

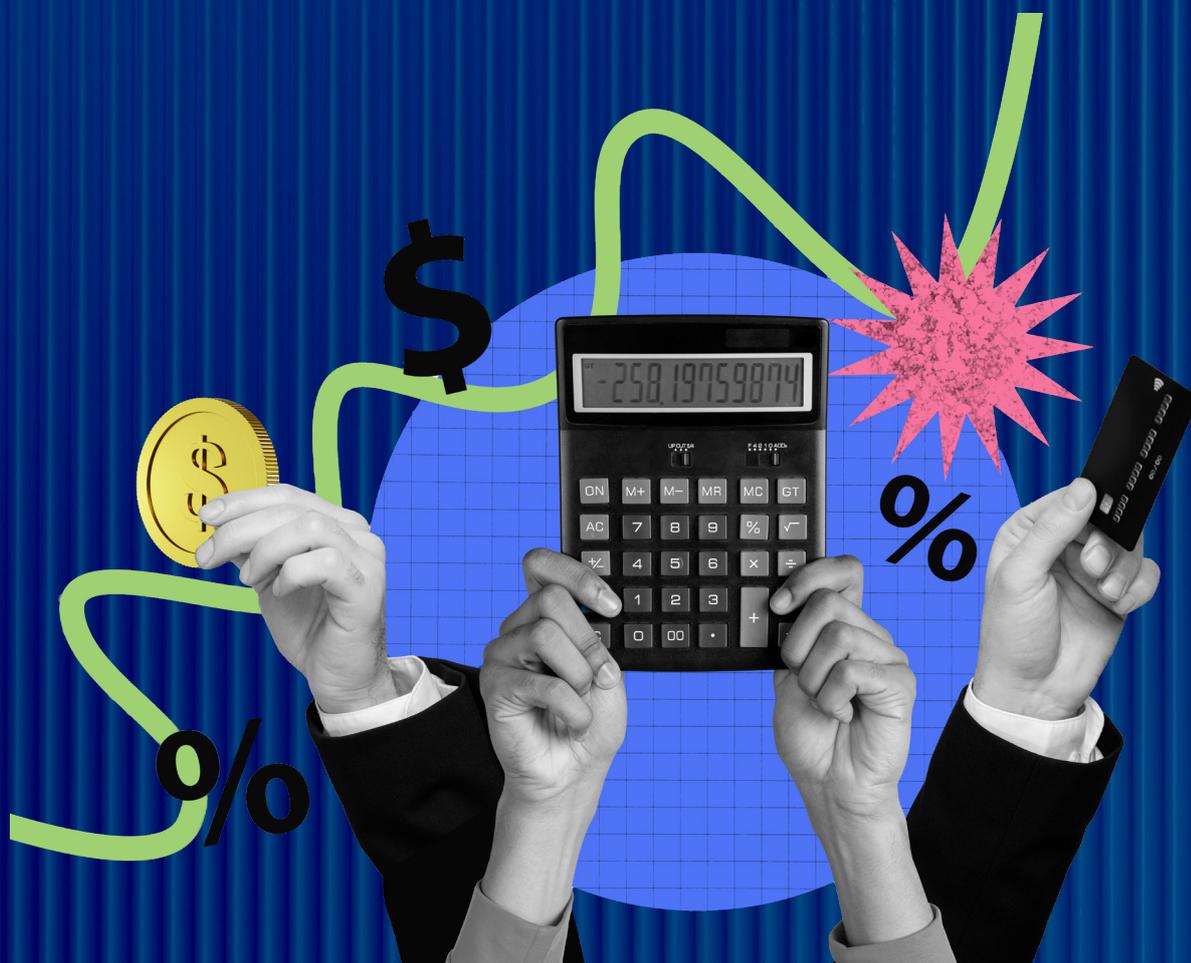
# AXIA

PRIVATE EQUITY NEWSLETTER

Issue 24 / January 2026

## US PRIVATE EQUITY OUTLOOK 2026

Execution Discipline, Capital Concentration, and Exit Recovery Shape 2026



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

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**Fundraising Challenges | Expected Dealmaking Revival | IPO Exit Opportunities**



# US PRIVATE EQUITY IN 2026

## Opportunity with Execution Risk

**PE enters 2026 with improving momentum, but a selective market. Capital availability, operational discipline, and exit execution will increasingly influence performance as managers navigate shifting deal and fundraising conditions.**

US private equity (PE) in 2026 will move into a phase of selective recovery, where returns will be shaped less by market beta and more by disciplined deployment, operational value creation, and exit execution. Capital is available, and deal activity will rise, but only managers who adapt to structural shifts in exits, fundraising, and competition will outperform.

After two years of adjustment driven by higher rates, valuation gaps, and stalled exits, US PE is entering 2026 with improving momentum, but not a return to prior-cycle norms. Lower financing costs and

stabilizing conditions are reopening deal pathways, yet the foundations of the PE model are shifting. Across managers, strategies, and deal types, the market is becoming more discriminating. A broad rebound will not define 2026, but by dispersion. Capital will flow, deals will close, and exits will reopen, but outcomes will increasingly depend on execution quality rather than exposure to recovery alone.

### Value Creation Will Replace Multiple Expansion as the Core Return Engine

In 2026, PE returns will be driven by value creation discipline rather than multiple expansion. According to Apollo, public markets remain distorted by index concentration and thematic crowding, leaving many fundamentally solid, cash-generative businesses mispriced and overlooked. This environment creates an opportunity for PE to step in where public markets fail to reflect intrinsic value, particularly through carve-outs, sponsor-to-sponsor transactions, and acquisitions of under-owned assets.

Patience and positioning will matter more than timing. Instead of attempting to anticipate inflection points, successful managers will deploy capital steadily into businesses where operational improvements, margin expansion, and portfolio repositioning will likely generate returns. Under-owned industrial, physical, and infrastructure-adjacent assets stand out in this framework, offering durable demand, pricing power, and resilience. In a higher-rate world, conservative underwriting and operational execution will be the defining sources of alpha in 2026.

### Deal Flow Will Increase, but Capital Structures Will Decide Winners

A rebound is expected in dealmaking activity in 2026, supported by pent-up capital and improving financing conditions, as per Macquarie. However, the firm emphasizes that the nature of deal flow is changing. Competition between private credit providers and syndicated loan markets is reshaping financing economics, often improving terms for sponsors and enabling transactions that were previously unviable during the rate shock.

