



PE Middle Market Report



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\$600B+

in exits by our
placed executives

95%

placement
success rate

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executives placed

<100

days to close,
half of the
industry average

425+

M&A transactions
by placed
executives



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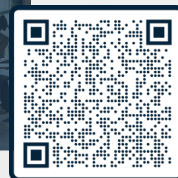
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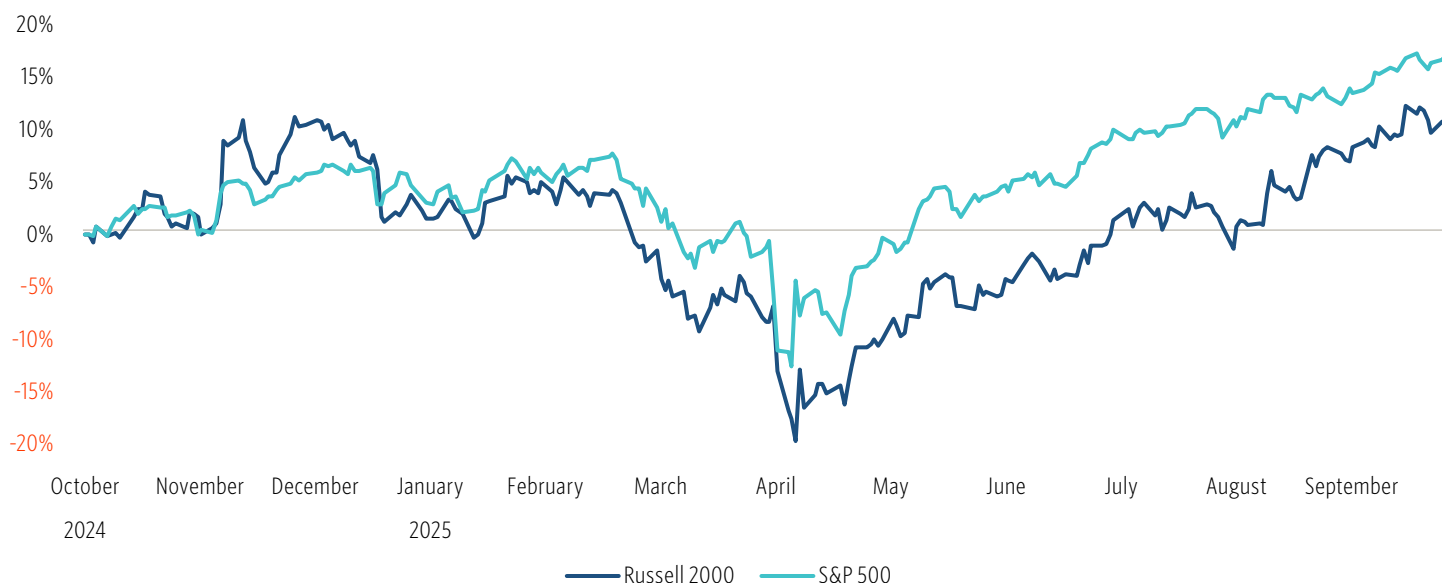
Report designed by **Adriana Hansen**

Published on December 12, 2025

Click [here](#) for PitchBook's report methodologies.

Executive summary

Russell 2000 versus S&P 500 price return

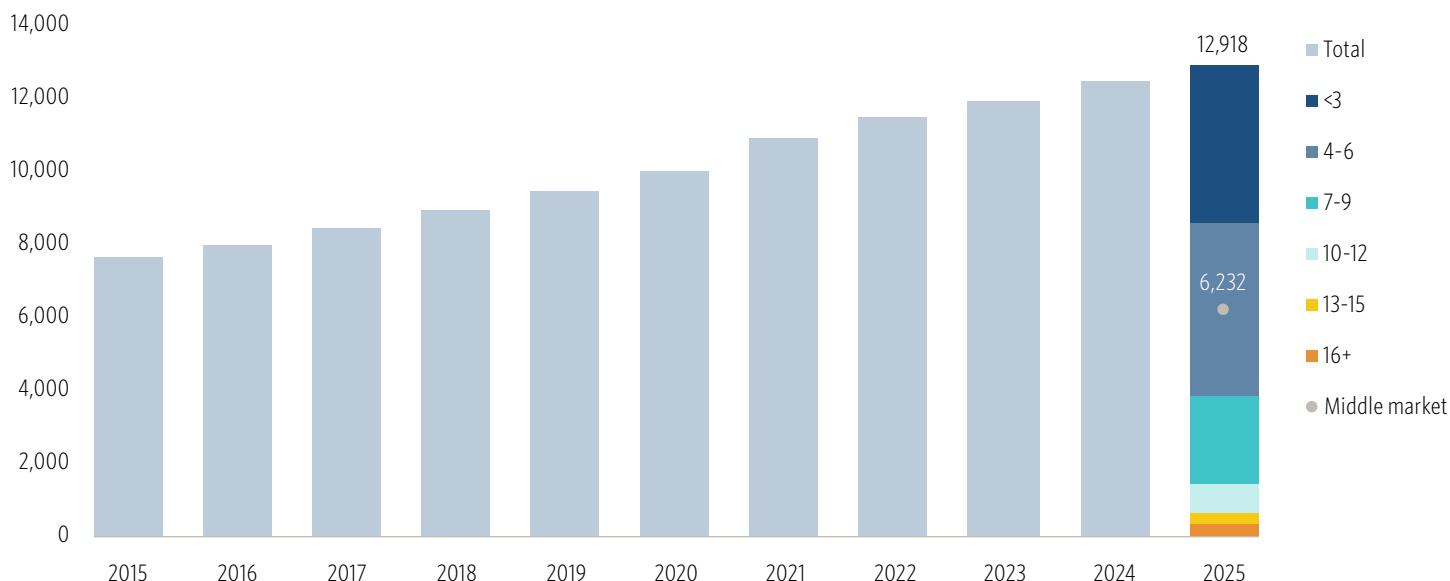


Source: PitchBook • Geography: US • As of September 30, 2025

US middle-market deal activity has been impressive throughout the year, moving forward even as the broader PE landscape experienced a slight slowdown. In Q2, the middle market showed sequential growth in deal value and volume, while the broader US PE market struggled to keep its pace in the face of market volatility. Since then, investors have adopted a more risk-on posture, encouraged by increased macroeconomic clarity and expectations of interest rate adjustments. Middle-market deal activity continued to gain momentum in Q3, setting the stage for another year of growth when annualized. With 897 deals totaling \$106.7 billion, Q3 marked the highest quarterly deal value since early 2022. The building momentum in the middle market demonstrates the strength of middle-market GPs in actively seeking emerging opportunities and deploying capital. The middle market remains a significant portion of all US PE buyouts, currently accounting for 68.7% and surpassing the five-year average of 66.4%. However, increased investor appetite recently spurred a wave of megadeals, reducing the middle market's share of total PE buyout value. Still, with market conditions improving, sponsors are now poised to pursue opportunities across the broad spectrum of the PE middle market.

The middle market has turned a corner when it comes to exits, also putting 2025 on track to surpass 2024 levels with single-digit growth. This projection was less certain just one quarter ago, but additional data from late-reported transactions and steady exit activity now paint a picture of a consistent, albeit slow, improvement in exits. Q3 was the only quarter so far this year with activity levels above pre-pandemic averages, indicating a more meaningful recovery than a simple uptick from the recent slowdown in exits. Exit growth in Q3 occurred despite an absence of IPOs during the quarter. Although the recent reopening of the IPO market seemed to create exit opportunities that could have trickled down into the middle market, this was cut short by the US government shutdown in Q4 and is unlikely to pick back up until 2026. Middle-market companies still offer a wide array of exit options, however, as their smaller size makes them attractive targets for acquiring niche or local markets, enhancing business capabilities, and strengthening market positioning. Our [inaugural US Private Equity Survey](#) suggests that exit activity will be a key priority in the near future, with survey respondents anticipating an improvement in exit conditions as well.

PE-backed company count by age of investment (years)

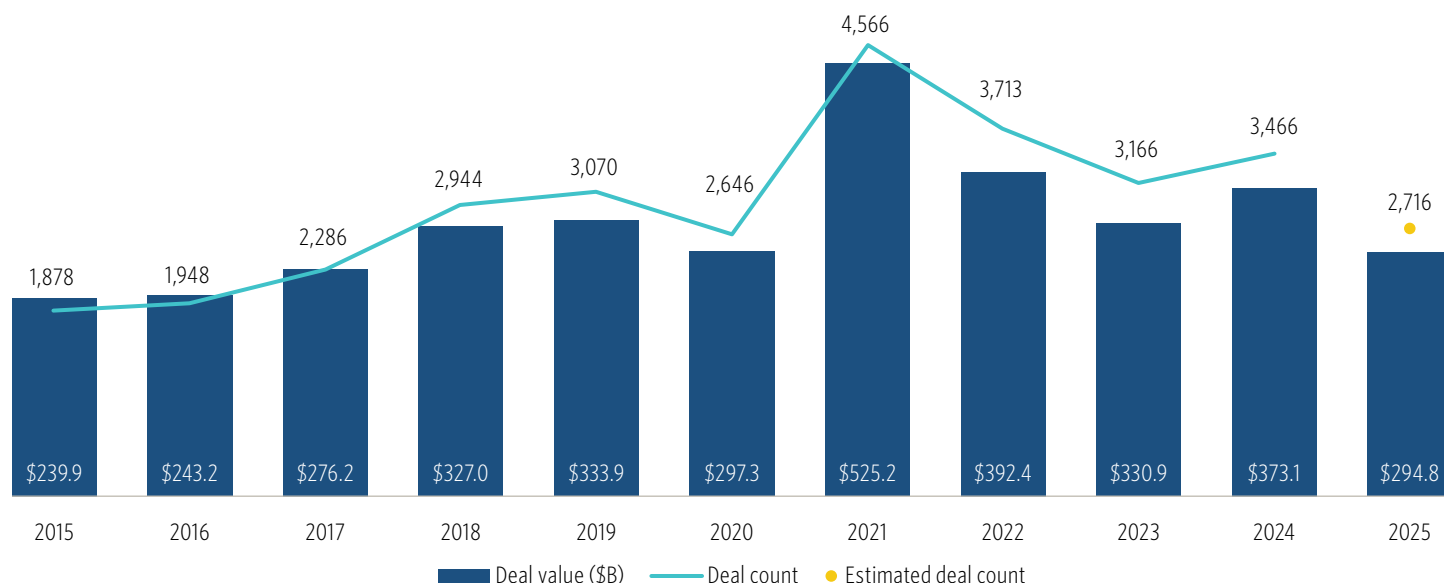


Source: PitchBook • Geography: US • As of September 30, 2025

Fundraising is the last piece of the puzzle. Middle-market fundraising activity remains sluggish; with just one quarter left in the year, the number of funds and capital raised have not even reached half of what was achieved in 2024. 2025 will likely end as the worst year for capital formation for middle-market managers since before the pandemic, as the whole PE industry struggles against sparse distributions to LPs that limit the capital flow into new funds. The current fundraising environment can be defined as the success of the few and the challenges of the many. In terms of performance, middle-market funds returned an 8.5% rolling one-year IRR through Q1 2025, surpassing the broader PE industry and megafunds. While performance has yet to repeatedly deliver the double-digit returns the industry's investors have come to expect, these returns at least deliver private market premiums, outpacing those of the S&P 500 and Russell 2000 in the same time period.

Deals

PE middle-market deal activity



Source: PitchBook • Geography: US • As of September 30, 2025

Overview

Three-quarters of the way through 2025, middle-market deal activity continued to gain momentum, with Q3 proving to be the best quarter of activity so far this year. This trend follows the same pattern as the overall PE ecosystem. Including estimates for late-reported transactions and deals with undisclosed values, US PE middle-market deal value reached \$106.7 billion across 897 deals in Q3, the highest quarterly deal value since early 2022. Moreover, this brought YTD deal activity to an estimated 2,716 deals worth an aggregate value of \$294.8 billion, setting up the middle market for YoY growth in annual figures. Additionally, tailwinds are emerging on the dealmaking front, which should further support robust deal activity in Q4 and into 2026.

