Private Equity Market Update

- Educational Presentation #16 – Private Equity
- Date of publication: 09.10.2026
- Property of the ESCP Alternative Investment Society (AIS)
- Sources: McKinsey, PwC, Jefferies, Bain & Co., KKR, KPMG

ESCP Alternative Investment Society

Structure

An overview of recent market developments, capital flows, liquidity dynamics and transactions shaping the industry



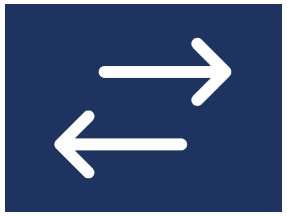
Section I: Recent PE Market Developments

Dealmaking activity, valuations and changing investment conditions



Section II: Fundraising & Capital Deployment

LP commitments, dry powder and how managers are adapting



Section III: Liquidity & Exits

Exit activity, distributions and the growing role of secondaries



Section IV: Current Activity & Case Studies

Recent transactions illustrating the key market developments

Section I: Recent PE Market Developments

Activity has rebounded, but still lacks scale of peak years

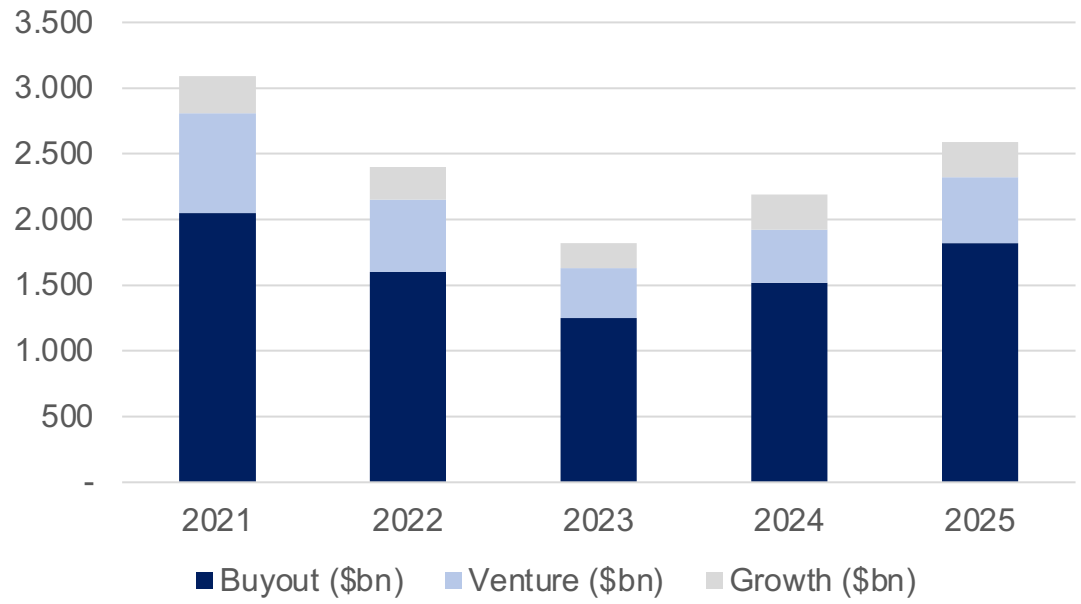
Deal value has recovered faster than deal volumes, with large-cap transactions driving the rebound

1. **$2.6tn** Global deal value in 2025 (+19% YoY)
2. **-9%** Fall in deal count in 2025
3. **+51%** Large buyout value >$900bn
4. **11.8x** Median entry EV/EBITDA, record high in 2025

Q1 2026 buyout snapshot

Deal value	$482 bn
Deal count	5,174
YoY deal value	-14%
Deal count trend	Broadly flat

Global PE dealmaking overview



- Dealmaking has rebounded strongly from the 2023 trough, with 2025 value up 19% YoY despite lower deal volumes
- The recovery remains concentrated in larger transactions, while Q1 2026 points to a more selective and uneven market

Source(s): McKinsey (2026), PwC (2026), KPMG (2026)

ESCP Alternative Investment Society

Key Factors enabling Recovery

Improved financing and greater pricing clarity are supporting transactions, while capital continues to concentrate around high-conviction assets



