



# CHARTER

*Capital Partners*

**Q2**  
2024

M&A Insights

## **Middle Market Private Equity**

# MIDDLE MARKET PRIVATE EQUITY MARKET UPDATE

***Despite financing challenges in H1 2024, middle market deal activity shows signs of recovery, with optimism building for increased platform and exit activity in H2 and into 2025.***

## Middle Market Summary

In the first half of 2024, the middle market environment showed signs of a gradual recovery in deal volume when compared to 2023 with Q1 and Q2 with 12.2% and 10.7% more deals, respectively, YoY. Although the outlook for rate cuts is optimistic for the second half of the year, the recent costs of financing have contributed to a notable decline in platform acquisitions, dwindling from 19.6% of private equity activity in Q2 2023 to 16.8% in Q2 2024. This trend is further driven by a 10% fundraising gap in the middle market when compared to 2023 levels. This has further limited private equity firms' ability to deploy capital and pursue fresh platform acquisitions, as reflected by the decrease in private equity buyouts from 363 to 253 QoQ.

## Add-Ons

Add-on acquisitions remain a key focus in the contemporary M&A market, accounting for 57.6% of all buyout acquisitions in Q2. This closely tracks with Q1's 58.0% share of private equity activity, which illustrates a sustained trend highlighting private equity firms' focus on strategic optimization and operational synergies. Anticipated lower interest rates in the second half of 2024 are likely to boost overall deal activity and stabilize the proportion of add-ons as private equity firms regain interest in platform investments. In addition to add-ons, carveouts continue to be an active strategy for private equity firms making up 10.3% of all U.S. buyout deals. Major corporations looking to divest underperforming assets has created opportunities for sponsors to continue their roll-ups.

## Middle Market Insights

The middle market private equity environment is showing early signs of recovery in volume, while total value remained relatively flat YoY. The outlook for the second half 2024 is promising as private equity firms begin to increase exit activity, which is expected to free capacity for more deals in the coming quarters. Debt/EBITDA ratios have risen to 5.2x, up from 4.8x in 2023, indicating that private equity firms are aiming to return leverage ratios to the 10-year average of 5.6x, which will ultimately increase the demand for typical LBOs and boost exit activity.

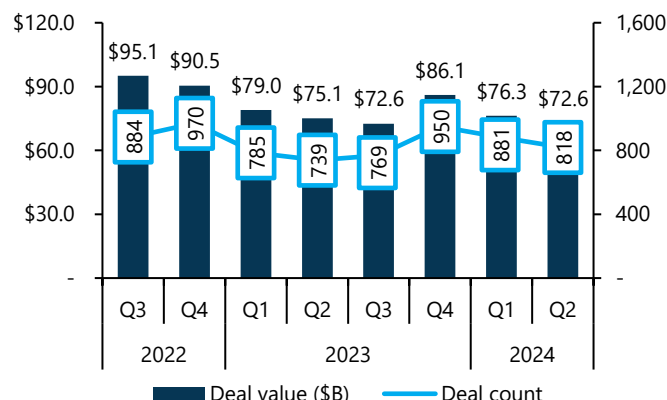
Source: Pitchbook

Note: PE Deal Volume and Deal Value data only includes private equity transactions and estimates closed prior to 6/30/24, middle market ("MM") defined as EV between \$25M and \$1B, all figures are subject to change in future quarters.

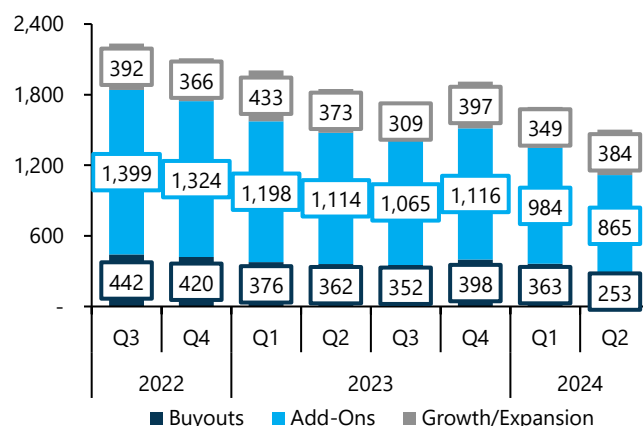
## Q2 2024 MM Deal Activity

Volume:	818	-7.1%
Value:	\$72.57B	-4.8%

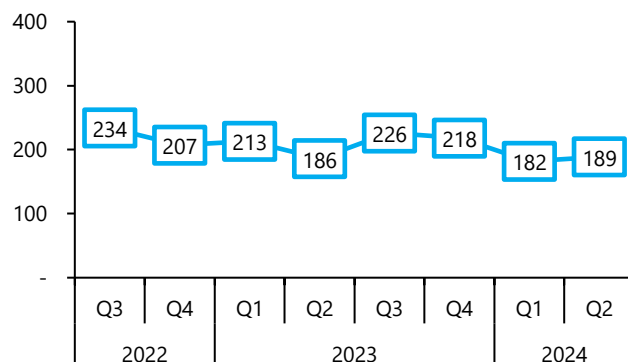
## MM PE Deal Volume and Value (\$B)



## Overall US PE Deal Count by Type



## MM PE Exits Count





## About Charter

Founded in 1989, Charter Capital Partners is a premier investment banking firm headquartered in Grand Rapids, Michigan. We offer a comprehensive range of investment banking advisory services, including sell-side and buy-side M&A, succession planning, and fairness opinions.

Charter was named one of the top 100 most referred middle-market advisory firms in the US, according to a survey of 1,000 private equity firms, strategic acquirers, and family offices compiled by Axial, a network of middle market investors, advisors, and CEOs. Our mission is to deliver superior professional guidance throughout the complete business lifecycle.

## Advisory Services Snapshot

Type	Expertise
M&A Advisory	<ul style="list-style-type: none"><li>▪ Sell-side</li><li>▪ Buy-side</li><li>▪ Succession planning</li><li>▪ Fairness opinions</li></ul>
Capital Raise	<ul style="list-style-type: none"><li>▪ Equity or debt capital raise</li><li>▪ Dividend recapitalization</li><li>▪ Solvency opinions</li><li>▪ Minority investors</li></ul>
Valuation Opinions	<ul style="list-style-type: none"><li>▪ Buy-sell agreements</li><li>▪ Gift, estate, and income tax matters</li><li>▪ Shareholder disputes</li><li>▪ Purchase price allocations</li></ul>
Capital Management	<ul style="list-style-type: none"><li>▪ Licensed Fund Management</li><li>▪ Registered Investment Advisers</li></ul>

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