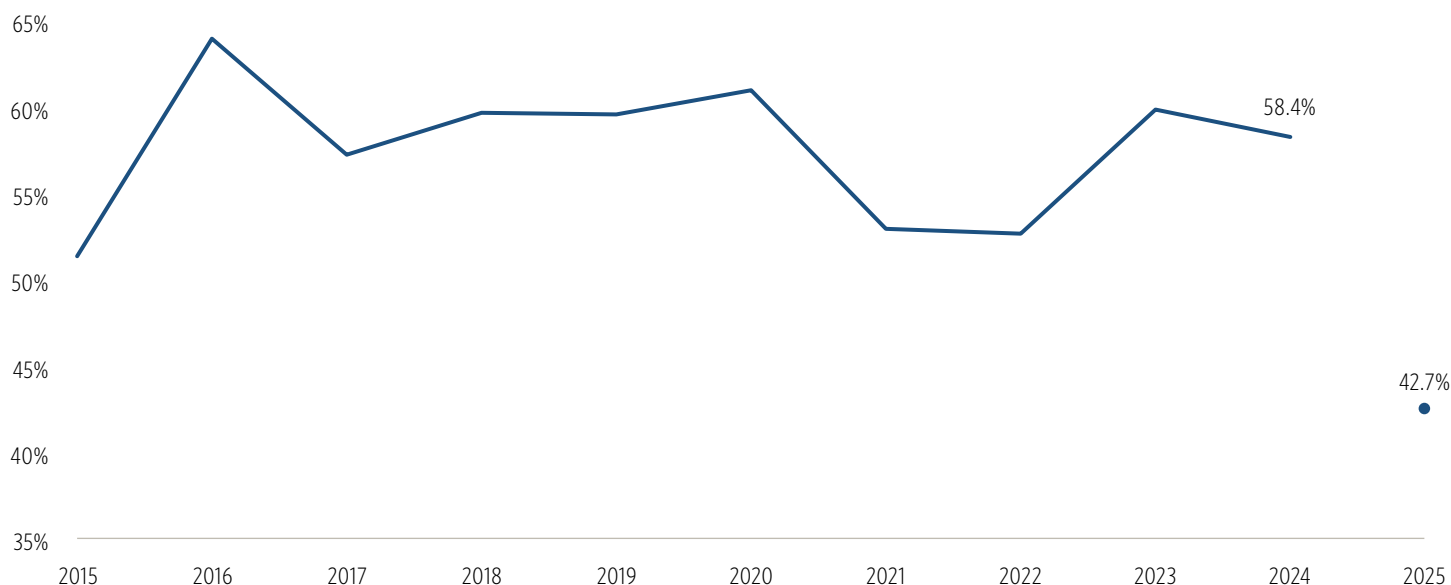
The building momentum in middle-market deal activity through the first nine months of the year highlights the strength of middle-market sponsors, which are actively seeking to put capital to work and take advantage of the emerging opportunities. Moreover, the two rate cuts from the Federal Reserve seen thus far in the year, with the potential for a third in December, have only further instilled confidence in sponsors, which are increasingly more risk-on. This includes not only lowering equity contributions in favor of

PE middle-market deal activity by quarter



Source: PitchBook • Geography: US • As of September 30, 2025

PE middle-market buyout value as a share of all PE buyout value



Source: PitchBook • Geography: US • As of September 30, 2025

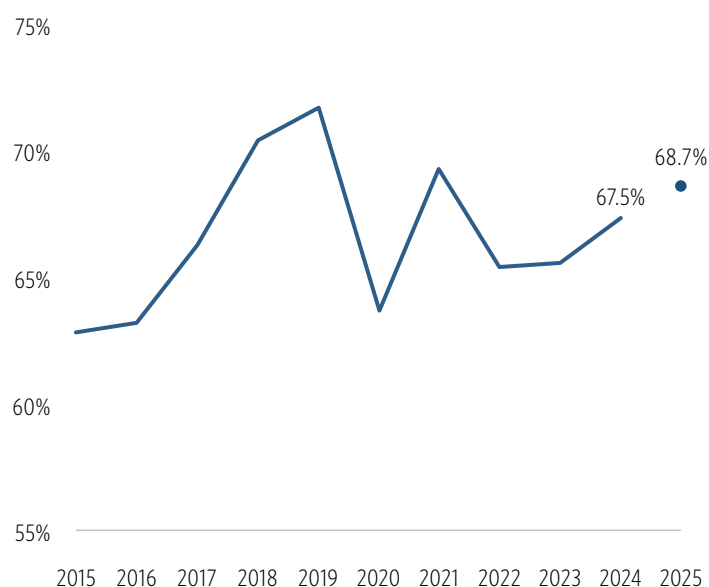
increasing leverage but also doing more deals and larger deals that may not have been digestible in years past. With market conditions improving, the deal playbook is wide open again, allowing sponsors to seek out deals across the vast array of the PE middle-market ecosystem.

When compared with the entire PE ecosystem, middle-market deal count remains elevated at 68.7% of all US PE buyouts, slightly above the five-year average of 66.4%. However, as market conditions have improved and megadeals (deals of \$1 billion or more) have returned, the middle market's share of PE buyout value has dropped significantly, from 58.4% last year to 42.7%, its lowest percentage ever recorded. Of course, several deals have exceeded \$20 billion this year, which has further skewed the data, amplifying the distortion already seen when considering only \$1 billion-plus transactions.

Valuations

In Q3, trailing 12-month (TTM) deal multiples in North America and Europe remained stable compared with 2024 numbers. Valuations have recovered from their recent troughs in 2022 and 2023 and are remaining in a range near the 2017-2019 median. The consistency in multiples shows greater alignment between buyers and sellers on valuation expectations and even valuation discipline in the face of renewed investor confidence. While the recent surge in megadeal activity could lead to upward pressure on median multiples, the potential trend of rising valuations could be

PE middle-market buyout count as a share of all PE buyouts

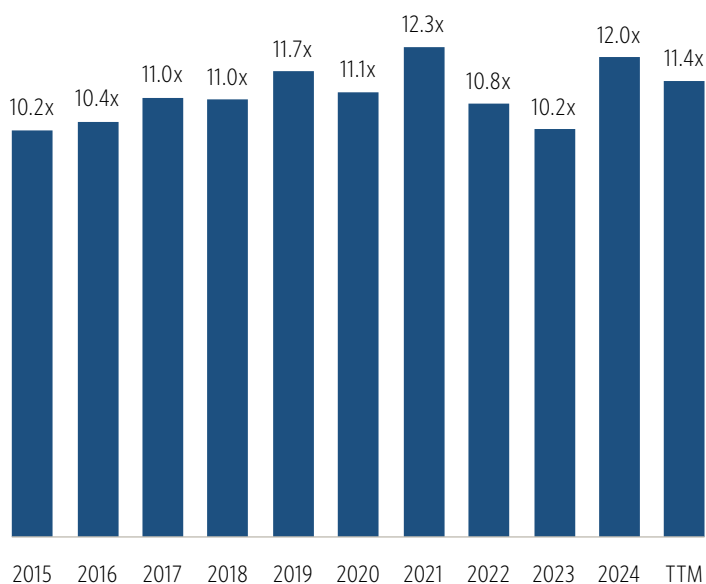


Source: PitchBook • Geography: US • As of September 30, 2025

impeded if deal activity broadens to include more value-oriented deals with lower multiples or if PE sellers can offload their backlog of aged holdings.

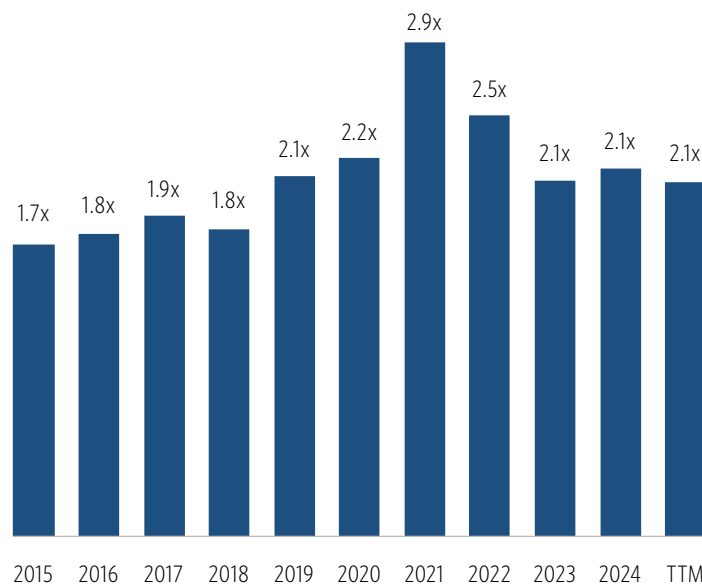
We highlight North American and European M&A multiples because they are drawn from the broadest dataset, with transactions of all sizes and involving both PE and corporate

Median EV/EBITDA multiple for M&A between \$25 million and \$1 billion



Source: PitchBook • Geography: North America and Europe
 As of September 30, 2025

Median EV/revenue multiple for M&A between \$25 million and \$1 billion



Source: PitchBook • Geography: North America and Europe
 As of September 30, 2025

acquirers, offering a stronger disclosure rate than just middle-market PE transactions. For these metrics, we focus on transactions between \$25 million and \$1 billion. The TTM North American and European M&A enterprise value (EV)/EBITDA multiple stands at 11.4x—slightly below that of 2024 but comfortably above the 10.2x low in 2023 and squarely within the 2017-2019 norm. On an EV/revenue basis, the TTM global M&A median multiple of 2.1x is the same as in 2024 and above the 1.9x average between 2017 and 2019. The median EV/revenue multiple has remained consistent since 2023, which could be considered a dip, but only when compared with the peak of 2.9x in 2021, during the dealmaking frenzy. EV/revenue multiples reset without declining below their historic norms, and the stable median shows that the middle market has been more balanced in pricing.

When we look at just middle-market PE buyout multiples, they tell a similar story: TTM EV/EBITDA and EV/revenue multiples have either declined slightly or remained flat from the valuation recovery in 2024. Compared with the pre-pandemic averages, the current multiples sit moderately higher, suggesting deal activity remains concentrated in higher-quality companies that can command higher purchase multiples. The TTM median middle-market buyout EV/EBITDA multiple closed at 13.3x in Q3, easing from the jump to 13.9x in 2024. The YTD median multiple is lower at 11.8x, as improved investor sentiment and optimism for the market outlook

created upward momentum in deal multiples in 2024. The TTM EV/revenue multiple for middle-market buyouts is flat at 2.5x but exceeds the 2017-2019 range of 1.9x to 2.1x, which signals a greater premium on long-term growth potential.

Take-privates

Middle-market take-private activity dwindled in Q3, with PE buyers underwriting just four announced or completed deals under \$1 billion across North America and Europe. The figure was the lowest of the year so far, with 10 deals the previous quarter and nine in Q3 2024. However, the median size of take-privates jumped from \$180.2 million in Q2 to \$484.5 million, representing a 168.8% increase QoQ. Taken together, the trends show that PE firms found more opportunities to take smaller companies private during times of public market volatility and saw less attractive targets in the middle market as public markets performed more strongly in Q3. The renewal of a risk-on approach, along with anticipated rate cuts, is encouraging PE firms to participate in larger deals instead: Q3 saw the largest LBO ever recorded in the \$55 billion take-private of EA, and the median deal size of take-privates in the broader US PE industry increased from \$678.2 million in Q2 to \$1.8 billion in Q3.

Still, the investment climate appears favorable for take-private deals below \$1 billion. First, the smaller size of middle-

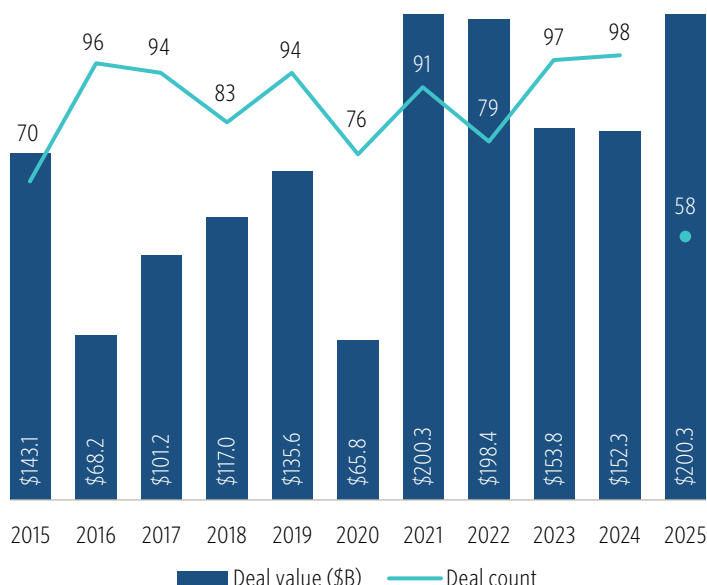
market companies offers PE sponsors additional flexibility and optionality to create operational enhancements to revitalize them. Smaller companies are also more likely to be burdened by the costs of maintaining a public status while benefiting less from trades and analyst coverage. In the TTM period ended Q3 2025, the Russell 2000 Index underperformed relative to the S&P 500 by around 700 basis points, with returns of 10.7% and 17.6%, respectively. PE firms could seek out differentiated return opportunities in undervalued middle-market companies, especially if the optionality to sell them to a thriving public market and PE deal market seems to be strong.

