New York General Group, Inc.

November 24, 2026

Global M&A Market Report: The Megadeal Cycle and Its First Stress Test

Coverage: Full-year 2025 and 2026 year-to-date (data through late November 2026)

Sources: LSEG Deals Intelligence, Mergermarket (ION Analytics), PitchBook, Dealogic (as cited by J.P. Morgan and the NYT), Bain & Company, McKinsey, BCG, Goldman Sachs, KPMG, PwC, EY, FTI Consulting, WTW, Cleary Gottlieb, law-firm market updates and financial press

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1. Executive Summary

Global M&A is in a cycle driven by megadeals. Total value is at or near record levels. The number of deals is at a multi-year low. The cycle got its first real test in the third quarter of 2026.

Ten key findings:

1. **2025 was a historic rebound.** Global announced M&A came to about US$4.5–4.9 trillion, depending on the data provider. That is up 36–50% on 2024. LSEG, Mergermarket and Bain call it the second-highest year on record after 2021. PitchBook says it set a new record, just above 2021's US$4.86 trillion.
2. **Megadeals did most of the work.** LSEG counted 68 deals of US$10 billion or more in 2025, and Mergermarket counted 70. Both are all-time highs. Mergermarket says those 70 deals contributed about US$1.53 trillion.
3. **Deal count went the other way.** LSEG says the number of transactions fell about 7% in 2025, to the lowest level since 2016. Value and volume have split apart.
4. **The first half of 2026 set records.** LSEG reports about US$2.8–2.85 trillion of announced M&A in H1 2026, up about 48–50% year on year. That is the strongest opening half since its records began in 1980. Q2 2026 alone was about US$1.6 trillion, the largest quarter ever recorded.
5. **Q3 2026 was an air pocket.** Activity fell to about US$993 billion, down 41% from Q2. It was the first quarter under US$1 trillion since Q2 2025. Deals over US$10 billion dropped from 26 in Q2 to 10. The 10-year US Treasury yield reached about 5.34%, reportedly its highest since 2002.
6. **Year to date is still very strong.** LSEG puts 2026 YTD at about US$3.9 trillion through Q3, up 28%. US target M&A is at an all-time high of about US$2.0 trillion. Europe (about US$882 billion) and Asia-Pacific (about US$613 billion) are at five-year highs.
7. **AI is the main theme.** Technology is the largest sector. AI shows up in two ways: as a direct target (AI labs, chips, software) and through the physical assets AI needs (power generation, utilities, data infrastructure, optical networking).
8. **Private capital is now central.** Goldman Sachs estimates private equity at about 40% of the M&A market. J.P. Morgan estimates about US$4 trillion of unrealized value sitting in sponsor-owned companies, which is a large pool of future exits.
9. **The rules have shifted toward scale.** Regulators and investors are more open to large combinations, and the market rewards scale. Large deals still get litigated, reviewed for a long time, and fought over in public. The Paramount–Warner Bros. Discovery situation is the clearest example.
10. **Many acquirers still destroy value.** WTW's completed-deal data shows that acquirers in Q3 2026 deals over US$100 million underperformed their benchmark by 10.3 percentage points. 121 of 200 acquirers underperformed. Doing the deal is not the same as making it work.

My view: the cycle has not ended. It has changed shape. Q3 2026 was a repricing driven by financing costs, not a collapse in strategic demand. The largest deals were announced again in Q4: Marvell–Lumentum, Schneider Electric–PTC, DoorDash–Instacart and Thrive–ADT. Even so, the market is narrow, with activity concentrated by size, sector and region. Its future breadth depends on mid-market deals recovering, and that depends on long-term interest rates.

2. How to Read the Numbers: Reconciling the Data Providers

Each data provider looks at the same set of deals through its own definitions. The headline totals differ because of what each one includes, not because some are wrong. Map the definitions before comparing figures; do not average them.

2.1 Headline figures for full-year 2025

Provider	2025 global M&A value	Change vs. 2024	Characterization	Megadeal measure
LSEG Deals Intelligence	~US$4.5–4.6tn	~+49–50%	Second-highest on record	68 deals ≥ US$10bn (record)
Mergermarket (ION)	US$4.81tn	+41%	Second-highest on record	70 deals ≥ US$10bn = US$1.53tn
PitchBook	~US$4.93tn	~+37–40%	New record (2021: US$4.86tn)	US$1bn+ deals = US$2.6tn (56.6% of value)
Bain & Company	~US$4.8tn	+36%	Second-highest on record	US$5bn+ deals = 75% of strategic value growth
McKinsey	~US$4.7tn	+43% (from US$3.3tn)	20% above 10-year average (US$3.9tn)	Megadeals ≥ US$10bn more prominent

Exhibit 1 | 2025 global announced M&A

Reported value by provider (US$ trillion; LSEG shown at upper end of range)



Source: LSEG, Mergermarket, PitchBook, Bain, McKinsey, as reported in the supplied text.

2.2 Why the 2026 figures diverge even more

In 2026 the gap between providers widened a lot:

- **LSEG H1 2026:** about US$2.8 trillion, up 48%.
- **BCG H1 2026:** about US$1.6 trillion, up 28%.
- **J.P. Morgan through September:** US$4.4 trillion, up 26%.
- **LSEG through September:** US$3.9 trillion, up 28%. Excluding strategic stake purchases, it is US$2.9 trillion, up 20%.

