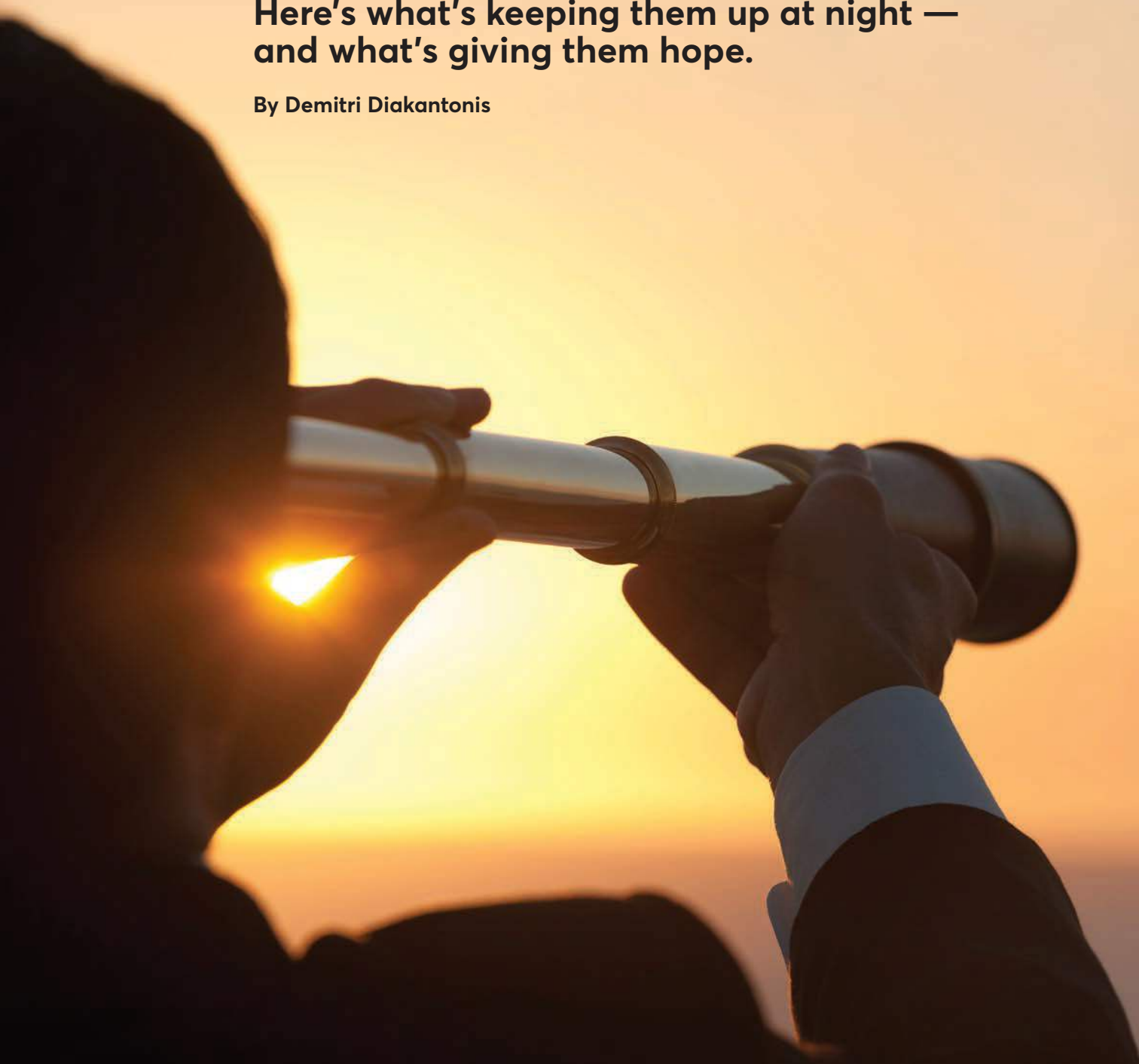


The 2026 M&A Outlook

Fifty voices. Dozens of sectors. One sweeping look at how investors, lenders and advisors are preparing for the year ahead.

Here's what's keeping them up at night — and what's giving them hope.

By Demitri Diakantonis



2026 M&A Outlook

With a new year comes anticipation and excitement, trepidation and worry. Will 2026 finally be the comeback year dealmakers have been anticipating? Time will tell, but in the meantime, we spoke to over 50 dealmakers to get their forecast on the most pertinent questions we all have for the year ahead. See the following for our annual M&A Outlook.

What is your outlook for the economy in 2026?

The consensus is steady but restrained economic improvement—a year defined more by normalization than acceleration. Inflation is expected to continue cooling and interest rates should gradually ease, but few anticipate a return to the ultra-low cost of capital of the 2010s or a rapid rebound in liquidity. Instead, leaders foresee moderate GDP growth, tighter credit conditions and a cautious investment climate.

Geopolitical tensions and structural labor challenges—aging demographics, tight hiring pools and shifting trade patterns—remain persistent variables. Yet the tone is not pessimistic: many see 2026 as a pivotal year toward stability, with CEOs embracing transformation, technology adoption and M&A to drive growth and reposition portfolios. Overall, expectations point to a moderate-growth environment that prizes operational rigor, selective deployment and strategic consolidation over aggressive expansion.



Jason Bordainick, Managing Partner and Co-Founder, Hudson Valley Property Group:

We expect the U.S. economy in 2026 to face ongoing headwinds. While inflation continues to cool and interest rates may begin to ease slightly, we're not anticipating a

dramatic shift in sentiment or liquidity. The market will still be digesting the effects of years of elevated rates and capital deployment will remain cautious. Resilient, needs-based asset classes like affordable housing should see steady demand and value appreciation, while riskier sectors, particularly those exposed to short-term debt or weaker fundamentals, will continue to face valuation pressure. This environment will reward discipline, capital efficiency and long-term alignment between sponsors and investors.



