



MIDDLE MARKET PRIVATE EQUITY UPDATE

Q4 2023



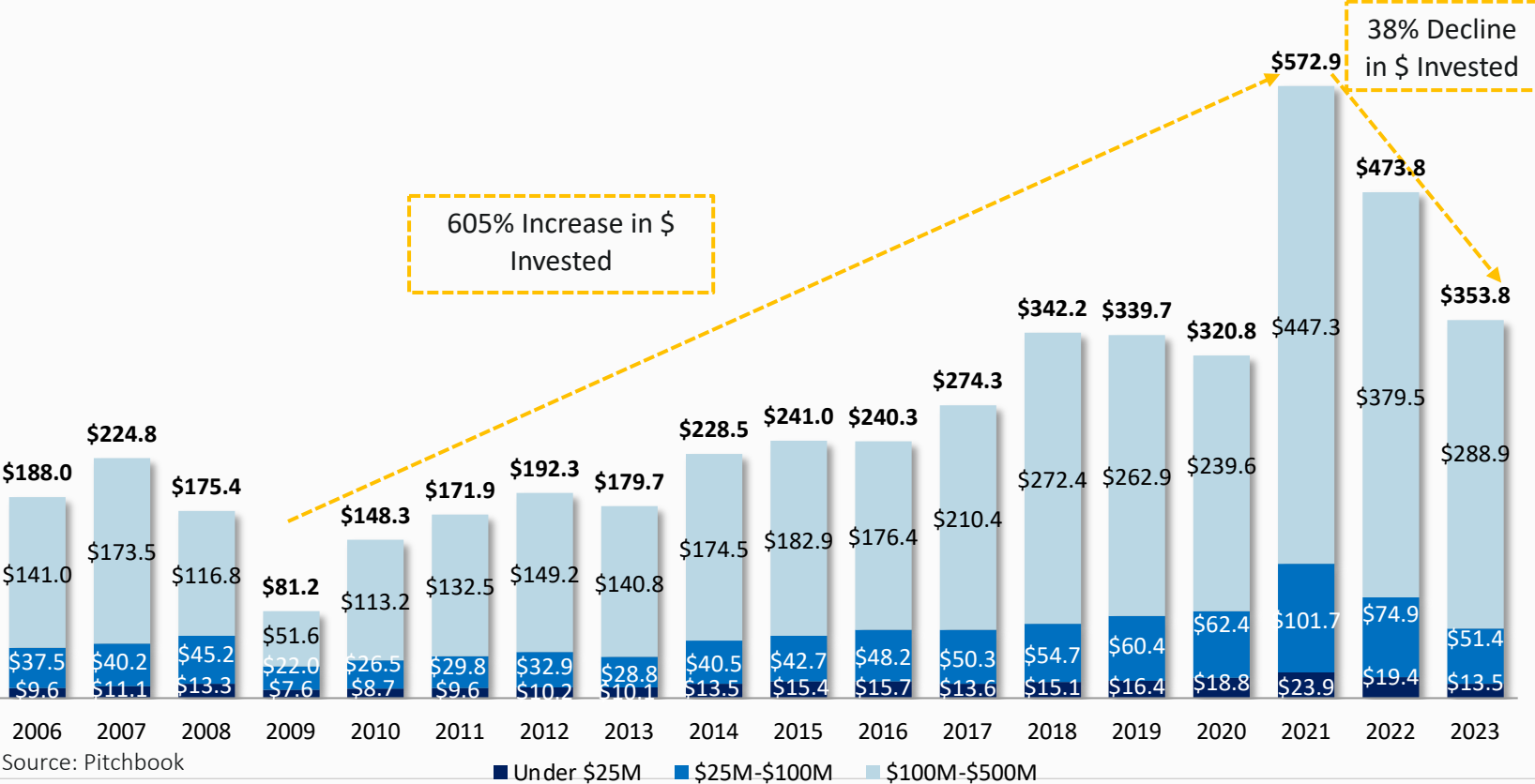
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GCG Middle Market Private Equity Update | Q4 2023

