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AXIA

PRIVATE EQUITY NEWSLETTER

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US PE MIDDLE MARKET 2Q25

Resilient Growth, Discipline Valuations and Credit Revival Define Momentum

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

Feature Article

2Q25 US PE MIDDLE MARKET ANALYSIS

Middle Market Steadies as Big Deals Stall

In 2Q25, the US PE middle market showed durable performance, maintaining steady deal flow and stable valuations as large-cap activity slowed. This momentum was supported by disciplined leverage, focused capital raising, and investor emphasis on operational strength.

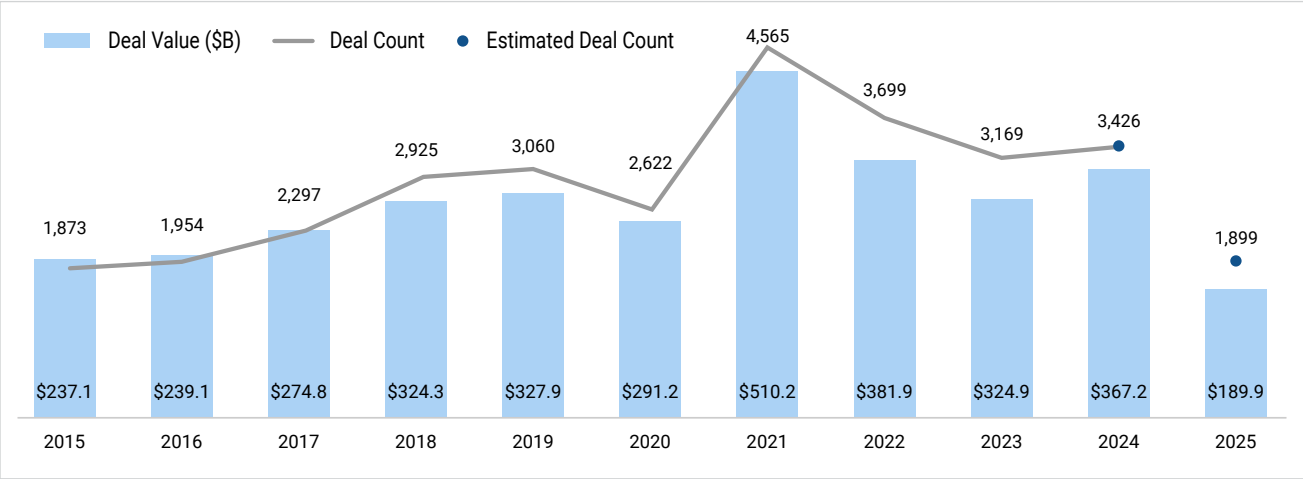
The US private equity (PE) middle market maintained steady momentum in 2Q25, even as large-cap buyouts slowed. Stable valuations, measured leverage, and selective fundraising reinforced its role as the PE segment with the most consistent growth.

The US PE middle market continued to demonstrate resilience through 2Q25, showing greater stability than larger buyout segments. While large-cap deals slowed amid cautious sentiment and delayed policy shifts, mid-sized transactions continued at a steady pace. Investors focused on operationally sound businesses, reasonable pricing, and credit-backed structures offering clarity on returns. As uncertainty eased and lender competition increased, the middle market reaffirmed its role as a core driver of PE activity in the US.

Deal Activity Strengthens as Mid-Sized Deals Lead Growth

Middle-market deal value reached $97.2 billion in 2Q25, up 4.9% QoQ and 18.1% YoY, across 978 transactions, as per PitchBook. Through 1H25, deal value totaled $189.9 billion across 1,899 transactions, putting the market on pace for $383 billion in annualized value, the second-highest since 2021. The figures suggest that GPs are continuing to deploy capital despite macro uncertainty. Competition among direct lenders kept credit accessible and spreads narrow, helping sustain deal activity.

Figure 1: US PE Middle-Market Deal Activity



Source: PitchBook, data as of June 30, 2025

Smaller companies drove much of the volume as they sought liquidity and strategic partners. According to PitchBook, the regional distribution was broadly consistent with long-term trends, with the Mid-Atlantic and the South accounting for 20.7% and14.1% of the value, respectively. With policy visibility improving and rates expected to decline in the second half of the year, dealmaking is expected to strengthen into the year-end, underscoring the middle market's importance for overall PE growth.

Valuations Hold Steady at Sustainable Levels

Valuation multiples remained firm through midyear, reflecting disciplined underwriting and sustained lender participation. The global middle-market M&A median TTM EV/EBITDA multiple was 11.3x and EV/revenue 2x, while for PE buyouts, enterprise-value multiples averaged at 12.9x EBITDA and 2.3x revenue, as per PitchBook. Continued demand for quality assets and gradual normalization in financing conditions kept pricing consistent.

This stability indicates a healthy reset following the repricing cycle that began in 2022. Buyers and sellers have reached alignment on valuation expectations with borrowing costs moderating. The market is rewarding operational quality and predictable earnings over leverage-driven expansion, creating a more sustainable base for future transactions.

Sponsor Equity Normalizes as Lenders Re-Enter

Sponsor-equity contributions in syndicated loan-financed buyouts eased to 46% year to date, down from 51.1% in 2023, signaling a return to pre-pandemic norms, as per PitchBook. The shift highlights lenders' increased comfort with credit risk and sponsors' greater willingness to use moderate leverage. With capital markets reopening and direct lenders competing for mandates, financing structures have become more balanced.

Private credit lenders continue to dominate smaller transactions, while syndicated markets are regaining ground in the upper middle market. As borrowing costs and spreads decline, sponsors are gradually pivoting from defensive strategies to growth-oriented financing. Expected rate cuts throughout 2025 and 2026 are likely to further support this recovery, allowing for a measured increase in leverage without compromising credit quality.

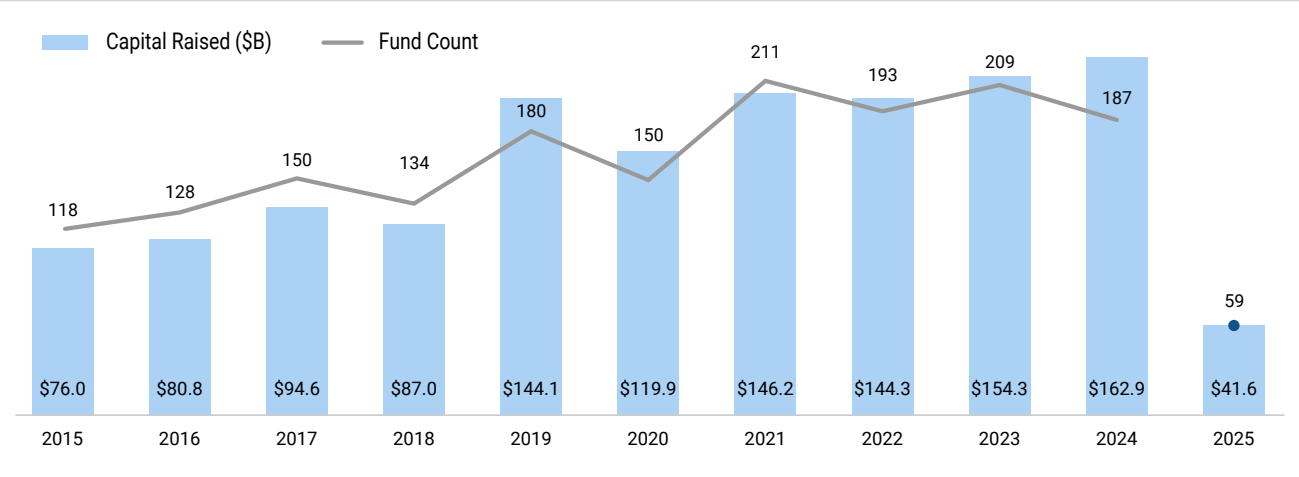
Exits Remain Subdued but Show Structural Resilience

