

How can PE teams guide portfolio companies to be exit-ready, not exit-reactive?



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The Global PE Exit Readiness Study 2026 explores drivers of exit success and how GP-management alignment boosts speed, certainty and value.

In Brief:

- Exit readiness preparation as a continuous and strategic discipline, ideally starting early (12-24 months before sale), improves exit valuations.
- Strong GP-management alignment on a clear, data-backed equity story and rigorous management preparation is critical to unlock value and execution certainty.
- AI strategy is emerging as a key exit differentiator, with buyers assessing AI adoption, disruption exposure, and its role in future value creation.

Introduction

The current exit environment remains defined by a challenging paradox: GPs report that underlying asset performance for many of the 32,000 companies backed by private equity (PE) firms across the globe remains strong, yet capital market externalities continue to limit the opportunities for liquidity. Indeed, for portfolio companies delivering against their value creation plans, headwinds including geopolitical shocks, volatile equity markets and the interest rate environment are all combining to make valuations and exit pathways more complex and less predictable.

In this environment, exit readiness must inevitably shift away from a late-stage process into a continuous

strategic discipline. Private equity firms that treat exits as a singular event risk leaving value on the table, while those that embed exit strategy thinking throughout their hold period are better positioned to respond when exit windows open.

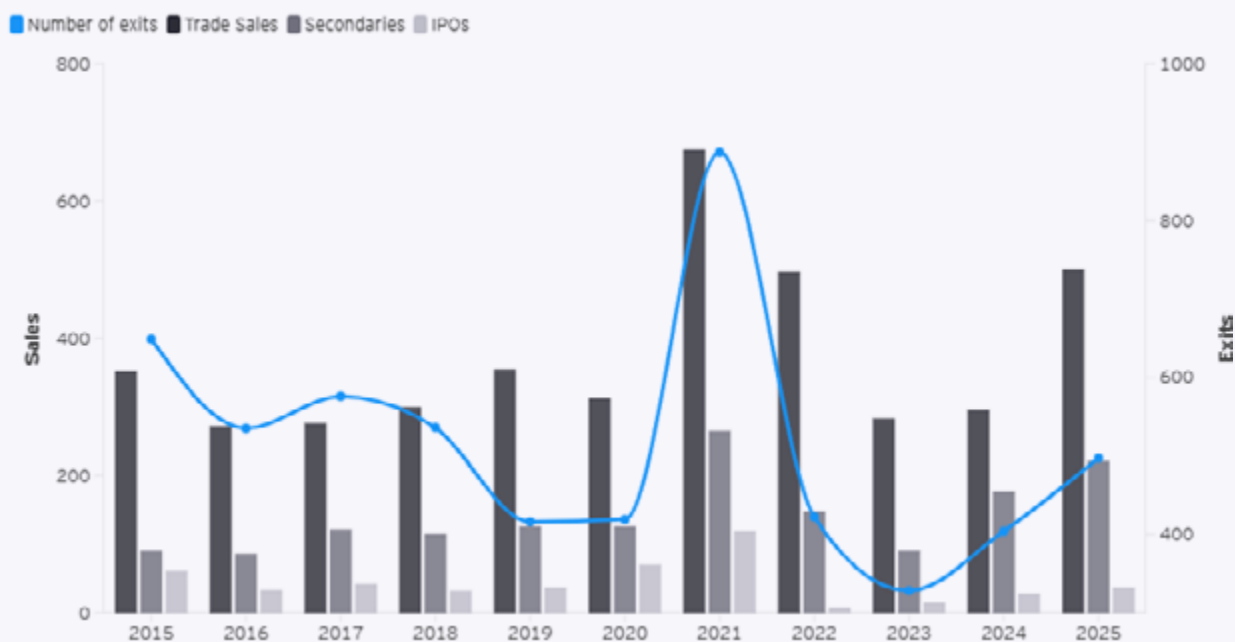
AI is adding a further dimension to this shift. For many assets, buyers are increasingly testing whether AI strengthens the investment case or creates new risks to growth, margins, customer relationships or competitive positioning. This makes AI readiness part of the broader exit readiness agenda, rather than a standalone technology workstream.

Volatile exit windows elevate the importance of a sufficient preparation runway.

