AXIA

Private Equity Newsletter

SG Analytics
Life's Possible

Issue 14 / March 2025

Contents

SG Analytics' premier private equity monthly newsletter and your window to the latest trends, deals, and strategies reshaping the industry.

Each edition of Axia will bring you an exclusive feature article and topical news developments with our experts dissecting critical topics, offering insights and commentary that go beyond the headlines.

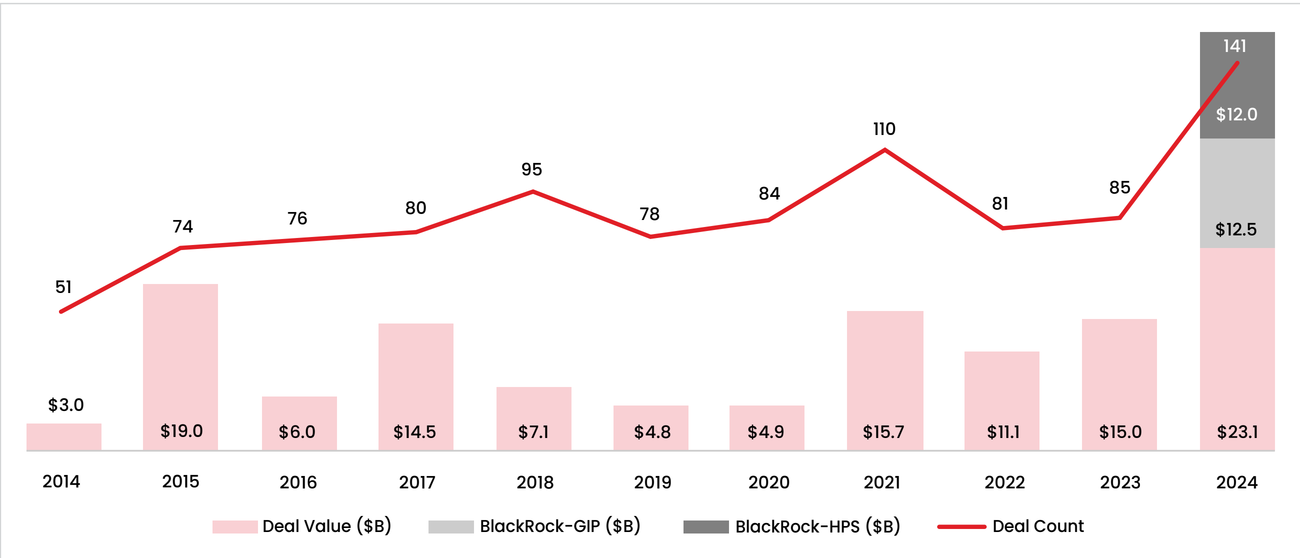
- **Fundraising Challenges**
- **Expected Dealmaking Revival**
- **IPO Exit Opportunities**

Private Equity Giants Shift Focus Beyond Traditional Buyouts

The private equity (PE) giants witnessed a transformative period in 2024, during which firms such as Blackstone, KKR, and Apollo adopted diverse strategies to sustain and grow their businesses. While some players doubled down on traditional PE, others pivoted toward private credit and perpetual capital.

In 2024, PE saw increased GP deal activity with 141 transactions, setting a record for deal volume, as per PitchBook. Meanwhile, capital deployment in traditional PE faced headwinds due to the rapid growth of private credit.

Figure 1: Alternative Asset Manager Deal Activity



Source: PitchBook, data as of January 31, 2025

One of the standout developments in 2024 was the surge in general partner (GP) deal activity. According to PitchBook, the year saw 141 majority and minority stake transactions, setting a record for deal volume. Notably, BlackRock's $12.5 billion acquisition of Global Infrastructure Partners and its $12 billion purchase of HPS Investment Partners dominated headlines. Meanwhile, Ares expanded aggressively, acquiring GCP International for $5.2 billion. This trend indicates that large PE firms are shifting toward consolidation, creating diversified investment platforms rather than relying solely on traditional buyout strategies.

Traditional PE Faces Deployment Challenges as Private Credit Booms

Figure 2: TTM PE Deployment (in Billions)

*Note: Q4 value estimated based on TTM average, pending company filing.

Source: PitchBook, data as of December 31, 2024

Despite robust dealmaking, capital deployment in traditional PE remained relatively tepid. The Big Seven PE firms collectively deployed $58 billion in 2024, a modest 3% increase from the previous year, according to PitchBook. A major factor behind this slow pace was the limited availability of attractive large-scale take-private opportunities as public market valuations soared. Firms like KKR, however, found alternative opportunities, focusing on mid-sized corporate carve-outs and public-to-private transactions, particularly in Japan and Europe.

In contrast to slow PE deployment, private credit has emerged as the preferred asset class. According to PitchBook, the Big Seven firms deployed a staggering $455 billion into private credit strategies in 2024, more than doubling the previous year's figure. Private credit's appeal lies in its ability to offer equity-like returns with lower volatility, making it an attractive investment for institutional clients. Apollo and Ares, in particular, capitalized on this trend by expanding their direct lending capabilities and raising significant capital in the process.

The Shift Toward Perpetual Capital and Fundraising Diversification

Another crucial shift has been the emphasis on perpetual capital, which has hit a new high across major PE firms. With assets reaching $1.6 trillion by the end of 2024, perpetual capital now accounts for nearly 41% of total assets under management (AUM) among the Big Seven, as per PitchBook. Apollo leads this charge with $447 billion in perpetual capital, closely followed by Blackstone with $444.8 billion. This shift allows PE firms to maintain long-term investments without the pressure of fixed fund lifecycles, ensuring a steady stream of fees and mitigating liquidity constraints.

Fundraising remained a challenge, yet firms managed to navigate the landscape strategically. The Big Seven collectively raised $66.1 billion for PE in 2024, with Blackstone's Fund IX surpassing its $20 billion target, as per PitchBook. While flagship funds remain important, many firms, including Apollo and Carlyle, diversified their fundraising efforts toward alternative strategies such as growth equity and real estate. This diversification reflects a shift in investor preferences as limited partners (LPs) seek exposure to a broader array of asset classes.

