

PANORAMIC NEXT

# Private Equity

GLOBAL OVERVIEW

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# Private Equity

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Contributing Editors

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Simpson Thacher & Bartlett LLP

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Through a series of engaging interviews with leading legal practitioners in key jurisdictions, *Panoramic Next: Private Equity* analyses the biggest trends and most consequential recent developments in private equity activity worldwide. Addressing major market trends and regulatory changes, it offers vital insights relevant to both sides of private equity transactions.

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# Global Overview

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## Americas

Announced M&A deal value during the first half of 2025 in the Americas totalled nearly US\$1 trillion, reflecting an increase of approximately 19 percent in value compared to the first half of 2024 and accounting for about half of all global M&A. The volume of completed deals decreased 13 per cent in the first half of 2025, to a total of 7903 deals. This underscores a continuing trend of fewer but higher value deals, often referred to as a flight to quality, as industries mature and both corporate buyers and private equity sponsors deploy different strategies amid uncertain macroeconomic conditions. During the first half of 2025, M&A activity in the United States reached a total deal value of approximately US\$858 billion, an increase of nearly 13 per cent as compared to the first half of 2024. Deal count in the United States during the first half of 2025 experienced a 14 per cent decrease relative to the first half of 2024, totalling approximately 5,982 deals. M&A deal volume for

targets located in the Americas – excluding the United States – decreased 12.2 per cent as compared to the opening six months of 2024, to 1916 deals during the first half of 2025. Total deal value for targets located in the Americas – excluding the United States – surged, reaching approximately US\$142 billion during the first half of 2025, a 82 per cent year over year increase, supported by a handful of large-scale energy, infrastructure and cross-border strategic deals (all the above from the London Stock Exchange Group (LSEG)).

The US private equity market in the first half of 2025 encountered a year-over-year increase of 7 per cent in deal value for approximately US\$507 billion across 4,429 deals, a 29 per cent increase in deal volume by value and a more modest 8 per cent increase by count. This rise in private equity dealmaking is the result of high levels of dry powder, combined with increasing deal confidence amid the expectation that the Federal Reserve will cut rates later this year. To illustrate this, leveraged buyout (LBO) activity, which has been depressed since pandemic-era dealmaking, is up 17 per cent in comparison to the first half of 2024 at US\$222 billion, the best open in three years (PitchBook). Notable recently announced or completed private equity backed transactions in the Americas in 2025 include: the completed US\$25 billion acquisition of Endeavor Group Holdings, Inc. by Silver Lake; the US\$7 billion combination of Moss Adams with Baker Tilly, a Hellman & Friedman and Valeas Capital Partners portfolio company and US\$5.65 billion acquisition of Safe Harbor Marinas by Blackstone Infrastructure.

#### **Europe, Middle East and Africa**

M&A deal value in Europe, the Middle East and Africa (EMEA) for targets located in the region totalled approximately US\$404 billion across 8,658 deals during the first half of 2025, an increase of approximately 4 per cent by value and a decrease of 8 per cent by count. European M&A activity was stable, totalling approximately US\$341 billion in announced M&A deal volume, down roughly 4 per cent as compared to the first half of 2024. M&A deal value involving the Middle East and Africa continued its rise at US\$64 billion, which represents a year-over-year increase of 89 per cent (LSEG). M&A activity in the Middle East, specifically in the Gulf region, soared as institutional development and regulatory modernisation have propped up an increasingly more sophisticated market. For private equity sponsors, macroeconomic conditions in Europe have been a mixed story: despite the European Central Bank's rate cuts uncertainty from tariffs, limited GDP growth and geopolitical risks in the region have tempered the PE flywheel in Europe. Private equity M&A activity in Europe is down 1 per cent in comparison to the first half of 2024, at a total deal value of €268 billion, with deal count up 13 per cent (PitchBook). Notable recently announced or completed private equity-backed transactions in Europe in 2025 include: the US\$3.1 billion acquisition of OSTTRA by KKR; the €2.5 billion acquisition of JET Tankstellen Deutschland by Stonepeak; and the US\$2.5 billion acquisition of Global Blue by Shift4.

