

NORTH AMERICA M&A and ADVISORY
BNP PARIBAS SECURITIES CORP

2025 U.S. M&A Review & 2026 Outlook

January 2026



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2025 M&A Review and 2026 Outlook

Key takeaways

- **2025 saw “great rebound” in deal value—led by megadeals—against a backdrop of easing headwinds and AI disruption.** Strategic transactions with transformative rationale and sponsors with ample dry powder have driven larger acquisitions. U.S. megadeals (of \$10 billion or greater) accounted for 45% of deal value despite being only 4% of total deal count
- **We expect AI enthusiasm to persist in 2026 and drive transactions.** Despite concerns about elevated valuations, AI has spurred a race to build out next-generation capabilities and infrastructure, and we believe AI-related infrastructure spending will continue
- **Sponsors remained active in 2025 and begin 2026 with mounting pressure to transact.** Sponsors accounted for 40% of total U.S. deal value in 2025, though they remained below the recorded levels of 2021 and 2022. We expect significantly longer holding periods and record-high debt maturities will motivate strategic sales or secondary transactions in 2026, including the use of continuation vehicles. An improving financing backdrop will also underpin further dealmaking this year
- **We see tariffs and regulation motivating dealmakers in 2026.** Tariffs could continue to prompt a reconfiguration of global supply chains and revitalize cross-border transactions, particularly via inbound investment into the U.S. and Europe. Meanwhile, the U.S. administration’s anticipated regulatory easing and tax incentives may bolster M&A activity
- **In the near term, we expect M&A momentum to continue.** We believe that increasing market stability – supported by the expectation of looser monetary policy by the Fed and a deal-friendly Trump administration – should accelerate dealmaking

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Even amid macro and geopolitical uncertainty, corporates and sponsors used 2025 to actively reshape portfolios - pursuing large, strategic transactions, divestitures, and take-private transactions to maximize value. We expect 2026 to be a robust year for Global and U.S. M&A as pressure intensifies to reposition for AI and other structural shifts.

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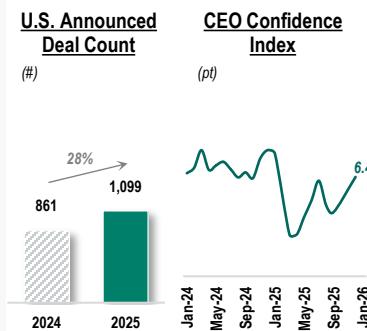
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2025 Review – Key Themes that Shaped 2025 U.S. M&A Activity

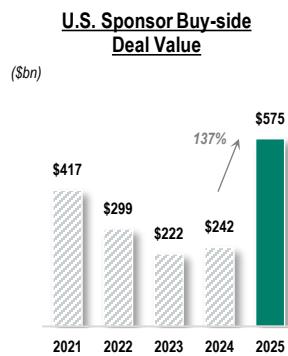
1. DEALMAKING DESPITE MACRO AND GEOPOLITICAL UNCERTAINTY

- Despite a volatile start to 2025 marked by tariff uncertainty and macro volatility, deal activity rebounded sharply – illustrating that boards pivoted from “wait-and-see” to “price-in-and-act”
- U.S. deal count (+28%) and deal value (+68%) have increased YoY, with CEO confidence index at the end of December increasing back to July 2024 levels, indicating a stronger demand outlook and increased optimism around investment / growth prospects



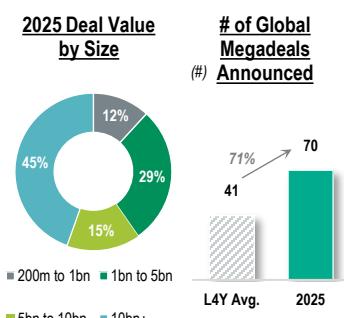
4. SPONSOR BUY-SIDE DEAL VALUE ON THE RISE

- Valuation compression amid market instability has opened the door for opportunistic M&A
- Fueled by record-high dry powder and increasing pressure to return capital to investors, 2025 buy-side deal value reached \$575bn, a 137% YoY increase
- Mega LBO deals announced include EA Sports / PIF, Silver Lake (\$55bn), Air Lease / Sumitomo Corporation (\$28bn) and Walgreens / Sycamore Partners (\$24bn)



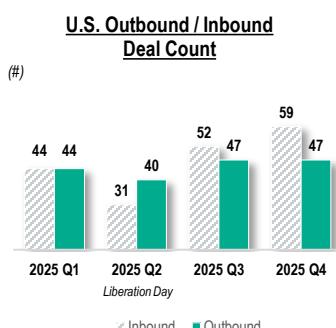
2. “GREAT REBOUND” IN DEAL VALUE, LED BY MEGADEALS

- A U.S. record of 43 megadeals (\$10bn+) announced in 2025 accounted for 45% of deal value and only 4% of deal count
- Transformative deals and sponsors with ample dry powder have driven larger acquisitions
- Increase in deals below \$10bn across multiple sectors (Energy, FIG, Healthcare, etc.)



