



# M&A OUTLOOK

January 2026



## From the Editor

U.S. M&A activity rebounded in the second half of 2025, posting its highest volumes since 2021. Strategic acquirors and financial sponsors pursued opportunities amid a supportive macroeconomic backdrop, though the recovery was uneven, with large-cap transactions driving much of the growth.

Looking ahead to 2026, we expect this positive momentum to continue. Several factors underpin our optimistic outlook: expected ongoing interest rate cuts, abundant dry powder from both private equity & debt markets and mounting pressure on financial sponsors to exit aging portfolio companies. Combined with an increasingly favorable antitrust environment, these dynamics create ideal conditions for robust dealmaking in the year ahead.

Strategic M&A is poised to remain strong as companies pursue bold moves to unlock synergies and drive shareholder value. Private equity is also primed for resurgence, supported by increasingly favorable financing conditions. Together, these forces set the stage for what could be a banner year for M&A activity.

That said, risks remain. Geopolitical tensions, volatile trade policies and uneven global growth could weigh on cross-border transactions and investor confidence. Additionally, stress in private credit markets, highlighted by recent high-profile bankruptcies, underscores the importance of disciplined underwriting and prudent leverage.

Finally, artificial intelligence will continue to reshape the dealmaking landscape. In 2026, we expect AI to be fully embedded across workflows, enhancing productivity and enabling more sophisticated, data-driven decision-making. Longer term, AI will serve as a force multiplier, unlocking new business models and elevating client expectations.

We hope you find our perspectives insightful as you navigate strategic opportunities in this dynamic environment. If we can assist you in evaluating M&A strategies or market trends, please reach out, we would be delighted to connect.



**Jeff Jacobs**

Head of M&A | COO of Investment Banking

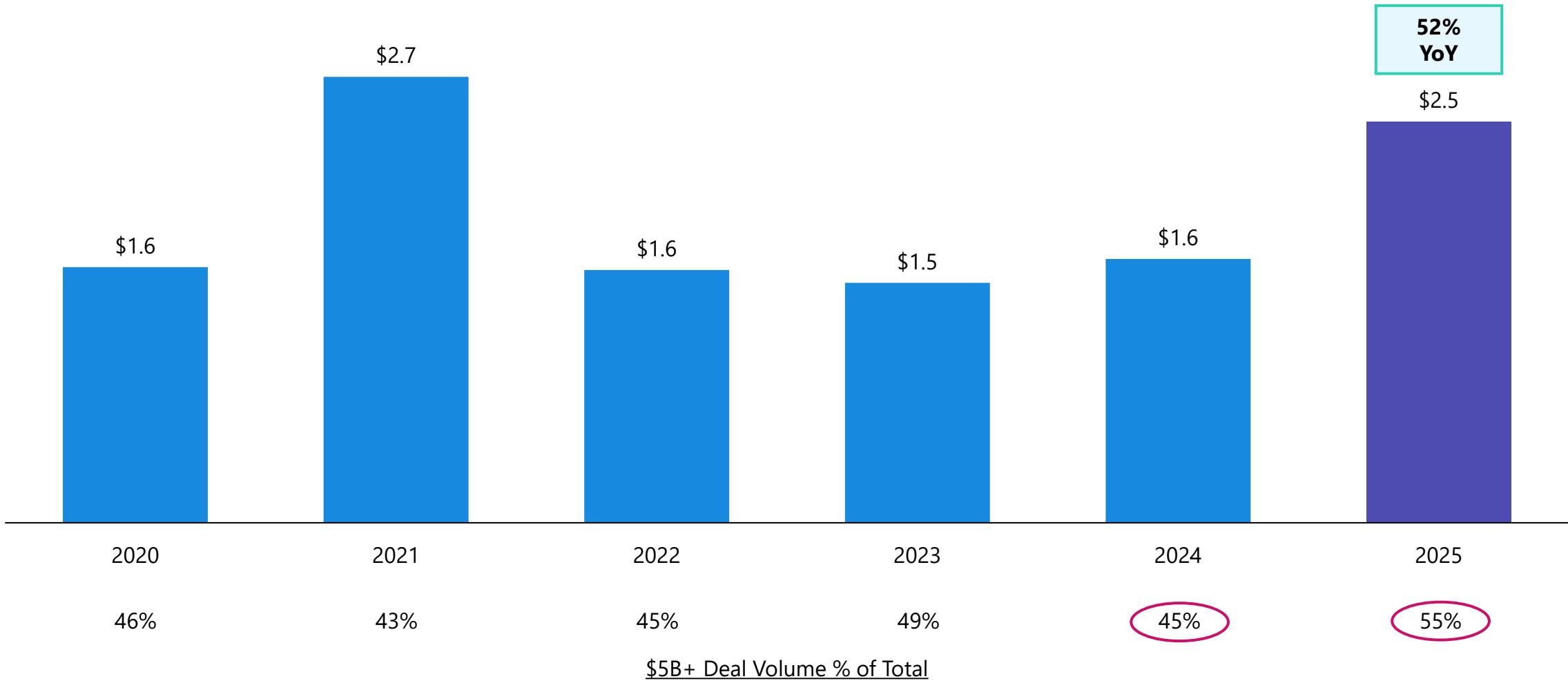


## A Look Back At 2025

# U.S. M&A Volumes Up in 2025

Deal volume increased to the highest level since 2021

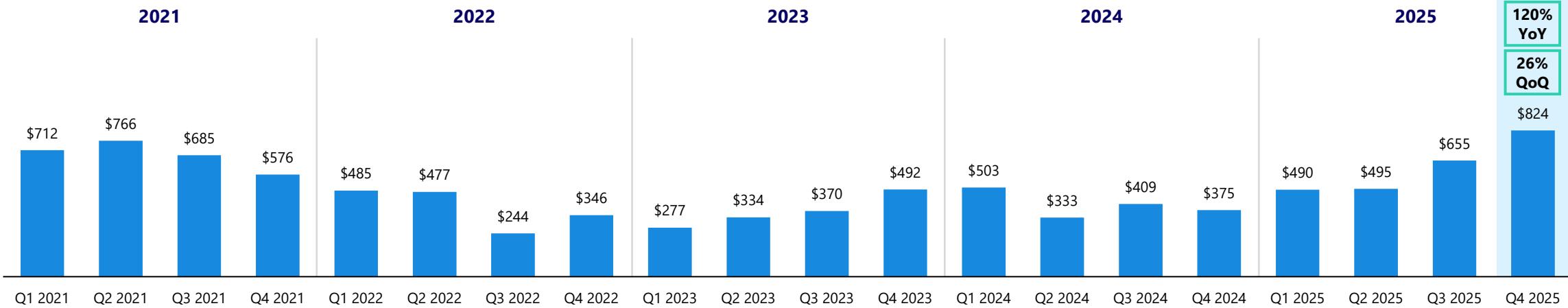
*(\$ in trillions)*



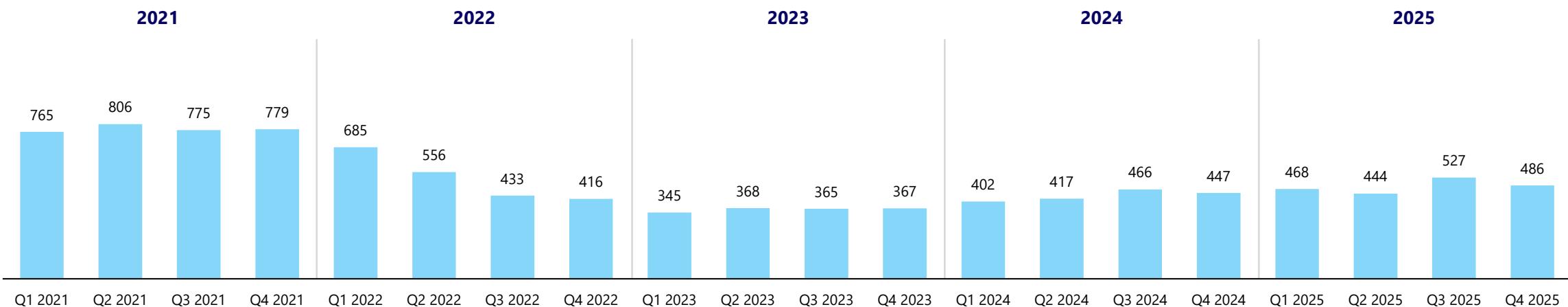
# U.S. M&A Activity by Quarter

Q4 2025 had the highest M&A volume in the past 5 years

## U.S. M&A Volume (\$B)

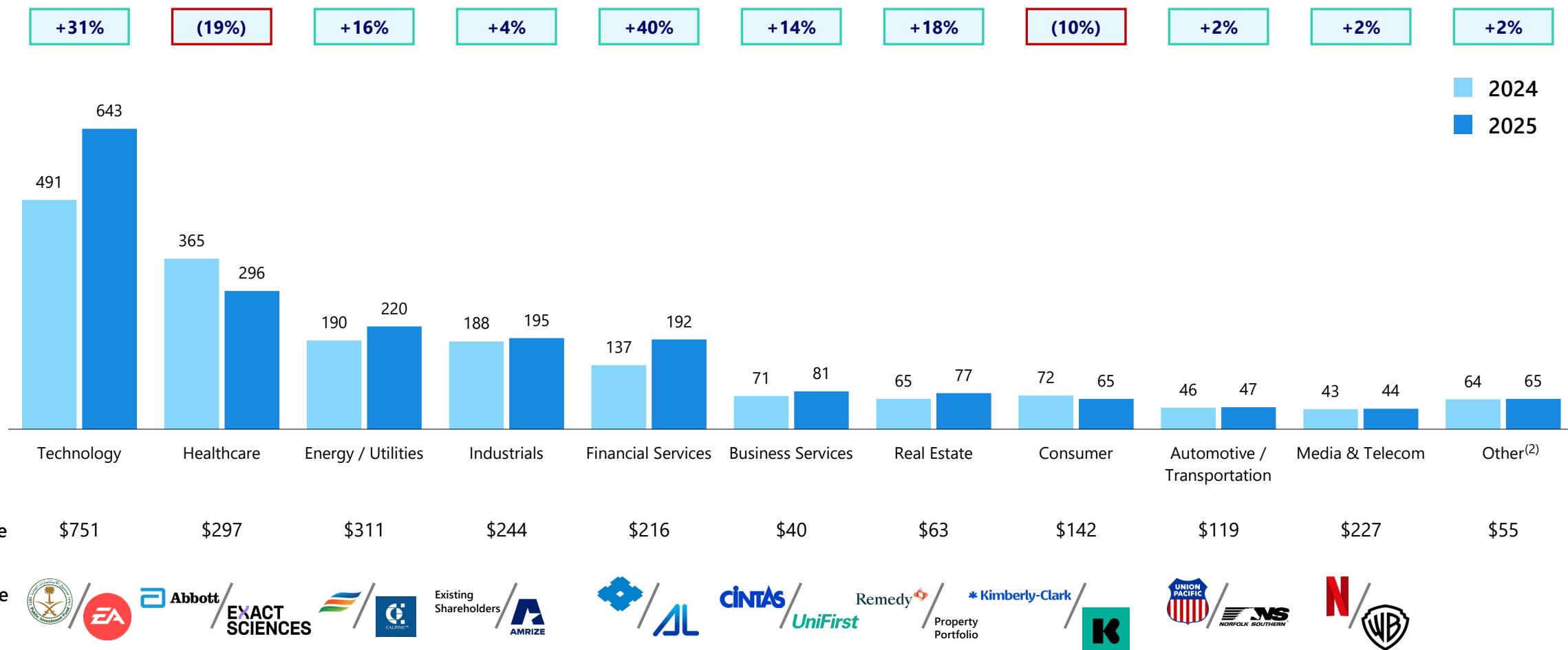


## U.S. # of M&A Transactions<sup>(1)</sup>



# Technology and Financial Services See Biggest Increase in Activity in 2025

## U.S. M&A Deal Count by Industry<sup>(1)</sup>



Source: Dealogic; announced U.S. M&A transactions involving U.S. targets. Data as of January 2, 2026.

1. Deal count represents number of U.S. M&A transactions over \$50M.

2. "Other" includes M&A activity in the Agribusiness, Dining, Lodging & Entertainment sectors, as well as any companies that do not fall within the defined core industry groups.

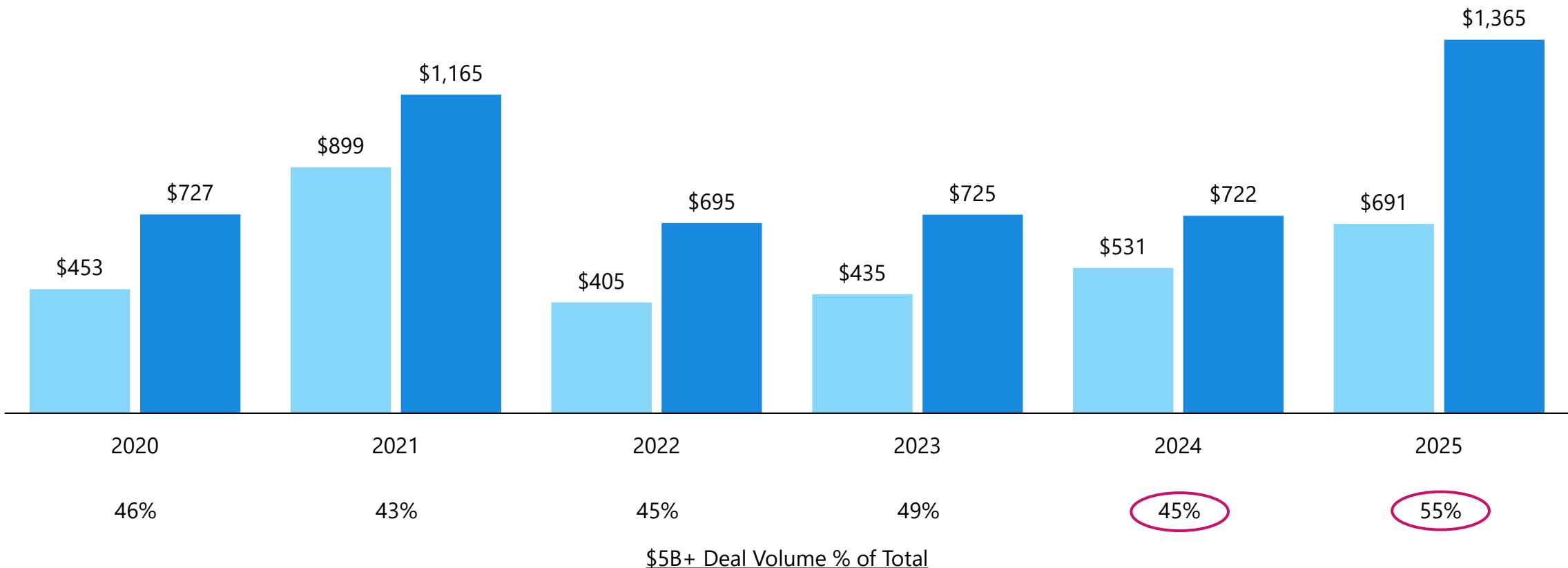
# Mega Deals Driving M&A Activity

Mega deals are increasingly shaping overall M&A activity, aided by AI themes in technology and infrastructure

