

AXIA

PRIVATE EQUITY NEWSLETTER

Issue 28 / May 2026

1Q26 US PE BREAKDOWN

Credit Tightening, Capital Rotation, and Selectivity Reshape US PE



Contents

US PE Breakdown 1Q26: Recovery Expectations Meet a More Selective Market	03

Monthly News Analysis	06

Deals Flash	11

Trends and Stats	14

Upcoming Events	17

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



US PE BREAKDOWN 1Q26:

Recovery Expectations Meet a More Selective Market

US PE entered 2026 on expectations of improving deal activity, but financing pressures, slower exits, and wider credit spreads kept the market cautious. Sponsors continued deploying capital selectively, prioritizing sectors with greater earnings stability, downside protection, and operational strength.

Private equity (PE) entered 2026 expecting a broader recovery, but 1Q reflected slower dealmaking, tighter financing conditions, and cautious exits. Sponsors are prioritizing stable sectors, infrastructure assets, and disciplined capital deployment as market conditions become more selective.

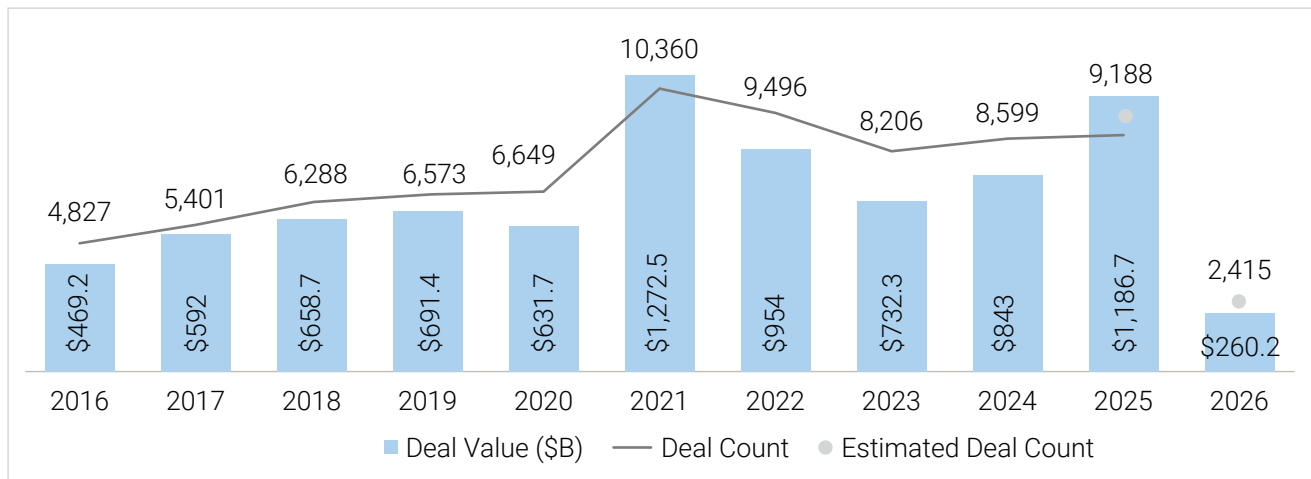
US PE entered the year expecting a broader recovery, supported by improving financing conditions and hopes for stronger liquidity. Instead, 1Q26 reflected a more cautious environment. Sponsors continued deploying capital, but activity concentrated around sectors with stronger visibility and downside protection. Slower exits, wider credit spreads, and elevated financing costs also pushed firms toward a more measured investment approach.

Dealmaking Slows as Sponsors Turn More Selective

US PE deal activity reached \$260.2 billion across 2,415 announced and estimated transactions during 1Q26, as per PitchBook. However, deal value declined 18.3% QoQ and 6.7% YoY as elevated financing costs and

slower auction processes weighed on activity. Average PE buyout deal sizes also remained elevated during the quarter, reflecting continued concentration around larger and higher-conviction transactions.

Figure 1: US PE Deal Activity



Source: PitchBook. data as of March 31, 2026

The market also reflected a widening disconnect between buyers and sellers. Sponsors remained reluctant to exit assets at lower valuations, while buyers faced tighter debt structures and reduced financing flexibility. As a result, firms concentrated capital into fewer high-conviction transactions, offering stronger downside protection and operational stability. Sponsors spent the quarter focusing more heavily on portfolio quality and pricing discipline rather than broad deployment.

Exits Remain Active, but Momentum Starts Slowing

US PE-backed exit activity reached \$144.4 billion across an estimated 373 exits during 1Q26, as per PitchBook. Exit value declined 16.7% QoQ and 34.8% YoY as sponsors faced renewed market volatility and weaker financing conditions. Despite the slowdown, mega-exits remained dominant, accounting for \$100.9 billion of total exit value during the quarter and continuing to support overall market liquidity.

Longer holding periods are becoming a defining feature of the PE market. Sponsors remain reluctant to exit businesses at compressed valuations, particularly assets acquired during the higher-multiple environment of 2021 and early 2022. As a result, continuation vehicles and alternative liquidity structures are

becoming more important as firms seek partial realizations while retaining upside exposure. Slower exits are also contributing to fundraising pressure as LP distributions remain constrained.

Credit Markets Tighten as Financing Conditions Reset

Credit markets lost momentum during 1Q26 as widening spreads and refinancing pressure weighed on financing activity across the PE market. Total leveraged loan issuance ran 34% behind last year's pace through March, while spreads in the actively traded B-flat loan segment widened nearly 100 basis points from January levels, as per PitchBook. Despite the slowdown, financing activity for larger buyouts remained relatively resilient, supported by a limited number of mega-transactions.

Sponsors also became more disciplined around underwriting assumptions as higher financing costs reduced flexibility across leveraged transactions. Businesses with recurring revenue visibility, stable cash flows, and defensible market positioning continued attracting capital, while weaker and cyclical assets faced increasing scrutiny. The environment now favors firms capable of careful capital deployment and operational execution as tighter financing conditions reshape investment behavior.

Infrastructure and Take-Privates Remain a Key Capital Theme

Large-scale infrastructure and take-private transactions continued attracting capital during 1Q26 despite broader market caution. The quarter included the \$33.4 billion acquisition of AES Corporation by EQT and Global Infrastructure Partners, highlighting growing investor appetite for assets tied to utilities, power generation, and long-term infrastructure demand. Sponsors continued to favor assets with predictable earnings amid tighter financing conditions.

