Goldman Sachs

2025 M&A Outlook

Building Momentum on a Global Stage

If 2024 marked a shift to growth, 2025 will accelerate momentum on a global stage.

For over a year, capital markets have sought clarity on two common bottlenecks for M&A: monetary policy and regulation. With these dynamics normalizing, a generational technology disrupting industries, sponsors seeking liquidity, and a growing desire from corporates to transform their portfolios through M&A, we expect significant upside potential for dealmaking next year—but with a healthy dose of volatility as capital markets navigate "known unknowns" in the form of tariffs, geopolitics, and more.

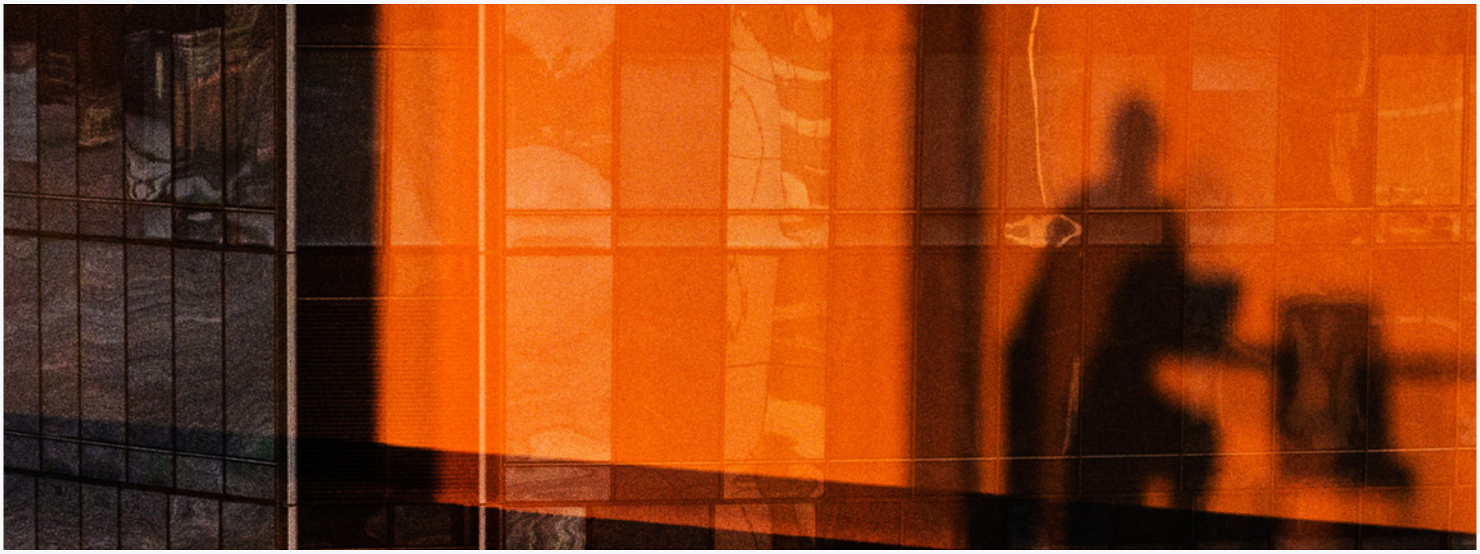
Although global M&A volumes rose +15% YoY,[1] aggregated numbers tell only half the story. M&A volumes relative to global market cap currently sit at 20-year lows, and sentiment is improving, with leaders focused not just on stability but on growth.[2] In a November survey of Goldman Sachs Investment Banking clients, which includes both corporates and financial sponsors, nearly half of respondents believe strategic growth and the addition of new capabilities will be the primary drivers of 2025 M&A decisions—with that number reaching nearly 60% for private corporates.[3]

47%

of surveyed clients believe strategic growth and the addition of new capabilities will be the primary drivers of 2025 M&A decisions.[4]

"The M&A market is steadily gaining strength as sponsor activity rebounds, regulatory and monetary dynamics normalize, and corporates continue demonstrating their intention to simplify portfolios."

Stephan Feldgoise | Co-Head of Global M&A



M&A is building momentum on a global stage, and leadership teams are emboldened.

