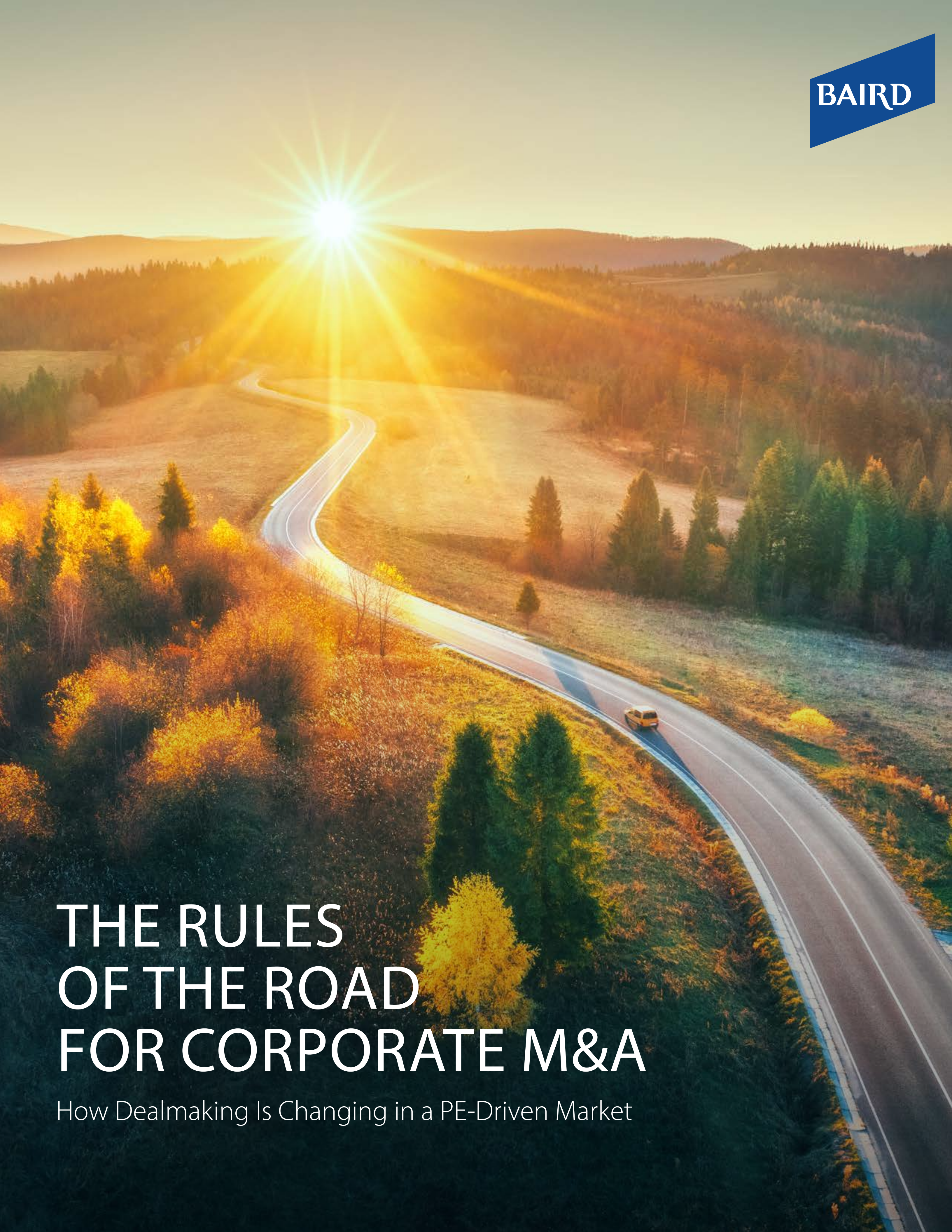


THE RULES OF THE ROAD FOR CORPORATE M&A

How Dealmaking Is Changing in a PE-Driven Market

Foreword

In response to a dynamic M&A market, corporates and financial sponsors alike are advancing their approach to dealmaking. Now more than ever, the traditional boundaries between these groups are blurring, while competition for premier assets is increasing.

To shed light on this evolving and competitive landscape, Baird commissioned 8 Acre Perspective, an independent research firm, to conduct nearly 70 in-depth interviews with corporate development leaders at private and publicly listed companies, across a range of sectors, ownership types, market capitalizations and geographies. These interviews, combined with Baird's own market analysis, revealed a fascinating picture of today's M&A backdrop where strategic players, including the growing segment of private equity-backed buyers, are forging new ways to win.

In this report, we review what it takes to compete in today's M&A markets, the advantages and challenges faced by public and PE-owned strategics and best practices to drive successful transactions among these different market participants.

We hope this report is an actionable resource for investors navigating this evolving M&A market. As you read the report, we invite you to engage with our team and share your feedback – we welcome the opportunity to discuss these trends in greater detail with you.

Finally, on behalf of Baird Global Investment Banking, we thank all our participating corporate M&A leaders and investors who generously shared their perspectives and experiences to bring this report to life.

Brian McDonagh & Brian Doyal
Co-Heads, Baird Global Investment Banking

Executive Summary

From Baird's vantage point, dealmaking is becoming more disciplined, competitive and strategic. The primary market research and analysis in this report are designed to help corporates and financial sponsors navigate the shifting M&A landscape and understand the structure and priorities of strategic buyers today.

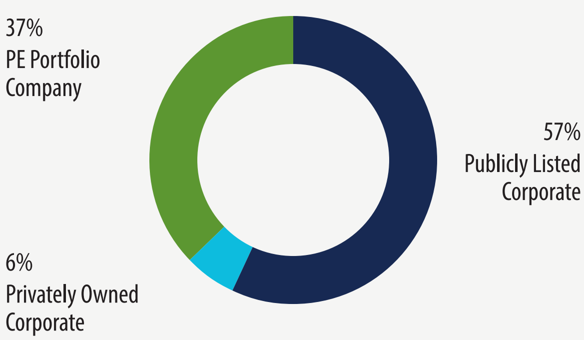
Interviewed leaders shared unique perspectives on their approach to M&A, evaluating opportunities and building a team to execute on their corporate M&A strategy. Their input underscored the increased sophistication across corporate M&A and what is needed to successfully acquire highly strategic assets.

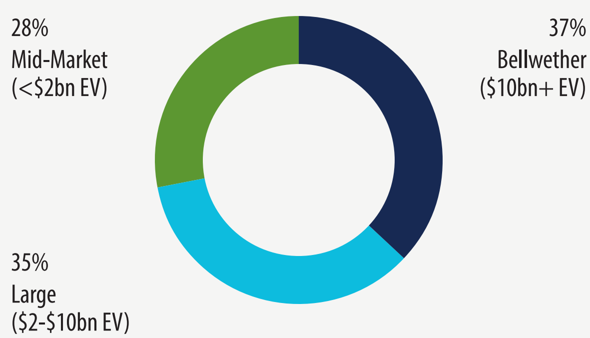
The interviews, combined with Baird's proprietary M&A data, revealed five key themes:

1. **Corporate Acquirors Have Evolved**
   Private equity is compelling corporates to raise their M&A game
2. **PE-backed Strategic Acquirors Are a Rising Force**
   Punching far above their weight in the M&A market
3. **"Must-Have" Assets Drive Strategic Buyers to Step Up and Win**
   Strong strategic and cultural fit are paramount
4. **Four Factors to Consider When Selling to Strategics**
   Engaging on fit, diligence, talent retention and synergies
5. **Looking Ahead: Strategic Buyers Are Flexing Their Muscles**
   Increasingly using M&A to embrace technology

Interviewees by Company Ownership Type & Enterprise Value (EV)

Total of 68 Companies





Source: Baird, 8 Acre.

