

# US PE Middle Market Report

Q2 2021



# Strength is in selectivity.

While lingering and potentially new COVID-related challenges remain, certain trends indicate a continued return to pre-COVID levels is ahead. In this issue's Q&A, Tim Lyne, COO, Antares, offers our expectations for the remainder of the year, not just as they relate to the broader middle market but also our own portfolio and deal pipeline.

**Read the full Q&A in this issue.**

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# Introduction

**US middle-market PE dealmaking remained resilient in Q2 2021, driven by continued economic recovery and significant capital availability, despite several macroeconomic headwinds.** Add-ons also continued their over a decade-long trend and increased as a share of PE deals. Mid-market PE firms sought to bolt on mid-sized aggregators and pursue transformational M&A to scale up platforms, diversify and expand along the value chain, or incorporate environmental, social, and corporate governance (ESG) values.

**Attractive valuations and investor confidence led to healthy exit activity in the middle market, even as exits to strategics lagged.** Valuation growth and middle-market firms' success in scaling up their platforms were evident in the steady growth of exits in the \$100 million to \$500 million EV bucket and decline of exits under \$100 million as a proportion of middle-market exits overall.

**Middle-market fundraising set off at a rapid clip in the first half of 2021.** Buyout firms benefited from LPs' robust appetite for private markets exposure and the unprecedented dealmaking activity that allowed firms to

deploy capital and return to fundraising at a breakneck pace. Although first-time funds and emerging managers in the middle market posted healthy numbers in 2021 as a whole, some large LPs continued to drift toward writing fewer, larger checks to huge multistrategy firms or allocating to new products offered by managers with whom they already have a relationship.



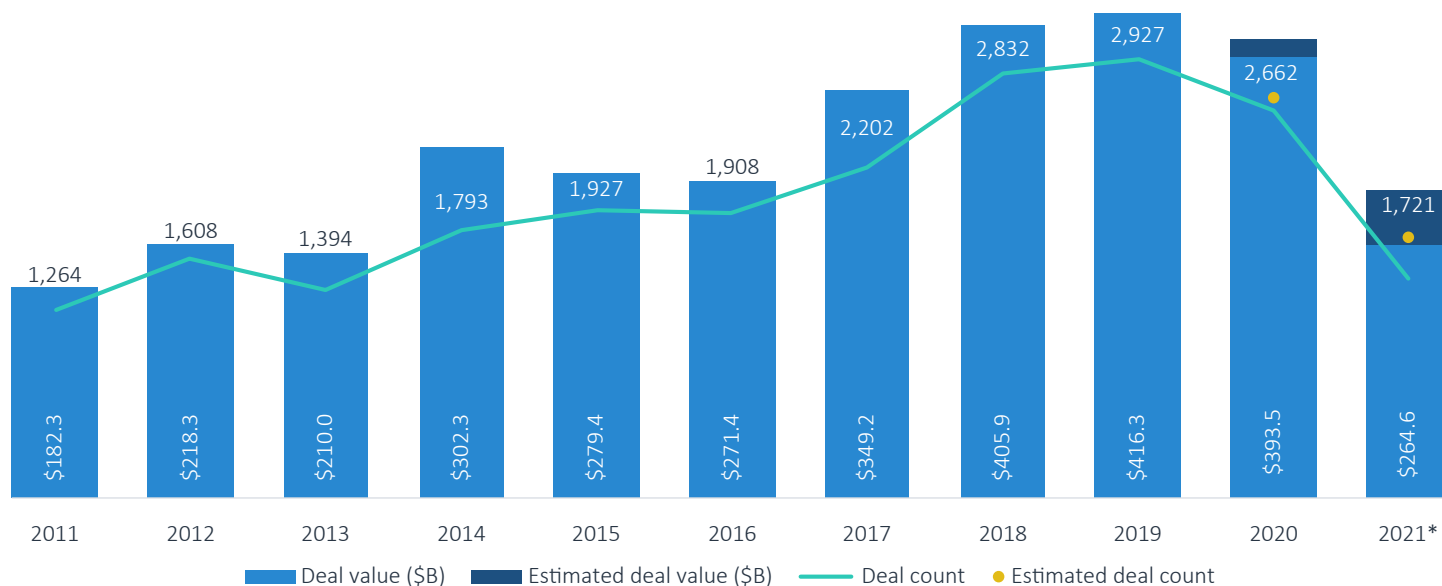
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# Overview

## PE middle-market deal activity

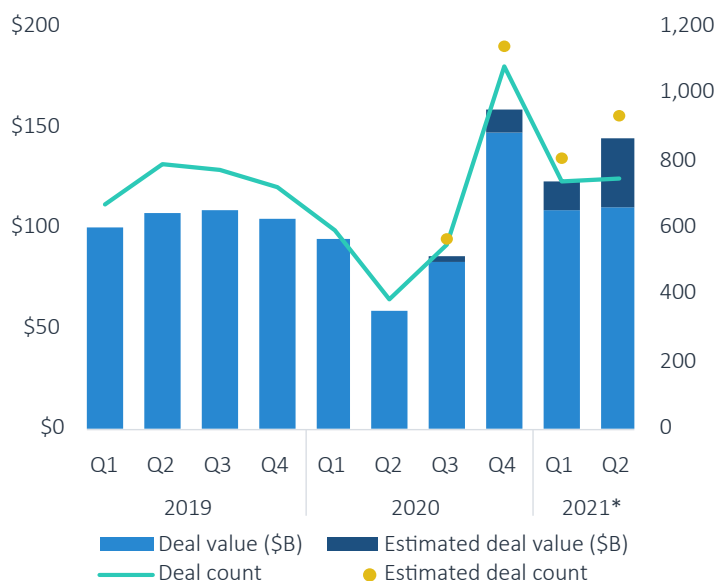


Source: PitchBook | Geography: US  
\*As of June 30, 2021

US middle-market PE dealmaking continued at a frenetic pace in Q2 2021. Firms closed 925 middle-market deals in the quarter for a combined \$142.9 billion, with 2021 on track to easily eclipse the prior annual record set in 2019. The year-end figures may be even more remarkable, given that stakeholders will likely be rushing to push deals across the line before the end of the year, which may result in a Q4 spike similar to what we saw at the end of 2020. Anecdotal reports claim bankers are hiring additional analysts to work through all the backlog before 2021 closes.

The forces that drove outsized deal numbers in Q1 2021 continued in Q2. Forces include robust economic recovery, an ample supply of debt from direct lenders, and attempts by many business owners to front-run the potential capital gains tax hike. The US economy continues to bounce back and post healthy numbers, emboldening dealmakers. US GDP grew at an annualized 6.5% in Q2, slightly up from Q1's 6.3%. Zeroing in on the middle market, the Golub Middle Market Index—which includes US middle-market companies—registered 31% EBITDA and 21% revenue growth from Q2 2019 to Q2 2021. Direct lending funds, which account for the majority of middle-market LBO financing, hit record [fundraising levels](#) in Q2. A continued push into alternative credit is

## PE middle-market quarterly deal activity

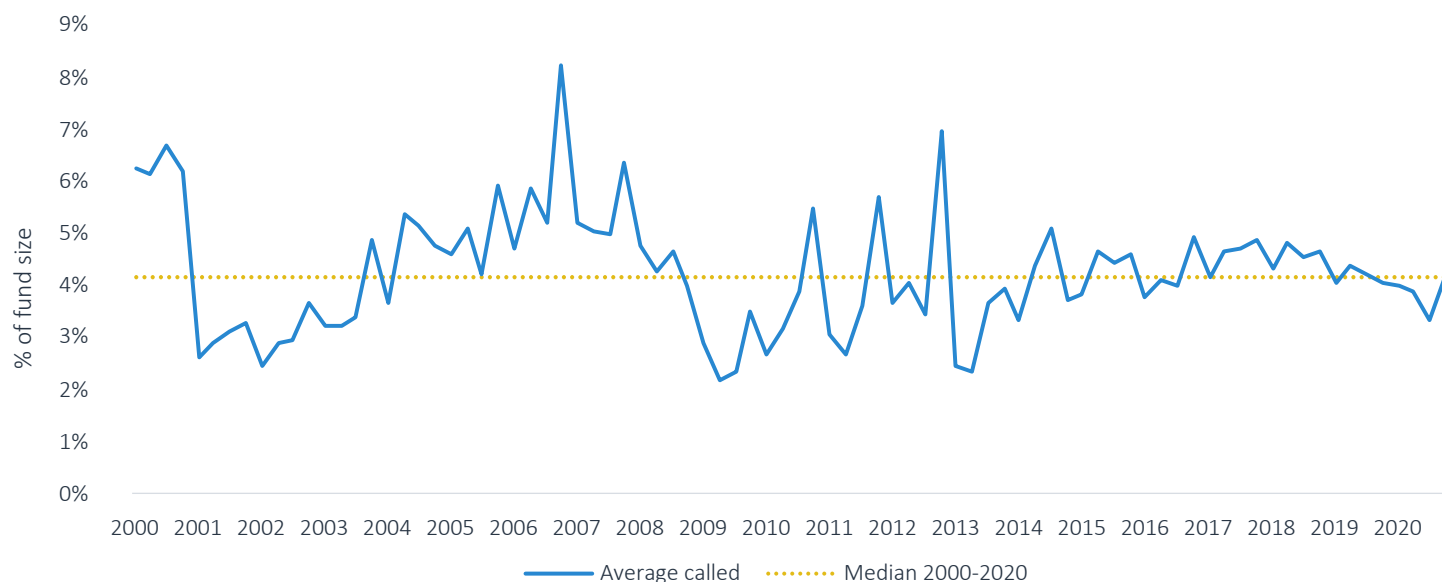


Source: PitchBook | Geography: US  
\*As of June 30, 2021



## Overview

### Average capital called by PE buyout funds\*



Source: PitchBook | Geography: US

\*As of June 30, 2021

Note: This chart includes data from US PE buyout funds regardless of size.

providing significant liquidity to the system and making financing deals even easier. And although it is still not clear whether a capital gains tax increase, if passed, would be applied retroactively or on January 1, 2022, the mere possibility—as well as the eagerness of middle-market GPs to deploy dry powder—has prompted many private business owners who were already considering a sale to seek one this year. Any further tax policy developments are unlikely to significantly change the deal flow trajectory for Q3 or Q4 2021; many investment banks' deal pipelines are already full through the end of the year.

Another factor that is sometimes cited—GPs rushing to make up for lost time due to the pause in dealmaking in Q2 and Q3 2020—is likely not a significant driver of Q2 2021's deal numbers. Our cash flow data indicates that the pandemic-induced drop in capital calls was both modest and fleeting. Instead, armed with ample dry powder, middle-market PE firms appear to be embracing the bullish dealmaking climate and robust opportunity set offered by so many business owners looking to sell quickly.

Looking beyond the data presented in this report, which is current through June 30, a note of caution is warranted. Beginning in July, the global spread of COVID-19 variants and weakened consumer demand in Asia began to send

jitters through financial markets, causing commodity prices to tumble. In the US, middle-market businesses are navigating a cooling off of the consumer demand boom that characterized the first half of the year, while the travel and hospitality industries face another setback. In July, the S&P Leveraged Loan Index lost 0.1%, its worst return figure since March 2020. Were this trend to continue, it could erode the runaway demand for high-yield debt that has lowered the cost of capital and greased the wheels of PE dealmaking in recent quarters. At this time, a significant pullback in middle-market dealmaking seems unlikely, but it now appears that COVID-19 aftershocks will continue to play a role in shaping private market activity for the foreseeable future.