Our 2025 Outlook explores what drivers will unlock growth and transformation in the year ahead.

Newfound macro clarity will spur the next substantial wave in corporate dealmaking

With key M&A bottlenecks of monetary policy and regulatory uncertainty addressed—at least directionally—CEO confidence is rising amid broader expectations that the new US administration will usher in more supportive regulatory policies, fueling corporate M&A.

Simplification is becoming more sophisticated, more valuable, and more global

More than half of global separation announcements in 2024 occurred outside the United States.[5] Driven by a mixture of portfolio complexity and optimal capital allocation, corporate separation activity remains strong across the globe, with few signs of slowing.

Facing a push to deploy, sponsors acknowledge it's time to unwind

Sponsors are tapping into a range of strategic levers to unlock liquidity—sponsor-to-sponsor deals, minority stake sales, and creative continuation fund structures—driven by high levels of dry powder primed for deployment and continued focus on returning capital to investors.

The AI opportunity is here—and M&A will materialize as the stack develops

We view the AI era through an Infrastructure-Platform-Application framework, with most M&A activity to date concentrated at the Infrastructure and Platform layers. The anticipated wave of industry transformation is already sparking M&A among technology companies.

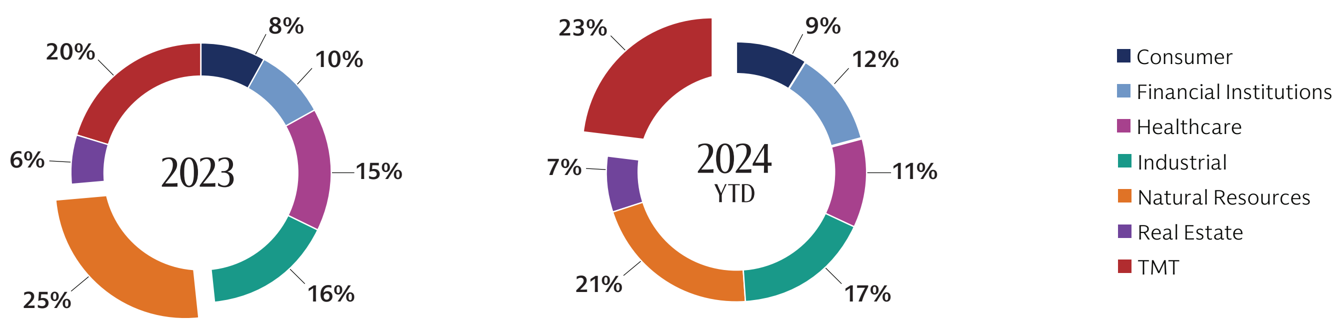
Greater Macro Clarity Will Fuel Corporate M&A

Globally, corporates are transitioning from net-sellers to net-buyers. Despite elevated interest rates and unusually high regulatory uncertainty, corporate buyers still accounted for 71% of all deal activity through Q3—a stark contrast to the 61% share of M&A in 2021 and 2022[6]—reflecting a combination of pent-up demand, strong balance sheets, and a desire to refresh portfolios through both separations and capability-enhancing acquisitions.

Increasing regulatory scrutiny in recent years has led to larger US deals ($10B+) taking nearly twice as long to close as they did a decade ago.[7] This governor on large-scale transactions has been exacerbated by hawkish monetary policy, a “dimmer switch” for corporate M&A driving both valuations and debt financing costs. Merger arbitrage funds have been challenged by elongated closing timelines and blocked mergers, and fundamental shareholders have also voiced their opinions—rewarding smaller, strategic transactions that enhance scale and are cash-flow accretive.

With that said, investor behavior in the second half of 2024 exhibited a growing risk appetite for dealmaking as more than half of acquirers outperformed the market upon announcement of transactions. We expect this demand to grow as the cost of capital comes down and markets absorb potential policy changes in 2025.

