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US PE Pulse

Updating our views on the year ahead

PitchBook is a Morningstar company providing the most comprehensive, most accurate, and hard-to-find data for professionals doing business in the private markets.

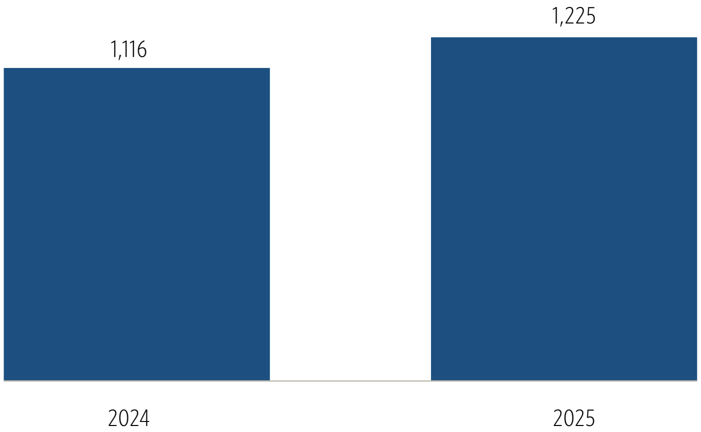
Key takeaways

- **Revised 2025 outlook:** Following a volatile start to 2025, we reassessed our projections for the PE landscape this year.
- **GP activity:** Despite policy uncertainties and potential tariff disruptions, data confirms that GPs are proactively adjusting portfolios to capitalize on emerging opportunities in 2025.
- **Sector spotlight:** Sycamore Partners’ $23.7 billion Walgreens Boots Alliance take-private transaction highlights strong anticipated value creation in healthcare amid easing regulatory pressures.
- **Economic risks:** Increasing consumer and business credit delinquencies, coupled with structural imbalances in federal spending, present meaningful macroeconomic threats in 2025.
- **Capital deployment versus exits:** Our December 2024 expectation—stronger exit opportunities paired with challenges in capital deployment due to elevated valuations—has reversed. Our updated view for 2025 anticipates tougher exit conditions given heightened macroeconomic risks, yet more attractive capital deployment prospects arising from potential market dislocations and increasingly motivated sellers.

Early signals amid policy shifts

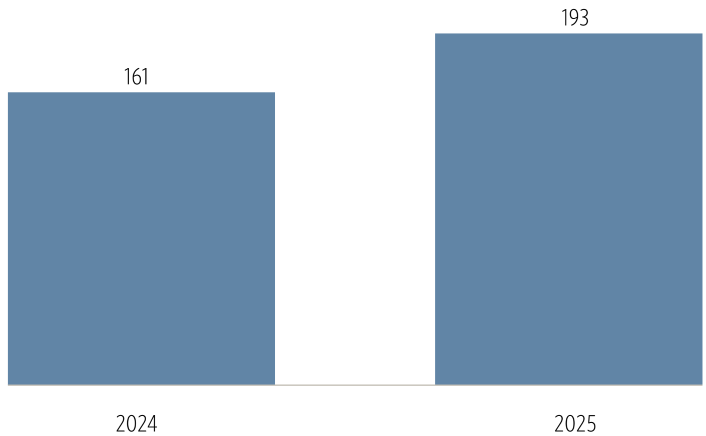
Navigating the start of 2025, PE firms face a dynamic environment shaped significantly by high-impact policies from the new Trump administration. These policies are poised to create substantial economic effects, prompting GPs to carefully balance investment strategies against a new range of uncertainties. Early Q1 2025 data suggests that firms remain committed to their established value-creation strategies, revealing an underlying optimism about growth prospects for the year ahead. We ran a preliminary Q1 2025 pull of both US PE deal and exit activity and found that both are growing relative to an identical pull ran at a comparable time for Q1 2024. We will share the final data and analysis in our upcoming Q1 2025 US PE Breakdown.

PE deal count



Source: PitchBook • Geography: US • As of March 11, 2025
Note: Based on Q1 2024 and 2025 preliminary data.

PE exit count



Source: PitchBook • Geography: US • As of March 11, 2025
Note: Based on Q1 2024 and 2025 preliminary data.

Public markets sent promising signals in December 2024, initially suggesting a fresh growth cycle ahead. However, sentiment has recently shifted toward caution due to uncertainties surrounding proposed tariffs. The view from December, with US public market indexes at highs, suggested that 2025 would be a good year for exits and an ok year for capital deployment. For example, public markets surged to new highs while PE exhibited considerable restraint in take-private activities. Analyzing the performance of the seven largest publicly traded PE firms, known as the "Big Seven," further illustrates this dichotomy.[1] In Q4 2024, PE deployment by the Big Seven firms increased modestly at 2.9% YoY, reflecting significant variation across firms—some eagerly deploying capital and others holding back. In contrast, exits surged by an impressive 79% YoY, underscoring an emphasis on capital returns.

