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H2 2025
ArkMalibu
Market Monitor



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ArkMalibu H2 2025 Market Monitor

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Please feel free to contact us at (513) 583-5413 to discuss how the information presented in each report may relate to your business and its own unique set of value drivers.

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From the Desk of the Chairman & CEO



Rene Robichaud

- 15 years on Wall Street with Salomon Smith Barney and Morgan Stanley
- Former CEO of 2 public companies
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01

M&A Market Overview

U.S. & Canada Overview

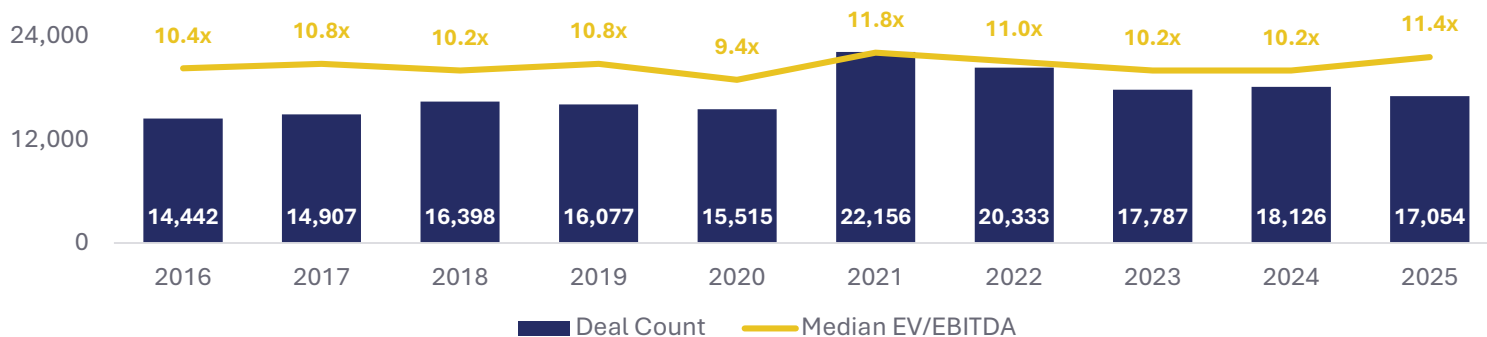
M&A deal count decreased by 6.9% in H2 2025 relative to H1, totaling 8,277 deals and bringing the full-year volume to 17,054 transactions. Valuations, however, rose substantially, with the year’s median EV/EBITDA multiple increasing to 11.4x, demonstrating buyer willingness to prioritize quality deals at premium valuations as volume dropped. Though total volume contracted, private equity deal count rebounded to the second-highest level in history. The most notable PE transaction came in September when Electronic Arts (NASDAQ:EA) agreed to be taken private by a consortium of buyers for \$53B in enterprise value, which included \$20B in debt funding, marking the largest LBO in recorded history during a year characterized by megadeals. Robust PE activity coupled with boosted PE exit counts in H2 2025 signal optimism for overall volumes to recover in 2026 as PE exits create a critical pipeline for strategic acquirers and free up capital for new platform investments.

Despite volatility stemming from geopolitical uncertainty and ongoing trade negotiations, the U.S. economy continues to outperform predictions, with GDP growth and inflation figures both signaling economic resilience. Significant private equity dry powder and corporate cash reserves, as well as decreasing interest rates lowering the cost of debt, create a promising outlook for the 2026 deal environment.

Global Overview

Globally, H2 2025 saw deal count fall 7% YoY. Despite declining volume, deal value surged to \$2.7T, up 130% YoY, as megadeal proliferation continued to define 2025. The median EV/EBITDA multiple rose to 9.4x on the year from 9.1x in 2024. EBITDA multiples in H2 2025 increased to 10.5x from 8.6x in H1. An increase in median deal size accompanied growth in global invested capital as investors continued to prioritize safer investments in larger deals, even as the macroeconomic outlook recovered from H1 concerns.