Several developments are now structural rather than cyclical. Sovereign wealth funds and large LPs are increasingly embedded in direct investing and co-investment structures, while continuation vehicles have become a normalized liquidity and portfolio management tool. These shifts expand the universe of executable deals, even as traditional fundraising remains selective. In 2026, deal volume alone will not determine success. Access to flexible capital, financing creativity, and the ability to structure transactions efficiently will increasingly separate leading managers from the rest.

### Manager Selection Will Tighten as LPs Prioritize Proven Execution

2026 will be a period of selective recovery, where confidence is returning, but competition is intensifying. According to PwC, while US PE deal value rose approximately 8% year over year (YoY) in 1H25, deal volumes remained flat, underscoring a market defined by fewer but larger transactions. This dynamic reinforces a flight to quality, as LPs concentrate commitments with managers that demonstrate repeatable value creation rather than opportunistic dealmaking.

Fundraising pressure, liquidity mismatches, and elevated LP expectations are forcing managers to evolve. Creative deployment strategies, including carve-outs, take-privates, secondaries, and hybrid capital solutions, are becoming essential rather than optional. Operational transformation is overtaking financial engineering as the primary lever of performance. In 2026, managers with sector depth, integrated capabilities, and execution discipline will strengthen their competitive position, while undifferentiated strategies will face increasing pressure.

### Exit Conditions Will Improve, but Aging Portfolios Will Remain a Constraint

Exit recovery in 2026 will be real but uneven. US PE exit activity rebounded meaningfully in 2024 and 2025, yet the inventory of PE-backed companies continues to age. As of 3Q25, US portfolios held nearly 12,900 companies, with 30% aged seven years or more and another 37% in mid-maturity, as per Pitchbook. This aging profile increases urgency around realizations while limiting flexibility in timing exits.

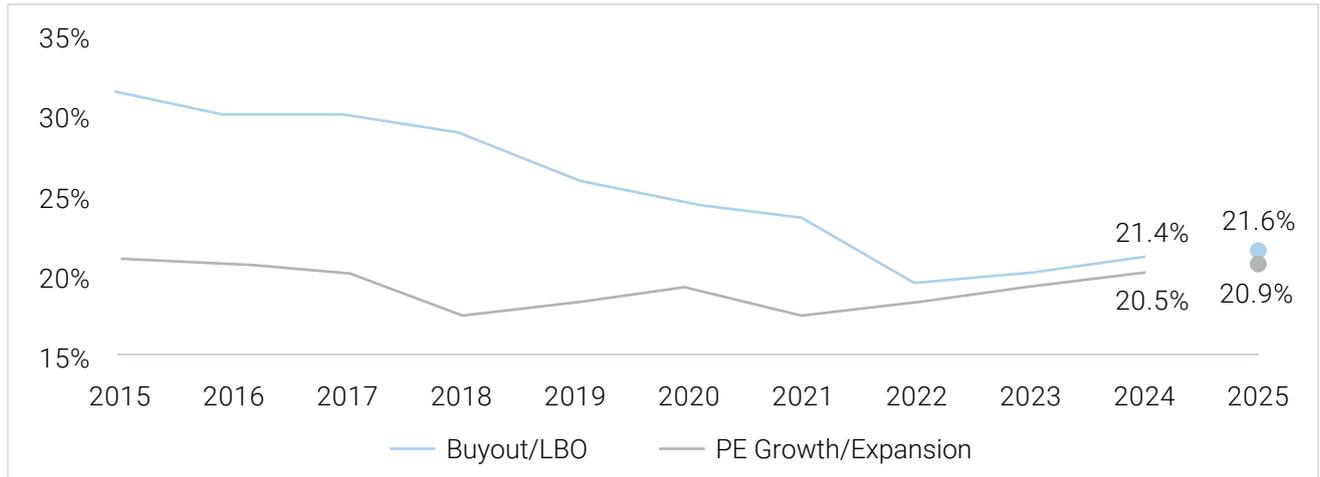
Assets acquired during peak dealmaking years are exiting more slowly than historical cohorts, indicating that exit pacing will lag prior cycles even as market sentiment improves. IPO windows are reopening, and sponsor-to-corporate exits are increasing, but not all assets will benefit equally. Exit execution will remain a critical differentiator in 2026, with success determined by pathway selection, transaction sequencing, and disciplined expectation management.

## Capital Will Concentrate Further as Platform Buyouts Regain Share

Capital allocation patterns are evolving as market conditions normalize. Fundraising is consolidating sharply, with the most prominent managers capturing

a growing share of commitments as LPs favor scale, diversification, and operational capability. At the same time, deal composition is shifting toward larger transactions. Platform buyouts are expected to regain prominence as financing conditions improve and sponsors re-engage with more complex deals.

**Figure 1: Platform LBOs and Growth Equity as Share of US PE Deals**



Source: PitchBook, data as of October 31, 2025

In 2025, platform buyouts accounted for just over one-fifth of US PE deal activity, well below pre-pandemic norms. According to Pitchbook, this share will rise toward 25% or more in 2026 as leverage becomes more accessible and risk appetite returns. After

peaking in 2025, continuation fund activity is expected to normalize as traditional exit routes reopen. These dynamics favor managers with balance sheet strength, sector expertise, and the operational capacity to execute at scale.

## Conclusion

The US PE market in 2026 will reward execution rather than exposure. Improving financing conditions and stabilizing sentiment are enabling higher activity, but structural constraints around exits, fundraising, and competition remain firmly in place. For general partners, disciplined deployment, operational value creation, and precise exit execution will define performance. As capital concentrates and deal structures evolve, 2026 will separate managers that adapt to a more demanding environment from those positioned for a cycle that no longer exists.