Realizations Rebound While Strategic Acquisitions Expand Growth

Realizations also made a notable recovery in 2024, with the Big Seven achieving a 36% year-over-year increase, as per PitchBook. Blackstone led with $15.6 billion in realizations, while Carlyle posted a 90.8% annual increase, driven by high-profile exits. The improvement in realizations is critical, as it enhances distributions to investors, allowing firms to position themselves favorably for future fundraising cycles. However, PE firms still lag behind public markets, with the S&P 500 significantly outperforming median PE returns.

As the industry evolves, strategic acquisitions and partnerships have played an instrumental role in shaping growth trajectories. Firms are increasingly expanding into new asset classes, such as infrastructure and secondaries, to capture additional market share. Ares' acquisition of GCP International and KKR's strategic partnership with Capital Group underscore this trend. These moves highlight a broader industry-wide effort to hedge against uncertainties in core PE strategies by embracing a more diversified investment approach.

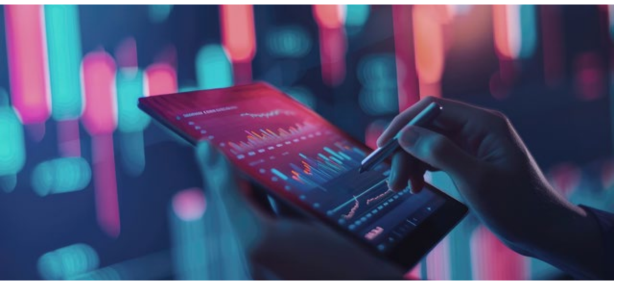
The Future of PE: A Multi-asset Model

Looking ahead, the PE landscape will be shaped by the ongoing transition toward a multi-asset model. While traditional buyout strategies will continue to be a focal point, private credit and perpetual capital are set to dominate fundraising and deployment trends. Firms that can seamlessly integrate these elements into their business models will have a competitive edge in an increasingly complex investment environment.

PE giants are no longer just buyout specialists; they are evolving into all-encompassing alternative investment powerhouses. As they continue to adapt, the firms that successfully balance traditional PE with emerging strategies will define the future of the industry.

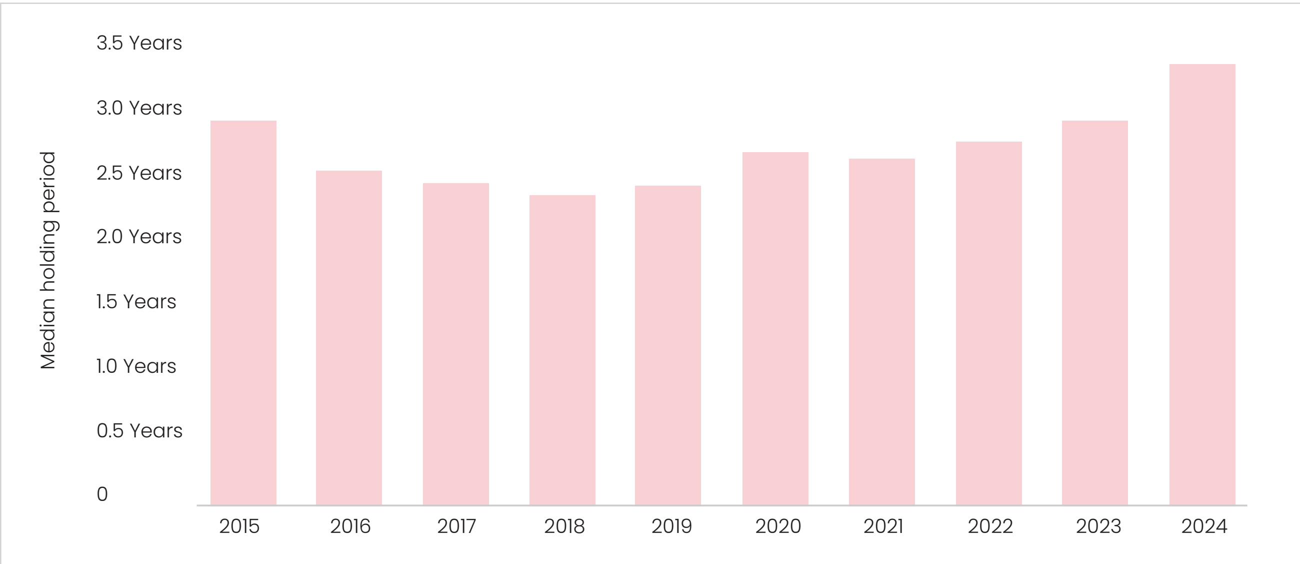
Monthly News and Analysis

PE Exit Slowdown Pushes Holding Periods to Decade-high Levels



PE firms are holding portfolio companies for the longest periods seen in over a decade. By the end of 2024, the median holding period for PE-backed companies reached 3.4 years, the highest in more than nine years, according to PitchBook. Additionally, over 30% of PE-backed companies were held for at least five years, marking the highest level in nearly a decade.

