J.P.Morgan

2026

Global M&A Annual Outlook

From turbulence to transformation

From turbulence to transformation — powering M&A from uncertainty to unprecedented activity

> *"2025 tested our conviction and proved that resilience and adaptability matter. As we look ahead, opportunity and complexity will coexist in 2026. Our focus is to work with our clients to enable them to master uncertainty, pair strategic vision with disciplined action and drive the next era of growth through creative dealmaking.*
>
> *The markets are positioned to support transformative moves, and investors are ready to reward growth, agility and innovation."*

Anu Aiyengar
Global head of Advisory and Mergers & Acquisitions

$5.1T
in global M&A volume (up 42% YoY), second only to 2021

$1.5T
in mega-deal ($10bn+) volume across 71 deals, marking a record high

49%
increase in cross-border volume reaching ~$1.3T, driven by 17 mega-deals

43%
of volume driven by Tech and Diversified Industries, each surpassing $1T in volume

2025 began with strong optimism, favorable capital markets and robust investor sentiment, culminating in a first-quarter dealmaking surge that reached $1.1T in volume. However, at the beginning of 2Q, sentiment starkly shifted as global trade uncertainty, following Liberation Day, weighed on businesses and investors, resulting in a significant slowdown in deal activity.

As businesses adjusted to the shifting macro-environment and trade agreements advanced, dealmaking began to rebound. By the summer, M&A activity surged with larger, bolder transactions, with 12 mega-deals accounting for $1.2T in M&A volume alone. The blockbuster summer and revitalization of mega-deals continued into 3Q, ranking among one of the strongest on record. Entering 4Q, new milestones were set with $1.4T in volume and 23 mega-deals, marking an all-time high. As the year closed, global M&A volumes reached $5.1T, up 42% YoY — the highest level in two decades excluding a record-setting 2021.

Regionally, growth was led by North America recording $3.1T in volumes, up 56% YoY and accounting for over half of global targeted volumes. Despite a global April slowdown and tariff tensions, APAC, EMEA and LATAM all posted robust growth of over 25% driven by pockets of activity predominantly seen in Japan, Australia, India, MENA, DACH, BENELUX and Brazil.

Momentum is expected to continue into 2026 as boards and C-suites continue to pursue scale while capitalizing on innovative deal structures, valuation mismatches and supportive financing markets — both public and private.

REGIONAL HIGHLIGHTS[1]

$3.1T in M&A volume
50+ mega-deals

$1.6T in M&A volume
38% of sponsor involvement

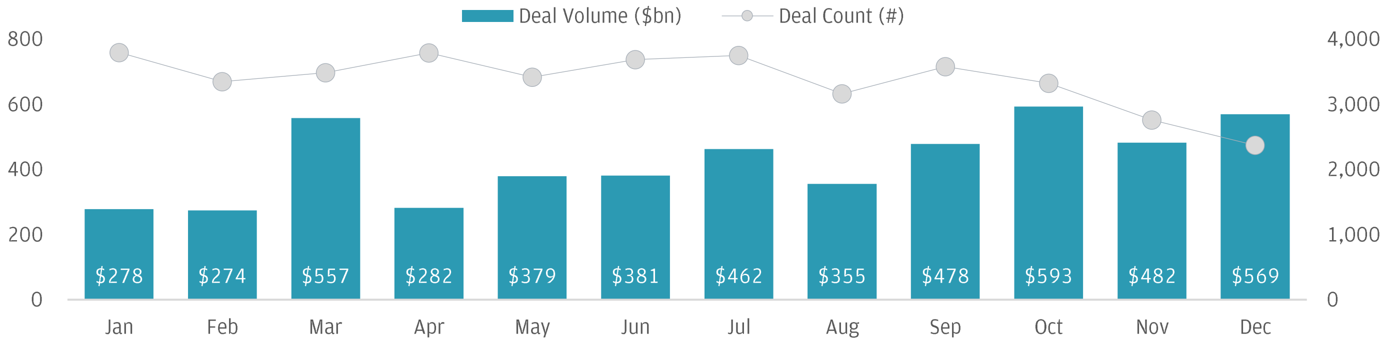
$1.4T in M&A volume
28% activity from Japan

$130bn in M&A volume
41% activity from Brazil

Looking back **at a rollercoaster 2025**

The year unfolded against a backdrop of historic events – from Liberation Day and government shutdowns to sweeping policy shifts and geopolitical turbulence – making 2025 one of the most turbulent, yet active, years over the past decade.

MONTH-OVER-MONTH GLOBAL M&A VOLUME AND COUNT[2,3]



Jan — NATO allies agree to spend 5% of GDP on defense. OpenAI, SoftBank, Oracle announce $500 billion *Project Stargate* to ramp up AI infra in U.S. while China invests in AI with DeepSeek's R1 launch, causing U.S. AI stocks to dip

Feb — Slight slowdown in U.S. job growth, increased consumer pessimism due to tariff announcements and persistent inflation. European Commission adopts Clean Industrial Deal proposal under the Draghi Report

Mar — China's MoF orchestrates a significant capital boost for 4 major state-owned banks via $72 billion bond issuance

Apr — U.S. announces sweeping global tariffs, causing M&A activity to stagnate. Capital markets touch troughs: S&P drops 5% in a single day, followed by 4% decline in STOXX and 3% in Nikkei

May — From Liberation Day lows, equity markets globally rebound to all-time highs gaining 15-20%. As part of *Project Stargate*, Oracle buys $40 billion of Nvidia chips for OpenAI data centers in the U.S.

Jun — M&A starts to show signs of strength with significant activity in Tech and Industrials. U.S. Court of International Trade rules to block tariffs imposed under IEEPA, while federal appeals court temporarily reinstates it

Jul — Trade policy uncertainty continues as 90-day pause extended. Introduction of One Big Beautiful Bill Act (OBBBA), and tug-of-war between easing financial conditions and sticky inflation

Aug — After a short pause in Q2, the summer ends as a blockbuster season for M&A, highest since 2021

Sep — U.S. FOMC cuts benchmark rate by 25bps first time this year as warranted by weakening labor market, while 3Q GDP grew 4.3% surpassing the 3% estimate. European Commission reviews progress of Draghi report, highlights new partnerships for critical materials

Oct — As the geopolitical climate stabilized, longest government shutdown (43 days) in U.S. history began. M&A moved from zero mega-deals in Feb to $370 billion across ~20 deals in Sep and Oct, fueled by robust cross-border activity

Nov — Consumer sentiment in U.S. dropped to record low, Sep jobs report delayed, and IPO window remained shut but M&A held steady with ~$180 billion announced globally and $155 billon announced in the U.S. in the first week itself

Dec — U.S. Fed lowers rates by 25bps after delayed Sep data showed slight uptick in unemployment and inflation. Direction of Fed in question, pending job and inflation reports

From echoes to evolutions — the forces shaping M&A

The conditions fueling dealmaking in the second half of 2025 are expected to carry into 2026, with M&A activity remaining strong – driven by solid fundamentals, a clear shift toward scale and strategic focus, sector momentum and sponsors exiting aging assets. Boardroom conviction, increased sponsor involvement and the pursuit of transformative deals position the market to capture select opportunities in 2026.