CORPORATE ACQUIRORS HAVE EVOLVED

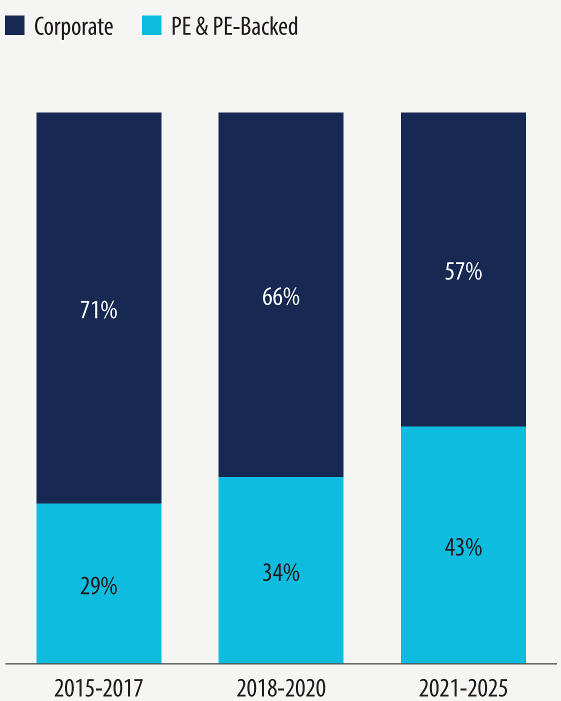
Private equity is compelling corporates to raise their M&A game

1

For today's corporate leaders, M&A must be purposeful and systematic – not just a side hobby – given extensive competition from private equity. Our research revealed how corporates have responded to PE's major inroads by establishing efficient teams that consistently source targets and focus on fit.

Sponsor-driven M&A market dynamics have forced companies to raise the bar internally to compete effectively for deals. While private equity momentum has been building for a long time, PE firms as a group have become even fiercer competitors for attractive targets over the last 10 years.

Global M&A Deal Value by Buyer Type



Source: PitchBook. As of June 30, 2025.

"The dynamic between a strategic and a private equity firm when assessing deals is very different. Private equity, they just do deals. That's what they do. I have to get a business leader with other responsibilities engaged."

– PUBLIC, TECH & SERVICES

"The companies that are really good at M&A: they build up the dedicated teams, the dedicated playbook on how to do M&A. They set up their companies to be M&A machines. They've got the leaders they can deploy. They can pay more and still make it work. They move faster and get synergies faster."

– PRIVATE, HEALTHCARE

Aligning M&A Strategy with Corporate Growth Plans

Respondents sent a clear message that resonated strongly: a well-defined enterprise growth strategy is fundamental to an effective M&A program. Consistent coordination between a company's expansion plans and its M&A function drives focus on finding targets that match its strategic objectives.

"We want to double the company every 5 to 7 years. And we expect 50% of the growth to come from M&A."

– PUBLIC, TECH & SERVICES

As evidence, companies are integrating their M&A function into the growth strategy of the entire enterprise, with 85% of respondents citing M&A as a central component of their firm's business strategy – instead of being a siloed or opportunistic activity – with buy-in at the executive leadership levels.

"M&A is a core component – without question. It's actually the number one when our CEO talks about our strategy externally. We track it. We analyze how much value has been attributed to M&A in our history – and it's high."

– PUBLIC, CONSUMER

Strategic fit is top of mind as corporate development teams evaluate acquisition targets. While varying based on a company's growth strategy, leading strategic fit criteria from our interview respondents include:

- Providing entry into new market segments
- Supporting geographic expansion
- Filling gaps in the product / service offering
- Adding complementary capabilities

"Sometimes I've seen that you pursue opportunities because the valuation is attractive or you need to get rid of some cash. That never works. When the strategic fit is clear, when it's very complementary with your core business – for instance, you can increase the share of wallet with customers, you get access to new customer verticals, or you fill a geographic white spot – the more checks in the boxes you can make, the better."

– PRIVATE, INDUSTRIAL

Building the M&A Team

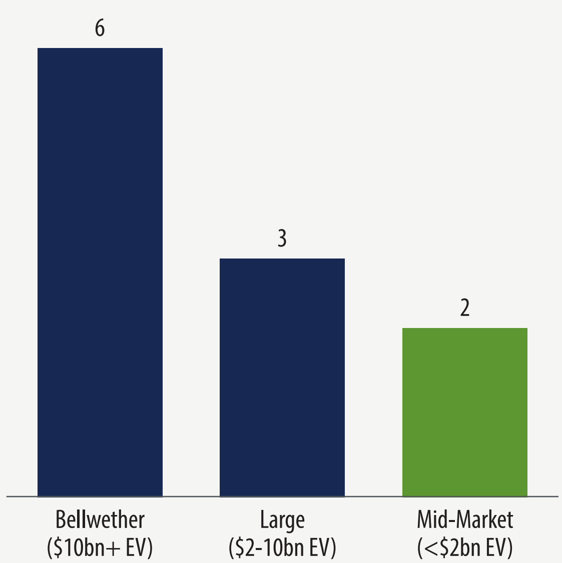
Adhering to the chosen M&A strategy depends on having the right people in the right roles. This starts with dedicating personnel entirely to M&A, thereby promoting continuity across activities throughout the acquisition pipeline. The extensive responsibilities for corporate development teams range from sourcing targets at the front end and coordinating due diligence on live deals to leading the transition into post-close integration.

"You know a lot about a lot of pieces of the business. You have to. You can be as good as anybody and know what you're doing, but you do need some luck in the role too. There's going to be some deals that don't go as well, that's why you need the outsized one that you didn't necessarily think was going to go as well as it did. You've just got to have a good batting average and that's where the discipline comes in."

– PE-OWNED, HEALTHCARE

Size of Corporate Development Team

Average Number of People



Source: Interviews conducted by 8 Acre.
Note: Mid-Market represents primarily PE portfolio companies.

Most corporate M&A teams are lean, requiring tactical recruiting from relevant areas of the business at critical stages, including deal negotiations, due diligence and integration. Respondents noted greater efficiency when personnel from other functions (e.g., HR, legal) consistently handle M&A support, facilitating the development of deal-related expertise across the company.

"The M&A project management team wasn't huge – it was three people. We had a corporate program management office that would help lead the big corporate projects. We'd pull some of those folks over to the M&A team temporarily. We would have people with swing capacity, especially on your enabling functions that often bear the brunt: HR, legal, finance."

