JANUARY 8, 2026

2025 M&A Review and 2026 Outlook

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Introduction

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Strong M&A Momentum in 2025 Is Expected to Continue into 2026

"At Lazard, we are defined by our ability to deliver independent, expert advice grounded in contextual alpha: the broad judgment required to navigate the macroeconomic, geopolitical, regulatory, and sector-specific factors that shape transactions and help leaders see beyond what the world sees today. With our deep local and sector expertise, and the conviction to speak truth to power, we help our clients navigate complexity, evaluate strategic options, and advance long-term objectives with clarity and confidence."

Peter Orszag

CEO and Chairman
Lazard

We enter 2026 following a 40 percent increase in announced mergers and acquisitions ("M&A") deal value in 2025[1]—strong momentum that seems likely to continue into the new year. Despite uncertainty surrounding trade and other policies, deal activity proved remarkably robust in 2025. Megadeals and take privates surged, while divestitures and spin-offs accelerated as companies reshaped portfolios. The simultaneous pursuit of both scale (for M&A) and focus (for divestitures and spins) may seem paradoxical, but these objectives apply differentially and, in some cases, reinforce one another.

Scale is now a prerequisite for competitiveness in many sectors as fixed costs associated with technology and R&D have risen. Lacking scale can limit a company's ability to invest, innovate, and withstand volatility. Well-planned M&A can provide a fast path to reach the scale needed to accelerate modernization and participate meaningfully in global markets. Divestitures similarly allow companies to focus resources on key development areas.

As companies pursue M&A to achieve strategic imperatives such as these, "contextual alpha"—a holistic form of value creation that goes beyond financial modeling and is grounded in navigating the many non-financial dimensions that influence deal outcomes—is more important than ever for unlocking value in these transactions. This includes anticipating geopolitical and regulatory dynamics, assessing macroeconomic and financial-market conditions, and interpreting sector- and subsector-level nuances, among other elements.

While the year ahead will bring its own set of unforeseen challenges and opportunities, many of the macro and strategic forces that drove M&A in 2025 are likely to persist. Overall, the past year underscored the market's ability to look beyond short-term volatility to pursue long-term strategic objectives, which we expect to continue.

To frame the outlook for 2026, this report examines the historical quantitative and qualitative drivers of M&A, the additional factors that accelerated activity in 2025, and the emerging themes that could shape dealmaking in the year ahead. While these strategic and macro dynamics offer important context, regional, sector-specific, and company-level insights will remain essential for identifying opportunities and managing risks.

Section I: Historical Drivers of M&A

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M&A's Impact and Its Historical Drivers

M&A has been an important engine for growth, not only for companies but also for the broader economy

In today's economy, M&A serves as a critical channel through which operational know-how, technological capability, and managerial efficiency diffuse across a broader market. Stanford researchers have shown that by shifting underperforming assets to higher-productivity owners, M&A can improve firm-level performance and raise aggregate productivity, highlighting its role as a key driver of economic growth.[2] The effect is particularly strong in sectors with a wide range of managerial capability—such as manufacturing and energy—where acquired U.S. power plants, for example, achieved roughly 4 percent efficiency gains within eight months as stronger operators ran assets more effectively.[3] As performance gaps between leading firms and the rest have widened over time, the gains from reallocating assets to more productive owners have only increased.

Given the central role M&A plays in the economy, it is critical to explore the economic and strategic factors that drive M&A activity.

~60%

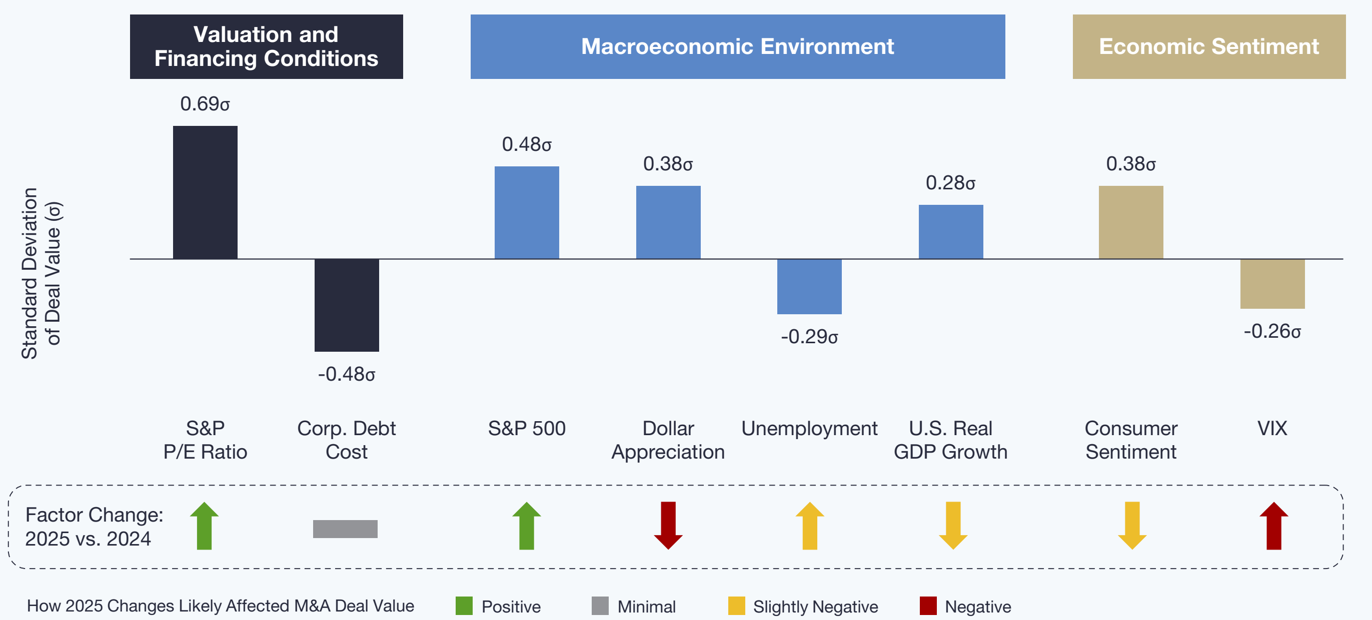
Of variation in historical deal value in the U.S. can be explained by three key quantifiable factors: valuation and financing conditions, macroeconomic trends, and economic sentiment

Financing conditions remain the dominant quantitative driver of M&A announcements

M&A activity historically has been shaped by strategic factors that are often difficult to measure such as corporate ambition, competitive tensions, and the regulatory environment. Beyond these more qualitative factors, there are also quantifiable economic and financial drivers of deal activity. An analysis of over 40 macroeconomic variables found that three measurable factors—valuation and financing conditions, macroeconomic trends, and economic sentiment—account for approximately 60 percent of variation in quarterly M&A announced deal value from 2007 to 2025. And of those factors, valuation and financing conditions (such as P/E ratios and corporate costs of debt) are especially important, explaining about 50 percent of the total variation in announced M&A deal value alone.

Exhibit 1.

Correlation of one standard deviation increase with announced U.S. deal value[4]



Beyond the measurable financial indicators lies a landscape of qualitative factors that can be the deciding force behind major transactions.