With more volatility and uncertainty, it now appears 2025 will be an ok year for exits and a good year for capital deployment, as there are likely to be more sectors with eager sellers and less regulatory scrutiny related to consolidation. Despite this caution, exit activity remained robust in Q1, even as deployment rates appeared merely satisfactory.

1: The Big Seven refers to Blackstone, Apollo, KKR, Carlyle, Ares, Blue Owl, and TPG.

Taking the pulse of GP sentiment

PE industry sentiment—gauged by recent client conversations and discussions at the 2025 Texas ACG Capital Connection conference in Houston—remains largely upbeat. More than three in four people surveyed anticipate improving economic conditions throughout 2025, reflecting PE firms' advantage in maintaining a longer-term investment horizon (typically 3 to 8 years). Without the pressure to produce quarterly results, PE managers can navigate short-term fluctuations with more autonomy than their public market counterparts.

Ample dry powder available to seize market dislocations

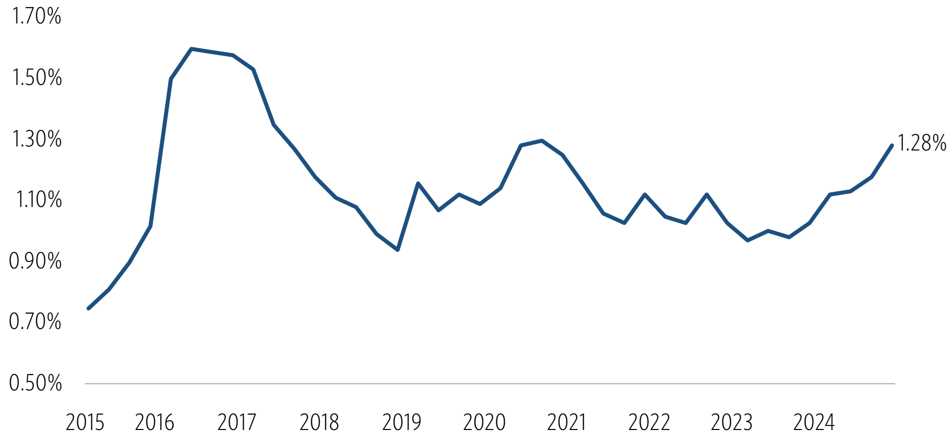
Although dry powder is a useful indicator of PE firms' buying power, the pace of capital deployment is important to understanding the current private market sentiment. Since 2010, PE funds have, on average, deployed about one-third of outstanding dry powder. Over the year ending in September 2024, that figure dropped to 26.2%. This aligns with the decline in PE dealmaking from the frenzied pace of 2021, which has since achieved an upward trajectory in 2024. Still, the continued moderation in deal activity through the first few months of 2025 suggests that we are not expecting rapid adjustments in capital call rates once data through the end of 2024 is reported. While three consecutive years of robust fundraising pushed US PE dry powder beyond $1 trillion, it has yet to translate into adequately accelerated dealmaking activity. GPs remain slower with capital deployment as they grapple with macroeconomic uncertainty and subsequent challenges in assessing deal opportunities. GPs are well positioned to opportunistically deploy capital and will do so with more economic clarity and stability.

Q1 2025 healthcare megadeal

A notable deal highlighting the scale of capital deployment in early 2025 is Sycamore Partners' announcement of a $23.7 billion take-private transaction involving Walgreens Boots Alliance. This transaction represents the largest healthcare sector take-private by PE since the global financial crisis. The healthcare and retail sectors, previously challenged by regulatory scrutiny under the previous Biden administration, will likely witness improved transaction activity given the more favorable business environment and reduced regulatory friction expected under the Trump administration.

