Will take-privates move to the middle market?

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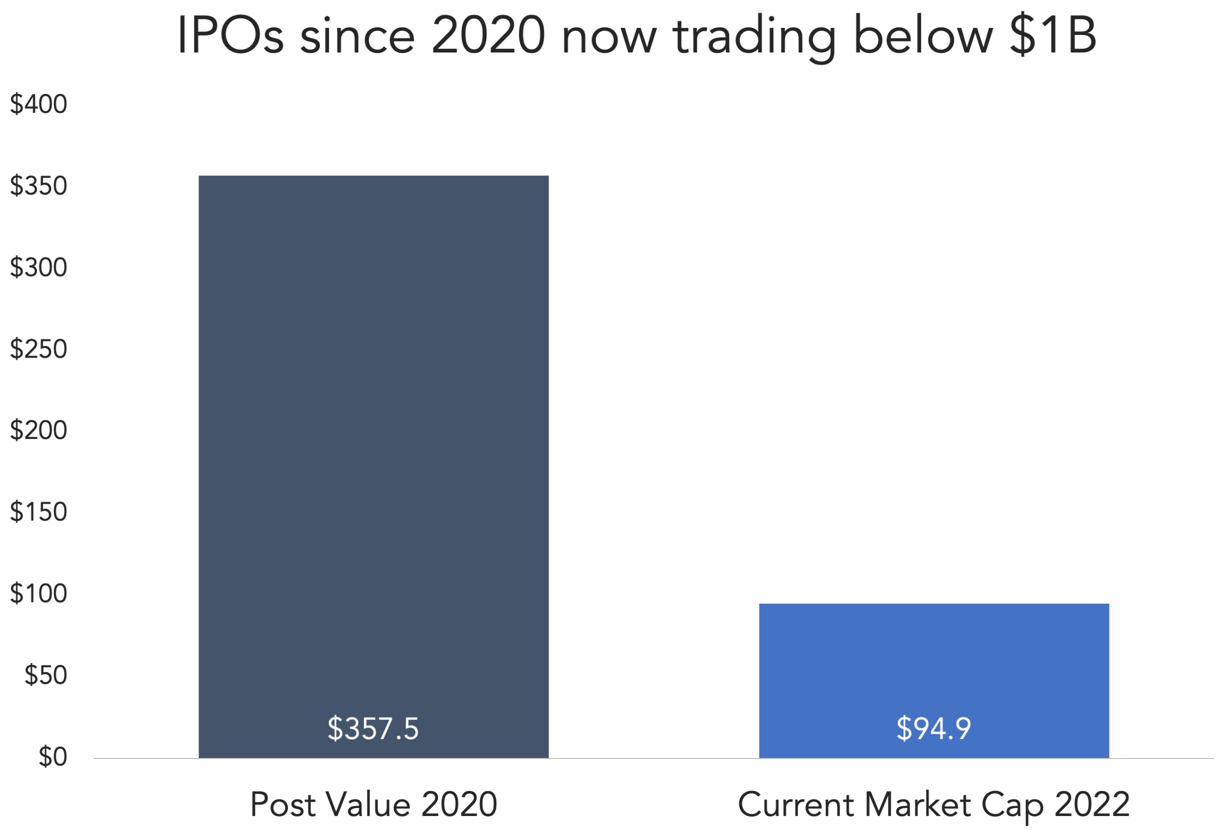

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Take-private transactions tend to be of the cannonball variety. Big, splashy, destined for headline coverage—terms that aren't really associated with the middle market. But one of our predictions for the year ahead is that take-privates will move downstream in 2023.

According to PitchBook's 2023 US Private Equity Outlook, there were 952 companies that went public between 2020 and 2022, via IPO or SPAC. The majority of them didn't start out as middle-market companies, but, glancing at the chart above, many of them are now. Those numbers—combined inception values on the left and current market caps on the right—represent a 73.4% decline in share value on the IPO side. The fall was even steeper (-79.6%) for companies that SPAC'd. Stock selloffs create more middle-market companies by default, and as the report notes, "a huge swath of middle-market companies is still trapped at deeply depressed levels."

For private equity, the appetite for buying heavily discounted public companies hasn't waned, and dry powder levels remain high. As the number of public middle-market companies continues to grow, there's another possibility for the year ahead: Some middle-market firms will take a company private for the first time in their firms' history.

(Past performance is no guarantee of future results.)