Last year saw a measure of momentum in the exit markets, underpinned by the continued availability of financing for quality deals, a recovery in buyer confidence, and increased activity by corporate acquirers. Trade sales, for example, which had been broadly flat through 2023 and much of 2024, inflected sharply higher in 2025, the result of significant pent-up strategic demand and greater conviction at the board level to deploy capital; firms announced nearly US\$500b in sales to strategic acquirers, representing an increase

of about 70% by value (while the volume of trade sales climbed 24%). In addition, according to data from Collier Capital, more than US\$100b in additional liquidity was achieved using continuation vehicles. Recent months, however, have seen caution return, driven by geopolitical developments in the Middle East and an increasing focus on AI-related disruption within the software sector. The result has been a recalibration of sentiment across the market and a more measured pace of activity.

PE exit-and trade sales in particular-saw increased momentum in 2025.



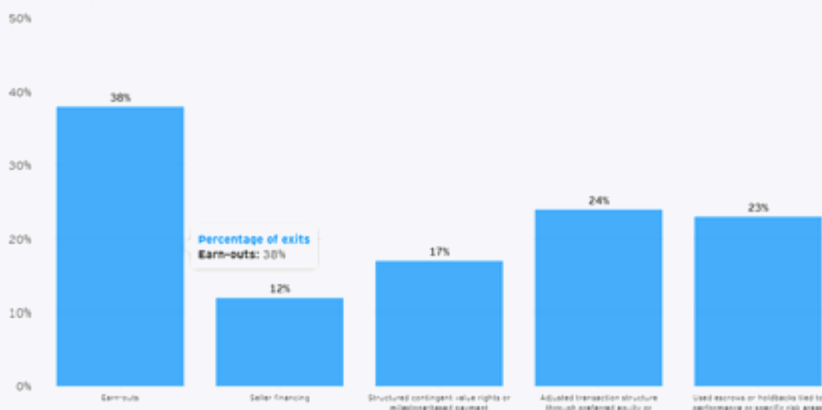
This volatility underscores the degree to which the exit imperative remains acute. A typical year sees between 20-25% of PE net asset value (NAV) distributed back to limited partners (LPs); today, that figure is closer to 15%, with 35% of the global portfolio held for more than six years. Firms report longer processes, fewer competitive auctions, and a higher incidence of failed or delayed exits. Buyers are increasingly selective, focusing on top-performing assets while mid-tier businesses struggle to attract sufficient interest or pricing tension.

In response, firms are taking a more strategic approach to exits, including the increased use of alternative exit routes such as continuation vehicles, and a growing adoption of bridging mechanisms such as earn-outs, seller financing, and contingent value rights to help navigate valuation gaps and allow firms to unlock liquidity while preserving potential upside.

While not present across all deals, firms are using a wide variety of bridging mechanisms to address valuation gaps and achieve liquidity amid volatility.

Percentage of exits that included each provision.

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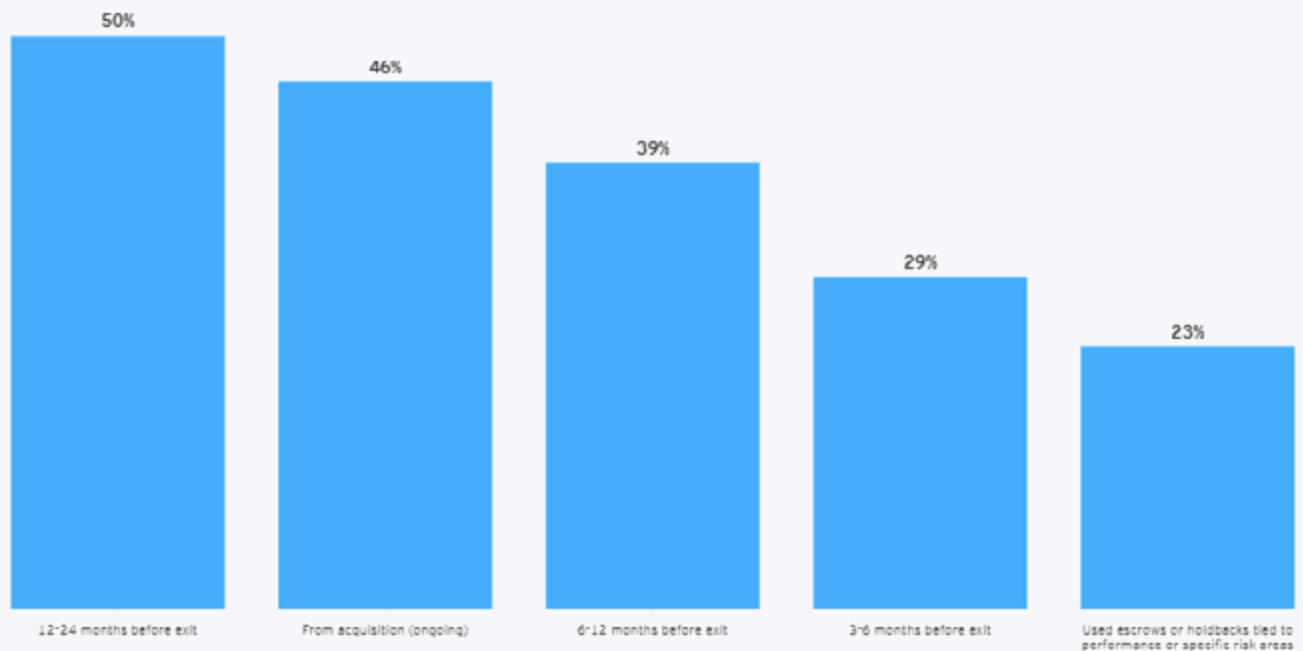
The value of starting early.



