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A very slow start for exits

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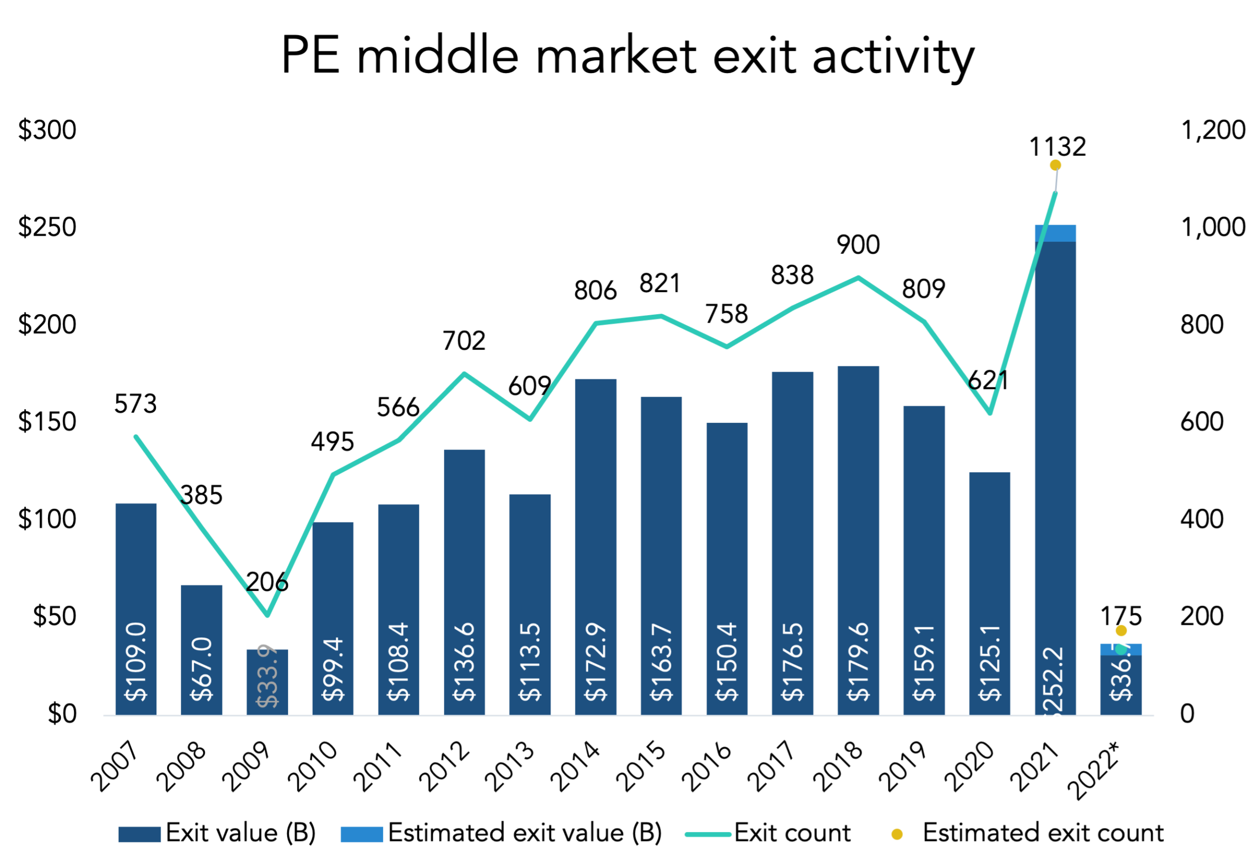

Download PitchBook's Report here.

PitchBook's latest US PE Middle Market Report shows a big drop-off in middle-market exit activity. Only 175 exits were completed in the first quarter, many of which probably started in late 2021. That's a low number even by pre-COVID standards. When you take out the second and third quarters of 2020, Q1 2022 represents the lightest exit flow since early 2016.

Part of that is deliberate, as sell-side holders prioritized exits last year. Over 1,100 exits were done in 2021; the previous high mark was 900 in 2018. The median holding time for middle-market companies dropped from 5.4 years to 5.0 years, suggesting that even aging portfolio companies were offloaded in large quantities. The sharp drop-off isn't too surprising, but it also confirms a slower trickle, or at least a normalizing, of exits going forward. It was good timing, in hindsight, as softening share prices are spooking the IPO market and spurring some hesitation in the M&A market. It also means fewer distributions back to LPs after their managers inundated them with returns over the past five quarters.

(Past performance is no guarantee of future results.)