



Morgan Stanley

Q3 2025

Update on the M&A Environment



Groundbreaking M&A Activity in the Third Quarter of 2025

More accommodative regulatory backdrop, declining interest rates, and record-high equity markets have driven a resurgence in large-scale M&A activity.

Q3 2025 has been a quarter of record and milestones, including the largest M&A deal in last 5 years as well as the largest take-private deal ever.

M&A volumes for the quarter increased by ~27% year-over-year and 20% over Q2, driven by a surge in megadeal activity¹.

The quarter saw ~\$1 trillion of M&A activity—the highest since Q4 2021¹.

Largest M&A Deal in 5 Years



Largest Take-Private Deal Ever



Highest Quarterly M&A Volumes
Since Q4 2021

~\$1Tn

Highest Number of Deals Above \$10Bn
YTD vs. Any Prior YTD Period

42



2025 Tracking to be a Robust Year for M&A With YTD Volumes up 24%

2025 year-to-date M&A volumes are up 24% year-over-year and are on pace to exceed \$3 trillion for 2025, despite the fourth-lowest deal count in 10 years¹.

The decline in the number of deals has been offset by the largest average deal size observed in the last 25 years.

\$2.6Tn

Q3 year-to-date
volumes— up 24% vs.
2024¹

\$1 Bn

The average deal size year-
to-date—the highest over
last 25 years¹

510

The number of \$1Bn+
transactions year-to-date—
an increase of 20% year-
over-year¹

2025 Trend Lines



A Strong Recovery

After turbulence from April's tariff announcements, monthly M&A volumes have consistently outpaced the three-year average since May.



2025 Projected

M&A volumes on track to surpass \$3.5Tn for 2025, well above the last 10-year average of ~\$3.2Tn¹.



Surge in Megadeal Activity Year-to-Date Has Buoyed Volumes



Large cap M&A activity is accelerating as the focus of Boardroom dialogue pivots to positioning companies against a dynamic and evolving chessboard.

The concept of mega-transactions and dream deals is back on the radar as the regulatory environment appears more predictable to navigate, equity markets are trading at all-time highs, and we sit in the early stages of an improving rate environment.

