Published by Financier Worldwide Ltd

WORLDWATCH REPRINT April 2025

MERGERS & ACQUISITIONS

Several key trends have been shaping global M&A activity over the past 12 months. Geopolitical factors, digital transformation, fluctuating interest rates and tightening regulatory frameworks are among the factors disrupting the deal landscape, leaving many transactions delayed or restructured to mitigate risks. Despite the uncertainty of this new normal, dealmakers are optimistic, willing to pursue new targets as market caution gives way to more ambition – potentially sparking a resurgence in dealmaking. ■

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FW: WHAT DO YOU CONSIDER TO BE THE MAJOR TRENDS SHAPING M&A ACTIVITY OVER THE LAST 12 MONTHS OR SO? WHAT FACTORS ARE DRIVING DEALS IN THE CURRENT MARKET?

ITALY

Craca: During 2024, we experienced an increase in value of M&A transactions compared to the previous year. Private equity (PE) funds' investments have confirmed their involvement in the market, although most deals were still led by corporate investors as well as from club deals and family offices. Cross-border transactions are also growing, confirming the interest of foreign funds in the Italian market, but also the will of Italian companies to consolidate their business abroad. In 2024, M&A transactions in Italy have been mainly driven by companies pursuing production chain consolidation or other forms of consolidation in their industry. Although the global geopolitical situation remains uncertain, including the possible introduction of import duties by the US government in particular, the drop in interest rates and companies' desire to remain competitive amid the challenges posed by artificial intelligence (AI) and automation, are expected to support the Italian M&A market in 2025.

UNITED STATES

Delaney: Over the past 12 months, we have seen several key trends that have shaped M&A activity. The higher interest rate environment has increased the cost of borrowing, making acquisitions more expensive and impacting deal valuations. Inflation has further complicated valuations and increased operational costs. Geopolitical issues, such as US-China tensions and the war in Ukraine, have created uncertainties and disrupted supply chains. Market volatility has led to cautious dealmaking, with many transactions delayed or restructured to mitigate risks. PE investors, seeking liquidity, have been a bit more active in both acquisitions and divestitures to meet their investor demands. Additionally, the lead up to the US presidential election introduced further uncertainty, affecting deal timing and regulatory expectations. For 2025, many US dealmakers are optimistic that the new Trump administration will lower taxes, reduce regulations and antitrust scrutiny, as well as streamline the US government, potentially sparking a resurgence in dealmaking. However, the rapid pace of policy changes may introduce some market volatility and uncertainty initially. The recent US inflation report signalling the potential for rates remaining higher for longer than expected could also impact the expected rebound. While a business-friendly approach is expected to boost dealmaking across all sectors, transactions involving strategic technology, personal data ownership and national security matters could face increased scrutiny.

BRAZIL

Areno: Exchange rate volatility with the significant appreciation of the US dollar against the real, is a major factor influencing cross-border transactions in Brazil. With assets being relatively inexpensive, we have observed a heightened interest from foreign investors in M&A opportunities. However, this interest might be tempered by the high interest rates in both Brazil and the US, which could increase financing costs and make M&A investments less attractive. Additionally, uncertainty surrounding the economic conditions in Brazil, particularly its fiscal balance and economic growth, could deter potential M&A deal flow. Geopolitical developments and regulatory changes may also play a role in shaping future M&A activities.

UNITED KINGDOM

Marshall: We see major trends shaping M&A, including digital transformation, AI, geopolitical factors and investor pressure. For example, companies are using M&A to acquire digital technologies and capabilities to stay competitive and AI, cloud computing and cyber security are driving M&A activity in the sector. Another factor is geopolitical factors, particularly US trade policies such as rising tariffs, which have prompted companies to reassess cross-border deals and partnerships. Lastly, investors in

PE funds are putting increasing pressure on PE players to exit mature portfolio investments, which will further drive M&A and hopefully, initial public offering (IPO) activity.

GERMANY

Klaaßen-Kaiser: In 2024, the German and continental European M&A market continued to face challenges due to macroeconomic factors. Continued inflation, geopolitical uncertainties and tightening regulatory frameworks were the most prominent factors. Major M&A players, including large corporates, financial sponsors and PE investors, were cautious when undertaking large scale deals, although they were aware that postponing deals much further may not be an option. This picture has slightly changed in recent months. With uncertainties becoming the new normal and some parameters improving, dealmakers are now willing to again explore deal opportunities. The reasons for deals are varied. They range from strengthening supply chains to streamlining product offerings to rebalancing regional presence and seeking supremacy in key economic areas. Infrastructure, defence, technology and energy are especially active sectors with high M&A activity.

