



Morgan Stanley

2025 Year in Review and 2026 Outlook

Update on the M&A Environment

Pronounced Resurgence in M&A Activity in 2025

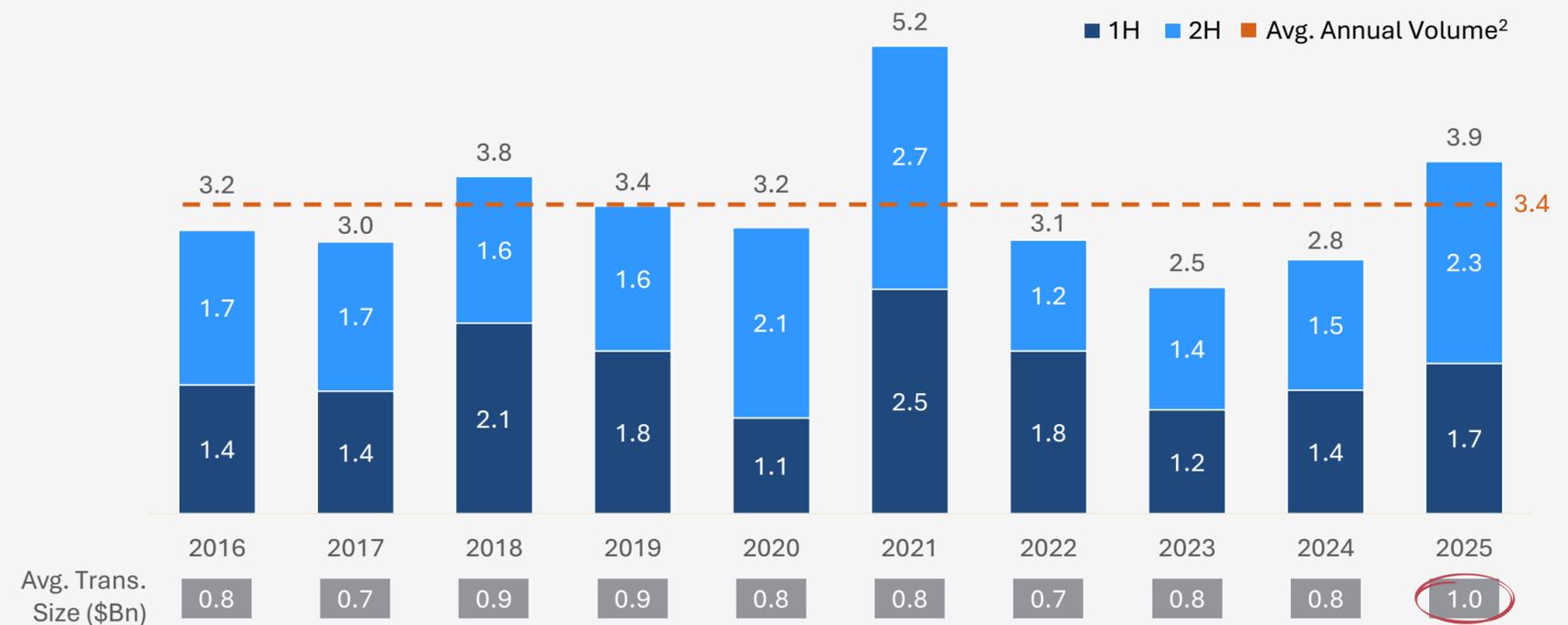
Declining interest rates, record high equity markets, and pro-growth policies in the U.S. have driven a resurgence in large-scale M&A activity.

M&A volumes are up **~40%** vs. 2024 and reached **~\$4** trillion in 2025, driven by the highest average deal size over the last 25 years.

2025 was a tale of two halves – after initial turbulence from April’s tariff announcements, deal activity returned in force, with 2H M&A volumes **35%** higher than 1H 2025.

~\$1.2 trillion of M&A activity in Q4 and ~\$1 trillion in Q3 2025 – the highest quarters since Q4 2021.

GLOBAL ANNOUNCED M&A VOLUME (\$Tn)¹



~\$4Tn

2025 M&A Volumes –
Up ~40% vs. 2024

60

Most Deals
>\$10Bn Ever

>\$1Tn

Q3 and Q4 2025 M&A Volumes –
Highest Since Q4 2021

725

\$1Bn+ Transactions in 2025 –
Increase of 26% vs. 2024

Surge in Megadeal Activity, But Volume Up Meaningfully Across the Size Spectrum

“ More corporate boards are considering larger-scale transactions given the attractive macro environment for such deals.

Boards and management teams are evaluating opportunities that might have been viewed as too risky or complicated previously.