JOHN COLLINS
Global Co-Head of M&A

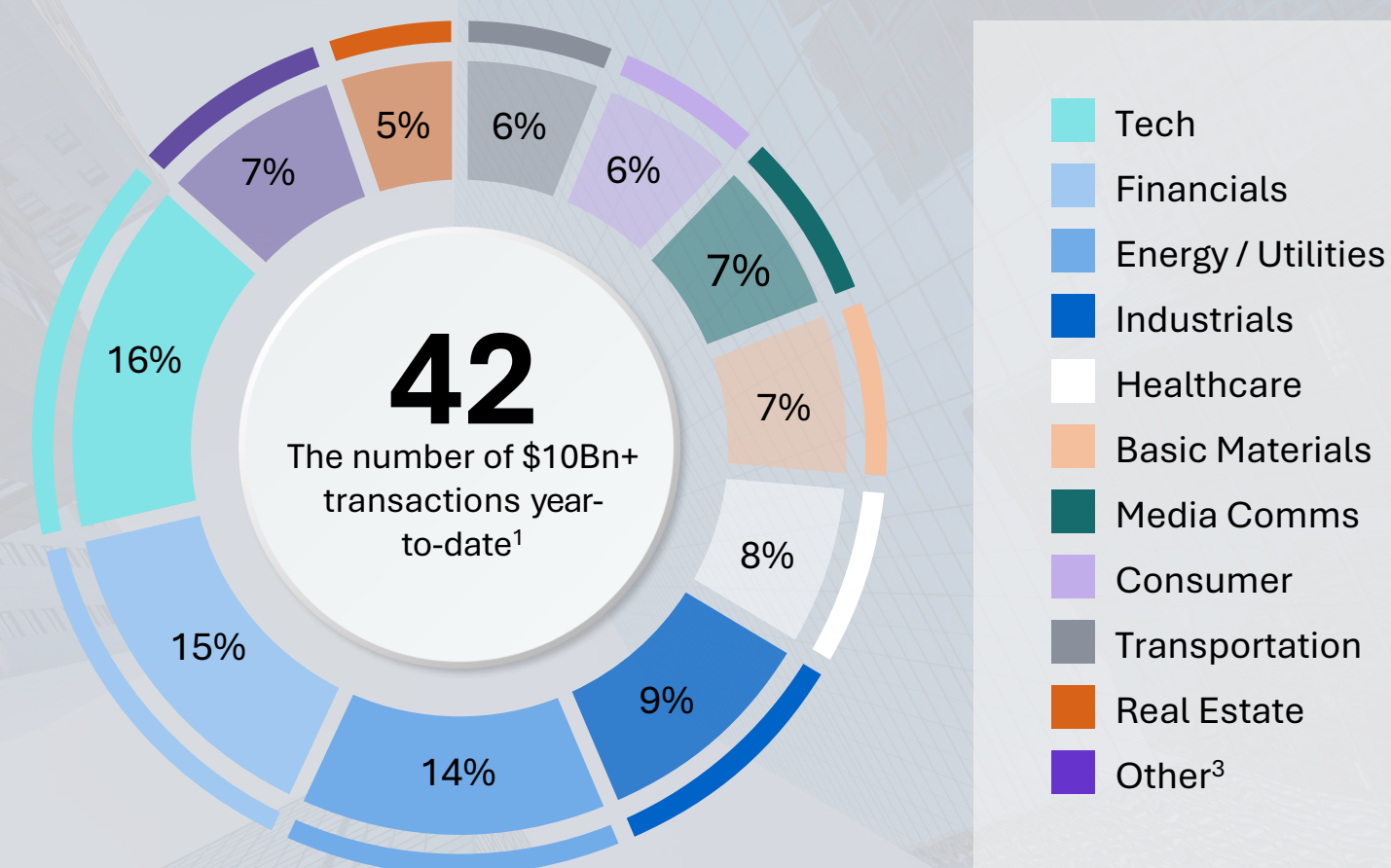
	\$100MM-\$1Bn Transactions ¹	\$1Bn-\$10Bn Transactions ¹	\$10Bn+ Transactions ¹
Q1-Q3 2025	~\$640Bn	~\$1,159Bn	~\$832Bn
Q1-Q3 2025 vs. Q1-Q3 2024	+1%	+15%	+74%
Q1-Q3 2025 vs. 10-YR Average ²	(15%)	+8%	+22%



Momentum in M&A is Being Seen Across Sectors and Regions

The M&A landscape is bustling with megadeals across various sectors, especially in Tech, Financial Services, Energy / Utilities and Industrials, with many \$10 billion+ deals driving an uptick in activity across industries¹.

Each region has seen increases in volumes exceeding 20% year-to-date. Americas and Asia activity surpasses their 10-year averages^{1,2}.



Americas

+26%
~\$1.8Tn

EMEA

+22%
~\$870Bn

Asia

+40%
~\$740Bn



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

Financial sponsor activity has continued to accelerate (+40% in volume year-on-year) and is on pace to reach its highest level since 2021. While the overall deal count remains relatively flat compared to last year, larger portfolio exits and multiple megadeal acquisitions are driving growth¹.

Financial sponsors now account for ~37% of global M&A—the largest share ever¹.

Take-private activity on track to be the second highest in the last decade.

~60%⁴

% of portfolio companies that have been held for 5 years+

~\$4Tn+⁵

Total dry powder accumulated by private equity

~40%

YTD 2025 financial sponsor activity growth year-on-year

“

We are seeing the financial sponsor market pick-up right now. I do not think we will see a tsunami of deals happen next quarter but rather a slow burn upwards in the market for sponsor exits. Given the number of companies that need to get sold, this should last for the next couple of years.

TOM MILES

Global Co-Head of M&A



Portfolio Composition is in Focus... Leading to Record Separation Activity

Year-to-date, there have been more \$10 billion-plus separations announced than during any comparable period in the past 15 years.

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



Companies are reshaping themselves to adapt to a quickly changing environment and position themselves for their next phase of growth.

