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2026 M&A Trends

Navigating a rapidly
rebounding market

February 2026



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**We're pleased to share 2026 M&A Trends:
Navigating a rapidly rebounding market.**

The question for dealmakers over the past few years wasn't whether opportunities existed but whether the moment was right to pursue them. Strategic considerations alone were rarely enough. Capital costs, regulatory uncertainty, and geopolitical risk changed the calculus of transactions, and many that appeared compelling in theory struggled to gather the conviction required to move forward.

As 2025 unfolded, the picture became clearer. While M&A activity in the first half of the year remained uneven, momentum built in the second half. Hesitation gave way to pragmatism, and activity accelerated in many sectors and regions not because uncertainty receded but because companies adjusted to operating within it. Boards grew more willing to act without perfect visibility, investors recalibrated expectations, and dealmakers began to move again, selectively and with intent—a shift that's carrying into 2026.

What has emerged is a market that's rebounding on different terms than before. In some industries, leading companies are once again pursuing scale through large transactions, including megadeals. In others, momentum is coming from more targeted, capability-led acquisitions—particularly in technology and AI, where success relies on the ability to integrate capabilities and reshape workflows. Private capital, gradually recovering confidence, is reentering with clearer conviction. Across the market, however, there is less and less tolerance for loose strategies and uneven execution.

These dynamics are setting the tone for 2026. The environment remains complex, shaped by geopolitical tensions, regulatory intervention, and uneven macroeconomic conditions across regions. Yet fewer companies now position M&A as discretionary. Instead, they're increasingly using transactions to address rapid change, unlock new sources of growth, strengthen resilience, streamline portfolios, and reposition for sector and regional shifts.

McKinsey is privileged to work with many of the world's leading business and financial executives as they address these decisions. We support clients across M&A, separations and IPOs, and joint ventures and alliances and throughout the deal life cycle—from strategy and sourcing through diligence, integration, and separation execution. Increasingly, we're helping organizations build the capabilities that they require to execute more consistently and effectively rather than pursuing one-off successes.

This report reflects that perspective. Through industry deep dives and M&A insights, we examine how dealmaking evolved in 2025 and how leaders can build on those trends to convert renewed momentum into durable value in the years ahead. We're grateful to the colleagues who contributed to this work, to our clients for their continued trust, and to our readers for their engagement with our research and perspectives. We hope this report proves useful as you navigate a market that's moving again—and increasingly rewarding those prepared to act.



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A handwritten signature in black ink, appearing to read "Jake Henry".



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2026 M&A trends

Navigating a rapidly rebounding market

After dealmaking slowed momentarily in early 2025, global M&A activity quickly assumed a grand scale—delivering big gains for the year—with momentum continuing.

by *Jake Henry* and *Mieke Van Oostende*

While many executives were shaken by geopolitical and trade challenges in 2025,¹ we bet that the world's top M&A dealmakers would once again absorb the shocks and forge ahead with their usual focus and discipline.

Indeed, as abrupt shifts in trade policies settled into a pattern of less threatening change, relief turned into confidence and then a fear of missing out. Economic effects were lighter than anticipated, balance sheets remained strong, monetary policies lowered the cost of capital, and the buzz around AI contributed to growing optimism.

Against that backdrop, and with strategic requirements continuing to loom large, global M&A dealmaking took off. In the third and fourth quarters of 2025, transactions soared, and deal value finished the year up 43 percent to \$4.7 trillion, from \$3.3 trillion a year earlier—20 percent higher than the ten-year average of \$3.9 trillion. Volume stayed flat, and large transactions (\$10 billion and greater) took center stage (Exhibit 1).

In one of the clearest signs of momentum, global M&A activity landed at 4.2 percent of total market value² for all of 2025, up from 3.3 percent a year earlier and 3.5 percent in 2023. While still shy of the ten-year average of 5.3 percent, the improvement is significant and suggests room for growth if historical patterns hold.

Exhibit 1

Globally, M&A activity increased 43 percent in 2025.

Global M&A deals in 2020–25¹



¹Announced deals not withdrawn or canceled. Unless otherwise noted, deal values reported are enterprise values. Data on deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million.

²Total market value² refers to the average sum of market capitalizations of all constituent companies in the Global Equity Indices.

Source: Datastream by London Stock Exchange, accessed January 2026; PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

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¹ Sven Smit, Jeffrey Condon, and Krzysztof Kwiatkowski, "Economic conditions outlook, September 2025," McKinsey, September 29, 2025.

² "Total market value" is the average sum of the market capitalizations of all constituent companies in the regions. Datastream by London Stock Exchange, accessed January 2026.

Major trends should continue in 2026

Powerful trends should support global M&A momentum in the year ahead: dealmaking as a response to change, the search for new sources of growth, sustained interest in large deals, and a continued drive to streamline portfolios in uncertain marketplaces. Meanwhile, private equity (PE) firms' mountains of dry powder and lengthy hold times will continue to strain the patience of limited partners (LPs).

Dealmaking is increasingly essential in adapting to rapid change

Repeated rounds of external shocks have made executives increasingly aware that they must invest not only in core capabilities and growth but also in transactions that could help control costs, protect margins, and mitigate risks.

Although confidence in the macroeconomic environment and companies' prospects have improved somewhat, only a third of the executives we surveyed in 2025 said they were confident in their organizations' ability to manage external challenges such as trade policy changes, major global crises, macroeconomic shocks, and other ambiguous, large-scale forces.³

No surprise, then, that many executives are looking for ways to bolster core competitiveness while also pursuing technological innovation and opportunities to mitigate—or sometimes invert—risk, especially where organic growth is slow or uncertain. These [trends are likely to continue](#) in 2026.

Pursuing new sources of growth

While investments in AI and gen AI are accelerating, tech-oriented businesses are increasingly accounting for a larger portion of deal value.⁴ McKinsey research reveals that 18 fast-growing and highly dynamic industries—so-called arenas that combine business model or technological step changes, escalatory investments, and large or growing addressable markets—could [reshape the global economy](#) by 2040, growing to 16 percent of GDP, up from about 4 percent in 2022.

Many dealmakers are pivoting toward a dozen of these fast-growing arena industries,⁵ which now account for 40 percent of deal value, up from 7 percent 20 years ago. They have an average ratio of enterprise value to EBITDA: 27.1-fold, versus 16.5-fold for established companies (Exhibit 2).

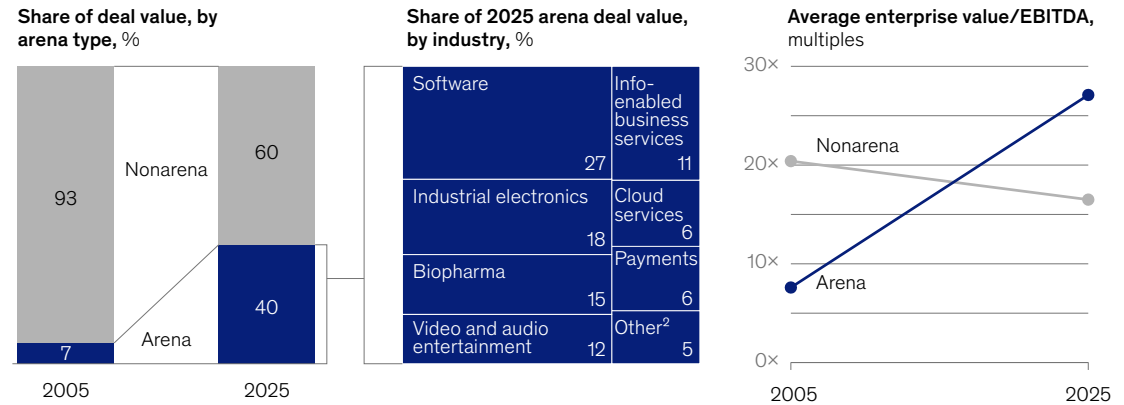
³ “[Leading amid geopolitical upheaval: Five imperatives for today's CEOs](#),” McKinsey, November 21, 2025; Sven Smit, Jeffrey Condon, and Krzysztof Kwiatkowski, “[Economic conditions outlook, December 2025](#),” McKinsey, December 18, 2025; Sven Smit, Jeffrey Condon, and Krzysztof Kwiatkowski, “[Economic conditions outlook, September 2025](#),” McKinsey, September 29, 2025.

⁴ Sven Smit, Jeffrey Condon, and Krzysztof Kwiatkowski, “[Economic conditions outlook, September 2025](#),” McKinsey, September 29, 2025.

⁵ The 12 arena industry segments are biopharma, cloud services, consumer electronics, e-commerce, electric vehicles, semiconductors, consumer internet, industrial electronics, information-enabled business services, payments, software, and video and audio entertainment.

Arena industries account for 40 percent of 2025 deal value, with software contributing the largest share of total deal value among the arena industries.

M&A targets¹



¹Announced deals not withdrawn or canceled. Data on deals valued >\$5 billion.

²E-commerce, semiconductors, consumer electronics, consumer internet, and electric vehicles.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

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The arena industries, which are rooted mostly in the digital economy but include a few other advancing industries (such as breakthrough weight-loss treatments), are attracting more acquirers across the business landscape.

In 2025, corporate acquirers in established industries accounted for 33 percent of deal value involving arena targets, up from 24 percent five years ago; financial sponsors increased their investment in arena targets to 24 percent from 18 percent over the same period.

We expect these trends to continue, given outsize growth and profitability in the arenas.

Large deals take center stage

One of the most striking patterns in 2025 was the expansive presence of large deals. The number of deals clearing the \$10 billion mark swelled to 60—the most since the M&A peak in 2021 after the COVID-19 pandemic.

The value of large trades more than doubled in 2025 from a year earlier, rising 112 percent to \$1.3 trillion—and accounting for 28 percent of deal value, up from 19 percent. Meanwhile, midsize deals (value of \$1 billion to \$10 billion), which accounted for 45 percent of deal value, also grew a robust 47 percent.

In this most recent period, we also saw ten deals exceeding \$30 billion, compared with four in 2024, as well as one of the largest transactions ever recorded: Union Pacific's agreement to buy Norfolk Southern for \$89.5 billion to create the first transcontinental railroad in the United States.

Geographically speaking, about 65 percent of large deals featured targets based in the Americas, compared to about 20 percent in Europe, the Middle East, and Africa (EMEA) and about 10 percent in Asia–Pacific (Exhibit 3). Among sectors, technology, media, and telecommunications (TMT) accounted for ten of the world’s 20 largest deals, which included streaming television, social media, cybersecurity, and AI (including data centers, telecom, and satellites).

Several factors are propelling deal sizes, including higher tech valuations, larger consolidation deals, and the demands of entering new geographies at scale. Many senior leaders, even at large enterprises, feel compelled to pursue consolidation to shore up competitive positions and find cost savings in low-growth marketplaces. Indeed, we found that more than half of deals worth more than \$4 billion in 2025 could be categorized as consolidations.

Many firms are also making acquisitions to enter new geographies. In a recent McKinsey Global Survey of executives, moves into new territories accounted for 23 percent of deals, up five percentage points from a year earlier. Other acquirers looked for new platforms or adjacencies, sometimes with a view more expansive than in previous years.

Despite the challenges inherent in managing large integrations, [ambitious M&A programs](#) are likely to continue. Leading companies⁶ have increased their participation in transactions valued at more than \$5 billion by eight percentage points: to 25 percent, from 17 percent in 2020.

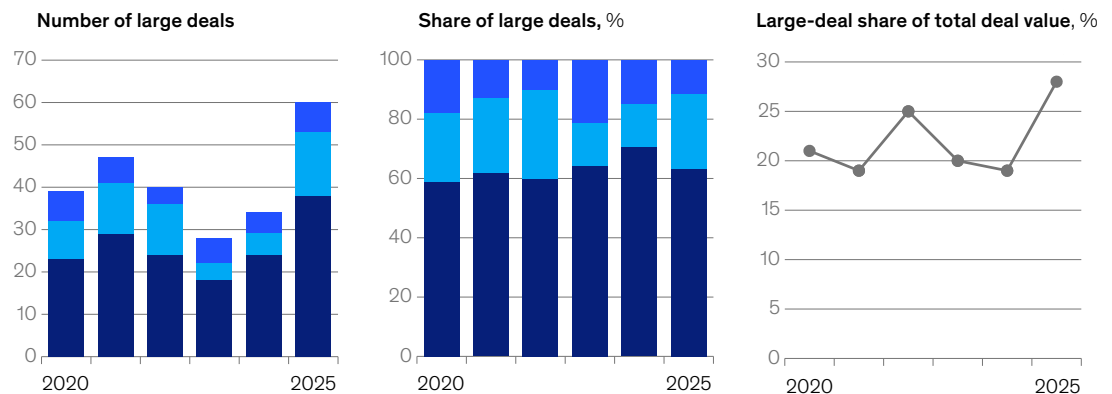
We expect more big deals in 2026, with continued consolidation and geographic expansion. Some AI players may pull back on major deals this year as they deploy billions of dollars of capital in infrastructure, but the service side of tech could still fuel big-deal fever.

Exhibit 3

The number and share of large deals in M&A increased in 2025.

M&A large deals in 2020–25, by region¹

■ Americas ■ Europe, Middle East, and Africa ■ Asia–Pacific



¹Announced deals not withdrawn or canceled. Data include deals valued >\$10 billion, including spin- and split-off transactions. Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

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⁶ We define “leading companies” as the top five companies in a given sector, ranked by market capitalization.

Strategic streamlining transforms portfolios

In an uncertain world, many companies are pursuing more dynamic, and more frequent, portfolio reviews. In 2025, the value of divestitures—spin-offs, split-offs, carve-outs, and sales of assets or stakes—grew 30 percent to \$1.6 trillion, the highest level since 2021.

The Americas—where dealmakers continue to make many of their boldest moves—were the biggest center of corporate divestiture activity, accounting for \$901 billion (or nearly 58 percent) of separations activity, reflecting portfolio reshaping and separations linked to the region's supercharged acquisition activity. Corporate divestitures fell 12 percent in Asia–Pacific, though some national governments did more to encourage companies to shed less competitive businesses. In Japan, for example, the number of divestments increased by 32 percent. Meanwhile, EMEA's corporate divestiture activity remained steady at about \$300 billion.

As if shifting geopolitical, trade, and competitive challenges weren't vexing enough, activist investors got louder and more diverse.⁷ Campaigns reached a five-year high globally in 2025, up 15 percent from 2024. Activists in the United States led with just over half of the campaigns, followed by Asia–Pacific with about 25 percent.⁸ About a third of those campaigns were related to M&A, and many activists got the attention of CEOs and boards, winning a record number of board seats in the United States—and faster settlements, as companies sought to avoid prolonged public battles.⁹

But while over a third of activist campaigns pushed for some form of divestiture, only 23 percent led to spin-offs or restructuring, according to McKinsey research. And 6 percent ended in compromise, with companies acceding to only some of activists' demands.

We have little reason to believe these efforts will slow down, since crosscurrents and undertows are likely to continue in global marketplaces. Moreover, when done well, divestitures can create substantial value for sellers and acquirers alike. (For more on this topic, see the book excerpt, "[The cost of \(un\)doing business](#)," by Anna Mattsson, Jamie Koenig, and Tim Koller.)

Private equity gets its mojo back

Continuing a robust rebound, deals led by PE firms in 2025 increased 54 percent in value to \$1.2 trillion, from \$783 billion a year earlier, outpacing even the healthy 43 percent growth of the M&A market globally. Moreover, PE trades swelled to an average of \$890 million, paving the way for another record, as sponsors pursued the efficiency of investing in a few large deals rather than multiple smaller ones. Total deal volume, on the other hand, declined by 1 percent.

Several factors may fuel PE deal activity in the year ahead, including a brighter macroeconomic outlook, increased activity in private credit, and pent-up demand for exits, which have lagged behind historical levels in recent years. Indeed, average hold times increased to 6.2 years in 2025, up from 2009's average of 4.0 years.¹⁰

⁷ Nick Lichtenberg, "Bloodthirsty activist investors are set to take down a record number of CEOs this year, Barclays says. The record is only a year old," *Fortune*, October 8, 2025; Svea Herbst-Baliss and Emma-Victoria Farr, "Activist investors set to push for changes as dealmaking picks up," Reuters, July 8, 2025.

⁸ "Annual review of shareholder activism 2025," Lazard, January 5, 2026.

⁹ Rosie Driscoll, "Shareholder activism in 2025: Trends, tactics and how companies can stay ahead," Apco Worldwide, October 9, 2025.

¹⁰ Preqin, September 30, 2025.

Several factors may fuel PE deal activity in the year ahead, including a brighter macroeconomic outlook, increased activity in private credit, and pent-up demand for exits.

Sponsors have been waiting for valuations to rise before selling, but investors' demand for returns and liquidity is reaching a boiling point. Now, PE firms are showing signs of relenting, encouraged by investors' improved appetite for risk and the market's acclimatization to trade realignment and lower interest rates.

Not to be overlooked, of course, is the pile of about \$2.2 trillion in dry powder that accumulated while sponsors delayed exits. As exits begin to pick up pace, fundraising may soon follow, after a long lull. Without exits, investors have less cash to reinvest in new funds, so fundraising has dropped steadily since 2022. It continued to decline by more than 34 percent over the four quarters ending in the second quarter of 2025—to \$440 billion, from \$671 billion.¹¹

Meantime, some general partners (GPs) have turned to secondary markets, particularly continuation vehicles, to meet liquidity needs. These vehicles allow GPs to move an investment out of an existing fund to a new fund the GP still controls, in turn allowing LPs to cash out or roll over their investments into the new vehicle. As these and other alternative instruments gained popularity, the global secondaries market saw record volumes: The \$162 billion value in 2024 was surpassed in the third quarter of 2025.¹²

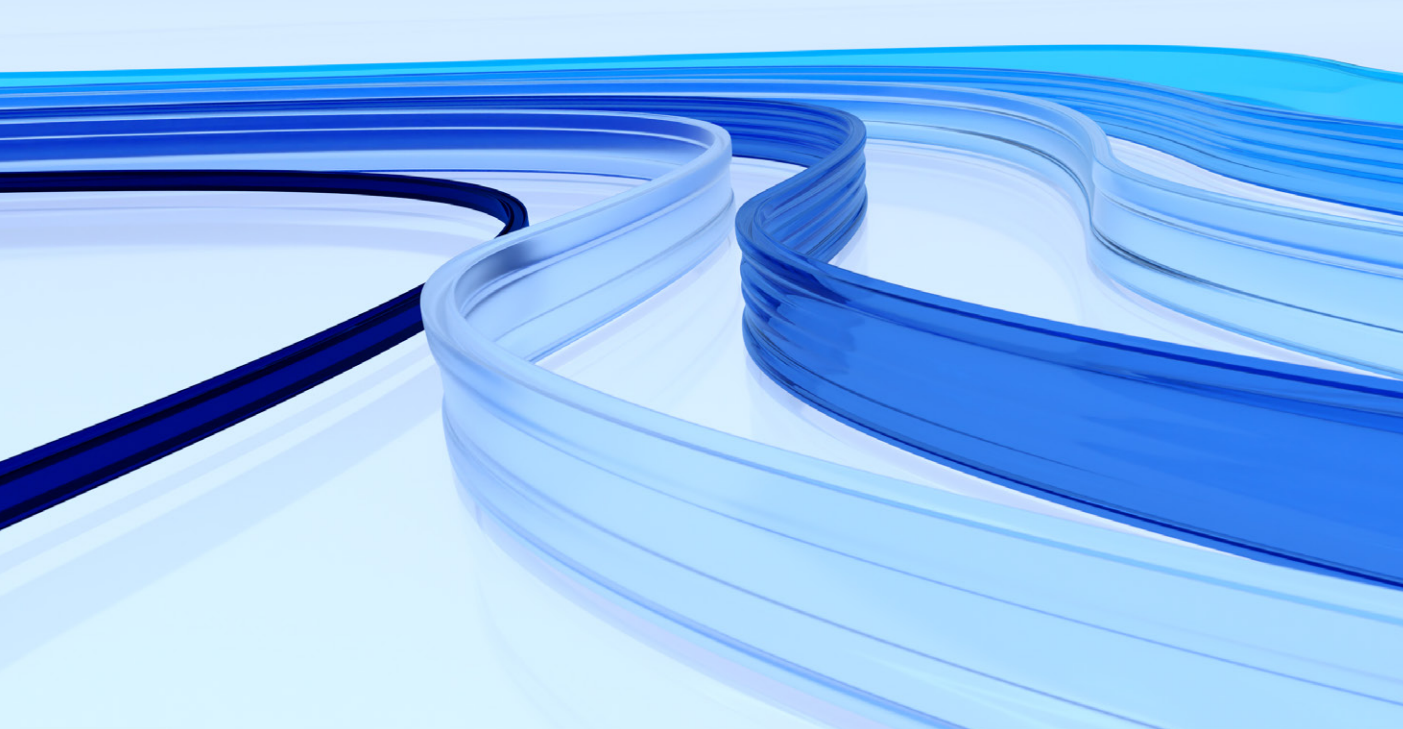
There is reason for measured optimism in the PE outlook. Sponsors can continue to focus on sectors less susceptible to changes in trade policy, such as software, domestic services, financial services, and digital infrastructure.¹³ AI and gen AI will likely continue to fuel much of the investment to come, as excitement about AI's promise hasn't yet waned and may even be intensifying.¹⁴

¹¹ Janelle Bradley, "Private equity fundraising drops 34% from same period in 2024," PitchBook, September 11, 2025.

¹² "Secondaries Q3 2025 update," Ropes & Gray, October 2025.

¹³ *Global M&A: A bold path for strategic growth*, Goldman Sachs, July 2025.

¹⁴ Robbie Whelan, "Nvidia profits soar, soothing investor jitters over AI boom," *Wall Street Journal*, November 19, 2025.



Understanding shifts in trading patterns

As deal value soared and continued its recovery relative to market cap in 2025, top sectors shifted positions, new trading patterns emerged, and regions experienced different dynamics, although most enjoyed double-digit gains.

Sectors shift positions

As global M&A value hit a four-year high in 2025, three industry sectors continued to account for well over half of deal value: TMT, global energy and materials (GEM), and financial services (Exhibit 4).

TMT further increased its contribution to 23 percent of global value, growing by 61 percent to \$1.1 trillion to regain its top spot from GEM.

We attribute TMT's larger share mainly to the fact that technology—and the hard-to-find talent that can be part of a tech acquisition—are now enablers of competitive advantage and profitable growth in nearly every major industry.¹⁵ In 2025, many PE investors saw high-quality TMT targets as more appealing than ever for their ability to boost productivity while mitigating risks such as regulatory and trade disruptions.¹⁶ Companies that offer digital services, software, or video content, for example, are insulated from cross-border friction because their products aren't tied to physical goods or hardware.

Not so in GEM. While the value of transactions in the sector grew 12 percent to \$832 billion, its share of global deal value fell to 18 percent, from 23 percent a year earlier, as energy and materials companies were challenged by trade disruptions (which both raised the costs of materials and services and delayed projects), slower-than-expected energy transition projects, and geopolitical risks.¹⁷

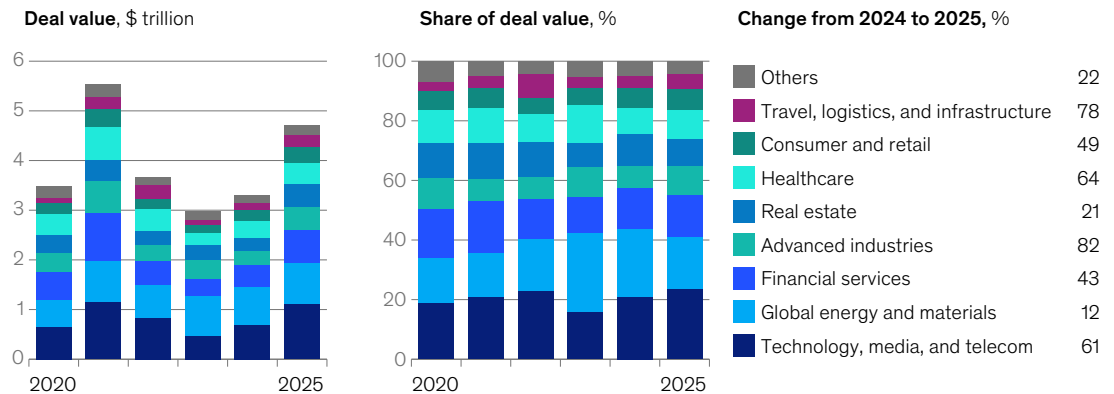
¹⁵ Lena Koolmann, Anthony Luu, and Suzy Shaw, "Thoughtful M&A strategies are key to growth in tech, media, and telecom," McKinsey, February 29, 2024.

¹⁶ "Private equity megadeals and the AI-driven TMT sector: A strategic bet on resilient assets in a volatile macro environment," Alinvest, August 23, 2025.

¹⁷ "Tariffs to raise costs, delay oil and gas projects in 2026, report says," Reuters, October 29, 2025.

Three sectors continued to account for about half of deal value in 2025.

Global M&A deals in 2020–25, by sector¹



¹Announced deals not withdrawn or canceled. Unless otherwise noted, deal values reported are enterprise values. Data on deals valued >\$25 million, including spin-off and split-off transactions. Data also include private-placement transactions >\$100 million.
Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

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Financial institutions' M&A activity climbed by 43 percent to \$660 billion, up from \$454 billion in 2024, per McKinsey analysis. This kept the sector's ranking in global deal value at 14 percent of the total, in line with recent years. The most important themes in 2025 included sharp increases in average deal value and in-market consolidation, especially in Europe. Half of the largest banks in the Middle East have participated in M&A in the past five years, with a focus on Islamic banking. The fragmented US market, with more than 4,000 banking institutions, also presented many opportunities for consolidation, particularly as midsize institutions sought to scale up.

Energy and materials companies were challenged by trade disruptions, slower-than-expected energy transition projects, and geopolitical risks.

In-region and cross-border shifts

As trade tensions flared, receded, and flared again, within-region trading accounted for 81 percent of the 2025 value of corporate transactions globally, down slightly from 85 percent the prior year. Corporate trading jumped 37 percent within the Americas, and it delivered a more muted gain of 13 percent in Asia–Pacific and 11 percent in EMEA.

Even with the geopolitical tensions (or perhaps because of them), cross-regional trading also rose, contributing 19 percent to global deal value, up from 15 percent a year earlier.

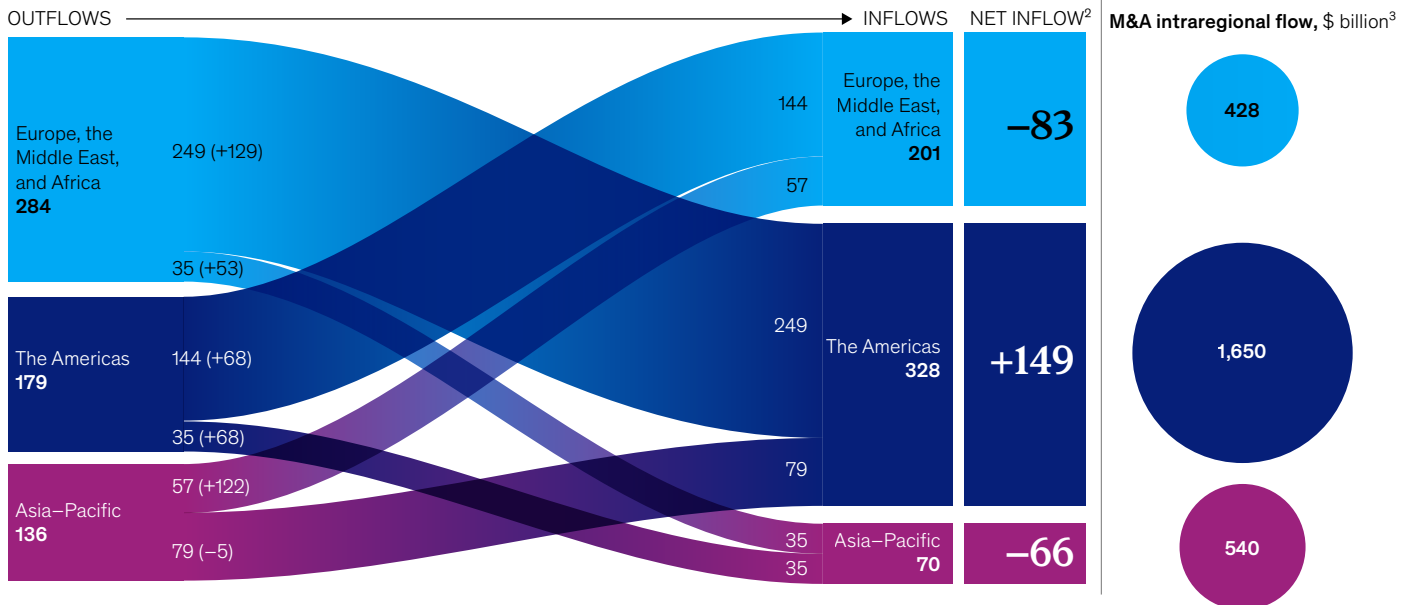
Targets in the Americas attracted the most interest, accounting for 16 of the world's 20 largest deals, and all but one of the ten behemoth deals that exceeded \$30 billion. Swayed by rounds of US-led tariffs and the region's solid economy, softer regulations, large addressable market, and embrace of business innovation, net inflows from corporate transactions to the Americas rose 70 percent to \$149 billion. This was led by acquirers from EMEA, whose investments since 2024 more than doubled to \$249 billion.

Meanwhile, cross-regional inflows in the rest of the world also showed healthy increases. Inflows to Asia–Pacific soared 71 percent to \$71 billion, as investors from EMEA and the Americas looked for assets there, and rose 80 percent in EMEA, led mostly by acquirers from the Americas. In contrast to the Americas, however, both EMEA and Asia–Pacific continue to be regions with a net outflow: \$83 billion and \$66 billion, respectively (Exhibit 5).

Exhibit 5

The Americas remain a region of net inflows.

Cross-regional M&A corporate deal activity in 2025, \$ billion (% change since 2024)¹

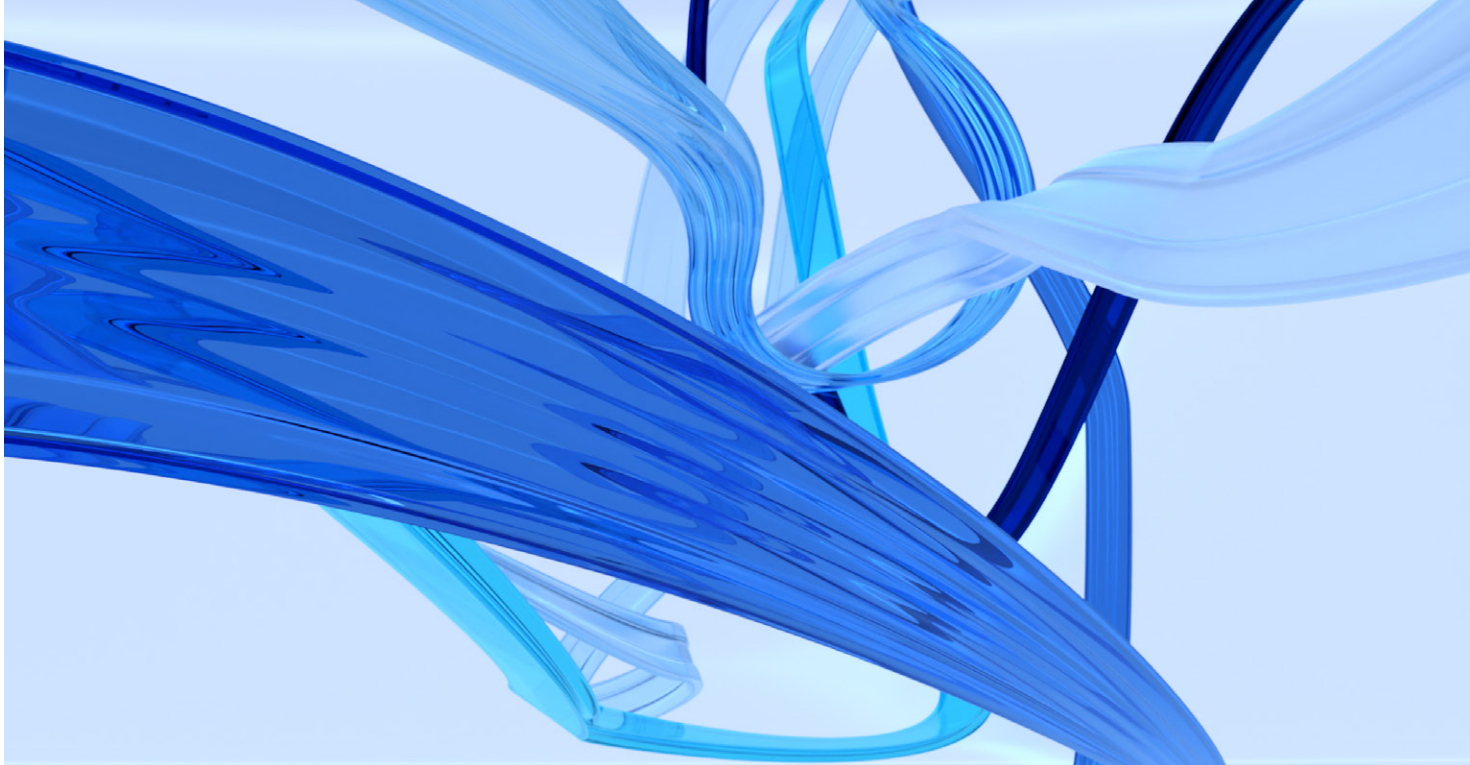


¹Announced deals not withdrawn or canceled. Data on corporate deals valued >\$25 million only; by target regions.

²Refers to the inflows, reduced for outflows, in a target world region.

³Target and acquirer are in the same world region.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis



The Americas

In the Americas, which contributes more than half of global M&A market value, activity jumped 64 percent to \$2.9 trillion in 2025, overshooting the ten-year average of \$1.9 trillion by 50 percent (Exhibit 6). Despite uncertainties and headwinds, dealmaking was buoyed by a solid US economy with falling interest rates, rising stock indexes, strong corporate profits, and extended tax cuts.

The US Federal Deposit Insurance Corporation approved a proposal in March to reduce the scrutiny of mergers that would create banks with more than \$50 billion in assets.¹⁸ In July, the Federal Reserve proposed to make it easier for banks to maintain a status of well managed and thus pursue M&A: They would lose this status only with multiple deficient-1 ratings or a deficient-2 rating in one category rather than being penalized for a single deficient-1 rating.¹⁹

As of late November, the Department of Justice and Federal Trade Commission had sued to block three mergers in 2025, down from an average of six deals annually in recent years.²⁰

Various US states could increasingly try to close perceived gaps in oversight. Colorado, for example, in August followed Washington State in requiring premerger notifications.²¹ California and the District of Columbia are considering similar moves. In November, nine Republican state attorneys general asked the Surface Transportation Board, which oversees railroads, to scrutinize Union Pacific's proposed acquisition of Norfolk Southern Railway, saying the deal could result in "higher prices, less reliability, and less innovation at the expense of America's producers and consumers."²²

¹⁸ Pete Schroeder, "FDIC moves to roll back merger policy that scrutinized larger deals," Reuters, March 3, 2025.

¹⁹ Pete Schroeder, "Fed considers changes to how it grades big banks," Reuters, July 10, 2025.

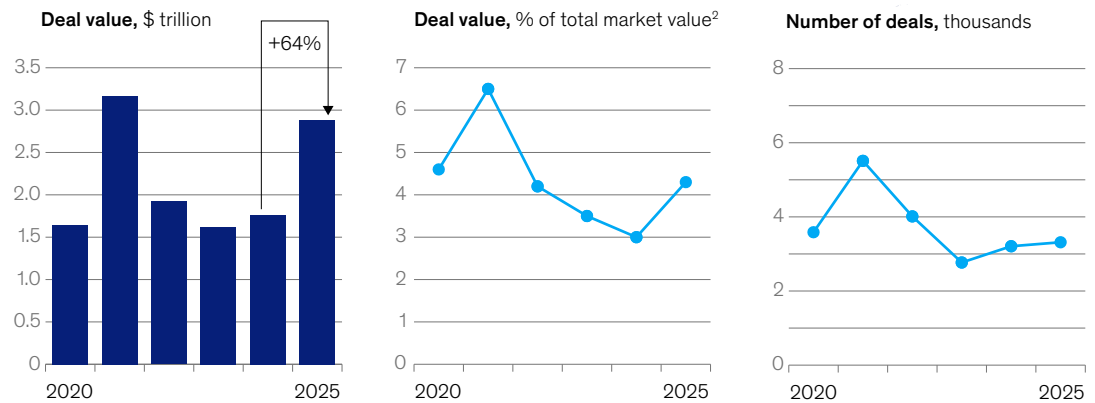
²⁰ Dave Michaels and Ben Glickman, "Corporate dealmaking is getting bigger and bolder under Trump," *Wall Street Journal*, November 26, 2025.

²¹ Dan Primak, "Colorado becomes second state to require pre-merger notifications," Axios, August 6, 2025.

²² David Shepardson, "Republican state AGs express concerns over Union Pacific's deal with Norfolk Southern," Reuters, November 14, 2025.

M&A activity increased 64 percent in 2025 in the Americas.

M&A deals in the Americas in 2020–25¹



¹Announced deals not withdrawn or canceled with targets in the Americas. Unless otherwise noted, deal values reported are enterprise values. Data on deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million.

²"Total market value" refers to the average sum of market capitalizations of all constituent companies in the Americas.

Source: Datastream by London Stock Exchange, accessed January 2026; PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

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Despite these and other challenges, analysts estimate profits have grown for nine straight quarters, while a roaring US stock market achieved a six-month run-up (April to September) that was unmatched in the past 20 years, except for the periods immediately following the 2007–09 global financial crisis and the COVID-19 pandemic.²³ The S&P 500 index closed the year up more than 16 percent, the third consecutive year of double-digit growth.²⁴

Most of the world's largest deals in 2025 (42 of 60) involved targets in the Americas, with nine exceeding \$30 billion. Both corporations and financial investors thrived, with corporate-led deal value increasing 58 percent to \$2.1 trillion.

Meantime, the value of PE deals jumped 84 percent to \$746 billion as the average PE deal swelled to \$1.2 billion, up 89 percent from 2024. Facing high capital deployment targets and LPs weary of long hold times, PE players divested premium assets at high multiples, but some sold assets under duress, with continuation vehicles now accounting for a significant share of sponsor exits.

A boost to PE activity could come from US legislation that would allow 401(k) accounts access to alternative assets such as PE. Such a move would present a substantial new source of capital from US retail investors, which now hold \$9 trillion in 401(k)s.²⁵ If enacted, this rule change could ignite PE activity like never before—especially in combination with large PE firms' push to open the PE market to individual investors, which could double the size of the PE market to \$12 trillion within six years.²⁶

²³ "BBR Monthly Market Perspectives, September 2025," BBR Partners, September 2025.

²⁴ John Towfighi, "US stocks had a remarkable 2025. But international markets did much better," CNN, January 4, 2026.

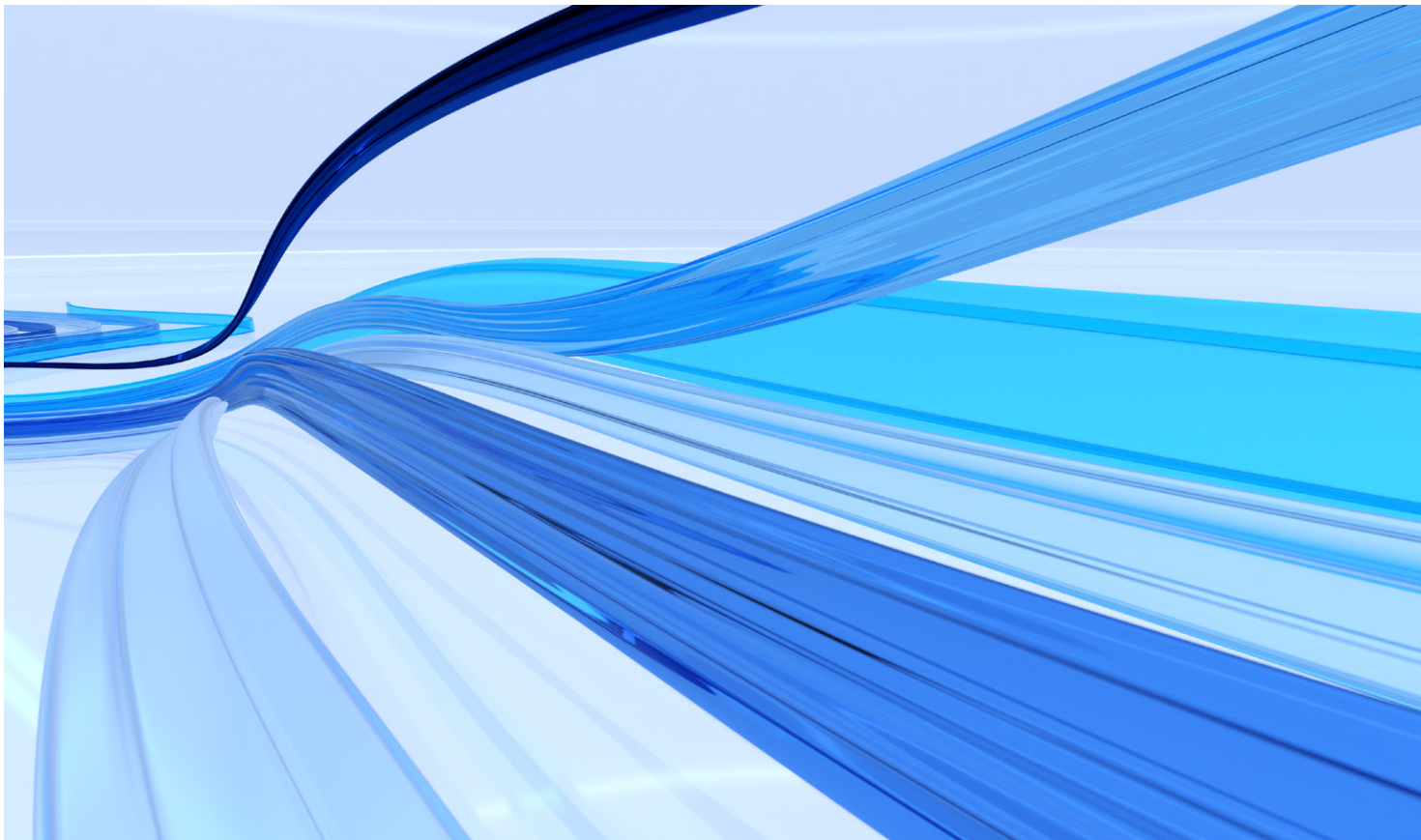
²⁵ Andrew Ross Sorkin, "The rules of investing are being loosened. Could it lead to the next 1929?," *New York Times*, October 13, 2025.

²⁶ Abby Schultz, "Wall Street has private equity to sell. The target is rich investors," *Barron's*, June 4, 2025.

Despite some year-end upticks in GDP growth forecasts,²⁷ the US bonanza is showing signs of strain. The dollar experienced a sharp decline in the first half of 2025, government deficits have widened, the labor market is softening, and consumer sentiment has fallen to its lowest level since the University of Michigan began tracking it in 1960.²⁸

And while capital expenditure spending is increasing among the S&P 500, many companies, especially in sectors most exposed to tariffs, anticipate cutting their capital expenditures next year.²⁹ Factors that help offset these strains include likely continued easing of monetary policy from the Federal Reserve and a surge in government spending, which is expected to take root starting in 2026.³⁰

And then there is AI, which has stretched valuations so far that many portfolios are now dominated by a handful of tech stocks. With large tech firms expected to spend nearly \$400 billion on infrastructure this year, AI spending ranks as one of the biggest investment booms in modern history—by one estimate, contributing 40 percent of US GDP growth in the past year. The emergence of any kind of “AI winter” would be sure to inflict some pain.³¹



²⁷ "US growth forecasts revised up after delayed GDP release," Fitch Ratings, January 8, 2026.

²⁸ Surveys of consumers, University of Michigan, accessed December 2025.

²⁹ "What if the \$3trn AI investment boom goes wrong?," *Economist*, September 13, 2025.

³⁰ Archie Hall, "America is going through a big economic experiment," *Economist*, November 12, 2025.

³¹ Archie Hall, "America is going through a big economic experiment," *Economist*, November 12, 2025.

Asia-Pacific

In the face of abrupt macroeconomic and geopolitical shifts, leading companies and investors in the Asia-Pacific region have reimagined strategies and footprints to find new growth, gain capabilities, build resilience, and mitigate risk in a far more multipolar world.

M&A played a major role in these efforts, with activity climbing back from lows in 2023 and 2024. Deal value rose to \$825 billion in 2025, up 21 percent from \$681 billion a year earlier. While activity rebounded after three years of decline, total value still lags behind the ten-year average of \$1 trillion (Exhibit 7).

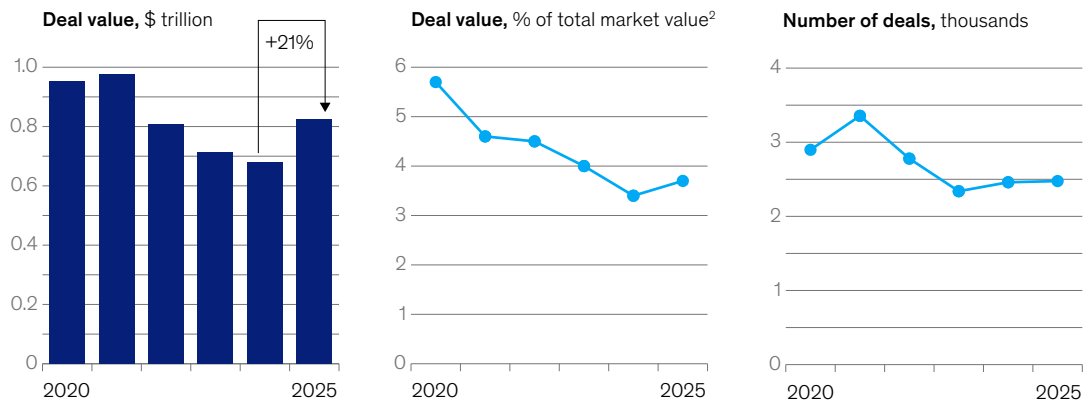
Companies and investors around the world responded to growing trade tensions by making far more cross-regional deals. Corporate acquirers in the Americas and EMEA invested about \$71 billion in Asia-Pacific in 2025, up from \$41 billion the prior year. But acquirers from Asia-Pacific invested far more in the Americas and EMEA—a total of \$136 billion—resulting in more corporate capital flowing out of Asia-Pacific than into it.

In-region dealmaking also picked up as corporates in Asia-Pacific consolidated domestically to gain scale advantages and build supply chains closer to home in response to trade tensions. Activity topped \$540 billion, up 15 percent from \$470 billion in 2024.

Exhibit 7

M&A activity increased 21 percent in 2025 in Asia-Pacific.

Announced M&A deals in Asia-Pacific in 2020–25¹



¹Announced deals not withdrawn or canceled with targets in Asia-Pacific. Unless otherwise noted, deal values reported are enterprise values. Data is on deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million.

²Total market value refers to the average sum of market capitalizations of all constituent companies in Asia-Pacific.

Source: Datastream by London Stock Exchange, accessed January 2026; PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

McKinsey & Company

The top three sectors in terms of deal value remained unchanged from 2024. Advanced-industry transactions took the top spot in Asia–Pacific dealmaking, rising to 20 percent of total value in 2025, up from 16 percent in 2024 and far above the global average of 10 percent. The region's manufacturers increasingly depend on AI, automation, and robotics and are localizing supply chains for critical inputs such as semiconductors and electric-vehicle batteries. GEM ranked second in the region in deal value during the period, at 18 percent, with total deal value contracting 3 percent. Financial services remained in third place, with 16 percent of deal value.

Most dealmaking was corporate. The value of PE deals jumped 31 percent year over year to \$128 billion, and their contribution to total Asia–Pacific deal value rose to 16 percent. However, that number remains far below the shares of 33 percent in EMEA and 26 percent in the Americas. The lower share of value in Asia–Pacific is due in part to a continued PE focus on midmarket deals and corporate carve-outs: Transactions are smaller, but integrations are often simpler, and ROE can be larger.

Big transactions made headlines as 13 of the 20 largest corporate deals in Asia–Pacific were performed by acquirers in Greater China and Japan, for a total of 21 percent of corporate deal value in the region. Deals worth \$1 billion or more accounted for 51 percent of total value, up from just 45 percent in 2024, reflecting a range of trends, including lower inflation, more stable interest rates, and more government support for M&A.³²

Japan, for example, has made reforms to protect shareholder interests, increase transparency in dealmaking, and encourage companies to improve price-to-book ratios. The country's dealmaking hit historic levels, rising 61 percent to \$151 billion (from \$93 billion a year earlier), including a domestic take-private deal worth \$39 billion, including debt. Many Japanese firms looked abroad for growth opportunities as domestic demand remained low—GPD growth has remained well below 1 percent for nine straight quarters.³³

Based in part on Japanese reforms, Korea's Financial Services Commission launched its Corporate Value-Up Program to help companies raise valuations to more closely approach those of global peers and attract more investment. Elements of the effort include indexing firms based on shareholder value, encouraging them to disclose strategy, and offering tax benefits for those that improve corporate governance and shareholder value.³⁴

In China, government policies now include streamlined deal approvals, support for consolidation to drive scale and efficiency, and strategic incentives, especially for “emerging and future industries,” such as quantum technology and biomanufacturing.³⁵ Since 2022, foreign direct investment has plummeted in China because of rising compliance risks, labor costs, and tariff uncertainties.³⁶ The changes have been profound: The nation has transformed from being the largest investee to the largest investor in automotive manufacturing and electronics, now accounting for about 25 percent of total outbound investments in both industries.³⁷

³² *Regional economic outlook, Asia and Pacific*, International Monetary Fund, October 2025.