U.S. Private Equity M&A Deal Value Activity

In 2023, total middle market private equity deal flow shrank 25% in terms of value but was roughly equivalent to pre-pandemic levels. This decrease is steeper than the 17% decrease from 2021 to 2022 and is the largest on an absolute basis since at least 2006. Consecutive periods of downward trends in deal value and volume would indicate that there is a backlog of private equity portfolio companies that should be coming to market in the near future as well as a bigger appetite by PE to acquire. Certainly, PE funds have discretion as to when they will divest, but if the current climate of lower multiples and more disciplined buyers persists, one question arises: How much more value is there in waiting?

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

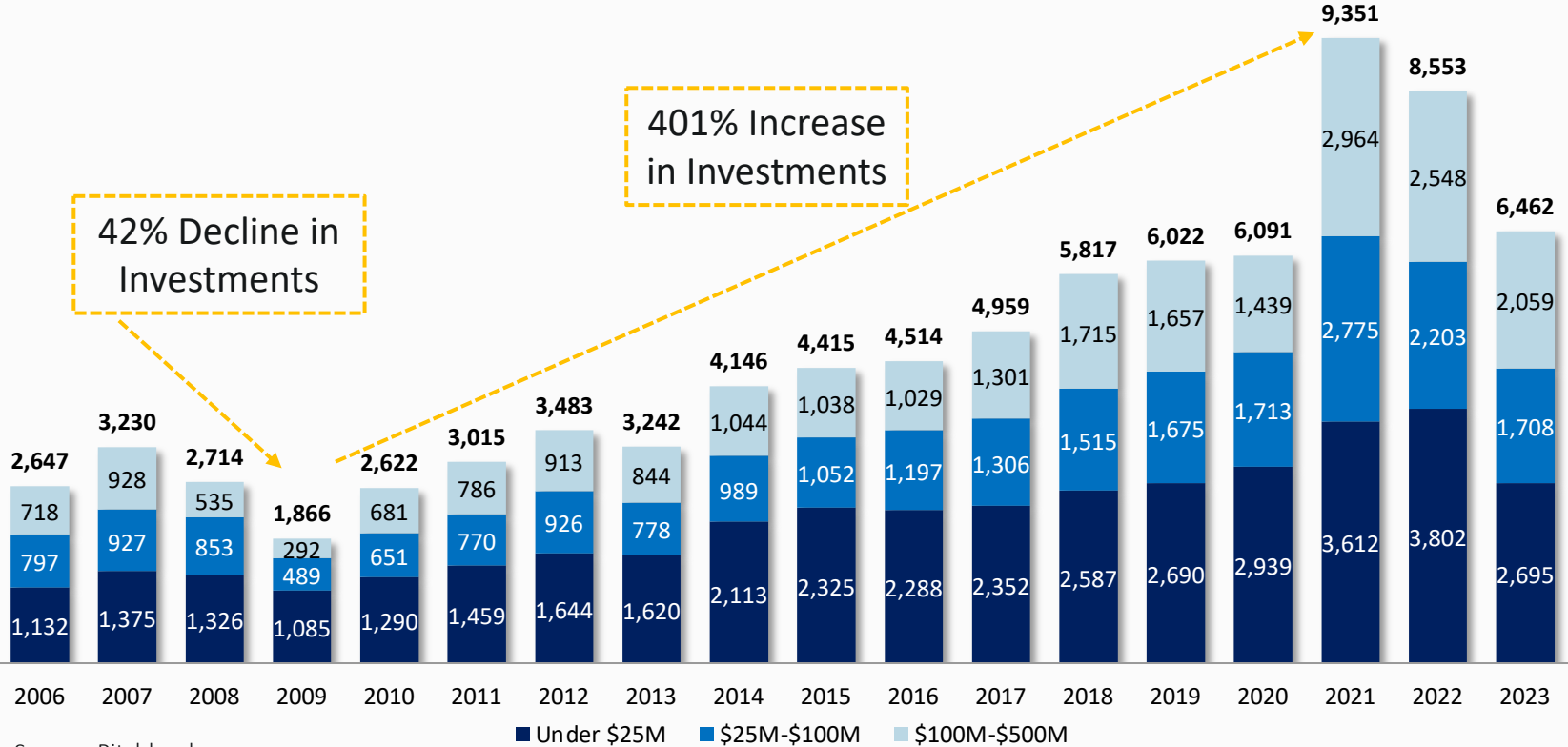


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U.S. Private Equity M&A Deal Volume Activity