## U.S. Large-Cap M&A Volume (\$B)

■ \$1B-\$5B ■ \$5B+

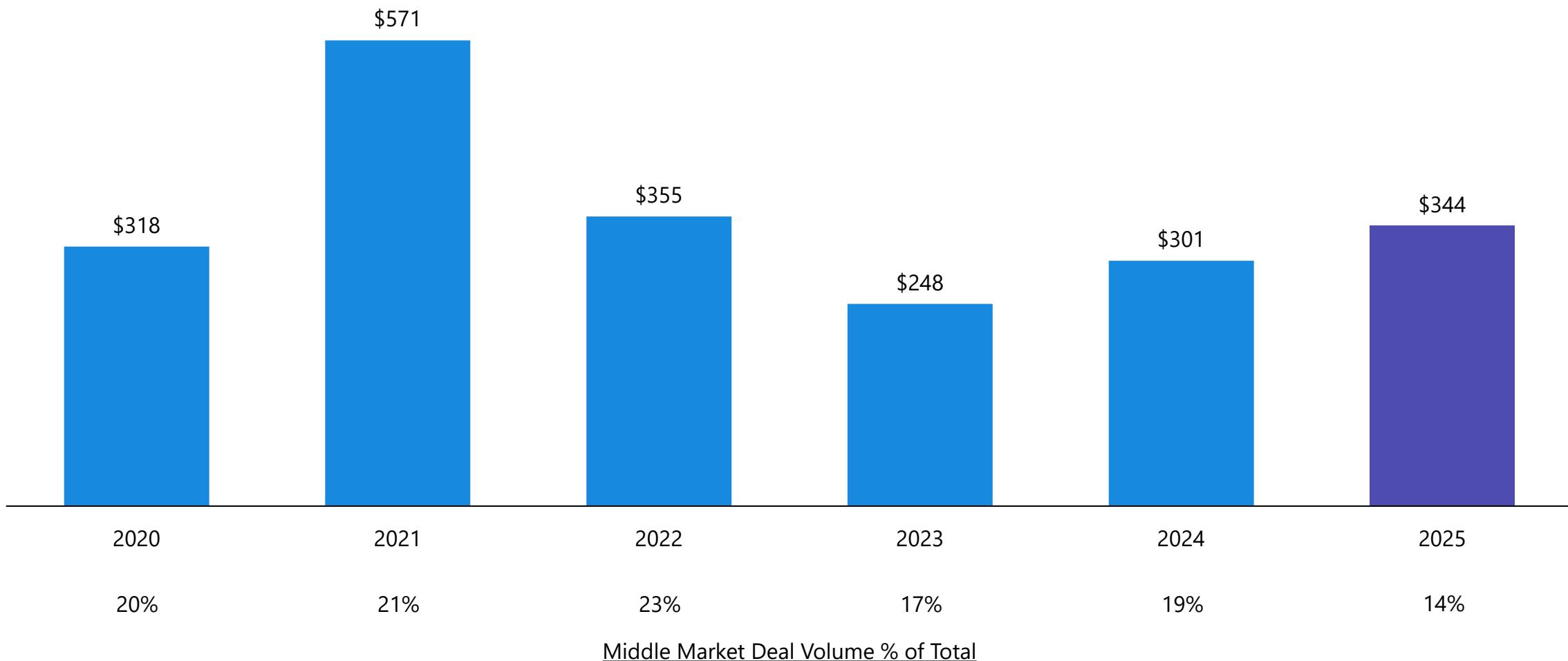
"Roughly **one quarter** of the deals valued at \$5 billion or more have an AI theme, spanning data center products, AI-related power demand and integration of AI capabilities into the acquirer's offerings." – PwC (9/15/2025)



# Middle Market Deal Volume Increases Modestly

Middle market (\$100M-\$1B) M&A activity increased 14% YoY, signaling recovery from tariff stress and elevated borrowing costs

U.S. Middle Market M&A Volume (\$B)





## What Is Next For 2026?

# Optimistic Outlook for U.S. M&A Activity

1

## Improving Macroeconomic Trends

- The Fed's recent rate cuts and rebounding CEO confidence point to improving sentiment and cautious optimism, even as inflation remains above target

2

## Financing Markets Remain Strong

- Both public debt markets and private credit markets continue to demonstrate strong resilience and deep investor demand

3

## U.S. Equity Markets at All-Time Highs

- Public equities are at record highs with low volatility, while several pending blockbuster IPOs mask overall subdued listing activity compared to pre-COVID years

4

## Private Capital Takes Center Stage

- There has been an uptick in take-private transactions and a growing presence of control shareholders, even as the public and private valuation gap remains

5

## Sponsors Near a Tipping Point

- Mounting exit pressures are pushing sponsors to divest aging portfolio companies and return capital to LPs
- US sponsors increasing deployment of ~\$2T dry powder, fueling a sharp rise in U.S. private equity volumes

6

## Strategics See Opportunity

- Strategics pursue opportunistic investments as tariffs and high rates drive corporate divestitures
- In-sector consolidation and AI-themed investments are increasing, driven by regulatory easing and innovation demand

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## Share of European Cross-Border M&A Into U.S. Remains Elevated

- The majority of cross-border M&A into the U.S. originates from Europe, Canada and Mexico

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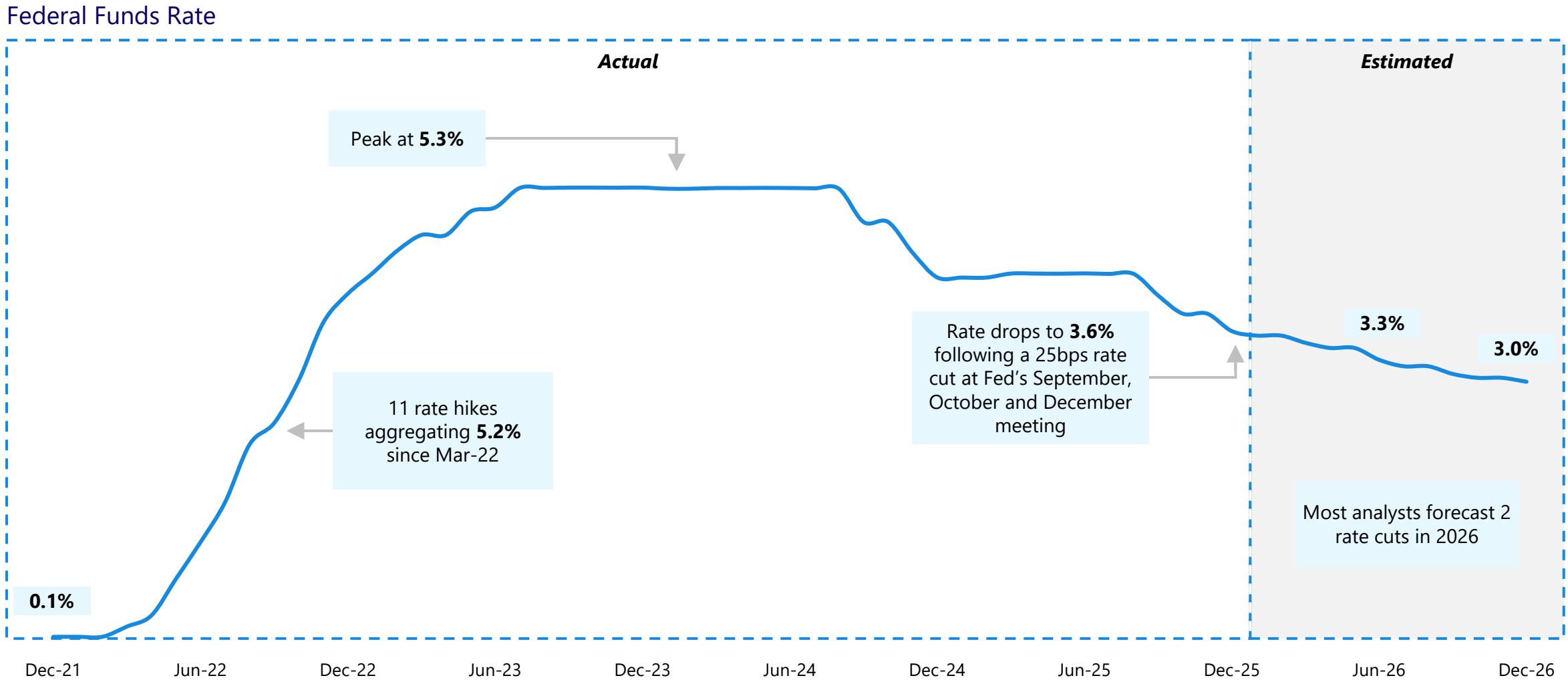
## Evolving Regulatory and Political Landscape

- In a shift from the previous administration, the current FTC has adopted a more merger-friendly stance, reinstating early termination procedures and favoring structural remedies over litigation

## Improving Macroeconomic Trends

# 1 Fed Cut Rates Multiple Times in the Back Half of 2025

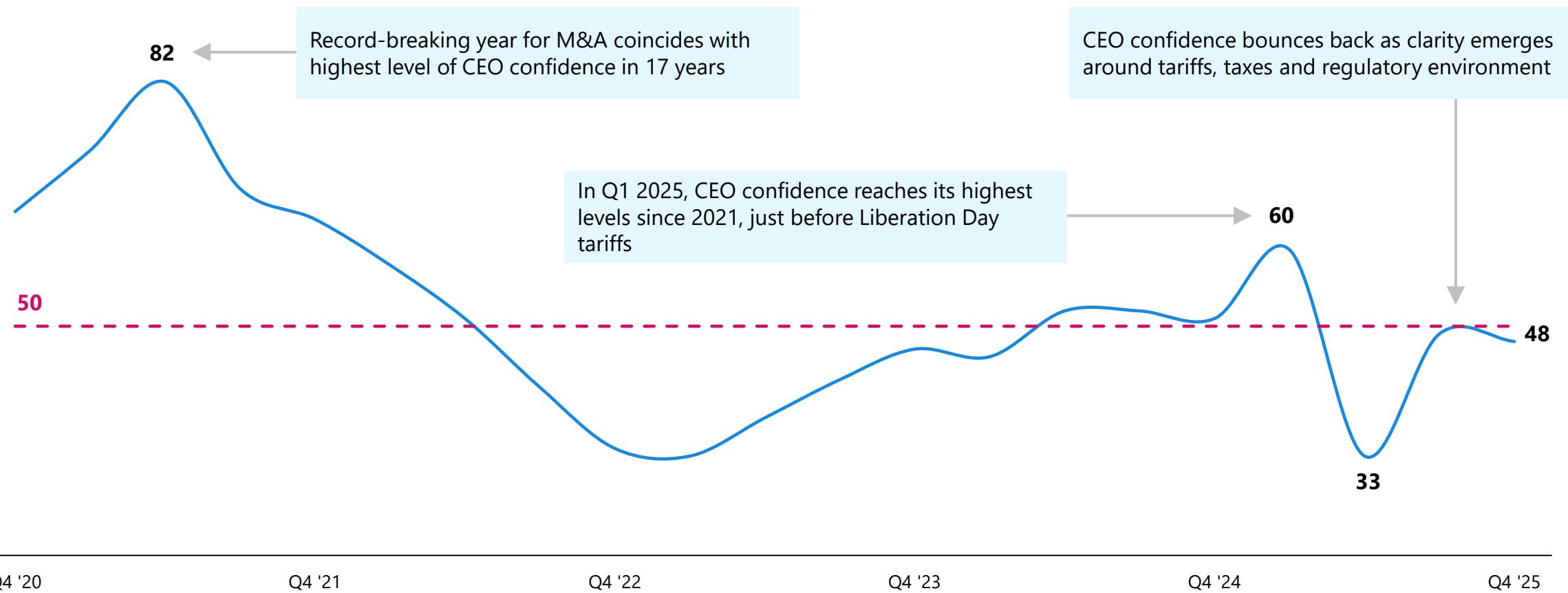
Fed finished 2025 with 3 rate cuts amidst a weakening labor market



# 1 Returning CEO Confidence

CEO Confidence bounces back from 3-year low as tariff uncertainty starts to fade

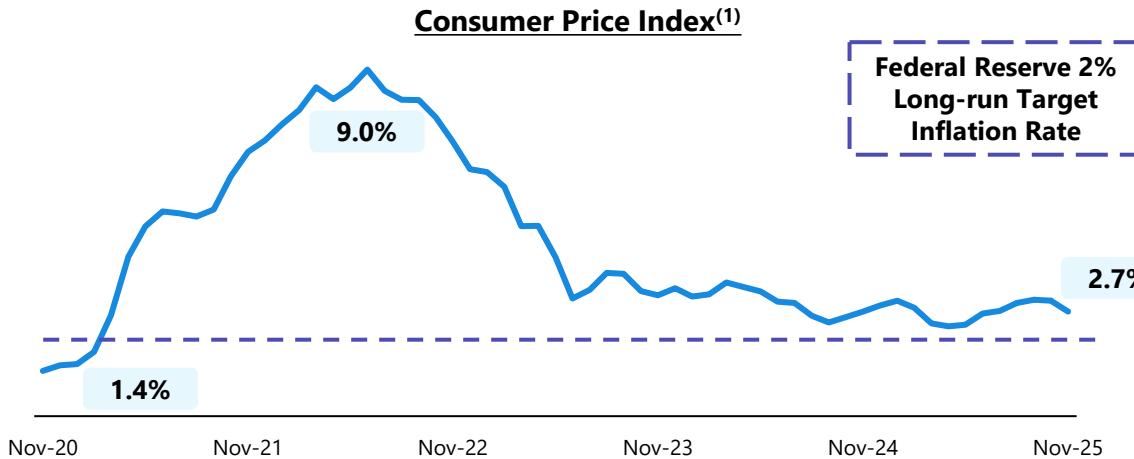
U.S. CEO Confidence<sup>(1)</sup>



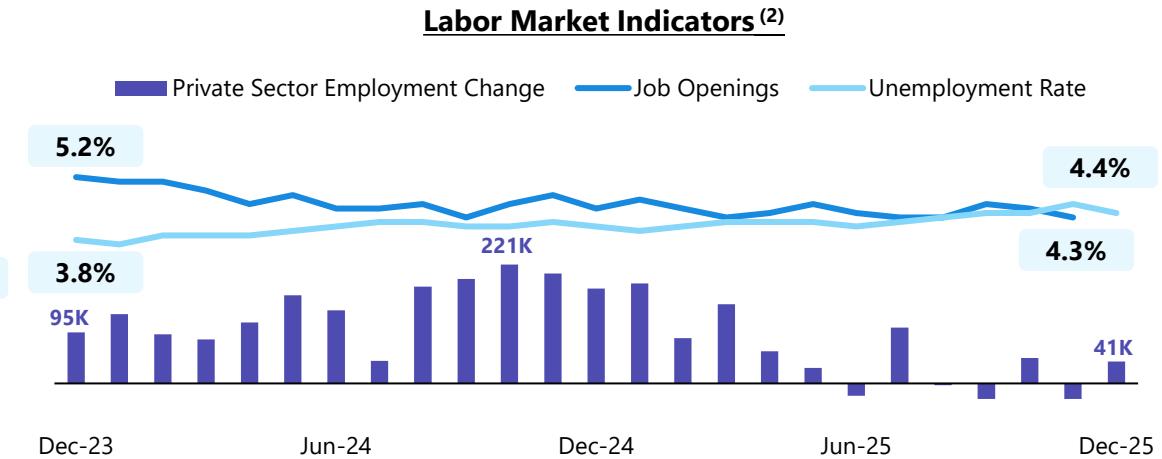
# 1 U.S. Macroeconomic Landscape: An In-Depth Evaluation

