

# Credit Currents:

## Insights across public and private credit

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**Topics in this piece:**

- Strategic M&A
- Sponsor M&A
- Private Equity
- Credit

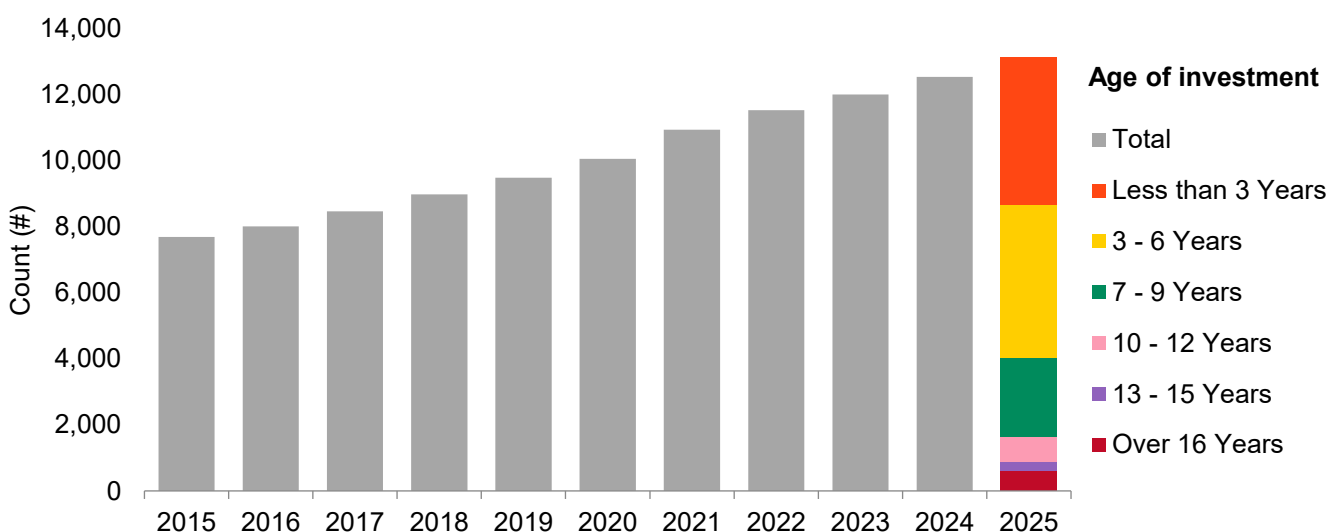
*Estimated read time: 10 minutes*

### Examining M&A activity and why it matters for credit

1. Against a more complex macro backdrop, M&A activity has shown notable resilience year-to-date.
2. However, beneath the surface, dispersion across deal types is evident, with strategic activity leading volumes and sponsor activity more subdued. We view this divergence as a function of their distinct drivers, with strategic M&A tied to long-term business objectives and sponsor activity more sensitive to financial returns and market conditions.
3. For credit investors, M&A is a key source of financing demand, as transactions are often accompanied by debt issuance. Higher deal volumes can therefore translate into increased supply across public and private credit markets.
4. Meanwhile, private equity exit activity suggests gradual, albeit uneven, progress toward normalization. Elevated dry powder and aging portfolios should support future deal activity, and in turn financing demand, though the near-term path is likely to remain nonlinear.

### Exhibit 1: 31% of PE inventory is 7 years or older

U.S. PE-backed company inventory by age of investment



Source: Pitchbook LCD, BlackRock. As of YE2025.

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## Examining M&A activity and why it matters for credit

Against a more complex macro backdrop, mergers and acquisitions (M&A) activity has shown notable resilience year-to-date (YTD). This resilience was further echoed by select bank management teams during 1Q2026 earnings calls. Indeed, their commentary highlighted solid aggregate activity levels YTD and constructive pipelines (albeit with potential sensitivity to macro conditions).

