2026 M&A Report

September 2026

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Table of Contents

Introduction

BCG's 2026 M&A Report examines a market that is gathering momentum but has yet to recover across its full breadth. Large transactions are driving deal value higher, even as activity across much of the market remains subdued.

Against this backdrop, the biggest challenge for dealmakers is shifting from whether to transact to how to identify opportunities that can clear the hurdles between strategic intent and successful execution. At the same time, the AI boom is changing not only what assets companies are inclined to pursue but also what a well-structured deal looks like.

This year's report has four parts:

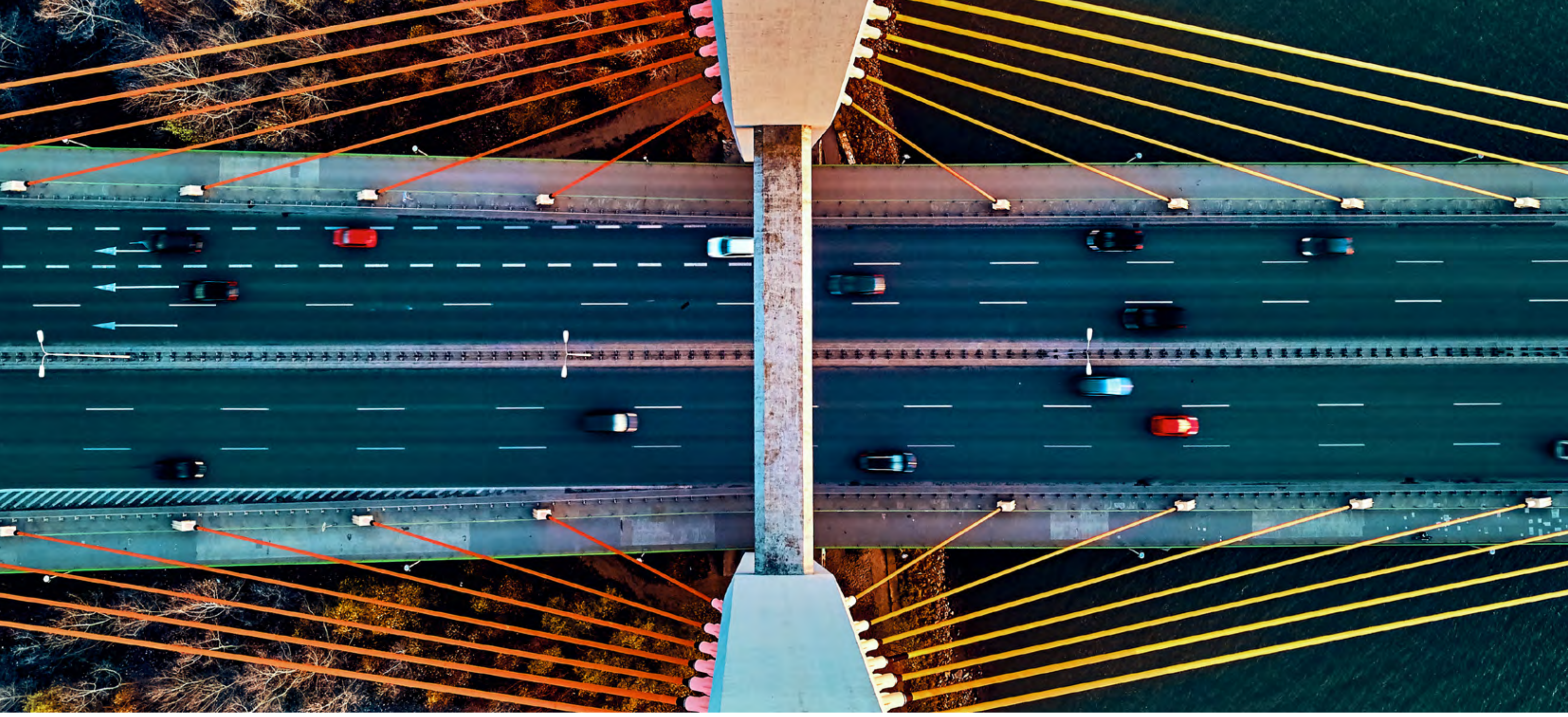
- **In Search of a Wider Recovery.** M&A activity is accelerating in 2026, with aggregate deal value rising and megadeal activity approaching the highs of the previous boom. But the recovery remains uneven: large transactions account for a disproportionate share of activity, while much of the broader market has yet to return to longer-term norms. Capital is available and strategic pressure to transact is increasing, but attractive assets remain scarce, valuation gaps persist, and regulatory and operational hurdles can make transactions difficult to execute. For dealmakers, success in the next phase of the cycle will depend in large part on their ability to identify opportunities that they can structure, value, finance, approve, and close on terms that create value.

- **The Playbook for AI Deals Is Still Being Written.** AI is attracting extraordinary amounts of capital, but the ecosystem has not yet matured in terms of strategic M&A dealmaking. BCG's analysis shows that most strategic acquisitions still focus on capabilities and product expansion, although platform-building deals are becoming more common as the ecosystem evolves. At the same time, AI companies are buying outside the ecosystem even as non-AI companies acquire AI targets, leaving the industry's eventual structure unresolved. Companies that want to shape their position as the market progresses will need to build integration capabilities early, track where value is moving across ecosystem boundaries, and remain open to both outright acquisitions and alternative transaction structures.

- **How Non-AI Companies Win at AI Dealmaking.** The race for AI capabilities now extends far beyond the technology industry. Yet rapidly evolving models and tools make outright acquisition a highly consequential choice: companies risk paying a control premium for capabilities that may soon become widely available or obsolete. For non-AI companies, the key is to determine whether and when to adopt, partner, build, or buy. The best approach is to secure the access or control needed to create competitive advantage while preserving flexibility, and to reserve ownership for scarce capabilities that provide a durable strategic edge.

- **Regional Perspectives.** The global recovery is unfolding at different speeds across regions. Although dealmaking sentiment has strengthened in many markets, AI-driven transformation, geopolitical tensions, regulatory change, and macroeconomic uncertainty continue to shape local conditions. Many dealmakers have returned to the negotiating table with clearer investment theses and closer attention to distinctive capabilities, which often means placing greater emphasis on regional opportunities. To bring these dynamics into sharper focus, BCG experts assess M&A markets around the world and share their perspectives on recent trends and near-term drivers of deal activity. This year, we take an especially close look at Asia-Pacific markets.

These insights point to a more demanding phase of the M&A cycle. As activity increases and AI redraws competitive boundaries, the greatest advantage will belong not to companies that have the capital or appetite to transact, but to those that can identify the right opportunities, choose the right structures, and execute with conviction.



In Search of a Wider Recovery

By Jens Kengelbach, Daniel Friedman, Dominik Degen, and Christoph Schweizer

M&A is gathering momentum in 2026, but the recovery is still running on two tracks. In the first eight months of the year, aggregate deal value rose by 15% compared with the same period in 2025, and the volume of megadeals (those valued at $10 billion or more) surpassed the highs of the previous boom. Beneath those headline numbers, however, the picture is more subdued: activity remains concentrated in the largest transactions, while deal volumes across much of the market have yet to return to longer-term norms. BCG's M&A Sentiment Index tells a similar story: at 83, global sentiment has improved since the start of the year but remains well below its long-term average of 100.

The contrast is striking because several conditions for a stronger recovery are already in place. Capital remains available, financing conditions are workable despite rising interest rates, and pressure on both companies and financial sponsors to reshape portfolios is building. Yet many potential transactions struggle to move forward. Valuation gaps persist, attractive assets remain scarce, and uncertainty around business models and future performance can make deals hard to justify. AI adds another layer of uncertainty, rapidly reshaping competitive positions, revenue pools, and the outlook for entire business models.

The constraints on dealmaking are shifting from buyer appetite and available capital to execution. The key question now is whether enough attractive opportunities can overcome the economic, operational, and regulatory hurdles between intention and closing. How well the market copes with these execution constraints may determine whether today's recovery remains concentrated at the top or finally broadens.

Large-Scale M&A is Driving the Recovery

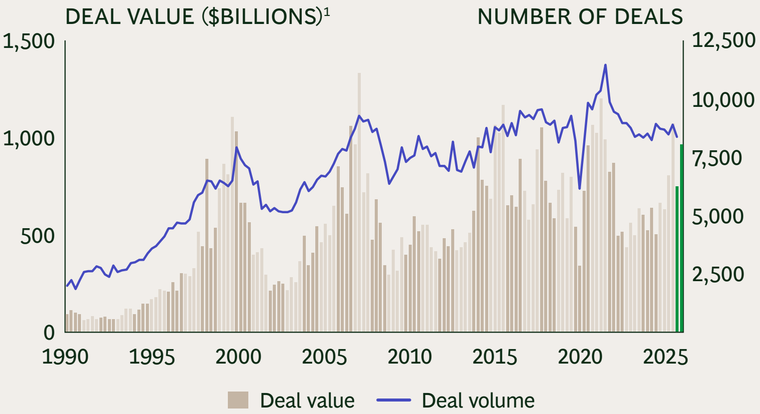
The global M&A market continues to demonstrate resilience and momentum, with activity steadily increasing despite ongoing challenges. Aggregate deal value in the first eight months of 2026 increased by 15% year over year and exceeded the 10-year average by 11%. (See Exhibit 1.)

Although headwinds such as geopolitical tensions and shifting tariff policies initially caused some dealmakers to pause, many have since returned to the negotiating table, particularly on the corporate side. The number of large-scale deals (those valued at greater than $1 billion) is near a record high level, but the market has yet to fully recover. Still, deals driven by strategic growth, capability enhancement, or improved resilience continue to advance. Once again, North America has been the most active region for acquisitions by value, and the technology sector has continued to lead among industries. (See the sidebar, "Region and Sector Insights.")

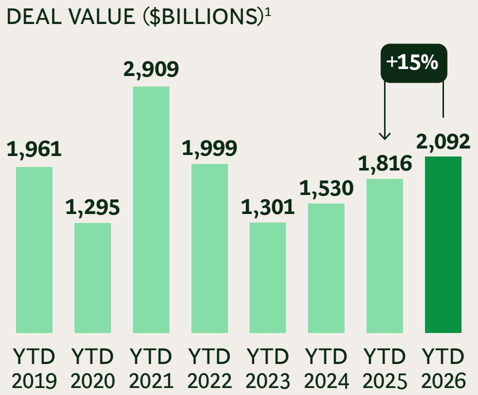
EXHIBIT 1

Global M&A Activity Is Recovering

After M&A activity bottomed out in 2023, volume stabilized and aggregate deal value climbed...



...reaching above-average levels in 2026



Sources: LSEG; BCG analysis.
Note: Announced M&A transactions comprise pending, partly completed, completed, unconditional, and withdrawn deals, with no transaction-size threshold. Self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interest, minority stake purchases, privatizations, and spinoffs are excluded. YTD = January 1 to August 31, 2026.

Improving Sentiment and Outlook

BCG's M&A Sentiment Index strengthened during 2026. The index combines fundamental drivers—including business confidence, valuation levels, and interest rates—with GenAI-based analysis of corporate communications. The global reading of 83 marks an improvement from 79 at the beginning of the year, but sector-level results illustrate how uneven the recovery remains. Sentiment is strongest in financial institutions (108), health care (100), and energy and utilities (96). Industrials (66), consumer (64), and technology (52) showed weaker sentiment. (See Exhibit 2.) Technology reflects a deal market shaped by AI: sentiment remains below average amid scrutiny of software business models exposed to disruption, even as AI-native assets attract strong demand.

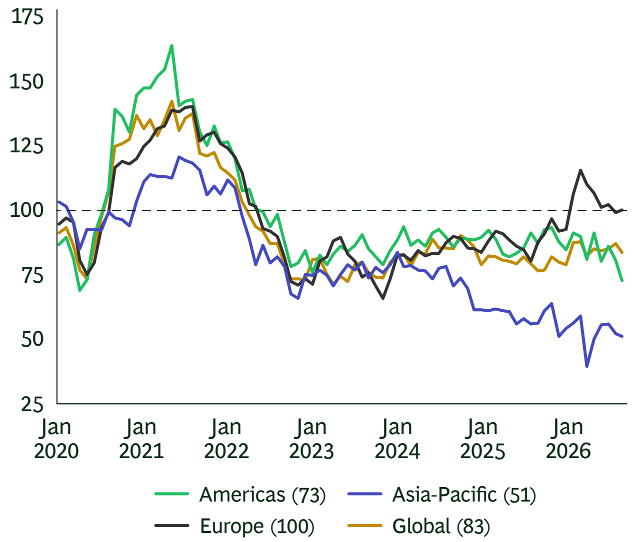
The drivers behind these headline numbers are fairly clear. Corporate balance sheets and private equity (PE) funds still hold substantial dry powder, and financing conditions remain workable even though interest rates have stayed well above their post-2020 lows. At the same time, the need to transact is increasing: companies face growing pressure to realign their portfolios through acquisitions and divestitures, and financial sponsors are under mounting pressure to exit portfolio companies and return capital to limited partners.

However, persistent headwinds offset these tailwinds. Geopolitical risk remains a defining constraint in 2026. Energy price volatility, trade frictions, and conflict-related uncertainty complicate deal underwriting and extend transaction timelines, especially for energy-intensive and cross-border deals. The market's sensitivity to financing and macroeconomic conditions could be tested if central banks raise interest rates beyond current expectations or if the outlook for growth weakens.

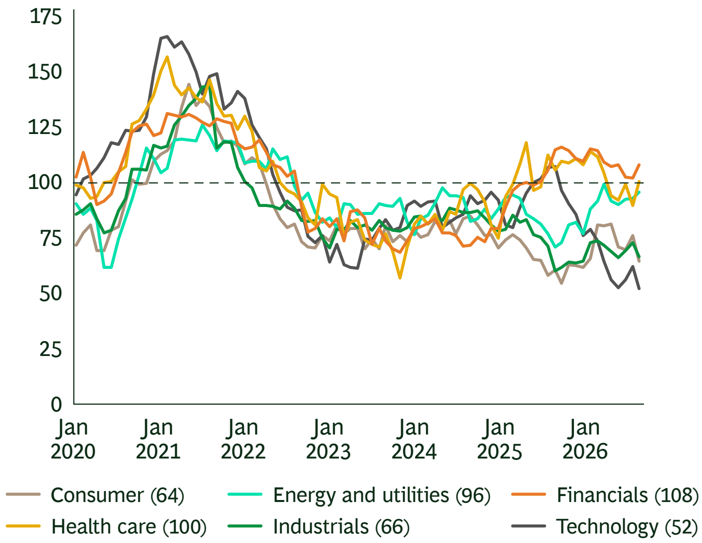
EXHIBIT 2

Global M&A Sentiment Remains Below Average

M&A sentiment continues to be volatile and decoupled across regions…



…with financials, health care, and energy having the strongest positive sentiment



Source: BCG M&A Sentiment Index (September 2026).
Note: The sentiment score combines fundamental drivers (such as business confidence, valuation levels, and interest rates) with decision-maker sentiment derived from GenAI-enabled analysis of corporate communications (such as earnings call transcripts). Region and sector indices are calculated using separate models and inputs and therefore do not aggregate to the headline index.

Why the M&A Recovery Remains Uneven

Looking beyond the headline numbers, our analysis and transaction experience point to several forces that are contributing to the uneven recovery in M&A.

The middle is missing. Near-record deal value is not synonymous with a full market recovery. Although large deals have returned with force, small-cap and midcap transactions remain below longer-term norms.

M&A sentiment, boardroom appetite, available capital, and financing conditions suggest that demand is not the primary constraint. The harder problem lies in the opportunity set itself: too few assets are coming to market with the combination of price, quality, readiness, and visibility that would enable buyers to underwrite a deal with conviction. In some cases, the valuation gap is too wide; in others, the asset is not sufficiently prepared, the quality is in question, or the outlook is too uncertain.

AI-related disruption adds another layer of complexity in parts of the market, making it harder to assess the durability of business models, the quality of earnings, and ultimately what an asset is worth.

Conviction determines what clears. The market is bifurcating not only on the basis of transaction size, but also in terms of asset quality and the strength of the underlying deal thesis. Buyers are willing to compete aggressively in situations where they can underwrite growth, competitive advantage, cash generation, and a credible path to value creation. The difficulty lies elsewhere: businesses with uncertain business models, ambitious seller expectations, or value creation cases that rest on too many assumptions can struggle to generate competitive tension—or to clear at valuations that sellers are prepared to accept.

In that sense, a "missing middle" of conviction is compounding the "missing middle" of assets. Capital is available, but it is flowing disproportionately toward transactions where buyers can get comfortable with both the downside and the upside. Where that conviction is absent, even well-capitalized buyers may prefer to wait.

A widespread tendency toward cautious selectivity can create an advantage for strategic buyers in certain situations. A corporate acquirer that can underwrite buyer-specific cost, revenue, or capital synergies may have valuation headroom that a financial buyer, relying primarily on the standalone investment case, does not. That advantage can be especially important for sponsor-owned assets that are mature or have been held beyond the typical exit window but must come to market while caught in persistent valuation gaps. It is not universal—because PE still brings substantial capital and transaction flexibility—but in a more selective market, strategic value that is specific to a particular buyer can make the difference between an asset that remains stuck and one that clears.

Region and Sector Insights

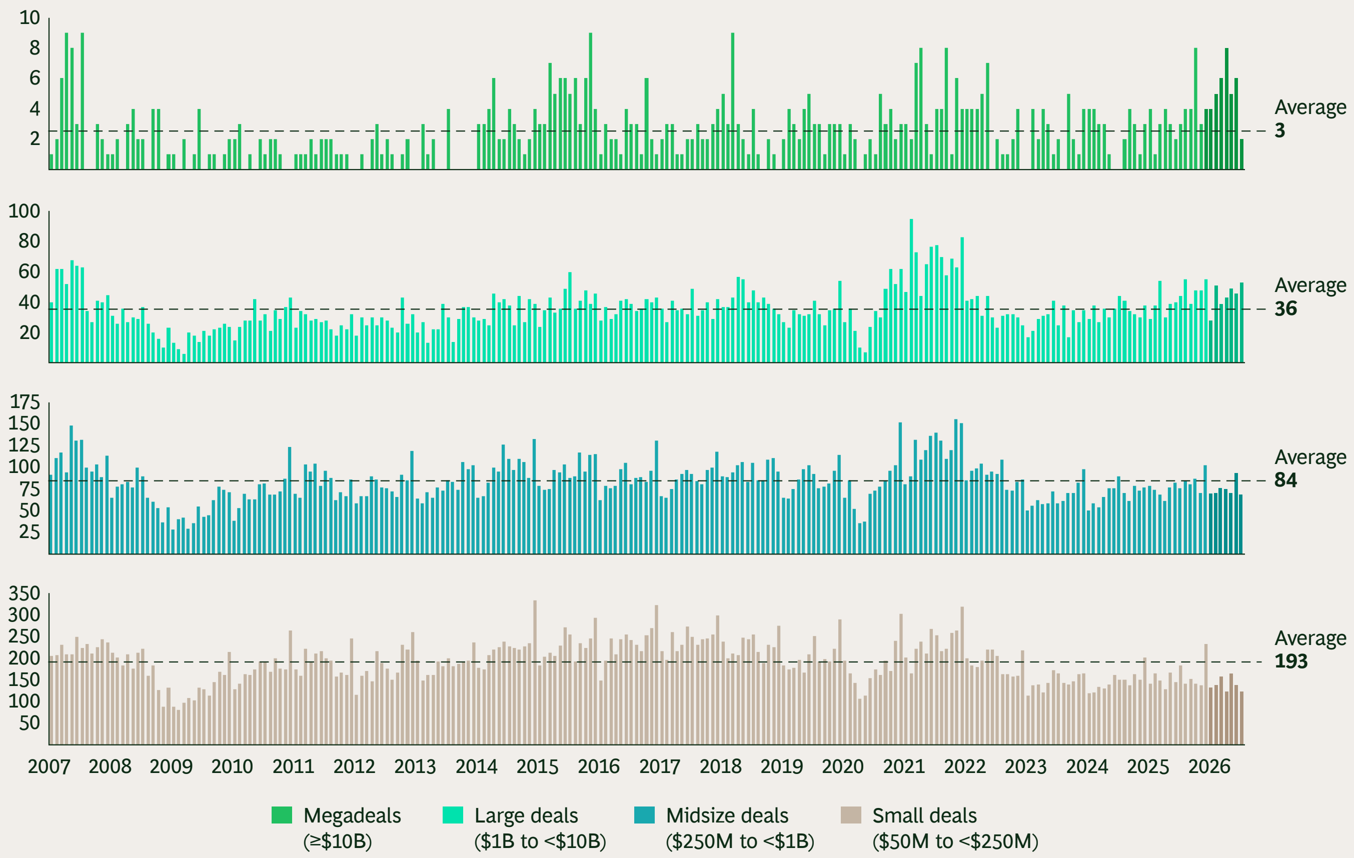
Large-scale M&A activity continues to rebound. (See the first exhibit.) During the first eight months of this year, the global number of megadeals—those valued at $10 billion or more—reached 37, up from 24 during the same period of 2025. With activity surpassing the record level of 32 megadeals reached in 2021, the largest transactions are again driving a disproportionate share of overall deal value. Notably, most of the year's megadeals have been US-focused, with 27 of the 37 involving a buyer, a target, or both located in the US.

A similar pattern is evident among deals with values in the range from $1 billion to less than $10 billion—a category where deal volumes are showing upward momentum and remain above their longer-term average.

The picture changes, however, for deals valued at $250 million to less than $1 billion—and even more so for those under $250 million. Deal volumes in these segments remain below their longer-term averages, indicating that the global M&A market has not yet regained normal levels of breadth. These deal-volume figures are not adjusted for inflation, which means that the shortfall in smaller transactions relative to the longer-term average is even more pronounced. This pattern is consistent with broader market sentiment and aligns with the BCG M&A Sentiment Index, which forecasts activity across the M&A market.

Large-Scale M&A Is Driving the Recovery Thus Far

MONTHLY NUMBER OF DEALS (GLOBAL)



Sources: LSEG; BCG analysis.
Note: The analysis covers deals announced from 2007 through August 2026.

Regional and Sector Performance

North America continued to lead global M&A activity over the first eight months of 2026, accounting for more than half of aggregate global deal value and posting significant year-to-date gains. Meanwhile, Europe recorded the strongest percentage growth, but Asia-Pacific experienced a decline. (See the second exhibit.)

The data for 2026 reveals several key developments:

- Deals involving targets in North America had a total value of $1.2 trillion, an increase of approximately 17% versus the first eight months of 2025. The vast majority of these deals (worth $1.1 trillion) involved targets in the US, which accounted for 54% of overall global M&A activity. US companies acquired most of these targets. Activity in Canada was broadly stable compared with last year (+3%) and remained above average.

- Activity in South and Central America fell by 22%, returning to average levels. This followed an exceptionally high level of activity in 2025 that was inflated by an announced and subsequently withdrawn transaction involving Panama Ports Company and CK Hutchison's non-Chinese port assets.

- European M&A value totaled $541 billion, a 43% increase compared with the first eight months of 2025. The UK remained Europe's largest M&A market, with deal value rising by 85% to $178 billion. Deal value also increased strongly in Germany (149%), Ireland (127%), the Netherlands (79%), France (27%), and Spain (19%). In contrast, aggregate deal value declined significantly in Switzerland (–36%), the Nordics (–15%), and Italy (–7%).

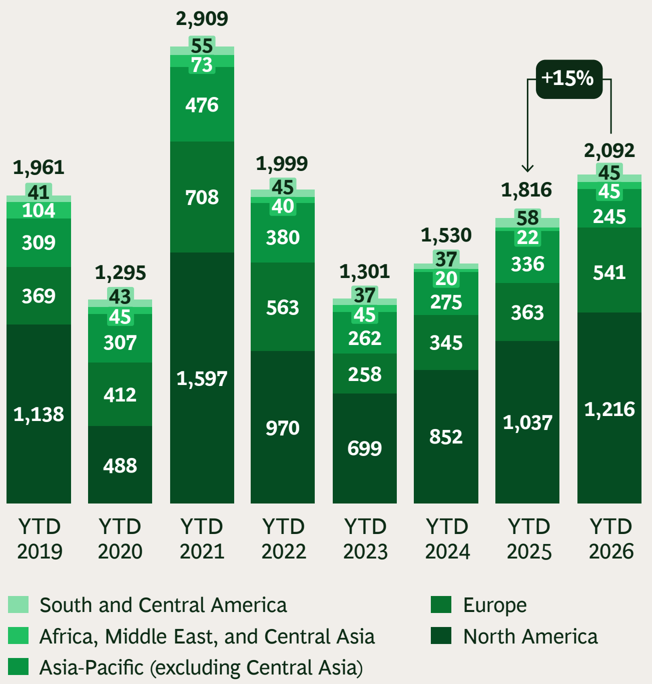
- In Africa, the Middle East, and Central Asia, aggregate M&A deal value increased by 102%, returning to average levels. Even so, activity remained significantly below the peaks recorded in 2019 and 2021.

- Deal value in Asia-Pacific declined by 27% to $245 billion, after an uptick last year. Bright spots included Malaysia (300%), Indonesia (105%), Singapore (79%), Hong Kong (23%), and Taiwan (18%). However, these gains were not enough to offset declines in mainland China (–55%), Japan (–44%), South Korea (–23%), and India (–13%). Australia was essentially flat (1%).

M&A Continues to Accelerate Unevenly Across Sectors and Regions

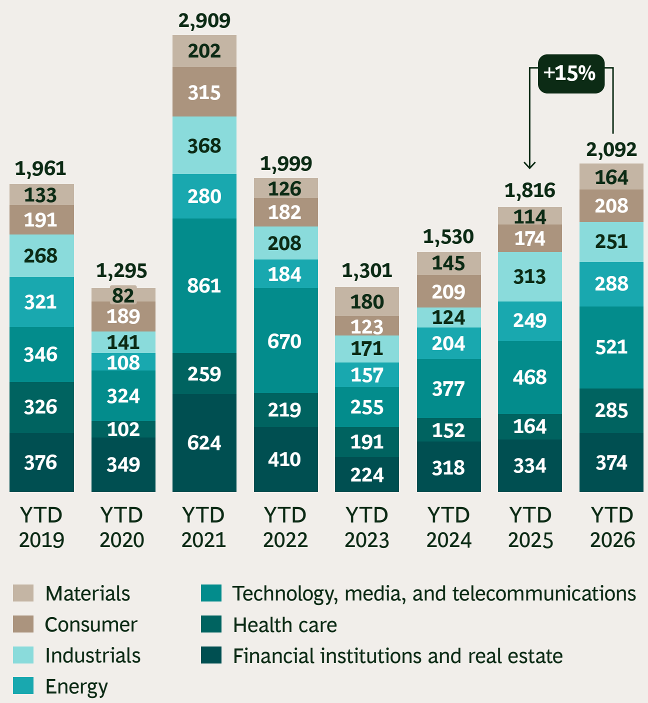
M&A deal value by acquisition target's region

DEAL VALUE ($BILLIONS)



M&A deal value by acquisition target's sector

DEAL VALUE ($BILLIONS)



Sources: LSEG; BCG analysis.
Note: Calculations are based on target nation or target industry. Announced M&A transactions comprise pending, partly completed, completed, unconditional, and withdrawn deals. YTD = year-to-date (January 1 through August 31). Because of rounding not all segment figures add up to the specified total.

Among sectors, health care and materials posted the largest increases in M&A deal value compared with the same period last year, rising by 74% and 44%, respectively. The increase in materials represented a rebound from last year's decline, while health care benefited from a number of larger transactions.

Most other sectors showed positive momentum as well. Consumer goods deal value rose by 20%, recovering from the lows of recent years, while energy increased by 16%, extending its recent strength. Technology, media, and telecommunications rose by 11% and continued to lead all sectors in aggregate deal value, supported by large transactions in media and telcos. Financial institutions and real estate also advanced, with more and larger deals lifting deal value by 12%. Industrials was the only sector to record a decline, with deal value down 20% compared with the first eight months of last year, when the sector was one of the stronger performers.

Private equity (PE) has continued to reemerge as a driver of global deal activity in 2026, building on its rebound in 2025. Sponsor-backed M&A deal value grew by 11% in the first eight months of the year, driven in large part by stronger PE activity in Europe and North America. At the same time, concerns about potential stress in private credit markets and the outlook for software-heavy portfolios continue to weigh on the sector. Venture capital, meanwhile, remains heavily concentrated in AI, which is attracting capital at a pace reminiscent of previous technology booms.

For an in-depth discussion of sector trends, see BCG's midyear 2026 M&A update.

