The Future of XB Deals in an Emerging AI World

September 11, 2025

EVERCORE

Macro Environment Setting Up for Favorable M&A Conditions in 2026 and Beyond

Evercore ISI Macro Views

GDP Growth
- **Continued, but modest global growth and no recession**
- Forecasted real U.S. GDP growth of +1.5% for 3Q24, +1% for 4Q24, +1.5% in 2Q26
- **Companies looking to drive growth** in excess of GDP through technology exposures and inorganic avenues

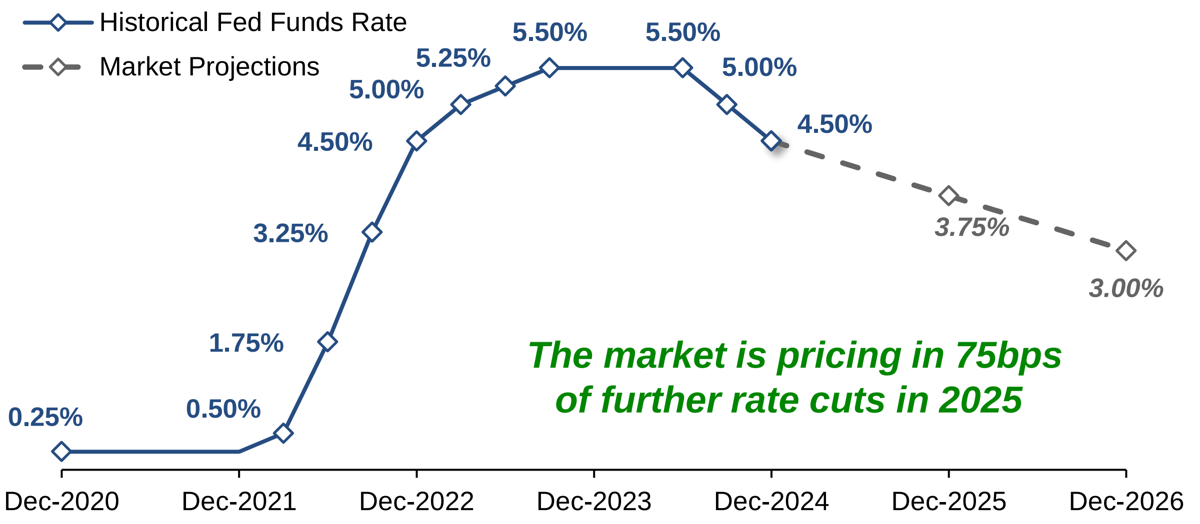
Inflation
- Inflation remains at ~3.0% and **expected to moderate**
- **Tariff impact has not been as severe** as feared

Regulatory
- Anti-trust environment appears to be **getting better** especially in the U.S.

Fed Perspectives
- Expectation that the **Fed cuts rates** by 25 bps in September and two additional rate cuts by year end

One Big Beautiful Bill
- **Estimated incremental cash flows** for S&P 500 of ~$160B (+9.5%) in 2025 and $190B (+9.2%) in 2026

Fed Funds Rate – Market Projections



Equity Markets

- **Highly supportive** equity markets for M&A
  - S&P +11%, Nasdaq +9%, MSCI +12% YTD
- EVR ISI recently increased **S&P 500 target for 2026 to 7,75**0 (currently ~6,500)
  - **AI revolution** driving EPS higher and sustained elevated multiples

