WINDSOR DRAKE

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The Dry Powder Report

Windsor Drake is a sell-side M&A advisory firm focused on software, financial technology, artificial intelligence, cybersecurity, and other technology-enabled businesses in the lower middle market. The firm publishes research on transaction activity, deal structure, and valuation for founders, boards, and investors.

About this report

This report examines the record stock of uninvested private equity capital, the dry powder, and what it means for founders selling technology companies. It sizes the overhang, explains why it is aging and creating deployment pressure, sets it against the large backlog of companies sponsors need to exit, and analyzes the two-sided squeeze that results. It introduces the Windsor Drake Buyer Demand framework and assesses where, and for whom, the wall of money translates into real seller leverage.

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OVERVIEW

The wall of money, and what it wants

Private equity is sitting on the largest stockpile of uninvested capital in its history, roughly $3.7 trillion, and that capital has to be deployed. For a founder selling a technology company, this wall of money is the single biggest force in the buyer market, but its effect on a founder's leverage is more nuanced than the headline suggests.

The overhang is real and record-breaking. Global private equity dry powder stands near $3.7 trillion, roughly double its level in 2019, and including all private capital strategies the figure approaches $3.9 trillion.[1] This capital was raised on the promise of being invested, and it carries fund timelines that force deployment, so sponsors are under sustained pressure to do deals. On its own, that pressure tilts the market toward sellers: more capital chasing assets means more competition for good companies and stronger bids.[2]

But the picture has a second half that founders miss. The same sponsors sitting on dry powder they must deploy are also sitting on a vast backlog of companies they must sell, tens of thousands of aging portfolio holdings whose investors are waiting for returns.[3] Sponsors are squeezed from both sides at once: pressed to buy before their capital expires, and pressed to sell before their holdings age out. This report sizes both pressures, analyzes the two-sided squeeze they create, and assesses where the wall of money actually translates into leverage for a founder, and where it does not.

Sponsors are squeezed from both sides at once: pressed to deploy capital before it expires, and pressed to exit holdings before they age out.

The conclusion, developed through the report, is that the overhang gives real leverage to sellers of genuinely good assets, the companies sponsors most want to buy, while the same deployment pressure makes sponsors disciplined on price and hungry to sell their own portfolios. The wall of money is a powerful tailwind for a prepared seller of a quality company, and far less so for a marginal one. Understanding the two-sided squeeze is how a founder reads the demand correctly and times a sale into the strength of it.

THE MARKET IN BRIEF

The capital overhang in numbers

$3.7T Global private equity dry powder, a record, roughly double the 2019 level.[1]	**$1.2T** Buyout dry powder specifically, as of mid-2025.[2]	**24%** Share of buyout dry powder held four years or longer, up from 20% in 2022.[2]
32,000 Unsold portfolio companies in the exit backlog, worth roughly $3.8 trillion.[3]	**~7yr** Average holding period for assets at exit, as the backlog ages.[3]	**$3.9T** Dry powder across all private capital strategies combined.[1]

Windsor Drake view: the two numbers to hold together are the $3.7 trillion to deploy and the $3.8 trillion to exit. Sponsors must buy and sell at once, and that double pressure, not the dry powder alone, is what shapes the market a founder is selling into.

01 · THE SUPPLY OF CAPITAL

The wall of money

Dry powder is committed capital that has been raised but not yet invested. Its sheer scale, near a record $3.7 trillion, makes it the dominant force in the buyer market, and its structure explains why it must be put to work.

The figure has roughly doubled since 2019, reaching about $3.7 trillion for private equity and approaching $3.9 trillion across all private capital strategies.[1] This is not idle money. Limited partners committed it to funds on the expectation that it would be invested in companies, and the funds that hold it operate on defined timelines, typically with an investment period of a few years during which the capital must be deployed. Capital not invested by the end of that period may have to be returned, an outcome general partners strongly prefer to avoid, both because it forgoes fees and because it signals an inability to find deals. The structure of the funds, in other words, converts the existence of dry powder into a standing pressure to spend it.[2]

How much is aimed at the lower middle market

Not all of the overhang competes for any one company, and the slice that matters to a lower-middle-market founder is the capital raised by funds that buy at their scale. That slice is substantial and growing: a large share of dry powder sits in middle-market and growth funds whose mandates target exactly the kind of company a founder is selling, and deployment pressure in the middle market is already reshaping deal terms as those funds compete to put capital to work.[2] A founder should think not about the headline trillions but about the depth of the pool aimed at companies of their size and type, which for quality lower-middle-market technology companies is deep and motivated. The relevant overhang is large enough to create real competition without ever invoking the full aggregate figure.

