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AXIA

PRIVATE EQUITY NEWSLETTER

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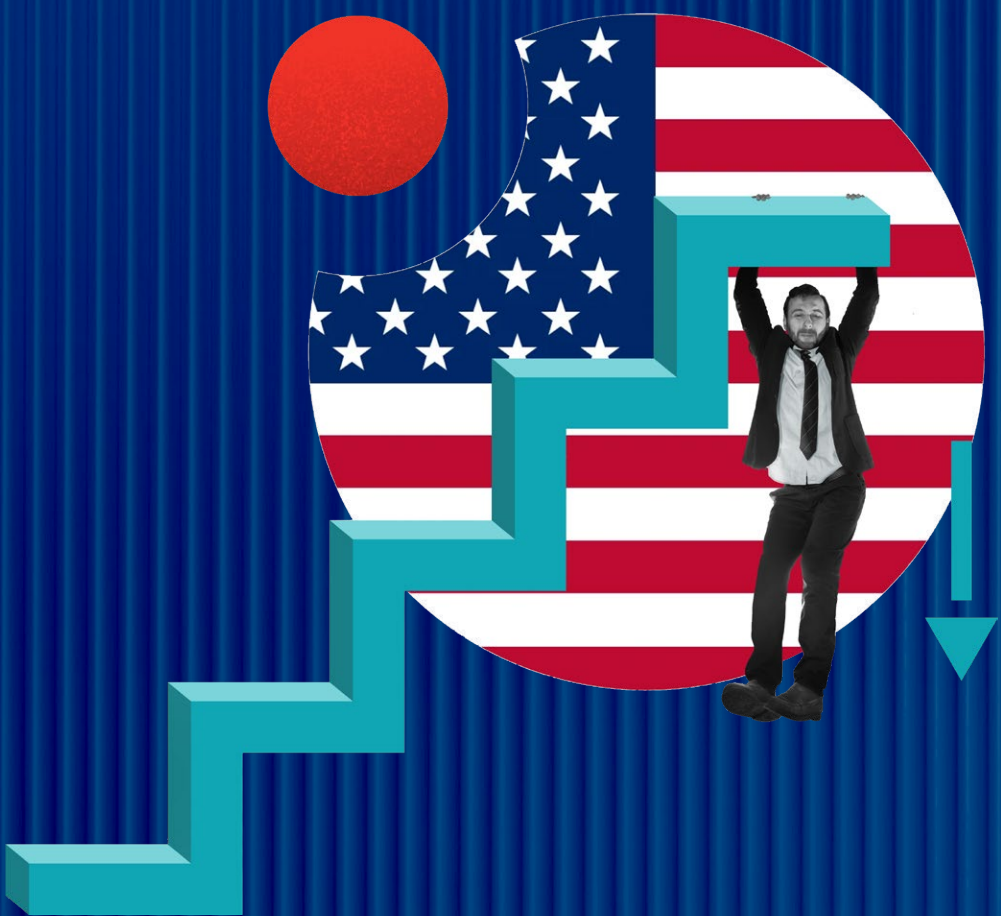
2Q25 US PRIVATE EQUITY

Slower Exits and Cautious Fundraising Redefine PE Momentum



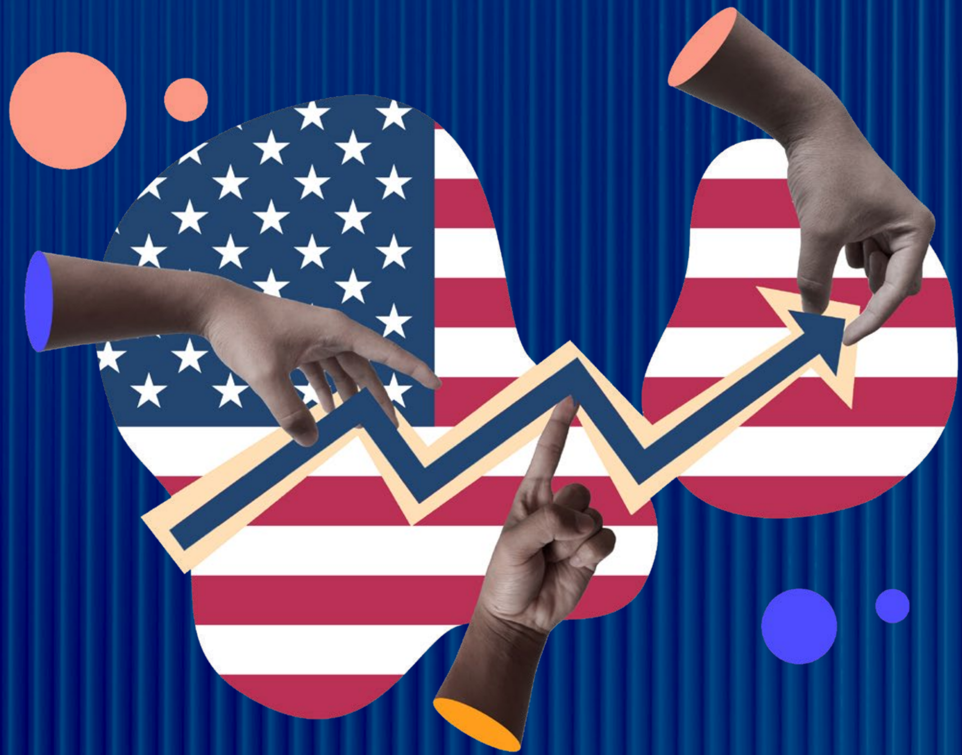
Contents

SG Analytics' premier private equity monthly newsletter and your window to the latest trends, deals, and strategies reshaping the industry.

Each edition of Axia will bring you an exclusive feature article and topical news developments with our experts dissecting critical topics, offering insights and commentary that go beyond the headlines.

Fundraising Challenges | Expected Dealmaking Revival | IPO Exit Opportunities

Feature Article



US PRIVATE EQUITY 2Q25

Balancing Capital Flows and Exit Challenges

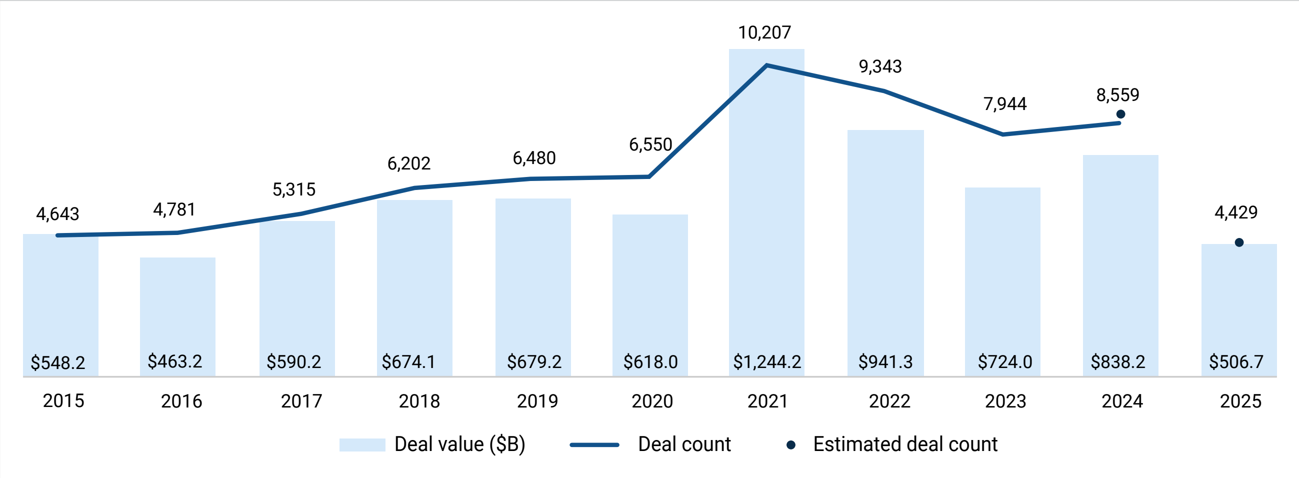
2Q25 highlighted a more selective PE environment, where steady deal flow contrasted with slower exits and cautious fundraising. Sponsors emphasized resilient assets and operational discipline, reflecting a shift toward measured strategies to navigate shifting market dynamics.

