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2025 Global M&A Dealmakers Sentiment Report

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Contents

Foreword..... 2

Methodology..... 3

Key Findings..... 4

Market Sentiment and the M&A Environment..... 6

M&A Expectations 13

The Road Ahead for M&A in 2025 17

Technology and AI in Dealmaking 22

Spotlight: ESG Trends for the Future 25

Looking Forward 28

Foreword

Welcome to the 2025 edition of the *SS&C Intralinks Global M&A Dealmakers Sentiment Report*, produced in partnership with Reuters Events.

With economic headwinds receding, confidence is building that the year ahead will usher in a rebound for dealmaking. With Wall Street’s banks having reported growth in activity and fees and the U.S. Federal Reserve continuing to ease rates, all signs point to a surge in deal volume for the year ahead.

Dealmakers surveyed for this report appear to strongly agree. A significant majority expect dealmaking activity to increase throughout 2025, while deal size is expected to grow in tandem.

Their optimism remains tempered, however. Inflationary pressures and interest rates remain high, while the political and regulatory instability of the past year has yet to truly shake out. Meanwhile, Donald Trump’s U.S.



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election victory has stoked hopes of a regulatory environment conducive to dealmaking.

One consistent trend witnessed throughout our research is the increasingly prominent and evolving role of technology in dealmaking. From artificial intelligence (AI) to cybersecurity, financial institutions of all shapes and sizes are transforming how they operate to leverage new technologies. Those not yet adapting their tech stacks and capabilities for the future risk being left behind.

This report provides a comprehensive analysis of the trends shaping dealmaking as we enter a critical juncture and offers rich insights to help shape strategies. It would not be possible to have produced this report without the valuable perspectives shared by our survey respondents, and we thank them for their time and contributions.

Methodology

In Q4 2024, SS&C Intralinks and Reuters Events surveyed 419 mergers and acquisitions (M&A) dealmakers to gain comprehensive insights into the sentiment and trends shaping the industry. Of our sample, 196 were from private equity (PE) firms, 149 from corporates and 74 from advisory firms or investment banks.

More than one-third (34 percent) of respondents are headquartered in North America, 32 percent in the Europe, Middle East and Africa region (EMEA), which includes the U.K., 20 percent in Asia Pacific (APAC) and 12 percent in Latin America (LATAM).

Of our corporate and advisory respondents, 33 percent identified Banking and Financial Services as a focus area for their organization, 25 percent said Business Services, 23 percent said Technology, Media and Telecom (TMT), 17 percent highlighted Construction and 14 percent said Energy, Oil and Gas, Mining and Utilities. Other industries represented within our sample include, but are not limited to, Real Estate, Healthcare, Industrials and Chemicals, and Pharma, Medical and Biotech.

Nine percent of respondents are from firms with assets under management (AUM) greater than USD 500 billion, while 34 percent are from organizations with AUM of between USD 100 billion and USD 500 billion.



Key Findings

- Dealmakers expect a flurry of activity this year. While around half of respondents expected an increase of activity in 2024, 87 percent expect M&A and financing activity to grow in 2025, with PE firms slightly more bullish about market prospects than their corporate counterparts.
- Deals are also expected to be larger in nature throughout 2025, with PE firms bullish in this regard as well. Almost half of respondents from PE firms expect to work on transformative (USD 10 billion+) deals next year.
- We see some market shift away from deals involving distressed assets and businesses in the year ahead, reflecting more bullish market sentiment and economic recovery. There is also notably less opportunity expected in restructuring or turning around distressed businesses.
- The financial services and technology, media and telecom (TMT) sectors continue to be of keen interest, driven by strong performances during the year-to-date and general longer-term growth theses, particularly for those with AI-related exposure.



KEY FINDINGS

- There is a more general shift in what's expected to drive M&A in the year ahead, with digital transformation and geographical expansions now the primary drivers for deal activity.
- While economic conditions are easing, they are expected to remain a prominent challenge for dealmakers in the year ahead. We do, however, expect competition for deals to increase.
- The role of technology in M&A continues to expand and become ever more important. Technology is now a crucial enabler and facilitator in executing deals, but despite this, adoption of AI remains relatively nascent. Those more advanced in AI adoption are primed to take advantage of their early mover status, with those behind them forced to play catch-up.
- AI adoption is set to surge over the coming months, with more than half of respondents to this year's poll expecting AI use to increase significantly in 2025. More firms are turning to third-party providers rather than building tools internally, placing greater emphasis on procurement strategies.
- Concerns are also growing over cybersecurity in the M&A sector, rising prominently year on year and more acutely in APAC. This may place renewed importance on the use of virtual data rooms (VDRs) to enshrine data security during dealmaking.



Market Sentiment and the M&A Environment

Last year's *Dealmakers Sentiment Report* offered a glass-half-full take following a year that had seen deals contract. A worldwide total estimated deal count of 40,200 and deal value of around USD three trillion was the weakest in a decade, with a number of deals pushed into the forthcoming year. That would represent a contraction of around 15 percent year on year.

Nevertheless, interest rate cuts spurred optimism for a recovery, and around half of respondents to last year's *Dealmakers Sentiment Report* said M&A activity was expected to increase through 2024, 13 percent of whom said it would increase significantly.

2024 witnessed several prominent deals struck globally, with specific sectors like Energy gathering momentum. ExxonMobil's USD 59.5 billion acquisition of Pioneer Natural Resources was completed in May 2024 and was swiftly followed by ConocoPhillips' acquisition of Marathon Oil, valued at USD 22.5 billion. M&A activity within the oil and gas space was further fueled by Sunoco's USD 7.3 billion deal for NuStar Energy.

