



# PRIVATE MARKETS | Q4-2023

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**About:** Mr. Buehler has over 20 years of investment experience within financial services, commercial real estate, private equity, investment banking and alternative investments. Mr. Buehler has authored numerous white papers, is a frequent contributor to industry magazines and is a guest-lecturer at various universities throughout the U.S. Mr. Buehler currently sits on the FINRA West Committee, serves on various for-profit boards and consults with family offices and financial institutions.

**Education:** Mr. Buehler earned his B.A. from Chapman University where he was awarded the Bateman scholarship. Mr. Buehler holds FINRA Series 7, 24, 63 and 79 licenses and various state licenses.

**Interests:** Adventure-running, cycling, reading, fly-fishing, travel and philanthropy work.

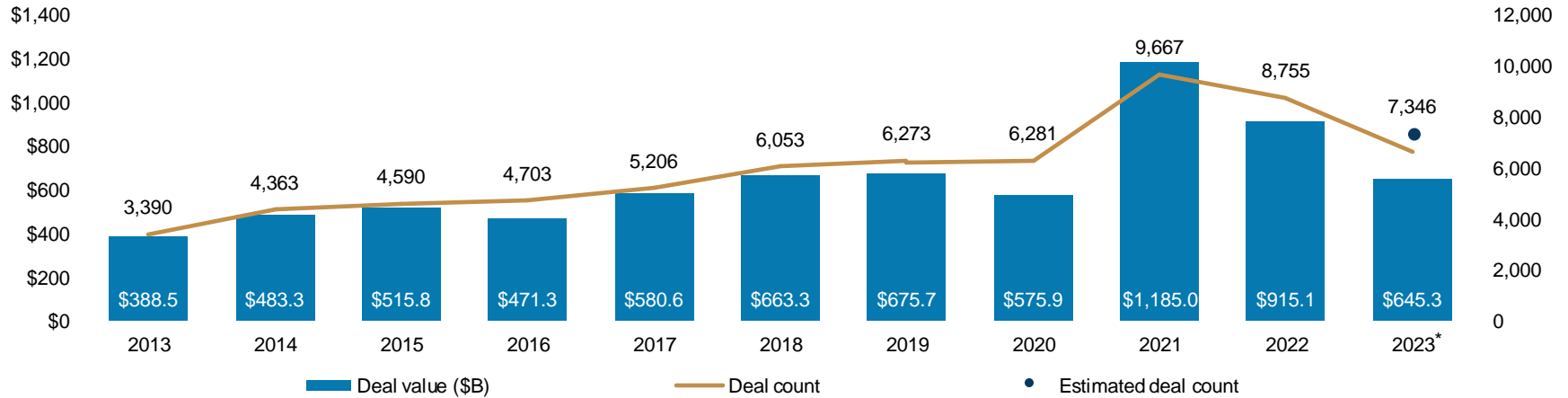
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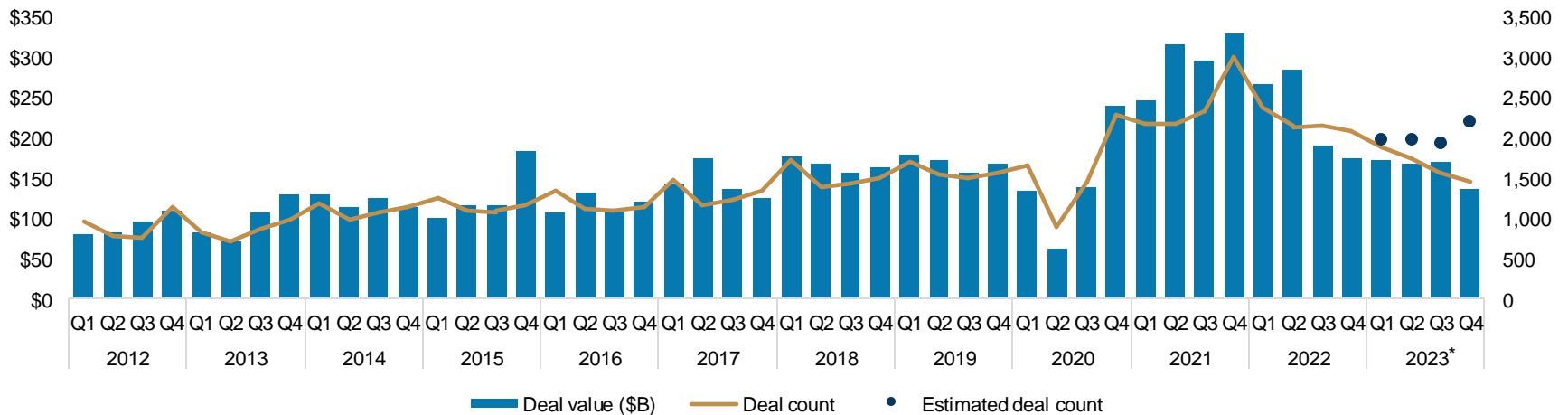
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# DOES A SLOW 2023 OFFER POTENTIAL BENEFITS?

