PitchBook

2024 ANNUAL

US

PE Breakdown

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Contents

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Published on January 14, 2025

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EXECUTIVE SUMMARY

Pretty good times

We see 2024 as a turning point for US PE, with buy-side activity rebounding robustly after a challenging stretch. Both deal count and total value climbed by double digits YoY in 2024, driven by lower base interest rates and tighter credit spreads that helped reduce financing costs and bring buyers' and sellers' valuation expectations closer in line. Technology remains the sector standout, buoyed by strong fundamentals and investor enthusiasm, while healthcare M&A—though initially lagging due to regulatory complexities and policy uncertainty—is also gathering steam. Despite this overall momentum, Q4 saw a noticeable taper, influenced by the US presidential election, which briefly stalled deals. Many market participants anticipated a December bounce, but that resurgence did not fully materialize, signaling a degree of caution among GPs.

This caution is apparent in global take-private data, as announced deals in the US and Europe slipped from 54 in H1 2024 to 38 in H2. Correspondingly, total value sank from $87.7 billion to $59.3 billion. Lofty public valuations made it more challenging for these large-scale deals to come to fruition. Yet, supporting our view that things are improving overall, exit activity in 2024 was notably vibrant, up 16.6% in terms of deal count and an impressive 49% in value. Larger deals with corporate and public buyers were pivotal, boosted by a resurgence in PE-backed IPOs.

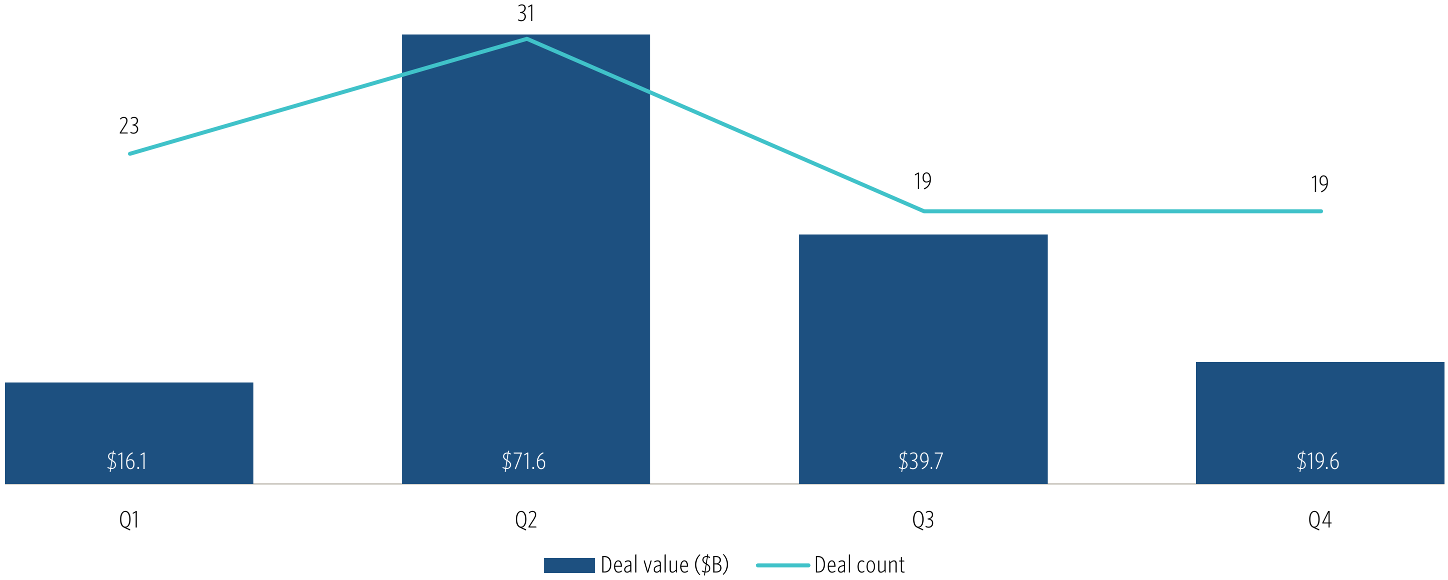
We see particularly favorable conditions for dealmaking amid this backdrop, as more buyers appear willing to underwrite acquisitions while valuation gaps are narrowing. Exits are accelerating off a relatively low base and growing at a higher rate than buy-side activity. Driving much of this momentum is LP pressure to see capital returned, making distributions—DPI—a central focus for GPs and overshadowing the traditional focus on absolute return metrics—IRR or multiple on invested capital (MOIC). Although aiming for the highest possible returns remains a goal, the imperative to distribute capital more promptly reflects a growing desire to recycle capital into new investments and support the virtuous cycle of fund commitments.

Meanwhile, PE returns have been edging higher over the past three quarters but remain below the double-digit highs of previous cycles. They briefly surpassed 10% in Q4 2023 before slipping to 9.1% by Q1 2024, trailing the S&P 500 and Russell 2000 on a short-term basis. However, over a two-year horizon, PE still outperforms the Russell 2000, underscoring the importance of measuring performance through multiple lenses, including public market equivalent benchmarks from PitchBook. The Federal Reserve's (The Fed's) cumulative 100-basis-point rate cuts have also bolstered market sentiment, opening the door to sizable public exits that could lift returns in 2025. In addition, fund performance leadership rotated early in 2024, with megafunds regaining their edge after six quarters on the sidelines.

Notwithstanding these positive signals, fundraising slowed, closing the year at $284.6 billion—though late-reporting funds may push that figure above $300 billion. This total remains well below the $395 billion raised in 2023, and dry powder is on the decline, as GPs are ramping up capital deployment. Nonetheless, an optimistic outlook for 2025 is emerging, buoyed by lower interest rates, expected reductions in regulatory scrutiny, and a "risk-on" attitude that could strengthen further if global tensions ease.

Still, the macroeconomic environment is not without risks. High federal government interest payments, the potential for historic budget cuts, and the possibility of elevated import tariffs could upend supply chains and reignite inflation. Elevated consumer default rates, too, signal underlying stress in household balance sheets. Even so, this transitional phase also presents an opportunity to lock in gains, meet LP distribution requirements, and position portfolios to capitalize on a more business-friendly climate. While the boom-bust cycle of recent years has undeniably left its mark, current conditions suggest that GPs willing to act decisively may reap the benefits of both robust exit markets and newfound optimism in 2025.

2024 take-private deal activity by quarter



Source: PitchBook • Geography: North America and Europe • As of December 31, 2024

2024 Russell 2000 versus S&P 500 price return

Source: PitchBook • Geography: US • As of December 31, 2024

A WORD FROM STOUT

Key market trends to watch for in 2025

What were the biggest surprises within the PE universe in 2024? Which occurrences or trends did not materialize that were generally expected, and why?

Rudi Moreno: The PE market in 2024 continued to be quite challenging, which was unexpected. Many anticipated that the downturn we saw in 2023, following the peaks of 2021 and 2022, would be mitigated by declining interest rates, sparking market activity. However, this did not materialize as anticipated. While deals still occurred, they were primarily smaller bolt-on acquisitions rather than larger platform deals.

Additionally, there was a noticeable shift toward optimizing existing portfolio companies. Firms are increasingly looking to deepen integration between their acquisitions, implement process improvements, and drive efficiencies to better position these companies for the market. We have seen growing requests for enterprise resource planning (ERP) implementation plans and performance improvement projects.

Historically, there was less interest in the middle market to drive for deeper integration, but the longer hold periods have made this more attractive.

Bartley P. O'Dwyer
Managing Director, Head of Private Equity Business Development
Stout

Bartley P. O'Dwyer has over 20 years of experience in financial services working with PE sponsors, VC firms, investment managers, hedge fund managers, family offices, credit investors, business development companies, and lenders. [*Learn more about Bartley.*]

Rudi Moreno
Managing Director
Stout

Rudi Moreno has over 25 years of experience supporting corporate and PE clients in successfully executing on buy-side and sell-side transactions. He has extensive expertise across a broad range of industries, including diversified industrials, consumer and retail, healthcare and life sciences, construction, transportation and logistics, gaming, technology, and financial services. [*Learn more about Rudi.*]

Which regulatory trends at government agencies and Congress are you watching most closely, and how do you think the industry can adapt? Which are lesser known and should be more widely followed?

Moreno: I am watching the Biden administration's strong focus on enforcing antitrust regulations, particularly concerning large transactions. While this primarily impacts significant deals, it also has ripple effects on the broader market, including smaller transactions. The industry is hopeful that this stringent enforcement will be dialed back, potentially substantially, as new appointments are made to positions like the Federal Trade Commission.

While the current enforcement might not directly prevent deals—especially smaller or midsized ones—it does add friction, creating concerns about potentially lengthy processes like the Hart-Scott-Rodino review. This has been a limiting factor on M&A volume. The hope is that lighter enforcement or increased flexibility could contribute to growth in M&A activity in 2025.

Bartley P. O'Dwyer: The potential for tariffs under the upcoming Trump administration has prompted deal professionals and operating partners to consider necessary contingency plans and seek external advice on cross-border trade issues. Tariffs could have significant downstream effects on inventory management and long-term warehousing needs. Companies are becoming more strategic in planning for these scenarios, reflecting a need to adapt to potential geopolitical shifts.

Key themes in 2024 were ongoing value creation during longer hold periods, prolonged liquidity dry spells prompting creativity in areas like continuation funds or other secondary approaches, and evolving relationships with private credit as that latter asset class matured. How do you see those evolving in 2025?

Moreno: In 2024, we observed many deals either falling through or not being brought to market due to a gap in valuation expectations. Sellers often looked back to the high valuations of 2021 and 2022, while buyers were more cautious, having learned from past deals that did not perform as expected. This created a gap in both valuation and transaction process expectations. Even less promising firms were sold in the earlier period, which was not the case in 2023 and 2024.

Looking forward to 2025, there is hope that this valuation gap will close, with sellers becoming more realistic about current market values. Additionally, as inflation levels stabilize, there should be more clarity during due diligence, allowing for a better understanding of a company's true profitability, free from the distortions of past inflationary pressures. This should help reduce challenges in the due-diligence process and potentially increase transaction volume as expectations between buyers and sellers align more closely.

O'Dwyer: We are seeing an increase in creative strategies to provide liquidity to LPs, such as the use of continuation funds. With one of the largest transaction opinion practices in the US, we have noticed a significant uptick in this area.

Additionally, while large PE sponsors transformed into multistrategy asset managers many years ago, there has been a notable influx of mid and lower middle-market sponsors entering the private credit market, with existing managers expanding their platforms through both M&A and organic growth. Our portfolio valuation group is experiencing material growth, providing daily, monthly, and quarterly marks for private credit funds. In response, we have and are continuing to invest significantly in both talent and technology to meet these demands.

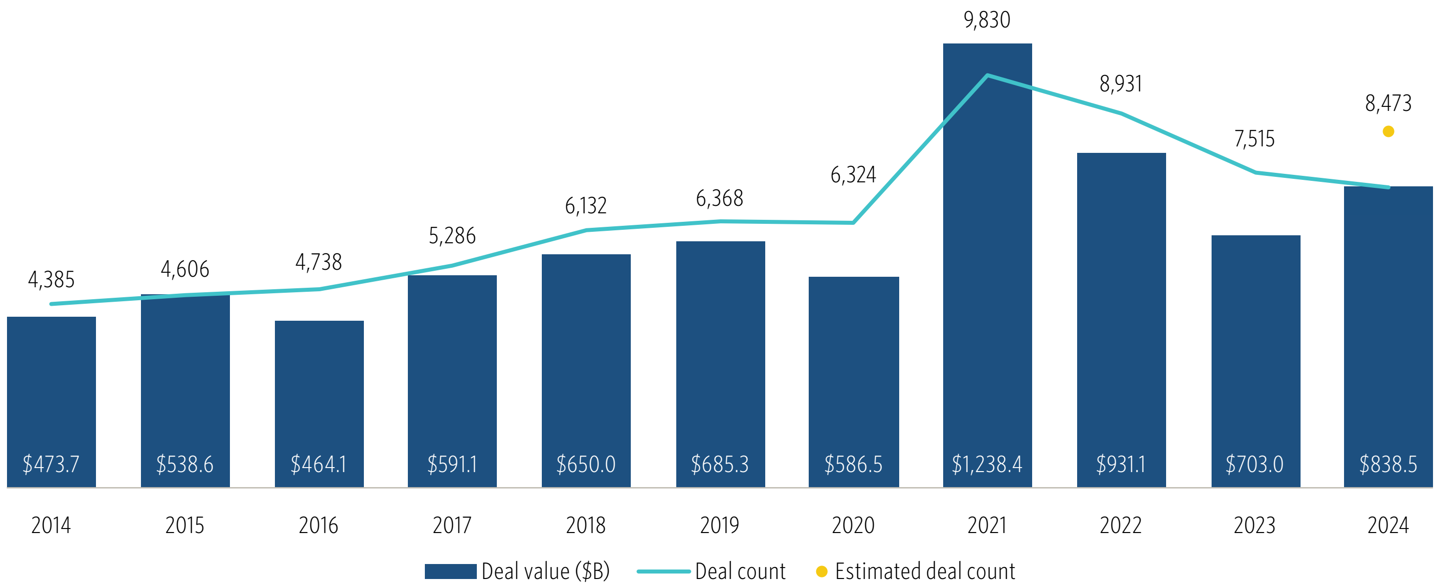
Which challenges did you work through with clients in 2024 that were unexpected or novel relative to preceding years? How did those vary across the different types of services that you proffer?

Moreno: Clients had an increased focus on in-depth analysis of their portfolio companies. With PE firms holding on to businesses for longer periods, there has been a growing interest in understanding profitability and performance improvement opportunities within their portfolios. This involves conducting more detailed analyses to identify which segments of a business are performing well and which are not. The aim is to pinpoint areas for improvement and potentially shift focus to more promising aspects of the business.

Previously, the strategy was often to acquire companies, apply financial engineering, complete bolt-on acquisitions, grow, and then sell. Now, with extended holding periods, there is a greater emphasis on understanding and optimizing the business. This includes consolidating back-office operations and other operational areas to extract additional value. However, with longer holding periods now more common, initiatives like ERP consolidation, finance integration, and operational improvement projects make more sense. These efforts align with the extended time frames and provide opportunities to demonstrate tangible results before exiting.

Deals

PE deal activity



Source: PitchBook • Geography: US • As of December 31, 2024

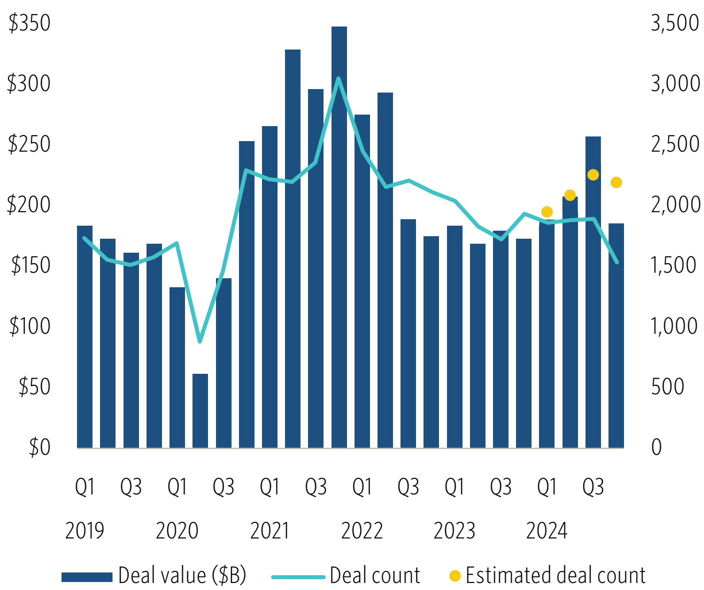
Overview

US PE dealmaking closed 2024 on a strong note, marking a year of upward inflection after bottoming out in Q3 2023. Q4 2024 posted a 7.7% YoY increase in deal value, while deal count rose 13.3%. For the full year, deal value increased by 19.3%, reaching $838.5 billion, driven by stabilized inflation and a more optimistic macroeconomic outlook. Deal count also grew by 12.8% to 8,473, encompassing growth equity transactions, add-on acquisitions, and platform buyouts.

The resurgence in large deals—transactions exceeding $1 billion in value—served as a key growth driver. These deals accounted for 36.8% of all PE-backed transactions, up from 33.6% in the prior year. This shift was underpinned by moderating inflation, improved credit availability from banks and private lenders, and a favorable inflection in interest rates, creating a more supportive environment for large-scale dealmaking.

IT emerged as a pivotal sector in the 2024 rebound, led by robust activity in software. Software deal value surged 32.4% YoY, with volume climbing 27.5%. This reflects a broader flight to quality, as PE firms pursued assets offering strong cash flows, high-margin profiles, and superior growth trajectories. For deeper insights into this trend, refer to our PE software primer Prime Time for Software.

PE deal activity by quarter



Source: PitchBook • Geography: US • As of December 31, 2024

The healthcare sector is exhibiting signs of a revival after several years of regulatory headwinds stifling activity. Healthcare deal value stepped up 17.7% YoY, and deal volume grew 3.7% YoY. Regulatory pressures, including heightened scrutiny from the Federal Trade Commission under the outgoing Biden administration and uncertainty about the incoming Trump administration's policy direction, have weighed on the sector.

LBO financing saw gradual normalization as banks re-entered the lending market. By year-end 2024, syndicated LBO loan volumes doubled to $60.3 billion from a low base of $30.7 billion in 2023. However, these volumes remain approximately 58.7% below the 2021 peak and 40.5% shy of the old normal, defined as the three-year pre-pandemic annual average.

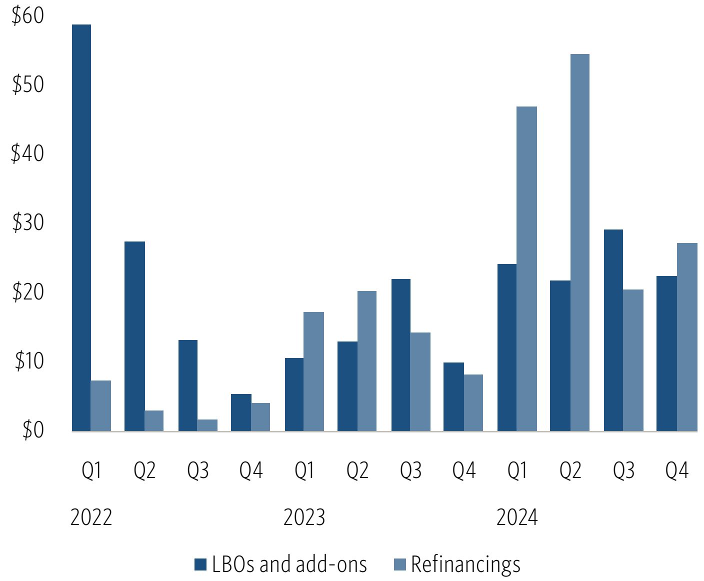
While banks have re-engaged in the broadly syndicated loan (BSL) market, competing with private credit lenders, new-issue activity has been dominated by refinancing. Refinancing volumes more than doubled in 2023 and nearly doubled again in 2024, reaching $259.3 billion by year end. The BSL market ended the year by eclipsing the previous all-time high of $213.1 billion set in 2013. Historically, refinancings comprised one-third of BSL issuance, but YTD their share has grown to nearly two-thirds, underscoring the pivotal role of refinancing in the current credit environment.

Take-privates

Take-private deal activity slowed into the close of the year as public markets hit new highs. In Q4 2024, deal count was flat sequentially at 19, and deal value fell to $19.6 billion, down 50.5% sequentially. Our analysis of historical data suggested there would be a pause in activity around the election, but an expected rebound in December failed to materialize, as public markets rallied to new highs and PE buyers pulled back underwriting new deals as valuations increased. Notably, the quarter saw three boomerang transactions—cases where companies that went public as recently as 2020 returned to private ownership—a reduction from five in the prior quarter.

