



# Middle Market Snapshot

## Private Capital and the Middle Market

# Executive summary

Private capital has moved from a specialized financing vehicle to a default consideration in how middle market companies finance growth.

KeyBank's Middle Market Snapshot Survey, fielded among 319 owners and senior executives in early 2026, finds 81% of middle market companies now consider private capital at least sometimes when evaluating strategic initiatives, and 89% are at some stage of engaging with capital providers.

The use cases skew offensive. Funding growth, investing in technology and AI, and pursuing acquisitions lead the objectives, while balance sheet repair sits well behind.

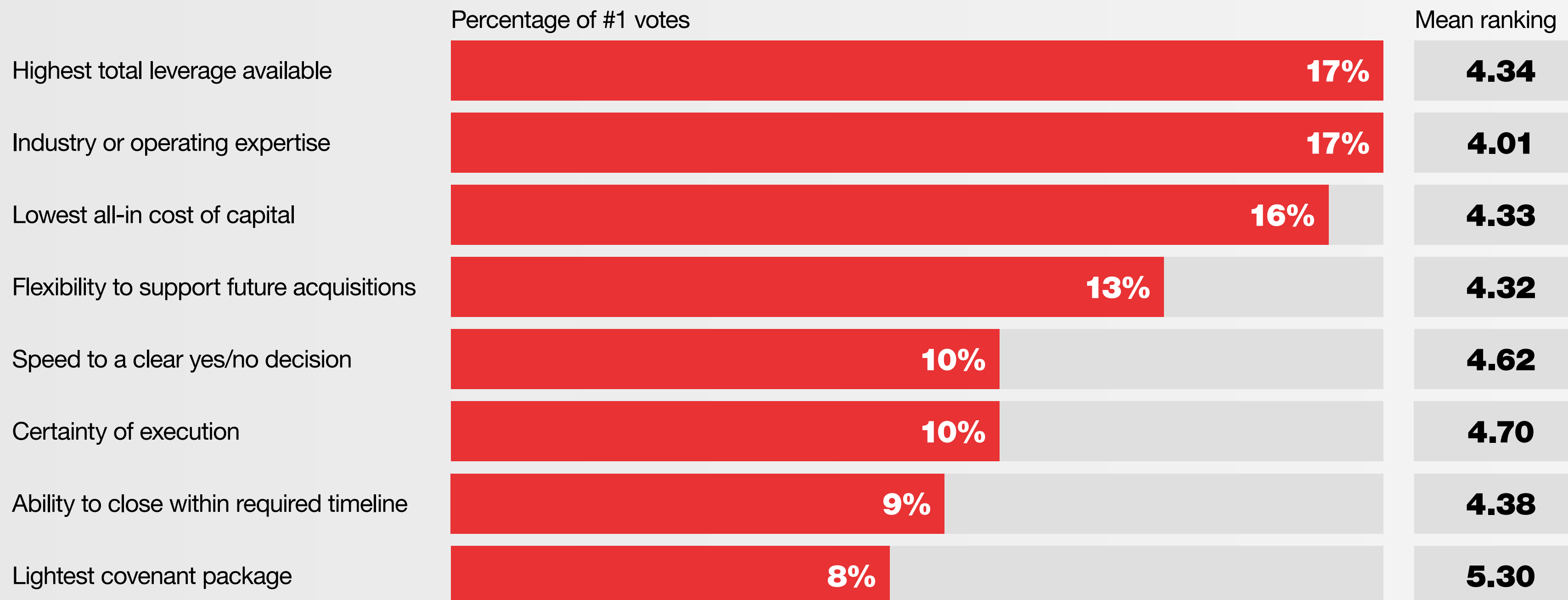
Increasingly, companies are blending private capital with traditional bank financing rather than choosing between them to build capital stacks that fund operational capacity, enter new markets, and finance technology investments. The question is no longer whether private capital belongs. It's when, with whom, and on what terms.