AUSTRALIA

Heath: The last year in Australian M&A was punctuated by some high value public and private deals, despite overall volumes falling to pre-pandemic levels. Successful bidders went big and bold across a number of sectors. In technology and infrastructure, we saw insatiable demand for data centres, highlighted by Blackstone's AU$20bn acquisition of Airtrunk. In public markets, strategics acquired some major Australian listed companies, including Alcoa's US$2.8bn acquisition of Alumina Limited and Renesas Electronics Corporation's AU$9bn acquisition of Altium Limited. US acquirers – buoyed by the strength of the US dollar against the Australian dollar – were the standout performers in Australian M&A. In that environment, large Australian bidders looked abroad, with BHP and REA considering large cross-border deals for Anglo American and Rightmove, respectively.

FW: WHAT TRENDS ARE YOU SEEING IN TERMS OF VALUATIONS AND TRANSACTION MULTIPLES? TO WHAT EXTENT ARE YOU SEEING GAPS IN PRICE EXPECTATIONS BETWEEN BUYERS AND SELLERS?

UNITED STATES

Delaney: While valuations in some sectors remain elevated, we are generally seeing a moderation from the peak levels of recent years. However, deal valuations are highly sector-dependent, with healthcare and technology deals among the highest, while manufacturing and similar industries experienced more modest valuations. Larger transactions saw an uptick in multiples, primarily due to increased competition for quality assets and strategically important businesses. Companies are willing to pay a premium for targets that offer significant synergies, market share expansion or access to new technologies. Throughout the past year, gaps in price expectations between buyers and sellers have been a notable trend. The economic conditions in 2024, while improved from prior years, saw continued fluctuations in interest rates and inflation, and impacted price expectations and drove some disconnects between buyers and sellers. Valuation gaps often arise from sellers having more optimistic expectations on future performance and synergies, while buyers take a more conservative approach. Market conditions and uncertainty surrounding the 2024 election outcome may have led to larger-than-typical gaps. To help bridge the growing price gap caused by economic uncertainty, there has been continued use of earnouts and contingent payments to better align the interests of buyers and sellers and facilitate transactions.

BRAZIL

Areno: Valuations of Brazilian companies generally appear favourable for foreign buyers open to taking on higher regional risks. In addition, in certain industries, recent US policies, particularly tariff changes and other protectionist actions, are impacting valuation and transaction multiples, affecting sectors reliant on international trade. Uncertainty regarding economic conditions in Brazil also negatively impact valuations. There is often a gap in price expectations between buyers and sellers, with buyers leveraging regional uncertainties to negotiate lower valuations. This disparity can prolong negotiations, requiring creative deal structures or earnouts to bridge the gap. The divergence in economic forecasts and growth potential between local and foreign investors also contributes to differing price expectations.

Exchange rate volatility with the significant appreciation of the US dollar against the real, is a major factor influencing cross-border transactions in Brazil.

BRAZIL FELIPE ARENO
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP

UNITED KINGDOM

Marshall: Current trends show a significant valuation gap in M&A transactions, with sellers often holding onto higher price expectations compared to buyers, largely due to factors like recent market volatility, rising interest rates and economic uncertainty, leading to a noticeable discrepancy in what sellers are willing to accept and what buyers are willing to pay. This gap is particularly prevalent in smaller to mid-sized deals, where alternative financing structures like earnouts are being used to bridge the gap. There are several key points regarding valuation trends and price expectation gaps, including decreasing multiples, seller optimism versus buyer caution, sector-specific variations, the impact of interest rates, increased use of earnouts and PE activity.

