Private Equity: Value Creation in a New Market Cycle

Liquidity, longer holds and the reinvention of the private equity playbook

Frog Capital

The end of the leverage era

- Fifteen years of cheap debt, rising multiples and a queue of strategic and PE buyers
- Cost and cash discipline on a decent asset usually generated a good return
- Higher rates and lower debt risk appetite have removed leverage as the main engine of returns
- The job now: build quality businesses with long-term, sustainable, profitable growth

Annual EV growth needed

<10%

for a 2x return

17%

for a 3x return

50% debt, one fifth repaid, four-year hold, before fees

Illustrative calculation, not a sourced figure

2026: a tougher environment

70%
fall in tech deal value, Q4 2025 to Q1 2026

~7 yrs
implied holding periods

33,000
unsold portfolio companies

- Three shocks: AI-driven software rout, private credit stress, Iran energy spike
- Four years of record-low distributions as a share of NAV
- LPs increasingly judge funds on DPI, not IRR
- Expensive deals plus longer holds: financial engineering alone is not enough

Source: Bain & Company, 2026 Private Equity Midyear Report (press release, 8 June 2026)

The liquidity toolkit

$226bn

secondaries volume in 2025, up 41%

~1 in 5

PE sales in 2025 via continuation vehicles

- Secondaries, continuation vehicles and NAV lending are now enduring features, not stopgaps
- Co-investment lets LPs concentrate capital and gives GPs firepower without a full fundraise
- But a continuation vehicle is a liquidity solution, not a value creation strategy
- Used well: more time for the right asset. Used badly: a deferred mark and a reset fee clock

Sources: InvestmentNews (Jun 2026); Asante Q1 2026 Market Pulse; McKinsey Global Private Markets Report 2026

Frog's Scale-Up Methodology

1 Execution

The here and now

- Customer acquisition
- Delivery
- Applied analysis

2 Planning

Monthly, quarterly, annual

- Strategy
- Talent
- Organisation

3 Sustainability

The long term

- Purpose
- Resilience
- Value

Value creation is an outcome of building a successful business, not a target in its own right.

Source: frogcapital.com/scale-up-methodology

Operating partners in action

Clue Software

Investigation and intelligence software

- 60% ARR growth in 2023
- £4m follow-on led by Frog
- Interim CTO, reporting, venture debt
- C-suite development and hires

Evotix

EHS software

- £6m to £20m+ ARR, profitable
- New CTO and CFO hires
- Debt funding and StoryShare deal
- Acquired by SAI360, May 2023

Azimo

Digital money transfer

- COO-to-CEO succession
- Founder to executive chair
- Funding and syndicate support
- Acquired by Papaya Global, 2022

Common factor: industry expertise that has been there and done it, extending executive capacity

Sources: Frog Capital news pages; SAI360 (May 2023); Papaya Global (Mar 2022)

A less forgiving, more honest cycle

- More meritocratic: returns go to companies that execute best, not to the debt markets
- Managers who prove, with evidence, that they make companies better will raise and return capital
- Longer holds will expose those who cannot

Private equity used to be about buying well.
In this cycle, it is about building well.