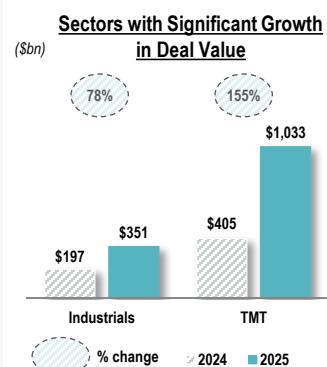
5. INCREASE IN CROSS-BORDER M&A

- After tariff announcements and macro volatility dampened activity in early 2025, deal volumes for U.S. inbound / outbound transactions inflected meaningfully higher in Q3 / Q4
- The stronger uptick in inbound vs outbound transactions indicates that global buyers increasingly view the U.S. as an attractive destination for capital deployment, supported by its relative growth, robust capital markets, and leadership in AI and technology



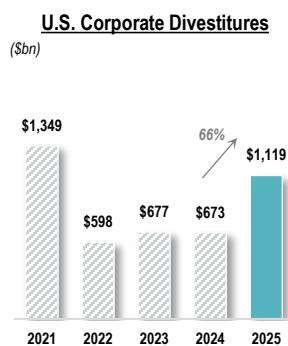
3. BIG BETS ON AI REVOLUTION SPURS M&A ACROSS SELECT SECTORS

- 2025 saw big conviction bets on the AI revolution / innovation in both Technology and Industrials, with boards using M&A to buy capabilities and infrastructure at scale rather than waiting for organic buildouts
- In Tech, buyers are acquiring models, data, & cloud platforms to improve / maintain competitive positioning
- In Industrials, companies similarly focus on acquiring enhanced capabilities driven by the growing demand for infrastructure and energy supply to support continued AI investment



6. STRATEGICS RESTRUCTURING AND DIVESTING NON-CORE SEGMENTS

- U.S. corporate divestitures have increased by 66% YoY
- Driven by profitability to maximize valuation, many large corporates continue to rationalize their portfolio and divest non-core assets
- Streamlining of businesses to offer greater investor transparency and optimize capital allocation, expected to continue in 2026



Source: Dealogic as of January 1, 2026, Capital IQ, Bloomberg, Mergermarket; Note: Analysis based on announced transactions equal to or greater than \$200m in value