Private equity (PE) in mid–2025 is navigating steady deal flow alongside slower exits, cautious fundraising, and shifting market dynamics. The quarter reflects a strategic pivot toward disciplined capital deployment, heightened sector selectivity, and a stronger focus on operational value creation.

In 2Q25, dealmaking remained active, yet the momentum shifted toward measured, data-driven decision-making supported by detailed operational assessments. Sponsors targeted assets with resilient cash flows and defensive growth profiles, reflecting a greater emphasis on risk-adjusted returns. Competitive bidding was tempered, with more transactions progressing through extended diligence phases before reaching agreement and heightened scrutiny on operational performance metrics.

Deal Activity Stabilizes Amid Evolving Market Conditions

Figure 1: US PE Deal Activity



Source: PitchBook, data as of June 30, 2025

PE deal flow in 2Q25 held steady despite mixed macroeconomic signals. The quarter recorded 2,158 transactions worth $227.7 billion, bringing 1H totals to $506.7 billion, a 28.7% increase from last year, as per PitchBook. Much of this growth came from a few megadeals, including TXNM Energy, Skechers, and Moss Adams. In the mid-market, deal structures increasingly incorporated earnouts and performance-based adjustments to align valuation with forward earnings visibility, while sponsors prioritized opportunities with resilient sector fundamentals and clearer financing conditions.

Liquidity Pressures Intensify as Exit Volumes Decline

The exit value in 2Q fell by 46.4% QoQ to $118.5 billion, and the exit count dropped by 24.9% to 314 transactions, the lowest in a year, as per PitchBook. Even without the outsized 1Q IPO of Venture Global LNG, exit activity slowed meaningfully. Sponsor-to-sponsor transactions and corporate acquisitions both saw declines, and IPO volume remained subdued. While 1H exit values surpassed 2024 levels, overall turnover remains significantly below historical norms, highlighting the growing need for innovative liquidity solutions.

Holding periods continued to lengthen, with the median for unexited companies reaching 3.8 years, the highest since 2011. Exited holdings averaged six years, exceeding pre-pandemic norms, as per PitchBook. Moreover, continuation funds served as an important alternative liquidity mechanism, accounting for 41 exits worth $22.1 billion in Q2. Their role as a liquidity bridge is expected to expand, with some sponsors now evaluating them earlier in the holding cycle to optimize exit optionality.

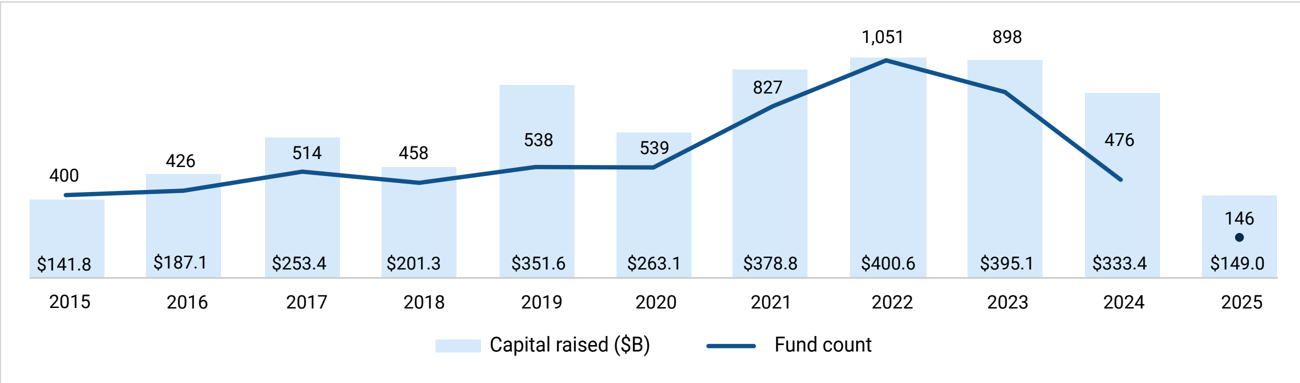
Valuations Stabilize as Credit Risks Re-Emerge

Valuation multiples recovered modestly from 2023 lows, with global M&A EV/EBITDA at 9.3x and US PE buyouts at 12.8x in the trailing twelve months, as per PitchBook. These figures suggest more balanced buyer–seller expectations and steady access to financing, though the narrower spread leaves less margin for error post-acquisition. Debt levels also rose, with broadly syndicated loans (BSL)-funded deals averaging 5.1x debt-to-EBITDA in 2025 YTD compared to 5.2x in 2024. Lenders have broadened their covenant packages, especially for deals in cyclical sectors, to mitigate potential cash flow disruptions.

Fundraising Slows Despite Megafund Closures

Fundraising slowed for the second consecutive quarter, with 146 funds raising $149 billion in H125, as per PitchBook. Thoma Bravo's $32.4 billion dual-fund close drove a significant share of the total, but the middle market struggled to attract commitments, accounting for just 40.2% of the total capital raised compared to a five-year average of 54.9%. Established managers captured the majority of inflows, benefiting from their ability to demonstrate resilient portfolio performance and consistent distributions.

Figure 2: US PE Fundraising Activity



Source: PitchBook, data as of June 30, 2025

Dry powder surpassed $1 trillion for the second consecutive year, yet its share of total assets under management (AUM) fell to a record low of 28.2%, according to PitchBook. This reflects the rising proportion of unrealized net asset value (NAV), driven by both slower exits and continued portfolio expansion. In response, some general partners (GPs) are adjusting fund terms to accommodate longer holding periods and exploring semi-liquid structures to appeal to a broader base of investors.

Technology Surges as B2B Exit Activity Slows

The technology sector was a strong performer in 2Q's exit landscape, achieving its best quarter since 3Q21, as per PitchBook. The sector saw three exits above $5 billion, led by GTCR and FIS's $24.3 billion sale of Worldpay to Global Payments, the fourth-largest PE-backed tech exit on record. Dotmatics and Silvus Technologies also reached valuations of around $5 billion at exit, cementing technology's outsized share of quarterly exit value relative to other sectors.

B2B exits, however, slowed to 126 transactions, representing 36.2% of all Q2 exits, down from 40.4% in 1Q, as per PitchBook. Only one deal exceeded $1 billion: Sterling Group's $1.3 billion sale of Artisan Design Group to Lowe's. Several sponsors in this segment are concentrating on operational realignment, cost optimization, and targeted M&A add-ons to position assets for more favorable market windows.