JOHN COLLINS
Global Co-Head of M&A

	\$100MM-\$1Bn Transactions	\$1Bn-\$10Bn Transactions	\$10Bn+ Transactions
2025	~\$950Bn	~\$1,750Bn	~\$1,250Bn
2025 vs. 2024	+9%	+29%	+102%
2025 vs. 10-YR Average	(9%)	+19%	+39%

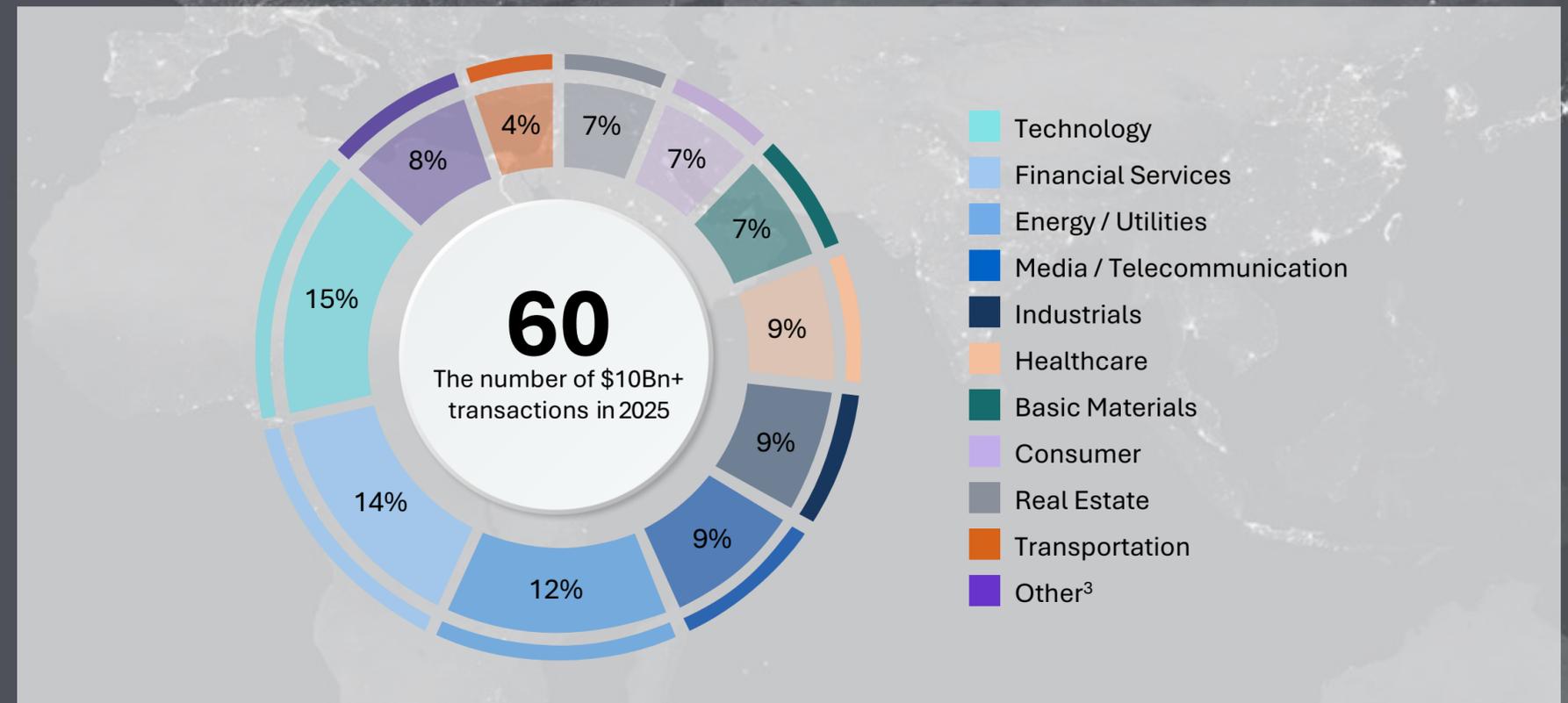
M&A Momentum Builds Across Sectors and Regions

The M&A landscape is highly active with megadeals across various sectors, especially in **Technology**, **Financial Services** and **Energy / Utilities**, with many \$10 billion+ deals driving an uptick in activity across industries.

Each region has recorded volume growth exceeding **30%** vs. 2024, with activity surpassing 10-year historical averages.

In 2025, cross-border M&A also increased **~40%** and continued to represent **~20%** of overall M&A activity, consistent with the 10-year average⁴.

Tariff policies have added urgency for international buyers, driving supply-chain reassessments and making the U.S. a critical destination for cross-border investment.



