

DC

advisory

a Daiwa company



Global M&A Outlook 2026: Still Searching for Equilibrium

www.dcadvisory.com



Contents

- 4 Review of 2025
 - Regional review
 - Japan M&A review
 - Private equity *vs* corporate buyers
- 7 Where are we now?
 - The private equity flywheel
- 8 Valuation equilibrium
 - The Best... and The Rest
 - The rise of continuation vehicles
- 10 Investor pressure for flywheel equilibrium
- 11 Short-term outlook
- 11 Prospects for 2026
- 12 Appendix

Disclaimer

DC Advisory has prepared this material solely for informational purposes and it is not a research report. This material does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. For other important information, please read our [Insights & publications disclaimer](#) →



DC Advisory's Global M&A Outlook 2026: **Still** **Searching for Equilibrium**

- We first introduced our M&A Bear in 2020, hibernating in the COVID cave. And, but for a brief, and over-excited foray into the sun in 2021, it has remained there ever since
 - Only a year ago, we were predicting that a pro-business Trump administration would lead to a thaw that would allow our Bear to leave the cave and enjoy the warm Springtime of an improving M&A market
 - But just as the Bear was opening its eyes
- and contemplating its liberation into the warming world, Liberation Day sent it slumbering back into the cave
- We are **still searching for equilibrium** in the M&A market – an equilibrium where the private equity flywheel is spinning fast, and private equity sells as many businesses as it buys – *the flywheel equilibrium*; and a *valuation equilibrium* where sellers' expectations match their buyers' valuations

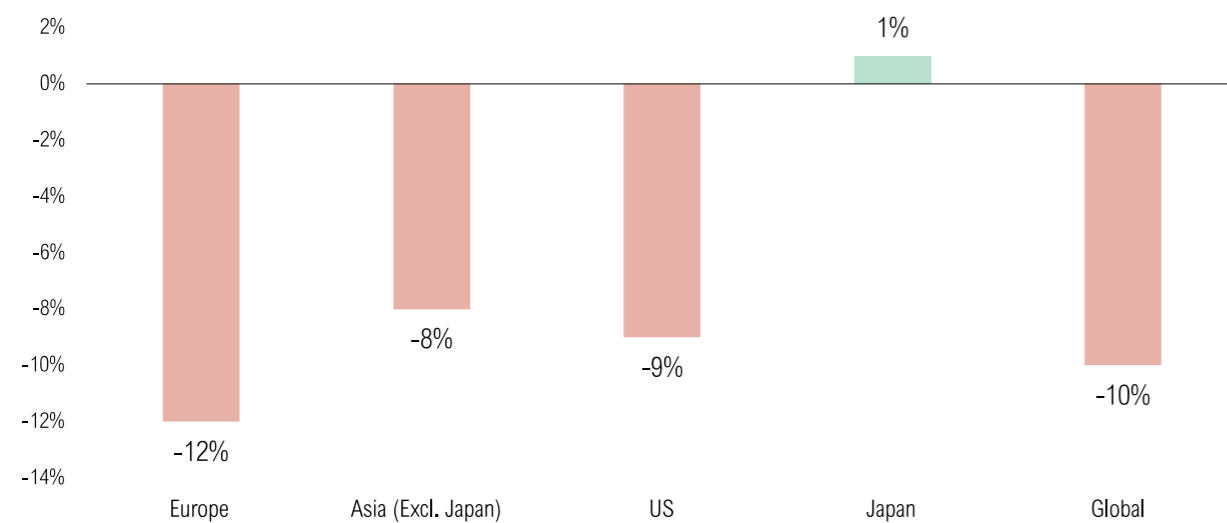
Review of 2025

- 2025 had started positively – Q1 was up 3% on Q1 2024ⁱ. This momentum carried through into Q2 with only a slight decrease, but the impact of the Liberation Day volatility was obvious by Q3, with deal volumes down by 14%ⁱⁱ
- And the sluggish market has continued with 2025 YTD deal volumes 10% below the same period in 2024ⁱⁱⁱ

