www.sganalytics.com

Straive
SG Analytics

AXIA

PRIVATE EQUITY NEWSLETTER

Issue 33 / October 2026

3Q26 US PE BREAKDOWN

Stronger Dealmaking, Concentrated Exits, and Selective Fundraising Shape US PE



Contents

US PE Breakdown:
Dealmaking Rebounds Amid Uneven Recovery in 3Q26 03

Monthly News and 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

Feature Article



US PE BREAKDOWN

Dealmaking Rebounds Amid Uneven Recovery in 3Q26

In 3Q26, US private equity (PE) dealmaking and exit activity improved, driven by interest in larger transactions and strategic acquisitions. However, concentrated liquidity, financing constraints, and selective fundraising continued to shape market conditions, emphasizing the importance of disciplined investment strategies.

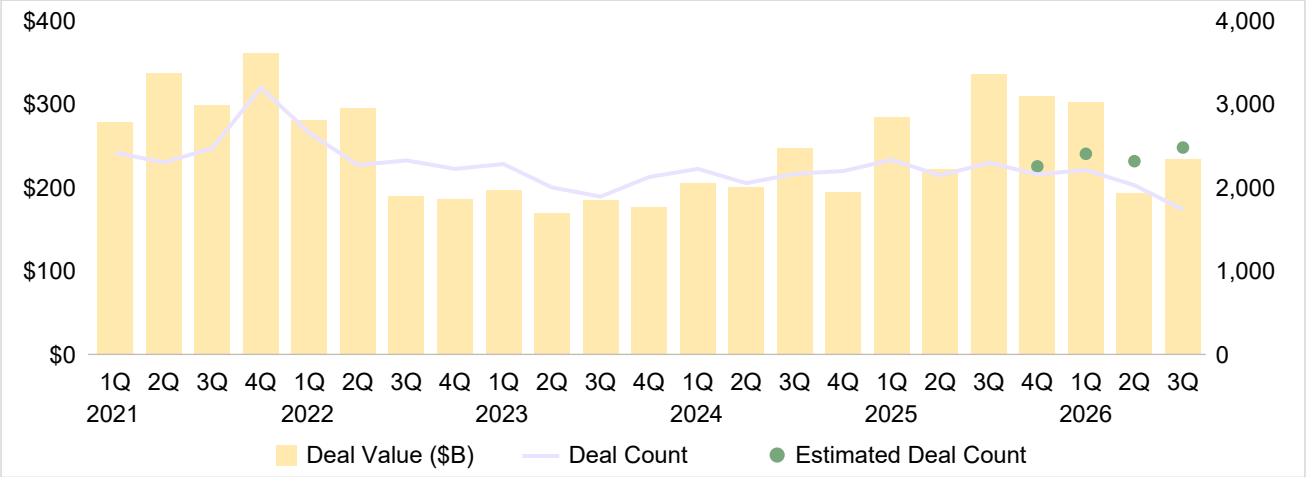
US PE activity rebounded in 3Q26, reflecting improving market conditions, although liquidity and fundraising remained uneven. Sustained growth will depend on disciplined capital deployment, operational improvements, and the ability to generate realized returns.

The US PE market is showing renewed momentum, with larger transactions returning and strategic buyers playing a greater role in portfolio realizations. However, elevated financing costs and limited exit opportunities for smaller assets continue to challenge sponsors. For investors, the focus extends beyond transaction volumes to the quality of portfolio performance and managers' ability to translate favorable market conditions into sustainable earnings growth.

Dealmaking Recovers as Sponsors Remain Selective

US PE deal value reached $233.8 billion in 3Q26, increasing 20.9% QoQ, while deal count rose 5.9% to 2,467, as per PitchBook. However, value remained 30.4% below 3Q25. Add-ons represented 74.9% of buyouts, while growth equity accounted for 24.8% of deal count through September 2026. These figures suggest recovering activity alongside continued selectivity in capital deployment across different types of acquisitions.

Figure 1: US PE Deal Activity by Quarter



Source: PitchBook, data as of September 30, 2026

Add-on acquisitions are set to expand customer relationships, geographic reach, and operational capabilities while providing opportunities to improve existing portfolio businesses. Their investment potential, however, depends on successful integration and measurable operating improvements. Investors should assess whether managers are equipped to strengthen earnings, competitive positioning, and efficiency through acquisitions, rather than relying primarily on increased transaction activity to generate returns.

Exit Activity Improves, but Liquidity Remains Concentrated

US PE exit value increased 50.4% QoQ to $165.5 billion in 3Q26, while exit count rose 11% to 405, as per PitchBook. Mega-exits represented 73.3% of YTD exit value. Corporate acquisitions generated $86.6 billion in quarterly exit value, up 135.7% sequentially, while public listings contributed $19 billion across 10 exits. Liquidity improved, but remained concentrated among larger assets, with smaller transactions facing challenges.

Strategic buyers continue to favor larger businesses with established capabilities, leaving smaller portfolio companies facing more limited exit opportunities. Financing constraints are expected to further restrict potential acquirers, particularly for specialized businesses. Investors should therefore examine the distribution of realized returns across portfolios and assess whether managers are positioned to achieve successful exits beyond their largest holdings.

Megadeals Rebound as Sponsors Pursue Larger Buyouts

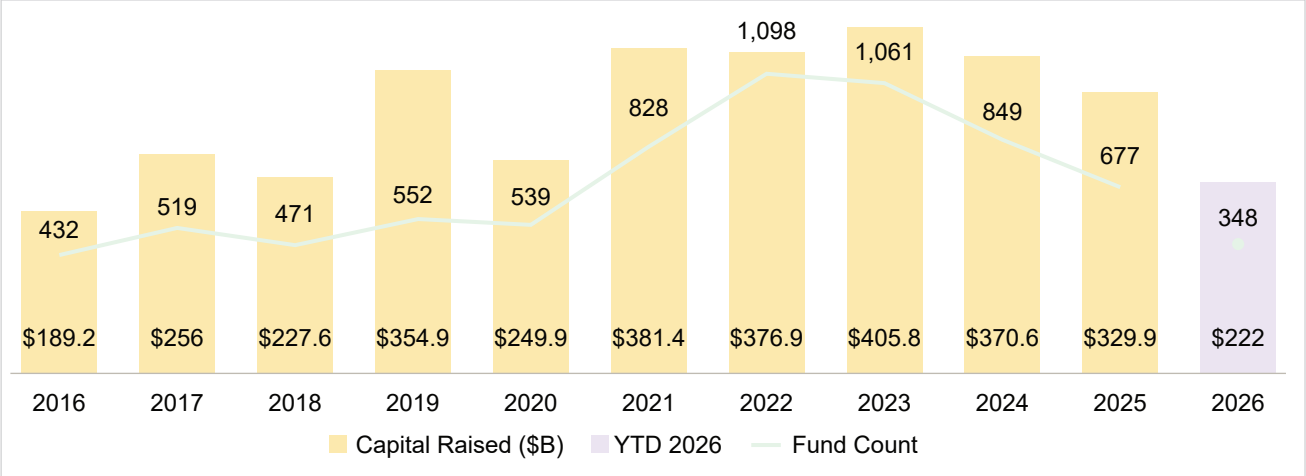
US PE megadeal activity strengthened in 3Q26, with 28 transactions valued at $1 billion or more, totaling $82.8 billion, as per PitchBook. Deals above $2.5 billion increased to 12 from seven in 2Q, while transactions between $1 billion and $2.5 billion rose to 16 from 14. The increase indicates renewed interest in larger acquisitions despite uncertain financing conditions and higher borrowing costs overall.