#1 AN ERA OF MEGA-DEALS AND REGULATORY SHIFTS

Shift towards scale, with mega-deals driving record volumes, underscoring the appetite for transformative transactions in a navigable regulatory environment

#2 PURSUING AND REWARDING FOCUSED SCALE

Importance of scale is at a high, with larger companies enjoying higher valuation premiums, stronger ratings and lower financing costs

#3 SHAREHOLDER ACTIVISM AND CORPORATE CLARITY

Record levels of shareholder activism, bolstered by favorable corporate governance reforms in APAC, with activist investors pushing for event-driven exits, strategic reviews, breakups and divestitures

#4 INNOVATIVE DEALMAKING AT RECORD HIGHS

Creative dealmaking strategies such as large-scale take-privates and minority stake sales surged, enabling dealmakers to bridge valuation gaps and return capital to investors

#5 EVOLVING SPONSOR MONETIZATIONS

Sponsors are increasingly leveraging structured solutions, secondaries and continuation vehicles to unlock liquidity, clear exit backlogs and navigate fundraising

#6 RISING TIDES OF PRIVATE CAPITAL

Rise of private capital unlocking new pathways for liquidity, control and strategic growth across both corporates and sponsors

#7 GEOPOLITICAL AND REGULATORY SHIFTS

Geopolitical and regulatory environment driving de-globalization and cross-border activity, which remains essential for securing strategic assets and reinforcing supply chains

#8 U.S. LEADERSHIP & REGIONAL HOTSPOTS

The U.S. remained an M&A leader, commanding record premiums, while EMEA and APAC proved to be attractive markets, each shaped by unique policy shifts and country dynamics

#9 TECH AND DI STAND OUT AMONGST THE SECTORS

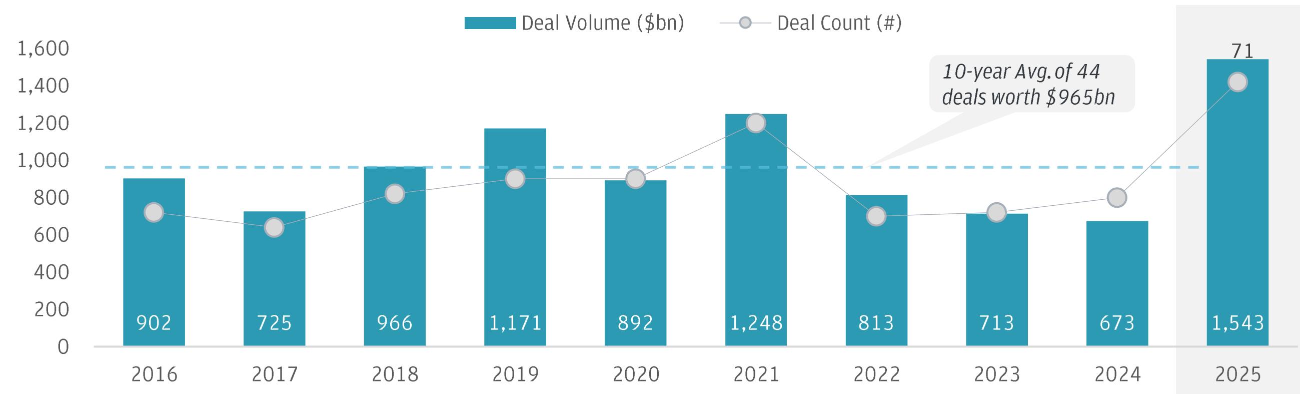
Technology and Diversified Industries led M&A activity, posting double-digit growth and reflecting a strategic focus on innovation and digital transformation as both industries intersected

#10 AI'S INVESTMENT BOOM AND ENERGY TRANSITION

Explosive capital flows into AI, data centers and energy infrastructure are transforming the business landscape, fueling the next wave of M&A

2025 saw a shift towards scale, ushering in a **resurgence of mega-deals,** as the regulatory environment stabilized

MEGA-DEALS (>$10BN) AT AN ALL-TIME HIGH[4,5]



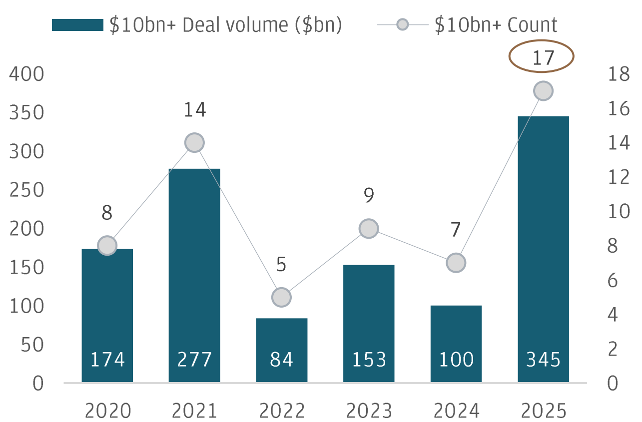
2025 was marked by a decisive shift toward larger deals, as the pursuit of scale and associated rewards took center stage. The second half of 2025 saw strategics and sponsors making bold moves. Anticipation of a navigable regulatory environment, controlled inflation and evolving sector dynamics drove large corporates and sponsors to make long-term investments in resilient assets. The year saw 71 mega-deals with over $1.5T in volumes, doubling 2024 and surpassing 2021 (60 deals worth $1.25T), with Tech, DI and FIG accounting for ~60% of activity. The $5–10 billion segment surged, with volume and deal count up over 60% YoY. The average deal size rose 47% YoY, underscoring a market focused on growth, resilience and competitive advantage.

While larger deals captured headlines, mid-cap activity (<$2bn) remained subdued. $0–2bn deal volumes rose 8% to $1.9T, and sub-$1bn transactions edged up 2% to $1.35T. Despite a decline in total market deal count, transactions over $250 million grew 14% YoY, reflecting the equity market's preference for scale and record-high premiums for larger deals.

Corporates are making **bigger and bolder moves**

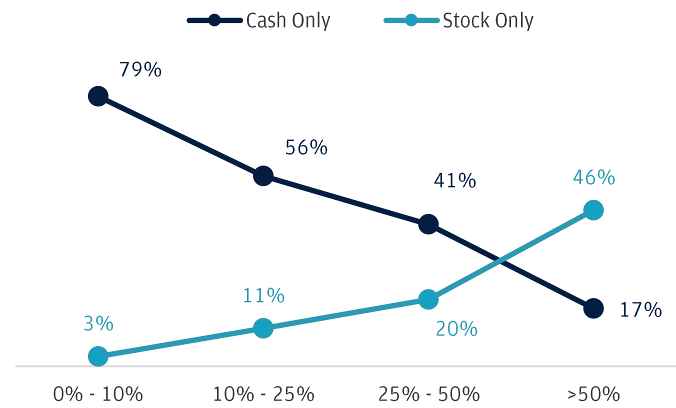
Companies are prioritizing deals with strong strategic fit to capture synergistic efficiencies. For the largest transactions, acquirers show a preference for stock over cash, leveraging a bullish equity market and aligning long-term incentives with their targets.

MEGA-DEAL CROSS-BORDER ACTIVITY SURGED[4]



PREFERENCE FOR STOCK TO FUND LARGER TRANSACTIONS[6]

Deal consideration as a % of Acquirer EV

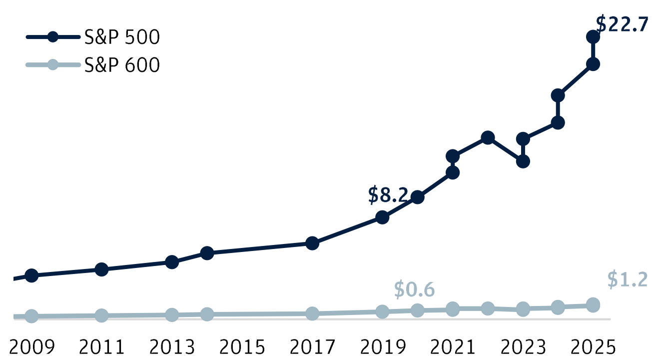


The definition of **scale**, and the premium placed on it, **has never been greater**

The importance of scale is clear – larger companies across the spectrum enjoy higher valuations, stronger margins and easier access to capital. U.S. premium for scale has reached an all-time high of 41%, reinforcing its exceptionalism in commanding higher premiums compared to global counterparts (46%[7] premium to STOXX 600). Larger firms also benefit from stronger credit ratings and lower cost of capital, with 75% of S&P 1500 $1bn+ EBITDA companies rated Investment Grade versus 22% for smaller peers.