Regional review

- As we look into the numbers, are the trends consistent across regions? Broadly “yes”. Europe, the US, and Asia (excluding Japan) have all seen similar declines (see fig. 1)
- We would have expected US exuberance to drive the recovery, but tariffs and the government shutdown have kept activity depressed

Figure 1: Regional deal volume (January – October) % change (2024 vs 2025)

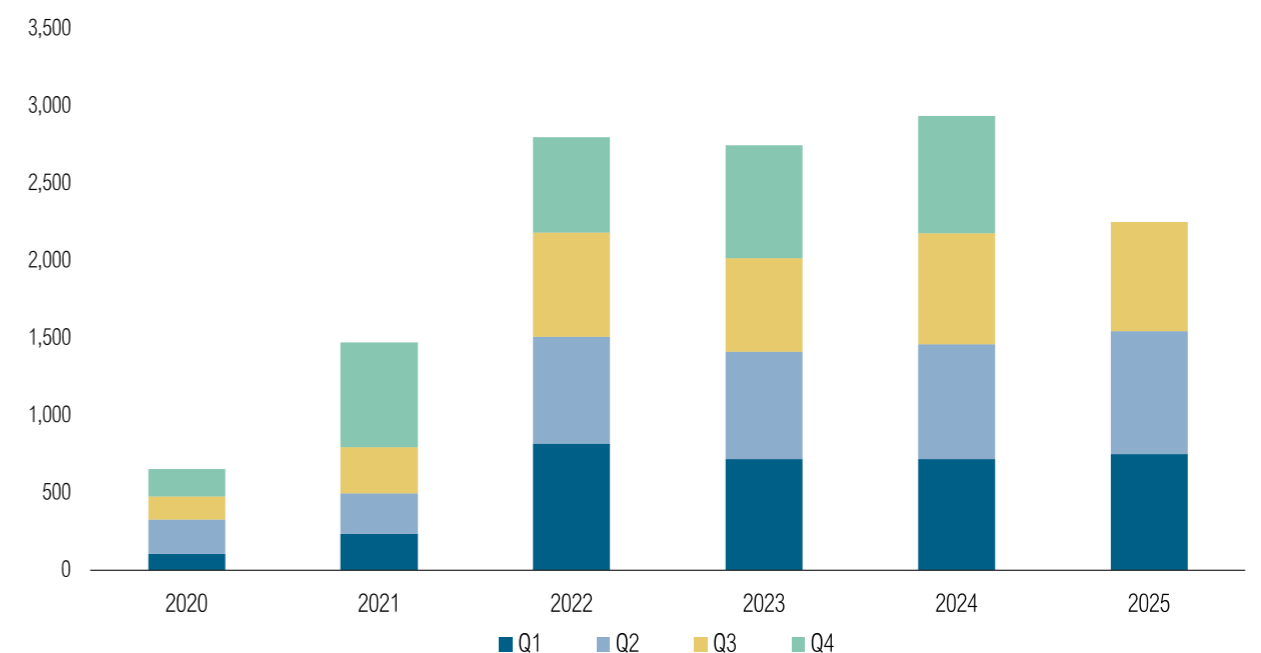


Source: Mergermarket (For details regarding search criteria, please see the Appendix*)

Japan M&A review

- The only major market that has bucked the trend is Japan. Notwithstanding its very real exposure to the tariff tornado, Japanese corporates have driven continued growth in the M&A market (see fig. 2)
- The Japanese market has proved much more resilient in part because so little of it is owned by private equity. Japanese corporates are the principal drivers of activity, and Japanese companies are using M&A much more strategically to deliver value for shareholders
- Japanese corporates are facing both regulatory and shareholder pressure to focus their activities. This pressure has resulted in the sale of non-core assets – often to private equity. Boards have historically regarded this as a failure to protect employment or a sign of mismanagement, but it has become more acceptable
- This strategic focus has also resulted in acquisitions to deliver scale and excellence in core markets
- We expect this trend to develop and accelerate, and we believe that 2025 will be a record year for us in Japan

