PitchBook

Q1 2023

US PE Middle Market Report

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In this environment, experience sets players apart.

Private credit has been shown to be a standout in stressful times, but current market pressures illustrate that the make-or-break factor for lenders (and the investors that trust in them) is capabilities grounded in experience. In this issue, Timothy Lyne, CEO of Antares Capital, speaks frankly about the benefits of working with a large, established player.

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Your Guide Forward

Contents

Executive summary 4

Deals 5

A word from Antares Capital 11

Deals by size and sector 13

Spotlight: Founder-owned businesses are attractive M&A targets 14

Exits 17

A word from Cherry Bekaert 20

Fundraising and performance 22

Q1 2023 US PE middle-market lending league tables 26

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

Garrett Hinds
Senior Analyst, Private Equity
garrett.hinds@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 **Chloe Ladwig**

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Executive summary

It is confirmed: The US PE middle market is finally having its moment. Middle-market funds, which we define as between $100 million and $5 billion in size, have outperformed megafunds (funds of $5 billion or more) for three consecutive quarters, with the gap widening to 917 basis points as measured by median one-year horizon returns. This is the widest gap in favor of the middle market since 2016, and it is in stark contrast to Q4 2021, when megafunds were trouncing all other funds by an even wider margin. Equally encouraging is the middle market's share of all PE buyouts, which is north of 75% for the second quarter in a row, the highest level in five years.

Despite this relative strength, in Q1 2023, dealmaking in middle markets dropped dramatically from the late-2021 peak, just less so than the overall decline in PE market volumes. Middle-market dealmaking is still keeping its head above pre-pandemic activity, but that margin is fading with every passing quarter.

Diminished access to debt packages for big leveraged buyouts (LBOs) and cheaper multiples for smaller deals are encouraging PE firms to reach down market for deals that are more easily financed and satisfy return objectives. 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 have diverged significantly above and below the $1 billion mark.

In Q1 2023, middle-market exit activity slowed again, and it was a fairly steep decline from the prior quarter. Even though the middle market is less dependent on new public listings as an exit route, quarterly volumes collapsed by two-thirds from the peak. Middle-market fund managers, similar to all sponsors, are holding out for better prices before capitulating and selling to other sponsors and corporate buyers seeking deep discounts.

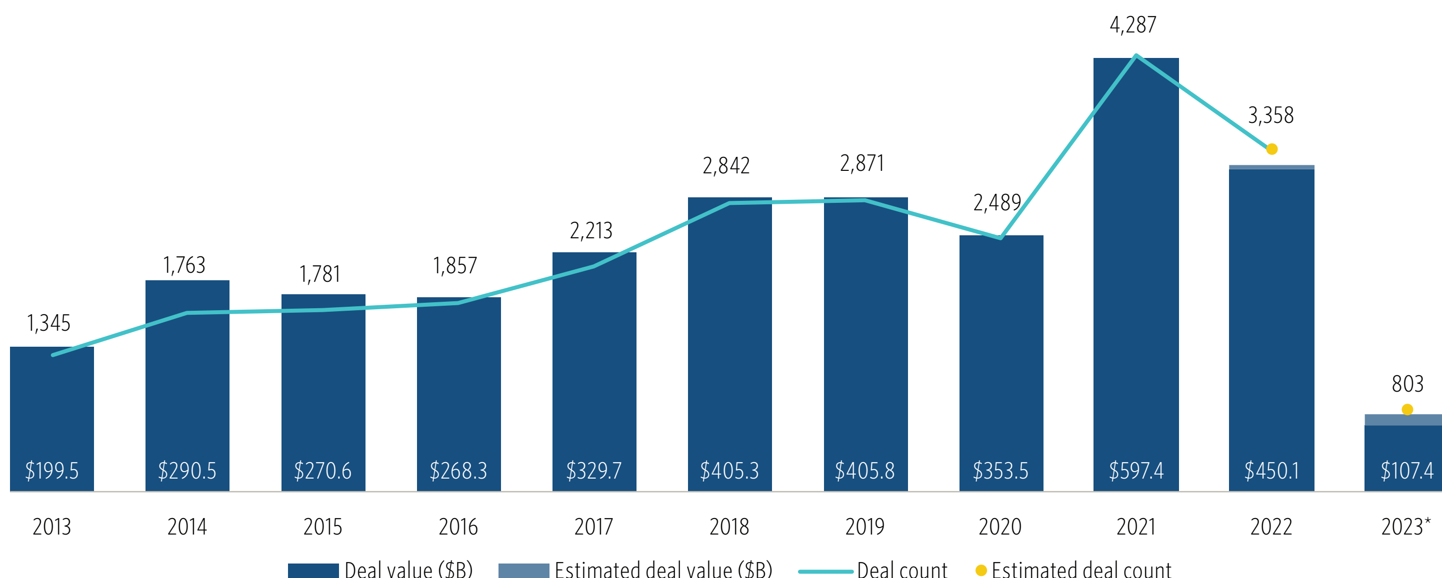
Against this backdrop, fundraising for US middle-market PE was surprisingly strong during the quarter. A year ago, mega buyout funds dominated the market, and it encouraged the launch of three new flagships targeting $15 billion or more. However, big-fund fatigue seems to have set in with LPs taking a shine to smaller buyout funds designed to buy up smaller companies. Smaller funds can also mean smaller commitments, allowing LPs to stay exposed to the strategy without pressuring PE allocations, which are maxed out in many cases. Lastly, LPs in search of specialization that can boost returns in a lackluster environment for generic buyout strategies can find that variety in the middle market.

Whatever the case, fundraising nearly doubled from a year ago, and the middle-market share of all US buyout funds closed in the quarter swelled to more than half, its highest in more than a decade. The segment is now on track for its best fundraising year since the peak in 2019.

Of course, this could all unravel quickly. An unexpected lurch downward in interest rates and upward in public markets would dispatch the denominator effect and big buyout funds would regain their appeal. Barring that, conditions favor the middle market, and it will no doubt continue to enjoy its moment.

Deals

PE middle-market deal activity

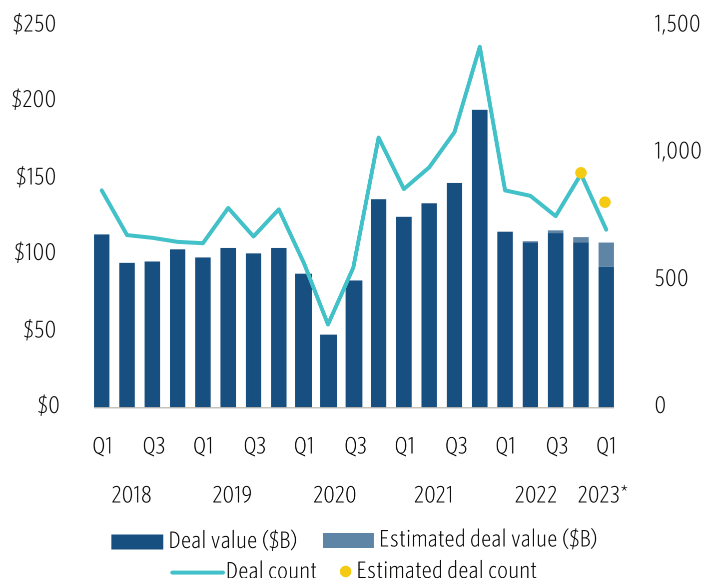


Source: PitchBook • **Geography:** US
*As of March 31, 2023

Overview

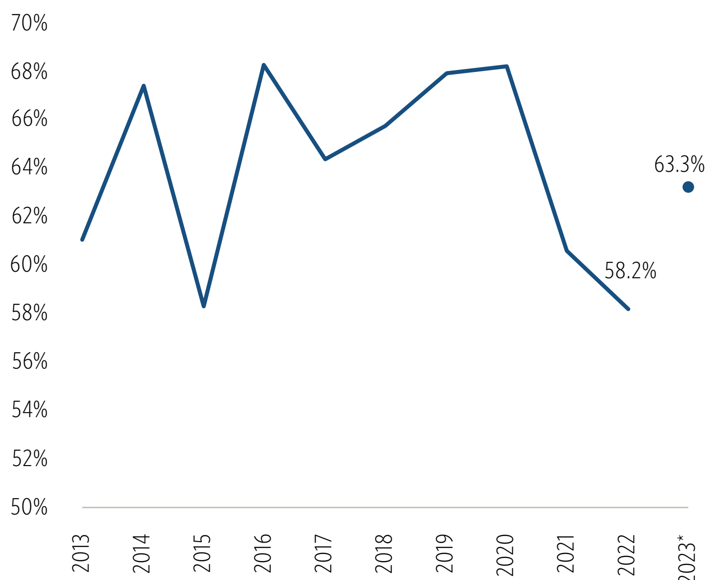
In Q1 2023, US PE middle-market buyout activity stalled again after attempting to rebound in the final quarter of 2022. PE firms announced or closed 803 middle-market buyout deals for a total of $107.4 billion in deal value. Deal count declined by 12.8% from the prior quarter, and deal value declined by 3.5%. Year-over-year, the declines in deal count and value measured 5.5% and 6.6%, respectively. These declines were not as steep as those in the buyout market overall, and as a result, the middle-market share of all buyout deals expanded to 76.5% in Q4 2022 and 75.6% in Q1 2023 for the highest back-to-back readings in five years. This share has never held at more than 72% for a full year, but this is a solid start. The middle-market share of deal value has also rebounded to north of 60% for two consecutive quarters after hitting a six-year low of 44.9% in Q2 2022.

PE middle-market deal activity by quarter



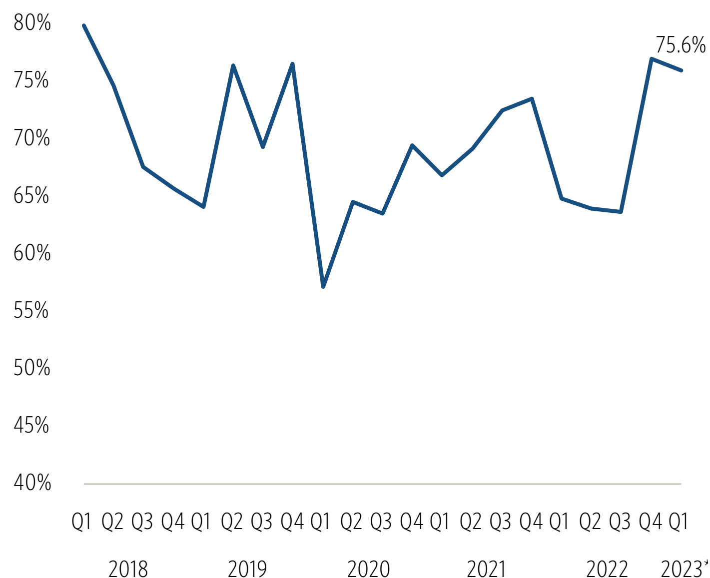
Source: PitchBook • **Geography:** US
*As of March 31, 2023

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



Source: PitchBook • **Geography:** US
*As of March 31, 2023

PE middle-market buyout count as a share of all PE buyouts by quarter



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Connecting the dots, the mega buyout era that dominated PE strategy for several years finally seems to have ended. This can be seen most clearly in the flow of announcements of take-privates. They are still running at the same clip as the last two years, which happened to be the busiest period since 2006 and 2007, but the median deal size is exactly half of what it was. The shrinking of take-private deal sizes acknowledges the fact that, while take-privates may still have a compelling logic, the compelling values are to be had in the middle-market domain with sub-$1 billion values.