For credit investors, M&A activity matters because of its influence on financing demand. Indeed, elevated deal activity typically supports issuance across both public and private credit markets. As a result, a sustained recovery in M&A is broadly constructive for supply and, in many cases, supportive for terms. The path forward for M&A, however, is likely to be uneven, especially should broader macro uncertainty persist.

In this *Credit Currents*, we examine recent M&A trends, both at a headline level and beneath the surface. We also check in on dynamics in the private equity market, including exit activity and aging portfolios, and consider the implications they have on credit markets.

### Beneath strong headline M&A, strategic and sponsor activity have diverged

While headline M&A activity has been strong YTD, the underlying composition points to a more nuanced backdrop, reflecting macro headwinds (and tailwinds).

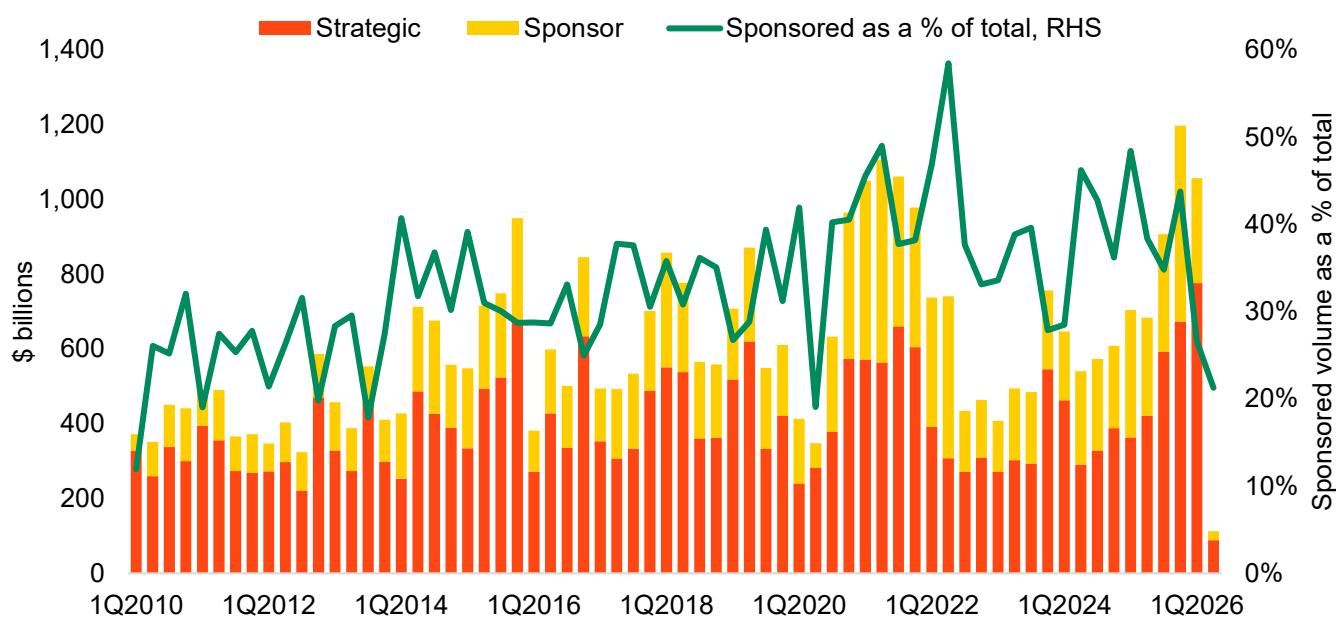
For example, activity has diverged meaningfully between strategic and sponsor-driven transactions, with volumes skewed toward strategic deals (Exhibit 2). Indeed, sponsor M&A fell to its lowest share of total volume since 2Q2020 in 1Q2026.

Strategic M&A, where corporates acquire businesses to advance long-term objectives, tends to be more resilient to financing conditions.