## U.S. PE DEAL ACTIVITY<sup>1</sup>



## U.S. PE DEAL ACTIVITY BY QUARTER<sup>1</sup>

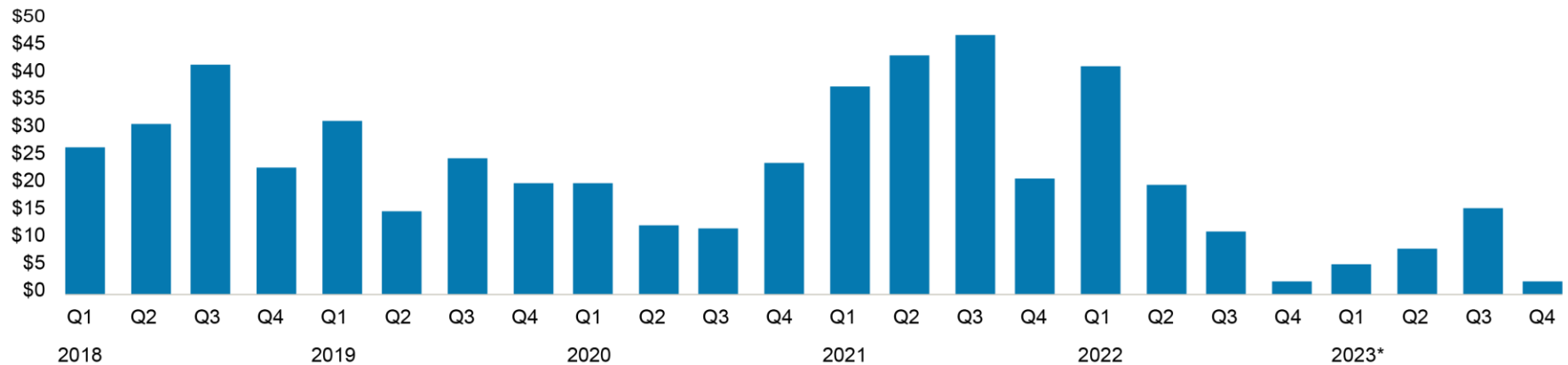


1. U.S. PE Breakdown: 2023 Annual. PitchBook. 2023.  
\*As of December 31, 2023.

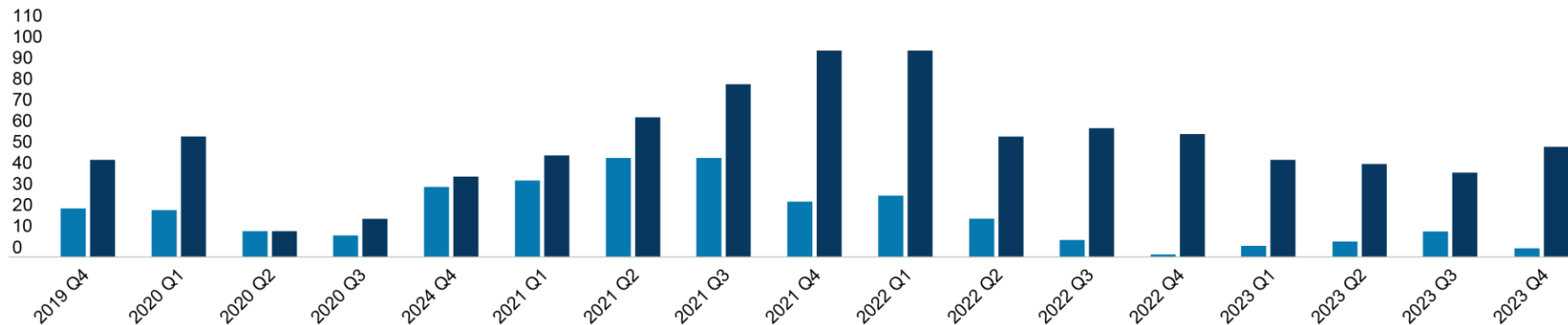
## BSLs SUFFER MAJOR SETBACK IN Q4

The bank-led broadly syndicated loans (BSL) market suffered a setback in Q4 2023, totaling just \$2.2B in Q4 versus \$15.3B in Q3 2023. This reflects a more conservative posture among lenders.