GERMANY

Klaaßen-Kaiser: Over the last 24 months, gaps in price expectations were in some cases extremely broad, which led to several transactions being put on hold. Although valuations remain relatively low, I expect the expectation gaps to get narrower, with concessions being made by both sides. Interest rates are still elevated by historical standards but borrowing conditions have improved and the recent interest rate stabilisation has reignited interest in M&A activity, especially from PE firms. Some investments from the past are also nearing the end of their investment cycle, which makes additional liquidity events – via strategic sales, IPOs or otherwise – likely. Combined with the dry powder already in place, the pressure to reinvest may therefore incentivise investors to revisit their previous valuations and financial transaction parameters. At the same time, with previous topics such as uncertainty around energy costs out of the way, corporates have used the chance to re-evaluate their asset base, which allows them to adopt an updated view on value.

AUSTRALIA

Heath: Analysts and the media have described the Australian stock market as near fully priced, with some stock prices and price-to-earnings multiples hitting record highs. Despite this, some large public M&A deals were transacted in 2024, with bidders focusing on growth opportunities such as Renesas' AU$9bn acquisition of Altium. The recent, 31 December results season – reported in February 2025 – illustrated how elevated public markets valuations leave little room for surprises, with a number of publicly listed companies experiencing dramatic jumps and falls in stock prices following relatively small changes in outlook and performance. In private markets, some much-anticipated sale processes, including a predicated wave of PE exits, failed to materialise in 2024, but the Airtrunk sale stood out as the deal to demonstrate strong data-centre valuations. Private market sellers generally stayed away from Australian IPOs in 2024, with uncertain macroeconomic conditions and other considerations holding back exits.

ITALY

Craca: In the global M&A market, valuations and transaction multiples seem to have remained robust, particularly in high-growth sectors such as technology. On the contrary, other sectors have faced downward pressure on valuations due to macroeconomic uncertainties and tighter financing conditions, and this has been mirrored by the multiples of M&A transactions that are still at lower levels than they were until 2022. A significant challenge in this landscape is the valuation gap between buyers and sellers. Sellers often base their price expectations on pre-2022 peak levels, while buyers exercise caution due to increased financing costs and economic volatility. This disparity often led to prolonged negotiations and a rise in earnout structures and deferred payments to bridge valuation differences. Given the above, it is particularly important that sellers and buyers choose experienced financial advisers to receive a fair assessment of the target company's value.

> *Deal valuations are highly sector-dependent, with healthcare and technology deals among the highest, while manufacturing and similar industries experienced more modest valuations.*
>
> UNITED STATES MICHAEL J. DELANEY
> SEYFARTH SHAW LLP

FW: HOW WOULD YOU DESCRIBE THE BANKING AND FINANCE ENVIRONMENT, IN TERMS OF ITS APPETITE TO SUPPORT M&A DEALS? WHAT IS YOUR GENERAL ADVICE TO ACQUIRERS ON DESIGNING AND NEGOTIATING AN OPTIMAL CAPITAL STRUCTURE?

GERMANY

Klaaßen-Kaiser: Appetite to support M&A deals is again increasing after a period of great caution, which was underpinned by the low number of high-scale deals in recent times. Banks still act carefully and obtaining financing requires in some cases more lead time than in the past. Acquirers that executed deals directly before the pandemic learned the hard way that it is helpful to also prepare for the unexpected when it comes to setting up their capital structure. A robust and reliable capital structure setup is therefore more advisable than ever as the financing environment still has the potential to change drastically in a relatively short period of time.

UNITED KINGDOM

Marshall: The banking and finance environment for M&A can vary depending on broader economic conditions, industry trends and the financial health of the institutions involved. However, some general observations and advice for acquirers in this context include economic conditions, industry-specific trends, capital availability, M&A deal size and complexity, and regulatory and market considerations. Our basic advice for designing and negotiating an optimal capital structure is to assess debt and equity, financing sources, deal timing and interest rates, contingencies, the impact on cash flow and returns, and risk mitigation. It is also important to involve experienced advisers and run scenarios and stress tests.

For acquirers, efficient, high quality due diligence that brings specialist and sector knowledge together to identify specific risks remains key. The old 'one size fits all' approach to due diligence is outdated.