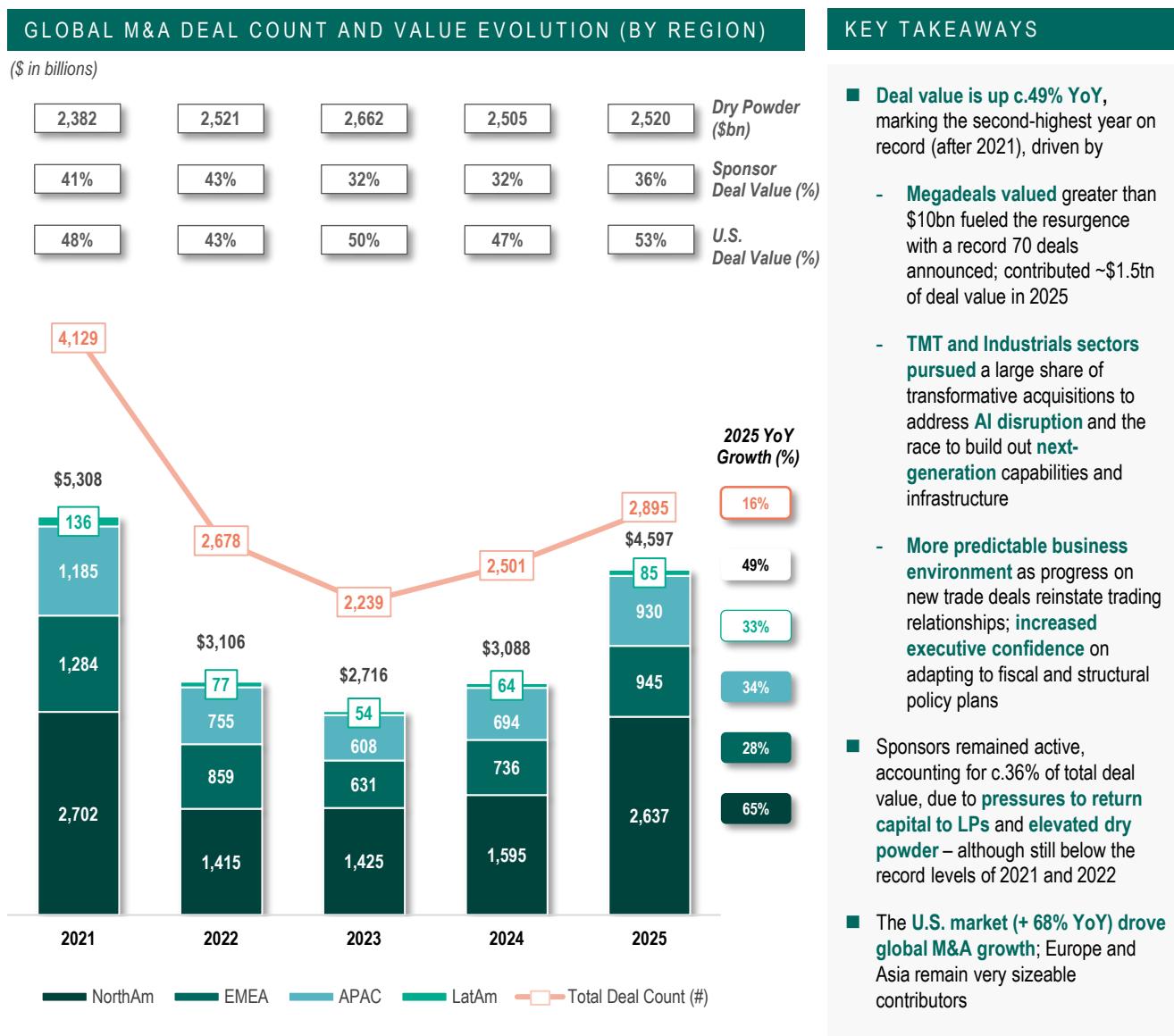


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2025 Global M&A – The Return of Megadeals

Activity concentrated in large, strategic transactions against a backdrop of easing headwinds and intensifying pressure to reposition for AI and other structural shifts

