EY Parthenon

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Merger Monthly series

M&A activity insights

February 2025

US M&A activity in January showed signs of deal activity picking up at the high end.

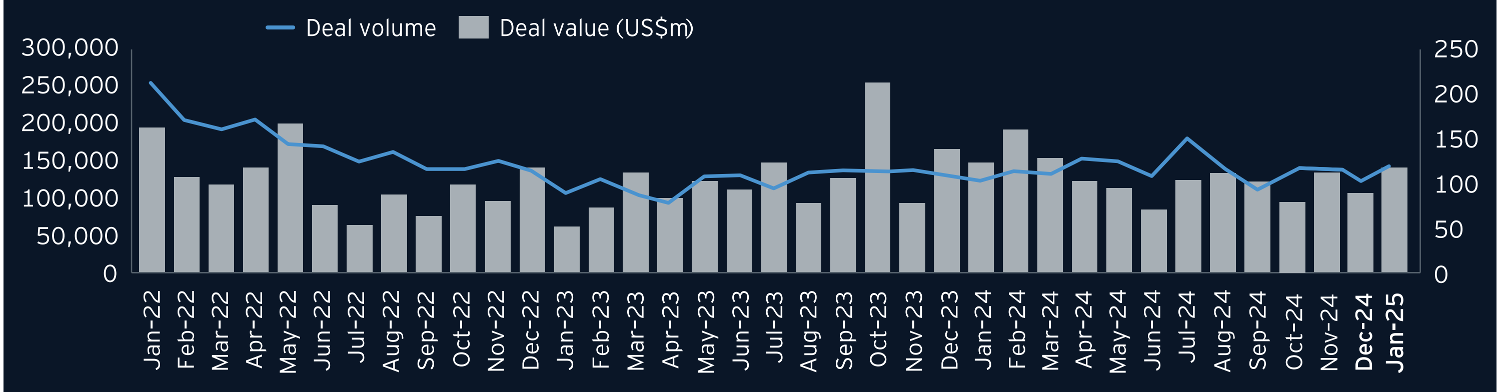
Subtle indications of growth in US M&A activity are emerging in early 2025, with the high-end M&A market showing signs of a cautious increase. January 2025 saw a 29% year-over-year (YoY) increase in the number of billion-dollar-plus deals. This growth outlook is supported by a mix of favorable conditions, including the settling of major national elections and strong equity market performance. The month also saw three deals above US$10 billion, in line with January 2024 and up significantly as compared with January 2023. [1]

The latest EY-Parthenon US economic outlook projected a GDP growth slowdown from 2.8% in 2024 to 2.2% in 2025 but underscores the US economy's robust income and productivity levels, which could bolster M&A resilience. However, sudden tariff changes and unpredictability have made dealmakers proceed with caution, despite positive signs.

The shifting policy landscape, especially with tariffs, has led many businesses to prioritize operational challenges over strategic growth moves like M&A. This focus on navigating the current landscape is likely to leave little room for the M&A market to rebound as quickly as expected. Yet, some companies remain keen on pursuing deals, with private equity poised to drive future transactions. Moreover, CEOs have also expressed a moderately positive outlook for the year, suggesting that the conditions are ripe for a resurgence in deal activity as the year progresses. In the EY-Parthenon CEO Survey from January 2025, 58% of US CEOs said they plan to engage in M&A this year, up from 42% in September 2024.

Monthly global M&A trend (2022 onward)

Deal value (US$100m+); deal volume (US$100m+)



Source: EY Insights analysis and Dealogic

January 2025 reported an uptick with US$155 billion in transactions across 132 deals (reporting a 23% increase in value and a 12% increase in volume compared with December 2024) valued at over US$100 million. The power and utilities, technology and life sciences sectors were particularly notable for their significant contributions to both the volume and value of transactions.

Measured optimism for a cautious increase in high-value M&A

The data for billion-dollar deals in January 2025 reflected a noticeable boost in dealmaker confidence for substantial investments. However, the market's overall sentiment remains mixed, with companies exercising caution around megadeals. While the increase in billion-dollar deals is a positive sign, it does not yet indicate a full-scale return to the aggressive dealmaking seen in more stable periods. Notably, the latest EY-Parthenon CEO Survey from January 2025 revealed 58% of US CEOs anticipate an uptick in megadeal (US$10 billion or more) M&A activity, suggesting that despite caution, there is a growing belief in a market rebound.

This increase in deal values is not confined to a single sector but reflects a broader trend reshaping the landscape of corporate dealmaking. While recent activity in the utilities sector has captured headlines, the narrative extends far beyond, with the technology sector poised to take center stage.

