

 US

# PE Breakdown



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## EXECUTIVE SUMMARY

# PE roars back to life and into another \$1 trillion year

## PE activity overview

PE deal activity		Values (\$B)		Growth metrics			
		2025	Q4 2025	H2 2025	2024	QoQ	Q4 YoY
Deal value (\$B)	\$1,155.5	\$292.1	\$632.2	36.3%	-14.1%	42.1%	
Buyout/LBO	\$616.6	\$144.8	\$349.6	57.4%	-29.3%	65.4%	
Add-on	\$350.7	\$80.0	\$169.3	9.0%	-10.5%	-2.7%	
PE growth/expansion	\$116.5	\$30.7	\$56.9	-13.2%	17.3%	-14.4%	

		Count		Growth metrics			
		2025	Q4 2025	H2 2025	2024	QoQ	Q4 YoY
Deal count	9,019	2,111	4,560	5.9%	-13.8%	-3.7%	
Buyout/LBO	1,673	305	798	-8.4%	-38.1%	-40.8%	
Add-on	4,509	869	2,048	-8.9%	-26.3%	-30.8%	
PE growth/expansion	1,662	335	788	-4.6%	-26.0%	-20.4%	

PE exit activity		Values (\$B)		Growth metrics			
		2025	Q4 2025	H2 2025	2024	QoQ	Q4 YoY
Exit value (\$B)	\$728.1	\$229.2	\$344.7	90.1%	98.5%	103.0%	
Corporate acquisition	\$299.3	\$82.2	\$116.2	44.7%	141.9%	13.1%	
Sponsor acquisition	\$240.8	\$86.4	\$135.9	84.3%	74.7%	202.6%	
Public listing	\$141.8	\$41.7	\$58.0	210.6%	155.7%	257.2%	

		Count		Growth metrics			
		2025	Q4 2025	H2 2025	2024	QoQ	Q4 YoY
Exit count	1,619	465	894	17.0%	-7.7%	21.9%	
Corporate acquisition	587	122	280	-24.5%	-22.8%	-35.8%	
Sponsor acquisition	586	136	287	-0.2%	-9.9%	-13.9%	
Public listing	26	7	14	30.0%	0.0%	75.0%	

Source: PitchBook • Geography: US • As of December 31, 2025  
 Note: Top line data includes estimates, while deal and exit by type data does not.

US private equity hit a rough patch early in 2025, despite expectations of a surge driven by improving market sentiment, post-election clarity, and the anticipation of business-friendly policies. Unpredictable tariff announcements and the resulting market volatility caused dealmakers to press pause in Q2, as GPs waited for clarity on macroeconomic risks, financing conditions, and valuation issues. Fortunately, this pause ended, and markets shifted back toward a risk-on stance by the third quarter. PE activity rebounded strongly in the second half of 2025, compensating for lost time from the cautious slowdown seen in Q2. This fervor has driven 2025 PE deal activity above 9,000 deals worth an aggregate value of \$1.2 trillion. 2025 marks the second time in the asset class's history that deal value has exceeded \$1 trillion, following the 2021 peak of nearly \$1.3 trillion.

Sponsors pressed forward with renewed investor appetite, and in doing so, increasingly turned to mega-sized transactions. Deals over \$1 billion hit new heights in 2025, with 150 megadeals totaling \$567.8 billion. While the number of megadeals remains just below 2021 levels, total megadeal value has already surpassed 2021's \$528.2 billion, underscoring the outsized scale of the largest transactions in 2025. Looking forward, the outlook for PE deal activity is positive: Improved market sentiment and clarity, ample dry powder of over \$1 trillion in the US market alone, and increased access to financing point to continued strength in dealmaking. The US Federal Reserve's (the Fed's) third interest rate cut before year-end will likely carry this deal momentum into the new year, but we expect sponsors to fully leverage the PE strategy to find opportunities across all types of deal activity.

Exit activity is now clearly out of the woods, securing not only a second consecutive year of growth but also a rebound that ranks second only to the record levels seen in 2021. Exit activity has remained muted in recent years—PE firms opted to hold the majority of assets longer amid valuation uncertainty, while only a handful of assets were able to exit at attractive prices. In 2025, however, the US PE industry achieved double-digit YoY growth in exit count for the first time in the past four years. This rise in the number of exits is an encouraging sign of more assets moving through the system. Still, mega-sized exits played a critical role in increasing the year's exit value, accounting for more than double what mega-exits contributed in 2024. While large companies have been successful in

securing impressive exit sizes, it remains to be seen how quickly the rest of the PE inventory will be able to exit. Improved market sentiment and IPO conditions are likely to create more exit opportunities for PE-backed companies, especially for those that had been ready to go public but were held back by the US government shutdown bottleneck and are now poised to emerge in early 2026.

Fundraising remains the only weak link for PE, with significant YoY declines in both fund count and capital raised. 2025 ended as the weakest year for PE capital formation since 2020. Although exit activity continues to increase, it has not yet reached a sufficient pace to expand fundraising efforts, and we expect 2026 to face a similar situation due to trends in manager consolidation. Limited capital availability for LPs has created a fundraising environment where LPs prioritize long-standing relationships with GPs or larger managers with strong track records and multiple strategies under their umbrella, often at the expense of smaller or newer managers seeking to raise capital. Those that have been able to raise capital have done so in line with historical fundraising timelines, leading to ongoing PE dry powder accumulation. PE dry powder has risen to its highest level ever, reaching \$1.1 trillion, though it is likely to decrease as deal activity surpasses fundraising efforts.

## A WORD FROM COHNREZNICK

# The evolving M&A landscape: A Q&A with CohnReznick

**Given the tumult across multiple markets and sectors in 2025, which do you think are the most underappreciated trends from a technological standpoint for PE firms and the broader PE ecosystem to track more closely?**

**Ryan Paskin:** The “automated FP&A analyst” is here. Plug an AI layer into a clean, consolidated data warehouse and let it behave like a hyper-responsive analyst who never sleeps. Instead of waiting a week for variance analysis, you prompt “Show EBITDA by BU versus budget for the last three months and flag anomalies.” You get a chart, commentary, and a hypothesis – no manual pulls, no pivot tables.

**Margaret Shanley:** The teams most prepared for a transaction already run the business on a tight set of key performance indicators and have fit-for-purpose enterprise resource planning (ERP) to automate core processes. That discipline shortens close cycles and produces timely, defensible metrics. As AI tools layer in, the real differentiator is data quality and system integration – turning AI outputs into decisions on demand.

**Jon Schwartz:** AI implementation is only as good as the data and stack underneath it. Industry-specific ERP and accurate, well-governed data are critical to realizing return on investment (ROI). Also keep an eye on evolving AI regulation – multinational portfolios will need to meet U.S. and global requirements.

### Which client concerns from the past year proved most instructive as you worked through them, and why?

**Paskin:** A common client concern is, “We can’t trust the numbers.” Founder-led platforms with \$50-plus million in revenue running QuickBooks and handwritten accounts payable (AP) logs were common. Before modeling synergies, we standardized chart of accounts, cleaned the general ledger, and normalized data. Lesson: Data integrity is the foundation – every value lever sits on it.

**Shanley:** Every deal is predicated on a valuation – often a multiple of earnings – and a target level of net working capital to be left in the business. With lean finance teams and uneven



**Margaret Shanley**  
*Partner, Transaction Advisory Practice Leader*

Margaret Shanley is a transaction advisory leader with over 25 years of experience advising strategic and financial buyers and lenders on buy- and sell-side diligence across platform, add-on, and carveout deals. She is trusted by founders/C-suite to prepare for processes that maximize value while minimizing burden on finance.



**Ryan Paskin**  
*Partner, PE Value Creation & CxO Advisory Leader*

Ryan Paskin is a PE operator leading CohnReznick’s Value Creation & CxO Advisory. He has cross-functional finance, sales, and ops expertise with a deep grasp of sponsor priorities and the modern C-suite – driving strategies that accelerate growth and unlock portfolio potential.



**Jon Schwartz**  
*Managing Director, Transaction Advisory (Partner-Elect as of February 1, 2026)*

Jon Schwartz has over 25 years of experience in M&A advisory, PE, and public accounting. He has led more than 300 buy- and sell-side diligence engagements for PE and strategics, spanning enterprise values ranging from \$10 million to \$1 billion.

systems, we focus on removing surprise risk and documenting the economics clearly so sponsors do not inherit avoidable issues post-close.

**Schwartz:** The valuation gap between buyers and sellers widened, and diligence streams deepened. Processes slowed – partly due to the HSR form overhaul that front-loads more information in filings as of February 10, 2025 – which PE teams should factor into timelines.

**Liquidity pressures are still significant, but exit rates are easing concerns to some degree – what are the most successful tactics you saw deployed for value creation by PE firms in 2025 to help get portfolio companies to the finish line for a successful exit?**

**Paskin:** Real integration in buy-and-builds, not “three logos under a holdco.” The winners standardized systems, harmonized processes, and built one culture. That is what buyers pay for – one platform with repeatable performance. Half-baked roll-ups trade at a discount; integrated platforms earn multiple expansions.

**Shanley:** Measure contribution margin at customer/SKU/channel – and act on the insights. Companies that measure marketing ROI in real time pivot faster, raise prices with precision, and align sales toward profitable growth. Those microeconomics add up to bigger exit stories.

**Schwartz:** Sponsors captured tariff and freight leakage, fixed labor and fulfillment inefficiencies, and used data to reduce deductions and chargebacks. Some buyers prefer to take that work on post-close for outsized returns; others pay up for a cleaner base – either way, those moves lift valuation.

**Conversely, what about lessons learned from PE backers and their portfolio companies that had to execute pivots, cut costs, or the like?**

**Paskin:** Make hard calls early. Early action buys options – late action forces survival mode. Teams that moved before lenders pressed the issue kept control of the plan.

**Schwartz:** Simplify and modernize the tech stack early to speed close and reduce risk. And remember: Pricing power often beats deep operating expense cuts. Where reductions were unavoidable, pairing them with automation produced durable savings.

**Shanley:** Invest in the bench across finance, sales, and ops – and manage to KPIs. Founders focused only on top-line growth miss that people and systems compound value and readiness for a process.

**Among forthcoming or recent regulatory and/or accounting rules changes, which are you monitoring most closely and think are most relevant for PE players?**

**Shanley:** The One Big Beautiful Bill Act, signed July 4, 2025, materially improves deal economics: 100% bonus depreciation restored for qualifying property placed in service after January 19, 2025; new full expensing for eligible qualified production property on a temporary basis; Section 163(j) reverts to EBITDA for adjusted taxable income; and domestic research & development expensing returns under Section 174A started in 2025.

**Paskin:** Accounting rules matter – but cash conversion still rules the day. Accounts receivable/AP discipline, working capital optimization, and faster close cycles turn regulatory neutrality into free cash flow.

**Schwartz:** Expect diligence plans and timelines to reflect the new HSR filing burden. Build that into deal calendars and communication with sellers.

**What compliance concerns have been the most novel of the past year?**

**Paskin:** CMMC 2.0 is now formal – DFARS final rule was effective starting November 10, 2025, with a phased rollout over three years. Early phases accept Level 1 and some Level 2 self-assessments; later phases require C3PAO third-party certification at Level 2 and assessments led by the Department of Defense at Level 3.

**Shanley:** Cybersecurity and data-privacy hygiene remain underestimated contingent liabilities. Routine health checks and remediation plans protect value – and deal certainty.

**What is one closing piece of advice for founders and management teams contemplating a process?**

**Shanley:** Think like a buyer every quarter. Run a sell-side “dry-run” quality of earnings early so you can course-correct before diligence – and maximize value when you are ready.

**Schwartz:** With exit timing still fluid, sponsors who hold longer are shifting to operational upgrades that extract more value now – and widen the buyer pool later.

# Deals

## PE deal activity by quarter



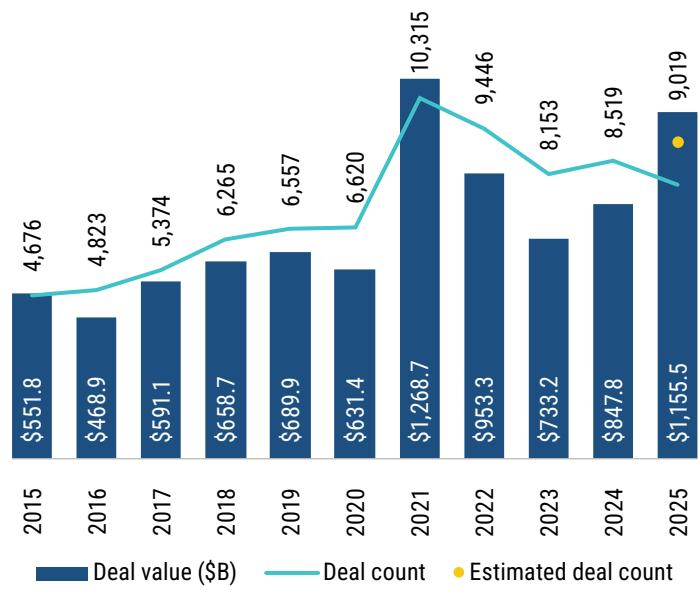
Source: PitchBook • Geography: US • As of December 31, 2025

## Overview

The defining theme for PE in 2025 was the resurgence in deal activity. For the calendar year, the asset class saw an estimated 9,019 deals worth an aggregate value of nearly \$1.2 trillion transpire, only the second time in the asset class's history that deal value topped \$1 trillion. The other such occasion was the 2021 peak, which saw nearly \$1.3 trillion in deal value. In 2021, however, the ecosystem saw such activity across more than 10,000 deals, signifying that megadeals—deals of \$1 billion or more—are back in full force, aided by improving market conditions that have allowed sponsors to re-open the PE playbook to all types of deals. On the theme of improving deal activity, megadeals reached new heights in 2025, with 150 occurring worth an aggregate value of \$567.8 billion. Although this number barely trails the peak of 152 transactions seen in 2021, it has outpaced 2021's deal value of \$528.2 billion.

Following the slight lull seen in Q2 after the "Liberation Day" announcement of global tariffs by the Trump administration, the second half of deal flow came roaring back, with 4,560 deals worth \$632.2 billion, once again trailing only the 2021 peak. As a result, H2 activity reached levels not seen in recent years, setting up the ecosystem for further success in 2026.

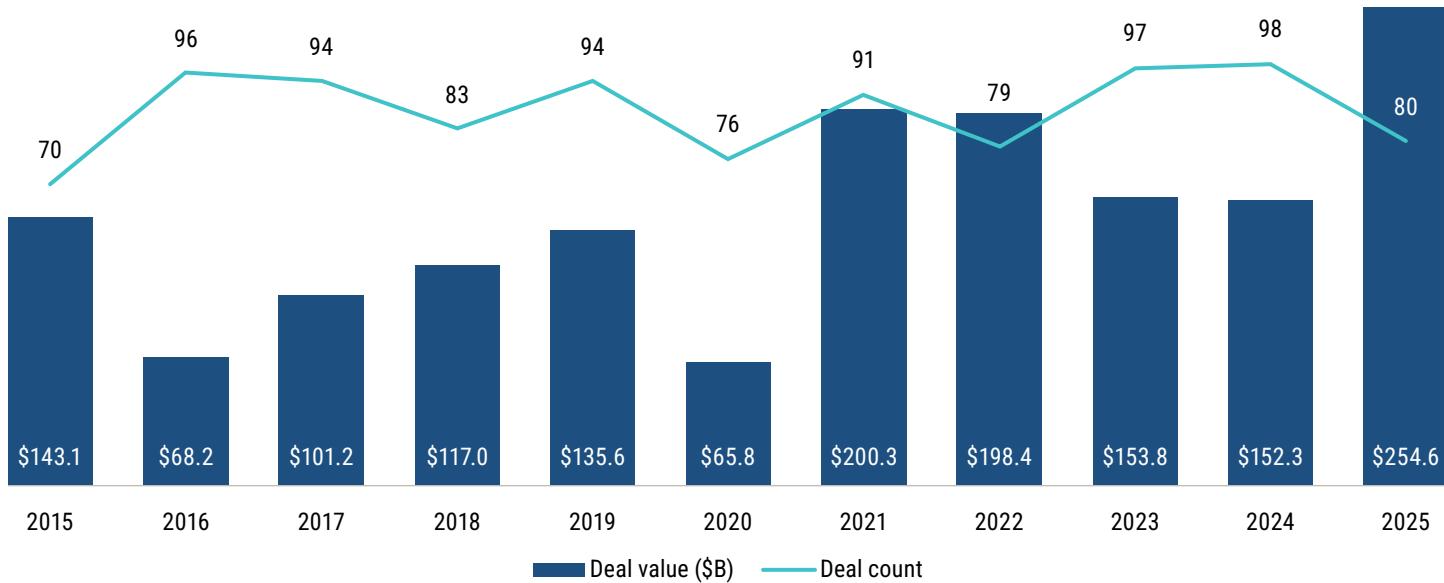
## PE deal activity



Source: PitchBook • Geography: US • As of December 31, 2025

The Fed's third rate cut in December likely served merely as confirmation to sponsors that deal activity is back in full swing, rather than causing yet another acceleration. Still, it prompted PE firms to end the year with a bang.

## PE take-private deal activity



Source: PitchBook • Geography: North America and Europe • As of December 31, 2025

In addition to the improved outlook caused by lower rates, greater market clarity, and over \$1 trillion in dry powder in the US alone, sponsors have benefited from expanded access to financing. Private lenders, flush with capital, remain highly active in PE transactions, while banks have re-entered the market and are increasingly competing for sponsor financing. This competitive dynamic has driven spread compression, pushing loan pricing to its lowest levels since the global financial crisis (GFC). While interest rates remain elevated relative to historical norms and all-in borrowing costs are still above pre-rate-hike levels, the 75 basis points of rate cuts in 2025—combined with decades-low spreads—have meaningfully reduced the cost of debt. These dynamics, alongside renewed investor confidence and a risk-on environment, underpinned strong PE deal activity throughout the year. While refinancings remain the largest portion of broadly syndicated loan (BSL) activity on an annual basis, issuance to finance LBOs and add-ons continues to gain momentum in 2025. Sponsors raised \$99.9 billion to finance these transactions in the BSL market—the highest mark since the \$104.8 billion in 2022—including \$58.7 billion issued in Q1 alone.