But it wasn't just fossil fuel deals. A consortium led by KKR and Viessmann combined to acquire renewables company Encavis for USD 3.1 billion, while Masdar continued its push into the renewables space with a USD 2.7 billion purchase of Terna Energy.

TMT deals were also in vogue. Viacom18 Media's merger with 21st Century Fox-owned Star India needed regulatory approval, but the USD 3.1 billion transaction became effective in November 2024.

If 2024's glass was half full, then the glass for 2025 may well be overflowing. This year's polling reveals that a significant majority – some 87 percent – expect M&A and financing activity to increase through 2025. Around 39 percent of respondents expect this increase in activity to be significant, fueling anticipation that the difficult fiscal headwinds of previous years are receding.

MARKET SENTIMENT AND THE M&A ENVIRONMENT

These sentiments are borne out in every region we surveyed but are particularly true of APAC and EMEA, as Figure 1 shows. Some 94 percent of respondents from APAC and 92 percent from EMEA expect deal activity to increase over the next 12 months, with almost half (49 percent) of respondents from APAC expecting volume to increase significantly.

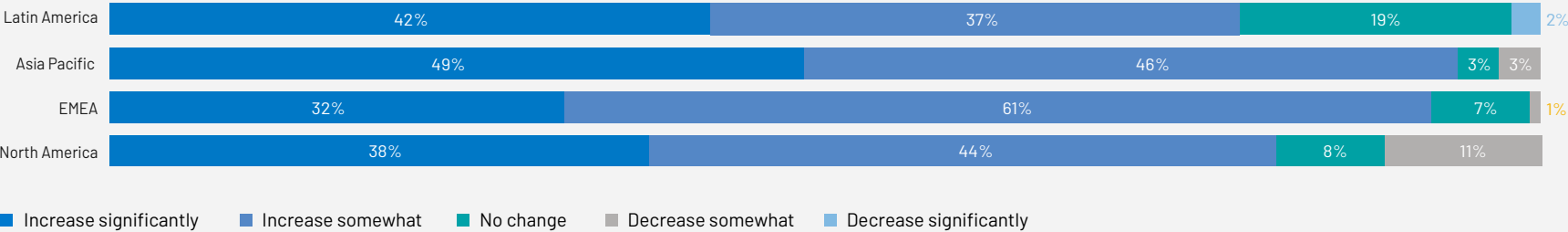
Conversely, we see that respondents from Latin America were statistically the most likely

to suggest that there would be no change in deal activity over the course of the next 12 months – some 19 percent of respondents from LATAM said as much, compared to a survey average of just eight percent.

We also see that respondents from North America were the most likely to expect a decrease in deal volume. Eleven percent of respondents from North America suggested deal flow would decrease somewhat in 2025,

against a polling average of five percent. Given that polling was conducted through September and October 2024, we might attribute this comparatively pessimistic view to lingering uncertainty in the market over the U.S. election result and the market’s response to it. With that result now certain and the market’s response clear – the S&P 500 having risen by 3.7 percent in the days that followed the result – that view may well have subsided in the weeks since our polling completed.

Figure 1: What do you expect to happen to the level of M&A and financing activity over the next 12 months?



Our research indicates that PE firms appear to be slightly more bullish about 2025's prospects than their corporate counterparts. While 33 percent of corporate respondents suggested deal activity would increase significantly in 2025, some 45 percent of PE respondents said the same.

Deal volume and value

Across our entire sample, nearly two-thirds (65 percent) of respondents expect to undertake between one and three deals in the next 12 months, while 31 percent expect to undertake four or more. We see this as largely representative from a geographical perspective, as Figure 2 highlights.

33%

Corporate respondents
expecting a significant increase
in deal activity in 2025

45%

PE respondents expecting a
significant increase in deal
activity in 2025

There is perhaps a slight increase in the share of respondents expecting to undertake between one and three deals year on year, with 56 percent of respondents having indicated as such last year. There is greater change within responses from LATAM: While last year some 80 percent said one to three deals would be undertaken over the next 12 months, this has fallen to 71 percent in this year's polling, which could be read as an indication that the LATAM market is falling more in line with others.

Where we do see a significant difference is in comparing PE and corporate respondents. PE respondents were more likely to expect to work on four or more deals in 2025 – 38 percent versus 23 percent of their corporate

MARKET SENTIMENT AND THE M&A ENVIRONMENT

counterparts. With a lower deal volume, the inverse is true: Some 72 percent of corporate respondents expect to work on between one and three deals next year, compared to 59 percent of PE respondents.

This does represent a sizeable shift year on year for PE, whose respondents are generally much less expectant over deal

volume entering 2025. While 38 percent of PE respondents expect to work on four or more deals over the next 12 months, this is down substantially from the 85 percent of PE respondents who suggested as such in last year's poll. This comes despite expectations of substantial dry powder for PE after recent lackluster activity.

While on the surface this may paint something of a gloomier picture – interest rates and inflationary pressures have been far stickier than many originally thought, and this has weighed heavily on market expectations – taken in conjunction with findings around deal value, it illustrates a more significant market shift.

How many M&A/financing deals do you expect to undertake over the next 12 months?

Corporate

72%

1–3

23%

4 or more

Private equity firm

59%

1–3

38%

4 or more

MARKET SENTIMENT AND THE M&A ENVIRONMENT

We see a year-on-year shift toward much more transformative transactions taking place in 2025. Across our sample, nearly one-third (31 percent) of respondents expect to undertake deals worth more than USD 10 billion, compared to just eight percent last year.

This is also seen in a shift toward large deals (worth between USD two billion to USD 10 billion), with 58 percent of respondents suggesting they expect to undertake deals of that size compared to 43 percent last year. Ultimately, this corresponds to dealmakers seeing a contraction in middle-market deals (those worth less than USD two billion) – just 46 percent of respondents expect to work on deals of this size in the next year, compared to a significant majority of respondents (93 percent) last year.