Corporate confidence: Corporate appetite for larger or more complex transactions tends to increase when business leaders have higher confidence in their businesses and the sectors in which they operate, a factor not always directly correlated with economic outlook.[5] This is particularly true for larger deals where confidence and strategic rationale often predominate quantitative factors relevant to the deal.

Competitive tensions: Waves of competitive intensity encourage companies to consider acquisitions as a way to maintain relevance or accelerate strategic positioning, particularly in dynamic industries undergoing technological change.[6] The rise of PE-backed platforms has added another source of competitive tension, contributing to an environment where acquisitions become an increasingly strategic lever.

Regulatory environment: The perceived probability that a deal will close also affects M&A activity and is driven by a number of factors, including antitrust regimes, specific industry regulators, and inbound and outbound national investment restrictions, particularly in industries of strategic national importance.[7]

Imperative to grow: Industries with areas of slower organic growth, such as industrial and consumer sectors, have often relied on acquisitions during times of slower baseline expansion. In markets where demand evolves gradually and innovation cycles are longer, M&A has provided a path to expand product portfolios, reach new customers, and gain scale.

Geopolitics: "Contextual alpha" as a growing component of M&A decision-making

Theodore Bunzel

Head of Geopolitical Advisory

Ronald Temple

Chief Market Strategist

Rising geopolitical tensions and a growing cadence of trade and investment restrictions are increasingly shaping dealmaking strategies and feasibility. The concept of "contextual alpha"—factors that decision-makers need to take into account beyond the narrow deal terms—is more important than ever. Particularly in strategic sectors like advanced technology, understanding and navigating regulatory landscapes and domestic priorities across the U.S., Europe, and Asia-Pacific is becoming an essential aspect of deal advisory.

In no area has the effect of geopolitics been more apparent than in declines in the M&A corridor between China and major Western economies. The effect of trade friction between Washington and Brussels on M&A is complex, but the transatlantic M&A corridor proved to be resilient in 2025 as companies looked past tariff uncertainty to pursue long-term strategic goals. See our Geopolitical Deep Dive on pages 22-24 for more details on how geopolitics plays a role in M&A decision-making.

Section II: 2025 M&A Review

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Gains Across Regions and Sectors Drove Record 2025 M&A Growth

+40%

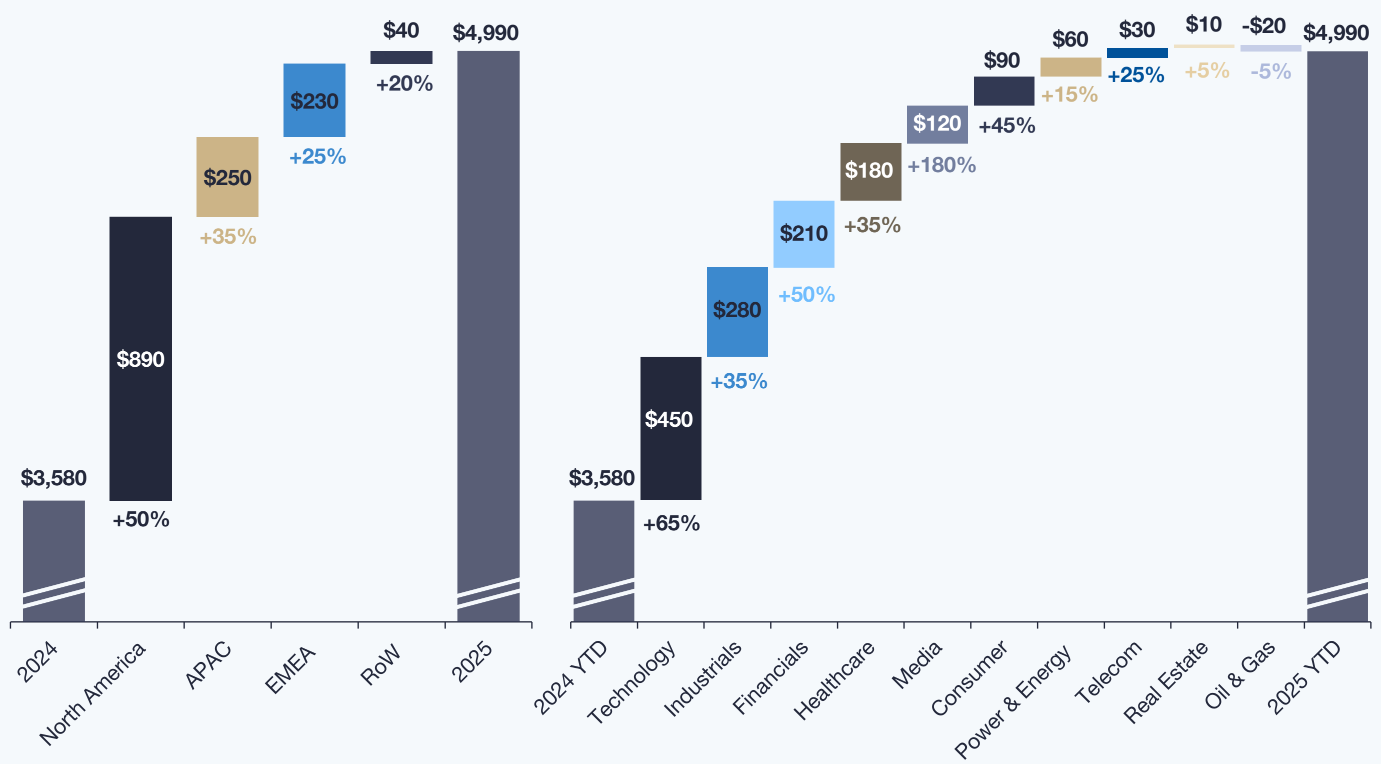
Year-over-year increase in deal value

In 2025, global announced deal value rose 40 percent year-over-year.[8] The eight historical macroeconomic drivers shown in Exhibit 1 likely accounted for well-below half of this increase,[9] which aligns with the mixed movements in these factors during 2025. For example, in the U.S., valuations and equity markets continued to rise in 2025, but GDP growth decelerated and the dollar weakened. However, once additional strategic factors—such as competitive pressures, improved ability to close deals, and increased board-level confidence—are taken into account, it becomes less surprising that M&A activity increased sharply. While there were periods of macro and geopolitical uncertainty earlier in the year, dealmakers largely looked past the short-term volatility.

North America led global M&A growth[10] as a perceived easing of regulatory constraints opened the door to larger transactions. Following close behind was APAC's growth rate, where a surge of approximately 80 percent in Japan—driven in part by shareholder-friendly capital market reforms[11]—accounted for over one-third of the region's increase.[12] EMEA also delivered solid growth, though it lacked some of the regulatory catalysts and industry dynamism that drove transactions elsewhere.

Exhibit 2.