Older economy dealmaking gives way to a growth-focused rebound[8]



More broadly, CEO confidence is rising alongside broader expectations of regulatory dynamics normalizing, ushering in a new wave of M&A. And history would suggest that optimism is not unfounded: over the past 40 years, annual US merger volumes have increased by an average of +101% in second-term presidencies (although typically consecutive) given greater insight into the fiscal, tax, regulatory, and foreign policies impacting boardroom decisions.[9]

Corporate simplifications have garnered attention, but there has been an equally influential surge in capability-enhancing deals. Non-technology companies acquiring technology companies represented 12% of total M&A volumes in 2024, compared to the longer-term average of 7%.[10] This shift also reflects a broader rebalancing across industries from “old economy” sectors like natural resources to growth-focused sectors in technology, consumer, and healthcare—a trajectory we expect will continue next year as AI-related M&A gains steam. Despite large-scale transaction volumes remaining below historical averages, the number of $10B+ deals rose +26% YoY,[11] and we expect to see a meaningful pickup in 2025 across sectors—namely technology, healthcare, and financials—as regulatory concerns abate.

Corporate share of total M&A volumes[12]

71%

Number of $10B+ transactions globally[13]

+26% YoY

Number of $10B+ transactions in EMEA[14]

+43% YoY

A Global Shift Toward Simplification

Corporate simplifications continue to fuel M&A as companies look to highlight undervalued assets, separate divergent businesses, and sharpen geographic focus. Large-cap companies ($25B+) moving away from conglomerate models are especially active—representing ~40% of announced and closed spin-offs in 2024.[15] In the second quarter, 3M completed the $20B spin-off of its healthcare business—now trading as Solventum Corporation—to enhance operational agility and tailor capital allocation strategies to each independent company.

> "The strong consensus today is that simplification, for many companies across regions, is an enabler of value creation because of the benefits of management focus, incentivization, and clarity of equity story."

David Dubner | Global Head of M&A Structuring

Managing corporate assets across multiple regions carries significant operational complexities due to differing tax laws, accounting treatments, and regulations—not to mention costs. Coupled with rising geopolitical tensions, evolving market appetites created by the changing pace of energy transition, and a focus on optimizing capital allocation, regional separations are helping companies address the dissynergies associated with operating cross-regional corporations. Additionally, valuation discrepancies have catalyzed cross-border M&A by encouraging corporates to seek more favorable capital markets through new domiciles, listings, or headquarters. In 2024, more than half of the 37 separation announcements occurred outside the United States[16]—with 40% concentrated in EMEA, where separations' contribution to overall M&A has doubled in the past decade.[17] In November, Anglo American announced its plans to divest the entirety of its steelmaking coal portfolio in Australia for up to $4.9B, marking the latest step in the company's portfolio transformation announced in May.[18]

Importantly, separations often generate additional M&A activity post-separation. Companies that engage in spin-offs have higher rates of M&A, and in ~40% of cases, companies that re-segment their assets end up pursuing spin-offs or other M&A in the following years.[19]

Simplification Trends That Will Shape 2025

Sponsors are becoming key to simplification by acting as carve-out partners while cost of capital continues challenging returns, and by giving both valuable expertise and credibility to corporates' transactions.

Creative deal structures are enabling more activity; earnout provisions, collars, and equity rollovers offer innovative solutions tailored to the specific needs of each company.

Corporates are pursuing regional separations to unlock valuation, target specific investor bases, and achieve greater strategic clarity in a shifting global landscape.

Activism is accelerating spin-offs, but spin-offs are also accelerating activism amid a newfound focus on SpinCos—underscoring the importance of governance and adequate capitalization for newly spun-off companies.

The Next Era of Activism

Activist funds are continuing to raise capital, and their targets are increasingly larger. Nearly one-third of campaigns in 2024 targeted $10B+ corporations, and recent successful campaigns by non-dedicated or lesser-known activist funds should embolden a broader set of activist players to join the fray.[20]

Increased activity from an expanding pool of activist funds has also spurred an acceleration of "swarming," in which multiple activists target the same company in a non-coordinated approach—one out of every twelve S&P 500 companies in 2024 had two or more activists in their stock.[21]

> "Investors are rewarding companies that simplify, and activists are picking up on this global phenomenon, capitalizing on it, and accelerating this trend further."

