2026 Global M&A Outlook

The year of the carve-out

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March 2026

Foreword

Execution capability has become the defining factor in M&A outcomes.

Over successive deal cycles, evidence has shown that M&A outcomes are shaped as much by execution capability as by strategic intent. The conditions confronting dealmakers today suggest that this relationship is becoming even more pronounced.

The 2026 M&A environment is accelerating this reality. Dealmakers are operating amid geopolitical fragmentation, legislative and regulatory volatility, accelerating technological change, and intensifying pressure to focus capital and leadership attention where advantage can be sustained. Portfolio separation activity, including carve-outs, divestitures and staged ownership structures, is no longer a byproduct of other strategic choices. It has become a structural mechanism for reshaping portfolios in response to a more dynamic and less durable external environment.

What distinguishes the current environment is not that transactions are more complex than in prior cycles — complexity has always been present — but that the drivers of carve-out activity are increasingly structural. Rising risk concentration in non-core portfolio "tails," shifting trade and tax regimes and accelerating capability reconfiguration are prompting boards to act more decisively and more persistently.

At the same time, advances in analytics and artificial intelligence are reshaping how deals are sourced, evaluated and executed. While technology alone does not determine outcomes, its integration into decision-making and execution processes is altering the speed, depth and confidence with which dealmakers assess risk and opportunity. In a landscape where regulatory and economic assumptions can change rapidly, modeling capability and execution readiness are becoming central to sustained performance.

This Global M&A Outlook examines how these forces are converging. Drawing on global survey data and practitioner insight, it shows how the sources of advantage in M&A are evolving — and why execution capability is emerging as a durable institutional asset in an increasingly complex deal environment.

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About the research

The findings in this report are based on a global survey of 700 M&A dealmakers across 20 countries and jurisdictions, fielded between 19 December 2025 and 27 January 2026. Respondents are senior executives across 10 sectors with responsibility for, or involvement in, M&A decision-making.

519
Corporate respondents

181
Respondents from private equity firms

In addition to the global survey, the analysis incorporates qualitative interpretation from senior transaction advisors to contextualize how these trends are shaping deal execution.

Firm type

26%	Private equity firm
26%	Privately held company
36%	Publicly traded company
11%	PE-owned company
1%	Other

Geographic distribution

55%	Americas
31%	EMEA
13%	APAC

Company revenue — corporate respondents

17%	US$100M – $999M
35%	US$1B – US$4.9B
17%	US$5B – US$9.9B
11%	US$10B – US$19.9B
20%	US$20B or more

Deal involvement

75%	Deal strategy
65%	Diligence
82%	Deal structuring
62%	Negotiation
49%	Deal closing and Day-1 planning/execution
43%	Post-close strategy and design
38%	Post-close value creation

Industry sector — corporate respondents

21%	Industrial manufacturing
17%	Technology
15%	Energy, natural resources and chemical
13%	Asset management
11%	Consumer and retail
11%	Healthcare
9%	Life sciences
9%	Insurance
6%	Banking
1%	Media and telecommunication
4%	Other

Industries in which private equity funds invest

55%	Technology
55%	Healthcare
50%	Industrial manufacturing
44%	Consumer and retail
32%	Banking
22%	Energy, natural resources and chemical
20%	Insurance
17%	Media and telecommunications
13%	Asset management
11%	Life sciences
3%	Other

Executive summary

Global M&A momentum is rebuilding, but the foundations of the market have shifted in ways that will likely reshape how deals are executed and where value is created

Deal activity regained momentum through 2025 and survey findings indicate that many organizations expect pipelines to expand further in 2026. Yet this recovery is unfolding in a structurally more complex environment. Legislative and regulatory volatility, evolving trade regimes and transformational changes in global tax frameworks are reshaping forward-looking cost structures and return profiles.

In this context, valuation discussions are increasingly defined not by headline multiples alone, but by alignment of buyer and seller expectations amid shifting assumptions. When effective tax rates, supply chain economics and regulatory thresholds are moving targets, pricing certainty becomes harder to establish — and execution readiness becomes more important.

Against this backdrop, carve-outs are emerging as a central mechanism for portfolio reshaping, positioning 2026 as the year of the carve-out.

A multi-speed global market, led by the US

Deal momentum is strengthening globally, but unevenly. US-based organizations report higher confidence, stronger pipelines and greater readiness to transact. Outside the US dealmakers face a more complex mix of macroeconomic, regulatory and geopolitical conditions.

Rather than dampening activity, this divergence is sharpening competitive dynamics. Organizations are prioritizing transactions that reinforce strategic coherence and can be executed with discipline in a volatile environment.

Diverging risk appetites reshaping competition for assets

Private equity firms and corporate acquirers are approaching 2026 with different mandates and execution infrastructure. Private equity firms report higher expectations for pipeline growth, supported by capital deployment imperatives, improving financing conditions and the gradual reopening of exit markets. Corporate portfolio reshaping is also bringing additional assets to market through separations. Corporates, while active, are balancing M&A against broader enterprise transformation priorities and integration capacity.

Portfolio simplification is becoming a structural value lever

Carve-outs are no longer primarily reactive. Boards are proactively addressing risk concentration in non-core portfolio segments, reallocating capital and simplifying operating models to improve resilience and strategic focus. Expectations for carve-out activity are rising materially over the next 12–24 months, reflecting structural rather than cyclical drivers.

For sellers, carve-outs unlock capital and sharpen strategic clarity. For buyers, they expand access to more clearly defined standalone platforms — provided execution complexity can be managed effectively.

AI is expanding what is possible and reshaping what is investable

AI adoption across the M&A lifecycle has moved beyond experimentation. Advanced analytical systems are now embedded in diligence, modeling and integration planning. One of the most significant shifts is not simply acceleration of existing processes, but expansion of analytical scope, enabling deeper benchmarking, more exhaustive contract review and earlier identification of risk.

At the same time, AI is reshaping investability across sectors. As the cost of intelligence declines and autonomous capabilities expand, markets are reassessing which competitive advantages remain durable. Dealmakers are increasingly incorporating AI exposure assessment into standard diligence practice, recognizing that pricing confidence now depends not only on financial performance, but on structural defensibility.

Execution capability is emerging as a durable institutional advantage

Taken together, these dynamics point to a clear conclusion: execution capability is becoming a structural differentiator.

In a cycle defined by portfolio reshaping, regulatory volatility, tax transformation and AI-enabled insight, organizations that can separate, integrate and scale effectively — while modeling and managing dynamic risk — are better positioned to capture value. Success depends less on boldness alone and more on institutional discipline, repeatability and the ability to execute under sustained uncertainty.

2025 retrospective and 2026 outlook

Momentum has returned — with greater selectivity

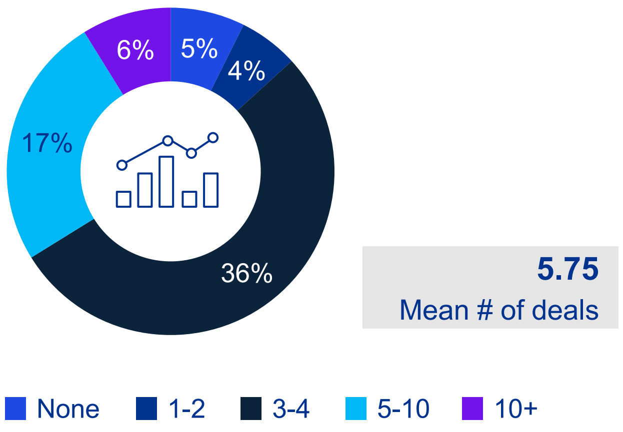
Global M&A activity regained momentum through 2025, as dealmakers re-entered the market with growing confidence. Stabilizing macro conditions and improved financing visibility supported renewed activity, but discipline has remained intact. Rather than a broad-based surge, activity is increasingly concentrated among organizations pursuing programmatic transactions aligned to clear strategic intent.

