PRIVATE EQUITY ADVISORY – 2026 Q2

Private Equity *Market Update*

M&A MARKET PERSPECTIVE:
Waiting for the Exit

DEAL METRICS UPDATE:
Q2 2026 By The Numbers

EST. DEALS CLOSED (#): 2,384 (QoQ ↘ 1%) | EST. DEALS CLOSED VALUE: $177.3B (QoQ ↘ 38%) | PE FUNDRAISING: $105.4B (TTM ↗ 5%)

CBIZ

Waiting for the Exit

Results from another quarter offer little to suggest the market has broken from recent patterns. Private equity remains active and adaptable, particularly in the middle market, but sponsors continue to navigate factors largely outside their control: ***the Fed's path on rate cuts, geopolitical conflict, energy prices, public market volatility, and the pace at which AI reshapes business models and buyer confidence.***

The inventory problem continues to compound. U.S. private equity inventory stood at almost 12,000 companies at the end of 2024, exceeded 13,000 by the end of 2025, reached 13,325 in Q1 2026, and climbed again to more than 13,500 companies in Q2. The market continues to move, but not fast enough to shrink the backlog. Nearly one-third of current PE inventory is more than six years old, while another third sits within the three-to-five-year investment window. The current expectation is that it will take about nine years to clear this logjam at the current pace.

By now, the narrative is familiar. We have been talking about the exit logjam for several quarters, and the hoped-for broad acceleration in exits has continued to fade against uneven deal value, bid-ask spreads, and limited distributions. If the backlog is not going to clear as quickly as it was built, the more useful question is no longer when the market will reopen. It is how the best funds are designing investments today to exit well later – and avoid recreating the same pressure in the next cycle.

THE BACKLOG NEEDS MORE THAN TIME

Today's backlog was built in a very different market. The surge in 2021 deal activity, supported by cheap debt, strong public markets, and aggressive growth assumptions, created a wave of investments underwritten for conditions that no longer exist. Since then, higher rates, macro volatility, and more risk-averse buyers have slowed the exit market before many of those vintages could reach a clean realization window. Unlike prior dislocations, such as the global financial crisis, the market has not experienced the kind of broad reset that forces pricing expectations to recalibrate all at once. Public markets have remained relatively resilient, many portfolio companies continue to perform, and sponsors have had enough liquidity tools to avoid immediate pressure. That has helped prevent a sharper break in valuations, but it has also delayed the kind of repricing needed to bring buyers and sellers back into alignment.

That tension has created a two-speed exit market. The assets most likely to trade are often not the oldest assets in the backlog, but the highest-quality businesses with cleaner growth stories and fewer underwriting questions. Those exits can help sponsors generate distributions, demonstrate realized outcomes, and support future fundraising, but they do not necessarily relieve the deeper backlog of older or more challenged assets that remain parked in inventory.

Continuation vehicles and GP-led secondaries have provided an important release valve, with continuation fund-related exits growing from just over 40 in 2021 to almost 160 in 2025. However, these tools are not a full substitute for traditional exits. They can return capital to certain investors, extend ownership for assets with remaining upside, and reduce near-term liquidity pressure. But these exit avenues do not meaningfully reduce portfolio company inventory, demonstrate pricing through a broader buyer universe, or restart the fundraising flywheel. And because secondary capital remains much smaller than the broader private equity market, relying on these structures as the primary exit path is likely unsustainable.

BUILDING EXIT READINESS EARLY

Unlike prior cycles, a broader exit recovery is unlikely to be solved by timing alone. The more durable lesson from today's backlog is that sponsors need to approach current and future investments with more flexibility built in from the start. They cannot control factors such as rates, geopolitical shocks, or

CONTINUED ON NEXT PAGE

Waiting for the Exit

(CONTINUED)

the next major industry disruptor. But they can control how they finance deals, how quickly they de-risk, how they build operational resilience, and how early they define credible paths to liquidity.

For middle market sponsors, this creates an opportunity to be more intentional during the hold period. Smaller companies are often more actionable: operational changes can move the needle faster, add-ons can reshape scale and market position, and the buyer universe can be developed well before a formal sale process begins. Exit readiness becomes less about waiting for multiple expansion and more about creating evidence – not just growth – around margin durability, revenue quality, and resilience through whatever market or industry disruption comes next.

The key shift is mindset. Strong sponsors will use the early years of ownership to reduce the amount of risk left for the final sale process, whether through operational improvements, debt paydown, partial liquidity, or a deeper history of proof points buyers can underwrite.

