

BILLINGS & COMPANY
I N V E S T M E N T B A N K I N G

The Owner's Guide to *Creative Capital*

How a sea change in private capital flows is creating unprecedented opportunity
for business owners, founders, and sponsors.

2 0 2 6 E D I T I O N · C R E A T I V E C A P I T A L S O L U T I O N S

S E C T I O N I

Creative Capital Solutions

For many business owners, "raising capital" still conjures a binary choice: sell your company or don't. The reality today is far more nuanced and far more favorable to entrepreneurs and business owners. The private capital markets are undergoing a generational transformation. The confluence of normalizing interest rates and compressed LBO economics has driven an explosion of non-control capital supply creating an environment that is, by almost any measure, the most favorable in history for business owners seeking capital on their own terms.

A creative capital solution is, at its core, an exercise in optimization. It begins with understanding the specific needs of the business and its owners — how much capital is required, for what purpose, on what timeline, and with what constraints around dilution, liquidity, control, and governance. From there, designing the right transaction, running the right process, and ensuring the company has access to every relevant pool of institutional capital that could invest in their business. Stated simply, it is a process designed to access the broadest possible universe of institutional capital — non-control and control alike — so that business owners retain the ability to choose the best outcome, not simply the only available one.

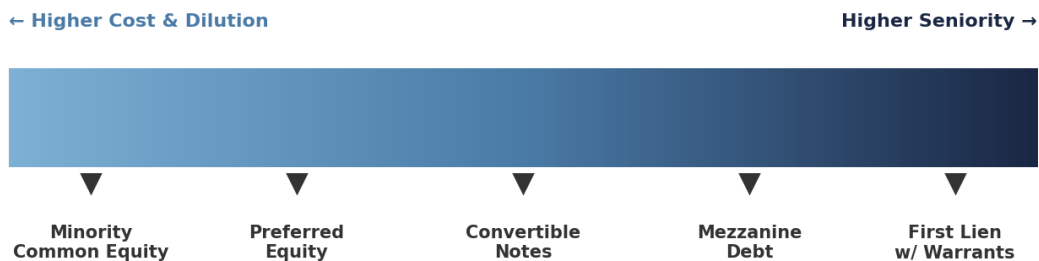
This is a fundamentally different approach than the traditional M&A playbook, which is designed to achieve a single outcome. Creative capital strategies do not preclude a full sale. In fact, a well-run process may conclude with M&A as the optimal path. The process, however, is designed around the issuer's objectives rather than a predetermined transaction type. The structures are bespoke, tailored to the unique financial profile, strategic goals, and risk tolerances of each company. The investor universe is broader, and the outcome is driven by data and competitive market dynamics rather than by the limitations of a single-track process. By going to market in a way that is broad by category and precise by investor, a company can receive the best offers across the widest range of capital options, giving ownership the negotiating leverage and necessary information to optimize whatever transaction they ultimately choose to pursue.

Non-control capital structures — minority equity, preferred equity, convertible instruments, mezzanine debt, and various types of senior debt — are often a principal and defining feature of creative capital solutions. They represent the fastest growing and most dynamic segment of today's private capital markets. They are the instruments that allow existing owners to retain strategic control of their business while accessing institutional capital that was historically available to them only through a change-of-control transaction. Ultimately though, creative capital is about the full continuum: identifying the right structure, running the right process, and reaching the right investors to deliver the best possible outcome for the business owner — whether that outcome is a non-control raise, a control sale, or some combination of both.

Non-Control Capital Structures

A core feature of creative capital is the ability to access non-control investment funds. It includes any investment structure that represents an alternative to a full M&A sale — anything that allows the existing owner to retain their control position while raising the capital they need. The range of available structures has expanded dramatically, and advisors should be fluent across the entire continuum:

The Non-Control Capital Spectrum: Cost & Dilution vs. Seniority



- **Minority Common Equity / Growth Equity:** Investor takes a minority equity stake with full economic alignment with existing owners. Typically the highest dilution, but generally no fixed cost of capital and greater strategic flexibility.
- **Preferred Equity:** Priority return of capital with participation upside and more limited governance rights. Less dilution with downside protection for the investor.
- **Convertible Notes & Hybrid Structures:** Debt instruments with equity conversion features or warrant coverage. Blends fixed income characteristics with equity upside potential.
- **Mezzanine & Subordinated Debt:** Unsecured or second-lien debt with equity-like returns, often accompanied by limited warrants. Lower dilution, higher fixed cost.
- **First or Second Lien Debt:** Senior debt priority sometimes with limited conversion features or warrant coverage. Lowest dilution, highest seniority, but with covenant restrictions.