#### **Asia-Pacific**

Announced M&A deal value in the Asia-Pacific region totalled approximately US\$571 billion across 7,486 deals during the first half of 2025, representing a year over year increase in deal value of approximately 120 per cent, marking the strongest opening half in three years. Asia-Pacific was not an exception to the global trend of declining count among higher aggregate values, at a year-over-year decrease in deal volume of 9 per cent. While all

regions in Asia-Pacific experienced at least double-digit growth by value, Japan and China were exceptions. During the first half of 2025, M&A activity involving China totalled US\$232 billion, a year over year increase of 146 per cent, driven by China's 2024 economic stimulus measures, which have created favourable conditions for the consolidation of domestic industries. Japan has seen the most growth, with US\$163 billion in M&A volume, an increase of 376 per cent by value. The rise in Japanese dealmaking may be attributed to a mix of corporate governance reforms to enhance depressed valuations, low interest rates and a need for ageing business owners to exit in the absence of successors due to Japan's ageing population (LSEG). Notable recently announced or completed private equity backed transactions in Asia-Pacific in 2025 include the US\$3.8 billion acquisition of Fuji Soft Incorporated by KKR and the US\$2.3 billion take-private acquisition of Topcon Corporation by KKR and JIC Capital.

#### **Debt financing markets**

During the first half of 2025, global syndicated loan revenue reached US\$2.9 trillion, continuing the market's rebound from depressed 2023 levels, down 4 per cent from 2024 levels, but up 19 per cent from the open to 2023. Volume by deal count decreased year over year by 12 per cent to 4,838 deals, marking a five year low. The first six months of 2025 were also notably strong for acquisition-related financing activity, setting the highest level in three years. The overall volume of acquisition-related financing reached US\$319 billion, an increase of 7 per cent from the same period last year. Syndicated lending in the United States represented 66 per cent of the global syndicated loan market by value, but decreased 7 per cent year over year to US\$1.9 trillion (LSEG).

Overall global debt capital markets activity in the first six months of 2025 totalled US\$6.4 trillion, up 13 per cent compared to opening six months of 2024, and marked the strongest opening six months since records began. Investment-grade loans have proven desirable and more capital has been invested in higher-rated companies' debt, which investors consider safer among the uncertainty marring global markets. In the first half of 2025, US\$3 trillion was raised in the investment-grade space, up 9 per cent over the same period in 2024. Global high yield bond issuances were flat, at US\$223 billion in value. Offerings from issuers in the United States, Canada and the United Kingdom accounted for 71 per cent of all high-yield bond offerings in the first half of 2025 (LSEG).

Private credit has blossomed alongside the trend of central banks' rate hikes and a generally conservative approach to lending by banks globally. Over the past five years the majority of leveraged buyouts are now financed by private credit arrangements rather than syndicated loans (Pitchbook). Private credit is projected to reach US\$2.6 trillion by 2029, a significant jump from its US\$1.7 trillion value in 2023, reflecting an expectation for an even greater increase in private credit allocations by a broad spectrum of investors, such as retail investors, in years to come (Preqin). The ability of private credit investors to move quickly and nimbly and remove the economic and timing risks associated with syndication strategies will also continue to be very appealing to private equity sponsors.