³³ “Japan GDP growth rate,” Trading Economics, accessed November 13, 2025.

³⁴ Ernest Yeung, “South Korea value-up: Lessons from Japan,” T.RowePrice, July 2024.

³⁵ “China unveils new policies on M&A, market value management,” China State Council, September 25, 2024; “Quantum tech, embodied AI, biomanufacturing—China doubles down on emerging industries,” China State Council, December 28, 2024.

³⁶ “China: Foreign direct investment hits 30-year low,” Global Finance, April 2, 2024.

³⁷ “The FDI shake-up: How foreign direct investment today may shape industry and trade tomorrow,” McKinsey Global Institute, September 22, 2025.

While China is still burdened by a real estate crisis and weak consumer spending, it set export records in 2025, finding new customers abroad, which more than made up for a roughly \$40 billion decline in exports to the United States and other countries.³⁸ We expect Chinese manufacturers with stronger balance sheets to accelerate their dealmaking overseas. Meantime, Thailand, Singapore, and other Asia–Pacific countries are taking up some of the slack, increasing their exports to the United States by double digits in 2025, which may attract investors at home and abroad.

In India, the value of transactions rose 16 percent in 2025 to \$99 billion, from \$85 billion in 2024. While about 85 percent of value in 2024 was still domestic, Indian firms are increasingly looking overseas to gain market access and diversify supply chains.

Total deal value fell in Australia, Southeast Asia, and South Korea, owing to national and global political uncertainties that made investors more cautious; a new merger control regime in Australia that may increase dealmaking costs, risks, and delays; and persistent inflation and relatively high interest rates in Southeast Asia.³⁹

We’re cautiously optimistic about dealmaking in Asia–Pacific in 2026 and beyond, given the direction of tariff negotiations, generally lower inflation and interest rates in Asia, expanding access to capital, and government support for corporate transparency, consistent governance, and shareholder value.

Investors still find relative bargains in some regions and industry sectors in Asia–Pacific, although valuation gaps are narrowing, thanks in part to digital transformation.⁴⁰ In the United States, average P/Es are well over 25.0 at the time of this writing but only about 18.0 in Japan and China’s SSE Composite, 17.2 in Singapore, 17.1 in South Korea, and just 10.2 in the Philippines. India and Australia, in contrast, have P/Es over 20.⁴¹

We expect Asia–Pacific countries to invest more in industries that are likely to drive outsize shares of economic growth in the years ahead, including semiconductors, AI infrastructure (such as data centers), electric vehicles, battery manufacturing and renewable energy, and critical minerals. (For more on this topic, see [“The next big arenas of competition”](#) from the McKinsey Global Institute.)

Geopolitics will continue to loom large. Public and private sector leaders alike will need to keep working closely with China, the region’s largest economy, and the United States, which remains a vital trading partner for many countries in Asia–Pacific.

³⁸ Agnes Chang and Daisuke Wakabayashi, “What trade war? China’s export juggernaut marches on,” *New York Times*, November 3, 2025.

³⁹ “Asia M&A trends: Future outlook,” Norton Rose Fullbright, January 2025; “Australian merger control: A new regime,” King & Wood Mallesons, accessed January 2026; Brendan Clark and Benjamin Smith, *2025 Asia report: Year in review*, Minter Ellison, March 23, 2025; “Corporate M&A 2025,” Chambers and Partners, April 17, 2025.

⁴⁰ Daisuke Nozaki, Tim Koller, Yohan Kochi, and Prateek Gakhar, [“Closing Japan’s valuation gap by changing corporate traditions,”](#) McKinsey, October 31, 2025; Savi Hebbur et al., “Scaling up: Why digital transformation is a key catalyst for APAC M&A,” White & Case, September 18, 2025.

⁴¹ “Global market P/E ratios,” 1 Finance, accessed November 2, 2025.



Europe, the Middle East, and Africa

Dealmaking value in EMEA began to recover in 2025 from the lows of the previous three years. Total value in the region rose 16 percent to \$998 billion, from \$858 billion a year earlier (Exhibit 8).

Dealmaking varied widely by region in EMEA. The total value of deals in the Middle East and Africa grew much faster than in Europe, for example, but from a small base and because of two megadeals, including an acquisition of more than \$50 billion of a US-based video game company by a consortium led by a Middle Eastern sovereign wealth fund.

In Europe, the picture was mixed. While deal value grew 12 percent, the total market value of public companies in Europe remained steady at 4.6 percent, below the ten-year average of 5.4 percent. And while growth was driven mainly by acquisitions worth \$1 billion or more, the number of transactions declined by 8 percent.

After a slow start in the first half of 2025, dealmaking picked up in the third quarter as the European Union eased monetary policy, interest rates declined from postpandemic peaks in 2024, inflation remained at or below 2.5 percent for the first time since 2020,⁴² and countries across Europe continued large-scale, multilayered investment stimuli to support digitalization, infrastructure, R&D, resilience, and the green transition.⁴³ As investors and corporate leaders at the largest enterprises became accustomed to uncertainty, more of them turned to M&A as a strategic instrument to drive value in a low-growth environment, a trend likely to continue.

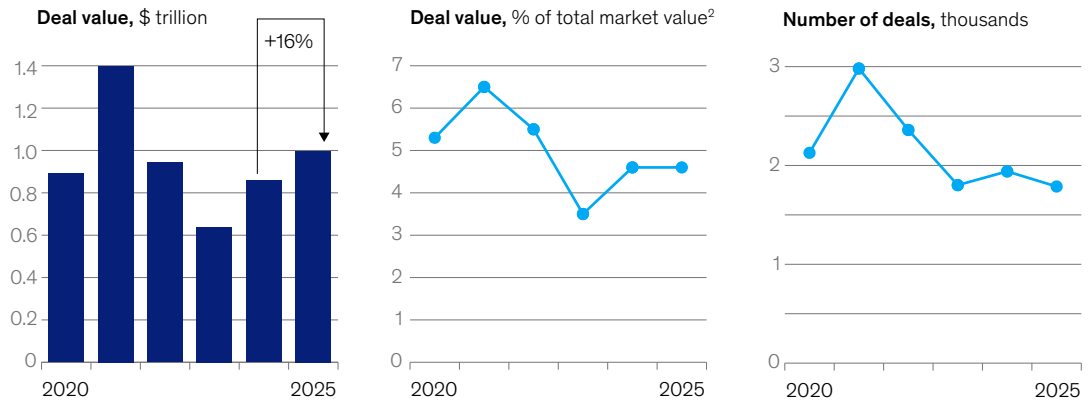
Companies across sectors in EMEA sought growth abroad, with cross-regional deal value increasing faster than in-region value. Corporate acquirers in EMEA invested \$249 billion in the

⁴² "ECB's Governing Council updates its monetary policy strategy," European Central Bank, June 30, 2025; "Euro area inflation rate," Trading Economics, accessed November 11, 2025; "Monetary policy decisions," European Central Bank, June 5, 2025.

⁴³ Examples include the European Union's \$930 billion Recovery Plan for Europe, European structural and investment funds, and the European Investment Bank's Operational Plan 2025–2027.

M&A activity increased 16 percent in 2025 in Europe, the Middle East, and Africa.

Announced M&A deals in Europe, the Middle East, and Africa in 2020–25, %¹



¹Announced deals not withdrawn or canceled in Europe, the Middle East, and Africa. Unless otherwise noted, deal values reported are enterprise values. Data on deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million.

²"Total market value" refers to the average sum of market capitalizations of all constituent companies in Europe, the Middle East, and Africa.

Source: Datastream by London Stock Exchange, accessed January 2026; PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

McKinsey & Company

Americas, for example, more than doubling their investments in 2023 and 2024. Dealmakers in EMEA also directed \$35 billion to fast-growing markets in the Asia–Pacific region, a more than 50 percent increase. Many European dealmakers look abroad because the European Union is a relatively fragmented marketplace with meaningful differences in consumer preferences, legislation, and regulatory scrutiny that make business cases more challenging.

That said, capital flows into EMEA rose in 2025. Corporate acquirers in the Americas, for example, made deals in EMEA worth \$144 billion in 2025, up 68 percent from the same period in 2024. Dealmakers in Asia–Pacific also stepped up, more than doubling their investments in EMEA to \$57 billion. Acquirers abroad mainly eyed EMEA-based targets in AI, business automation, data analytics, electronics, and other high-tech fields, confirming the value of innovation in Europe, even if the region's relatively fragmented marketplaces pose scale-up challenges.

Consolidation drove the majority of strategic deals worth more than \$2 billion among enterprises based in EMEA, as large companies sought to create value in a low-growth environment. About 40 percent were made in financial services, a sign that the long-awaited consolidation in the industry is now underway, also supported by more stable and slightly more advantageous regulations and capital requirements, especially in banking. The remaining 60 percent of strategic deals were scattered across industries from media to transportation.

In an effort to become more resilient and competitive, companies in EMEA are increasingly engaging in portfolio optimization through divestitures and separations, especially in capital-intensive industries where companies need to adapt to structural changes in their sectors or make large-scale investments to optimize operations, boost productivity, conduct R&D, improve customer experience, or localize and diversify supply chains. Spin-offs, well-established value creation levers favored by boards in the United States, are becoming more important in EMEA.

PE continues to account for a larger share of deals in EMEA than in the United States, with well-established PE markets in several geographies.

The value of separations—spin-offs, split-offs, carve-outs, and sales of assets or stakes by parent companies—remained steady at about \$300 billion, but the number of transactions that closed exceeded the five-year average as firms across sectors continued to prune portfolios to become more competitive and resilient.

In 2025, separations in EMEA were concentrated in chemicals, steel, automotive, and other cyclical manufacturing sectors facing sustained margin and demand pressure and in situations linked to broader M&A transactions. European industrial groups continued to simplify portfolios to unlock value and improve strategic focus—for example, by creating a steady pipeline of carve-outs in which PE pursued “fix and grow” stand-alone theses. Telcos and utilities remained active sellers, monetizing infrastructure and noncore assets to fund fiber, 5G, and grid investments. In energy and resources, separations aligned with the transition agenda: Some companies divested conventional assets while ring-fencing or scaling renewables platforms to attract specialized capital.

Despite the appeal of divestitures, Europe’s public-offering market remains subdued, with a narrow but functional IPO window.⁴⁴ The highly selective public offerings were concentrated in sectors with resilient demand and clearer earnings trajectories: healthcare, industrial technology, and consumer and retail businesses. Larger IPOs remain rare, as many issuers wait for more stable market conditions. In contrast, spin-offs continue to offer more robust paths to market, as their execution depends more on corporate strategy than IPO window sentiment.

Financial investors are back in action, with the value of PE deals growing for the second year in a row, rising 18 percent to \$331 billion and representing 33 percent of total deal value. While in line with historical levels, PE continues to account for a larger share of deals in EMEA than in the United States, with well-established PE markets in several geographies.

With significant dry powder, an opening of IPO markets, and structural bets on infrastructure, resilience, and European competitiveness, we expect a continued healthy PE market in the coming year.

Acquisitions by sector mostly reflected global trends. Deals in TMT led with 20 percent of total value in 2025, as the value of TMT transactions rose 9 percent to \$202 billion.

Six of the 20 largest deals in the region were in financial services, ranking the sector second with 17 percent of deal value, up from 10 percent in 2024, as consolidations picked up speed. Banks, insurers, and financial advisers sought to improve economies of scale, acquire product and

⁴⁴ “European IPO drought nears 20-year low,” Bloomberg, November 13, 2025.

distribution capabilities to enhance their client offering, and better cover the costs of regulatory compliance and digital transformations.

Deal value dropped by 32 percent in GEM, as acquirers took a cautious approach to large-scale transactions, driven by geopolitical uncertainty, regulatory concerns, supply chain disruptions, and tariffs. The sector slipped to third place in deal value in EMEA with transactions worth \$137 billion, or 14 percent of total value, down from 24 percent in 2024.

In life sciences, dealmakers took advantage of harmonized approval processes to acquire capabilities in diagnostics, new therapies, and digital health; PE firms found targets in the most profitable healthcare niches.⁴⁵ Dealmaking in life sciences increased by 24 percent in EMEA, reaching about \$65 billion in 2025 versus \$52 billion in 2024. Of those deals, 15 were worth more than \$1 billion each, including seven related to biomedicine and genetics.

We expect dealmaking momentum in EMEA to extend into 2026 and beyond. Like other regions, it's becoming more insular as trade barriers rise and geopolitical struggles intensify, but we expect more cross-border deals as companies shift long-term strategies to find growth and weather economic and geopolitical shocks.

PE investors are eager to put money to work, and consolidations should continue as enterprises join forces, including in defense and aerospace—and their underlying technologies—to lower costs, accelerate innovation, and improve procurement efficiency.⁴⁶ We expect them to be particularly interested in rolling up midsize companies in Europe to achieve scale and excellence in manufacturing.

Indeed, we believe M&A could be crucial in helping European companies innovate, scale up across fragmented markets, and become more competitive in fast-moving global marketplaces. Strategic dealmaking could help them gain ground by investing more in high-value products and technologies, especially with better collaboration among policymakers and industry stakeholders.

The European Union still presents challenges to acquirers, such as heterogeneous national regulations and tax regimes, but streamlining is underway in industries from manufacturing and clean tech to finance.⁴⁷ Meanwhile, the region's 450 million consumers and tens of millions of companies generate about 17 percent of global GDP, according to a 2024 EU report, and surveys show that their confidence is rising steadily, unlike in the United States.⁴⁸

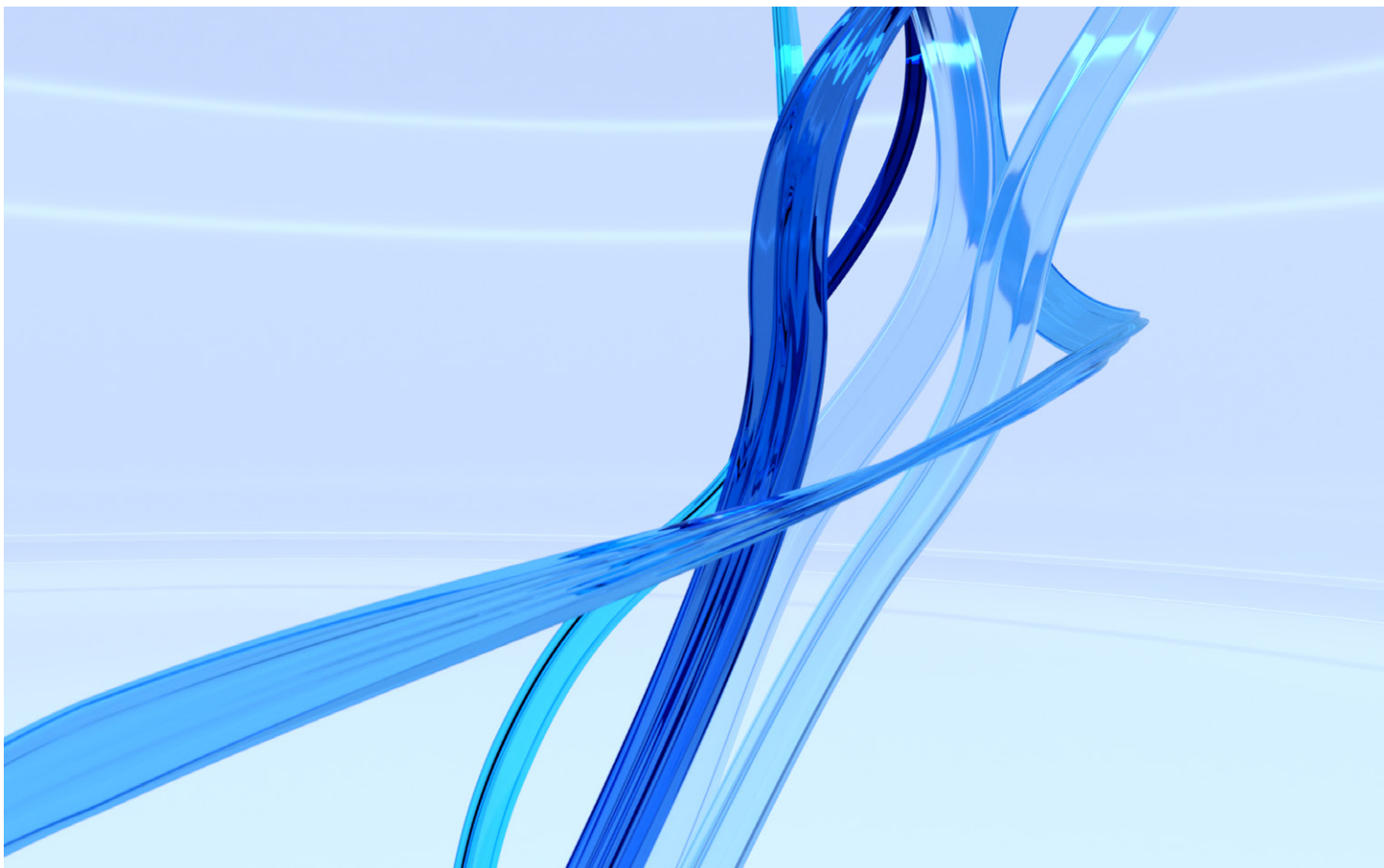
Dealmaking in the Middle East should continue to increase as investors abroad seek energy security—and the region's sovereign wealth funds continue to acquire diverse sources of economic growth abroad and make major investments in the energy transition, as well as infrastructure, technology, and financial services. Favorable macroconditions, including supportive fiscal and regulatory reforms, enhanced investor confidence, and continued economic growth across the United Arab Emirates, Saudi Arabia, and the broader Gulf Cooperation Council nations, further suggest that the region will continue to attract global dealmakers and sustain elevated M&A activity in 2026.

⁴⁵ "2025 M&A trends in the healthcare industry," RSM, September 2, 2025.

⁴⁶ "High Level Conference—one year after the Draghi report: What has been achieved, what has changed," European Commission, November 28, 2024.

⁴⁷ For examples, see "Bringing down barriers to the single market to create opportunities for all," European Commission, May 21, 2025; "Streamlining and strengthening the EU single market," European Parliament, July 15, 2025; and "Competitiveness compass," European Union, January 2025.

⁴⁸ "Euro area consumer confidence," Trading Economics, accessed January 2026; *The future of European competitiveness*, European Commission, September 2025; "US consumer confidence," Trading Economics, October 2025.



Looking ahead

Anticipating the market in 2026, executives will need to continue to manage through waves of geopolitical uncertainty—a top concern, given its potential impact on growth. The practices below could help dealmakers navigate.

Design robust M&A blueprints to enable bold thinking and faster pivots

When a significant geopolitical shift occurs, acquirers can change course more efficiently and quickly with detailed M&A blueprints in place. [“Five steps to strengthen M&A capabilities, no matter the starting point,”](#) on page 100, describes how to build a blueprint that incorporates the markets to be targeted, potential constraints, a road map (including how and where to start), and derisking measures.

Continue to conduct clear-eyed portfolio reviews

For strategic separations, companies can stay flexible by preparing for two different tracks: a public listing, typically via an IPO or spin-off, and a trade or sale to a strategic or financial buyer. While not easy, this approach allows a company to adapt to changing market conditions and provides more time to assess buyers' interest and attract better offers. Making the right choice between the two tracks requires considering the advantages and risks of each. Key considerations include valuation potential, execution risk, timing, and strategic alignment. (For more on this topic, see [“Two can be better than one: Pros and cons in a dual-track separation”](#) on page 149 and [“The power of goodbye: How carve-outs can unleash value”](#) in *McKinsey Quarterly*.)

Establish a compelling deal rationale with a full range of synergies

In periods of high uncertainty, investors often demand clearer, stronger deal rationales that meet high-synergy requirements. Strategic deals should be based on more than quick-win cost synergies; revenue and capital synergy targets must be part of every deal as well. Capital synergies improve the allocation and utilization of capital, while revenue synergies enable opportunities for cross-selling and accelerated growth. In many investors' views, a deal based on a range of synergies has better prospects for long-term growth and value creation, as discussed in [“How strategic buyers can outperform financial investors by building a ‘synergy muscle.’”](#)

Maximize use of AI tools—strategically

Just three years after ChatGPT was released, AI and gen AI are transforming M&A. Deal cycles have become 10 to 30 percent faster, and M&A activities are 20 percent cheaper. AI can help dealmakers uncover and capitalize on opportunities in geopolitical realignment, supply chain shifts, regulatory changes, and much more.

The many use cases for gen AI keep evolving and growing stronger. Target identification will advance from a one-off process to an end-to-end, proactive, opportunity-sourcing approach. Diligence and negotiation will become more sector specific and more closely tied to other stages of M&A, with diligence starting during the target acquisition stage and its insights becoming automated inputs into the integration plan. In integration planning and execution, agentic AI will take over more than 50 percent of tasks.

As the authors of [“Gen AI in M&A: From theory to practice to high performances”](#) explain, dealmakers need to examine the many tools available and determine which best suits the specific goals, characteristics, and needs of their organization and its M&A strategy.

Create a geopolitical nerve center to identify M&A risks and opportunities

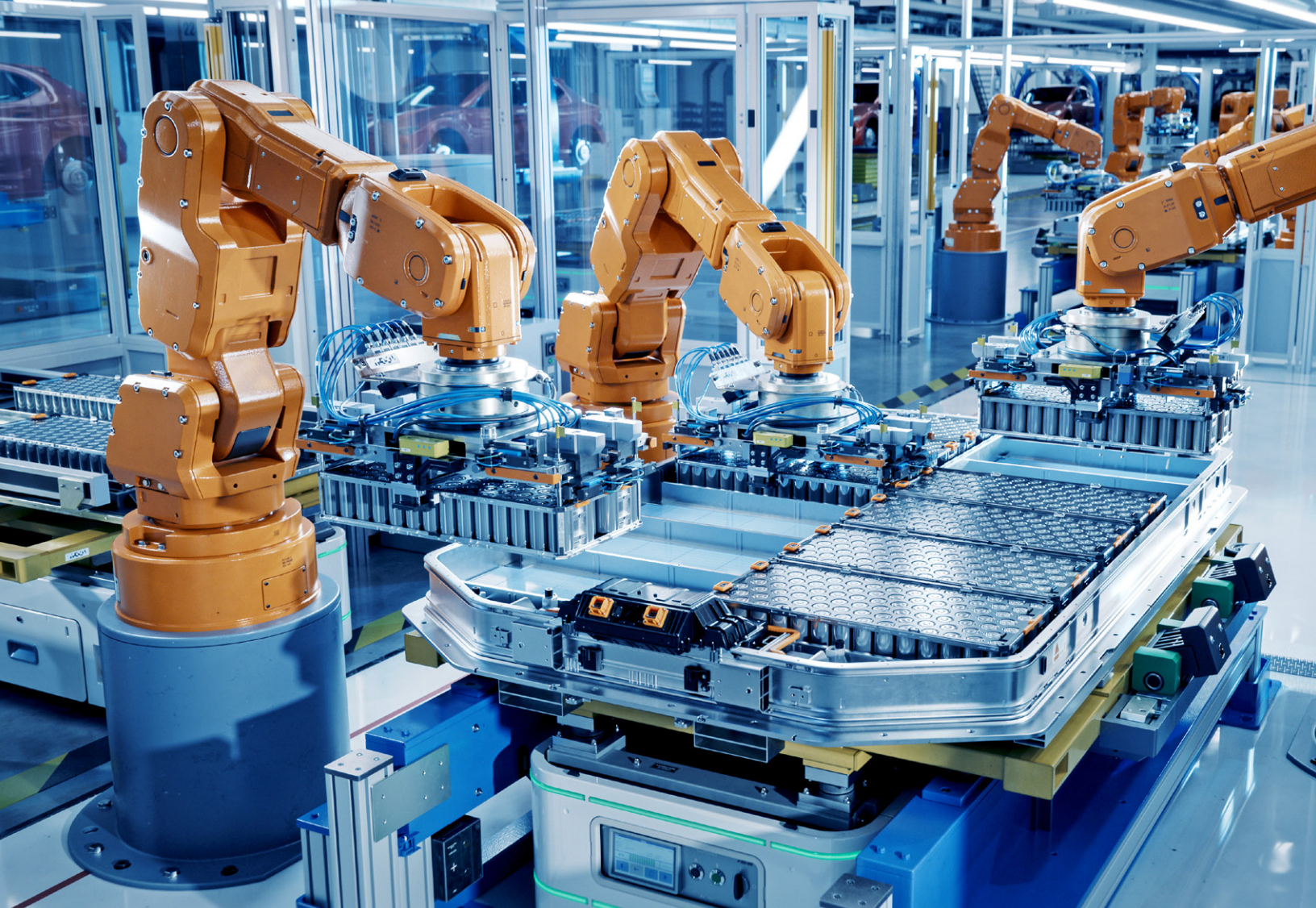
Senior leaders can closely monitor geopolitical developments that could affect their organizations through geopolitical “nerve centers” (as detailed in the McKinsey article [“Navigating tariffs with a geopolitical nerve center”](#)). Also helpful are cross-functional foresight teams that can assess how major events and trends may impact each department and function in the near, medium, and long terms. A separate planning team can collaborate to help make quick decisions on how to proceed.

The global M&A landscape is poised for robust activity in 2026. To thrive in a changing M&A landscape, leaders themselves will have to evolve, becoming more flexible as geopolitical, technological, and societal changes accelerate. Most of all, they will need to embrace rather than fear volatility, seizing opportunities while competitors await marketplace stability that may never arrive.

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Industry deep dives



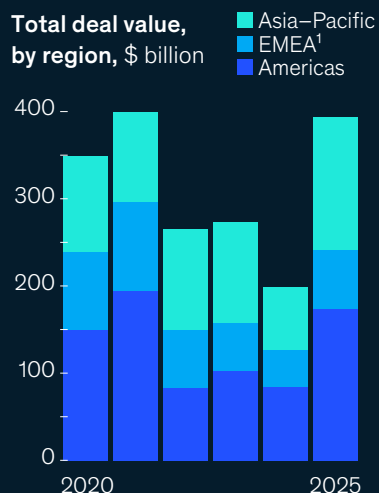
Advanced industries

Geopolitics, economics, and technology drive M&A

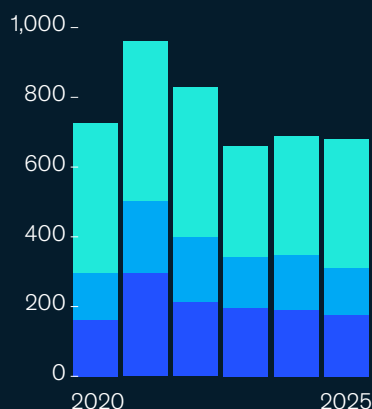
Geopolitical disruption, margin compression, focus on vertical integration, adoption of AI, and other trends have resulted in increased deal value within advanced industries and its subsectors.

M&A in advanced industries

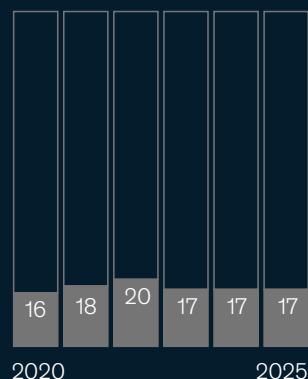
Total deal value, by region, \$ billion



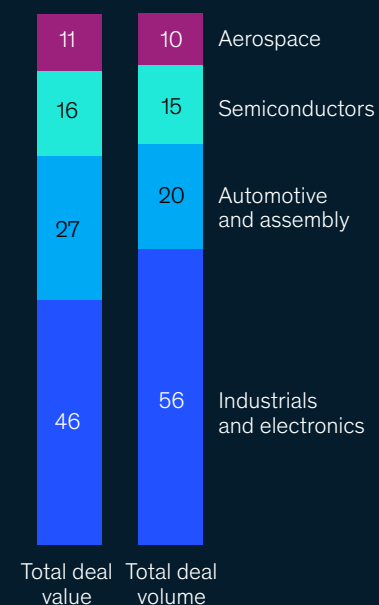
Total deal volume, by region, number



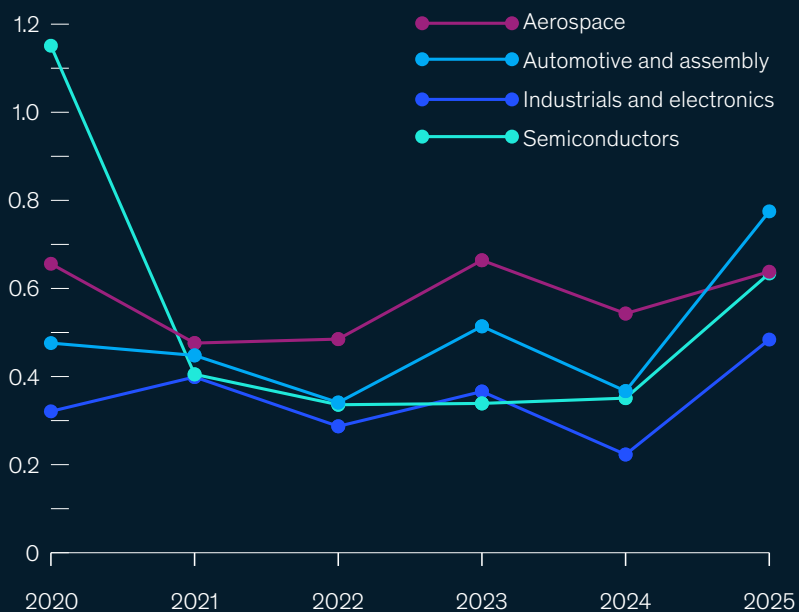
Share of private equity activity, % of total

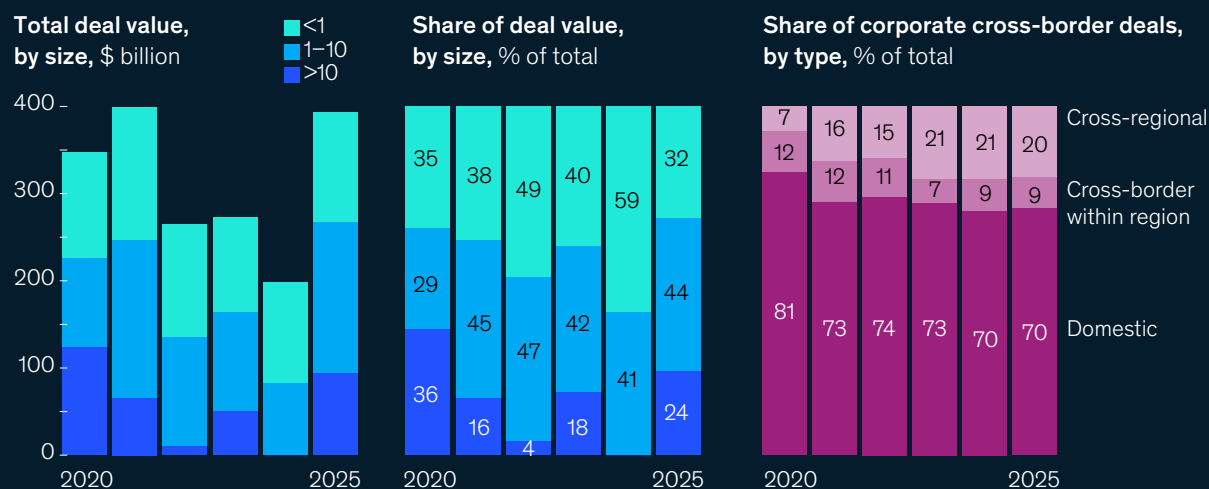


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Toyota Motor	Japan	Toyota Industries	Japan	38.5
Baker Hughes	US	Chart Industries	US	13.5
Skyworks Solutions	US	Qorvo	US	11.5
Tata Motors	India	Iveco	Italy	11.0
Thomas Bravo	US	Boeing digital aviation business	US	10.6
Eaton	Ireland	Boyd thermal business	US	9.5
Parker Hannifin	US	Filtration	US	9.3
SoftBank	Japan	Ampere Computing	US	6.5
Kohlberg Kravis Roberts	US	Spectris	UK	6.3
Aluminum of China	China	Commercial Aircraft of China	China	6.2

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

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The industry overview

M&A activity in advanced industries increased in 2025, as we had anticipated [in last year's industry overview](#). Deal value nearly doubled in 2025 compared with the previous three years, although the number of deals remained steady. For the purposes of our analysis, the advanced industries sector includes companies across automotive, aerospace, industrials and electronics, and semiconductor subsectors.¹ There were 679 deals announced in this sector in 2025, and \$393 billion was invested overall. More than half of the total deal activity in advanced industries involved industrials and electronics companies.

Several key trends, including tech plays and continued consolidation among auto suppliers and manufacturers, suggest that the number of deals in this sector will increase in 2026, especially across strategic acquirers in automotives, industrials and electronics, and semiconductors. What's more, private equity (PE) firms are likely to continue to propel M&A activity in advanced industries, given the substantial amount of dry powder available and the recent interest rate cuts in countries with sizable PE markets—think the United Kingdom, the United States, and countries across Europe.

Subsector activity

M&A activity and opportunities are varied across the four subsectors we analyzed. Geopolitical disruptions are likely to drive additional investments in aerospace companies. Margin compression will likely continue to prompt consolidation among auto suppliers, and the race to adopt leading-edge technologies should continue to propel M&A in the auto industry overall. Meanwhile, industrial companies are exploring deals that allow for vertical integration, and growth in AI is creating more appetite for M&A among semiconductor companies.

Aerospace

M&A activity in aerospace decreased a few years ago, but it has rebounded—from \$35 billion in deal value in 2021, down to \$25 billion in 2024, and back up to \$42 billion in 2025. We expect this increase to continue in 2026 and beyond, given increasing interest in the autonomous technologies, such as unmanned aerial vehicles, drones, and space sector systems, produced by companies in this subsector. A good example is the \$925 million acquisition of Edge Autonomy, a producer of uncrewed airborne systems technology, by space systems company Redwire.

Deals in aerospace may also increase because of companies' renewed focus on protecting themselves against geopolitical disruption. As a result, there may be more domestic and regional deals, as well as acquisitions aimed at building resilience in supply chains and labor markets and at protecting margins. (For more, see "[Defense: Shifts in geopolitics ramp up interest in M&A](#)" on page 31.)

Another area for increased M&A activity comes from PE. PE firms' investments in and roll-up of companies will continue in 2026 and beyond, especially in aerospace services.

Automotive

After peaking during the COVID-19-pandemic period, deal activity in the auto subsector has been limited over the past few years. Consider that a single large deal, Toyota Motor's proposed \$39 billion acquisition of Toyota Industries, accounted for much of the deal value in automotive in

¹ Our research base included announced deals that weren't withdrawn or canceled for which the target was in advanced industries and the deal value was greater than \$25 million. The sample doesn't include deals in which acquirers were existing shareholders (spin-offs or split-offs, for example).

2025—although the rationale for that deal was simplification of shareholding structures, with the added benefit of vertical integration. However, deal activity is likely to continue, given recent trends, such as consolidation among suppliers and continued investment in electric-vehicle (EV) infrastructure, connected-vehicle technologies, and autonomous-driving capabilities.

Auto suppliers continue to be under tremendous cost pressure from both tier-two suppliers and OEMs. As a result, they're actively managing product portfolios and pursuing consolidation deals, especially in areas involving legacy components (such as drivetrains and powertrains). A good example is Allison Transmission's acquisition in June 2025 of Dana's off-highway business.

Three trends suggest increased M&A activity among suppliers in 2026. First is the continued reset among players in the EV space as companies continue to pursue partnerships and joint ventures. Second is the expected further investments in technology to support the development of software-defined vehicles (SDVs) and the electronics stack. Examples of such investments include those in advanced driver assistance systems, various forms of middleware, and over-the-air updates to accelerate growth in SDVs and lower the bill of materials in manufacturing. And the third is suppliers' continued pruning of portfolios and selective divesting of nonprofitable or noncore units, given high margin pressures.

Meanwhile, M&A activity for auto OEMs isn't likely to accelerate in the coming year—although some sizable deals involving commercial trucks and buses were announced (for example, Tata Motors' acquisition of Iveco in July 2025 and Hino Motors' integration with Mitsubishi Fuso Truck and Bus in June 2025). It's more likely that OEMs will become selective acquirers, pursuing those transactions that can help them improve their competitive positions and support their transformations toward electrification and greater software usage.

Industrials

The industrials subsector has seen a large spike in overall deal value: It increased to \$182 billion in 2025 across both strategic and PE transactions—double the figure from 2024. Average deal size was \$484 million, although the number of deals remained constant. More than half of the deals overall in this subsector have been in Asia-Pacific markets, although those transactions demonstrated relatively lower value per deal.

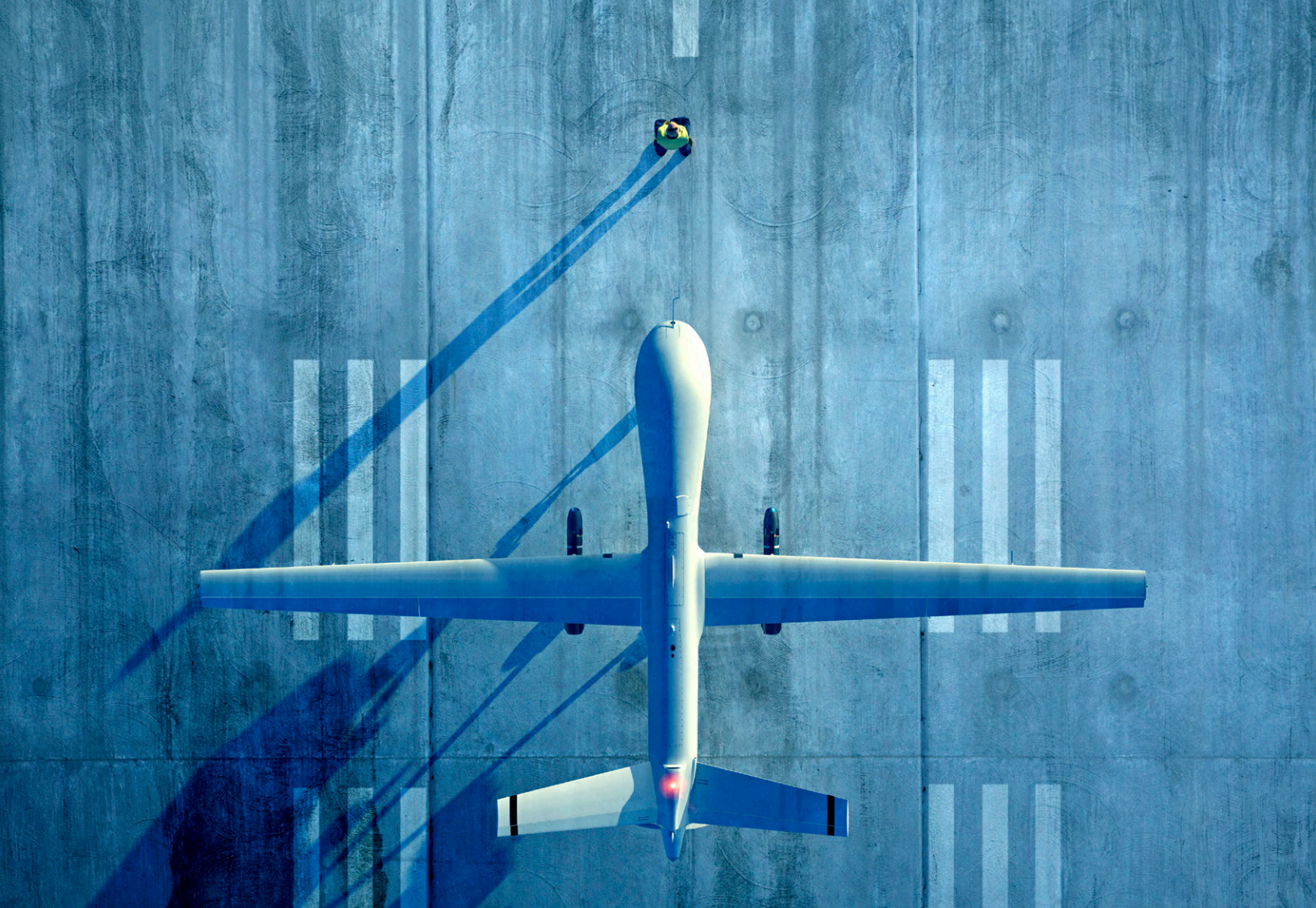
What's driving this increased interest among strategic and PE companies? It's the ongoing acceleration of digitalization and automation through AI and other technologies. Indeed, an increasing number of companies are developing platforms and solutions to improve customers' purchasing experiences across the entire life cycle. Think of Zebra Technologies' August 2025 acquisition of Elo Touch Solutions, with goals of digitalizing and automating the frontline workflows (with touchscreens and self-service kiosks, for example) of customers in retail, hospitality, food service, and healthcare.

Semiconductors

In 2025, semiconductor companies needed to respond to strong demand for AI technology and data center construction; they also faced geopolitical pressures that affected their appetite for cross-border investments. In 2026, we expect to see more semiconductor companies invest locally to protect both their capacity and their capabilities.

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The authors wish to thank Raghav Kapur for his contributions to this article.



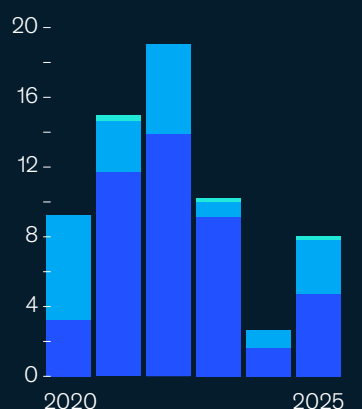
Defense

Shifts in geopolitics ramp up interest in M&A

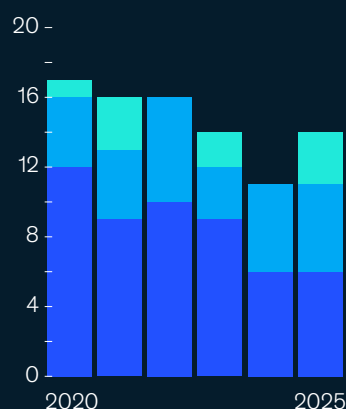
The rapidly shifting geopolitical situation has accelerated investment in and demand for military technologies and other defense-related assets.

M&A in defense

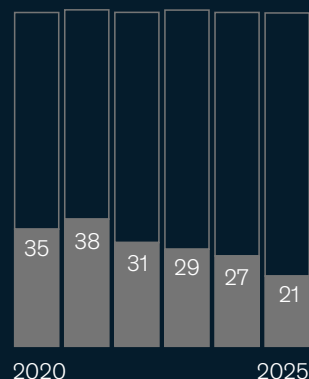
Total deal value, by region, \$ billion



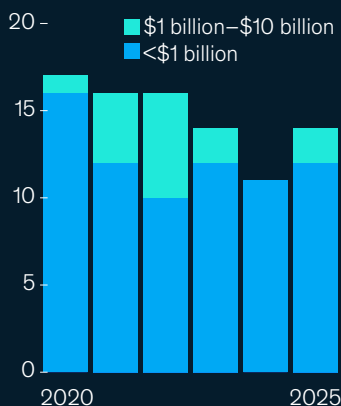
Total deal volume, by region, number



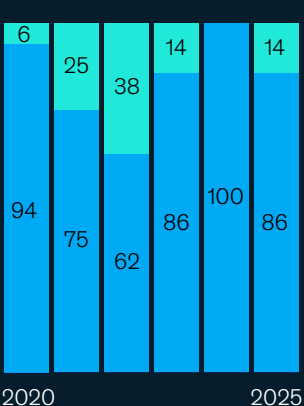
Share of private equity activity, % of total



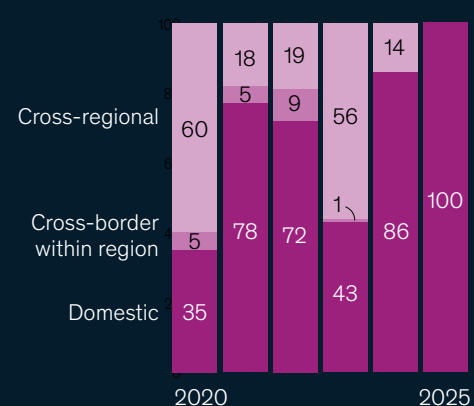
Total deal count, by size, number



Share of deal count, by size, % of total



Share of corporate cross-border deals, by type, % of total



Top 3 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Advent International	US	Mercury Systems	US	3.6
Leonardo	Italy	Astra Veicoli Industriali/Iveco Defence Vehicles	Italy	2.0
KNDS	Germany	RENK	Germany	0.4

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

McKinsey & Company

The industry overview

Interest in M&A has increased substantially in the defense sector over the past year, especially in Europe. This has been true across the full value chain—from primes to suppliers, among companies in adjacent industries that offer dual-use equipment, and among financial sponsors looking for attractive investment opportunities.

Given this increase in attention, we have seen an uptick in deal activity, but transactions haven't increased substantially over the past 24 months, as we would have expected. Total deal value increased from \$2.6 billion in 2024 to \$8.1 billion in 2025, but that number is still far below the \$19 billion in deal value in 2022.¹

What accounts for the surge in interest? A rapidly evolving geopolitical situation is changing investors' perceptions of the industry from a no go to a strong area of interest given the critical role defense companies play in national security and the substantial growth in defense budgets across governments after years of underinvestment. Our analysis shows that [defense spending by NATO countries in Europe](#) is set to increase by an additional €300 billion by 2030, reaching roughly €800 billion.²

Given these tailwinds, the defense industry presents considerable opportunities for multiple types of acquirers and sellers:

- *Defense companies* are turning to M&A to increase their production capacity, grow in scale, or acquire new tech capabilities, among other reasons. These companies are also exploring divesting civil businesses as they seek to refocus their allocation of capital and optimize their valuations.
- *Private equity (PE) firms* are conducting comprehensive evaluations to improve their understanding of the defense industry and identify the right opportunities for value creation, consolidation, and professionalization.
- *Corporations with some exposure* to the defense industry are taking one of two paths when it comes to M&A: They're either looking at potential deals to increase their investments in defense and make it a more meaningful part of their business, or they're considering divestments to capitalize on the high valuations the industry is experiencing currently.
- *Corporations outside the defense industry*—for instance, automotive, industrial, and telecommunications companies—are looking to move into what for many has been an untapped adjacent market, gain a foothold quickly, and increase utilization of their existing footprint.

¹ Given the nature of the defense industry, information on transactions is limited. For this analysis, we consider only those deals for which deal value has been announced.

² David Chinn, Jakob Stöber, Simone Vesco, and Markéta Haase, "Cutting Europe's €800 billion Gordian knot: Five catalysts to transform defense," McKinsey, November 13, 2025.

Why hasn't the interest in M&A turned into a flood of concrete announcements? We believe there are several reasons for the lower-than-expected activity. Chief among them is the low number of available targets: The industry hasn't been in focus historically, so there are only a limited number of established pure players of relevant size. For those few targets that are available, sellers are expecting to see high valuations; this is underlined by the increase of average reported enterprise value/EBITDA transaction multiples from about 13 times in 2021 to above 20 times in 2025. Because many emerging players are still in the early stages of growth, it can be challenging to determine their fair value, especially considering prior funding rounds and high growth expectations factored into sell side valuations.

Complexity is another reason we've seen less dealmaking: Transactions in the sector attract greater government attention, and the push for national champions has further restricted cross-regional and even intraregional transactions. In fact, there has been a clear focus on domestic deals, which accounted for all deals in 2025. Given this complexity, it should come as no surprise that asset acquisitions and partnerships among companies within the defense industry were among the most common deal types. Such transactions are relatively flexible and less affected by high valuations and government scrutiny. We also see a recent increase in momentum for public listings, following RENK's listing in 2024 and TKMS's listing in 2025.

A breakdown of M&A activity

Our analysis revealed core differences in defense M&A across acquirer types and regions. For instance, there are important differences between PE investors and corporations when it comes to M&A themes and approaches. Defense M&A activity among PE investors has been primarily focused on markets adjacent to defense—for instance, targeting maintenance and repair service companies, given the high margin and recurring nature of those businesses, or tech companies (in particular, those with dual-use technologies).

By contrast, corporations are using M&A to gain access to new capacity, expand into new geographies, and access new talent. Their transactions have often been smaller bolt-on deals rather than transformational transactions: Consider that all of the defense deals done by corporations in 2024 and more than 80 percent of them in 2025 were less than \$1 billion in deal value.

Europe has seen a major increase in defense budgets, which has prompted more M&A interest from global investors. It holds a growing share of regional deal value in the defense sector—from less than 10 percent of deal value in 2023 to 39 percent of deal value in 2024 and 38 percent of deal value in 2025. Meanwhile, there was a stable base of transactions in the Americas in 2025, dominated by the US market and targeting primarily domestic deals. Most of these transactions were focused on maintenance, repair, and operations assets.

Opportunities for 2026—and beyond

Looking ahead, defense companies are facing five critical challenges: ramping up production capacity, scaling and ensuring resilience of supply chains, achieving sufficient scale to realize operating efficiencies, capturing growth opportunities in other countries or in adjacent product areas, and building capabilities in new tech areas. We believe the urgency for leaders to address these challenges, as well as the availability of more private and public capital, will turn current interest in M&A into more announcements.

These transactions are likely to be focused on three concrete themes:

- *Operations*: Deals within this theme will help ramp up production capacity—either through the acquisition of existing production facilities from companies outside the defense industry or through deals with industrial companies to insource and scale up the production of critical components. Such deals can also help bolster corporations' supply chains—for instance, by acquiring suppliers of critical components or raw materials.
- *Growth*: Deals within this theme will aid companies in capturing opportunities in other countries or adjacent product categories—for instance, the acquisition of a local company to gain local market access, suppliers moving vertically along the supply chain to get closer to customers, and the formation of program-specific collaboration structures, which has been quite common in defense in the past.
- *Capabilities and people*: Deals within this theme can help accelerate development through the acquisition of intellectual property or technologies in development.