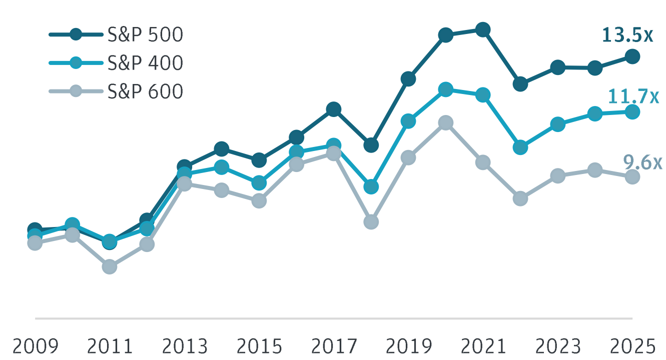
DEFINITION OF "LARGE-CAP" HAS TRIPLED SINCE 2019[8]

S&P 500 & S&P 600 min market cap eligibility ($bn)



PREMIUMS FOR SCALE ARE NEAR ALL-TIME HIGHS[9,10]

S&P 600, 500 and 400 median EV/EBITDA multiples over time (x)



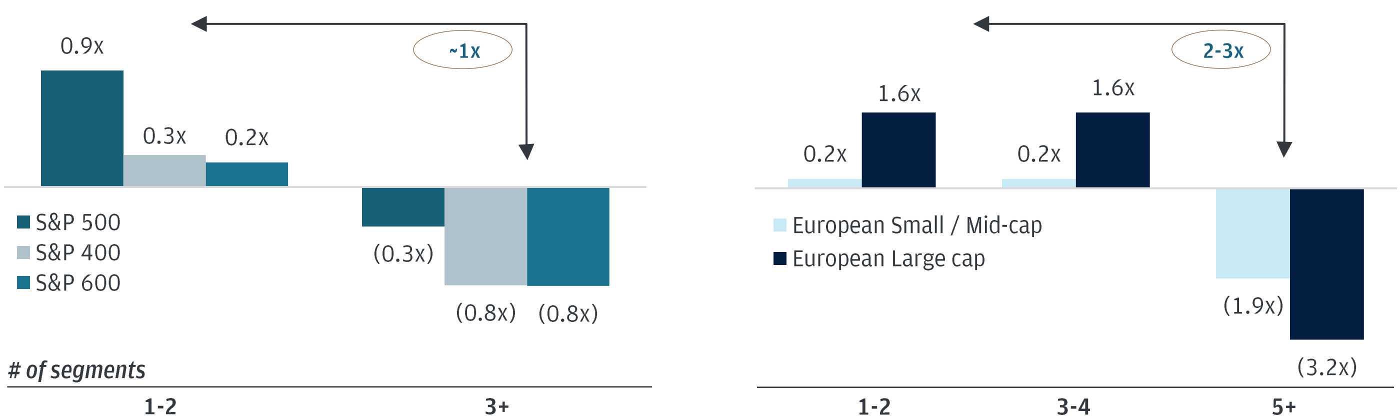
Not all scale is created equal – **focused scale** and **clarity** deliver the greatest rewards

The concept of "measured scale" is gaining traction, emphasizing deliberate and strategic growth rather than expansion for its own sake. Corporates, investors and activists alike are increasing focus on corporate clarity.

Conglomerates focused on divesting or separating underperforming business units are rewarded with significantly higher valuations than diversified players of similar scale. In 2025, separation activity reached a decade high, with 6[11] completed and 20[11] pending S&P 500 and STOXX 600 spin-offs, underscoring a growing willingness to divest non-core or underperforming businesses to unlock value and enhance overall returns.

INVESTORS ARE REWARDING CORPORATE CLARITY AND FOCUSED SCALE[12]

NTM P/E multiple differential vs. S&P 500 and STOXX 600 by reporting segments



Shareholder activism is defining boardroom dialogue and impacting corporate strategy

01

Increase in activist campaigns as macro conditions stabilize

Public activist campaigns have remained robust in recent years, often intensifying as markets recover from periods of volatility. Although current volatility is below its median level, valuations in many regions continue to trade at a discount to historical norms. These valuation dislocations present attractive opportunities for activists. Global public activist campaigns rose 5% YoY[13] in FY25, driven by a 30% surge in NAMR. EMEA and APAC partially offset these gains as activists increasingly engaged behind the scenes, keeping campaigns private for longer.

02

Primary and institutional activists take center stage

Institutional investors are increasingly receptive to ongoing engagement with activist funds and are showing a stronger tendency to support activist strategies. The rise of passive investment vehicles is applying pressure on active managers to seek alternative methods to generate higher returns. While occasional and lesser-known activists are also gaining traction, their impact is pronounced in smaller companies, with primary and institutional activists leading the way in large-cap situations.

03

Corporate focus and strategic carveouts remain top priorities

Activists are sharpening their focus on event-driven outcomes. Full-company sales remain a key objective at mid- and small-caps, but there is a growing emphasis on spin-offs and break-ups that shed underperforming divisions or capitalize on valuation arbitrage. In 2025, M&A-related demands accounted for 44%[13] of public campaigns in NAMR and 33%[13] in EMEA, followed by calls for changes in capital structure, allocation and leadership.

04

Leadership and governance challenges

Board changes are driving public campaigns globally, as activists continue to target board composition. In addition, more retired CEOs and CFOs are partnering with activists, offering sharper industry insights and credible C-suite succession options. High-caliber individuals, including sitting directors and former executives, are increasingly willing to serve as dissident nominees, enabling faster settlements and more consensual outcomes.

05

"Be your own activist" – proactive strategies

Many companies, particularly in the U.S., are proactively conducting activism vulnerability assessments to identify and address potential issues to preempt and deter activism. Given the current climate of heightened shareholder expectations, corporates are increasingly focused on boosting capital returns, portfolio simplification, pursuing operational improvements and implementing governance changes.

06

Increasing flexibility around resolution

A vast majority of activist campaigns are being resolved through negotiated settlements in the U.S. and increasing globally, especially in the current macroeconomic and political climate. Both activists and companies value the efficiency of private engagement, leading to more speedy and informal resolutions that avoid the cost and distraction of prolonged proxy fights.

Innovative dealmaking is playing an increasing role as corporates and sponsors embrace creative solutions

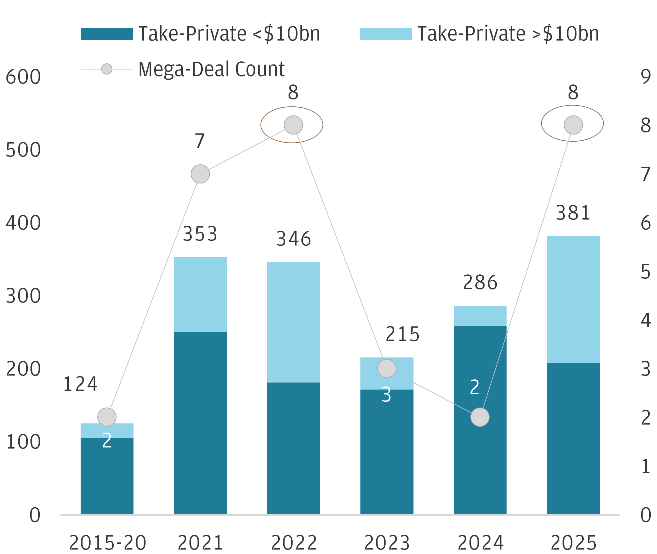
Corporates are actively shaping their portfolios through targeted acquisitions and divestitures, often prompted by corporate clarity events. Sponsors, meanwhile, continue to hold substantial dry powder, with pressure to deploy funds as well as return DPI to LPs through more nuanced exit strategies, including minority stake sales and continuation vehicles. Overall sponsor volumes are up 52% YoY with $1.7T in 2025 volume, partly driven by 22 mega-deals.

M&A VOLUME – SPONSOR VS. STRATEGIC ($T)[14]

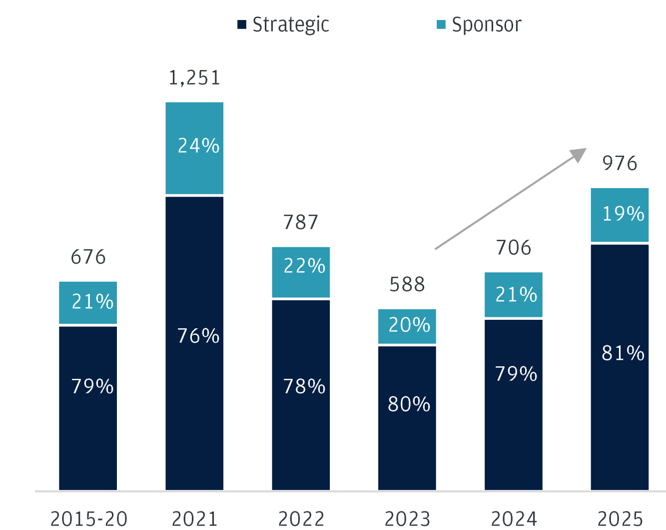
% of Global Volume	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Strategic	76%	72%	72%	72%	67%	63%	61%	71%	69%	67%
Sponsor	24%	28%	28%	28%	33%	37%	39%	29%	31%	33%

Valuation differentials and unsettled public markets encouraged many companies to seek stability through private ownership, which offered a more controlled environment. Despite elevated valuations, a subset of public companies with lagging performance or structural challenges traded at discounts, enabling targeted sponsor take-privates. This led to a record year for take-privates, with NAMR ($293bn) and EMEA ($135bn) seeing all-time high in volume. Minority stake sales also increased 38% YoY, as sellers and buyers sought ways to bridge valuation gaps, with sponsors increasingly employing creative solutions to return capital to investors.