Americas

+44%
~\$2.7Tn

EMEA

+31%
~\$1.3Tn

Asia

+33%
~\$1.0Tn

Backlog of Sponsor-Owned Assets and Dry Powder is Driving Growth in Sponsor Activity

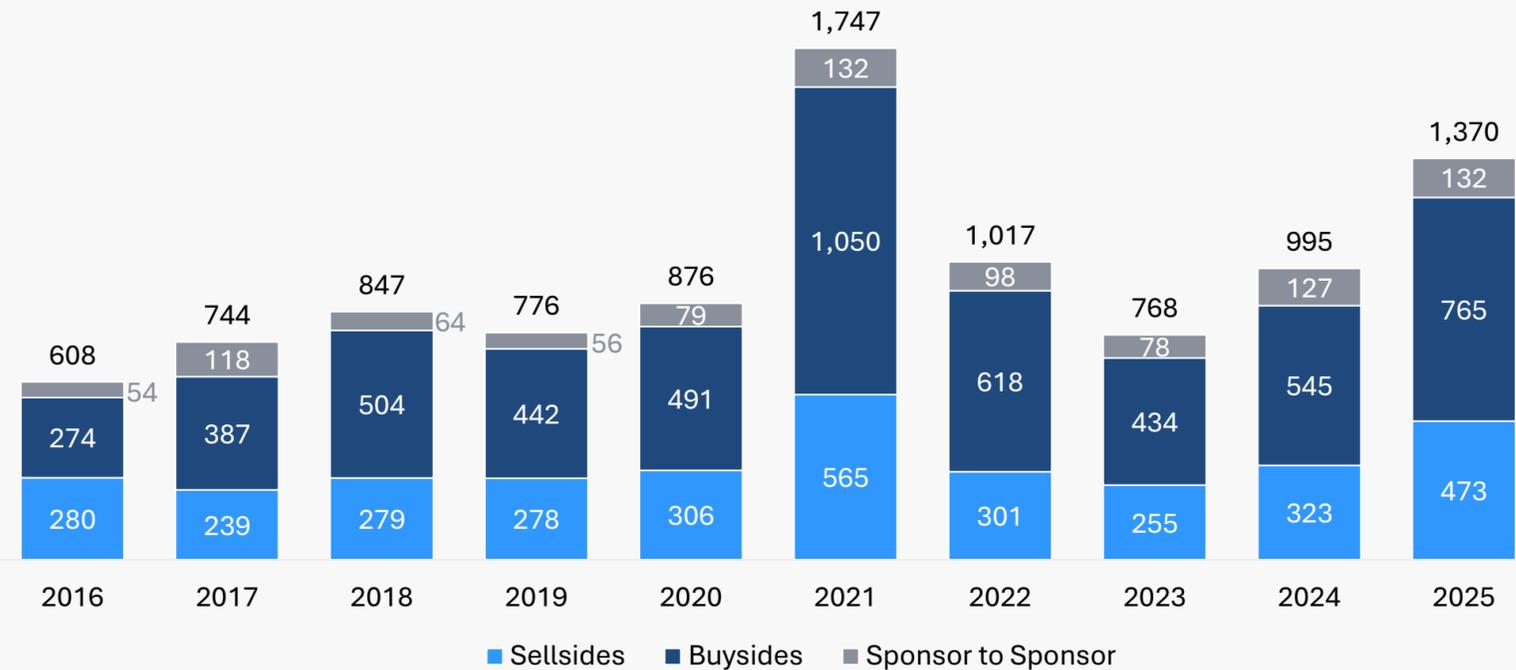
Financial sponsor activity has continued to accelerate (+38% in volume vs. 2024), reaching its highest level since 2021. As the overall deal count was only up ~11% from 2024, larger portfolio exits and multiple megadeal acquisitions are driving growth.

Take-private activity finished second highest in the last decade, with Sovereign Wealth Funds increasingly active in consortium bids.

Financial sponsors accounted for ~35% of global M&A in 2025 – the highest share in a decade.

Financial sponsors enter 2026 with ample dry powder and deep financing access from both the private credit and bank capital markets, supporting continued acquisition activity. On the sellside, sponsors are poised to accelerate the long-awaited monetization of seasoned portfolio companies in earnest.

FINANCIAL SPONSOR M&A ACTIVITY (\$Bn)¹



~55%
% of portfolio companies held for 5+ years⁵

~\$4Tn+
Total dry powder accumulated by private equity⁶

“ We are seeing the market for financial sponsor exits pick up as we speak. The backdrop is as favorable as it has been for a couple of years and waiting to sell is no longer a winning strategy. While I don't think we will see a tsunami of deals next quarter, we expect a consistent move upward in activity. Given the number of companies that need to get sold, the market should be active for the next couple of years.

TOM MILES
Global Co-Head of M&A



Portfolio Composition is in Focus, Leading to Record Separation Activity

2025 featured the most \$10 billion-plus separations announced in the past 15 years.

Companies are taking steps to transform their portfolios from positions of strength to maintain the competitive position they have established.

“ Break-ups are a uniquely self-help option to establish two scaled, market-leading companies that are better positioned to adapt to their respective evolving business landscapes.