Corporations will likely continue to pursue small to midsize deals; larger consolidation opportunities will remain limited because of industry dynamics and the political dimension. Activity among PE firms is likely to be focused on high-growth opportunities along the supply chain—for instance, the makers of the subsystems and electronics used in platforms; the castings, lasers, or other components used in rockets; or, looking even further down the supply chain, the suppliers of basic materials used in ammunition or missile production.

Other PE investment opportunities in defense companies, especially in primes, will likely remain somewhat limited because of political scrutiny, high valuations, and investment criteria constraints. There may be some exceptions for family-owned companies and other nontraditional structures that allow sponsors to fund required investments.

And public listings will continue to increase as PE investors and corporations alike look for ways to monetize or crystallize the value of shareholdings.

Defense companies are facing urgent challenges that M&A can help solve. PE firms are at risk of missing out on these early days of market acceleration.

The increased interest in defense M&A is great, but now is the time for acquirers to act.

They will have to adapt to new rules and find ways to conduct deals within boundaries established by governments. They will need to carefully balance their pursuit of deals across geographies, develop an in-depth understanding of national and political interests, and build a clear perspective on the synergies required to close the gap to sellers' price expectations.

PE firms in particular will need to open themselves up to creative deal structures that may allow them to mitigate political constraints and improve their ability to engage with family-owned companies. Taking these steps—and moving from interest to action—can yield disproportionate benefits in the current market environment.

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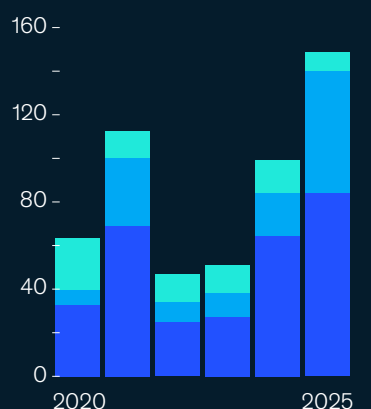
Consumer packaged goods

Reigniting growth via portfolio realignment

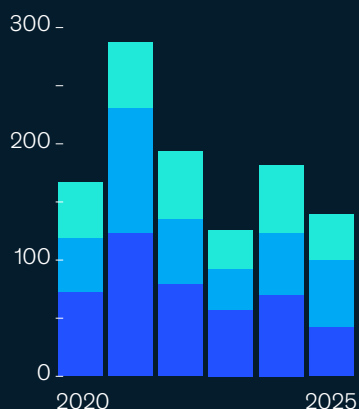
Changing consumer tastes and sentiment are spurring consumer packaged goods companies to use M&A to refocus efforts, redirect capital, and reignite growth.

M&A in consumer packaged goods

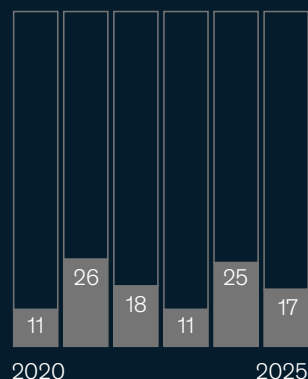
Total deal value, by region, \$ billion



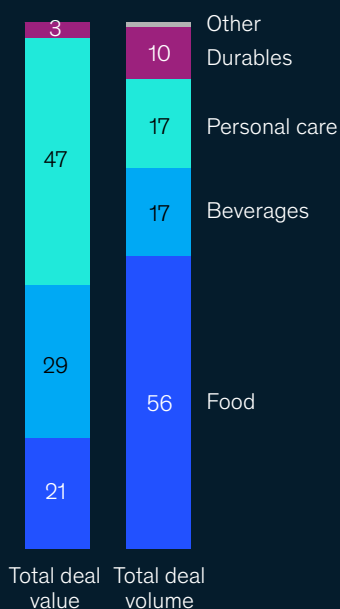
Total deal volume, by region, number



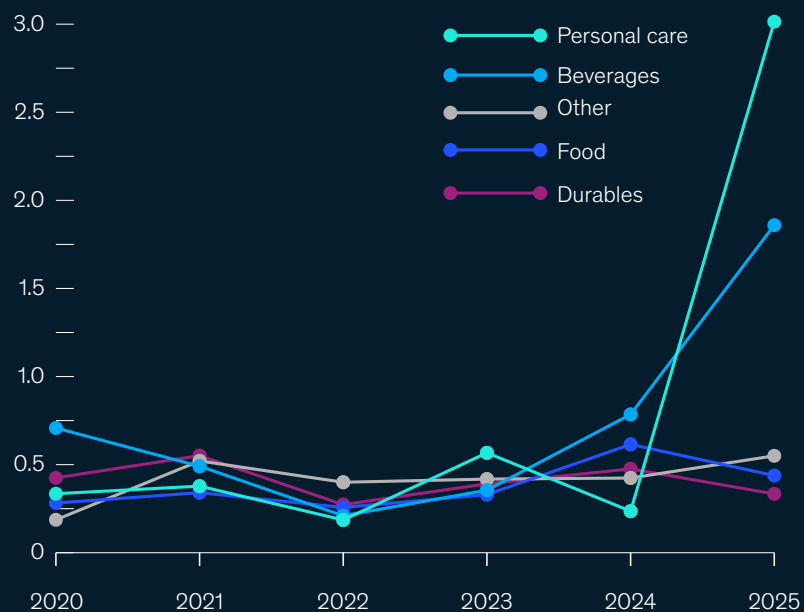
Share of private equity activity, % of total

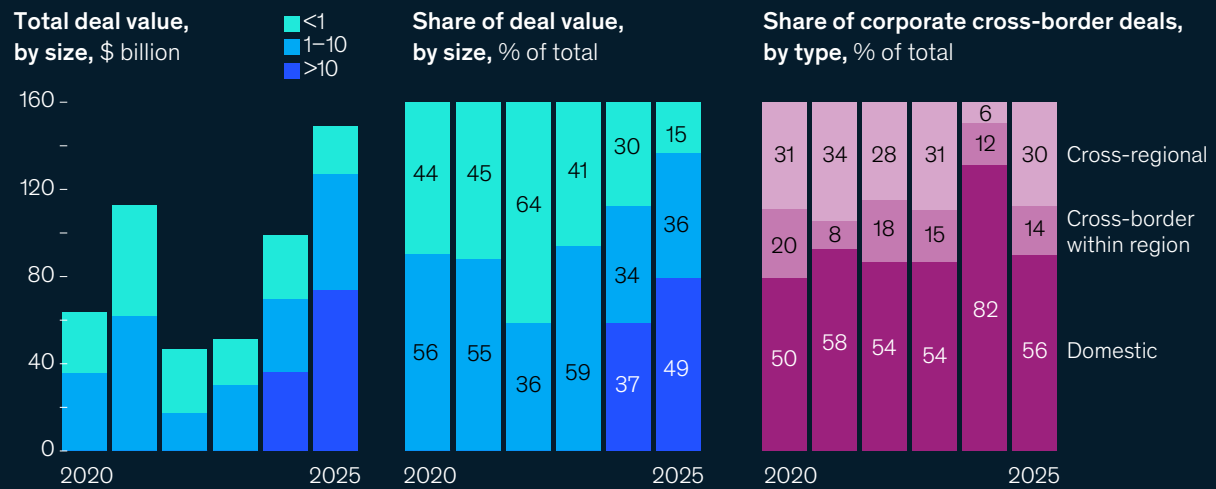


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Kimberly-Clark	US	Kenvue	US	49.7
Keurig Dr Pepper	US	JDE Peet's	Netherlands	24.0
Advent International	US	Reckitt Benckiser	UK	4.8
L'Oréal	France	Kering's Orange Square	UK	4.7
PAI Partners and ADIA	France/UAE	Froneri International	UK	4.2
Coca-Cola HBC	Switzerland	CCBA	South Africa	3.8
Heineken	Netherlands	FIFCO businesses ²	Costa Rica	3.2
Ferrero	Luxembourg	WK Kellogg	US	3.1
Investindustrial	UK	TreeHouse Foods	US	2.9
Groupe Lactalis	France	Dairy Ingredients and Food Service BU of Fonterra	Australia	2.5

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

²Beverage and proximity retail operations and equity interest in Heineken Panama.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

McKinsey & Company

The industry overview

After a year characterized by weak volumes, shifting consumer preferences, and continued margin pressure, consumer-packaged-goods (CPG) companies entered 2025 facing the challenge of returning to sustainable growth. Many brands have been seeing demand soften in legacy categories at the same time that consumers have been trading down, reassessing brand loyalty, and changing how and where they spend. Taken together, these constraints have made volume growth harder to sustain, establishing volume pressure as the defining force shaping today's CPG M&A environment.

The industry's M&A activity over the past 12 months has primarily been about realigning portfolios. The total number of M&A transactions¹ was down, falling to 140 transactions in 2025, from 180 in 2024. But deal value grew by over 50 percent to approximately \$152 billion in 2025 compared with approximately \$99 billion in 2024.² This overall increase in deal value was driven by a handful of megadeals in the beverage and personal-care subsectors.

This shift toward larger and more selective transactions was most pronounced in Europe. The European CPG sector saw a small uptick in deal count, while deal value there nearly tripled to approximately \$56 billion in 2025, from \$20 billion in 2024. Relatively large transactions drove the change, with six deals above \$2 billion occurring in the region in 2025, compared with only one such deal in 2024. This pattern reflects buyers' renewed appetite for category leaders and assets with strong competitive moats in Europe.

Globally, CPG companies have been using acquisitions and divestitures to refocus on core categories, exit businesses with relatively weaker growth prospects, and free up capital to reinvest where demand is clearer. And several CPG companies around the world have been pursuing scale to improve operating efficiency and protect margins.

These shifts are unfolding amid a mix of modest tailwinds and persistent headwinds. Interest rates are beginning to stabilize, but consumer confidence remains uneven, tariffs continue to add pressure, and macroeconomic uncertainty remains. As a result, CPG companies are turning to M&A both to defend performance today and to position their portfolios for growth over the next cycle.

CPG companies are turning to M&A both to defend performance today and to position their portfolios for growth.

¹ Defined as the purchase of a majority share of a company with a disclosed deal value above \$25 million (minority stake investments were excluded from analysis).

² Unless otherwise noted, the deal values reported in this article are enterprise values.

Subsector activity

There were a handful of CPG megadeals, such as Kimberly-Clark's approximately \$49 billion acquisition of Kenvue and Keurig Dr Pepper's approximately \$24 billion deal for JDE Peet's, in 2025. These large deals have drawn the most attention, but they sit within a broad and diverse wave of acquisitions and divestitures as CPG companies continue to move beyond a period of caution and once again use M&A to actively shape their portfolios.

Food: Continued momentum

Food saw an overall decrease in both deal activity and deal value in 2025. There were 79 deals with a total value of approximately \$35 billion in 2025, compared with 92 deals with a total value of approximately \$67 billion in 2024. However, when excluding 2024's outlier \$36 billion Mars–Kellanova deal, total food deal value increased by nearly 70 percent in 2025. A new wave of transactions of \$1 billion or more, including Ferrero's \$3.1 billion acquisition of WK Kellogg, propelled this surge. After a year of “wait and see,” buyers appeared to reengage with M&A in strategically important categories in 2025.

Beverages: Reshaped by megadeals

Sizable moves in 2025 indicate a higher deal appetite in the beverage sector than seen in recent years. Keurig Dr Pepper's approximately \$23 billion acquisition of JDE Peet's helped increase 2025's beverage deal value to \$43 billion, more than doubling 2024's beverage deal value of \$20 billion. Strategic buyers in the subsector have been moving to secure leading positions in high-growth subsegments while rationalizing exposure elsewhere.

Private equity: Consistent activity, but megadeals shifted to retail

Private equity (PE) activity in CPG was stable in 2025 relative to 2024, deal count decreased slightly (46 in 2025 compared with 52 in 2024), and total deal value was nearly identical (\$25 billion in 2025 compared with \$24 billion in 2024).

It's interesting to note that, unlike in previous years, the most substantial PE transactions in the overall consumer industry in 2025 weren't in CPG at all. PE firms reentered the market to buy large-cap assets on the retail side of the equation. Deals of note include 3G Capital's \$11.3 billion acquisition of Skechers U.S.A., Sycamore Partners' \$23.7 billion acquisition of Walgreens Boots Alliance, and CD&R's \$13.5 billion acquisition of Wm Morrison Supermarkets. Overall, the average deal size for retail PE transactions more than doubled between 2024 and 2025. PE's shifting interest from CPG to retail appears to be driven by two factors. First, retail assets enable PE firms to deploy large amounts of capital to businesses with meaningful value creation opportunities. With the right operational expertise, PE has demonstrated that it can create substantial value in the sector. This is particularly true amid the emergence of new revenue streams in retail, including adjacent services and customer data monetization.

Supply chain volatility, input cost risk, and margin compression remain challenges in CPG. PE firms are remaining relatively active in the niche, premium, and “better for you” CPG spaces. But lately, they appear to be viewing large CPG acquisitions as riskier than in those spaces, particularly where recent cost-cutting efforts limit the scope for further operational improvement. PE firms may also see more risk in large acquisitions because they usually don't have the same operational synergies that a strategic buyer can achieve.

Opportunities for 2026—and beyond

With top-line growth challenged across most CPG categories in 2025, companies are deploying M&A to reshape portfolios and reallocate resources toward core business and higher growth categories.

Shifting consumer and investor trends prompt portfolio realignment

Persistent volume headwinds and shifting consumer preferences have caused CPG management teams to reevaluate business unit fit and capital allocation, often after pressure from investors who spot misalignments. As a result, there have been separations and corporate restructurings: Kraft Heinz announced a plan to split into two separate public companies (Global Taste Elevation, which will include Heinz and Kraft Mac & Cheese, and North American Grocery). And Keurig Dr Pepper announced a plan to split into two independent entities (Beverage and Global Coffee) in conjunction with its announced acquisition of JDE Peet's.

Across the sector, the message is clear: Some sprawling CPG portfolios built for the past decade no longer align with how consumer tastes are trending, so capital must be redirected.

Rotation into high-growth adjacencies continues

CPG companies are also using M&A to access growth pockets that have remained resilient, particularly in premium, better-for-you, and creator-led brands across consumer categories. An influential factor in the strength of these brands is likely the purchasing habits of Gen Z consumers (those born between 1997 and 2012).

McKinsey research suggests that [Gen Zers are about three times more willing to splurge](#) than both baby boomers (those born between 1946 and 1964) and silent generation members (those born between 1928 and 1945), particularly on apparel and beauty.³ Younger consumers contribute to over two-fifths of annual wellness spending in the United States despite making up just over one-third of the US adult population.⁴

Some sprawling CPG portfolios built for the past decade no longer align with how consumer tastes are trending, so capital must be redirected.

³ "State of the Consumer 2025: When disruption becomes permanent," McKinsey, June 9, 2025.

⁴ "The \$2 trillion global wellness market gets a millennial and Gen Z glow-up," McKinsey, May 29, 2025.

Several M&A transactions that have occurred over the past 12 months exemplify this trend. One example is L'Oréal's announced approximately \$4.7 billion acquisition of cosmetics and fragrance brands from Kering to strengthen its position in the fast-growing luxury-fragrance market. Another is e.l.f. Beauty's \$1 billion acquisition of rhode, enabling it to enter the premium skin care segment.

Operational-performance improvements fuel investments

In addition to helping focus portfolios and tap growth pockets, acquirers used M&A in 2025 to improve the shape of their P&L statements through cost synergies, freeing up capital for growth investments.

CPG M&A in 2025 provides several examples of seizing this area of opportunity. Kimberly-Clark announced \$1.9 billion in run rate cost synergies from its acquisition of Kenvue, principally through cost of goods sold and G&A optimization. That figure represents nearly 16 percent of Kenvue's cost base. Keurig Dr Pepper expects roughly \$400 million in total cost synergies over three years as a result of the JDE Peet's acquisition, of which \$200 million is supply chain savings.

The continuing emphasis on scale, efficiency gains, and other cost synergies marks a rebalancing. Growth deals are occurring, and deals enabling substantial synergies are regaining momentum. Meanwhile, some large CPG companies that haven't yet engaged in major deals are undertaking transformational cost-cutting efforts, underscoring the broad recognition of the importance of cost discipline in the current environment.

M&A market becomes more active

Looking ahead, we expect CPG M&A activity to remain elevated, propelled by the following factors:

- *More separations and spin-offs:* Companies are likely to continue shedding noncore assets to free up capital for reinvestment into core and high-growth categories. These exited assets and brands could become meaningful additions for other players seeking to double down on their core business and increase scale.
- *Continued push from activist investors:* As organic growth and shareholder returns continue to wane in CPG, we may see more of these investors taking large positions across the sector and agitating for change. Demands for portfolio streamlining, different uses of capital, more focus on core business, and investment in growth categories could lead to increased M&A.
- *Greater consolidation for efficiency:* With ongoing margin pressures and limited volume growth, acquirers will likely pursue profitability through organic initiatives (including revenue management, cost transformation, innovation, analytics use, and AI-enabled efficiencies where possible). They will likely also use M&A (including deals that target consolidation to achieve operational scale and cost synergies) in that pursuit.
- *Demand reshaped by greater adoption of new medication:* The impact of the blockbuster glucagon-like peptide-1 (GLP-1) drugs used for weight loss has already been felt across the food and beverage sectors. Inflation-adjusted growth for packaged foods (0.3 percent) fell below population growth (roughly 1 percent) between 2023 and 2025. Changing tastes and habits could potentially widen the current misalignment between consumer preferences and the portfolios of large, traditional food and beverage players, requiring further reshaping through M&A and divestitures.

- *Continued value seeking from consumers:* In 2026, consumers will likely keep focusing on value because of ongoing price sensitivity, higher living costs, and growing trust in the quality of private-label brands. This continued trend could fuel CPG M&A aimed at scale efficiencies, cost synergies, and category leadership. Deals will likely favor buyers that can integrate assets to improve pricing power, supply chain efficiency, and value tier offerings.
 - *Retail transformation:* Retailers are tapping into new value pools beyond omnichannel retail, including adjacent services and customer data monetization. As a result, the dynamics between retailers and suppliers could become more challenging. For example, retailer capabilities in customer data monetization will increasingly mean that CPG companies no longer “own the consumer” as they used to. They will face deciding how to protect or rebuild consumer access, bargaining power, and economics in a world in which retailers increasingly control the data and the relationship.
-

The past 12 months have marked a turning point in CPG M&A. A sector defined by incrementalism in the late 2010s and early 2020s has again been making bold moves. It has been shedding legacy assets, doubling down on core and high-growth categories, and refocusing on operational efficiency and growth areas.

Recent M&A activity suggests that portfolio reshaping is becoming a central theme in the CPG sector. As growth slows in core categories and consumer loyalty becomes less predictable, companies are using acquisitions and divestitures to restructure their portfolios and reallocate capital. Those that decisively use M&A as a mechanism for focus, scale, innovation, and growth will be in the best position to lead the next chapter in the CPG industry.

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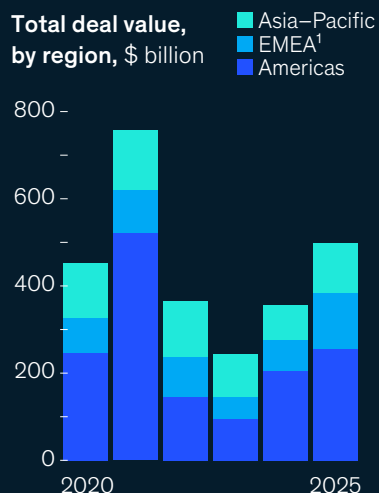
Financial services

M&A bounces back, with scale and capabilities at the center

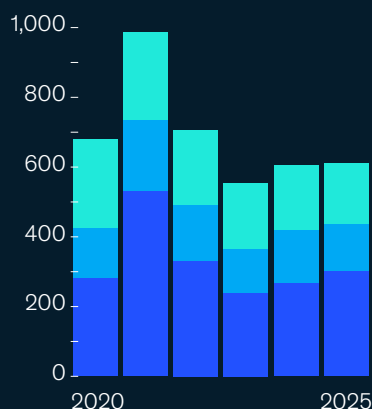
Now is the time for banks, fintech companies, and asset managers to develop a sharp, well-articulated M&A strategy and use it to spark the next wave of industry transformation.

M&A in financial services

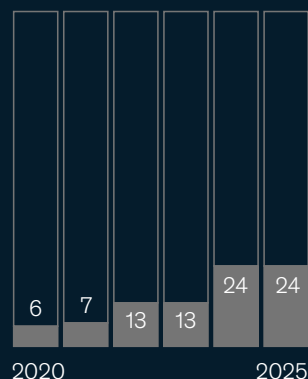
Total deal value, by region, \$ billion



Total deal volume, by region, number



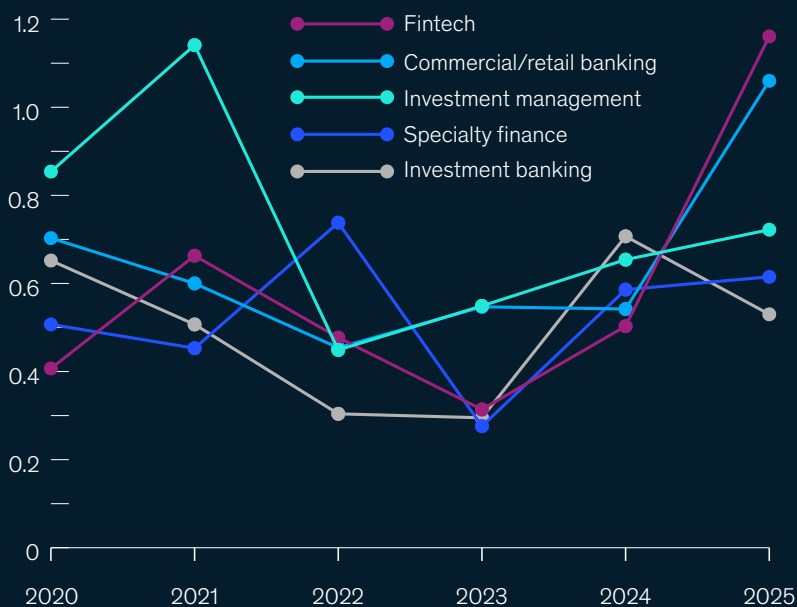
Share of private equity activity, % of total

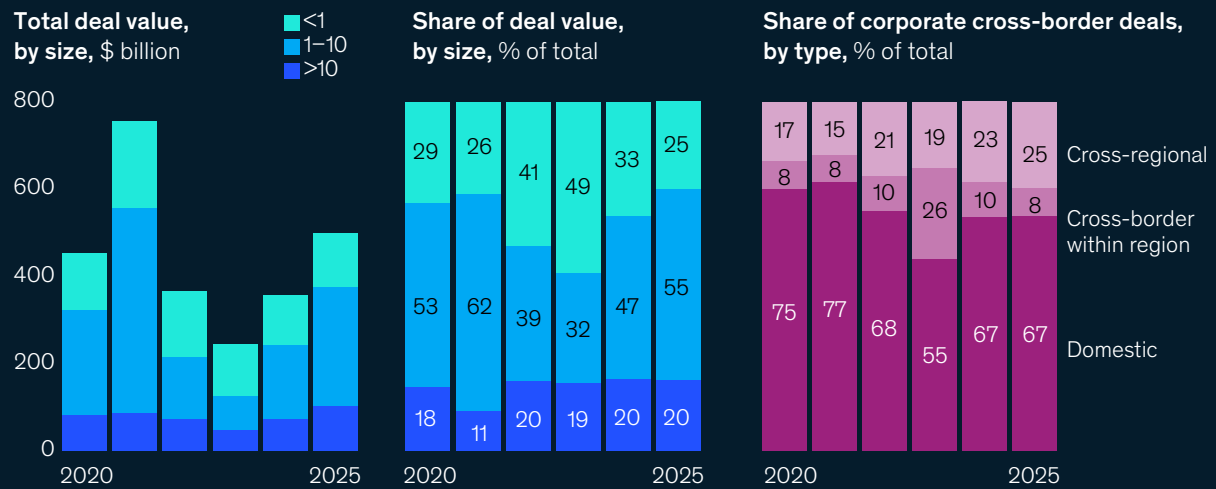


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
China Mobile Communications	China	Postal Savings Bank of China	China	18.1
Banca Monte dei Paschi di Siena	Italy	Mediobanca Banca di Credito Finanziario	Italy	17.4
Global Payments	US	Worldpay	US	17.0
Hongkong and Shanghai Banking	Hong Kong SAR	Hang Seng Bank	Hong Kong SAR	13.6
FIS	US	Total System Services	US	13.5
Fifth Third Bank	US	Comerica Bank	US	10.8
Naver Financial	South Korea	Dunamu	South Korea	10.5
Taiwan Semiconductor Manufacturing	Taiwan, China	TSMC Global	British Virgin Islands	10.0
Rocket	US	Mr. Cooper	US	9.4
Francisco Partners/Permira/ Temasek Holdings/Warburg Pincus	Singapore/ UK/US	Clearwater Analytics	US	8.4

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

McKinsey & Company

The industry overview

After a measured rebound in 2024, M&A in financial services continued its recovery throughout 2025. Deal value rose roughly 40 percent from 2024, reaching \$499 billion despite relatively flat deal volume—612 transactions globally in 2025 compared with 605 in 2024. According to our research, the average transaction size in 2025 increased from \$590 million to \$815 million, and midsize to large transactions between \$1 billion and \$10 billion accounted for more than half of the total deal value. The analysis suggests that the industry is pivoting toward larger, more strategic transactions as banks and financial institutions look for opportunities to scale and modernize technology.

These trends are in line with the industry's continued recovery from the global slowdown of 2023: Improved bank profitability and higher-for-longer interest rates strengthened banks' balance sheets and created a more favorable backdrop for strategic banking combinations. Despite delivering the highest net income of any sector in 2024 (about \$1.2 trillion), banks are still trading at only a 0.9-fold price-to-book ratio. When combined with the high levels of excess capital sitting on many banks' balance sheets, this valuation gap is expected to be a significant accelerator of banking M&A in 2026.

The Americas expanded their share of deal value in this sector to about 51 percent of the global total (about \$255 billion) in part due to favorable regulatory and macroeconomic conditions in the United States. Europe, the Middle East, and Africa (EMEA) recorded 26 percent of global deal value in financial services (about \$128 billion). Activity in EMEA was driven primarily by domestic consolidation and noteworthy deals in Italy (which emerged as an epicenter of dealmaking), Greece, Sweden, and the United Kingdom.

As we noted in last year's outlook, EMEA has entered what's likely to be a multiyear consolidation phase as banks and financial institutions face a convergence of cost pressures, new regulations, and national champions seeking scale and enhanced capabilities. For its part, Asia-Pacific accounted for 23 percent of total deal value in financial services (about \$116 billion), with lower average asset prices and a slow recovery in cross-border flows.

There were notable deals in China, including an \$18.1 billion capital-raising exercise involving China Mobile Communications and the Postal Savings Bank of China, as well as further efforts by companies to consolidate and create stronger domestic powerhouses that could compete globally.

In total, about 33 percent of all banking deals in 2025 were cross-border transactions—by contrast, the average in other nonfinancial-services sectors was 19 percent. Within banking, commercial and retail saw M&A activity increase 129 percent compared with 2024, mainly because of a 96 percent surge in deal value in 2025. And deal value among fintech companies grew by 108 percent in 2025 compared with 2024.

M&A activity within wealth and asset management increased 15 percent in 2025 compared with 2024, slowing after a few years of consolidation; however, players in this space still left room for selective deals, such as ING's purchase of a significant stake in Van Lanschot Kempen in July 2025. Similarly, there was a significant slowdown in deals involving capital market infrastructure after several years of consolidation in this subsector.

Subsector activity

A closer look at activity in key subsectors of financial services—commercial and retail banking, fintech and payments, and capital market infrastructure—reveals important differences in M&A motivations and mechanics among companies.

Commercial and retail banking

Traditional banking remained the sector's primary area of focus for M&A in 2025. There were 179 deals with a total value of \$190 billion in 2025; that marked a 129 percent rise compared with 2024. The average deal value in 2025 climbed to about \$1.1 billion (an increase of 96 percent compared with 2024). There was increased consolidation among regional and midtier banks, fueled by the need to achieve scale benefits. As leaders in these banks have observed, successful execution of such deals requires speed in technology integration and capability building while also protecting an expanding customer base.

Fintech and payments

Fintech M&A activity accounted for 55 deals in 2025, with an overall deal value of \$64 billion (an increase of 108 percent compared with 2024) and an average deal value reaching about \$1.2 billion (up 131 percent compared with 2024). Some of that growth can be attributed to large transactions involving payments players. Meanwhile, as we remarked in last year's report, banks continued to shift their focus toward the acquisition of selected technological capabilities to strengthen their technology stacks and product offerings—for instance, Allica Bank's October 2025 acquisition of Kriya's embedded finance platform, and Banca Ifis's January 2025 acquisition of Illimity, a financial-services firm focused on lending to small to medium-size enterprises.

Wealth and asset management

Wealth and asset management players continue to consolidate—albeit at a slower pace than in the past. There were 345 deals between 2023 and 2024. In 2025, there were 156 deals worth a total of \$113 billion (a 15 percent increase compared with 2024). Advances in AI and data-driven investment capabilities in Europe prompted more M&A in that part of the world, underscoring the convergence between traditional asset management and fintech innovation.

Opportunities for 2026—and beyond

The watchwords for M&A in financial services in 2026 will be “smaller” and “more strategic.” As we noted last year, dealmakers are prioritizing targets that offer thematic fit, technology alignment, and value that can be captured quickly. Our analyses suggest consolidation will continue; smaller transactions will also come into their own. AI (generative and agentic) will accelerate M&A activity by expanding the universe of addressable targets and making it easier for acquirers to integrate quickly and capture synergies sooner than expected. We also expect to see significant contributions from private capital, given the increasing pressure to deploy funds; such sponsors may be able to facilitate spin-offs and carve-outs of various assets as banks double down on their core businesses.

Commercial and retail banking

The subsector of commercial and retail banking is likely to remain the most active among all subsectors in financial services. Consolidation among regional banks in fragmented markets is likely to continue: Consider that the top five credit institutions account for less than 40 percent of total assets across Austria and Germany, with about 400 and 1,250 institutions, respectively. And they account for between 65 and 70 percent of total assets in Spain and Portugal, with about 185 and 135 players, respectively. There's a clear regulatory shift to encourage well-capitalized domestic combinations. Smaller banks are struggling with funding and technology

costs, management succession, and cost pressures from larger players, making them prone to acquisition. Larger banks are constantly looking to increase scale and efficiency, gain capabilities, and improve their resilience, which can also increase their access to relatively cheaper funding.

Geographically, M&A in the Middle East and Europe is likely to increase. Bank mergers are poised to take off in the Middle East as governments push to create regional leaders and national champions. And Europe is seeing signs of increased cross-border deals—albeit taking the form of targeted “friendly deals” rather than large-scale mergers that may court political resistance.

Fintech and payments

In 2026, fintech and payments M&A will likely center on capability-driven deals focused on fraud prevention, identity verification, and embedded finance; this would be a continuation of a trend started by the Perfios acquisition of Clari5 and other recent deals. The asset swap between Global Payments and FIS illustrates this trend at a global level: Global Payments acquired Worldpay for about \$17.0 billion, and FIS acquired Global Payments’ Issuer processing unit for \$13.5 billion, realigning both on core strengths.

Wealth and asset management

M&A in wealth and asset management is shifting toward capability-led deals, especially those that would strengthen the acquirer’s expertise in alternative assets. Managers are targeting firms that provide an edge in private markets, real assets, or advanced technology. Private credit now represents a \$2.5 trillion market, and total alternatives are expected to keep surging in the coming years. Even in traditional wealth management, large mergers will likely target new distribution capabilities or digital platforms rather than cost cutting or an increase in assets under management.

The outlook for financial-services M&A in 2026 is strong. The sector is full of possibilities for the banks, fintech companies, and asset managers that can develop a sharp, well-articulated M&A strategy—and are bold enough to use it to create the next wave of transformation in their companies and across the industry.

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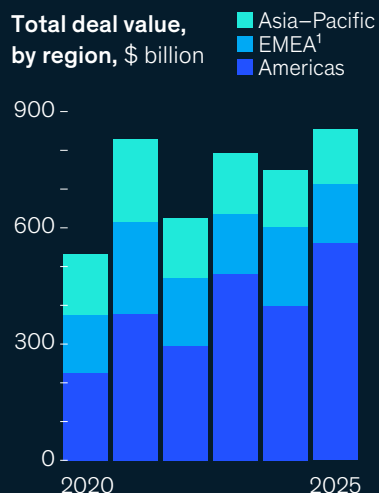
Global energy and materials

The return of the megadeal

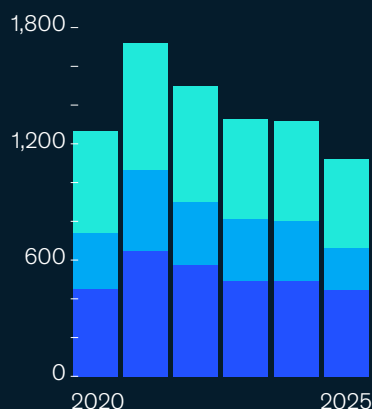
Megadeals, joint ventures, and rising private equity activity provided momentum in a year of growth.

M&A in global energy and materials

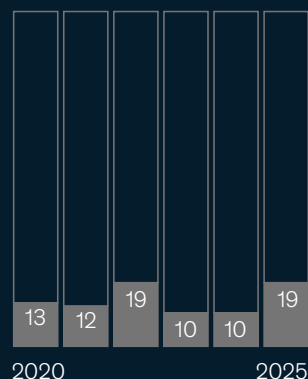
Total deal value, by region, \$ billion



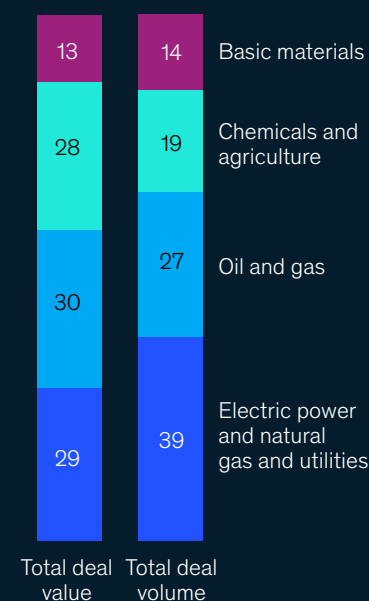
Total deal volume, by region, number



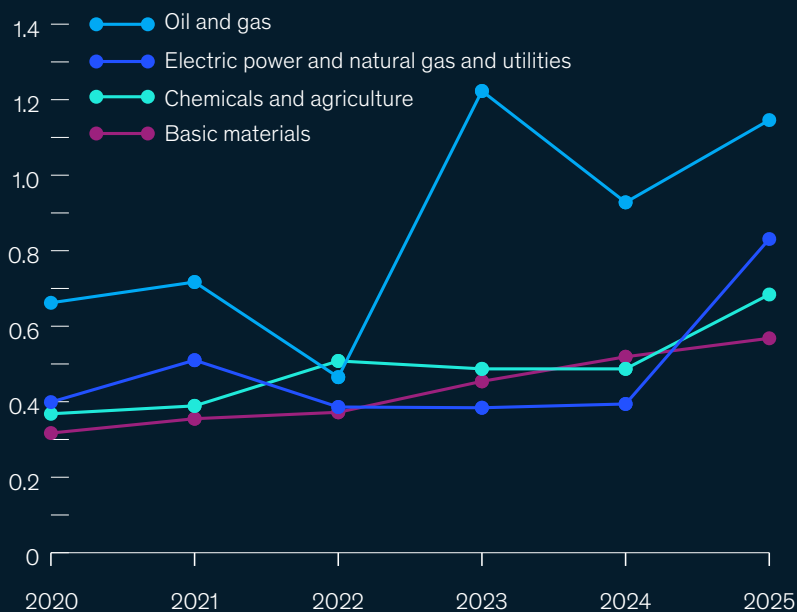
Share of private equity activity, % of total

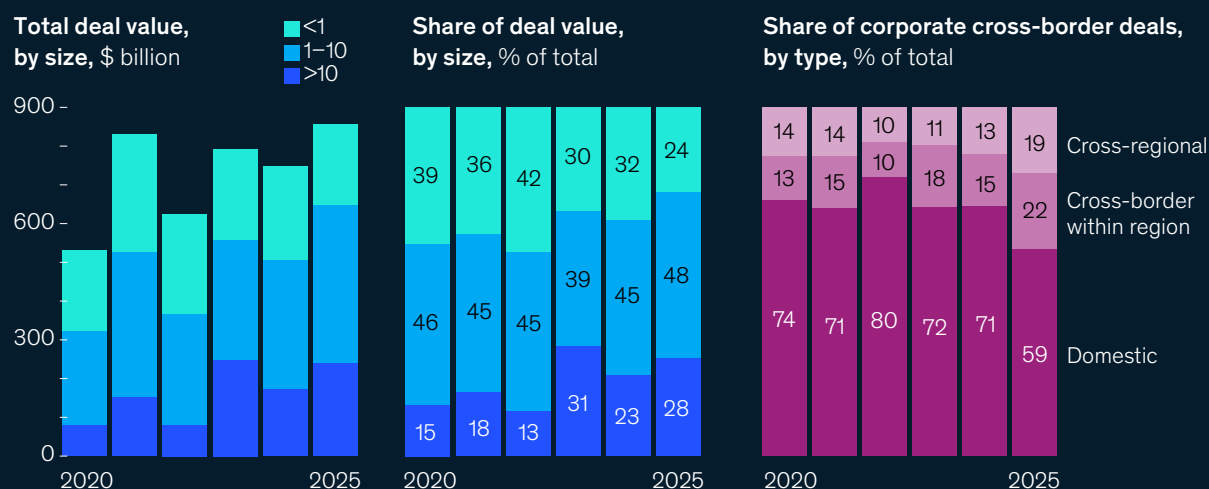


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Anglo American	UK	Teck Resources ²	Canada	53.0
ADNOC/OMV AG, forming Borouge Group International	Austria/UAE	Borealis AG/Borouge plc/NOVA Chemicals Corporation	Austria/Canada/UAE	N/A ³
Constellation	US	Calpine	US	26.6
American Water	US	Essential Utilities	US	20.2
Black Hills	US	NorthWestern Energy	US	15.4
Akzo Nobel	Netherlands	Axalta Coating Systems	US	12.7
NRG Energy	US	LS Power Development	US	13.0
Xinneng (Hong Kong) Energy Investment	Hong Kong SAR	ENN Energy Holdings	China	12.0
Blackstone	US	TXNM Energy	US	11.5
GIC; APG; Norges Bank Investment Management	Netherlands	TenneT TSO	Germany	11.2

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

²Transaction represents a merger of equals.

³Announced to create a >\$60 billion company in multistep transaction.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

McKinsey & Company

The industry overview

In 2025, M&A activity across the global energy and materials sector rebounded strongly—up 15 percent compared with 2024—registering the largest deal value in the past five years. While 2024 was characterized by smaller deals and consolidation, 2025 has been defined by a wave of megadeals. These include the deal between Anglo American and Teck Resources; ADNOC and OMV's agreement to form Borouge International by combining Borealis, Borouge, and Nova Chemicals; and the merger of American Water Works with Essential Utilities.

From a geographic perspective, the Americas continued to lead M&A activity, accounting for 65 percent of global deal value. This high level of activity was characterized by megadeals in the oil and gas and mining sectors. By contrast, Asia experienced a mild downtick from the previous year, with deal value falling by approximately 3 percent, to \$143 billion, while the Europe, Middle East, and Africa (EMEA) region recorded its lowest absolute deal value in the past five years, reflecting a challenging environment for large-scale transactions in the region.

Private equity has become a central force within the energy and materials sector. Between 2024 and 2025, private equity's share of total deal value jumped to 19 percent, up from 10 percent, marking a five-year high point. Much of this deployment focused on investments in businesses with performance uplift potential or in high-growth areas such as data center supply chains and infrastructure. Prominent deals include Blackstone Infrastructure's announcement of its planned acquisition of TXNM Energy and Carlyle and the Qatar Investment Authority's (QIA's) announcement of an agreement to acquire a majority stake in BASF's coatings business.

Subsector activity: Some areas surge, others moderate

M&A activity in energy and materials rebounded in 2025, but with pronounced differences by region, subsector, and deal structure: Electric power and gas showed stark geographic divergence; materials shifted toward smaller, tech-enabled deals; and chemicals and agriculture experienced consolidation. Across oil and gas, both joint ventures and partnerships increasingly complemented traditional M&A.

Electric power and gas: Regional performance diverges

Electric power and natural gas (EPNG), which includes renewables, was the largest subsector in terms of deal value transacted. Deal value in this subsector surged 75 percent, reaching \$253 billion.

In the United States, the EPNG sector saw a significant upswing in 2025, reaching its highest deal volume in the past four years. Activity was concentrated in conventional generation, where both deal counts and average deal sizes rose sharply. The rise of conventional generation was primarily driven by growing power demand from data centers and higher energy prices. Integrated utilities and renewable-energy sources (RES) also contributed to the sector's growth. Although the number of RES deals declined by over 50 percent, average deal size ballooned on the back of a few megadeals, including Alphabet's announced acquisition of Intersect Power. This helped offset the impact of fewer transactions and highlighted the relative strength of the US renewables market compared with Europe.

By contrast, in the EMEA region, EPNG deal volume fell by 50 percent compared with 2024, bringing activity to among its lowest levels in recent years. This drop was most pronounced in the RES segment, which had a 55 percent decrease in activity compared with the previous year. The downturn in RES was largely driven by a sharp reduction in photovoltaic deals and a

35 percent decrease in average deal size. The decline in deal size reflected lower market valuations, influenced by a less optimistic outlook on capture prices. However, other segments, such as integrated utilities and conventional generation, remained relatively stable, demonstrating some resilience.

The contrast between trends in the EMEA and US markets underscores the differing dynamics at play in the global EPNG sector. While Europe has grappled with challenges in the RES segment and declining deal sizes, the United States has benefited from robust demand in conventional generation and stable performance in renewables, indicating a more optimistic outlook for North America.

Materials: Deal volumes rise, and average deal size declines

The M&A landscape in the materials sector shifted in 2025, reflecting changes in industry dynamics and macroeconomic conditions. A few of the more prominent trends we saw across the subsector were the growing role of digitalization, an increase in partnerships, and adjustments in portfolios to reflect strategy. Companies are favoring vertical integration, critical-materials exposure, and partnerships to derisk development over broad-based consolidation. Overall, deal volume decreased by 12 percent and, as in the rest of the broader sector, average deal size increased, resulting in a deal value decline of only 3 percent.

In metals and mining, demand for green materials is rising, but economies are tightening. Growth is likely to be steady and incremental—driven by supply chains for renewables and electric vehicles—not a demand shock that will transform markets overnight. Customers want low-carbon products but not high premiums, making productivity, recycling, and policy support decisive levers for scale. Tighter financial conditions, limited capital, and declining ore grades pushed companies toward smaller, strategic deals in desired commodities, rather than traditional megadeals.

In the packaging and paper sector, lower valuation multiples and low organic-growth options made acquisitions appealing, but high leverage (averaging about 2.7 times debt to EBITDA) and limited cash flow constrained dealmaking. Despite these challenges, M&A remained a key growth lever, with companies focusing on acquisitions and divestitures to optimize portfolios and drive long-term TSR.

The construction and building materials sector experienced significant momentum, particularly in light and heavy materials, as companies pursued growth and specialization in response to changing demands and government policies. Notable deals included QXO's acquisition of Beacon Roofing Supply and Holcim's series of acquisitions in recycling, illustrating increased activity in both light and heavy materials. Engineering and construction firms used M&A to expand regionally and enhance product and service specialization, encouraged by factors such as housing shortages, infrastructure upgrades, and government programs (including the European Green Deal).

Chemicals and agriculture: Deal activity rebounds

Deal activity in chemicals and agriculture rebounded in 2025 after a relatively subdued year in 2024, as larger transactions returned and average deal size rose by more than 40 percent. In chemicals, the low-demand, bottom-of-cycle conditions that characterized much of 2024 set the stage for balance sheet consolidation, renewed private equity interest, and greater investment in higher-margin segments. In agriculture, activity in 2025 was shaped by a number of transformative transactions and greater competition among major players. Looking across the past five years, deal value has stayed in the same range, while deal volume has decreased; in 2025, the trend toward higher deal values continued.

In chemicals, deal value rose 21 percent year over year, from \$79 billion in 2024 to \$95 billion in 2025. High-profile transactions included the announcement of a three-way deal involving Borealis, Borouge, and Nova Chemicals; the closing of ADNOC's roughly €15 billion acquisition of Covestro's high-performance polymers segment¹; and the announcement of Akzo Nobel's deal with Axalta. Private equity activity also gained traction, with notable transactions such as Carlyle and QIA's announced investment in BASF Coatings.

In agriculture, M&A activity was defined by consolidation and heightened competition among the industry's largest traders, often referred to as the ABCD players (Archer Daniels Midland, Bunge, Cargill, and Louis Dreyfus). Illustrating this trend, Bunge strengthened its position in global agribusiness by completing its acquisition of Viterro. Deal value almost doubled year over year, from \$9.7 billion in 2024 to \$18 billion in 2025. Other important transactions included Charoen Pokphand Foods' announcement that it would purchase the remainder of C.P. Pokphand for \$1.1 billion, becoming its sole owner.²

Oil and gas: Partnerships gain ground

After several years of active consolidation with deals like Chevron–Hess (announced in 2023, closed in 2025), 2024 was a year of moderation in oil and gas M&A activity, with 280 deals totaling \$259 billion. The pace in 2025 was even slower, with \$240 billion across 162 deals. Despite softer volumes, M&A remains a critical tool for portfolio shaping as companies seek advantaged resources, basin scale, and deeper integration across the value chain. Emerging themes include continued US shale consolidation, the rise of in-basin joint ventures, greater refining–chemicals integration, and increased resource access deals as governments become more open to foreign direct investment.

Deal value in 2024 was concentrated in a handful of large transactions, while 2025 saw momentum in partnership-led consolidation and risk sharing. A notable example is Eni and PETRONAS's agreement to combine select oil and gas assets in Malaysia and Indonesia into a jointly operated upstream platform, reflecting a broader trend by national and international oil companies to pool assets and improve efficiency. Similar partnership structures can be seen in liquefied natural gas and mature-basin consolidation, including North Sea tie-ups such as Adura (Shell–Equinor). In addition to these structures, companies continue to broaden inorganic growth strategies, including pure-play acquisitions, to build scale and upgrade portfolios while focusing on capital discipline.

Opportunities for 2026—and beyond

Many of the factors that contributed to greater deal activity in 2025 are expected to remain relevant in 2026 and beyond, supporting continued M&A momentum. But while we see indicators for increasing M&A activity next year, the growth rate is likely to remain moderate compared with the sharp uptick observed between 2024 and 2025. Continued appetite for portfolio moves to support growth or balance sheet improvement sets the stage for another active year in M&A, albeit with a measured pace of growth.

¹ Unless otherwise noted, the deal values reported in this article are enterprise values.

² "Thailand's Charoen Pokphand Foods to buy Itochu's stake in C.P. Pokphand for \$1.1 billion," Reuters, April 21, 2025.

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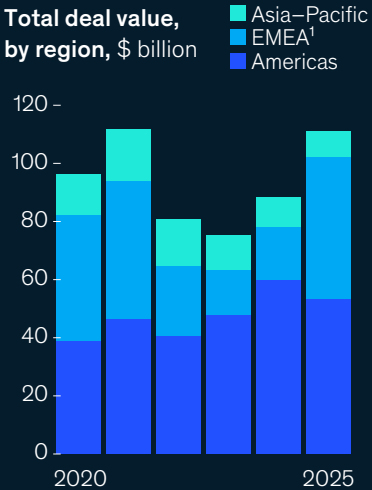
Insurance

Big deals in Europe and continued activity in the Americas spark M&A

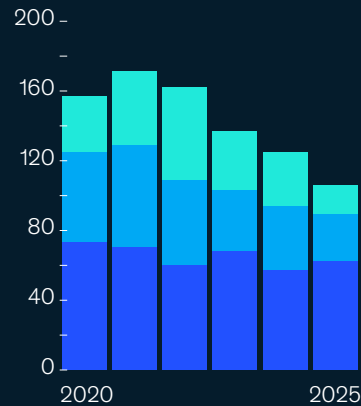
Carriers and brokers are recalibrating their portfolios, consolidating their capabilities, and redefining where expansion could deliver genuine strategic and financial advantage.

