

A Look at the U.S. Private Equity Middle-Market

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There is some good news to report in the Private Equity (PE) world. PitchBook has released its [US PE Middle Market Report](#), showing continued YoY growth for middle-market dealmaking in Q1 of this year. PitchBook cites recovery of deal multiples, an improvement in borrowing costs and a focus on selling the best assets as key features in publicized transactions.

Here are some of the key findings from the report:

Deal Values Are Up, Deal Count is Flat:

PE middle-market dealmaking hit an all-time high in 2021 of \$502.5 billion. It is no surprise that number was down last year by 36.8%, but PitchBook data shows a stabilization trend in recent quarters that started with the burst of activity we saw in Q4 2023 and continued into Q1 of this year. The Q1 numbers are not as strong as Q4, but they are ahead of Q1 2023 in terms of deal value. Deal count, however, remains flat.

A Lack of Sellers:

The report notes that a lack of PE sellers is impacting recovery in the volume of M&A transactions. PE sellers are focusing on bringing only their most attractive assets to the table and holding off on the rest. PitchBook notes that in order for dry powder to be deployed more quickly, the volume of sellers in the market needs to increase, especially in the middle-market.

Decline in Buyouts:

Overall, Pitchbook notes that buyouts were hit hard in 2023, but middle-market buyouts fared better, with only an 18.9% decline in deal value and a 4.0% increase in deal count. For Q1 2024, PitchBook notes that in Q1, buyouts across the board were relatively unchanged in value and slightly higher in volume YoY.

Borrowing Costs Coming Down:

PE borrowers are seeing some positive movement in terms of lending, with PitchBook pointing out competition between private credit lenders and bank-led syndicates as driving a decrease in borrowing costs. Their data shows that overall spreads were down by 54 basis points in Q1.

Firming Trend on Multiples:

Data also shows a “firming trend” for the middle market in terms of multiples. The report states, “The median EV/revenue multiple on middle-market PE deals for the TTM ending Q1 2024 rose to 2.2x, up from 2.0x as of Q4 2023. The median EV/EBITDA multiple recorded an even stronger bounce to 12.7x from 11.0x for the TTM ending Q1 2024 and Q4 2023,

respectively.”

These are just some of the key findings from this report, but they give us an overall idea of the health of the middle-market today. It will be interesting to see if an increase in sellers increases the deployment of dry powder. The report’s authors think this is the key to a rally in activity, so it is certainly something everyone will be watching closely.