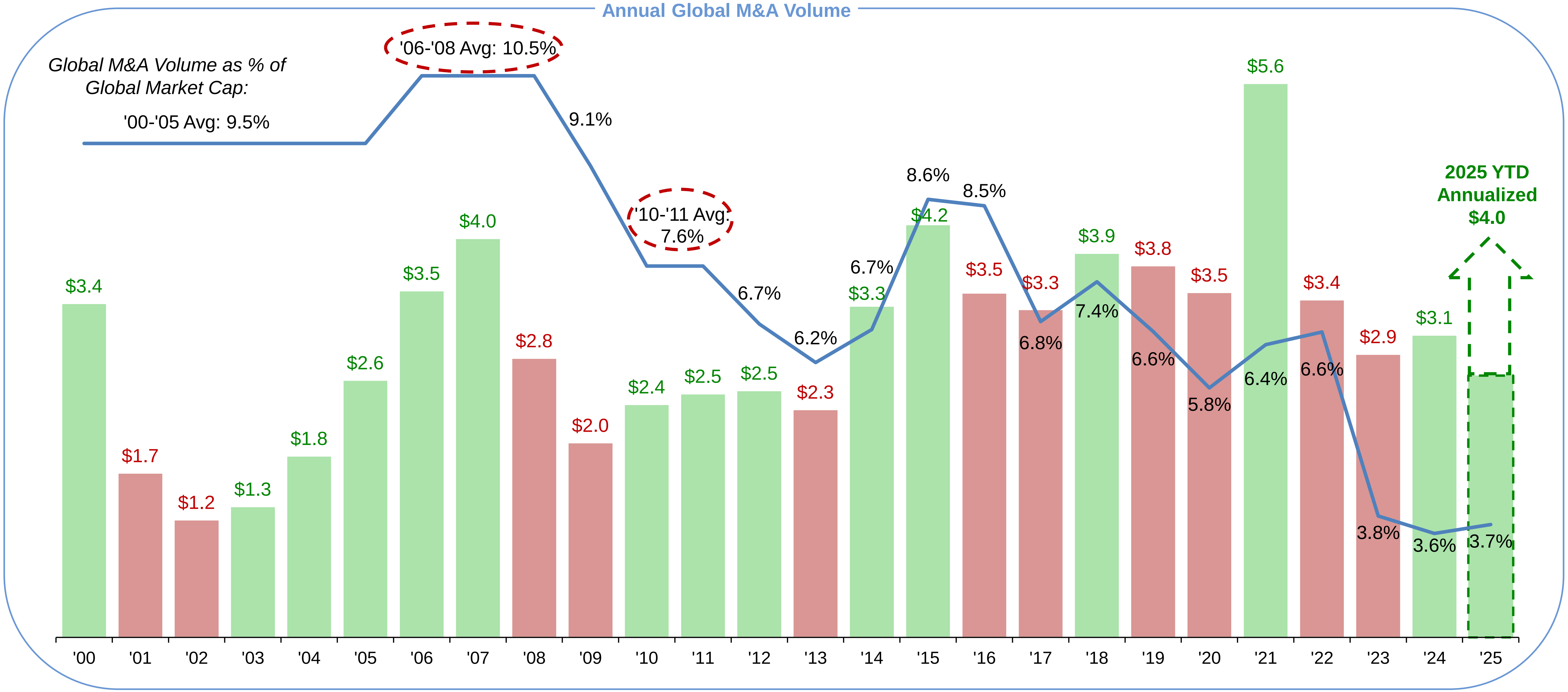
Analogs between current AI-driven and 1990s Internet-driven Equity Markets

- **Tech-led revolutions** driving structural bull markets
- Each had a **~20% non-recession bear market that quickly recovered** to new highs
- **1990s rally was narrowly in Tech, while today's is broader across sectors**
- **Fed policy accommodative in both eras**, though in 1999/2000 the Fed increased Fed Funds Rate from 4.75% to 6.50% in order to fight the bubble
- **Both cycles show bubble risk**, with sentiment moving from rational to irrational exuberance

Source: FactSet, Evercore ISI, The Wall Street Journal

Global M&A Has Commenced a Cyclical Rebound

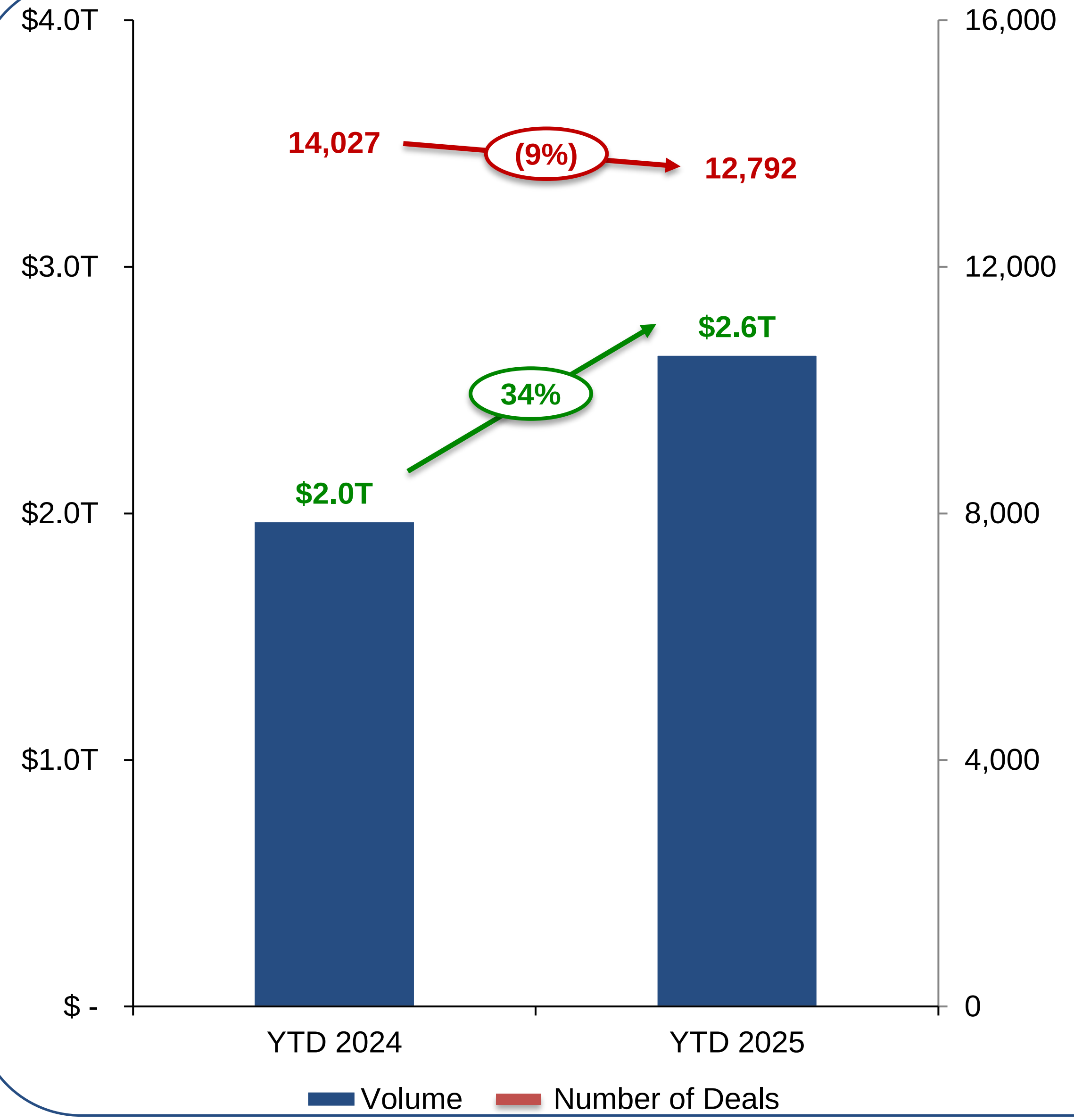
($ in trillions)



