



How leading PE firms build origination advantage in a tougher market

kpmg.com

AI generated image

Introduction

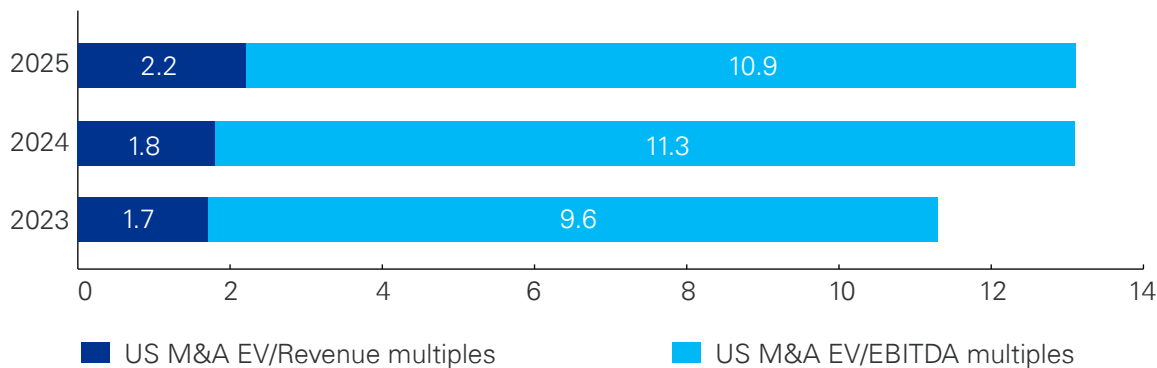
In today's deal market, many private equity (PE) firms appear to be chasing the same targets. This is because quality assets are scarce, and many PE firms rely on investment bankers as a primary source of deal flow. However, this conventional approach gives one firm little advantage over others, making it necessary to take additional steps to further differentiate from the competition.

To help PE dealmakers achieve success in today's environment, KPMG LLP has identified additional tactics that leading firms are using to successfully originate and execute on winning more deals. With the unique market conditions of recent years in mind—where more capital is chasing after fewer good assets—as well as the expanding potential of artificial intelligence (AI) tools, we spell out concrete actions PE firms can take to secure more winning deals. Our chief recommendation based on market interactions and hands-on experience is simple: Clarify your target subsectors, investment criteria, and value-creation priorities—before the next opportunity arises. That clarity matters because when access is widely shared, advantage comes from preparation and conviction, not just participation.

A more challenging deal market

The deal landscape has become increasingly competitive. At the end of 2025, PE firms globally were sitting on a record \$1.7 trillion in dry powder,¹ which is driving competition and big multiples for high-quality assets. KPMG research shows that EV/EBITDA multiples for PE deals in the US jumped from 9.6x in 2023 to 11.3x in 2024 before falling slightly to 10.9x in 2025 (Exhibit 1).

Exhibit 1. Rising valuations reflect stronger demand for high-quality assets



Source: Annual US PE breakdown report, Pitchbook; other secondary sources; all accessed in March 2026.

This makes the traditional, reactive approach to deal sourcing inadequate. Most deal flow still comes through investment bankers running a formal sales process, which means nearly all buyers see the same assets at the same time. While bankers will continue to play a central origination role, leading firms are increasingly building deep knowledge and a clear investment strategy before a Confidential Information Memorandum (CIM) arrives. In a hypercompetitive environment, these firms know that to get ahead of rivals, they need to be better informed on early industry and market trends, more prepared for deal execution with stronger conviction, and faster to strike when an attractive asset becomes available.



As a buyer, if you rely solely on bankers, you're blinded from the vast sea of opportunities, only seeing what is marketed to you. It's like embarking on a voyage with an imperfect map when you need to scan the entire horizon.

— **Nam Luu**

KPMG LLP Managing Director,
Private Equity Value Creation



¹ "Pulse of private equity Q4'25," KPMG LLP, January 2026.

The importance of proactive deal intelligence

Winning in today's market is no longer about just seeing the most deals but to become deeply knowledgeable about an industry vertical long before an asset comes up for sale. It is about being the most insightful and best-prepared buyer with a high degree of conviction for the right deals. Many generalist funds, however, have difficulty winning the most coveted assets as they are competing against strategic buyers or specialized PE firms with industry expertise and experience.

