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INSTITUTIONAL RESEARCH

The Q4 Imperative: Why the Fourth Quarter Shapes Investment and M&A Outcomes

How year-end deadlines, record dry powder and the exit backlog make Q4 2026 the quarter that decides deal outcomes, and what sellers, sponsors and buyers should do before December 31

KENINGFORD PARTNERS Research

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Executive Summary

Q4 is the quarter where the year's deal pipeline turns into closed transactions, realized exits and cash back to limited partners. It is also when next year's first-half deal flow gets decided. It is not always the biggest quarter for new deals. It is the quarter where timing costs the most.

The data backs this up. In Q4 2025, US PE exit value reached **$229.2 billion**, up 98.5% on Q3 and 103% on Q4 2024, the strongest quarterly exit value since Q2 2021 (PitchBook, 2025 Annual US PE Breakdown). In every year from 2009 to 2012, Q4 was the busiest US PE quarter by both deal count and capital invested (PitchBook, 2013 Annual Private Equity Breakdown).

Q4 2026 starts in a harder position. Three conditions define it:

- **Capital is waiting.** US sponsors hold more than $1.1 trillion of dry powder. Fundraising is weak at $159.6 billion year to date, and LPs need distributions. Sponsors have strong reasons to sell and to deploy.
- **Financing costs more.** On September 16 the Federal Reserve raised rates for the first time since 2023, to a 3.75%–4.00% target range. European mid-market unitranche spreads are about 50 bps wider than in January.
- **Strategic buyers are setting value.** Global M&A reached $1.3 trillion in Q2 2026, and deals of $5 billion or more made up about 42% of that value.

Three recommendations:

1. **Sellers:** close the deals that are already signed before December 31. Launch 2027 processes in October and November, so they reach the market on full-year 2026 numbers in January.
2. **Buyers and sponsors:** use the year-end deadline to win price or terms. Book quality-of-earnings (QoE) and legal capacity now, because diligence bandwidth is the real constraint in December.
3. **Capital raisers:** get lender and investor term sheets in place before the Thanksgiving slowdown. Treat the US midterm elections in November and the French presidential election in April–May 2027 as windows that narrow.

1. The Setup: One Calendar, Two Clocks

Every deal runs on two clocks at once. The first is the market: rates, multiples, credit spreads and sentiment. The second is the calendar: tax years, fund reporting dates, budget cycles and holidays. Most commentary covers only the first. This paper covers the second, because in Q4 the calendar often matters more.

The question for founders, sponsors and corporate buyers is simple: **what does Q4 change about when, how and at what price a deal gets done?** Our answer has three parts.

- **Q4 is a conversion quarter.** It turns signed deals into closings and closings into distributions. That is why exit value clusters at year-end.
- **Q4 is a positioning quarter.** Processes prepared in October and November come to market in January with full-year numbers.

- **Q4 carries more execution risk.** Diligence providers, lenders and regulators all have less capacity in December, so deals that slip roll into Q1 on weaker terms.

We use PitchBook research and news data from 2012 to September 2026, plus LCD credit-market coverage. The analysis focuses on the US, with notes on Europe where timing differs.

2. The Data: Q4's Footprint in Deals and Exits

Q4's clearest effect shows up in **exits**, not new deals. In 2025, US PE deal value fell 14.1% from Q3 to Q4, to $292.1 billion. Over the same period, exit value almost doubled, to the highest level of any quarter since Q2 2021.

