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PRIVATE EQUITY NEWSLETTER

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2Q26 US PE BREAKDOWN

Slower Dealmaking, High Valuations, and Exit Constraints Define US PE

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 PE BREAKDOWN 2Q26:

Dealmaking Slows as Sponsors Turn More Selective

In 2Q26, US private equity (PE) dealmaking slowed as sponsors became more selective across transaction sizes and sectors. While capital continued to find opportunities, limited exits and distributions weighed on the broader market, influencing both deployment decisions and fundraising activity.

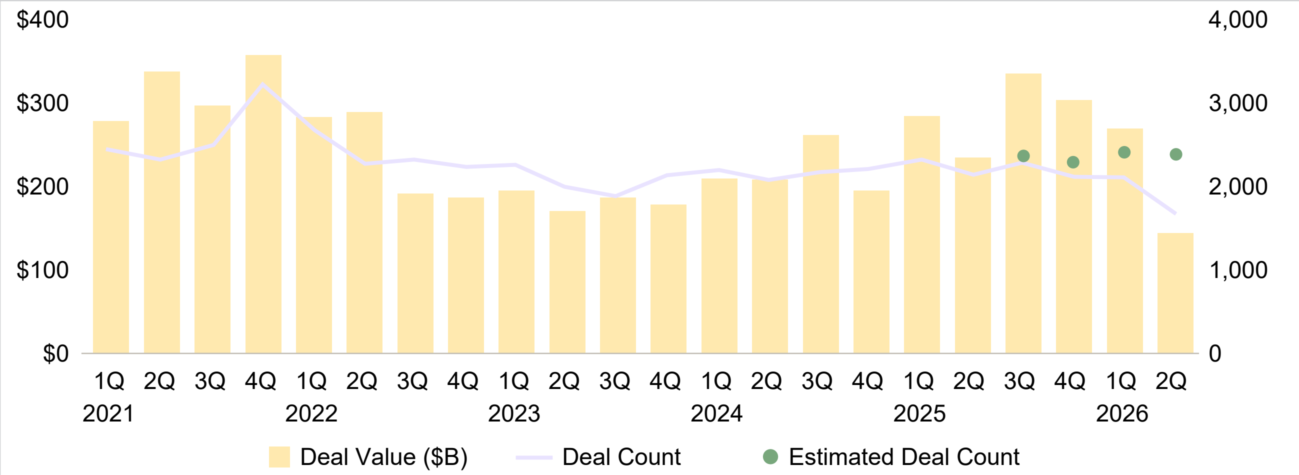
US PE is becoming more selective, with sponsors favoring smaller deals and stronger sectors. High entry multiples, constrained exits, and concentrated fundraising are reshaping how capital is deployed and returned.

US PE entered 2026 after a record year for dealmaking, but the recovery proved difficult to sustain. 2Q brought a sharp slowdown as financing conditions, uncertainty around rates, and changing sector fundamentals weighed on investment decisions. Yet activity remained uneven rather than uniformly weak. Capital continued to find selected opportunities, while limited exits created liquidity pressures that increasingly influenced fundraising and capital allocation across the industry.

Deal Value Falls as Sponsors Shift Toward Smaller Transactions

US PE deal value declined 37.5% QoQ to $177.3 billion in 2Q26, while deal count remained broadly flat at 2,384 transactions, as per PitchBook. The divergence shows that sponsors continued to transact, but at smaller average deal sizes. Weakness was particularly visible at the top end of the market, with deals valued at $2.5 billion or more generating a combined total of $25.9 billion across five transactions.

Figure 1: US PE Deal Activity by Quarter



Source: PitchBook, data as of June 30, 2026

Deal activity increasingly favored smaller, lower-risk structures. Add-ons remained the dominant buyout strategy, accounting for roughly three-quarters of buyout transactions, while growth and expansion was the only segment to record YoY growth in deal count. Sponsors also prioritized refinancings and maturity extensions. Rather than signaling a retreat, the shift points to risk repricing as investors favor opportunities requiring less debt and lower execution risk.

Software Pulls Back as Energy Gains PE Interest

The slowdown has exposed a widening gap between sectors. Software experienced the sharpest pullback, with deal value falling to $10.7 billion, down 65.7% YoY, as per PitchBook. Energy moved in the opposite direction, with YTD deal value increasing 80.5% compared with 1H25. The divergence suggests investors are becoming more selective about sector exposure, favoring businesses supported by structural demand while reassessing areas facing greater disruption risk.

AI is playing an important role in this shift. Software businesses are being reassessed as AI compresses the disruption timeline, while infrastructure requirements are supporting investment elsewhere. The roughly $10 billion formation of Helix Digital Infrastructure reflected the datacenter thesis, while the approximately $6 billion Cleco buyout highlighted interest in power infrastructure. KKR's roughly $3 billion acquisition of Crowe also showed continued conviction in professional services, supported by recurring advisory revenue and long-standing client relationships.

Buyout Multiples Stay High as Sponsors Put in More Equity

Recent entry valuations remain elevated despite a more difficult deal environment. Median US buyout EV/EBITDA closed 2025 at 12.5x, up from 9x in 2015 and level with the 2021 peak, as per PitchBook. However, higher prices partly reflect the quality of assets clearing the market. Median EBITDA margins at entry increased from 20.3% in 2015 to 23.3% in 2025, indicating that sponsors are buying businesses with stronger underlying financial characteristics.

The financing behind these acquisitions has also changed. Median net debt/EBITDA stood at 4.7x in 2025, below the 5.2x reached in 2021, while equity contribution per turn of EBITDA increased from 4.5x to 7.8x over the decade. Sponsors are therefore paying more while borrowing less. This puts greater emphasis on the performance of the underlying business, making operational improvement increasingly important when leverage provides less support to investment returns.