Figure 2: Japan M&A volumes

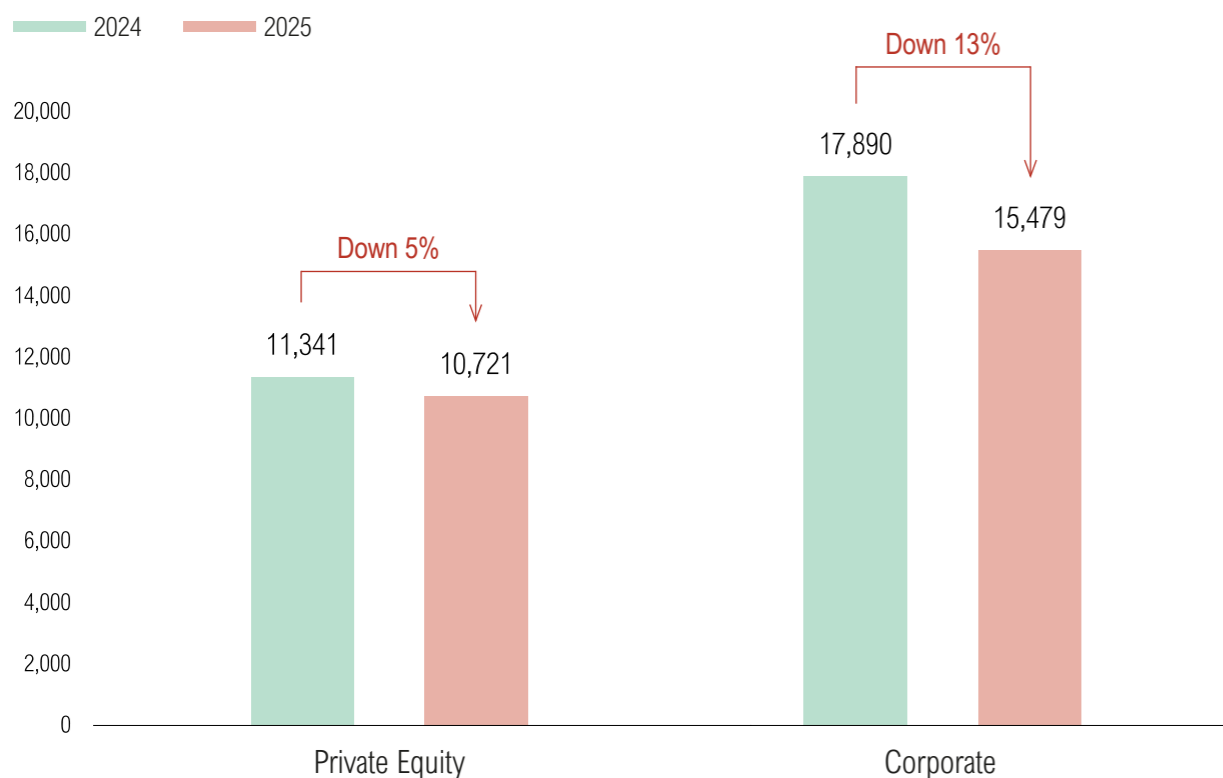


Source: Mergermarket (For details regarding search criteria, please see the Appendix*)

Private equity vs corporate buyers

- The uncertainty unleashed on Liberation Day has had a greater impact on corporate acquirors than on private equity. Whilst private equity continued to transact at a marginally reduced level, corporate acquisitions fell by 13% (see fig. 3). This trend is unsurprising and is similar to the immediate post-COVID period – in times of trouble corporates put their existing business priorities first and defer decisions on M&A

Figure 3: Private equity vs corporate volumes (January – October)



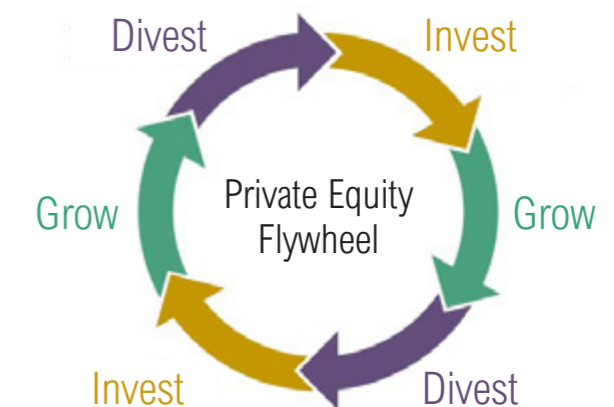
Source: Mergermarket (For details regarding search criteria, please see the Appendix*)

Where are we now?