Founder-owned businesses

Founder-owned businesses, also known as nonbacked companies, represent a key avenue for deal flow across the PE landscape, and the middle market is no exception. Through the first nine months of 2025, founder-owned businesses represented 50.5% of middle-market transactions, slightly below the five-year average of 51.4% but still the majority of middle-market deals. Given the smaller-scale nature of these businesses, they accounted for only 17.9% of total middle-market deal value. These founder-owned businesses tend to have more growth levers than can be pulled, as the founder may never have had the capital, knowledge, or expertise to do so. These levers could involve product, geographic, or head-count expansion to achieve greater scale and reach. In comparison, when a sponsor buys another PE-backed company, the company may have already implemented a seasoned management team, growth capital, and other growth drivers.

Another reason that PE firms like to invest in these founder-owned companies is that they can be lower downmarket, and with that tend to have lower purchase prices. For example, most of these transactions are below \$100 million in size. Many are even below \$25 million, making them more digestible, a key driver of activity in the space in recent years, when higher borrowing costs plagued deal activity and pushed many sponsors downmarket. For the TTM period ended Q3 2025, the median EV/EBITDA multiple for buyout transactions between \$500 million and \$1 billion was 16x, compared with a median of 11.8x for deals between \$25 million and \$100 million. Even as market conditions improve and sponsors may be less dependent on looking further downmarket at some of these companies, founder-owned businesses will always remain a key source of deal activity due to their growth possibilities. Founder-owned

PE take-private deal activity



Source: PitchBook • Geography: North America and Europe
As of September 30, 2025

PE take-private deals under \$1 billion in Q3 2025

Company	Announced date	Acquirer(s)	Deal value (\$M)	Country
Trealt	September 8	Exponent Private Equity, Natara	\$214.7	UK
WithSecure	August 8	CVC Capital Partners	\$299.0	Finland
Performant Healthcare	August 1	New Mountain Capital, Ardan Equity, Eir Partners	\$670.0	US
ZimVie	July 21	ARCHIMED	\$762.9	US

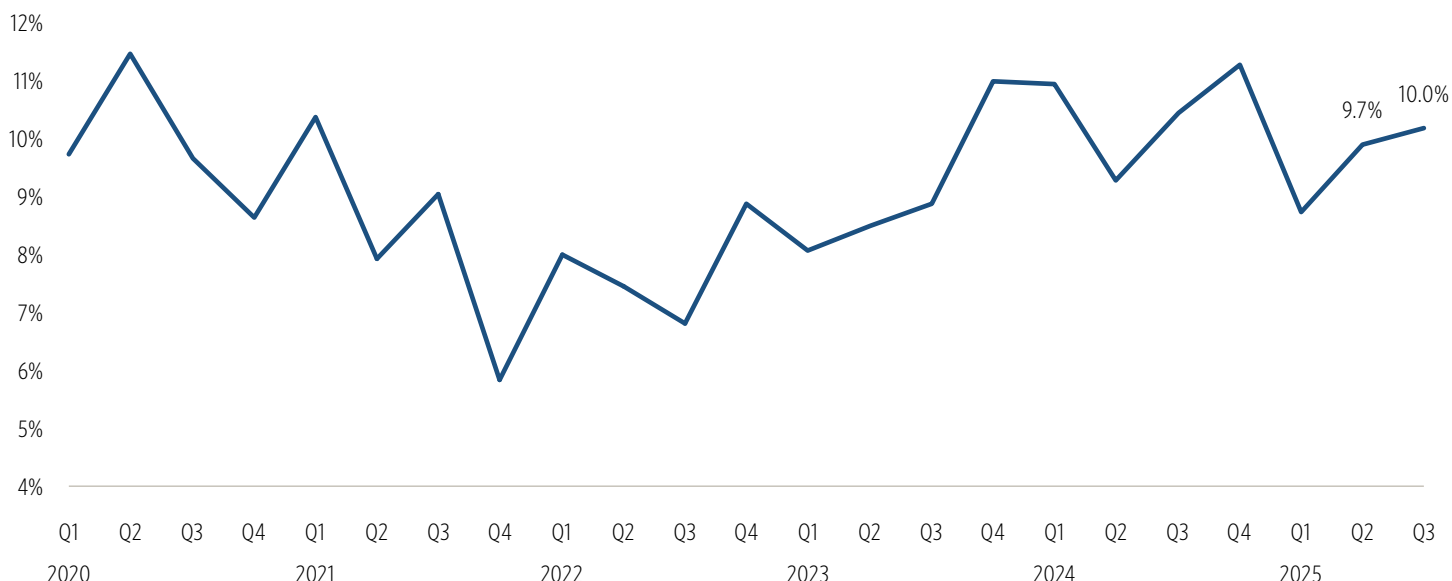
Source: PitchBook • Geography: North America and Europe
As of September 30, 2025

businesses are a tried-and-true source of opportunities for PE firms and have been that way for years, throughout various market cycles.

Carveouts

Carveouts remain a consistent feature of middle-market deal activity, accounting for 10% of all middle-market transactions in Q3, up QoQ and above the 8.5% share seen in Q1. Carveouts accounted for 11.6% of total middle-market

Carveout/divestiture count as a share of all PE middle-market deals by quarter



Source: PitchBook • Geography: US • As of September 30, 2025

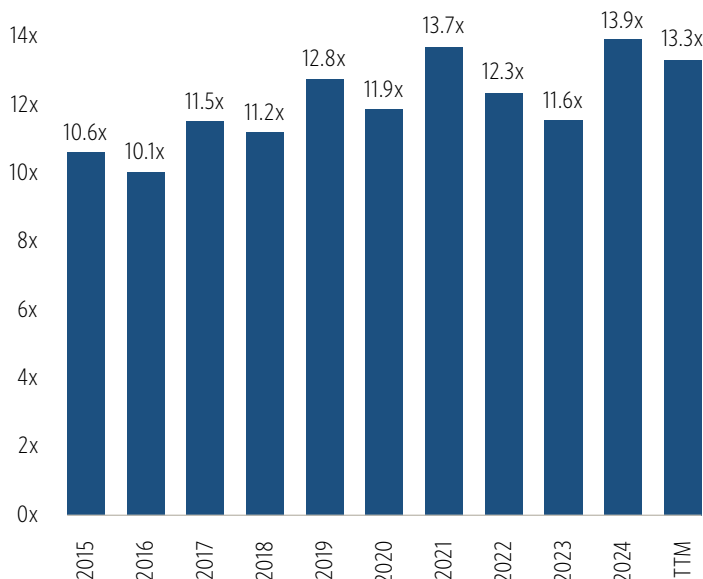
deal value and, similar to the trend in deal count, have seen sequential increases in their share throughout the year. While quarterly figures can fluctuate, annual trends provide a clearer benchmark, showcasing that carveouts are a core deal type for sponsors. Industry participants note that many large companies continue to sell noncore assets, especially as market conditions improve and stabilize further, allowing corporates to focus on core areas and accelerate growth, all while providing a more compelling story to investors.

Carveouts provide advantages for both buyers and sellers. For sellers, proceeds can be used to address maturing debt obligations or reinvest in higher-growth initiatives. For buyers, carveouts often involve established assets with robust financial histories, enabling more reliable due diligence. This transparency tends to attract a wider pool of bidders, reinforcing the appeal of carveouts in today's dealmaking

environment. Additionally, these divested assets can often be underperforming in nature, whether due to a lack of time or resources invested in them by their corporate owners. These "albatross" assets, similar to founder-owned businesses, can provide sponsors with several levers that can be pulled to scale growth. Notable carveout transactions in Q3 included Sonoco's sale of ThermoSafe, a provider of temperature-controlled packaging solutions, to Arsenal Capital Partners for \$650 million in September. This deal allows Sonoco to streamline its operations into two core global business segments. Also in September, GE Vernova—one of GE's three standalone public companies, with Vernova being the energy division—agreed to sell Proficy, its industrial software unit, to TPG for \$600 million. GE Vernova will use the proceeds of the sale to reinvest in its grid software business.

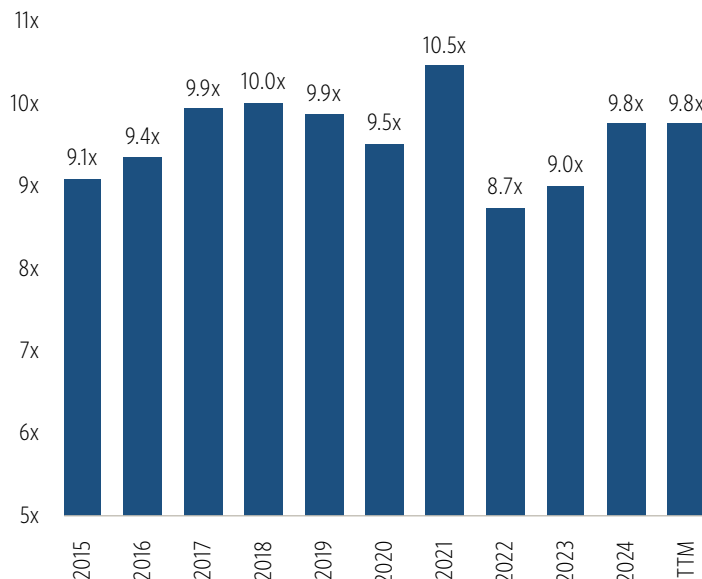
Deal valuation metrics

Median PE middle-market EV/EBITDA multiple



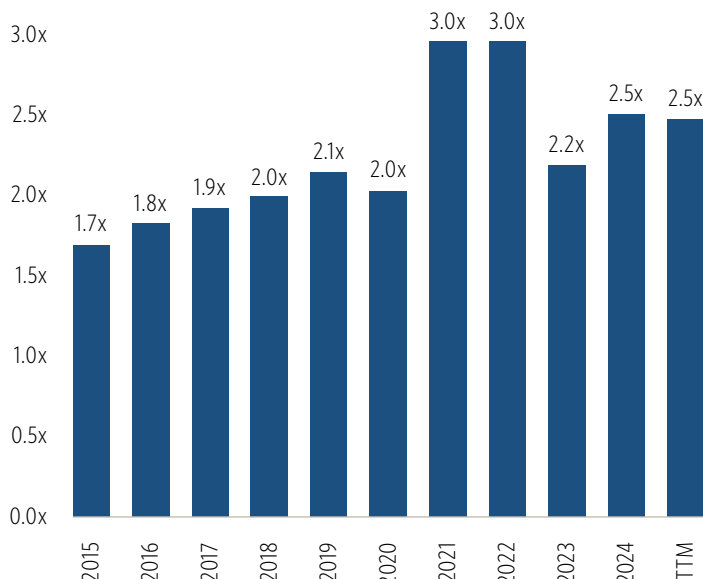
Source: PitchBook • Geography: North America and Europe
As of September 30, 2025

Median M&A EV/EBITDA multiple



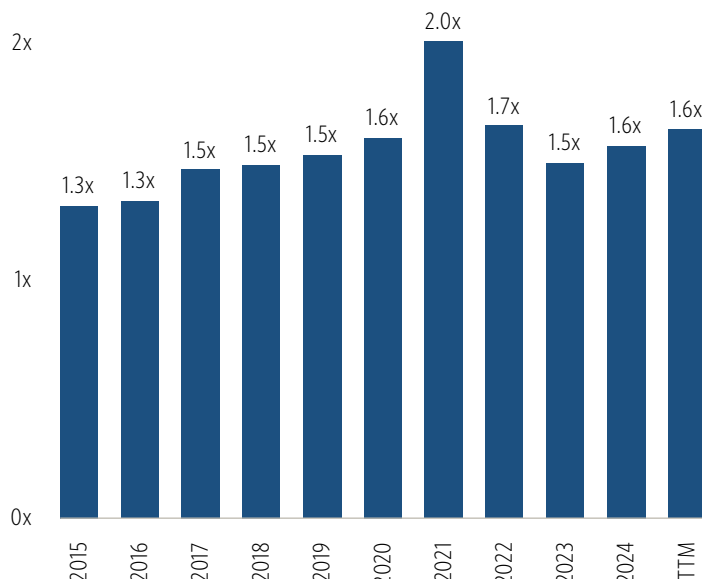
Source: PitchBook • Geography: North America and Europe
As of September 30, 2025

Median PE middle-market EV/revenue multiple



Source: PitchBook • Geography: North America and Europe
As of September 30, 2025

Median M&A EV/revenue multiple



Source: PitchBook • Geography: North America and Europe
As of September 30, 2025

A WORD FROM BESPOKE PARTNERS

PE rebound sparks competition for executives: Using AI and other tips for a tight talent market

The long-awaited recovery in PE gained steam in the latter months of 2025. Deal flow is accelerating. IPOs and sponsor-to-sponsor transactions are rising. Strategic acquisitions are gaining momentum.