US dealmakers are setting the pace in a multi-speed market

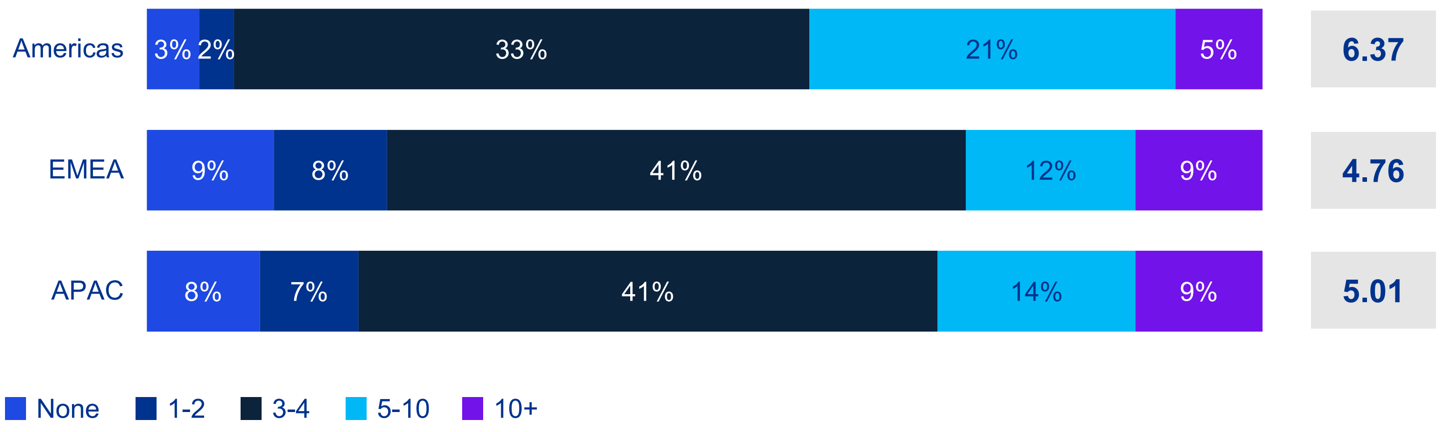
Deal momentum is strengthening globally, but unevenly. US-based organizations report higher confidence and greater readiness to transact, reflecting economic resilience, capital availability and strategic urgency. Higher expected deal volumes among US respondents may also partly reflect the region's higher representation of private equity participants, who typically anticipate more active deal pipelines.

Outside the US dealmakers face a more complex mix of macroeconomic, regulatory and geopolitical conditions, resulting in a more measured outlook. Yet rather than dampening appetite, these conditions are sharpening how opportunity is pursued, reinforcing a shift towards focused, executable transactions.

Planned M&A deal volume for 2026



Planned M&A deal volume for 2026



Growth favors transactions that reward strong execution

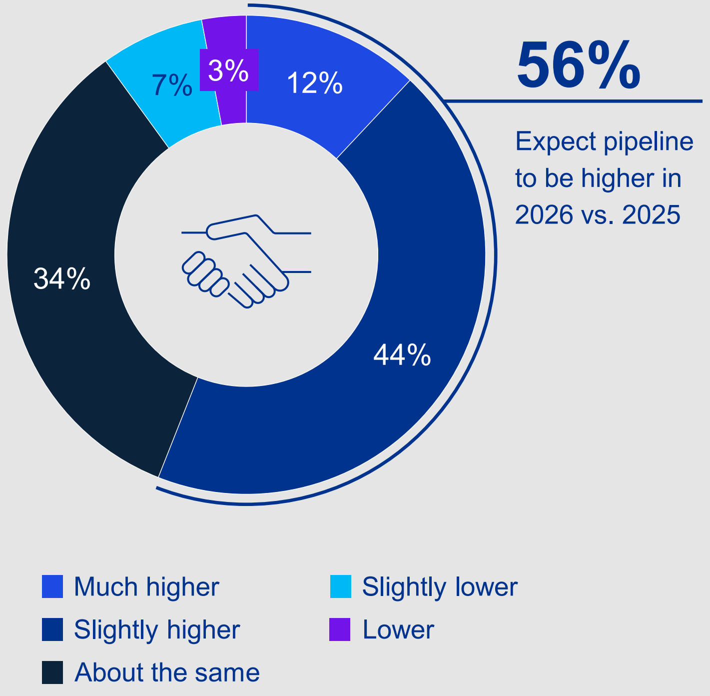
Despite improving activity levels, expectations around deal size point to a market oriented towards transactions rather than megadeals. Dealmakers are prioritizing transactions where integration, capability acquisition and portfolio optimization can be executed with speed and control.

This reflects intentionality rather than caution: value creation in this cycle is expected to come less from scale alone and more from how effectively deals are executed. Pricing discussions are also becoming more iterative, as dealmakers incorporate shifting assumptions around cost structures, regulatory developments and evolving tax frameworks into forward-looking models.

Pipeline confidence is rising — with selectivity intact

A clear majority of dealmakers expect their M&A pipelines to expand relative to 2025. While expectations vary by region, the overall direction of travel is clear: deal flow is increasing and organizations are preparing to act.

Expected change in M&A deal pipeline volume 2026 vs. 2025



Implications for the current cycle

Collectively, these dynamics point to a more active yet structurally more demanding M&A environment in 2026. Activity is being led by the US uneven across regions and shaped by disciplined transaction selection.

As forward-looking economic and regulatory assumptions evolve more rapidly, organizations are reassessing not only whether to transact, but how to structure portfolios to remain resilient, reinforcing the importance of execution capability in an environment defined by sustained uncertainty.

5 drivers shaping the 2026 M&A environment

M&A outcomes are being shaped less by volume and more by a set of structural forces, including geopolitical fragmentation, regulatory volatility, technological acceleration and portfolio reconfiguration, influencing where opportunities emerge, how portfolios are reshaped and what it takes to execute successfully. **Survey findings point to five drivers that are redefining the global M&A environment and elevating execution capability.**

Strategic focus in a fragmented world

Organizations are sharpening portfolio focus to concentrate capital, capabilities and management attention where they believe they can build durable advantage in a more complex global environment.

Diverging risk appetites between buyers

Private equity firms and corporate acquirers are approaching deal volume, structure and timing differently, reshaping competition for assets and influencing how transactions are executed.

Portfolio simplification as a value-creation strategy

Carve-outs, separations and staged ownership structures are increasingly being used to accelerate growth, unlock value and enable more focused operating models.

AI-driven transformation of deal execution

Technology, from generative to agentic AI, is reshaping speed, scale and decision-making across the M&A lifecycle.

Execution discipline as a decisive source of advantage

As transactions grow more complex, the ability to separate, integrate and govern effectively — while retaining talent and protecting performance — is becoming increasingly decisive in determining outcomes.

