



# 1Q25 US PE MIDDLE MARKET

Capital Caution and Execution Discipline Define 1Q25 Momentum

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# AXIA

PRIVATE EQUITY NEWSLETTER

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



# THE US PE MIDDLE MARKET IN 2025

## Disciplined Deployment Amid Market Realignment

**Amid persistent macroeconomic headwinds, the US PE middle market in 2025 remains resilient with stable deal flow and a surge in take-private activity. As exits remain constrained and capital deployment becomes more selective, investors are prioritizing operational rigor and long-term value creation.**

The US private equity (PE) middle market in 2025 is characterized by steady deal flow, increased take-private activity, and a measured pullback in fundraising. Amid constrained exits and sectoral divergence, investor outcomes are being shaped by disciplined execution.

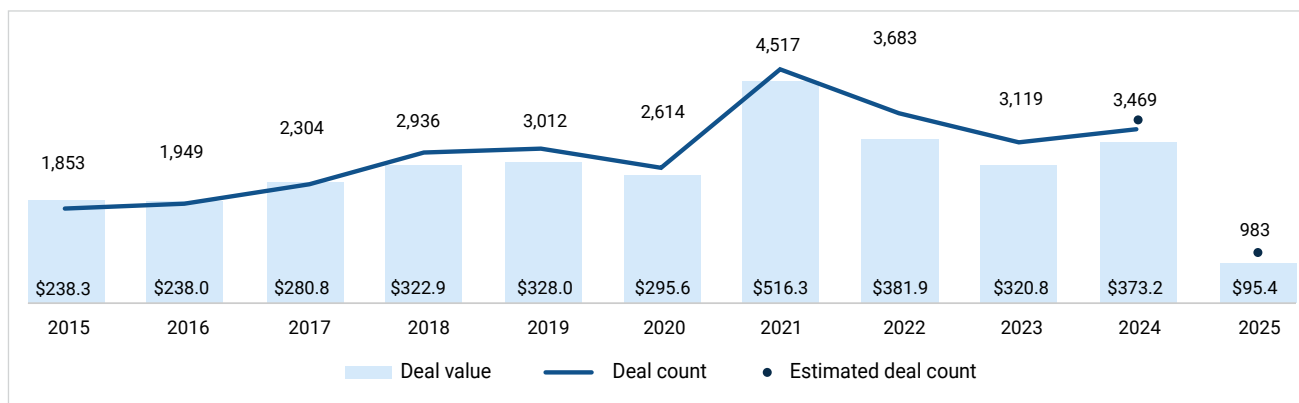
The US PE middle market entered 2025 with guarded momentum in the face of persistent macro uncertainty and tighter financial conditions. While deal volume remained resilient and sponsors adapted to shifting dynamics, underlying challenges became more visible. Exit channels remained constrained, take-private activity accelerated, and public market dislocations created renewed opportunities for private capital deployment. In a market that favors preparation over pace, investors are navigating complexity with a greater focus on timing, governance, and operational value creation.

## Deal Momentum Holds Amid Persistent Uncertainty

In 1Q25, middle-market deal value in the US reached \$95.4 billion across an estimated 983 transactions, as per PitchBook. While this marked a quarter-over-quarter (QoQ) decline of 8.7%, it also reflected a 10% year-over-year (YoY) increase, a testament to the market's durability. Most activity remained concentrated in

the \$100 million to \$500 million range, with relative strength in the mid-Atlantic and West Coast offsetting regional weakness in the South. Amid softening macro signals, this performance underlines how sponsors are continuing to deploy capital, albeit with more caution.

**Figure 1: US PE Middle-Market Deal Activity**



Source: PitchBook, Data as of March 31, 2025

That caution is justified. The B2B and B2C sectors together comprising a majority of PE portfolio exposure remain vulnerable to trade-related uncertainties. These disruptions have impacted procurement strategies and inventory cycles, and Polymarket's prediction markets at one point placed the odds of a US recession near 50%. If macro concerns deepen, deal activity will likely slow, with capital deployment tilting toward distressed opportunities. But if economic conditions stabilize, we expect firms to shift focus to exit planning and backlog rotation.

## Take-Privates Gain Ground Amid Public Market Volatility

Take-private deals under \$1 billion showed renewed momentum, with eight transactions in 1Q25 and a median deal size of \$330.4 million, a nearly 83% QoQ increase, as per PitchBook. Many of these targets are former unicorns that went public during 2020 to 2021 and are now trading below their initial public offering (IPO) valuations. The Russell 2000's underperformance relative to the S&P 500 by more than 1,100 basis points has widened the universe of public companies attractive to PE sponsors.

This trend is expected to continue. Public market volatility has reshaped valuation expectations, and PE firms are moving quickly to acquire overlooked or

undervalued public assets. Middle-market sponsors are well-positioned, as many of these companies are too small to draw megafund interest but too large for traditional lower middle-market buyers. For limited partners (LPs), this signals that public-to-private arbitrage is reemerging as a repeatable source of differentiated returns.

## Exit Activity Remains Under Pressure

Exit activity remains a structural weakness. 1Q25 saw 219 exits totaling \$29.6 billion, down 14.3% in value and 20.2% in count from 4Q24, as per PitchBook. While some of this drop reflects tough comparisons against a stronger 4Q, it is also symptomatic of structural bottlenecks. The middle market does not benefit from IPO activity, and the cautious corporate buyer landscape is constraining strategic M&A opportunities.

Sponsor-to-sponsor exits, however, are proving more resilient. They made up nearly 69% of the exit value and 60% of the exit count in 1Q, as per PitchBook. These sponsor-to-sponsor deals are supporting liquidity through secondary transactions in a market where traditional paths remain limited. For investors, general partners (GPs) with differentiated buyer relationships and creative exit structures, including structured secondaries, will likely have an edge in returning capital.

## Sector Trends: Healthcare Gains, Tech Activity Moderates

Healthcare was a relative outperformer in 1Q, with \$14.5 billion in deal value across 133 deals, as per PitchBook. The sector gained share and showed resilience in both investments and exits. Less exposed to trade dynamics and supported by structural demand drivers like aging demographics and medtech innovation, healthcare remains a reliable target for middle-market GPs. Exit activity also rose, with deals like McKesson's \$850 million acquisition of PRISM Vision signaling renewed strategic appetite.

