



Q4
2023

MIDDLE MARKET PRIVATE EQUITY M&A TRENDS



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MARKET UPDATE

In the face of a challenging deal environment, an increase in corporate carveouts and alternative financing sources indicates a stabilizing deal environment in 2024.

Middle Market Summary

In Q4 of 2023, familiar challenges persisted, marked by an unstable deal environment that resulted in fewer deals and a decrease in overall deal value. Q4 brought a 7.6% decline in deal value for middle market transactions compared to the previous quarter, accompanied by a 7.8% decrease in deal count. PE exits were also down in Q4, decreasing by 11.6%. Despite this trend, the middle market saw a 13% increase in the value of private equity exits during Q4. This indicates that private equity firms are retaining assets for potential future value, yet those opting for liquidation are observing positive trends in realized value. Although middle market exits have experienced a positive trend in deal value, exits above \$500 million experienced a substantial decrease in value for Q4.

The market witnessed a heightened emergence of corporate carveouts, with the percentage of carveouts/divestitures rising from 7.2% of total deals in Q3 to 8.1% in Q4. Given that corporations lack the pressure to liquidate positions and return capital, a rise in corporate carveouts/divestitures may suggest macroeconomic stabilization. Healthcare is a sector experiencing a significant surge in the share of carveouts, rising from 11.0% in Q3 to 14.5% in Q4. As fundraising for middle market funds persists throughout 2024 (\$180.6 billion raised at 2023 year-end), funds may explore deploying capital into the untapped potential of noncore assets divested by corporations.

Middle Market Insights

The stabilization of macroeconomic uncertainties in 2024 may enable the normalization of the middle market deal environment cash flow cycle by the end of 2024. Ongoing fundraising initiatives, increasing PE exit value, and the plethora of alternative financing sources present the opportunity for funds to liquidate long-held positions and reinvest capital into new assets. Another trend worth monitoring is the issuance of syndicated loan volume, which serves as an indicator for platform acquisitions. With macroeconomic conditions returning to a more normal level, 2024 may pave way for funds to receive increased value for long-held assets, reinvigorating the cash flow cycle.

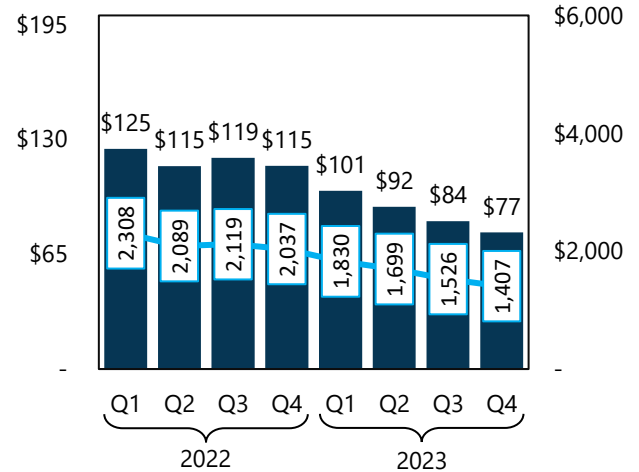
Source: Pitchbook

Note: PE Deal Volume and Deal Value data only includes private equity transactions and estimates disclosed as of 12/31/23, middle market ("MM") defined as deal value \$500M and below, all figures are subject to change in future quarters.

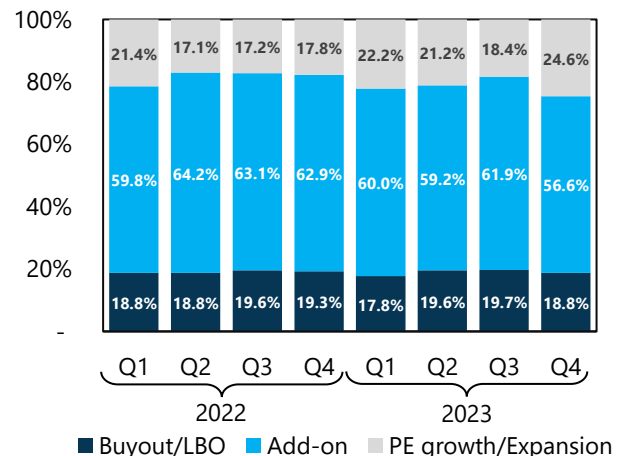
Q4 2023 Deal Activity

Volume:	1,407	-7.8%
Value:	\$77.3B	-7.6%

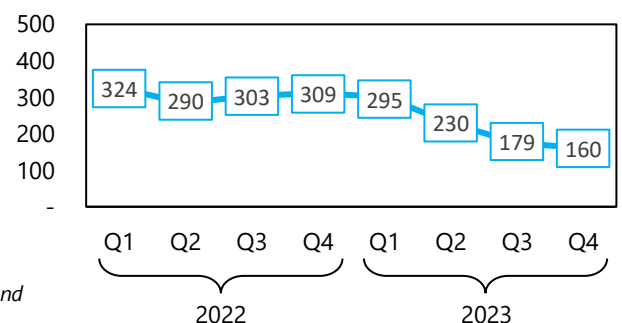
MM PE Deal Volume and Value (\$B)



Overall PE Deal Count by Type (%)



MM PE Exits Count (#)





About Charter

Founded in 1989, Charter Capital Partners is a premier investment banking firm headquartered in Grand Rapids, Michigan. We offer a comprehensive range of investment banking advisory services, including 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 advisory• Buy-side growth strategies• Exit planning• Fairness opinions
Capital Raise	<ul style="list-style-type: none">• Equity or debt capital raise• Dividend recapitalization• Solvency opinions• Minority investors
Valuation Opinions	<ul style="list-style-type: none">• Buy-sell agreements• Gift, estate, and income tax matters• Shareholder disputes• Purchase price allocations
Capital Management	<ul style="list-style-type: none">• Licensed Fund Management• Registered Investment Advisers

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

M&A 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

Jenny Dakoske

Director
jdakoske@chartercapitalpartners.com

Zach Wiersma

Director
zwiersma@chartercapitalpartners.com

Elisa Berger

Vice President
eberger@chartercapitalpartners.com

AJ Ebels

Vice President
aebels@chartercapitalpartners.com

Justin Pinto

Vice President
jpinto@chartercapitalpartners.com

Michael Pohl

Associate
mpohl@chartercapitalpartners.com

Keegan Ensing

Senior Analyst
kensing@chartercapitalpartners.com

Drew Dow

Analyst
ddow@chartercapitalpartners.com

Travis Read

Analyst
tread@chartercapitalpartners.com

Dylan Stenzinger

Analyst
dstenzinger@chartercapitalpartners.com