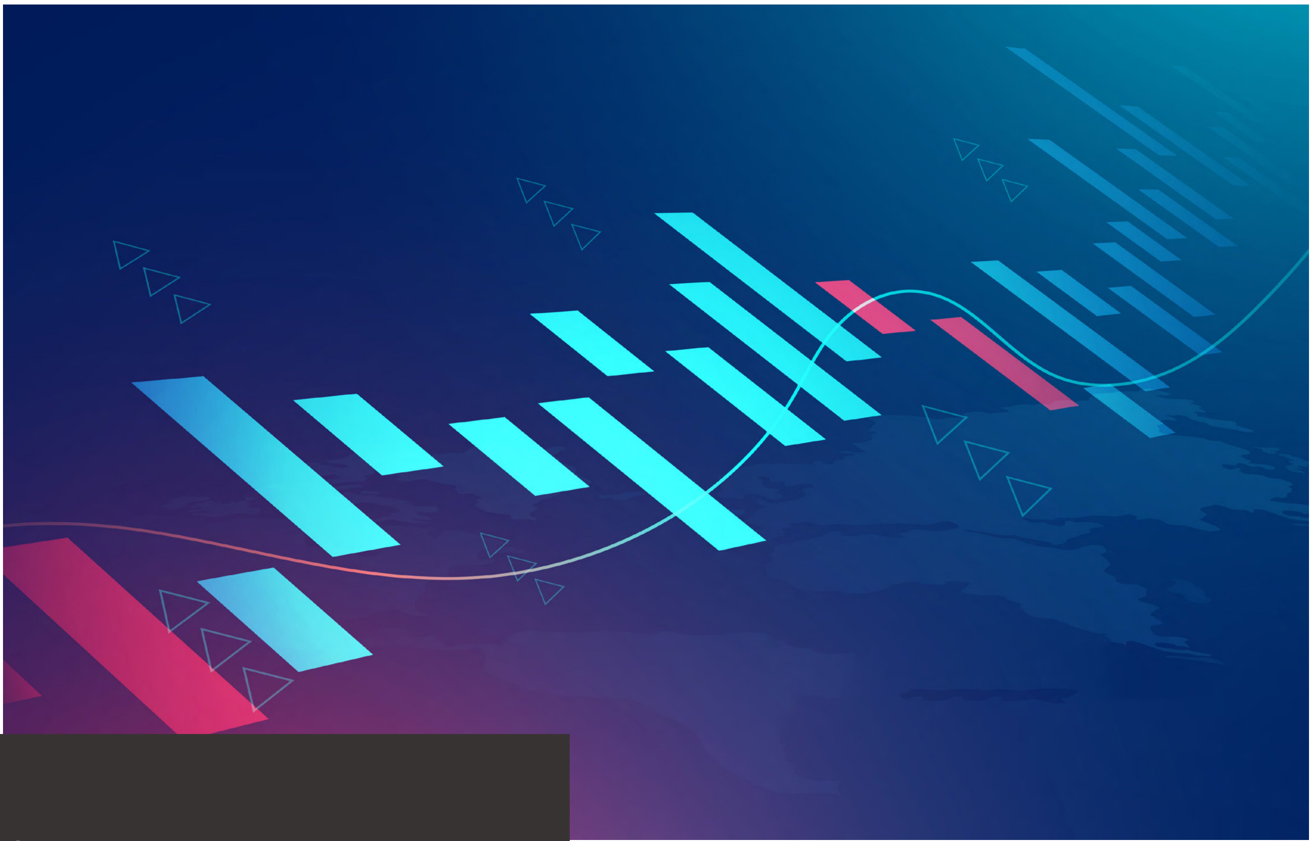
AXIA

Private Equity Newsletter

SG Analytics
Life's Possible

Issue 15 / April 2025



Contents

SG Analytics' premier private equity monthly newsletter and your window to the latest trends, deals, and strategies reshaping the industry.

Each edition of Axia will bring you an exclusive feature article and topical news developments with our experts dissecting critical topics, offering insights and commentary that go beyond the headlines.

- **Fundraising Challenges**
- **Expected Dealmaking Revival**
- **IPO Exit Opportunities**

US PE's Middle-Market Rebound: A Durable Recovery or Temporary Reprieve?

After a prolonged period of dislocation, the US middle-market in private equity (PE) appears to be on track. Deal activity has accelerated, financing conditions have marginally improved, and exit markets are showing signs of improvement. Yet while these developments offer some optimism, it would be premature to interpret them as evidence of a full-fledged recovery.

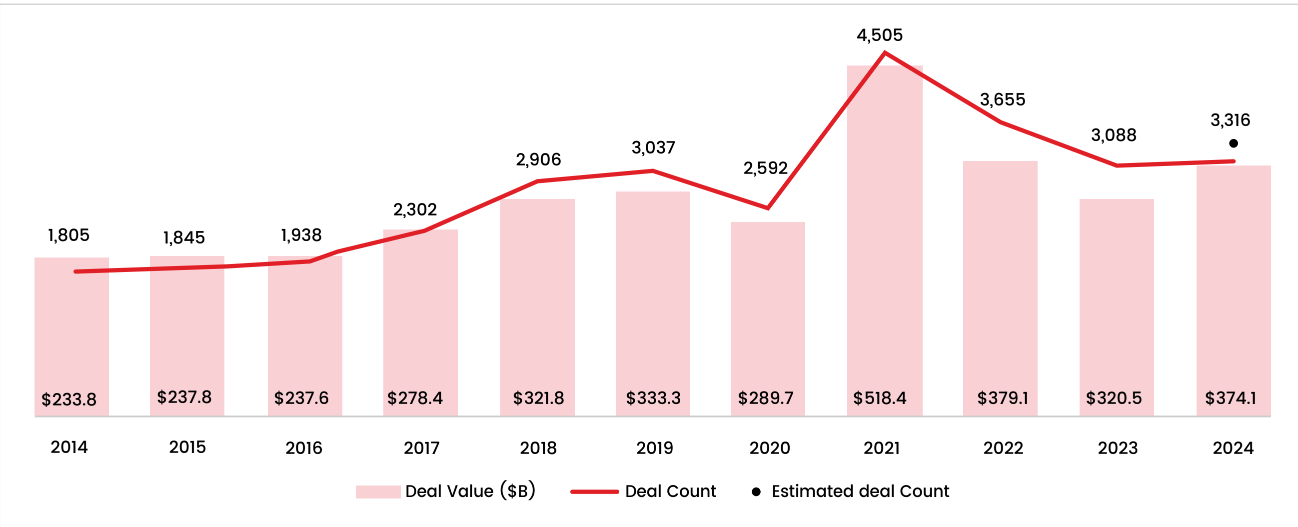
The US middle-market PE sector shows progress after a period of disruption, with improved deal activity, financing conditions, and exit markets. However, these developments are insufficient to signal a full recovery.