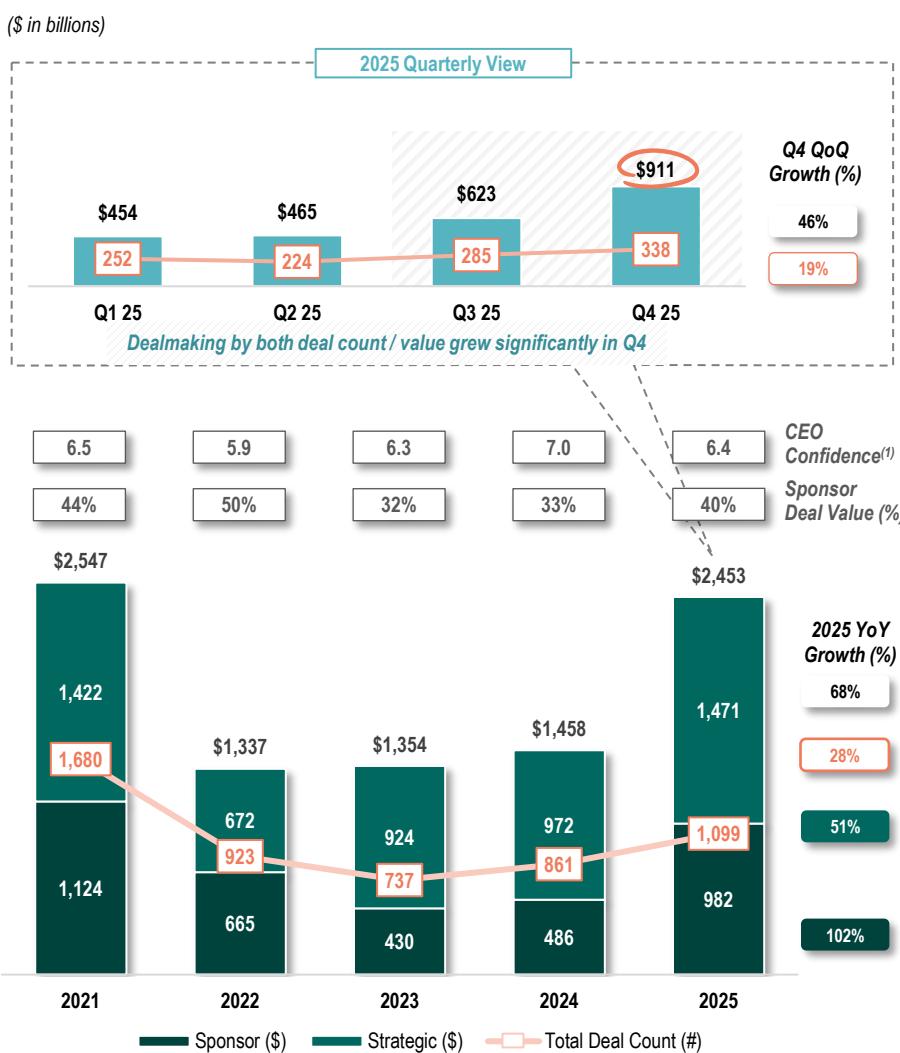




2025 U.S. M&A – A Record Year Despite Tariffs and Start of Year Weakness

U.S. M&A deal value and count increased YoY by c.68% and c.28%, respectively

U.S. M&A DEAL COUNT & VALUE EVOLUTION



KEY TAKEAWAYS

- Significant increase vs. last three years, in line with 2021; record 43 megadeals announced in the U.S.
- While tariff announcements and trade policy volatility dampened dealmaking in early 2025, by mid-year markets had largely priced in tariff risk and began adjusting to account for such uncertainty
- Dealmaking in the U.S. (by deal value) shrunk by 2% in Q1, whereas in Q2, Q3, and Q4 dealmaking grew 52%, 69%, and 184% (vs. 2024)
- Financial sponsors entered 2025 with substantial levels of dry powder and responded by leaning into U.S. dealmaking at near-record pace, as deployment pressure and return expectations converged
- In the near-term, U.S. M&A activity momentum is expected to continue into 2026, supported by easing monetary policy & regulatory landscape and sustained strategic pressure to scale and optimize portfolios and build AI capabilities

Source: Dealogic as of January 1, 2026, Bloomberg; Notes: Analysis based on announced transactions equal to or greater than \$200m in value; (1) CEO Confidence Index



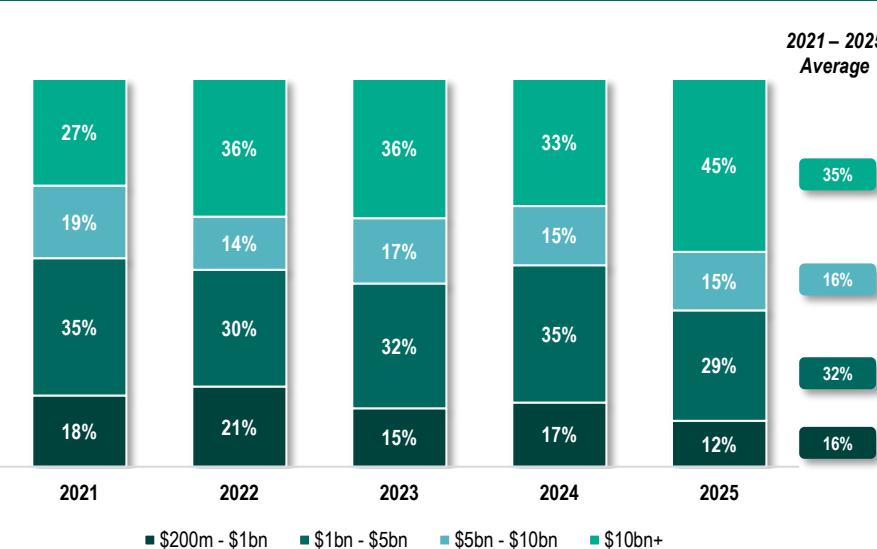
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Megadeals Drive U.S. M&A Activity in 2025, Likely to Remain a Trend in 2026

Larger transactions increasingly account for majority of U.S. deal value, reaching a five-year high at 45% of total U.S. deal value