M&A in insurance

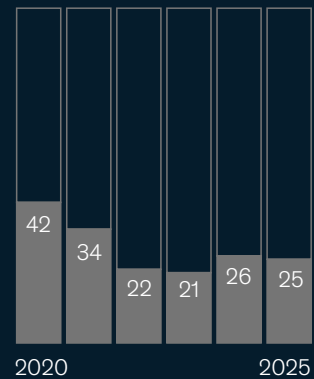
Total deal value, by region, \$ billion



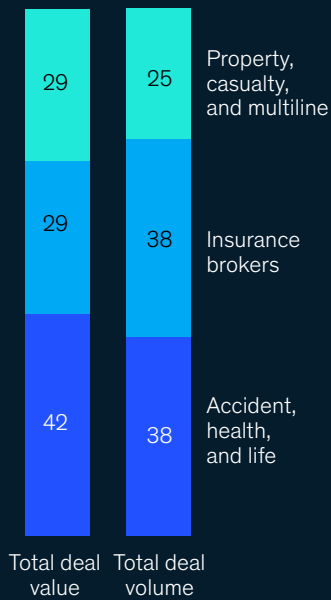
Total deal volume, by region, number



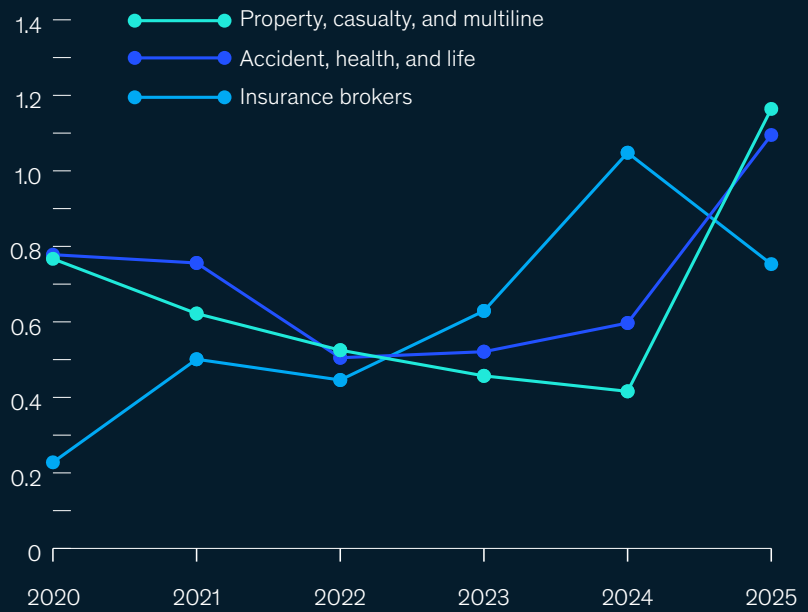
Share of private equity activity, % of total

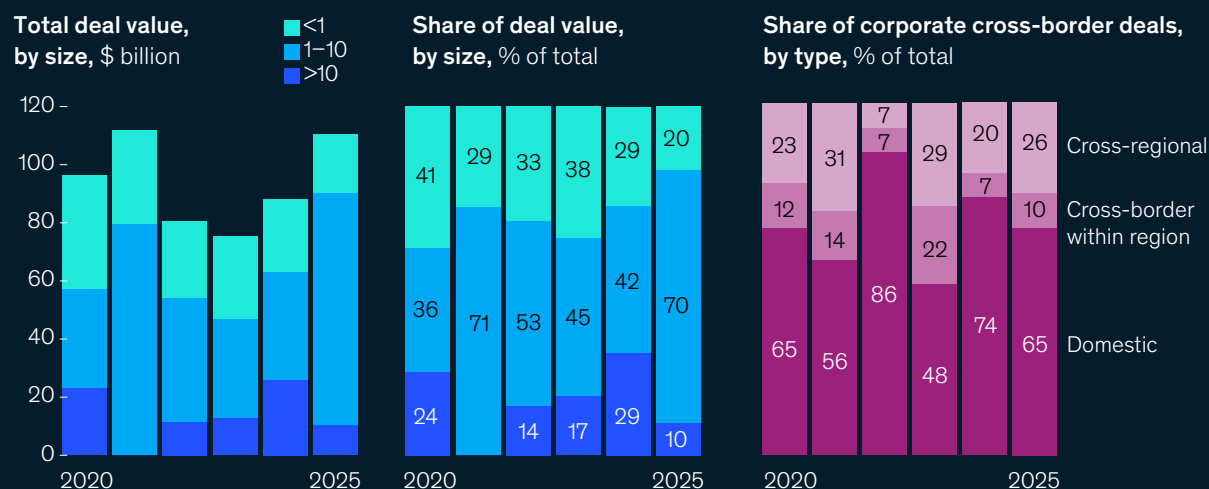


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Helvetia Holding	Switzerland	Baloise Holding	Switzerland	10.3
Brown & Brown	US	RSC Topco	US	9.8
Athora Holding	Bermuda	Pension Insurance	UK	7.8
Flexpoint Ford/J.C. Flowers	US	Enstar	Bermuda	5.1
Aquarian	US	Brighthouse Financial	US	4.1
Endurance Specialty Insurance	Bermuda	Aspen Insurance Holdings	Bermuda	3.5
Brookfield Wealth Solutions	Bermuda	Just	UK	3.1
Brookside Equity Partners	US	Aspida Holdings	US	3.0
Bajaj Holdings & Investment	India	Bajaj Allianz General Insurance	India	2.8
Ares Management/Stone Point Capital	US	Ardonagh	UK	2.5

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin/split-off transactions. Data also include private placement transactions exceeding \$100 million. Cross-border analysis includes corporate deals only. Deals where the acquirer's headquarters could not be classified are treated as domestic.

¹Europe, Middle East, and Africa.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

The industry overview

After several years of decline, M&A activity among insurance players has started to climb again, with deal value in 2025 reaching approximately \$104 billion, up from \$88 billion in 2024. Dealmaking in this sector reflects some major shifts in strategies, archetypes, and markets, and three stand out:

- US-led deal volume has declined over the past few years, as large US brokers are still digesting large deals from 2023 and 2024.
- Life insurance and property and casualty (P&C) insurance carriers in Europe have increased their domestic and cross-border acquisitions as they seek to address mounting costs, new regulatory requirements, and the need for scale.
- Asian and other global P&C carriers are pursuing cross-border M&A as they continue to look for returns in fast-growing markets.

Our research shows that insurance carriers continue to find it challenging to create value through M&A. Fewer than 40 percent of insurance carriers with deals of over \$50 million performed better than the index over the past ten years. In many of these cases, the complexity of integrations as well as capital and regulatory constraints overwhelmed carriers' integration capabilities and diluted the benefits of scale.

By contrast, a few large insurance brokers have outperformed, in part because of their investments in M&A capabilities. These companies follow a programmatic approach to M&A (pursuing more than three small or midsize deals a year) and, according to our ongoing research on what really works in M&A, have delivered total shareholder returns that are, on average, 3.5 percent above the industry benchmark (see [“Five steps to strengthen M&A capabilities, no matter the starting point”](#) on page 100).

We expect M&A to continue to accelerate in 2026 as companies reset their M&A strategies and prepare to deploy capital in what's still a very fragmented market. The key question is, to what extent will this next wave of deals perform better than past transactions?

A closer look at deal trends

Value creation is just one of the essential M&A themes insurance players are wrestling with. Our research points to noteworthy shifts in the types of companies that are most often pursuing deals, the locations in which they're focusing their efforts, and the technologies and dealmaking approaches they're using to capture deal synergies as quickly as possible.

A shifting use of M&A: From brokers to carriers

Deal value in insurance reached a low point in 2023 but, in contrast to other industries, has been recovering consistently in the years since. The market continued to expand in 2025, and the average deal size grew to \$1.1 billion, from about \$700 million.

In 2025, the number of deals led by carriers increased, while the number of megadeals and large deals led by insurance brokers in the United States declined compared with 2024, as several major acquirers are still digesting their transactions from the past two years. Consider Aon's acquisition of NFP in April 2024, Marsh & McLennan's acquisition of McGriff Insurance in

November 2024, and Arthur J. Gallagher's acquisition of AssuredPartners in August 2025—all still in various stages of integration.

In Europe, however, broker-led transactions increased in both number and value in 2025 compared with 2024. As attractive programmatic targets become increasingly scarce, it remains an open question for how long this momentum can be sustained.

Europe leading the surge in volume

Insurance M&A in Europe increased substantially in 2025 compared with 2024, driven by insurers' use of inorganic strategies to respond to cost pressures, rising capital requirements, and a wave of portfolio-restructuring transactions. Most insurance players pursued one of two types of deals: acquisitions within the core business and acquisitions in adjacent areas or new business models.

Good examples of acquisitions within the core business include the announced April 2025 merger between Helvetia Holding and Baloise Holding to create the second-largest Swiss insurance group; the March 2025 acquisition of German insurer Viridium by a consortium led by Allianz; and the July 2025 acquisition of Pension Insurance by Athora Holding. In all cases, the acquirers were largely doubling down on core P&C and life insurance segments in their home markets.

In highly fragmented European markets—such as the United Kingdom, Italy, and Germany, where the top five insurance players hold less than 55 percent of the overall market share—these combinations can help create new leaders in the market.

For those insurance companies pursuing adjacent areas or new business models, dealmaking remains selective and shaped by regulations, geopolitics, and other external considerations. For instance, carriers continue to be attracted by the M&A opportunities linked to the Danish Compromise¹ and insurance-technology-enabled distribution models (for instance, AXA's July 2025 acquisition of Prima, a direct insurer in Italy). But their pursuit of such deals has more recently been tempered by macroeconomic volatility, capital efficiency pressures, and a heightened focus on investment performance. In this environment, insurers are prioritizing disciplined capital allocation and risk-adjusted returns.

Major European insurance groups, such as Allianz and AXA, have been not only exploring adjacencies but also recalibrating their portfolios, consolidating their capabilities, and redefining where expansion could deliver genuine strategic and financial advantage.

Trends affecting cross-border M&A

In Europe and northern Asia, insurance companies are deploying capital globally in search of new growth. They're particularly focused on two niche areas—US specialty and excess and surplus (E&S)—that offer solid rate adequacy, resilient demand, and scalable underwriting opportunities. In fact, the US E&S market is continuing to expand at double-digit rates, so we expect that foreign insurers and investors will continue to be drawn to this space.

Other factors, such as businesses' heightened exposure to catastrophic events, inflation, the rapid emergence of new risk classes, and the expanding role of managing general agents and specialty distributors, also reinforce the centrality of specialty underwriting in the United States. These trends helped shift M&A volume from the United States to Europe in 2025.

¹ The Danish Compromise is an EU regulatory provision under Solvency II that allows insurance groups with a banking subsidiary to avoid double-counting capital requirements.

Insurance companies struggling to create value through M&A

Despite a clear strategic rationale behind many M&A transactions in insurance, our research suggests that achieving superior returns remains difficult—and that the quality of deal execution varies dramatically across players.

What differentiates top performers?

For insurance carriers, success hinges primarily on focusing relentlessly on three core drivers: technical and underwriting excellence, operational and cost discipline, and distribution effectiveness.

The top performers use M&A integrations as a catalyst for transformation, not just a means to consolidate people and operations. They aim to modernize and rewire core processes and infrastructure even as they rigorously define and obtain important synergies from the deal. One insurance carrier, for example, used an acquisition to completely transform its claims process. Another took a zero-based approach to reviewing its external spending and achieved savings that were five times larger than the projected first-year due diligence estimates. Other insurers have used a merger as an opportunity to rebuild their distribution engines, creating a single, AI-powered data platform to flag leads, route them to agents, and highlight cross-selling opportunities.

As mentioned previously, many of the top performers in insurance M&A also follow a programmatic approach to dealmaking. In fact, the top five insurance brokers in our research all follow a programmatic approach, acquiring an average of 80 targets over ten years and delivering TSR that's, on average, 5 percent above the index.

Over time (and over the course of lots of deals), these insurance brokers have honed new capabilities: They have brought new producers or agents onto their platforms, captured efficiencies, and scaled their distribution and cross-selling capabilities. And they have routinely reviewed incentives—negotiating earn-outs and even posting earn-out milestones—so that they're aligned with the deal thesis and value creation objectives.

Opportunities for 2026—and beyond

We believe that the art of integration in insurance will be reshaped by the rise of AI. Leading insurance organizations are already using integrations to launch generative and agentic AI transformations focused on claims, technology, underwriting, and distribution processes. They're updating their platforms and improving the way work gets done at both parent and target companies. The application of AI is especially promising in claims, where it can help streamline intake, analysis, and documentation tasks and increase transparency.

AI is also helping M&A teams in insurance companies locate hard-to-find targets that are in line with acquirers' strategic intents and cultural themes. Indeed, generative and agentic AI can expand the universe of viable targets—an increasingly valuable advantage in the US middle market, where high-quality assets are growing scarce. AI is also poised to materially reduce the time, cost, and complexity of IT migration and system consolidation, drawing on code produced through emerging agentic factory models.

While not every AI use case is fully proved, early signals point to meaningful opportunities, particularly in areas where traditional levers are reaching their limits. The insurers that learn to pair rigorous execution with the intelligent deployment of AI will be best positioned to break from the pack, converting deals into durable advantage and shaping the next era of outperforming in the industry.

Time will tell.

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The authors wish to thank Alex Kimura, Kashish Khosla, Mieke Van Oostende, Richard Zarnoch, and Richard Zhang for their contributions to this article.



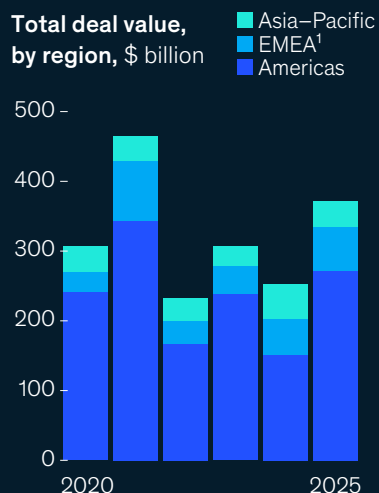
Life sciences

Dealmaking gains momentum as strategic pressures intensify

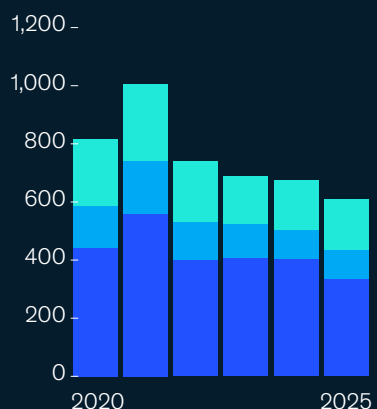
Multiple forces are converging to create a favorable environment for M&A activity involving biopharmaceutical, medtech, and life-sciences-services companies.

M&A in life sciences

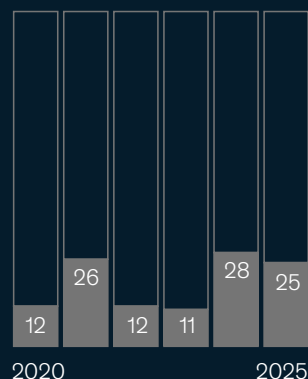
Total deal value, by region, \$ billion



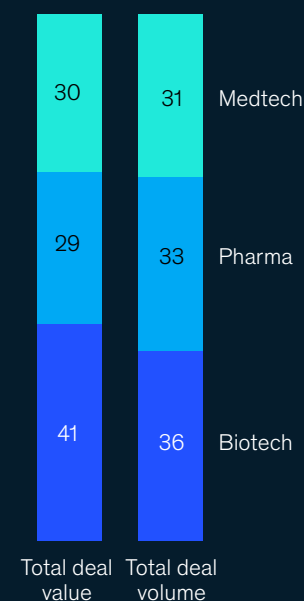
Total deal volume, by region, number



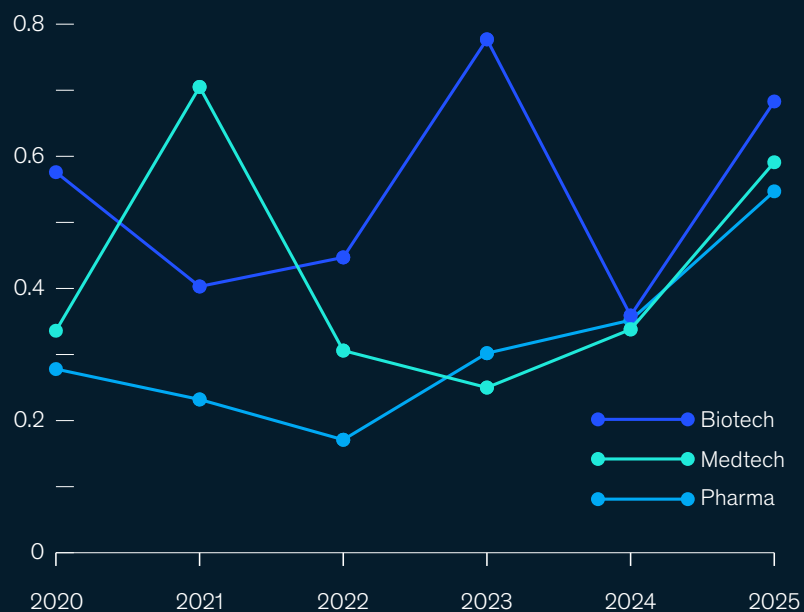
Share of private equity activity, % of total

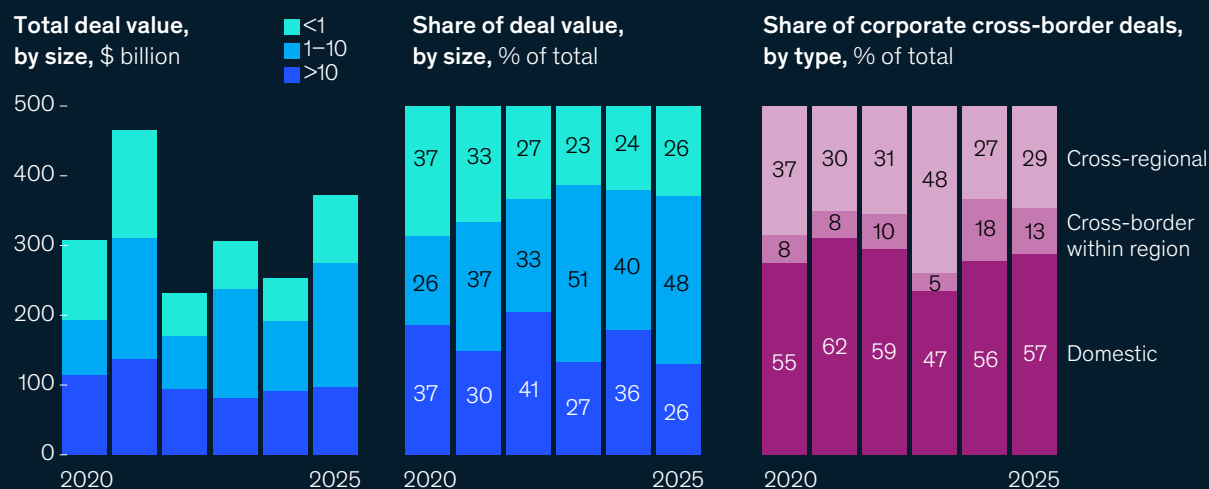


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Abbott	US	Exact Sciences	US	23.5
ADIA and Blackstone	US	Hologic	US	18.3
Waters	US	BD biotech and diagnostics	US	17.5
Johnson & Johnson	Canada	Intra-Cellular Therapies	US	14.7
Novartis	Switzerland	Avidity Biosciences	US	11.4
Merck	US	Verona Pharma	UK	11.0
Sanofi	France	Blueprint Medicines	US	9.9
Pfizer	US	Metsera	US	9.8
Thermo Fisher Scientific	US	Clario	US	9.4
Merck	US	Cidara Therapeutics	US	9.3

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

Source: PitchBook, accessed Jan 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed Jan 2026; McKinsey analysis

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The industry overview

Our recent analysis reveals renewed optimism and a sharper strategic outlook for dealmaking in the life sciences industry in 2026. After the volatility of the past few years, shaped by geopolitical and macroeconomic tension and regulatory uncertainty, leaders' confidence in M&A is returning. The change is being driven by strong balance sheets and increasing urgency to augment pipelines.

The market appears to be rebounding: Total deal value in the life sciences industry reached \$372 billion in 2025. This increase of 47 percent year over year signals renewed confidence despite continued headwinds from elevated interest rates and evolving global trade policies. Overall deal volumes remain below the highs seen during the COVID-19 pandemic era, but the average deal size increased nearly 63 percent in 2025 compared with the prior year, illustrating a shift in the market toward fewer, higher-impact transactions.

Regionally, M&A activity in the industry remained concentrated in the Americas, which accounted for 73 percent (\$272 billion) of total deal value in the sector in 2025. Europe, the Middle East, and Africa's share of deal value was 17 percent (\$62 billion), and Asia-Pacific accounted for 10 percent (\$38 billion).

By sector, biotechnology, pharmaceutical, and medtech companies contributed equally, with each sector contributing about 30 percent of deal volume. Private equity (PE) firms' share of sector deal value held steady—25 percent in 2025 compared with 28 percent in 2024.

Trends suggest that the M&A cycle in 2026 will reward precision: targeted bets on differentiated science, advantaged platforms, and assets that can materially affect growth trajectories. The central question for leaders is no longer *whether* to pursue M&A but rather *how bold* to be.

Subsector activity

A closer look at M&A activity within key subsectors of the life sciences industry suggests a focus on long-term value creation within biopharmaceuticals, active portfolio management in the medtech space, and strong evidence of market recovery within life sciences services.

Biopharmaceuticals

In 2025, biopharma M&A activity reflected a market characterized by changing financial and structural dynamics. Strategic investors' cash reserves grew 10 percent between 2021 and 2024, providing continued high levels of dry powder to fund acquisitions. During the same period, the median holding period for PE firms extended to six years, from five-and-a-quarter years, signaling the likelihood of increased sell side activity in the near and medium terms.

Growth-focused M&A (or deals involving, for instance, early-stage assets and white space therapeutic areas) has remained dominant in this subsector: Between 2020 and 2025, 76 percent of deals were focused on growth, up from 34 percent a decade ago, reflecting a structural shift in how companies pursue innovation. This focus is becoming increasingly urgent as patent expirations are projected to eliminate nearly \$300 billion in revenue by 2028. In response, more than half the deals in 2024 by top pharma companies targeted Phase I or earlier-stage assets, given the limited availability and prohibitive pricing of differentiated commercial assets.

China continued to emerge as an increasingly important origin of early-stage innovation. Indeed, a growing number of companies have pursued licensing and partnership structures to access Chinese assets for US and global development. In 2024, 28 percent of licensing deals executed by the top 20 multinational pharma companies involved Chinese companies, up from just 3 percent in 2020.

Meanwhile, deal premiums have normalized in line with broader pharma valuation resets, falling by nearly 40 percent in 2025 from the elevated levels seen between 2020 and 2024. This reset reflects a more disciplined approach to value creation, with acquirers prioritizing opportunities for long-term pipeline renewal, platform advantages, and technological leadership over transactions that may yield only short-term revenue increases.

Medtech

2025 saw medtech trade at its lowest valuations relative to the broader S&P 500 since the 2008 financial crisis, causing management teams and boards to reevaluate their portfolios and capital allocation strategies. As a result, M&A activity in this subsector reached its highest point since 2021, and divestitures were at their highest in the past decade.

M&A activity. Acquirers in 2025 pursued several types of medtech transactions. Companies like Boston Scientific continued to tuck in high-growth assets in core markets, while those like Abbott and Stryker pursued larger acquisitions in white space, high-innovation adjacencies. Pursuit of digital offerings and capabilities accelerated, as seen with one of medtech's largest-ever AI deals in GE HealthCare's \$2.3 billion acquisition of Intelrad.

These acquisitions all shared a common value creation strategy: Gain leading positions in large and innovative segments that will accelerate top-line growth and improve returns through a more leveraged cost base and acquisition synergies. They also reflected consistent takeout multiples of around sixfold revenue, in line with historical averages.

Going forward, we expect the competition for medtech M&A to intensify. Industry trends such as stagnating venture capital investment and decades-long M&A of small-cap and midcap companies have left fewer attractive and actionable assets available for interested acquirers.

Divestitures. Divestitures gained prominence in medtech in 2025, reflecting a renewed focus on portfolio strategy versus pursuing growth at all costs. As investors have continued to reward companies with clearer portfolio strategies, companies with attractive but noncore business units have increasingly turned to pruning their portfolios. Total revenue divested in 2025 (\$22 billion) was more than all revenue divested from 2019 to 2024 combined.

Most announced exits followed one of two strategic rationales. The first was spinning out a business unit into a stand-alone entity for a more tailored capital allocation strategy and narrower management focus. This is best exemplified by deals from Johnson & Johnson's orthopedics business and Medtronic's diabetes business. The second rationale was selling a business unit to a more natural owner, as happened with Solventum's filtration and purification business and Organon's postpartum hemorrhage business.

Life sciences services

Life-science-services companies are experiencing a recovery. Funding, R&D activity, and outsourcing to contract development and manufacturing organizations (CDMOs) and to contract research organizations have all been rebounding to prepandemic levels. In fact, CDMO sites have expanded, given the growing importance of having a US footprint.

But overall M&A activity remains stable within the subsector as sponsor motivations evolve. Pharma and biotech buyers are prioritizing acquisitions that deliver operational excellence, digital- and AI-enabled execution of clinical trials, flexible manufacturing capacity, and expertise in modalities such as mRNA, radiopharmaceuticals, and viral vectors. Meanwhile, PE is accelerating platform roll-ups.

Opportunities for 2026—and beyond

Multiple forces are converging to create a favorable environment for life sciences M&A activity in 2026. Four themes are likely to define the next phase of dealmaking in this sector: The loss-of-exclusivity (LOE) cliff and asset scarcity will force sharper portfolio decisions, China will remain a core source of innovation, policy and regulatory forces may catalyze larger-scale transactions, and capabilities will become the ultimate differentiator.

Sharper portfolio decisions

The accelerating LOE exposure and a shrinking pool of differentiated scalable assets will combine to inform the direction of M&A in the life sciences sector in 2026. While capital remains abundant, the universe of assets capable of meaningfully offsetting revenue erosion is narrowing in both pharmaceuticals and medtech. Valuation dispersion among top-tier and LOE-exposed players will continue to widen, increasing pressure on the latter to act decisively. Success in the next cycle will depend on them deploying capital only where assets clearly reinforce future strategic positioning, platform optionality, and sustainable competitive advantage, including in areas that may redefine where a company competes over time.

China as a core source of innovation

As the availability of assets tightens, China has emerged as an increasingly important source of early-stage innovation. The share of multinational pharma companies actively pursuing or engaged in licensing and partnership structures to access Chinese assets is likely to continue to grow out of competitive necessity.

Larger-scale transactions

Evolving policy dynamics, such as [most-favored-nation agreements](#), are likely to have uneven impacts across the sector. Companies with greater exposure to pricing reforms, concentrated portfolios, or limited pipeline depth may face disproportionate pressure, increasing the strategic rationale for reshaping portfolios. While recent years have been characterized by incremental and early-stage dealmaking, 2026 may see renewed momentum for larger transactions as some players seek to rebalance risk, diversify sources of revenue, or accelerate strategic repositioning.

Capabilities as differentiators

Excellence in execution is becoming a decisive advantage in M&A. Companies that invest in end-to-end M&A capabilities—with dedicated teams to execute integrations, repeatable playbooks, and governance that supports rapid decision-making—will be best positioned to convert strategic intents into sustained performance. Already, leading acquirers in life sciences are embedding AI-enabled forecasting, scenario modeling, and data-driven pipeline assessment into their deal processes so that they can better anticipate future therapeutic battlegrounds and pressure test value creation theses.

For most life sciences players, 2024 brought its fair share of geopolitical tensions, supply chain constraints, and regulatory uncertainty. Then 2025 delivered greater clarity about regulations and policies, some stabilization of capital markets, and renewed dealmaking momentum. In 2026, the window for transformative M&A is open for those life sciences companies that take time to refine their priorities, sharpen their deal blueprints and M&A capabilities, and act with focus and resolve.

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The authors wish to thank Roerich Bansal for his contributions to this article.



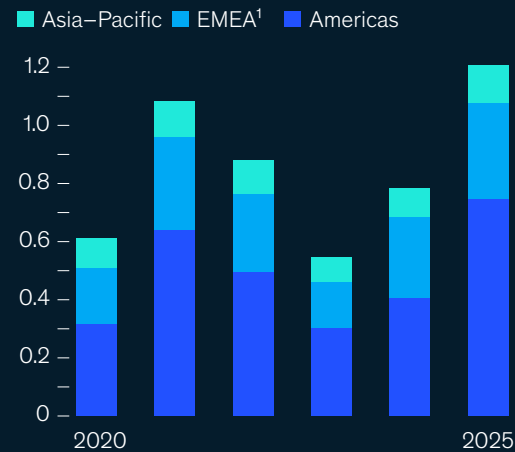
Private capital

Confidence returns after a period
of measured recovery

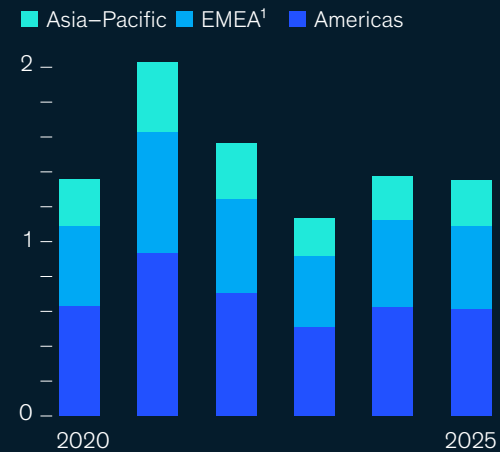
Private capital has reemerged as a critical driver of M&A.

M&A in private capital

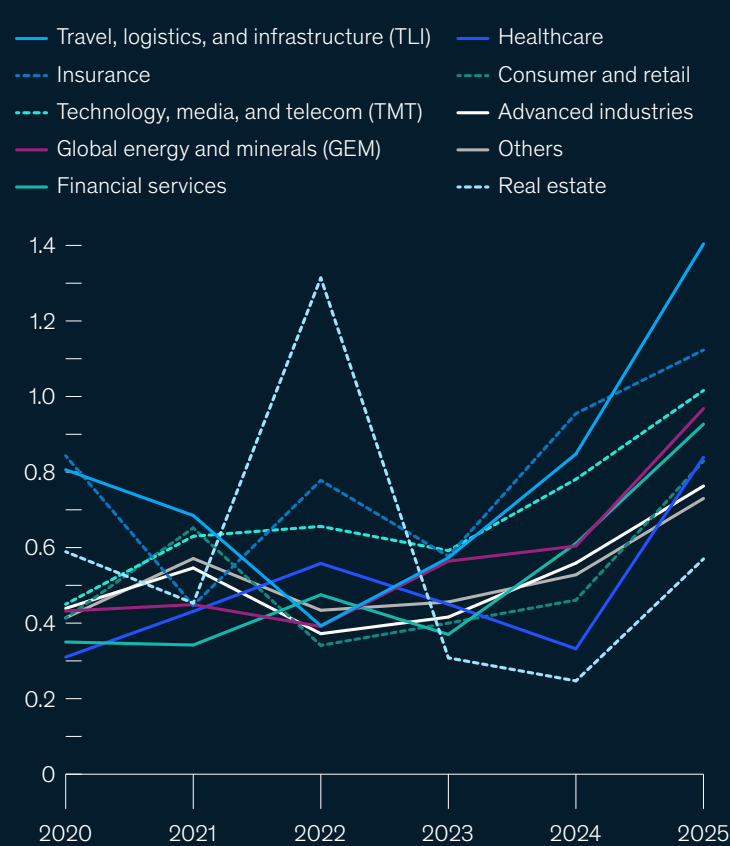
Total deal value, by region, \$ trillion



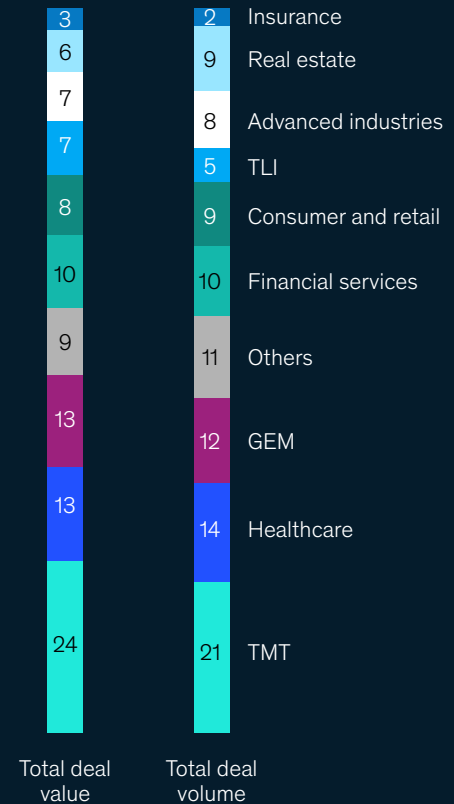
Total deal volume, by region, thousands



Average deal size, by subsector, \$ trillion

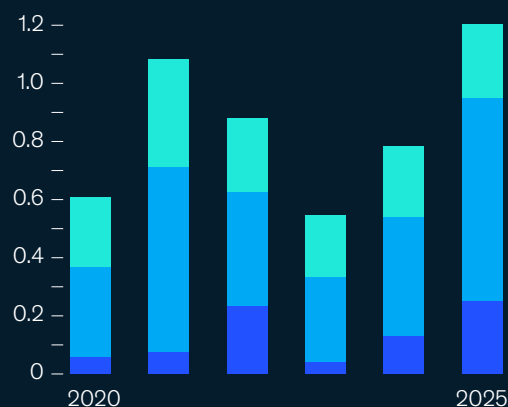


Share of activity in 2025, by subsector, % of total



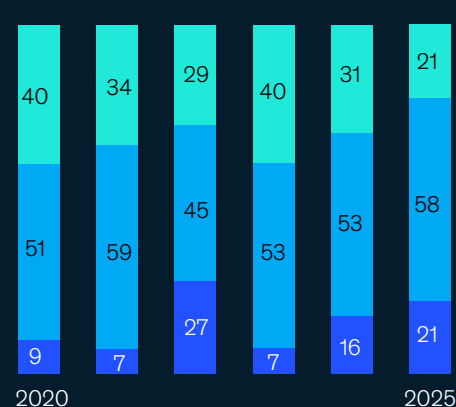
Total deal value, by size, \$ trillion

■ <\$1 billion ■ \$1 billion–\$10 billion ■ >\$10 billion



Share of deal value, by size, % of total

■ <\$1 billion ■ \$1 billion–\$10 billion ■ >\$10 billion



Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Saudi Arabia Public Investment Fund/Silver Lake/Affinity Partners	Saudi Arabia/US	Electronic Arts	US	55.0
Sequoia Capital/SoftBank/Blackstone	US	OpenAI	US	40.0
Apollo Global Management/Brookfield Asset Management/Citigroup	US	Air Lease	US	28.2
Sycamore Partners	US	Walgreens Boots Alliance	US	23.7
Abu Dhabi Investment Authority/Blackstone/GIC Private	UAE/US/Singapore	Hologic	US	18.3
Mubadala Capital	UAE	TWG Global	US	15.0
Silver Lake	US	Endeavor	US	13.0
Abu Dhabi Investment Authority/Thoma Bravo	UAE	Dayforce	US	12.4
Blackstone	US	TXNM Energy	US	11.5
GIC Private/APG Asset Management/Norges Bank Investment Management	Netherlands	TenneT	Germany	11.2

Note: Figures may not sum to totals, because of rounding. Data include sponsor-led deals with transaction values >\$25 million, completed and announced/in-progress deals, and buyout and other private equity deals for which private equity is the primary investor. For more on dealmaking in private equity, see the *2026 Global Private Markets Report*.

¹Europe, Middle East, and Africa.

Source: PitchBook, accessed January 2026; McKinsey analysis

McKinsey & Company

The industry overview

After the turbulence of the past few years, marked by rising interest rates, inflation, and geopolitical uncertainty, there was a cautious but clear rebound in 2025 in global M&A activity involving private capital. Over the course of the year, aggregate deal value reached approximately \$1.2 trillion, up 54 percent compared with 2024.

The rebound continues to reflect guarded optimism among [private-capital investors](#), given recent macroeconomic shifts: Inflation moderated, central banks paused or reversed rate hikes, and credit markets saw continued growth for leveraged transactions, with record volumes of loans for buyouts in 2025, according to data from PitchBook. What's more, the continued expansion of private credit helped unlock deal activity by providing more flexible financing structures. Direct lenders increasingly filled gaps left by traditional banks through innovative combinations and partnerships—for example, UBS partnered with General Atlantic to co-originate private-credit loans in May 2025.

Private capital's share of global M&A activity continued to grow in 2025. Sponsors accounted for roughly 26 percent of global deal value, an increase of two percentage points compared with 2024 figures and an increase of eight percentage points from 2023. The amount of dry powder available remained elevated at about \$2 trillion, while the industry continued to cope with a historically large inventory of portfolio companies. Extended holding periods, averaging about six years, have compounded this situation. They put pressure on sponsors to actively manage portfolios, reassess exit readiness, and create paths to liquidity.

The Americas accounted for 62 percent of global M&A activity among private-capital players in 2025 and registered \$746 billion in announced transactions, an increase of 84 percent compared with 2024. Europe registered \$331 billion in announced transactions (an increase of 18 percent year over year). Germany, Italy, and the Nordic countries recorded strong activity, offsetting slower M&A growth in France and Spain.

There was continued interest in 2025 in cross-border M&A among private-capital investors. The deal corridor between the Americas and Europe, the Middle East, and Africa remained active; Middle Eastern and Canadian funds expanded into Western markets; and Asian investors increased their outbound activity, particularly in Australia and North America.

The structure and nature of private-capital transactions also evolved. In 2025, 13 private-capital-led transactions above \$10 billion were announced, marking a resurgence of large, transformational deals. Take-private transactions reemerged as investors sought listed assets trading below their intrinsic valuations. Carve-outs and spin-offs remained robust as corporates under pressure from activists simplified their portfolios. Simultaneously, the return of IPO markets and the growing use of continuation funds and net-asset-value-based loans enhanced sponsors' flexibility to manage portfolios and recycle capital.

Subsector activity

A closer look at private-capital M&A activity in 2025 reveals the degree to which it was shaped by three cross-sector forces: digitalization and the rise of AI, the energy transition, and infrastructure modernization. Collectively, these trends steered private-capital investors' dealmaking toward assets offering long-term growth and scalability.

The *technology, media, and telecommunications (TMT)* sector continued to shape the market's overall direction. Deal value involving TMT transactions reached \$285 billion (an increase of 33 percentage points from 2024) and accounted for nearly one-quarter of global activity—similar to the share of total figures seen between 2020 and 2022. Investors' focus on digital infrastructure and cybersecurity kept pricing at elevated levels, with transactions typically valued at around 14.6 times enterprise value and EBITDA.

Technological advances also underpinned the exceptional performance of M&A deals in *life sciences*, which was the fastest-growing sector of the year. It recorded \$155 billion in announced deals (an increase of 166 percent compared with 2024) at multiples near 14 times, driven by opportunities in digital health and AI-enabled biomanufacturing.

Meanwhile, the global energy transition accelerated capital deployment in *global energy and materials*, which climbed to \$154 billion in recorded deals (an increase of 47 percent compared with 2024) and represented 13 percent of overall private-capital-driven M&A activity. Deals in this subsector typically traded around 16.8 times enterprise value and EBITDA and were partly driven by electrification requirements and decarbonization mandates.

Similar dynamics strengthened the *travel, logistics, and infrastructure (TLI)* sector, which benefited from organizations' reconfiguration of supply chains and renewed investment in critical assets. TLI-oriented M&A deal value rose to \$90 billion (an increase of 66 percent from 2024), with pricing levels around 12.3 times EBITDA, underscoring the strategic relevance of logistics and infrastructure to global resilience.

Digitalization remained an important factor in *financial services* M&A, where deal value reached \$121 billion (an increase of 69 percent from 2024). Transactions in the sector exhibited the highest average pricing among all private-capital-driven deals, supported by the expansion of wealth technology, payment solutions, and private-credit platforms. In *consumer and retail*, deal activity increased to \$99 billion (a 52 percent increase from 2024), though performance varied sharply across categories: Food and beverage assets continued to command valuations around 13 times EBITDA, while discretionary and fashion assets attracted softer pricing.

M&A in *real estate* increased about 166 percent year over year, to \$68 billion, with an average multiple of 12.3 times EBITDA. As for M&A in other sectors, deal value in *advanced industries* grew to \$82 billion (an increase of 35 percent compared with 2024), and deal value in *insurance* reached \$37 billion (8 percent above 2024).

Opportunities for 2026—and beyond

Our research and discussions with industry leaders suggest that four themes will inform private-capital dealmaking in 2026.

Sustained tailwinds and favorable conditions are set to endure

Uncertainty remains a constant for private-capital investors, with the cost of capital still above levels from the 2010s. But it's more likely that improving conditions and existing tailwinds will endure in 2026: Interest rates are stabilizing, financing is now more readily available beyond traditional banks, valuations have eased, and there has been a steady flow of corporate portfolio realignments. These conditions translate into opportunities to “buy the future” on favorable terms for those teams that blend analytical rigor with execution speed.

Large deals are being supplemented by more midsize opportunities, potentially due to deal timing

Investors observed a “two speed” dynamic when it came to dealmaking in 2025. Headline-grabbing megadeals, such as Apollo’s purchase of Air Lease in September 2025, helped lift overall deal value. By late 2025, however, sponsors were also focusing on midsize opportunities. Investors demonstrated greater discipline, more selective underwriting, and greater adaptation to a financing market that was supportive of smaller deals. Longer holding periods, which have increased from roughly four years to six years over the past 15 years or so, further intensified the pressure on funds to recycle capital. Beyond influencing deal size and pacing, the inclusion of midsize transactions will have profound implications for portfolio management, as sponsors need to continually re-underwrite assets, refresh equity stories, and double down on value creation initiatives to sustain momentum and preserve exit optionality in a more selective buyer environment.

AI and gen AI are must-haves in the next investment cycle

Technology, digital maturity, and AI capabilities have become defining criteria for target selection. As part of sponsors’ diligence processes, they’re increasingly assigning specialized data teams to assess the AI readiness of potential target companies, the quality of code, data governance, and the feasibility of use case deployment. In short, they’re treating AI (generative and agentic) as a means to create value from M&A rather than purely a source of disruption or disintermediation.

Deal structures are expanding—and getting more creative

A stronger link is emerging between private-capital and corporate M&A. As strategic buyers refocus on inorganic growth heading into 2026, corporates are expected to play a more prominent role as acquirers of sponsor-owned assets. Balance sheets are healthier, and corporates are increasingly viewing private-equity-backed platforms as derisked entry points for scale and capability acquisition. As a result, 2026 is becoming a particularly attractive vintage for sponsors seeking exits through trade sales alongside IPOs and secondary transactions.

Finally, IPO activity increased in 2025, reopening a critical exit channel for private capital across major markets. As an example, in the first half of 2025, the New York Stock Exchange recorded an increase of 40 percent compared with the same period in 2024. Landmark listings such as CATL’s \$5.3 billion Hong Kong offering and Klarna’s \$1.37 billion US debut illustrate the IPO trend. The variety of exit channels will persist in 2026, and the optionality will encourage even more exits.

Private-capital M&A is set to benefit in 2026 from stabilizing macroeconomic conditions, abundant dry powder, and increases in financing and exit options. Investors will need to prioritize precision over volume; focus on assets that are aligned with long-term themes such as AI, digitalization, the energy transition, and infrastructure renewal; and capture new sources of value with discipline and speed.

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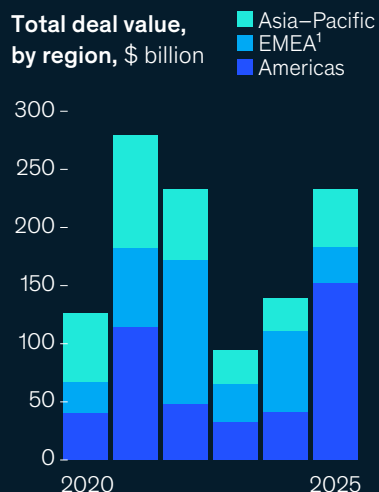
Travel, logistics, and infrastructure

A fragile reset paves way for M&A momentum

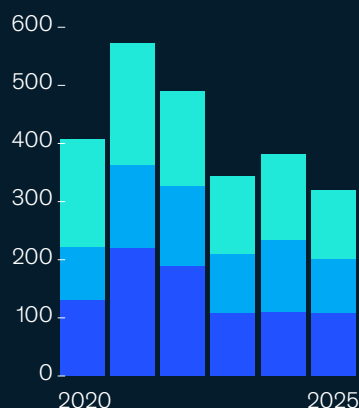
The practical question for leaders is simple: Which specific targets or themes deserve sustained pursuit—starting now?

M&A in travel, logistics, and infrastructure

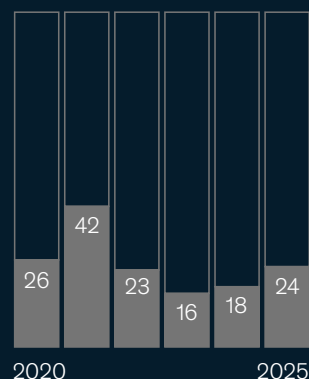
Total deal value, by region, \$ billion



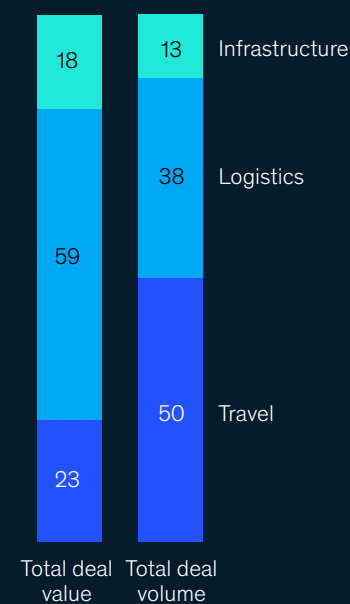
Total deal volume, by region, number



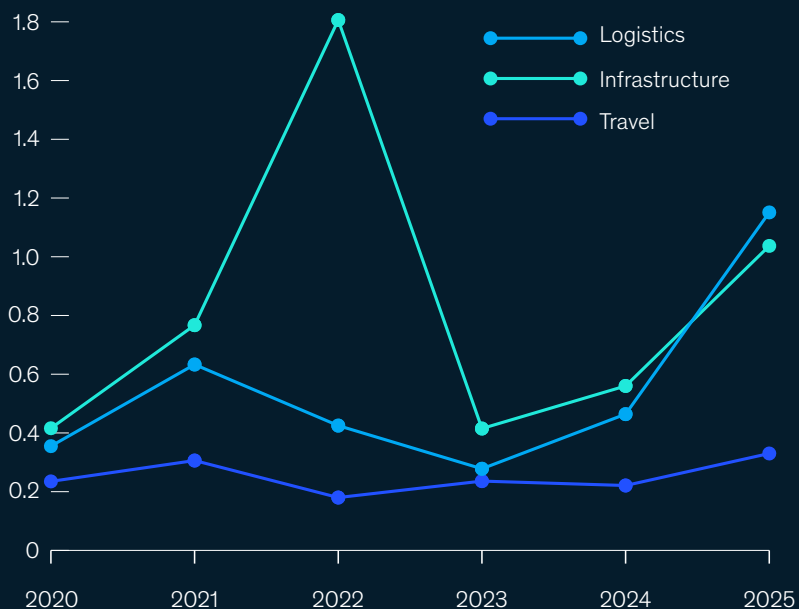
Share of private equity activity, % of total

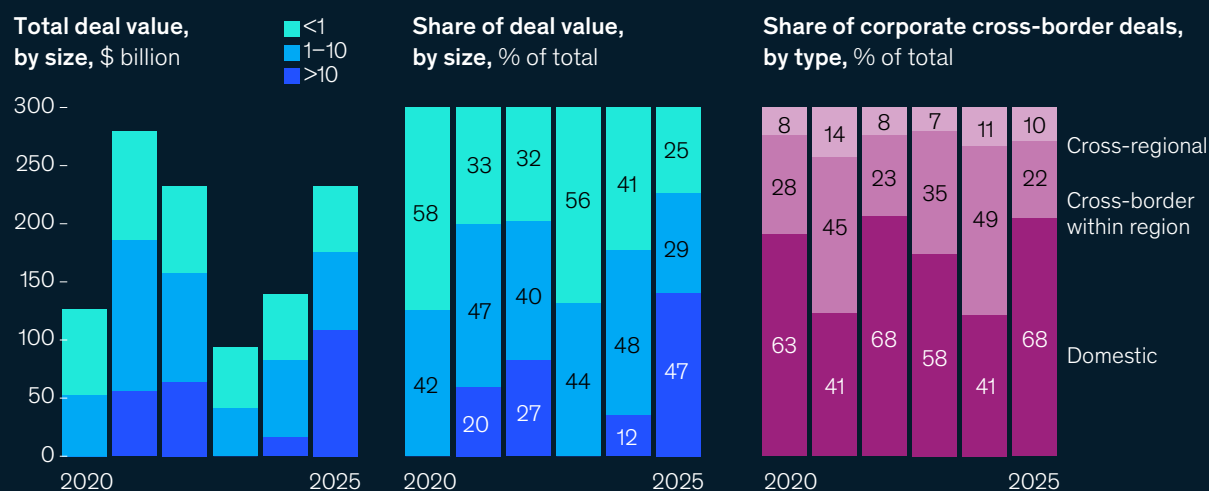


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Union Pacific	US	Norfolk Southern	US	89.5
BlackRock/Global Infrastructure Partners/Terminal Investment	US/ Switzerland	CK Hutchison Holdings ²	Mexico	19.2
Macquarie Asset Management	Australia	Qube	Australia	8.0
Blackstone	US	Safe Harbor Marinas/SHM TRS	US	5.7
PAI Partners	France	Motel One	Germany	3.7
Veolia	France	Clean Earth	US	3.0
—	—	Air China ³	China	2.8
Pandox/Eiendomsspar	Sweden/Norway	Dalata Hotel	Ireland	2.7
HI Holdings Playa	Netherlands	TXNM Playa Hotels	Netherlands	2.6
Frontier Resources	Indonesia	HLS	South Korea	2.5

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

²Sold 43 ports comprising 199 berths in 23 countries.

³Private-placement deal.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

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The industry overview

After two years of higher interest rates, uncertainty about tariffs, and a range of geopolitical shocks, dealmaking in the travel, logistics, and infrastructure (TLI) sector began to rebound in 2025, driven largely by a small number of outsize transactions rather than broad-based growth. Global M&A value in TLI rose about 67 percent—from \$139 billion in 2024 to \$232 billion in 2025—mainly driven by the \$90 billion merger announcement between Norfolk Southern and Union Pacific. Deal value in this sector held steady at between 4 percent and 5 percent of all announced deal value across industries globally.

Roughly 65 percent of global deal value in TLI is concentrated in the Americas, and Asia-Pacific and Europe share the rest. Private equity (PE) accounts for nearly a quarter of global M&A value in this sector, with more than \$2 trillion in capital still undeployed.