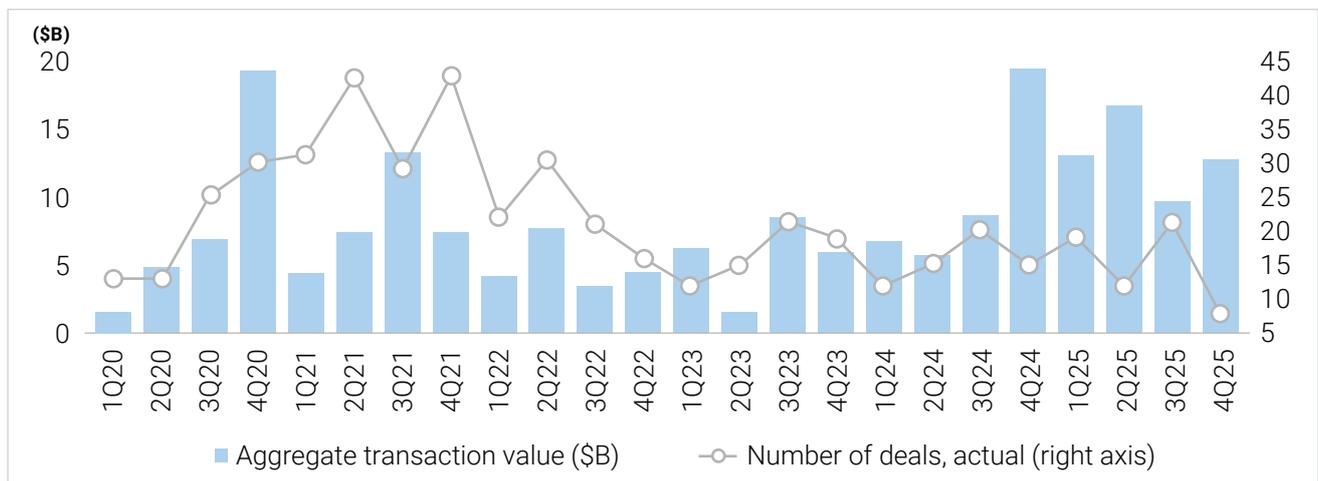
# Monthly News and Analysis



## Global Earnouts Rise as PE Exit Pressure Outpaces Pricing Power

Deferred consideration in PE exits increased sharply in 2025, with earnout-linked PE and venture capital (VC) exits totaling \$51.3 billion YTD, the highest since 2018, as per S&P Global. Sponsors are using contingent pricing more aggressively to bridge persistent buyer-seller valuation gaps.

**Figure 2: M&A Earnout Transactions Involving PE/VC sellers**



Source: S&P Global, data as of October 31, 2025

The growing reliance on earnouts in PE exits reflects mounting structural pressure rather than improved deal confidence. Valuation expectations remain misaligned following the 2020–21 pricing peak, and sponsors facing extended holding periods are increasingly prioritizing liquidity over certainty. Earnouts allow sellers to defend headline valuations while enabling buyers to limit upfront risk, but in practice, they shift downside exposure disproportionately to exiting funds. According to S&P Global, only 21% of aggregate earnout value is ultimately realized in recent non-life sciences transactions, underscoring how rarely contingent consideration translates into full proceeds. This dynamic weakens distribution visibility for LPs and complicates DPI progression, as earnouts introduce uncertainty tied to post-close operating performance.

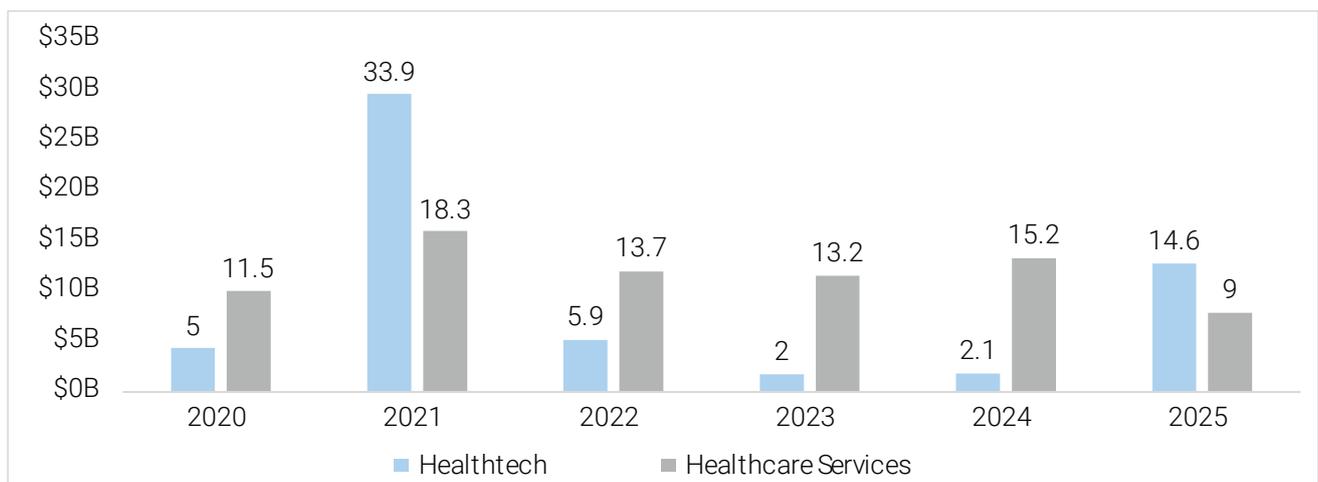
White & Case legal advisors note that earnouts tend to postpone, rather than truly settle, buyer seller valuation disagreements and will likely become highly contentious later in the deal lifecycle. While advisory firms such as EY frame earnouts as a mechanism to sustain transaction momentum amid macro uncertainty, their growing prevalence more accurately signals exit pressure among sponsors rather than renewed pricing power. Outside life sciences, where binary regulatory outcomes are expected to justify contingent pricing, earnouts are typically concentrated in harder-to-exit or underperforming assets. For investors, rising earnout usage should therefore be interpreted as an indicator of a constrained exit market in which deal execution is improving, but value realization remains deferred.



## As Healthtech Deals Rise, Healthcare Services Investment Falls

PE investment in healthtech reached \$14.6 billion in 2025 through November 17, the highest level since 2021, as per PitchBook. Over the same period, healthcare services funding declined sharply, underscoring a widening divergence in investor demand.

