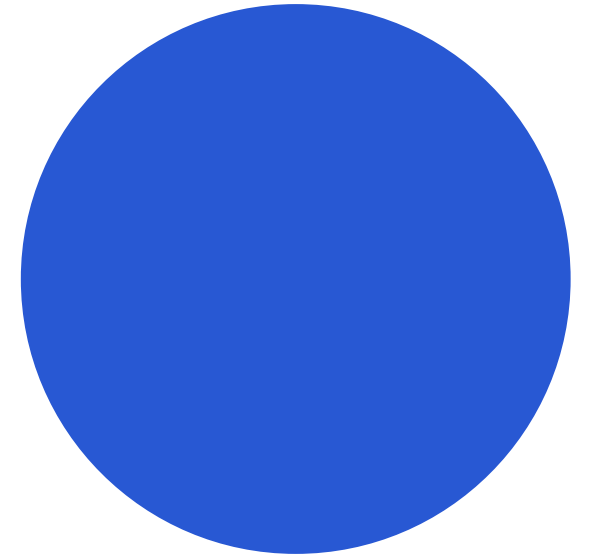




The \$5 Trillion Private Equity Imbalance

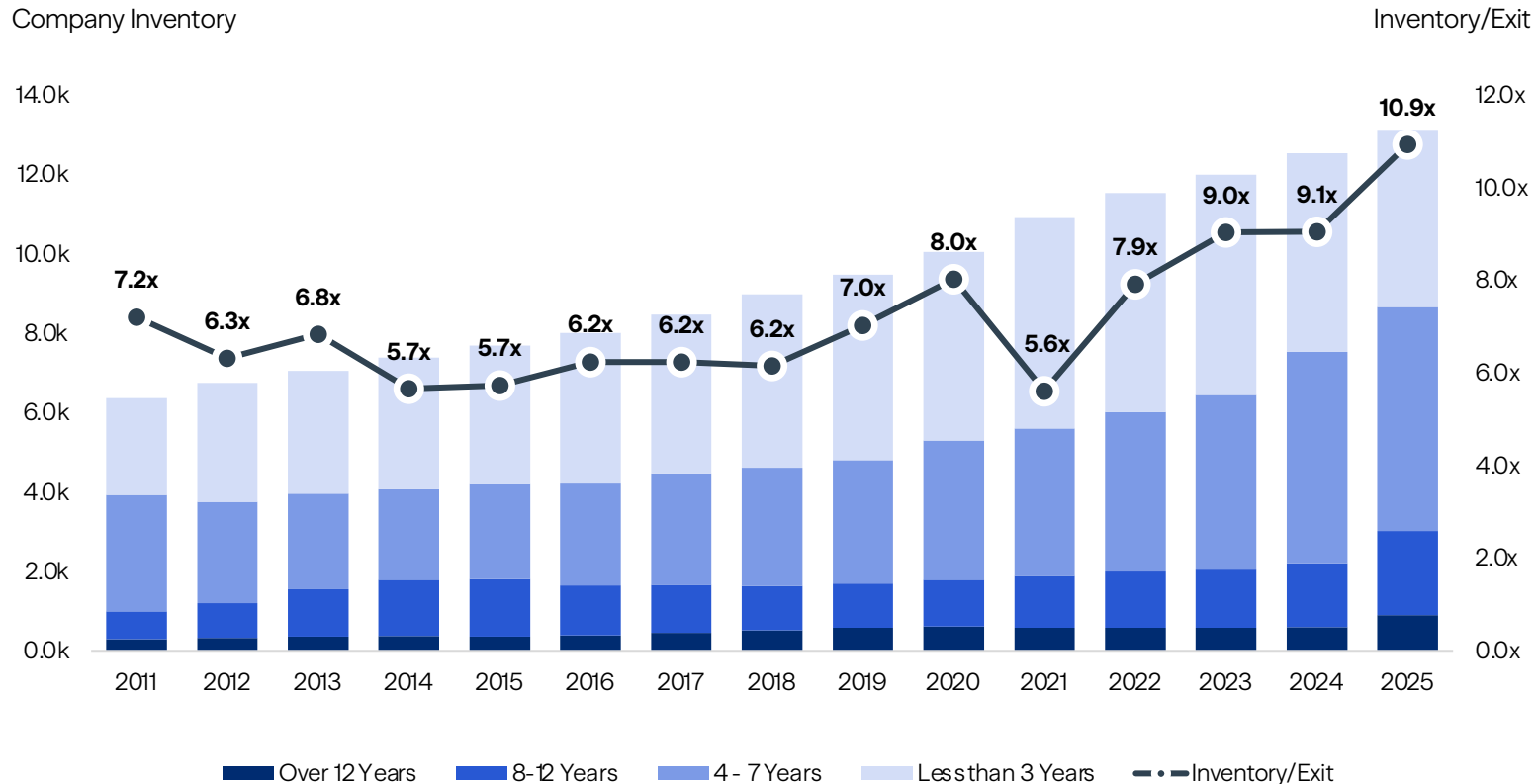
February 2026



• The Private Equity Backed Backlog Is Significant

Exhibit 1: Private Equity Company Backlog Is At Record Highs

U.S. PE-backed company inventory and turnover (inventory/exits)



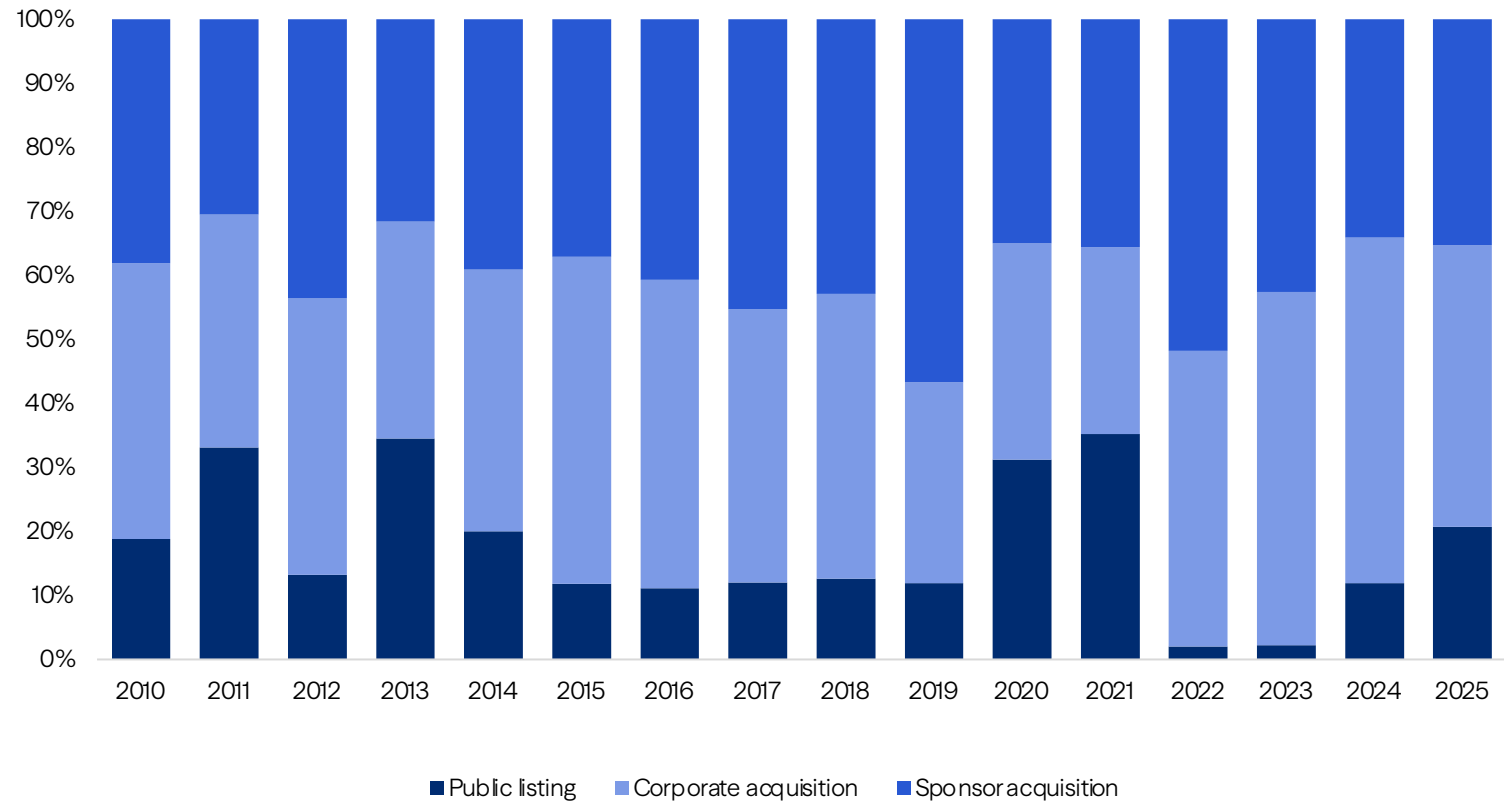
- The number of U.S. PE-backed companies has continued to grow, **reaching a record 13,100 at the end of 2025.**
- And buyout funds are holding twice the number of assets they were in 2019.¹
- The measure of inventory to annual exits is currently is 10.9x compared to historical levels of 6.9x—meaning the **exit rate has not kept up** with the backlog of companies.