Annually, the number of deals completed in 2023 declined 24.4% from 2022 which is a further step down from the 8.5% decrease from 2021 to 2022. Deal volumes in the middle market private equity sector have seen a notable decline from the peak levels experienced in 2021, yet they currently align closely with the figures observed before the pandemic. This lower deal volumes is attributable to a limited supply of investable deals available for PE as well as the tight financing and credit markets. These factors have led private equity funds to adopt more rigorous investment strategies and to bolster their due diligence—a shift spurred by lenders' insistence on avoiding risky investments.

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



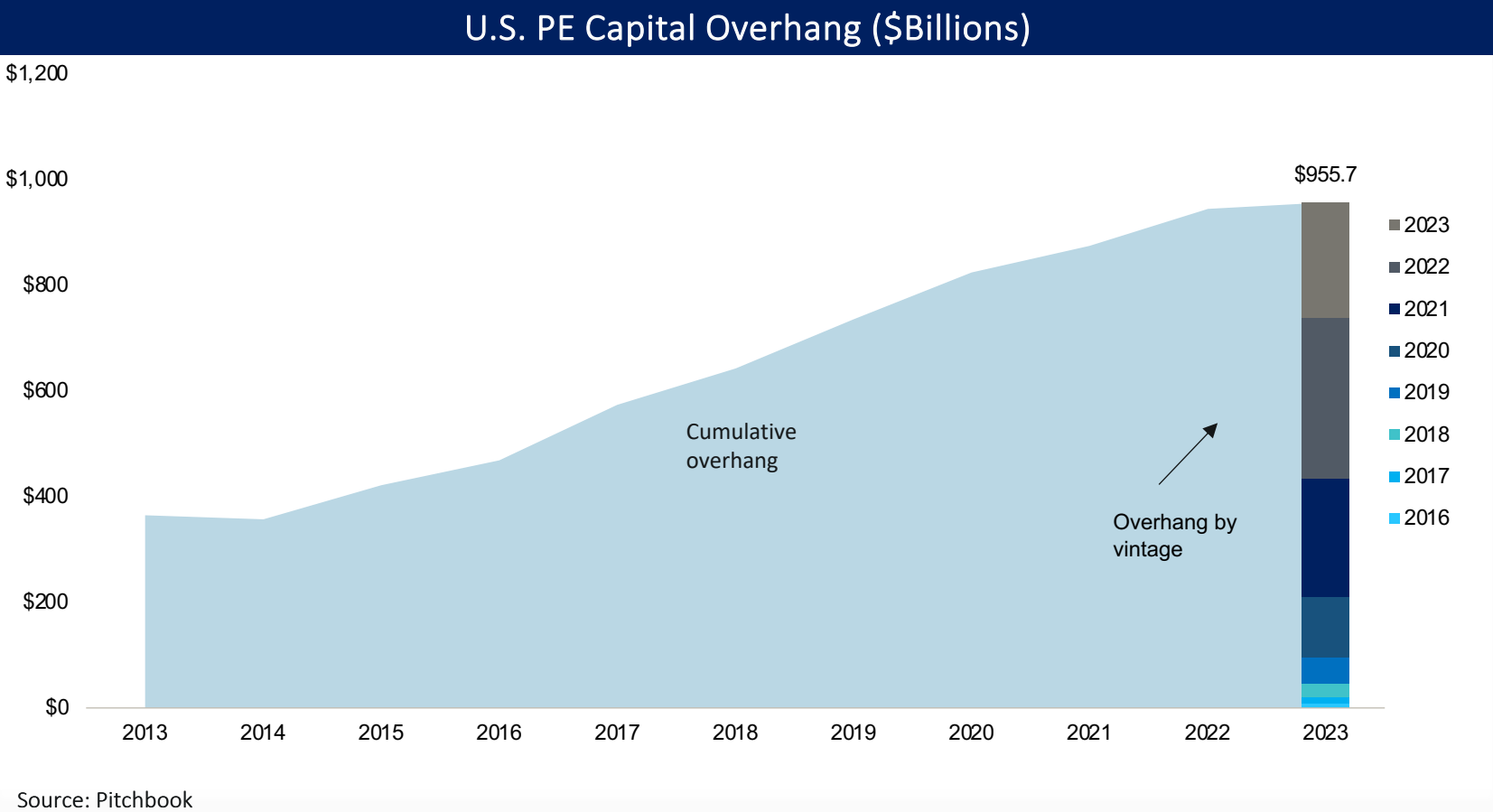
Source: Pitchbook



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U.S. Private Equity Capital Overhang

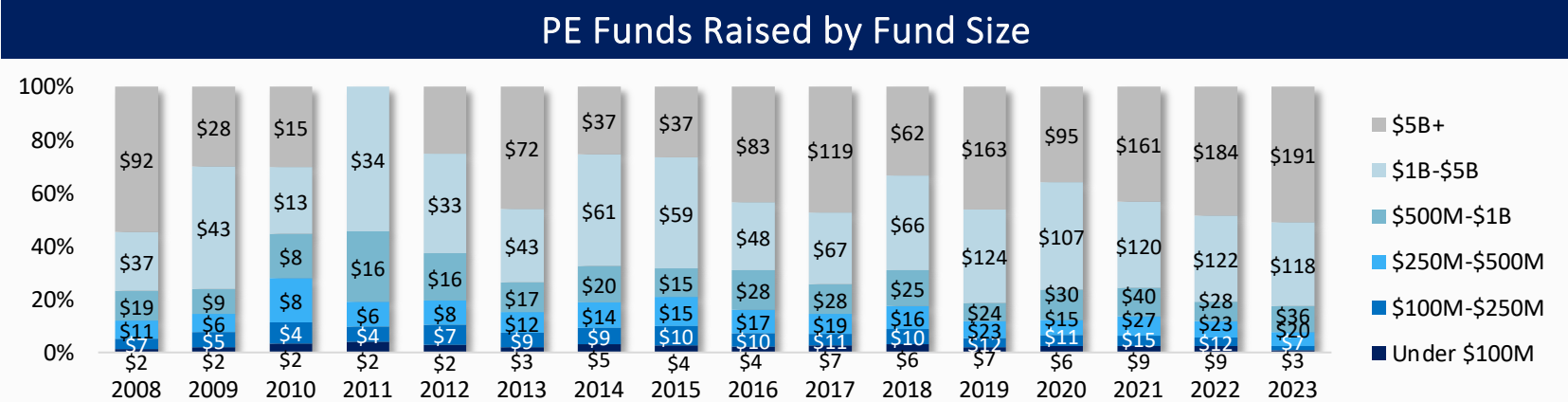
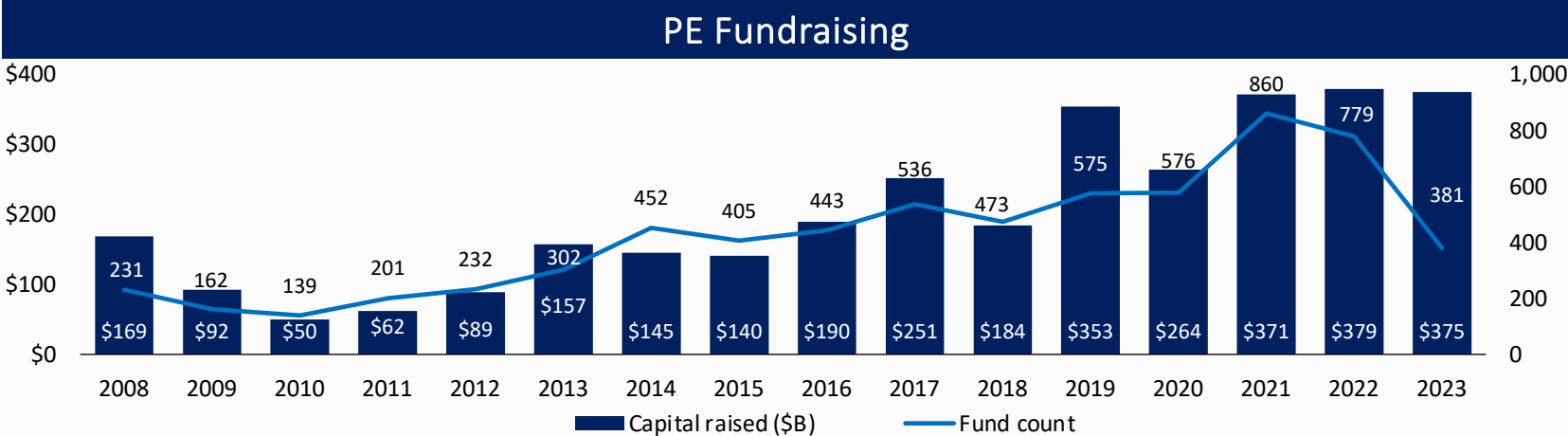
Capital overhang, which represents the amount of capital raised by PE funds that has not yet been invested, has continued its upward trend. Middle market funds have followed up their strongest fundraising years in 2021 and 2022 with another strong year in 2023. The majority of this capital is in funds that are 0-2 years old and based in the U.S. Most of the \$955B of overhang in the U.S. in 2023 has between 5-7 years to be invested based on average fund mandates that capital needs to be deployed within seven years. The accumulation of capital overhang is ostensibly due to a standoff between more scrupulous private equity buyers and sellers who are reluctant to part with their stakes at subdued valuations.