- There is no doubt that our Bear has his head and shoulders out of the cave and is sniffing the air. He is there because he knows that he must find the scent of spring. But he is being pushed out by mounting investor pressure rather than dancing out because the climate has changed. And with every skip he tries to skip, he fears he may stumble on the hard step of investor indifference
- The desire to sell is strengthening. What is less obvious is the strength of the desire to buy

The private equity flywheel

- We have been saying it for years, but we believe that the increase in deal volumes will be driven by private equity:
 - Corporates are active out of desire rather than necessity and can withdraw from the market, as we have shown above. Private equity needs to be active by necessity – its model depends on it
 - The flywheel of private equity is idling round. But, given the fixed-term fund dynamic, it is well short of the pace required to deliver a more active market
 - The much-needed acceleration of the private equity flywheel requires continued **investor pressure** and a new **valuation equilibrium**





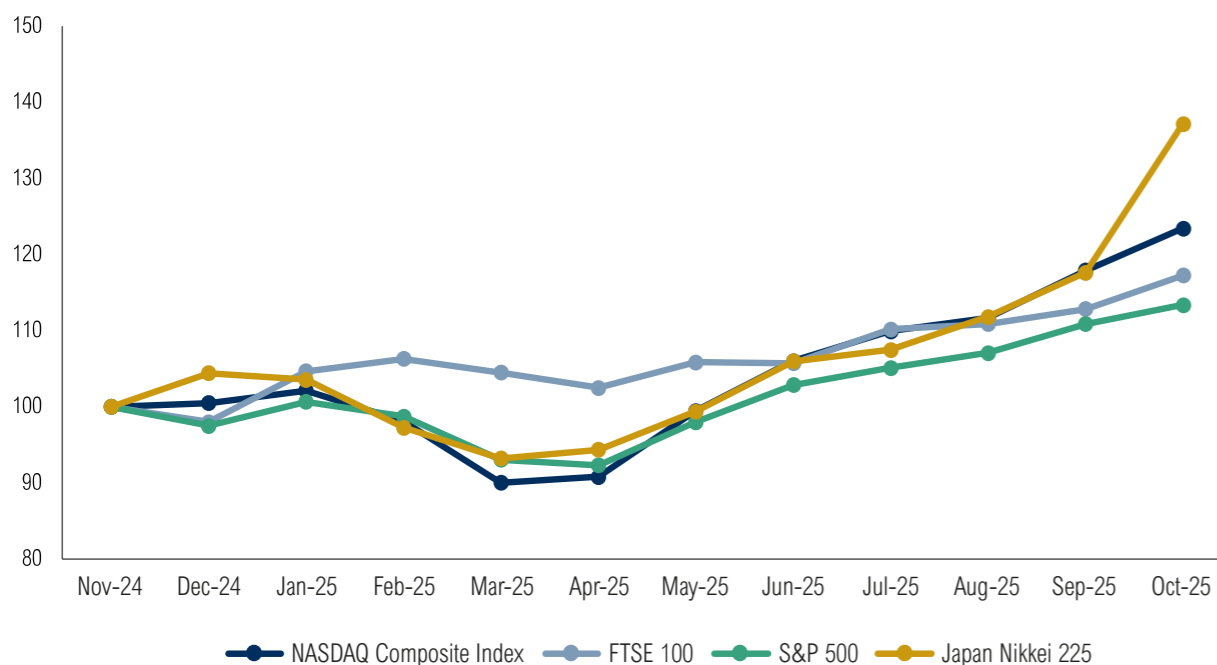
The Best... and The Rest

- In both the public and M&A markets, “star” assets are achieving extraordinary valuations. On closer examination it is apparent that much of this is being driven by outliers – “The Best,” tech giants, and market leaders. These valuations feel at odds with many of the macroeconomic pressures being felt in most of the developed markets and with the underlying performance of many businesses
- It is clear that in private markets there is a very marked difference between valuations: “The Best” and “The Rest”
- The same is true in private markets, where “The Best” businesses typically sell very quickly in hotly contested auctions for fabulous prices, but the right outcome for “The Rest” takes time and craft to deliver. This same dynamic is also apparent in the debt markets, where the best credits attract strong interest, but risk appetite is low for “The Rest”
- Most businesses – even very good ones – fall into the category of “The Rest”
