



Private Equity Outlook: **What's Ahead in 2026**

February 25, 2026

Agenda

1. Defining PE Trends: U.S. & Global
2. 2025 Performance Signals for 2026
3. Value Creation Playbook
4. Sector Highlights: TMT & Manufacturing
5. Q&A



Private Equity Outlook: What's Ahead in 2026

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01

Defining PE Trends: U.S. & Global

Deal activity, fundraising, and the macro forces at play



Defining PE Trends: U.S. & Global

U.S. Deal Activity at a Glance

Deal volume fell sharply while valuations climbed. The deals getting done are more competitive and more expensive.

Deal Activity

27%

Drop in deal volume through Q3 2025 vs. prior year

7.5x

Price multiples up from 6.9x in Q2

Strategy Shift

73%

Growth Capital the dominant strategy

74%

U.S. respondents extend hold periods to create value



Defining PE Trends: U.S. & Global

Fundraising Sentiment Shift

Confidence is cooling, but GPs are responding with discipline. Patience and selectivity define the posture.

2026 Fundraising Sentiment

- 26% Very Positive
- 31% Fairly Positive
- 26% Neutral
- 11% Fairly Negative
- 6% Very Negative
- 57% positive overall (down from 71% in 2025)

GP Response to Headwinds

- 74% would extend fund lifecycle
- 74% would postpone investments
- 57% walk away from <10% of deals (up 8 pts from 2025)
- Discipline over deployment pressure is the clear signal

Defining PE Trends: U.S. & Global Global Landscape & Cross-Border Focus

The U.S. remains the center of gravity, with a clear second tier of established markets. Over a third of firms stay purely domestic.

Top Target Markets

91%

USA domestic remains dominant

40%

Canada #2 target market

Cross-Border Appetite

36%

Purely domestic with zero international plans

32%

Target UK as #3 destination



Defining PE Trends: U.S. & Global Financing Impact

Financing headwinds are reshaping both growth and exit plans. U.S. firms feel this more acutely than European counterparts.

Impact on Build-Up Strategies

- 67% say financing affected build-up plans
 - +18 points year over year
- Two-thirds of firms say the cost and availability of capital is changing how they execute growth plans.

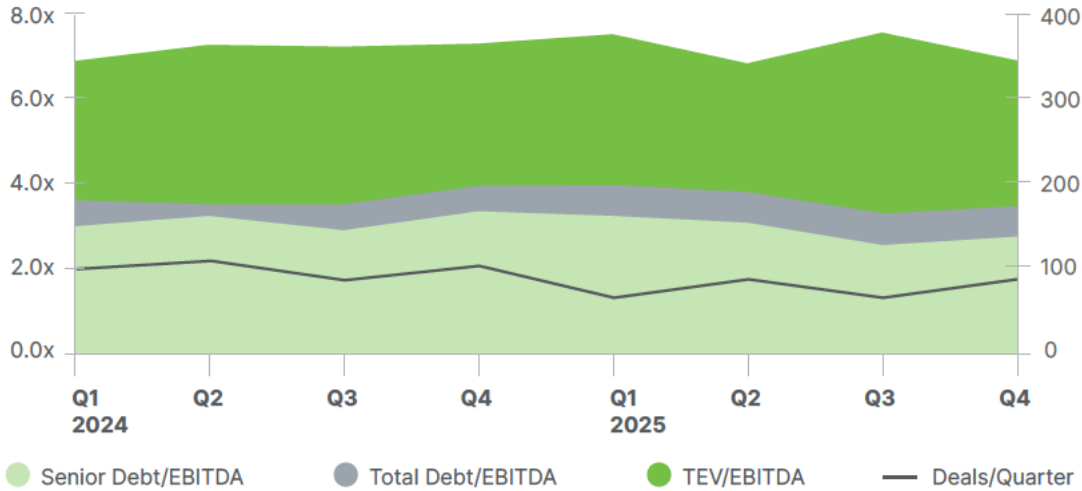
Impact on Exit Strategies

- 51% report financing impact on exits
 - +19 points from 32% in 2025
- Firms are extending hold periods and deferring exits rather than accepting discounted valuations.

Defining PE Trends: U.S. & Global

Q4 2025 Data

Tale of the Tape



	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025
# of Deals	97	107	84	100	62	84	67	84
TEV/EBITDA	6.9x	7.3x	7.2x	7.3x	7.6x	6.8x	7.5x	6.9x
Total Debt/EBITDA	3.7x	3.6x	3.6x	4.0x	4.0x	3.8x	3.3x	3.5x
Sr Debt/EBITDA	3.0x	3.2x	2.9x	3.3x	3.2x	3.1x	2.7x	2.8x

Source: GF Data®, an ACG® Company

- Buyouts accounted for a smaller share of overall activity.
- Growth financings and leveraged recapitalizations supported overall valuation levels.
- The size premium narrowed into year end, even as platform activity increased.



02

2025 Performance Signals for 2026

IRR trends, valuations, sector focus, and deal readiness



2025 Performance Signals for 2026

IRR Performance & Return Compression

83% of firms confident conditions will facilitate portfolio growth

- **IRR Distribution 2026 vs. 2025:**

- >30% IRR: 8% (2026) vs. 13% (2025) = ceiling lowering
- 20-30% IRR: 50% (2026) vs. 51% (2025) = stable core
- 10-20% IRR: 39% (2026) vs. 29% (2025) = floor rising
- <10% IRR: 3% (2026) vs. 4% (2025) = fewer underperformers

- **Signal for 2026 M&A**

- Return compression is driving selectivity — firms are being more disciplined about which deals to pursue, favoring quality over volume.
- The 83% confidence figure signals deal readiness remains strong even as the return profile shifts.