Deal Activity has Returned, but Confidence Remains Measured

According to Pitchbook, in 2024, middle-market PE deals reached $374.1 billion, the highest annual value on record, excluding the anomaly of 2021. Sponsors, flooded with undeployed capital and faced with growing pressure to generate returns, are re-entering the market after a period of caution.

The reopening of lending markets has certainly facilitated this re-engagement, particularly for middle-market transactions, which are easier to manage and less sensitive to fluctuations in credit spreads.

Figure 1: US PE Middle-Market Deal Activity



Source: Pitchbook, data as of December 31, 2024

Although the tone of the market remains fundamentally cautious, much of the recent activity has been concentrated in add-on acquisitions or relatively low-risk platform investments. Sponsors are focused on businesses with stable cash flows, predictable end markets, and clear levers for operational improvement. In other words, the rebound is not being driven by a renewed appetite for risk but rather by a more pragmatic, disciplined approach to deployment.

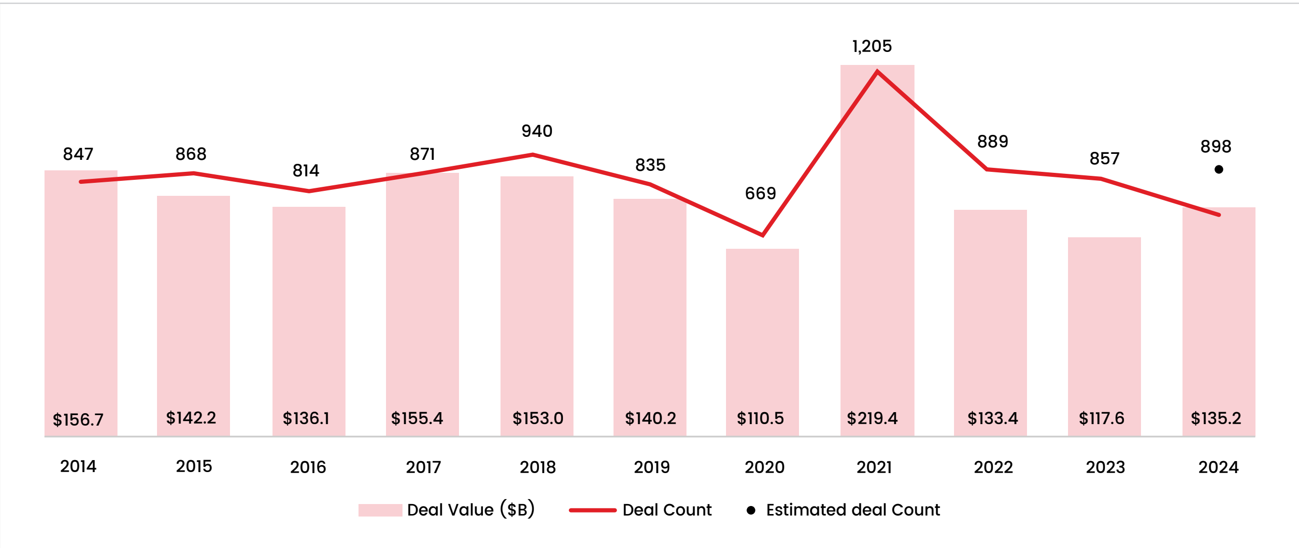
Valuations Quietly Continue to Reset

Valuations are recovering but the reality is more nuanced. While enterprise value (EV)/EBITDA multiples rose from 11.6x in 2023 to 13.0x in 2024, EV/revenue multiples fell from 2.5x to 2.2x, as per PitchBook. This divergence signals continued pricing discipline. Moreover, sponsors are increasingly becoming unwilling to pay for the potential upside that are unlikely to materialize. Instead, they are demanding demonstrable performance, clear visibility into margins, and defensible market positioning. This shift is encouraging from a long-term perspective as it promotes discipline and discourages speculative bidding, but it also implies that the exuberance of 2021 is unlikely to return anytime soon.

Exit Markets Stir, Yet Overhang Looms Large

On the exit front, there has been a modest uptick in volume. In 2024, there were 898 middle-market exits worth a combined $135.2 billion, reflecting a 15% increase in value and a 4.8% rise in count YoY, as per PitchBook. This is a positive sign after two years of limited activity in the monetization of PE holdings. Yet, it is worth emphasizing that much of the recent exit activity has been concentrated among a subset of high-performing companies. These are high-quality assets that have been held longer than expected due to market conditions and are now being brought to market as sentiment improves.

Figure 2: US PE Middle-Market Exit Activity



Source: PitchBook, data as of December 31, 2024

Nonetheless, the broader backlog of unsold assets remains substantial. According to PitchBook, as of 2024-end, more than 5,500 middle-market PE portfolio companies were still awaiting exit, translating to over six years of inventory at the current pace of divestment. Many of these companies were acquired at or near peak valuations, so reconciling seller expectations with current market pricing continues to pose challenges. Until strategic acquirers and financial buyers return in full force, exit volumes are likely to remain constrained.

Sector Concentration Reflects Risk Aversion

Another notable feature of the current market is the concentration of deal activity in a handful of sectors. Technology, healthcare, and aerospace & defense sectors have continued to attract capital, benefiting from their perceived resilience and structural tailwinds. Sponsors are prioritizing businesses with long-term demand drivers, strong unit economics, and room for operational enhancement.

This sectoral focus reflects thoughtful capital allocation. However, it does suggest that the market remains highly risk sensitive. The appetite for complexity, cyclicality, or turnaround situations remains muted. As competition intensifies in the favored sectors, firms will need to move beyond broad verticals and develop true subsector expertise. Generic familiarity is no longer sufficient as success increasingly depends on differentiated insight and pre-existing relationships within specific niches.

The Path Forward: A Market Requiring Precision

First, it is unlikely that we will see a return to the velocity and valuation levels of 2021. That period was shaped by exceptional monetary conditions and aggressive risk-taking, neither of which is likely to repeat. Second, PE firms must remain patient. Deploying capital into a recovering market requires conviction, not haste. Firms that lean too aggressively into the current momentum will likely find themselves overpaying for assets that lack the resilience needed to navigate further macro volatility.

