



# MIDDLE MARKET PRIVATE EQUITY UPDATE

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Q4 2021



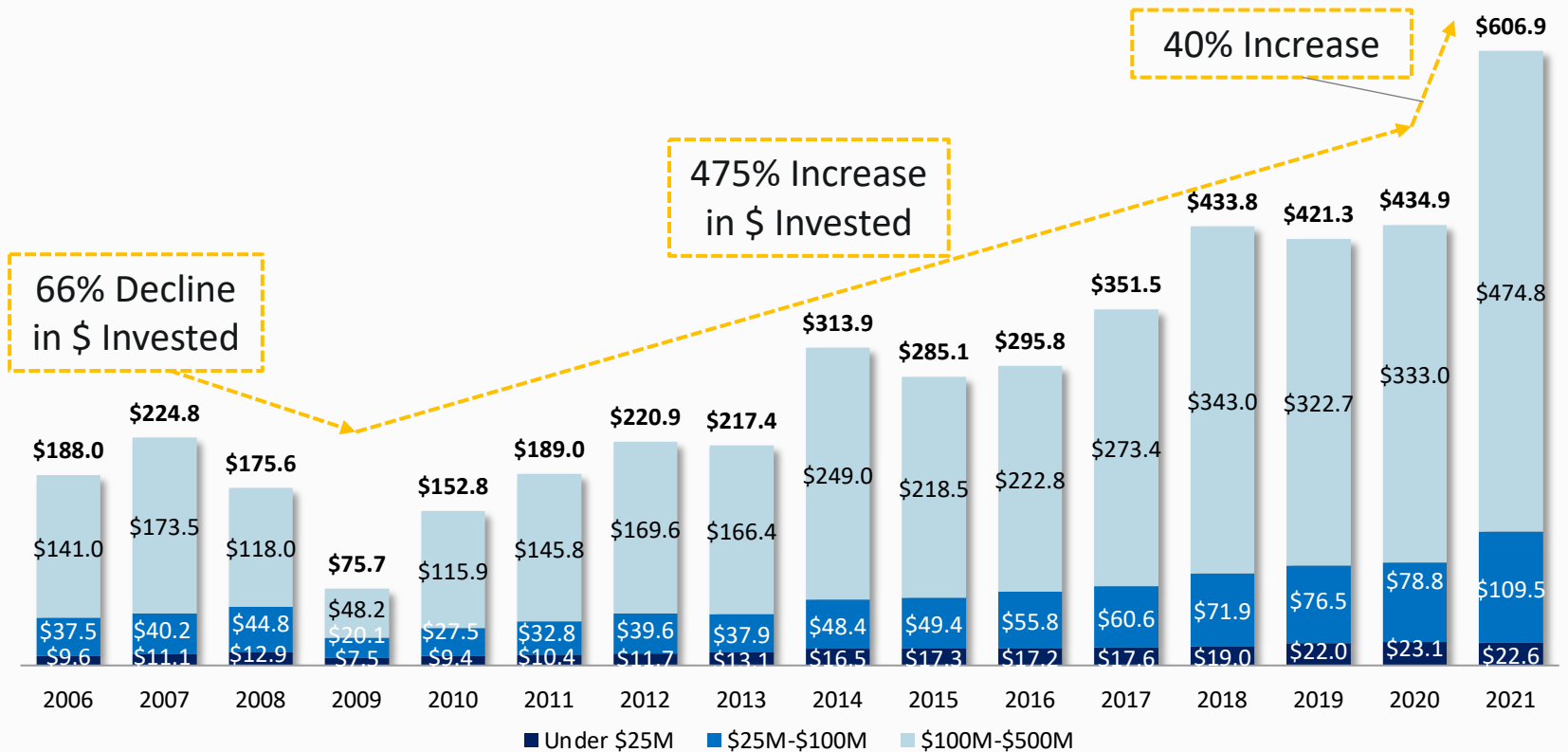
GREENWICH  
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# GCG Middle Market Private Equity Update | Q4 2021

## U.S. Private Equity M&A Activity – Impact of 2008/2009 Recession

2021 private equity deal value hit record highs in 2021. The year over year growth in deal values was approximately 40 percent, shattering its previous annual high. This was somewhat expected given the difficult year in 2020, an attractive deal market, and the potential for higher taxes. While many of these same attributes remain as we head into 2022, there will be more headwinds as rates are increasing and tax changes do not appear to be significant.