Source: PitchBook, 2025 Annual US PE Breakdown, January 14, 2026. 1. Bain, Global Private Equity Report 2025, March 2025..For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

• Acquisitions Are The Common Exit Path, But Activity Has Been Slow

Exhibit 2: U.S. Private Equity Exit Value

Percent of U.S. PE exit value by type



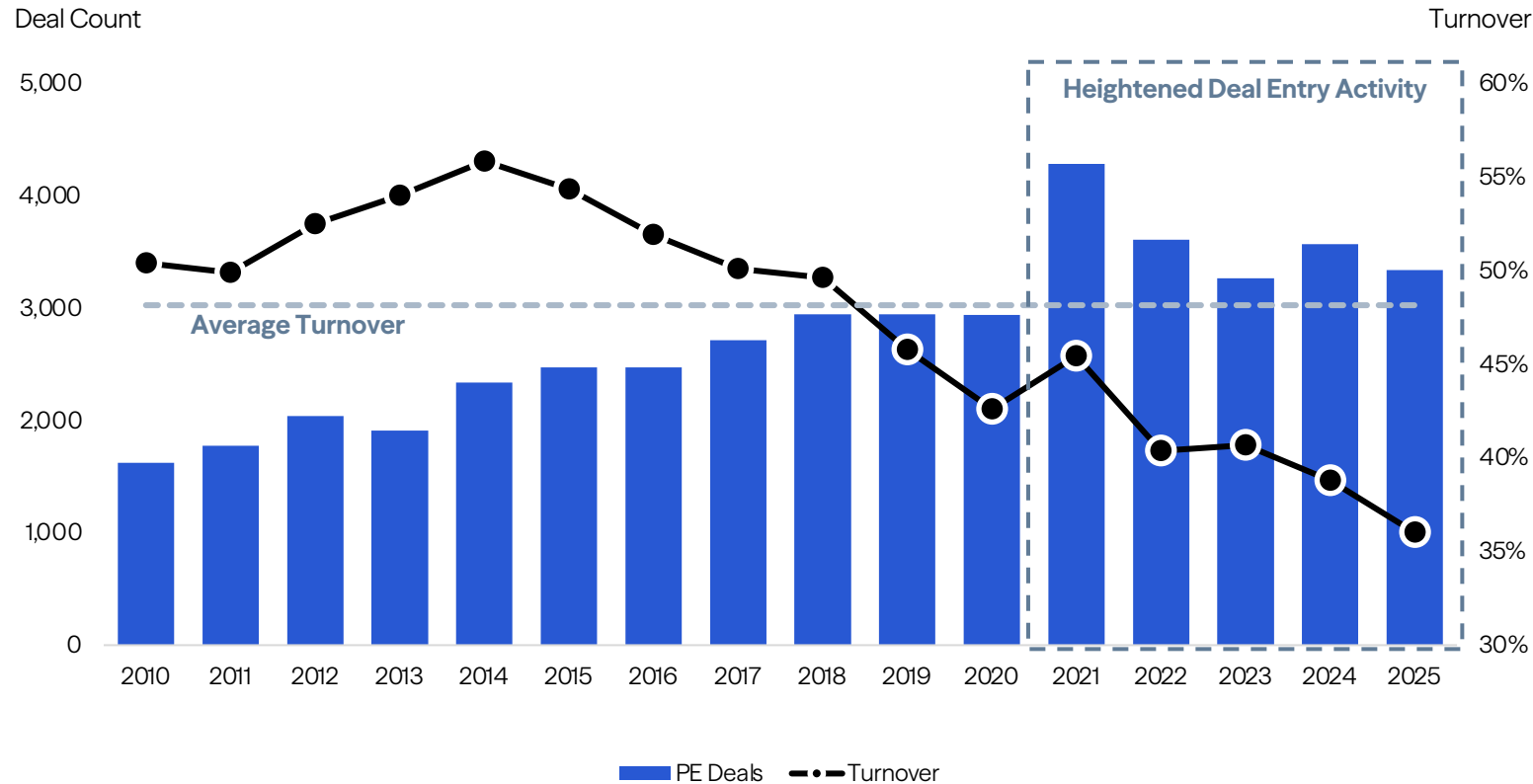
Initial public offerings (IPO) can be the most lucrative but have not traditionally served as the primary source of exits. **Since 2010, IPOs have amounted to 18% of U.S. PE exit value.**

Source: PitchBook, 2025 Annual US PE Breakdown, January 14, 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

• This Is Not Just An Exit Problem, Entries Are Also Involved

Exhibit 3: U.S. Private Equity Turnover is at a Low

Turnover = exits relative to PE deals (buyout, growth equity and add-ons)