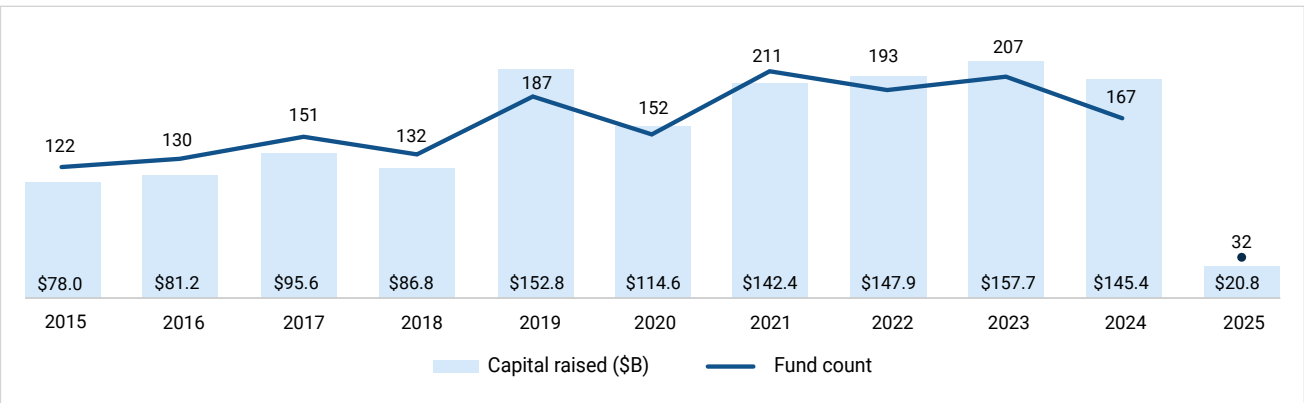
Technology, on the other hand, slowed after a strong 4Q. With \$15 billion in deal value across 140 transactions, both figures were below historical averages, as per PitchBook. The slowdown appears to

reflect a brief pause following an earlier clearing cycle, not to a pullback in interest. Long-term trends still favor technology, particularly digital advertising, software-as-a-service (SaaS), and automation. PE firms are likely to remain active in this space, but on more measured terms.

## Fundraising Slows, but Step-Ups Point to Strength

Middle-market fundraising totaled just \$20.8 billion across 32 funds in 1Q, well below the \$31.8 billion raised in the same quarter last year, as per PitchBook. Yet this slower top line hides strong undercurrents. 94.4% of closed funds were larger than their predecessors, with a median step-up of 57.2%. Moreover, time-to-close fell to 12.2 months, down from 18 months in 2024.

**Figure 2: US PE Middle-Market Fundraising Activity**



Source: PitchBook, data as of March 31, 2025

These dynamics suggest a bifurcated market. While capital is harder to raise, strong-performing managers continue to find support. The quarter also saw two funds raise over \$2 billion, including Vistria's \$3 billion flagship and Turn/River Capital's \$2.5 billion vehicle.

For LPs, the message is clear: consolidation toward proven managers is accelerating, and vintage selection is becoming increasingly critical as performance dispersion widens.

## Conclusion

Despite external headwinds, the US middle-market continues to demonstrate resilience and capital discipline. While fundraising has slowed and exit avenues remain narrow, deal flow is steady, and sponsors are adapting with greater strategic focus. The rise of take-privates, sector strength in healthcare and tech, and reliance on sponsor-to-sponsor activity signal a market in realignment, not retreat. In 2025, investor outcomes will hinge on targeting quality assets, enabling flexible exits, and backing managers with a clear execution edge.



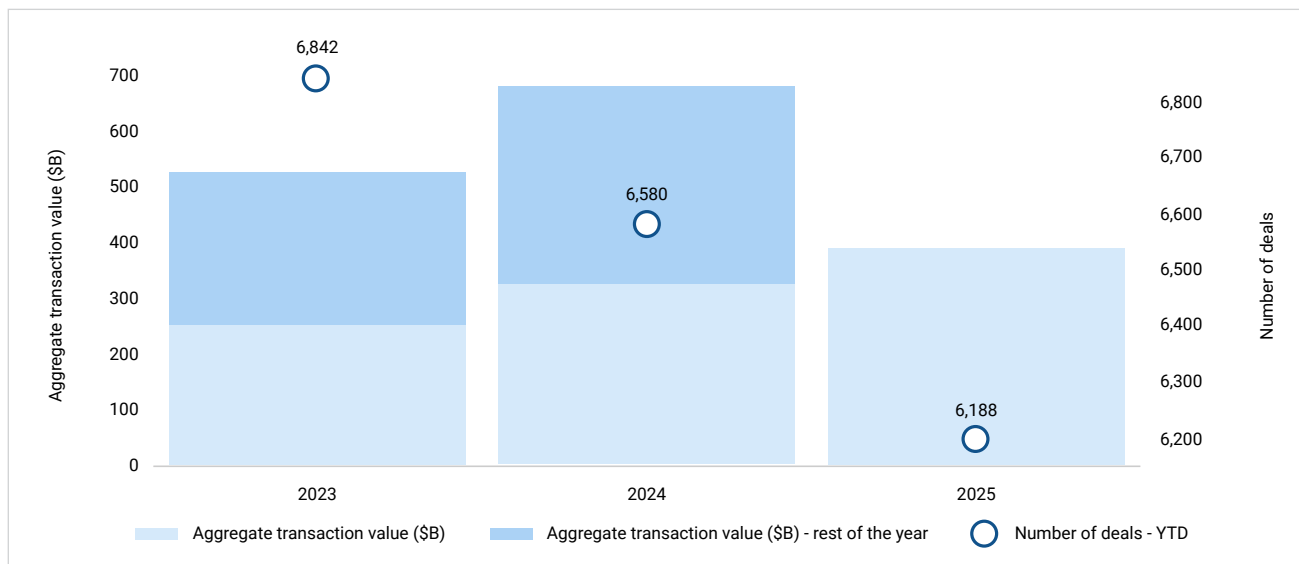
# Monthly News and Analysis



## Global PE Deal Value Rises in 1H25

Global PE and Venture Capital (VC) deal value rose by nearly 19% YoY to \$386.42 billion in the first half of 2025, as per S&P Global. The increase came despite a 6% decline in deal volume, highlighting a sustained shift toward larger, high-conviction transactions.

**Figure 3: Global Entries in PE and VC Since 2023**



Source: S&P Global, data as of June 30, 2025

PE activity in 1H25 reflects a market favoring quality over quantity, as firms lean into larger deals to navigate persistent uncertainty and unlock capital deployment. While total transaction volume dropped to 6,188 deals, aggregate value climbed significantly, with June alone registering \$55.62 billion in deal value across 1,017 transactions, as per S&P Global. Legal advisors cite improved financing conditions as a key enabler of large-scale transactions, particularly control acquisitions, which remain viable when credit markets are functional. Sponsors continue to operate under pressure to deploy large pools of committed capital, with dry powder levels still elevated despite a slight dip from 2023 highs.