M&A activity evolved differently across TLI subsectors in 2025. Deal volume in the travel subsector, for instance, declined by about 8 percent (from 174 transactions in 2024 to 160 in 2025), while deal value increased by 37 percent, from \$39 billion in 2024 to about \$53 billion in 2025.

Meanwhile, M&A in the logistics subsector rebounded in 2025: Deal value was up 91 percent—albeit mostly because of the proposed Norfolk Southern and Union Pacific merger. Without this acquisition, deal value in logistics would have dropped about 33 percent, from \$72 billion in 2024 to \$48 billion in 2025. Deal volume in this subsector dropped by 23 percent (from 156 transactions in 2024 to 120 in 2025), as buyers shifted their focus toward deals involving specialty verticals and solid fundamentals.

And finally, deal value in the infrastructure subsector increased by 45 percent, driven by the approximately \$19 billion acquisition of Hutchison Port Holdings by a US-led consortium. Without this acquisition, deal value in infrastructure would have dropped by about 22 percent—from \$28 billion in 2024 to \$22 billion in 2025. Deal volume in this subsector fell by 22 percent, from 51 transactions in 2024 to 40 in 2025.

Subsector activity

A closer look at how dealmaking is evolving within TLI subsectors highlights a sharper focus on capability-enhancing transactions among travel companies—such as new technology to replace legacy systems, AI-powered search, and revenue management and pricing capabilities—as well as the pursuit of deals involving specialty verticals among companies in the logistics space.

Travel: Selective capital and capability-focused deals

M&A activity in the travel sector increased in 2025. Total announced deal value grew by about 37 percent, from \$39 billion in 2024 to \$53 billion—the sharpest rebound since 2021. Despite the surge in deal value, deal volume fell by about 8 percent, from 174 transactions in 2024 to 160 in 2025, underscoring a shift toward consolidation: Fewer, larger transactions are defining the M&A landscape in travel.

Meanwhile, PE increased its footprint in this subsector, contributing about a quarter of total M&A value in travel in 2025, up from roughly 18 percent in 2024. Travel-related deals represented about 57 percent of total PE deal volume in 2025 and 87 percent of total PE deal value.

The Americas continues to represent about 73 percent of all M&A deal value in travel, maintaining its lead as the most active region. Indeed, this part of the world has experienced sustained demand for high-end leisure and experiential travel, supported by strong consumer spending and record premium room rates, which have been rebounding since 2019.¹

Digital capabilities are also affecting M&A trends in travel. Consumers are [increasingly using AI across their travel planning](#) and purchasing decisions—for inspiration and itinerary creation, booking and price optimization, and real-time concierge support. In a recent survey of 5,000 US consumers, 29 percent said they have adopted gen AI for travel-related tasks, and the majority reported improved experiences.² The same study shows that, between July 2024 and February 2025, traffic referred from gen AI sources to US travel, leisure, and hospitality sites increased by 24 percent and exhibited bounce rates 45 percent lower compared with the industry average.

Clearly, the bar has been raised for all players in the travel ecosystem, reinforcing the focus on tech-related M&A and integration capabilities to enhance, personalize, and streamline the travel experience.

Logistics: Consolidation and a focus on specialty providers

Our analysis shows that deal value in the logistics subsector rose to roughly \$138 billion in 2025 compared with \$72 billion in 2024, though overall deal volume dropped by about 23 percent—from 156 deals in 2024 to 120 in 2025.

Meanwhile, PE's share of deal value in this subsector decreased by 40 percent—from about \$11 billion to about \$7 billion in 2025, the lowest level in the past five years—reflecting PE players' concerns about rising interest rates and an unstable trade and regulatory environment. Minus an outlier transaction in this subsector (Union Pacific's proposed acquisition of Norfolk Southern), the average transaction value fell from about \$531 million in 2024 to about \$408 million in 2025.

Against this backdrop, M&A-driven consolidation in freight forwarding has continued at a steady pace. The market remains highly fragmented—the combined market share of the top ten players adds up to only 45 percent of the market—and larger freight forwarders are gradually increasing competitive pressure on the rest of the pack. Many of these small and midsize freight forwarders have limited capacity to fund investments in the digital and growth initiatives required to remain competitive—creating M&A opportunities for sponsors and strategic buyers.

Our discussions with PE and strategic investors in 2025 indicated greater interest in specialized logistics providers versus generalist providers. Indeed, given rising secular demand for certain specialties, increased complexity in supply chains, and demand for structural support in e-commerce, investors have increasingly sought targets among providers of cold-chain, healthcare, electric-vehicle battery, semiconductor, and aerospace logistics.

Deal activity in these segments was explicitly driven by buyers' need to acquire capabilities critical to improving or maintaining their value chains—that is, acquiring facilities that comply with good manufacturing practices, gaining access to temperature-controlled networks, acquiring capabilities involved with handling sensitive cargo, or cultivating regulatory expertise. For example, strategic buyers in contract logistics are focused on acquiring specialized companies so they can expand into new verticals, such as pharmaceuticals, and access the required GDP certifications.

¹ CoStar.

² *Adobe for Business Blog*, "The explosive rise of generative AI referral traffic," blog entry by Abigail Winchell, May 23, 2025.

Trade policy shocks also played a critical role in logistics M&A in 2025. Higher and irregularly imposed tariffs, frequent renegotiations of trade agreements, and shifting sanctions pushed many shippers to redesign their production footprints and rethink their inventory strategies. While logistics networks continued to trade at a premium, generic, single-capability offerings in forward freighting—without deep value-added services, customs clearance, storage, and delays in transit—have struggled.

Additionally, AI took center stage amid all other logistics-oriented technologies. In freight forwarding and asset-based transport, for example, acquirers increasingly looked to AI for proprietary demand-forecasting models, dynamic pricing engines, and automated planning tools to help reduce the time from booking to execution. In digital freight and logistics software as a service (SaaS), acquirers sought to differentiate themselves by using AI to automate customer service, documentation, and exception management. While most transactions still price businesses on earnings and growth rather than “AI” labels, assets with proven models and real data advantages are beginning to command a visible premium over peers.

While investment in asset-based transport remained active in 2025, many deals were focused on bolstering solid fundamentals and enabling operating discipline. Rail and intermodal deals, such as the proposed Union Pacific–Norfolk Southern transaction, increasingly emphasized extending network reach, achieving long-term contracts, and successfully navigating regulatory changes. In trucking and short-sea shipping, acquirers targeted fleets with strong safety records and embedded telematics that enable differentiated service and lower cost to serve. Logistics SaaS is likely to continue to attract interest from investors—in areas such as transport management, warehouse automation, operational control towers, and cutting-edge analytics that can sit on top of carriers and third-party providers rather than compete with them.

Opportunities for 2026—and beyond

A measured improvement in TLI M&A in 2026 looks more likely than a surge. M&A demand remains resilient in critical areas—for example, leisure travel, experiential hospitality, and specialized logistics in high-growth verticals. However, trade and regulatory environments remain unstable, and freight markets have normalized. In this environment, investors are likely to favor deals grounded in a clear vertical thesis and a well-tested synergy case rather than large balance sheet bets: Across all three subsectors, disciplined buyers will prioritize assets where they can credibly lift revenue, improve unit economics, or deepen capabilities. They’ll be cautious about paying for growth stories that lack a clear path to integration, resilience, and value creation.

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US healthcare

Companies continue to create value through diversification

Rather than using M&A to focus on expansion and diversification into new value pools, many US healthcare players are deploying it to access new capabilities and enhance existing assets.

The industry overview

Dealmaking in US healthcare remained stable in 2025 relative to the sector's M&A activity in 2023 and 2024 (Exhibit 1). According to our analysis, dealmakers continued to diversify, with a focus on obtaining new capabilities to improve their portfolios. In previous years, by contrast, organizations sought to diversify largely to access new value pools.

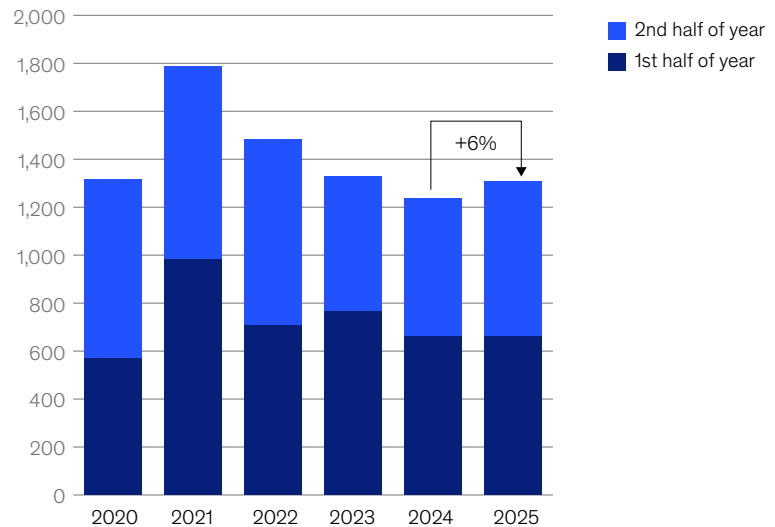
M&A activity and motivations varied across different players within the healthcare ecosystem. More than 75 percent of deals by *providers* were focused on consolidation plays, with more than 15 percent of these deals focused on acquiring healthcare-services and -technology (HST) capabilities to maximize the worth of their existing assets. This provider group encompasses core subsegments such as hospitals, facilities for pre- and postacute (PPA) care, and physicians. Deal activity among *payers* remained limited (accounting for fewer than 15 transactions). The transactions that were completed focused on scaling up memberships and other core offerings.

For companies within the *HST* segment, deals that would help upgrade healthcare's overall operating infrastructure—transactions involving, say, revenue cycle engines and enterprise data platforms—were of the highest priority, reflected in the fact that 80 percent of deals were like-for-like transactions. And our research shows that *private equity (PE) investors* continued to

Exhibit 1

Deal volume in US healthcare was up about 6 percent in 2025 compared with 2024.

US healthcare deal count in 2020–25, number¹



¹Analysis considers private equity, venture capital, and strategic companies and announced and closed M&A, buyout, and add-on transactions. Excluded subsectors in analysis of targets: pharmaceutical and medical products, medical-office real estate, insurance brokerage, and others. Excluded subsectors in analysis of acquirers: pharmaceutical and medical products, real estate investment trusts, insurance brokerage, and others.

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focus on physician services (accounting for 30 to 40 percent of healthcare deals), dental platforms, home-based care, and specialty pharmacy opportunities while also accelerating their investments in technology.¹

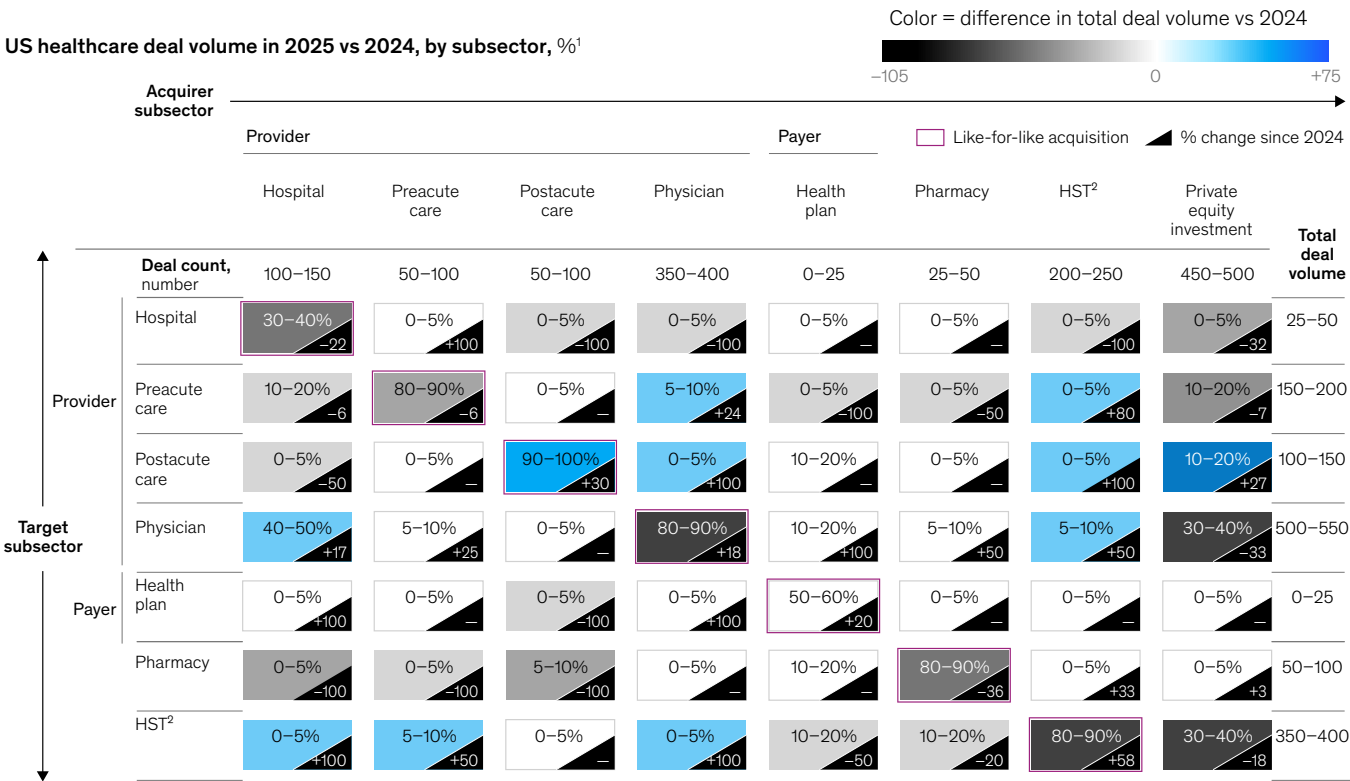
What changed? Year-over-year shifts in healthcare M&A

Compared with 2024, overall M&A activity in US healthcare in 2025 remained broadly stable. But several trends have demonstrated the degree to which healthcare M&A is evolving from a focus on expansion into new value pools to a focus on integration (Exhibit 2).

Exhibit 2

Considerable year-over-year changes in M&A activity occurred across US healthcare subsectors in 2025.

US healthcare deal volume in 2025 vs 2024, by subsector, %¹



¹Analysis considers private equity, venture capital, and strategic companies and announced and closed M&A, buyout, and add-on transactions. Excluded subsectors in analysis of targets: pharmaceutical and medical products, medical-office real estate, insurance brokerage, and others. Excluded subsectors in analysis of acquirers: pharmaceutical and medical products, real estate investment trusts, insurance brokerage, and others.

²Healthcare services and technology. Includes healthcare-related clinical, core administrative, data and analytics, and payment services; software; platforms and technologies; and other service domains.

¹ Physician service deals are typically relatively small, low-value add-ons, which is why they account for higher transaction volumes.

Hospital-led deals slowed down

Hospital-led deal volume declined by 7 percent overall in 2025 versus 2024 across almost all target segments: Like-for-like acquisitions fell 22 percent, and activity involving PPA-care organizations decreased between 6 percent and 50 percent, respectively. The lone area of growth was in physician assets, in which hospital acquisitions increased 17 percent. This is consistent with the sector's shift toward outpatient care and clinical integration.

Payer-led deals remained flat

Transactions led by healthcare payers in 2025 were flat, with limited movement across most target sectors. While payer acquisition of physician assets increased 100 percent versus 2024, the rise started from a very small base, so it didn't materially change overall payer M&A activity. Payer deals targeting hospitals, PPA-care, pharmacy, and HST assets were largely unchanged or modestly negative, reflecting a continued cautious posture.

Healthcare services and technology-led M&A increased

HST buyers stepped up their dealmaking in 2025, increasing like-for-like transactions by 58 percent. They meaningfully increased their year-over-year activity in nonhospital provider assets, including preacute-care targets (an 80 percent increase in activity), postacute-care targets (a 100 percent increase), physician targets (a 50 percent increase), and pharmacy targets (a 33 percent increase).

Pharmacy-led deal activity contracted

Acquisitions by pharmacy players dropped materially in 2025, with overall pharmacy-to-pharmacy deal activity declining 36 percent. Pharmacy buyers' pursuit of HST targets also decreased modestly (down 20 percent), and their activity in the preacute-care segment disappeared. The only area of meaningful expansion was physician assets, reflecting a small but notable shift by pharmacies to create a tighter alignment between their dispensing models and broader clinical workflows.

Private equity acquirers remained active

In 2025, PE acquirers reduced their investments in hospitals by 32 percent, in preacute-care targets by 7 percent, in physician assets by 33 percent, and in HST by 18 percent. However, PE sponsors showed more interest in several other segments—for instance, pharmacy assets (an increase of 3 percent) and postacute-care targets (an increase of 27 percent).

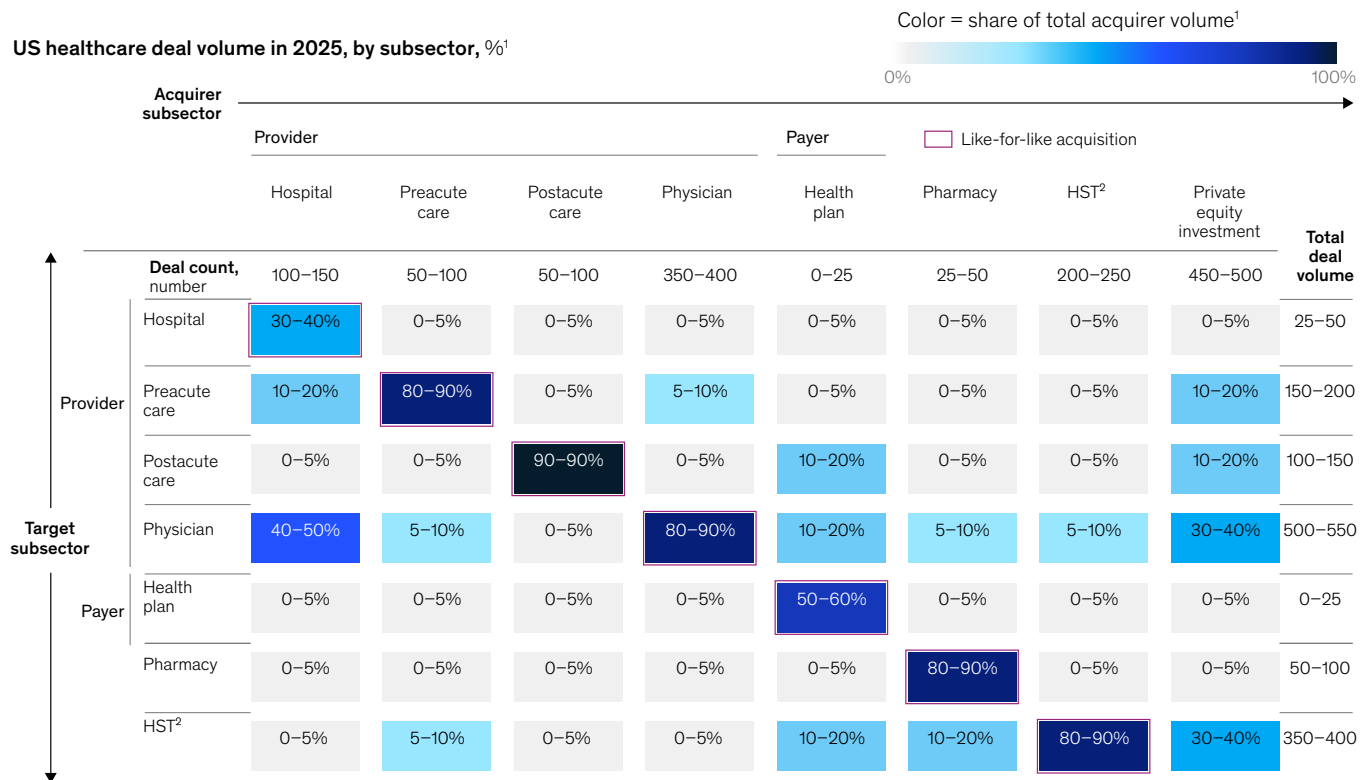
Overall, PE sponsors supported similar levels of add-on transactions in both 2024 and 2025; these transactions typically created influence for sponsors and involved moves into adjacent areas rather than broad platform creation. The emphasis on targeted add-ons, operating leverage, and adjacencies reflects a more measured approach to M&A among PE sponsors.

A deeper dive: Dealmaking dynamics by segment

A closer look at dealmaking dynamics by segment reveals the degree to which these shifts have taken hold and created an environment in which integration and asset performance outweigh pure expansion (Exhibit 3).

The amount of M&A activity in US healthcare was varied across both acquirers and targets in 2025.

US healthcare deal volume in 2025, by subsector, %¹



¹Analysis considers private equity, venture capital, and strategic companies and announced and closed M&A, buyout, and add-on transactions. Excluded subsectors in analysis of targets: pharmaceutical and medical products, medical-office real estate, insurance brokerage, and others. Excluded subsectors in analysis of acquirers: pharmaceutical and medical products, real estate investment trusts, insurance brokerage, and others.

²Healthcare services and technology. Includes healthcare-related clinical, core administrative, data and analytics, and payment services; software; platforms and technologies; and other service domains.

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Providers

Healthcare providers reinforced core capabilities while selectively expanding into new value pools over the past year. Consolidation was the impetus for a high proportion of M&A activity by providers in 2025, as it has been the past few years. Our analysis shows about 70 to 80 percent of providers' overall deal activity was focused on like-for-like transactions. Among providers, roughly 30 to 40 percent of transactions by hospitals and health systems in 2025 were like-for-like transactions. The rest concentrated on core clinical extensions—primarily physician groups (which accounted for 40 to 50 percent of activity) and select outpatient preacute-care services (which accounted for 10 to 20 percent).

Within the preacute-care segment, 2025 M&A activity focused on both consolidation and diversification, a pattern most visible in the areas of behavioral health and imaging. Behavioral-health platforms continued their investment in multimodality outpatient models (for example, intensive outpatient programs, transcranial magnetic stimulation, and occupational, physical, and speech therapy) alongside selective inpatient and residential assets. Imaging and diagnostic players also showed meaningful activity, targeting traditional imaging centers, specialty labs, and AI-enabled diagnostic technologies that blend clinical and data-driven capabilities.

The postacute-care and physician service segments executed the highest share of like-for-like provider deals in 2025. Postacute-care organizations built denser regional healthcare coverage, strengthened continuum-of-care networks, and scaled workforce-intensive models. Physician organizations increased their breadth of services while offering patient care within a unified clinical platform.

Payers

M&A among payers was limited in 2025: Fewer than 15 transactions occurred in this space, and more than half of them involved acquisitions of other health plans to expand membership and strengthen core offerings. The remainder of deals involving payers focused on selective capability extensions aimed at improving the coordination of care and support for populations with complex health needs—for instance, deals involving comprehensive eldercare programs, dental medical-service organizations (MSOs), and data quality tools.

Pharmacy

Pharmacy-related deal activity in 2025 involved dispensing across retail, specialty drugs, infusion services, and physician and patient engagement capabilities. There were between 25 and 50 transactions in the retail, pharmacy, and specialty medication segments: Most of them focused on horizontal integration among assets in the pharmacy value chain. The transactions expanded the assets' reach and capabilities across specialized therapeutic areas, specialty pharmacy, and infusion service providers.

Separately, acquirers directed roughly 5 to 10 percent of their deal activity toward physician-aligned assets, using MSO purchases to bring more pharmacy infrastructure in-house. Through these deals, acquirers were able to add essential plumbing to their existing assets—for instance, revenue cycle, group-purchasing, order-to-cash, and chargeback systems.

There were also several transactions focused on patient engagement in the virtual-prescription, digital-adherence, and remote-monitoring spaces. They focused on enhancing the customer experience and increasing speed to therapy.

Healthcare services and technology

HST dealmaking in 2025 sought to upgrade the financial systems, data architecture, and clinical-workflow engines that support day-to-day delivery of healthcare. Between 80 and 90 percent of HST-led transactions were like-for-like deals. Much of this activity centered on the administrative- and financial-infrastructure tech stacks, with buyers acquiring revenue cycle service providers, AI-enabled coding engines, prebill-auditing tools, payment integrity platforms, and a range of systems for claim processing and denial management.

A second cluster of acquisitions by HST players focused on strengthening enterprise data layers. They included population health and cost trend analytics, real-world-evidence and genomic platforms, interoperability engines, and referral and navigation intelligence tools.

There were also some HST acquisitions within the physician sector aimed at embedding clinical workflows into digital platforms. These were strictly capability extensions—focusing on home-based primary care, virtual maternity care, musculoskeletal rehabilitation through telehealth options, and other technology-enabled models—rather than geographic roll ups.

Private equity

PE remained a primary investor in healthcare in 2025, driving a large share of the sector's M&A activity: roughly 40 percent of total deal volume (slightly below 2024 activity). However, the mix of deals by PE investors varied, especially at the add-on level at which portfolio companies execute PE-backed acquisitions. Here, investors pursued fewer physician roll ups and redirected capital toward postacute-care assets, particularly in the form of physical therapy and rehab centers. The HST segment was involved in approximately 30 to 40 percent of transactions led by PE investors. Meanwhile, the PPA-care segments accounted for roughly 10 to 20 percent of deals by PE investors, and physician services represented another 20 to 30 percent.

In the preacute-care segment, investors most often targeted ambulatory-surgery platforms, diagnostics, and behavioral-health assets; the latter was one of the year's most active investment categories. In postacute care, investors prioritized deals involving senior living (for instance, facilities equipped for memory care) and home health and personal-care platforms.²

Opportunities for 2026—and beyond

The fundamentals of healthcare M&A remain strong entering 2026. A range of factors continue to pressure companies in the healthcare ecosystem to build new capabilities and achieve greater efficiencies. These include demographics and an aging population, emerging regulatory changes, persistent labor shortages, and the shift toward value- and home-based care. For the part of PE investors, they're reckoning with older vintages in their portfolios and have the dry powder to further drive M&A activity in healthcare.

Simultaneously, advances in AI, automation, and interoperability are reshaping what acquirers are looking for in healthcare targets and how they generate value after deal close. These dynamics suggest that the next wave of healthcare M&A may be characterized by increased precision—relatively smaller, technology-enabled transactions designed to align clinical, digital, and operational capabilities—and companies' overall goal will be to enhance their core businesses and existing portfolios.

² Life sciences was also a major investment category for PE but isn't included within the scope of this analysis.

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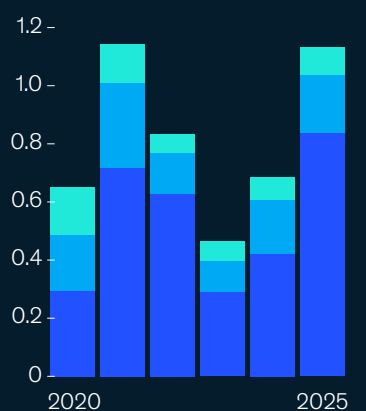
Technology, media, and telecommunications

Building the future one deal at a time

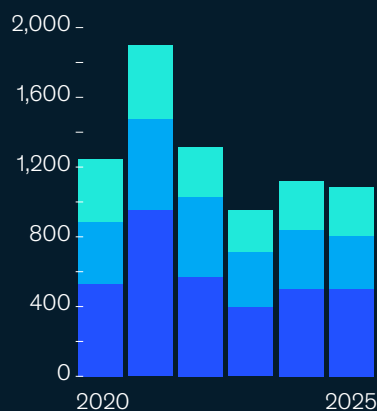
Tech, media, and telecom players are revisiting their M&A strategies and reshaping their deal rationales to address significant structural, competitive, and technological shifts.

M&A in technology, media, and telecommunications

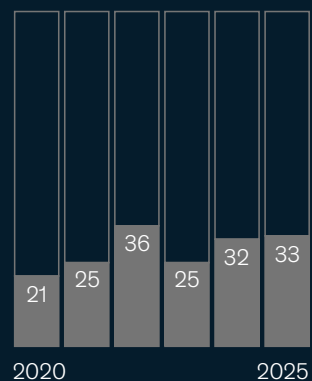
Total deal value, by region, \$ trillion



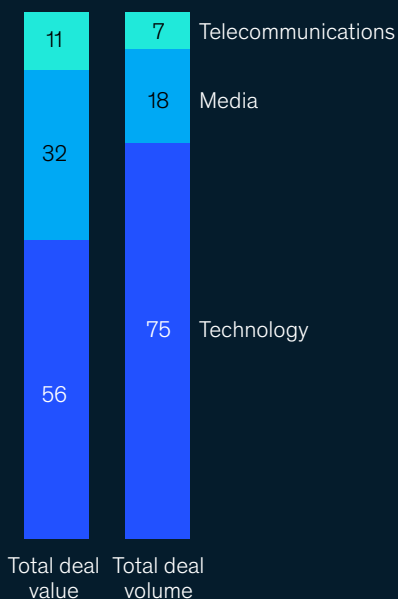
Total deal volume, by region, number



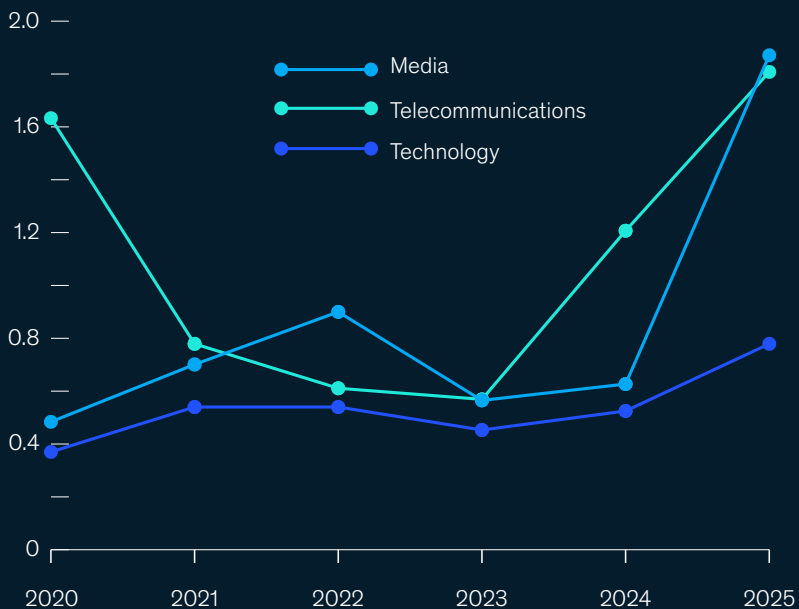
Share of private equity activity, % of total

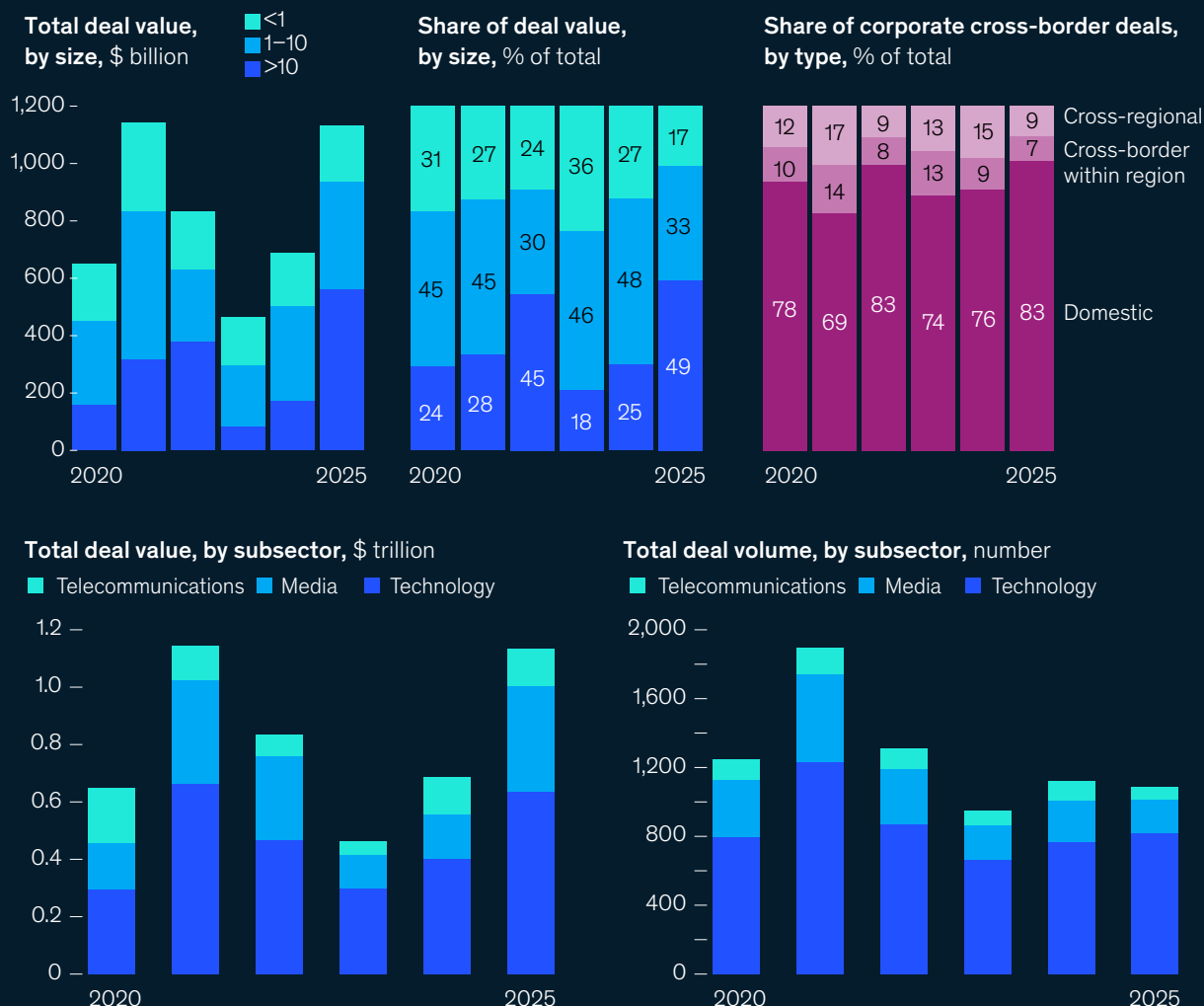


Share of activity in 2025, by subsector, % of total



Average deal size, by subsector, \$ billion





Top 10 global deals, by deal value, \$ billion

Acquirer	Country	Target	Country	Deal Value (\$ billion)
Netflix	US	Warner Bros. Discovery	US	87.0
Affinity Partners Global/Saudi Arabia Public Investment Fund/Silver Lake	Saudi Arabia/US	Electronic Arts	US	55.0
Rasner Media	US	TikTok US	US	47.5
Microsoft/NVIDIA/BlackRock	US	Aligned Data Centers	US	40.0
SoftBank	US	OpenAI	US	40.0
Charter Communications	US	Cox Communications	US	34.5
Google Cloud	US	Wiz	US	32.0
Athens Strategies	Israel	CyberArk Software	Israel	26.1
AT&T	US	EchoStar wireless spectrums ²	US	22.7
Orange/FREE/Bouygues	France	Altice French telecom business	France	19.7

Note: Figures may not sum to totals, because of rounding. Unless otherwise noted, deal values reported are enterprise values. Data include deals valued >\$25 million, including spin- and split-off transactions. Data also include private-placement transactions >\$100 million. Cross-border analysis includes corporate deals only. Deals for which the acquirer's headquarters couldn't be classified are treated as domestic.

¹Europe, Middle East, and Africa.

²600-MHz and 3.45-GHz licenses.

Source: PitchBook, accessed January 2026; S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026; McKinsey analysis

The industry overview

M&A activity across the technology, media, and telecommunications (TMT) sector continues to reflect profound structural change rather than cyclical adjustment. Shifts in tech adoption, evolving competitive dynamics, and capital reallocation priorities are reshaping deal rationales, asset valuations, and the balance between scale, specialization, and strategic control.

Recent deal activity highlights how these forces are translating into action. In 2025, TMT M&A was shaped by a relatively small number of large, high-conviction transactions, with deal value concentrated in software, digital infrastructure, and scaled media platforms.¹ North America continued to lead in global M&A value, while cross-border corporate deals remained measured, reflecting an increase in regulatory complexity and acquirers' sharper focus on assets that could deliver resilience and strategic optionality.

Private equity (PE) remains an important force, but it's increasingly targeting carve-outs, infrastructure-like tech assets, and platform buildups rather than broad sector exposure. Collectively, these patterns signal a deal market defined less by a cyclical rebound and more by deliberate repositioning on data, AI enablement, network scale, and long-term growth economics.

Subsector activity

Our analysis of each subsector reveals key differences in their dealmaking, the relative impact of AI and other technologies, and the size and scope of deals—although consolidation remains a critical objective for most.

Technology

M&A in the tech subsector continued to outpace dealmaking in media and telecommunications in 2025. In the past 12 months, tech deals represented 56 percent of total M&A value in TMT. The total value of announced tech deals was more than \$630 billion, driven by more than 800 transactions. The average deal size increased from \$525 million in 2024 to about \$779 million in 2025, underscoring a clear shift toward larger, more strategic acquisitions.

Within IT services, M&A teams are now focused on acquiring specialized domain expertise and service models that can be deployed as commercial products rather than pursuing deals that simply provide expansion. PE now accounts for roughly one-third of total deal value in the tech subsector and has helped to accelerate this transformation, with investors favoring bolt-on acquisitions that provide recurring revenue and create new or bolster existing intellectual property.

Other emerging M&A themes for tech players include focusing on data infrastructure and smarter cloud spending, reconfiguring cybersecurity players, investing in computing power and semiconductors, shifting toward vertical AI and product-led services, and continuing focus on portfolio management:

¹ Unless otherwise noted, the deal values reported in this article are enterprise values.

- *A focus on data infrastructure and smarter cloud spending:* As companies across industries begin to deploy AI, they're expressing concerns about its cost and complexity. The businesses that can help make digital infrastructure faster, cheaper, and more efficient will likely be the focus of deal activity going forward. These include data management platforms, cloud-based cost optimization tools that can help leaders control rising computing expenses, and hybrid-cloud solutions that can help businesses balance cost, performance, and sustainability.
- *Reconfiguration of cybersecurity players:* Cybersecurity is undergoing a rapid reconfiguration driven by the emergence of platforms, the obsolescence of products and solutions, and the continual formation of new companies. In this context, M&A is serving as a primary instrument for strategic repositioning, allowing leading vendors to redefine their role in the security stack and accelerate control plane ambitions. The crucial question is no longer who offers the most software, analytics, or services, but which platforms those capabilities ultimately flow through.
- *Investments in computing power and semiconductors:* With computing demand still outpacing supply, there's likely to be a wave of investments in semiconductor design, advanced packaging, and hardware optimization software in 2026. Tech giants and sovereign investors (for instance, state-owned development funds) alike are eyeing deals involving AI chipmakers, data center energy management software, and edge-computing platforms to reduce their dependency on a few global suppliers. Cross-border scrutiny of such deals will remain high, but the overwhelming demand for computing efficiency will keep M&A in this subsector alive.
- *A shift toward vertical AI and product-led services:* As generative and agentic AI applications mature, companies will want to embed them directly into workflows. This shift portends an increase in acquisitions involving industry-specific software providers—for instance, in healthcare, manufacturing, financial services, and logistics—and “productized” services, such as consulting and implementation teams bundled with proprietary software. Such deals will allow acquirers to accelerate the adoption of AI and the generation of recurring revenue streams.
- *A continued focus on portfolio management:* Tech companies have been simplifying their portfolios for several years now—that trend will continue into 2026 as tech players divest slower-growth or noncore assets and reallocate capital to areas with the potential for higher returns (such as AI and infrastructure opportunities). Tech companies are likely to continue pursuing carve-outs of mature software divisions and selling support businesses to PE firms or strategic partners seeking steady, cash-flow-positive assets.

Media

M&A activity in the media space has fluctuated in recent years, given macroeconomic uncertainty and increased interest rates. Yet overall deal value remains resilient at about \$360 billion. There was also a significant increase in average deal size (from about \$620 million in 2024 to about \$1.8 billion in 2025) as strategic players emphasized transformative acquisitions that could confer competitive advantage in this subsector rather than smaller, more opportunistic deals.

Our recent conversations with 40 senior decision-makers in media companies, investors, and industry advisers point to three emerging M&A trends in the media subsector: consolidation, separation, and partnership. Of the leaders we spoke with, 80 percent said they expect M&A in media to increase significantly in 2026 and beyond—so the companies that can factor these trends into their M&A strategies will be better positioned than most to grow and create long-term shareholder value:

- *Consolidation:* Leaders expect consolidation to continue as media companies seek scale amid fragmentation and an edge against global competition. These leaders say the most value will come from deals within their home markets or across core value chains, and they anticipate that regulatory scrutiny and integration challenges will persist.
- *Separation:* Divestitures and spin-offs are gaining traction with leaders of media enterprises as conglomerates look to streamline operations, focus on core strengths, and gain greater agility by separating noncore or underperforming assets. Such separations may be especially appealing to legacy media companies that want to clarify the value coming from mixed-growth portfolios (for instance, classified advertising versus digital media) or distinguish between legacy and digital-first assets (for instance, linear TV versus streaming broadcasts). The leaders we spoke with all agree that success in such transactions depends on having a clear rationale, robust execution, and effective communications with stakeholders.
- *Partnership:* Leaders say they're increasingly attracted to strategic partnerships and joint ventures (JVs) instead of full acquisitions. Such relationships allow companies to access complementary capabilities and accelerate innovation—especially in tech development, coproduction of content, and market entry—while mitigating some of the risks of doing so. Leaders say that to realize the most value from partnerships and JVs, both sides must agree on the core objectives of the relationship at the outset and establish clear governance protocols.

Telecommunications

Total deal value in the telecom subsector rose in 2025, driven in part by an increase in large-scale transactions, such as Charter Communications' announced \$34.5 billion acquisition of Cox Communications in May 2025. At the same time, deal volume declined, resulting in a higher average deal size in the subsector.

Four M&A trends are emerging in telecommunications, a few of which are similar to those in media and technology but with their own subsector-specific spin: consolidation, portfolio optimization, expansion beyond the core, and investment in digital infrastructure:

- *Consolidation:* Particularly in Europe and Asia, telecom players are continuing to consolidate to gain scale and realize synergies, as seen in recent deals involving players in Eastern Europe and Southeast Asia. Consolidation is happening in the mobile market among both mobile network operators and mobile virtual-network operators, amid fixed-line industry players focusing on fiber as an area for growth, and among operators looking to capitalize on fixed–mobile convergence technologies to enhance their operations and boost their competitiveness.
- *Portfolio optimization:* Telecom operators are increasingly looking to reshape their portfolios by exiting challenging markets and strengthening their presence in markets with greater growth potential. Indeed, we've seen several notable exits over the past 12 months involving operators in Latin America and Southeast Asia.

- *Expansion beyond the core:* Today's telcos are experiencing a significant shift in identity—from telecommunications to technology. Many are exploring growth opportunities outside their traditional core offerings, such as cybersecurity, cloud services, and AI solutions. Core connectivity providers are becoming customer-centric, platform-based tech companies focused on higher-growth digital services.
 - *Investment in digital infrastructure:* Investors of all stripes—hyperscalers, frontier AI, and private capital—had digital infrastructure squarely in their sights in 2025, as the adoption of gen AI sparked the demand for data centers and other digital support systems. That trend is likely to continue in 2026, with a greater focus on fiber-related deals and a continued slowdown in tower-related deals.
-

These recent trends and changes in competitive dynamics suggest that TMT companies will remain important drivers of M&A as both acquirers and targets, fueled by further evolution across all three subsectors.

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The authors wish to thank Deevo Sharma, Jeremy Schneider, and Marc Sorel for their contributions to this article.



Technology M&A

AI enters its industrial phase

AI investment isn't just fueling innovation; it's reshaping competitive dynamics and catalyzing a new wave of strategic M&A across the global tech landscape.

AI has transcended years of experimentation to become the defining growth engine of the technology sector. Investment in AI and AI-enabling technologies has scaled rapidly, not only fueling innovation but also reshaping competitive dynamics, driving sector convergence, and launching a new wave of strategic M&A across the global tech landscape.

We witnessed similar dynamics during the rise of the internet, cloud build-outs, and other recent tech revolutions—where consolidation and capability-driven M&A differentiated the top performers from everyone else. The lesson from those past advances is clear: Today's investment and deal strategies will determine who leads in the next decade of AI-enabled growth.

Scaling the foundations of AI

Our research and experience in the field suggest that AI investment is entering a new phase of maturity. The sharp increase in infrastructure and platform M&A, particularly targeting data center assets, chip design, and model-training capabilities, reflects a strategic repositioning across the tech ecosystem. The following are among the dynamics we've observed:

- *Computing and data consolidation:* Companies are acquiring computing capacity and energy-secure infrastructure to mitigate bottlenecks in graphics-processing-unit supply and power availability.
- *Platform integration:* Cloud providers, hyperscalers, and AI start-ups are engaging in selective mergers, joint ventures, and minority investments to enable greater vertical integration among infrastructure, models, and applications.
- *Cross-sector convergence:* Traditional IT service firms are acquiring or partnering with AI-native start-ups to embed generative and predictive capabilities into their core offerings.

The most active acquirers are focusing on deals that deliver strategic control of data, access to AI models, and computing efficiency. Their activity echoes that of the internet era of the early 2000s, when companies often used M&A to build full-stack digital ecosystems.

Lessons from the past: Creating sustainable advantages

As we've noted, today's tech boom is following a pattern we've seen before: hyperinvestment followed by consolidation and sustainable scale. There are three relevant history lessons, then, for AI investors and corporate acquirers:

- *Emphasize infrastructure readiness and efficiency.* The internet companies that survived the dot-com collapse had robust infrastructures and scalable economics. Today's acquirers should seek targets with differentiated computing efficiency, proprietary data pipelines, or model optimization capabilities that can scale sustainably—for instance, energy-efficient data centers and AI-optimized hardware, both of which are attracting premium valuations.
- *Cultivate agility and market responsiveness.* The AI market is evolving faster than traditional deal cycles can accommodate. Open-source models (such as Llama 3, Mistral, and Falcon) and new monetization frameworks are shifting value pools toward flexible, modular architectures. Leaders should cultivate agile M&A strategies, ones that emphasize optionality through minority stakes, ecosystem partnerships, or "acqui-hires." In this way, they can innovate while still managing valuation risk.

- *Be strategic about value chain investment.* Past tech cycles show that the high performers succeeded not by owning every layer of the value chain but by gaining strategic access to those parts of it that shaped performance, cost, and the customer experience. Selective investment in these critical areas rather than in broad ecosystem expansion allowed companies to influence the economics of the entire stack without overextending their capital or increasing the complexity of their operations.

Looking ahead: The strategic implications of AI-related M&A

Again, based on our research and experience, we believe AI-related M&A will shape global competitiveness in three fundamental ways.

First, we expect to see continued convergence of hardware, cloud, and model layers as companies seek end-to-end control of performance, cost, and intellectual property (IP). Semiconductor consolidation and roll ups among computing platforms are likely to remain active through 2026.

Second, we expect to see more capability-driven acquisitions in enterprise software and services. IT and professional-service firms are acquiring specialized AI start-ups to accelerate their integration of gen AI into workflows, customer service, and knowledge management. Such transactions tend to be smaller than others but will still be strategically critical.

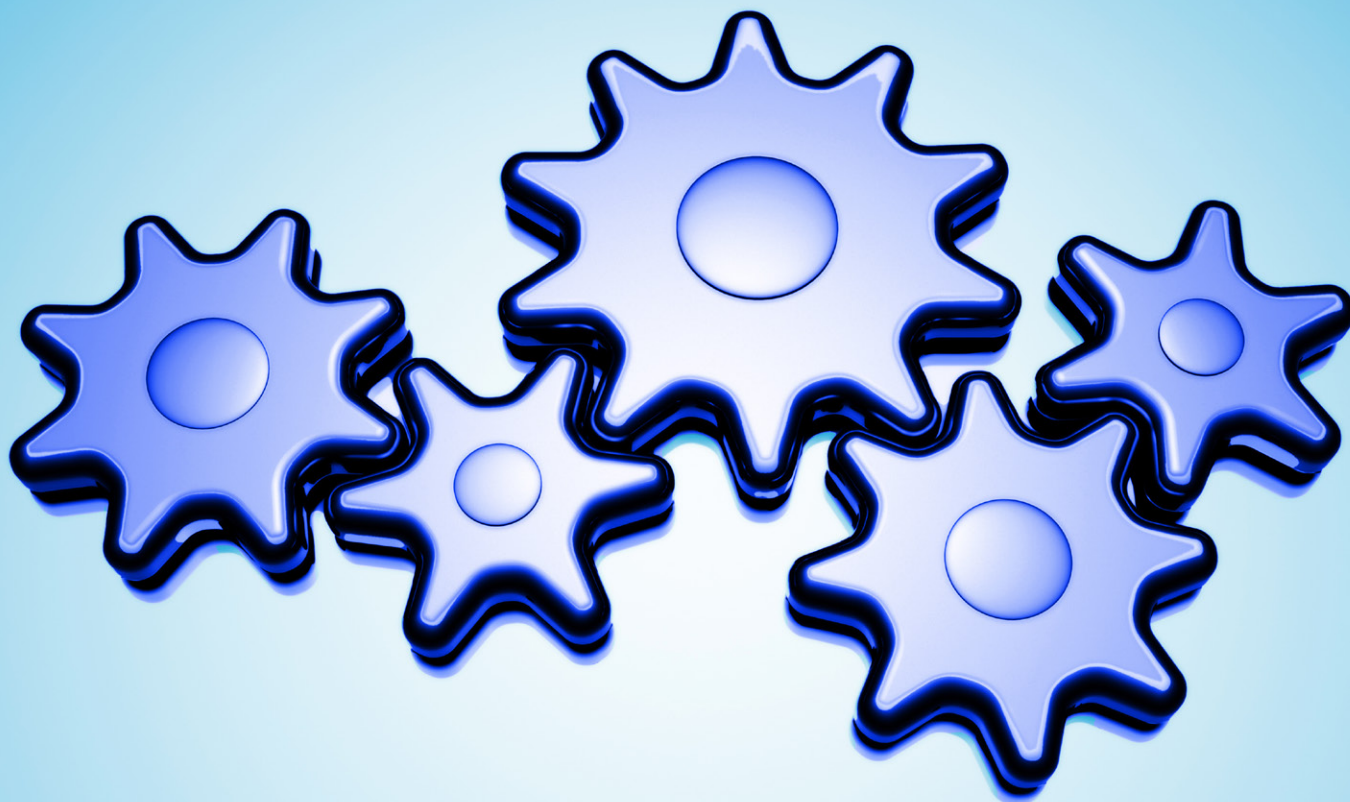
And finally, uncertainty about regulation and geopolitics will continue. Divergent regional frameworks, such as the EU AI Act, US executive actions, and China's rules on AI model governance, are influencing where and how deals can be executed. Cross-border M&A involving AI will continue to be scrutinized on data security and algorithmic control, pushing firms toward joint ventures and localized build-outs instead of full acquisitions.