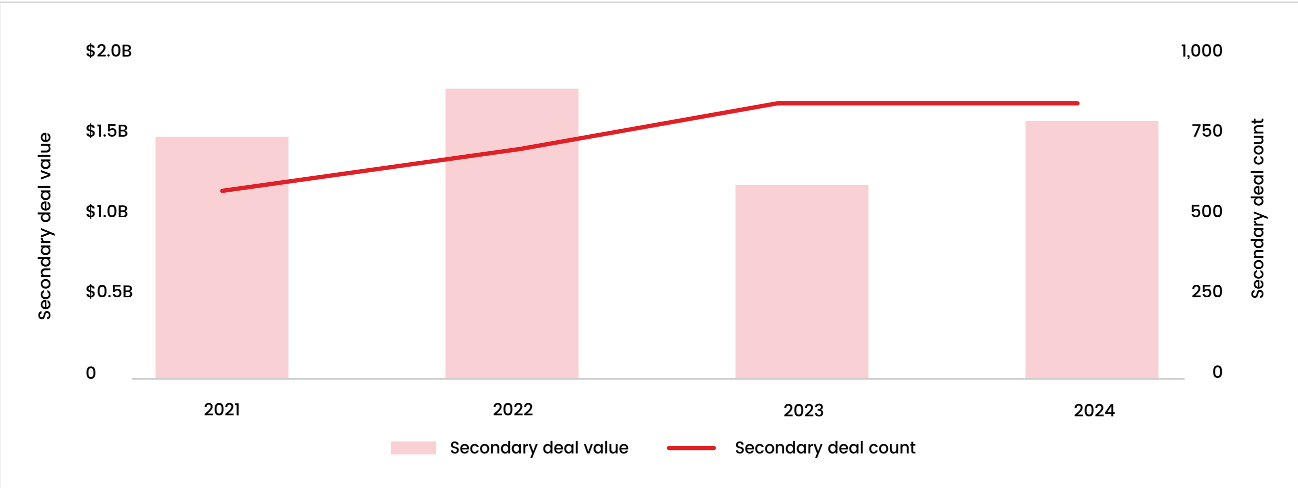
Finally, value creation will need to come increasingly from operational improvement, not financial engineering. The cost of debt will stabilize, but it is unlikely to return to pre-2022 levels in the near term. That shift places a greater premium on post-close execution, sector specialization, and margin expansion. For those willing to adapt, the opportunity remains significant. However, the path forward will demand a level of precision and patience.

Monthly News and Analysis

US VC Secondary Capital Grows, but Deals Remain Concentrated

Investor interest in US VC secondaries continues to grow as the market matures and liquidity pressures persist. While dry powder for secondaries saw a sharp rise in 2024, actual deal activity remained highly concentrated. Just seven unicorns accounted for $16.7 billion in tender offers in 2024, within a market size of up to $59.9 billion, as per PitchBook.

Figure 3: US VC Secondary Transaction Activity



Source: Caplight

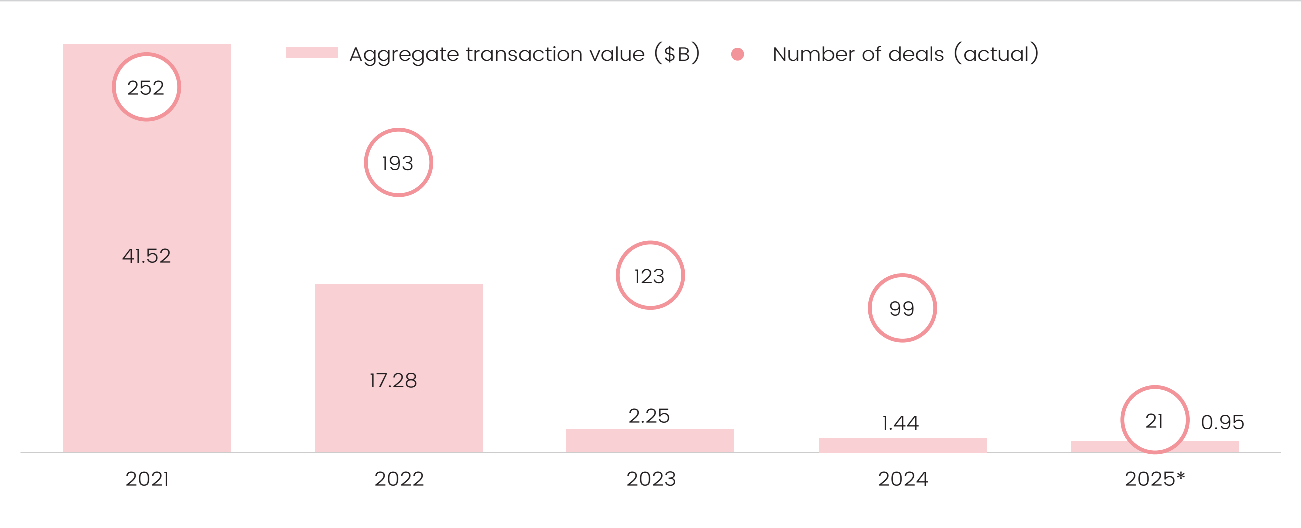
Despite growing investor attention and capital commitments, the US VC secondary market remains narrow in scope. Most transactions continue to center on a small group of high-profile startups, often in popular sectors such as artificial intelligence (AI). This mirrors patterns in the broader venture market, where capital increasingly chases a limited set of proven or high-visibility companies. While secondaries have gained traction as a partial solution to VC's liquidity challenges, their overall market share remains small, accounting for just 2% of the combined $2.9 trillion valuation of all US unicorns in 2024, as per PitchBook.

Moreover, PitchBook analyst Emily Zheng notes that the secondaries space now closely reflects the primary venture market in terms of deal structure, investor priorities, and pricing behavior. Although dry powder for secondaries grew to $7.2 billion by mid-2024, more than double the previous year, it still represented only 2.3% of the total dry powder across traditional VC funds, as per PitchBook. Additionally, one major shift in 2024 was the rebound in pricing: secondary deals carried a median premium of 8.9% in Q4, a sharp turnaround from the deep discounts seen in 2023. Still, investors remain selective, with capital largely directed toward startups perceived as safer bets. Unless confidence expands to a broader set of companies, the secondary market will likely continue to see growth without meaningful diversification.

Cybersecurity Draws Surge in PE Backing

PE and VC investments in cybersecurity reached $950 million across 21 deals in early 2025, putting the sector on track to surpass 2024 levels. Identity and access management (IAM) has led the way, with deal value by March 10 already representing 66% of 2024's total, according to S&P Global.