Middle-market firms are also navigating other macroeconomic headwinds. The number of unfilled jobs has soared despite unemployment rates well above pre-pandemic levels, resulting in severe labor shortages in industries including manufacturing, healthcare, and hospitality. Employers are even offering signing bonuses for low-skilled jobs: The proportion of jobs posted on Indeed that offer incentives as well as pay and benefits has more than doubled from last year.<sup>1</sup> States that have already scaled back COVID-19-related unemployment benefits claim that the expiration of enhanced federal unemployment on September 6 may improve the situation, although likely not enough to keep up with the

1: "Hiring Bonuses Catch on in U.S. Race To Add Workers, Indeed Says," Bloomberg, Alexandre Tanzi, July 1, 2021.

## Overview

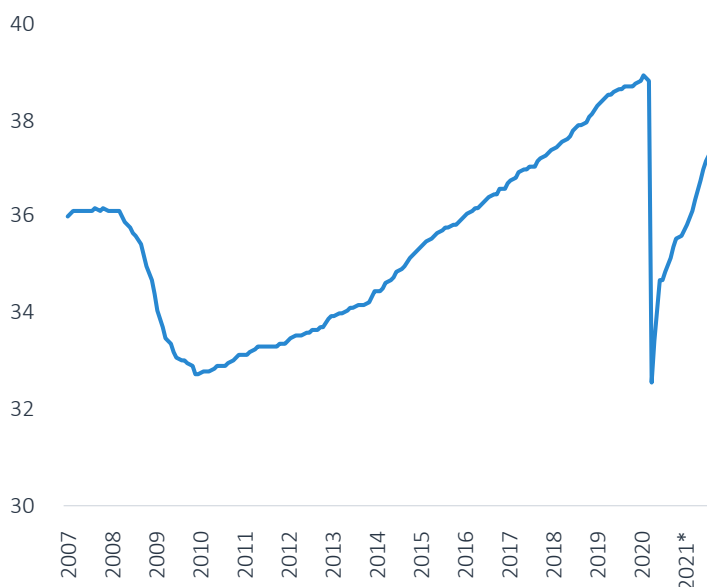
current pace of economic growth. This is driving firms to place an even greater emphasis on additive dealmaking to acquire hard-to-hire talent, as well as on automation technology and services that support employee management and retention. In line with this trend, K1 Investment Management's portfolio company Jobvite, a recruiting software platform for enterprise-grade companies, acquired JazzHR, a comparable product that caters to small and medium-sized businesses, for \$175.0 million.

Senior care is one vertical that exemplifies the effects of acute labor shortages. Staffing shortages that predated the pandemic were exacerbated due to high infection rates and staff burnout. In particular, the nursing home industry faces widespread financial distress due to COVID-19. As a result, middle-market PE firms have doubled down on the alternative: in-home care. But the value proposition for in-home care is complex. Demand has been spurred by demographic trends and many families' desire that their aging parents avoid COVID-19 exposure. However, the most recent billing guidelines from CMS (the Centers for Medicare & Medicaid Services) have squeezed provider revenues by reducing government reimbursement. Additionally, although it is somewhat easier to recruit and retain in-home care staff than nursing home facility staff due to decreased COVID-19 exposure risk and the potential for more flexible scheduling, the in-home care industry is far from immune to staffing challenges.

This will likely result in even more aggressive consolidation by home care platforms currently in the market, with staff ratios and retention playing an important role in due diligence processes. PE investments in Medicare-certified home health in H1 2021 have already exceeded annual totals for any year since 2012, according to The Braff Group.<sup>2</sup> Among numerous deals this quarter, Bain Capital and J.H. Whitney Capital Partners' Aveanna Healthcare (NASDAQ: AVAH) purchased Doctor's Choice Home Care, a Florida-based group, for \$115.0 million shortly before Aveanna's IPO in April. We also expect to see future combinations between home care providers and operational technology platforms that can help address staffing issues, such as the recent acquisition of home care provider Home Instead by home care SaaS startup Honor Technology.

Middle-market firms continue to execute on the tried-and-true roll-up across sectors, spurred by the current environment in which platform multiples are high and

## Employment by US firms with 50-999 employees (millions)

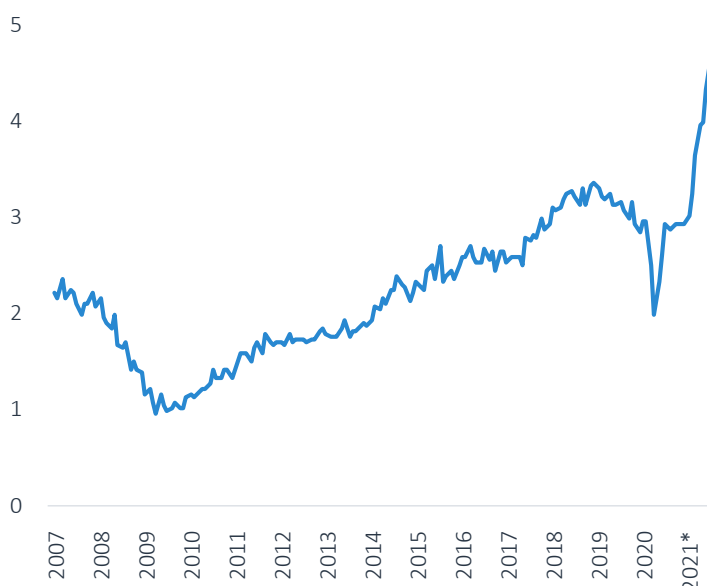


Source: ADP National Employment Report | Geography: US

\*As of August 31, 2021

Note: For firm size class methodology, click [here](#).

## Job openings by US firms with 50-999 employees (millions)\*



Source: U.S. Bureau of Labor Statistics | Geography: US

\*As of July 31, 2021

Note: For firm size class methodology, click [here](#).

2: "Home Health & Hospice," The Braff Group, Accessed September 1, 2021.

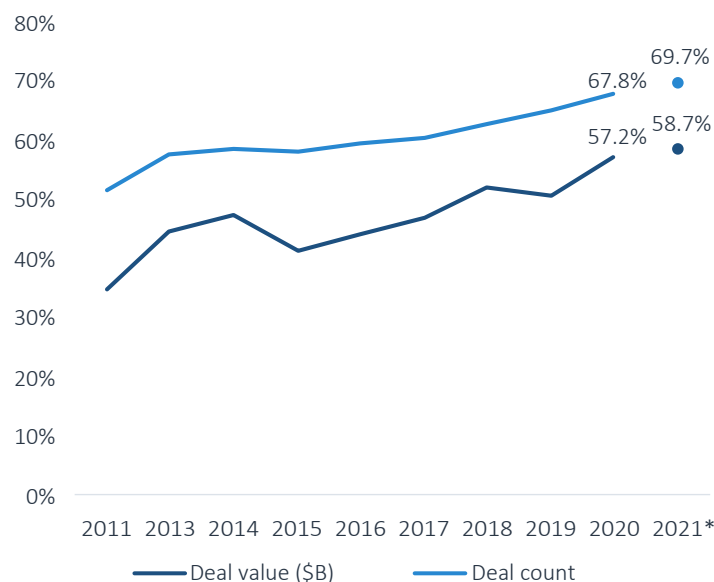
## Overview

many small business owners are looking to sell. For instance, insurance brokerages, wealth management firms, and registered investment advisors (RIAs) all saw record M&A activity in the first half of 2021, largely driven by PE-backed platforms. One example is Aquiline Capital Partners' Relation Insurance Services, which closed 12 add-on deals since the beginning of 2021, most of them in Q2. In these relatively mature buy-and-build markets, firms are becoming more selective and bolting on mid-sized aggregators, rather than individual groups. This allows them to scale platforms more quickly through fewer transactions and eases the operational burden of post-acquisition integration. It also drives up multiples within the smaller universe of companies that have already proven their ability to grow inorganically.

PE firms are also undertaking more sophisticated combinations to diversify business lines or end-market exposures, or expand up or down the product value chain. These transformative add-on acquisitions can be particularly powerful for vertical software plays because new, complementary products can be integrated into multicapability platforms that create all-in-one solutions to drive customer retention; examples are found across sectors. In energy, Rod and Tubing Services, a rod inspection and integrity services company backed by Lime Rock Partners, merged with Certus Energy Solutions, a provider of drill pipe inspection services, tubular thread technology, and pipe and tool rental solutions. The combination of two technologies now offers a single-source solution for tubular management services across the well lifecycle, as well as proprietary reporting and performance analytics. Similarly in healthcare, Appriss Health, backed by Clearlake Capital and Insight Partners, acquired PatientPing for \$500.0 million. Both companies offer coordinated care software solutions, but Appriss has focused on behavioral health and substance abuse treatment, whereas PatientPing's strength is senior and post-acute care. In addition, Symplr, a healthcare operations management SaaS company backed by Clearlake Capital Group and Charlesbank Capital Partners, announced its acquisition of SpinFusion for an undisclosed sum in August. This will add physician scheduling capabilities to Symplr's suite of operational tools.

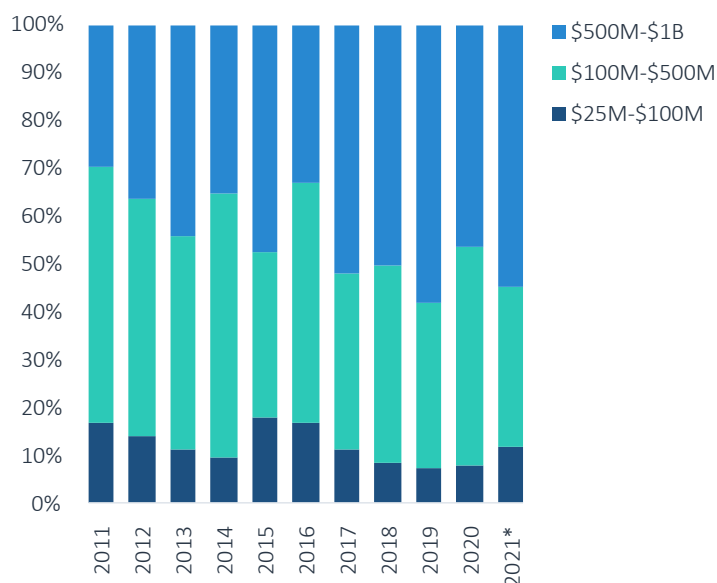
Another area driving deal activity is ESG themes, which have taken center stage in recent months. Deals in the highly fragmented renewables market exemplify opportunities in the middle market to grow a platform into an industry leader. For example, Partners Group acquired Dimension Renewable Energy, a community solar and battery storage platform, for \$400.0 million