Key indicators shaping the economic outlook

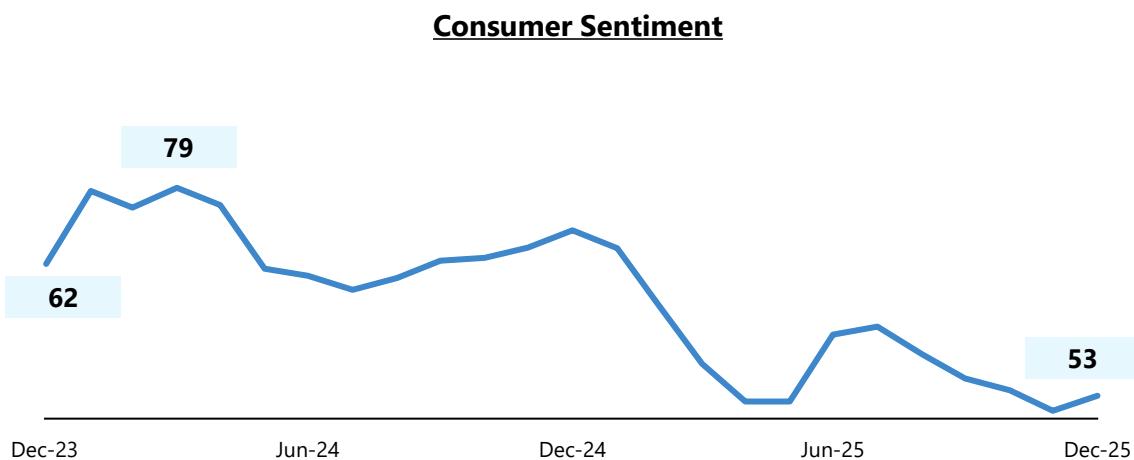
Inflationary Pressure Remains Slightly Above Fed Target of 2%



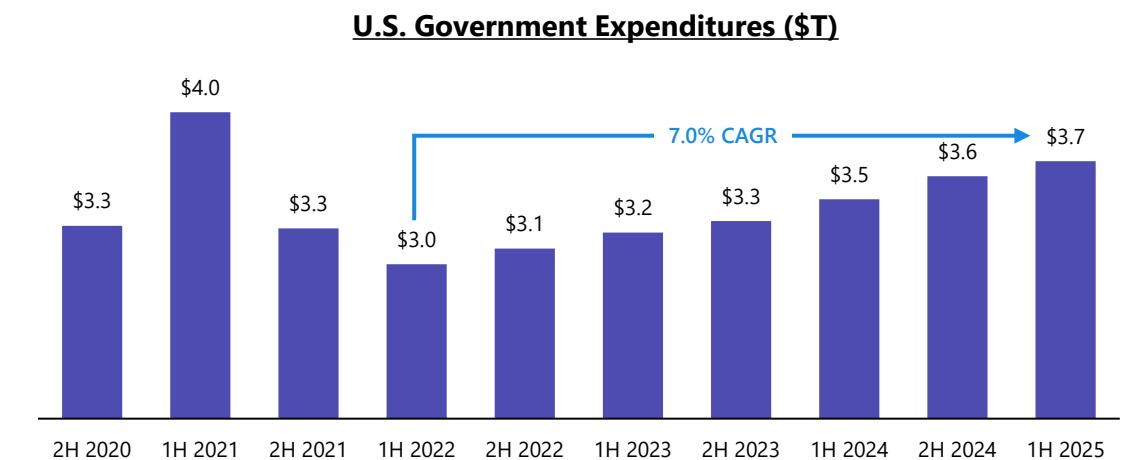
Softening Labor Market



Inflation Expectations Lead to Decline in Consumer Sentiment



U.S. Government Spending Has Steadily Risen Since 2022



Source: FRED Economic Data – St. Louis Fed, U.S. Index of Consumer Sentiment.

1. YoY CPI percent change. October 2025 data missing due to government shutdown; missing value is carried forward from the previous month.

2. October 2025 unemployment rate data missing due to government shutdown; missing value is carried forward from the previous month.

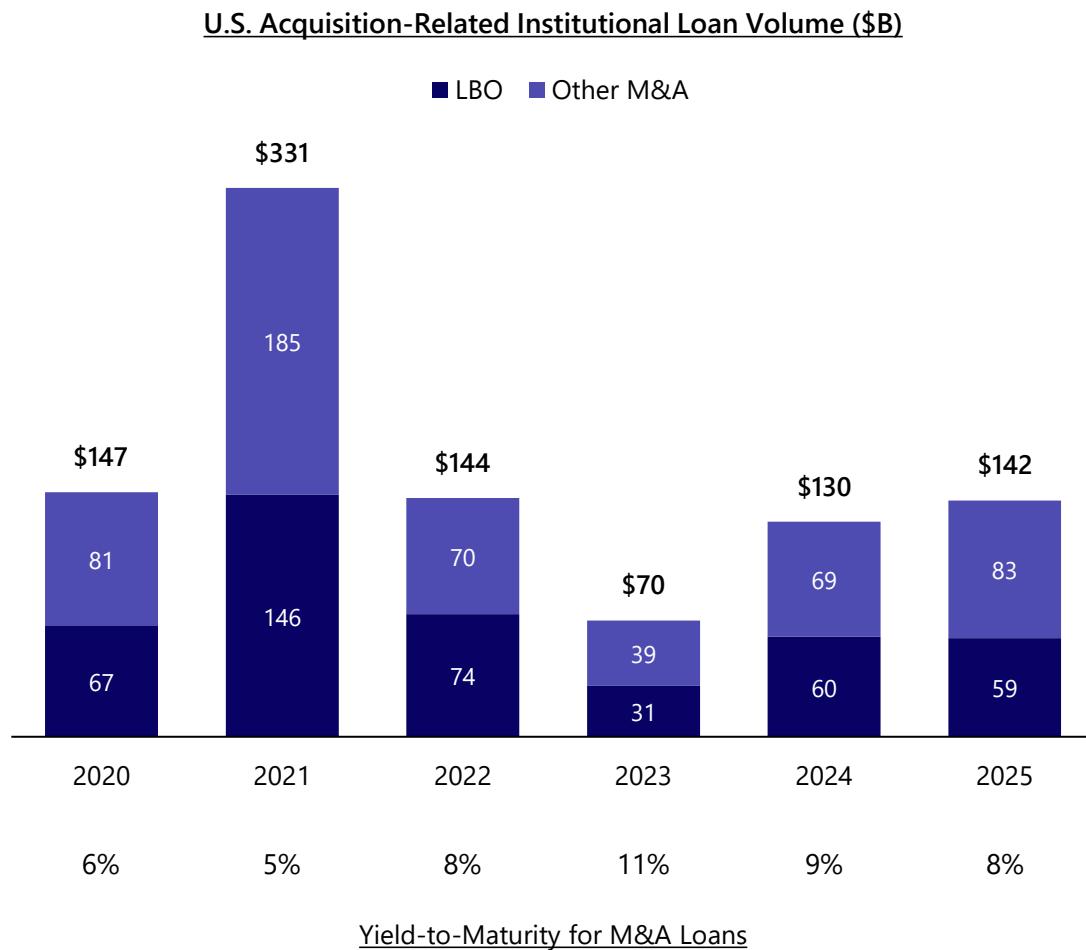


## Financing Markets Remain Strong

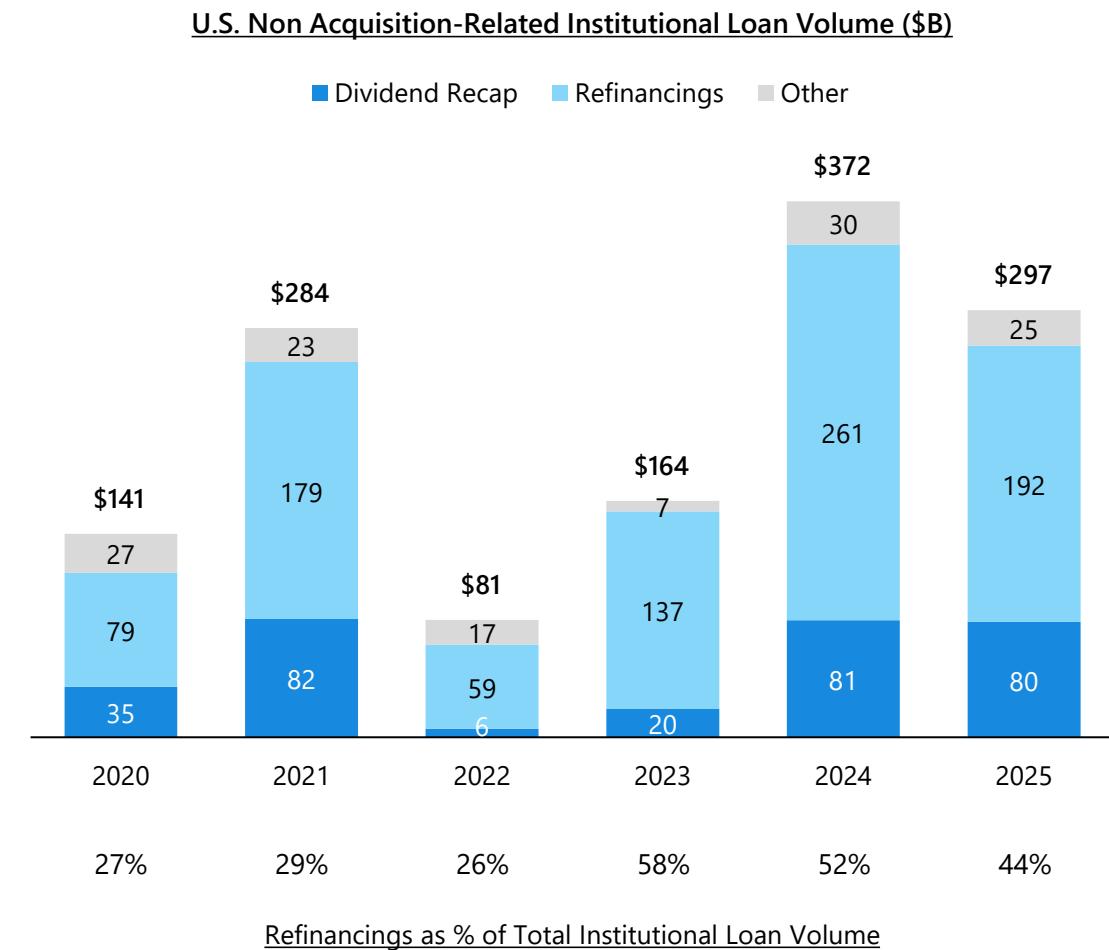
## 2 Public Debt Markets Maintain Robust Activity

Public debt markets reflect steady demand; but most of activity is non-M&A (refinancings, recaps, etc.)

### Easing Financing Costs Boost Loan Activity



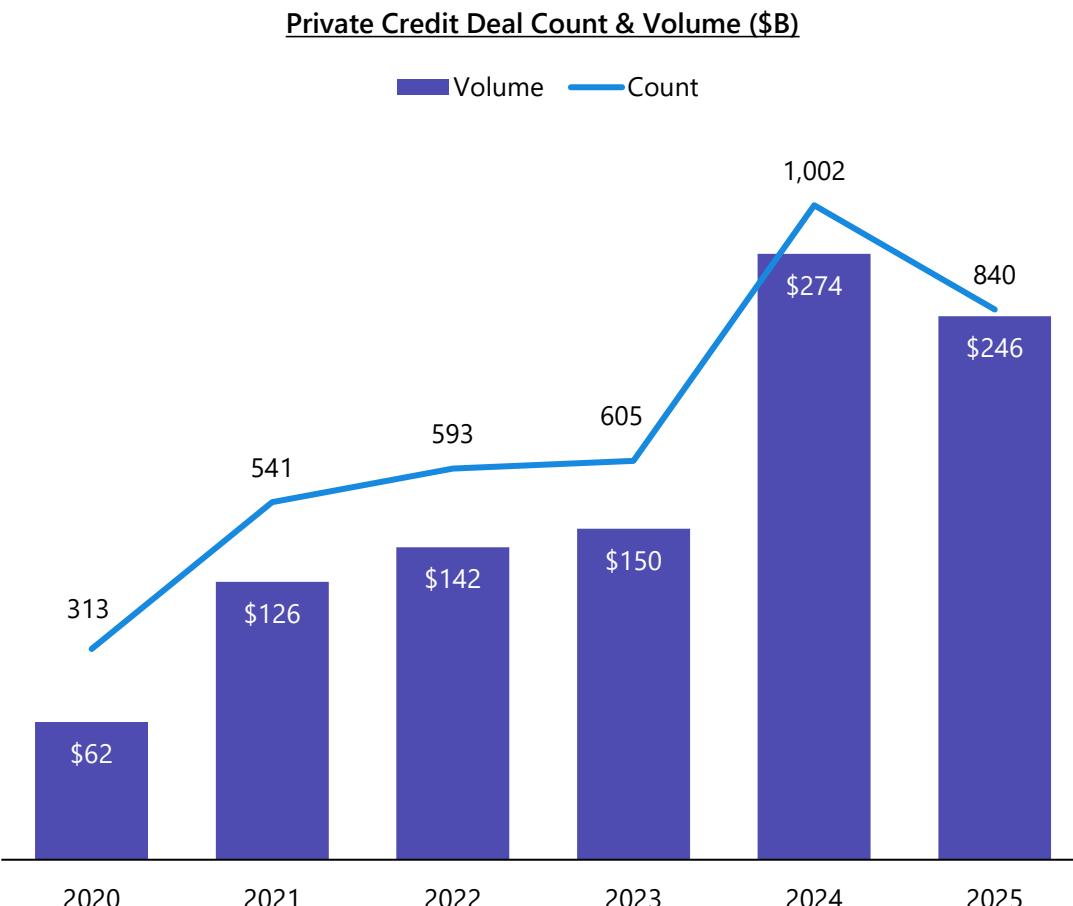
### Non Acquisition-Related Loan Volume Dips



