

# **Goldman Sachs Exchanges**

## **What's Driving the Surge in Deal-Making?**

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**Allison Nathan:** Despite a year marked by geopolitical uncertainty, higher tariffs, and slowing growth, we've seen a surge in deal-making activity in 2025. So why has the M&A market been so resilient? And can this current wave of M&A activity continue in 2026? To help unpack the state of deals and chart the road ahead I'm joined by Goldman Sachs's Stephan Feldgoise, head of Global Mergers and Acquisitions in the firm's Global Banking and Markets business.

Stephan, welcome back to the program.

**Stephan Feldgoise:** Thanks for having me.

**Allison Nathan:** Stephan, when we spoke about a year

ago, the M&A market was just beginning to show signs of life, but since then we've actually had a long list of headwinds. We've had Liberation Day that brought higher tariffs and a lot of concerns about sharply higher tariffs. There's been broader policy uncertainty, macro uncertainty, and most recently of course we've had the longest US government shutdown in history. So a lot of headwinds, but the M&A activity has actually picked up very sizably. So why is that given all of these headwinds?

**Stephan Feldgoise:** It's interesting. It's actually very interesting. The first quarter of the year, as you said, there was a fair degree of uncertainty post election heading into 2025 where people weren't sure how it would play out. And so the first quarter was relatively quiet, I would say.

April was extremely quiet post Liberation Day. Heading out of April into May, you started to see a crescendo of transactions, particularly on the larger side. And then I would say the last three months heading into the fall and the winter has rivaled what we saw in 2021, which has been the most active. In fact, in my career I did not think we would look back and see a period as active as we saw in 2021. The last quarter, the last 3-4 months, have rivaled

2021.

And if you look at the year in total now, the number of \$10 billion transactions is up 100% over 2024. And so it's not just become an active year, it's become one of the most active years in history.

**Allison Nathan:** What is driving that, again, given all these headwinds we've experienced?

**Stephan Feldgoise:** So there are definitely headwinds. There's still geopolitical risk. There is still interest rates that can restrain thing. There are still black swan risks, and some of those have happened. There's still uncertainty around regulation around the world.

That being said, the strategic imperatives coming out of COVID to reposition businesses, not for the next two years but for the next 20 or 30, were severely challenged by these headwinds, I would say, in the prior four or five years. Coming into the mid part of 2025, capital market's wide open. The ability to finance, the ubiquity of public and private capital, and most importantly the ability to get things done.

You saw a number of very large, whether they be cross-border or complex or even insensitive industries, transactions get completed. So CEOs and boards, prompted in a large part by their shareholders, we're saying to them if there's something that makes long-term strategic sense, you should be at least looking at it. And so files that were dormant for a period of time were pulled out and looked at. And what you saw is not only did companies look at those transactions, but recognized they could get them done. And that's why you've seen such a large number of transactions.

**Allison Nathan:** So you mentioned this surge in mega deals. What's driving that in particular?

**Stephan Feldgoise:** Well, it's really all sizes. And so we focus most, as you know, on transactions \$500 million and up. And those are up 20-30% in total. Mega transactions, as I mentioned, up 100%. What's driving those is, for a period of time, there were large transactions either in certain industries just given the need for very large financings that were difficult to get done.

And whether that was receptivity by sellers, whether that was the aggressiveness of buyers, or whether that was just the timing where buyers thought that they could get things done from a financing, from a regulatory, from a geopolitical perspective, the fingers have met.

And if you look at the differences, 2021, every market, every opportunity was actionable in 2021. The equity markets were wide open, the debt markets were wide open, and the M&A markets were wide open. That's the first time in my career where I saw all markets wide open for an entire year. That wasn't the case in 2025, but certainly for the second half of 2025 you've seen relatively wide open private credit and public credit markets. And you've seen also the IPO markets coming back. Not back to where they were, but certainly much more robust than they were. And you've seen the fingers meet on strategic imperative of scale and the reasons that we saw again coming out of COVID for companies to get together.

**Allison Nathan:** And so you said all sizes. What about industries or geographies? Are there particular trends you've observed as this activity has increased?

**Stephan Feldgoise:** There's certainly been some trends that have continued from what we've seen for several years. So consolidation in technology, media, and telecom continues. And you just see incredible new company formation, see incredible new technologies. We're going to talk about AI. AI is not just AI companies where you haven't seen a lot of M&A specifically in AI companies. But everything related to AI.

So that might be software. That might be real estate. That might be data centers. That might be semiconductors. All those industries. Power suppliers. All those industries have seen consolidation, again, as a derivative of AI. So what I'll call is the AI universe is certainly very, very active. And we're in the early innings obviously of the AI generation. We would expect to see more there.