Figure 4: PE/VC-backed Investments in IAM Companies



Source: S&P Global, data as of March 10, 2025

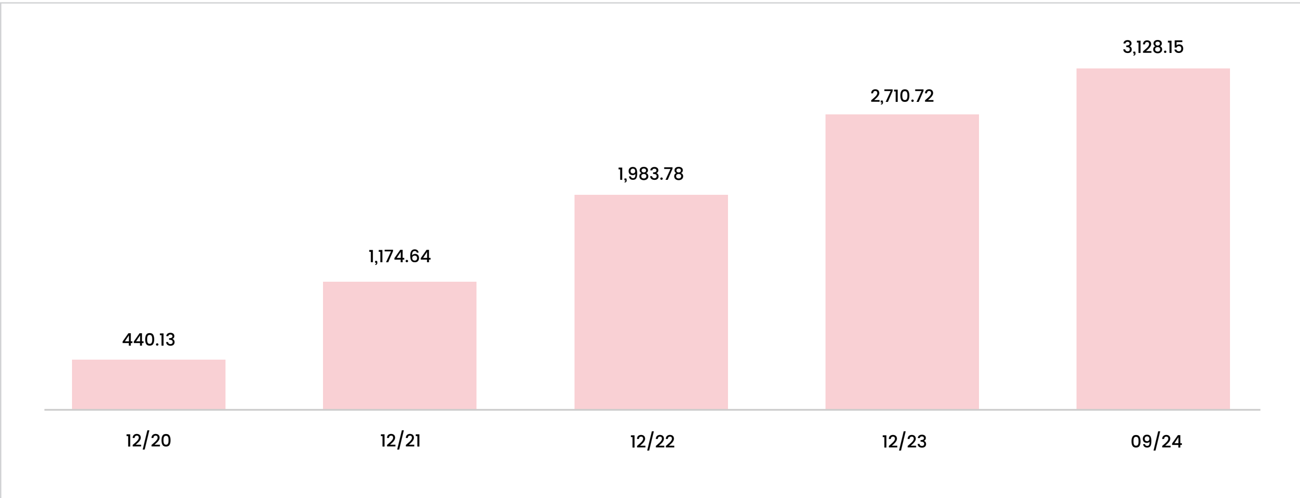
PE's interest in cybersecurity is gaining strength, driven by strong fundamentals and a high-profile exit. The March 2025 announcement of Wiz's $32 billion sale to Alphabet sparked renewed investor interest. This proposed acquisition marks one of the largest venture-backed cybersecurity exits and is expected to deliver sizable returns to its backers. For example, Index Ventures is projected to earn $4 billion from its initial $3.5 million investment in Wiz. Other early investors include Sequoia Capital, Andreessen Horowitz, Advent International, and GreenOaks Capital.

According to Justin Lam, senior research analyst at S&P Global, both venture and PE investors are continuing to allocate substantial capital to cybersecurity. He pointed out that valuations remain high, with companies raising funds at five to six times their revenues. This is partly due to the recurring nature of cybersecurity revenue, with clients typically staying loyal to a single provider over time. Moreover, lower churn and longer customer lifecycles make these firms especially attractive to investors. After a sharp decline in 2024, when global cybersecurity deal value dropped to $1.44 billion, investment activity is now regaining momentum, as per S&P Global. Analysts attribute the earlier downturn to broader market weakness, not a lack of interest in the sector. As cyber threats grow more sophisticated and regulatory demands intensify, the sector is once again becoming a key focus for investors seeking long-term growth and stability.

US PE AUM Reaches $3.128 Trillion in 2024

Assets under management (AUM) of US PE firms reached $3.128 trillion as of September 2024, marking the highest level since December 2020, according to S&P Global. The growth trend is being driven in part by a surge among smaller and mid-sized firms, many of which have rapidly scaled their operations.

Figure 5: Total AUM of US PE Firms (in $ Billions)



Source: S&P Global, data as of March 31, 2025

The recent surge in PE AUM is being driven in part by a wave of rapid growth among smaller and mid-sized firms. These firms have capitalized on favorable conditions, investor demand, and flexible fund structures to scale quickly. One standout example is One Madison Group, which increased its AUM from $189 million in 2022 to $6.08 billion in 2023.

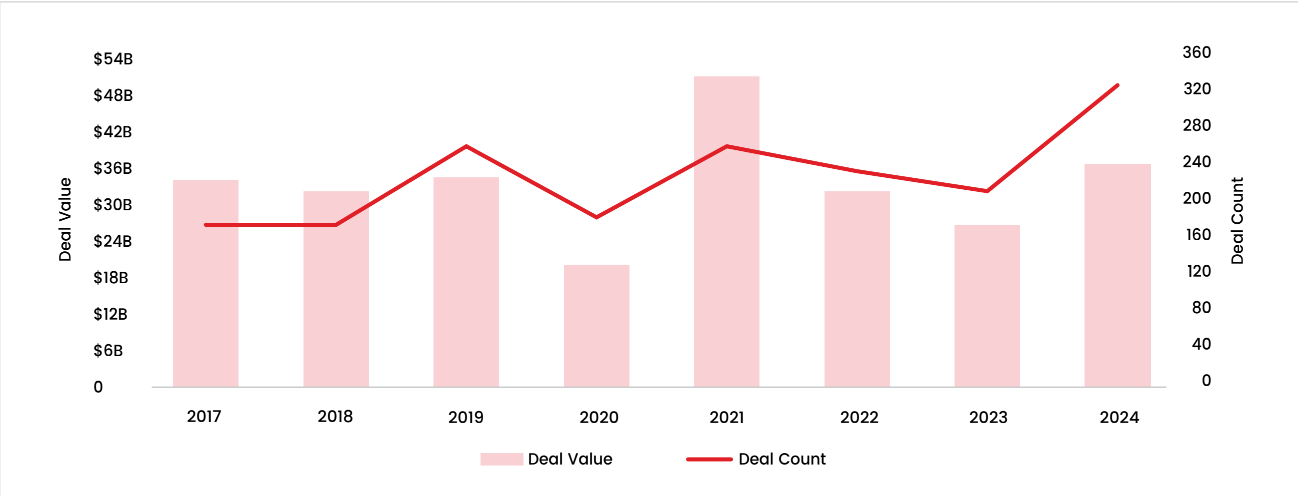
Oliver Gottschalg, professor at HEC Paris, noted that management fees form a significant portion of profits for PE firms, which creates a strong push to grow assets. However, he cautioned that very rapid AUM growth often leads to underperformance. Challenges include the risk of stretching investment teams too thin and strategy drift, where firms expand into unfamiliar sectors in pursuit of scale. While some adapt successfully, Gottschalg said the data shows it is difficult to sustain performance while shifting focus.

Steve Kaplan, a business professor at the University of Chicago, added that early fund success and rising investor confidence help some firms secure much larger follow-on funds. Moreover, co-investment opportunities are likely to support fast growth. The broader industry outlook remains bullish, with private markets AUM expected to double over the next five to six years, according to a March 14 research note from Evercore ISI. However, the ability to scale without losing focus or returns will define which firms will be able to sustain long-term momentum.

PE Accelerates Deal Activity in Aerospace & Defense

PE dealmaking in aerospace & defense surged in 2024, with 333 global transactions recorded. This surpassed the previous high of 262 deals in 2021, according to PitchBook. While total deal value reached $36.7 billion, below the 2021 peak, it was still 37% higher than in 2023, signaling a strong rebound.

Figure 6: Global Aerospace & Defense PE Deal Activity



Source: PitchBook, data as of December 31, 2024

Several factors contributed to the resurgence of PE activity in aerospace & defense. A narrowing gap between buyer and seller price expectations helped accelerate deal closures, according to PitchBook analyst Jim Corridore. At the same time, rising global defense budgets and strong demand for passenger aviation have increased investor confidence in paying higher valuations. These dynamics allowed sellers to monetize assets more quickly than in the broader PE market, where exit activity has been subdued.