**Figure 3: Deal Value in Healthtech and Healthcare Services**



Source: PitchBook, data as of November 17, 2025

The widening gap between healthtech and healthcare services investment reflects a deliberate reallocation of PE capital rather than a short-term cycle. Healthtech deal value climbed in 2025, driven by demand for solutions that address cost pressure, staffing shortages, and reimbursement complexity across providers. Investors are backing scalable platforms that automate administrative workflows, support clinical decision-making, improve care coordination, and strengthen revenue cycle management, capabilities increasingly viewed as essential infrastructure rather than optional spend. This shift has fueled valuation expansion, with leading healthcare IT assets trading at EBITDA multiples in the low 20s, well above historical averages. By contrast, healthcare services investment has slowed as regulatory scrutiny, reimbursement uncertainty, and buyer concentration reduce risk appetite. State-level oversight, including California’s bill

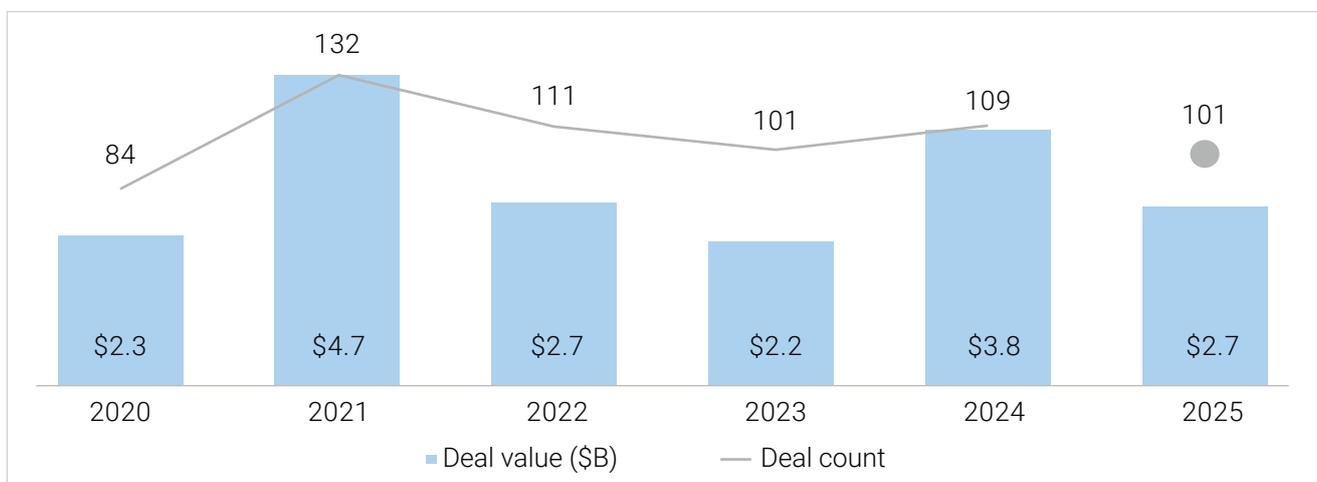
1415, has lengthened approval timelines and increased execution risk, shrinking the pool of willing acquirers. At the same time, rising labor costs and muted reimbursement growth pressure margins, making traditional roll-up strategies harder to underwrite. Importantly, capital is not exiting healthcare altogether but rotating toward models that improve provider economics without assuming direct operational exposure. Asset-light, software-enabled businesses offer scalability with lower labor intensity and reduced regulatory friction. For PE investors, the result is a bifurcated healthcare landscape in which technology-led value creation is prioritized, while services assets require greater regulatory tolerance, longer holding periods, and more conservative underwriting as the market looks ahead to 2026.



## AI Biotechs Command Premium Valuations as Investors Crowd Drug Discovery

VC invested \$3.2 billion across 135 AI-driven drug discovery startups over the past 12 months, as per PitchBook. AI-native biotechs are commanding valuation premiums nearing 100% versus broader biopharma peers as investor interest accelerates.

**Figure 4: Global AI Drug Development VC Deal Activity**



Source: PitchBook, data as of September 30, 2025

The surge in capital flowing into AI-native biotech reflects investor conviction that drug discovery is approaching a structural inflection point, even as underwriting risks remain elevated. AI-driven platforms are attracting premium valuations by positioning themselves as solutions to the rising cost, complexity, and duration of traditional drug development. Unlike general-purpose language models, these startups argue their advantage lies in specialized biological models trained on narrower datasets such as genomic sequences, molecular structures, and clinical trial data. Investors appear willing to pay up for this differentiation, betting that domain-specific AI will likely improve target identification, reduce failed trials, and compress development timelines. However, translating technical promise into clinical validation remains the central uncertainty. Founders acknowledge that explaining model differentiation to investors is

difficult, as few capital allocators are fluent in both advanced machine learning and biological science. This knowledge gap raises the risk that valuation premiums are being set ahead of proven real-world outcomes. Momentum is reinforced by strategic interest from large pharmaceutical companies seeking to internalize AI capabilities that remain fragmented across research teams. For investors, the opportunity lies in backing platforms that move beyond data synthesis toward experimental execution and trial design, where defensibility is stronger and switching costs are higher. The risk is that some models remain tools rather than systems capable of generating durable pipelines, widening performance dispersion as the sector matures.



## Texas Emerges as a Structural Destination for US VC

VC investment in Texas-headquartered companies reached \$9.9 billion through November 25, as per S&P Global. The inflows track sustained headquarters relocations since 2021, reinforcing Texas as a growing destination for US VC despite modest cooling compared to 2024 overall.

**Figure 5: Global PE and VC Deals**



Source: S&P Global, data as of December 2, 2025

The steady rise of VC flowing into Texas reflects a structural reallocation of capital toward regions offering cost, regulatory, and operating advantages rather than a temporary funding spike. Since 2021, hundreds of US companies have relocated their headquarters to Texas, many from California, drawn by lower taxes, flexible land use, and a permissive labor environment. High-profile moves by Tesla, SpaceX, and xAI strengthened the state’s credibility as a base for scaled technology platforms and accelerated investor comfort with the region. Venture investors are largely following operating footprints rather than leading migration, suggesting geography is increasingly shaped by execution efficiency, workforce mobility, and unit economics instead of legacy ecosystems. This shift coincides with resilient national deployment, as

November global PE and VC deal value rose YoY, and entry deal value already surpassed full-year 2024 totals, as per S&P Global. Sector dynamics reinforce the point. Investment has concentrated in electronic equipment and instruments, where 2025 deal value exceeded last year’s total despite fewer transactions, signaling larger, conviction-driven bets tied to manufacturing, security, and applied technology. For investors, the implication is not the displacement of coastal hubs but a clearer bifurcation. Texas is emerging as a durable secondary center where VC aligns with cost discipline, operational scale, and execution focus, positioning the state to absorb incremental capital as deployment remains selective across multiple stages and sectors nationwide overall.