Financing conditions

- Greater rate visibility is improving deal certainty and execution
- Large portions of LBO financing in 2024-25 came from private credit

More financing certainty is unlocking larger transactions



Pricing gap narrowing

- Buyer and seller expectations are moving closer
- The gap between held and exited asset multiples narrowed to ~0.3x

Greater price alignment is improving deal executability



Flight to quality persists

- Sponsors remain selective, concentrating capital in resilient assets
- Median buyout entry multiples reached a record 11.8x EV/EBITDA in 2025

Sponsors are paying premium valuations for resilient assets

The PE market is reopening, but the recovery is increasingly bifurcated: high-quality assets can access financing and clear at premium valuations, while weaker businesses still struggle to transact

Source(s): McKinsey (2026), Bain & Co. (2026)

ESCP Alternative Investment Society

The PE value creation playbook is shifting

Higher financing costs and elevated entry multiples are increasing the importance of operational improvement and active ownership

	2015 deal math	2026+ deal math	Strategic implications
Leverage	~44% debt / EV	~36% debt / EV	Sponsors need to contribute more equity, reducing returns
Cost of debt	6-7% LBO yields	8-9% yields	Higher interest expense weakens leverage-driven equity returns
Multiple uplift	10x → 12.5x expansion	Record high, flat multiples	Entry valuation discipline becomes increasingly important for returns
EBITDA growth	~5% p.a.	10-12% p.a.	Operational execution becomes the primary value creation engine

Key Implications

- **Stronger portfolio operations are needed**
- **Longer holding periods**
- **Underwriting becomes more selective**

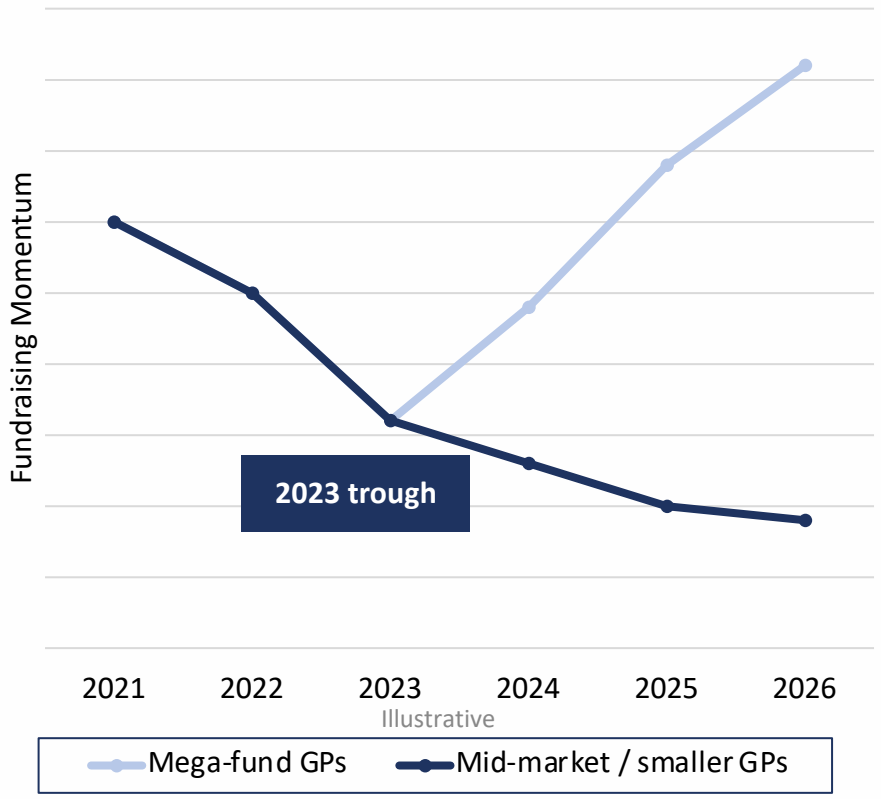
Source(s): McKinsey (2026); Bain & Co. (2026), Illustrative return assumptions