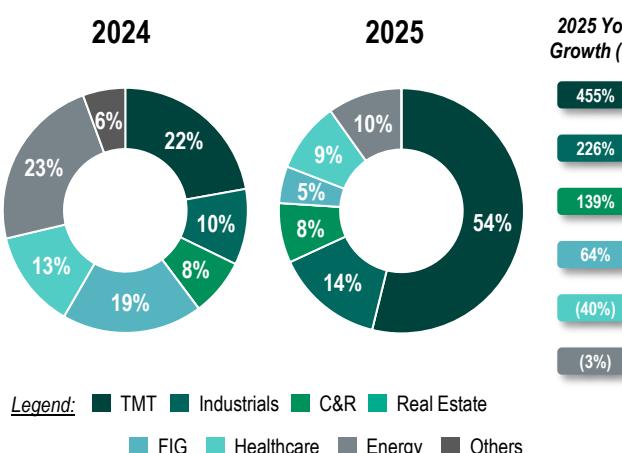
U.S. DEAL VALUE BREAKDOWN BY TRANSACTION SIZE



KEY TAKEAWAYS

- **Surge in 2025 megadeal activity** indicated rising confidence levels and clearer financial outlooks providing continued positive signals for trickle-down momentum into sub-\$5bn M&A
- **Smaller deals** (below \$1bn) reached a five-year low at 12% of total U.S. value
- **TMT became the dominant engine of megadeals** reaching \$588bn in 2025, it's highest in value over the last five-years, fueled by major media and technology transactions

U.S. DEAL VALUE BREAKDOWN BY INDUSTRY SIZE (>\$10BN)⁽¹⁾



TOP 10 2025 ACQUISITIONS / MERGERS OF U.S. TARGETS

Month	Deal Size (\$bn)	Target	Acquirer(s)	Sector
Jul	\$85.0			Industrials
Dec	\$82.7			TMT
Sep	\$55.0			TMT
Nov	\$48.7			C&R
Oct	\$40.0			TMT
May	\$34.5			TMT
Mar	\$32.0			TMT
Jan	\$30.0			Energy
Sep	\$27.5			FIG
Mar	\$23.7			C&R

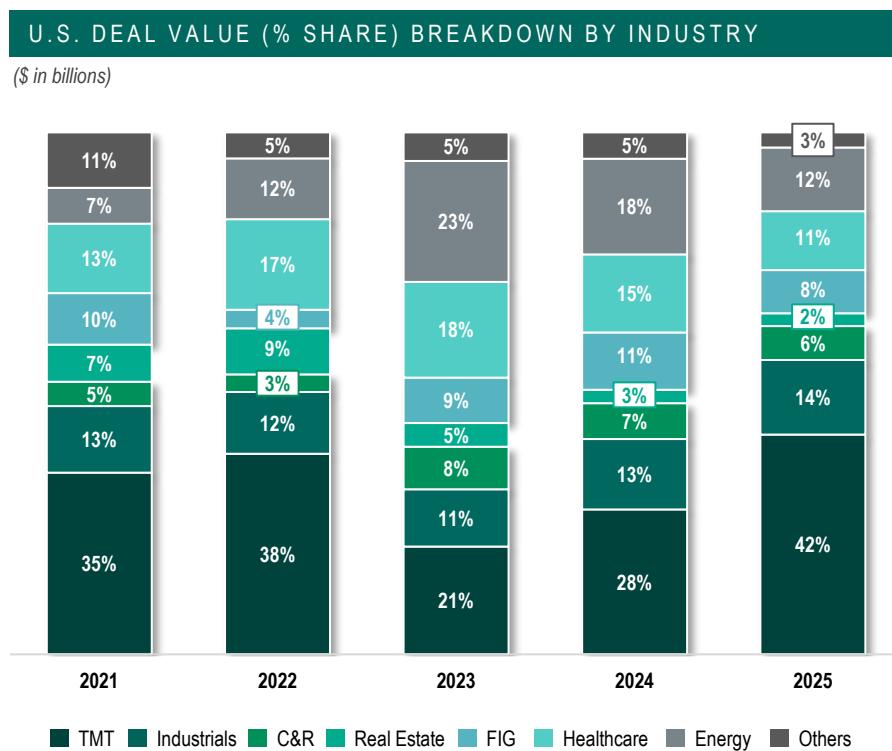
Source: Dealogic as of January 1, 2026; Notes: Analysis based on announced transactions equal to or greater than \$200m in value; (1) If sector is not shown in pie chart, indicates no megadeals (>\$10bn) for the select year



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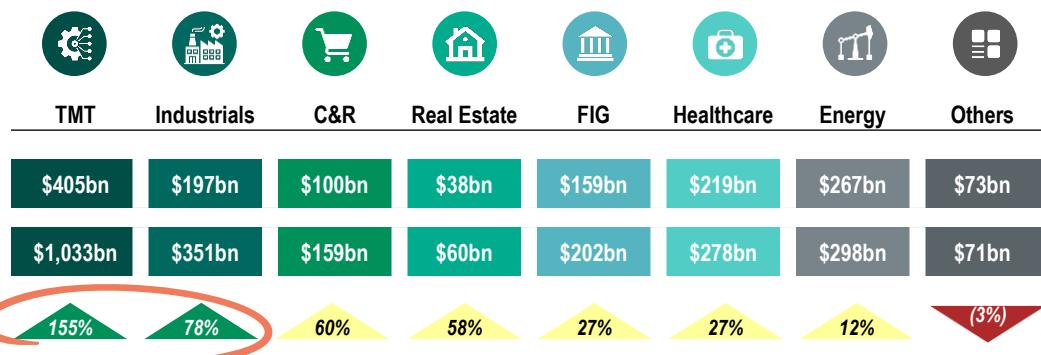
Tech and Industrials Drive a Bifurcated Recovery within the U.S.