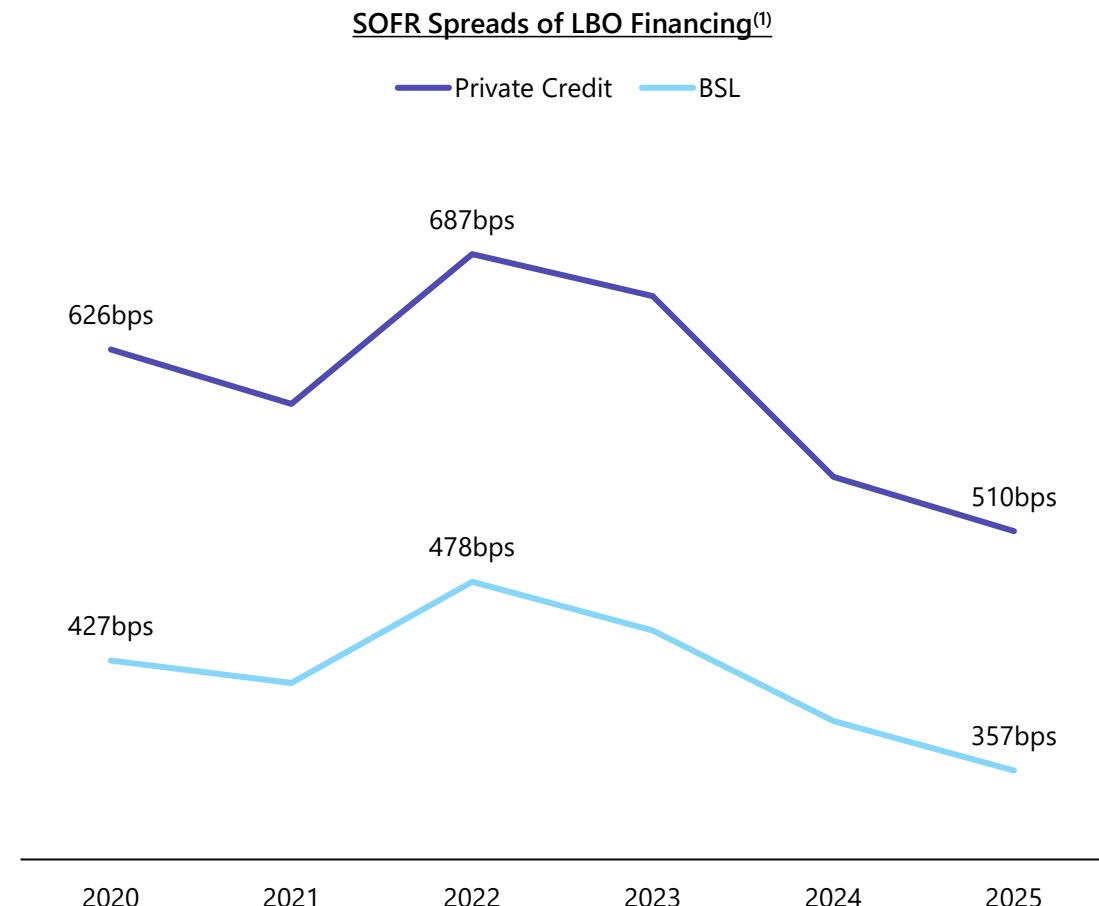
## 2 Private Credit Markets Remain Active

Private credit remains strong, supported by easing credit conditions and growing borrower flexibility

### Private Credit Activity Persists



### Credit Terms Continue to Improve

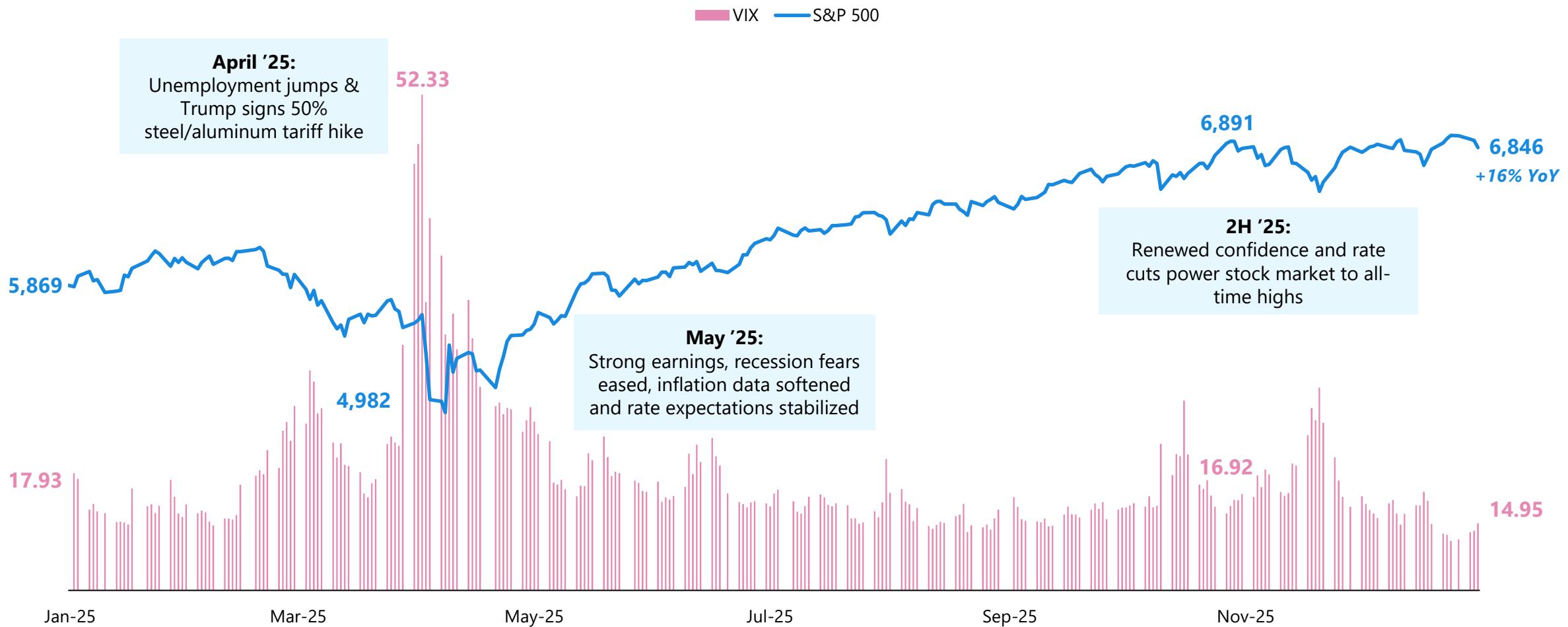




## U.S. Equity Markets at All-Time Highs

### 3 U.S. Equity Markets Bounce Back Following Correction

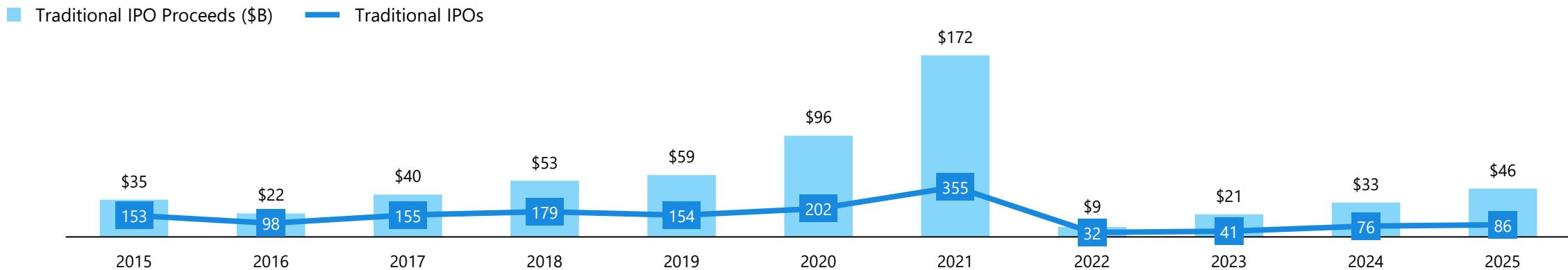
Rate cuts and tariff easing led to a strong 2H for U.S. equities



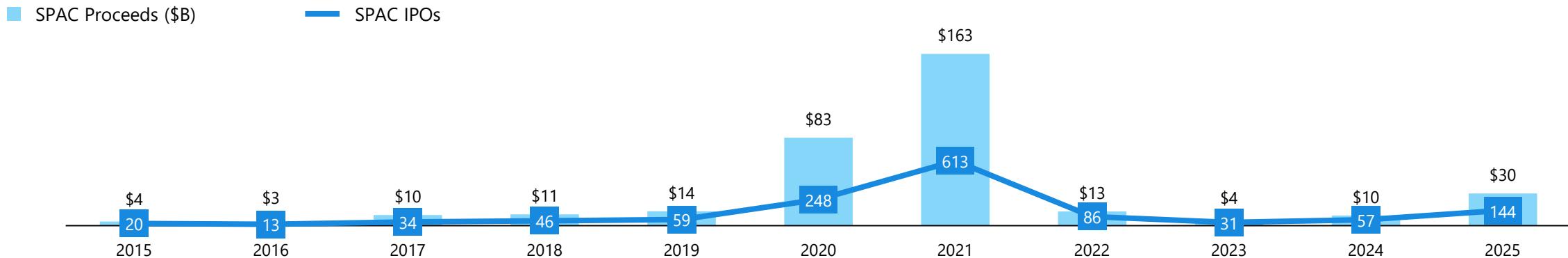
### 3 IPO Activity Remains Tepid

IPO activity shows signs of recovery, but has yet to bounce back to pre-COVID levels

#### U.S. Traditional IPOs



#### U.S. SPAC IPOs



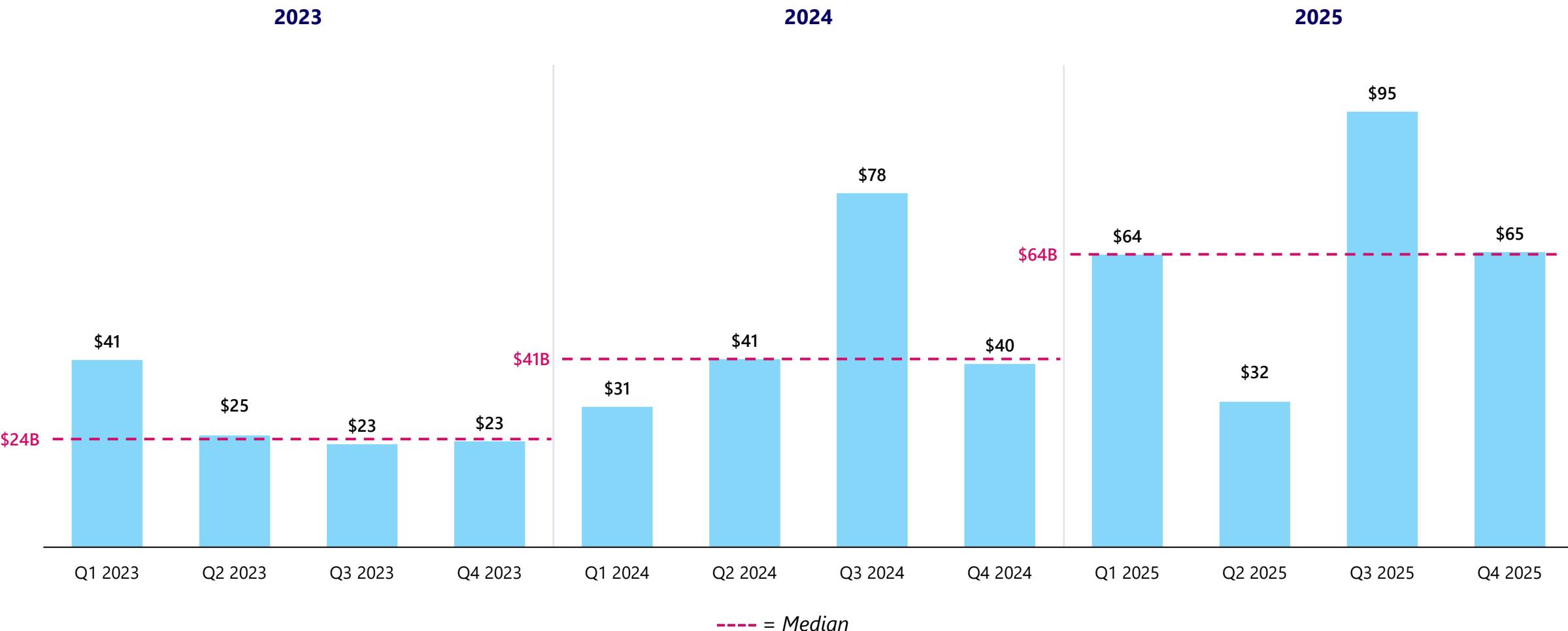


## Private Capital Takes Center Stage

## U.S. Take-Private Volume Has Surged Over the Past Two Years

Take-private volume is up in 2025, driven by strategic consolidation, costs and scrutiny of being a public company