ESCP Alternative Investment Society

The K-shaped recovery

The recovery is splitting GPs into winners and a squeezed middle-market

Same market conditions but different GP rebounds



Upper arm: Capital concentration

Scaled platforms	DPI-proven GPs	New-capital channels
75%	**54%**	**$204bn**
Flagship Series raised at a step up in 2025	Of LPs rank DPI as the most critical investment criteria	New US retail capital into alternative structures

Managers with scale, liquidity, and flexible structures win

Lower arm: Fundraising grind

Traditional funds	Regional pressure	Aging assets
-17%	**-41%**	**>16k**
Global closed-end PE fundraising in 2025	Europe closed-end fundraising decline	Assets held for >4 years, 52% of buyouts

Subscale managers with weak DPI face LP scrutiny

Source(s): McKinsey (2026); Bain & Co. (2026), Illustrative chart

ESCP Alternative Investment Society

Section II: Fundraising & Capital Deployment

Fundraising remains difficult

PE fundraising remains under pressure despite improving market activity

1. **$616bn**
   Global PE fundraising 2025

2. **Low distributions**
   make LPs more selective

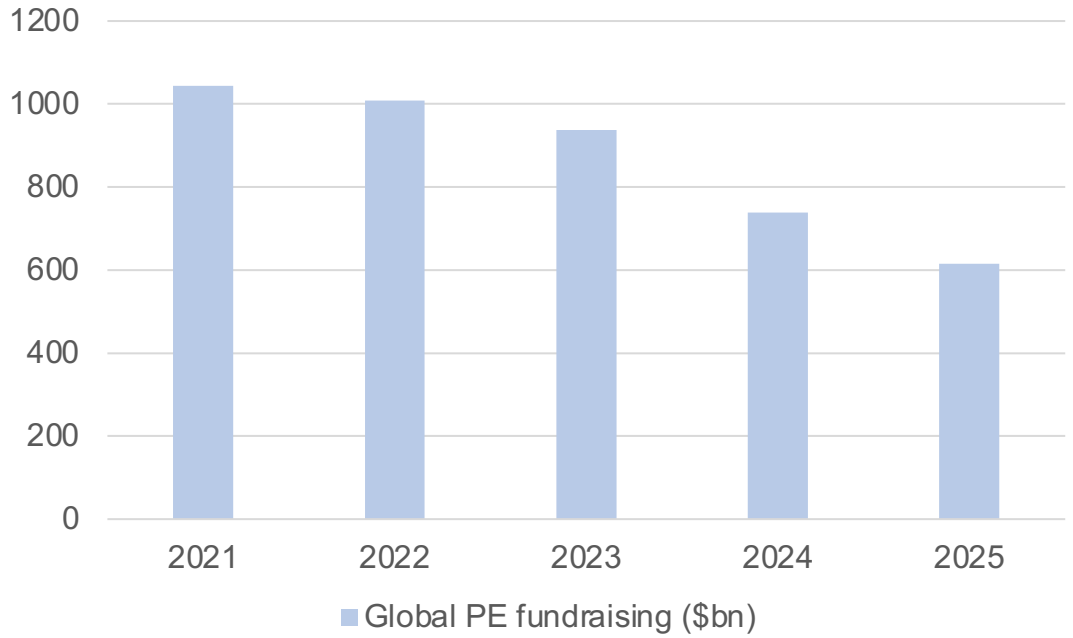
3. **Slower recovery**
   fundraising trails deal activity

4. **~ 70% of LPs**
   plan to maintain or increase PE allocations in 2026

Capital is still available, but raising new funds has become much harder

Global PE fundraising

- Global PE fundraising has fallen ~41% from its 2021 peak
- The decline reflects a much tougher fundraising environment



Source(s): McKinsey (2026), PwC (2026)

ESCP Alternative Investment Society

Capital is concentrating with established managers

Fundraising is becoming increasingly competitive and selective

LP capital	Screening	Established GPs
Capital remains available	Managers face stricter due diligence	Proven managers attract more capital
LPs raise return hurdles	Track record and DPI matter more	Scale strengthens fundraising capacity
Commitments become more selective	Fewer managers clear the bar	Capital becomes increasingly concentrated