TAKE-PRIVATE VOLUMES ($BN)[14]



MINORITY STAKE SALES ($BN)[14]

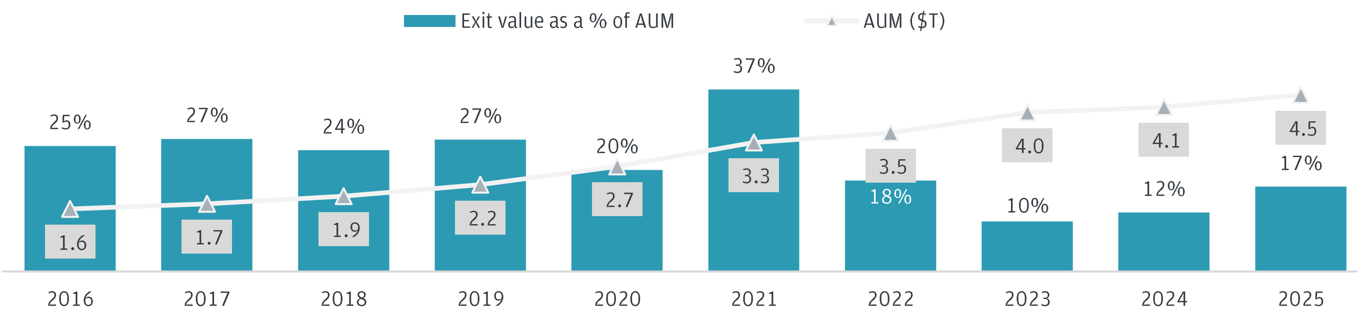


Significant dry powder and mature portfolios are **driving creative solutions**

Trophy assets continued to attract strong interest and command premium prices. In contrast, less attractive assets struggled to sell, underscoring that a stronger market does not guarantee a buyer for every asset.

Market dislocations and higher-for-longer interest rates made exits challenging and slowed capital deployment. Exit activity has cooled from the post pandemic highs of 2021-22. In 2023-24, capital recycling slowed, with just $1 monetized for every ~$10 under management, compared to the historical $1 for every ~$5.

ANNUAL PRIVATE EQUITY EXIT VALUE AS A % OF AUM[15]



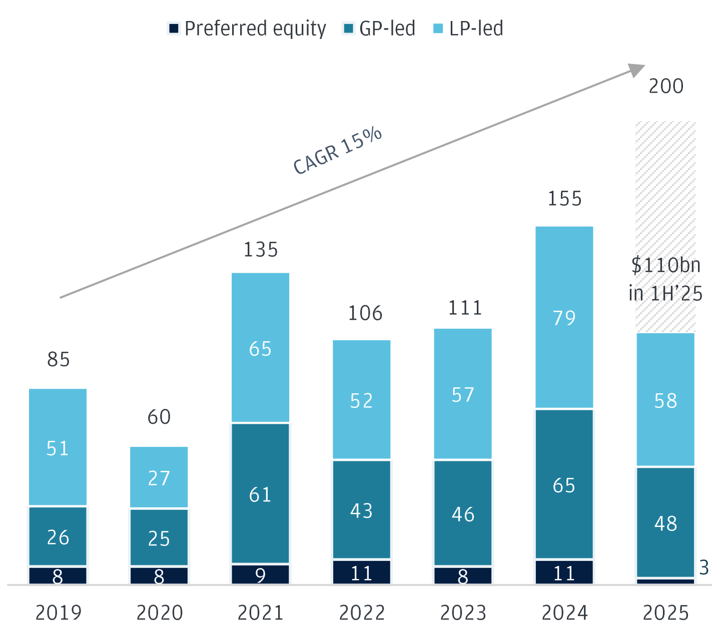
As exit backlogs build, DPI pressure increases[16]
A record backlog of PE-backed companies still await exits, extending holding periods and driving PE distributions to their lowest levels in over a decade. PE firms are managing an aging inventory, with over 29,000 PE-backed companies worth $3.6T+, and ~24% held for 4+ years. As of 3Q25, the U.S. has 12,900 PE-backed companies with 30% 7 years or older, another 37% 4 to 6 years old – resulting in median hold times of 3.9 years, the highest since 2011. With pressure to deploy, sponsors are expected to become more active as they seek to return capital to investors (global PE buyout AUM has doubled since 2020 to $4.5T and dry powder has reached $1.7T).

Evolution of monetization strategies to unlock liquidity

Sponsors are evolving their monetization strategies, with continuation vehicles and GP-led secondaries providing alternatives to IPOs and trade sales. In 1H25, secondaries volume reached $110bn, up 60% YoY with full-year activity expected to surpass $200bn, up 30% YoY. GP-led deals nearly doubled to $48bn in 1H25 and projected to hit $100bn for full year, with CVs expected to account for ~20% of GP exits.

In addition, minority stake sales and structured solutions are increasingly important for DPI, helping address exit backlogs and manage aging portfolios without sacrificing future upside.

TOTAL SECONDARY MARKET TRANSACTION VOLUME ($BN)[17]



Private capital is becoming more relevant, investing across the entire risk-return spectrum

FOR LARGE CORPORATES
LOW-COST EQUITY AT SCALE

In 2025, large corporates increasingly turned to private capital to fund growth, support strategic M&A and invest in AI infrastructure, all while retaining operational control. Bespoke structures now allow corporates to maintain control and preserve the ability to buy back stakes, with transaction types ranging from on-balance sheet minority equity partnerships to joint control arrangements that enable deconsolidation.

With corporate capex continuing to grow rapidly, private capital partnerships are delivering solutions that avoid capex drag, align capital duration with project cash flows, and provide flexibility for buybacks or minority equity conversion. Private capital is also being used to address activist pressure, demonstrating value and generating proceeds at an attractive cost of capital.

FOR PRIVATELY HELD COMPANIES
CONTROL RETAINED, OBJECTIVES ADVANCED

Privately held companies are increasingly using private capital outside of the traditional private equity model, selling equity and hybrid equity stakes while retaining control, be it for shareholder distributions, growth or acquisitions. Tailored risk allocation creates win-win outcomes not always possible in standardized public markets by aligning governance, valuation and risk-sharing with company objectives.

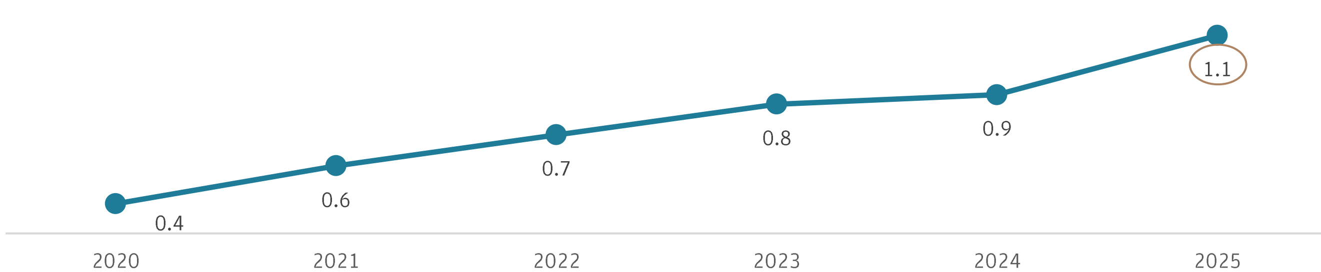
The proliferation of non-control equity and hybrid mandates is expanding options for private companies, with credit investors seeking more equity-like exposure and traditional private equity investors seeking more minority and structured minority opportunities.