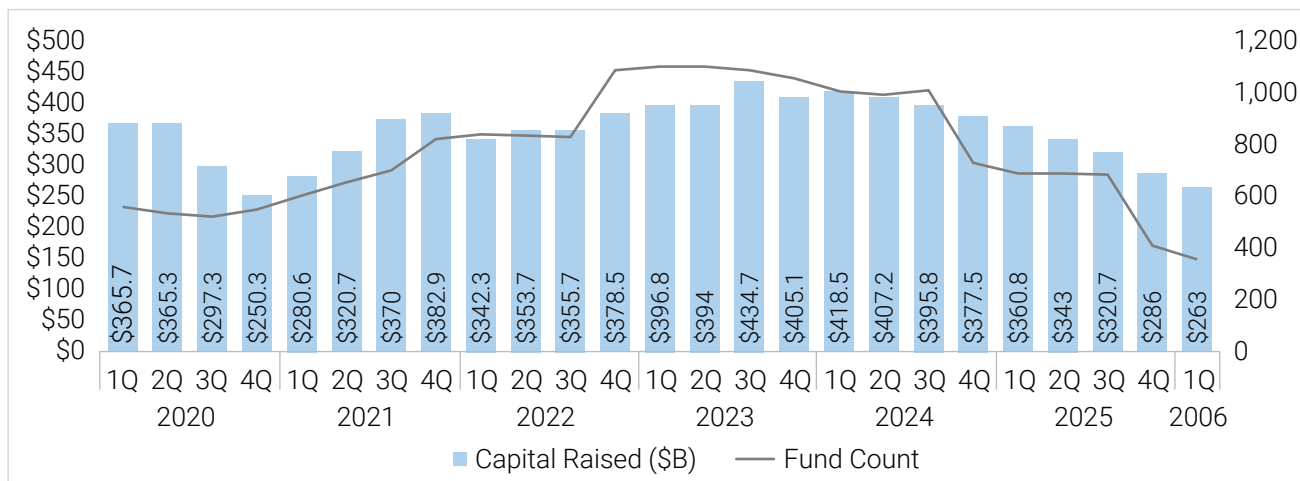
Consortium-led transactions involving sovereign wealth funds and institutional investors also became more common as firms pursued larger strategic assets. Infrastructure, transport-linked assets, and energy systems tied to AI-related demand growth remained

attractive as sponsors focused on sectors benefiting from structural tailwinds and lower disruption risk. The continued focus on infrastructure deployment reflects how firms are prioritizing earnings durability in a more cautious market.

Fundraising Activity Shows Further Signs of Slowdown

US PE fundraising activity continued to slow during 1Q26. Capital raised declined to \$263 billion from \$286 billion in 4Q25 as LPs remained cautious around new commitments amid slower distributions and uncertain exit conditions, as per the KPMG report. Fund counts also continued trending lower, reflecting a more concentrated fundraising environment in which investors increasingly favored larger and more established managers.

Figure 2: US PE Fundraising Activity



Source: KPMG analysis of PitchBook data, as of 31 March, 2026

The fundraising slowdown reflects broader pressure across private markets as slower exits and constrained distributions continue limiting LP liquidity. Investors also became more selective around manager allocation strategies, with capital increasingly concentrated

into buyout-focused and scale-driven funds. The environment now favors managers capable of demonstrating operational execution and consistent portfolio performance.

Conclusion

The first quarter showed that US PE is entering a more selective and operationally focused phase of the cycle rather than a broad contraction. The next phase of the market will likely favor sponsors with operational discipline, sector expertise, and fundraising strength. Firms that will likely navigate tighter financing conditions while identifying durable growth themes will be better positioned as private markets adjust to a more disciplined investment environment.

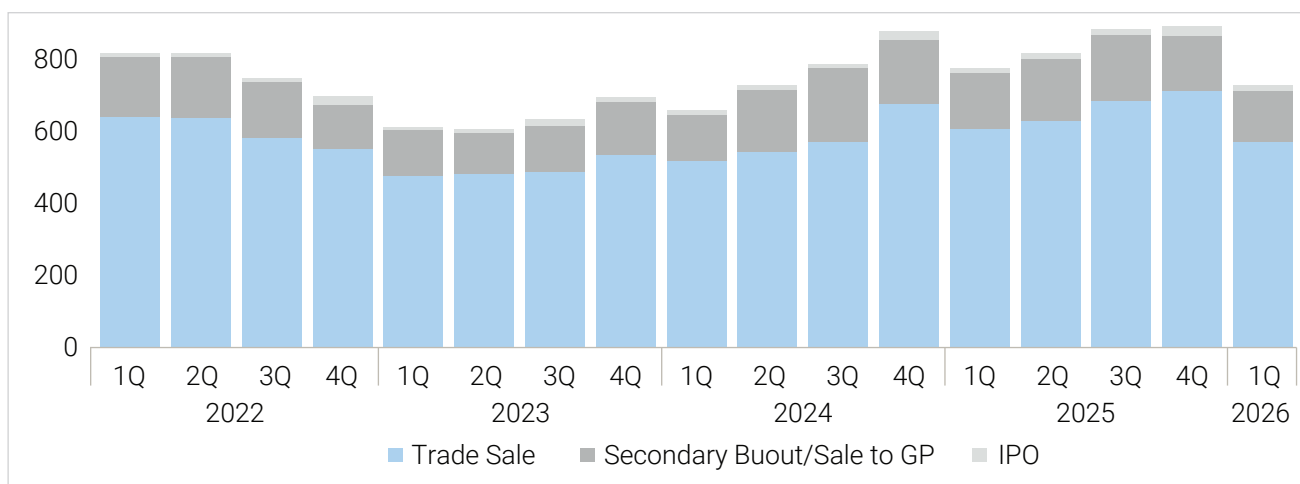
Monthly News and Analysis



Global PE Exit Activity Weakens in 1Q26

Global PE exit activity continued to weaken in 1Q26, with total exits declining 6.3% YoY to 720 transactions from 768, as per S&P Global. Trade sales transactions fell to 566 from 603, while secondary buyouts dropped to 141 from 153. Moreover, IPO exits remained subdued at just 13 deals.

Figure 3: PE-Backed Exits Volume by Type



Source: S&P Global, data as of March 31, 2026

The decline in exit volume highlights the growing disconnect between seller expectations and buyer appetite across global PE markets. Persistent macroeconomic uncertainty, changing tariff structures, and ongoing supply chain risks continue to pressure valuations and delay transactions. Buyers remain selective, focusing only on high-quality assets with resilient growth profiles, while sellers are reluctant to accept lower multiples after holding assets well beyond planned timelines. According to S&P Global, median PE holding periods have now moved beyond five years, compared with roughly four to 4.6 years before 2020, increasing pressure on firms to deliver strong returns before launching new fundraising cycles. Although aggregate exit value surged to \$311.2 billion in 1Q, the figure was heavily distorted by SpaceX's \$250 billion