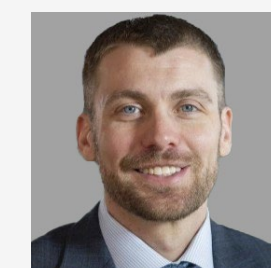
# No single factor dominates capital partner selection

The field is fragmented across leverage, expertise, cost, and flexibility with no clear winner on top-rank votes. Preferences split sharply by sector, mapping to each industry's strategic playbook. Capital providers should expect to differentiate on the dimension that matches each buyer's posture, not pitch a single value proposition across the board.

In your most recent capital or financing process, how would you rank the following factors in terms of their importance in your final decision?



Capital decisions aren't decided on a single dimension. We talk to companies about structure, price and how a holistic lending solution fits their long-term plan. By leveraging bank solutions and partnering with private capital, we can be creative on flexibility and structure. That positioning beats competing on any one dimension.



**Chris Picardi**  
Colorado Market President  
Key Commercial Bank

## The biggest delays sit inside the company

Internal alignment and diligence load on lean teams outrank every external factor. Late deal terms and cultural alignment trail far behind. Nearly a quarter of respondents reported no meaningful delays at all — likely concentrated among experienced borrowers who have engineered out friction. Bandwidth seems to outweigh market conditions as the practical bottleneck.

# 35%

of CEOs cite intercreditor and documentation delays, more than twice the 15% baseline.

## In your most recent financing or transaction process, what created the greatest challenge or delay?

Internal alignment among owners or board members

19%

Diligence burden on internal teams

19%

Intercreditor or documentation delays

15%

Timeline slippage driven by third parties

11%

Late changes to deal terms

8%

Cultural alignment challenges

5%

No meaningful challenges or delays

23%

# Capital decisions adjust to the macro, not pause

The dominant response to current conditions is adjustment, including timing, structure, and size of plans. Outright pauses are rare. A meaningful share is accelerating because of conditions. Companies are managing uncertainty through deal design and contingency planning, treating volatility as a working baseline. Operating in this environment has become the steady state for middle market capital decisions.