### MM Private Equity (PE) Deal Flow (\$Billions) by Deal Size



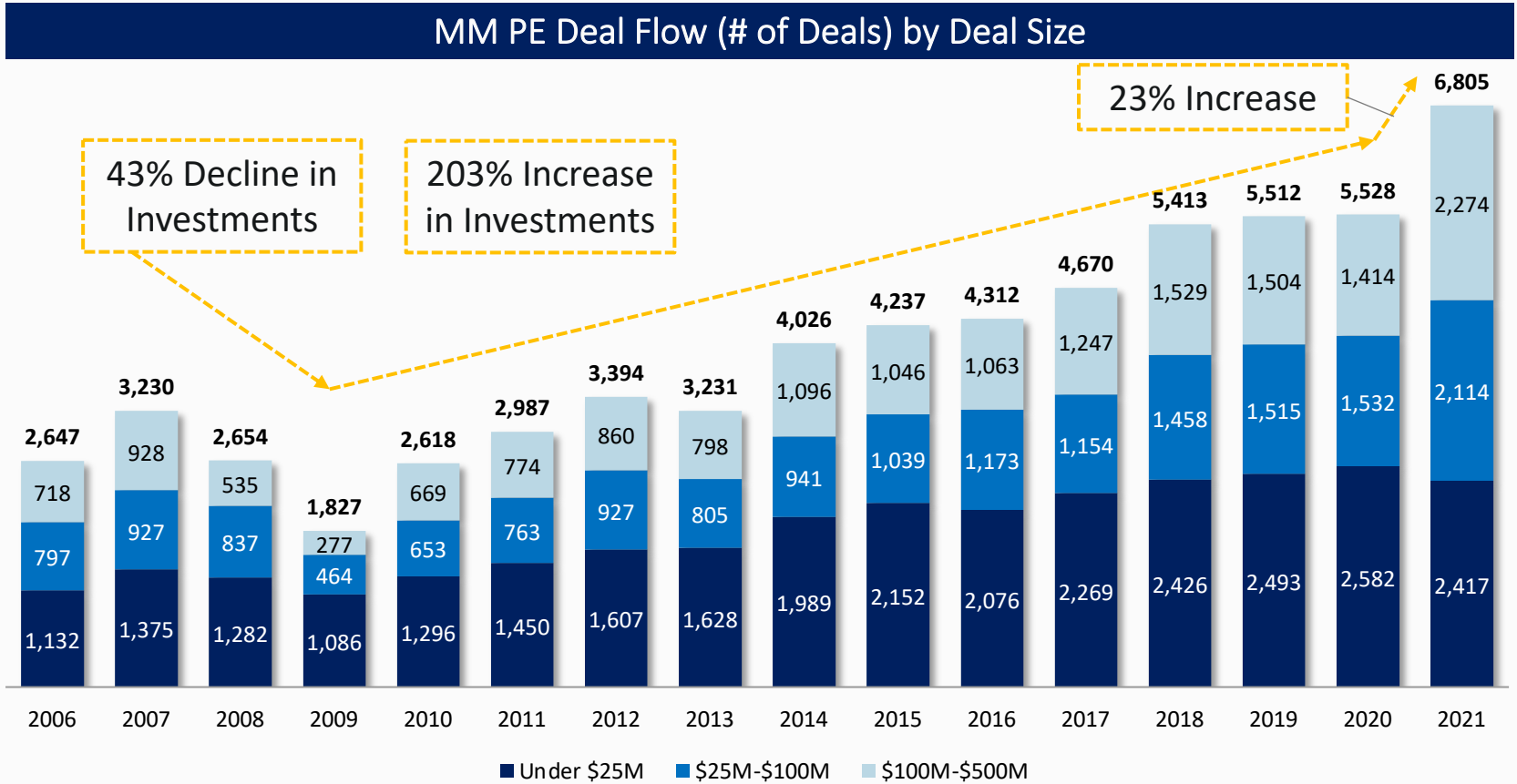
Source: Pitchbook



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## U.S. Private Equity M&A Activity – Impact of 2008/2009 Recession

2021 closed at an all-time high on the number of middle market deals, even beating our original estimate in Q3, suggesting more deals were closed on average in Q4 as parties rushed to close by year end. 2021 volume increased by 23% compared to the final 2020 numbers. 2021 also set a record for the highest year since 2006 and even before. Due to the investment environment and amount of uninvested capital, PE deal flow should only continue to grow.