MICHAEL KAGAN

Global Head of Separations & Structured Solutions

~\$360Bn

The expected volume of spin-offs in 2026 – 1.5x higher than any year in the last 15 years⁷

~50% More Deals

The number of separations with a \$10Bn+ enterprise value in 2025 vs. any year in the last 15 years

~\$19Bn

The expected average deal size in 2026, more than double the 2020-2025 annual average

Separations Emerge as Legacy-Defining Moments for Leadership

Overview of the Last 25 Separations⁸

~30%

Separations led by CEOs who had served less than 2 years

~25%

Included announcement of a significant leadership reorganization

Shareholder Activism Remains a Catalyst for M&A

“ Global activism activity reached a record high in 2025⁹, driven in part by the rebound in M&A and equity capital markets.

On the back of continued equity market appreciation, activist investors – who are often by nature value investors – will look to capitalize on gaps in valuation and industry consolidation. Preparation is key to controlling your own destiny in this market.

DAVID ROSEWATER

Global Head of Shareholder Activism & Corporate Defense



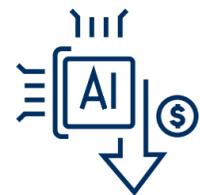
Reinvigorated Demands for M&A

Activist pressure on M&A intensified in 2025 and is expected to persist into 2026, with a growing focus on break-ups following several high-profile campaigns.



Continued Focus on CEO Replacements

Activists increasingly target CEOs directly, regardless of company size or tenure, and 2025 marked a third consecutive record year for CEO replacements following such campaigns.



AI Themes Beginning to Materialize

Activists are starting to use AI arguments in their campaigns, criticizing insufficient AI investment or transformation efforts.



Faster Settlements

Time from campaign launch to settlement keeps shrinking as companies opt for quick deals over costly proxy fights; few contests reach a shareholder vote, hitting a U.S. low in 2025.

Scale Advantages are Driving Consolidation

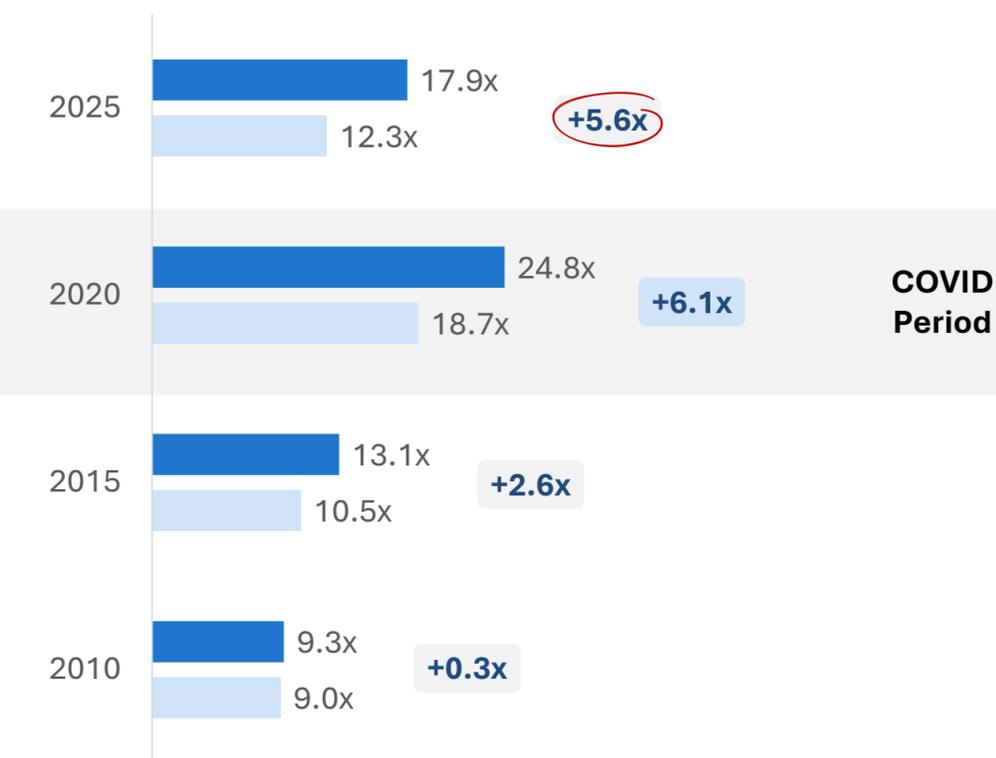
Larger companies command higher valuation multiples and margins, a trend which has normalized to even higher levels compared to pre-COVID.

2020's peak valuation multiple and margin spread highlights the resilience and advantages of scale during times of elevated volatility and uncertainty.

The clear and increasingly rewarded benefits of scale create a powerful backdrop for transformative M&A in 2026.