## Global PE Buyout Holding Periods Lengthen in 2025

PE and VC buyouts recorded longer holding periods across most sectors in 2025 as compared to 2020, as per S&P Global. Valuation mismatches and higher financing costs slowed exits, even as expectations for stronger activity in 2026 increased.

Extended holding periods in PE buyouts have become a structural feature of the current cycle, reflecting constrained exit conditions and deliberate value-building strategies. Assets acquired during the 2019–2021 low-rate environment have not seen the valuation uplift sponsors initially expected, prompting firms to hold longer while pursuing add-on acquisitions, organic growth initiatives, and portfolio rationalization. Higher interest rates have compounded the challenge by limiting cheap leverage and dampening buyer demand, reinforcing valuation gaps between buyers and sellers. Expectations that the Federal Reserve will continue easing policy have encouraged delay, as both sides wait for a more favorable financing backdrop. Sector data underscores the impact. Capital-intensive

industries such as telecom and media, energy and utilities, and industrials post the longest average holding periods, reflecting the difficulty of underwriting large transactions when debt costs remain elevated. Consumer discretionary has seen modest improvement but remains above pre-pandemic averages as trade uncertainty and input-cost volatility discourage near-term exits. Looking ahead, the same forces extending hold periods are setting up a release valve. Sponsors face pressure to return capital after seven to eight years of ownership, and even modest valuation normalization is expected to unlock a backlog of exits in 2026. For investors, longer holds signal near-term distribution drag, but also point to potential exit acceleration once rate clarity improves.





## DEALS FLASH

### Windjammer Acquires MFG from Platte River



Windjammer Capital, a Massachusetts-based PE firm, has acquired MFG Chemical, a Tennessee-based specialty chemicals manufacturer, from Platte River Equity, a Colorado-based PE firm. Founded in 1980, MFG delivers specialized chemical solutions tailored for various applications in water treatment and industrial coatings. This deal will allow MFG to

strengthen its operational capabilities, expand its product portfolio, and pursue strategic acquisitions to reach new end markets. Further, it will enable Windjammer to partner with a proven specialty chemicals leader and advance its strategy of scaling engineering-driven industrial businesses.

### Grant Avenue Acquires PatientCare



Grant Avenue Capital, a New York-based PE firm, has acquired PatientCare EMS Solutions, a Texas-based provider of ground-based healthcare transportation services. Founded in 1988, PatientCare operates over 400,000 transports annually, partnering with healthcare

systems and municipalities across several states. This deal will allow PatientCare to accelerate growth, expand into new markets, and strengthen its infrastructure under experienced leadership. Further, it will enable Grant Avenue to apply its healthcare expertise and resources to scale PatientCare's operations and enhance its position in patient-centered medical transportation.

## Bregal Sagemount Invests in Redgate Software



Bregal Sagemount, a New York-based PE firm, has invested in Redgate Software, a United Kingdom-based provider of database devOps solutions. Founded in 1999, Redgate provides database management solutions that help users improve efficiency, reduce

errors, and protect critical data throughout the database lifecycle. This deal will allow Redgate to accelerate product innovation, expand AI integration, and strengthen its position as a trusted database operations platform. Further, it will enable Sagemount to partner with a proven software company and support long-term growth through scalable, secure, and data-driven technology solutions.

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## One Equity Acquires Montanhydraulik



One Equity Partners, a New York-based PE firm, will acquire Montanhydraulik, a Germany-based manufacturer of hydraulic cylinders and systems. Founded in 1952, Montanhydraulik provides tailor-made hydraulic cylinder solutions for applications in various

heavy-duty industries such as infrastructure, electric grid, wind, mobile cranes, and other sectors. This deal will allow Montanhydraulik to build on its strong market position, introduce new products, and expand its global presence across Europe and the US. Further, it will enable One Equity to drive strategic M&A, integrate complementary businesses, and enhance efficiency across Montanhydraulik's operations.

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## Godspeed Invests in NextPoint Group



Godspeed Capital Management, a Washington-based PE firm, has invested in NextPoint Group (NPG), a Virginia-based provider of technology and mission enablement services for

the intelligence and defense community. Founded in 2004, NPG provides AI-powered software development, cloud modernization, and mission-critical network capabilities to the Intelligence Community (IC) and Department of War (DoW). This deal will allow NPG to accelerate growth by expanding its mission technology platform across software development, cybersecurity, and network architecture. Further, it will enable Godspeed to support innovation and operational excellence in national security solutions.

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## WindRose Health Invests in Stellus Rx.



WindRose Health Investors, a New York-based PE firm, has invested in Stellus Rx, a Texas-based technology-enabled, value-based pharmacy care management platform. Founded in 2022, Stellus Rx

provides personalized pharmacy services intended to serve patients, healthcare providers, and risk-bearing entities. This deal will allow Stellus Rx to expand its clinical and operational capabilities, scale its pharmacist-led platform, and reach more patients nationwide. Further, it will enable WindRose to advance its strategy of supporting innovative, value-based healthcare models that improve outcomes and reduce costs.

### Eagle Merchant Invests in APS



Eagle Merchant Partners, an Atlanta-based PE firm, has invested in Atlantic Pipe Services (APS), a Florida-based provider of inspection, cleaning, and rehabilitation services for stormwater and wastewater infrastructure. Founded in 2017, APS delivers maintenance and trenchless rehabilitation services to municipal and commercial clients across seven locations in Florida. This deal will allow APS to accelerate growth through expansion, investments in talent and equipment, and strategic acquisitions, enhancing capabilities. Further, it will enable Eagle Merchant to scale its platform, deepen municipal ties, and advance growth in water infrastructure solutions.

