
8	Monroe Capital	109
9	BMO Financial Group	100
10	PNC	98
11	Morgan Stanley Private Credit	92
12	Owl Rock	90
13	Varagon Capital Partners	75
14	Truist Financial	71
15	North Haven Private Income Fund BDC	69
16	Crescent Capital	68
16	Citizens Bank	68
18	MidCap Financial	63
19	Apollo Debt Solutions BDC	62
20	Blackstone Private Credit Fund BDC	60
21	Capital One	58
22	Fifth Third Bank	55
22	KeyBank	55
24	HPS Corporate Lending Fund BDC	54
25	NXT Capital	53

Source: PitchBook

Select roles*

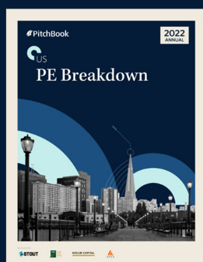
Rank	Company	Deal count
1	Antares Capital	158
2	Twin Brook Capital Partners	132
3	Churchill	113
4	Golub Capital	110
5	Ares	92
6	Audax Private Debt	84
7	BMO Financial Group	82
8	PNC	76
9	Varagon Capital Partners	70
10	Truist Financial	65
11	Citizens Bank	62
12	Crescent Capital	59
13	Barings	57
14	Monroe Capital	48
14	Capital One	48
16	NXT Capital	43
16	MidCap Financial	43
18	Jefferies Group	42
18	Fifth Third Bank	42
20	KeyBank	41
21	The Carlyle Group	38
22	Wells Fargo	35
22	Morgan Stanley Private Credit	35
24	Bank of America	32
25	J.P. Morgan	28

Source: PitchBook

*Select roles comprise only bookrunners, lead arrangers, mandated lead arrangers, and all types of agents that are specifically listed within PitchBook.

Additional research

Private markets

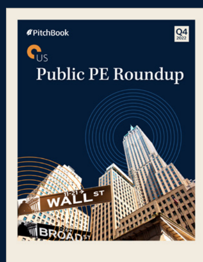


2022 Annual US PE Breakdown

Download the report here

2022 Annual Global M&A Report

Download the report here



Q4 2022 Public PE Roundup

Download the report here

2022 Annual Global Private Market Fundraising Report

Download the report here

More research available at pitchbook.com/news/reports

COPYRIGHT © 2023 by PitchBook Data, Inc. All rights reserved. No part of this publication may be reproduced in any form or by any means—graphic, electronic, or mechanical, including photocopying, recording, taping, and information storage and retrieval systems—without the express written permission of PitchBook Data, Inc. Contents are based on information from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. Nothing herein should be construed as any past, current or future recommendation to buy or sell any security or an offer to sell, or a solicitation of an offer to buy any security. This material does not purport to contain all of the information that a prospective investor may wish to consider and is not to be relied upon as such or used in substitution for the exercise of independent judgment.