Figure 3: Median Holding Period of the US PE-backed Companies



Source: PitchBook, data as of December 31, 2024

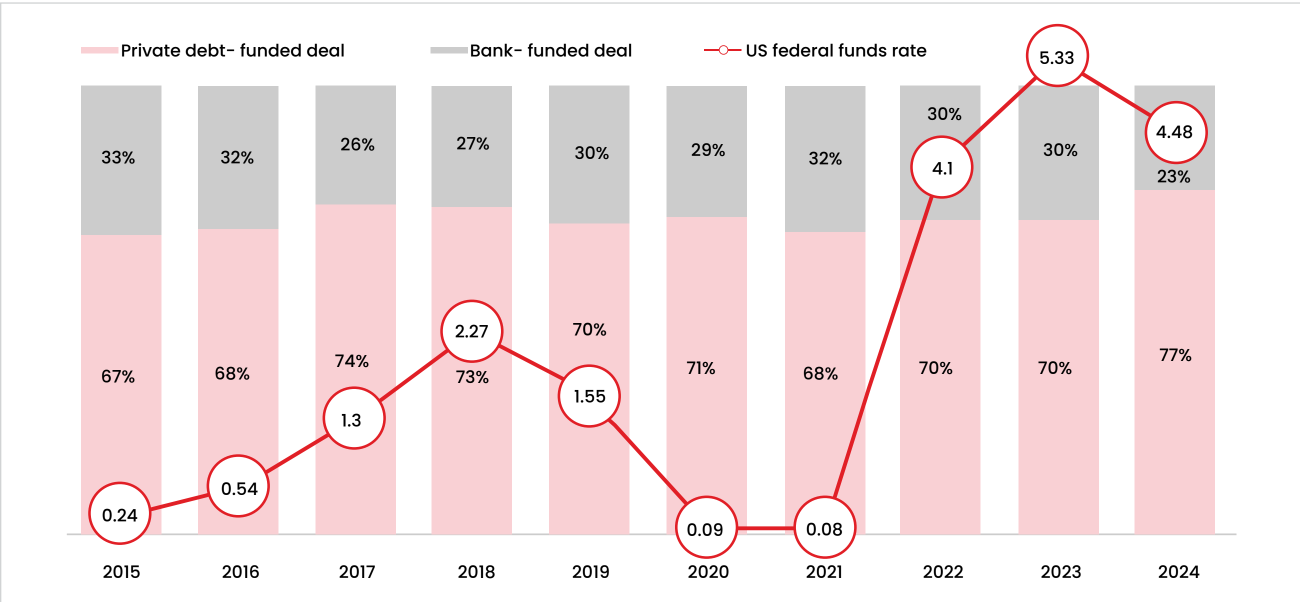
The prolonged hold periods highlight ongoing challenges in securing exits. In 2023, PE exit value fell to $277.3 billion, the lowest in over a decade, as shifting interest rates and wider bid-ask spreads created barriers to dealmaking, according to PitchBook. Zane Carmean, director of quantitative research at PitchBook, noted that valuation mismatches between buyers and sellers have made sponsor-to-sponsor transactions more difficult, further delaying exits. This decline in exits has led to restricted capital distributions for LPs. In 2024, capital returned to LPs across private market strategies – including PE, venture capital (VC), private debt, real estate, and real assets – reached its lowest level relative to net asset value since the global financial crisis, as per PitchBook. To address liquidity constraints, PE firms increasingly turned to alternative methods of returning capital to investors.

Additionally, GP- and LP-led secondary transactions hit a decade-high of $160 billion in total deal value. GPs relied on NAV loans and dividend recapitalizations, where portfolio companies take on new debt to fund payouts to shareholders. In Q1 2024, over 40% of newly issued loans included a dividend recap, the highest share recorded since before the pandemic, as per PitchBook. Despite elevated interest rates, the rise in dividend recaps highlights the urgency among fund managers to generate cash for LPs. With traditional exits remaining uncertain, reliance on liquidity-generating strategies is likely to persist in 2025.

Private Debt Dominates Buyout Financing, Reaching a Decade-high Share

Private debt accounted for 77% of global leveraged buyout (LBO) financing in 2024, its highest annual share since 2015, as per Preqin data. Banks contributed only 23%, their lowest share over the same period. This trend continued in 2025, with private debt funding 83% of the 53 LBOs announced through January 22, solidifying its role as the primary buyout financing source.

Figure 4: Global PE Buyout Deals



Source: Preqin, data as of January 22, 2025

Private debt providers are stepping in as banks pull back from funding LBO transactions due to increasing regulatory constraints. Nick Holman, partner and head of UK and Ireland at private debt manager Kartesia, noted that regulatory pressure has reduced banks' ability to fully leverage their balance sheets for financing. Loan size is another critical factor, especially in the middle market, where the capital requirements and low profitability make such loans less appealing to banks. "It's very expensive to maintain large teams being active in this segment, and you don't have a lot of profitability for it," noted Nicolas Nedelec, a partner at Eurazeo SE.

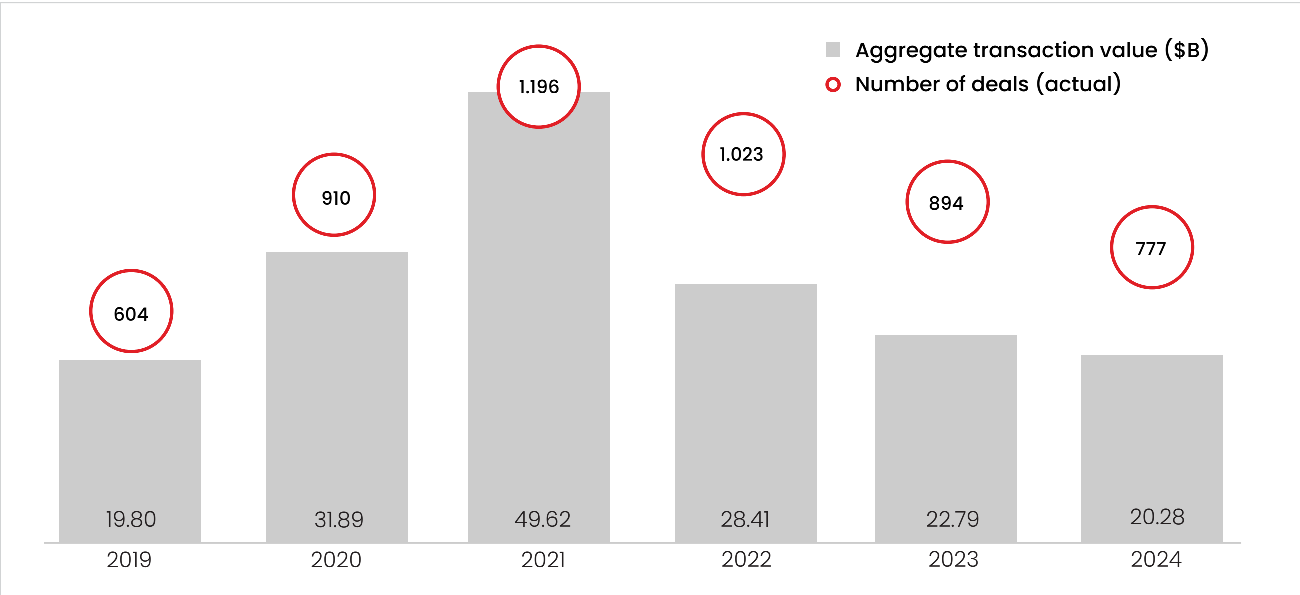
While banks regained some ground in 2024 by underwriting syndicated loans for large deals, they remain cautious and highly sensitive to market fluctuations. Private debt's growing appeal is also driven by its speed and certainty in loan execution. Direct lenders offer faster decision-making than bank syndicates, making them an attractive alternative despite higher costs. Borrowers increasingly prioritize efficiency, particularly in volatile economic conditions.