Announced M&A value increased significantly across regions and sectors[14]



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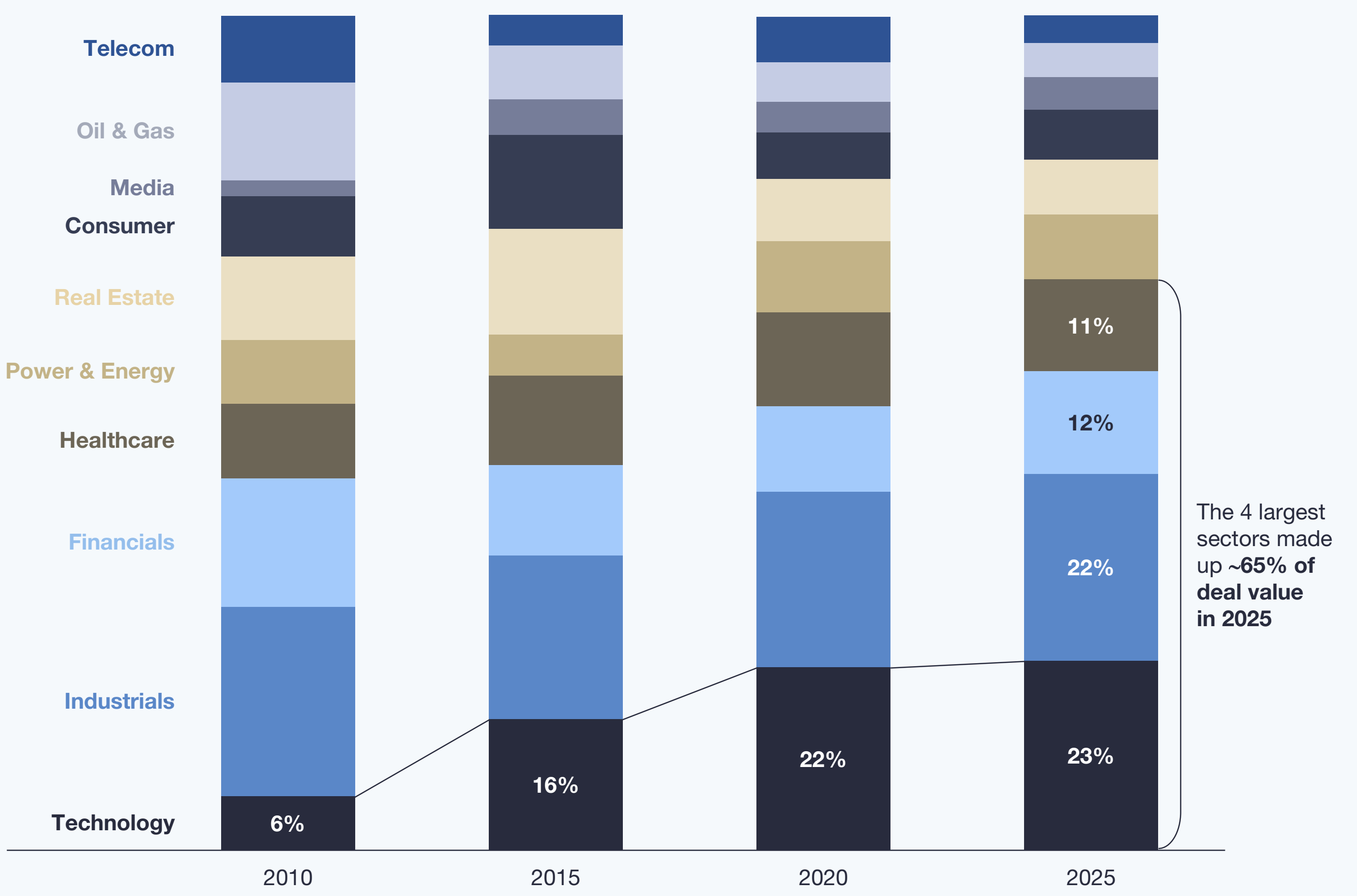
While deal value was up across industries, it remained concentrated in the four largest sectors for M&A historically. Technology and industrials were driven by a number of megadeals, followed by financials, which saw an uptick in bank mergers on both sides of the Atlantic.[13] Healthcare also showed renewed strength, with a rebound from relatively lower deal value from 2022 to 2024.

Over the past 15 years, there have been fluctuations in the share of global announced M&A value from each sector.[15] Technology has seen the most pronounced rise in value, moving from mid-single-digit share in 2010 to over one-fifth of all announced M&A value by 2020, a position it has retained through 2025. Healthcare has also grown its share, supported by biopharma innovation and consolidation in services and MedTech.

Media, though smaller in scale, has doubled its share since 2010, driven by landmark consolidation transactions. Financials' share of M&A has decreased since 2010, while industrials has maintained a consistently strong presence.

Exhibit 3.

Sector share of global announced M&A value has shifted with technology share increasing the most[16]



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2025: A Year Defined by Transformative Deals and Strategic Realignment

30%

Of global deal value was from deals over $10 billion

Across a dynamic year for dealmaking, three themes ultimately defined 2025.

1. Increase in large transactions

In 2025, M&A value was driven disproportionately by large, industry-transforming transactions. The total value of deals over $10 billion surged 120 percent from 2024[17] and accounted for nearly one-third of all M&A value for the year. This wave of activity was supported by a U.S. regulatory environment that was viewed as more accommodating to large-scale, complex transactions, giving companies greater confidence to pursue transformative combinations. Notably, many of these acquirors have not been historically acquisitive, underscoring how favorable the current environment has become for pursuing transformative transactions. Outside of these megadeals, transactions between $5–$10 billion rose 50 percent, $1–$5 billion deals grew 25 percent, and sub $1 billion deals only 5 percent. Despite overall value increasing 40 percent in 2025, total deal count fell 4 percent,[18] further underscoring the role large deals played in 2025.

> "The global M&A landscape in 2025 was defined by strategic repositioning, with landmark transactions reshaping industries. Record-breaking deal values, surging divestiture activity, and a sharp rise in U.S. take-private transactions underscored a year of transformative corporate moves."

Mark McMaster
Global Head of M&A

Exhibit 4.

Select mega-cap deals (total enterprise value in billions)[19]

Union Pacific	Norfolk Southern	$85.0
Netflix	Warner Bros. Discovery	$82.7 - $108.4[20]
Silver Lake	EA Sports	$55.0
Kimberly-Clark	Kenvue	$48.7
BlackRock / MGX	Aligned Adaptive Data Centers	$40.0
Charter Communications	Cox Communications	$34.5
Alphabet	Wiz	$32.0
Constellation	Calpine	$26.6
paloalto networks	CyberArk	$25.0[21]
Sycamore Partners	Walgreens	$23.7
Keurig Dr Pepper	JDE Peet's	$23.0
Abbott	Exact Sciences	$23.0

50%

Year-over-year increase in completed value of divestitures and spins over $1 billion

2. Increase in divestitures and spin-offs

The number of divestitures and spin-offs also increased in 2025, with several large transactions including Holcim's $30.0 billion spin-off of Amrize[22] and Sanofi's €16.0 billion divestiture of Opella[23]. The total value of completed divestitures and spins over $1 billion grew by 50 percent year-over-year.[24] Announced but still ongoing plans for divestitures and spin-offs are expected to add momentum into 2026. Many market participants expect the disposal of non-core units or streamlining to remain a key driver of early 2026 M&A activity. These portfolio shifts reflect a continued focus on pure-play strategies and thematic growth, as strong multiple expansion in higher-growth verticals continues to pressure diversified companies that face sum of the parts discounts.