Biotech continues. Large-cap pharma companies looking for the next molecule. That continues.

And but even in, you know, traditional cash flow businesses, you see it whether it be industrial companies. You've seen a lot of activity in consumer retail. You've seen financial institutions in Europe doing a large number of

transactions. So I would just say it's very broad, and that's why you're seeing the records being met in terms of the number of transactions. It's both geographically broad -- Europe has been extraordinarily active. The Americas is obviously the largest M&A market. But also really across industries and across sizes.

**Allison Nathan:** And so let's dig into AI a little bit more, as you said, there has been an immense focus on AI and its potential to reshape businesses. So you talked about some of this activity occurring not in the AI-specific companies but ones around it. But more broadly speaking, how is AI influencing how CEOs and C-suites are actually thinking about their strategic activity going forward?

**Stephan Feldgoise:** So it is hugely impactful in the boardroom. And if you look at all the other issues let's say that impacted M&A over decades, whether that be very difficult financing markets, whether that be political or geopolitical risk, there's a ton of expertise in the boardroom who's been through those types of situations, who have understanding of capital markets, who have understanding of politics and geopolitics and international relations.

AI is completely new. So not only is it seismic in terms of its potential impact and thinking about how to make decisions on M&A which are very long cycle decisions, but the skills and expertise in the boardroom is very limited in and around AI. And so boards and management teams and advisors are having to both advise and make decisions on something that is super impactful but there's a very short experience base. And that's nobody's fault. It just came on so quickly. And so that's the decision making in the boardroom that's very, very difficult.

And there's not an M&A situation or an M&A decision that's being made without extraordinary consideration about what is going to be the AI impact not only to our company but to the target company or the company that we're merging with? And so those are very difficult assessments, but those assessments are being made. And the most impactful conclusion is that, if I'm a large company, I want to have a lot of cards in my deck because I'm not sure how it's going to play out exactly, but I need to be nimble, flexible, and have a lot of opportunities to play depending on how AI comes out. And that's why you've seen a lot of drive to get larger and have scale in different businesses and different product lines.

**Allison Nathan:** Right, so it's increasingly part of their longer term strategy. I mean, it has to be, this AI --

**Stephan Feldgoise:** Every company. Every company.

**Allison Nathan:** We're also seeing a lot of companies spinning off parts of their businesses or realigning their portfolios. When we think about that type of strategic decision making, how has that evolved over the course of the year, and do you think it will continue?

**Stephan Feldgoise:** Yeah, I would say 2025 has not been different than what we've seen now for well over a decade, which is simplification and the drive to simplification continues. The conglomerate discount persists. If there are businesses that either are better owned or there's a better owner for a given business inside of a larger company that creates value for shareholders, I would say that boards and companies have become very facile and very familiar with this simplification move to achieve and to deliver that value to shareholders.

And you can't ignore the fact that activism is still pervasive.

And so activists continue to look at every company and think about should they be a portfolio? Should they be separate? And will there be value creation in those separation alternatives? So the path to simplification continues, but that's not a new trend. We've seen that, you know, certainly for well over a decade.

**Allison Nathan:** Right. And actually, if I'm correct, shareholders activism is at a 5-year high, so very active part of what you're seeing right now.

**Stephan Feldgoise:** Yeah, and I'd say the blur that started five, 10, 15 years ago, it's a question of there are traditional activists that raise funds to be an activist, but traditional shareholders, traditional institutions are much more active. Not that the big institutions are activists, but they are much more vocal, generally privately but sometimes publicly with whether they think a company should take a strategic action, whether that be simplification. Generally less about doing a merger transaction until it's announced in front of them. But certainly on portfolio, activists and active shareholders are both looking at that very carefully.

**Allison Nathan:** Right. So activism, as you said, longer term trend. We have seen so much focus on private markets. When we spoke last year, there were many private equity sponsors that still had a lot of dry powder. That seems to be changing. Talk to us about how that's impacting activity.

**Stephan Feldgoise:** Look, private equity is still between 30-40% of the M&A market. At its peak, it gets closer to 40, maybe a bit over 40. In the last few years, given that they've had a more difficult time monetizing their portfolios, it's been more towards the lower 30s. But still a huge part and, frankly, growing part. We're in the second or third inning of the private equity recovery. And when I say "recovery," getting to a market where they'll be able to do significant monetizations in their portfolio company. So we're still in that second, third inning.