LSEG's own note explains most of the gap. **About US$1 trillion of 2026 activity consists of strategic stake purchases**, largely big minority investments tied to AI. Providers that count these stakes as M&A report much higher totals than those that count only control transactions.

The practical point is that 2026 headline totals mix two different things:

- **Control M&A:** mergers, acquisitions, take-privates and carve-outs.
- **Capital formation dressed as M&A:** large strategic minority investments in AI developers and infrastructure.

Both matter, but they behave differently. Control M&A depends on antitrust review, integration and financing. Strategic stake purchases depend on the AI capital-spending cycle and the acquirer's own share price.

2.3 Announced versus completed

Most headline figures (LSEG, Mergermarket, Dealogic) count **announced** deals. WTW's Quarterly Deal Performance Monitor tracks **completed** deals and how acquirers' shares perform afterward. Announced value shows corporate intent. Completed value and post-deal returns show whether that intent created value. Section 9 covers performance.

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3. A Simple Framework for This Market

Three ideas help explain what is going on.

3.1 The market is a barbell. Large-cap and mega-cap deals are thriving. Small and mid-sized deals have lagged. PitchBook found sub-US$100 million deal value down about 25% year on year through Q3 2025. BCG's M&A Sentiment Index was 83–84 in 2026, against a long-term average of 100. FTI Consulting reported four consecutive quarters of falling disclosed deal volume through Q3 2026. The top of the market moves on strategic conviction and access to large-scale financing. The middle moves on confidence, valuation agreement and affordable leverage.

3.2 A deal is a link in a chain. An acquisition creates value only if it fits with what comes after it: integration, regulatory approval, financing, retaining customers and talent, and capital allocation. If one step does not connect to the next, the chain breaks, and WTW's underperformance data shows this happens often. The best acquirers plan integration and regulatory strategy before exclusivity, not after announcement. That is also KPMG's main advice to financial-services buyers.

3.3 Mergers combine pieces around a shared core. Mergers of equals, such as Equity Residential–AvalonBay, Union Pacific–Norfolk Southern and KONE–TKE, join two organizations around common ground: overlapping geography, networks or customers. What gets combined (systems, brands, boards, headquarters) is where synergies appear. It is also where conflict appears. Social issues and governance design often decide whether these deals succeed.

4. 2025 in Review: The Year of the Megadeal

4.1 Macro setting

2025 started with optimism about a lighter regulatory touch in the United States. US tariff announcements and retaliation then caused a sharp slowdown in Q2. Activity rebounded strongly in the second half as:

- central banks cut rates;
- policy uncertainty eased;
- valuations normalized;
- equity markets recovered;
- financing markets, including investment-grade bonds, leveraged loans and private credit, reopened at scale.

Goldman Sachs reported global M&A volumes up about 40% for the year. Deals over US$500 million rose 74% in the Americas, 150% in EMEA and 300% in Asia-Pacific. Goldman's head of global M&A said he had not been sure he would ever again see activity rivaling 2021.

4.2 What the deals looked like

Bigger tickets, fewer deals.

- Mergermarket counted 70 megadeals over US$10 billion, together worth about US$1.53 trillion.
- It also counted 367 deals in the US$2–10 billion range, worth another US$1.46 trillion.
- Cleary Gottlieb counted 11 deals over US$30 billion in 2025, against 7 in 2024 and 4 in 2023.

Infrequent acquirers made big bets. Bain found that about 60% of US$5 billion+ strategic deals were made by companies that rarely do acquisitions. About two-fifths were "transformative," meaning the target was worth more than half of the acquirer's market value. Boards were using M&A to reposition their companies, not to make small additions.

Scale was rewarded. J.P. Morgan's head of advisory and M&A said 2025 brought record numbers of megadeals and an all-time high in the valuation premium markets gave to scale.

4.3 Regions (Mergermarket)

Region	Share of 2025 global value	Notes
North America	~55%	Nine of the top ten global deals had US targets
EMEA	~22%	Rebound in large-cap deals; UK public M&A gaining
Asia-Pacific	~21%	US$1tn, up 33%; third-highest year on record; record 13 megadeals

Asia-Pacific's headline deal was the roughly US$33 billion acquisition of Toyota Industries by Toyota Fudosan. It illustrates Japan's corporate-governance-driven restructuring: unwinding cross-shareholdings, simplifying group structures and taking listed subsidiaries private.

LSEG reports that cross-border M&A reached about US$1.24 trillion in 2025, up 46%.

4.4 Sectors

- **Technology** led with about US$1.08 trillion (Mergermarket), up 66%. Bain, using a narrower definition, measured tech M&A at about US$478 billion year-to-date late in the year, up more than 76%. AI drove a large share of activity.
- **Life sciences** picked up in the second half as large pharma moved to replace revenue facing patent expiries. Examples: Novartis–Avidity Biosciences (~US$12bn), Pfizer–Metsera (~US$10bn) and Merck–Cidara Therapeutics (~US$9.2bn).
- **Financial services** deal value rose about 25% while volume rose only about 4% (PwC). US regional banks consolidated at large scale:
  - Fifth Third–Comerica: ~US$10.9bn at about 170% of tangible book value.
  - Pinnacle–Synovus: ~US$7.9bn.
  - Huntington–Cadence: ~US$7.6bn at about 236% of tangible book value.
- **Transport and infrastructure** produced a landmark: the Union Pacific–Norfolk Southern rail merger, reported at about US$85–88 billion including debt.
- **Consumer** saw Kimberly-Clark agree to buy Kenvue, the Johnson & Johnson consumer-health spin-off, for about US$40 billion or more as reported.
- **Mining** saw the Anglo American–Teck combination, reported at about US$53 billion.