By contrast, sponsor-related M&A is more directly influenced by financial conditions. For private equity sponsors, the ability to achieve financial returns remains critical, making elevated financing costs a more meaningful headwind to transaction activity.

### Exhibit 2: Strategic M&A activity has outpaced sponsored M&A year-to-date

Announced sponsor and strategic M&A deals in North America and Europe, and sponsored volume as a share of the total (RHS). Captures deals valued at \$100 million or more, at announcement. Excludes canceled and withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. 2Q2026 as of April 14, 2026. Sponsor-related transactions are those that include a financial sponsor on either side (as buyer or seller).

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## Strategic M&A volume has been driven by large transactions

Strategic M&A volume in North America and Europe has been exceptionally strong year-to-date (Exhibit 3). Such activity is primarily driven by long-term competitive positioning, with acquirers seeking to build scale, diversify customer bases, enhance operational flexibility, and access differentiated technology capabilities, for example.

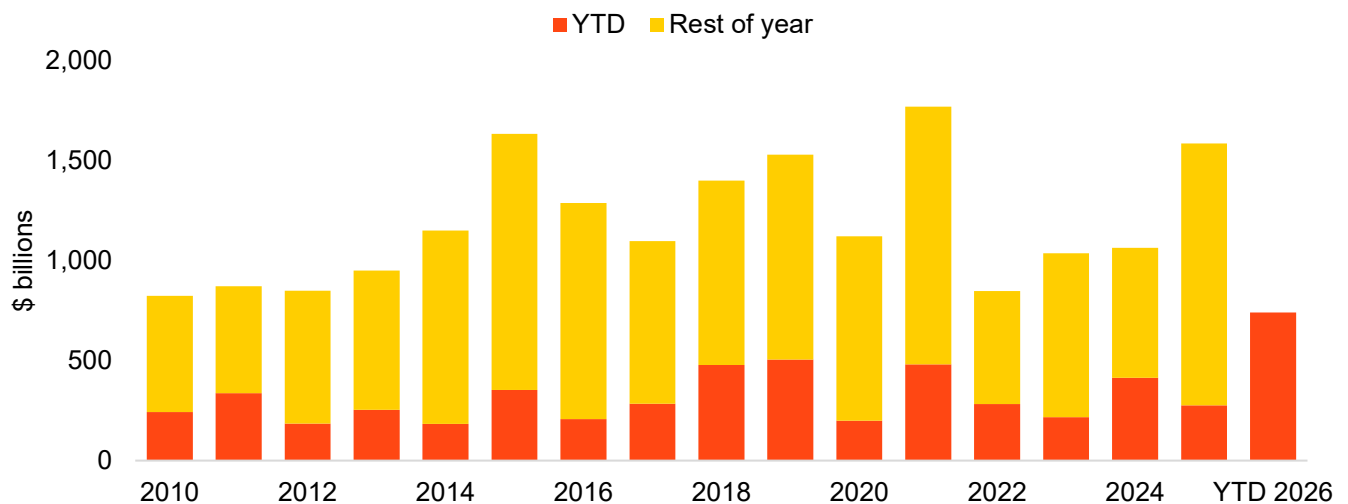
While YTD activity has been broad-based across sectors, technology represents the largest sector, pointing to an increased focus on developing artificial intelligence (AI) and other related capabilities.

Notably, strategic M&A has been concentrated in so-called ‘megadeals’ (i.e., transactions valued at \$5 billion or more). As shown in Exhibit 4, volume above this threshold has already surpassed full-year 2022 levels and reached over 90% of full-year 2023 and 2024 totals as of April 14, 2026. That said, this activity is somewhat skewed by one large transaction, which accounted for roughly 20% of ‘megadeal’ activity YTD.

The strength of strategic activity, and its concentration in larger transactions, suggests that scale is increasingly viewed as a competitive advantage, particularly in a more complex and evolving macro environment.