- This bifurcation makes valuation very hard to predict. *Sellers* recognise that the business they are looking to sell is not necessarily “The Best” but it is still very good and so anticipate a very good price – a discount to the stratospheric valuations of “The Best”, but still a very good price
- Buyers* on the other hand are not looking at valuation as a discount to “The Best” – those businesses are too far out of reach to be credible benchmarks. They are building valuation from the bottom up. And from the bottom up the macroeconomic threats feel very real. Essentially, we have a Bull Market for “The Best” and a Bear Market for “The Rest”
- There is some evidence that a valuation equilibrium has not yet been reached. The risk-averse bidder and the over-enthusiastic vendor are failing to find common ground on valuation, and some processes are failing. Market awareness of failure risk has increased and is a suppressant to launch

Valuation equilibrium

- There are positive indications that valuation should be strong in both public and private markets, and many leading indices are trading at all-time highs (see fig. 4). Given weaker global growth and macroeconomic uncertainty, this performance warrants examination

Figure 4: Public market performance

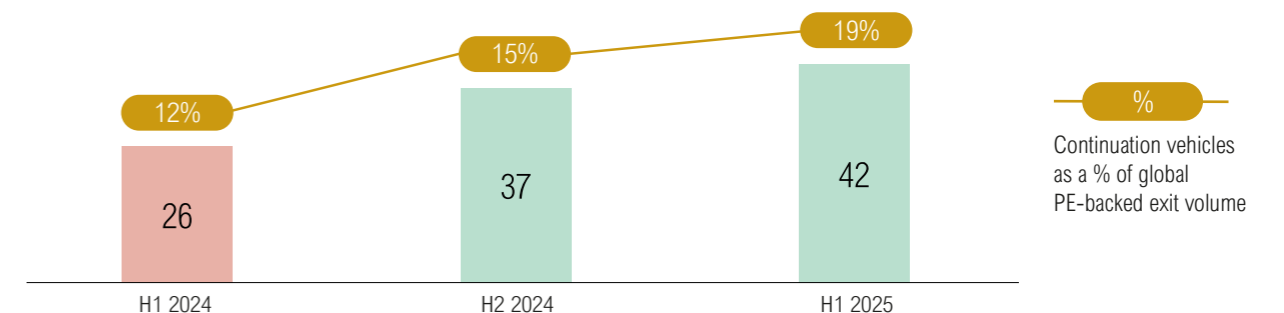


Source: FactSet (price at close on the 1st of each month: Nov 2024 – Oct 2025)

The rise of continuation vehicles

- It follows that if prices are acceptable but “disappointing”, many potential sellers will become potential buyers, and this feeds the appetite for continuation vehicles. Having established a fair market price for the selling fund that may not fully reflect the private equity firms’ (General Partners, or GPs) view of the future opportunity, many GPs will seek to continue the journey with a continuation vehicle
- 19% of private equity exits in the first half of 2025 were to continuation vehicles, and we anticipate the trend continuing into 2026 (see fig. 5)

Figure 5: Global continuation vehicle value (\$bn) – (% of PE-backed Exits)