## Add-ons as a share of all PE middle-market deals



Source: PitchBook | Geography: US  
\*As of June 30, 2021

## Share of PE middle-market add-on value by size bucket



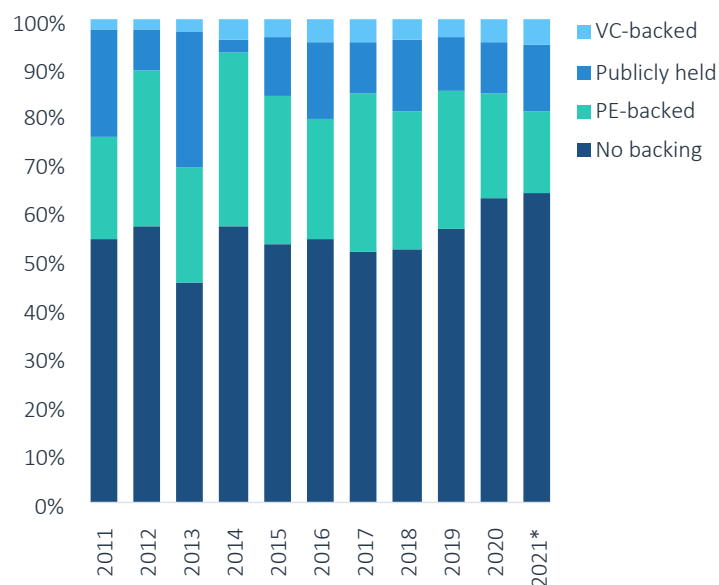
Source: PitchBook | Geography: US  
\*As of June 30, 2021

## Overview

in June, with plans to grow the company into a \$1 billion solar operator. The deal highlights the firm's interest in social impact deals that will create attractive risk-return profiles while aligning with developments in consumer consciousness and public policy.<sup>3</sup> Energy Capital Partners, an infrastructure buyout firm with a focus on the environmental and sustainable solutions sector, was particularly active in the ESG space. Via its Fund IV, which closed in early 2020, the group acquired Liberty Tire Recycling from The Carlyle Group (NASDAQ: CG) in May for \$750.0 million, and Pivot Energy—a developer of onsite solar projects—in June. The firm views ESG as a part of its value-add, having actively invested in themes such as energy transition and established an ESG committee for the firm.

Looking beyond pure-play renewable energy and recycling deals, middle-market firms are also making add-on acquisitions to better align their portfolio companies with the sustainability theme. This may take the form of better aligning companies with changing consumer sentiment or lowering capital cost by reducing carbon risk. As an example of the consumer sentiment theme, in April, Holley Performance Products (NYSE: HLLY), at the time controlled by Sentinel Capital Partners, added Advanced Engine Management (AEM) for \$52.0 million, acquiring AEM's electronic control solutions that allow conversion of vehicles with internal combustion engines to electric power. A play to reduce carbon risk can be seen in the May acquisition of Green Clean Express Auto Wash, a car washing services company focused on eco-friendly products and business practices, by Wildcat Capital Management's Express Wash Concepts for \$10.0 million. The acquisition furthers Express Wash Concepts' environmentally friendly tunnel wash experiences while expanding its geographic footprint.

## Share of PE middle-market deal value by backing status



Source: PitchBook | Geography: US  
\*As of June 30, 2021

3: "Partners Group To Acquire US Community Solar and Battery Storage Platform, Dimension Renewable Energy," Partners Group, June 28, 2021.

# Although the economy likely to power ahead through 2021, headwinds appear to be rising

## Antares Capital Keynote

### On track for a strong 2021...

In H1 2021, middle-market loan volume for PE-backed companies of \$73 billion was up 60% YoY and is on pace to about match near-record 2017 levels, according to Refinitiv LPC data. Although volume is still trailing the 2018 peak of \$183 billion, annualized deal count of 1,302 in H1 2021 is on pace to edge 2018 peak levels. Meanwhile, direct lenders continue to grow their volume beyond the bounds of the middle market, with “large corporate” unitranche volume—above middle-market revenue or deal size of \$500 million—hitting a record level of \$10.6 billion in Q2 2021.

### ...But risks of COVID-19 waves and other potential headwinds linger

At the time of this writing in mid-August, a still-massive flood of liquidity will likely continue carrying the tide of favorable economic and earnings growth momentum through the balance of 2021; however, the range of visibility ahead has grown cloudier. The Delta variant surge currently slowing the pace of the reopening progress across most states will hopefully begin to ebb if the US follows the UK’s pattern, especially given the recent FDA approval of the Pfizer vaccine, but the possibility of new vaccine-resistant variants emerging remains a real threat. Also, while the Delta variant may temper “hot demand”-related inflation (e.g., witness the sharp drop in the University of Michigan’s consumer confidence in August), inflation nevertheless remains a concern as the virus continues to plague supply chains, particularly abroad. Meanwhile, Federal Reserve System tapering and the prospect of rising taxes are coming into focus as 2022 approaches. Add to this a potential escalation of geopolitical tensions, a looming debt ceiling standoff, and ever-rising cyber security threats, and one thing is clear—the future remains uncertain. Some say bull markets like to climb a wall of worry. If so, it appears markets have plenty to feed on.



**Tim Lyne**

Chief Operating Officer  
Antares Capital

*Lyne is a founding partner of Antares. He is responsible for leading the company's sponsor coverage, capital markets and enterprise risk activities, as well as the operations and technology functions.*

*Lyne is a member of Antares' Investment Committee.*

## Q&A with Tim Lyne, COO

### What trends are you seeing in terms of deal activity, and do you expect those trends to continue?

Antares’ deal pipeline is robust, having risen pretty steadily to mid-August highs not seen since the peak levels of Q2 and Q3 of 2019. Activity has picked up broadly across most sectors. Our top four industry exposure areas—business services, healthcare, technology, and financial services—are collectively up sharply YTD-July 2021 when compared to the same periods in 2020 and 2019. Our tech-related funding activity has seen strong growth and has led in terms of our LBO and add-on specific volume YTD-July. We have also seen an uptick in somewhat more cyclical areas such as consumer goods, construction, and transportation, although these are smaller areas of exposure for us.

Our pipeline tends to provide good visibility on deal volume out about one to two months, suggesting a strong Q3 likely followed by an active Q4, as sellers rush to close deals ahead of possible 2022 capital gains tax hikes. In Refinitiv LPC’s 3Q21 Middle Market Lender Survey, 85% of direct lender respondents noted they expect a rise in H2 2021 M&A lending activity, compared to H1 2021.



## Q&A: Antares Capital

### What has been happening with competition in terms of spreads, leverage, and deal terms?

While deal activity has been booming, competition has also heated up as capital has been attracted back into loan markets with spreads and terms largely back to pre-COVID-19 levels. According to Refinitiv LPC data, spreads on first lien loans in the US-sponsored middle market (direct lending and syndicated combined) ticked up slightly from Q1 2021 to 520 basis points in Q2 2021 but remained only modestly above pre-pandemic spreads around the 495 basis-point range in Q4 2019 and Q1 2021. Leverage on middle-market LBOs (direct and syndicated combined) climbed to an average of 5.0x in H1 2021, compared to 4.4x in 2020 and 4.9x in 2019; however, equity share of purchase price multiples also rose to 6.9x in H1 2021, compared to 6.5x in 2020 and 6.35x in 2019, leaving loan-to-value ratios still reasonably attractive. Also, improving EBITDA should lead to downward pressure on leverage and purchase price multiples. Covenant-lite rose to 10% of syndicated-sponsored middle-market loan volume in Q2 2021, compared to 6% in Q1 2021, but this was still modestly below the 12% to 13% range seen between Q4 2019 and Q1 2020 and well below the Q4 2017 peak of 37%. Still, cov-lite has been creeping into the non-syndicated direct lending middle market, including unitranche deals. There has also been some increased flexibility regarding acceptance of EBITDA add-backs, including COVID-19-related add-backs where the rebound has been validated out. Delayed-draw term loans have also grown in size and terms have become more aggressive.

On balance, we still see attractive deals from a risk/reward perspective but remain selective, doing only a low, single-digit percentage of the new borrower deals we see—in fact, a slightly smaller percentage in H1 2021 than we did on average over the 2019 to 2020 period. We also benefit from a position of incumbency in terms of deal flow from our large middle-market portfolio of around 475 borrowers that we know quite well. More than 75% of the deals we have done YTD-July have come from within our portfolio.

### What impact is the Delta variant having on borrowers? Are defaults likely to rise?

Select industries such as aerospace, travel & hospitality, fitness, and clothing/apparel remain challenged as the Delta variant has slowed reopening and normalization efforts. It is possible defaults could tick back up moderately in the months ahead for some of these sectors as well as others, particularly if the virus' impact lingers or worsens. Default rates have dropped to a

remarkably low level of just 0.47% as of August on an LTM basis for the S&P/LSTA leveraged loan index. By LCD's measure, which does not include distressed exchanges, the leveraged loan market has remained default-free for five straight months through July. However, in LCD's most recent loan investor survey as of June 2021, the average respondent expected the loan default rate to rise to 1.77% by mid-2022—52 basis points higher than the default rate at the time of the survey. While this is still a relatively low default rate, it is clear not all companies are out of the woods.

On the positive side, the software segment continues to benefit from accelerated adoption of digital products and services that have progressively become key to competitive success, particularly for distribution, consumer goods & retail, and automotive-related sectors.

### What about inflation? Are companies in your portfolio facing labor shortages?

We have been closely monitoring cost inflation in our portfolio across sectors. Raw material costs have been the most prevalent concern, followed by labor shortages, supply chain bottlenecks, and freight costs.

Fortunately, although raw material input prices remain generally high, some are beginning to normalize to historic levels. Also, many industries—including consumer goods & retail, environmental, and chemical—that have been experiencing raw material increases have generally been able to successfully mitigate these through price increases; however, some industries such as containers & packaging, capital equipment, and manufacturing may be prone to experiencing time lags due to their ability to pass through price increases.

On the labor cost front, some pressure has been building, particularly in skilled industries. Transportation and logistics costs have also risen across many sectors, given both international and domestic supply chain bottlenecks.

We expect the US economic recovery will continue to power ahead, and that inflation will ebb throughout the year as supply catches up with demand. However, unfavorable COVID-19 developments and/or the potential for policy missteps could lead to unwanted outcomes. These include a possible sharp economic growth slowdown or even contraction, as a recently flattening yield curve might suggest, or an inflationary scenario as supply chains are hit. Solid credit discipline and underwriting remain as critical as ever.

# Spotlight: Beyond Fund I

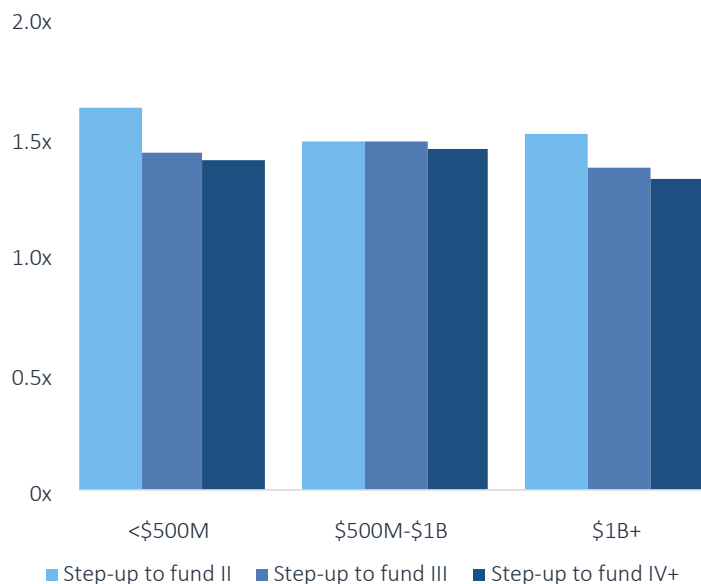
*Note: This spotlight was abridged from an analyst note. Please see [the note](#) for further analysis.*

Some LPs look favorably on first-time funds as a way to achieve outperformance from a hungry, new manager that needs to perform well to remain competitive in raising their subsequent funds. Additionally, investing in first-time funds has been a tactic for some LPs to build early relationships with GPs that could later raise much larger and more sought-after funds, obtain favorable fee terms, or diversify into small-cap or specialist investment strategies.