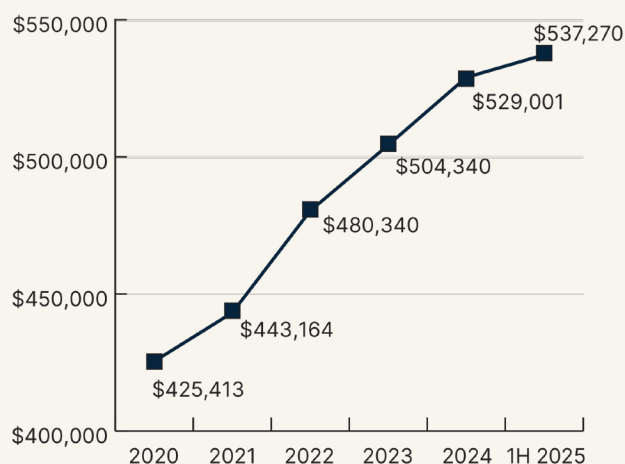
Yet as optimism builds, the backlog of over 12,500 US portfolio companies ensures that leadership demand will remain high for years to come.¹

Bespoke Partners has placed more than 1,500 C-suite and VP executives in PE software and software-as-a-service (SaaS) portfolio companies. We make available trend data and advice to help sponsors navigate the market: <https://bespokepartners.com/private-equity-talent-report-pbmm>.

Compensation hits all-time high

As exit options reopen, many experienced leaders are staying put to see their current companies through to exit. It's requiring increasingly richer compensation packages to draw them away to new roles.

Average OTE for all senior software and SaaS executives



Source: Bespoke Partners' proprietary data | Geography: United States



Eric Walczykowski
CEO

Eric Walczykowski is CEO of Bespoke Partners. Eric is a proven growth executive with experience as CEO, president, board member, investor, and advisor, driving over \$4.5 billion in successful exits for technology companies.



Adam Boone
Chief Commercial Officer

Adam Boone is chief commercial officer of Bespoke Partners. Boone has spearheaded go-to-market programs for technology companies backed by Sequoia Capital, Goldman Sachs, Greylock Partners, Bessemer Venture Partners, and other top firms.

Average C-suite on-target earnings (OTE) of cash salary and bonus for executives in software and SaaS companies climbed above \$500,000 in 2023 and remain elevated, topping \$537,000 this year.

We make available to clients compensation details for every function and company scale. Pronounced increases have taken place across all functions we recruit for, including CEOs (and other profit and loss leaders), finance, go-to-market (GTM), product and technology leaders, and human resources.

Equity packages reflect renewed optimism

Projected value of executive equity packages granted this year is rising across most functions, particularly GTM, product and technology, and HR. This reflects renewed confidence in exit potential. In recent periods the opposite was true, as packages trended toward higher cash compensation because paths to exit were unclear.

¹: "Q2 2025 US PE Breakdown," PitchBook, Garrett Hinds, Jinny Choi, and Kyle Walters, July 11, 2025.

Turnover rates point to tight market in key roles

We track executive turnover at more than 1,600 PE portfolio companies in software and SaaS. Turnover for most functions declined from 2024 levels, though GTM and CEO groups show some continued elevation compared with historical averages.

Sponsors are assessing leadership teams for exit preparedness and next-holding-period scalability. Financial, commercial, and product leaders are being scrutinized for alignment with deal narratives and buyer expectations.

CFOs who can execute M&A and drive cost optimization are in demand. GTM leaders are being hired earlier, with 69% of companies in the ARR range of \$51 million to \$100 million now having a chief revenue officer, up from 54% in 2023. Chief product officers are also rising, with their prevalence in early-stage firms doubling in just two years.

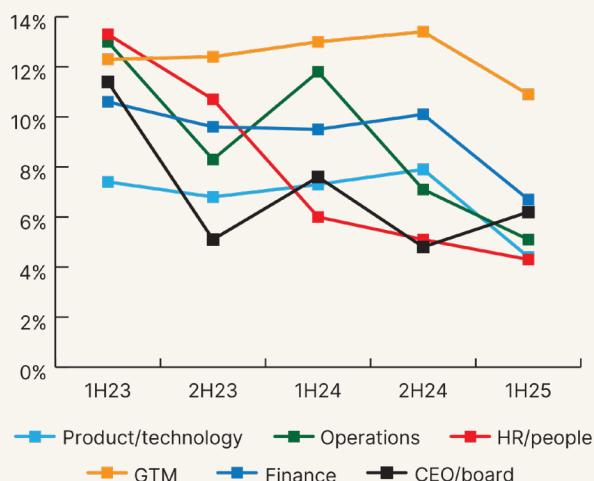
Navigating the tight market

Tap AI to see entire market

Legacy recruiting methods rely on bottom-up views of the talent market, using existing networks to identify candidates. This uncovers 15% to 20% of the total market.

Search volume in PE is up 54% in 2025 based on our data, and occupancy rates are climbing for most leadership roles. So sponsors who lack full market visibility risk recycling the same talent everyone is chasing.

Software and SaaS executive turnover



Source: Bespoke Partners' proprietary data | Geography: United States

Instead of haphazard, myopic networking, today's AI-powered candidate discovery provides top-down views of the complete talent market. For example, our Executive Index talent market mapping platform contains validated, detailed profiles of 700,000 executives in software and SaaS.

Broaden the talent pool

It's easy to fixate on "unicorn" candidates: the leaders who have held the exact role in the exact market at the exact scale with the desired exit. Demand for unicorns, however, is exceedingly high.

Yet many other executives may be suited for your value creation plan, such as leaders from adjacent sectors whose skillsets and playbooks can transfer. Other options are step-ups, leaders who excelled at a lower level and are ready to tackle the top job. Our research shows step-ups can be just as successful as seasoned leaders with the right support.

Fast execution and streamlined processes

Sponsor search velocity is the ability to launch, execute, and close leadership searches with precision and speed. It poses a decisive competitive advantage.

Our days to close are typically under 100, roughly half the industry average. The sponsors we work with have high velocity, with clarity and urgency, and so land transformative leaders ahead of the competition.

Learn more

Get a jump on 2026 and stay informed on the talent market with our complimentary reports: <https://bespokepartners.com/private-equity-talent-report-pbmm>



Bespoke Partners is the leading executive recruiter for private equity portfolios, with a specialization in software and SaaS.

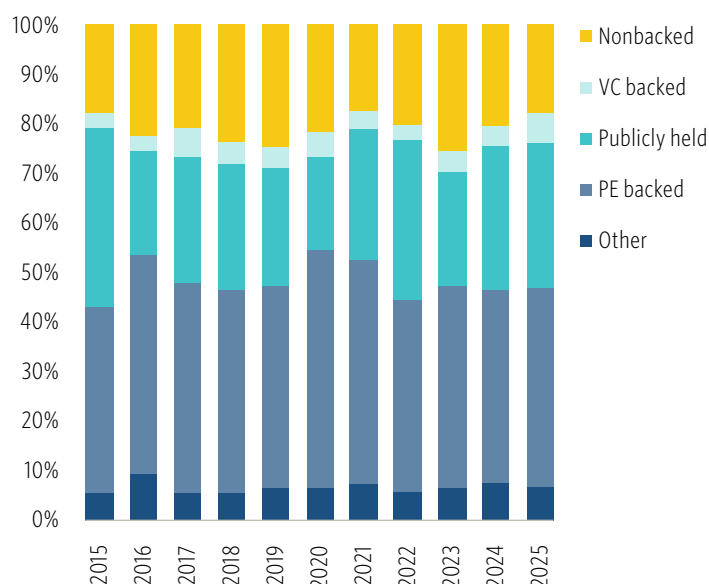
Bespoke has placed over 1,500 top-performing executives who have driven more than 200 portfolio company exits totaling nearly \$600 billion.

Successful searches include CEOs, CFOs, CROs, CMOs, CPOs, CTOs, CIOs, CHROs, board members, operating partners, vice presidents, and many more.

Learn more at www.bespokepartners.com.

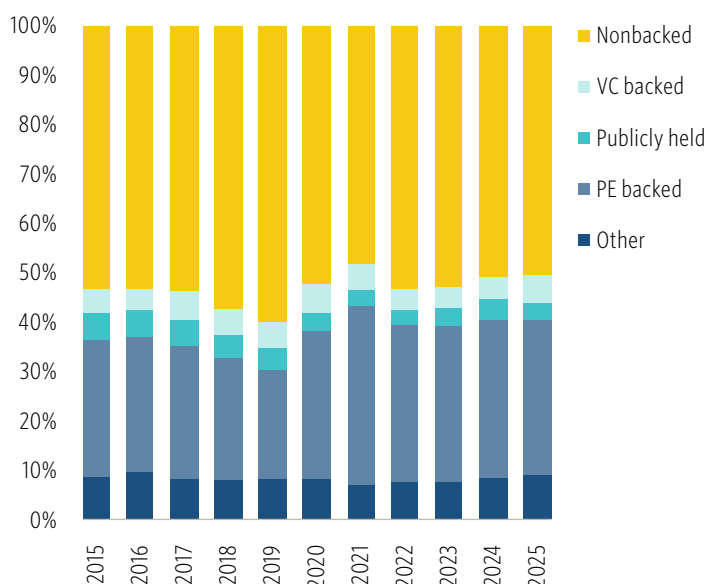
Deals by backing and sector

Share of PE middle-market deal value by backing type



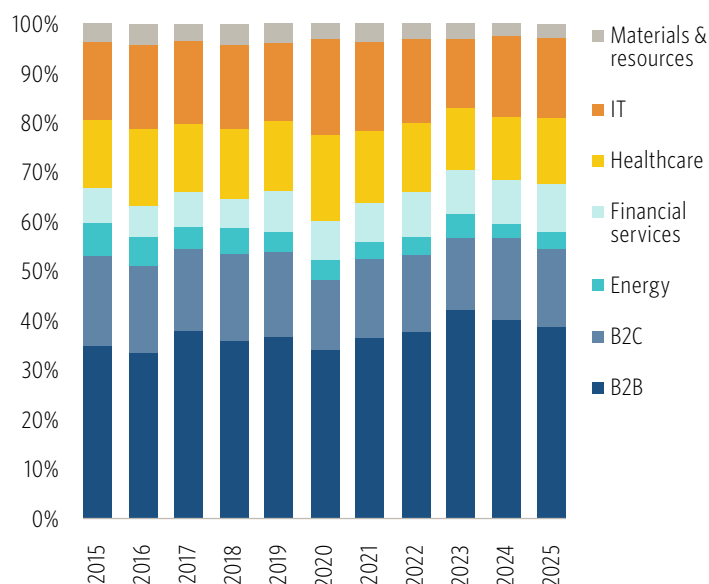
Source: PitchBook • Geography: US • As of September 30, 2025

Share of PE middle-market deal count by backing type



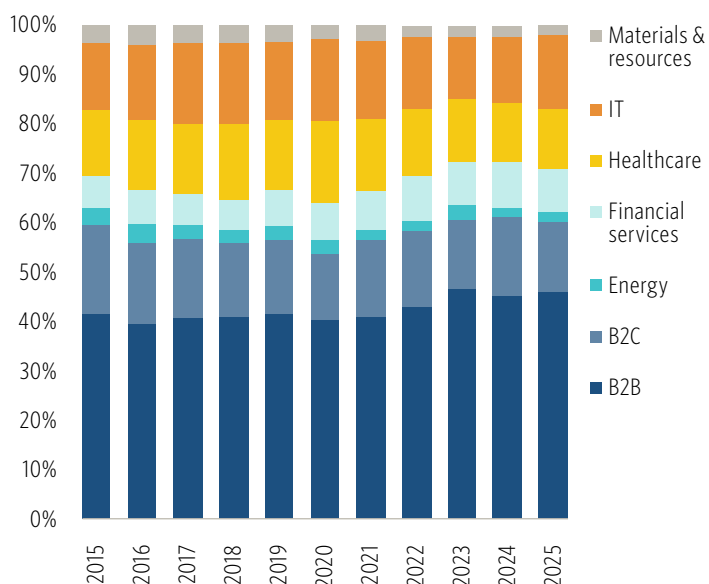
Source: PitchBook • Geography: US • As of September 30, 2025

