Navigating M&A Trends, Valuation Insights,

AND THE ROLE OF AI IN INVESTMENT BANKING

SG Analytics
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Executive Summary

The global investment banking landscape continues to evolve, driven by economic growth, market liquidity, regulatory changes, and technological advancements. In 2025, Mergers & Acquisitions (M&A) activity is expected to be dominated by the technology, healthcare, and financial services sectors. Despite macroeconomic uncertainties, these sectors are poised to maintain strong deal volumes due to their long-term strategic value and synergies.

Market Trends

M&A Landscape for 2025: The technology, healthcare, and financial services sectors are expected to dominate M&A activity, driven by long-term strategic value, synergies, and market expansion opportunities. However, a mismatch in expectations between buyers and sellers regarding immediate synergies highlights a critical area for negotiation focus.

M&A Valuation

Valuation Multiples: While sectors like technology and healthcare are projected to maintain strong valuations, traditional sectors such as consumer retail and manufacturing face moderate multiples due to inflationary pressures and shifting market dynamics. Environmental, Social, and Governance (ESG) concerns and anticipated tax increases further complicate valuation strategies.

AI and ML Implications

AI/ML in Investment Banking: Artificial Intelligence (AI) and Machine Learning (ML) are transforming deal sourcing, due diligence, and risk assessments. However, the integration of AI remains a work in progress, with data accuracy and adoption challenges hindering full-scale implementation.

While the investment banking landscape is poised for growth, especially in key sectors, challenges in valuation alignment and technology integration require careful attention. The strategic use of AI and ML will be crucial for enhancing competitiveness and accelerating deal processes in an increasingly complex market environment.

02

About the Survey

The purpose of this survey is to **gain insights into key aspects** of the investment banking domain, focusing on:

Market Expectations

- Analyze key trends shaping mid-market M&A activity in the US for 2025.
- Identify sectoral hotspots, buyer and seller strategies, and deal-making challenges.
- Examine the impact of macroeconomic factors, such as interest rates and regulations, on M&A.
- Uncover pipeline growth strategies and reasons for Letter of Intent (LOI) fallout.
- Investigate the role of Private Equity (PE) firms in deal-making.

Valuation

- Explore valuation dynamics, including mismatches and pricing trends.
- Assess market conditions favoring buyers versus sellers in M&A transactions.

AI/ML Adoption

- Assess the role of AI/ML in M&A processes, including deal sourcing and operational efficiencies.
- Explore AI/ML's impact on strategic decision-making and its integration into investment banking.

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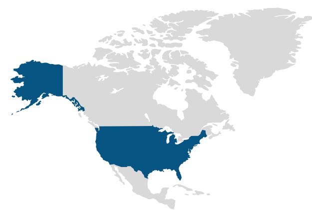
Survey Background and Methodology

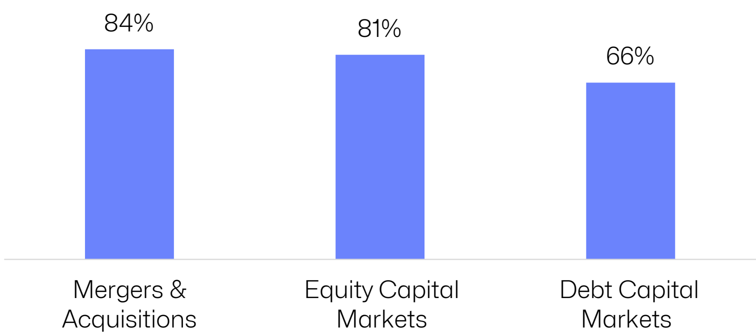
The survey results reflect the insights of **senior executives from firms of varying sizes and complexities** within the global investment banking industry.