Larger transactions provide access to established businesses with operating scale but also involve greater financing exposure and execution complexity. Their investment attractiveness depends on acquisition valuations, capital structures, and the ability to deliver operational improvements. Investors should evaluate whether projected earnings growth has the potential to support attractive risk-adjusted returns under prevailing financing conditions.

Fundraising Concentration Intensifies Competition Among Managers

US PE sponsors raised approximately $222 billion across 348 funds through September 2026, as per PitchBook. Funds of $1 billion or more captured 83.4% of capital despite representing only 15.5% of fund count. Emerging managers raised $26.5 billion across 122 funds, compared with $37.4 billion across 237 funds during 2025. Fundraising remained concentrated, intensifying competition for institutional commitments.

Figure 2: US PE Fundraising Activity



Source: PitchBook, data as of September 30, 2026

Fundraising conditions favor managers with established records and demonstrated distributions. Investors facing delayed liquidity are expected to emphasize realized returns over unrealized valuations. However, fund size and experience do not guarantee stronger outcomes. Allocators should compare realized performance, portfolio risks, and deployment strategies when assessing managers across fund sizes.

Sector Performance Diverges Across Investments and Exits

Software PE deal value rebounded 51.1% QoQ in 3Q26 despite fewer transactions, as sponsors favored business and productivity applications, as per PitchBook. Financial services exit value increased 172.2%, while energy exits strengthened for a second consecutive quarter. These developments highlight differences in sector investment and exit activity, with software attracting selective capital and other sectors experiencing stronger exits.

Business-critical software applications are expected to offer greater resilience to AI disruption, although technology exits remain challenging. Meanwhile, financial services consolidation and demand for energy infrastructure are creating opportunities for portfolio realizations. Investors should evaluate sector-specific growth prospects alongside exit visibility, recognizing that improving market conditions do not translate into equally attractive opportunities across industries.

Conclusion

Sustained recovery in US PE will depend on whether improving transaction activity translates into broader liquidity and consistent investor distributions. Financing constraints, concentrated exits, and selective fundraising continue to shape market conditions. For investors, acquisition discipline, operational performance, and demonstrated realization capabilities will remain central to evaluating managers and identifying opportunities across the asset class.

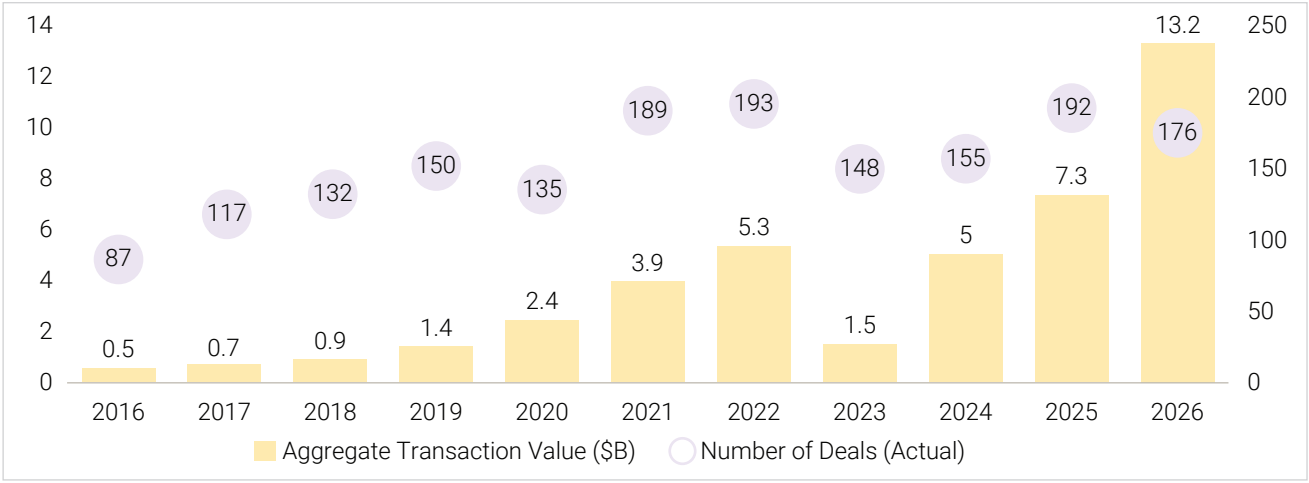
Monthly News and Analysis



PE Investment in Drone Technology Reaches Record High in 2026

Global PE and venture capital (VC) investment in drone technology reached a record $13.2 billion across 176 deals in the first nine months of 2026, surpassing the $7.3 billion invested throughout 2025, as per S&P Global. Rising defense demand, AI-enabled autonomy, and manufacturing expansion are driving increased capital deployment.

Figure 3: Global PE/VC Investment in Drone Technology



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

The surge in drone technology investment reflects a shift from innovation toward large-scale manufacturing, particularly across defense applications. Growing defense demand and the increasing deployment of low-cost drones at scale have accelerated demand for autonomous systems and counter-drone technologies. AI advancements have strengthened the sector by enabling smaller drones to perform complex operations, including navigation without GPS and coordinated autonomous missions. The US accounted for nearly 73% of global investment value during the first nine months of 2026, attracting $9.6 billion across 45 transactions. California-based Anduril Industries raised $5 billion in a Series H round at a $61 billion valuation, while Shield AI secured $2.3 billion in Series G financing at a $12.7 billion valuation.