AVERAGE EV / EBITDA MULTIPLE COMPARISON BY SIZE¹⁰

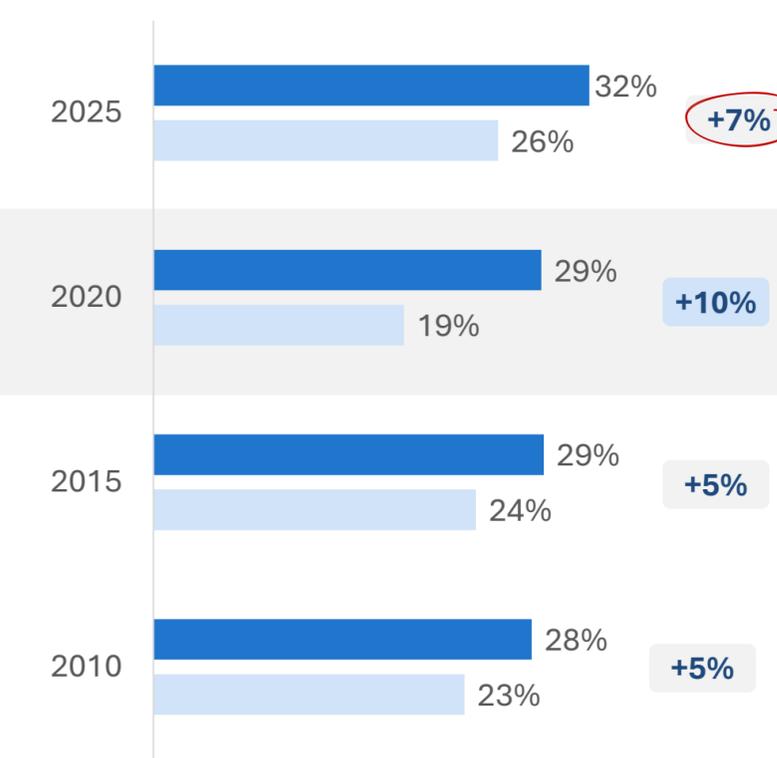
Russell 1000 Average Enterprise Value / EBITDA Multiple



Bottom Third Market Cap. Top Third Market Cap.

AVERAGE EBITDA MARGIN BY SIZE¹⁰

Russell 1000 Average Adj. EBITDA Margin



“Size matters in today’s market, as companies with real economies of scale and a truly global footprint recognize cost advantages, resilience, and growth. Investors favor companies with scale, especially when that scale comes with a differentiated financial profile.”