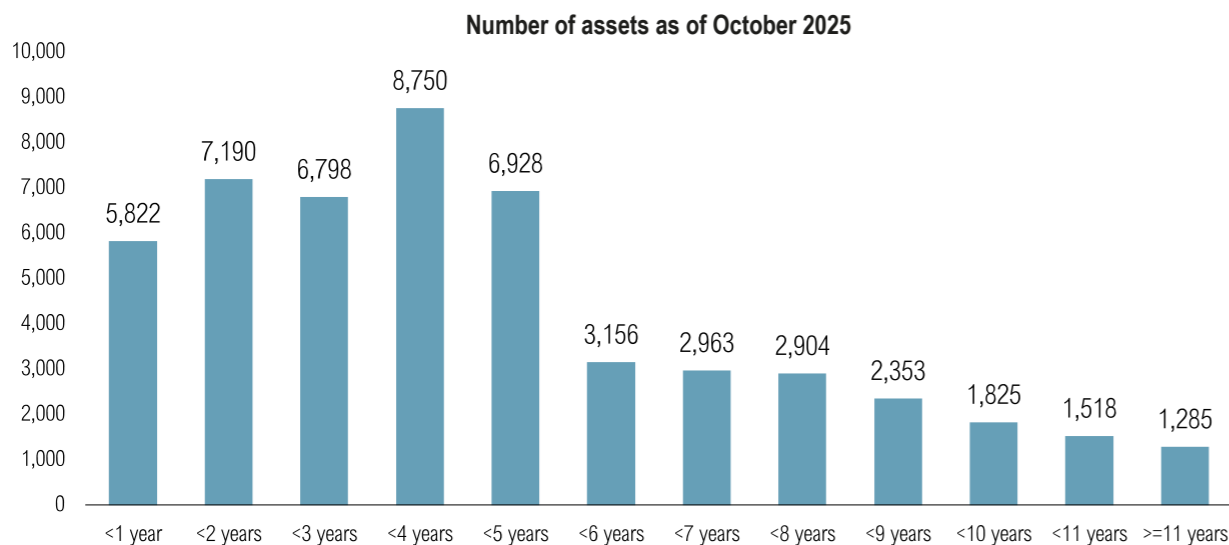


Source: DC Advisory analysis based on Bain Global Private Equity Report 2025, KPMG Value Creation in Private Equity Report 2025, and select industry analysis reports

Investor pressure for flywheel equilibrium

- Investors in private equity funds (Limited Partners, or LPs) have committed significant capital. They have always assumed that much of that will be funded by the cash returns generated by private equity. But the slow pace of realisations has put pressure on LPs to find the cash to meet their commitments. They are therefore putting pressure on GPs to clear the backlog
- To gain an understanding of the scale of the backlog – the number of businesses due for sale that have not been sold – we have looked at the aged cohorts of private equity investments

Figure 6: Global Private Equity Funds – Number of assets by duration



Source: Mergermarket (For details regarding search criteria, please see the Appendix*)

- Private equity owns over 50,000 businesses and has invested in nearly 6,000 in the last 12 months, and yet only 2,500 businesses were sold by private equity (see fig. 6). This disequilibrium represents another year of disappointing distributions to investors. Every passing year increases the pressure on GPs to return capital to investors. Even a relatively timid attempt to unwind this ever-growing backlog will drive a meaningful increase in deal volumes
- Ultimately the market dictates that we should one day see a “flywheel equilibrium” where private equity is selling as many businesses as it buys
- And if we are to clear the backlog, more businesses should be sold then bought
- Against this tentative backdrop, what are our predictions for the M&A market?

Short-term outlook

- Our assessment of market activity is driven by completed deal volumes, but the lead indicator is the number of deals ‘in market’. There is no accurate data on this, but we know we are busy – much busier than we were a year ago, and we will be busier still because pitch activity has been high
- Consequently, 2025 will finish strongly and will narrowly surpass 2024 for deal volumes. The Q4 momentum will carry through into the first half of 2026, but we do not anticipate that bidder attitudes or macroeconomic shifts will lead to a significantly more positive approach to valuation
- It therefore follows that, if private equity sellers respond to pressure to divest, they must temper their valuation expectations for all but “The Best” businesses. The process of readjustment is slow but is required if deal volumes are to increase
- We think that this readjustment has started. The relatively high number of ‘failed processes’ is certainly a concern for vendors, but it is helpful in conditioning the market to the reality of potential disappointment and conditioning vendors to more realistic views on valuation