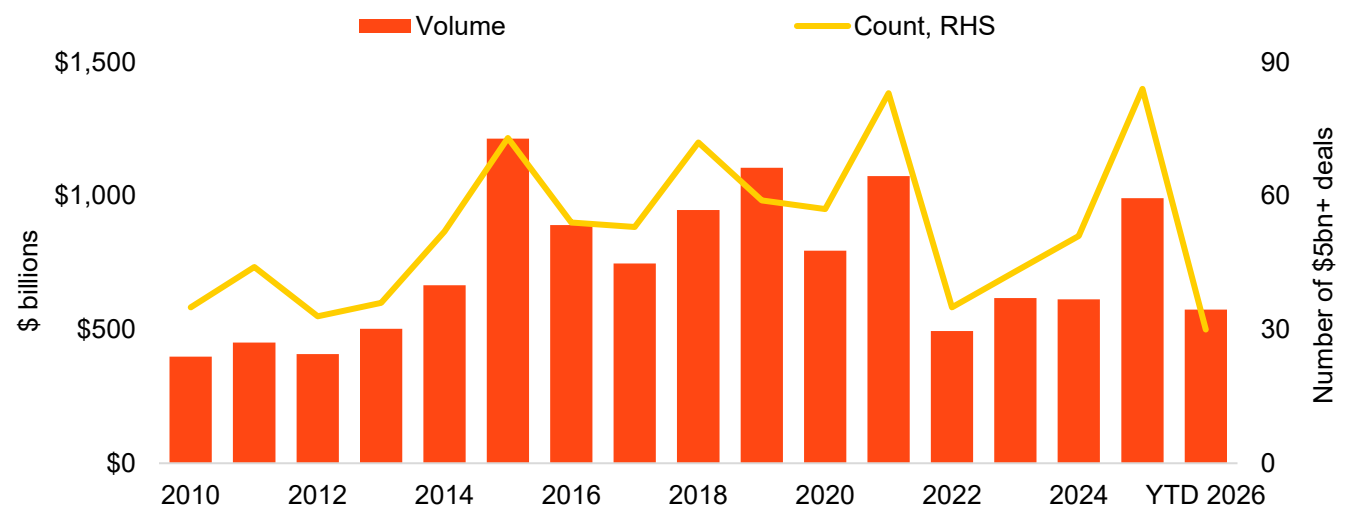
### Exhibit 3: YTD strategic M&A volume has hit record levels

Announced strategic M&A, year-to-date and rest of year for North America and Europe. Captures deals valued at \$1 billion or more, at announcement. Excludes cancelled and withdrawn deals.



### Exhibit 4: ‘Megadeals’ have been a defining feature of strategic M&A activity this year

Announced strategic M&A deals valued at \$5bn or more at announcement (volume in \$ billions and count, RHS). Captures acquirers based in North America and Europe. Excludes cancelled and withdrawn deals.



**For both charts:** Source: Dealogic (ION Analytics), BlackRock. 2026 is as of April 14, 2026.

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## Sponsor M&A demonstrates room for improvement

By contrast, sponsor M&A activity has been more measured YTD, though it remains relatively strong by historical standards (Exhibit 5). (Note that Dealogic defines sponsor M&A as transactions involving a financial sponsor on either side of the transaction.)