Sean Epps, Managing Director, GenNx360 Capital Partners: We expect the U.S. economy to remain resilient, though growth will likely be moderate compared to prior years. With inflation stabilizing and interest rates potentially easing, we anticipate improved capital

availability and a constructive environment for middle-market companies, though uneven across sectors. Global geopolitical dynamics will remain an underlying variable that business leaders must navigate.



Uk-Sun Kim, Head of Credit Originations - Middle Market & Sponsor Finance, TD Bank:

I expect a moderate-growth, higher-for-longer macroeconomic backdrop in 2026. Real GDP growth is likely to remain positive, but fall below the long-run trend, settling in the

low-to-mid one to two percent range for the United States. The labor market is expected to stay tight, inflation should continue cooling without collapsing, and nominal interest rates will likely remain above the ultra-low levels seen in the 2010s. This combination will create an environment in which credit is available but more expensive, capital expenditures are pursued selectively, and companies focus on margin resilience and cash-flow generation rather than aggressive expansion. These dynamics will be driven by sticky structural demand for services and wages amid slower productivity gains, fiscal policy impulses shaped by recent tax and spending decisions and credit conditions that remain relatively tight for smaller firms.



Louis Lehot, Partner, Foley & Lardner: After four years of decline replaced by uncertainty, my view is that a scenario that includes lower interest rates, more deregulation, a more balanced budget, predictable terms of trade and with uncertainty

over tax rates removed, should be a launching pad for an economic recovery.

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Paul Lisiak, Managing Partner & Chief Investment Officer, Metropolitan Partners Group: We expect the K-shaped U.S. economy to persist in 2026. On the corporate side, the laws of financial gravity will reassert themselves and we

anticipate that rising input costs coupled with limited pricing power will trigger more mini-black swan events in certain industries. We expect that most of these mini-black swan events will be sparked through the unwinding of over-levered businesses and private equity owners being forced to retreat and no longer delay loss recognition. This will lead to asset pricing dislocations and opportunities for under-levered businesses to shine.



Mike Moore, Partner, Co-chair of the Corporate Practice Area, Barclay Damon: Cautiously optimistic. If inflation can stabilize, assets that have been held back in light of political and market uncertainty may free up and unlock

increased deal activity. More investment in, and deployment of, AI at an operational level could also motivate businesses to find and capitalize on synergies achieved through M&A.



Kevin Mulligan, Managing Director, Monomoy Capital Partners: I expect 2026 to be a year of gradual normalization rather than rapid expansion. As rate pressures ease and capital markets stabilize, confidence could improve across industrial

and consumer end markets. Growth may still be modest early in the year, but I anticipate stronger momentum by mid-year as businesses resume deferred investments. Inflation should remain contained, and supply chains are more predictable than in prior cycles. Overall, we're preparing for a steady operating environment, not without challenges, but one that rewards disciplined cost structures and well-positioned companies ready to capitalize on improving demand.



Reuben Munger, Managing Partner & Chief Investment Officer, Vision Ridge Partners: While 2026 is likely to be less turbulent than 2025, we think the capital intensity of the AI cycle will likely continue to crowd out investment across parts of the

broader economy. Headline growth may look strong, but we believe underlying weakness is likely to persist in sectors that aren't directly benefiting from AI-driven activity.



Gunnar Overstrom, Partner, Corsair Capital: Driven by continued strength in employment, consumer spending and capital investment, 2026 is likely to be a strong year for the domestic economy. While a low unemployment rate remains a

tailwind, it is being driven in part by a declining labor pool due to lower immigration and an aging population. This is a trend worth monitoring because, if it continues, it will become a headwind to GDP growth. Consumer spending should remain healthy, though likely moderating from recent elevated levels. Capital expenditures will remain a key driver of growth, fueled by ongoing investment in AI and energy, the onshoring of supply chains and continued tax incentives.



Amanda Zablocki, Partner, Co-Leader of National Healthcare Team, Sheppard Mullin: The year ahead will bring continued pressure across the healthcare sector. Organizations will face significant headwinds from multiple directions, including

federal funding cuts and regulatory uncertainty, rising drug prices, competitive pressures and cost barriers to adopt and leverage artificial intelligence across all aspects of their business. While the environment will be challenging, like we saw during the pandemic, such pressures will be the catalyst for greater innovation and creative solutions, prompting organizations to reassess portfolios, pursue consolidation and form partnerships to stay competitive.

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What are your top macro concerns that could impact your business next year?

Macro concerns for 2026 center on policy volatility, capital cost pressure and the structural consequences of technological and geopolitical realignment. While interest rates may stabilize, few expect a smooth descent: election-year uncertainty, regulatory shifts in credit and AI, and the potential politicization of monetary policy all raise the stakes for capital deployment, valuations and transaction timing. Global security dynamics—from trade frictions to supply-chain realignment and energy constraints—continue to keep operating costs elevated, even as firms adapt through pricing discipline, procurement adjustments and workforce planning.

Beyond the balance sheet, leaders are increasingly focused on system-level fragilities: demographic turnover as aging owners seek exits, institutional over-allocation to private markets, insurance inflation and even the possibility of digital bank-run contagion driven by accelerated information flow. AI remains both catalyst and disruptor—powering productivity while reshaping job demands, regulatory expectations and capital flows. Taken together, the landscape suggests 2026 will reward those prepared for tight labor markets, persistent cost volatility, selective lending conditions and policy-driven structural shifts, rather than those expecting a return to pre-disruption norms.

