M&A MARKET POISED FOR A STRONG 2026

Baird Global Investment Banking expects global M&A activity in 2026 to continue to build on its recent recovery

- Solid underlying M&A fundamentals and pent-up supply and demand for transactions are poised to drive more deal activity
- 2025's evolving M&A landscape has featured mega deals taking the spotlight and owners finding additional paths to liquidity
- A stabilizing macro/policy backdrop should support broader transaction activity across sectors and in the middle market
- We are seeing improved M&A market sentiment based on recent bidder behavior, pitch activity, and process launches
- Strength for the $1+ billion transaction segment bodes well for 2026 growth in middle-market M&A
- Corporates are focused on transformative M&A and portfolio rationalization to align with secular growth themes
- Financial sponsors are incentivized to extend 2025's recovery in M&A exits to achieve liquidity for numerous mature holdings
- PE appetites could broaden amid lower financing rates after sponsors prioritized larger investments in 2025

"We expect the M&A market to shift into a higher gear during 2026 based on strong fundamental drivers and increased client activity across all of our industry sectors."

Mike Lindemann
Co-Head of Global M&A, Co-Head of Global Industrial Investment Banking

M&A MARKET SUMMARY FOR 2025

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2025 M&A MARKET DATA

(vs. 2024)

	Deal Count	Deal Value
Global M&A	(7%)	+34%
Global $100M-$1B	+3%	+7%
Global $1B+	+25%	+50%
Global PE M&A Exits	+9%	+45%
Global PE Acquisitions	(6%)	+24%
Global Corporate M&A	(9%)	+40%
U.S. M&A	(7%)	+48%
U.S. PE Acquisitions	(7%)	+45%
Europe M&A	(9%)	+17%

2025 DEAL COUNT DOWN DUE TO MACRO FACTORS

- After 2025 started with high hopes for M&A, economic policy uncertainty dampened activity in Consumer (deal count -11%) and Industrial (-10%)
- Buyers increasingly targeted Technology & Services (deal value +49%), where secular tailwinds (e.g., software, tech-enabled capabilities) are driving growth
- Deal counts have struggled to rebound even as the market has improved; second-half deal value is tracking above H1, but counts have trended lower
- Uneven M&A activity is reflected in modest middle-market M&A gains and a subdued recovery in Europe, which typically lags the U.S. by 3-6 months

STRONGER SEGMENTS POINT TO M&A MARKET OPPORTUNITY

- $1+ billion transactions experienced major growth as sponsors and corporates focused on larger acquisitions of scarce assets
- Large transaction activity surged further in the second half, boding well for 2026 (per page 6 analysis)
- PE M&A exits showed significant progress as sponsors chipped away at pent-up supply
- Technology & Services outperformed within a lackluster middle market: deal count +18% and deal value +19%

Source: Dealogic. Full-year 2025 M&A data is estimated, assuming pro-rated data for December 2025 and reflecting conservative adjustments to offset lags in database processing.

M&A MARKET DYNAMICS EVOLVING

Capitalizing on favorable M&A fundamentals to achieve a great outcome on each transaction requires a tailored and nuanced approach that factors current market considerations into the equation

Bold moves by bellwether strategics and sponsors reflect urgency to pursue transactions as conditions stabilize

- Within the past several weeks, strategics have acted aggressively in the quest to acquire scarce, transformative assets, often opportunistically
  - Competing bidders are in contention to acquire Warner Bros. Discovery, with further developments sure to make headlines well into 2026
  - Kimberly-Clark agreed to acquire Kenvue, which faced shareholder pressure due to stock underperformance since its 2023 spin-off from J&J
  - In the healthcare sector, Abbott Labs is acquiring Exact Sciences, whose stock had been trading in the lower portion of its eight-year range
- PE firms are actively securing platforms in the public markets, where many targets must respond to increased investor activism
  - This year has seen the most public-to-private (P2P) transactions on record, while 2025 P2P deal value is approaching the highs of 2006-2007, boosted by the largest-ever PE take-private: an investor consortium's $55 billion acquisition agreement with Electronic Arts
  - Public companies with lagging stock values are also increasingly divesting business units (as detailed on page 7) and planning spin-offs, which posted a 16-quarter high for completed deal value in Q4 2025
- Heightened M&A market activity combined with the increased frequency of value discovery for public company targets could lead additional parties to consider narrower process scopes, including pursuit of bilateral discussions