Exit activity slowed modestly in 2Q, with 211 transactions totaling $28.4 billion, down 5.3% in value and 7% in count from 1Q, and 3.6% below 2Q24, as per PitchBook. Although the exit value remains below pre-pandemic averages, transaction counts have exceeded historical norms for eight consecutive quarters. Moreover, strategic buyers drove most bolt-on acquisitions, and two IPOs totaling $1.2 billion signaled a cautious reopening of the public markets.

PE-backed company inventory increased to 6,283 holdings, equivalent to roughly seven years of supply at the current pace, as per PitchBook. Continuation funds have become an essential liquidity option, allowing partial limited partner (LP) exits, while enabling GPs to retain quality assets; examples include Hidden Harbor's $850 million and Banner Capital's $400 million vehicles. GP-led secondaries continue to support capital recycling amid slower exit cycles.

Fundraising Slows but Rewards Discipline

Figure 2: US PE Middle-Market Fundraising Activity



Source: PitchBook, data as of June 30, 2025

Fundraising softened as exit delays reduced LP liquidity after several years of record inflows. In 1H25, 59 middle-market funds raised $41.6 billion, down from 67 funds and $65 billion a year earlier, as per PitchBook. LPs concentrated allocations among established managers, while new entrants faced limited access to commitments. Most closed funds were larger than their predecessors, with 86.7% exceeding prior sizes and a median step-up of 57.7%. Key closings included Morgan Stanley's $3.2 billion North Haven Capital Partners VIII, Trive Capital Fund V ($2.7 billion), and Haveli Investments Software Fund I ($4.5 billion).

Outlook Strengthens for the Second Half

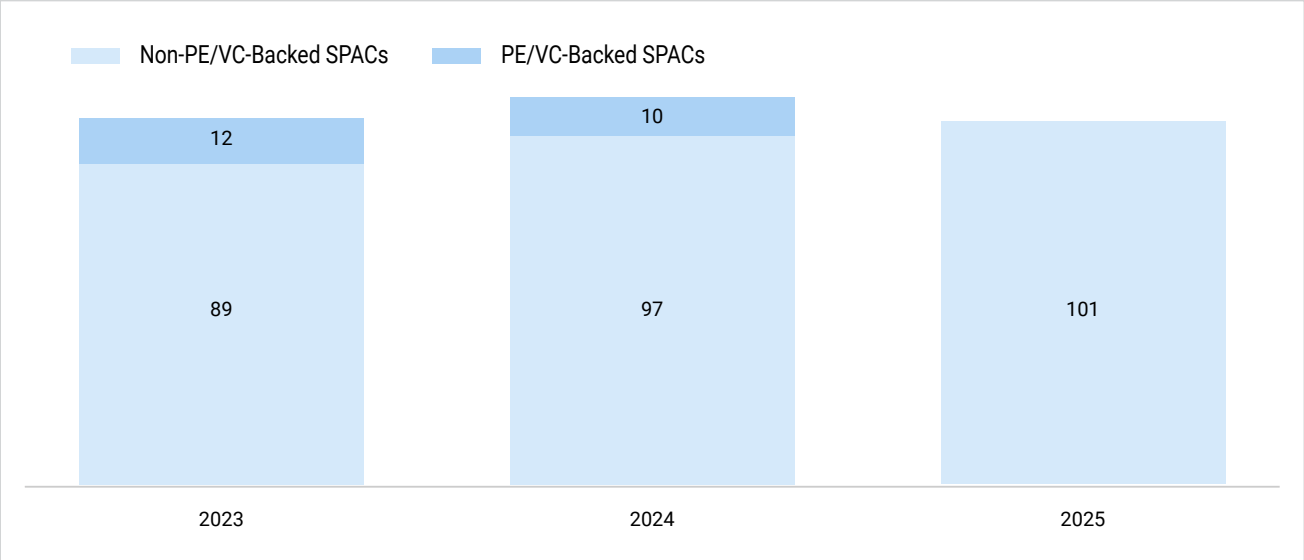
The 2Q landscape shows the market regaining equilibrium. Deal flow remains steady, valuations rational, and liquidity improving across both lending and secondary markets. With monetary easing anticipated in 2H25 and investor sentiment improving, the middle market appears to be positioned for stronger performance heading into the year-end. Operational challenges such as labor shortages, cybersecurity, and compliance costs will persist, but fundamentals remain solid. Consistent pricing and measured leverage suggest a durable investment environment as PE enters its next phase.

Monthly News and Analysis

SPAC Market Recovery Continues, but PE Holds Back

Global SPAC IPOs totaled $18.05 billion through September 11, 2025, the highest level since 2023, as per S&P Global. Despite this recovery, none of the 101 filings so far this year involved PE sponsorship, signaling continued restraint among firms after the post-boom correction of 2021 and 2022.

Figure 3: Global PE/VC-Backed SPACs IPO Activity, by Volume



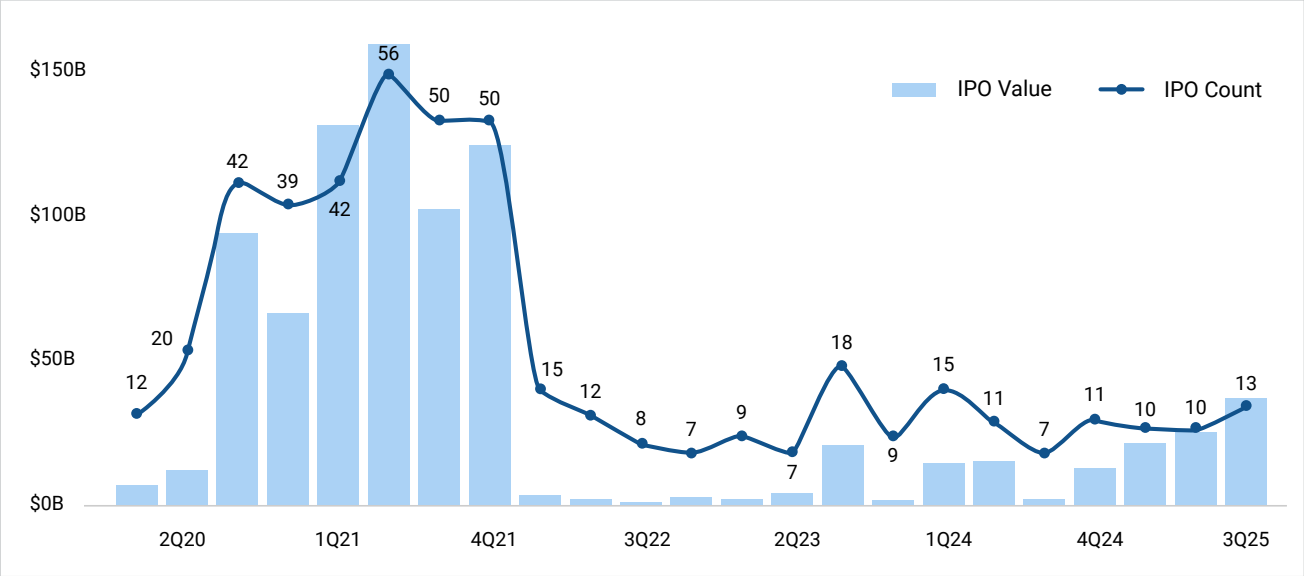
Source: S&P Global, data as of September 11, 2025