Figure 2: How many M&A/financing deals does your organization expect to undertake over the next 12 months?

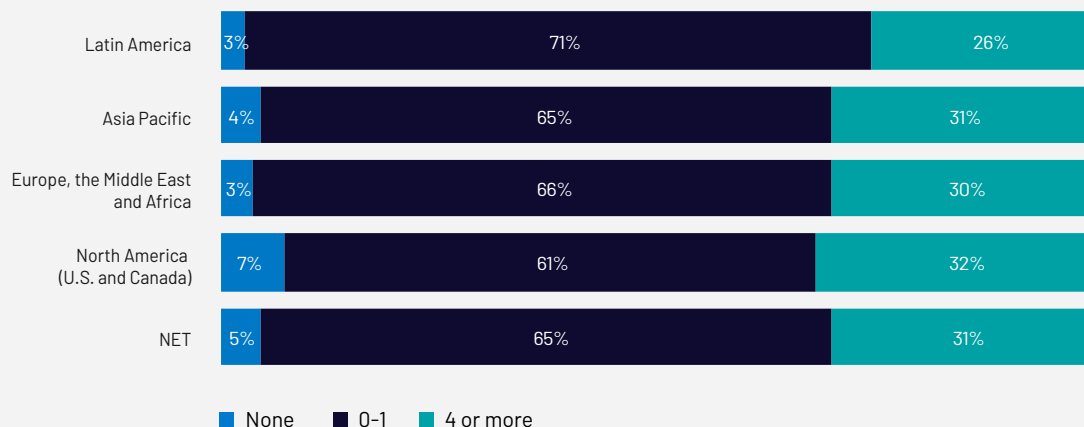
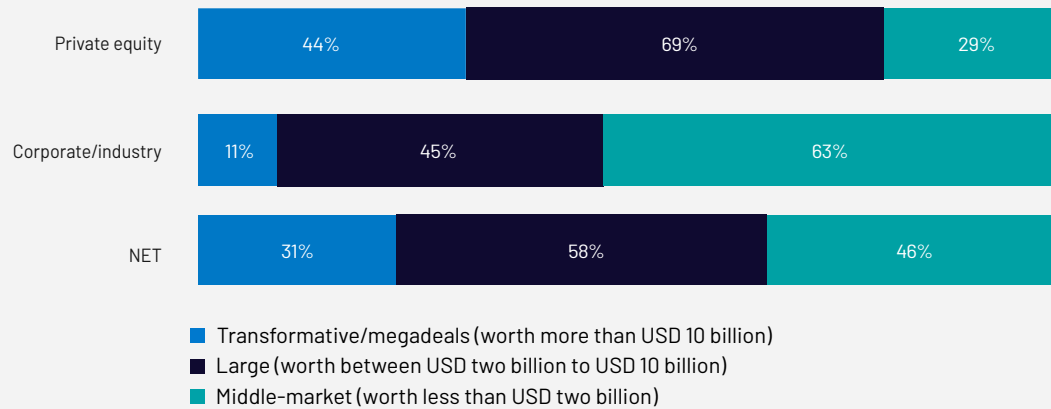


Figure 3: What size of M&A deals does your organization expect to undertake in the next 12 months?





PE firms appear to be significantly more bullish than their corporate counterparts in terms of deal value, too. Nearly half (44 percent) of PE respondents anticipate working on transformative deals in 2025, while a further 69 percent expect to work on large deals. PE firms are statistically much more likely to have indicated as such compared to corporates, with just 11 percent of corporate respondents anticipating undertaking transformative deals in the next year.

This is also a substantial change year on year. Just 17 percent of PE respondents expected to undertake transformative deals in last year's poll, while 95 percent of PE respondents expected to undertake middle-market deals during the same timeframe.

Taken holistically, our research suggests that PE firms expect 2025 to be something of a banner year for deal value. While fewer deals may be undertaken, these deals are reasonably expected to be much greater in size. This could be yet another side effect of

the comparative lack of volume seen in recent years, with the accumulation of dry powder translating into more of a lean toward fewer bigger ticket plays.

This is also seen in how those currently serving debt capital financing deals suggest deal sizes are shaping up. Just 27 percent of respondents expect to undertake small-scale financing deals (those worth less than USD 50 million) over the next 12 months, compared to 53 percent and 41 percent of respondents who expect to cater to mid-market and large-scale financing demands.

MARKET SENTIMENT AND THE M&A ENVIRONMENT

Figure 4: What size of debt capital financing deals does your organization expect to undertake in the next 12 months?



Entering 2025, we see a quite sizeable shift toward M&A as the deal of choice among acquirers. Nearly two-thirds (62 percent) of dealmakers suggested they would most likely be involved in M&A deals over the next 12 months, compared to 45 percent who suggested as such in last year's polling.

This shift sees M&A pull away from buyouts/add-ons and joint ventures (JVs)/strategic alliances to become the dominant preference for dealmakers for the year ahead. Such a shift may indicate that valuations are more appealing than they were previously, while the fact that JVs remain as popular as last year could perhaps suggest risk is still a prominent deal consideration.

We equally see a sizeable turn away from distressed assets, with just 14 percent of respondents foreseeing involvement in such deals in 2025, compared to 32 percent who said the same in last year's survey. Evidently, the soft economic landing felt in the past year and subsiding recession fears have translated to business confidence moving forward. The drop in exits from 24 percent in last year's poll to just 10 percent in this year's supports what one senior leader at an Asia-based fund told us: A lack of exits is a notable consideration for dealmaking today.