Importantly, these forms of non-control capital should be viewed as distinct from secondaries and continuation vehicles (“CV”), which are liquidity mechanisms for the private equity (“PE”) ecosystem rather than direct corporate capital formation. While secondaries and CVs serve an important market function, non-control corporate capital is provided directly to operating companies — and it is this category that represents the most significant growth opportunity for business owners seeking capital on their own terms.

The Fundamental Tradeoff: Cost & Dilution vs. Seniority

Every capital structure decision involves a fundamental tradeoff between cost, dilution, and seniority. At one extreme, minority common equity provides the investor with the greatest economic alignment but

the highest dilution to the existing owner and highest expected cost. At the other extreme, first-lien senior debt provides the investor with repayment priority and downside protection, but at a lower total cost and dilution to the issuer.

The right answer depends entirely on the issuer's circumstances: their current capital structure, cost basis, growth trajectory, liquidity objectives, risk profile, and long-term strategic plan. The role of an experienced advisor is to help the issuing company navigate this spectrum, optimizing the balance between dilution and seniority to achieve the owner's objectives on the most favorable terms the market will bear. Each structure is bespoke and specific to each deal and circumstance, which is precisely what makes this discipline a creative capital solution rather than a commoditized product.

“Structure determines investor universe. The same business, with the same economics, structured as a preferred equity investment versus a mezzanine note, can attract entirely different institutional investors — and potentially very different pricing and terms.”

S E C T I O N I I

Non-Control Capital Use Cases

Non-control capital solutions serve two primary purposes: funding growth and providing liquidity. In many cases, a well-structured transaction accomplishes both simultaneously. The defining advantage of this type of capital is that existing control owners have the option to maintain their position at the helm, to continue setting strategic direction, making operating decisions, and managing the day-to-day business. For many entrepreneurs, retaining control is not just a financial preference, it is an existential one. They built the business, they understand its potential better than any outside buyer, and they want to continue executing their vision.

What has changed is that they can now access the same caliber of institutional capital, from the same institutional investors, that previously only flowed through control transactions. A decade ago, a business owner who wanted \$100 million in growth capital had limited options outside of selling a majority stake. Today, that same owner can access \$100 million through a non-control investment and maintain their control over the business into the future.

Growth Capital

We define growth capital as any necessary investment to fund organic growth, acquisitions, geographic expansion, technology infrastructure, or working capital needs. The business retains its strategic direction and operating team while accessing institutional-scale funding that may not be available through conventional bank lending. For businesses with strong growth trajectories, this capital can be transformational, funding the next phase of expansion without requiring the owner to relinquish the strategic vision that created the opportunity in the first place.

Liquidity for Stakeholders

Partial monetization for founders, early investors, management teams, or PE sponsors. This is particularly valuable for owners who have built significant enterprise value, but whose personal wealth is concentrated in a single illiquid asset — or for sponsors managing fund lifecycle and LP distribution requirements. The need is acute: with median PE hold periods stretching to 6.6 years¹ and distributions sitting near their lowest levels since the Great Financial Crisis,² the demand for creative liquidity solutions has never been greater.

S E C T I O N I I I

A Sea Change in Private Capital Flows

The non-control segment of the private capital markets has undergone a **structural transformation** over the past decade. What was once a niche corner of the investment landscape has become the fastest growing and most dynamic segment of U.S. private market activity. While control buyouts remain an important mechanism for transferring ownership and creating liquidity, the data is unambiguous: non-control capital has become a major additional driver of capital flows into private businesses.



Source: Information provided by Sponsoring/Issuing Company

To understand the magnitude of this shift, it is helpful to organize the U.S. private market into three categories. First, LBO and control acquisitions — any transaction in which a buyer acquires a controlling stake, including leveraged buyouts, management buyouts, take-privates, and platform acquisitions. Second, non-control corporate capital — capital raised by a private company for growth, recapitalization, or liquidity that does not involve a change of control. Third, continuation vehicles and private equity secondaries — transactions in which a GP transfers assets into a new vehicle to provide LP liquidity, or in which existing LP interests in PE funds are bought and sold.

1. LBO Market: Recovering, but Structurally Changed

U.S. PE deal activity (LBOs and add-ons) rebounded in 2025, reaching an estimated \$967 billion and recovering from \$733 billion in 2024.³ But the structural economics of buyouts have permanently shifted. Average equity contributions for large LBOs exceeded 50%, near all-time highs, as leverage multiples compressed from a peak of approximately 7.0x in 2022 to 5.0x in recent years.⁴ This means that today's buyout deals either demand materially faster EBITDA growth or much lower starting purchase multiples to generate the same returns as prior vintages.