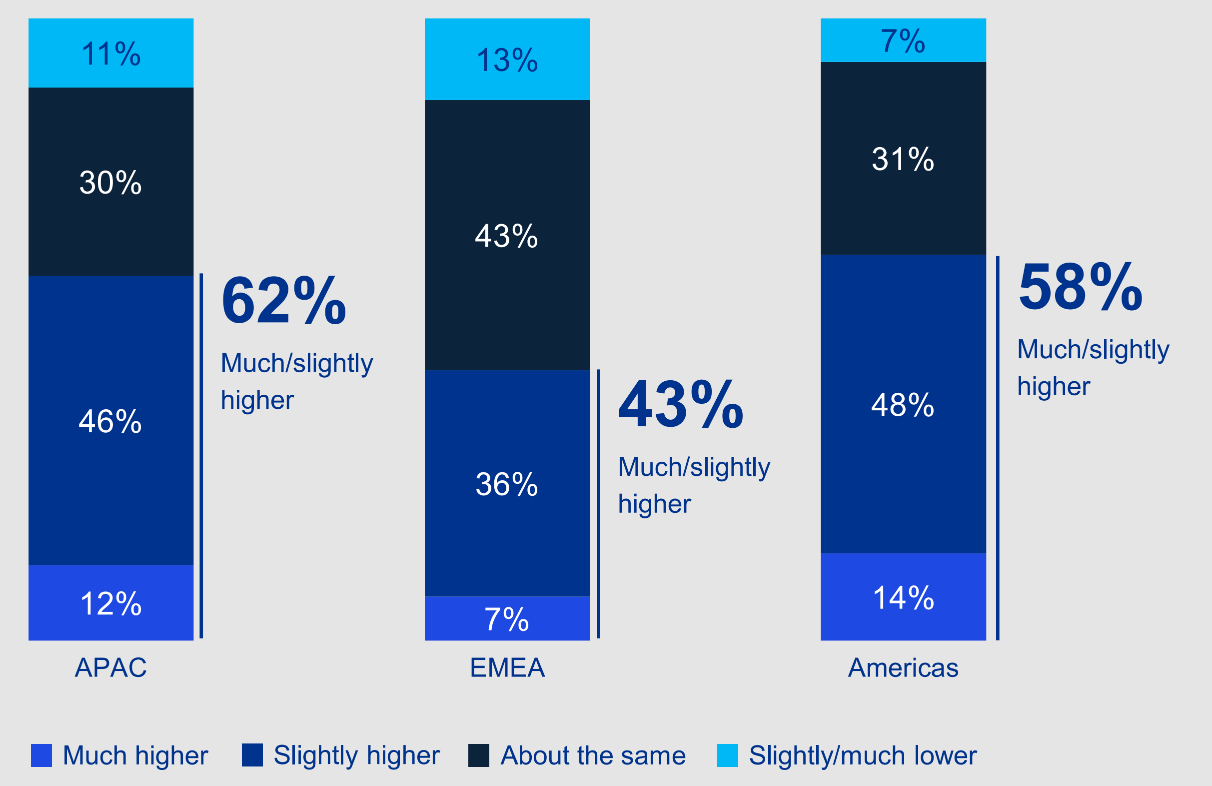
Strategic focus in a fragmented world

Growth ambitions remain strong — but the strategic calculus has sharpened

Organizations are pursuing growth in an increasingly fragmented global environment. US-based organizations are moving forward with greater confidence and deal readiness, while many organizations outside the US face a more complex mix of macroeconomic, regulatory and geopolitical constraints shaping how quickly and aggressively growth strategies can be pursued.

This environment is sharpening how organizations pursue opportunity. Shifting regulatory, trade and tax assumptions are also influencing forward-looking cost structures, reinforcing the need for greater conviction before capital is deployed. Dealmakers are increasingly prioritizing transactions that concentrate strategic focus — deepening capabilities, strengthening market position and accelerating strategic intent — over expansion that diffuses focus.

Expected change in M&A deal pipeline volume 2026 vs. 2025 — by region

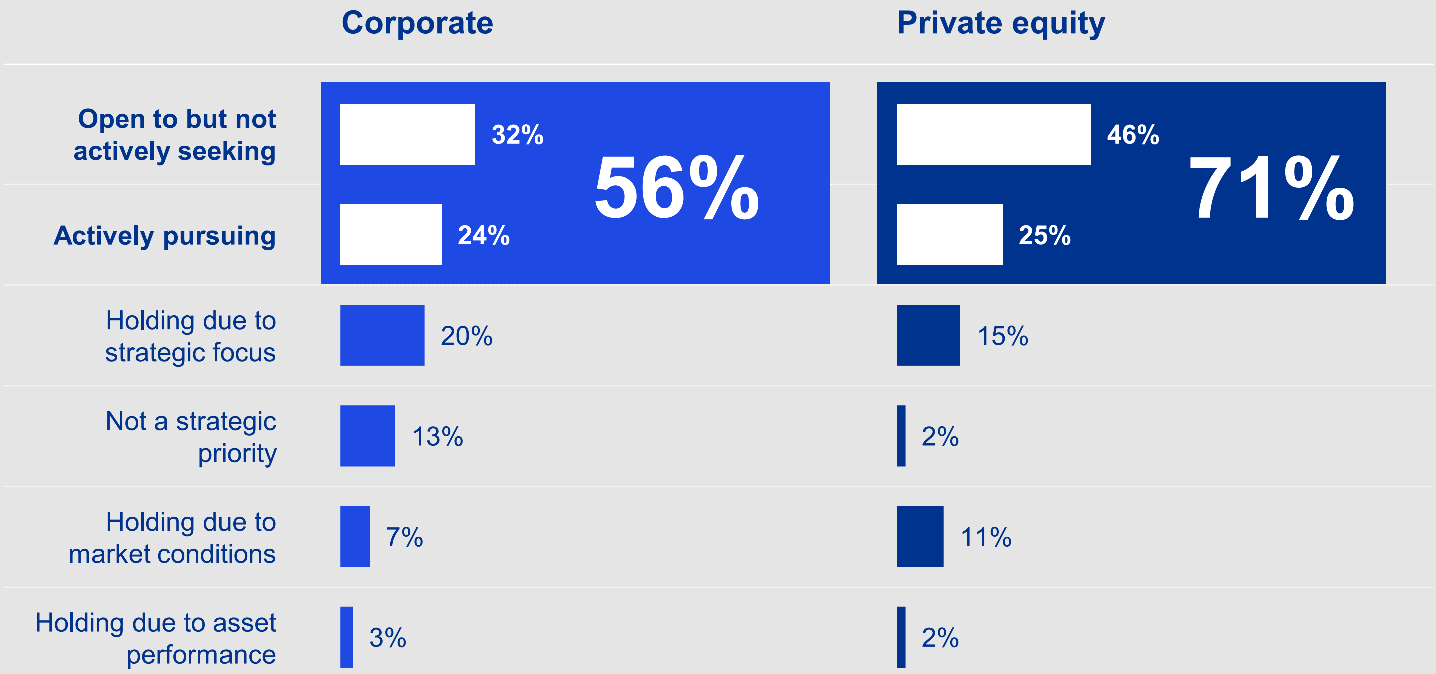


Portfolio-level strategic decisions are replacing incremental asset-level optimization

In prior cycles, organizations often sought to manage uncertainty through incremental asset-level optimization. In the 2026 environment, portfolio-level decisions are becoming more consequential as organizations reassess where to compete, where to invest and where to exit. In many cases, boards are responding to accumulated risk concentration in non-core segments, where regulatory exposure, margin volatility or capital intensity outweigh strategic fit.

Dealmakers are increasingly evaluating businesses based on strategic coherence, capital intensity, geographic exposure and execution feasibility, prompting greater willingness to separate assets that no longer align with long-term growth priorities. This is driving a shift away from opportunistic expansion towards transactions that reinforce a clear strategic direction.

Organization's current approach to portfolio separation — corporate vs. private equity



Cross-border M&A is becoming more intentional, not less important

Cross-border M&A remains a critical component of growth strategies, but dealmakers are approaching it with greater selectivity. However, evolving global tax frameworks, minimum tax regimes and trade volatility are increasing the complexity of cross-border modeling. Effective tax rates and supply chain economics can no longer be assumed to be durable, making diligence more iterative and execution planning more critical.

Rather than pursuing geographic growth opportunistically, organizations are prioritizing markets where they have operational familiarity, regulatory confidence and clear integration pathways, signaling a move towards intentional globalization.

Approach to cross-border M&A in 2026

- 20% — **Actively pursuing** cross-border deals as a major focus
- 36% — **Open** to cross-border deals selectively
- 21% — **Neutral** or no specific emphasis
- 17% — Focused on **domestic deals**
- 3% — **Avoiding** cross-border acquisitions entirely
- 3% — **Not sure/no specific policy** on cross-border M&A

Portfolio realignment is expanding both separation activity and acquisition opportunity

As organizations sharpen strategic focus, a growing number of businesses are being evaluated for separation, creating a robust pipeline of carve-outs, spin-offs and divestitures.

At the same time, these portfolio realignments are expanding the opportunity set for buyers capable of acquiring and executing on focused, standalone businesses. For both private equity firms and corporates, strategic focus is reshaping not just what comes to market, but how value can be created through execution.

As portfolio realignment accelerates, separation activity is increasingly becoming a deliberate growth lever, reinforcing carve-outs as a structural feature of the 2026 M&A landscape rather than a cyclical response to market conditions.

Diverging risk appetites between buyers

Private equity confidence outpaces corporate caution

As deal activity rebuilds in 2026, private equity firms are signaling greater confidence in both deal volume and deal quality than their corporate counterparts. Survey results show private equity dealmakers are significantly more likely to expect an increase in M&A pipeline activity relative to 2025.

By contrast, corporates are approaching the year with a more measured outlook. While many expect to remain active, fewer anticipate a material acceleration in deal volume, reflecting a more cautious posture amid competing capital priorities and operational complexity.