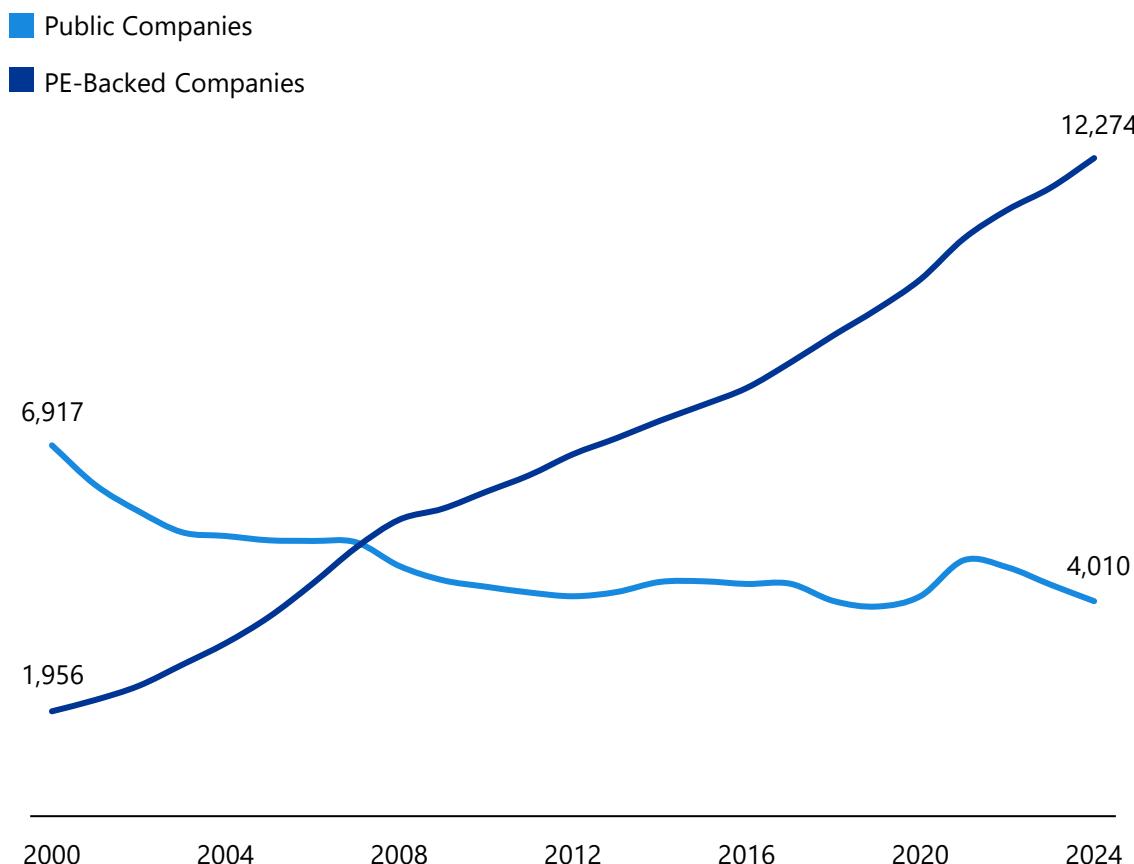
U.S. Take-Private Volume (\$B)



## Decreasing Number of U.S. Public Companies

Widening gap between private equity new investments vs. exits has contributed to shift between public and PE-backed companies

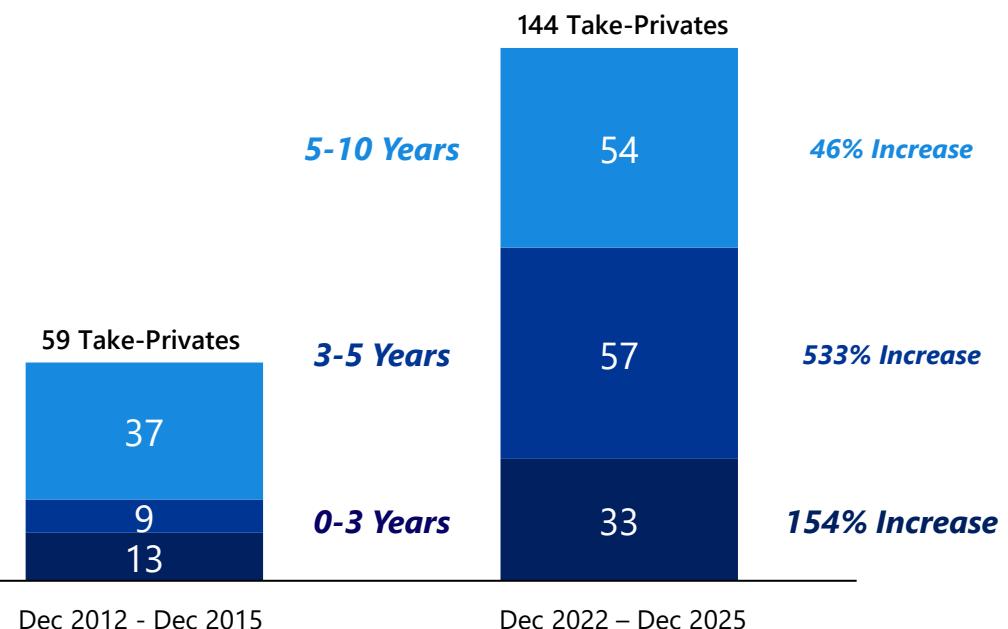
### Number of Public vs. PE-Backed Companies in the U.S.



### Privatization of Companies

For Companies <3 Years Since IPO  
33 privatizations over last three years  
13 over same period, 10 years ago

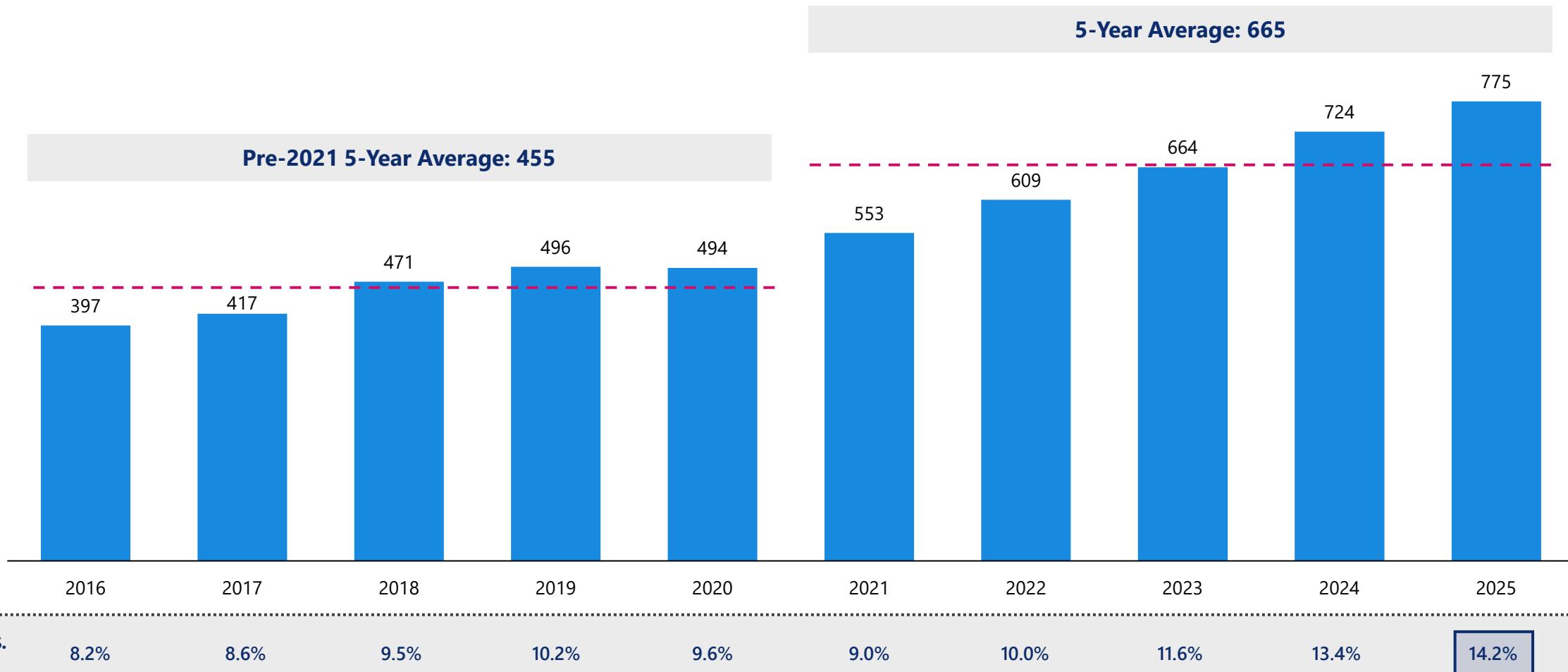
Years Since IPO



## Increasing Number of U.S. Public Companies with a Control Shareholder

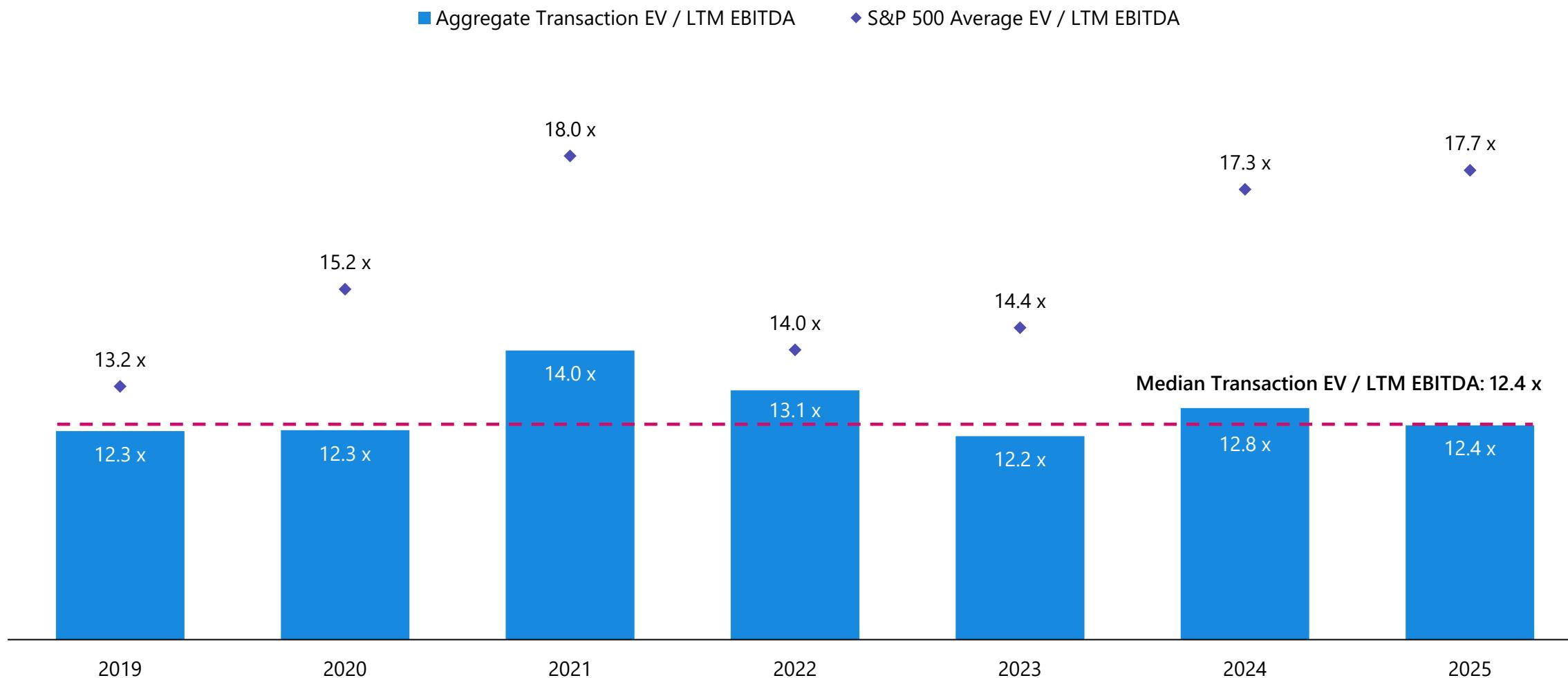
More public companies are operating with a control shareholder, even as the overall number of public companies falls

### U.S. Listed Public Companies with a Control Shareholder



## Private and Public Valuation Gap Remains Wide

Public company valuations have increased, buoyed by large-cap tech, while transaction multiples (predominantly take-privates or strategic consolidations) have stagnated





## Sponsors Near a Tipping Point

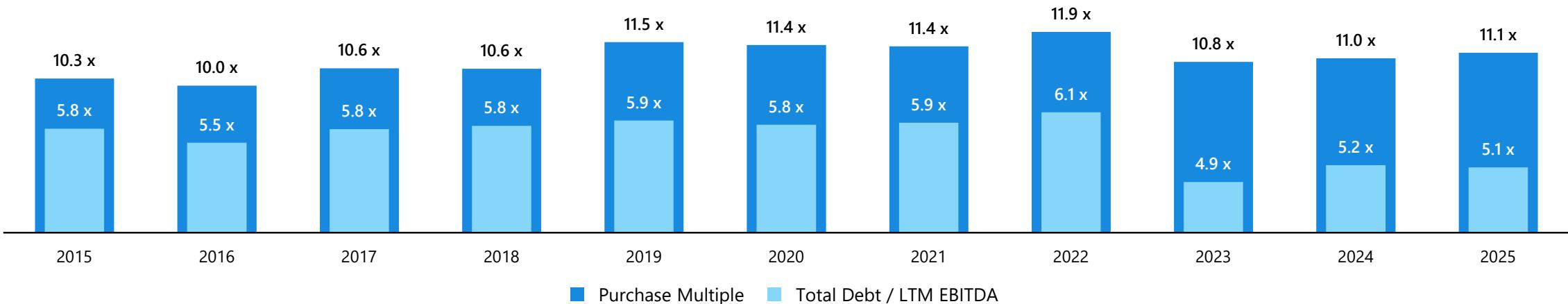
## 5 Sponsor Activity Ramping as Pressure to Exit Continues to Build

U.S. PE deal volume in 2025 was up 64% YoY

### U.S. PE Deal Volume (\$B)<sup>(1)</sup>



### Median EV / LTM EBITDA for U.S. Buyouts<sup>(2)</sup>



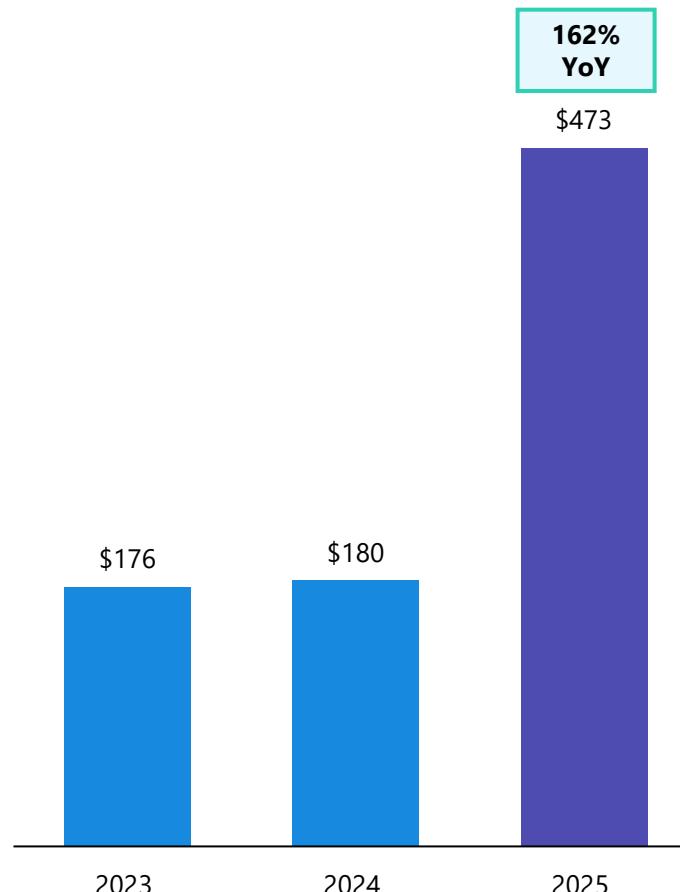
1. Dealogic; announced U.S. M&A transactions involving sponsor acquirors and U.S. targets. Data as of January 2, 2026.