The forces driving the slowdown in megadeal activity are well documented. There seems to be a glass ceiling at the $2 billion level for debt packages backing LBOs. Nontech companies may have a shot, as the $8.1 billion buyout of Univar and $4.7 billion buyout of Diversey demonstrate. These companies received debt packages of $4.3 billion and $2.7 billion, respectively. That was not the case for the $12.5 billion buyout of Qualtrics and the $4.6 billion deal for Cvent, which received $1.2 billion and $1.0 billion, respectively, in debt commitments. All four of these take-privates were announced in March 2023 but had different outcomes.

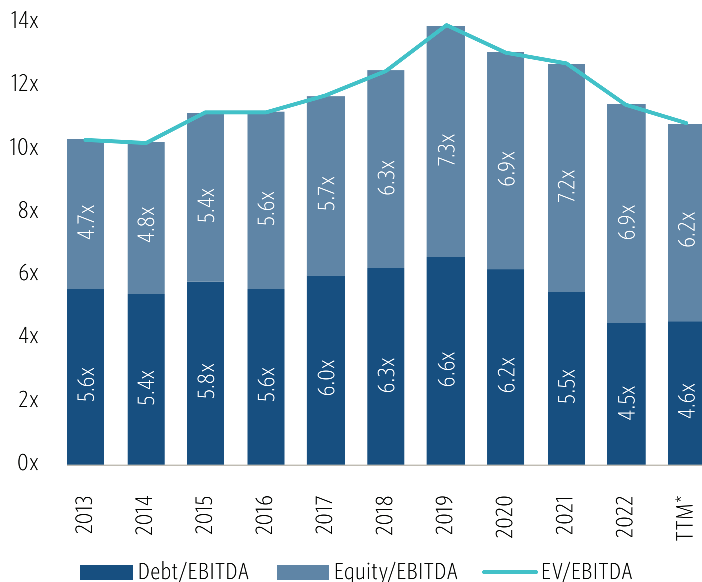
Nontech companies with unexciting growth prospects but more mature and solid cash flows are the ones able to attract multi-billion-dollar debt packages, whereas tech companies cannot, at least for the time being.

As for middle-market companies, not only are they well below the $2 billion glass ceiling, but they are also being courted daily by the vast and growing complex of private credit lenders. Between publicly traded and nontraded business-development companies and interval funds and private market direct lending funds, there are more than 800 vehicles in the US alone, and virtually all have the express purpose of lending to small and middle-market businesses. The aggregate AUM in these vehicles has grown to $614 billion,[1, 2] nearly double from just three years ago, or 43.8% of the size of the leveraged loan market, which lends to the world's largest companies but has barely grown during the same span.

Given this ample supply of willing lenders and the constraints hemming in big loans for big buyouts, the path of least resistance for PE dealmakers favors the middle market.

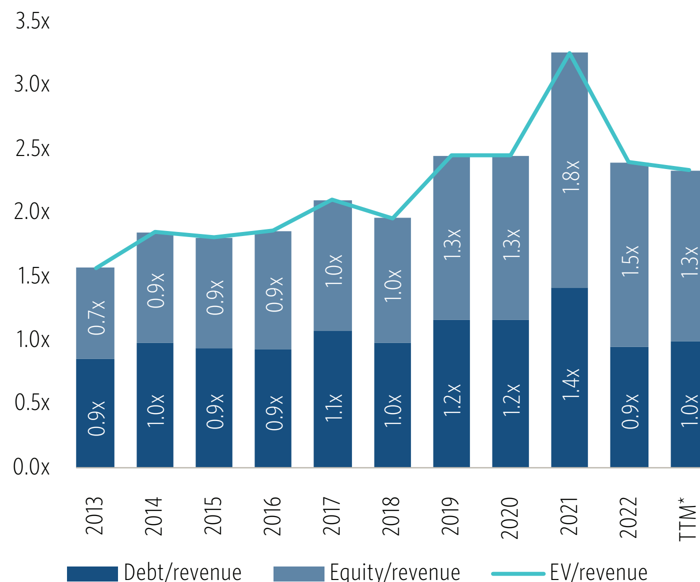
1: "Business Development Company (BDC) Universe," Closed-End Fund Advisors, June 9, 2023.
2: "Active Interval Funds," Interval Fund Tracker, n.d., accessed June 12, 2023.

PE middle-market EV/EBITDA multiples



Source: PitchBook • **Geography:** North America and Europe
*As of March 31, 2023

PE middle-market EV/revenue multiples



Source: PitchBook • **Geography:** North America and Europe
*As of March 31, 2023

Valuations

Prices paid on PE buyouts of all sizes are in full correction mode.[3] Using enterprise value (EV) to EBITDA as a metric, PE buyout multiples peaked at 12.0x in 2020 and have since slid by 9.0% cumulatively, or by 2.8% annually. The median EV-to-EBITDA multiple now stands at 11.1x for the 12 months ended Q1 2023, down from 12.2x in 2020. EV-to-revenue multiples tell a slightly different story. This is a broader measure and does a better job capturing tech, where EBITDA is often missing or is not meaningful. By that metric, prices have held firm over the past two years but have dropped sharply year to date. The median EV-to-revenue multiple on PE buyouts stands at 1.7x through the first three months of 2023 compared with 2.5x in 2021 and 2.4x in 2022. This would indicate that dislocation between buyers and sellers may have finally found a price at which private deals will clear, this time favoring buyers.

Middle-market buyout multiples tell a similar story, except that EV-to-EBITDA multiples peaked earlier in 2019 at 13.9x and fell more sharply to 10.8x in the trailing 12 months, down 22.3% cumulatively or 5.8% annually. On an EV-to-revenue basis, the broader measure inclusive of tech, the 2021 melt-up driven by the tech-buying frenzy is evident. EV to revenue peaked right on cue at 3.3x in 2021 before collapsing to 2.3x in the trailing 12 months, a 28.4% decline in less than two years. Still, revenue multiples are roughly in line with those that came before the "COVID bump" and certainly above the valuations that prevailed a decade ago when the PE middle-market buyout machine shifted into high gear.

While these comparisons would indicate that multiples paid for middle-market companies are at a slight discount to the overall PE market, they mask much larger price breaks available when going down the size scale. Deals in the sub-$100 million bucket, for example, have median EV/EBITDA and EV/revenue multiples of 6.4x and 1.1x, respectively, a 38.5% and 46.2% discount to the next size up, the $100 million to $250 million bucket. Meanwhile, megadeals of $5 billion and up are in their own stratosphere at median multiples of 16.9x for EV/EBITDA and 6.4x for EV/revenue.[4] Clearly, M&A buyers are paying up for scale.

3: We combine the US and Europe when quoting PE multiples due to lower PE disclosure rates in the US and the resulting low sample size. Multiples by deal size bucket include corporate M&A for a greater sample size.
4: When calculating these multiples, we included corporate-led M&A in addition to PE buyouts for a sufficient sample size across deal size ranges.

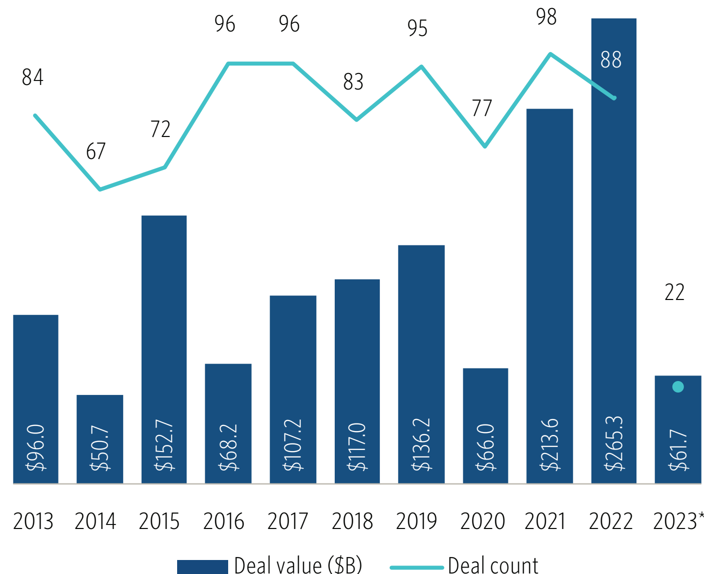
Take-privates

PE buyers announced 18 take-privates above $100 million in Q1 2023. Of those, seven were below $1 billion in size. These would be considered "middle-market" companies in private markets' lexicon, but in public markets they are borderline "micro-caps." Having a sub-$1 billion market cap is tough going in public markets. There is not enough float and daily trading volume to attract market makers and research coverage to boot, and these companies are too small for large active managers or index funds/ETFs to acquire meaningful positions without becoming outsize owners or breaching their mandates. The stocks of these companies become orphaned and trade to steep discounts as a result. The more stocks that occupy this dead space courtesy of the current bear market, the more take-privates we would expect, especially given the flood of new listings from two years ago that have, for the most part, traded down to sub-$1 billion market caps.

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 now able to scoop up attractive public companies at significant discounts to what they traded at 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.

This can be seen when comparing the take-privates announced in Q1 2023 with those announced in Q1 2022. While the pace was nearly identical, 18 in Q1 2023 versus 19 in Q1 2022, the median deal size is exactly half at $1.3 billion this year versus $2.6 billion last year. Another interesting fact was that exactly half of the take-privates announced this quarter, or nine of the 18, involved companies that only recently became public in 2020 or 2021, compared with just one in Q1 2022. These so-called "boomerang" stocks, going private to public and now private again, is a trend we see playing out throughout the year, with PE sponsors only too glad to accommodate.