Higher confidence among private equity firms should not be interpreted as optimism alone. For many funds, it reflects structural imperatives, including capital deployment timelines, fundraising dynamics and a growing supply of assets coming to market through portfolio separations.

As asset availability improves, private equity firms are both positioned and compelled to move, while corporates balance M&A against operational and organizational constraints.

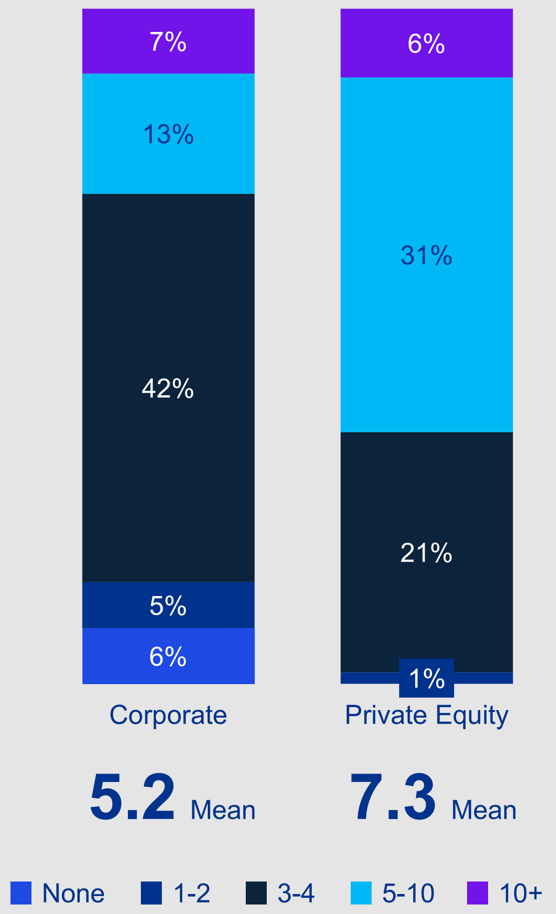
Importantly, this divergence is unfolding in a pricing environment where forward-looking cost structures and regulatory assumptions are less predictable, requiring deeper diligence and greater conviction before capital is deployed.

Deal cadence expectations reflect different growth mandates

The divergence in outlook between private equity firms and corporates reflects fundamental differences in mandate, capital deployment models and execution infrastructure, including the ability to model, absorb and manage dynamic regulatory and tax complexity.

Private equity firms enter 2026 with significant dry powder, defined investment horizons and dedicated deal and execution teams, enabling a more aggressive deal cadence. Corporates, meanwhile, must balance M&A activity against internal investment needs, integration capacity and the demands of running and transforming existing businesses.

Planned number of M&A deals in 2026 — corporate vs. private equity



Confidence is rising, but deal size expectations remain disciplined

Despite higher confidence among private equity firms, expectations around deal size remain measured across buyer types. Survey results indicate that the majority of anticipated transactions fall below the US$1B threshold, pointing to a rebound led by mid-sized, execution-intensive deals rather than megadeals.

This pattern reflects a deliberate balance between ambition and discipline. In an environment where buyer and seller expectations should account for shifting tax, trade and cost assumptions, disciplined deal sizing also serves as a risk-management mechanism. Dealmakers are prioritizing transactions where value creation can be driven through integration, capability build and portfolio optimization — rather than scale alone.

In this environment, deal size discipline reinforces the growing importance of execution capability as a determinant of outcome.

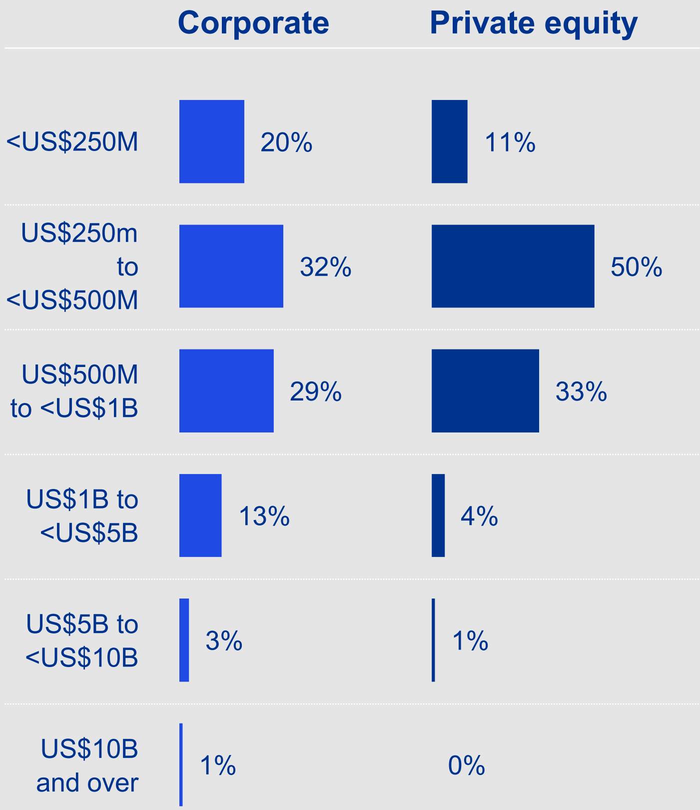
Geography amplifies the divergence

Geography further reinforces differences in risk appetite between buyer types. Private equity optimism is strongest in the US, where capital availability and transaction infrastructure remain comparatively supportive, despite broader global volatility.

Outside the US, dealmakers, particularly corporates, face greater uncertainty related to growth, regulation and geopolitical exposure. These conditions contribute to a more cautious posture and reinforce regional divergence in deal activity and risk tolerance.

The result is a multi-speed global M&A environment with deal momentum concentrated among buyers best positioned to absorb risk and execute efficiently.

Estimated total deal value of next M&A transaction — corporate vs. private equity



Diverging appetites are shaping deal structures and competition

As risk appetites diverge, deal structures are evolving accordingly. Private equity firms are more actively pursuing carve-out acquisitions, minority-to-majority investments and complex transactions that require separation, transformation and execution expertise.

Corporates are prioritizing targeted acquisitions that deliver clear strategic fit, capability enhancement or market expansion, often favoring transactions with lower execution risk and faster time to value.

These differences are reshaping competition for assets and placing increasing emphasis on execution capability — not just capital availability — as a determinant of outcomes.

Types of deals under consideration — corporate vs. private equity

	Corporate	Private equity	
Acquisition of a full business	**62%**	**69%**	
Joint venture or strategic partnership	**49%**	**46%**	
Carve-out acquisitions	**21%**	**55%**	**+34 pts**
Minority-to-majority investment	**18%**	**50%**	**+32 pts**
Growth equity	**23%**	**34%**	
Distressed or turnaround situations	15%	12%	
Business transformation deals	15%	6%	
Divestiture of a full business	14%	11%	
Carve-out divestitures	12%	5%	
Spin-off	10%	12%	
Initial public offering	7%	3%	
Public to private	6%	4%	
Reverse merger	4%	33%	**+29 pts**

Portfolio simplification as a value creation strategy

2026 is emerging as the year of the carve-out

Carve-outs are becoming a defining feature of the 2026 M&A landscape.

Over the past several years, organizations have undertaken deeper portfolio reassessment, identifying structurally misaligned assets, accumulated risk concentration in non-core segments and increasing operational complexity. In many cases, complexity has migrated into portfolio "tails," where capital intensity, regulatory exposure or margin volatility outweigh strategic fit. Those strategic decisions are now translating into action.

Half of dealmakers expect carve-out activity to increase over the next 12–24 months, while very few anticipate a decline, reinforcing that portfolio separation is becoming a normalized element of deal strategy rather than a short-term response to market conditions.

This shift in expectations is already visible in behavior. As strategic focus sharpens, M&A is increasingly being used not only to acquire assets, but to actively reshape portfolios. Across regions, boards are deploying carve-outs, spin-offs and divestitures to simplify operating models, release capital and concentrate management attention.

