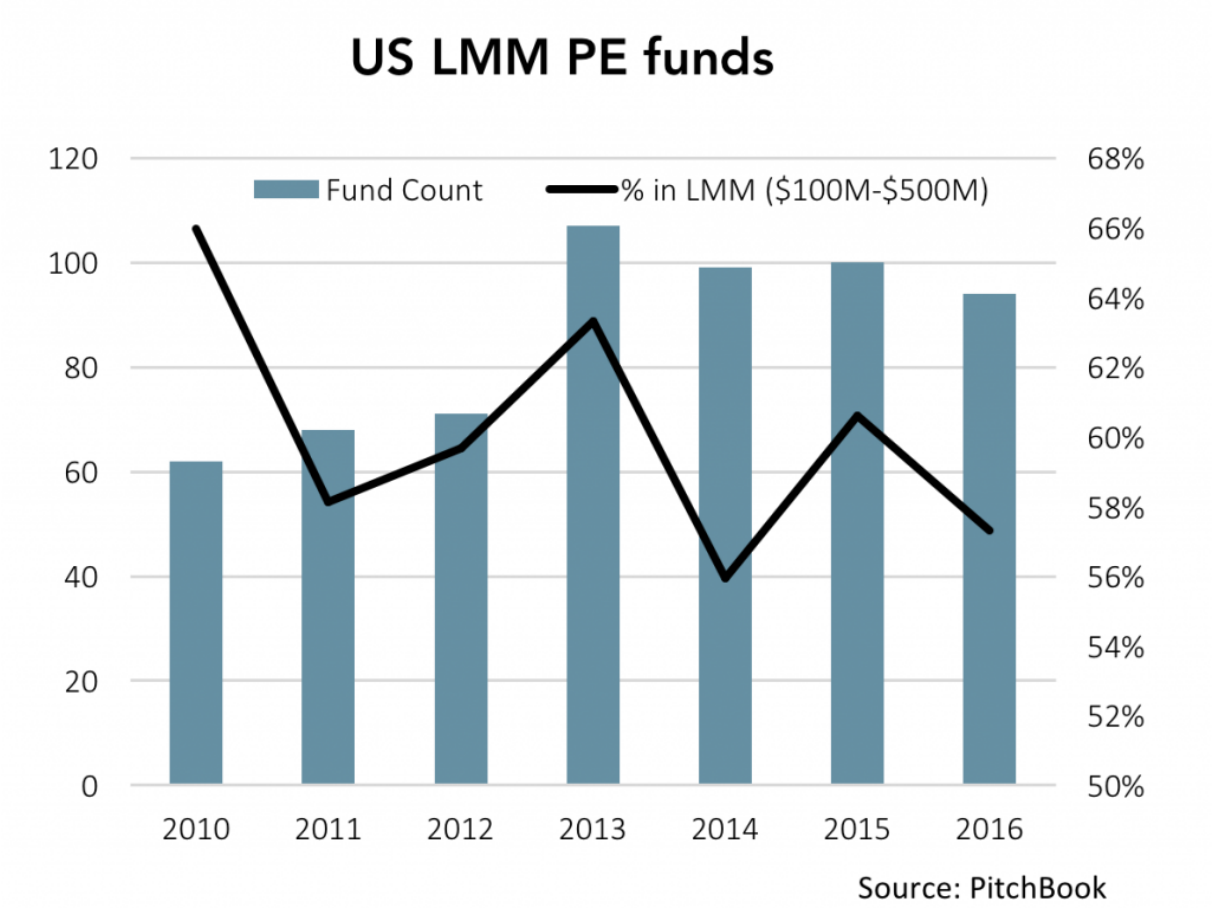
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The Pulse of Private Equity – 2/20/2017

PitchBook | February 21, 2017

Steady volume of funds geared toward US lower middle market



Since 2013, a significant uptick in the number of private equity funds geared toward the lower middle market—sized between $100 million and $500 million, according to PitchBook methodology—has occurred. 2013 was undoubtedly a peak, with 107 closed in that year alone, but the volume has hardly slackened much since, as 94 vehicles were wrapped in 2016. One driver of this trend has undoubtedly been the entrance of new fund managers into the market, which is especially relevant at that size range. Another has been the consistent popularity of the lower middle market as an area in which to invest for PE groups, given how persistently expensive the dealmaking environment has been, and the ensuing popularity of the buy-and-build strategy. As our post last week noted, it may have been a catchphrase for years, but given the level of fragmentation within certain segments of popular sectors such as healthcare or insurance, PE firms can still find plenty of targets—at least initially—to roll up into extant platforms. Looking forward, such LMM-focused fundraising doesn't appear set to fade given a lack of prospective targets on the investing side, but is likely to be more dependent on the results achieved by those that raised since 2013, as their fund lifecycles begin to shift more toward achieving liquidity over the next few years.

View PitchBook’s 2016 Annual US PE Middle Market Report here.