# 2025 US Private Equity Outlook

## Our analysts’ outlook on the private equity market in 2025

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### 2025 outlooks




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## Outlook: The share of cumulative capital raised for private debt funds will hit a decade high of 33% for the top 10 managers.

*Rationale*

The rapid growth of private debt as an asset class in recent years has been well documented. AUM has grown nearly four-fold over the past decade, from $557 billion in 2014 to more than $2 trillion in 2023, and that is before considering leverage applied. Those figures translate to a historic annual growth rate of 14.4%, which compares favorably to the 11.9% growth achieved by PE during the same span. That kind of growth record, not to mention the highly recurring nature of related fees, makes private debt the apple of the asset management industry's eye, as illustrated by BlackRock's $12 billion acquisition of HPS.

A recurring fear expressed among LPs, who have become equally enamored of private debt, is that it has attracted too many managers for its own good, resulting in returns being competed away or less experienced players gaining entry. This has some merit, as the number of firms managing at least one private debt fund globally has increased from 801 in 2014 to 1,835 in 2024. In its early days, the industry grew rapidly and became increasingly fragmented. Manager count rose by 100 or more every year, and share of cumulative capital raised by the top 10 managers stepped down every year, from 32.6% in 2014 to a low of 26.6% in 2021.

That is when things changed. Beginning in 2022, the upward drift in manager count slowed to fewer than two dozen in the past year, and share of capital raised by the top 10 managers has rebounded to 31.9%. The industry now has all the signs of one that is consolidating and depopulating. Driving that change has been a takeover spree, sometimes led by incumbent debt managers acquiring smaller ones but often led by alternative asset managers lacking expertise in private debt or traditional asset managers crossing over into alternatives. 41 private debt managers have been acquired over the past 10 years, 17 of which happened in the past two years, including BlackRock's blockbuster deal for HPS and TPG's deal for Angelo Gordon.

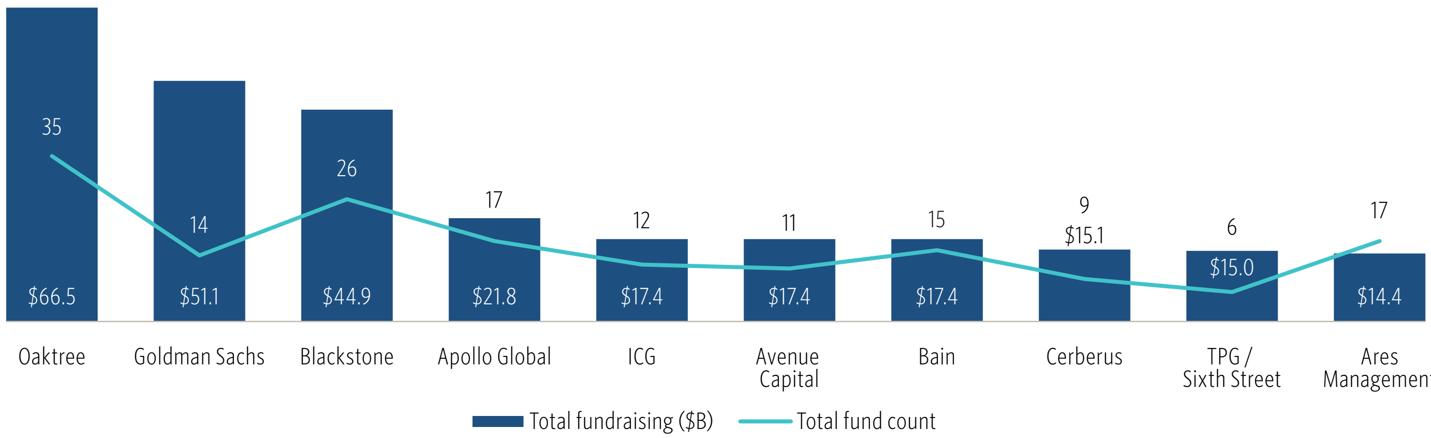
One only needs to look at the top 10 managers today versus 10 years ago to see how much, and little, things have changed. At first blush, four of the top 10 private debt managers in 2014 have been replaced by new managers today, including the largest one at the time, Oaktree Capital Management. Oaktree still operates under its own brand but is now part of Brookfield Corporation after being acquired in 2019. Brookfield also indirectly acquired 17Capital in 2022, allowing it to capture the number two spot today. Similarly, the other three new entrants to today's top 10 were formed by mergers, including BlackRock-HPS, TPG-Angelo Gordon, and Blue Owl-Owl Rock (Blue Owl also acquired Atalaya in 2024). Except for Blue Owl, all newcomers to today's top 10 bought their way into those positions after having little to no prior exposure to the asset class.