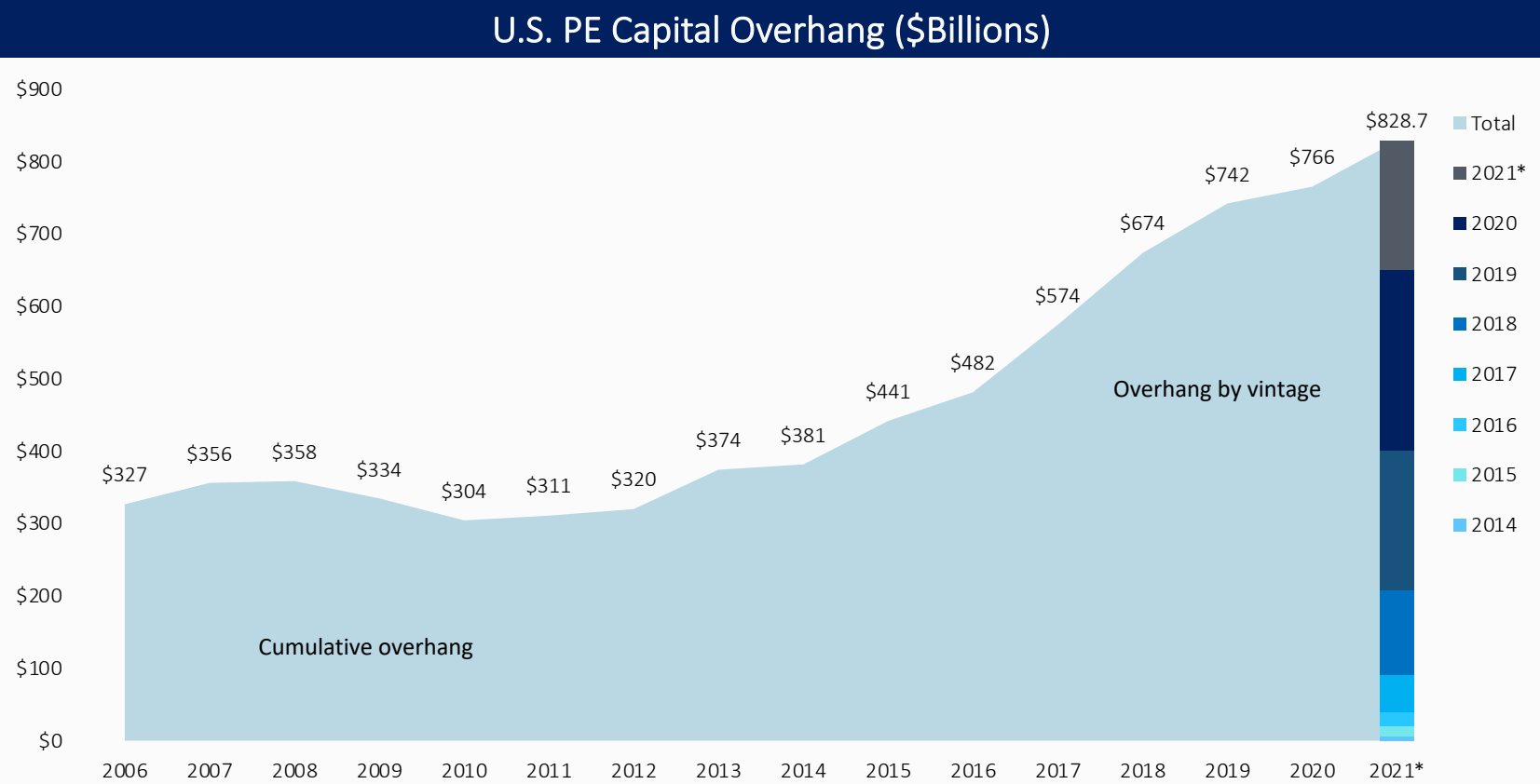
Source: Pitchbook



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## U.S. Private Equity Capital Overhang