4.5 Landmark 2025 transactions

Transaction	Reported value	Why it matters
Paramount Skydance bid for Warner Bros. Discovery	Topped Mergermarket's 2025 table; ~US$110bn EV	Contested media consolidation; Netflix had signed a deal with WBD in December 2025 before Paramount's competing all-cash bid
Union Pacific / Norfolk Southern	~US$85–88bn incl. debt	Would create the first US transcontinental railroad; major regulatory test
Electronic Arts take-private (PIF, Silver Lake, Affinity Partners)	~US$55bn	Largest LBO on record; closed August 4, 2026 with about US$20bn of debt committed by J.P. Morgan
Anglo American / Teck Resources	~US$53bn	Copper consolidation; securing critical minerals
Kimberly-Clark / Kenvue	~US$40bn+	Consumer staples scale; buying a former spin-off
Toyota Fudosan / Toyota Industries	~US$33bn	Japanese group restructuring and take-private
Blackstone & TPG / Hologic	~US$18.3bn	Large healthcare take-private
Novartis / Avidity	~US$12bn	RNA-therapeutics pipeline
Fifth Third / Comerica	~US$10.9bn	US regional bank consolidation
Pfizer / Metsera	~US$10bn	Entry into obesity drugs after a bidding contest

4.6 Private equity and sovereign capital

- **US private equity** completed more than 9,000 transactions worth about US$1.2 trillion in 2025 (Cherry Bekaert). It was only the second year ever above US$1 trillion. PE megadeals over US$1 billion reached a record of about US$568 billion across about 150 deals.
- **Add-on acquisitions** were about 72.9% of buyouts, in line with the five-year average. Buy-and-build remains the core PE value-creation model.
- **Take-privates** rose about 30% year on year (Goldman Sachs).
- **Sovereign wealth funds** became central to the largest deals. Saudi Arabia's PIF anchoring the EA buyout is the defining example.

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5. 2026 Year to Date: Record Highs, Then a Sharp Correction

5.1 First half: the strongest opening ever recorded

LSEG's H1 2026 figures:

Metric	H1 2026	Change
Announced global M&A	~US$2.8–2.85tn	~+48–50% y/y; best opening period since 1980
Q2 2026 alone	~US$1.6tn	+31% vs Q1; largest quarter on record; fourth straight quarter above US$1tn
Deal count	~24,000–24,500	−9% y/y; six-year low
Deals ≥ US$10bn	47, worth >US$1.3tn	Record share of total value (~46%)
Deals < US$500m	~US$455bn	+12% by value, −2% by count
US-target share	~54%	US dominance continued
Cross-border M&A	~US$893bn	+62%; best start since 2018
Most-targeted cross-border countries	US (~25%), then UK	Strong inbound interest in both
Technology M&A	~US$649bn	Largest sector
Global IG corporate bond issuance	~US$3.4tn	+10%; highest year-to-date total in LSEG records

Value was extremely concentrated. Deals of US$10 billion or more were about 46% of H1 announced value but only about 0.2% of the number of transactions. Analysts working from LSEG data describe this as the most lopsided concentration since the series began in 1980.

BCG measured H1 value at about US$1.6 trillion (up about 28%) with 31 megadeals, against 17 a year earlier. Its index stayed below its long-term average. BCG's January–August update counted 37 megadeals, more than the 2021 record of 32 over the same period, while deals under US$1 billion remained below long-term norms.

Dealogic, as cited by the New York Times, put combined M&A, IPOs and private capital raising at about US$3.2 trillion in H1. That was up 45% and the highest half-year in a decade. US IPO proceeds were about US$155 billion, the most since 2021. SpaceX's listing, reported by Goldman Sachs at about US$85.7 billion, reopened the IPO market at enormous scale, although the stock later traded below its early post-listing peak.

SPACs also returned. Dealogic counted about 44 SPAC mergers worth about US$36.9 billion through mid-2026, against 33 worth about US$15 billion a year earlier.

Exhibit 2 | Concentration of H1 2026 megadeals

Deals ≥ US$10bn; share of announced value versus share of transaction count



Source: LSEG, as reported in the supplied text.

5.2 Third quarter: the air pocket

Metric	Q3 2026	Comparison
Global M&A value	~US$993bn	−41% vs Q2; first quarter under US$1tn since Q2 2025
Deals ≥ US$10bn	10	vs 26 in Q2; fewest since Q4 2024
US-target M&A	—	−57% q/q
Europe-target M&A	—	−36% q/q
Asia-Pacific M&A	~US$242bn	+8% q/q; +36% y/y
Technology and industrials	—	Each −57% q/q
Energy	—	−50% q/q
Investment banking fees	~US$35.2bn	−19% vs a record Q2
Disclosed deal count (FTI)	9,902	−3.7% q/q, −14.2% y/y; fourth straight quarterly decline

What caused it. Higher interest rates were the main trigger. The 10-year US Treasury yield reportedly reached about 5.34%, the highest since 2002, after its largest quarterly rise this century. Rising energy costs and geopolitical risk added to the pressure. Megadeals need large financing packages and stable valuations to set stock-swap exchange ratios. A fast repricing of long-term yields hurts both:

- higher yields raise the cost of acquisition debt;
- they compress equity valuations, making all-stock deals harder to price;
- they widen the gap between what buyers and sellers think assets are worth.

Why this was not a collapse.