Firms are also bridging valuation gaps through flexible deal structuring, including a rise in minority

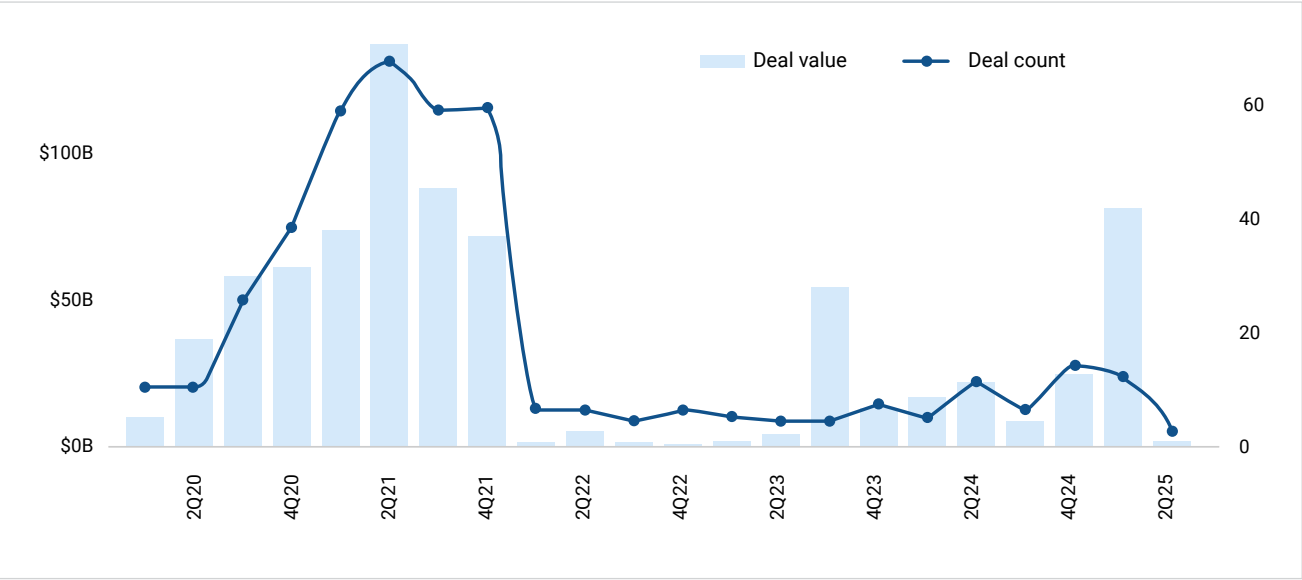
transactions that offer exposure without full control. Sector-wise, technology, media, and telecommunications (TMT) led in deal count, with application software dominating activity. June featured six deals of more than \$1 billion, including Carlyle's \$23.86 billion offer for Santos and Anduril's \$2.5 billion Series G round. KKR was the most active PE acquirer, pursuing take-privates and carve-outs across overlooked middle-market segments. Looking ahead, while macroeconomic and regulatory complexities persist, dealmakers are increasingly incorporating these variables into pricing and diligence. The focus for 2H is expected to remain on large, strategic investments that support capital deployment objectives and offer resilience in a cautious but active deal environment.



## PE Prepares for IPO Rebound in 2H25

PE-backed IPO activity slowed in 2Q25, with only three listings totaling around \$2 billion as of June 10, as per PitchBook. After a weak quarter and multiple IPO withdrawals, buyout firms are cautiously optimistic about a stronger window in the second half, especially in artificial intelligence (AI), robotics, and automation-focused sectors

Figure 4: Carveouts as Share of PE Buyouts in the US

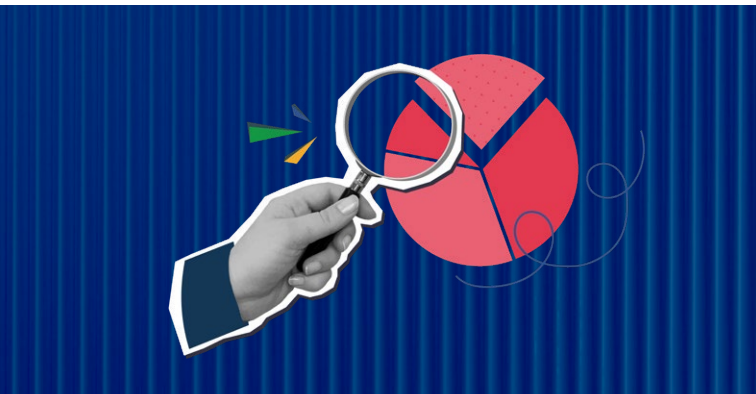


Source: PitchBook, data as of June 10, 2025

Despite a promising start to the year with Venture Global's \$58.7 billion debut, the IPO market has remained largely subdued for PE exits. The LNG company's stock, which initially listed at \$24 per share, dropped sharply to \$7 following broader market volatility, before recovering to \$19 by late June. Its trajectory underscores the risk-sensitive environment that continues to weigh on investor confidence. Several anticipated PE-backed listings have been postponed or withdrawn altogether, including Genesys and Clarios, reflecting the hesitancy of firms to go public in a market that remains cautious and valuation-sensitive. As a result, exit activity via IPOs has stalled, forcing sponsors to explore alternative avenues. Many are turning to dual-track strategies that keep the IPO option open while simultaneously marketing companies for private sale or raising structured capital. Advisors note

that this approach provides flexibility while markets remain volatile and pricing is unpredictable.

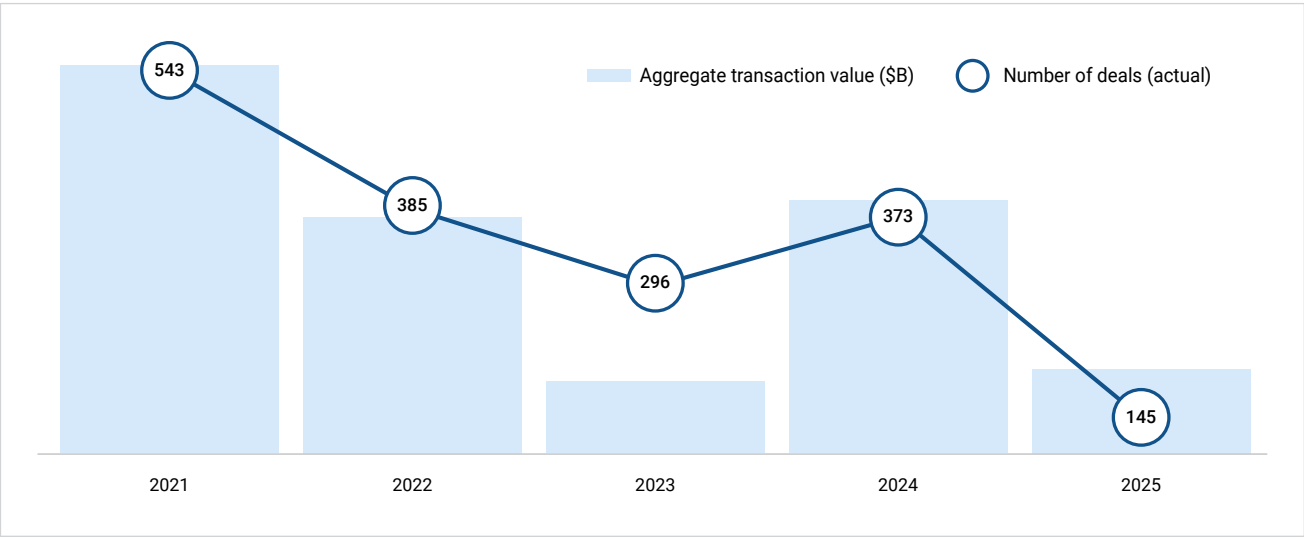
Looking ahead, the pipeline is expected to build gradually, with interest skewed toward companies operating in AI infrastructure, cloud services, robotics, industrial automation, and fintech with embedded compliance or B2B models. These sectors are perceived as essential enablers and more insulated from cyclical swings. Some sponsors are also evaluating Special Purpose Acquisition Company (SPAC) structures as an alternative route to access capital efficiently. While timing remains uncertain, firms are preparing their portfolio companies for when conditions improve, hoping that a more stable macro backdrop in 2H will offer a window for re-entry into public markets.