Bordainick: Political polarization is creating more volatility in housing policy, particularly around rent control, property tax frameworks and development incentives. These policies can create both challenges and opportunities but add uncertainty that complicates capital deployment. We're also keeping a close eye on insurance cost inflation and continued pressure on operating margins. Even as interest rates begin to stabilize, cost structure remains tight. In this environment, execution certainty and long-term alignment between public and private partners will be more important than ever.



Jeff Buettner, Managing Director, Butcher Joseph & Co.: Our biggest concerns are persistent interest rate volatility, geopolitical uncertainty and an election year that could delay decision-making among buyers, sellers,

and lenders. In the mid-market, even modest shifts in credit spreads or tax expectations can meaningfully affect transaction timing and valuations. We're also watching demographic trends and their downstream impact on ownership transitions. Many business owners are aging into liquidity events just as capital becomes more selective.



Jason Colodne, Co-Founder and Managing Partner, Colbeck Capital Management: Factors like rising capital costs, inflation and evolving regulatory capital requirements all have the potential to directly impact non-

sponsored deal flow and borrower resilience. While interest rates are expected to stabilize, any unexpected shift such as prolonged higher-for-longer policy or rapid cuts will have an obvious and immediate impact on deal pricing and borrower behavior. Regulatory and policy shifts such as changes in banking regulations or private credit oversight could also alter competitive dynamics and increase compliance costs.



Gregory Fine, Member and Co-Chair, Private Equity Practice, Mintz: Rising discount rates and cautious acquirers are depressing valuations, creating bottlenecks in exits and extending holding periods

for portfolio companies. Compounding these challenges, many institutional investors remain overallocated to private markets and are committing capital more selectively, making fundraising slower and more competitive. Together, these forces are reshaping the private equity landscape, favoring firms with strong operational capabilities, patient capital and proven track records, while putting pressure on over leveraged assets and newer managers.

“Rapid information flow via social media increases the risk of sudden deposit flight among large, uninsured business accounts.”

Jason Ruggiero
EJF Capital

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Hendrik Jordaan, Partner, Nelson Mullins Riley & Scarborough: Talent markets, especially at the management team and operating partner level, remain competitive. The ability to secure strong leadership is becoming as critical as

securing capital.

Kim: One key risk is the persistence of higher-for-longer interest rates, as sustained elevated policy rates increase funding costs, compress valuations, particularly in growth and technology sectors, and slow the pace of mergers and acquisitions. Another concern is geopolitical fragmentation and rising trade frictions, with export controls, investment screening measures and supply-chain decoupling driving higher capital expenditure and sourcing costs. A potential credit-market repricing or liquidity event also poses risk, as stress in commercial real estate, non-bank lenders or concentrated private credit exposures could lead to tighter corporate lending conditions. Finally, regulatory shocks related to AI and data could emerge, with new rules around data governance, AI safety or competition abruptly altering compliance costs and product development roadmaps.



Aaron Kless, Chief Executive Officer & Chief Investment Officer, Andalusian Credit Partners: For private lenders, uncertainty around the path of interest rates is a constant, and 2026 will be no different. Should the Fed

slow its pace of rate reductions to get inflation closer to its target, we and others in the private credit industry will need to operate under a higher-for-longer, potentially more volatile rate environment. That would affect everything from debt pricing and covenant design to ongoing portfolio monitoring. On the other hand, if political dynamics undermine the Fed's independence, and interest rate decisions become perceived as politically motivated rather than data-driven, the set of economic risks becomes far more complicated.

Mulligan: My top macro concerns remain demand consistency, cost volatility and labor availability. While industrial activity has stabilized, a slowdown in key end markets could delay the operating leverage firms like Monomoy worked to build. Input costs, particularly raw materials, freight and energy, remain unpredictable due to evolving trade policy, and tight labor markets continue to create wage pressure in certain regions. We're focused on agility: adjusting pricing, procurement and

workforce planning to maintain resilience. The combination of disciplined execution and cost efficiency will be critical if growth proves slower than expected.

“If political dynamics undermine the Fed's independence, and interest rate decisions become perceived as politically motivated rather than data-driven, the set of economic risks becomes far more complicated.”

**Aaron Kless
Andalusian Credit Partners**

Munger: The AI cycle continues to dominate capital flows within the energy sector, and we believe it is likely to increasingly collide with supply chain constraints and policy uncertainty. The combination of those two factors has the potential to create renewed inflationary pressures and impact investment planning across the market.



Matthew Rosen, Head of Real Estate Asset Management, Balbec Capital:

Rising unemployment on the back of increasing automation and AI adoption could strain consumer finances, in both first and second order effects. While this

also creates opportunities, it heightens vigilance around existing portfolio risks. Trade tension and tariffs remain a concern as well, as they could stoke inflation and weaken the dollar, further pressuring household budgets. In addition, the political environment remains uncertain, which could influence social support programs and immigration policies with potential effects on overall economic growth, structural demand for housing and labor supply/wage dynamics.



Jason Ruggiero, Co-Chief Investment Officer, Senior Portfolio Manager, EJP Capital: Digital bank run risk:

Rapid information flow via social media increases the risk of sudden deposit flight among large, uninsured business

accounts. Until deposit insurance is updated to cover larger balances, banks remain vulnerable to these online-driven liquidity events.

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What is your outlook for M&A dealflow and the lending market in 2026?

The consensus heading into 2026 is that dealmaking won't snap back overnight, but it will pick up—and more meaningfully as the year goes on. Buyers are still picky and valuation gaps haven't magically disappeared, but both sides are getting more comfortable meeting in the middle, our prognosticators say. Expect more earnouts, minority recaps and creative ways to move money around so everyone feels like they got a fair shake.