Looking ahead, private debt activity is projected to rise in 2025, alongside a rebound in PE deals, even amid interest rate uncertainty. Institutional investors are also favoring private credit due to its strong risk-adjusted returns. In Europe, where economic growth lags as compared to the US, investors are shifting away from equities and into private credit, drawn by its stable yields, particularly for pension funds and insurance firms. As private debt continues expanding its role in buyout financing, its influence in the market is expected to strengthen.

PE and VC Investment in Biotech Drops to Five-year Low

Global PE and VC investment in biotechnology fell to its lowest level since 2019, with total deal value declining 11 percent to $20.28 billion and the number of deals dropping from 894 in 2023 to 777, as per S&P Global. Rising interest rates, regulatory hurdles, and surging R&D costs have made biotech a tougher bet for investors.

Figure 5: Global PE/VC Investments in Biotechnology



Source: S&P Global, data as of February 4, 2024

Despite these challenges, the sector continues to attract selective funding. Investors are shifting focus toward companies with strong commercial potential rather than speculative early-stage ventures. The US and Canada led global biotech investment with 281 deals worth $13.33 billion, followed by Europe at $4.41 billion and Asia-Pacific at $2.45 billion, as per S&P Global. Kailera Therapeutics secured the largest PE-backed deal of 2024, raising $400 million for obesity treatment research. Arsenal Biosciences followed with a $325.4 million Series C round, highlighting ongoing demand for breakthrough therapies.

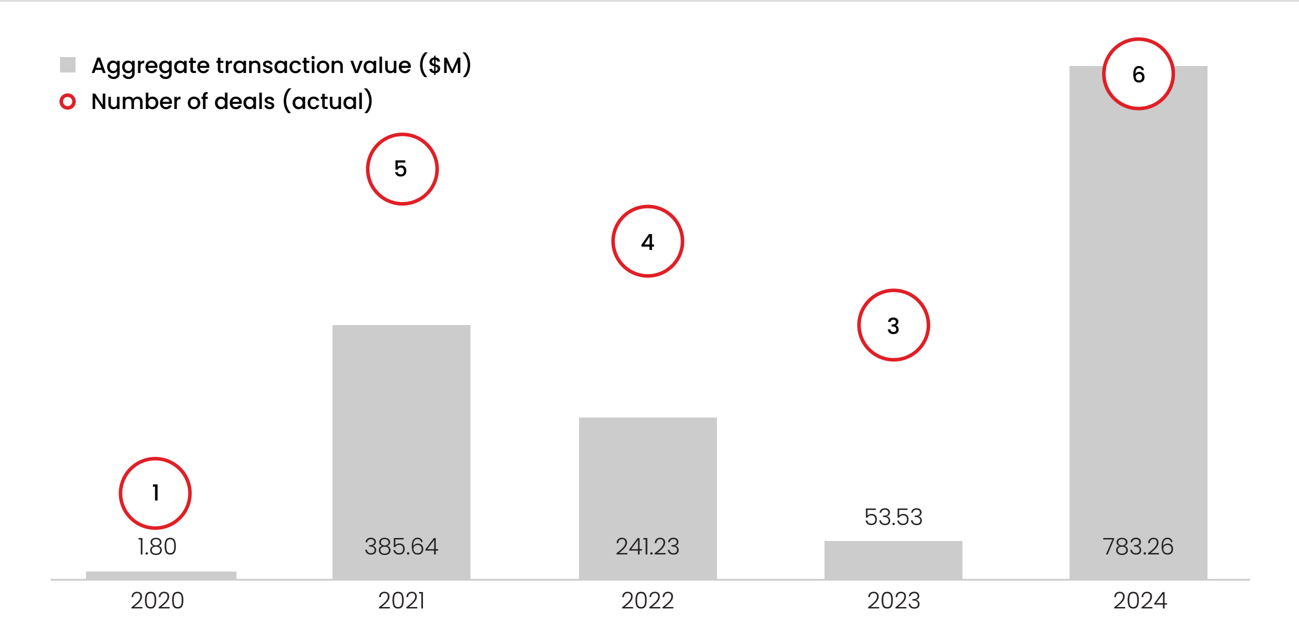
Biotechnology remained the most active healthcare segment in terms of deal count, even as overall investment declined. The sector also saw PE transaction values rise each quarter in 2024, signaling some resilience despite broader headwinds. The dominance of North America in biotech deal activity was evident, with all top 10 PE-backed deals involving companies from the US and Canada.

However, broader investment trends show a shift in strategy, with firms prioritizing late-stage assets and companies closer to profitability. Biotech's traditional reliance on easy capital has been disrupted, forcing firms to cut costs and refine development pipelines. Looking ahead, a potential drop in interest rates and a more innovation-friendly stance from the US FDA will likely improve the funding conditions. Artificial intelligence (AI) is also emerging as a key driver of efficiency in drug discovery and regulatory approvals. However, AI must deliver tangible results, and regulatory oversight will remain strict. The ability of biotech firms to navigate these factors will determine whether investment rebounds in 2025 or remains sluggish.

PE Investment in Advanced Nuclear Surges to Record Levels

PE investments in advanced nuclear surged in 2024, reaching $783.3 million, 13 times 2023 levels, driven by AI's insatiable energy demand, as per S&P Global. Once overlooked, nuclear is now a focal point for tech giants such as Alphabet and Amazon, fueling next-generation reactor development. Government backing further strengthens PE's confidence in this evolving sector.