PE Carve-Outs Accelerate as Corporates Streamline Focus

Global PE carve-out deal value rose to \$23.72 billion across 145 transactions through June 03, up from \$19.37 billion across 127 deals during the same period in 2024, as per S&P Global. The uptick reflects growing corporate focus on divesting noncore assets amid shifting regulatory and economic pressures.

Figure 5: Global PE/VC-backed Carve-outs



Source: S&P Global, data as of June 3, 2025

PE firms are increasingly capitalizing on a wave of corporate divestitures as businesses sharpen their focus on primary operations and balance sheet resilience. Rising regulatory scrutiny, evolving tax frameworks, and sector-specific consolidation pressures are pushing companies to offload business units that no longer align with strategic priorities. According to legal and advisory experts, forced divestitures related to antitrust reviews are also contributing to deal flow, with agencies like the Federal Trade Commission (FTC) and Department of Justice (DOJ) requiring asset sales as a condition for approving large M&A transactions. For PE, the environment remains conducive to dealmaking, with ample undeployed capital and a strong appetite for strategic opportunities. Carve-outs present attractive entry points, particularly for funds seeking operational upside and sector exposure.

The US and Canada led global activity with 83 deals totaling \$20.56 billion, while Europe lagged with \$2.63 billion across 47 deals, as per S&P Global. As per sector-wise performance, industrials dominated with \$11.01 billion in value from just two deals, followed by energy and utilities at \$2.92 billion. The largest carve-out announced so far in 2025 is Thoma Bravo’s \$10.55 billion acquisition of Boeing’s digital aviation assets. Other notable transactions include EQT’s \$4.25 billion purchase of Crown Castle’s small cell unit and Partners Group’s \$2.2 billion deal for a portfolio of natural gas power plants. With both strategic divestitures and regulatory actions driving supply, and PE buyers under pressure to deploy, carve-out activity is poised to remain elevated through year-end.

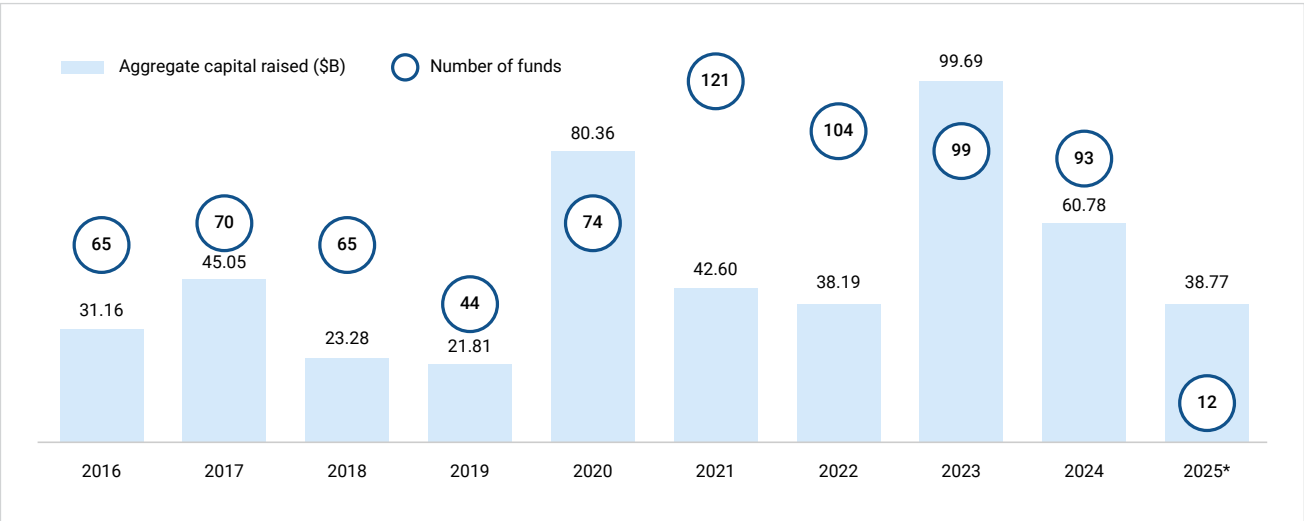




As Secondaries Surge, Fundraising Struggles to Keep Up

PE secondaries fundraising has accelerated in 2025 but remains insufficient to meet growing liquidity needs. With \$38.8 billion raised by mid-June, activity is on pace to surpass the 2024 totals, as per S&P Global. Yet capital availability continues to lag soaring deal volume and investor appetite for secondary sales.

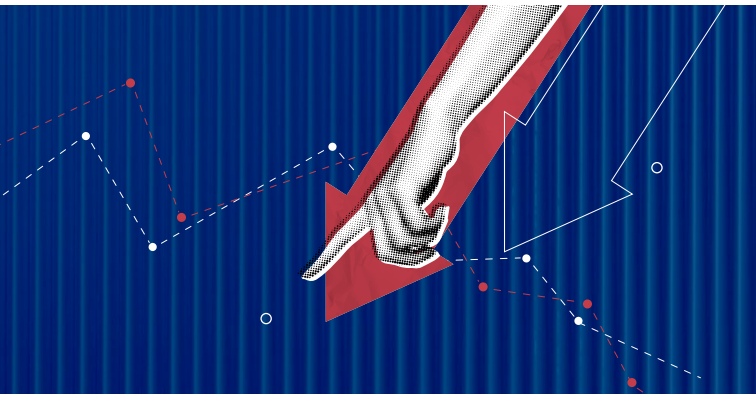
Figure 6: Global PE Secondaries Fundraising and Funds



Source: S&P Global, data as of June 16, 2025

Despite a resurgence in capital commitments, the secondaries market remains under strain as demand for liquidity intensifies. Record deal activity in 2024 reached \$155 billion and has outpaced fundraising capacity, even with a historically high number of funds in the market, as per Campbell Lutyens. According to Preqin data, 215 PE secondaries funds are actively raising capital, the largest count in over a decade, yet only a fraction have closed. Large institutional sellers, such as New York City’s pension systems and the endowments of Yale and Harvard, are reshaping market expectations, signaling that secondaries are no longer niche but mainstream. Their portfolio rebalancing moves aim to manage overallocations worsened by slowing distributions. These transactions are drawing more LPs into secondaries strategies, reinforcing momentum and encouraging GPs to pursue larger fund targets.