What LPs are looking for:	
Strong track record	Consistent returns through cycle performance
Scale	Larger platforms and operating resources, broader deal access
Exits & Distributions	Proof that value has been realized, timely distributions, lower J-curve risk
Differentiation	Distinctive sector focus, clear value creation angle, ability to mentor assets

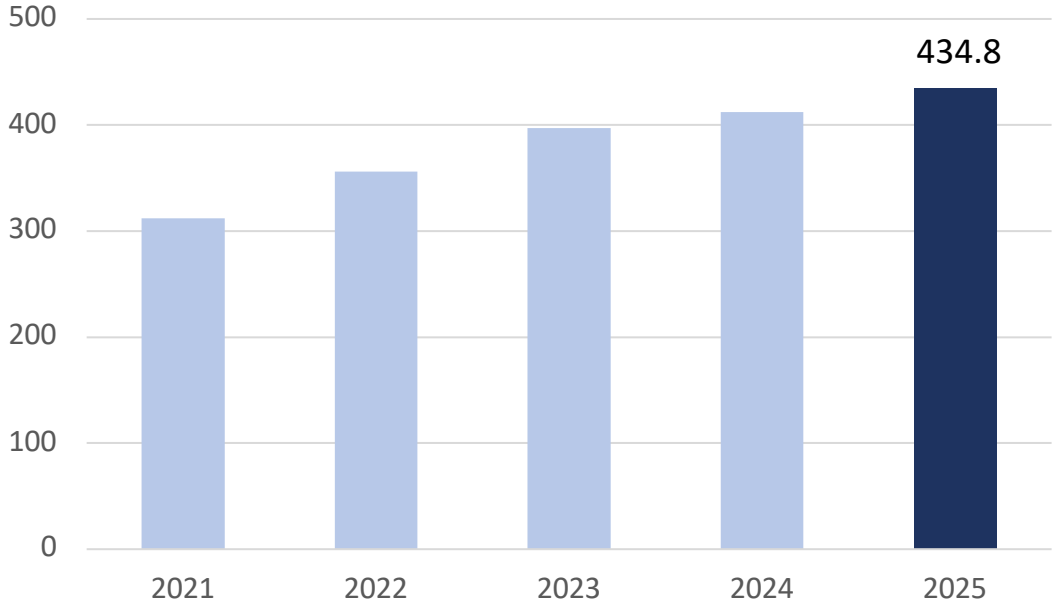
Capital has not disappeared, it is concentrating towards managers that LPs already trust

Source(s): McKinsey (2026), PwC (2026)

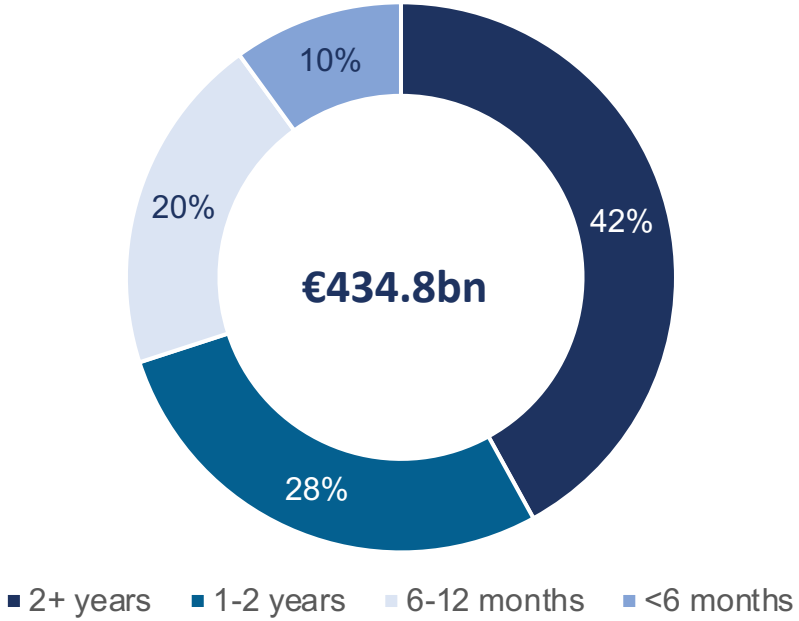
High and aging dry powder is increasing deployment pressure