Figure 6: PE/VC-backed Investments in Advanced Nuclear Sector



Source: S&P Global, data as of January 28, 2025

PE's record-breaking investments in advanced nuclear in 2024 mark a major shift in the energy landscape. Historically hesitant, investors are now embracing nuclear as a scalable, low-carbon solution to meet the soaring power demands of AI-driven data centers. With total deal value exceeding the past 15 years combined, the sector is experiencing an unprecedented inflow of capital. Companies developing small modular reactors, advanced fuel technologies, and next-generation nuclear designs are attracting significant funding, fueled by confidence in nuclear's reliability. Tech behemoths such as Alphabet, Amazon, and Meta are directly investing in reactor projects, recognizing that renewable sources alone cannot support their AI ambitions. The 2024 deals of Amazon-backed X Energy's $500 million raise and Zap Energy's $130 million Series D round further illustrate the momentum. Government policy is also playing a pivotal role. The ADVANCE Act, which streamlines licensing and reduces costs for nuclear projects, signals bipartisan support for the sector. This regulatory shift has not gone unnoticed by PE firms seeking long-term, stable returns. Moreover, the transition of nuclear deployment from utilities to AI, petrochemical, and manufacturing industries reinforces its commercial viability. The nuclear resurgence is no longer a theoretical possibility; rather, it is a reality driven by the urgent need for reliable, high-capacity energy sources. As AI accelerates global electricity demand, advanced nuclear is emerging as a practical solution to ensure a stable power supply. For investors, this shift represents a long-term growth opportunity in a sector poised for expansion.

Secondaries Funds Struggle to Deliver Expected Returns

PE secondaries funds, once valued for their faster liquidity, are now facing challenges in returning capital to investors. Despite record fundraising, such as Ardian's $30 billion fund, which closed in January 2025 – its largest ever – distributions have slowed due to weaker exits and reliance on continuation funds. As liquidity constraints persist, concerns are growing over their ability to outperform traditional buyouts.

Secondary vehicles are now facing the same issue as primary PE and VC funds: they are slow to return capital to investors. On average, secondary funds with vintages later than 2015 have yet to generate a distributions-to-paid-in (DPI) ratio greater than 1x, according to PitchBook. This means that funds approaching their 10-year mark have not returned more than 100% of the capital LPs originally committed. Typically, funds at this stage should have surpassed the 1x DPI threshold nearly two years earlier. The underperformance is even more pronounced for funds with 2020 vintages, which have, on average, generated just a 0.2x DPI – far below the expected levels for funds at their five-year mark, as per PitchBook.

The lack of quick exits and distributions threatens the appeal of secondaries funds, which are designed to offer investors a faster route to liquidity compared to traditional buyouts. However, if distributions remain weak, secondaries lose this advantage, making them less attractive to LPs looking for faster capital recycling. Historically, these funds provided exposure to seasoned portfolios at a discount, but as liquidity challenges persist, managers are struggling to return capital efficiency. PitchBook analysts warn that if distributions do not improve in 2025, secondaries fund returns would take a significant hit, further diminishing their appeal relative to traditional buyout strategies. With exits slowing across private markets, secondary investors will need to adjust expectations and reconsider how they evaluate fund performance in a constrained liquidity environment.

Deals Flash

Argonaut Acquires Pryer Aerospace

Argonaut Private Equity, an Oklahoma-based PE firm, has acquired Pryer Aerospace, an Oklahoma-based manufacturer of complex aerospace components. Founded in 1965, Pryer supports military, commercial, and space projects with precision machining and sheet metal manufacturing of complex aircraft structural assembly components. This acquisition will allow Pryer to expand its capabilities, capacity, footprint, and product offerings, strengthening its position in the aerospace market. Additionally, it will enable Argonaut to strengthen its presence in Middle America's manufacturing sector and support Pryer's expansion into the space launch industry, driving long-term growth.

SFEP Takes Majority Stake in Formula Corp

San Francisco Equity Partners (SFEP), a San Francisco-based PE firm, has acquired a majority stake in Formula Corp, a Washington-based manufacturer of cleaning products. Founded in 1983, Formula Corp offers turnkey services, including R&D, formulation, blending, filling, label and packaging development, regulatory services, and fulfillment. This deal will allow Formula Corp to accelerate growth by capitalizing on long-term trends in green chemistry and cleaning products. Furthermore, it will enable SFEP to leverage its expertise in private label and contract manufacturing to drive Formula Corp's expansion.

One Equity to Acquire Wheeler Fleet Solutions from VSE

One Equity Partners (OEP), a New York-based PE firm, has agreed to acquire Wheeler Fleet Solutions, a Pennsylvania-based aftermarket parts distribution business, from VSE Corporation, a Virginia-based provider of aerospace aftermarket distribution and repair services. Founded in 1960, Wheeler offers parts distribution and engineering solutions, servicing the medium- and heavy-duty fleet market. This deal will allow Wheeler to expand its operations as an independent business, leveraging OEP's expertise in scaling industrial distribution. Additionally, it will enable OEP to strengthen its portfolio in industrial aftermarket services and drive strategic growth.

Francisco to Acquire Quorum Software from Thoma Bravo

Francisco Partners, a California-based PE firm, has agreed to acquire Quorum Software, an energy software provider, from Thoma Bravo, an Illinois-based PE firm. Founded in 1998, Quorum provides energy software worldwide, serving more than 1,500 customers across the entire energy value chain in 50 countries. This deal will allow Quorum to accelerate growth, enhance its platform, and expand its customer base through both organic investments and strategic acquisitions. Furthermore, it will enable Francisco to leverage its technology expertise to drive innovation and scalability.

Grovecourt Acquires IMRIS Imaging

Grovecourt Capital Partners, a Florida-based PE firm, has acquired IMRIS Imaging, a Minnesota-based magnetic resonance imaging (MRI) solution company. Founded in 2005, IMRIS designs, manufactures, and services its proprietary intraoperative MRI systems, which are used by a large number of hospitals and cancer centers worldwide. This acquisition will allow IMRIS to expand its intraoperative MRI imaging capabilities into emerging applications like laser ablation and high-intensity focused ultrasound procedures. Additionally, it will enable Grovecourt to strengthen its medical imaging portfolio and drive innovation in patient care.

HGGC to Take a Majority Investment in Centralis Group

HGGC, a California-based PE firm, has made a majority investment in Centralis Group, a Luxembourg-based global alternative asset and corporate services provider. Founded in 2006, Centralis Group offers customized fund administration, special purpose vehicle (SPV)-fund connected services, global expansion, and governance solutions for a diverse range of clients. This deal will allow Centralis to expand its market presence, enhance its service offerings, and drive long-term growth. Furthermore, it will enable HGGC to leverage its expertise in scaling businesses, unlocking Centralis' potential through strategic collaboration and operational excellence.

