Middle market firms rarely target the public market

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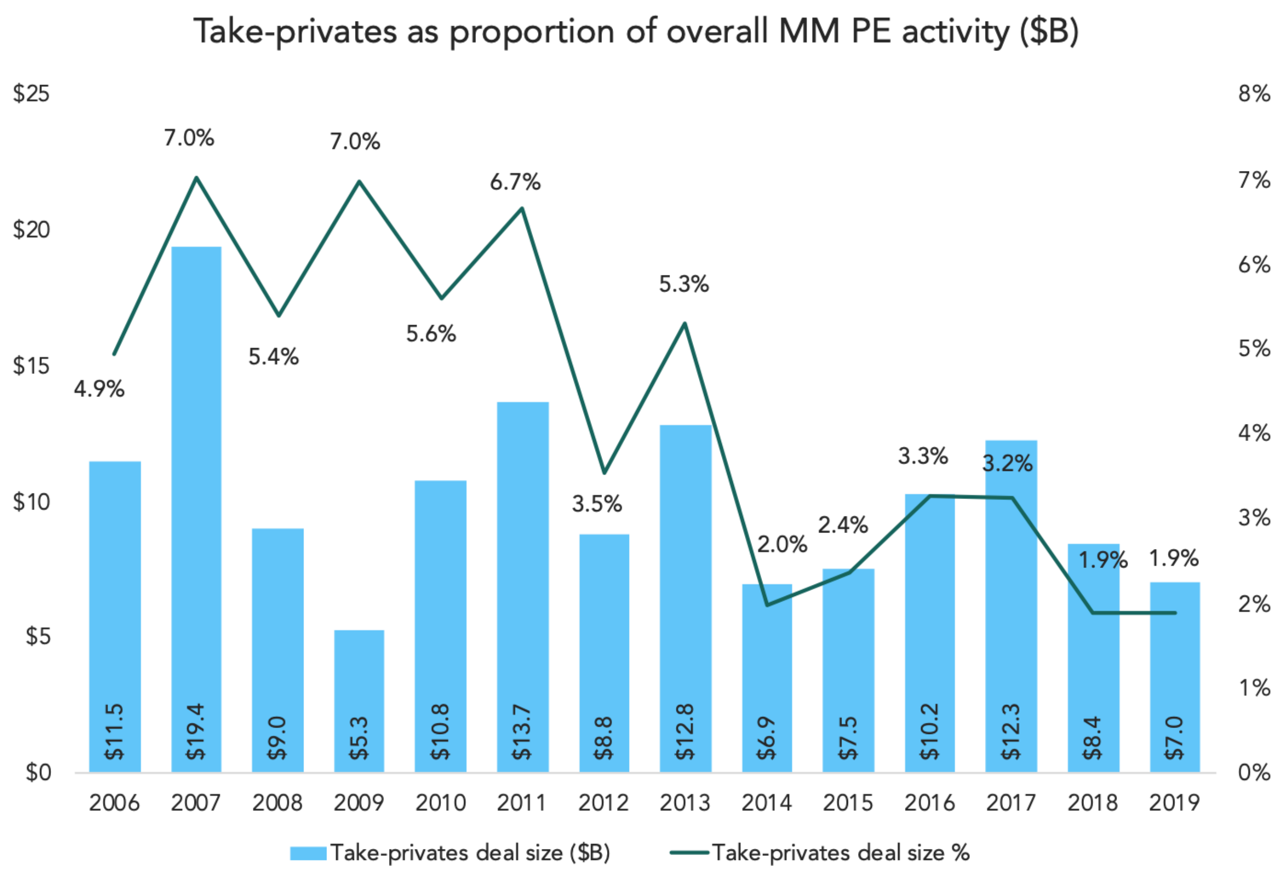

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Middle market investors aren't known for prolific take-private activity, but the percentages are surprisingly low. For the past two years, middle-market take-privates have accounted for less than 2% of all middle market activity. 2% is pretty skimpy. Dating back to 2014, MM buyouts have been responsible for about 2-3% of all MM activity. Further back, though, take-privates used to be more prominent in terms of deal sourcing. In 2007, for example, at the height of the buyout boom, they accounted for 7% of all MM deals. The 2006-2011 timeframe was consistently in the 5-7% window.

These aren't huge percentages, but the sudden change in prominence, and the consistency of the smaller percentages going back to 2014, suggest that middle-market investors aren't looking at public companies as much as they used to. The middle market as a whole saw almost $450 billion worth of activity last year. In 2011, when take-privates accounted for almost 7% of all MM buyouts, combined deal value across the entire middle market had eclipsed $200 billion for the first time. One possible explanation for today's lower ratio: the middle market is that much bigger, with that many more new investors targeting more and more niches, that the public markets have become a relative afterthought to today's investors, especially the newcomers.