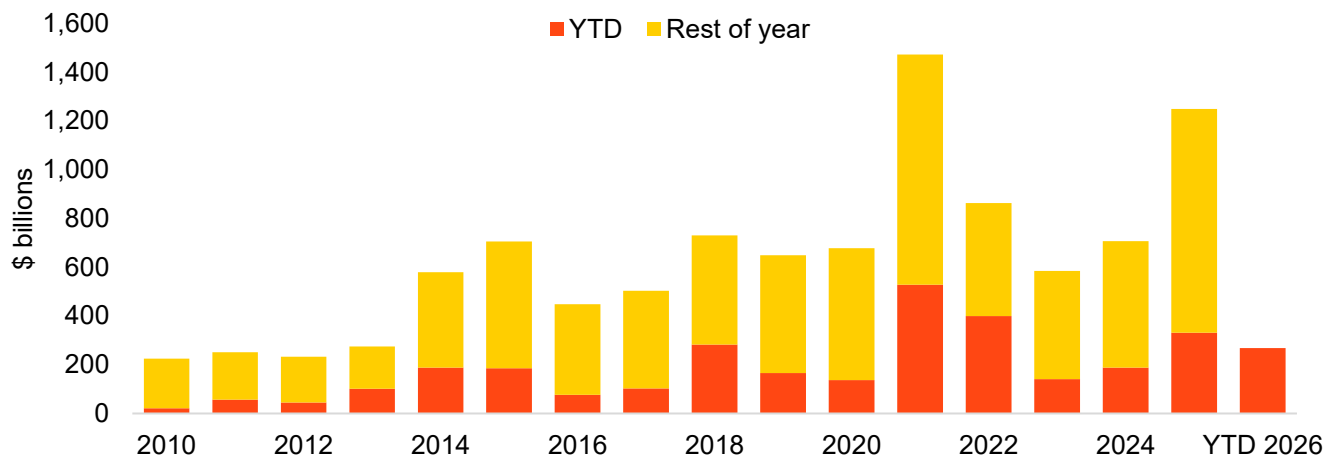
This segment warrants close attention given its central role in credit markets, with sponsor-backed companies representing a meaningful share of borrowers in both the broadly syndicated loan and private credit markets.

In our view, the more tempered pace of activity reflects the greater sensitivity of sponsor-driven transactions to financial conditions. Indeed, unlike strategic acquirers, sponsors underwrite transactions to achieve return thresholds, making valuation, the cost and availability of leverage, and exit assumptions critical factors.

Further, capacity for future PE deployment remains significant. As shown in Exhibit 6, PE dry powder remains elevated, with approximately \$2.2 trillion available in North America and Europe as of 3Q2025, per data from Preqin. This represents a substantial pool of capital that could encourage a pickup in sponsor-driven activity as conditions become more supportive.

### Exhibit 5: Sponsored M&A has been somewhat muted YTD

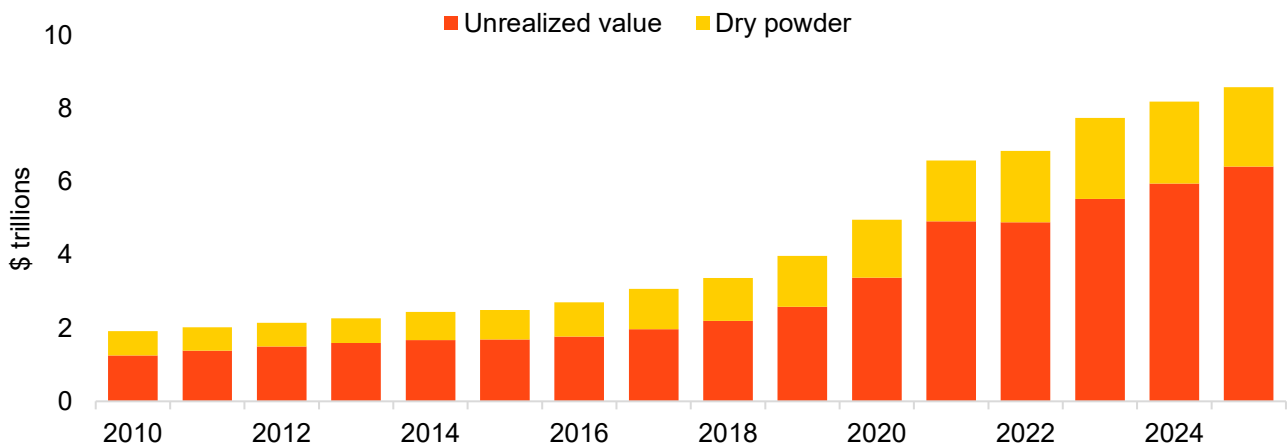
Announced sponsored M&A, year-to-date and rest of year for North America and Europe. Captures deals valued at \$1 billion or more, at announcement. Excludes cancelled and withdrawn deals.