Avinash Mehrotra | Co-Head of Americas M&A, Global Head of Activism, Shareholder Advisory & Takeover Defense Practices

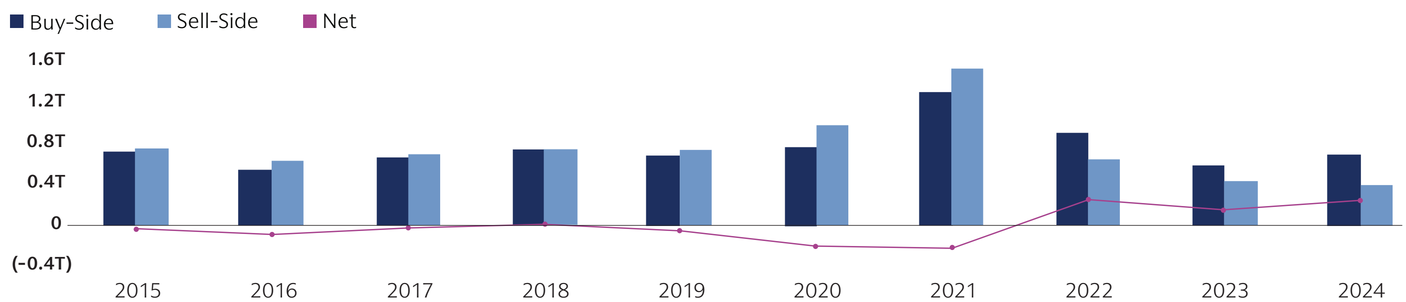
Activism is poised to accelerate next year with peak interest rates in the rearview mirror, inflation more or less tamed, and regulatory dynamics normalizing in the United States. Portfolio simplification and M&A will receive heightened focus—comprising ~40% of business-related activist demands since Q1 2022.[22] While activists largely focused on smaller objectives during the Biden presidency—such as CEO changes and structural improvements—the new US administration may encourage activists to push the envelope and pursue bolder demands.

Paradigm Shifts Catalyze Global Sponsor M&A

The rebound in global sponsor activity has been a double-edged sword. Buy-side volumes are above 2015–2021 averages, but exits remain below historical levels,[23] even as the number of sponsor-backed companies has soared. Sponsors will prioritize exits amid ongoing pressure for deployment and liquidity: we expect 1,200+ portfolio companies $1B+ EV to exit via sale or IPO over the next two to three years.[24]

With investors' continued focus on fund performance, distributions to paid-in capital (DPI) remain front and center. DPI sits at the lowest levels since 2008, with post-2019 fund vintages receiving the greatest scrutiny, returning 0.1x DPI versus 0.6x for 2015–2018 vintages at Year 4.[25] Sponsors are tapping into a range of creative alternatives to generate liquidity, including co-control, minority stake sales, and continuation funds. That said, the outlook for sponsor activity—specifically exits—is the most positive it's been since early 2022. The recent shifts in monetary policy are helping to resolve problematic valuation gaps as debt financing gets cheaper and buyers are more willing to meet sellers' prices. The positive valuation re-rating of US stocks post-election has spurred momentum, with total sponsor M&A up +23% YoY in Q3 and sponsor-to-sponsor deal volumes rising +54% YoY.[26] The normalization of IPO volumes is another boon to activity—providing greater confidence in exit options over three-to-five-year timelines. Global sponsor IPO volumes are up +75% YoY—renewing interest in dual-track processes.[27]

Global sponsor buy-side activity normalizes while seller activity has yet to recover[28]



Dry Powder Spurs Take-Private Opportunities

Take-privates remain an outsized contributor to sponsor M&A, rising +21% YoY and representing 30% of total sponsor buy-side volumes in 2024.[29] Lower valuations for publicly traded companies outside the United States also continue to offer attractive opportunities for sponsors to deploy a growing surplus of dry powder.

Take-private activity has accelerated globally, but EMEA—Europe specifically—has seen the strongest momentum in 2024, up +34% YoY.[30] In the UK, take-private deal volumes soared +84% YoY, fueled by heightened activity in the technology sector.[31] While valuations remain attractive, take-privates will be an ideal method to deploy capital in a declining rate environment.