Data and Methodology Note

Our analysis draws primarily on data from LSEG, supplemented by the BCG M&A Sentiment Index, BCG M&A Explorer data, and other data sources as indicated. For our analysis of aggregate M&A value and volume, we include all announced majority transactions, including pending, partially completed, completed, unconditional, and withdrawn deals. We exclude self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interests, minority-stake purchases, privatizations, and spinoffs. We apply transaction-size thresholds where indicated, based on deal value including assumed liabilities. Year-to-date figures cover the period from January 1 through August 31 of each named year.

AI is fueling M&A but also making some deals harder. AI is becoming a double-edged sword in M&A. It encourages investment and deal activity in some parts of the market, including within the AI ecosystem itself and among non-AI companies acquiring AI capabilities. At the same time, it injects new uncertainty into the durability of business models, revenue pools, competitive positions, and cost structures. For assets exposed to AI-driven disruption, uncertainty can make business plans harder to underwrite, widen the range of plausible outcomes, and increase the valuation gap between buyers and sellers. The sharp correction in software-company valuations earlier this year, coupled with a decline in PE deal activity in software, offers an early indication of this dynamic. In short, AI is both creating new acquisition opportunities and making parts of the existing asset universe harder to price and harder to transact.

Private equity still faces headwinds. PE firms continue to hold substantial dry powder and access to capital, but the industry's capital-recycling engine is not yet running at full speed. For PE to contribute more extensively to a broader M&A recovery, sponsors need to exit more portfolio companies, return more capital to limited partners, and restart the buy–hold–exit–reinvest cycle.

The growing inventory of mature assets shows how far that process has to go. According to PitchBook, PE firms held more than 33,500 unsold portfolio companies as of June 30, up from about 32,500 at the end of last year and more than double the level of a decade ago. Holding periods are stretching, too: according to Gain.AI, the median holding period among US portfolio companies sold by PE firms in 2025 was 5.3 years, up from 4.3 years for companies sold in 2020. In Europe, median holding periods increased from approximately 4.6 years to 5.8 years over the same period, and roughly one-third of PE-owned assets have now been held for more than seven years. More favorable financing conditions could help unlock some of this backlog, but persistent valuation gaps and uncertainty about the outlook for certain portfolio companies continue to constrain exits.

The result is a substantial stock of mature sponsor-owned assets that lie outside the normal recycling process, holding back an important source of transaction supply for the broader M&A market.

Regulatory risk is shifting rather than receding. Conventional antitrust scrutiny may be less restrictive than in the past in parts of the market. Regulators are blocking fewer transactions and making greater use of conditional approvals and remedies, which has resulted in fewer abandoned deals. But the regulatory burden has not disappeared; instead, the emphasis has shifted. National security screening, industrial policy considerations, foreign investment controls, and foreign subsidy reviews are playing a larger role in determining whether and on what terms a transaction can proceed.

Europe illustrates this shift: the European Commission is revising its merger guidelines to place greater emphasis on considerations such as competitiveness, resilience, innovation, and efficiencies, while the EU Foreign Subsidies Regulation has added another layer of scrutiny for qualifying transactions.

For dealmakers, regulatory executability doesn't depend only on whether a transaction can ultimately secure approval. The time required, the remedies and commitments imposed, and any resulting constraints on the business can affect the economics of the transaction and in some cases determine whether the original deal thesis still holds.

Factors That Will Shape the Next Phase of the M&A Cycle

Our reading of current market dynamics points to three hypotheses about the shape of the next phase of the M&A cycle.

Dealmakers must clear the execution hurdles. Large transactions and rising aggregate deal value have been the primary drivers of the recovery in headline M&A activity, but the recovery has not yet broadened fully across the market. That pattern points to a shift in the constraints on dealmaking. In recent years, limited confidence, higher financing costs, and a relatively tight supply of capital were among the biggest obstacles. Today, with capital and strategic intent more readily available, the harder question is whether dealmakers can identify enough attractive transactions to value, finance, separate, approve, and close on acceptable terms.

Five gates determine whether a transaction is executable:

- **Asset Availability and Readiness.** Is there a willing seller, and has the seller adequately prepared the asset for a transaction, by gathering reliable financial and operational data, establishing a clear perimeter, and completing the necessary preparations for separation or exit?
- **Economics and Market Clearing.** Can the buyer and seller agree on a price that supports a credible investment case and path to value creation, particularly when business models and forecasts remain uncertain?
- **Financial Resilience.** Can the buyer fund the transaction on terms that remain robust under plausible downside scenarios, including refinancing and syndication risks?
- **Organizational Capacity.** Do the parties have the leadership attention and resources necessary to conduct due diligence, navigate the period between signing and closing, and execute the required integration or separation?
- **Regulatory Clearance.** Can the transaction clear antitrust, foreign investment, foreign subsidy, and sector regulation requirements on acceptable terms?

In our view, asset availability and economics are currently the most important constraints on a broader recovery, while regulatory complexity remains a particularly important test of executability for large and cross-border transactions. Financing and organizational capacity seem to be less constraining at the market level today, but they can still determine whether individual deals move forward.

A broader recovery will depend on the market's ability to convert strategic intent and available capital into transactions that can clear the necessary hurdles and close. Dealmakers need to test the five gates as part of the deal thesis itself, rather than addressing them sequentially only after a preferred transaction has emerged.

Portfolio rotation can broaden the recovery. The binding constraint likely is supply, not demand—and not merely the number of assets, but their readiness. Corporate divestitures are bringing mature and noncore businesses to market in a form that buyers can underwrite, while releasing capital and management capacity for the businesses where the company can win. For financial sponsors, exits do the same work. Ultimately, the market will see supply catch up with the demand potential waiting for it, rather than capital chasing a limited set of quality assets.

Evidence points in this direction. Companies are increasingly using divestitures as tools for reshaping portfolios rather than as reactive disposals, and capital reallocation and strategic focus are among the main motivations behind this trend. At the same time, pressure to revisit portfolio choices is rising: Lazard's analysis of shareholder activism in the first half of 2026 identifies M&A and capital allocation as the most prevalent campaign objectives.

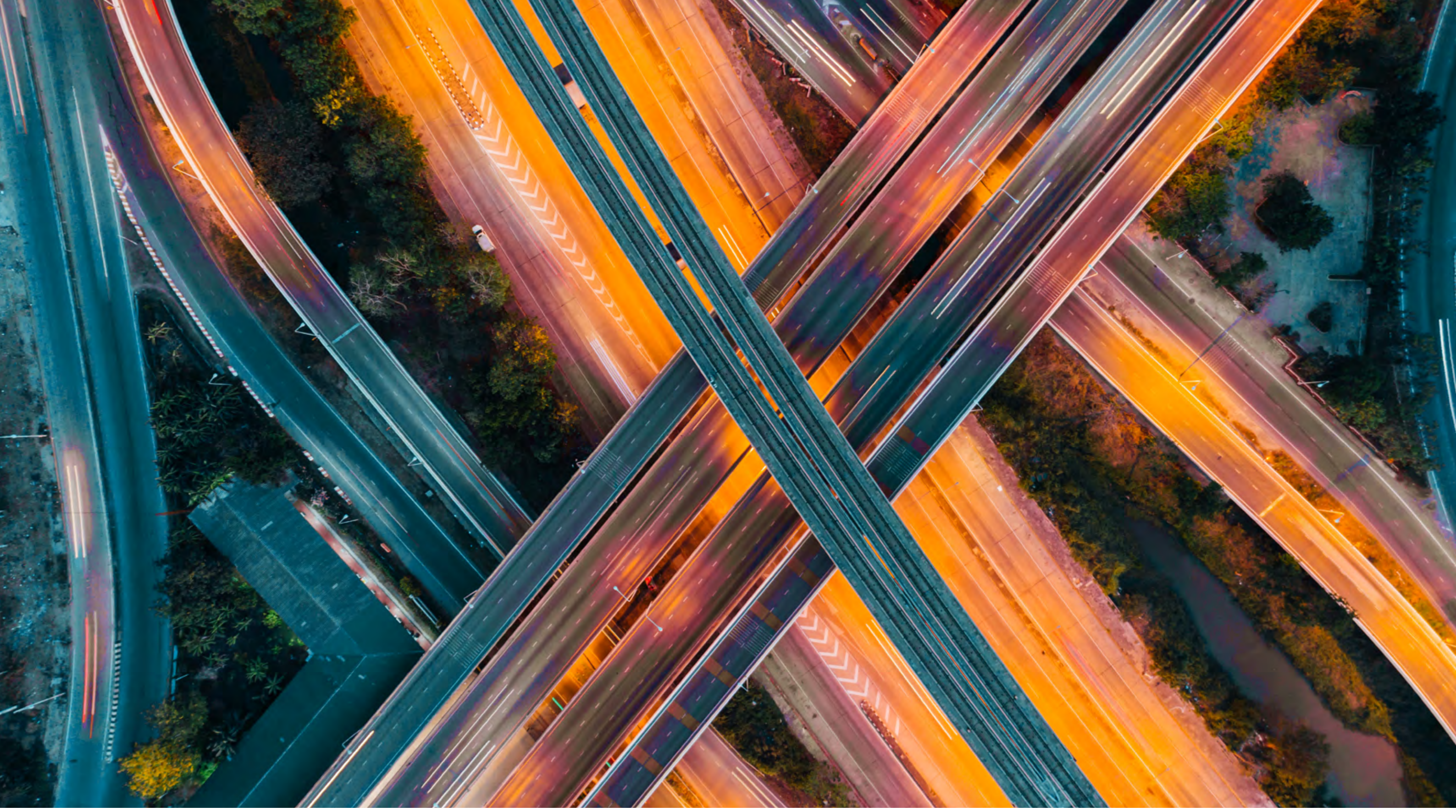
Alternative deal structures can bridge uncertainty. Strategic urgency often favors prompt action, even when uncertainty makes full ownership hard to justify. A well-chosen transaction structure can help dealmakers navigate that uncertainty. Rather than choosing between a 100% acquisition and no transaction, buyers and sellers can use minority investments, joint ventures, staged acquisitions, earnouts, and rollover equity to share risks relating to valuation, control, regulation, and technology.

Different structures solve different problems. Earnouts and rollover equity bridge valuation gaps. Minority stakes and joint ventures provide strategic access without immediate control. Staged acquisitions preserve options in situations where an asset's future value or strategic importance remains uncertain. A modular approach is particularly visible in AI, where companies combine equity with partnerships and contractual rights rather than relying solely on conventional control transactions.

In a market where transactions face a greater number of execution hurdles, dealmakers need to consider ownership, economics, governance, and the path to control or exit collectively, rather than as separate decisions. Alternative structures can make otherwise difficult transactions possible, but they can also introduce additional governance and operational complexity. The goal is not simply to get a deal signed, but to choose a structure that will continue to support the strategic objective over time.

The next phase of the M&A cycle is unlikely to be defined by whether large-scale deals continue to raise aggregate deal value. The more important question is whether the recovery broadens—and whether more assets come to market and transact on terms that create value for buyers and sellers. Achieving that broader recovery will require discipline. Competition for scarce, high-quality assets could push valuations higher even as less attractive businesses struggle to find buyers, heightening the importance of distinguishing between genuine strategic conviction and market exuberance.

As deal activity accelerates, buyers will have to deliver on the promise of value creation that justified those deals. Advantage in the next phase of M&A may therefore belong not to those with the most capital or the greatest appetite for deals, but to those that can identify the right opportunities, structure deals for success, and deliver the value they envisioned.



The Playbook for AI Deals Is Still Being Written

By Jens Kengelbach, Daniel Friedman, Vladimir Lukic, and Dominik Degen

The AI ecosystem is awash in capital and rife with transactions, but it is not yet experiencing an M&A wave. A BCG analysis of 41,149 majority acquisitions in the technology sector since 2020, of which 11,372 are linked to the AI ecosystem, finds that strategic dealmaking has broadened from buying technology and talent to assembling platforms and scale. However, the analysis also finds that the ecosystem has barely begun to consolidate.

That distinction matters. Funding rounds, infrastructure commitments, and commercial partnerships show where companies and investors are committing capital and resources. Strategic M&A transactions show whether AI is forming a competitive structure of its own or is being absorbed into existing structures. Using 2020 as the base year, the deal data shows that this question remains open—even six years into the most heavily capitalized technology build-out in a generation.

CEOs, boards, and corporate development leaders should not wait for an ecosystem-wide consolidation wave to take shape before preparing to make deals. Different AI ecosystem segments are maturing at different speeds. To succeed in dealmaking as the industry evolves, leaders need to distinguish capability purchases from platform-building moves, understand which boundary in the stack matters to their strategy, and develop the due diligence and integration discipline required as deals become larger and more interdependent.

Most AI Transactions Are Not Acquisitions

Reading the M&A market correctly starts with separating strategic acquisitions from the much larger flow of capital into and around AI.

Transaction structures blur the line. Licensing-plus-talent arrangements can transfer valuable technology and senior engineering teams without transferring ownership. Minority investments can cement a strategic relationship without conferring control. And single outsized transactions can overwhelm aggregate deal values while saying little about the underlying pattern: Nvidia's reported $20 billion licensing arrangement with Groq is larger than its reported $12.9 billion agreement to acquire Hugging Face, yet only the latter is an acquisition. LSEG M&A data, which captures minority and majority transactions but not pure commercial partnerships or financing, reveals that only about one-third of M&A transaction volume qualifies as strategic dealmaking; the remainder is driven primarily by financial investors. (See Exhibit 1.)

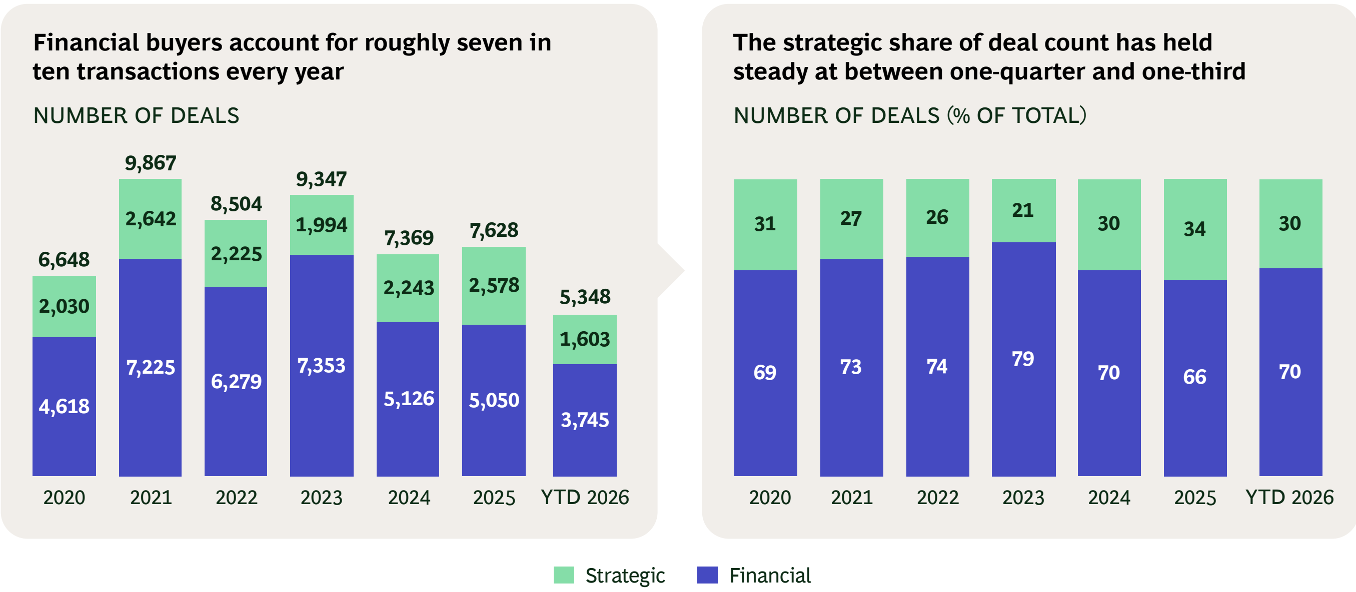
For our analysis, we examined only strategic majority acquisitions and mergers involving technology companies, focusing on players in the AI ecosystem. We differentiated the AI ecosystem into five segments: compute, data center, and physical infrastructure; data and AI development infrastructure; models, inference, and access; applications, agents, and workflows; and AI deployment and transformation services. We mapped acquirers and targets to an ecosystem segment on the basis of their business descriptions, applying a simple AI-relevance threshold: we included a company only in instances where AI was central to the product, asset, business unit, or stated transaction rationale.

Our sample excludes transactions by financial investors, minority investments, and other noncontrol deals. It also excludes the physical build-out of data centers, power plants, and chip factories, which is financed largely through hyperscaler free cash flow, project debt from asset managers, selective equity issuance, and venture and private capital backing for neocloud providers. That build-out has more in common with the fiber and rail programs of earlier eras than with a wave of acquisitions, and including it would obscure rather than illuminate the strategic deal flow.

What remains is the part of the market where companies are changing their competitive positions rather than funding their growth—and that part behaves in a recognizable way.

EXHIBIT 1

Strategic Corporate M&A Accounts for Only One-Third of Deals Involving the AI Ecosystem



Sources: LSEG; BCG analysis.
Note: Announced transactions from January 2020 through August 2026.

Acquisition Motives Follow a Maturity Arc

As a dominant structure takes shape in any industry, competition begins to shift away from experimentation and toward scale and efficiency, and the number of companies tends to shrink. Acquisition motives move along the same arc, which we simplify into four phases:

- **Phase 1: Acquire capabilities.** Buyers purchase technology, talent, or know-how that they cannot build quickly enough themselves. Targets are small, often prerevenue, and valued for what they can do rather than what they earn.

- **Phase 2: Expand products.** With core capabilities secured, acquirers broaden the offering—filling gaps in the product line, adding features, and moving from point solutions to more complete propositions.

- **Phase 3: Assemble platforms and scale.** Deals get larger and more strategic as they focus on such objectives as entering adjacencies, tying products into an integrated platform, and buying volume, distribution, or geographic reach. Often a small group of serial acquirers accounts for a growing share of dealmaking activity.

- **Phase 4: Consolidate.** Horizontal transactions arise as buyers acquire direct competitors—firms selling substantially the same product to the same customers—a reflection of the fact that maturing categories can't support a large field of rivals. The strategic logic shifts toward cost and market position, and the buyer set narrows significantly.

The phases are neither rigid nor mutually exclusive. Capability buying continues in mature industries; consolidation begins early in some categories and never dominates others. Read as a maturity arc rather than a sequence, the mix of motives shows where an industry's dealmaking currently sits—and whether in certain areas it has moved earlier or later than the pattern would predict. When applied to acquisitions made by AI-ecosystem companies themselves, it produces an unusually clear reading.

A Few Years In, the Ecosystem Is Still Buying Capabilities

From January 2020 through August 2026, capability-building and product expansion deals account for 4,394 and 2,653 transactions, respectively; together, they represent 95% of all acquisitions by ecosystem companies. That mix has been remarkably stable, with capability buying easing only from 63% to 57% of annual volume since 2020. The dominant motive in AI remains what it was at the outset: obtaining a team or a technology that would take too long to build.

Platform assembly is the only motive moving materially. Those deals have risen from 26 transactions and 3% of volume in 2020 to 67 transactions and 9% of volume in the first part of 2026— roughly a tripling in share. (See Exhibit 2.) This is a clear indication that strategic logic is maturing. A minority of acquirers has moved from only buying capabilities to buying a position in the ecosystem.

Consolidation, however, has not begun. Horizontal deals account for 23 transactions across the entire period, just 0.3% of the sample, with no trend at all. The strongest single year was 2020, with eight. Moreover, all 23 deals involve the compute, data centers, and physical infrastructure segment. In a field that contains thousands of funded companies in the applications segment alone, the absence of activity in other areas is as informative as any positive finding in the analysis.

In terms of maturity, the segments do not land where the public narrative would put them. (See Exhibit 3.) Compute, data-center, and physical infrastructure—the segment representing more than half the sample—has the ecosystem's lowest platform-assembly rate and all of its consolidation deals. That is what a mature structure looks like: buying capabilities and products within settled boundaries, and buying rivals in categories that have run out of room. This places it in almost complete opposition to the platform-building stage that its headline transactions imply. In contrast, the applications, agents, and workflows segment produces nearly as many platform-assembly deals on roughly one-third of the volume—but two-thirds of its strategic transactions are still capability buying, a field that is being assembled rather than reduced.

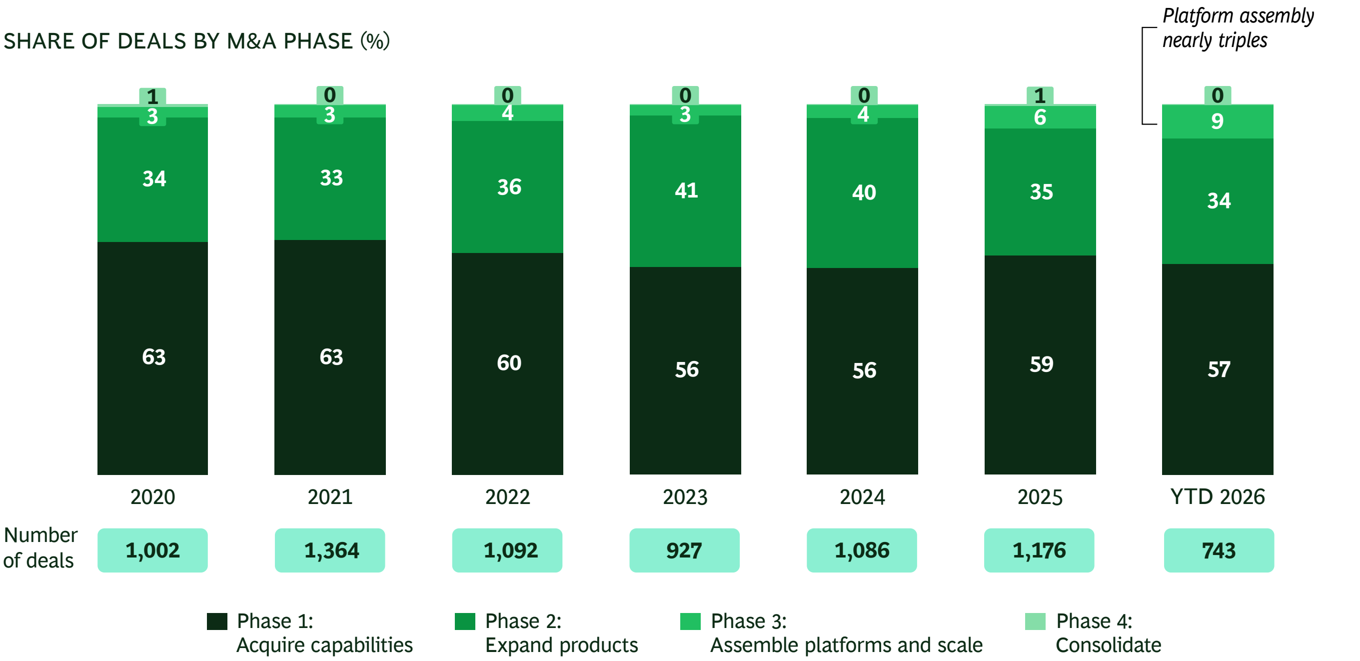
Two segments deserve closer attention. Data and AI development infrastructure shows the highest platform-assembly rate outside the models segment and no consolidation whatsoever. In this segment, acquirers are building integrated toolchains from a fragmented field of specialists, a step that typically precedes consolidation. It is the segment where the ecosystem's first substantive horizontal activity is most likely to occur, and the behavior of an identifiable handful of serial acquirers over the next 12 to 18 months will determine how quickly that moment arrives.

Models, inference, and access—the segment that dominates public attention—accounts for less than 1% of strategic acquisitions. Its activity forms a barbell: model companies buy either capabilities or ecosystem position, with a single product-expansion deal in six years providing the bar. The buyer set is small and concentrated, with more than one-third of segment deals coming from a single company, and capital reaches the segment through funding rather than through acquisitions. A segment that is so low in strategic acquisitions is unlikely to be in equilibrium.

EXHIBIT 2

Acquisition Motives Are Shifting Toward Platform Assembly, but Consolidation Has Not Started

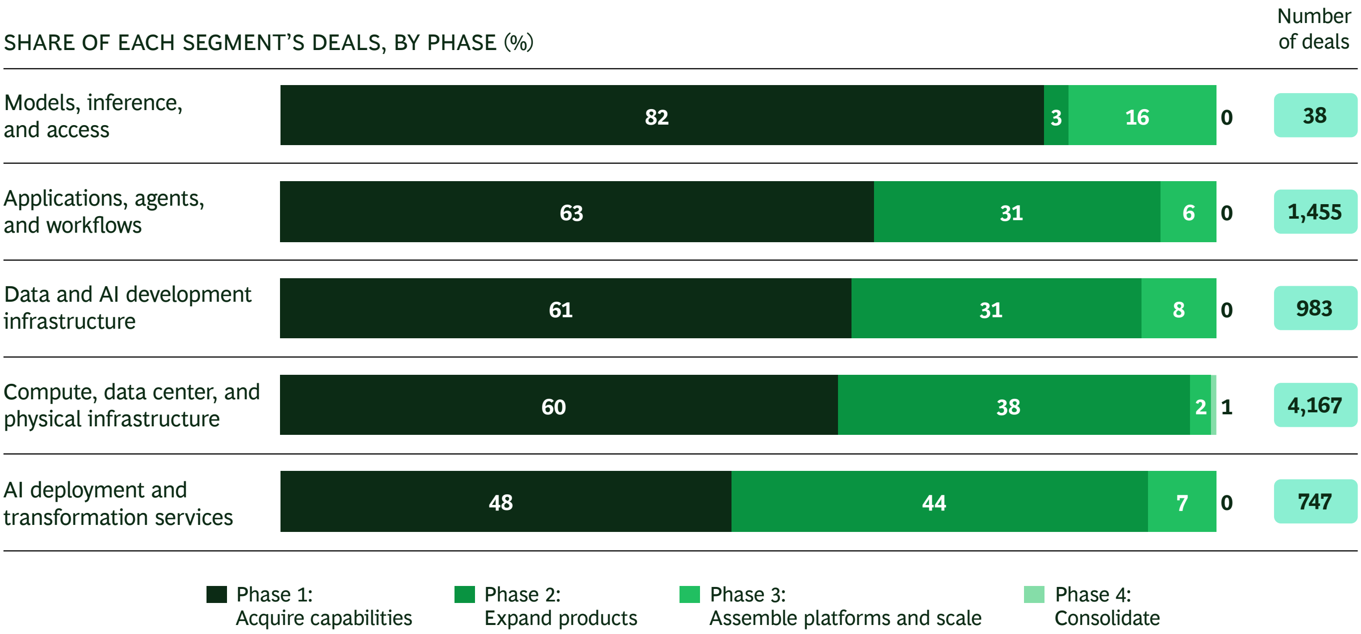
SHARE OF DEALS BY M&A PHASE (%)



Sources: LSEG; BCG analysis.
Note: Announced transactions from January 2020 through August 2026. The analysis covers the 7,390 strategic majority acquisitions made by AI ecosystem acquirers. Phases were assessed individually against the four-phase framework, using the deal synopsis and the segment classification of both parties. Because of rounding, not all segment totals add up to 100%.

EXHIBIT 3

Ecosystem Segments Sit at Different Points on the Maturity Arc



Sources: LSEG; BCG analysis.
Note: Announced transactions from January 2020 through August 2026. The analysis covers the 7,390 strategic majority acquisitions made by AI ecosystem acquirers, by acquirer segment. Shares were calculated from deal counts. "Models, inference, and access" rests on 38 transactions; shares should be read as directional. Because of rounding, not all segment totals add up to 100%.

Absorption Is Running in Both Directions at Once

Roughly seven in ten intra-ecosystem transactions involve parties that operate within the same segment. Deals within the compute, data-center, and physical infrastructure segment represent the single largest flow. Currently, aside from hyperscalers, the segments of the AI stack seem to be building separately rather than assembling into one another.

Where deals cross boundaries, value concentrates. Cross-segment transactions represent only 28% of intra-ecosystem activity, but the largest deals in our sample cross a boundary rather than staying inside one. The direction of deal flow differs for deal volume and deal value. For deal volume, up-stack and down-stack flows are nearly balanced. For deal value, the up-stack transactions dominate—including Nvidia's reported agreement for Hugging Face and SpaceX's completed $60 billion purchase of Cursor's parent—while down-stack activity consists largely of smaller semiconductor and data center deals. The narrative of infrastructure owners extending into software is visible in the value data but not in the volume data.