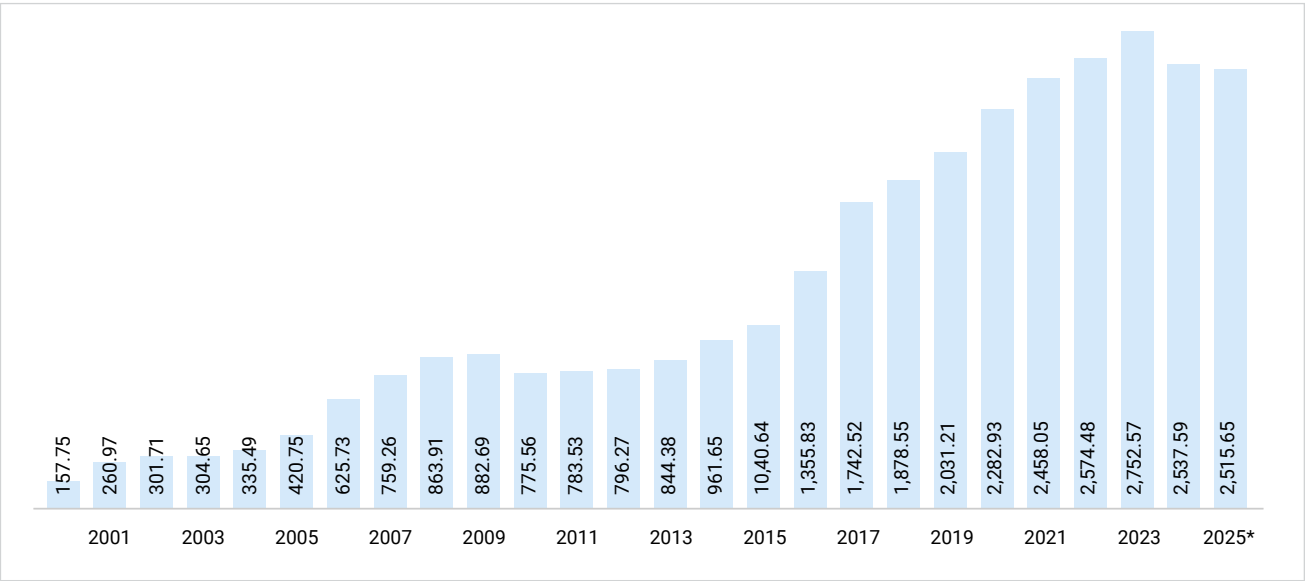
However, the capital raised still falls short of what is needed to absorb market volume. While 1Q25 saw the highest quarterly fundraising in two years at \$34.1 billion, it remains insufficient since the \$227.4 billion in available dry powder as of September 2024, as per S&P Global. At the current pace, it supports only 18 months of deal flow, as per Gerald Cooper, global co-head of the Campbell Lutyens. Moreover, discounts persist on net asset value (NAV), averaging 9.2% for mega-buyout funds and 12.2% for middle-market funds, highlighting the imbalance between supply and demand. As more investors seek liquidity and use secondaries for portfolio management, the asset class is gaining prominence. Yet without deeper capital pools, it will likely fall short of unlocking its full potential in today’s market.



PE’s Deployment Challenge Deepens as Dry Powder Declines

Global PE dry powder declined to \$2.515 trillion as of June 30, 2025, down by 7.7% from its 2023 peak, as per S&P Global. Fund managers now face growing pressure to deploy aging capital commitments amid a persistently sluggish deal environment and cautious investor sentiment.

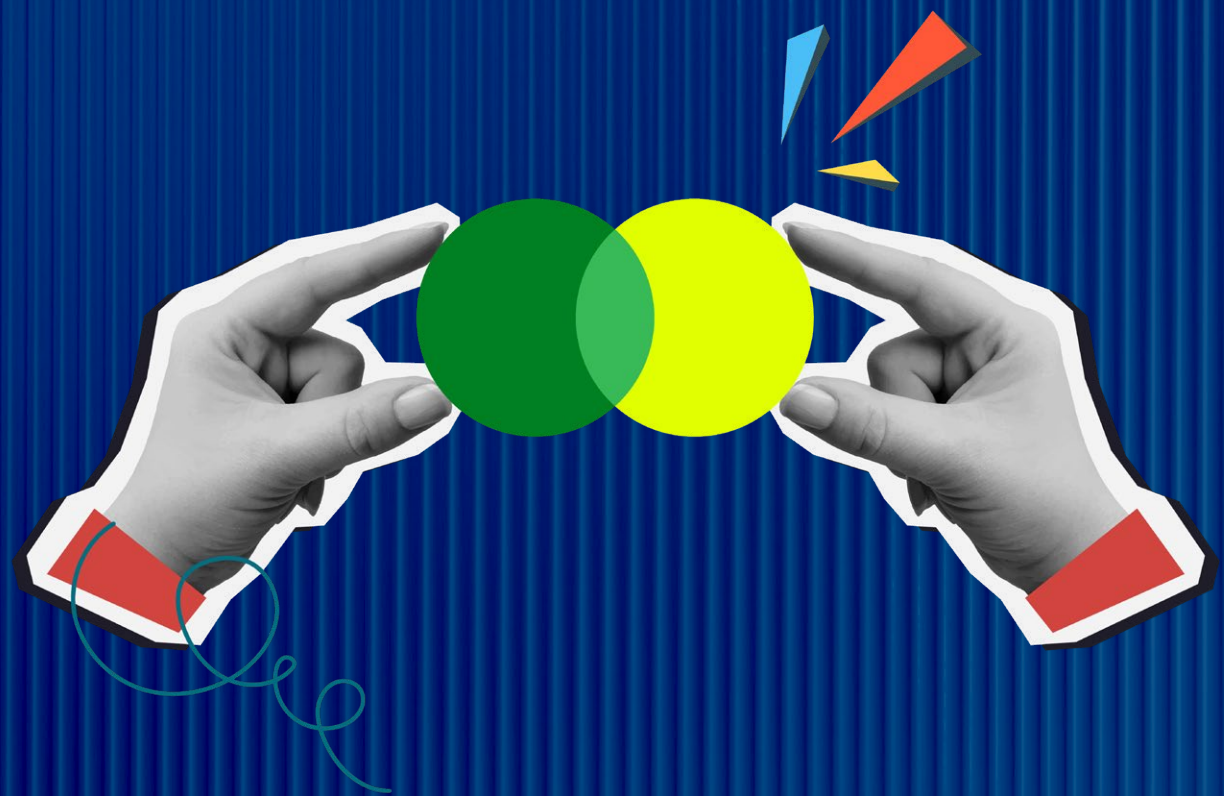
Figure 7: Global PE Dry Power Over the Years (in \$ Billions)



Source: S&P Global, data as of June 30, 2025

Despite a still-elevated stockpile of dry powder, PE firms are increasingly grappling with the age of their undeployed capital rather than its volume. According to a 2024 Bain & Co. analysis, nearly a quarter of global buyout dry powder was raised over four years ago, signaling a slowdown in deal execution and limited capital recycling. This reflects a broader stalling investment cycle marked by slower fundraising, fewer exits, tighter financing, and valuation mismatches. LPs, primarily institutional investors, are growing impatient and seeking clarity on deal pipelines and deployment timelines. The sluggish environment has prompted megafunds to move down market in search of attractive valuations, increasing competition in the middle market.