Investors' deal rationales are shifting from primarily focusing on synergies to focusing on capability acquisition, infrastructure security, and other secondary objectives. The new playbook for AI M&A must emphasize access to talent, proprietary data, and model IP rather than traditional scale economics.

In short, companies' success with AI and AI-enabling tools will depend on not just building the technology but also buying and integrating it wisely—and M&A will remain a critical accelerator of that integration. The companies that use inorganic growth to strengthen their position in computing, data, and model layers while maintaining flexibility amid regulatory uncertainty will define the next generation of AI leaders. Indeed, they will shape the competitive landscape of tomorrow's intelligent economy.

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M&A insights



Five steps to strengthen M&A capabilities, no matter the starting point

The most experienced acquirers continue to outpace competitors, and their approach can guide companies with less extensive—or rusty—M&A capabilities.

This article is a collaborative effort by Erik Östgren, Jake Henry, Luke Carter, Mieke Van Oostende, and Patrick McCurdy, representing views from McKinsey's M&A Practice.

As companies dust off their M&A playbooks after a prolonged slowdown in deal activity, many business leaders are asking how the best practitioners approach dealmaking today. To answer this question, we studied more than two decades of research on a group of “programmatic acquirers,” which are companies that pursue multiple small and midsize deals each year. These companies have consistently generated excess TSR. We found that when other companies pulled back from acquisitions during periods of uncertainty, these acquirers kept going, and their edge over peers has grown.

The latest McKinsey Global Survey on M&A capabilities¹ finds that programmatic acquirers—the ultramarathoners of the deal world—have developed a set of capabilities that powers them through the deal cycle, from sourcing opportunities to integration. We believe others can build the same muscles. Just as endurance athletes are made, not born, aspiring acquirers can build the capabilities they need to turn M&A into a tool for implementing strategy and generating excess value. Below, we highlight five practical steps—a training plan, so to speak—that any company can take to get off the couch and strengthen its M&A capabilities.

The remarkably consistent value of programmatic acquisition

Our research, dating back to 1999, consistently shows that a subset of companies steadily makes acquisitions through all economic cycles. These programmatic acquirers continue to achieve higher returns than companies that treat acquisitions as one-off events, as well as those that rarely or never acquire (Exhibit 1) (for more, see sidebar, “Four approaches to M&A”).

Four approaches to M&A

Our long-standing research on M&A divides approaches into four categories: programmatic, large deal, selective, and organic. A programmatic approach entails making two or more small or midsize deals per year that together add up to a meaningful portion of the acquirer’s market

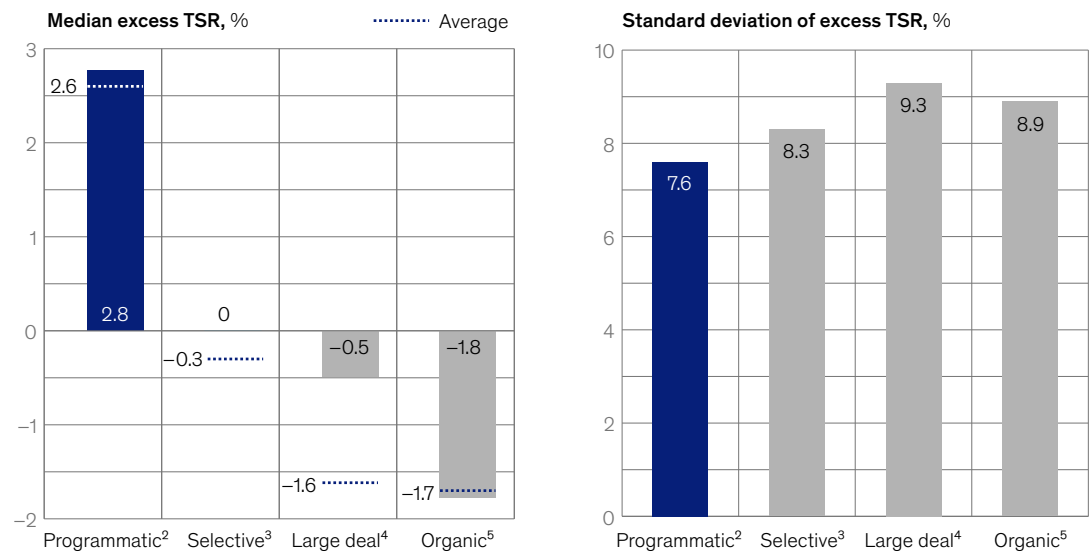
capitalization. In the large-deal approach, a company makes one or more deals per year, each worth 30 percent or more of the acquirer’s market capitalization. In the selective approach, a company makes two or fewer deals per year, with cumulative deal value totaling a meaningful

portion of the acquirer’s market capitalization. In the organic approach, a company makes at most one deal every three years, with cumulative deal value of less than 2 percent of the acquirer’s market capitalization.

¹ The online survey was in the field from January 14 to January 31, 2025, and garnered responses from 878 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures. To adjust for differences in response rates, the data are weighted by the contribution of each respondent’s nation to global GDP.

Programmatic M&A strategies continue to deliver higher returns overall than other approaches.

Global 2,000 companies' median excess TSR in Jan 2015–Dec 2024, by M&A approach¹



¹Companies that were among the top 2,000 companies by market cap (>\$2.5 billion) on Dec 31, 2012, and were still trading as of Dec 31, 2024. Excludes companies headquartered in Latin America and Africa. ²Programmatic: 2 small or midsize deals per year, with meaningful total market cap acquired. ³Selective: ≤2 deals per year, with cumulative deal value >2% of acquirer market cap. ⁴Large deal: ≥1 deal, with target market cap ≥30% of acquirer market cap. ⁵Organic: ≤1 deal every 3 years, with cumulative deal value <2% of acquirer market cap.

Source: S&P Capital IQ, S&P Global Market Intelligence, accessed February 2026; McKinsey Value Intelligence; McKinsey analysis

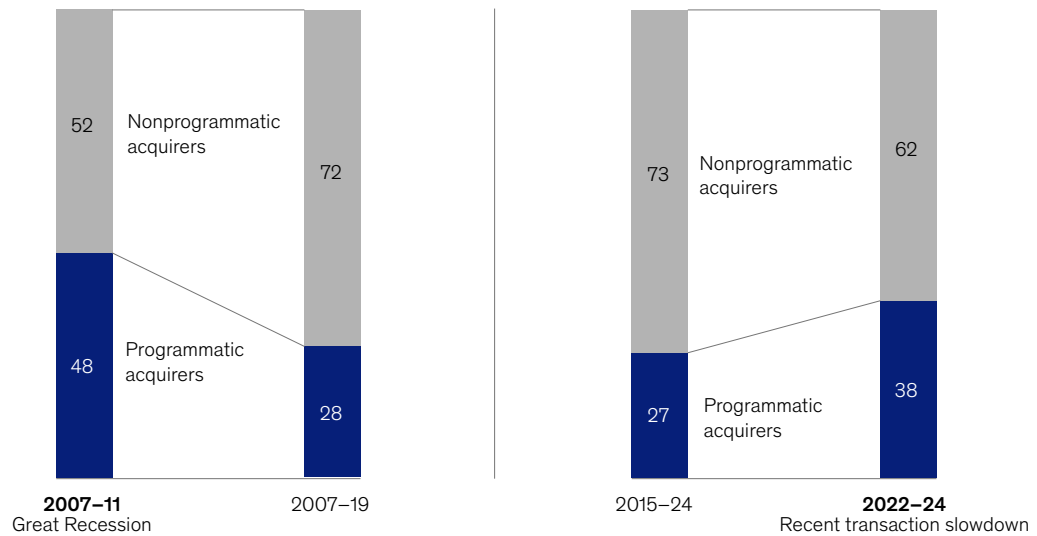
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Furthermore, the data show that programmatic acquirers pursue M&A consistently. In our latest analyses of the world's 2,000 largest global public companies (the Global 2,000), programmatic acquirers represented 12 percent of companies in the data set and accounted for, on average, 28 percent of deal value between 2007 and 2019, but this percentage jumped to nearly half of total deal value during the Great Recession (Exhibit 2). During the recent transaction slowdown, programmatic acquirers again accounted for a larger share of deal value than all those pursuing other M&A strategies.

Exhibit 2

Programmatic acquirers maintain a through-cycle approach to M&A.

Share of deal value from acquisitions performed by Global 2,000 companies, %¹



¹Companies that were among the top 2,000 companies by market cap. Excludes companies headquartered in Latin America and Africa. For programmatic acquirers, n = 236. For nonprogrammatic acquirers, n = 1,656.
Source: S&P Capital IQ, S&P Global Market Intelligence, accessed February 2026; McKinsey Value Intelligence; McKinsey analysis

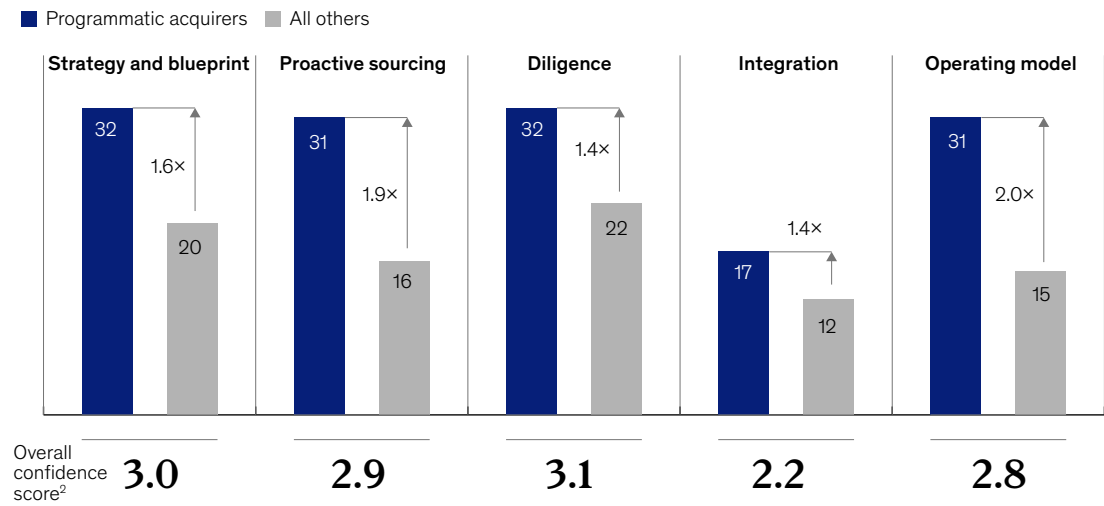
McKinsey & Company

Our survey of nearly 1,000 executives and managers reveals that programmatic acquirers accomplish this high deal volume by tapping into a set of distinctive capabilities across the M&A process.² The latest research shows a significant gap in capabilities between programmatic and nonprogrammatic acquirers, from the earliest stages of setting the M&A strategy and blueprint onward (Exhibit 3). What's more, the gap in capabilities such as how companies institutionalize lessons from earlier deals and maintain repeatable processes has widened. For example, in our 2021 survey, respondents from programmatic acquirers were 1.7 times more likely than others to report that they had a set of strong operating model capabilities; now they are 2.1 times more likely.

² In the survey results, we define companies as programmatic acquirers if, according to respondents, they completed more than two deals on average per year during the past five years.

Programmatic acquirers outperform other organizations on five sets of M&A capabilities.

Share of respondents strongly agreeing that their organizations have capabilities in the given area, %¹



¹For respondents at programmatic acquirers, n = 90. For all other acquirers, n = 434.

²Respondents' confidence in ability to execute related practices across M&A stages: 1 = low confidence; 4 = high confidence.
Source: McKinsey Global Survey on M&A capabilities, 878 participants, Jan 14–Feb 3, 2025

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How programmatic acquirers succeed at M&A

We believe that the capabilities for successful dealmaking can be developed by any company willing to make the investment. Fundamentally, business leaders need to view M&A as a capability to be honed rather than as a series of one-off events or projects. Below, we lay out five steps to develop or sharpen these skills.

1. Figure out where M&A could help you accomplish your strategy

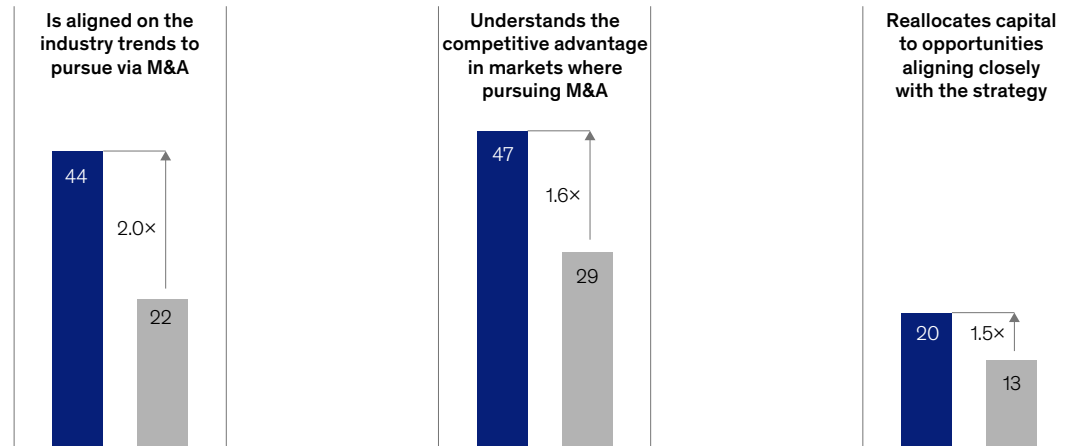
Programmatic acquirers start the M&A process with an advantage over others: Their organizations are twice as likely as others to be aligned on the industry trends they want to pursue via M&A and are 1.6 times more likely to have a clear understanding of their competitive advantage in the markets where they want to pursue acquisitions (Exhibit 4). They achieve this clarity by building [an M&A blueprint](#) and then ensuring that their top teams are aligned on it.

An M&A blueprint is meant to answer the question, “Where in our strategy can M&A advance our goals?” It allows organizations to focus on M&A themes linked to their strategic priorities. Without a blueprint, leaders are more likely to be reactive rather than proactive in their pursuit of M&A and to conduct deals not aligned with the company's goals.

Programmatic acquirers have an M&A blueprint, and they regularly reallocate capital to strategic priorities.

Share of respondents answering 'strongly agree' about their organizations, %¹

■ Programmatic acquirers ■ All others



¹For respondents at programmatic acquirers, n = 90. For all others, n = 434.
Source: McKinsey Global Survey on M&A capabilities, 878 participants, Jan 14–Feb 3, 2025

McKinsey & Company

An effective M&A blueprint is built around four key components. First, there must be a clear view of where to grow (and not) that is linked to the corporate strategy. Second, understand the constraints: How much capital can you spend on deals in the next 12 months? Does the target need to be profitable or below a particular size? Can you accommodate a longer time horizon for returns? Third, align the executive team and the board on the strategic direction and evaluation criteria to avoid disagreements midway through diligence. And last, clarify the organization's capabilities and capacity. For example, can the organization execute multiple diligence processes in a short time frame?

An M&A blueprint can also help identify areas to be deprioritized. Programmatic acquirers are not only 1.5 times more likely than others to regularly reallocate capital to opportunities that align with their strategy, but they are also 3.1 times more likely to have sold assets in the previous five years.

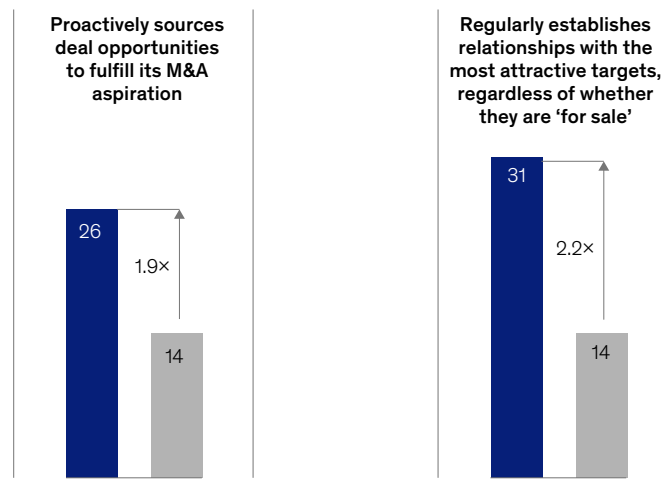
2. Start sourcing targets long before you're ready to acquire

Having agreed on their M&A themes, leaders at programmatic acquirers proactively identify, prioritize, and cultivate potential target companies long before embarking on a deal—and often before targets are on the market. Respondents at programmatic acquirers are about twice as likely as others to say their companies proactively source deal opportunities and establish relationships with the most attractive target companies, regardless of whether they are on the market (Exhibit 5).

Programmatic acquirers proactively source new deals.

Share of respondents answering 'strongly agree' about their organizations, %¹

■ Programmatic acquirers ■ All others



¹For respondents at programmatic acquirers, n = 90. For all others, n = 434.
Source: McKinsey Global Survey on M&A capabilities, 878 participants, Jan 14–Feb 3, 2025

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The goal is to identify desirable targets and establish relationships with them well before they may be “for sale.” Communicating to the target’s leaders how their company fits into your value creation story can help position you as the optimal buyer when the company does consider a sale. The survey results show that programmatic acquirers are 1.8 times as likely as others are to say their executives can articulate the vision for partnership with the target.

Three actions can help companies proactively source targets. First, use multiple sourcing channels (including banks, conferences, and partnerships) and AI tools to identify promising targets. Next, build a strategy for attracting targets, crafting the rationale for why you would be a logical and exciting owner, and laying out a compelling vision for value creation. Finally, empower a broad set of people within the organization to serve as deal hunters. M&A shouldn’t be the domain only of corporate development, strategy, and C-suite leaders, but should also include business unit leaders and midlevel individuals familiar with the local landscape.

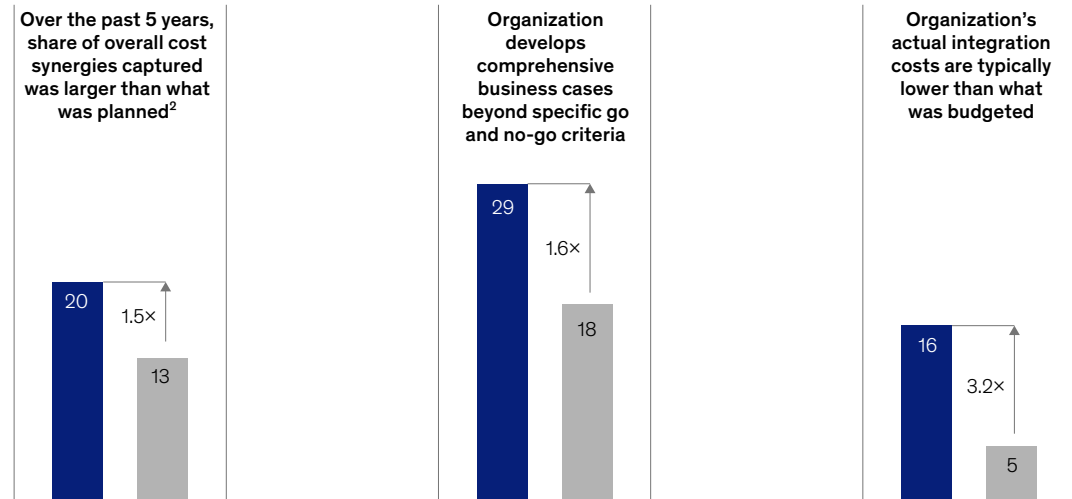
3. Go beyond the obvious

Our survey shows that programmatic acquirers have bigger, often transformative, aspirations and realize better outcomes from deals than do other companies. Specifically, they are more likely to develop comprehensive business cases, deliver cost synergies in excess of initial plans, and keep integration costs lower than budgeted (Exhibit 6).

Programmatic acquirers emphasize full value creation.

Share of respondents saying the given statement is true about their organizations, %¹

■ Programmatic acquirers ■ All others



¹For respondents at programmatic acquirers, n = 90. For all others, n = 434.

²>10% of expected synergies.

Source: McKinsey Global Survey on M&A capabilities, 878 participants, Jan 14–Feb 3, 2025

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Acquirers looking to achieve better outcomes should consider three elements. First, avoid constraining yourself to typical cost or revenue synergies alone, such as vendor consolidation, real estate rationalization, or cross-selling opportunities. Deals can help realize transformational ambitions that companies have been unable to previously achieve. For example, could you rethink the operating model and set up shared service centers, redesign the go-to-market model, or develop integrated product offerings? Programmatic acquirers often use M&A to catalyze growth. They are 1.4 times more likely to use M&A to expand product or service offerings, and are 1.8 times more likely to acquire new assets or capabilities.

Second, with the opportunities identified, create accountability and confidence in the deal's value by designating owners for specific initiatives, developing business cases, and closely tracking execution. Integration costs, in particular, should be carefully mapped during the diligence stage and then affirmed in detail during the integration. A clear approval process can help manage spending. For example, the integration office should closely oversee the potential impact of one-time IT integration costs.

Finally, companies should consider how the broader business case for the acquisition might affect integration. For example, we often see companies enter new markets with small acquisitions that require minimal integration effort because of little overlap between the two companies. As the acquirer makes additional deals in that market, however, the amount of integration effort increases. Thoughtful acquirers anticipate this potential for future deals. They might, for example, avoid integrating the commercial functions of the first target if they expect to integrate those functions into another target acquired within a few years.

4. Manage culture and talent with rigor

Addressing culture through the M&A process, especially during integrations, is critical to ensuring consistent acquisition success. As was true in [previous editions of this research](#), lack of management attention on cultural fit is the most common reason for deal underperformance. Cultural misalignment is cited by respondents nearly twice as often as disruptions to the core business and nearly four times more often than poor rationale for the deal. Even seasoned acquirers struggle with this issue. Only 13 percent of respondents from programmatic acquirers strongly agree that their organizations [manage culture](#) with the same rigor as other parts of the integration.

Best-in-class acquirers understand the specifics of management practices (that is, how work gets done) within both their own company and the target company. Invest in listening to what makes the target a successful company, recognizing similar strengths between the two organizations, and identifying potential points of friction. Diagnosing these differences and discussing them with the target can help prevent misunderstandings and operational friction. To improve the combined company's management practices, leaders should treat culture like other priority integration work streams, with an accountable senior business sponsor, detailed initiatives, and tracking to measure impact.

Programmatic acquirers put strong focus on talent retention and engagement overall at the target company. For example, respondents at these companies are 1.7 times more likely than others to say their companies communicate with the target's employees about organizational changes. Responses also show that programmatic acquirers are much more likely to identify key talent at target companies during diligence and offer financial retention incentives, as well as to develop bespoke talent retention plans. It's important not to overlook nonfinancial incentives such as calls from the CEO or site visits by your top team, although these tactics are less common: Fewer than three in ten respondents from both programmatic acquirers and other organizations say their companies have employed them during most of their recent integrations. However, we know from experience that executives' time spent with top talent is a powerful way to foster loyalty.

Leaders should treat culture like other priority integration work streams, with an accountable senior business sponsor, detailed initiatives, and tracking to measure impact.

5. Invest up front, and as you go, in the operating model and supporting tools

A strong M&A operating model, supported by the right tools, underpins a company's ability to achieve everything we discuss in the earlier steps. Respondents from programmatic acquirers are 2.5 times more likely than other respondents to say their companies have the right capabilities to execute their M&A strategy, and they hone those capabilities over time. For example, they are 2.5 times more likely to say they conduct postmortems after deals have closed, and they are much more likely to have playbooks capturing key lessons from past deals for each part of the M&A process (Exhibit 7).³

While a well-planned operating model improves the odds of M&A success, no single model is perfect for all companies. First, decide which part of the organization will handle the most critical work. For example, does M&A strategy development live within the central corporate strategy function or in the business units? Business leaders may find it necessary to create new roles within corporate development or integration leadership. Second, build integration expertise across functions. While programmatic acquirers are twice as likely as others to have a dedicated integration team, they also deliberately cultivate networks of talent across various functions that can be called upon to assist with deals. Also, demonstrating that high-potential colleagues can leave their day jobs for a year, play influential roles in an important deal, and then rejoin the organization in bigger or more visible roles signals that M&A is a top priority, encouraging top employees to join the work for future deals.

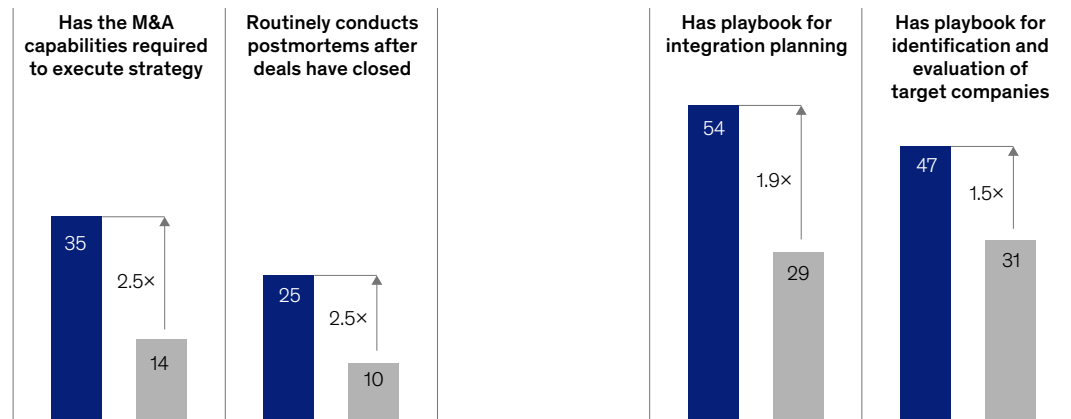
Exhibit 7

Programmatic acquirers treat M&A as a capability that can improve over time.

Share of respondents answering 'strongly agree' about their organizations, %¹

Share of respondents reporting playbooks at their organizations, %¹

■ Programmatic acquirers ■ All others



¹For respondents at programmatic acquirers, n = 90. For all others, n = 434.
Source: McKinsey Global Survey on M&A capabilities, 878 participants, Jan 14–Feb 3, 2025

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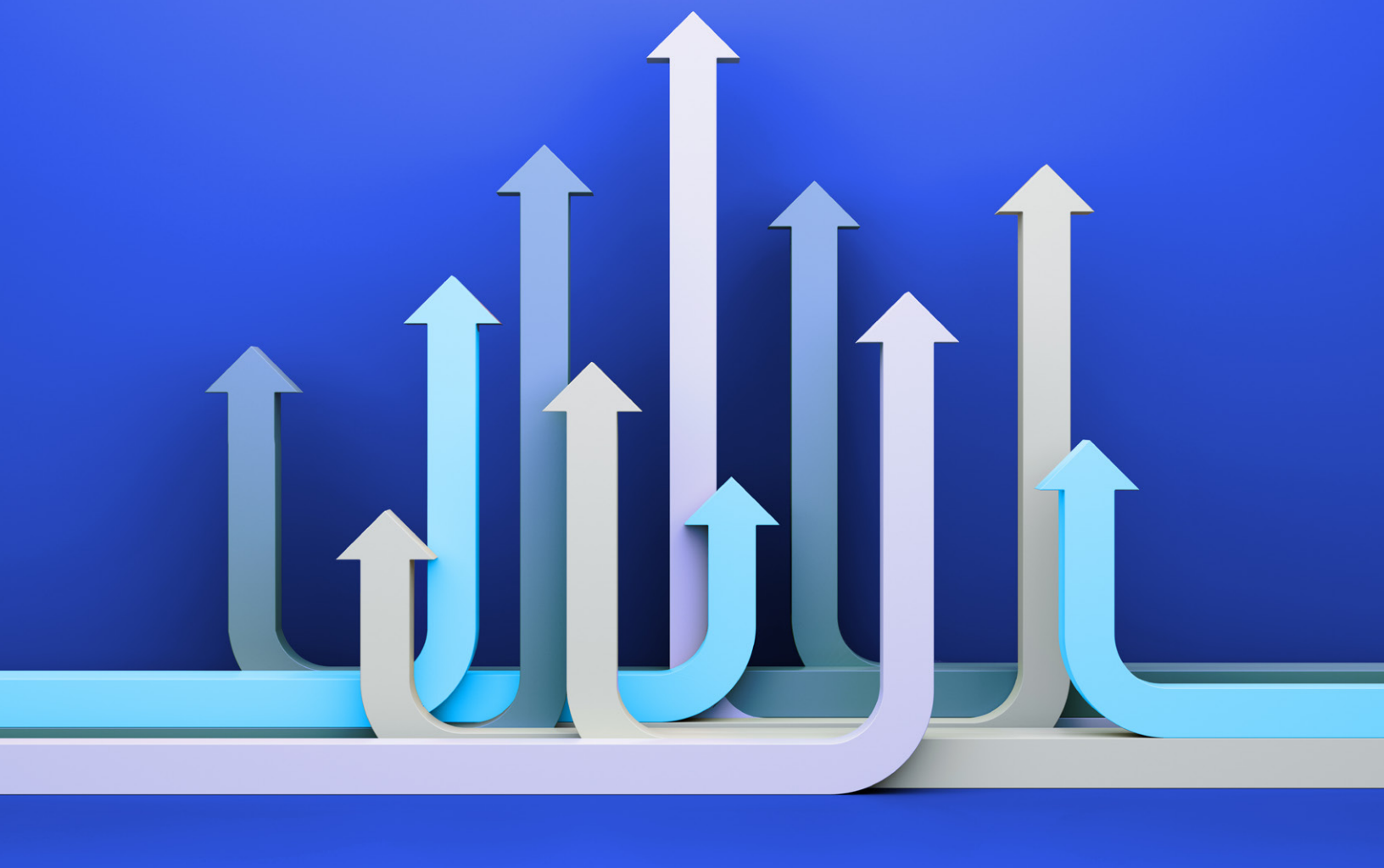
³ The survey asked about how-to guides or playbooks for sourcing, valuation, diligence, and integration planning and execution.

Finally, invest in technology that allows you to maintain your focus on delivering the value of the deal. M&A tools are evolving quickly. Cloud-based integration management software, combined with AI capabilities, can rapidly onboard new colleagues to integration work and create significant efficiencies in tracking and resolving interdependencies between functional integration plans.

Companies keen to use M&A to advance their strategies can start training today in preparation for the course ahead. To do so, they should set aspirations that go beyond the obvious deal rationales, proactively source deal opportunities and establish relationships with attractive targets, and prioritize culture and talent management during integration, all supported by the right tools and an operating model that can be strengthened through continuous improvement. They also should ensure that individual leaders and employees have the skills to follow through on the organization's M&A strategy. M&A leaders can act as coaches who continually train colleagues across the business, providing them with the expertise to contribute to the team effort of generating value from M&A.

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How strategic buyers can outperform financial investors by building a ‘synergy muscle’

Value derived from cost, capital, and revenue synergies can give companies a competitive edge to counter the premium prices financial investors often offer.

by *Jeff Rudnicki*, Paul Küderli, and Sebastian Muehlbauer
with Gordian Hoffmann

In the highly competitive world of M&A, financial sponsors—institutional investors such as private equity (PE) firms, hedge funds, and sovereign-wealth funds—have had the upper hand over strategic buyers, paying premium prices for attractive assets. This has led to a valuation gap with the prices that strategic buyers—typically corporations acquiring companies to achieve certain objectives, such as entering new markets or gaining scale—are willing to pay. Financial buyers have gained ground because they are, on average, more specialized and professionalized in M&A and willing to take bigger risks. As companies that are often private and have limited public reporting requirements, they can set more ambitious transformational goals and be more radical in executing them.

The battle is far from over, however, and strategic buyers have one advantage that financial buyers often lack: synergies, or the potential efficiencies gained by combining two companies. These include cost synergies (such as operational savings), capital synergies (improved allocation and utilization of capital), and revenue synergies (including opportunities for cross-selling and accelerated growth).

This article explores how companies can recapture terrain by building a strong “synergy muscle.” They can do this by adopting elements of the financial sponsor playbook and pursuing disciplined delivery of ambitious synergy targets, positioning themselves to win deals and create lasting value.

A valuation gap has emerged, with financial sponsors outbidding strategic acquirers

M&A is a highly competitive arena, with deal activity rebounding after the slowdown of 2022–23. Overall valuation levels remain high: Enterprise value to EBITDA (EV/EBITDA) multiples have climbed back to 10.5 times in 2025, in line with recent historical averages, reflecting renewed appetite for transactions. This trend has been largely fueled by strong multiple rebounds in 2025 across America (10.7 times) and Asia–Pacific (11.0 times), while Europe slightly lags behind with a multiple of 8.9, hovering near historical lows.

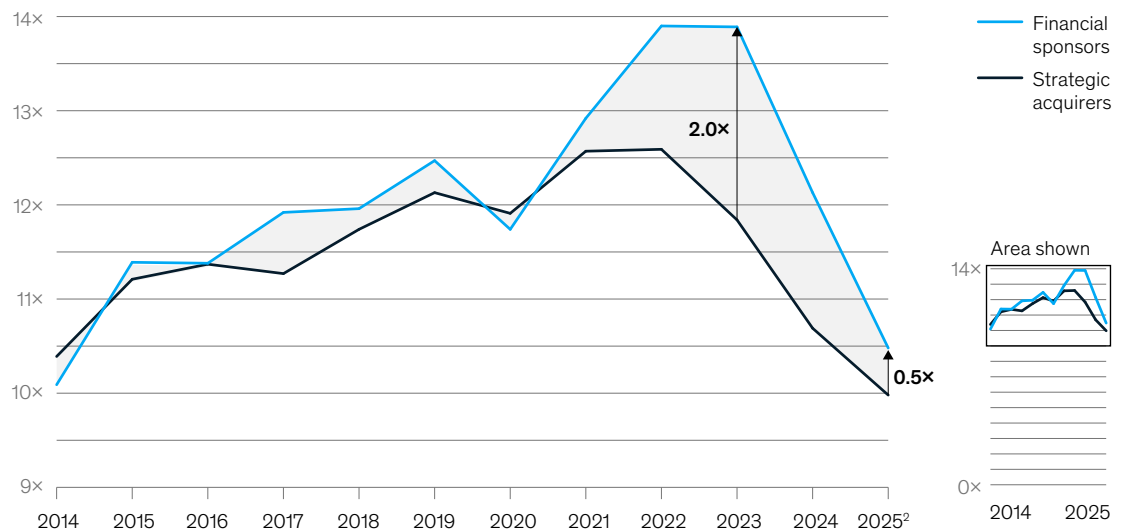
Initially, the EV/EBITDA multiples paid by financial sponsors and strategic acquirers showed no significant difference. However, starting in 2021, a valuation gap emerged, with financial sponsors maintaining high valuation levels (exceeding 12.1 times until 2024), while strategic investors adopted a more cautious approach (Exhibit 1).

This steadily growing gap in strategies peaked in 2023. At the time, financial sponsors were on average paying an 18 percent higher EV/EBITDA multiple than strategic acquirers—a twofold gap. Since then, the gap has narrowed but remains significant, with a current difference of 0.5 times, equating to financial sponsors paying approximately 5 percent higher valuation levels in 2025.¹ This trend is particularly pronounced in industries such as energy and natural resources, industrials, consumer packaged goods, and retail.

¹ This trend persists even after accounting for the unprecedented effects of the COVID-19 pandemic years by applying a three-year average and controlling for varying industry exposures, which inherently influence multiples.

A valuation gap between financial sponsors and strategic acquirers has emerged.

EV/EBITDA, 3-year median, multiples¹



¹EV/EBITDA is the ratio of enterprise value to EBITDA. Analysis considers noncanceled controlling deals with a final ownership stake of $\geq 50\%$ and excludes multiples $< 0.1\times$ or $> 100\times$. A weighted average was calculated using total deal size for each industry and applied equally to both financial and strategic transactions. Median multiples were applied to ensure robustness and comparability.

²Data from January 1–August 30, 2025.

Source: S&P Global Market Intelligence; McKinsey analysis

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Historically, investors viewed strategic buyers as the best owners of assets because of deal rationales such as scale effects and industry consolidation. Strategic acquirers were also able to pay higher multiples because of their ability to capture synergies. More recently, however, a critical hallmark of best ownership is the ability to maximize value creation, and sponsors have positioned themselves to benefit from this shift by focusing on transformation. They have realized operational improvements in portfolio companies by streamlining operations and support functions, creating commercial excellence, and maintaining a rigorous emphasis on growth. They have deployed flexible deal and governance structures. Leverage also remains an important tool for sponsors, enabling them to enhance returns and support higher valuations. It was particularly effective during the era of low interest rates and cheap financing, until early 2022. Since then, rising interest rates and macroeconomic challenges such as inflation have slightly tempered this effect.

At the same time, PE's "dry powder" has more than doubled since 2014, creating pressure to deploy capital and intensifying the competition for attractive, cash-generative assets. Having proved that they can sustain high valuations, many sponsors are now leaning into synergy-driven plays themselves. These include rollups of portfolio companies and "string of pearls" strategies. Such strategies help them maintain their lead in value creation.

To ‘get the deal,’ synergies are crucial for strategic acquirers

For strategic acquirers to effectively compete with PE buyers, they must leverage their key structural advantage—synergies—and outperform in this area. That will mean adopting a broader view of the diverse types of synergies available. Traditionally, value creation through synergies has primarily been centered on cost reduction. However, the most successful acquirers create value by harnessing a combination of cost, revenue, and capital synergies, often within a single transaction. Strategic acquirers that excel in identifying, quantifying, and capturing a full range of synergies will secure a competitive edge in the evolving M&A landscape.

Cost synergies

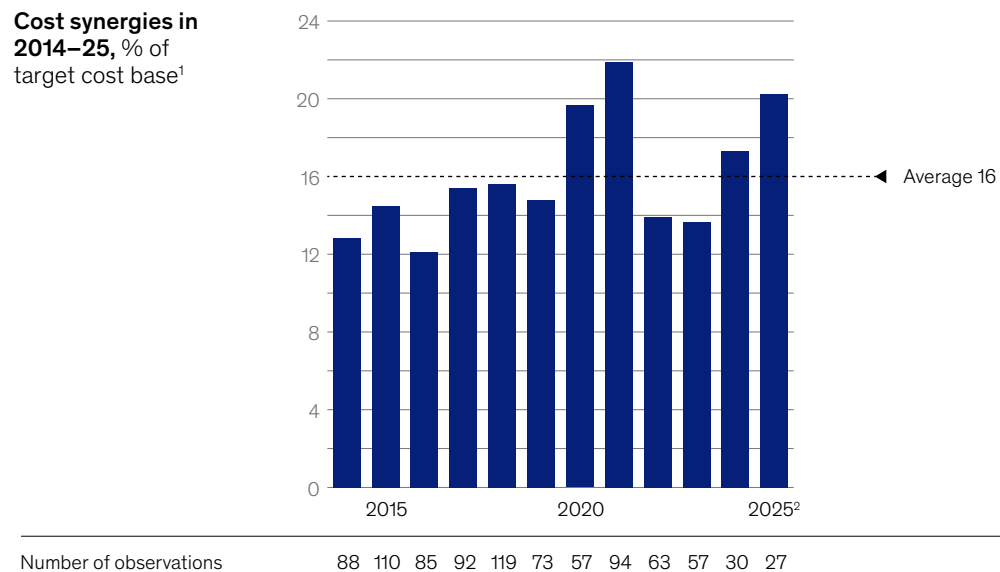
Some players are already doubling down on cost synergies as a means to create value: Announced cost synergies as a percentage of the target’s cost base for 2024 and 2025 are significantly exceeding the historical average of about 16 percent (Exhibit 2). This signals a shift toward more aggressive synergy realization targets, topped only by the aspirations in 2020–21.

The push for more ambitious cost synergy announcements is not being driven solely by financial sponsor competition and the associated valuation gap. During periods of geopolitical and economic uncertainty, investors often demand clearer and more compelling deal rationales, rejecting transactions that fail to meet heightened synergy criteria. Higher interest rates can

Exhibit 2

The announced cost synergies as a share of the target’s cost base have risen sharply.

Cost synergies in 2014–25, % of target cost base¹



¹Analysis considers deals with relative size >10% and deal size >\$500 million. Announced synergies are based on the average to reflect the full potential range of value creation, including the impact of higher-end synergy estimations.

²Data from January 1–August 30, 2025.

Source: S&P Capital IQ; McKinsey analysis

influence investors, as these raise the weighted average cost of capital and thus require greater synergies to make deal calculations viable. Furthermore, companies have become more adept in recent years at synergy-related value creation, which allows them to be explicit up front about their bolder aspirations. This is especially the case for programmatic acquirers; they align most closely with best-practice capabilities throughout the deal cycle, from strategy and sourcing to diligence and integration. Programmatic acquirers have shown that they can achieve higher TSR alongside lower long-term risk. Their approach, requiring more than two deals per year with meaningful market capitalization, allows them to continually refine their M&A playbooks and synergy blueprints (see “[Five steps to strengthen M&A capabilities, no matter the starting point](#),” on page 100).

Capital synergies

While companies can boost operational efficiency by targeting cost synergies, capital synergies enable the optimization of capital structures and support growth and transformation by freeing up cash. This helps create more resilient balance sheets with which to navigate uncertain markets. Capital synergies are less commonly emphasized than cost synergies and are announced even less frequently, which makes it challenging to conduct long-term quantitative analysis across deals.

Revenue synergies

Revenue synergies, the third type, play an increasingly critical role in the value creation story for deals. This shift is partly driven by changes in deal rationales, with a notable rise in “step out” deals (in other words, deals outside acquirers’ core sectors) that often rely on significant cross-selling to be justified. It also reflects heightened demand from investors for clearer and more tangible deal theses: What are the combined companies’ growth vectors, beyond the traditional, quick-win cost synergy opportunities? By announcing growth expectations that are above those for historical deals, companies can show stronger conviction in their transactions based in part on the revenue synergies they can generate. They can also set bolder ambitions for incremental top-line impact.

Within the universe of deals with companies that have set public synergy targets, the share of transactions that included an initial view of potential revenue synergies has climbed from about 13 percent during 2010 through 2014 to almost 20 percent over the past five years. Furthermore, rather than anchoring on improved efficiencies, announced revenue synergies represented a median of 17 percent of the target company’s revenues from 2020 onward, nearly tripling the 6 percent of 2015–19 (Exhibit 3).

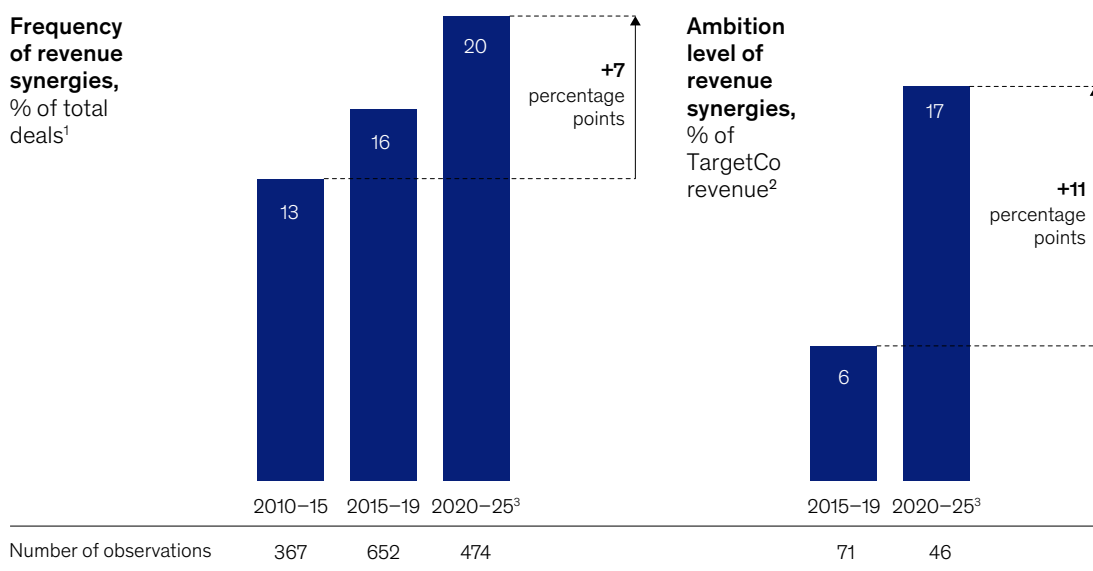
Following their initial deal announcement, companies have even placed additional emphasis on proving that they can deliver on their revenue synergy commitments by providing synergy performance updates and outlook revisions. A recent notable example includes FIS raising its external revenue synergy goal for its merger with Worldpay from \$500 million to \$550 million not even a year following its 2019 deal close.² Another example is Chart Industries, which reported that it had generated \$530 million in top-line benefits from its purchase of Howden, exceeding its original guidance by more than 50 percent.³

We observe a consistent trend of strategic acquirers not only raising the bar for synergy targets over time but also increasing both valuations and public synergy commitments during competitive bidding processes to secure a deal.

² Fidelity National Information Services and Worldpay Q4 2019 earnings call, M&A call transcript, February 13, 2020.

³ Chart Industries and Howden Joinery Group Q4 2023 earnings call, M&A call transcript, February 28, 2024.

More companies have been focusing on revenue synergy announcements to highlight value creation in deals.



¹Number of deals with revenue synergies divided by total number of deals with disclosed synergies.

²Analysis considers deals with disclosed revenue synergies, an acquired stake of >50%, noncanceled deals, and noncohort investments.

³Data from January 1–August 30, 2025.

Source: S&P Capital IQ; McKinsey analysis

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In some cases, the drive to complete the deal pushes strategic acquirers to surpass even their own original synergy aspirations. For instance, in 2021, Canadian Pacific Railway made an initial \$29 billion bid to acquire Kansas City Southern Railway Company, which included an anticipated \$780 million in EBITDA impact from potential cost and revenue synergies.⁴ Shortly after, Canadian National Railway Company countered with a \$33.7 billion offer that featured an even higher \$1 billion EBITDA synergy target.⁵ Although Canadian National Railway's bid was ultimately unsuccessful because of regulatory challenges, Canadian Pacific Railway responded by revising its offer to match the \$1 billion synergy outlook in its final \$31 billion purchase price.

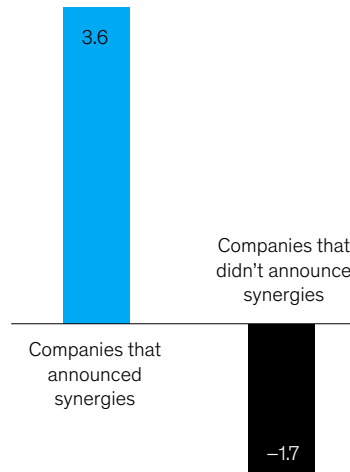
Making bold synergy commitments serves a greater purpose than simply helping strategic acquirers clinch the deal. Investors highly regard strategic buyers that pursue value creation in M&A with broader transformation as the goal, embracing ambitious synergy targets as part of their approach. Consequently, acquirers that publicly announce synergy goals for their major transactions outperform in TSR by approximately 3.6 percent relative to minus 1.7 percent of those that do not (Exhibit 4).

⁴ "Canadian Pacific and Kansas City Southern execute agreement to combine, creating first single-line rail network linking U.S.-Mexico-Canada," PR Newswire, September 15, 2021.

⁵ Greg Roumeliotis, "Canadian Pacific challenges Canadian National with \$27 bln Kansas City Southern bid," Reuters, August 10, 2021.

Announcing synergies boosts companies' chances of achieving excess TSR for their major M&A moves.

Median 2-year excess TSR in 2014–23, % (n = 131)¹



¹Analysis considers majority acquisitions announced or closed by Global 2000 acquirers, valued at ≥\$1 billion in enterprise value, and involving target companies with revenues representing ≥30% of the acquiring company's revenues at the outset of the deal. Global 2000 companies include organizations in Asia–Pacific, Europe, or Asia that were the top 2,000 by market capitalization as of Dec 31, 2012 (>\$2.5 billion) and were still trading as of Dec 31, 2022. Analysis excludes transactions with negative premiums and assumed outlier companies with anomalous capital market performance (those companies where the 2-year, postdeal announcement beta constituted a z-score >1 or <-1, based on an average 2-year beta of 1.16). Source: MSCI; S&P Capital IQ; McKinsey analysis

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A transformation mindset enables strategic buyers to outperform

For strategic buyers, articulating the rationale for each transaction is an essential first step, as this identifies the most critical types of synergies for value creation. For instance, “tuck in” acquisitions often require more targeted integrations to deliver cost synergies in single business units, while industry consolidation plays tend to prioritize back-office cost efficiencies. Conversely, M&A deals aimed at geographic expansion typically generate substantial region-specific revenue synergies.

After clarifying how deal rationales influence synergy potential, companies should diligently apply best practices related to synergies in order to bid for the target's true value, get the deal, and maximize value creation (Exhibit 5).

Strategic acquirers can use six levers across all deal phases to build a synergy muscle.

