

SMARTER PERSPECTIVE: CAPITAL FORMATION Out of Sync, Not Out of Steam: Capital Trends and Strategic Moves for 2025

By The Hilco Global Capital Team

October 2025 Capital formation in 2025 is uneven—but unevenness itself has become the opportunity. Rather than constraining flows, the realignment is widening the playing field for investors with operational depth and capital-market fluency. Those who can restore value in distress, structure selective liquidity, and monetize assets from divestitures will likely be positioned to benefit.

Macro Signals: Stability with Selectivity

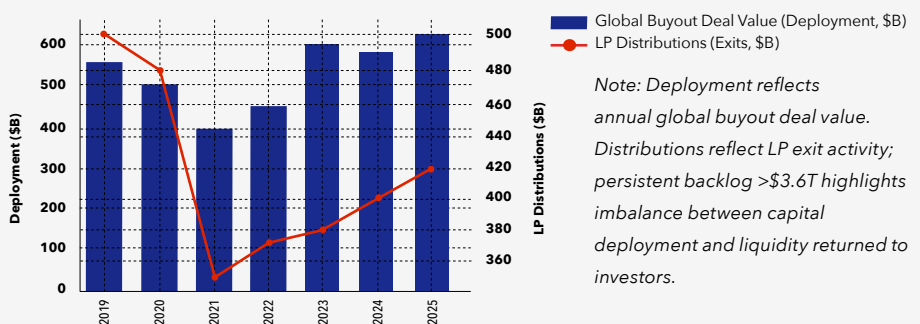
With these broad currents shaping the backdrop, rates remain range bound between 4.25% and 4.50% and inflation is easing, while GDP growth rebounded to +3.0% SAAR (seasonally adjusted annual rate) in Q2.^{1,2} Equity issuance is recovering, but IPO windows are narrowing. As we might expect, artificial intelligence (AI) dominates while retail, industrials, and autos face pressure.

Consumer discretionary and industrials logged the most bankruptcies YTD, with July 2025 the busiest since 2010. Liquidity exists, but smart capital should remain choosy; the relative macro calm should not be mistaken for broad accessibility. Capital formation remains fragmented, creating headwinds for some issuers even as others thrive.

Private Equity: Backlogs Create Pressure and Openings

Private equity (PE) faces a \$3.6

Capital Formation Divergence: Deployment vs. Distributions (2019-2025)



Source: Bain Global Private Equity Report 2025; Preqin, Private Equity Data (2019-2025)

trillion exit backlog concentrated in older holdings, with distributions at record lows.³ Fundraising is splitting between the haves and have-nots: top-quartile managers appear to be growing (successor funds up 53% YoY) while others stall.⁴ Liquidity tools like continuation funds and secondaries delivered \$410 billion in 2024.⁵

Meanwhile, PE deployment accelerated: global buyout value rose 37% to \$602 billion, led by tech but with rebounds in financials (+92% YoY) and industrials (+81% YoY).⁶ Notably, larger deal sizes offset fewer transactions.

Annual Deal Count and Media Deal Size for Technology and AI (2015-2025)

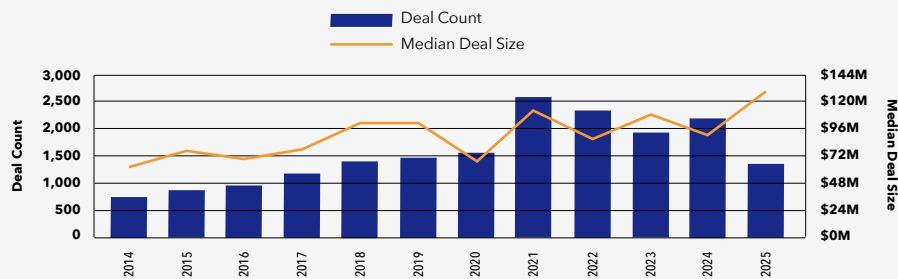
For limited partners (LPs), the implication is a liquidity mismatch: capital is being

deployed but not returned, forcing many institutions to consider secondary sales or alternative liquidity sources. For general partners (GPs), the need to deliver on operational improvements and creative financing structures are now table stakes.

Public-to-Private (P2P): The Comeback Route

Take-private activity surged to \$250 billion globally in 2024; nearly half of North American over \$5B were P2P deals.⁷ Retail and industrial assets hit by trade frictions or multiple compression are being repositioned by sponsors. Public-to-private has become a reliable outlet for assets blocked from IPO markets. The durability of this trend lies in mispricing: public markets punish cyclical and complex stories, while private buyers can extract value

Deal Count & Median Deal Size



Details: Illustrates yearly trend in the number of deals alongside median deal size in millions of dollars for technology and AI-related buyout transactions. Deal volume generally increased from 2014, peaking in 2021, before moderating in subsequent years. Meanwhile, median deal size exhibited cyclical fluctuations, with notable upward trajectory in recent years, reaching its highest level in 2025 despite a decline in deal count.

Source: Pitchbook Data, Inc.

through control and restructuring. For institutional investors, this channel offers scaled opportunities where public multiples understate intrinsic value.