Share of PE middle-market deal value by sector



Source: PitchBook • Geography: US • As of September 30, 2025

Share of PE middle-market deal count by sector

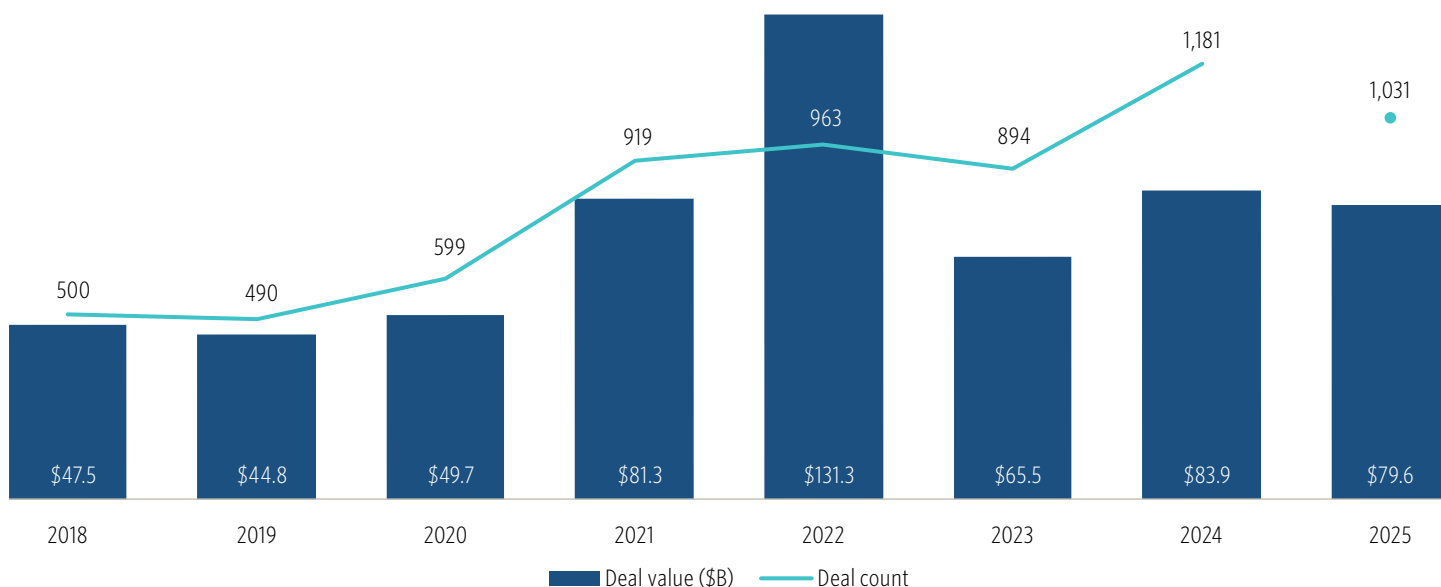


Source: PitchBook • Geography: US • As of September 30, 2025

SPOTLIGHT

Q3 2025 Construction & Engineering Report

C&E PE deal activity



Source: PitchBook • Geography: Global • As of September 30, 2025

Note: This spotlight is abridged from our [Q3 2025 Construction & Engineering Report](#). Please see the full report for additional analysis on PE trends in the construction & engineering space.

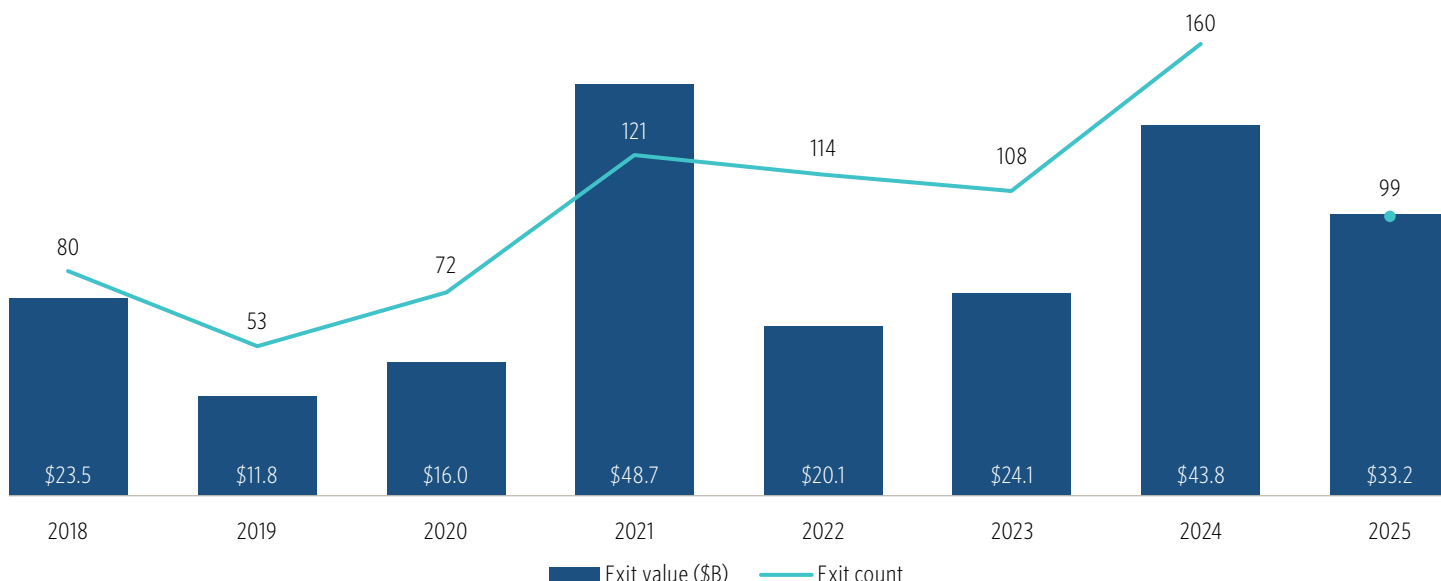
PE activity

The global construction & engineering (C&E) sector continued to show strength in Q3 2025. While deal count fell 9.1% YoY to 319 deals (from 351 in Q3 2024), total deal value surged 33.7% to \$36.7 billion (up from \$27.4 billion). From the first nine months of 2024 to the same period in 2025, deal count rose 13.8% to 1,031 deals, and deal value climbed 19% to \$79.6 billion (up from \$66.8 billion). This pattern suggests fewer but larger transactions, indicating a shift toward scale and strategic consolidation. The third quarter did break a string of seven consecutive quarters of growth in deal count (with the prior down quarter occurring in Q3 2023), which we think reflects a likely temporary trend as underlying deal rationale remains strong and interest rates are falling.

Deal funding remains robust, and many fragmented subcategories are still seeing business combinations. Global infrastructure spending remains strong, and reshoring and nearshoring in North America are contributing to increased factory and warehouse construction. Additionally, C&E is undergoing a digital transformation with many exciting new technologies that can be overlaid onto existing construction projects.

Looking at the three categories we cover in C&E, construction has had the most deals thus far in 2025, with 577 deals, compared with 492 deals in the first nine months of 2024, an increase of 17%. Construction had \$41.4 billion in deal value, up 13% from \$36.5 billion in the first nine months of 2024. The engineering segment had 420 deals in the first nine months of 2025, up 13% from the 373 deals in the same period last year. Additionally, engineering saw \$31.9 billion in deal activity, up 16% from \$27.4 billion a year ago.

C&E PE exit activity



Source: PitchBook • Geography: Global • As of September 30, 2025

Construction technology remains a niche but increasingly strategic segment within C&E. In the first nine months of 2025, the segment recorded 33 deals, down from 41 in the same period last year. However, deal value surged 37% to \$4 billion, indicating that investors are prioritizing higher-quality or larger-scale opportunities. Transactions were software focused, with software accounting for 27 deals, while hardware-related deals accounted for only six transactions. This skew reflects growing demand for digital solutions that enhance project efficiency, safety, and planning, such as AI-driven scheduling tools, Internet-of-Things-enabled sensors, and digital twin platforms.

Exit activity

Exit activity in the C&E sector moderated slightly in volume but grew in value during the first nine months of 2025. There were 99 exits, down 6.6% from 106 in the same period last year, but total disclosed exit value rose 14% to \$33.2 billion. This divergence reflects the impact of several large transactions, which offset the decline in overall deal count.

The exit environment appears to be improving as tariff-related uncertainty stabilizes and interest rates decline, reducing financing costs for buyers. These conditions could support a more favorable exit market heading into 2026, particularly for scaled platforms and businesses with strong technology integration.

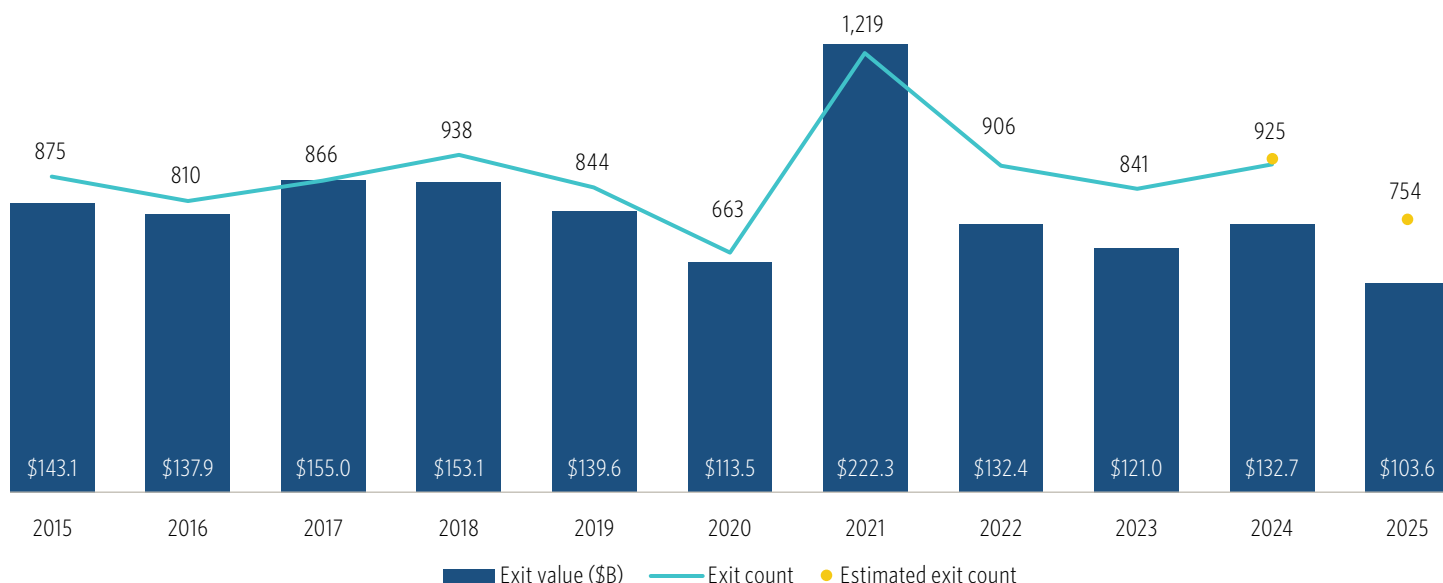
Debt trends show signs for concern, but spreads are narrowing

PitchBook-LCD data shows that both C&E and industrials loans have remained healthy, but some cautionary signs may be emerging, as reflected by the drop in LBO-related industrials loan volume and its share of total debt. Total industrials debt (syndicated leveraged loans) issued to support PE transactions rose just 2% in 2024 to \$19.3 billion, while all debt offered rose by 73% to \$72.8 billion. As a result of the total debt market rising much faster than the industrials debt market, the industrials share of total debt dropped from 45% in 2023 to 25% in 2024. This trend worsened in the first nine months of 2025, when the industrials share dropped to just 9% (\$5.8 billion) of total debt issued, while all debt issued totaled \$62.9 billion. This drop in activity is likely due to a broader industrials slowdown in PE activity caused by tariff uncertainty. But within industrials, we expect increased C&E debt issuance in the short term.

On the positive side, the spread on construction loans has continued to narrow, extending a decadelong trend. In the first nine months of 2025, spreads were 303 basis points, down from 365 in 2024, 359 in 2023, and 500 in 2022. The narrowing of spreads should continue to make it easier for construction-related LBOs to get financing in the market, and given the level of deal activity, we expect an uptick in C&E loans in the first half of 2026.

Exits

PE middle-market exit activity



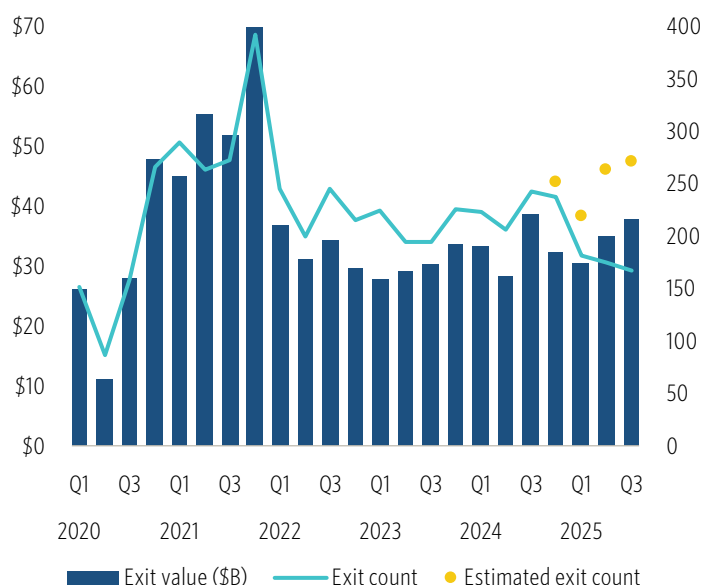
Source: PitchBook • Geography: US • As of September 30, 2025

Overview

Exit activity in the US middle market has maintained a steady upward trajectory in 2025, exhibiting growth in both exit count and value for three straight quarters. Earlier in the year, there seemed to be quarterly fluctuations in the middle market, but with additional data from late-reported transactions and estimates of nondisclosed transactions, we now see a consistent, albeit slow, improvement in exit activity. In Q3, there were an estimated 271 exits for an aggregate of \$37.9 billion, which was a QoQ increase of 2.7% in exit count and 7.7% in exit value. YTD, Q3 is the only quarter with activity levels above pre-pandemic averages, indicating a more meaningful recovery than a simple uptick from the recent slowdown in exits. QoQ growth in Q3 exit activity now puts 2025 on track to surpass 2024 levels by the end of the year with single-digit growth, a projection that was less certain in the previous quarter.