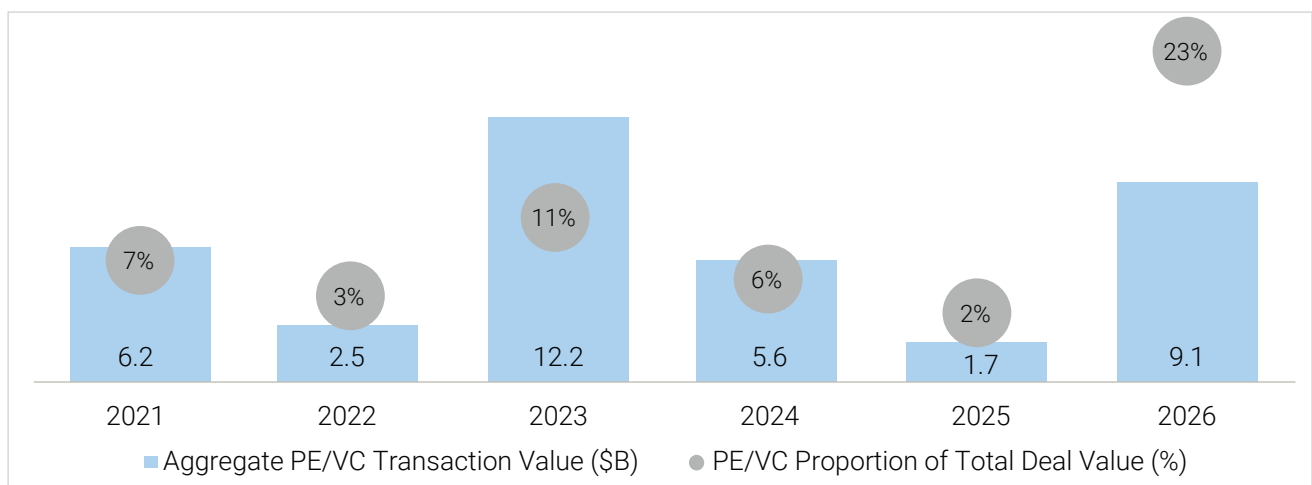
acquisition of xAI, masking broader market weakness. Outside this transaction, exit activity remained constrained, particularly in traditional IPO channels, which have yet to reopen meaningfully for sponsor-backed companies despite expectations of a broader recovery in public markets. Technology remained the most active exit sector with 198 deals, followed by industrials and healthcare, while AI-linked and digital infrastructure assets continued attracting stronger strategic interest. Smaller and midmarket buyouts also showed relatively better resilience due to broader buyer pools and financing flexibility. Overall, current exit conditions suggest PE firms will continue prioritizing continuation vehicles, secondary transactions, and selective strategic sales until valuation expectations normalize and public market confidence improves.



PE Investment in Metals and Mining Surges on Critical Minerals Megadeal

PE and venture capital (VC) investment in the metals and mining sector reached \$9.1 billion in 1Q26, surpassing previous five-year full-year totals except 2023, as per S&P Global. The increase was primarily driven by the planned \$9 billion acquisition of a 40% stake in Glencore’s Mutanda Group and Kamoto Copper cobalt assets in the Democratic Republic of Congo.

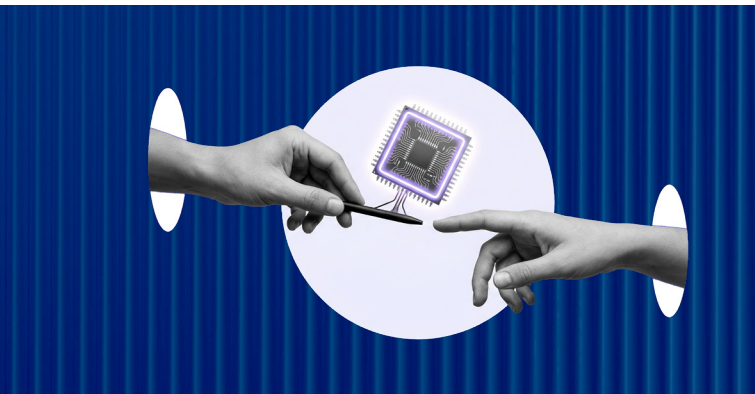
Figure 4: Global PE/VC-Backed Share of Total Metals and Mining Deals



Source: S&P Global, data as of March 31, 2026

The surge in deal value highlights how critical minerals are increasingly becoming a strategic investment theme backed by both governments and private capital. The Mutanda transaction, led by Orion Resource Partners and the US International Development Finance Corp., signals a growing alignment between national industrial priorities and PE investment strategies. Governments are placing greater emphasis on securing mineral supply chains tied to electrification, battery production, energy infrastructure, and defense applications, particularly as export restrictions and trade tensions reshape global sourcing dynamics. The deal pushed PE’s share of total metals and mining transaction value to 22.5% in 1Q, more than double the previous peak recorded in 2023. Beyond critical minerals, investor interest also remained strong in steel and gold assets. Steel attracted capital amid

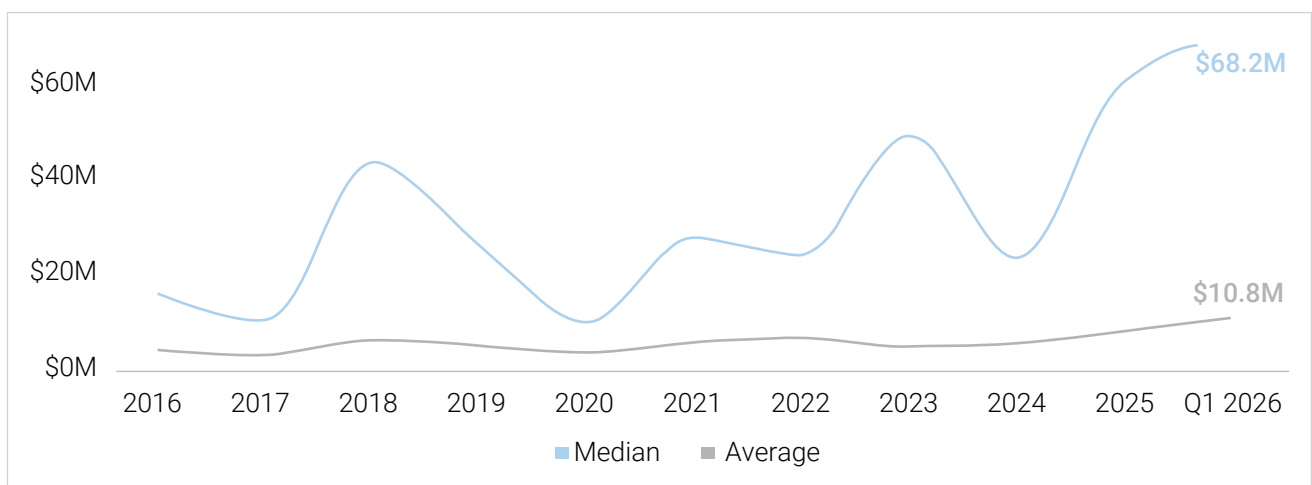
decarbonization initiatives and regulatory changes such as the EU’s Carbon Border Adjustment Mechanism, while elevated gold prices reinforced demand for safe-haven exposure. Unlike public mining majors, PE firms continue focusing on accelerated operational value creation within finite fund timelines, often targeting underperforming or stranded assets that will likely be consolidated and scaled. Smaller public companies have also benefited from stronger commodity-linked valuations, although high prices alone do not necessarily translate into project execution. Overall, current market conditions suggest critical minerals, copper, cobalt, steel, and gold will remain key areas of PE focus as governments and investors increasingly prioritize supply security, industrial resilience, and long-term resource access.



Late-Stage Venture Debt Hits Decade Highs as AI Startups Turn to Lenders

Late-stage venture debt activity reached decade highs in 1Q26, with the median deal size climbing to \$10.8 million and the average reaching \$68.2 million, as per PitchBook. Growth-stage startups accounted for 67% of US venture debt funding during the quarter as AI companies increasingly turned to debt financing over equity issuance.