As to the question of whether the trend of big debt managers getting bigger is likely to continue, we believe the answer is yes. The asset class has only been consolidating for three years. As noted in our funds team report Establishing a Case for Emerging Managers, LPs are reducing their number of general partners and investing less with new or specialized emerging managers—despite evidence suggesting these managers often perform better, especially in private debt. For these reasons, and due to the prospect of continued M&A, we foresee the top 10 private debt manager share of cumulative capital raised to increase again in 2025 and hit a decade high of 33%.

### *Risks*

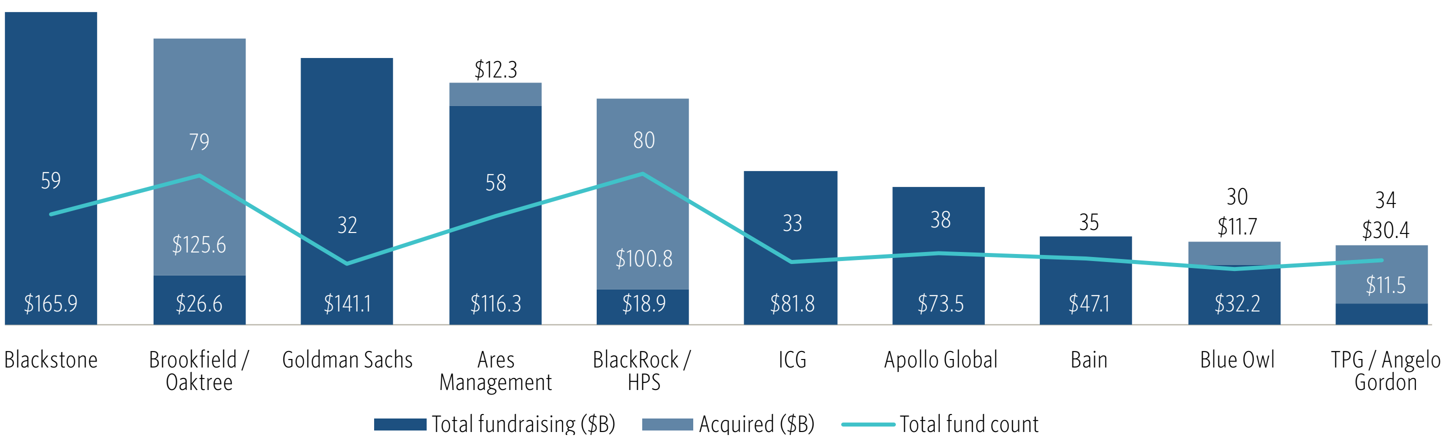
We view the main risk to our thesis as one of execution. The traditional asset management industry has had a spotty record executing on merger integrations, and should the same occur in the alternatives industry, the value of what has been acquired may be lost to the competition in the form of talent defections or forfeited market share. There is also the risk of the pendulum swinging back in favor of emerging managers, which had a 21.1% share of fundraising over the past 14 years but has dwindled to just 8.6% in 2023.