Exhibit 5.

Planned divestitures / spin-offs[25]

Corteva agriscience, DuPont, FedEx, Honeywell, Keurig Dr Pepper / JDE Peet's, Kraft Heinz, McKesson, Medtronic, Unilever, Warner Bros. Discovery

>60%

Year-over-year increase in North America take-private activity

3. Significant uptick in take-private activity

Sponsor-led take-private activity in North America rose over 60 percent year-over-year in 2025, reaching its highest level since 2007 in both deal count and total value.[26] The year featured several blockbuster transactions, including PIF, Silver Lake, and Affinity Partner's $55.0 billion take-private of EA Sports[27] and Sycamore Partners' $23.7 billion acquisition of Walgreens.[28]

A notable development was the growing role of sovereign wealth funds—particularly those from the Middle East—as active co-investors in major take-privates. Many transactions featured collaborations among sponsors, sovereign wealth funds, and private credit providers. This convergence of capital sources bucked the trend of what was otherwise subdued private-equity M&A overall, and signaled rising confidence in deploying capital, especially among the largest sponsors and long-duration global investors.

Exhibit 6.

Select take-privates (total enterprise value in billions)[29]

PIF / Silver Lake	EA Sports	$55.0
Sumitomo	Air Lease Corporation	$28.2
Sycamore Partners	Walgreens	$23.7
Blackstone / TPG	Hologic	$18.3
Thoma Bravo	dayforce	$12.3
Blackstone	TXNM Energy	$11.5
CD&R	Sealed Air	$10.3
CDPQ	Innergex	$10.0
3G Capital	Skechers	$9.4
Clearlake	dun & bradstreet	$7.7
KKR	spectris	$6.4
Investindustrial	TreeHouse	$2.9

Explaining Two "Contradictory" Trends

Why M&A and restructuring are rising simultaneously

Performance dispersion between companies has increased sharply over the past 25 years. A small group of "superstar" firms has pulled away from the rest: McKinsey shows that the return on invested capital ("ROIC") spread between top- and bottom-quartile firms has roughly tripled.[30] In addition, top-performing firms tend to remain top-performing: companies earning ROIC above 25 percent in 2012 had an 80 percent chance of sustaining it a decade later.[31] As the gap widens, high-performing companies are more motivated to acquire underperformers to capture synergies and redeploy assets to more productive owners. Conversely, firms falling far behind increasingly face balance sheet repairs or strategic resets, pushing them toward restructuring.

2025 reflected this dual dynamic: global announced M&A value grew more than 40 percent versus 2024,[32] while U.S. corporate bankruptcies were on pace to reach their highest level in over 15 years, with at least 717 filings as of November.[33] These patterns appear structural rather than cyclical, suggesting continued elevated activity across both M&A and restructuring in future years.

Why acquisitions and divestitures are increasing at the same time

At first glance, rising M&A value alongside more divestitures and spin-offs appears contradictory. In reality, both are responses to achieving strategic scale—not just scale for scale's sake. In addition, if a company seeks to divest an asset because it no longer makes strategic sense, there is nearly always a buyer for whom the asset does align strategically.

Conglomerates often face sum-of-the-parts discounts.[34] Pressures to rationalize portfolios rise during periods in which the standalone valuations of parts of the business increase and are not fully reflected in the valuation of the whole business. Selling non-core assets can also be a method to recycle capital for better uses, including other acquisitions.

At the same time, companies are actively seeking strategic scale—acquiring peers or adjacent businesses to spread the cost of technology investment (including AI-driven transformation), expand geographic reach, or deepen distribution.

Section III: 2026 M&A Outlook

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Multiple Drivers Should Sustain Elevated Deal Value in 2026

> "What stands out heading into 2026 is the convergence of several factors expected to support M&A activity including growing corporate ambition, private capital dry powder, the race to acquire AI capabilities, and a supportive M&A financing environment."

Alexandra Soto
Chief Operating Officer
Lazard

We enter 2026 with valuation multiples near historic highs and corporate borrowing costs broadly stable relative to recent years. 2026 is poised to deliver strong deal value as these stable financing conditions intersect with powerful strategic drivers: more accommodating regulatory backdrops, accelerating innovation-led sector growth, heightened private capital deployment, and targeted portfolio realignment are converging to create one of the most fertile environments for transactions in recent memory.

In a global survey of Lazard's Financial Advisory Managing Directors, a majority of bankers expect M&A deal value to meaningfully increase within their sectors. Informed by the survey, we highlight the following emerging themes underpinning the year ahead:

1. Growing ambition from large corporates

The surge in megadeals in 2025 signals rising strategic ambition among large corporates, driven by both offensive and defensive motives in scale-dependent sectors. This marks a shift following several years of CEO caution amid high costs of debt and heightened regulatory scrutiny. As industry-transforming consolidations continue, smaller and mid-sized players unable to pursue major strategic moves may face increased consolidation pressure to remain competitive.

2. Potential monetization of long-held private equity assets

The majority of Lazard's MDs expect private equity-related M&A in their coverage areas to increase in 2026 compared to 2025. As holding periods have increased for PE-portfolio companies, GPs face significant pressure from LPs to exit long-held positions. Exiting investments has become easier than in recent years as equity values have substantially increased, narrowing valuation gaps between buyers and sellers and reducing the number of portfolios still underwater. In addition, with around $2 trillion in undeployed private equity capital,[35] firms face pressure to deploy capital to pursue new acquisitions.

Private Equity: Multiple options

Sponsors are broadening their monetization toolkit beyond outright sales, leaning on dividend recapitalizations, preferred / structured equity solutions, and minority sales. GP- and LP-led secondary structures—especially continuation vehicles ("CVs")—have become important avenues for liquidity, supporting a $180–$200 billion secondary market in 2025 with about 10 percent expected growth in 2026. Private credit's growing role is further accelerating activity across CVs and other structured transactions. For more details, see our Private Capital Deep Dive on page 21.

3. More accommodating regulatory environment, outside of national security-sensitive areas

The current U.S. regulatory landscape is expected to remain constructive in the near term, at least outside of national security-sensitive areas, providing an accommodating backdrop for dealmaking. This continuity may help sustain the window for transformative transactions, particularly among corporates seeking scale or strategic repositioning. Market participants generally anticipate that the prevailing conditions could support larger, more complex transactions through 2026. In Europe, despite discussions of improving dynamism following the release of the Draghi Report—a 2024 blueprint for strengthening EU competitiveness and investment—little headway on regulatory loosening has occurred so far.[36]

4. Rapid growth in innovation-led sectors creating new M&A acquirors and targets

In fast-moving, innovation-driven industries, acquisition targets and even acquirors can emerge quickly after achieving super-sized growth in short time frames. We saw this dynamic take shape in 2025, particularly in biopharma, where multiple companies went on to achieve multi-billion-dollar valuations in remarkably short periods. For example, Avidity was acquired by Novartis for $11 billion after growing from a market cap of $400 million in just two years.[37] Similar patterns are emerging in sectors such as artificial intelligence, where early-stage companies with breakthrough capabilities can rapidly attract strategic buyers and secure premium valuations. In 2026, we expect this trend to accelerate as innovation cycles shorten. In some sectors like software, the shift from one product to another can be rapid, making the identification of future acquisition targets and disruption vectors challenging. This environment will increasingly favor acquirors able to form conviction early and act quickly, as the pace of innovation compresses traditional windows for identifying high-growth targets.