PE has significant capital available, but deployment remains difficult

European PE dry powder (€bn)



European PE dry powder by age (€bn)



High and aging dry powder increases pressure to deploy, while competition for quality assets makes attractive returns harder to achieve

Source(s): PwC (2026)

ESCP Alternative Investment Society

How leading GPs are adapting

Sponsors need to stand out both when raising capital and when deploying it, KKR illustrates how PE managers are changing their playbook in today‘s market

Raise	Invest	Finance & exit
Differentiate to acquire LP capital	**Focus on asset alpha**	**Use more flexibility**
KKR leverages its long track record, realized returns and deep operational capabilities to attract capital, even in a more selective fundraising market	KKR is more selective in its investments, focusing on high-quality businesses where it can drive material operational improvements	KKR uses a broader set of financing solutions, including private credit, and pursues multiple exit routes to realize value in a less predictable market environment

Then			Now		
Financial engineering	Reliance on cheap leverage	Broader fundraising	Operational value creation	Flexible financing	More selective LPs

In a tougher market, scale helps, but execution and value creation increasingly set managers apart

Source(s): McKinsey (2026), KKR (2026), PwC (2026)

ESCP Alternative Investment Society

Section III: Liquidity & Exits

Exits are back in value, but not in volume

Exit value rebounded strongly in 2025, but exit counts stay low and the backlog of ageing portfolio companies keeps growing

1. **$1.3tn**
   Global PE-backed exit value 2025 (+41% YoY)

2. **1,315 exits in H1 2026**
   Lowest half-year exit count in over a decade

3. **~7 years**
   Avg. buyout holding period at exit (5-6 years in 2010-21)

4. **~32,000 unsold companies**
   Worth ~$3.8tn of unrealized value

Global PE exit value (rolling 12 months, $bn)

- 2025 exit value recovered to ~75% of the 2021 peak
- Momentum stalled in H1 2026 after the “triple shock”

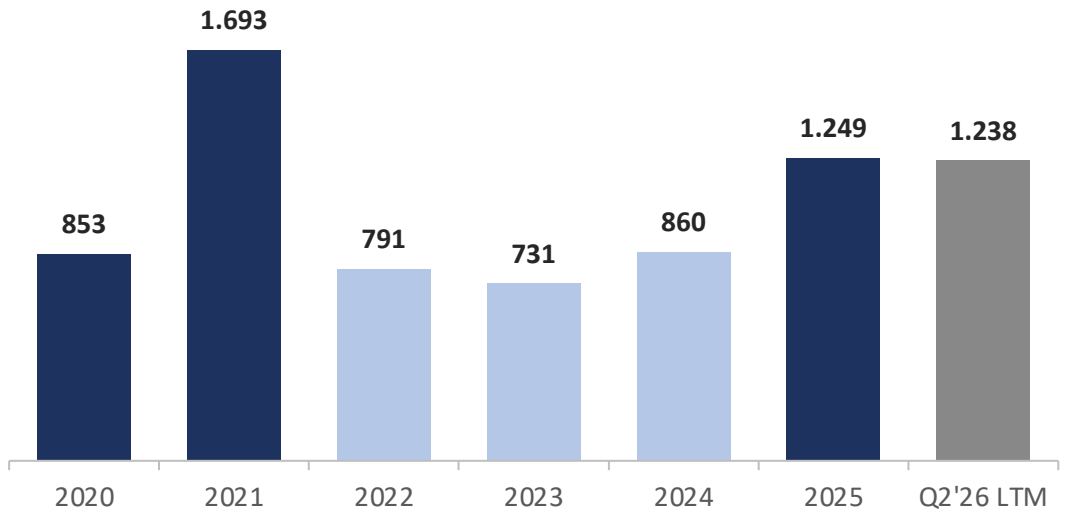


Chart: KPMG/PitchBook data (2025: $1.2tn); McKinsey reports $1.3tn on a broader basis

Large, high-quality assets are finding buyers again, but the long tail of older portfolio companies is still stuck

Source(s): McKinsey (2026), Bain & Co. (2026), KPMG (2026)