PE take-private deal activity



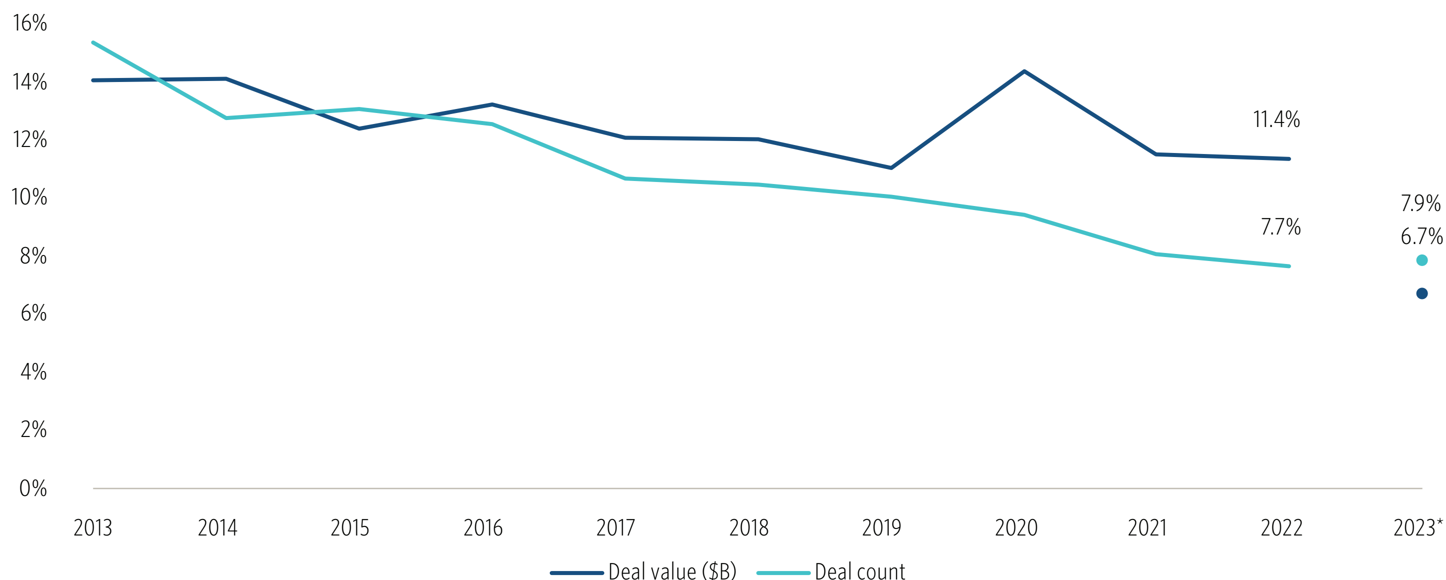
Source: PitchBook • **Geography:** North America, Europe, and Oceania
*As of March 31, 2023

PE take-private deals under $1 billion in Q1 2023*

Announced date (2023)	Company	Acquirer(s)	Deal value ($M)*	% discount 52-wk high*
March 24	Tion Renewables	EQT, Pelion Green Future	$159.8	-1.2%
March 15	Hyve Group	Providence Equity Partners	$384.8	-5.4%
February 28	Quantafuel	KKR, Hermes GPE, Equitix	$102.2	-77.9%
February 22	INDUS Realty Trust	Centerbridge Partners, GIC Real Estate	$868.0	-17.6%
January 23	Dignity	Phoenix Asset Management, SPWOne	$318.4	-22.5%
January 18	Meltwater	Altor Equity, Marlin Equity	$581.1	-37.8%
January 6	Curtis Banks	Nucleus Group	$290.9	-89.9%
Median			**$318.4**	**-22.5%**

Source: PitchBook • **Geography:** North America, Europe, Oceania
*As of March 31, 2023
Note: This table only includes deals of $100 million or more.

Carveouts and divestitures as a share of all PE middle-market deals



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Carveouts

As market headwinds continue, GPs can look to pick up deal opportunities from companies willing to sell noncore businesses to raise much-needed cash, and most are affordable for middle-market funds. Companies are re-evaluating their assets and focusing on strengthening their balance sheets to weather the market storm, and many are choosing to spin out noncore or nonperforming assets. And PE firms are readily available to scoop them up. Sponsors are still well equipped with dry powder and can inject new capital into these companies to drive additional value and create growth through operational efficiency and scale. Corporate carveouts and divestitures can also be acquired cheaper than other types of deals as corporations look to move on from these assets, which bodes well for sponsors that are currently more inclined to look for attractively priced deals due to the increase in borrowing costs and the disruption in access to loans for leveraged buyouts. As such, carveout strategies appeal to PE firms because they can buy developed businesses at more digestible sizes and with more seasoned operating histories that can be easier to bank and finance. Sponsors will often fold these smaller assets into platform companies to drive synergies or combine them with other companies to create new platforms. In the broader US PE market, 70.7% of carveout deals were part of add-on deals.

In Q1 2023, carveouts made up 7.9% of the number of deals closed or announced in the middle market, a slight uptick from the 7.7% that carveouts made up during 2022. On the other hand, carveouts as a share of middle-market deal value dropped from 11.4% for full-year 2022 to 6.7% in Q1 2023. While we are not yet seeing a meaningful jump in carveout activity in the data, we are expecting more corporations to spin off assets as a slowed economic environment persists and more PE firms to acquire midsize carveouts in a classic PE strategy of restoring distressed businesses back to health or bolstering their growth prospects. The largest carveout deal in Q1 was Global Payments' $415.0 million divestiture of Global Payments Gaming Solutions, which was acquired by Parthenon Capital Partners. Parthenon, a growth-oriented middle-market private equity firm, will transition the gaming division into Pavilion Payments, a standalone independent company, to deliver an innovative payments ecosystem to gaming operators.[5]

Technology

Information technology (IT) deal activity remained relatively stable as a share of the total middle market. QoQ, IT's share of deal count increased from 12.6% to 13.7%, while its share of deal value dropped from 15.3% to 12.9%. The sector made up the greatest portion of middle-market deal value after B2B

5: "Parthenon Capital Announces Transition of Gaming Division of Global Payments to Pavilion Payments," Business Wire, February 13, 2023.

and B2C, reflecting PE sponsors' affinity for technology's long-term structural growth. That being said, high interest rates and valuation adjustments have pulled down IT dealmaking significantly from its peak. Quarterly deal value dropped for the fifth consecutive quarter to $11.8 billion, a whopping 56.1% decrease from the $27.0 billion recorded in Q4 2021. IT deal activity in Q1 2023 was also slower than the pace seen in the years prior to the pandemic as increased interest rates and recessionary fears dampened investor confidence. Going forward, the continued environment of high interest rates and reduced access to capital could create additional deal opportunities for tech in the middle market: Investors are likely to be drawn to midsize companies with recurring revenue rather than to the large platform companies that are growth oriented and lack a history of profitability. With ample supply of dry powder, PE firms are still well positioned to pick up deals and take advantage of lower-priced assets.

Take-privates have become more prevalent, especially in IT, as depressed public valuations create attractive opportunities for cash-rich GPs. Software take-private deals made up half of the 10 public-to-private deals announced in the broader US PE market during Q1 2023 as both software-focused and generalist GPs sought the long-term growth potential of tech-enabled businesses at lower prices than before. In the middle market, one take-private in the IT sector was announced during Q1: Altor Equity Partners and Marlin Equity Partners announced they would take social and media intelligence software company Meltwater private for approximately $581.1 million.

There were a number of large tech add-ons made by PE-backed platform companies during the quarter. In January, PE-backed Exterro acquired Zapproved, a software provider for corporate legal departments, for $237.5 million. The acquisition will further Exterro's vision to empower customers to proactively and defensibly manage their legal governance, risk, and compliance obligations.[6] In February, APCT, which is backed by Industrial Growth Partners, acquired Advanced Circuits (ACI) for $220.0 million. ACI now operates as a subsidiary of APCT and enhances the merged company's position as a designer and custom manufacturer of advanced technology printed circuit boards.[7]

Healthcare

Healthcare deal activity stumbled in Q1, with around 30% fewer deals closed or announced than the quarter before. With 83 deals for an aggregate of $7.3 billion, healthcare accounted for just 5.4% of total middle-market deal value, a meaningful drop from its 11.4% share the same time last year. The industry is dealing with higher interest rates and lower multiples, although there are signs that things are looking up. The Golub Capital Altman Index (GCAI), which tracks PE-backed middle-market companies, reported 9.8% and 13.5% YoY growth for the sector's revenue and earnings, respectively.[8] This marks the second consecutive quarter GCAI reported positive growth for both measures, demonstrating that profit margins are expanding as companies continue to adapt to a more challenging operating environment.

At the same time, ongoing macroeconomic pressures can benefit investors looking to roll up smaller companies into platforms. For example, the largest healthcare deal during the quarter was Resonetics' announced acquisition of Memry Corporation and SAES Smart Materials from SAES Getters for $900.0 million. Resonetics, which is backed by Carlyle and GTCR, will expand its nitinol and components manufacturing capabilities and looks to bolster its platform of services to the medical device industry with improved supply and scale.[9] The carveout trend is also prevalent in the healthcare sector as companies continue to deal with margin pressure and seek greater business focus. In February, Gentiva Health Services, which is backed by Clayton, Dubilier & Rice, announced its $710.0 million acquisition of ProMedica's hospice and homecare services division. The deal enables Gentiva Health Services to provide hospice, palliative, and personal care to more patients throughout the US while allowing ProMedica to simplify its organizational structure and improve its long-term financial strength.[10]

6: "Legal GRC Platform Exterro Announces Acquisition of E-Discovery Provider Zapproved," Exterro, January 19, 2023.
7: "APCT Completes the Acquisition and Merger With Advanced Circuits," IGP, February 2023.
8: "Golub Capital Middle Market Report," Golub Capital, Q1 2023.
9: "Resonetics Signs Agreement to Acquire Memry and SAES Businesses for $900m," Medical Device Network, January 10, 2023.
10: "Gentiva Inks Deal to Acquire Heartland Hospice From ProMedica for $710 Million," Hospice News, Jim Parker, February 27, 2023.

A WORD FROM ANTARES CAPITAL
Banking on private credit

No shortage of bricks in the wall of worry

As of this writing in early June, debt-ceiling brinkmanship has been resolved at least for another two years; however, other bricks in the "wall of worry" do not appear to have such a clear expiration date. Regional banks, for example, continue to face pressure: The KBW Regional Banking Index is down near YTD lows as of mid-May, including a few names down 50% to 75%. Predictably, the Federal Reserve's (the Fed's) quarterly Senior Loan Officer Opinion Survey published in May indicated a credit crunch may lay ahead,[1] with tighter lending standards expected for commercial industrial loans and consumer mortgages and credit. Clearly, economic headwinds are still blowing. Meanwhile, geopolitical flashpoints such as the war in Ukraine, intensifying conflict in Sudan, and tensions with China continue to loom large.

Will it all "work out"?

While not all is doom and gloom, and with some reasons to cheer (including falling inflation in the face of still-decent service sector growth as of late and a possible end to Fed rate hikes), the odds of a mild recession arriving within the next several months look pretty high. In fact, the S&P 500 has already been in an earnings recession of sorts with Q1 2023 earnings down about 2% YoY—the second quarter in a row of negative growth, albeit less bad than markets had generally expected. Even if the US manages to skirt a recession, interest rate coverage ratios look increasingly compressed. Amendments, defaults, and losses will most likely rise and drive increasing performance variance among lenders.

While we expect private credit as an asset class to shine as it usually does during times of stress with higher yields more than offsetting losses, lenders that have been less selective and credit disciplined will likely start to lag in performance. Robust, dedicated work-out capabilities, which many lack, will also no doubt come to the fore as an increasing differentiator of performance. For those without such assets, things may not "work out" so well.

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. His previous roles include Chief Operating Officer and Head of Asset Management for Antares.

Q&A with Timothy Lyne, CEO of Antares Capital

Do you see recent regional bank failures and a possible credit crunch ahead as a threat or an opportunity for direct lenders?

It's really something of a double-edged sword. Banks and nonbank lenders live in a somewhat symbiotic relationship. Nonbank lenders compete with banks, but we also depend on them both directly and indirectly.

On the one hand, lowered bank risk appetite and likely increased regulatory constraints should provide more opportunities for private credit to fill the void—a trend that has been underway since we got into the business more than 25 years ago. We believe that private credit will once again prove to be a critical stabilizing source of capital for the US economy, much as it was through the COVID-19 pandemic and other previous downturns.

On the other hand, banks are an important source of capital for nonbank lenders. To the degree banks pull back here, we believe that larger, more established and scaled private credit players with strong equity backing and a diverse set of funding sources will benefit relative to smaller, less established players that may see their funding diminish and/or see their cost of capital rise on a relative basis.