While conventional wisdom dictates that larger funds tend to seek smaller step-ups and smaller funds tend to scale more quickly, our data illustrates that the effect is mild for emerging managers. Emerging managers that have the ambition (and fundraising ability) to become the next mega-fund GP tend to target their first funds for over about \$500 million. By contrast, emerging managers that raise smaller funds are often pursuing a focused lower-middle-market or small-cap strategy and scale up more slowly. Across the board, the step-up between fund I and fund II is greatest. This may be due to the ability to bring in larger institutional LPs for fund II that are less likely to commit to first-time funds and to the small size of many first funds.

Despite many LPs' belief that emerging managers tend to outperform, our data indicates inconsistent performance differences between emerging manager and established manager funds. First-time funds show greater variation in performance compared to subsequent funds, with pooled IRRs comparable to or slightly lagging established manager funds in most vintages. First-time funds perform better when measured by TVPI, which suggests that some of the IRR underperformance may be attributed to an underutilization of capital call facilities and dividend recaps by first-time fund managers. In second funds, performance variance reduces, and overall performance tends to lag slightly. Third funds, by contrast, show improved median IRR and TVPI and periodically outperform first and second funds, especially when measured using IRR. This suggests that emerging managers may have greater financing sophistication by the time they reach their third fund.

## Median fund step-ups by fund size and number (2014-2021)\*

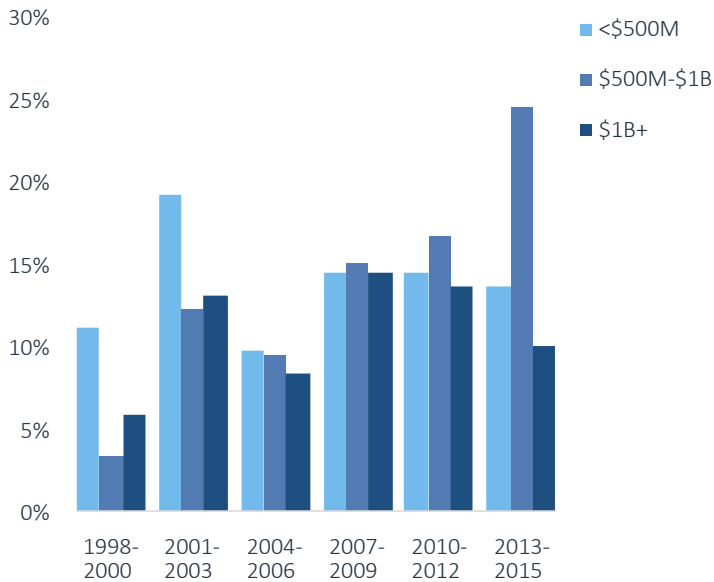


Source: PitchBook | Geography: US  
\*As of July 27, 2021

Assuming current trends hold, LPs can gain a clearer performance advantage by investing with emerging managers who are sector specialists. Although specialist emerging managers underperformed before the global financial crisis (GFC), they have consistently outperformed other emerging managers in recent years. Unlike large, established GPs, emerging generalists may not yet have been able to build multiple sector-specific teams that can mimic the expertise and industry connections of a specialist firm. Our data shows that emerging managers are driving the overall specialization trend within PE, as many new managers leave larger generalist firms in part to pursue a more focused strategy. LPs also may prefer to invest with specialists to facilitate portfolio diversification.

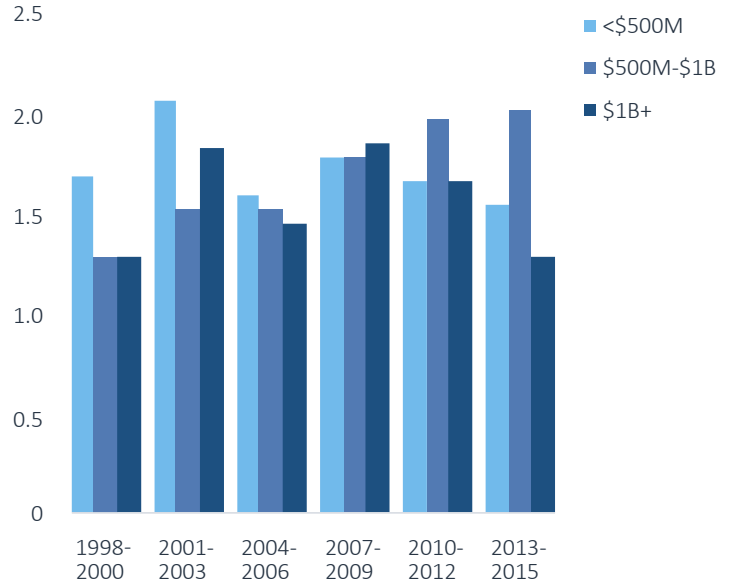
Spotlight

## Pooled IRR by vintage cohort and fund size (funds I-III)\*



Source: PitchBook | Geography: US  
\*As of December 31, 2020

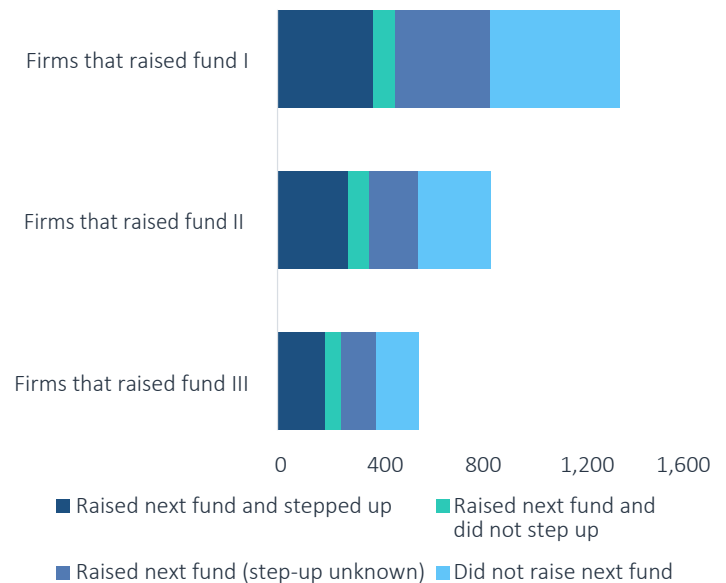
## Pooled TVPI by vintage cohort and fund size (funds I-III)\*



Source: PitchBook | Geography: US  
\*As of December 31, 2020

In our conversations with various LPs, all expressed that their most important criterion for reupping with an emerging manager is persistent strategy execution. A manager's ability to not only execute on a proposed deal pipeline but also accurately underwrite deals and implement early operational value-adds bodes well for future performance. Firms that fail to progress have likely experienced early portfolio company mortality or key personnel turnover, which LPs view as key reasons for relationship terminations in emerging managers. Early losses in the portfolio can be fatal for emerging managers, as LPs find it hard to look past misses on strategy even if they don't expect to see realizations early in the fund.

## Number of funds closed by fundraising outcome\*



Source: PitchBook | Geography: US  
\*As of July 27, 2021

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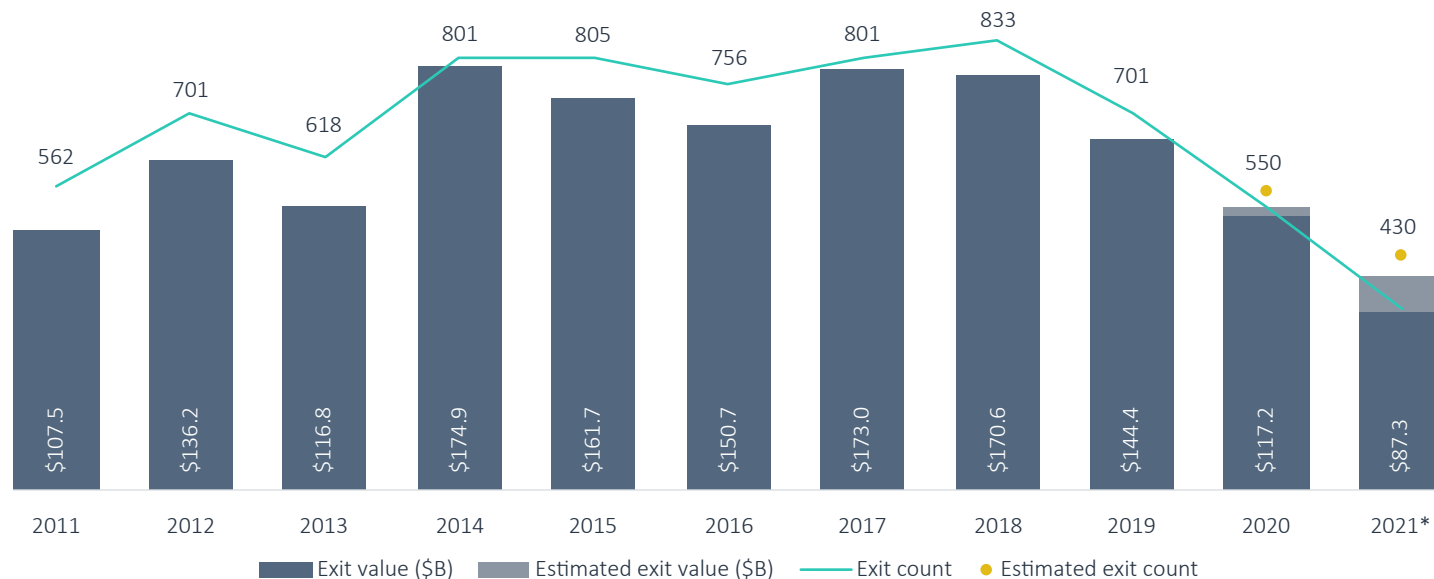
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# Exits

## PE middle-market exit activity

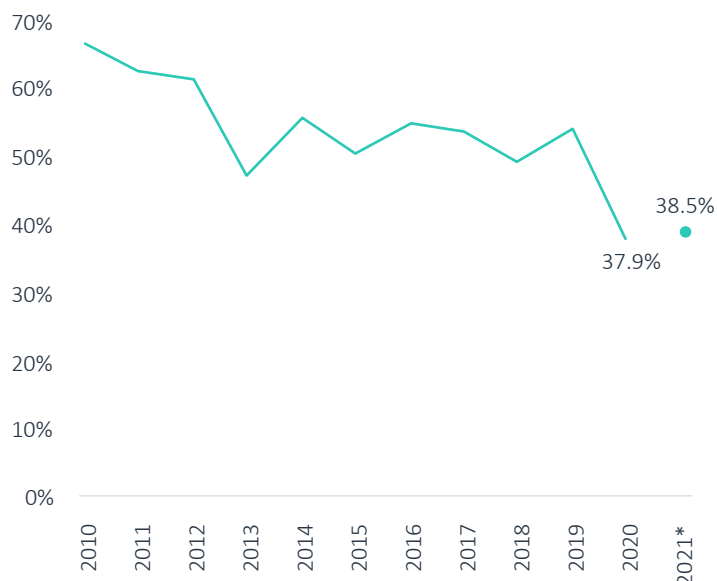


Source: PitchBook | Geography: US  
\*As of June 30, 2021

As of H1 2021, US middle-market PE exits are on track to meet or exceed previous highs. Firms exited 430 investments with a combined enterprise value of \$87.3 billion in Q2 2021. Attractive valuations and confidence across sponsors, strategics, and public markets have combined to create favorable exit conditions since Q4 2020. Lofty valuations mean many GPs are seeing their investment goals achieved ahead of schedule, driving many to monetize investments earlier than anticipated. And although many portfolio companies still showed the effects of COVID-19 closures in their trailing-twelve-month (TTM) financials in Q2, deal parties have by now become accustomed to agreeing to valuations despite this added complication, such as through pro-forma EBITDA adjustments and seller earnouts.