To supplement the banker-led processes and identify trends early, leading firms are proactively building intelligence on specific industry niches and subsectors—for example, not just “technology” but “SaaS for construction project management” or “data center cooling services.” They know that specialized industry knowledge will heighten their awareness of what attractive assets

might become available for sale and allow a faster, more confident formulation of an investment strategy. Thus, they are actively seeking out industry experts and consultants. Many are subscribing to niche trade publications, attending specific industry conferences, networking with senior bankers, and following business influencers on social platforms. They also track key players in the market, executive teams, board changes, and other significant events. Based on the gathered proprietary intelligence, these firms can build a robust deal thesis to evaluate opportunities for future growth and consolidation potential. If the analysis is convincing, they can then move faster to signal buying intentions to sellers and bankers. In this way, deep specialization leads to a competitive advantage. When an asset in a target niche hits the deal market, the PE firm that has done the homework can get ahead of those who are just starting their research.



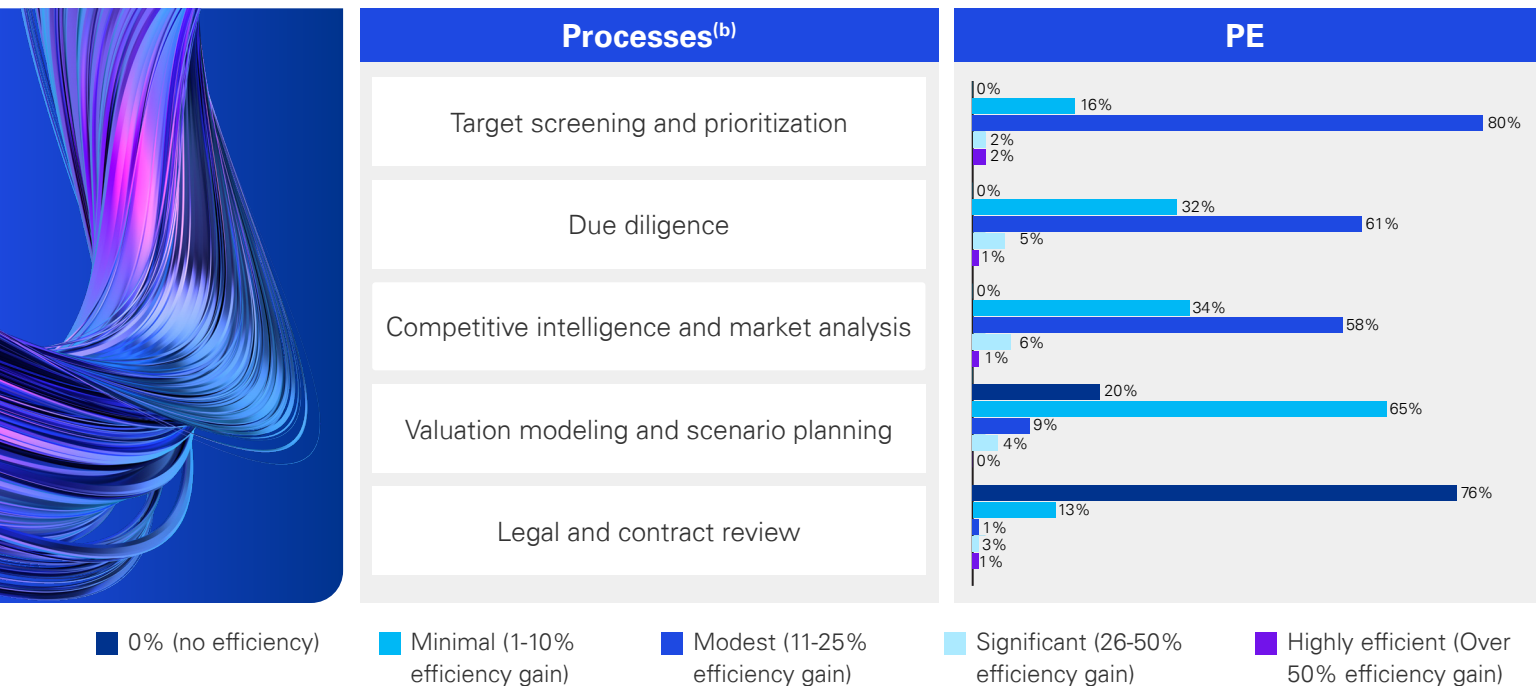
Tapping the power of AI

Although everyone is talking about AI, many PE firms are assessing how to tap its full potential. Few are using it to source hidden-gem deals. AI is excellent at analyzing vast amounts of information that is already in the public domain. But its effectiveness depends, for one, entirely on the underlying data, which may be flimsy or stale—a critical, practical barrier to adoption that many firms are struggling with.