Mega-Exits Mask a Broader Liquidity Problem

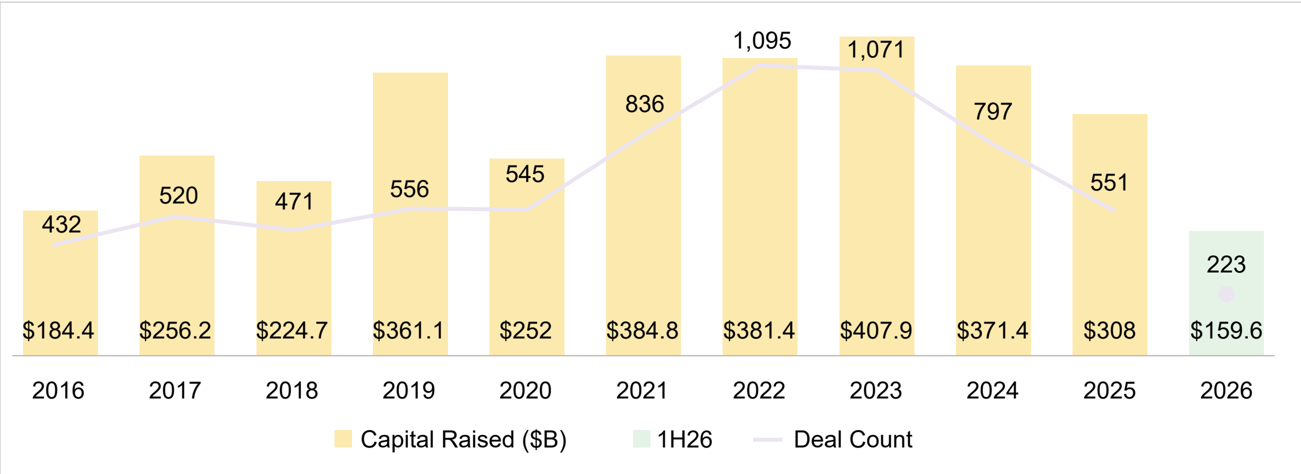
Exit activity remained under pressure during the quarter. 2Q exit value declined 46.3% QoQ to $102.6 billion, while mega-exits of $1 billion or more accounted for more than 61% of quarterly value, as per PitchBook. Premium assets will likely still clear at scale, but conditions remain difficult for the broader portfolio backlog. Selective realizations therefore provide limited relief to an industry that needs a wider reopening of exit channels to restore liquidity and distributions.

Liquidity conditions varied across sectors. Energy was the only sector to record QoQ growth in both exit count and value. The $1.6 billion sale of Brazos Midstream to Western Midstream Partners and the sale of EagleRidge Energy to Marubeni illustrate how energy assets continue to find strategic buyers. However, with PE-backed company inventory reaching 13,509 in 2Q26, individual successful transactions cannot resolve the industry's broader liquidity backlog.

Large Managers Gain Share as Fundraising Slows

Weak distributions are weighing on fundraising. US PE managers raised $159.6 billion across 223 funds through 1H26, putting fundraising on pace with 2025's muted total, as per PitchBook. Even 2Q's apparent improvement was driven largely by a handful of major closes rather than broad-based strength. KKR's $23 billion North America Fund XIV and Clearlake's $14.8 billion Fund VIII demonstrate how a small number of large managers continues to materially influence headline fundraising figures.

Figure 2: US PE Fundraising Activity



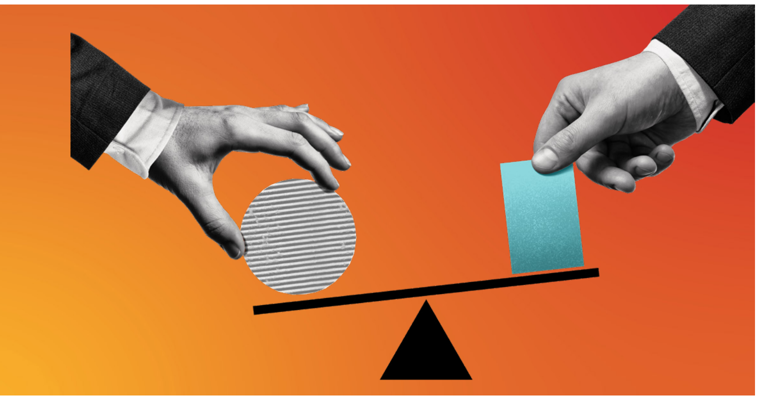
PitchBook, data as of June 30, 2026

Limited LP capital is also becoming increasingly concentrated. Funds below $1 billion accounted for only 16.7% of capital raised so far in 2026, while experienced managers attracted most commitments. Evergreen structures offer another growth channel, with US evergreen PE AUM increasing to $99 billion from $50 billion since the beginning of last year. If traditional fundraising remains constrained, these structures are expected to further strengthen scaled managers with established wealth businesses and alternative channels for attracting capital.

Conclusion

US PE is undergoing a market reset rather than a uniform downturn. Sponsors are responding through smaller transactions, greater sector selectivity, and higher equity contributions, while premium assets continue to find buyers. The larger challenge remains restoring liquidity across the ecosystem. Until exits broaden and distributions improve, deployment and fundraising are likely to remain uneven, placing greater importance on selecting assets and managers capable of creating value without relying on easier financing or a broad market recovery.