GERMANY KRISTINA KLAASSEN-KAISER
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ITALY

Craca: After a few years marked by a significant reduction in banks' leverage loans and a significant reduction in multiples applied by banks in defining the extent of granted financial leverage, the Italian banking and finance environment is showing a growing appetite for supporting M&A deals, particularly in sectors such as infrastructure and industrial manufacturing. While banks remain selective, PE funds increasingly stepped in to provide flexible financing solutions. Even though interest rates are becoming more favourable, acquirers still need to carefully balance recourse to debt and equity to ensure financial sustainability. Indeed, preserving a prudent debt to equity ratio is crucial to ensure financial flexibility and resilience. There is therefore increasing sophistication in financial structures in transactions, driven mainly by PE operators resorting to alternative financing methods such as private credit and mezzanine financing, as well as sophisticated equity and quasi-equity instruments such as preferred shares, convertible bonds and participatory financial instruments.

AUSTRALIA

Heath: The subdued Australian M&A market in 2024 impacted the number of debt-financed deals. However, it has not been a lack of debt financing options holding things back. Institutional lenders and private credit funds are active in financing Australian transactions, providing a range of debt financing options for bidders. In particular, we saw increased willingness from direct lenders to offer covenant-lite loans on large deals. We also witnessed staple financing emerging in Australian auction processes, increasing the attractiveness and speed of sell-side processes. Additionally, acquirers explored equity financing and scrip for scrip structures to optimise deal outcomes. We believe there is no shortage of debt and equity financing for bidders in the current market – the challenge is for bidders to find animal spirits and make a bid for the right Australian assets.

UNITED STATES

Delaney: With the continued improvement of the economy and optimism around a potentially more favourable US regulatory environment emanating from the US election results, the banking and finance environment is poised to become more favourable for M&A financing. Most major banks and financial institutions (FIs) have ample capital reserves and strong balance sheets, facilitating the provision of loans and financing for deals. However, their willingness to deploy it for M&A is more selective than in previous boom cycles. With the Federal Reserve still battling inflation and maintaining higher interest rates than pre-pandemic levels, transaction financing continues to favour higher quality, less risky assets with clear growth and synergy paths. To ensure banks and FIs consider funding a transaction, acquirers should take a deliberate and careful approach to designing the appropriate capital structure. Furthermore, they should assess their strategic goals and risk tolerance, balancing debt and equity to minimise the cost of capital while maintaining financial flexibility while avoiding overleveraging that could restrict future growth. Market conditions, such as interest rates and investor sentiment, play a crucial role in determining the mix of financing options, including cash reserves, debt and equity issuance. Tax implications should be carefully considered to optimise benefits and ensure compliance with regulations.

FW: WHAT STEPS ARE BUYERS TAKING TO MANAGE TRANSACTIONAL RISK IN A DEAL? WHAT ROLE CAN DUE DILIGENCE AND SPECIALIST INSURANCE PLAY IN THE PROCESS?

UNITED KINGDOM

Marshall: Managing transactional risk in M&A deals is critical for buyers to ensure they are not exposed to unforeseen liabilities or complications that could erode the value of the acquisition. Transactional risks can arise from various sources, including legal, financial, operational and reputational factors. Buyers can manage transactional risk by undertaking thorough due diligence, negotiating representations and warranties (R&W) price adjustments and contingency clauses, escrow and holdback provisions, post-closing adjustments and specialist insurance. Different types of specialist insurance products, that are becoming increasingly popular for managing specific transactional risks in M&A deals, include R&W, tax liability insurance, contingent liability insurance, environmental insurance and title insurance, as seen in real estate deals.

BRAZIL

Areno: One common strategy that we see international buyers using in Brazil is hedging against exchange rate fluctuations, which helps stabilise costs associated with currency variations. These hedging costs, although potentially significant, are typically subtracted from the overall deal valuation, thereby reducing the financial risk exposure. In addition, a growing trend among buyers is exploring the possibility of obtaining R&W insurance. This form of insurance provides protection against potential breaches of seller R&W, offering a safety net post-transaction. Historically, the availability of this insurance in Brazil was limited, and premiums were prohibitively high. However, the market is shifting with more competitive insurance brokers entering the scene, gradually making the coverage more accessible and affordable for buyers. Due diligence is also a critical component in managing transactional risk. By conducting thorough investigations into the target company's operations,

Institutional lenders and private credit funds are active in financing Australian transactions, providing a range of debt financing options for bidders.

AUSTRALIA WILL HEATH
KING & WOOD MALLESONS

financials and legal standing, buyers can identify potential risks and liabilities early in the process and manage them accordingly.

