



PRIVATE EQUITY ADVISORY – 2026 LOOK AHEAD

Private Equity *Market Update*

M&A MARKET PERSPECTIVE:
2026 Outlook: Momentum

DEAL METRICS UPDATE:
Q4 2025 By The Numbers

2026 Outlook: Momentum

Not long ago, we stood on the doorstep of 2025 with optimistic expectations. Deal activity was re-emerging, exits were showing early signs of life, and easing inflation and rate pressures suggested a long-awaited M&A resurgence. By midyear, however, the narrative had shifted. Policy uncertainty, stalled exits, and fragile investor confidence slowed momentum. All the right ingredients were present, but uncertainty proved paralyzing and reshaped the story.

As we reflect on 2025, however, the ending reads much closer to the story many had hoped for. Deal activity finished strong, exit trajectories improved, and private equity once again demonstrated its ability to navigate ambiguity. ***The takeaway from 2025 is not that uncertainty disappeared, but that sponsors learned how to move forward despite it. That lesson shapes our predictions for 2026.***

HOW DEALS GET DONE IN 2026

Deal activity entering 2026 is not being driven by a single catalyst, it's being carried forward by momentum and a set of steady tailwinds. Rate cuts have eased financing pressure, bid-ask spreads have narrowed, and investor confidence has improved. At the same time, record levels of dry powder remain available for deployment, even as fundraising commitments have declined in recent years. But even with a positive backdrop, confidence entering 2026 remains measured as macroeconomic and geopolitical uncertainty persist.

In 2025, sponsors relied heavily on continuation funds, add-ons, and secondary solutions to keep capital moving amid constrained exit conditions. In 2026, we expect that mix to shift. As traditional exit paths reopen and pricing confidence improves, continuation fund usage should level off from 2025's record highs, reserved for assets with additional value creation potential late in the fund life.

Over the past several years, add-ons offered sponsors a lower-risk way to deploy capital, leveraging existing credit facilities and focusing on incremental value creation, while waiting for a healthier exit environment. Heading into 2026, the trade-off between risk and opportunity looks different.

With improved risk appetite, lower interest rates, and tighter loan spreads, financing larger, standalone transactions is becoming more accessible. As a biproduct, add-ons, while still a core investment tool, are likely to represent a smaller share of total deal activity as platform LBOs regain momentum. That said, make no mistake, the small initial platform, buy-and-build strategy will remain a core thesis for middle-market sponsors.

We also anticipate a re-engagement of strategic buyers. As corporate balance sheets strengthen, tariff challenges resolve, and management teams refocus on long-term growth initiatives, strategics are expected to be a prominent and preferred exit path for sponsors in 2026. This is expected to be most evident in the middle market, where assets are more digestible, integration risk is lower, and valuation expectations have reset.

Sponsor-to-sponsor deals – often involving larger, more mature assets – are also expected to regain prominence in 2026 as pricing expectations realign and buyers gain clearer visibility into future value creation. With a sizeable inventory of PE-owned companies and improved access to financing, these deals provide a pragmatic path to liquidity while allowing assets to continue scaling, even in the absence

CONTINUED ON NEXT PAGE

2026 Outlook: Momentum

(CONTINUED)

of a fully normalized exit environment. The result is a deal environment in which transaction structure is increasingly driven by sponsor strategy rather than constrained by market conditions.

INTEREST RATES EASE, BUT CREDIT LEVERAGE HASN'T FOLLOWED

While interest rates have eased, leverage has not returned to prior-cycle peaks. Debt multiples in new LBOs remain below 2022 levels, requiring sponsors to commit more equity and place greater emphasis on operational execution rather than financial engineering. For the middle market, this remains a relative advantage. Smaller deal sizes and simpler capital structures allow platform activity to increase without signaling a return to leverage-heavy dealmaking, reinforcing a healthier and more sustainable deal environment in 2026. As we noted above, the small-platform buy-and-build thesis isn't going away anytime soon.

A TWO-SPEED EXIT MARKET TAKES SHAPE

One dynamic emerging from late-2025 data is a growing divergence in how sponsors manage exits across their portfolios. Historically, early exits were often associated with distressed or underperforming assets. Today, the opposite is increasingly true. As sponsors move deeper into post-2020 vintages, many are accelerating exits of their highest-quality assets earlier in the hold period to generate liquidity, demonstrate realizations, and support upcoming fundraising efforts.

At the same time, older and more challenged assets are proving harder to exit and are being held longer, extending portfolio-level fund life even as median exit hold periods compress. Extended holding periods are weighing on returns by depressing IRRs, delaying distributions to LPs, and increasing operational strain on sponsors, with the weakest portfolios at risk of becoming long-lived "zombie" funds. The result is a two-speed market: select assets are moving faster, while much of the backlog remains parked.