In this environment, preparedness is critical. With exit windows uncertain and often short-lived, the need to be “ready to go” when conditions allow, rather than attempting to accelerate preparation reactively, is a differentiator; and having sufficient runway for comprehensive preparation is essential. Overall, 86% of GP respondents reported that exit preparation initiatives improved their exit valuations.

Most significantly, firms that began 12-24 months prior to sale reported the strongest impacts, with roughly 50% indicating preparation delivered “much” or “a great deal” of improvement in exit outcomes. By contrast, firms initiating preparation less than six months before exit reported materially weaker outcomes, with most indicating only moderate improvements.

Starting earlier is clearly correlated with improved outcomes. GPs who say they achieved “much improvement” or a “great deal of improvement” in exit outcomes based on when they typically started preparing.



What’s the view of portfolio company management teams? In general, they’re even more positive on the value of exit readiness than the GPs we spoke with. Nearly 60% said preparation delivered “much” or “a great deal” of improvement.

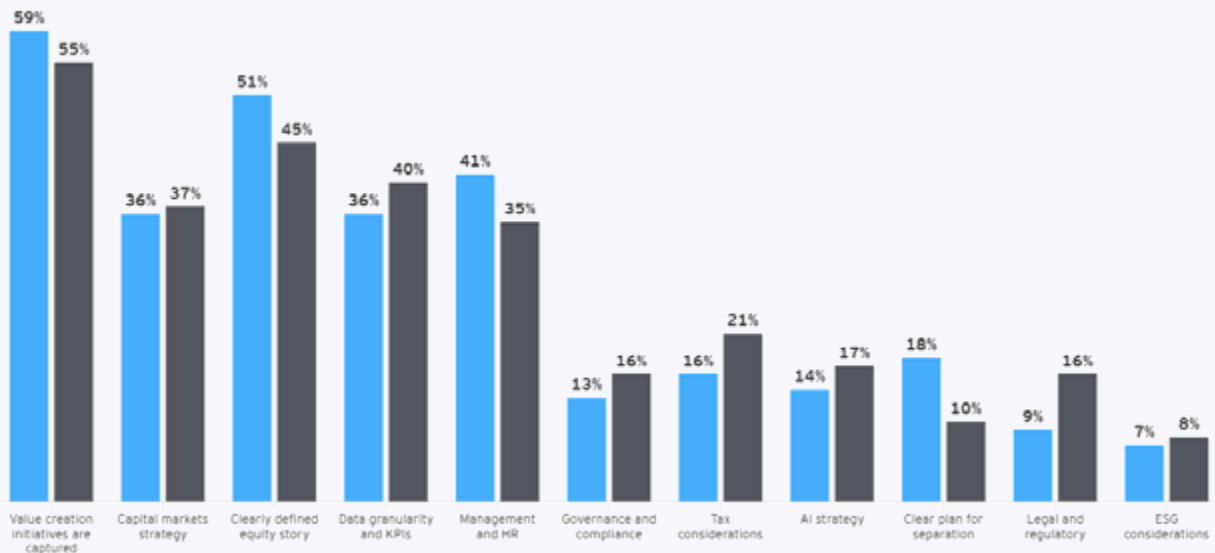
What are the key challenges to value realization?