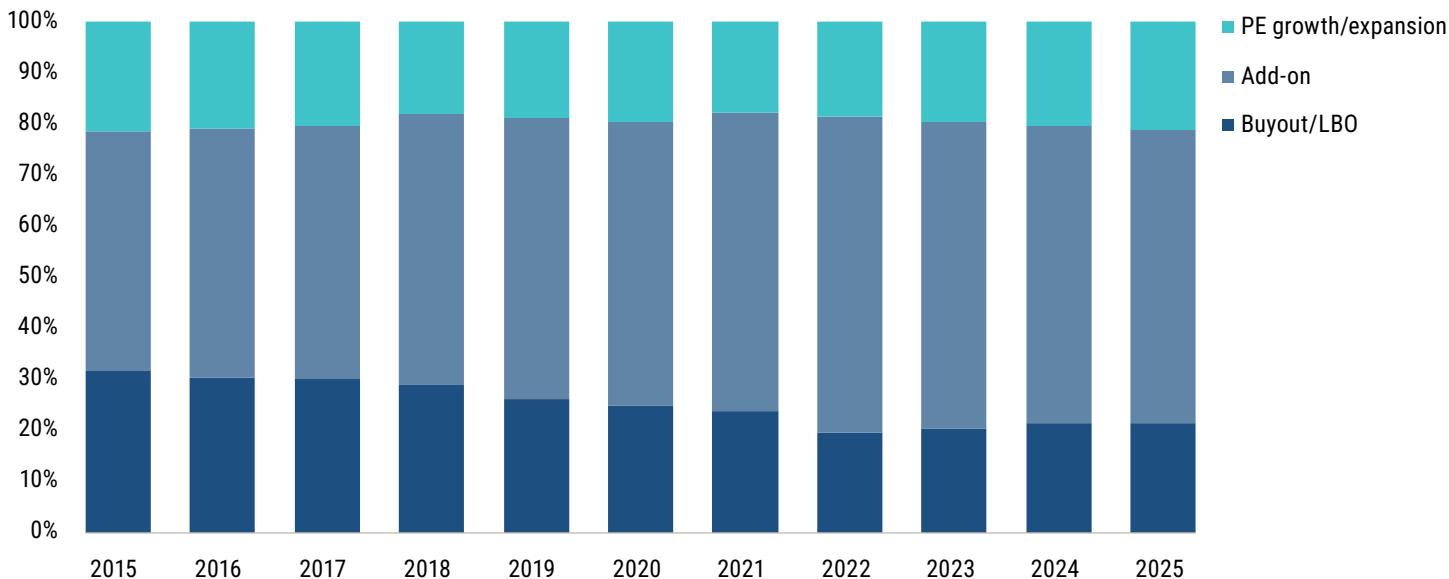
### Take-privates

Take-private deal value was buoyed by a handful of gargantuan deals, even as the number of transactions declined YoY. There were 80 PE-led take-privates in 2025, down 18.4% from 98 in 2024 and below the previous five-year average of 88

transactions. Deal value climbed to \$254.6 billion, increasing 67.2% YoY and ending 2025 as the second-highest year on record for take-private activity. Only the \$381.3 billion in deal value in 2007 outdid 2025. While the number of such transactions has faltered YoY as booming public markets limit PE buyers from underwriting those high-valuation deals, the return of a risk-on appetite combined with ample dry powder and timely opportunities in areas such as tech and B2B have led to a surge of outsized take-private investments. Improving credit conditions and another rate cut in December are likely to encourage further large take-private acquisitions. Sponsors are resuming megadeal transactions after several years of targeting opportunities down market to find undervalued companies or to lessen the burden of higher borrowing costs.

The \$55 billion take-private of Electronic Arts (EA) by Public Investment Fund (PIF), Silver Lake, and Affinity Partners was the largest deal of 2025 as well as the largest LBO ever recorded. The three PE firms are contributing \$36 billion in equity, including the outstanding 9.9% stake owned by PIF, while an underwriting group led by JPMorgan committed \$20 billion in debt financing. There were two more take-private acquisitions in Q4 over \$10 billion each: Hologic for a valuation of \$18.3 billion and Sealed Air for \$10.3 billion. In October, Blackstone and TPG announced the take-private of medical diagnostics company Hologic. Under private ownership, the company plans to further invest in products serving women's health. In November, CD&R announced it will take packaging

## Share of PE deal count by type



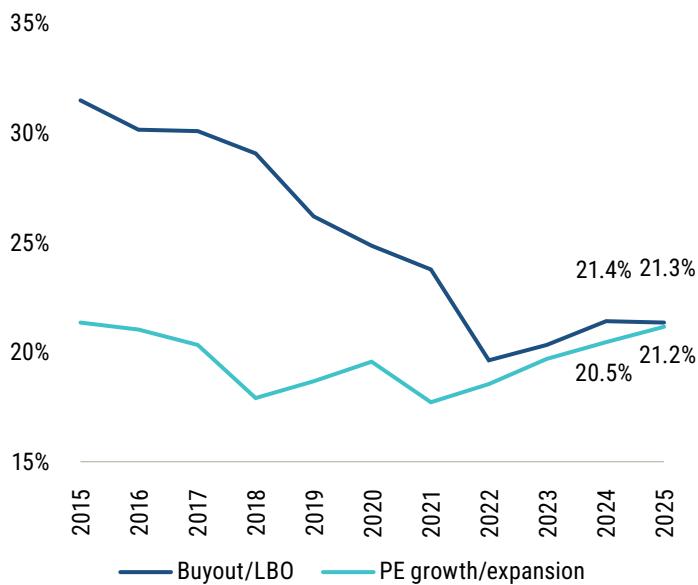
Source: PitchBook • Geography: US • As of December 31, 2025

company Sealed Air private to accelerate the company's product portfolio growth. Another take-private to note is the \$8.4 billion acquisition of Clearwater Analytics by Permira and Warburg Pincus, along with other minority investors. Announced at the end of December, the public-to-private LBO is a boomerang deal for Permira and Warburg Pincus, which both initially provided growth equity capital to Clearwater Analytics in 2020 before the company went public in 2021. The PE firms' return to ownership of Clearwater suggests they view the company as undervalued, especially considering the growth potential with AI integration.<sup>1</sup>

### Growth equity

Growth equity continues to represent a substantial share of PE deals. The strategy made up 21.2% of all PE deals in 2025, rivaling buyout activity, which accounted for 21.3% of the year's deal count. In Q4, growth equity deal count surpassed buyouts by around 200 basis points despite a 20.4% decline in growth equity activity QoQ. With growth equity check sizes much smaller than buyout check sizes, growth equity's share of overall PE deal value is always lower. In Q4, the share was 3.8%, up from 8.2% in the prior quarter but still below the five-year average of 11.6%. Growth equity count remains above the previous five-year average of 19.2%, indicating that sponsors continue to see attractive opportunities to invest in minority stakes in companies poised for growth and scale.

### Platform LBO and growth equity deals as a share of all PE deals

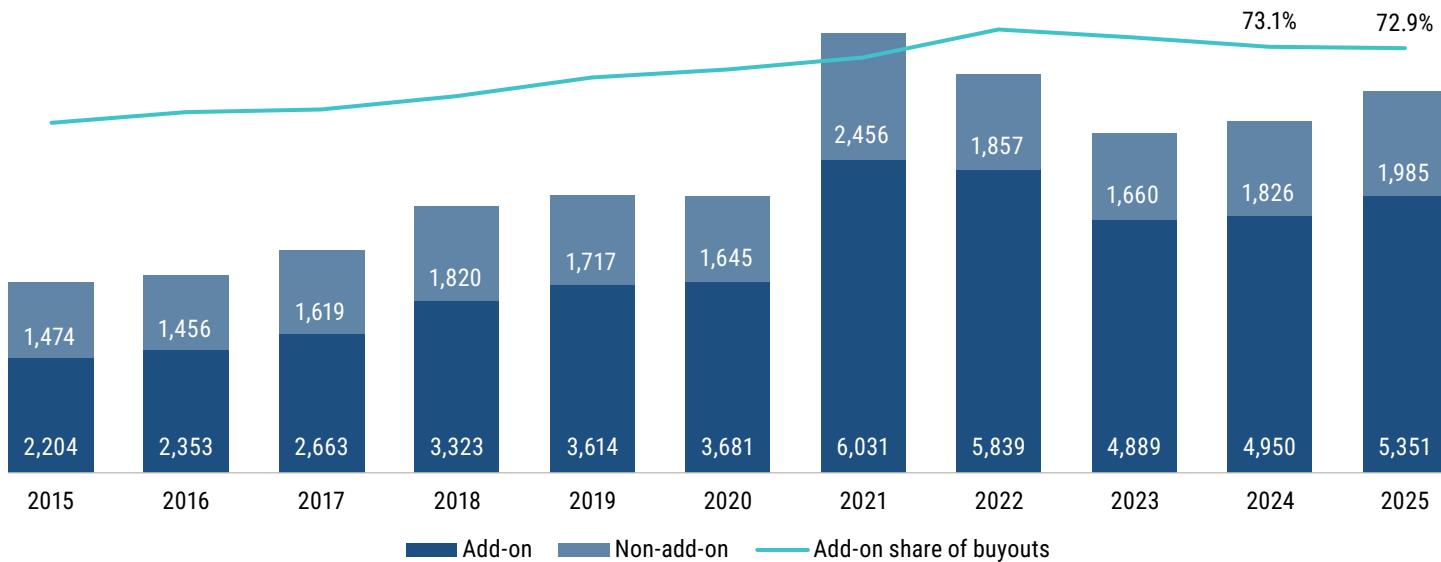


Source: PitchBook • Geography: US • As of December 31, 2025

Growth equity's strategy in favoring all-equity structures and avoiding leverage aligns well with its focus on rapidly expanding companies. By providing scale capital without debt, sponsors aim to boost top-line growth and expand margins through operational rather than financial leverage. Even as access to financing has improved, particularly through the

<sup>1</sup>: "Clearwater Analytics To Be Acquired for \$8.4 Billion by Permira and Warburg Pincus, Supported by Francisco Partners and With Participation From Temasek," Permira, December 21, 2025.

## Add-ons as a share of all PE buyouts



Source: PitchBook • Geography: US • As of December 31, 2025

private credit market, growth equity activity has remained robust thanks to its focus on value creation through EBITDA growth and disciplined cost management. Still, we see potential for stronger buyout deal activity in the upcoming quarters, as financing costs continue to decrease and investors adopt a more risk-on approach.

There were several notable growth equity deals in Q4 2025 in the energy sector. In October, Blackstone Infrastructure Partners acquired a \$1.5 billion minority stake in GenCo, an affiliate company of the natural gas and electric utility company NiSource. Blackstone will hold a 19.9% minority interest in a company set to serve Amazon's planned datacenter infrastructure in Northern Indiana.<sup>2</sup> In the same month, the Canadian Pension Plan Investment Board announced a \$1.4 billion investment to take a minority stake in AlphaGen, a US power producer. The company previously received \$500 million in development capital from Abu Dhabi Investment Authority in June. As the demand for AI accelerates, PE players are increasingly finding opportunities to scale the infrastructure needed to provide AI capacity.

### Add-ons

In full-year 2025, add-on transactions represented 72.9% of all PE buyouts, flat YoY and in line with the five-year average of 72.8% of all buyout activity. We believe add-ons will gradually

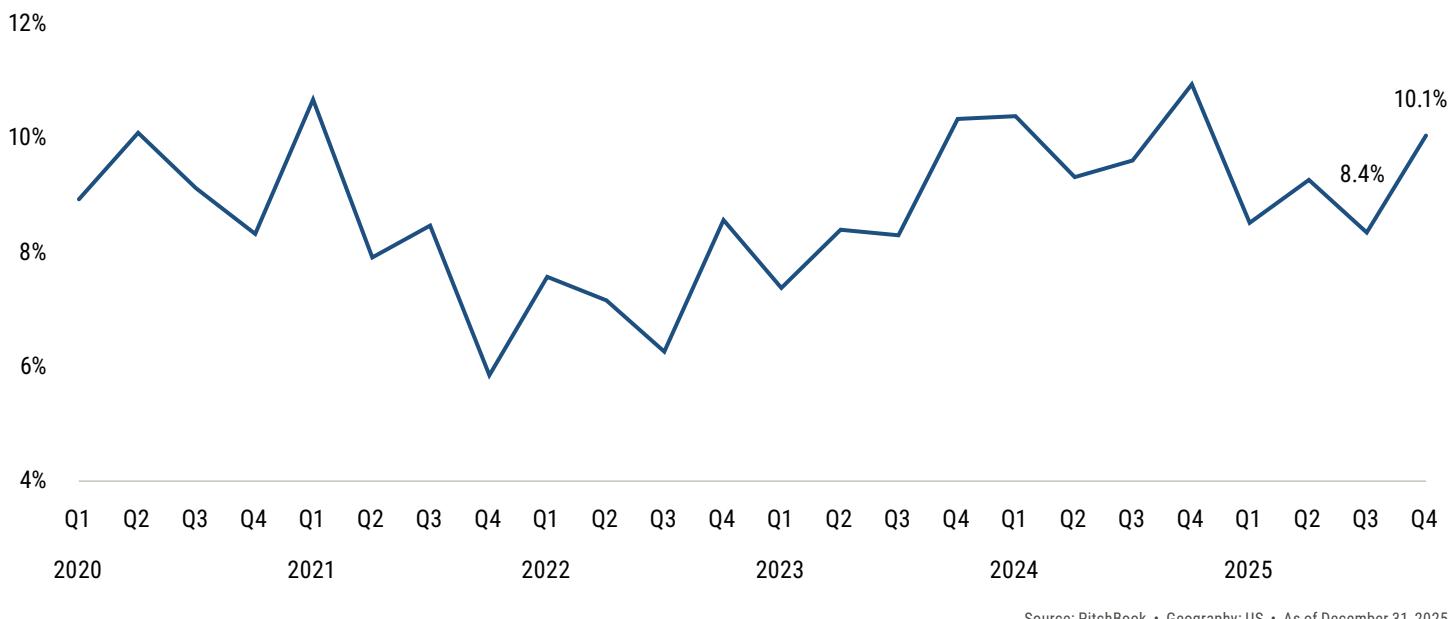
revert to historical levels, as a more accommodative financial environment, characterized by lower interest rates, takes hold. As lower rates are likely to trigger an uptick in overall deal activity, especially platform LBOs, we anticipate a slight crowding-out effect, which is likely to reduce the relative share of add-on transactions, albeit a small reversion.

The rationale behind this above-trend activity is straightforward. Larger combined entities, bolstered by add-on deals, benefit from greater purchasing power, allowing them to resolve supply chain challenges more efficiently and distribute those gains across a broader revenue base. Scale also provides financial flexibility in downturns and, in less competitive environments, the ability to exercise pricing power to support margins.

One of the largest add-on deals of the quarter belonged to Press Ganey Associates, a provider of strategic advisory services for patient care safety and quality, which was acquired by Qualtrics—backed by Silver Lake and others—for \$6.8 billion. The deal will accelerate the adoption of AI capabilities and provide better support for Qualtrics, helping companies create value across all industries. In the financial services sector, Acquarian, backed by its sponsors RedBird Capital Partners and Mubadala Investment Company, has agreed to acquire Brighthouse Financial for \$4.1 billion. For Acquarian, the acquisition of Brighthouse aligns with its strategic focus on the US retirement market, which represents a significant opportunity for the firm.

2: "NIPSCO To Supply 3 GW to Amazon Data Centers in Northern Indiana," Yahoo! Finance, Ethan Howland, November 25, 2025.

## Carveouts/divestitures as a share of all PE buyouts by quarter



Source: PitchBook • Geography: US • As of December 31, 2025

### Carveouts

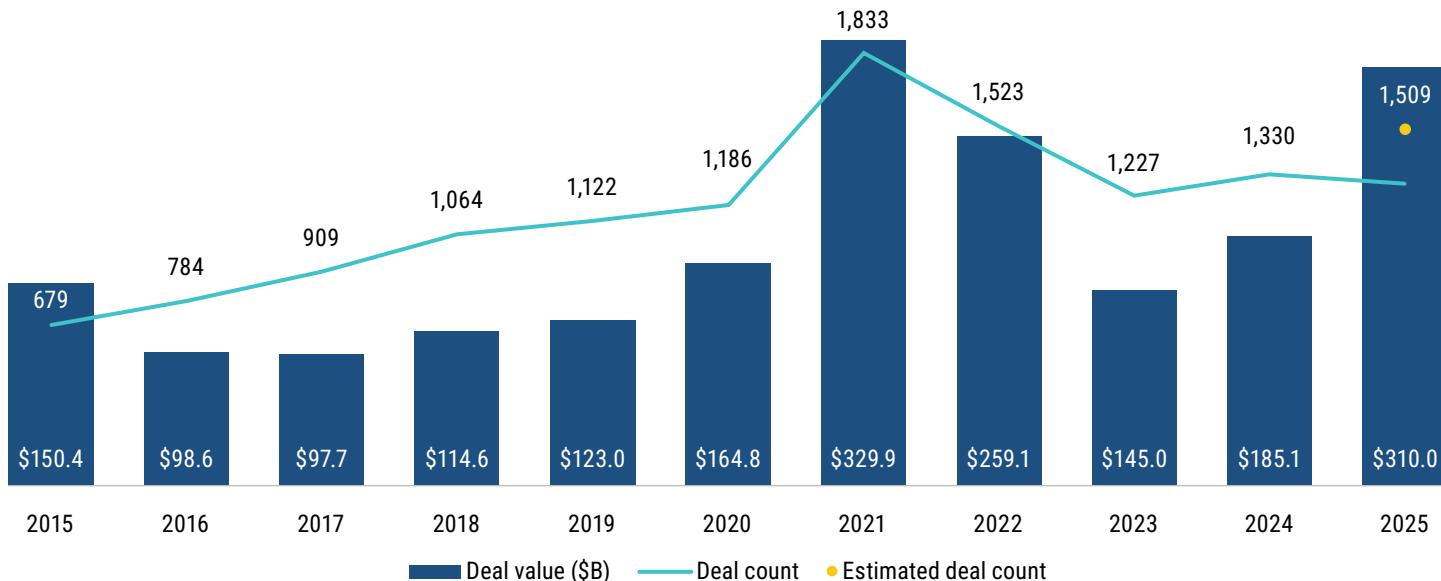
In recent years, carveouts have accounted for a growing share of PE deal activity, specifically buyouts, as GPs increasingly target corporate carveouts and divestitures from large organizations. They aim to uncover hidden gems within these divested assets, a trend that has increased as corporations have observed a stabilization in inflation and interest rates and have progressed forward with plans to streamline their operations by offloading noncore units. While market conditions have evolved to create more favorable conditions for market participants, corporations and sponsors alike continue to capitalize on the opportunities presented by carveout transactions.

For the parent companies, divesting these assets provides an opportunity to reshape their financials by eliminating underperforming or nonstrategic divisions. This process not only streamlines their operations but also allows management to present a more positive financial narrative to investors, free from the burden of these so-called "albatross" assets. For GPs, carveouts often involve established assets with robust financial histories, enabling more reliable due diligence. This transparency tends to attract a wider pool of bidders,

reinforcing the appeal of carveouts in today's dealmaking environment. Additionally, these divested assets can often be underperforming in nature, whether due to a lack of time or resources invested in them by their corporate owners. These albatross assets, similar to founder-owned businesses, can provide sponsors with several levers that can be pulled to scale growth.