What's different this time is that deal activity isn't expected to come only from the usual hot spots. There's energy building in the lower middle market, especially founder-led companies that have been quietly growing without much banker involvement, our experts say. Unlike the narrow sector rallies of the last few years, they say 2026 is shaping up to be a broader story— more sectors participating, more owners ready to engage, and more capital willing to lean in once rate and policy noise settles.

On the lending side, banks are still cautious and sticking to tight underwriting. Expect more bespoke capital, more structure, and less reliance on the old leverage model to get deals across the line through private credit and non-bank platforms.

Buettner: We expect a steady, but more deliberate market. The appetite for quality assets remains strong, but buyers are scrutinizing fundamentals more closely. Deal flow should accelerate in the back half of the year as uncertainty around rates and policy begins to settle. We anticipate more creative structures: earnouts, minority recaps and partial liquidity transactions, as stakeholders work to close valuation gaps.

Bordainick: We expect marginal improvement in the lending environment in 2026, driven by increased rate stability. However, traditional lenders remain conservative and underwriting remains tight. Mission-driven and impact credit providers are stepping in to fill the gap, especially in affordable housing. We also see a rise in creative structures, forward purchase agreements, seller financing and GP securitizations that are helping projects move forward despite market constraints.



Richard de Silva, Managing Partner, Lateral Investment Management: In the small buyout market, sub-\$200M EBV, we are seeing unprecedented proprietary deal flow in our 10 sub-sector vertical areas. The opportunity set for investment in bootstrapped businesses is largely overlooked by investment bankers who view these smaller deals as uneconomic. Our pipeline for 2026 indicates strong opportunities and high-conviction founders that want a partner to seize larger opportunities than they could attack on their own.

Colodne: We expect the middle-market lending environment to remain robust in 2026, particularly for non-sponsor borrowers. Traditional banks will continue to face regulatory and capital constraints, limiting their appetite for smaller, bespoke transactions. This creates a significant opportunity for private credit providers.



Effram Kaplan, Senior Managing Director, Brown Gibbons Lang & Co.: Next year is going to be a stronger year than I may have anticipated a few months ago. It won't be a complete blowout of the dam like we saw in 2021, but I think the cracks are going to be much wider. I continue to expect to see strong valuations and more M&A activity. But more importantly, I think there's going to be broad sector participation rather than a select set of sectors, such as infrastructure and services, that have been leading deal activity over the past several years.



Andrew Lauck, Managing Partner, Maple Park Capital Partners: We're optimistic that 2026 will be an active year, with slightly increased deal flow relative to 2025, particularly in sectors with resilient consumer demand and predictable cash flows. Private equity deal flow is up this year compared to 2024 and that momentum feels likely to continue given tightening credit spreads and the continued need for sponsors to generate liquidity for their investors.

Lisiak: We believe there will be a return to fundamentals and less financial engineering at the corporate level, as the current environment demands strong operating performance from companies in order for them to succeed and be rewarded by investors. With respect to capital flows, the rise of retail-oriented products will continue to drive the private credit fundraising machine as this new cohort of investors seeks portfolio diversification and attractive risk-adjusted returns.

David Ng, Principal, Avante Capital Partners: During periods of heightened volatility, most investors tend to pump their breaks and overall investment appetite decreases. In the field of private equity, we could see sellers continuing to hold onto their portfolio companies longer, translating into lower transaction volumes.

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What is your outlook for exits in 2026?

Our forecasters say 2026 is shaping up to have the backlog finally break loose. Primary markets are regaining their footing, continuation vehicles will no longer be the only release valve and valuations are inching close enough for buyers and sellers to stop staring each other down. There's still caution out there, but the urgency is real, especially for owners who have hit cost, compliance or succession walls and can't keep waiting for the perfect clearing price, experts say.

It won't be a one-size-fits-all exit cycle. The best-performing, clean-story companies should have no trouble getting attention, while 2025's bruised assets may find the process slower and more selective. Add in LP pressure for distributions, strategic buyers armed with stock currency, and you've got all the ingredients for a busier, if not totally explosive, exit window.



Brad Bernstein, Managing Partner,

FTV Capital: My theme for 2026 is The

Primary Market Strikes Back. While continuation vehicles have been taking market share for the last four years, we are now seeing valuations rise in the

primary market such that it will reclaim volume and reduce the attractiveness of CVs in 2026.

Bordainick: We expect M&A activity to accelerate in the second half of 2026, as interest rates begin to stabilize and valuation expectations between buyers and sellers start to converge. Capital is still cautious, but there's growing urgency on both sides of the table, especially from groups looking to scale or exit in response to cost pressures, compliance complexity or succession planning. In the affordable housing space specifically, we're already seeing a wave of consolidation. Legacy owners, smaller nonprofits and mission-driven sponsors are increasingly seeking institutional partners to recapitalize aging assets and ensure long-term affordability.

de Silva: We are optimistic in our 2026 outlook for exits. Public markets are at all-time highs, so strategic buyers have currency to buy scaled companies to fill out their offerings.



David Fann, Senior Managing Director and Head of Investor Relations, VSS Capital Partners:

As many funds approach the end of their investment periods, the desire to invest and the LP's need for realizations and

distributions will drive frenetic buying and selling. LPs should be prepared for a surge in capital calls and hopefully an avalanche of distributions.



"As many funds approach the end of their investment periods, the desire to invest and the LP's need for realizations and distributions will drive frenetic buying and selling."