2. Source: PitchBook/LCD.

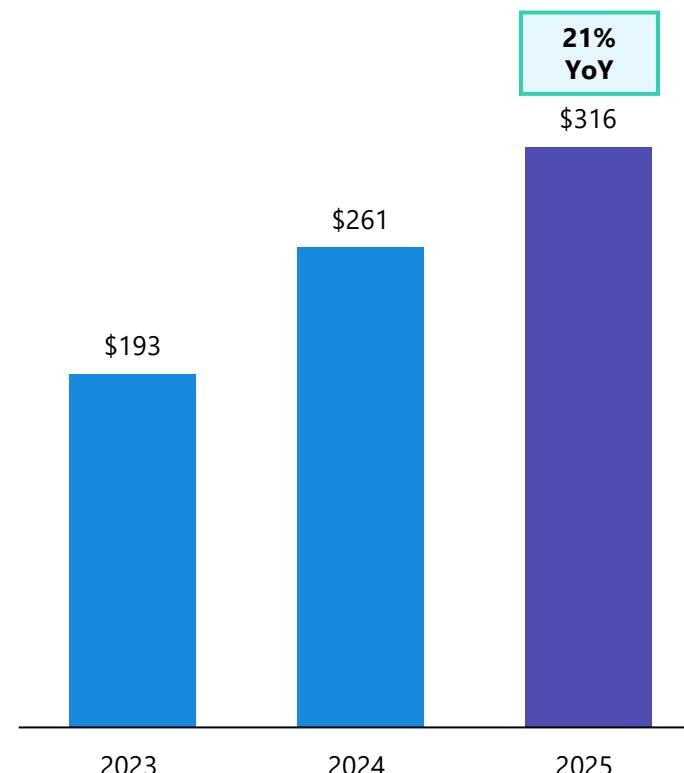
## 5 Large-Cap PE is Driving U.S. Sponsor Volume

PE activity focused on bigger transactions, while middle market activity lags behind

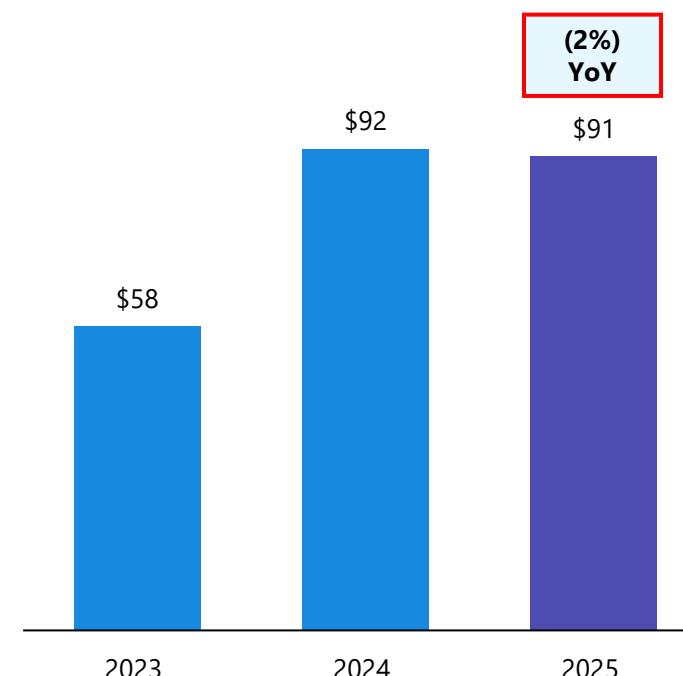
PE Transactions, \$5B+ (\$B)



PE Transactions, \$1B-\$5B (\$B)



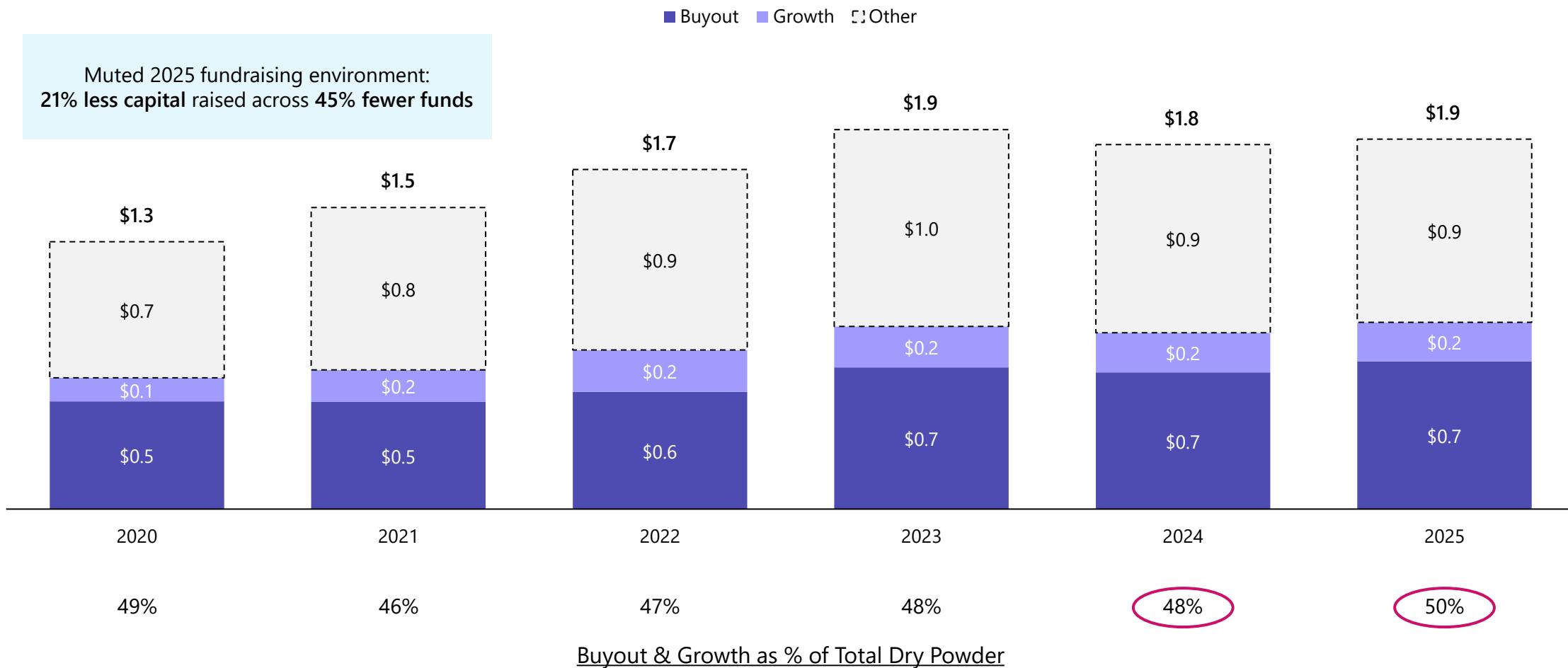
PE Transactions, \$100M-\$1B (\$B)



## 5 U.S. Sponsors Increasing Deployment of ~\$2T Dry Powder

U.S. sponsor activity is picking up amid pressure to exit legacy investments as fundraising slows

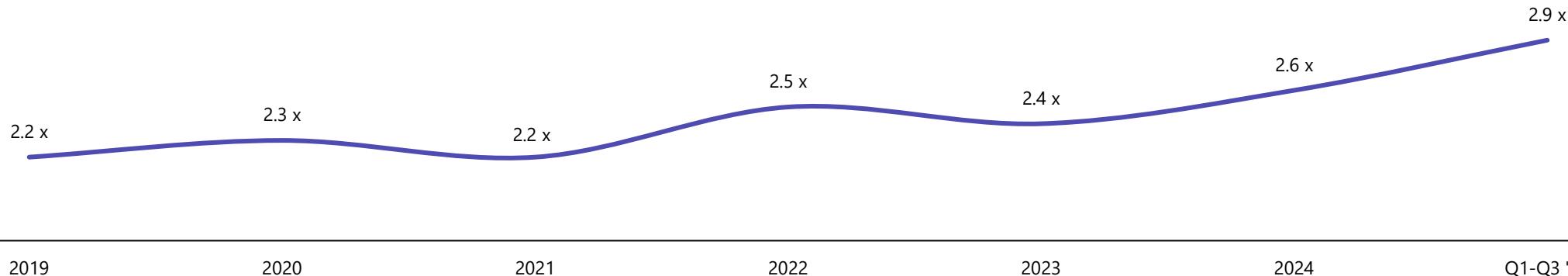
### U.S. Dry Powder by Strategy (\$T)<sup>(1)(2)</sup>



## 5 Sponsor Activity Set to Accelerate

Sponsors are feeling pressure to bring assets to market and return capital to LPs

Ratio of U.S. Investments to Exits<sup>(1)</sup>



DPI Capital Returns by Fund Vintage<sup>(2)</sup>



Source: PitchBook. Data as of January 6, 2025.

1. Investments to Exits calculated as number of investments (excludes add-ons) divided by exit count.

2. DPI calculated from Total Distributions to LPs divided by Total Capital Called.

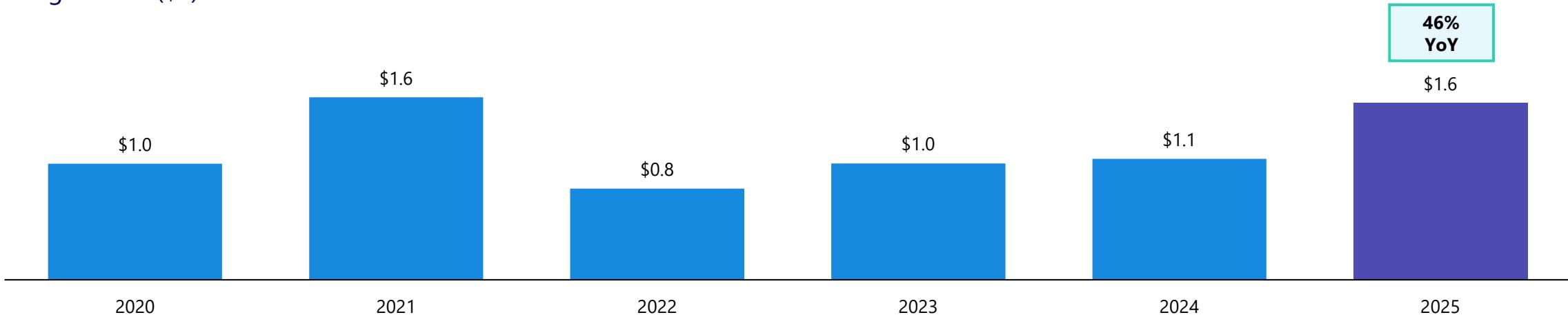


## Strategics See Opportunity

## 6 Corporates Continue to be Active

Elevated cash balances (S&P average up 42% vs. 2019) and tariff-induced cost pressures have fueled strategic consolidation

### Strategic M&A (\$T)<sup>(1)</sup>



### Large Strategic Acquisitions in 2025

**Kimberly-Clark**  
acquires  
**kenvue**  
for \$49B (17% cash)  
Announced November 2025

**UNION PACIFIC**  
acquires  
**NORFOLK SOUTHERN**  
for \$88B (28% cash)  
Announced July 2025

**Google**  
acquires  
**WIZ**  
for \$32B (100% cash)  
Announced March 2025

### Strategic Acquisition Themes

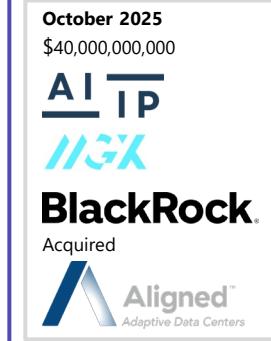
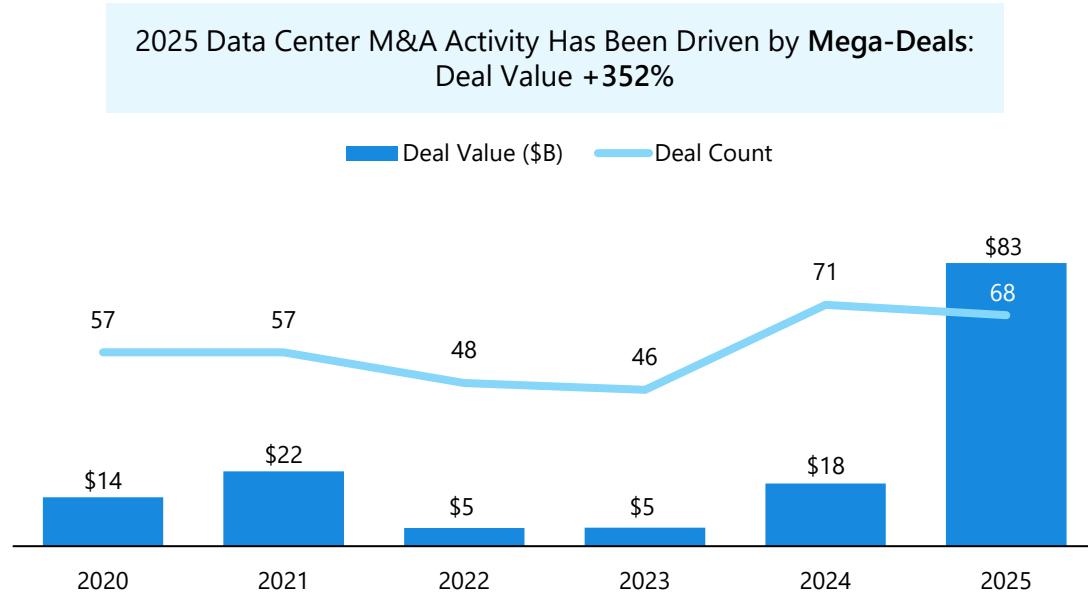
- AI / Tech Integration**
- In-Sector Consolidation**
- Favorable Financing Markets**