MICHAEL KAGAN

Global Head of Separations and Structured Solutions

~\$350Bn

The expected volume of spin-offs in 2026—1.5x higher than any year in the last decade⁶

~2x Deals

The number of separations with a \$10Bn+ aggregate value in the last 12 months vs. any rolling 12-month period in the last 15 years⁶

~\$18Bn

The expected average deal size in 2026, more than double the 2020-2025 annual average⁶

Separations Emerge as Legacy-Defining Moments for Leadership

Overview of the Last 20 Separations⁷

~33%

Separations led by CEOs who had served less than 2 years

~20%

Included announcement of a significant leadership reorganization



Shareholder Activism Remains a Catalyst for M&A



Activists continue to be a prominent force in the public markets despite economic and geopolitical uncertainty, but we’re seeing shifts—quicker settlements over proxy fights, recent focus on mid-cap companies, and more public attacks without prior engagement, often leading to CEO changes. That’s why having a strong preparedness plan in place is more important than ever.

DAVID ROSEWATER

Global Head of Shareholder Activism and Corporate Defense



Greater Success in Gaining Board Seats⁸

Increase in both campaigns with Board seats won and total number of Board seats won by activists at U.S. companies.



Shift in Engagement⁸

Activists are conducting campaigns outside typical proxy season and more often launching “ambush” public attacks prior to private engagement.



Prominent 2025 Campaign Themes⁸

Activists are showing an increased focus on M&A-related agitation as well as pushing for significant strategy changes through CEO replacement.



Investors Expect M&A Will Remain in Favor for 2026

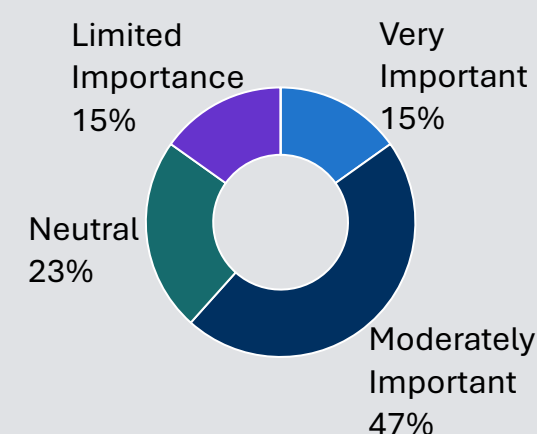
Morgan Stanley's investor survey based on ~100 investors finds M&A remains central to driving shareholder value, with over 60% of investors seeking more M&A in 2026.

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

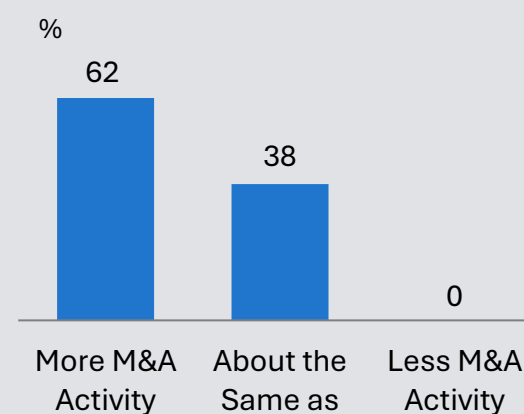
~40% of investors are convinced AI will have a significant role in M&A going forward, even as adoption remains in its early stages in some industries⁹.

Overall Importance & Activity Outlook ⁽¹⁾

M&A as a Driver of Shareholder Value



Expected M&A Activity in 2026



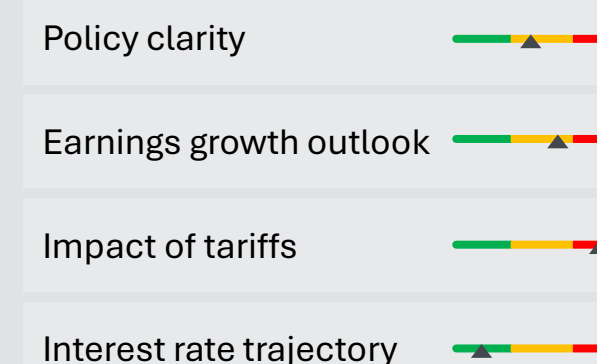
Strategic Priorities for M&A ⁽¹⁾

- #1 Revenue and cost synergies
- #2 Scale benefits and competitive positioning
- #3 Portfolio diversification / entering new markets
- #4 Defensive consolidation