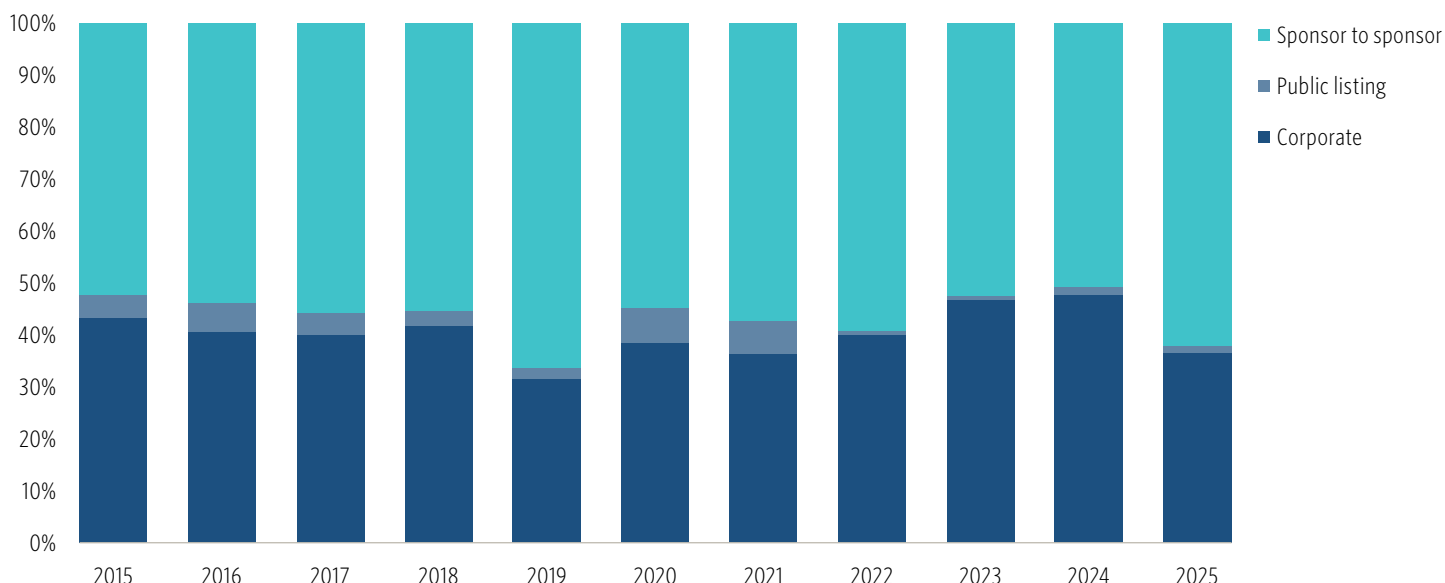
Exits via public listings are a weak spot for middle-market exit activity; no IPOs occurred in Q3. While IPOs are not a major exit route for middle-market companies due to their smaller size and potential for further growth, they contributed 2% to 3% of the middle market's pre-pandemic exit activity. The recent reopening of the IPO market seemed to offer some

PE middle-market exit activity by quarter



Source: PitchBook • Geography: US • As of September 30, 2025

Share of PE middle-market exit value by type

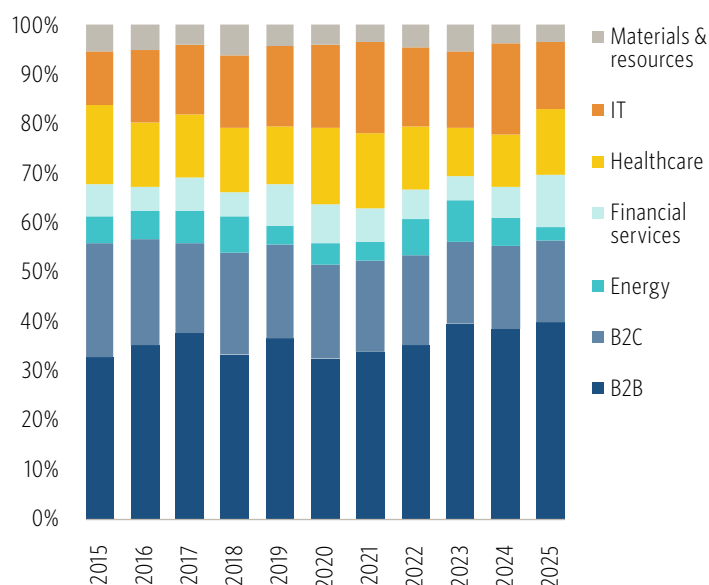


Source: PitchBook • Geography: US • As of September 30, 2025

trickle-down exit opportunities for the middle market, but this was cut short by the US government shutdown in Q4—the longest US government shutdown in history. With the shutdown ending only in mid-November, IPO momentum has been disrupted and is unlikely to pick back up until Q1 2026.

Still, the outlook for exits in the middle market remains optimistic, driven by factors beyond the improved investor sentiment seen in the broader PE industry, which will likely lead to sales of PE portfolio companies. Middle-market companies offer a wide array of exit options, as their smaller size makes them attractive targets for acquiring niche or local markets, enhancing business capabilities, and increasing market share. Additionally, middle-market companies can be acquired by other sponsors interested in investing in the next stage of growth. The Golub Capital Altman Index reported 12 consecutive quarters of earnings growth in tracked middle-market PE companies, indicating a strong pipeline of PE-backed firms poised for attractive exit opportunities.² According to our [inaugural US Private Equity Survey](#), 61% of survey respondents anticipate an improvement in exit conditions in the next six months. Half of those surveyed also identified portfolio company exits as a key priority in the near term.

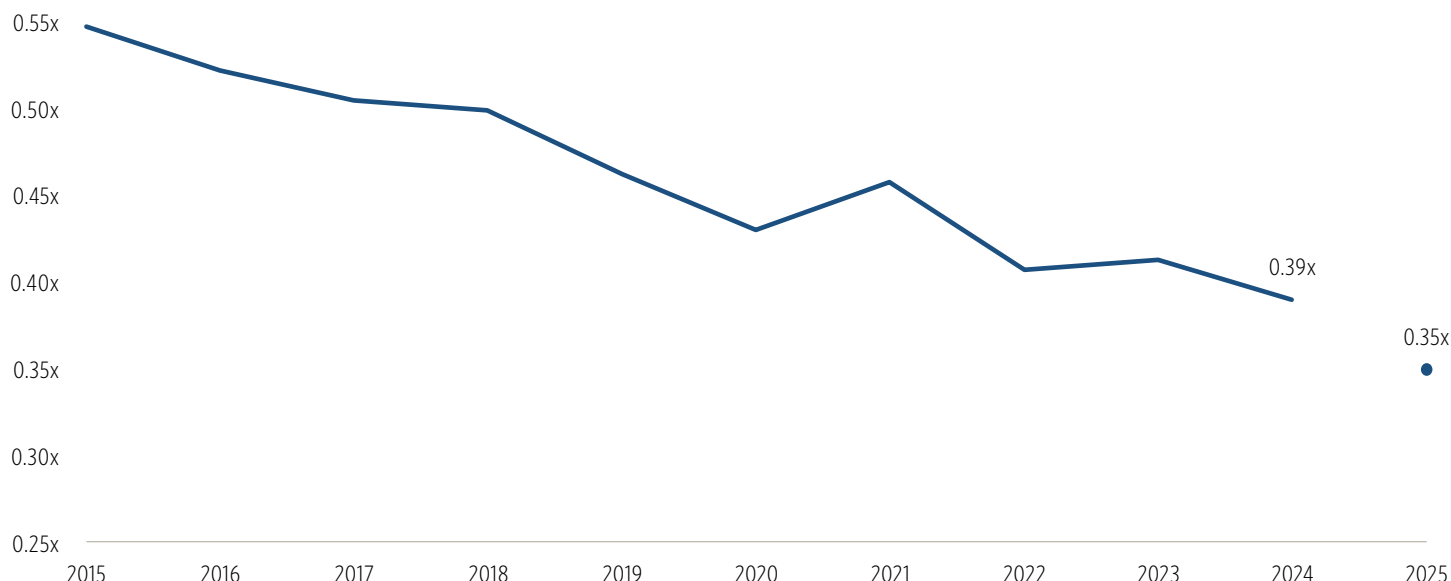
Share of PE middle-market exit value by sector



Source: PitchBook • Geography: US • As of September 30, 2025

²: "Golub Capital Middle Market Report," Golub Capital, October 2025.

PE exit/investment ratio



Source: PitchBook • Geography: US • As of September 30, 2025

Exits to sponsors

Sponsor-to-sponsor exit activity maintained its lead in its share of middle-market exit activity, accounting for 51.5% of the quarter's exit count and 61.6% of its value. With 86 exits to other sponsors, exit count dipped slightly QoQ, marking the third consecutive quarter of decline. Exit count continues to move further from the pre-pandemic quarterly averages seen between 2017 and 2019, demonstrating the still-fragile exit environment in the middle market. In comparison, the sponsor-to-sponsor exit count strengthened in the broader US PE market. The improvement in investor sentiment seen in the second half of the year has yet to translate into robust growth in middle-market exit opportunities.

Exit value increased QoQ from \$15.2 billion in Q2 to \$16.2 billion in Q3 but still remains below pre-pandemic averages. The largest sponsor-to-sponsor exit during the quarter was Summit Partners' \$750 million sale of NetBrain Technologies to Blackstone. NetBrain Technologies is a network automation platform and will accelerate its next phase of growth under Blackstone to address enterprises' increasing need to optimize operations through automation and AI.³ The B2C sector made up several of the top sponsor-to-sponsor exits during the quarter, particularly in the restaurant and food & beverages spaces: Thompson Street Capital Partners

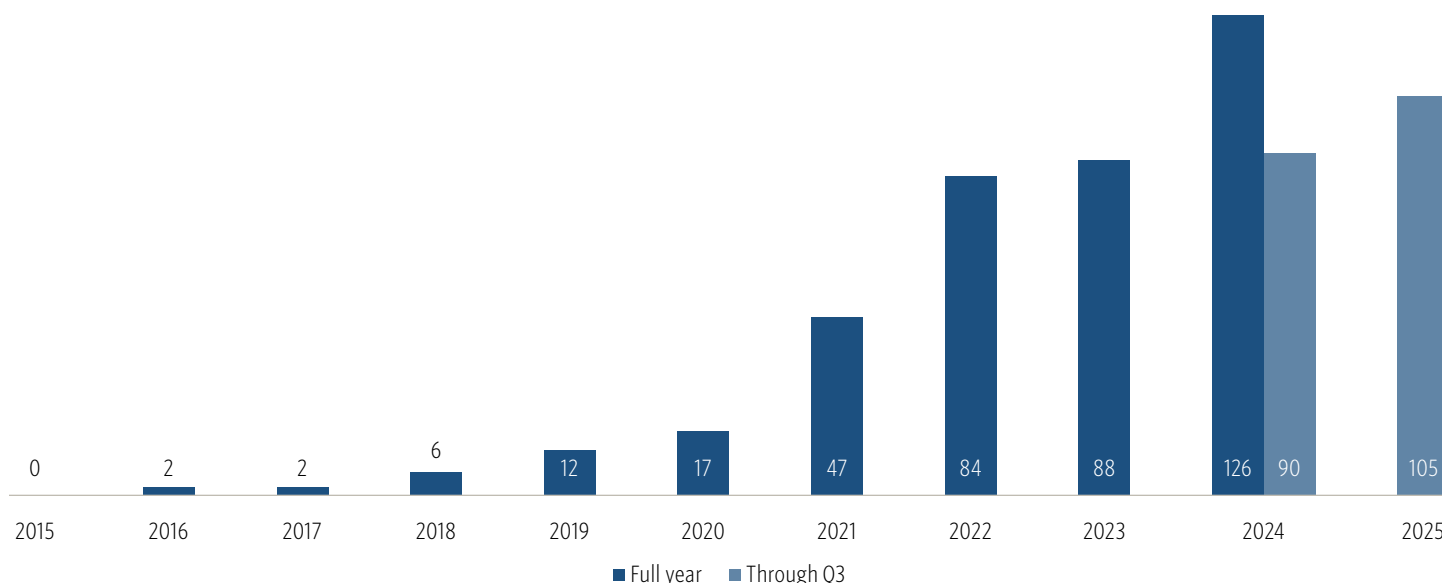
completed its \$700 million sale of Freddy's Frozen Custard & Steakburgers to Rhône Group, First Beverage Group and Manna Tree Partners sold kombucha maker Health-Ade to PE-backed Bolthouse Farms for \$500 million, and Entrepreneurial Equity Partners exited Charcuterie Artisans to Industrial Opportunity Partners for \$250 million.