- The adoption of artificial intelligence has catalyzed large-scale transactions aimed at embedding automation and analytics
- Increased consolidation within sectors is driven by the need to achieve scale advantages, reduce costs and strengthen competitive positioning
- While always a focus, easing regulatory pressures have allowed companies to pursue acquisitions they might otherwise have avoided
- The three rate cuts in 2025, along with further anticipated cuts in 2026, have improved liquidity and fueled a rebound in dealmaking

## 6 Artificial Intelligence

Strategic M&A supporting AI growth has surged, with deal value up over 200% and transaction volume up 50% YoY

### Data Center M&A Activity



#### Case Study: \$40B Sale of Aligned Data Centers

- The AI Infrastructure Partnership (AIP), a consortium of investors including BlackRock, Global Infrastructure Partners, Microsoft, NVIDIA, MGX and xAI, agreed to buy Aligned Data Centers for \$40B
- The bid for the data center operator, which has ~50 campuses and over 5 gigawatts of operational capacity, comes as an effort to **secure computing capacity for AI**
- The deal comes as major tech companies are on track to spend **approximately \$400B on AI infrastructure** this year

### Acquihires

**Acquihire**: when a company makes an investment into another business to gain access to its **talent** rather than its products, services or customer base

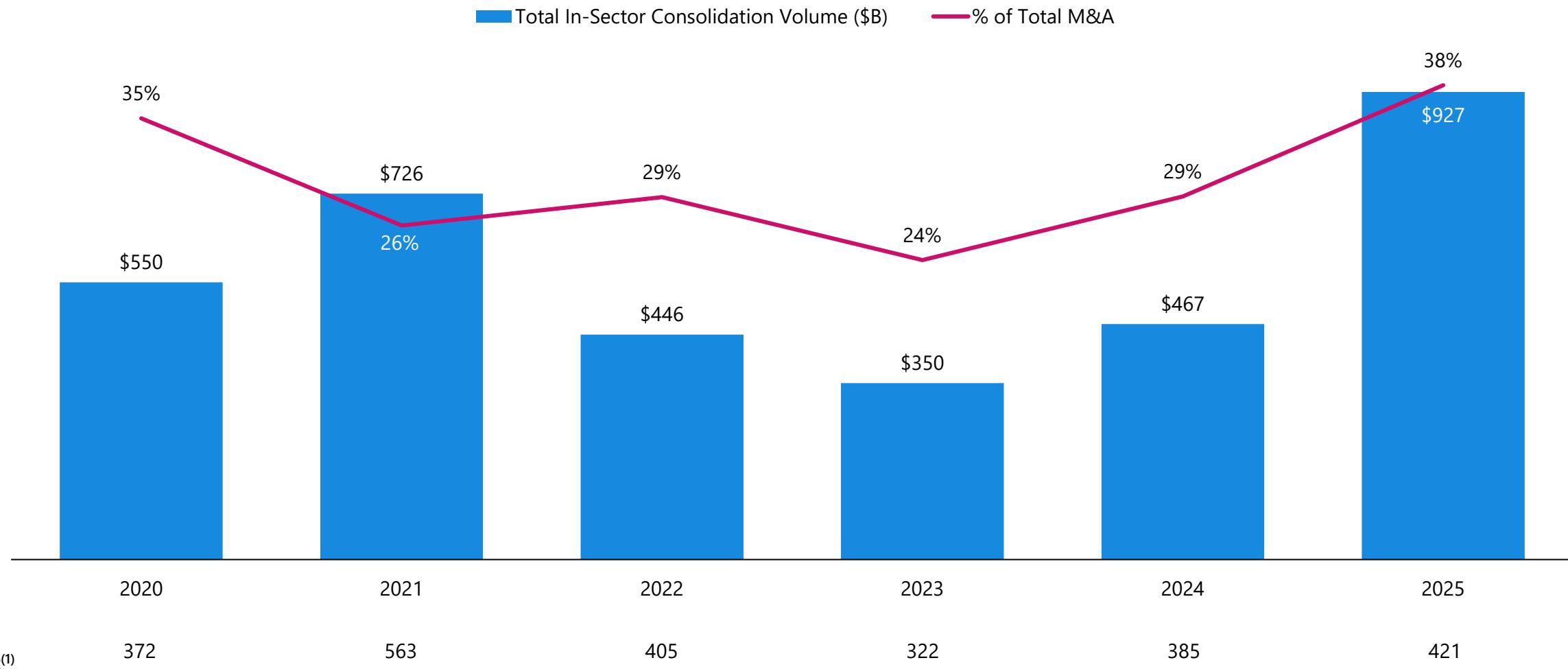
- Can involve **non-exclusive technology licenses** rather than IP ownership
- May alleviate complexities of full integration from the traditional M&A process
- Potential to avoid drawn-out **regulatory approval process**

Acquiror	Target	Value	Deal Structure	Outcome
<b>Meta</b>	Scale AI	\$15B	Investment	Ongoing Partnership
<b>Google</b>	Character.AI	\$2.7B	License + Founders	Founders Hired
<b>Google</b>	Windsurf	\$2.4B	License + Founders	Complex Resolution
<b>Microsoft</b>	Inflection	\$650M	License + Talent	Full Team Hired
<b>amazon</b>	Adept	\$400M	License + Talent	Full Team Hired
<b>amazon</b>	Covariant	\$380M	License + Founders	Founders Hired

The six largest **acquihires** of 2025 totaled **\$21.5B** in deal value as the race between major tech companies to develop the dominant AI tool has accelerated

## 6 In-Sector Consolidation Driving Strategic M&A

In-sector consolidation increases amid a more permissive regulatory environment



Source: Dealogic; announced U.S. M&A transactions involving U.S. targets excluding Dining, Lodging & Entertainment and Agribusiness. Data as of January 2, 2026.

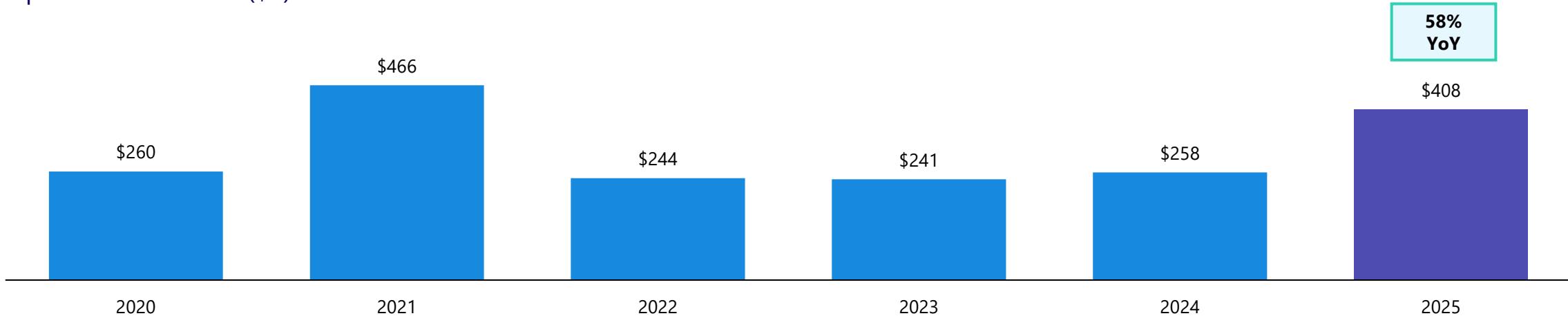
Note: In-sector M&A is defined as M&A in which the acquirer and target are in the same sub-sector.

1. Deal count represents number of U.S. M&A transactions over \$50M.

## 6 Corporate Divestitures Gain Momentum

Divestiture activity up 54% YoY amid competitive dynamics and strategic realignment

### Corporate Divestitures (\$B)<sup>(1)</sup>



### Large Divestitures in 2025

**OXY**  
Divests Petrochemical Business to  
**BERKSHIRE HATHAWAY INC.**  
for \$10B  
Announced October 2025

**BOEING**  
Divests Digital Aviation Assets to  
**THOMABRAVO**  
for \$11B  
Announced April 2025

**globalpayments**  
Divests Issuer Solutions to  
**FIS**  
for \$14B  
Announced April 2025

### Divestiture Themes

**M&A Reversals**  
**Disciplined Portfolio Review**

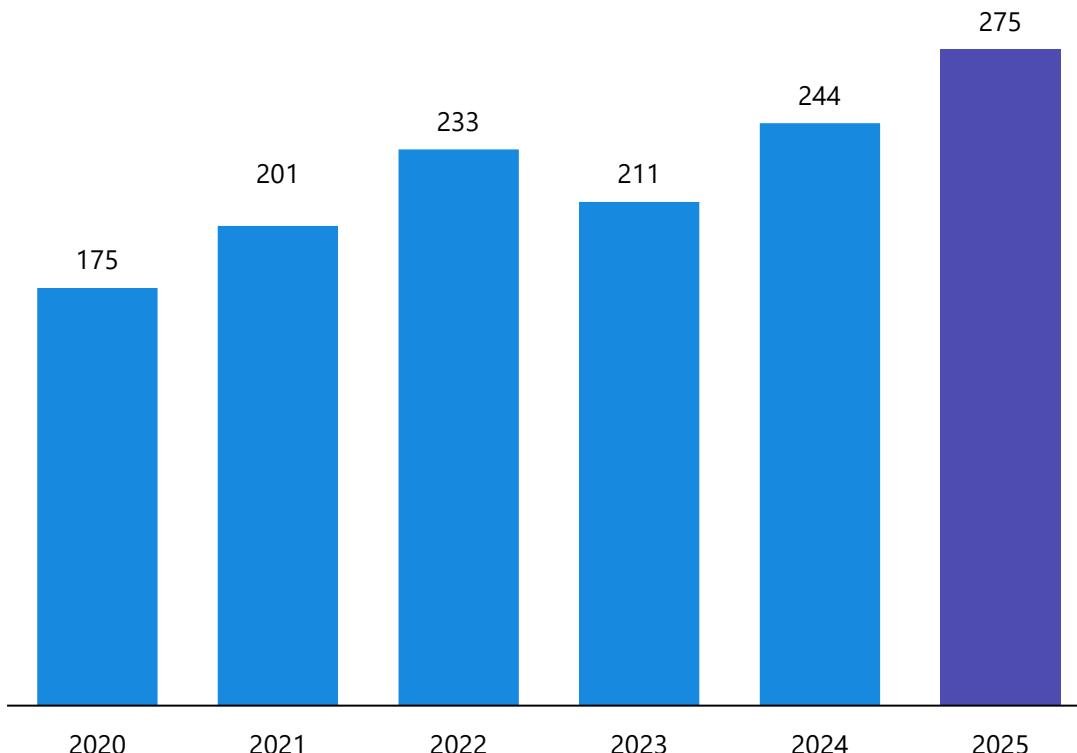
- Companies are separating previously merged entities to refocus on profitability and core competencies
- Underperformance and strategic misalignment has driven an unwinding of prior acquisitions

- Companies are increasingly embedding portfolio optimization into corporate strategy, executing divestitures to shed non-core assets
- This approach has streamlined separation processes through standardized playbooks, enabling faster value realization

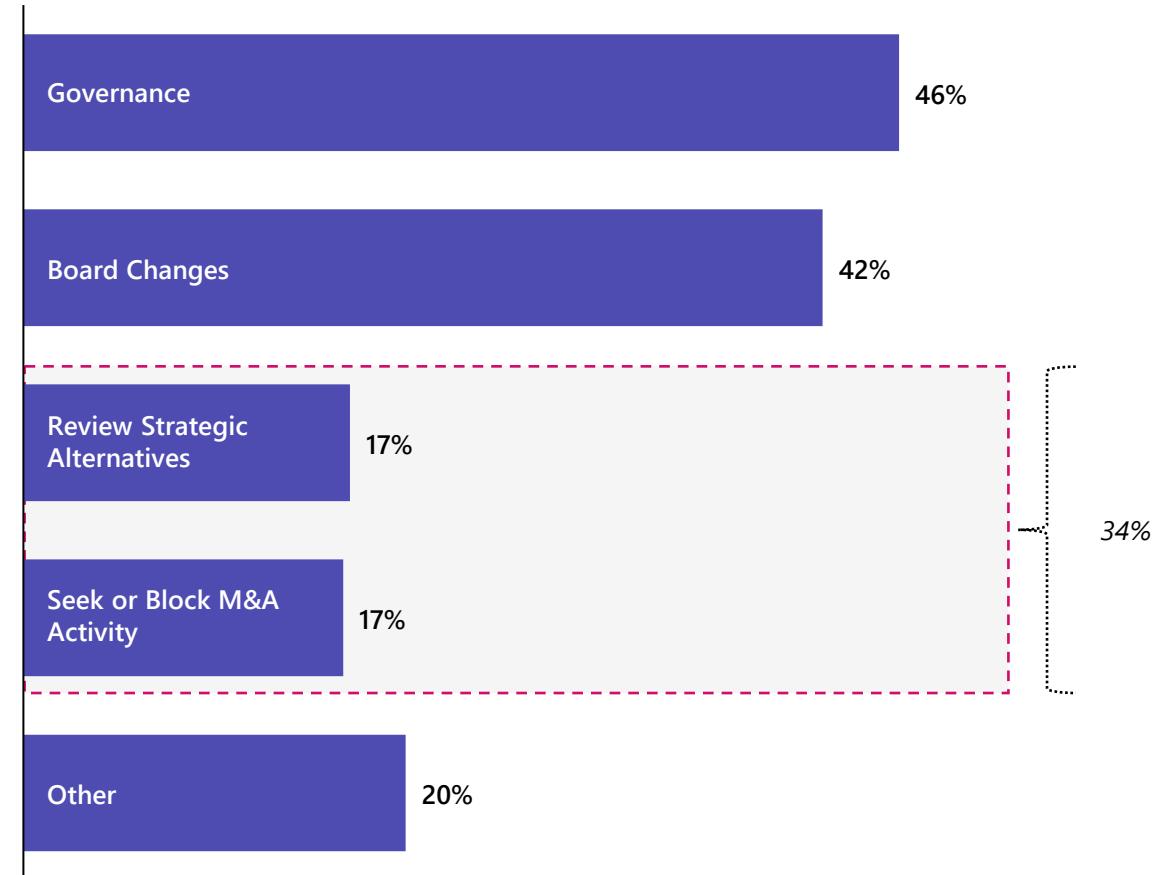
## 6 M&A Remains a Core Strategy in Activism

Almost 35% of activist campaigns included demands focused on M&A and strategic alternatives

### Annual Campaigns Launched<sup>(1)</sup>



### Share of 2025 Campaigns by Demand Type<sup>(2)</sup>



Source: FactSet as of January 6, 2026.

Note: Data includes campaigns for target companies with market capitalizations greater than \$100M at time of campaign announcement. U.S. only data.