Categories of Firms and Geographical Representation

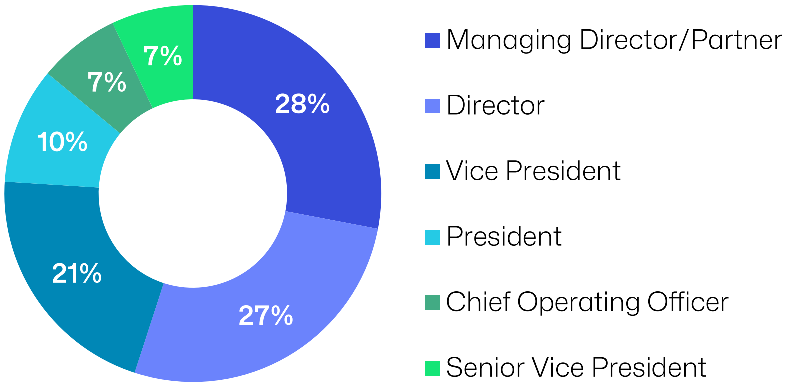
Investment Banks

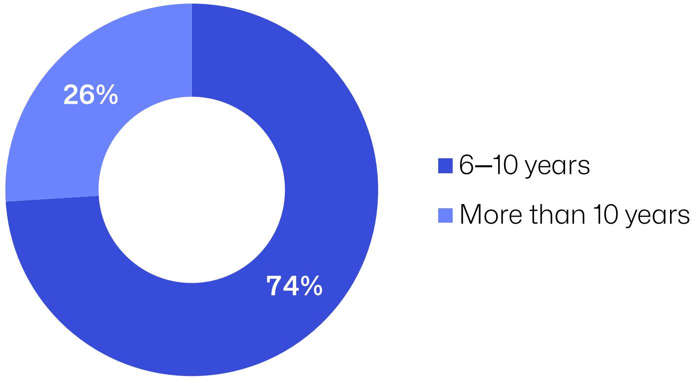


United States



The survey findings clearly highlight the operational priorities of investment banking firms, with M&A leading as the predominant focus area, closely followed by Equity Capital Markets (ECM) and Debt Capital Markets (DCM).

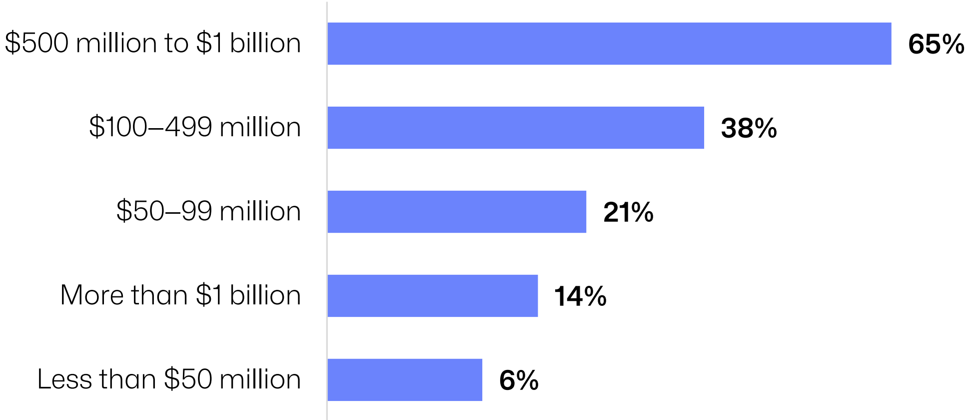




The survey respondents are senior, experienced bankers with a minimum of

SIX YEARS

of industry experience or more.



This report provides an in-depth look at the typical deal sizes in M&A, ranging from

under $50 million to over $1 billion.

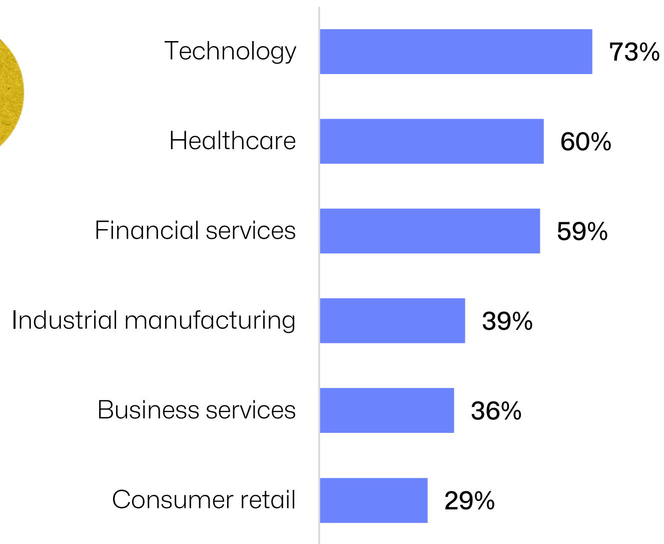
All the participants manage transactions across multiple sectors.

04

Market Expectations for the Next 12 Months

The M&A landscape for 2025 is expected to be dominated by the technology and healthcare sectors, with financial services showing surprising strength. These trends align with historical activity patterns and expert insights, where tech and healthcare have consistently been key drivers of deal-making, while financial services are emerging as a stronger player than initially projected. T**his indicates a dynamic and evolving market, with strategic investments increasingly focused on high-growth, transformative industries.**

Forecasting M&A Trends: Sector Prioritization According to Industry Experts



Continuing the trend, and as expected, the two most active sectors for M&A activity remain technology and healthcare.

Dealmaking enthusiasm for AI and ML technologies remains high, positioning these areas as primary growth drivers within the sector. Consistent with this trend, the survey indicates that technology M&A is expected to continue at pace, with deals driven by AI, cloud infrastructure, and digital transformation initiatives.

> As new areas continue to come up in biotech, companies with attractive offerings in healthcare continue to witness high demand from strategic and financial advisors both.