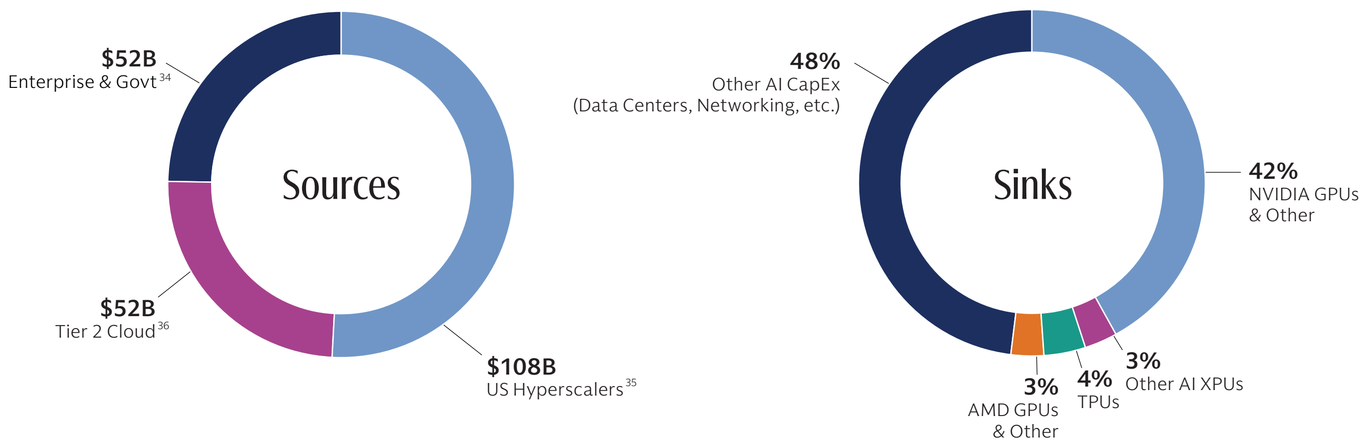
> "The fundraising pipeline puts a greater focus on DPI, more innovative liquidity structures, and a need to redress balance between exits and deployment, which sets up for an encouraging 2025."

Haidee Lee | Global Head of Financial Sponsor M&A

AI-Driven M&A: A Strategic Focus on the Stack

The scale of AI's economic potential is rivaled only by the capital needed to unlock it. US hyperscalers have invested $200B and are forecasted to spend $1T by 2026.[32] Alongside the anticipated wave of industry transformation, there has already been a surge of M&A in functional and vertical software companies—with a focus on durable business models and upside potential.

Unprecedented infrastructure investments are fueling the AI revolution[33]



Infrastructure

Infrastructure activity has centered around hyperscalers' spend—particularly in data centers and power supply as the primary vector for innovation has been the scaling of data, compute, and models. With data center vacancy at a record low (5%) and AI servers requiring 10x more power than traditional hyperscale, corporates, sponsors, and sovereigns have recognized a generational investment opportunity.[37] Meanwhile, semiconductor companies are bolstering their full-stack capabilities. Pressure created by the structural bottlenecks in data centers and power supply will continue driving outsized investments and dealmaking.

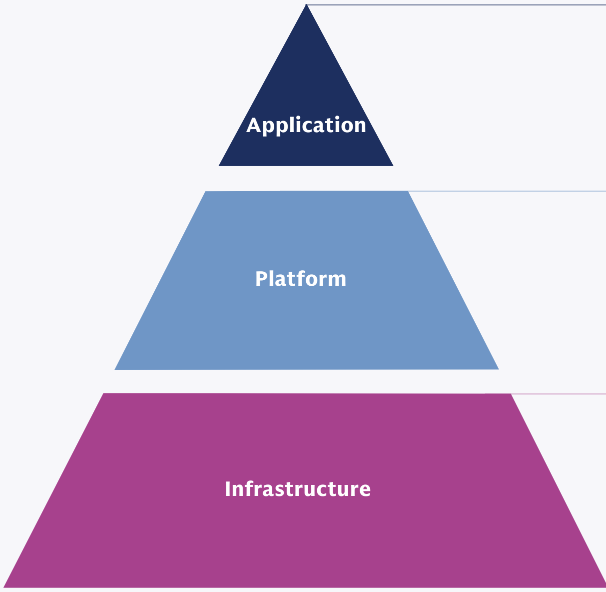
Platform

With enterprise AI adoption and investment accelerating, Platform layer spend should outpace infrastructure spend, with platform providers utilizing M&A to marry generative AI with enterprise datasets, workflows, and more. As IT vendors of today strive to become the AI vendors of tomorrow, 2025 will see continued activity, especially among "picks and shovels" targets that facilitate AI functionality.