U.S. & Canada M&A Activity (PitchBook)



01 U.S. & Canada M&A Valuation Trends by Sector

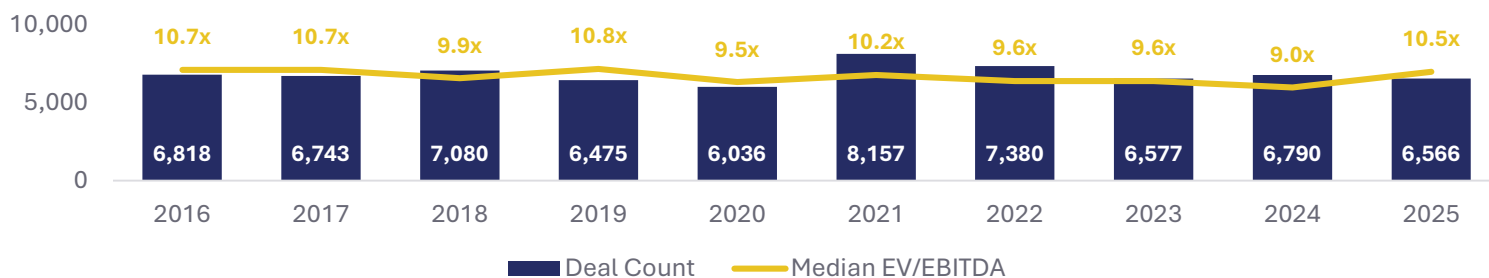
Rising Multiples and Larger Deal Sizes Counter Lower Volumes

Sector	Median EV/EBITDA		Median EV/Revenue		Median Deal Size		Deal Count	
	1 Yr	3 Yr	1 Yr	3 Yr	1 Yr	3 Yr	1 Yr	3 Yr Avg
Aerospace & Defense	14.2x	13.8x	2.4x	2.4x	\$190M	\$135M	204	185
Automotive	14.3x	14.3x	0.8x	0.7x	\$48M	\$34M	642	701
Business Services	11.7x	11.5x	2.1x	2.0x	\$60M	\$40M	6,063	6,133
Chemicals	9.3x	9.3x	1.6x	1.1x	\$89M	\$71M	161	185
Consumer Products	11.8x	11.6x	0.9x	1.1x	\$51M	\$26M	1,197	1,378
Distribution	13.0x	9.6x	1.0x	1.0x	\$34M	\$33M	755	925
Diversified Industrial	13.5x	11.3x	2.7x	1.9x	\$350M	\$163M	526	608
Energy	9.0x	6.5x	2.1x	2.2x	\$300M	\$204M	559	579
Healthcare	17.7x	16.3x	4.5x	3.8x	\$151M	\$66M	558	622
Healthcare Services	14.2x	13.5x	1.4x	1.8x	\$56M	\$42M	1,296	1,478
Human Capital Services	35.5x	19.6x	6.0x	2.4x	\$40M	\$40M	272	260
Industrial Machinery	8.8x	9.7x	0.7x	1.4x	\$40M	\$44M	287	312
Materials & Building Products	12.1x	9.5x	2.0x	1.7x	\$89M	\$45M	933	1,022
Medical Technology	20.0x	20.0x	4.6x	2.7x	\$81M	\$40M	363	316
Software	18.0x	19.8x	3.6x	4.6x	\$148M	\$65M	2,512	2,312
TMT	12.4x	18.4x	2.8x	2.8x	\$338M	\$130M	605	707
Transportation & Logistics	13.5x	10.8x	1.3x	1.2x	\$33M	\$33M	975	1,075

Note: 1 Yr columns reflect deal data from 1/1/2025 to 12/31/2025. 3 Yr columns reflect deal data from 1/1/2023 to 12/31/2025.