Meanwhile, the exit bottleneck remains the industry's central challenge. Over 16,000 companies globally have been held for more than four years, which is 52% of total buyout-backed inventory and the highest total on record.⁵ The median hold period has stretched to 6.6 years.⁶ Distributions as a

percentage of AUM declined to approximately 6% in H1 2025, dramatically below the ten-year average of 14%.⁷ PE firms now hold more than 30,000 portfolio companies, nearly half acquired since 2020.⁸

Control transactions remain a cornerstone of private capital markets — and for the right business at the right valuation, a full sale is often the optimal outcome. But in a market defined by higher financing costs and an expanding universe of non-control alternatives, it is no longer the only path worth exploring.

The LBO Compression Dynamic



Rising costs + compressed leverage = lower buyout valuations and longer hold periods

- Sources: Pitchbook, Bain & Company 2025/2026 Global PE Reports, Apollo Global Management

- Fundamental data and forecast supplied by management of the Company. Such projections may not be realized. Past performance may not recur, and there is no guarantee of future results.

2. The Growth Engine: Non-Control Capital

Non-control corporate capital deployment reached an estimated \$550 billion in 2024 and is estimated to exceed \$730 billion in 2025, a five-year CAGR of approximately 22%.⁹ This growth has been broad-based across almost every sub-category.

- U.S. minority deal value climbed 54% in 2024 to \$249 billion.¹⁰
- Growth equity deployment in late-stage private companies reached \$350 billion in 2025, the strongest year since 2021.¹¹
- Global private credit AUM reached \$3 trillion at the start of 2025, having grown at a 14.5% annualized rate over the past decade.¹²
- Mezzanine's share of private debt deals rose from 11% in 2022 to 24% by 2024.¹³

We believe the trends driving this growth are structural rather than cyclical and are likely to persist for the foreseeable future.

3. Secondaries & CVs: Growing, but Structurally Constrained

The secondary & CV market hit \$162 billion in 2024 and is estimated to exceed \$210+ billion in 2025, with CVs accounting for about half of the total.¹⁴ While secondaries & CVs serve as an important

liquidity release valve for the PE ecosystem, CVs face inherent scalability constraints. Most CVs are funded by limited partners (“LPs”) (including pensions, endowments, sovereign wealth funds, etc.) whose primary function is to evaluate managers and invest in funds. The typical LP lacks the infrastructure and dedicated resources that professional fund managers maintain to evaluate specific businesses for investment. This limits the pace at which the CV market can absorb the growing backlog of sponsor-held assets — and reinforces why direct non-control corporate capital has emerged as the primary growth engine across the private markets.

Growth Rate Comparison

Growth Rate Comparison by Fund Strategy Type

Capital Category	5-Yr CAGR (2019-2024)	Post-Rate Hike (2022-2025E)	2025E Volume
LBO / Control	3.6%	6.9%	~\$900B
Non-Control	~22%	~25%	~\$730B
Secondaries & CVs	22.0%	43%	~\$210B

- Sources: Pitchbook, Prequin, Jefferies, Morgan Stanley, White & Case, Capstone Partners

- We anticipate Secondaries & CVs growth rate to be driven largely by growth in secondaries given scalability constraints of CVs

- Fundamental data and forecast supplied by management of the Company. Such projections may not be realized. Past performance may not recur, and there is no guarantee of future results.

The contrast is remarkable. Non-control corporate capital has grown at a five-year CAGR of approximately 22%, compared to roughly 3.6% for control buyout activity. Post-rate hike in 2022, the divergence has only accelerated: non-control capital grew at roughly 25% from 2022 to 2025, compared to 6.9% for LBOs.¹⁵ The structural headwinds of the buyout market — normalized interest rates, compressed leverage, elevated equity requirements, extended hold periods, and reduced LP liquidity — are direct tailwinds for non-control capital.

S E C T I O N I V

What's Driving the Structural Shift?

The growth of non-control capital is not accidental. It is the product of powerful, mutually reinforcing forces on both the supply and demand side of private markets. We believe these forces are structural, not cyclical.