M&A Expectations

Contrary to last year's survey, we see North America as the region with the greatest net favorability for deal growth over the next 12 months, a substantial difference from the mixed response the region received for 2024. With the political instability of the previous 12 months behind us, and the incoming Trump administration sending pro-business signals, coupled with a now-expected soft landing, signs are positive for M&A deal growth in 2025.

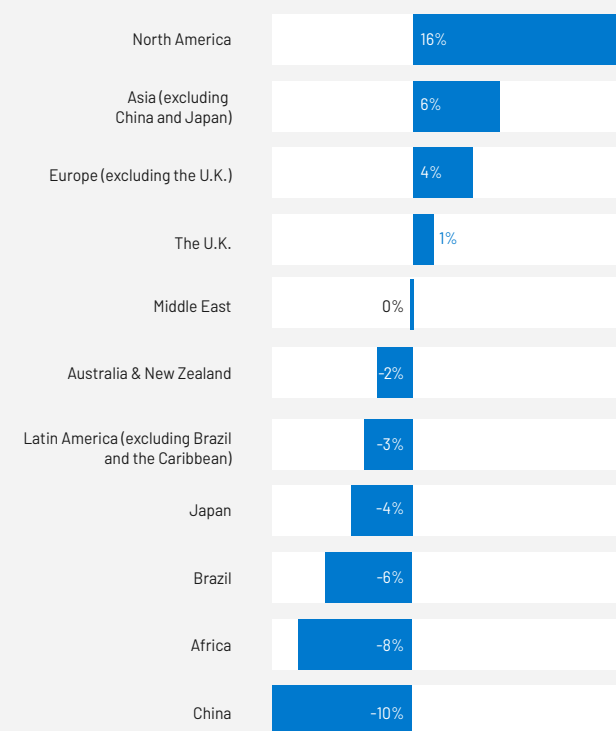
Likewise, Asia (excluding China and Japan) continues to be a region expectant of growth. One investor said that the flow of capital to Asia is a trend that is likely to continue, if not escalate, for the coming years. This is also borne out in the International Monetary Fund's most recent *World Economic Outlook* (October 2024), which forecasts India to register growth

of seven percent in 2024, with Indonesia expecting growth of five percent and Vietnam expecting six percent.

One particular result of note is the growth in favorability of the United Kingdom. With a new Labour government promising fiscal and regulatory stability, and perhaps a closer trading relationship with Europe, there are signs that the U.K.'s deal market could be waking up from a relative post-Brexit slumber.

Of the sectors we surveyed, there are two that stand in a considerably more favorable position in the eyes of our respondents entering 2025. It may not come as any surprise to see Business/Financial Services and TMT named as those sectors, with net favorability for growth of 14 percent and 13 percent respectively.

Figure 5: M&A growth net favorability by country



M&A EXPECTATIONS

While the S&P 500 is up by slightly over 26 percent for the year to date (at the time of writing), some sectors have been outliers in performance. Expectations for the financial sector are perhaps driven by year-to-date growth of more than 35 percent.

TMT is an interesting sector to watch, having undergone a relatively checkered few years. Valuations — particularly for those companies featuring AI-related technologies and pivots — have seen valuations soar, however, there is much more scrutiny expected on those technology sets and whether investments are going to begin paying off. Failure to translate hype and premise into revenue growth will be a heavy weight moving into 2025 and beyond.

Despite this, Eric Freedman, chief investment officer at U.S. Bank, thinks that longer-term growth theses “remain intact” despite posing that individual companies may

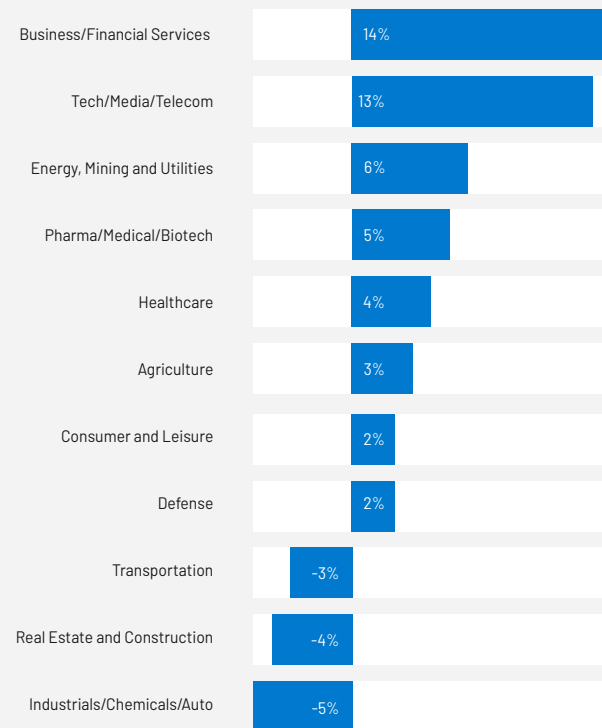
be subject to near-term pullbacks after strong 2024 performances.

The energy, mining and utilities sector also continues to have its supporters and suitors. Energy price volatility remains persistent in key markets, and energy demand is only set to grow in tandem with an expected surge in data centers.

At the other end of the scale, we see dealmakers less convinced about the prospects for Auto Manufacturing, and Industrials and Chemicals. One of the most popular sectors for anticipated growth last year has slipped markedly year on year, perhaps driven by what has been a profoundly difficult time for auto manufacturers. Intense competition from Chinese manufacturers, uncertain timescales and policy support for vehicle electrification, and increasing supply chain volatility have made for a difficult trading

environment, one that could be exacerbated by increasing tariff threats. Auto stocks continued to slump in late November 2024, particularly in Europe, with Volkswagen warning of factory closures and job cuts. Stellantis’ troubles resulted in CEO Carlos Tavares leaving the business in December 2024, a move which was followed by the company’s share price falling to a two-year low in the immediate aftermath.