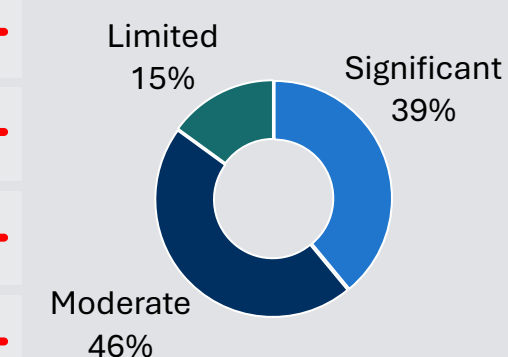
Financial & Execution Priorities When Evaluating M&A ⁽¹⁾



Market Backdrop



Artificial Intelligence (AI)



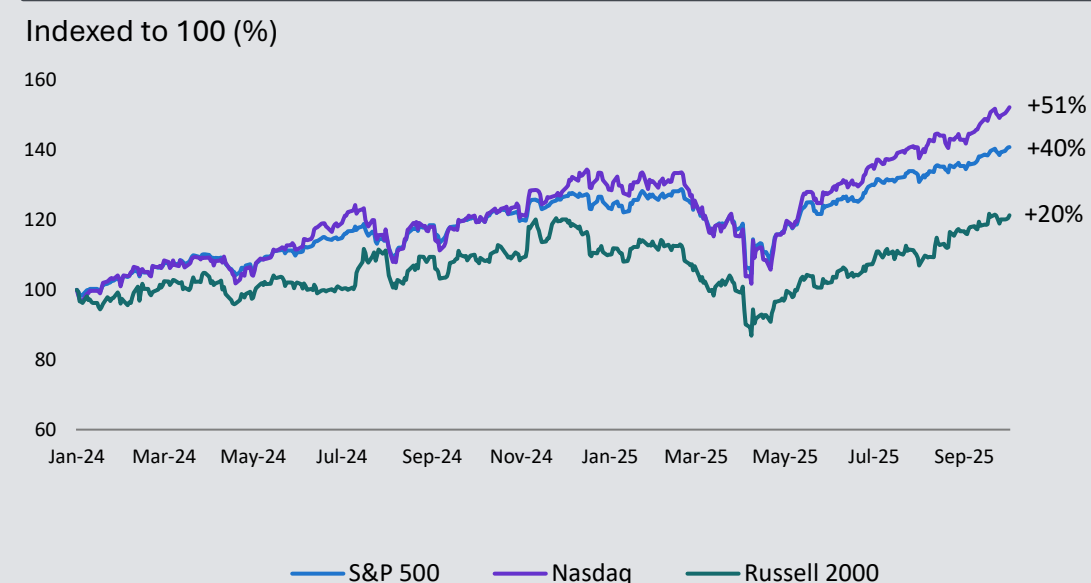


Constructive Macro Environment Should Support M&A for Balance of 2025 and into 2026

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

These dynamics should continue to support robust M&A activity through the remainder of 2025 and into 2026.