David Fann
VSS Capital Partners

Lauck: We believe the outlook for PE exits is improving. Credit markets are open and spreads have tightened, and the recent opening of the public markets has created unexpected exit opportunities for some larger sponsor-backed platforms. The current challenged fundraising environment should create continued pressure for sponsors to find exits wherever possible.

Mulligan: The 2026 exit outlook is likely to remain bifurcated. High-quality businesses with resilient earnings and clear growth stories should attract strong buyer interest, including from active strategic acquirers. However, companies more meaningfully affected by the volatility and uneven performance of 2025 may face greater scrutiny and longer or even failed sale processes. I anticipate an uptick in the number of companies coming to market, though potentially still not yet a fully normalized exit environment.



David Ng, Principal, Avante Capital

Partners: Until a critical mass of market participants perceives greater stability, early 2026 may resemble the latter half of 2025.

We could see modestly improving business fundamentals, though still muted M&A activity, relative to historical expansionary periods.

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What impact, if any, do you see AI having on your business in 2026?

By next year, AI will stop being a magic trick and start being a job description, our experts say. Lawyers can't win on issue-spotting anymore, junior roles get redefined, and deal teams suddenly have pre-integration stress-testing before anyone signs an LOI.

Our forecasters say 2026's theme could be described as "AI forces everyone to prove where they add real value." The firms that win are those who know when to automate, when to supervise, and when to lean-in on judgment.

Bernstein: The firms that pull ahead of the pack will be those combining AI with human-in-the-loop quality controls that deliver real, reliable outcomes.

Bordainick: AI is already driving efficiency across our business, from automating administrative workflows to supporting compliance and underwriting. Over time, we expect AI to play a larger role in predictive maintenance, portfolio management and resident services. The real opportunity is freeing up our team to focus on higher-value activities, while using AI to streamline what's repeatable, measurable or document-driven.

Colodne: In the long-term, we have no doubt that AI will continue to transform business models by lowering operating costs, improving scalability, and enabling data-driven strategies. For private credit, this could result in healthier borrowers, stronger cash flows, and more resilient capital structures over time.



Kenny Walker-Durrant, Partner, Technology and Life Sciences, Goodwin Procter:

AI will continue to disrupt drug discovery and medical device development, offering unprecedented opportunities to accelerate innovation. We are particularly excited about the vast potential of in-silico trials and digital twins, which promise to reduce development costs, shorten the time to commercialization and minimize the risks to patients. For example, virtual clinical trials could be undertaken for rare diseases, where recruiting sufficient patient populations for traditional clinical trials can be challenging and impractical.

de Silva: Lateral's strategy of transforming niche technology-enabled services businesses into market-leading software and AI-based businesses gets a huge lift from trends associated with AI. With agentic AI swarms, the friction around integrating disparate systems and leveraging captive customer data sets not only facilitates automation, but also

helps our companies improve productivity in ways that were not available before.

Fann: The plethora of new AI-focused ventures bears striking similarities to the dot-com era— creative destruction characterized by rapid innovation and likely followed by a bubble-bursting correction that sinks most of the second and third tier players. While many AI initiatives are currently being launched and funded, only a few are likely to endure. We should anticipate that AI will eventually touch every business function, with the most obvious applications in areas like accounting, sales and marketing and information processing. Still, its broader impact could be far-reaching and transformative.



Daniel Friedman, Global Leader of Transactions and Integrations, Boston Consulting Group:

AI can make the difference between winning and losing. Firms that can evaluate synergies or stress-test assumptions more quickly are gaining a real edge. We are also seeing AI used to monitor post-merger integration in real time, allowing acquirers to track performance against the original deal thesis. This capability will define what best-in-class M&A execution looks like going forward. It is more than an efficiency tool. It will become a strategic differentiator that widens the gap between experienced and inexperienced acquirers. Imagine being able to identify a target, assess its synergy potential, and model future market scenarios all before starting formal negotiations. That is where the industry is heading.

Lauck: Maple Park's focus on experiential investing creates a natural buffer against the long-term implications of AI for one simple reason: artificial intelligence cannot replace in-person experiences or consumers' basic desire to create memories with friends and family. Given AI tools allow consumers to become more efficient in their day-to-day lives, we actually anticipate that this will result in more free time and drive natural additional demand for experiences.

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Lisiak: We believe AI will have profound implications for how we operate, integrate our data and support the businesses to which we lend money. Internally, our chief data officer is leveraging AI to bridge the gap between off-the-shelf software and our specific needs as a non-sponsored, lower middle-market lender, creating customized solutions that would not have been possible a year or two ago. For our borrowers in the lower middle-market, we expect that AI and its knock-on effects will provide ample opportunity for growth as the creative destruction cycle in Fortune 500 businesses plays out.



Michael Magruder, Managing Director and Co-lead of Supply Chain Software, Brown Gibbons Lang & Co.: In 2026, we'll see the generalized fear of job replacement driven by AI transition toward a more nuanced understanding of where impact will

be felt and opportunity exists. We believe 2026 will be the first year that the technology stacks collapsing will be felt, and we expect job functions supported by discrete application workflows will either be repurposed into other workflows or become obsolete.



Michael Mercurio, Principal and Shareholder, Offit Kurman: AI will disrupt all professional services. For attorneys, how to properly use AI is paramount on the practice of law. Moreover, AI will have impact on the business of law including challenging

the dominant billing model of the billable hour. Firms will need to consider alternatives to the billable hour model.

Mulligan: AI is already enhancing how Monomoy operates from procurement analytics and forecasting to maintenance and pricing optimization. In 2026, I expect broader adoption of AI tools across our portfolio, supporting improved decision-making and efficiency in real time. Long-term, I think AI will become embedded in every operational system from ERP to shop-floor automation enabling smarter, faster and more data-driven management. Our team's focus remains on practical applications designed to deliver measurable returns, not hype.