What defines a company that's exit-ready? The finance function remains a central pillar of exit readiness, and this year's findings suggest that some of the most persistent foundational gaps are beginning to narrow. Respondents note that challenges around data readiness have decreased modestly. Last year, 72% of GPs said developing a robust set of data and KPIs was their most challenging issue in the finance function – a figure that dropped to 60% in this year's survey suggesting some progress in addressing core deficiencies. However, it remains at the top of the list, indicating the core function that credible data plays in enabling a successful exit. There is often a disconnect between internal

performance tracking and the level of detail buyers expect to be able to underwrite the equity story. For example, companies may highlight cross-selling success across a roll-up platform but lack the underlying data to evidence this at a customer or segment level.

Fortunately, technology is beginning to lower barriers as AI makes it easier to ingest, standardize and clean data, reducing the historical burden of manual consolidation and creating an opportunity to redirect effort toward higher-value activities, particularly those that involve interpreting insights and linking data to value creation.

What's most challenging in preparing portfolio companies for exit? What's most impactful?



Evidencing value creation initiatives in exit EBITDA remains the top challenge for PE and has the biggest impact on exit outcomes. This is often done well when companies have robust systems and reporting in place to enable detailed tracking of value creation initiatives.

Capital markets strategy emerges as an area perceived to be relatively challenging, yet comparatively less impactful on exit outcomes. This suggests that some

firms may be over-indexing on timing the market or optimizing exit routes, rather than focusing on the underlying quality and readiness of the asset itself. In a buyer-driven market characterized by intense scrutiny and selective financing conditions, the inherent quality of the asset and demonstrated performance play a more crucial role in determining value than simply timing the market.



Selling a business is not simply a matter of EBITDA multiplied by a multiple. You also need to sell a story. Explain what the next owner or the next fund will be able to do with the business, where the business is going, and what opportunities remain.

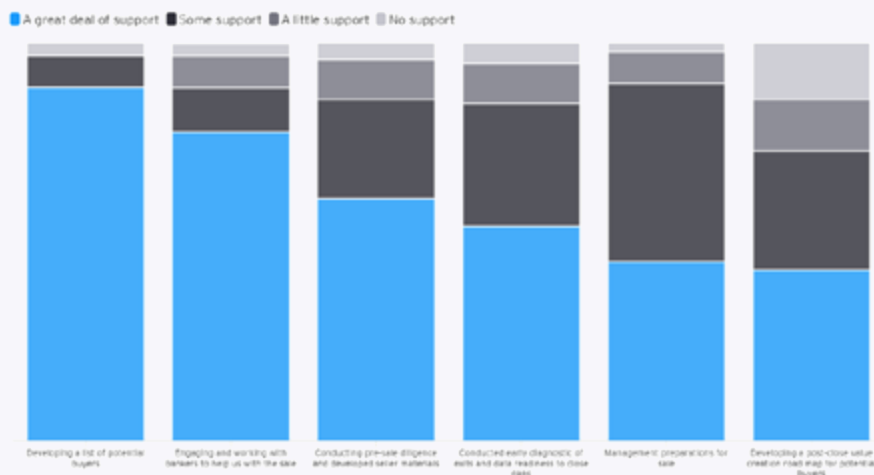
Operating Partner at a US\$8b fund

Are portfolio companies getting what they need from their PE sponsors?

Management teams say they're mostly aligned with PE sponsors when it comes to exits. 82% of GPs and 70% of PE-backed management teams say they're mostly or fully aligned with one another with respect to areas like exit timing, valuation expectations, and preferred

buyer types. Indeed, portfolio companies are receiving meaningful coaching in key parts of the exit process, including the development of the buyer list, working with the bankers, and the development of seller materials.