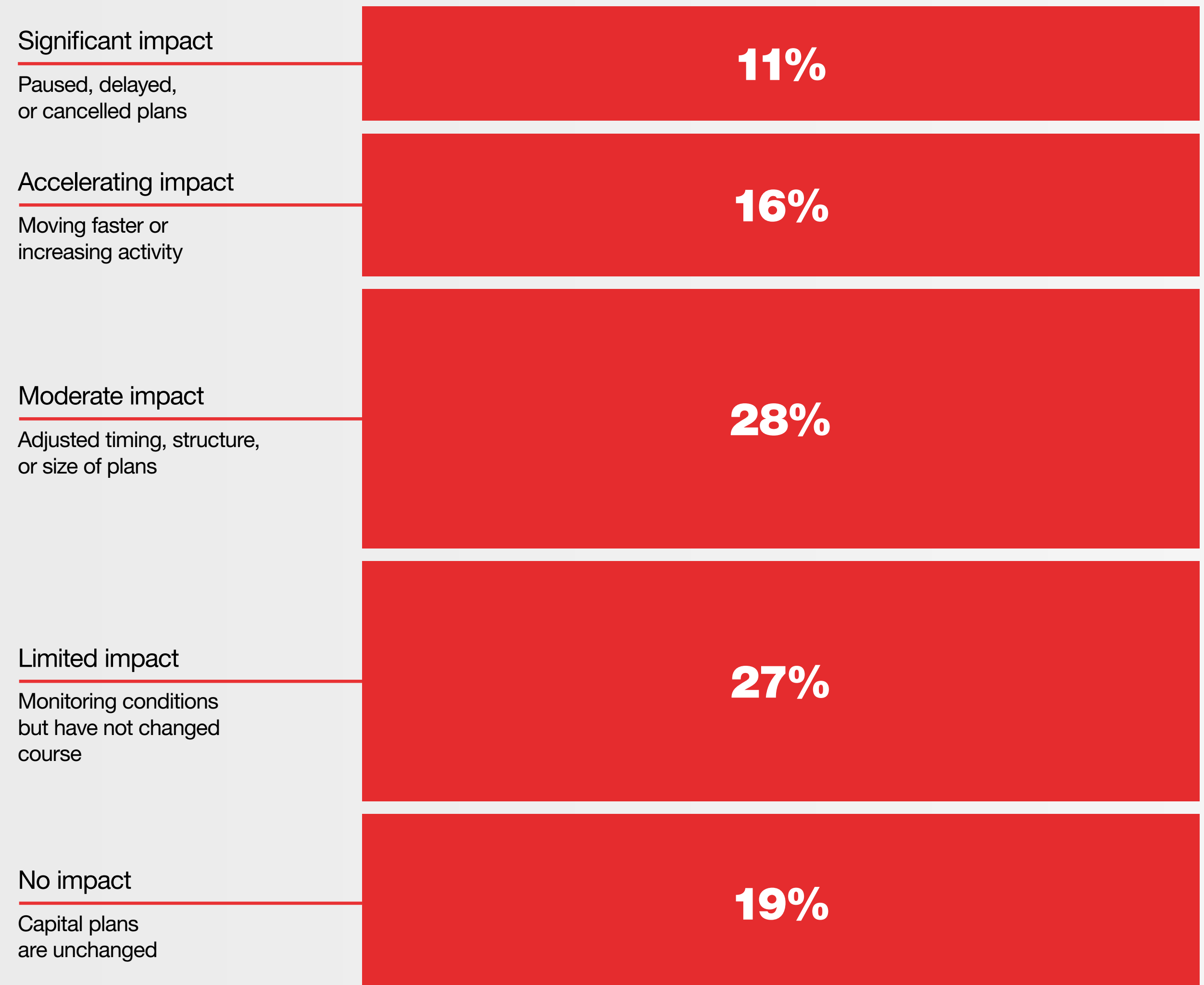


The headlines don't fully reflect what we're seeing in the middle market. Activity remains strong across both bank and private capital channels, with healthy levels of deployment and continued demand from clients. The data underscores a market that is active, resilient, and evolving where the overall opportunity is broader than any single narrative.



**Brandon Nowac**  
Commercial Executive  
Key Commercial Bank

## How is the current macroeconomic and policy environment impacting your company's capital decisions?



# Confidence in current partner mix runs high

Confidence appears to be driven more by how well partners are executing today than by the structure of the capital stack itself. The highly confident group looks stable, but the middle tier is more fluid. Respondents with moderate ratings may switch if a better fit emerges. For capital providers, those mid-range scores should be viewed as a sign of relationship risk and monitored closely.