<sup>1</sup> Private credit continued to outpace BSLs in leveraged buyouts (LBOs).<sup>2</sup>

### BROADLY SYNDICATED U.S. LBO LOAN VOLUME (\$B) BY QUARTER<sup>1</sup>



### COUNT OF LBOs FINANCED IN BSL VS PRIVATE CREDIT MARKET<sup>2</sup>



1. U.S. PE Breakdown n: 2023 Annual. PitchBook. 2023.

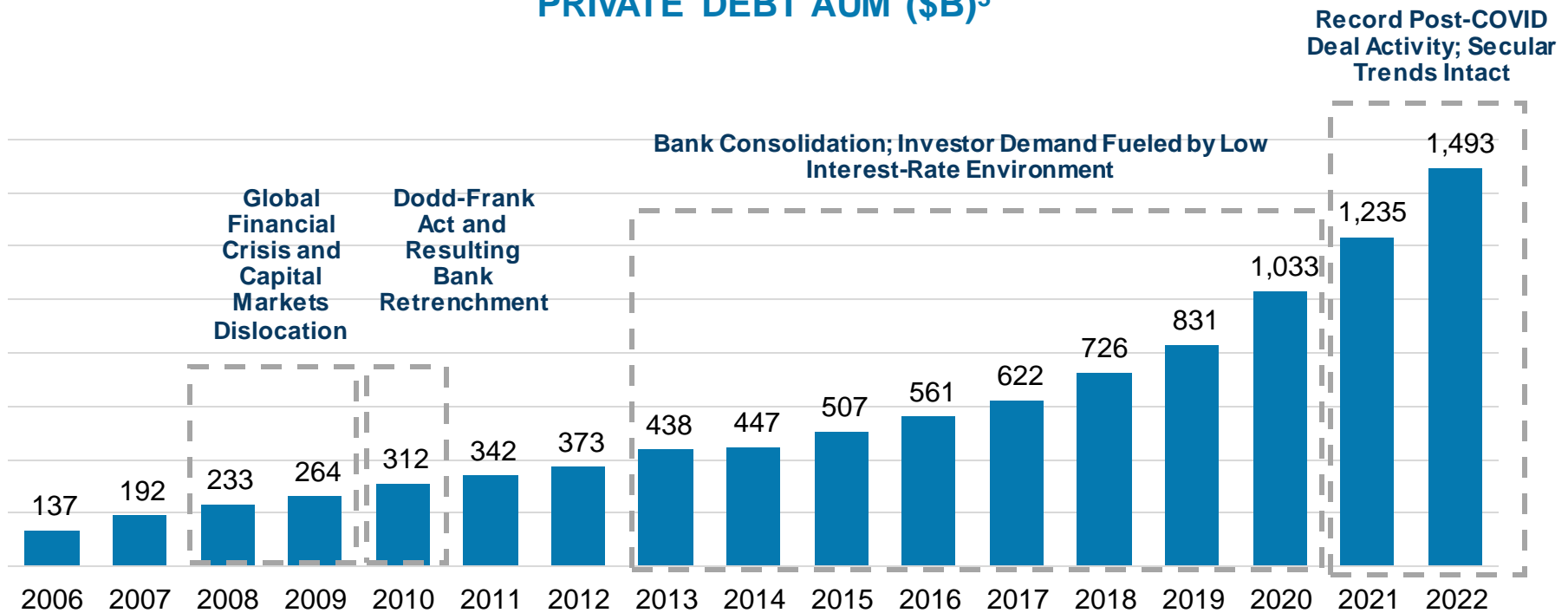
2. "What is Private Debt? The Ultimate Guide." PitchBook Blog. November 30, 2023.