– PRIVATE, HEALTHCARE

Having capable M&A development personnel in place also mitigates challenges specific to a corporate hierarchy, as potential acquisitions by public companies (or large privately-owned companies) can require additional layers of oversight and involvement relative to the structure of financial sponsors. The ability to adapt to different types of sellers – including private equity, corporates and founders – also is crucial.

"When we decide to go after a business, we send a letter of intent. And if that's accepted, then we turn on due diligence; and we go from a team of 3 to 150 overnight. We turn on a lot of functional group expertise to do their functional area of reviews."

– PUBLIC, TECH & SERVICES

Prioritizing Target Sourcing

A productive corporate M&A function requires a proven target sourcing machine that capitalizes on industry connections and domain expertise to identify targets that fit strategically and culturally. Stocking and replenishing a pool of suitable candidates through internal means, often in coordination with business unit leaders, supports long-term relationship building with target leadership teams and reduces reliance on inbound opportunities presented by M&A advisors and PE sellers.

"We have a system where we encourage the average employee to give us ideas for mergers, and we get about 1,500 a year. They're financially incentivized, so if we make an offer on one of their ideas, they get a bonus. Then our operational leaders, who run into things in the market, give us another 300 to 400 a year."

– PUBLIC, TECH & SERVICES

Creating and strengthening ties with potential targets gives strategics a head start when M&A opportunities reach the market. Familiarity with a target can help in a broader auction with tight timelines by boosting efficiency at the due diligence stage. As an added benefit, respondents noted that prioritizing origination enhances close rates in competitive processes due to more assurance of strategic and cultural fit.

"My job as the leader of M&A starts with giving us the widest funnel possible, giving us the most at-bats, and in narrowing the funnel, so we're just spending our time and resources on the ones that fit our criteria the most."

– PE-OWNED, TECH & SERVICES

While the strategics in our research sample demonstrated impressive sourcing capacity (averaging 200+ annually for publicly listed companies), respondents often attributed the success of their M&A strategies to a disciplined approach of pursuing acquisitions. On average, about one-third of opportunities led to a non-disclosure agreement, and under 10% resulted in an indicative offer (or first round bid). In addition, a small minority of indicative offers resulted in closed transactions after a deeper review. These metrics suggest consistent application of screening criteria throughout the evaluation of targets.

"Eighty percent of the time, we are not doing deals but finding the next deal. Prospecting, meeting with our product teams to get understandings of what their priorities are, diligence on companies, building market maps. And then the 20% is when we're in a live deal, executing on the transaction."

– PUBLIC, TECH & SERVICES

"We look at all the opportunities that come across our desk. We make a concerted effort because there are diamonds in the rough that we uncover. Then more importantly, we want to make sure those names that could potentially go to a competitor are not being missed."

– PUBLIC, TECH & SERVICES

Incentivizing the Target Management Team

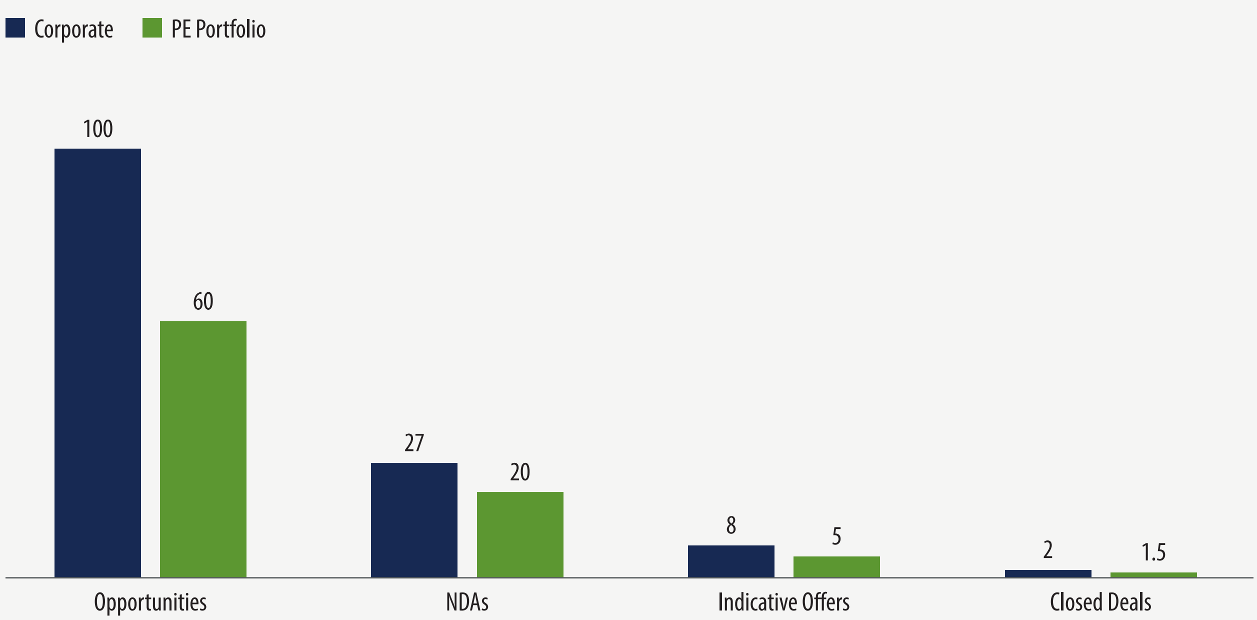
One distinct competitive advantage for private equity bidders has been their ability to offer equity-oriented management incentive packages, as many target company executives would prefer to have financial upside through equity participation in the next phase of ownership. The structures of these equity incentive packages have become increasingly lucrative for the management teams of target companies over the last two decades.

The advantage these packages bestow on a private equity bidder will vary depending on the extent to which target management has influence, whether subtle or overt, over the direction of the M&A process. Some corporate acquirors have become more creative in how they structure incentives for target company executives, to lure and retain successful management teams, and to mitigate this potential competitive disadvantage in M&A processes.

"If someone is really just about the money, they're going to want PE because that's their drive and that's their motivation and that's fine – no problem. But I think it gets back to: What is it that the leadership team wants? And what's their incentive and motivation and the vision and seeing what the alignment is? If there's strong alignment, we're going to offer a really compelling proposition – both financially and for the team and long-term and the like."

– PUBLIC, TECH & SERVICES

Annual M&A Funnel by Company Type



Source: Interviews conducted by 8 Acre. Note: NDA (non-disclosure agreement), indicative offers could relate to a bilateral process or an auction-based process.

Retaining Top Talent

"It was a mix of incentivizing them to come across, while also properly incentivizing them to continue to drive future growth. For most of our deals, we like to do a mix of cash and stock. Because when we bring folks in, we want to incentivize them to lift the whole ship as well."