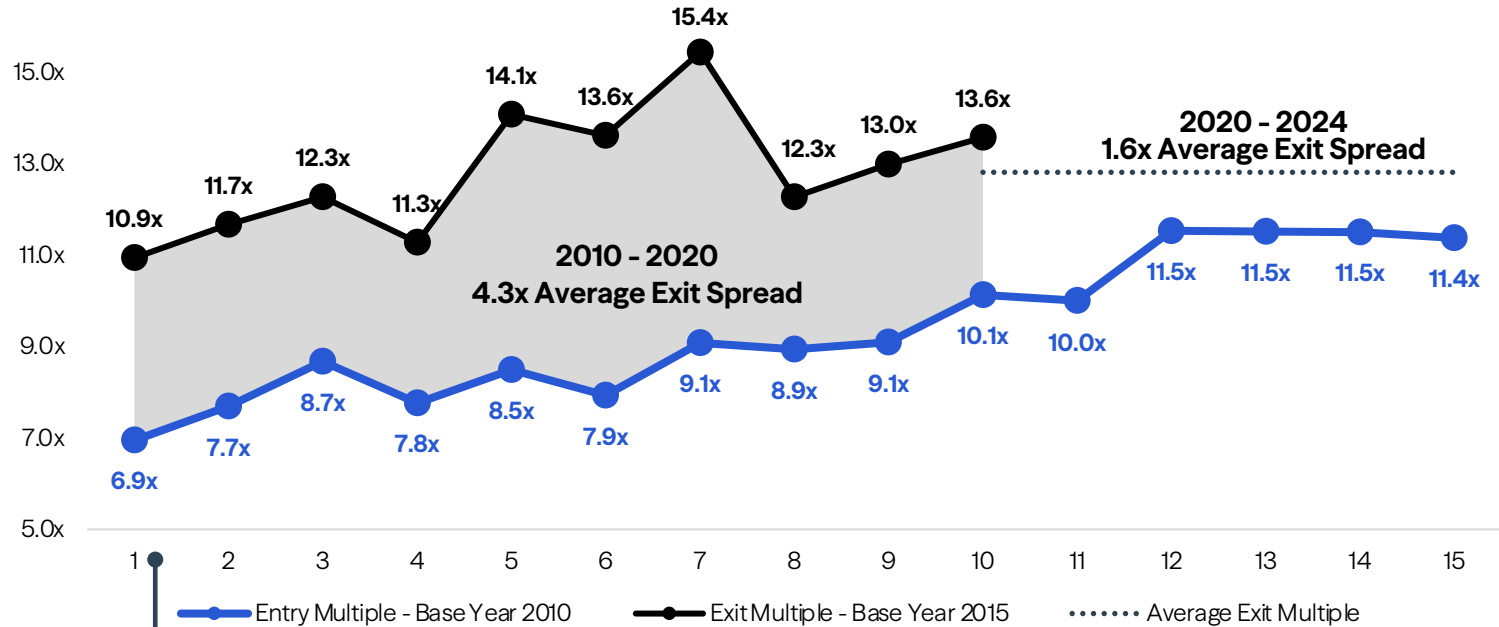
- One side of the story has been the slow pace of exits.
- The less discussed story is the **elevated number of private equity deal entries**, driven by increasing transaction size and growing dry powder.
- This is leading to a **large source of trapped capital** that cannot be realized through traditional exit routs.
- On a relative basis to entries, **exits are not keeping pace** and have too much backlog to work through. Simply put, something much bigger is needed.

Source: PitchBook's 2025 Annual US PE Breakdown, January 14, 2026, iCapital analysis. Note, PE deals are measured as new deal entries and exclude add-on transactions. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

• Focusing On The Exit Side, Valuation Remains A Challenge

Exhibit 4: The Compression in Exit Valuation Multiples is Also a Restraint

U.S. PE buyout EV/EBITDA vs. exit valuation/EBITDA on a five-year lag



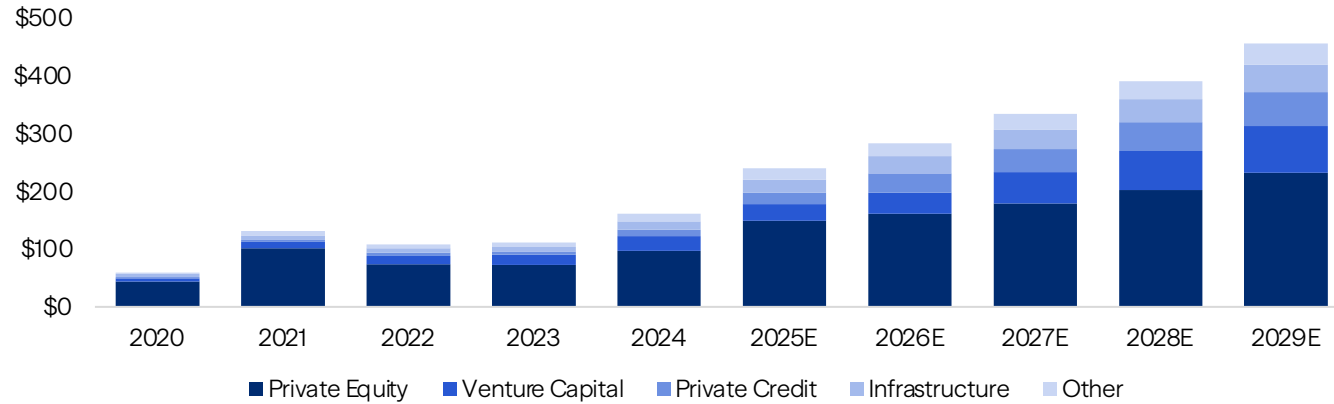
- Multiples are based on exits five years after the entry deal year to account for a typical PE holding period.
- For example, the median buyout entry multiple of 6.9x in period 1 corresponds to 2010 and aligns with a median exit multiple of 10.9x for 2015 transactions.