While not quite reaching the share of all buyouts seen in 2024 through carveout transactions, the dip to 8.5% in Q1 has rebounded to just over 10% at the end of Q4 and remains a favored approach among many sponsors. Moreover, this recent rebound remains above the five-year quarterly average of 8.6% and Q3's 8.4%. Notable transactions in Q4 alone include Citgo's sale of its petroleum business to PE-backed business Amber Energy for \$7.3 billion. The deal was the result of a court-ordered auction in which Amber Energy received approval from a US federal judge. The auction stemmed from billions of dollars in debt owed by Venezuela, the owner of the US refiner, to creditors. In November, TriMas' sale of TriMas Aerospace to Tincum and Blackstone for \$1.45 billion was announced. For TriMas, its board had been actively evaluating strategic options to optimize its business portfolio and unlock greater value for its shareholders.

## Technology PE deal activity



Source: PitchBook • Geography: US • As of December 31, 2025

## Technology

Technology PE deal activity experienced an outsized year, with deal value higher by 67.4% YoY even though deal count rose by a relatively more modest 13.4%. To put these numbers into context, total PE deal volume across all sectors rose 36.3% in 2025, while count increased by 5.9%. With an estimated 1,509 deals for a total of \$310 billion, IT accounted for the second-greatest share of total US PE deal activity, only behind B2B. Furthermore, IT achieved the second-greatest annual deal value ever, coming in just \$20 billion below the record seen in 2021. The sector is well positioned in the current market landscape, driven by long-term megatrends such as AI and data-driven assets, as well as the continued digitalization of operations and supply chains. Software companies are highly attractive to investors given their recurring revenue models and high profit margins, defensible competitive moats, and ability to scale efficiently. Their relative insulation from tariff risk compared with other sectors further enhanced their appeal in 2025's dealmaking environment. As such, the software segment is driving the broader tech sector's rebound in

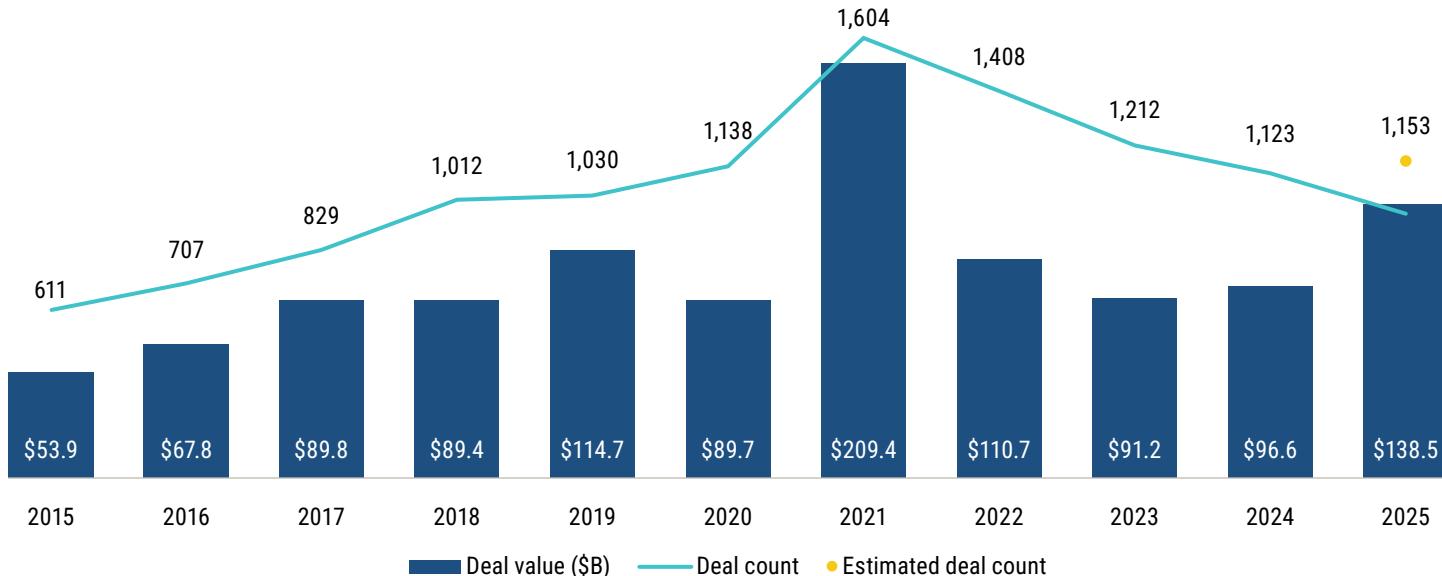
deal activity. Throughout 2025, 938 software PE deals were announced for a combined value of \$203.3 billion. This reflects a YoY growth of 68.1% for deal value and 10.5% for deal count to levels akin to those of 2021 and 2022.

The top two largest software deals were public-to-private deals: The \$55 billion take-private of EA in Q3, followed by Thoma Bravo's \$12.4 billion take-private of Dayforce the same quarter. In what is Thoma Bravo's largest take-private deal ever, the PE firm plans to utilize greater flexibility and resources to accelerate the human resources software provider's AI capabilities than it had when the company was public.<sup>3</sup> The largest tech deal of Q4 was the \$40 billion acquisition of Aligned Data Centers by a BlackRock-led consortium including Microsoft and NVIDIA. Previously owned by Macquarie Asset Management, Aligned Data Centers designs and operates datacenters and currently has planned capacity across 50 campuses in the US and Latin America.<sup>4</sup> The acquisition is a massive play on the infrastructure needed to support the rising demand for AI computing power.

<sup>3</sup>: "Dayforce To Go Private in \$12.3 Billion Thoma Bravo Acquisition," Reuters, Milana Vinn, August 21, 2025.

<sup>4</sup>: "BlackRock, Nvidia-Backed Group Strikes \$40 Billion AI Data Center Deal," Reuters, Arsheeya Bajwa and Aditya Soni, October 15, 2025.

## Healthcare PE deal activity



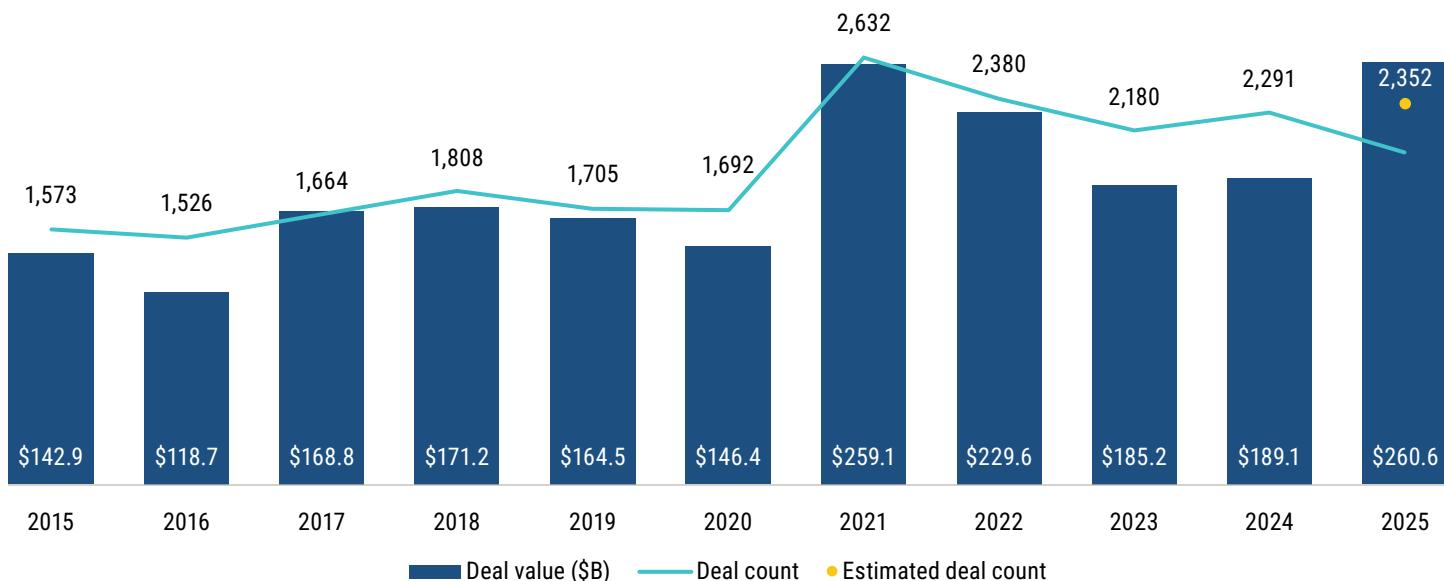
Source: PitchBook • Geography: US • As of December 31, 2025

## Healthcare

Healthcare PE deal activity finished Q4 on a strong note, with a small number of mega-transactions driving aggregate value meaningfully higher. Deal value increased 46.3% YoY in the quarter, reflecting sponsors' renewed willingness to underwrite scale transactions despite a still-selective financing environment. For the full year, total PE-backed healthcare deal value rose 43.4%, even as deal count increased modestly by 2.6%, underscoring a continued bifurcation between large, high-conviction investments and more muted activity in the lower and middle markets. In total, the market recorded 22 healthcare transactions valued at \$1 billion or more in 2025.

Healthcare devices & supplies was the primary driver of value growth, posting an annual increase of more than 270% YoY, supported by Hologic's \$18.3 billion leveraged buyout announced in Q4. The category continues to benefit from durable demand, pricing power, and operational scalability that remain attractive to large-cap sponsors. Healthcare technology systems maintained momentum throughout 2025, with deal value up 43.5%. Activity was led by ModMed's \$5.3 billion LBO in Q1 and HealthEdge's \$2.6 billion buyout in Q2, highlighting sustained investor interest in mission-critical software platforms with recurring revenue and embedded provider workflows. Conversely, healthcare services was flat in 2025, despite several large-scale deals, including the \$6.4 billion LBO of Press Ganey in Q4 and Premier's \$2.6 billion Q3 transaction, which closed in Q4.

## Industrials PE deal activity



Source: PitchBook • Geography: US • As of December 31, 2025

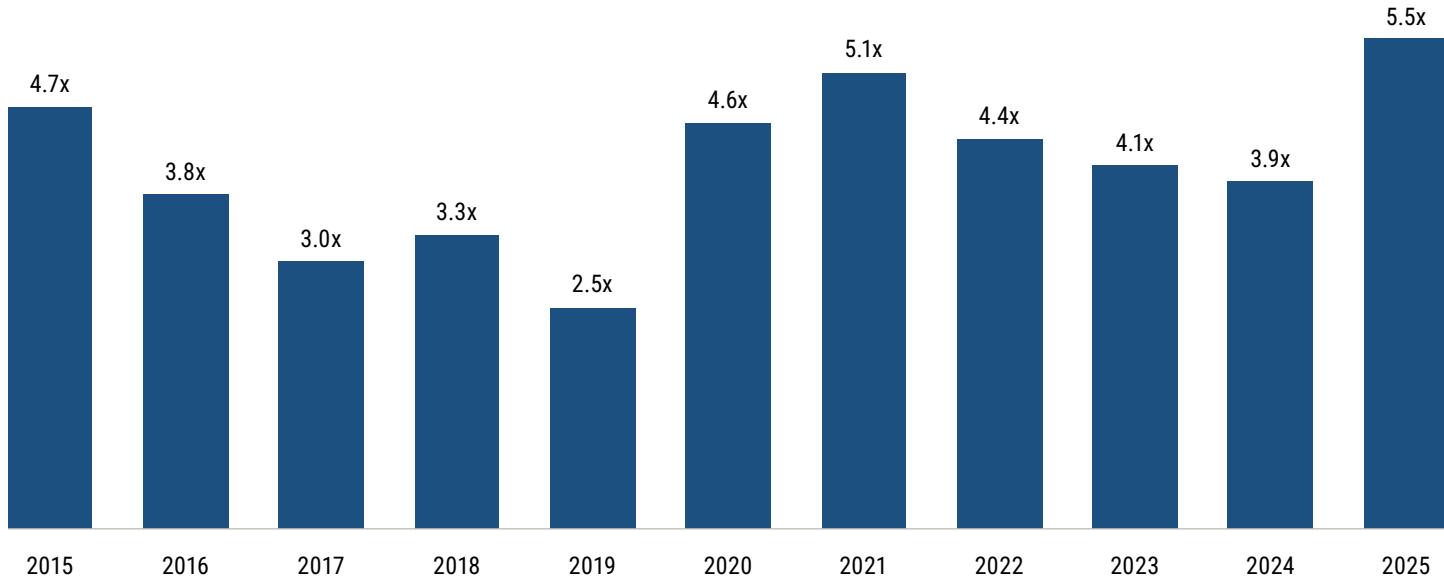
## Industrials

The industrials sector saw valuations rising in 2025, as PE deal value rose 37.8% YoY, reaching \$260.6 billion and up from \$189.1 billion in 2024. Deal count also rose, but much more moderately, with a 2.7% increase to 2,352 deals in 2025, versus 2,291 in 2024. Despite a turbulent year with ups and downs related to tariffs, inflation, and uncertainty on the direction of interest rates, industrials dealmaking remained resilient. We think PE dealmaking in industrials benefited from the slow downward progression of interest rates, even if they did not fall as fast as predicted toward the end of 2024. In addition, dealmaking picked up after tariff uncertainty eased, as industrial PE investors became less uncertain about the direction of the economy and the impact of these levies. The

surge in private credit kept markets liquid and fueled many deals that might not have been financed otherwise.

We also believe PE investors in the space were attracted to mega themes that made the space more investable: reshoring of manufacturing and supply chain capacity; the rise of datacenters that fueled infrastructure and construction activity; investment in an aging grid to power new datacenters and electric vehicle charging infrastructure; and the aerospace & defense industry benefiting from strong defense funding and commercial aerospace demand. In addition, AI and robotics fueled a lot of investing interest in industrials, a key beneficiary of these trends. [Looking ahead](#), reasonable valuations, tons of dry powder, and a better interest rate environment should fuel another strong year in industrials dealmaking.

## Median enterprise value (EV)/revenue multiples on PE deals of \$2.5 billion or more



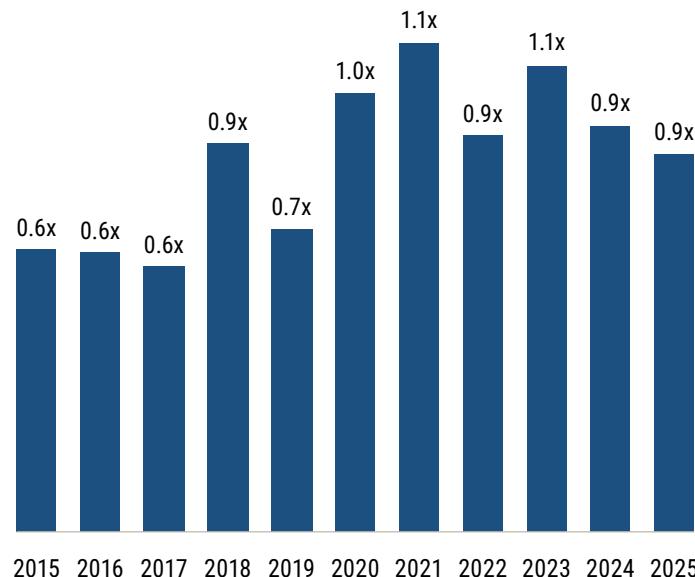
Source: PitchBook • Geography: North America and Europe • As of December 31, 2025

### Valuations

We examine global M&A multiples because they are derived from the broadest dataset, capturing transactions of all sizes and involving both PE and corporate acquirers. PE firms are assumed to participate in bidding across most deals, even when corporate strategies prevail. The median global M&A EV/EBITDA multiple reached 10x, increasing from 9.8x in 2024 and recouping nearly all of its peak-to-trough losses. Furthermore, EBITDA multiples are now higher than the long-term decade average of 9.6x and level with the averages seen in the pre-pandemic 2017-2019 period. EV/revenue multiples experienced the same trend: The global median multiple increased YoY, rising from 1.6x in 2024 to 1.7x in 2025, also reaching higher than pre-pandemic averages and inching toward the peak seen in 2021.

PE buyout valuations were a mixed bag in 2025, with EBITDA and revenue multiples undergoing different trends YoY, but ultimately rebounded from recent lows seen in 2023 to reach the high levels seen in 2021. EV/EBITDA multiples adjusted down from the peak of 12.9x in 2024 to 12.3x in 2025, which is still the second-highest annual median multiple and in line with that of 2021. As for revenue multiples, which were slow to recover from the dip in 2023, they experienced a significant increase in 2025, rising from 2.1x in 2024 to 2.5x. The return to median multiples last seen during the dealmaking frenzy of 2021 reflects a similar fervor underlying the current resurgence in PE deal activity. The rise of megadeals, in particular, is lifting

### Median EV/revenue multiples on PE deals below \$25 million

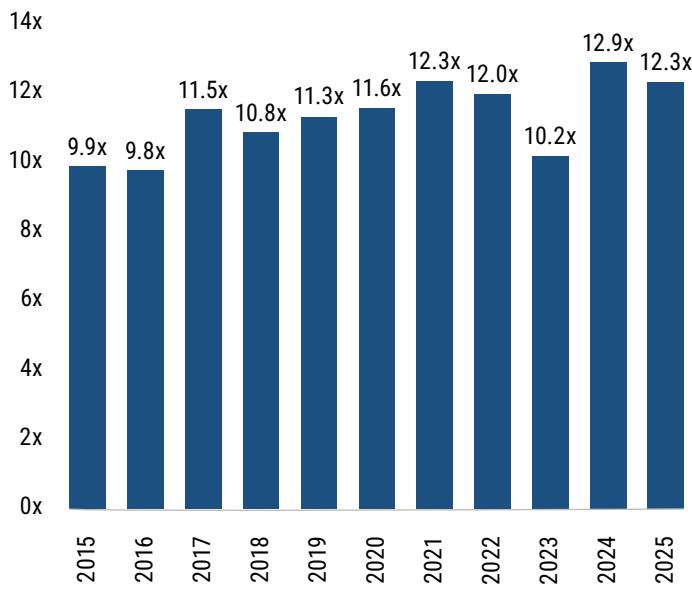


Source: PitchBook • Geography: North America and Europe • As of December 31, 2025

valuations, as well as improved financing conditions and strong public equity markets. Going forward, as deal volumes expand to include lesser-quality companies, this uptrend in multiples may be short-lived and begin to flatten once more. Additionally, as exit activity continues to broaden out to include assets that struggled to sell in the recent weak exit market, these will likely contribute toward valuation multiples leveling out instead of continuing their upward trend.