Divestitures and Carve-Outs: From Inertia to Action

Carve-outs totaled ~\$20.6 billion across 83 North American deals during the first half of 2025, led by industrials.⁸ Conglomerates are slimming down, and ESG/policy pressures add supply. Because transition speed and operational discipline determine outcomes, quality execution remains critical. Successful execution requires deftness: the way that transition service agreements (TSAs) and working-capital stand-ups are structured can strongly influence outcomes.

Stress Sectors: Where Distress Meets Opportunity

- **Retail** has experienced some notable recent bankruptcies and margin compression; only profitable, digitally scaled models approach IPO readiness. Retail faces the sharpest bifurcation: digital-first winners consolidate share while traditional formats continue to restructure.
- **In Industrial Services**, secular demand remains strong, but operational fragility dictates results. Aging PE holdings and carve-out opportunities abound, but outcomes are scattered.
- **Automotive** is shaped by emissions rules and electric vehicle (EV)

transition. Stress creates select entry points for those who can separate recoverable assets from decline. Automotive illustrates policy-induced disruption, where government mandates force capital reallocation faster than many operators can adjust.

Credit Markets: Fuel for the Engine

Syndicated loan volumes rose 83% in 2024 but remain below pre-2022 levels.⁹ Private credit dominates middle-market lending (~90%). North American buyout multiples climbed to 11.9x EBITDA; Europe hit 12.1x.¹⁰ Debt is plentiful for quality credits but scarce elsewhere, rewarding investors able to structure selectively. While market conditions have become increasingly competitive over recent months, with spreads compressing in many segments, we believe opportunities persist where traditional banks have retreated. Though underwriting standards vary by sector, we believe private credit continues to offer attractive risk-adjusted returns in segments where institutional lenders remain selective, particularly for those with specialized sector and/or structuring expertise.

Tactical Playbook: Converting Realignment into Action

Uneven formation translates into tactics: watch IPO withdrawals for pivot opportunities, target carve-outs in portfolio reviews, repackage aging PE assets through receivables recovery and intellectual property (IP) sales, and

lean into EV subsystems while financing legacy exposures. Each move channels selective liquidity into actionable deal flow.

Consider IPO withdrawals: companies filing and then pulling back often need recapitalization, asset sales, or sponsor backing. These situations often reward investors who monitor SEC Form RW filings for early signals. Carve-outs offer another pathway: conglomerates shedding non-core divisions create opportunities to stand up independent businesses. Viability depends on TSAs, IT separation, and working-capital management.

Aging PE assets, particularly 2016–2019 vintages, represent a growing backlog. Many of these portfolios are fully invested but have not exited, creating openings for secondary buyers, operational turnaround teams, and asset-by-asset monetization. Finally, in the auto sector, EV-aligned subsystems are attracting growth financing, while legacy (and often smaller) ICE (internal combustion engine) suppliers often require bespoke recap structures to survive regulatory and market transitions.

These examples highlight a broader point: in our opinion, investors who proactively monitor dislocations, rather than react to them, are best positioned to convert selective liquidity into superior risk-adjusted returns.

Growth Themes: Emerging Channels for Deployment

Rising demand for GP liquidity solutions (NAV loans, continuation vehicles) signals an appetite for asset-anchored capital. Distressed and special-situation M&A remains active in retail, auto, and casual dining. Reverse mergers and De-SPACs offer niche “backdoor IPO” paths, but these, too, in our opinion, are becoming more selective. These innovations highlight how structuring adapts to uneven formation. These channels may remain niche in volume terms, but they provide important signals about where capital formation is adapting most quickly.



Unevenness as Catalyst

2025 is not in a capital crisis but capital is circling around a divergence-driven opportunity set. Liquidity is flowing to resilient sectors such as software and healthcare, while distressed and aging PE segments face recaps and divestitures.

The best-positioned investors combine operational skill with market savvy: fix distress where possible, structure transactions where capital is selective, and monetize reorganizations as they release assets. Unevenness should be treated as a catalyst for disciplined opportunity. For institutional allocators, the mandate is clear: align with managers who combine capital discipline with operating acumen and view uneven formation not as a warning sign but as an expanded menu of opportunities.

Hilco Global is Asset Smarter

Work with us to transform selective liquidity into actionable deal flow. Whether navigating IPO withdrawals, divestitures, or capital transitions, Hilco Global's team brings the operational depth and structuring expertise to shape opportunities around your investment goals.

Sources:

¹ Board of Governors of the Federal Reserve System. *Federal Reserve Issues FOMC Statement, Press Release, July 30, 2025.*

² U.S. Bureau of Economic Analysis. *Gross Domestic Product, 2nd Quarter 2025 (Advance Estimate).* U.S. Department of Commerce, Bureau of Economic news release, July 30, 2025.

³ Bain & Company. *Global Private Equity Report 2025*, p. 9.

⁴ *Ibid.*, 17.

⁵ CEPRES, *Private Credit Outlook 2025*, p. 13.

⁶ Bain, *op. cit.*, 18.

⁷ *Ibid.*, 13.

⁸ S&P Global Market Intelligence, "PE Carve-Out Deal Value Rises as Companies Refocus on Core Operations," June 19, 2025.

⁹ CEPRES, *op. cit.*, 19.

¹⁰ Bain, *op. cit.*, 19.