The resurgence in SPAC activity indicates that investors are cautiously re-engaging with the asset class, but PE firms continue to maintain distance from new issuances. The earlier wave of speculative transactions eroded confidence, leading to a preference for quality and proven targets. Many PE sponsors, once active participants, have shifted focus toward traditional buyouts or secondary transactions that offer greater control over due diligence and portfolio value creation. The overhang of unconsummated SPACs remains significant. Of the 26 vehicles launched with PE backing in the past two years, 16 have already passed their merger deadlines without completing a deal, as per S&P Global. This reflects broader caution across the alternative investment landscape, where sponsors are prioritizing certainty of outcome and capital discipline over speed to market. Investors and advisors are now treating SPACs as structured sell-side M&A vehicles rather than as substitutes for conventional IPOs. This change has improved pricing transparency and investor alignment. Deal sponsors are emphasizing revenue visibility, cash-flow predictability, and credible business models when evaluating potential targets. The renewed discipline is expected to support healthier deal pipelines in 2026, as investors focus on measured dealmaking and consistent post-merger performance. PE re-entry will likely depend on consistent post-merger performance and regulatory stability, but the sentiment is gradually improving as successful de-SPACs demonstrate that disciplined execution will likely still create value in this evolving market.

VC Liquidity Returns as US IPO Market Reopens

US IPOs of venture-backed companies generated $36.4 billion in exit value from 13 listings in 3Q25, up 2,861% YoY, as per PitchBook. Globally, 60 IPOs raised $85.3 billion, marking the strongest quarter for venture-backed public exits since 2021 and restoring long-awaited investor liquidity across major markets worldwide.

Figure 4: US VC Exits Through IPO



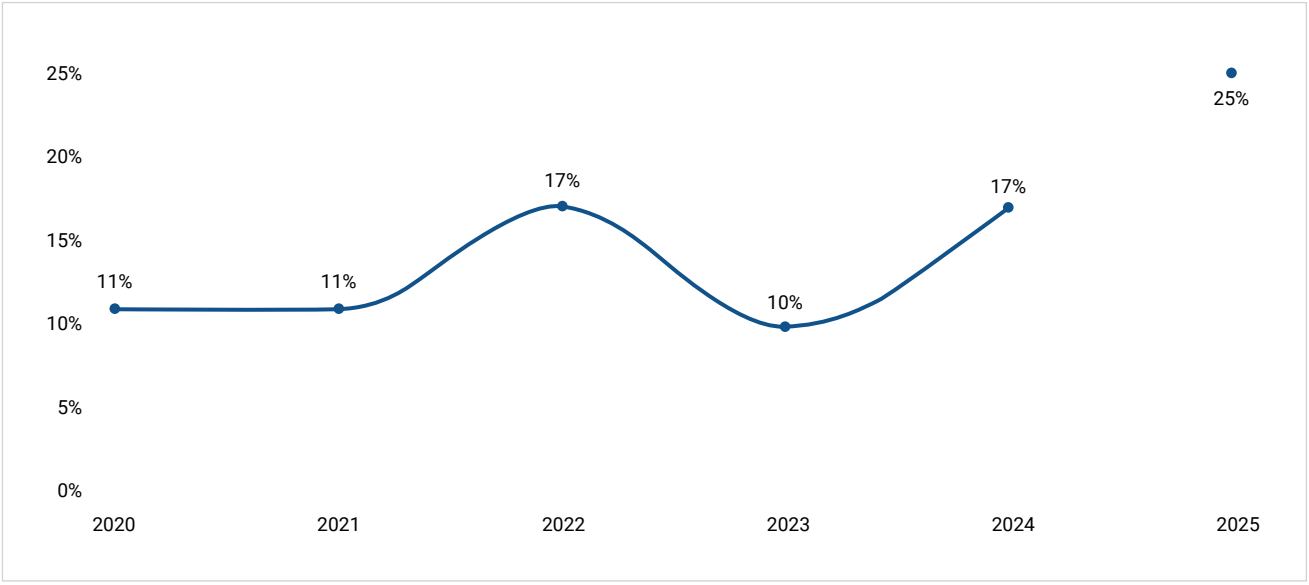
Source: PitchBook, data as of September 23, 2025

The rebound in IPOs highlights a broader normalization in venture markets after several stagnant years, with liquidity pressure easing for both fund managers and LPs. The structure of recent listings shows a shift in motivation as many were driven less by fundraising needs and more by investors seeking realizations. A larger proportion of shares sold came from existing holders, showing that VCs are prioritizing partial exits and capital recycling ahead of new fundraises. This aligns with longer fund cycles and valuation resets following the 2022–2023 slowdown. While companies such as Netskope focused on raising fresh capital, others like Figma and Klara recorded smaller company-issued share portions, reflecting that existing investors accounted for most of the offering. The recovery has been supported by stable interest rates and resilient equity markets, which improved pricing confidence and investor participation. Bankers describe capital markets as the most active in a decade, supported by broad-based investor appetite across key sectors. Yet, investors remain pragmatic, selling parts of their holdings while retaining exposure for future rounds. This approach reflects discipline and the awareness that long-term gains often arise in follow-on offerings. With lockups set to expire in early 2026, more secondary activity is expected as VCs return capital to LPs and prepare for new fundraising. Sustaining exit momentum without speculative excess will be key to maintaining equilibrium as venture markets regain stability.

Big Pharma's Patent Cliff Sets Stage for Biotech M&A Revival

Pharmaceutical companies are approaching a major patent cliff, with about $180 billion in global revenue at risk by 2030, as per PitchBook. Pfizer alone expects $17–18 billion in losses from expiring exclusivities, while Johnson & Johnson's Stelara has already seen a 43% sales decline after generics entered the market earlier this year.