Munger: AI is already transforming the energy and transportation sectors, and we expect to see accelerated changes across infrastructure in the year ahead. We

anticipate such changes will continue to push the evolutionary boundaries of global infrastructure in both pace and scope, creating opportunities, but also challenges, across the energy industry.

Overstrom: Artificial intelligence will continue to have a profound impact on the financial services industry in 2026. From automating data analysis and compliance to improving operational efficiency, underwriting, and customer experience, AI will reshape how financial institutions manage risk and deploy capital. Over the long-term, AI's integration into financial services will likely transform business models, deal sourcing and value creation across the sector.

“We are seeing AI used to monitor post-merger integration in real time, allowing acquirers to track performance against the original deal thesis.”

Daniel Friedman
Boston Consulting Group

Rosen: AI is becoming increasingly relevant to our business, and over the last two years we have observed substantial improvements in both the quality and commercial application of models. The caveat among the AI hype is that it requires a tremendous amount of model tuning and careful integration into workflows, not just dropping questions into ChatGPT. We are rolling out highly targeted use cases for AI across our business, while continuing to require careful oversight and domain expertise.



Sebastian Tiller, Partner, Mergers & Acquisitions and Capital Markets, Vinson & Elkins: In the legal industry, AI

tools have become more and more sophisticated. Over time, I expect that AI will further accelerate deal processes as AI tools

will shorten the time it takes to prepare and turn drafts. In addition, AI already helps clients get up to speed on many of the legal issues. As a result, it will no longer suffice for lawyers to just know and identify legal issues. Lawyers will need to show how they can add value by providing judgment and offering creative solutions beyond just identifying and solving issues in traditional ways, which AI will soon be able to do.

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What other mega trends do you see impacting the dealmaking industry in the coming years?

Dealmaking over the next few years won't be shaped by one big wave, but a whole set of slow-moving tectonic shifts, our experts say. Family office capital is exploding, generational wealth is changing hands, and more deals are being done outside the old sponsor-auction playbook. At the same time, public-to-private is heating up again as small-cap companies get squeezed by capital access and compliance costs.

Areas like banking technology and regulation, energy transition, climate-driven insurance dynamics, and a very sophisticated set of buyers in biopharma are sector mega-trends that should drive M&A in these niches for the foreseeable future.

If there's a common thread, our forecasters say it's this: industries are fragmenting and consolidating at the same time. Capital is getting smarter, sectors are getting more specialized, and the firms that adapt fastest — not the ones waiting for certainty — are the next winners.



James Cassel, Chairman, Cassel Salpeter & Co.: Technology will continue to enhance our ability to source and execute transactions more efficiently. However, the key will be finding reliable, accurate information

to apply and carefully vetting out misinformation.



Brian Dudley, Partner, Growth Equity, Adams Street Partners:

We're watching the evolution of corporate venture arms, which are becoming increasingly strategic and active participants in growth-stage

financings. Together with a more active secondary market, these trends point to a more dynamic deal environment, with capital flowing through a broader set of channels than in prior cycles.

Walker-Durrant: The balance of power in biopharma M&A is shifting, with mid-caps between \$3 and \$40 billion continuing to play a braver game and challenging big pharma, driving deal volume and taking a bigger share of the market.

Epps: We see several forces reshaping dealmaking including price transparency pushing platform valuations higher, making disciplined buy-and-build strategies more valuable as a way to create growth and generate returns, while sustainability is increasingly embedded in valuations. Additionally global capital flows are shifting as sovereign wealth funds and public pension funds lean into the middle market.

“Elite capital allocators will capture additional market share... accelerating the aggregation of top assets within a narrow cohort of investors.”

**Michael Magruder
Brown Gibbons Lang**

Jordaan: The most significant mega-trend is the rise of family office capital. Estimates suggest that global single-family offices oversee approximately \$3+ trillion in assets today, and that figure is expected to scale meaningfully as the intergenerational wealth transfer of up to approximately \$100 trillion unfolds over the coming decades. As this capital moves from Baby Boomer wealth creators to the next generation, we are seeing a shift toward more direct investing, more emphasis on values and thematic alignment and a greater willingness to pursue bespoke deal structures rather than conventional fund-driven auction processes. This is already reshaping competitive dynamics in the middle market.

Second, we are seeing a continued blurring of the line between strategic and financial buyers. Operating companies are building in-house investment arms, while private equity firms and family offices are increasingly co-investing and forming long-term partnerships. This drives more minority deals, continuation vehicles, structured equity and creative governance terms.

Kim: Data rights and privacy frameworks will influence valuations, with assets boasting clean data provenance and strong governance commanding higher premiums,

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while due diligence expands to include AI safety and model risk. Payments and embedded finance are likely to see consolidation, as the rationalization of BaaS and ISV (independent software vendors) ecosystems drives banks to acquire or form deeper, compliance-focused partnerships. Finally, climate risk and insurance capacity shifts, driven by catastrophe repricing in coastal and wildfire regions, will reshape the economics of real assets M&A.

Lehot: We need to see reforms in the securities laws to enable the proliferation of digital assets on a legal basis, and we need a fundamental reform of the capital markets to reinvigorate the public markets. This will require some increased regulation of the private markets.

Magruder: Elite capital allocators will capture additional market share driven by network effects, information advantages accelerated by AI and changes in underwriting criteria driven by an increasing array of available financial products. This will result in a number of funds across venture, growth equity, control capital and private lending struggling to differentiate and compete in transactions further accelerating the aggregation of top assets within a narrow cohort of investors.