Capital overhang, which represents the amount of capital raised by PE funds that has not yet been invested, has continued to grow. The Capital Overhang is still at a robust level and fundraising is accelerating in 2021. The majority of this capital is in funds that are 0-2 years old and based in the U.S. Most of the \$766B of overhang in the U.S. in 2020 had between 5-7 years to be invested based on average fund mandates that capital needs to be deployed within seven years. This is the basis for our belief that 2022 to 2026 will be an extremely hot M&A market led by private equity.



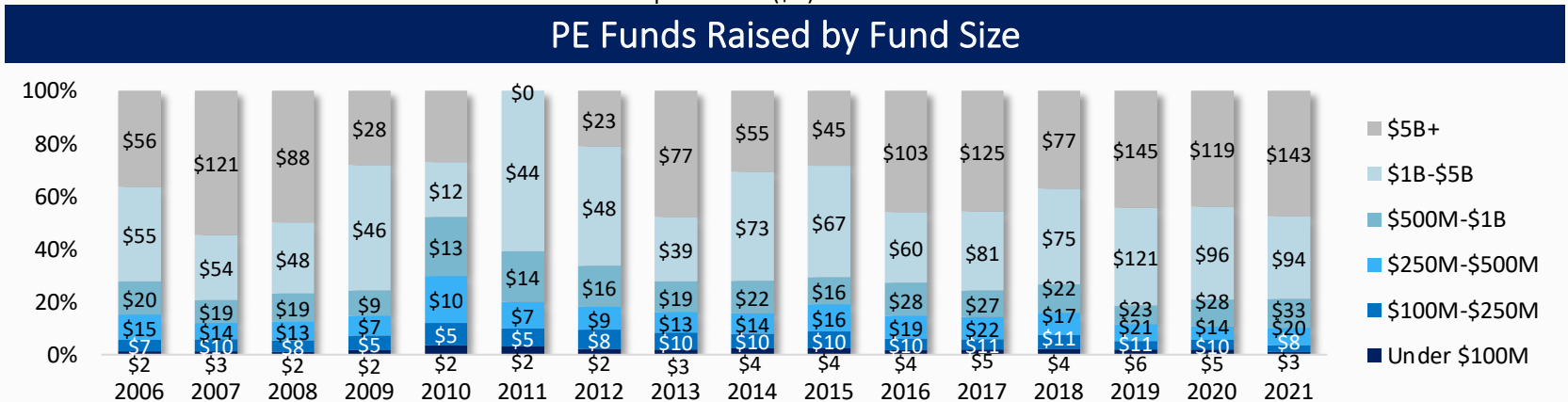
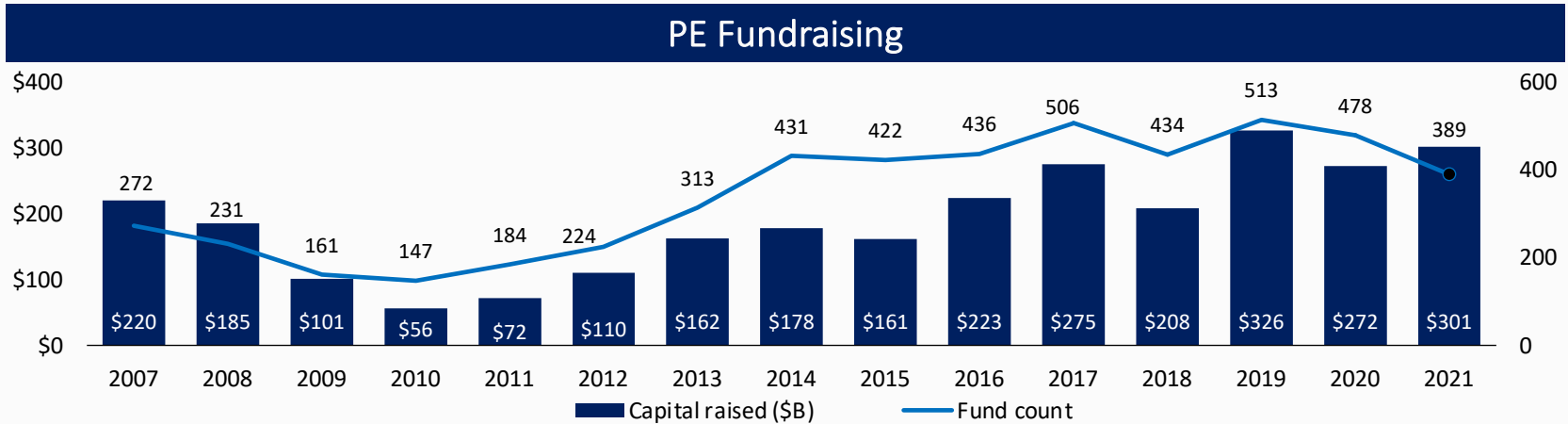
\* 2021 Through Q2. Source: Pitchbook