2025 Performance Signals for 2026

Portfolio Challenges & Deal Readiness

The challenges driving portfolio decisions today are directly shaping which sectors and deal types will dominate 2026.

Top Portfolio Challenges

- Market / geopolitical risk (61%)
- Operational complexity (50%)
- Company culture (25%)
- Misalignment with management (22%)
- 4 in 10 cite IT/technology transformation as leading operational focus

Sector Focus Signals

- TMT was among the top PE sectors
- Emerging sectors gaining attention:
 - Aerospace & defense
 - Healthcare technology
 - Business services
 - Residential services

2025 Performance Signals for 2026 Valuations & the New Strategy Mix

The strategy shift redefines how firms approach 2026 M&A

- **Investment Strategy Breakdown:**
 - Growth Capital: 73% — the clear leader
 - Venture Capital: 57%
 - Private Debt: 55%
 - Infrastructure: 40%
 - Pre-IPO: 25% | Distressed: 21%
- **Valuation Dynamics**
 - Multiples at 7.5x (up from 6.9x in Q2) — premium assets command top dollar
 - Average leverage: 56% overall; Majority Active firms at 61%
- **Signal for 2026 M&A**
 - Firms entering the market need a growth thesis, not just capital

03

Value Creation Playbook

Longer holds, cross-border growth, operational transformation, and AI



Value Creation Playbook

Longer Holds & Extended Timelines

74% would extend fund lifecycle rather than accept unfavorable terms

- **The Hold Period Shift:**
 - 74% extend lifecycle when facing fundraising challenges
 - 74% postpone investments rather than force deals
 - 57% walk away from fewer than 10% of deals (up 8 pts YoY)
 - Majority Active firms: 81% would extend lifecycle
- **Why Longer Holds Create Value**
 - More time for operational transformation to generate returns
 - Avoids selling into a depressed exit environment
 - Aligns with growth capital strategy (73%) which requires patience
 - Financing headwinds (67% build-up impact) reward those who wait
- **The Risk:**
 - LP patience is not infinite and communication is critical

Value Creation Playbook

Cross-Border Growth as Value Lever

Two viable strategies are emerging: targeted cross-border expansion into familiar markets, or doubling down on domestic depth.

The Cross-Border Playbook

- Top targets: USA (91%), Canada (40%), UK (32%), France (23%), Germany (21%)
- Emerging: China, Singapore, Spain
- Pattern: Known legal frameworks, familiar regulatory environments, and cultural proximity

The Domestic Depth Strategy

- 36% purely domestic and have no international expansion planned
- Not a default but a strategic choice:
 - Domestic opportunity set is compelling
 - Cross-border complexity isn't worth it
 - Reshoring creates domestic deal flow
 - Build-up strategies work best locally

Value Creation Playbook

Operational Transformation



Growth Strategy

- 47% use growth strategy execution as primary value creation tool
- 100-day operational plans now expected at deal close



Performance Improvement

- 45% focus on performance improvement programs
- 38% on performance improvement planning
- 33% on KPI/reporting



Leadership & Talent

- 42% cite leadership selection as a critical value lever
- Company culture is 3rd-ranked portfolio challenge (25%)
- Management alignment: 22%

Value Creation Playbook

AI: From Buzzword to Implementation

AI is reshaping how PE firms source, monitor, and create value

- **Where AI Is Being Deployed Today:**
 - Deal sourcing & screening — processing thousands of targets to surface matches
 - Fundraising reporting — automating the LP communication cycle
 - Portfolio monitoring — real-time dashboards flagging issues before financials

- **AI Risks Firms Are Managing:**
 - Data security — #1 concern around AI adoption
 - Intellectual property — who owns AI-generated analysis?
 - Regulatory compliance — evolving in real time across jurisdictions
 - Shadow AI — employees using unsanctioned tools without oversight

- **The Differentiator: Firms capturing value vs. firms just experimenting**
 - The gap between AI adopters and observers is widening

04

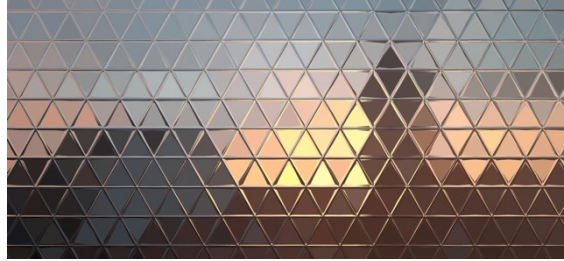
Sector Highlights

TMT & Manufacturing



Sector Highlights

TMT



Why TMT Leads

- Tech models hold up better under pressure
- Transformation demand has not slowed
- AI is reinforcing the thesis

Positioning to Win in TMT

- The bar has risen
- Investors now underwrite based on proof
- AI readiness is now a differentiator

Valuation Premiums

- Traditional fundamentals still matter, but they are no longer the differentiator
- Quality signals are being priced more sharply
- AI differentiation is the new premium driver

AI Considerations

- Data readiness is the biggest hidden blocker
- Governance needs to stay ahead of the risk
- AI changes the operating model

Sector Highlights

Manufacturing



Tariffs: Impact & Industry Shifts

- Tariffs pressuring input costs and margins
- Pricing power, domestic supply chains, and automation leverage are winning

Technology Investments & AI Adoption

- Prioritization of technology transformation
- AI moving from experimentation to implementation

Re-Shoring & Supply Chain Strategy

- Increased focus on domestic manufacturing resilience
- Most are balancing domestic investment with global supply chains

High-Growth Manufacturing Subsectors

- Industrials tied to infrastructure, energy, and defense
- Technology-enabled manufacturing and automation-heavy subsectors

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Q&A

Navigating the Next Investment Landscape
US Private Equity Report: 2026 Insights

Download the report using the QR code below:



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