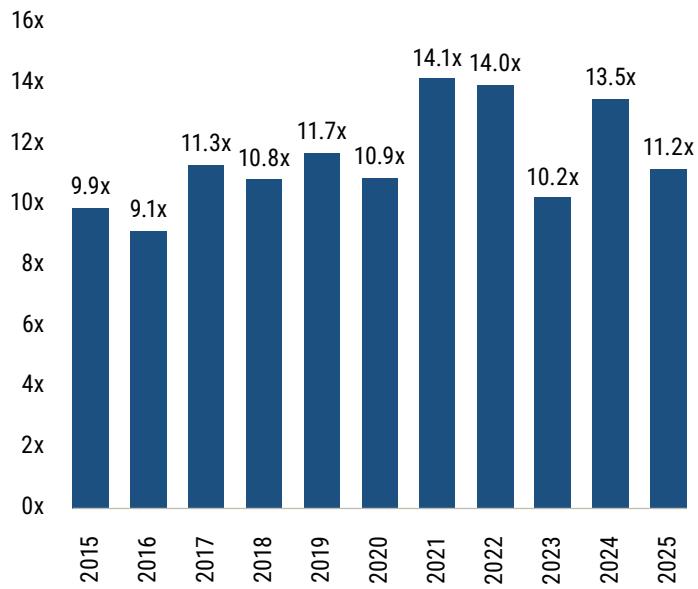
# Deal valuation metrics

## Global buyout EV/EBITDA multiples



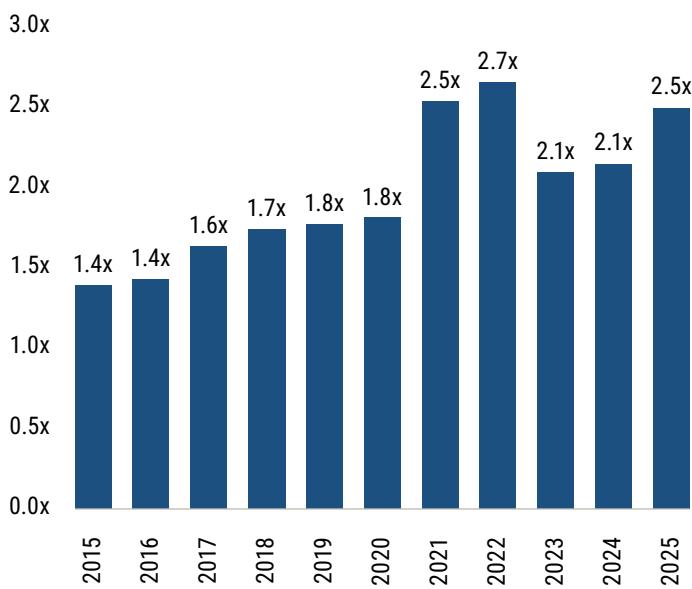
Source: PitchBook • Geography: North America and Europe • As of December 31, 2025

## US buyout EV/EBITDA multiples



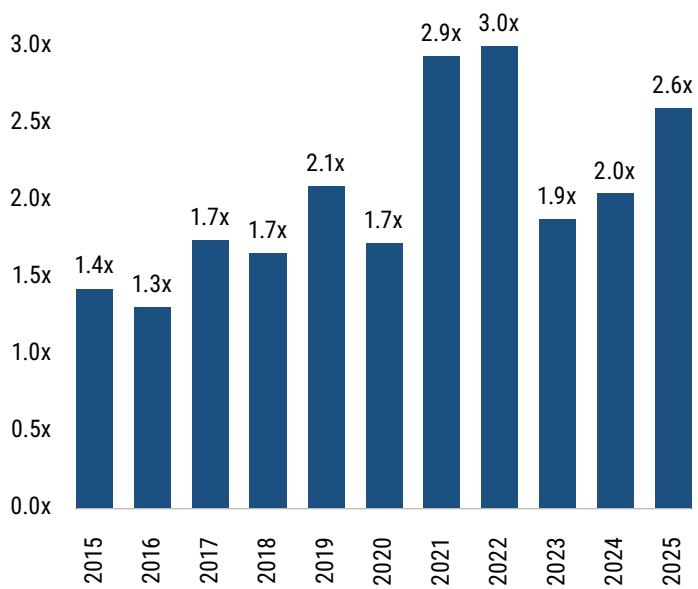
Source: PitchBook • Geography: US • As of December 31, 2025

## Global buyout EV/revenue multiples



Source: PitchBook • Geography: North America and Europe • As of December 31, 2025

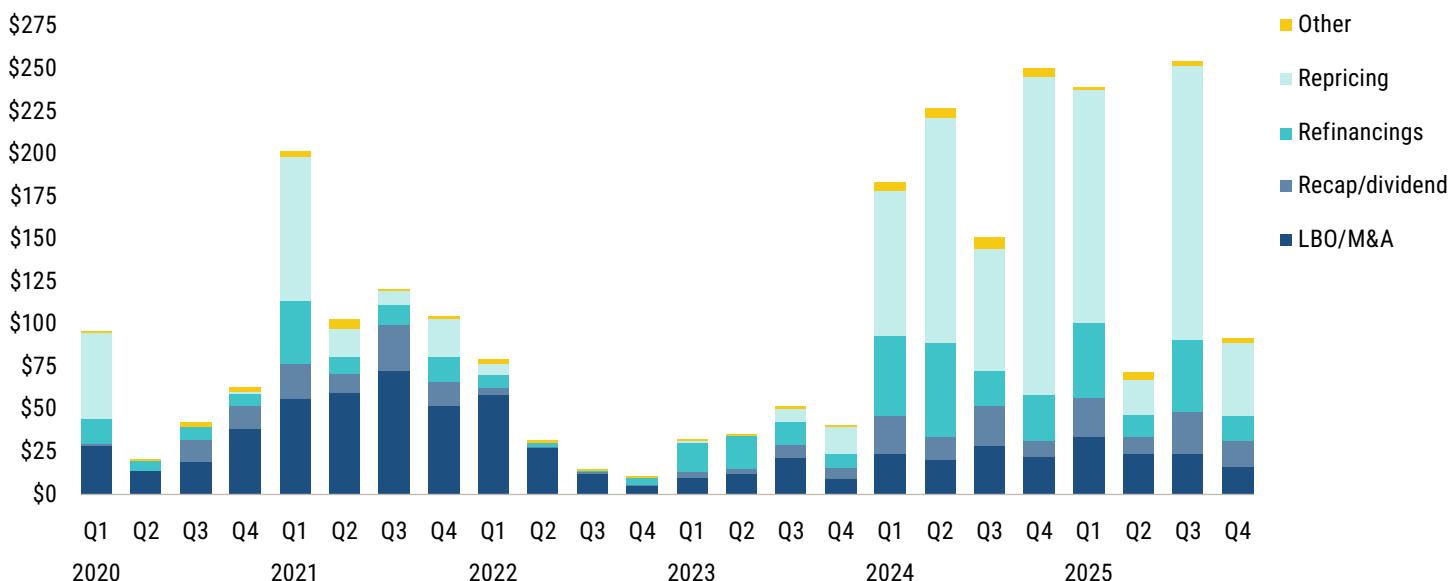
## US buyout EV/revenue multiples



Source: PitchBook • Geography: US • As of December 31, 2025

# Credit market conditions

## Institutional PE-backed loan deal value (\$B)



Source: PitchBook | LCD • Geography: US • As of December 31, 2025

Note: This chart reflects repricings done via an amendment process only.

Entering 2026, PitchBook LCD anticipates US credit market volume to pick up with LBO and M&A activities rising in both the leveraged loan and private credit markets. We anticipate tight credit spreads to continue fostering loan activity to start the year off.

Despite a slowdown in volume in Q4, the US credit markets remained active overall in 2025 for PE-sponsored companies as repricing, refinancing, and dividend recap transactions took the forefront in new issuance volume throughout the year. Megadeals kept M&A activity in the limelight, but otherwise, overall, it was rather choppy and slow at times, and a Q4 pullback in activity did not help the cause. Interest rates played a big part in keeping issuances in flow as spreads tightened significantly, and the Fed eventually did its part and cut federal funds rates in the second half of the year. However, headwinds from White House administration policy changes will likely carry over from 2025 and continue to unsettle the US economy and create more geopolitical upheaval such that the credit markets could pull back activity to a certain degree.

### Quarterly issuance

New issuance volume for US institutional PE-backed loans pulled back in Q4 to \$92 billion (including repricings) after

experiencing a catch-up in Q3 when quarterly volume hit almost \$254 billion, its highest level in five years. Rerpricings—whereby a borrower lowers the spread on the loan via an amendment process—led the way with \$43 billion, representing 46% of the quarterly activity. However, volumes declined sharply from the prior quarter's \$160 billion amid risk-off sentiment. Meanwhile, refinancings slowed down by \$28 billion to \$14 billion as borrowers took the opportunity to refinance in Q1 and Q3 2025.

### Annual issuance

From a YoY perspective, 2025 came to close at \$657 billion or 20% below 2024's \$816 billion, including repricings. This was still the second-highest volume in the past five years, as credit spreads tightened to their thinnest levels in recent times—even for B-category rated issuers—opening the door for interest rate relief. Overall, repricing volume totaled \$360 billion or 55% of total PE-backed borrower activity, refinancings totaled \$114 billion or 17%, and LBO/M&A transactions totaled \$100 billion or 15%. Dividend recap activity ebbed and flowed QoQ as PE sponsors held off on exits, but overall loan volume reached \$72 billion in transactions, surpassing last year's \$68 billion and reaching the highest level of demand since 2021.

## Average spread and yield to maturity of PE-backed loans



Source: PitchBook | LCD • Geography: US • As of December 31, 2025

## New-issue spreads compress to post-GFC low

Average spreads and yield to maturity on PE-backed loans reached 318 basis points and 7.33%, respectively, in Q4 2025, which was 9.5% lower than the 351 basis points (12.6% lower than the 8.38% yield to maturity) in Q4 2024. Favorable spread compression in the second half of the year, together with federal funds rate cuts, spurred opportunities for borrowers to reprice or refinance. Q3 and Q4 spread levels have been the lowest since 2007, and we anticipate these levels to persist through at least the first quarter of 2026. Q4 2025 levels were 177 basis points lower than the five-year high of 495 basis points in Q3 2022. Tighter spreads were counterbalanced by lower leveraged transactions, as higher rates for the first half of 2025 curbed debt capacity, forcing greater equity contributions. The second half of 2025 saw mostly repricings and refinancings with some pickup in LBO/M&A transactions, but not nearly enough to move the needle, save for a few megadeals.

## Lower debt capacity: Equity contributions continue to average more than 50%

Debt capacity limitations have meant sponsors are pressured to deploy more equity capital to fund their portfolio investments. The average BSL-financed LBO transaction leverage (debt/EBITDA) decreased by almost a full turn (0.9x) in 2025 to 5x from peak levels of 5.9x achieved in 2022. On an EV basis, multiples dropped to 11.2x in 2025 from 11.9x in 2022.

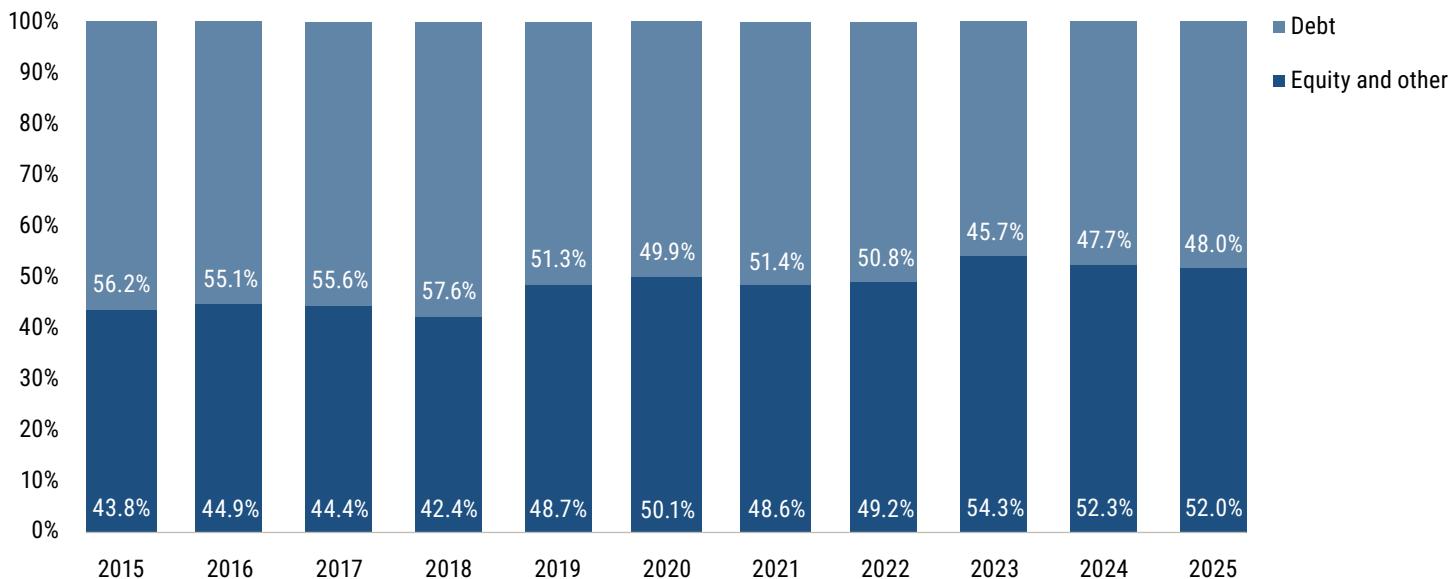
## Multiples on BSL-funded LBOs



Source: PitchBook | LCD • Geography: US • As of December 31, 2025

However, BSL LBO transaction announcements over the fourth quarter could raise both leverage levels and equity contribution levels once they close, as ultra megadeals such as the \$55 billion EA Sports acquisition by a PE consortium led by Saudi Arabia's PIF is backed by a \$20 billion debt commitment and up to a \$36 billion equity commitment—reflecting a 62% to 69% equity contribution level.

## Share of BSL-funded LBO value by source



Source: PitchBook | LCD • Geography: US • As of December 31, 2025

From an equity capital standpoint, it has continued to make up at least 50% of total transaction capital, as it has done since 2023, following the federal funds rate rising sharply in 2022, when equity capital averaged 49%. This higher proportion of equity to debt has, in part, contributed to the lower average returns—approximately 10% in 2024 and 7.8% through the first three months of 2025. See the ["Performance"](#) section for more on this topic.

### Competition between BSL and direct lending: Healthy for lenders and borrowers

The battle between direct lending and BSL lenders has been healthy for the credit markets, as it has meant that established PE sponsors and well-performing portfolio companies not only have choices between lenders but also have options to either take the BSL route or the direct lending route. Both markets have their benefits, and depending on a borrower's current situation and credit standing, the preference for various credit terms and pricing would be the differentiators here. Smaller companies without the debt capacity to borrow well over \$100 million would likely tap the direct lending market, where it primarily caters to middle-market companies. Recently, however, direct lending has taken on multibillion-

dollar transactions and can compete in the BSL market on the larger ticket deals. We also note that business development companies (BDCs) invest in BSL deals as well.

In the past few years, we have seen the pendulum swing back and forth, with the BSL market recapturing a large slug of market share from direct lenders in 2025 as tight spreads compression and pricing won issuers over. In the past year, BSL replaced direct lending deals on \$34 billion of loan volume, while direct lenders replaced BSL debt on \$37 billion in loans during the same period. This was essentially a neck-and-neck competition throughout much of 2025; direct lenders were able to edge out BSL by the end of the year.

### Alternative financing solutions

While PIK loans are now commonplace, some lenders—particularly BDCs—have pulled back amid credit quality concerns and tighter spreads pressuring cash yields. Meanwhile, some of the larger BDC lenders that have the financial wherewithal to weather through interest payment in the back-end have increased their holdings. Current run-rate PIK interest income is about \$1 billion for the top 15 BDC funds.<sup>5</sup>

<sup>5</sup>: "PIK Interest Income at BDCs Falls for 3rd Straight Quarter as Schism Appears," LCD, Kenny Tang, November 7, 2025.

## Outlook

Overall, the [2026 outlook](#) is expected to bring increased issuance activity across US credit markets, including on the buyout and M&A front. Headwinds such as inflation, economic stress, and geopolitical turmoil are likely to carry over into 2026.

### *US leveraged loan market*

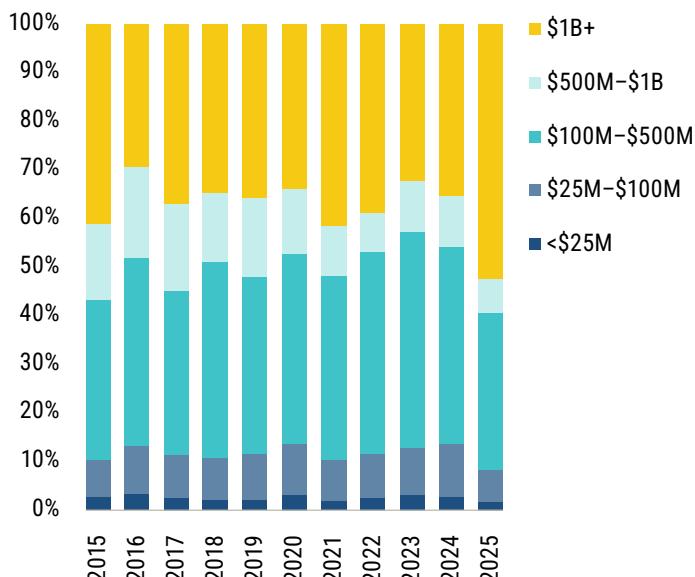
LBO and M&A volume is expected to climb, spurred by stable fundamentals and lower borrowing costs. While a large 2028 maturity wall looms within sight, refinancing activity should continue to dominate. Sponsor focus on exits on one end and acquisitions on the other mean dividend recapitalizations will moderate.

## *Private credit*

Similar to the BSL market, there are expectations for an increase in buyout and M&A activity, albeit not at record volume. Factors that will help drive transactions include a low-interest rate environment, better clarity on tariffs, increased private equity sponsor confidence in the macro environment, and pent-up demand for attractive investments. In addition, private credit loan supply is expected to increase, while spreads are expected to stabilize or widen. However, the health of private credit borrowers will be scrutinized as investors seek transparency on the earnings of borrower companies and signs of stress, with information and data providers potentially stepping up to fill the void.