## Top 10 private debt managers in 2014



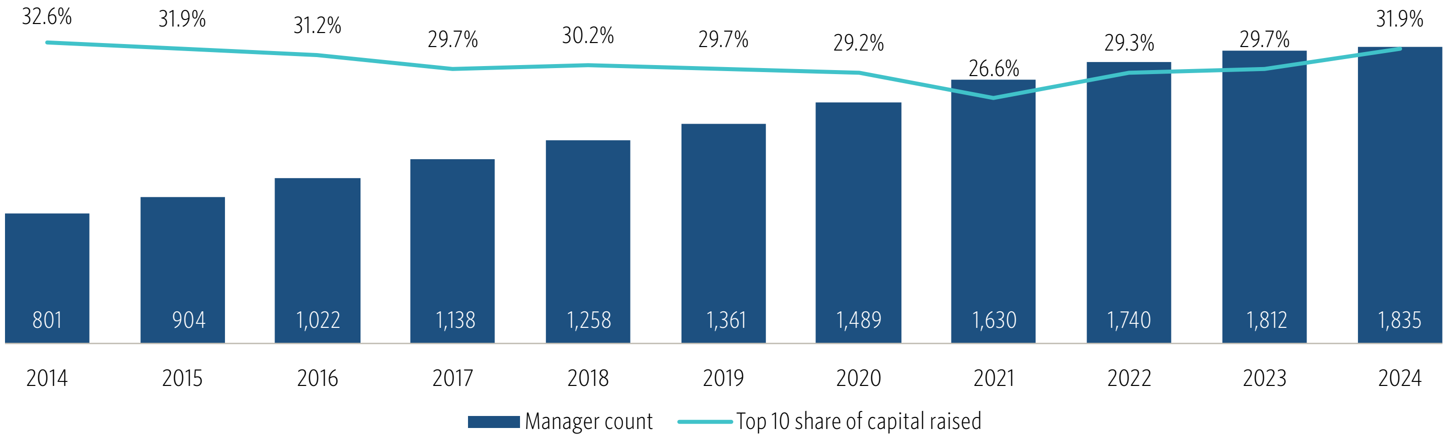

Source: PitchBook • Geography: Global • As of December 1, 2024

## Top 10 private debt managers in 2024




Source: PitchBook • Geography: Global • As of December 1, 2024

### Private debt manager count and share of cumulative capital raised by the top 10




Source: PitchBook • Geography: Global • As of December 1, 2024

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## Outlook: PE-backed IPOs will capture 40% of US IPO capital.

*Rationale*

The IPO landscape is set for a significant shift in 2025; we expect PE-backed companies will capture 40% of all IPO capital raised on major US exchanges. This marks a substantial 940-basis-point increase from the decade average and signals a changing tide in investor preferences.

Our analysis of the US IPO market since 2000 reveals that PE-backed companies have historically averaged an annual share of 30.6% of IPO capital raised on major exchanges over the past decade. The high-water mark was in 2016, when PE-backed IPOs accounted for 54.2% of capital raised. The low point occurred in 2022 at just 3%, as adverse macroeconomic conditions weighed heavily. However, PE's share rebounded to 30.4% in 2023, albeit amid muted IPO activity. At present, 2024 appears promising, with PE-backed companies tracking to achieve a 34.4% share of capital raised based on YTD data. We anticipate this momentum will build into 2025, culminating in PE-backed companies capturing 40% of IPO capital raised on major US exchanges.

Part of the gains achieved by PE-backed companies stems from their focus on a balance of growth and profitability, making them less speculative than VC-backed firms. PE-backed companies generally offer stable cash flows and a proven track record of successful capital allocation. Operating in industries with rational pricing and competition, they provide predictable returns, making them appealing IPO candidates across various market conditions. These traits are particularly favorable to investors following the tumultuous market volatility of 2022 and 2023. Investors are showing a renewed appetite for stability and predictable returns, areas in which PE-backed companies excel.

Recent stock performance of PE-backed IPOs has been impressive, bolstering investor confidence. We gathered data on VC-backed and PE-backed IPOs of 2024 and find that share price returns to IPO investors for PE-backed companies have a median gain of 20.7%, while VC-backed companies have a median loss of 6.8% (as of December 1, 2024). While VC-backed companies typically offer high growth prospects with limited profitability—aggressively investing to gain market share—PE-backed firms provide the profitability and stability currently favored by investors.

While the PE ecosystem will continue to rely primarily on private markets for transactions, the IPO market remains an essential exit avenue for large portfolio companies. PE funds are typically structured with a 10-year life, and as portfolio companies grow beyond $1 billion in value, the pool of potential buyers with sufficient capacity dwindles—limited to large PE firms or strategic acquirers. At this valuation threshold, an IPO often becomes an attractive exit strategy as PE funds wind down after their structured life span. Companies exceeding $2 billion are even better positioned due to enhanced market liquidity.