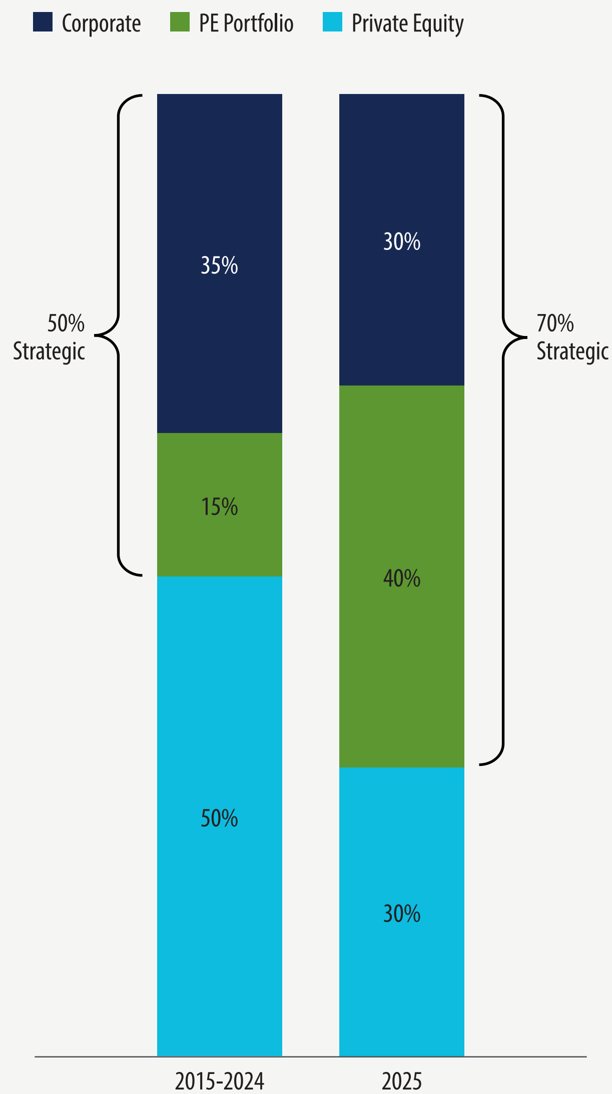
– PUBLIC, CONSUMER

Taking Advantage of Macro Uncertainty

Global macro uncertainty in 2025, primarily stemming from U.S. trade policy and tariffs, has temporarily limited private equity's risk appetite in certain sectors and given strategic buyers the opportunity to be differentiated in M&A processes. For example, in Baird-advised M&A deals in the Industrial sector, we have seen the global strategic buyer mix increase from 50% over the last decade to 70% in 2025.

Baird Industrial M&A Deals by Buyer Type

Share of Deal Count



Source: Baird Global Investment Banking.

PE-BACKED STRATEGIC ACQUIRORS ARE A RISING FORCE

Punching far above their weight in the M&A market

2

Private equity-backed strategic acquirors are fueling PE's continued momentum in the M&A market. This hybrid model – which combines advantages of corporates and PE – is gaining ground based on beneficial positioning in executing both transformational M&A and repeatable buy-and-build strategies in sectors that are primed for consolidation.

While the number of PE platform acquisitions (buyouts) has increased over the years, add-on deals by PE-owned companies have become the most common type of sponsor acquisition by a large margin.

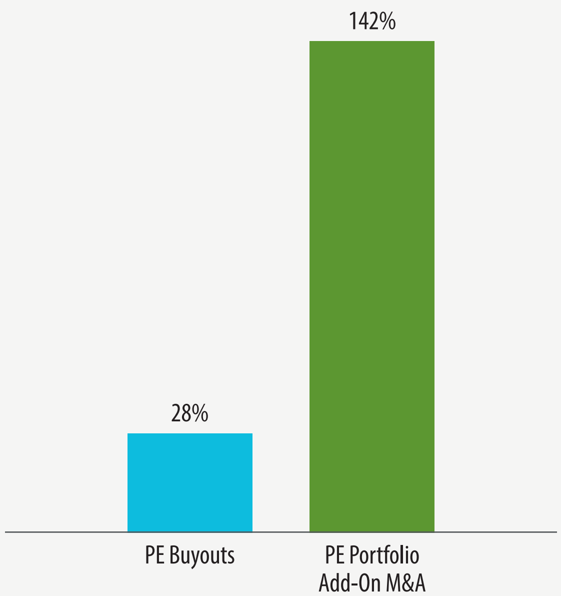
At the same time, the composition of the strategic buyer universe has evolved, contributing to PE-backed companies accounting for a rising portion of acquisition activity. Over the past 25 years in the U.S., the number of publicly listed companies has decreased by roughly one-third, while the PE portfolio company total has risen by a factor of six.

"We're backed by sophisticated and very big private equity; even if it's arguably a brad nail, in my mind we'll still hit it with a sledgehammer. We're quick. We're efficient. But we bring in a host of very capable and frankly expensive third parties."

– PE-OWNED, TECH & SERVICES

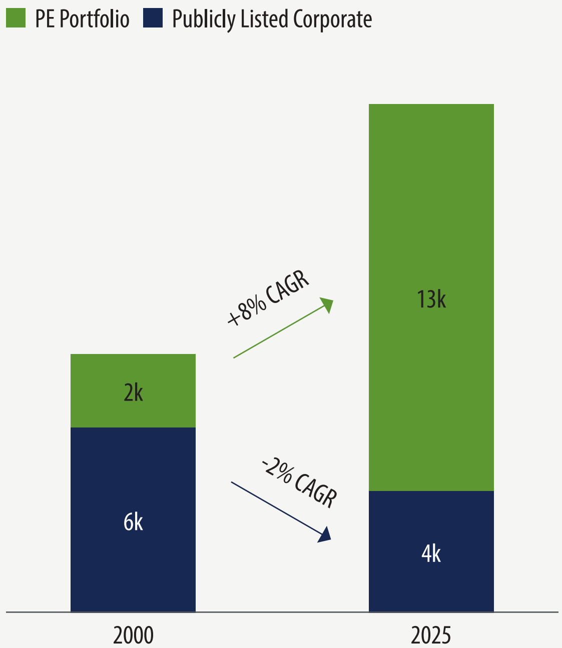
Growth Rate by PE Deal Type

Deal Count Growth between 2015 and 2024



Source: PitchBook.

U.S. Company Mix



Source: PitchBook.

Plenty of Positives for PE-backed Buyers

Our interview group included professionals at many PE-owned businesses, enabling us to explore crucial differences between these entities and the significant number of public company participants. Advantages observed for PE-backed strategics include:

- Highly incentivized management teams, which often have rolled over an equity stake in their business, motivating them to close the most attractive deals to enhance value creation
- Corporate development personnel involved in the operations and management of the business, leading to insights into M&A opportunities that are worth pursuing aggressively
- The ability to tap the resources of the PE parent when appropriate
- Typically, a simpler integration process given the regional middle-market bias of PE-backed acquisitions

"Our CEO is a tremendous person, very likeable and can speak about the business more eloquently and in a more detailed way than the PE buyers can. He's worked in the plant. He's been in front of customers. He's extremely knowledgeable; and then by extension, so is his leadership team. Being able to come in and show that we are smart and understand the business is an advantage we have."