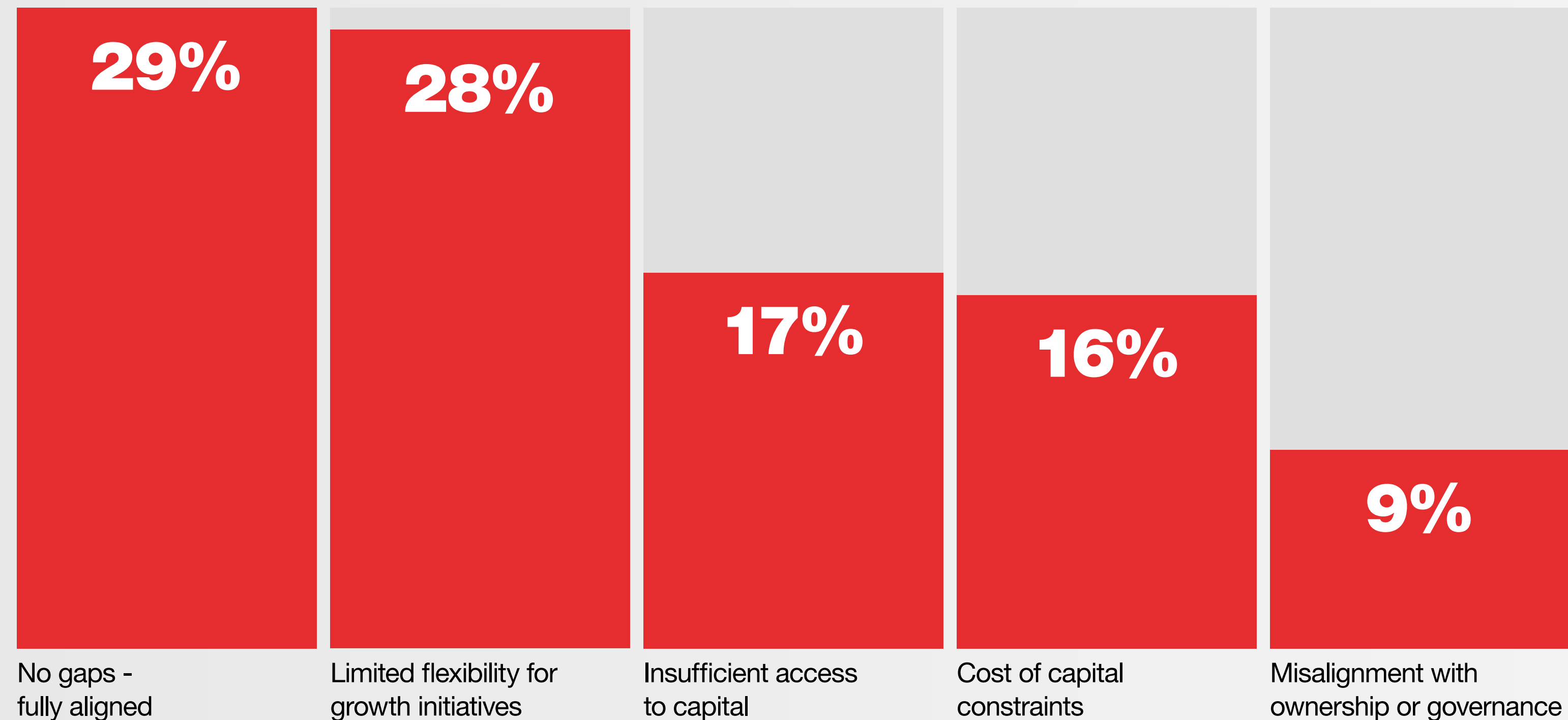
How confident are you that your current mix of bank and private capital partners can support your company's long-term growth?\*



# Flexibility is the gap, not access or cost

Capital is widely available. The harder problem is assembling the right capital at the right moment on the right terms. The data points to a market gap. Existing products can fall short of the flexibility growing companies need, especially those carrying acquisition agendas or technology investments that require staged or structured commitments.

Where does your current capital structure fall short in supporting your company's next phase of growth?



## 41%

of **public companies** cite flexibility constraints, the highest of any ownership profile.

# Private capital is part of the strategic vocabulary

The middle market has moved past the question of whether private capital belongs in the conversation. The active question is when and with whom. Frequency held consistent across every demographic cut, indicating private capital is now a default consideration across the segment rather than a niche financing vehicle for specific situations.