TMT (\$1,033bn in 2025, +155% YoY) and Industrials (\$351bn, +78% YoY) account for over three-quarters of the 68% overall deal-value growth



KEY TAKEAWAYS

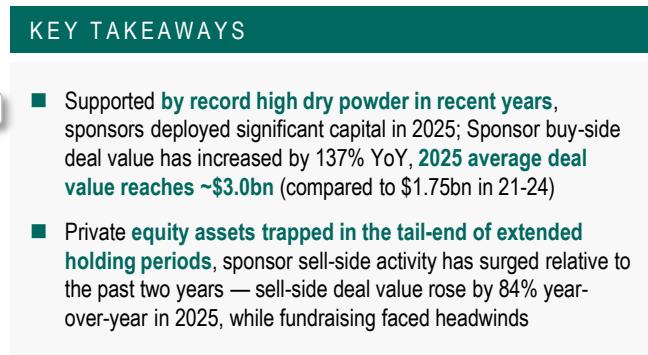
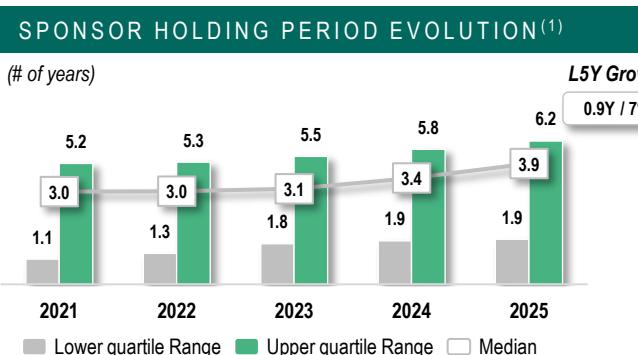
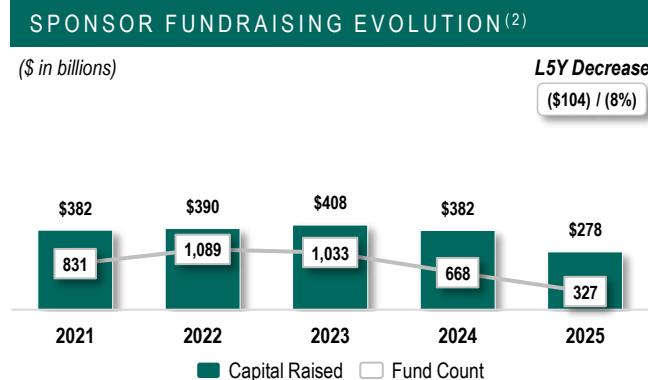
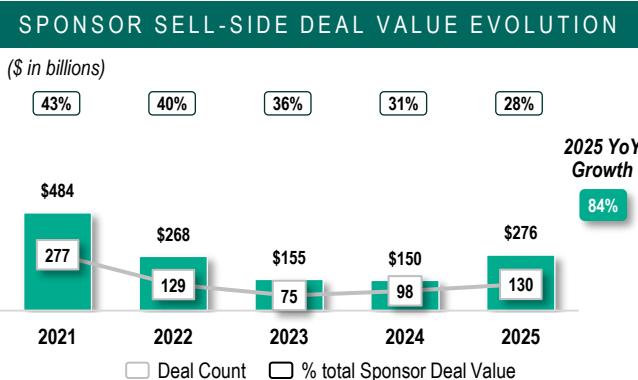
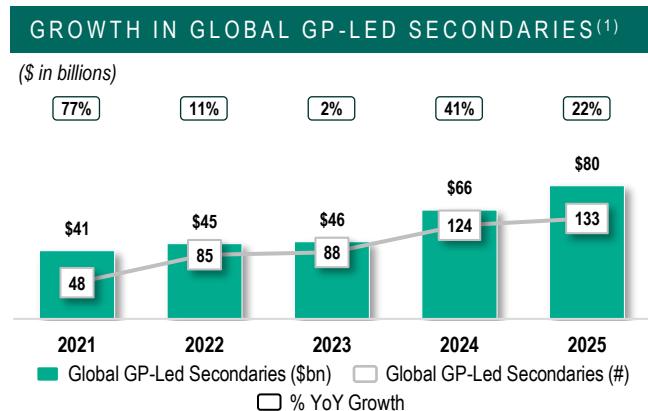
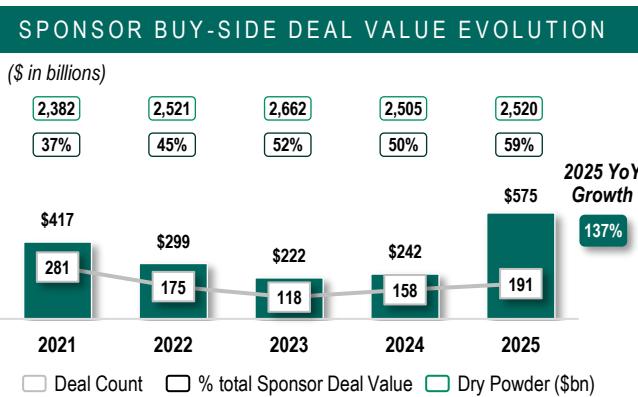
- **2025 U.S. deal value experienced a clear bifurcation:** TMT and Industrial sectors had a greater share of growth from “the AI revolution” and outsized media and content deals; together accounting for **over three-quarters of overall market growth**
 - TMT alone represents 43pp of the 68pp expansion in total U.S. deal value, with Industrials adding another 11pp
- **Industrials emerged as the second-largest** driver with 2025 activity supported by automation, electrification, and power infrastructure
- The outsized growth experienced by both TMT and Industrials underscore a **unified strategic thesis** – boards are making large-scale transformative transactions to **secure AI capabilities and the critical infrastructure needed to deploy them**