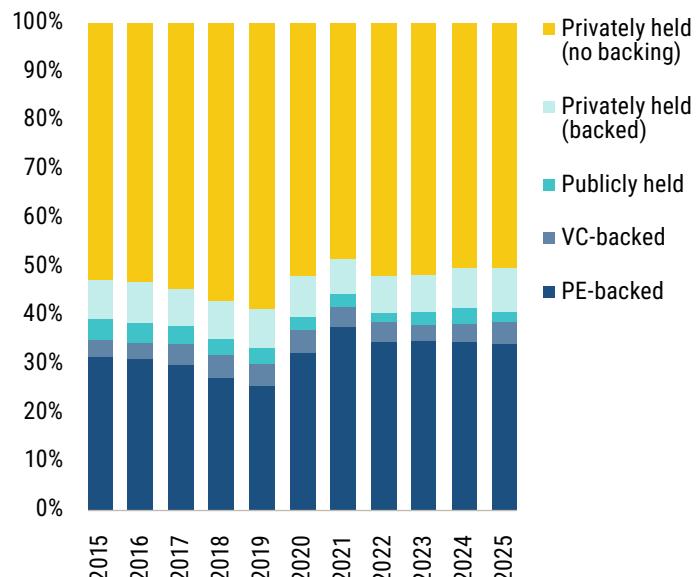
# Deals by size, backing type, and sector

Share of PE deal value by size bucket



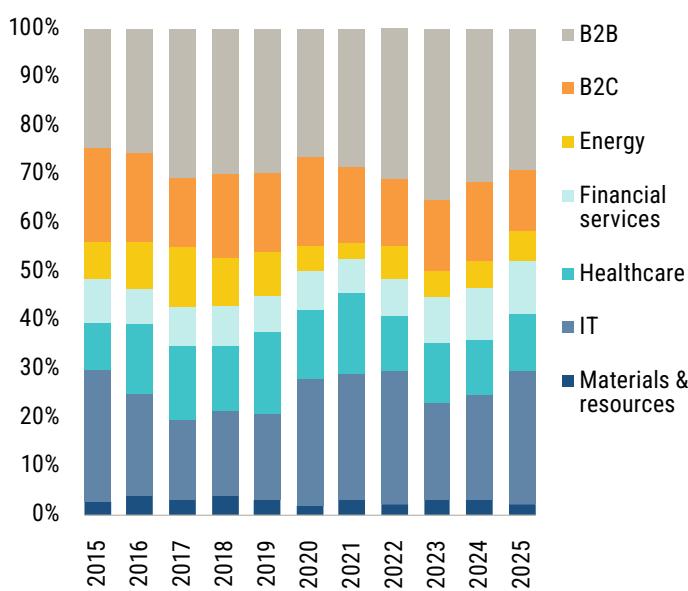
Source: PitchBook • Geography: US • As of December 31, 2025

Share of PE deal count by backing type



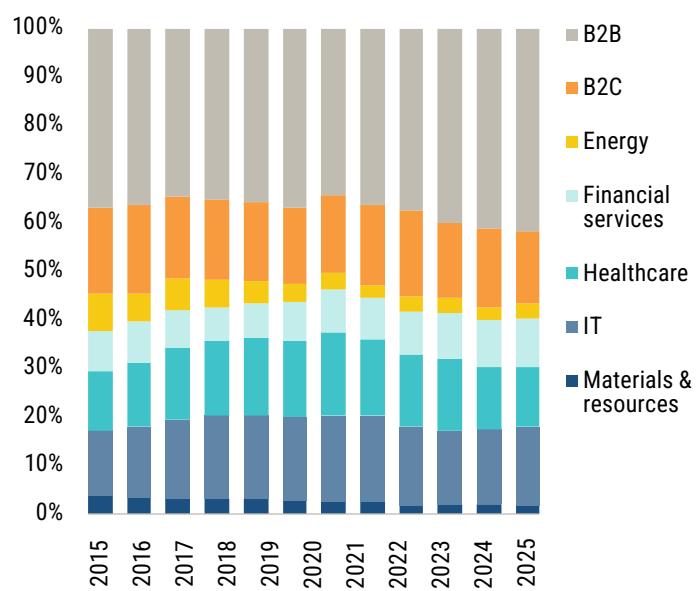
Source: PitchBook • Geography: US • As of December 31, 2025

Share of PE deal value by sector



Source: PitchBook • Geography: US • As of December 31, 2025

Share of PE deal count by sector

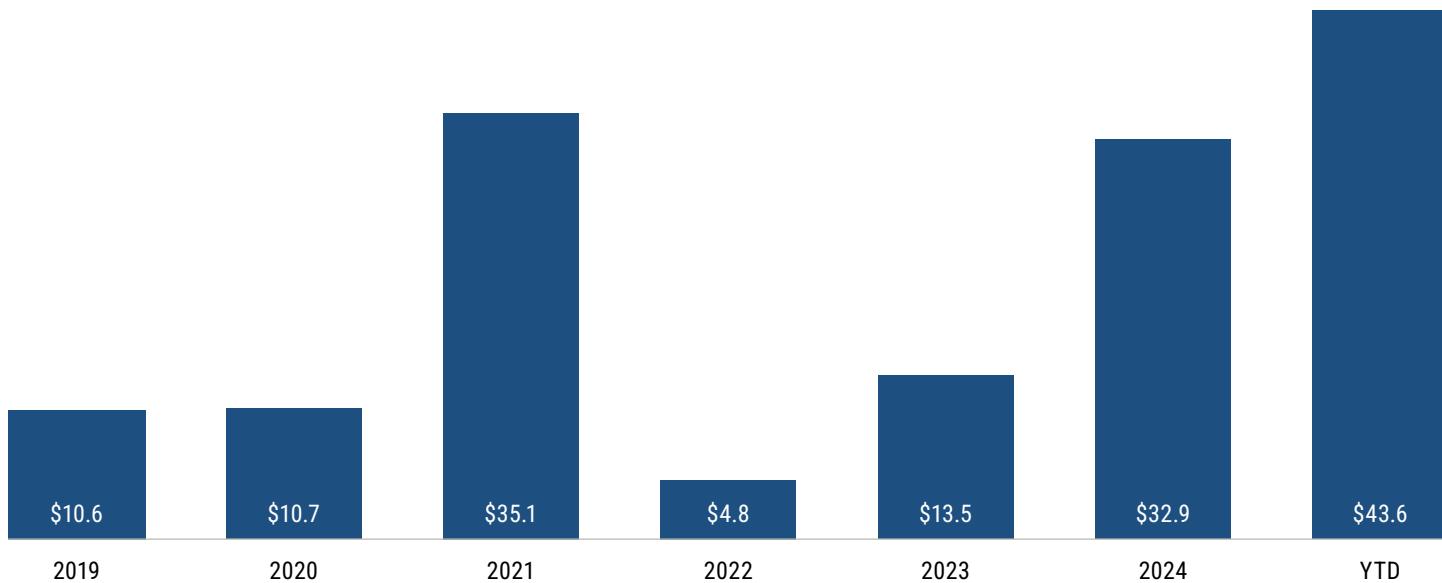


Source: PitchBook • Geography: US • As of December 31, 2025

## SPOTLIGHT

# US leveraged loan dividend payouts hit post-GFC high

Dividends paid to PE sponsors via leveraged loan market (\$B)



Source: PitchBook | LCD • Geography: US • As of December 8, 2025

This spotlight is abridged from our article, [US leveraged loan dividend payouts hit post-GFC high](#). Please read the full article for additional analysis on dividend recapitalizations and their impact on the PE ecosystem.

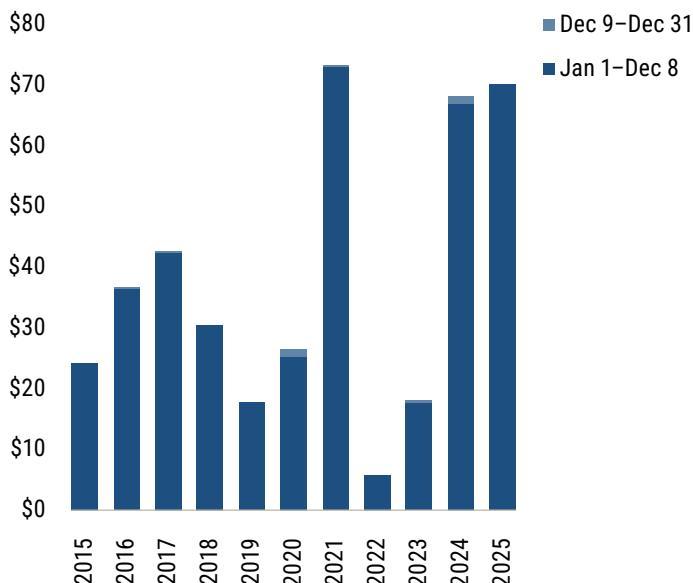
A stubbornly difficult exit environment for private equity sponsors, paired with generally favorable credit market conditions in 2025, continues to create ideal circumstances for dividend recapitalization loans. As of December 8, sponsors paid themselves \$43.6 billion of dividends from the US BSL market, already the highest annual total since the GFC. The 2025 tally is 24% above the recent high-water mark of \$35.1 billion in 2021, when the cost of debt was at historic lows.

Overall, PE-backed companies issued \$70.2 billion in leveraged loans for dividend recapitalizations through December 8. Not

all of the money raised will go to the private equity owners, however, as most of these transactions also refinance existing debt. 2025's total already exceeds that of every full year except 2021, when PE-backed companies issued \$73.2 billion, and it stands slightly above the 2024 total of \$68.3 billion.

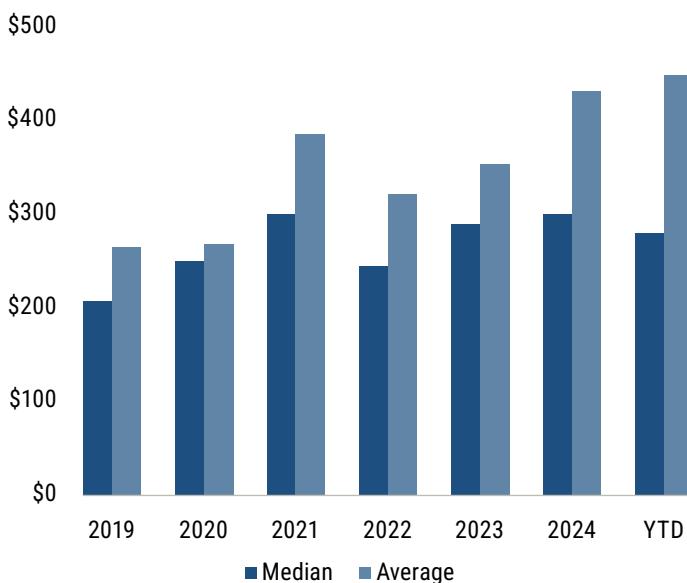
In 2025, nearly 30 PE-backed companies completed dividend recapitalizations involving debt raises of \$1 billion or more across the leveraged loan and high-yield bond markets. [Parexel is in the market with a \\$4.072 billion term loan B](#) due December 2031 to refinance an existing term loan and fund a one-time shareholder distribution that will total \$1.5 billion, according to S&P. The company's existing covenant-lite TLB due November 2028 was originally issued in August 2021 to finance the buyout of the company by EQT and the private equity business of Goldman Sachs Asset Management.

### Sponsored dividend recap institutional loan volume (\$B)



Source: PitchBook | LCD • Geography: US • As of December 8, 2025

### Median and average dividend amount paid out to PE sponsors via leveraged loan market (\$M)



Source: PitchBook | LCD • Geography: US • As of December 8, 2025

Dividend payouts are growing. The average dividend size of recapitalizations financed in the broadly syndicated market in 2025 is \$449 million, the highest level in at least seven years, up from \$433 million in 2024 and \$386 million in 2021. LCD has tracked 21 transactions in 2025 in which the dividend exceeded \$1 billion, after 23 last year and compared with 20 in 2021. The median 2025 dividend size is \$280 million, versus \$300 million in 2024 and 2021, although it remains above pre-pandemic levels.

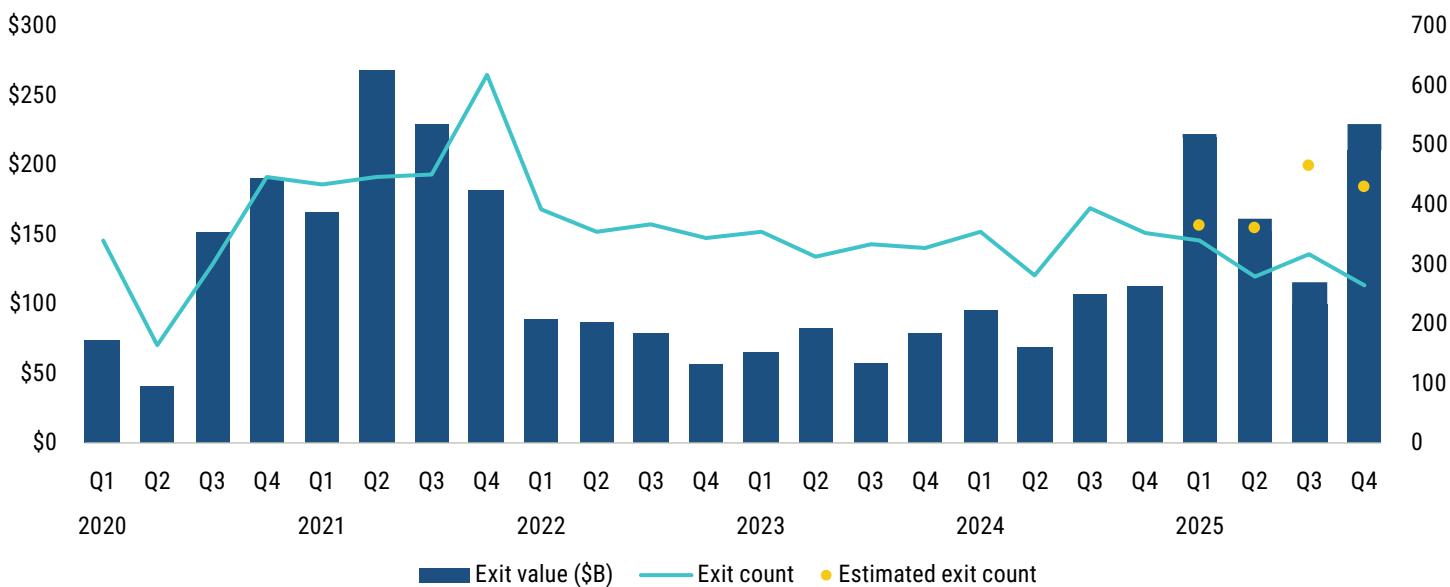
Pricing has been attractive for issuers as a persistent lack of net supply, combined with heavy investor demand, has pushed borrowing spreads to multiyear lows across the credit quality spectrum. The average institutional spread for dividend recap deals in 2025 is 323 basis points, the lowest level since the GFC. However, the yield to maturity, which takes into account the base rate, is 7.72%. That is down from 9.37% last year but is nearly three points above the post-crisis low in 2021, at 4.95%.

With debt costs remaining above long-term averages, leverage metrics for dividend recapitalizations have not reverted to the aggressive levels of earlier cycles, though some signs of increased risk tolerance are emerging. BSL-financed deals closed in 2025 averaged 5.2x pro forma debt/EBITDA, up from below 5x in 2023 and 2024 but still trailing levels from 2018 to 2022. Moreover, 22% of transactions were levered at 6x or more post-dividend, higher than in the prior two years yet far more conservative than the 46% share observed in 2021.

That said, sponsors are adding more leverage to fund these transactions as financing costs ease and risk appetite improves. For the 2025 cohort, PE owners layered on roughly one additional turn of leverage through the recapitalization, with average pre-dividend leverage at 4.2x. By comparison, 2023 and 2024 deals began with sub-4x leverage, and added about 0.8x turns through the recap.

# Exits

## PE exit activity by quarter



Source: PitchBook • Geography: US • As of December 31, 2025

## Overview

US PE exit activity is now clearly out of the woods, securing not only a second consecutive year of growth in 2025 but also a rebound that ranks second only to the record levels seen in 2021. With an estimated 1,619 exits for an aggregate of \$728.1 billion, exits have improved by a whopping 90.1% in value and 17% by count. Despite quarterly volatility driven by macroeconomic uncertainty and emerging geopolitical risks, exit value rebounded in Q4 following a recent dip. This recovery, combined with the strong performance in the first half of the year, pushed full-year exit activity above 2024 levels in both value and deal count. In Q4, there were approximately 429 exits for an aggregate of \$229.2 billion, which was a QoQ decline of 7.7% in exit count and growth of 98.5% in exit value. The jump in exit value is impressive, driven by a handful of outsized exits, resulting in the highest quarterly exit value since Q2 2021.

What is also notable about the second half of the year is the growth in exit count: The higher number of exits in Q3 and Q4 2025 was more similar to the quarterly average seen in 2021, driving double-digit YoY growth in exit count for the first time in the past four years. During the recent slowdown, exit value recovered more quickly than exit count, as a smaller group of high-quality assets secured favorable sales, while most

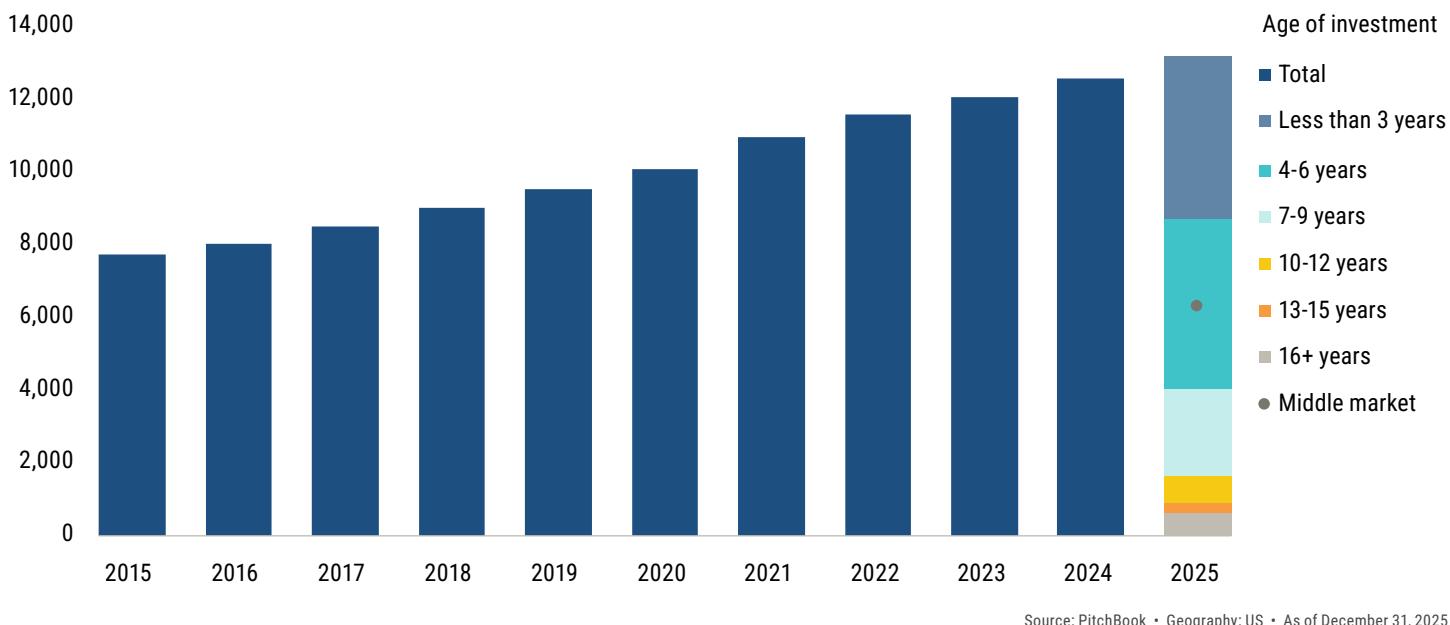
## PE exit activity



Source: PitchBook • Geography: US • As of December 31, 2025

assets were held longer by their PE firms. The growth in exit count is an encouraging sign of a more robust exit recovery; however, further analysis suggests that exit activity still needs to broaden out further.