Why the pile grew so large

The overhang built up because fundraising outpaced deployment. Through a period of strong fundraising, sponsors raised more capital than they could invest at prices they found acceptable, particularly as higher financing costs and valuation uncertainty made them cautious, and the gap between committed and invested capital widened into the record stockpile now in place.[2] The result is a large overhang concentrated in relatively recent fund vintages, which sets up the aging problem the next section examines: the capital is not only large but increasingly old, and old capital deploys under the most pressure of all.

> *Dry powder is not idle money. It is committed capital on a clock, and the fund structures that hold it convert its existence into a standing pressure to spend.*

For a founder, the scale of the wall of money is the foundational fact of the buyer market. There is, in aggregate, an enormous pool of capital that must find companies to buy, and a meaningful share of it is aimed at technology, the sector sponsors most want exposure to. That pool is the source of the demand that competes for a founder's company, and the pressure behind it is what can be turned into leverage. But scale alone does not determine a founder's outcome; how the capital behaves, shaped by its age and by the offsetting pressure to exit, is what decides whether the wall of money lifts a particular seller's price.

The aging problem

Dry powder is not just large; it is getting old, and old capital is the most motivated capital of all. The aging of the overhang turns latent demand into urgent demand, and that urgency is a source of leverage for sellers.

The capital is aging measurably. Of buyout dry powder, the share held four years or longer rose to about twenty-four percent, up from twenty percent in 2022, and much of the overhang sits in fund vintages from the strong-fundraising years that are now well into their investment periods.[2] Capital approaching the end of its investment window deploys under acute pressure: the general partner faces the prospect of returning uninvested commitments, with the cost to fees and reputation that entails, and so becomes increasingly willing to transact. Aging dry powder is the most eager buyer in the market, because for it, not buying is itself a failure.

24%

of buyout dry powder is now held four years or longer, capital deploying under the most pressure.

The deployment imperative

The aging overhang has shifted the sponsor's mindset from patience to urgency. Where in a slower market a sponsor might wait for the perfect deal, the calculus increasingly becomes deploy before the fund timeline expires, and that shift ripples into deal terms, pricing, and the competitive posture of buyers across the middle market.[2] A sponsor that must put capital to work is a more motivated, more flexible counterparty than one that can afford to wait, and the aging of the overhang has made more of the capital fall into the first category. For a seller of a desirable asset, that motivation is precisely the leverage the wall of money provides.

The discipline that persists

Aging pressure does not, however, make sponsors reckless. The same general partners under pressure to deploy are accountable to their investors for returns, and they will not overpay for an asset that cannot earn its keep. The pressure makes them eager for good deals, not for any deal, which means the leverage the overhang creates accrues to sellers of genuinely strong companies, the assets a sponsor can underwrite to a return, rather than to marginal ones. The aging capital is motivated and disciplined at once, and the combination concentrates its eagerness on quality.

The aging problem is the engine of seller leverage in the current market. A large, aging pool of capital that must be deployed creates urgent, motivated demand, and a founder with a company that demand wants is selling into the strongest conditions the wall of money can produce. But the demand is selective and disciplined, and it is offset by a second pressure, the need to exit, that the next section examines and that complicates the picture in the seller's favor and against it at once.

03 · THE OTHER SIDE

The exit backlog

The deployment pressure is only half the story. The same sponsors holding capital they must invest are holding a vast backlog of companies they must sell, and that backlog shapes the market as much as the dry powder does.

The backlog is enormous. The industry is sitting on roughly thirty-two thousand unsold portfolio companies worth around $3.8 trillion, with the average holding period at exit drifting toward seven years as sponsors struggle to sell into a cautious market.[3] These companies were bought to be sold, and their investors, the limited partners, are waiting for the returns that exits provide. A slowdown in exits starves limited partners of capital, which in turn constrains their ability to commit to new funds, creating a feedback loop that pressures sponsors to find liquidity for their aging holdings. The exit backlog is the mirror image of the deployment pressure, and it is just as acute.

> *The same sponsors with $3.7 trillion to deploy are holding $3.8 trillion in companies they need to sell. The two pressures are mirror images, and both are acute.*

Why exits stalled

Exits slowed for the same reasons deployment did: higher financing costs, valuation uncertainty, and a cautious market made buyers and public markets reluctant to absorb sponsor-owned companies at the prices sellers wanted.[3] Transaction activity has been subdued, and the backlog has built as companies that would normally have been sold were held longer, waiting for better conditions. The aging of the portfolio mirrors the aging of the dry powder, and both reflect a market that has been slow to clear, leaving sponsors with too much to buy and too much to sell at once.