Application

AI's true economic and transformational potential is expected to be unlocked in the Application layer, but it remains inchoate for now. Several potential "killer apps" have spurred clusters of targeted transactions, but agentic AI—in which models execute tasks currently performed by humans—has garnered palpable excitement and will catalyze dealmaking as "AI eats IT" across industries. Generative AI is expected to unlock efficiencies that will be deflationary and potentially disruptive for some SaaS companies—pushing down valuations and, in certain cases, driving them to go private. Conversely, software companies with entrenched customer relationships and proprietary datasets represent beachheads for AI transformation and have already produced solid M&A outcomes.

We view the AI era through an **Infrastructure-Platform-Application framework**,[38] with most activity to date concentrated at the Infrastructure and Platform layers. The anticipated wave of industry transformation is already catalyzing M&A in certain software companies.



NOTABLE TRANSACTIONS IN 2024

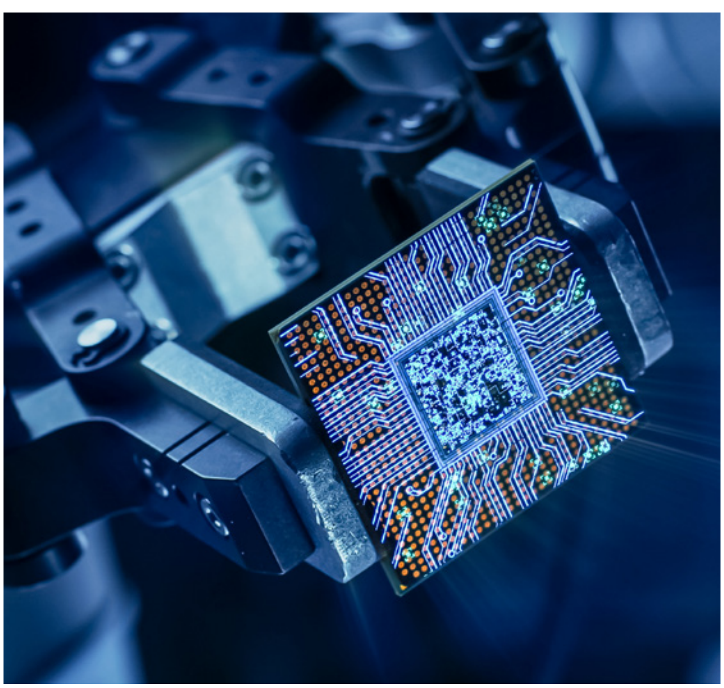
The sale of JAGGAER, a global leader in enterprise procurement and supplier collaboration, to Vista Equity Partners, and Siemens' intent to acquire Altair, a global leader in computational intelligence, underscore how software companies can successfully orient themselves for the AI era.

Salesforce acquired Own, whose tools enable organizations to protect mission-critical data while generating deeper insights, and IBM announced its intent to acquire HashiCorp to create a comprehensive end-to-end hybrid cloud platform built for AI-driven complexity.

Blackstone announced its intent to acquire AirTrunk, APAC's largest data center platform. Data center operator Equinix announced a $15B joint venture with GIC and CPPIB to build xScale facilities for AI workloads. Semiconductor companies are bolstering their full-stack capabilities—Advanced Micro Devices announced its intent to acquire ZT Systems to gain system-level design capabilities.