Figure 5: Median and Average Late-Stage US Venture Debt Deal Value



Source: PitchBook, data as of March 31, 2026

The sharp rise in venture debt activity reflects how capital-intensive AI businesses are reshaping private financing markets, particularly among companies nearing potential public listings. Startups developing AI infrastructure, datacenters, and advanced chips require substantial funding, but many are opting for debt to avoid the dilution associated with raising additional equity at late stages. Investors and lenders are increasingly willing to support these companies because many already possess large equity cushions, strong growth trajectories, and clearer pathways toward liquidity events. Companies such as SpaceX, OpenAI, and Anthropic have collectively raised tens of billions of dollars in both equity and debt financing, underscoring the scale of capital requirements emerging across the AI ecosystem. Venture debt has also become more

attractive because lenders will likely structure financing around expected liquidity milestones and operational growth rather than relying solely on near-term profitability metrics. However, the market's growing concentration around a relatively small group of dominant AI companies is beginning to raise concerns about portfolio concentration risk among lenders. As more private capital flows into AI-related businesses, debt providers are becoming increasingly exposed to a narrow set of highly valued borrowers whose long-term economics and monetization models are still evolving. Overall, current trends suggest venture debt is becoming a critical financing tool for late-stage AI companies seeking scale without sacrificing ownership ahead of eventual public market exits.



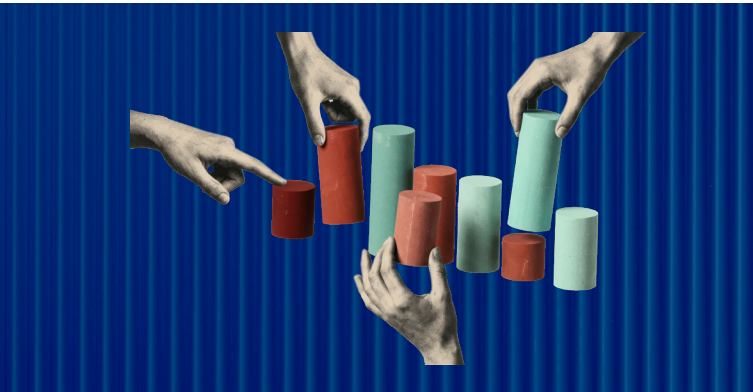
Direct Lenders Pull Back from Software Credit Markets

Direct lending funds are reducing exposure to software companies as AI-related disruption reshapes credit markets. According to PitchBook, recent software credit deals are being priced at SOFR plus 550 to 575 basis points, up from 450 to 475 previously, while leveraged loan activity was running 32% below last year's pace through March.

The pullback reflects growing caution around the durability of traditional SaaS business models as cheaper AI tools begin reshaping enterprise software economics. Direct lenders, which previously competed aggressively to finance recurring revenue software businesses, are now demanding higher yields and tighter structures to compensate for elevated uncertainty. Annual recurring revenue-based loans for high-growth SaaS companies have become increasingly scarce, particularly for businesses that remain unprofitable despite predictable subscription revenue. The retreat of conventional private credit funds has opened opportunities for opportunistic and special situations lenders willing to finance earlier-stage or more volatile software assets at significantly higher returns. Broader risk-off sentiment has also weighed on refinancing and repricing activity across leveraged finance markets, further tightening capital

availability for software borrowers. Many lenders are also reassessing valuation assumptions that previously supported aggressive lending multiples during the peak software funding environment. AI-related disruption remains central to investor concerns, particularly as enterprise customers reassess long-term subscription spending and software vendors face pressure to justify pricing power and retention assumptions. While software continues to represent a strategically important segment of private credit markets, lenders are becoming far more selective around profitability visibility, customer stickiness, and defensibility of recurring revenue streams. Overall, current conditions suggest software financing markets are shifting from growth-driven underwriting toward a more disciplined credit environment focused on resilience, cash flow durability, and fundamental business quality.

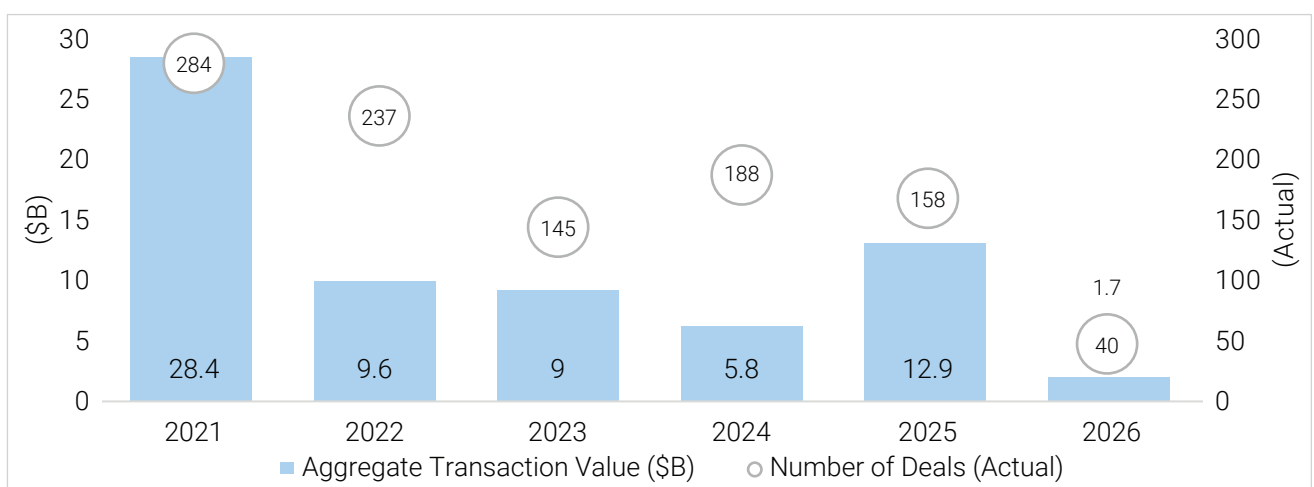




Family Office Direct Investment Activity Surges Globally

Global family office direct investments surged 123.3% YoY to \$12.9 billion across 158 transactions in 2025, marking the highest annual deal value since at least 2021, as per S&P Global. The increase reflects growing preference among family offices to invest directly in companies and real assets rather than through traditional PE and VC funds.