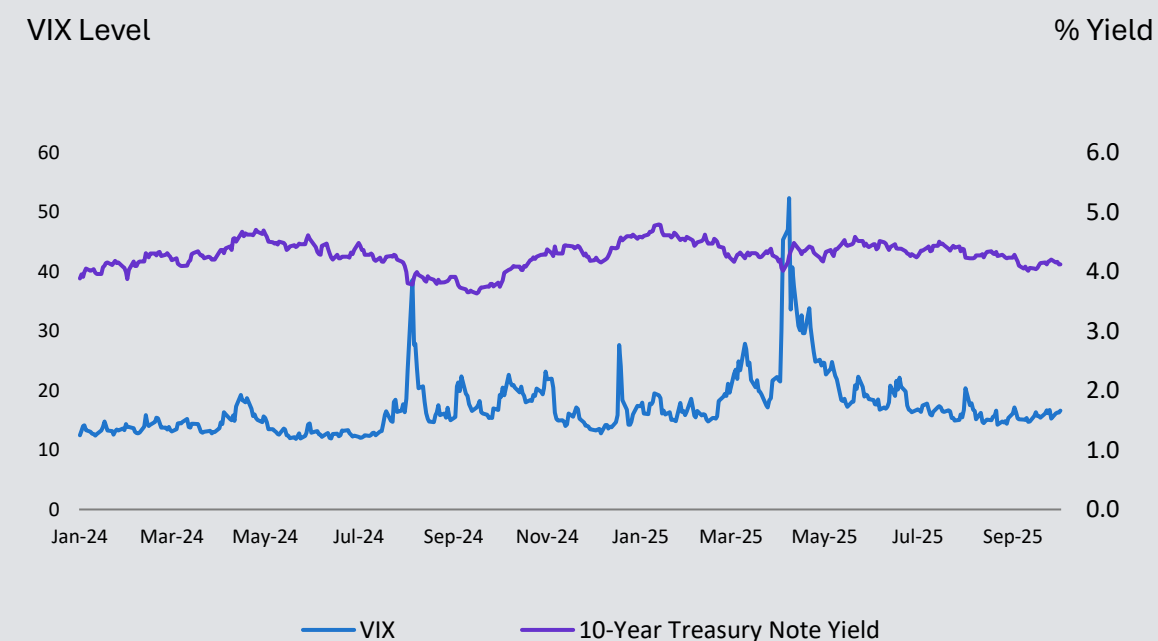
Broader Market Indices Surge to New Highs



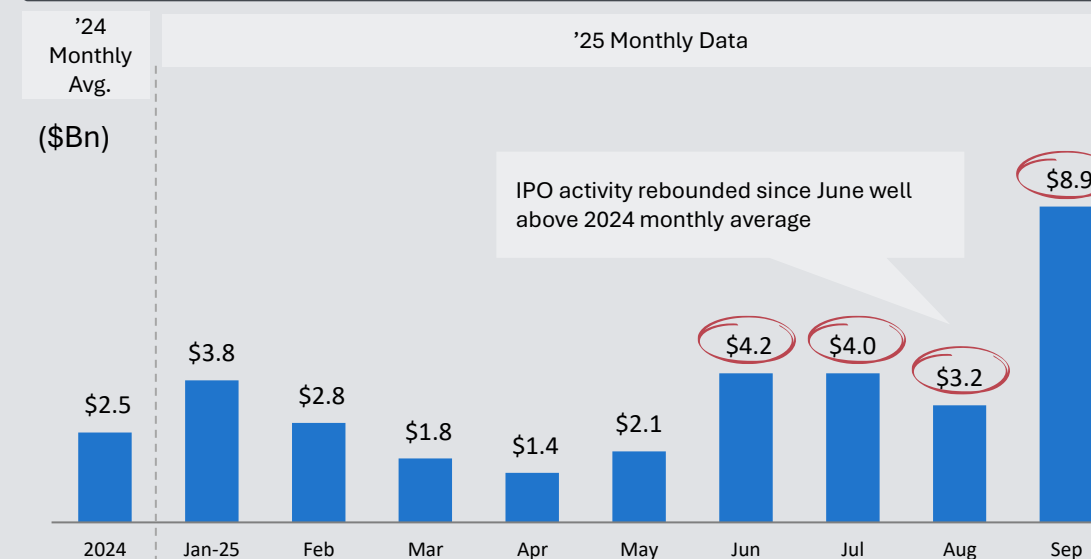
Rates Have Decreased and Expected to Continue Falling