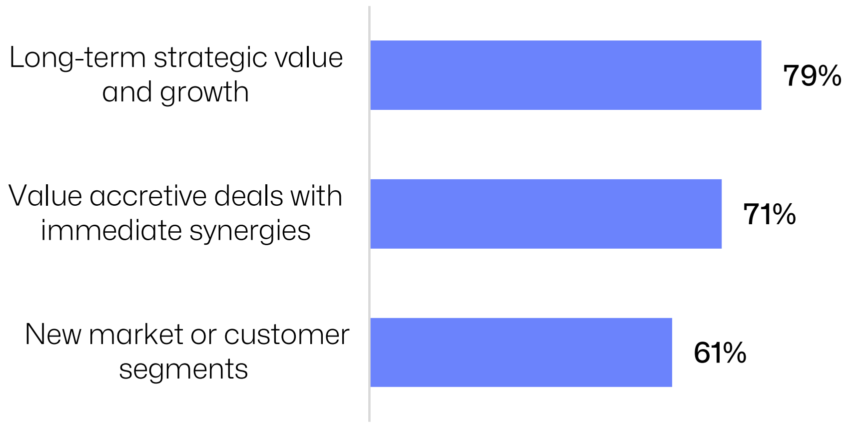
VIKRAM SHANBHAG,
Vice President - Life Sciences and Healthcare

> There's a lot of pent-up demand that will likely come through private equity as well as acquisitive trade buyers across a range of sectors including healthcare, tech, and energy.

RICHARD KING,
Head of corporate banking, EMEA, at Bank of America

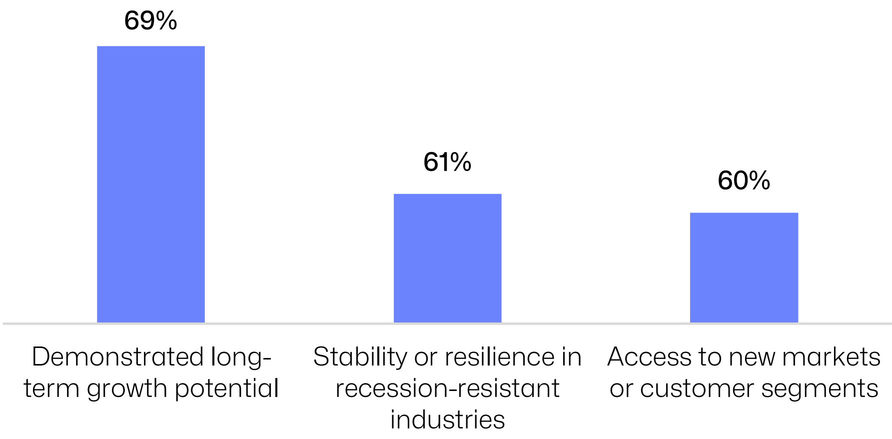
Financial services are expected to show unexpected resilience, surprising many experts. Increased demand for digital banking solutions, fintech innovations, and regulatory shifts are driving significant activity in the space.

Key Investment Theses Guiding Buyer Decisions in the Market



- Higher ratings for long-term strategic value and synergies indicate a strong M&A appetite among strategic buyers seeking to boost top-line growth.
- It is not surprising to see "new market entry" as the top driver for acquisitions. This has been the preferred route of both strategic and financial buyers to expand their revenue base and balance their portfolios, respectively.
- In the coming times, M&A activity driven by the urge to "acquire distressed assets and turnarounds" may increase if global economic uncertainties test companies' ability to survive.
- The first half of 2024 saw the persistence of elevated interest rates and intensified regulatory scrutiny surrounding deals. Despite these challenges, companies are demonstrating resilience by adapting to these conditions. This adaptation is evident in the more sophisticated strategies they are employing to create value through M&A activities, indicating a shift toward more strategic and nuanced deal-making.

Value Propositions Highlighted by Potential Targets



- It seems that targets have understood what buyers are looking for and are pitching according to the most preferred investment theses, supporting the long-term strategic value and growth aspects discussed above. Notably, 69% of respondents also prioritize demonstrated long-term growth potential, reflecting a strategic focus on sustainability and profitability.
- The only glaring mismatch seems to be "offering immediate synergies," which ranks much higher on the buyers' list of investment preferences compared to targets' value positioning.
- This is an important insight for global M&A firms when identifying targets and closing deals—they may be underestimating the M&A demand from strategic buyers related to cost efficiencies and synergies.

The core purpose of Investment Banks (IBs) is reflected in this statistic: targets seeking a certain value and buyers offering something completely different.

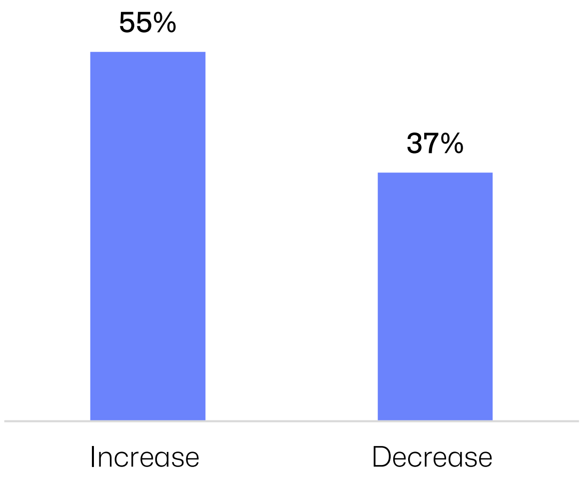
Misaligned expectations between buyers and sellers often stem from differing growth outlooks or market conditions.