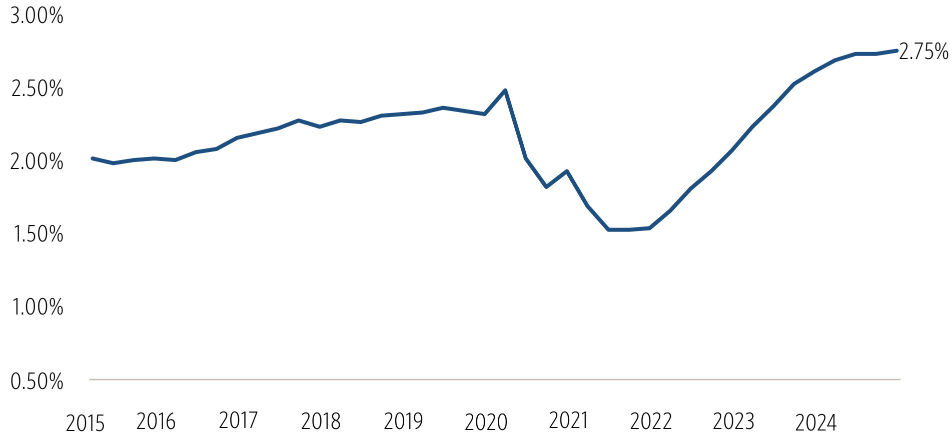
Risks and headwinds for 2025

Business loan delinquency rates



Source: Federal Reserve • Geography: US • As of December 31, 2024

Consumer loan delinquency rates



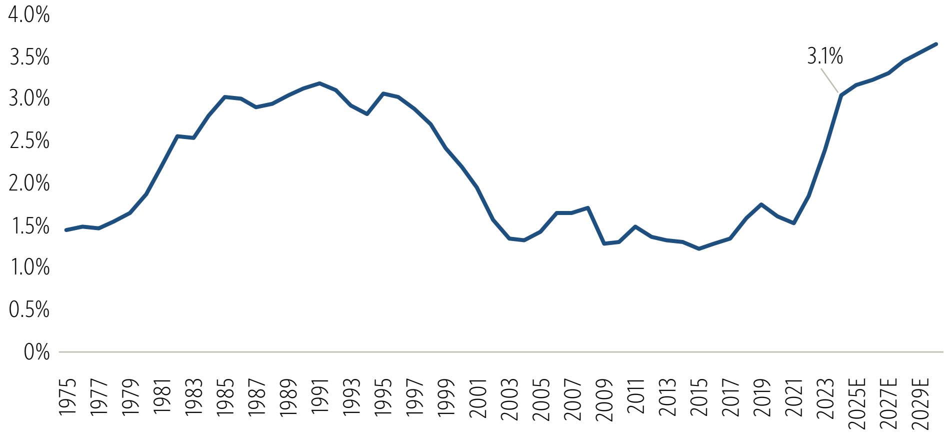
Source: Federal Reserve • Geography: US • As of December 31, 2024

Elevated risk in bank loan portfolios

Challenges persist for portfolio companies. Consumer credit delinquencies have reached the highest level in a decade, exacerbated by the resumption of student loan repayments on $1.7 trillion of outstanding debt. According to Federal Reserve (the Fed) data, of all consumer loans across all banks, 2.75% are delinquent, up from a recent low of 1.52% in Q3 2021.[2] This may significantly curtail discretionary spending in 2025, posing potential headwinds for consumer-oriented businesses. Concurrently, business credit quality is deteriorating, approaching levels last seen amid the 2020 recession. Given these trends, banks may tighten underwriting standards or limit credit access—particularly for cyclical industries—potentially delaying corporate investments and hindering growth.

2: "Charge-Off and Delinquency Rates on Loans and Leases at Commercial Banks," Board of Governors of the Federal Reserve System, February 18, 2025.

Net interest outlays as a share of GPD



Source: Congressional Budget Office • Geography: US • As of January 17, 2025
Note: Data for 2025 to 2029 is estimated.

US federal government interest costs and spending cuts

Overlaying these economic pressures is the long-standing structural imbalance in federal spending. Since the early 2000s, US federal expenditures have consistently surpassed tax receipts, culminating in a federal deficit reaching a historic level, equal to 123% of GDP in 2024, according to the US Treasury.[3] With the Fed's aggressive rate hikes in 2022 to combat inflation, federal interest payments eclipsed national defense spending and rose to 3.1% of GDP in 2024, presenting an unsustainable fiscal trajectory.[4] Although current policy initiatives include cost reductions, targeted tax cuts, and tariffs intended to stimulate domestic manufacturing, history suggests tariffs may inadvertently suppress domestic exports.

PE undaunted

Despite these multifaceted challenges, the outlook for PE exits remains cautiously optimistic. While recent trade tensions and market volatility have tempered investor enthusiasm, a considerable backlog of PE-backed firms considering IPOs, coupled with improving credit conditions for sponsor-to-sponsor transactions, supports continued exit momentum. Approximately 3,800 US PE-backed companies that have been held between five to 12 years—a duration consistent with typical fund structures plus potential extensions—await exit opportunities. Thus, even amid broader economic uncertainties, exit activity appears likely to persist, driven by necessity and underlying confidence within the PE sector. Additionally, with around $1 trillion of dry powder, PE firms will actively look to deploy capital into areas with upside, particularly when there are dislocations because of shifts in policy or macroeconomic factors.

3: "What Is the National Debt?" Fiscal Data, n.d., accessed March 25, 2025.
4: "The Budget and Economic Outlook: 2025 to 2035," Congressional Budget Office, January 17, 2025.