\*As of December 31, 2023.

# PRIVATE CREDIT'S RAPID GROWTH

The current size of the private credit market is approximately \$1.5 T<sup>1</sup> and expected to grow to \$2.3T by 2027.<sup>2</sup>

## PRIVATE DEBT AUM (\$B)<sup>3</sup>



For illustrative purposes only. As of August 17, 2023

- Hidalgo, Katharine and Brown, Silas. "Banks Rush to Gain Foothold in \$1.5 Trillion Private Credit Market." Bloomberg. September 14, 2023. <https://www.bloomberg.com/news/articles/2023-09-14/banks-rush-to-gain-foothold-in-1-5-trillion-private-debt-market>
- "Understanding Private Credit." Morgan Stanley. September 15, 2023. <https://www.morganstanley.com/ideas/private-credit-outlook-considerations>
- Bass, Matthew. "Private Credit Outlook: Room to Run." Alliance Bernstein. October 8, 2023. <https://www.alliancebernstein.com/corporate/en/insights/investment-insights/private-credit-outlook-room-to-run.html>

# 10 LARGEST DEALS WITH PRIVATE EQUITY (2023)<sup>1</sup>

ANNOUNCED	TARGET	VALUE (US\$B)	SPONSOR	TYPE
3/23/23	Toshiba Corp.	\$15.0	Japan Industrial Partners Inc	Take-Private
3/13/23	Qualtrics International	\$12.5	CPP Investments Silver Lake	Take-Private
7/6/23	Worldpay	\$11.4	GTCR	Leveraged Buyout
3/13/23	Univar Solutions Inc	\$8.1	Apollo Funds	Take-Private
2/28/23	Coupa Software	\$8.0	Thoma Bravo, Abu Dhabi Investment Authority	Take-Private
10/22/23	Textainer Group Holdings Limited	\$7.4	Stonepeak	Take-Private
3/15/23	Stripe	\$6.5	Andreessen Horowitz, Baillie Gifford, Founders Fund, General Catalyst, MSD Partners, and Thrive Capital, GIC, Goldman Sachs Asset and Wealth Management, and Temasek	Growth Equity
5/3/23	Maxar	\$6.4	Advent International, British Columbia Management Corporation	Take-Private
11/6/23	Guidehouse LLP	\$5.3	Bain Capital Credit	Buyout
3/4/23	Cvent	\$4.6	Blackstone, Abu Dhabi Investment Authority	Buyout

1. Mitchell, David. "Private Equity Deals: The Biggest Transactions of the Year So Far." December 27, 2023. <https://www.allvuesystems.com/resources/private-equity-deals-the-biggest-transactions-of-the-year-so-far/#gate>

# TAKE-PRIVATES LOSE STEAM, BUT COMPELLING OPPORTUNITIES MAY REMAIN.



20%

Typical year take-private deal activity<sup>1</sup>



40%

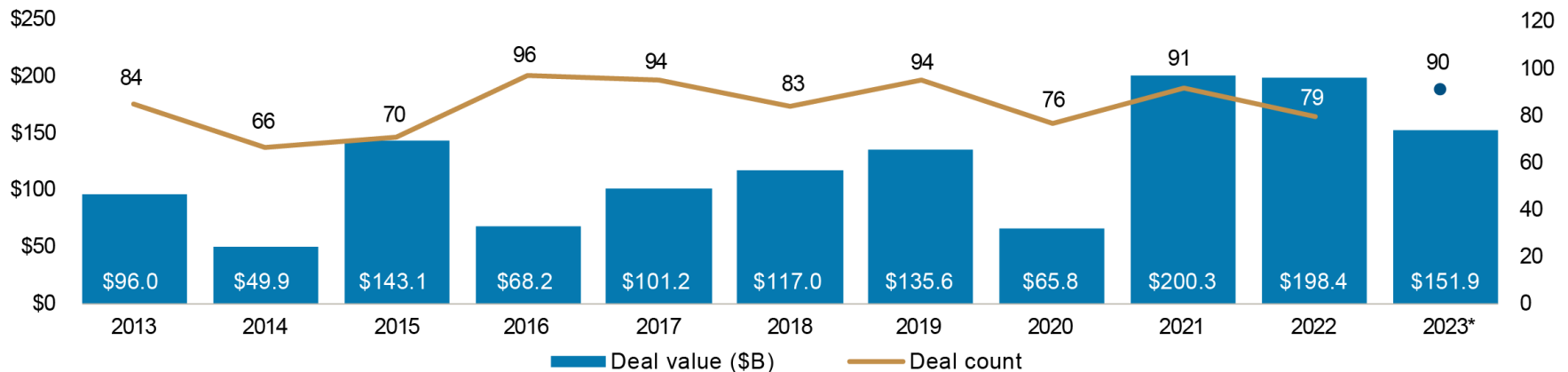
2022 take-private deal activity<sup>2</sup>