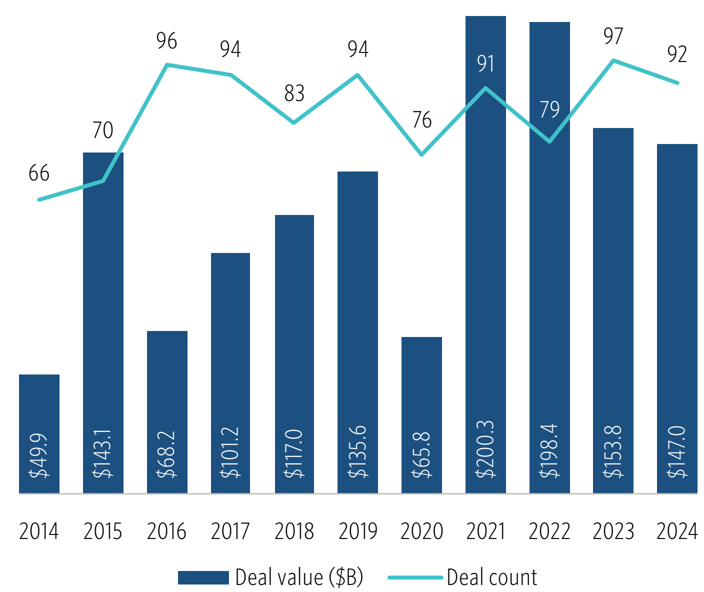
The quarter's largest take-private was a boomerang. Pactiv Evergreen—offering a comprehensive line of food-packaging products—agreed to be acquired by Apollo-backed Novolex Holdings for $6.7 billion.[1] CPP Investments will take a minority investment in the post-merger company, contributing approximately $1 billion. The all-cash transaction will yield Pactiv Evergreen shareholders $18.00 per share, a 49% premium to the two-month unaffected volume-weighted share price, prior to media reports on December 2, 2024. Historically, the packaging industry has been fragmented across a range of grades and material types; and in 2024, we saw an increase in consolidation, which over time is

Quarterly BSL-funded loan value ($B) to PE borrowers by type



Source: PitchBook | LCD • Geography: US • As of December 31, 2024
Note: This chart includes institutional capital only. Pro rata tranches are excluded.

PE take-private deal activity

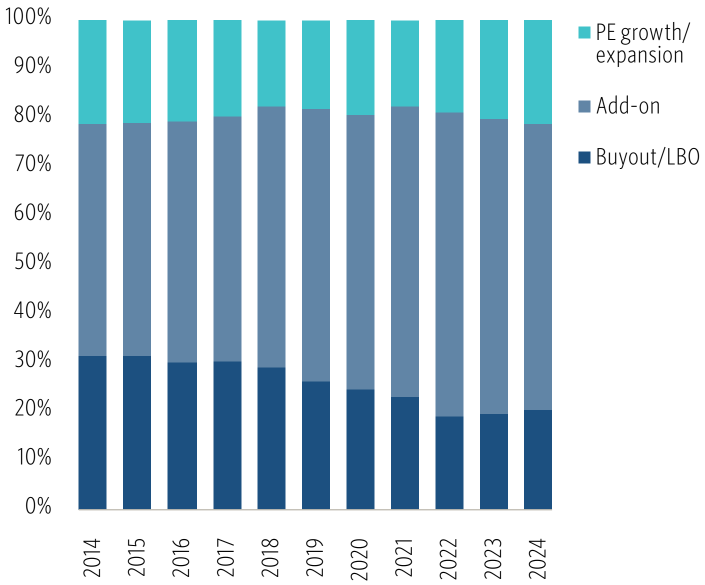


Source: PitchBook • Geography: North America and Europe • As of December 31, 2024

likely to drive more rational pricing, production levels, and higher investor returns. In another notable deal, Patterson Companies—a product distributor and business solutions provider for dental and animal health providers—agreed to

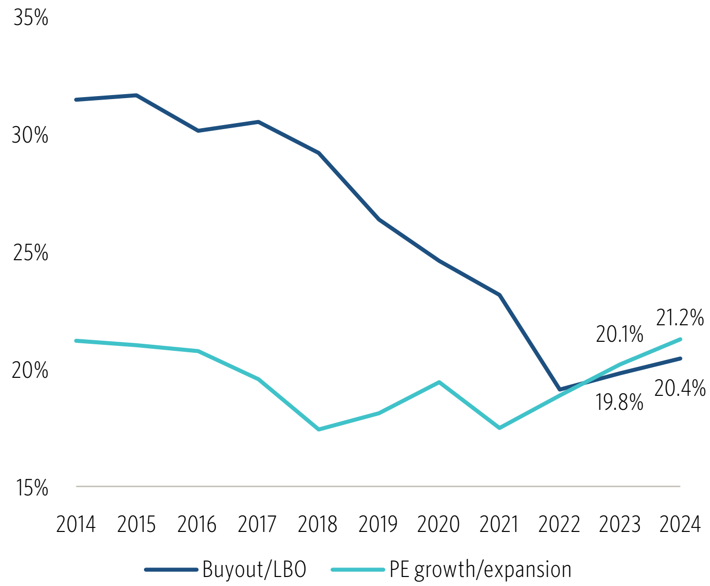
1: "Novolex and Pactiv Evergreen Inc. To Combine, Establishing a Leading Manufacturer in Food and Beverage Packaging," Pactiv Evergreen, December 9, 2024.

Share of PE deal count by type



Source: PitchBook • Geography: US • As of December 31, 2024

Platform LBO and growth equity deals as a share of all PE deals



Source: PitchBook • Geography: US • As of December 31, 2024

be acquired by Patient Square Capital for $4.1 billion.[2] The agreement yields Patterson shareholders $31.35 per share in cash, a 49% premium to its 30-day volume-weighted average price, prior to the announcement it was pursing strategic alternatives. Several commercial banks have committed debt financing to support the transaction.

Growth equity

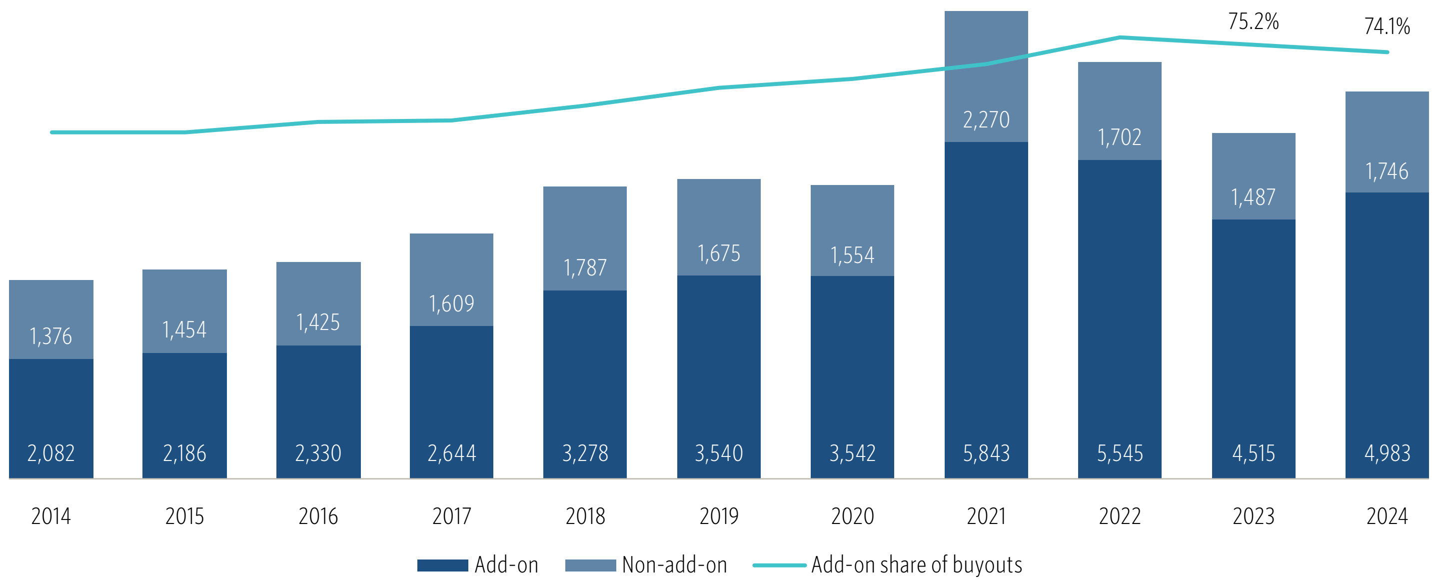
Growth equity continues to represent an outsized share of deals. The strategy made up 20.9% of all PE deals in Q4 2024, comfortably above the five-year average of 19.6% and about 100 basis points off the recent high of 21.9% in Q1 2023. But because growth equity check sizes are much smaller than buyout check sizes, growth equity's share of overall PE deal value is always lower. In Q4, the share was 14.6%, 280 basis points above the five-year average of 12.6%. In Q1 2023, growth equity deal count overtook platform LBO deal count for the first time, and that trend has since persisted. Still, we see the potential for stronger buyout deal activity in upcoming quarters, as financing costs are moderating, which is likely to create a crowding-out effect.

The distinct strategy of growth equity—avoiding the burden of costly debt by typically opting for all-equity deal structures—aligns well with its focus on rapidly expanding companies. By providing capital for expansion, growth equity aims to accelerate and scale growth, thereby enhancing unit economics through operational rather than financial leverage. This approach is particularly potent in the current economic climate, where value creation is realized by maximizing EBITDA margins and growth.

There were several notable deals in Q4 2024 in the IT and healthcare sectors. DC BLOX—offering integrated datacenter and fiber network solutions at scale—raised $650 million of incremental equity capital from existing and new investors, led by Post Road Group and Bain Capital Credit.[3] The capital will support investment in land for future development opportunities to satisfy the growing demand for datacenter capacity. Also, MB2 Dental—offering a dental practice management platform and related services—received a new investment from Warburg Pincus for $525 million.[4] The capital infusion will enable a recapitalization and support MB2's next phase of growth. Lastly, digital services provider

2: "Patterson Companies Announces Definitive Agreement To Be Acquired by Patient Square Capital for $31.35 per Share in Cash," Patterson Companies, December 11, 2024.
3: "DC BLOX Raises Additional Capital and Secures $265 Million Green Loan," Bain Capital, October 8, 2024.
4: "MB2 Dental Announces Recapitalization Event With New Investor Warburg Pincus, Solidifying Company Growth Milestone," Warburg Pincus, November 13, 2024.

Add-ons as a share of all PE buyouts



Source: PitchBook • Geography: US • As of December 31, 2024

Lancium received a $500 million investment from Blackstone in November.[5] This will support greenfield buildouts of datacenters in Texas, with 5 gigawatts of capacity, that are expected to be online before 2028.

Add-ons

In full-year 2024, add-on transactions represented 74.1% of all PE buyouts, a 117-basis-point decrease from the 2023 average yet still well ahead of the five-year average of 73.5%. The elevated activity indicates that GPs' continue to focus on consolidation and operational synergies. We believe add-ons will continue to gradually mean revert to historical levels, as a more accommodative financial environment, characterized by lower interest rates, takes hold. As lower rates are likely to trigger an uptick in overall deal activity, we anticipate a crowding-out effect, which is likely to reduce the relative share of add-on transactions.

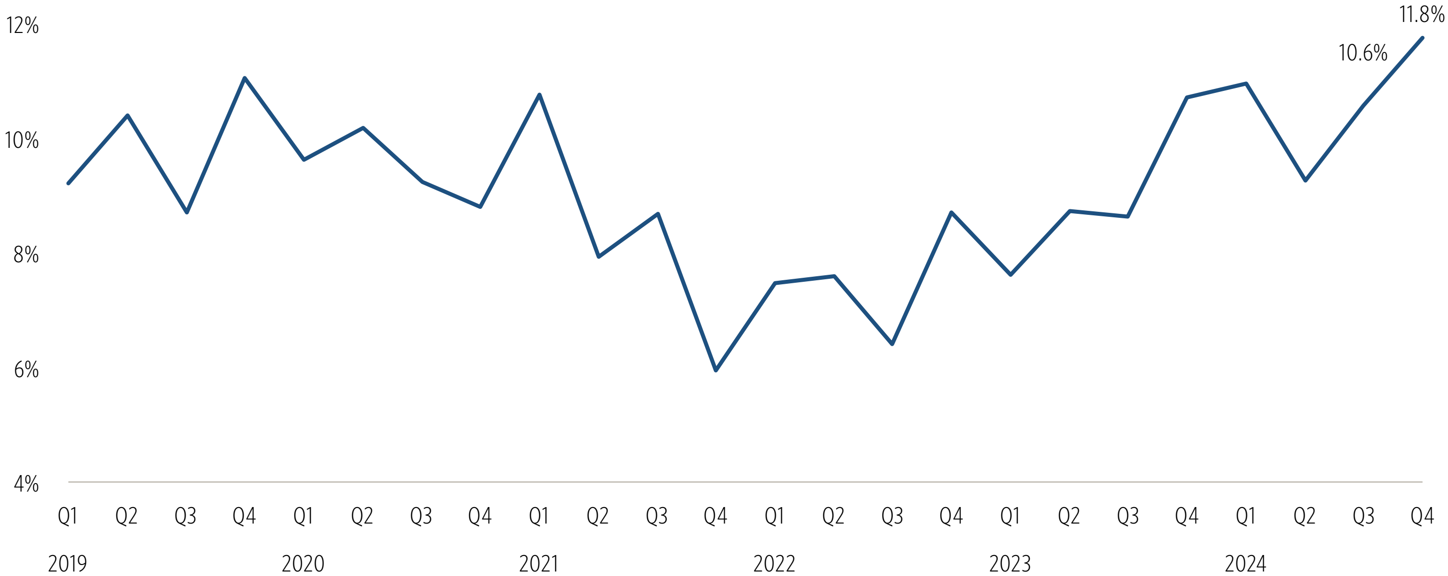
Two prominent add-on deals in the quarter were announced in the B2C and B2B sectors. FITCRUNCH—provider of branded high-protein snack foods—agreed to be acquired by 1440 Foods for $700 million, as reported by Bloomberg.[6, 7] The additional scale and distribution synergies will bolster 1440 Foods' portfolio breadth and market position, according to management. In the B2B category, Stealth Monitoring—provider of video surveillance services for automobile dealerships and industrial facilities—agreed to be acquired by PE-backed GardaWorld for $485 million.[8] The deal will bolster GardaWorld's presence and scale in North America, while enhancing its technology platform and the scope of its offerings. GardaWorld's PE backers include BC Partners (majority), Investissement Québec, and HPS Investment Partners; and shortly after this transaction was announced, it declared a new ownership group was taking a majority investment, with BC Partners exiting.

Carveouts

In 2024, while dealmaking saw a rebound, it was still constrained to a certain degree. As a result, GPs more actively pursued corporate carveouts and divestitures from larger organizations. They aim to uncover hidden gems within these divested assets. This trend increased throughout 2024 and was supported by major corporations observing a stabilization in inflation and interest rates, and moving ahead with plans to streamline their portfolios by offloading noncore units.

5: "Blackstone Invests $500 Million in Lancium AI Buildout," Bloomberg, Naureen S Malik and David Pan, November 20, 2024.
6: "1440 Foods Acquires FITCRUNCH To Enhance Leading Portfolio of Active Nutrition Brands," Business Wire, November 1, 2024.
7: "Deutsche Bank-Led Group Seeks To Offload Protein Bar Buyout Loan," Bloomberg, Jeannine Amodeo and Carmen Arroyo, November 22, 2024.
8: "GardaWorld Enters Into Binding Agreement To Acquire Stealth Monitoring, Creating a Champion in AI-Enabled Mobile and Fixed Video Monitoring Security Solutions," GardaWorld, October 21, 2024.

Carveouts/divestitures as a share of all PE buyouts by quarter



Source: PitchBook • Geography: US • As of December 31, 2024

For the parent companies, divesting these assets provides an opportunity to reshape their financials by eliminating underperforming or nonstrategic divisions. This process not only streamlines their operations but also allows management to present a more positive financial narrative to investors, free from the burden of these so-called albatross assets.

GPs often find financing for these carveout transactions more accessible, and they employ various strategies to generate value from these acquisitions. The acquired entities can either serve as new platform companies or function as add-ons, enhancing scale and creating operational synergies. This approach is especially beneficial when the cost of capital is higher, such as in the current environment. This enables GPs to make strategic expansions and optimize their portfolio performance when facing dealmaking headwinds despite recent improvements.

Carveouts accounted for 11.8% of all US PE buyouts in Q4 2024, a sequential quarterly increase. This quarterly percentage of carveouts as a share of buyouts is now at its highest point since Q4 2016, cementing itself as a more prominent source of PE deals in 2024. Moreover, this rise in quarterly carveout deal activity saw the deal type sitting nearly 200 basis points above the 10-year quarterly average.

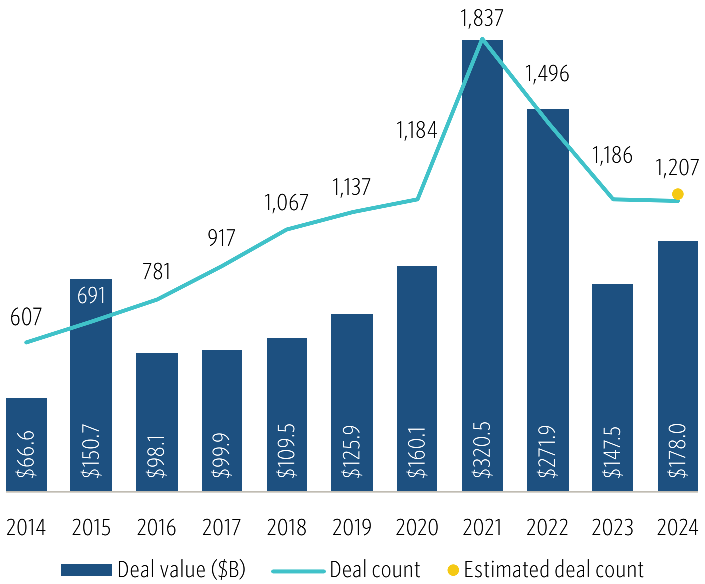
In Q4, PE buyers scooped up several large carveout assets in the B2B space. At the end of November 2024, Honeywell announced the sale of its personal protective equipment business to Protective Industrial Products, a portfolio company of Odyssey Investment Partners, for $1.3 billion. The transaction will enable Honeywell to simplify its portfolio to accelerate value creation in three focus areas: automation, the future of aviation, and energy transition. In December 2024, Carrier Global completed the sale of its commercial and residential fire business to an affiliate of Lone Star Funds for $3 billion. The purchase created Kidde Global Solutions, a new standalone platform company. The sale allows Carrier to simplify and focus the company's position in climate and energy solutions.

For 2025, it remains to be seen if the improving conditions on the buy side will see sponsors turn from doing these carveout transactions to more deals that may not have been as readily available over the past couple of years. Burdened with high borrowing costs, inflation, and other dealmaking headwinds, sponsors shifted from a growth-at-all-costs approach to seeking growth at a reasonable price. This shift led to carveouts falling back in favor of PE buyers.