Conclusion: A Measured Approach

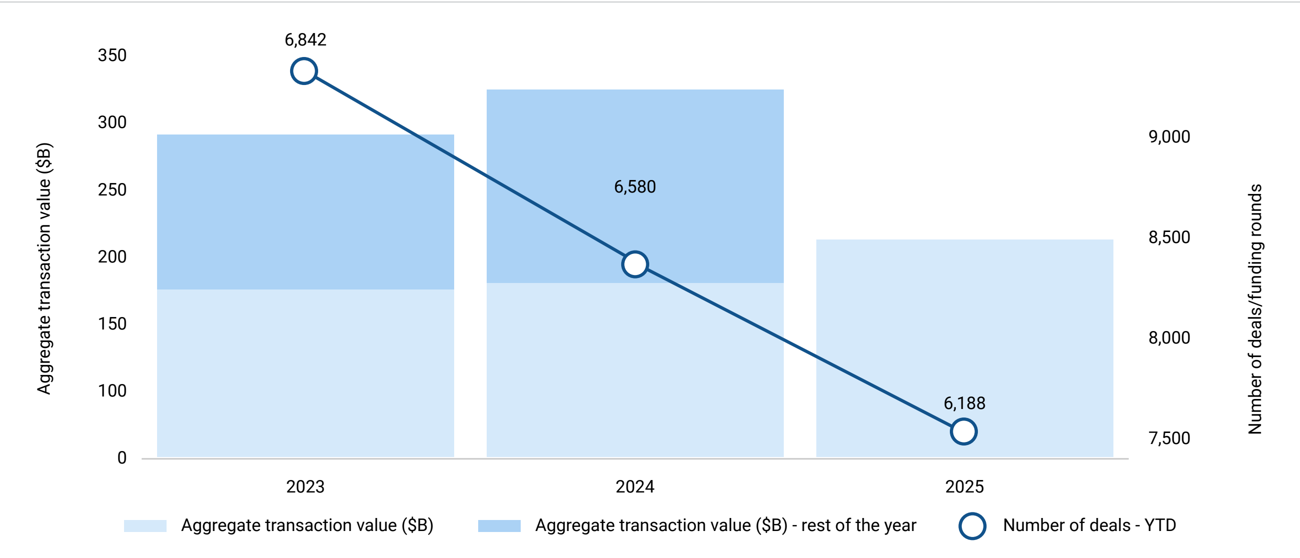
PE in 2Q25 is not in retreat, but it is in recalibration. Deal activity remains supported by resilient sectors such as technology, yet exit channels are narrower, fundraising is consolidating toward incumbents, and valuations are rising alongside credit risk. The second half of the year will test whether the market's selective approach translates into stronger portfolio outcomes. Looking ahead, investors should focus on disciplined underwriting, targeted sector positioning, and proactive liquidity planning to ensure sustainable, long-term performance.

Monthly News and Analysis

Global VC Funding Rises by 25% in 1H25

Global Venture Capital (VC) and PE-backed funding rounds reached $189.93 billion in 1H25, up by 25% from $152.24 billion in 1H24, according to S&P Global. June transactions totaled $25.73 billion, slightly above $23.38 billion in May, continuing the upward momentum.

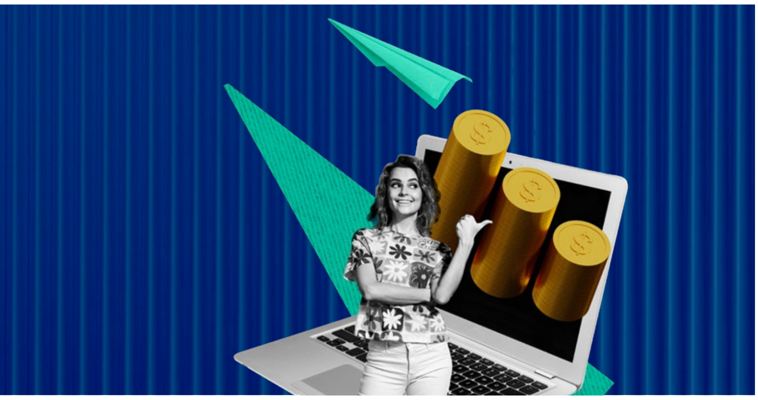
Figure 3: Global PE/VC Investments through Funding Rounds



Source: S&P Global, data as of June 30, 2025

The rebound in VC funding reflects a more constructive deployment environment, with higher round values concentrated in defense technology, software, and industrial innovation. In June, the technology, media, and telecommunications (TMT) sector accounted for 52.7% of global investment activity, raising $13.56 billion across 423 rounds, as per S&P Global. The industrial sector followed with $4.53 billion. Within TMT, the application software segment led with 207 deals, followed by system software with 45. Among the most active firms in 1H, Antler Innovation participated in 210 rounds, totaling $4.1 million. Y Combinator (YC) followed with 128 rounds and $28.6 million, while Andreessen Horowitz was third, backing 85 rounds worth $119.9 million.

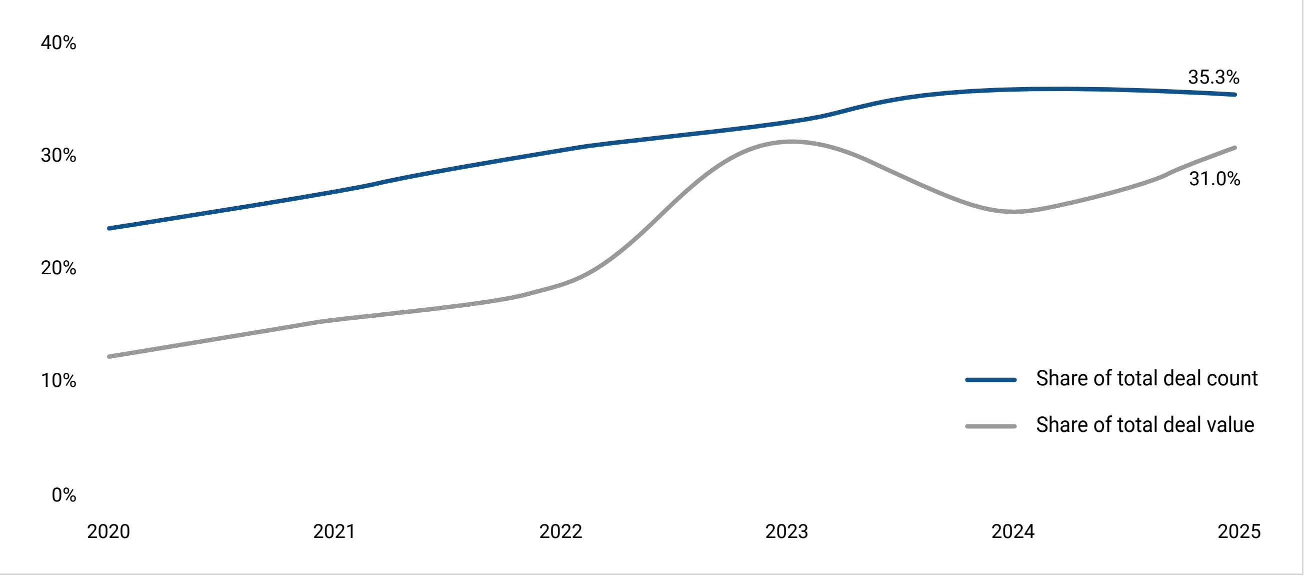
Large-scale defense and artificial intelligence (AI)-focused deals led funding activity in June. Anduril Industries closed the largest round, securing $2.5 billion in a Series G led by Founders Fund. Thinking Machines Lab raised $2 billion from Andreessen Horowitz to scale its AI platform. German defense AI startup Helsing GmbH closed a $695.3 million Series D round led by Prima Materia. While overall TMT deal volume was lower compared to June 2024, the rise in round sizes reflects increasing capital concentration in category-defining companies. As market confidence stabilizes, investors are backing scalable technologies aligned with national infrastructure, automation, and software transformation. Barring late-cycle volatility, VC deal value is on track to outperform 2024 levels, with both strategic and financial investors participating actively across early and growth stages.



Early-Stage M&A Drives VC Exits as Unicorn Valuations Remain Elevated

US startup exits reached $67.7 billion across 394 deals in 2Q25, up from $52.4 billion across 330 transactions in 1Q, as per PitchBook. While IPOs are gradually rebounding, M&A remains the primary exit route, fueled by smaller strategic acquisitions of early-stage startups.