What the backlog does to the market

The backlog has two effects on a founder. First, it adds supply: the companies sponsors need to exit are themselves for sale, competing for the same buyers a founder seeks, which can crowd the market and pressure prices, particularly for assets similar to those sponsors are trying to offload. Second, and more favorably, it makes sponsors highly motivated transactors, eager to do deals that generate liquidity and to deploy capital that returns it, which sustains demand even in a cautious market. The backlog is both a competitive headwind, more sellers, and a demand tailwind, more motivated buyers, and which dominates depends on the specific asset and moment.

Holding the deployment pressure and the exit backlog together is the key to reading the market correctly. Sponsors are not simply hungry buyers; they are squeezed participants, needing to buy and sell at once, motivated and constrained simultaneously. That two-sided squeeze, examined next, is the true shape of the demand a founder is selling into, and it is more favorable to prepared sellers of quality assets than the dry-powder headline alone, and less favorable to marginal ones, than the wall-of-money story suggests.

04 · THE DYNAMIC

The two-sided squeeze

The defining condition of the current private equity market is that sponsors are pressed from both directions at once. They must deploy a record overhang before it ages out, and they must exit a record backlog before their holdings age further. This two-sided squeeze, not the dry powder alone, is what a founder is selling into.

EXHIBIT 1

The two-sided squeeze on sponsors

PRESSURE	THE SCALE	WHAT IT MAKES SPONSORS DO
Deploy	~$3.7T dry powder, aging	Compete for and buy good assets, urgently
Exit	~$3.8T in unsold companies	Sell holdings; generate liquidity for LPs

Source: Windsor Drake, from private-markets data.[1,2,3]

How the squeeze plays out

The two pressures interact in ways that shape the market a founder meets. On the buy side, the deployment imperative makes sponsors motivated, sometimes aggressive, competitors for quality companies, which supports demand and pricing for the assets they want. On the sell side, the exit backlog floods the market with sponsor-owned companies seeking buyers, which adds supply and can pressure prices for comparable assets. And because the same firms are on both sides, a growing share of activity is sponsor-to-sponsor, one fund's exit becoming another's deployment, in secondary buyouts and continuation vehicles that let sponsors generate liquidity and put capital to work without relying on strategic buyers or public markets.[3]

The squeeze favors motion

The net effect of the squeeze is a market that rewards transacting. Sponsors need to do deals, both to deploy and to exit, and that need sustains demand even when caution might otherwise suppress it. For a founder with a company sponsors want, the squeeze is favorable: it ensures motivated buyers and supports competition. For the market as a whole, it builds pressure that, once conditions ease enough to let deals clear, can release as a surge of activity, as the dammed-up need to both buy and sell finds its outlet. The squeeze is tension waiting to resolve into motion.

The same firms are on both sides, so a growing share of deals is sponsor-to-sponsor. The squeeze is tension waiting to resolve into a surge of activity.

For a founder, the practical meaning of the two-sided squeeze is that demand is real but selective and conditional. The capital is there, the motivation is there, but the same pressure that motivates sponsors also disciplines them and floods the market with competing supply. The wall of money lifts a prepared seller of a genuinely good company and does much less for a marginal one, because the squeeze concentrates the eager, motivated capital on the assets sponsors most want and can most readily exit later. Reading the squeeze correctly is the difference between assuming the wall of money guarantees a great outcome and understanding for whom it actually does.

THE RELEASE VALVES

How sponsors are relieving the squeeze

Caught between capital to deploy and companies to exit, sponsors have turned to a set of structures that manufacture liquidity without relying on traditional sales. These release valves are reshaping the market a founder sells into, and they matter to how the squeeze resolves.

Sponsor-to-sponsor sales

The most direct relief is selling to each other. A secondary buyout, in which one sponsor sells a portfolio company to another, lets the seller exit and generate liquidity while the buyer deploys capital, resolving both pressures in a single deal.[3] As traditional exits to strategics and public markets stayed selective, sponsor-to-sponsor activity grew as a share of the market, and it adds a large class of motivated buyers and sellers operating on the same two-sided pressure. For a founder, it means many of the most active buyers are themselves under pressure to transact, which sustains demand even in a cautious market.

Continuation vehicles

Where a sponsor wants to hold a strong asset longer but its investors need liquidity, the continuation vehicle has become the tool of choice: the sponsor moves the asset into a new fund, returning capital to the original investors while retaining the company and putting fresh capital to work.[3] These structures have grown rapidly as a way to relieve the exit backlog without selling good assets into a soft market, and they signal which companies sponsors most want to keep. Their rise reflects exactly the squeeze this report describes, the need for liquidity colliding with the reluctance to sell quality cheaply, and they have become a major channel for resolving it.