5. Continued strategic portfolio focus with ongoing de-conglomeration

Continuing the theme from 2025, M&A in 2026 is set to reflect the ongoing shift from conglomerate models toward more focused portfolios, as companies continue to pursue “back-to-basics” strategies that shed non-core assets and target complementary acquisitions. This will be particularly true in select markets such as Japan, where recent capital market reforms have increased pressure to rationalize unwieldy corporate structures.[38] For both corporates and private equity sponsors, this environment favors platform building and sector consolidation over scale for scale’s sake.

6. Geopolitics as a key component of decision-making

Geopolitical dynamics will continue to shape transaction evaluation and execution in 2026. More stable U.S.–EU trade relations should provide a supportive backdrop for transatlantic activity. At the same time, ongoing China decoupling will keep West-China deal flow muted and push Western acquirors in sectors like biopharma toward licensing over acquisitions to manage risk. Emerging markets hubs are capturing incremental deal activity in strategic areas such as technology and electronics as alternative production and investment bases for Western firms. In sensitive sectors like critical technology, heightened regulatory and national security scrutiny is increasing cross-border deal complexity and prompting more targeted structuring and partnership models. While not a direct driver of M&A deal value, geopolitics will remain a key component of deal-related decision-making in 2026.

7. Race to acquire AI capabilities

Looking ahead, AI will accelerate the widening divide between corporate winners and losers, prompting more urgent and targeted strategic responses. Beyond companies directly exposed to AI, inorganic growth could become a primary route to secure advanced AI capabilities and reach the scale needed to offset transformation costs. By 2026, we may see AI-driven consolidation extend beyond technology into sectors such as healthcare, where applications are maturing.

8. Supportive M&A financing environment

We expect the convergence of capital sources to continue to facilitate and efficiently finance transactions in 2026, supported by ample private capital dry powder, greater willingness to combine multiple third-party capital providers, and a constructive rate backdrop. Further supporting the financing environment is an expectation of continued strong appetite for financing commitments from banks and other commercial debt capital providers. 2025’s megadeals found strong support from these debt capital providers, and we expect sustained appetite for committed financing in 2026, including transactions that source capital from across both public and private markets.

Unlocking the Next Chapter in Global M&A

M&A activity surged in 2025 despite a mixed economic backdrop. Stable borrowing costs, strong equity valuations, a more permissive regulatory environment in the U.S., and broad-based regional and sectoral expansion created fertile ground for transformative transactions. The surge in megadeals, heightened sponsor-led take-private activity, and increased portfolio realignment underscored a shift toward scale and confidence in deploying large amounts of capital.

Looking ahead, 2026 is poised to build on this momentum. Corporates enter the year with renewed strategic ambition, and private capital firms enter 2026 with favorable economic conditions to monetize long-held assets. The widening AI divide and evolving geopolitical dynamics will shape dealmaking priorities, while the diversification of transaction structures, from continuation vehicles to private offerings, expands the toolkit for sponsors and corporates. At the same time, the shifting sectoral composition of global M&A, marked by technology's steady rise and the enduring importance of industrials, financials, and healthcare, highlights the continued breadth of strategic drivers supporting global deal flow.

While macroeconomic tailwinds may offer a constructive backdrop, success depends on agility in navigating shifting market conditions and competitive pressures. Firms that combine disciplined capital deployment with targeted strategic initiatives will be best positioned to capture opportunities in an increasingly dynamic global M&A environment.

About Lazard

Founded in 1848, Lazard is the preeminent financial advisory and asset management firm.

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Appendix

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Sector-Specific Factors in 2026

See

Lazard's Global Biopharmaceutical Leaders Study 2025 for more

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See

Lazard's Geopolitics of Biotech report for more

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Consumer

Following a period of relatively slower M&A deal value since 2021, global consumer and retail M&A rebounded in 2025 as muted organic growth prospects and a search for synergies spurred consolidation. 2025 saw several transformational transactions including Keurig Dr Pepper's $23 billion cross-border acquisition of JDE Peet's, along with a wave of public-to-private transactions, such as Ferrero's acquisition of WK Kellogg and Investindustrial's acquisition of TreeHouse Foods.[39]

In 2026, deal flow is expected to remain strong, supported by stable financing conditions and a growing imperative for private equity to monetize assets. At the same time, the sector faces a complex operating environment: input inflation—including tariff-related cost pressures—and ongoing pressure on the core consumer continue to weigh on organic growth and profitability. Alongside these operating challenges, the sector is also seeing elevated senior executive turnover, and valuations remain at multi-year lows. While AI's direct impact on consumer dealmaking remains limited for now, its role in improving productivity and operational efficiency is increasingly recognized.

Within this environment, strategic M&A remains an important lever to drive topline growth and meet earnings targets. In addition, compressed valuations are also prompting corporates to increasingly consider larger and more transformational moves, including spin-offs and divestitures, to unlock value.

Healthcare

After a multi-year period of relatively limited activity, healthcare M&A value surged 35 percent year-over-year in 2025.[40] In 2026, private equity activity is expected to pick up, fueled by the need to monetize assets, while strategics are expected to pursue vertical integration and scaled acquisitions to enter growth markets—particularly European companies seeking exposure to the U.S. market.

In pharmaceuticals, the looming "patent cliff" set to affect $150 billion of revenue through 2027 alone is accelerating boardroom discussions of transformative transactions.[41] Incremental biotech acquisitions will not bridge the growth gap—mega mergers are increasingly seen as essential. Financing is not a constraint: balance sheets are strong, debt markets open, and equity issuance viable. We expect a wave of large-scale consolidation in 2026, including cross-border transactions, particularly European pharma acquiring U.S. peers to access the world's largest healthcare market. In addition, 2025 demonstrated that in biopharma, companies can grow to significant valuations and exit in a very short time period.

MedTech M&A is set to intensify, driven by AI–enabled diagnostics and evolving business models. High capital requirements and the need to prioritize R&D are likely to push consolidation among players seeking scale, technology breadth, and market access.

In healthcare services, restructuring is expected to dominate headlines, especially in Europe, where cost pressures, regulatory changes, and shifting patient care models are prompting operational overhauls. Selective consolidation is anticipated to occur as operators seek efficiency and geographic diversification.

Across the sector, challenges remain, including cautious buyer sentiment, regulatory uncertainty—particularly in the U.S., where government reimbursement is in flux—and geopolitical variability. AI is increasingly influencing dealmaking by enhancing proprietary data value, accelerating diligence, and improving efficiency. Firms that adapt quickly to policy shifts, leverage AI, and align acquisitions with long-term growth priorities will be best positioned to capture value.