#### **Portfolio company sales and public listings**

Global portfolio company exit activity by private equity sponsors held steady for the first half of 2025. In the opening six months of 2025, private equity sponsors are estimated

to have exited 1,758 times for approximately US\$546 billion, up 3 per cent and 41 per cent, respectively, as compared to the first half of 2024, the increase largely made up by a bump in US exit activity (PitchBook). US exit activity is at US\$311 billion in the first half of 2025, an 87 per cent year over year increase. Macroeconomic and geopolitical headwinds have left private equity assets in a holding pattern, spurring a backlog of unrealised assets in private equity managers' portfolios, and in turn, has slowed liquidity distributions to limited partners (LPs). To help tackle both issues, sponsors have increasingly sold to other sponsors, thereby deploying capital and returning liquidity to LPs. In the first half of 2025, sponsor-to-sponsor deals accounted for 51 per cent of all non-IPO exit activity by value in the US, its greatest share since the pandemic-era (PitchBook). To further LPs demand for liquidity, partial sales and general partner (GP)-led secondary transactions, which are sales of portfolio companies to newer funds established by the same GP or to continuation funds established by the GP, have now become a mainstay of private equity strategy. GP-led secondaries were popular in 2023 and 2024 and are a viable pathway to provide private equity investors with liquidity while still allowing more patient LPs and other investors to remain invested in strong portfolio company assets across a longer hold period to pursue a high valued exit. Notable portfolio company investment exits during the first half of 2025 include the US\$9 billion sale of KKR's minority stake in Colonial Pipeline to Brookfield Infrastructure Partners; Blackstone's sale of HealthEdge to Bain Capital and EQT's sale of Acumatica to Vista Equity Partners.

During the first half of 2025, the US IPO market experienced a lift, mainly as a result of a single mega listing, but otherwise remains an exit option limited to only the largest companies. In general the number of public companies in the US has halved from pre-crisis levels in the early 2000s. This trend of a shrinking market, coupled with high underwriting requirements and record index valuations, supports the conclusion that the IPO is a limited but important exit channel for only the largest of assets. Global IPO activity is also elevated in the open to 2025, at a 17 per cent per cent in global proceeds year over year, raising US\$61.4 billion in capital over 539 listings. While the US led with 109 IPOs, the story here is a significant rebound in China, having captured one third of global IPO proceeds in the first half of 2025 (Ernst & Young). After a period of disfavour in the United States, special purpose acquisition companies (SPACs) are enjoying a small renaissance, at US\$12.4 billion raised through 61 blank check companies, an increase year over year of nearly 400 per cent and nearly 300 per cent, respectively. It remains to be seen what sort of targets these SPACs will merge into (Fortune).

#### **H1 decrease in private equity fundraising**

There continues to be robust investor demand for opportunities to invest in private equity funds, despite the market facing headwinds due to macroeconomic uncertainty. Many funds are performing well enough to raise and are returning back to the market. During the first half of 2025, the number of funds on the fundraising trail hit record levels, although the aggregate amount of capital being targeted has declined slightly. In this competitive and otherwise challenging private equity fundraising landscape, the current market appears to favour those sponsors who are experienced, with strong track records and established limited partner relationships.

Global private equity fundraising in the first half of 2025 decelerated in the aggregate relative to the same period in 2024. Aggregate fundraising volume fell 17 per cent

year-on-year, to US\$384 billion (all statistics in this section provided by Private Equity International). The total number of funds identified as holding final closings during the first half of 2025 increased over 20 per cent to 1053, compared to 861 during the same period last year. However, the average size of funds closed during the first half of 2025 decreased to US\$625 million, down from an average of US\$698 million during the first half of 2024. The decline in overall fundraising was driven by a dip in total capital raised by mega-funds, only one of which raised more than US\$20 billion. Consistent with recent prior periods, capital was nevertheless concentrated at mega-funds (ie, funds raising approximately US\$5 billion or more) of the recognised top-performing sponsors. This concentration demonstrates the continued consolidation in the private equity industry in favour of larger, established sponsors with proven track records as a result of institutional limited partners seeking to make larger commitments to fewer funds, consolidate manager relationships and invest with sponsors with whom they had prior relationships. Specifically, in the first half of 2025, the 10 largest funds together raised US\$115 billion, which represents about 30 per cent of the total capital raised during this period.

Regarding the distribution of capital across different types of private equity funds, buyout funds accounted for 50 per cent of capital raised during the first half of 2025, down sharply from 70 per cent during the first half of 2024, while growth equity and venture capital funds constituted only 14 and 11 per cent of capital raised, respectively. Buyout funds, however, made up only about 31 per cent of funds closed, while venture capital funds accounted for nearly 43 per cent of closings.

