



Q1 2024

PRIVATE EQUITY MARKET OVERVIEW

Venture Capital
U.S. Private Equity
European Private Equity
Secondaries



OVERVIEW

No one seems to agree on interest rates.

As of late April, Goldman Sachs was predicting cuts to the Federal Funds rate beginning in July or September.¹ Around the same time, Morgan Stanley anticipated three cuts before the end of the year, beginning in September.² Meanwhile, KKR's position was that the Fed would likely leave rates unchanged through the end of the year.³ And JP Morgan's economist, Joseph Lupton, said, "What you have right now...is a situation where rate hikes might come into the conversation."⁴

Perhaps this is because no one can seem to agree on inflation, either.

"US Inflation, Home Price Expectations Pick Up in NY Fed Survey" - Bloomberg⁵

"US Fed's Powell expects inflation to fall..." - Reuters⁶

"US wholesale inflation just hit its highest rate in a year" - CNN⁷

This murky situation may be partially responsible for an unremarkable private equity market in the first quarter of 2024, even as equity indices marched forward strongly. Fundraising generally was down across the markets we monitor, with European private equity being a notable exception. Deal activity was weak everywhere in almost all segments. Exits remained elusive. One might be tempted to see an inflation of sorts in private market prices, as purchase price multiples in private equity and pre-money valuations in venture capital deals both climbed during the quarter. A more likely explanation, with transaction volume down everywhere except secondaries, is that there was a shift toward higher-quality (and therefore more expensive) assets.

We expect North American fundraising to remain somewhat weak as long as deal and exit activity are muted. While some market participants are hopeful of a revived IPO market, we expect M&A to provide the bulk of venture capital exits for the foreseeable future. On the private equity side, despite optimism that more exits are in store for 2024, some level of consensus around the rate environment is likely needed before exits occur for companies that are not seen as the cream of the crop.

The private equity markets are cyclical, and always have been. Changes in cycles are not always obvious from quarter to quarter in the diverse markets of Venture Capital and Growth Equity, North American and European Private Equity, and Secondaries. In the current phase of the market, we believe that many managers are, by and large, focused on adding value to companies in their existing portfolios in advance of exiting those companies into a more accommodating environment. At the same time, they are continuing to look for the occasional needle-in-a-haystack investment actively but patiently, positioned to benefit from their expertise, and where they have a differentiated angle or value creation plan. We believe that's what the best managers have always done, and what they will continue to do.

¹Weil, Dan. "Goldman Sachs revamps Fed interest-rate bets for 2024 after surprises." *The Street*, April 23, 2024.

²"Morgan Stanley pushes Fed rate cut expectation to September from July." *Reuters*, May 8, 2024.

³Max, Ezra, McNellis, David, and McVey, Henry. "Flash Macro: U.S. Jobs." *KKR*, May 2024.

⁴Rugaber, Christopher. "Are US Interest rates high enough to beat inflation? The Fed will take its time to find out." *AP News*, May 13, 2024.

⁵Tanzi, Alexandre. "US Inflation, Home Price Expectations Pick Up in NY Fed Survey." *Bloomberg*, May 13, 2024.

⁶Meijer, Bart and Sterling, Toby. "US Fed's Powell expects inflation to fall, though not as confident as before." *Reuters*, May 14, 2024.

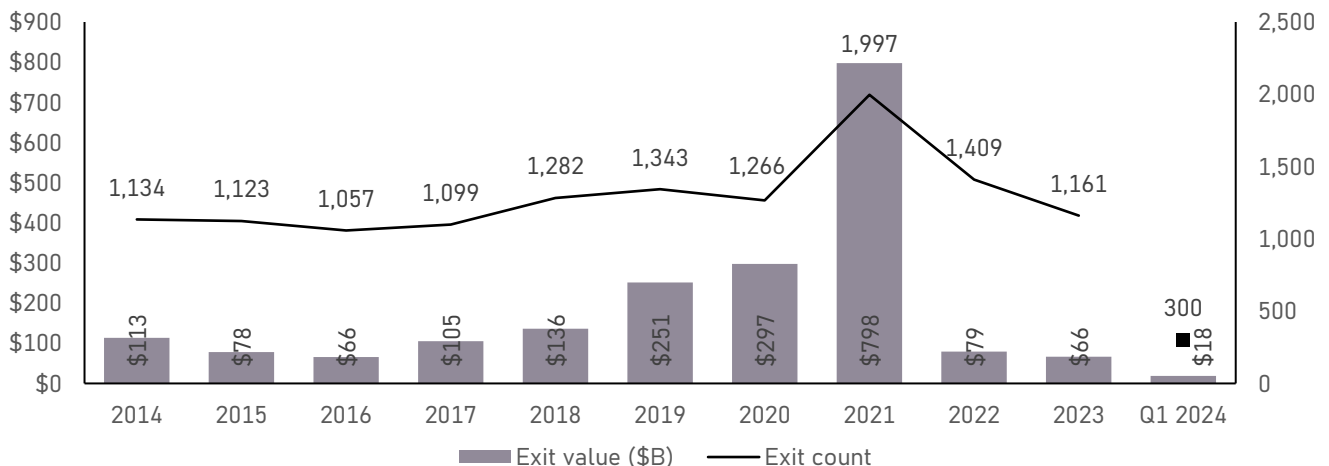
⁷Wallace, Alicia. "US wholesale inflation just hit its highest rate in a year." *CNN*, May 14, 2024.