- 2021 to 2022 was characterized by a willingness for **buyers to pay up at elevated valuations**. However, purchase valuations remain above historic levels.
- A functioning private equity strategy involves disciplined originations and value creation, leading to multiple expansion. This **“positive exit spread”** of 4.3x from 2010-2020 has compressed to 1.6x.
- With elevated entry valuations since 2021, asset quality and confidence in future cash flow are **needed for exit multiple expansion** in order to generate more exit activity.

Source: Preqin deal data and iCapital analysis, January 2026. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

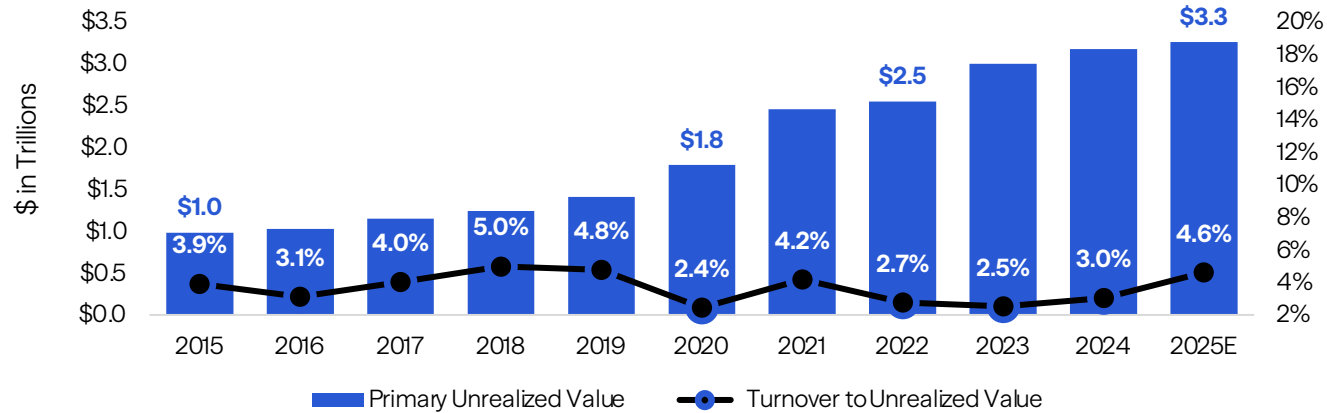
Secondaries Are An Option, But Something Bigger Is Needed

Exhibit 5: Secondaries Transaction Volume



One outlet for liquidity are secondary transactions. Secondaries have increased sharply to \$240 billion in 2025, 4x the level seen in 2020.