ESCP Alternative Investment Society

No exits, no cash: Why LPs now focus on DPI

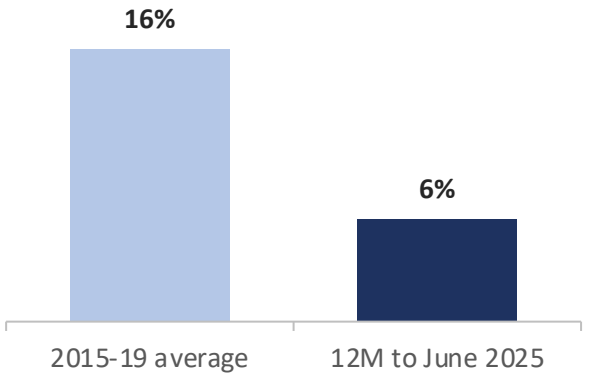
Slow exits have cut distributions to LPs, which limits their capacity to commit to new funds

IRR — **Internal rate of return**
Annualised return incl. realised and unrealised gains

NAV — **Net asset value**
GP's current estimate of what the remaining portfolio is worth

DPI — **Distributions to paid-in**
Cash actually returned to LPs relative to capital invested

Distributions to LPs (% of PE AUM, 12 months)



14%

Distributions as % of NAV in 2025 (Bain), below 15% for the 4th year running, an industry record

Fewer exits → **Lower distributions** → **LPs lack cash to recommit** → **Harder fundraising**

When exits are scarce, LPs value cash returned (DPI) over paper gains; PwC calls DPI a key differentiator in 2026 fundraising

Source(s): McKinsey (2026), Bain & Co. (2026), PwC (2026)

ESCP Alternative Investment Society

Secondaries are becoming a core liquidity tool

Traditional exit routes have reopened, but not enough to clear the backlog, so GPs and LPs increasingly turn to secondaries

$240bn
Record secondary volume 2025 (+48%)

$115bn
GP-led volume (+53%), mostly CVs

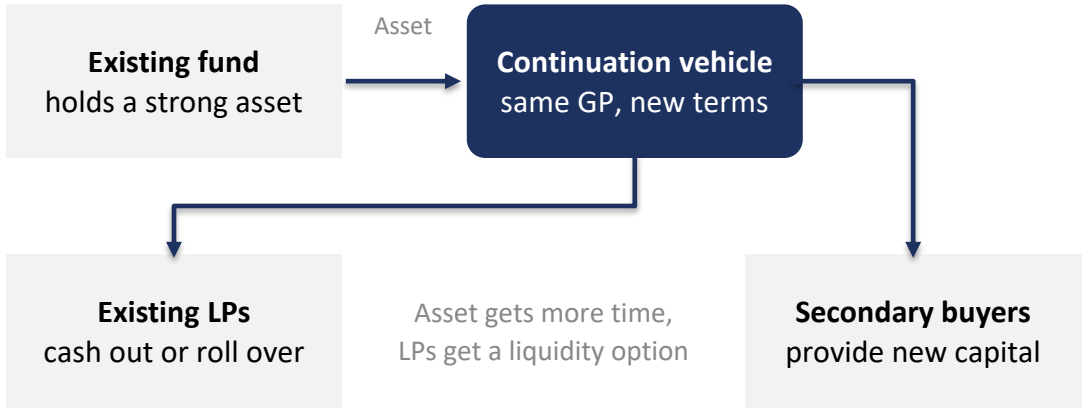
~14%
of sponsor-backed exits via GP-led deals

Exit routes compared

Strategic M&A	Sale to a corporate; value +66% in 2025
Sponsor-to-sponsor	Sale to another PE fund; value +21%
IPO	Public listing; +36% but from a low base
GP-led secondary / CV	GP moves asset into a new vehicle it still manages
LP-led secondary	LP sells fund stakes, avg. ~87% of NAV in 2025

Shaded = secondary routes

How a continuation vehicle works



CVs create liquidity, but the GP sits on both sides of the deal, so pricing and conflicts draw LP scrutiny

Source(s): Bain & Co. (2026), Jefferies (2026), McKinsey (2026)

ESCP Alternative Investment Society

Section IV: Current Activity & Case Studies

AES: Infrastructure megadeals return where growth is structural

Private capital is returning to megadeals where structural growth supports long-duration underwriting