Importantly, deal activity in this area is not being driven simply by valuation dynamics. In a market where forward-looking cost structures, tax profiles and regulatory assumptions are evolving more rapidly, pricing requires deeper diligence and clearer conviction. Carve-outs, when well-structured, provide greater transparency into standalone economics — helping buyers and sellers align expectations in a more complex environment.

The balance between acquisition and separation varies by region. US-based dealmakers remain more oriented towards acquisition-led expansion, supported by comparatively stronger capital markets and transaction infrastructure. Outside the US, portfolio separation plays a more central role, enabling organizations to redeploy capital and sustain momentum amid uneven economic conditions.

Taken together, these trends suggest that carve-outs are emerging not as opportunistic transactions, but as a structural mechanism for portfolio reconfiguration in a fragmented world.

Expectations for carve-out activity over the next 12-24 months

50% Moderate/significant increase

44% No change

6% Decrease in activity

Portfolio optimization is a growth lever, not only a defensive move

Rising carve-out activity is being driven primarily by strategy rather than stress. Dealmakers cite portfolio optimization and renewed focus on core businesses as leading catalysts, far outweighing short-term market pressure or regulatory triggers.

This marks a shift from prior cycles, when divestments were often reactive. In the current environment, organizations are proactively separating businesses that dilute strategic focus, absorb disproportionate management attention or concentrate risk outside core capabilities — with the explicit aim of reallocating capital and leadership capacity towards areas positioned for durable growth.

By using carve-outs to concentrate investment and execution focus, organizations are treating portfolio simplification as a mechanism for acceleration rather than retrenchment.

Strategic drivers shaping portfolio and M&A decisions in 2026

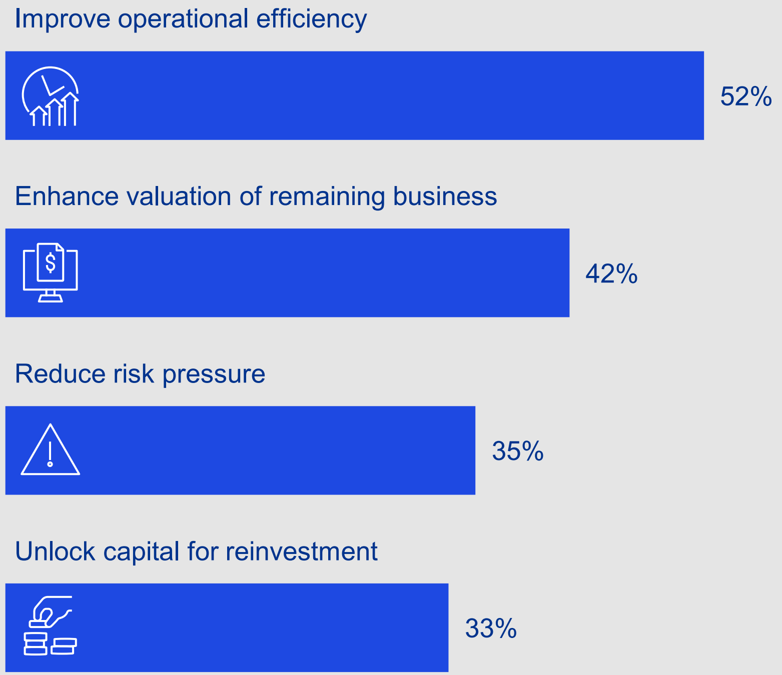
Carve-outs are unlocking value on both sides of the transaction

Organizations pursuing carve-outs are doing so with clear value-creation objectives. Improving operational efficiency, enhancing the valuation of the remaining business, freeing capital for reinvestment and reducing portfolio complexity feature prominently in dealmaker priorities.

For sellers, separation can sharpen strategic clarity and unlock capital previously tied up in non-core assets. For buyers, carve-outs can expand access to more clearly defined standalone platforms, often with identifiable transformation levers and operational upside.

In this context, carve-outs are reshaping not only how portfolios are simplified, but how value is created and captured across the transaction lifecycle.

Primary strategic objectives behind carve-out decisions



Execution complexity is becoming central to carve-out value creation

While carve-outs offer compelling strategic upside, they introduce execution demands that differentiate them from traditional acquisitions. Businesses carved from larger groups are typically designed to operate within broader enterprises, not as standalone entities — creating challenges across operating models, governance, IT systems and talent retention.

Survey findings consistently highlight operational disentanglement, valuation complexity, IT and data separation, and talent continuity as among the most significant risks to successful outcomes. In many cases, value erosion occurs not because strategic intent is flawed, but because separation and transition planning are insufficiently developed before close.

Tax considerations are also becoming more central to carve-out execution. Allocation of legacy tax liabilities, continuity of tax teams and systems and the impact of evolving global minimum tax frameworks can materially alter transaction economics. In some cases, separation can shift organizations above or below regulatory thresholds, triggering new compliance requirements or changing effective tax profiles. These dynamics increase the importance of early modeling and structured execution planning.

As a result, value creation in carve-out transactions is increasingly tied to institutional execution capability, from early separation design through post-close stabilization and scaling. In 2026, advantage can accrue not simply to those who identify carve-out opportunities, but to those who can execute them repeatedly and with discipline.

In many cases, value erosion occurs not because strategic intent is flawed, but because separation and transition planning are insufficiently developed before close.

AI-driven transformation of deal execution

AI adoption has reached an inflection point in deal execution

AI is no longer merely being embedded across the M&A lifecycle. For leading deal teams, it is becoming critical infrastructure. In diligence and integration planning, AI tools now support core deal processes in ways that would have been impractical 12 months ago.

The shift in late 2025/early 2026 has been driven not only by incremental improvement in chatbot-style AI, but by the emergence of agentic systems: AI that operates on a practitioner's own computer, with access to their files, data and deal context. These tools don't answer questions. They read documents, execute analysis, write deliverables and verify outputs against defined standards. Daily installations of the leading coding agent doubled between December 2025 and January 2026.

These gains have been most pronounced in what practitioners describe as the **Read-Think-Write-Verify** loop, the repeating cycle that underpins virtually all knowledge work in deal execution.

Read

Ingest structure unstructured information: data rooms, contracts, financial statements, market data.

Think

Apply domain knowledge, judgment and experience to determine what matters.

Write

Produce structured outputs: models, reports, presentations, recommendations.

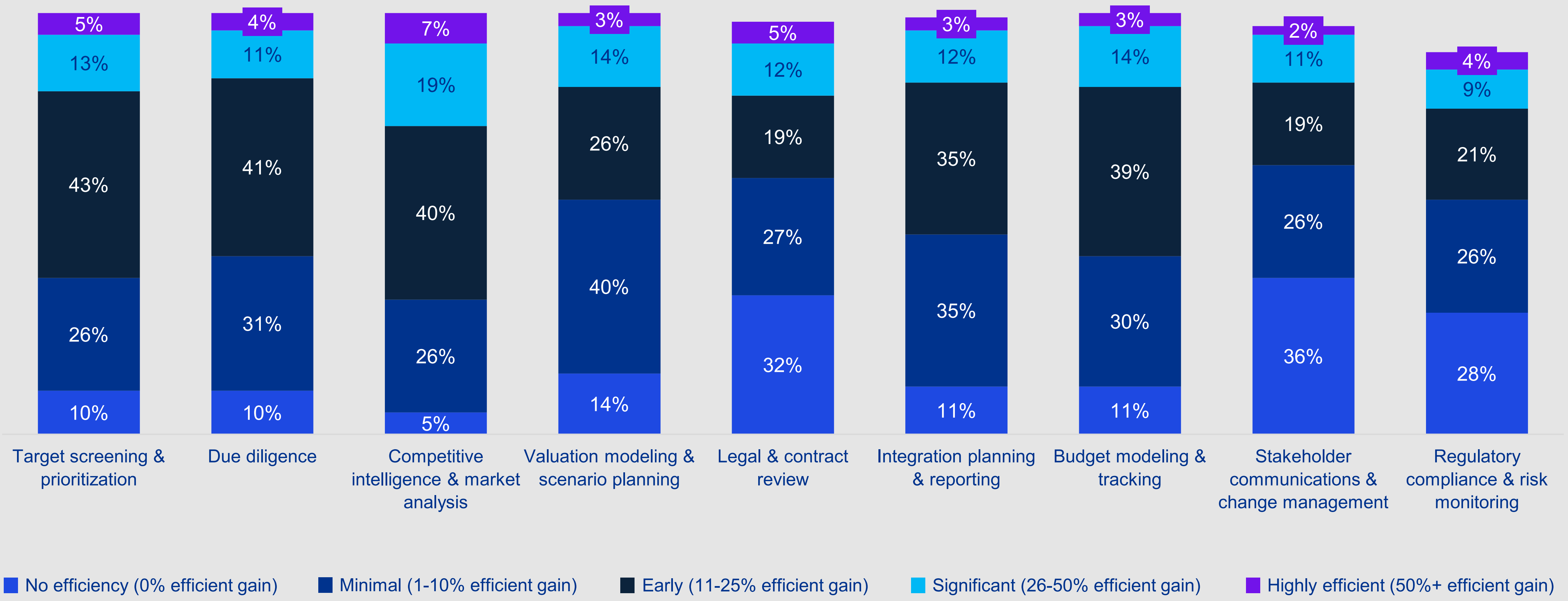
Verify

Check outputs against standards, precedents and reality.