To ensure both parties reach fair ground, it is crucial for dealmakers to conduct a detailed valuation exercise that is equitable for both.

72%

valuation mismatches identified as the most significant risk affecting successful M&A transactions.

Impact of 2024 Elections on Corporate M&A Appetite



Overall, US IBs seemed quite bullish on an upswing in deal activity post elections. This could partly be because of a much-anticipated cut in interest rates and the strengthening of the USD. Post elections, as uncertainty begins to fade in the minds of investors, it was interesting to see only a small percentage of people saying they do not foresee any significant change. This indicates that IBs have clear, decisive opinions.

Notably, most respondents (55%) expect an increase in M&A appetite, while a smaller segment (37%) foresee a decline, indicating a relatively strong consensus among banks about the market's direction. The limited number of those expecting no significant change highlights the clear and decisive outlook held by IBs.

> "Top dealmakers expect more deal-friendly antitrust enforcement in the US next year to unshackle tie-ups that were put on hold under the Biden administration. Deal advisers noted that the rate of dealmaking heading into 2025 is starting to return to levels seen in the pre-pandemic years, when deal volumes averaged about US$ 4 trillion a year."

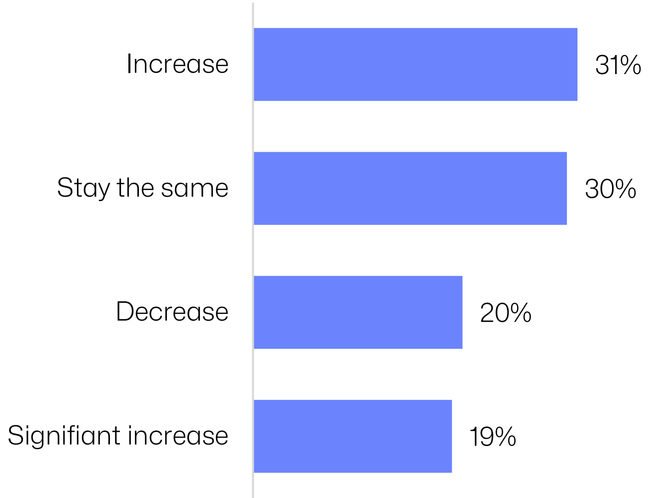
REUTERS

60%

of respondents believe that a decrease in interest rates is essential for facilitating peak deal volumes.

- The expectations of an interest rate cut were broad-based, so it was not surprising that IBs were expecting it.
- However, the extent of the cut seems to be much more aggressive than the market had expected.
- While interest rates have been reduced by 25bps, the current stance of the Fed may disappoint IBs to some extent.
- Nearly 60% of respondents were expecting rates to be cut by over 1%, which seems aggressive.

Future Deal Expectations: Trends in Closure Projections for the Upcoming Year



The market remains optimistic about deal activity, with 50% of respondents expecting an increase and 30% anticipating stability, resulting in an overall positive sentiment. This suggests that most participants believe the worst is behind them and that businesses are now looking ahead to growth opportunities and a more stable market environment.

Anton Sahazizian, Managing Director and Global Head of Mergers and Acquisitions at Moelis & Company, *predicted that many deals will happen in the first or second quarter of 2025, with businesses coming to market likely to attract significant interest from buyers.*

Moelis

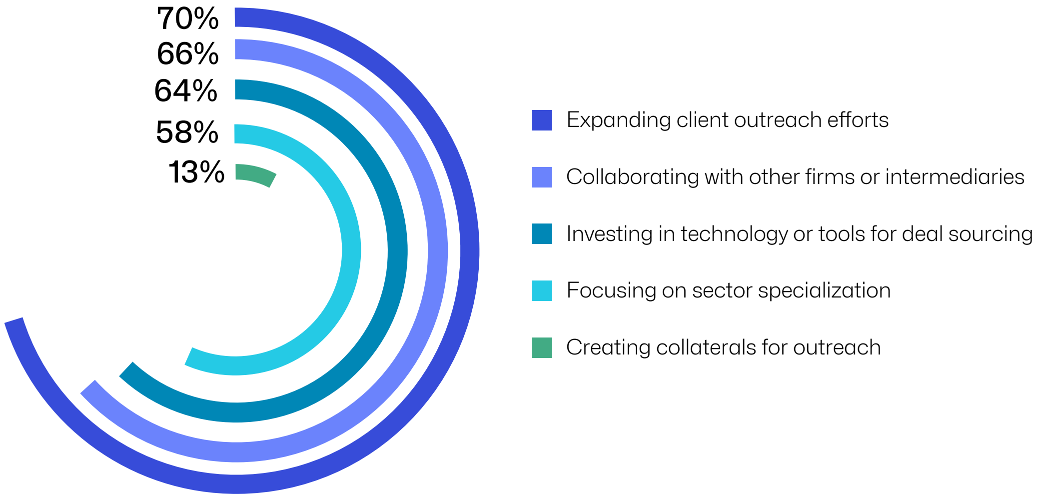
Jay Hofmann, Managing Director and Co-Head of North America M&A at JPMorgan, *predicted that deal counts will be at least 15% higher in 2025 than in 2024.*