Figure 4: Acquisition Share of Total US VC-Backed Exits



Source: PitchBook, data as of June 30, 2025

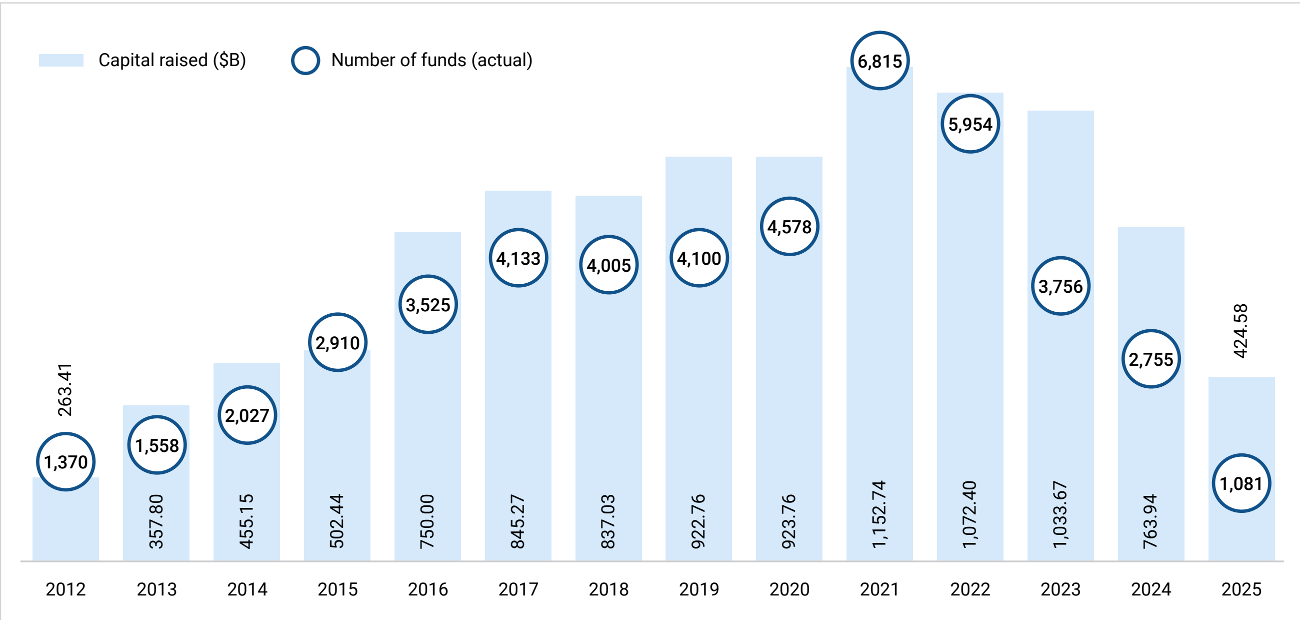
M&A has reclaimed its position as the dominant exit pathway for US venture-backed startups. In the first half of 2025, acquisitions accounted for 35.3% of the total US exit deal count and 31% of the aggregate exit value, as per PitchBook. Despite high-profile exceptions, such as Alphabet's $32 billion acquisition of Wiz and OpenAI's $6.5 billion deal for Jony Ive's AI venture, most transactions have targeted younger, high-growth startups. According to PitchBook, acquisitions of pre-seed, seed, and early-stage companies comprised 63.7% of all acquisitions, a trend expected to persist as buyers seek nimble teams, technical depth, and quicker product integration. Later-stage M&A activity remains constrained by valuation gaps. There are now a record 841 unicorns in the US, with 46 added in the 1H25, making acquisitions of these businesses more capital-intensive, as per PitchBook. Early-stage deals are also subject to less regulatory review, providing strategic buyers with a faster route to innovation.

According to Matt Cooper of New Form Capital, smaller acquisitions typically involve fewer procedural hurdles than large-scale purchases. Recent AI-focused transactions have also leaned toward acqui-hire strategies, enabling technology companies to onboard talent while navigating a more structured compliance environment. Meanwhile, IPOs are recovering slowly, but many listings and late-stage financings continue to take place below previous peak valuations. As noted by PitchBook's Emily Zheng, pandemic-era pricing no longer aligns with current revenue and margin fundamentals, prompting more measured investor expectations.

Global PE Fundraising Rebounds in 1H25

Global PE funds raised $424.58 billion across 1,081 funds in 1H25, exceeding 50% of the $763.94 billion raised in full-year 2024, as per S&P Global. While fundraising trends are improving, continued momentum will depend on broader exit activity and how successfully large funds close in the second half.

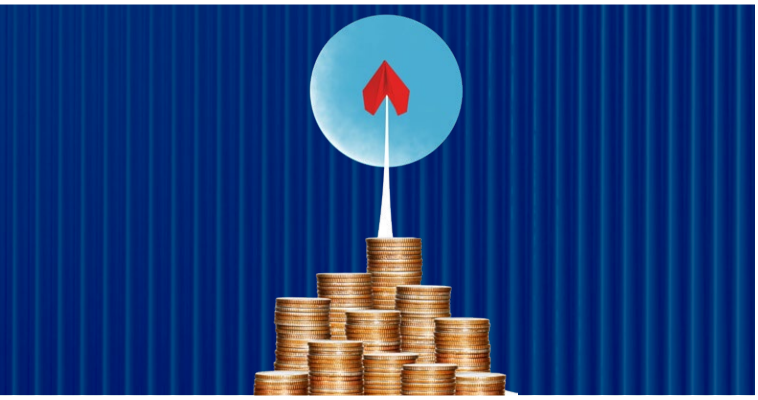
Figure 5: Global PE Funds Fundraising Trend



Source: S&P Global, data as of June 30, 2025

PE fundraising showed strong progress through June, reversing three years of annual declines. Although the number of funds closing is lower, the aggregate capital raised reflects larger average fund sizes. According to S&P Global, only 1,043 funds closed in 1H25, down from 1,325 during the same period in 2024. Monument Group's Janet Brooks noted that second-half momentum will likely depend on stronger exit markets, particularly IPO activity. However, several mega-funds in the market will likely lift full-year totals if they close before the year-end. Ardian closed the largest fund so far, raising $30 billion for Ardian Secondary Fund IX. Thoma Bravo followed with $24.3 billion for its sixteenth flagship vehicle, focused on software and information technology (IT) infrastructure. Insight Partners closed two top funds at $12.5 billion and $11.5 billion, respectively.

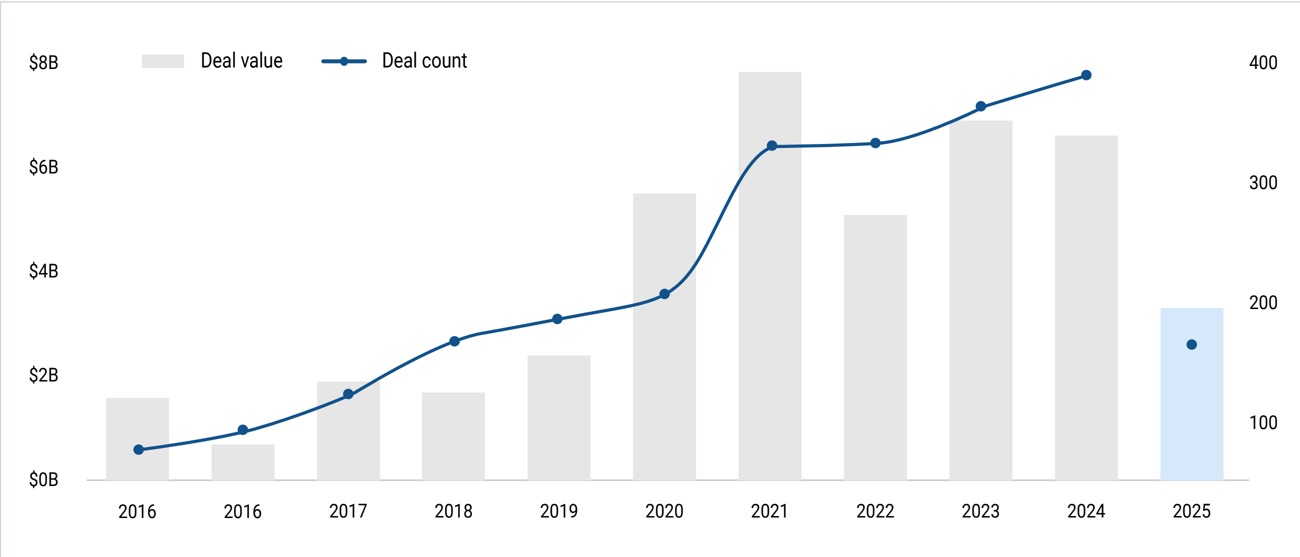
Stone Point Capital contributed to a strong 2H start with an $11.5 billion close for Trident X. A growing share of capital is coming from nontraditional sources. Partners Group noted rising demand for bespoke vehicles, while McKinsey highlighted semi-liquid structures and aggregator channels drawing high-net-worth investors (HNWIs) into private markets. Despite fewer fund launches, investor appetite for private equity exposure remains strong, driven by its long-term performance track record. The trend toward larger fund sizes reflects a more selective fundraising environment, with capital increasingly flowing toward scaled platforms and specialized mandates.