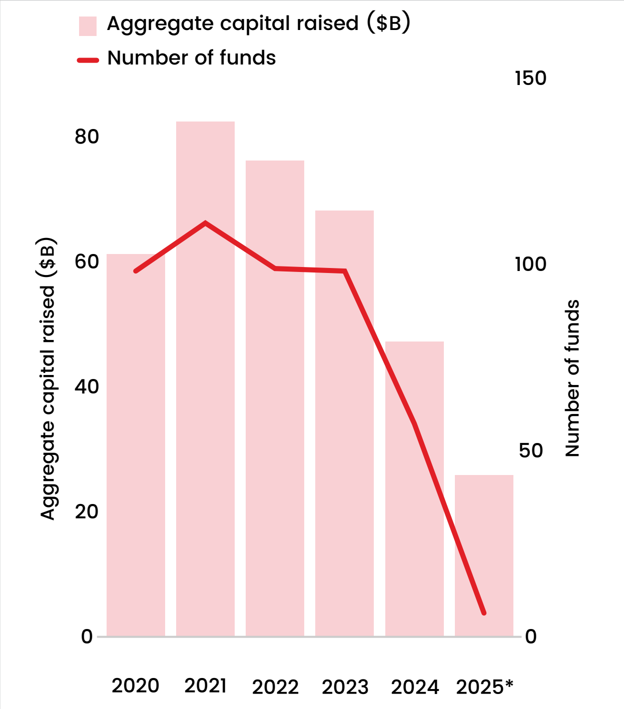
In 2024, the sector also saw a record 72 PE exits, the highest level since 2017, as per PitchBook. Much of the activity was focused in areas like maintenance, repair, and overhaul, as well as aerospace components. This was driven by delays at major aircraft manufacturers and a surge in air travel, which pushed airlines to extend the use of older fleets, creating more demand for supporting services.

Geopolitical uncertainty has further intensified defense spending across the North Atlantic Treaty Organization (NATO) countries. Military aid to Ukraine reached $70 billion by January 2025, while nations like Denmark and the UK recently announced budget increases. However, the shifting US policies under the Trump administration pose some uncertainty. Recent federal layoffs, including cuts at the Federal Aviation Administration (FAA), are expected to impact aviation oversight. Despite these risks, investor appetite remains strong, supported by global security concerns and resilient aviation demand.

Europe Outpaces the US in Private Credit Fundraising in Early 2025

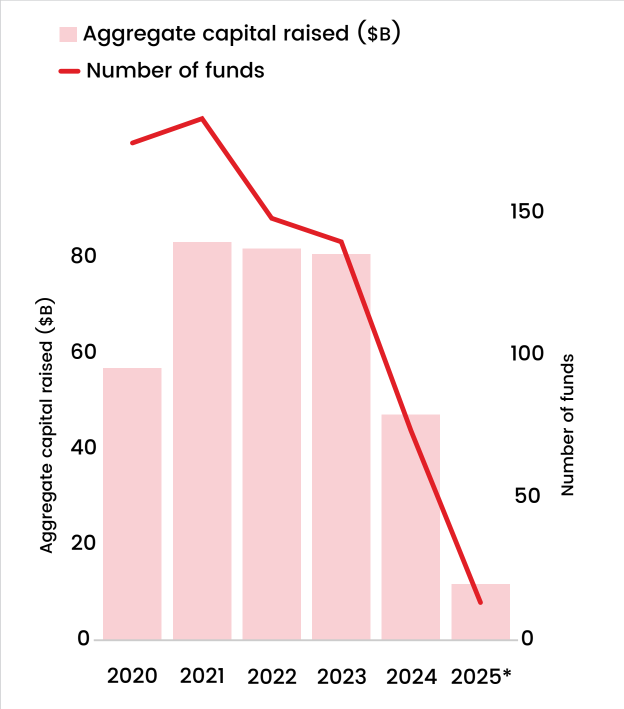
Europe-focused private credit funds raised $25.71 billion by March 20, nearly triple the $9.27 billion raised by US-focused funds in the same period, according to Preqin Pro. The spike in European fundraising aligns with the region's improving economic outlook, as the EU recorded its strongest quarterly GDP growth since 2022, as per Eurostat.

Figure 7: Europe's Private Credit Fundraising



Source: Preqin Pro, data as of March 20, 2025

Figure 8: US Private Credit Fundraising



Source: Preqin Pro, data as of March 20, 2025

The growth gap between Europe and the US has shifted in recent quarters, drawing more private credit capital to European markets. Joe Alala, CEO of Capitala Group, noted that the US economy emerged from the pandemic earlier, but Europe is only now entering its recovery phase. This is evident from the March EU GDP data showing 0.4% growth in both the third and fourth quarters of 2024 as signs of renewed momentum. In the US, Alala expects private credit to lean toward business services that are less exposed to tariffs or raw material costs. These sectors will likely perform better under shifting trade policies, he said. In Europe, the largest private credit fund that closed this year was Intermediate Capital Group's $14.5 billion Senior Debt Partners Fund 5.

According to Patrick Schoennagel, head of Sponsor Finance in Europe at Houlihan Lokey, much of the capital raised has come from a few top-tier managers. He noted that institutional investors are increasingly drawn to private credit for their resilience compared to traditional assets. Looking ahead, he sees a strong appetite for deals in software, critical business services, and healthcare. These sectors offer predictable growth regardless of broader market conditions. He also highlighted Germany and the Netherlands as leading hubs for deployment, adding that more than half of Europe's private credit deals over the next few years will likely be funded through this asset class.

Deals Flash

Audax Acquires Majority Stake in Lanter from EGI

Audax Private Equity, a Boston-based PE firm, has acquired a majority stake in Lanter Delivery Systems, a Missouri-based provider of delivery services, from Equity Group Investments, an Illinois-based PE firm. Founded in 1981, Lanter provides overnight, unattended delivery of Original Equipment Manufacturer (OEM) parts to automotive, agriculture, and heavy-truck dealerships. This deal will allow Lanter to expand its service lines, invest in technology, and enter new markets, enhancing its logistical capabilities. Further, it will enable Audax to leverage its Buy & Build strategy to accelerate Lanter's growth.

Nonantum Acquires MSI Express

Nonantum Capital Partners, a Boston-based PE firm, has acquired MSI Express, an Indiana-based provider of contract manufacturing and packaging solutions. Founded in 2008, MSI offers innovative solutions across blending, packaging, and dry and liquid filling. This acquisition will allow MSI to accelerate its growth by leveraging Nonantum's strategic expertise and resources, while expanding its capabilities and customer base. Further, it will enable Nonantum to deepen its footprint in the food packaging sector by scaling an established and growing business with proven leadership.

