CLIFFORD CHANCE

M&A TRENDS – 2025

– THOUGHT LEADERSHIP

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2025 will see a revitalised M&A market, as deal-makers look beyond recent challenges and uncertainties. A new pro-growth agenda and a stabilising macroeconomic environment are boosting global investor confidence. The market will be led by boardrooms taking strategic action in more favourable market conditions and by private capital.

Agility will be crucial for navigating the dynamic and complex M&A landscape and seizing opportunities for growth and innovation.

Sarah Jones
Global Head of Corporate:

"*We are expecting sustained, strong activity in the year ahead. Activity is increasing significantly across the US and Europe, and other regions such as the Middle East continue to be very busy, with both inbound and outbound deals. Cross-border deals are on the rise, as companies seek to scale and consolidate, including to mitigate risk in the face of geopolitical, trade and regulatory uncertainty. This activity will drive deal value in the year ahead. At the same time, hurdles to deals have become harder than ever to foresee and navigate – in this regard, the direction of the new US administration will be pivotal, not only for US M&A, but also for global activity. There are signs of a less interventionist approach from antitrust and foreign direct investment regulators, for example, but watch this space.*"

Catherine Freeman
M&A Senior Associate (London):

"*Private capital is expected to play a significant role in driving M&A activity in 2025, both on the sell-side as investors continue to focus on distributions, and on the buy-side where they have substantial dry powder and are poised to seize opportunities. These providers will play their part in consolidation, as industries seek scale to thrive in a competitive landscape. In recent years we have seen creative deal structures emerge, particularly to bridge valuation gaps, so we can expect a return to simpler deals in 2025 as market conditions start to improve.*"

All eyes on regulation

1

Regulatory risk remains the most significant challenge to M&A deal execution. While securing regulatory sign-off has become increasingly complex and outcomes are unpredictable, there is hope that a new pro-growth agenda in many parts of the world will start to temper this. It may then become easier to get the 'right' M&A deals across the line.

Potential reversal of policy in US

Lauren Rackow
Antitrust Counsel (New York):

"*Merger control was a particular focus for the Biden administration. With a starting point of 'big is bad', the landscape was challenging to navigate particularly for companies focused on growth through strategic M&A. However, the incoming Trump administration is likely to take a different approach to evaluating mergers. We may not see the same scepticism for M&A involving big players and we may see a retreat from some of the more novel theories of competitive harm that were put forth in recent merger challenges, potentially making the US regulatory landscape more conducive for M&A. That said, antitrust enforcement in the tech sector is likely to remain a top priority for the new administration, including with respect to deals in that space*."

A new pro-growth agenda in Europe?

Caroline Scholke
Antitrust Counsel (Düsseldorf):

"*There are some signs of a shift in approach in Europe in 2025. The European Commission's new competition commissioner, Teresa Ribera, has signalled a shake-up of antitrust rules to foster growth in the EU and to promote the international competitiveness of EU businesses. At the same time the UK government has asked regulators to be more pro-growth and pro-investment, which could indicate a more flexible or pragmatic approach to merger enforcement; for example with greater scope for conditional clearance as an alternative to mergers being blocked. While we will continue to see stringent reviews and an interventionist approach, we could also start seeing more favourable outcomes for the 'right' deals from the regulators' perspective, in light of the pro-growth agenda. However, the EU Foreign Subsidies Regulation will lengthen deal timelines for many deals with a European nexus. As a result, deal-makers must consider at an early stage how to get their deals through*."

China deploys antitrust tools

Michael Yan
Antitrust Senior Associate (Beijing):

"*China will seek to use its antirust tools to boost economic growth in 2025. With the first horizontal merger guidelines released at the end of 2024 and, as the merger review delegation programme matures, we expect a more unified and efficient approach towards the antitrust review of M&A deals in the future. On the other hand, the Chinese government will focus more resources on M&A deals in strategic sectors such as semiconductors and renewable energy that may affect China's supply chain security. The recent investigation relating to Nvidia demonstrated that China will not shy away from resorting to its merger control enforcement power to pursue trade objectives. Companies should give extra consideration to the Chinese regulatory trends when planning for M&A deals affecting the Chinese market*."

2

The impact of AI and digital infrastructure

The generative AI boom has been driving increases in valuations at all levels of the AI value chain and the race for AI leadership continues: tech companies are working to launch defining applications, infrastructure providers are expanding capacity to support the demands of computation-heavy AI models, and businesses in all sectors are eager to use AI to enhance productivity and realise the value of their data. Expect 2025 M&A deal activity across a wide range of other sectors, not only the technology industry, to be influenced by AI.