Exhibit 6: Private Equity Buyout Secondaries Turnover



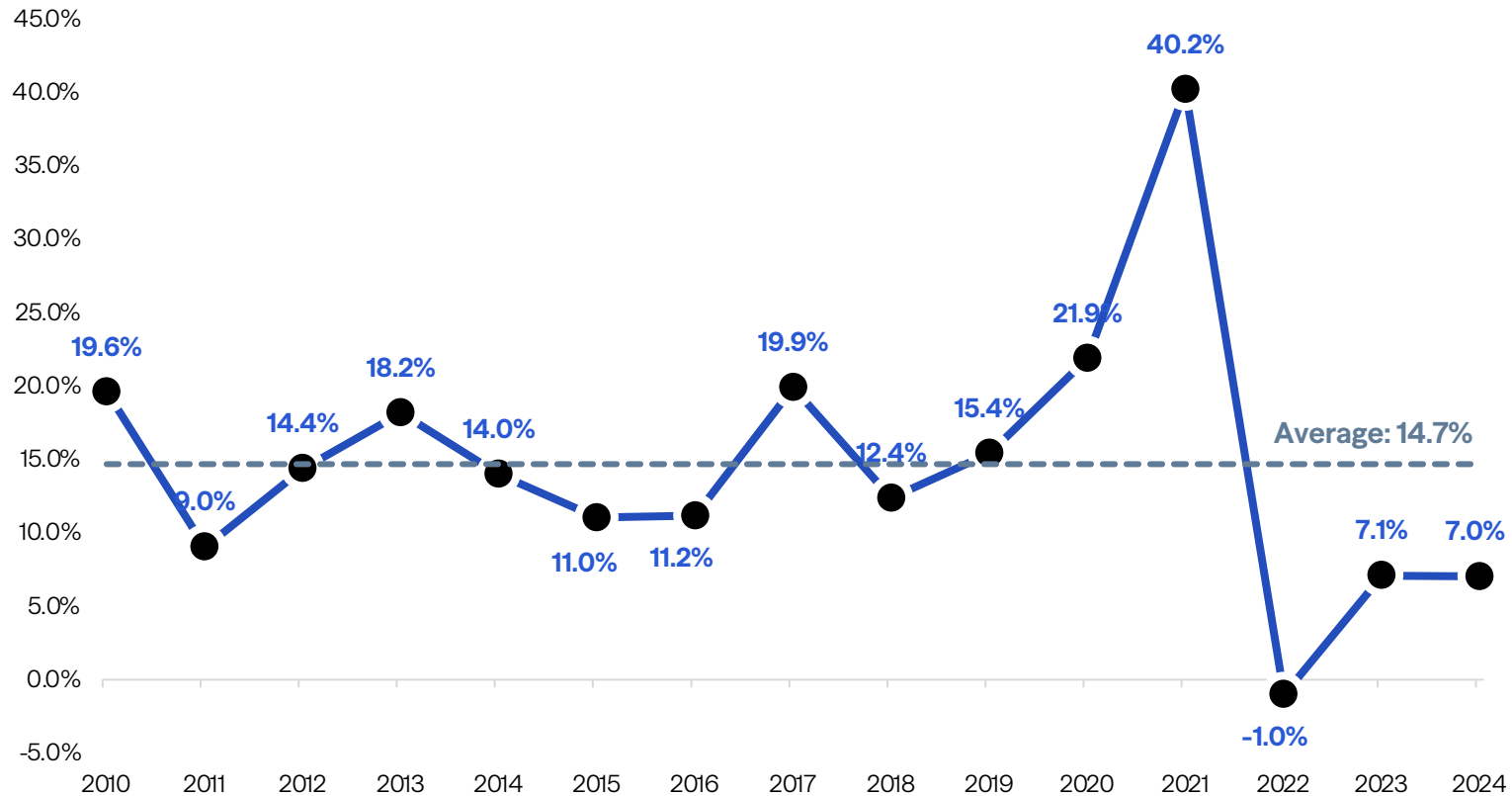
Secondaries turnover as a percent of unrealized value is negligible at less than 5%. And when considering about half this volume is institutional investors selling maturing positions of their portfolio, the impact to backlog is even smaller.