BPCP Sells Sylvan to E3Tech

Blue Point Capital Partners (BPCP), an Ohio-based PE firm, has sold a BPCP III portfolio company, Sylvan, a Michigan-based service provider of piping, sheet metal, HVAC, and other solutions to E3Tech, a Florida-based provider of growth-technology solutions. Founded in 1956, Sylvan offers comprehensive multi-trade solutions across commercial and industrial applications. This deal will allow Sylvan to pursue its next phase of growth with stronger resources and strategic support. Further, it will enable BPCP to continue its approach of growing scalable businesses through operational improvements, acquisitions, and technology enhancements.

LLCP Sells Encore Fire Protection to Permira

Levine Leichtman Capital Partners (LLCP), a Los Angeles-based PE firm, has sold its portfolio company Encore Fire Protection, a Rhode Island-based fire protection services provider, to Permira, a UK-based PE firm. Founded in 2009, Encore delivers testing & inspection, maintenance & repair, and installation services to commercial clients across various industries. This deal will allow Encore to accelerate its growth by enhancing service offerings and expanding its presence with Permira's strategic support. Further, it will enable LLCP to capitalize on its investment and sector expertise.

Rubicon Announces Majority Investment in CollegeNET

Rubicon Technology Partners, a Colorado-based PE firm, has announced a majority investment in CollegeNET, an Oregon-based developer of web-based education management software. Founded in 1977, CollegeNET offers AI-driven solutions to optimize scheduling, admissions, and next-generation virtual classrooms to improve student outcomes. This deal will allow CollegeNET to accelerate growth and drive product innovation across its core offerings and advanced educational tools. Further, it will enable Rubicon to support CollegeNET's expansion and strengthen its leadership in higher education software solutions.

SK Capital Acquires PPT Group from Battery Ventures

SK Capital Partners, a New York-based PE firm, has acquired Physical Properties Testers (PPT) Group, a UK-based provider of physical property test and measurement solutions, from Battery Ventures, a Boston-based technology-focused investment firm. Founded in 1871, PPT offers diverse testing solutions focused on torque, tensile strength, abrasion, piling, compression, and adhesion properties. This deal will allow PPT to enhance product offerings, expand market leadership through organic growth and strategic M&A, and accelerate its growth trajectory. Further, this deal will enable SK Capital to deepen its industrial technology presence.

Silver Lake Acquires Endeavor Group in Take-Private

Silver Lake, a California-based PE firm, and its co-investors have acquired Endeavor Group Holdings, a New York-based global sports and entertainment company, in a $25 billion deal, taking the company private and rebranding it as WME Group. The company will retain its controlling ownership in publicly traded TKO Group Holdings, a premium sports and entertainment company. This deal will enable Silver Lake to strengthen its long-standing partnership with Endeavor's leadership and support the continued growth of WME Group and TKO.

Regent Acquires TechCrunch from Yahoo

Regent, a California-based PE firm, has acquired TechCrunch, a California-based operator of a news publishing platform, from Yahoo, a New York-based provider of advertising & media services. Founded in 2005, TechCrunch provides coverage of technology news, including analysis of tech companies, startups, and entrepreneurs worldwide. This deal will allow Regent to expand TechCrunch's global reach in delivering leading technology news and analysis. Further, this deal will enable innovative content development, audience growth, and a long-term partnership between Regent, Yahoo, and TechCrunch for mutual success.

JFLCO Acquires Majority Stake in Wrist from Altor

J.F. Lehman & Company (JFLCO), a New York-based PE firm, has announced that an affiliate has acquired a majority stake in Wrist, a Denmark-based ship and offshore supplier, from Altor Equity Partners, a Sweden-based PE firm. Founded in 1950, Wrist provides marine supply, logistics, and budget management services for the maritime industry. This deal will allow Wrist to accelerate growth, expand its footprint, and lead the digitalization of the maritime supply chain. Further, this will enable JFLCO to leverage Wrist's innovative solutions and strong market position for long-term success.

Thoma Bravo Invests in PCMI

Thoma Bravo, an Illinois-based PE firm, has announced a strategic growth investment in PCMI, an Illinois-based provider of cloud-based administration software for the automotive and consumer product markets. Founded in 2012, PCMI offers integrated administration solutions, enabling third-party administrators, dealers, OEMs, and lenders to streamline end-to-end policy, claim, and refund payment processes. This deal will allow PCMI to enhance its platform, accelerate global growth, and expand its market leadership. Further, it will enable Thoma Bravo to drive innovation, scale operations, and capture opportunities in the growing administration software market.

TRENDS AND STATS

March Middle-Market Deal Summary

48.9%
of the deals were made in the Business Products and Services (B2B) sector

60.0%
of B2B deals were in Commercial Services

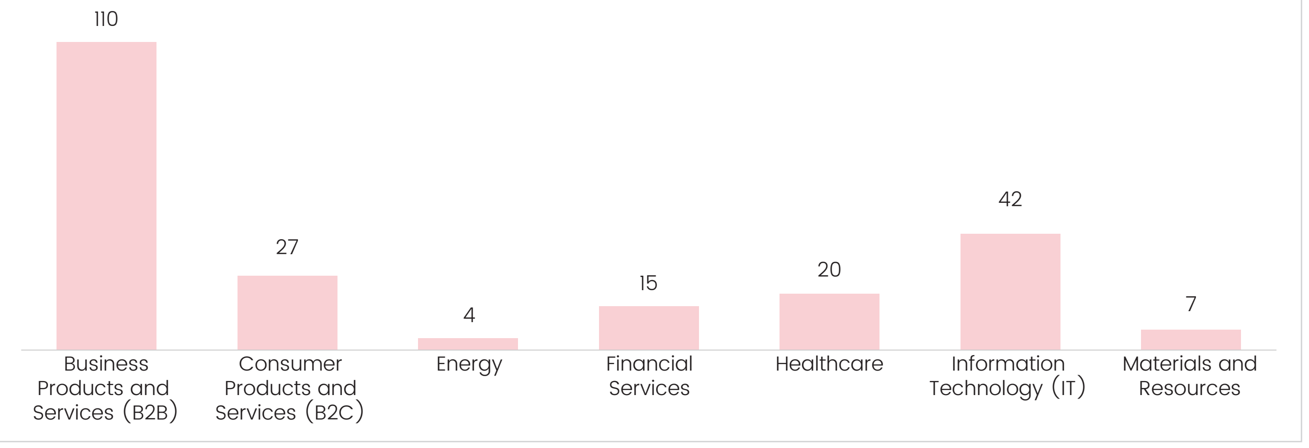
18.7%
of the deals were in Information Technology (IT)