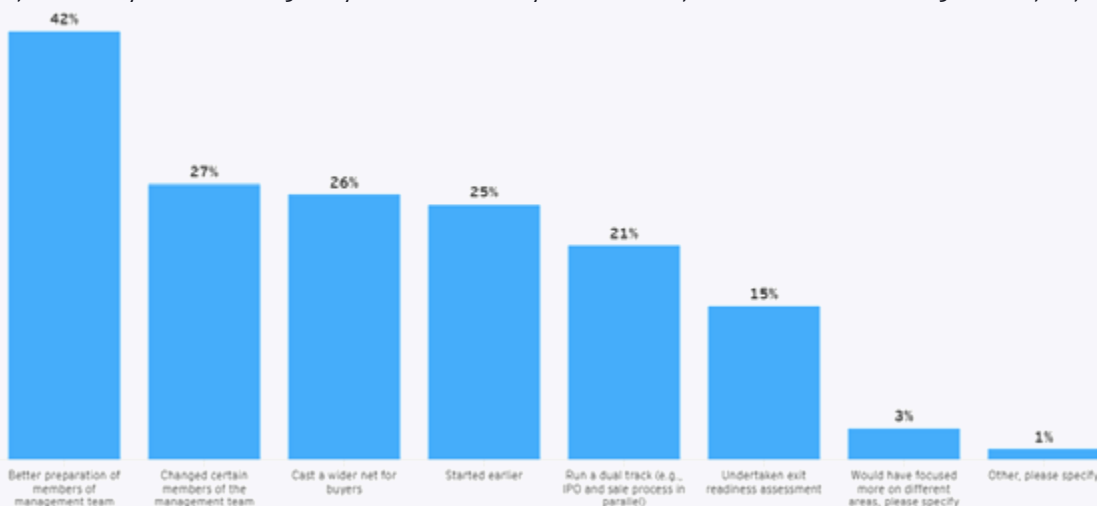
How much support did the GP provide in the following areas?



These coaching and preparation efforts are clearly impactful, with 57% of management teams saying that the support their sponsor provided had a “very” or “extremely” positive impact on their performance during the exit process. At the same time, the data highlights areas where support is either less consistent or less

aligned with management priorities. More value-added activities, such as early diagnostic work on data readiness, management preparation, and developing a post-close value creation roadmap, show more mixed levels of support.

Portfolio companies say the #1 thing they'd do differently in the sale process: better management preparation.



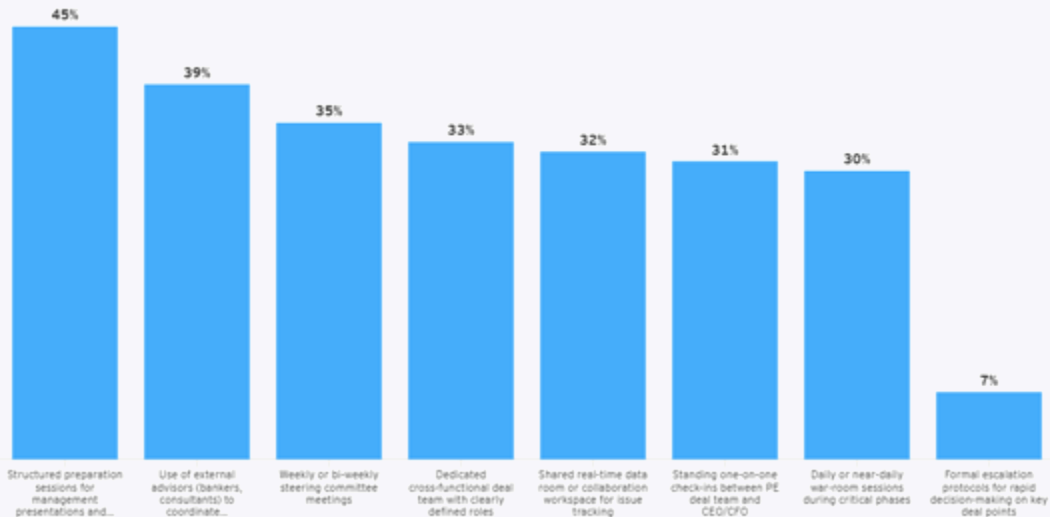
This is reinforced by what management teams say they would do differently. Their number one response was better preparation of the management team, which points to a clear conclusion: while PE firms recognize the importance of management readiness, there is a suggestion that there is further scope to consistently invest early enough or more rigorously to maximize its impact. An early, systematic approach

that aligns sponsors and management on the exit narrative, value creation opportunities, and buyer expectations—supported by coaching, practice, and skill development—helps management clearly articulate the strategy and strengthens the investment case. Perhaps most important, it can help limit the downside risks and surprises that can arise during the diligence process which can derail negotiations.

“The management team needs to be fully aligned with the equity story and the strategic plan. In the end, preparing for an exit is like coordinating a large orchestra. All these elements need to be aligned and working together.”

Operating Partner at a US\$8b fund

What mechanisms do portfolio management teams say are most effective in keeping the exit process on track?



What other best practices are most effective for keeping the exit process on track? Preparation sessions for management presentations, coordinated use of advisors,

effective use of real-time data rooms, and regular steering committees; mechanisms that emphasize discipline, alignment, and communication.