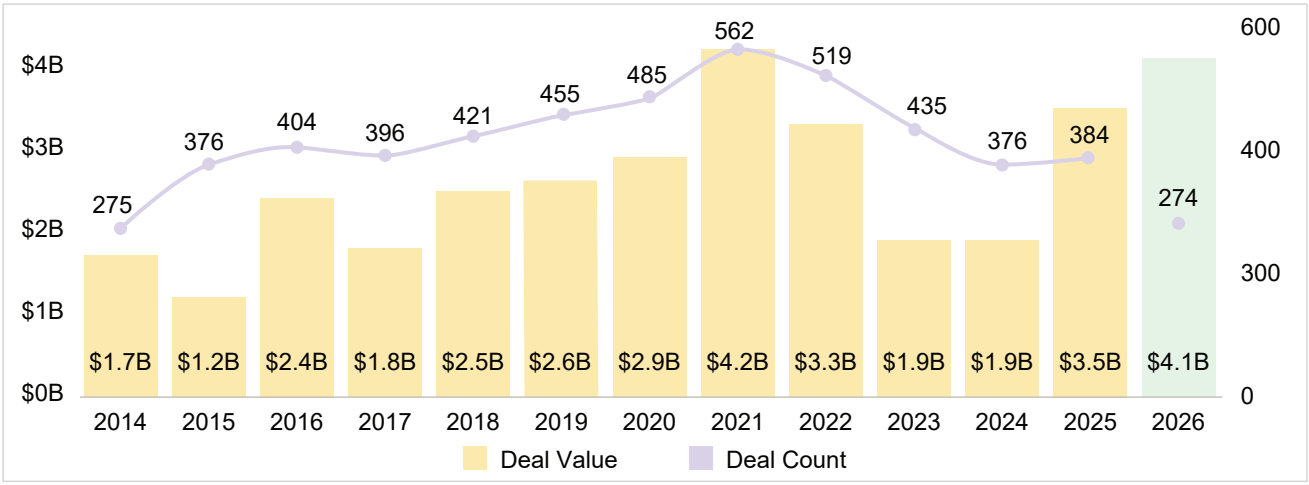
For PE and VC investors, the transition toward manufacturing scale-up is creating opportunities across drone production, autonomous software, and advanced components. However, increasing capital requirements and elevated valuations are expected to place greater emphasis on production capacity, contract visibility, and the ability to generate recurring revenues. Investors are also considering public market exits, where valuation premiums for defense technology businesses stand to support attractive returns. Private investments at high-teen to 20x EBITDA multiples indicate confidence in future growth, although returns remain sensitive to execution and exit valuations. As drone adoption expands across military and commercial applications, investment activity is poised to favor companies capable of delivering scalable production, cost efficiency, and differentiated autonomous capabilities.



Wearables Investment Shifts Toward Data-Driven Subscription Models

Global VC investment in wearables and quantified self startups reached $4.1 billion in 2026, through September 16, as per PitchBook. Investors are increasingly prioritizing recurring subscription revenues, proprietary health data, and AI-enabled personalization over device sales. Oura's anticipated IPO, potentially valuing the company at $16 billion, will likely provide a benchmark for future valuations and exits.

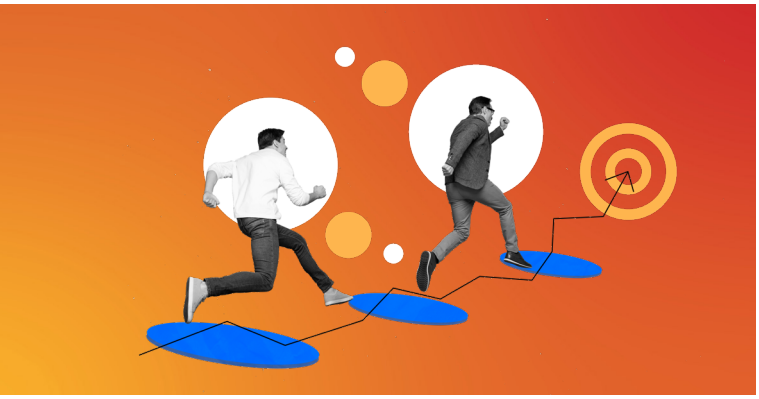
Figure 4: Global VC Investment in Wearables and Quantified Self Startups



Source: PitchBook, data as of September 16, 2026

The wearables industry is transitioning from hardware sales toward subscription-based models supported by proprietary data and AI capabilities. Nearly half of US adults now own wearable devices, compared with one in eight a decade ago, reflecting broader adoption. According to a Rock Health survey, 83% of wearable owners use their devices at least five days per week, supporting recurring revenue and customer retention. Oura's financial performance illustrates this shift, with membership revenue increasing 121% YoY to $240.5 million in the nine months ended June 30, 2026, compared with 65% growth in hardware revenue. Meanwhile, Whoop secured $575 million in Series G funding, highlighting investor interest in platforms combining hardware with subscription services.

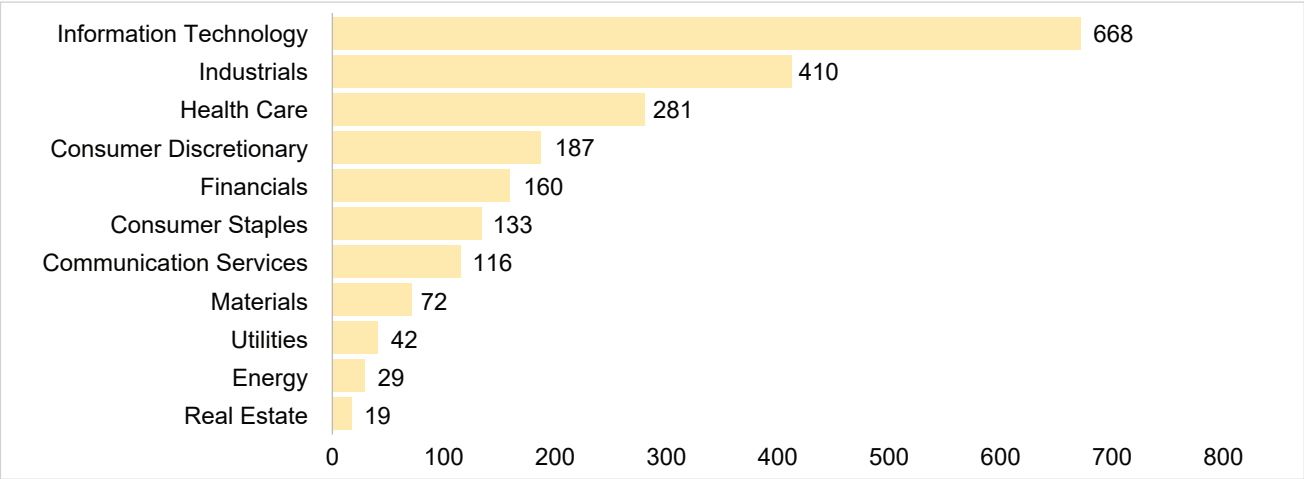
For VC investors, proprietary data and customer retention are becoming important valuation drivers, as companies with established user histories will likely offer personalized insights and differentiated services. AI-enabled health predictions, personalized coaching, and integration with healthcare providers are expected to strengthen subscription revenues and customer engagement. However, newer entrants face competition from platforms with extensive datasets and loyal subscribers, increasing the importance of differentiated applications. Emerging opportunities include women's health monitoring, biochemical sensing, neuro-sensing wearables, and smart glasses, where specialized functionality stands to support new revenue streams. Beyond consumer applications, industrial and defense wearables offer potential through improvements in workplace safety and operational efficiency. Future valuations and exits will depend on the sustainability of subscription growth and data-driven competitive advantages.