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Figure 6: Net favorability – industries

Leaning into digital transformations

As is discussed throughout this report, organizations and industries are undergoing significant digital transformations. These are presenting both opportunity and risk, with generative AI holding the potential to reshape entire industries.

It is therefore of little surprise to see pursuing digital transformation cited as the primary driver for M&A/financing activity for the next 12 months. An organization's ability to embrace new, transformative technologies quickly and have the financial firepower to bolster capabilities – be it through acquisition or development – is critical for the year ahead.

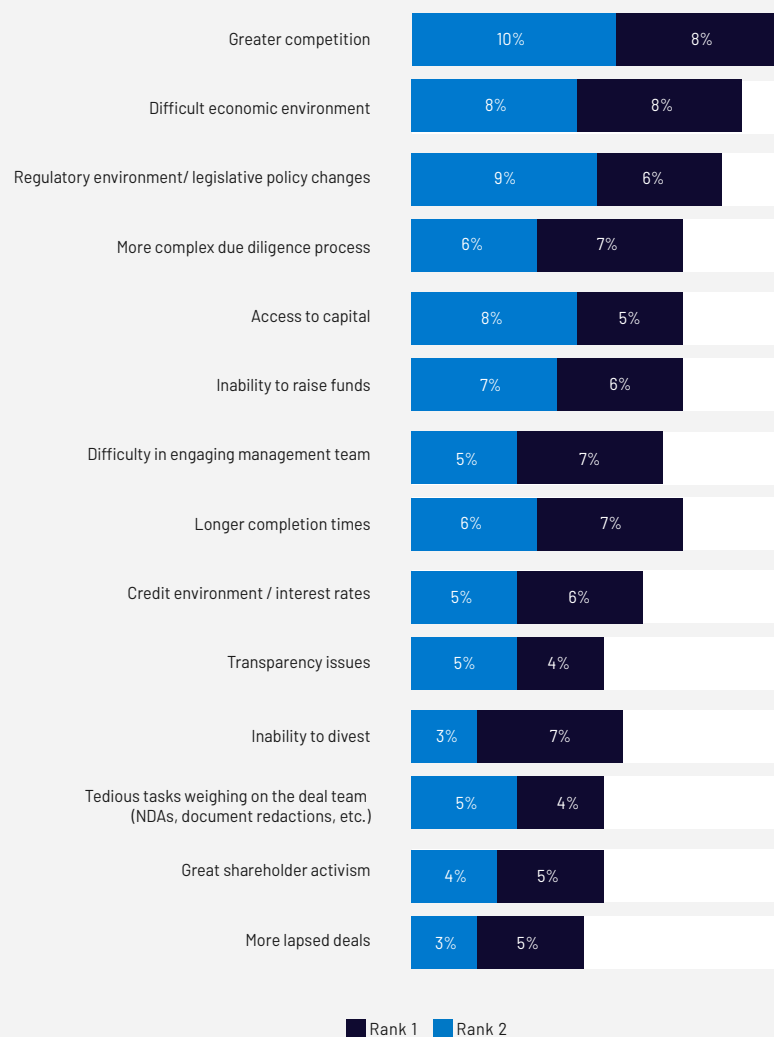
We also see priority being placed on expansion into new geographies and additional products and services. This may cement the view that with economic headwinds receding and recession fears fading, businesses are taking a more opportunistic view to expansion.

Likewise, we have recorded a stated decrease in the share of survey respondents looking into restructuring distressed businesses. Opportunities for such businesses are likely fewer and farther between than 12 months ago, something that is perhaps being reflected in valuations.

While undoubtedly sunnier than at this time last year, the economic picture is not all green shoots. We see this in how the difficult economic environment is still expected to be the second-most prominent challenge for M&A/financing activity in the coming year. It has, however, ceded top position to "greater competition," which was highlighted by 18 percent of respondents.

M&A EXPECTATIONS

Figure 7: What challenges do you expect to see in M&A/financing in the coming 12 months?



We also see much less divide over what type of buyer is best placed to take advantage of opportunities within the current macroeconomic climate. Just over 73 percent of respondents said financial buyers hold the advantage today, which may serve as yet another indication as to how much unspent liquidity and dry powder has built up after consecutive periods of relatively muted deal flow. With every expectation that deal flow in 2025 is expected to be much stronger, financial buyers would certainly appear to be best positioned.

Figure 8: Who do you feel is better placed to take advantage of buying or investing opportunities in the current macroeconomic environment?

72%

Financial buyers/
investors (e.g. private
equity, hedge fund,
venture capital)