Technology

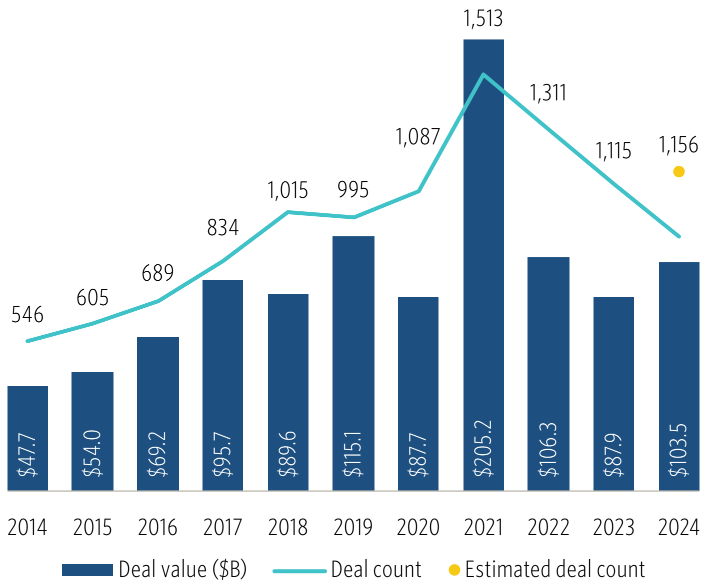
Technology PE deal activity rebounded strongly in 2024, with deal value higher by 20.7% YoY and deal count up 1.8% YoY. With an estimated 1,413 deals for a total of $192.6 billion, IT accounted for the second-greatest share of total US PE deal activity, only behind B2B. IT deal activity is solidly ahead of the averages seen in the pre-pandemic years of 2017 to 2019,

Technology PE deal activity



Source: PitchBook • Geography: US • As of December 31, 2024

Healthcare PE deal activity



Source: PitchBook • Geography: US • As of December 31, 2024

demonstrating the sector's robust positioning in the current market landscape. Software companies' ability to create competitive moats, sustain high profit margins, and operate with relatively low capital expenditure requirements render them particularly resilient and attractive in a challenged dealmaking environment, enabling a quicker recovery than the broader PE market. As such, the software segment is driving the broader tech sector's rebound in deal activity. Throughout 2024, software PE deal value reached $134.8 billion, and 926 deals were announced. This reflects a YoY growth of 32.4% for deal value and 27.5% for deal count, with deal activity above pre-pandemic averages.

Public-to-private deals made up half of the top 10 deals of 2024, reflecting the opportunity set to scoop up take-private deals once borrowing costs came down and lower base rates came into view for the US. The largest take-private deal was the $8.4 billion acquisition of Smartsheet by Blackstone and Vista Equity Partners in Q3. The all-cash transaction will yield Smartsheet holders $56.50 per share, an approximately 41% premium to the volume-weighted average closing price 90 days prior to media reports about a possible transaction.[9] Although seven out of the top 10 deals in 2024 were software companies, IT infrastructure topped the technology deal leaderboard after Vantage Data Centers raised $9.2 billion of new equity investment from a group of four PE firms in June, making it the largest IT deal of the year. The capital infusion will advance the company's development of next-generation datacenters, with designs optimized for AI and cloud workloads.[10] The deal is reflective of the strong demand for digital infrastructure as investment in AI development accelerates.

Healthcare

Healthcare PE activity in Q4 2024 declined sharply from the previous quarter, with total deal value at $22 billion, down from $30.2 billion in Q3. However, estimated YTD deal value reached $103.5 billion, a healthy increase compared with $87.9 billion in 2023, potentially indicating the slowing of persistent valuation gaps and heightened caution among investors. Though certain pharma services and medtech transactions continued, the sector as a whole still faces ongoing challenges. High valuations increased regulatory scrutiny, and uncertainty around future healthcare policies has contributed to restrained dealmaking, keeping healthcare's share of total PE activity below historical averages and deterring large-scale acquisitions.

Despite ongoing challenges in the sector, Q4 2024 witnessed significant healthcare PE activity across diverse segments, including contract manufacturing, clinical services, digital health, and specialty therapeutics. Catalent, a leading contract development and manufacturing organization,

9: "Smartsheet To Be Acquired by Blackstone and Vista Equity Partners for $8.4 Billion," Smartsheet, September 24, 2024.
10: "Vantage Data Centers Announces $6.4 Billion Equity Investment Led by DigitalBridge and Silver Lake," Vantage Data Centers, January 9, 2024.

was finally taken private in a $16.5 billion buyout by Novo Holdings, underscoring sustained investor interest in robust manufacturing capabilities, particularly for GLP-1 production. In healthcare services, R1 RCM was acquired by Clayton, Dubilier & Rice and TowerBrook Capital Partners in a $6.3 billion LBO, highlighting the appeal of operational efficiency solutions.

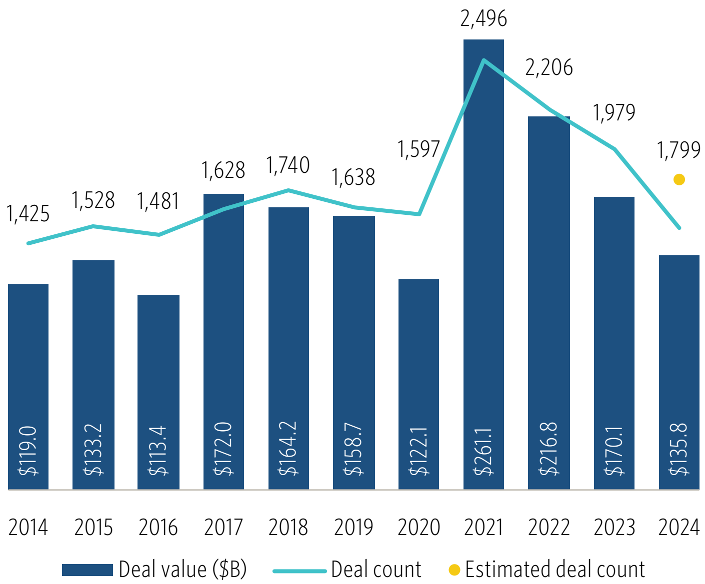
Other healthcare services deals under $1 billion also drew significant interest in Q4 2024. Therakos, an immunotherapy medical technology company, was acquired through a $925 million LBO. Resonant Clinical Solutions, which specializes in revenue cycle management, secured a $650 million investment. Lumus Imaging, a provider of diagnostic services, attracted $641.7 million in funding. In the digital health space, Altaris completed a $540 million acquisition of Sharecare, highlighting continued interest in integrated care delivery and digital platforms. These transactions demonstrate that despite broader market challenges, PE firms maintain strong interest in healthcare companies that offer scalable services, innovative treatments, and technology-driven solutions to improve healthcare delivery.

Looking ahead, shifts in the regulatory and economic landscape may influence healthcare PE activity in 2025. The re-election of President-elect Donald Trump and the Republican Party's control of Congress indicate a tilt toward market-driven healthcare policies, potentially easing regulatory barriers for PE investors. Concurrently, the Fed's 2024 interest rate cuts have improved capital conditions, likely encouraging firms to deploy dry powder more aggressively. These factors, combined with anticipated economic stability and reduced policy uncertainty, could support a rebound in healthcare PE dealmaking over 2025.

Industrials

Industrials PE activity was relatively strong in 2024, with industrials seeing an estimated 1,799 deals and $135.8 billion in deal value—accounting for 21.2% of total deal activity by deal count during the period, compared with an average of 24.5% of total deal activity over the past five years. After tracking slightly higher than the rest of PE in the first three quarters of the year, industrials deal count seemingly fell off a cliff in the fourth quarter of 2024; and as a result, it ended the year 9.1% lower than 2023 and 18.5% below 2022 by deal count, and 20.2% lower than 2023 and 37.4% lower than 2022

Industrials PE deal activity



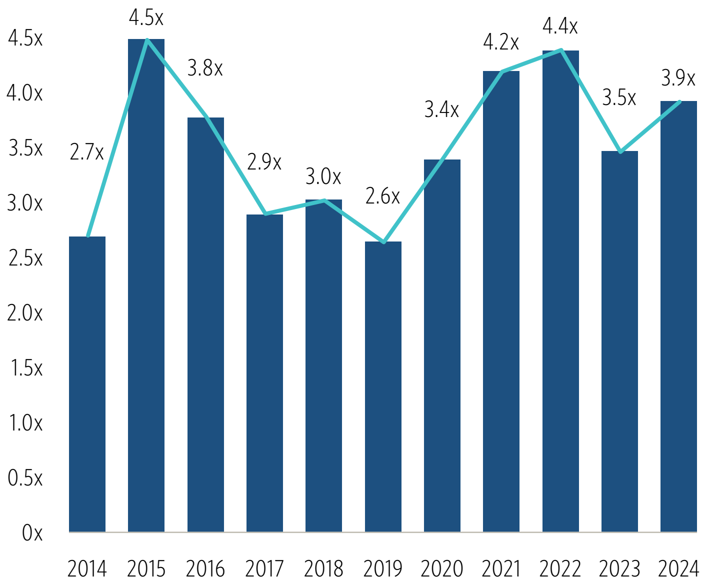
Source: PitchBook • Geography: US • As of December 31, 2024

by deal value. We think election uncertainty, higher-for-longer interest rates, and lack of consensus on valuation all conspired to slow industrials deal activity in Q4 and for the full year.

Among the biggest deals in 2024, Ducommun, a provider of engineering services in aerospace & defense (A&D), was bought out by Albion River in April in an $869 million deal. More recently, in December, Chicago Bridge & Iron (CBI) was acquired from McDermott International by a group led by Mason Capital Management in a $475 million LBO, which represents a huge step-down from McDermott's $4.1 billion merger take-out of CBI in May 2018. Citibank acted as the advisor for Mason, and Goldman Sachs was the advisor for McDermott. In November, the specialty tapes business of Berry Global was divested to Nautic Partners for $540 million, or 1.6x pro forma revenues. The deal was supported by an undisclosed amount of debt financing. Goldman Sachs advised Berry, while Banco Santander was the advisor for Nautic.

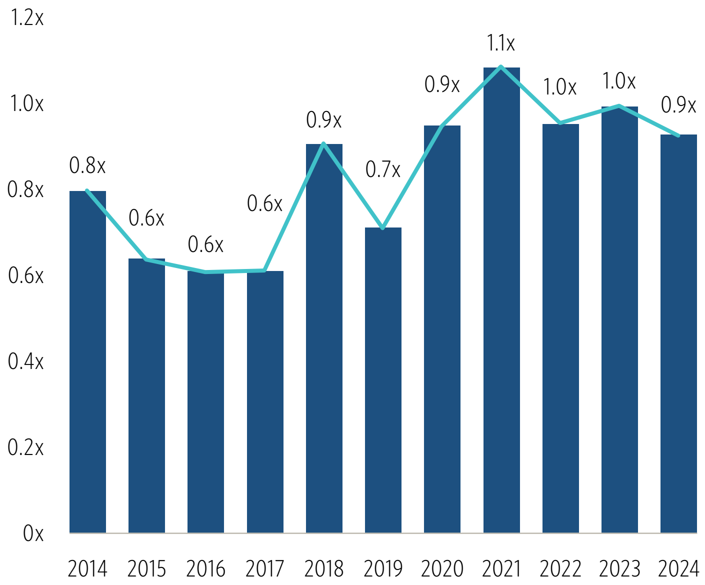
A&D made up the largest portion of deal activity in 2024, accounting for $12.8 billion of capital deployed, followed by other commercial products at $8.9 billion, distributors/wholesale at $7.6 billion, construction & engineering at $5.5 billion, electrical equipment at $5.3 billion, and other commercial services at $4.6 billion.

Median enterprise value (EV)/revenue multiples on PE deals of $2.5 billion or more



Source: PitchBook • Geography: North America and Europe • As of December 31, 2024

Median EV/revenue multiples on PE deals below $25 million



Source: PitchBook • Geography: North America and Europe • As of December 31, 2024

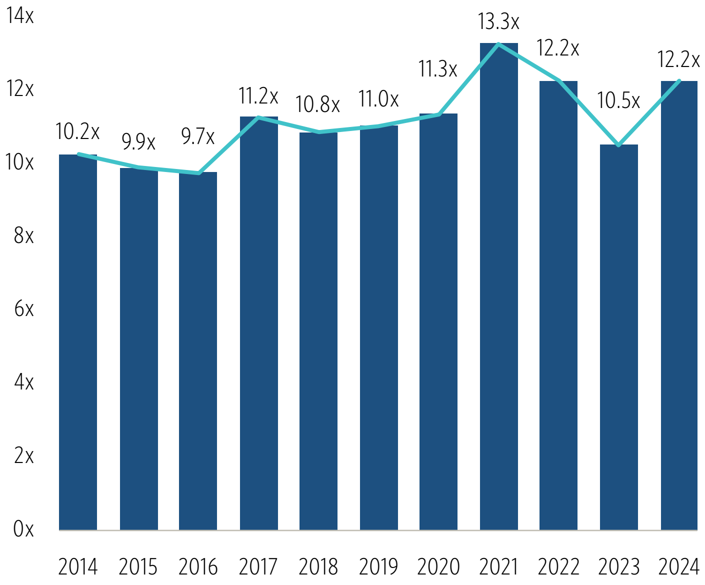
Valuations

PE valuations were a mixed bag in 2024, as EBITDA multiples increased YoY, sitting at or above valuation levels in 2022, while revenue multiples remained flat or declined slightly. In contrast with the broader M&A market, which saw multiples reset sharply in 2022, PE deal multiples did not find their bottom until the end of 2023. After dropping from 13.3x in 2021 to 10.5x in 2023, EV/EBITDA is on the rise, reaching 12.2x in 2024 and recouping more than half of their peak-to-trough losses. The same cannot be said of revenue multiples, which slightly decreased from 2.2x in 2023 to 2.0x in 2024. Moreover, both core regions—the US and Europe—saw sequential YoY declines in revenue multiples. We look at the two regions on a combined basis for a better sample size and to remove the bias toward large take-privates from the US-only data; Europe has better disclosure requirements for private companies above a specific size. Despite the mixed bag, valuations seemingly bottomed out in 2023 and are now on the mend, which aligns with expectations as public equities continue to rally at all-time highs.

Going forward, as deal volumes expand—especially among PE owners selling to other PE firms—this recent uptrend in EBITDA multiples may be short-lived. It may begin to flatten, pending further improvement in market conditions. There are more than 11,800 PE-backed companies in the US alone, of which more than 35% have been held for five years or more and will need to be realized soon. As deal activity broadens, it will inevitably include lesser-quality companies. Additionally, as exits picked up in 2024, the likely catalyst of this increase was sponsors bringing their best assets to market while holding on to the rest. The “rest” will eventually come to market and likely contribute toward EV/EBITDA multiples leveling out.

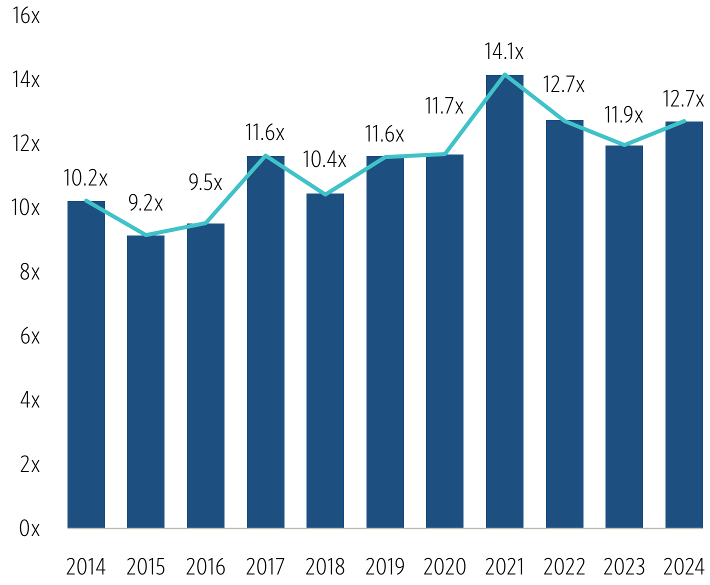
Deal valuation metrics

Global PE EV/EBITDA multiples



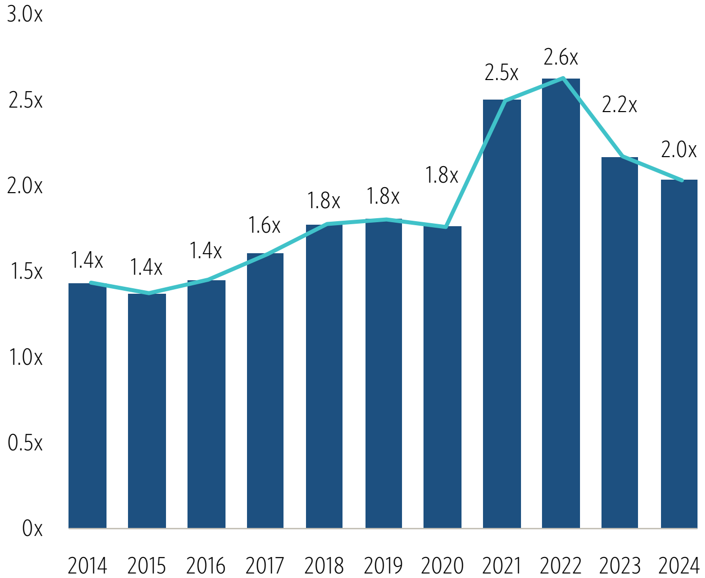
Source: PitchBook • Geography: North America and Europe • As of December 31, 2024

US PE EV/EBITDA multiples



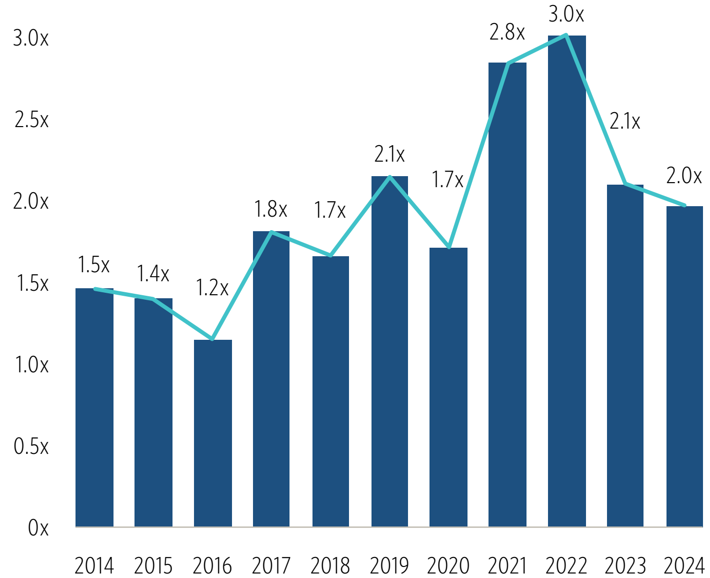
Source: PitchBook • Geography: US • As of December 31, 2024

Global PE EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • As of December 31, 2024