Exits to corporates

Exits to corporates also experienced a slight QoQ decrease in exit count while exit value grew. In Q3, there were 81 exits to corporates for an aggregate of \$10.1 billion, accounting for 48.5% of the quarter's total middle-market exit count and 38.4% of the exit value. With just one quarter left in the year, exits to corporates barely make up half of last year's activity, demonstrating the greater drag that this year's volatility had on exits to corporates relative to exits to other sponsors. Corporations showed caution regarding M&A activity this year, while those with greater risk-on sentiment have pursued larger acquisitions. Improved investor confidence seen in the second half of this year will likely set the stage for more active corporate dealmaking, which will hopefully translate to more sales of PE assets to corporate strategics. The largest exit to corporates in Q3 was Golden Gate Capital's sale of DMC Power to electrical manufacturer Hubbell for \$825 million. DMC makes connector technology systems for electricity

3: "Blackstone Makes a Significant Growth Investment Into NetBrain to Rapidly Expand Network Automation and AI Solutions to Global Enterprises at a \$750M Valuation," Blackstone, July 22, 2025.

Continuation-fund-related PE exit count



Source: PitchBook • Geography: Global • As of September 30, 2025

transmission and distribution industries and will be a complementary addition to Hubbell's portfolio. The company also plays into megatrends of growing power infrastructure needs from datacenters and aging infrastructure.

Continuation-fund-related exits

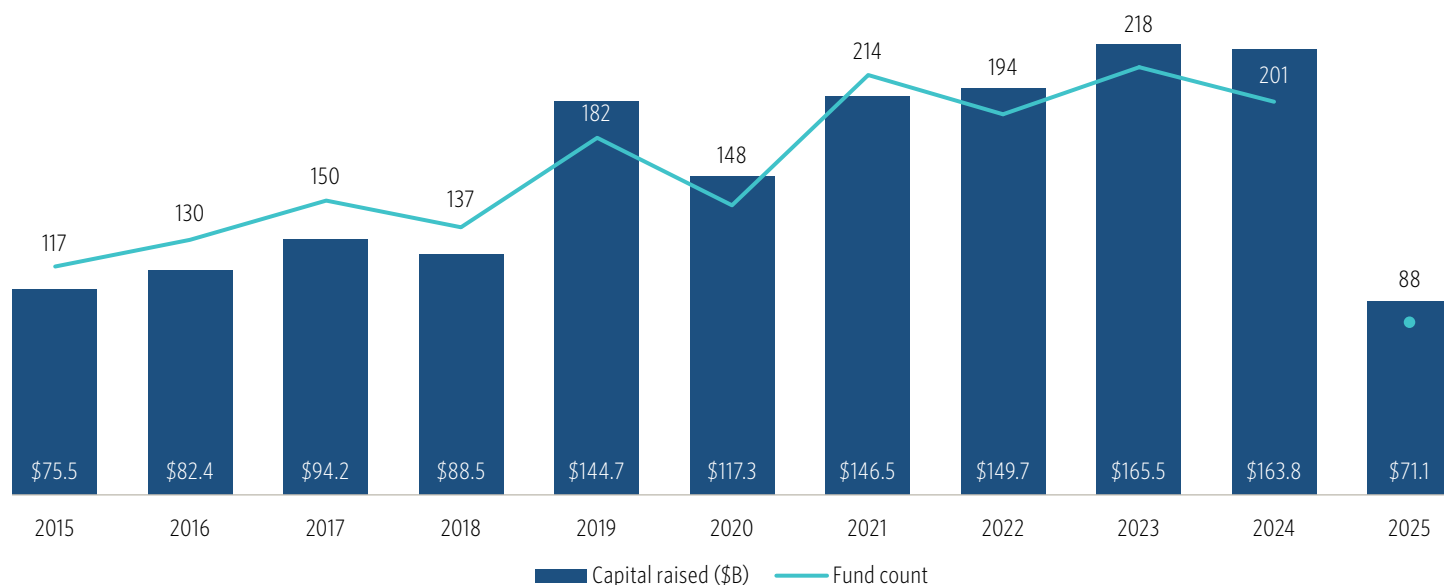
Exits through continuation funds, also known as GP-led secondaries, are one way that sponsors can provide liquidity to LPs while also giving themselves more time to create additional value within their portfolio companies. Global continuation-fund-related exits are pacing ahead of the record activity seen in 2024 and could cement a new record year in 2025. Through Q3, PitchBook tracked 105 exits to continuation funds, which had an aggregate value of \$61.5 billion, including estimates for nondisclosed continuation-fund-related exits.

This is above the pace seen in the first three quarters of 2024, during which we tracked 90 continuation-fund-related exits.

In Q3, there were two continuation-fund-related exits in the middle market with disclosed deals. The largest was Butterfly Equity's rollover of QDOBA into a single-asset continuation fund for \$527 million. Butterfly Equity is a PE firm focused on the food & beverage sector and initially acquired the Mexican fast-casual restaurant franchise in 2022. The firm moved QDOBA into a continuation fund to extend its partnership while providing liquidity options for existing investors. Similarly, Brentwood Associates closed a single-asset continuation fund for Watermill Express at \$410 million to extend its partnership with Watermill during its continued growth.

Fundraising and performance

PE middle-market fundraising activity



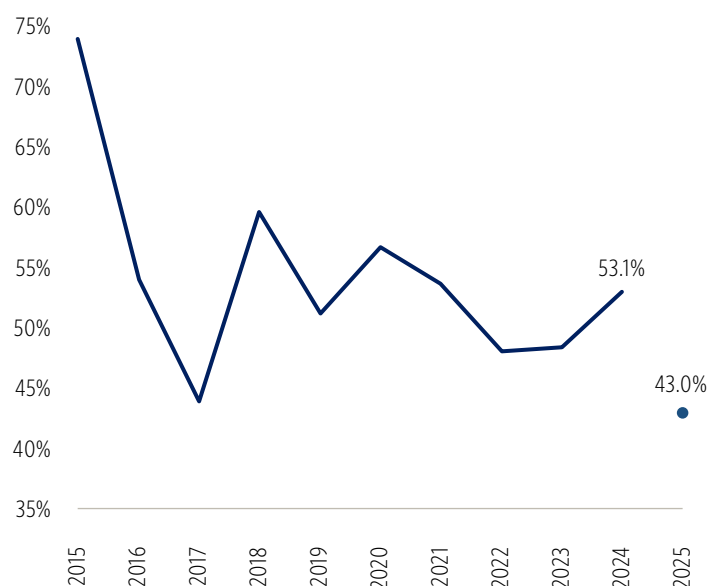
Source: PitchBook • Geography: US • As of September 30, 2025

Overview

Middle-market fundraising—involving funds that raise between \$100 million and \$5 billion—remains sluggish in 2025, with only three months remaining in the year. To date, 88 funds have achieved final closes, totaling an aggregate value of \$71.1 billion, which is nowhere near the pace set in 2023 and 2024. Moreover, with only one quarter left in the calendar year, middle-market fundraising activity has not even reached half the fund count or capital raised in 2024, likely setting up 2025 to be the worst year of capital formation for middle-market managers since before the pandemic. However, the tougher fundraising environment is affecting the entire asset class—not just middle-market managers—though its impact has been especially pronounced in the middle market. The shift is even more striking given that middle-market firms are coming off their four strongest fundraising years on record.

The fundraising environment can be defined as the success of the few and the challenges of the many. The select managers that reach a final close are doing so more quickly than in prior years and with larger step-ups compared with recent vintages. The median time to close a fund for middle-market managers thus far in 2025 is 12.2 months, which is well below the median of 18.1 months last year and the lowest median

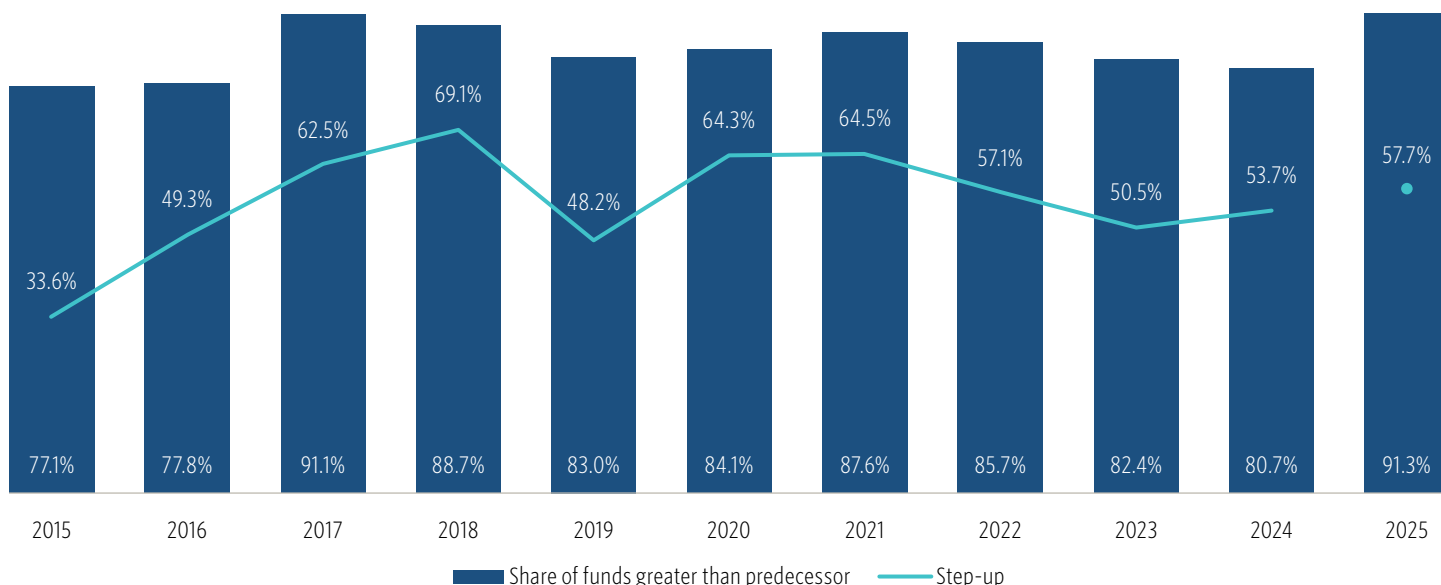
Middle-market buyout capital raised as a share of all PE buyout capital raised



Source: PitchBook • Geography: US • As of September 30, 2025

since 2020. Additionally, a record 91.3% of funds that have closed this year have done so at a greater size than their predecessor, with a median step-up of 57.7%.

Median step-up from previous PE middle-market fund in fund family



Source: PitchBook • Geography: US • As of September 30, 2025

Recent closings

As capital continues to concentrate among fewer managers, conditions have favored those raising larger vehicles. Eight funds of \$1 billion or more held final closes in Q3, the most of any quarter this year. Of those eight funds, seven were above \$2 billion, including three that were \$3 billion or larger, once again highlighting the success of the few and the challenges of the many. These eight funds alone account for 31% of the total capital raised by all middle-market managers through the first three quarters of the year. Additionally, two of the eight funds were raised by managers that had not raised more than two PE funds, indicating that those without extensive fund families and well-established mandates are still able to raise capital despite the challenging environment.

The largest fund raised in the quarter belonged to Ridgemont Equity Partners, which closed its fifth fund for \$4 billion at the end of September. The closing of Fund V represents a sizable step-up over its predecessor, which closed on \$2.4 billion in October 2022. With the close of its latest fund, the firm now manages over \$11 billion in capital. Like the rest of its fund family, Fund V will invest in tech-enabled services companies across business services, healthcare, and industrials.

In July, Levine Leichtman Capital Partners (LLCP) held the final close of its seventh flagship fund with total capital commitments of \$3.6 billion. The fund is nearly one and a half times the size of its previous flagship, which closed

in 2018 on \$2.5 billion of total capital commitments. The fund has already closed several platform investments and will focus on LLC's usual sector mandate, which includes franchising, business services, education & training, and engineered products.