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U.S. Private Equity Fundraising Activity

Fundraising in 2023 experienced a marginal dip compared to the heights of 2021 and 2022 yet was still very strong. This consistency serves as a solid testament to the enduring allegiance of Limited Partners (LPs) to the long-term potential of private equity and its track record of resilient returns. GCG is monitoring this trend, recognizing its potential to influence deal activity in the private equity sector in the upcoming years.



Source: Pitchbook

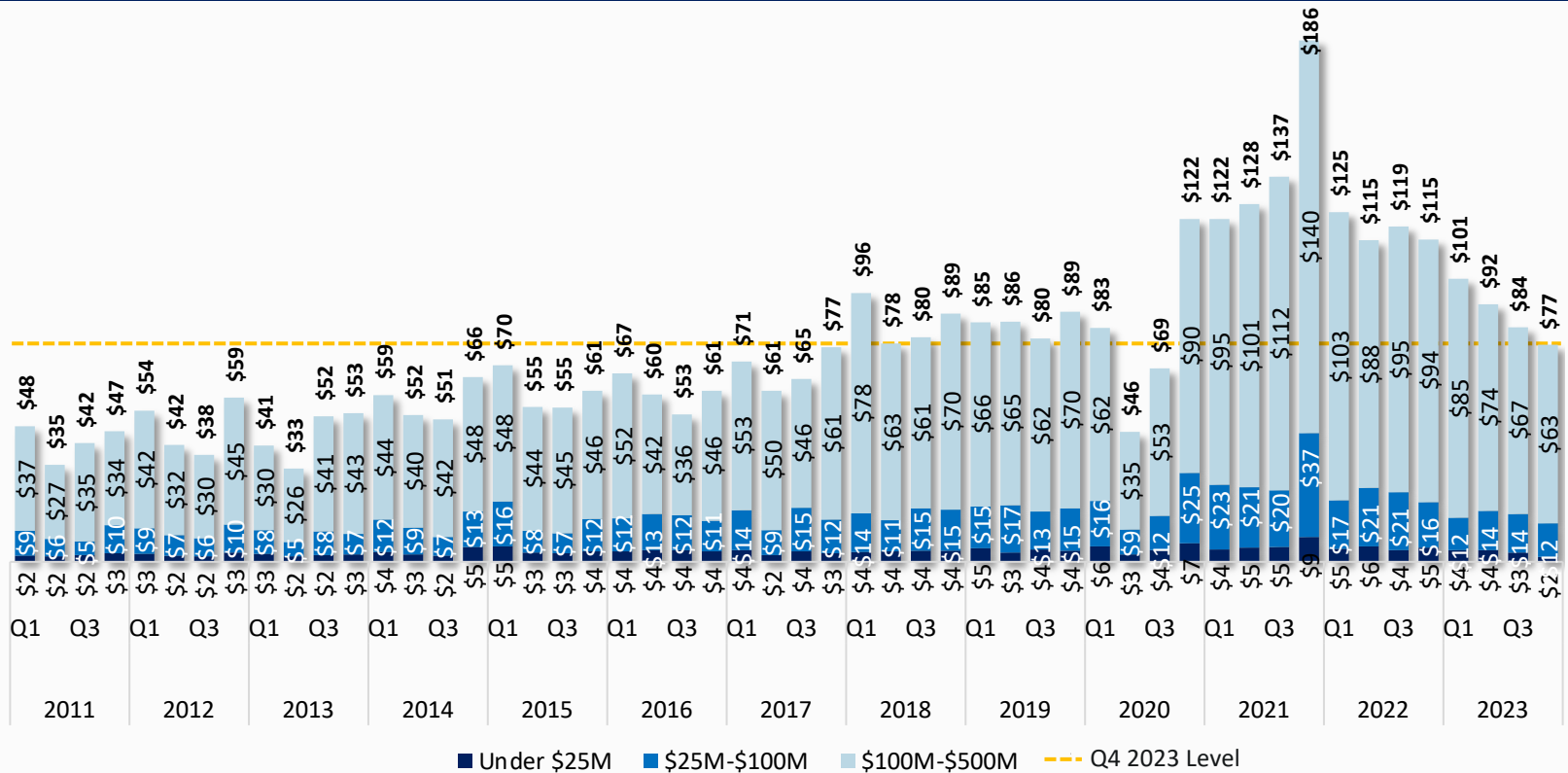


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U.S. Private Equity M&A Activity

The aggregate value of middle market private equity deals in Q4 2023 decreased by 8.3% from Q3 2023's \$84 billion, and year over year, there was a more pronounced drop of 33% from Q4 2022's \$115 billion. The downward trend is impacting deals of all sizes in the middle market. Recently, the lower end of the middle market has capitulated and the deal activity has dropped significantly. For example, from its Q4 2021 peak, deals in the \$25 to \$100 mm range have now dropped 67.5 percent. Deals between \$100 mm and \$500 mm have dropped 55 percent.