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### GPS Takes Majority Stake in Lenis Group



Great Point Partners (GPS), a Greenwich-based PE firm, has acquired a majority stake in Lenis Group, a Slovenia-based regional commercialization and distribution partner for prescription medicines across Central and Eastern Europe. Founded in 2008, Lenis manages market access, regulatory, medical, and specialty distribution for innovative therapies. This deal will allow Lenis to expand regionally, strengthen leadership, and broaden access to specialty medicines across Europe. Further, it will enable GPS to deepen its presence and support Lenis' growth plans.

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### ECP Exits Symmetry Energy to NextEra Energy Resources



Energy Capital Partners (ECP), a New Jersey-based PE firm, will sell Symmetry Energy Solutions, a Texas-based operator of a retail natural gas marketing and logistics company, to NextEra Energy Resources, a Florida-based energy infrastructure developer. Founded in 1989, Symmetry provides natural gas supply, storage, and asset management solutions to a wide range of end users across the country. This deal will allow Symmetry to expand its natural gas platform and enhance customer reach. Further, it will enable ECP to realize value from its successful transformation and growth initiatives.

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### Oak Hill Acquires Hunter Communications



Oak Hill Capital, a New York-based PE firm, will acquire Hunter Communications, an Oregon-based fiber optic internet provider. Founded in 1994, Hunter provides multi-gig symmetrical speeds, low latency, and reliable network connectivity to over 25,000 customers throughout the Pacific Northwest. This deal will allow Hunter to expand its fiber network across the Pacific Northwest, enhance service offerings, and strengthen its position as a premier regional provider. Further, it will enable Oak Hill to advance its broadband investment strategy and accelerate digital infrastructure growth nationwide.



## TRENDS AND STATS

### December Middle-Market Deal Summary

**46.5%**

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

**51.5%**

of B2B deals were in Commercial Services.

**16.4%**

of the deals were made in the Consumer Products and Services (B2C) sector.

**28.6%**

of B2C deals were in Services (Nonfinancial).

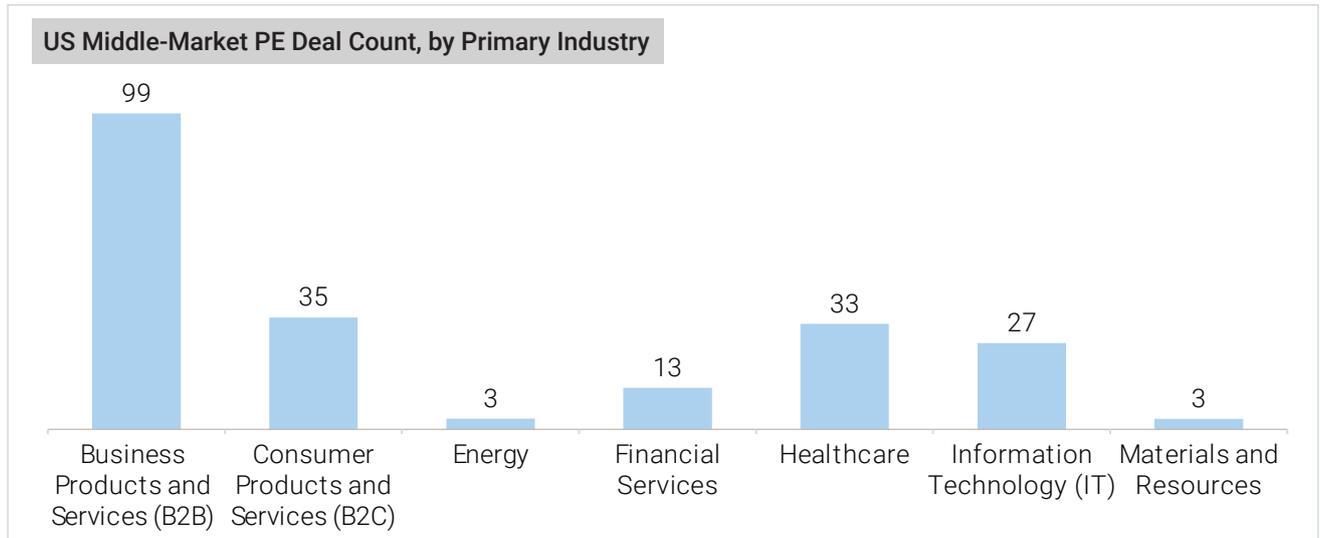
**Texas**

experienced the highest dealmaking activity, followed by California.

**72.4%**

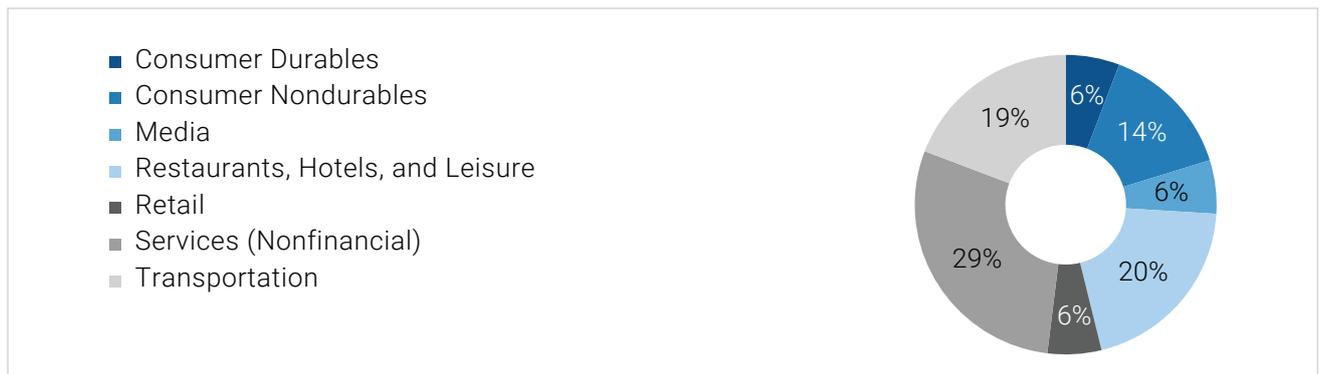
of the deals were buyouts.