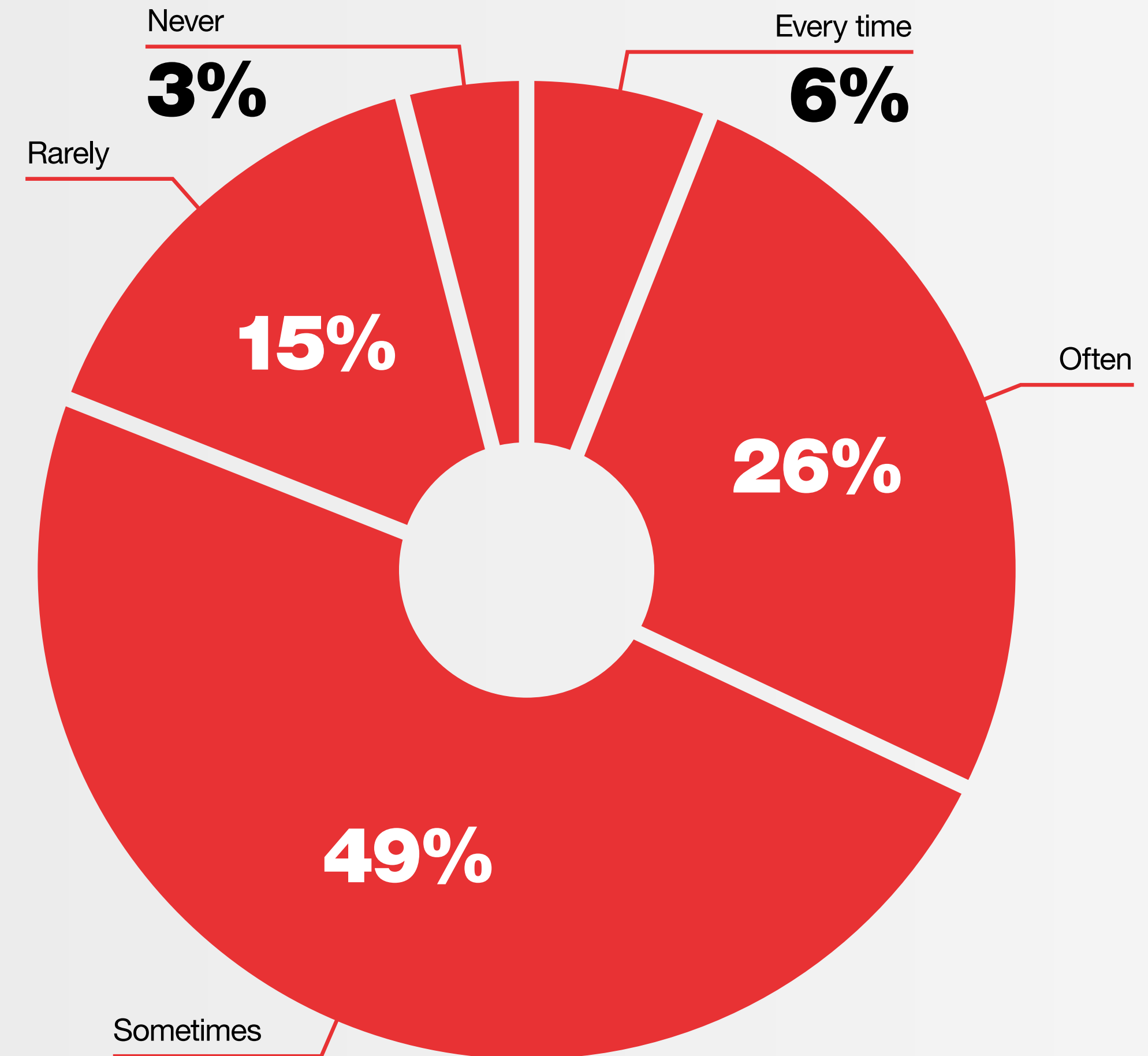


The data shows how much more sophisticated middle market companies have become in how they think about capital. They are looking for the right structure to support growth, acquisitions, technology investment, and long-term flexibility. That's exactly why we've built our banking model to deliver across a range of capital structures and providers, recognizing that solutions need to be tailored to fit the maturity and growth needs of their businesses.



**Ken Gavrity**  
President  
Key Commercial Bank

When evaluating growth or strategic initiatives, how often does your company consider private capital solutions?



# Growth and acquisitions lead the triggers

The use cases skew offensive. Balance sheet repair and ownership transitions trail growth and acquisitions by wide margins. Companies are using private capital to build rather than to patch. Smaller companies show a more opportunistic posture and react to the valuation environment, while larger companies operate on calendar-driven processes anchored to growth plans.



The story in private capital is decisively offensive. Growth and acquisitions dominate, while balance sheet repair takes a back seat. The lower middle market is reacting opportunistically while larger companies continue to execute against structured, growth-driven timelines.



**Mike McMahon**  
Upstate New York Market President  
Key Commercial Bank

## What most often triggers your company to consider bringing in private capital?

### Growth investment requirement

39%

### Acquisition opportunity

22%

### Market timing / valuation environment

15%

### Balance sheet constraints

12%

### Liquidity or ownership transition

12%

## Nine in 10 are active in private capital marketplace

The pipeline is loaded on the front end. Most respondents sit in exploration or early engagement, with a smaller share in formal process. Providers that build relationships now will be well positioned as those processes take shape. Overall, the funnel points to strong middle market deal activity over the next 12 to 24 months.