1: "Senior Loan Officer Opinion Survey on Bank Lending Practices," Board of Governors of the Federal Reserve System, May 8, 2023.

Finally, bank health is critical to the broader economy, which of course can have implications for the cash flow of nonbanks' borrowers. Right now, the regional bank fallout appears to be contained and may actually be helping the Fed in its efforts to cool the economy and inflation. However, the sector still appears to be walking on eggshells and necessitates close monitoring. Bank consolidation and branch closures, which seem likely, can also have an impact on local communities with a ripple through to the broader economy. Clearly, a healthy banking system is critical to the macroeconomic outlook.

Interest coverage ratios have been falling. How is Antares' portfolio performing?

A sample of our portfolio suggests continued, albeit slower, YoY revenue and EBITDA growth trends for the portfolio on average; however, performance varies among sectors/companies, with some starting to see negative growth sequentially and even YoY. Our risk ratings have remained relatively stable since December 2022, as has revolver utilization, but our watch list and early-warning lists have ticked up a bit. In short, our portfolio performance is holding up well but showing some pockets of rising stress, which is to be expected given economic headwinds and higher interest rates.

Based on a sampling of several leading public business-development companies that have reported Q1 2023 results, interest coverage ratios appear to be close to 2.0x on average on a last 12-month (LTM) basis but more in the 1.5x-1.9x range based on the most recent quarter. Data released by Lincoln International for Q1 2023 shows a fixed-charge coverage ratio (FCCR) for names in their database of only 1.26x on an LTM basis and only 1.04x assuming a 5.5% base rate.[2] Of course, while telling at a high level, the average ratios aren't too informative by themselves. What matters most is understanding the liquidity, resiliency, and likely sponsor support of credits at a more granular borrower-by-borrower level in the "tail" of those with FCCR below 0.9x. Having done just such an analysis for our portfolio, we continue to expect our net loss rates to rise but remain within a manageable range and, importantly, far below the pickup in yield the portfolio has seen over the past year or so.

What is the outlook for PE deal activity? Do you see any signs of a pickup?

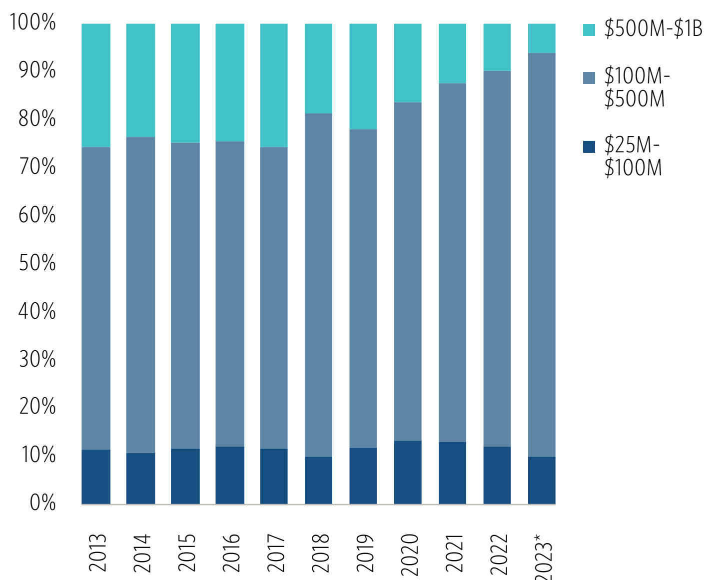
Private equity deal activity has been somewhat tepid, with Refinitiv LPC reporting a sponsored middle-market loan volume of only $19 billion in Q1 2023—down roughly 40% both QoQ and YoY.[3] Data from KBRA Direct Lending Deals suggests direct lending volume also remained anemic in April.[4] Add-on activity has been better than leveraged buyout activity on a relative basis, which plays to our strength with a large portfolio of incumbent opportunities, but activity is down YoY there as well. On the positive side, we are seeing some signs of life for the US institutional loan pipeline, which has risen as of the third week of May to its highest level YTD (albeit still well down from a year ago), as reported by Refinitiv LPC.

Looking forward, it's hard to predict when M&A activity will begin to pick up, but it is clear that pent-up PE deal demand is building, as evidenced by a 20% rise in North American-focused PE buyout dry powder at year-end 2022 versus 2021, per Preqin data. We also hear from investment bankers of stacks of deals on hold in backlog awaiting more favorable market conditions and more convergence on buyer and seller valuation expectations. Once it becomes more apparent that financing costs have peaked and that economic headwinds are abating, we expect PE-related M&A activity to sharply recover.

2: "Private Market Perspectives: U.S. Edition," Lincoln International, May 2023.
3: "1Q23 Sponsored Middle Market Private Deal Analysis," Refinitiv LPC, April 2023.
4: "DLD Insights & Outlook April 2023: U.S. Sponsored Deals," KBRA Direct Lending Deals, April 2023.

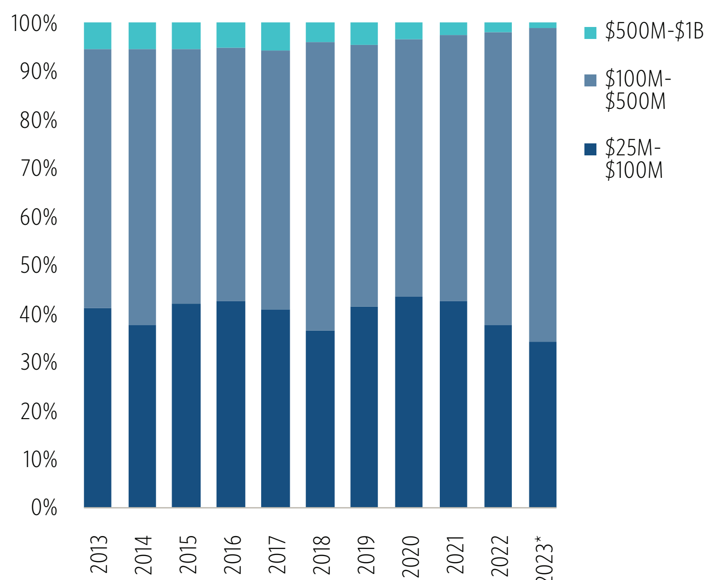
Deals by size and sector

Share of PE middle-market deal value by size bucket



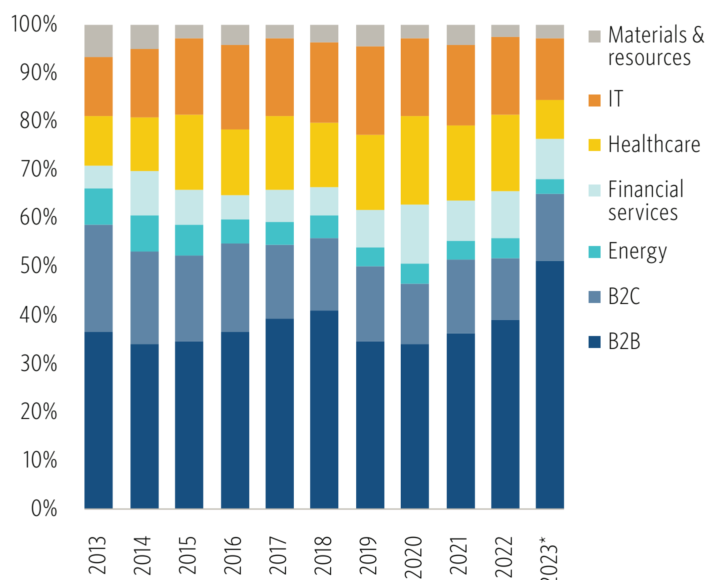
Source: PitchBook • **Geography:** US
*As of March 31, 2023

Share of PE middle-market deal count by size bucket



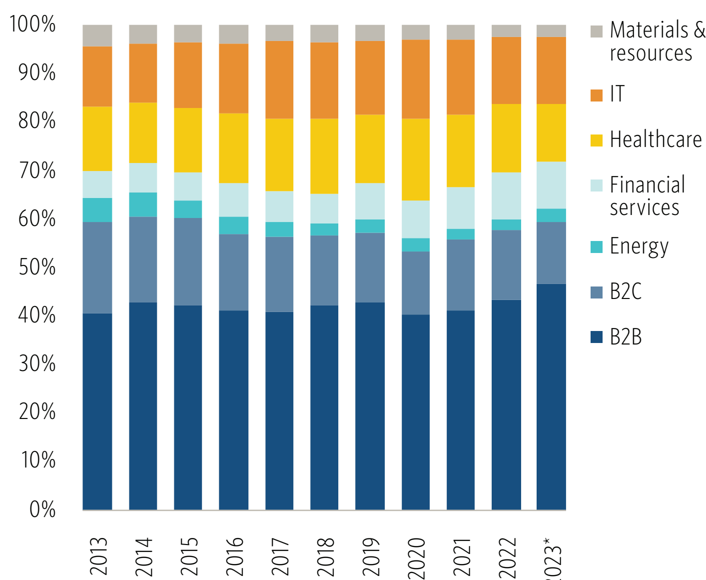
Source: PitchBook • **Geography:** US
*As of March 31, 2023

Share of PE middle-market deal value by sector



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Share of PE middle-market deal count by sector

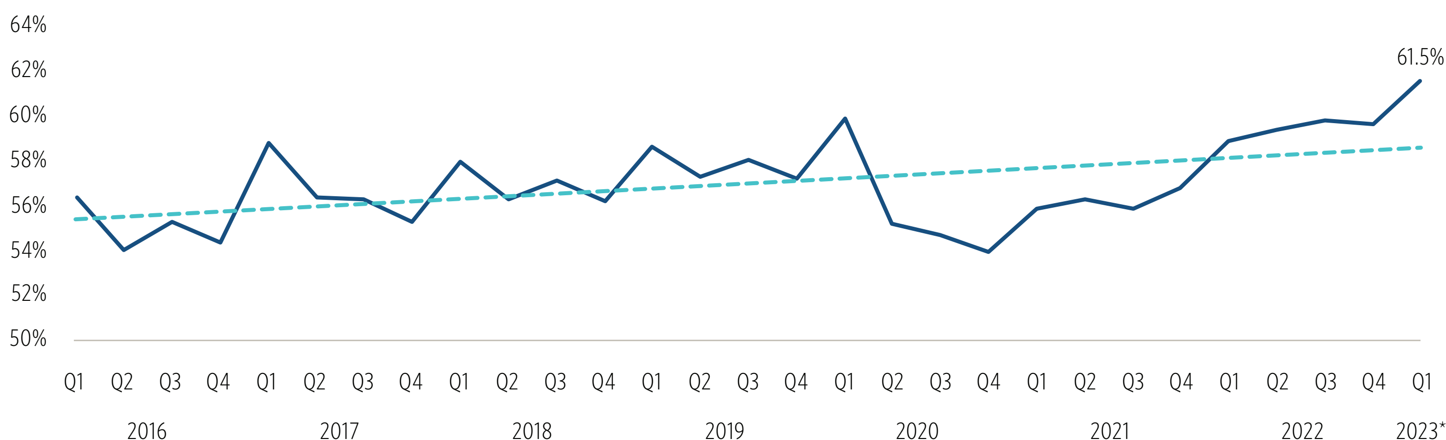


Source: PitchBook • **Geography:** US
*As of March 31, 2023

SPOTLIGHT

Founder-owned businesses are attractive M&A targets

Deals with nonbacked sellers as a share of all M&A deal count



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Note: This spotlight is abridged from our [Q2 2023 PitchBook Analyst Note: Founder-Owned Businesses Are Attractive M&A Targets](). Please see the full report for additional analysis on founder-owned businesses.