- Year-to-date value through Q3 remained about US$3.9 trillion, up 28%. LSEG called it the strongest start since 2021, and one market summary called it the highest for the period since 2001.
- Year-to-date investment banking fees were about US$117 billion, up 12% and less than 1% below the 2021 record.
- Cross-border M&A was up about 32% year on year through September (J.P. Morgan).

- Private-equity-backed deal value reached a record year to date.
- Financial buyers' share of disclosed transactions rose from 15.1% to 17.0% in Q3 (FTI). The number of deals involving only financial buyers rose from 1,453 to 1,578 even as total volume fell.

Bank results diverged. Bank of America guided to a fall of more than 10% in Q3 investment banking fees, while J.P. Morgan guided to mid-to-high-teens growth. Advisory market share is concentrating among the banks with the strongest balance sheets and the largest mandates.

Exhibit 3 | Q3 2026 stress test

Global M&A value (US$ billion)



Source: LSEG, as reported in the supplied text.

Exhibit 4 | Megadeal count

Deals ≥ US$10bn



Source: LSEG, as reported in the supplied text.

5.3 Fourth quarter so far: megadeals are back

October and November 2026 brought large announcements again:

Announced	Transaction	Reported value	Theme
Nov 2, 2026	Marvell Technology / Lumentum	~US$102–119bn, depending on the source and measure	AI data-center connectivity and optical components
Oct 2026	Schneider Electric / PTC	~US$23.7bn	Industrial software combined with electrification hardware
Oct 2026	DoorDash / Instacart	~US$17bn	Consolidation in local commerce and delivery
Oct 2026	Thrive Holdings / ADT	~US$15.3bn	Security and smart-home platform
Nov 4, 2026	Mitsui Chemicals / JSR (sold by Japan Investment Corp.)	>US$8.2bn	Semiconductor materials; Japanese state-backed fund exiting
Nov 2026	LS Power / six gas-fired plants from NRG	~US$4bn	Power generation for AI-driven demand
Nov 2026	KPS Capital / MM Packaging	~€2.4bn	Industrial carve-out by a private equity buyer
Nov 2026	Samsung Fire & Marine, KKR, KIC / Copius	~US$2.2bn	Korea-linked consortium

Announced	Transaction	Reported value	Theme
Nov 2026	Millicom / Entel Peru	~US$1.7bn	Latin American telecom consolidation
Nov 2026	Argenx / Unnatural Products	~US$1.15bn	Biotech platform

EY's US data for August–October 2026 (deals over US$100 million) confirms the shift:

- value fell 19% year on year while volume rose 2%;
- deals over US$5 billion fell 35% in value and 20% in volume;
- **mid-market value rose 9% and volume rose 7%**, driven by strategic consolidation and deals to acquire capabilities;
- insurance deal value rose about 245%.

This is an early sign that the barbell may be easing, with smaller deals regaining some ground as megadeals pause. That fits KPMG's 2026 survey, in which most planned transactions were below US$1 billion and private equity firms were much more optimistic than corporates about their pipelines.

5.4 Largest transactions of 2026

Transaction	Reported value	Status reported (late 2026)
SpaceX / xAI (all-stock)	~US$250bn, reported; not disclosed by the companies	Closed February 2026; renamed SpaceX AI
Paramount Skydance / Warner Bros. Discovery	~US$110–111bn EV	**Sources conflict.** One reports closing on October 6 after a settlement with twelve states that had sued. Another (October 22) reports a federal court block with trial set for April 2027. Check primary filings.
Marvell / Lumentum	~US$102–119bn	Announced November 2, 2026
Equity Residential / AvalonBay (merger of equals)	~US$69–71bn EV	Closed August 17, 2026 as Vivmark Residential; largest modern REIT merger (~180,000 units)
NextEra Energy / Dominion Energy	~US$67bn equity; ~US$118–120bn incl. debt	Announced; approvals expected mid-to-late 2027
Unilever food business / McCormick	~US$65bn	Pending
SpaceX / Cursor	~US$60bn	Closed August 14, 2026
Devon Energy / Coterra Energy	Up to ~US$58bn, depending on the measure	Closed May 2026; created a multi-basin shale major
Sysco / Jetro (Restaurant Depot)	~US$29.1bn	Pending FTC review
KONE / TKE (TK Elevator)	~€29.4bn	Sponsor-owned company combined with a listed strategic buyer for cash and stock

Transaction	Reported value	Status reported (late 2026)
Schneider Electric / PTC	~US$23.7bn	Announced October 2026
Boston Scientific / Penumbra	~US$14.5bn	Announced January 2026
Nuveen / Schroders	~US$13.5bn	Announced February 2026; UK asset-management consolidation
Thoma Bravo / Dayforce	~US$12.3bn	Software take-private
Banco Santander / Webster Financial	~US$12.2bn	OCC approval June 2026; Santander's first US retail bank deal in about 17 years
Sun Pharma / Organon	~US$11.75bn	Largest pharma deal of H1; Indian outbound acquisition
Zurich Insurance / Beazley	~US$10.9–11bn	Lloyd's / specialty insurance consolidation
GIP (BlackRock) & EQT / AES	~US$10.7bn	Infrastructure investors buying a power company
SGH & Steel Dynamics / BlueScope	~US$10.7bn	Consortium approach for an Australian steelmaker

Other notable deals: Danaher–Masimo (~US$9.9bn), Advent & FedEx–InPost (~US$9.2bn), Victory Capital–Janus Henderson (~US$8.6bn), Berkshire Hathaway–Taylor Morrison (~US$8.5bn), Gilead–Arcellx (~US$7.8bn), Texas Instruments–Silicon Labs (~US$7.5bn), Brink's–NCR Atleos (~US$6.6bn), Hg–OneStream (~US$6.4bn), Mubadala Capital–Clear Channel Outdoor (~US$6.2bn), Transocean–Valaris (~US$5.8bn), Cintas–UniFirst, and the Fertitta acquisition of Caesars Entertainment (shareholders approved September 22, 2026; regulatory approvals pending).

