The Pulse of Private Equity – 4/20/2015

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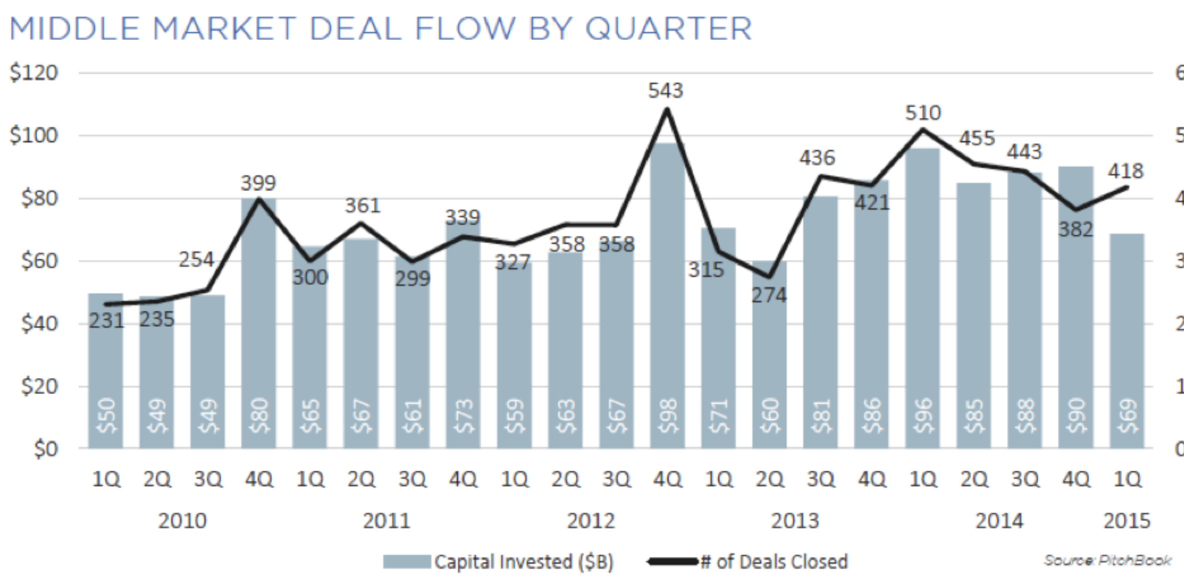
U.S. Middle Market Shows No Signs of Slowing

PE picked up where it left off in the middle market, notching 418 deals in the first quarter for a combined $69 billion. Both totals are in line with typical quarter numbers in 2014, which turned out to be a record year. Much of 1Q's deal flow strength was in the lower ($25m-$100m) and upper middle market ($500m-$1b) segments. Barring any major world or economic events, we suspect deal flow will maintain its strength throughout the year given the amount of fresh dry powder raised for the middle market. Another $33 billion was raised in the first quarter on top of a post-crisis record $140 billion last year.



One big question mark for 2015: With GE selling off its U.S. middle market lending arm, as well as its PE lending division, what effect will that have on the market? GE Capital has been a mainstay in the market for years, and many of its mandates have come from long-time clients. GE's exit immediately fragments the industry and opens the door for other lenders to gain market share. Demand is expected to remain pretty strong this year, which may lead to temporarily wider spreads.

We've heard more than a few anecdotes of middle-market lenders being more aggressive today compared to recent years. There's a good chance we'll see even more of that this year.

To download PitchBook's 2Q 2015 U.S. Private Equity Middle Market Report, please click here.