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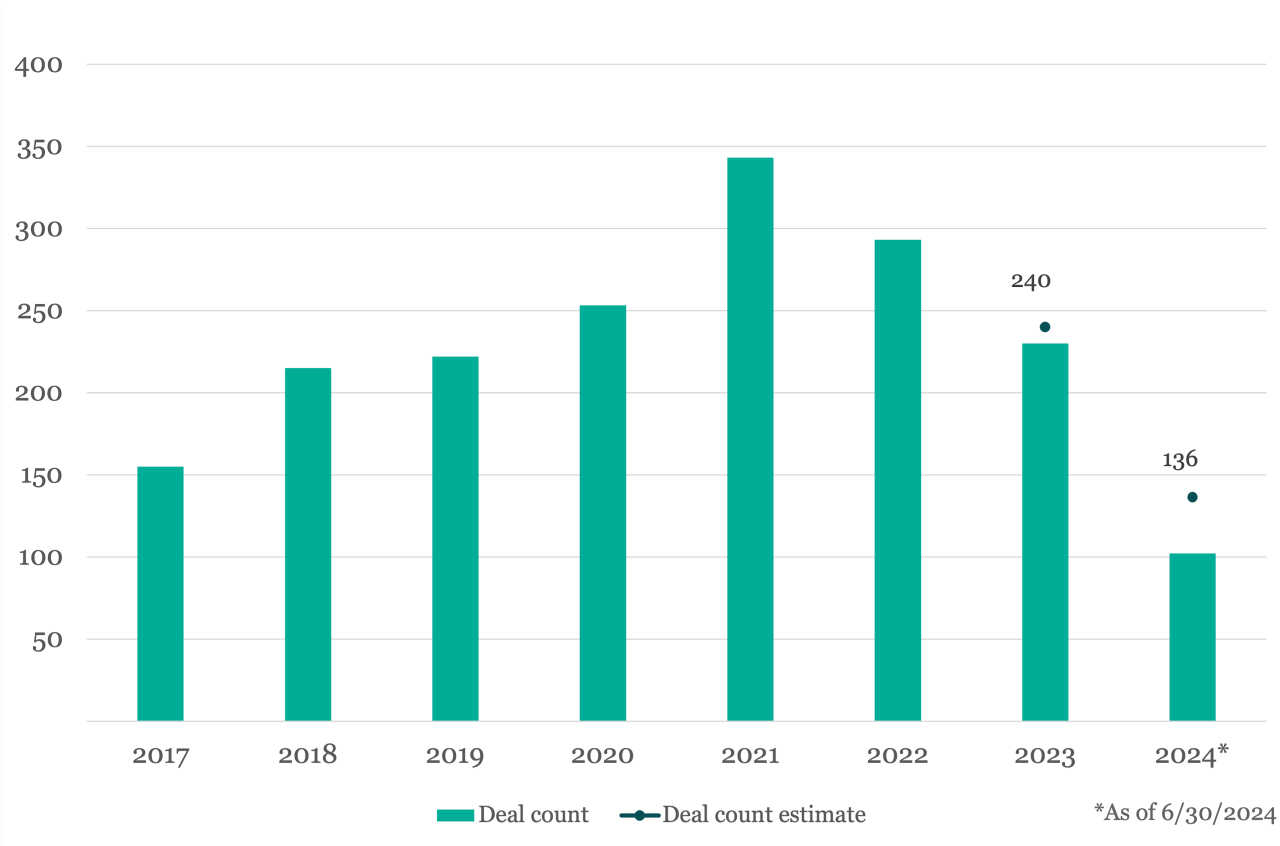
Healthcare IT PE deal count

PitchBook | September 12, 2024



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In the lower middle market, we are beginning to see more examples of a phenomenon we have anticipated for a while: PE firms and PE-backed companies acquiring VC-backed startups. Lower-middle-market PE firms perennially complain that VC-backed companies expect too-high multiples, and these firms would generally prefer to invest on a multiple of EBITDA rather than a multiple of revenue. However, we expect a greater convergence of the two asset classes over the next few years.These deals will generally take two forms: PE acquisitions of larger, profitable or nearly profitable VC-backed companies that have seen the writing on the wall and started to prioritize margin over growth; and PE-backed tuck-ins of smaller VC-backed companies that have run out of runway and sell at a discount to their previous valuation but can deliver a useful technology enhancement to a PE-backed platform.

(Past performance is no guarantee of future results.)