1. Excludes hostile acquirors and anti-merger voters who did not file a 13-D; also excludes public short positions/bear raiders.

2. Percentages represent the share of campaigns that included each demand type, calculated as (number of campaigns with the demand / total number of campaigns) x 100. Total may exceed 100% because campaigns can include multiple demand types.



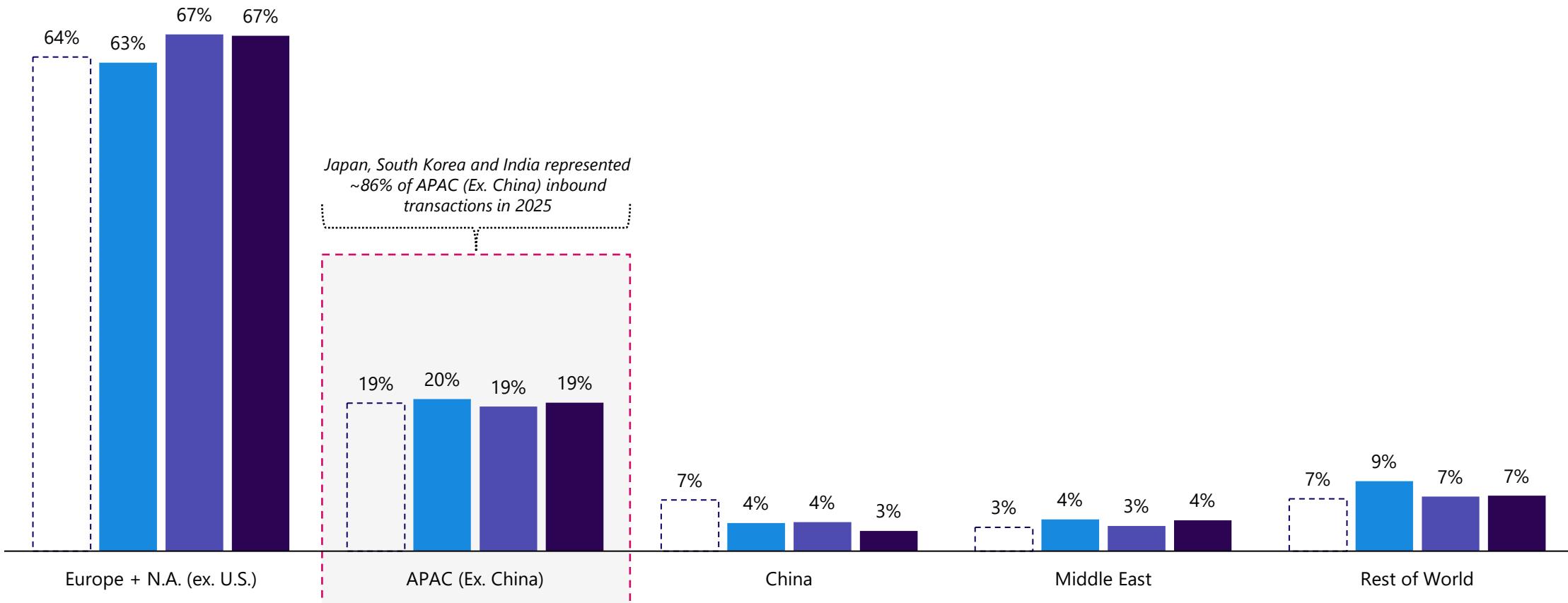
## Share of European Cross-Border M&A Into U.S. Remains Elevated

## Europe & North America Vast Majority of Acquirors

Over 67% of foreign acquirors of U.S. targets are from Europe, Canada and Mexico

% of Total Inbound Transactions into the U.S.

□ Avg. '17-'22    □ 2023    □ 2024    □ 2025



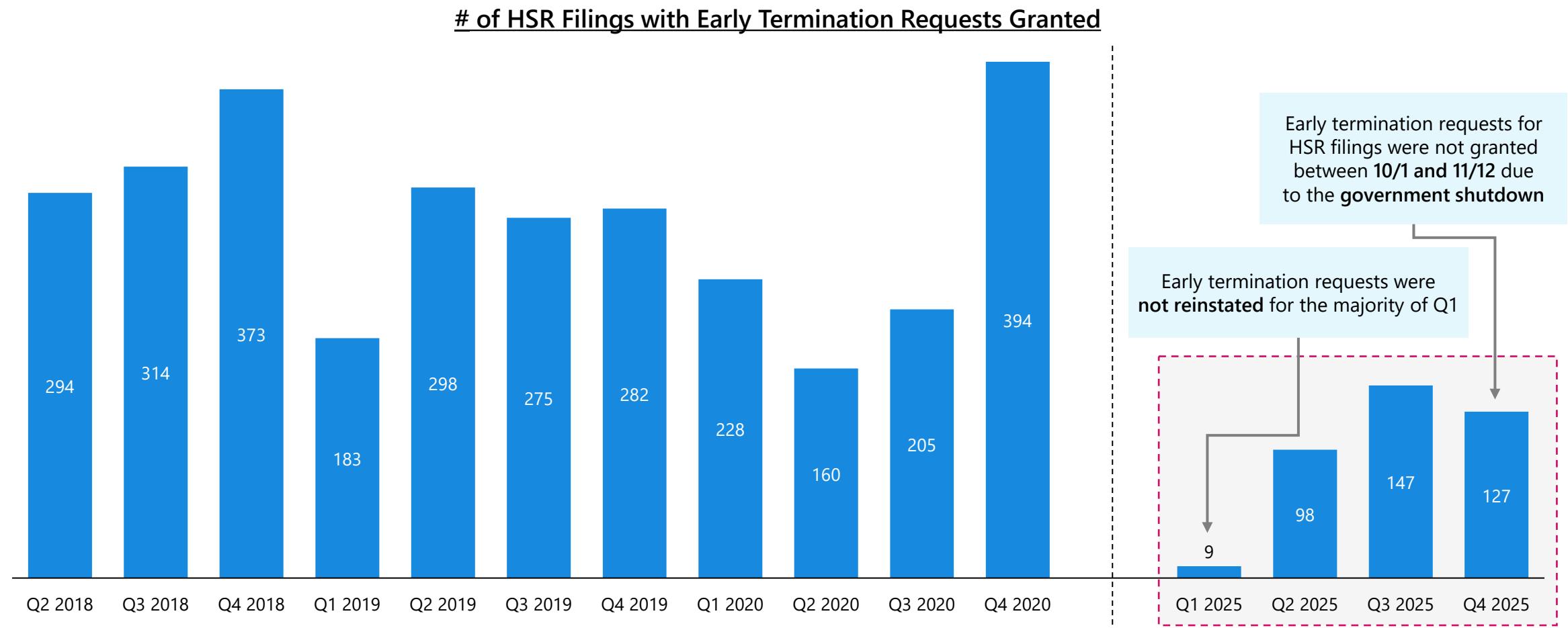


## Evolving Regulatory and Political Landscape

## 8 Early Termination Reinstated

Reinstatement of the program marks a return to a more streamlined regulatory environment

Early Termination Program Suspended in Feb. 2021, Reinstated in Feb. 2025



## 8 The Return of Structural Remedies in 2025

Structural remedies gain traction as regulators favor targeted divestitures instead of behavioral commitments

Keysight / Spirent Communications

\$1.5B



Acquisition of



DOJ ruled Keysight must divest



RF Channel  
Emulation



Network  
Security Testing



High-Speed  
Ethernet Testing

Which were subsequently sold to



Hewlett Packard / Juniper

\$14B

Hewlett Packard  
Enterprise

Acquisition of



DOJ ruled HPE must divest



Instant On  
Wireless Network

Within  
**180 days**  
of transaction

Synopsys / Ansys

\$35B



Acquisition of



FTC ruled Synopsys must divest



Optical  
Software Tools



Photonic  
Software Tools

Which were subsequently sold to



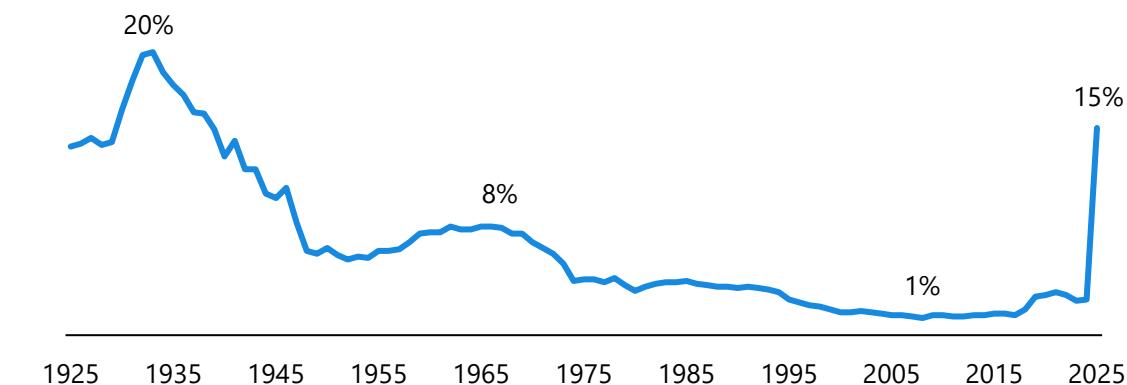
## Reciprocal Tariffs

Legal challenges underscore the uncertainty surrounding the U.S. emergency tariff strategy

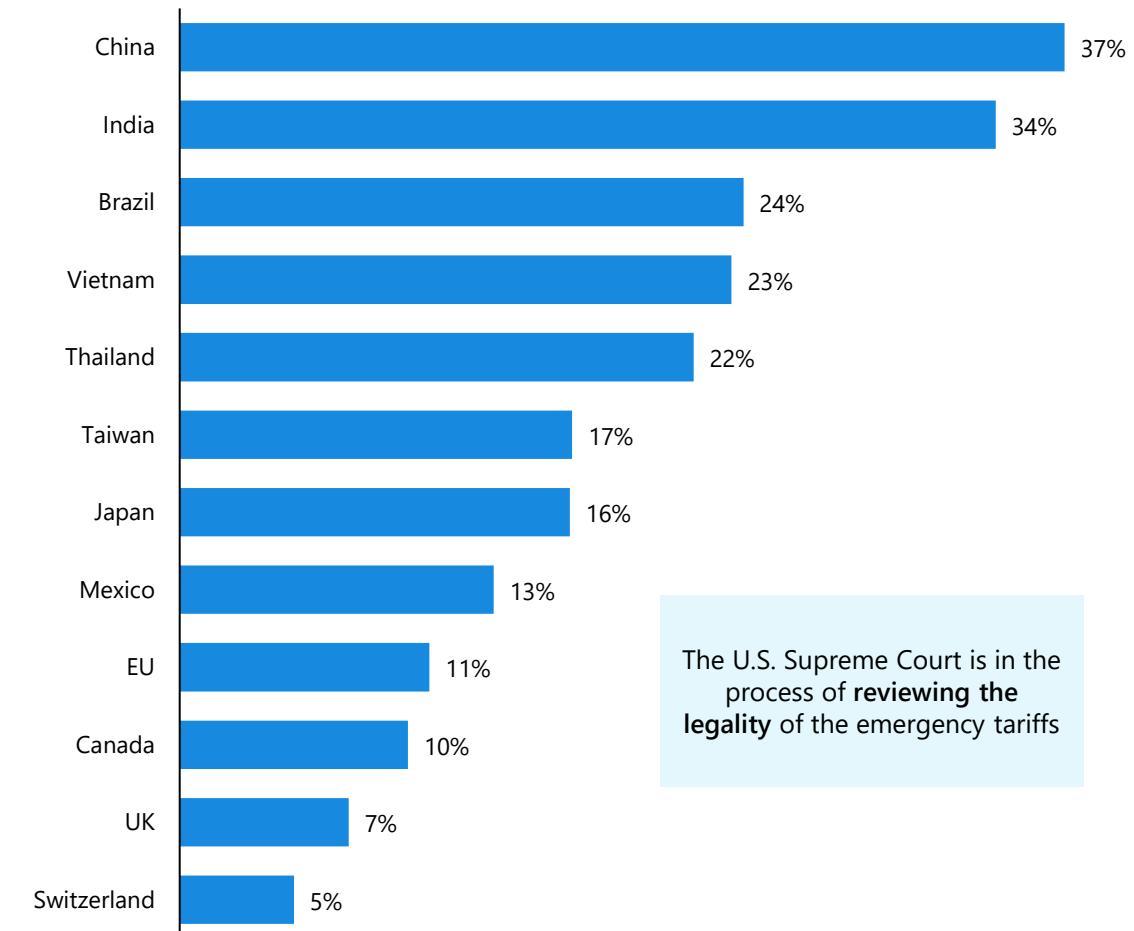
### Tariff Outlook

Tariff Rationale	<ul style="list-style-type: none"> <li><b>Negotiation Tool:</b> pressures trade partners, boosting U.S. leverage and securing new trade agreements</li> <li><b>Punitive Tool:</b> reduces reliance on financial sanctions, avoiding incentives for countries to move away from the U.S. dollar</li> <li><b>Macroeconomic Tool:</b> protects domestic industries, decreases trade deficits and raises tariff revenue</li> </ul>
Legal Challenges	<ul style="list-style-type: none"> <li>The Trump Administration enacted tariffs under the <b>International Emergency Economic Powers Act (IEEPA)</b>, which allows the President to declare emergencies over 'unusual and extraordinary' foreign threats</li> <li>In May 2025, a panel of judges <b>ruled the IEEPA tariffs illegal</b>; the U.S. Court of Appeals upheld this in August 2025. The Supreme Court is now reviewing</li> <li>Several companies, including Costco, have <b>sued the Trump administration</b> to secure "complete refunds" if the tariffs are struck down</li> </ul>

### Average Tariff Rate On U.S. Imports



### Trade-Weighted Average Tariff By Country



# Contacts and Disclaimer



**Jeff Jacobs**

**Partner**  
Head of M&A | COO of  
Investment Banking  
[jeff.jacobs@solomonpartners.com](mailto:jeff.jacobs@solomonpartners.com)  
212.508.1627



**Chris Moynihan**

**Director**  
M&A Group  
[chris.moynihan@solomonpartners.com](mailto:chris.moynihan@solomonpartners.com)  
646.708.8460



**Cam Chiarelli**

**Associate**  
M&A Group  
[cameron.chiarelli@solomonpartners.com](mailto:cameron.chiarelli@solomonpartners.com)  
917.580.0448



**Alex English**

**Analyst**  
M&A Group  
[alex.english@solomonpartners.com](mailto:alex.english@solomonpartners.com)  
646.396.4005



**Claire Wacziarg**

**Analyst**  
M&A Group  
[claire.wacziarg@solomonpartners.com](mailto:claire.wacziarg@solomonpartners.com)  
646.633.0428

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