> *Even though interest rates are becoming more favourable, acquirers still need to carefully balance recourse to debt and equity to ensure financial sustainability.*
>
> ITALY ALFREDO CRACA
> FIVERS

AUSTRALIA

Heath: Successful dealmakers plan and execute an appropriate due diligence process and also examine specialist insurance options. Australian sellers – particularly sponsors and listed companies – are familiar with due diligence requests and can, if offered an attractive proposal, move quickly to provide due diligence information in well-organised processes. Sell-side initiated sale processes frequently include vendor due diligence reports which buyers can leverage. Australia also has a healthy warranty & indemnity (W&I) insurance market which buyers can tap for risk protection on deals across a wider range of sectors. W&I insurance is very common on PE deals in Australia and is increasingly taken up on corporate private M&A as well as some public M&A deals. The Australian M&A market also has a fully developed approach to risk mitigation in other areas, and buyers should seek early advice on material adverse change (MAC), break fees and reverse break fees, and other risk mitigation strategies.

UNITED STATES

Delaney: Transactional risk is always present and requires appropriate management. Comprehensive due diligence is key to mitigating this risk. Buyers are taking a more cautious and diligent approach to managing transactional risk in the current M&A market. Although expensive, especially for complex targets, failure to conduct proper due diligence can have catastrophic consequences. Certain risks can be managed through contract protections, indemnities, escrows, contingent payments and earnouts, but do not outweigh the importance of adequate due diligence. Early focus on integration and well-planned change management by dedicated teams is also crucial for success. Additionally, R&W insurance has become a valuable risk management tool for acquirers. These policies protect buyers against breaches of representations and warranties, covering financial losses resulting from such breaches that are discovered post-closing. R&W insurance mitigates the risk of surprises or unexpected claims, giving parties greater confidence to proceed with transactions. In recent years, the R&W insurance market experienced lower premiums, broader coverage terms and more lenient underwriting standards. However, increases in M&A activity may cause the market to harden in 2025. Claims experience has also influenced pricing, with insurers adjusting rates to account for recent losses. In addition to R&W insurance coverage, other types of insurance, such as environmental liability insurance, tax liability insurance and cyber insurance, can also be used to mitigate specific risks identified during due diligence.

ITALY

Craca: In the Italian M&A market, buyers are implementing various strategies to mitigate transactional risks, supported by the advice of specialised lawyers and financial advisers. The due diligence process – covering legal, financial, tax and regulatory aspects – remains crucial to confirm the evaluation of the target company and to identify potential future liabilities. Looking to the future, advanced data analysis tools are expected to become increasingly important in supporting professionals in their due diligence activities. Specialist insurance solutions, particularly W&I insurance, are becoming increasingly popular in Italy, following their widespread use in the US. These policies help mitigate risks related to breaches of R&W, shifting the relevant risk from the buyer to the insurer. W&I insurance also facilitates secondary buyouts, as PE funds often struggle to provide full R&W at exit or to assume long-term indemnification commitments. Additionally, W&I insurance also helps speed up negotiations by reducing the time spent on indemnity clause negotiations between parties and legal advisers.

GERMANY

Klaaßen-Kaiser: Buyers need to balance deal certainty with the ability to respond to sudden changes in the deal environment. M&A standards, especially in the US and Europe – even across European countries – still differ significantly regarding the latter. A request for broad MAC protection or a bring-down condition precedent concept will typically be initially rejected in Europe and therefore requires thorough explanation. Deal certainty also requires a clear view on the regulatory landscape, especially antitrust, foreign direct investment and foreign subsidies regulations. Early regulatory feasibility analyses and close monitoring is now more important than ever. For acquirers, efficient, high quality due diligence that brings specialist and sector knowledge together to identify specific risks remains key. The old ‘one size fits all’ approach to due diligence is outdated. Specialist W&I insurance can be a useful tool to bring a deal across the finish line, especially where the sell-side aims for a clean exit. Other dealmakers may shy away from the extra cost and time consumed by separate insurance discussions. Its usefulness will also depend on the transaction value.

> *In the months ahead, M&A activity will likely be characterised by caution and selectivity, with a focus on strategic acquisitions rather than opportunistic deals.*
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> UNITED KINGDOM TIMOTHY MARSHALL
> ALLIANCE ADVISORS

FW: WHAT ARE YOUR PREDICTIONS FOR M&A ACTIVITY IN THE MONTHS AHEAD? WHAT ISSUES DO YOU BELIEVE WILL AFFECT THE DEAL MARKET?