6. What Is Driving the Market

6.1 AI is pulling capital through the whole economy

AI affects deals at every level:

1. **Frontier models and developer tools.** SpaceX–xAI and SpaceX–Cursor show vertical integration from orbital and connectivity infrastructure through models to enterprise applications.
2. **Chips and connectivity.** Marvell–Lumentum (optical interconnect for AI clusters), Texas Instruments–Silicon Labs and Mitsui Chemicals–JSR (semiconductor materials) show consolidation along the hardware supply chain.
3. **Software with AI built in.** Schneider–PTC combines industrial software with electrification. Hg–OneStream and Thoma Bravo–Dayforce show sponsors betting on software with deep customer workflows.
4. **Power and physical infrastructure.** NextEra–Dominion, GIP & EQT–AES, LS Power–NRG assets and the earlier Calpine transaction (~US$16.4bn) show that electricity has become a limiting factor for AI. Utilities and power producers are now growth assets.

5. **Strategic minority stakes.** About US$1 trillion of 2026 LSEG-measured activity is strategic stake purchases, mostly AI-related. Related equity financing is also large: J.P. Morgan counted about US$324 billion of US AI-linked equity issuance through September 2026.

Goldman Sachs calls this an "innovation supercycle." In practice, buyers pay for capabilities they cannot build in time. They also pay for scarce assets that AI cannot work without: power, chips, networking, data and distribution.

6.2 Scale premium and transformative bets

Investors are rewarding scale and focus. That supports:

- **mergers of equals** in network businesses (rail, REITs, elevators, utilities);
- **mergers in mature sectors** to remove duplicate costs (energy, consumer staples, banks, asset managers);
- **portfolio simplification**: carve-outs, spin-offs and sales of non-core units, such as Unilever's food business combining with McCormick.

6.3 Regulation: more permissive, still litigated

Bankers widely say the regulatory backdrop has "stabilized" and become "more balanced." That has encouraged companies to attempt deals that were not feasible in 2021–2024. The record shows that large deals still face scrutiny:

- Paramount–WBD drew a lawsuit from twelve states and, by some accounts, federal litigation.
- Sysco–Jetro is under FTC review.
- NextEra–Dominion faces a long, multi-state utility approval process stretching into 2027.
- Bank approvals have sped up. US bank deals are closing about 55 days faster, with a median of 132 days against 187 a year earlier (PwC). Santander–Webster received OCC approval within about four months of announcement.

Structural context: the following policy developments are background I am adding to the data above. I did not confirm 2026-specific changes in this research.

- **United States:** the expanded HSR premerger notification form took effect in 2025. Agencies have been more willing to accept negotiated remedies than in 2021–2024. Foreign-investment screening (CFIUS) and outbound investment controls remain strict for sensitive technologies.
- **European Union:** the Commission has been reviewing its merger guidelines. Following the Draghi competitiveness report, it faces policy pressure to allow European companies to reach global scale. Foreign Subsidies Regulation reviews add a separate approval track for deals involving state-backed buyers.
- **United Kingdom:** the CMA has been given a growth-oriented mandate and has signaled more predictability and openness to remedies. The UK public M&A boom described below is consistent with that.
- **Japan:** METI's 2023 takeover guidelines made unsolicited bids legitimate and raised the bar for boards that reject credible offers. Together with stock-exchange pressure on capital efficiency, this keeps restructuring and take-private activity high.

6.4 Financing: plentiful but rate-sensitive

- Global investment-grade issuance hit a record of about US$3.4 trillion in H1 2026, which funded strategic deals.
- Private credit has become a standard source of acquisition finance. 51% of Goldman Sachs survey respondents expected access to private capital to have a moderate-to-high impact on their 2026 M&A decisions.
- The EA buyout shows how large leveraged financing can now be. About US$20 billion of debt was committed by one bank for a US$55 billion take-private, at about 0.6x debt-to-equity, a far more conservative capital structure than 2006–2007 megabuyouts.
- The weak point is the long end of the yield curve. The Q3 2026 rise to around 5.34% on the 10-year Treasury shows the market can absorb higher short-term rates more easily than a sharp repricing of long-term yields, which hits debt costs and equity valuations at the same time.

6.5 Private equity: exit backlog and liquidity pressure

- About US$4 trillion of unrealized value sits in sponsor-owned companies (J.P. Morgan).
- Investors in PE funds want cash back. Goldman Sachs notes the assumption that companies can stay private indefinitely is being questioned.
- Sponsors are using several exit routes:
  - **IPOs**, for example INNIO's ~US$2.8 billion listing;
  - **mergers with listed companies for cash and stock**, for example KONE–TKE;
  - **sales to strategic buyers**, now that equity values are higher;
  - **continuation vehicles and partial sales** (a structural trend, not covered in the figures above).
- Sponsors are also teaming up with corporates: Advent with FedEx for InPost, and infrastructure funds GIP and EQT for AES.