The growth of insurance capital and the increasing use of back-leverage have enabled “de-risked minority equity” at costs often below traditional corporate equity, unlocking new avenues for investments in capex, acquisitions and deleveraging.

Looking ahead to 2026, deal sizes are expected to grow, with corporate-private capital partnerships broadening beyond monetizations to investing in large-scale capex and enabling strategic M&A. Companies find ever more choices to partner with private capital, with investors seeking to make their capital ever more relevant. This dynamic environment provides a formidable value creation opportunity for those who seek to capitalize on the “rising tide of private capital” to advance their strategic agenda.

INSURANCE CAPITAL MANAGED BY ALTERNATIVE ASSET MANAGERS[18]

Aggregate estimated combined insurance AUM of top 5 alternative managers ($T)



National security and resilience are reshaping the regulatory landscape amid geopolitical shifts

National security priorities are increasingly influencing the regulatory environment. Resilience is now defined by reliable energy, advanced AI and a self-sufficient defense sector, all underpinned by reinforced supply chains.

While deglobalization pushes companies toward self-reliance, the need for control over critical minerals and diversified supply chains is expanding opportunities for both cross-border and domestic transactions.

United States

→ Authorities signaled a more flexible antitrust stance, with direct White House involvement and a nationalist focus on approvals
→ Big tech, pharma and healthcare remain subject to heightened scrutiny, while creative deal structures such as “acquihires” increasingly used to navigate regulatory complexities

EMEA

→ Government agendas driving M&A, especially in defense energy transition, technology and infrastructure centralization
→ U.S. tariffs and FDI tightening by German, Dutch and Italian governments slowing activity in critical sectors

China

→ Proactive, pre-emptive approach to deals with national interest implications and stricter export controls on critical minerals
→ China Securities Regulatory Commission (CSRC) amended M&A rules for greater flexibility in restructuring and disclosures

Japan & Korea

→ Ministry of Economy, Trade and Industry (METI) issued new guidelines on economic security, emphasizing self-sufficiency, supply chain resilience and IP protection
→ Ongoing corporate governance reforms in both countries support transparency and business continuity

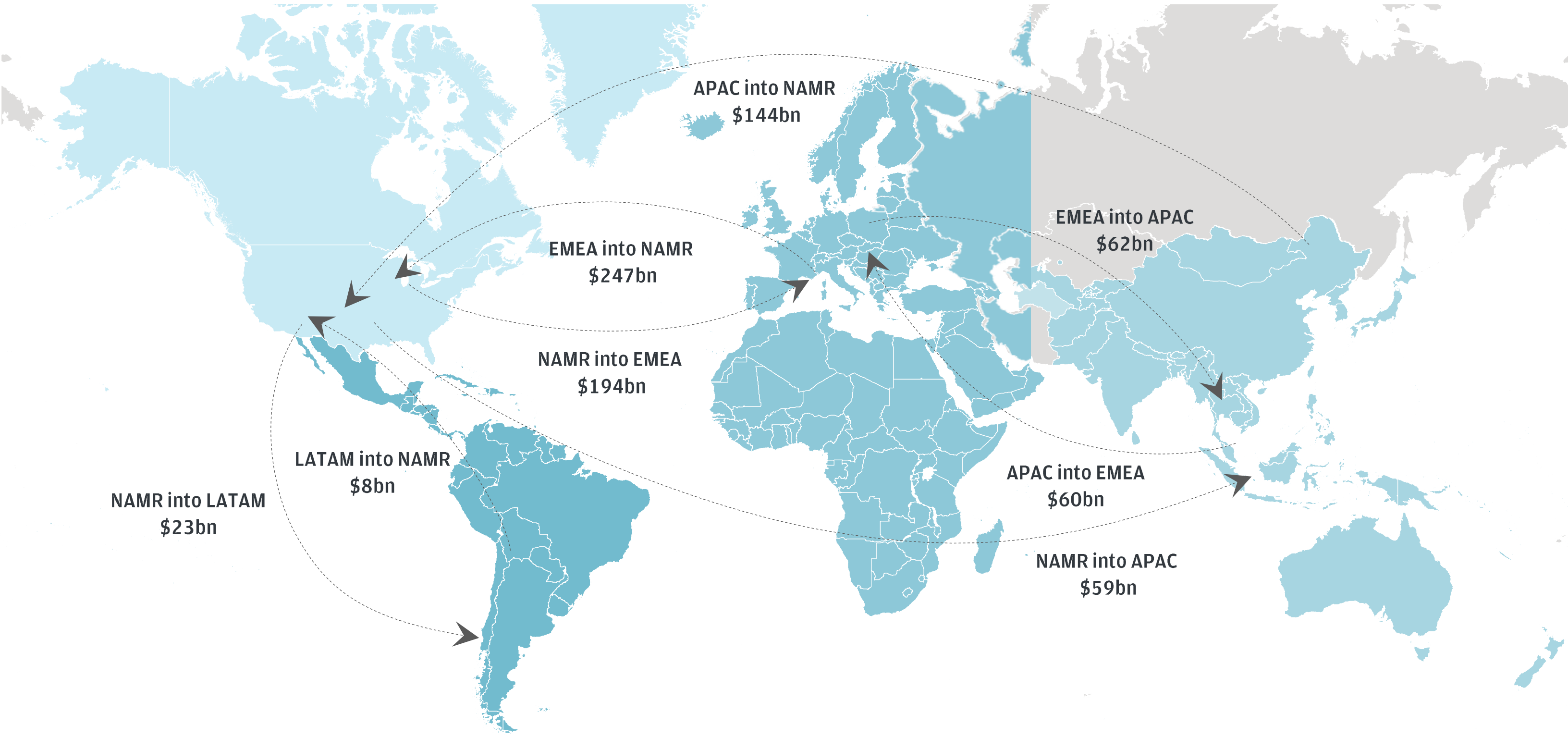
India

→ Reserve Bank of India (RBI) has liberalized domestic M&A financing, now allowing banks to fund local transactions
→ Government actively encouraging Indian companies to pursue global acquisitions for growth and supply chain realignment

Australia

→ Australian Competition and Consumer Commission’s (ACCC) new regime with a shift from voluntary to mandatory notification
→ Foreign Investment Review Board’s (FIRB) assertive stance in sectors vital to national security

Valuation differentials and supply chain alignment contribute to sustained cross-border activity



Cross-border M&A activity remained robust, rising 49% YoY. In line with the broader market, growth was fueled by several large transactions, with cross-border volumes reaching ~$1.3T, including 17 mega-deals with Tech and DI accounting for ~50% of cross-border activity.

The U.S. led as both a top acquirer and target, underscoring its strategic importance and the impact of geographic valuation differentials. The UK, France and Japan also saw significant inbound and outbound flows, reflecting their active role in global dealmaking.

Heading into 2026, global valuation gaps and strategic priorities will continue to drive international transactions.

CROSS-BORDER M&A VOLUME BY COUNTRY ($BN)[19]

Top 5 Acquirer Countries	FY25	FY24	YoY %
United States	296	157	88%
Japan	157	70	125%
France	112	52	113%
United Kingdom	89	50	80%
Saudi Arabia	68	5	>300%

Top 5 Target Countries	FY25	FY24	YoY %
United States	385	276	39%
United Kingdom	131	100	31%
Canada	99	58	70%
Netherlands	67	13	>300%
Germany	55	53	5%

EMEA seeing fewer but bigger deals as financing eases and valuation gap narrows

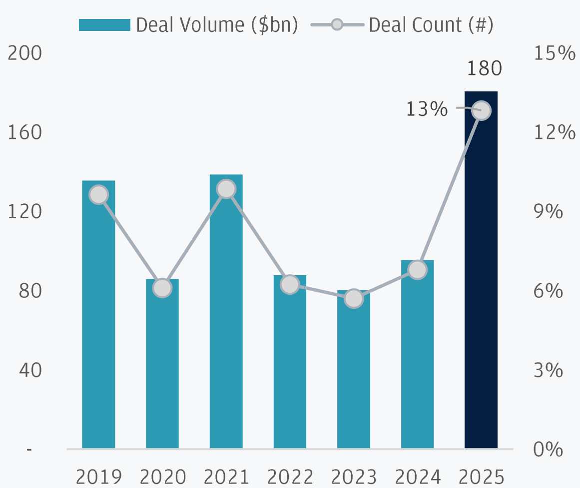
The emergence of regional champions in EMEA remains challenging due to diverse governments, regulatory environments, languages and currencies, alongside an increased emphasis on sovereignty and control over key infrastructure.