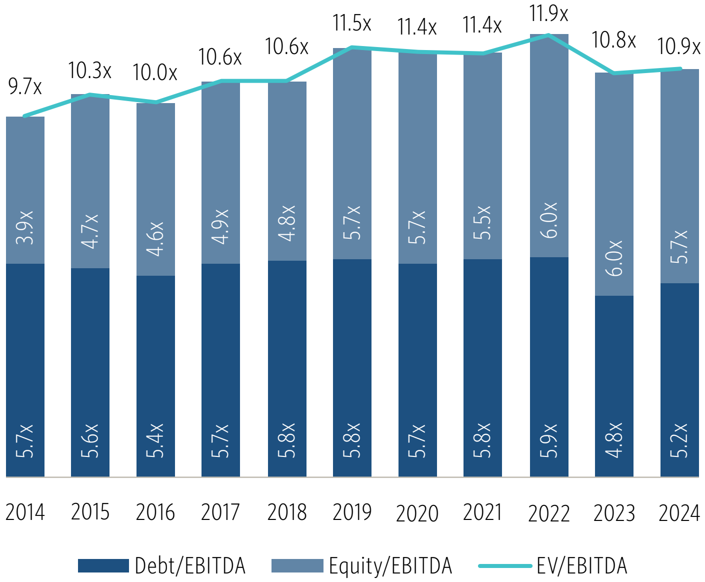
US PE EV/revenue multiples



Source: PitchBook • Geography: US • As of December 31, 2024

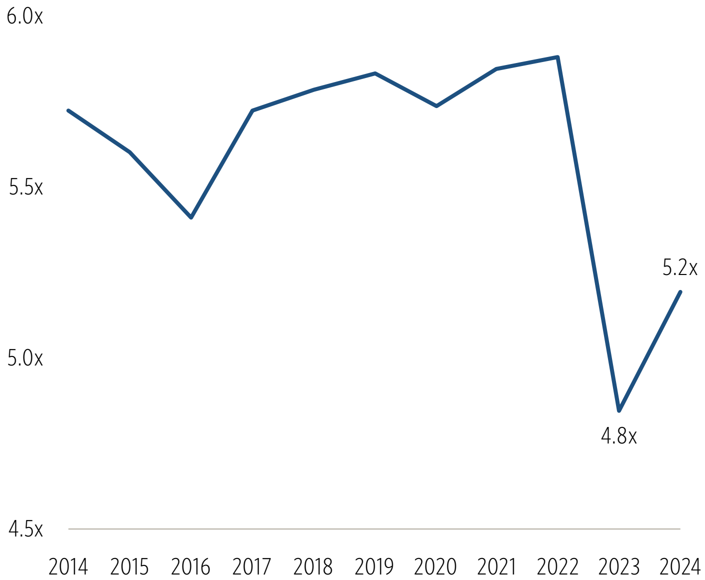
Deal financing metrics

Multiples on BSL-funded deals



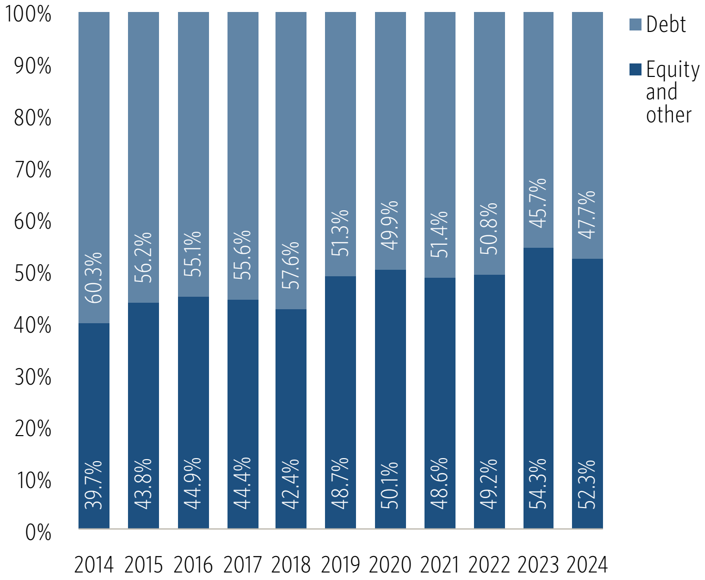
Source: PitchBook | LCD • Geography: US • As of December 31, 2024

Debt/EBITDA multiple on BSL-funded deals



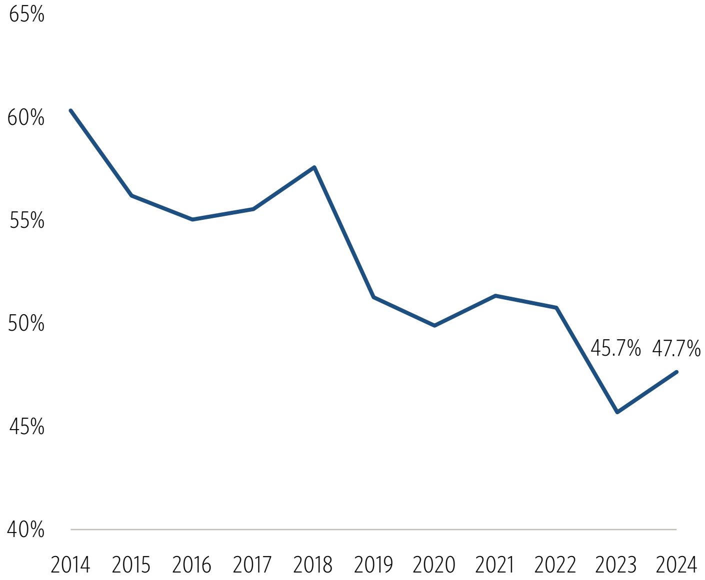
Source: PitchBook | LCD • Geography: US • As of December 31, 2024

Share of BSL-funded deal value by source



Source: PitchBook | LCD • Geography: US • As of December 31, 2024

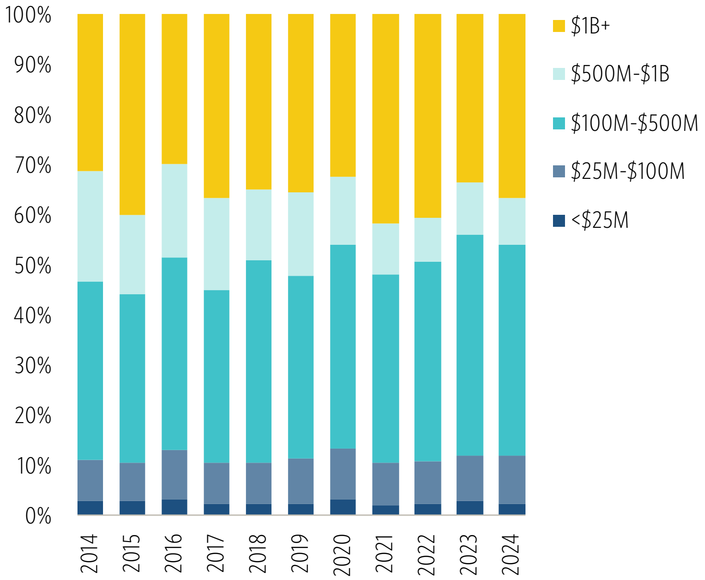
Debt/EV ratio on BSL-funded deals



Source: PitchBook | LCD • Geography: US • As of December 31, 2024

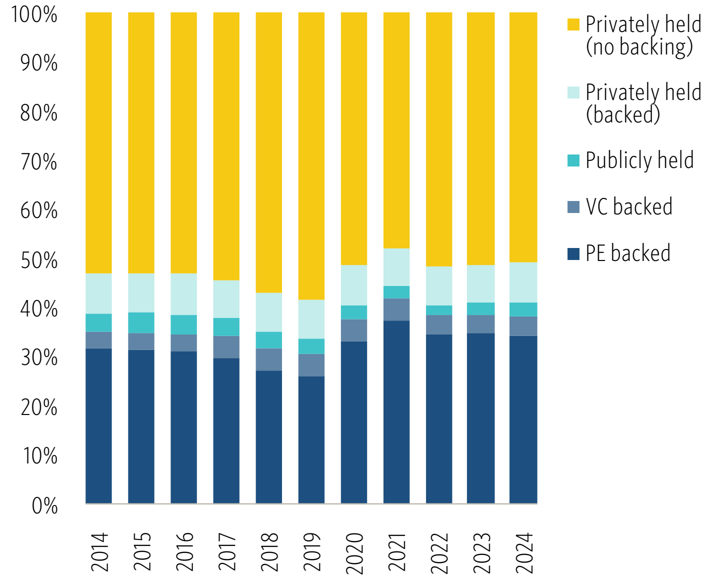
Deals by size, backing type, and sector

Share of PE deal value by size bucket



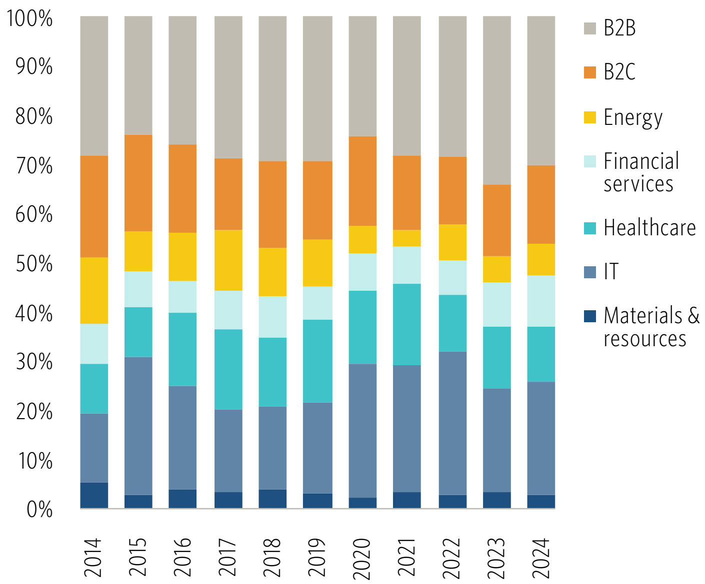
Source: PitchBook • Geography: US • As of December 31, 2024

Share of PE deal count by backing type



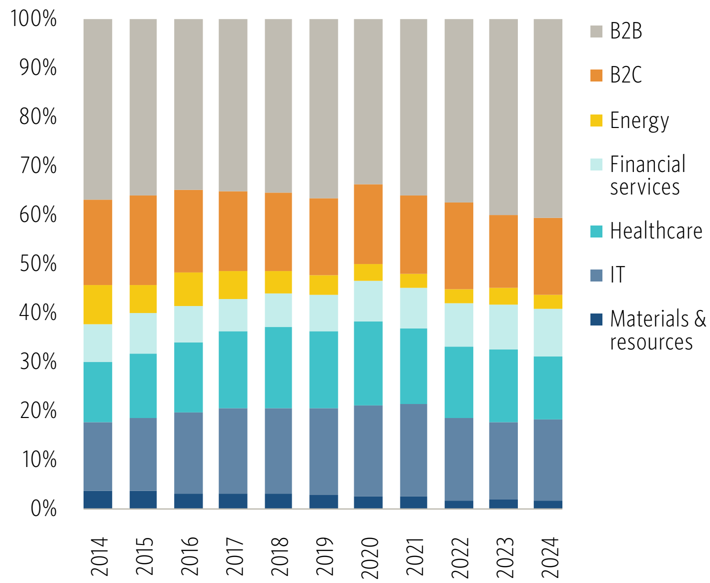
Source: PitchBook • Geography: US • As of December 31, 2024

Share of PE deal value by sector



Source: PitchBook • Geography: US • As of December 31, 2024

Share of PE deal count by sector

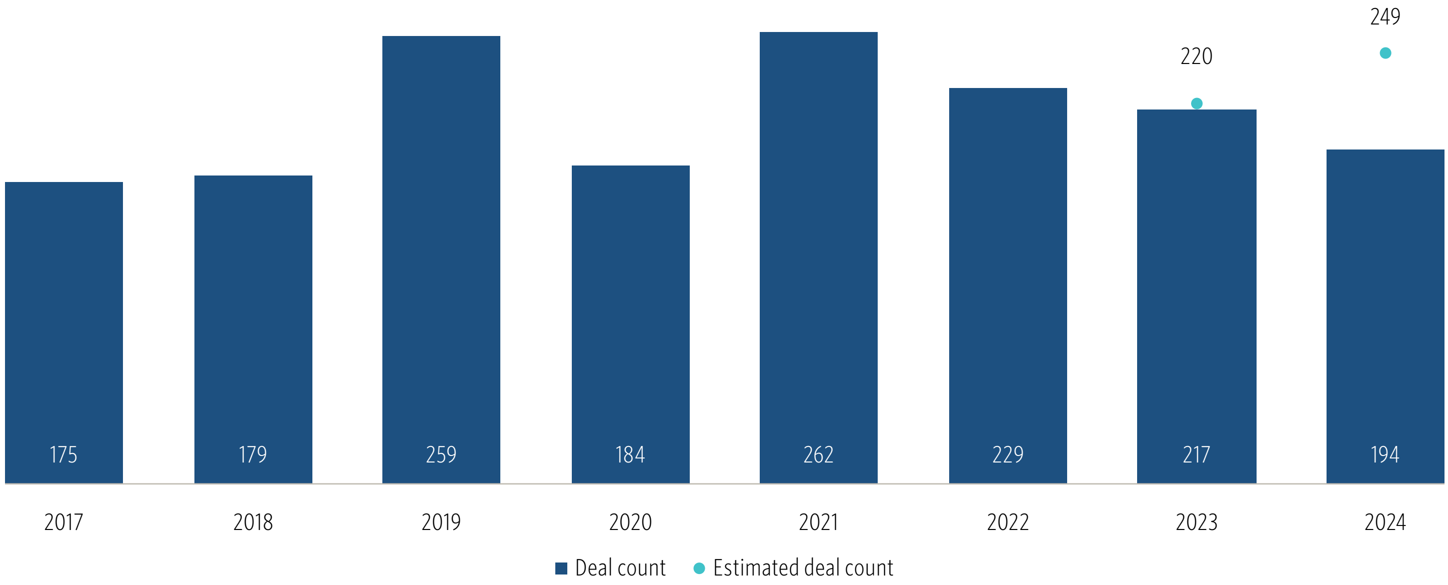


Source: PitchBook • Geography: US • As of December 31, 2024

SPOTLIGHT

Launch Report: Aerospace & Defense

A&D PE deal count



Source: PitchBook • Geography: Global • As of September 30, 2024

Note: This spotlight is abridged from our Q3 2024 Launch Report: Aerospace & Defense. Please read the full report for additional analysis on PE trends and investment strategies in A&D.

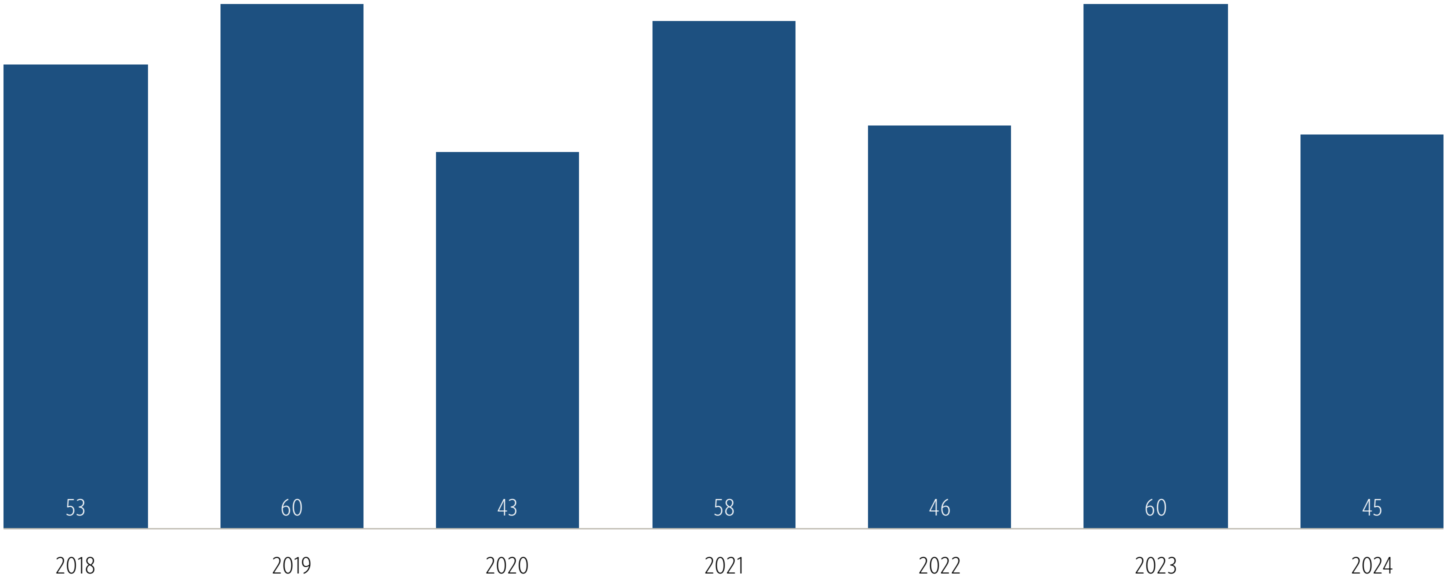
We are launching coverage of PE investment in A&D, and the data looks exciting. Compared with the tepid state of much of private equity over the past two years, A&D deal activity has been strong, with deal counts in 2024 likely to surpass 2021's record-high annual mark. Exit activity has also been strong, including sponsor-to-sponsor platform trades. In 2024 through Q3, we tracked an estimated 249 deals announced or closed. This means that 2024 has already surpassed 2023, which saw 220 estimated deals, and 2022, which had 229. Dealmaker sentiment around A&D remains optimistic, driven by healthy fundamentals, opportunities created by supply chain issues and Boeing's problems, and strong military funding and demand driven by geopolitical uncertainties. The drivers that led to this strong performance, explained in detail throughout the report, should remain in place in 2025.

The third quarter of 2024 was exceptionally strong, showing accelerating trends versus prior quarters and well above last year. PitchBook estimates that 116 deals took place in A&D in Q3 2024, a record for any quarter in our data. This compares with 68 estimated deals in Q2 and 47 deals in the third quarter of 2023.

At a time when PE platform and realization activity has been weak and overall portfolio ages have risen sharply, the resilience of this space over the past few years cannot be overstated. Moreover, there are compelling reasons why these trends should continue into 2025. Good fundamentals are in place in much of A&D. The vertical has strong demand drivers and good opportunities to consolidate fragmented providers and make operational improvements, and it has seen significant supply chain disruption.

The A&D industry includes the commercial aerospace segment and the defense segment. This report also covers

A&D PE exit count



Source: PitchBook • Geography: Global • As of September 30, 2024

the airline space and its related service industries, because the sectors are interrelated and trends that affect PE in these spaces can best be understood together. On the commercial aerospace side, planes are made, and components are manufactured for those planes for use in commercial aviation, so demand drivers in one space fuel demand in the other—though aerospace has longer-term demand drivers that override shorter-term boom-and-bust airline demand cycles.

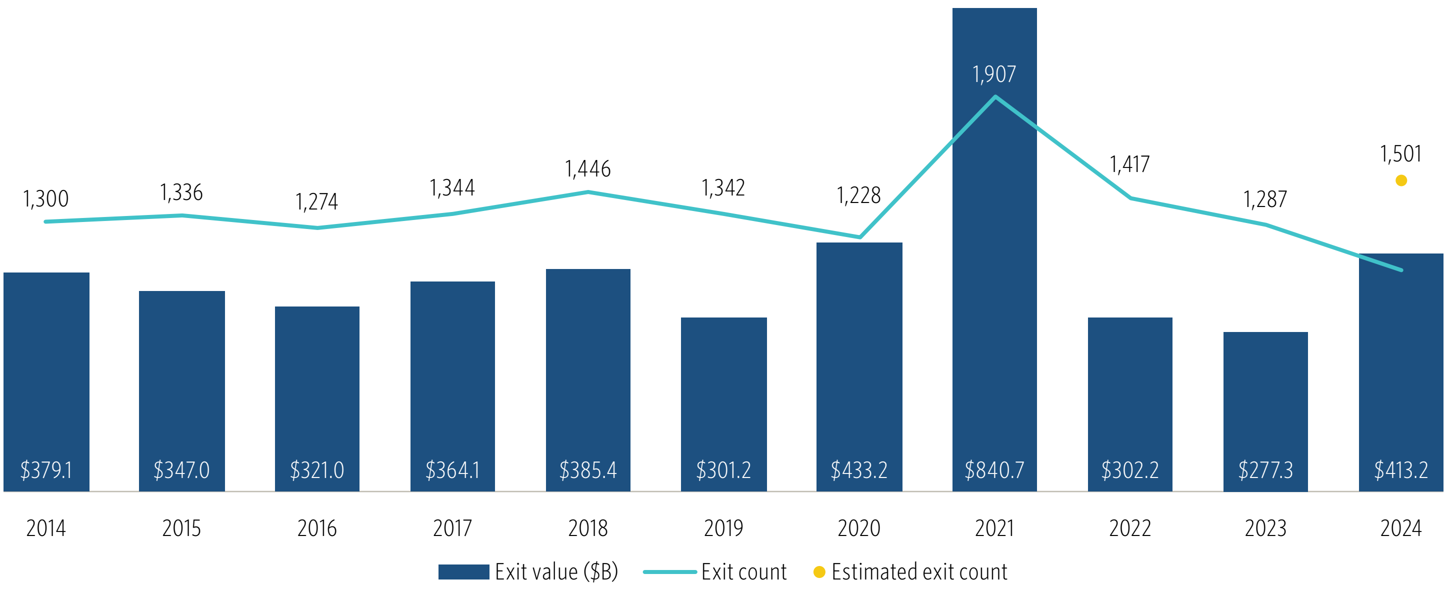
Aerospace and defense are two separate but related industries that are experiencing different operating environments. The relatively stable defense sector has seen a growing revenue and earnings trajectory over the past decade, fueled by rising military budgets and geopolitical issues around the globe, while the commercial aerospace environment has been much more choppy and uneven. Though decimated by the COVID-19 pandemic, air travel passenger volumes have since recovered, helping to stabilize underlying commercial aerospace demand following the height of the pandemic. At the same time, Boeing's issues have roiled the commercial aerospace ecosystem from top to bottom, creating stresses for some subsectors and opportunities for others.