The most consequential pattern is directional in a different sense. Among transactions for AI targets, buyers outside the ecosystem outnumber those within the ecosystem roughly two to one—the signature of an industry being absorbed into existing structures. But ecosystem companies are themselves highly acquisitive, and their acquisitions of non-AI targets outnumber their acquisitions of each other by nearly three to one. (See Exhibit 4.) Absorption is running both ways. That is not the same as AI being folded into enterprise software, and it is not the same as AI forming a competitive structure of its own. It is an industry whose structure remains to be determined, which is precisely why the positions taken in the next two years will be difficult to reverse.

EXHIBIT 4

Absorption Is Running Both Ways in AI Dealmaking

STRATEGIC MAJORITY DEALS BY ACQUIRER AND TARGET TYPE IN THE TECHNOLOGY SECTOR

	AI acquirer	Non-AI acquirer	Total
AI target	1,929 (5%)	3,982 (10%)	5,911 (14%)
Non-AI target	5,461 (13%)	29,777 (72%)	35,238 (86%)
Total	7,390 (18%)	33,759 (82%)	41,149 (100%)

Transactions involving AI on at least one side of the deal

- AI acquirers buying AI targets
- One-sided AI involvement: non-AI acquirers buying AI targets and AI acquirers buying non-AI targets

Sources: LSEG; BCG analysis.
Note: Announced transactions, January 2020–August 2026. Strategic majority acquisitions in the technology sector; 11,372 transactions involved an AI acquirer, an AI target, or both.

What This Means for Your Next Deal

Our research findings have several implications for dealmakers:

- **Build integration muscle before making platform deals.** The window in which capability buying is competitively sufficient has not yet closed, but it is narrowing. The acquirers that are likely to hold durable positions are the minority now assembling platforms. The operational consequence is immediate because platform and consolidation transactions demand what capability deals do not—synergy planning and synergy capture, rigorous integration management, and post-merger discipline. Many ecosystem acquirers have never run a program of that kind, and building the required capabilities takes longer than signing a deal. The wise course is to build them before you need them.

- **Expect price discipline and speed to remain in conflict, with the market rewarding speed.** Assets standing at the chokepoints between models and the workflows that use them typically reprice in months, not years. For example, OpenRouter was valued at $1.3 billion in a May 2026 funding round and agreed to be acquired for more than $7 billion just a few months later. These assets are exceptions, not the main pattern, but they set the clearing price for anything in a similar position. Exercising conventional valuation discipline might price you out of precisely the assets that platform assembly requires. Overall, the environment rewards boldness but punishes lack of discipline. Rigorous due diligence and long-term thinking, supported by scenario analysis, are more important than ever.

- **Treat alternative deal structures as a live structuring option rather than a reporting anomaly.** A transaction will move faster than an acquisition if it entails a substantial payment for a nonexclusive technology license, offers to the target's engineering team, and a minority stake in what remains. A deal of this kind also delivers no control, no consolidated revenue, and no ownership of the asset's direction. Boards should evaluate the proposed transaction on its merits and recognize when a competitor is using this structure to take a capability off the market without announcing a deal. As such arrangements proliferate, a growing share of consequential transactions will lie outside both deal databases and merger review, creating a measurement problem for analysts and a policy question for regulators.

- **Watch the boundary rather than the sector, and watch it from both sides.** A defensive posture that focuses on same-segment rivals will miss an acquirer arriving from an adjacent segment—or from outside the ecosystem altogether, as when Workday paid $1.1 billion in cash for Sana in 2025 to add AI-native enterprise knowledge tools to its array of capabilities. Companies that are more likely to be targets than buyers should emphasize preparation, not defense: identify which segment you are most valuable to, and know what you are worth to a buyer seeking to control distribution or a chokepoint rather than to capture earnings.

The structure of the AI industry is still forming through deals, rather than through consolidation, but this stage will not last indefinitely. The acquirers that decide now which part of the ecosystem they intend to own—and build the M&A and integration capabilities necessary to make those acquisitions work—will shape their position before the market structure hardens around them.

The authors are grateful to Greg Emerson, Val Elbert, Francesca Pietrogrande, and Duc Loc Nguyen for their valuable insights and support in the preparation of this article.

How Non-AI Companies Win at AI Dealmaking

By Jens Kengelbach, Daniel Friedman, Lianne Pot, Georg Keienburg, and Tobias Söllner

AI has become a defining theme in corporate dealmaking, and the race to secure relevant capabilities now extends well beyond companies in the AI ecosystem.

For many executives, the instinct is to buy. But models and tools are advancing so quickly that companies risk paying control premiums for capabilities that may soon be outdated or commoditized. Because many capabilities are accessible off the shelf or through a partner, the real challenge is knowing where ownership truly matters.

Capital markets underscore both the opportunity and the burden of M&A interest in AI. Investors view the acquisition of AI software and application companies by technology buyers as little more than table stakes. But similar deals by nontech companies receive a much warmer response, suggesting that investors see greater potential for strategic impact in those areas. That initial reward rests on an expectation, however, not on proof of value creation—and it raises the burden of delivering on the deal's promise.

To meet that burden, a company should evaluate each AI capability along two dimensions: how strongly it can differentiate the business and how readily it can be sourced. Together, those dimensions lead to four possible moves: adopt, partner, build, or buy. The aim is not to maximize ownership, but rather to secure the access that the company needs to create an advantage while retaining room to adapt.

The Changing Shape of AI Dealmaking

AI acquisition activity surged in 2025 across every layer of the industry, from hardware and infrastructure to software and applications. (See Exhibit 1.) Hardware and infrastructure provided a substantial base of activity well before the current AI boom, supporting earlier waves of machine learning, big-data analytics, and software as a service. As AI models became more capable and as adoption spread, dealmaking moved farther up the stack toward software and applications. In addition, the mix of buyers differs from what one might expect: nontech companies accounted for most acquisitions of AI software and application companies in 2025.

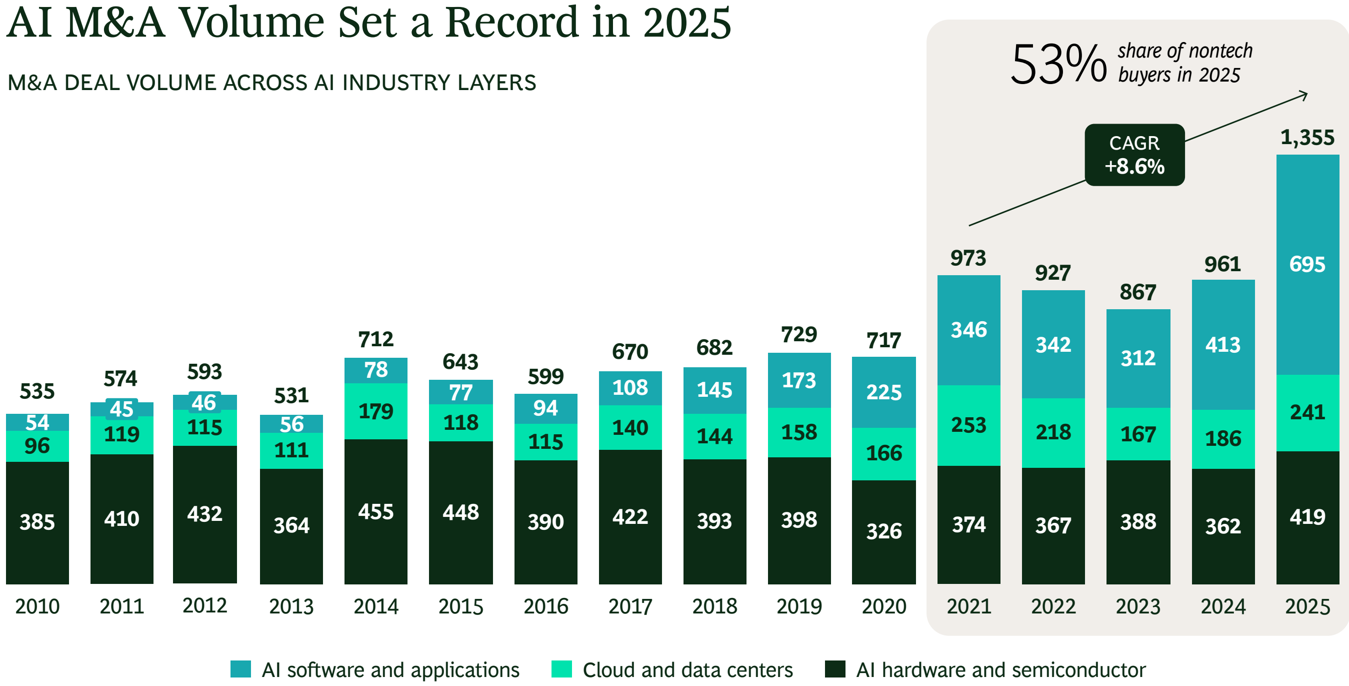
Acquisitions tell only part of the story. Increasingly, companies are pursuing AI capabilities through other structures. The number of AI-related alliances has risen steadily since 2022 and more than doubled from 2024 to 2025, when companies formed more than 1,300 new arrangements. (See Exhibit 2.) These structures now rival traditional M&A as a route to AI capabilities.

Together, the trends suggest that companies are using a wider range of deal structures and are becoming more selective about when ownership is necessary. With more routes to AI capabilities, they have more reason to weigh their options deliberately. The task now is to determine how much ownership and control of AI capabilities are necessary to achieve the desired advantage.

EXHIBIT 1

AI M&A Volume Set a Record in 2025

M&A DEAL VOLUME ACROSS AI INDUSTRY LAYERS

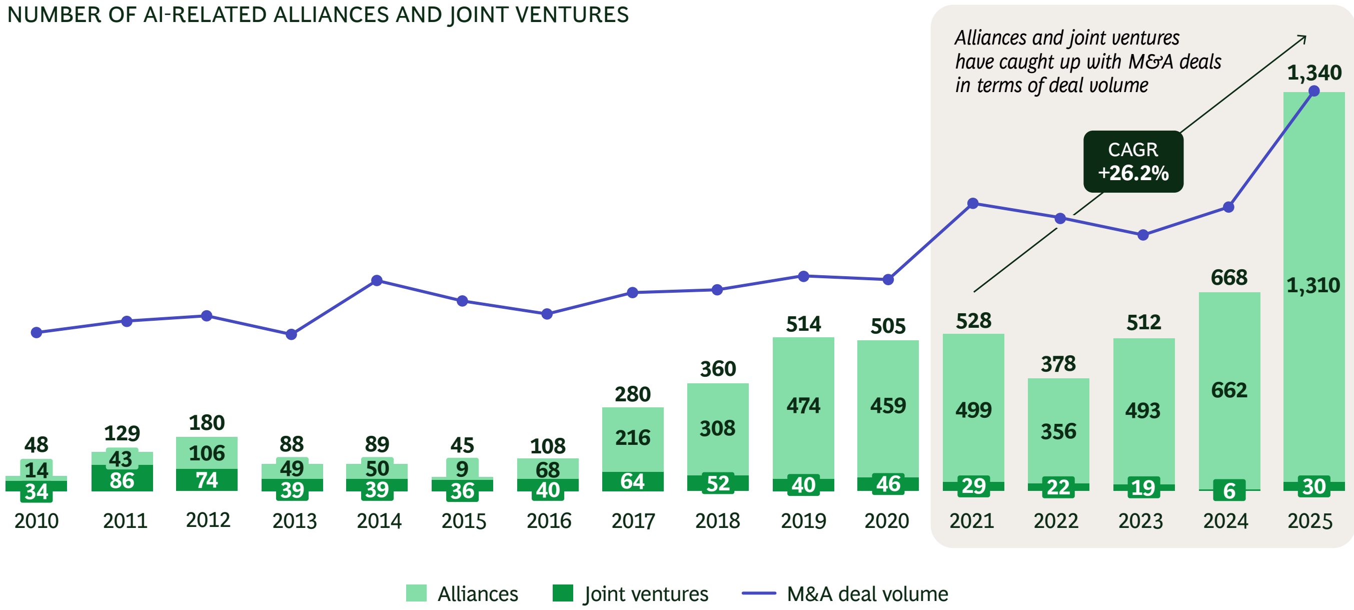


Sources: LSEG; BCG analysis.

EXHIBIT 2

AI Dealmaking Is Expanding Beyond Acquisitions

NUMBER OF AI-RELATED ALLIANCES AND JOINT VENTURES



Sources: LSEG; BCG analysis.

Which AI Deals Impress Investors?

Although it is too early to judge the long-term performance of the current wave of AI transactions, announcement returns provide an early indication of which deals investors expect to create value. On average, acquisitions of AI-related companies have generated positive announcement returns across every layer of the AI stack. (See Exhibit 3.)

The pattern becomes stronger closer to the application layer. Average announcement returns rise from approximately 0.3% for acquisitions of AI hardware and semiconductor companies to 0.4% for cloud and data-center targets and 0.5% for AI software and application companies.

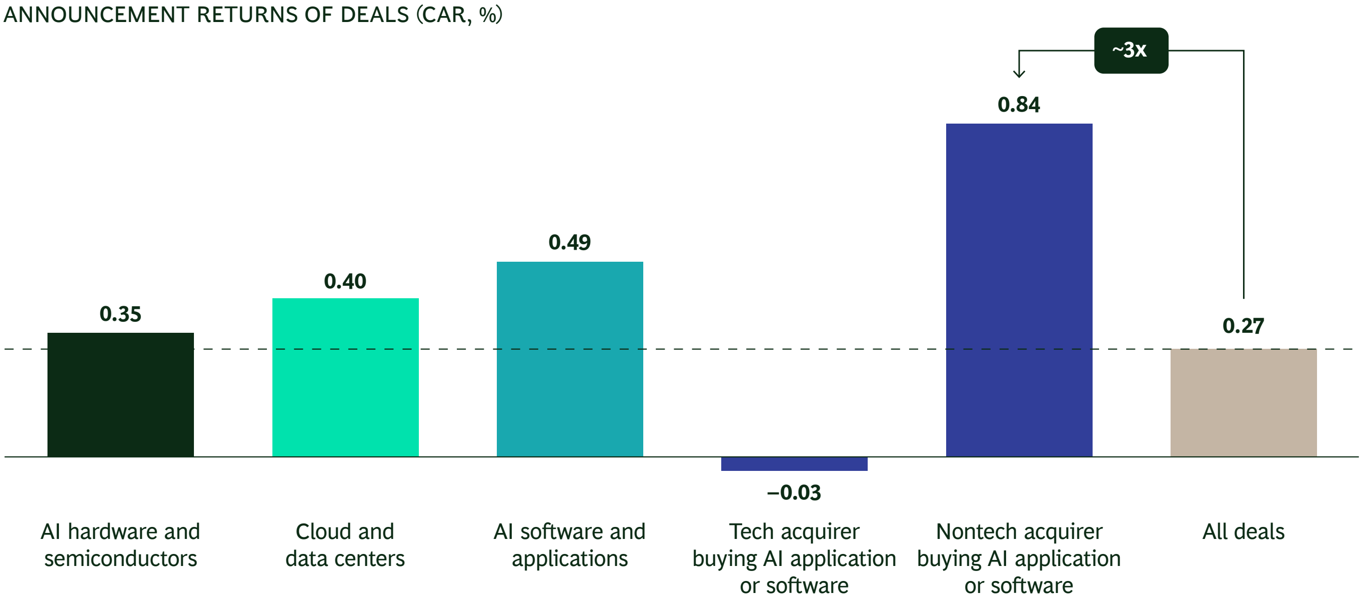
For software and application deals, however, the identity of the buyer is an important factor. Acquisitions by technology companies generate essentially no market reaction, suggesting that investors may regard such moves as a matter of course or even as table stakes. Nontech buyers, by contrast, earn an average announcement return of more than 0.8%—nearly three times the average return across all deals (including non-AI deals). Investors seem to see greater upside when these companies use acquisitions to accelerate an AI-enabled strategic shift.

For buyers, investors' heightened expectations raise the burden of delivering on the deal's promise—a burden that few transactions have met—which makes rigor in both deal selection and execution especially important.

EXHIBIT 3

Investors Expect to See Significant Value Creation from AI Deals

ANNOUNCEMENT RETURNS OF DEALS (CAR, %)



Sources: LSEG; BCG analysis.
Note: The analysis covers deals announced from 2010 through 2025. CAR = cumulative abnormal return, calculated over a seven-day window centered on the announcement date.

Choosing the Right Approach: Adopt, Partner, Build, or Buy

Delivering on the promise of an AI deal begins with choosing the right way to secure each capability. For companies outside the AI ecosystem, that means deciding what to consume from the market, what to access through a partner, what to develop internally, and what to obtain through an acquisition.

The guiding principle is straightforward: use the lightest structure that provides the access or control required to gain the advantage while preserving the freedom to switch as the technology evolves.

Two questions frame each decision. First, can the capability yield genuine competitive differentiation? For a non-AI company, that edge rarely comes from the model itself. More often, it resides in the proprietary data, workflows, intellectual property, or domain expertise that surround the model. Second, how broadly available is the underlying capability? The relevant test is not whether a solution exists, but whether comparable alternatives are available from a competitive market or whether access instead depends on a particular provider, team, or asset.

Plotting the answers yields a four-part matrix (see Exhibit 4):

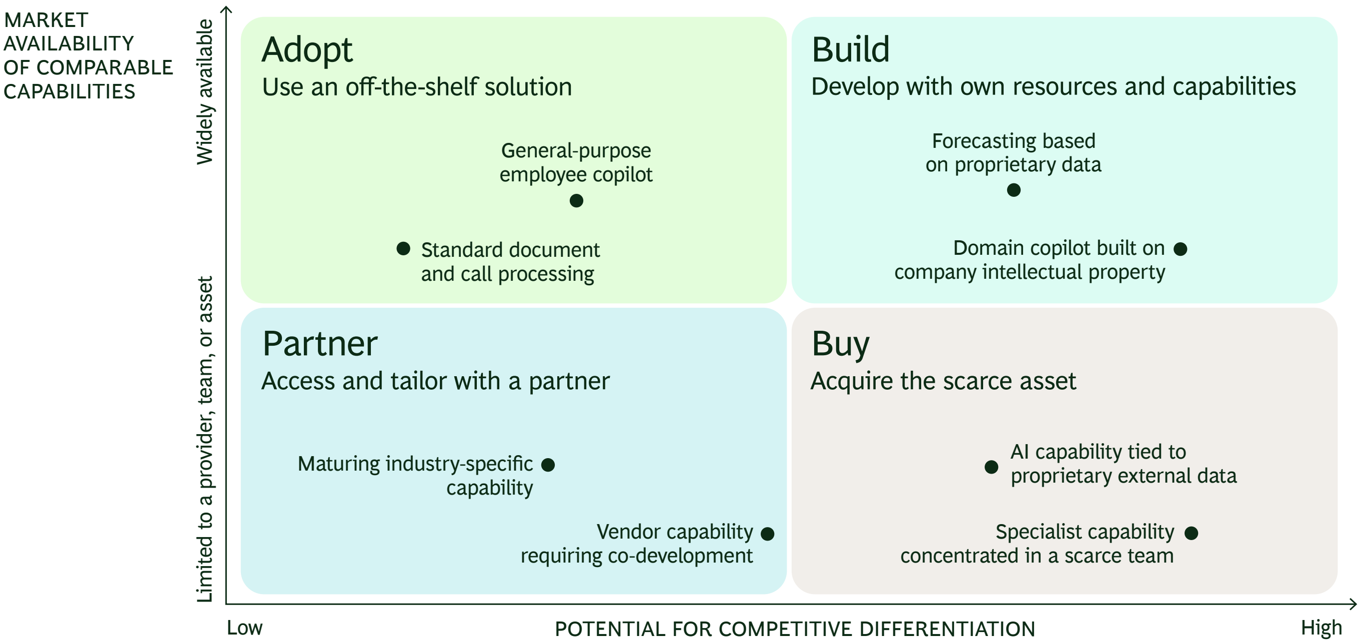
- **Adopt** when the capability is widely available and does not differentiate the business.
- **Partner** when access is more limited or requires tailoring, but when ownership would add little strategic value.
- **Build** when the company can use assets it already controls to turn widely available technology into an advantage.
- **Buy** when a strategically important advantage is locked inside a scarce external asset and cannot be secured adequately through another structure.

These four moves address how a company obtains necessary capabilities from available sources, not how extensively it intends to transform the business. The matrix therefore complements BCG's deploy-reshape-invent progression, which describes the depth of transformation. A company can use a partner's technology to invent—that is, create—a needed capability, or it can deploy a capability that it buys outright.

EXHIBIT 4

Differentiation and Availability Determine How to Secure AI Capabilities

Where selected AI capabilities may land[1]



Source: BCG analysis.
[1]Actual placement will vary by company and use case.

The matrix provides the high-level logic. Six practical considerations help companies apply it. (See Exhibit 5.) Few capabilities will point in the same direction on every dimension. The objective is not to achieve unanimity but to understand the balance of evidence.

Usually, the decision will lean toward partnering for or building custom solutions. Entry-level or standardized tools are available off the shelf, and most AI capabilities are evolving too quickly—and are too readily available—to justify the capital, complexity, and lock-in entailed in acquiring outright ownership. But partnering for or building custom solutions can enable companies to create a durable edge through some combination of proprietary data, workflows, intellectual property, and scarce external assets.

Choosing the appropriate structure is only the beginning. Lighter does not mean easier: a BCG study found that roughly nine in ten partnerships between industrial and technology companies failed to meet their goals. Lighter structures carry risks of platform lock-in, disputes over intellectual property, and the possibility that a partner will apply insights gained through the collaboration elsewhere in the sector. Companies should direct the same governance attention to these arrangements that they would apply to an acquisition. Before signing, companies should clarify ownership of data and intellectual property, secure portability and benchmarking rights, and create a governance process that allows them to end an arrangement when it no longer delivers value.

Whatever structure it chooses, a company must be able to absorb the capability and translate it into changed ways of working. Relatively few companies have converted AI adoption into measurable value, and the difference between leaders and laggards is strategic and operational rather than simply technological. A company that can't effectively redesign its workflows will underperform in every quadrant of the matrix.

EXHIBIT 5

Six Signals for Choosing How to Secure an AI Capability

	Lighter structures		Greater control	
Decision factor	ADOPT	PARTNER	BUILD	BUY
Differentiation Can competitors readily replicate it?	It is available as a commodity utility	The capability is useful but not differentiating	Your data or workflows create an edge	A target controls the source of differentiation
Urgency and commoditization How soon is it needed, and how fast is it standardizing?	The capability is ready now and standardizing fast	Speed and tailoring are required	Time allows development and payback	You need the capability now, and only a target can supply it
Market capability Can you match or beat external options?	External solutions outperform	A partner brings superior expertise	You can match or outperform	A target offers unique performance
Integration, governance, and control How deeply must it connect to your stack?	It will serve a standard, low-sensitivity need	A vendor can meet integration and governance needs	Deep proprietary integration creates value	Control is inseparable from data, systems, or intellectual property
Target economics Is a suitable asset available at a fair price?	A service is readily available and economical	A relationship works when no asset is attractive	No suitable target exists, or building is cheaper	Valuation and credible synergies support ownership
Optionality and lock-in How costly would it be to change course?	Maximum reversibility matters	Closer collaboration is possible without permanent dependence	Control justifies the commitment	Ownership removes a critical dependency or secures a competitive moat

Source: BCG analysis.

How the Buy-or-Partner Choice Varies by Sector

Although the framework applies across industries, sector dynamics are especially visible in the choice between acquiring AI capabilities and accessing them through partnerships—the two routes most directly tied to dealmaking. Adopting and building tend to raise different sets of questions about technology and implementation. Contextual differences in the industrial goods, consumer, and energy sectors illustrate how differently the choice between ownership and partnership plays out in practice.

Industrial Goods. Industrial companies are pursuing two main paths to AI. Either they buy specialist firms when a capability provides a meaningful product edge or they partner with large technology platforms for underlying capabilities that they don't need to build themselves. Early deals centered on autonomy and machine vision; more recent ones seek control of the software and data layers that increasingly determine where value accrues as AI moves to the core of the product. Most partnerships now involve a handful of dominant AI platforms. Ultimately, the winners will combine proprietary industry data and engineering expertise with large-scale AI infrastructure in a "build" approach—a combination that both pure software and pure hardware competitors will struggle to match.

Schneider Electric's agreement to acquire Cognite, announced in 2026, illustrates why some AI capabilities warrant outright ownership. Cognite's cloud-native platform combines a unified industrial data model with agentic AI capabilities, placing it in the software and data layer where an increasing share of industrial value is accruing. Schneider plans to integrate Cognite into AVEVA, its wholly owned industrial software business. The acquisition would give Schneider control over a data foundation that it can embed across its portfolio. In this case, the strategic value lies not simply in gaining access to AI, but in controlling an increasingly important layer of the product.

Consumer Goods. Consumer goods companies were early and pragmatic adopters of AI, although few have scaled it. Their logic is straightforward: buy when an AI capability strengthens something that distinguishes the brand; partner when the need is primarily for scale or specialized tools. In settings where customer insight is the battleground—such as personalization, demand forecasting, and virtual try-on—companies tend to buy to own capabilities that partnership terms might make available across the category.

For broad productivity and marketing applications, however, they rely on large AI platforms, supplemented by smaller tools for product ideation and creative testing. The larger shift involves moving from using AI for back-office efficiency to placing it at the heart of the customer experience, enabling mass-market brands to personalize products at scale without sacrificing consistency.

L'Oréal's collaboration with Nvidia illustrates why companies may partner for software infrastructure. Announced in 2025, the collaboration gave L'Oréal access to Nvidia's enterprise AI platform, initially to scale 3D digital renderings of its products and accelerate marketing and advertising campaigns. The companies expanded the relationship into R&D in 2026 to accelerate discovery of new formulations through predictive AI science. For L'Oréal, the primary source of advantage does not lie in owning the underlying computing infrastructure or general-purpose AI frameworks, but rather in possessing its proprietary skin and hair biology data and the scientific expertise to interpret it. The partnership therefore pairs external technology at scale with company-specific assets that L'Oréal brings to the collaboration.

Energy. Energy stands apart. Companies in the sector rely more heavily on partnerships and minority investments than on large AI acquisitions. That's because their highest-value applications tend to involve subsurface analysis, predictive maintenance, and grid optimization rather than customer-facing products—domains where the differentiator is execution, not access. US shale operations illustrate the point: in 2025, the gap in lease operating expenses between top- and bottom-quartile Permian operators exceeded $5 per barrel of oil equivalent, a spread attributable not to geology or asset vintage, but to operational execution.

Operators typically combine broad cloud partnerships with a smaller number of specialist alliances, making only selective acquisitions. A notable shift is that oilfield services companies are evolving from technology buyers into technology sellers. As growth in their traditional businesses slows, they are packaging their industry expertise into AI software—and even supplying AI computing infrastructure—for other energy companies. Utilities, meanwhile, use AI primarily for forecasting and grid reliability, often through cloud partnerships.