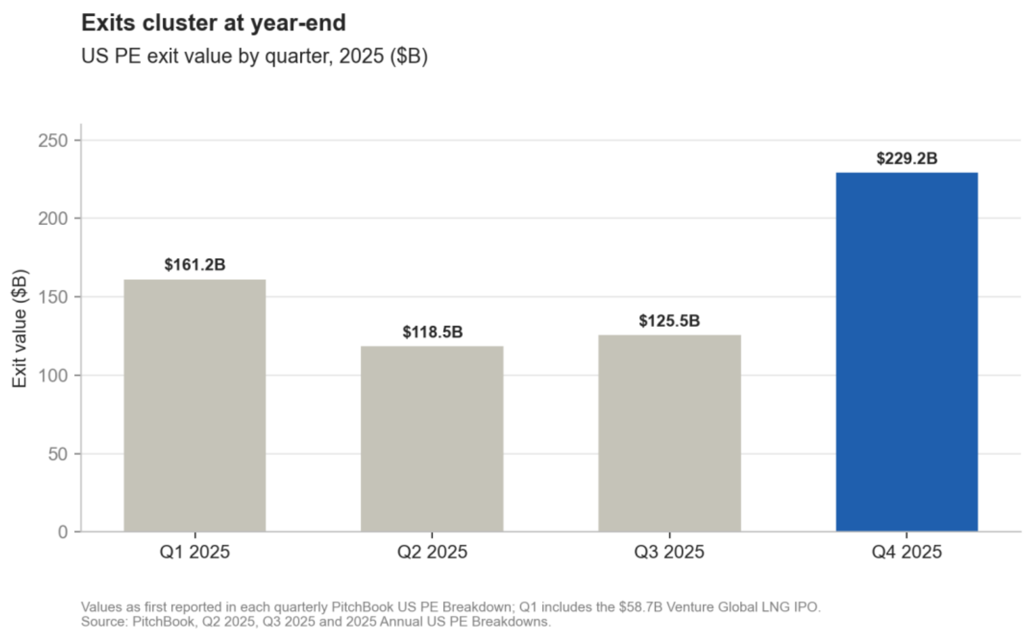

Figure 1. Source: PitchBook, Q2 2025, Q3 2025 and 2025 Annual US PE Breakdowns. Quarterly values as first reported; PitchBook later revised Q3 2025 to $115.5 billion, against which Q4 rose 98.5%.

All three exit routes grew in Q4 2025. Sponsor-to-sponsor sales grew fastest, up 202.6% from Q4 2024. Exit *count* fell 7.7% from Q3, which means the rise came from larger assets reaching the finish line before year-end.

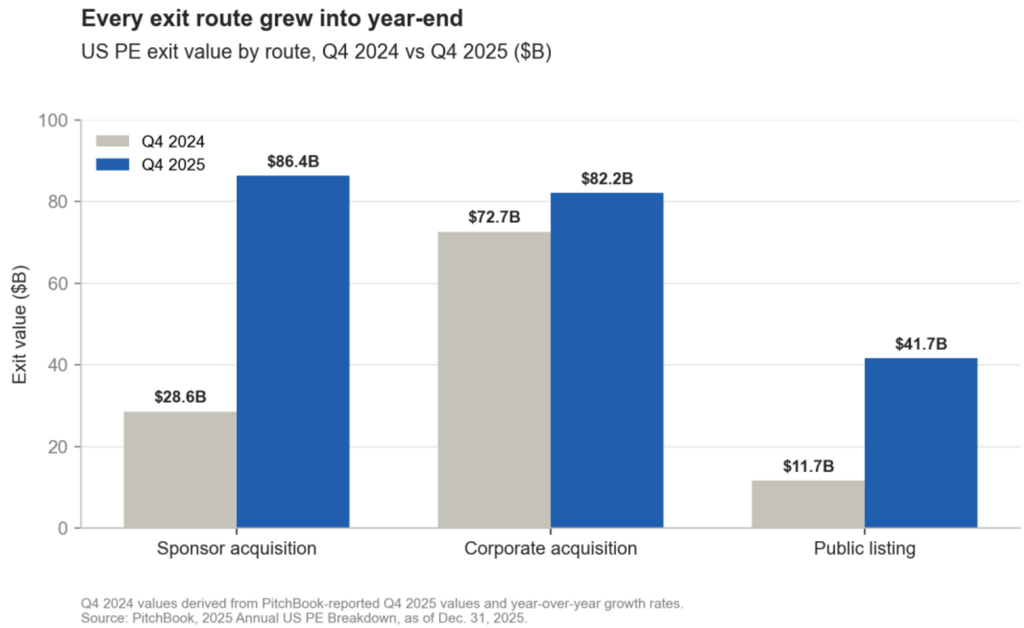

Figure 2. Source: PitchBook, 2025 Annual US PE Breakdown, as of Dec. 31, 2025. Q4 2024 values are derived from reported Q4 2025 values and year-over-year growth rates.