A&D exists within the industrials sector, which has also been seeing strong trends. In 2024 through Q3, US industrials saw an estimated 1,673 deals, accounting for 26.2% of total PE deal count during that period. This compares with 1,998 deals for all of 2023, which represented 26% of all US PE deals. We discussed these dynamics in our Q3 2024 US PE Breakdown.

Exits in A&D have been robust. In the first nine months of 2024, the vertical saw an estimated 45 exits, compared with 60 exits for all of 2023 and 46 exits in 2022. This trend looks much different than most of the rest of PE, which has seen a sharp slowdown in exit activity since 2021 due to difficulty securing financing at the right price and buyer-seller pricing expectation mismatches. The strength of fundamental demand drivers in A&D has given buyers the confidence to pay strong multiples despite broader market dislocation. We expect that continued sponsor-to-sponsor platform trades will fuel activity in A&D in 2025 and that valuations will rise over time.

Exits

PE exit activity

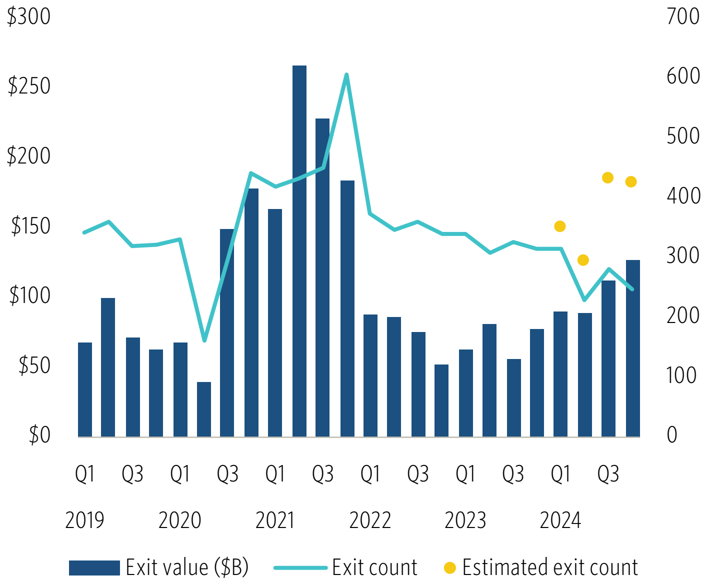


Source: PitchBook • Geography: US • As of December 31, 2024

Overview

US PE exit activity achieved the long-awaited recovery before the end of 2024, putting an end to the two-year streak of concerning decline. With an estimated 1,501 exits for an aggregate of $413.2 billion, exits have improved by an impressive 49% in value and 16.6% by count YoY. Most meaningfully, exit activity has even surpassed the pre-COVID-19 averages observed between 2017 and 2019, with 2024's exit value higher by 18% and exit count higher by 9%. The rebound in exit count was dangerously thin until Q4, as transactions have been larger rather than more frequent, but now appears to have pulled through. Excluding the boom years of 2020 and 2021, both exit value and count have marked their highest total since the 1,446 deals worth $385.4 billion in 2018. The greater rebound in exit value reflects the trend observed throughout 2024 of PE sellers bringing their highest-quality assets to market to secure favorable exits, while holding off on the rest of their portfolios during a strained market period. At the same time, US PE inventory has swelled by 2,993 companies since 2018 to 11,808 total by Q4 2024. This translates to almost an eight-year inventory at the currently observed pace of 1,501 exits per year. This shows that while the rebound in exit activity is encouraging, significant acceleration is needed to make up for lost time.

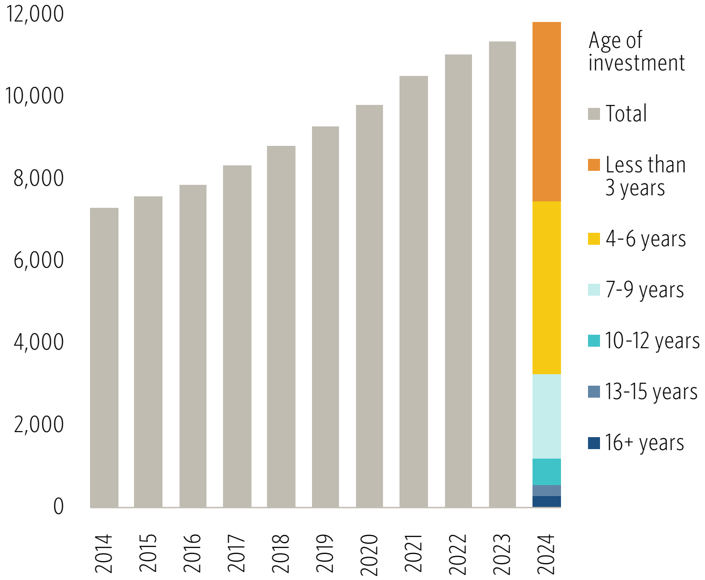
PE exit activity by quarter



Source: PitchBook • Geography: US • As of December 31, 2024

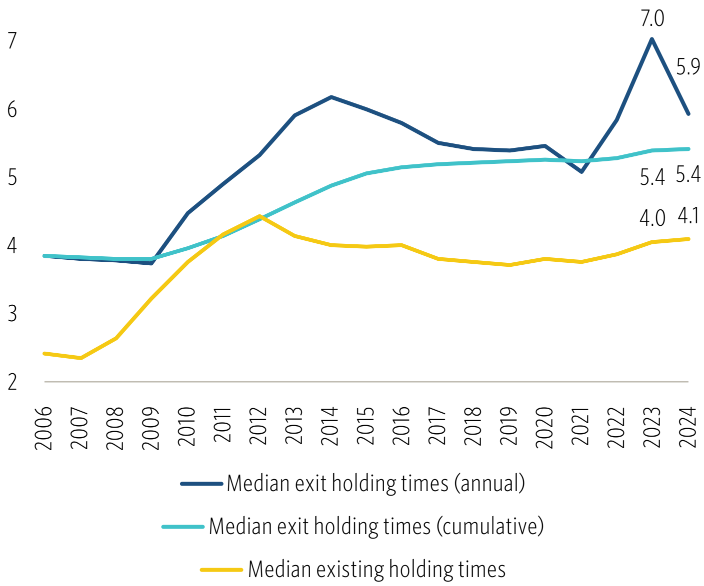
Quarterly exit activity bounced up and down throughout 2024 rather than growing consecutively, reflecting a still-shaky exit environment. Q4 exit activity came down slightly from the Q3 jump in the number of transactions but managed to

PE-backed company inventory by deal year



Source: PitchBook • Geography: US • As of December 31, 2024

Median PE company hold times (years)



Source: PitchBook • Geography: US • As of December 31, 2024

secure a greater exit value, with an estimated 423 exits for $122.7 billion. The continued imbalance between exits and dealmaking also demonstrates that the PE industry is not out of the woods yet. 2024 has ended with a record-low exit/investment ratio of 0.36x, as dealmaking activity once again races ahead of exits. A large imbalance between exits and dealmaking over a prolonged period can disrupt that cycle and hamper industry growth. As such, we also track these relationships on a dollar basis, especially considering that a few exits can unlock massive sums of realized value. Although the slowdown in deal activity starting in 2023 has helped narrow the net gap between exits and buying by roughly $200 billion during 2024—creating a dent on the massive $537.3 billion exit gap accumulated in 2022—the gap has remained somewhat flat at $320.6 billion, as the late recovery in exits failed to offset the increased deal activity.

All exit types saw YoY improvement in terms of exit value, but exits through public listings also experienced growth in a number of transactions. There were 16 IPO exits for $40.6 billion in 2024, compared with 14 for $8.3 billion the year before. Although this is still far below the pre-pandemic averages of 47 IPOs for $44.1 billion annually, the bounce is a welcome improvement from the previous two years of an essentially closed IPO market. There were several chunky IPOs during 2024, with the $10 billion IPO of Viking River Cruises topping the list. Strong public markets and improved macroeconomic stability in 2024 have supported relative valuation analyses, and we anticipate better activity in the coming quarters from the growing pipeline of PE-backed companies looking to go public.

Exits to corporates

Exits to corporates demonstrated relative strength over sponsor-to-sponsor exits, showcasing a trend over the past several quarters of corporate strategics taking the lead in PE exits. There were 535 exits to corporates for an aggregate of $200.6 billion during 2024, which was a YoY growth of 32.1% in value despite a 29.9% decline in count. Exit value has already surpassed pre-pandemic averages and marked a record second to the outlier activity seen in 2021. Exits to corporate accounted for 54.9% of PE exit value and 61.8% when excluding public listings. This is above the 39.5% average observed over the past five years. Corporates' lead was less intense when looking at the number of exits, accounting for 50.9% of nonpublic-listing PE exits, compared with sponsor-to-sponsor exits coming in at 49.1%.

Corporations with both the appetite for strategic investments and cash on hand have been steadily absorbing sizable PE-backed deals thanks to a couple of key advantages. First, corporates can issue bonds to raise capital needed for acquisitions, effectively bypassing the challenges many PE firms faced with higher debt-financing costs. Corporate buyers' generally better credit ratings also allow them to issue less-costly bonds to fund acquisitions and borrow more cheaply from the bond market than GPs can in the leverage market during periods of high interest rates. A strong public market rally also provides corporations with greater borrowing capacity when using their rising stock as currency. Second, corporate cash reserves have been on an upward trajectory since the pandemic, strengthening corporate buying power. Third, PE firms are increasingly burdened by their portfolio companies that need to exit to provide liquidity and returns to their investors and may be reluctant to add more assets under their belt. Although PE-led dealmaking appears to have gained steam in the past two quarters, we expect corporate buyers to maintain great buying power and for exits to corporates to continue to take lead in PE exit activity in the near term.[11]

Energy deals made up two of the 10 largest exits to corporates during 2024, with the largest being EnCap Investments' $5 billion sale of Grayson Mill Energy in Q2. The sale to Devon Energy will expand the company's oil production and operation scale and is reflective of the consolidation wave that has been sweeping the energy sector over the past two years. Similarly, Global Infrastructure Partners (GIP) announced its exit of EnLink Midstream to ONEOK for $4.2 billion in November. The sale is GIP's second sale to ONEOK this year, having sold Medallion Midstream to the company for $2.6 billion in Q3. Both transactions help ONEOK establish a fully integrated platform in the Permian Basin and provide meaningful commercial and operational synergies.[12] Exits to corporates have recently accounted for an overwhelming majority of exits in the energy sector, accounting for 81.3% of exit value in 2024 and 90.5% in 2023, as energy companies have plowed into megadeals in search of asset diversification and scale.

Sponsor-to-sponsor exits

Sponsor-to-sponsor exits were slower to improve in 2024, with just 6.3% growth in exit value and 1.4% growth in exit count YoY. With 516 exits for an aggregate of $124.2 billion, sponsor-to-sponsor exit activity remained below its pre-pandemic averages and is slower to recover than exits to corporates. Stunted activity has been driven by PE sellers unwilling to let go of their assets for what they see as an undervalued price; while at the same time, a weakened financing market in the first half of 2024 made it difficult for sponsors to secure the leverage needed to acquire large PE-backed assets. This combination of factors disrupted transactions between sponsors as both sellers and buyers. Despite the boost in activity in Q3, sponsor-to-sponsor exits ended the year with the second-lowest level of activity in Q4 with 122 exits for an aggregate of $21.8 billion. The swift decline after the Q3 jump in sponsor-to-sponsor exit activity demonstrates that it is too early to detect meaningful recovery in sponsor-to-sponsor exits. The improvement in platform LBO activity is still nascent, and PE firms remain too bogged down by their own aging portfolios to acquire new assets at considerable speeds.

Sponsor-to-sponsor exits' share of total PE exit value declined from 42.2% in 2023 to 34% in 2024, as sizable public listings carved out a portion of the year's exit activity. Excluding public listings, sponsor-to-sponsor exits accounted for 38.2% of the year's exit value, which was still a decrease from 43.5% the year before, demonstrating the challenges PE sellers experienced in securing high valuations during a prolonged period of buyer-seller disconnect. At the same time, the median size of sponsor-to-sponsor exits reached a record $625 million in 2024, suggesting that other sponsors are still willing to pay high prices for high-quality assets. We expect this median to come down as exit recovery broadens out and sponsors are able to bring their lesser-quality assets to market for sale. The largest sponsor-to-sponsor exit during 2024 was the $5.6 billion sale and recapitalization of Cotiviti in February. Veritas Capital will remain as a co-sponsor along with KKR as a new partner to help accelerate innovation and fund growth in the healthtech company. The largest exit in Q4 was the $2.5 billion sale of IP management software company Anaqua to Nordic Capital. London-based PE firm Astorg has been the primary investor in Anaqua since 2019.

11: For more analysis, please refer to our Q4 2024 PitchBook Analyst Note: Corporate Buyers Maintain an Advantage in Upcoming M&A Recovery.
12: "ONEOK To Acquire Medallion and Controlling Interest in EnLink From Global Infrastructure Partners in Transactions Valued at $5.9 Billion," ONEOK, August 28, 2024.

Notable continuation-fund-related exits YTD

Announcement date (2024)	Exited companies	Exiting funds	Deal value ($M)
December 12	Essential Pharma	Gyrus 1	$948.0
November 18	Cin7	Rubicon Technology Partners	$500.0
November 12	I-Tracing	Eurazeo	$191.9
October 31	Tech24, AmerCareRoyal	HCI Equity Partners Fund V	$550.0
September 17	Medix Biochemica	DevCo Partners	$685.0
August 29	Fast Lean Smart	MBO+	$143.0
August 13	Tacala	Altamont Capital Partners	$512.5
August 6	Saferoad Group, Nordio	FSN Capital	$639.3
July 25	SPATCO Energy Solutions	Kian Capital	$230.0
July 22	Horsburgh & Scott	ONCAP	$100.0
June 10	Aspenleaf Energy	Equip Capital	$73.2
May 24	Cloud Software Group	Vista Equity Partners	$2,000.0
May 20	SummitIG	SDC Digital Infrastructure Opportunity Fund II	$650.0
May 10	CFS Brands, Gulftstream Services, Odyssey Logistics & Technology, Vantage Specialy Chemicals, Young Innovations	The Jordan Company Resolute Funds	$1,500.0
April 16	Academia Gruppe, Certania	Greenpeak Fund II	$350.0
March 25	Crown Laboratories, Hyland's Natural	Hildred Capital Management	$750.0
March 25	World 50	Morgan Stanley Capital Partners	$700.0
March 18	Barentz	Cinven Fund VII	$919.6
March 11	HG Energy	Quantum Energy Partners VI	$1,600.0
February 20	Presto Brandsäkerhet, HVD Group	Adelis Equity Partners Fund II	$430.0
February 14	Circana	Vestar Funds VII	$1,200.0
February 5	Normec	Astorg Fund VII	$1,000.0
January 29	Alterra Mountain Company	KSL Partners II	$3,000.0
January 25	Zvoove, OneQrew	LEA Fund I	$703.3

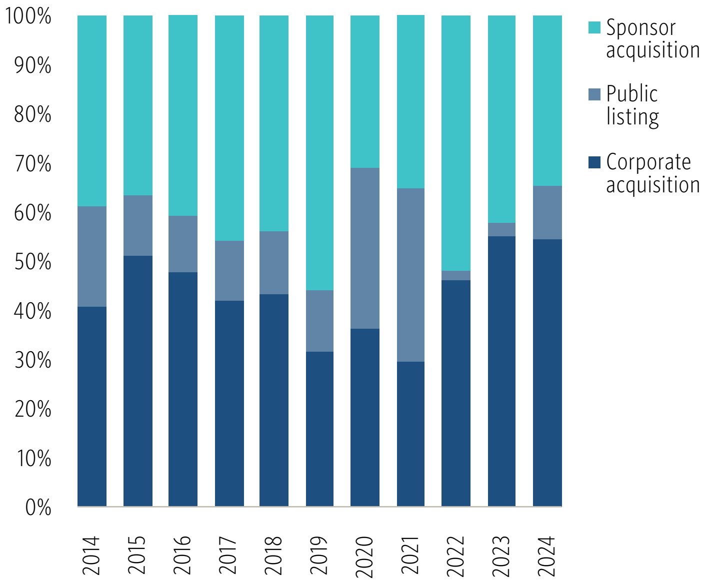
Source: PitchBook • Geography: North America and Europe • As of December 31, 2024

Exits to continuations funds

With US PE exits falling to unprecedented lows in 2023 and time running out for GPs to wind down their portfolios in an orderly fashion, we predicted that 2024 would be a tipping point for GP-led secondaries—otherwise known as continuation funds.[13] We believed that the continuation fund process, while imperfect, offered the most scalable alternative to a traditional M&A and IPO process, which diminished in activity, and could emerge as a new "third rail" for industry participants moving forward. LPs that need liquidity can cash out if they so choose, and GPs that need more time to work out of assets on a more profitable basis receive that as well. This prediction has played out as

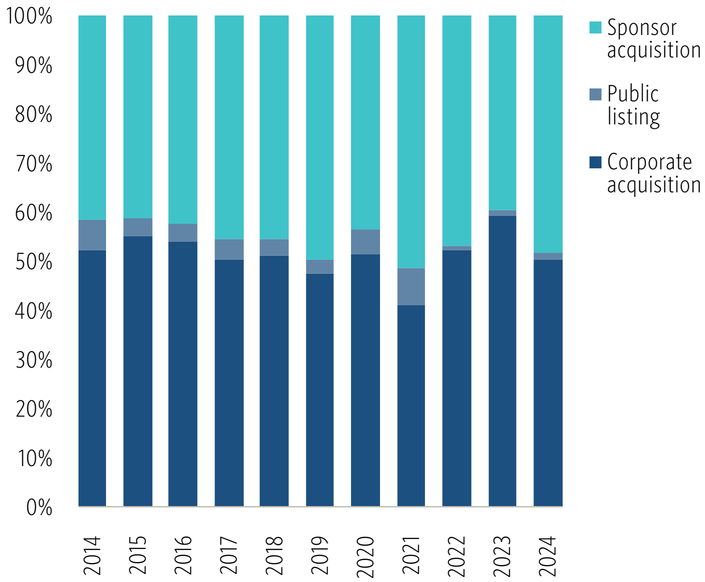
13: For more analysis, please refer to our 2024 US Private Equity Outlook: Midyear Update.

