

M&A year in review 2025 and outlook 2026

January 2026

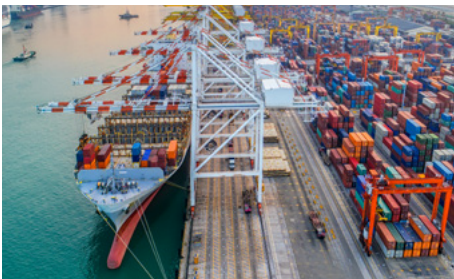
2025: Year in review

M&A resilience amid trade uncertainty and GenAI investment

2025 was marked by corporate resilience as companies navigated heightened global trade uncertainty—creating challenges for capital allocation and M&A decisions—while simultaneously ramping up infrastructure investment for generative artificial intelligence (GenAI) technologies. Instead of a resurgence, the year's M&A activity across industry environments reflected a strong ability to adapt: Dealmakers faced unpredictable regulatory and tariff environments, slower private equity dealmaking, and valuation gaps. Yet, acquirors with strategic clarity leveraged healthy balance sheets, prioritizing technology transformation and operational efficiency.

Key M&A Drivers and Trends

- **Interest rate environment and valuations:** Central banks' cautious, yet dovish, rate approach in 2025 created a more favorable lending environment, though valuation discrepancies persisted as buyer and seller expectations diverged.¹
- **Trade uncertainty:** Ongoing shifts in US trade policy, as well as renewed tariff discussions, injected uncertainty into supply chains. More than 60% of surveyed US CFOs cited trade policy as a top challenge for cross-border M&A.²



GenAI infrastructure investment:

Enterprises boosted infrastructure-related M&A—corresponding to a 21% year-over-year increase in deals involving AI compute, cloud platforms, and semiconductor supply chain targets.³

- **Private equity dealmaking slowdown:** Despite \$2.5 trillion in global private capital dry powder in mid-2025, exit activity for PE remained suppressed, with deal volume down ~18% year over year as sponsors awaited improved valuation alignment.⁴
- **Sector activity:** Technology (especially AI, cybersecurity, and vertical software-as-a-service [SaaS]), health care, and business services led the way in the first half of the year, with industrials and other sectors catching up later in the year in terms of volume of strategic M&A activity.⁵

Lessons learned: 2025 M&A takeaways

Key insights and considerations that emerged from M&A activity during 2025 included:

- **Supply chain impacts:** Shifts in trade, costs, and regulatory regimes forced acquirors to rethink supply chain resilience and post-close integration planning.⁶
- **Private equity dynamics:** Interest rate volatility and an uncertain exit environment led to slower PE dealmaking.
- **Valuation discrepancies:** Wider bid-ask spreads led to more earnouts, deferred payments, and creative deal structuring

These 2025 trends are expected to shape M&A strategies and expectations heading into 2026.

Lessons learned: 2025 M&A takeaways

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Outlook for 2026

M&A outlook for 2026: Key expectations

- **Private equity dealmaking:** Renewed sponsor activity is anticipated as interest rates ease and exit windows reopen. This may lead to competition likely intensifying, enabling more leveraged buyouts and “bolt-on” deals.⁷
- **Healthy strategic balance sheets and lending:** Large corporates remain well-capitalized, and anticipated rate reductions could further loosen lending activity providing additional capacity for strategic M&A.⁸
- **Technology enablement—buy versus build:** Companies will likely favor M&A for rapid access to sectors benefiting from paradigm changes driven by GenAI-related infrastructure investments, rather than in-house builds, accelerating the pace of digital transformation and market entry.⁹

Potential challenges

- **Tariffs and supply chain uncertainty:** Geopolitical tensions and new tariffs could delay or derail cross-border transactions, requiring bidders to reevaluate integration and sourcing strategies.¹⁰
- **Valuation alignment:** There is an ongoing mismatch between buyer and seller expectations, particularly as it relates to the long-term stability of growth trends in data center infrastructure.¹¹
- **PE activity versus interest rate risk:** Volatile interest rate expectations continue to challenge sponsor models, particularly around deal financing and exits.¹²

Strategic recommendations for middle-market CEOs

To navigate this evolving M&A landscape, middle-market CEOs can consider several actions, including:

- **Clarify business valuation:** Invest in regular external valuations and scenario planning to sharpen understanding of business worth and potential deal terms.
- **Bolster financial and operational readiness:** Improve quality of earnings and enhance reporting systems to support key performance indicator visibility, due diligence, and faster deal execution.
- **Assess strategic alternatives:** Consider a range of options, from minority investments and JVs to full sales—tailored to market cycles and internal capabilities.
- **Strengthen supply chain risk management:** Identify and proactively address exposure to trade/tariff shifts before entering transaction processes.