Ng: We will see heightened attention around risk mitigation. For example, business owners and operators will place greater emphasis and thought around diversifying suppliers and strengthening supply chain operations.



Peter Witte, Director, Global Private Equity Lead Analyst, EY:

Thematically, many of us were brought up thinking that some measure of certainty was a precondition for the M&A markets to

function. While that remains broadly true, both corporate acquirers and PE sponsors increasingly recognize that the greater risk lies in standing still. As 2026 progresses, firms are expected to pursue transactions despite some remaining macro uncertainty – deepening diligence, expanding scenario planning and structuring deals with enhanced risk-mitigation features. Ultimately, resilience and adaptability will define the next phase of M&A, with firms advancing despite volatility to capitalize on opportunities.

“Global single-family offices oversee \$3+ trillion today, and that figure is expected to scale meaningfully as \$100 trillion transfers across generations.”

Hendrik Jordaan
Mullins Riley & Scarborough

Zablocki: The collision of environmental factors, economic uncertainty and rising costs of healthcare are intensifying the focus on the country's public health infrastructure. Until there are effective solutions on the public health front, the private sector will continue to be expected to deliver its own solutions and shoulder the costs and other challenges of ensuring people have access to quality healthcare across the country. This impacts not only health plans, hospitals and other healthcare providers, but also large employers across the country, creating a ripple effect that travels well beyond traditional healthcare. This may drive increased dealmaking across the broader economy for years to come.



Eric Zinterhofer, Founding Partner, Searchlight Capital:

Public-to-private activity is accelerating. Small-cap public companies face systematic disadvantages in capital access and investor attention, causing good

management teams to pursue privatization. Structured investments are increasingly necessary to create win-wins for sellers and buyers. Structural elements such as preferred equity layers and contractual return protections allow buyers to generate good risk-adjusted returns while providing liquidity and leaving upside for existing equity holders.

WHO WILL WIN THE SUPER BOWL?



24%



24%

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Sector Predictions

Across sectors, the through-lines from our prognosticators are consistent: AI, infrastructure and specialization. Experts say it's about durable cash flows, real utility and sectors where technology and policy tailwinds line up in 2026.

BUSINESS SERVICES



Daphne Dufresne, Founder and Managing Partner, Awani Capital:

Outsourcing will remain a key structural lever for cost reduction and flexibility, and as a sector, we expect to see continued organic growth. Attractive consolidation

opportunities still exist in sectors such as HVAC, janitorial and restoration, which are relatively insulated from tariffs and AI automation risks.

CONSUMER & RETAIL

Lauck: We believe youth enrichment is poised to continue experiencing double digit growth in 2026. Most demand for these businesses is highly resilient and largely non-discretionary, and therefore consumers will prioritize investment in their children over other discretionary purchases. Growth will come from parents' continued prioritization of spending and an overall growth in participation among kids.



Maggie Wilmoth, Director, Consumer Products and Services, William Blair:

Within the consumer products ecosystem, I anticipate that consumer staples will continue to win over durable products. Particularly, within beauty and personal care,

which are highly resilient sectors.

ENERGY



Francisco Morales Barrón, Partner, Mergers & Acquisitions and Private Equity, Vinson & Elkins: I expect

investment to continue, driven in large part by the demands of the AI build-out. Some will call it a bubble, but as companies find practical ways to use AI, that noise should fade. Growth will follow the companies that can help secure reliable power and move fast on new digital infrastructure.



Julia Papastavridis Vanderwarker, Co-Head of Aon R&W Insurance: Energy

transition and infrastructure will lead deal activity in 2026. Capital continues to flow toward renewables, grid modernization and

digital infrastructure, where policy support and long-term returns remain strong. The Inflation Reduction Act has been a clear catalyst for investment, but it has also introduced new layers of complexity around tax credit qualification, recapture provisions and supply chain constraints. Investors are responding with greater sophistication and using tax insurance, contingent risk coverage, and contractual precision to protect value.

FINANCIAL SERVICES

Bernstein: Banking tech and insurtech will remain strong performers, driven by the continued need to modernize legacy tech stacks. The substantial opportunity to replace those legacy systems with next-generation solutions will fuel robust innovation and investment across these sectors.

Colodne: We believe the insurance brokerage industry is positioned for steady growth and meaningful transformation in 2026. Consolidation will remain a defining trend as firms seek scale and efficiency, while embedded insurance models and digital innovation continue to reshape distribution.



Chris Condelles, Chief Strategy and Corporate Development Officer, Future

Standard: Asset and wealth management deals exceeding \$500 million are running at roughly twice the pace of five years ago, driven by several converging forces: the

largest firms are leveraging their scale advantages, capitalizing on strong public market multiples and robust balance sheets to become true one-stop shops for major allocators; LPs are consolidating relationships to benefit from scaled pricing and integrated solutions; and the continued expansion of private markets is creating new strategic imperatives across the industry.



Steve Valentino, Co-President, Rockefeller Global Investment Banking:

Top of mind is the rapid expansion of private credit. One area that remains underpenetrated is asset-backed finance.

These loans tend to have structural advantages like predictable cash flows and downside protection, and for these reasons have been seeing rising interest from both institutional and private wealth clients, as a strategic diversifier within credit portfolios.

2026 M&A Outlook

HEALTHCARE



Jeff Jacobs, Head of M&A and COO of Investment Banking, Solomon Partners:

Several sub-segments including healthcare services, healthcare technology and medical devices, remain highly fragmented, which will drive significant consolidation opportunities for

both strategic and private equity consolidators. Given the shift toward scalable, tech-enabled platforms, we believe healthcare technology is likely to outpace the market.