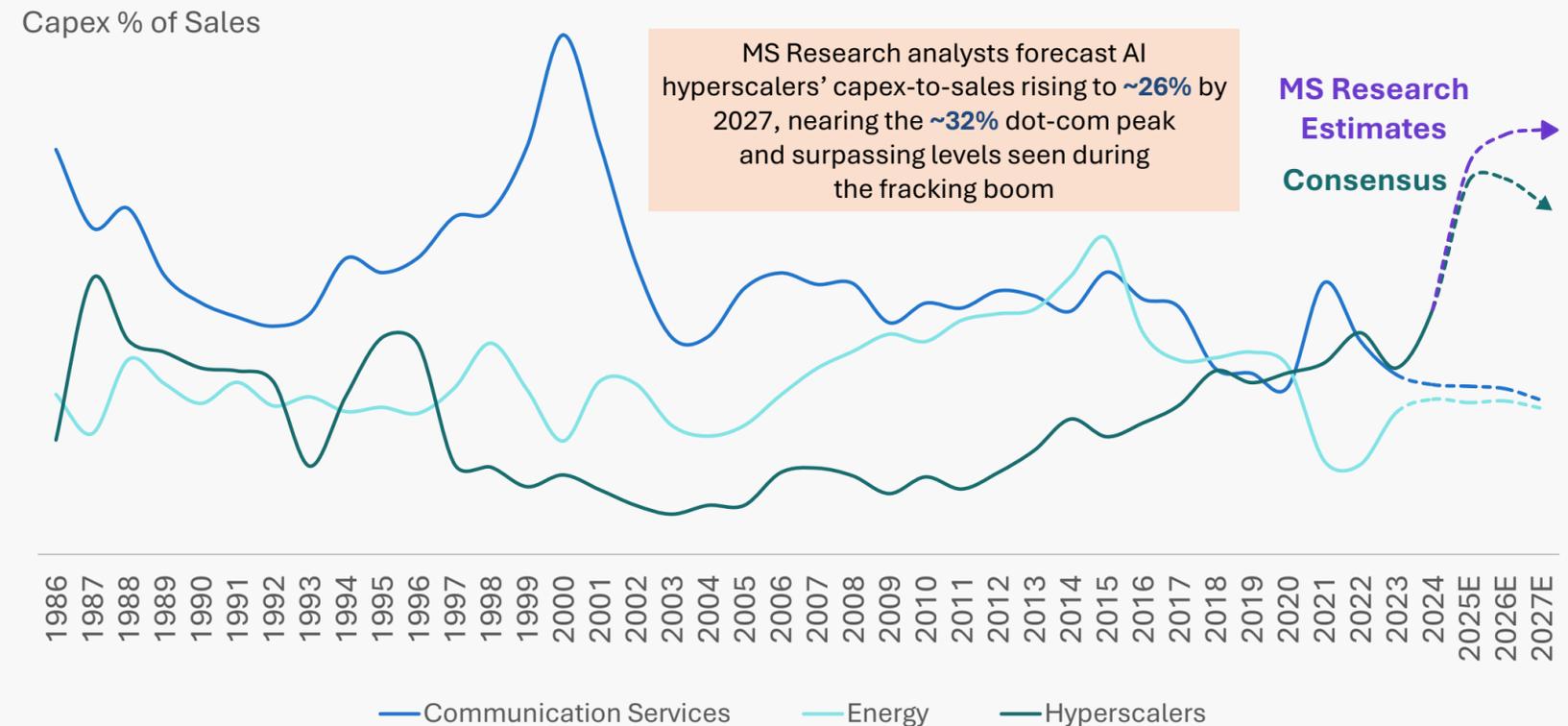
BEN TEASDALE

Co-Head of M&A – Americas

Required AI Investment Reshaping M&A by Driving Strategic Acquisitions Across Sectors

- Morgan Stanley Research analysts forecast AI-related capex to accelerate and could exceed **\$3 trillion** over the next three years, with capex intensity levels trending towards peak levels seen during the dot-com boom.
- AI investment is driving M&A as these capabilities are becoming core infrastructure across sectors (technology, financials, healthcare, industrials, etc.) and companies cannot afford multi-year build cycles.
- Corporate balance sheets favor buying over building, with large strategics having stronger balance sheets, lower costs of capital, and urgency to secure AI capacity.

CAPITAL INTENSITY LEVELS TRENDING TOWARDS DURING DOT-COM PEAK¹¹



“ AI is emerging as a key driver of M&A, as companies race to secure the infrastructure, hardware, and software needed to meet accelerating AI demand. Companies are meeting this urgency by pursuing acquisitions versus slower, organic buildouts.

LILY MAHDAVI

Co-Head of M&A – Americas

Constructive Macro Environment Should Support M&A into 2026

The current backdrop is highly conducive to M&A, with equity markets at record highs, interest rates easing and expected to fall further, volatility declining, and IPO activity surging in the back half of 2025.

These dynamics should continue to support robust M&A into 2026.

- 1 Strong Equity Market
- 2 Lower Rates
- 3 Normalized Volatility
- 4 Constructive Capital Markets

% of All-Time High as of Year-End 2025

99%
S&P 500

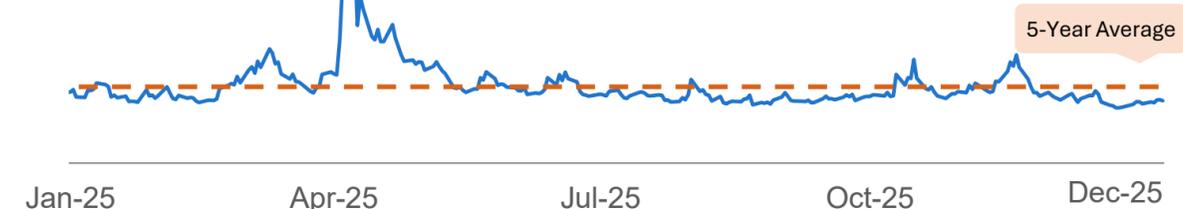
97%
NASDAQ

96%
Russell 2000

Fed Funds Rate Target (%)



VIX



Total IPO Volumes (\$Bn)¹²



Stabilized and further improving macro backdrop supportive of sustained M&A levels into 2026

Investors Expect M&A will Remain in Favor for 2026

Morgan Stanley's investor survey based on ~100 investors¹³ finds M&A remains central to driving shareholder value.

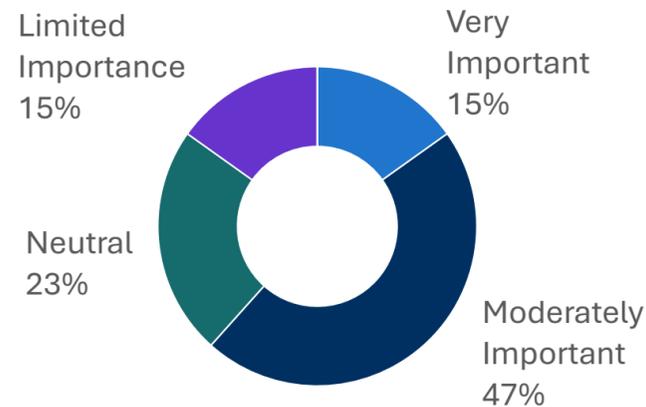
Investors stressed the importance of clear strategic and financial priorities, with key focus on synergies, returns, and pro-forma leverage.