66.7%
of IT deals were in Software

California
experienced the highest dealmaking activity, followed by Texas

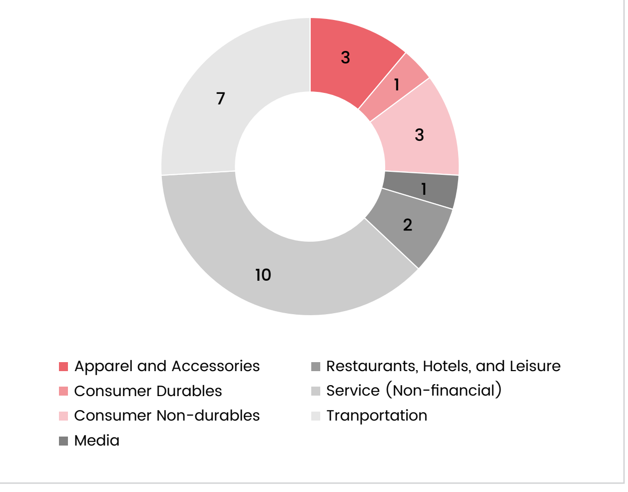
74.7%
of the deals were buyout deals

Figure 9: March Middle-Market Deal Summary



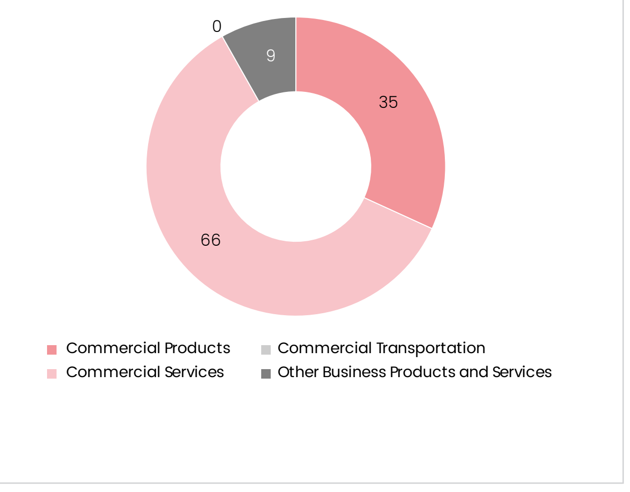
Source: SG Analytics Research

Figure 10: Consumer Products and Services



Source: SG Analytics Research

Figure 11: Business Products and Services

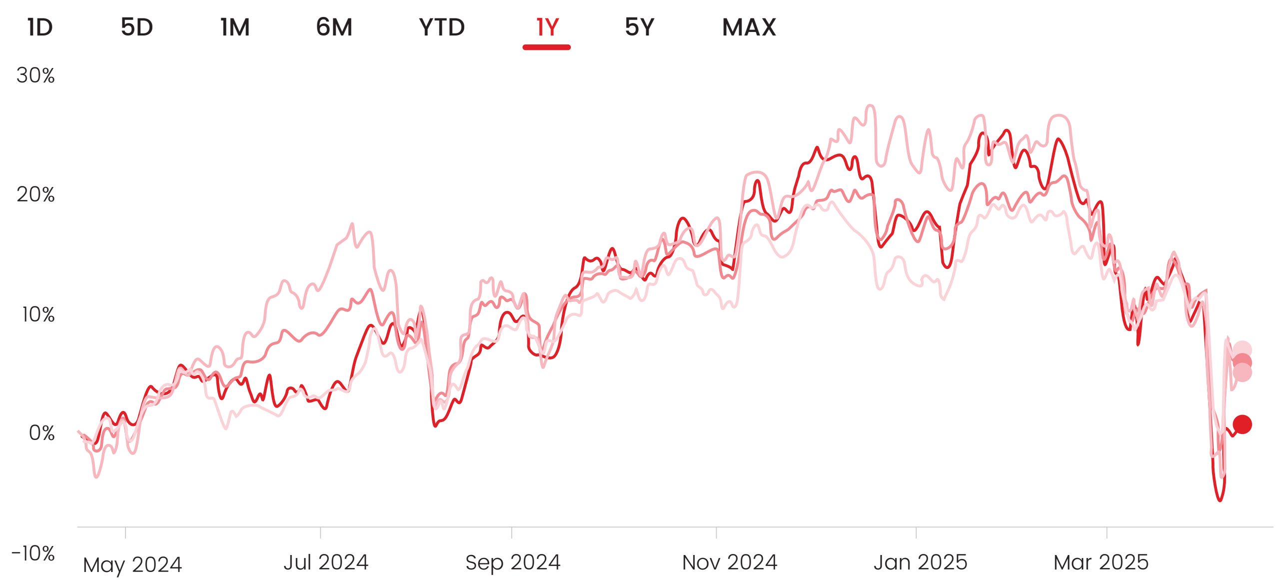


Source: SG Analytics Research

Note: This dataset specifically targets investor fund preferences within the $2–8 million EBITDA range. It is important to note that the summary focuses solely on these investor preferences and does not include details related to deal sizes.

S&P Listed Private Equity Index

Figure 12: S&P Listed Private Equity Index

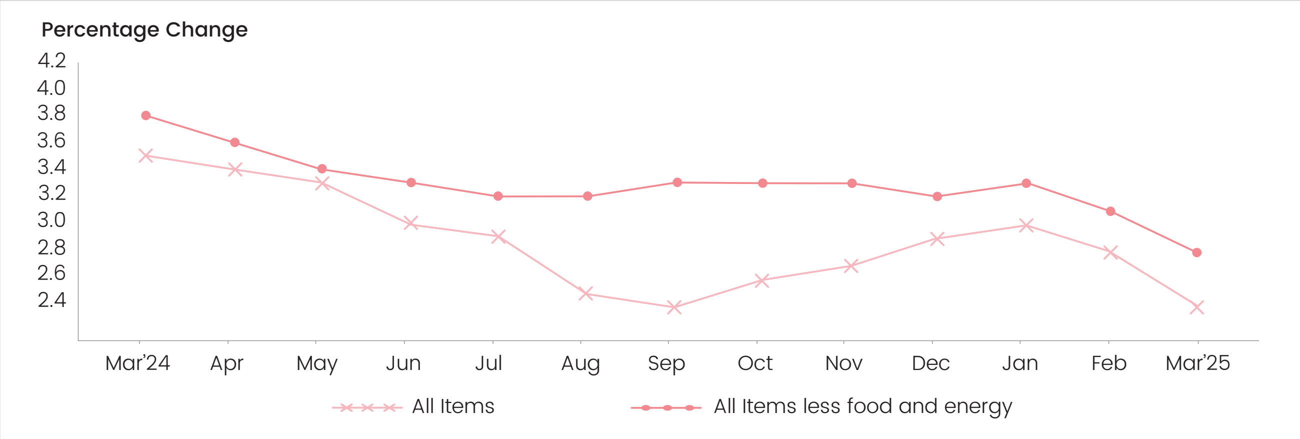


S&P Listed Private Equity Index	220.24	+1.61	0.74%
S&P 500	5,363.36	+301.54	5.96%
Nasdaq Composite	16,724.46	+839.44	5.28%
Dow Jones Industrial Average	40,212.71	+2,477.60	6.57%