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



Source: Pitchbook

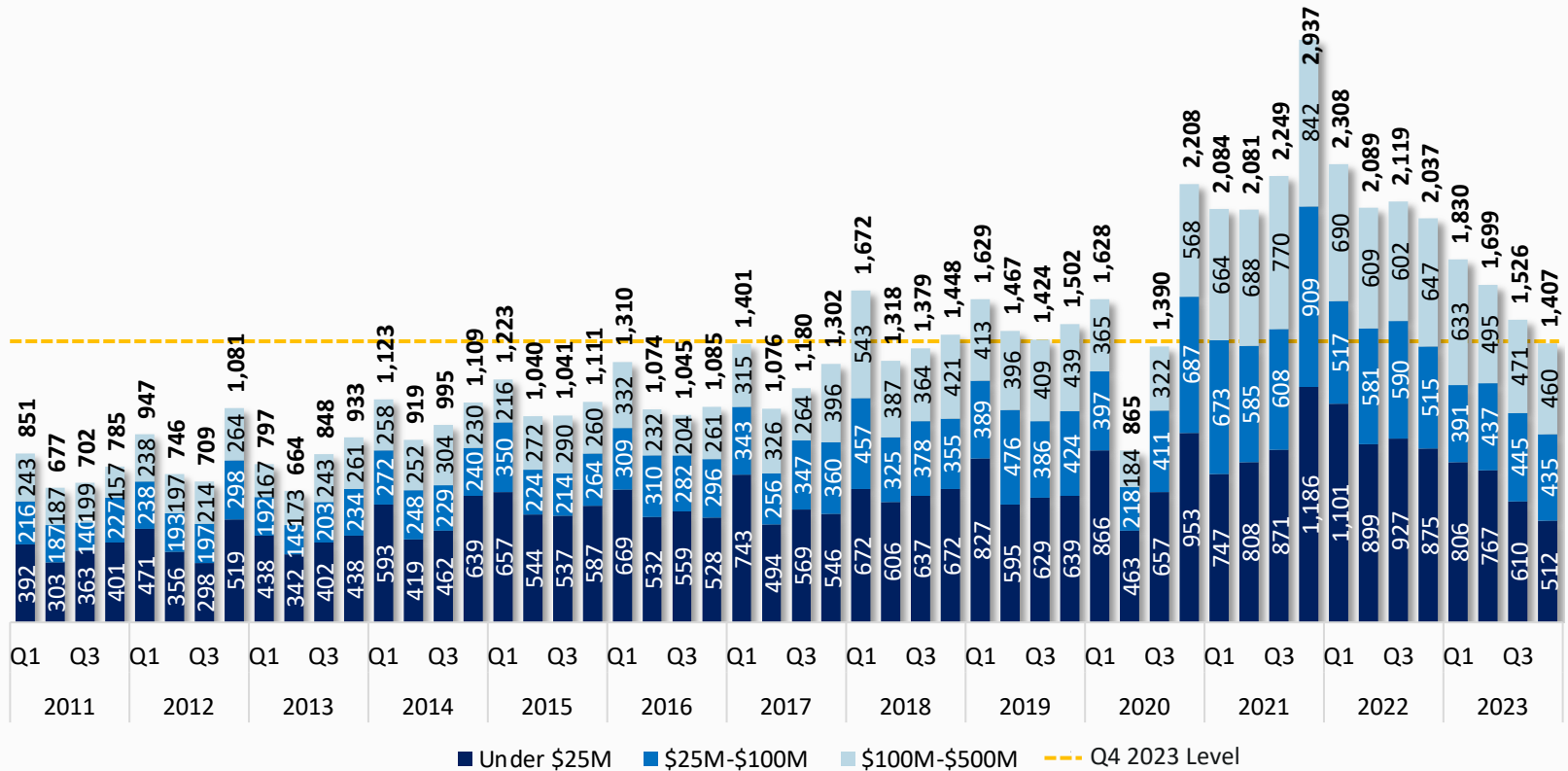


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U.S. Private Equity M&A Activity

Private equity deal volume declined consistently during the 3rd and 4th quarter of 2023, continuing a trend since Q4 of 2022 Q2. Q4 of 2023 was down 23.1% from Q4 2022 and down 7.8% from Q3 2023. Deal volume in 2021 hit a record high but has since slowed in consecutive years, with 2023 levels dipping to roughly pre-pandemic figures. Transactions under \$100M continue to make up the bulk of private equity deal volume.

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



Source: Pitchbook



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More about Greenwich Capital Group

Greenwich Capital Group LLC (“GCG”) is a leading investment bank that advises clients including closely-held and family-owned businesses, private equity firms, and public companies. GCG’s senior bankers have collectively advised on hundreds of transactions over many years of experience in mergers and acquisitions, with most having backgrounds with large U.S. and global firms. GCG is focused on advising clients in key industry verticals throughout the U.S.

GCG was founded by entrepreneurially minded investment banking professionals focused on building an organization centered around advising clients. We strive to build relationships by representing our clients’ long-term interests and earning their trust. In contrast to the practice of pushing transaction responsibilities to junior resources, our philosophy is to deliver personalized, senior-level attention and experience to every GCG engagement. We are proud to offer references that will speak to a differentiated level of service and results.

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.



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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.

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