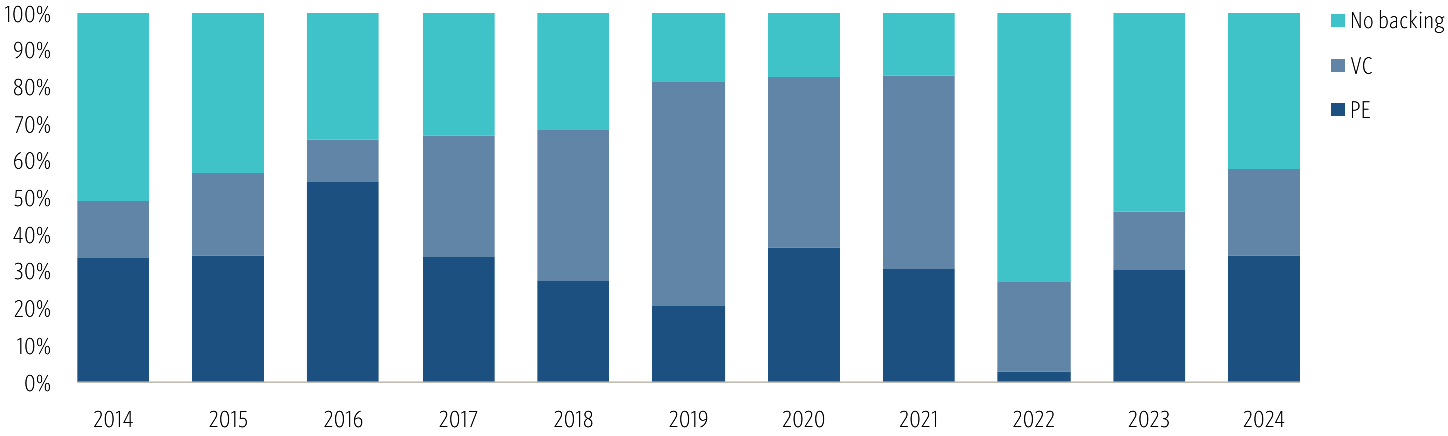
In the current macro backdrop, PE-backed companies are better equipped to choose an IPO as an exit than VC-backed firms. Investors in PE-backed companies are more likely to have consistent entry prices and be ahead on their holdings. Our analysis of 20 recent PE-backed IPOs found that eight of the last nine deals with disclosed entry values showed valuation gains. The other 11 did not have disclosed entry prices. Conversely, VC-backed companies often have a less consolidated ownership structure with a wider range of entry prices across various financing rounds. This scenario can lead to a more contentious decision to pursue a public offering, especially if recent investors face the prospect of a down-round IPO compared to their 2021 entry prices.

In summary, the anticipated increase in PE-backed IPOs in 2025 reflects GPs capitalizing on strong public markets to return capital to LPs on a greater scale. With stable cash flows and proven business models, PE-backed companies are well-positioned to take advantage of favorable market conditions, even if they offer less aggressive growth prospects compared to their VC-backed counterparts.

*Risks*

Major US public market indexes have recently reached new highs, reflecting investor optimism about economic fundamentals and a robust interest in equity market exposure. However, if these indexes experience a significant correction and market sentiment turns negative, the IPO window could close until investor confidence rebounds. Such a downturn would hinder PE-backed companies from pursuing IPOs as an exit strategy, forcing them to delay plans or explore alternative routes.

**Share of IPO capital raised by backing type**




Source: PitchBook • Geography: US • As of October 31, 2024

## 2024 PE-backed IPOs with disclosed entry valuations

| Company | Sector | Entry date | Entry EV ($M) | IPO date | IPO EV ($M) |
|---|---|---|---|---|---|
| Ingram Micro | IT | July 7, 2021 | $7,200.0 | October 24 | $7,661.7 |
| KinderCare Education | B2C | July 9, 2015 | $1,519.0 | October 9 | $5,574.8 |
| StandardAero | B2B | April 4, 2019 | $5,310.0 | October 2 | $11,587.1 |
| BKV Corporation | Financial services | December 16, 2020 | $350.0 | September 26 | $2,003.3 |
| Onestream | IT | April 6, 2021 | $6,000.0 | July 24 | $4,264.3 |
| Ardent Health Services | Healthcare | July 1, 2015 | $1,750.0 | July 18 | $4,325.4 |
| Waystar Health | Healthcare | September 12, 2019 | $2,700.0 | June 7 | $4,723.2 |
| Viking River Cruises | B2C | September 12, 2016 | $2,941.2 | May 1 | $13,277.1 |
| BrightSpring Health Services | Healthcare | February 12, 2019 | $3,307.5 | January 26 | $5,155.5 |

Source: PitchBook • Geography: US • As of October 31, 2024

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## Outlook: The maturity wall facing PE funds will grow as GPs struggle to wind down older vintages that enter their harvesting stage.