**Figure 6: December 2025 Middle-Market Deal Summary**



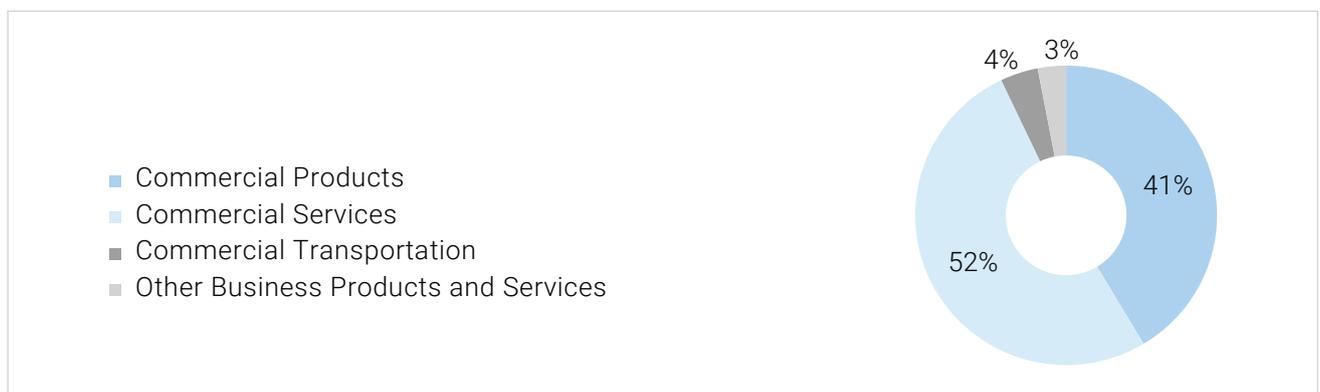
Source: SG Analytics Research

**Figure 7: Share of Consumer Products and Services**



Source: SG Analytics Research

**Figure 8: Share of Business Products and Services**

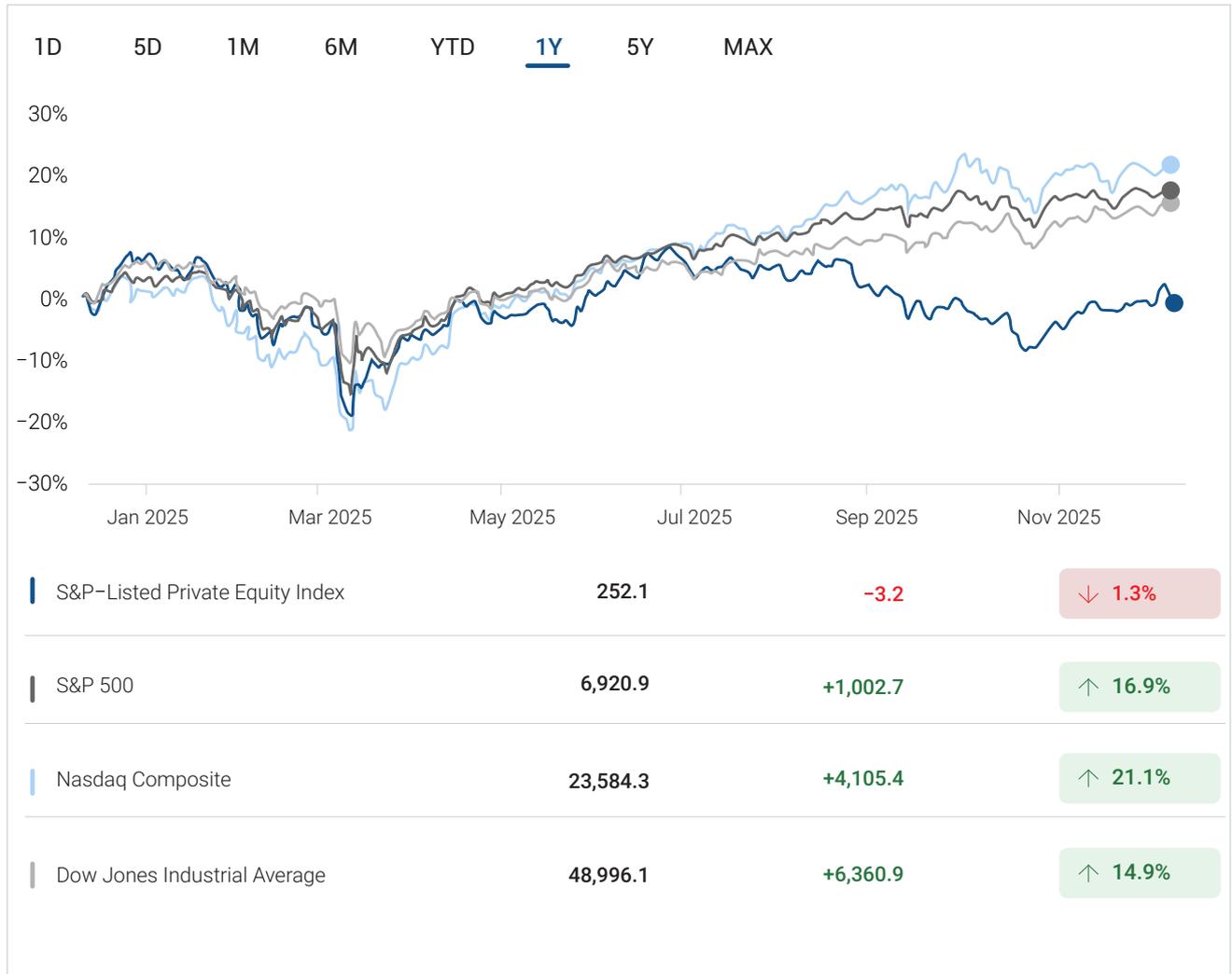


Source: SG Analytics Research

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

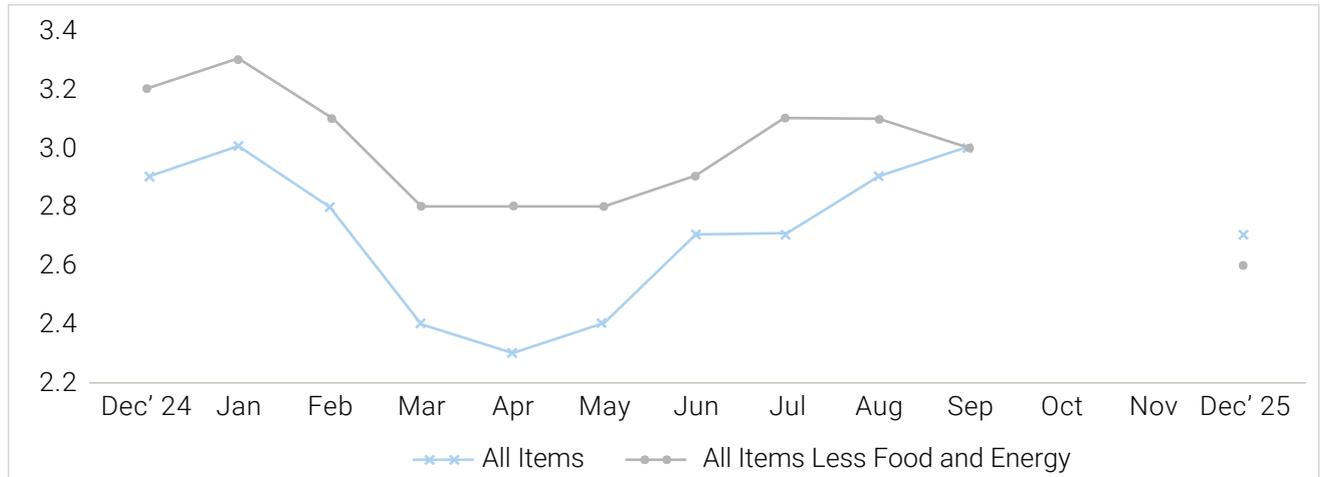
Figure 9: S&P-Listed Private-Equity Index



Note: Data as of January 8, 2026

Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.3%	2.7%
Producer Price Index (PPI)	0.5%	3%