Space-Tech Venture Funding Gains Momentum in 2025

Global VC investment in space-tech startups reached $3.3 billion as of June 24, 2025, setting the year on pace to exceed the 2024 total, as per PitchBook. Although capital deployment is rising, the deal count is expected to decline as funding becomes increasingly concentrated in later-stage companies.

Figure 6: Space Tech Funding over the Years



Source: PitchBook, data as of June 24, 2025

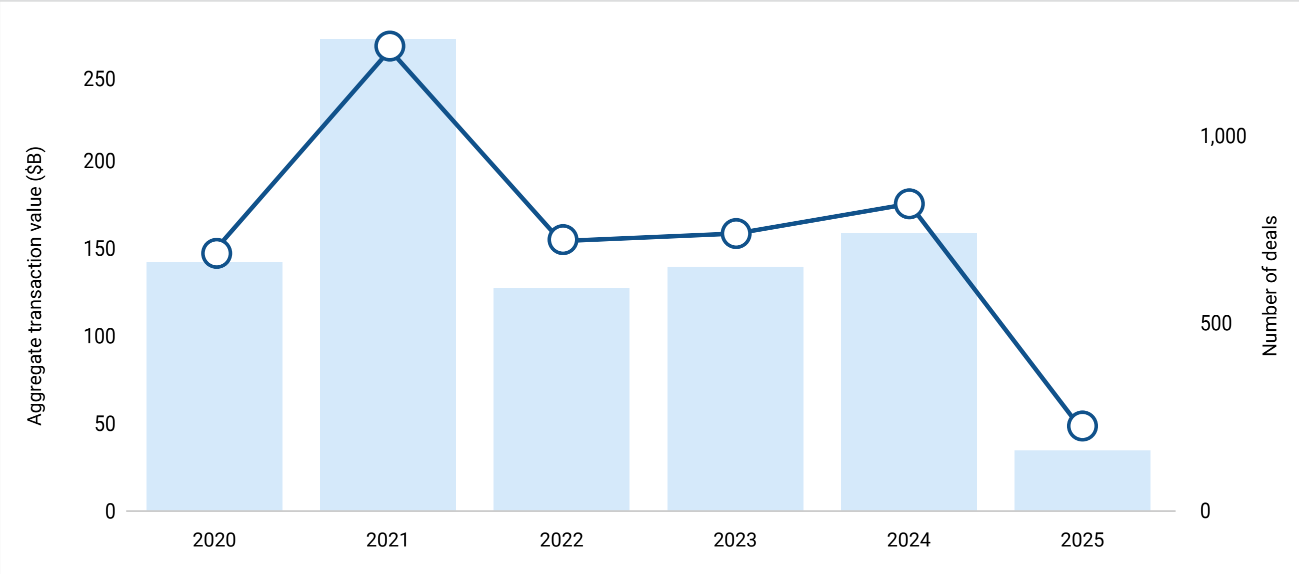
The space-tech sector is moving into a more mature phase, with investors prioritizing proven business models and operational scale. According to PitchBook, late-stage deals now represent 41.3% of total activity, the highest share in a decade, reflecting a retreat from early-stage speculation. Rising focus on national defense and space innovation has drawn stronger institutional and private capital interest. As governments expand investment in space infrastructure, critical systems, and advanced technologies, startups aligned with public-sector use cases are securing substantial funding and long-term strategic partnerships. In April, True Anomaly secured $260 million in a Series C funding round to expand its military-grade orbital systems. In February, K2 Space raised $110 million to advance satellite manufacturing capabilities.

AI is also creating momentum across adjacent verticals, particularly in geospatial intelligence, autonomous systems, and data interpretation. Muon Space launched an AI-powered satellite constellation in March to support wildfire detection, while Planet Labs collaborated with Anthropic to enhance the utility of Earth observation data. Furthermore, public markets are beginning to show signs of recovery. Voyager completed its listing at a $1.9 billion market capitalization, ending its first day up by 82%. Karman Space & Defense saw a 30% increase on its debut. These developments underscore a broader shift toward durable business models, as venture firms increasingly target clear commercialization pathways, tangible use cases, favorable policy environments, scalable deployment models, and long-term alignment with strategic national priorities.

Trade Sales Anchor PE Exits in 1H25

Global PE exits via trade sales reached 1,191 deals in 1H25, down 3% from the same period in 2024, as per S&P Global. IPOs showed signs of recovery, but M&A remained dominant, with strategic acquirers taking advantage of a less competitive and selectively reopening deal environment.

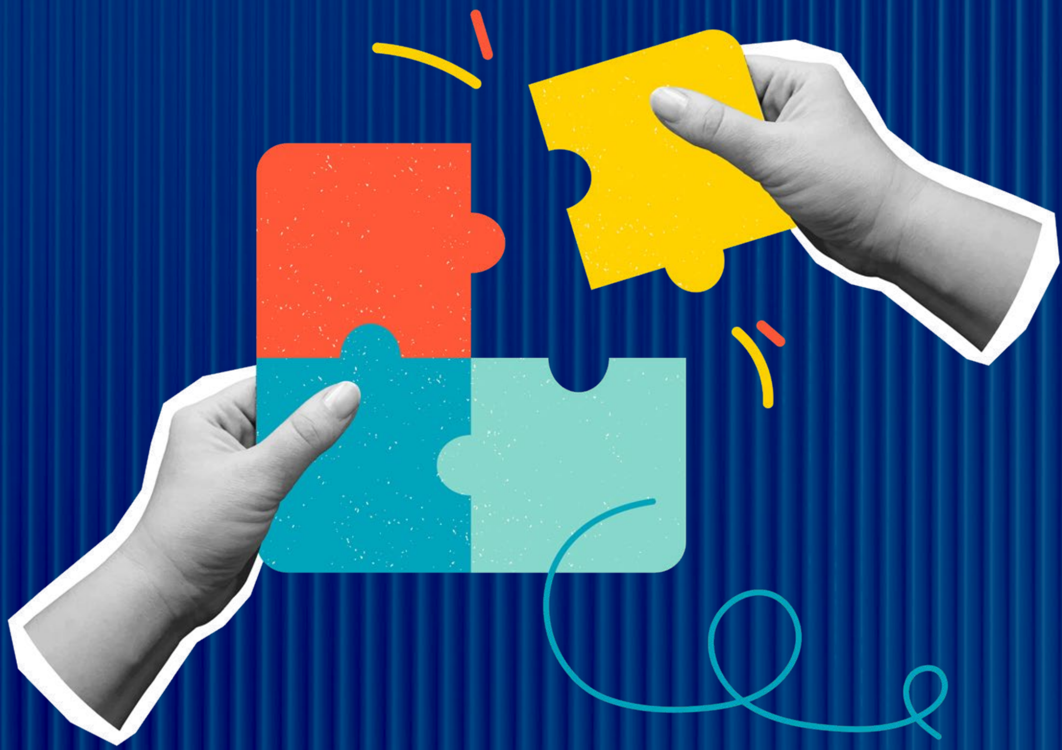
Figure 7: Global PE-Backed Exits by Type



Source: S&P Global, data as of June 30, 2025

Despite a modest pullback in trade sale volume, corporate buyers continued to provide crucial exit pathways for PE fund managers navigating extended hold periods. Exits to strategic acquirers accounted for the bulk of high-value deals in 1H, including six of the ten largest transactions. The top deal involved the $18.08 billion merger of Haitong Securities and Guotai Junan Securities, backed by several Chinese PE firms. Corporates capitalized on slowed activity from other buyer categories, as liquidity conditions and macro adjustments prompted many financial sponsors to recalibrate.