Share of PE exit value by type



Source: PitchBook • Geography: US • As of December 31, 2024

Share of PE exit count by type



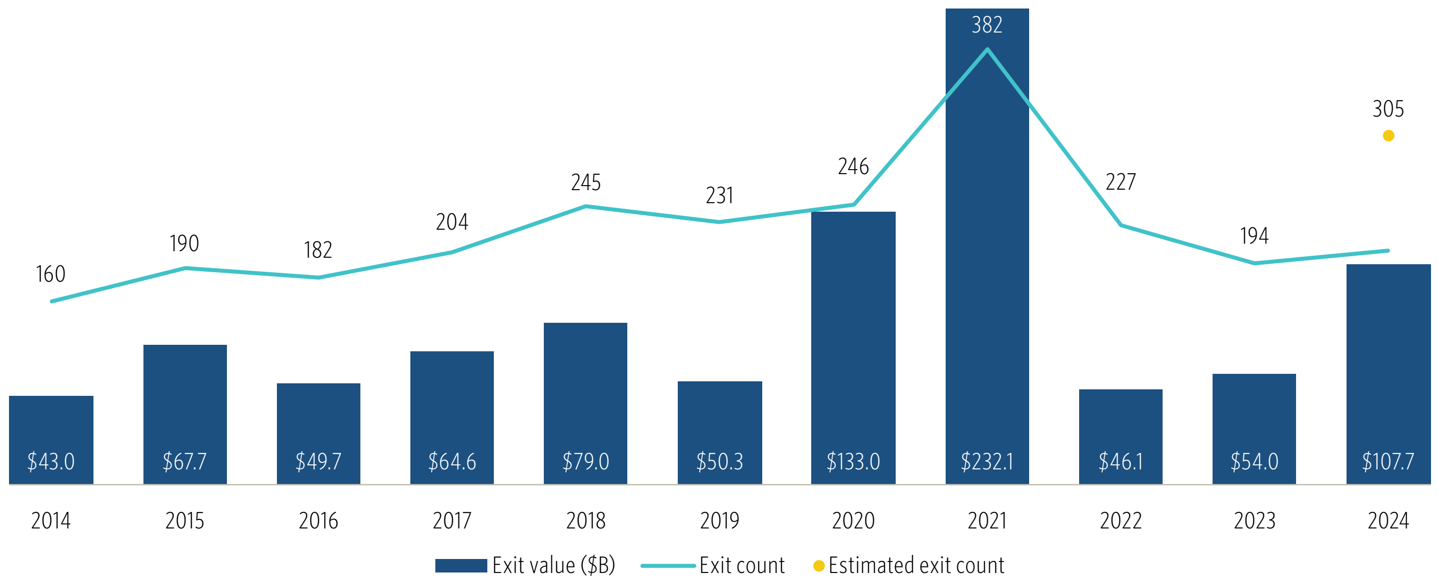
Source: PitchBook • Geography: US • As of December 31, 2024

expected. In 2024, 96 exits were announced or completed in North America and Europe by way of a continuation fund process. This is a 12.9% increase from the 85 transactions we tracked for 2023.

During the fourth quarter, four deals were fully disclosed for an aggregate value of $2.2 billion, and two deals reported only the total capital raised for their respective multiasset continuation fund. It is also unknown how much of the reported capital represents new money contributions by secondary investors as opposed to existing investors rolling over and receiving new fund interests. The largest continuation fund-related exit during 2024 belonged to a single-asset continuation vehicle by KSL Capital Partners for Alterra Mountain Company for $3 billion. Alterra Mountain Company—a conglomerate of several ski resorts—is rolled from KSL Partners II and KSL Partners IV, and allowed the firm to return a significant amount of capital to existing investors that desired liquidity, while bringing on a new set of investors to continue Alterra's next stage of growth.

Exit activity is seemingly on the mend since mid-2024, but recovery remains well below historical averages relative to AUM and slow relative to the number of companies accumulated by PE funds in North America and Europe. At the same time, new money flowing to strategies that invest in LP- and GP-led secondaries, including continuation vehicles, continues to build. Total committed capital for funds closed in the trailing 12-month period ending Q3 2024 topped $97.5 billion, a 30.9% gain over the prior year. Secondaries-focused funds are on track for a record-breaking fundraising year and are expected to surpass the previous annual record of $90.3 billion raised in 2020. Furthermore, success stories of exits from continuation funds, such as the $18.3 billion March 2024 sale of SRS Distribution to Home Depot four months after being rolled into a continuation vehicle, will encourage more GPs and LPs to explore continuation funds as a strategic option. The forces that drove the recent acceleration in continuation funds remain in place, and we expect exits through continuation funds to continue in 2025.

Technology PE exit activity



Source: PitchBook • Geography: US • As of December 31, 2024

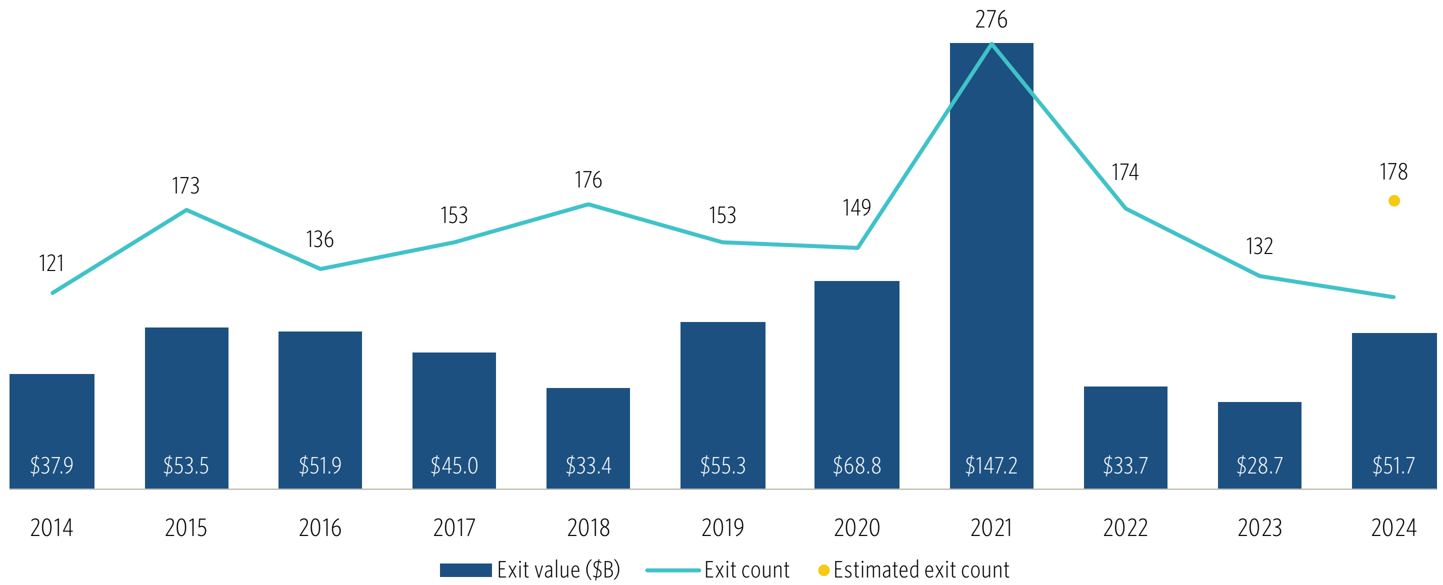
Technology

PE exits in the technology sector came back in full swing, coming closely second to B2B in its share of the total PE exit value in 2024. There were an estimated 305 exits for a total of $107.7 billion for the year, which accounted for 25.8% of total exit value and 19.2% of exit count. Both metrics were above the sector's five-year averages, demonstrating IT's relative strength against other sectors during a stunted exit environment. Both exit value and count sit squarely above the pre-pandemic averages of 227 exits for $64.6 billion, suggesting that secular growth trends in tech spurred high-quality companies to fetch attractive valuations, even with the stubborn buyer-seller gap plaguing many in the industry. Exit activity in Q3 was particularly strong, with 106 exits for an aggregate of $42 billion, and has slid down since then to 83 exits for $25.8 billion in Q4.

IPOs remained far and few between, which is indicative of the still-cautious market sentiment. There were only two IT public listings in 2024—Ingram Micro and OnStream, which were valued at $4.9 billion and $4.3 billion, respectively. The success and size of the two public listings provide a positive sign for those exploring a public market exit, as more investors grow confident in the IPO market. Meanwhile, corporations and sponsors picked up PE-backed tech companies at larger sizes. Both sponsors and corporate buyers drove higher exit values in 2024 despite a smaller uptick or decrease in exit count: There were 117 exits to other sponsors for $25.6 billion in 2024, compared with 94 exits for $12.9 billion in 2023; and there were 86 exits to corporates for $42.6 billion in 2024, compared with 98 exits for $24.4 billion in 2023.

Tech exit value remains above pre-pandemic averages, and we expect continued growth ahead. There were 21 mega-size IT exits in 2024, compared with just eight in 2023, which suggests that tech valuations have recovered meaningfully from their recent drop, and well-capitalized sponsors and corporate buyers are able and eager to pursue high-quality companies at larger transaction sizes.

Healthcare PE exit activity



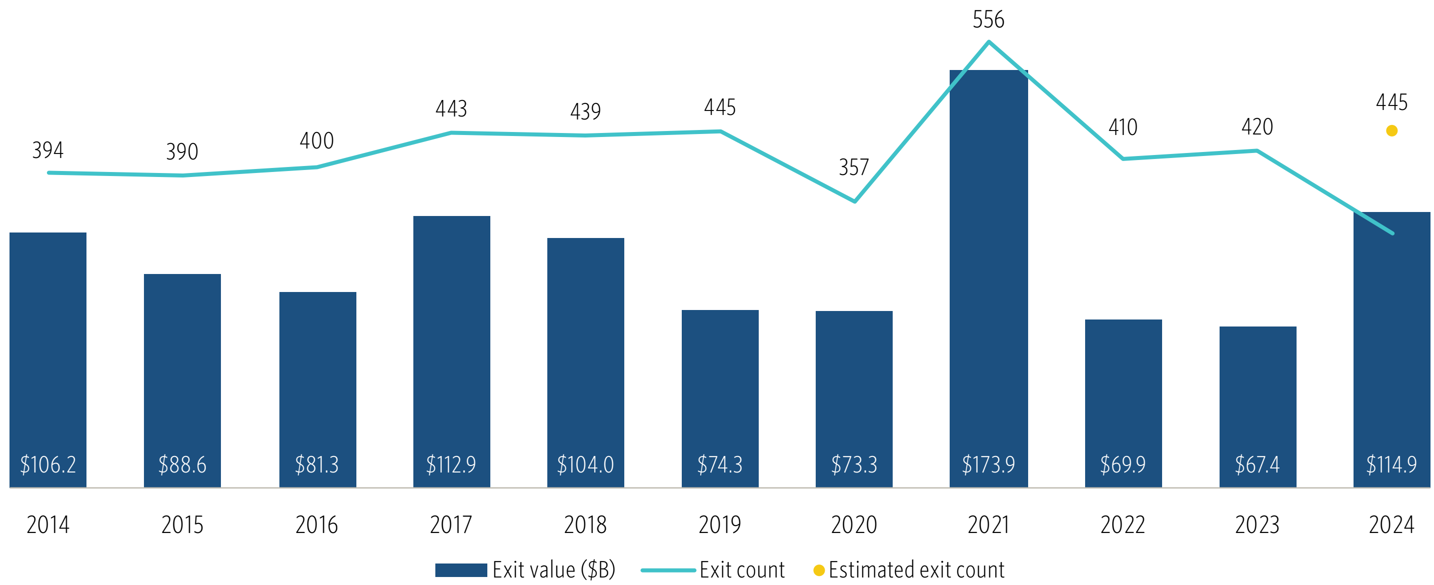
Source: PitchBook • Geography: US • As of December 31, 2024

Healthcare

Healthcare exits in Q4 2024 demonstrated sustained resilience, building on the sector's recovery throughout the year and reflecting notable improvements in both exit value and count compared with 2023, despite continued challenges in larger deals. Exit value totaled $16.7 billion, representing 13.6% of total PE exit value and an 123.2% YoY increase from Q4 2023—though still down 72.8% from the 2021 peak—while exit count declined slightly to 10.9% of total exits, from 12.7% in Q4 2023 and below the five-year average by 120 basis points. From the full-year view, the 2024 exit value of $51.7 billion improved drastically from $28.7 billion in 2023, a 79.8% YoY increase.

For context of the numbers given, there were multiple announced and completed exits in the healthcare sector during Q4 2024, spanning IPOs, M&A transactions, and reverse mergers. The largest announced deal was the $8.5 billion reverse merger of PE-backed CARE Hospitals with Aster DM Healthcare. This transaction stands out as a strategic consolidation in the hospitals and inpatient services segment. Several other significant M&A transactions underscore a sustained appetite for strategic acquisitions. Advanced Diabetes Supply reached a $1.1 billion agreement to be acquired by Cardinal Health, reinforcing distributors' efforts to consolidate their value chains. Prospect Medical Holdings entered into a $745 million acquisition agreement with Astrana Health, reflecting continued interest in hospital services. Ambry Genetics announced it will be acquired by Tempus AI for $600 million, illustrating the sector's ongoing convergence of biotech and digital health capabilities.

Industrials PE exit activity



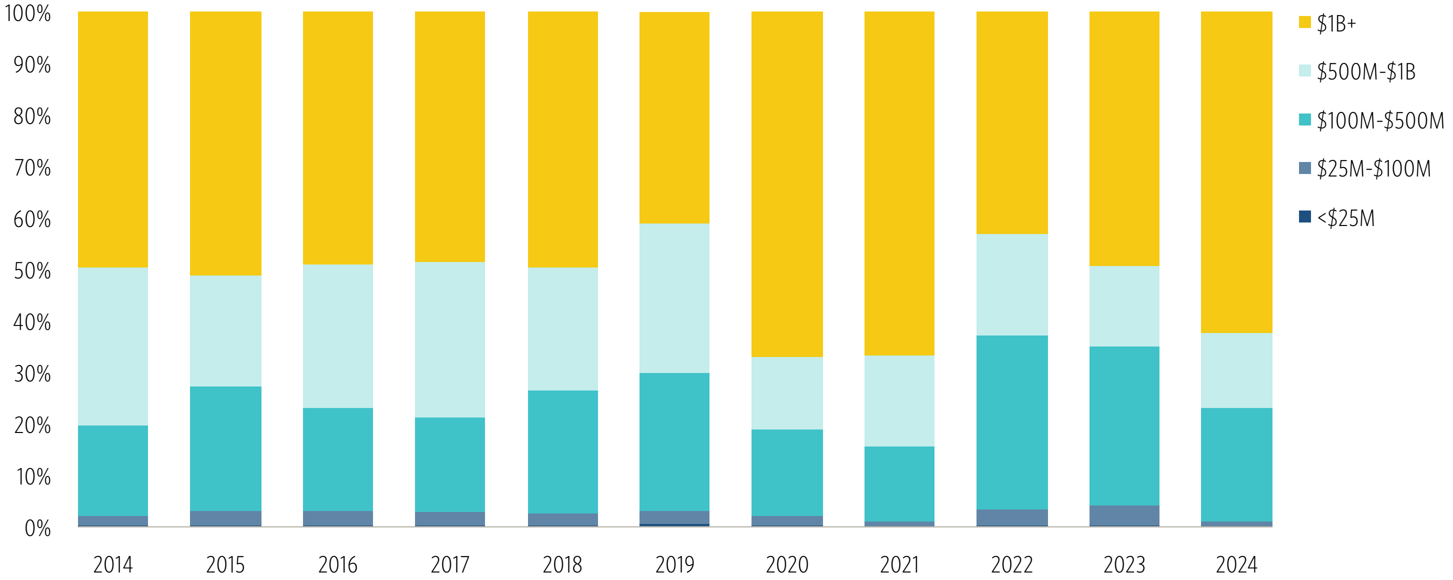
Source: PitchBook • Geography: US • As of December 31, 2024

Industrials

Industrials PE exit count increased modestly in 2024 versus prior years, while exit value is tracking well above the past couple of years, indicating that the value of exits is rising. The sector experienced an estimated 445 exits with an estimated exit value of $114.9 billion, compared with 420 exits in 2023 with an exit value of $67.4 billion, and 410 exits in 2022 with an exit value of $69.9 billion. Industrials exit count was 5.9% above 2023, while exit value was a surprising 70.5% above 2023. Looking at the five-year average, exit count is tracking 1.6% above the five-year average of 438—though this number is skewed by historically strong 2021, which saw 556 exits—while industrials exit value is 15% above the five-year average of $99.9 billion; though it is also skewed by the inclusion of 2021, which saw a huge $173.9 billion in industrials exits. As a percentage of total exits, industrials exit count was 29.6% of total exits in 2024, while exit value was 27.8% of total exit value. This is in contrast with the past five years, which saw industrials exits average 29.9% of total exits and 22.5% of total exit value. While industrials exit count is in line with the five-year average, due to the rise in exit value, industrials exit value has risen as a percentage of total exit value. We think these trends could shift in the start of 2025, as industrials companies may hesitate to make deals in an uncertain environment in which strong tariffs are contemplated. Although, lower corporate tax rates dangled by the new administration could spur deal activity if it becomes likely that these lower tax rates could be enacted into law.

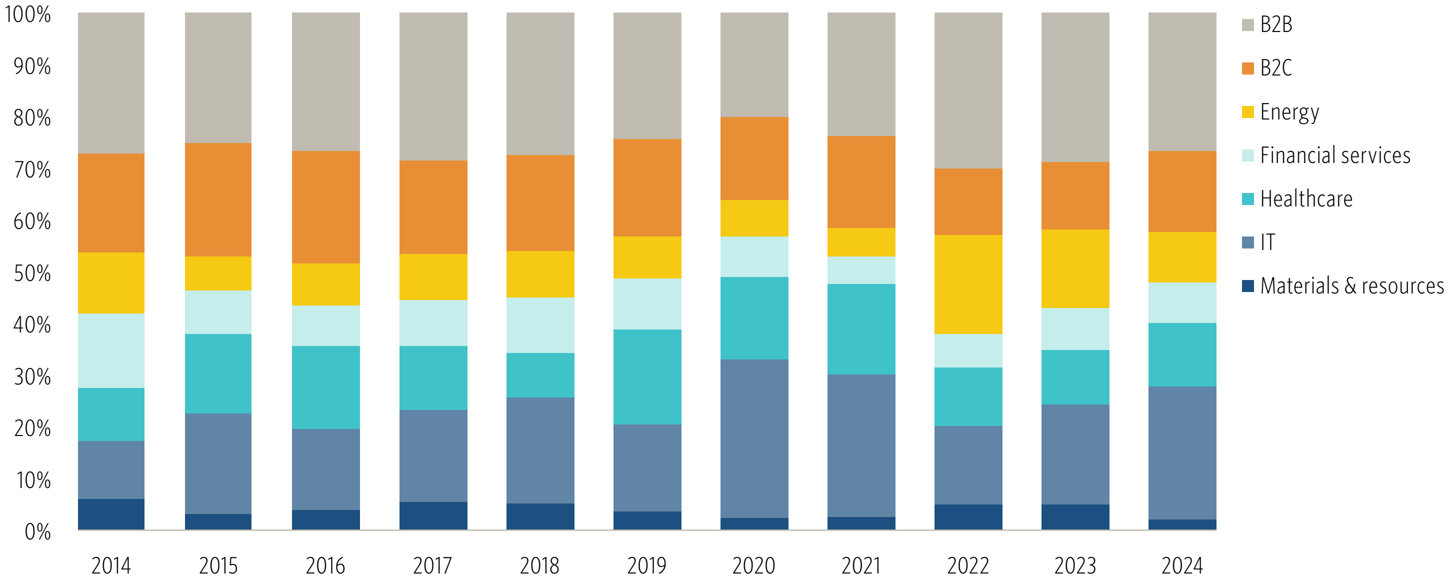
Among recent larger exits, we highlight two: BlueHalo's $4.6 billion deal on November 19 to be acquired by AeroVironment, with Arlington Capital Partners exiting its full stake and Joele Frank, RBC Capital Markets, and J.P. Morgan Securities advising; and AOC Resins agreement to be acquired by Nippon Paint Holdings for $4.4 billion, with Lone Star Funds exiting 100% of its stake and Jamieson Corporate Finance, Citigroup, BofA Securities, Mizuho Financial Group, and Morgan Stanley advising.