Global PE and VC Exits Slow Amid Persistent Valuation Gaps

Global PE and VC exit volume declined 17.4% YoY to 724 transactions in 3Q26, while exit value increased 5.4% to $227.2 billion, as per S&P Global. Information technology and industrials led the exit activity during the first nine months, recording 668 and 410 transactions, respectively.

Figure 5: Leading Sectors by PE and VC Exit Volume in 2026



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

The decline in global PE and VC exits reflects differences between buyer and seller valuations, compounded by uncertainty surrounding earnings sustainability and AI-driven disruption. During the first nine months of 2026, exit volume declined 6.0% YoY to 2,304 transactions, while exit value increased 55.6% to $918.4 billion, indicating concentration of exit proceeds in larger transactions. Software companies face scrutiny as buyers assess AI-driven business model disruption and the durability of recurring revenues. Information technology and industrials continue to attract buyers seeking predictable earnings, supported by demand for IT services, cybersecurity, and industrial maintenance businesses.

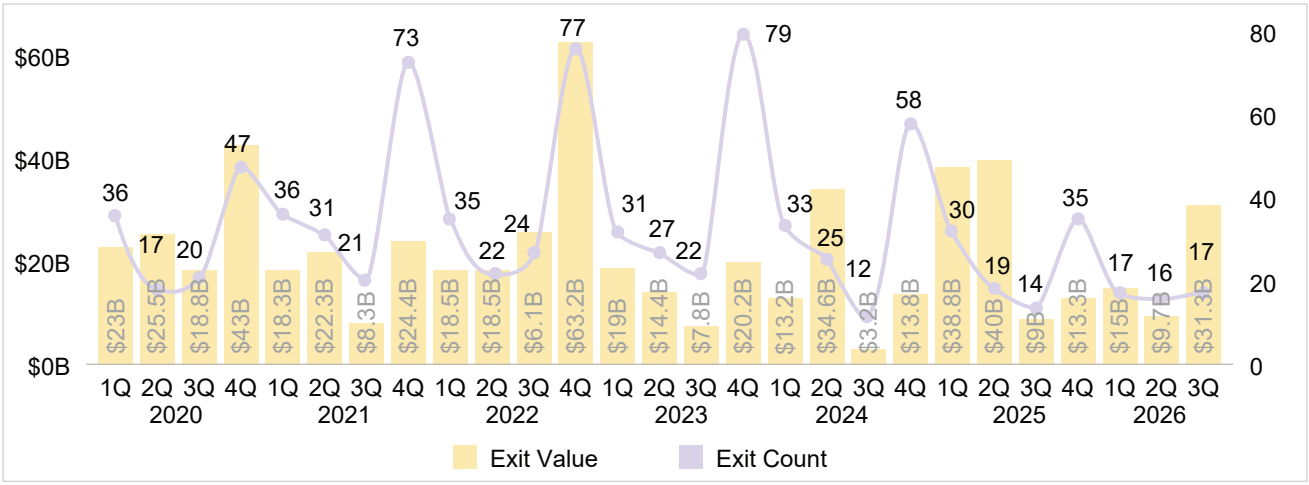
For PE and VC investors, trade sales remain the primary liquidity route, accounting for 548 transactions, or 75.7% of 3Q exits, as strategic buyers leverage synergies to support higher valuations. SpaceX's reported $250 billion acquisition of xAI illustrates the role of strategic transactions in driving exit values. While secondary sales and IPOs are showing signs of recovery, public market exits remain concentrated among larger businesses, limiting liquidity options for middle-market sponsors. Pressure from limited partners for distributions, alongside slower fundraising, should prompt sponsors to accept more realistic valuations and accelerate portfolio monetization. Nevertheless, sustained recovery in exit activity will depend on narrowing valuation expectations, improving earnings visibility, and greater confidence in business models exposed to AI disruption.



Tech PE Fundraising Recovers as Investors Favor Specialist Managers

Global technology-focused PE fundraising reached $31.3 billion in 3Q26 through September 23, compared with $24.7 billion raised in 1H, as per PitchBook. However, PSG Equity and Francisco Partners accounted for over 80% of 3Q capital raised, while fund count remained broadly flat, highlighting growing investor preference for established technology-focused managers.

Figure 6: Global Tech-focused PE Fundraising



Source: PitchBook, data as of September 18, 2026

The recovery in technology-focused PE fundraising reflects renewed investor interest, although capital commitments remain concentrated among managers with established sector expertise. Francisco Partners raised $16.4 billion for its flagship Fund VIII and $4.6 billion for its Agility IV mid-market fund, while PSG Equity closed its third European fund at approximately $5.1 billion, nearly 70% above its predecessor. These fundraises contrast with the broader slowdown in 1H26, when technology-focused fundraising declined nearly 70% YoY. Growing uncertainty surrounding AI disruption has prompted limited partners (LPs) to reassess software business models, earnings durability, and future valuations. The emergence of AI-powered tools capable of automating enterprise software functions has intensified concerns about the competitive positioning of traditional SaaS businesses.