Geographically, fundraising was concentrated in North America during the first half of 2025, in line with 2024. North America-focused funds accounted for 50 per cent of all capital raised in the first six months of this year, a marked increase from 40 per cent in 2024. By comparison, the proportion of total capital raised by Europe-focused funds was 15 per cent, and by Asia-Pacific-focused funds, just 4 per cent. Compared with the first half of 2024, as recorded thus far, in the first half of 2025 Europe-focused funds raised nearly US\$3 billion less capital than in the prior period, while Asia-Pacific-focused funds raised US\$23 billion less capital than in the prior period. Additionally, funds targeting multiple geographic regions attracted US\$116 billion, or 30 per cent, of aggregate capital raised during the first half of 2025.

It is expected that overall fundraising levels will remain steady in the near term. There are 5,844 private funds in the market as of 1 July 2025 seeking to raise US\$1.1 trillion in total capital, compared to 5,573 funds that were targeting US\$1.16 trillion at the same time last year. The considerable increase in the number of funds in the market without a corresponding increase in targeted capital suggests some tempered expectations around ultimate fund size.

Many investors are expected to continue to favor managers with established track records that have navigated a number of past economic cycles. Larger institutional investors will continue to consolidate their relationships with experienced fund managers and competition for limited partner capital among private equity funds will continue to increase, with alternative fundraising strategies (eg, customised separate accounts, co-investment structures, continuation funds, early-closer incentives, umbrella funds, anchor investments, core funds, growth equity funds, impact funds, GP minority stakes investing, secondaries and complementary funds (ie, funds with strategies aimed at particular geographic regions or specific asset types)) playing a substantial role. As a result, established sponsors with



proven track records should continue to enjoy a competitive advantage and first-time funds in particular will need to accommodate investors by either lowering fees, expanding co-investment opportunities, focusing on unique investment opportunities or exploring alternative strategies. It should be noted that of the US\$1.1 trillion in total capital targeted as of July 2025, approximately 17 per cent is being sought by the 10 largest funds, which are overwhelmingly managed by established sponsors. Moreover, it is anticipated that private equity fundraising will continue to focus on established, dominant markets in North America and Europe. Finally, it is also expected that the SEC will continue to focus on transparency (eg, full and fair pre-commitment disclosure and informed consent from investors) with respect to conflicts of interest (including, among others, conflicts of interest arising from the allocation of costs and expenses to funds and portfolio companies, the allocation of investment opportunities and co-investment opportunities and the calculation and receipt of other fees and compensation from funds, portfolio companies or service providers). Given this, larger private equity firms with the resources in place to absorb incremental compliance-related efforts and costs are likely to continue to enjoy a competitive advantage over their peers.

#### **Outlook for the second half of 2025**

Looking ahead, there is an expectation that the remainder of 2025 will reinforce private equity's important role in shaping the global dealmaking environment. Record levels of dry power, coupled with improved financing conditions and persistent investor appetite, are an ideal pairing to provide strong momentum for deployment across regions and strategies. Simultaneously, private equity sponsors will need to grapple with the challenging dealmaking environment that has followed in the wake of 2021 – from global geopolitical tensions and regulatory scrutiny to elevated valuation expectations and ongoing liquidity demands among LPs. Banks have re-entered the acquisition financing market and have started to lend to dealmakers again, in addition to the continuing contributions of non-bank financial sources who stepped in to bridge the recent gap caused as global lending markets closed. With buyout funds continuing to sit on unexited assets, LPs are still experiencing a liquidity crunch, creating pressure on GPs to exit their investments to return capital, although sponsors have alleviated this pressure through partial sales, GP-led secondary transactions and other alternative liquidity events. Against this backdrop, the most successful funds will be those able to balance deal discipline with innovation, deploying capital selectively with new partners and in new avenues.



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