What the valves mean for founders

These release valves change the founder's market in two ways. They sustain demand, because sponsors relieving the squeeze through secondaries and continuation vehicles remain active, motivated transactors rather than retreating to the sidelines. And they reveal preference: the assets sponsors move into continuation vehicles, or compete for in secondary buyouts, are the quality companies the capital most wants, the same companies a founder should aim to resemble. The valves are evidence of where the demand is deepest, and a founder whose company looks like the assets sponsors are working hardest to keep and to buy is selling into the strongest part of the market.

Sponsors caught in the squeeze are manufacturing their own liquidity. The assets they keep and compete for reveal exactly where the demand is deepest.

The growth of these structures is a sign of a market under pressure finding ways to keep moving, and it tells a founder that the demand behind the wall of money is durable even when traditional exits are slow. The same pressure that built the overhang and the backlog is driving innovation in how sponsors transact, and the through-line is constant: motivated capital seeking quality assets and liquidity at once. A founder reading these valves correctly sees not a stalled market but a pressured one that is still, persistently, looking for good companies to buy.

05 · THE SELLER'S POSITION

What it means for seller leverage

The wall of money does not lift every seller equally. It concentrates its force on the assets sponsors most want and can most readily resell, which means the leverage it creates is real but selective, and a founder must know which side of the line their company sits on.

The deployment pressure gives genuine leverage to sellers of quality assets, the durable, growing, defensible companies a sponsor can underwrite to a confident return and expect to exit well later. For those companies, the motivated capital competes, and a well-run process can convert that competition into a strong price and favorable terms. But the same pressure does much less for marginal assets, the companies with weak growth, thin defensibility, or messy fundamentals, because a disciplined sponsor under pressure to deploy is still under pressure to deploy well, and will not bid up an asset it cannot confidently resell. The exit backlog reinforces this: with so many companies already seeking buyers, a marginal asset competes against abundant supply, while a standout asset rises above it.[2,3]

EXHIBIT 2

Where the wall of money creates leverage

ASSET	EFFECT OF THE OVERHANG	SELLER LEVERAGE
Quality, durable, growing	Motivated capital competes	Strong; convert to price and terms
Solid but unremarkable	Demand exists; supply competes	Moderate; preparation matters
Marginal or messy	Disciplined buyers; crowded supply	Weak; fix before selling

Source: Windsor Drake analysis of demand conditions, 2025–2026.

The vertical dimension

Leverage also varies by vertical, because the overhang is not aimed evenly. Software, and durable, recurring-revenue technology in particular, is among the most sought-after destinations for the capital, prized for the predictable cash flows and roll-up potential the firm's other reports describe, which makes sellers of quality software companies among the best positioned to benefit from the wall of money.[2] Sectors the capital favors less, or that face their own headwinds, see weaker translation of the overhang into leverage. A founder should locate their company not only on the quality axis but on the vertical axis, because the demand is concentrated where the capital most wants to be.

> *The overhang lifts the quality asset in the favored vertical and does little for the marginal one. The wall of money is selective, and preparation decides which side a company is on.*

The actionable conclusion is that the wall of money rewards preparation. A founder cannot control the existence of the overhang, but can control whether their company is the kind the motivated capital competes for, by building durability, growth, and clean fundamentals before selling, and by running a process that turns the latent demand into actual competition. The leverage is there to be claimed by sellers of quality assets in favored verticals; it is the unprepared and the marginal who find that the wall of money, despite its scale, does little for them.

BY SECTOR

Where the capital wants to deploy

The overhang is not aimed evenly across the economy. It concentrates where sponsors believe they can earn and exit, and technology, especially durable software, sits near the center of that appetite.

EXHIBIT 3

Where the wall of money is aimed

DESTINATION	APPETITE	WHY
Vertical & durable SaaS	Very high	Recurring revenue, retention, roll-up potential
Software broadly	High	Predictable cash flows; proven model
AI & AI-enabled	High, selective	Growth and strategic relevance; uncertain durability
Cybersecurity	High	Mission-critical, consolidating
Fintech (software-led)	Moderate to high	Software economics where present
Capital-intensive / cyclical	Lower	Harder to underwrite and exit

Source: Windsor Drake, from private-markets deployment patterns, 2025–2026.[2]

The concentration matters because it determines how much of the wall of money is actually available to a given founder. A quality software company is selling into the part of the market where the capital most wants to be, with the deepest pool of motivated buyers and the strongest competition; a company in a sector the capital favors less is selling into a thinner slice of the overhang, where the headline figure overstates the demand it will actually face. The $3.7 trillion is not a single pool available to all sellers equally; it is many pools of differing depth, and a founder's relevant pool is the one aimed at their sector.