Industrials

Global industrials M&A value rose by over 35 percent year-over-year in 2025,[42] driven by several large deals including Union Pacific's $85 billion proposed acquisition of Norfolk Southern, AkzoNobel's $25 billion all-stock combination with Axalta, and CD&R's $10 billion acquisition of Sealed Air.[43] Global industrial demand remains uneven, with the U.S. manufacturing sector continuing to experience sustained inflation and supply chain challenges, both of which are also linked to tariffs. In this environment, M&A is increasingly a critical lever for achieving growth targets. Rising equity valuations, AI-driven investment, easing rate expectations, and lower policy uncertainty are boosting near-term sentiment and driving industrials deal activity toward historical highs. Many industrial companies across both the U.S. and Europe continue to reshape and refine their portfolios to focus on pure-play secular growth themes, often under activist pressure to divest non-core assets and streamline operations. Across the sector, balance sheets remain broadly healthy, supporting efficient access to capital and enabling companies to pursue strategic M&A.

M&A drivers vary across industrial subsectors. In capital goods, U.S. and European companies are pursuing multiple acquisitions in high-growth verticals, expanding along key secular themes, and simplifying their portfolios. In aerospace and defense, bolt-on acquisitions are becoming popular to gain specific, next-generation capabilities and strengthen supply chains in an environment of increased defense sovereignty. In chemicals, companies are facing an oversupply driven by overinvestment in capacity in Asia and the Middle East. In automotive and mobility, sluggish vehicle production and the need to secure next generation capabilities (AI, autonomy, and electrification) are pushing companies to use M&A as a growth tool. Across industrials, private capital remains active, including with heightened focus on take-private transactions.

In addition to these sectoral trends, European industrial companies are facing slow growth in domestic markets, elevated levels of regulation, and tariffs, all of which have increased the desire for companies and investors to gain access to U.S. markets.

In 2026, well-capitalized industrials with the ability to execute synergistic M&A—either through consolidation or access to new growth markets—will be well positioned to navigate an uncertain macro and geopolitical environment.

Power and Energy

The power and energy sector in 2025 saw robust M&A activity, including several transformational deals such as Constellation's $26.6 billion announced acquisition of Calpine to create America's largest clean power generation provider.[44] Power and energy M&A in 2025 was driven by rising electricity demand from AI, data centers, and broader load-growth drivers, alongside renewed recognition of the need for reliable conventional generation capacity—dynamics that will continue into 2026.

Globally, increased vertical integration is supporting transactions, while in Europe, new infrastructure fund capital and strong corporate balance sheets are creating the firepower for additional acquisitions. In the U.S., 2025 also saw a number of power and energy companies divesting assets to rationalize their portfolios, a trend we anticipate will persist as companies reassess strategic priorities in 2026.

With energy demand likely to continue growing rapidly, reliability and affordability needs are paramount, as strategic priorities continue to evolve across the energy value chain. As such, 2026 is poised to see growing interest in transactions that link oil and gas infrastructure with power and generation assets, as operators look to position themselves along a more integrated energy value chain.

See

Lazard's Levelized Cost of Energy+ (LCOE+) for more

→

In upstream M&A, we expect continued resource capture among larger players, both through large-scale transactions and bolt-on acquisitions targeting high-quality, long-life drilling inventory. We also anticipate ongoing consolidation among remaining small- to medium-sized publicly listed E&P companies as they pursue increased scale and greater relevance with public market investors in a low-growth environment.

Headwinds to a continued strong M&A environment in the power and energy sector include geopolitical instability, regulatory hurdles, persistently low global oil prices, and negative power prices in Europe. Cross-border deal flow remains subdued amid mixed financing conditions, though an improving environment could bring an uptick in 2026.

Technology

Technology M&A surged 65 percent year-over-year in 2025, far outpacing the overall market's 40 percent increase.[45]

In North America, software—the largest subsector of the technology M&A market—was distinguished by several trends. Strategic activity dramatically outweighed sponsor activity as strategics took advantage of a more accommodating regulatory environment to complete large-cap transactions—helping to address their AI ambitions, modernize their product portfolios, or otherwise advance their strategic priorities. Other than the $55 billion take private of EA,[46] sponsor activity at valuations over $1 billion was muted as sponsors grappled with both the ambiguity of AI's impact on various subsectors and continued dislocation between buyer and seller valuation expectations. Activity in other subsectors—Internet, Hardware / Semis, and IT Services—also increased and reflected more balanced trends between strategic and sponsor activity, supported by reduced valuation friction from the 2020 and 2021 era of software transactions and less ambiguity over whether target companies would be beneficiaries or victims of AI.

In software, the 2026 outlook hinges on whether the current pace of strategic activity can continue and potentially combine with healthier demand from sponsors. Many see AI as a once-in-a-generation investment theme, driving significant capital into AI-native businesses. The competitive outcome between incumbents and new entrants remains uncertain, but both are pursuing strategic acquisitions to secure capabilities and defend market position.

In Europe, four themes dominate: AI-driven consolidation, data sovereignty and infrastructure, private equity re-engagement, and cross-border transactions. Data localization rules are spurring deals in cloud, cybersecurity, and data centers, while extended holding periods are bringing PE-owned assets back to market.

Globally, strategic M&A momentum is strong, fueled by lower financing costs, particularly with elevated equity values for the largest strategics. Headwinds include geopolitical tensions and regulatory scrutiny, alongside capital constraints for early-stage, capital intensive tech businesses. Organic investment in fabs and data centers is blurring sector boundaries, creating hybrid business models that combine technology and industrial capabilities.

See

Lazard's AI Impact on Technology M&A report for more

→

Private Capital Deep Dive

Sponsors are increasingly turning to continuation vehicles and flexible financing solutions in 2026 as investor appetite broadens and capital sources deepen.

Financial sponsors are pursuing a range of options beyond outright sales to maximize monetization of portfolio companies. Dividend recapitalizations remain an effective, widely-used tool to capitalize on the current supply-demand imbalance in the credit markets for new issue paper. Sponsors are also leveraging the private markets to facilitate preferred equity and structured equity transactions to monetize minority equity sales. Beyond portfolio-level activity, GPs and LPs are using an expanding set of structures to return capital and meet strategic objectives.

As private assets stay private for longer, we expect financial sponsors to continue to evaluate alternative exit routes, including continuation vehicles, for prize assets. We expect secondary market volume to reach $180 to 200 billion in 2025, of which roughly half will be sponsor-initiated CVs. Secondary volumes are expected to grow by over 10 percent in 2026, depending on wider macro and exit market conditions. Below are some key trends we observe:

- Surging interest in middle-market CVs as investors shift from large-cap to mid-cap deals.
- Greater use of continuation funds as an alternative to M&A exits, especially in single-asset deals tied to recent M&A attempts.
- Heightened scrutiny of assets in recent sale processes, focusing on entry value, GP alignment, and asset performance.
- Rising use of structured transactions, including time-based purchase price deferrals and other evolving arrangements.
- Growing demand for private credit, with steady interest in GP-led credit secondaries beyond traditional buyouts. Europe will start to feature in this nascent market following on the coattails of U.S.-led growth in 2025.
- Growing interest in venture and growth CVs in anticipation of the market unlocking further, including new levels of buyside activity and consolidation between players.
- Increasing participation of new fund-of-fund entrants (including GP-affiliated buyers and spin-out groups) and traditional investors on the buyside driving larger check sizes and increasing viability of very large CVs.
- Increased deployment of ‘40 Act Funds in GP-led deals, particularly among the largest investors.