28%

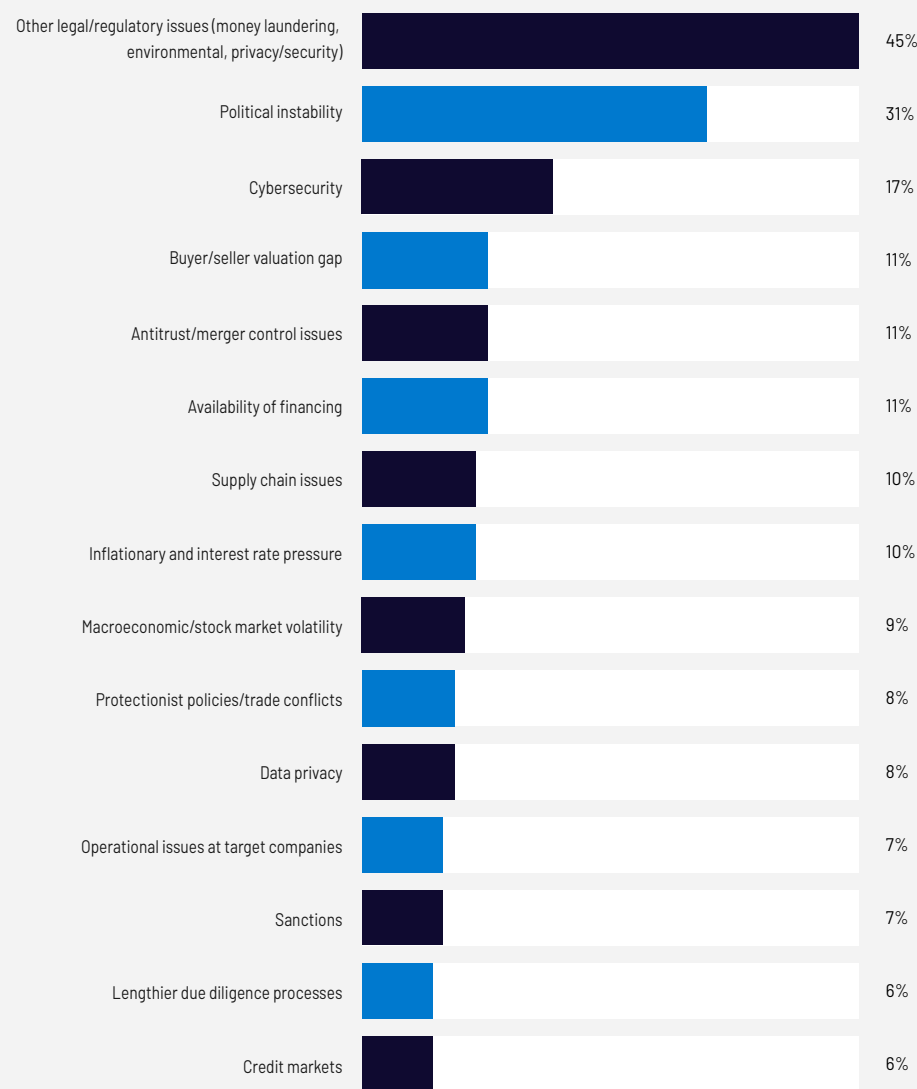
Strategic buyers

The Road Ahead for M&A in 2025

While last year's poll found that differences in valuations between buyers and sellers and antitrust/merger control issues were the most prominent challenges to completing a deal, these challenges have been topped now by legal and regulatory issues — including money laundering, environmental and privacy/security — and political instability. Identified by 45 percent and 31 percent of respondents respectively, that these challenges have risen in prominence is perhaps reflective of the previous year's political upheaval and broader geopolitical turbulence.

Dealmakers appear to have significantly more confidence in economic conditions easing over the coming 12 months. Inflationary and interest rate pressure is now cited by just 10 percent of respondents as a key challenge to completing a deal, down from 20 percent in last year's

Figure 9: What will be the two biggest challenges to completing a deal in the next 12 months?



survey. Furthermore, a significant majority (76 percent) of survey respondents expect interest rate changes in the year ahead to be positive.

Having cut rates by a further quarter point to a target range of 4.5 to 4.75 percent in early November 2024 – a move which has followed similar moves by other financial regulators – there is every expectation that the Fed will continue to cut rates through 2025. However, a Reuters poll of economists in November 2024 poured cool water on hopes of a steep decline in rates over the course of 2025, citing potential inflationary impacts of President-elect Donald Trump’s proposed policies.

There is some confidence that inflationary pressures may ease, albeit marginally. More than half of respondents (60 percent) still

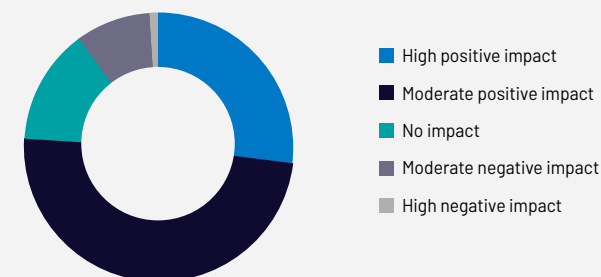
expect movements in inflation to be positive over the next 12 months, while 21 percent expect it to be negative.

Broadly speaking, there is a clear easing of concern over financing conditions for the next 12 months. Last year’s survey revealed that some 71 percent of respondents expected conditions in 2024 to be harder than they were the preceding year, while this year’s survey shows just over half of respondents (54 percent) expect conditions to be worse in 2025. In fact, some 34 percent of respondents expect conditions to be easier in the year ahead. This provides evidence that a growing proportion of the market sees light at the end of the tunnel, even if our research does suggest that the LATAM market may be pacing behind others.

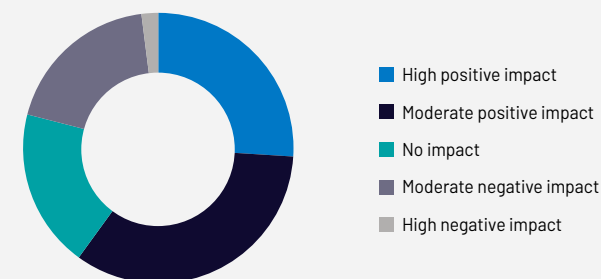
Measuring the impact of financial and regulatory factors on M&A/financing activities in the next 12 months

Figure 10:

How do you expect the changes in interest rates to impact M&A/financing activities in the next 12 months?



How do you expect the inflationary environment to impact M&A/financing activities in the next 12 months?



How do you expect changes in the regulatory environment to impact M&A/financing activities in the next 12 months?

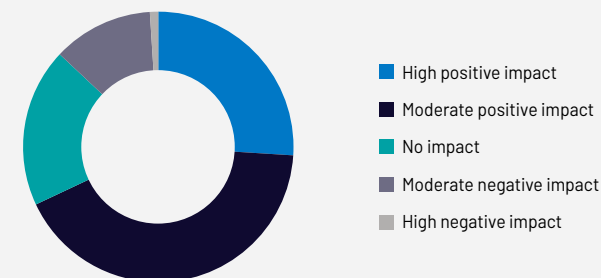


Figure 11: How do you expect financing market conditions to change in the next 12 months compared to 2024?