VENTURE CAPITAL

- U.S. venture capital fundraising continued to be muted. Reported fundraising for the first quarter totaled only \$9 billion, or 11% of the full-year 2023 figure, and less than the \$12 billion reported at this time last year.
 - Fundraising dollars continued to be directed to large scale funds (\$1 billion or larger in fund size); two mega funds collected 28% of all dollars raised during the quarter.
- Low deal activity, which followed robust fundraising activity in 2021 and 2022, contributed to a significant overhang in venture capital. Unfunded commitments for vintage 2020 to 2023 totaled nearly \$300 billion as of Q3 2023, which is approximately twice the average annual investment pace for the last decade.
- Venture capital deal activity by value was roughly in line with the level of the last three quarters.
 - Early-stage activity saw a slight increase in deal value, reaching \$10 billion in Q1.
 - Megadeals (\$100 million or larger round size) were up slightly in number but down in value during the quarter.
- Median pre-money valuations in Q1 increased across all stages with venture growth deals surging 59% above 2023 levels.
- While U.S. venture capital exit value rebounded to \$18 billion, a 76% increase from Q4 2023 and 140% increase from the recent trough in Q2 2023, that figure remains well below the 10-year quarterly median of approximately \$25 million. During the first quarter, two tech companies completed initial public offerings (Reddit and Astira Labs).

U.S. VENTURE CAPITAL EXIT ACTIVITY



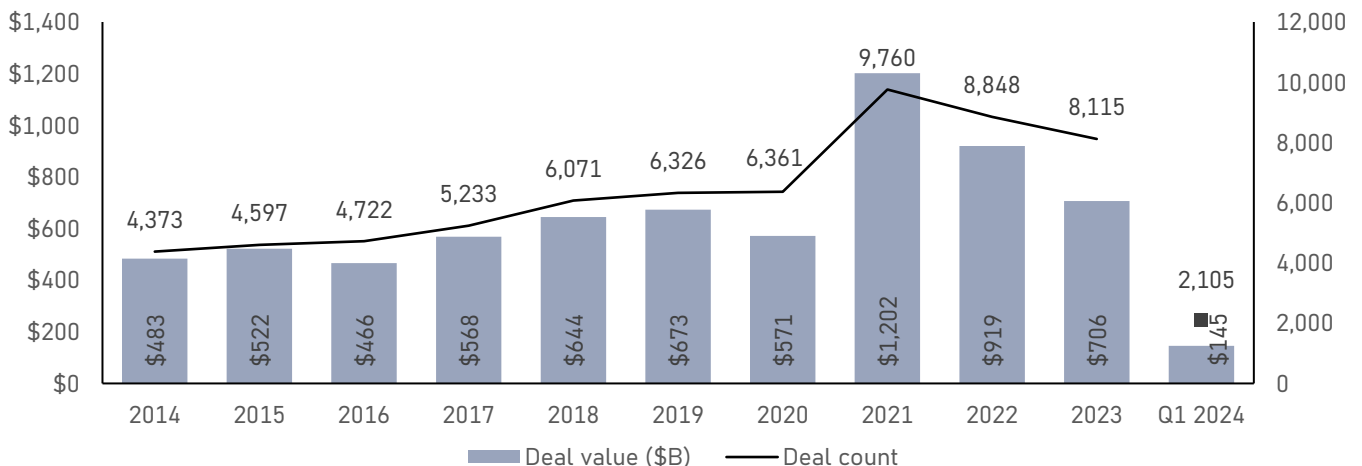
Data Source: Q1 2024 PitchBook-NVCA Venture Monitor.
2023 includes estimated exit count of 88, Q1 2024 includes estimated exit count of 77.