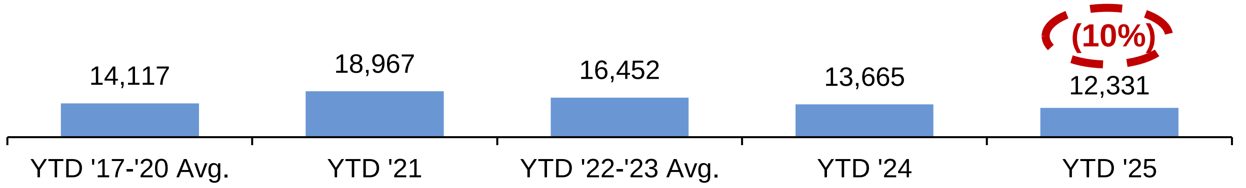
Source: FactSet, LSEG (formerly Refinitiv) as of 8/31/2025

M&A Rebound in 2025 Has Been Led by Larger Transactions

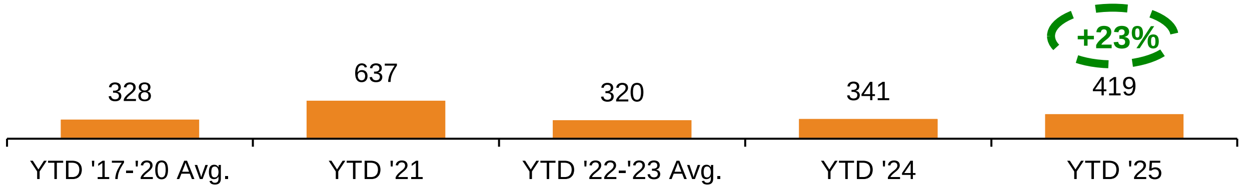
Global M&A



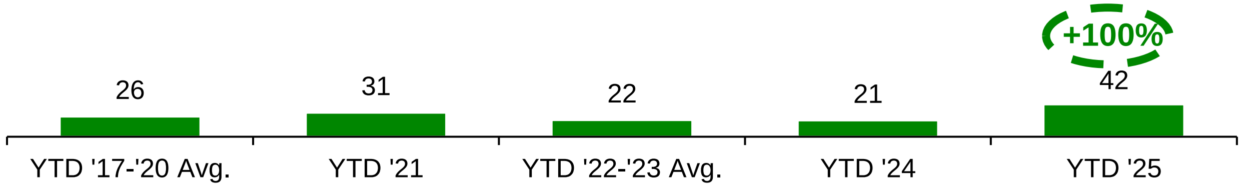
of Deals <$1B



of Deals between $1B to $10B



of Deals greater than $10B



Year-to-date Mega Deals >$10B are at all-time peak and above 2021 level

Select Mega Transactions

Union Pacific	Norfolk Southern	***$85B***
Charter Communications	Cox	***$35***
Alphabet	Wiz	***$32***
Constellation	Calpine	***$29***

Deals advised by Evercore

Source: LSEG (formerly Refinitiv) as of 8/31/2025. Number of deals includes deals with undisclosed value

Private Markets Are Primed for Transaction Activity

Pressure to Return Capital Is Mounting
(DPI is the New IRR)

$3.1T
Aggregate Unexited Value of Sponsor Owned Assets

6 years
Avg. Existing Hold Period of Portfolio Company

$1.0T
Cumulative PE Dry Powder

-31%
Decline in Value of PE Fundraising YoY

<0.3x
Pooled DPI for Fund Vintages since 2020

-33%
Decline in Value of PE Exits Since 2021

Slowdown in M&A Exits Has Propelled Continuation Vehicles

~2.0x
Volume of Secondary Market Transactions vs. 2022

$171B
Secondary Market Dry Powder

+90%
Expected Growth in Secondaries Fundraising (NTM vs. 2024)