AI drives business valuations

Brian Harley
M&A Counsel (Hong Kong)

"*Breakthroughs in generative AI are having a transformative impact on the technology sector as a whole, from semiconductor designers and digital infrastructure providers, to creators of large language models and the new crop of start-ups competing to develop the next generation of artificially intelligent applications. Business valuations across all sectors are under an AI spotlight – private capital in particular is pricing in how businesses will be affected by AI, taking the long view – as that will ultimately affect their return on any exit. Investors want to know whether a business is 'immune' from AI advances or, if not, whether there are opportunities to take advantage of AI to drive value growth*."

Boom in data centre M&A

Alexandre Namoun
M&A Senior Associate (Paris)

"*Data centre M&A activity is booming, driven by soaring demand for computing capacity due to the rise of generative AI. In 2025, we will see a surge in investment globally, with private capital dominating the market, given that this sector is at the crossroads of real estate and infrastructure strategies. As well as classic acquisitions and disposals, the drive for scale will result in investment in greenfield sites, building data centres 'from the ground up', to achieve sufficient capacity. We may start to see multi-asset investors investing into the adjacent energy sources too, through their energy funds – there is a natural symbiosis there and an opportunity to collaborate*."

AI technologies mature

Christine Kim
M&A Senior Associate (New York)

"*The race continues to create game-changing AI technologies and applications that will disrupt business as usual, sector by sector. Regulation of AI in the US has been fragmented and light-touch and that won't change in the near-term. AI oversight and enforcement are expected to be stepped back at the federal level in 2025, except in specific areas aligned with political priorities. M&A strategies focused on AI will scale up and evolve, as experimental AI technologies mature and everyday AI applications pervade all aspects of an organisation. As a result, we expect to see more collaborations, joint ventures, and strategic investments in the AI ecosystem, and those transactions will be more sophisticated*."

Geopolitics shape cross-border M&A

3

The M&A landscape in 2024 was marked by unpredictability, influenced by hesitancy over election outcomes and rising polarisation. Geopolitics will continue to shape M&A in 2025, as business leaders diversify geographically and reduce dependence on individual markets through strategic cross-border alliances, and reorganise supply chains to navigate potential new trade barriers.

European and US relations

Natalie Hemberger
M&A Senior Associate (Frankfurt):

"*The full impact of US/Europe relations for investors and trade is yet to unfold, and further European elections, including in Germany in February 2025, may have further effects. However, as political clarity emerges on both sides of the Atlantic in the months ahead, this should establish a foundation for increased M&A activity in Europe. Expect more inbound investment from Japan and the Middle East alongside growing interest in outbound M&A into the US. Conducting thorough risk assessments and maintaining flexibility in deal structures will help investors accommodate unforeseen regulatory or political changes*."

Japan is open for business

Yuki Hoshinaga
M&A Senior Associate (Tokyo):

"*In Japan, the focus has been on large-scale outbound deals and we expect this trend to continue. Increased scrutiny of Japan-US M&A deals is not likely to significantly dampen the appetite for outbound investment, and we are seeing our clients continue to embark on strategic investments with increased links between Japan and the west. On the inbound side, Japan continues to be attractive for foreign investors, with the weak yen, relatively low interest rates and market conditions. Plus, with the Ministry of Economy, Trade and Industry's new Guidelines for Corporate Takeovers, Japan is clearly signalling that it is open for business*."

Chinese outbound investment

Yue Zheng
Counsel (Shanghai):

"*Chinese outbound M&A is increasingly focused on mineral resources, manufacturing capacities and local market access in developing regions, including Southeast Asia, Africa and Latin America, driven by the high growth potentials in the local markets as well as the need to build a diversified supply chain responding to a changing geopolitical landscape. Geopolitical developments have slowed down Chinese outbound activities into the US and Europe, contributing to a more cautious and regulatory risk-driven decision-making process in investments involving Chinese investors. With China having access to more leading technologies, it is now less a case of "importing" new technologies and know-how through M&A, but increasingly about acquiring and securing global market share, particularly in renewable energy, EV, consumer goods and general industrial sectors*."

4

Private capital transcends the valuation gap

The M&A market has been characterised by persistent gaps in valuations by sellers and buyers, caused by high interest rates and uncertain market conditions. This has resulted in additional deal complexity and many aborted deals. Growing economic stability in 2025 should help bring more assets to market, drive increased deal activity and higher multiples within private capital.