U.S. PRIVATE EQUITY

- In Q1 2024, U.S. private equity fundraising levels remained buoyant, outpacing the amount raised in Q1 of last year by \$10 billion.
 - During the quarter, 63 funds closed on \$77 billion of capital, somewhat higher than Q1 2023, when 73 funds closed on \$67 billion. Although the dollar pace is below the record-setting years of 2021, 2022, and 2023, the first quarter figure annualized would handily exceed the 10-year average to 2023.
 - Many middle market managers appear to have graduated to a fund size bucket of \$1 billion - \$5 billion, representing 27% of new funds raised for the quarter versus a three-year average of 10%.
- Compared to Q1 2023, private equity deal value decreased by 23% to \$145 billion, while deal count ticked up slightly by 6% to 2,105 deals (includes estimated deal count of 723), suggesting that a greater share of smaller add-on or mid-market transactions may have taken place.
- During the quarter, median EV/EBITDA multiples increased by 3.5x to 15.7x from 2023, signifying that high-quality assets continued to attract premium pricing.
- Private equity exits may be continuing to find a bottom. While Q1 2024 matched 2023's quarterly average of \$67 billion in exits across 316 transactions (includes 115 estimated exits), this is still 23% lower than the 2017 - 2019 pre-pandemic average and is a sharp fall-off of 75% compared to 2021's peak quarterly exit activity.
 - As noted in our year-end market overview, a tough IPO market may be contributing to this decline. In Q1 2024, four companies exited through public listings, although just one was an IPO (with the rest being reverse mergers).

U.S. PRIVATE EQUITY DEAL ACTIVITY



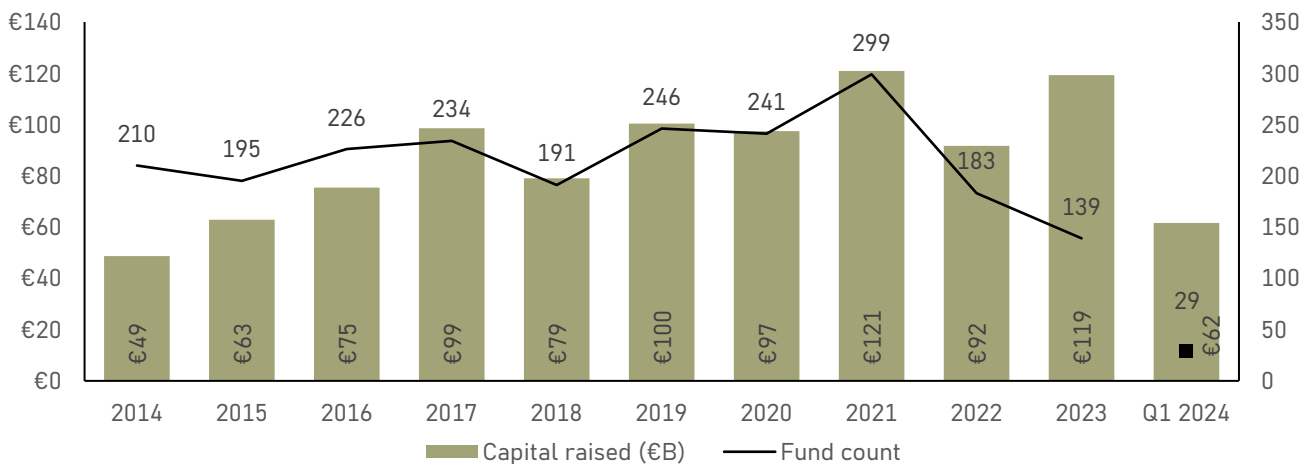
Data Source: Pitchbook's Q1 2024 US PE Breakdown.
2023 includes estimated deal count of 786. Q1 2024 includes estimated deal count of 723.



EUROPEAN PRIVATE EQUITY

- Q1 2024 European private equity fundraising saw strong momentum with more than half of the entire 2023 figure, €119 billion, raised in just one quarter. In total, 29 funds closed on €62 billion of commitments in Q1 2024.
 - This picture of a strong fundraising environment was driven predominantly by the closing of three large cap funds, EQT, Cinven and Apax, accounting for 76% of all capital raised during the quarter.
- European dealmaking in Q1 2024 declined by value compared to Q1 2023, but increased by deal count with €70 billion of value closing from 1,941 deals (includes estimated deal count of 667), representing a decrease of 20% and an increase of 12%, respectively.
- European median buyout multiples increased from a 10-year low 10.2x EV/EBITDA in 2023 up to 13.6x EV/EBITDA in Q1 2024, perhaps suggesting that only higher quality assets were trading.
- While European private equity exit activity was up 13% in Q1 by number, with 356 liquidity events (includes estimated deal count of 150) taking place compared to 316 in Q1 2023, those exits were smaller. Only €36 billion of value transacted during the quarter compared to €43 billion in Q1 2023, representing a 16% decline year over year.