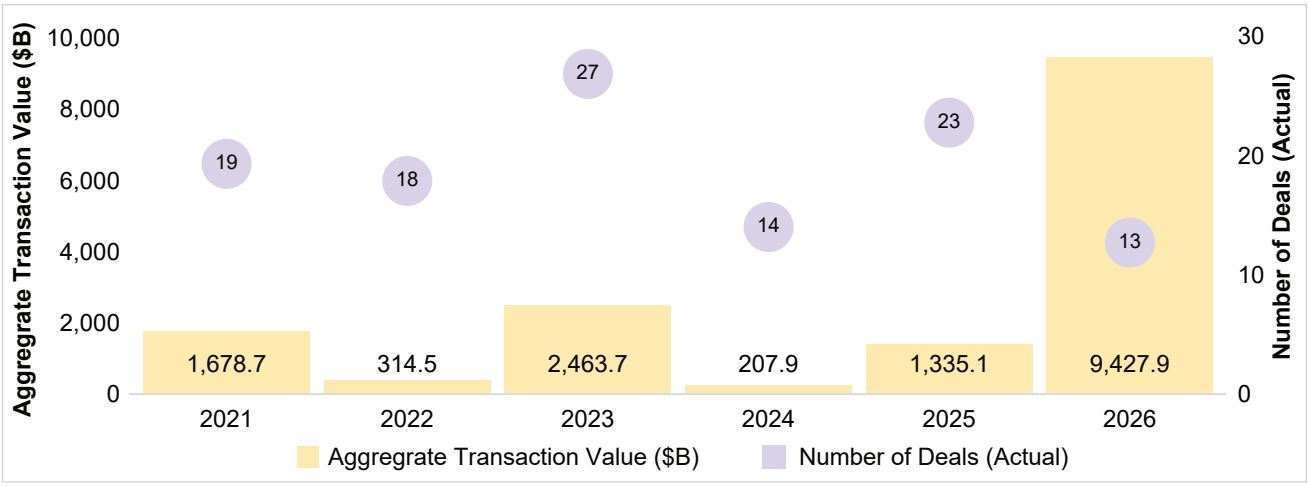
For PE investors, fundraising concentration among specialist managers reflects an emphasis on sector knowledge, portfolio resilience, and identifying AI opportunities. LPs are scrutinizing software investments, particularly companies acquired during 2018–2022 when entry valuations were elevated. Managers must demonstrate how portfolio companies have the capacity to adapt to AI disruption while capturing opportunities from automation and enterprise technology adoption. This environment is expected to favor technology specialists with proven strategies, while making fundraising challenging for diversified managers with limited software expertise. The divergence between AI-resilient and AI-exposed businesses will likely influence portfolio valuations and exit strategies. Future fundraising performance will depend on demonstrated value creation, credible AI strategies, and the ability to sustain returns amid technological change.



Critical Minerals Investment Surges Amid Government Support

Global PE and VC investment in critical raw materials reached $9.4 billion in the first nine months of 2026, surpassing the $1.3 billion recorded throughout 2025, as per S&P Global. The increase was primarily driven by a proposed $9 billion Glencore transaction, alongside government initiatives supporting critical mineral supply chains.

Figure 7: Global PE/VC Investments in Critical Raw Materials



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

The increase in critical raw materials investment reflects government support and efforts to secure mineral supply chains. The $9 billion proposed acquisition of a 40% stake in Glencore's Mutanda Mining and Kamoto Copper operations by the Orion Critical Mineral Consortium accounted for much of the surge in investment value in 2026, highlighting the concentration of deal activity. Government support through offtake agreements, price floors, and development financing is reducing project risks and attracting private capital. As of February 2026, the US government was supporting over $30 billion in critical minerals projects through loans, investments, and other assistance. Supply chain diversification is encouraging investment in domestic refining, recycling, and production capabilities, particularly for lithium, graphite, and rare earths.

For PE and VC investors, copper presents opportunities supported by electrification, grid expansion, and data center development, while declining ore grades and lengthy development timelines constrain supply growth. Africa accounted for 95.5% of global investment value in 2026, highlighting the region's importance in critical mineral investment. ReElement Technologies secured a $200 million investment from Transition Equity Partners in January 2026, reflecting investor interest in critical mineral processing. As governments prioritize supply chain security, investment opportunities are expected to expand across mineral processing, refining, and recycling. However, commodity price volatility and execution risks remain important considerations for investors evaluating long-term returns.



DEALS FLASH

Godspeed Capital Acquires GreenVest

Godspeed Capital, a Washington-based PE firm, has acquired GreenVest, a Bowie-based environmental services provider. Founded in 1992, GreenVest provides ecological restoration, compensatory mitigation, stormwater management, and environmental consulting services to public- and private-sector customers. This deal will allow Godspeed to establish an environmental infrastructure platform addressing demand for watershed protection, regulatory compliance, and resilience projects. Further, it will enable GreenVest to accelerate organic growth, invest in talent and technical capabilities, and pursue acquisitions that expand its geographic presence, service offerings, and customer relationships.

Mason Wells Acquires Canworks

Mason Wells, a Milwaukee-based PE firm, has acquired Canworks, an Austin-based beverage can printer, alongside its founders and management team. Founded in 2020, Canworks provides direct-to-can digital printing for energy drinks, craft beer, cocktails, cannabis beverages, and other beverage categories. This deal will allow Canworks to support continued growth across its five manufacturing facilities while maintaining customer service and operational flexibility. Further, it will enable Mason Wells to apply its packaging industry experience, invest in the company's people, and support its next stage of expansion.

TA Associates to Exit Rocscience to Hexagon

TA Associates, a Boston-based PE firm, has agreed to sell Rocscience, a Toronto-based geotechnical software provider, to Hexagon AB, a Sweden-based digital reality solutions provider, at an enterprise value of approximately $535 million. Founded in 1996, Rocscience develops modeling software for rock, soil, and structural analysis across mining and civil engineering projects. This deal will allow TA to fully exit its investment following product development and acquisitions. Further, it will enable Rocscience to combine its modeling capabilities with Hexagon's monitoring technology, helping customers identify risks earlier and improve safety and productivity.

Borgman Capital Exits Continuus Technologies to Acuity

Borgman Capital, a Milwaukee-based PE firm, has sold Continuus Technologies, a Milwaukee-based data engineering consultancy, to Acuity Analytics, a London-based research, analytics, and automation technology services provider. Founded in 2011, Continuus provides data, AI, and cloud engineering services that help financial institutions modernize systems and improve reporting and analytics. This deal will allow Borgman to realize value following investments in talent, training, and technical capabilities. Further, it will enable Acuity to add Continuus' financial services expertise to its global delivery network, accelerating transformation and productivity for its client base.