Share of PE exit value by size bucket



Source: PitchBook • Geography: US • As of December 31, 2024

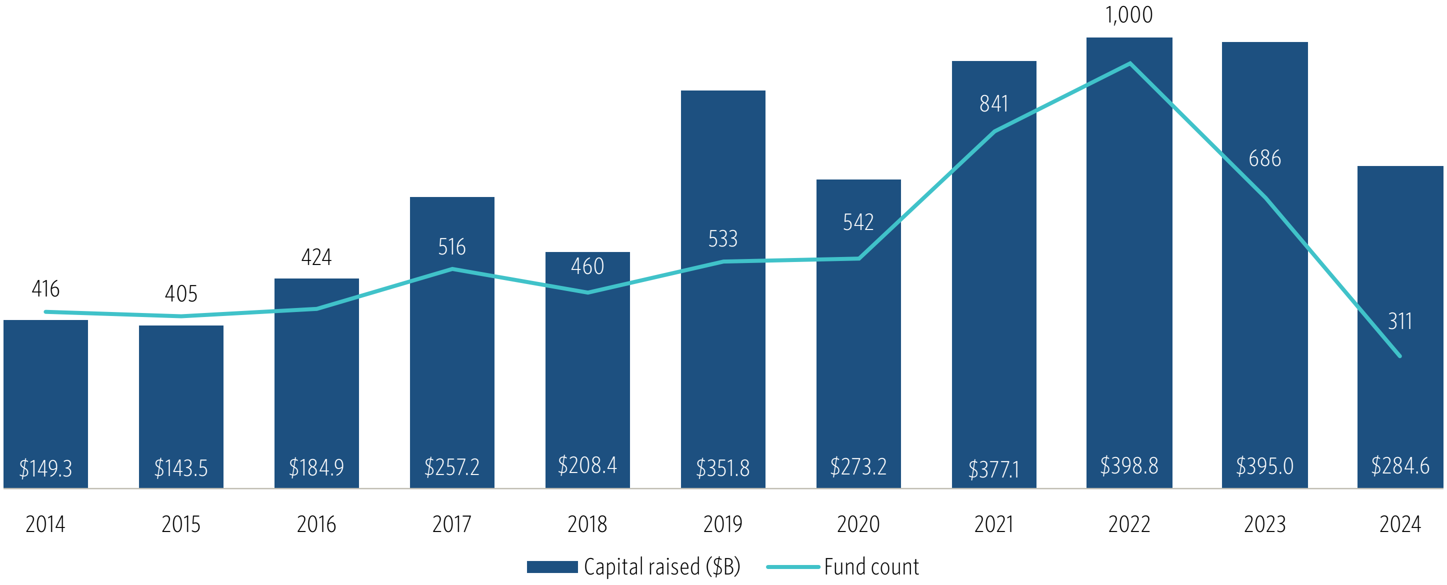
Share of PE exit value by sector



Source: PitchBook • Geography: US • As of December 31, 2024

Fundraising

PE fundraising activity



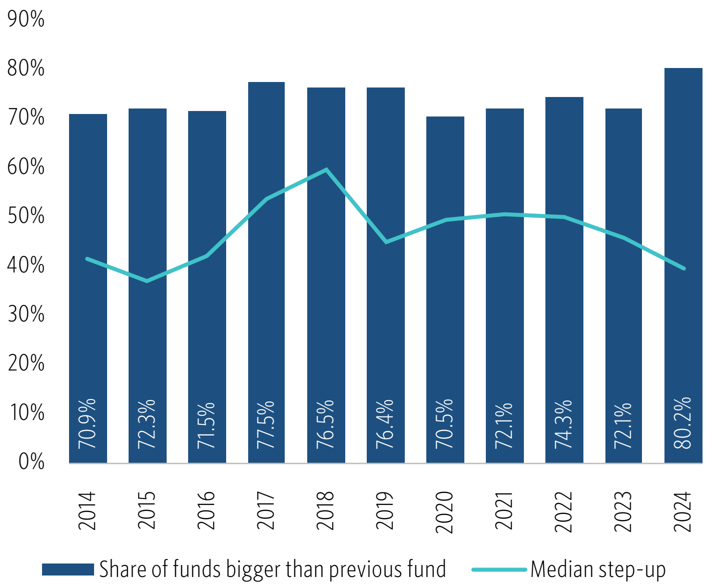
Source: PitchBook • Geography: US • As of December 31, 2024

Overview

Looking at the year wrapped up, 2024 US fundraising seemingly hit an air pocket at the end, with the fourth quarter representing the year's weakest quarter by far. When adjusting for the expected lag in the data from late-reporting funds, which typically adds 20% in total value for a given quarter, PE fundraising is in line to finish above the $300 billion mark. Still, it will likely remain well below the $395 billion raised in 2023. Through the end of December, the asset class has raised $284.6 billion across 311 funds. We view fundraising as the ultimate lag indicator for the PE industry. Deals and exits took their lumps early in the current lifecycle. That downtick may be catching up to fundraising in 2025. Our 2025 US Private Equity Outlook lays out our expectation that PE will see an annual decline in fundraising.

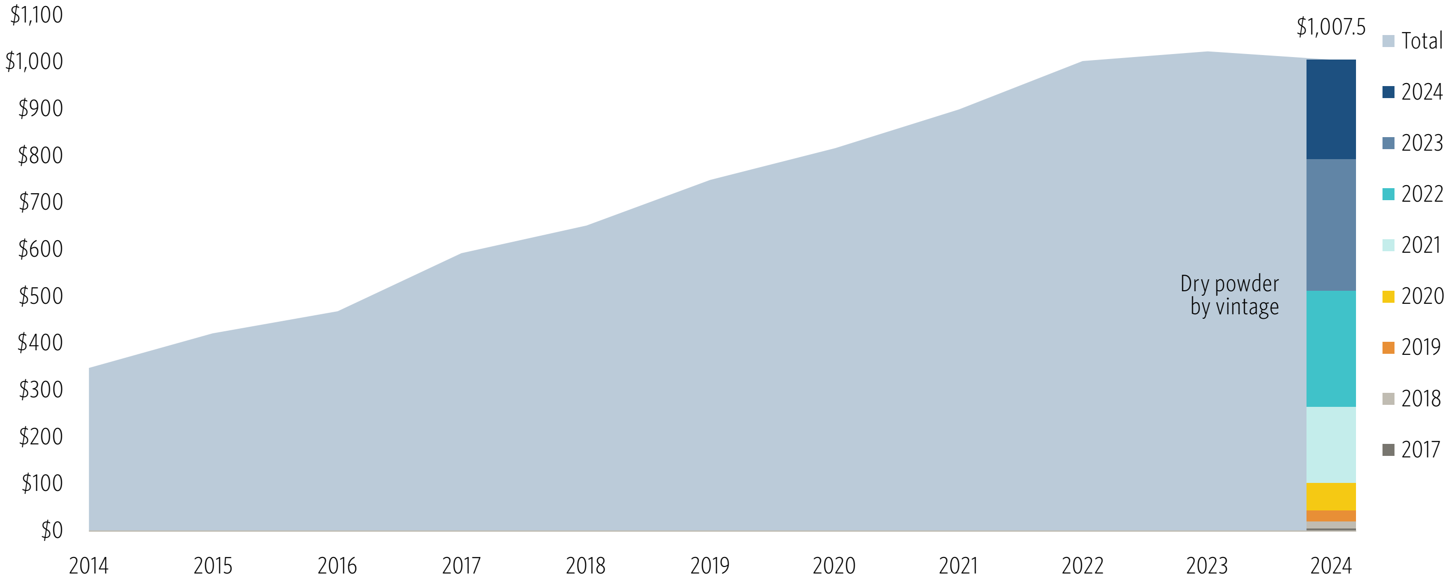
The slower pace of fundraising has led to a continuation of the trend seen over the past couple of years, where funds are taking longer to raise. The median time to close has stretched to 16.2 months through the end of 2024, up from 13.8 months in 2023 and 11 months in 2022. Going forward, as deal activity improves—along with exit activity, which is the flywheel in the PE ecosystem—things could pick back up, and as a result, the median time to close a fund could flatten out or even start to decline. Although fundraising has taken longer, it has

Median step-up from previous PE fund in fund family



Source: PitchBook • Geography: US • As of December 31, 2024

PE dry powder ($B)



Source: PitchBook • Geography: US • As of June 30, 2024

not impacted the rate at which GPs return to market with successor funds. The median time between funds has fallen to three years, below the 3.5 years in 2023 and the five-year average of 3.1 years.

While fundraising activity has seemingly moderated, established managers continue to see their funds receive step-ups at record levels. In 2024, 80.2% of PE funds closed at a larger size than their predecessor fund, the highest rate seen for the asset class and surpassing the five-year average of 73.1%. Despite the record, the median step-up of 39.7% is its lowest since 2015 and remains well below the five-year average of 48.2%. This may all stem from the recent slowdown in fundraising as LPs remain constrained, with distributions back to them still below historical rates. Despite being able to show off the success of predecessor funds, the lack of exits gives sponsors less leverage when holding talks with LPs for their next vintage fund. The lack of distributions back to LPs over the past two years has limited many LPs in terms of capital available to recycle into the next vintage of funds. As a result, GPs may be seeing their step-ups capped.

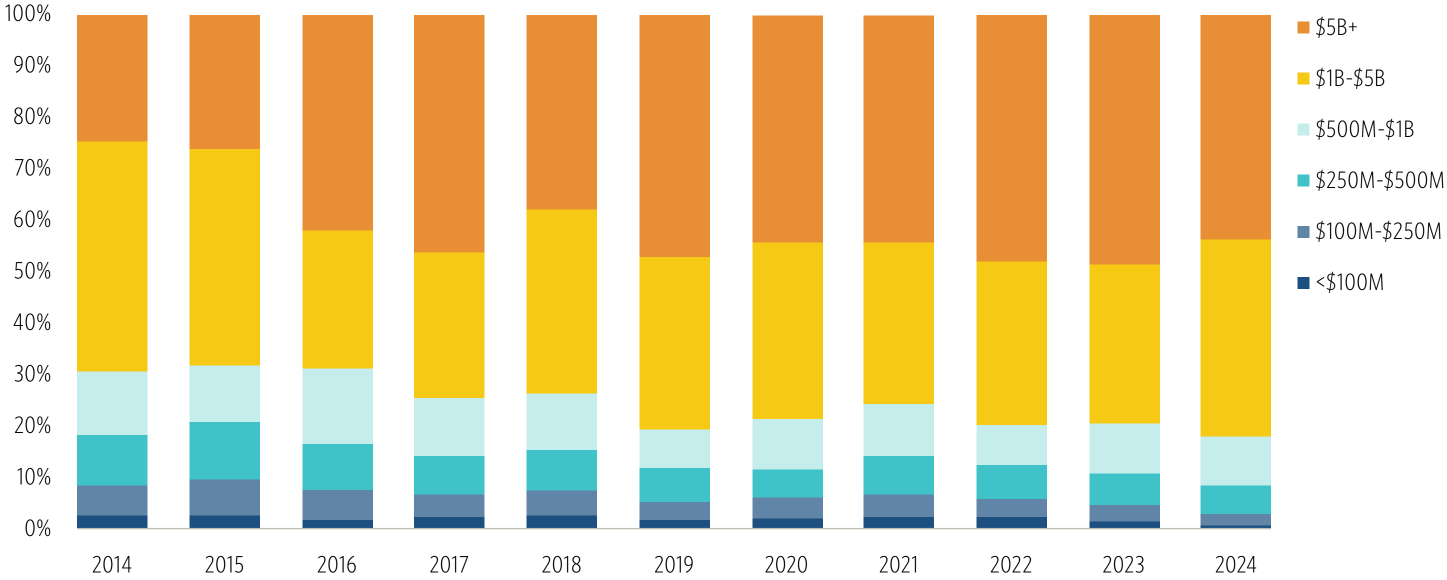
Regarding fundraising by strategy, buyouts continued its historically dominant run, accounting for $235.5 billion, or 82.8% of all capital raised in 2024—the strategy's highest share in three years. Throughout 2024, this increase in buyout fundraising came at the expense of growth equity, which accounted for $43.2 billion, or 15.2% of total fundraising for the year—its lowest point since 2020. The capital raised by growth equity sits well below the $72.6 billion raised by the strategy in 2023, before including any late-reporting funds. Despite the appeal on the buy side for sponsors to forgo the higher cost of capital by sticking to the equity-only checks seen in growth equity, LPs have seemingly shifted away from the high-growth strategy for the more digestible buyout strategy.

AUM and dry powder

US PE AUM pushed higher at the start of 2024 to reach $3.5 trillion, marking what would be the 16th straight year of AUM growth for the industry. However, growth has slowed in 2024, following a moderated 2023 in terms of AUM growth. YoY growth of AUM for the asset class slowed to 3.7% halfway through 2024, following 2023's growth of 8.1%—both falling short of its 10-year CAGR of 12.7%. AUM comprises invested assets and uncalled capital, also known as dry powder. Continued growth for the remaining value portion of AUM leaves dry powder as the main factor behind the slowdown in AUM growth.

After pushing through the $1 trillion mark in 2022 and peaking in 2023, dry powder remains above the $1 trillion mark but has since started to decline. Dry powder's share of AUM now sits at 28.4%—its lowest reading ever—and sits below the 10-year average of 36%.

Share of PE capital raised by size bucket



Source: PitchBook • Geography: US • As of December 31, 2024

Dry powder is now declining, not growing, and asset appreciation is roughly equal to the distribution rate, leaving new commitments as the likely culprit. Furthermore, the roles have now switched, where deployment is outpacing fundraising, as fundraising has seemingly hit an air pocket, while deal activity continues to pick back up. As previously noted, total capital announced at the time of a fund's final closing can be a lagging indicator. In contrast, AUM methodology is based more on the timing of cash inflows and outflows on a quarterly basis. The decrease in dry powder is the clearest indicator yet that fundraising has slowed.

Megafunds

Megafunds—funds that raise $5 billion or more—continue to support PE fundraising, accounting for 43.7% of all capital raised in 2024, while representing only 3.5% of fund count. Throughout the year, 10 megafunds closed on a combined $124.4 billion, which falls below each of the past three years on both counts. The fourth quarter saw the final close of two megafunds: Summit Partners and Berkshire Partners, raising $9.5 billion and $7.8 billion, respectively. While these megafunds continue to attract substantial capital, with several hitting the $20 billion mark, it is worth noting that they still take longer to raise compared with megafunds raised in prior years.

To date, the number of megafunds open and raising capital is 12 and sits below the 16 open and growing in the same period in 2023. While there is still a healthy list of open megafunds, only a few have raised a significant portion of their intended target, making them unlikely to close within the calendar year 2025. As a reminder, we only include total committed capital on funds that have achieved a final closing in our tally of annual fundraising. As these gargantuan funds close, they are being replaced by smaller funds, and as a result, PE fundraising has started to level out in terms of total capital raised.

The top 10 open funds in the market today have targets totaling $129.6 billion, of which 36.8% has been collected in initial closings. This compares with $139.1 billion for the top 10 open funds in 2023, of which 73.2% had been raised. Not only are the top 10 shrinking in terms of intended targets—with a shortfall totaling nearly $10 billion—but they are also filling up more slowly, with an annual shortfall of more than $50 billion. Six of the top 10 open funds in 2024 launched just in 2024, and applying the median close time of 16.2 months means they are not likely to achieve a final closing until 2026. In just the past few months, several megafund launch announcements have been made, collectively targeting over $50 billion in capital commitments. Still, as they just launched or are soon to launch, they are unlikely to bolster our fundraising data in 2025.

Notable open PE megafunds

Fund	Fund type	Open date	Fund target ($M)	Raised amount ($M)
Blackstone Capital Partners IX	Buyout	June 21, 2022	$20,000.0	$20,777.4
KKR North America Fund XIV	Buyout	June 24, 2024	$20,000.0	N/A
Thoma Bravo Fund XVI	Buyout	April 5, 2024	$20,000.0	$1,600.0
Clearlake Capital Partners VIII	Buyout	June 20, 2023	$15,000.0	$7,500.0
Veritas Capital Fund IX	Buyout	May 13, 2024	$13,300.0	$1,000.0
Insight Partners XIII	Buyout	July 8, 2022	$12,500.0	$10,000.0
Trident X Fund	Buyout	May 6, 2024	$9,000.0	$950.0
Thoma Bravo Discover Fund V	Buyout	April 5, 2024	$7,000.0	$548.0
Providence Strategic Growth VI	PE growth/expansion	August 10, 2023	$6,500.0	$5,059.4
Thomas H. Lee Equity Fund X	Buyout	August 19, 2024	$6,250.0	$200.0

Source: PitchBook • Geography: US • As of December 31, 2024

Notable closed PE funds YTD

Fund	Fund type	Close date (2024)	Fund target ($M)	Raised amount ($M)
Silver Lake Partners VII	Buyout	May 8	$20,000.0	$20,500.0
Vista Equity Partners Fund VIII	Buyout	April 18	$20,000.0	$20,000.0
New Mountain Partners VII	Buyout	July 1	$12,000.0	$15,425.3
BDT Capital Partners Fund 4	Buyout	January 12	$13,000.0	$14,000.0
Platinum Equity Capital Partners VI	Buyout	July 30	$12,000.0	$12,600.0
TPG Partners IX	Buyout	February 13	$15,000.0	$12,014.0
Summit Partners Growth Equity Fund XII	PE growth/expansion	October 2	N/A	$9,500.0
Berkshire Fund XI	Buyout	October 30	$6,500.0	$7,800.0
The Resolute Fund VI	Buyout	January 29	$6,850.0	$6,850.0
ICONIQ Strategic Partners VII	PE growth/expansion	July 22	N/A	$5,750.0

Source: PitchBook • Geography: US • As of December 31, 2024

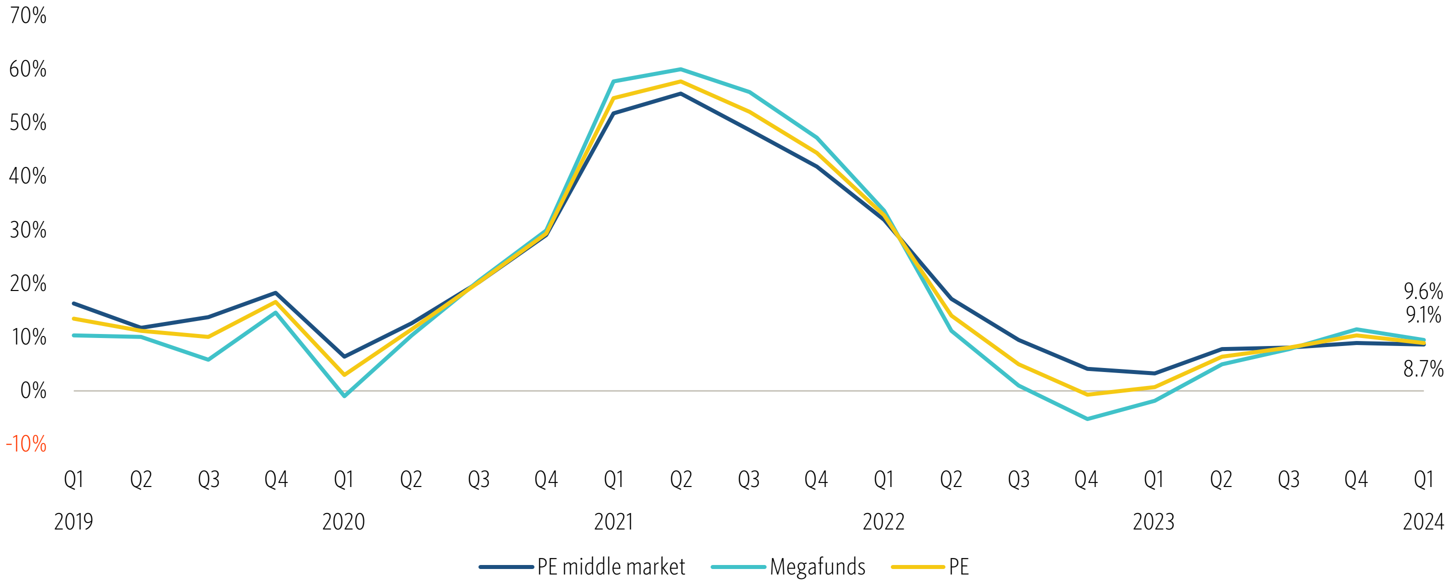
Middle-market funds

Like the broader market, middle-market funds are seeing fundraising levels slow from the vigorous pace seen in recent years. Middle-market funds raise between $100 million and $5 billion. In 2024, middle-market managers held final closes on 172 funds worth $158 billion. In turn, capital raised by middle-market managers represents 55.5% of all capital raised in 2024. For most of the year, middle-market fundraising benefited from the more challenging macroeconomic landscape, as investors gravitated toward smaller funds focused on smaller deals. Smaller deals have been more manageable, and financing is more accessible.