1. The LBO Math Has Changed

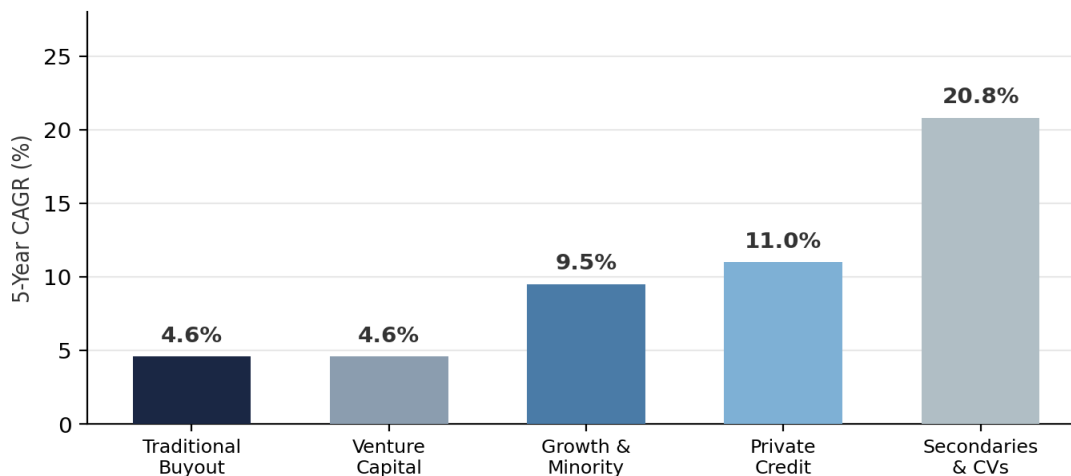
The most fundamental driver is mechanical. The cost of leveraged buyout financing has risen from roughly 6.0–7.5% in 2021 to 9.0–12.5% in the current environment. Simultaneously, available leverage ratios have compressed from 6.5-7.0x EBITDA to 5.0–5.5x.¹⁶ The arithmetic is unforgiving: higher financing costs and lower leverage mean that buyout funds can pay less for the same business. Purchase price multiples that penciled at 12–14x EBITDA with cheap debt may only work at 8–10x in the current rate environment. For sellers, the implication is clear: the traditional LBO bid may no longer reflect the same value for their business as they did in prior cycles.

Non-control capital is priced differently. When the Federal Reserve raised rates by over 500 basis points, the cost of senior leveraged debt moved nearly dollar-for-dollar with benchmark rates. But equity return targets did not. A growth equity investor targeting 20–25% IRRs in 2020 is still targeting 20–25% today. Preferred equity that priced at 10–12% in the low-rate era may now price at 13–15% — a meaningful increase, but far less than the 400–500 basis point jump in leveraged loan costs. This divergence reflects, in part, the significant expansion of institutional capital flowing into non-control strategies, shifting the supply-demand balance in favor of issuing entities. Moreover, a non-control capital raise applies that cost to a discrete slice of the capital structure rather than subjecting 100% of the enterprise value to the return requirements of a leveraged buyer.¹⁷

2. Growth in Non-Control Capital Supply

The pool of institutional capital with the mandate and appetite for non-control investments has expanded significantly. U.S. private market assets under management have grown to more than \$12 trillion.¹⁸ Of this total, an estimated 30–40% represents funds with explicit non-control or minority investment mandates. According to Dechert LLP, as much as 75% of North American buyout funds now have explicit flexibility to make minority investments,¹⁹ a figure that would have been unthinkable a decade ago.

Private Market Fundraising by Strategy Type



Sources: PitchBook, Bain & Company, Capital IQ. Non-control strategies are fundraising at multiples of traditional buyout.

The fundraising data tells the supply-side story clearly. Over the trailing five-year period, secondaries and continuation vehicle strategies have raised capital at a 20.8% CAGR, growth and minority equity at 9.5%, and private credit at 11.0% — all dramatically outpacing traditional buyout fundraising at 4.6%.²⁰ Global PE fundraising fell 12.7% to \$480 billion in 2025,²¹ marking a third consecutive year of decline, while private credit fundraising has been markedly more resilient.²²

3. Competition Is Driving Innovation

As trillions of dollars have poured into private markets, competition for investment opportunities has intensified. In response, institutional investors have gotten profoundly more creative in their investment offerings. A decade ago, the institutional conversation was largely: “We’ll buy your company for X.” Today, the conversation is: “Tell us what you need, and we’ll structure something that works.” Preferred equity, structured convertibles, PIK notes with equity kickers, NAV facilities, continuation vehicles, minority co-investments — the menu of available structures has expanded enormously, and with it, the optionality available to issuing companies.

This is a competitive dynamic that structurally favors issuers. When dozens of sophisticated institutional investors are competing to deploy capital into your business, the terms get better, the structures get more flexible, and the overall proposition for business owners improves.