According to HarbourVest's Scott Voss, corporates are benefiting from reduced competition in today's exit environment. Churchill Asset Management's Jason Strife noted that corporates, often slower to move than PE buyers, are finding more accessible opportunities this year, given stronger balance sheets and available cash. While IPO activity remains limited, 2Q saw $8.98 billion in global PE-backed IPOs, marking the best quarter since early 2024, as per S&P Global. The market-wide pause in dealmaking earlier this year, attributed to evolving trade and policy developments, placed temporary pressure on GPs to unlock capital. Meanwhile, the secondary market has continued to offer partial liquidity relief, with $40.14 billion in transactions completed globally through April, as per S&P Global. As the IPO window gradually reopens and interest rate expectations stabilize, fund managers are cautiously optimistic. Blackstone and others are preparing listings, and broader clarity around macroeconomic direction is expected to support exit momentum into the second half of 2025.



DEALS FLASH

GHK Acquires Rogers Building Solutions

GHK Capital, a Connecticut-based PE firm, has acquired Rogers Building Solutions (RBS), a Georgia-based provider of mechanical HVAC and plumbing services. Founded in 1962, RBS offers comprehensive solutions in HVAC, plumbing, preventative maintenance, and service to commercial and industrial clients. This deal will enable GHK to leverage its sector expertise and resources to create long-term value by capitalizing on powerful megatrends shaping RBS's core markets. Further, it will enable RBS to accelerate geographic and service expansion, pursue strategic acquisitions, and enhance customer value.

Audax Exits Stout to Integrum

Audax Private Equity, a Boston-based PE firm, has sold Stout, a Michigan-based global advisory firm, to Integrum Holdings, a New York-based PE firm. Founded in 1991, Stout specializes in corporate finance, accounting, transaction advisory, valuation, and financial disputes, claims, and investigations. This deal allows Stout to accelerate growth by leveraging its strong management, diverse client base, and investments in talent and acquisitions, fostering further expansion of its advisory services. Further, it enables Audax to realize the value created and redeploy capital for future investments.

Brightstar Capital Acquires Analyte Health

Brightstar Capital Partners, a New York-based PE firm, has acquired Analyte Health, a Houston-based technology-driven, direct-to-consumer (D2C) digital health company. Founded in 2008, Analyte offers high-quality diagnostic and treatment services across major consumer wellness categories. This deal will allow Analyte to scale its integrated digital health platform, expand service offerings, and reach more consumers, leveraging Brightstar's operational expertise and investment. Further, it will enable Brightstar to build a leading brand in D2C healthcare, capitalizing on strong sector growth and innovation.

KKR Acquires Majority Stake in Healthcare Royalty Partners

KKR, a New York-based PE firm, has acquired a majority of ownership in HealthCare Royalty Partners (HCRx), a Connecticut-based biopharma royalty acquisition company. Founded in 2006, HCRx invests in commercial-stage and near-commercial-stage biopharmaceutical assets, committing over $7 billion to more than 110 biopharmaceutical products since its inception. This deal will allow HCRx to scale its platform and more comprehensively serve the biopharma industry. Further, it will enable KKR to expand its life sciences footprint and strengthen its biopharma royalty and credit investing capabilities.

Carlyle to Acquire Majority Stake in Adastra

Carlyle, a Washington-based PE firm, has agreed to acquire a majority stake in Adastra Group, a Canada-based IT consultancy and services provider. Founded in 2000, Adastra specializes in AI and data-driven transformation, helping organizations define strategies and implement cloud-enabled solutions. This deal will allow Adastra to accelerate growth by expanding its data, cloud, and AI offerings, strengthening customer relationships, and broadening international reach through organic investments and targeted M&A. Further, it will enable Carlyle to leverage its global network and IT services expertise to scale as a market leader.

Levine Leichtman to Acquire Shipley from Peak Rock

Levine Leichtman Capital Partners, a California-based PE firm, has partnered with management to acquire Shipley Do-Nuts, a Texas-based donut and kolache brand, from Peak Rock Capital, a Texas-based private investment firm. Founded in 2006, Shipley offers handcrafted, fresh-made-daily donuts, kolaches, and coffee at over 375 locations across 14 states. This deal will allow Shipley to accelerate growth by expanding its store network, reaching more customers, and supporting franchisees. Further, it will enable Levine Leichtman to apply its franchising expertise to drive strategic expansion and strengthen its portfolio.

GTCR to Acquire FMG Suite from Aurora

GTCR, a Chicago-based PE firm, has reached an agreement to acquire FMG Suite, a California-based provider of advisor-led marketing software, from Aurora Capital Partners, a Los Angeles-based PE firm. Founded in 2011, FMG provides marketing automation solutions to wealth advisory and insurance professionals. This deal will allow FMG to accelerate innovation, enhance its AI-powered marketing tools, and expand its reach among financial professionals. Further, it will enable GTCR to leverage its sector expertise to scale FMG as a leading platform in wealth and insurance technology.

Liberty Hall Acquires Paxia from TELEO

Liberty Hall Capital Partners, a South Carolina-based PE firm, has acquired Paxia, a Virginia-based provider of cloud-based airline catering management solutions, from TELEO Capital, an Idaho-based PE firm. Founded in 2000, Paxia provides integrated onboard services and catering management software for the commercial aerospace industry. This deal will allow Paxia to scale its software-as-a-service (SaaS) platform, strengthen customer relationships, and accelerate product innovation. Further, it will enable Liberty Hall to expand its aviation software portfolio and advance its investment strategy in efficiency-driven, digital transformation solutions.

Transom Takes SigmaTron Private

Transom Capital Group, a Los Angeles-based PE firm, has acquired SigmaTron International, an Illinois-based electronics manufacturing services provider. Following the transaction, SigmaTron will delist from the New York Stock Exchange (NYSE). Founded in 1993, SigmaTron offers services that include printed circuit board assemblies, electro-mechanical subassemblies, and box-build electronic products. This deal will allow SigmaTron to accelerate strategic growth, strengthen customer partnerships, and deliver innovative electronic manufacturing solutions. Furthermore, it will enable Transom to enhance operations, boost sales and profitability, and drive expansion and new industry opportunities.

Mitchell Capital Takes Controlling Stake in Optelos

Mitchell Capital, a Texas-based PE firm, has acquired a controlling stake in Optelos, a Texas-based digital twin platform provider. Founded in 2014, Optelos provides twin-platform technology and intelligence asset assurance solutions for the telecom, utilities, and industrial sectors. This deal will allow Optelos to accelerate product innovation, scale resources, and broaden its presence across critical infrastructure sectors. Further, it will enable Mitchell Capital to advance digital infrastructure and operational intelligence by supporting Optelos' growth and expanding its impact in high-impact markets.