– PE-OWNED, INDUSTRIAL

Sponsor-backed strategics also enjoy many of the same advantages as public corporates, including:

- Industry expertise that supports relationship building with potential targets
- Alignment of a target's strategic fit with the enterprise growth strategy
- Ability to capture synergies, which are central to buy-and-build models achieving sufficient returns

PE-owned Strategics Playing Up in Baird-advised Deals

The higher market share for sponsor-backed entities reflects the increasingly strategic nature of private equity M&A, which is also apparent in Baird Global Investment Banking's M&A advisory business. For Baird-advised deals the gap between corporates and sponsor-owned buyers narrowed to only four percentage points during 2022-2025, down from 22 points in 2015-2019.

Baird M&A Deals by Buyer Type

Share of Deal Count

Source: Baird Global Investment Banking.
Note: Corporate ownership mix 78% publicly listed and 22% privately owned.

True Success

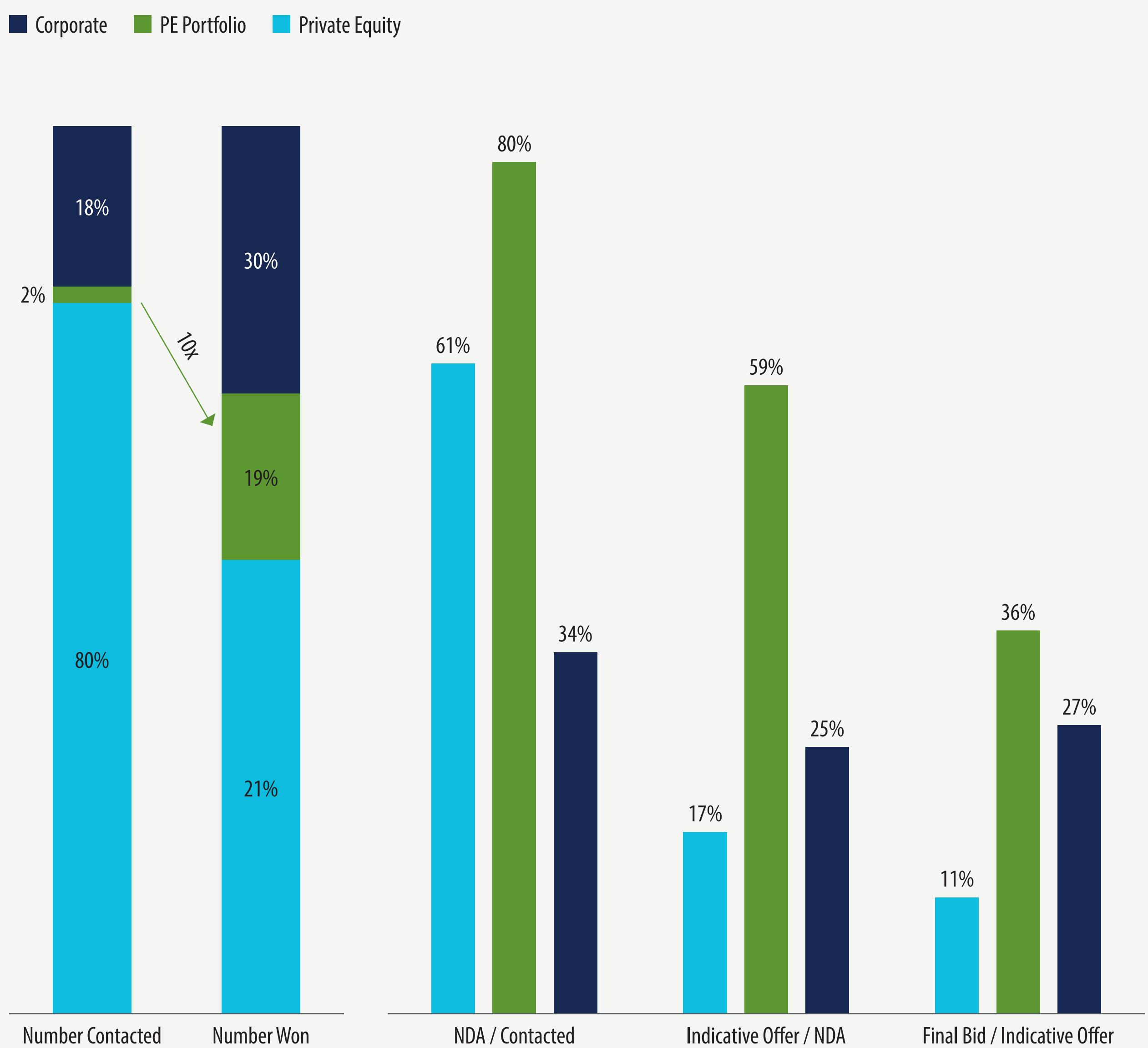
"A lot of the acquisitions that we do are small, family-owned businesses. Generally speaking, the founders are going to leave the business. But then we incentivize them to stick around most of the time for at least a year or two. True success, in my opinion, you really can't measure until the owners actually leave and you've had a year under your belt. That's probably on average [when] you'd know whether you were successful: three years later."

– PE-OWNED, TECH & SERVICES

Greater presence for PE-backed strategic buyers in middle-market M&A is also evident in disproportionately high win rates in Baird's M&A sell-side processes. Despite accounting for only 2% of the potential buyers contacted, PE-owned strategics were the winning buyer in almost 20% of our sell-side mandates since the start of 2024. PE-owned strategics also had higher engagement (signing an NDA, submitting an indicative offer, delivering a final bid) than PE firms and corporates throughout these processes.

Private equity has seized upon the M&A value creation opportunity for many of their portfolio companies. As such, PE firms are themselves regularly willing to pay up for a direct investment where they see a buy-and-build platform opportunity in a market ripe for consolidation. In these circumstances, we see PE firms regularly outbid corporates, deploying dry powder to build a market leader through add-on M&A.

Baird Sell-Side M&A Buyer Outreach and Engagement



Source: Baird Global Investment Banking. For M&A sell-sides mandated to Baird after January 2024. Note: NDA (non-disclosure agreement).

"MUST-HAVE" ASSETS DRIVE STRATEGIC BUYERS TO STEP UP AND WIN

3

Strong strategic and cultural fit are paramount

While passing up most M&A opportunities, strategic buyers aggressively pursue deals that check the key boxes in their screening criteria and during due diligence. Fit is paramount when strategics decide whether to pay a premium or to walk away. Scarcity of "A grade" targets in certain sectors can create a sense of urgency, particularly among PE-backed strategic acquirors facing short timeframes for value creation. PE-owned strategics are increasingly paying up, as average valuation multiples on Baird M&A sell-sides from PE-backed acquirors have risen to levels consistent with corporates and financial sponsors in recent years.

"The NDAs, it's very few, because we really pass on most stuff. We have five criteria we look at for deals. We're actually the only company in our sector that publishes our M&A criteria. And if it doesn't fit those five criteria, we don't even bother looking."