That being said, they continue to invest. They've been able to, many of the funds, raise significant amounts of capital. The private equity returns over cycles -- so decades -- have not been, if not the best, some of the best returns that we have seen. But now private equity's gotten much broader. Before, it was traditional private equity funds. Now, private

equity can be sovereign funds or sovereign funds doing transactions directly, sovereign funds partnering with corporates. It can be very large family offices.

Part of what the tech world has created are extraordinarily large family offices that invest either alongside or directly, much like private equity. Private equity's half of it. Private capital, now private debt obviously has become very large as well. So when you think about the private markets in totality, private equity, which has grown in a lot of ways, and private capital, private credit, which has grown tremendously, those are pools that are fostering M&A, that are looking to be doing creative structures not just for private equity but private capital with corporates, whether it be funding some of this investment that we've talked about with AI or other ways are extraordinarily parts of the capital structure now. So there's no shortage of capital, whether it be equity or credit for companies who want to do things.

**Allison Nathan:** Interesting. If I think about what we've just discussed, Stephan, what's striking to me is -- and you've always emphasized this -- it's strategic when you think about this activity and how C-suites are thinking

about this. But if we think about heading into 2026, it feels to me a little bit like we had this very strong pent-up demand for this activity, which led to a very long pipeline and the extraordinary activity levels you've seen. Would you characterize this as pent-up demand that has now been somewhat satiated? Or do you see the pipeline extending into 2026 and beyond?

**Stephan Feldgoise:** Well, first off, from our perspective, my perspective, every transaction has to start with: Does it make sense strategically long term? Full stop.

**Allison Nathan:** Right.

**Stephan Feldgoise:** It's the simple test of whether it makes sense to look at something and obviously eventually to do something. That test has to be met in spades. At times, you'll be able to get things done. At times, the financing can make you do something or not do something. But bottom line is it has to be strategic from our perspective in terms of does it make sense for you to do it?

When you look at the statistics, you know, the percentage of GDP or some of these very large macro measures of M&A

relative to some of these larger statistics, we're still running below historical averages. And so there's been many years post COVID where people weren't able to get done and we operated well below historical norms. So I don't think we're at a point where, all right, that the amount or the degree of strategic activity is done, that we've gotten through it in the activities over the last few months. There'll be ebbs and flows. I mean, things always ebb a bit when you generally head towards year end and the holidays and whatnot.

But when we look at our new mandates checks that come in, those numbers are still running at 21 levels or higher. And so that's our best forward indicator as we think about things that may happen into 2026. But the new checks, the new concepts, and a lot of it, frankly, on the very larger size is still pretty nascent, even though it's up 100% over 2024. In '25, it's still not at levels that we saw in some prior years in terms of 10 billion up transactions. And a lot of the new checks that we're seeing are either in industries or companies or geographies where we expected it to happen but it hadn't happened yet, and a lot of those are very large in size.

**Allison Nathan:** So what is your outlook for activity in

2026?

**Stephan Feldgoise:** So a couple factors. If you look at the foundational pieces that are really driving the extraordinary activity right now, availability of capital in both the public and the private markets. The desire for strategies to reposition, for companies to reposition and get bigger, have more cards in their portfolio, all of that remains. The ability to get things done from a global regulatory perspective. Obviously many things have gotten done. So those foundational forces continue to drive.

Also, I mentioned private equity. Private equity we think is in the second or third inning of its recovery, both on the investment side but most importantly on the monetization of the thousands of portfolio companies that they sit on. So expect to see that step up. If those things all continue as they are right now and you continue to have private equity recovering in 2026, we expect to be similar to what we're seeing now, which is at or near all-time high levels.

**Allison Nathan:** What could derail that outlook?

**Stephan Feldgoise:** Lots of things and it can happen

any given day, I would say. Geopolitical risk is obviously large. We have not seen the real recovery in cross-border, and so any geopolitical instability always could put a quell in that.

You could see credit markets tighten. Are there some idiosyncratic either corporate issues around credit in the financial services sector or in industrial corporates or other? You know, private credit in scale is not something we've seen before. How does that dynamic evolve as we go through credit cycles and others? All that's to be known.

But what I'm highlighting mostly are there could be idiosyncratic things, but the fundamental drivers -- so availability of capital both in the public and the private markets, the resurgence in the IPO market, the desire to continue to position strategically, the ability to get things done -- those are really the forces we look at, which is we are reasonably but cautiously bullish on 2026. That being said, we always recognize that there are things that could slow it down.

**Allison Nathan:** As always. Thanks so much, Stephan, for joining us again.

**Stephan Feldgoise:** Thanks for having me.

**Allison Nathan:** Thanks for listening to this episode of Goldman Sachs Exchanges, which was recorded on Thursday, November 20th, 2025. I'm Allison Nathan.

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