Our data points to robust exit opportunities for middle-market GPs, especially in sponsor-to-sponsor transactions—even though we are not seeing the same stratospheric numbers in middle-market exits that we are in middle-market dealmaking or, for that matter, in [US PE exits](#) for companies over \$1 billion in EV. As the use of add-ons to effect multiple arbitrage has increased over time, middle-market exit growth naturally lags deal growth, since a greater number of deals, on average, now comprise a single exit. The steady growth of exits in the \$100 million to \$500 million EV bucket and decline of exits under \$100 million as a proportion of middle-market

## PE middle-market exit value as a share of all PE exits



Source: PitchBook | Geography: US  
\*As of June 30, 2021



## Exits

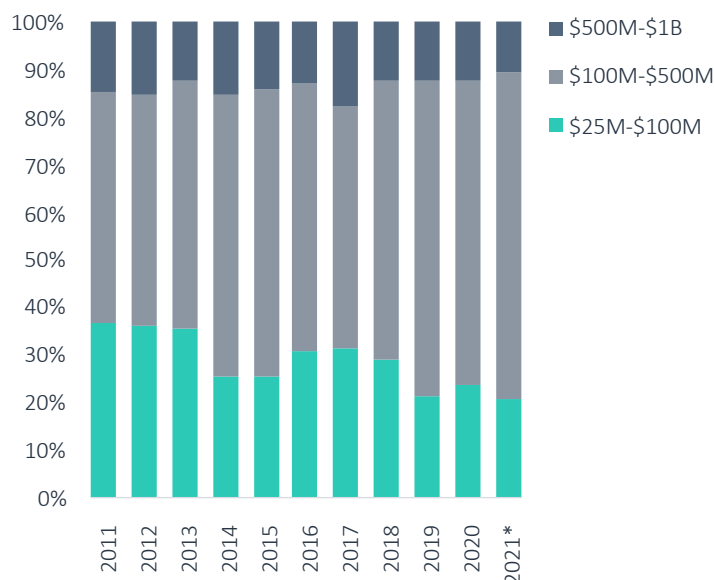
exits overall are an indication of both valuation growth and middle-market firms' success in scaling up platforms. In addition, while public markets currently represent a favorable exit route for many firms, most companies that can be listed publicly tend to be valued above our \$1 billion middle-market threshold.

After 2020 saw a sharp decline in sponsor-to-sponsor exits due to buyer-seller price mismatches, the multiyear trend toward sales to other sponsors accounting for a growing proportion of middle-market exits resumed. Through the first half of 2021, sponsor-to-sponsor exits accounted for 61.8% of exits by count. As PE increasingly focuses on growth-oriented businesses and niche operational expertise, these portfolio companies become more attractive to other sponsors. Moreover, successive firms can pull additional value-add levers to drive returns as companies mature and scale and spend less time laying the foundation for best practices. For instance, AutoQuotes, a configure-price-quote and supply chain software for the food service industry, was sold by Luminate Capital Partners to TA Associates in June. AutoQuotes—which had developed new products, entered adjacent verticals, and expanded its management team with Luminate Capital—joined TA Associates' cloud platform for manufacturers as part of Revalize, with the former AutoQuotes CEO taking over the new platform, which will streamline manufacturing through revenue operations solutions.

Middle-market PE exits to corporate acquirers held steady in Q2 2021, mirroring elevated **M&A activity** more broadly. While the combined value of strategic exit EVs in H1 2021 is on track to easily outpace 2019's figures, the exit count is lagging, indicating a preponderance of upper-middle-market deals. In general, smaller strategics did not bounce back as quickly from the pandemic as large companies did, and they have struggled to navigate supply chain backlogs and staffing shortages, resulting in fewer strategic exit opportunities for smaller middle-market companies. Moreover, S&P Global reports that cash on corporate balance sheets began to rise sharply again in Q2 due to CFO conservatism amid concerns about the spread of the Delta variant and other COVID-19 variants.<sup>4</sup>

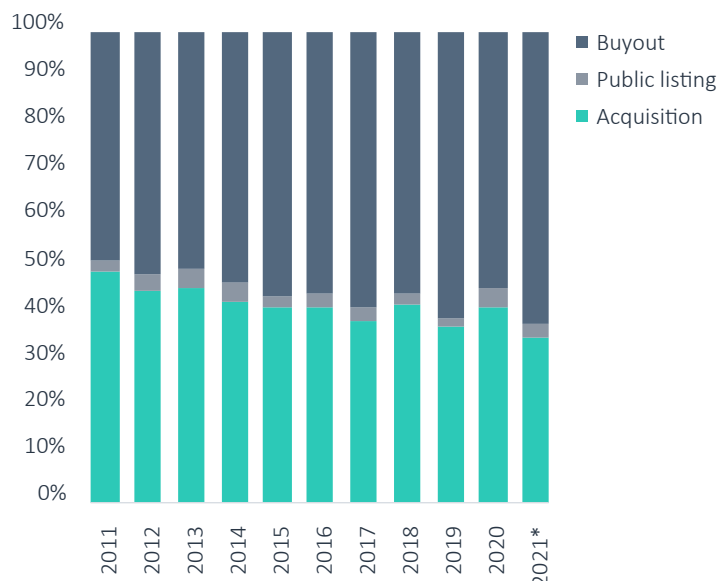
The hospitality and travel sectors offer an illustration of why smaller strategic exits are lagging. Middle-market sponsors are continuing to hold onto investments in these pandemic-injured sectors; almost no exits of hotels, in-person dining, travel providers, or other

## Share of PE middle-market exit count by size bucket



Source: PitchBook | Geography: US  
\*As of June 30, 2021

## Share of PE middle-market exit count by exit type



Source: PitchBook | Geography: US  
\*As of June 30, 2021

related companies closed in Q2. Mubadala Investment Company's sale of Hakkasan Group, a high-end restaurant and nightclub operator with a strong Las Vegas presence, to Tao Group is an exception that

4: "S&P/LSTA Leveraged Loan Index Analysis," LSTA, July 2021.

## Exits

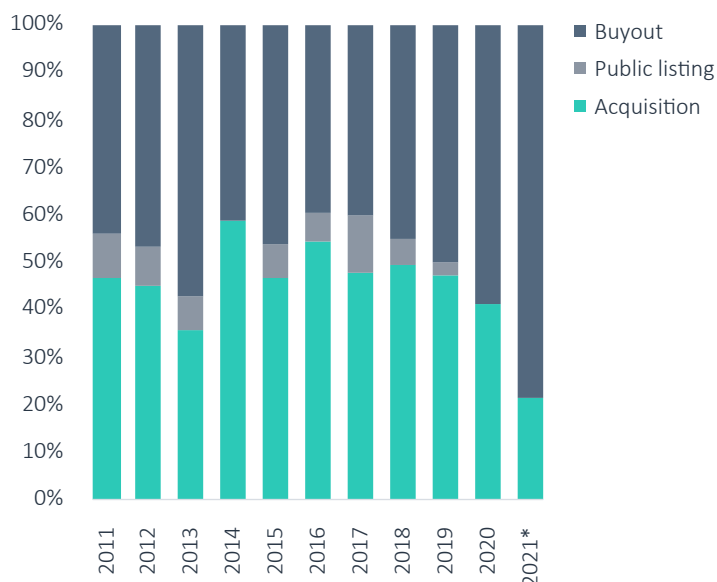
proves the rule. The sale closed in April just as Las Vegas entertainment venues reopened at 80% capacity, but before the spread of the Delta variant dampened consumer demand once again. The lack of hospitality and travel exits in the middle market stands in contrast to two larger exit announcements: Apollo Global (NYSE: APO) sold Diamond Resorts International to Hilton Grand Vacations (NYSE: HGV) for \$1.4 billion in March, and KKR (NYSE: KKR) announced plans to sell resort company Apple Leisure Group to Hyatt Hotels (NYSE: H) for \$2.7 billion in August. Middle-market firms may be waiting out continued price volatility for their hospitality and travel assets. Also, large hospitality companies such as Hilton and Hyatt have been better able to weather the pandemic storm—whether by pulling cost levers, drawing down credit lines, or divesting noncore assets—than the smaller operators that would be prospective buyers of middle-market firms.

We are also seeing the middle-market exit pendulum swing toward PE firms as buyers. Sponsors may be less risk-averse than strategics—given ample dry powder and limited investment periods—and more willing to make opportunistic bets on industries that have yet to fully recover. This is exemplified by the dearth of corporate acquisitions of energy and materials & resources portfolio companies in Q2; strategics in these sectors are still looking to repair their balance sheets rather than make offensive acquisitions.

By contrast, middle-market PE firms have reactivated as buyers in these battered sectors, now betting on sustained demand growth as the pandemic recedes. For instance, in April, Golden Gate Capital announced the creation of Stonehill Environmental Partners, a platform that will offer infrastructure solutions to upstream providers, along with the acquisition of Waterfield Midstream's Permian Basin assets for an undisclosed amount. We expect sponsor-to-sponsor exits to continue to outweigh corporate acquisitions through the remainder of the year.