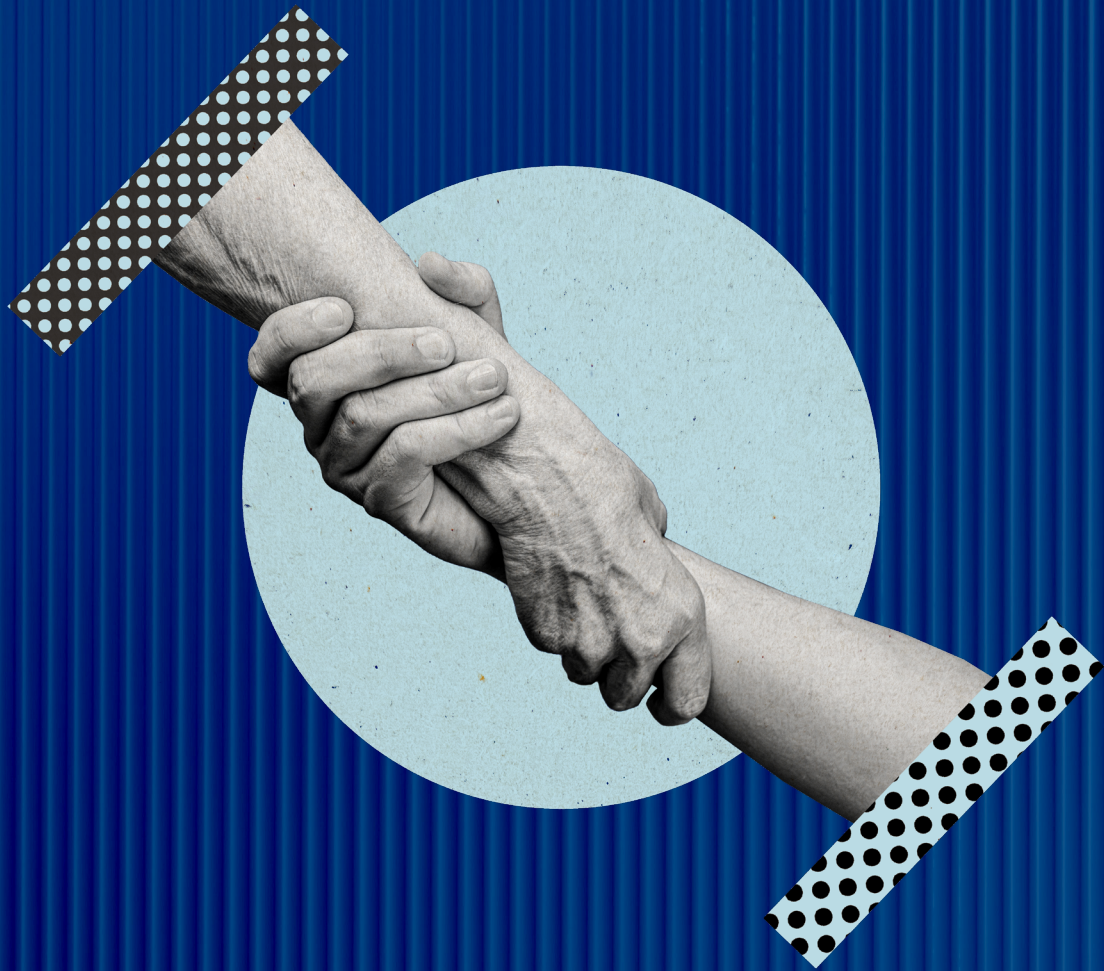
Figure 6: Global Family Office Direct Investments



Source: S&P Global, data as of March 31, 2026

The sharp rise in direct investment activity highlights how family offices are evolving into more sophisticated and influential capital allocators across private markets. Larger family offices are increasingly partnering with one another to pursue sizable acquisitions, gaining greater control over investment decisions while reducing management fees typically associated with PE funds. Improved access to institutional-grade dealmaking capabilities, alongside growing internal investment expertise, has further accelerated this shift toward direct ownership structures. The US and Canada remained the dominant destination for family office capital in 2025, attracting \$6.5 billion in deal value, followed by Europe at \$5.3 billion, as per S&P Global. However, changing market conditions are already prompting some North American family offices to reassess their US exposure and

diversify allocations toward Europe. Sector activity was heavily concentrated in materials, which accounted for 37.4% of total deal value, driven largely by BW Gestão de Investimentos' \$4.5 billion acquisition of glass packaging producer Verallia. The sector's strength also reflects continued investor interest in industrial and resource-linked assets with long-term strategic value. Unlike traditional PE firms operating within fixed fund cycles, family offices often benefit from longer investment horizons and greater flexibility, allowing them to pursue operational value creation strategies over extended periods. Overall, the acceleration in direct investing suggests family offices are becoming a far more active force in global private markets, particularly in sectors tied to infrastructure, industrial assets, and long-term capital preservation.



DEALS FLASH

Allied Industrial Partners Makes Majority Investment in Trinity



Allied Industrial Partners, a Houston-based PE firm, has made a majority investment in Trinity Industrial, a Louisiana-based equipment rental and specialty services platform. Founded in 2020, Trinity serves industrial, utility, and energy infrastructure customers

across South Louisiana and the Gulf Coast. This deal will allow Trinity to accelerate product expansion and scale rentals and specialty services. Further, it will enable Allied Industrial to deploy capital and buy-and-build expertise, supporting Trinity's entrepreneurial culture and customer relationships to drive both organic growth and targeted acquisitions across high-growth end markets.

Catchment Capital to Acquire Isolatek from SK Capital



Catchment Capital, a New York-based PE firm, has agreed to acquire Isolatek, a New Jersey-based manufacturer of fireproofing technologies, from SK Capital, a New York-based PE firm. Founded in 1875, Isolatek provides passive fireproofing materials for critical infrastructure, including data centers, manufacturing, and commercial buildings. This deal will allow

Isolatek to accelerate investment in its leading intumescent product portfolio and scale deployment of FireSolve SB across high-growth end markets. Further, it will enable Catchment to support innovation, operational expansion, and targeted M&A to strengthen service delivery and capture secular demand shifts.

Catchment Capital Makes Majority Investment in Vertech Industrial



Catchment Capital, a New York-based PE firm, made a majority investment in Vertech Industrial Systems, an Arizona-based process automation and digital systems integrator. Founded in 2004, Vertech provides industrial systems integration through

advanced automation, SCADA, and manufacturing execution systems (MES) solutions that bridge the gap between IT and operations. This deal will allow Vertech to accelerate execution of complex automation and digital plant projects, enhance real-time data visibility, and expand customer value. Further, it will enable Catchment to provide capital, sector expertise, and partnership to scale Vertech's automation capabilities.

Behrman Capital Acquires Metallizing Service Company



Behrman Capital, a New York-based PE firm, has acquired Metallizing Service Company (MSC), a Connecticut-based provider of highly engineered coating solutions. Founded in 1940, MSC provides engineered thermal spray coatings and finishing services for the military, commercial aerospace, and industrial gas turbine spaces. This deal will allow MSC to expand capacity, invest in advanced

thermal spray and surface-treatment capabilities, and broaden adjacent finishing services while preserving its qualification driven, OEM approved operations. Further, it will enable Behrman to provide capital, strategic guidance, and M&A support to accelerate growth.

Avem Acquires PAMCO



Avem Partners, a California-based PE firm, has acquired Precision Aircraft Machining Company (PAMCO), a California-based provider of precision aerospace fittings. Founded in 1980, PAMCO provides precision manufacturing of source-controlled fittings for aerospace,

defense, and space applications. This deal will allow PAMCO to expand production capabilities, enhance operational efficiency, and deepen its precision manufacturing for mission critical components. Further, it will enable Avem to deploy operational expertise, long term capital, and strategic support to scale the aerospace and defense platform through organic and inorganic growth.

Montage Partners Invests in Lighten Up



Montage Partners, an Arizona-based PE firm, has invested in Lighten Up, a Los Angeles-based provider of professional lighting services. Founded in 2002, Lighten Up provides premium lighting design, equipment, and technical production services for high-profile live events. This deal will allow Lighten Up to invest in equipment and technical capabilities, expand into new geographic markets, including New York,

and deepen its integrated live event services while preserving its culture and attentive customer service. Further, it will enable Montage to provide strategic support, network access, and growth capital to accelerate scalable expansion.

Grovecourt Capital Backs Guide Architecture



Grovecourt Capital, a Florida-based PE firm, has invested in Guide Architecture, a Dallas-based healthcare-focused architecture and planning firm. Founded in 2014, Guide plans and designs diverse healthcare and medical facilities, including hospitals, outpatient centers, behavioral health facilities, and medical office buildings. This deal will allow Guide to expand talent and technology investments, extend geographic reach, and maintain senior led, hands on design delivery across healthcare projects. Further, it will enable Grovecourt to provide capital, strategic support, and acquisition expertise to deepen Guide's healthcare specialization and client relationships.