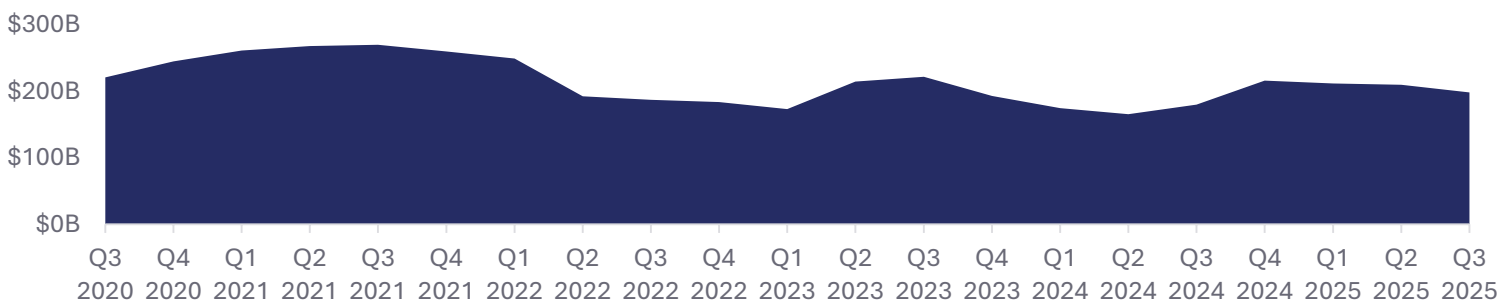
Multiples and Cash Reserves Remain Elevated Despite Modest Volume Declines

U.S. Corporate Strategic M&A Activity (PitchBook)



In H2 2025, 3,265 acquisitions were made by strategic acquirers, marking a 2.6% decrease YoY. Industry groups with strong increases in deal count were led by Capital Markets (122%), Commercial Banks (97%), and Textiles (67%). Conversely, the most notable declines in deal count were observed in Metals & Mining (-33%), Energy Services (-33%), and Construction (Non-Wood) (-32%).

U.S. Corporate Quarterly Cash on Hand (FRED)



Cash reserves were deployed more selectively in Q3, paralleling the overall decline in corporate M&A volume. This dynamic represented a “flight-to-quality,” in which strategic acquirers retreated to fewer, safer investments, paying a higher premium as a result. Shifting trade patterns, heightened geopolitical tensions, and rapid technological advancement continue to influence deployment strategies as companies balance innovation and growth with capital flexibility.





