The Rise of PE-Sponsored Take-Private Transactions

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January 15, 2026

Over the past several years, take-private activity has re-emerged as a powerful theme in private equity. After a period of muted dealmaking, sponsors have returned to the public markets with conviction, and the data bears this out. Just this week, we are seeing earnings reports for banks like Goldman Sachs and Morgan Stanley echoing the strong year of dealmaking that was 2025, a good portion of which were public-private deals.

According to **S&P Global**, the value of private equity and venture-backed take-private deals jumped 32% year over year to $149.86 billion in 2024, marking the highest annual total in at least five years. **Ropes & Gray's 2025 Private Equity Recap** reinforces the trend: take-private deal value at mid-year 2025 had already surpassed the full-year totals of each of the prior two years, driven in part by landmark transactions such as the $56 billion take-private of Electronic Arts (EA), the largest PE buyout in history.

So, what's behind the resurgence? Key takeaways:

1. **Underpinning these transactions is often a business that at one time had all the key business elements to go public.**
2. **Public market mispricings do exist. It may require some second order analysis to get past the Efficient Market Hypothesis.**
3. **Macro forces may sideline certain buyers across cycles.**
4. **Economic stability, especially related to liquidity and financing (credit), is a big help.**
5. **Private market transformation may be the optimal path to value creation.**

Digging into the detail:

1. Core business strength

Whether the assessment is 100% applicable today or not, *at some point* the company possessed enough critical attributes (e.g. products, customers, systems, management, growth, etc.) to warrant an IPO. Often, many of those core characteristics remain in place and constitute a **viable business** in need of change via new ownership to become "great". Simply put, a take-private investment may be an attractive, risk-adjusted entry point.

2. Public-market valuation dislocations

Even in a strong equity market, many public companies, particularly in tech and healthcare, continue to trade below intrinsic value. Two broad structural forces have contributed to this phenomenon, capital concentration in a narrow set of *du jour* mega cap names and themes, and the continued rise of indexation (e.g., Indexed ETF's and mutual funds).

Together these trends have led Wall Street to overlook many companies with market capitalizations below ~$10 bn. In addition, security-specific structural factors may cloud the market's perception of value, such as suboptimal listings (whether due to poor communication or marketing or misalignment with investors), liquidity and lockups. PE sponsors have capitalized on these discrepancies, acquiring **"overlooked or underappreciated"** businesses at attractive entry points.

3**. A pullback from strategic buyers**

Corporate acquirers have been less active in recent years, creating a meaningful gap in the market. **Bain & Company's Private Equity Midyear Report 2025** notes **corporate acquirers have been more cautious** due to tariff uncertainty and competing operational priorities including investments in AI, among other factors. Private Equity has been more than willing to step in and fill the void.

4**. Improved credit markets**

As **financing conditions have stabilized**, sponsors have regained the confidence and capacity to pursue larger, more complex transactions. This normalization has enabled the return of multi-billion-dollar take-private deals.

While the politics around the Fed remain volatile and the appropriate level of interest rates continues to be hotly debated, there appears to be comfort that prevailing rates are low enough to take on debt and that interest rates will not return to the spike that dampened dealmaking a few years ago. Furthermore, the growth of Private Credit fundraising has fueled Private Equity activity, including take-private transactions – a multi-year trend that continues unabated.

5. The appeal of private-market transformation

Take-private transactions allow management teams to operate free from the constraints of quarterly earnings pressure, enabling long-term operational improvements and strategic pivots. **Aranca's 2025** report highlights that take-privates can "unlock strategic freedom and investor value through ownership transformation."

Some may argue that the longer holding periods of private owners are **fundamentally more aligned** with strategic initiatives and change management. Importantly, this may mean that a company's management may find themselves *more* aligned with a Private Equity sponsor to execute a shared strategic vision, contrary to the perception of CEO terminations in LBOs. A CEO's position would certainly appear to be *less* at risk in a take-private transaction compared to being the target of a strategic acquisition.

Important considerations

Until a take-private transaction is publicly announced, virtually all related information constitutes material non-public information ("MNPI"). MNPI refers to information about a public company that is both material and not broadly disclosed to the market. Because investors and co-investors must receive MNPI to evaluate a potential take-private, two essential rules apply: (1) do not trade and (2) do not share.

For the year ahead

It is reasonable to expect the multi-year resurgence in take-private activity to continue. Especially as the valuation gap persists and sponsors remain focused on acquiring high-quality assets at scale, take-privates are likely to remain an important theme in the private equity landscape.

Comments and observations are welcome and appreciated.

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