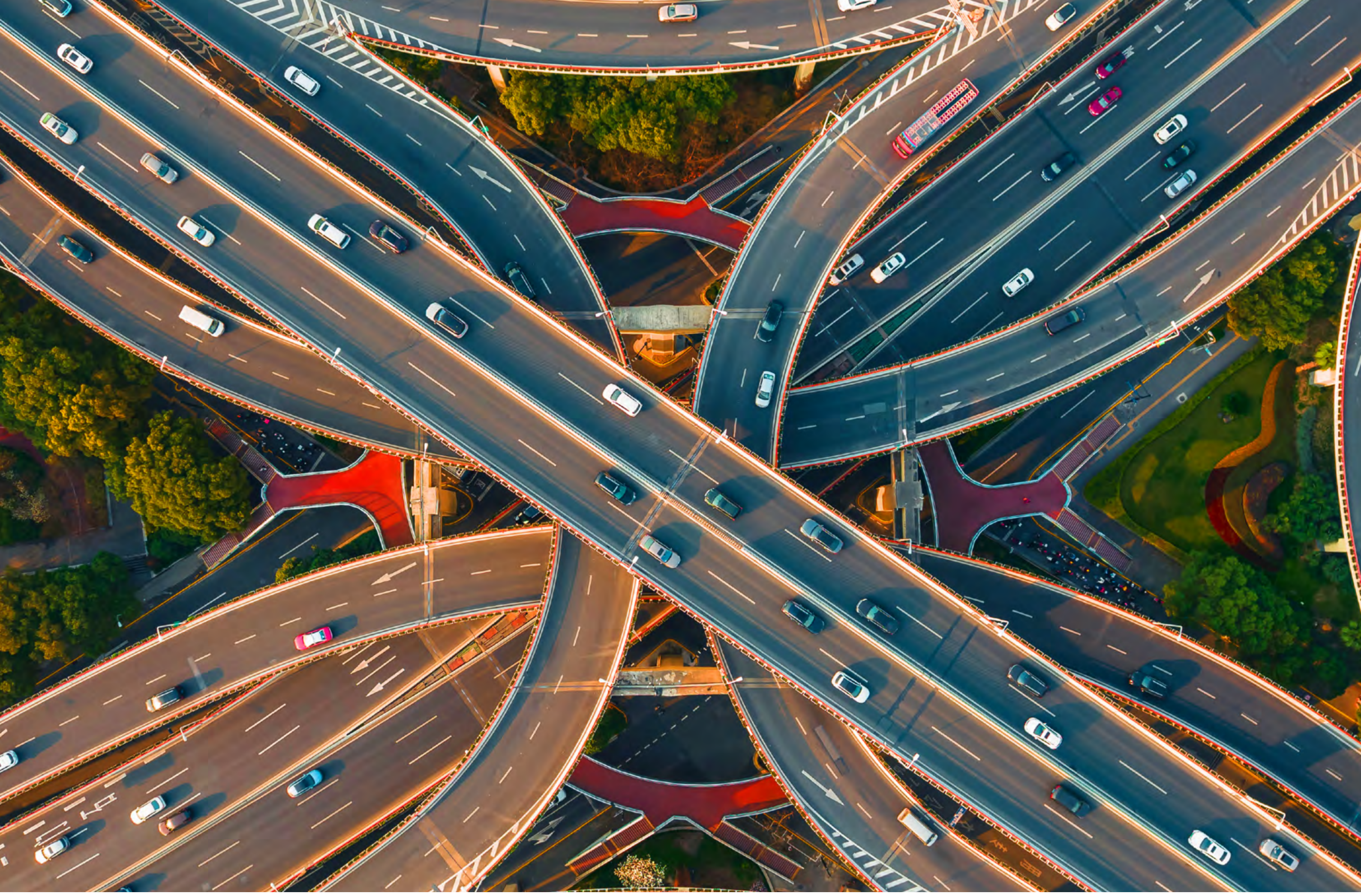
Notably, market coverage has described many recent energy deals as AI-related even when their actual focus is on powering data centers rather than deploying AI within energy companies themselves. Those deals fundamentally differ from transactions intended to introduce AI into an energy company's own operations or products.

Shell's collaboration with SparkCognition is an example of a situation where an alliance can provide access to specialized AI capabilities without requiring ownership. In 2023, the companies announced a collaboration to apply generative AI to accelerate exploration, building on earlier work on well-pressure prediction. The goal of the approach is to produce subsurface images that require fewer seismic shots than are necessary with conventional methods. The partners contribute complementary assets: Shell brings proprietary seismic data and subsurface expertise, and SparkCognition supplies specialized AI capabilities. The alliance combines those assets without requiring Shell to buy and operate a software business.

Across all three of these sectors, one principle holds: companies buy AI when it becomes a source of competitive advantage, and they partner when it functions as shared infrastructure. The shift among oilfield services companies suggests a corollary that extends beyond energy. When proprietary data and domain expertise turn a broadly available form of AI into something genuinely distinctive, a company may be able to commercialize the resulting capability rather than using it solely to defend its own position. The ultimate test is not whether the companies have access to AI, but how effectively each company combines that access with the data and expertise that it uniquely holds.

The AI dealmaking boom will reward disciplined companies, not indiscriminate buyers. As models and tools commoditize, advantage will increasingly reside in the proprietary data, workflows, and expertise that surround them. Companies should partner or build to combine their proprietary data with the AI applications that the market can provide, and they should buy only when the resulting control protects a durable edge. To meet investors' expectations, winners will make ownership the exception and adaptability the rule.

The authors are grateful to Daniel Kim, Dominik Degen, and Duc Loc Nguyen of BCG's Transaction Center for their valuable insights and support in the preparation of this article.



Regional Perspectives

The global M&A market has returned to growth in 2026, although the recovery continues to unfold unevenly across sectors and regions. Dealmaking sentiment, as tracked by BCG's M&A Sentiment Index, has recently strengthened in most markets. However, dealmaking conditions continue to be shaped by AI-driven transformation, geopolitical tensions, regulatory shifts, and macroeconomic uncertainty.

Many dealmakers paused amid periods of heightened uncertainty in 2025 and 2026, but now most have returned to the negotiating table with clearer investment theses and a sharper focus on distinctive M&A capabilities. In many cases, this change has entailed placing greater emphasis on regional opportunities that may offer some protection against global volatility.

To better understand these dynamics, BCG asked experts in nine regions to assess the state of their M&A markets and to share their perspectives on recent trends and near-term drivers of deal activity. Here are their perspectives:

Africa
Asia-Pacific
France
Germany
Italy
Middle East
Nordics
UK
US

The Africa Perspective

By Seddik El Fihri

Africa's M&A market found firmer footing in 2026, arresting the recent slide. Through July, deal value involving African targets or acquirers reached $11.6 billion, up 19% from $9.7 billion in the same period of 2025. But deal volume fell 32%, from 294 transactions to 200. The increase in deal value modestly outpaced that of the global market, which was about 19% over the same period even as global deal volume declined by 16%.

Africa's recovery mirrored the global pattern: deal value gains were concentrated in a small number of large transactions. Only three transactions worth $500 million or more had been announced through July, compared with nine in each of the previous two full years. Yet those three deals—together worth $8.7 billion—accounted for roughly 75% of the total Africa-linked deal value. The other 197 deals totaled only about $2.9 billion, significantly less than in the same period of 2025.

This concentration is not a new phenomenon. For well over a decade, Africa's M&A market has been characterized by a handful of large transactions accounting for a disproportionate share of announced value, reflecting a market that has yet to develop the depth and critical mass of more established regions. What distinguishes 2026 is the scale of the large transactions: for deals valued at $500 million or more, the average size more than doubled, to $2.9 billion through July from $1.1 billion over the same period of 2025. By contrast, the average size of smaller deals was essentially unchanged year over year, at roughly $14 million. The pattern is consistent with BCG's global findings: megadeal activity has returned to levels last seen during the 2021–2022 boom, while smaller-deal volumes remain subdued.

The rebound is also uneven between inbound and outbound activity. Deal value targeting African companies rose 63% through July, to $7.8 billion from $4.8 billion in the same period of 2025. Meanwhile, deal value involving African acquirers fell 44%, from $8.3 billion to $4.7 billion. (The two figures are not additive because intra-Africa deals are counted as both inbound and outbound.) This reversed the 2025 pattern, when inbound activity was weaker and outbound dealmaking proved comparatively resilient. In 2026, foreign strategic and financial buyers moved decisively on African targets, even as African companies and investors pulled back from acquisitions abroad.

Several sectors led large-deal activity in Africa:

- **Materials and Mining.** This sector again dominated inbound activity, accounting for roughly three-quarters of the value of deals targeting African companies. The year's largest transaction—and the main driver of the sector's weight—was South32's agreement to sell five aluminum value-chain assets to Alcoa for an estimated $5.5 billion. Those assets include Worsley Alumina, Hillside Aluminium, the MRN bauxite mine, and South32's Brazilian alumina and aluminum operations. The transaction represents a rare instance of a major diversified miner divesting an entire commodity value chain to a US strategic buyer. Announced in June 2026, the deal is still pending.

- **Energy.** The energy sector remained a cornerstone of inbound activity, again led by buyers from the Gulf States. In July 2026, ADNOC Distribution agreed to acquire Shell's South African downstream retail-fuel business for $1.0 billion, extending the pattern of Middle Eastern national oil companies building downstream positions on the continent. In a smaller completed transaction, Norway's Panoro Energy paid Kosmos Energy $167 million to increase its stake in Equatorial Guinea's offshore Ceiba field and Okume oil-producing complex from 14.25% to 54.6%.

- **Financial Services.** Consolidation continued in Morocco's financial services sector, where Sanlam Maroc completed its approximately $277 million buyout of Allianz Maroc, extending the M&A wave in the country's life insurance market. Morocco's Ayrad Group completed a $150 million acquisition of Luxembourg-based investment advisory business Osead Fund, which holds a significant minority interest in Compagnie Minière de Touissit, a Moroccan mining company.

- **Private Capital.** Deal value linked to private equity (PE) nearly tripled, rising to $2.9 billion through July from $1.0 billion in the same period of 2025, even as the number of PE deals fell from 58 to 46. PE-linked transactions have accounted for roughly one-quarter of total Africa-linked deal value thus far in 2026, up from about one-tenth over the same period last year. Financial investors were particularly active in real estate, with South Africa's Vukile Property Fund among the most prominent buyers. The broader re-engagement of global private equity investors seen in 2024 and 2025 has slowed markedly in 2026, however.

Globally, BCG's M&A Sentiment Index, which tracks dealmakers' willingness to transact approximately six months ahead, stands at 83, up from 79 at the beginning of the year but still below its long-term average of 100. Confidence remains concentrated in the largest transactions and in sectors linked to AI, energy, and digital infrastructure—areas that align with Africa's structural strengths in energy transition, mining supply chains, and digital connectivity.

The conflict in the Middle East has created additional uncertainty for Africa's M&A market. Gulf sovereign funds and state-backed companies remain among the continent's most important investors, as exemplified by ADNOC Distribution's agreement to acquire Shell's South African downstream retail-fuel business. Although Gulf investors have stayed active, ongoing regional instability could make their capital deployment more selective, favoring essential strategic assets over other potential deal targets.

The medium-term outlook remains cautiously constructive, but the risks are more pronounced today than they were a year ago. Africa's demographic growth, urbanization, and digital adoption continue to underpin long-term investor interest, while the continent's role in global energy-transition and critical-minerals supply chains should continue to attract strategic buyers to marquee assets. Nevertheless, the experience of 2026 shows that headline recovery figures can obscure a market that still relies on a small number of large transactions, with African acquirers themselves stepping back from dealmaking abroad. For investors with long-term horizons, Africa remains a market of opportunity—but one in which the breadth of that opportunity has yet to catch up with its scale.

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The France Perspective

By Quentin Decouvelaere

France's M&A market regained momentum over the first seven months of 2026, although the recovery remained concentrated in a limited number of large strategic transactions. Announced deal value involving a French acquirer or target company reached $80.7 billion, and deal activity totaled slightly more than 1,000 announced transactions. Deal volume remained below historical averages, highlighting a market in which value has recovered more quickly than overall activity. This mirrors the broader global environment: stable financial conditions, strategic needs, and strong conviction have supported larger transactions, but geopolitical and economic uncertainty has kept buyers selective.

French companies continue to use M&A to strengthen their market positions, acquire technology and innovation capabilities, and optimize their portfolios. Regulatory scrutiny remains an important consideration in many strategic sectors.

Several sectors led M&A activity in France:

- **Telecommunications.** Telecommunications was the defining sector for French M&A in 2026. The proposed acquisition and break-up of SFR by a consortium comprising Bouygues Telecom, Free (a subsidiary of Iliad), and Orange would reshape the French telecommunications market. At approximately $24 billion, it represents one of Europe's largest announced transactions of the year. The deal reflects a renewed appetite for domestic consolidation while highlighting the importance of regulatory execution in transactions that involve critical infrastructure.

- **Technology, Media, and Marketing Services.** French companies continued to invest in digital capabilities and AI-enabled business models. Publicis Groupe's acquisition of LiveRamp strengthens its leadership in data-driven marketing and customer engagement, highlighting how French firms are increasingly using M&A to accelerate technology transformation and AI capabilities.

- **Financial Services.** French financial institutions remained active cross-border acquirers. BPCE's acquisition of novobanco and BNP Paribas subsidiary Arval's acquisition of Athlon demonstrate the sector's continued focus on strengthening European platforms, expanding customer offerings, and building scale through strategic M&A.

- **Health Care and Life Sciences.** Health care deal activity slowed in the first seven months of 2026 compared with the same period in 2025, which was marked by Sanofi's landmark Opella transaction. Nevertheless, French pharmaceutical companies continued to be active buyers abroad. Servier's acquisitions of Edgewise Therapeutics and Day One Biopharmaceuticals highlight the sector's focus on strengthening innovation pipelines and acquiring differentiated scientific capabilities through international M&A.

Regionally, BCG's M&A Sentiment Index shows strong confidence among European dealmakers. At 100, the region has matched its long-term average, markedly ahead of the Americas at 73 and the global benchmark at 83. This relative strength reflects the continent's comparative stability in an increasingly uncertain global environment. Like broader European sentiment, the outlook for French M&A is cautiously positive. Stable financing conditions, healthy corporate balance sheets, and continued portfolio optimization should support activity through the remainder of 2026, although the recovery is likely to remain selective rather than broad-based.

We expect strategic consolidation to continue across sectors as companies seek greater scale, stronger capabilities, and access to innovation. Nevertheless, the long-term impact of AI on the M&A market remains uncertain. While AI is already shaping investment priorities, its broader effect on dealmaking and industry dynamics is still unfolding.

The author is grateful to Julien Laurent of BCG's Transaction Center for his valuable insights and support in the preparation of this article.

The Germany Perspective

By Jens Kengelbach

Germany's M&A market moved from stabilization to a clear recovery in the first half of 2026. Dealmaking regained momentum in both deal value and deal volume. Aggregate deal value surged, propelled by a handful of very large transactions; and in a notable break from 2025, deal volume rose as well. Although this represented a meaningful improvement over 2025, it was not a broad-based boom. Germany outperformed both Europe and the global M&A market, underscoring the continued attractiveness of German companies as acquisition targets and the importance of M&A for domestic players that seek to maintain their competitive edge.

Companies in Germany continued to favor larger, more transformative transactions. Several megadeals lifted aggregate value well above 2025 levels, and deal counts also increased. In the first seven months of 2026, Germany's total deal value more than doubled, rising by roughly 122% compared with the same period in 2025 and exceeding the ten-year average by 45%—far outpacing the corresponding gains of 19% globally and 57% across Europe. More strikingly, German deal volume increased by about 4%, in sharp contrast to declines of roughly 16% globally and 14% across Europe. Germany was one of the few major markets to record increases in both deal value and deal volume.

Several sectors saw significant large-deal activity in Germany:

- **Industrials and Materials.** This sector produced the year's largest transactions. Long-discussed deals came to market as companies acted on strategic and portfolio priorities. The largest German-linked deal was Finland-based Kone's roughly $23.7 billion acquisition of elevator maker TK Elevator. Private equity featured prominently, too. Lone Star agreed to acquire Continental's ContiTech unit for approximately $4.9 billion. In specialty chemicals, Henkel expanded through its roughly $2.5 billion purchase of Netherlands-based Stahl.

- **Health Care.** Deals in this sector remained a core driver of German M&A, accounting for three of the country's ten largest deals. In a standout cross-border transaction, Merck KGaA, the German science and technology company, agreed to acquire US-based life-sciences group Bio-Techne for approximately $11.5 billion. US buyers were active in German biotech, with Gilead Sciences acquiring Munich-based Tubulis for roughly $5.0 billion. Some German dealmakers moved in the opposite direction as well, with Bayer adding US-based Perfuse Therapeutics for approximately $2.5 billion.

- **Consumer and Technology.** In one of the year's largest deals, Uber agreed to acquire Berlin-based food-delivery platform Delivery Hero for approximately $11.6 billion. In consumer and retail, UK-based Frasers Group acquired a stake of roughly $533 million in fashion house Hugo Boss. Telecommunications also featured prominently, with Deutsche Telekom's US unit, T-Mobile US, agreeing with Oak Hill Capital to form a joint venture to combine fiber operators GoNetspeed and Greenlight Networks in a transaction that values T-Mobile US's share at approximately $2.0 billion.

Beyond these sectors, transport and logistics activity included Hapag-Lloyd's roughly $4.2 billion announced combination with Israel's ZIM. In financial services, European banking consolidation remained a prominent theme, as UniCredit continued its pursuit of Commerzbank.

Private equity was highly active, accounting for approximately two-thirds of German deal value and roughly 37% of deal volume through the first seven months of 2026. Lone Star's acquisition of ContiTech was the marquee example. In all, 21 large deals (valued at $500 million or more), including three megadeals (valued at $10 billion or more), were announced.

Germany's IPO market extended its tentative recovery, as significantly more listings in the first half of 2026 raised roughly €750 million—approximately double both the number and the value recorded a year earlier. Renewed momentum in international M&A and IPO markets, including a revival in US listings, is supporting German IPO activity as well.

Regionally, BCG's M&A Sentiment Index shows that European dealmaker sentiment is strong. At 100, the region has matched its long-term average, well ahead of the Americas mark of 73 and the global benchmark of 83. This relative strength reflects the continent's comparative stability in an increasingly uncertain global environment. That pattern is consistent with activity in Germany, where confidence supports the M&A market's continued resilience, although driven by larger deals rather than higher volume.

The outlook for German M&A is selectively positive, but the recovery is likely to be gradual rather than linear. Momentum should broaden further, particularly in small and midsize transactions, supported by a deep structural pipeline that encompasses business-succession situations, portfolio streamlining and carve-outs, digitization and AI adoption, the energy transition, and continued industrial consolidation. Government spending on infrastructure and defense should provide an additional tailwind. For example, the European Commission plans to revise its merger regulations to increase their emphasis on considerations such as competitiveness, resilience, innovation, and efficiencies.

Financing will remain selective. Companies with resilient cash flows can readily obtain financing, but those with weaker cash flows or higher leverage will require more equity and flexible pricing structures. Nevertheless, strong corporate balance sheets and abundant private equity capital give many buyers ample means to act. Uncertainty around tariffs and geopolitics is likely to persist, even as market participants grow more accustomed to it. As in prior years, dealmakers are likely to prioritize future-ready businesses.

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The Italy Perspective

By Enrico Tanduo

Italy's M&A market stood apart in the first seven months of 2026. While Europe and the global market concentrated activity in fewer and larger transactions, Italy recorded broad-based dealmaking by volume but with lower aggregate value. Continued breadth, rather than scale, defined the market.

The largest transactions came from health care, telecommunications, and banking, while industrials generated the greatest number of deals. Succession-driven midmarket transactions boosted the market's breadth, and private equity remained active, underscoring the continued appeal of Italian companies as acquisition targets. Italian companies were also active buyers abroad.

The first seven months of 2026 saw the announcement of more than 900 deals involving an Italian target or acquirer—the highest total for the first seven months of a year in the past decade and almost 20% above the ten-year average from 2016 to 2025. Aggregate announced deal value told the opposite story. At $39.9 billion, it was down 26% from $53.8 billion during the same span in 2025 and approximately 10% below the ten-year average. Italian companies were therefore transacting more often but at lower average values. If they proceed, however, several potential large deals that were not formally announced prior to July 31 could lift the year's total value substantially.

Three sectors account for most of the year's M&A value in Italy, each featuring large transactions:

- **Telecommunications.** Poste Italiane's $12.5 billion acquisition of Telecom Italia was announced in March. The transaction will return Italy's largest telecom operator to significant state control nearly three decades after privatization.

- **Financial Institutions.** Unipol Assicurazioni agreed in June to acquire selected assets of Banca Monte dei Paschi di Siena (MPS) from Intesa for up to $4.0 billion. The transaction covers approximately 635 bank branches, the MPS brand, and most of the bank's central functions and head-office operations. It is part of Intesa's proposed $35.2 billion public purchase and exchange offer for MPS. More broadly, financial institutions remained Italy's most active large-cap sector and continued to attract international attention, with UniCredit's continued interest in Germany's Commerzbank among the most prominent potential acquisitions.

- **Health Care.** The third-largest deal in Italy so far this year was the $12.1 billion take-private of Milan-listed drugmaker Recordati by a private equity consortium led by CVC Capital Partners and Groupe Bruxelles Lambert. The clearest change in direction, however, was the increase in acquisitions abroad by Italian companies. Angelini Pharma's $4.0 billion acquisition of Catalyst Pharmaceuticals, Chiesi's $1.9 billion purchase of KalVista, and Amplifon's $2.6 billion acquisition of GN Store Nord's hearing business made health care Italy's third-largest acquiring sector. The sector's capital went primarily toward building scale through cross-border consolidation rather than toward reshaping domestic portfolios.

The middle market was also prominent, moving the center of gravity for Italian dealmaking well below the headline transactions. Industrials generated 193 announced deals—more than any other sector—but only $1.1 billion in disclosed value. Consumer staples, by contrast, combined meaningful volume and value, with 66 deals totaling $4.1 billion, anchored by CVC Capital Partners' $3.4 billion acquisition of bakery ingredients group IRCA.

The structural explanation for Italy's high deal count is its long tail of high-quality small- and mid-cap businesses in an economy that features extensive family ownership. As founders reach succession points, these companies come to market, and this phenomenon helped support Italian deal volume even as activity declined elsewhere in Europe.

An equally notable feature of the first half of 2026 involved outbound activity: Italian acquirers made four of the ten largest deals involving Italian companies, purchasing businesses in the US, Denmark, and Norway for a combined value of nearly $9 billion.

Private equity was a bright spot. Sponsor-backed deal value rose 37% year on year to $9.3 billion, even as sponsor deal count increased only 1%—the reverse of the broader Italian market. This pattern suggests that funds may be deploying accumulated dry powder into fewer but larger assets. Sponsors were responsible for roughly one-quarter of Italian deal value and one-third of deal count. The year's defining sponsor transaction was the previously noted take-private of Recordati by CVC Capital Partners and Groupe Bruxelles Lambert, with backing from ADIA, CPPIB, and PSP. The deal is one of Europe's largest health care buyouts in recent years. It also underscores the international source of capital: overseas bidders participated in nine of the ten largest Italian sponsor deals in the first seven months of 2026. Exit conditions improved but remained selective, with secondaries and strategic sales progressing while IPO exits stayed largely muted.

Regionally, BCG's M&A Sentiment Index shows strong confidence among European dealmakers. At 100, the region has matched its long-term average, markedly ahead of the Americas at 73 and the global benchmark at 83. This relative strength reflects the continent's comparative stability in an increasingly uncertain global environment. That pattern is consistent with activity in Italy, where confidence supports the M&A market's continued resilience.

Italian M&A is likely to remain resilient through the rest of 2026. Further consolidation in banking will support activity, as transactions among the largest institutions prompt repositioning by second-tier lenders and insurers. Succession-driven sales among family-owned midmarket companies will provide another source of activity. A steady infrastructure pipeline, reinforced by several large transactions in the first half of the year and by the European Commission's approval of a €23 billion state-aid scheme for renewable energy, adds further momentum.

Italy's 2026 regulatory reforms could provide a supportive backdrop by reducing execution risk for public takeovers and clarifying the framework for reviewing strategic transactions. The reformed Consolidated Law on Finance, in force since late April, lowers execution risk through a uniform 30% mandatory bid threshold, a 90% squeeze-out threshold, and a new shareholder-approved cash acquisition route. Balancing these changes are tighter "put up or shut up" rules and stronger shareholder protections in delisting votes. Separately, Law 4/2026 expands the scope of the Golden Power foreign investment regime with an economic and financial security test. For financial institutions, government review must now follow European Central Bank and European Commission processes, which will curb discretion but likely lengthen deal timetables.

Financing conditions are supportive, although lenders remain selective. European credit markets are open, and private credit has become an established feature of Italian midmarket transactions, with sponsors often accepting lower leverage in exchange for greater execution certainty. Businesses with resilient cash flows continue to attract capital readily, but weaker and more highly leveraged borrowers require larger equity contributions and more flexible pricing. Nevertheless, strong corporate balance sheets and substantial sponsor dry powder provide buyers with ample capacity to pursue attractive opportunities.

Geopolitical uncertainty remains the principal constraint. Volatile energy prices, trade tensions, and conflict-related risks are lengthening diligence processes and widening the gap between buyers' and sellers' expectations. Even so, the market's structural drivers, together with supportive financing conditions, provide a solid foundation for continued deal activity.

The author is grateful to Dominik Degen of BCG's Transaction Center for his valuable insights and support in the preparation of this article.

The Middle East Perspective

By Samuele Bellani

M&A activity in the Middle East declined in the first seven months of 2026 as regional conflict heightened volatility. Deal volume fell 8%, while deal value dropped 25%, compared with a 19% increase in global deal value over the same period. The pullback followed a strong 2025, during which sovereign funds and state-linked companies deployed capital to advance industrial policy and, in Saudi Arabia, to further the objectives of the Vision 2030 diversification program.

The decline in headline activity nevertheless coincided with continued outbound investments by Middle East players. Several sectors highlight large-deal activity:

- **Energy.** Leading energy companies bought overseas assets that provided contracted or fee-based cash flows and greater geographic diversification. A notable example was ePointZero's $2.3 billion purchase of US midstream operator Traverse Midstream Partners from The Energy & Minerals Group. The transaction involved a nonoperational interest, with day-to-day control remaining with Energy Transfer. ADNOC Distribution followed with a $1.0 billion agreement to acquire Shell Downstream South Africa, retaining the Shell brand under license. Meanwhile, ADNOC Drilling acquired a 70% stake in SLB's Oman and Kuwait land-rig businesses for $112 million.

- **Industrials.** Sovereign-backed acquirers pursued transport and logistics platforms outside the region. A leading example was Dubai Aerospace Enterprise's $7 billion acquisition of Macquarie AirFinance from Macquarie Asset Management, making it one of the world's largest aircraft lessors. Abu Dhabi Ports followed with an $835 million purchase of Brazilian rail and logistics operator Corredor Logística e Infraestrutura. These deals expanded exposure to fee-generating infrastructure while reducing reliance on domestic energy revenues.

- **Technology, Media, and Telecommunications.** Continued momentum in gaming drove activity in the sector, as Saudi Arabia's Public Investment Fund (PIF) advanced its multiyear expansion strategy. PIF's Savvy Games Group agreed to acquire Shanghai-based Moonton Technology from ByteDance for $6.0 billion. The transaction added the Mobile Legends game to a portfolio built through the acquisitions of ESL FACEIT for $1.5 billion in 2022, Scopely for $4.9 billion in 2023, and Niantic's games business for $3.5 billion in 2025. A PIF-led consortium's pending $55 billion take-private buyout of Electronic Arts would extend its position further. Together, the transactions point to a deliberate strategy to consolidate a leading global position in gaming and esports.

The region became an increasingly important exit market for global financial sponsors and companies in 2026. Sellers included American Industrial Partners, Macquarie, ByteDance, Shell, SLB, and The Energy & Minerals Group, each of which transferred assets to a regional sovereign fund or state-linked company. This pattern underscored Middle Eastern buyers' growing influence in competitive sales processes and their ability to shape transaction terms and valuations.

The year also marked a significant restructuring of Abu Dhabi's sovereign investment landscape, as Abu Dhabi Developmental Holding Company, known as ADQ, was consolidated into L'IMAD Holding Company. The resulting sovereign investment platform manages roughly $300 billion in assets and has a mandate to deploy capital both domestically and internationally.

The Middle East's M&A performance in 2026 points to a more selective phase of capital deployment following an exceptional year in 2025. As global dealmaking broadens, the region is becoming less exceptional as a source of M&A value. At the same time, the rise of technology and industrials alongside the continued importance of energy suggests a gradual diversification of investment priorities. The Middle East therefore remains both a deep source of capital for global sellers and a platform from which regional champions can pursue international expansion.

The author is grateful to Adhiraj Kapur of BCG's Transaction Center for his valuable insights and support in the preparation of this article.

The Nordics Perspective

By Matti Ollila

The Nordic M&A market sent mixed signals in the first seven months of 2026. Aggregate deal value surged, but the increase was driven almost entirely by a single megadeal: the Kone–TK Elevator merger. Deal volume, meanwhile, declined from 2025 levels. The result was a value-led rebound rather than a broad-based recovery in dealmaking. Even so, the Nordics outpaced the global M&A market in value growth, highlighting both the enduring appeal of the region's assets and the ambition of Nordic acquirers seeking scale abroad.

This pattern is clear in the underlying figures. In the first seven months of 2026, deal value involving Nordic acquirers or targets rose roughly 74% compared with the same period in 2025—significantly outpacing the 19% global increase and exceeding the 57% rise across Europe. Nordic deal volume fell by about 6% over the same period, a softer decline than the 16% global drop and the 14% pullback across Europe. The Nordics thus mirrored the broader European pattern of rising deal value and falling deal volume, but with the value increase dependent to an unusual degree on a single transaction.

Several sectors saw significant activity involving large deals:

- **Industrials and Machinery.** In the year's largest transaction, Finland-based Kone agreed to combine with German elevator maker TK Elevator for approximately $ 23.7 billion—the largest deal in Finnish corporate history and one of the largest private equity exits ever in Europe. Kesko announced its largest acquisition to date, buying Dahl's technical trade businesses in Sweden, Norway, and Denmark from France's Saint-Gobain for roughly $1.8 billion. Hexagon expanded into nondestructive testing through its $1.5 billion purchase of Waygate Technologies from Baker Hughes.