While today’s AI cannot replace human efforts and judgment, it can augment and accelerate the traditional deal processes and decision-making. As an enabling tool, leading firms are finding a number of practical AI applications. Many are using it to rapidly screen CIMs

and other materials, identifying key financial data and potential risks to make faster “go/no-go” decisions. In the KPMG 2026 Deal Market Study,² 80 percent of PE firms realized 25 percent efficiency gains in target screening and prioritization by deploying AI (Exhibit 2). For example, sponsor firms are using AI to cross-analyze company and banker marketing materials against their own data to identify high-priority companies. They can then arrive at banker meetings with a data-driven agenda and ask more relevant questions, making the sessions more productive. In addition, sponsor firms are using AI tools to supplement traditional investment committee analysis—testing in market targets against predefined criteria earlier and more systematically to assess strategic and financial fit.

Exhibit 2. Efficiency gains from using GenAI to offset manual effort in M&A processes ^(a)



Note(s): (a) Sum of percentages may not add up to 100 due to rounding; (b) “Other (Please specify)/NA” is not represented due to low responses

Note: Efficiency gains are self-reported by PE firm respondents (N = 150). Respondents were asked to estimate the percentage improvement in manual effort achieved by using GenAI in each M&A process. For target screening and prioritization, 80% of PE firms reported modest efficiency gains (11% to 25% improvement), meaning they experienced up to a quarter greater efficiency after deploying AI tools. Results reflect respondent estimates, not independently validated measures.

Source: “KPMG 2025 Year-end M&A Study,” KPMG, December 2025.

In addition, many PE firms use Grata and/or SourceScrub subscriptions or other platforms with AI-enhanced capabilities to search for privately owned targets with specific criteria. For example, they may target companies in certain defined subsectors with employee bases that have grown from 500 to 2,000 and have raised over \$75 million in capital. In some cases, sponsors are creating their own AI agents for even more highly specific search terms that are specifically tailored to fit with a sponsor's investment criteria and thesis.

By handling high-level data analysis, AI can free up the deal team to focus on more strategic aspects of due diligence, such as vetting the management team, competitive landscape, and growth projections. PE firms may still be in the exploratory phase of AI deployment in the deal process, but clearly many promising pathways will continue to open up before them in the coming years.

“ Most firms are still experimenting, but the direction seems clear: Narrow, purpose-built AI ‘agents’ can accelerate screening and prioritization in a sponsor’s sourcing function. Pairing that speed and efficiency with strong human judgment and a disciplined thesis will likely be required to improve chances of success going forward.

— **Rich Prestegaard**
KPMG LLP Managing Director,
Private Equity, Corporate Finance



Conclusion

To win in today's crowded market, PE firms must go beyond traditional banker-led deal sourcing. The clear trend among leading investors is a parallel pursuit of a proactive origination strategy that enables deep specialization in niche sectors to build proprietary knowledge long before a target is for sale. Also, when deal teams embrace AI as a powerful tool, it can sharpen their human expertise. Together, these efforts will empower firms to act with speed and conviction to secure the most sought-after deals.

How KPMG can help

KPMG supports clients across the deal lifecycle, from early thesis formation to postclose value creation. Our teams draw on deep sector and market experience to help PE firms sharpen market intelligence, accelerate decision-making, and build origination strategies.



Authors



Nam Luu

Advisory Managing Director
Private Equity, Performance Transformation
KPMG LLP
nhluu@kpmg.com

Nam is part of the KPMG Private Equity Value Creation team. With more than 20 years of experience in performance improvement and deal lifecycle, he has advised PE teams from pre-sign to sign-to-close to postclose value realization. He has also served as an executive at a PE PortCo.

The author would like to thank **Chrisanne Corbett** and **Rich Prestegaard** for their contributions to this publication.

For more information, contact us:



Nam Luu

Advisory Managing Director
Private Equity, Performance
Transformation
KPMG LLP
nhluu@kpmg.com



Chrisanne Corbett

Managing Director
Co-Head of M&A,
Head of Industrials
KPMG Corporate Finance LLC
ccorbett@kpmg.com



Rich Prestegaard

Managing Director
Head of US Sponsor Coverage
KPMG Corporate Finance LLC
rprestegaard@kpmg.com

Related thought leadership:



KPMG Pulse of Private Equity
— U.S. and global insights



Optimizing private equity exits and
enhancing business performance

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Please visit us:



[kpmg.com](https://www.kpmg.com)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2026 KPMG LLP, a Delaware limited liability partnership and its subsidiaries, are part of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

DASD-2026-20183