According to S&P Global, as of July 1, the 25 largest global PE investors held a combined \$210.7 billion in dry powder, with CVC Capital Partners leading, followed by EQT and listed giants such as Apollo, Blackstone, Carlyle, and KKR. Leaders at these firms have signaled intent to remain active during macro uncertainty, viewing dislocation as a buying opportunity. Still, persistent inflation and high interest rates are keeping financing costs elevated, making dealmaking more difficult. While hopes were high for a recovery in the second half of 2025, the outlook now suggests momentum will unlikely return before 2026. For now, deal inertia continues to test both GPs and their investors as they weigh the trade-off between holding capital and acting in a complex, uncertain environment.



## DEALS FLASH

### Pritzker Private Acquires Buckman

**PRITZKER**  
PRIVATE CAPITAL

**Buckman**

Pritzker Private Capital (PPC), an Illinois-based PE firm, has acquired Buckman, a Tennessee-based developer of chemical technology. Founded in 1945, Buckman is a family-owned innovator in specialty solutions for water treatment and industrial processes. This deal will allow Buckman to

accelerate its growth, expand internationally, and develop innovative, customer-focused solutions by leveraging PPC's additional resources and expertise. Further, it will enable PPC to pursue value creation, strategic acquisitions, and long-term expansion alongside Buckman's experienced leadership team.

### Court Square Takes Majority Stake in DCCM

**COURT  
SQUARE**

**DCCM**

Court Square Capital Partners, a New York-based PE firm, acquired a majority stake in DCCM, a Texas-based provider of diversified engineering services. Founded in 2020, DCCM provides design, consulting, and construction management services specializing in public sector infrastructure projects throughout North America. This deal will enable

DCCM to accelerate its expansion, enhance its capabilities, and expand its geographic reach, while building on its legacy of integration and collaboration. Further, it will enable Court Square to support DCCM's growth and enhance its impact in key markets.

## Harvest Acquires TLE from Golden Gate Capital



Harvest Partners, a New York-based PE firm, has announced that funds managed by Harvest have completed a majority acquisition of The Learning Experience (TLE), a provider of early childhood education, from Golden Gate Capital, a San Francisco-based PE firm. Founded in 2001, TLE provides high-quality care and education to

over 52,000 children across the US and the UK. This deal will allow TLE to accelerate its mission of enriching children's lives through innovative, play-based learning. Further, it will enable Harvest to scale TLE's impact and growth globally.

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## Brightstar Acquires PlayAGS



Brightstar Capital Partners, a New York-based PE firm, has acquired PlayAGS, a Las Vegas-based gaming supplier of slot, table, and interactive products, for approximately \$1.1 billion. As a result of the transaction, AGS will be delisted from the New York Stock Exchange (NYSE). Founded in 2005, AGS offers a

comprehensive range of slot machines, table products, card shufflers, and online gaming solutions. This deal will enable AGS to accelerate growth and drive innovation in the gaming industry. Further, it will enable Brightstar to expand AGS into new markets and enhance technological advancements.

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## KKR Exits JB Pharma to Torrent



KKR, a New York-based PE firm, has sold a controlling stake in J.B. Chemicals & Pharmaceuticals (JB Pharma), an India-based pharmaceutical company, to Torrent Pharma, an India-based niche pharmaceutical solutions provider, which will merge with the business.

Founded in 1976, JB Pharma exports its finished pharmaceutical formulations to over 40 countries, including the US. This deal will allow JB Pharma to accelerate growth by leveraging Torrent's strong India presence, operational synergies, and contract development and manufacturing organization (CDMO) platform. Further, it will enable KKR to realize value from its successful transformation and stewardship of JB Pharma.

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## Northlane Capital Exits The Difference Card



Northlane Capital Partners, a Maryland-based PE firm, has sold The Difference Card (TDC), a provider of cost-effective healthcare services to funds managed by Stone Point Capital, a Connecticut-based PE firm. Founded in 2001, TDC provides healthcare cost containment

solutions for employers to reduce healthcare costs. This deal will allow TDC to build on its leadership in healthcare cost containment by leveraging a strengthened team, expanded product offerings, and deeper broker relationships. Further, it will allow Northlane Capital to realize value from its strategic partnership and successful growth initiatives.

### Odyssey to Exit ATS to SGS



Odyssey Investment Partners, a New York-based PE firm, has entered into a definitive agreement to sell its portfolio company, Applied Technical Services (ATS), a Georgia-based provider of consulting engineering, testing, and inspection services, to SGS, a

Switzerland-based testing, inspection, and certification company, for \$1.33 billion. This deal will allow ATS to leverage SGS's global network to expand its services and accelerate growth. Further, this will enable Odyssey to realize the value created through ATS's transformation and deliver strong returns to its investors.

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### Citation Acquires Majority Stake in Gallo Mechanical



Citation Capital, a Texas-based PE firm, has acquired a majority stake in Gallo Mechanical, a Louisiana-based specialty mechanical contractor. Founded in 1945, Gallo provides heating, ventilation, and air conditioning (HVAC) and plumbing installation services across the Southeastern US. This deal will allow Gallo

Mechanical to accelerate its expansion, capitalize on major industry trends, and further invest in its people and service excellence. Further, it will enable Citation to partner with a resilient, founder-led business and support its next phase of growth.

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### Milwaukee Capital Acquires MPP Group



Milwaukee Capital Partners, a Wisconsin-based PE firm, has acquired MPP Group, a Wisconsin-based manufacturer of injectable drugs. Founded in 2016, MPP provides access to expertise in advanced sciences, drug discovery, and development solutions. This deal will

allow MPP to accelerate growth through significant capital investment, enhancing its specialized analytical services and expanding its R&D capabilities. Further, it will enable Milwaukee Capital to strengthen its portfolio in emerging pharmaceutical technologies and drive innovation within the industry.

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### Edited Capital Acquires Annex Cloud



Edited Capital, a Colorado-based PE firm, has acquired Annex Cloud, a Virginia-based enterprise customer loyalty and engagement platform. Founded in 2010, Annex Cloud serves over 60 enterprise clients across retail, consumer goods, and healthcare sectors, with global loyalty

programs. This deal will allow Annex Cloud to accelerate growth, expand its Loyalty Experience Platform, and deliver greater value to global clients. Further, it will allow Edited Capital to leverage its operational expertise and strategic guidance to enhance Annex Cloud's platform capabilities, market positioning, and long-term value creation.