Rhône to Exit Paragon Films to Atlantic Ridge and Grafine

Rhône, a New York-based PE firm, has agreed to sell Paragon Films, an Oklahoma-based packaging films manufacturer, to Atlantic Ridge Capital and Grafine Partners, New York-based PE firms, for approximately $900 million. Founded in 1988, Paragon manufactures stretch and shrink films that protect products during storage and transit. This deal will allow Rhône to complete its first realization from Fund VI following capacity expansion and international growth. Further, it will enable the buyers to acquire a broader manufacturing platform serving food, consumer, retail, and industrial markets.

Marlin Equity to Invest in Rystad Energy

Marlin Equity Partners, a Los Angeles-based PE firm, has agreed to make a growth investment in Rystad Energy, an Oslo-based energy intelligence provider. Founded in 2004, Rystad provides research, data analytics, and advisory services across oil, gas, renewables, and power markets. This deal will allow Rystad to invest in its data platform, AI capabilities, product development, and commercial operations while existing shareholders retain a majority ownership. Further, it will enable Marlin to support the company's growth through operational resources and experience scaling technology and services businesses.

OceanSound Partners Invests in IMSAR

OceanSound Partners, a New York-based PE firm, has made a strategic investment in IMSAR, a Utah-based radar systems developer. Founded in 2004, IMSAR develops compact synthetic aperture radar systems and mission software for manned and unmanned aircraft, supporting imaging and surveillance operations. This deal will allow IMSAR to scale manufacturing infrastructure, expand its sensing portfolio, and address rising demand for intelligence, surveillance, and reconnaissance capabilities. Further, it will enable OceanSound to support the company's growth and innovation across maritime, land, border security, and wide-area surveillance applications.

ATL Acquires Precise Metal Products from Staple Street

ATL Partners, a New York-based PE firm, has acquired Precise Metal Products, a Phoenix-based aerospace components manufacturer, from affiliates of Staple Street Capital, a New York-based PE firm, establishing Precise Aerospace & Defense. Founded in 1957, Precise Metal Products provides airflow management components for aircraft engines, auxiliary power units, and environmental control systems. This deal will allow ATL to build an aerospace and defense platform through organic growth and acquisitions. Further, it will enable Precise Metal Products to expand capacity, invest in people and equipment, and broaden its capabilities and customer relationships.

Kohlberg Acquires Majority Stake in Advanced Industrial Devices from Black Bay

Kohlberg, a New York-based PE firm, has acquired a majority stake in Advanced Industrial Devices, a Tulsa-based automation solutions provider, from Black Bay Partners, a Louisiana-based PE firm. Founded in 1983, AID develops motor control, power distribution, and automation systems for data centers, water infrastructure, and industrial markets. This deal will allow AID to invest in people, capabilities, and capacity while management retains significant ownership. Further, it will enable Kohlberg to support expansion across critical infrastructure markets as customers require more reliable power, advanced cooling systems, and efficient operations.

Aurora Capital Acquires Softdocs

Aurora Capital Partners, a Los Angeles-based PE firm, has acquired Softdocs, a Columbia-based document management software provider. Founded in 1998, Softdocs provides cloud-based document management and workflow automation solutions for higher education, school districts, and government institutions. This deal will allow Softdocs to accelerate product development, expand its customer reach, and support institutions modernizing administrative processes. Further, it will enable Aurora to partner with management to develop new capabilities that reduce manual work, improve operational efficiency, and address evolving security, compliance, and accessibility requirements.



TRENDS AND STATS

September Middle-Market Deal Summary

58.3%

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

63.8%

of B2B deals were in Commercial Services.

16.1%

of the deals were in IT.

48.7%

of IT deals were in IT Services.

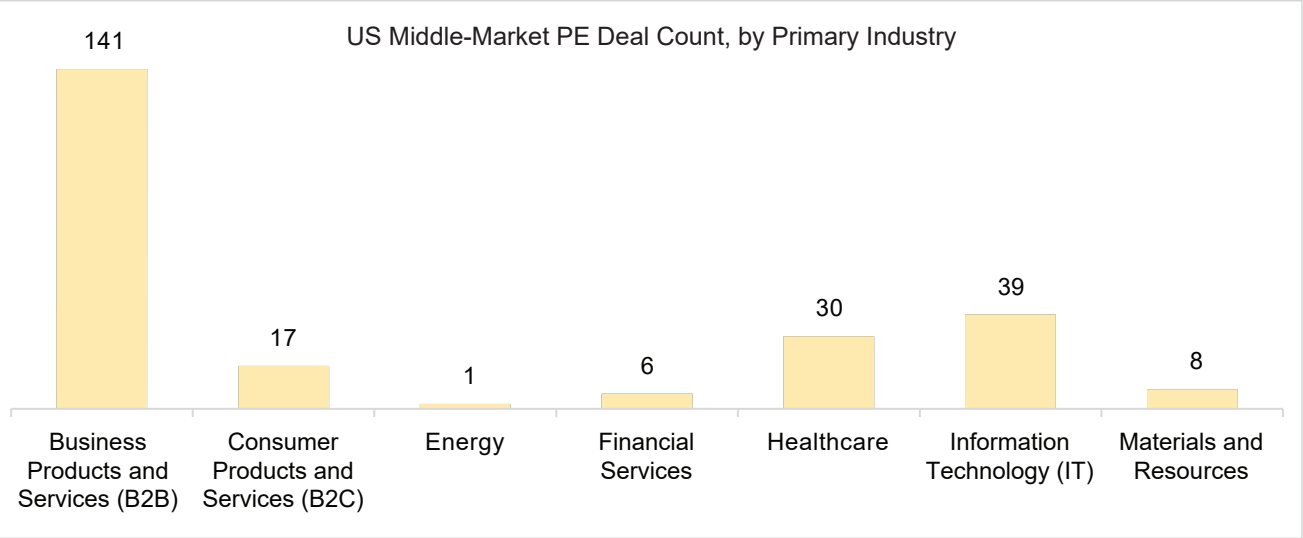
California

experienced the highest dealmaking activity, followed by Texas.