- **Technology.** Dealmaking in this sector accounted for three of the ten largest transactions of the year so far. Foreign interest in Nordic tech was evident, as CPP Investments and Equinix agreed to acquire atNorth, an Iceland-headquartered colocation and data center provider, for approximately $4.0 billion. Finland-based IQM Quantum

Computers entered into a business combination agreement with Real Asset Acquisition Corp., a Nasdaq-listed special-purpose acquisition company, valuing the Finnish company at $1.8 billion.

- **Private Equity.** Private equity activity remained high, with financial sponsors involved in approximately 75% of Nordic deal value and roughly one-third of deal volume so far in 2026. Cross-border deals were prominent. Sweden's EQT acquired UK-based Coller Capital, made a tender offer for Japan-based Kakaku.com, and formed a joint venture with US-based Americold; each of these transactions was valued at more than $2 billion. Another notable buyout was Nordic Capital's agreement to acquire infrastructure provider Flowa Technology for roughly $690 million. Across all deals involving financial sponsors, companies in the region have announced 16 large deals valued at $500 million or more in 2026 to this point.

Beyond these sectors, health care deals included the acquisition by Italy's Amplifon of GN Store Nord's hearing business for approximately $2.6 billion. In energy and power, Vår Energi agreed to combine with BlueNord for roughly $1.3 billion.

Nordic equity capital markets were unusually active. The first seven months saw 19 IPOs completed, although the aggregate proceeds of approximately €1.4 billion were closer to typical levels. Sweden and Norway were the leading listing locations by volume, but Denmark raised the highest proceeds, at roughly €525 million. Finland saw steady activity, and Iceland recorded no new listings.

Regionally, BCG's M&A Sentiment Index shows European dealmaker sentiment edging higher. At 100, the region has matched its long-term average, well ahead of both the Americas mark of 73 and the global benchmark of 83. This relative strength reflects the continent's comparative stability in an increasingly uncertain global environment.

Against that supportive backdrop, the outlook for Nordic M&A is selectively positive, although the recovery is likely to remain gradual and uneven across markets rather than being broad-based. Momentum is likely to extend beyond the Kone-TK Elevator megadeal that defined the first seven months. A structural pipeline of portfolio carve-outs from Nordic industrial conglomerates, digitization and AI-driven consolidation, and continued investment tied to the energy transition will support continued activity. Maturing private equity portfolios are set to bring more exits to market. Stabilizing inflation and lower interest rates are additional tailwinds. Companies with resilient cash flows should continue to have ready access to financing, but more leveraged borrowers will require additional equity and flexible pricing structures.

Conditions will vary meaningfully by country. Sweden, the region's largest and most liquid market, will likely remain the center of Nordic private equity activity, with technology and industrials showing resilience even as highly leveraged real estate companies deal with balance-sheet pressures. In Norway, the M&A climate should encourage modestly positive but selective dealmaking, shaped by cross-border activity and corporate portfolio optimization amid higher-for-longer interest rates and currency volatility.

Denmark is poised to continue benefiting from its life sciences and renewables base, with pharma, biotech, and wind-related assets attracting demand and with further consolidation likely in shipping and logistics. Finland, home to several of the region's most acquisitive industrial groups, should see continued outbound dealmaking in pursuit of scale abroad, alongside domestic consolidation in technology and other strategically important sectors.

As in prior years, dealmakers across the region will prioritize future-ready, resilient businesses. Notably, several of this year's largest transactions in the Nordics fit the pattern revealed in BCG's research on value creation through M&A: transactions within the same geographic region that deliver international growth while keeping integration complexity manageable.

The author is grateful to Hans Rødahl of BCG's Transaction Center for his valuable insights and support in the preparation of this article.

The UK Perspective

By Jeremy Boote

For the UK M&A market, 2026 has so far been a year of larger but fewer deals. Over the first seven months, transaction value reached $235.3 billion, almost double the $119.0 billion recorded during the same period of 2025. The UK accounted for 37% of European deal value, up from 29% a year earlier. Sixty-five transactions worth more than $500 million generated 88% of the total, and the average value of the country's large deals rose from $1.6 billion to $3.2 billion. Deal volume moved in the opposite direction, falling to 1,763 transactions from 2,272 for the same period in 2025.

One notable feature of the market was the return of foreign acquirers. Inbound acquisitions of UK assets, particularly larger companies, rose to levels comparable to those seen during the 2021–2022 cycle. Distinct patterns emerged among the sectors that have driven activity during 2026:

- **Consumer Goods and Health Care.** Acquisitions of UK consumer goods companies reached an aggregate deal value of $27.5 billion, compared with $15.2 billion in 2025. That total excludes McCormick's proposed $44.8 billion acquisition of Unilever's food business, a transaction substantially larger than the rest of the sector's announced deal value combined. Health care deal value rose to $13.0 billion from $2.0 billion in 2025, with Eli Lilly's $7.9 billion acquisition of Centessa Pharmaceuticals accounting for most of the increase. Excluding this blockbuster transaction, health care still recorded $5.0 billion in deal value. Despite the increase in value, deal volume fell in both consumer goods (from 478 to 326 transactions) and health care (from 100 to 52 transactions).

- **Financial Institutions and Real Estate.** Deal value over the first seven months of 2026 was $67.4 billion, more than double the total of $31.5 billion for the same period in 2025. Activity spread across 18 transactions worth more than $500 million, the largest of which accounted for less than one-third of the total. Wealth and asset management contributed roughly $23.7 billion, led by Nuveen's proposed $12.9 billion acquisition of Schroders, while Zurich agreed to acquire insurer Beazley for $10.9 billion. Although deal volume dropped from 297 to 200, this sector recorded the country's most broadly distributed increase in deal value in 2026. The largest deal was in the real estate subsector, with Prologis's announced takeover of Segro valued at around $18.7 billion.

- **Energy and Industrials.** In both sectors, a small number of exceptional transactions drove the overall increase in deal value. In the energy sector, deal value rose to $16.6 billion from $5.4 billion in 2025, with ENGIE's $14.2 billion acquisition of UK Power Networks accounting for the vast majority of the increase. Industrials reached $24.4 billion, up from $15.2 billion, but the total was heavily influenced by competing bids for easyJet and Senior plc. Excluding those transactions, industrials deal value was $16.0 billion, broadly unchanged from 2025. Nevertheless, ABB's $5.6 billion acquisition of Rotork underscored continued strategic appetite in the sector. Both energy and industrials recorded among the smallest declines in deal volume across all UK sectors.

Private equity activity continued to broaden. Sponsor-related deal value rose by 49% to $105.8 billion for the first seven months of 2026, from $71.1 billion for the same period last year, with sponsors involved in 28 of the 65 largest transactions. Roughly one-third of that value, however, came from sales of portfolio companies to strategic buyers rather than new sponsor investment. EQT's $12.6 billion offer for Intertek would be the largest UK public-to-private transaction in nearly two decades. At the same time, three of the larger transactions withdrawn during the year involved sponsor-led take-private attempts, highlighting the continuing execution challenges involved in acquiring listed companies.

Regionally, BCG's M&A Sentiment Index shows European dealmaker sentiment edging higher. At 100, the region has matched its long-term average, well ahead of both the Americas mark of 73 and the global benchmark of 83. This relative strength reflects the continent's comparative stability in an increasingly uncertain global environment. That pattern is consistent with activity in the UK, where confidence has supported a pipeline of large strategic transactions but has yet to translate into a broader recovery in dealmaking.

The overall outlook for UK M&A through the remainder of 2026 depends heavily on whether a number of announced transactions reach completion. Roughly two-thirds of the year's announced deal value is pending, including transactions involving Unilever, Schroders, Beazley, and Intertek. Strong corporate balance sheets, substantial private equity dry powder, and sustained international demand for UK assets should continue to support large-cap activity, with financial institutions providing the most durable source of momentum. A broader recovery, however, will require an expansion in dealmaking beyond the largest transactions.

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The US Perspective

By Lianne Pot

A widening gap between deal value and deal volume has defined US M&A activity in 2026. Large strategic transactions returned across sectors, lifting aggregate deal value. Broader dealmaking remained subdued, however, as buyers and sellers navigated geopolitical and economic uncertainty and an ongoing valuation gap.

The underlying figures reflect that divergence. During the first seven months of the year, US deal value rose 25% compared with the same period in 2025, outpacing the global increase of 19%. Deal volume, by contrast, fell 26%, a steeper decline than the 16% drop globally.

To put the volume decline in context, transaction activity in the first half of 2026 dropped to its lowest level since the pandemic-disrupted first half of 2020. Yet activity involving deals valued at more than $500 million reached its highest level in three years, following a strong second half of 2025. The result was a bifurcated market in which a resurgence of large transactions masked exceptionally weak activity across the broader market.

Several sectors led large deal activity in the US:

- **Technology, Media, and Telecommunications.** This remained the largest US sector by deal value, accounting for roughly one-third of announced transaction value. Activity focused on exceptionally large transactions spanning traditional media and AI. The bidding war between Netflix and Paramount Skydance for Warner Bros. Discovery, which ultimately valued the company at roughly $80 billion, and Fox Corporation's proposed $25 billion acquisition of Roku underscored the strategic value of access to premium content and scaled streaming distribution. In parallel, SpaceX's $60 billion acquisition of Anysphere, the developer of the Cursor AI coding platform, highlighted the competition to secure leading AI software capabilities.
- **Health Care.** Health care again proved to be an always-on sector for M&A, accounting for approximately one-fifth of total US deal value in the first seven months of the year. In biopharma, buyers targeted companies with differentiated pipelines in high-conviction therapeutic areas, including AbbVie's $11 billion acquisition of Apogee and Vertex Pharmaceuticals' $10 billion acquisition of Crinetics. In medical technology, consolidation focused on strengthening product portfolios and clinical capabilities, highlighted by Boston Scientific's $15 billion acquisition of Penumbra and Danaher's $14 billion acquisition of Masimo.
- **Energy.** M&A activity continued to reshape the energy market, with substantial deals in both power and utilities and oil and gas. The sector accounted for roughly one-fifth of all announced deal value in the first seven months of 2026; however, deal volume fell 25% in comparison with the same period in 2025. In power and utilities, NextEra's $67 billion acquisition of Dominion Energy reflected growing competition to secure generation and grid capacity amid the rising demands of data centers for electricity. In oil and gas, Devon Energy's $22 billion acquisition of Coterra Energy continued the consolidation of upstream operators seeking greater scale and stronger positions in core basins.
- **Consumer.** Large transactions shaped consumer-sector M&A despite renewed uncertainty over North American trade policy. The sector's largest deals reflected confidence in long-term growth through strategic expansion. McCormick's $45 billion acquisition of Unilever's food business expanded its categories and broadened its brand portfolio, while Sysco's $29 billion acquisition of JRD Unico extended its reach into a new distribution channel.

Regionally, BCG's M&A Sentiment Index suggests that confidence across the Americas is likely to stabilize through the remainder of 2026, although sentiment remains below Europe's current level and the Americas' historical average. Geopolitical tensions and regulatory scrutiny continue to temper sentiment, even as financing conditions and corporate fundamentals offer firm support.

For the US specifically, the M&A outlook remains positive. Healthy corporate balance sheets, ample private equity capital, and continued strategic pressure to reposition portfolios should sustain large-scale deal activity despite ongoing tariff uncertainty. In the near term, the defining feature of the market is likely to remain a concentration of M&A value in a relatively small number of transformational transactions, rather than a broad-based recovery in deal volume. Over the medium term, broader deal activity should recover as market uncertainty recedes and valuation gaps narrow.

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In Focus: The Asia-Pacific Perspective

Dealmaking in Asia-Pacific was down over the first seven months of 2026, compared to the same period in 2025. M&A volume declined by 9% in the region, and deal value by 14%. However, a deeper dive into the major Asia-Pacific countries and regions reveals contrasts in both M&A performance and the drivers of dealmaking activity. Bright spots emerged in Southeast Asia, India, and Japan, but even in cases where M&A value or volume increased, trends are shifting, calling for focus and flexibility from dealmakers. Likewise, even in locations where numbers were down, positive signals are emerging. In Greater China, for example, major thematic changes are setting the stage for increased activity. Although performance varied from one geography to the next, two common imperatives emerged: the need for an always-on M&A engine, as preparation for when the tide turns; and a strategic, as opposed to opportunistic, approach to deal planning.

BCG Asia-Pacific experts explore these developments for each market:

The Australia-New Zealand Perspective
The Greater China Perspective
The India Perspective
The Japan Perspective
The Southeast Asia Perspective
The South Korea Perspective

AUSTRALIA AND NEW ZEALAND M&A 2026

Headwinds Call for Targeted Dealmaking

By Jared Feiger, Matthew Abel, Gates Moss, and Ashish Baid

Fiscal year 2026—which in Australia runs from July 1, 2025, to June 30, 2026—saw subdued M&A activity in Australia and New Zealand. Total announced deal value sank by one-third from fiscal year 2025 to its lowest level in the past ten years. (See **Exhibit 1**.) The regional market was even more lackluster relative to global dealmaking, which rose by 45% over the same period. Despite some bright spots, the region faces ongoing challenges that may keep activity muted for the near term.

The most notable feature of the 2026 decline was the absence of large deals, a reversal from a historical trend. Over the previous five years, major strategic M&A moves dramatically impacted the market, reducing the number of large Australian-listed domestic companies through consolidation, take-private transactions, and acquisition by foreign-listed entities. In 2021, Santos Energy acquired Oil Search, consolidating the second- and third-largest energy players on the Australian Stock Exchange (ASX). In 2022, Block, a global point-of-sale technology provider, acquired Afterpay, a buy-now-pay-later firm that was Australia's largest listed technology company. A year later, Newmont, a US-listed gold miner, acquired Newcrest, creating the largest gold-mining company in the world.

A second notable feature was a shift in the origin of acquiring companies. Inbound transactions, historically a large source of deals, reached their lowest level since 2017. Instead, nearly two-thirds of acquisitions were consolidations of domestic companies by other domestic companies.

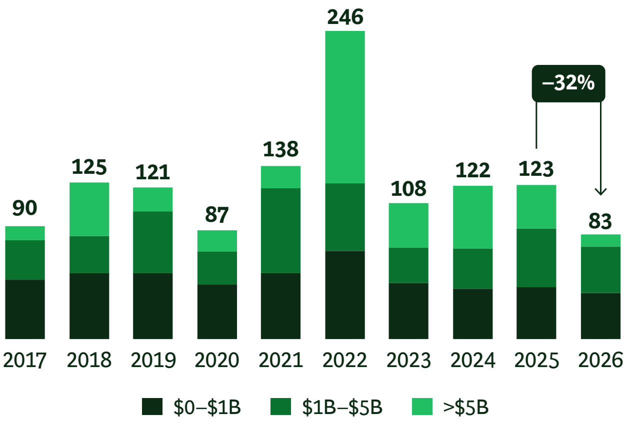
The transactions that closed in 2026 were dominated by deals related to materials, energy, and real estate. (See **Exhibit 2**.) The biggest transaction was the sale of one of Australia's largest electricity generators from one foreign owner to another. Real estate deals included the privatization of a medium-size real estate investment trust (REIT) and several asset-recycling property transactions between REIT owners. The largest deal in New Zealand was the sale of a consumer dairy business to a global, family-owned conglomerate.

EXHIBIT 1

Announced Deal Value Was Down in the 2026 Fiscal Year Due to a Lack of Large Deals; Domestic Transactions Dominated

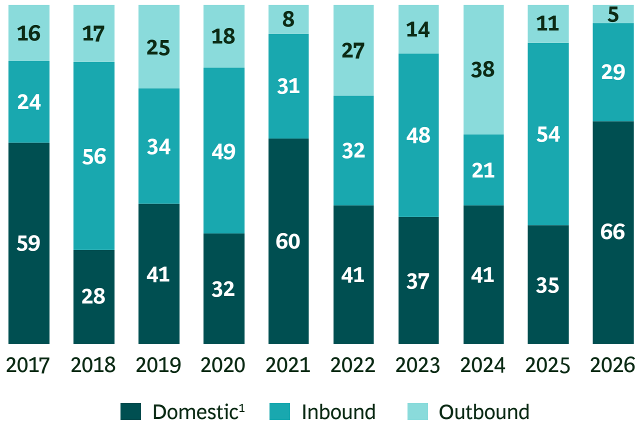
2026 announced deal value was the lowest in a decade

ANNUAL AUSTRALIA/NEW ZEALAND DEAL VALUE ($BILLIONS)



Domestic deals dominated in 2026

SHARE OF AUSTRALIA/NEW ZEALAND DEAL VALUE (%)

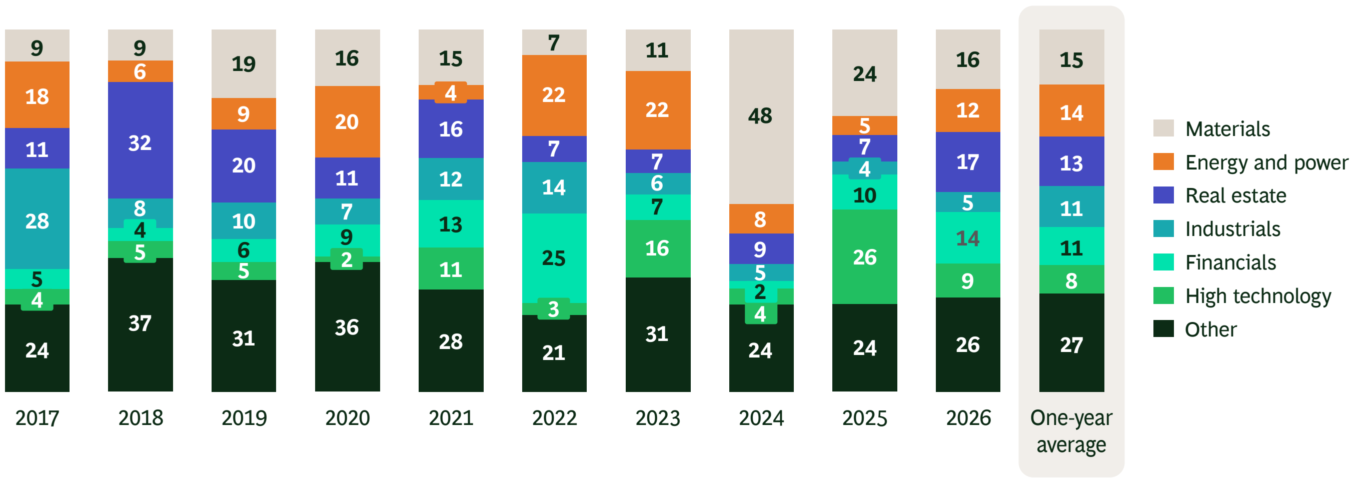


Sources: Refinitiv; BCG analysis.
Note: All deal value figures are expressed in US dollars. Australia's fiscal year runs from July 1 to June 30, so the bar for each year shown has a June year-end.
[1]"Domestic" comprises acquisitions of Australia- or New Zealand–domiciled companies by Australia- or New Zealand–domiciled companies.

EXHIBIT 2

Materials, Energy, and Real Estate Have Dominated 2026 Deals

SHARE OF TOTAL COMPLETED DEAL VALUE OVER 10 YEARS (%)



Sources: Refinitiv; BCG analysis.
Note: "Completed" means completed during the specified fiscal year. Australia's fiscal year runs from July 1 to June 30, so the bar for each year shown has a June year-end.

Four Forces Driving Reduced Deal Volumes

Four forces combined to drive down transaction volumes in the region in 2026: a changing Australian regulatory landscape, the growing influence of superannuation funds, global instability, and a mismatch in the expectations of sellers and buyers.

Regulations Are Extending Deal Timelines and Hampering Deal Completion

Australia's new mandatory merger control framework, which took effect on January 1, 2026, represents the most significant change to Australian merger law in decades. The framework requires dealmakers to notify the Competition and Consumer Commission of any deal in which the combined revenue of the merged entities exceeds $200 million in Australian dollars. Under the new rules, parties must wait for commission clearance before they can proceed. To further complicate dealmaking, Australia's Foreign Investment Review Board has stepped up its inspection of assets that have national security implications and is tightening its requirements to provide greater assurance about data security, especially in instances involving foreign storage of Australian consumer data. One example of the impact of these factors is that the largest proposed deal of the last two years was withdrawn, in part due to concerns about the prospect that it might not receive regulatory approval.

These developments are increasing the length of the M&A review process and reducing the probability of deal approval, both of which make transactions costlier and more difficult to execute. For large acquirers, these disadvantages can significantly undercut the benefits of a deal and can introduce a host of risks, including customer and employee attrition and difficulty in realizing deal synergies. For smaller companies, higher fixed costs force some buyers to try to group transactions into larger deals, which limits small, one-off transactions.

Superannuation Funds Are Growing in Influence and Are Critical to Deal Approval in Many Cases

Australia's defined contribution superannuation system continues to grow. Employers generally must contribute 12% of employee salaries, up to a cap, to individual superannuation accounts. This mandate has created an asset base of greater than $4 trillion (in Australian dollars)—greater than that of the entire listed stock exchange. (See Exhibit 3.) In addition, superannuation funds own an estimated 36% of the ASX's market cap.

The listed market is failing to keep pace with the superannuation asset pool and with growth in other global markets, for three reasons. First, over the past decade, inbound deals have outpaced outbound deals by 2.4 to 1, contributing to the removal of companies and investable assets from the ASX and from New Zealand's NZX. Second, the low relative volume of domestic IPOs translates into limited new, large names in the market. Third, domestic companies in media, packaging, and materials have moved their listings to other markets.

Against this backdrop, some superannuation investors have a bias toward maintaining local listings and have voted against inbound proposals in the face of positive board recommendations, causing prospective acquirers to withdraw from significant deals. Since the share of the market controlled by superannuation funds is likely to continue to grow, this headwind will remain strong.

Global Instability and Macro Headwinds Have Reduced Growth Expectations

Various global and local macroeconomic complications have combined to reduce investors' expectations for growth in Australia and New Zealand. The initial impact of US tariffs on global trade and inflation, together with a slowing of domestic housing markets, has led to substantially downgraded economic growth forecasts: the IMF reduced its 2025 GDP forecasts from 2.1% to 1.8% in Australia and from 1.9% to 0.8% in New Zealand.

At the same time, inflation fears, exacerbated by heightened tensions in the Strait of Hormuz, have resulted in higher interest rates, up over 2% since 2022. The impact of higher rates on investor sentiment is twofold. First, they increase downward pressure on growth in the domestic market. Second, they limit the benefit of leverage as a catalyst for acquisitions. This is particularly important in the case of cash-funded transactions, which account for 13 of the 20 largest deals in Australia and New Zealand in the past five years.

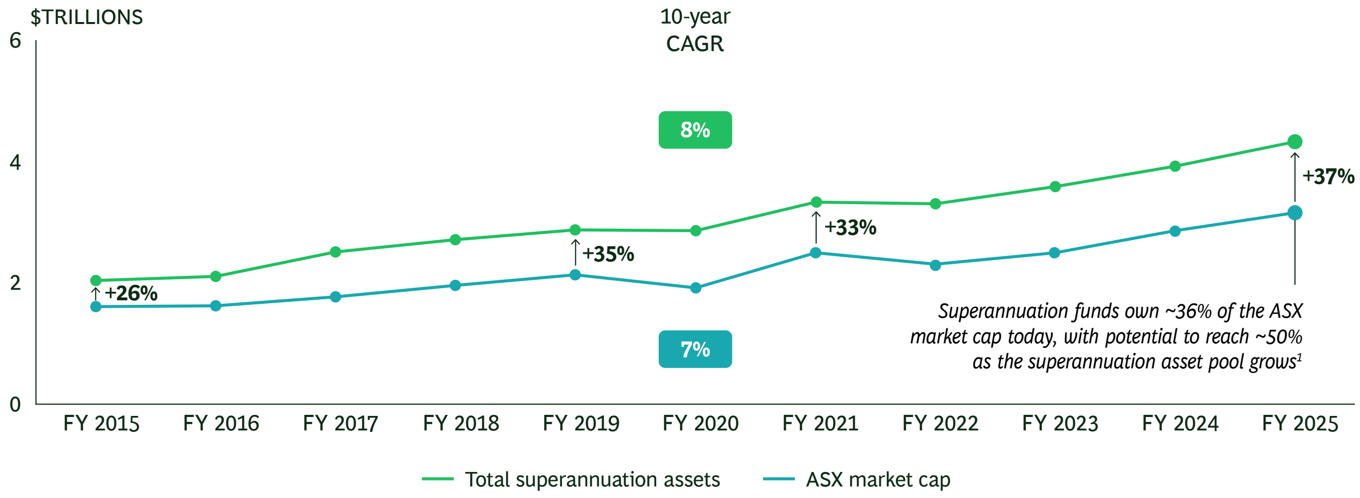
Valuation Gaps Persist Between Buyers and Sellers

Reduced growth and higher capital costs are lowering buyers' valuation expectations. But market soundings suggest that sellers have not lowered their sale price expectations commensurately. In addition, the prevailing environment of higher interest rates means that companies that have existing loans at low rates would have to finance at higher rates on sale. This creates a valuation gap, especially for leveraged buyers. While these gaps persist, many private owners of assets, in particular, are opting to wait for improved market conditions, resulting in longer effective hold times and fewer private market transactions.

EXHIBIT 3

Superannuation Funds Exert Control over the Australian Securities Exchange Through Material and Growing Ownership

Total superannuation assets have more than doubled since 2015 and are 37% higher than the value of the ASX



Sources: ASX; APRA; ABS; Deloitte.
Note: All deal value figures are expressed in Australian dollars. Australia's fiscal year runs from July 1 to June 30. ASX = Australian Securities Exchange; CAGR = compound annual growth rate; FY = fiscal year.
[1]Assuming that the percentage of superannuation allocation to Australian equities remains unchanged.

Forces Supporting Deal Growth

Despite the country's low total transaction volume, Australia continues to attract significant attention as a strategic supplier to global energy supply. Recent events in the Middle East, including the conflict around the Strait of Hormuz and the attack on Qatar's Ras Laffan liquefied natural gas (LNG) complex, have highlighted Australia's critical role as a top supplier of LNG to partners in the greater Asia-Pacific region. As a result, inbound interest in existing Australian LNG suppliers and emerging Australian gas basins (including the Beetaloo in the Northern Territory) is growing.

In addition, ongoing investment in the energy transition continues to attract investors, leading to acquisitions of integrated generation and retailing companies, such as Sembcorp's purchase of Alinta, the largest deal in Australia so far this year. There have also been substantial investments in transmission and distribution companies, including Brookfield's acquisition of Ausnet. Finally, the growing need for critical minerals—including copper, lithium, and rare earths—is attracting livelier interest from global strategic buyers.

Another positive influence on M&A activity, at least in the short term, is likely to be the Treasury Laws Amendment (Tax Reform No. 1) Act 2026, which sets a timetable for eliminating the 50% discount currently received on capital gains by individuals and trusts. As a result, business owners that are considering a sale may try to close the transaction before the reform kicks in on July 1, 2027, boosting the array of vendor-led deals available for private equity buyers.

Time for a Targeted, Disciplined Approach

The transaction market in Australia and New Zealand is likely to continue to be challenged as it heads into 2027. The BCG M&A Sentiment Index for Asia-Pacific sits at 51 as of this writing, which is near its historical low and well below the overall mark of 83 for our global index. Nevertheless, patient and selective acquirers will continue to have opportunities to execute strategic deals in essential industries, including energy, critical minerals, food supply, and niche technological and health sectors. Our research has found that well-executed M&A is a core pillar for Australia's best value creators. The search for differentiated deals will continue to provide opportunities, both domestically and abroad.

Our advice for the current difficult market includes taking the following strategic actions:

- **Continue to pursue targeted, rather than opportunistic M&A.** Ensure that deals are strategically aligned, value enhancing, and well executed. We observe that many of the best deals come from motivated sellers. Changes in the regulatory regime governing capital gains and continuing global instability could create the conditions for an increase in opportunities for seller-led transactions.

- **Turn extended approval timelines to your advantage.** Immediately realizing the full benefits of a deal requires developing meaningful and thoughtful preclosing plans. Such plans accelerate the realization of benefits and avoid or minimize operational risks. Extended approval timelines can turn into an advantage when treated as an opportunity to conduct extensive precompletion planning with dedicated clean teams, thereby ensuring sustained momentum from expected changes so that the acquirer can bank deal benefits from day one.