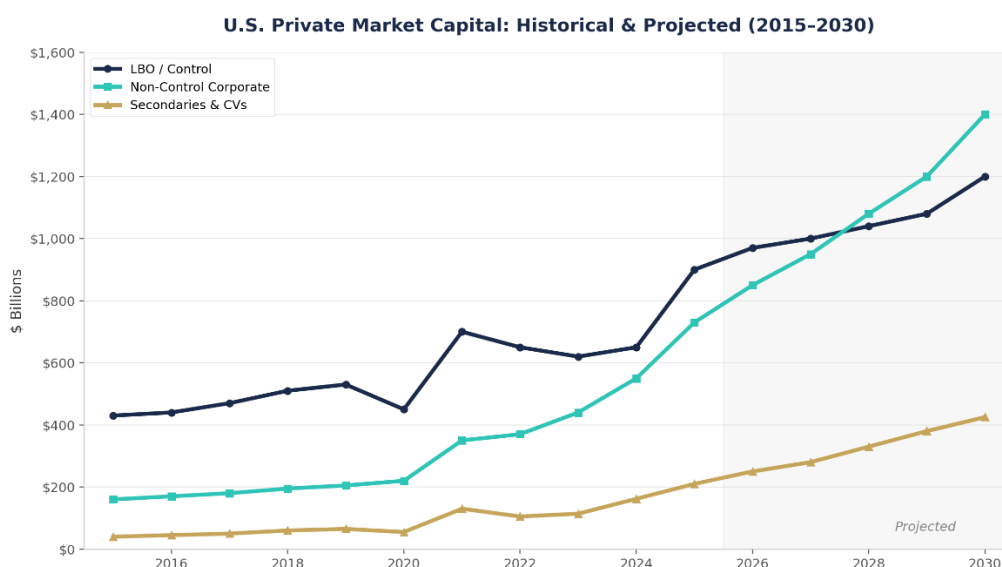
4. The LP Liquidity Imperative

Limited partners — the pension funds, endowments, sovereign wealth funds, and family offices that invest in PE funds — are under enormous pressure. The buyout ecosystem’s liquidity crisis has redirected hundreds of billions of dollars into non-control channels. With distributions at roughly 11% of NAV in 2024, less than half the pre-pandemic average of approximately 25%²³ according to Goldman Sachs and Bain & Company, the traditional PE flywheel of Exit → Distribute → Fundraise → Redeploy

has stalled. GPs who cannot exit portfolio companies at acceptable valuations are instead turning to minority stake sales, dividend recapitalizations, preferred equity, and NAV lending to generate interim liquidity.

LPs who are not receiving distributions are reallocating toward private credit and other yield-generating strategies where cash flows are more predictable. Bain estimated that 30% of companies currently in buyout portfolios have already undergone some form of non-control liquidity event, generating \$410 billion through these alternative channels.²⁴ In prior years, much of that capital would have flowed back into traditional M&A. Instead, much of it is flowing back through non-control investment vehicles.

Looking Ahead: 2026–2030



- Sources: PitchBook/AIC, Jefferies, Morgan Stanley, Bain & Company, McKinsey, Preqin, White & Case, Capstone Partners.
 - Non-control corporate is a Billings & Company composite estimate; historical figures prior to 2020 are based on component-level data. 2026–2030 are Billings & Company projections. Such projections may not be realized. Past performance may not recur, and there is no guarantee of future results.

We anticipate non-control corporate capital to grow substantially through 2030, reaching as much as \$1.5 trillion, driven by private credit’s expansion, continued growth in minority and growth equity as companies stay private longer, and sustained demand for mezzanine and structured equity in the more normal rate environment.* Under these projections, non-control corporate capital would represent nearly 50% of total U.S. private market activity by 2030 — up from an estimated 23% in 2015.²⁵

“The era of cheap debt and easy multiple expansion is over. In the new paradigm, creative capital solutions are not an alternative to the private equity model — they are an essential complement to it.”

S E C T I O N V

How This Impacts the Transaction Process

There are terms where selling your company is the right decision, and there are terms where you are better off raising non-control capital and continuing to build value. **The only way to know where those terms are is to go have both conversations.**

This simple but powerful concept is the foundation of the dual-path advisory model — and it is, in our experience, the most important strategic concept for any business owner considering a capital event.

Why a Dual-Path Process Matters

The traditional M&A advisory model is inherently limited: it is designed to achieve one outcome (a sale), marketed to one universe of investors (control buyout funds and strategic acquirers), and evaluated by the seller on primarily one dimension (purchase price). If the M&A market is receptive and the bids reflect full value, this model works well. But if the market demand does not reflect seller or advisor's expectations — and recent years have demonstrated that M&A markets may not be returning to the valuations and activity levels of the zero-rate environment — the business owner who ran a single-track M&A process may have no alternative to achieve their objectives. They either accept a suboptimal bid or walk away from the process empty-handed, having invested months of management time with nothing to show for it.