The LP perspective

As part of the survey, a series of hour-long, in-depth interviews were conducted with established LPs. Their key messages were:

Give it to us straight: While underlying asset performance is often tracking to plan or above, LPs have shifted focus away from pure return metrics toward time-to-liquidity, exit optionality, and realistic underwriting of exit routes, with an increasing premium placed on GPs who can demonstrate multiple credible paths to realization rather than reliance on a single market window.

Longer hold periods are generally acceptable, but there must be a plan: LPs articulated an elevated tolerance for longer hold periods, with an important caveat: that there is clear evidence of continued value creation.

Successful exits start with the buy: LPs consistently emphasized that exit outcomes are largely determined at entry, with valuation discipline and realistic value creation assumptions emerging as the most reliable predictors of exit success.

Leverage the LPs: While exit routes remain the primary responsibility of the GPs, LPs can sometimes help. Large investors have access to broad networks and can help make connections with interested sponsors, or even strategics that might have an interest in a particular asset.

AI is emerging as a rapidly rising challenge in exit preparation.



AI is not yet the largest exit-readiness challenge, but it is one of the fastest-rising. Last year, just 7% of GPs identified AI as a challenge when preparing portfolio companies for sale. In our latest survey, the figure has more than doubled, reflecting the speed at which AI has moved from a peripheral consideration to a more central component of the exit process. Buyers are increasingly probing not only how companies are using AI, but also how exposed they are to disruption from it.

Views on AI as a challenge are closely aligned between investors and management teams, with 18% of GPs and 17% of portfolio companies identifying it as a concern, reinforcing that AI is becoming a shared area of focus in exit preparation. For management teams, the challenge is often practical: fragmented data, unclear ownership of use cases, limited deployment at scale, and difficulty quantifying the impact of AI initiatives can make it harder to present a coherent AI narrative to buyers.

AI is therefore becoming a more important lens through which buyers assess both risk and upside. On the risk side, buyers want to understand whether AI could reshape the target company's market, including its impact on pricing power, customer behavior, cost structures, service delivery models and barriers to entry.

On the upside, they are assessing whether the company has a credible plan to use AI to improve productivity, commercial effectiveness, decision-making, product development or customer experience. Importantly, buyers are likely to distinguish between AI activity and AI strategy. A list of pilots or isolated productivity tools may not be enough to support valuation. A credible AI strategy should show where AI is embedded in the operating model, how benefits are measured, what governance is in place, and how adoption can scale under the next owner.

This re-emphasizes the importance of data readiness: without clean, accessible and well-governed data, AI claims can quickly become difficult to evidence in diligence. As a result, AI is becoming part of the equity story. Firms are expected to articulate not only how they are using AI today, but how AI affects future value creation, competitive positioning and downside risk. Those that can demonstrate tangible progress, quantified benefits and a credible roadmap are likely to build stronger buyer confidence. Those that cannot may face deeper scrutiny, longer diligence timelines and valuation pressure, particularly in sectors more exposed to AI-led disruption.

2.4x

Increase in the percentage of GPs who say AI is a significant challenge in prepping their companies for exit

Be exit-ready, not exit-reactive.

PE is entering a period where exit execution discipline matters more than ever. Although market conditions often fluctuate due to external factors beyond PE's control, firms that embed exit planning early—by strengthening data infrastructure, maintaining disciplined reporting, adopting AI and emerging technologies, preparing management thoroughly, and

developing a credible, evidence-based equity story—will be best positioned to capitalize on opportunities to convert performance into realized value. The firms that outperform in this environment won't necessarily always be those with the best-performing assets; they'll be the ones that are "ready to move" decisively when the market allows.

Methodology

The Global PE Exit Readiness Study 2026 was conducted to gain insights into PE firms' and their portfolio companies' recent exits and underlying drivers for success in exit preparations. Case studies of exited assets and assets still held were gathered to understand investment and deal strategies on portfolio company acquisitions made between 2018 and 2021.

"Exit readiness" can mean different things to different people. For this study, exit readiness activities were defined as those that include, but are not limited to, considering potential exit routes, enhancing a company's equity story, bidder challenges, data readiness, improved systems, processes, controls and governance. It did not include preparation by way of a vendor due diligence.

The report is based on survey responses and selected interviews from a cohort of 100 global PE executives, and a separate cohort of 100 executives from recently exited PE-backed portfolio companies. The survey was conducted between February and April 2026.

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