Expect distributions to sponsors' investors to return toward historical norms if markets stabilize. That would mean more secondary buyouts, more sponsor-to-strategic sales and more dual-track processes.

6.6 Sovereign wealth and state-linked capital

Gulf sovereign funds (PIF, Mubadala, ADNOC-linked entities), Japanese state-backed vehicles (Japan Investment Corp.) and Asian public pension and insurance capital (for example KIC and Samsung Fire & Marine) are now regular participants in large deals. They bring:

- very long investment horizons;
- cheap equity capital;
- political considerations that affect foreign-investment approvals.

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7. Regional Analysis

7.1 United States

- US-target M&A is at an all-time year-to-date high of about US$2.0 trillion (LSEG, through Q3 2026). It was about 54% of global value in H1.

- One North America–focused measure puts regional announced M&A near US$2.8 trillion year to date, about 61% of the global total. That third-quarter North American volume of more than US$600 billion was the third-strongest Q3 of the decade.
- Transatlantic M&A reached a record of about US$489 billion by the end of September.
- Q3 brought the sharpest pullback: US-target value fell 57% quarter on quarter.
- **Key themes:** AI infrastructure and software, power and utilities, bank consolidation, healthcare devices and biopharma pipeline deals, REIT and real-estate platforms, consumer and food distribution.

7.2 Europe and the United Kingdom

- Europe-target M&A is at a five-year high of about US$882 billion year to date, despite a 36% quarterly drop in Q3.
- **UK public M&A** passed about £75 billion by the end of Q3 2026, almost double 2025's total. Overseas buyers accounted for about **94%** of value, and **hostile approaches rose sharply**. UK listed companies trade at lower valuations than US peers, which attracts foreign bidders and private equity. Examples: Nuveen–Schroders and Zurich–Beazley.
- **Bank consolidation** continues within national markets. Italy is a focus, with two Italian banks reportedly bidding for Monte dei Paschi di Siena. Santander–Webster shows European banks pursuing US expansion.
- **Industrial consolidation:** KONE–TKE (elevators and escalators), Schneider–PTC (industrial software), KPS–MM Packaging (carve-outs).
- **Asset management** is consolidating as fee pressure and the shift to passive and private-markets products squeeze mid-sized active managers. Examples: Nuveen–Schroders and Victory–Janus Henderson.

7.3 Asia-Pacific

- 2025: about US$1 trillion (Mergermarket), up 33%, with a record 13 megadeals.
- 2026 YTD: about US$613 billion (LSEG), a five-year high. Asia-Pacific was the only major region to grow quarter on quarter in Q3 (+8%, +36% year on year).
- **Japan** is a paradox. Japan-targeted M&A is down about 40% year to date to about US$113 billion, yet Japan-related banking fees hit a record of about US$4.7 billion, with corporate bond issuance of about US$240 billion. Higher Japanese rates have shifted capital from M&A toward debt markets. Restructuring continues underneath: Toyota Industries in 2025, Mitsui Chemicals–JSR in 2026, plus parent-subsidiary simplifications, carve-outs and activist-driven deals.
- **Australia:** the SGH and Steel Dynamics consortium approach for BlueScope (~US$10.7bn) shows steady interest in Australian resources and materials.
- **Korea:** Korean financial institutions are teaming up with global sponsors (for example the Copius consortium).
- **India** is now a source of outbound buyers. Sun Pharma's roughly US$11.75 billion deal for Organon was the largest pharma deal of H1 2026.

7.4 Middle East

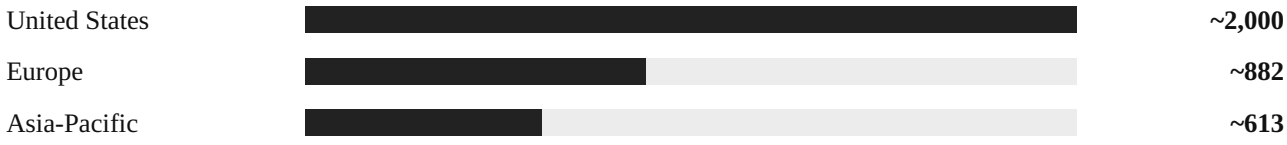
Gulf sovereign capital is active both at home and abroad. Examples: PIF in the EA buyout, Mubadala Capital in Clear Channel Outdoor, and the ADNOC/OMV restructuring of Borouge and Borealis (~US$60bn, 2025) into a global polyolefins platform.

7.5 Latin America

Activity is smaller in absolute terms but strategically active, especially in telecom (Millicom–Entel Peru) and infrastructure and energy.

Exhibit 5 | Regional M&A in 2026 YTD

Through Q3 (US$ billion)



Source: LSEG, as reported in the supplied text.

8. Sector Analysis

8.1 Technology, media and telecom (TMT)

- AlphaSense data puts TMT volume at about **US$763 billion** year to date in 2026, up 27%. LSEG puts H1 technology alone at **US$649 billion**.
- **Main subsectors:** AI models and tools, semiconductors and optical networking, enterprise and industrial software, data infrastructure.
- **Media:** the fight for Warner Bros. Discovery, Netflix's signed deal against Paramount Skydance's all-cash US$31.00 per share offer, set the template for contested megadeals in the streaming era. Paramount's bid was declared superior after a tender offer and proxy solicitation.
- **Risks:** antitrust review of vertical AI integration, foreign-investment and export-control limits on semiconductor deals, and valuation risk in all-stock deals priced at high AI multiples.