Drilling down on the founder-owned segment

Founder-owned businesses make up the vast majority of nonbacked companies, with the balance representing large private companies or partnerships where the business has outlived its original founders.

While there are variations within the founder-owned segment, these companies are typically controlled by a handful of founding employees or family members without any outside investors. "Bootstrapped" companies are often the same, only in a more tech-related startup context. The ideal bootstrapped company is heavy in IP but light in capital intensity and provides a breakthrough product innovation or disruptive technology that can get to market sooner with little upfront investment, thus allowing the business to become self-funding from day one.

What's new: Nonbacked privates move up the ranks of sellers

Due to the sheer size of the investable universe, nonbacked companies have always made up a large portion of M&A deal count, with the majority being founder-owned businesses. In Q1 2023, deals for nonbacked private companies hit 61.5% of all deals, the highest share seen since the global financial crisis. This supply of companies coming to the M&A window kept deal activity elevated in 2022, as M&A deal count was down only 13.5% from 2021's record-setting levels. While some of this can be traced to a shrinking supply of other seller types, as discussed below, intense add-on activity by PE-backed platform companies also helped boost the share of deals involving nonbacked companies, as they are often targeted.

Why sponsors and corporate acquirers love founder-owned businesses

Founder-owned companies are highly prized targets for corporate and financial sponsor acquirers for a variety of factors that have taken on even greater importance in the

current tough dealmaking and operational environment. Foremost among them, it can be easier to effect change and "professionalize" a founder-owned business, making it easier to extract growth. These companies have no previous funding from sponsors or other outside capital sources, meaning the new PE or corporate owners can start from a clean slate without any baggage from prior owners and conflicting cultures.

Acquirers of founder-owned businesses are also entering these companies closer to the ground floor in terms of value creation opportunities. Among those opportunities is to simply scale the business. Financial sponsors, in particular, provide ample opportunities for acquired companies to tap into entire platforms and centers of expertise across all utility functions—whether it is HR for enlarging its headcount with the very best talent, marketing and sales to turbocharge a go-to-market strategy, or financial control to identify savings and more buying power when negotiating with vendors.

Why founder-owned businesses are motivated to sell in the current environment

Given their smaller size and lack of backing from sponsors with deep pockets, founder-owned businesses are arguably more exposed to the tough economic and inflationary headwinds that have confronted companies of all sizes over the last year. Making matters worse, small and medium-size businesses tend to rely more heavily on credit provided by regional banks, and that credit is drying up in the aftermath of the Silicon Valley Bank collapse and the mini banking crisis that ensued.

In addition, there is a growing population of aging founders, and many do not have a clear-cut succession plan for their closely held companies. The data available shows that when family-owned companies are handed off to the next generation, a small percentage of those transitions succeed. Partnering with a skilled PE buyer or investor can pave the way for a much more orderly transition and successful outcome for all involved. Founders typically have the option to stay on for several more years or beyond, and the same can apply to key family personnel. This can motivate an aging founder to sell rather than attempt a high-risk or an ill-conceived succession plan.

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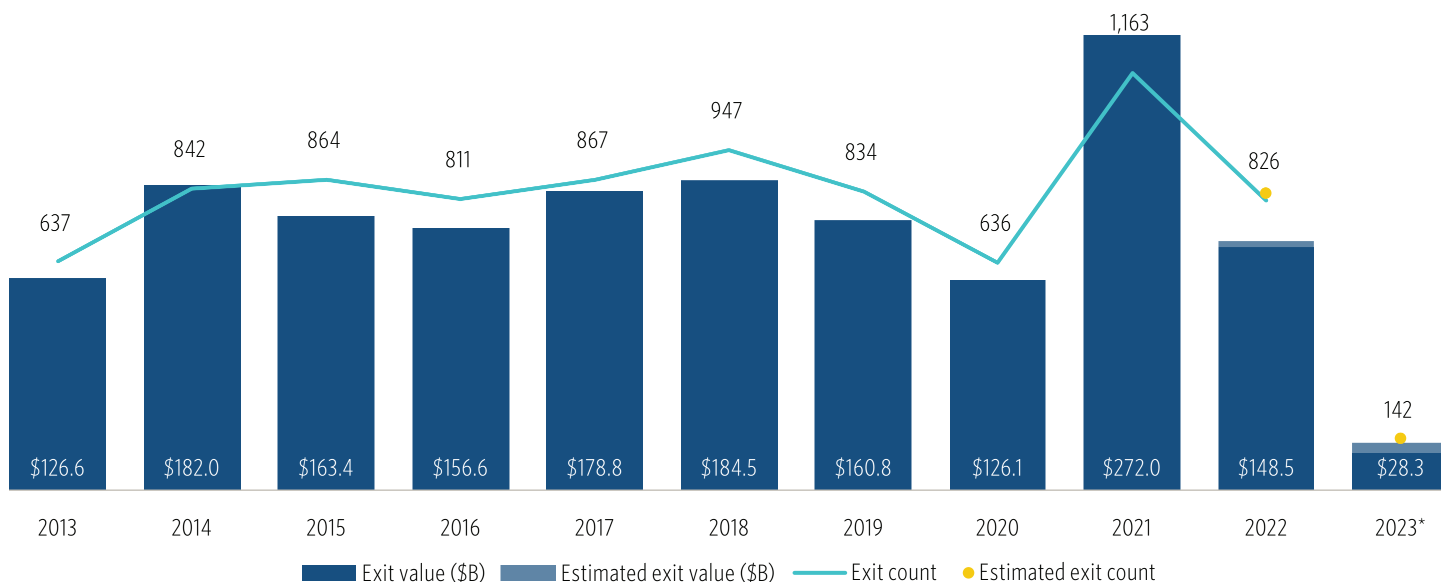
Your Guide Forward

Exits

PE middle-market exit activity

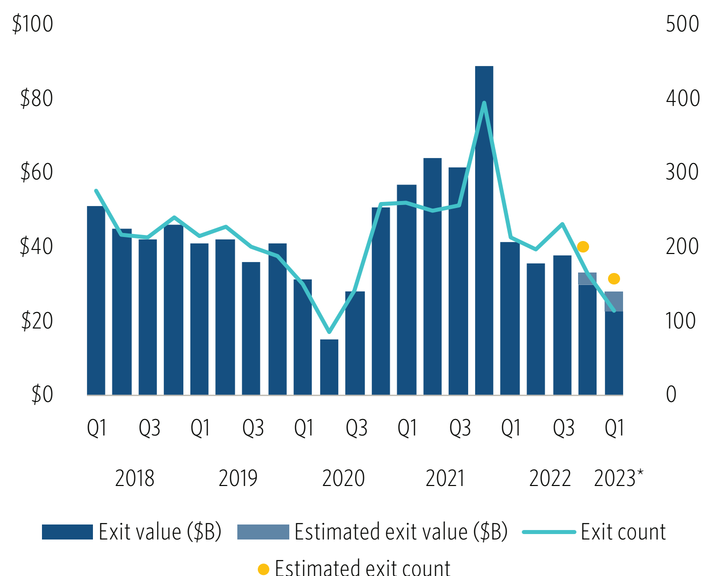


Source: PitchBook • **Geography:** US
*As of March 31, 2023

Overview

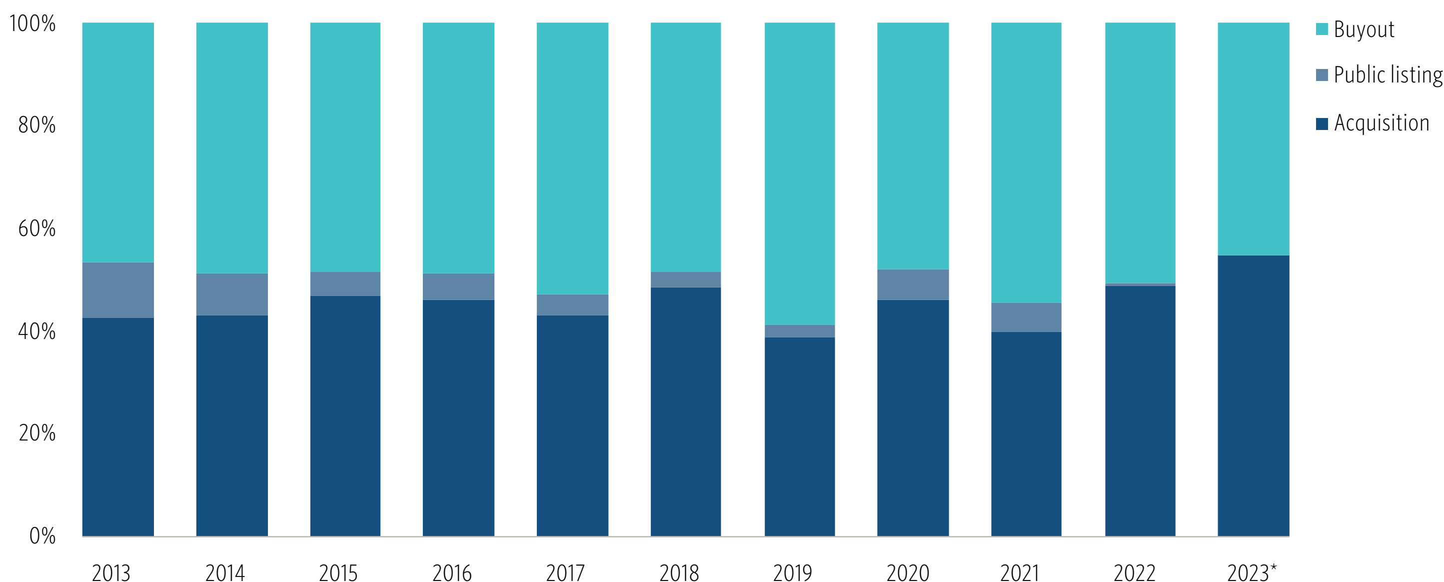
2023 got off to a lackluster start for US middle-market exit activity, with both exit count and value declining for the third consecutive quarter. Just 142 PE-backed middle-market companies were exited or announced to be exited during the first quarter of 2023, for a cumulative exit value of $28.3 billion. Exit count declined by 22.6% quarter-over-quarter while exit value dropped 15.1%. Compared with Q1 2022, exit count and value were down 33.7% and 31.6%, respectively, demonstrating how battered the exit environment is after a year of macroeconomic headwinds. Rising inflation and aggressive interest rate hikes have contributed to unfavorable valuation adjustments, leading potential sellers to hold out for better prices. In fact, compared with Q4 2021, exit count and value fell a whopping 64.1% and 68.3%, respectively. Exit activity has retreated to around two-thirds of the average recorded in the pre-pandemic days of 2017 to 2019. That being said, middle-market exits were evenly split between PE and corporate strategic buyers. There were no IPOs during Q1, as the IPO market remains effectively closed, but public listings are usually not a meaningful exit option for the middle market. Corporate buyers accounted for slightly more of Q1 exit value at 54.8%, while exits to other sponsors accounted for 45.2%.