Source: Dealogic as of January 1, 2026, Capital IQ, Mergermarket; Notes: Analysis based on announced transactions equal to or greater than \$200m in value; (1) Yellow arrow indicates YoY change that is less than overall U.S. market growth at 68%

U.S. Sponsor M&A Activity Driven by Sizable Take Privates with Significant Capital Deployment

Accelerated capital deployment in 2025 (buyside deal value +137%) with pressure on exits building up (sell-side deal value +84%)



Source: Dealogic as of January 1, 2026, WSJ; Notes: Analysis based on announced transactions equal to or greater than \$200m in value; Does not consider M&A activity in which both Buy-side and Sell-side financial sponsors have been involved; (1) Pitchbook – 2026 U.S. Private Equity Outlook; (2) Pitchbook – The 2025 Annual U.S. PE First Look



A Strong Year for U.S. Cross-Border M&A, With Europe the Key Counterpart

2025 Inbound⁽¹⁾

186 deals (+3% yoy)

\$370bn in total deal value (+52% yoy)

U.S. into Asia
33 deals | \$63bn, 425%

LatAm into U.S.
6 deals | \$7bn, 376%

U.S. into Europe
91 deals | \$132bn, 81%

Europe into U.S.
84 deals | \$137bn, (4%)

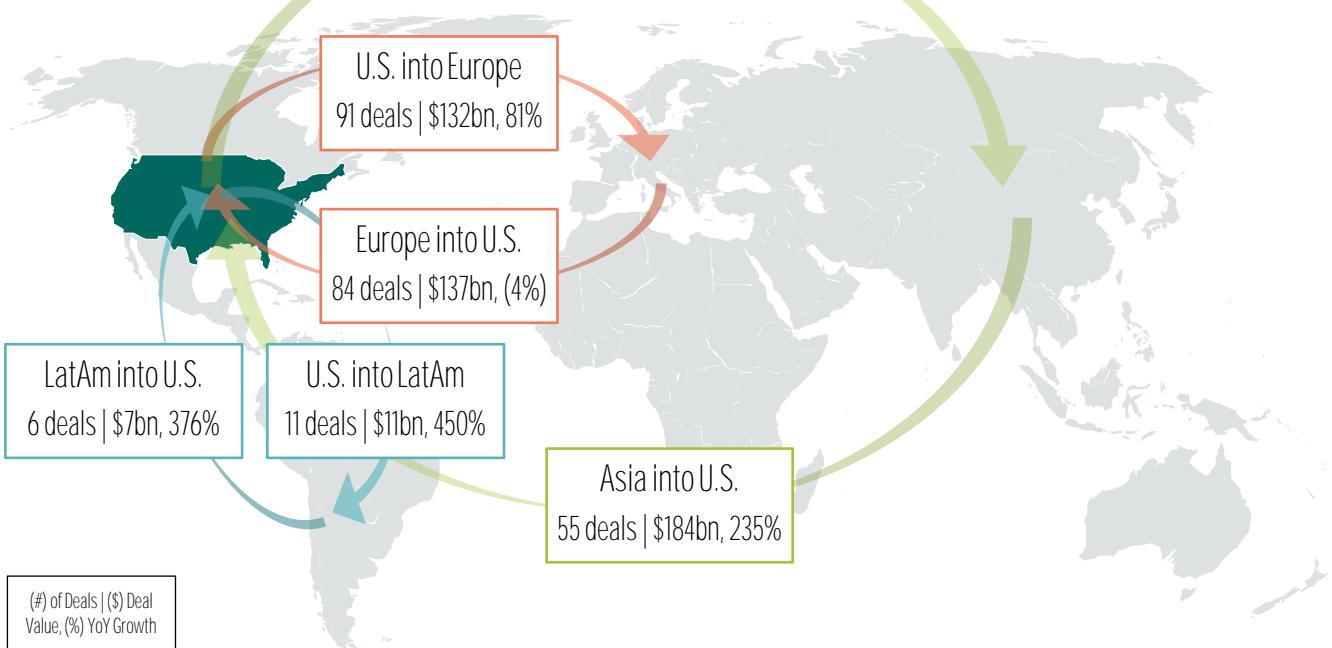
U.S. into LatAm
11 deals | \$11bn, 450%

Asia into U.S.
55 deals | \$184bn, 235%

2025 Outbound⁽²⁾

178 deals (+20% yoy)

\$287bn in total deal value (+101% yoy)



KEY INBOUND TAKEAWAYS

- Majority of the inbound activity in U.S. was from **Europe** which contributed to **84** deals (c.45%) and **\$137bn** in deal value (c.35%)
- Cross-border activity has been particularly active in APAC with investors pouring **\$184bn** across **55 deals** in the **U.S. this year**; Japan's M&A market experienced record-breaking activity led by shareholder-friendly capital market reforms

KEY OUTBOUND TAKEAWAYS

- Majority of the outbound activity from U.S. was to **Europe** which accounted for **91** deals (c.51%) and **\$132bn** in deal value (c.45%); biopharma continued to lead activity driven by late-stage innovations
- **Ongoing tariff debates shaped expectations for global trade and cross-border partnerships**, yet inbound deals declined only slightly as outbound activity increased – suggesting tariffs may not be impacting both directions equally