42%

Q2 2023 take-private deal activity<sup>2</sup>

## U.S. PE TAKE-PRIVATE DEAL ACTIVITY<sup>3</sup>



- After a strong start, take-privates finished well below \$200B in deal value for the first time in 2 years.<sup>2</sup>
- 59% of Q4's take-private deals involved sub-\$1 billion companies, continuing the trend of take-privates getting smaller and focusing on the middle market in a private markets context. 2024 may see this trend continue.<sup>3</sup>

1. Witte, Pete. "Private Equity Pulse: Takeaways from Q1 2023." May 1, 2023. [https://www.ey.com/en\\_us/private-equity/pulse](https://www.ey.com/en_us/private-equity/pulse)

2. Witte, Pete. "Private Equity Pulse: Takeaways from Q2 2023." August 17, 2023. [https://www.ey.com/en\\_us/private-equity/pulse](https://www.ey.com/en_us/private-equity/pulse)

3. U.S. PE Breakdown: 2023 Annual. Pitchbook. 2023.

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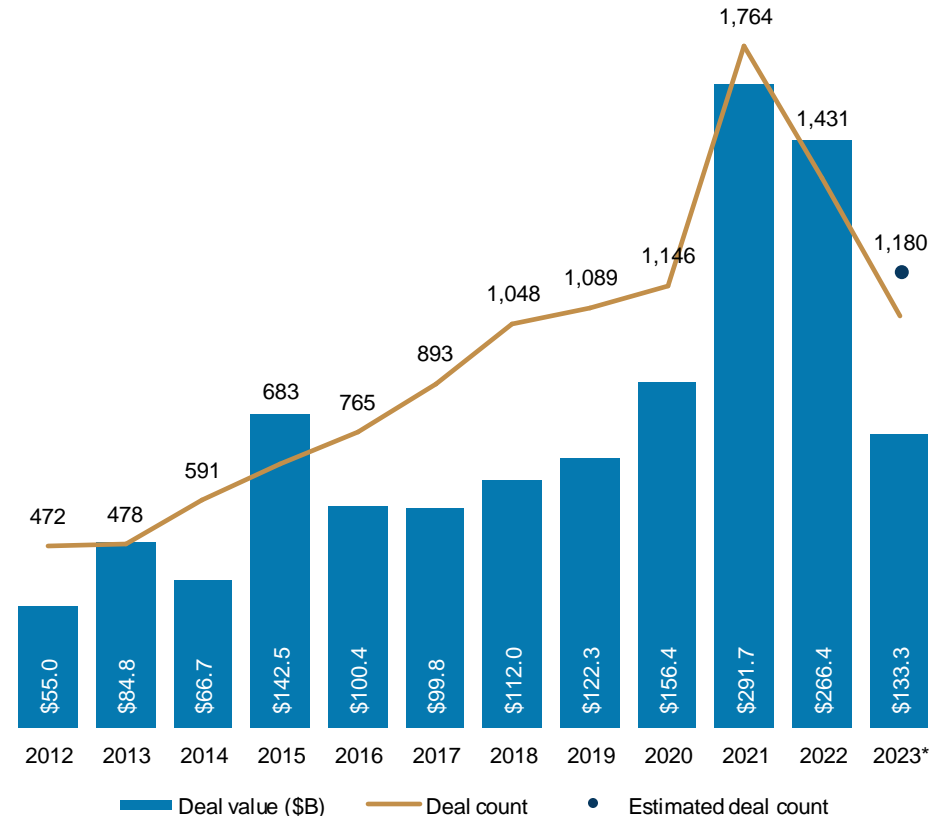