Despite these complexities, 2025 saw strong momentum in financial services consolidation (especially banking) in select markets such as Iberia, Italy and MENA, uptick in sponsor partnerships and minority sales as well as notable investments in enhancing AI and technology capabilities.

DACH	Separations drive activity, as Germany's conglomerate landscape evolves; sponsors prepare for larger IPOs and dual-track exits amid favorable markets
UK&I	Diversified businesses proactively launching strategic reviews in response to activist pressure; demand for top-tier assets and attractive valuations persists, driving cross-border M&A
FRANCE	Despite political instability, M&A volumes rebounded in 2Q, driven by robust activity in energy and infra; sponsors remain active, with accelerated divestiture programs and strong interest in take-private opportunities
BENELUX	Significant uptick in M&A, driven by large-cap strategic deals and renewed optimism for transformative transactions, but sponsor exits continue to be muted
NORDICS	M&A driven by increased sponsor activity, alternative transaction structures and return of IPOs, expanding exit options; strategic acquirers continue to streamline through divestitures and spin-offs while pursuing targeted acquisitions
IBERIA	Strong M&A momentum trending toward market consolidation to create national champions, particularly in defense, telecom and energy
ITALY	M&A driven by consolidation, energy transition, infrastructure investment and capital markets reforms – these trends, alongside sponsor exits, are expected to continue

Robust M&A activity and capital deployment in MENA

MENA M&A VOLUME ($BN) AS % OF EMEA[20]



MENA is becoming a hotbed of M&A activity, reflecting renewed investor confidence and a strong dealmaking climate. Volume hit $180 billion, double the 2022–24 average and well above previous peaks. UAE and Saudi Arabia contribute the majority of activity with Qatar, Kuwait and Bahrain gaining traction, especially through cross-border deals and consolidation.

While Oil & Gas, Real Estate and Banking have traditionally dominated, 2025 activity is more balanced, with sharp growth in AI and tech deals driven by digital transformation. Banking consolidation remains robust, and international PE firms are expanding their presence with dedicated funds. M&A is expected to remain strong, supported by privatizations, cross-border opportunities and strategic partnerships. Disciplined investors focused on digital transformation and energy transition will be best positioned for future growth.

Changing corporate governance and active public markets driving activity **in APAC**

In 2025, activity was driven by corporate governance reforms, acquisitions to build scale and a focus on addressing, or capitalizing on, public under-valuations. This was coupled with healthy GDP growth and strong equity market performance, with most markets up 15–25% YTD.[21]

The region recorded 828[22] IPOs this year, representing ~43%[22] of global primary capital raised, boosting M&A confidence and providing sponsors with important exit alternatives.

CHINA

Domestic sentiment rebounds as reflected in sponsor-led take-privates, a revival of IPO activity and attractive valuations that are renewing investor interest

AUSTRALIA

Navigating changing anti-trust regimes while seeing steady inbound interest in resources and energy

JAPAN

Significant M&A momentum and record outbound activity, almost double of 2024 as activists increasingly focus on event-driven demands

INDIA

3rd largest IPO market globally, witnessing robust public market momentum, sustained valuation premiums and active sponsor-led transactions, while attracting sticky domestic capital into equities

SOUTH KOREA

Corporate portfolios and ownership structures for unlocking value to take center stage as government implements transparent governance standards

Rising activism in Japan and Korea[23]

85

Public activist campaigns in 2025

15

Public activist campaigns in 2025

JAPAN

Japan saw public activist campaigns surge 30% YoY, driven by ongoing governance reforms and increased investor engagement.

- Growing focus on governance and capital allocation to address undervaluation
- M&A activity rising, driven by sale of non-core assets and real estate monetization to crystallize unrealized gains
- Activist investors, both foreign and domestic, targeting Japan, often engaging privately but accelerating public campaigns before AGM season

SOUTH KOREA

South Korea is expected to become a hotspot, adopting Japan's governance reform playbook.

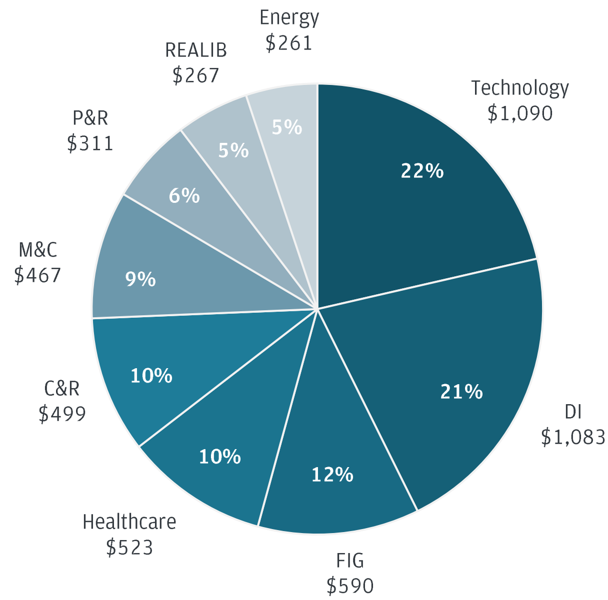
- Activists are pressuring large companies with substantial cash reserves to increase dividends and share buybacks
- Investors expected to launch campaigns urging large conglomerates to unwind complex cross-shareholdings and focus on core businesses

8 of 9 sectors saw year-over-year growth

With Media & Communications, Financial Institutions, Technology, Healthcare and Diversified Industries all seeing 40%+ growth.

In particular, the AI market is projected to grow from $190bn in 2023 to $4.8T by 2033[25], a 25-fold increase in a decade, positioning it as a key driver of investment and dealmaking across all sectors.

M&A VOLUME BY TARGETED SECTOR ($BN)[24]



↑ 59%

TECHNOLOGY

Surge in larger deals across both strategics looking to enhance tech capabilities and sponsors aimed at returning capital. AI increasingly becoming a focal point across VC, growth investments and strategic M&A

↑ 47%

FINANCIAL INSTITUTIONS

Banking and insurance seeing significant consolidation activity, fueled by regulatory climate, financing conditions and benefits of scale. Sponsors and corporates continue to be opportunistic as fiscal uncertainty improves

↑ 43%

DIVERSIFIED INDUSTRIES

Consolidation in traditional subsectors like building materials to achieve scale while large-caps sharpened focus through breakups, amid a data center and infra-adjacent supercycle

↑ 44%

HEALTHCARE

As long-term sector fundamentals improve, strategic and financial sponsors remain focused on actively deploying capital while navigating temporary headwinds such as government funding cuts, policy and regulatory changes

↑ 100%

MEDIA & COMMUNICATIONS

Unprecedented capital investment in AI-related digital infrastructure drove major private buyouts and sector consolidation, with momentum expected to accelerate

↑ 38%

CONSUMER & RETAIL

Large-scale M&A fueled by aggressive portfolio reshaping among CPG giants. Strategic acquirers continue to lean into consolidation and premiumization, while sponsors utilize creative structures to achieve liquidity

↑ 21%

POWER & RENEWABLES

Emphasis on expanding generation and transmission, with renewed focus on nuclear and renewables as key to future grid stability and power needs

↑ 5%

REAL ESTATE

REIT landscape marked by scale-driven public mergers, discounted small- and mid-cap take-privates and muted private deals due to high return requirements

↓ 4%

ENERGY

Focus on diversified supply, critical minerals and supply chains (especially for defense and tech) and greater collaboration between traditional energy firms and power providers to meet global demand