Source: Dealogic (ION Analytics), BlackRock. YTD 2026 is as of April 14, 2026.

### Exhibit 6: Private equity in North America and Europe has roughly \$2.2 trillion of dry powder

North America and Europe private equity assets under management (including unrealized value and dry powder), in \$ trillions



Source: Preqin, BlackRock. 2025 as of 3Q2025 (most recent available).

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## Private equity exit activity shows continued signs of recovery

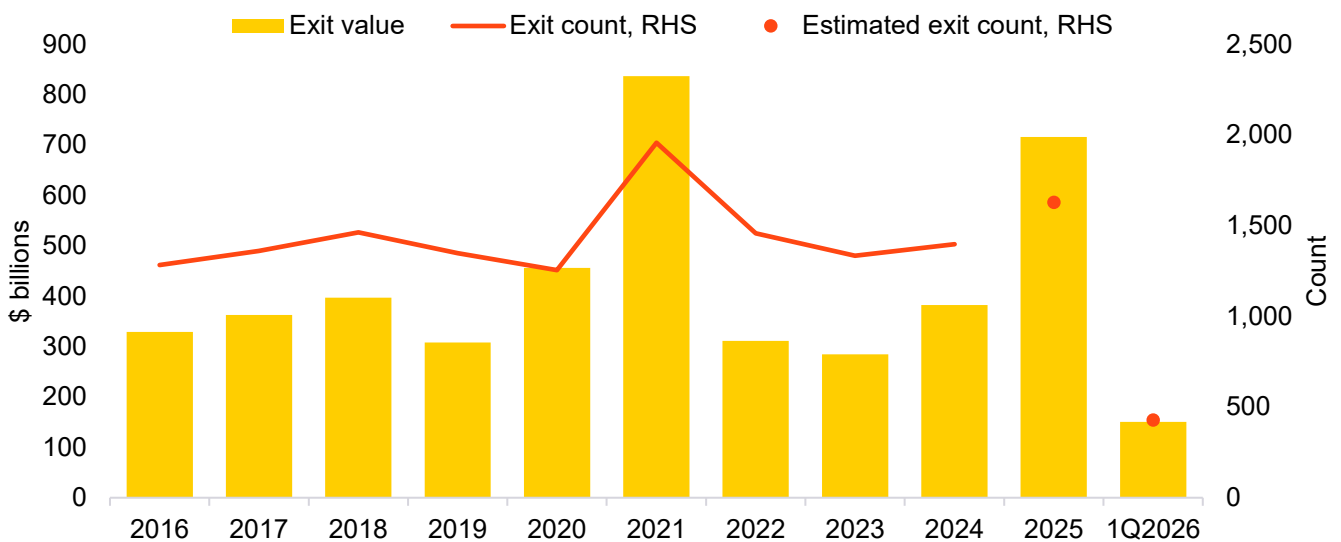
Further, private equity exit activity remains a critical factor to watch. For PE limited partners, distributions from exits are essential to fund new commitments, while for credit investors, exits often trigger refinancing, recapitalizations, or new transactions that generate financing demand. As such, a sustained recovery in exit activity is important not only for private equity, but also for credit markets.

Recent data suggests that a recovery is underway, albeit uneven across regions. In the U.S., exit activity strengthened in 2025, with deal count increasing an estimated 17% year-over-year, according to PitchBook LCD (Exhibit 7). In Europe, the improvement has been more modest, with exit counts rising an estimated 4% (Exhibit 8).