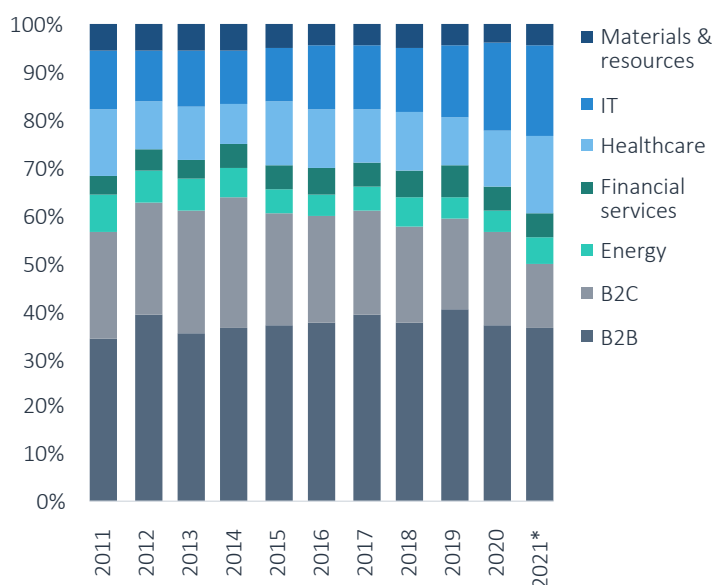
The quarter saw a handful of public listings, although most of PE public exit activity falls outside the \$1 billion EV upper limit of this report. SPAC mergers, on the other hand, have continued to slow as cautionary tales of poor post-merger performance, lawsuits, and canceled deals accumulate. In August, the deal to combine baseball card maker Topps, a portfolio company of Madison Dearborn Partners and The Tornante Company, with Mudrick Capital Acquisition Corp. II (NASDAQ: MUDS) at

## Share of energy PE middle-market exit count by exit type



Source: PitchBook | Geography: US  
\*As of June 30, 2021

## Share of PE middle-market exit count by sector



Source: PitchBook | Geography: US  
\*As of June 30, 2021

a \$1.16 billion combined valuation collapsed. The breakup occurred after the MLB and Major League Baseball Players Association signed exclusive licensing contracts with ecommerce-heavy rival Fanatics.





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# Managing risk in M&A payments

## Q&A with SRS Acquiom

*Risk runs through every deal. Ensuring fund flow mechanics and outgoing payments don't become risks requires attention to detail at a hectic point in the deal timeline. SRS Acquiom has built a reputation for handling these two critical elements for the industry's most complex and challenging deals. PitchBook spoke to three of the company's leaders about how PE firms can ensure that funds flow and outgoing payments are executed cleanly and efficiently, every time.*

### The deal market is booming. What execution risks should PE firms expect in the coming quarters?

**Alex Schreck (AS):** With greater deal volume comes greater risk, particularly when a firm relies on manual in-house processes for things like identity verification and outgoing payments when coordinating the flow of funds upon closing. These are too difficult to scale when one team is working on multiple deals. The greater the number of deals, the greater the risk of error and delay when the details are gathered by an in-house team whose expertise is unlikely to lie in this kind of work.

**Sean Arend (SA):** GDPR, CCPA, and similar regulations increase the complexity, requiring infrastructure such as dedicated toll-free numbers and the ability to accurately and timely process data access and deletion requests of payees on M&A exits. This is not a sweet spot for PE firms, nor should it be. But it highlights some of the risk firms take on when they attempt to handle payments and other closing mechanics in-house, particularly in a frenzied market.

### PE firms often assume outside counsel will handle shareholder payments, or they assign it to an internal employee. What gives you pause in these situations?

**SA:** PE firms are often inexperienced with identity verification and rely on time-consuming methods such as manual callbacks to every payee to verify their payment details—the only way most firms feel comfortable confirming someone's identity. Professional agents have technology and processes in place to meet identity verification standards and confirm routing numbers while adhering to regulatory guidelines. This approach is less labor intensive and more easily scaled than the average PE firm's approach.



**Sean Arend**

General Counsel and Managing Director  
SRS Acquiom

*Prior to SRS Acquiom, Sean practiced law at Cooley LLP and held inside counsel roles at both public and private companies. He holds an MBA from the University of Colorado and a JD from UC Hastings.*



**Dana Pearce**

Senior Director, Risk Management  
SRS Acquiom

*Prior to SRS Acquiom, Dana developed extensive executive audit experience at the State level and professional auditing experience at Deloitte.*



**Alexander Schreck**

Senior Director, M&A Relationship  
Management  
SRS Acquiom

*Prior to SRS Acquiom, Alex practiced law at Kirkland & Ellis LLP and Perkins Coie LLP. He holds a JD from Harvard Law School.*

**AS:** PE firms also regularly use spreadsheets containing personally identifiable information (PII) such as social security numbers, wire transfer numbers, and bank account numbers, sometimes without password protecting the document. These spreadsheets are sent around via email, a notoriously insecure method of transfer. We frequently work with clients who think this is the most efficient way of working. Just because it's easy doesn't mean it's safe.

We've also seen emails purporting to come from someone at an institutional fund asking to change their payment instructions; the emails were ultimately from a fraudster who had hacked the fund's email and was attempting to redirect released funds. SRS Acquiom has mechanisms in place to validate information contained in spreadsheets and securely verify the identities of payees, reducing the risk of errors by deal parties.

**Dana Pearce (DP):** Digital platforms require payees to enter bank details twice, with automatic ABA routing validation built into the system. Using an online platform

## Q&A: SRS Acquiom

for these data transfers is secure, cost effective, and more efficient than the old-school manual methods that funds and counsel tend to use.

Best practices call for PII and financial data to be secured both at rest and in transit. That means anything stored is encrypted and anything transmitted is encrypted. Access to that data ought to be governed by techniques such as two-factor authentication. We often find that funds aren't aware of the data risks they face, or the investment required to reduce that risk when done in-house. Having managed the execution of thousands of deals, we're intimately familiar with these risks and continually update our platform and processes to address them.

### **Beyond higher-profile challenges such as lost payments, what other traps do PE firms and their counsel often fall into?**

**SA:** Firms and their counsel are frequently unaware of the tax reporting and withholding obligations that arise when making M&A payments. Accurate and timely tax reporting presents a significant administrative burden with complexities that often merit engaging costly third-party tax experts. Shareholders often expect to receive a Form 1099, and some payments may be deemed compensatory, which triggers employment withholding and W-2 reporting.

Foreign payees receiving certain types of M&A proceeds will expect to receive a Form 1042-S, and withholding obligations are imposed on the PE firm payor. If PE firms don't get this right, the IRS can look to the PE firm directly for the amount they should have withheld. Any payor that touches the money is deemed a "withholding agent" by the IRS for foreign payments, and a simple failure to collect W-8 forms can trigger required backup withholding.

There is also the risk that a PE firm could be deemed a money transmitter under the broad definitions of state-by-state regulations, which have very few exceptions. If a PE firm is deemed a money services business under federal law, they are subject to Anti-Money Laundering (AML) rules—and if you pay anyone using ACH, you're subject to the NACHA rules.

**AS:** It's easy for a PE firm to inadvertently step over the compliance line by casually offering to pay persons in other countries or in local currencies. Offering FX services is picked up in the money transmitter regulations of several states; if your fund has a presence in other countries, you may be subject to local payment regulations such as PSD2 in Europe. PE firms must also adhere to CFTC requirements for FX transactions involving disclosure, fair execution, providing confirmation statements, etc.

**DP:** Payors are also considered "data controllers" under GDPR and a business subject to CCPA, which comes with numerous requirements. Both GDPR and CCPA have specific guidance and timelines that govern responses to privacy inquiries, the need to ensure a valid request, data deletion requests, and so on. Not many PE firms have the infrastructure in place for this. SRS Acquiom collects information directly from payees and provides our own privacy policy, taking on the role of data controller for the PE firm.

### **Isn't ensuring regulatory compliance usually the responsibility of the firm's counsel and its bank?**

**AS:** Outside counsel doesn't have the time or resources to train every attorney and staff member on regulatory compliance, then test to ensure compliance is upheld. It's a massive challenge to stay on top of privacy laws, tax laws, state-by-state money transmitter laws, etc., and it's rarely cost effective to have counsel handle these issues on a deal-by-deal basis.

**SA:** For banks, compliance and risk are often a one-size-fits-all approach. Take KYC: It can be burdensome for a bank because it covers every scenario across every business, whereas when designed specifically for M&A, it's short and sweet. Specialist firms such as SRS Acquiom are nimble and able to staff teams that provide real answers in real time and apply more flexibility and creativity to their problem-solving. When challenges arise on a deal, the last thing anyone wants is to navigate three layers of bank bureaucracy to get a resolution.

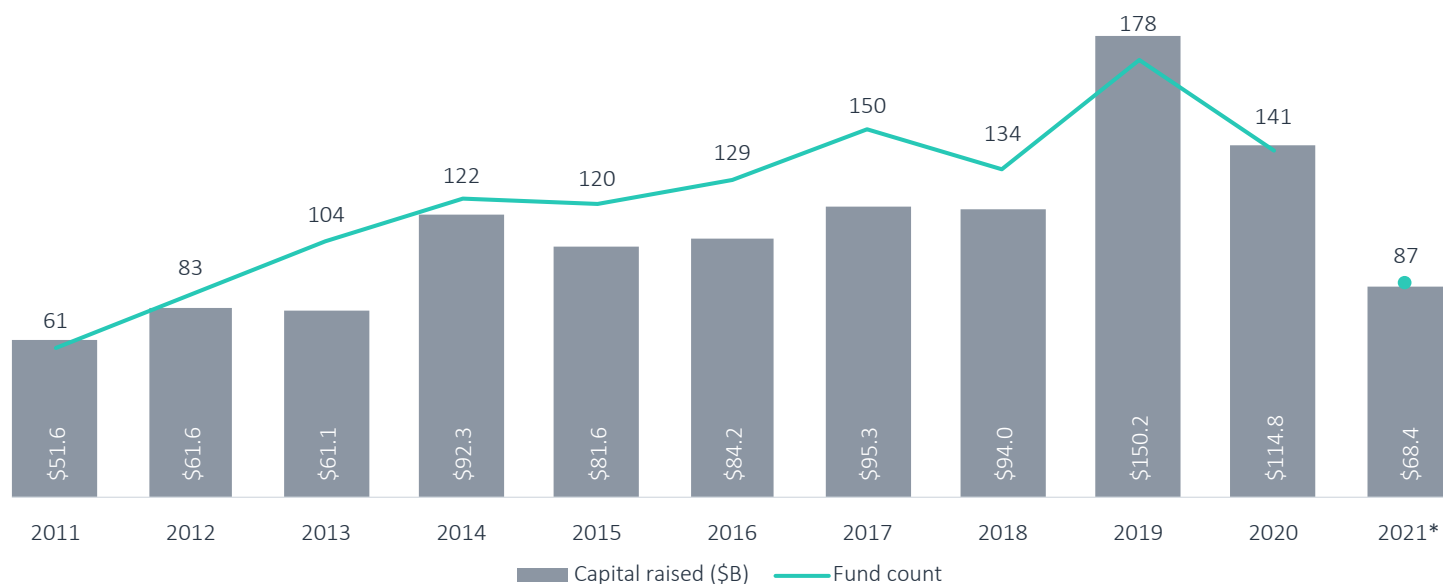
### **How do you see PE firms' risk profile shifting in the coming quarters?**

**DP:** As financial institutions, government entities, and big businesses shore up their digital security, bad actors will turn to easier pickings. Many law firms are not early adopters of such technology, so they become targets, given the opportunities available for identity and funds theft. PE firms aren't far behind, given the amount of money handled and the relative ease of diverting that money while data is in transit. And then there's ransomware; these attacks will only increase. PE firms and their counsel store and transmit a ton of sensitive data daily—exactly the kinds of treasure ransomware pirates target. So, now's the time to invest in relationships with professional partners and migrate your data and transmission practices to secure platforms.