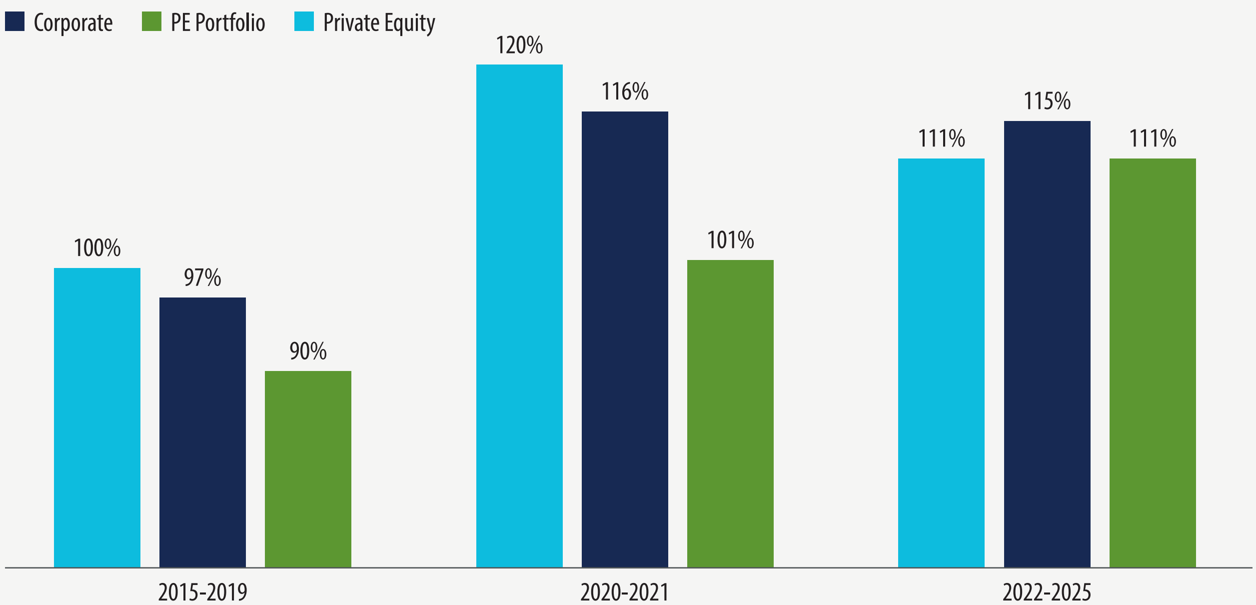
– PUBLIC, CONSUMER

"You have to stay disciplined. You've got to be willing to say 'no' and walk away. You can't get deal fever. And that's why I do that early calibration: What's our walkaway? Because half the time, sellers are bluffing, especially the private-equity owned."

– PUBLIC, INDUSTRIAL

Valuation on Baird M&A Sell-Sides by Buyer Type

Median EV / EBITDA multiple rebased relative to 100% for PE in 2015-2019



Source: Baird Global Investment Banking.

Top Target Features

For strategics, the most compelling acquisition scenarios – and the ones calling for pushing the valuation envelope – include a potential target that:

- Fits a buyer's established M&A strategy by strengthening its competitive position, expanding growth opportunities and / or enhancing the leadership team
- Holds a market leadership position as a top-tier asset in a strategically important sector, offering an opportunity to add a new platform or division
- Reflects a long-term target relationship and inspires a high level of confidence in capturing synergies

Demand for a high-quality asset can be even stronger among strategic acquirors operating in sectors with few such targets. PE-owned strategic buyers often are especially determined to secure a "must-have" business with strategic fit given the pressure to drive value creation during the sponsor's holding period.

Cultural fit is a two-way street and is another factor that influences the valuation multiple offered by a strategic acquiror. Target management teams often prefer to join an acquiror that "feels like home" due to substantial overlap on cultural issues in addition to strategic fit. Confidence in cultural compatibility can help a strategic buyer justify a higher valuation by lowering the risk profile of an acquisition.

"We've bought PE-owned assets and been extremely successful, but it's more around paying maximum purchase price. As opposed to other deals where at times we've been at, or maybe even slightly behind, another party, but we really endeared ourselves to the management team and the ownership and that pushed us over as the winner."

– PUBLIC, INDUSTRIAL

Strengths Leading to Bilateral Discussions

Best practices for deal discovery and relationship building increase the likelihood of bilateral processes, which have higher success rates according to the interview group, while providing beneficial positioning in auction-based processes. A bilateral process enables more time and attention for due diligence, with extensive target meetings leading to greater confidence in both strategic fit and synergy estimates.

"We've signed about 35 NDAs this year, and that's a combination of bilateral and auction processes. It's about two-thirds off market, so two-thirds bilateral, one-third auction processes. What that doesn't show is how much more work you have to put in to get an NDA off-market."

– PE-OWNED, TECH & SERVICES

Of note from Baird's M&A sell-sides: strategic acquirors – whether publicly listed or PE-backed – successfully acquired the target pre-process (or in a negotiated deal) in a quarter of their deals, more than triple the rate for PE buyers. Certain sellers may be more likely to enter into pre-emptive discussions with a corporate due to lower confidentiality risk than in a one-on-one with a private equity firm given PE's involvement of lenders and broader use of third-party advisors.

"One example that was around a billion-dollar enterprise value deal: We were engaged with the seller for more than two years of relationship building. We executed that deal on a bilateral basis, meaning we were able to work with the seller to make sure they don't go and start a process. It was a bilateral deal that was successful for us. It was extremely important for us, because we never wanted it to go to a competitor or somebody we compete with in the marketplace."

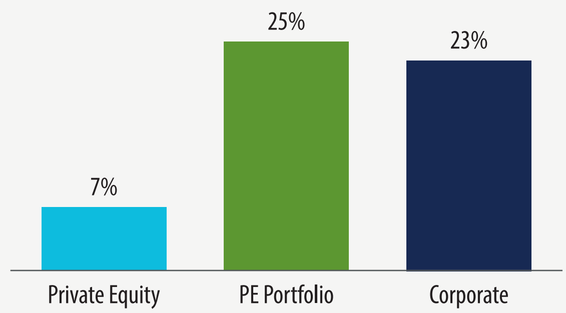
– PUBLIC, INDUSTRIAL

Accretive M&A

The consensus among the public corporates interviewed was that M&A should be accretive immediately or within the first year, with any margin dilutive deals needing to increase profitability relatively quickly. Likewise, PE-owned acquirors often conduct an accretion / dilution analysis to ensure acquisitions are accretive to the overall exit for the sponsor owner and the management team's shared equity pool.

Baird Sell-Sides Completed Pre-Process or in a Negotiated Deal by Final Buyer Type

Share of deal count, 2015-2025



Source: Baird Global Investment Banking.

"It needs to be margin accretive, both on gross margin and EBITDA margin to the company average. It needs to be faster growth than the company average, which is 3 to 4%. It has to be a business that makes money and it has to be asset light – no big plants and expensive machinery."

– PUBLIC, CONSUMER

"What did we buy that was accretive in year one? There are opportunities that, if a business is doing $20 million EBITDA, we think we can double EBITDA in year one, because there's a lot of cost takeout and some synergies. One opportunity that we closed – we assumed that EBITDA would double in year one, and it actually quadrupled because we are able to create so much lift in the business."