*Rationale*

Although PE exits started to rebound in Q2 2024, the severity of the decline will likely affect fund liquidation schedules for many years to come. GPs will increasingly come up against a maturity wall to wind down funds within their allotted time frames. We previously wrote about a maturity wall at the PE company level, and the term is most often used in a credit context to describe when loans come due on those same companies, but the maturity wall on funds trumps all.

A typical buyout fund has a lifespan of 10 years, with an ability to extend the fund term for two one-year periods as needed to create more value for its assets. Many PE funds exit their high-performing assets at around the five-year mark or even earlier at the three-year mark. Funds that are six to nine years old—vintages of 2015 through 2018—have entered the harvesting stage of their fund life cycle. That equates to 3,369 PE funds globally, with 1,825 of them based in the US. In 2025, funds closed in 2019 will enter their harvesting stage as well, which will expand the number of funds reaching the maturity wall given that this vintage marked the beginning of a PE fundraising boom, characterized by high frequency closings and low time-to-close and time-to-launch intervals. With exit activity just starting to recover, GPs do not have a lot of time to wind down the 10 to 12 portfolio companies typically invested per fund. GPs will be confronted with a growing maturity wall of funds approaching term, especially as vintages from very active fundraising years reach a ripe old age.

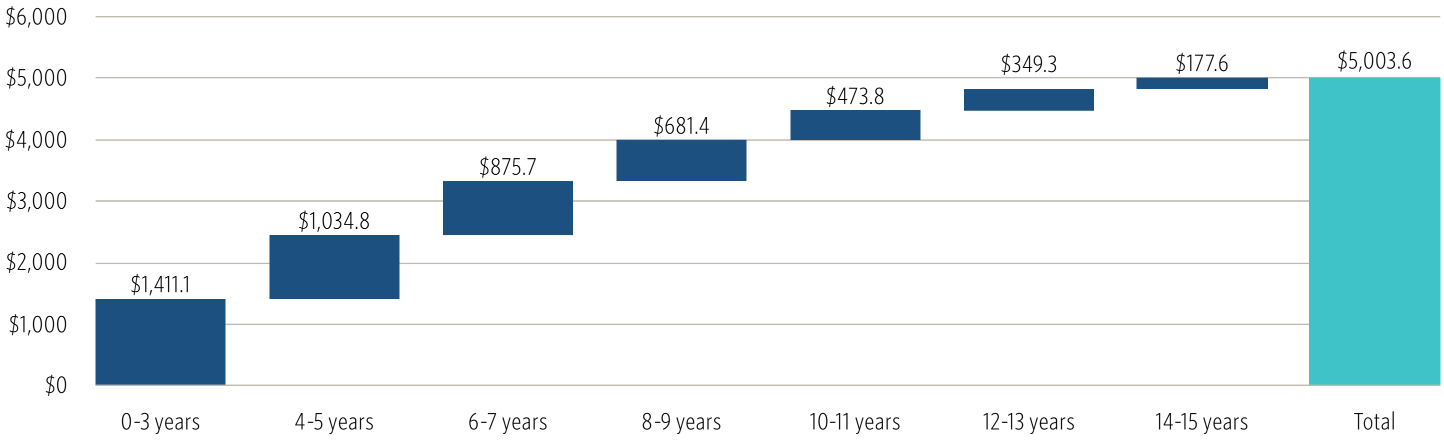
Globally, approximately 52% of all active PE funds are six years old or older, which represents the halfway point of the theoretical 12-year fund life. In dollar terms, the population of funds aged six years or older is almost identical at approximately 51% of total committed capital. Granted, some of these funds are partially liquidated and have lowered their invested capital as a result, but most funds do not disclose their net asset values (NAVs); committed capital is the next best proxy for projecting when funds come due and their relative magnitude. In short, our analysis indicates that more than half of all PE funds are at the halfway mark and need to commence an orderly disposition of their assets soon to avoid overshooting their intended fund life. Breaking this down by age bucket, 13.8% of active funds will reach their 10-year fund term in the next year or two. 1,607 funds will need to be wound down in 2025 or 2026 or secure extensions. With 15.2% of funds being six or seven years old, there is a possibility that the share of funds that have aged out will grow if these funds move into the next age bucket and fail to liquidate their funds at a faster rate. Furthermore, the demographics of aging funds get worse from there, as the number of funds between the 2018 and 2021 vintages rises steadily from 969 to a peak of 1,504 in 2021 globally, and from 467 to a peak of 929 in the US. Unless GPs meaningfully pick up the exit pace, the number of funds hitting a maturity wall will expand in the next four years.