## PE-backed company inventory by deal year

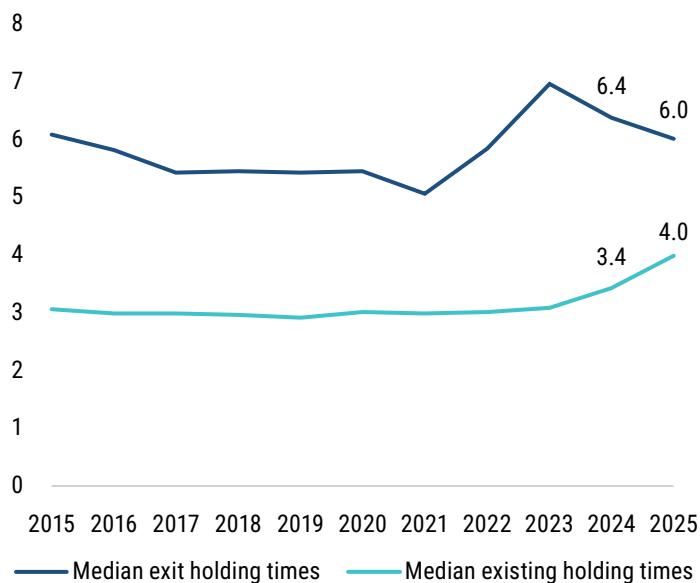


Source: PitchBook • Geography: US • As of December 31, 2025

When examining exit activity by transaction size, it is apparent that the recent growth is still disproportionately being driven by large transactions. 2025 exit value surpassed 2024 levels earlier in the year, thanks to a greater number of mega-sized exits, which totaled \$530.6 billion in 2025, versus just \$216.7 billion in 2024. Mega-exits made up 78% of the year's total exit value, significantly higher than the previous five-year average of 57%. In addition, mega-exits also increased as a share of total exit count, at 9.6% in 2025, up from a 6.1% average over the previous five years. The rising median exit size also reflects the shift toward large transactions: The median exit size increased to a record \$673.6 million in 2025 from \$400 million in 2024.

As of Q4 2025, the US PE inventory has grown to over 13,143 companies. At the pace of exits seen in 2025, this translates to over an 8.1-year inventory, which is a faster cycling of PE assets than when calculated with the annualized H1 2025 exit pace. The median hold times for US PE-backed companies also continued to trend downward from its 2023 peak when it recorded a seven-year median. By the end of 2025, it has fallen to a median hold of six years, which is a welcome improvement but still above the 5.5 pre-pandemic average. As for PE assets still being held by GPs, the median hold time has climbed to a record of 4 years. This reflects the aging inventory of PE-backed assets, as exit activity has stalled over the past three years. While large companies have been successful in securing impressive exit sizes, it remains to be seen if the rest of the PE-backed assets will be able to exit as quickly.

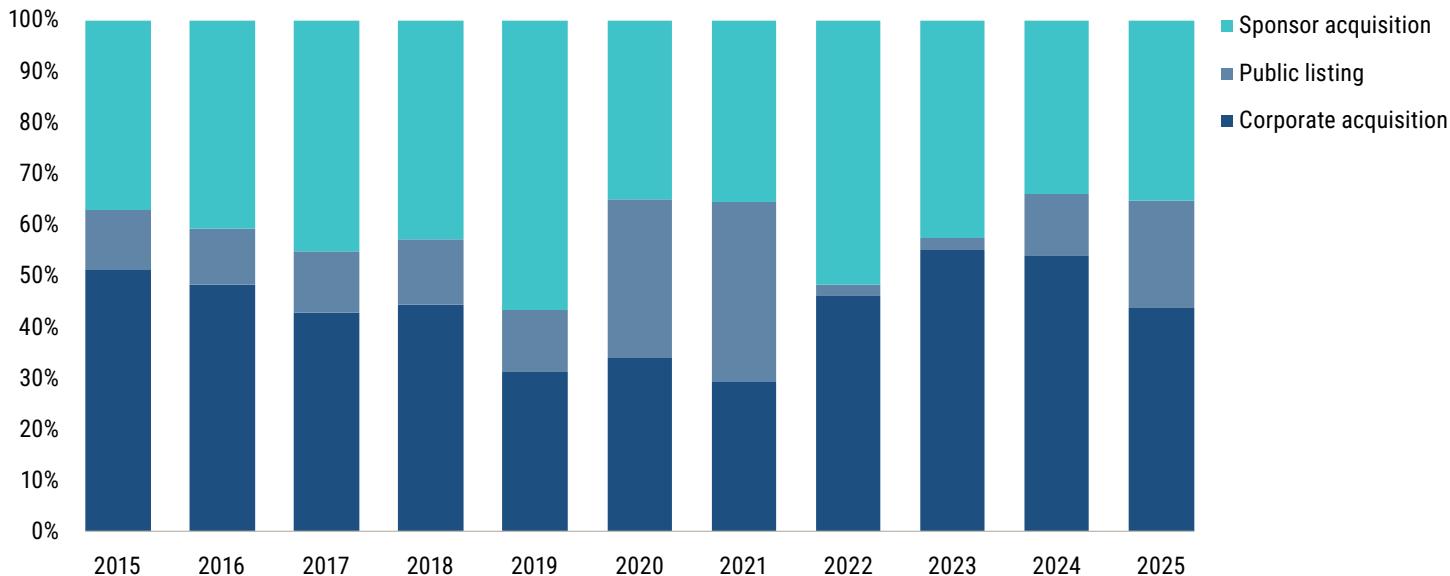
## Median PE company holding times (years)



Source: PitchBook • Geography: US • As of December 31, 2025

Looking forward, the outlook for exits remains optimistic as market participants anticipate exit pipelines to expand thanks to improved investor sentiment and IPO conditions, which will likely lead to sales of PE portfolio companies. According to our inaugural [US Private Equity Survey](#), 61% of survey respondents anticipate an improvement in exit conditions in the next six months. Half of those surveyed also identified portfolio company exits as a key priority in the near term. A

## Share of PE exit value by type



Source: PitchBook • Geography: US • As of December 31, 2025

third interest rate cut before the end of the year also provided an additional tailwind. The growth in exit activity in 2025 has been substantial, and while market expectations point to continued sunny days, what will be key is how healthy the exit environment proves to be for the entire PE industry, not just the large companies.

### Public listings

All exit types saw YoY improvement in terms of exit value, but exits through public listings also experienced growth in a number of transactions. There were 26 IPO exits for \$141.4 billion in 2025, compared with 20 for \$45.5 billion the year before. Although the number of exits through public listings remains below the pre-pandemic average of 47 IPOs annually, exit value has fully surpassed the \$43.5 billion average thanks to a couple of outsized IPOs. But even when excluding those outliers, IPO activity is aligned with what the industry saw in 2024, demonstrating a steady reopening of the IPO market. The US government shutdown, which started October 1, 2025, was a major setback for a still-fragile IPO market that had been reopening after three years of minimal activity. The longest government shutdown in history, ending only in mid-November, delayed PE sponsors' plans to monetize their portfolio companies or seek new exit paths. IPO momentum has been disrupted and is unlikely to recover until Q1 2026. Still, seven exits via public listings occurred in Q4, ranging across financial services, healthcare, and materials & resources

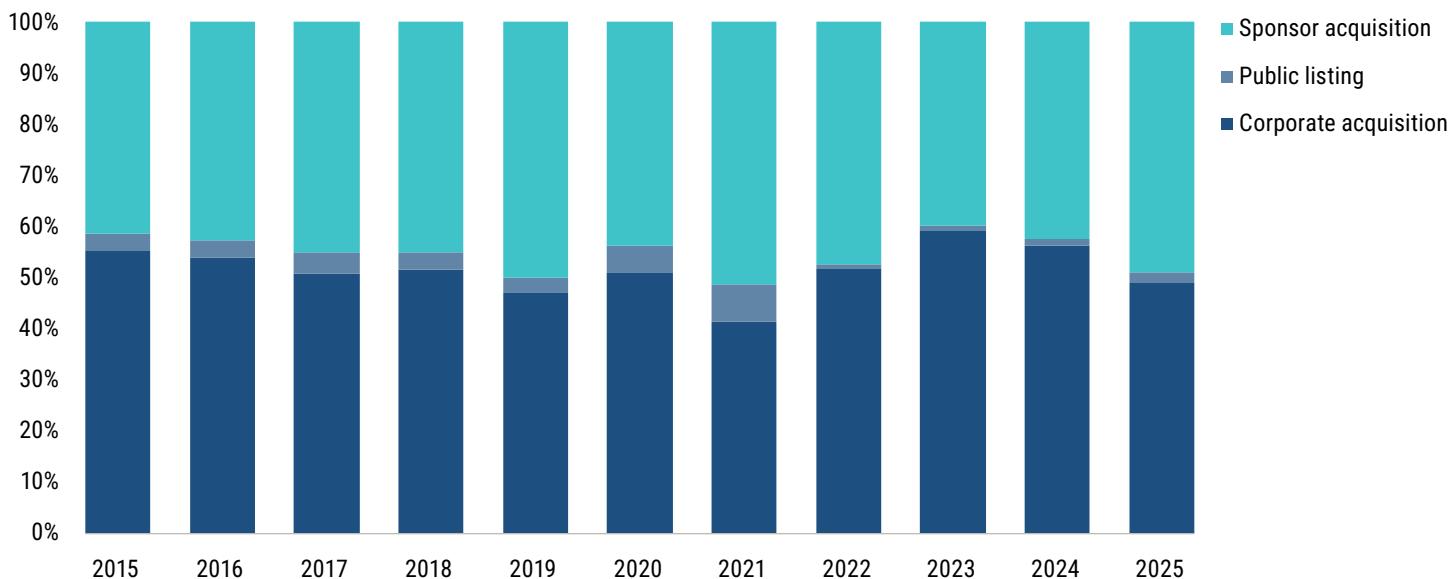
sectors. Because the US government shutdown has ended, we expect sponsors to resume testing the public markets more actively in 2026.

Despite the US government shutdown, one major IPO came out of the gates before the end of 2025: Medical supply company Medline raised \$6.3 billion in an upsized offering that puts the company's pre-money valuation at \$31.8 billion. The company was initially taken private by Blackstone, Carlyle, and Hellman & Friedman in 2021 in a \$34 billion acquisition, which was the largest PE deal globally in a year with record PE deal activity. Medline's IPO represents the second-largest IPO of a US PE-backed company ever, only trailing Venture Global LNG, which was valued at a whopping \$58.7 billion during its IPO in Q1 2025. Exits via public listings, especially at this scale, signal renewed investor confidence and will likely encourage more PE sponsors to follow suit in the months ahead to bring their own portfolio companies to market. Sponsors are returning to a risk-on mindset, and if the IPO market revival continues through 2026, it will unlock a major exit path for PE-backed companies that have been biding their time during the exit slowdown.

### Exits to corporates

Activity between exits to corporates and exits to other sponsors was well balanced in 2025, with the gap between the two exit types narrowing to single-digit percentages. In 2024, exits to corporates led with a 13.7% higher share in total exit

## Share of PE exit count by type



Source: PitchBook • Geography: US • As of December 31, 2025

count and a 19.9% higher share in exit value. The relative YoY strength of sponsor-to-sponsor exits has reduced corporates' share of total PE exits, and the recent increase in IPO activity further pushed exits to corporates to make up less than 50% of total PE exit activity. Despite the narrowing gap between corporate and GP buyers, exits to corporates still led PE exit activity. Exits to corporates accounted for 43.9% of total PE exit value and 49% of exit count, compared with sponsor-to-sponsor exits at 35.3% and 48.9%, respectively. Excluding public listings, exits to corporates accounted for 55.4% of PE exit value and 50% of exit count.

In 2025, there were 587 exits to corporates for an aggregate of \$299.3 billion, reflecting a 44.7% YoY growth in value despite a 24.5% drop in count. Exit value has significantly exceeded pre-pandemic averages and set a new record beyond the previous peak seen in 2021. Most of this activity occurred in H1 2025—the five largest exits to corporates all took place in H1 2025—while exit value declined in Q3 before recovering in Q4. This shows that corporate strategics remained cautious about pursuing large acquisitions following the macroeconomic uncertainties earlier in 2025. Nonetheless, 19 mega-sized exits occurred in Q4, with the largest being the \$9.3 billion sale of industrial filtration business Filtration Group to Parker Hannifin. As for exit count, it has yet to recover to pre-pandemic levels and has declined even below 2020 levels. Q4 marked the fewest exits to corporates since Q2 2020, with only 122 exits totaling \$82.2 billion. Exit count declined 22.8% QoQ, despite earlier reports of a strong pipeline of PE-backed assets ready

for sale failing to materialize by year's end. However, increased appetite for large acquisitions and a rise in overall M&A activity indicate better days ahead for more active corporate dealmaking and potential sales of PE portfolio companies to corporate buyers.

### Sponsor-to-sponsor exits

Sponsor-to-sponsor exit activity showed stronger YoY change compared with exits to corporates. Exit value for exits to other GPs increased by 84.3%, while for exits to corporates, it increased by 44.7%. For the number of exits, sponsor-to-sponsor exits declined by 0.2%, whereas exits to corporates fell by 24.5%. As such, sponsor-to-sponsor exits' share of total PE activity increased from 43% of exit count in 2024 to 50% in 2025 and from 38.7% of exit value in 2024 to 44.6% in 2025 when excluding public listings. For full-year 2025, there were 586 sponsor-to-sponsor exits totaling \$240.8 billion. Sponsor-to-sponsor exit value rebounded completely, sitting 42% higher than the pre-pandemic average exit value of \$169.6 billion and 98.8% higher than the low point in 2023. Sponsor-to-sponsor exit count has also cemented another year of growth from the dip in 2023, but remains 9.7% below the pre-pandemic average.

The median size of sponsor-to-sponsor exits reached a record \$700 million in 2025, further reflecting GPs' ability and willingness to pay high prices for high-quality assets. We expect this median to decrease as exit recovery broadens and sponsors are able to bring their lower-quality assets to market

for sale. In the meantime, 46 of the sponsor-to-sponsor exits in 2025 were mega-exits, accounting for \$157.5 billion of exit value. That means less than 8% of exits contributed around 65% of the exit value from sales to other sponsors.

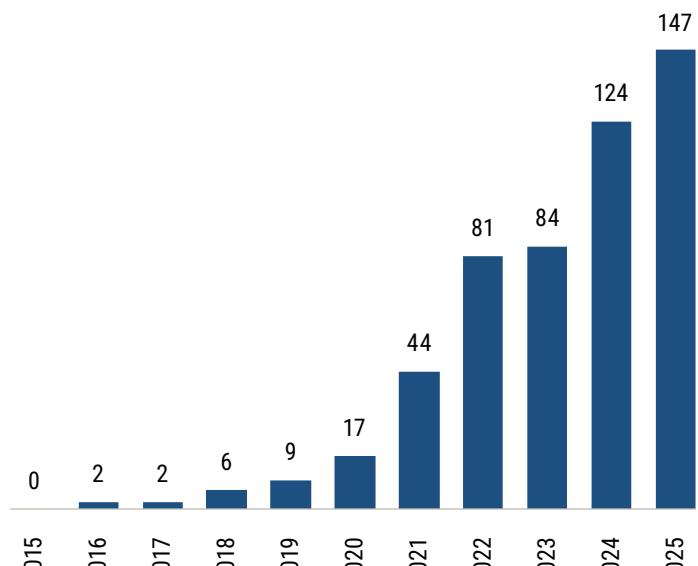
Exit count remains 9.7% below pre-pandemic averages, as exits have been centered around large transactions rather than numerous transactions. Q4 showcases this, as the quarter's exit value was the highest of the year, while exit count was the lowest. The risk-on sentiment of PE buyers has returned to the market, aided by lower borrowing costs and increased market clarity in H2 2025. This allowed PE buyers to execute large transactions with greater ease, paving the way for high-quality PE-backed assets to exit at high prices. The risk-on sentiment has yet to trickle down to the broader PE inventory, and the trend that we have observed over the past few years of a few successful exits securing high prices while the majority of PE-backed assets remain slow to exit continued throughout 2025. Still, it is encouraging to see continued improvement in exit count on an annual basis.

#### Exits to continuation funds

Exits through continuation funds have become a more common exit solution in recent years as sponsors seek to provide LPs with liquidity during a weak exit environment while also allowing more time to generate additional value within their portfolio companies. Continuation fund-related exits have surpassed the record activity seen in 2024 and set a new record in 2025 as exit activity through traditional sales paths failed to gain significant traction throughout the year. PitchBook tracked 147 exits to continuation funds in 2025, totaling \$95.8 billion, including estimates for nondisclosed transactions. This exceeds the previous record of 124 continuation fund-related exits in 2024, demonstrating the PE industry's continued acceptance and adoption of GP-led secondaries as a strategy for value creation and portfolio management. Although continuation funds still represent a small part of sponsor-to-sponsor exit activity, the strategy has transitioned from a niche tool to an increasingly mainstream one in just a few years, as GPs use it to extend the time needed to unlock value in what they believe to be attractive holdings. However, we predict that the number of continuation fund-related exits has peaked and will decrease in 2026 as traditional PE exit lanes reopen at a heightened pace.