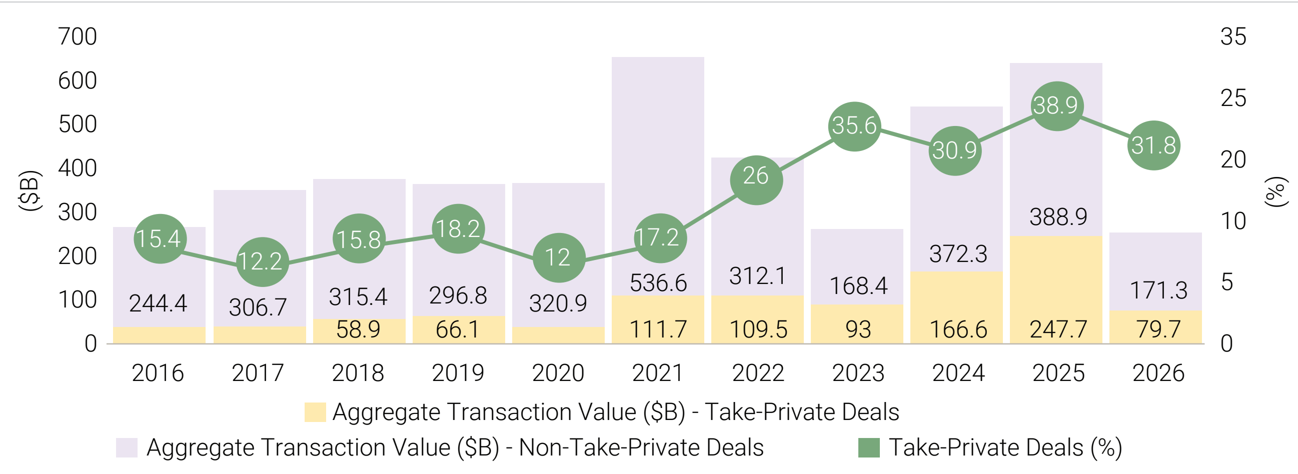
Monthly News and Analysis



Elevated Valuations Weigh on Take-Privates

Global PE take-private deal value declined 18% YoY to $79.71 billion in 1H26, as per S&P Global. Meanwhile, the S&P 500 gained 9.5% through June, raising acquisition costs, while the $48.08 billion AES transaction represented more than half of total take-private value.

Figure 3: Global Take-Private Deals with PE/VC Involvement



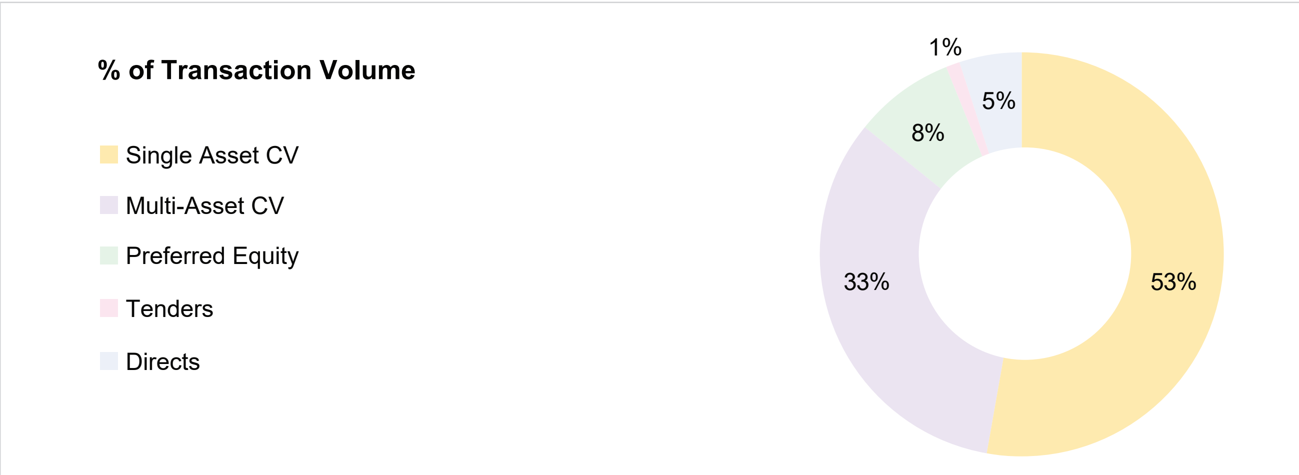
Source: S&P Global, data as of June 30, 2026

The divergence between available private capital and slowing take-private activity highlights the challenge of deploying capital at attractive valuations. Recent closes demonstrate that fundraising momentum remains supportive, with Francisco Partners raising $21 billion across its flagship and middle-market funds, while Clipway secured $6.4 billion for its inaugural secondaries fund. Deployment conditions, however, remain challenging for large public-to-private transactions. Rising public equity valuations increase acquisition premiums and make it harder for sponsors to generate attractive returns at prevailing prices. Deal activity is also highly concentrated, with the pending AES acquisition illustrating how a small number of megadeals will likely significantly influence overall transaction value. Elsewhere, Brookfield agreed to acquire Aypa Power for approximately $7 billion, while Brookfield and CPP Investments agreed to acquire LXP Industrial Trust for approximately $5.2 billion. These conditions will likely increasingly push sponsors toward middle-market transactions, private-company acquisitions, and sectors where operational improvements provide greater control over returns. Secondaries should also benefit as LPs seek liquidity while traditional exits remain constrained. Family offices represent another source of incremental capital, with direct investments rising 123.3% YoY to $12.9 billion across 158 transactions in 2025. For investors, the combination of substantial available capital and expensive public markets is expected to reshape deployment strategies, favoring managers with disciplined entry valuations and differentiated sourcing while directing more capital toward private and middle-market opportunities.

Continuation Funds Drive Secondary Market to Record 1H

Global secondary deal volume surpassed $120 billion in 1H26, up 20% YoY to a new first-half record, as per Evercore. GP-led transactions accounted for nearly 54% of activity, with single-asset continuation vehicles contributing $34 billion as sponsors sought liquidity while retaining high-performing portfolio companies.

Figure 4: GP-Led Market Breakdown by Deal Type



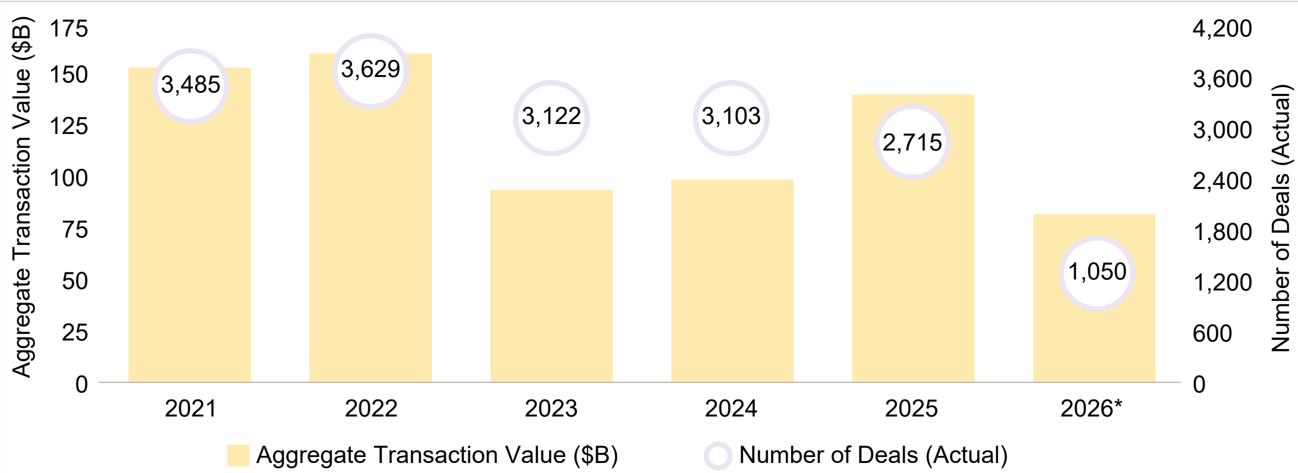
Source: Evercore, data as of June 30, 2026

