



Q2
2023

MIDDLE MARKET PRIVATE EQUITY M&A TRENDS



MIDDLE MARKET PRIVATE EQUITY M&A TRENDS

MARKET UPDATE

Growth equity and add-on acquisitions surged in Q2 2023 as private equity funds sought cheaper financing through smaller deals.

Middle Market Summary

Middle market deal flow remains lower than previous years, due to expensive financing and overall economic uncertainty, limiting firms' capacity for traditional buyouts. This has posed challenges for PE firms, as many firms are looking to delay exits in hopes that valuations will recover in the near term. Over the first half of 2023, there has been a 65% decline in buyout-backed exits. Amidst a 10% decrease in EV/EBITDA since 2022, buyers and sellers are facing difficulties in reaching a consensus on a fair multiple, resulting in buyers' reluctance to meet the premium that PE firms seek when liquidating their positions.

The decline in multiples has had a negative effect on deal activity in sectors like healthcare and technology, where higher and more lucrative multiples are typically anticipated. With that said, firms continue to sit on a significant amount of dry powder, with 75% being raised in the past three years. This poses a challenge in that many firms need to liquidate but also still have ample capital to deploy. The solution to deploy capital has been through alternative methods, including add-on acquisitions and growth equity investments. Add-on acquisitions now make up approximately 80% of all buyouts, emerging as an effective approach for firms to deploy their capital. Growth equity transactions are also on the rise and are currently on pace to outnumber traditional buyout deals by the end of 2023. Although markets are still fighting costly financing, firms are finding a niche in growth equity investments and add-on acquisitions.

Middle Market Insights

Among sectors, B2B PE exits are outpacing other industries. B2B companies predominantly comprise non-tech and service-oriented businesses, playing a vital role in fueling business capabilities and growth. For buyers, this sector is important because B2B companies can provide synergies and help them scale their businesses. B2B exits have demonstrated robustness in comparison to other industries, signifying that buyers are actively seeking to bolster their strategic capabilities, address any strategic gaps, and are willing to offer attractive multiples to do so. Looking ahead to Q3 of 2023, PE firms will likely prioritize liquidating their positions in the B2B sector while proactively deploying any remaining dry powder on add-on acquisitions and growth investments to capitalize on potential opportunities in the market.

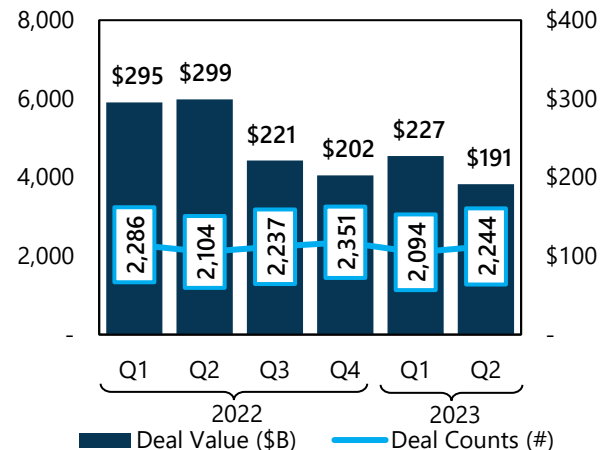
Sources: Pitchbook, PwC, Bain & Company, Wall Street Market Data.

Note: PE Deal Volume and Deal Value data only includes private equity transactions and estimates disclosed as of 6/30/23, all figures are subject to change in future quarters.

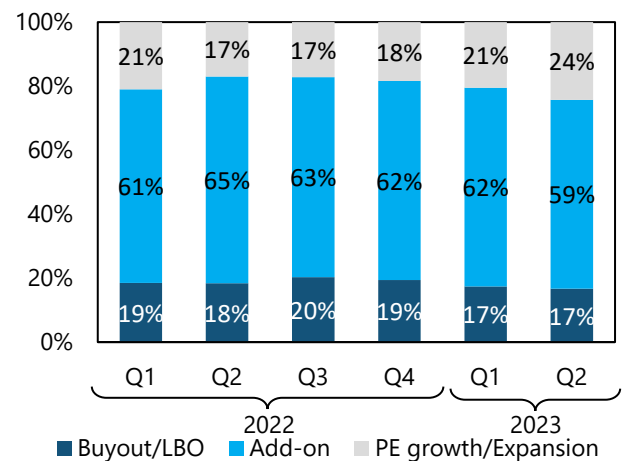
Q2 2023 Deal Activity Snapshot

Volume:	2,244	+7.16%
Value:	\$191.2B	-15.8%

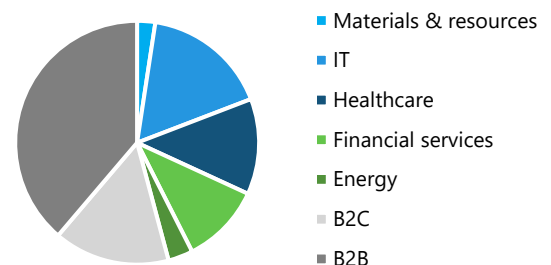
PE Deal Volume and Value (\$B)



PE Deal Count by Type (%)



PE Deal Volume by Sector





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 buy-side and sell-side M&A, succession planning, business valuation, and capital raise.

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">Go-to-market sell-side advisoryBuy-side growth strategiesExit planningFairness opinions
Capital Raise	<ul style="list-style-type: none">Equity or debt capital raiseDividend recapitalizationSolvency opinionsMinority investors
Valuation Opinions	<ul style="list-style-type: none">Buy-sell agreementsGift, estate, and income tax mattersShareholder disputesPurchase price allocations
Capital Management	<ul style="list-style-type: none">Licensed Fund ManagementRegistered Investment Advisers

Broker dealer services offered through M&A Securities Group, Inc., Member FINRA/SIPC, a separate entity from Charter Capital Partners.

Charter Advisory Team

John Kerschen

President and Managing Partner
jkerschen@chartercapitalpartners.com

Mike Brown

Partner and Managing Director
mbrown@chartercapitalpartners.com

Mike Palm

Partner and Managing Director
mpalm@chartercapitalpartners.com

Mark Streekstra

Partner and Managing Director
mstreekstra@chartercapitalpartners.com

Hector Bultynck

Managing Director
hbultynck@chartercapitalpartners.com

Jenny Dakoske

Director
jdakoske@chartercapitalpartners.com

Elisa Berger

Vice President
eberger@chartercapitalpartners.com

Zach Wiersma

Vice President
zwiersma@chartercapitalpartners.com

AJ Ebels

Senior Associate
aebels@chartercapitalpartners.com

Justin Pinto

Senior Associate
jpinto@chartercapitalpartners.com

Wendy McGinnis

Business Development Associate
wmcginnis@chartercapitalpartners.com

Michael Pohl

Associate
mpohl@chartercapitalpartners.com

Keegan Ensing

Analyst
kensing@chartercapitalpartners.com

Drew Dow

Analyst
ddow@chartercapitalpartners.com

Dylan Stenzinger

Analyst
dstenzinger@chartercapitalpartners.com

Travis Read

Analyst
tread@chartercapitalpartners.com