AI is now automating significant portions of **read**, **write** and increasingly **verify**. What remains decisively human is **think**: the application of judgment, context and experience.

In a deal environment shaped by portfolio reconfiguration, regulatory volatility and evolving tax frameworks, this shift is expanding not only speed but the scope of what can be assessed before capital is committed.

Use and effectiveness of AI across the M&A lifecycle



The real advantage is expansion, not just acceleration

The most common framing of AI's impact on deal execution understates the transformation. The more consequential shift is that AI makes previously uneconomical analysis viable.

Consider what becomes possible when the marginal cost of structured analysis declines materially:

Exhaustive contract review
Clause-by-clause comparison across hundreds of agreements, identifying non-standard terms, deviation patterns and hidden liabilities that would be impractical to surface through traditional sampling

Continuous integration risk monitoring
Real-time tracking of separation dependencies, TSA milestones and performance indicators, replacing point-in-time assessments with persistent surveillance.

Deep competitive benchmarking
Systematic comparison of a target against dozens or even hundreds of comparables across operational, financial and strategic dimensions

Pattern recognition across deal history
Mining an organization's own prior transactions for precedent terms, integration playbooks and lessons learned — institutional memory that often dissipates when deal teams rotate

Among the the most significant effects is not that existing analysis gets faster. It is that entirely new categories of analysis become worth doing. Work that was previously uneconomical at traditional analyst-day rates becomes viable at a fraction of prior cost.

AI-enabled insight allows buyers to understand what they are buying before they close, not after. Diligence moves from a verification exercise towards a genuine source of conviction, and pricing confidence improves accordingly.

This expanded analytical capacity is also increasingly important as tax regimes, trade policies and regulatory thresholds evolve more rapidly, requiring scenario-based modeling rather than static forecasts.

Agentic AI is the next execution frontier — and it is arriving faster than expected

Beyond efficiency gains, a growing number of organizations are deploying agentic AI systems: systems that do not simply respond to queries but autonomously execute multi-step workflows: reading documents, running analyses, producing deliverables and flagging exceptions for human review.

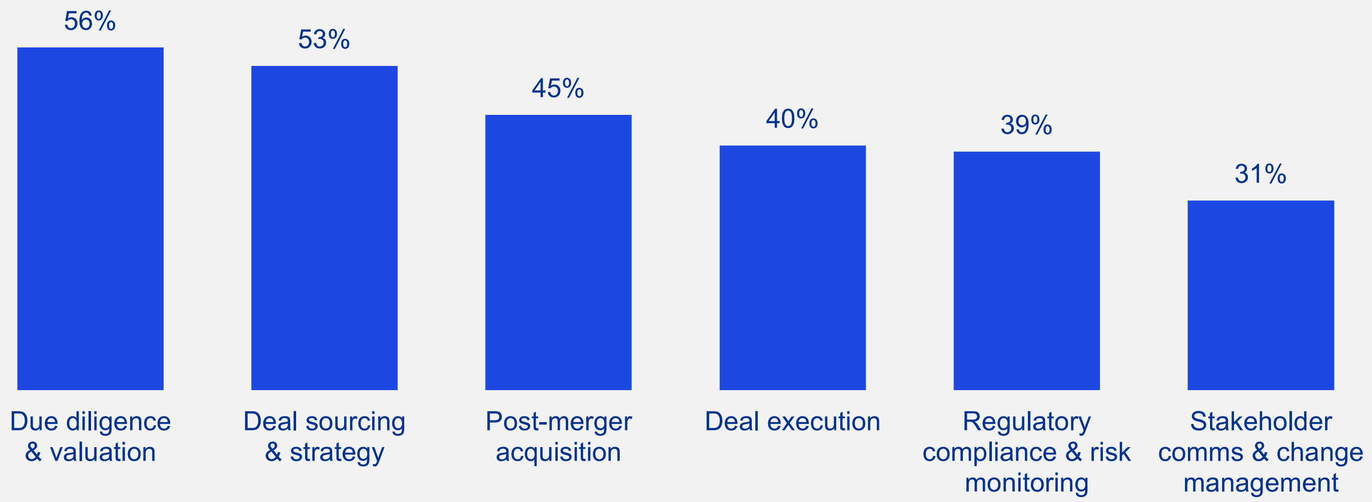
The distinction matters. Traditional AI tools answer questions; agents do work. An agent tasked with diligence on a target's customer concentration does not merely summarize revenue data. It ingests raw data, segments by customer, models concentration risk under multiple scenarios, compares against sector benchmarks, drafts the relevant section of the diligence report and flags anomalies for the deal team's attention. The human reviews and decides; the agent executes.

Research data indicates that the autonomous task horizon, the duration over which AI can work independently on a complex task, is expanding rapidly. Tasks that required continuous human oversight 18 months ago can now be completed with limited intervention. At current rates of improvement, multi-day autonomous execution on complex analytical tasks appears increasingly plausible within the coming year.

Early deployments consistently reveal a similar constraint: the AI itself is rarely the bottleneck. The more complex challenge is codifying the unwritten rules, institutional shortcuts and tacit knowledge that experienced practitioners carry in their heads. Deal processes rely heavily on incomplete information, undocumented precedent and judgment embedded in individuals rather than systems.

Organizations that capture the most value will likely be those that make their deal processes legible to machines — not just to the humans who currently hold them.

Where organizations are deploying agentic AI across M&A processes



AI is raising the bar for execution discipline, and changing who sets it

Beyond efficiency gains, a growing number of organizations are finding that AI is making execution readiness visible before close, which means execution gaps are visible as well. When risks, dependencies and value-creation levers are surfaced during diligence and pre-close planning rather than discovered post-close, tolerance for execution failures declines.

Outcomes increasingly depend on an organization's ability to act on what it already knows. Separation complexity, integration planning gaps and governance weaknesses that were once discovered after closing are now identified earlier in the process. As information asymmetry narrows, execution capability becomes more exposed — and more differentiating.

The structural implication is significant. As AI agents improve, they may begin to shape expectations around what constitutes "good" execution in regulated processes. Early signals suggest that regulatory expectations around AI-mediated controls may evolve more rapidly than many organizations anticipate.

Organizations with AI-enabled governance, compliance monitoring and integration tracking will hold advantages competitively and operationally.

AI intensifies the importance of execution. As analytical uncertainty declines and insight expands, execution capability becomes more visible, more tested and more decisive in complex transactions.

AI is reshaping what is investable — and driving structural reassessment

Beyond execution efficiency, AI is influencing asset pricing, competitive durability and sector-level valuation assumptions.

The discussion of AI's impact on deal execution would be incomplete without addressing a more fundamental shift: AI is influencing which assets dealmakers consider investable, how they are valued and what constitutes a durable competitive advantage.

A structural repricing

In early 2026, software and knowledge-services stocks experienced one of the most significant sector-specific repricings in recent years. Nearly $1 trillion in market value declined over a matter of weeks. This shift was not driven by collapsing revenues. Many affected companies reported stable or growing earnings. What changed was the multiple the market was willing to assign to future cash flows.

The mechanism is straightforward: AI is shortening the horizon over which investors can project cash flows with confidence, as competitive durability becomes harder to assess. The valuation impact often manifests as multiple compression.