# 44%

of **tech and industrials/manufacturing companies** lead active engagement, well above the 35% sample average.

Which best describes your company's current stage in evaluating or using private capital to support growth or strategic initiatives?

Actively engaging with capital providers  
(meetings, early discussions)

**35%**

Exploring options and learning about  
potential capital partners

**25%**

In a formal process  
(diligence, term sheets, or negotiation)

**22%**

Not currently considering private capital

**11%**

Recently completed a transaction  
(past 24 months)

**8%**

# Growth and tech investment lead capital objectives

Funding growth covers the operational reality. This includes equipment, people, plant capacity, field techs, etc. Technology investment is the new entrant and reflects how AI is being financed as a strategic bet. Among the small share not considering private capital, the dominant reason is no current need. Philosophical objection is essentially absent from the market.

## What is your primary objective for seeking private capital?

Funding growth initiatives

28%

Investing in technology, automation, or AI

26%

Pursuing an acquisition or M&A opportunity

18%

Strengthening the balance sheet or recapitalization

16%

Owner liquidity or succession planning

11%

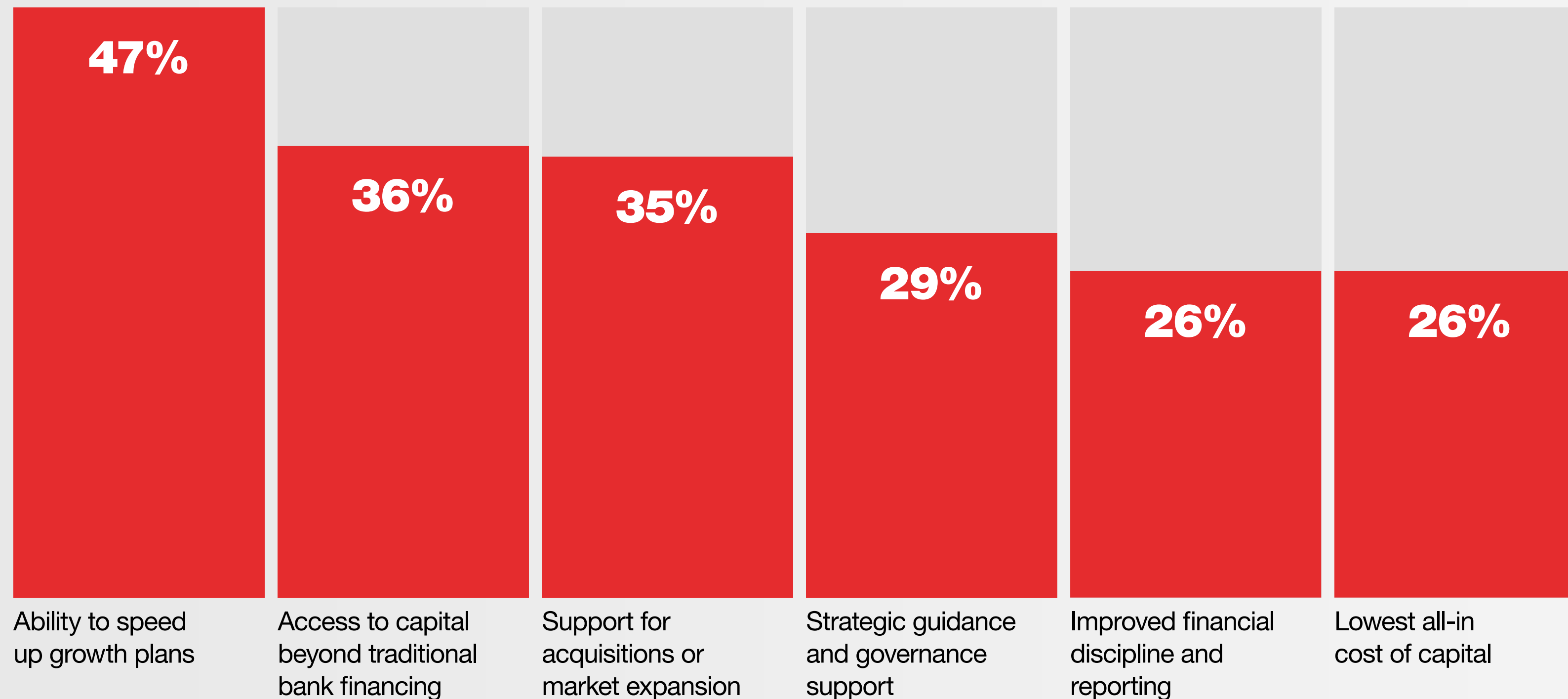
77%

of those not currently considering private capital cite **sufficient internal capital** as the reason.

# Growth acceleration outranks access as the prized outcome

Velocity is what middle market leaders pay for. Capital is part of the case, and the speed-to-execution it unlocks is what differentiates the partnership from bank-only financing. The finding reframes the partnership case. As capital itself becomes more commoditized, the harder-to-replicate value is what a private partner does to compress timelines and accelerate decisions.

Based on your experience, what are the most valuable outcomes of working with private capital?



## 51%

of **CEOs and presidents** rank access to capital beyond traditional bank financing the most valuable outcome, 15 points above the full sample.

# Cost, complexity, and pressure define the trade-offs

Experienced middle market leaders have made peace with the ownership trade-off. Loss of control sits well below the operational concerns. The active fight is on what private capital costs and what it asks for in return with pricing, reporting cadence, and performance expectations. Pre-deal alignment on operating tempo prevents most of the friction that surfaces post-close.

# 49%

of companies in the \$250M+ revenue band cite increased performance pressure as a top challenge of working with private capital, compared to just 30% in the \$50M-\$250M band — a 19-point gap that scales with company size.