Figure 5: Increasing Flat/Down Rounds in Biotech



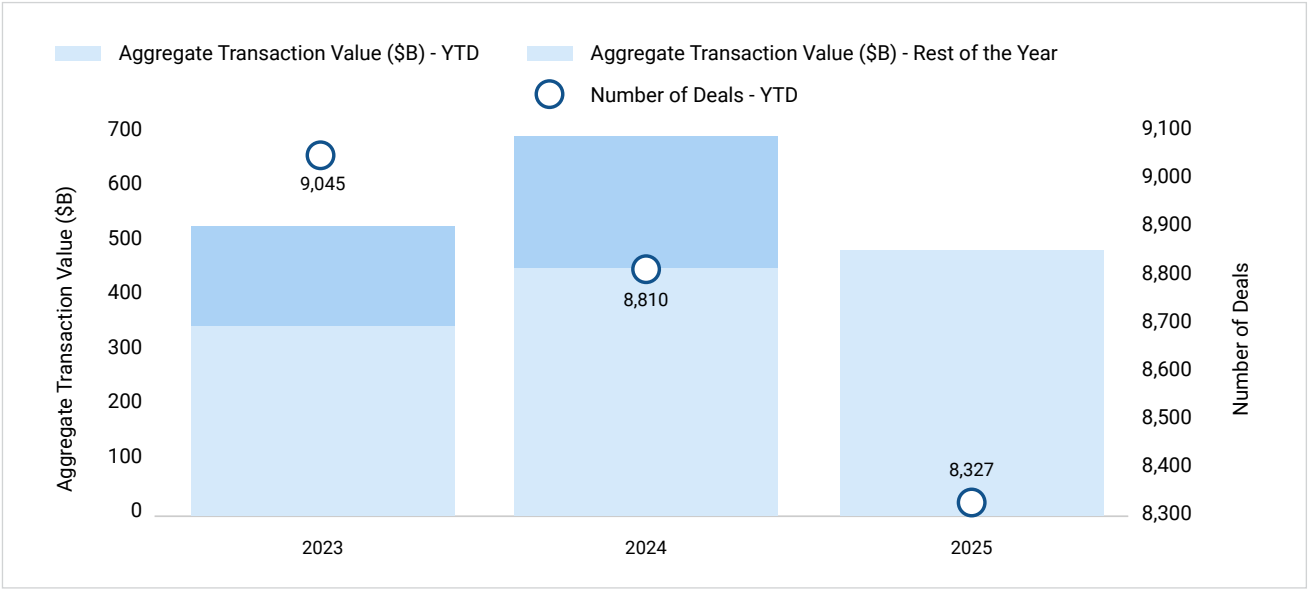
Source: PitchBook, data as of September 2025

Looming expirations are prompting large drugmakers to consider acquisitions to fill pipeline gaps and stabilize revenues. Historically, patent cliffs have triggered upticks in M&A activity as Big Pharma turns to smaller biotechnology firms with near-approval drugs to offset declining cash flows. This pattern will likely repeat, though current conditions are less favorable for large deals. Higher interest rates, valuation volatility, and weakened biotech equities have limited transaction momentum. Only 23 biopharma acquisitions were announced in the first half of 2025, and just one surpassed $10 billion in value, as per PitchBook. Dealmakers remain cautious with market uncertainty complicating price discovery, though therapeutic segments continue to attract sustained buyer interest. Moreover, biotech valuations are down significantly from last year, with 25% of deal value so far in 2025 occurring at flat or down-round valuations compared to 10% in 2023. The gap between public and private valuations has widened, drawing crossover investors toward discounted public opportunities and leaving early-stage start-ups with less negotiating leverage. Many funds are redirecting dry powder toward public holdings rather than private investments, while federal research funding uncertainty has further constrained early-stage innovation. Still, the patent cliff will likely open doors for new strategic partnerships as major pharmaceutical firms seek innovative therapies to replenish portfolios. Corporate investors are increasingly expected to form early alliances or minority positions in promising biotechs, offering the sector a potential path to recovery even amid muted traditional fundraising and subdued IPO activity.

Larger Deals Drive 2025 Leveraged Buyout Value to Record Pace

Global PE-backed leveraged buyouts already reached $150.35 billion through the first half of 2025, 70% of last year's full-year total, as per S&P Global. The number of transactions has stayed roughly consistent compared to 2024, showing that deal sizes have expanded with firms deploying abundant dry powder and private credit supporting larger financings.

Figure 6: Global PE and VC Entries



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

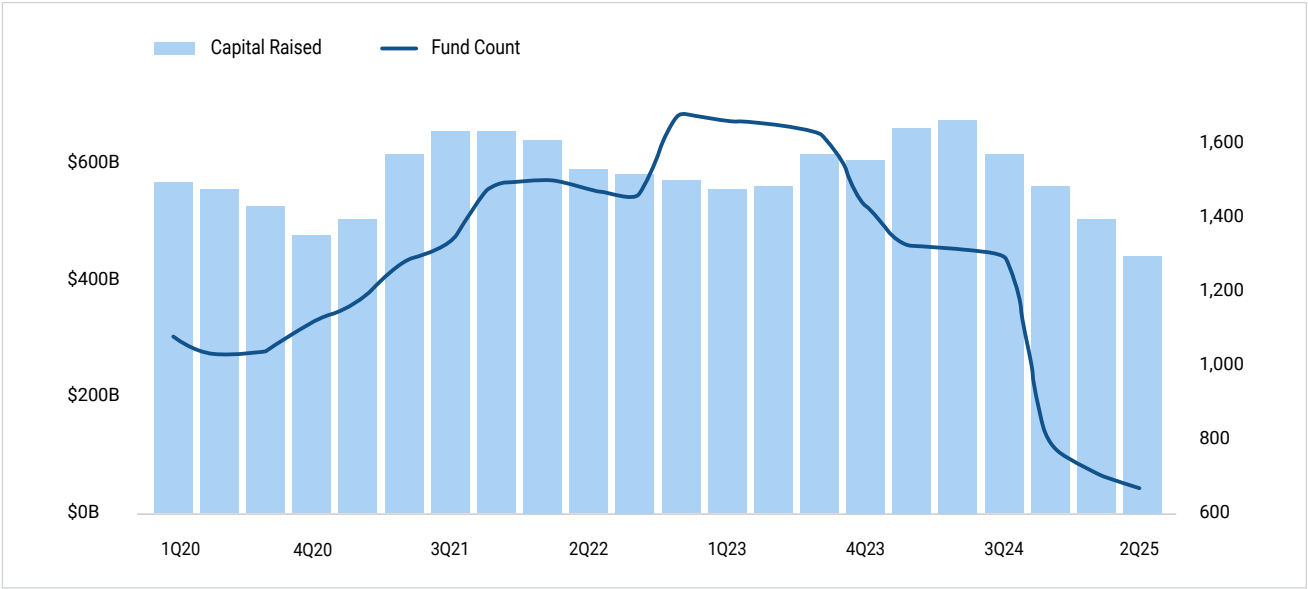
The shift toward bigger buyouts reflects a market where capital concentration and access to private credit are shaping deal dynamics. Sponsors are pursuing scale to secure predictable cash flows and operational control in uncertain conditions. The share of deals exceeding $5 billion has risen sharply, suggesting that larger, better-underwritten transactions are defining 2025's deployment strategy, as per S&P Global. Moreover, aggregate PE and VC deal value reached $58.22 billion in August, 10% higher than a year earlier, while entry value totaled $479.76 billion through August 31, up 7% YoY. Large-cap sponsors led several billion-dollar buyouts across software, wealth management, and insurance platforms, signaling a preference for scale and stable revenue streams.