# Fundraising & performance

## PE middle-market fundraising activity

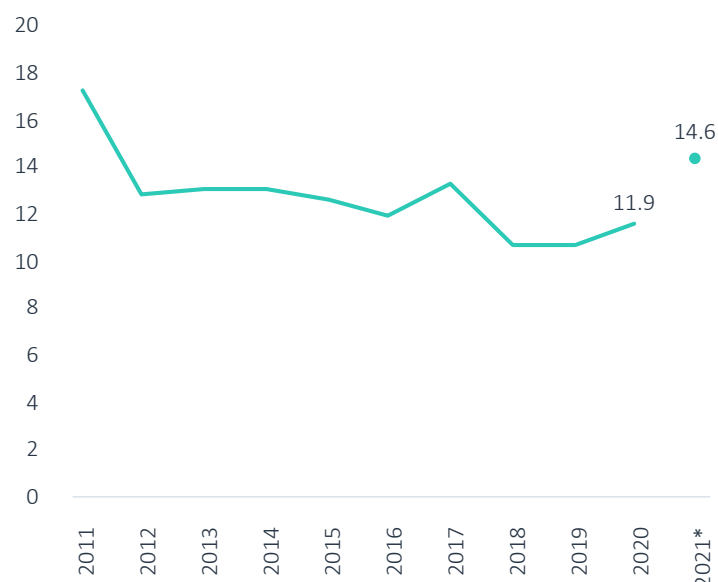


Source: PitchBook | Geography: US  
\*As of June 30, 2021

Middle-market fundraising set off at a rapid clip in the first half of 2021, with 87 funds raised for a combined \$68.4 in Q2 2021. This sets the middle-market buyouts industry on track to approach 2018's fundraising record by year-end. Middle-market buyout funds are benefiting from LPs' robust appetite for private markets exposure—a result of the reverse denominator effect and healthy performance by the asset class in recent years. Additionally, as portfolio monetizations were pulled forward in many cases, PE firms quickly returned LPs' capital, which is often recycled into new fundraising efforts. However, much of that LP appetite is being sated by the largest firms, which are bringing numerous \$10 billion-plus buyout funds to market this year. Although middle-market funds represented a swelling 55.1% of US PE funds in H1 2021, they also represented a diminishing 47.6% of dollars raised, down from more than 60% in 2018.

In The Carlyle Group's Q2 earnings call, CEO Kewsong Lee commented that "The velocity of virtually all aspects of our business has increased. Deals are being completed on shorter timelines, financings are being executed more quickly, opportunities for exits are presenting themselves sooner, funds are being raised faster than ever before."<sup>5</sup> We are seeing this play out in the middle market as well.

## Average PE middle-market fundraising time to close (months)



Source: PitchBook | Geography: US  
\*As of June 30, 2021

5: "Q2 2021 Earnings Call," The Carlyle Group, July 29, 2021.

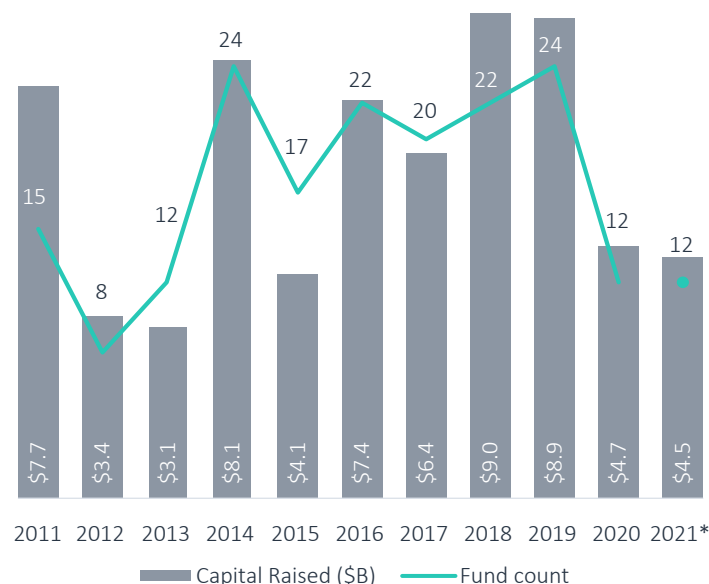
Unprecedented dealmaking activity over the past three quarters has allowed firms to deploy capital and return to fundraising at a breakneck pace. In May, MiddleGround Capital raised \$1.05 billion across Fund II, an overage fund, and a mobility fund, less than two years after closing its debut fund, while Shore Capital Partners closed its fourth flagship at \$366.0 million in July 2021, having closed Fund III in April 2019. Although our time-to-close data still shows an uptick in 2021, this is due to the closing of funds whose processes were delayed in the earlier part of the pandemic; we believe fundraising timelines for funds that came to market around Q4 2020 or later are progressing very quickly, especially for more established firms.

After an encouraging Q1, first-time PE funds continued to register healthy numbers. In H1 2021, 12 first-time funds closed—as many as in all of 2020—and first-time fundraising is on pace to reach the high-water marks set in 2018 and 2019. Among these funds were Entrepreneurial Equity Partners I, a \$423.0 million fund focused on the food industry, and Princeton Equity Partners I, which closed at over \$350.0 million and will invest in franchise businesses. The recovery of first-time fundraising reflects optimism in the PE fundraising market overall, as LPs regain confidence to invest with new managers. First-time funds accounted for 13.8% of fund closes in H1 2021, up from 8.5% in 2020, though this bump is also partially attributable to fundraising delays in 2020.

Although the overall PE fundraising environment is benign, competition for capital among first-time funds remains fierce as many of the largest LPs continue to drift toward writing fewer, larger checks or allocating to new products offered by managers with whom they already have a relationship. As a result, a small but growing number of LPs and funds-of-funds are providing seed or anchor commitments to first-time funds, helping these managers secure the all-important first close while enjoying preferred economics. Archean Capital Partners, which seeds middle-market PE funds, closed Fund II at over \$425 million after backing four emerging managers across its first two funds. We are also hearing reports of middle-market firms increasingly using fee-free co-invests to attract LPs.

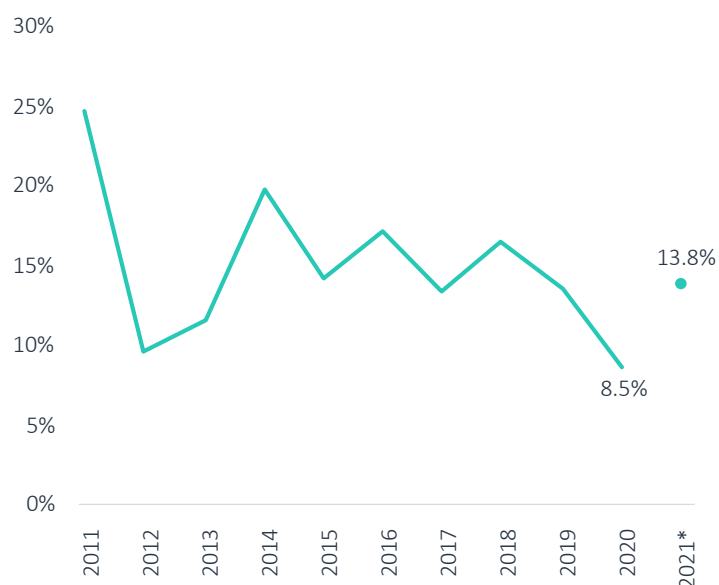
Emerging managers that have moved beyond their first institutional fund to funds II and III have also seen an uptick in 2021 fund closes. CenterOak Partners, a Dallas-based lower-middle-market generalist, closed its second

## PE middle-market first-time fundraising activity



Source: PitchBook | Geography: US  
\*As of June 30, 2021

## First-time funds as a share of all PE middle-market funds

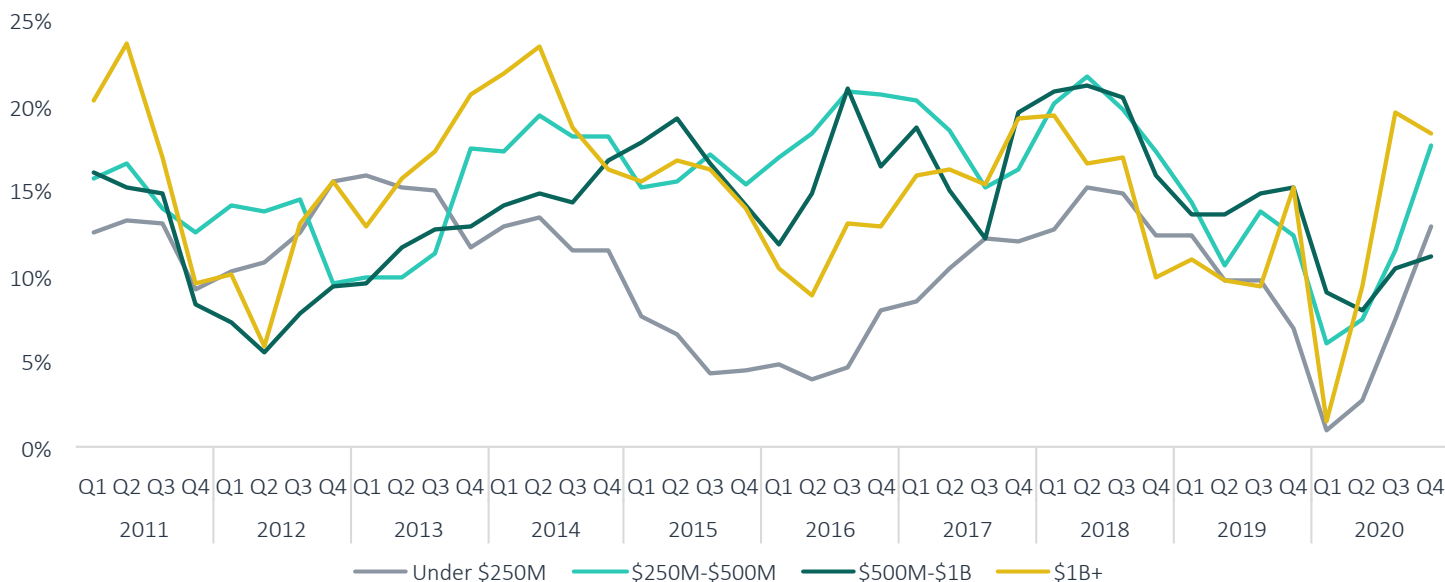


Source: PitchBook | Geography: US  
\*As of June 30, 2021

fund at its \$690.0 million hard cap, and Warren Equity Partners, which focuses on B2B and industrial businesses, closed its third fund at \$673.0 million, exceeding its initial target after less than two months of fundraising.

## Fundraising

## PE fund rolling one-year horizon IRRs by size bucket\*



Source: PitchBook | Geography: US  
\*December 31, 2021

With many LPs instating or ratcheting up ESG mandates, we are beginning to see middle-market buyout funds with ESG or impact focuses come to market; to date, impact/ESG funds have primarily been created as growth equity, venture, or infrastructure strategies. Two impact/ESG-related funds closed in Q2 2021. In April, Neuberger Berman announced the close of its NB Private Equity Impact Fund with nearly \$280 million in commitments, demonstrating the growth of the impact investment strategy, which will invest in themes including climate change and employment. In June, the Vistria Group, a firm that emphasizes addressing societal needs through its investments, closed its fourth flagship at \$2.7 billion. Even funds that are not explicitly marketed as ESG or impact related, such as MiddleGround Capital's \$250.0 million mobility fund, are raising capital via LP ESG mandates—in this case, due to resonance with the automotive electrification theme. As a result of this increasing demand, we anticipate seeing additional ESG and impact fund closings over the next year or two, both from large GPs launching new products and from smaller middle-market firms.