AES Take-private



Acquiring consortium: EQT Infrastructure VI, GIP, CalPERS and QIA

Key financials	
EV	$33.4bn
Equity value	$10.7bn
LTM EV/EBITDA	12.7x
Premium paid	40.3%
Net debt	$22.7bn
Offer price	$15.00 per share

Investment rationale & highlights	
Digital infra. demand	AI and data-center demand is accelerating electricity consumption and grid investment needs
Diversified portfolio	Diversified power portfolio across renewables, utilities and storage provides resilient cash-flow exposure
Scale	Scale supports value creation through long-term capital deployment and operational optimization
Customer base	Strategic customer base includes major technology and infrastructure users

Why is this emblematic of the private equity market today?

- Re-emergence of large-cap transactions
- Concentration in structural-growth sectors
- Premium valuations for resilient assets

Source(s): AES Corporation (2026), SEC Transaction Overview (2026)

ESCP Alternative Investment Society

Partners Group: Evergreen liquidity pressure becomes visible

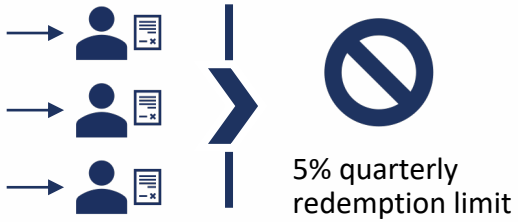
The global Value SICAV case exemplifies that private-wealth capital created scale, but also exposes managers to liquidity mgt. risks

Partners Group Global Value SICAV

PARTNERS GROUP

Partner Groups €6.6bn evergreen fund faced redemption requests exceeding its quarterly withdrawal limit

Global Value SICAV $7.4bn NAV



5% quarterly redemption limit

Key Financials

Total AUM	$186bn
Evergreen AUM	$53.9bn
NAV of Global Value SICAV	$7.4bn
Q2 redemption requests of NAV	9.8 %
Quarterly liquidity limitation	5%

Proposed solution

Global Value SICAV $7.4bn NAV

Distribution fund (~75%)

- Holds mature portfolio assets
- Focuses on exits / realizations
- Returns proceeds to investors

Compounding fund (~25%)

- Holds newer portfolio assets
- Reinvests proceeds into growth
- Prioritizes long-term value creation

Why is this emblematic of the private equity market today?

- Growing liquid -ity pressures
- Investor–asset liquidity mismatch
- Rise of fund restructurings

Source(s): Partners Group (2026), Financial Times (2026)

ESCP Alternative Investment Society

Accelevation IPO: Public exits are reopening selectively

Public exits are reopening selectively, allowing sponsors to monetize investments while valuation discipline remains critical

Accelevation IPO

Owned by Olympus Partners

Accelevation is a US-based AI / Data center infrastructure provider

Key financials	
Offering size	$540m
IPO price	$18.00 per share
Indicative range	$20.00 – 24.00 per share
Selling shares	20m by Olympus Partners
Primary shares	10m by Accelevation
Listing	Nasdaq (ACCV)

Investment rationale & highlights	
Structural growth	Data-center and critical infrastructure demand support a differentiated growth story
Public-market readiness	Scale, growth visibility and infrastructure exposure make Accelevation suitable for IPO investors
Sponsor monetization	Olympus-affiliated shareholders sold 20m of the 30m IPO shares, generating liquidity while retaining ownership
Valuation discipline	IPO price below marketed range, highlighting selective demand

Why is this emblematic of the private equity market today?