74.9%

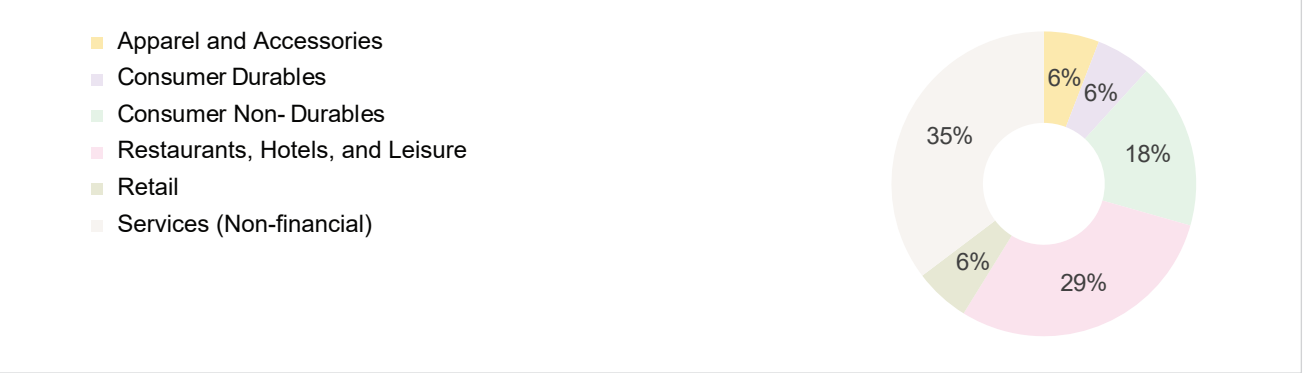
of the deals were buyouts.