The implications extend across sectors:

- **Software and SaaS:** AI agents can replicate or reduce reliance on incumbent software functions, placing pressure on per-seat and workflow-based pricing models.
- **Professional services:** AI can perform substantial portions of knowledge work that underpins billable revenue models.
- **Financial data and research:** AI can structure and analyze information traditionally produced through human effort.
- **Insurance operations and healthcare administration:** AI can assess risk and process structured information at scale.

This is not limited to any one industry. It reflects a broader reassessment of which competitive advantages remain defensible when the cost of intelligence declines.

A business that previously traded at elevated multiples when its pricing power appeared durable may trade at materially lower multiples when investors' forward visibility shortens.

Diligence processes are adapting

Private equity firms and strategic acquirers are increasingly incorporating AI exposure assessment into investment committee materials. These assessments evaluate:

- Revenue model vulnerability
- Moat durability under AI
- Whether AI expands or compresses addressable demand

The key question is no longer whether AI will affect a sector, but how.

The pricing model transition

Margin structures built on billed hours, per-seat licenses, per-transaction fees or specialist headcount are under structural pressure where AI agents can perform material portions of the underlying work.

Leading businesses are transitioning towards outcome-based pricing models. For acquirers, this shifts how revenue quality must be evaluated. Recurring revenue attached to AI-vulnerable workflows may require deeper scrutiny than historical growth rates alone suggest.

Targets already adapting to AI-enabled business models may command premium valuations.

Those reliant on labor-intensive pricing in AI-exposed workflows represent transactions where transformation capability will determine whether value is created or eroded.

Implications for dealmakers now

The reassessment of knowledge-intensive assets reflects a structural shift rather than a temporary dislocation. AI capability is improving on a timeline measured in months.

For dealmakers:

1. AI exposure assessment should become a standard component of diligence in knowledge-intensive sectors.
2. The buy-side opportunity set is bifurcating between structurally defensible assets and those requiring active AI transformation theses.
3. Portfolio companies require proactive AI strategy embedded in value-creation plans.

AI is expanding analytical capacity and reshaping asset attractiveness, but it does not eliminate execution risk. Rather, it raises the bar for governance, integration readiness and institutional discipline.

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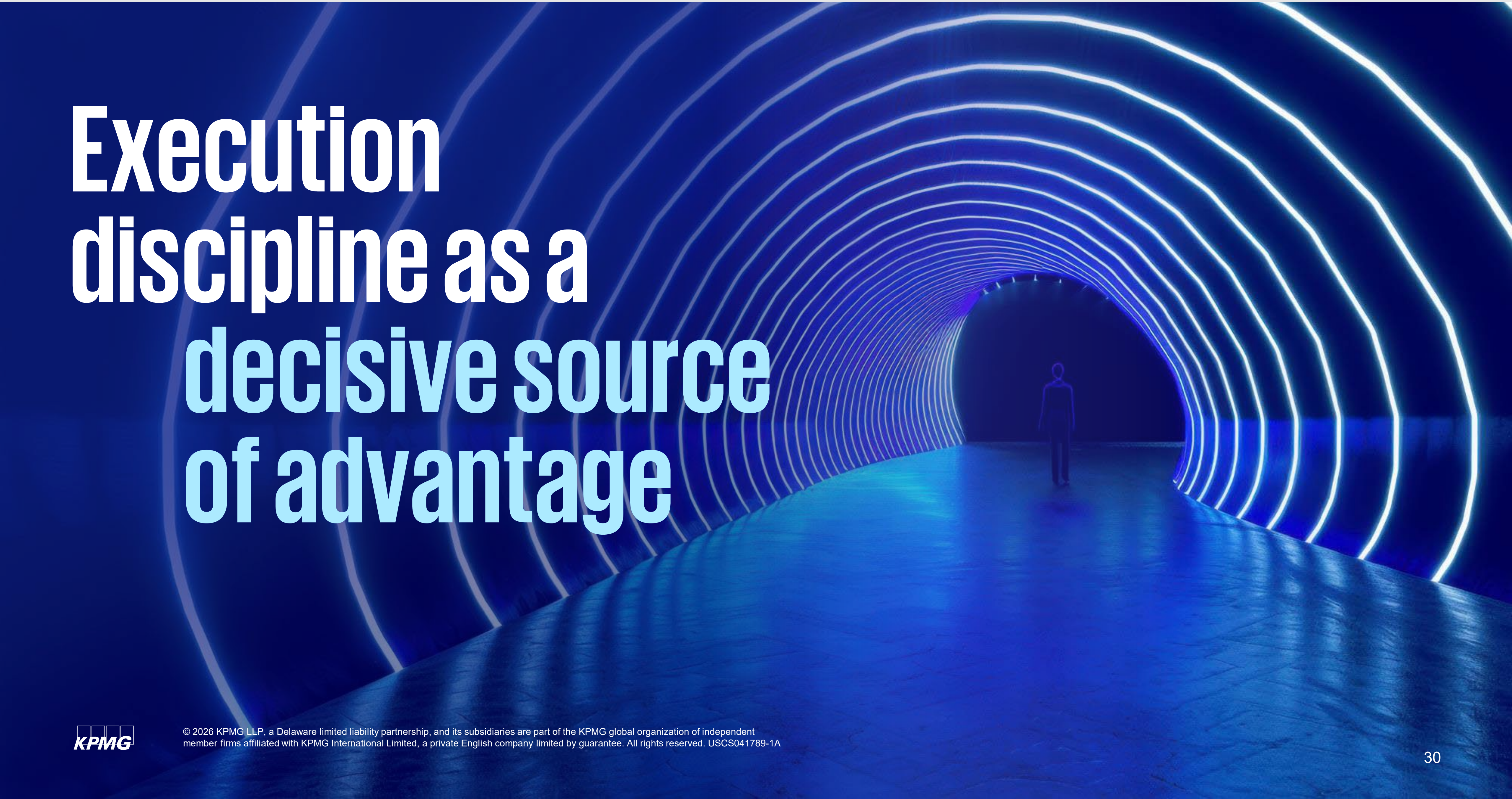

Execution discipline as a decisive source of advantage

Rising deal complexity is elevating execution risk

As deal activity accelerates, execution demands are becoming more visible and more consequential. Carve-outs, staged transactions, joint ventures and capability-driven acquisitions can place significantly greater demands on organizations than traditional full-business acquisitions.

Survey results reinforce this challenge, with dealmakers consistently citing operational disentanglement, valuation complexity, IT and data separation, and regulatory requirements as material risks to successful outcomes. Evolving tax regimes, trade volatility and shifting regulatory thresholds are adding further modeling and compliance demands, reinforcing the importance of execution readiness before close.

Anticipated challenges in executing carve-outs

52% Operational disentanglement

43% Valuation complexity

40% IT and data separation

32% Talent retention

25% Regulatory hurdles

As deal complexity rises, execution risk has become a primary determinant of value creation, particularly for transactions involving separation, transformation and ongoing portfolio reshaping.

Integration readiness matters more than post-close correction

When asked where they focus to ensure value realization, dealmakers consistently point to execution fundamentals rather than post-close fixes. Priorities center on integration planning, synergy identification, talent retention and governance clarity.

Notably, these priorities emphasize readiness before close, rather than remediation after. Most organizations increasingly recognize that integration outcomes are shaped early — by realistic planning, sequencing and governance — not by post-close heroics.

Primary focus areas for ensuring post-deal value realization

Integration mechanics

Identification and realization of synergies	40%
Proper integration due diligence	39%
Integration of cultures, processes and systems	34%

People and governance

Retention and engagement of key talent	34%
Early involvement of leadership responsible for integration	22%
Establishing clear governance and leadership accountability	21%

Performance continuity

Ensuring strong performance of both businesses during transaction	24%
Customer and stakeholder satisfaction	23%
Preventing value leakage	17%
Management of risks and challenges	15%

Technology enablement

Scaling of technology across the enterprise	18%

Talent retention remains an underestimated risk

Despite growing awareness of execution challenges, talent retention continues to be underestimated relative to its impact on value creation. In both carve-outs and acquisitions, the loss of key leaders, operators or technical experts can disrupt execution, erode institutional knowledge and delay value capture.