Importantly, we view exit count as somewhat more informative than exit volumes. This is because, in our view, a broader recovery in exit activity, beyond the largest and highest quality companies, will be a key input to a more complete normalization in private equity activity.

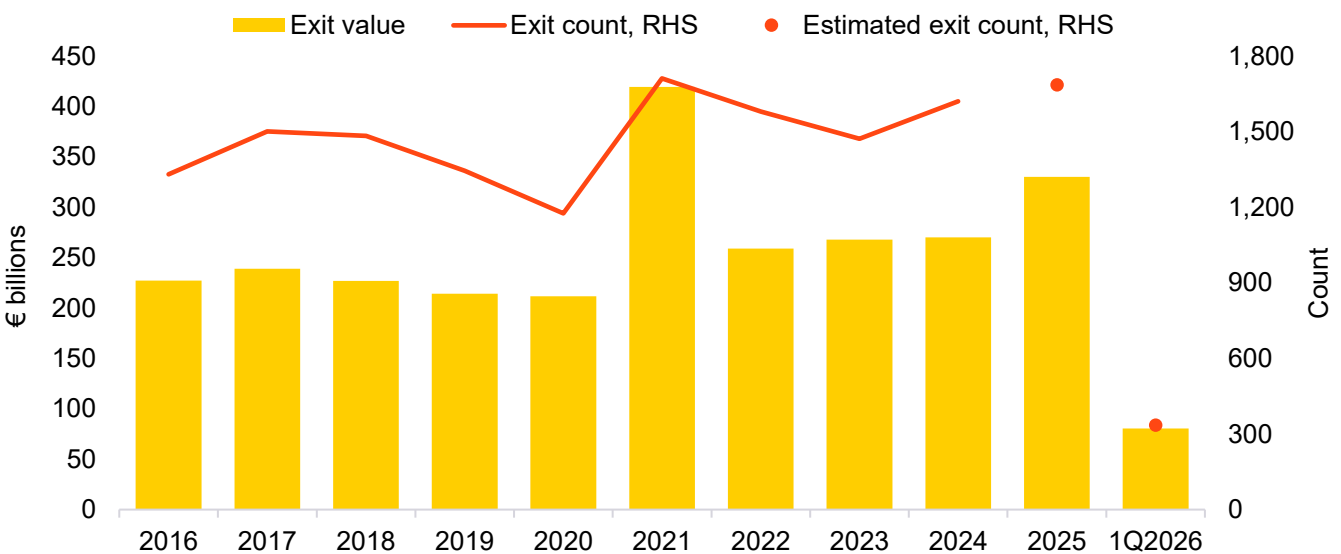
### Exhibit 7: We see scope for PE exit activity to expand further in the U.S....

Annual U.S. private equity exit activity, by exit value in \$ billions, and by exit count, RHS



### Exhibit 8: ...and in Europe

Annual Europe private equity exit activity, by exit value in € billions, and by exit count, RHS



For both charts: Source: Pitchbook LCD, BlackRock. As of March 31, 2026.

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## PE portfolios have aged

Relatedly, private equity portfolio ‘aging’ is becoming an increasingly important factor for both deal activity and credit markets. As portfolios get older, pressure to return capital to investors increases.

Data in both the U.S. and Europe reflects this trend. Median hold periods for portfolio companies have continued to rise, indicating that firms are holding assets longer than they have previously (Exhibit 9). In our view, this suggests there is a growing backlog of assets that will eventually need to be sold, which could support future deal activity as market conditions improve.