EUROPEAN PRIVATE EQUITY FUNDRAISING



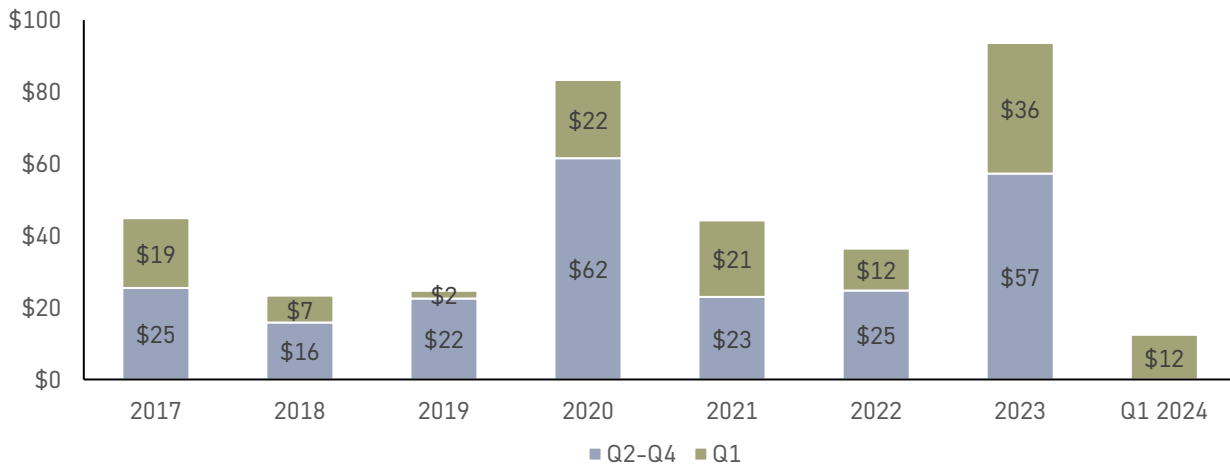
Data Source: Pitchbook's Q1 2024 European PE Breakdown.



SECONDARIES

- After a banner year in 2023, secondary fundraising slowed significantly in Q1 2024, with \$12 billion in aggregate capital raised globally versus \$36 billion raised in Q1 2023.
 - However, excluding the outlier year of 2023, Q1 fundraising in 2024 was only modestly lower than the historical average of \$14 billion raised in Q1s between 2017 - 2022.
 - The number of funds closed in the first quarter did decrease significantly, at only four funds closed, the lowest number since Q3 2015.
 - Unlike fundraising, deal volume for the quarter came in stronger when compared to the prior year. PJT partners estimated that between \$27 - \$32 billion of transactions closed during the quarter, which would represent an increase of approximately 20% versus Q1 2023¹.

SECONDARIES CAPITAL RAISED (\$B)



¹PJT Partners, Q1 2024 Secondary Market Insight. April 2024

Chart Data Source: Preqin historical fundraising data for secondaries and direct secondaries funds. Downloaded 4/24/2024. Data based on total fund size at final close.

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SOURCES

Unless otherwise noted, with respect to private equity information, data sourced through: PitchBook's Q1 2024 US PE Breakdown, PitchBook's Q1 2024 European PE Breakdown, PitchBook's Q1 2023 US PE Breakdown, and PitchBook's Q1 2023 European PE Breakdown.

Unless otherwise noted, with respect to venture capital information, data sourced through: Pitchbook's Q1 2024 PitchBook-NVCA Venture Monitor and Pitchbook's Q1 2023 PitchBook-NVCA Venture Monitor.

Unless otherwise noted, with respect to secondaries information, data sourced through: Preqin, downloaded on April 24, 2024.

IMPORTANT INFORMATION

Past performance is not a guide to future results and is not indicative of expected realized returns.

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ABBOTT CAPITAL MANAGEMENT, LLC

640 FIFTH AVENUE, 7TH FLOOR
NEW YORK, NY 10019
+1 212 757 2700

investorrelations@abbottcapital.com