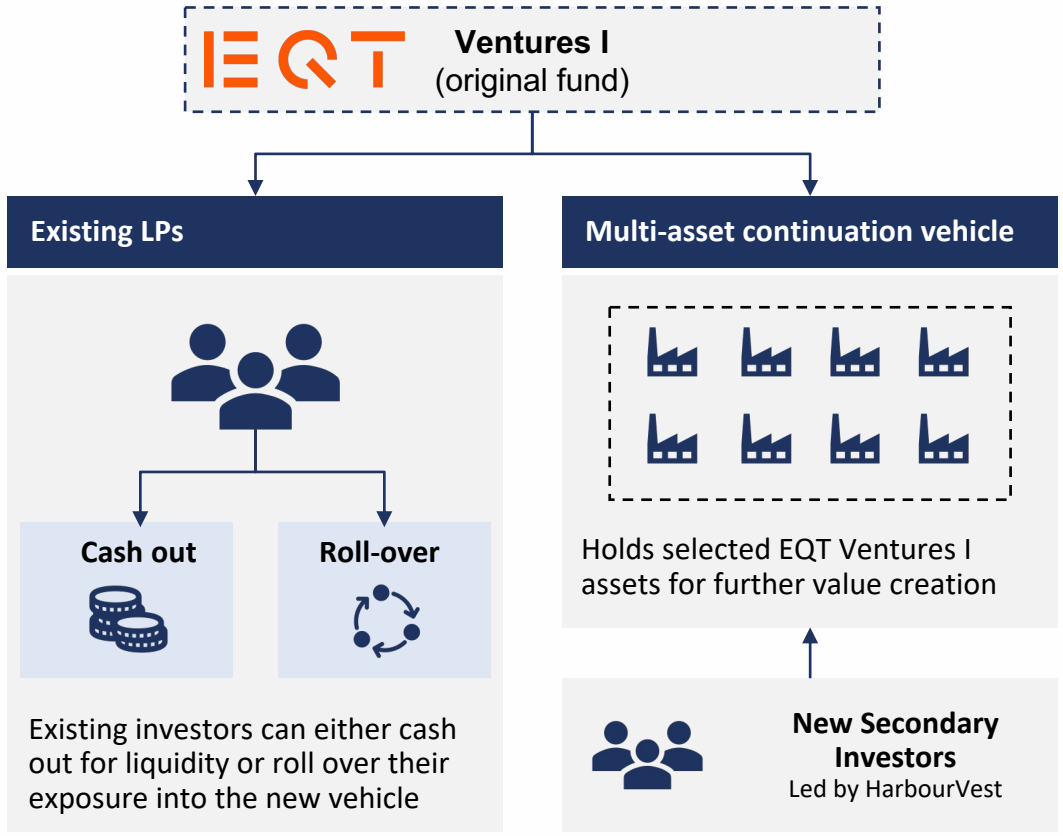
- Selective re-opening of IPO exits
- DPI can come from selective monetization
- Valuation discipline remains critical

Source(s): Reuters (2026), Accelevation (2026)

EQT Continuation Vehicle: Providing liquidity without forcing exits

EQTs 2026 multi-asset continuation vehicle allowed LP liquidity, while preserving exposure to high-conviction assets

EQT Ventures I transaction structure



Transaction rationale & highlights	
LP liquidity	Provides distribution to EQT Ventures I investors without requiring immediate exits
Value creation	EQT keeps exposure to its best-performing assets
Investment horizon	Gives certain assets more time to mature and realize full potential
Portfolio solution	Multiple assets can be transferred together, increasing optionality and efficiency

Why is this emblematic of the private equity market today?

- Secondaries are becoming mainstream
- Liquidity without full exits
- Extending holding periods

Source(s): EQT (2026)

ESCP Alternative Investment Society

Section V: Conclusion & Outlook

Private equity is recovering, but the model has changed

The next PE cycle will be defined less by abundant capital and more by how effectively managers deploy, manage and return it

The Old Model 2020-2021	The Reset 2022-2025	The New Model 2026+
• Cheap leverage	• Higher financing costs	• Selective deployment
• Multiple expansion	• Valuation pressure	• Operational value creation
• Broad fundraising	• Exit backlog	• Flexible financing
• Fast deployment & exits	• Fundraising pressure	• Liquidity & structural growth

Outlook

1. **Deal activity recovers**
   Financing conditions improve, with large deals leading the recovery
2. **Liquidity remains critical**
   Higher exit activity and distributions could support a broader fundraising recovery
3. **Manager dispersion is widening**
   Track record, DPI and execution increasingly differentiate leading managers
4. **Capital follows structural growth**
   AI, digital infrastructure and power are expected to remain key investment themes



ESCP Alternative Investment Society

ESCP Alternative
Investment Society