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## U.S. Private Equity Fundraising Activity

2021 was one of the best years in middle market PE fundraising since 2007. Fundraising has generally been growing since 2010, reaching a peak in 2019. Final 2020 numbers saw a 17% decline from 2019 in capital raised and a 7% decline in fund count over that same time. 2021 saw an increase of 11% in capital raised but a decrease of 19% in the number of funds raised. Furthermore, the gap between money raised and money spent is the largest it has ever been and is due to the continued search for higher returns offered by private equity.



Source: Pitchbook

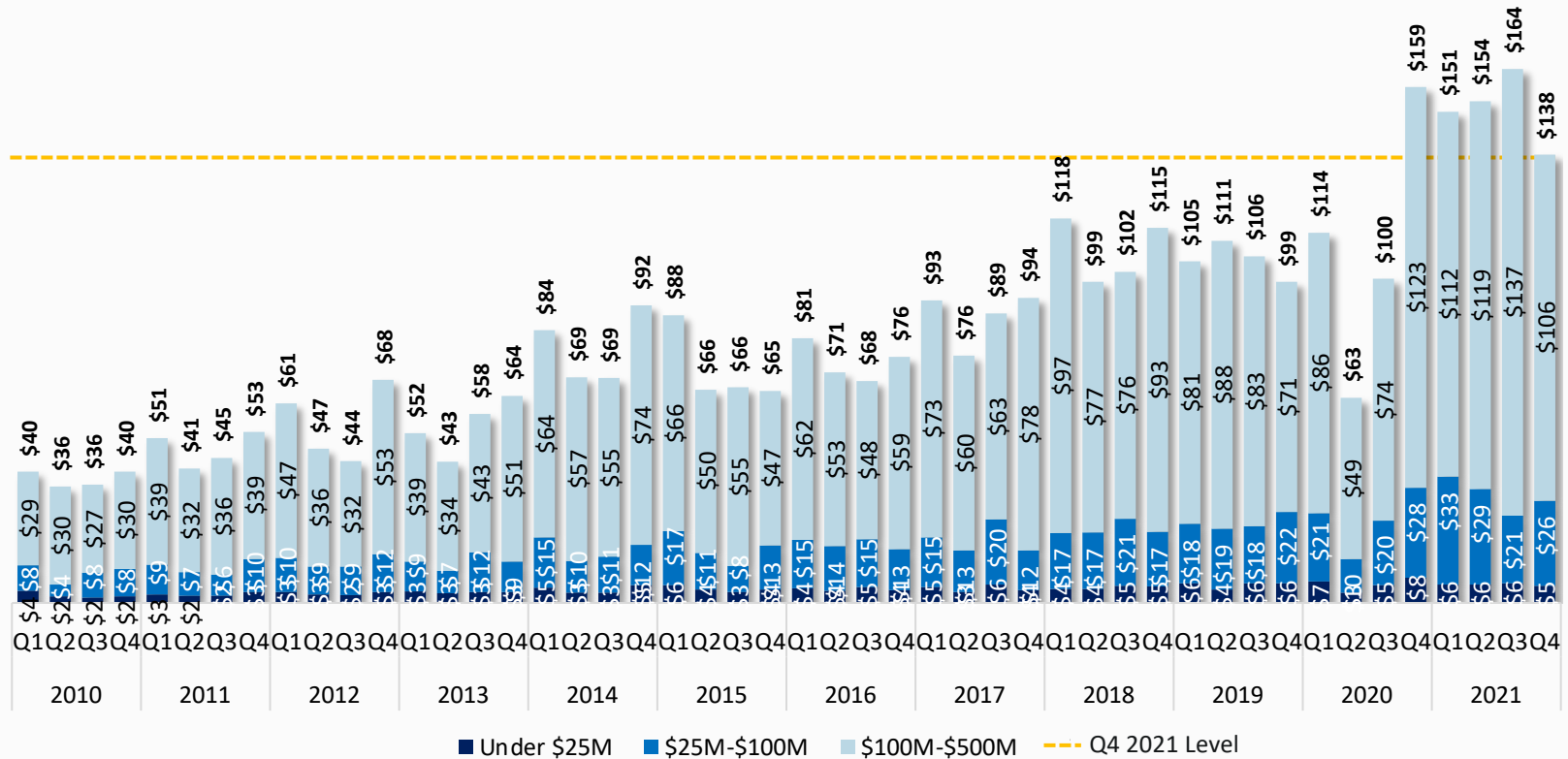


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## U.S. Private Equity M&A Activity

Deal value in Q4 2020 was a significant quarter in recent history as trillions of dollars were pumped into the market and investors sought opportunities to deploy cash. Q3 surpassed this level and Q4 deal value was the lowest of 2021 but still greater than any quarter from 2010 to Q4 2020. Q4 was down 16% from Q3 and 13% down from Q4 2020. The distribution of dollars invested by deal size in Q4 was consistent with past quarters, which suggests the drop-off and subsequent jump in PE M&A effected deals of all sizes equally.