Another way to discern the approaching maturity wall is to examine the capital raised by funds with a 12-year shift and the estimated held amount at each year assuming that 15% remains unsold. We believe this to be a conservative assumption based on actual observed data from 2007 and 2012 vintage portfolios. In the chart on the next page, we show the worst-case and base-case scenarios for funds closed between 2014 and 2021. The worst case is more like a zero-case scenario because it assumes nothing gets liquidated before terming, and many funds are at least partially liquidated by now. But we include it for illustrative purposes to show the 12-year shift in fundraising. The analysis starts at the 2014 vintage, as these funds are currently 10 years old and in theory need to be fully wound down by 2026 with extensions. The chart also shows the expected amount of remaining capital that will hit the maturity wall after 12 years, assuming an 85% liquidation rate (15% unsold). Thus, the base-case and worst-case scenarios are presented for each fund vintage from 2014. In the base case, the cumulative held amount of capital will grow from $32.1 billion in 2026 to $493.1 billion in in 2033 as more funds reach the maturity wall.

### *Risks*

GPs with funds approaching term could increasingly turn to continuation funds to push out the maturity wall for their highest-quality assets while winding down the rest of the fund. Continuation funds provide an extra three to five years of runway for GPs to further realize the value of their assets and liquidate at more strategic times. Continuation funds have already become a more prominent strategy for GPs. In the backdrop of a challenged exit market and mounting liquidity pressures from

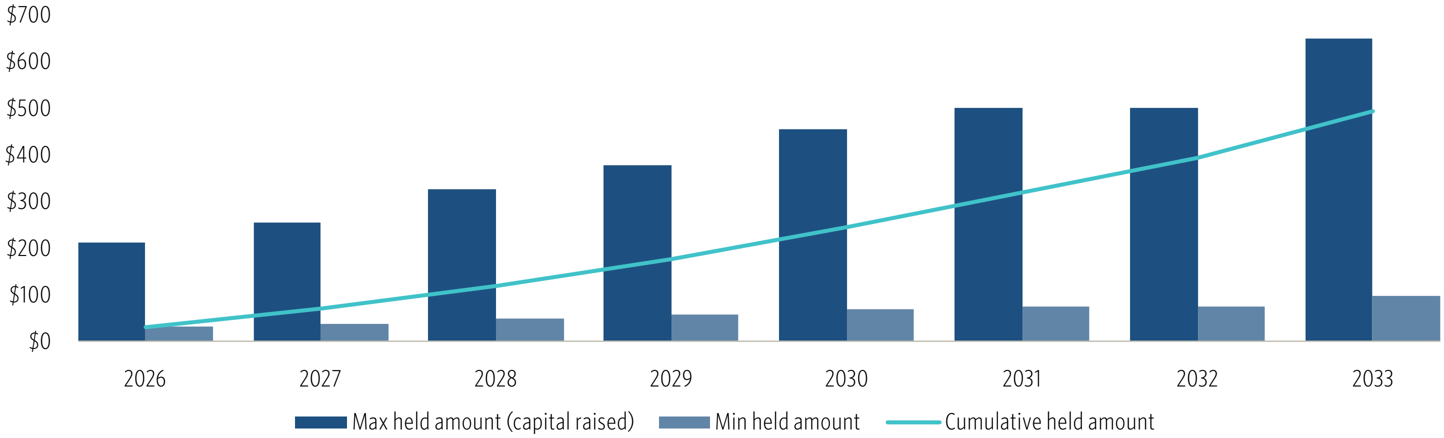
**PE capital raised ($B) by age**




Source: PitchBook • Geography: Global • As of November 27, 2024

*Note: Data excludes all funds closed prior to 2010, all funds reported as liquidated, and all funds with disclosed NAV below 5% of committed capital, which we assumed to be effectively liquidated funds.*