This dynamic helps explain why exit activity can improve without immediately relieving the industry's growing backlog of aging assets.

FUNDRAISING: A LONGER ROAD BACK

Looking into 2026, fundraising is likely to remain uneven. While deal activity and exits are improving, distributions to LPs will take longer to meaningfully replenish available capital. As a result, investors are expected to remain selective, continuing to concentrate on commitments with larger, established managers that offer perceived stability, scale, and consistent execution. This dynamic favors incumbents in the near term and reinforces the reality that fundraising recovery will lag operational and transactional momentum, much as it did coming out of prior cycles.

LOOKING AHEAD

If 2025 proved anything, it's that the middle market knows how to adapt. Should 2026 deliver improving conditions, we expect increased exit activity, more platform deals, a normalization in median fund life, and continued momentum in dealmaking. If it doesn't, sponsors will again adjust, leaning more into add-ons, selective exits, and flexible capital solutions until confidence is restored and traditional paths reopen.



 DEAL ADVISORY
NATIONAL LEADER

Mark Coleman

PRIVATE EQUITY ADVISORY



 NATIONAL LEADER

Seth Goldblum

CBIZ ADVISORY SERVICES
PRIVATE EQUITY INDUSTRY

This material is provided for general informational purposes only and should not be relied upon as accounting, tax, legal, or other professional advice. The views expressed reflect general opinions regarding current market conditions and are subject to change. Information has been sourced from, or informed by, third-party publications including PitchBook and the Financial Times. Please refer to your advisors for specific advice.

Trending Steady, Finishing Strong

Second only to the peaks of 2021, 2025 finished at a record-setting level, with deal value topping \$1 trillion and activity exceeding 9,000 deals. These results squash any lingering discomfort felt from the midyear slowdown. ***Q3 was the standout quarter, but Q4 helped finish the year strong as market tailwinds and the “risk on” mindset carried momentum through year-end.***

More than 2,000 deals closed in Q4 2025, down nearly 14% from Q3, but bringing full-year 2025 deal activity to roughly 6% above 2024 levels. Deal value followed a similar pattern – down 14% QoQ but more than 36% higher than 2024. A comparison between the 2021 peak and 2025 results highlights the current market dynamic: while total deal value in 2025 rivaled 2021 levels, it did so with roughly 1,000 fewer transactions. The widening gap between value and volume underscores that the 2025 recovery was driven more by larger deal sizes than by broad-based transaction growth.

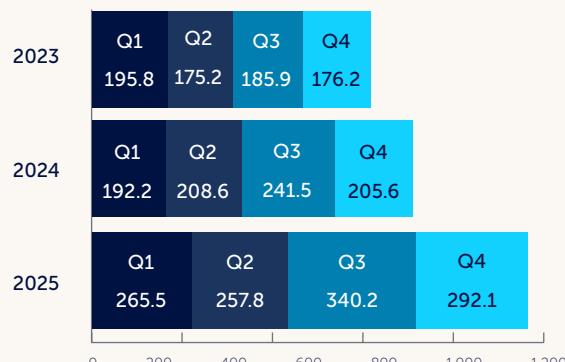
Add-on activity accounted for nearly 73% of all PE buyouts in 2025, flat YoY and in line with the five-year average. Add-ons remained the primary mechanism for keeping capital deployed while platform LBO activity stayed subdued. As market conditions continue to improve, however, and financing becomes more supportive of larger transactions, the relative share of add-on activity is likely to decline as platform deals regain momentum.

Credit market activity cooled from Q3 levels, which had been elevated by record repricing and refinancing volumes. Despite easing rate conditions, lenders remained cautious, keeping leverage in new LBOs constrained throughout 2025, with average debt multiples around 5.0x EBITDA – down from a 5.9x peak in 2022.

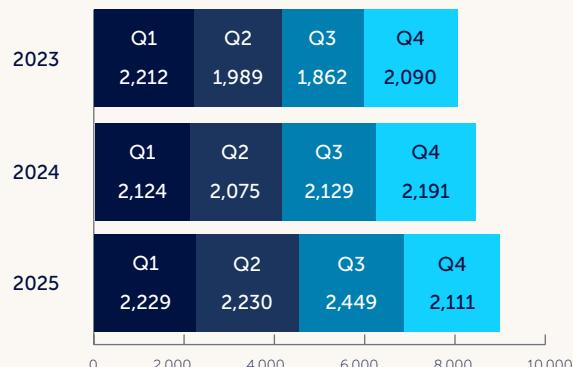
Taken together, 2025's deal activity reflects a market that regained momentum without reverting to excess. Deal value rebounded strongly, transaction volume stabilized, and sponsor engagement remained strong. Heading into 2026, deal activity stands on firmer footing, even as the next phase of normalization will depend on the pace of exits and broader recovery in fundraising.