J.P.Morgan

96% of respondents report that the time required to close deals has increased.

- Possible reasons include valuation concerns, enhanced due diligence, and more complex negotiations.
- Additionally, given the lower-than-expected interest rate declines, investors may be waiting for the right time.
- In 2025, we expect PEs to seek exits amid uncertainties around the carried interest loophole.

Strategies for Enhancing Deal Pipeline



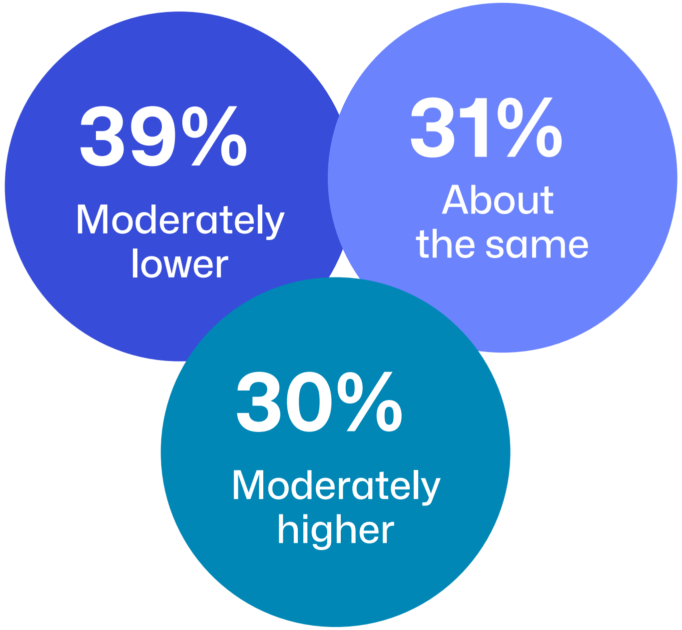
The study results highlight that firms are adopting various strategies to grow their deal pipelines, with a strong focus on client outreach and collaboration with other firms or intermediaries. These approaches emphasize the value of relationships and networks in the deal-making process. Additionally, significant investments in technology reflect an understanding of the crucial role modern tools play in sourcing and managing deals more efficiently.

> "The carried interest loophole is a fascinating challenge, everyone wants to close it, except private equity executives."
>
> **STEVE ROSENTHAL,**
> Tax Expert