- **Structure deals with regulatory approval in mind.** Increased regulatory focus on market structures and foreign control is likely to require some divestment in order for certain deals to gain approval. Recent examples include divestments ranging from 8% to over 20% of total assets. Explicit consideration of this likelihood during valuation assessment and planning is essential. In many cases, dealmakers can complete divestment activity with negligible loss of strategic benefit or financial value.

- **Target smaller cornerstone positions.** Many of the best long-term deals will involve small but rapidly growing industries, such as critical minerals. Minority equity shares or strategic joint ventures in emerging industries, commodities, or resource basins can position a company for larger-scale deals in the future.

The M&A market in Australia and New Zealand is a challenging but rewarding one for savvy dealmakers. The best way to succeed in it is to take a long-term view and adopt a more targeted and disciplined approach as the cycle evolves.

The authors would like to acknowledge Angus Kennedy for his contributions to the development of this article.

GREATER CHINA M&A 2026

From Rebound to Reallocation

By Yue Hong Zhang, Harsh Mody, and Zeck Wu

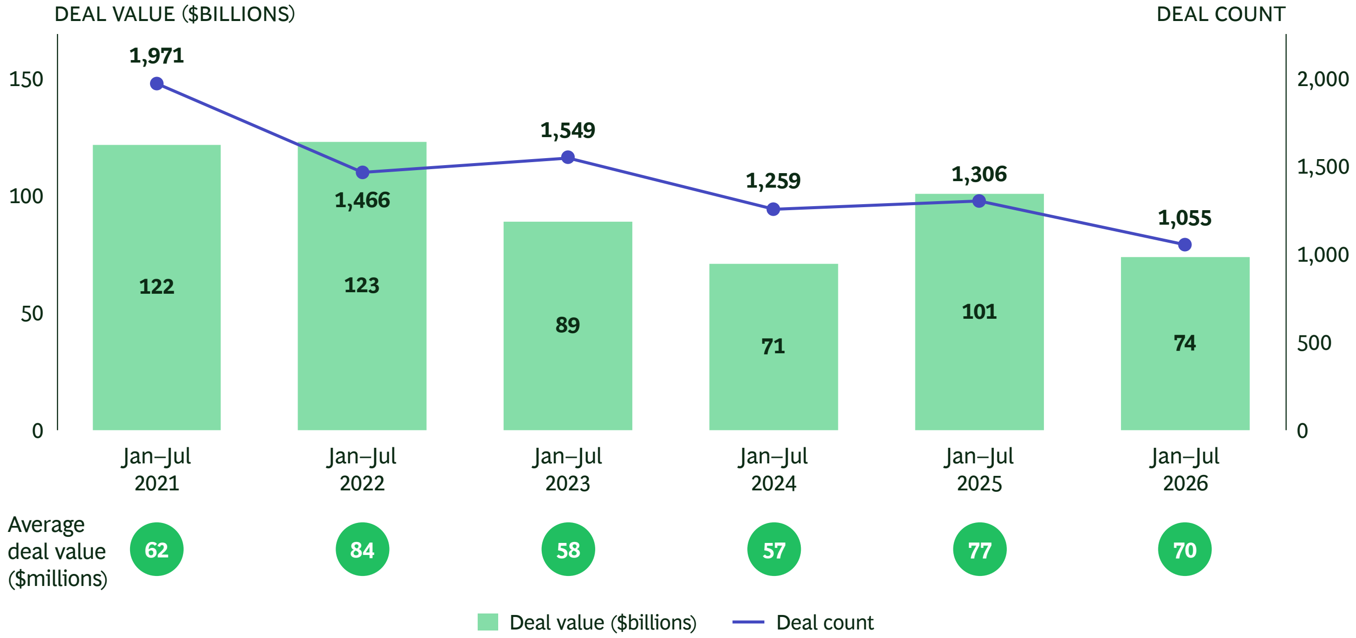
Both M&A deal value and volume declined in Greater China in the first seven months of 2026 compared to the prior-year period, following the Mainland China–led rebound in 2025. (See Exhibit 1.) But the regional picture is becoming more constructive: Hong Kong's strong capital markets and expanding exit pipeline are improving transaction confidence, and Taiwan is attracting strategic attention around AI hardware, advanced manufacturing, and supply-chain resilience. These factors may not signal a uniform recovery, but they speak to a broader set of transaction catalysts across the region.

The next cycle is unlikely to recreate the liquidity-led breadth of 2021 and 2022. Instead, activity is likely to concentrate in deals where ownership can unlock an advantage: control of underleveraged assets, global commercialization of Greater China–origin innovation, consolidation of AI-enabling supply chains, or overseas capabilities that shorten time to market or reduce geopolitical exposure. Hong Kong can increasingly serve as a financing and exit bridge; Taiwan can act as a focal point for strategic consolidation; and Mainland China can function as a source of assets, technology, and scaled operating capabilities.

For CEOs, boards, and financial sponsors, the implication is bullish but also more demanding. Greater China is transitioning from a broad, market-wide investment opportunity to a collection of investable micro-markets. Instead of waiting for deal volume to recover, acquirers should identify targets where a change in ownership, capital structure, or geographic platform can capture value that the current owner cannot. In this region, four emerging themes are most noteworthy.

EXHIBIT 1

M&A Deal Count and Deal Value in Greater China for the First Seven Months of 2026 Are Below the Numbers from the 2025 Rebound



Sources: Refinitiv; BCG analysis.
Note: "Jan–Jul" includes deals announced from January 1 through July 31 of the specified year.

From Beta to Alpha: Control Becomes the Model for Value Creation

Financial sponsors in Greater China are shifting their exposure from passive growth (that is, relying on market growth alone) to ownership structures that provide the control they need to achieve alpha. Public data sets use varying parameters, but all point in the same direction: The market has become more control-oriented. Buyouts accounted for 54% of private equity deal value in 2025, a significant increase in comparison with 2021 and 2022. (See Exhibit 2.) This trend indicates that even though growth equity remains an important strategy, marginal dollars are moving toward transactions where the sponsor can influence performance.

Control, therefore, has become an economic tool, not simply a governance preference. Buyouts, carve-outs, take-privates, and majority joint ventures allow investors to underwrite operational improvements rather than depending on multiple expansion or category growth. For corporates, the same logic supports ownership resets, retaining brand, intellectual property, or minority economics while transferring execution to an owner that has stronger local capabilities. The emerging model is "alpha with rights"—a clear value creation thesis paired with the authority to deliver it.

EXAMPLE

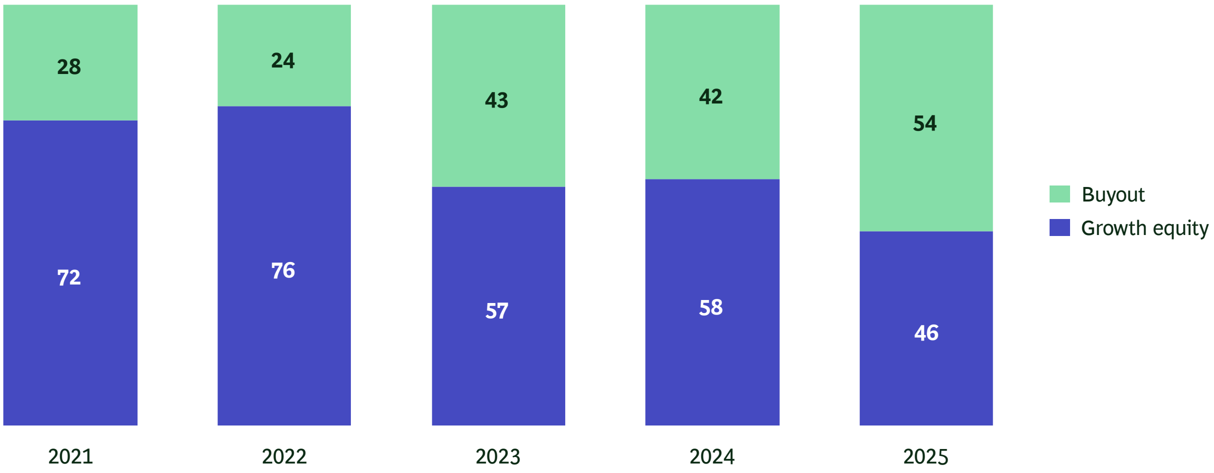
MAINLAND CHINESE PE USES A MAJORITY JOINT VENTURE TO LOCALIZE A GLOBAL CONSUMER BRAND

For a Mainland Chinese PE firm, acquiring majority control of a global beverage retailer's Mainland China business created a platform for operational alpha rather than a simple bet on category growth. The investor brought local market insight, site-selection discipline, digital customer acquisition, supply-chain optimization, and faster expansion into lower-tier cities. The global retailer retained a meaningful minority stake and continued to contribute brand and IP. The operating structure aligned rights with the value creation agenda: the Mainland Chinese sponsor gained the control it needed to localize execution and accelerate growth, while the multinational remained economically exposed to the long-term Mainland China opportunity. The deal illustrates the emerging ownership reset: not withdrawal from Mainland China, but a transfer of operating control to the owner best placed to create the next phase of value.

EXHIBIT 2

Buyout Activity Has Been Increasing in Greater China

DEAL VALUE MIX (%)



Sources: Preqin; BCG analysis.

From Product to IP: Mainland China Innovation Becomes a Global Transaction Currency

Mainland China is becoming valuable not only for the scale of its market and manufacturing base, but for the quality and exportability of its intellectual property. Its progress is visible across sectors. In electric vehicles and batteries, manufacturers worldwide are using Mainland China–originated technology, engineering, and product architectures in commercial applications. Mainland Chinese exports of electric vehicles, lithium-ion batteries, and photovoltaic products reached approximately $180 billion in 2025, about 3.5 times the 2020 level. The disclosed value of global licensing deals for Mainland China–origin biopharma assets has risen tenfold since 2020; in 2025, five of the ten largest global R&D licensing partnerships involved Mainland China–based companies.

This is the strategic equivalent of a "Kimi moment"—a visible proof point that changes global assumptions about the quality and pace of innovation in Mainland China. The M&A implication goes beyond biotech. Assets with defensible intellectual property, credible validation, and a route to global commercialization platforms can command strategic value even if their domestic revenue base is currently limited. The transaction opportunity spans licensing, NewCo structures, asset-rights deals, minority investments, and acquisitions designed to combine drug candidates discovered in Mainland China with global regulatory, clinical, branding, and distribution capabilities.

AI Stack Reconfiguration: Consolidate Bottlenecks, Build Parallel Platforms

AI investment in Greater China is creating two deal agendas. The first relates to interdependence. Even as US and Mainland China technology ecosystems diverge, critical inputs, equipment, and subcomponents remain embedded in cross-border supply chains. Taiwan's full-year 2025 exports reached a record $640.8 billion, up 34.9%, with exports of electronic components rising 26%, according to Taiwan's Overseas Community Affairs Council, and exports of information and communications products almost doubled as AI demand accelerated. That scale creates an M&A agenda around capacity, supplier resilience, and vertical capability consolidation. The investable layer is often situated below the headline chip level, in areas such as component cleaning and equipment services; connectors and optical modules; and thermal management, power systems, and automation. These assets can be strategically important to both domestic and global customers, making them candidates for consolidation even as final-system architectures separate.

The second deal agenda involves investment in the rest of the Mainland China AI stack, as Mainland China and global architectures separate. Data centers, cloud infrastructure, network connectivity, data governance, power and cooling systems, and operating software increasingly need different ownership, financing, technology, and compliance models inside and outside Mainland China. This divergence creates opportunities to build or acquire parallel platforms: one optimized for domestic Mainland Chinese customers, regulations, and capital pools; and the other designed for Mainland Chinese companies that are expanding overseas and for global customers that require non-US infrastructure. The value lies in separating the tech stack layers that must diverge while preserving common operating capabilities, customer relationships, and procurement advantages wherever they remain transferable.

EXAMPLE

AI INFRASTRUCTURE INCREASINGLY REQUIRES PARALLEL OWNERSHIP PLATFORMS

The original design of a data center platform combined a Mainland China–focused operation with data centers in India and Southeast Asia. The subsequent sale of the Mainland China operations to a Chinese consortium, while the Indian and Southeast Asian businesses continued to raise debt funding and expand overseas, shows how one regional platform can evolve into distinct domestic and international vehicles. The value creation logic is to preserve scale benefits where possible, but to separate ownership, financing, data governance, customer access, and expansion capital in settings where geopolitical and regulatory requirements diverge.

Strategic Outbound: Greater China Buyers Are Acquiring with Clearer Mandates

Outbound M&A in Greater China is recovering, but the new wave is more targeted than trophy-driven. Outbound buyers are using M&A to close specific strategic gaps in their industrial capability, technology access, customer proximity, supply-chain localization, and geopolitical risk management. The recovery is more visible in deal value than in deal volume. Average deal values of Greater China–announced overseas M&A more than doubled in the first seven months of 2026 compared with the first seven months of 2025, but deal volume decreased 35%, pointing to fewer, larger, and more mandate-led transactions. (See Exhibit 3.)

This marks a break from some aspects of the previous outbound cycle. The new logic is less about acquiring offshore scale and more about building local manufacturing, market access, and operating resilience in markets where trade barriers, tariffs, and customer proximity are increasingly important. The strategic lesson is not simply to pursue separation. Rather, it is to match assets, customers, governance, and capital pools to the regulatory and commercial requirements of each market.

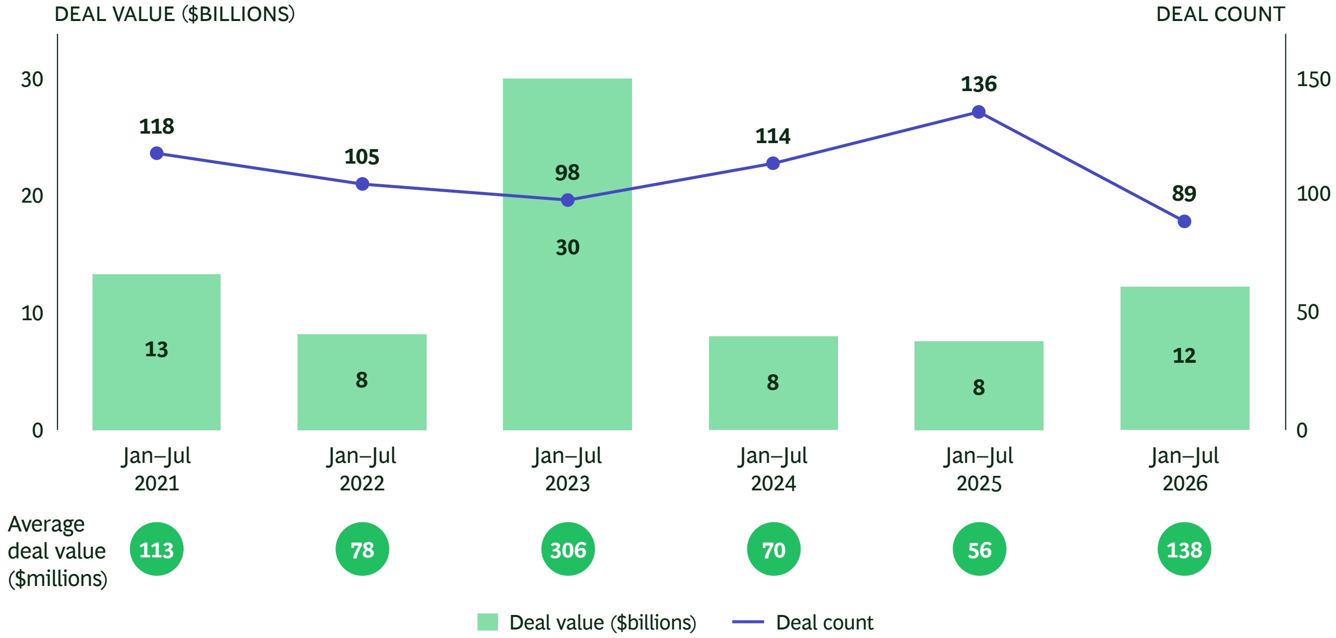
EXAMPLE

MAINLAND CHINESE AUTOMAKER ACQUIRES OVERSEAS BROWNFIELD MANUFACTURING ASSETS

A Mainland Chinese automaker agreed to acquire the land, buildings, and related assets of an African plant from a global original equipment manufacturer. The transaction offered a faster route to local production capacity than building a greenfield site. At the same time, it supported the buyer's localization agenda in a more protected auto market. The impact of the acquisition was therefore as much strategic as it was operational: the buyer gained speed, local supplier-chain optionality, and a platform to serve regional demand, with lower exposure to import barriers.

EXHIBIT 3

Greater China's Average Value per Outbound Deal More Than Doubled in the First Seven Months of 2026



Sources: Refinitiv; BCG analysis.
Note: "Jan–Jul" includes deals announced from January 1 through July 31 of the specified year.

Act Now, With a Different Mandate for Each Owner

The opportunities in Greater China are becoming clearer, but the winning agenda differs by owner type. Financial sponsors, local corporates, and multinationals should not wait for a broad-based recovery. They should use the current selective market to reposition their portfolios before competition and valuations normalize.

Financial sponsors should prioritize establishing control or governance rights that are commensurate with the value creation plan, build operating capabilities around carve-outs and localization, and underwrite exits at signing rather than relying on market gains alone. Local corporates should use M&A to acquire global channels, brands, intellectual property, and production footprints that will accelerate internationalization, while also separating domestic and overseas infrastructures in contexts where regulation and customers require different stacks. Multinationals in Greater China should conduct a best-owner review of each business, deciding where they should double down, where a local partner or majority owner can unlock growth, and what Greater China–origin intellectual property they can commercialize through the global platform.

Across all three groups, the call to action is the same: translate each theme into a named asset list, an ownership thesis, and a 100-day value-creation agenda. The market will reward owners that can move from thematic conviction to executable transactions, with the rights, capabilities, financing, and cross-border architecture necessary to deliver the thesis after signing.

INDIA M&A 2026

Fewer Deals, Bigger Bets

By Kanchan Samtani, Dhruv Shah, Payal Mehta, and Bharadwaj Raghuram

India's M&A deal volume fell by roughly 20% during the first seven months of 2026 relative to the same period in 2025, a slightly steeper drop than the global average of about 18%. (See Exhibit 1.)

Analysis of the transactions, however, suggests that the pullback may reflect discipline and selectivity rather than diminished appetite. Rich public-market valuations have widened the gap between what buyers will pay and what sellers expect to receive in an environment of tariff- and war-related uncertainty and foreign exchange depreciation. These factors may be encouraging dealmakers to adopt a wait-and-see stance ahead of greater policy clarity, nudging acquirers toward fewer, more material transactions or to longer-term bets that are less likely to be affected by short-term macro-uncertainty.

Thus, while fewer transactions closed, those that did were markedly larger and potentially more strategically weighted. As a result, overall deal value held steady (–2% for India, year to date).

Despite the decline in transactions, India's deal volume remained well above pre-pandemic levels. In contrast, activity in the global market has drifted back toward where it stood before COVID-19. In other words, India's decline in volume represented a moderation from an elevated base, not a reversion to the mean.

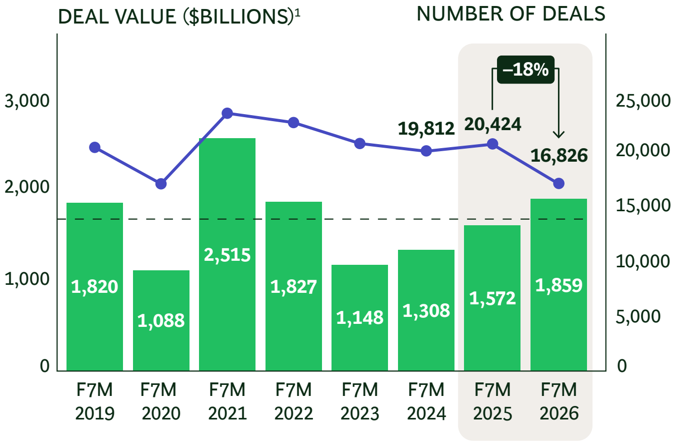
Further evidence suggests that declining activity was a response to macro-uncertainty and valuations rather than a sign of limited availability of capital or a change in sponsor sentiment. Deal volume across both archetypes of investors (financial and strategic) declined at similar rates (20% to 25%), even as deal value held steady, rising by 25% to 30% for financial sponsors and slipping only about 6% for strategics. (See Exhibit 2.) In addition, dry-powder levels for financial sponsors continued to trend close to historical highs (more than $20 billion for India-focused funds, according to Preqin).

EXHIBIT 1

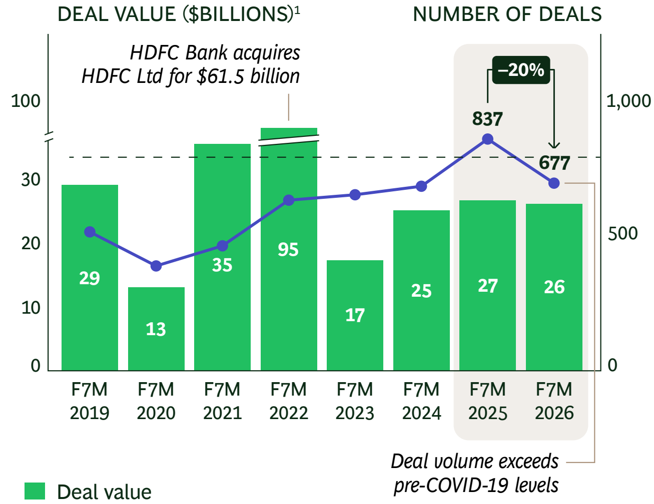
India target and/or acquirer

The Slowdown in M&A Deal Volume During the First Seven Months of 2026 Has Been More Acute in India Than Globally

Global deal volume decreased approximately 18% compared to F7M 2025



India deal value remained stable compared to F7M 2025



Number of deals   Deal value

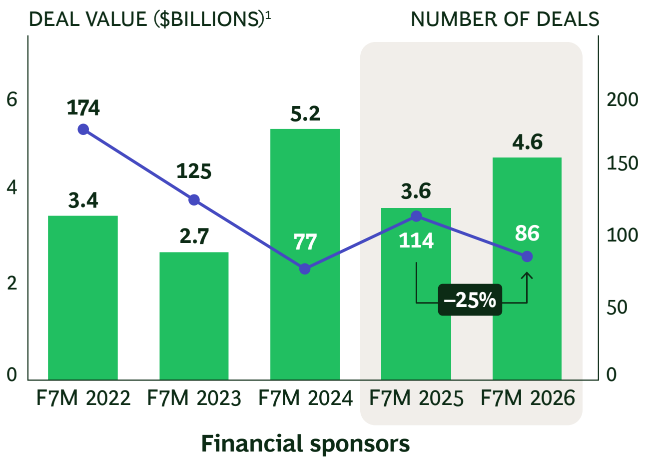
Sources: Refinitiv; BCG analysis.
Note: The total of 264,710 M&A transactions globally comprises pending, partly completed, completed, unconditional, and withdrawn deals announced from January 1, 2019, to July 31, 2026, with no transaction-size threshold. Self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interest, minority stake purchases, privatizations, and spinoffs are excluded. The corresponding number of M&A transactions for India is 7,687. F7M = first seven months.
[1]Includes assumed liabilities.

EXHIBIT 2

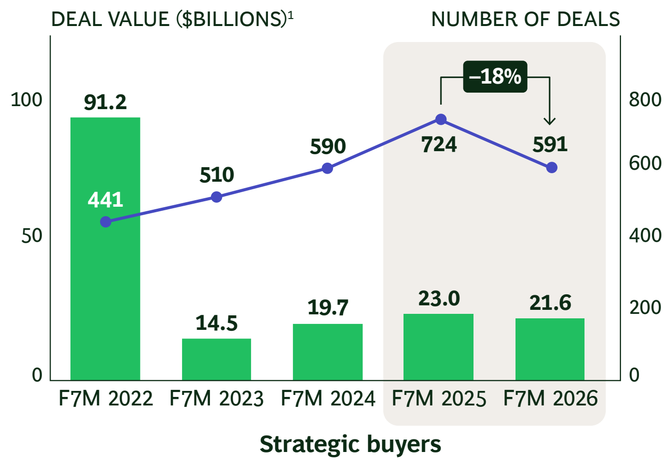
India target and/or acquirer

Both Financial Sponsors and Strategic Buyers Showed Declines in Deal Count During the First Seven Months of 2026

Financial sponsor deal value increased 1.3X compared to F7M 2025



Strategic buyers' deal value decreased by about 6% compared to F7M 2025



Number of deals   Deal value

Sources: Refinitiv; BCG analysis.
Note: The total of 7,687 M&A transactions in India comprises pending, partly completed, completed, unconditional, and withdrawn deals announced from January 1, 2019, to July 31, 2026, with no transaction-size threshold. Self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interest, minority stake purchases, privatizations, and spinoffs are excluded. F7M = first seven months.
[1]Includes assumed liabilities.

Capital markets seem to have recognized increased prudence in the Indian M&A market, as reactions following M&A events were more positive and more sustained than in prior years. Median increases in relative total shareholder return and excess share price for public domestic companies engaging in M&A exceeded comparable metrics for 2024 and 2025.[1] (See Exhibit 3.)

The combination of falling M&A volume and a market where investors are rewarding more considered bets has led corporate leaders and dealmakers to reassess their medium-term M&A agendas. They are also examining the timing of their transactions and markers for value creation, asking the following questions:

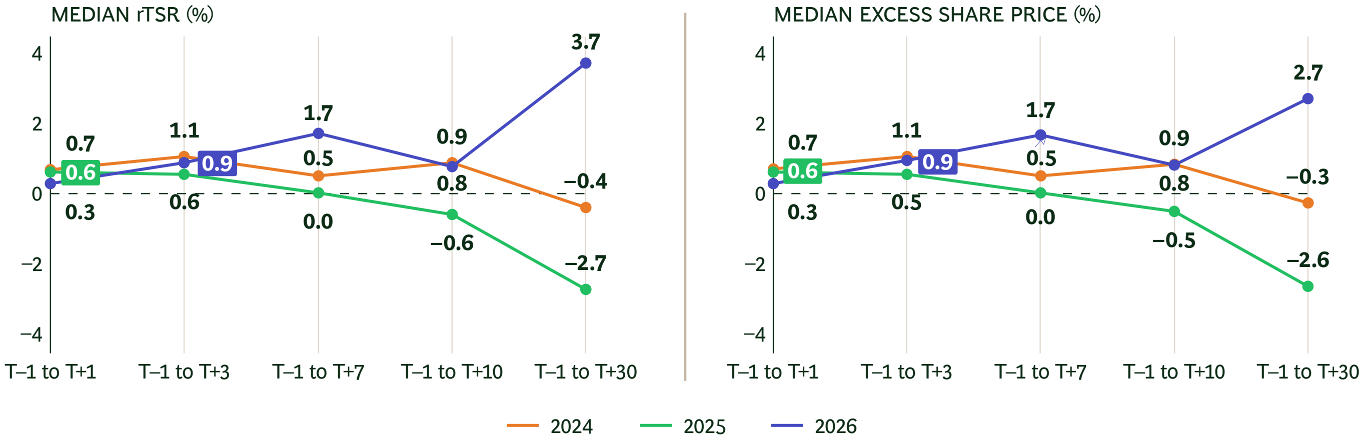
- Is it prudent for us to pause on M&A until market sentiment rebounds?
- How can we hedge against short-term adverse sentiment?
- Where are the pockets of value in the M&A market? Which leading indicators can help us identify them?
- In our target selection, what distinguishes value-accretive transactions from value-destructive ones?

EXHIBIT 3

India acquirer

Public Markets Are Rewarding Increased M&A Selectivity

Increases in rTSR and excess price change following an M&A event were more pronounced and sustained in 2026 than in prior years



Sources: Refinitiv; BCG analysis.
Note: Based on analysis of Indian public market acquirers for 1,581 transactions over 2024–2026. rTSR = total shareholder return for a company relative to its reference index over the same time horizon; relative excess price = a company's share price change relative to the underlying index's change over the same time horizon; T = date of a transaction announcement; T–1 = one day prior to the announcement date; T+1, T+3, T+7, T+10, and T+30 = one, three, seven, ten, and thirty days after the announcement date.

1. Relative total shareholder return refers to total shareholder return for a stock relative to its reference index over the same time horizon. Excess share price refers to the percentage change in share price relative to the broader index over the same time horizon.

Material Capability Additions over Tactical Tuck-ins

In the first seven months of 2026, acquirers doubled down on bigger bets. Deals valued at over $1 billion accounted for a higher proportion of total deal value in 2026 than in prior years (roughly 14 percentage points more than in 2025). (See Exhibit 4.) Deal volume was more resilient for large transactions (those greater than $100 million), in particular, than for the broader market, yielding 45 deals in 2026 year to date compared to 51 in 2025 and 37 in 2024 over the same period.