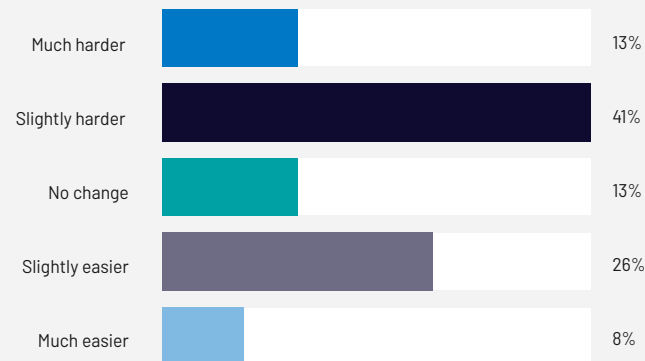
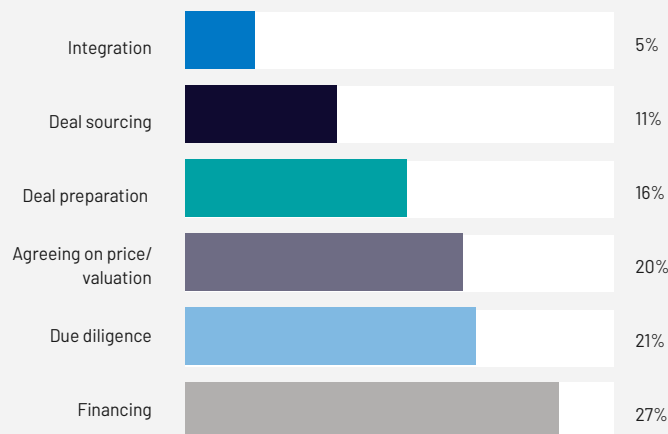


Figure 12: Which part of the M&A/dealmaking process do you expect to be most difficult in the next 12 months?



Gary Levy, chief growth and strategy officer at advisory CohnReznick, says the economic headwinds of recent years have forced firms and investors alike to be a bit more selective.

This much is also evident in how dealmakers perceive the biggest challenges to conducting business in 2025. While financing remains the most-cited challenge, identified by 27 percent of our total sample, this is slightly down from last year's figure of 31 percent. Financing concerns appear to have particularly receded in Latin America.

We equally see something of a shift away from concerns relating to pricing and valuations, an indication that buyers and sellers have become more agreeable over the past 12 months.

Gary Levy, chief growth and strategy officer at advisory CohnReznick, says the economic headwinds of recent years have forced firms and investors alike to be a bit more selective, but this is expected to ease, and activity will ramp up over the next one or two quarters. "If the IPO window opens and you see some deals come to market that have a good performance, you'll see a flurry of those transactions as well," he says.

This has been offset by an increase in the share of respondents citing due diligence as the primary challenge facing dealmaking in the next 12 months, while deal preparation is also expected to be more of a challenge.

Look internally to mitigate risk

After consecutive years in which dealmakers have looked to stricter financial terms to mitigate risk, such as earn-outs and alternative means of deferring related payments, we now see evidence that organizations are looking internally to offset any downside.

The leading strategies to mitigate M&A risk indicated by respondents in this year's poll are improving integration planning and execution excellence, and increasing the use of technology to conduct M&A risk assessments, selected by 24 percent and 22 percent of respondents respectively.

Technology pivotal to execution

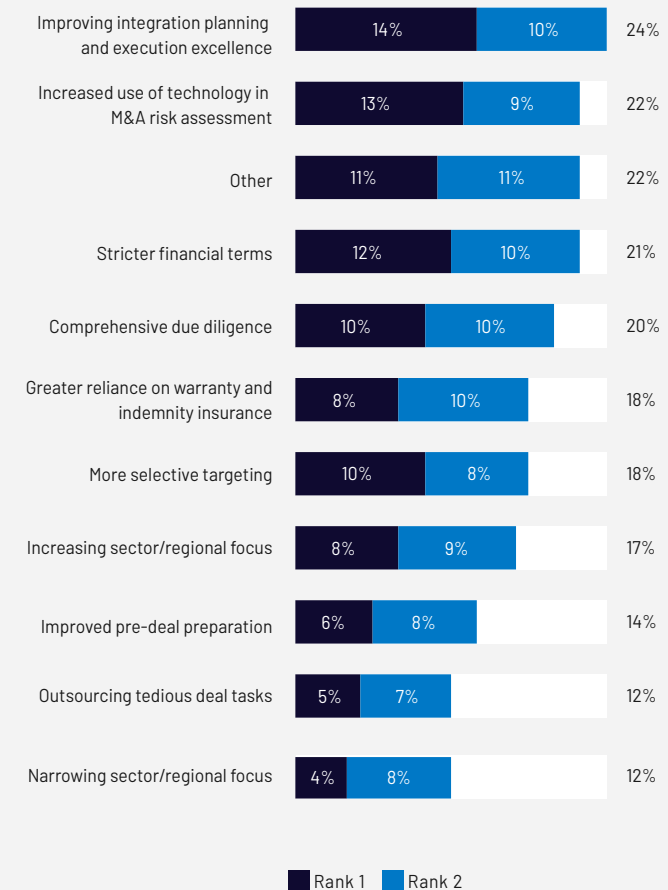
A continuing theme in our outlook for 2025, dealmakers now consider the use of technology platforms and AI as the leading strategies to improve deal execution. Using technology to improve information governance

and speed – an ideal application for tools like virtual data rooms (VDRs), as we discuss in the next chapter of this report – and the use of AI and machine learning (ML) to automate certain tasks, were selected by 31 percent and 28 percent of respondents respectively.