LOOKING AHEAD

Buying well and building well are only as strong as the exit strategy that supports them. The funds best positioned for the next cycle will be those that keep the end in mind from the start. The exit logjam may eventually loosen, but it is unlikely to clear all at once or on the timeline sponsors prefer. In this environment, exiting well should begin long before the sale process.

DEAL ADVISORY NATIONAL LEADER

Mark **Coleman**

PRIVATE EQUITY ADVISORY

NATIONAL LEADER

Seth **Goldblum**

CBIZ ADVISORY SERVICES
PRIVATE EQUITY INDUSTRY

CBIZ

Deal Value is down, but Software is Out

Q2 2026 was not a new story so much as an exaggerated version of Q1, with the same risk factors showing up more decisively across deal size, sector preference and buyer conviction. Deal volume held steady, with roughly 2,400 transactions, including estimates – down just 1% from Q1 and up 12% YoY. But deal value fell hard, dropping 38% QoQ to $177B and 24% YoY. ***These results double down on the 'risk-off' status as sponsors stopped stretching for the larger, financing-dependent transactions that carried momentum through late 2025 and Q1, but which also carry more risk and uncertainty against the current market backdrop.***

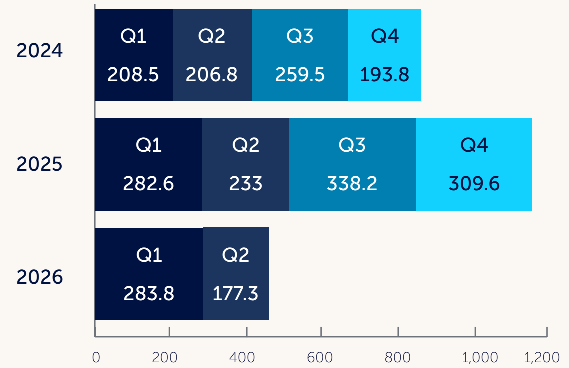
The middle market continues to be the arena where investors go to play when market risks balloon – smaller assets, clearer underwriting, more manageable financing needs, and less potential disruption from macro-market conditions. Add-ons accounted for approximately three-quarters of PE buyouts, emphasizing the upward trend in add-ons after adjustments to previous quarter estimates. The countertrend is the sharp pullback in platform activity and take-privates, both signs of the risk repricing at play.

While the graphical data trends tell one story, the underlying industry data highlights another headline. Last quarter the "SaaS-pocalypse" debuted on the heels of concerns that the software model was dead. Some argued the concern was surface-level. But be it fear or fact, investment activity in Q2 sent a clear message that SaaS is damaged goods, as buyers not only question the durability of software revenue models but scrutinize capital structures built during years of delayed exits and rising leverage. The result: software deal value is down almost 66% YoY and 90% from its high just three quarters ago. AI is the other side of that coin, redirecting sponsor interest toward the infrastructure demands and potential behind AI and datacenter growth.

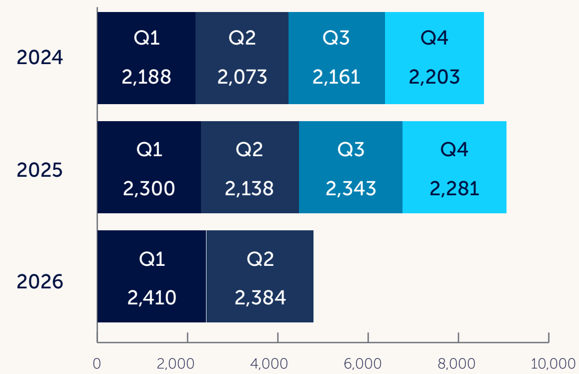
Q2 was not just about deploying less dry powder. It emphasized sponsor selectivity by sector, by deal type and by the growth assumptions they are willing to bet on.

QUARTERLY PE DEAL ACTIVITY

DEAL VALUE ($B)

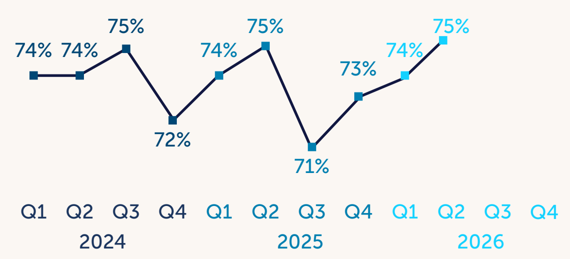


DEAL COUNT (#)