Two acquisition rationales help account for this activity:

- **Build-out of Scaled Platforms.** This trend is evident in the health-care provider roll-ups involving ASG and Neuberg Diagnostics, and in quick-service restaurant and consumer brand consolidation, as seen in the Devyani and Sapphire combination.

- **Buying Capability That Is Already Mature and at Scale.** The clearest instances of this rationale involved IT-enabled services players extending their offering footprint (as with KPIT in cybersecurity with Cymotive) and biopharma players expanding their drug portfolio, as was the case with Gujarat Themis's acquisition of MicroBiopharm Japan and Zydus's acquisition of Assertio Holdings.

Very large transactions (deals worth $500 million to $1 billion and deals exceeding $1 billion) have accounted for the highest percentage of total transaction value (about 59%) since 2024. This is due to some significant transformational deals made by financial sponsors in emerging sectors, such as the Blackstone acquisition of Neysa (an Indian AI-Infra player) and the deal for RCB (in sports and media) by a consortium of buyers.

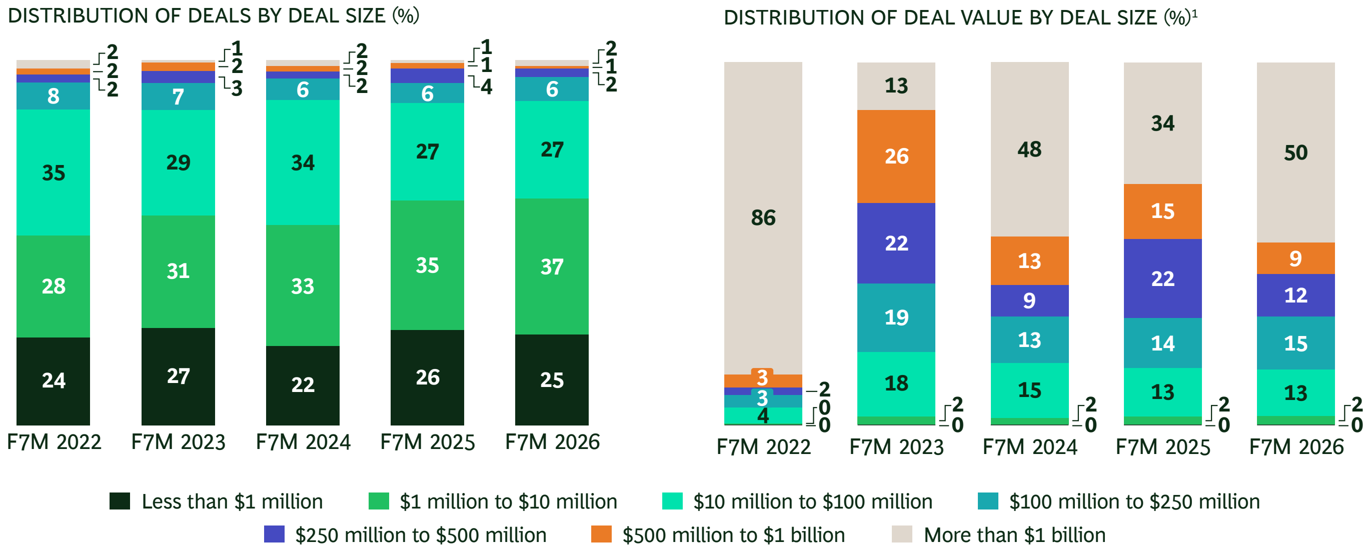
The contraction in deal volume was primarily concentrated in smaller deals, especially those valued at less than $1 million; these accounted for about half of the total decline in transaction volume from 2025 to 2026 (where deal sizes were available), a number vastly disproportionate to the category's contribution to total deal volume. This trend signaled investors' increased caution toward prospective deals that failed to move the needle or involved less proven or scaled segments.

The shift toward larger transactions amid a drop in total transaction volume mirrors a broader global pattern in which well-capitalized buyers are pursuing scale and transformation, deploying capital into fewer but larger tickets, while valuation gaps and macroeconomic uncertainty constrain smaller and midsize deals.

EXHIBIT 4

India target and/or acquirer

An Increase in High-Value Transactions Buoyed India's Total M&A Market Activity



Sources: Refinitiv; BCG analysis.
Note: The total of 7,687 M&A transactions in India comprises pending, partly completed, completed, unconditional, and withdrawn deals announced from January 1, 2019, to July 31, 2026, with no transaction-size threshold. Self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interest, minority stake purchases, privatizations, and spinoffs are excluded. F7M = first seven months. Because of rounding, not all bar segment totals add up to 100%.
[1]Includes assumed liabilities.

Internationalization of the M&A Shopping Basket

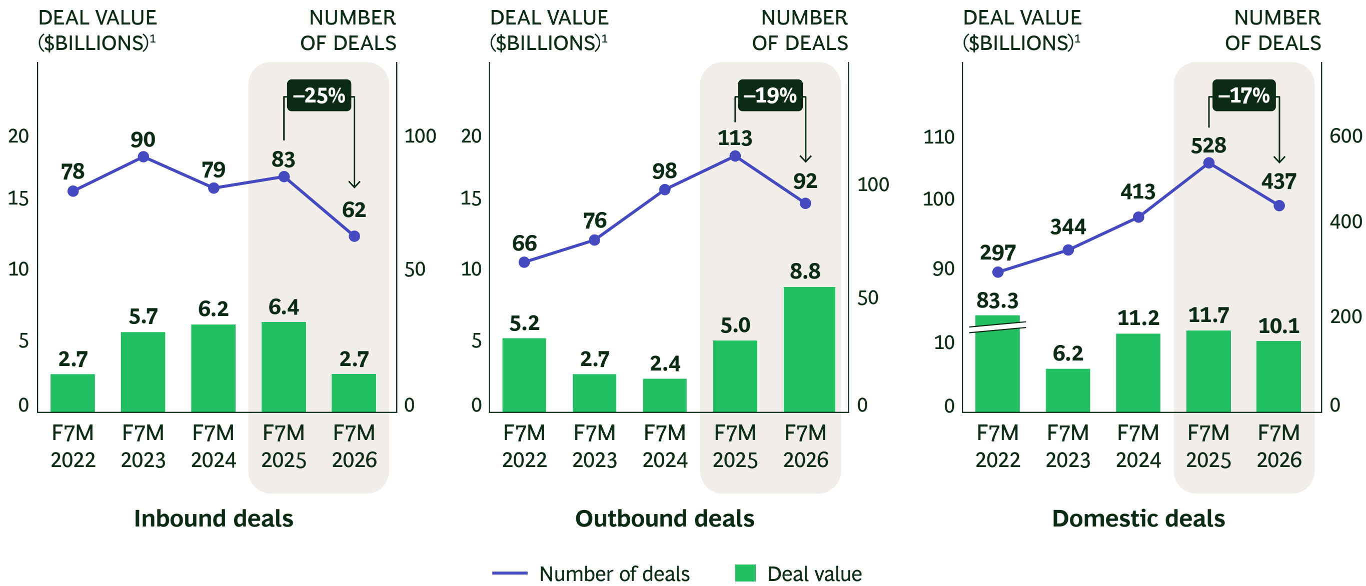
Outbound transactions—deals in which Indian strategic buyers acquired targets outside India—were an emergent theme in 2026, and the $3.8 billion increase in outbound deal value from 2025 to 2026 lifted total deal value at a time when domestic and inbound deals saw declines of $1.6 billion and $3.7 billion, respectively. (See Exhibit 5.)

Three motives propel outbound deals by strategic buyers. The first is the internationalization of supply chains in sectors where Indian companies already compete globally, as in Sun Pharma's acquisition of Organon in biopharma. The second is the pursuit of order books and business development capacity in more established markets, as seen in LTM's purchase of Randstad and Mphasis's acquisition of Theory and Practice Business Intelligence. The third and arguably most consequential is the acquisition of capabilities that cannot readily be sourced at home, most notably AI-enabled IT services (as in Coforge's acquisition of Encora and Infosys's deals for Versent and Stratus).

EXHIBIT 5

Strategic buyer led, India target and/or acquirer only

Outbound Transactions Are Emerging as a Driving Force in India's M&A Market



Sources: Refinitiv; BCG analysis.
Note: The total of 4,401 strategic M&A transactions in India comprises pending, partly completed, completed, unconditional, and withdrawn deals announced from January 1, 2019, to July 31, 2026, with no transaction-size threshold. Self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interest, minority stake purchases, privatizations, and spinoffs are excluded. F7M = first seven months.
[1]Includes assumed liabilities.

Mirroring Global Trends

Alongside the influence of local dynamics in 2026, several themes shaping global capital flows reverberated in India's M&A market.

Within technology, three themes stood out:

- Software and SaaS remained under pressure, with no recovery yet from the recent decline outside a few large transactions.
- IT services buyers rotated out of business process outsourcing, cybersecurity, and data and analytics, and into verticalized AI capability, choosing to buy rather than build.
- Indian semiconductor players saw initial signs of interest, carried over from global sponsor appetite for the sector, as seen with Vayavya Labs.

Beyond technology, two other themes were noteworthy:

- Beauty, personal care, and lifestyle brands reversed their deal volume trajectory in India with an upswing in volume that matched the pattern in their segments globally.
- Infrastructure-led sectors turned cyclical, with energy and transport both cooling relative to their activity in 2025.

The Road Ahead

India's 2026 M&A market is a study in selectivity. Buyers are making fewer but bigger deals, concentrating capital where conviction runs highest.

This pattern echoes the wider global dynamic, in which advantage lies with those that can act decisively at scale, bring clear strategic logic to every transaction, and target long-term advantage rather than short-term momentum.

Five targeted leadership directives can help an organization position itself optimally for the next wave of M&A activity:

- **Maintain an always-on M&A engine.** Capital has not left India. Buyers that continue to screen through the dip in volume will be prepared to act when assets are contested.
- **Prioritize deals based on belief in their long-term value, to hedge against dilution of short-term earnings per share.** Mature assets with a clear medium-term thesis are best able to survive a macro repricing.
- **Widen the aperture of M&A scans beyond domestic targets to include international opportunities.** Global assets are demonstrably within reach, and successful examples provide a template.
- **Track global peers closely, including those that are not direct competitors.** This is a simple way to sharpen a dealmaker's domestic M&A thesis in an environment where the Indian M&A market moves in lockstep with global peers.
- **As deal sizes grow, value is preserved or destroyed after close.** A tested integration playbook can make the difference between those two outcomes.

JAPAN M&A 2026

A Strong but Shifting Market

By Takashi Yokotaki and Shigeo Kashijuku

Japan's M&A market continued to show strength in the first half of 2026, sustaining the momentum from a record-breaking 2025. The country remains one of Asia's most active M&A markets, with full-year 2026 deal volume projected to increase by 2.8% from 2025 levels. (See Exhibit 1.) Several structural trends are driving this resilience: continued corporate governance reform, pressure to improve capital efficiency, strong corporate balance sheets, activist investor pressure, and the need for companies to pursue new sources of growth.

The strength of the market also suggests that the surge in Japan M&A is not simply cyclical. Japanese companies are operating in an environment where domestic organic growth is increasingly difficult to achieve and where investors are demanding clearer capital allocation and higher returns. At the same time, management teams are facing scrutiny over whether they are the best owners of each business in their portfolios. These forces are making M&A a more central part of corporate strategy. Instead of simply buying growth, companies are using transactions to reshape portfolios, build new capabilities, strengthen governance, and improve enterprise value.

Three Continuing Themes Remain Highly Relevant

Three themes that shaped the Japanese M&A market in 2025—business development, global expansion, and industry consolidation—remain highly relevant in the current year:

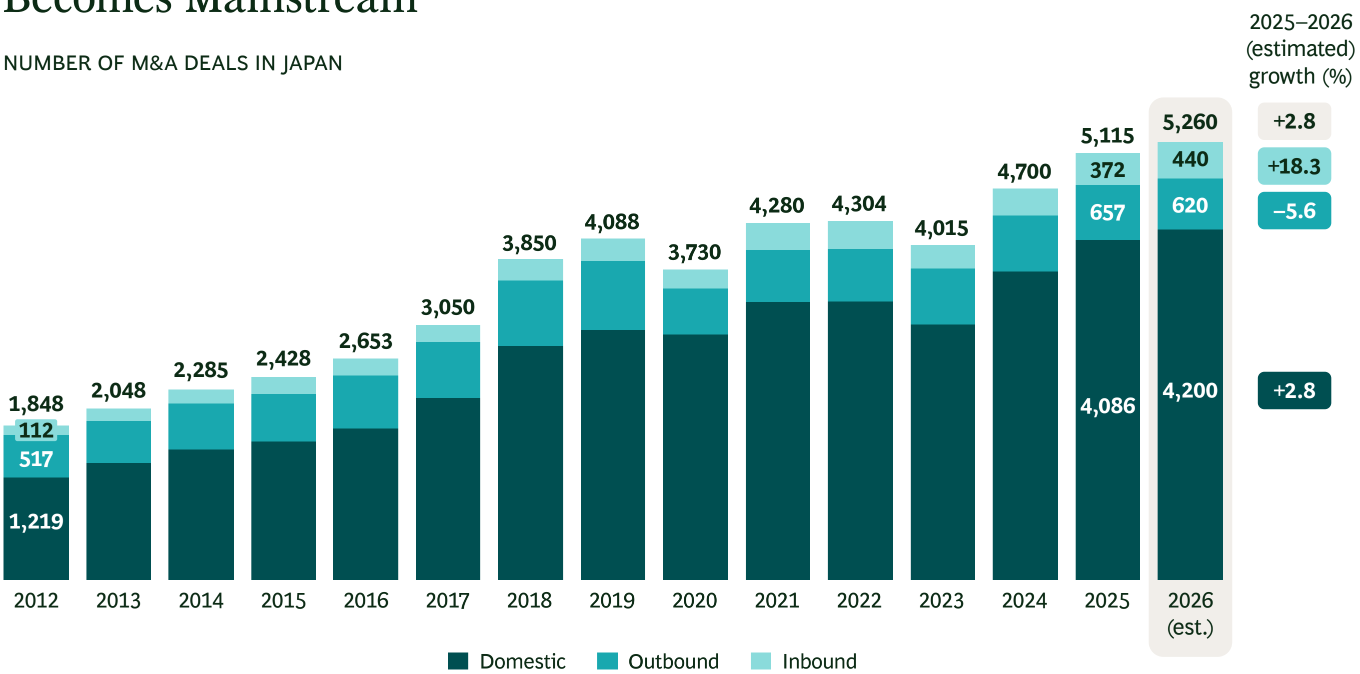
- **Business Development.** As core markets mature, companies are using M&A to enter new growth domains, broaden customer access, and build more comprehensive offerings. This is particularly relevant in sectors such as telecommunications, digital services, retail, and financial services, where companies can use acquisitions to obtain capabilities, licenses, customer relationships, or business models that would take too long to build organically. M&A is therefore becoming an important means of moving beyond traditional business boundaries and accelerating expansion into adjacent markets.

- **Global Expansion.** Outbound acquisitions remain an important growth lever as Japanese companies seek access to new markets, capabilities, and structurally attractive sectors. More broadly, Japanese companies are no longer using outbound M&A only to offset slow domestic growth. They are building strong positions in markets where demand growth, supply-chain networks, and customer access can support long-term competitiveness.

- **Industry Consolidation.** Industry consolidation continues in mature domestic sectors, reflecting the need for scale, stronger product development capabilities, and broader business model evolution in a mature retail market. Similar consolidation logic is evident across sectors that face structural pressures such as rising labor costs, technology investment requirements, shrinking domestic demand, and the need to strengthen supply chains. In these sectors, M&A serves as a way to build more resilient industry structures and improve competitiveness.

EXHIBIT 1

Japan's M&A Market Continues to Expand as Growth-Oriented M&A Becomes Mainstream



Sources: MARR; BCG analysis.
Note: In-In refers to M&A transactions between Japanese companies; In-Out refers to acquisitions of overseas companies by Japanese companies; and Out-In refers to acquisitions of Japanese companies by overseas companies. Transaction figures are based on publicly available information. The 2026 estimates are annualized on the basis of actual transactions in January–July 2026.

Two Emergent M&A Trends

In 2026, Japan's M&A story is expanding beyond previously established themes. Two additional trends are emerging as distinctive features of the market: group restructuring and proactive acquisition proposals for listed companies.

Group Restructuring Becomes Central to the M&A Agenda

Japanese companies are under increasing pressure to reassess which businesses they should own, which they should fix, and which they should divest. (See Exhibit 2.) The drivers of this imperative are capital efficiency pressure, governance reform, activist investors, and the need to address conglomerate discounts. Historically, many companies built their business portfolios over decades through diversification, overseas expansion, and the accumulation of subsidiaries. Enterprise leadership did not always challenge these portfolios aggressively, especially when individual businesses were profitable. But this style of management is now changing, as investors increasingly ask how each business contributes to group strategy and whether the company is allocating capital to the most attractive opportunities. Restructuring is taking place along three distinct dimensions:

- **Business Portfolio Restructuring.** The first dimension is the divestiture, carve-out, or separation of noncore businesses. Companies need to assess the growth potential, profitability, strategic fit, and synergy potential of each business. If the strategic rationale for ownership is weak, divestiture or carve-out may create more value. A recent example is Kyocera's carve-out of part of its chemicals business into a newly established company, to be acquired by Sumitomo Bakelite. This transaction illustrates how a corporate seller can separate a business as part of a broader portfolio review, while a strategic buyer can use the acquisition to strengthen capabilities in higher-value materials, including applications related to AI data centers. Such transactions highlight the growing importance of identifying the best owner for each business, rather than simply keeping historically accumulated assets within the group.

- **Reevaluation and Turnaround of Overseas or Previously Acquired Subsidiaries.** The second dimension is the reevaluation or turnaround of previously acquired businesses, particularly overseas subsidiaries. Many Japanese companies expanded globally through acquisitions over the past decade, but some acquired businesses have not delivered the expected synergies or returns. Companies now need to determine whether to invest further, replace leadership, strengthen governance, restructure operations, or exit. Many are reevaluating past overseas acquisitions and reallocating resources toward areas where they can create greater long-term value.

EXHIBIT 2

Group Restructuring Is Becoming a Priority for Creating Enterprise Value

Three dimensions of group restructuring

Portfolio restructuring Divest, carve out, or separate noncore businesses	• Review each business for growth potential, profitability, and strategic fit • Carve out or divest businesses where the company is not the best owner • Redeploy capital and management attention to higher-value opportunities
Reevaluation and turnaround of acquired subsidiaries Fix, reinvest, or exit overseas and legacy acquisitions	• Assess the performance of past acquisitions, especially overseas subsidiaries • Decide whether to fix, reinvest, or exit on the basis of return potential • Reallocate resources to businesses with stronger long-term prospects
Unwind of parent-subsidiary listings Consolidate, delist, or sell listed subsidiaries	• Clarify the rationale for keeping subsidiaries listed • Consider consolidation (take-private) or sale to simplify structures • Strengthen group governance, decision-making speed, and capital efficiency

The objective of group restructuring is not simply to dispose of assets, but also to **reallocate capital and management resources** to create maximum value

Source: BCG analysis.

- **Unwinding of Parent-Subsidiary Listings.** The third dimension has been a long-running issue in Japan, but pressure has increased as investors focus more on minority shareholder protection, group governance, and capital efficiency. Parent companies are being pushed to clarify whether listed subsidiaries should remain public, be fully consolidated, or be sold. Medipal Holdings' tender offer for PALTAC is a clear example of how parent companies are moving to fully consolidate listed subsidiaries, resolve parent-subsidiary listing structures, and strengthen group governance.

Taken together, these developments suggest that group restructuring is no longer just a defensive exercise. It is becoming a proactive enterprise-value agenda. Companies need to determine where they are the best owner, where they should improve performance before divestiture, and where ownership change could unlock value. This endeavor requires strong leadership to build internal alignment on hard portfolio choices.

Proactive Acquisition Proposals for Listed Companies Gain Momentum

Japanese companies and investors are showing greater willingness to make proactive acquisition proposals for listed companies. (See Exhibit 3.) Since METI issued its 2023 Guidelines for Corporate Takeovers, relatively assertive approaches, including unsolicited proposals, have become a more common strategic option. In July 2026, following a public consultation, METI issued final materials clarifying the interpretation, key points, and Q&A for the guidelines. These materials do not revise the guidelines, but they provide greater clarity on how to apply them. In particular, they emphasize the importance of having all listed companies continuously enhance corporate value and of being prepared to compare a credible standalone value creation plan against the value that an acquisition proposal offers.

The direction of travel is clear: acquisition proposals—including unsolicited approaches—are becoming part of the normal strategic toolkit in Japan, and target boards are expected to assess such proposals on the basis of corporate value and shareholders' common interests. This trend has practical implications for public-company acquisition proposals in areas such as how acquirers identify targets, how they frame a compelling value-creation case relative to the target's stand-alone plan, and how listed companies prepare robust full-potential plans before an approach occurs. Three implications are especially noteworthy:

- **Acquirers are becoming more proactive.** The shift is not limited to hostile transactions. More broadly, Japanese companies are moving beyond banker-led "brought-in" deals and beginning to proactively identify acquisition targets on the basis of their own strategic priorities. For example, through a tender offer, Brother Industries is pursuing the full acquisition of MUTOH to strengthen its industrial printing business—one of its future growth areas—and to combine the two companies' technologies and business foundations.

EXHIBIT 3

A More Active Market for Corporate Control Is Reshaping Public-Company M&A in Japan

Three implications of a more active market for corporate control

More proactive target origination by acquirers Move from brought-in opportunities to strategy-led target identification	• Define acquisition themes on the basis of strategic priorities • Build proprietary target lists, including listed companies • Develop perspectives and relationships before a formal sale process begins	Acquirers increasingly need to create opportunities rather than wait for deals to come to market
Target-centric value propositions Demonstrate how the transaction will accelerate the target's growth	• Articulate benefits beyond buyer-side synergies • Specify investment in talent, technology, digital capabilities, and customer access • Present a credible roadmap for postdeal growth and integration	A successful proposal must explain why the acquirer will be a better owner of the target
Standalone full-potential plans by listed companies Prove that remaining independent can deliver superior shareholder value	• Understand the gap between intrinsic value and market value • Define and execute a credible full-potential plan • Strengthen portfolio management, capital allocation, and investor communication	The strongest defense is to demonstrate and realize standalone value before pressure emerges

As ownership becomes more contestable, acquirers must prove that they can be **better owners**, while listed companies must prove the **value of remaining independent**

Source: BCG analysis.

- **Successful proposals need to emphasize growth contribution, not just synergies.** Successful acquirers must show how they can contribute to the target company's growth, not just what synergies they can capture for themselves. Yokogawa Bridge Holdings' tender offer for BR Holdings, a specialist in prestressed-concrete bridge construction, is an example. Yokogawa Bridge's rationale goes beyond buyer-side consolidation. The transaction will expand BR Holdings' business opportunities, including its investment in human capital for building construction and in infrastructure to support digital transformation in the construction sector. It will also result in a stronger bidding structure that combines Yokogawa Bridge's strength in steel bridges with BR Holdings' strength in prestressed concrete. This type of growth-oriented rationale is increasingly important in public-company acquisitions, where target boards and shareholders want to understand how a proposed change in ownership will create value.

- **Listed companies need to prepare their own full-potential plans.** The trend toward proactive acquisitions also has implications for potential targets. Traditional defensive measures may not be sufficient, and investors may view them negatively if they appear to protect management rather than shareholder value. The more fundamental defense is to close the gap between intrinsic value and market value. A recent case involving a listed digital services company illustrates this dynamic: the company received a take-private proposal, but it also announced an alternative proposal in which a major shareholder held a significant stake. In such situations, boards need to know not only whether a proposal is attractive, but also how much value the company can create on a standalone basis. This type of situation shows why listed companies increasingly need to articulate and execute their own full-potential plans before they have to respond under pressure.

Overall, the defining feature of Japan's active M&A market in 2026 is its evolving purpose. Japanese companies are using transactions to pursue growth, reshape portfolios, strengthen governance, respond to activist and shareholder pressure, and prepare for a more active market for corporate control. The winners will be companies that treat M&A not as a series of isolated transactions, but as a continuous leadership agenda for enterprise value creation that entails deciding which businesses to grow, which to fix, which to divest, and where to deploy capital next.

SOUTHEAST ASIA M&A 2026

Capturing Value in a Growing Market

By Jared Feiger, Archit Choudhary, Anant Shivraj, Nicharee Nithipongwanich, and Suphaphon Surapolchai

Southeast Asian M&A value rose significantly in the first seven months of 2026, recovering from three lean years of dealmaking. Despite that growth, M&A in the region remains underused as a source of value. Companies continue to treat deals opportunistically rather than strategically, target breadth over depth, and inconsistently capture promised returns. To change this dynamic, dealmakers should take a programmatic approach, setting a clear strategy before screening targets, executing to win the right deals at the right price, and maintaining discipline to capture synergies.

Overview of Southeast Asia's M&A Market

Deal value in Southeast Asia rose 44% year-over-year during the first seven months of 2026, while deal volume fell 11%—a pattern marked by fewer deals, but materially larger ones, according to BCG's Transaction Center.[1] (See Exhibit 1.) There were several drivers of value. Improved valuations drew sellers back to market, while foreign direct investment (FDI) climbed steadily, with regional inflows reaching $245 billion in 2025 (up from $113 billion in 2020), resulting in a deep pool of foreign capital.[2] Easing interest rates lowered financing costs, encouraging a return of leveraged deals. At the same time, a private-equity exit backlog from 2022 and 2023 has been a source of motivated sellers.

Three sectors with multiple deals led the value recovery: technology, finance, and materials and industrials.[3] (See Exhibit 2.)

Technology was the biggest contributor at $6.8 billion, accounting for 34% of large-cap deal value—the sector's strongest first half of any year so far this decade. Tech extended a run of data hosting and digital infrastructure deals on AI-focused infrastructure, exemplified by KKR and Singtel's $5.2 billion buyout of Singapore-based data-center operator STT GDC.

Finance contributed $4.1 billion (21%) of value, with six large-cap deals across insurance, investment services, and financial transactions. This is the highest deal value the industry has reached since 2022—and more than twice the value in 2024 and in 2025.

Materials and industrials accounted for $1.7 billion (9%) across nine large-cap deals. The focus here was on domestic consolidation in metals and mining, concentrated in Indonesia and Malaysia and driven by cost synergies and resource ownership. In chemicals, Thai petrochemical majors PTTGC and SCGC announced a study to form a joint venture, combining their Thai olefins and polyolefins businesses into a single entity.

1. All Southeast Asia M&A transaction data in this article was provided by BCG's Transaction Center.
2. United Nations Trade and Development, "World Investment Report 2026: International Investment in a Turbulent Era," 2026.
3. Although Telecommunications ranked third in deal value, a single transaction accounted for all of that value.