Q4 is not equally strong in every sector. In 2024, materials and resources M&A value in Q4 was more than twice its Q1–Q3 average, with 16 deals over $1 billion. Healthcare went the other way, as buyers held deals for the J.P. Morgan Healthcare Conference in January.

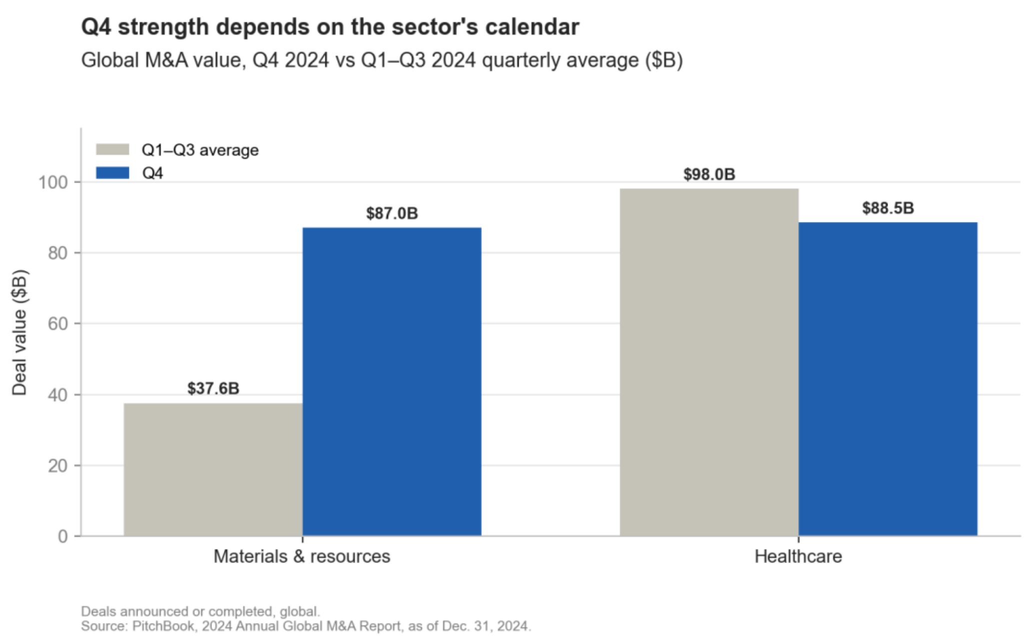

Figure 3. Source: PitchBook, 2024 Annual Global M&A Report, as of Dec. 31, 2024.

Other sectors and years show the same year-end concentration:

Sector and year	What happened in Q4	Source
Enterprise SaaS, 2025	$83.7B global M&A value, up 23.9% on Q3; third-highest quarter on record; 17 deals over $1B	PitchBook, Q4 2025 Enterprise SaaS M&A Review
Financial services, 2024	Highest quarterly deal count ever recorded for the sector	PitchBook, 2024 Annual Global M&A Report
All US PE, 2012	Deal volume up 119% from November to December; 19 deals over $1B; $102B invested	PitchBook, 2Q 2013 PE Breakdown

The pattern: sectors dominated by large corporate buyers and public-company targets, such as materials and software, tend to peak in Q4. Healthcare usually slows, because the industry's calendar centres on the January conference cycle.

3. Why Q4: Eight Structural Drivers

Eight kinds of calendar pressure meet on December 31, and together they create the Q4 effect. Some are hard deadlines, like tax years. Others are incentives, like fund marks and bonuses. Where a driver comes from our deal experience rather than a dataset, the table says so.