While easing interest rates are viewed as a tailwind, tariff uncertainty, shifting policy decisions and geopolitical tensions were noted as key macro risks for M&A in 2026.

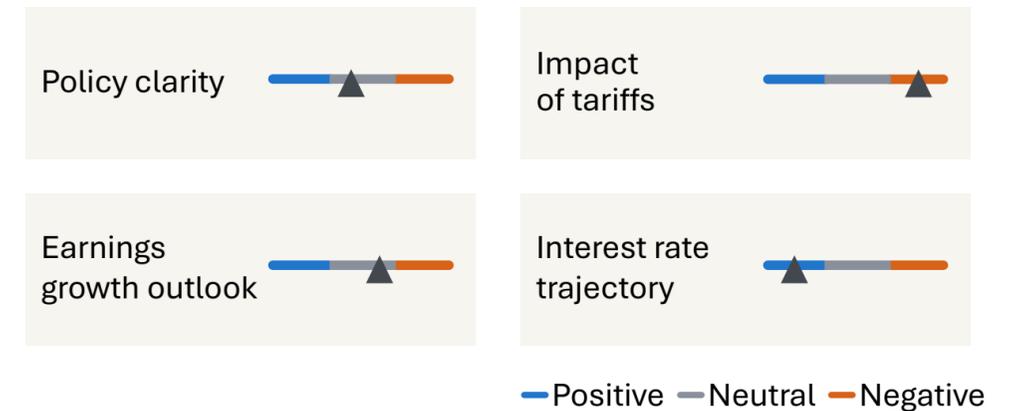
~40% of investors are convinced AI will have a significant role in M&A going forward, even as adoption remains in its early stages in some industries.

Over 60% of investors are expecting more M&A in 2026.