Recent fund closures have supported this momentum, including Great Hill Partners' $7 billion raise for its ninth equity fund targeting middle-market growth buyouts. Mid-market activity has remained steady, focused on recurring-revenue businesses and operationally resilient targets. Bain & Co. noted that healthcare buyouts have accelerated, totaling $62 billion in 1H25 versus $44 billion a year earlier, even as the deal count slipped to 173 from 182. Moreover, healthcare IT accounted for 31% of total healthcare buyout value, reflecting investors' preference for policy-resilient assets and the growing role of AI in the transformation of the healthtech sector. Together, these patterns show that scale, credit access, and sector resilience continue to shape PE strategy in 2025.

Global PE Fundraising Slows Sharply as Exits Stall

PE fundraising declined 34.4% over the four quarters ending 2Q25, putting the asset class on track for its weakest year since 2020, as per PitchBook. Exit backlogs and risk-averse investor sentiment have limited commitments, with total fundraising expected to finish near pandemic-era levels as managers struggle to generate liquidity for investors.

Figure 7: Global PE Capital Fundraising



Source: Pitchbook, data as of June 30, 2025

The slowdown reflects an industry recalibration driven by delayed exits, tighter liquidity, and extended holding periods. LPs have grown cautious amid valuation uncertainty and slower capital distributions, leading many to defer new commitments until cash flows improve. Analysts noted that managers are increasingly relying on continuation funds and secondary sales to return capital as exit markets remain subdued, even if that requires marking down holdings to accelerate distributions. These structures have helped maintain liquidity but are no substitute for full portfolio exits. Michael Von Bexer, co-managing director for the Americas at Suntera Global, said that general partners have also offered preferential terms through side letters to retain investor relationships, granting lower fees and enhanced preferred returns to secure commitments.

The growing use of such mechanisms highlights the competitive nature of today's fundraising environment and the pressure on GPs to preserve trust with key investors. Some managers are also exploring flexible fund structures to align better with LPs seeking quicker liquidity. Stronger public markets and the prospect of rate cuts will likely revive exit activity and strengthen capital formation in 2026. Managers with available capital are preparing to deploy it into undervalued sectors such as consumer and industrials, where valuation resets have created attractive entry points. Most firms are expected to delay large fund launches until late 1Q or 2Q26 with the industry working to rebalance portfolios, rebuild confidence, and restore traditional fundraising cycles after two years of disruption.

DEALS FLASH

Catchment to Acquire Majority Stake in Fidus Systems

Catchment Capital, a New York-based PE firm, will make a majority investment in Fidus Systems, a Canada-based provider of advanced electronic and embedded-system design services. Founded in 2001, Fidus provides advanced embedded design services to blue-chip companies, specializing in complex hardware, software, and system validation solutions. This deal will allow Catchment to invest in Fidus's capabilities, people, and systems to enhance its strategic market position. Further, it will enable Fidus to expand its reach, strengthen its services, and serve a broader range of customers worldwide.

Sheridan Invests in Currier Plastics

Sheridan Capital Partners, an Illinois-based PE firm, has completed its investment in Currier Plastics, a New York-based manufacturer of custom, precision plastic components for healthcare and life-sciences end customers. Founded in 1982, Currier specializes in precision blow and injection molding with cleanroom production and provides value-added engineering, material selection, and assembly services. This deal will allow Sheridan to leverage its healthcare investment experience to support Currier's next phase of growth. Further, it will enable Currier to expand its capabilities, pursue strategic M&As, and enhance its services.

Resurgens Technology Exits Verity to TMX Group

Resurgens Technology Partners, a Georgia-based PE firm, has sold its portfolio company Verity, a Boston-based developer of research management software, to TMX Group, a Canada-based financial services company. Founded in 2011, Verity provides research management software, data, and analytics and serves investment managers and institutional investors. This deal will allow Verity to accelerate its growth as part of TMX Group, expanding access to global investment-grade data and insights. Further, it will enable Resurgens to realize the value of its investment following Verity's successful expansion and product development.

Thoma Bravo Takes PROS Holdings Private

Thoma Bravo, an Illinois-based PE firm, will acquire PROS Holdings, a Texas-based AI-powered SaaS pricing and selling solution provider for approximately $1.4 billion. This transaction takes the company private, delisting it from the New York Stock Exchange. This deal will allow PROS to operate privately with greater agility, invest in AI innovation, expand its market reach, and optimize its go-to-market execution. Further, it will enable Thoma Bravo to apply its capital, expertise, and resources to accelerate PROS's growth, platform advancements, and customer value creation.

Blue Point Exits Stax to Grant Thornton

Blue Point Capital Partners, an Ohio-based PE firm, has sold Stax, a Boston-based global strategy consulting firm, to Grant Thornton Advisors, an Illinois-based tax and advisory service provider. Founded in 1994, Stax provides AI-driven commercial due diligence and value creation services for PE clients across the technology, industrials, healthcare, business services, and consumer sectors. This deal will allow Stax to accelerate its global growth and expand its strategic consulting capabilities with Grant Thornton's support. Further, it will enable Blue Point to realize its investment success and demonstrate its value-creation approach across partnerships.

Haveli Investments Acquires Couchbase

Haveli Investments, a Texas-based PE firm, has acquired Couchbase, a California-based data platform for AI application developers in an all-cash transaction valued at about $1.5 billion. With the acquisition completed, Couchbase's common stock has been delisted from Nasdaq, and it now operates as a privately held entity. This deal will allow Couchbase to accelerate growth, enhance innovation, and deliver greater value to customers. Further, it will enable Haveli Investments to scale Couchbase's operations and expand market leadership in enterprise software.

HCAP Invests in Real Diagnostics

HCAP Partners, a California-based PE firm, has invested in Real Diagnostics (RealDx), a Maryland-based provider of clinical laboratory services. Founded in 2014, RealDx specializes in UTI, toxicology, respiratory condition, and women's health testing. This deal will allow RealDx to broaden its reach, deliver rapid diagnostics, strengthen innovation, improve patient outcomes, and advance care partnerships. Further, it will enable HCAP to drive job quality and operational excellence, expand diagnostic services, and capitalize on growing opportunities in the healthcare market.