Performance data as of Q4 2020 shows IRRs across PE size buckets, including the middle market, rising sharply. (Our performance data lags by two quarters due to reporting mechanisms.) Yet, middle-market PE funds underperformed \$5 billion-plus funds in TTM IRR from

Q2 through Q4 2020. One likely reason for this is better access to credit markets for managers of larger funds, which enables increased use of capital call facilities and dividend recap financing, lower rates, and more rapid deal execution. Since Q3 2020, large funds have also benefited from the unprecedented rush of exits, especially public exits, for large portfolio companies. On the other hand, \$1 billion-plus funds have also exhibited greater volatility than smaller funds during the pandemic because they were marked down sharply when public markets crashed in Q2 2020 before rebounding along with soaring stock prices.

The fact that the growth in middle-market exits has trailed \$1 billion-plus EV exits in H1 2021 may mean that middle-market returns, especially at the lower end of the middle market, continue to slightly lag the returns of larger funds for the next couple of reporting quarters. Still, steady economic recovery and improved portfolio company health should continue to push middle-market returns up and to the right, especially in Q2 2021. As mentioned previously, middle-market company revenue grew more than 20% and EBITDA grew by nearly a third from Q2 2019 to Q2 2021—according to the Golub Capital Index—a significant leap from the soft year-over-year growth of the last two quarters.<sup>6</sup> Although we are closely watching the market effects of the Delta variant, we expect continued strength in middle-market performance in the coming quarters.

6: "Golub Capital Middle Market Report," Golub Capital, May 2021.



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# Q&A: Baker Tilly

**Obvious factors driving dealmaking include cheap debt and ample dry powder on the buy side, and the possibility of a capital gains tax hike and elevated pricing on the sell side. What are some other driving forces?**

High values in the market, willing strategic and financial buyers, and a friendly lending environment are some of the factors driving PE, corporate, and private company sellers to head for the exit. PE is highly incented to sell into a seller's market, as it leads to premium pricing. In addition, both strategic and financial buyers are competing to structure deals with for-sale businesses that are performing at or above pre-COVID-19 pandemic levels.

Sellers of privately owned companies are also considering the following:

- Some owners no longer want to bear the effort and risks of their business.
- Some owners who spent time working remotely enjoyed their flexible schedules and time with family and friends, i.e., the “vacation home effect.”
- Many owners near retirement are concerned about the potential for higher corporate, personal income, capital gains, and dividend taxes.
- The wealth accumulated in private companies is illiquid, and many owners have determined that the after-tax proceeds from a sale will last for an extended period of time.
- Owners are wary of the next crisis and how it could affect their companies.

From the perspective of private company owners, everything was on hold for several months after March 2020, but now may be the time to sell.

**Is this year's acceleration to close deals changing how an owner prepares for a sale?**

Business owners have become more flexible because of the urgency to complete transactions this year. Many private company owners are hiring interim CFOs, quality of earnings providers, real estate appraisal companies, environmental consultants, or financial consulting firms as they prepare for an accelerated sale process and expedited buyer due diligence. In addition, business owners are signaling to buyers their willingness to roll over equity, provide seller financing, consider earnouts, and provide a longer than usual leadership transition period, post-closing.



**Mike Milani**

*Principal, Baker Tilly Capital's Mergers and Acquisitions Leader*

*michael.milani@bakertilly.com*

*With more than 30 years of experience, Mike leads Baker Tilly's mergers and acquisitions efforts. Prior to joining Baker Tilly, Mike worked at a large national*

*firm's corporate finance group as a Senior Managing Director and previously, as President. He also has experience as a Commercial Banking Officer.*



**Brian Francese, CPA**

*Partner, Baker Tilly US' Private Equity Practice Leader*

*brian.francese@bakertilly.com*

*Brian takes pride in helping drive fund and portfolio company growth, leveraging his experiences along with the advisory, tax, and assurance services Baker Tilly has*

*to offer. Brian's clients have come to rely on his guidance and recommendations as they assess business and accounting issues experienced throughout the PE transaction lifecycle.*

**Two areas seeing high numbers of deals are software (particularly cybersecurity) and healthcare (particularly mental health and behavioral health). Are you experiencing this with clients?**

We've certainly seen it on the behavioral health side. Many PE platforms are chasing behavioral health businesses. It's an opportune time to sell those businesses, unfortunately, because there are more people in crisis.

For the most part, software companies floated through COVID-19 with little change. Their employees were already working remotely, and the companies were set up to get on with business with little interruption. COVID-19 encouraged many businesses to automate financial and operational systems, implement software, or work with consulting firms, such as Baker Tilly, to improve processes. That process-improvement mindset is continuing and will not change for the foreseeable future, as there is a wealth of old economy left in our modern economy.

**How are buyers assessing how target companies have managed their supply chains? How do sellers demonstrate they have a workable strategy to deal with supply chain issues?**



#### Q&A: Baker Tilly

In an M&A transaction, we are seeing much more due diligence around the stability and sustainability of the seller's supply chain. Buyers are digging in to figure out what—if any—disruption occurred, how that was resolved, how gross profit margins were affected, and whether a business was able to pass those costs to customers. This scrutiny doesn't necessarily add to the due diligence process or delay the close of a sale unless an issue is uncovered that has not yet been addressed.

#### **How is the talent issue affecting deals, on both the PE side and the company side?**

There is a huge nationwide talent shortage of top and middle management in privately held companies. PE portfolio companies can lure top managers with money, equity, and work-location flexibility in ways many privately held companies cannot.

Private companies can address this problem by going out and hiring management from competitors, training from within, or hiring consultants, such as Baker Tilly, to augment the management team.

#### **For the US middle market, what are the most important policy and regulatory issues that portfolio companies should be following?**

With so many new and existing regulations, guidelines, and rules, it is nearly impossible to stay on top of it all unless you have somebody on your team who can devote time to monitoring changes in the regulatory world, or they work with a firm such as Baker Tilly to help navigate the ever-changing regulatory environment. Owners need to make sure their businesses are "big picture" regulatory compliant, in accordance with HR, OSHA, EPA, and other federal, state, and local agencies. Staying connected to relevant industry and trade associations is the easiest way to stay informed; also, consider talking with your competition about the regulatory issues they have faced.

#### **What are the most common underrated factors sellers should be aware of and prepare for?**

Here are some key items buyers are looking for that sellers need to consider in an M&A process:

- Commitment of shareholders and management team
- Quality of financial and operational information
- Realistic valuation, deal timeline, and transaction structure expectations
- Management's ability to run the business while

working through the sales process

- Management's ability to present well/sell to potential buyers
- Coordination between the seller and buyer(s) and all their respective advisors
- General transparency of not only positive business outlooks but also potential adverse outlooks

A company needs a good top management team, with depth and breadth of talent, so the buyer can be confident in what they are buying. If you are a buyer, you want to make sure that you are looking at current run rates of revenue and profitability, and that trailing 12-month EBITDA isn't just a large rebound from COVID-19.

In addition, buyers look for infrastructure stability and sustainability across IT, finance and accounting, and customer pricing systems. Many private business owners of successful growing businesses are blissfully unaware that their underlying systems are less comprehensive than what buyers expect.

#### **How can a management team drive value as they present their business during a transaction process?**

Sellers and management must sell the future of the business to buyers. Acquirers conduct due diligence on the present and how management has navigated the past; they will also assess how current management can run the business strategically and tactically in the future, under new ownership.

Most owners run successful businesses with quality management. The question is, how do you hand off a company that's operating under a certain culture to a new buyer that may have a different way of running the business? Will the existing management team fit into and adapt to that new paradigm, or have they hit their performance limits and will they stick with what they know?

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# Q2 2021 US PE MM lending league tables

## Overall Select roles\*

1	Ares	52
2	Barings	43
3	Antares Capital	41
4	BMO Financial Group	40
5	Churchill	37
6	Madison Capital Funding	36
7	MidCap Financial	34
8	Golub Capital	33
9	Twin Brook Capital Partners	30
10	PNC	27
11	Capital One	26
12	Monroe Capital	24
13	Audax Private Debt	23
14	The Goldman Sachs Group	22
14	J.P. Morgan	22
16	Kohlberg Kravis Roberts	21
16	Owl Rock	21
16	Crescent Capital	21
19	Jefferies Group	20
19	Truist	20
21	Morgan Stanley	19
21	Varagon Capital Partners	19
21	Citizens Bank	19
21	Bank of America	19

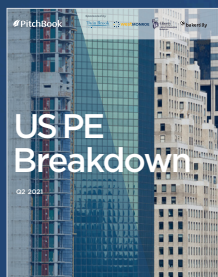
Source: PitchBook

1	Antares Capital	39
2	Ares	38
3	BMO Financial Group	36
4	Madison Capital Funding	33
5	Twin Brook Capital Partners	29
6	Churchill	24
7	PNC	23
8	Capital One	22
9	Barings	21
10	Truist	18
11	Golub Capital	17
11	Varagon Capital Partners	17
13	Citizens Bank	16
13	Monroe Capital	16
15	Crescent Capital	15
15	J.P. Morgan	15
17	Jefferies Group	14
17	Bank of America	14
19	KeyBank	13
20	NXT Capital	12
21	The Carlyle Group	11
21	Fifth Third Bank	11
23	Wells Fargo	9
23	Mitsubishi Financial Group	9
23	RBC	9
23	MidCap Financial	9

Source: PitchBook. \*Select roles comprise only bookrunners, lead arrangers, mandated lead arrangers, and all types of agents that are specifically listed within PitchBook.

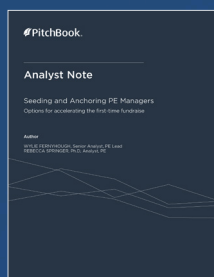
# Additional research

## US Private Equity



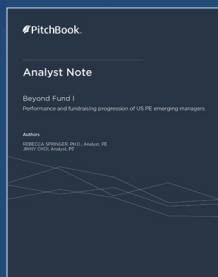
### Q2 2021 US PE Breakdown

*Download the report [here](#)*



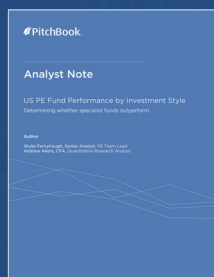
### Analyst Note: Seeding and Anchoring PE Managers

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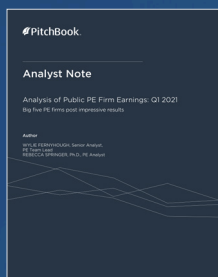
### Analyst Note: Beyond Fund I

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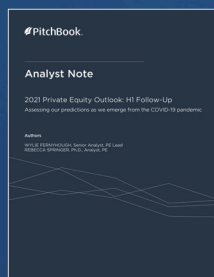
### Analyst Note: US PE Fund Performance by Investment Style

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### Analyst Note: Analysis of Public PE Firm Earnings: Q2 2021

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### Analyst Note: 2021 Private Equity Outlook: H1 Follow-Up

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