KEY FIGURES

5%	25%	50%+
Data center vacancy rate[39]	**Work tasks potentially automated by AI**[40]	**Estimated AI platform revenue CAGR**[41]



"As scaling, whether in pre-training or other vectors, continues to be the primary way in which AI advances, the demand for infrastructure continues to grow—spurring a flow of investment capital and dealmaking in response."

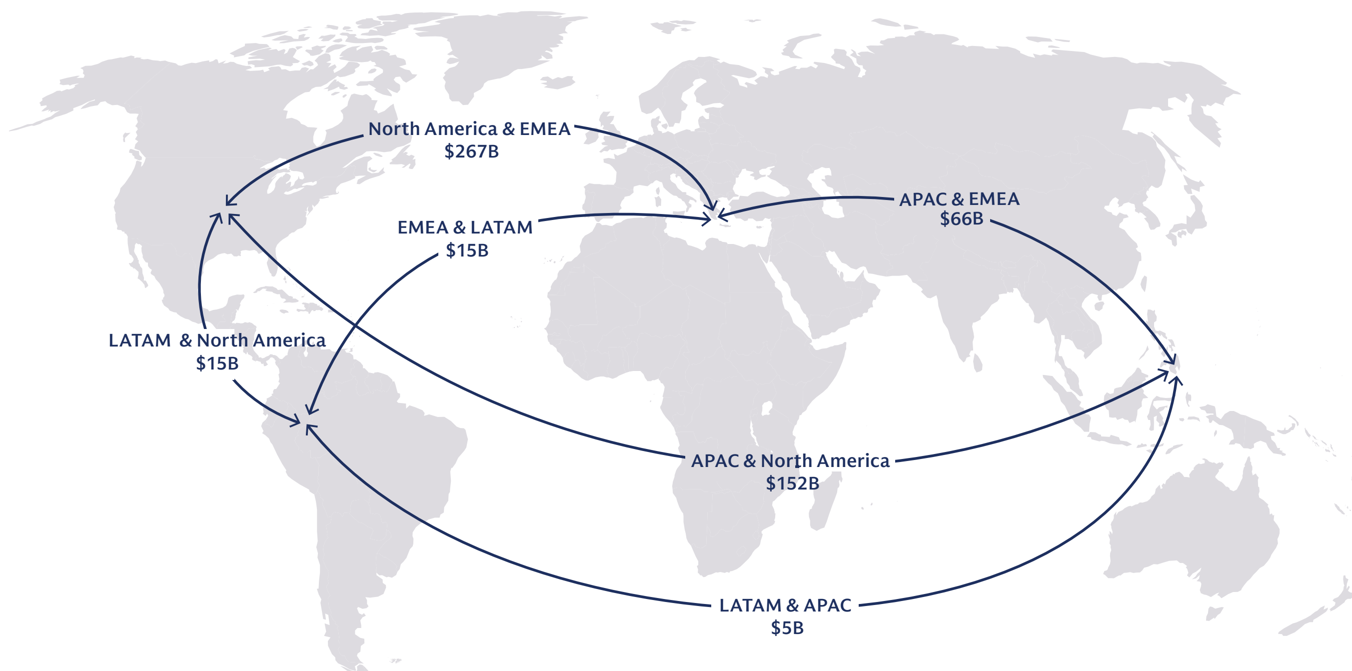
Jung Min | Global Co-COO of Technology, Media, and Telecom Investment Banking

Cross-Border M&A Surged in 2024, Bolstering Expectations for Next Year

After a more subdued period of activity, cross-regional M&A is starting to rebound. Within a broader uptick of EMEA activity, flows between the United States and Europe have seen the strongest momentum—accounting for 44% of the volumes shown below[42] and including deals like British packaging company DS Smith's proposed sale to US-based International Paper Co. for $9.8B. A flurry of cross-border transactions within EMEA have propelled volumes higher this year, including Abu Dhabi National Oil Company announcing its intention to acquire Germany's Covestro for $18B.

The resurgence of cross-regional M&A in 2024 is best demonstrated by the uptick in APAC—contributing ~30% of global transaction volumes and generating $150B of announced M&A in September alone.[43] Even as China—the region's largest market—has seen declines in overall M&A volumes in recent years, other nations have filled this vacuum.