Driver	How it pulls deals into Q4	Status for Q4 2026
Tax year-end	Sellers close in the tax year with the known rate. This drove 2012 (19 $1B+ deals in Q4) and the 2020–21 rush ahead of proposed capital-gains increases	We are not aware of a federal rate change scheduled for Jan. 1, 2027. Installment-sale and QSBS timing still depends on the date; confirm with tax counsel
Dry powder and investment periods	Uninvested capital gets closer to its deadline, and GPs want to show deployment before the annual LP meeting	More than $1.1T of US PE dry powder; $527.7B in middle-market funds
LP distributions (DPI)	Exits closed by December show up in annual DPI, which LPs use to decide re-ups	Fundraising $159.6B YTD; funds under $1B drew 16.7% of commitments. Sponsors need exits to raise their next fund
Year-end marks and audits	Realized exits replace estimated marks. Buyers prefer a clean closing balance sheet at a fiscal year-end	Practitioner observation; applies every year
Corporate budgets and boards	Q4 strategy sessions sign off next year's M&A budget; unspent deal budgets are used or lost	Strategic buyers drove about 42% of Q2 2026 global M&A value through $5B+ deals
Adviser and lender incentives	League tables, bonuses and loan-origination targets all reset on December 31	Practitioner observation; applies every year
Diligence capacity	QoE, legal and tax teams are fully booked by December. In 2021, QoE availability was a “gating factor” (PitchBook, Q3 2021 US PE Breakdown)	Expect the same constraint for deals signed after mid-November
Political calendar	Elections create natural pauses in activity	US midterms in November 2026; French financings pulled forward ahead of the April–May 2027 election (LCD)

These drivers push in one direction: **toward closing before year-end**. When they line up with a tax deadline, as in 2012 and 2021, Q4 becomes an outlier. When no tax deadline exists, as in 2026, the effect shows up mostly in exits and add-ons instead of new platform buyouts.

4. Q4 2026: The Market Walking In

Q4 2026 starts with a lot of capital, expensive debt and a clear split in the market. Large strategic deals and lower-middle-market non-software deals are getting done. Leveraged platform buyouts, especially in software, are not.

Indicator	Latest reading	Source
Global M&A value	$1.3T in Q2 2026: down 18.4% from Q1 ($1.6T), up 35.3% from Q2 2025	PitchBook, Q2 2026 Global M&A Report
Global M&A count	11,880 deals in Q2 2026: down 2.4% from Q1, up 3.4% from Q2 2025	PitchBook, Q2 2026 Global M&A Report
Megadeal concentration	34 deals of $5B+ accounted for $553B, about 42% of Q2 value	PitchBook, Q2 2026 Global M&A Report
Fed funds rate	3.75%–4.00% after the Sept. 16 hike, the first since 2023; one more hike signalled for 2026	PitchBook News, Sept. 16, 2026
US PE fundraising	$159.6B YTD across 223 funds, in line with a weak 2025	PitchBook, Q2 2026 US PE Breakdown
Lender takeovers	$22B YTD in 2026, close to the $24B total for all of 2025	PitchBook News (Lincoln International data)
European mid-market unitranche	Spreads about 50 bps wider than in January; bilateral processes preferred to auctions	LCD, Sept. 18, 2026

Sponsors are still closing deals, but they are choosing smaller ones. Add-ons reached 74.7% of buyouts through May, the highest share since 2023, as platform LBOs and software lost share.