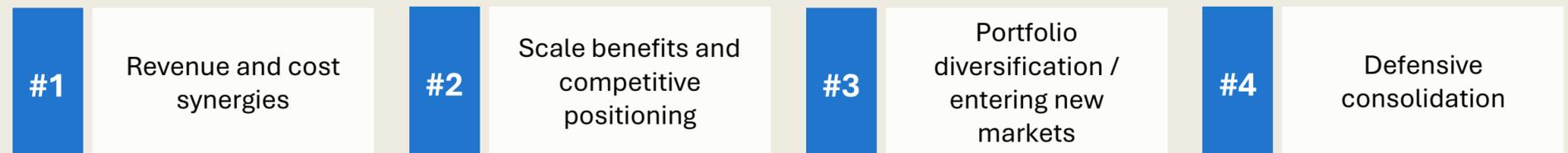
M&A IMPORTANCE AS DRIVER OF SHAREHOLDER VALUE



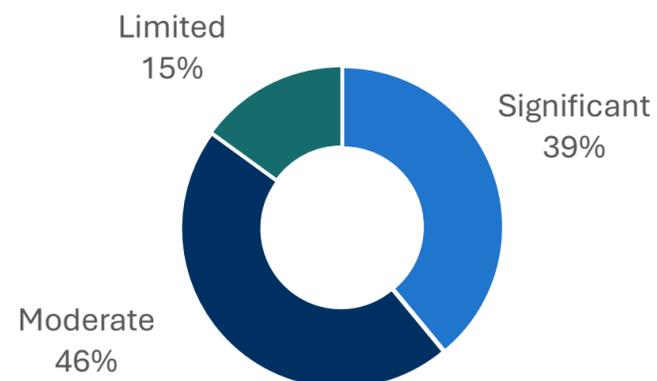
MACRO BACKDROP



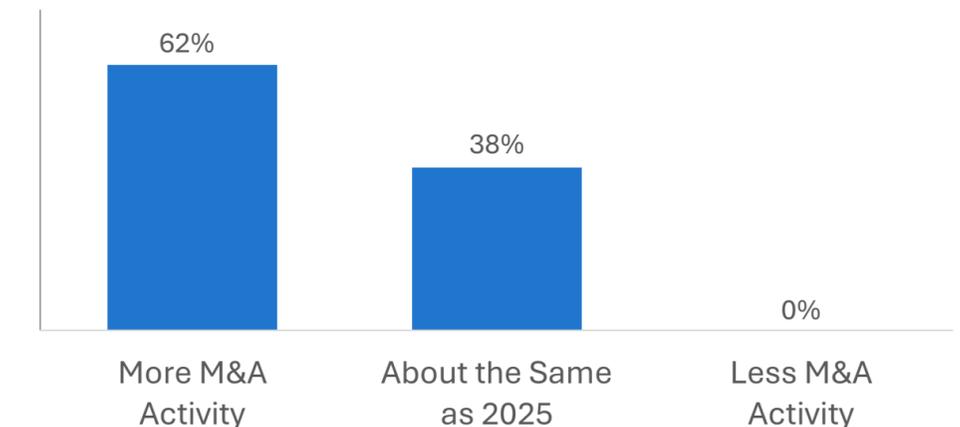
STRATEGIC PRIORITIES FOR M&A



ROLE OF ARTIFICIAL INTELLIGENCE



EXPECTED M&A ACTIVITY IN 2026



Morgan Stanley Continues to be at the Forefront of Activity Across the Spectrum

\$1.1Tn

Morgan Stanley 2025
Advised M&A Deal Volume

Industry Defining Large Strategic Activity	 ~\$85Bn	 ~\$65Bn	 ~\$23Bn	 ~\$14Bn
Sponsors Continue to Invest at Scale	 ~\$24Bn	 ~\$9Bn	 ~\$8Bn	 ~\$5Bn
Increased Cross-Border Activity with Desire to Grow Footprint	 ~\$23Bn	 ~\$25Bn	 ~\$13Bn	 ~\$8Bn
Continue Focus on Corporate Clarity Through Separations	 Spin-Off of Its Seeds Business	 Spin-Off of Its Mobility Segment	 Spin-Off of Its Aerospace Business	 Spin-Off of Its Precision Technologies Segment
Corporate Carve-outs Getting Done	 ~\$9Bn	 ~\$4Bn	 ~\$3Bn	 ~\$2Bn
AI Driving Transformative Acquisitions	 ~\$40Bn	 ~\$32Bn	 ~\$27Bn	 ~\$11Bn

● Morgan Stanley Client¹⁴

Global M&A Leadership

JOHN COLLINS

Global Co-Head of M&A

TOM MILES

Global Co-Head of M&A

MICHAEL BOUBLIK

Chairman of M&A

MARCO CAGGIANO

Vice Chairman of M&A

COLM DONLON

Chairman of IBD – EMEA

MICHAEL KAGAN

Global Head of Separations
& Structured Solutions

DAVID KHAYAT

Head of Financial Sponsors M&A

LILY MAHDAVI

Co-Head of M&A – Americas

DAVID ROSEWATER

Global Head of Shareholder
Activism & Corporate Defense

TEDD SMITH

Vice Chairman of M&A

BEN TEASDALE

Co-Head of M&A – Americas

JAN WEBER

Head of M&A – EMEA

GREG WEINBERGER

Vice Chairman of IBD

RICHARD WONG

Head of M&A – APAC

Sources and Endnotes

Sources: LSEG, MarkIt, Preqin, and Capital IQ as of December 31, 2025; Morgan Stanley Research Estimates and FactSet

Endnotes

1. Includes global announced transactions, each with an enterprise value of \$100MM or more, unless otherwise noted. Includes transactions with estimated values. Excludes terminated transactions. Future terminations of pending transactions will reduce totals shown; Netflix bid for Warner Bros. has been excluded as the lower of two competing bids
2. 10-year average M&A volume reflects the time-period from 2016 to 2025
3. Other includes transactions classified as Business Services, Textiles, Wholesale, and Other
4. Cross-border defined as transactions between acquirers and targets in Americas, Europe, Middle East / Africa, Japan and Asia Pacific
5. Includes buyouts and platform creations only
6. Preqin as of March 31, 2025, the latest available at the time of publication. Private equity dry powder inclusive of Venture, Growth, Buyout, Real Estate, Mezzanine, Direct Lending, Natural Resources, Infrastructure, and Distressed Debt
7. Based on publicly available research estimates of SpinCo enterprise value for pending transactions expected to close in 2026
8. Includes last 25 announced U.S. separations where SpinCo market cap >\$500MM, excluding situations in which there was a tracking stock or cross-holding collapse
9. Includes global campaigns as of September 30, 2025, targeting companies with market capitalizations above \$500MM; companies may be targeted by more than one campaign per year. Excludes public short campaigns, hostile takeovers without activist campaign, 13Ds filed with no publicly disclosed activism, campaigns supporting management, and exempt solicitations
10. Includes Russell 1000 constituents in each year divided into three size ranges based on market capitalization. Within each size range the bottom 1% and top 99% multiples or margins were excluded
11. Hyperscalers includes AMZN, GOOGL, META, MSFT, and ORCL and are excluded from the other sector groups. ORCL forecast and latest reported figures are not updated post latest earnings
12. Reflects U.S. listed IPOs with a deal size of at least \$500MM
13. Survey reflects feedback from ~100 investors, including hedge funds, long-only investors, event driven / arbitrage investors, mutual funds, pension / endowments, and others
14. Reflects announced transactions with enterprise value from press releases and LSEG at announcement; mergers of equals reflect combined enterprise values

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