## Based on your experience, what have been the most challenging aspects of working with private capital?

Higher cost of capital

40%

Greater complexity and reporting requirements

38%

Increased performance pressure

38%

Loss of control or autonomy

30%

Misalignment on time horizon or exit expectations

20%

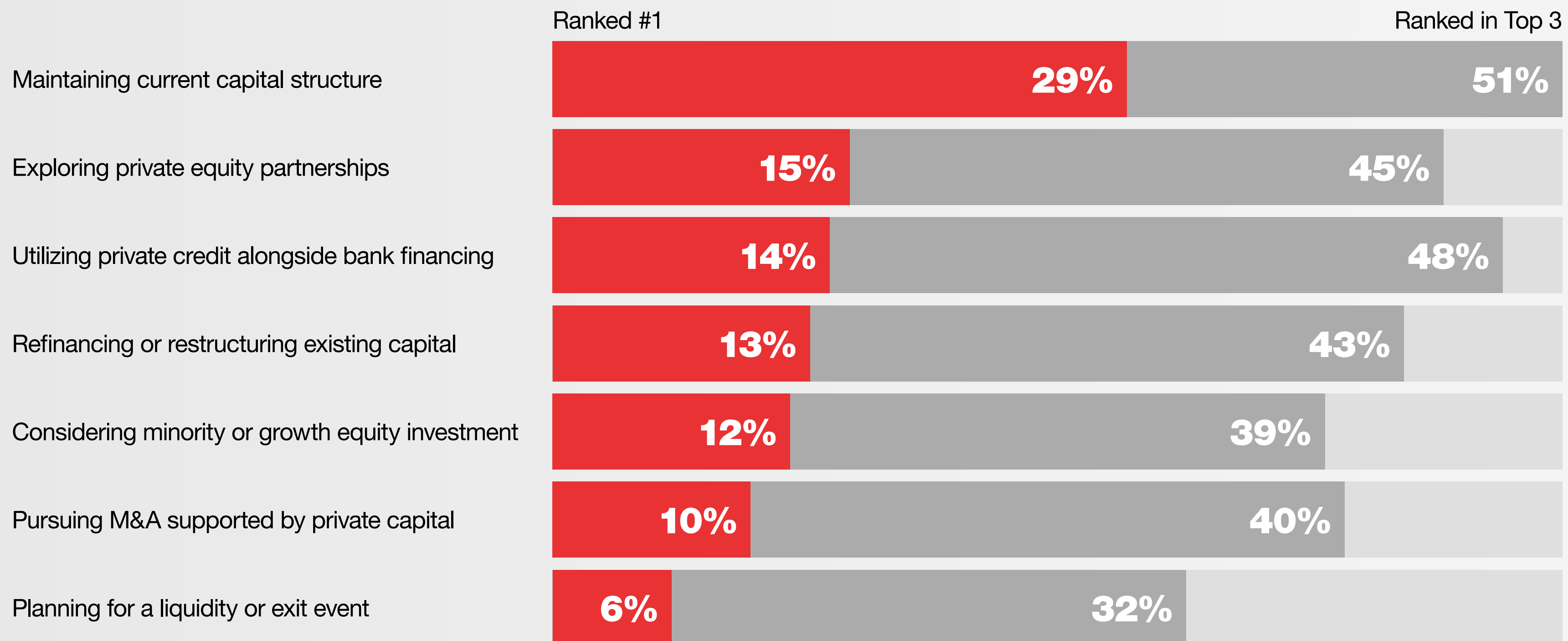
No meaningful challenges

18%

# Stability tops the 12-month priority list

The market is split between standing pat and actively restructuring. Action-oriented priorities cluster tightly behind the stability vote, with private credit, PE partnerships, and refinancing all drawing meaningful share. The pattern points to a multi-pronged year ahead. Companies are pursuing several capital actions in parallel rather than concentrating their planning around one dominant move.

Looking ahead to the next 12 months, how would you rank the following actions in terms of priority?



Even with an uncertain geopolitical and inflation backdrop, we are seeing increasing middle market activity and a more active IPO calendar. The second half of 2026 looks to be set up for more M&A activity driven by not just large-cap transactions. Many private equity firms are actively preparing to launch transactions sooner rather than later to try and get into the best positioning with buyers.



**Randy Paine**  
 President  
 Key Institutional Bank  
 & KeyBanc Capital Markets

# Respondent Profile

Total: 319 respondents (unweighted)

Current Ownership or Sponsor Profile		Role		Industry		Current Capital Sources <small>Multiple selections allowed</small>	