In September, One Equity Partners held the final close on its ninth flagship fund for \$3.3 billion and increased the firm's combined AUM to approximately \$16 billion. The firm, which has been around for 25 years and completed more than 400 transactions worldwide, will focus its Fund IX on its continued strategy of investments in the industrial, healthcare, and technology sectors in North America and Europe.

Emerging managers

The middle market has traditionally been the home of emerging managers, which we define as firms with three or fewer funds, including first-time managers. However, given the more challenging fundraising backdrop, fewer emerging managers have successfully held final closes in 2025 than in years past. YTD, emerging managers have held final closes on 44 funds worth an aggregate value of \$20.2 billion, pacing for what would be their lowest annual fundraising activity since the pandemic-ridden year of 2020. However, the fundraising market in 2025 faces a vastly different set of challenges than it did in 2020. As such, emerging managers are not the only ones seeing significant YoY declines in capital raised.

Top PE middle-market fund closings by capital raised YTD

Close date	Manager	Fund	Fund size (\$M)
March 1	Haveli Investments	Haveli Investments Software Fund I	\$4,500.0
September 25	Ridgemont Equity Partners	Ridgemont Equity Partners V	\$3,975.0
July 9	Levine Leichtman Capital Partners	Levine Leichtman Capital Partners VII	\$3,600.0
September 8	One Equity Partners	One Equity Partners IX	\$3,250.0
June 23	Morgan Stanley Investment Management	North Haven Capital Partners VIII	\$3,200.0
January 9	Vistria Group	Vistria Fund V	\$3,000.0
April 3	Trive Capital	Trive Capital Fund V	\$2,700.0
July 7	One Rock Capital Partners	One Rock Capital Partners IV	\$2,680.2
March 19	Turn/River Capital	Turn/River Capital VI	\$2,500.0
September 3	Peak Rock Capital	Peak Rock Capital Fund IV	\$2,500.0

Source: PitchBook • Geography: US • As of September 30, 2025

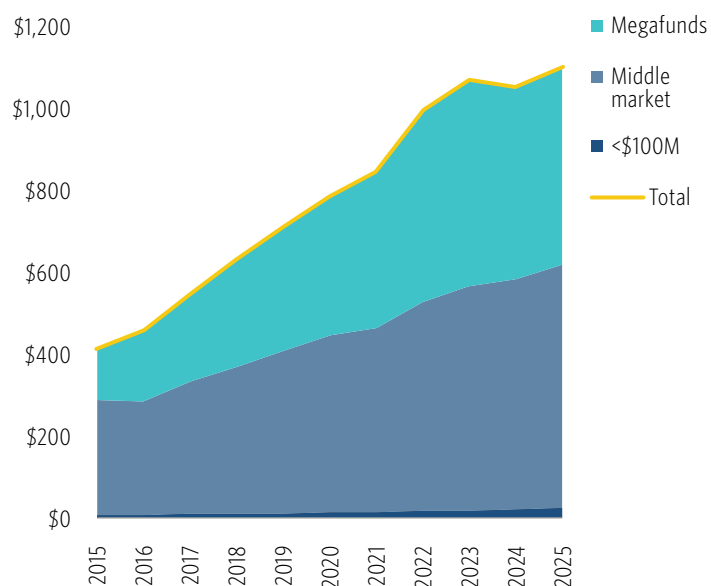
Despite the slower activity from emerging managers, ongoing fundraising challenges across the entire asset class have not limited success to established managers (those that have raised four or more funds). Moreover, because of the sluggish YTD activity from PE as a whole, emerging managers have accounted for 50% of all middle-market funds closed, despite the significant YoY drop in activity. This increased share by emerging managers is well above the five-year average of 38.2% and the highest level since 2015. This showcases that some emerging managers have been able to stand out with strong past performances, meaningful realizations despite a challenging exit environment, or compelling and unique investment theses. These managers have done so while LPs have a smaller allocation bucket after two to three years of subdued distributions, forcing them to be more selective with the relationships they prioritize.

The largest funds raised by emerging managers in Q3 include funds from Curewell Capital and Point 41 Capital Partners, both of which closed their inaugural funds for \$535 million and \$400 million, respectively. Curewell closed its inaugural fund in a single closing, less than five months after its launch, and will focus on investing in middle-market healthcare companies. Point 41 closed its inaugural fund well above its target of \$300 million and will focus on investments in the specialty industrial and service businesses.

Dry powder

Through the first quarter of 2025, PE middle-market funds held \$591.1 billion in dry powder, representing 53.7% of the

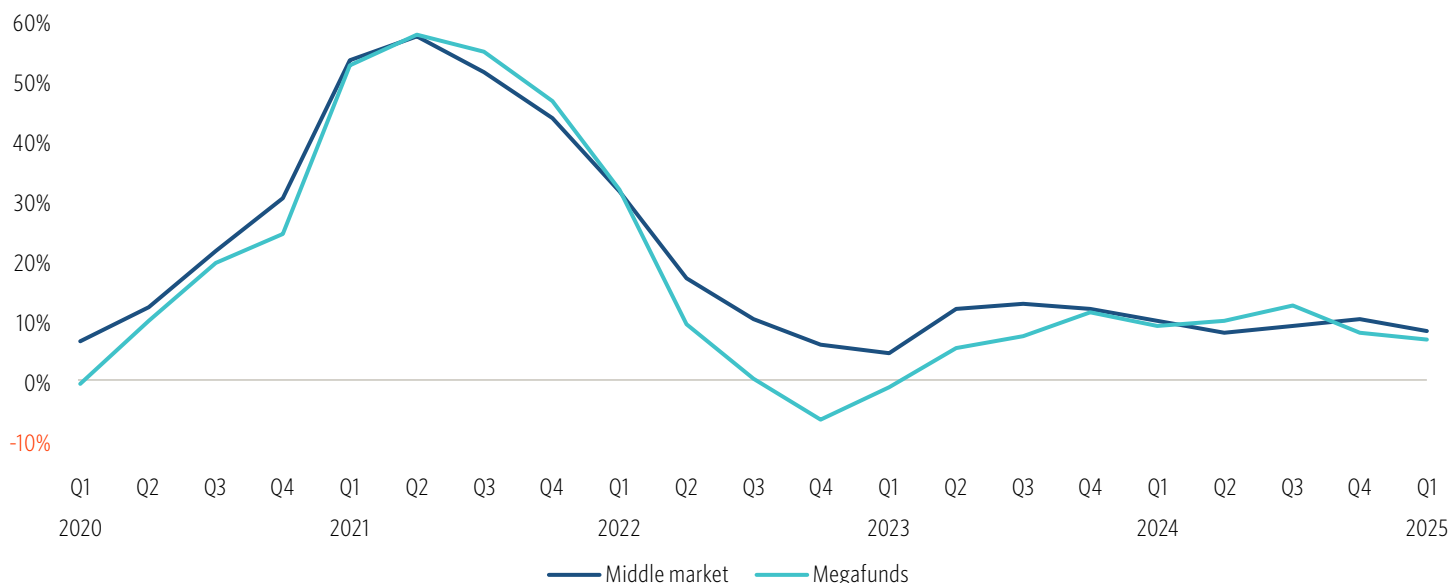
PE dry powder (\$B) by size bucket



Source: PitchBook • Geography: US • As of March 31, 2025

total dry powder in the US PE landscape. Middle-market dry powder remains elevated and continues to reach new highs, driven by the robust fundraising seen in recent years, especially 2023 and 2024. This has coincided with lower deal activity, allowing dry powder to compound. As a share of total AUM, dry powder has remained elevated at 28.2%, 93 basis points above the 27.2% of AUM seen in 2024. As PE deal activity has accelerated sequentially through 2025 and the middle-market fundraising faucet is dripping compared with

Quarterly rolling one-year PE fund performance by fund size



Source: PitchBook • Geography: US • As of March 31, 2025

the fire-hose pace seen last year, we anticipate a decline in middle-market dry powder in the coming quarters, but it will remain well above historical levels.

Performance

Middle-market fund performance has mirrored the volatility seen across the broader PE landscape in recent quarters. Periods of double-digit returns have been followed by quarters of more subdued results. Middle-market managers produced an 8.5% rolling one-year IRR through March 31, 2025, which does remain above the IRRs for megafund managers—managers of funds of \$5 billion or more—as well as the asset class as a whole. However, investors in recent years have become accustomed to consistent double-digit

returns, and the industry has yet to deliver on that “promise.” However, these returns now outpace those of the S&P 500 and Russell 2000, which posted one-year returns of 8.3% and -4.1%, respectively, for the same time period, a feat not seen by the asset class in several quarters.

The improving market outlook for corporations and sponsors alike, as well as the reopening of the IPO market following the government shutdown, could lead to a more optimistic exit environment with improved valuations that could boost future returns. Supporting tailwinds include lower rates, with two rate cuts already seen YTD and another potential cut in early December, which could support future monetization pipelines and bolster returns for middle-market managers and the asset class at large.

Q3 2025 US PE middle-market lending league tables

Most active overall

Rank	Company	Deal count
1	Ares	50
2	BMO Financial Group	46
3	Golub Capital	42
4	The Goldman Sachs Group	38
5	Churchill	37
6	TPG Twin Brook	36
7	Bank of America	35
7	J.P. Morgan	35
9	Audax Private Debt	33
9	Barings	33
11	Apogem Capital	31
12	Monroe Capital	30
13	Antares Capital	26
13	Jefferies Group	26
13	MidCap Financial	26
13	RBC	26
17	Truist Financial	24
18	Deutsche Bank	22
18	TPG Angelo Gordon	22
20	Crescent Capital	21
20	KKR Credit	21
22	PNC	20
23	Apollo Capital Management	19
23	UBS	19
25	StepStone Group	18
25	U.S. Bancorp	18
25	Wells Fargo	18
28	Citizens Financial Group	17
28	Mitsubishi Financial Group	17
30	KeyBank	16
30	Morgan Stanley	16
32	Barclays	14
32	Morgan Stanley Private Credit	14
34	Citigroup	13
34	Owl Rock	13
36	Bain Capital	12
36	Benefit Street Partners	12
36	Kayne Anderson Capital Advisors	12
36	Mizuho Financial Group	12
36	New Mountain Finance	12
36	Texas Capital Bank	12

Source: PitchBook • Geography: US • As of September 30, 2025

Select roles

Rank	Company	Deal count
1	Ares	32
1	Golub Capital	32
3	TPG Twin Brook	30
4	Bank of America	26
4	Churchill	26
4	Monroe Capital	26
7	BMO Financial Group	25
8	Truist Financial	22
9	RBC	20
10	PNC	19
10	The Goldman Sachs Group	19
12	Antares Capital	18
12	J.P. Morgan	18
12	Wells Fargo	18
15	Jefferies Group	17
16	Deutsche Bank	16
16	Morgan Stanley	16
16	U.S. Bancorp	16
19	Citizens Financial Group	15
19	UBS	15
21	Audax Private Debt	14
21	Barings	14
23	Mitsubishi Financial Group	13
24	Barclays	12
24	Citigroup	12
26	MidCap Financial	11
26	Texas Capital Bank	11
28	KeyBank	10
28	Mizuho Financial Group	10
28	Morgan Stanley Private Credit	10
31	KKR Credit	9
32	Fifth Third Bank	8
33	BNP Paribas	7
33	TD Bank	7
35	Capital One	6
35	Nomura Bank	6
35	NXT Capital	6
35	Regions Financial	6

Source: PitchBook • Geography: US • As of September 30, 2025
Note: Select roles comprise only bookrunners, lead arrangers, mandated lead arrangers, and all types of agents that are specifically listed within PitchBook.

Additional research

Private markets



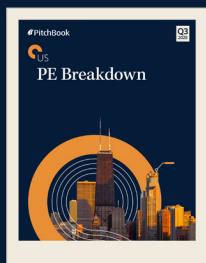
2026 US Private Equity Outlook

Download the report [here](#)



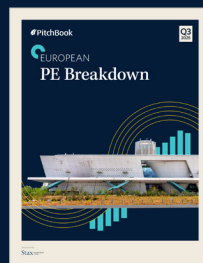
Q3 2025 Global M&A Report

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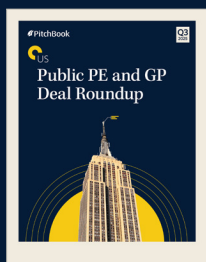
Q3 2025 US PE Breakdown

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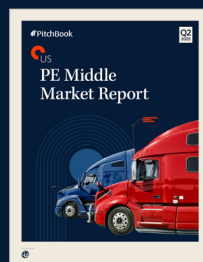
Q3 2025 European PE Breakdown

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Q3 2025 US Public PE and GP Deal Roundup

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Q2 2025 US PE Middle Market Report

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