The growth of continuation funds reflects how PE managers are adapting to a prolonged slowdown in traditional exits. With M&A and IPO markets leaving assets in aging funds, sponsors are increasingly using continuation vehicles to return capital to existing LPs without selling their strongest companies prematurely. Single-asset vehicles have become particularly attractive because they allow GPs to extend ownership of high-conviction businesses while offering existing investors an opportunity to cash out. Continuation funds now represent 86% of GP-led transaction volume, marking a shift from earlier periods when LP-led deals dominated the secondary market. The trend is also creating a larger investment opportunity for dedicated secondary managers, with ICG Strategic Equity, Carlyle AlpInvest and Lexington Partners among firms raising capital for single-asset transactions. Investor selectivity remains important, particularly in technology. Software's share of GP-led volume declined by 8 percentage points as concerns around AI disruption, weaker public-market comparables and uneven operating performance affected valuations. Meanwhile, rapid deployment is beginning to absorb the large pool of capital raised for secondaries. After secondaries funds raised a record $119.9 billion in 2025, dry powder declined 10% during 1H26, while the capital overhang multiple approached 1.0x, as per PitchBook. For investors, continued exit constraints should support secondary activity, but declining dry powder will likely strengthen pricing for quality assets and increase competition among buyers for attractive continuation fund opportunities.

PE Investment in Industrials Heads Toward a New High in 2026

Global PE and VC investment in industrials reached $82.1 billion between January and May 2026, compared with $140.99 billion for full-year 2025, as per S&P Global Market Intelligence. At the current pace, annual deal value will likely surpass the $160.47 billion recorded in 2022, setting a six-year high.

Figure 5: Global PE/VC-Backed Investments in Industrials



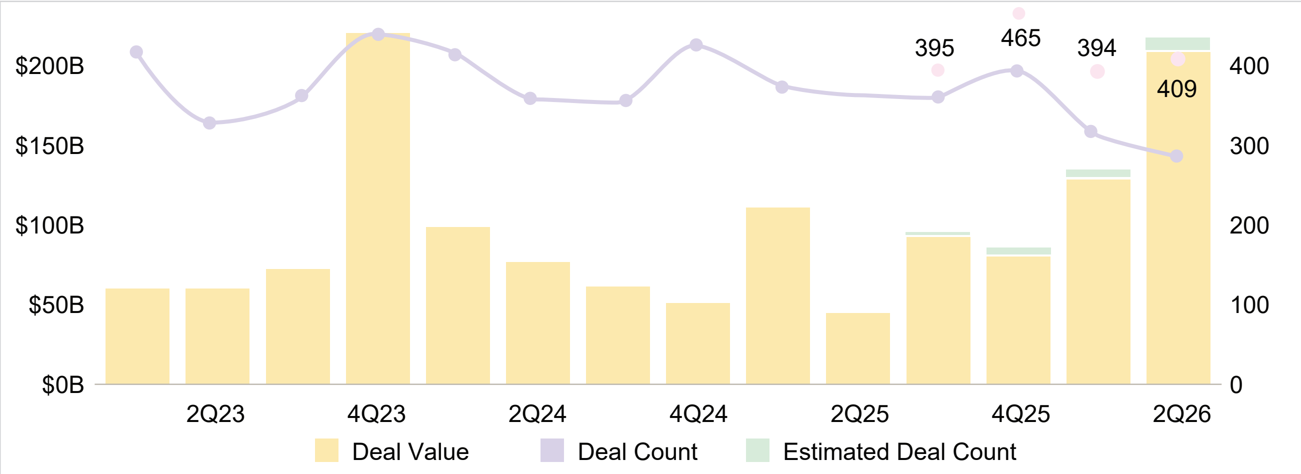
Source: S&P Global, data as of May 31, 2026

Industrials are gaining investor attention as AI infrastructure, supply-chain shifts and rising defense spending create multiple sources of long-term demand. The global data-center buildout is expanding opportunities beyond computing hardware into power equipment, cooling systems, grid infrastructure and other physical assets required to support AI deployment. Apollo's $2.3 billion acquisition of a majority stake in heat-exchanger manufacturer Kelvion illustrates this trend, with data centers representing the company's largest and fastest-growing segment at the time of acquisition. Defense is emerging as another important investment theme, supported by rising European budgets and US demand for cheaper, reusable and AI-enabled systems. Aerospace and defense attracted $23.36 billion of PE and VC investment in 2025, including a $2.5 billion funding round for autonomous defense technology company Anduril. At the same time, industrial businesses offer investors exposure to tangible assets and established demand at a time when AI is creating greater uncertainty around parts of the software sector. Investor selectivity, however, is increasing. Median industrial deal size rose from $7.2 million in 2024 to $11.6 million in 2025, as buyers favored larger businesses considered more resilient to tariffs and supply-chain disruption. For investors, this suggests that the current industrial investment cycle is being driven by structural themes rather than broad-based risk appetite, with businesses exposed to data centers, electrification, grid modernization, advanced manufacturing and defense positioned to attract a growing share of private capital.

AI-Driven Power Demand Pushes Energy M&A Toward Record Levels

Global energy M&A reached an estimated $217 billion in 2Q26, up 62% QoQ and nearly 5x YoY, as per PitchBook. North America accounted for 77% of deal value, as rising electricity demand from AI data centers accelerated acquisitions of utilities and existing power-generation infrastructure.