# WHERE IS DEAL ACTIVITY?

## Technology (especially software)

- 2022 was the second-best year for absolute-value PE deals in IT (**\$285.3B**).<sup>1</sup>
- In H1 2022, tech accounted for 35% of deal activity.<sup>2</sup>
- In Q3 2023, **368 deals closed**, a significant increase of 43.2% from Q3 2022 and steady growth of 9.8% from Q4 2022.<sup>3</sup>
- In Q4 2023, deal value was \$27.8 billion, down 2.8% from Q3 2023 and 33.5% from Q4 2022, as dealmaking continues to be challenging.<sup>3</sup>
- Despite not reaching 2022's highs, software deal value is up 24.4%, compared to pre-pandemic averages of 2017-2019, indicating an important focus for PE.<sup>3</sup>

## U.S. TECHNOLOGY PE DEAL ACTIVITY<sup>3</sup>



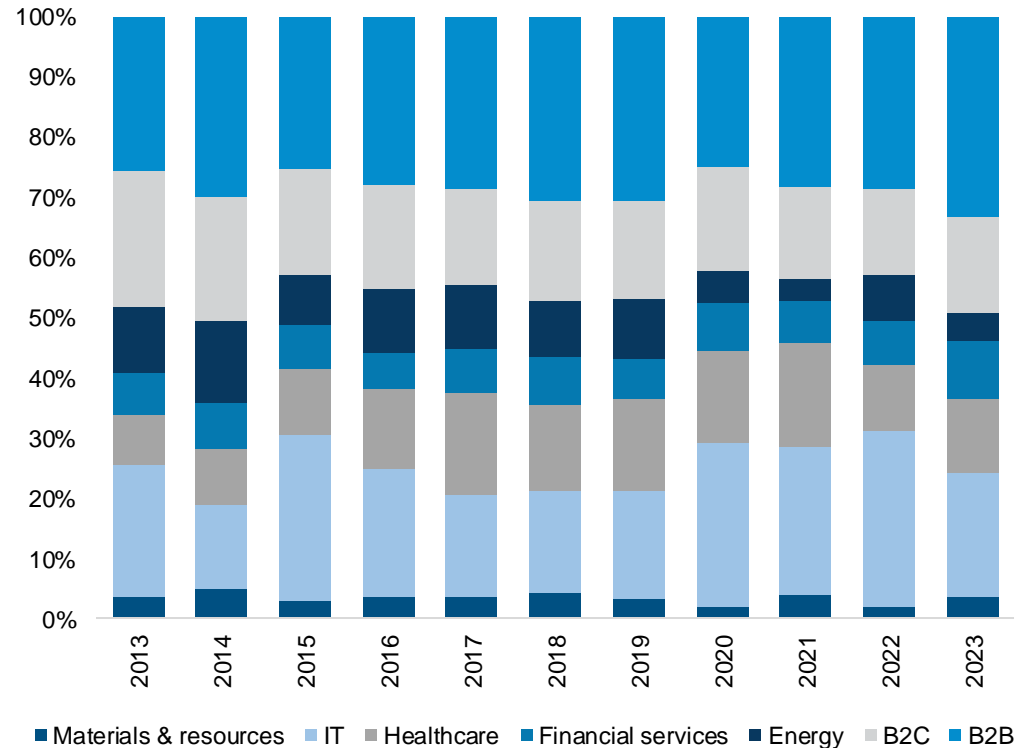
1. U.S. PE Breakdown: Q3 2023. PitchBook. 2023.  
 2. Witte, Pete. "Private Equity Pulse: Takeaways from Q2 2023." August 17, 2023. [https://www.ey.com/en\\_us/private-equity/pulse](https://www.ey.com/en_us/private-equity/pulse)  
 3. U.S. PE Breakdown: 2023 Annual. Pitchbook. 2023.  
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# WHERE IS DEAL ACTIVITY?