Private Credit Becoming Increasingly More Relevant

$1.8T
Size of Private Credit Market

>$500B
Cumulative Private Debt Dry Powder

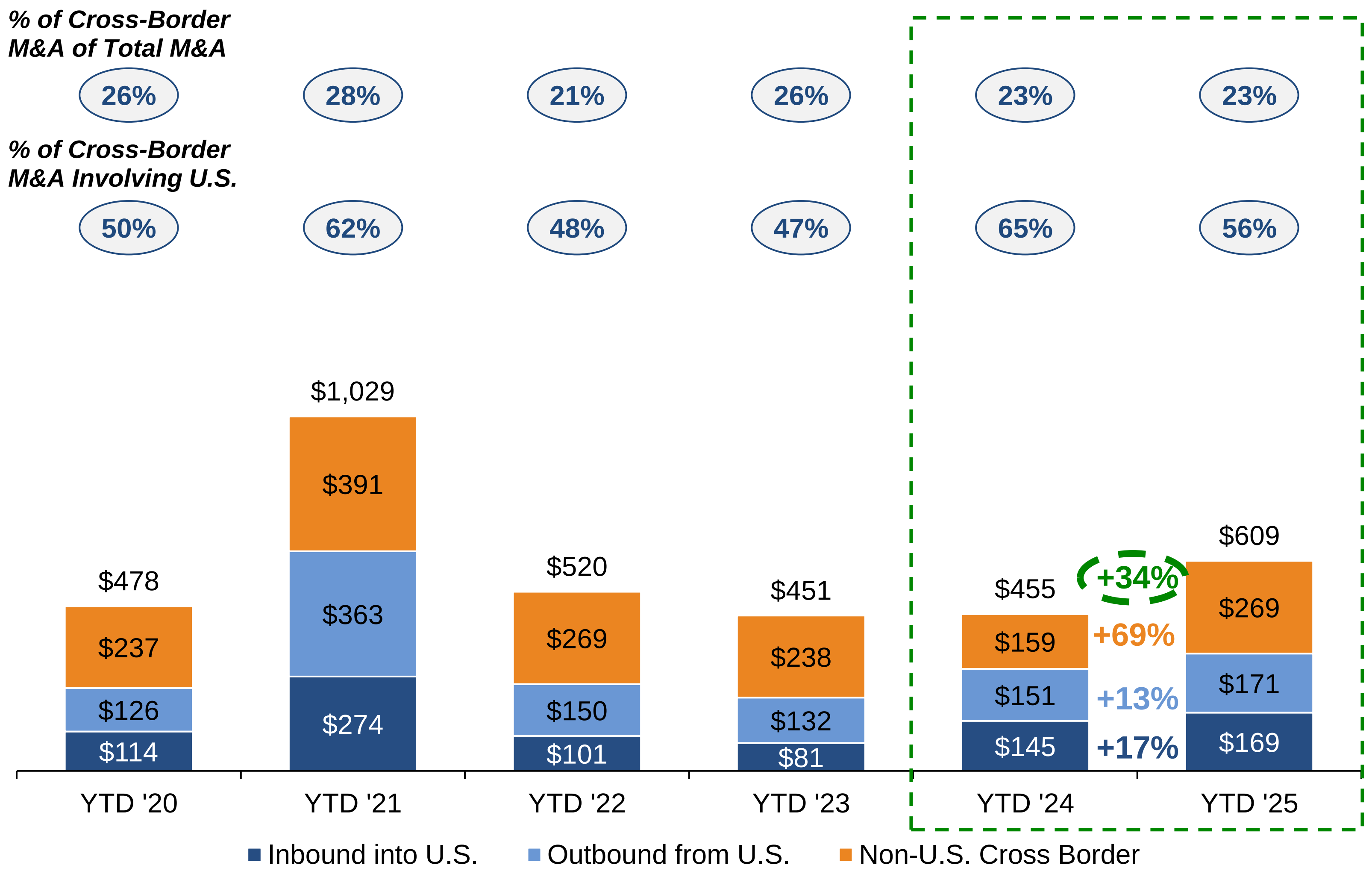
>2.0x
Growth in Private Debt Volume over Last 5 years

Source: PitchBook, Preqin

Cross-Border M&A Has Accelerated In-Line with Overall M&A Market

($ in billions)

Cross-Border Deal Activity (by Value)



Commentary

- Cross-border M&A volume vs. total M&A volume has remained **relatively stable over the past several years at ~25%**
- Approximately **half of cross-border M&A involves the U.S.**
- Cross border M&A has accelerated in 2025 in-line with overall M&A
- **Majority of YoY growth driven by non-US transactions**

Source: LSEG (formerly Refinitiv), excludes withdrawn deals
Note: YTD as of 8/31, excludes deals <$500M

Cross-Border Volume YTD by Geography

($ in billions)

United States

$340B
28% of Total M&A
+15% YoY

$169 Inbound: NIPPON STEEL / U. S. Steel; SIEMENS / Dotmatics

$171 Outbound: novo / Catalent; Alphabet / WIZ; paloalto / CYBERARK

United Kingdom

$89B
68% of Total M&A
+1% YoY

$69 Inbound: ageas / esure; DOORDASH / deliveroo; KKR / spectris

$20 Outbound: diginex / RESULTICKS; COMPASS GROUP / vermaat

Rest of Europe[1]