The $3.7 trillion is not one pool available to all. It is many pools of differing depth, and a founder's relevant pool is the one aimed at their sector.

Within technology, durable, recurring-revenue software draws the deepest appetite, because it offers the predictable cash flows and roll-up potential sponsors prize and can most confidently exit, while more capital-intensive or cyclical businesses draw less. AI draws strong but selective interest, high for the strategically relevant, tempered by uncertainty about durability. A founder reading the demand should locate their company in this map of appetite, because the depth of the relevant pool, as much as the quality of the company, determines how forcefully the wall of money will compete for it.

06 · THE FRAMEWORK

The Buyer Demand framework

To turn the analysis into a tool, the Buyer Demand framework maps how strongly the wall of money will compete for a given company, across the two axes that determine it: the quality of the asset and the appetite of the capital for its vertical.

EXHIBIT 4

The Buyer Demand map

	FAVORED VERTICAL (E.G. SOFTWARE)	LESS-FAVORED VERTICAL
Quality asset	Strongest demand; real leverage	Solid demand; preparation matters
Marginal asset	Demand exists but disciplined	Weak demand; fix or wait

Source: Windsor Drake Buyer Demand framework. A planning tool; demand for any company depends on its specifics.

The map locates a company in one of four positions. A quality asset in a favored vertical sits in the strongest position: the motivated, aging capital competes hardest for exactly these companies, and a founder here can expect real leverage and should run a process to capture it. A quality asset in a less-favored vertical still draws solid demand, with preparation and a sharp process bridging the gap. A marginal asset in a favored vertical draws demand that exists but is disciplined, demand for the vertical without conviction in the company. And a marginal asset in a less-favored vertical sits in the weakest position, where the wall of money does little and the founder is better served fixing the company or waiting than selling into indifference.

> *Quality asset, favored vertical: the wall of money competes hardest. Marginal asset, out-of-favor vertical: it barely competes at all.*

The framework's purpose is to set realistic expectations and to direct effort. A founder who places their company on the map can see whether the wall of money is a strong tailwind or a weak one, can decide whether to sell now into demand or to invest first in moving the company toward the stronger quadrant, and can calibrate the process to the demand they will actually face. The overhang is a powerful force, but it is not uniform, and the framework turns the question who benefits from the wall of money into a specific, answerable assessment of a particular company.

07 · APPLICATION

What it means for founders

The wall of money and the two-sided squeeze translate into a set of moves for a founder deciding whether, when, and how to sell into the current demand.

Be the asset the capital competes for

The overhang rewards quality, so the highest-return preparation is building the durability, growth, and clean fundamentals that make a company the kind motivated capital competes for. A founder who positions the company in the strongest quadrant of the demand map, before selling, captures far more of the wall of money's force than one who brings a marginal asset to a disciplined buyer.

Time the sale into the deployment pressure

The aging of the overhang means deployment pressure is intense and, as conditions ease, likely to release as a surge of activity. A founder with flexibility on timing should aim to sell into that motivated demand, recognizing that selling a quality asset when sponsors are pressed to deploy is selling into strength. Timing into the deployment pressure is timing into the best demand the cycle offers.

Use the competition the overhang enables

A wall of money chasing assets is the raw material for a competitive process, but the competition must be created, not assumed. A founder should run a real process that brings the motivated sponsors, and strategics, into contention, because the overhang only becomes leverage when it is converted into competing bids. The capital's eagerness is potential; the process realizes it.

Understand the sponsor's two-sided pressure

A founder negotiating with a sponsor is negotiating with a party squeezed to both deploy and exit, and that pressure is a source of insight. A sponsor pressed to deploy may move quickly and pay up for the right asset; one managing its own exit backlog may value liquidity and speed. Understanding which pressure dominates for a given buyer helps a founder read its motivation and negotiate accordingly.

Do not assume the wall guarantees an outcome

Finally, a founder should resist the comforting assumption that the sheer scale of dry powder guarantees a great sale. The capital is selective and disciplined, and the exit backlog floods the market with competing supply. A marginal company will not be rescued by the overhang, and a founder should judge their position honestly on the demand map rather than relying on the headline figure to carry a weak asset.

WORKSHEET

Reading your demand position

QUESTION	WHAT THE ANSWER TELLS YOU
Is my company a quality asset?	Durable, growing, defensible, clean. If yes, the capital will compete; if not, fix first.
Is my vertical favored by the capital?	Software and recurring-revenue tech draw the deepest pools; others are thinner.
Where do I sit on the demand map?	Quality and favored vertical means real leverage; marginal and out-of-favor means little.
Can I time into deployment pressure?	Selling when sponsors are pressed to deploy is selling into strength.
Will I create real competition?	The overhang becomes leverage only when converted into competing bids.