One Rock Exits NORPAC to International Paper



One Rock Capital Partners, a New York-based PE firm, will sell its portfolio company, North Pacific Paper Company (NORPAC), a Washington-based manufacturer of paper packaging materials and publication paper, to International Paper, a Tennessee-based provider of sustainable packaging solutions. Founded in 1979, NORPAC produces environmentally sustainable, lightweight recycled packaging papers. This deal will allow

NORPAC to integrate with a larger packaging platform and leverage location and operations to serve the West Coast customer. Further, it will enable One Rock to realize value from its multi-year transformation and ownership.

THL Exits AMI to Lattice Semiconductor



THL Partners, a Massachusetts-based PE firm, has agreed to sell American Megatrends International (AMI), a Georgia-based developer of infrastructure management firmware, to Lattice Semiconductor, an Oregon-based developer of semiconductor technology. Founded in 1985, AMI provides platform firmware and infrastructure manageability solutions for cloud and AI. This deal will allow

AMI to extend its platform firmware and manageability solutions into a broader portfolio of secure management and control offerings for agnostic companion chips. Further, it will enable THL to provide capital and oversight to integrate, scale, and expand markets.

GTCR Acquires Zentiva from Advent



GTCR, a Chicago-based PE firm, has acquired Zentiva, a Europe-based generics pharmaceutical company, from Advent, a Massachusetts-based PE firm. Zentiva develops, manufactures, and supplies

generic, branded specialty, and over-the-counter medicines to millions of people across more than 40 countries. This deal will allow Zentiva to accelerate new product development, broaden its portfolio and geographic reach, and improve patient access to affordable medicines across Europe. Further, it will enable GTCR to deploy industry expertise, capital, and strategic support to scale manufacturing, expand markets, and sustain long-term growth.



TRENDS AND STATS

April Middle-Market Deal Summary

51.1%
of the deals were made in the Business Products and Services (B2B) sector.

65.8%
of B2B deals were in Commercial Services.

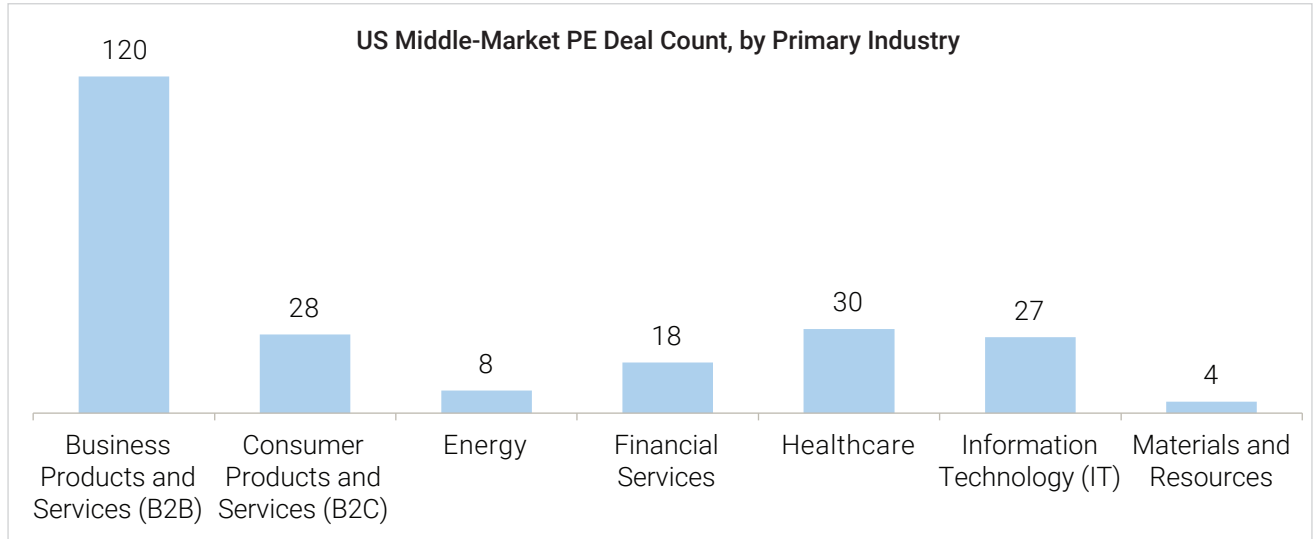
12.8%
of the deals were in Healthcare.

76.7%
of healthcare deals were in Healthcare Services.

California
experienced the highest dealmaking activity, followed by Texas.

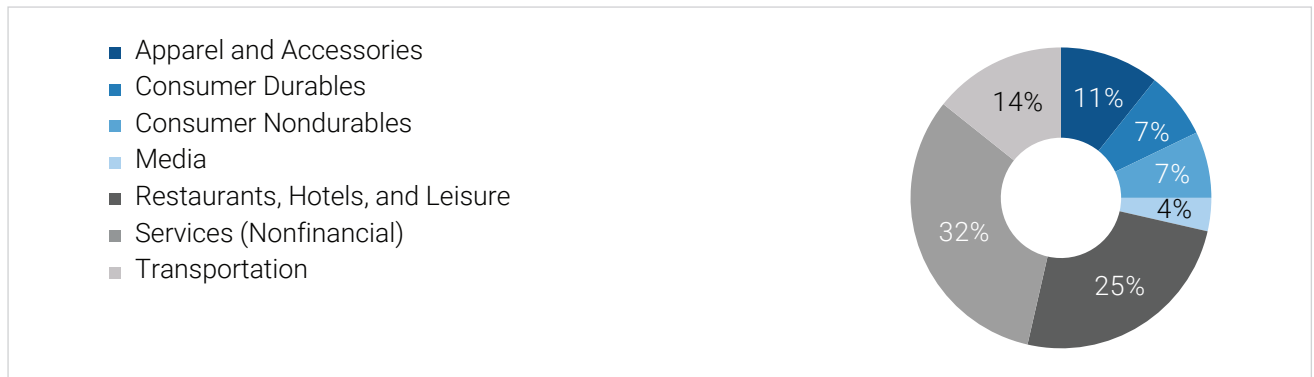
77.4%
of the deals were buyouts.