Aquiline to Acquire SEI's Family Office Services Business

Aquiline Capital Partners, a New York-based PE firm, will acquire the Family Office Services business of SEI, a Pennsylvania-based global financial technology, operations, and asset management services provider. The business will operate as Archway following the acquisition, as part of Aquiline's Archway Platform, designed to streamline family office operations and deliver advanced financial reporting for ultra-high-net-worth families. The deal's total purchase price is $120 million. This deal will allow SEI to focus on its core growth areas while enabling Aquiline to accelerate the expansion of the Archway Platform in private wealth.

Advent International Acquires Sauer Brands from Falfurrias

Advent International, a Massachusetts-based PE firm, has acquired Sauer Brands, a Virginia-based provider of flavor-enhancing products, from Falfurrias Capital Partners, a North Carolina-based PE firm. Founded in 1887, Sauer offers a wide range of inspired flavors to consumers, including condiments, spices, seasonings, and extracts. This deal will allow Sauer to accelerate its growth, expand its product offerings, and reach more consumers. Additionally, it will enable Advent to strengthen its food portfolio, drive brand expansion, and enhance value creation in the consumer goods sector.

Avathon Acquires Yellow Brick Road

Avathon Capital, an Illinois-based PE firm, has acquired Yellow Brick Road Early Childhood Development Center, a Minnesota-based operator of a chain of children's education centers. Founded in 2006, Yellow Brick Road offers education-based programs for infants to school-age children, serving families across Minnesota, Nebraska, and Iowa. This acquisition marks Avathon's third investment in the early childhood education sector. This deal will allow Yellow Brick Road to expand its reach, enhance its curriculum, strengthen its operations, support educators, and provide exceptional early childhood education.

Emerald Lake Exits Inno-Pak to Handgards

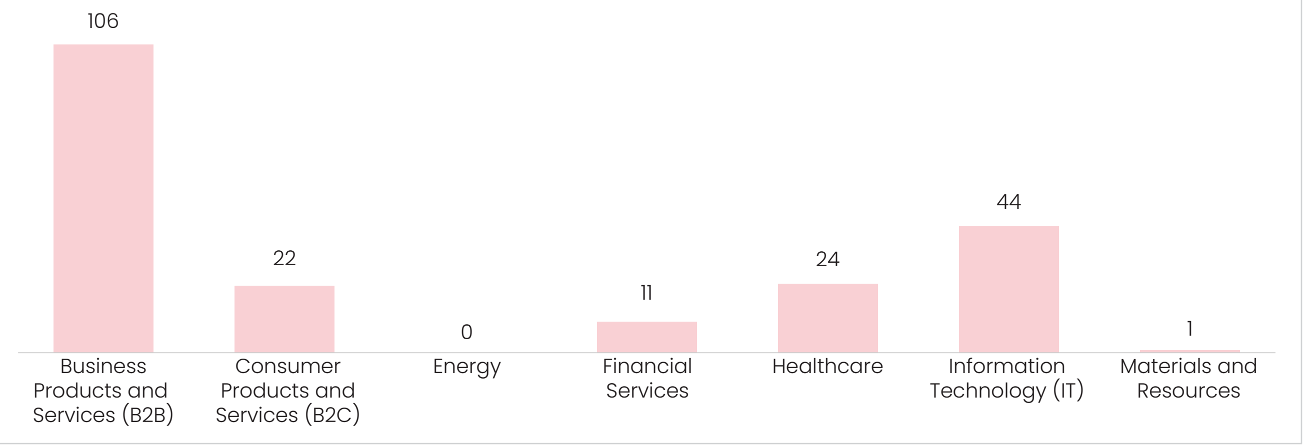
Emerald Lake Capital Management, a California-based PE-firm, has sold Inno-Pak, an Ohio-based manufacturer, importer, and supplier of eco-friendly food packaging, to Handgards, a Texas-based portfolio company of Wynnchurch Capital, an Illinois-based PE firm. Founded in 1992, Inno-Pak offers more than 100 patented products, including nested paper takeout containers, soup cups with transparent lids, multi-substrate bakery/deli cartons, and more. This deal will allow Inno-Pak to expand its product portfolio, enhance its manufacturing capabilities, strengthen distribution, and drive innovation in sustainable packaging solutions.

TRENDS AND STATS

February Middle Market Deal Summary

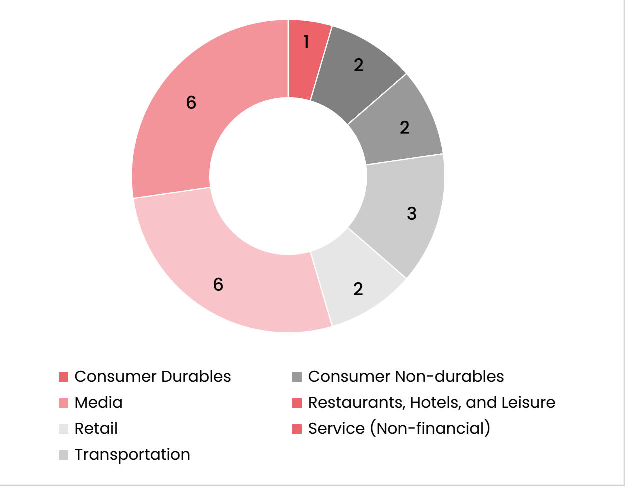
51.0% of the deals were in the Business Products and Services (B2B) sector	**61.3%** B2B deals were in Commercial Services	**21.2%** of the deals were in the Information Technology (IT) sector
72.7% of IT deals were in software	**California** experienced the highest dealmaking activity, followed by Texas	**74.5%** of the deals were buyouts