This risk is amplified in portfolio separation scenarios, where uncertainty and organizational change can place additional strain on critical roles. Successful dealmakers are addressing this by identifying key talent early, aligning incentives and maintaining leadership continuity through transition and integration.

Governance and accountability are becoming differentiators

As transactions grow more execution-intensive — and AI makes performance gaps visible earlier in the lifecycle — governance clarity is becoming increasingly important. Clear decision rights, integrated execution teams and disciplined performance tracking help organizations manage complexity without sacrificing momentum.

In practice, this is driving a shift towards more repeatable execution models, particularly among organizations pursuing multiple transactions or ongoing portfolio reshaping strategies. Governance is moving from a control function to a source of execution advantage.

Execution capability is emerging as a durable advantage

Across these dynamics, a clear conclusion emerges: execution capability is a durable institutional asset.

In an environment defined by portfolio reshaping, selective growth, AI-enabled analytical expansion and regulatory volatility, organizations that can consistently separate, integrate and scale effectively are better positioned to sustain performance and capture value. This capability is not built transaction by transaction. It reflects sustained investment in people, processes, technology, governance and institutional learning.

Looking ahead, differentiation belongs not only to those who identify opportunity, but to those who execute with discipline under sustained uncertainty.

What buyers are increasingly looking for

As the 2026 M&A environment becomes more execution-intensive, a consistent buyer lens is emerging across sectors and geographies. Based on the survey findings and themes in this report, capital is increasingly gravitating towards assets with the following characteristics:

- **Standalone or readily separable businesses:** Assets with clear operating boundaries, leadership continuity and manageable separation requirements, particularly in carve-out scenarios where Day-1 readiness and performance continuity are critical.
- **Execution complexity that is identifiable and governable:** Buyers are not avoiding complexity altogether, but favor assets where risks, including IT disentanglement, regulatory requirements and talent retention, can be surfaced early, priced accurately, and actively managed.
- **Capability-rich platforms rather than pure scale plays:** Capital is increasingly directed toward businesses that strengthen portfolios through capabilities, data, technology or specialized operating models, rather than transactions driven primarily by size or consolidation.
- **Businesses where technology can accelerate insight and value capture earlier in the deal lifecycle:** Assets that enable AI-supported diligence, integration planning or performance improvement are attracting greater confidence, particularly where technology improves decision quality rather than speed alone.
- **Assets that enhance portfolio flexibility and optionality:** Buyers favor businesses that can operate independently, scale selectively or be recombined over time — supporting portfolio agility in an environment defined by ongoing reshaping and uncertainty.

Industry-specific dynamics

While the core structural drivers shaping the 2026 M&A environment are broadly consistent across markets, their expression varies by sector. Differences in regulatory exposure, asset intensity, operating model complexity, tax profile and technology maturity influence how organizations reconfigure their businesses, manage execution risk and deploy AI across the deal lifecycle.

Technology

In technology, M&A activity continues to be shaped by rapid capability reconfiguration, platform focus and compressed product lifecycles. Reconfiguration is often driven by strategic clarity rather than financial distress, with carve-outs used to isolate non-core products, legacy platforms or adjacent capabilities that no longer fit long-term priorities.

Execution risk is concentrated around talent retention, IP separation and systems integration. Expectations for AI-enabled insight are already high, raising the baseline for diligence depth, integration planning and speed to value realization. In addition, as AI reshapes competitive dynamics across software and knowledge-intensive sectors, dealmakers are reassessing the durability of pricing models and platform moats alongside traditional growth metrics.

Healthcare

Healthcare organizations are navigating strategic reconfiguration amid regulatory complexity, shifting care models and sustained pressure to improve operational efficiency. Separation activity is frequently used to sharpen focus across therapeutics, services and technology-enabled care delivery.

Execution risk centers on regulatory approvals, data and systems integration, and continuity of highly specialized talent. AI adoption is gaining momentum in diligence, compliance and performance improvement, particularly where data complexity amplifies execution risk.

Industrial manufacturing

Industrial manufacturers are increasingly using carve-outs to reduce organizational complexity in response to geopolitical fragmentation, supply-chain reconfiguration and uneven end-market demand. Separation activity often targets capital-intensive or lower-growth assets, enabling reinvestment into higher-margin or more resilient platforms.

Execution complexity is elevated, driven by shared services disentanglement, operational separation and deeply embedded legacy IT environments. Early separation planning and disciplined execution governance are critical to protecting value through transition.

Consumer and retail

Consumer and retail organizations are pursuing portfolio reshaping to respond to margin pressure, changing demand patterns and the need for greater operational focus. Carve-outs commonly involve separating non-core brands, geographies or channels to improve performance transparency and sharpen management attention.

Execution risk centers on brand continuity, customer experience disruption and frontline talent retention, particularly where separation activity affects customer-facing operations and supply chains.

Banking and insurance

In banking and insurance, portfolio change is shaped less by large-scale asset separation and more by selective divestments and capability-driven acquisitions. M&A activity reflects the need to balance growth, transformation investment, regulatory compliance and evolving capital and tax frameworks.

Execution risk is concentrated in regulatory approvals, data migration and platform integration rather than physical or operational disentanglement. AI adoption is more advanced in risk assessment, compliance and diligence-related processes, reinforcing the importance of execution discipline over transaction speed.

Natural resources, energy and chemicals

In energy, natural resources and chemicals, separation activity is driven by capital discipline, regulatory pressure and exposure to evolving trade and transition policy environments. Carve-outs are frequently used to manage exposure, release capital and rebalance asset mixes.

Execution risk is amplified by asset specificity, regulatory continuity requirements and longer transaction timelines. Governance clarity and operational readiness play a critical role in avoiding value leakage and delayed realization.

Implications for dealmakers

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The 2026 M&A environment rewards discipline over boldness, repeatability over heroics and execution capability over intent alone.

Outperformance will increasingly accrue to dealmakers that operate at the portfolio level rather than the deal level.

The most consequential choices will be made before individual transactions are identified. Organizations that anchor M&A activity in clear portfolio intent — articulating where to compete, where to reinvest and where to exit — can gain coherence and speed.

Those that pursue opportunities opportunistically risk accumulating complexity that constrains execution and dilutes value creation. In an environment where tax regimes, trade policies and regulatory thresholds are evolving more rapidly, portfolio-level clarity also improves pricing conviction and reduces friction in buyer–seller alignment.

Carve-outs are acting as a forcing mechanism, separating acquisition execution leaders from transactional generalists.

As separation activity accelerates, carve-outs expose material differences in governance, talent readiness and operational discipline. Dealmakers that approach these transactions as conventional acquisitions are likely to underestimate complexity and overestimate speed to value. Those with repeatable separation models, dedicated execution governance and early execution planning are better positioned to translate opportunity into sustained performance.

Diverging risk appetites increasingly reflect organizational design rather than confidence alone.

Differences between private equity firms and corporates are becoming less about optimism and more about execution infrastructure, capital deployment imperatives and tolerance for complexity. As competition intensifies for carve-outs and other execution-heavy assets, advantage favors organizations built to absorb and manage execution risk — not simply avoid it.

AI will shift differentiation from speed to conviction.

As AI-enabled efficiency gains become widespread, acceleration alone ceases to differentiate. The next source of advantage lies in decision confidence: the ability to understand assets earlier, price risk more accurately and align value-creation plans before close. Dealmakers that integrate AI into execution governance — rather than deploying it as a set of point solutions — are better positioned to act decisively under uncertainty.

AI is reshaping what is investable.

The market is reassessing which competitive advantages remain durable as analytical capability expands. Dealmakers that treat AI solely as an execution accelerator, rather than as a force influencing target attractiveness, pricing models and competitive dynamics, risk systematic mispricing on both sides of the transaction.

In a cycle defined by portfolio reshaping, regulatory volatility and AI-enabled transparency, disciplined execution is not a downstream concern. It is a primary source of sustained competitive advantage.

Don't just divest. Win the race.

Discover the value a carve-out can offer your organization.

Our Deal Advisory and Strategy specialists help you make confident, well-informed choices to drive value and deliver outstanding results throughout your transaction and transformation lifecycle.

Find out how

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