Data as of April 14, 2025

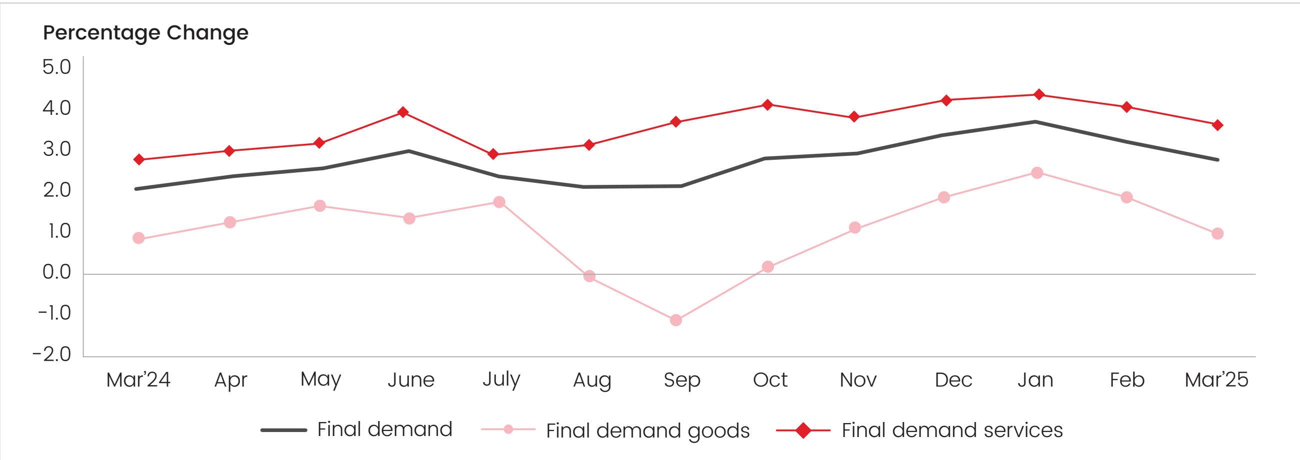
Index	Month-over-Month	YTD
Consumer Price Index	-0.1%	2.4%
Producer Price Index	-0.4%	2.7%

Figure 13: 12-month Percent Change in CPI for All Urban Consumers, Not Seasonally Adjusted



Source: US Bureau of Labor Statistics

Figure 14: 12-month Percent Change in Selected PPI Final Demand Price Indexes, Not Seasonally Adjusted



Source: US Bureau of Labor Statistics

Upcoming Events

Women in Private Markets Summit North America 2025	May 13–14, 2025	Convene, 117 West 46th Street, New York, NY
Markets Group 13th Private Equity New York Forum	May 14, 2025	New York, NY
SBIA 2025 Midwest Deal Summit & DeaLinx	May 28–29, 2025	The Four Seasons Hotel Chicago, 120 East Delaware Place, Chicago, IL

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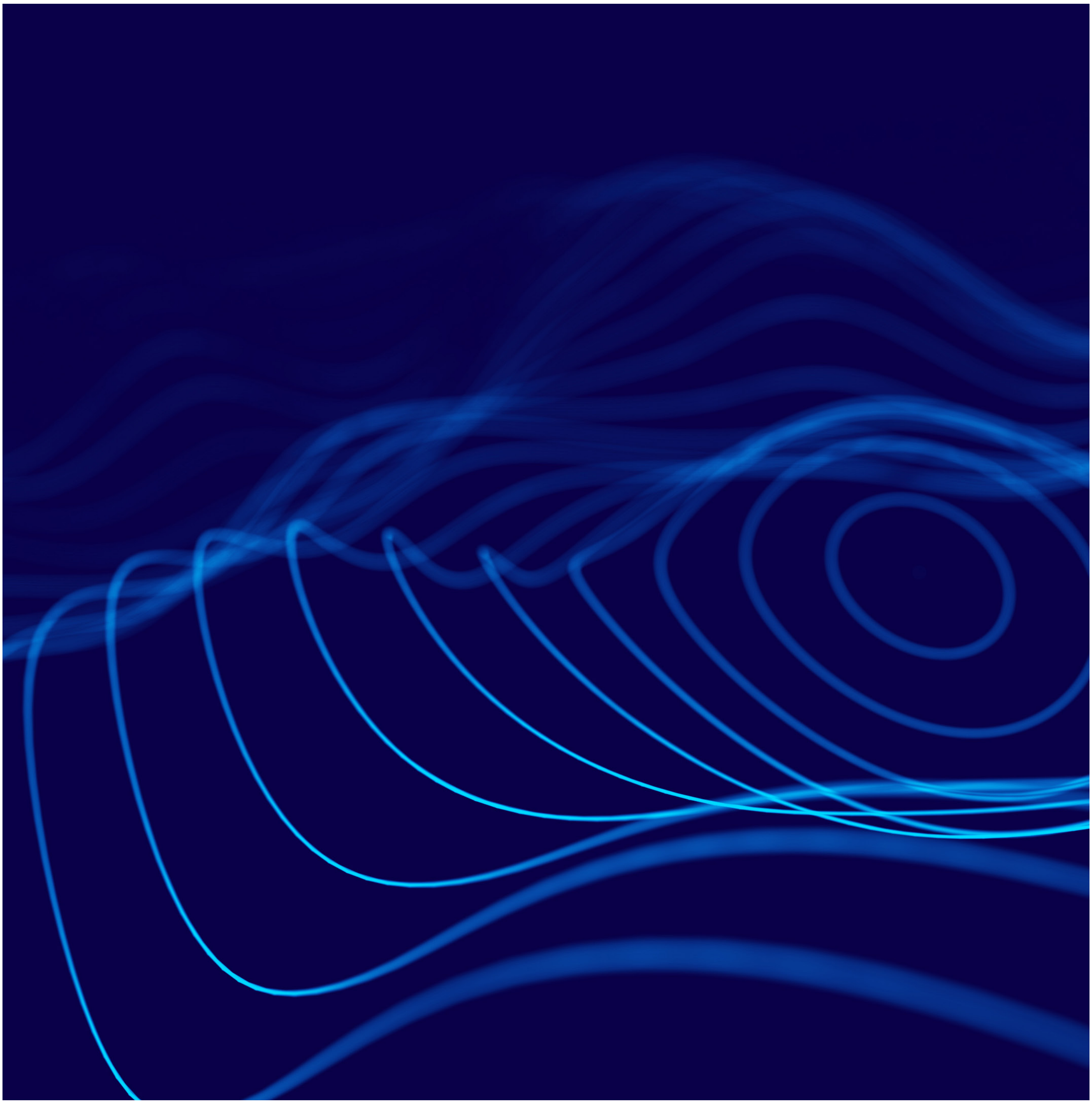

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