In addition to CVs, private IPOs and other innovative structures are also likely to see broader adoption, building on significant issuance in 2025, particularly among larger, market-leading assets with strong global positions.

Lazard’s Private Capital Advisory team expects sophistication in sell-side processes to further evolve together with growing sophistication and sector focus among lead buyer groups; valuation parameters commensurately will continue to evolve, with buyers showing more flexibility on an empirical basis relative to NAV than in the past.

Geopolitical Deep Dive

Historic Geopolitical Trends

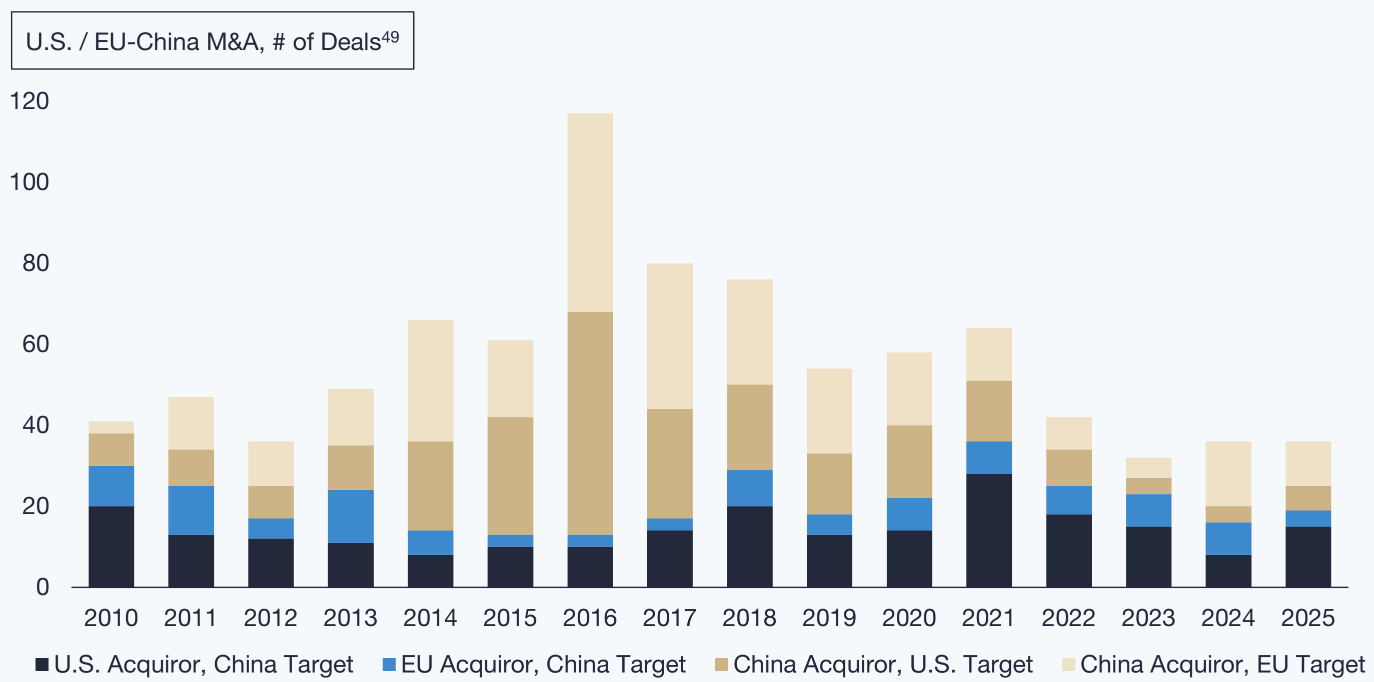
Heightened geopolitical competition and concerns over economic and supply chain security are accelerating trade and investment barriers, reshaping M&A. The annual number of new restrictive measures globally across goods, services, and investments has increased more than five-fold between 2013 and 2023.[47] These trends have only accelerated recently and are expected to remain elevated in the coming years. In addition to deploying restrictions such as export controls, trade barriers, and investment reviews, governments are also providing positive incentives such as subsidies, tax credits, and preferential procurement—all with the goal of increasing domestic competitiveness and protecting strategic sectors. In 2026, dealmakers will need to treat geopolitical and regulatory scrutiny not as episodic volatility but as a structural feature of the global M&A environment.

Geopolitical shifts are most evident in the shrinking M&A corridor between China and major Western economies. Trade disputes, tightening export controls on advanced technology, and tougher screening regimes in both the U.S. and Europe have slowed dealmaking with China. Coupled with China's own capital controls and expanded regulatory interventions affecting foreign firms, these dynamics have driven a sustained decline in U.S. and EU M&A with Chinese counterparties—down about 70 percent from the 2016 peak.

Despite a slowdown in overall M&A activity in this corridor, healthcare has been a notable exception. U.S. acquisitions of Chinese healthcare companies rose from 13 deals for a total value of $6 billion from 2016 through 2020 to 24 deals for a total value of $13 billion from 2021 through 2025. This increase was driven largely by biopharmaceutical R&D in genetics, advanced biotechnology platforms, and novel drug development.[48] Many of these transactions are structured as exclusive licensing agreements that give U.S. companies rights to develop and commercialize Chinese-originated drugs outside China, enabling access to innovation without full ownership or integration.

Exhibit 7.

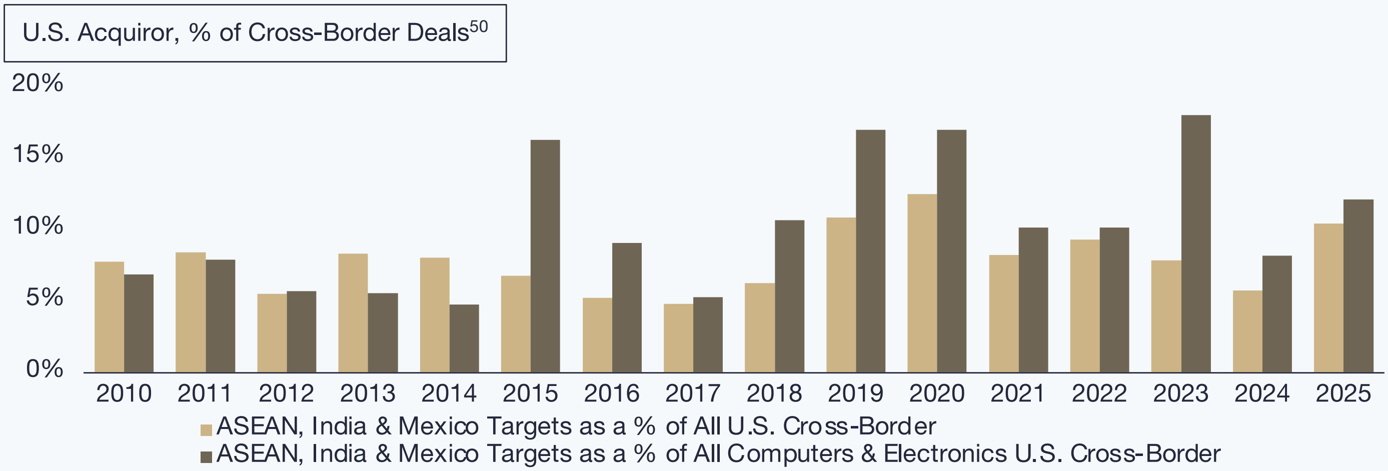
Consistent decline in U.S. and EU M&A with China