The anticipated easing of regulatory constraints may unlock new opportunities for transformational deals, particularly within the realms of tech, where innovation and strategic imperatives drive unprecedented levels of activity. In the January EY-Parthenon CEO Survey, 51% of US CEOs said improving product and process innovation is one of the most critical outcomes when evaluating an acquisition.

US sector breakdown for top deals (>US$5 billion): January 2025

Sectors that fueled this month's deal activity:

Sector	Volume	Volume change	Value	Value change
Power & utilities	9	Up 13% YoY	US$37.1 billion	Up 1,073% YoY
Life sciences	28	Up 27% YoY	US$35.1 billion	Up 130% YoY
Technology	40	Up 90% YoY	US$24.6 billion	Down 64% YoY
Health care	4	Up 20% YoY	US$6.8 billion	Up 155% YoY
Oil & gas	6	Up 120% YoY	US$6.7 billion	Down 73% YoY

Sector-specific dynamics

- **Power & utilities**
  The US power and utilities sector is seeing unprecedented consolidation, fueled by surging power demand and the rise of data centers. This trend is driven by the anticipation of increased electricity needs, driven by the artificial intelligence (AI) revolution. As companies adapt to these demands, the sector is witnessing a strategic shift toward the consolidation of industry giants.
- **Life sciences**
  The life sciences sector was also active, with US$35.5 billion in deal value (over 130% YoY increase). Additionally, as highlighted in the latest EY Firepower report, the industry has a substantial reserve of US$1.3 trillion in dry powder positioning it for an uptick in M&A. This activity reflects a trend of health care companies strategically bolstering their neurology portfolios to address emerging challenges and address impending patent cliffs.
- **Technology**
  Within technology, the pursuit of AI, digital innovation and automation is driving deal activity. Acquisitions are increasingly focused on enhancing product and process innovation, with tech targeted deals showing a significant YoY rise in the number of transactions. (January '2025 saw a 90% YoY increase.)

Geopolitical impacts and strategic navigation

The "Trump effect" has introduced a layer of complexity to the M&A landscape, with policy changes influencing sector specific deal flows. While tariffs have increased modestly, the potential for disruption remains high, particularly in industries such as retail, automotive and technology. Dealmakers must remain agile, ready to pivot in response to policy changes that could impact deal activity. Geopolitical shifts, particularly US trade policies, are directly affecting acquisition decisions. Rising tariffs, particularly on tech components, have prompted companies to reassess cross-border deals and partnerships to manage increased costs and supply chain risks. Additionally, stricter immigration rules, including potential changes to the H-1B visa program, may intensify labor shortages, affecting sectors dependent on specialized skills. This could drive firms to acquire businesses with the necessary talent, reshaping M&A activity as a strategic response to workforce and geopolitical challenges. According to the January 2025 EY-Parthenon CEO Survey, 48% of US CEOs said that improving employee engagement and retention is one of the top factors to consider when evaluating a potential acquisition.

Private equity's pivotal role in M&A activity

Private equity (PE) firms are contributing significantly to the M&A momentum, accounting for 42% of January's deal value. With substantial dry powder to deploy and lower interest rates facilitating debt-heavy leveraged buyouts, PE M&A activity is expected to remain robust in 2025. Recent trends indicate that PE firms are increasingly focused on acquiring businesses in sectors poised for growth, particularly in life sciences and power and utilities, to align with evolving market demands and technological advancements.

Key deal drivers for this month

- Anticipation of more supportive regulatory policies under President Trump's pro-business agenda, which may boost CEO confidence and encourage corporate M&A
- Clear preference in the US for domestic manufacturing and industries such as petroleum over international cooperation on tax matters and green energy incentives
- Consolidation deals, particularly in the power and utilities space
- Attractive M&A valuations driven by reduced cost of debt
- Companies' continued, rapidly growing data needs from AI adoption

Additional risks to dealmaking in 1Q25 include:

- Anticipated megadeals that could face increased regulatory scrutiny especially in big tech, raising the risk of delays or challenges in achieving synergies
- Impact of new trade and economic policies under the Trump administration
- Economic concerns such as weak job market and inflation still being above the Fed's target

Conclusion

In January, the M&A market displayed signs of M&A activity picking up at the high end. This activity was mainly driven by the power and utilities, technology and life sciences sectors. However, in this environment, dealmakers must be ready to navigate economic challenges, regulatory changes and the increasing rise of technological advancements while understanding sector trends and geopolitical factors.

[1]Source: Dealogic

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2502-10837-CS
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