Figure 7: April 2026 Middle-Market Deal Summary



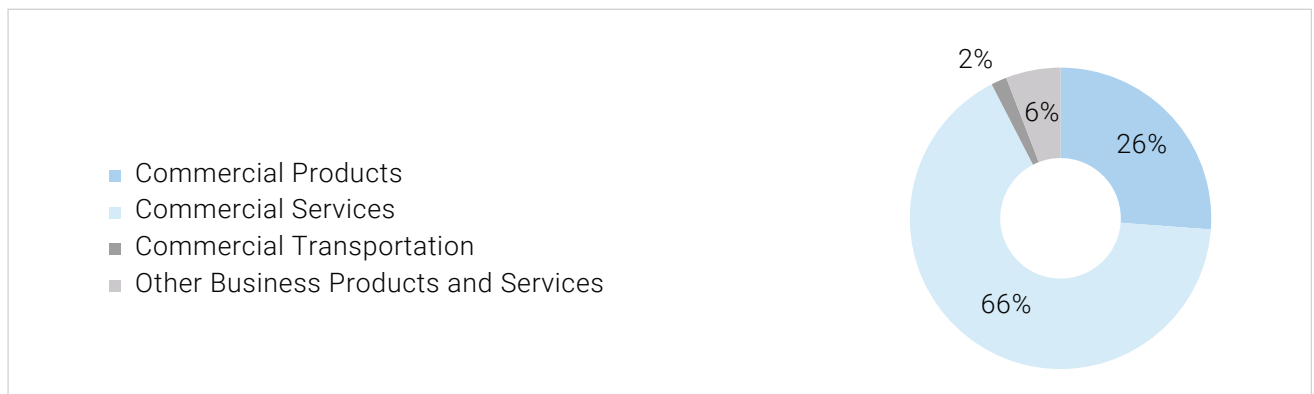
Source: SG Analytics Research

Figure 8: Share of Consumer Products and Services



Source: SG Analytics Research

Figure 9: Share of Business Products and Services

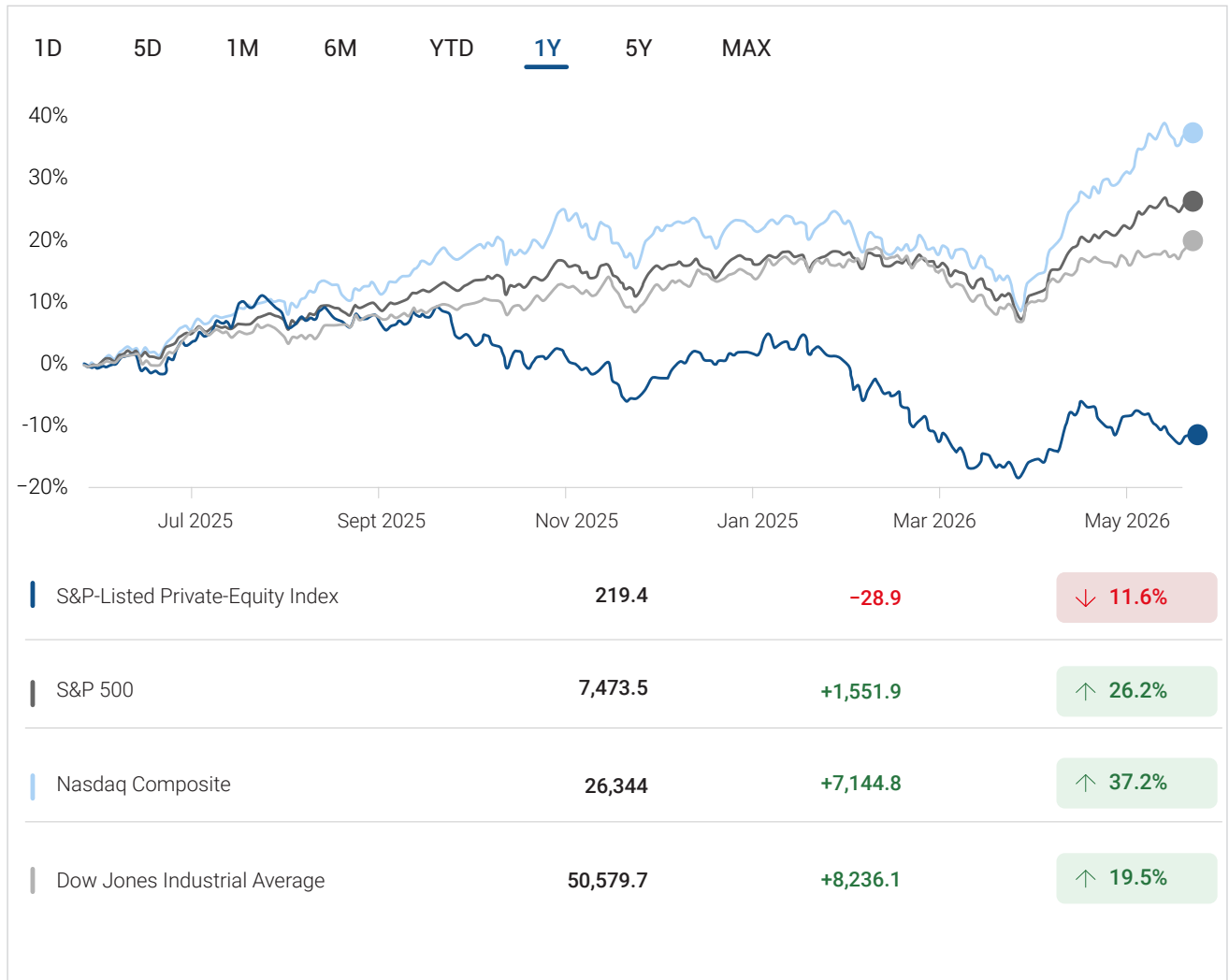


Source: SG Analytics Research

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

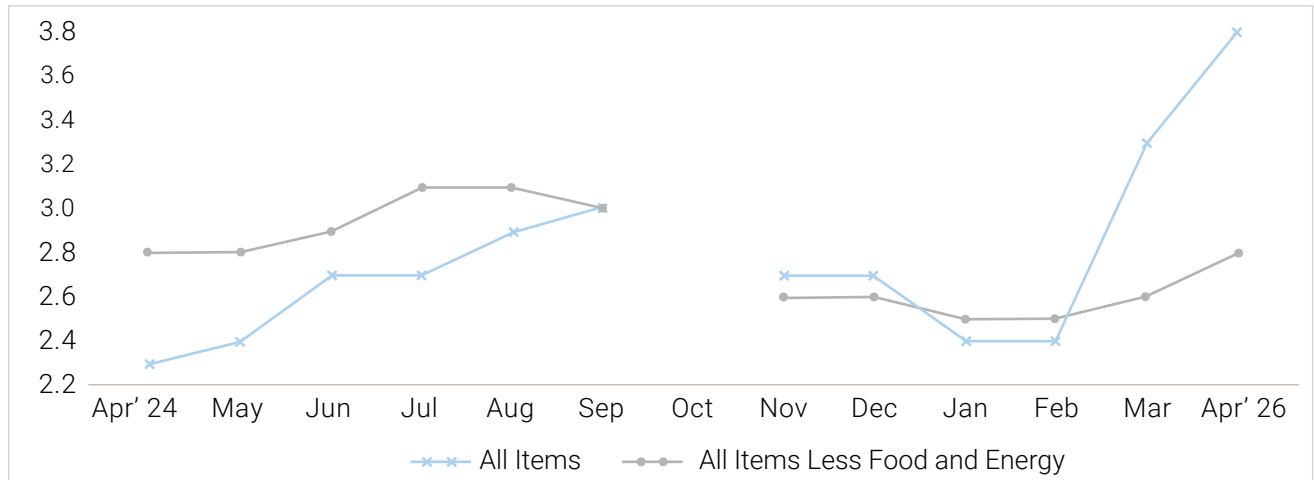
Figure 10: S&P-Listed Private-Equity Index