Volatility Continued to Decline Following April Highs



Surge in IPO Activity Since June





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

Industry Defining Large Strategic Activity	September 9 th , 2025 Teck / AngloAmerican ~\$23Bn	July 29 th , 2025 Norfolk Southern / Union Pacific ~\$85Bn	July 29 th , 2025 CHART / Baker Hughes ~\$14Bn	May 16 th , 2025 COX ENTERPRISES / Charter COMMUNICATIONS ~\$35Bn
Sponsors Continue to Invest at Scale	September 8 th , 2025 amprion verbindet / APOLLO ~\$4Bn	July 30 th , 2025 FUJITEC / IGT ~\$2Bn	April 14 th , 2025 intel altera An Intel Company / SILVERLAKE ~\$5Bn	
Increased Cross- Border Activity with Desire to Grow Footprint	August 25 th , 2025 JDE Peets / Keurig DrPepper ~\$23Bn	July 30 th , 2025 IVECO Excl. Defense Business / TATA ~\$8Bn	July 10 th , 2025 Wm. Wrigley Chewing Co. / FERRERO ~\$3Bn	
Continued Focus on Corporate Clarity Through Separations	April 29 th , 2025 S&P Global Spin-Off of Its Mobility Segment	February 6 th , 2025 Honeywell Spin-Off of Its Aerospace Business	September 4 th , 2024 FORTIVE Spin-Off of Its Precision Technologies Segment	
Corporate Carve-outs Getting Done	August 21 st , 2025 International Paper GCF Business / AMERICAN INDUSTRIAL PARTNERS ~\$2Bn	June 11 th , 2025 DANA Off-Highway Segment / Allison Transmission ~\$3Bn	May 22 nd , 2025 JM Johnson Matthey Catalyst Technologies Business / Honeywell ~\$2Bn	February 25 th , 2025 solventum Purification & Filtration Business / ThermoFisher SCIENTIFIC ~\$4Bn
“Structure” Helping Bridge Value Gaps	✓ Earn-outs ✓ Minority Stake Sale with Downside Protection ✓ Preferred Equity ✓ Tax Receivable Agreement		September 8 th , 2025 SONOCO ThermoSafe Business / Arsenal Capital Partners ~\$1Bn	May 27 th , 2025 SILVUS TECHNOLOGIES / MOTOROLA ~\$5Bn

● Morgan Stanley Client

Global M&A Leadership

JOHN COLLINS

Global Co-Head of M&A

TOM MILES

Global Co-Head of M&A

MICHAEL BOUBLIK

Chairman of M&A

MARCO CAGGIANO

Vice Chairman of M&A

COLM DONLON

Chairman of IBD - EMEA

MICHAEL KAGAN

Global Head of Separations
and Structured Solutions

DAVID KHAYAT

Head of Financial Sponsors
M&A

LILY MAHDAVI

Co-Head of M&A –
Americas

DAVID ROSEWATER

Global Head of Shareholder
Activism and Corporate
Defense

TEDD SMITH

Vice Chairman of M&A

BEN TEASDALE

Co-Head of M&A –
Americas

JAN WEBER

Head of M&A - EMEA

GREG WEINBERGER

Vice Chairman of IBD

RICHARD WONG

Head of M&A - APAC

Sources and Endnotes

Sources: LSEG as of September 30, 2025, Preqin, Capital IQ

Endnotes

1. Includes global announced transactions, each with an aggregate value of \$100MM or more. Includes transactions with estimated values. Excludes terminated transactions. Future terminations of pending transactions will reduce totals shown
2. Year-to-date 10-year average reflects the time-period from year-to-date 2015 to year-to-date 2025
3. Other includes transactions classified as Business Services, Textiles, Wholesale and Other
4. Includes buyouts and platform creations only
5. Preqin as of 12/31/2024. Private equity dry powder inclusive of Venture, Growth, Buyout, Real Estate, Mezzanine, Direct Lending, Natural Resources, Infrastructure, and Distressed Debt
6. Reflects completed and pending separations. Includes all 100% spin-off, split-off, IPO spin/split, RMT and MT transactions (either completed or announced and still pending with publicly-disclosed deal value) involving US-listed SpinCos; utilizes public company guidance to determine expected transaction close date. Volumes defined as SpinCo aggregate value 30-days post-close, or guidance from equity research if spin-off is still pending
7. Includes last 20 announced U.S. separations where SpinCo market cap >\$500MM, excluding situations in which there was a tracking stock or cross-holding collapse
8. Includes global campaigns as of September 30, 2025, targeting companies with market capitalizations above \$500MM; companies may be targeted by more than one campaign per year. Excludes public short campaigns, hostile takeovers without activist campaign, 13Ds filed with no publicly disclosed activism, campaigns supporting management, and exempt solicitations
9. Survey reflects feedback from ~100 investors, including hedge funds, long-only investors, event driven / arbitrage investors, mutual funds, pension / endowments and more

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