Figure 7: February Middle Market Deal Summary



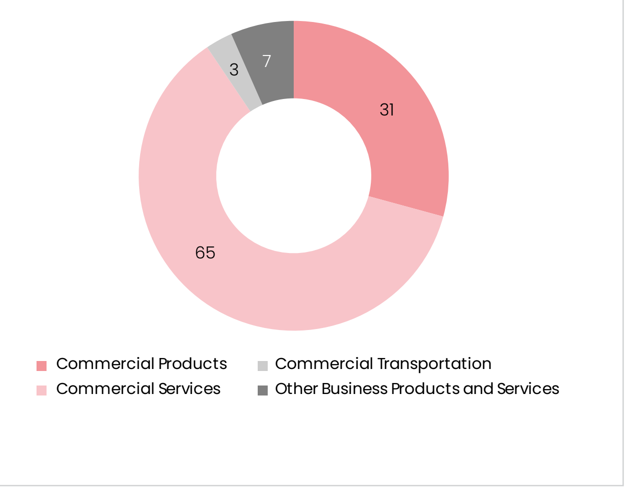
Source: SG Analytics Research

Figure 8: Consumer Products and Services



Source: SG Analytics Research

Figure 9: Business Products and Services

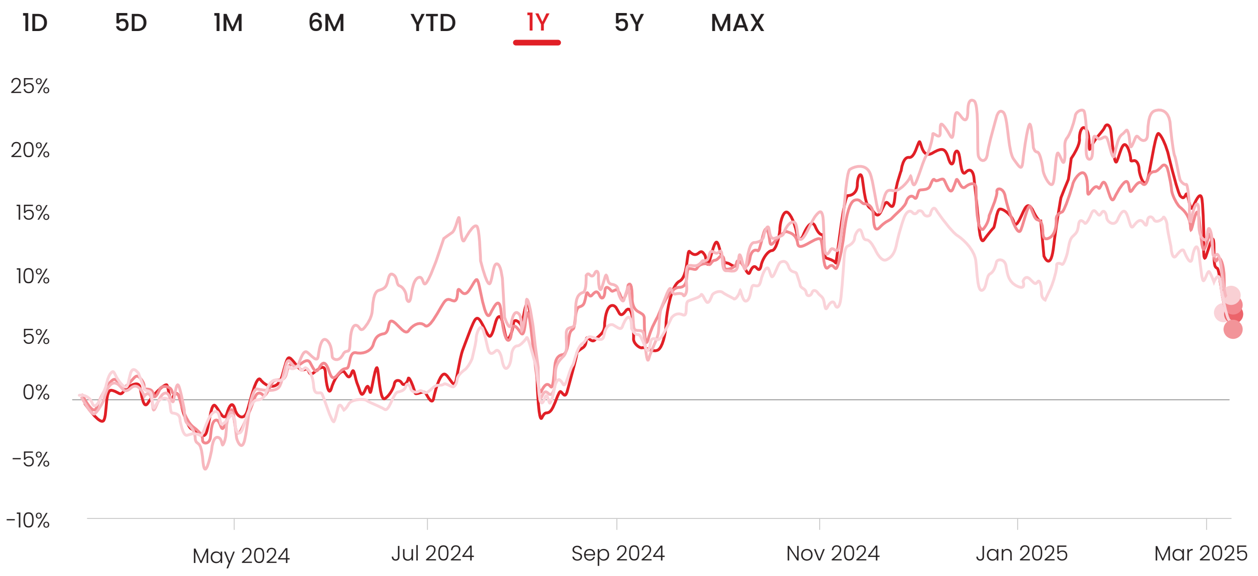


Source: SG Analytics Research

Note: This dataset specifically targets investor fund preferences within the $2–8 million earnings before interest, taxes, depreciation, and amortization (EBITDA) range. It is important to note that the summary focuses solely on these investor preferences and does not include details related to deal sizes.

S&P Listed Private Equity Index

Figure 10: S&P Listed Private Equity Index

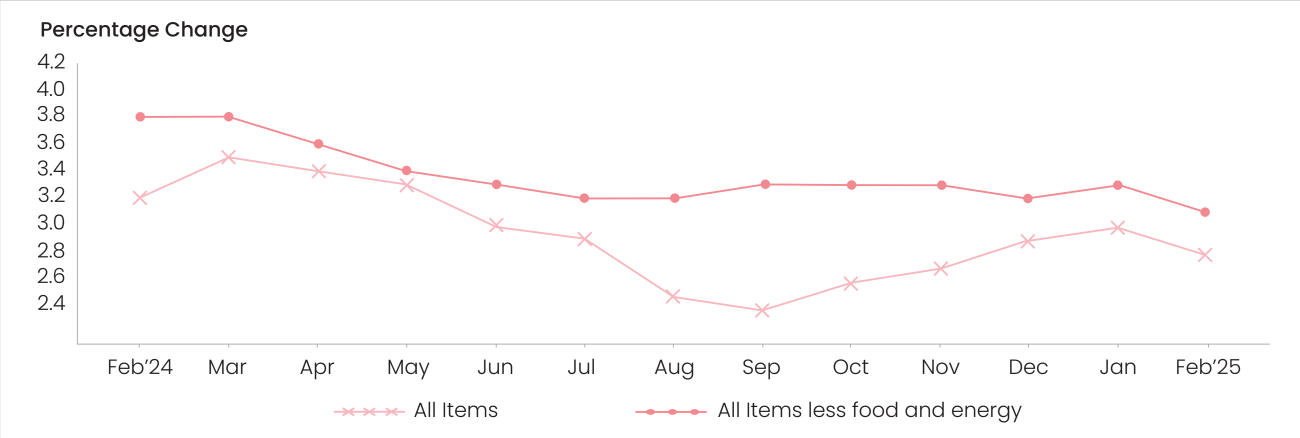


Listed Private Equity Index	238.91	+15.57	6.97%
S&P 500	5,570.62	+395.35	7.64%
Nasdaq Composite	17,545.30	+1,279.66	7.87%
Dow Jones Industrial Average	41,095.04	+2,089.55	5.36%