Prospects for 2026

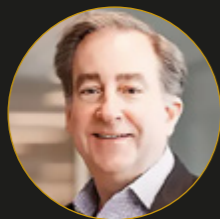
- We predict that these dynamics – private equity’s pressure to divest and a more realistic view on valuation – will draw our Bear out of the cave and drive an increase in deal activity in 2026
- But our Bear will not be driven out by a Bull market. As we have noted above, the public markets have been bullish for some time now, but that has not driven deal volumes. This is good news because our view on increased activity is not dependent on the remote possibility of a more positive macroeconomic environment. It is dependent on the dynamics of the private equity industry and their inevitable need to deliver liquidity to their investors
- Given the size of the US private equity market and the depth of capital, we expect US dynamism to lead a recovery into 2026
- Our 10% growth prediction of last year was derailed by unforeseen macroeconomic events. But our underlying belief that ‘deals must get done’ remains intact and the backlog only gets bigger – and so we will show that we have learnt no lessons from last year and predict a 15% increase in deal activity in 2026
- Will we reach a flywheel equilibrium and a valuation equilibrium? Not yet... but we will start the journey
- We will all be busier and hopefully more productive

Join our 2026 Global M&A Outlook webinar

- Stay ahead of the market with insights from our global leadership team
- Register via the QR code



Richard Madden
Executive Chairman
Europe



Bill Kohr
CEO
US



Tosh Kojima
Managing Director
Asia Access



SCAN TO REGISTER

*Appendix

Mergermarket search criteria for chart and graph data

The following table describes the Mergermarket search criteria used for the chart and graph data contained in this report:

Figure 1, 2 & 3	All reported acquisitions with deal values \$75m and above, including those with undisclosed values, across all sectors and geographies – calculated as January to October'25, January to October, and January to October'25
Figure 6	Portfolio company hold periods and exit activity for European, Asian, and North American PE funds. Hold period calculated at asset level and exit data covering Oct 2025 (Note: Database underreports holds for assets owned >6 to >11 years due to disclosure gaps during this period)

Disclaimer

Predicting future activity is an art and not a science and this analysis is not scientific. It is informed judgement – much like the best M&A advice. Additionally, this article does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. You should not base any investment decision on this article; any investment involves risks, including the risk of loss, and you should not invest without speaking to a financial adviser. DC Advisory has prepared this material solely for informational purposes and it is not a research report. This material does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities.

For other important information, please read our Insights & publications [disclaimer](#) →

© 2025 Copyright DC Advisory. All rights reserved.

Sources

- ⁱ Mergermarket: All reported acquisitions with deal values \$75m and above, including those with undisclosed values, across all sectors and geographies - calculated as January to October'25, January to October, and January to October'25
- ⁱⁱ Mergermarket: All reported acquisitions with deal values \$75m and above, including those with undisclosed values, across all sectors and geographies - calculated as January to October'25, January to October, and January to October'25
- ⁱⁱⁱ Mergermarket: All reported acquisitions with deal values \$75m and above, including those with undisclosed values, across all sectors and geographies - calculated as January to October'25, January to October, and January to October'25
- ^{iv} Private Equity International, Apr 2025: Japan comes of age
- ^v Reuters, Oct 2025: Private credit cash pivots from 'risky' West to emerging markets | Reuters

Our Global Network

Americas

CHICAGO

DC Advisory US
225 W. Wacker Drive, 17th Floor,
Chicago, IL 60606
+1 (312) 948-5300
chicago@dcadvisory.com

NEW YORK

DC Advisory US
605 Third Avenue, 11th Floor,
New York, NY, 10158
+1 (212) 904 9400
newyork@dcadvisory.com

SAN FRANCISCO

DC Advisory US
425 California Street, Suite 1900,
San Francisco, CA 94104
+1 (415) 962 4560
sanfrancisco@dcadvisory.com

WASHINGTON DC

DC Advisory US
1425 K Street, NW,
Suite 900, Washington, DC 20005
+1 (202) 908 4000
washingtondc@dcadvisory.com

Asia

BANGALORE

DC Advisory India
2nd Floor, 40 Vittal Mallya Road,
Bangalore 560 001
+91 80 6816 4700
bangalore@dcadvisory.com

BANGKOK

**DC Advisory (Thailand)
Company Limited**
18th Floor, M.Thai Tower,
All Seasons Place, 87 Wireless Road,
Lumpini, Pathumwan,
Bangkok 10330, Thailand
+66 2 252 5650
enquiries@dcadvisory.com