## Estimated PE capital raised ($B) in closed funds with 12-year shift




Source: PitchBook • Geography: Global • As of September 30, 2023

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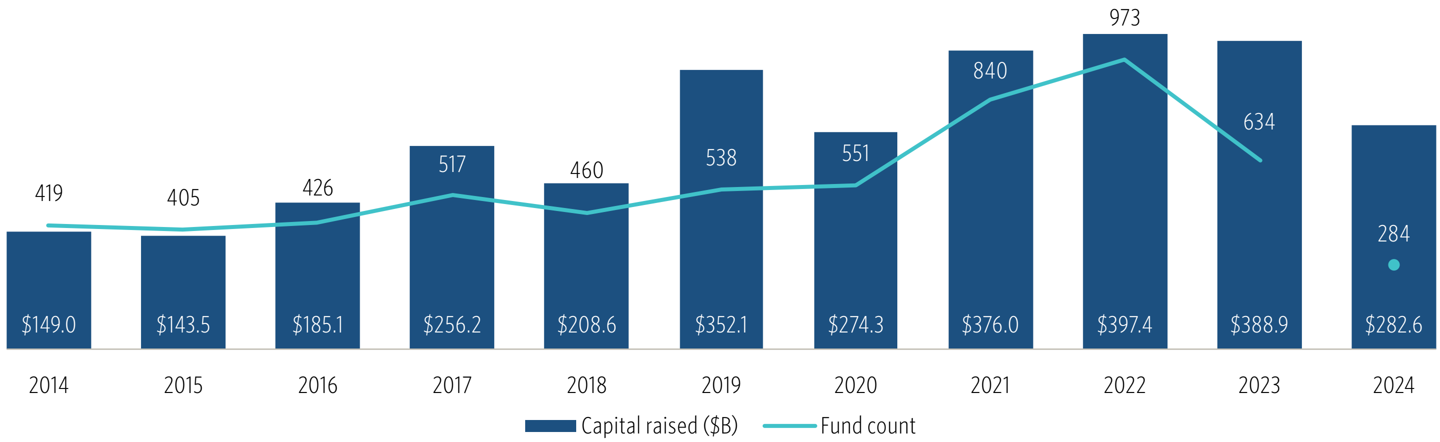
## Outlook: PE will see a decline in annual fundraising following multiple years of robust activity.

### PE fundraising activity




Source: PitchBook • Geography: US • As of November 24, 2024

### *Rationale*

PE fundraising has held its own and then some in the past four years in the face of severe headwinds that negatively impacted other facets of the asset class, such as dealmaking and exit activity. 2024 is on pace to end the year in line with capital raised in 2023 despite the large drop in fund count, although fund counts do climb as more data is collected. We believe the elevated level of PE fundraising will finally give way in 2025, leading to the first significant decline in five years.

A variety of factors are at work to drive this decline, and while none are new, their cumulative effects are just too great to sustain another stable year of fundraising. The median time to close a PE fund in the US was just 10.9 months at the end of 2022, and through the end of November 2024, this figure has stretched to 16.7 months, its highest reading since 2010. This elongated fundraising timeline results in fewer funds closing in any given year and, consequently, less capital raised. Another notable trend that points to a slowdown in fundraising is the decline in PE dry powder. Dry powder swelled to more than $1 trillion in 2022 as fundraising well outpaced deployment activity. That trend has reversed as PE deal activity is now on the rise, but fundraising has not been sufficient to replace what has been spent down. As the dealmaking environment further improves, we expect to see dry powder decline more in 2025 on an absolute basis or relative to AUM.

Megafunds, defined as funds that raise $5 billion or more, have become integral to fundraising activity. They typically account for the largest piece of the fundraising pie, averaging 46.5% of all capital raised over the past five years. To date, the number of megafunds open and raising capital is 12 and sits below the 16 open and raising in the same period in 2023. While there is still a healthy list of open megafunds, only a few have raised a significant portion of their intended target, making them unlikely to close within calendar year 2025. As a reminder, we only include total committed capital on funds that have achieved a final closing in our tally of annual fundraising.