## TRENDS AND STATS

### June Middle-Market Deal Summary

**48.5%**

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

**70.3%**

of B2B deals were in Commercial Services

**21.1%**

of the deals were in IT

**60.6%**

of IT deals were in Software

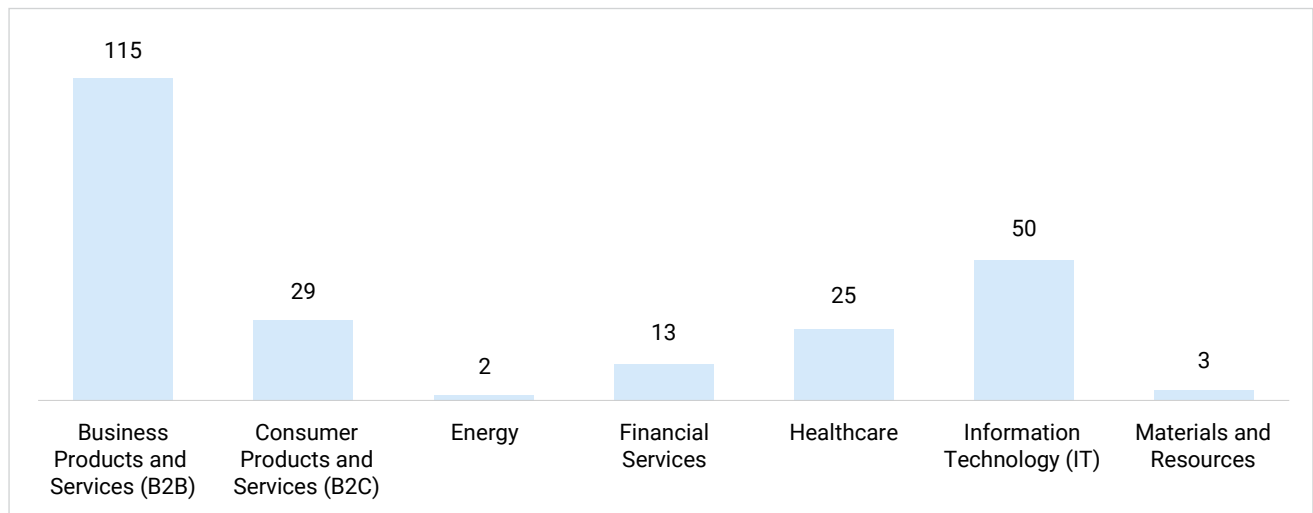
**California**

experienced the highest dealmaking activity, followed by Florida

**78.1%**

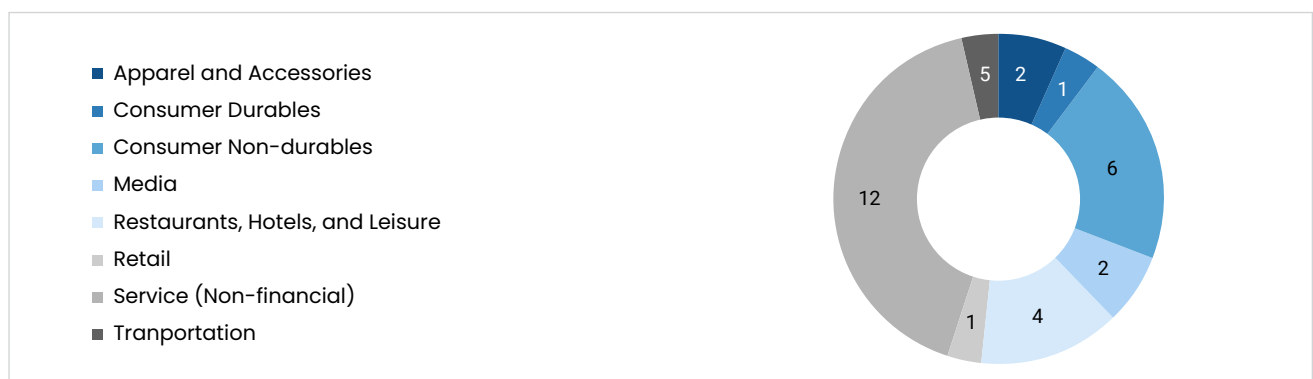
of the deals were buyout deals

**Figure 8: June Middle-Market Deal Summary**



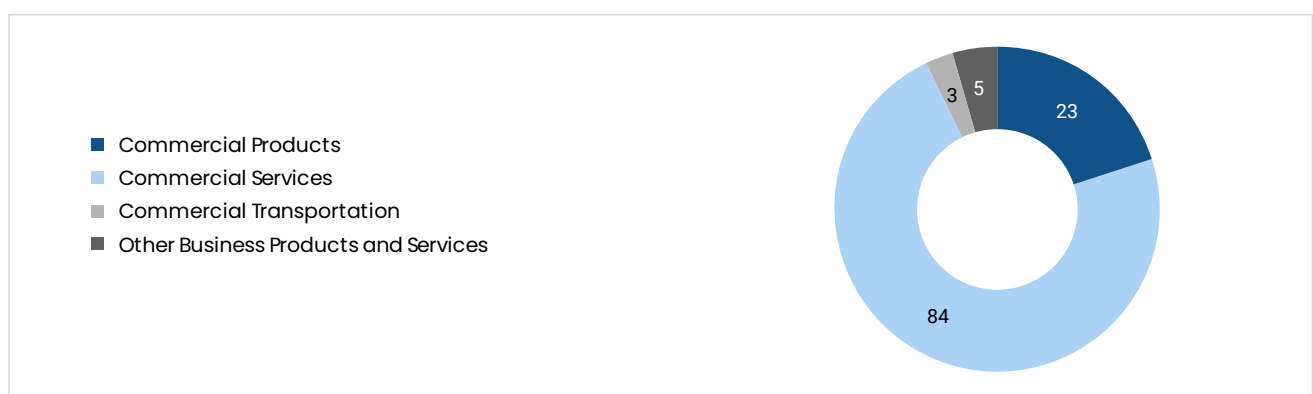
Source: SG Analytics Research

**Figure 9: Consumer Products and Services**



Source: SG Analytics Research

**Figure 10: Business Products and Services**

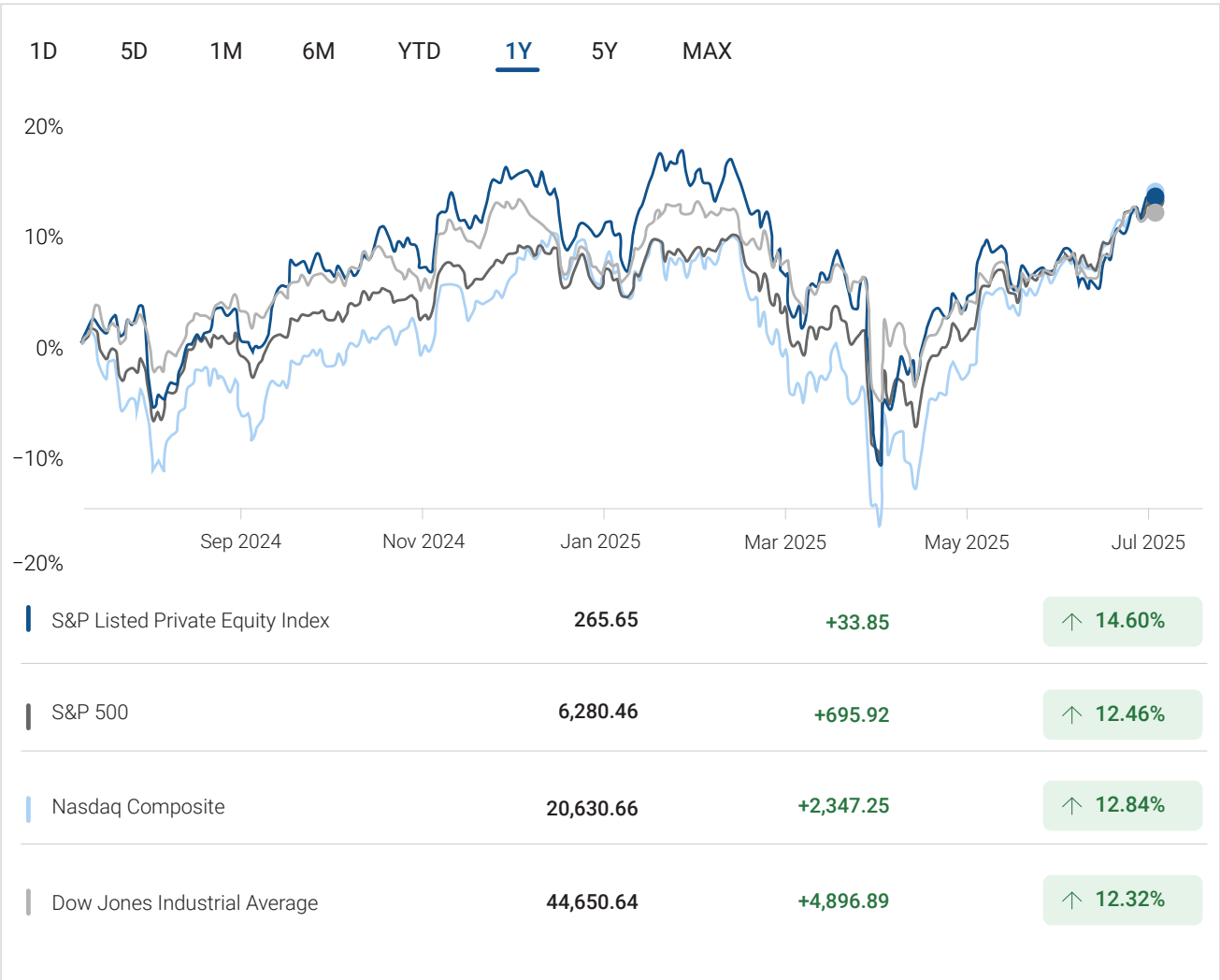


Source: SG Analytics Research

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