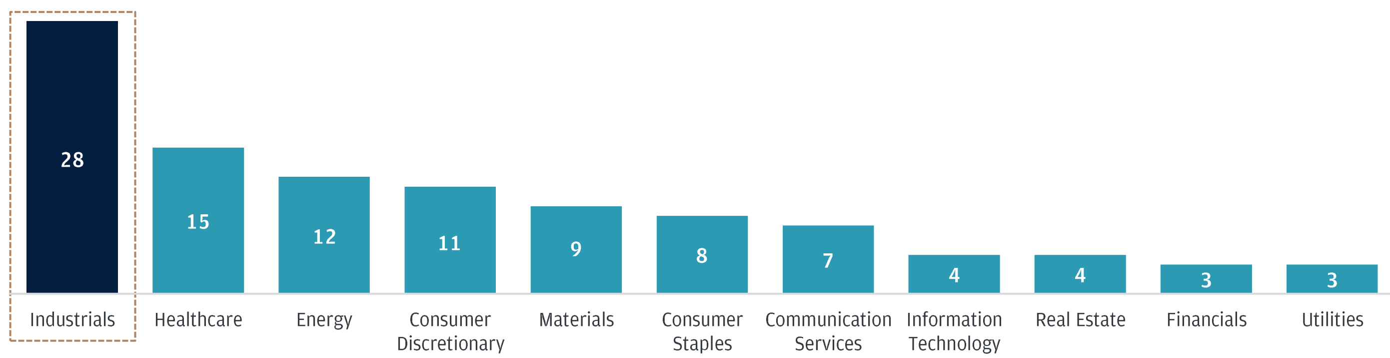
Diversified Industries and Technology converged as AI continues to impact the dealmaking landscape

Technology and Diversified Industries each surpassed $1T in M&A volume – together representing 43% of overall volumes. Both sectors experienced record mega-deal activity, collectively accounting for 45% of total mega-deal volume and 41% of mega-deal count. Additionally, these sectors drove half of all cross-border M&A activity, as companies worldwide sought to acquire technological capabilities and optimize supply chains for greater efficiency.

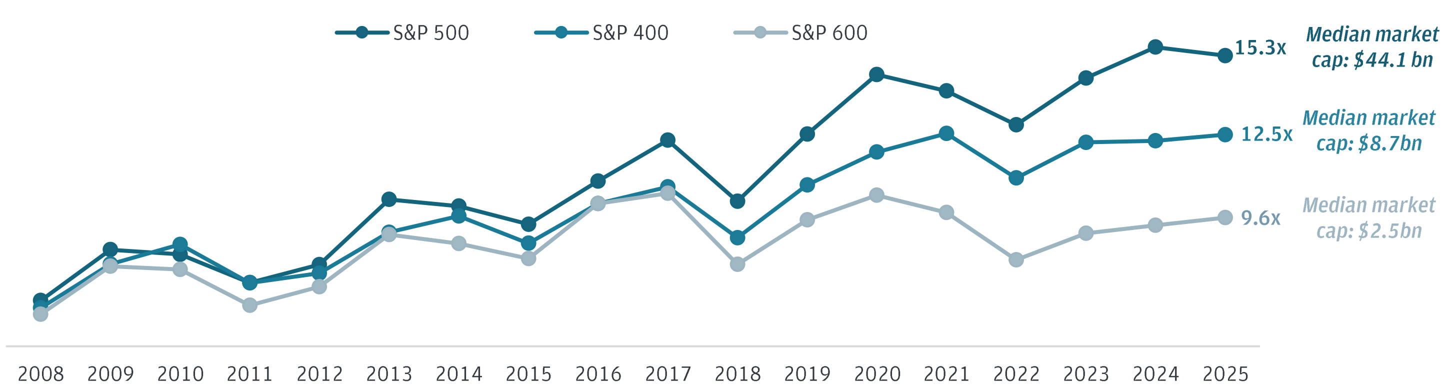
The surge in Diversified Industries was driven by two key trends. First, consolidation accelerated in traditional segments such as building materials and distribution, as firms pursued scaled M&A that will drive supply chain efficiencies and cost reductions for key end-markets such as housing. Second, the convergence of Diversified Industries and Technology emerged as a defining theme, with industrial companies enhancing their technological capabilities and technology investors targeting high-growth, high-margin opportunities within Industrials as evident in the AI-adjacent industrial areas like power systems, thermal management and industrial software.

Portfolio simplification continued to take center stage in Industrials, with companies accelerating break-ups, spin-offs and carve-outs to sharpen strategic focus and unlock value. This drive for clarity was balanced by an ongoing race for scale, as larger players consistently command valuation premiums and attract greater investor interest. Notably, large-cap Industrials companies trade at a significant premium compared to mid-caps – a 60% premium versus the global average of 41%. Many of the companies that opted for portfolio simplification successfully navigated the trade-off between scale and the upside of corporate clarity.

S&P 500 SPIN-OFFS BY SECTOR, 2010-2025[26]



MEDIAN EV / NTM EBITDA MULTIPLES OVER TIME (INDUSTRIALS)[27]



Transformative AI wave attracts massive capital flows

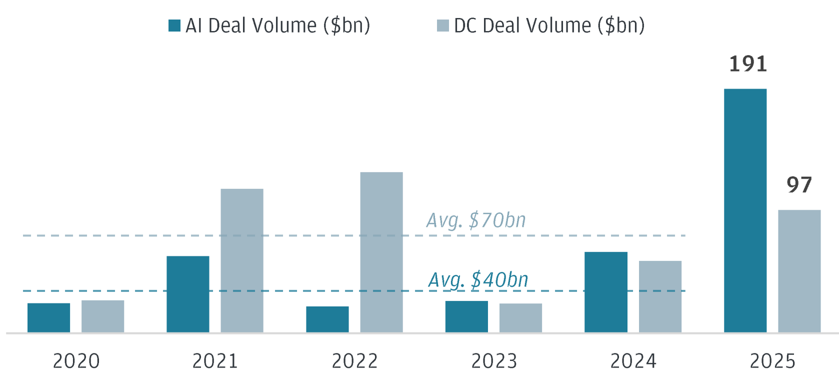
Global investment in data centers, AI infrastructure and related power supplies is projected at $5–7T[28], with the top four U.S. hyperscalers expected to spend $480 billion[28] on the data center value chain in 2026. Explosive demand and massive capital flows into data centers, AI compute, electrification and automation is creating the fastest-growing M&A hotspots across power systems, thermal management, robotics and industrial software. Dealmaking has been focused on capital raising, minority investments and strategic partnerships, rather than vertical consolidation. Targeted M&A deal volume in AI and DC stood at ~$290 billion in 2025, a 140% jump YoY, and 430% increase over previous five-year average of $55 billion. Despite the surge in investment and 90%[29] of firms reporting regular AI use in at least one business function, most enterprises remain in the experimental or pilot phase. Only 7% have achieved scale, and just 30% feel prepared to do so, often citing cost benefits as a key enabler.

AI dominance is now synonymous with **energy security**

Securing reliable, 24/7 power for computing operations remains a challenge for hyper-scalers, with many looking to build their own generation facilities. Several utilities report a 3-4 year lead-time for receiving new natural gas turbines, with nuclear plants in the U.S. having historically taken ~10 years to build, highlighting a supply and demand gap. Investment in AI and supporting infrastructure continues to accelerate, with PE raising multi-billion-dollar funds targeting the AI value chain. Both traditional and renewable energy sources are attracting capital, given the scale of energy demand.

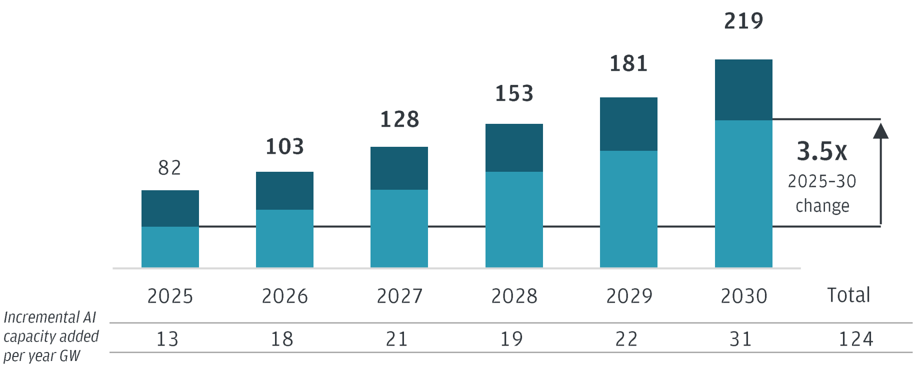
In 2026, these dynamics are expected to drive consolidation and sector shifts, with a continued focus on resilience, sustainability and operational efficiency. Regardless of sector, bidders are evaluating targets not just on AI potential, but on clear evidence of AI-driven results, distinguishing true leaders from laggards. In this new phase, those who turn AI's promise into real results will set the pace for the future.