Footnotes

1. Garrett Hinds et al., [Global M&A report: Q2 2025](#), PitchBook, July 29, 2025.
2. Deloitte LLP, [“Deloitte CEO Signals™: CEO optimism rises in Q3 2025 despite worries about key global economies,”](#) press release, October 1, 2025.
3. Catie Merrill, [“GenAI, IT modernization and strategic M&A drive infrastructure as a service and platform as a service growth,”](#) TBR Insight Center, December 19, 2024.
4. Dylan Thomas and Shambhavi Gupta, [“Global private equity dry powder continues fall from 2023 peak,”](#) S&P Global, July 4, 2025.
5. Hinds et al., [Global M&A report: Q2 2025](#).
6. Turvo, [“How tariffs reshape global supply chains and trade,”](#) February 20, 2025.
7. Hugh MacArthur et al., [“Private equity outlook 2025: Is a recovery starting to take shape?,”](#) Bain & Company, March 3, 2025.
8. S&P Global, [Industry Credit Outlook Midyear Update 2025](#), June 2025.
9. Bain & Company, [Global M&A report 2025](#), May 2025.
10. Jeongmin Seong et al., [“A new trade paradigm: How shifts in trade corridors could affect business,”](#) McKinsey & Company, June 18, 2025.
11. FasterCapital, [“Bridging valuation gaps in M&A transactions,”](#) April 10, 2025.
12. William Craig and Mark Watson, [“No more free lunch: Impact of higher interest rates on private equity,”](#) Wellington Management, February, 2025.

Representative Deloitte Corporate Finance transactions in 2025



Natural Dog Company

has been acquired by




FoodScience LLC

The undersigned acted as exclusive financial advisor to Elements Brands LLC dba Natural Dog Company




Deloitte.
Deloitte Corporate Finance LLC




Qentelli, LLC

has raised capital for a shareholder buyout with




Woodforest National Bank

The undersigned acted as exclusive financial advisor to Qentelli, LLC




Deloitte.
Deloitte Corporate Finance LLC




MILES
MEDIATION & ARBITRATION
Miles Mediation & Arbitration, LLC

has completed a recapitalization with




ROCKBRIDGE GROWTH EQUITY
Rockbridge Growth Equity

The undersigned acted as exclusive financial advisor to Miles Mediation & Arbitration, LLC




Deloitte.
Deloitte Corporate Finance LLC



GREENWOOD INDUSTRIES, INC. **TWC PHOENIX**


Greenwood Industries, Inc. and the Waterproofing Company, LLC

has been acquired by




DUNES POINT CAPITAL
Dunes Point Capital

The undersigned acted as exclusive financial advisor to Greenwood Industries, Inc. and the Waterproofing Company, LLC




Deloitte.
Deloitte Corporate Finance LLC




WORLD OF WONDER
World of Wonder Productions, Inc.

has completed a debt recapitalization with




CITY NATIONAL BANK
AN RBC COMPANY
City National Bank

The undersigned acted as exclusive financial advisor to World of Wonders Productions, Inc.



Deloitte.
Deloitte Corporate Finance LLC




World Wide Professional Solutions, LLC


has been acquired by

A private equity-owned, international project and cost management services firm

The undersigned acted as exclusive financial advisor to World Wide Professional Solutions, LLC




Deloitte.
Deloitte Corporate Finance LLC




Bell LUMBER & POLE
Bell Lumber & Pole

has received a minority investment from



QUANTA SERVICES, INC.
Quanta Services, Inc.

The undersigned acted as exclusive financial advisor to Bell Lumber & Pole



Deloitte.
Deloitte Corporate Finance LLC



MILES/AHEAD BRANDS
Miles Ahead Holdings, LLC

has received acquisition financing from



HIDDEN RIVER STRATEGIC CAPITAL
HRSC Management, LLC

The undersigned acted as exclusive financial advisor to Miles Ahead Holdings, LLC



Deloitte.
Deloitte Corporate Finance LLC



SET LOGISTICS
SET Logistics, Inc.

has been recapitalized by



Tritium PARTNERS
Tritium Partners, LLC

The undersigned acted as exclusive financial advisor to SET Logistics, Inc.



Deloitte.
Deloitte Corporate Finance LLC



DIAMOND C TRAILERS
Roadclipper Enterprises, Inc.

has completed a recapitalization with



Center Rock
Center Rock Capital Partners, L.P.

The undersigned acted as exclusive financial advisor to Roadclipper Enterprises, Inc.



Deloitte.
Deloitte Corporate Finance LLC



ADVANTAGE INVESTIGATIONS
Advantage Surveillance, LLC

a portfolio company of



MD Holdings

has been acquired by



ALIGN CAPITAL PARTNERS
Align Capital Partners

The undersigned acted as exclusive financial advisor to Advantage Surveillance, LLC



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