Figure 6: Global Energy M&A Activity



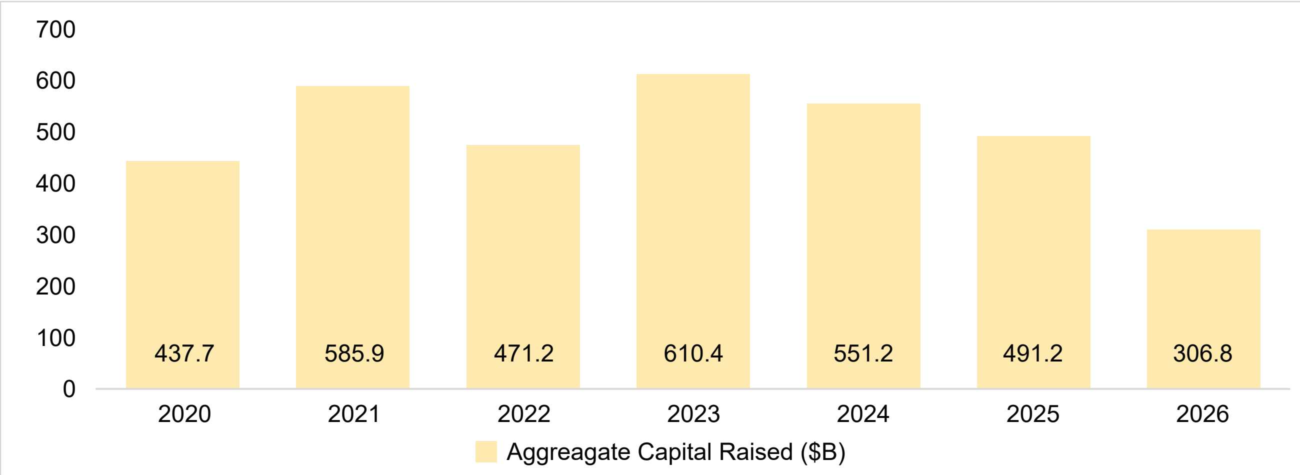
Source: PitchBook, data as of June 30, 2026

AI infrastructure is reshaping the investment case for power assets. US data-center electricity demand is projected to increase from 75.8 GW in 2026 to 134.4 GW by 2030, as per a forecast by 451 Research, part of S&P Global. However, adding supply is slower. The median US power project spent 61 months in the interconnection queue in 2025, compared with 36 months in 2015. This mismatch is increasing the strategic value of generation, transmission capacity, and grid access. For investors, this creates a scarcity premium around assets that will likely deliver power where data-center development is concentrated. This was reflected in NextEra Energy's $67 billion merger with Dominion Energy, which provides exposure to Virginia, the largest US data-center market, and the $33.4 billion acquisition of AES by a BlackRock GIP and EQT-led consortium. Rather than waiting years for greenfield projects to receive approvals and grid connections, strategic and financial buyers will likely acquire existing capacity. This helps explain why deal value has expanded faster than deal count, indicating that capital is increasingly concentrated in larger strategic transactions. The opportunity is also broadening beyond utilities into natural gas generation and transmission infrastructure, creating additional avenues for private capital to gain exposure. If AI-related electricity demand continues to outpace additions to generation and transmission capacity, existing energy assets in data-center-heavy markets should remain valuable, supporting further consolidation and infrastructure investment.

PE Fundraising Rebounds as Capital Concentrates Around Buyout Strategies

Global PE managers raised $306.78 billion across 157 funds in 1H26, equivalent to 62% of full-year 2025 fundraising, as per S&P Global. Buyout strategies captured 70% of capital raised, while North America-focused funds attracted $131.49 billion, accounting for roughly 43% of the total.

Figure 7: Global PE Fundraising Trend



Source: S&P Global, data as of June 30, 2026

PE fundraising is showing signs of recovery after two years of decline, but the rebound remains concentrated among established managers. LP priorities are shifting from paper returns toward realized distributions, with distributions to paid-in capital (DPI) becoming increasingly important as investors seek cash returns that will likely be recycled into new commitments. This gives managers with successful full exits a fundraising advantage and is reinforcing a broader shift towards proven managers. The trend is visible among recent closes. KKR raised $23 billion for North America Fund XIV, exceeding its $20 billion target, while most large funds closed during the 1H were raised by managers founded at least 20 years ago. At the same time, the recovery is creating opportunities beyond mega-funds. Middle-market managers are regaining LP attention as investors look for differentiated sourcing, operational expertise and potentially stronger alpha in less crowded segments. Secondaries are also attracting significant capital as investors seek liquidity-oriented solutions in a constrained exit environment. Fundraising conditions remain challenging for many managers. Around 27% of funds closed in the 1H required more than two years to reach final close, while the 10 largest funds in market are collectively targeting $195.7 billion. For investors, the improving fundraising environment therefore does not indicate a broad recovery. Capital is increasingly concentrating around managers that are expected to demonstrate realizations, differentiated investment capabilities, and consistent performance across market cycles.

DEALS FLASH

Pelican Energy Acquires Riggins Company

Pelican Energy Partners, a Texas-based PE firm, has acquired Riggins Company, a Virginia-based provider of engineered metal fabrication and custom components. Founded in 1960, Riggins provides engineered metal fabrication, specialty welding, and custom components for the U.S. Navy, shipbuilding, power, refining, petrochemical, and aerospace industries. This deal will allow Riggins to expand capacity, invest in its workforce, and deliver quality performance to meet customer needs. Further, it will enable Pelican to partner with the Riggins team to invest in capacity and support continued company growth across multiple industries.

Industrial Growth Exits Prince & Izant to TransDigm

Industrial Growth Partners, a San Francisco-based PE firm, has agreed to sell Prince & Izant, a Cleveland-based brazing alloys manufacturer, to TransDigm Group, a Cleveland-based aerospace components manufacturer, for approximately $1.1 billion in cash, including certain tax benefits. Founded in 1927, Prince & Izant develops engineered brazing alloys and specialty metal components for aerospace, defense, transportation, medical, and industrial applications. This deal will allow Industrial Growth Partners to realize value from its investment. Further, it will enable Prince & Izant to expand through TransDigm's aerospace expertise and reach.