05

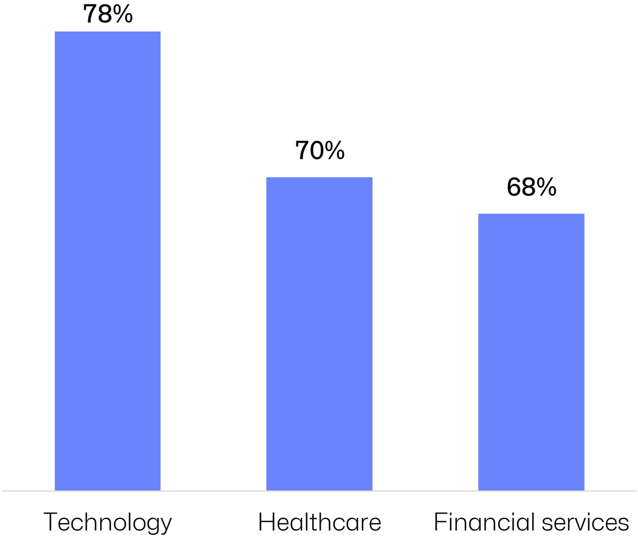
M&A Valuation Multiples

Anticipated Shifts in M&A Transaction Multiples: A Yearly Perspective



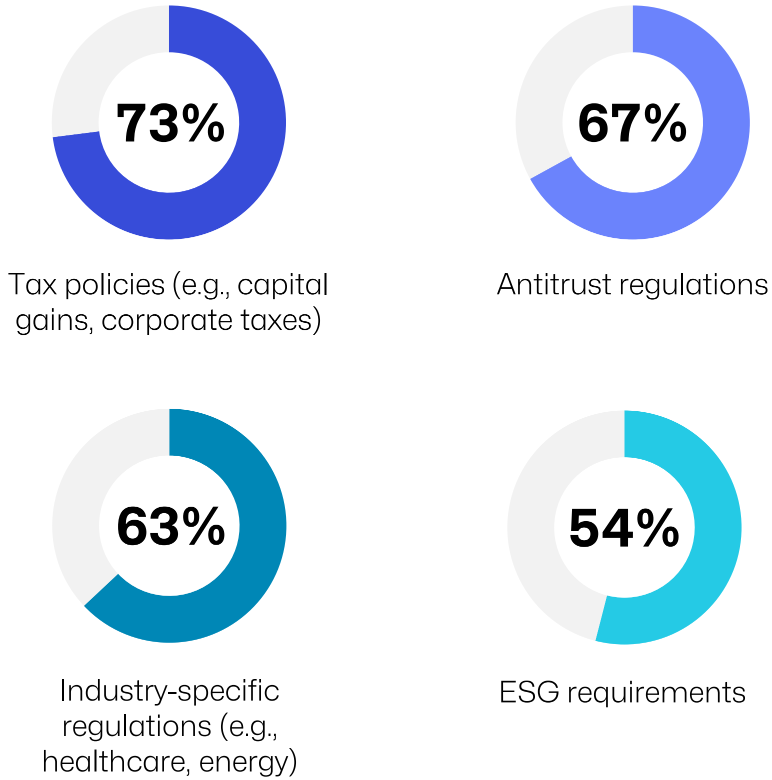
Moderately lower valuation multiples reflect concerns over macroeconomic uncertainty, interest rate volatility, and tighter credit conditions that have been influencing deal dynamics globally. Additionally, this indicates that pent-up demand from 2024 will likely see an uptick, as founders and owners look to exit or raise capital.

Future Valuation Trends by Sector



- The technology, healthcare, and financial services sectors are expected to see the highest deal volume in 2025, and this is reflected in the valuation trends as well. This trend highlights the continued dominance of technology-driven growth, the resilience of healthcare amid evolving global health dynamics, and the adaptability of financial services to digital transformation and regulatory shifts.
- Traditional sectors such as consumer retail, business services, and industrial manufacturing is expected to see more moderate multiples, reflecting margin pressures from inflation, shifting consumer behaviors, and supply chain uncertainties.

Key Regulatory Factors Affecting Valuation Multiples



- Growing concerns around fiscal policy shifts under the current administration and increased regulatory scrutiny from federal agencies are expected to impact valuation multiples.
- ESG concerns becoming more prominent in the US may be a result of Trump's divergent stance on these topics.
- Bankers are expecting taxes to increase, which could negative impact valuation multiples.

06

Optimizing M&A Deals and Accelerating Life Cycles through AI/ML

Assessing AI/ML Integration in Deal Processes

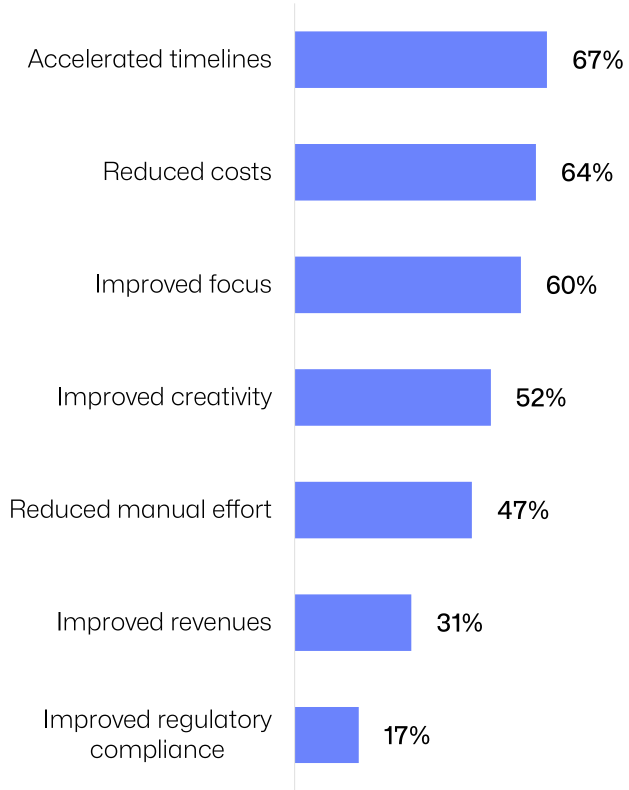
72%	68%	57%
Due diligence	Target identification and screening	Deal material creation

- AI enhances deal sourcing efficiency, helping mid-market bankers identify high-potential targets more quickly.
- AI/ML is transforming due diligence by accelerating risk assessments and compliance checks.
- Smart target identification is clearly the need of the hour, as we have also seen our clients demanding the same. While some tools are available, we believe that personalizing the investment philosophy increases the relevance of screening, and AI could play a key role in ensuring quicker, high-quality screening.
- Business Development (BD) featuring at the lower end is not surprising, as many Customer Relationship Management (CRM) tools are already in place. There is, however, a lot of greenfield for AI and automation to make inroads in other areas of the IB life cycle.

