Private equity firms are digging into the mining sector, but much like the precious metals their portfolio companies seek, deals can be more elusive than capital.

More generalist firms, including Apollo Global Management, Blackstone Group, TPG Capital and Warburg Pincus, have devoted resources to the metal and mining industries in recent years, either by hiring senior professionals or raising funds dedicated to the sectors. They join a small handful of specialized managers that include recent entrants Appian Capital Advisory and X2 Resources, as well as older firms like Resource Capital Funds and Waterton Global Resource Management.

In 2013, seven firms raised $3.2 billion for funds focused primarily on metals and mining, down slightly from 2012, when 10 funds raised $3.8 billion, according to data provider Preqin. However, one fund raised by Resource Capital, the $2.04 billion Resource Capital Fund VI LP, accounted for about two-thirds of last year's total, according to Preqin.

Private equity is turning its attention toward mining amid a period of uncertainty, with low commodity prices and a mining industry starved for capital, according to two senior private equity professionals focused on the space. But private equity investors are betting the industry has hit an inflection point and that the ongoing economic recovery in the U.S. and the nascent recovery in Europe will drive greater demand from end-use markets. The global steel market, for example, is expected to recover in 2014, due in part to improvements in Europe, which are expected to offset declines in China, where steel production will likely slow down, according to data from PricewaterhouseCooper's fourth-quarter 2013 report on the global metals sector.

"I think the industry is going through a period of transition and will be stronger when it comes out of this period," said Isser Elishis, chief investment officer of Waterton.

Some firms see an opportunity to replicate the success the industry enjoyed in the early days of investing in the oil and gas sector, these two professionals said. Although it's difficult to determine average purchase price multiples for mining and metals deals, private equity investors say they have yet to reach the same highs of other sectors such as oil and gas, health care and restaurants, said the two PE professionals.
But, deal volume continued to decline in 2013, with financial sponsors announcing a total of 50 deals in the sector, including 39 investments in metal and steel and 11 in mining, according to data provider Dealogic. In 2012, financial sponsors announced 62 deals, down slightly from 65 in 2011, according to Dealogic.

Among those that have been successful is Appian Capital Advisory, which in March acquired nearly 2.3 million shares of Roxgold Inc., a Canadian gold exploration and development company, through Appian Natural Resources Fund LP, a $375 million metals and mining fund raised early this year. Also in 2013, Vancouver, British Columbia-based Avanti Mining Inc. secured some $30 million in bridge loans from Resource Capital Funds and CEF Holdings Ltd.

More recently, Toronto-based Waterton, which closed its second fund at $1 billion earlier this year, at press time had launched a hostile bid for publicly listed gold mining company Chapparal Gold Corp. Last year, the firm acquired the Hollister gold mine and Esmeralda Mill in Nevada from Great Basin Gold Ltd.

Although deal flow has lagged for the last few years, it's expected to steadily rise in the next five to 10 years, said the same two private equity professionals. Valuations, in particular, are still settling for the sector as it transitions into what is likely to be a prolonged bear market, Mr. Elishis added.

Deals in the sector generally take a bit longer than usual to close due to prolonged negotiations between strategic or financial buyers and the actual metals companies, said the two professionals. The fact that it's been an overall sellers' market for many sectors has led some metals and mining companies to have unrealistic valuation expectations.

"That's what takes a while, even for groups like ours, to get deals pinned down," said Mr. Elishis. "You have to deal with boards of directors and shareholders' [expectations]."

That said, despite an overall decline in deal volume since 2011, deals by financial investors, including private equity firms, banks and creditors, increased as a proportion of deal value in 2013, according to PWC. "I see a lot of strong, high-quality perceptions of the industry, and it will make it much more productive," said Mr. Elishis.