PE middle-market exit activity by quarter



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Share of PE middle-market exit value by type



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Exits to sponsors

During the first quarter of 2023, GPs exited 59 companies to other sponsors for $10.3 billion. This is the lowest quarterly exit activity to sponsors since the throes of the COVID-19 pandemic in Q2 2020. As mentioned, sponsor-to-sponsor exits as a share of all exits fell to 45.2%. Excluding public listings, sponsor-to-sponsor exits have traditionally accounted for 50% or more of total exit count, averaging 52.5% over the past 10 years. In years past, the proportion of sales to other PE sponsors has drifted higher as the universe of PE managers has steadily expanded while the number of corporate buyers has remained relatively unchanged. Despite a growing number of PE managers, most remain on the sidelines holding on to assets rather than selling. This is not unique to the middle market either, as the same trend is playing out in PE exits of all sizes. PE firms that are selling can sometimes find another sponsor that has expertise in a specific sector or different growth stage and is better equipped to take that company to the next level of growth as a result. For example, Frazier Healthcare Partners sold United Digestive to Kohlberg & Company for $323.3 million. Kohlberg believes it can leverage its expertise in scaling physician management companies to accelerate United Digestive's next phase of growth.[11] Other sponsors are taking advantage of the chance to buy from one another and add to platform companies. In March, Nova Capital Management sold certain assets of Nova Wildcat Shur-Line Holdings to ACON Investments portfolio company True Value, a hardline wholesaler. The sale will allow for True Value to further invest in and develop its paint and paint products.[12]

Exit to corporates

Strategic exits slid in Q1 as corporations prioritized their balance sheets and were more selective about acquisitions. Middle-market PE firms sold 56 businesses to corporate buyers in the quarter for an aggregate value of $12.5 billion. Before the pandemic (2017-2019), the average quarterly exit count to corporates was 104. The Q1 2023 figure is nearly half that amount. On a quarterly level, sponsors exited the fewest number of portfolio companies to corporates since Q2 2010. Corporate acquirers are typically driven by high levels of balance sheet cash and positive business sentiment. With neither of these trending in the right direction, corporate boardrooms have become more cautious about transactions. Only those companies with the strongest strategic fit are being considered, and if they happen to be PE-backed, that is incidental. Exits to corporates will likely remain in this cautious state for the foreseeable future. One notable middle-market PE exit to a

11: "United Digestive Partners With Kohlberg & Company," United Digestive, March 30, 2023.
12: "True Value Company Acquires Shur-Line & Wordlock Brands," PR Newswire, March 31, 2023.

strategic buyer was that of Blume Global, a provider of solutions facilitating intermodal rail transportation. The company was sold from funds managed by Apollo and EQT to WiseTech Global for $414.0 million. The acquisition helps WiseTech further integrate rail into its land-side logistics offering in North America, the most complex and the largest logistics region in the world.[13]

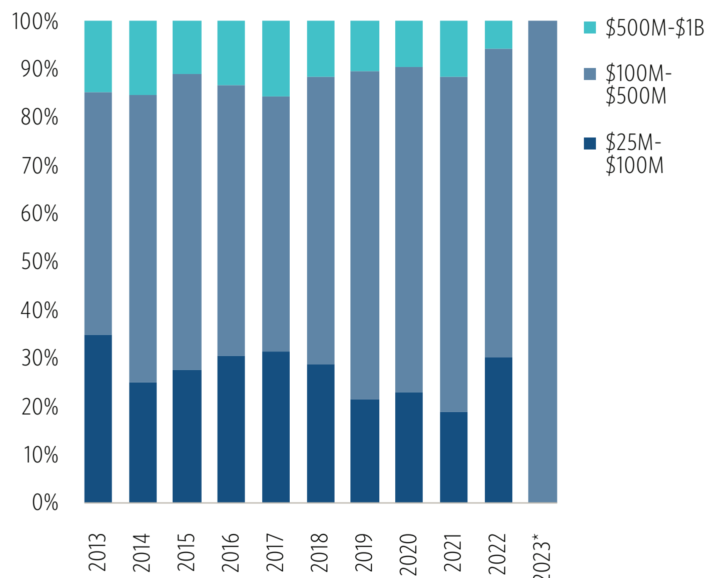
B2B

While selling slowed on an absolute basis, the B2B sector still accounts for the biggest piece of the exits pie, reaching 50.9% of total count in the first quarter of 2023. The industry saw 58 firms exit for an aggregate value of $13.4 billion. B2B captures a broad mix of nontech and service-oriented businesses, and these subsectors tend to be highly fragmented, allowing for more consolidation opportunities. For example, Kinderhook Industries sold VESTA Modular, a provider of temporary or permanent modular space solutions, to McGrath RentCorp for $400.0 million in February. The acquisition strengthens McGrath RentCorp's core mobile modular business and expands the company's geographical footprint.[14] In logistics, Saybrook Capital announced the sale of Taylored Services, a third-party logistics company, to Yusen Logistics, a subsidiary of NYK Group, in March. The sale of Taylored will expand the warehouse network of Yusen's contract logistics group in key distribution areas of the US and further strengthen its end-to-end supply chain portfolio with specialized services.[15]

B2C

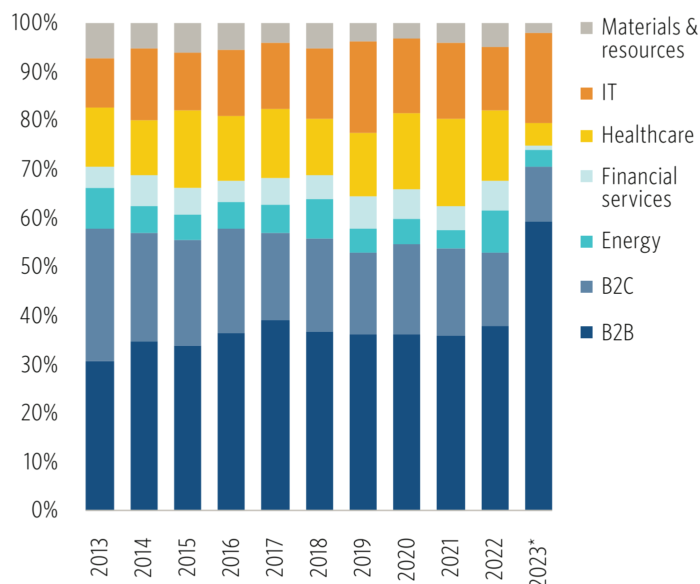
In a typical quarter, the B2C industry sees more than double the 18 exits that occurred in Q1. Except for the most defensive ones, B2C companies have struggled to fully pass on increased costs to consumers. Persistent price pressures on the sector have caused investor sentiment in the space to decline, in turn lowering exit opportunities for sponsors. This will likely persist until the inflation outlook improves. The exits that did occur in Q1 were led by the more defensive consumer nondurables subsectors such as food, beverages, and personal care. In January, Berkshire Partners exited its position in Mielle Organics to Proctor & Gamble for $640.0 million. Mielle is a manufacturer of a diverse range of chemical-free and natural products for the hair and skin. Also in January, L Catterton sold Bliss World, a maker of spa and skincare products, to AS Beauty for $100.0 million. The deal allows AS Beauty to break into the skincare category after assembling and growing other global brands in the beauty space.

Share of PE middle-market exit count by size bucket



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Share of PE middle-market exit value by sector



Source: PitchBook • **Geography:** US
*As of March 31, 2023

13: "WiseTech Global Acquires Blume Global," WiseTech Global, February 16, 2023.
14: "McGrath Acquires Vesta Modular and Concurrently Divests Adler Tank Rentals," Business Wire, February 1, 2023.
15: "Yusen Logistics Announces Strategic Acquisition of Taylored Services to Accelerate Contract Logistics Capabilities in the U.S.," Taylored Services, March 1, 2023.

A WORD FROM CHERRY BEKAERT

Navigating the "New Normal"

Value creation challenges and drivers in a dynamic marketplace

Gus Perez

Partner, Valuation Services Leader

Gus has over 20 years of experience providing valuation services to PE, corporate, VC, and commercial banking institutions. He specializes in valuations for purposes of accounting for business combinations, goodwill, and other intangible assets, as well as stock-based compensation, derivative instruments, and hedging activities across many industries.

Richard Schwartz

Partner, Strategic Growth & Innovation

Richard works with corporate and business leaders of publicly traded, PE-backed and family-owned businesses on strategic growth and innovation. Richard specializes in opportunities and challenges facing businesses across a range of industries, including industrial and manufacturing, B2B distributors, consumer recreational durables, medical and life sciences, and technology, among others.

Michael Ludwig

Partner, Deal Advisory Services

Michael has over 20 years of experience in transaction advisory and financial due diligence. He has broad experience serving as a fractional and interim CFO providing strategic, financial, and operational leadership to early-stage and middle-market clients, including managing and supporting sell-side and buy-side mergers, acquisitions, and divestitures across the US.

How has the rapidly changing macroeconomic landscape impacted private equity firms and valuations of private companies?

Between the aggressive interest rate hikes instituted by the Fed to combat surging inflation, and a decline in the S&P 500 of more than 19%, public equity and fixed-income markets faced significant challenges throughout 2022. These macroeconomic headwinds have continued into 2023, and, when combined with recent instability in the banking system, have resulted in an elongated period of volatility in public markets not seen since the global financial crisis. While imprecise and delayed, public market trends ultimately trickle down to private markets. As economic pressures and banking industry uncertainty continue to play out in M&A markets, many PE firms are assessing the impact of these issues on their own balance sheets.

Fund managers are sitting on a historically high number of portfolio company investments, many of which were acquired at near-peak market conditions that predated the Fed's 2022 shift in monetary policy. While private market valuations have historically demonstrated less volatility and relative strength when compared with their public market counterparts, the performance disparity is drawing skepticism from many who claim that private fund managers are presenting overvalued balance sheets.

Historically, assessment of fair value of portfolio companies has been conducted by internal deal teams using infrequent, subjective asset testing, which many believe keeps impairment write-offs out of quarterly reporting. However, with increasing scrutiny from regulators, LPs, boards of directors, and independent audit firms, funds are shifting to the use of third-party valuation firms to provide independent appraisals of portfolio company valuations. Regardless of whether the valuation assessment is completed internally or by a third party, the market approach has traditionally been the standard in determining fair value. This approach focuses on guideline public company and/or transaction multiples to assess fair value. Based on rapidly changing economic conditions and reductions in public market valuations, there is a risk that the guideline company approach may not incorporate these factors into fair-value assessments and could therefore result in unjustifiably higher valuations of private companies. Accordingly, analysts may begin to place greater reliance and emphasis on the income approach, which uses a discounted cash flow model to assess fair value. This approach would incorporate the expected impact of higher interest rates and increased levels of inflation on overall cash flows, thereby yielding a more accurate view of portfolio company fair value.

Regardless of the approach, continued volatility and unpredictability in public markets and the banking sector will require PE funds to undertake more frequent and comprehensive assessments of potential asset write-downs throughout their investment portfolios.

How can private equity funds enhance portfolio company growth and profitability during periods of economic uncertainty?