03

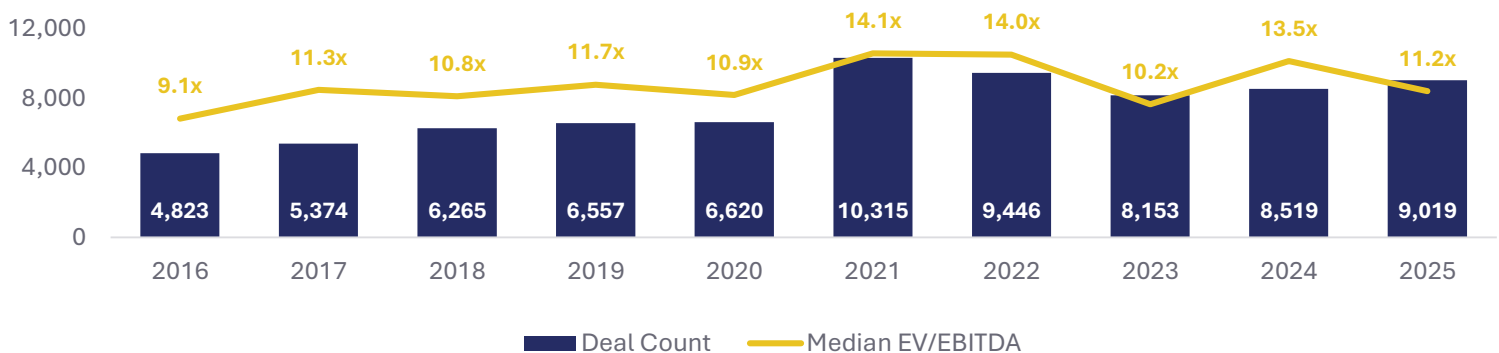
U.S. Private Equity Transactions

Deal Activity Rally Closes a Historically Strong H2

The second half of 2025 marked a triumphant comeback for private equity deal activity as transaction counts rose to the second-highest level in history, outpacing H2 2024 by 5.6% and trailing only the peak of H2 2021. Deal value also surged to the second-highest level, rising 41.4% YoY to \$632B. Annual deal value reached \$1.2T, surpassing \$1T for only the second time. Add-on deal activity exhibited minimal change, accounting for 72.9% of all PE activity compared to the 72.8% five-year average. Private investors continued to capitalize on deregulation trends to deploy significant dry powder into megadeals, driving 150 transactions valued at \$1B+ for a record total of \$568B.

After a lull in Q2, private equity firms uncorked pent-up supply, propelling exit count 17.0% higher than 2024. Exit value rose 90.1% over the same period, with both exit count and value ranking second only to the 2021 peak. The median PE hold period remained flat at 6.0 years, though the resurgence in activity is likely to drive this number closer to the pre-pandemic average of 5.5. PE IPO exits were led by the \$32B listing of Medline, the second largest PE-backed IPO in history, following Venture Global LNG which listed at \$59B in Q1. PE IPO exits ended the year at 26, up 6 from 2024, but well below the pre-pandemic average of 47. PE deal valuations fluctuated throughout 2025, ultimately normalizing at a median EV/EBITDA multiple of 11.2x, down from 13.5x in 2024.

U.S. Private Equity M&A Activity (PitchBook)



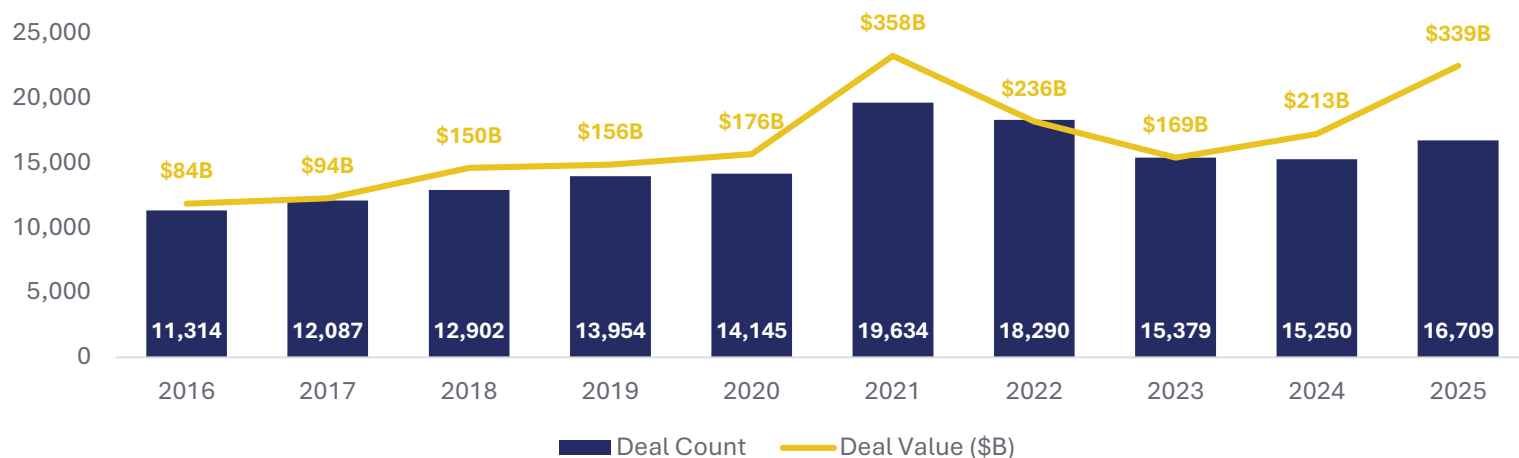
AI Megadeals and Corporate VC Vital to Venture Capital Recovery