Truelink Acquires Lyons Magnus from Paine Schwartz

Truelink Capital, a Los Angeles-based PE firm, has acquired Lyons Magnus, a Fresno-based specialty ingredients manufacturer, from Paine Schwartz Partners, a New York-based PE firm. Founded in 1852, Lyons Magnus develops specialty ingredients, beverage bases, syrups, sauces, concentrates, and nutrition solutions for coffeehouse, foodservice, healthcare, and quick-service restaurant customers. This deal will allow Paine Schwartz Partners to realize value after expanding the business. Further, it will enable Lyons Magnus to accelerate innovation, strengthen customer relationships, and pursue long-term growth with Truelink's specialized operational resources.

One Equity Acquires United WELD from Bernhard

One Equity Partners, a New York-based PE firm, has agreed to acquire United WELD Holdings, a parent company of EPIC Piping, a Baton Rouge-based pipe fabrication platform, from Bernhard Capital Partners, a Baton Rouge-based infrastructure-focused PE firm. Founded in 2014, United WELD Holdings manufactures engineered piping systems for energy and industrial infrastructure projects. This deal will allow Bernhard Capital Partners to realize value from building the platform. Further, it will enable EPIC to expand capacity, strengthen automation capabilities, and pursue infrastructure-driven growth across critical end markets and nationwide opportunities.

IMB Partners Acquires Strategic Land Services

IMB Partners, a Bethesda-based PE firm, has acquired Strategic Land Services, an Oakwood-based utility infrastructure contractor. Founded in 1998, Strategic Land Services provides civil construction services for electric utility infrastructure projects. This deal will allow Strategic Land Services to expand service lines, deepen its presence across the Southern Company system, extend into adjacent states, and build a regional site preparation platform. Further, it will enable IMB to partner with SLS, add crews, strengthen the organization, and help the company scale while supporting its next level of growth.

Odyssey Takes Majority Stake in TransPak

Odyssey Investment Partners, a New York-based PE firm, has made a majority investment in TransPak, a San Jose-based packaging solutions provider. Founded in 1952, TransPak provides engineered packaging, logistics, testing, and supply chain solutions globally. This deal will allow TransPak to accelerate investment in its global operations, manufacturing capabilities, engineering expertise, technology infrastructure, and geographic expansion to scale alongside customers. Further, it will enable Odyssey to support TransPak's next phase of growth while utilizing its significant industry expertise and relationships to capitalize on growth opportunities.

Lightyear Takes Majority Stake in Prosperity Partners

Lightyear Capital, a New York-based PE firm, has agreed to make a majority growth investment in Prosperity Partners, a Chicago-based accounting advisory provider. Founded in 2003, Prosperity Partners provides tax, accounting, and transaction advisory services nationwide. This deal will allow Prosperity to pursue its strategic goals and continue providing premier services to high-net-worth individuals, family offices, and closely held businesses. Further, it will enable Lightyear to partner with Prosperity's management team to help institutionalize the business, accelerate organic and inorganic growth, and create enduring enterprise value.

Presidio Investors Exits ElevATE Semiconductor to Diodes

Presidio Investors, an Austin-based PE firm, has agreed to sell ElevATE Semiconductor, a San Diego-based fabless semiconductor designer, to Diodes Incorporated, a Plano-based semiconductor manufacturer, in an all-cash transaction valued at $250 million. Founded in 2012, ElevATE Semiconductor designs low-power integrated circuits for automated test equipment applications. This deal will allow Presidio to complete its eight-year partnership with ElevATE by delivering a successful exit. Further, it will enable ElevATE to bring its chip innovations to a global stage, providing high-density, low-power test solutions across semiconductor markets.

Audax and Linden Capital Exit StatLab to Leica Biosystems

Audax Private Equity, a Boston-based PE firm, and Linden Capital Partners, a Chicago-based PE firm, have agreed to sell StatLab Medical Products, a McKinney-based pathology products manufacturer, to Leica Biosystems, a Germany-based diagnostics company. Founded in 1976, StatLab Medical Products manufactures pre-analytical products for anatomic pathology workflows. This deal will allow StatLab to join Danaher through Leica Biosystems and continue to thrive across the anatomic pathology workflow. Further, it will enable Audax to complete its investment partnership with Linden and see StatLab's growth culminate in this transaction.

CCMP Capital and Alberta Investment Exit BGIS to Veritas

CCMP Capital Advisors, a New York-based PE firm, and Alberta Investment Management Corporation, a Canada-based institutional investor, have agreed to sell BGIS, a Markham-based facilities management provider, to Veritas Capital, a New York-based PE firm. Founded in 1992, BGIS provides technology-enabled integrated facilities management services across global markets. This deal will allow Veritas to leverage its technology investing playbook, deepen service capabilities, and drive strategic M&A. Further, it will enable BGIS to execute its strategy, accelerate growth, expand capabilities, and support its clients.

TRENDS AND STATS

July Middle-Market Deal Summary

47.8%

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

61.8%

of B2B deals were in Commercial Services.

14.2%

of the deals were in IT.

64.1%

of IT deals were in Software.