Source: Windsor Drake. Use with the Buyer Demand framework in Section 06.

The unifying message is that the wall of money is a powerful but selective force, and the founders who benefit most are the prepared sellers of quality assets who time into the deployment pressure and run a competitive process. The overhang creates the demand; the founder converts it into an outcome through preparation, positioning, timing, and process. The capital is there in record amounts, but it competes hardest for the companies that have earned its competition, and being one of those is the founder's work.

PITFALLS

Common misreadings of the wall of money

The dry-powder headline is among the most cited and most misunderstood figures in dealmaking. Founders draw a set of comforting but mistaken conclusions from it, each of which a clearer reading corrects.

Assuming scale guarantees a great price

The most common misreading is to treat the trillions of dry powder as a guarantee of a strong sale. The capital is selective and disciplined, and a marginal company will not be lifted by its scale. A founder who assumes the wall of money will carry a weak asset to a great price misjudges how the capital actually behaves, and is likely to be disappointed by buyers who, despite their dry powder, will not overpay for what they cannot resell.

Ignoring the exit backlog

Founders who focus only on deployment pressure miss the offsetting force: the same sponsors are flooded with companies they need to sell. That backlog adds competing supply and tempers the demand the dry-powder figure implies. A reading that counts only the capital to be deployed, and not the companies to be sold, overstates the net demand a founder will face, particularly for assets resembling those sponsors are trying to offload.

Treating the overhang as one pool

The headline figure is an aggregate, but no founder sells into the aggregate. The relevant demand is the slice of capital aimed at the company's sector and quality tier, which can be far deeper or far shallower than the total suggests. A founder who reasons from the trillions rather than from the depth of their own pool will misjudge the competition for their specific company.

Mistaking deployment pressure for desperation

Some founders assume that pressed-to-deploy sponsors will pay almost anything, and overplay their hand accordingly. Sponsors are motivated, not desperate; they remain accountable for returns and will walk from an overpriced asset even with capital to deploy. A founder who mistakes motivation for desperation may price unrealistically and lose a motivated, disciplined buyer who would have paid a fair, strong price.

The capital is motivated, not desperate. Sponsors will compete hard for a quality asset and still walk from an overpriced one, even with trillions to deploy.

The corrected reading is consistent: the wall of money is a powerful, selective, disciplined, and offset force, not a blunt guarantee. A founder who understands it as it is, deep where the capital wants to be, disciplined everywhere, tempered by the exit backlog, and aimed unevenly across sectors, will set realistic expectations, prepare the company to draw the deepest pool, and run a process that converts genuine demand into a strong outcome. The misreadings all flow from taking the headline at face value; the corrections all flow from reading the demand as it actually behaves.

Outlook

The overhang and the squeeze are not stable conditions; they are pressures building toward release. The outlook turns on when and how that release comes, and what it means for sellers in the meantime.

The pressure builds toward a surge

With a record overhang aging and a record backlog waiting, the pressure to both deploy and exit is intense and growing, and it is the kind of pressure that resolves suddenly once conditions allow.[2,3] As financing costs and valuation uncertainty ease, the dammed-up need to transact can release as a surge of activity, sponsors deploying aging capital and clearing aged holdings at once. A founder of a quality asset positioned for that surge is positioned for the strongest demand the cycle will produce, and the building pressure is, for a prepared seller, a reason for optimism about the window ahead.

Sponsor-to-sponsor activity grows

While public markets and strategic buyers remain selective, sponsors increasingly transact with each other, secondary buyouts, continuation vehicles, and other structures that let one fund's exit become another's deployment.[3] This sponsor-to-sponsor channel is likely to grow as a way to relieve both sides of the squeeze, and it adds a class of motivated buyers, and sellers, to the market. For a founder, it widens the set of credible counterparties and reinforces that sponsors, pressed on both sides, are the most motivated transactors in the market.

The capital keeps favoring technology

The overhang continues to be aimed disproportionately at technology, and at durable, recurring-revenue software in particular, prized for the cash flows and roll-up potential the capital most wants.[2] As the surge comes, technology sellers, especially of quality software assets, are likely to be among its primary beneficiaries, with the AI-driven appetite adding further demand at the frontier. A founder in the favored part of the market sits where the wall of money most wants to deploy, which is the best place to be when the pressure releases.