Note: Data as of April 17, 2026

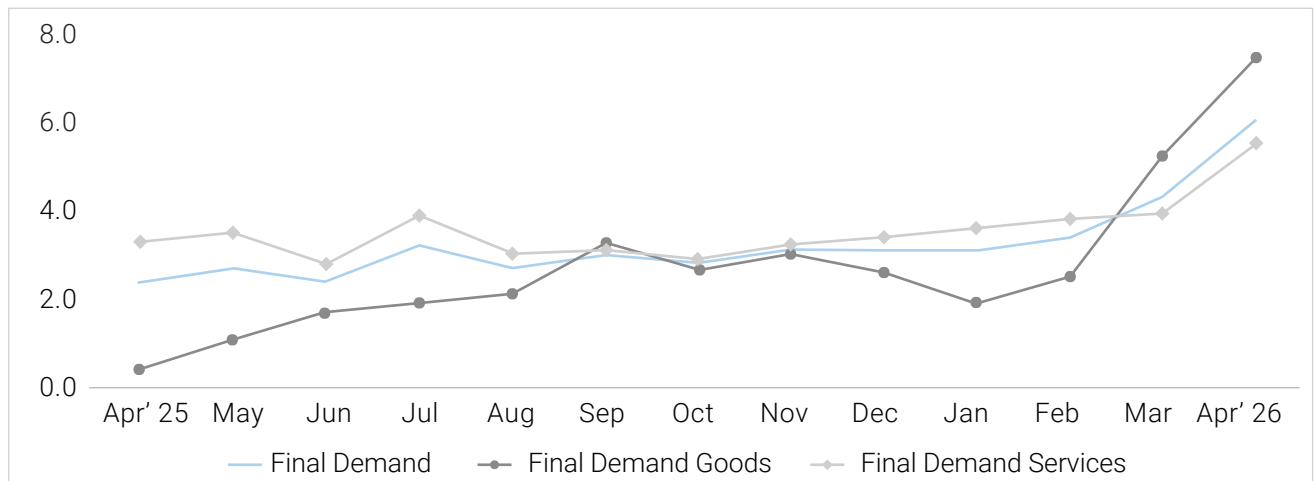
Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.6%	3.8%
Producer Price Index (PPI)	1.4%	6%

Figure 11: 12-Month Percent Change in CPI for All Urban Consumers (Not Seasonally Adjusted)





Source: US Bureau of Labor Statistics

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



Source: US Bureau of Labor Statistics

Upcoming Events

		
Women in Private Markets Summit North America 2026	June 2–3, 2026	Convene, 117 West 46th Street, New York, NY
2nd Annual PE Summit	June 15, 2026	Nasdaq MarketSite, 151 West 43rd Street, 10th floor, New York, NY
Operating Partners Forum Napa 2026	June 23–25, 2026	Silverado Resort, Napa, CA

SGA Newsletter team



Steve Salvius



Kunal Doctor



Sandeep Jindal



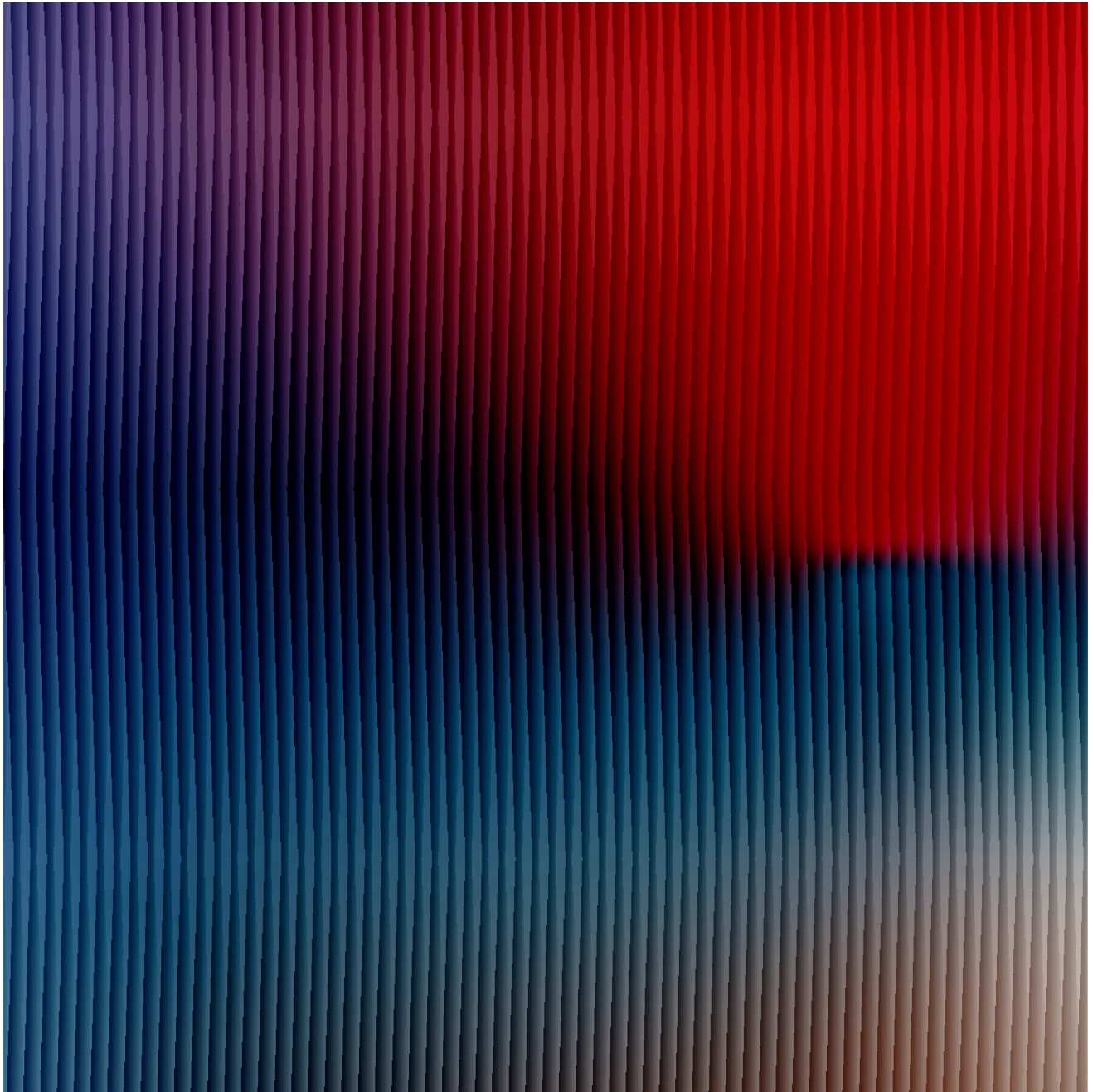
Anwar Jakhhal



Shreyanka Pal



Isha



Disclaimer —

SG Analytics (SGA), a Straive company, is a leading global data and AI consulting firm delivering solutions across AI, Data, Technology, and Research. With deep expertise in BFSI, Capital Markets, TMT (Technology, Media & Telecom), and other emerging industries, SGA empowers clients with Ins(AI)ghts for Business Success through data-driven transformation.

A **Great Place to Work**® certified company, SGA has a team of over 1,400 professionals across the U.S.A, U.K, Poland, and India. Recognized by Gartner, Everest Group, ISG, and featured in the Deloitte Technology Fast 50 India 2024 and Financial Times & Statista APAC 2025 High Growth Companies, SGA delivers lasting impact at the intersection of data and innovation.

Copyright © 2026 SG Analytics Pvt. Ltd.



www.sganalytics.com