 Due diligence and deal execution	 Preclose integration planning	 Postclose integration execution
1 Apply a full-potential approach to integration and transformation of NewCo (including transformation of core businesses)		
2 Use clean teams before signing and deal close to accurately size synergies		
3 Build a compelling synergy case (with detailed initiatives) as early as possible		
	4 Take a staggered approach to synergy targets and announcements	
	5 Set up a structured and empowered integration management office (IMO)	
	6 Ensure effective management of interdependencies between IMO and cross-functional teams	

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Applying a full-potential approach across the deal cycle with a transformational mindset

Synergies are not just about combining and improving revenue streams, cost bases, or capital; they can be a lever for true transformation, for both target and acquirer. Financial sponsors consistently look at potential deals through a “full potential” lens, while many strategic buyers limit themselves to more narrow combinational synergies such as cross-selling possibilities or a footprint overlap. They often shy away from truly transformational levers, particularly when synergy capture is associated with high investments or larger transformation efforts. This means opportunities to fundamentally reshape and improve the target and the acquirer’s effectiveness often remain untapped, whereas the transformational mindset of financial sponsors maximizes value creation potential (Exhibit 6).

Take an automotive supplier consolidation: Rather than simply merging R&D budgets, the acquirer can use the integration to redesign R&D processes around automation, analytics, and generative AI. For instance, software testing can be rebuilt with higher automation shares from day one, creating faster cycles, better quality, and lower cost. That is a different level of value creation than just “adding up” existing teams.

Applying this full-potential approach means not stopping at consolidation and value creation with a focus on the target. Instead, every deal can be treated as a trigger for transformational change for the entire new company. That involves challenging how sales, operations, and R&D are run in both companies, leveraging proven playbooks from either company, and redesigning operating models for step change performance. A disciplined, technology-enabled approach avoids leaving value on the table—and creates a prime opportunity to bring transformational change to the entire organization.

Elevating your synergy game: A self-assessment tool

To maximize value creation from M&A, it's helpful to conduct a critical evaluation of your organization's approach to capturing synergies.

Levers	If you think about your past years' deals, did you . . .	
 Applying full-potential approach	. . . establish a full-potential approach throughout your organization as early as the diligence phase to ensure transformational opportunities were identified, quantified, and integrated into the synergy case from the outset?	☐ Always ☐ Sometimes ☐ Never
 Using clean teams early and rigorously	. . . deploy clean teams with clearly defined roles and responsibilities early in the deal process?	☐ Always ☐ Sometimes ☐ Never
 Creating a compelling synergy case	. . . build a rigorous synergy case grounded in bottom-up planning, functional deep dives, and leadership alignment while reassessing insights postacquisition to unlock full value creation potential?	☐ Always ☐ Sometimes ☐ Never
 Effectively tailoring target set and announcements	. . . effectively set internal and external synergy targets to balance ambition with credibility?	☐ Always ☐ Sometimes ☐ Never
 Establishing a structured and powerful integration management office (IMO)	. . . leverage the full potential of an IMO as a central driver of value creation with senior, dedicated leadership and fast decision-making authority to track and enforce synergy delivery?	☐ Always ☐ Sometimes ☐ Never
 Ensuring interdependency management and cross-functional collaboration	. . . rigorously map interdependencies across functions, assign shared accountability, break down silos, and enforce collaboration to ensure synergies are captured without bottlenecks?	☐ Always ☐ Sometimes ☐ Never

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Detailing synergies early on using clean teams and driving planning in the integration phase

A recurring challenge in paying for synergies is uncertainty about what is truly achievable. Clean teams are a proven way to reduce this uncertainty. They can be independent third parties or a carefully selected subset of internal employees, always cleared and overseen by legal counsel to ensure full compliance with antitrust rules. In practice, such teams analyze sensitive competitor data in a controlled environment and report only the results, such as quantified overlaps or synergy potential, rather than the details of the underlying analysis. Boards and decision-makers can use this information to help set deal pricing and integration plans without exposing or being exposed to sensitive data.

In sales and procurement, for example, a clean team can match customer and supplier lists from the buyer and target and report only the financial overlap without disclosing names. This provides clarity on, for instance, cross-selling opportunities before signing, while also forming the basis for day one customer approaches and supplier discussions. For strategic buyers, which face inherent conflicts when accessing competitor data, clean teams are often the only way to establish the same level of fact-based confidence in synergies as financial sponsors.

Clean teams help maximize value. They can be deployed early to validate the synergy case with hard facts and can then extend their role into bottom-up detailing and day one execution planning. The more granular and credible the synergy case, the better it can be communicated to capital markets, investors, and company teams. This credibility not only reduces risk but also sharpens deal decisions and creates the foundation for faster, more certain value capture. Clean teams are not a compliance checkbox; they are a strategic lever to derisk, accelerate, and unlock the full potential of the transaction.

Building a credible, actionable, and immediate synergy case unlocks maximum value in M&A

A successful synergy case is not solely built on top-down assumptions or benchmarks without sufficient context. It requires discipline early in the diligence process. Three factors need to come together: rigorous bottom-up planning, strong involvement from the top team, and clear prioritization of the highest-impact levers. While benchmarks can serve as useful initial indicators of priorities, a credible synergy case is built on functional deep dives and detailed bottom-up planning, especially in areas with the greatest value creation potential. Equally important, those responsible for execution will need to validate the results and refine them to direct leadership focus where it will have the most impact.

Instead of assuming a generic 20 percent savings for SG&A, functional teams should ideally size specific, actionable opportunities as the deal matures. In procurement, this could mean consolidating supplier bases, channeling volume into fewer frame agreements, and negotiating better terms. In functions, the different HR headquarters might be merged into one location, while finance shared services are reduced to a single hub. In the footprint, overlapping R&D or production sites can be consolidated or repurposed to create a leaner, more efficient network. On the top-line side, cross-selling opportunities through a complementary footprint can be quantified early to add further credibility. Buyers can reinforce this process with a “value capture summit” before day one, where clean-team insights, functional detail, and CEO-level attention come together to align leadership on priorities.

A bottom-up synergy case needs to be built early on with increasing levels of detail throughout the deal process, such as breakdowns per site. The synergy case needs to be owned by leadership, with the most important synergies grounded in evidence and execution reality, not just benchmarks. The focus should be on the few initiatives that truly move the needle, with the top team aligned on them from the start. Cost levers like headquarters consolidation, supplier integration, and footprint rationalization can be combined with revenue levers like bundling and cross-selling to create a complete story that’s credible in the market and actionable internally. Without this discipline, synergy cases would remain abstract wish lists. With it, they become the foundation for confidence, execution, and long-term value creation.

Creating a clear hierarchy of synergy targets balances market credibility with maximized value creation

The highest-value deals succeed because they carefully separate internal ambition, internal business case, and external communication. Internally, functional leaders, the integration lead, and top management set stretch targets that reflect the full potential of the deal, including transformational initiatives such as outsourcing, automation, or standardization. These internal targets form the basis of the business case. External communication is deliberately more modest and focused on quick wins. This tiered model ensures internal ambition, discipline in decision-making, and credibility with investors and stakeholders.

Internal management targets are set at full potential, reflecting the total opportunity if transformational levers are fully utilized. The business case then reflects this ambition, factoring in some implementation leakage and realistic timing. It is crucial to revisit and reassess these internal synergies once the business has been acquired. Too often, executive teams are unwilling to go beyond the synergies that they committed to during due diligence, effectively setting value with the brakes on. This lack of ambition can leave significant opportunities untapped. A postacquisition review of synergies allows leadership to challenge initial assumptions, identify new levers, and push for greater value creation beyond the constraints of the diligence phase.

External announcements focus on opportunities that come with a high level of certainty, such as overlapping functions or straightforward procurement savings. Financial sponsors push this model with far greater pace and ambition, particularly in the critical first year. They drive aggressive full-potential targets from day one, translate them into business cases with minimal leakage, and tie them to management incentives.

Rigorous application is called for. Teams need to be stretched to meet full-potential internal targets, translating them into a demanding but realistic business case and communicating only what can credibly be delivered. Above all, management incentives should be aligned directly to synergy milestones rather than generic EBIT or revenue metrics. Financial sponsors show what best practice looks like: They front-load value creation by driving more than half of synergies in year one, tie a significant portion of management compensation directly to delivery (often linked to equity), and embed operating partners to enforce accountability. Strategic buyers can capture greater value by adopting the same pace, ambition, and incentive discipline.

Driving synergy realization and long-term value with a well-structured integrated management office

An integration management office (IMO) acts as the control tower of M&A integration, providing transparency, alignment, and disciplined execution. Through structured governance—regular reviews, dashboards, and clear escalation processes—the IMO ensures accountability and keeps milestones on track. With fully dedicated resources from both organizations, it becomes the central engine for driving synergy realization and sustaining long-term value.

A best-practice IMO combines two elements. First, it provides a strong governance backbone: senior integration leaders, weekly reviews, and a clear escalation path. Strategic buyers can take a page from financial sponsors here, appointing an “integration CEO” with the mandate to make quick day-to-day decisions, mirroring the fast, empowered decision-making often seen in PE deals. Second, the IMO taps a dedicated value creation team to work hand-in-hand with functional leaders to size, track, and deliver each synergy lever. Each initiative has a named owner, measurable KPIs, and disciplined follow-through, ensuring that opportunities do not slip into vague intentions.

Such moves require building an IMO that is more than a reporting function. It needs to be the driver of value. It can be staffed with dedicated senior leaders who have the authority to act without waiting for biweekly or monthly steering committees. Empowering an integration CEO helps hardwire fast decision-making. A value creation team needs to push functional leaders to own their synergies, track them against KPIs, and deliver on time. Best-in-class acquirers leverage transformation best practices: Synergy-related initiatives are categorized by the maturity levels L1–L5 (for example, L3 includes a business case and implementation plan with a clearly defined timeline), while the IMO maintains a strong drumbeat to ensure initiatives progress through maturity levels on time. Above all, the IMO should be treated as the deal's operating system: Without it, synergies drift; with it, they are captured early, and momentum is maintained for long-term transformation.

Establishing effective interdependency management and cross-functional collaboration

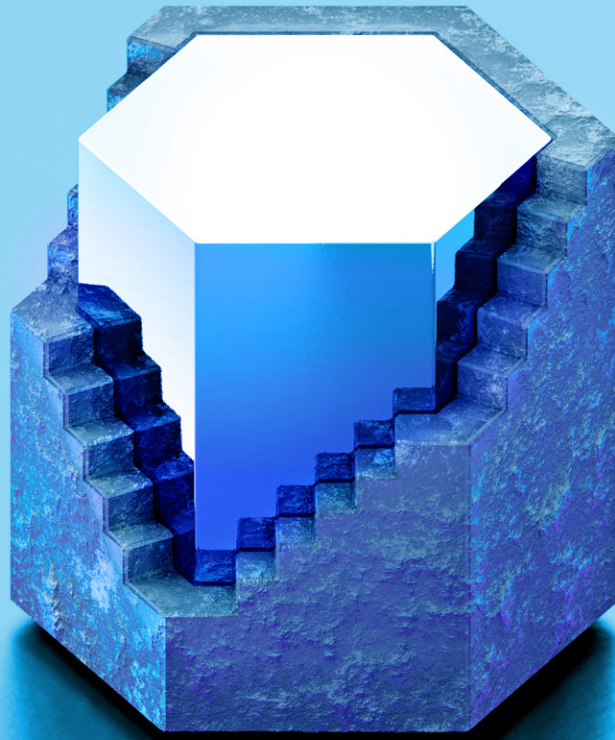
Most synergy levers do not sit neatly within a single function but depend on collaboration across multiple parts of the business. Procurement savings rely on R&D aligning specifications and the supply chain providing clean demand data. Commercial synergies call for product, pricing, and sales teams working in lockstep. Footprint optimization requires coordination among operations, HR, and finance. Without structured orchestration, these interdependencies slow down decisions, create bottlenecks, and lead to value leakage. Successful acquirers make managing these links and driving collaboration a central part of their integration playbook.

Leading buyers embed cross-functional collaboration into the IMO, which maps interdependence across functions, assigns clear joint ownership, and enforces sequencing with shared milestones and KPIs. For instance, a procurement workstream only moves forward once R&D has harmonized designs and the supply chain has validated demand forecasts. By making these dependencies explicit and ensuring teams plan and act together, value capture accelerates instead of stalling. Day one readiness is critical here: Joint planning sessions and cross-functional decision forums ensure that dependencies are addressed before they become roadblocks.

Bringing these elements together makes it clear that capturing synergies is not a single initiative but a system of reinforcing practices. Strategic buyers that elevate synergy delivery to a CEO-level agenda, with clear ownership and private-equity-style discipline, consistently outperform those not going beyond initial benchmarking or incremental approaches. Ultimately, the winners in M&A will be those that transform synergy delivery from a one-off exercise into an ingrained capability, a true synergy muscle. This will enable them to compete head-to-head with financial sponsors and create lasting value.

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Unlocking merger value through operating model design

Mergers represent a rare opportunity to transform an organization's operating model to achieve strategic objectives and deliver promised value. That requires a thoughtful, leader-driven process.

This article is a collaborative effort by Kameron Kordestani, [Rebecca Kaetzler](#), and Torsten Bernauer, with Anita Dutta and Lukas Krenz, representing views from McKinsey's M&A Practice.

A merger provides an exceptional moment for executives to reflect on the performance of a company's operating model—the structures, processes, talent, and behaviors that make up an organization. Does the existing model serve the objectives of the combined companies? In most large-scale mergers or acquisitions, meaningful and swift operating model redesign will be necessary for one or both of the merging companies to achieve these objectives.

In our experience, leadership should focus on five priorities when designing an operating model during a merger:

- quickly defining end-state and interim operating models for the combined company
- using the integration to selectively transform the organization
- announcing leaders quickly
- building an operating model that enables the aspired culture
- managing change to ensure that employees are equipped to do their jobs at all stages of the transition

This article suggests how company leaders can approach these priorities to ensure successful operating model design during a merger.

Quickly defining end-state and interim operating models for the combined company

Designing the right operating model for the future company will strongly affect the ability of company leaders to realize their deal goals. Thus it is important to be comprehensive in designing all elements of how the organization will run to achieve the most important goals of the combined company. Quickly deciding on an operating model aligned to the rationale of the merger will help leaders ensure that the integration is tailored to deliver on the strategic and value creation objectives of the merger as soon as possible. This will in turn guide priority integration decisions, which will need to be made early on and then pressure tested as day one approaches.

Elements of the operating model

Operating model design covers structure, process, talent, and behaviors.¹ Together, these elements enable an organization to deliver on its strategy. We define these categories as follows:

- *Structure* encompasses how accountable units and mission teams are organized to enhance prioritization and accountability in the postmerger organization. This includes reporting lines, value creation streams, governance structures, role scoping, functional support for business lines, and geographic focus.²

¹ For more, see [“A new operating model for a new world,”](#) McKinsey, June 18, 2025.

² For more, see Aaron De Smet, Gregor Jost, and Leigh Weiss, [“Three keys to faster, better decisions,”](#) *McKinsey Quarterly*, May 1, 2019; Aaron De Smet, Gregor Jost, and Leigh Weiss, [“Want a better decision? Plan a better meeting,”](#) *McKinsey Quarterly*, May 8, 2019; and Iskandar Aminov, Aaron De Smet, and Dan Lovallo, [“Good decisions don't have to be slow ones,”](#) *McKinsey Quarterly*, May 1, 2019.

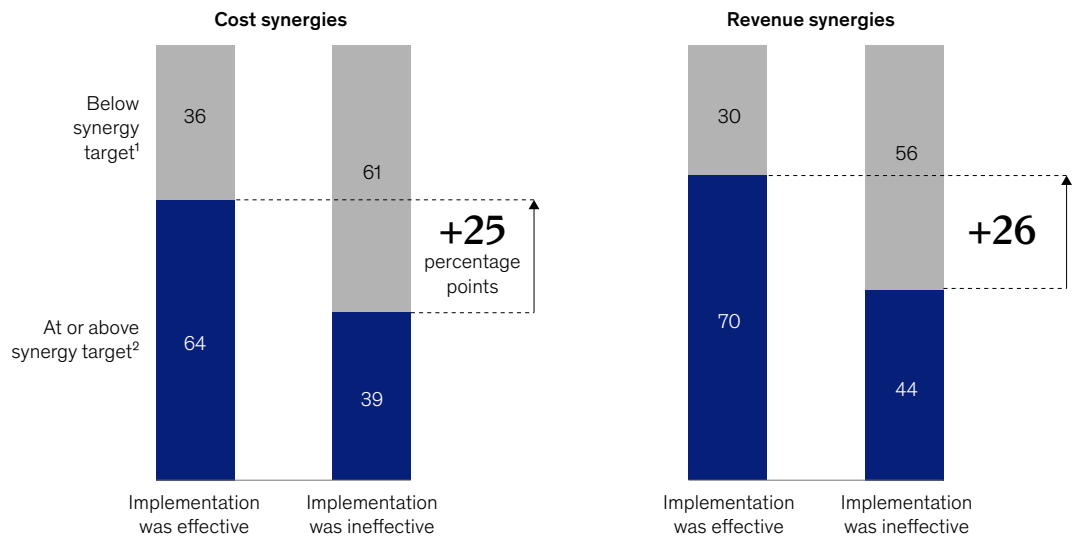
- *Process* focuses on workflow design, which often requires a deep redesign to align with the new company’s strategy, especially with the growing role of data and AI.
- *Talent* encompasses how the company attracts and develops its people to ensure that the right capabilities are available to meet value creation goals.
- *Behaviors* reflect how culture is lived—the unique “secret sauce” that creates value for employees and customers.

Addressing these operating model elements holistically during a merger is essential to getting operating model design right and capturing the value promised to investors and employees. Our research shows that organizations reporting effective implementation of the combined operating model postmerger are more likely to meet or exceed cost and revenue synergy targets (exhibit).³

Exhibit

Companies that design an effective operating model during integration planning improve their odds of capturing synergies.

Reported effectiveness of new operating model implementation, by synergy achievement,
% of respondents (n = 878)



¹≤90% of synergy target.

²At target: within 10% of synergy target; above target: ≥110% of synergy target.

Source: McKinsey Global Survey on M&A capabilities, 875 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures, January 14–31, 2025; McKinsey Value Intelligence Platform; Organizational Health Index by McKinsey

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³ McKinsey Global Survey on M&A capabilities, 875 participants representing the full range of regions, industries, company sizes, functional specialties, and tenures, January 14–31, 2025; McKinsey Value Intelligence Platform; Organizational Health Index by McKinsey.

Steps between model design and end state

Unlike classical operating model design in which a company moves directly from the current state to the end state, operating model design during a merger often requires interim steps that can be different in various parts of the organization. For example, a day one operating model (that is, immediately after deal close) might be in place for one to two years across the combined organization, or parts of it, before the end-state model is implemented. This interim step can arise because of the need to balance value capture goals with business continuity over the course of the integration. We have seen this in several mergers. One example involved two consumer beverage players, for which the complexities of the merging organizations' sales and marketing business units precluded their ability to transition to an end-state operating model on day one. Such interim-state operating models are particularly common in commercial business units due to preclose regulatory constraints on data sharing.

Depending on the issues encountered during the integration, leadership usually must work quickly to align not only on an end-state model for the new company but also on at least one interim model. Speed is of the essence in making these decisions, given the impact that they have on all integration planning activities. When designing both the end-state and interim operating models, leadership should prioritize opportunities to selectively transform the organization to enable the deal rationale. While doing this, it is also critical to ensure that the value of the merger is not diluted in the transition process, particularly in the context of protecting the distinctiveness of an acquired company.

Quick alignment on a day one interim operating model is essential to enable planning in support of business continuity. However, this interim operating model should be driven by the end-state goals. It needs to enable a seamless transition as layers of the organization are designed and rolled out, often over phases. The first phase toward a seamless transition is the announcement of the first layers of the organization.

Using the integration to selectively transform the organization

To determine the future operating model, leaders can align on a clear set of design principles that will shape the objectives, outcomes, and guardrails for the end-state design. This will help integration teams design the details of the new operating model to achieve specific outcomes.

Considering the strategic goals

The future CEO leads the development of the operating model's design principles in line with the combined company's strategic objectives. The principles can vary depending on capacity and context. For example, when integrating a much smaller entity into a larger one, a CEO may choose to make only targeted changes to the acquiring company's existing operating model. This will allow the integration team—the group of employees selected to fully dedicate their time to planning the integration of their respective business units—to preserve value and move as efficiently as possible, with minimal disruption to the broader organization. When a company is acquired for its unique capabilities or talent (such as in R&D acquisitions), the acquiring organization's leaders may choose to ring-fence and nurture that organizational unit. And in an integration of two large companies with a focus on full-scale transformation, leaders may choose to double down on centralization and scaling of efficiencies. Even in such full-scale transformations, priorities should be set so as not to overload the organization, ensuring that change is navigated effectively. As an example, this may mean focusing on SG&A costs at the start, before focusing on operations, to reduce disruption.

Developing the preliminary end state

After designing the top-level elements of the future operating model, more leaders can be brought on board to fully design the details of the end-state operating model. These leaders will need to be open to meaningful change in designing the end state, as the new company will likely follow an organizational model that neither of the companies' leaders has experienced. For example, the end-state operating model may include transformational operating model elements, such as use of AI or other technologies across the business.

Full implementation of a new operating model rarely occurs by day one, as organizational units will typically move toward their end states at different paces. For example, functions like HR and finance often move to their end states more gradually because they need to retain excess capacity in the months after close to support the rest of the organization's transition. On the other hand, a sales force may transition to its end state on or immediately after day one to streamline customer points of contact and to minimize the risk of damaging the customer experience.

Given varying transition speeds, integration leaders will have to develop a detailed, consolidated plan to reach the end-state operating model. This should include a day one and interim structure, governance model, and transition plan that details the strategic decision-making taking place across the merging organizations. The transition phase can also provide an opportunity to test lower-level structures as well as a detailed process and governance design.

Announcing leaders quickly

Announcing the first layers of the organization quickly unlocks both day one and future state planning. This is for three main reasons.

First, providing clarity about the top-level future design enables integration planning teams to address processes on day one and plan for the future state, both of which are often heavily influenced by the structure of the organization and how work gets done. Providing this clarity early on improves the speed and quality of integration planning.

Second, announcing leaders quickly creates accountability. New leaders making decisions about the future state (for example, on the organization's structure and processes) can take ownership and provide clear direction to their teams, which, in turn, helps prevent plans from having to be revised and reimplemented (as can happen if leaders are not announced and put in place until later).

Third, announcing leaders early on is a way to signal the new organization's culture and how the integration will be run. For instance, having representation of both organizations in the announced leadership team and managing the announcement well can positively affect talent retention.

Building an operating model that enables the aspired culture

In most mergers, decision-making governance is a critical first step for embedding the future aspired culture. In our experience, top-team decision-making requires an early, structured approach.

How leaders define the governance structure is one of the most critical contributions to accelerating the speed and improving the quality of important decisions in an organization. Boxes and lines may establish the management of—and hierarchical relationships among—

employees, but they do little to help an organization understand how decisions will be made. For example, the executive team should not make all decisions; some decision-making should occur through a defined process or by individual roles.

We recommend delegating decision-making responsibility as far into the organization as possible to maximize proximity to the work being done and thereby improve the speed and likelihood of making a high-quality decision. A top team should concern itself with defining the way that the organization will make its most important decisions (or “big-bet decisions”). The team should spend serious time laying out the architecture of committees, decision rights, and even meeting agendas that will force the organization to apply a data-backed, high-velocity approach to decision-making.

In thinking about the governance architecture of a company, it can be helpful to start by defining the appropriate level of centralization, given the desired organizational structure. Will the executive team handle most of the big decisions centrally, or will individual operating units have more autonomy? Regardless of where a new company lands on that spectrum, it is helpful to lay out all major decisions and clearly define the decision rights: who decides, who participates, and who receives information. We also endorse laying out the decision-making roles of key committees, as it is important to define charters for these committees early on, so that they can make decisions at the pace required to stabilize a new organization and avoid a productivity dip. Furthermore, as designers are creating the governance structure, they should ensure that governance reinforces cultural priorities and doesn’t conflict with them.⁴

Managing change to ensure that employees are equipped to do their jobs at all stages of the transition

Once there is clarity about the interim and end-state operating model, focus can turn to determining the operating model elements that will need to be changed on day one versus later. This distinction is important to avoid destroying value prior to deal close. Early definition and communication of what will change on day one of the combined company versus what will stay the same—either in the short term or permanently—will minimize distractions to employees, customers, suppliers, and other stakeholders in the planning period leading up to day one.

Once day one changes have been defined, leaders and integration teams will need to ensure that employees understand the future operating model and have confidence in it, so that they can be ready to transition to their future roles, responsibilities, and new ways of working. Doing this will foster emotional investment in the future company among employees, in addition to ensuring they will be equipped to do their jobs on day one and through the whole transition.

⁴ For more, see Oliver Engert, Becky Kaetzler, Kameron Kordestani, and Andy MacLean, “[Organizational culture in mergers: Addressing the unseen forces](#),” McKinsey, March 26, 2019.

Communicating with stakeholders

Mergers affect stakeholder groups in differing ways; employees, managers, and customers, for example, will be eager to learn about the decisions that the merging companies are making—and how those decisions will affect them. Leaders will therefore need to pay close attention throughout the integration to what is being communicated when, how, and to whom, to avoid business disruption.⁵

A thorough communications plan for all stakeholder groups can give special attention to integration milestones such as leadership announcements, major preclose events such as earnings report releases, and the lead-up to day one. The communications plan should incorporate salient employee feedback. This is often done via short, regular pulse surveys to all employees to gauge their understanding of and sentiment toward postclose issues, ideally timed around integration milestones. Documenting the evolution of employee responses over time will help integration leadership appropriately tailor ongoing communications, as well as run targeted interventions, if needed, for groups of employees who may be experiencing disproportionate dissatisfaction relative to other employees.

Managing change

On day one, employees may face not only a new employer but also new hierarchies, role descriptions, and work processes. Change management is therefore critical to a successful operating model shift, both during the transition and in the end state.

During a merger, employees experience two kinds of change: cultural change and operational change.

We recommend a fact-based approach to managing cultural change, one that leverages both quantitative data (for example, from employee surveys) and qualitative insights (for example, from interviews and focus groups). A robust fact base allows integration leaders to select culture priorities that will enable the goals of the combined company, and then hardwire these culture aspirations into the combined company's business processes. The timeline for cultural change is typically gradual; integration leaders should put energy into ensuring that cultural shifts happen leading up to day one and beyond.⁶

To manage operational change, we recommend that integration leaders assess the degrees of difference between the interim and end-state operating models and the merging companies' current states as documented in the baseline. To prioritize day one changes, integration leaders can build heat maps of operational changes detailing the number of people affected and the impact on value capture if the change is not addressed. This will ultimately help integration leaders identify the most critical changes for day one, as well as training needs required to enable them.

Pressure testing cross-functional processes

In practice, realizing a new company's operating model occurs through the execution of its processes. Leaders could select a handful of the most important cross-functional processes to design early on, in order to clarify the end-state operating model as quickly as possible.

⁵ For more, see Oliver Engert, Rebecca Kaetzler, Kameron Kordestani, and Anish Koshy, "[Communications in mergers: The glue that holds everything together](#)," McKinsey, January 30, 2019.

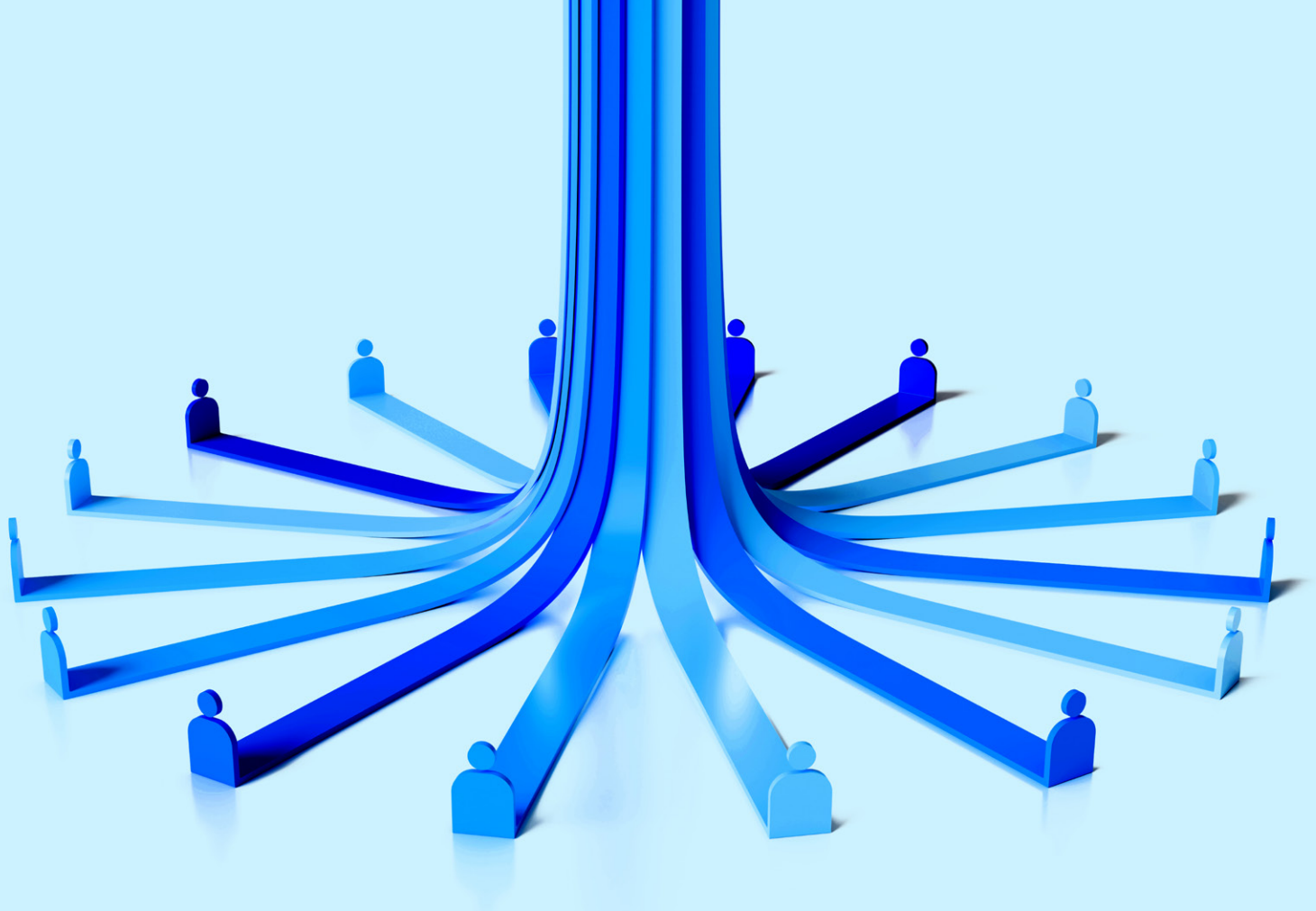
⁶ For more, see Emily O'Loughlin, Kameron Kordestani, Rebecca Kaetzler, and Evelyn De Blieck, "[Why managing culture is critical for value creation in M&A](#)," McKinsey, February 19, 2025.

Integration teams can benefit from scenario testing cross-functional processes—that is, simulating events likely to occur on or around day one that test the understanding of the future operating model. For example, members of the HR team could role-play how they would move a job candidate through the hiring funnel if day one happened in the middle of the interview process; the customer service team could pressure-test their responses to legacy company customers confused about the impact of the merger on their products or services; and operational teams could simulate how they would support key business processes on day one, such as running delivery routes, fulfilling customer orders, or handling relationships with vendors.

Scenario testing key processes facilitates alignment on roles, responsibilities, and interactions in the future operating model. We have repeatedly seen that integration teams that role-play scenarios gain confidence not just in the details of the future operating model, but in their collective ability to execute it.

Implementing a new operating model in the context of a merger is a complex undertaking, and day one is just the first step. In our experience, it is critical to design a future operating model that best enables the goals of the combined company as early in the planning process as possible in order to guide and shape all elements of the integration. After this, focus can move to identifying what will need to change on day one versus what can be left until later, and ensuring employees are equipped to do their jobs on day one. This approach will best enable leaders to achieve a positive outcome not only for the integration but also for the future combined company.

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Excellence in M&A communications: From preannouncement to postclose

Given the intensity and speed of change in M&A, leaders must prepare to communicate faster and more effectively.

This article is a collaborative effort by Kameron Kordestani and [Mieke Van Oostende](#), with Eric Sherman, Hilary Moore, and Nicolle Kuritsky, representing views from McKinsey's M&A Practice.

M&A communication has always demanded clarity, cadence, and conviction. What's new is the increasing intensity and speed [with which change is taking place](#). In an age of fluid timelines, constant scrutiny, and ever-increasing expectations for real-time communication, leaders need to listen and communicate faster, with greater attunement, and across a more fragmented ecosystem.

Technology has transformed not only how information flows but also how trust is built. The borders between internal and external stakeholder groups have blurred. Such context collapse means communicators must operate in real time, with dynamic feedback loops and consistent alignment across all stakeholders. The goal is to communicate not just more quickly but more effectively.

In this article, we outline some of the high-impact moments across the deal cycle—the points where leaders can communicate to build the confidence, alignment, and momentum that turn M&A transactions into transformations with enduring value.

Before deal announcement: Forging strategy and governance

Even before a deal is announced, leaders must begin to consider how they will talk about the impending transaction. They will need to map the strategic journey and establish communication governance and ways of working.

Map the strategic journey

Given the urgency and uncertainty at the beginning of the acquisition process, communication teams often start drafting the announcement and subsequent milestones before they have an effective strategic overview. However, it's well worth taking some extra time to think through the strategic imperatives and pressure points for the coming journey. This will make the process of communicating more effective and less risky from the start and ensure that the team has sufficient resources. Targeted actions include the following:

- *Map out the phases, milestones, and pressure points.* M&A is usually defined by two critical milestones: the deal announcement and day one (the official deal close). But there are other important phases to address, and each comes with its own specific legal and communication constraints. For example, additional integration announcements will be required for regulatory approvals, leadership appointments, restructuring and role changes for employees, integration of processes and systems, culture and values, and changes to product, brand, or client services. A common pitfall for companies during a new deal is to underestimate the volume and complexity of the communications needed and, as a result, not provide the communication team with enough resources. A realistic mapping of the most important touchpoints will help clarify at the outset what's required and keep both leadership and the communication team on the front foot.
- *Ensure that stakeholder analysis and messaging are aligned with the deal rationale.* Make sure everybody is clear on which stakeholder groups are most integral to success, which may need support, and which may present a risk, in the context of the specifics of the deal. This is best achieved by creating a detailed initial statement of the deal rationale and including both communication and business leaders in strategic meetings on an ongoing basis.

Establish communication governance and ways of working

Starting with preannouncement, it's vital to define how the communication show will be run. A lack of transparency on governance processes and accountability can quickly erode alignment and lead to duplication of efforts, rework, or misunderstandings that take up leadership's valuable time.

The governance starts with controlling information flows preannouncement to avoid leaks and agreeing in advance on how to coordinate messaging, while maintaining the independence of both companies. Communication needs to be managed within strict legal guidelines before the deal close, with the communication team setting the guardrails hand in hand with legal. Targeted actions include the following:

- *Decide ownership and scope of responsibilities.* This would normally include leadership owning the messaging and engaging their teams directly, while the communication team owns the written communications going to all employees, and then coordinating tightly with relevant executives on specific stakeholders.
- *Articulate the communication chain of command.* Specify the sequence and level of sign-off needed for different types of communication—for example, CEO-level sign-off is common for sensitive topics such as restructuring, and for new external and all-employee communications, while integration management office (IMO) sign-off is sufficient for more routine communications to update or reinforce agreed-on messages.
- *Outline the collaboration model and guardrails* between the companies to coordinate messaging, while preserving independence. Agreeing on messaging and timing in advance is critical, including the messaging coming from the respective leaders of each company.

Deal announcement: A tightly coordinated launch

The announcement sets the tone for the entire transaction across both companies' leadership groups, employees, customers, business partners, suppliers, and investors.

The press release tends to be the core communication, and while it's designed primarily for external audiences, employees will also scrutinize it, so balancing the tone for investor and employee audiences is essential. It's also important to issue communications dedicated to employees simultaneously. These should include a more personal voice, more granular information on what to expect, and assurances on future growth and positive career paths (where possible).

In parallel, it's important to engage customers and suppliers on announcement day. While these stakeholders likely won't experience material changes immediately, a proactive approach will ensure that they feel cared for during the process. This is the time to develop a tiered outreach with the commercial team, identifying key customers whose scale or sensitivity justify a call from a senior leader or the relationship owner, and a broader base who will receive a written message reassuring them on the customer benefits of the deal and continuity of service.

Announcement day calls for a detailed, minute-by-minute plan (Exhibit 1). This will start with confidential leadership calls just prior to the official announcement, then tightly synchronized communications internally and externally, followed by employee town halls (sometimes several, depending on time zones), briefings for customer-facing staff, and tailored customer outreach. By the end of the day, the team should already be gathering feedback.

Targeted actions include the following:

- Approve messaging across all audiences and an hour-by-hour plan for announcement.
- Issue external communications, including press releases, social media and website updates, and customer, supplier, and business partner letters.
- Synchronize these with internal announcements, including a leader prebriefing with tool kit, messages to the employee groups of both companies, frequently asked questions (FAQs) and talking points for customer-facing staff, and a dedicated intranet space with FAQs.
- Create dialogue and engagement while gathering insights, including town halls for both organizations with plenty of time for questions, digital channels for submitting questions and comments, upward feedback meetings throughout the first week, and AI-enabled external sentiment monitoring.

Exhibit 1

The announcement of a deal will require a minute-by-minute plan.

Merger communications output schedule (illustrative)

	PREBRIEF	ANNOUNCEMENT DAY							
Time in central Europe									
Output	20.00 Brief top leaders confidentially to equip and prepare them	9.00 Issue a press release and an investor FAQ sheet, update website, and publish social media posts	9.00 Invite staff to town halls Post employee FAQ and fact sheets on intranet Post a customer FAQ sheet for staff who interact with customers	9.15 Send emails to customers and suppliers Send communications to important external stakeholders, including government agencies	10.00 Conduct briefing calls for customer-facing staff in EU Activate a high-touch action plan for VIP customers in EU	14.30 Conduct briefing calls for customer-facing staff in US Activate a high-touch action plan for VIP customers in US	15.00 Conduct global town halls for all staff, leaving time for Q&A and a live pulse survey	16.30 Gather and assess upward feedback from EU Q&A and sentiment survey	21.30 Gather and assess upward feedback from US Q&A and sentiment survey
Target audience	Senior managers	Public investors	All employees and work councils Customer-facing employees	Customers and suppliers Business, community, and government contacts	Customer-facing staff in EU	Customer-facing staff in US	All internal staff	EU managers	US managers

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Before day one: Building momentum and confidence

Once the deal is announced, but before day one, there are steps leaders must take to build momentum for and confidence in the transaction. Specifically, leaders will need to establish a regular cadence of communications and engage and equip individuals and teams to manage through the integration period.

Set off a regular drumbeat of communication

After the announcement, employees will be hungry for information, and it's critical to keep the updates coming. As the communication team expands after deal announcement, its leaders will need to refine the core strategy and governance and quickly kick off a regular drumbeat of communication.

The strategic priority before deal close is to reduce anxiety where possible, build confidence in the new company, and prepare the ground for day one. Most target company employees will be worrying about their job security. If the acquisition is sizable, with significant overlap, a good proportion of the acquiring company may also be anxious. Leaders and employees alike will be asking themselves whether they believe in the vision and feel excited to stay. Communicating reliably and consistently through this period is essential.

A merger between two medical-aesthetics companies underscores that risks arise from communication gaps. As deal delays pushed back the planned deal close, leadership at the target company concluded that limited progress left little worth sharing at an upcoming town hall. However, by choosing silence, they inadvertently fueled employee apprehension and speculation. Transparent communication about what was known—and candid acknowledgment of what remained unresolved—could have preserved trust and mitigated anxiety during this critical transition period. Even assurances on what's *not* changing, or that there will be no substantial announcements for a certain period, help employees refocus on daily work and reassure them they are taking part in a clear and transparent process. Targeted actions include the following:

- Kick off the full communication and change management workstreams quickly to ensure that priorities and expectations are clear.
- Establish the cadence of communications, building familiarity across companies by issuing regular integration updates, creating and maintaining a dedicated intranet space, and developing a tool kit that includes talking points and FAQs. Providing biweekly updates to the organization is typically considered best practice, though the updates may be less or more frequent depending on the pace of change.
- Deliver milestone communications, including leadership appointments, regulatory approvals, and shareholder vote approvals.
- Open ongoing spaces for engagement and dialogue: drop-in discussion sessions; pulse checks, surveys, and focus groups; and informal manager feedback loops.

Engage and equip leaders for the upcoming journey

Leaders are essential to unlocking the power of communication in M&A. The communication team will need to build leaders' and influencers' ownership and alignment around messaging and strategy, upskilling them in communicating about the deal and providing them with engaging, easy-to-use tools (Exhibit 2). This will help increase these key stakeholders' understanding of the transaction and reduce workforce disruption before day one.

Targeted actions include the following:

- Create a robust communication tool kit for leaders and influencers; it should include information on messaging, FAQs, slides explaining the deal rationale, and general communication guidance.
- Design a communication road map, including interactive sessions in which leaders can hear directly from executive committee members, familiarize themselves with tools, take ownership of messaging, share feedback, and ask questions.

Exhibit 2

Engage and empower leaders through the integration journey.

Experiences and feelings of a manager during a major merger announcement (illustrative)

	What I experience	How I feel
Announcement	- I have a face-to-face meeting with the CEO, with plenty of time to discuss the deal - I'm given a tool kit that guides me on communication	- I know the basics of the deal but can't explain it confidently - I'm worried—I have a lot at stake
Q1	I get a chance to give feedback and ask questions	- I understand why this is good for the company and our customers - I'm confident in engaging my people and explaining the acquisition - I feel that I have a voice
Q2	I have an interactive workshop with the leaders of the integration management office (IMO) and an updated tool kit	- I understand the core pathway for work after day 1 - I'm ready to galvanize my team after close - I'm motivated to play my part
Day 1	I received a prebriefing for day one and have an active role in launching the vision with my team	- I'm setting the direction for my team - I feel confident and positive
Q3	The IMO leader updates us on integration activities, and I have a chance to ask questions	- My team knows that they can come to me for answers and guidance - I'm confident that we're proceeding through an effective integration
Q4	I join a change story workshop where I hear the CEO's vision for the transformation, and I translate it for my own team	- We're transforming successfully - My team has confidence in me as a leader and feels inspired to raise their ambitions as well

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Day one: Set the tone for the journey

Day one, along with the announcement, is a peak communication moment. The strategic priority here is to launch the united company with the tone and direction that will inspire employees and key stakeholders on the upcoming journey. Leaders will need to cascade the vision throughout both companies, as well as present engaging forums for listening and dialogue.

Orchestrating the employee experience is crucial. If this is a growth story, day one can be a time to celebrate with fanfare, an inspiring vision, and multiple engaging ways to help new colleagues meet. If major redundancies and restructuring are happening immediately, an understated tone is more appropriate.

In almost all cases, communicators will be tasked with preparing important materials for the deal close, such as an extensive employee FAQ and onboarding pack. For a big acquisition, FAQs can run to hundreds of questions, some anticipated by central teams and others submitted by employees. The welcome pack can be extensive, too, covering everything from the core vision to branding, technology changes, welcome badges, and email sign-off instructions.

In most cases, each core message is sourced from around ten workstreams; developing a well-written, comprehensive day one support package can take months of work. However, generative AI is already reducing the time it takes to create and edit onboarding and supporting documents, and agentic AI has the potential to further speed and automate the entire production process for deal-close communication materials.

It will be vital for communication teams to actively listen and push for brevity, authenticity, and attunement when developing these materials. Streamlining the process and the materials themselves—through gen AI or agentic AI, for example—can, in turn, free up communication teams' capacity, allowing members to shift their focus from drafting documents to checking AI outputs assiduously and engaging stakeholders in those outputs. Targeted actions include the following:

- Establish a clear strategy, tone, and vision for day one that's attuned to the integration journey.
- Detail all day one and week one communications, tightly sequenced to ensure that all stakeholders are engaged:
 - Internally, these can include the CEO memo and video; leader, influencer, and department-specific briefing packs to promote cascading the vision; an employee welcome pack; town hall materials, welcome gifts or swag, interactive celebration events, and product show-and-tells; customer testimonies; dynamic, cross-company sharing/welcoming/"getting to know you" events.
 - Externally, communications can include a press release; social media engagement; customer and supplier communication such as letters, call scripts, portal updates, FAQs; and outreach events for public officials and business or community stakeholders.

After day one: Achieving the vision

The work doesn't end after day one; in fact, after day one, communications become even more important for ensuring M&A success. In this phase, leaders will need to help build up the new organization and inform discussions about transformation.

Building up the new company

The strategic imperative after day one is often to guide the organization through structural and process changes. While this reorganization can bring huge gains, this is a time when safety, productivity, morale, and company credibility can be jeopardized if communications are ill attuned or if managers aren't prepared and empowered to lead the changes effectively. The level of restructuring varies across deals. Some may require minimal changes, particularly if geographies and product lines don't overlap. Many companies, however, will want to reorganize to capture synergies or [rewire entirely to fuel a new growth arc](#).

People-related changes are often the most sensitive, with new announcements rightly scrutinized for their fairness and rationale. The top team tends to be announced before day one, which allows the new leadership team to launch the new company upon deal close. However, the pacing and nature of other people announcements can be more varied. One energy provider elected to inform all employees of their trajectory prior to transaction close, while another organization in the same sector communicated early in the planning period that people changes would be announced in a strategic cascade approximately one month after close.

There is often confusion around the best timing and principles for these changes. While legal and HR must be the final arbiters, there are core principles that communication professionals should try to follow whenever possible when communicating changes about people and their roles (Exhibit 3).

Exhibit 3

Best practices can help leaders communicate—with impact.

Process	Messaging
● Make sure that managers are prepared, equipped, and fully present ● Ensure that tough news is delivered locally to affected audiences before broader announcements are made ● Minimize periods of uncertainty where possible: Explain processes, principles, and timelines, even if final decisions haven't been made	● Clearly explain why change is happening, based on company, customer, and employee needs ● If there are no plans for significant reductions, say that—but avoid absolute guarantees that could later be seen as broken promises ● Publicly demonstrate respect and support for individuals and fairness across companies ● Avoid jargon, “corporate speak,” and legalese—express empathy and humanity when communicating

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Targeted actions include the following:

- Integrate the two communication functions, taking the opportunity to modernize channels and lead on AI.
- Work closely with the executive committee, HR, and legal to align on the strategic approach and pacing of people changes.
- Agree on core messaging for people changes to build a strong “why.”
- Train and empower managers to have difficult conversations with team members.
- Enact changes with transparency and respect, minimizing unnecessary periods of uncertainty and proactively extending support mechanisms, updates, and rolling FAQs.
- Allow time for the organization to rebalance and reenergize.

Reignite transformation

View the period after day one as an opportunity; this is the time for true value-adding transformation. If restructuring is minor, then there may still be energy from the day one launch to kick-start the transformation. If employees have been through a cycle of redundancies, role changes, or reworking of teams and processes, they will need to reengage with the vision after this part is complete.

People will likely have the bandwidth and curiosity to learn new skills, to “form, storm, and perform” in new teams, to embed new ways of working and commit to evolved values and culture. This openness and goodwill can bring creativity, imagination, and innovative channels to [the new workforce](#), especially if organized around a refreshed vision and [powerful storytelling](#), free from the legal constraints and regulatory processes of earlier stages. This period is key to building the new value that may have motivated the acquisition. Yet it’s often neglected or wrapped too soon into business-as-usual communications. Targeted actions include the following:

- Launch a refreshed change story and vision-driven communications to reignite the organization.
- Launch new, forward-looking united communication channels and dynamic feedback and engagement mechanisms.

M&A deals are complex undertakings whose failure rates are often attributed to challenges like cultural misalignment, workforce disruptions, and insufficient planning. Effective communication is essential in navigating these complexities, as it helps align teams, dispel myths, and engage stakeholders throughout the integration process. By embedding communication at the core of integration efforts, organizations can mobilize and ignite teams toward a shared purpose, ensuring smoother transitions, stronger collaboration, and greater synergies.

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Beating the odds: What really matters for successful spin-offs

Five lessons can help leaders build two stronger companies.

This article is a collaborative effort by [Anna Mattsson](#) and [Jamie Koenig](#), with Christina Schmidhuber, Hannes Puhmann, and Rahul Wunsch, representing views from McKinsey's M&A Practice.

Since the birth of corporate spin-offs—when early-20th-century regulators broke up Standard Oil into several regional companies—they’ve held enormous promise. In the 1980s, amid rising shareholder activism and leveraged buyouts, spin-offs were viewed as an important tool to unlock what was deemed “hidden value.” Over the past 20 years, large spin-offs have become prevalent: There are roughly 20 to 30 large-scale spin-offs every year with enterprise values frequently exceeding \$20 billion (Exhibit 1).

While there are many reasons for a spin-off, 95 percent of executives McKinsey surveyed said that accelerating growth and strengthening financial performance were the primary reasons for executing separations.¹ And although the upside can be tremendous, our analysis shows that 55 percent of large spin-offs have a negative weighted-average TSR for both the former parent and new company three years after the spin. In fact, the median weighted combined excess TSR for both entities was –1.1 percent for all large corporate spins that occurred between 2000 and 2022 (Exhibit 2). And this trend is worsening: Post-spin performance between 2000 and 2009 was +5.1 percent, while it has been –4.4 percent since 2010, suggesting that companies have become less effective at producing the expected value of spin-offs.

Exhibit 1

Recent spin-offs have created new entities with enterprise values of up to \$52 billion.