## Other Sectors

- Consumer
  - Accounted for **14%** of PE deal value in 2023, up from 12% in 2022.<sup>1</sup>
  - Food and agribusiness were especially popular.<sup>1</sup>
- Financials
  - Accounted for approximately **11%** of PE deal flow in 2023, up from 5% in 2022.<sup>1</sup>
- Healthcare
  - Accounted for approximately **9%** of PE deal flow in 2023, up from 7% in 2022.<sup>1</sup>
  - Med-tech platforms continue to see attention from PE.<sup>1</sup>

## SHARE OF PE DEAL VALUE BY SECTOR<sup>2</sup>



1. Witte, Pete. "Private Equity Pulse: Takeaways from Q4 2023." January 11, 2024. [https://www.ey.com/en\\_us/private-equity/pulse](https://www.ey.com/en_us/private-equity/pulse)

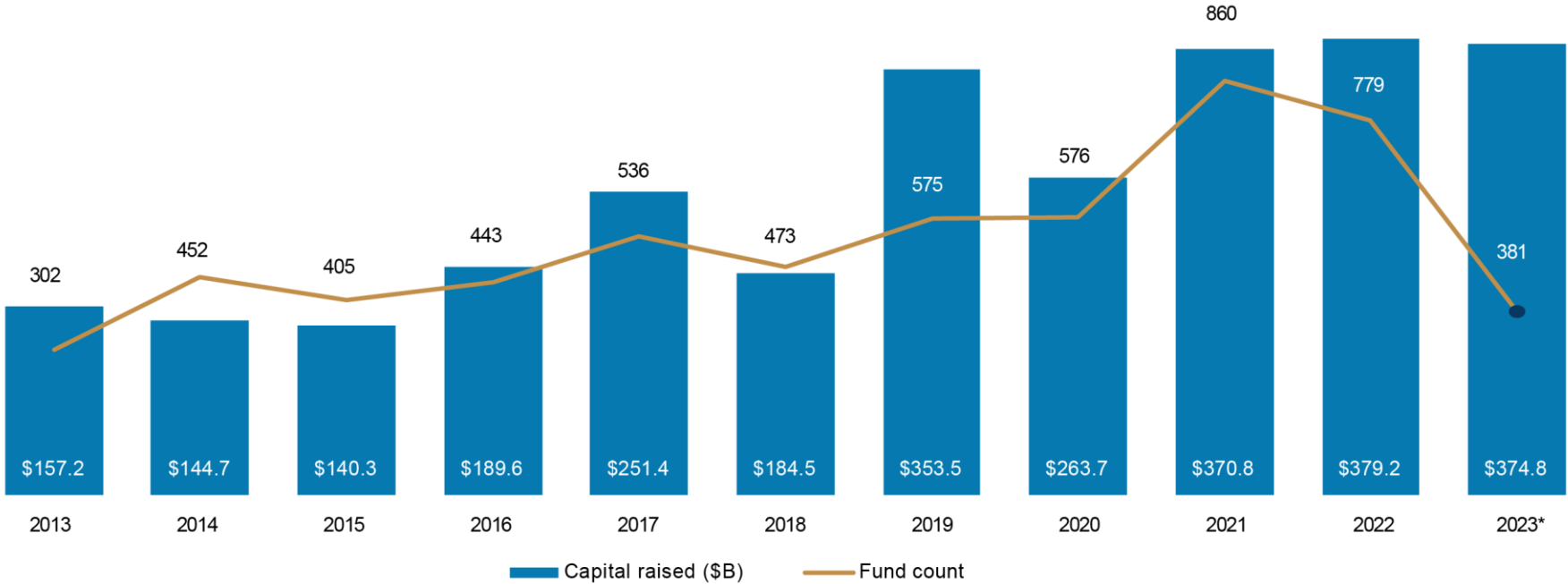
2. U.S. PE Breakdown: 2023 Annual. PitchBook. 2023.

\* As of December 31, 2023.

# DESPITE HEADWINDS, FUNDRAISING FINISHES STRONG.<sup>1</sup>

- In 2023, 381 funds closed for \$374.8 billion in total capital raised, aligning with the record-setting figures of 2021 and 2022. This indicates a sustained commitment to PE.
- The average duration to close a fund increased to 14.1 months, the highest point since 2011, and up from 11.0 months in 2022.
- As a result of funds being open longer, step-ups increased. A record 81.3% of PE funds closed at larger sizes, compared to the five-year average of 74.6%.