A dual-path process reduces this asymmetry. By simultaneously running a non-control capital process alongside an M&A exploration, the issuing company can increase its probability of achieving an optimal outcome, regardless of which direction the market tilts.

The dual-path model also creates competitive tension between the two tracks. A compelling non-control capital proposal can inform (and improve) M&A negotiations, and vice versa. The business owner isn't choosing in a vacuum — they are choosing from the best available option on each path, with full visibility into what the market is offering.

Non-Control Capital Path	M&A / Control Path
<ul style="list-style-type: none"> › Growth equity & minority investors › Private credit & structured solutions › Family offices & multi-strategy managers › Mezzanine & convertible instruments › Structured as preferred, convertible, or debt › Owner retains control; partial liquidity + growth capital 	<ul style="list-style-type: none"> › Strategic acquirers › Buyout / PE funds › Sponsor-to-sponsor recaps › Full or majority sale of the business › Priced based on control premium › Full monetization; management transition

Different Paths, Different Investors

A critical point that many business owners and conventional M&A advisors underappreciate: the investor universes for control and non-control transactions are substantially different. The PE funds that acquire businesses in leveraged buyouts are, in most cases, not the same firms that make preferred equity investments or structure mezzanine facilities. The credit funds, structured solutions funds, multi-strategy managers, and growth equity firms that populate the non-control landscape operate under different mandates, different return thresholds, different risk frameworks, and different governance expectations.

This has a profound practical implication: a conventional M&A advisor, no matter how skilled at running control auction processes, will typically have limited or no experience structuring a non-control capital transaction, and will not have the investor relationships necessary to market it effectively. They are, in effect, showing the business owner only half the market.

A Different Kind of Expertise

Executing a non-control capital transaction requires a fundamentally different skill set than running a traditional M&A process. In a control sale, the advisor's value is largely defined by their ability to identify and engage strategic and financial buyers with deep sector conviction — buyers who must underwrite an entire business, its competitive position, and its operating future. The advisory expertise is, by necessity, industry-oriented.

Non-control capital advisory demands something additional. Because non-control investors can occupy many different positions in the capital structure, they analyze risk through a different lens — one centered on capital structure integrity, downside protection, cash flow coverage, and asset quality. The advisor must be fluent in designing structures that optimize across these dimensions, must understand how different structures attract different investor universes, and must have real-time intelligence on pricing, terms, and mandate flexibility across hundreds of institutional investors. This is capital markets expertise, and it is rare among traditional M&A advisory firms.

Industry expertise always remains important. Strong advisors bring genuine domain expertise to every engagement, and that knowledge materially improves the quality of the diligence, the credibility of the marketing materials, and the depth of investor conversations. But that industry expertise alone is not sufficient. The advisor must also have the knowledge and expertise to structure the optimal deal and ensure it is placed in front of the right investors at the right funds. That requires deep expertise across the capital structure and deep relationships with investors of all kinds — a combination that most conventional M&A advisors are simply not built to deliver.

Process Efficiency

Capital raising transactions, whether control or non-control, are demanding of management time and attention. They can be incredibly educational and ultimately rewarding experiences, but they can also be grueling and time-consuming processes that pull leadership focus away from running the business. This makes process efficiency paramount.

A well-run dual-path process is designed to minimize redundancy while maximizing market coverage. The diligence, financial analysis, and presentation materials are developed once and adapted for each path. Marketing outreach is coordinated to ensure the company is positioned optimally to each investor universe. And the timeline is managed such that both paths reach decision points in parallel, giving the business owner the information they need to make the best decision. The right advisor will manage this process with the precision and institutional rigor that the stakes demand.

S E C T I O N V I

Choosing the Right Advisor

In a market this dynamic, with this many structural options and this many potential investors, the quality of advisory matters enormously. The difference between a well-run and poorly-run process is measured in turns of dilution, hundreds of basis points on cost of capital, and/or governance provisions that will define the business owner's experience for years.