QUARTERLY PE DEAL ACTIVITY

DEAL VALUE (\$B)



DEAL COUNT (#)



QUARTERLY PE ADD-ON ACTIVITY

% OF DEAL COUNT



Source: Pitchbook Data, Inc, US PE Breakdown

Exit Activity Is Improving – but More is Needed

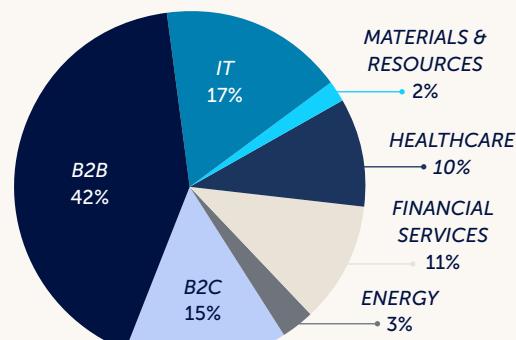
Exit activity in 2025 increased YoY and continued to trend toward recovery. While exit counts declined nearly 8% QoQ, they finished the year up 17%. Exit value rose sharply – nearly doubling from Q3 2025 and increasing roughly 90% YoY. These results underscore the outsized role of mega-exits, which accounted for 78% of 2025 exit value, well above the five-year average of 57%. ***While the bottleneck on exits has eased and momentum is expected to carry into 2026 alongside improving sentiment and IPO conditions, current activity remains insufficient to signal a broadly healthy exit environment across the entire PE industry.***

That constraint is reinforced by continued growth of US private equity inventory, which now exceeds 13,000 companies – up from almost 12,000 at the end of 2024 – and equating to roughly 8.1 years of backlog at the current pace of exits. Median hold periods for US PE-backed companies were flat QoQ at six years – down from 6.4 in 2024. For assets still held by GPs, median hold times climbed to a record four years, up from 3.4 years in 2024.

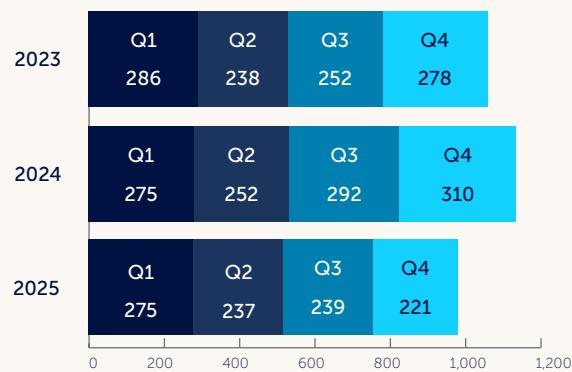
Fundraising in Q4 was defined by continued capital concentration among the largest managers. After multiple quarters of constrained cash flow and limited distributions, LPs have prioritized commitments to the top 10 funds, favoring managers with established track records, differentiated strategies and consistent execution. Even with the success of these core funds, overall fundraising finished 2025 lower YoY in both final close count and aggregate capital raised, adjusting for reporting lags.

Taken together, fundraising remains the most constrained part of the system. Exits are improving, albeit unevenly, and yet, deal activity continues to move forward despite imperfect conditions.

QUARTERLY PE DEALS BY SECTOR (#)

QUARTERLY PE MIDDLE MARKET ACTIVITY
MIDDLE MARKET FUNDRAISING (\$B)

MIDDLE MARKET EXITS (#)



Source: Pitchbook Data, Inc, US PE Breakdown



Private Equity Advisory ***Solutions***

Deal Advisory

- Transaction Due Diligence
- Tax Due Diligence
- Tax Planning & Structuring
- Merger Integration
- Preparation for Exit



Mark Coleman

DEAL ADVISORY
MARK.COLEMAN@CBIZ.COM

Performance Enhancement

- FORWARD™ Program for Post-Transaction Finance
- Accounting & Finance Optimization
- Transaction Accounting & Valuation Services
- Budgeting & Strategic Planning
- Financial, Operational & Cash Forecasting
- Performance Reporting & BI Solutions
- Profitability Improvement
- Executive Search
- Interim Talent



Clare Yuritch

PERFORMANCE ENHANCEMENT
CYURITCH@CBIZ.COM



Kyle Ludwig

PERFORMANCE ENHANCEMENT
KLUDWIG@CBIZ.COM



Dave Enick

DENICK@CBIZ.COM



Tim Vieira

TVIEIRA@CBIZ.COM

PRIVATE EQUITY
ADVISORY
BY THE NUMBERS

400+

Private Equity Clients

2,500+

Portfolio Companies Served

130+

Professionals