**Figure 10: 12-Month Percent Change in CPI for All Urban Consumers (Not Seasonally Adjusted)**



Source: US Bureau of Labor Statistics

**Figure 11: 12-Month Percent Change in Selected PPI Final Demand Price Indexes (Not Seasonally Adjusted)**



Source: US Bureau of Labor Statistics

# Upcoming Events

🏆	📅	📍
Century Summit 2026 - Inversion Summits	February 2–5, 2026	5402 East Lincoln Drive Scottsdale, AZ
2026 Southern Private Equity Conference	February 19–20, 2026	JW Marriott Nashville 201 8th Avenue South Nashville, TN
PEI Nexus 2026	February 22–25, 2026	4040 Central Florida Parkway Orlando, FL

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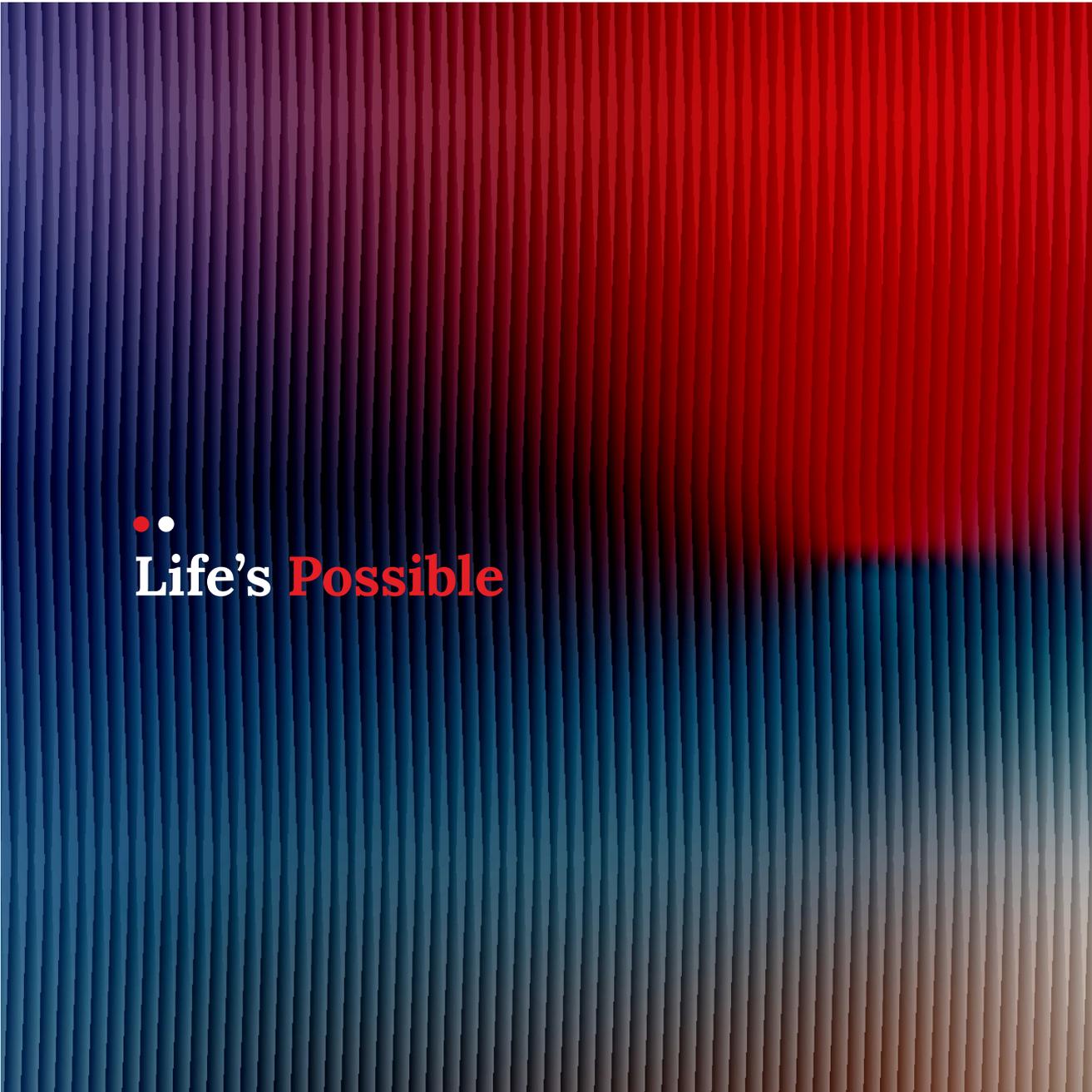
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