### MM Private Equity (PE) Deal Flow (\$Billions) by Deal Size



Source: Pitchbook

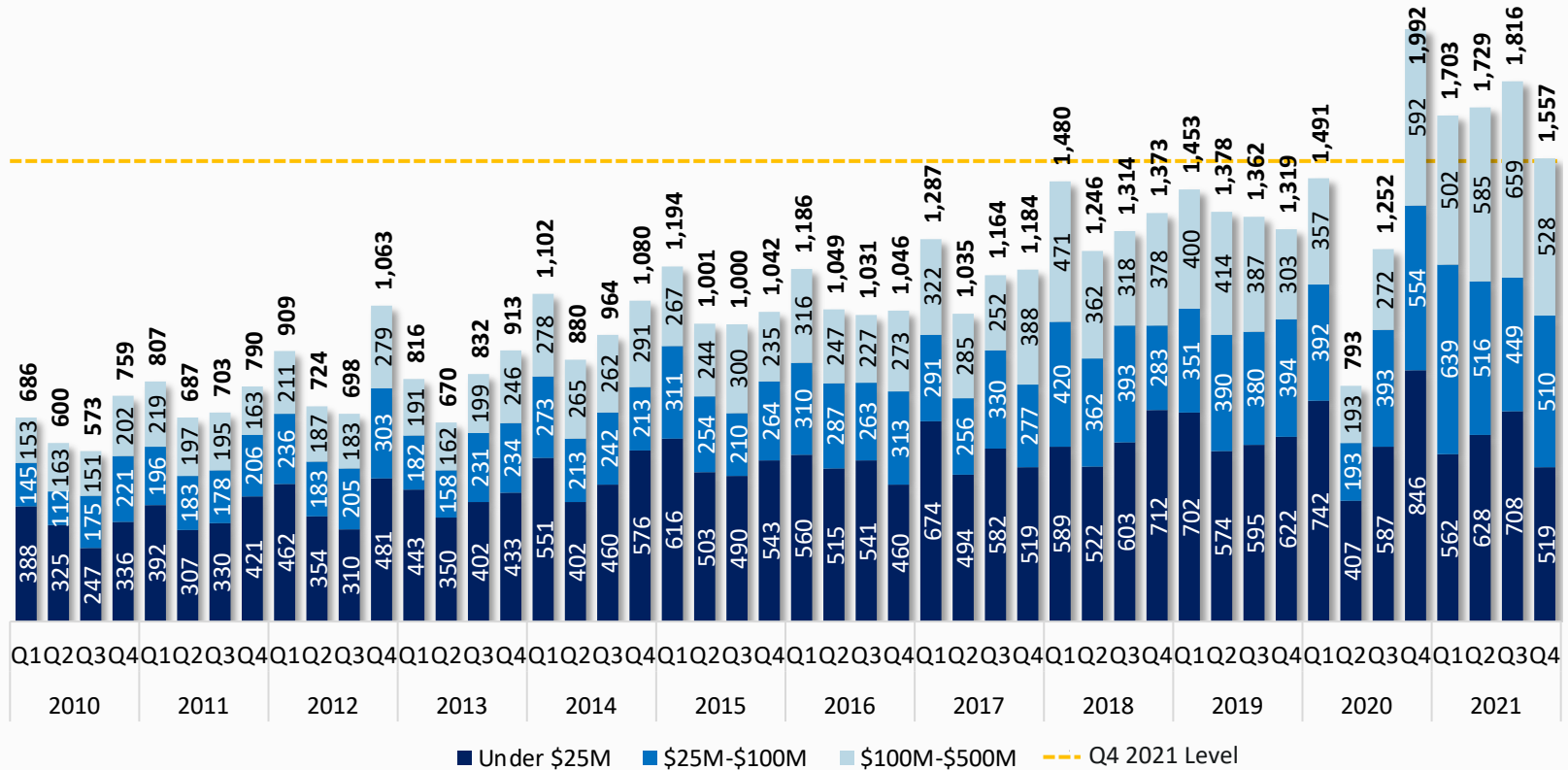


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## U.S. Private Equity M&A Activity

Deal volume in 2021 continued its torrid pace in the 4<sup>th</sup> quarter. While the activity wasn't as high as the prior 4 quarters, it was still a very strong quarter and higher than any other quarter prior to 2020. Deal volume in Q4 2020 was the best quarter of recent history. Q1 was lower but volume climbed through Q3. Q4 volume was down 14% from Q3 and 22% from Q4 2020, possibly due to the unavailability of professionals and the most recent surge in the pandemic. Deals under \$100M continue to represent the majority of PE demand in the MM.