8.2 Energy, power and utilities

- **Oil and gas** consolidation continued through Devon–Coterra and Transocean–Valaris (offshore drilling).
- **Power** has been re-rated by AI-driven demand. NextEra–Dominion (combined enterprise value of about US$420 billion) would be the defining utility deal of the decade. GIP & EQT–AES and LS Power–NRG assets show infrastructure funds competing with strategic buyers for power generation.
- Energy M&A fell about 50% quarter on quarter in Q3 2026 as rates and energy costs rose, but the underlying power-demand case is intact.

8.3 Life sciences and healthcare

- **Drivers:** patent expiries over the next several years, obesity and metabolic drugs, cell therapy and RNA therapeutics.
- **Deals:** Pfizer–Metsera, Novartis–Avidity, Merck–Cidara (2025); Gilead–Arcellx, a series of Eli Lilly pipeline deals, Sun Pharma–Organon (2026).
- **Medical technology:** Boston Scientific–Penumbra and Danaher–Masimo.
- **Private equity:** the Blackstone & TPG take-private of Hologic.

- Expect continued focus on late-stage clinical assets and platform technologies. Structures will often include contingent value rights (extra payments if milestones are hit) to bridge disagreements about how risky the science is.

8.4 Financial services

- **Banks:** US regional consolidation (Fifth Third–Comerica, Pinnacle–Synovus, Huntington–Cadence, Prosperity–Stellar) and cross-border entry (Santander–Webster). Approvals are faster, but H1 2026 FS volume and value fell from 2025 as volatility made buyers cautious.
- **Insurance:** Zurich–Beazley; US insurance deal value rose about 245% in August–October 2026 (EY).
- **Asset and wealth management:** Nuveen–Schroders, Victory–Janus Henderson. Scale economics and distribution reach are the drivers.
- **Payments** continue to attract both strategic and sponsor interest.
- KPMG's guidance for bank acquirers: focus on deposit quality and technology integration, and prepare integration and regulatory plans before exclusivity.

8.5 Industrials and transport

- The Union Pacific–Norfolk Southern rail merger is the main regulatory test of whether large network combinations can win approval.
- KONE–TKE and Schneider–PTC show European industrials buying hardware scale and software capability.
- Industrials M&A fell about 57% quarter on quarter in Q3 2026, so the sector is sensitive to rates.

8.6 Real estate

The Equity Residential–AvalonBay merger of equals, now Vivmark Residential with about US$69–71 billion of enterprise value, is the largest REIT combination of the modern era. Expect further consolidation among listed REITs, which trade below the value of their underlying property.

8.7 Consumer and retail

Kimberly-Clark–Kenvue, Unilever food–McCormick, Sysco–Jetro, DoorDash–Instacart and Cintas–UniFirst all reflect the same thing: low-growth consumer and service businesses using scale to protect margins and gain bargaining power with suppliers and retailers.

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9. Do Deals Create Value?

WTW's Quarterly Deal Performance Monitor, which tracks completed deals from the acquirer's point of view, shows sustained underperformance:

- Acquirers in deals over US$100 million completed in Q3 2026 **underperformed their benchmark index by 10.3 percentage points**.
- Of 200 acquirers, **121 underperformed and 79 outperformed**.
- North American acquirers underperformed by 13.8 points and European acquirers by 5.0 points. Asia-Pacific acquirers also lagged. **UK acquirers outperformed.**
- **Deals are closing faster.** 43% of Q3 deals closed within 70 days of announcement, against 35% the previous quarter.

- **Cross-sector deals** rose to 35% of completed deals from 25%.

What this means:

1. **Faster closing helps only if integration is ready.** Shorter regulatory timelines shift the bottleneck to integration. Acquirers that rely on the period between signing and closing to prepare will now reach day one unprepared.
2. **Cross-sector deals are harder.** They have fewer obvious cost savings and depend more on revenue and capability gains, which markets discount more heavily.
3. **Infrequent acquirers doing transformative deals**, the pattern Bain identified in 2025, are where execution risk is highest. These companies lack integration teams and repeatable processes.
4. **The market discounts announced synergies** until they are proven. Disciplined buyers set specific post-merger targets, sequence integration by where value is created, and report progress in a way investors can check.

Exhibit 6 | Acquirer performance

Number of acquirers in completed Q3 2026 deals over US$100m



Source: WTW, as reported in the supplied text.

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10. Deal Tactics and Structures

1. **Contested situations and hostile bids.** Paramount's competing bid against a signed Netflix deal shows that signed transactions can be challenged. UK hostile approaches rose sharply. Boards need defensible processes, clear evaluations of alternatives and a well-supported valuation.
2. **All-stock and mixed consideration.** High equity valuations support stock-for-stock mergers of equals and stock-funded strategic deals (SpaceX's acquisitions, Vivmark). Rate volatility makes the exchange ratio more uncertain, so expect more collars and protections against price moves.
3. **Consortia.** Strategic-plus-sponsor and multi-sponsor groups spread both the funding and the regulatory risk (Advent & FedEx, SGH & Steel Dynamics, GIP & EQT, PIF & Silver Lake & Affinity).
4. **Strategic minority stakes.** These are a large share of AI-related flows. They give access to capabilities without triggering control review in some jurisdictions, though governance rights still need careful design.
5. **Combining sponsor-owned companies with listed ones.** KONE–TKE shows sponsors exiting partly in cash and partly in listed shares, an alternative to a standalone IPO.
6. **Allocating regulatory risk.** Long approval timelines, such as NextEra–Dominion into 2027 and Paramount–WBD litigation, put the focus on reverse termination fees, "hell-or-high-water" commitments to accept remedies, ticking fees and outside dates.
7. **SPAC revival.** A smaller but real channel for listing high-growth companies through mergers.
8. **Contingent consideration.** In life sciences especially, contingent value rights and milestone payments bridge valuation gaps over scientific and regulatory risk.