For today's potential targets, the latest phase in the lifecycle frequently featured alternatives to regular way M&A

- Continuation vehicles (CVs) have matured into a mainstream method for GPs to realize liquidity on portfolio holdings, including top-tier assets
  - Roughly 15% of proceeds returned recently by GPs to LPs were generated through CV deals, according to Baird's GP Solutions Group
  - The supply of viable candidates for a CV is rising given increases in the number of long-held portfolio companies (as detailed on page 8)
  - Formation of capital for CVs has surged, fueled by new market entrants and recent access to retail capital
- With an eye toward eventual exits, many PE firms are retaining majority ownership of holdings while executing on minority-stake transactions
  - 2025's proceeds raised in late-stage minority growth equity transactions in the U.S. and Europe reached a single-year high, surpassing 2021
  - The number of minority-stake sales by PE firms during H2 2025 is tracking above the average of the past five years
  - Drivers for structured equity solutions remain in place given widespread liquidity needs and extended holding periods
- Backed by the sustained equity market rally, the reopening of the IPO window provides another effective exit avenue to PE firms
  - The number of U.S. IPOs increased 40% in YTD 2025 through November, with H2 seeing the fastest pace of offerings since 2021
  - Heading toward 2026, the current IPO backlog is above the year-ago level, suggesting continued strength in offering activity for companies well-suited to entering the public markets

STABILIZING BACKDROP SETS THE STAGE FOR MORE M&A

The macro headwinds that dampened M&A in key sectors during 2025 appear to be subsiding, which should benefit deal making in 2026

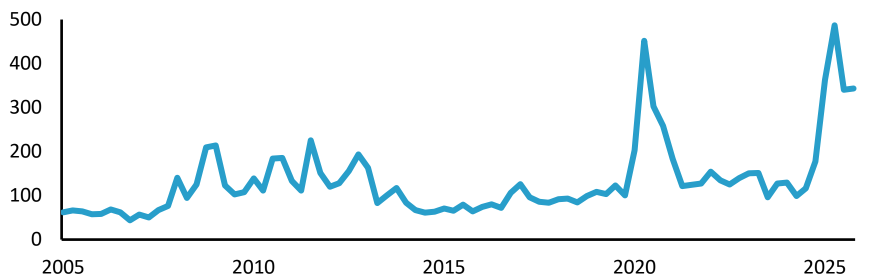
EXTERNAL FACTORS SLATED TO IMPROVE IN 2026

Economic Policy Uncertainty	*Reduced from peak levels caused by shifting tariff policies and the U.S. government shutdown*
Economic Growth	*U.S. growth estimates for 2026 +90 bps from 6 months ago and 90 bps above 2025E; Europe's outlook remains muted*
C-level Confidence	*Uptick in latest surveys after earlier declines caused by concerns about economic growth and tariff-related turmoil*
Industrial Sector	*CEOs recently projected stability and growth acceleration after years of supply-chain disruption, inflation, and tariffs*
Central Bank Rates	*U.S. Fed rates at lowest level since late 2022, with cuts possible in 2026; Europe's central bank rates at 3-year lows*

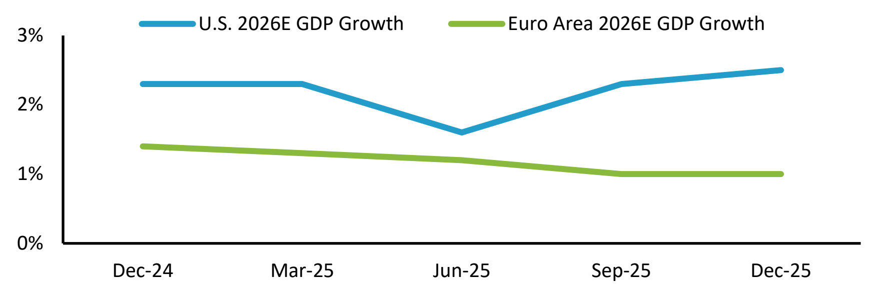
POTENTIAL 2026 HEADWINDS

U.S. Consumer Spending	*Latest sentiment readings were weak, while U.S. labor market and inflation data has raised concerns*
Credit Market Cracks	*Volatility after recent bankruptcies for First Brands and Tricolor suggests a negative reaction to any increase in defaults*
Elevated Equity Markets	*A substantial drawdown after the extended rally could dampen M&A valuations*
Policy Uncertainty Reversal	*Tariff policies could change further, and another U.S. federal government shutdown is possible in 2026*