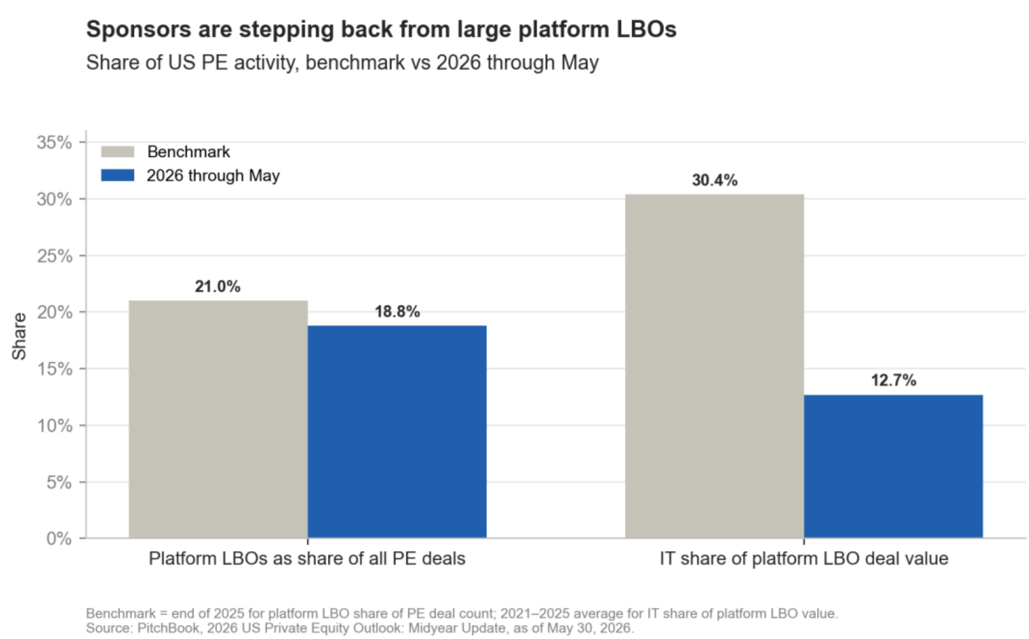

Figure 4. Source: PitchBook, 2026 US Private Equity Outlook: Midyear Update, as of May 30, 2026.

Three points matter most for Q4:

1. **The pipeline is there but has not launched yet.** Managers called August the busiest on record. Even so, sponsors are waiting for summer trading figures before starting processes, which pushes decisions into October and November. Bankers expected loan calendars to fill from late September (LCD, European Leveraged Finance Calendar).
2. **Exits are what everyone is waiting on.** PitchBook describes liquidity as "the through-line into the second half." Until distributions pick up, both fundraising and new deployment will stay under pressure. That makes sponsors motivated sellers of good assets this quarter.
3. **The lower middle market is the active segment.** In Q3, investors put money into industrials and non-software businesses to reduce their technology exposure. LBO spreads tightened as lenders competed for non-software deals (LCD, Q3 US Private Credit Wrap).

5. Implications by Seat

The same deadline helps some participants and hurts others. It helps whoever needs the deal least. The table sets out what Q4 2026 means for each seat.

Seat	Where Q4 gives leverage	Where Q4 creates risk	Main move
Founder or family seller	Buyers with dry powder and expiring budgets want to close	Rushed diligence leads to price cuts and bigger escrows or holdbacks	Sign by mid-November, or prepare a January launch on full-year numbers
PE sponsor (seller)	Strategic buyers pay for scale; a closed exit counts toward DPI	Selling a good asset cheaply because of fundraising pressure	Run a bilateral process with 2–3 strategic buyers instead of a full auction
PE sponsor (buyer)	Sellers who need a year-end close concede price or terms	Financing is dearer after the hike; software risk is hard to underwrite	Lead with add-ons and use existing credit facilities
Strategic acquirer	Well-funded balance-sheet buyer against debt-financed sponsors	Board and antitrust timing can leave deals unclosed at year-end	Get board approval in Q4 and sign before the January budget reset
Lender or private credit fund	Origination targets; competition for non-software deals	Weaker borrowers, lender takeovers, a maturity wall ahead	Price for risk and use amend-and-extend on existing loans
Growth company raising capital	Investors want to deploy before their annual meetings	Price-setting slows from Thanksgiving through January	Have term sheets agreed by mid-November
LP	Year-end distributions show up in re-up decisions	Pressure to allocate to fewer, larger managers	Ask GPs for their Q4 exit pipeline before re-upping

For the **lower middle market ($10 million–$300 million enterprise value)**, the implication is positive. Middle-market funds hold 52.9% of US PE dry powder. They write $75 million–$150 million equity cheques into a far larger set of targets than mega-funds can. Lenders are also competing hardest for non-software assets in this segment (PitchBook, Q2 2026 US PE Middle Market Report).

6. Risk Considerations and Counterargument

Our thesis has limits. A Q4 deadline is useful only if the deal can actually close by then. The strongest objections, and our responses, follow.