BEIJING

DC Advisory China
Daiwa Securities Co. Ltd.
Building 1, No.A6, Jianguomen Street,
Chaoyang District, Beijing,
Beijing, 100000 China
+86-1065006688
enquiries@dcadvisory.com

HANOI

DC Advisory Vietnam
Representative office:
Daiwa Securities Co. Ltd.
Suite 1306, Pacific Place Building,
83B, Ly Thuong Kiet Street, Hanoi
+84 4 946 0460
enquiries@dcadvisory.com

HONG KONG

DC Advisory Hong Kong
Representative office:
Daiwa Securities Co. Ltd.
One Pacific Place,
88 Queensway, Hong Kong
+852 2525 0121
enquiries@dcadvisory.com

MUMBAI

DC Advisory India
7th Floor, Table Space, Godrej BKC,
Plot C-68, G Block BKC,
Bandra Kurla Complex,
Mumbai – 400 051
+91 22 6882 4700
mumbai@dcadvisory.com

SEOUL

DC Advisory South Korea
Daiwa Securities Capital Markets
Korea Co. Ltd.
21 Fl. One IFC, 10, Gukjegeumyung-Ro,
Yeongdeungpo-Gu, Seoul, 07326
+82 2 787 9100
enquiries@dcadvisory.com

SHANGHAI

DC Advisory China
Daiwa Securities Co. Ltd.
44/F, Hang Seng Bank Tower, 1000,
Lujiazui Ring Road, Pudong, Shanghai
+86 21 6859 8000
enquiries@dcadvisory.com

SINGAPORE

DC Advisory Singapore
Daiwa Capital Markets Singapore Limited
7 Straits View Marina One East Tower,
#16-05/06, Singapore 018936
+65 6228 6709
enquiries@dcadvisory.com

TOKYO

DC Advisory Japan
Daiwa Securities Co. Ltd.
GranTokyo North Tower 1-9-1,
Marunouchi, Chiyoda-ku,
Tokyo, 100-6752
enquiries@dcadvisory.com

Europe

AMSTERDAM

DC Advisory Netherlands
De Lairessestraat 121-H, 1075 HH
Amsterdam, Netherlands
benelux@dcadvisory.com

DUBLIN

DC Advisory Ireland
33 Fitzwilliam Place, Dublin 2,
D02 W899, Ireland
+353 1 963 1200
ireland@dcadvisory.com

FRANKFURT

DC Advisory Germany
Neue Mainzer Strasse 1,
60311 Frankfurt am Main, Germany
+49 (0) 69 972 0040
germany-365@dcadvisory.com

LONDON

DC Advisory UK
5 King William Street, London EC4N 7DA
+44 (0) 20 7856 0999
uk@dcadvisory.com

MADRID

DC Advisory Spain
57 Calle Serrano, Madrid 28006, Spain
+34 91 524 11 23
spain@dcadvisory.com

MANCHESTER

DC Advisory UK
Belvedere, 12 Booth Street,
Manchester M2 4AW
+44 (0) 161 362 6800
uk@dcadvisory.com

MILAN

DC Advisory Italy
Via Manzoni, 5, 20121 Milano, Italy
+39 02 09942699
italy@dcadvisory.com

MUNICH

DC Advisory Germany
+49 (0) 69 972 0040
germany-365@dcadvisory.com

VIENNA

DC Advisory Austria
Albertgasse 35 1080, Vienna
enquiries@dcadvisory.com

WARSAW

DC Advisory Poland
Rondo ONZ 1, 00-124 Warszawa, Poland
+48 22 460 02 00
poland-365@dcadvisory.com

DC

advisory

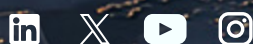
a Daiwa company

An international investment bank committed to **making a difference**

As part of an established global business, we offer access to over 750 professionals in 24 locations throughout Asia, Europe and the US. Across 11 industry focused teams, we offer tailored, independent advice on M&A, debt raisings and restructurings, private capital, secondary advisory and access to unrivalled Asia investment knowledge.

For more information, visit www.dcadvisory.com/aboutus →

Follow us on our social channels



www.dcadvisory.com