Source for Exhibit 5 and 6: Preqin and iCapital Alternatives Decoded for Unrealized Value data, with data based on availability as of January 2026. Secondaries transaction volumes (for turnover) are based on Jefferies Global Secondary Market Review, January 2026. Data is subject to change based on updates to the source(s) database. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

• The Exit Hangover Can Also Be Seen In Performance

Exhibit 7: Private Equity Performance is Related to Exit Activity

Annual index performance data



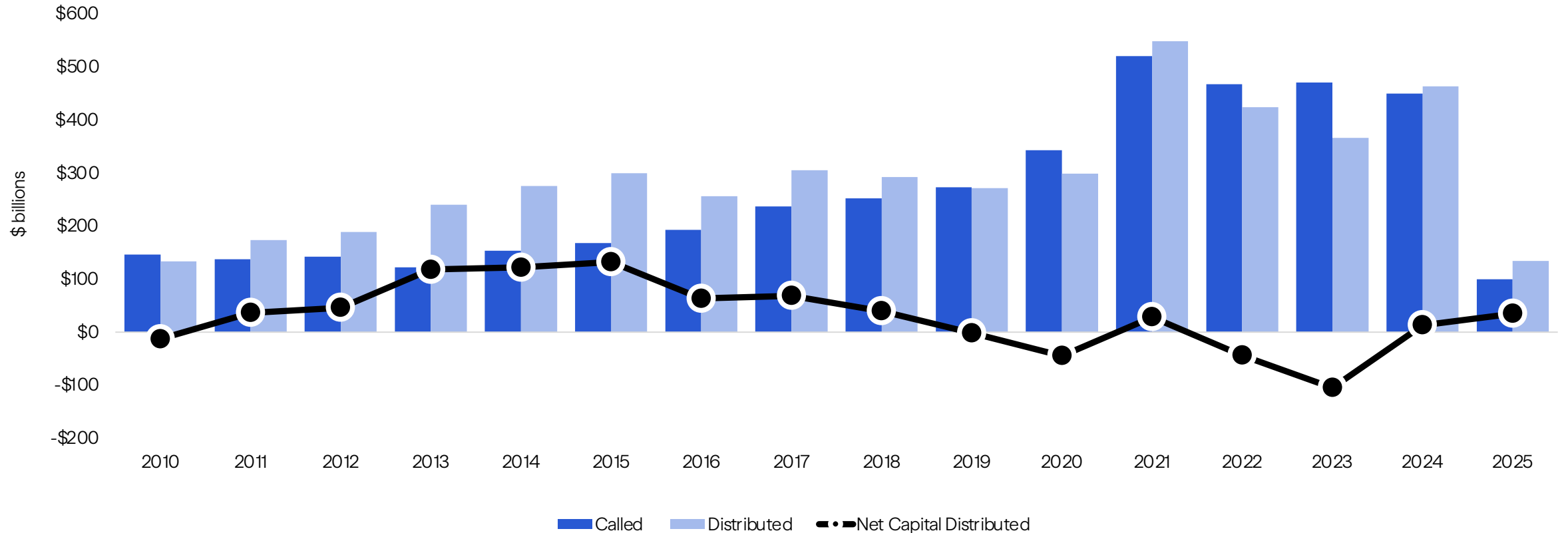
- **Private equity performance can be a good indicator of exit activity**—here, PE has underperformed over the last several years.
- GPs generally hold assets until they achieve a target hurdle rate. Exceptions exist but generally occur during times of fund outperformance.
- Given the number of entries and inventory of companies (especially those purchased at elevated valuations) **portfolio companies are likely struggling with value creation** to generate the desired valuation.

Source: Preqin, as of December 2025. Private Equity is proxied by Preqin Private Equity Index and excludes Venture Capital. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Distributions Have Improved, But Other Sources Of Liquidity Are Needed

Exhibit 8: Buyout Strategies Have Returned to Positive Cash Distributions

Annual capital called and distributed, PE buyout strategies



Source: Preqin, January 2026. Note, PE Buyout only, 2025 data as of June 2025, which is the latest data available. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed

• Important Information

INDEX DEFINITIONS

Preqin Private Equity (ex. Venture Capital) Index: The index encompasses a range of closed-end private capital funds captured in the broader Private Equity universe, excluding Venture Capital, as defined by Preqin.

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