AI deals continued to command VC headlines through the second half of 2025, accounting for all eight of the largest Q4 deals. The top end of the market remained heavily concentrated, with eleven deals totaling 41% (\$37B) of quarterly deal value. Anthropic’s \$15B late-stage round was the largest Q4 deal, while Project Prometheus’ \$6B early-stage round pushed Q4 first-financing value to historic levels at \$13B. In total, AI deals were responsible for 65.4% of 2025 VC deal value and 39.4% of deal count.

Overall VC deal activity rebounded in Q4 2025, with \$92B deployed across 4,482 deals. This nearly matched the high-water mark set in Q1 and helped bring total 2025 VC deal value within 8% of the 2021 peak despite lower transaction volumes. Corporate Venture Capital played a pivotal role in this resurgence, participating in a decade-high \$197B worth of deals as corporations partnered with AI startups to secure strategic advantages.

VC exit value totaled \$298B in 2025, the fourth-highest annual figure of the last decade. VC IPO activity, however, fell short of the broad recovery anticipated by investors as tariff negotiations, a prolonged government shutdown, and volatile markets complicated pricing and timing decisions. The largest listings of 2025 consistently aligned with the Trump administration’s priorities in industries like AI, space, crypto, fintech, and national security, suggesting that political and economic opportunism will drive VC exits going forward.

U.S. VC M&A Activity (PitchBook)



Source: MarketWatch

Index Returns as of 12/31/25	Average Annual Returns				
	H2 2025	1-Year	3-Year	5-Year	10-Year
S&P 500	10.3%	16.4%	21.3%	12.8%	12.9%
Russell 1000 Growth	11.5%	17.9%	30.2%	14.4%	16.9%
Russell 1000 Value	8.3%	13.6%	11.4%	9.0%	7.9%
Russell 2000	14.1%	11.3%	12.1%	4.7%	8.1%
Russell 2000 Growth	13.3%	12.4%	14.9%	2.6%	8.9%
Russell 2000 Value	15.0%	10.2%	9.2%	6.6%	7.0%

Stock Indices Post Strong H2 2025 Performance Following Volatile Start to the Year

Major publicly traded stock indices delivered yet another robust performance in 2025, overcoming a volatile beginning of the year. The Magnificent Seven (Microsoft, Amazon, Meta Platforms, Apple, Alphabet, Nvidia, and Tesla) bolstered the S&P 500 in 2025 with the group posting a 24.9% annual return despite a sharp early-year 33% decline from previous December highs. Most major indices closed the year with strong double-digit gains, demonstrating a healthy recovery across numerous sectors and market capitalizations.

All eleven S&P 500 sectors closed 2025 with positive gains, led by the top-performing sectors Communications (33.6%), Technology (24.0%), and Industrials (19.3%). Healthcare and Consumer Discretionary proved resilient. Despite early declines of -1.1% and -3.9% respectively, both reversed course to post year-end gains of 14.6% and 6.0%. Small-cap sector performance was dominated by Materials (45.8%) and Healthcare (27.4%) while Consumer Discretionary (-2.6%) and Staples (-3.7%) lagged.

Of the 107 S&P 500 companies that issued EPS guidance in Q4 2025, 47% were positive—surpassing both the 5-year (42%) and 10-year (40%) averages. This marks the 3rd consecutive quarter in which 50 or more S&P 500 companies issued positive EPS guidance in a quarter and is second only to Q3 2025 (49%) since Q3 2021. The S&P 500 forward 12-month P/E ratio is 22.2x, which represents an 18.7% premium over the 10-year historical average.