$180B
52% of Total M&A
+14% YoY

$93B Inbound: Keurig DrPepper / JDE Peet's; Sherwin-Williams / Shingels

$87B Outbound: novo / Catalent; SIEMENS / Dotmatics; ageas / esure

China

$21B
7% of Total M&A
(32%) YoY

$8 Inbound: Kuwait Oil Company / WANHUA

$13 Outbound: Tencent / UBISOFT; JD.COM / CECONOMY

Japan

$96B
72% of Total M&A
+122% YoY

$20 Inbound: INNOLUX CarUX / Pioneer

$76 Outbound: NIPPON STEEL[2] / U. S. Steel; SoftBank / AMPERE

Overall

$609B
23% of Total M&A
+34% YoY

$609 Inbound

$609 Outbound

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Source: PitchBook, Preqin, LSEG (formerly Refinitiv) as of 8/31/2025
Note: YTD as of 8/31, excludes deals <$500M

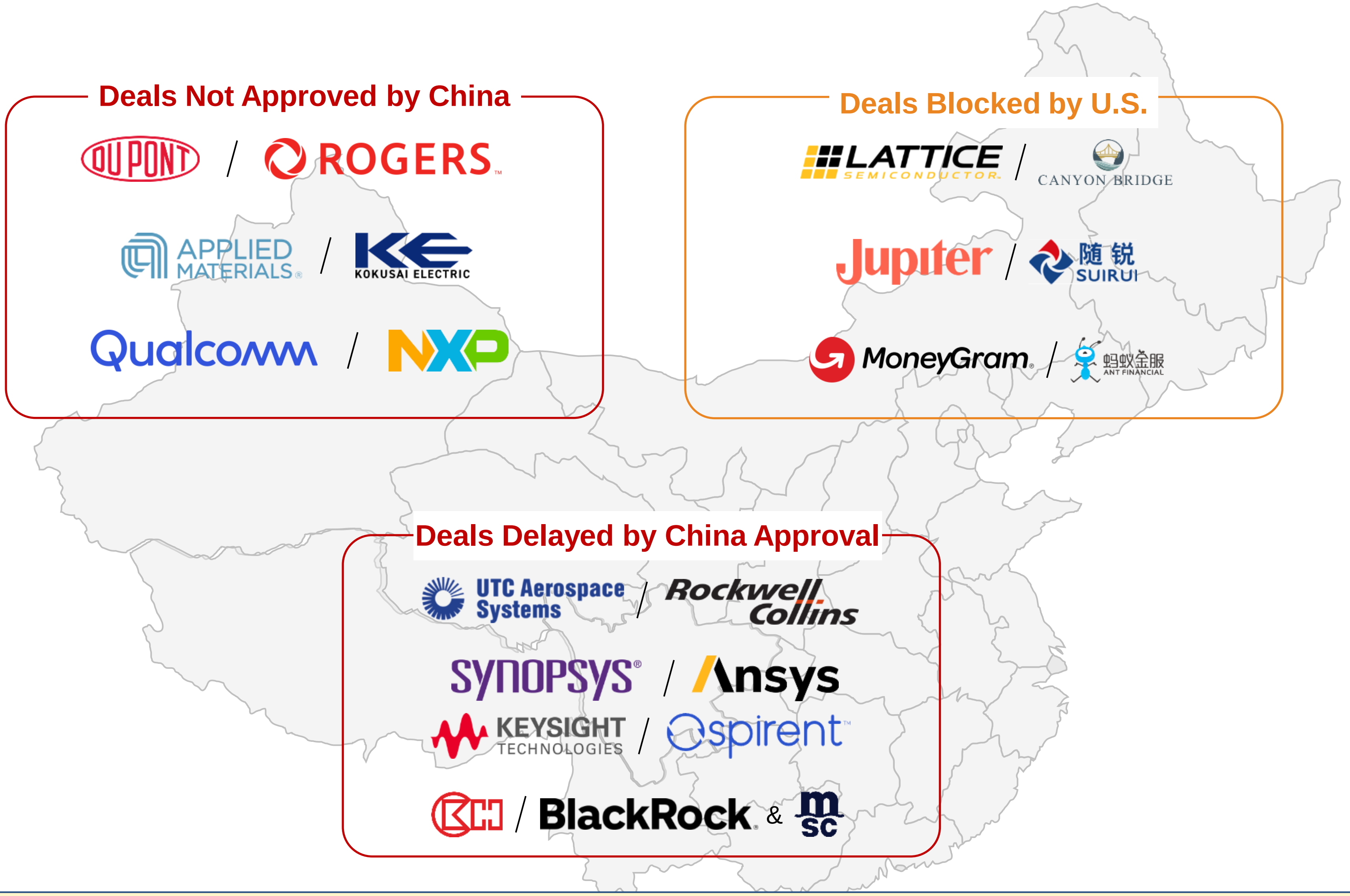
1. Rest of Europe excludes the U.K. Excludes transactions between European countries
2. Announced in December 2023 but closed in 2025