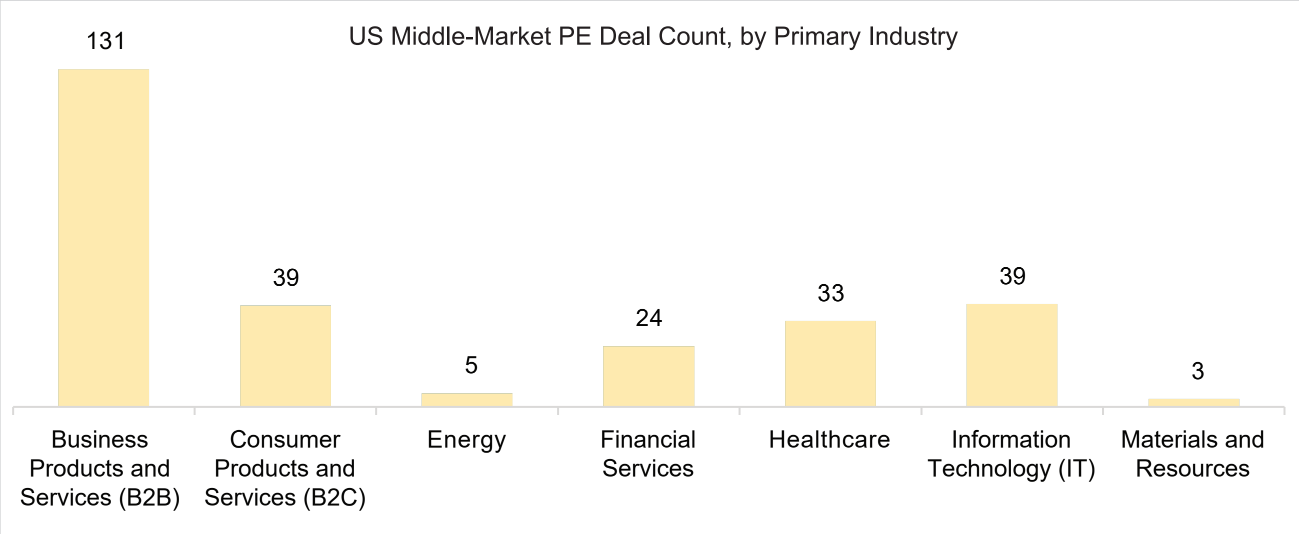
California

experienced the highest dealmaking activity, followed by Texas.

78.1%

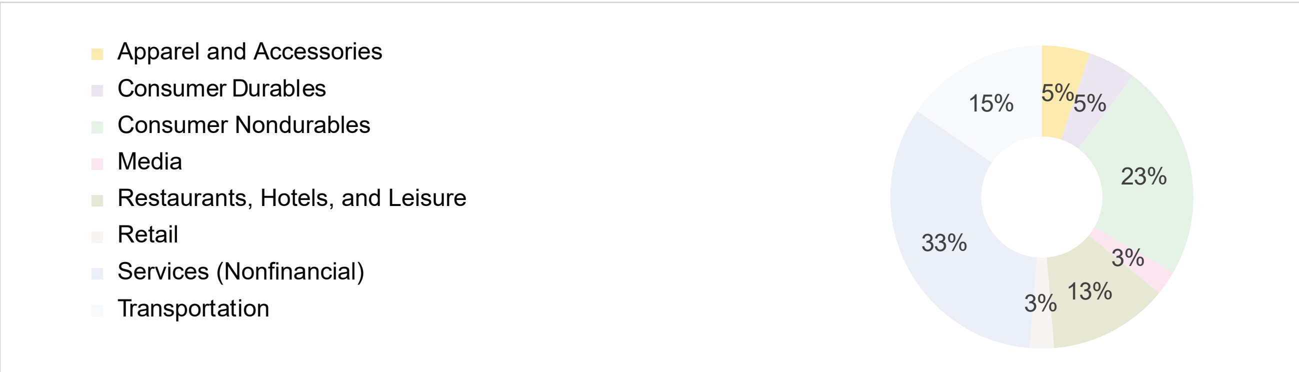
of the deals were buyouts.