Headwinds seldom impact all vertical markets and customer segments equally, thus increasing the importance of doubling down on winners. Doing so requires both a thorough mapping of the markets in which the investment portfolio is exposed, and a one-by-one assessment of each portfolio investments' exposure and risk in the next 12 to 24 months.

Winners are firms in segments wherein demand is relatively inelastic and supply chain challenges, rising interest rates, and macro uncertainty are less pronounced. Despite the downturn, for example, continued resilience has been observed in certain sectors, including medical & life sciences and nondiscretionary durable goods, among others.

For portfolios consisting of winners, PE firms can create effective optimization strategies to drive growth and increase portfolio company valuations over the investment lifecycle. These strategies can include, among other things, expanding wallet share with existing clients. Funds can enhance key client account management strategies and tactics to maintain relationships with current buyers and agents, and, where possible, extend into new buyers—for example, in multisite, multidivision clients.

There is also a built-in incumbency advantage that managers can use to lock in longer-term, more predictable contracts for existing products and services, as well as exchanging volume commitments for pricing concessions where it is advantageous to do so. In some sectors, managers can explore and test recurring, subscription-based business models for existing offers to increase stickiness and improve predictability of revenue. They can also examine any unmet customer wants and needs as the foundation for developing variants or new products and services to cannibalize their own success—and stay ahead of competitors.

Another important strategy involves the acquisition of new clients by exploiting the weaknesses of lagging competitors. In these uncertain economic times, supercharging competitive intelligence gathering to understand where competitors may be struggling to deliver threshold customer value (due to supply-chain challenges, for instance) can pay huge dividends.

Having commercial teams hunt in priority customer segments to identify, qualify, and pursue leads with a current vendor/supplier can also provide organic growth opportunities.

Every portfolio likely also has some losers with greater exposure and risk to current headwinds. There, fund managers should apply their well-worn playbook to reduce complexity, improve operational efficiency, cut costs where practical, and limit investment expenditures to manage for cash flow. In addition, more sophisticated strategies such as strategic carveout acquisitions/divestitures and bolt-on acquisitions may also be warranted.

Can add-on acquisitions bolster the overall value of a platform business?

Private equity has long used add-on deals to amplify and unlock the value of existing platform investments. These bolt-on transactions are often smaller, carry lower valuation multiples, are subject to less LP scrutiny, and are easier to finance than their platform counterparts. Therefore, during periods of economic uncertainty, add-on acquisitions often account for a larger percent of total M&A activity. A recent PitchBook report found that add-ons accounted for almost 80% of buyout deals in the middle market.

Add-on transactions frequently focus on smaller competing businesses, which allows the buyer to better manage costs and realize synergies. Growth coming in the form of both a larger revenue base and improved profitability often leads to EBITDA multiple expansion at exit, thereby bolstering the overall investment return for PE investors.

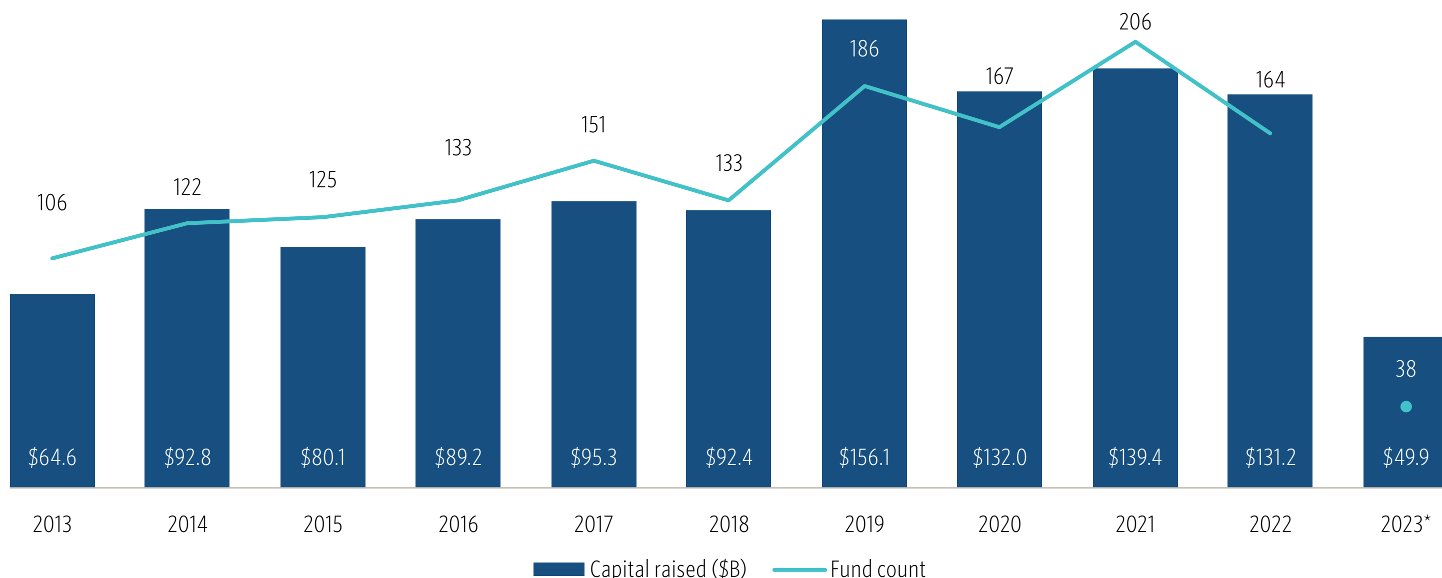
While the healthcare sector might be most well known for its ability to execute the add-on acquisition strategies, the model is also gaining popularity in other, highly fragmented segments. Currently, numerous PE firms are undertaking roll-up strategies in home service segments such as HVAC, pest control, and landscaping maintenance. The wealth management sector is also experiencing a consolidation at the hand of PE buyers.

Add-on transactions often require a different approach to due diligence, which may include a focus on operational aspects of the business, not just the financial aspects. With the goal of creating a clear integration playbook, players in the add-on space are looking to accelerate value-realization strategies.

The benefits of integrating an add-on acquisition depend on the industry and context in which the add-on is acquired, but can include greater brand recognition, increased geographic expansion, realization of revenue and cost-saving synergies, improved pricing power, and improved technical capabilities. Ultimately, the strategic rationale for an add-on is that it will complement the platform's existing portfolio of product or service offerings and drive revenue growth. When done well, these strategies boost portfolio company valuations and generate increased investment returns for PE firms.

Fundraising and performance

PE middle-market fundraising activity



Source: PitchBook • **Geography:** US
*As of March 31, 2023

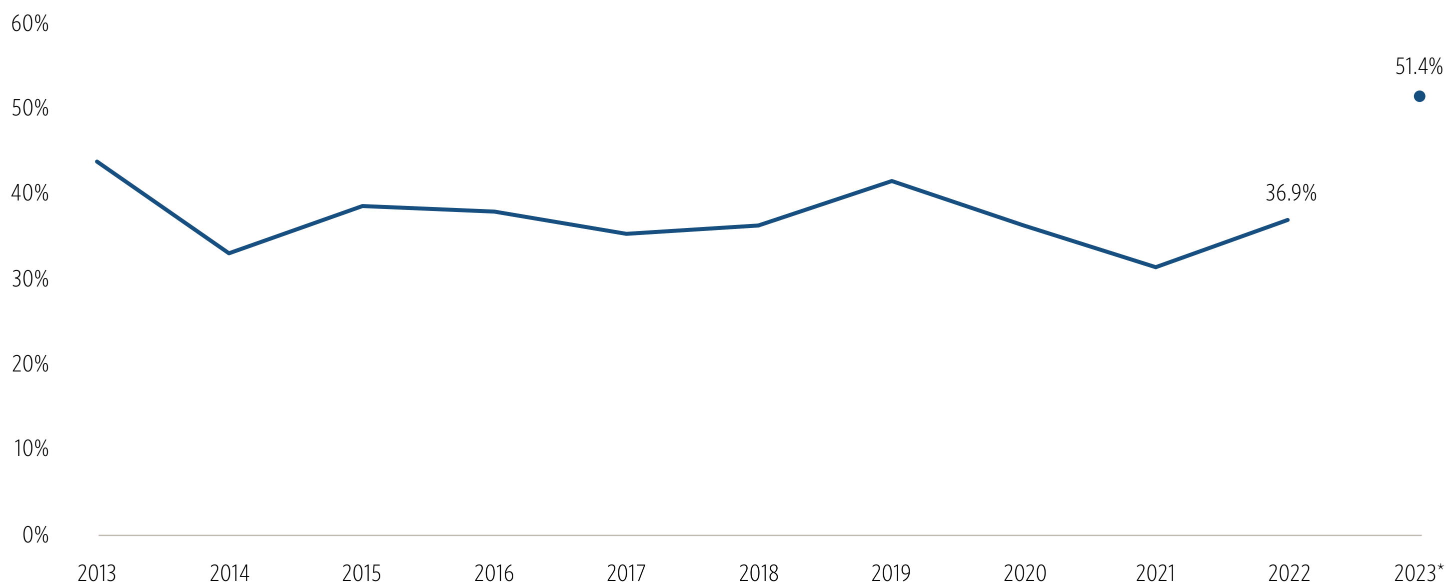
Overview

Our analysis of US PE fundraising in Q1 2023 reveals a surge in demand for middle-market buyout strategies. A total of 38 funds closed during the quarter with $49.9 billion in total capital raised, up 70.3% YoY when compared with Q1 2022, which saw $29.3 billion across 36 funds. This bodes well for middle-market fundraising for the rest of 2023: Looking back at the last decade, the average US middle-market fundraising seasonality is 23.0% in Q1, 23.7% in Q2, 20.6% in Q3, and 32.7% in Q4. Middle-market fund sizes also increased sharply compared with last year, with the Q1 2023 median at $848.0 million, up from $472.5 million in 2022 and $360.0 million in 2021.

This data supports our view that the middle-market segment of PE is poised to gain momentum this year, bolstered by more compelling deal valuations in this size range, thus making it easier to compensate for the lack of leverage and higher borrowing costs. Small and midsize companies without backing often have less flexibility to wait out tough economic conditions. This creates greater potential upside for middle-market funds that are able to acquire companies more cheaply and closer to a trough in the business cycle.

Looking at fundraising on a fund count basis, the middle market accounted for 51.4% of all US buyout funds closed in Q1 2023. This is well above 2022 at 36.9% and the 10-year mean of 37.1%. Further, middle-market funds captured the lion's share of the total funds closed on a dollar basis in Q1 2023 at 88.2%. This is a large step up from last year's 45.4% and the decade mean of 54.3% and indicates LPs are delaying or slowing commitments to PE megafunds, likely because of the denominator effect. The share of middle-market funds on a dollar basis is a notoriously volatile figure because it counts only funds closed during the quarter. Meanwhile, four megafunds from Blackstone, Apollo, Carlyle, and TPG are open, having collected $55.1 billion in a year or more of fundraising. However, even if all four were to close tomorrow, the middle-market share would be relatively strong at 44.7%. If anything, these megafunds, after stalling out recently, are not likely to close until late summer, and by then even more middle-market funds will have closed.