M&A ACTIVITY IN AI AND DC BUILDOUT[30]



ESTIMATED GLOBAL DATA CENTER DEMAND (GW)[31]

AI will require a doubling of global data center power to ~60 GW by 2027



AI & ML VC deal activity rises to $270bn[32]
up 80% YoY and contributing to 53% of overall VC deal activity, as investors focus on AI ancillary startups and not just those developing LLMs

U.S. data center construction spend[33]
40% of global DC investments through 2030 are estimated to occur in U.S., outpacing total private construction spend over same period

11,150 data centers exist worldwide[34]
U.S. leads in number of data centers (4,200) followed by U.K. (520), Germany (490), China (380) and France (320)

Conviction and adaptability will be essential for success

2025 brought shifts in trade, macroeconomic policy and geopolitics – all of which influenced global strategies. Larger deal sizes, tariff and tech-driven growth, new cross-border alliances and sector consolidation contributed to activity. Conviction and adaptability remain essential as momentum carries into 2026.

GEOPOLITICAL RISK

Ongoing disputes and cross-border tensions impact uncertainty, influencing timing and progression of deals

REGULATORY ENVIRONMENT

Navigating jurisdictions, protectionist policies and global coordination among regulators contributing to heightened scrutiny, especially for deals with exposure to sensitive sectors like AI, defense

EVOLUTION OF U.S. FOREIGN POLICY

Potential reduction in U.S. aid to key economic and military allies and a ballooning deficit could further diminish its soft power, affecting international relations and economic influence

RATES AND INFLATION

Market reactions and expectations of further rate cuts, not just in the U.S. but globally, combined with sticky inflation from tariff pressures continue to weigh on deal valuations

ECONOMIC UNCERTAINTY

Uncertainty around economic policies, macro growth, labor markets and potential divergence of central banks globally has implications for businesses and dealmaking

TRADE AND TARIFFS

Evolution of tariffs impacting supply chains while shaping M&A and capital market activity

CROSS-BORDER

Impact of geopolitical tensions and protectionist policies on geographic valuation differentials and cross-border activity

BUILDING THE AI ECONOMY

Explosive demand for data centers, AI compute, electrification and automation creating the fastest growing M&A hotspots across technology, energy and industrials

SCALE AND GROWTH

Businesses that achieve steady growth and scale being increasingly rewarded by investors, attracting better ratings and lower financing costs, further fueling bold and large-scale strategic transactions

CORPORATE CLARITY

Rewarding focused scale as strategic clarity (spins, divestitures and carve-outs) enables creation of "pure play" entities that drive efficiencies, enhance shareholder value and attract premium multiples

SPONSORS

Exit backlog, longer holding periods and rising dry powder prompting sponsors to rethink deployment and monetization strategies, with secondaries and CVs emerging as key solutions to deliver DPI and liquidity

ACTIVISM

Globalization of activists with continued focus on valuation, corporate structure and capital allocation. Market volatility, rising institutional involvement and evolving governance reforms fueling increased activist dialogue across regions

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JAY HOFMANN
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Co-head Mid-Cap M&A NAMR

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KARIM RAISSIS
Global head of Ratings Advisory

FUAT SAVAS
Co-head of Global Infrastructure Finance & Advisory (IFA)

CHUKA UMUNNA
Global head of Corporate Governance & Sustainable Solutions

DIRECTOR ADVISORY SERVICES (DAS)

MATTHEW TARTAGLIA
Global head of Director Advisory Services (DAS)

[1]Dealogic as of 12/31/2025.

[2]Dealogic as of 12/31/2025. March 2025 volumes skewed by inclusion of $72bn of Chinese government capital injection in 4 state run banks, which would not be considered typical M&A activity.

[3]Timeline events sourced from press articles by NATO, Reuters, Federal Reserve Bank of New York, European Commission.

[4]Dealogic as of 12/31/2025.

[5]10-year average from 2015-2024.

[6]FactSet, Dealogic as of 12/31/2025. Sample set consists of public U.S. acquirers since 2019 involved in deal size >$500mm; Accounts for Netflix / Warner Bros. Discovery based on definitive agreements-does not account for other bids.

[7]FactSet, Bloomberg as of 12/31/2025. Aggregate / composite index weighted multiples for S&P 500 and STOXX 600 constituents, excluding Financials, and negative EBITDA as of 12/31/2025. Growth defined as 2-yr revenue forecast CAGR.

[8]S&P U.S. Indices Methodology as of 08/2025.

[9]FactSet as of 12/31/2025. Sample set consists of S&P 400, 500, 600 constituents as of 12/31 of each year. Excludes Financials.

[10]Growth measured as 2-yr forecasted revenue growth CAGR.

[11]Bloomberg, FactSet and Dealpoint as of 12/31/2025. Parent market cap > $100mm; Transaction value of separated company >$100mm as of 12/31/2025.

[12]For S&P 500 - Bloomberg, FactSet as of 12/31/2025. S&P 500 data excludes Financials and Real Estate; Y-axis is the difference between the median multiple of all firms in the S&P 500 and the median multiple of firms with certain number of segments. For STOXX 600 - Bloomberg as of 06/30/2025; Y-axis is the difference between the median multiple of STOXX 600 SMID and Large-cap firms vs. the median multiple of firms in same size quintile; Analysis runs from 2008-2025 Q2.

[13]FactSet, Bloomberg, Diligent, and press articles as of December 31, 2025. Data includes public campaigns in NA, EMEA, and APAC targeting companies with market capitalizations over $250mm. The percentage of M&A-related demands reflects campaigns with at least one M&A request, such as strategic alternatives, company sale, or break-up, but excludes block M&A demands.

[14]Dealogic as of 12/31/2025. NAMR and EMEA take-private volume based on any involvement. Minority stake sales include deals with final stake less than 50%.

[15]Dealogic as of 12/31/2025. M&A Exits based on announcement date, IPO exits based on pricing date. AUM includes buyout strategy only; Annual exit value divided by beginning of year AUM.

[16]Pitchbook as of 09/30/2025. DPI as of 12/31/2024. Bain's Private Equity Outlook 2025 as of 03/03/2025. Preqin's PE 2026 Global Report as of 12/2025.

[17]Based on Campbell Lutyens, Pitchbook Global PE 3Q Report.

[18]Combined insurance AUM represents insurer balance-sheet invested assets + third-party / sponsored insurance capital as of 3Q 2025.

[19]Dealogic as of 12/31/2025.

[20]Dealogic as of 12/31/2025. MENA volume excludes Israel.

[21]Press articles and Bloomberg as of 12/31/2025.

[22]Dealogic as of 12/31/2025. Excluding Chinese A-shares.

[23]FactSet, Bloomberg, Diligent, press articles as of 12/31/2025. Data covers public campaigns in NA, EMEA and APAC, for campaigns targeting companies with market capitalization greater than $250mm.

[24]Dealogic as of 12/31/2025.

[25]Based on UN Trade & Development (UNCTAD) as of 04/07/2025.

[26]Bloomberg, FactSet; Data includes announced deals spin-offs S&P 500 companies since 2010 (n = 104) as of 12/31/2025.

[27]Data as of 12/31/2025. Consists of S&P 500, S&P 400 and S&P 600 constituents (Industrial firms in Large, Mid and Small cap indices) as of 12/31/2025.

[28]Factset as of 11/03/2025. McKinsey's The data center balance: How US states can navigate the opportunities and challenges, as of 08/08/2025.

[29]McKinsey's The State of AI: Global Survey 2025, as of 11/05/2025.

[30]Dealogic as of 12/31/2025. Deal volumes calculated basis the use of the words – Artificial Intelligence and Data Centers in Target's business description.

[31]McKinsey, Gartner Report as of 07/31/2025.

[32]Pitchbook as of 12/31/2025.

[33]J.P. Morgan's Power Rewired: The New Map of Energy and Geopolitics as of 09/2025.

[34]Datacentermap.com.

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