Ryan Thomas, Chair, Private Equity and Co-Chair, Healthcare Private Equity, Bass, Berry & Sims:

The autism and applied behavior analysis (ABA) space seem ripe for continued growth and M&A especially as the unmet need for these services only continues to grow.

INDUSTRIALS



Bill Capps, Partner, Chairman, Corporate Department, Jeffer Mangels Butler & Mitchell:

The building materials industry has benefitted from substantial investment in infrastructure by government. There is also substantial housing that needs to be replaced,

both multi-family and single-family.

Mulligan: I expect industrial products and services should see steady improvement in 2026 as reshoring and infrastructure spending continue to support demand. Growth will come from automation, energy efficiency and aftermarket services, which are less cyclical and margin accretive. The key drivers to watch are order rates, labor productivity and adoption of automation tools that improve throughput and visibility across the value chain.

Munger: If not for the current focus on AI, we believe autonomous vehicles would be commanding much more attention. We see 2026 as a pivotal year for AV deployment, as the difference between cities where AVs are already operating and those still preparing for adoption becomes increasingly apparent. We think this transition represents a classic case of the future having arrived, but not yet being evenly distributed.



Eric Stetler, Head of M&A, Head of Diversified Industrials, D.A. Davidson:

We believe machinery and equipment will see some tailwinds next year. Lower interest rates and tax incentives accelerated depreciation combined with stronger underlying factors such as

construction activity, infrastructure investment and farm incomes should drive improvements next year.

REAL ESTATE

Bordainick: In affordable housing, preservation will outpace new development as the core growth strategy. The economics of new construction remains difficult, while the demand for affordable, high-quality rental housing continues to rise. We see an increasing role for public-private partnerships.

TECH-ENABLED SERVICES

Fann: Business process outsourcing is a long-term trend that we believe has secular tailwinds. Cost pressures across most industries are driving companies to shift non-core activities to outsourced providers.

Jordaan: This segment continues to benefit from durable demand for workflow automation, data-driven decision support and outsourced operational capabilities across industries. Valuations are becoming more rational as capital costs normalize and revenue quality is scrutinized more closely.

TECHNOLOGY, MEDIA & TELECOM

Dudley: In enterprise software, 2026 growth will come from companies that can embed AI into workflows to deliver tangible productivity gains and ROI, not just incremental features. The key driver will be whether enterprises move from experimentation to full-scale deployment of AI systems across departments, creating broad-based spend reallocation toward AI-native solutions. We also see early signals of platform consolidation, as companies prefer integrated solutions over point tools, a dynamic that could spark increased M&A activity in the sector.

Epps: In IT services and infrastructure, two themes stand out for 2026: first, the continued migration to cloud and data-storage solutions as companies seek scalability, resilience and efficiency. Second, cybersecurity has become a board-level priority, with demand accelerating as businesses adapt to heightened digital risks.

Kless: We see media and entertainment as a particularly attractive sector for private credit lenders and investors in 2026. Recurring contracted cash flows from licensing and distribution make many content-linked businesses increasingly financeable. Private credit is well positioned to unlock growth and liquidity for producers, studios and post-production firms seeking non-dilutive capital. From an M&A perspective, the service providers, such as post-production, visual effects studios and localization firms are premium acquisition targets. Many founder-led businesses are looking to join scaled platforms with global go-to-market capabilities.

Lehot: We are seeing traditional software platforms and manual processes disrupted by the introduction of automation, artificial intelligence and machine learning at industrial scale like never before.

2026 M&A Outlook

What is your outlook for PE fundraising in 2026?

PE fundraising is finally moving into a friendlier environment in 2026 as improving public markets and easing rates help unwind the denominator effect that has constrained allocations for the past few years. With portfolios rebalancing, LPs once again have room to re-up with existing relationships and put capital behind emerging managers.

“The denominator effect will become less of an issue and PE allocations will be right-sized as a percentage of the overall portfolios, leaving room for re-ups and innovative new managers.”

Daphne Dufresne
Awani Capital

Bordainick, Managing Partner & Co-Founder, Hudson Valley Property Group: Fundraising will remain competitive, but differentiated managers with a clear strategy, track record, and operational depth will continue to succeed. Allocators are reevaluating sector exposure, with many rotating out of office and retail and increasing focus on essential services and impact-integrated investments. Affordable housing sits at the convergence of financial stability and impact, and we expect it to attract growing interest from institutional and mission-aligned capital.

de Silva, Managing Partner, Lateral Investment Management: PE fundraising in 2026 benefits from a positive “denominator effect” as large allocators have

benefited from strong returns in their public markets portfolios. Some PE allocations have gone from overallocated as a percentage of overall portfolios to underallocated. The recent trend toward mega-funds in private equity has actually enhanced the opportunity set for small buyout strategies. The largest PE firms have raised \$3.3T over the past five years, with flagship funds routinely exceeding \$20B. This capital concentration at the large end of the market has reduced competition for smaller transactions while simultaneously creating a larger universe of potential acquirers for portfolio companies. The performance profile of small buyout strategies reflects a convergence of structural advantages that are difficult to replicate in other private equity segments. Lower entry valuations, reduced loss rates, and enhanced value creation opportunities combine to generate superior risk-adjusted returns over multiple market cycles. As institutional investors increasingly recognize these advantages, the small buyout strategy has evolved from a niche to a core component of private equity portfolios.

Dufresne, Founder and Managing Partner, Awani Capital: PE fundraising will fare better in 2026. With lower interest rates and a positive public market, the denominator effect will become less of an issue and PE allocations will be right-sized as a percentage of the overall portfolios, leaving room for re-ups and innovative new managers. **M&A**

WHO WILL CONTROL CONGRESS AFTER THE 2026 ELECTIONS?