Majority Private Equity-owned (Committed Fund)	20%	Owner / Founder	7%	Business Services	24%	Bank Revolving Credit or Term Loan	55%
Majority Private Equity-owned (Independent Sponsor - fundless sponsor)	20%	CEO / President	13%	Technology/Tech Enabled	21%	Majority Equity Sponsor	44%
Minority Private Equity-owned	9%	CFO	17%	Industrials/Manufacturing	19%	Private Credit Lender(s)	42%
Founder or family-owned with no private capital	14%	COO	7%	Healthcare	13%	Minority Equity Investor(s)	30%
Public company	31%	Finance/Corporate Development	39%	Consumer	10%	Mezzanine or Subordinated Debt Providers(s)	8%
ESOP	2%	Other Executive	18%	Energy	3%	Other	3%
Other	4%			Other	9%		
Revenue		Region					
\$25M – <\$50M	31%	South	36%				
\$50M – <\$250M	41%	Northeast	22%				
\$250M+	28%	West	22%				
		Midwest	20%				

**With a clear view of the middle market and the forces shaping it, KeyBank helps businesses plan ahead, turning complexity into clarity and growth into lasting advantage.**

**Our banking teams offer integrated solutions and strategic expertise to help your business raise capital and manage payments, liquidity, and cash flow. To learn more about KeyBank's middle market capabilities, contact a **KeyBank Relationship Manager** or visit **[key.com/commercial](https://key.com/commercial)**.**

"KeyBank Middle Market Snapshot Survey," April 16 – 24, 2026. KeyBank's Middle Market Snapshot surveyed more than 300 owners and executives of businesses with \$25 million to \$1 billion in annual revenue.

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