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



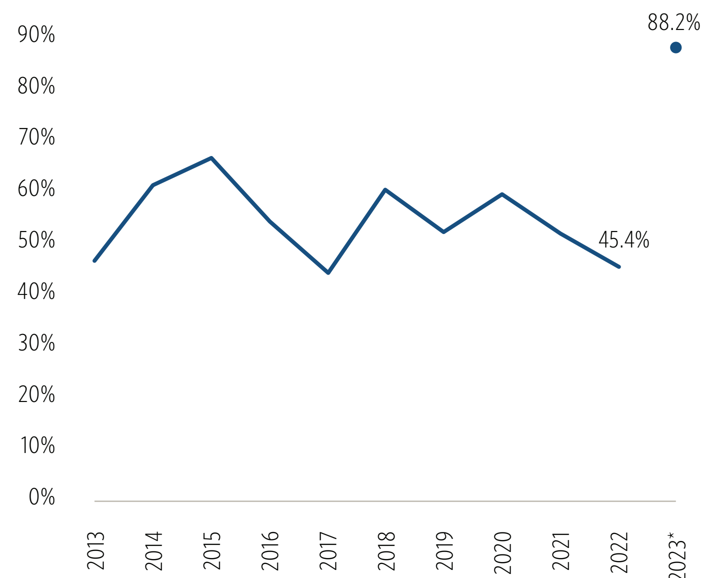
Source: PitchBook • **Geography:** US
*As of March 31, 2023

Investors are committing capital to middle-market funds faster than usual. In Q1 2023, the median fundraising time was 8.7 months, well below the 2022 median of 11.7 months and the 10-year median of 11.6 months. This further reinforces the view that middle-market allocation is opportunistic amid current macro volatility.

Recent closings

There was a big flurry of activity at the end of Q1 2023 with $17.6 billion raised across four middle-market fund closings. Accel-KKR closed its Capital Partners VII fund at $4.4 billion on March 30 with a mandate to pursue buyouts of software and IT-enabled services companies. Parthenon Capital Partners closed its Parthenon Investors VII fund with $4.5 billion on March 27 to leverage the firm's expertise in the financial services, healthcare services, and business services sectors. STG closed its STG Fund VII with $4.2 billion committed on March 23 to invest in software and software-enabled technology services businesses. The fourth fund closing out the March haul came from Arcline Investment Management, an emerging manager founded in 2018; please see below for further discussion of Arcline.

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



Source: PitchBook • **Geography:** US
*As of March 31, 2023

Notable recent PE middle-market funds*

Manager	Fund name	Close date	Fund value ($M)
Accel-KKR Capital	Accel-KKR Capital Partners VII	March 30, 2023	$4,400.0
Parthenon Investors	Parthenon Investors VII	March 27, 2023	$4,500.0
STG	STG Fund VII	March 23, 2023	$4,200.0
Arcline Capital	Arcline Capital Partners III	March 21, 2023	$4,500.0
Patient Square Equity Partners	Patient Square Equity Partners	February 1, 2023	$3,900.0
Sentinel Capital	Sentinel Capital Partners VII	December 7, 2022	$4,300.0
Thoma Bravo	Thoma Bravo Discover Fund IV	December 7, 2022	$6,200.0
Bregal Sagemount	Bregal Sagemount IV	October 21, 2022	$2,500.0
Goldman Sachs Asset Management	West Street Capital Partners VIII	September 27, 2022	$9,700.0
BayPine	BayPine Capital Partners Fund I	September 8, 2022	$2,200.0

Source: PitchBook • **Geography:** US
*As of March 31, 2023

Emerging managers

The middle market is the sweet spot for emerging managers, which we define as managers with three or fewer funds launched, including first-time managers and industry specialists.

In February 2023, Patient Square Capital closed the largest first-time private equity fund and the largest private markets fund solely dedicated to the healthcare sector. Its inaugural fund raised $3.9 billion, surpassing its $3.0 billion target and taking the firm's total AUM to $5.9 billion, inclusive of co-investment commitments. Patient Square invests broadly across the healthcare industry, including development-stage therapeutics, services, and technologies.

BayPine Capital is now investing its $2.2 billion inaugural fund it closed in September 2022. Investments to date include QualDerm Partners, a US dermatology management services organization serving 145 clinics across 17 states; Mavis Tire Express Services, a US automotive repair and tire center with 1,390 locations; and Penn Foster, an online education company offering degree programs, courses, and certifications for in-demand careers.

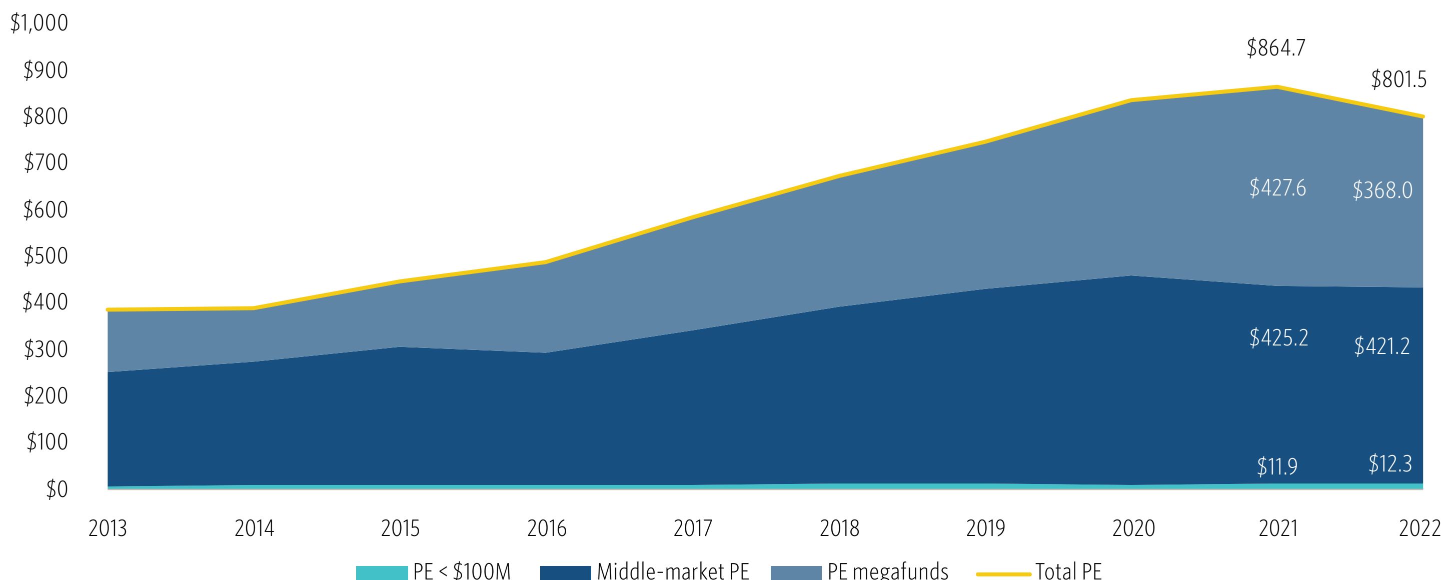
SKKY partners, co-founded in September 2022 by Kim Kardashian and industry veteran Jay Sammons, seeks $1 billion to focus on control and minority investments in consumer and media companies. The firm will leverage Kardashian's social media might and acumen building well-known consumer brands—Kardashian has 358 million Instagram followers and a net worth of $1.2 billion—and Sammon's experience as Carlyle's former Global Head of Consumer, Media & Retail.

Founded in 2019, Arcline Investment Management closed its third fund in almost as many years. Arcline Capital Partners III closed on March 21 with $4.5 billion in capital commitments, exceeding its $4 billion target. The firm invests in high-value sectors including aerospace and defense, energy transition, food and beverage, health and safety, life sciences, medical devices, and micro-electronics. Arcline is capitalizing on its strong track record of buying and investing in defense technology companies, an area that has attracted significant investor interest ever since the Ukraine invasion.

Dry powder

Unsurprisingly, dry powder is trending lower with deployment continuing apace and fundraising slowing. Still, the $421.2 billion of US PE middle-market dry powder at year-end 2022 (our latest figures) is roughly in line with the pre-pandemic level of $417.3 billion in 2019, and as a percent of total AUM, its decline from the 2021 peak was 70 basis points. This compares to a 330-basis-point decline in dry powder as a percent of AUM held by megafunds and all other PE funds.

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



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

In hindsight, middle-market PE funds appear to have been less active deploying funds at the top of the market in 2021 and 2022, and the drawdown in dry powder is less severe as a result. This bodes well for middle-market funds being able to opportunistically pursue deals at more reasonable valuation levels, and this is likely to feed into future returns as well. More recently, middle-market funds have been outperforming megafunds, and these lower entry points on legacy holdings should help sustain that advantage for the foreseeable future.

Quarterly rolling one-year PE fund performance by fund type*

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

Performance

Middle-market funds are pulling ahead of megafunds (funds of $5 billion or more) in our latest returns data with 917 basis points of outperformance. Middle-market funds delivered a rolling one-year IRR of 3.4% in Q4 2022, well ahead of megafunds, which were down 5.8%. This is the third consecutive quarter that middle-market funds have outperformed and the widest margin of outperformance since 2016. The fundraising environment favoring middle-market funds suggests that investors recognize the attractive set-up for middle markets in the current macro backdrop, and the outperformance of the last several quarters has reinforced that view.

PitchBook

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Q1 2023 US PE middle-market lending league tables

Overall

Rank	Company	Deal count
1	Audax Private Debt	83
2	Churchill	28
3	MidCap Financial	23
4	Ares	22
4	Antares Capital	22
6	Barings	21
6	Morgan Stanley Private Credit	21
8	PNC	20
8	Twin Brook Capital Partners	20
10	Truist Financial	19
11	Golub Capital	18
11	Citizens Bank	18
13	KeyBank	15
14	Monroe Capital	14
15	Bank of America	13
16	Fifth Third Bank	12
17	Wells Fargo	11
17	Crescent Capital	11
17	J.P. Morgan	11
20	Mitsubishi Financial Group	10
20	NXT Capital	10
22	Capital One	9
23	BMO Financial Group	8
23	Webster Financial	8
25	Principal Global Investors	7

Source: PitchBook

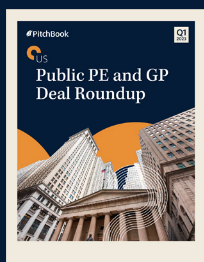
Select roles*

Rank	Company	Deal count
1	Audax Private Debt	40
2	Antares Capital	22
2	MidCap Financial	22
4	Churchill	21
5	Twin Brook Capital Partners	20
6	Citizens Bank	17
6	Truist Financial	17
8	PNC	16
9	Golub Capital	15
10	KeyBank	14
11	Bank of America	12
12	Barings	11
12	Monroe Capital	11
14	NXT Capital	10
15	Wells Fargo	9
15	J.P. Morgan	9
15	Fifth Third Bank	9
15	Ares	9
15	Capital One	9
20	Mitsubishi Financial Group	6
20	BMO Financial Group	6
22	Principal Global Investors	5
22	Morgan Stanley Private Credit	5
22	Regions Financial	5

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



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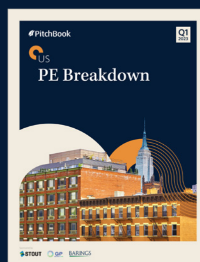

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