TRENDS AND STATS

July Middle-Market Deal Summary

45.2%
of the deals were made in the Business Products and Services (B2B) sector

62.4%
of B2B deals were in Commercial Services

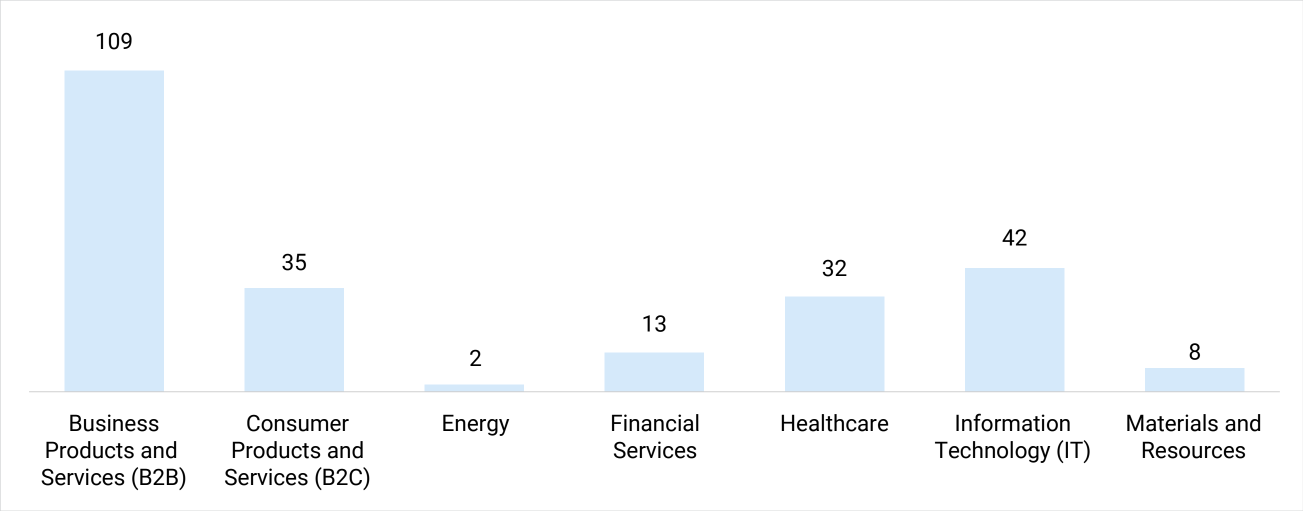
17.4%
of the deals were in IT

73.8%
of IT deals were in Software

California
experienced the highest dealmaking activity, followed by Texas

77.6%
of deals were buyouts

Figure 8: July Middle-Market Deal Summary

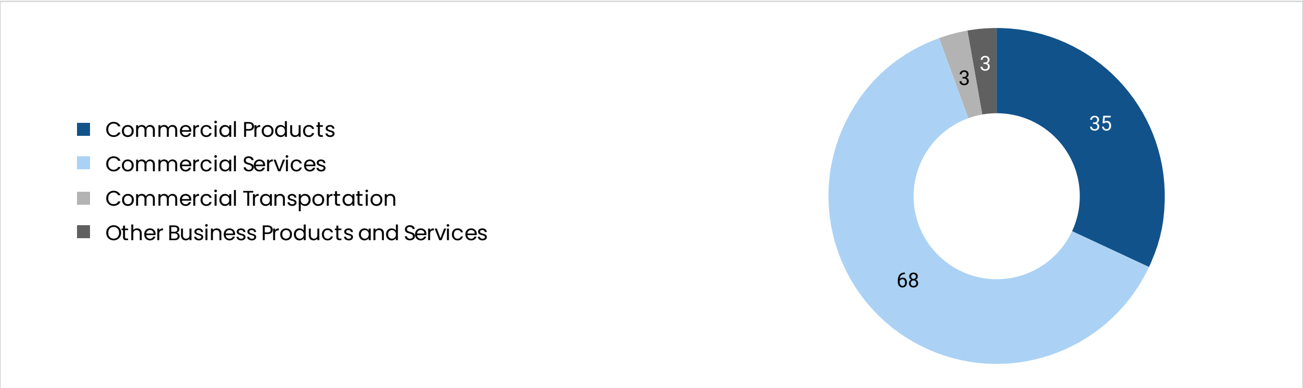


Source: SG Analytics Research

Figure 9: Consumer Products and Services

Source: SG Analytics Research

Figure 10: Business Products and Services

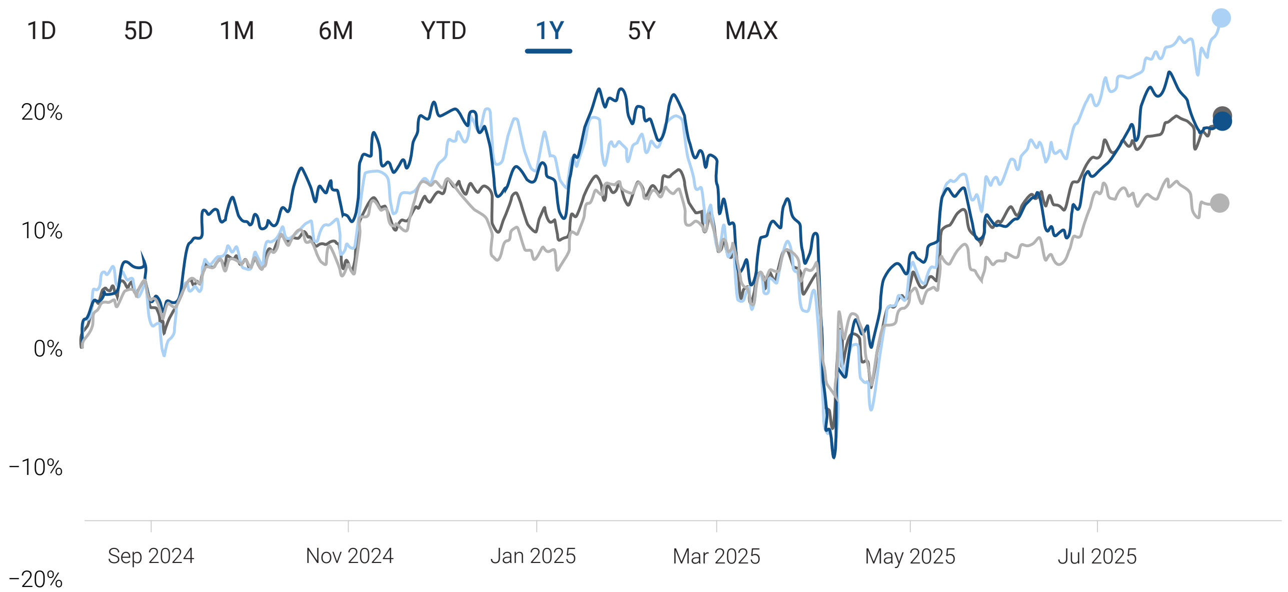


Source: SG Analytics Research

Note: This dataset specifically targets investor fund preferences within the $2–8 million EBITDA range. It is important to note that the summary focuses solely on these investor preferences and does not include details related to deal sizes.