Figure 8: September 2026 Middle-Market Deal Summary



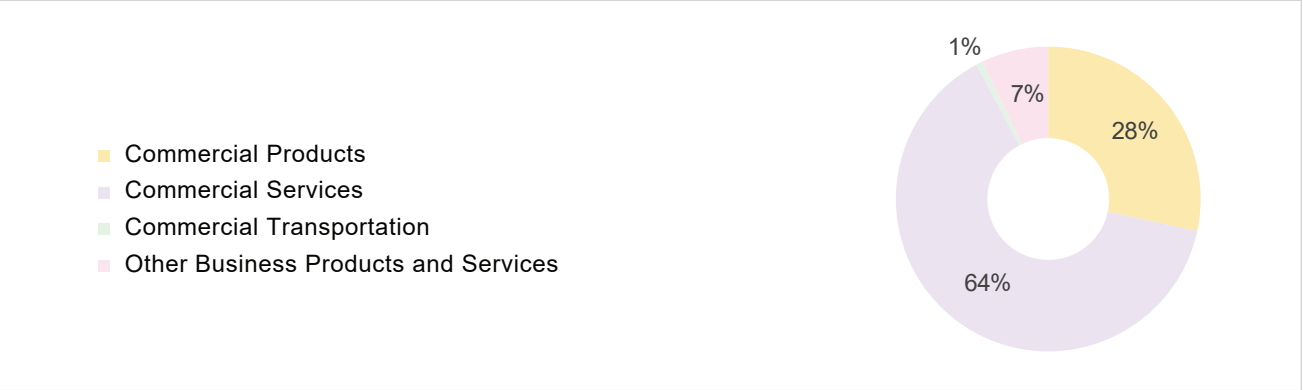
Source: SG Analytics Research

Figure 9: Share of Consumer Products and Services



Source: SG Analytics Research

Figure 10: Share of Business Products and Services

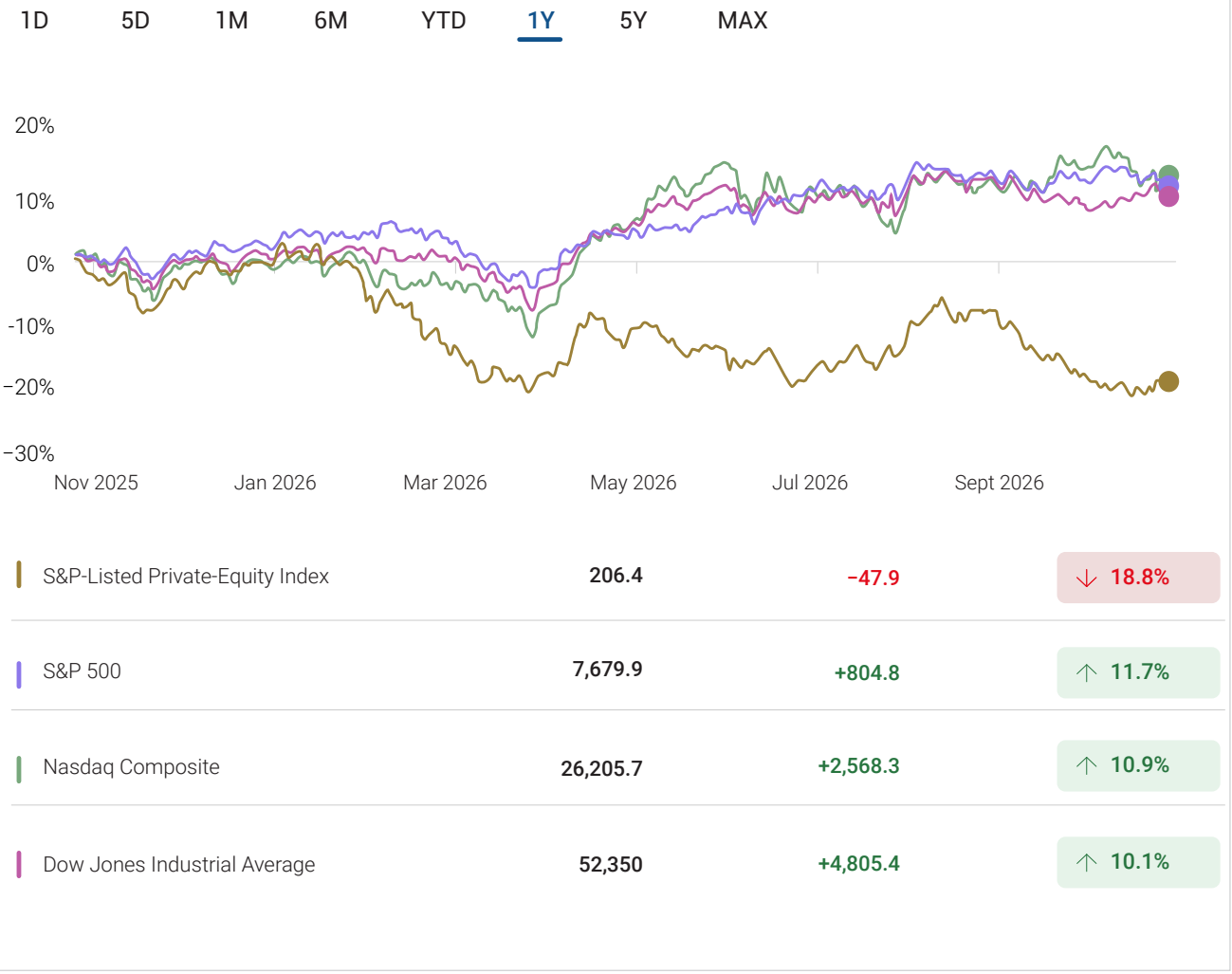


Source: SG Analytics Research

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

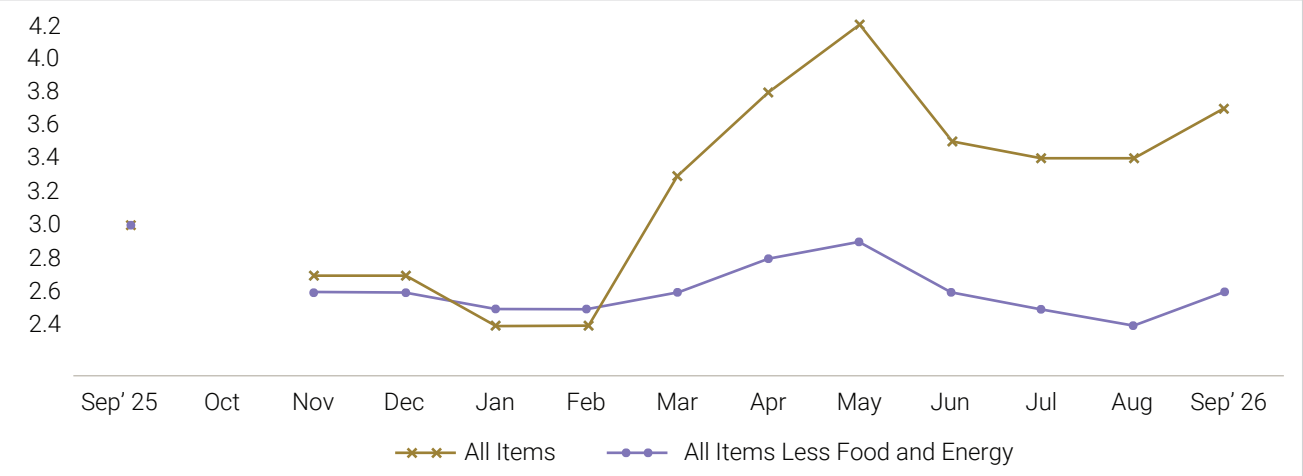
Figure 11: S&P-Listed Private-Equity Index



Note: Data as of October 26, 2026

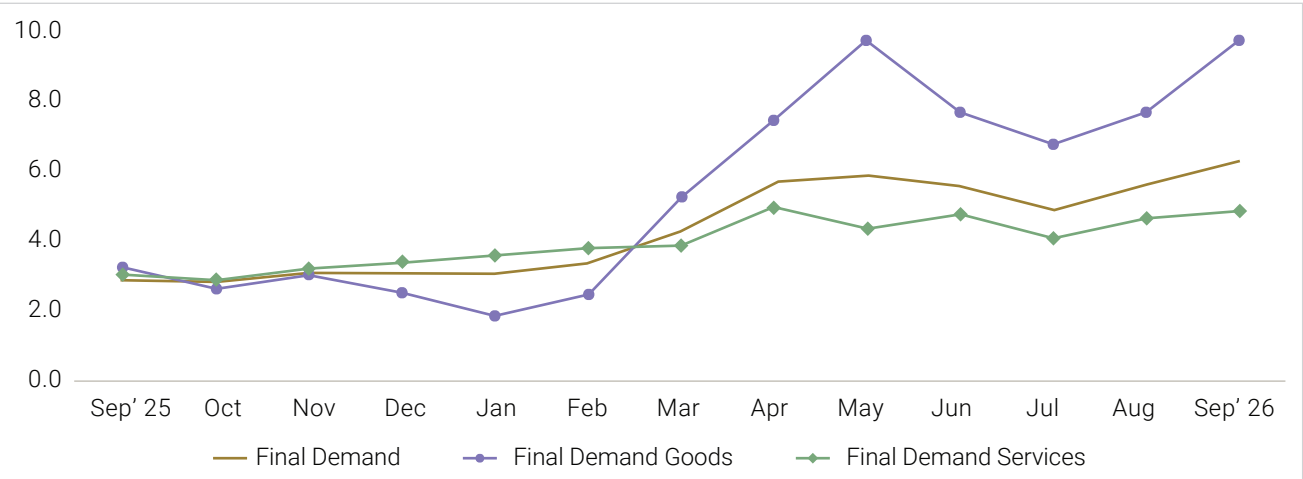
Index	Month-over-Month	YTD
Consumer Price Index (CPI)	0.6%	3.7%
Producer Price Index (PPI)	1.3%	6.3%

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

ACG New York 2026 Middle Market Week	November 9–11, 2026	New York, NY
The Private Equity Wire US Summit	November 12, 2026	Convene, 237 Park Ave, New York, NY
9th Private Equity San Francisco Forum	November 16–17, 2026	Ritz-Carlton, San Francisco, CA

SGA Newsletter team



Steve Salvius



Kunal Doctor



Sandeep Jindal



Anwar Jakhal



Isha

Disclaimer

SG Analytics (SGA), a Straive company, is a global data, analytics, and AI consulting firm specializing in turning data into actionable insights and operationalizing AI at scale.

With expertise across BFSI, Capital Markets, TMT (Technology, Media & Telecom), Supply Chain & Manufacturing, and other high-growth industries, SGA empowers clients with Ins(AI)ghts for Business Success.

SGA's 1,400+ experts operate across the U.S., U.K., and India, bringing together domain expertise, data, innovation, and AI capabilities. Recognized by Gartner, Everest Group, and ISG, and featured in the Deloitte Technology Fast 50 India 2024 and Financial Times & Statista APAC 2025 High-Growth Companies, SGA helps organizations translate intelligence into better decisions and scalable AI deployment.

Straive
SG Analytics

www.sganalytics.com

Singapore | India | Nicaragua | Philippines | USA | UK | Vietnam | Canada | South Africa | UAE

GET IN TOUCH