What to Look For

The ideal advisor for a creative capital transaction possesses a specific and somewhat unusual combination of capabilities:

- **Deep Structural Expertise:** The ability to design bespoke capital structures that optimize the dilution-seniority tradeoff for each unique issuer situation.
- **Comprehensive Industry Expertise:** Regardless of the transaction structure, comprehensive knowledge and experience in the relevant industry is always critical
- **Broad Institutional Relationships:** Not a static database, but active, ongoing dialogue with hundreds of institutional investors across PE funds, private credit funds, multi-strategy managers, growth equity firms, family offices, and strategics.
- **Investor Mandate Intelligence:** Understanding what each investor is mandated to invest in, what structures they prefer, what check sizes they write, and what timeline their investment committee operates on.
- **Real-Time Pricing Intelligence:** In the non-control market, there is no Bloomberg terminal displaying real-time pricing. Terms are negotiated privately, so an advisor must have real-time knowledge of where the various markets are pricing.

The Structural Expertise Moat

Perhaps the most important differentiator is understanding that structure determines investor universe. The same business, with identical economics, structured as a preferred equity investment might attract one group of investors. Restructure it as a corporate note or mezzanine instrument, and the investor universe can shift significantly.

An advisor focused on creative capital solutions in the private markets is explicitly focused on solving this optimization problem: designing the right structure, identifying the right investors for that structure, and running a competitive process that delivers the best possible outcome for the issuer. This is a fundamentally different discipline than traditional M&A advisory — and it requires a fundamentally different set of relationships, skills, and market intelligence.

C O N C L U S I O N

A Unique Opportunity

We believe the private capital markets are undergoing a generational transformation. The confluence of normalized interest rates, compressed LBO economics, extended hold periods, unprecedented LP liquidity needs, and an increase in non-control capital supply has created an environment that is, by almost any measure, the most favorable in history for business owners seeking capital on their terms.

Non-control corporate capital — encompassing growth equity, preferred equity, structured debt, convertible instruments, and mezzanine capital — is tracking toward \$730+ billion in annual deployment and is projected to represent nearly half of all U.S. private market activity by 2030. The investor universe is measured in trillions of dollars. And the structural innovation coming from competition among institutional investors means that the menu of available options is broader, more flexible, and more issuer-friendly than it has ever been.

For business owners, founders, and sponsors, the message is clear: you have more optionality than you think. Whether your goal is growth capital, liquidity, balance sheet restructuring, or simply understanding what the market would offer — the tools exist, the capital is available, and the structures have never been more creative.

Questions Worth Asking

As you consider your next chapter, we would encourage you to reflect on a few questions:

- What are the key objectives you are pursuing in a capital transaction? Are those only available to you via a control sale? Are there other avenues that could help you achieve your objectives?
- Do you have a clear understanding of what the non-control capital markets would offer your business today — separate from what an M&A process might yield?
- Do you know which capital structure would optimize your specific objectives — whether that's growth capital, liquidity, balance sheet flexibility, or some combination?

Most business owners have not been exposed to the full breadth of what today's private markets can offer, because most advisors don't operate across the full spectrum. We would welcome the opportunity to have a confidential conversation — no obligations, no cost, no commitment. Simply an experienced team walking you through the capital options available to your business in today's market and helping you understand what the landscape looks like from every angle. That conversation alone can be enormously valuable in framing your strategic options — whether you choose to act now, in six months, or years in the future.