The top 10 open funds in the market today have targets totaling $129.6 billion, of which 36.2% has been collected in initial closings. This compares to $139.1 billion for the top 10 open funds at this point in 2023, of which 73.2% had been raised. Not only are the top 10 shrinking in terms of intended targets—with a shortfall totaling nearly $10 billion—but they are also filling up more slowly, with an annual shortfall of more than $50 billion.

Six of the top 10 open funds in 2024 launched just this year, and applying the median close time of 16.7 months means they are not likely to achieve a final closing until 2026. Lower PE fundraising is largely baked into our numbers as a result. Ironically, the trend may turn down at the same time that PE dealmaking has rebounded. We have often noted that fundraising is the ultimate lag indicator and that exit activity is the more telling lead indicator of industry prospects.

### *Risks*

Exit activity plays a crucial role in the closed-end fund flywheel, as exits lead to distributions to LPs, which often recycle that capital into new fund commitments. If 2025 sees a significant pickup in realization activity, these distributions could drive PE fundraising to another strong year. Supporting this quick turnaround in exits would be the Federal Reserve's continued efforts to engineer a soft landing through rate cuts. A swift decline in interest rates could expedite the exit recovery and sustain fundraising throughout 2025.

## Top 10 open PE funds at year-end 2024

| Fund | Fund type | Open date | Fund target ($M) | Raised amount ($M) |
|---|---|---|---|---|
| Blackstone Capital Partners IX | Buyout | June 21, 2022 | $20,000.0 | $20,777.4 |
| KKR North America Fund XIV | Buyout | June 24, 2024 | $20,000.0 | N/A |
| Thoma Bravo Fund XVI | Buyout | April 5, 2024 | $20,000.0 | $1,600.0 |
| Clearlake Capital Partners VIII | Buyout | June 20, 2023 | $15,000.0 | $7,500.0 |
| Veritas Capital Fund IX | Buyout | May 13, 2024 | $13,300.0 | $320.0 |
| Insight Partners XIII | Buyout | July 8, 2022 | $12,500.0 | $10,000.0 |
| Trident X Fund | Buyout | May 6, 2024 | $9,000.0 | $950.0 |
| Thoma Bravo Discover Fund V | Buyout | April 5, 2024 | $7,000.0 | $548.0 |
| PSG VI | PE growth-expansion | August 10, 2023 | $6,500.0 | $5,059.4 |
| Thomas H. Lee Equity Fund X | Buyout | August 19, 2024 | $6,250.0 | $200.0 |
| **Total** | | | **$129,550.0** | **$46,954.8** |

Source: PitchBook • Geography: US • As of November 24, 2024

## Top 10 open PE funds at year-end 2023

| Fund | Fund type | Open date | Fund target ($M) | Raised amount ($M) |
|---|---|---|---|---|
| Blackstone Capital Partners IX | Buyout | June 21, 2022 | $20,000.0 | $17,550.2 |
| Silver Lake Partners VII | Buyout | N/A | $20,000.0 | $19,157.6 |
| Vista Equity Partners Fund VIII | Buyout | October 25, 2021 | $20,000.0 | $17,000.0 |
| TPG Partners IX | Buyout | April 29, 2022 | $15,000.0 | $10,736.1 |
| Clearlake Capital Partners VIII | Buyout | June 20, 2023 | $15,000.0 | $7,500.0 |
| BDT Capital Partners Fund 4 | Buyout | March 25, 2022 | $13,000.0 | $13,051.9 |
| New Mountain Partners VII | Buyout | March 7, 2023 | $12,000.0 | N/A |
| Platinum Equity Capital Partners VI | Buyout | October 26, 2021 | $12,000.0 | $10,657.5 |
| The Resolute Fund VI | Buyout | May 30, 2023 | $6,850.0 | $6,500.0 |
| ICONIQ Strategic Partners VII | PE growth-expansion | April 28, 2022 | $5,750.0 | N/A |
| **Total** | | | **$139,600.0** | **$102,153.3** |

Source: PitchBook • Geography: US • As of November 24, 2024