EXHIBIT 5

Three scenarios for the release

SCENARIO	WHAT HAPPENS	FOR SELLERS
Surge (base case)	Conditions ease; pent-up deploy and exit pressure releases together	Strong, competitive demand for quality assets
Grind	Conditions stay tight; pressure builds without release	Selective demand; preparation and quality decisive
Reset	A shock forces repricing and accelerated exits	Crowded supply; only the best assets clear well

Source: Windsor Drake analysis. Scenarios are illustrative; the base case is the firm's working assumption.

> *The pressure is building toward a surge. A prepared seller of a quality technology asset is positioned for the strongest demand the cycle will produce.*

The conclusion mirrors the report. The wall of money is real, record, aging, and selective, and the two-sided squeeze that holds sponsors between deploying and exiting is the true shape of the demand a founder faces. For a prepared seller of a quality asset in a favored vertical, the outlook is strong, motivated, competitive demand building toward release. For others, the overhang promises less than its scale suggests. Reading the demand correctly, and positioning the company to be what the capital competes for, is how a founder turns the wall of money from a headline into an outcome.

FOR BOARDS

A note for boards and investors

The wall of money shapes not only when a founder should sell but how a board and its investors should think about timing and process. The two-sided squeeze is as relevant to the people governing the decision as to the founder making it.

For a board weighing a sale, the deployment pressure behind the overhang argues for engaging the motivated capital through a competitive process rather than accepting an early inbound, because the same pressure that brings a buyer to the door is the pressure a process can turn into a higher price. A board should also read the demand map honestly: if the company is a quality asset in a favored vertical, the conditions favor a sale into strong demand; if it is marginal or out of favor, the board may serve shareholders better by investing first in moving the company toward the stronger quadrant than by selling into thin, disciplined demand. The overhang is a reason to run a sharp process, not a reason to assume the outcome.

For investors, the exit backlog is a direct concern. Many of a company's own investors are themselves sponsors or funds under pressure to return capital, and their timelines can shape their preferences for when and how the company is sold. A board should understand that its investors may be navigating their own version of the two-sided squeeze, and that aligning the timing of a sale with both the company's readiness and the demand conditions, rather than with any single investor's liquidity needs, produces the best collective outcome. The wall of money is a market-wide condition, and reading it well is part of the board's stewardship of the sale decision, not just the founder's.

> *The overhang is a reason to run a sharp process, not a reason to assume the outcome. For boards, reading the demand is part of stewarding the decision.*

CONCLUSION

The wall of money is real, and selective

A record stockpile of capital that must be deployed is the most powerful tailwind a seller could ask for, and the most misunderstood. Its force is real, but it falls unevenly, and a founder who reads it correctly captures it while one who relies on the headline is disappointed.

The overhang is genuine and historic: roughly $3.7 trillion of dry powder, aging and under pressure to deploy. But it is matched by an equally historic exit backlog, tens of thousands of companies sponsors must sell, and the same firms are squeezed on both sides at once, pressed to buy before their capital expires and to sell before their holdings age. That two-sided squeeze, not the dry powder alone, is the true market a founder sells into, and it is more favorable to prepared sellers of quality assets, and less favorable to marginal ones, than the wall-of-money story implies.

The response is to be the asset the capital competes for. Build the durability, growth, and clean fundamentals that place a company in the strongest quadrant of demand; time the sale into the deployment pressure; run a process that converts the overhang into competing bids; and judge the company's position honestly rather than assuming the headline figure will carry it. The wall of money rewards quality and preparation, and competes hardest for the companies that have earned its competition. For the founder who builds and times accordingly, the largest pool of capital in history is a powerful tailwind. For the one who relies on its scale alone, it does less than it appears. The capital is real; the leverage is earned.

The capital is real in record amounts, but the leverage is earned. The wall of money competes hardest for the companies that have earned its competition.

REFERENCE

Capital terms, defined

The terms below recur throughout this report and across private-markets analysis.

Dry powder	Committed capital raised by funds but not yet invested.
Overhang	The accumulated stock of uninvested capital across the industry.
Investment period	The window during which a fund must deploy its committed capital.
Deployment pressure	The push to invest capital before its investment period expires.
Exit backlog	The accumulation of portfolio companies sponsors have not yet sold.
Holding period	The time a sponsor owns a company before selling it.
Secondary buyout	A sale of a portfolio company from one sponsor to another.
Continuation vehicle	A fund structure that lets a sponsor hold an asset longer while giving investors liquidity.
Limited partner (LP)	An investor in a private equity fund, awaiting returns from exits.

Source: Windsor Drake. Definitions are for general orientation.

