

2026 Private Equity Industry Predictions



After a prolonged period of subdued deal activity and capital accumulation, private equity is entering 2026 with renewed optimism — flush with dry powder and ready to deploy. Financing conditions are stabilizing, interest rates are decreasing, and valuations are beginning to reset. As the industry prepares for renewed activity, private equity firms are shifting from growth-at-any-cost strategies toward operational value creation, deeper diligence, and more disciplined risk underwriting.

Here are BDO's six private equity industry predictions for the new year. ►



PE Learns to Thrive Amid Policy and Market Uncertainty

Political and policy turbulence has become the norm for the PE industry, driven by shifting tariffs, interest-rate cycles, and election-year fiscal debates.

This uncertainty took a toll on dealmaking in 2025, with many funds taking a “wait-and-see” posture, hoping for clarity that never fully arrived.

But as PE leaders increasingly recognize that political noise is often louder than its real economic consequences, we expect firms to re-enter the market with greater conviction, supported by stronger diligence, scenario modeling, and operational planning.

To do this successfully, many firms will:

- ▶ Double down on operational risk management due diligence at the outset
- ▶ Leverage advanced technologies to improve transparency and accuracy, especially for finance, tax, and regulatory compliance
- ▶ Diversify portfolios across sectors, geographies, and business models
- ▶ Build multiple pathways for exits to avoid timing risk

With this renewed focus on risk management, we predict industry leaders will have the confidence to act decisively, even in imperfect conditions.



Deal Volume and Value Climb in 2026

As borrowing costs decline and geopolitical uncertainty around tariffs recedes, U.S. PE firms are expected to ramp up activity in 2026, driven by both the need to generate exits and a buildup of pent-up demand. This anticipated growth will continue the momentum in YoY deal volume and value that has been steadily increasing since 2023.

Megafunds and middle-market managers will lead the acceleration, with larger funds in particular driving the growth in deal value. Megafunds are turning to nine- or even ten-figure transactions to deploy the record levels of dry powder raised in recent years, recognizing that a focus on fewer, large deals is more efficient than executing many smaller transactions. This shift reinforces the concentration of capital among these large funds, which are built to execute complex transactions at scale.

But large funds aren't the only ones driving up deal size. Strategic buyers will also play a defining role. According to BDO's [2025 PE Survey](#), 43% of fund managers say most competition for deals will come from strategic acquirers. Their ability to pay higher prices, driven by operational synergies and stronger balance sheets, will intensify pressure on PE funds on the buy side, while also creating more favorable exit conditions for PE funds looking to sell assets.

With megafunds, middle-market managers, and strategics all accelerating their activity, 2026 is poised to deliver a decisive step-change in U.S. deal volume and value.



The U.S. is on target to complete more than 130 [\\$1B+ PE transactions](#) in 2025 — a **30%** increase year-over-year.

The Industry will Learn its Lesson from the Buying Frenzy in 2021

3

Abundant liquidity, low interest rates, and pent-up post-pandemic demand pushed PE firms into aggressive dealmaking in 2021.

Many paid peak valuations and relied heavily on leverage to win competitive deals.

Now that macro-conditions have shifted, some 2021 vintage deals are struggling to meet performance expectations. This has placed sustained pressure on funds to generate exits and return capital to LPs, even as valuations remain constrained.

In 2026, we expect fund managers to take past lessons to heart. In an environment where the cost of capital is higher and the macrolevel risks are more acute, the margin for error is smaller than it was during the 2021 market boom.

Funds will recalibrate their strategies, scrutinizing valuations more closely and focusing on fewer but higher-quality deals, and building greater flexibility into exit planning from day one — whether via traditional sponsor-to-sponsor or strategic sales, IPO pathways, or alternative structures such as secondary processes.

Disciplined GPs will focus on pricing, operational value creation levers, and selective deployment in sectors with durable fundamentals. Firms that chase momentum or rely only on financial engineering risk repeating the same overvaluation trap and another period of relative underperformance.