Buoyed by strong equity performances, total 2025 IPO value increased despite H1 volatility, geopolitical instability, and the U.S. government shutdown, with global IPO proceeds increasing by 21% over 2024 to \$143B. After IPO volume lagged in H1 2025, a strong H2 led to IPO volume closing out the year with 1,014 total exits, slightly above 984 in 2024. The Americas experienced explosive growth by volume, with 321 IPOs in 2025 compared to 208 in 2024, the strongest levels since the high-water mark in 2021, representing a staggering 54.3% increase. Financials was the most active industry, contributing to \$42B in proceeds globally. Looking ahead to 2026, there is an increasing pipeline of PE-backed and large private companies exploring public market exit options, and geopolitical and macroeconomic stability will be a crucial determining factor for that pipeline to be realized.



06

U.S. Economic Update

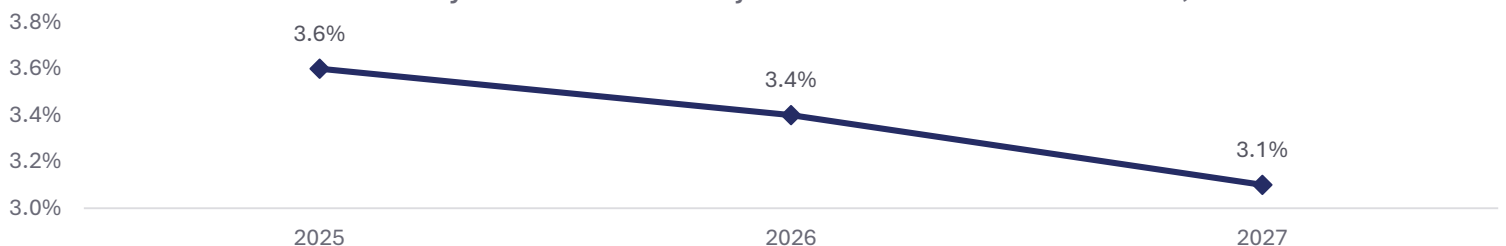
The Economy Remained Robust, Despite Recessionary Fears

In the December 2025 report, U.S. CPI increased 0.3% MoM for a 2.7% increase YoY. Core CPI (excluding food and energy) rose 0.2% MoM, representing a 2.6% increase YoY. Prices for services are up 3.0% on a YoY basis, led primarily by a 3.2% YoY increase in shelter, while energy is up 2.3% YoY. Wages increased MoM in December, with the average hourly nonfarm earnings rising by 12 cents to \$37.02, which is a 3.8% increase from December 2024. The December jobs report showed 50,000 nonfarm jobs added and the unemployment rate increased from 4.1% in June to 4.4%, down slightly relative to November’s 4.5% unemployment rate.

At the Federal Reserve’s September, October, and December meetings, participants cast split votes to lower the federal funds rate by 25 bps at each meeting, landing at a target range of 3.50%-3.75%. Due to government shutdown-driven data gaps, Fed officials relied on September’s unemployment rate of 4.4% to inform their decisions. Balancing labor market and inflationary concerns, Fed officials signaled just one 25 bps rate cut for 2026, maintaining a cautious stance on monetary policy despite pressure from the Trump administration. Participants also raised their 2026 real GDP growth forecast to 2.3%, 0.7% over June predictions.

Despite bearish sentiment following April’s tariff announcements, the economy continues to defy expectations. Q3 2025 recorded a 4.3% annualized growth rate, up from 3.8% in Q2 and beating the Wall Street Journal consensus of 3.2%. Early indications show that Q4 growth is likely to be even higher, with estimates such as the Atlanta Fed GDPNow model projecting a 5.3% annualized growth rate for the quarter. These figures underscore the momentum of the U.S. economy, challenging recessionary forecasts and providing a robust foundation for growth heading into 2026.

FOMC Summary of Economic Projects for the Fed Funds Rate, Median



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Sell-Side Only Matters

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SOURCES

ArkMalibu, Bureau of Labor Statistics, Federal Reserve, PWC, JP Morgan, S&P Global, The Wall Street Journal, Reuters, Nasdaq, CNBC, MarketWatch, PitchBook, FactSet, and other publicly available news sources.



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