“The Q4 bump just pulls deals forward from Q1.” This is partly true. After the 2012 rush, deal flow in February and March 2013 was thin, and Q4 2012 and Q1 2013 averaged out to normal levels (PitchBook, 2Q 2013 PE Breakdown). For a single seller, what matters is closing on better terms, not the market average. It also means a January launch will face less competition.

“There is no tax cliff in 2026, so the effect goes away.” Without a tax deadline, the effect is smaller in new deals. But exits, DPI, fund marks and corporate budgets all still reset on December 31. Q4 2025 had no tax cliff either, and exit value still nearly doubled.

Slippage risk. If a deal misses December 31, the seller gets a stale set of numbers, a new audit year and a reopened price discussion. Our rule: if a signing after November 15 is not fully diligenced, plan for a Q1 close.

Macro shock. One more rate hike, a worse energy-driven inflation reading or an escalation of the Iran conflict could close the window. PitchBook's downside case is that deal flow stays subdued through 2026 if the Fed turns more hawkish and the software reset deepens (PitchBook, Q2 2026 US PE Breakdown).

Sector exceptions. Healthcare usually slows in Q4 ahead of the J.P. Morgan conference. Software assets need to be “pristine” on AI risk to attract bids. For those assets, launching in Q1 is often the better choice.

Private credit stress. Lender takeovers are close to record levels. A seller relying on a buyer's private credit commitment should check how firm it is before agreeing to exclusivity.

7. Case Studies

The last four strong Q4s each had a different trigger, and each left a different effect in the following year.

Year	Trigger	What happened in Q4	What followed
2025	Fed's third rate cut; recovery after the tariff shock	US PE exit value of $229.2B, the best quarter since Q2 2021. IBM–Confluent ($11B) and Permira/Warburg Pincus–Clearwater ($8.4B) announced in December	Strong start to 2026: Q1 global M&A reached $1.6T
2024	Clarity after the election; public-market targets	Materials Q4 value of $87B, more than twice the Q1–Q3 average. ADNOC–Covestro ($16.3B) was the sector's largest deal of the year	The expected 2025 surge stalled: a weak start, a pause after the April tariffs, then a strong H2
2021	Proposed capital-gains increase; cheap debt	More than $1T of annual US PE deal value. Pipelines full through year-end; QoE capacity was the limit	The tax increase was dropped. Activity slowed in H1 2022 as pipelines emptied
2012	Expected tax increases from Jan. 1, 2013	19 deals over $1B; volume up 119% from November to December	Bottleneck in January, then a thin February and March

The lesson: a Q4 driven by tax deadlines (2012, 2021) borrows deals from the next year. A Q4 driven by market conditions (2024, 2025) builds momentum into the next year. Q4 2026 has no tax deadline, so if it is strong, it will be because of liquidity pressure.

8. The Q4 Playbook

Q4 2026 has two jobs: close what is ready by December 31, and set up what is not ready for a January launch.

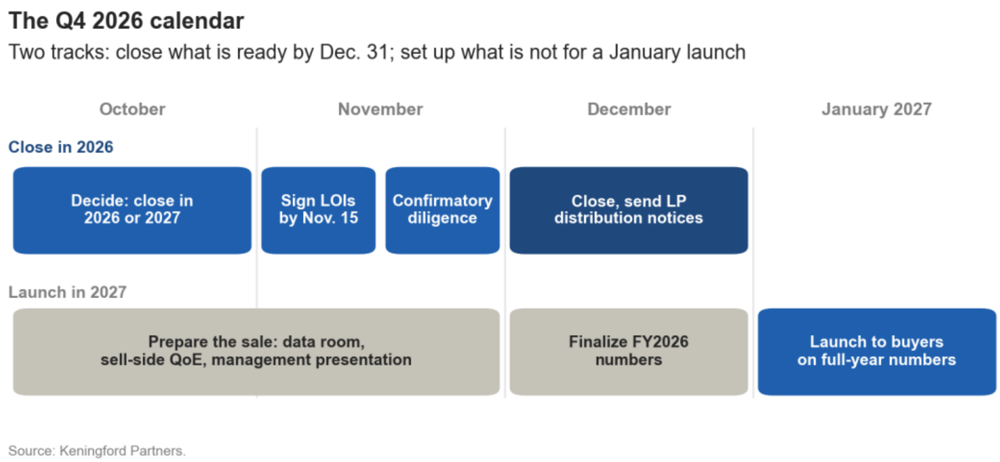

Figure 5. Source: Keningford Partners.