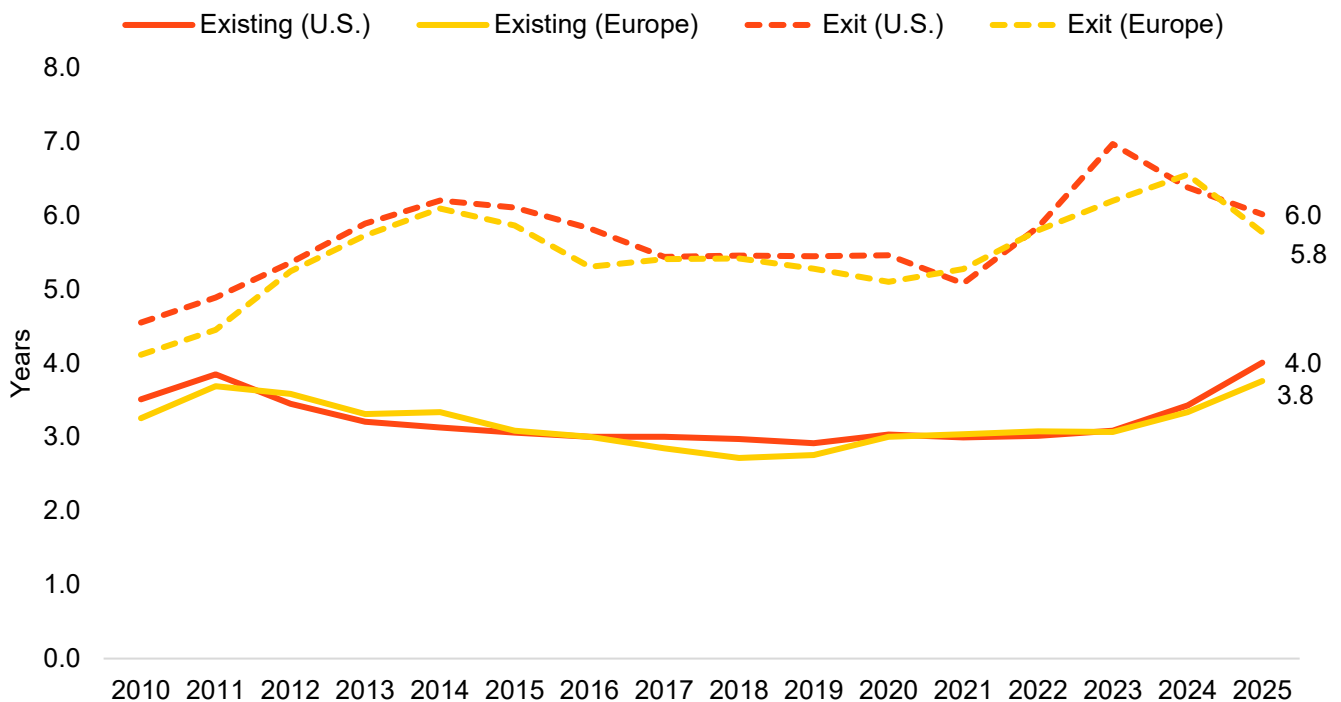
At the same time, hold periods on exited deals have started to come down from recent highs. While still elevated, this shift suggests that exits are beginning to pick up again, albeit gradually.

The composition of aggregate PE portfolio companies reinforces this dynamic. Approximately 31% of U.S. PE-backed company inventory has been held for seven years or more (Exhibit 1). This skew toward older assets suggests that a considerable portion of U.S. PE companies are nearing, or have already exceeded, their intended investment timeline. In practice, this creates pressure on sponsors to pursue exits, whether through sales, IPOs, or other liquidity options.

For credit investors, this matters because it points to a potential increase in transaction activity over time. As these older assets are brought to market, they are likely to drive both exit-related financing and new investment activity. While timing remains uncertain and dependent on broader market conditions, the combination of aging portfolios and early signs of improving exits suggests a growing pipeline of deals. This supports a constructive medium-term outlook for financing demand, even if activity remains uneven in the near term.

### Exhibit 9: Median exit hold times have come down, though existing hold times have increased

Median existing and exit hold times for U.S. and European PE companies, in years



Source: Pitchbook LCD, BlackRock. As of December 31, 2025.

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