Data as of March 12, 2025

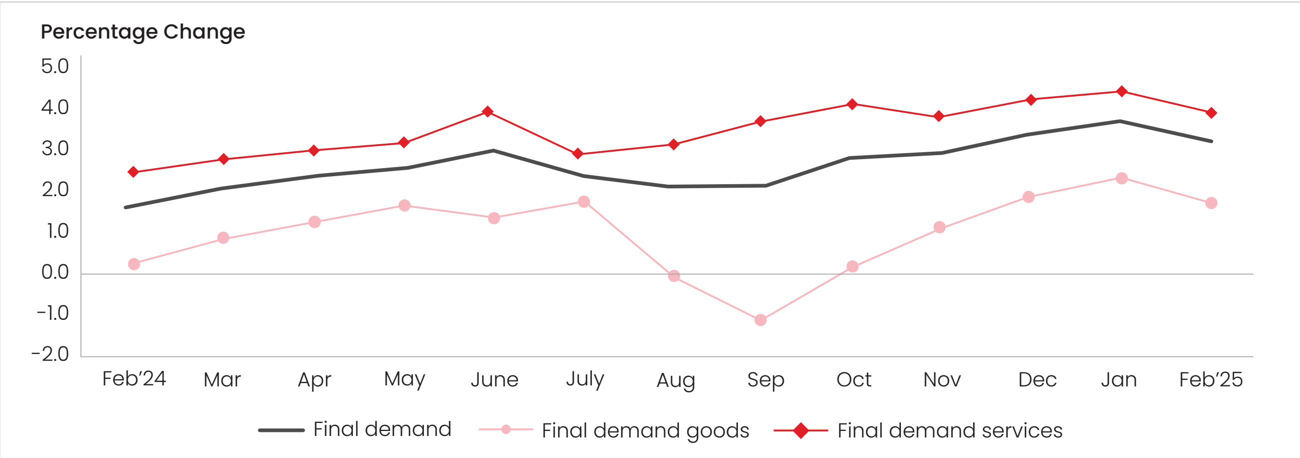
Index	Month-over-Month	YTD
Consumer Price Index	0.2%	2.8%
Producer Price Index	0%	3.2%

Figure 11: 12-month Percent Change in CPI for All Urban Consumers, Not Seasonally Adjusted



Source: US Bureau of Labor Statistics

Figure 12: 12-month Percent Change in Selected PPI Final Demand Price Indexes, Not Seasonally Adjusted



Source: US Bureau of Labor Statistics

Upcoming Events

Mergermarket Private Equity Forum New York 2025	April 2, 2025	The Pierre, A Taj Hotel, New York
Private Equity International NEXUS 2025	April 7–9, 2025	ARIA Resort and Casino, Las Vegas
Pensions&Investments x IPEM Private Markets 2025	April 16–17, 2025	Chicago, Illinois

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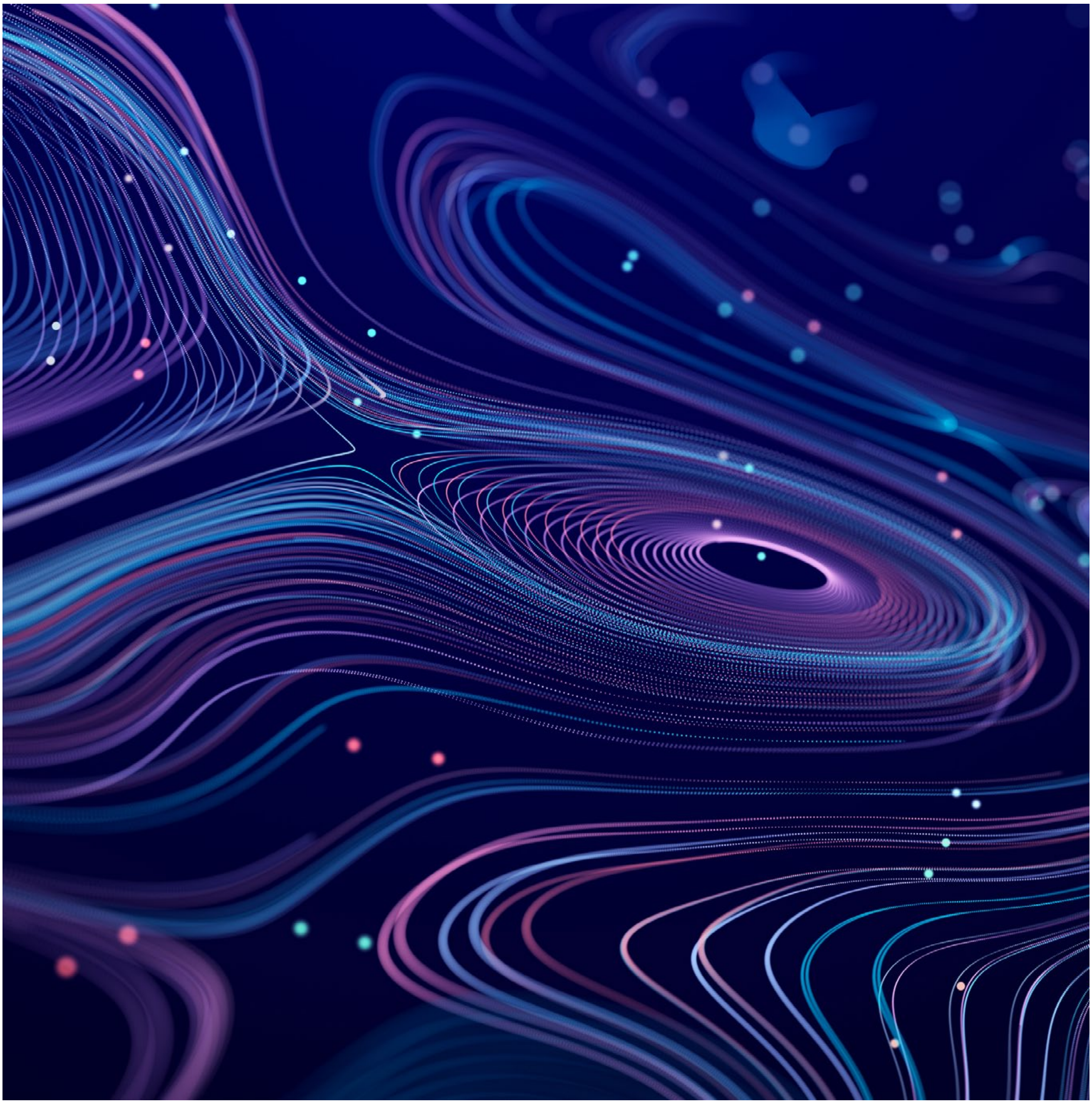

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