## PE FUNDRAISING ACTIVITY<sup>1</sup>



1. U.S. PE Breakdown n: 2023 Annual. PitchBook. 2023.  
\*As of December 31, 2023.

# DESPITE A STRONG FINISH, EXIT ACTIVITY FINISHES DOWN.<sup>1</sup>

- 1,175 PE-backed companies exited, accumulating an exit-value of **\$282.1B in 2023**, 13.9% and 19.8% below pre-pandemic averages, respectively. Q4 was the year's strongest quarter for exit activity.

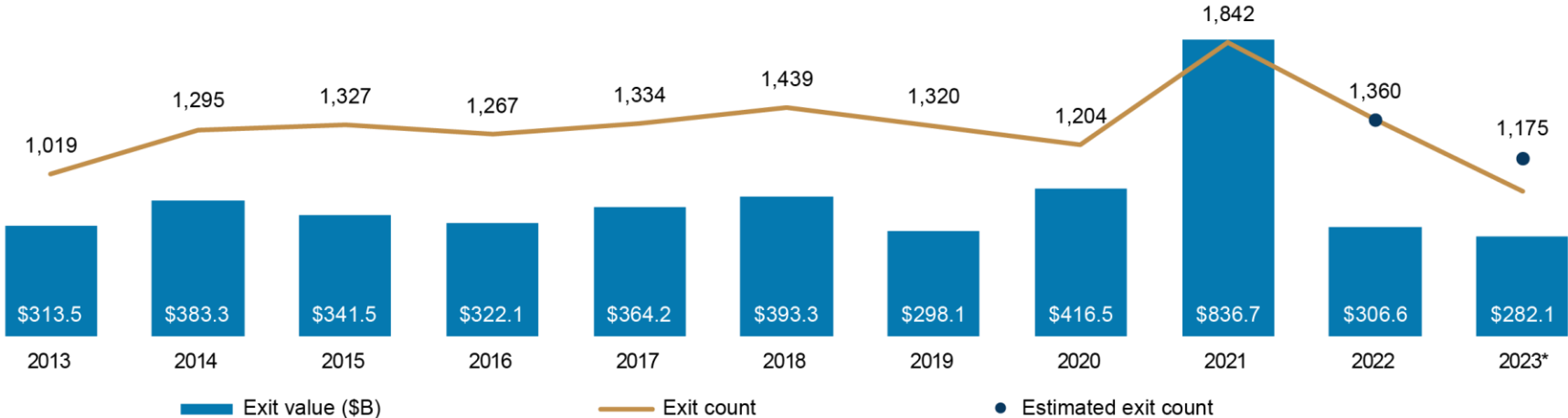


285 companies exited in Q4, up 2.8% quarter-over-quarter



Exit activity totaled \$85.4B in aggregate, up 35.9% quarter-over-quarter.

## U.S. PE EXIT ACTIVITY<sup>1</sup>



## Why the Decline?

Limited appetite from corporate acquirers

Largely closed IPO window

Regional banking is tighter with balance sheets

General caution among potential PE buyers

1. U.S. PE Breakdown: 2023 Annual. PitchBook. 2023  
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# KEY TAKEAWAYS

## POTENTIAL CHALLENGES

- 1 More limited financing environment
- 2 Banking instability
- 3 Macro risks (high interest rates, possible recession, election year)

## POTENTIAL OPPORTUNITIES

- 1 Private credit may continue to grow as an alternative source of funding
- 2 With traditional exit routes constrained, PE secondaries may continue to see growth potential
- 3 Mid-size and smaller deals may continue to flourish
- 4 New investors may seek out the PE asset class
- 5 PE may be able to acquire high-quality assets at compelling prices
  - In 2007, deals acquired at **8.6x** EBITDA median entry multiples returned **12.6%**<sup>1</sup>
  - In 2009, deals acquired at **6.5x** returned just over **30%**<sup>1</sup>

**2023 may have been a slower year for PE, but 2024 could offer a rebound. A challenging macro environment may offer the potential for sizable uptick in private credit lending, along with attractive private equity deals... but STAY DISCIPLINED.**

1. Witte, Pete. "Private Equity Pulse: Takeaways from 1Q2023." May 1, 2023. [https://www.ey.com/en\\_us/private-equity/pulse](https://www.ey.com/en_us/private-equity/pulse)



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**THANK YOU**