U.S. ECONOMIC POLICY UNCERTAINTY INDEX[1]



2026 GDP GROWTH FORECAST CHANGES[2]



(1) Source: Baker, Bloom, and Davis via FRED. Quarterly data points are based on averaged daily values. Index measures usage of terms related to economic policy uncertainty in news publications.
(2) Source: Strategas (U.S.), European Central Bank (Euro Area).Data points represent 2026 GDP growth estimates as of the dates shown.

BAIRD'S INTERNAL M&A INDICATORS ARE POSITIVE

Stronger demand from sponsors and corporates in our U.S. sellsides

- For deals signed in September-November, targets attracted more bids on average in every round – including far more second-round submittals – than for deals signed in January-August
- Increased competitive tension over the past three months contributed to a higher likelihood of value rising from first-round bids to the target's valuation in the signed transaction

Acceleration in recent early-stage activity across Baird's sectors

- Pitch activity has gained momentum, with September-November posting the highest three-month total of 2025 and exceeding the average pace of 2022-2024 by 32%
  - Tech & Services activity remained strong, while the combined number of pitches for Consumer, Healthcare, and Industrial climbed 35% from the prior three months
- In September-November, the number of engagements reaching the marketing stage (i.e., process launches) was up 21% year over year and registered the highest three-month total since mid-2022 based on greater confidence in a positive market reception for these businesses
- Our active M&A backlog ended November at record highs for deal count (+6% year over year) and deal value (+28%), with many businesses preparing to come to market in 2026

RECENT UPTURNS IN BAIRD'S SELLSIDE ADVISORY ACTIVITY

Number of bids in all rounds

2nd/Final bid increases from 1st-round bids

Sellside pitch activity across sectors

Process launches across sectors

Mandated backlog

LARGE DEAL SURGE SIGNALS MIDDLE-MARKET M&A GAINS

Peaks for $1+ billion deal activity, as seen recently, historically have been a leading indicator of middle-market M&A growth

- Strength for large deals was the M&A market's biggest positive in 2025, when the number of $1+ billion deals was the second-highest on record
  - Large deal activity accelerated in the second half, with the global $1+ billion transaction count tracking toward 20%+ growth from H1
- Based on historical data, top-ranking results for the $1+ billion segment bode well for robust middle-market M&A in 2026
  - As detailed below, prior quarters with unusually high levels of $1+ billion transactions were followed immediately by strong years in the $100 million to $1 billion segment, as large deal growth signaled rising confidence levels and clearer financial outlooks
- Recent large transaction activity included substantial growth across the $1-5 billion, $5-10 billion, and $10+ billion segments, including 18 $10+ billion deals in September-November – a record for any three-month period
  - $10+ billion transaction announcements frequently cause a powerful ripple effect within sectors, including corporate divestitures as well as transactions pursued by competitors in response

Cases of Peak $1B+ Activity Followed by Strong Middle-Market M&A

Q4 2006	Quarterly record at the time for $1B+ deal count	**2007**	2nd-highest yearly count of 1995-2025 for $100M-$1B deals
Q4 2015	Highest quarterly total of 2008-2017 for $1B+ deals	**2016**	9-year high for $100M-$1B deals
Q4 2020	Quarterly record at the time for $1B+ deal count	**2021**	Yearly record for $100M-$1B deals, +28% from prior high
Q3-Q4 2025	Tracking to highest 6-month total for $1B+ deals ex-2021	**2026**	Upside versus 2025 $100M-$1B count near midpoint of 2005-2024

"We expect the latest wave of large deal activity to be a precursor for a resurgence in mid-market M&A as more market-ready companies gain confidence in their outlooks."

Pat Guerin
Co-Head of Global M&A, Co-Head of European Investment Banking

Source: Dealogic.

