



M&A OUTLOOK *2025*

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Amherst Partners' Perspective on the U.S. M&A Environment

DECEMBER 2024



“ U.S. M&A activity, while relatively tepid in recent years, is poised for steady growth in 2025. As interest rates moderate and positive macroeconomic conditions bolster investors’ confidence, dealmaking is expected to accelerate. Further supporting this view is the recent positive momentum across the capital markets, as investors anticipate of a more accommodative political environment for business growth, including merger and acquisition activity.

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M&A Review and 2025 U.S. Market Outlook

2025 U.S. M&A Outlook | December 2024

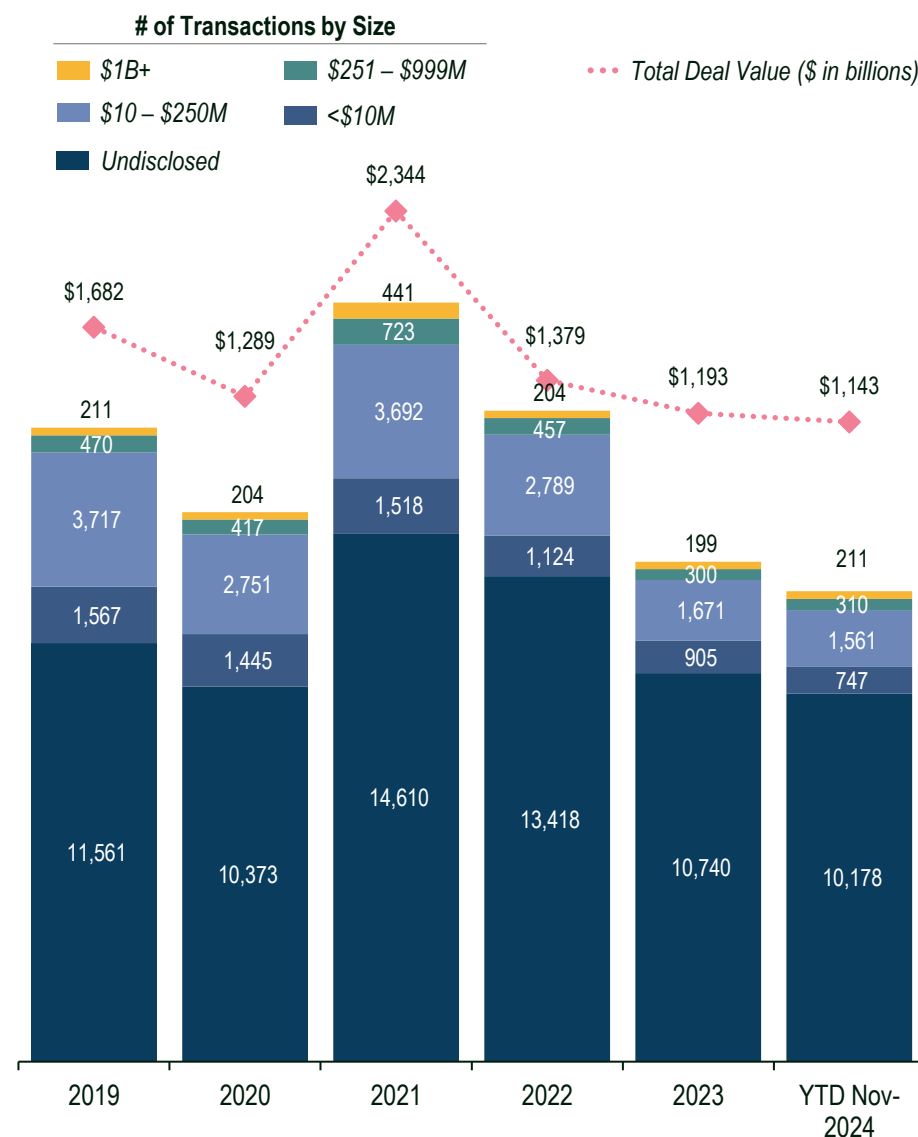
Commentary

The U.S. M&A market in 2024 showed encouraging signs of recovery, driven by improving deal activity and growing confidence among both strategic and private equity buyers. A more favorable environment emerged as moderating inflation, stronger corporate profits, and easing interest rates supported transactions. Larger deals, particularly those exceeding \$250 million¹, began to gain traction. Transaction momentum strengthened throughout the year, with notable improvements in Q2 and Q3 as financial conditions became increasingly supportive. The Federal Reserve's rate cuts in September and November further reduced borrowing costs, adding tailwinds to dealmaking. Private equity firms also played a meaningful role, deploying capital more aggressively and driving transaction growth as the year advanced.

The outlook for 2025 suggests increasingly positive momentum in the M&A market, supported by improving economic conditions and favorable financial trends. Declining inflation, projected interest rate cuts of approximately 100 basis points, and regulatory shifts under the new administration are expected to ease financing constraints and enhance capital accessibility. These developments, combined with growing competition among credit providers, will serve to lower borrowing costs and create a more dynamic environment for deal-making.

Private equity is expected, again, to play a pivotal role in driving 2025 activity, leveraging substantial reserves (approximately \$800 billion) in dry powder. With over 11,500² companies held in the portfolios of private equity firms – a 26% increase since 2018 – and more than 30% of these buyout-backed companies held for over five years, PE firms face mounting pressure to divest assets. This backlog is expected to drive an estimated 2,000 annual exits², helping to balance supply and demand while revitalizing market activity. Additionally, corporate cash reserves remain a crucial driver of deal-making, with significant liquidity ready to support both domestic and international transactions. Together, these factors create a robust foundation for valuations that will appeal to potential sellers, and ultimately, accelerated M&A activity in 2025.

U.S. M&A Activity (# of Transactions and Total Deal Value)



Sources: PWC, CNBC, EY, JP Morgan, Ropes & Gray

(1) Capital IQ

(2) Pitchbook

Amherst Partners

With a track record spanning 30 years, Amherst Partners is a boutique investment banking firm focused on providing M&A advisory and capital raising services primarily for closely-held businesses



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