Source: Dealogic as of January 1, 2026; Notes: Analysis based on announced transactions equal to or greater than \$200m in value; (1) Represents U.S. based target and non-U.S. based acquiror; (2) Represents U.S. based acquiror and non-U.S. based target



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2026 Expected to be a Robust Year for Global and U.S. M&A

1

Continued monetary easing and supportive credit conditions

- Global interest outlook points towards a **continued downward trend in 2026** with central banks expected to cut rates, enhancing leverage capacity and reducing the cost of financing

2

Continuing AI enthusiasm

- Unlike prior tech cycles, AI is “disrupting every industry all at once”, reshaping corporate competitiveness and therefore **broadening the set of potential acquirors** beyond traditional TMT and the aperture of strategic dealmaking
- Despite concerns around the valuation levels surrounding AI, infrastructure spend around AI and data centers is expected to continue

3

Less stringent regulatory / anti-trust approval seen as supportive of large-scale M&A

- Current administration seen as “deal friendly”, resulting in a **flurry of megadeals**
- **Anticipated regulatory easing and tax incentives** under the current U.S. administration is expected to continue to support M&A activity

4

Intensification of pressure on sponsors to show exits

- Significantly longer holding periods and record-high debt maturities intensifying pressure on sponsor exits to deliver **liquidity through strategic sales or secondary transactions (inc. continuation vehicles)**
- Sponsors' fundraising expected to recover after LPs secure liquidity via exits

5

Record levels of private capital

- **Sponsor dry powder remains at historical highs** with sponsors demonstrating risk-on mindset
- Coupled with robust debt markets and declining financing costs should result in increased deployment

6

Cross-border rebounds

- **Changing global trade and tariff environment** is necessitating the need to re-evaluate existing global supply chains, revitalizing cross-border transactions, particularly inbound investment into the U.S. and Europe

7

Continued strategic portfolio optimization

- Shareholder pressure and valuation differential is expected to continue to drive portfolio optimization by strategics, resulting in divestitures and carve-outs





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