– PUBLIC, HEALTHCARE

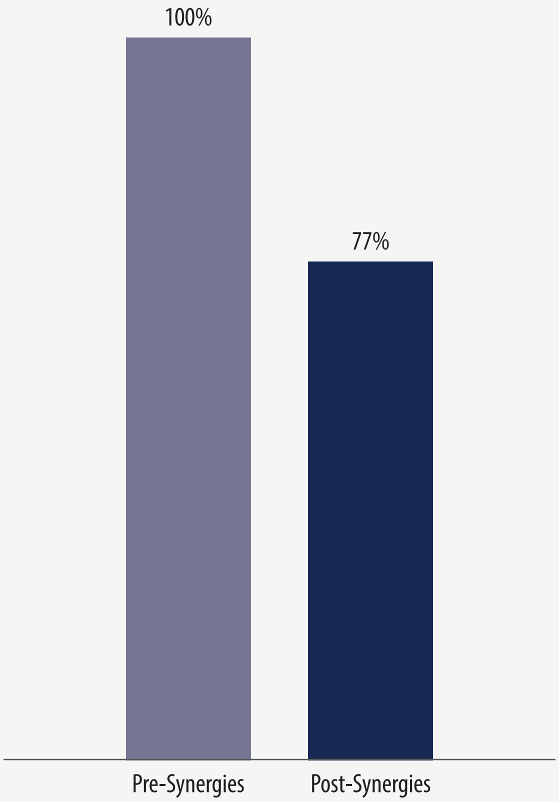
Synergies Needed to Make the Math Work

The ability to realize synergies is a crucial advantage in auction situations. For strategic buyers, expectations of cost and revenue synergies are typically the most tangible factor in supporting bids at valuations above the levels that PE firms can justify. While realization of synergies is far from certain, well-defined assumptions can enable strategics to submit market clearing bids for highly-prized assets.

A representative sample of large acquisitions by publicly listed companies across sectors since the start of 2024 showed that incorporating announced cost-based synergy projections lowered the average valuation multiple for this set of deals by 23%, highlighting the importance of synergies in justifying a premium valuation to shareholders.

Corporate M&A Synergies

Average valuation difference based on EV / EBITDA



Source: Company press releases and presentations. Baird analysis of selected multi-billion dollar M&A deals across sectors since 2024.
Note: Post-synergies incorporate announced cost synergies and exclude revenue synergies (revenue synergies were announced in 30% of the sample).

"I TYPICALLY FOCUS MUCH MORE ON COST SYNERGIES VERSUS REVENUE SYNERGIES BECAUSE REVENUE SYNERGIES – **YOU CAN'T CONTROL**. SO, YOU DON'T WANT TO PAY FOR THOSE. COST SYNERGIES, OBVIOUSLY YOU DON'T WANT TO PAY FOR THOSE EITHER, BUT PERHAPS **YOU HAVE A LITTLE BIT MORE FLEXIBILITY**. THE COST SYNERGIES OBVIOUSLY ARE IN YOUR CONTROL; SO THEY'RE MORE QUANTIFIABLE."

– PUBLIC, INDUSTRIAL

FOUR FACTORS TO CONSIDER WHEN SELLING TO STRATEGICS

Engaging on fit, diligence, talent retention and synergies

4

Entities, particularly financial sponsors, planning to sell a business in the near term should carefully consider strategic buyer outreach and process design to accommodate this group. Interview-based insights into the M&A mindset and process preferences of strategics should lead to higher yields from sell-side marketing efforts and more participation in each bidding round, increasing the likelihood of achieving an outlier "strategic" valuation.

Addressing Buyer Concerns

With strategic acquirors representing the leading source of demand for many portfolio companies, PE firms should pursue a deeper understanding of strategic buyer "scar tissue" caused by disappointing M&A experiences. Having empathy about previous failed deals and missed opportunities can help PE sellers address strategic buyer concerns about potential issues around target businesses, such as management incentives, already lean cost structures and remaining growth capacity under new ownership.

"From now on, I don't think we will do a deal unless we can speak to customers first."

– PE-OWNED, INDUSTRIAL

"You've got to spend more time on headcount because a lot of times they've been starved for people. What you have to be worried about is whether they've built a sustainable business or whether they built a business to be sold."

– PE-OWNED, HEALTHCARE

Extending the Timeline

For processes with significant involvement expected from strategic buyers, financial sponsor sellers should consider adapting the timeline to be more compatible with this group's preferences. Since most strategic M&A functions operate with small teams, a potential buyer granted only a brief period to respond to a teaser on an unfamiliar target might not give it appropriate consideration. Too limited a timeframe for scoping out strategic fit and synergies and conducting due diligence could discourage participation in an M&A process unless incremental support is offered.

"You've got three weeks to turn around a bid. We'll almost never hit that because we can't. We're just too big. There's too much stuff going on. Some bankers are good about it: 'Hey, we've got something coming in two months. We think this is really interesting for you.' It gives us time to get moving."

– PUBLIC, TECH & SERVICES

Based on the importance of strategic and cultural fit, strategic buyers often require a longer period to conduct extensive due diligence on the target, with the potential payoff of premium valuation multiples when additional time with the target translates to greater willingness to bid aggressively. During diligence, strategics value the chance to earn the trust of target leadership, who could have a key swing vote when the top bids are in a narrow range.

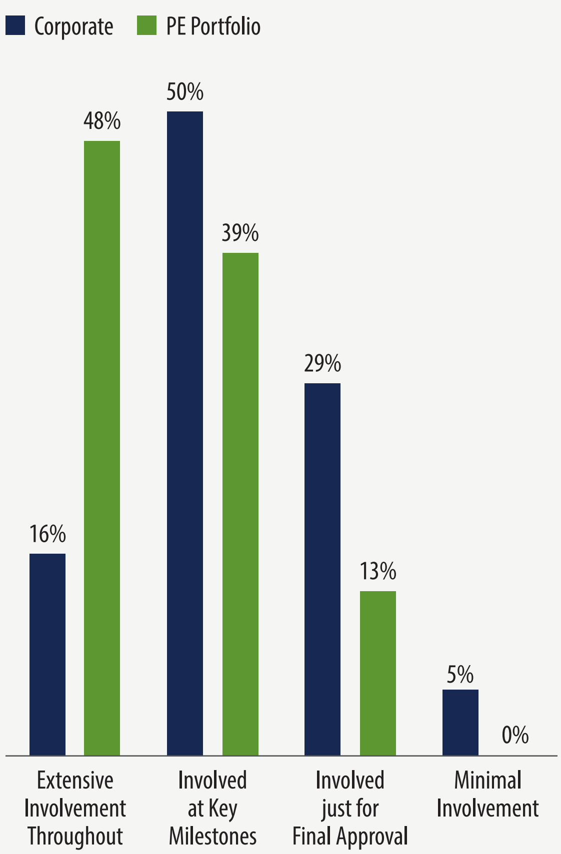
"People across the business are very busy, including potentially assessing a whole bunch of other acquisition targets. One individual deal is not the most important thing. My job is to manage that and try to get attention. But the more time I have, the more successful I can be in participating."