As Western companies diversify away from China, emerging hubs in Southeast Asia, India, and Mexico are gaining prominence as alternative M&A destinations. Recent U.S. M&A in these "de-risking" geographies has been concentrated in sensitive sectors like computers and electronics, including semiconductors and memory.

Exhibit 8.

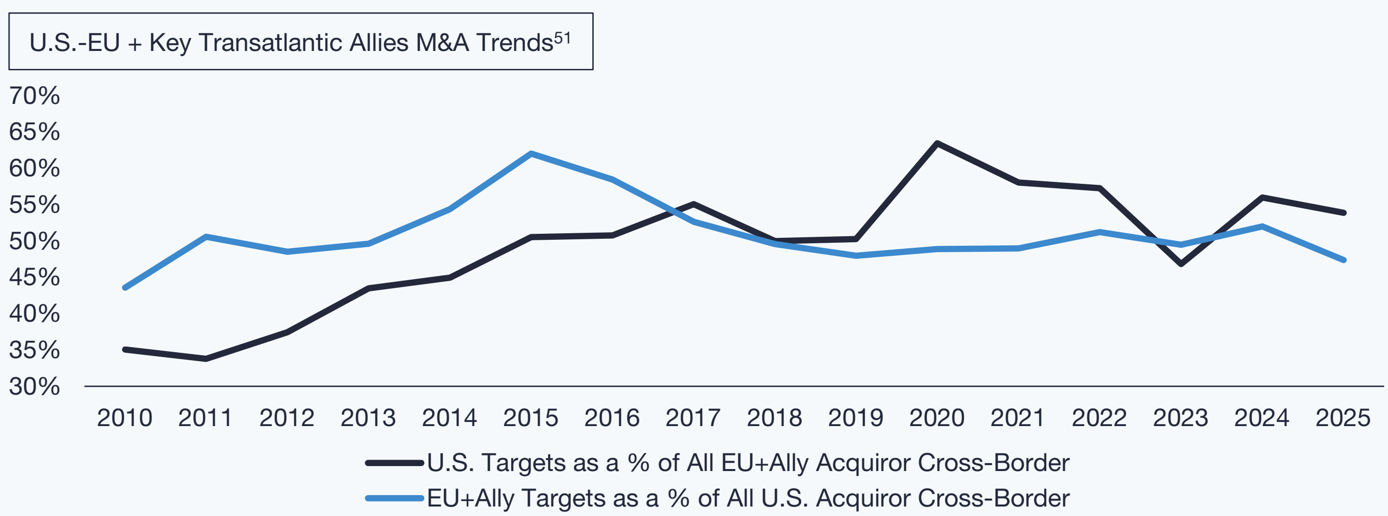
Rising M&A transaction activity in "China de-risking" markets



Meanwhile, the transatlantic M&A corridor has remained resilient as companies look past near-term trade volatility between Washington and Brussels to pursue long-term strategic goals. The U.S. and Europe continue to serve as each other's leading cross-border partners, and nearly half of their cross-border activity flows between the two, including in 2025 despite transatlantic frictions over trade and security. The corridor is anchored by a few strategic sectors, primarily computers and electronics, and healthcare.

Exhibit 9.

U.S.–E.U. transaction activity holds steady



Forward-Looking Geopolitical Trends

In 2026, M&A strategy will require a more sophisticated integration of geopolitical analysis into deal evaluation. A more stable transatlantic corridor, the contraction of U.S.–China deal flows, and rising opportunities in emerging markets point to a fragmented but strategically-driven global deal environment. Success will hinge on identifying politically viable corridors, aligning sector priorities with regulatory constraints, and structuring transactions to manage geopolitical exposure while preserving long-term value.

Within this landscape, the path of U.S. trade policy will be important to watch. Stability along the lines of the trade agreements struck last year would provide more tariff-level certainty relative to 2025, which could act as an incremental tailwind for cross-border M&A. However, if the Supreme Court strikes down the administration's use of the International Emergency Economic Powers Act (IEEPA),[52] this may kick off a new period of uncertainty as Washington scrambles to reassemble its tariff regime using other authorities. One additional factor to watch is the hundreds of billions of dollars in investment commitments secured by the White House in 2025: as these pledges begin to translate into tangible projects and capital expenditures, 2026 could mark the point at which they begin to appear in official data—providing a tailwind for U.S. deal activity and reinforcing its role as a preferred destination for cross-border flows.

The Year Ahead: Three major dynamics expected to shape the geopolitical landscape

1. Persistent de-risking from China.

Political incentives to ease cost-of-living pressures in the U.S. ahead of the midterm elections may lead to a U.S.-China trade détente that slows the pace of new mutual trade restrictions, offering short-term stabilization. However, even if a trade deal between the U.S. and China materializes in 2026, existing restrictions and regulatory scrutiny will likely remain in place. In addition, long-term geopolitical competition will continue to constrain Western capital flows into China and limit full ownership deals.

2. Heightened localization pressures in advanced economies.

The U.S., Europe, and China are all prioritizing domestic competitiveness, complicating cross-border transactions in strategic sectors like critical technology. The U.S. is leveraging the Committee on Foreign Investment in the United States (CFIUS) and trade agreements to secure greater onshore investment commitments. Meanwhile, the EU is sharpening its focus on semiconductors, telecoms, and biopharma, even as its broader economic security framework trails the U.S. These shifts, combined with China's increased use of antitrust investigations, will extend deal timelines and add conditions for approvals, particularly for strategic assets. More transactions will require mitigation undertakings, staged ownership structures, or regulatory holdbacks in which portions of a deal are delayed pending government approvals. At the same time, companies able to navigate these requirements may benefit from government-backed incentives and preferential treatment in priority industries.

3. Greater stability in U.S.-EU economic relations.

Reduced uncertainty around U.S.-EU tariffs and trade restrictions in 2026 could support investor confidence and provide a tailwind for transatlantic dealmaking. With Washington focused on managing frictions with Beijing ahead of the midterm elections, there is likely to be little appetite for a major trade escalation with Brussels, even if tensions over issues like digital regulation persist. Both sides fundamentally see strategic value in maintaining a united front on technology, investment screening, and supply chain security. The resulting stability may encourage firms to accelerate M&A activity.

Endnotes

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