GTCR to Acquire SimpliSafe from Hellman & Friedman

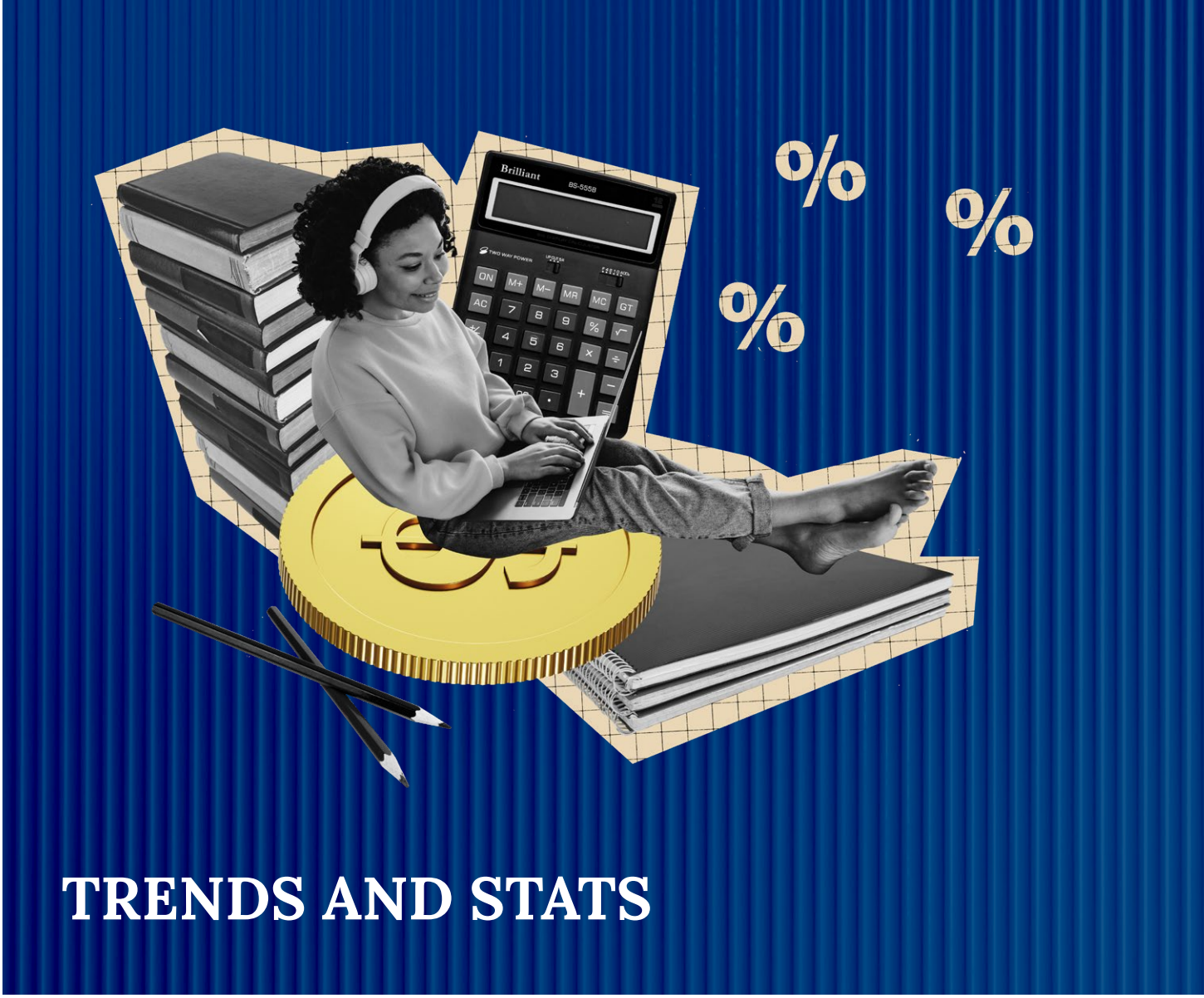
GTCR, an Illinois-based PE firm, will acquire SimpliSafe, a Boston-based smart home security systems maker, from Hellman & Friedman, a California-based PE firm. Founded in 2006, SimpliSafe is a residential security provider, offering easy-to-install, AI-powered home security systems and 24/7 professional monitoring without long-term contracts. This deal will allow SimpliSafe to invest in advanced home security technology and expand its service reach; further, it will enable GTCR to support innovative product growth and drive industry leadership while maintaining SimpliSafe's focus on reliable protection and effective customer support.

Artemis Acquires Millrock Technology

Artemis Capital Partners, a Boston-based PE firm, has acquired Millrock Technology, a New York-based innovator of freeze-drying instrumentation and ancillary products. Founded in 2004, Millrock services pharmaceutical, biotech, and diagnostics customers, designing and manufacturing lyophilization instrumentation. This deal will allow Millrock to expand its scale, capabilities, and global impact while advancing innovation in lyophilization solutions. Further, it will enable Artemis to invest in Millrock's organization, technology, and operations, supporting long-term growth for customers engaged in the development of biologics, vaccines, and life science therapies.

Riverspan Acquires United Titanium

Riverspan Partners, a Chicago-based PE firm, has acquired United Titanium, an Ohio-based manufacturer of precision components made from specialty metals. Founded in 1962, United Titanium serves aerospace & defense, medical & dental, and electronics, among other sectors. This deal will allow United Titanium to strengthen product innovation, drive operational excellence, and accelerate global customer growth with sustained investment in people and technology. Further, it will enable Riverspan to build on United Titanium's legacy and capitalize on growth opportunities in key markets with strategic and operational support.