S&P Listed Private Equity Index

Figure 11: S&P Listed Private Equity Index

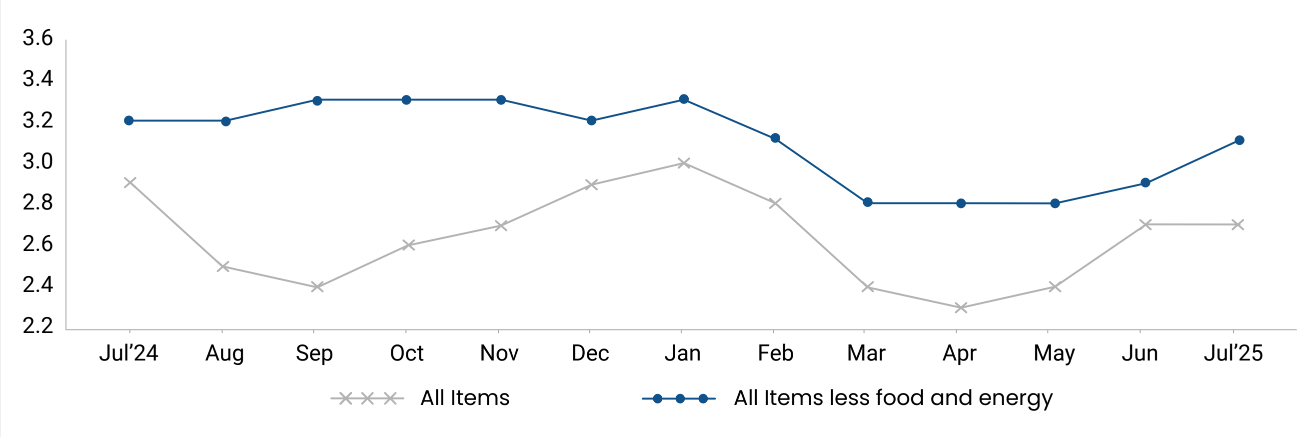


S&P Listed Private Equity Index	266.93	+43.72	19.59%
S&P 500	6,389.45	+1,045.06	19.55%
Nasdaq Composite	21,450.02	+4,669.41	27.83%
Dow Jones Industrial Average	44,175.61	+4,818.60	12.24%

Data as of August 11, 2025

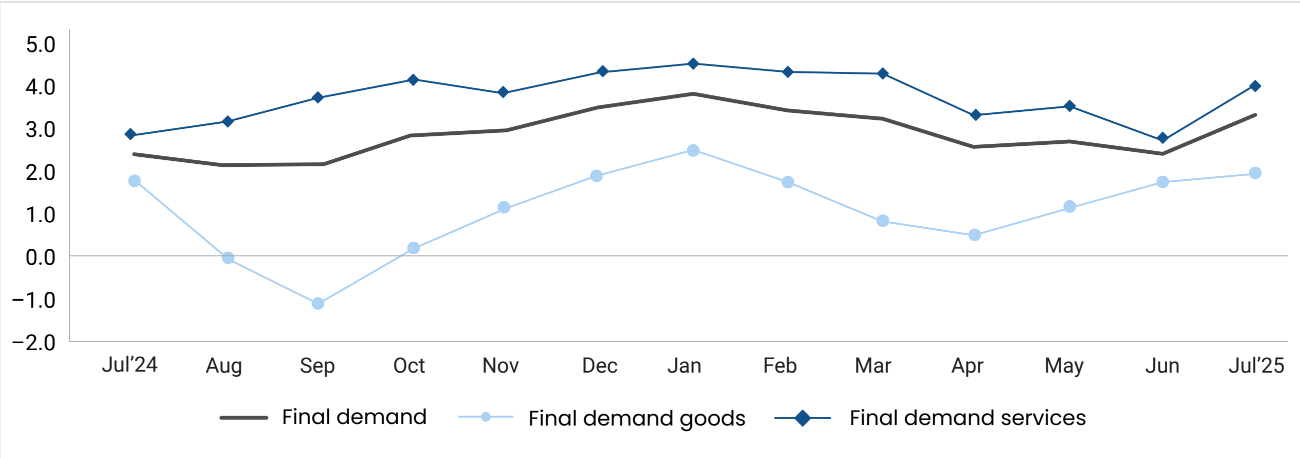
Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.2%	2.7%
Producer Price Index (PPI)	0.9%	3.3%

Figure 12: 12-month Percent Change in CPI for All Urban Consumers, Not Seasonally Adjusted



Source: US Bureau of Labor Statistics

Figure 13: 12-month Percent Change in Selected PPI Final Demand Price Indexes, Not Seasonally Adjusted



Source: US Bureau of Labor Statistics

Upcoming Events

ALTSSF	September 03, 2025	600 Stockton Street, San Francisco, CA
ILPA Private Equity Legal Conference 2025	September 25–26, 2025	Washington, DC
ALTSDC	September 29–30, 2025	1001 14th Street Northwest, Washington, DC

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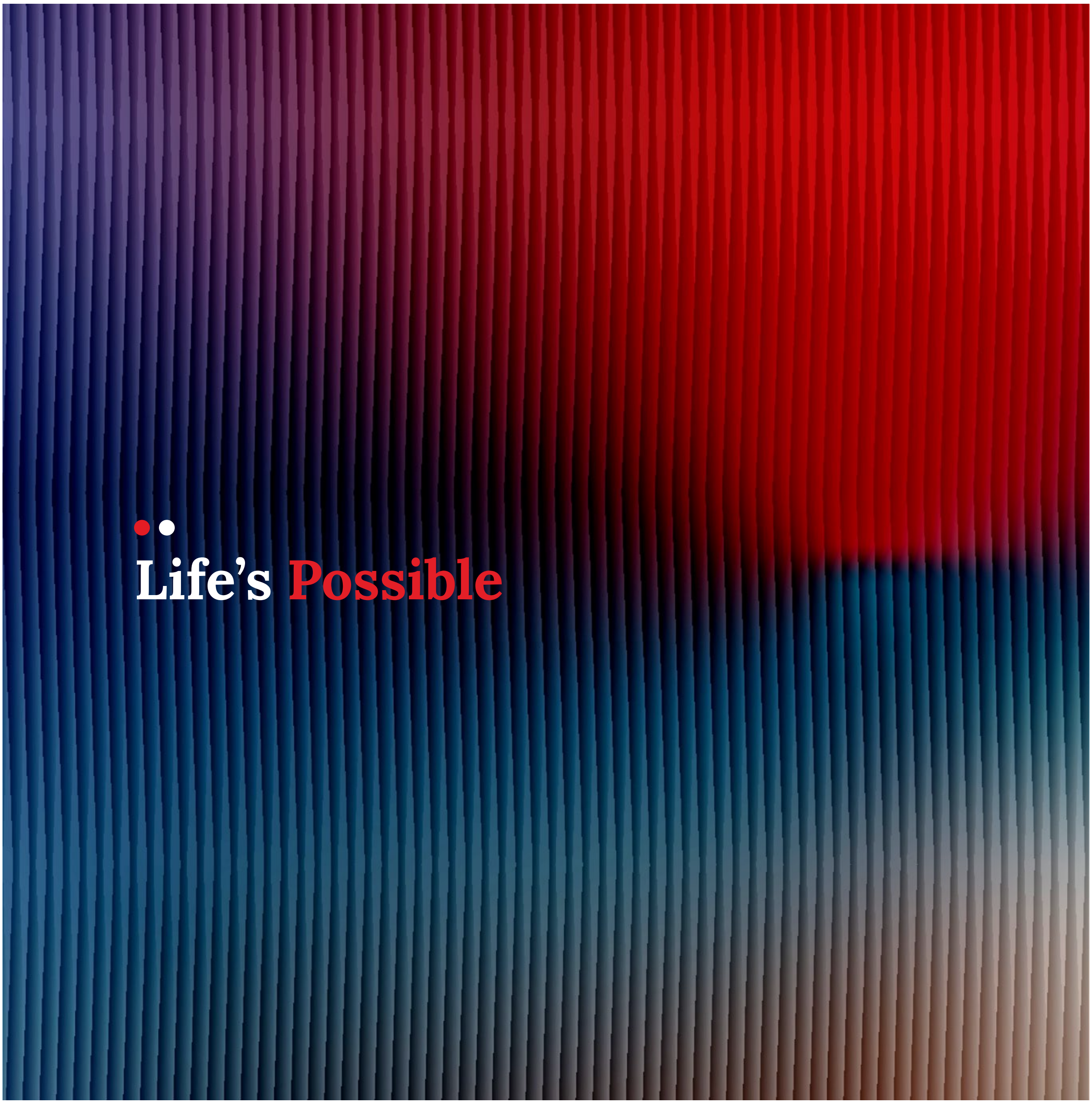

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