Figure 8: July 2026 Middle-Market Deal Summary



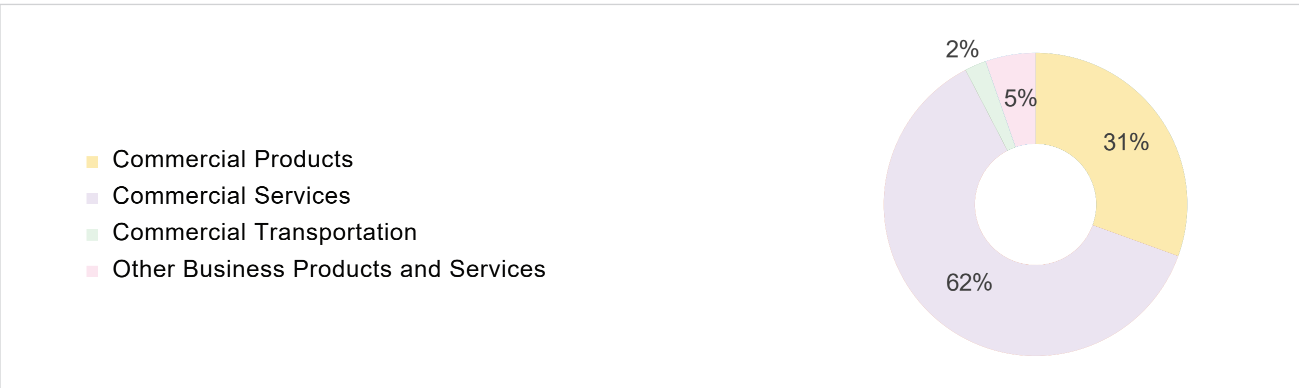
Source: SG Analytics Research

Figure 9: Share of Consumer Products and Services



Source: SG Analytics Research

Figure 10: Share of Business Products and Services

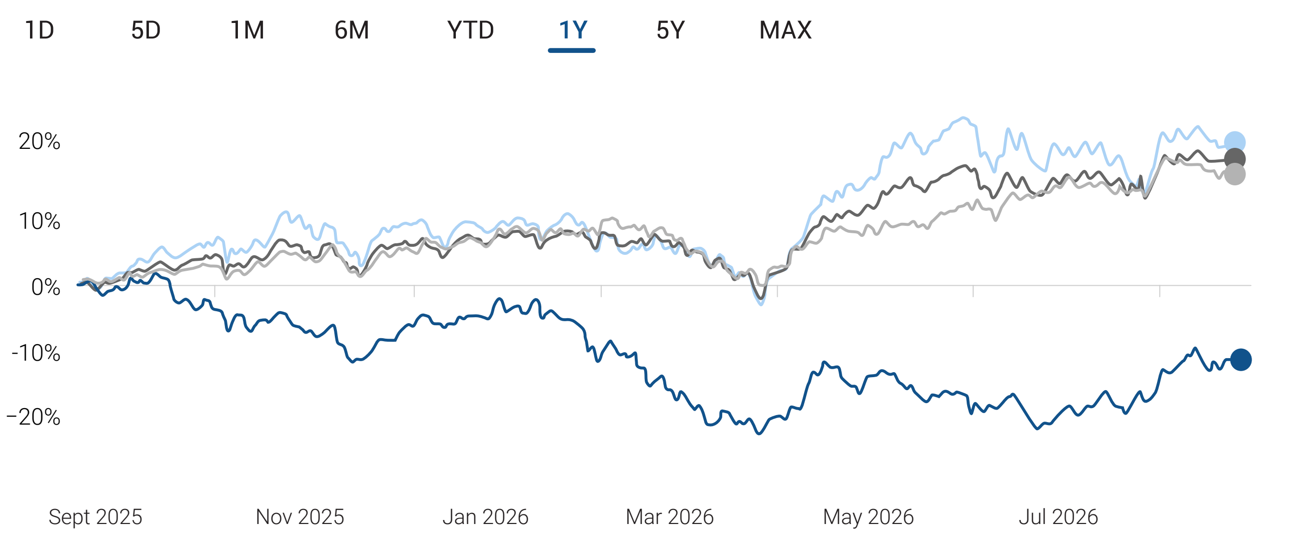


Source: SG Analytics Research

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 11: S&P-Listed Private-Equity Index

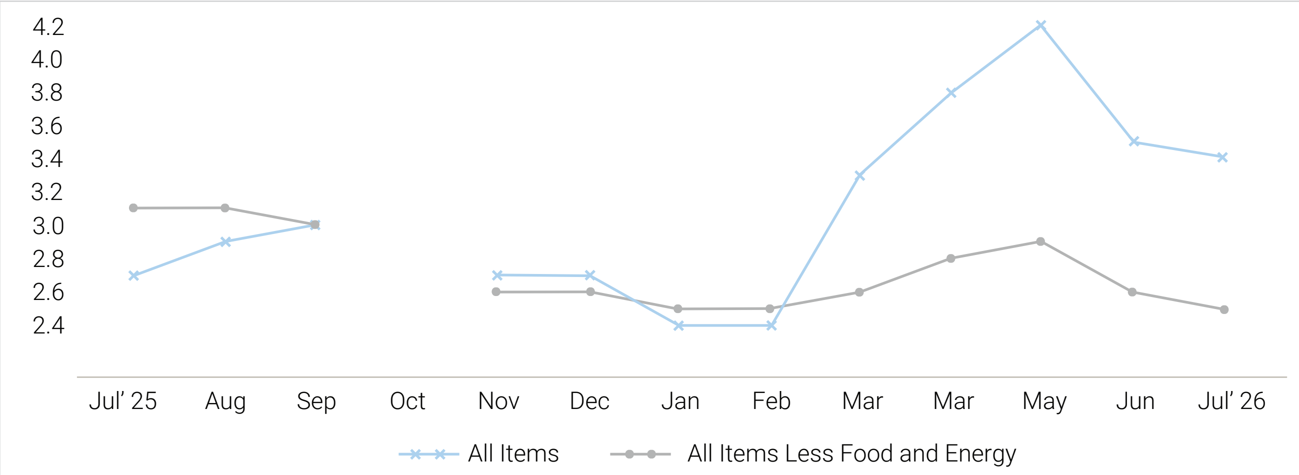


S&P-Listed Private-Equity Index	233.4	-32.6	↓ 12.3%
S&P 500	7,677.3	+1,211.3	↑ 18.7%
Nasdaq Composite	26,151.3	+4,607	↑ 21.4%
Dow Jones Industrial Average	53,577.4	+8,159.3	↑ 17.9%

Note: Data as of August 26, 2026

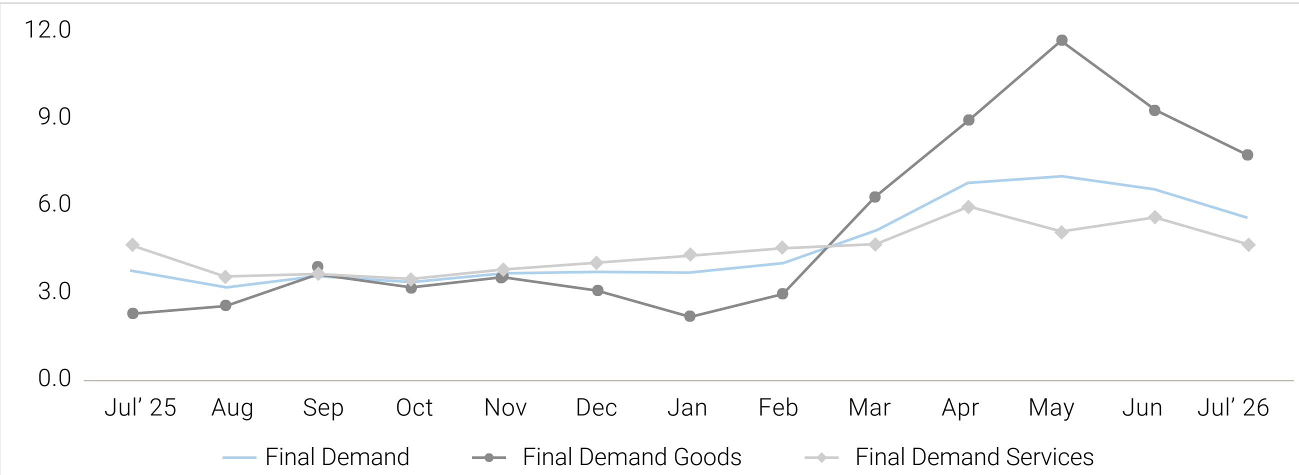
Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.1%	3.4%
Producer Price Index (PPI)	−0.3%	4.7%

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

2026 Great Lakes Capital Connection	September 9–10, 2026	JW Marriott, 10 South West Street, Indianapolis, IN
PE-Backed Leadership Summit	September 10, 2026	The Harvard Club, New York, NY
SuperReturn US West 2026	September 14–15, 2026	Four Seasons Beverly Hills, Los Angeles, CA

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