UNITED STATES

Delaney: M&A activity will likely remain cautious and selective, with deals needing a strong strategic rationale, clear synergy potential and robust due diligence to get done. Challenges such as geopolitical volatility, regulatory scrutiny and high market valuations could impact the deal market. The Trump administration’s potential implementation of tariffs for major trading partners, including Canada, Mexico and China, could also lead to financial strain for companies involved in cross-border transactions. This uncertainty may contribute to cautious behaviour among buyers and sellers, potentially delaying deals or leading to more conservative valuations. Additionally, tariffs could increase costs for companies reliant on imported goods, affecting their profitability and attractiveness as acquisition targets. The overall economic environment, influenced by these tariffs, may also lead to higher prices and slower growth, complicating the M&A landscape. Despite these issues, the outlook for M&A activity in 2025 remains positive across various sectors and regions.

ITALY

Craca: In the coming months, I expect Italy's M&A activity to continue to experience growth, mostly due to lower interest rates and an expected increase in Italian gross domestic product. The expected decline in interest rates is set to reduce financing costs, making acquisitions more appealing to companies seeking expansion opportunities. Additionally, digital transformation will probably increase investments in the technology sector. However, several challenges could impact the deal market. Geopolitical uncertainties and potential regulatory changes may introduce complexities, potentially deterring cross-border transactions. Prospective sellers and buyers will therefore need to conduct adequate due diligence to carefully manage these issues. After a period of M&A market contraction in Italy, which led many PE investors to delay their exits, a rise in secondary buyouts is expected. This will be accompanied by growth in add-ons to strengthen portfolio companies and enhance their market appeal, as well as the increasing use of continuation funds, allowing PE investors to avoid selling assets at any price.

GERMANY

Klaaßen-Kaiser: Geopolitical tensions will continue to impact the M&A market, but may also accelerate deal activity and ultimately result in new investment opportunities. Corporates especially will try to make their companies more resilient to changes in world politics and consider restructuring processes. I also expect European companies to continue scrutinising their organisational structure and streamlining their portfolio in order to take their company off the radar of hedge funds or other investors eying a takeover. This may result in both large-scale divestments and acquisitions to secure the supply chain. PE and financial investors will also play a vital role, especially in sectors where additional funds for large investments or digitalisation are needed.

AUSTRALIA

Heath: In the months ahead, Australian M&A activity will be shaped by five key trends. First, the national election is putting a short-term brake on transactions with foreign investment review processes, and leaves bidders guessing what the post-election policy settings will mean for them. Second, the government has legislated new mandatory merger laws that take effect on 1 January 2026. We believe there will be a push for some deals to get done before that deadline. Third, the Reserve Bank of Australia recently cut the cash target rate by 25 basis points. The pace and size of further cuts – and underlying Australian economic performance – will be critical to deal sentiment. Fourth, emerging geopolitical and macroeconomic events including the 'double T' – Trump and tariffs – may create opportunities and uncertainties that significantly influence bidder behaviour in Australia. Countering that uncertainty are long-arc trends like energy transition and digitalisation that do provide strategic opportunity. We expect to see more deals in mining and resources and technology sectors – big deals from major players and mid-market consolidation.

BRAZIL

Areno: Cross-border M&A activity in Brazil could increase this year, considering relatively low asset prices in local currencies. However, uncertainties about new US policies and volatile economic conditions in the region may cause foreign investors to become more selective about M&A opportunities in the short term. Ongoing political shifts and election outcomes in Brazil may also influence investor confidence and dealmaking.

UNITED KINGDOM

Marshall: In the months ahead, M&A activity will likely be characterised by caution and selectivity, with a focus on strategic acquisitions rather than opportunistic deals. Buyers will carefully assess the financial health of targets, negotiate harder on terms, and use creative financing and risk-mitigation techniques. Despite economic challenges, sectors like technology, healthcare and renewables will likely see strong M&A activity, while economic uncertainty, regulatory hurdles and rising interest rates will be key factors affecting the broader deal market. For businesses looking to pursue M&A, staying agile, understanding market trends and managing integration risks will be crucial for success. ■