11. Outlook for 2027

11.1 Base case: a narrow, sustained cycle

- Large strategic deals continue, anchored in AI infrastructure, power, semiconductors, software, healthcare pipelines and financial-services consolidation.
- Mid-market deals recover gradually. EY's latest US data and KPMG's survey suggest this has already started.
- Private equity exits pick up as investors push for distributions and the IPO market stays open.
- Annual global value stays in the range of the last two years, with a high megadeal share and deal count well below the 2021 peak.

11.2 Upside case: the market broadens

- Long-term yields fall back from their Q3 2026 highs.
- Approvals stay predictable and fast.
- The mid-market and sponsor exits recover together, producing growth in both value and volume, which this cycle has not yet had.

11.3 Downside case: rates and politics

- Long-term yields keep rising, energy prices stay high and geopolitical tensions escalate.
- Megadeals that need very large financing stall again, as in Q3 2026.
- AI valuations correct, hitting all-stock deals and strategic stake purchases.
- High-profile regulatory or court defeats reverse the current sense of a "permissive window" for scale deals.

11.4 Indicators to watch

Indicator	Why it matters
10-year US Treasury yield and credit spreads	Main driver of megadeal financing and of valuation agreement in stock deals
Quarterly count of US$10bn+ deals	Shows whether the Q3 pause was temporary or a new trend
Mid-market deal volume (US$100m–1bn)	Shows whether the market is broadening
Sponsor exit volume and IPO pipeline	Tests whether the ~US$4tn of unrealized sponsor value can be turned into cash
BCG M&A Sentiment Index relative to 100	Forward-looking measure of confidence
Outcomes of Paramount–WBD, UNP–NSC, NextEra–Dominion and Sysco–Jetro	Show how permissive regulators really are
AI capex guidance and AI equity issuance	Drives strategic stakes and infrastructure M&A
Japanese rates and governance reforms	Affect whether Japanese restructuring deals resume at scale
UK public M&A and hostile-bid frequency	Measures cross-border appetite for low-valued markets

12. Strategic Implications

12.1 For corporate acquirers

- **Prepare well-researched, investor-ready deal theses now.** A rate-driven pause is when strong buyers can secure assets before competition comes back.
- **Lock in financing options early.** That means bridge commitments, access to IG bond markets and possibly private credit, with protection against rate moves.
- **Build integration capability before signing.** WTW's data shows the market penalizes acquirers that cannot show synergies after closing.
- **Plan the regulatory approach from the start.** Model remedies, timelines and political stakeholders, including state attorneys general, utility commissions and foreign-investment screening.

12.2 For financial sponsors

- **Be pragmatic about exits.** Use a mix of strategic sales, IPOs, cash-and-stock mergers with listed companies and continuation vehicles.
- **Partner with strategic buyers and sovereign funds** for large deals to share funding and regulatory risk.
- **Keep doing add-ons.** Buy-and-build remains the most reliable way to create value when leverage costs more.
- **Target listed companies trading below intrinsic value**, especially in the UK, Japan and parts of Europe.

12.3 For investors and merger-arbitrage funds

- The supply of deals to trade is strong. Spread risk now depends more on regulatory litigation and financing conditions than on how many deals are announced.
- Watch for deals hit by financing stress, situations where a competing bid could appear, and very long approval timelines.

12.4 For advisers

- Fee pools are near record levels, but share is concentrating. Banks with strong balance sheets, financing capacity and sector depth win the largest mandates. Competition for senior bankers has become a defining industry issue.
- As the market broadens, mid-market coverage and sponsor coverage will matter more.

13. Data Conflicts to Check

These points were inconsistent across sources and should be checked against primary filings or vendor terminals before use in client materials:

1. **Status of Paramount Skydance–Warner Bros. Discovery.** One source reports closing on October 6, 2026 after a settlement with twelve states. Another, dated October 22, 2026, reports a federal court block with trial set for April 5, 2027.

2. **Value of Marvell–Lumentum.** Reported anywhere from about US$102.5 billion to about US$119 billion.
3. **Value of Devon–Coterra.** About US$58 billion in some trackers and about US$25 billion in others, probably reflecting combined enterprise value against transaction or equity value.
4. **Value of NextEra–Dominion.** About US$66.8 billion (Dominion equity) against about US$118–120 billion (including assumed debt).
5. **How Q3 2026 YTD compares historically.** LSEG says the strongest start since 2021. One summary of the same data says the highest for the period since 2001.
6. **Whether 2025 was a record.** PitchBook says record. LSEG, Mergermarket and Bain say second-highest after 2021.

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14. Conclusion

Global M&A in 2025–2026 combines record value with low deal counts. Megadeals dominate, and the strongest drivers are AI-linked capital, a market reward for scale, abundant financing and a more permissive regulatory climate. The Q3 2026 drop showed the cycle's main weakness: large deals depend on long-term rates. The return of megadeals in Q4 and the early mid-market recovery show that strategic demand has not gone away.

The winners will be the acquirers that can turn a signed deal into a successful combined business: financing secured, approval plan ready, integration planned and value delivered.