Large-cap global spin-offs in 2020–25, by new-entity postspin (after deal close) enterprise value (EV)

Parent company	New entity	Spin-off date ¹	New-entity HQ location	Sector	New-entity postspin EV, \$ billion	New-entity share of prespin EV, %	New-entity revenue, \$ billion
Johnson & Johnson	Kenvue	Aug 2023	US	Consumer staples	52	11	15
GSK	Haleon	July 2022	UK	Healthcare	46	40	13
Mercedes-Benz	Daimler Truck	Dec 2021	Germany	Industrials	43	19	58
Holcim	Amrize	June 2025	US	Materials	39	46	12
General Electric	GE Vernova	Apr 2024	US	Industrials	39	20	35
General Electric	GE HealthCare	Jan 2023	US	Healthcare	33	27	18
RTX	Otis	Apr 2020	US	Industrials	26	22	13
Danaher	Veralto	Sept 2023	US	Industrials	23	12	5
Exelon	Constellation	Feb 2022	US	Utilities	23	21	24
Siemens	Siemens Energy	Sept 2020	Germany	Industrials	16	10	32

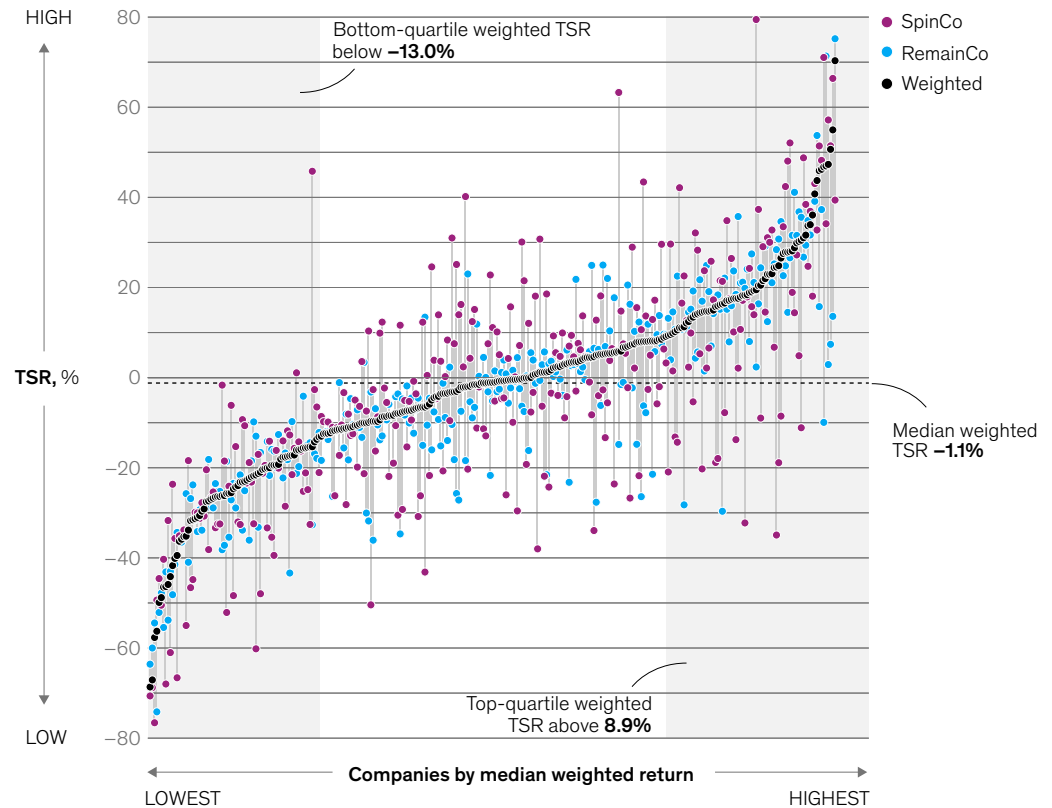
¹Closed deals only.
Source: S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026

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¹ McKinsey Separation Survey, 83 separation experts from various industries, May 2024.

More than half of large spin-offs deliver negative combined excess TSR three years after separation.

Excess TSR for former parent company (RemainCo) and separated company (SpinCo)¹



¹Global spin-offs with deal value >\$500 million (n = 305). Excess TSR calculated 3 years after spin-off date, and weighted excess TSR is weighted based on market capitalization of RemainCo and SpinCo.
Source: S&P Capital IQ, S&P Global Market Intelligence, accessed January 2026

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Why do so many spin-offs fall short, despite the widespread conviction that separating businesses unlocks gains through multiple arbitrage? The short answer: Separations and spin-offs don't intrinsically create value. Value has to be created the same way that it always has been: through higher returns on invested capital (ROIC) that come from higher growth, better margins, and smarter capital allocation decisions. So-called multiple arbitrage is only realized when investors believe the spin will provide a step change in performance, and executives must then deliver on that performance promise or see their stock decline and the spin-off value thesis come undone.

This article shares five crucial lessons for overcoming obstacles and achieving spin-off success. By putting these lessons into practice, spin-off leaders can strengthen the strategy, operating model, leadership, pace, and value creation orientation needed to capture the full value of spin-offs.

Lesson 1: Define what success looks like for the new company

Standing up a new company that's no longer constrained by a shared balance sheet or resources is an opportunity to unlock new organic and inorganic growth opportunities. Success starts with setting and pressure testing a clear strategic vision for the new company and with deciding which investments are most crucial to bringing the strategy to life.

Reset the strategy

When working with executives prior to spin-offs, we have frequently heard that they believe their existing strategy is robust and that they see no need for new thinking. Yet by the end of a spin-off process, 90 percent of executives report that they have either refined or fundamentally reset their equity narratives.²

In our experience, companies dramatically improve outcomes when they take the time—through either leadership off-site meetings or other intentional focus efforts—to rethink the to-be spun-off company's future growth strategy. This is particularly important because once a former business unit becomes a public company, it becomes subject to direct scrutiny by investors and analysts.

For example, a pharmaceutical company announced its plan to spin off its generics-manufacturing division. The designated CEO led an effort to rethink how the new entity would leverage its stand-alone balance sheet for M&A in ways that weren't possible under the former group structure. The result was substantial M&A activity shortly after the spin-off that created significant incremental value for the new entity.

Use outsiders to pressure test the equity story

After years of operating as part of a corporate group, executives can find it challenging to look objectively at the independent business they'll lead. Pressure testing the [equity story](#) can help executives avoid surprises after the spin-off is completed. Potential pressure testers include investors in the parent company, friendly analysts, and third-party advisers. Some companies also identify and engage the spin-off's corporate board in an advisory capacity well in advance of completing the spin to create a group of *friendly insiders* to help prepare the spin-off for public-market scrutiny.

Align on three to five critical investments to make early on

What's a strategy without investments bringing it to life? Accelerating performance doesn't begin after the spin is completed; it must be embedded in the separation process to deliver a step change in growth from day one. Reflecting on lessons learned, the CFO from a less-than-stellar spin-off lamented, "We spent a lot of time thinking about *what* to do to improve performance prior to the spin, but we only got to *how* after we were public, and that was way too late. We were nine to 12 months behind where we needed to be by then, and investors don't give you that much grace."

² McKinsey Separation Survey, 83 separation experts from various industries, May 2024.

Lesson 2: Transform the operating model during separation

One of the most common reasons for spinning off a business is to enable the new business (and often also the remaining business) to better tailor its operating model to be cost competitive with peers while investing in the capabilities that give the company its edge. Many executives have tried and failed to run different operating systems in adjacent business units, often resulting in systems poorly suited to all the businesses. Consumer health companies like Haleon and Kenvue are structurally different to their former respective pharma owners, GSK and Johnson & Johnson. As independent businesses, these consumer health giants can invest in new growth opportunities and optimize their operating models to suit the competitive intensity of branded consumer products while GSK and Johnson & Johnson focus on R&D in core therapeutic areas. Rewind to the 2010s, and it was animal health companies like Zoetis and Elanco that unlocked their next chapter of value creation. They were able to rethink their cost structures as entities independent of Pfizer and Eli Lilly, their respective owners, for whom animal health had become a noncore segment.

If there's so much value at stake from improving the operating model in spins, why do so many fail to provide value? Research shows that many spins fail to transform their operating models and improve efficiency until well after the spin-offs are completed. They may indeed unlock the value, but only years after many investors have cycled out of a likely underperforming stock (and outside our three-year post-spin measurement period).

Consider the separation program to be a transformation program

Executing any spin-off requires substantial operational planning and typically involves an organized project management structure and workstreams. Executives can embed a transformation approach into the separation program, leveraging the program infrastructure. Teams can rethink the operating model holistically and be held to their cost targets. Functional leaders can look externally for inspiration and avoid a “mini me” or “copy–paste” approach to separation, which typically leads to an oversize organization after spin. Our research shows that companies that restructured units or assets prior to spin-off showed higher EBITA margins and TSR than those that restructured afterward³ (Exhibit 3).

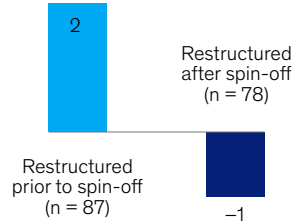
Executing any spin-off requires substantial operational planning and typically involves an organized project management structure and workstreams.

³ Anthony Luu, Jamie Koenig, and Steve Santulli, “[Transforming an underperforming business before separation](#),” McKinsey, October 1, 2025.

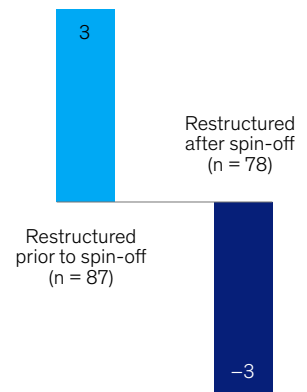
Companies that restructure business units or assets prior to spin-off perform better than those that do not.

Performance after spin-off from parent company¹

Change in EBITA margin 2 years after divestiture, percentage points²



Change in TSR 2 years after divestiture, percentage points



¹Large divestitures with value >\$1 billion in 2008–24; performance metrics shown reflect the spun-off entity.

²Indicates percentage-point change between the average EBITA margin of the spun-off entity prior to divestiture and the average EBITA margin 2 years after divestiture.

Source: McKinsey 2024 Separation Survey, 83 separation experts from various industries, May 2024

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Use peer benchmarks to design the new entity's operating model

Setting cost targets is a critical part of controlling costs when standing up the spin-off company. In anticipation of creating a new company, many executives lose sight of cost control while planning the separation, and they overbuild the cost structure. Top performers start with a cost envelope for each function by benchmarking it against the new company's public peers, and they hold executives accountable for building within that structure. Beyond controlling costs, this experience acclimatizes the spin-off's executive team with how investors will scrutinize their company.

To fully embrace the challenge of being peer competitive, some teams adopt zero-based budgeting. In this approach, management starts from scratch, requiring every function to justify its expenses rather than relying on historical budgets. This method forces leaders to challenge assumptions, eliminate inefficiencies, and ensure that spending aligns with the company's new strategic priorities.

Lesson 3: Talent first: Build the team that builds the new company

[Excellent CEOs](#) deliver outsize results: Top-quintile CEOs create 30 times more economic value than the next three quintiles combined.⁴ But spin-off CEOs face some unique challenges: In many cases, both they and the executive-leadership team (ELT) are assuming their first public-company roles and have to learn on the job. And although in some cases the spin-off CEO-designate gets to handpick their ELT, in other cases they inherit their team. With so many variables, it's important to hew to three leadership principles: Identify talent early, prioritize the enterprise-first mindset, and focus on building a company culture that aligns with the strategy.

Prioritize key-leadership appointments early

Building out the ELT for the new company is often a balancing act. On the one hand, leaders want to delay the additional cost of having two ELT teams and streamline decision-making; on the other hand, who better to build the future spin-off organization than the executives who will oversee it? In our experience, tapping key leaders, including the CEO and CFO, at least nine months in advance of the spin-off provides the needed strategic direction and oversight, though significant variability exists from one situation to the next.

Prioritize collective accountability and an enterprise-first mindset

Often, a majority of the members of the spin-off executive team are first-time public-company executives. About 85 percent of spin-off CEOs are internal candidates, most of whom previously held other ELT roles within the spun-off company.⁵ Of the many new skills these leaders must absorb, a crucial one is shifting from a function-first mindset to an enterprise-first mindset. It's important to use the time prior to the transaction to prepare the management team to assume collective accountability for the company's success and to ensure that they're ready to succeed in the public-company environment.

Besides preparing leaders, the spin-off company's ELT can work on building trust and establishing a collective leadership model and norms. On building a leadership team, one spin-off CEO shared the following: "I was lucky: I got to handpick my executive team. I picked a team of rock stars. But I realized after the spin that, while I had rock star individuals, I didn't have a rock star team. I ended up switching out half of my ELT in our first year. Those were tough conversations, but in the long run, it was the right choice—the only choice."

Intentionally define the company culture

Culture starts at the top and slowly permeates through the layers of the company. A spin-off is a unique opportunity to establish how decisions are made, success is measured, and teammates engage with one another. Leaders can identify the top two or three culture changes they want to make and use the separation program to begin embedding them into the new organization.

⁴ Carolyn Dewar, Scott Keller, and Vikram Malhotra, *CEO Excellence: The Six Mindsets That Distinguish the Best Leaders from the Rest*, Scribner/Simon & Schuster, 2022.

⁵ Based on analysis of press research on 289 global spin-offs with a deal value greater than \$500 million after spin.

Lesson 4: Speed matters—more than most leaders realize

According to a CFO who's led multiple spin-offs: "Time wounds all deals, and that's particularly true in a spin."

Nearly 45 percent of separations are delayed beyond the original deal thesis,⁶ which correlates to underperformance. Only one in four spin-offs that take more than 18 months have been successful, while those completed within 12 months have almost twice the chance of success.⁷ This pattern is consistent with our experience and our interviews with spin-off executives. Prolonged separation periods tend to distract business leaders from driving the core business, lead to overall higher execution costs, and elevate attrition risk.

Planned and unplanned delays stem from real challenges, including complex operational disentanglement, negotiated transitional and commercial agreements, and a litany of public-company-readiness obligations. Two moves can help avoid adding delays and ensure fast action when possible.

Define the spin-off perimeter quickly

When a spin-off is announced, the scope is often described in terms of brands, products, or major assets. But executing the separation requires a more detailed view of what will be transferred to the new company, including customers, data, intellectual property, offices, people, systems, and vendors. The faster this full perimeter is defined, the sooner functional leaders can plan their work, structure transitional agreements, and prepare the organization for day one.

Prioritize ten to 20 high-impact decisions

Executing a large spin-off involves thousands of decisions, many made by functional separation workstream leaders. But there are typically ten to 20 decisions or design choices that truly move the needle and warrant senior leaders' focused attention. These key issues can be identified in the early planning process, and then dedicated resources can be assigned to them while the larger separation program proceeds.

For example, in planning for the spin-off of a global consumer business, the ELT recognized a need for a raw materials supply agreement between the two companies. The ELT assigned a team of colleagues, supported by a third-party adviser, to develop an intricate pricing agreement that covered more than a dozen markets. Developing the agreement ultimately took six months, illustrating that certain issues need special time and attention while the separation progresses.

Lesson 5: Prioritize value, not process, to deliver the spin-off value thesis

Every spin-off has a unique story to tell. In some cases, the spin was used to offload excessive debts or liabilities, and it was always set up for failure. In other cases, the spin was out of necessity, responding to activist investor pressure.

However, even in cases where all parties agree on the primary objective of the spin and what it will take for it to create value, and all hope that the spin-off succeeds, we see a pattern in the overall worsening performance of these transactions: Spin-off preparation has become a process-centric exercise rather than a value-centric exercise, and the result is spins that create two separate companies—but not two better companies. The following three moves can help companies improve their chances of success.

⁶ McKinsey Separation Survey, 83 separation experts from various industries, May 2024.

⁷ McKinsey analysis based on S&P Capital IQ data for 305 global spin-offs with a deal value greater than \$500 million after spin.

Streamline and accelerate the separation program

We already mentioned how much speed and a streamlined separation approach matter. Rather than relying on generic checklists, leaders can build a comprehensive plan that's tailored to the specific separation and transformation challenges at hand. All things being equal, it's better to complete the separation in an intensive six-month sprint than in 12 months with a lighter resource load.

Dedicate teams to drive strategic growth investments early on

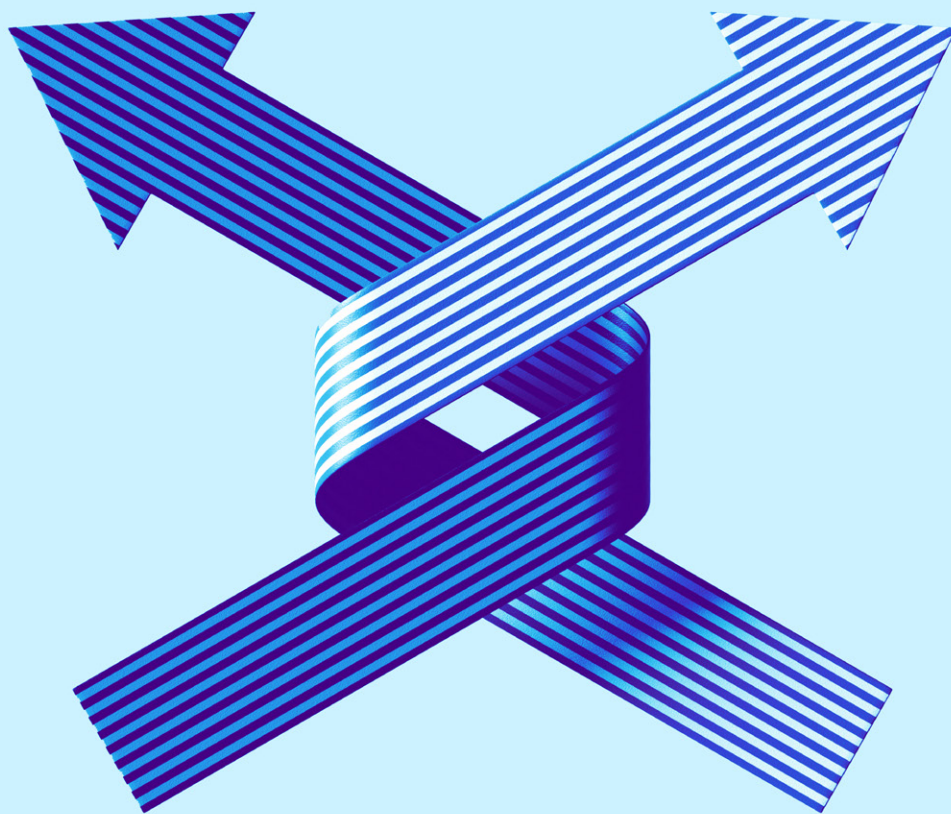
The separation program can quickly crowd out strategic growth priorities and investments. Appointing dedicated teams to key growth initiatives ensures that the new company builds needed momentum ahead of the spin-off. Where appropriate, these initiatives can be coordinated through the separation program to manage functional dependencies effectively.

Appoint accountable leaders to the separation

Planning a separation and transformation while accelerating growth momentum isn't a corner-of-the-desk exercise nor something you outsource. Successful separation programs typically have dedicated teammates accountable for each workstream, while the remainder of the organization is insulated from the program and focused on driving business as usual. Make sure your own leaders decide how the future business will be set up and run, and don't rely on outside advisers to build something that you'll have to live with.

Separations stand among the most powerful and challenging tools that boards and management teams can deploy to reshape portfolios, sharpen focus, and unlock long-term value. They represent moments of both risk and reinvention, where disciplined execution meets strategic courage. Success in spin-offs isn't a matter of luck; it depends on stacking the odds through clarity of purpose, transformative change, alignment at the top, speed of execution, and a relentless focus on what drives value. Those that do so consistently emerge stronger, more focused, and better equipped to thrive in the next chapter of their corporate journey.

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Two can be better than one: Pros and cons in a dual-track separation

Pursuing a public listing and a trade sale in tandem expands options. But the dual track isn't an easy road to travel.

by [Anna Mattsson](#) and [Jamie Koenig](#)
with [Rahul Wunsch](#)

For companies considering [a strategic separation](#), a dual-track process—pursuing both a public listing and a trade sale in parallel—can be a powerful way to gauge market value, enhance deal certainty, and preserve exit flexibility.¹ By preparing for both paths, companies can test buyer appetite without prematurely committing to a sale, encourage better offers, and adapt as market conditions evolve.

These benefits come at a cost, however. Dual-track approaches are complex, resource intensive, and require careful orchestration. In our experience, companies that succeed with a dual-track approach treat both tracks as a fully committed, parallel effort supported by strategic clarity, disciplined execution, flexible planning, and strong governance. They invest deliberately, manage internal pressure, and exit the dual process at the earliest opportunity.

In this article, we explore when and why dual tracks can be advisable, unpack the trade-offs, and share practical lessons from real-world transactions.

When a dual-track approach makes sense

When [preparing for a divestiture](#), leaders must assess two primary transaction paths: a sale to a strategic or financial buyer and a public listing, typically via an IPO or a spin-off. A sale represents a direct transfer of ownership, while a listing establishes the business as an independent, publicly traded company.

Company leaders, including board members and executive teams, have a fiduciary responsibility to evaluate [the relative advantages and risks of each path](#). The right choice often depends on the specific context of the deal, and making it requires a clear-sighted assessment of valuation potential, execution risk, timing, and strategic alignment (table).

In our experience, companies that succeed with a dual-track approach treat both tracks as a fully committed, parallel effort supported by strategic clarity, disciplined execution, flexible planning, and strong governance.

¹ In practice, nearly every company exploring an IPO also considers the possibility of a trade sale. This early-stage optionality could itself be viewed as a form of a dual track, since leaders and boards naturally weigh both avenues before committing resources. For clarity, this article focuses on situations in which companies deliberately sustain the dual-track process over time, as a strategic choice, rather than following the more common, short-lived exploration of alternatives that precedes most IPO preparations.

Under certain separation conditions, a dual-track approach may be preferable to a sale or public listing.

Factors that influence transaction path selection

Key attribute	Sale	Public listing	Dual track
Asset profile and size: Is the business large enough to stand alone and attract public-market attention?	Manageable for likely buyers	Large enough to stand alone publicly	Large enough to list; potentially suitable for right buyer
Valuation potential: How does expected valuation compare across a sale and a listing?	Likely to meet value goals	Public markets are expected to value higher	Valuation gap possible; benchmark or competitive tension is needed
Deal certainty and speed: How quickly must transaction close, and what's the level of execution risk?	Faster, clearer exit	Slower, more complex exit	Material execution risk in one or both tracks; sale certainty is critical
Market receptivity: Is there strong interest from potential buyers or capital markets?	Strong buyer interest	Favorable IPO or spin-off window	Mixed signals across markets
Regulatory and tax considerations: Are there favorable or prohibitive implications?	No major hurdles	Constraints limit sale	Potential complexity of either track warrants optionality

But there are cases when the right choice is to delay making a choice and to pursue both options in tandem. This dual-track approach allows leaders to preserve flexibility and maximize value up to the point when it's most advantageous to select one of the two tracks. A dual track is often pursued in the following cases:

- ***Optionality and competitive tension are important.*** There may be no clear buyer, particularly for large or complex assets, or public-market receptivity may be uncertain. A dual track allows leaders to test both paths, create competitive tension between bidders and investors, and pivot based on early traction in either path.
- ***Valuation is difficult to assess up front.*** Valuation is particularly difficult when there's a mismatch between public- and private-market valuations. Running both paths in parallel helps benchmark valuation expectations, test market appetite, and validate where the best outcome can be achieved.
- ***Execution risks are high.*** Such risks include regulatory hurdles that could delay or block a sale, potential gaps in IPO readiness due to public-market requirements, and the time needed to build required stand-alone capabilities.

Navigating the challenges of dual-track execution

While the strategic upside of a dual-track approach can be considerable, executing it successfully is far from straightforward. Deal and separation teams must be clear-eyed about the trade-offs to manage them effectively.

Conflicting priorities, schedules, and opinions

Coordinating two distinct deal paths, each with its own requirements, timeline, and audience, is complicated. Strategic buyers tend to emphasize synergies, integration potential, and cost takeout, while public-market investors are focused on stand-alone growth prospects and long-term margin trajectory. Reconciling these differing narratives, which are often built on distinct investment theses, is a complex and resource-intensive effort.

Timing misalignment is another common challenge. IPOs follow regulatory calendars and market windows, while M&A timelines depend on buyer readiness and negotiation cycles. As a result, teams often face pressure to deliver critical milestones on both tracks simultaneously, despite the fact that the two paths may not align. This can create bottlenecks or force premature commitments.

Layered on top are conflicting stakeholder preferences. Advisers, boards, and executives may diverge in their preferred outcomes, shaped by incentives or past experiences. These differences in opinion can create friction, particularly when it comes to prioritizing resources and making irreversible decisions, such as hiring, system investments, and customer announcements.

Stressed talent and sunk costs

The dual-track approach can create intense internal pressure. Senior leaders are expected to lead business performance, run two transaction paths, and prepare for different degrees of separation all at once. IT teams may need to plan for both system carve-outs and data migration. Finance teams must build both IPO-grade financial statements and buyer-oriented diligence materials. Fatigue, burnout, and talent attrition are real risks.

These aren't just financial costs; they can create organizational dissonance and inefficiencies after deal close. For instance, companies may need to move quickly to recruit public-company talent, such as a CFO with public-company experience, an investor relations lead, and an independent board with governance credentials. Similarly, they may have to launch stand-alone functions in finance, HR, or legal groups, despite the fact that a strategic buyer could absorb them through shared services or transitional agreements.

Six ways that successful companies overcome dual-track challenges

A global agriculture company committed to planning for a public listing of a major segment while simultaneously running an auction process for the asset. Executives held monthly go/no-go checkpoints, assessing progress and evaluating the continued viability of both paths regularly. By advancing both IPO and sale tracks in parallel, the company preserved flexibility and created deal tension. The credible IPO alternative strengthened its negotiating position, while the rigor of public-listing preparation signaled execution readiness with a well-defined separation perimeter and plan. As a result, the company was well informed and well positioned when it entered negotiations. Only after signing the sale agreement did the company pause IPO efforts and move fully into separation execution.

The company's approach was a good example of following six best practices that we've observed across successful dual-track initiatives in multiple sectors: begin with strategic clarity, focus on excellent process execution, be thoughtful about spending and speed, take care of the people, align internal and external messaging, and exit the dual track as soon as possible.

Begin with strategic clarity

Following a dual-track approach isn't a default. It's a choice made after aligning leadership around the goal (whether value maximization, speed, or strategic control) and accepting the trade-offs.

Sometimes the choice to pursue a dual track is made early. Other times, companies receive inbound inquiries from interested buyers after announcing a strategic review or an intent to separate, which sets them on a dual track. In many cases in which a company pursues a dual track, one path serves as the primary objective and the other as a credible fallback. In these situations, the deal is structured to be executable through either path, typically within a defined window. The seller often prepares the asset to meet the more demanding standards of the public market (typically through an IPO or spin-off) while maintaining readiness for a potential sale.

Focus on excellent process execution

Early-stage governance is critical for a dual-track approach. The most effective leaders align on key decision criteria (such as valuation, certainty, and stakeholder priorities) and build structured forums to revisit the path as conditions evolve. A shared project management office (PMO) then coordinates both tracks, aligning workstreams, owners, and milestones to avoid duplication and ensure disciplined execution. Such companies develop early materials with both investors and buyers in mind.

Successful companies also make strategic use of nondeal road shows (NDRs)—early investor meetings that test market interest and messaging ahead of a formal IPO. These efforts follow a public disclosure of a company's strategic intent, which enables transparent dialogue with investors and helps safeguard compliance with securities regulations. Insights from NDRs, combined with due diligence insights and early M&A offers, help refine companies' positioning to both audiences. This integrated approach gives companies the flexibility to adapt as conditions evolve and strengthens their negotiating position on both tracks.

Be thoughtful about spending and speed

The best teams assess their investments in the dual-track approach pragmatically. They defer nonessential IPO spending until confidence is higher. They actively plan scenarios, building fast-track and pause options to keep both types of deals alive without overcommitting too early. At the same time, they're willing to invest boldly when the upside justifies it, recognizing that the right preparation can enhance deal value.

In an example of a company that invested heavily, a global pharmaceutical company spent over \$1 billion on a dual-track approach. It favored a spin-off as the preferred path, believing that the option would unlock greater long-term value than the other. But recognizing a spin-off's execution risks, the company also maintained a credible sale option as a backstop.

The billion-plus dollars, spent over several years, enabled full public and stand-alone readiness. The path was longer and more costly than a sale, but created considerable incremental value by improving margins, increasing growth, and delivering a substantially separated business before the spin-off. Ultimately, investment in the more complex path was worth it to deliver a substantial return to the company's shareholders through the spin-off.

Take care of the people

Running two processes while maintaining business performance and preparing for separation puts [enormous pressure on teams](#). Successful companies assign dedicated leads for each path, use integrated PMOs to coordinate work, reduce duplication, and actively monitor morale. Burnout and attrition are real risks that, if unaddressed, can delay execution or degrade deal quality. To mitigate these risks, leading companies design a transaction structure with realistic workloads and prioritize recognizing individual and team contributions (which is especially important when considerable time and effort is spent on a path that's ultimately not pursued).

Align internal and external messaging

When navigating the ambiguity of a dual-track process, winning companies ensure that their internal and external messages are aligned.

Internally, it's essential to be clear about what's happening and, to the extent possible, about how future decisions will be made and communicated. Leaders don't need to promise certainty, but they do need to reduce confusion by being transparent about what's known, what's being evaluated, and what employees can expect in the months ahead.

Externally, inconsistent messaging can erode trust, raise questions about strategic direction, and even affect valuation. This is particularly true if investors sense dissonance between what's said publicly and what seems to be happening behind the scenes. Trusted advisers can play a role in this phase by pressure testing valuation expectations, preparing investor-ready materials, and helping leaders craft a coherent, flexible narrative that supports both tracks.

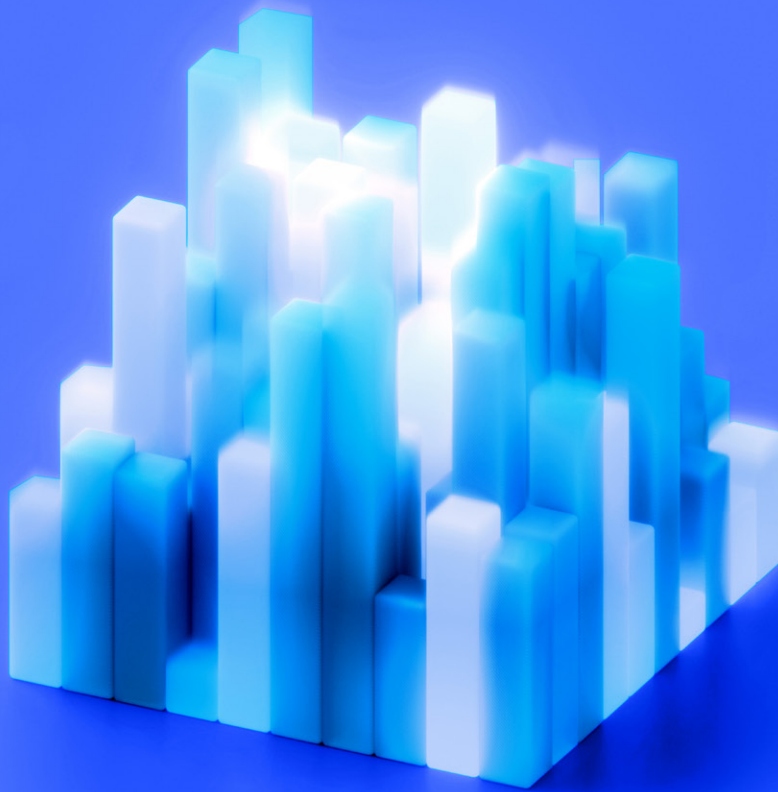
Exit the dual track as soon as possible

Cross-functional teams meet regularly and use inflection points (such as nonbinding offer reviews and prefiling milestones) to decide whether they have the valuation tension, execution certainty, and strategic alignment to proceed down a single path. They have a clear go/no-go decision point and make a deliberate choice as soon as they can determine which is the best choice.

Preserving optionality during a strategic separation isn't about keeping doors open indefinitely; it's about earning the right to choose by doing the hard work to make both public-listing and sale paths viable. Leaders who succeed in using the dual-track approach know that this isn't a passive strategy. It requires early alignment on what "good" looks like, deliberate investment in both narratives, and the stamina to navigate complexity without losing sight of the goal.

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Gen AI in M&A: From theory to practice to high performance

Gen AI helps companies cut costs and close M&A deals faster, positioning them for the next wave of innovation.

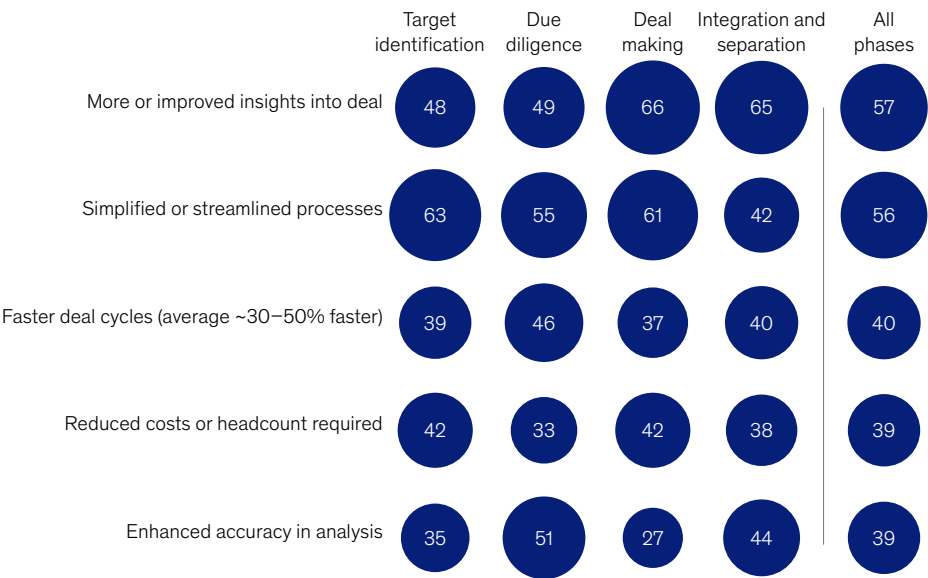
*by Kameron Kordestani and [Rui Silva](#)
with Julia Berbel*

That didn't take long. In 2024, the [opportunities to apply gen AI to M&A deals](#) were just emerging, and dealmakers were focused on learning about potential use cases. But since then, the number of gen-AI-enabled tools and capabilities on the market has exploded.¹ In a survey we conducted last year, the respondents who say they are using gen AI in their M&A activities report an average cost reduction of roughly 20 percent. Forty percent of respondents report that gen AI enabled 30 to 50 percent faster deal cycles (Exhibit 1). Of all respondents, 42 percent say they believe gen AI has the potential to transform or to bring highly differentiating capabilities to the deal process (Exhibit 2).

Exhibit 1

M&A practitioners using gen AI are most excited about unlocking insights and streamlining processes.

Top benefits observed from using gen AI tools in M&A, by phase, % of respondents (top 3 factors)¹



¹Question: What are the primary benefits you have observed from using gen AI? Respondents were asked to select 3 benefits for each of 4 categories. This question was not asked of respondents who indicated that they did not use gen AI.
Source: McKinsey survey on adoption of gen-AI-enabled tools in M&A processes, 200 participants, 2025

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¹ "Gartner forecasts worldwide gen AI spending to reach \$644 billion in 2025," Garner, March 31, 2025.

More than 40 percent of respondents observe significant impact from and plan robust adoption of gen AI in M&A.

Predicted impact of gen AI tools on M&A differentiation, % of respondents¹



Aspirations for adopting gen AI in M&A, % of respondents²



¹Question: To what extent do you believe that gen AI will be a differentiator in M&A? Respondents were asked to select from 4 categories (each with a description).

²Question: What would you say is your company's aspiration for the use of gen AI? Respondents were asked to select from 4 categories (each with a description).

Source: McKinsey survey on adoption of gen-AI-enabled tools in M&A processes, 200 participants, 2025

McKinsey & Company

Although excitement about gen AI is high and users report compelling results, our survey also finds that only 30 percent of respondents engage with gen AI at moderate to high levels. Even among avid users, the large majority of respondents currently rely on commercially available gen AI chatbots, not customized, proprietary tools. Respondents across industries and company sizes identify a lack of expertise as their main challenge to AI adoption.

Given the rapid pace at which [gen AI is advancing](#), it may be tempting for some M&A teams to take a “wait and see” attitude toward tools and capabilities. However, we suggest the opposite approach. As this article describes, teams can benefit by recognizing what tools are already on the market and how companies are currently using them to identify M&A targets, accelerate diligence, and augment integration planning and execution. By engaging with the current tools and understanding how they are evolving, M&A teams can develop the necessary documentation, inputs, and systems they will need when the next wave of innovation arrives.

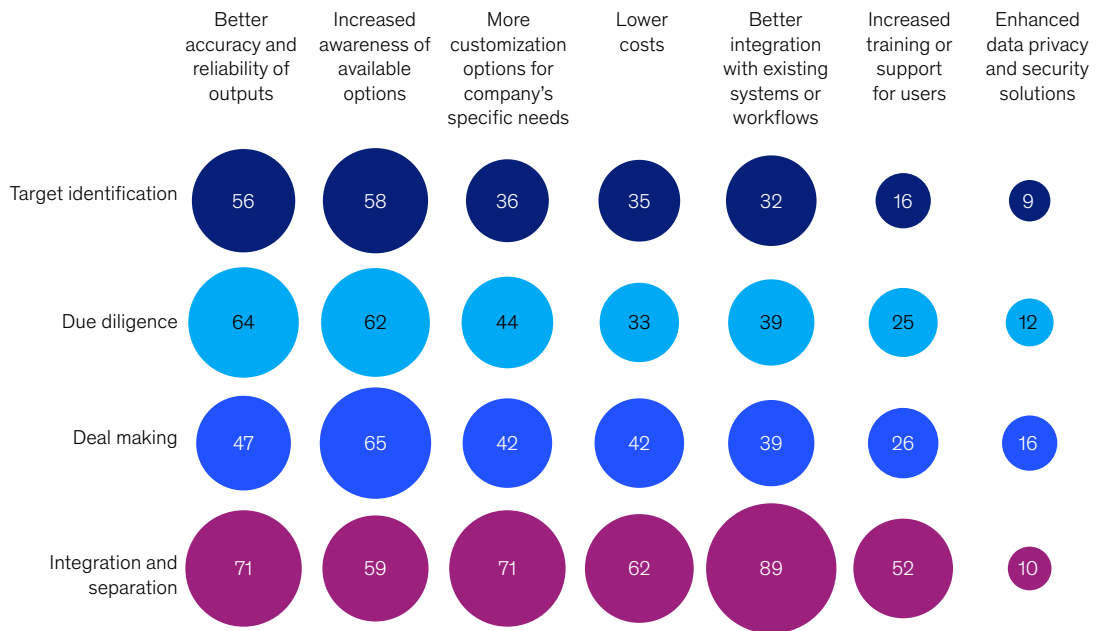
Gen AI is moving fast, and forward-thinking M&A practitioners are already embracing it. The next era of M&A will be defined by teams that don't wait on the sidelines but learn to surf the gen AI wave as it gains speed.

Target identification tools, present and future

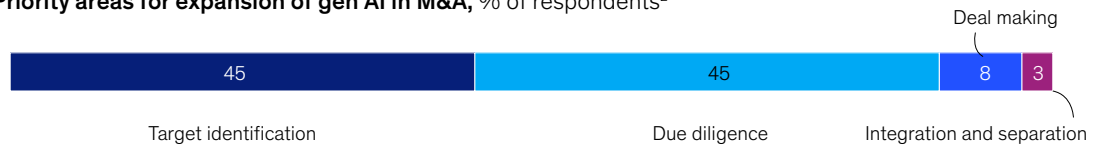
Of respondents reporting moderate to high gen AI adoption, the majority use it for target identification and due diligence (Exhibit 3). Gen-AI-enabled tools customized for M&A combine large language models (LLMs) trained on a company's deal history and strategy materials with machine-learning algorithms that cluster thousands of potential targets by attributes such as business model, growth profile, and market adjacency. Specialized AI agents can read and summarize diligence files, extract insights from internal data, and draft search criteria automatically. Over the past roughly 12 months, many of these tools have improved as the underlying LLMs have developed stronger reasoning and analytical capabilities.

Respondents primarily use gen AI for M&A target identification and due diligence, and better accuracy and reliability would encourage its adoption.

Top factors that would help gen-AI-tool adoption in M&A, % of respondents (top 3 factors)¹



Priority areas for expansion of gen AI in M&A, % of respondents²



¹Question: What could help increase gen-AI-tool adoption in target identification, due diligence, deal making, and integration and separation? Respondents were asked to select and rank ≤3 factors.

²Question: If you could expand your use of gen AI in M&A, what would be your priority areas to do so? Respondents were asked to select their top 3 of 7 choices: target identification, due diligence, valuation modeling, contract drafting and negotiation, integration and separation planning, integration and separation execution, and other.

Source: McKinsey survey on adoption of gen-AI-enabled tools in M&A processes, 200 participants, 2025

McKinsey & Company

For example, a fast-growing business software company used a third party's advanced AI-powered scouting platform to rapidly accelerate the target identification process. The tool combines gen AI with a proprietary database of more than 40 million public and private companies and uses semantic search (which understands meaning, not just keywords) to find businesses that align with a buyer's strategy. Among the tool's outputs is a table that awards scores across the categories that matter most to an acquirer, as well as comparative overall target company scores (Exhibit 4). In less than a day, the tool helped the team identify and score more than 500 potential targets that fit a long set of requirements (including CAGR, customer segment targets, employee culture, market size, and region). After a few rapid iterations, the corporate development team prioritized 15 deal leads, a process that culminated in three completed acquisitions only a few months later.

An advanced AI-powered scouting platform can award scores across the categories that matter most to an acquirer, helping identify targets.

Illustrative dashboard of an advanced AI-powered scouting platform

Potential targets	Inventory											Score
	Visual search	Style tagging	AR/VR ¹	Structured data	Trend spotting	Geography	Primary industry	Revenue	Customer scale	Patents and awards	Full-time employees	
Company A	●	●	○	●	●	■	■	■	■	■	■	2.85
Company B	●	○	●	○	○	■	■	■	■	■	■	2.85
Company C	●	●	●	●	○	■	■	■	■	■	■	2.85
Company D	●	●	○	○	○	■	■	■	■	■	■	2.77
Company E	●	○	○	●	○	■	■	■	■	■	■	2.77
Company F	○	○	●	○	○	■	■	■	■	■	■	2.69
Company G	●	●	●	●	○	■	■	■	■	■	■	2.69
Company H	○	○	○	●	●	■	■	■	■	■	■	2.62
Company I	○	●	●	○	○	■	■	■	■	■	■	2.54
Company J	●	●	○	●	●	■	■	■	■	■	■	2.54
Company K	●	●	○	○	○	■	■	■	■	■	■	2.48
Company L	●	●	○	○	○	■	■	■	■	■	■	2.38
Company M	○	●	●	○	○	■	■	■	■	■	■	2.38
Company N	○	○	●	●	○	■	■	■	■	■	■	2.33
Company O	●	○	○	○	●	■	■	■	■	■	■	2.31
Company P	○	●	○	○	○	■	■	■	■	■	■	2.31
Company Q	○	○	●	○	○	■	■	■	■	■	■	2.31
Company R	○	○	○	○	●	■	■	■	■	■	■	2.31
Company S	●	○	○	○	●	■	■	■	■	■	■	2.31
Company T	○	○	○	○	●	■	■	■	■	■	■	2.31

¹Augmented reality/virtual reality.
Source: PitchBook; S&P Capital IQ; McKinsey analysis

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Gen AI tools are evolving toward performing as strategic partners. Envision a tool that can analyze a company's strategy; identify its top M&A opportunities by assessing factors such as earnings calls, stock price changes, and patent activity; and then identify potential targets. We estimate that within the next two to five years, accurate and dependable end-to-end gen-AI-powered M&A tools will be available.

To prepare, companies can document their corporate and M&A strategies and the specific criteria that make deals attractive. They can identify which public and private sources are most relevant for scanning potential targets so that they can eventually train AI tools to gather data from them. These moves will help position M&A teams to capture full value as soon as more advanced tools arrive.

Diligence assistance, today and tomorrow

Once an organization has a list of potential targets, an M&A team typically scrutinizes them to ensure they fit the strategic rationale for the potential deal. For example, the target may open new growth channels or geographies, create synergies, or bring new capabilities. This time- and resource-intensive process requires that practitioners acquire a detailed understanding of the targets. During this phase, acquirers and targets can spend hundreds or even thousands of hours conducting meetings, exchanging emails, and creating and reviewing process documents and data.

A suite of gen AI tools available today can accelerate this process while ensuring nothing is missed. For example, one tool enables M&A teams to search a large library of expert interview transcripts (recorded conversations with thousands of industry and functional specialists), using natural-language questions to uncover insights into companies, industries, and products. Another tool can access virtual data rooms, using gen AI to search, summarize, and organize thousands of diligence files. It can analyze financials, respond to common diligence questions, and enrich findings with public and proprietary data on factors such as customer and employee sentiment.

Our survey revealed a strong appetite for tools that aid in the diligence process. We estimate that within the next two years, gen AI tools will improve enough to make diligence a continuous and connected part of the deal cycle. They may be able to automatically feed insights from diligence into target screening and postclose integration planning, as well as learn from each deal to inform the next. To prepare, companies can start structuring their deal data and linking gen AI capabilities to their existing M&A systems.

The future of integration planning and execution

Integration planning and execution are critical to realizing an acquisition's objectives. Poorly managed, these phases can quickly drain value due to irritated customers, frustrated employees, or regulatory penalties. In deals involving large companies, integrations typically require dozens of teams and hundreds of employees and take two to five years to complete. The large investment in time and resources can often distract from a company's organic growth prospects.

Today, tools exist that can help automate some integration tasks. A well-trained gen AI agent (including off-the-shelf products and products companies develop in-house) can analyze a deal's context and produce a day one readiness and postclose integration plan (admittedly, of varying levels of accuracy and excellence) in a matter of minutes. Gen AI agents can be trained to produce communication materials, such as day one letters for customers or suppliers, deal close press releases, employee-change-management manuals, and integration update newsletters. At present, these tools eliminate some of the intellectual and manual labor of organizing and executing an integration plan. However, they require abundant human judgment and oversight.

Based on the current trajectory, we estimate that in two to three years, there will be gen-AI-enabled tools that automate more than half of all integration-related tasks. To prepare, companies can focus on refining their integration playbooks and documenting their approaches to a variety of integration decisions and tasks. When the next generation of tools arrives, prepared companies will be well positioned to upload their approaches into them and immediately benefit from their automation capabilities.

How M&A teams can adapt to gen AI and prepare for the future

Our survey revealed that a large majority of respondents identified a lack of expertise as their company's top challenge in adopting gen AI (Exhibit 5).

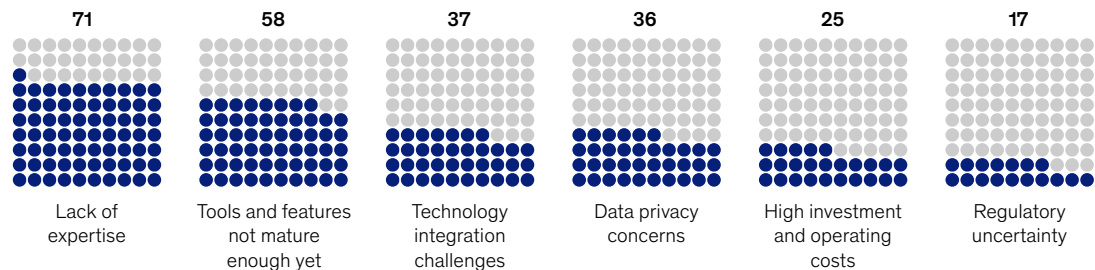
Companies can choose from the following steps to integrate gen AI into their current M&A processes and develop more expertise. The more actions they take, the better positioned they will be to benefit from future technologies:

- *Assess current M&A processes, capabilities, and tools* to identify the workflows (such as deal speed, insights, and integration) where automation could be most helpful. For example, if the company is in a market with players of many sizes scattered across geographies, gen AI might have the greatest impact on deal scanning; however, for companies that belong to a narrow sector where talent or intellectual property is crucial, executing a successful people or operational integration may be more important.
- *Build AI fluency across M&A teams.* Encourage teams to explore existing tools and request live demonstrations where possible. Organizations can also evaluate which capabilities can be developed internally by leveraging existing LLMs.
- *Secure executive sponsorship.* Establish clear ownership and a senior champion to guide the gen AI agenda.

Exhibit 5

Respondents identify their own lack of expertise and the immaturity of tools as top obstacles to the adoption of gen AI in M&A.

Top challenges to adopting gen AI in M&A, % of respondents (top 3 factors)¹



¹Question: When thinking about the next step in adopting gen AI in M&A, what are the primary challenges for your company? Respondents were asked to select and rank ≤3 answers.

Source: McKinsey survey on adoption of gen-AI-enabled tools in M&A processes, 200 participants, 2025

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- *Formalize M&A playbooks.* Analyze and document the company's M&A philosophy. For example, what percentage of value capture does the company typically seek within the first six months of an acquisition? Do the same for the company's methodology. For example, does the talent selection process in an integration differ from the usual process for identifying talent?
- *Develop a one- to two-year road map* for making gen AI part of the company's M&A operations. A wait-and-see approach risks falling behind in the process; realizing the benefits of gen AI requires deliberate planning, change management, and sustained commitment.

Gen AI is no longer just theoretical in M&A. Leading teams are already using it to identify targets, accelerate diligence, and enhance integration planning and execution. The next generation of tools will be even more capable, linking internal and external data, automating larger parts of a variety of processes, and learning from each deal. Companies that begin building AI fluency, formalizing their M&A playbooks, and creating a one- to two-year road map for gen AI adoption will be best positioned to capture the value of the innovation wave still to come.

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