Jamie Dimon, CEO of JPMorgan, *has emphasized the transformative potential of the technology, comparing its significance to that of the steam engine or the internet. Dimon stated that AI would be integrated into every aspect of the bank's operations, including trading, research, equity hedging, and customer service.*

J.P.Morgan

Impact of Generative AI (Gen AI) on M&A Efficiency

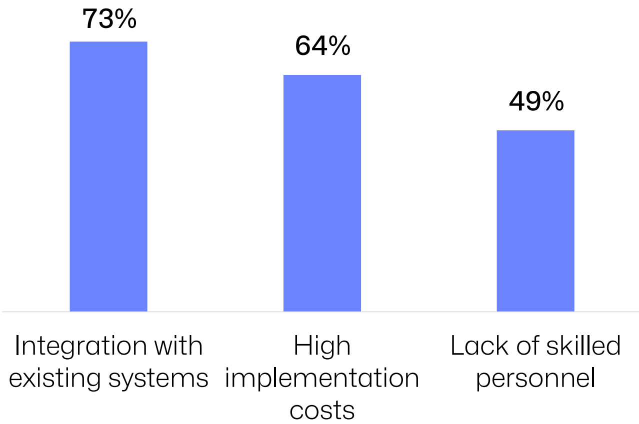


- Despite advances in technology, manual effort remains essential, highlighting the importance of the man-machine model.
- In a tough market, competitiveness is key, and IBs continue to seek solutions that will expedite deal closures. It is a clear point of differentiation if your deal cycle is shorter, faster, and more efficient than competition.
- Benefiting from collective intelligence and using out-of-the-box ways of communication and presentation is a major advantage, without the need to hire talent for every customization. This could include regional nuances, sector-specific idiosyncrasies, or linguistic and cultural preferences.

> We see the potential with Generative AI for a massive workforce productivity boom over the next one to three years, which could affect the shape of the economic cycle.

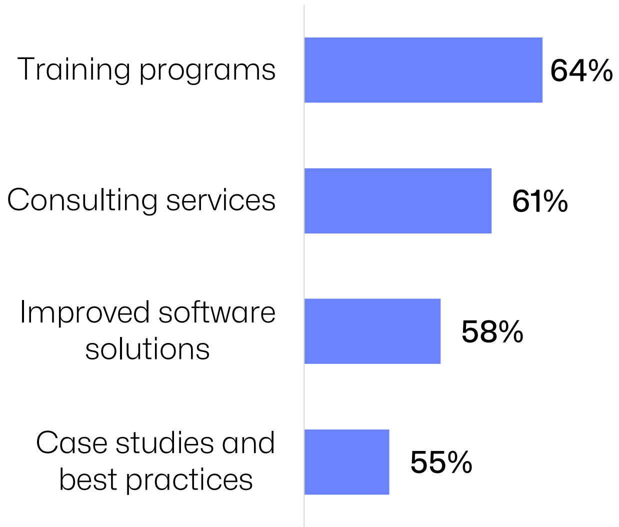
MARK MURPHY,
Head of U.S. Enterprise Software Research,
J.P. Morgan

Key Challenges with Gen AI and ML Tools



Like all new technology, the integration and adoption of new ways of working continue to be key impediments in making Gen AI a part of an analyst's daily life. With accountability and judgement calls still resting with the human in the loop, trusting technology that produces inaccurate data becomes difficult and often results in rework. From personal experience, we can attest that data extracted from unstructured sources, especially non-financial data, often lacks accuracy and relevance, making it unusable in several cases.

Key Challenges with Gen AI and ML Tools



This could become a fast-growing need in the Gen AI industry, where firms that understand both technology and domain act as bridges between technology creators and users. These "techno-domain consulting" services will make Gen AI more usable and integrated into the daily lives of analysts and researchers. From our experience, we can say that smaller successful implementations serve as better use cases for longer-term transformations, instead of the other way round, as analysts experience the impact and their confidence in the technology's usability improves.