We tracked 21 additional exits to continuation funds in Q4, with one of the largest disclosed transactions being

#### Continuation-fund-related exit count

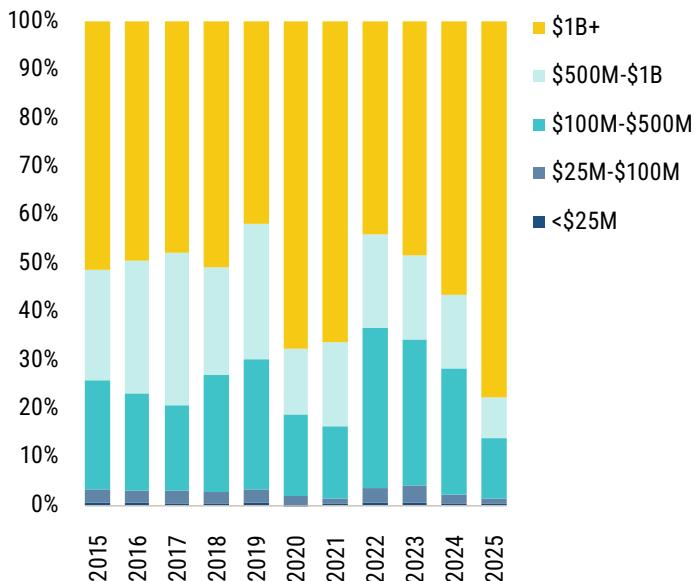


Source: PitchBook • Geography: North America and Europe • As of December 31, 2025

Percheron Capital's rollover of Big Brand Tire & Service into a continuation fund for \$1.6 billion in October. Percheron Capital initially acquired the company in 2021 and has since grown its revenue and profitability more than tenfold. The GP stated that the rollover reflects the firm's commitment to delivering liquidity early in a fund's life and will use the recapitalization to accelerate the next phase of growth.

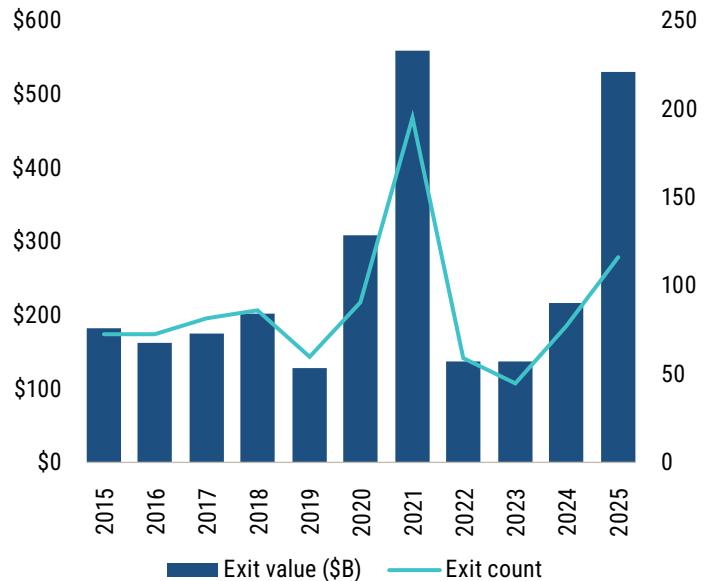
Additionally, there is an emerging trend of sponsors rolling a portfolio company into a second continuation vehicle. For example, in Q3, Accel-KKR raised \$1.9 billion to roll its iSolved investment into a second continuation fund, following an initial \$1.4 billion continuation fund that closed in 2019. This new approach has faced criticism, as some LPs remain wary of continuation funds not representing true market exits. GPs' use of multiple continuation funds instead of pursuing an exit via sale or IPO can further frustrate LPs who have experienced delayed exits and reduced liquidity over the past few years. Already, Revelstoke reportedly abandoned plans to extend its ownership of Fast Pace Health through a second continuation fund after encountering LP pushback. While continuation funds can provide liquidity and prevent unfavorable exits, the PE industry needs more successful outcomes following these funds to avoid the perception that GPs are simply kicking the can down the road to postpone dealing with more fundamental issues.

### Share of PE exit value by size bucket



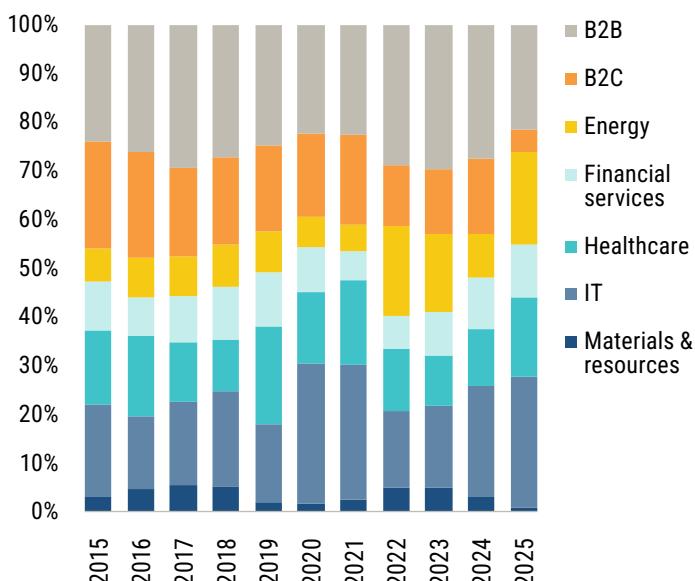
Source: PitchBook • Geography: US • As of December 31, 2025

### PE exit activity with exits of \$1 billion or more



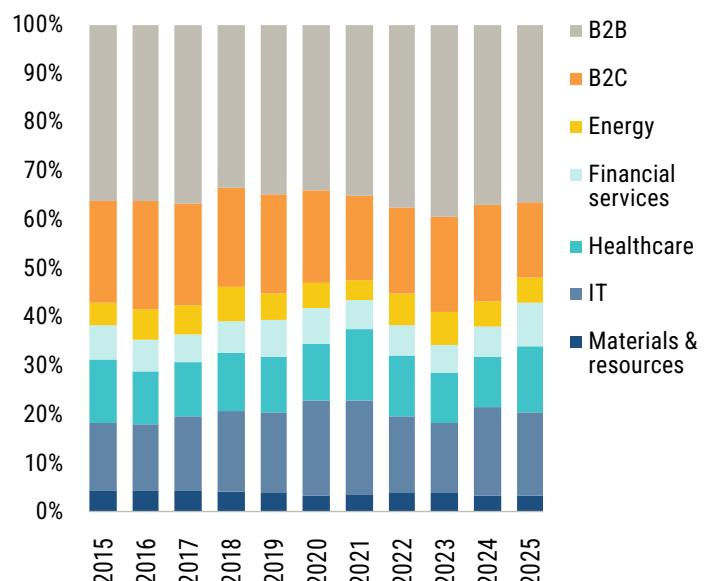
Source: PitchBook • Geography: US • As of December 31, 2025

### Share of PE exit value by sector



Source: PitchBook • Geography: US • As of December 31, 2025

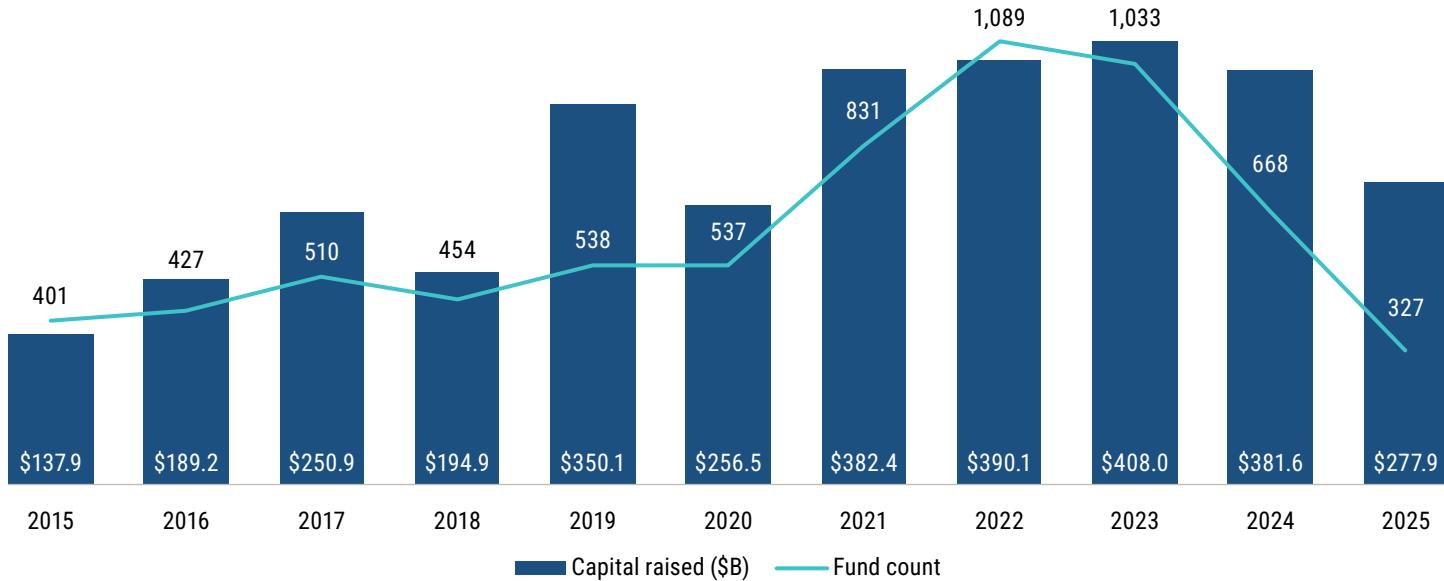
### Share of PE exit count by sector



Source: PitchBook • Geography: US • As of December 31, 2025

# Fundraising

## PE fundraising activity



Source: PitchBook • Geography: US • As of December 31, 2025

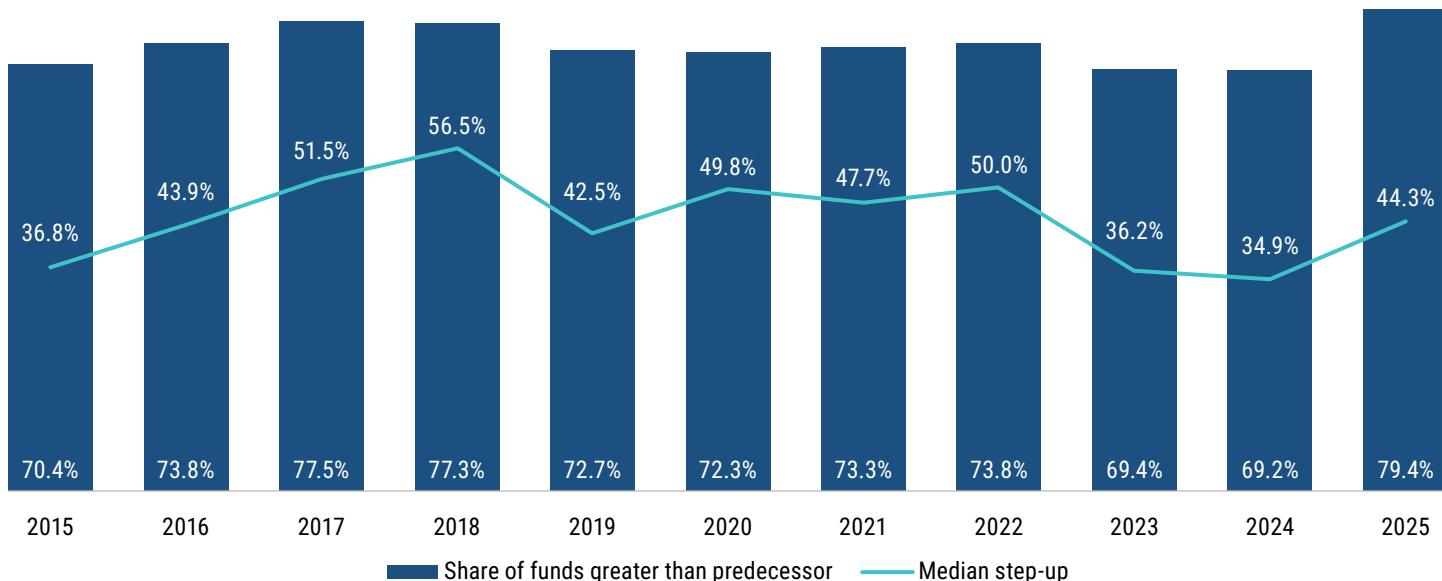
## Overview

2025 marked the weakest year for private equity capital formation since 2020. In 2025, PE firms saw 327 funds achieve final closes worth an aggregate value of \$277.9 billion, both representing significant YoY declines. While there is always a lag effect that sees fundraising activity increase by an additional 25% in the coming months when including late-reporting funds, this addition will not be enough to keep the pace of activity with the robust inflows seen in each of the prior four years. While exit activity continues to scale, it has not yet reached a sufficient pace to help broaden out fundraising efforts. We expect 2026 to share a similar fate, with fundraising continuing to consolidate across the 10 largest funds, which will likely account for at least 40% of total capital raised in the US, as discussed in our [2026 US Private Equity Outlook](#). However, this could be reversed if the robust exit activity seen in 2025 persists into the new year.

Moreover, while exit activity ramped up throughout 2025, it was not enough to make up for the lost time from 2022 to 2024, during which many sponsors sat on the sidelines with their portfolio companies, waiting for better days to bring companies to market. This has resulted in several years with limited distributions back to LPs in the form of liquidity events, leaving LPs with less capital to allocate to newer fund vintages. The lack of traditional exits has also been one of the driving factors behind the robust use of continuation funds by sponsors and increased dividend recapitalization activity. Limited capital from LPs has created a fundraising environment that has seen LPs prioritize who they commit capital to, typically erring on capital commitments to the longest-standing relationships they have with GPs, which has come at the expense of many newer managers seeking to raise capital.

Those that have been able to raise capital in the market via a strong relationship with its LPs, or possibly strong past fund

## Median step-up from previous PE fund in fund family



Source: PitchBook • Geography: US • As of December 31, 2025

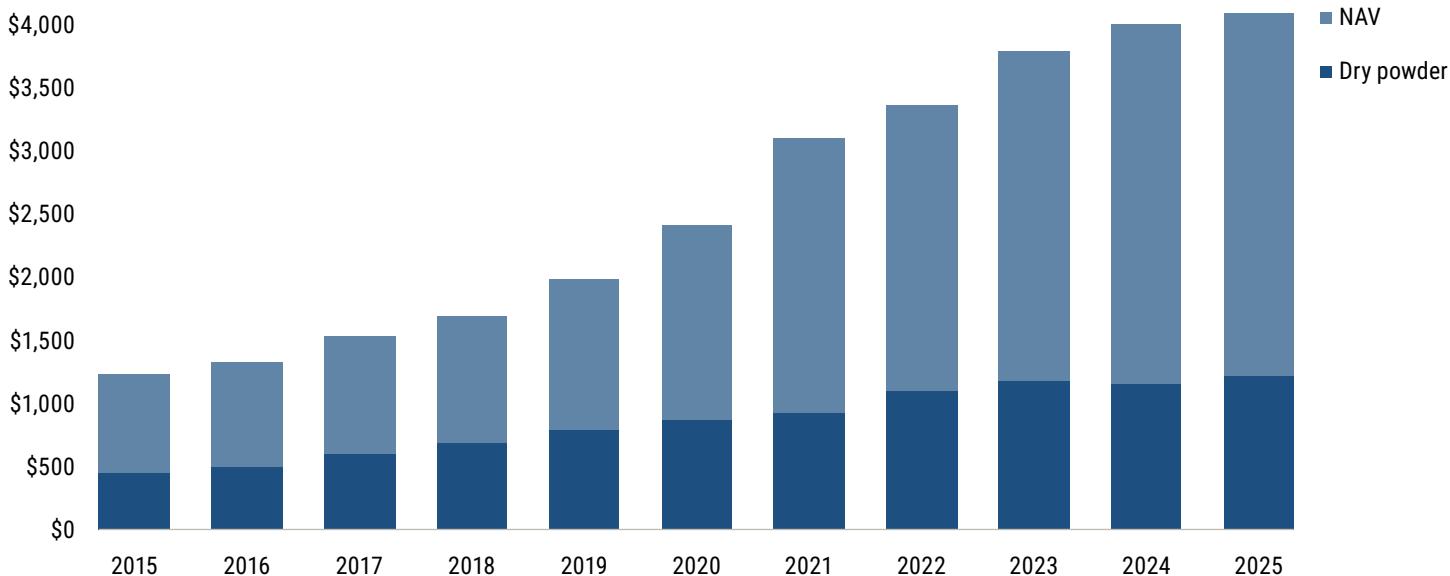
performance or a differentiated strategy that helped the firm and its fund stand out, have done so in ways that have been in line with more historical fundraising timelines. The few managers that have achieved final closes have done so with a median time to close of 12.2 months, the lowest time to close since 2022. However, if exits do propel fundraising in 2026, that median time may tick back up when more managers who have been in the market raising capital for two or more years filter into the data. Similar to the quicker time to close, these funds are seeing sizable step-ups compared with their predecessors. A record 79.4% of funds that closed in 2025 did so at a size greater than their predecessor, with a median step-up of 1.44x (44%), which bucks the trend of sequential declines of median step-ups seen in 2023 and 2024.

The more challenging waters that sponsors had to navigate while raising funds were particularly impactful on emerging managers—those raising funds one through three. Moreover,

the current environment has been especially challenging for first-time managers, which raised \$7 billion across 48 funds, well below the 179 and 88 funds raised by new managers in 2023 and 2024, respectively. Moreover, this is the fewest funds closed by first-time managers since 2010. Emerging managers as a whole held final closes on 132 funds for a combined \$29.6 billion. This compares with 240 funds closed by emerging managers in 2024, with inflows totaling \$45.2 billion.

Despite the down year in fundraising, fundraising by strategy remained rather status quo. Buyout funds raised 76.6% of all capital, growth equity funds accounted for 18.3% of total capital raised, and the remainder fell under restructuring/turnaround funds and other categories. By fund count, growth equity funds accounted for 17.7% of PE funds raised, up from 15% in 2024, while taking a share from buyout funds, which saw their share decline from 83.8% in 2024 to 80.4% in 2025.

## PE AUM (\$B)



Source: PitchBook • Geography: US • As of March 31, 2025

### AUM and dry powder

US PE AUM pushed higher at the start of 2025 to reach nearly \$3.7 trillion, starting what would be the 17th consecutive year of AUM growth for the industry. However, the pace of growth has slowed in 2025, similar to the 2024 trajectory. The YoY growth of AUM for the asset class was 4.1% as of March 31, 2025, falling well short of its 10-year CAGR of 12.8%. AUM comprises invested assets and uncalled capital, also known as dry powder. While the slowdown in AUM growth in 2024 was primarily driven by the seemingly slower accumulation of dry powder, the script has flipped in 2025. The slower growth is driven by the marginal increase in net asset value (NAV) of existing PE-backed portfolio companies in the US. This slowdown has coincided with the fact that the number of PE-backed companies in the US continues to grow. As of the end of 2025, there are 13,143 PE-backed companies in the US, which, in years past, had supported the robust growth of the NAV portion of AUM but have since seemingly slowed.