Additionally, the lower end of the market offers more favorable valuations, offsetting higher borrowing costs. However, there were more market stabilizations as 2024 progressed, with the Fed cutting rates by 100 basis points. With the rate-cut cycle underway, these market headwinds that favored middle-market vehicles in the first half of 2024 may fade, making fundraising efforts more challenging for middle-market managers. It remains to be seen if these factors will be more apparent in the new year for 2025 fundraising efforts.

Performance

Quarterly rolling one-year PE fund performance by size



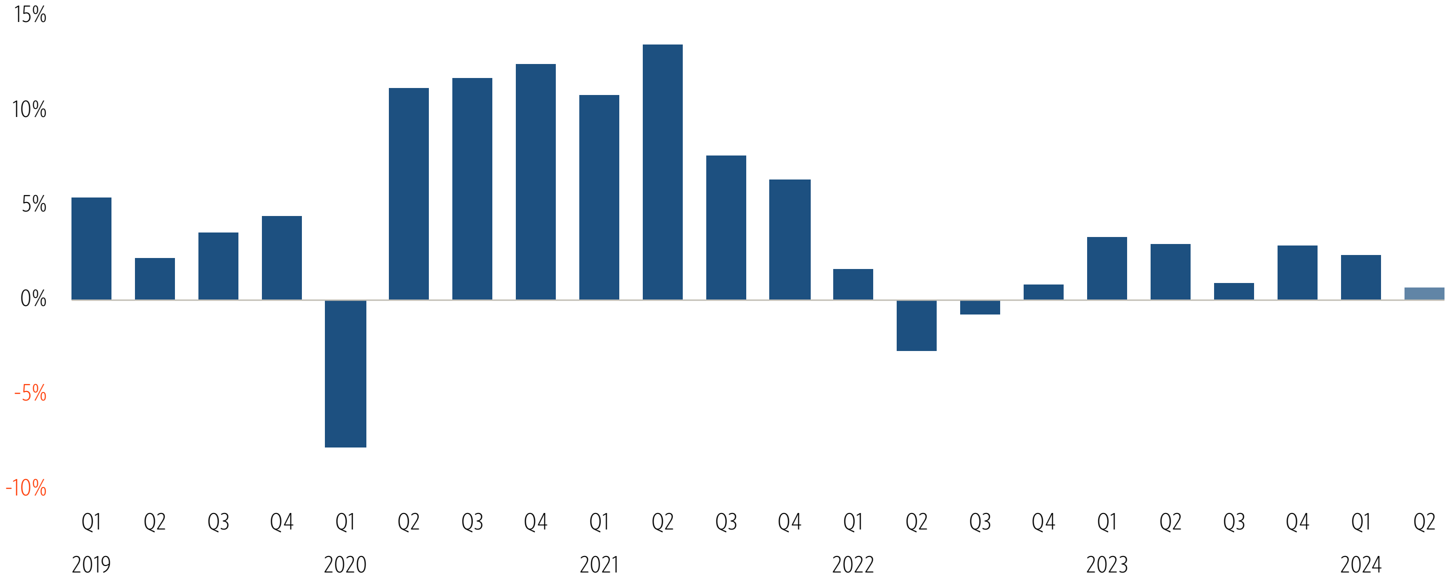
Source: PitchBook • Geography: US • As of December 31, 2024

PE performance has found solid footing over the past three quarters but has yet to cement itself into double-digit territory like the industry has grown accustomed to. The asset class dipped its toes back into double digits in Q4 2023 when looking at its rolling one-year return of 10.3%. Fast forward to the end of Q1 2024, returns were still healthy, though they dropped slightly to 9.1%. While PE returns continue solidifying, the asset class still sits well below that of the S&P 500 and Russell 2000, with one-year returns of 29.9% and 19.7%, respectively, through the first quarter of 2024. On a two-year basis, PE pulls ahead of the Russell, a more comparable benchmark. However, IRRs differ from an index's time-weighted returns, and readers are encouraged to refer to public market equivalent comparisons, as presented in our quarterly PitchBook Benchmarks reports.

Throughout 2024, exit activity finally turned around, finishing the year 49% above the prior year in terms of exit value. We expect that trend to continue in 2025. Supporting this has been the continued success in public markets, providing a tailwind to managers. Moreover, the Fed's three recent rate cuts, totaling 100 basis points, lowered the cost of capital and improved sentiment for managers. This allows managers to reopen the playbook to include larger LBOs, thus further increasing optimism for future returns and distributions. In addition to supporting an active dealmaking market, a lower-rate environment strengthens exit opportunities—another reason managers are optimistic about future returns.

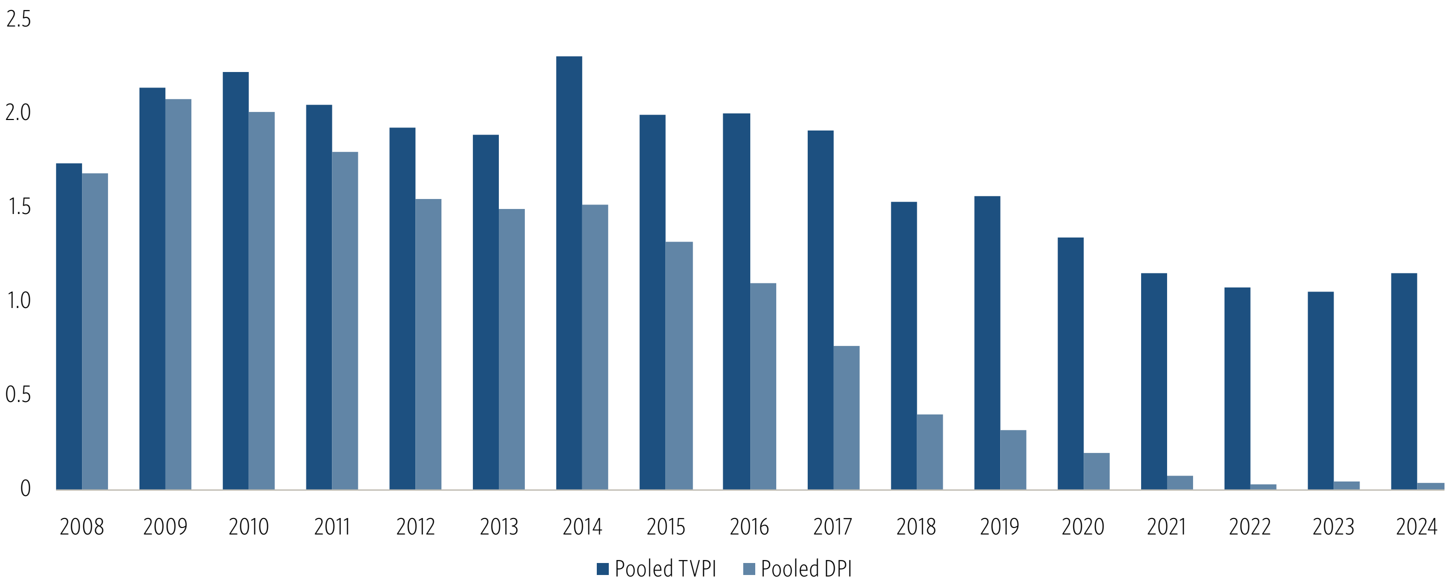
By size, fund performance has changed the guard, as megafund managers have regained the top spot after a year and a half of outperformance from middle-market managers. The trend that started at the end of 2023 continued through the first quarter of 2024. These cycles of outperformance between megafund and middle-market managers tend to run their course after one to three years before reversing again, with this latest cycle reversing after six consecutive quarters, as the rally in large-cap equities resulted in more positive marks to portfolio values.

PE funds IRR by quarter



Source: PitchBook • Geography: US • As of December 31, 2024
Note: Q2 2024 data is preliminary.

Total value to paid-in (TVPI) and DPI capital returns by fund vintage

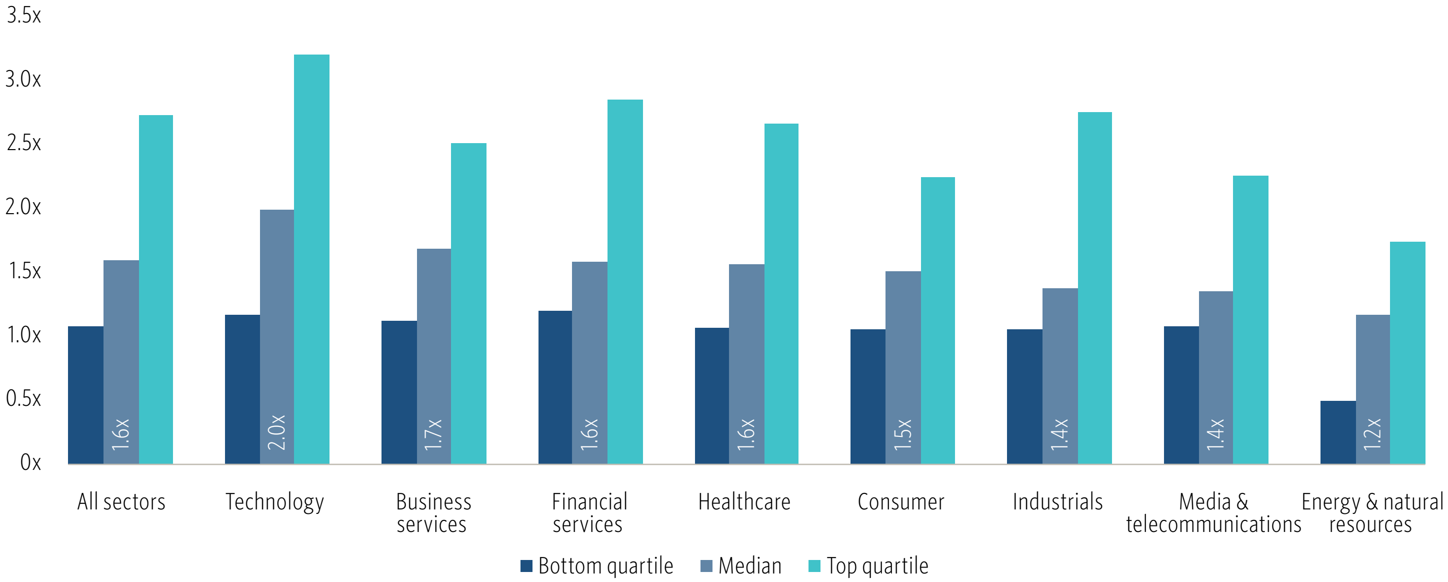


Source: PitchBook • Geography: US • As of December 31, 2024

Deal performance benchmarks from DealEdge

PitchBook has entered into a joint market report agreement with DealEdge and its partner owners Bain & Company and CEPRES, pursuant to which PitchBook and DealEdge will collaborate on certain reports and data initiatives. DealEdge is a private equity analytics platform for benchmarking sector performance and overall PE asset-class performance at the deal level. Please inquire at www.dealedge.com for more information on the DealEdge analytics platform.

MOIC returned by sector (2018-2024)



Source: DealEdge • Geography: US • As of December 31, 2024
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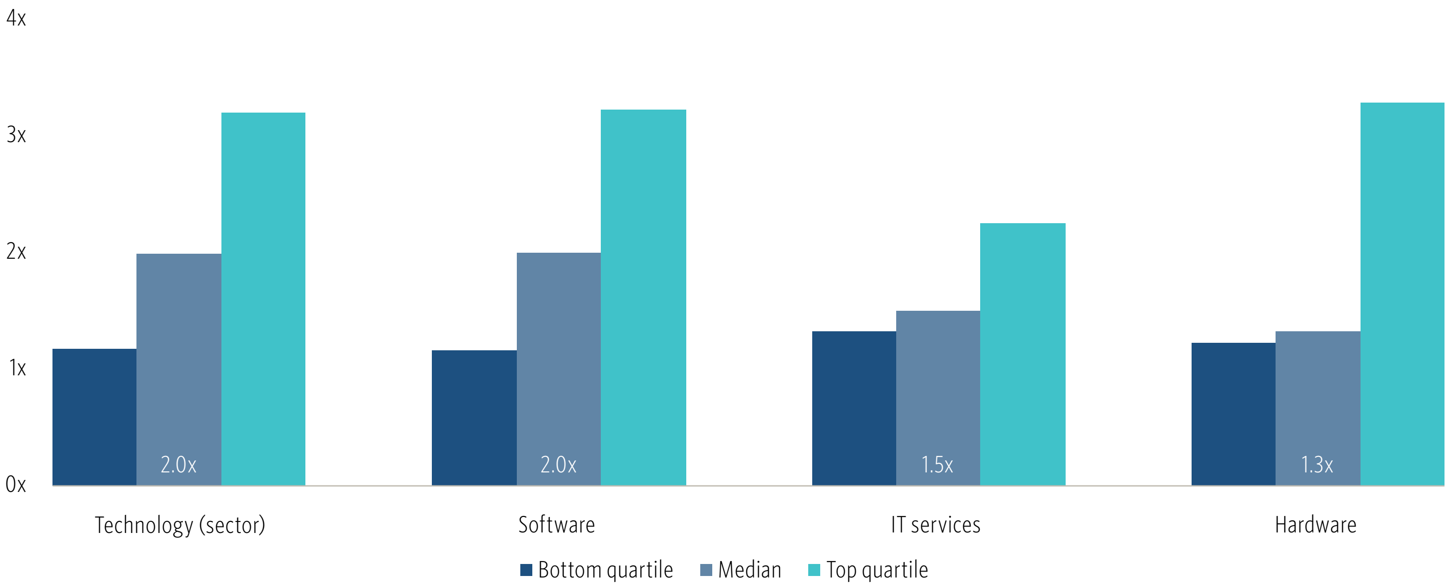
Technology MOIC by subsector (2018–2024)



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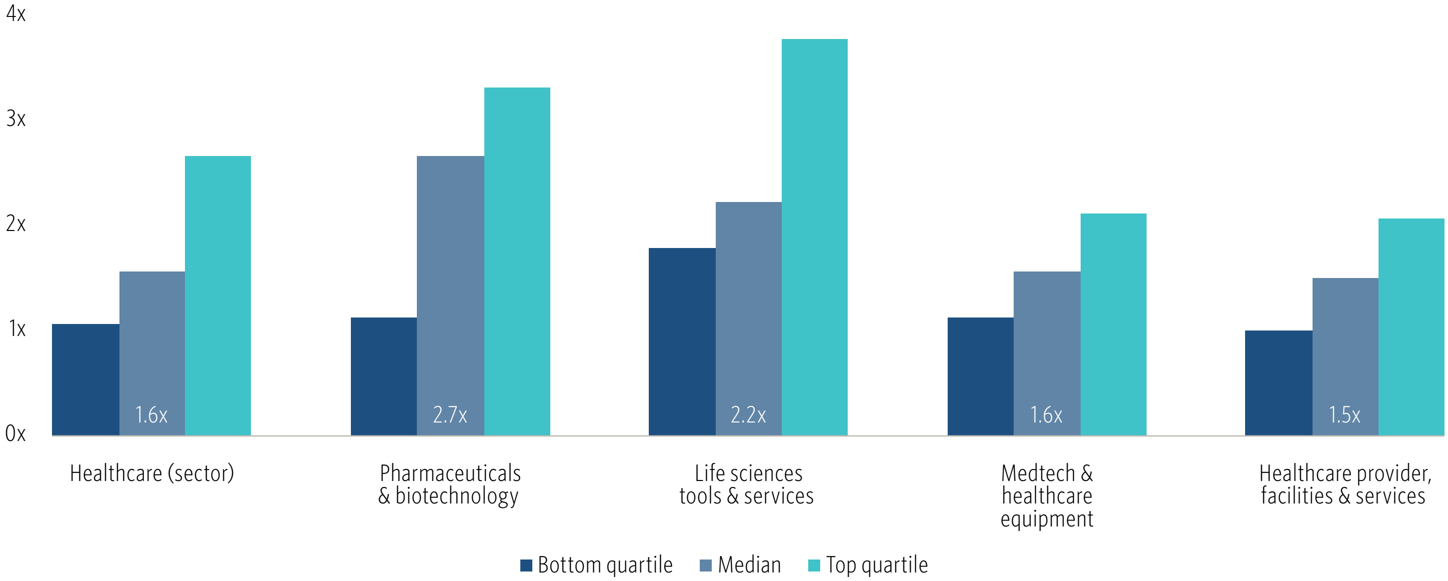
Healthcare MOIC by subsector (2018–2024)



Source: DealEdge • Geography: US • As of December 31, 2024
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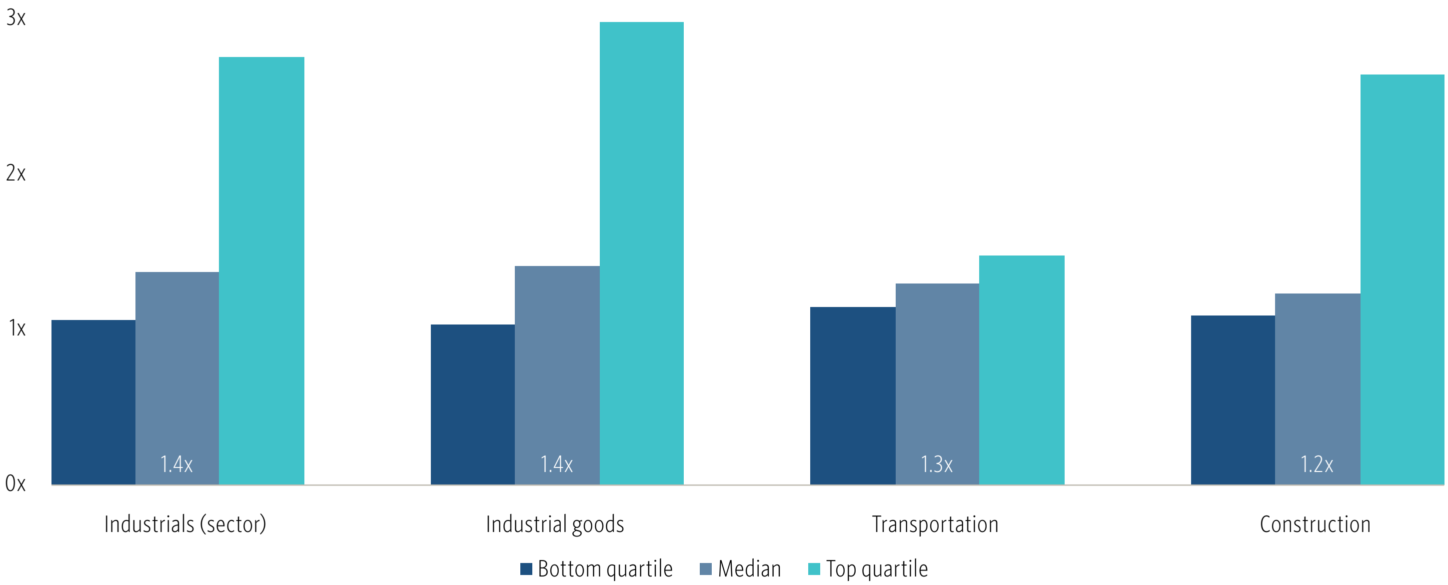
Industrials MOIC by subsector (2018–2024)



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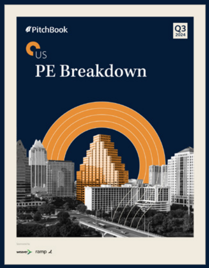
Additional research

Private markets



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