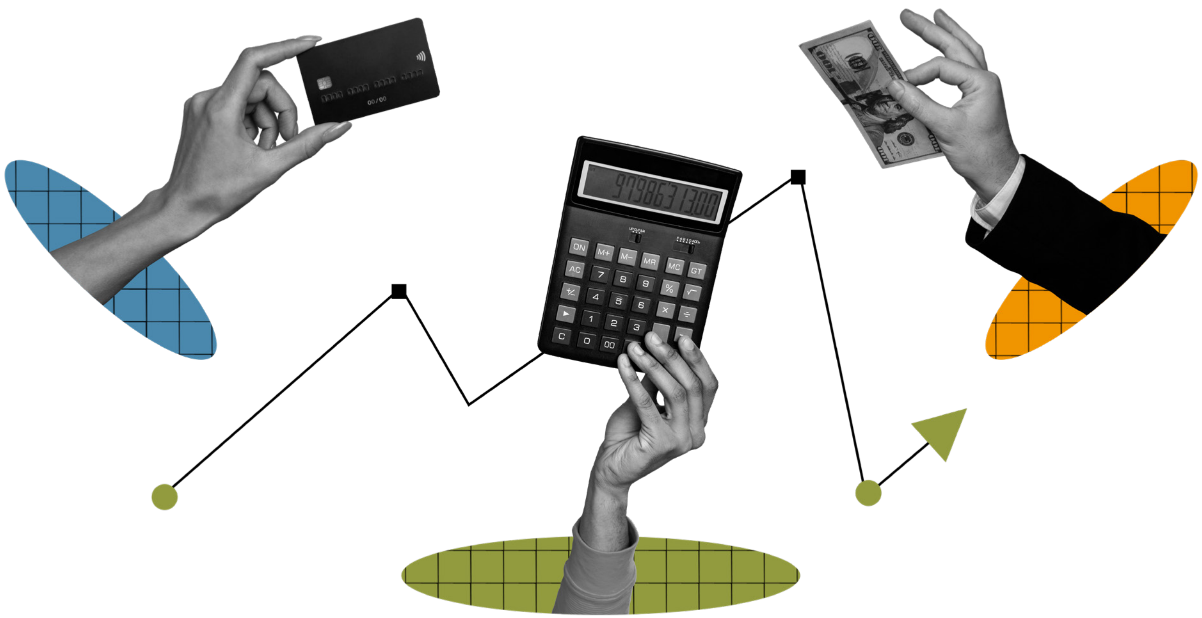
66%

of respondents indicate they are very likely to increase investment in Gen AI and ML tools within the next 12 months.

> "AI has moved from cost-savings ideas to enhancing the quality of our customer interactions, signaling a shift in how the bank views and utilizes AI."
>
> **BRIAN T. MOYNIHA,**
> CEO Bank of America

Despite the Challenges, the Verdict is Clear

Gen AI is here to stay, and global IBs are willing to take the plunge because the long-term benefits are clear. This is an important learning for all partners in IBs: the sooner Gen AI becomes part of your solutions, the better your chances of surviving in this ultra-competitive industry.



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Conclusion

Sectoral Dynamics Driving M&A Growth

Technology, healthcare, and BFSI sectors are primed to dominate M&A activity in 2025.

- **Technology:** AI/ML, cloud infrastructure, and digital transformation are key drivers.
- **Healthcare:** Biotech innovation and life sciences solutions continue to attract both strategic and financial buyers.
- **Banking, Financial Services, and Insurance (BFSI):** Fintech innovations and the growing demand for digital banking are fueling growth.

PE remains a critical enabler of deal flow across these sectors, driving both volume and structure.

Navigating Political Uncertainty

The political landscape continues to introduce complexity to the investment banking environment. While the full extent of policy shifts remains unclear, early indicators suggest a focus on regulatory changes that could impact deal volumes and valuation dynamics.

For industry participants, this calls for a state of heightened vigilance. Firms must remain agile and proactively assess the evolving policies. The ability to anticipate and adapt to these shifts will be critical in maintaining a competitive edge.

Gen AI: A Game-Changer for Investment Banking

Gen AI is reshaping investment banking by enhancing efficiency in deal sourcing, due diligence, and risk assessment.

- Early adopters are gaining a competitive edge by automating labor-intensive processes.
- A balanced “man-machine” model is essential for maximizing the technology’s potential.

Strategic Outlook for 2025

Despite challenges such as political uncertainty and regulatory scrutiny, the investment banking outlook remains optimistic. The industry’s trajectory will be shaped by several key factors:

- **M&A Momentum:** Deal activity is expected to remain robust as firms pursue strategic acquisitions in high-growth sectors.
- **Private Equity Influence:** PE firms will continue to play an outsized role in driving transactions, particularly in sectors like technology and healthcare.
- **Technological Integration:** IBs must prioritize the adoption of cutting-edge tools like Gen AI to enhance efficiency and maintain competitiveness.
- **Adaptability:** Navigating an evolving regulatory landscape will require firms to remain nimble and proactive.

The coming year presents both challenges and opportunities. Firms that align their strategies with market dynamics and leverage innovation will be best positioned to deliver value to their clients and stakeholders.

About the Author(s)

This report has been developed by the Investment Banking Research team at SG Analytics, drawing on deep expertise in M&A advisory, capital raising, valuation, and deal intelligence. Our team works closely with global investment banks, private equity firms, and corporate finance teams to deliver actionable insights that drive success—helping firms secure more mandates, identify high-potential opportunities, optimize deal execution, and expand their market presence.

The findings in this report are based on rigorous primary and secondary research, including targeted surveys, expert interviews, and proprietary data analysis. It provides a comprehensive perspective on evolving M&A trends, sector dynamics, and key factors shaping deal-making activity.

For more information, please contact SG Analytics at
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