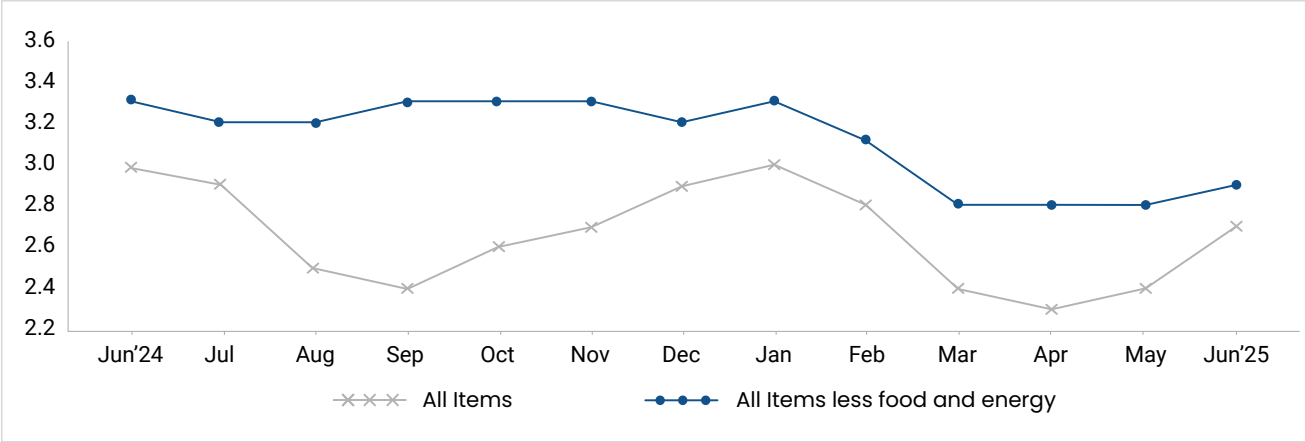
Figure 11: S&P Listed Private Equity Index



Data as of June 11, 2025

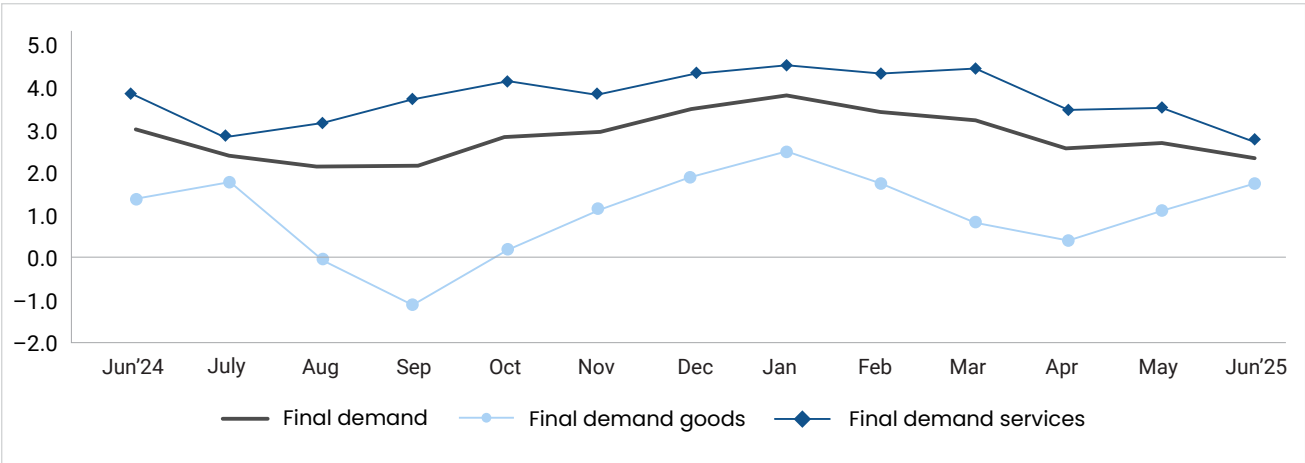
Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.3%	2.7%
Producer Price Index (PPI)	0%	2.3%

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





Source: US Bureau of Labor Statistics

Figure 13: 12-month Percent Change in Selected PPI Final Demand Price Indexes, Not Seasonally Adjusted



Source: US Bureau of Labor Statistics

# Upcoming Events

		
Private Equity Chicago Forum 2025	August 06–07, 2025	University Club of Chicago, Chicago, IL
Private Capital Investment and Lender Conference & Expo 2025	August 20, 2025	The Cable Center, Denver, CO
Family Office & Private Wealth Legacy Summit 2025	August 26–27, 2025	Parrish Art Museum, Water Mill, NY



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