30%

By the end of 2024,
[over 30% of PE-backed companies](#)
had been held by fund managers for at least five years, the highest percentage in nearly a decade.

4

Competition for Operating Partner Talent Intensifies

With operating capabilities now a core differentiator, funds are doubling down on the talent required to drive portfolio transformation. Value creation is increasingly rooted in operational excellence, and firms are recalibrating hiring strategies accordingly.

Operating partners with deep experience in AI integration, human capital management, commercial acceleration, pricing, digital transformation, supply chain, and data analytics are essential, not optional enhancements. As firms race to secure the most effective operators, competition is expected to escalate in 2026, with higher compensation packages, more aggressive recruiting, and increased movement of entire functional teams.

For many GPs, the strength of the operating bench will become a decisive factor in both deal execution and LP fundraising, at a moment where both of those functions are increasingly competitive. Without this operating depth, even well-priced deals risk underperforming in today's environment.



AI Becomes PE's Hottest Bet

PE firms see continued opportunity in the industries that serve as the backbone for AI transformation — making large investments in data centers, energy producers, semiconductor manufacturers, and network hardware suppliers to fuel AI expansion. These categories are capital-intensive, but they tap into measurable, long-term market demand: U.S. data centers consumed more than 4% of the country's total electricity in 2023, and by 2030, that could increase to 9%, according to a report from the **Electric Power Research Institute**.

By focusing on AI infrastructure and adjacent assets, PE firms are positioning for durable, cash-flow-oriented growth that aligns with both government incentives for domestic manufacturing and corporate spending on AI. In a sector prone to hype, these enabler investments offer resilience and are less susceptible to short-term hype cycles.

But private equity's interest in AI expands beyond sector strategy and deal sourcing. Firms are also exploring how they can leverage AI for fund and portco management. They are embracing AI applications across the investment lifecycle, from AI-enabled deal sourcing to AI-powered due diligence, fraud detection, portfolio monitoring, and standardized reporting. Across all these use cases, AI is speeding up execution and raising the quality of decision-making.

In 2026, many firms will build on their AI capabilities, integrating them more deeply into fund and portco management strategies. Those that do will see AI emerge as a core competitive differentiator in the crowded PE landscape.



Since 2020, private equity has invested **\$1T+ in IT**, including \$200B in data centers, semiconductors, and energy infrastructure.

6

Valuations Remain High — Especially for High-Quality Deals

Demand for top-tier assets will remain strong in 2026, driven by firms willing to pay premiums for businesses considered resilient or strategically essential. These high-quality assets typically share common features: predictable cash flows, defensible business models, and a position in sectors with secular growth, such as AI, infrastructure, or technology-driven industries. These companies are also usually better equipped to withstand macroeconomic volatility compared with other investments.

In 2026, significant capital will compete for a limited set of these premium assets, keeping valuations elevated relative to historical norms. In response to these elevated prices, buyers will increasingly emphasize comprehensive due diligence, justifying premium prices by demonstrating that projected cash flows, growth potential, and strategic advantages truly support the elevated multiples.

By focusing on deeper pre-acquisition analysis, leveraging sector expertise, and using financial modeling to validate assumptions, assess risk, and identify potential value-creation opportunities post-acquisition, firms can mitigate the risk of overpaying by identifying any hidden operational, financial or market risks before committing capital.

In 2026, success will hinge less on timing markets and more on being operationally prepared to act decisively when quality opportunities emerge.



Are You Ready for the Year Ahead?

Even the most diligent organizations can't predict every shift in industry and market trends. The key to success lies in building resilience and agility, enabling your business to adapt to unexpected changes with confidence. Explore our curated resources to learn how strategic resilience can position you for a successful year.



An Agile Framework for Navigating Economic Shifts



Activate Resilience in Your Organization



How AI Drives Strategic Resilience and Business ROI



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