### MM PE Deal Flow (# of Deals) by Deal Size



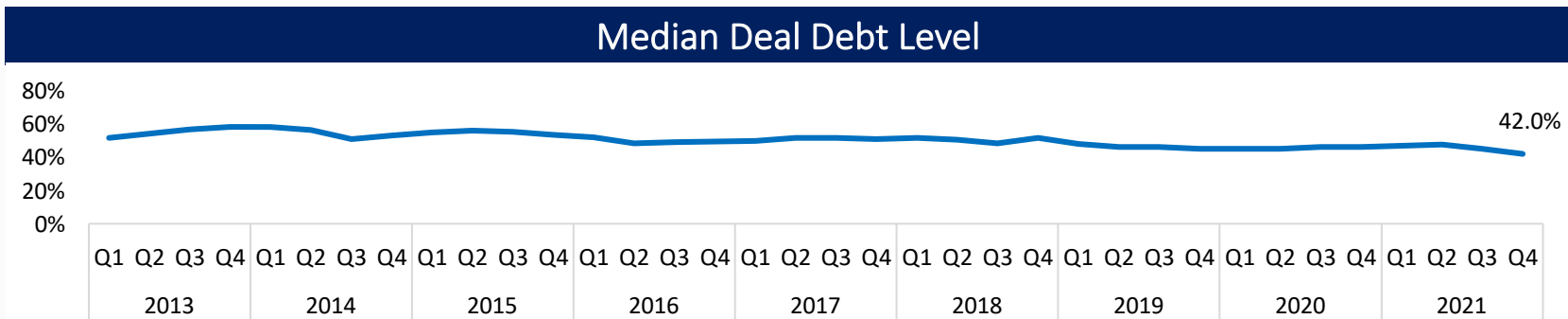
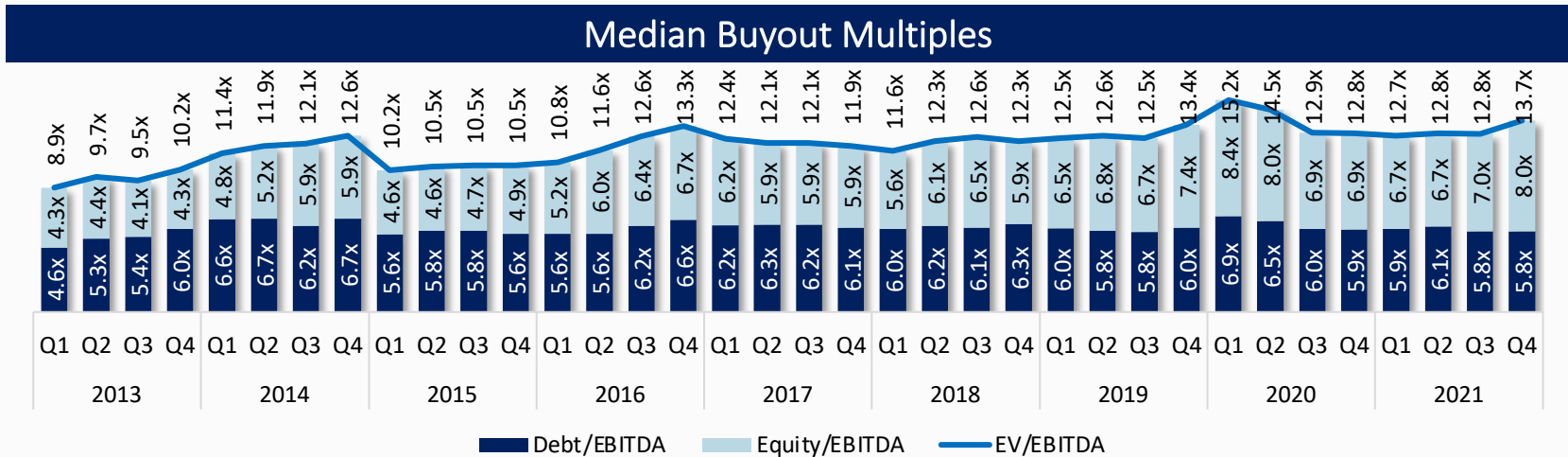
Source: Pitchbook



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## U.S. Private Equity M&A Activity

EV/EBITDA multiples were trending over the past 5 quarters of fluctuating between 12.7 and 13.2x. Q4 saw a jump to 13.7x which is close to their peak highs in Q1/Q2 of 2020. Part of this can be explained by the lower EBITDA for many companies during COVID. The median level of debt per deal is near its lowest point of the past seven years at 42.0% and has trended down since Q2. We expect the debt level to continue increasing over the next 1 to 2 years as banks become more aggressive and the U.S. moves past the pandemic.



Source: Pitchbook, S&P CIQ. Note: Median is a four-quarter rolling median. Based on all PE deals





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## More about Greenwich Capital Group

Greenwich Capital Group (“GCG”) is a middle market focused advisory firm offering a range of investment banking and consulting services to private companies, public companies and private equity investors. Our senior bankers have held leadership positions at global investment banking firms, bringing a wealth of experience to each of our clients. GCG operates with the highest integrity, providing credibility and an excellent client service experience through our proven transaction process. These core values are the common thread in establishing our extensive relationships with privately held businesses, private equity investors and publicly traded companies. With each engagement, GCG’s senior bankers have a common goal. We strive to build relationships by representing our clients’ long-term interests in order to earn ultimately their trust. It is our privilege to be called trusted advisors in the middle market.

For additional perspective or to discuss M&A related opportunities in the middle market, please reach out to GCG’s CEO and Managing Director, Bob Coury. For more information, please visit [www.greenwichgp.com](http://www.greenwichgp.com).



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Data Sources: We have based our findings on data provided by industry recognized sources. Data and information for this publication was collated from the S&P Capital IQ database. For more information on this or anything else related to our research, please email [info@greenwichgp.com](mailto:info@greenwichgp.com).

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