TRENDS AND STATS

September Middle-Market Deal Summary

47.5%
of the deals were made in the Business Products and Services (B2B) sector

69.6%
of B2B deals were in Commercial Services

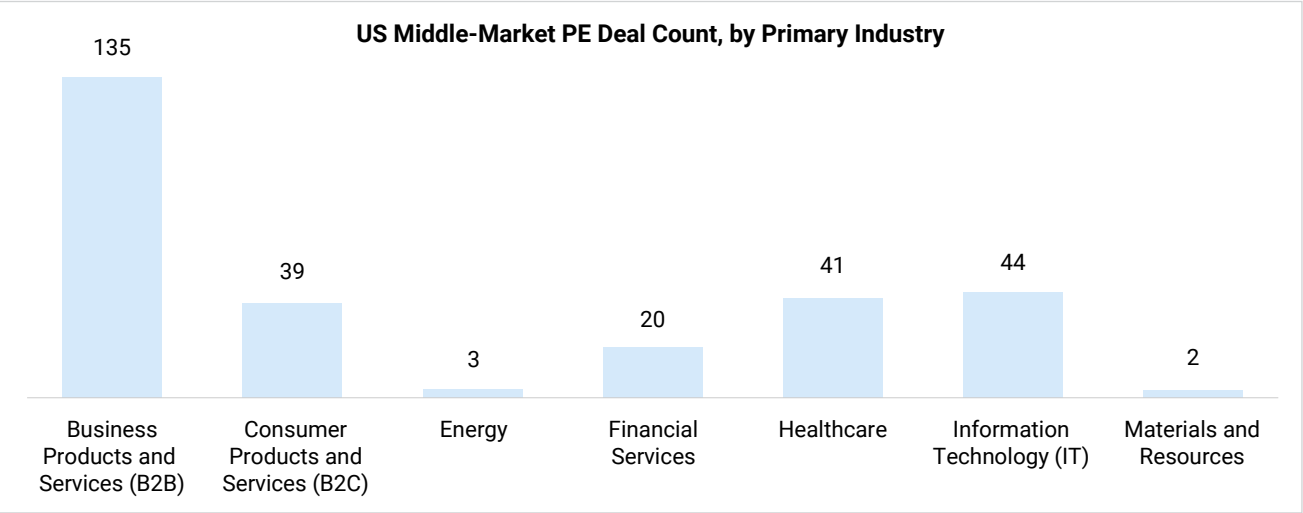
15.5%
of the deals were in IT

68.2%
of IT deals were in Software

California
experienced the highest dealmaking activity, followed by Florida

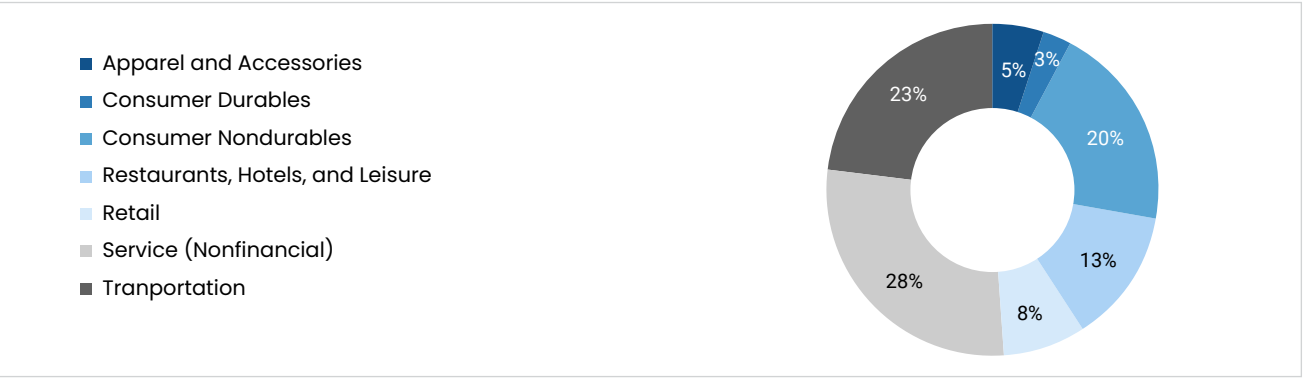
75.4%
of the deals were buyouts

Figure 8: September 2025 Middle-Market Deal Summary



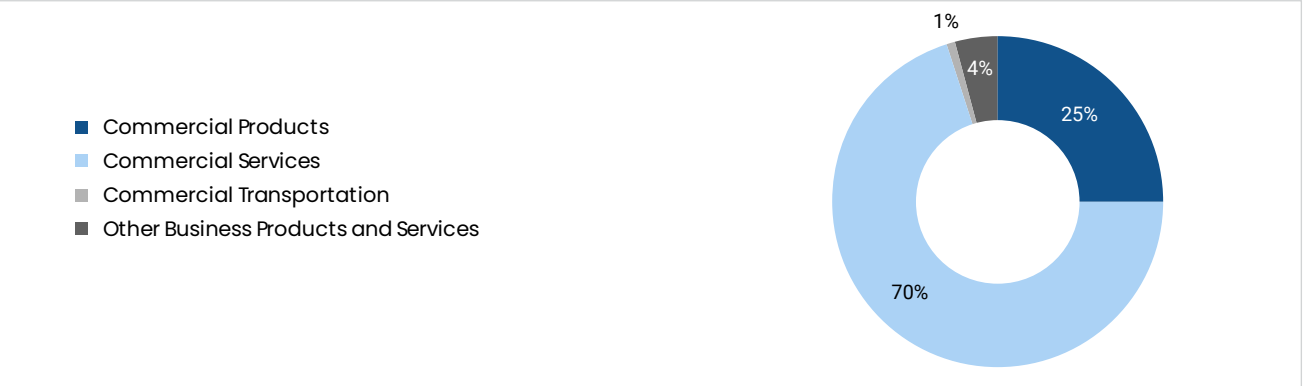
Source: SG Analytics Research

Figure 9: Share of Consumer Products and Services



Source: SG Analytics Research

Figure 10: Share of Business Products and Services

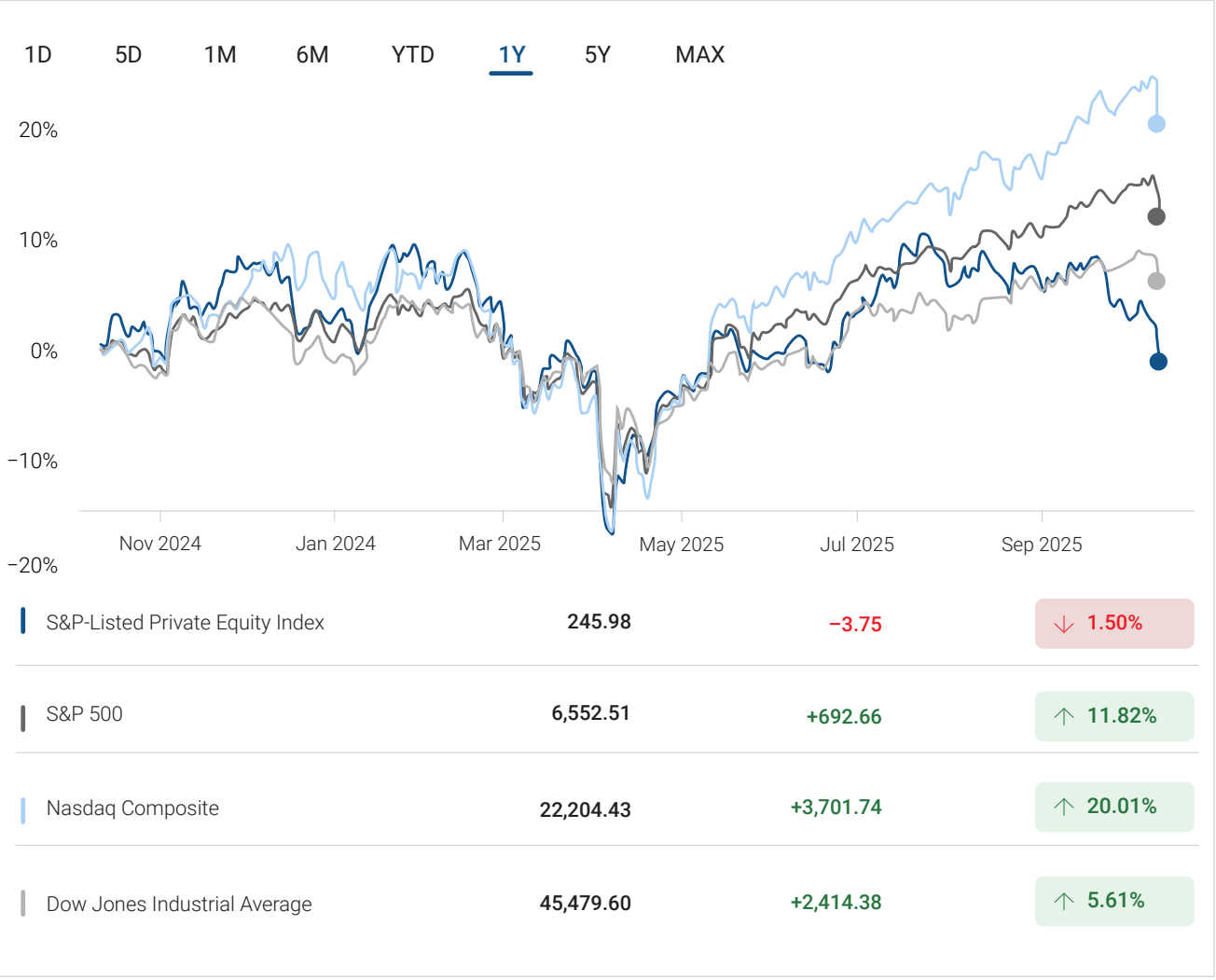


Source: SG Analytics Research

