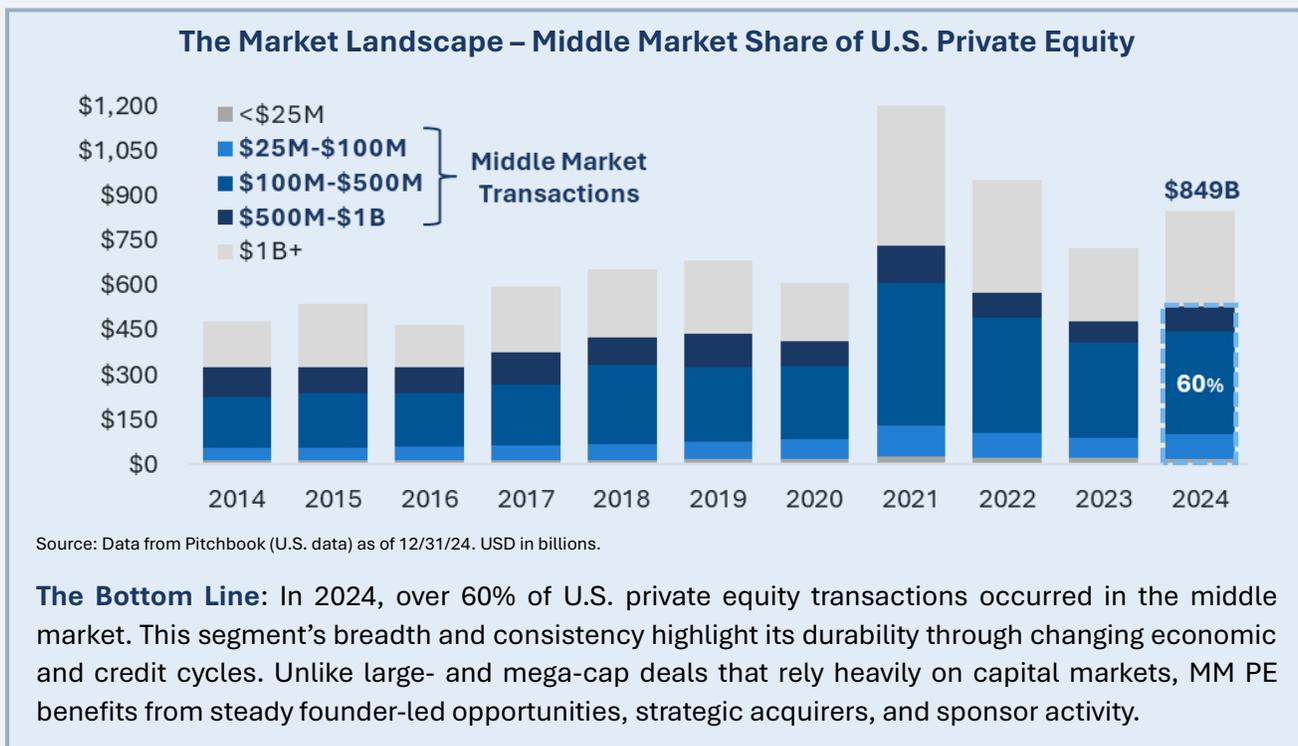


MARKET BRIEFING

August 22, 2025

Middle Market Advantage: Unlocking Value in the Largest Segment of Private Equity

The U.S. middle market has long been the core of private equity investing. Defined broadly as private companies with enterprise values between \$25 million and \$1 billion, the middle market represents the largest and most active private equity segment. With structurally attractive entry valuations, consistent exit pathways, and strong opportunities for growth through operational and strategic initiatives, middle market private equity (“MM PE”) has demonstrated the ability to deliver compelling risk-adjusted returns across market cycles.



Four Pillars of Middle Market Private Equity

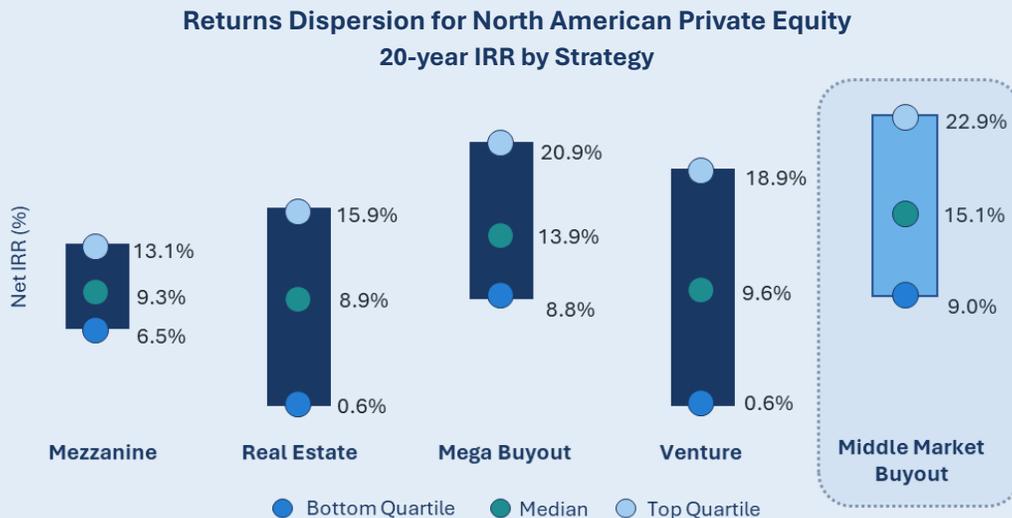
1. **Largest Opportunity Set:** Middle market buyouts account for the majority of U.S. private equity transactions. A large pipeline of founder- and family-owned businesses allows private equity managers to be highly selective, sourcing deals that align with sector expertise, operational playbooks and growth levers.
2. **Attractive Entry Points:** Middle market deals offer a material valuation advantage, trading at 2–5x discounts to large- and mega-cap transactions. These discounts allow for lower leverage and more reinvestment into growth and operational improvements.



- Reliable Paths to Liquidity:** In 2024, 98% of middle market exits were through strategic buyers or other private equity sponsors. This creates resilient liquidity across cycles and reduces reliance on volatile public markets. Larger buyouts often rely on healthy IPO and capital market environments to generate liquidity.
- Fundamental Growth Drivers:** Middle market companies are highly responsive to growth capital and operational improvements. Sector-focused private equity sponsors drive value creation by augmenting leadership, instilling operating discipline, and executing both organic and inorganic growth initiatives.

The Manager Selection Imperative

While the middle market offers attractive characteristics, performance dispersion among top- and bottom-quartile private equity managers is significant. For investors, this underscores the importance of access to experienced, sector-focused managers with demonstrated track records of value creation.



Source: Data from Burgiss as of 12/31/24 or the latest available date. Returns are net of management fees, expenses, and performance fees. Vintage years include 1982–2019. Mega Buyout defined as fund size of > \$3.0 billion Middle Market Buyout defined as fund size between \$400.0 million - \$3.0 billion.

Conclusion

The case for middle market private equity is grounded in its structural advantages: breadth of opportunity, attractive valuations, reliable exits, and tangible growth levers. In today’s environment of heightened public market volatility and shifting macroeconomic dynamics, middle market private equity offers investors a differentiated source of long-term return and diversification.

Authors



Matthew Bourdeau
Principal, Private Equity



Christopher Faucher
Managing Director, Private Equity

Economic and market data is sourced from PitchBook unless stated otherwise.

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