At the start of 2025, US PE dry powder remained above \$1 trillion for the third consecutive year. And while dry powder saw a minuscule decline in 2024, through Q1 2025, the metric has rebounded, falling a rounding error short of \$1.1 trillion—the asset class's highest level of uncalled capital ever recorded. Dry powder's share of AUM now sits at 29.8%, another small YoY increase, but remains below the 10-year average of 35.5%. It is worth noting that the AUM and dry powder data have a six-

month lag due to late reporting from GPs and LPs. And as 2025 deal activity reached heights not seen since the 2021 peak, in the coming quarters, it is likely that dry powder will begin to tick down gradually. However, dry powder will remain at historically elevated levels, despite deal activity beginning to far outpace fundraising activity, the two key drivers of dry powder growth.

### Megafunds

Megafunds—funds that raise \$5 billion or more—continue to split the fundraising bill with middle-market managers. In 2025, 13 megafunds held final closes, totaling \$136.7 billion in capital commitments, which represents 49.2% of all capital raised. These inflows were just edged out by middle-market managers, which accounted for 49.8% of all capital raised. In Q4, like Q1 and Q3, three megafunds held final closes. Bain Capital closed its flagship Fund XIV on \$14 billion at the beginning of October. Later in the month, Arcline and Arlington Capital Partners held final closes at \$6 billion each on their fourth and sixth flagship funds, respectively. They raised \$26 billion across all three funds, representing nearly 10% of all PE capital raised in the year.

A healthy list of megafunds remains open and raising, with a few expected to achieve final closes as early as the beginning of 2026. Headlining the list of funds narrowing in on their respective fund targets includes KKR's North America XIV, which has raised \$17.5 billion of its \$20 billion target. Moreover,

Advent International has raised \$20 billion of its \$26 billion target for its 11th flagship buyout fund. However, while the list remains healthy, megafund managers, too, have been prone to the more challenging fundraising environment, which has resulted in five of the 10 largest open funds by fund target that have been in the market for two or more years. Despite the

more challenging conditions, there is potential for additional megafund managers to enter the market in 2026, looking to raise their latest vintage, including Apollo and Carlyle, among others. However, this will likely depend on the pace of deployment within their most recent vehicles.

### Notable open PE megafunds

Fund	Fund type	Open date	Fund target (\$M)	Raised amount (\$M)
Advent International GPE XI	Buyout	January 1, 2025	\$26,000.0	\$20,000.0
KKR North America Fund XIV	Buyout	June 24, 2024	\$20,000.0	\$17,466.0
Clearlake Capital Partners VIII	Buyout	June 20, 2023	\$15,000.0	\$13,000.0
TPG Partners X	Buyout	January 3, 2025	\$15,000.0	\$9,127.0
Blue Owl GP Stakes VI	PE growth/expansion	June 16, 2023	\$13,000.0	\$8,983.4
TPG Rise Climate II	Buyout	December 1, 2023	\$8,000.0	\$6,241.6
General Atlantic Investment Partners 2025	PE growth/expansion	June 12, 2024	\$8,000.0	\$2,687.7
Blackstone Growth II	PE growth/expansion	May 5, 2022	\$7,000.0	\$4,452.4
Thomas H. Lee Equity Fund X	Buyout	August 19, 2024	\$6,250.0	\$4,966.4
Providence Equity Partners IX	Buyout	November 23, 2021	\$6,000.0	\$3,208.0

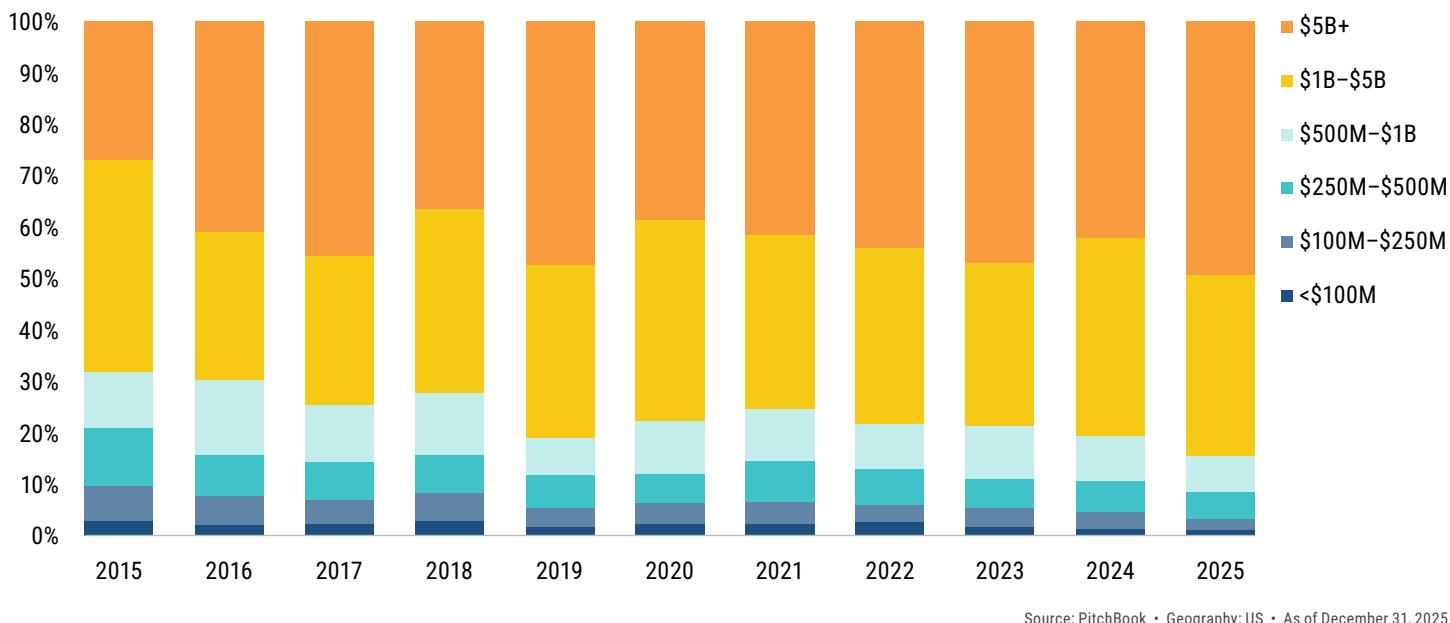
Source: PitchBook • Geography: US • As of December 31, 2025

### Notable closed PE funds YTD

Fund	Fund type	Close date (2025)	Fund target (\$M)	Raised amount (\$M)
Thoma Bravo Fund XVI	Buyout	June 3	\$20,000.0	\$24,300.0
Blackstone Capital Partners IX	Buyout	March 31	\$20,000.0	\$21,703.8
Veritas Capital Fund IX	Buyout	September 10	\$13,000.0	\$14,400.0
Bain Capital Fund XIV	Buyout	October 3	\$10,000.0	\$14,000.0
Trident X Fund	Buyout	July 14	\$9,000.0	\$11,500.0
Thoma Bravo Discover Fund V	Buyout	June 3	\$7,000.0	\$8,100.0
Great Hill Equity Partners IX	Buyout	September 3	\$5,000.0	\$7,000.0
Atlas Capital Resources V	Restructuring/turnaround	May 5	\$6,450.0	\$6,450.0
Providence Strategic Growth VI	PE growth/expansion	February 12	\$6,500.0	\$6,000.0
Arlington Capital Partners VII	Buyout	October 30	\$4,750.0	\$6,000.0

Source: PitchBook • Geography: US • As of December 31, 2025

## Share of PE capital raised by size bucket



Source: PitchBook • Geography: US • As of December 31, 2025

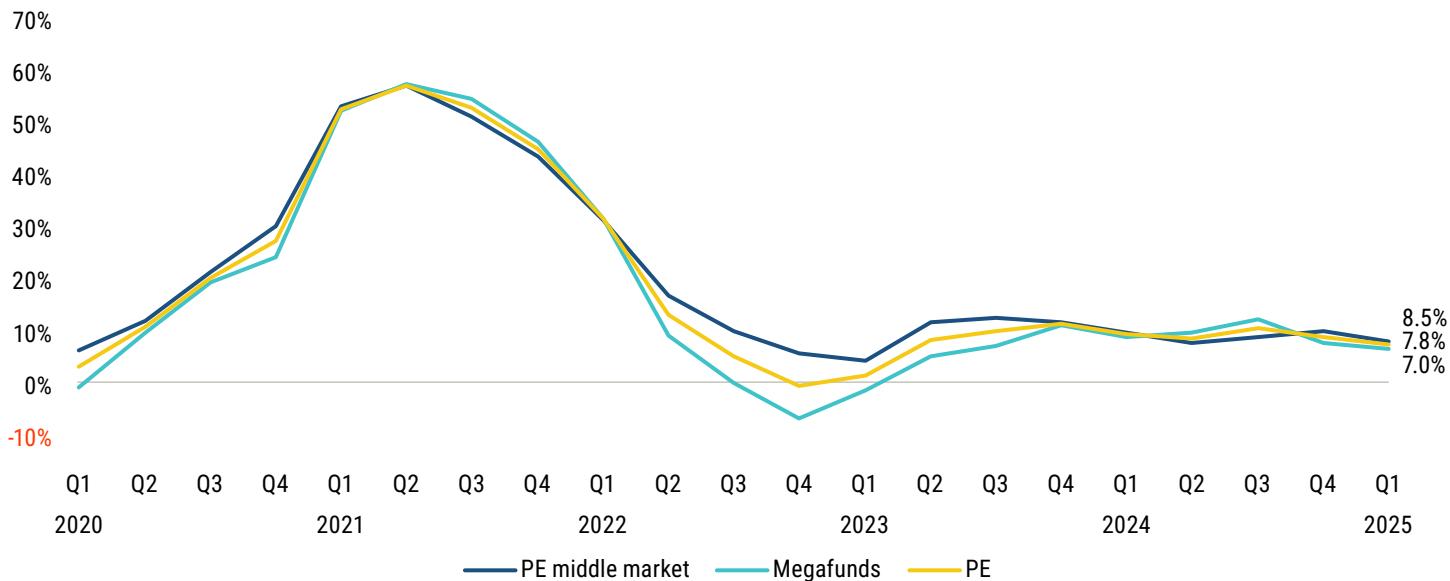
## Middle-market funds

Like the broader market, middle-market funds are experiencing a slowdown in fundraising levels from the vigorous pace seen in recent years. Middle-market funds are those that raise between \$100 million and \$5 billion. In 2025, middle-market managers held final closes on 153 funds worth \$138.3 billion. In turn, capital raised by middle-market managers represents 49.8% of all capital raised in 2025, below the five-year median of 55.2% of all capital raised. Moreover, middle-market fundraising activity has barely surpassed half the fund count or capital raised in 2024, which has positioned 2025 as the worst year of capital formation for middle-market managers

since before the pandemic. This shift is even more striking given that middle-market firms are coming off their four strongest fundraising years on record. The factors, including higher interest rates—which forced many sponsors down market and supported robust middle-market fundraises—have now dissipated, making fundraising more challenging for middle-market managers. As conditions continue to improve and many sponsors move back up market, paired with the need to see sustained exit activity to support future middle-market fund allocations, the near-term backdrop for these managers will likely remain more challenging but could improve throughout 2026.

# Performance

## Quarterly rolling one-year PE fund performance by size



Source: PitchBook • Geography: US • As of March 31, 2025

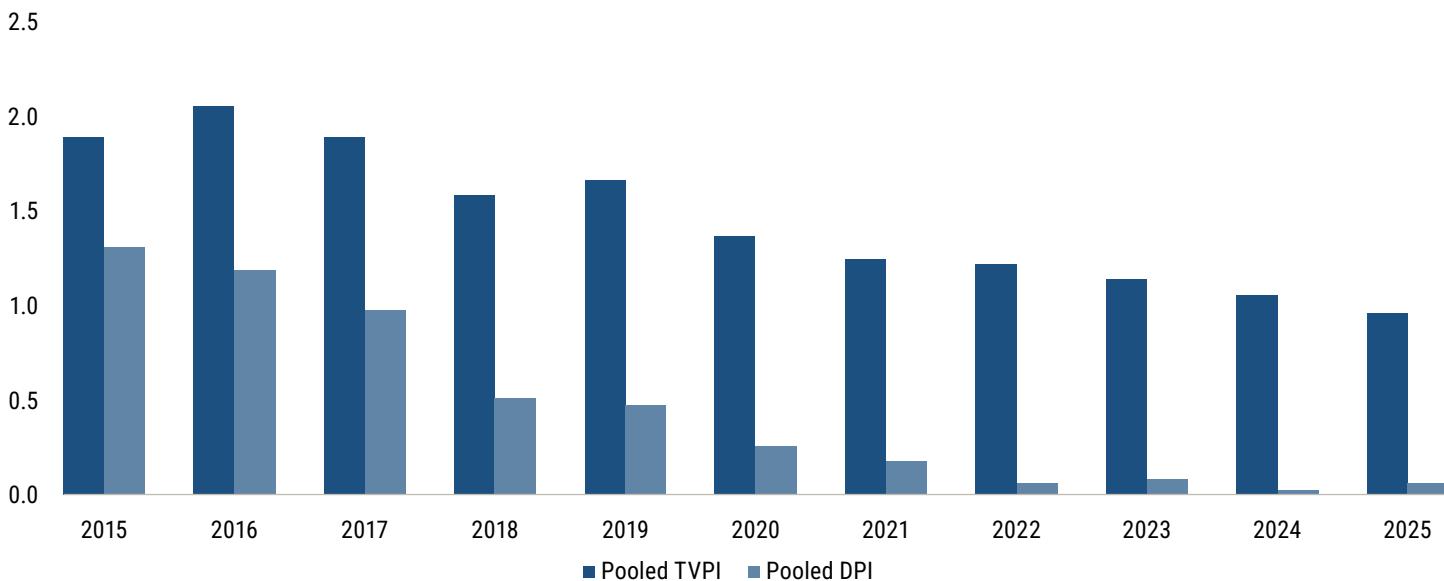
Like the AUM and dry powder data, performance metrics also have a six-month lag due to late reporting from GPs and LPs. There has been volatility seen across the broader PE performance landscape in recent quarters. Periods of double-digit returns have been followed by quarters of more subdued results. When broken down by fund strategy, not all managers remain below double-digit returns. Growth equity (growth/expansion) posted a one-year return of 10% through the end of March 2025. This compares with a median buyout fund performance of 7.1% for the same time period, putting growth equity back in line with what investors expect from PE returns. In contrast, buyout fund performance faltered, falling further from the cusp of double-digit performance.

By size, fund performance goes through similar ebbs and flows, with middle-market managers outperforming megafund managers in one quarter, and the next quarter seeing the reverse. Middle-market managers produced an 8.5% rolling one-year IRR through March 31, 2025, remaining above the 7%

one-year IRRs for megafund managers as well as the asset class as a whole. However, investors in recent years have become accustomed to consistent double-digit returns, and the industry has yet to deliver on that “promise.” However, these middle-market fund returns now outpace those of the S&P 500 and Russell 2000, which posted one-year returns of 8.3% and -4.1%, respectively, for the same time period—a feat not seen by the asset class in several quarters.

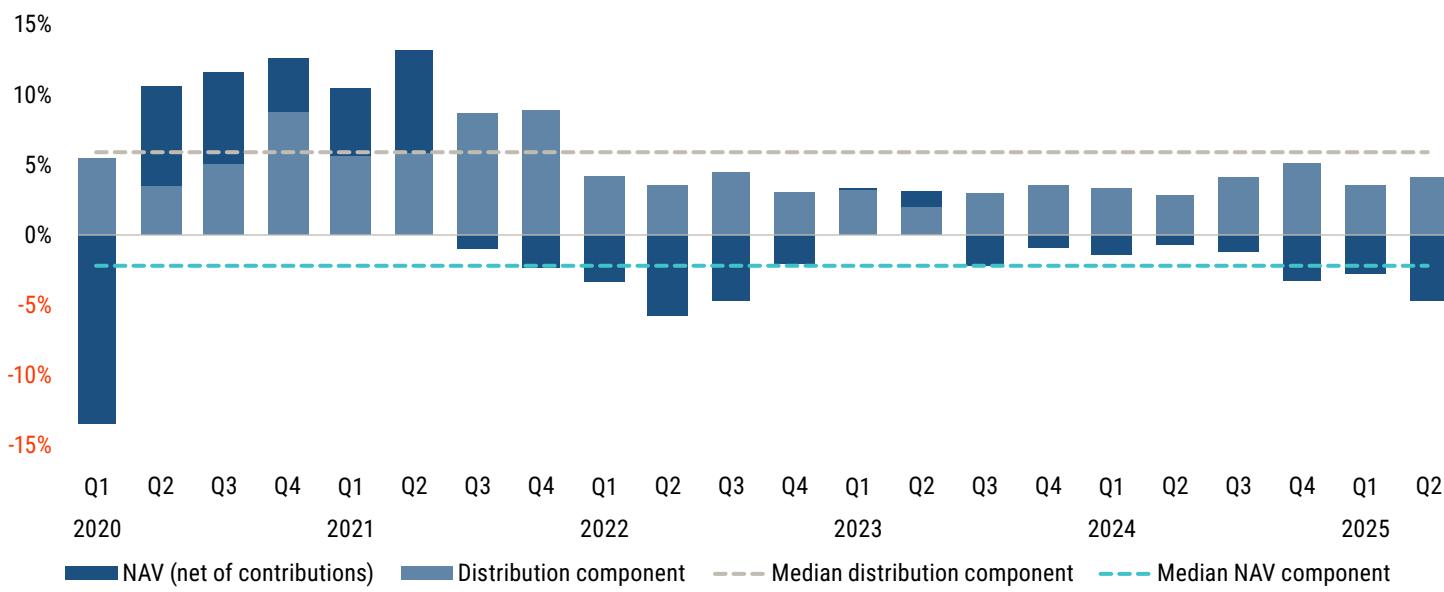
In the quarters ahead, we expect PE fund returns, regardless of fund size or type, to broaden and find solid footing in the double digits. PE dealmaking has been resoundingly strong in 2025, and, more importantly, exit activity has also been robust, which should kick the PE flywheel back into gear for returns and distributions to LPs. The Fed’s third rate cut of the year in December, along with expectations for at least one or two more in 2026, has also provided an additional tailwind for deal and exit activity and set the stage for improved PE returns going forward.

### TVPI and DPI capital returns by fund vintage



Source: PitchBook • Geography: US • As of March 31, 2025

### PitchBook Private Equity Index quarterly returns by source



Source: PitchBook • Geography: US • As of March 31, 2025



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