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

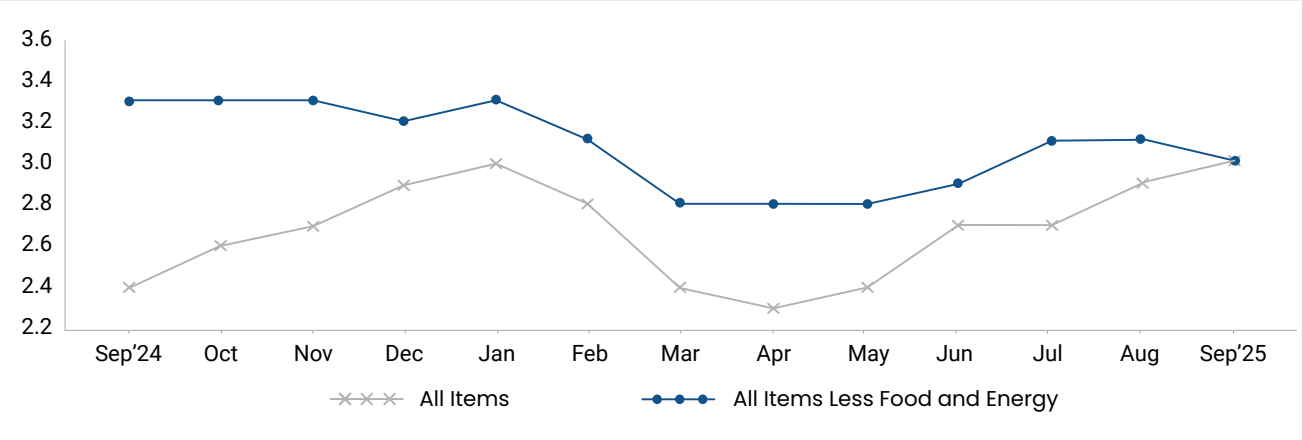
Figure 11: S&P-Listed Private Equity Index



Note: Data as of October 10, 2025

Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.3%	3.0%

Figure 12: 12-Month Percent Change in CPI for All Urban Consumers (Not Seasonally Adjusted)



Source: US Bureau of Labor Statistics

Upcoming Events

New Private Markets Investor Summit: North America	November 04–05, 2025	Convene 360 Madison Avenue, New York
ILPA Summit New York	November 04–06, 2025	New York, NY
Private Equity Boston Forum	November 12–13, 2025	Harvard Club of Boston, 374 Commonwealth Ave Boston, MA

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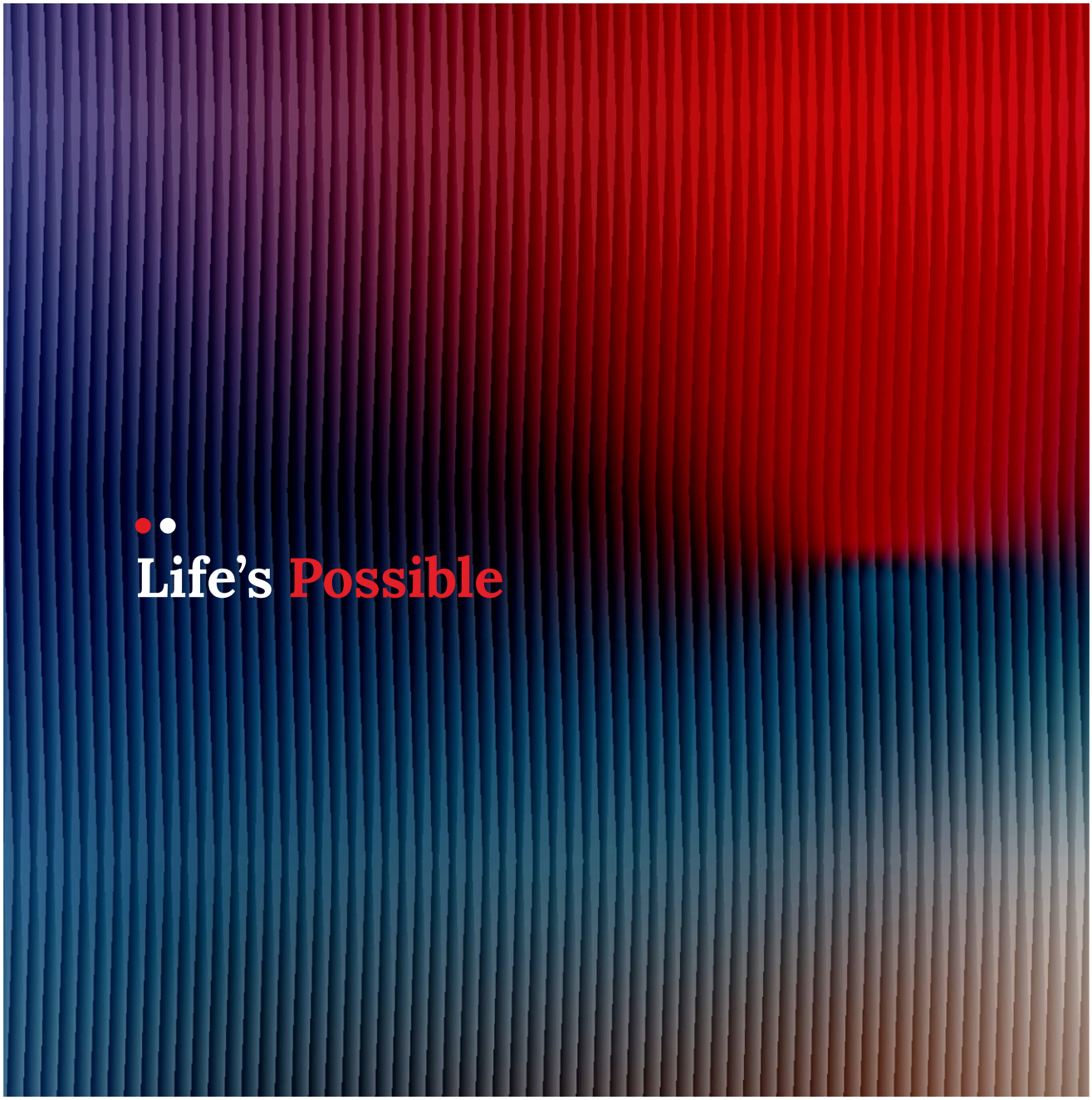

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