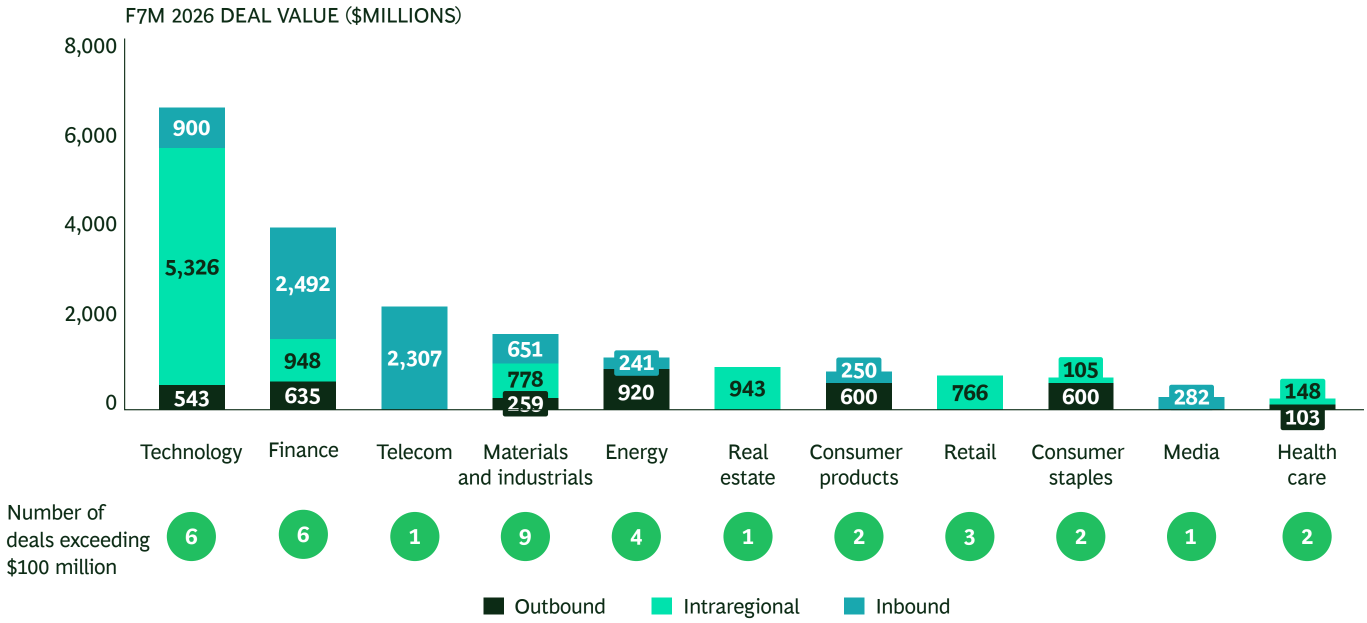
EXHIBIT 1

Southeast Asia's 2026 First-Seven-Month Deal Value Is the Region's Highest Since 2022

Sources: LSEG Workspace; BCG Transaction Center.
Note: Transactions comprise pending, regulatory pending, and completed deals announced during the first seven months of each year from January 1, 2015, through July 31, 2026, with no transaction-size threshold. Individual asset purchases, deals involving real estate investment trusts and property funds, intragroup restructuring, restructuring of state-owned enterprises, debt acquisition, and deals involving special-purpose acquisition companies are excluded. F7M = first seven months.

EXHIBIT 2

Technology, Financials, and Materials and Industrials Led on Both Deal Volume and Value



Sources: LSEG Workspace; BCG Transaction Center.
Note: Transactions comprise pending, regulatory pending, and completed deals announced from January 1, 2026, through July 31, 2026, with deal value greater than $100 million. Individual asset purchases, deals involving real estate investment trusts and property funds, intragroup restructuring, restructuring of state-owned enterprises, debt acquisition, and deals involving special-purpose acquisition companies are excluded. F7M = first seven months.

FDI was the biggest contributor of value in the first half of the year. Inbound deals accounted for $6.5 billion (47%) of large-cap deal value, led by US, Japanese, and Taiwanese buyers. Deals centered on logistics, transport infrastructure, and a steady build-out of manufacturing capacity. By large-cap deal value, intraregional activity remained the backbone of Southeast Asia's dealmaking at $3.8 billion (28%), mostly in metals and mining. Outbound activity generated the smallest amount of flows at $3.4 billion (25%), led by Singaporean acquisitions abroad.

Singapore—the preferred entry point for foreign capital—continued to dominate the region, accounting for roughly $7.9 billion across 11 transactions. Around 70% of this value came from inbound investors focused on technology, port logistics, and infrastructure acquisitions. Indonesia and Malaysia, by contrast, were domestic stories, with eight combined deals totaling $1.9 billion. Large-cap activity by Thailand, Vietnam, and the Philippines was limited.

M&A Remains Underutilized Among Southeast Asian Companies

M&A activity is rising in Southeast Asia, but is not yet as high as it could be. The region's economies generated $4.3 trillion of GDP in 2025, but only $49 billion of large-cap strategic M&A. This equates to an intensity of 1.2% of GDP, less than half the global average of 2.7%, and below the Asia-Pacific benchmark of 1.5%, according to World Bank data. Furthermore, apart from Singapore (2.3%), the region's countries average an intensity of just 0.9%, one-third of the global norm. Five factors explain this gap:

- **Dealmaking is mainly opportunity-based.** For many Southeast Asian corporates, M&A deals are opportunistic and reactive, not strategic. Rather than being a board-level priority, they tend to be triggered when a banker presents a deal. A more constructive approach would be to map targets against portfolio gaps, reserve capacity for inorganic growth, and develop mandates that delineate what to buy and at what price.

- **Diversification is often prioritized over value creation.** Dealmakers in the region tend to prioritize diversification over value creation, using M&A to expand into new sectors and geographies rather than deepen capabilities, sharpen adjacencies, or build defensible positions in core markets. Some of the region's conglomerates have a history of diversifying into industries far from their core—energy groups moving into food, for example, or banking groups into telecommunications. By value, diversification accounted for 62% of Southeast Asia's deal value for deals over $100 million in the past ten years, compared to 50% globally. This pattern held for volume, too, as diversification deals made up 63% of the region's total, versus 55% globally. But diversification deals that ventured into unfamiliar industries posted a median two-year TSR of –2.8%, versus +0.9% for same-industry deals.

- **Control preferences limit value creation.** Family-owned enterprises are dominant in the region, according to a UN Trade and Development report.[4] Consistent with that finding, an HSBC Private Bank report notes that 77% of surveyed owners expressed the desire to keep their business in the family. Although these preferences are understandable, they can obscure value-creating opportunities. Many Southeast Asian conglomerates hold diversified business groups that they have accumulated over decades, with capital locked in noncore assets that they could redeploy into businesses with higher growth potential. A tendency to limit divestment of underperforming or nonstrategic assets can leave portfolios overdiversified and undercapitalized in the areas that matter most.

- **High cancellation rates at execution.** The region's deal cancellation rate runs 2 percentage points above the global average. Several factors can derail deals between signing and close. Due diligence often surfaces issues related to earnings quality that justify a lower price at a time when sellers remain anchored to peak valuations, widening the gap rather than closing it. Regulatory approvals introduce further uncertainty in the forms of government-linked company shareholder resistance, delays in approval issuance, and land transfer complications. Public and political sentiment, particularly for deals involving strategic sectors, national champions, or significant employment, can upend the regulatory calculus.

- **Inconsistent post-deal value creation.** Where companies pursue deals with focused strategic intent and disciplined integration, M&A can be transformative. For example, scale consolidation in the telecommunications, banking, and consumer sectors has created genuine regional champions. But this is not always the case. Many acquisitions function as bolt-on subsidiaries with no integration into the acquirer's operating model, no committed synergy targets, and no accountability for value capture. The aggregate result is an M&A market that falls short of its potential: Southeast Asian deals generate a three-day cumulative abnormal return of just 0.8% at announcement—compared to 9.3% globally and 3.4% across Asia-Pacific.

The factors that lead to Southeast Asia's underperformance are not inevitable. As noted, there are a number of examples of successful transactions for regional dealmakers to follow. To truly change the trajectory and attain full value potential, leaders can adopt a systematic approach that begins well before screening.

4. United Nations Trade and Development, "ASEAN Investment Report 2024," October 2024.

Call to Action: From Reactive to Programmatic

Changing a company's approach to M&A from reactive to more programmatic is a three-phase journey that starts with establishing the M&A mandate, progresses to execution, and concludes with integration and value capture.

Phase 1: Strategy—Establish the M&A Mandate Before Screening Targets

The first step in moving from reactive to programmatic M&A is to define the strategic role of acquisitions before any target appears, thereby ensuring that capital, governance, and corporate-development capacity are aligned behind a clear mandate. Three actions are essential during this phase:

- **Elevate M&A to a board-level priority with dedicated capital.** A company's M&A priorities must align with its business objectives, and leaders must take ownership of those priorities. Without a dedicated capital envelope and board-level accountability, M&A will remain banker-activated rather than strategic.

- **Anchor the acquisition thesis to core and near-core opportunities.** In each planning cycle, leaders should clarify which capability gaps or scale opportunities they will address through M&A during the coming 12 to 24 months, which archetypes are relevant to the company's M&A strategy (for example, scale consolidation, capability acquisition, or adjacent market entry) and what the target state for the portfolio should be once a deal is completed. Annually reviewing M&A priorities alongside organic investment and capital expenditures enforces the discipline of allocating capital to the most value-creating options.

- **Build an always-on corporate development function.** A dedicated team that reports to the CEO should maintain 20 or more prescreened targets, build direct relationships with potential sellers 12 to 18 months before any sales process, and carry institutional deal memory across transactions.

Phase 2: Execution—Win the Right Deals at the Right Price

Once the mandate is clear, execution discipline determines whether the company can translate its strategic intent into completed deals at valuations that leave room for value creation. This phase, too, encompasses three key actions:

- **Build due diligence rigor.** Due diligence should extend beyond standard financial and commercial considerations to items including tech due diligence (to assess the tech product's features, roadmap feasibility, and tech quality), operational due diligence (to evaluate synergy improvement levers, process and systems fit, and organizational health), and industry-specific diligence requirements such as procurement and pricing. Because multiple advisors are involved across parallel workstreams, it is essential to appoint a lead advisor to coordinate analysis, manage information flow, and synthesize findings into an integrated view.

- **Develop valuation discipline and deal-structuring capability.** Leaders must be clear about the elements necessary to achieve target value—key assumptions, growth drivers, synergy sources—and stress-test these factors across scenarios. When valuation gaps emerge, leaders must deploy the right instrument to close them: earn-outs where there is disagreement on future performance; seller rollovers where founders want ongoing upside; or staged acquisitions or minority stakes where control transfer is the barrier.

- **Navigate regulatory complexity as a strategic workstream.** Dealmakers should treat regulatory risk as a deal thesis variable. Early in the process, they should map approval requirements, political sensitivities, and shareholder dynamics, so that regulatory risk shapes the deal structure from the outset rather than surfacing as a barrier at signing. Where concentration is an issue, leaders should preplan remedies in the form of divestiture commitments, pricing undertakings, and conduct conditions. They should also engage regulators proactively with a credible mitigation framework to shorten review and improve their odds of winning approval.

Phase 3: Integration—Capture the Value After Signing

Signing is not the end of the deal but the start of value capture. The original deal thesis must therefore guide integration, with clear ownership of synergies, talent, culture, and transformation from the outset. Three critical actions stand out during this phase:

- **Begin integration planning before close.** The signing-to-close window—typically three to six months in Southeast Asia—can be the most valuable time for an M&A deal, or it can be the most wasteful. Many acquirers make the mistake of treating it as dead time; but then, when the keys change hands, they find that talent has disengaged, the target is in limbo, and integration is playing catch-up. Three things must happen in this window. First, leaders should translate the deal thesis into a value-ranked integration plan—a list of workstreams prioritized by the value at stake. Second, they should build the integration plan within the preclosing period, not after it, employing a clean team—a ring-fenced group of neutral advisors—where needed. During the period when antitrust rules bar the two companies from sharing sensitive information, the clean team gathers data from both sides, models synergies, designs the target operating model, and hands leadership a ready-to-execute roadmap the moment regulatory approval lands. Third, before day one, the acquirer should ensure the retention of the 20 to 30 people in the acquired business whose departure would destroy deal value.

- **Set targets, pursue synergies, and use integration as a growth catalyst.** Acquirers that commit to specific synergy targets and track delivery on those targets outperform in M&A. They should quantify targets by type, assign ownership of them to named individuals, and build toward them through an iterative process in which top-down stretch targets flow down, bottom-up validation flows up, and leaders resolve gaps before committing to a final number. Publicly announcing the synergy target sharpens this commitment. A public number disciplines the target-setting process internally and holds management accountable externally. The best acquirers treat disclosure as an additional value-creation lever. Beyond synergies, the integration window provides an opportunity for both companies to shape their future growth, profitability, and modernization in ways that a normal business environment would not allow. To do this, acquirers should set transformation ambitions alongside synergy targets from day one, applying the same ownership rigor and tracking cadence.

- **Manage culture and people.** Cultural complications can present tangible risk. In Southeast Asia, where individual countries are multiracial and multicultural, cross-border deals compound this diversity across languages, legal systems, religious practices, and management norms simultaneously. Yet companies rarely quantify or manage this complexity. They can do so by adopting a tactical approach that includes assessing cultural gaps across key dimensions, setting a target culture for the combined entity, and achieving it through structured leadership and people activation.

Deal value in Southeast Asia is up 44% in the first seven months of 2026, assets are coming to market, and capital is available. The window of deal opportunity is open. For dealmakers that establish appropriate capabilities across all three phases of their approach to M&A, the compounding returns are real.

SOUTH KOREA M&A 2026

Mature Market, Uneven Results

By Yoonju Kim and Seoha Kim

South Korea's M&A market has entered a mature and bifurcated phase. Analysis of 8,674 South Korea-involved transactions announced from 2012 through 2025 shows that the familiar "fewer but bigger" trend is directionally correct but misses an important nuance. At the top end, deals are fewer, larger, and more strategic; across the broader market, the typical transaction remains modest. Aggregate value is resilient, but market breadth is not.

In comparison to the postpandemic peak of 2021, announced deal count in 2025 fell from 760 to 625 (a decline of roughly 18%), while disclosed value decreased by about 14% from $71 billion to $61 billion. (See Exhibit 1.) But the distribution of deal sizes tells a different story. Median deal value fell from about $22 million to $14 million, while average value rose to approximately $129 million. In 2025, the mean-to-median multiple reached 9.2 times—the widest gap at any point in the 2012–2025 series.

The upper tail explains that gap. The ten largest transactions accounted for 44% of 2025 value, compared with 28% in 2022. The lesson is that market health cannot reliably be inferred from aggregate value alone. One or two transformational transactions can make the market appear robust even when the underlying pipeline is thin. To get a fuller picture of market health, dealmakers should monitor concentration of value, median size, and the breadth of disclosed deals alongside the headline total.

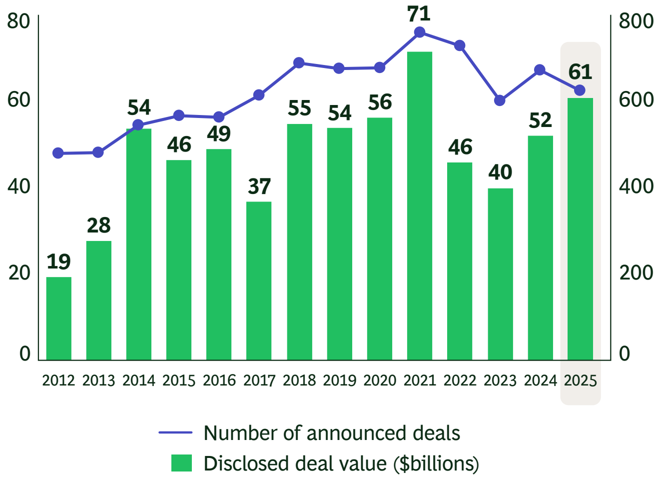
Domestic by Volume, Cross-Border by Deal Size

South Korea remains a domestically anchored M&A market. Of 3,385 transactions announced from 2021 to 2025, 2,561 (roughly 76%) were domestic (as defined by the target's domicile and the nationality of the acquirer's ultimate parent). Yet those deals generated only 68% of total value generated in South Korea. (See Exhibit 2.) Inbound and outbound activity represented 24% of deal count but 32% of value. Cross-border transactions also skew larger: The median outbound deal was nearly $28 million, compared with almost $15 million for domestic transactions, meaning that cross-border transactions account for a disproportionately large share of value relative to their frequency.

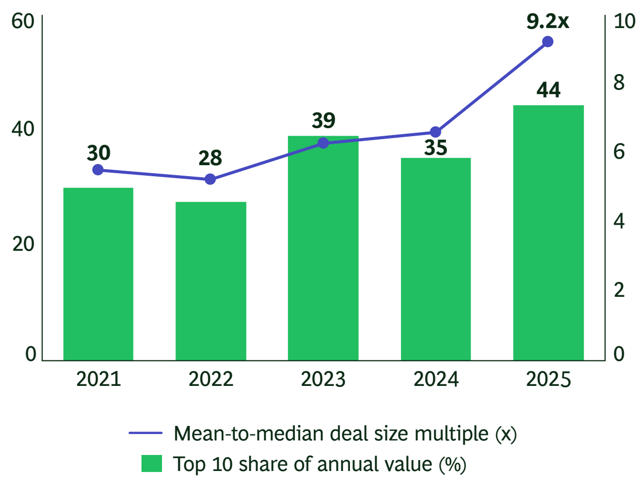
EXHIBIT 1

South Korea's M&A Value Recovered, While Its M&A Volume Fell

DEAL VALUE ($BILLIONS) AND DEAL VOLUME, 2012–2025



MEAN-TO-MEDIAN DEAL SIZE MULTIPLE (X) AND TOP 10 SHARE OF ANNUAL VALUE (%), 2021–2025

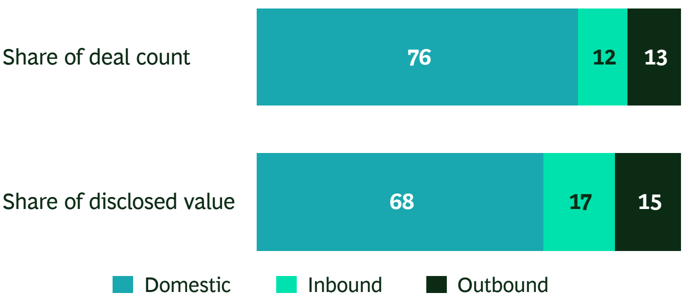


Sources: Refinitiv transaction data; BCG analysis.

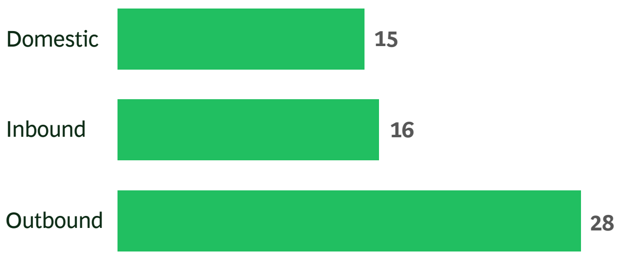
EXHIBIT 2

Domestic Deals Accounted for Three-Quarters of Transactions but Only 68% of Value

DEAL COUNT SHARE (%) AND DEAL VALUE SHARE (%), 2021–2025



MEDIAN DISCLOSED DEAL SIZE, 2021–2025 ($MILLIONS)



Sources: Refinitiv transaction data; BCG analysis.
Note: Because of rounding not all bar chart segments add up to 100%.

Divestiture Is the Market's Hidden Engine

Conglomerate portfolio surgery—comprising internal simplification, asset transfers, and the disposal of noncore businesses—is often considered the driver of portfolio restructuring. The broader data set, however, reveals divestiture as a more pervasive mechanism. From 2021 to 2025, divestitures accounted for 47.7% of deal count but 61% of value. (See Exhibit 3.) Their share of annual value exceeded 50% during each year of the period, reaching 74% in 2024. Far from being a cyclical side story, portfolio sales and carve-outs have been the market's primary route for reallocating ownership.

Private equity is the natural counterparty to this rotation. Sponsor involvement rose by about 7 percentage points in deal count and 6 percentage points in value from 2012–2016 to 2021–2025. More than half of recent sponsor transactions were divestitures, and 64% of sponsor-backed value came from divestiture deals. Sponsor transactions were also materially larger: the median was $42 million, compared with $14 million for nonsponsor deals.

As divestitures become the dominant source of value and as sponsors increasingly acquire carved-out assets, execution complexity rises significantly. Sellers need standalone financials, separation blueprints, transition-service architecture, and management plans before launch. Buyers need clear synergy targets, early clean-team work, and a day-one operating model during due diligence. Sponsors need to work from operational value-creation theses rather than relying on leverage alone. In a market where divestitures generate the lion's share of value, carve-out readiness is no longer a specialist requirement; it is a core M&A capability.

Selective Globalization Follows a Two-Speed Model

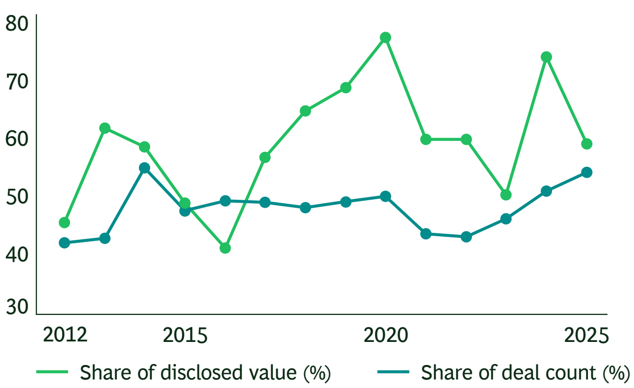
South Korea's outbound M&A is concentrated in terms of both buyers and sectors. On an ultimate-parent basis, 427 outbound transactions generated about $42 billion of disclosed value from 2021 to 2025. The US accounted for 153 deals, or 36% of the outbound count, and about $19 billion (46%) of value. (See Exhibit 4.) The target mix spans health care, high technology, media, financials, and materials. Rather than aiming for broad geographic diversification, South Korean buyers have been making targeted platform and capability bets.

Southeast Asia accounted for 76 transactions, or 18% of the country's outbound deals, but only $4 billion (9%) of value. Vietnam and Indonesia led activity, with targets concentrated in technology, financials, energy, consumer staples, and industrials. The median disclosed outbound transaction with Southeast Asia was $14 million, compared with $77 million in the US. The pattern represents a two-speed globalization model: the US for larger capability and platform bets, and Southeast Asia for market access, production footprint, and supply-chain positioning.

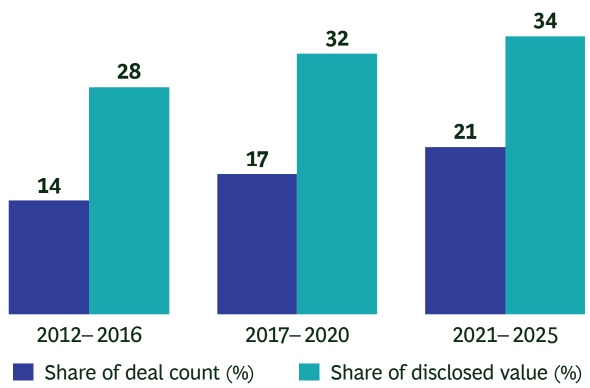
EXHIBIT 3

Divestitures Are the Primary Engine of South Korean M&A

DIVESTITURES AS A SHARE OF DISCLOSED VALUE (%) AND AS A SHARE OF DEAL COUNT (%), 2012–2025



SPONSORS AS A SHARE OF DEAL COUNT (%) AND AS A SHARE OF DISCLOSED VALUE (%), 2012–2025

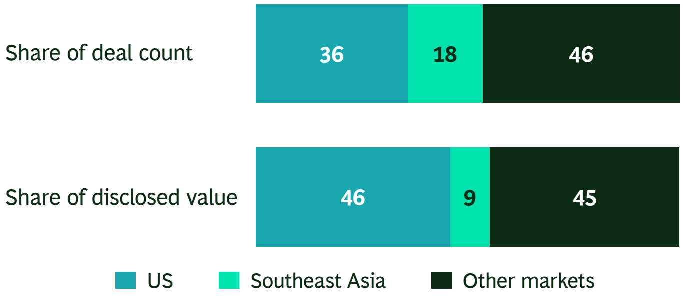


Sources: Refinitiv transaction data; BCG analysis.

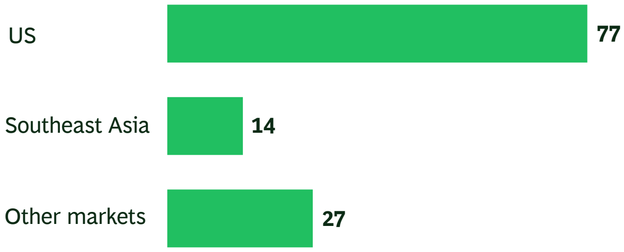
EXHIBIT 4

The US Is the Largest Target for Outbound South Korean M&A in Terms of Both Value and Deal Count

DEAL COUNT SHARE (%) AND DEAL VALUE SHARE (%) BY TARGET MARKET, 2021–2025



MEDIAN DISCLOSED DEAL SIZE BY TARGET MARKET, 2021–2025 ($MILLIONS)



Sources: Refinitiv transaction data; BCG analysis.

Three Imperatives for Dealmakers

For dealmakers, the next phase of South Korean M&A will reward targeted execution rather than generalized activity, with different priorities for corporate buyers, sellers, boards, and financial sponsors:

- **Corporate buyers should separate domestic and cross-border playbooks.** Domestic pipelines require portfolio logic and separation discipline. Cross-border pipelines require a higher bar for capability value, integration feasibility, and governance. Because the distribution is highly skewed, average market values are a poor basis for screening.
- **Sellers and boards should treat carve-out readiness as a continuous capability.** Because divestitures account for the majority of market value, prebuilt standalone financials, transition-service plans, management incentives, and clear perimeter definitions can widen the bidder pool and reduce value leakage.
- **Financial sponsors should prioritize sectors with both separation potential and operational headroom.** Consumer and services assets show deep sponsor liquidity, but achieving repeatable value creation will depend on operating-model change, digital and commercial improvement, and credible exit pathways.

The outlook for South Korean M&A is cautiously constructive but uneven. There is sufficient domestic depth to sustain activity, and cross-border transactions can lift annual value sharply. Yet performance will remain sensitive to a small number of large deals, and the pipeline of carve-outs and sponsor exits is unlikely to be consistent. The question for dealmakers is no longer whether South Korean M&A will recover, but where value will concentrate when it does. The winners will be organizations that prepare before assets come to market, especially for complex separations and US-linked capability acquisitions.

How We Track M&A Activity

During the first eight months of 2026, BCG's Transaction Center conducted the research that underpins *The 2026 M&A Report*, the latest edition of BCG's annual publication.

Data Sets

BCG's M&A research data set (the "M&A database"), which we used as the basis for our analyses, comprises approximately 1,052,000 M&A deals over the period from January 1980 through December 2025. For our assessment of general market trends, we analyzed reported M&A transactions from 1990 through the first eight months of 2026. For our analysis of aggregate deal value and deal volume, we included all announced majority transactions, including pending, partially completed, completed, unconditional, and withdrawn deals. Except where indicated otherwise, we excluded transactions marked as self-tenders, recapitalizations, exchange offers, repurchases, acquisitions of remaining interests, minority-stake purchases, privatizations, and spinoffs. We applied transaction-size thresholds where indicated, based on deal value, including assumed liabilities.

Our analysis draws primarily on data from LSEG, supplemented by the BCG M&A Sentiment Index, BCG M&A Explorer data, and other data sources as indicated.

Short-Term and Long-Term Value Creation

Short-Term Value Creation

Although we used distinct samples in analyzing different issues, we employed the same econometric methodology to all return analyses.

To determine the announcement return, we derived a simplified cumulative abnormal return (CAR) measure using a market-adjusted return—not a market-model CAR—by taking the difference between the actual return on the acquirer's stock ($P_{t,acq}$) and the return realized in the sector index ($P_{t,index}$) as an approximation for expected returns, starting three days before the announcement date (–3d) and ending three days after it (3d). (See Equation 1.)

EQUATION 1

$$CAR_{acq} = (P_{3d,acq}/P_{-3d,acq}) - (P_{3d,index}/P-_{3d,index})$$

Long-Term Value Creation

For M&A deals, we tracked the stock market performance of the acquirers or the sellers over periods of different length following the acquisition announcement. We could not track the targets because, in most cases, they are delisted from the public equity markets.

First, we measured the total shareholder return (TSR) generated by the acquirer or seller over a time period of length *t*. (See Equation 2.)

EQUATION 2

$$TSR_{t,acq} = (P_{t,acq}/P_{-3d,acq})1/t - 1$$

$$TSR_{t,index} = (P_{t,index}/P_{-3d,index})1/t - 1$$

Second, we subtracted from the TSR the return that a benchmark index delivered over the same period, in order to find the relative total shareholder return (rTSR) that the acquirer or the seller generated—in other words, the return in excess of the benchmark return.[1] (See Equation 3.)

EQUATION 3

$$rTSR_{t,acq} = (1 + TSR_{t,acq})/(1 + TSR_{t,index}) - 1$$

We could not include all deals in this analysis because, for some deals, the time elapsed since the announcement was too short to allow us to calculate the returns.

Statistical Significance of Our Results

We applied common-practice statistical significance tests to all of our quantitative results in this report. To assess whether means differed statistically from zero, we used one-sample t-tests; where appropriate, we used two-sample t-tests to determine whether the difference between means differed significantly from zero—that is, whether two groups did in fact have different means.

Generally, for longer-term analyses (such as for one- and two-year rTSR) and for the short-term analysis (that is, for CAR), we used relative measures of size impact (such as deal value compared to the enterprise value of the acquirer) as well as absolute measures of size (such as deal value) to determine whether a transaction was sufficiently material to have had an impact on overall performance.

1. The benchmark indexes that we applied are the relevant worldwide Refinitiv (formerly Thomson Reuters) indexes.

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