– PUBLIC, TECH & SERVICES

Shaping the Process

Customized engagement with individual buyers can pave the way for deeper involvement in processes. In addition, efforts to tailor a process toward strategic buyers should distinguish between publicly listed corporates and PE-backed strategics. Processes geared toward public companies can better account for the long-term market position and vision of the buyer but need to allow for timing challenges caused by extra levels of internal feedback and approval. Processes focused on PE-owned buy-and-build platforms require a distinctive focus on how the lending markets view a sizable potential deal.

Board of Directors Involvement in M&A



Source: Interviews conducted by 8 Acre.

Factoring in Target Talent

Retention of employees and key leaders at targets is a high priority for strategics, as keeping the acquired management team and staff engaged promotes the continuity and expertise often required for value creation. PE-backed strategic acquirors have an advantage in minimizing turnover due to the ability to offer target management teams attractive equity packages with meaningful upside if certain return criteria are met when the PE firm exits the asset.

"There were two key metrics of success: One was client adoption. And the second was employee retention. We retained 97% of the employees. And customer adoption exceeded all our model expectations."

– PUBLIC, HEALTHCARE

"The biggest thing we look out for now is culture, because we were so scarred by that one experience. We came up with a set of indicators that help us capture what a culture really looks like in numbers: How they treat their people? How they compensate them? It's a big input into whether we'll make an offer at all."

– PUBLIC, TECH & SERVICES

LOOKING AHEAD: STRATEGIC BUYERS ARE FLEXING THEIR MUSCLES

5

Increasingly using M&A to embrace technology

We expect publicly listed and PE-backed strategic buyers to be highly active in the M&A market in 2026, needing to operate on all cylinders to win against financial sponsors. The recent spike in the number of transformative deals is redefining the competitive landscape in certain sectors and is aligning corporate portfolios with secular growth themes. We anticipate a continuation of this trend, particularly driven by technology targets that accelerate innovation and combat disruptive competition.

"I would say the biggest trend right now is obviously artificial intelligence. How is AI shaping business? How is it informing corporate direction? How is it generating buzz in M&A? I think every company that is coming to market now is looking to clarify either their position or their capabilities in AI."

– PE-OWNED, HEALTHCARE

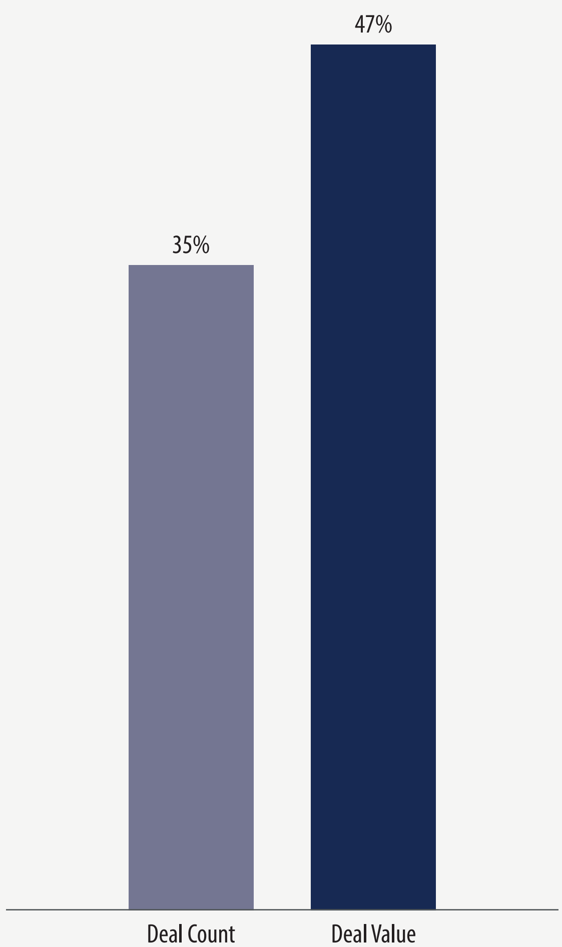
Big Deals Abound

In 2025, we are seeing strategics prioritize high-impact acquisitions of sizeable assets that reposition their companies. On a global basis, the annualized deal count for $1+ billion transactions by corporates in Q1-Q3 2025 exceeded the 2022-2024 average by 35% and was the second-highest total since 2007.

Elevated stock values should enable public corporates to remain highly competitive in processes that also include PE buyers. The sustained stock market rally (e.g., S&P 500 up 70%+ since the start of 2023) has boosted the value of shares that can be used by public companies for M&A. Stock was a component of consideration in about half of $1+ billion public company acquisitions in Q1-Q3 2025.

2025 Global Growth in $1bn+ M&A Deals

Annualized 2025 Data vs. Average of 2022-2024



Source: Dealogic.

Widespread Demand for Tech Assets

Corporates are also thinking creatively with their acquisition activity, as companies from many different sectors are pursuing technology assets to adapt to innovations and reengineer their operations. Technology "haves" enjoy stronger buyer appetite in comparison to "have-nots" with higher macro risk exposure, with this gap likely to persist amid heightened demand from corporates and PE for technology targets.

"For whatever reason, our niche within software is starting to attract more private equity interest. Valuation is all relative. The high water mark was 2021. That was the peak of stupidity. Things are more balanced now. Companies aren't getting away with burning a ton of cash like they used to. Even the high-growth guys, people want to see you at breakeven at least. So, there's a more sensible floor in terms of profitability. The high valuations still exist; but it's truly for A grade assets."

– PUBLIC, TECH & SERVICES

M&A, by both strategics and financial sponsors, often focuses on gaining exposure to today's secular growth themes, including AI and related data center buildouts, energy efficiency and software penetration.

"We are exposed to some unique end markets that probably make them more popular for private equity right now. For instance, data centers. It's interesting to watch where things are getting printed because we wonder: is that real value? Or is it short-term dislocation? But PE is paying for it. So maybe they're the smart ones? I don't know. We'll all wait a couple of years and see."

– PUBLIC, INDUSTRIAL

The data bears out the recent dynamic of broad-based M&A spending on technology businesses. The annualized 2025 deal value for $100+ million acquisitions of technology companies by strategic buyers classified (by Dealogic) as outside of the technology sector was the highest since the dot-com bubble of 2000, with deal value on pace to more than double the 2024 figure.

Competitive Environment to Continue in 2026

Many strategic buyers took advantage of lower competition from private equity in 2023 and 2024 as interest rates normalized after their low levels since the global financial crisis in 2009. The M&A market has seen a flight to quality amid the heightened macro uncertainty in 2025, creating intense competition for the best assets. We expect this competition among corporates, PE-backed strategics and financial sponsors to continue, particularly if we see a more supportive global macroeconomic backdrop in 2026.

"I look forward to some normalcy in the macro picture. Tariffs, high inflation, uncertainty have over the last two years made the deal market tougher. We've done seven deals in the last 15 months, so we've stayed busy. But with a little more normalcy and more stable macro picture, I think the deal market could really take off."

– PE-OWNED, INDUSTRIAL

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For More Information

Contact a member of Baird's Global M&A or Financial Sponsors Group to discuss this report in further detail.

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