M&A PROMINENT ON CORPORATE AGENDAS

Well-capitalized corporates are positioned to pursue large, transformative transactions aligned with secular growth themes

- Aggregate global deal value for corporate M&A was up an estimated 40% in 2025 despite a 9% transaction count decline
- Positive investor reception to $500+ million deals by U.S. public companies was stronger in 2025 than in the previous three years
  - The 80th percentile among day-one changes in acquiror stock prices was 3.4% vs. a range of 2.1-2.6% in 2022-2024
- Strategic cross-border M&A involving the U.S. could remain elevated in response to trade and currency dynamics
  - Q3-Q4 2025 registered the highest quarterly deal values for $100+ million U.S. cross-border transactions since Q3-Q4 2021
- Increased public company equity values (e.g., S&P 500 up 15% in 2025) could support more aggressive buying
  - U.S. transaction count rose 11% on average in the last 10 years that followed annual S&P 500 gains of 15%+
- In this environment of corporates focusing on achieving strategic priorities through large M&A deals amid supportive equity markets, we have observed elevated levels of discussions among corporate clients around landmark merger-of-equals transactions
- Management commentary at Baird's recent Global Industrial Conference highlighted strong cash flow available to deploy on a healthy M&A pipeline for 2026 (e.g., targeting suppliers to data centers) as macro conditions stabilize
- Baird Global Investment Banking's recent corporate M&A report detailed our observations of how corporates have leveled up as formidable acquirors by evolving in response to the emergence of private equity, as evident in success in acquiring prized software assets (detailed below)

Public companies in the U.S., Europe, and Japan entered Q4 2025 with cash balances totaling $4.3 trillion, up nearly 30% over the past six years

2025 posted a new record for the deal value of $100+ million acquisitions of software companies by strategic acquirors classified as outside of the technology sector

Increased efforts by public companies to drive returns include an upturn for divestitures and more take-private agreements

- Deal value for $100+ million divestitures by U.S./Europe-based corporates reached a four-year high in 2025, as more companies are streamlining business models to support a focused equity story, to address activist investor concerns, or to implement regulatory remedies for large deals
- 2025's take-private activity has been strong across market caps, with deal count and deal value at or near peaks for <$1 billion and $1+ billion

"We anticipate that more corporate boards and management teams will prioritize M&A activity as improved macroeconomic conditions make potential targets increasingly attractive."

Todd Noffke
Co-Head of Global M&A

FINANCIAL SPONSOR SELLERS FOCUSING ON LIQUIDITY EVENTS

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The urgency for PE firms to generate distributions from portfolio holdings has been evident in 2025

- Global PE M&A exit transaction count rose 9% (far outpacing overall M&A), while disclosed deal value from M&A exits jumped 45%
- The 16% distribution to paid-in capital (DPI) ratio for U.S. buyout funds during the LTM through Q3 2025 remained well below the 10-year average of 24% despite much higher exit deal value along with greater use of continuation vehicles and dividend recaps

Sponsors have a lot of selling to do based on the increasing quantity of long-held portfolio companies

- The number of U.S. PE-backed companies owned for 5+ years has risen 50%+ since early 2022 amid challenges in selling lower-performing assets
  - The average holding period for exits climbed to 7.0 years during 2022-2025, up from 6.2 years in 2018-2021

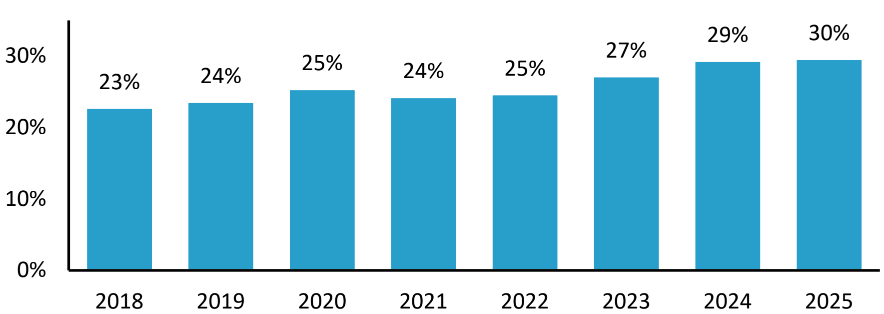
Further progress on achieving realizations appears necessary for sponsor fundraising to return to previous levels

- Despite progress on exits and DPI, proceeds from global PE fundraising in 2025 through Q3 were on pace for a seven-year low
  - The IPO market reopening would enhance LP sentiment; the markets for M&A and IPOs often thrive simultaneously