QUARTERLY PE ADD-ON ACTIVITY

% OF DEAL COUNT



Source: Pitchbook Data, Inc, US PE Breakdown

Premium Assets Move; the Backlog Does Not

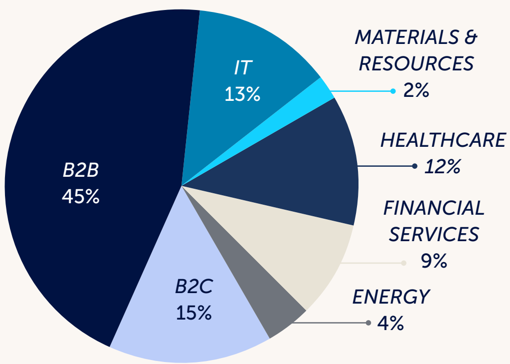
The Q2 exit story followed the same pattern as deal activity: Q1 pressure points persisted. Exit value fell to approximately $103B, down 46% from Q1 and 7% YoY, while exit count declined to roughly 350, down 14% QoQ but up more than 5% YoY. Activity remained heavily dependent on premium mega-exits, which represented more than 60% of Q2 exit value, a similar ratio to Q1. ***As a result, headline stats looked better than the underlying market felt, while doing little to clear the broader backlog.***

Q2 also saw the public market window crack open slightly – IPO value improved and listing count doubled to 12, the highest quarterly activity since 2022, though still narrow and largely reserved for scaled, premium assets. Corporate acquisitions and sponsor-to-sponsor exits moved sharply in the opposite direction, down 63% and 57% in QoQ value, respectively. Continuation fund activity remained healthy but is trending below FY25 highs, suggesting sponsors may be more willing to wait for traditional exits than accept secondary-market discounts. The exit market continues to function for premium assets, while the rest of the inventory waits for something to give in the bid-ask spread.

Q2 2026 fundraising looked better on the surface, but the improvement was deceiving. Capital raised increased meaningfully from Q1 and trailing 12-month fundraising improved, yet the rebound was driven by a handful of large fund closes. With buyout distribution rates roughly 15% below the 25-year average, LPs have less recycled capital to redeploy and continue to concentrate commitments with larger, established managers.

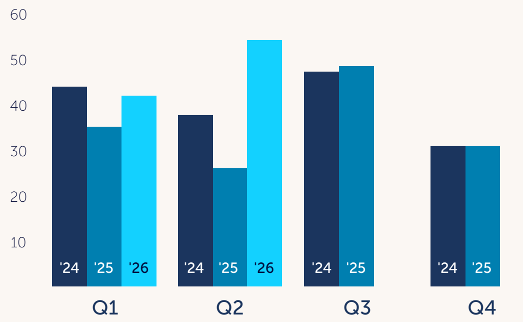
Until repricing frees up pent-up inventory and allows exits to clear, fundraising will remain concentrated, deployment selective and activity confined to the assets, sectors and structures investors still trust.

QUARTERLY PE DEALS BY SECTOR (#)

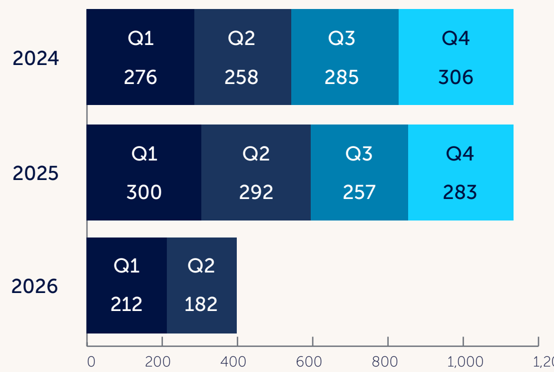


QUARTERLY PE MIDDLE MARKET ACTIVITY

MIDDLE MARKET FUNDRAISING ($B)



MIDDLE MARKET EXITS (#)



Source: Pitchbook Data, Inc, US PE Breakdown

CBIZ

Private Equity Advisory ***Solutions***

Deal Advisory

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

NATIONAL LEADER

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

NATIONAL CO-LEADER

Clare **Yuritch**

PERFORMANCE ENHANCEMENT
CYURITCH@CBIZ.COM

NATIONAL CO-LEADER

Kyle **Ludwig**

PERFORMANCE ENHANCEMENT
KLUDWIG@CBIZ.COM

NATIONAL LEADER, PRIVATE EQUITY ADVISORY

Dave **Enick**

DENICK@CBIZ.COM

PRIVATE EQUITY ADVISORY SPONSOR COVERAGE

Chris **Connolly**

CCONNOLLY@CBIZ.COM

PRIVATE EQUITY INDUSTRY SPONSOR COVERAGE

Tim **Vieira**

TVIEIRA@CBIZ.COM

PRIVATE EQUITY ADVISORY BY THE NUMBERS

400+
Private Equity Clients

2,500+
Portfolio Companies Served

130+
Professionals