

Middle market private equity firms cautiously optimistic on M&A, exits and returns.

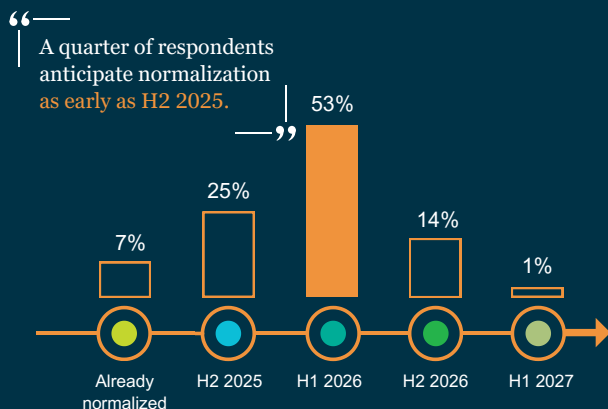
Mid-year 2025 private equity survey

In May 2025, Churchill surveyed 164 senior leaders from our middle market private equity relationships. The goal was to capture their sentiment amid today's market environment and to understand how these perspectives are shaping their current investment strategy.



Over half of private equity leaders expect normalized M&A activity in H1 2026.

Q: When do you expect M&A deal flow activity to return to normalized levels?



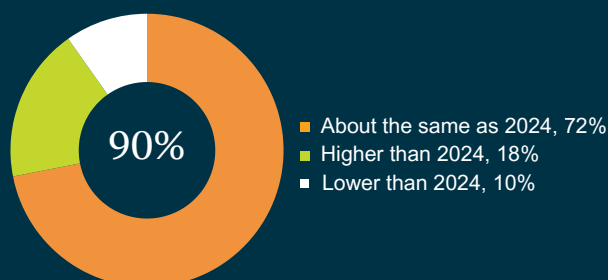
Relationships, speed and certainty are the top priorities for GPs when selecting a financing partner.

Q: Please rank the below criteria when considering financing partners.

- #1 Relationship
- #2 Speed & certainty
- #3 Price/terms
- #4 Flexibility
- #5 Hold size
- #6 Industry knowledge
- #7 Precedent deal

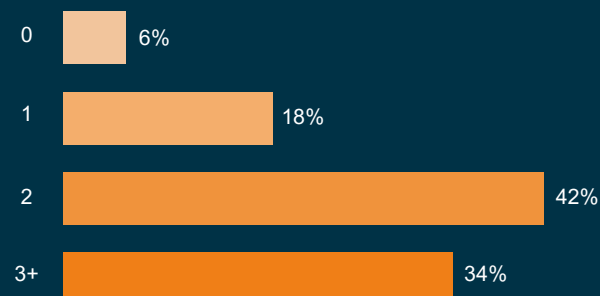
90% expect 2025 base-case returns to match or exceed 2024.

Q: How do you expect the base-case returns of the 2025 vintage to compare vs. the 2024 vintage?



Most GPs anticipate 2 portfolio exits within the next year.

Q: How many exits do you anticipate from your portfolio over the next 12 months?



Tariff & political uncertainty is driving GPs toward industries like **business services**, **utilities**, **financial services** & **technology** - away from consumer goods and auto sectors.

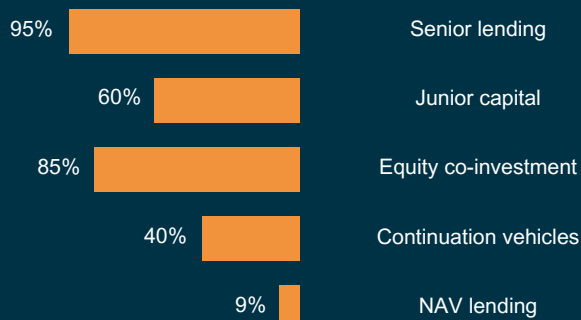
Q: Do you expect your 2025 allocation to the following sectors to change vs. 2024?



*Represents the net percentage of respondents who expect any increase or decrease for the sector, excluding those who selected "no change."

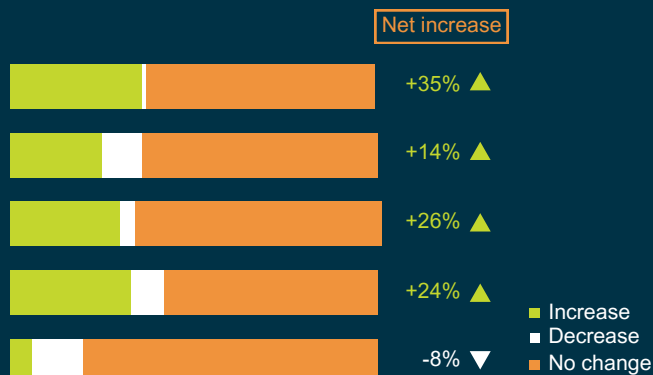
Over the past two years, **95%** of respondents utilized a **senior lending** strategy, followed by **equity co-investment**.

Q: Which strategies has your firm employed for portfolio companies over the past two years?



Given the recent environment, most PE leaders plan to **maintain** current investment strategies, with healthy **net increases** as well.

Q: Given the current investment environment, how would you describe your firm's appetite for the following strategies over the next 12 months?



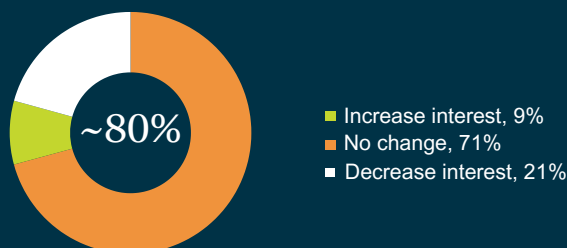
Of those who utilized **continuation vehicles** in the last 2 years, **88%** did so to hold onto trophy assets longer & offer LPs liquidity.

Q: How would you characterize your use case(s) for the continuation vehicle(s)?



Nearly **80%** of PE leaders say an improving M&A landscape and lower rates would **sustain** or **increase** interest in continuation vehicles.

Q: If the M&A environment improves and interest rates decline, how would that impact your likelihood of pursuing a continuation vehicle?



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