M&A exits in 2026 should reflect broader industry sector participation after a challenging 2025 backdrop in certain sectors

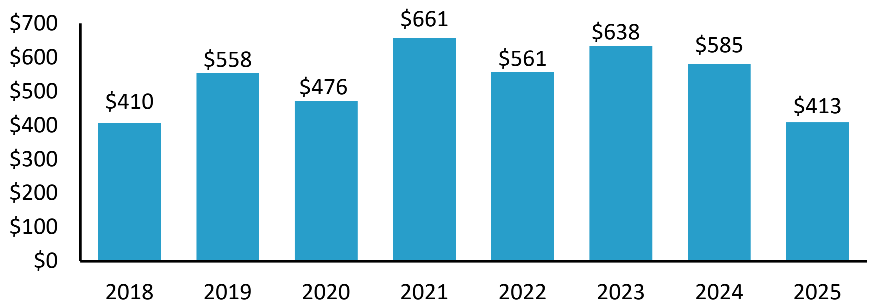
- Consumer and Industrial have represented 27% of sponsor exits in 2025, down from 30% in 2024

% OF U.S. PE PORTFOLIO COMPANIES HELD 5+ YEARS[1]



GLOBAL PE FUNDRAISING[2]

($ in billions)



(1) Source: PitchBook. 2025 data as of September 30, 2025.
(2) Source: PitchBook. Data for 2025 is annualized based on data through Q3 2025.

PE FIRMS RAMPING UP DEPLOYMENT MODE

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Financial sponsors have aggressively pursued premier assets this year

- Despite fewer acquisitions, disclosed global deal value for financial sponsor purchases rose an estimated 24% in 2025
  - 2025 deal value for public company acquisitions by PE firms (P2P deals) is tracking near the all-time highs of the 2006-2007 LBO boom
- However, the number of sponsor acquisitions in 2025 was at the low end of the 2018-2024 range, with many PE firms narrowing their focus

Less conservatism on valuations among PE firms amid better macro conditions would fuel additional deal making next year

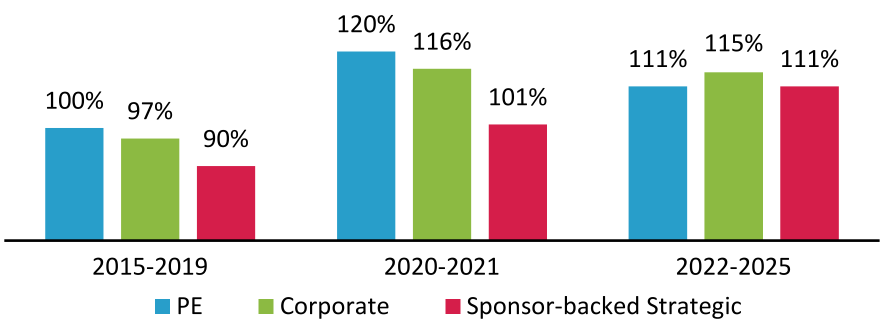
- Sponsors reluctant to anchor on elevated public market multiples could become more active buyers if equity valuations hold up in 2026
- We see potential for PE M&A valuations to increase in 2026 following a pullback in recent years (as detailed in lower left chart)
- PE buyers could become less risk-averse as more potential targets prove to be adaptable and resilient during the widespread rollout of AI

Leveraged finance markets should be conducive for M&A in 2026

- Recent loan rates in the public and private markets were at multi-year lows in the U.S. (public loan yields ~7%) and Europe (term loan B ~6%)
- Further Fed rate cuts would represent a moderate tailwind in 2026, supporting higher purchase price multiples

BAIRD SELLSIDE VALUATION BY BUYER TYPE[1]

(median EV/EBITDA multiple rebased relative to 100% for PE in 2015-2019)



U.S. LBO PURCHASE PRICE MULTIPLES AND LEVERAGE RATIOS[2]

Loan yields	LBO purchase price multiples	LBO leverage ratios
>8%	9.65x	4.88x
6-8%	10.15x	5.26x
6%	10.30x	5.61x

(1) Source: Baird Global Investment Banking.
(2) Source: PitchBook LCD. Data reflects annual averages for each year of 2007-2025.