Cross-border M&A continues to pick up around the globe[44]



Japan experienced particularly strong growth, with M&A volumes rising +30% YoY.[45] In addition to the continued appetite for cross-border transactions, corporate governance reforms driven by the Tokyo Stock Exchange and new guidelines on corporate takeovers from the Ministry of Economy, Trade and Industry have fueled momentum.

India has also emerged as a hot spot for cross-border transactions, driven in part by an M&A-friendly environment with supportive regulatory and government policies. Companies with Western-style corporate governance that tap into India's strong macroeconomic trends are seeing premium valuations and attracting significant foreign capital. Many multinational corporations are capturing valuation differentials by spinning off or publicly listing their Indian subsidiaries: in November, Reliance Industries and Walt Disney Corporation completed an $8.5B merger of the company's Indian media assets. The broader momentum in India suggests a rising tide, and we anticipate M&A volumes to remain strong as favorable conditions continue to build—supported by multinational corporate transactions and domestic deals across both strategics and financial sponsors.

As global M&A momentum continues accelerating next year, we expect cross-regional dealmaking to continue growing in both depth and breadth.

"We've seen pockets of strength return in certain regions and products, but a true rebound in global M&A has eluded capital markets for three years. Now we finally have the key ingredients converging: favorable macroeconomic conditions, a potentially more benign regulatory environment, and a growing risk appetite among corporates."

Mark Sorrell | Co-Head of Global M&A

The global M&A landscape is positioned for a dynamic 2025.

The heightened geopolitical and economic uncertainties that characterized 2024 have given way to a material shift in sentiment and strategic focus as the macro backdrop clarifies and sets the stage for an economically pivotal year.

As we navigate this landscape together, a readiness to capitalize on opportunities will be critical to harness momentum.

We're honored to partner with our clients to unlock growth and transformation in the year ahead.

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Global M&A Advisor[47]

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Endnotes

[1, 2] Dealogic as of 30 Nov 2024

[3, 4] Results based on a survey of 1,894 Goldman Sachs Investment Banking clients—including corporates, financial sponsors, sovereign entities, and nonprofits—conducted between 11/13/24 and 11/25/24

[5] Dealogic, DealPoint, FactSet, public company filings

[6] Dealogic as of 30 Nov 2024

[7] Bloomberg, Deal Point Data, FactSet

[8, 9] Dealogic as of 30 Nov 2024

[10] Dealogic and Internal GS Industry Classifications as of 30 Nov 2024

[11–14] Dealogic as of 30 Nov 2024

[15] Dealogic, DealPoint, FactSet, public company filings as of 30 Nov 2024

[16, 17] Dealogic, DealPoint, FactSet, public company filings

[18] Dealogic, DealPoint, public company filings

[19] DealPoint, CapIQ, IBES, press releases, and company filings. Database created by Goldman Sachs Investment Banking, includes companies in the S&P 500 that re-segmented their portfolio and were subsequently tracked to see if this resulted in M&A

[20–22] FactSet as of 30 Sep 2024

[23] Dealogic as of 30 Nov 2024

[24] GS estimate based on client feedback, GS Internal Database, Dealogic, PitchBook, corporate press releases

[25] Preqin as of 30 Nov 2024

[26–31] Dealogic as of 30 Nov 2024

[32] New Street Research as of 9 August 2024

[33] Corporates reports, company filings, Mercury Research, 650 Group, New Street Research Estimate and Analysis

[34] Enterprise & Govt = Tesla, Apple, ByteDance, Sovereign Intelligence, and others

[35] US Hyperscalers = Microsoft, Meta, Google, Amazon

[36] Tier 2 = CoreWeave, Lambda, Oracle, Baidu, Alibaba, Tencent, and others

[37] Public press releases, UBS, datacenterHawk, WallStreet research, CBRE Investment Management

[38] Goldman Sachs Research

[39] Public press releases, UBS, datacenterHawk, WallStreet research, CBRE Investment Management

[40] "AI may start to boost US GDP in 2027," Goldman Sachs Research

[41] Bain Capital Estimates

[42–45] Dealogic as of 30 Nov 2024

[46, 47] Dealogic as of 10 Dec 2024

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