XBMA

Key Current Dynamics in Cross-Border Deals

National Security Issues	■ **Intersection of geopolitics with regulatory dynamics** in many countries is making deal approvals more nuanced ■ Heightened focus on protecting **independence of tech-sensitive industries** ■ **Increasingly transactional nature** of merger approvals rather than simply preserving price competitiveness of industries ■ **Broad range of levers being used by companies** to gain deal approval in areas where potential national security complexities, including job protections, investment commitment and "golden share"
Tariff Backdrop	■ Tariffs initially remain an important dynamic that companies are managing, and the **fluidity of tariff policy is creating uncertainties for cross-border M&A** ■ However, in recent months, the perception of a "Trump put" has resulted in some companies developing **greater conviction that they can manage through tariffs**
Relative Valuation	■ **U.S. markets have driven global equity values higher and represent an outsized portion of the market** ■ Assets outside the U.S. are trading at lower multiples than the U.S. (S&P fwd. P/E of 22x vs. FTSE fwd. P/E of 13x) which has driven uptick in U.S. take-privates of U.K. companies

China Continues to Influence Global M&A Outcomes



Key Takeaways

- **National interest first approach** by China to takeovers rather than emphasizing market competitiveness
- **Blocked deals have largely involved U.S. acquirers**
- **China is focused on self-reliance** and ensuring companies in data-rich, tech-heavy and infrastructure sectors remain independent
- **"Tit-for-tat" dynamics** where Chinese are using merger review to retaliate on U.S. economic pressure on China (e.g., chips, defense hardware)

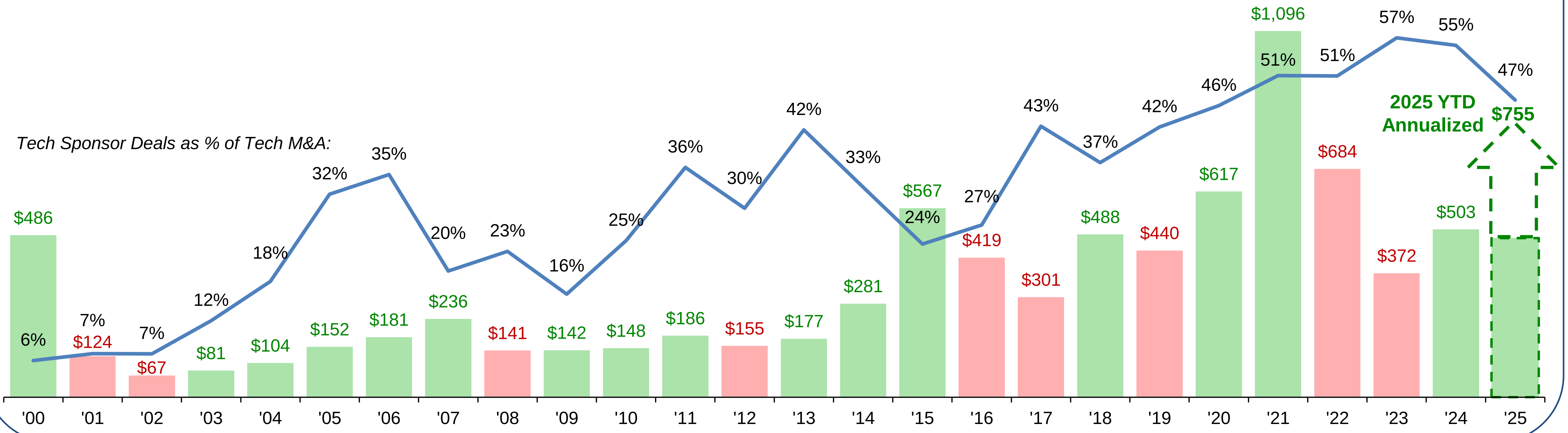
A potential political resolution with China could unlock a huge wave of M&A, though semiconductors / AI will continue to have a high level of scrutiny

Tech M&A Cycle Has Turned

($ in billions)

Annual Global Tech M&A Volume

	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23	'24	'25
Tech M&A % of Overall M&A:	14%	8%	6%	6%	6%	6%	5%	6%	5%	7%	6%	8%	6%	8%	8%	14%	12%	9%	13%	12%	18%	20%	20%	13%	16%	18%
Tech Cross-Border as % of Tech M&A:	33%	33%	25%	21%	32%	28%	39%	40%	34%	27%	38%	40%	38%	28%	34%	17%	38%	46%	31%	31%	31%	30%	25%	30%	35%	31%



Source: LSEG (formerly Refinitiv) as of 8/31/2025

AI Opportunity Is Increasingly Influencing Capital Allocation Decisions…

AI is Driving Unprecedented Spend

75%

of Tech M&A in 1H ’25 Involved AI-Related Software

+127%

Increase in Total 1H ’25 Deal Value Involving AI Targets YoY

>$800B

Projected Hyperscaler CapEx and R&D Spend in 2026E

M&A is a Key Lever for C-Suites Adapting to the AI Era

“[We] wouldn’t be doing our jobs if **we weren’t looking at larger and transformational M&A**… [investors can] 100% expect that we will continue with a very disciplined approach to M&A.”