Action checklist

- **By October 15:** decide for each live deal whether it closes in 2026 or 2027. Do not leave it undecided.
- **By October 31:** book QoE, legal and tax teams through December, and get lenders' credit committee dates.
- **By November 15:** sign LOIs for every deal meant to close in 2026. After that date, assume a Q1 close.
- **By November 30:** for 2027 sell-side processes, finish the data room, sell-side QoE scope and management presentation. Wait for full-year 2026 numbers before launching.
- **December:** close, and send LP distribution notices. Use the quiet weeks to prepare buyer outreach for January.

9. Forward Look: 12-Month Outlook

Our base case is that Q4 2026 is an exit-led quarter rather than a new-platform quarter, and that the January 2027 launch window is unusually busy.

Period	Expectation	Key signal to watch
Q4 2026	Exits firm up; strategic deals and add-ons lead; platform LBOs stay below 20% of PE deals	Whether the Fed raises again in December
Q1 2027	Busy launch window for processes prepared in Q4; fewer processes on hold after the midterms	Spreads on middle-market loans
Q2 2027	European activity slows around the French election; US platform LBOs start to recover if rates stabilise	The IT share of LBO value moving back toward 30%

Period	Expectation	Key signal to watch
H2 2027	Fundraising starts to recover, in line with PitchBook's "2027 at the earliest" view	Whether distributions exceed capital calls

This outlook is Keningford Partners' own view, built on the PitchBook data cited throughout. It is not a PitchBook forecast.

Conclusion

Q4 matters because it is when deals close, not only when they are agreed. Over the past 14 years, it has been where exits, distributions and budgets come together. In Q4 2025, that produced the strongest exit quarter since 2021.

Q4 2026 has no tax deadline, and financing is more expensive. It does have $1.1 trillion of dry powder, LPs who need distributions, and strategic buyers willing to pay for scale. Participants who separate what can close by December 31 from what should launch in January will get the most from both periods. Those who drift into December without deciding will lose leverage in both.

Keningford Partners is an independent boutique investment bank advising growth-stage and middle-market companies on sell-side and buy-side M&A, capital raising and debt advisory. For a discussion of how Q4 timing applies to a specific transaction, contact the Keningford Partners team.

Frequently Asked Questions

I am a founder thinking about selling. Should I rush to close in 2026?

Only if you already have a signed LOI and diligence is well under way. Otherwise, use Q4 to prepare and launch in January on full-year 2026 numbers. Buyers pay more for a complete year than for a rushed process.

Is there a tax reason to close before December 31, 2026?

We are not aware of a federal capital-gains rate change scheduled for January 1, 2027. Installment-sale timing, QSBS holding periods and state residency can still make the date matter for your situation. Confirm this with your tax adviser before signing.

Are buyers really more motivated in Q4?

Yes, in specific ways. Sponsors need exits for DPI and want to show deployment before annual LP meetings. Corporates want to use approved budgets. That motivation shows up in speed and certainty more often than in headline price.

Does the September rate hike close the window?

Not by itself. PitchBook calls it "directionally negative" for exits but unlikely to do major damage on its own. The bigger risk is further hikes. Deals with less leverage, such as add-ons and strategic acquisitions, are the least exposed.

What about software companies?

Launching in Q4 is harder. IT's share of platform LBO value has fallen to 12.7% from a 30.4% average. Unless the business has a clear answer on AI risk, prepare that case in Q4 and launch in 2027.

When is it too late to close this year?

If confirmatory diligence has not started by mid-November, plan for a Q1 close and tell the counterparty early.

What is Keningford Partners?

Keningford Partners is an independent boutique investment bank advising growth-stage and middle-market companies on M&A, capital raising and debt advisory.

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