Endnotes & Sources

- ¹ Median PE hold period of 6.6 years: McKinsey & Company, *Global Private Markets Report 2026*.
- ² Distributions as percentage of AUM at historic lows: McKinsey & Company, *Global Private Markets Report 2025*; Goldman Sachs Asset Management.
- ³ U.S. PE deal activity reached ~\$970B in 2025, recovering from \$733B in 2024: PitchBook.
- ⁴ Average LBO equity contributions exceeded 50%; leverage compressed from 7.0x to 5.0x: PitchBook; Apollo Global Management, *Private Equity Outlook H2 2025*; Bain & Company, *Global PE Report 2026*.
- ⁵ Over 16,000 companies held >4 years (52% of buyout inventory): McKinsey & Company, *Global Private Markets Report 2026*.
- ⁶ Median hold period of 6.6 years: McKinsey & Company, *Global Private Markets Report 2026*.
- ⁷ Distributions as % of AUM ~6% in H1 2025 vs. 14% ten-year average: McKinsey & Company, *Global Private Markets Report 2025*.
- ⁸ PE firms hold 30,000+ portfolio companies, nearly half acquired since 2020: EY, *PE Pulse Q4 2025*; *PE Trends 2026*.
- ⁹ Non-control corporate capital deployment of ~\$550B in 2024 and tracking to \$730B+ in 2025. This is a composite estimate by Billings & Company. Sources include: White & Case, *Minority Stakes Report 2025*; PitchBook, *US Private Market Breakdown*; Rothschild & Co, *Growth Equity Update*; Houlihan Lokey, *US Private Credit Market Update*; Fitch Ratings, *Direct Lending Issuance Data*; Preqin, *Global Private Debt Report*; Federal Reserve, *FEDS Notes: Private Credit*; IMF, *Private Credit Market Analysis*.
- ¹⁰ U.S. minority deal value climbed 54% in 2024 to \$249 billion: White & Case / Mergermarket, *Minority Stakes Report 2025*.
- ¹¹ Growth equity deployment in late-stage private companies reached \$350B in 2025: Capstone Partners, *ECM Update January 2026*.
- ¹² Global private credit AUM reached \$3 trillion at start of 2025, 14.5% annualized growth: Morgan Stanley Private Credit Outlook 2025; J.P. Morgan Private Bank.
- ¹³ Mezzanine share of private debt deals rose from 11% (2022) to 24% (2024): Preqin, *Global Private Debt Report 2025*.
- ¹⁴ Secondary market hit \$162B in 2024, on pace for \$210B+ in 2025; CVs accounted for \$75B in 2024: Jefferies, *Global Secondary Market Review 2025*.
- ¹⁵ Five-year CAGR: Non-control ~22%, LBO ~3.6%; Post-rate-hike (2022–2025E): Non-control ~25%, LBO ~6.9%: PitchBook, Preqin, Jefferies, Morgan Stanley, White & Case, Capstone Partners; calculations by Billings & Company.
- ¹⁶ Cost of LBO financing rose from ~6.0–7.5% (2021) to 9.0–12.5% (current); leverage compressed from 6.5–7.0x to 5.0–5.5x: PitchBook; Bain & Company, *Global PE Reports 2025/2026*; Apollo Global Management, *Private Equity Outlook H2 2025*; internal estimates.
- ¹⁷ Billings & Company believes that the hypothetical illustration provided is reasonable based on comparable peer valuations and/or applying mathematical principles. This is an illustration only and is not intended to forecast the performance of a specific investment or strategy.
- ¹⁸ U.S. private market AUM exceeds \$12 trillion: Billings & Company estimates based on industry research from PitchBook, McKinsey & Company, and EY.
- ¹⁹ As much as 75% of North American buyout funds have flexibility for minority investments: Dechert LLP / Mergermarket, *Global Private Equity Outlook*.
- ²⁰ Fundraising 5-yr CAGRs — Secondaries/CVs: 20.8%, Growth/Minority: 9.5%, Private Credit: 11.0%, Buyout: 4.6%: Billings & Company calculations based on fundraising data from PitchBook, Bain & Company, and Capital IQ.
- ²¹ Global PE fundraising fell 12.7% to \$480B in 2025: S&P Global, *January 2026*.
- ²² Fundamental data and forecast supplied by management of the Company. Such projections may not be realized. Past performance may not recur, and there is no guarantee of future results.
- ²³ Distributions at ~11% of NAV in 2024, vs. ~25% pre-pandemic average: Bain & Company, *Global PE Report 2025*; Goldman Sachs Asset Management.
- ²⁴ 30% of buyout portfolio companies have undergone non-control liquidity events, generating \$410B: Bain & Company, *Global PE Report 2025*.

²⁵ Non-control capital projected at 14–18% annual growth to ~\$1.3–1.5T by 2030; ~48% of total market (up from ~23% in 2015): PitchBook, Jefferies, Morgan Stanley, Bain, McKinsey, Preqin; projections by Billings & Company. Private credit AUM component: Moody's, Private Credit Outlook 2026 (projects ~\$4T for corporate lending AUM; total inclusive of asset-based finance, real estate, and infrastructure estimated to be materially higher).

B I L L I N G S & C O M P A N Y
I N V E S T M E N T B A N K I N G

4800 Montgomery Lane, 7th Floor · Bethesda, MD 20814

www.billingscompany.com

Securities offered through Finalis Securities LLC, Member FINRA / SIPC. Billings & Co. and Finalis Securities LLC are separate, unaffiliated entities. This document is provided for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any security. Past performance is not indicative of future results. Transaction history includes transactions involving team members while at FBR, Billings & Co., or other prior firms.

The reader agrees to the provisions set forth on those certain "Disclaimers" located at <https://www.finalis.com/disclaimers> and the terms thereof are incorporated by reference as though fully set forth herein, and references therein to (i) "Company" means the entity in connection with this transaction (together with its affiliates, subsidiaries, successors and assigns), (ii) "Banker" means the registered representative of Finalis Securities LLC in connection with this transaction and (iii) "Bank" means {Bank Name}. Securities are offered through Finalis Securities, LLC member FINRA/SIPC.

An investment in a private placement is highly speculative and involves a high degree of risk, including the potential loss of the entire investment.