Return of private capital

Mark Inkester
Private Capital Senior Associate (London):

"*Challenges persist but falling interest rates and greater market stability offer optimism for an uptick in private capital transactions. Pressure will remain on the sell-side for houses to deliver on exits and distribute cash. Expect an increased number of formal auction processes and a gradual return to the leveraged buy-out markets, driven partly by private capital exploiting opportunities within AI*.

Whilst deals have trended towards complexity of late, using innovative structuring and contractual solutions to get the deal done, we could also see a welcome return to simpler deal structures once valuation gaps start to narrow."

Ramp up of sovereign investors

Tom Lloyd
M&A Senior Associate (Dubai):

"*The Middle East's private capital market is poised for robust growth in 2025, with the longer term view of sovereign-backed investors allowing them to accommodate short-term valuation issues. Expect increased investment activity from these investors, whose focus will be on diversifying portfolios, adding more asset classes to mitigate risk and enhance returns. We will also see greater inbound activity from global private equity and infrastructure funds into the Middle East, looking to benefit from the region's demographics and growth*."

US Energy sector activity

Jordan Mack
M&A Senior Associate (Houston):

"*US financial market optimism, spurred by the US election result and a late 2024 interest rate cut, point towards increased M&A action in the US. As buyers adjust to new norms for capital costs, anticipated increases in US IPO activity promise to restore exit paths for financial investors, particularly in the traditional and renewable energy sectors. Together, these factors are set to bolster valuations for high-quality targets, invigorate capital markets and M&A activity and narrow the valuation gaps seen in 2024*."

Companies seek to scale and consolidate

5

In 2025, we will see companies needing to scale and consolidate, in order to thrive in a competitive landscape and ensure long-term growth and stability. This is not always a strategic choice but is driven by business needs – to innovate quickly, navigate complex regulatory landscapes, mitigate risk in the face of geopolitical, trade and regulatory uncertainty and optimise capital.

Jennifer Chimanga

Tech M&A Partner and Co-head of Technology, Media and Telecoms (London)

"*The race to innovate and scale will define the TMT M&A landscape in 2025, with telecommunications infrastructure, media streaming, and cybersecurity seeing significant consolidation. Digital transformation, the rollout of 5G networks and AI will continue to fuel M&A activity, with strategic partnerships playing a prominent role. Successfully navigating cross-border regulatory challenges, technology integration, and cultural differences will be crucial for dealmakers*."

Nick Hughes
M&A Partner and Co-head of Energy & Resources (London)

"*Consolidation will be a key theme across the energy sector in 2025, from oil and gas majors using recent profits to grow asset portfolios and drive down future exploration costs, to renewables businesses looking to reach a sufficient scale to secure favourable terms from suppliers. With an ever-increasing amount of private capital chasing energy transition investments, we will see greater recognition of the role private capital providers can play in funding construction of large projects or as buyers of assets, allowing corporates to recycle capital for new opportunities*."

Emma Davies
M&A Partner and Head of Healthcare & Life Sciences (Hong Kong)

"*In 2025, we anticipate an acceleration in healthcare M&A activities, as major corporate players and private capital make strategic acquisitions to consolidate and enhance their portfolios and broaden their reach into adjacent markets such as physician services and outpatient care. This trend is driven by the need to achieve greater scale and operational efficiency, while integrating AI and machine learning into their ecosystems to improve patient outcomes. Private equity firms and Big Tech firms are expected to play a key role in the transformation of the sector into a more tech-driven landscape, particularly in the areas of telehealth, remote patient monitoring and AI diagnostics*."

Mathieu Remy
M&A Partner and Co-head of Financial Services (Paris)

"Significant consolidation will continue in Europe's financial services sector, including banks, asset managers, insurers and custodians. Regulators are keen to see cross-border consolidation within the EU to establish European banking champions, but the recent spate of bank takeovers has been at a national level – for example, UniCredit/Banco BPM and BBVA/Sabadell. The potential UniCredit/ Commerzbank deal is one to watch. If a full takeover is given the green light in 2025, this could well spark a larger wave of consolidation among European banks."

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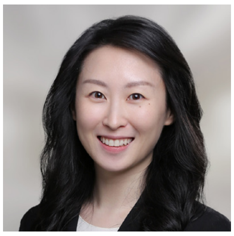

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