THE EARLY READ

Into 2026: the squeeze tightens

The capital overhang did not ease into 2026; it changed character. Dry powder is being deployed at last, but it is being met by an exit backlog at a fresh record and by limited partners who now demand cash back, not paper marks, turning the wall of money into a wall of pressure on both sides of the sponsor's balance sheet.

Global private equity dry powder stood near $3.7 trillion entering 2026, down from its 2024 peak as funds finally deploy, while the inventory of unsold portfolio companies climbed to a new record of roughly 31,000 to 32,000 businesses worth some $3.7 to $3.8 trillion, above the prior year's record.

Dry powder is deploying into a record exit backlog under record pressure to return cash. For quality sellers, a market that must transact is a market that confers leverage.

The DPI reckoning

The decisive shift is on the distribution side. Capital returned to limited partners has held below fifteen percent of net asset value for four consecutive years, an industry record for scarcity, and DPI, the ratio of cash actually returned, has become the defining fundraising metric of 2026. Sponsors cannot raise their next fund on unrealized marks; they must sell. That imperative converts the exit backlog from an inconvenience into a forcing function, and it is most acute for the older, pre-2022 vintages bought at peak prices.

What it means for sellers

For a founder of a quality company, a market in which sponsors must transact is a market that confers leverage. Buyers under pressure to deploy fresh capital and to return cash to investors are motivated buyers, and the standing bid beneath the market is deeper than the headlines suggest. The caveat is the AI overhang examined throughout this report: the same pressure that makes sponsors eager for durable, AI-relevant software makes them wary of legacy assets whose durability AI has called into question. The squeeze rewards quality and punishes the marginal more sharply than a looser market would.

Sources for this section: Preqin and Bain & Company 2026 estimates (dry powder ~$3.7T); The Daily Upside and PwC, “Private capital 2026 mid-year outlook” (record exit backlog, DPI below 15% of NAV); Allianz and Bain private equity 2026 outlooks.

Methodology and sources

This report draws on published private-markets research on dry powder, deployment, and exits, and on Windsor Drake analysis, covering 2024 through mid-2026. The figures for dry powder, the aging of capital, and the exit backlog are estimates that differ across sources by definition and methodology, for example whether dry powder covers buyout only or all private capital, and they change with the cycle; they should be read as directional measures of market conditions rather than precise or current totals. Activity figures for recent periods are subject to revision as data is finalized.

The two-sided squeeze, the Buyer Demand framework, and the seller-leverage analysis are Windsor Drake analytical tools for interpreting demand conditions; they organize the published data into a view a founder can act on and are not forecasts. The placement of any individual company on the demand map depends on its specific characteristics and the conditions at the time of sale. Nothing in this report is investment, legal, tax, or accounting advice.

Endnotes and sources

1. Total dry powder (~$3.7T private equity; ~$3.9T across all private capital; roughly double 2019): PipelineRoad, "Private Equity Dry Powder: What $3.7 Trillion Means"; Bain & Company, "Private Equity Outlook 2026" and Global Private Equity Report.

2. Buyout dry powder, aging, and deployment pressure (~$1.2T buyout dry powder; 24% held 4+ years, up from 20% in 2022; deploy-before-expiry dynamic): Bain & Company; PitchBook, "Global Private Market Funds' Dry Powder Dashboard"; ABF Journal, "Why Deployment Pressure Is Reshaping Middle Market Deal Terms."

3. Exit backlog and holding periods (~32,000 unsold companies worth ~$3.8T; average holding period near seven years; subdued activity; sponsor-to-sponsor and continuation vehicles): Bain & Company; McKinsey, "Global Private Markets Report 2026"; PwC, "Private equity: US Deals 2026 midyear outlook."

ABOUT

About Windsor Drake Research

Windsor Drake is a sell-side M&A advisory firm for founders and boards of software, financial technology, artificial intelligence, and cybersecurity companies in the lower middle market.

The firm advises technology founders through the full arc of a sale, from positioning the company and building the buyer universe to running a competitive process and negotiating terms. Its research program exists to make the dynamics that decide outcomes legible to the people on the selling side, who face these transactions once or twice in a career against buyers and investors who do them constantly.

This report is part of the Windsor Drake Research series, a set of independent studies on valuation, deal structure, process, capital markets, and consolidation across the firm's sectors. Companion titles examine the most active acquirers of software companies, the strategic-versus-sponsor choice, the structure of private deals, what founders keep at exit, why deals die, the sale timeline, the regulatory clock, the talent-led acquisition of AI companies, the consolidation of the cybersecurity industry, and the roll-up of vertical software. The series is intended to be read by founders, boards, investors, and the journalists and analysts who cover these markets.

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