— Gina Mastantuono, CFO, ServiceNow

servicenow / Moveworks

Alphabet / WIZ

“**This acquisition represents an investment… to accelerate** two large and growing trends **in the AI era:** improved cloud security and the ability to use multiple clouds.”

— Google Press Release

“**A landmark moment… that fast-tracks our AI innovation agenda** and sets a new standard for customer experience in the AI era.”

— Scott Russell, CEO, NICE

NICE / COGNIGY

Source: Company filings, Reuters, Ropes Gray

…And Has Driven M&A Across Both Tech and Other Industries

($ in billions)

Technology

Data and Agentic Coding

Jun 2025	$14.3	Meta acquisition of scale *(49% stake)*
Jul 2025	$2.4	Google acquisition of Windsurf *(Acquihire Transaction)*

AI Infra

Jul 2025	$9.0	CoreWeave acquisition of Core Scientific
Jan 2025	$14.0	Hewlett Packard Enterprise acquisition of Juniper Networks

Compute

Mar 2025	$6.5	SoftBank acquisition of Ampere
Jun 2025	$2.4	Qualcomm acquisition of Alphawave Semi
Aug 2024	$4.9	AMD acquisition of zt Systems
Apr 2025	$2.5	Infineon acquisition of Marvell Automotive Ethernet Business

AI-Native Software

Mar 2025	$2.9	servicenow acquisition of Moveworks
Mar 2025	$32.0	Alphabet acquisition of Wiz
May 2025	$8.0	salesforce acquisition of Informatica
Jul 2025	$25.0	paloalto networks acquisition of CyberArk

Other Industries

Power

Jan 2025	$29.1	Constellation acquisition of Calpine
May 2025	$12.0	nrg acquisition of LS Power Natural Gas Facilities & Virtual Power Platform
May 2025	$1.9	Vistra acquisition of Lotus Infrastructure Partners Select Natural Gas Assets
Jul 2025	$3.8	Talen Energy acquisition of Caithness Energy, L.L.C. Select Power Plants

Industrials

Aug 2025	$10.5	Amphenol acquisition of CommScope Connectivity & Cable Solutions ("CCS")
Oct 2024	$0.9	Schneider Electric acquisition of motivair *(75% stake)*
Mar 2025	$1.4	Eaton (Powering Business Worldwide) acquisition of Fibrebond
Feb 2025	$2.3	TE connectivity acquisition of Richards Manufacturing Co.

Services (IT and Electrical)

Jul 2025	$3.3	Capgemini acquisition of WNS
Jul 2025	$1.4	Quanta acquisition of Dynamic Systems, Inc. Mechanical Contractors
Aug 2025	$1.6	Blackstone acquisition of Shermco
Jan 2025	$0.9	EMCOR acquisition of Miller

Deals advised by Evercore

Source: Press Releases, Company News

Reverse Acquihires Increasingly Prevalent in AI M&A

Target	Acquiror	Deal Value and Timing	Deal Highlights
NFDG	Meta	Undisclosed (Jul 2025)	Meta acquired a minority stake in a venture fund, NFDG, a few weeks after Meta hired NFDG's founders to bolster its AI efforts
Windsurf	Google	~$2.4B (Jul 2025)	Google hired "…some top AI coding talent from Windsurf's team…to advance [Google DeepMind's] work in agentic coding" and received a non-exclusive license
scale	Meta	~$14.8B for 49% Stake (Jun 2025)	Meta hired CEO Alexander Wang. Minority stake (49% non-voting) and entered into a multiyear data services pact
covariant	amazon	Undisclosed (Aug 2024)	Amazon hired co-founders, ~25% of staff and received a nonexclusive license to "Covariant Brain"
character.ai	Google	~$2.7B (Aug 2024)	Google hired founders Noam Shazeer and Daniel De Freitas, ~20% of Character.AI's employees and received a non-exclusive LLM license
ADEPT	amazon	~$440M (Jun 2024)	Amazon hired most executives and research staff
Inflection	Microsoft	~$650M (Mar 2024)	Microsoft formed "Microsoft AI" unit around founders Mustafa Suleyman and Karen Simonyan; paid for model / IP license

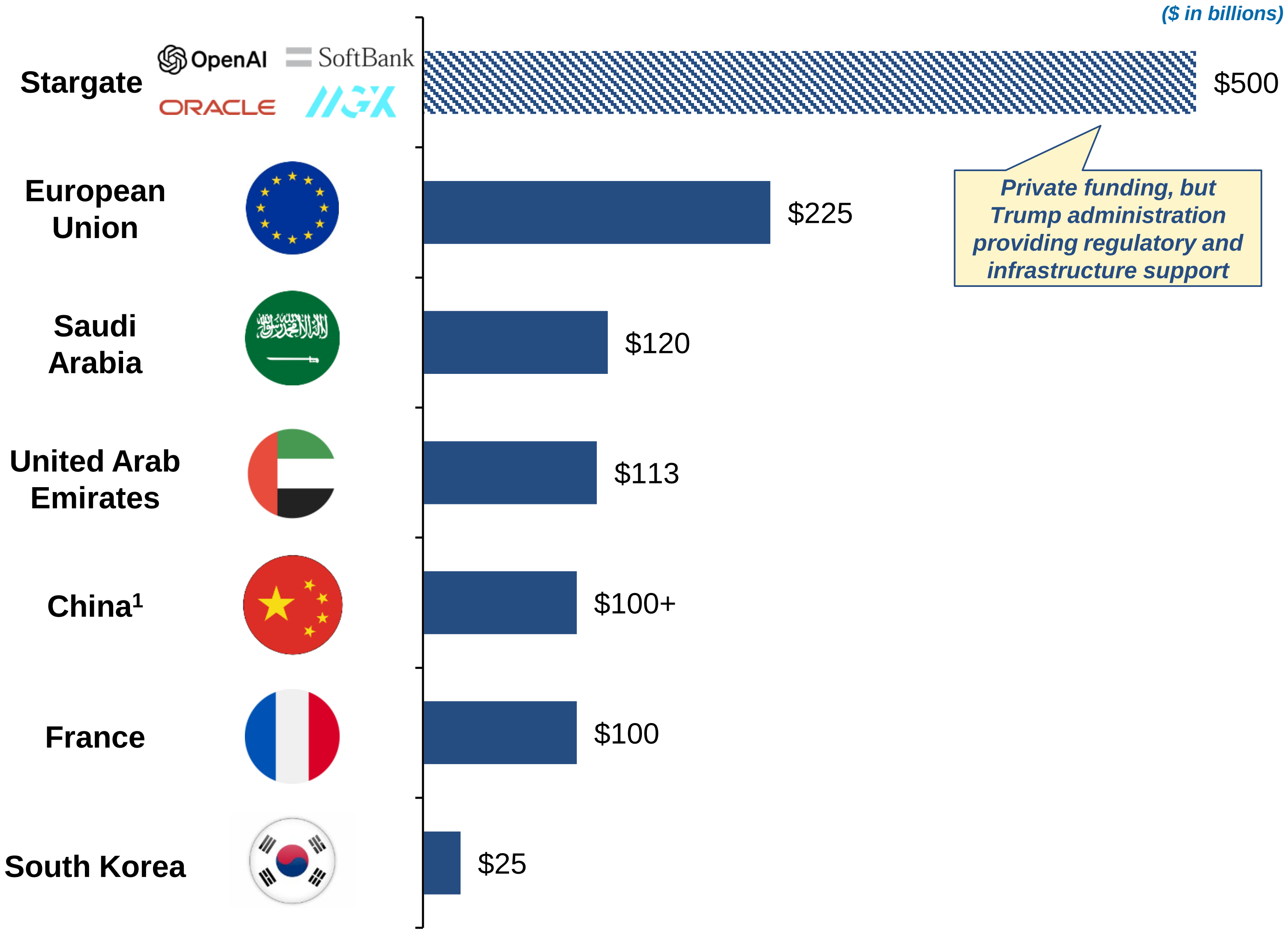
Key Dynamics

- Do not require anti-trust approval
- Gain access to IP as quickly as possible – rapid pace of innovation required to win race
- Race for finite human capital of best researchers
  - Marginal value of capability when compute per researcher is at unprecedently levels
- "Winner take all" competition among hyperscalers driving outsized investments

Source: Press Releases, Company News

Increased Global Investment in AI Could Be Harbinger of AI-Related Cross-Border Activity Particularly By Sovereign Wealth Funds

"Sovereign AI" Investments



Key Trends

- ~$600 billion of sovereign capital has been earmarked for AI investments
- Investments have included not only build-out of local AI infrastructure, but also cross-border investments in private companies including:
  - UAE investment fund, MGX, $6bn investment in OpenAI
  - Qatar investment fund, QIA, participation in Anthropic's $13 billion Series F
- AI's importance to national and economic security could dictate scope of cross-border M&A with pressure to preserve independence of companies crucial to countries' AI industries

1. Amount under 14th Five-Year Plan (2021 – 2025); total China AI spending of ~$95B in 2025 of which ~$56B from government

Key Takeaways

1. The downturn in M&A is behind us with M&A up 34% so far in 2025; the macro environment is setting up for favorable M&A conditions in 2026 and beyond
2. The M&A recovery has been driven by larger deals with the number of transactions >$10B at a record, while smaller transactions have lagged
3. Sponsors are sitting on $3+ trillion of unexited assets, and pressure to return capital is mounting
4. Cross-border M&A has increased in line with the overall M&A market, driven by non-U.S. transactions
5. The China / U.S. geopolitical backdrop makes it challenging to get cross-border transaction done
6. Tech M&A is up materially in 2025
7. AI first and second derivative transactions are playing a meaningful role and are driving M&A across industries
8. We are in the midst of an AI investment super cycle and desire to invest in AI technology could drive additional cross-border activity