Trust in technology, particularly elements like AI, may remain relatively nascent, but dealmakers are seeing major potential upsides in utilizing it to streamline more of the laborious tasks associated with executing and closing transactions. This would appear to be particularly true in APAC, going further to support the notion that financial institutions in the region may have edged ahead in appreciating the role of technology in future deals.

Meanwhile, our research also shows that PE firms are more likely to consider starting deal preparation earlier to help execute better, however, this may be more of a symptom of the size of deals being undertaken by PE

Figure 13: How do you expect companies to mitigate M&A risk in the next 12 months?



AI and generative AI: the big disruptors

As further indications of the shift in awareness of AI and generative AI, the two are now considered the most disruptive trends in M&A and financing for the next 12 months. While AI has risen in prominence over the last year, generative AI is an entirely new addition to dealmakers' horizon of potential disruptions. Since OpenAI first launched ChatGPT in November 2022, it and other large language models (LLMs) have soared in notoriety, and 87 percent of businesses responding to a recent Reuters Events survey are either already using generative AI or plan to implement it within the next year.

Cybersecurity, too, remains high on the list of potential disruptions, with cyberattacks and other malicious digital acts of particular concern to those based in APAC. Such concern continues to raise the profile of tools that provide increased security such as VDRs.

Taken more holistically, dealmakers see that the road ahead will be largely shaped and defined by technology and, more specifically, how quickly and adeptly it can be integrated into business-as-usual (BAU) processes. As financing conditions ease and the broader economic environment becomes more conducive to getting deals done, attention is quickly turning to driving efficiency, speed and accuracy. Technology will play a starring role, with dealmakers turning to it more than ever before.

Our research proves this beyond doubt. Investing in accelerating digitalization to transform business processes is the dominant focus for organizations involved in dealmaking over the next year, identified by more than one-third of respondents as their leading priority.

Figure 14: What trends do you expect to be the most disruptive to M&A/financing processes in the next 12 months?

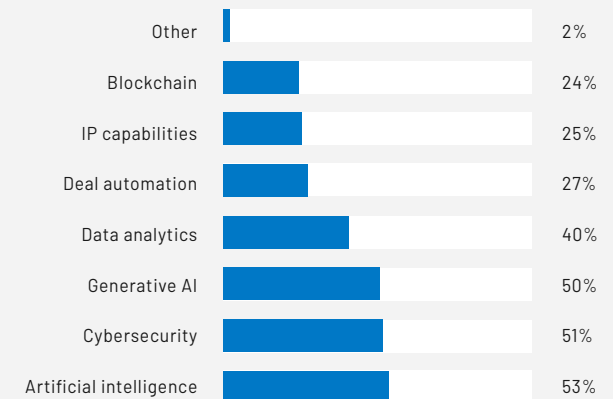
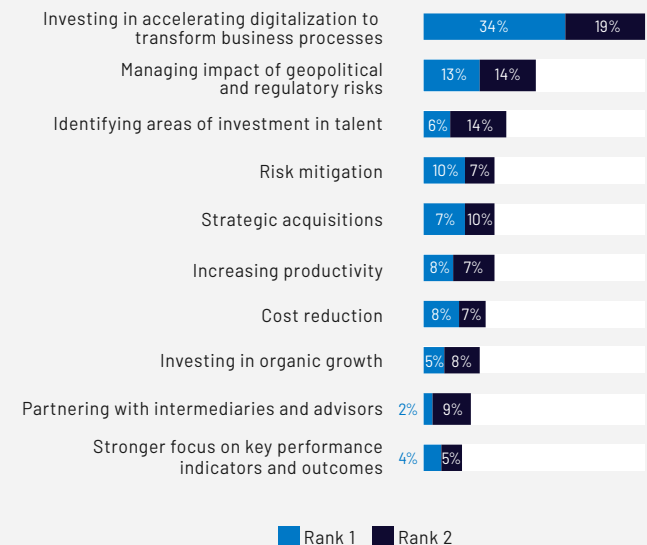


Figure 15: What will be the biggest focus for organizations involved in M&A/financing activity in the next 12 months?



Technology and AI in Dealmaking

AI has been vaunted as the defining technology of this decade and has equally been championed as a significant disruptor. Promising to automate labor-intensive tasks and processes, delivering major productivity and efficiency gains in the process, the technology class has mobilized significant investment as companies scramble for capability.

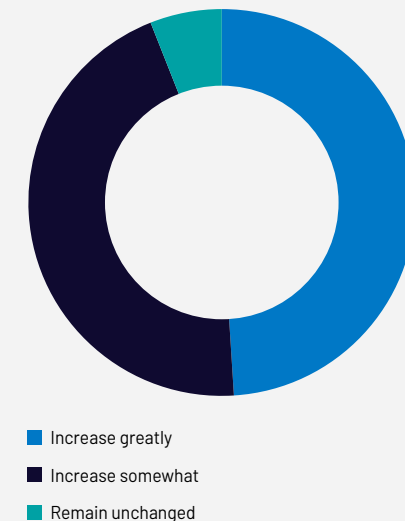
The finance sector is no different, and dealmakers are nearly unanimous in their verdict that the use of AI is set to increase over the next year. Just six percent of respondents expect the use of AI-powered tools to remain unchanged over the next 12 months. Indeed, nearly half of respondents (49 percent) to our survey expect use to increase greatly.

One major stumbling block presents itself, however, in how early dealmakers are in their adoption of AI. Perhaps beset by concerns over data privacy and a regulatory envelope described by one financier as “not yet fully clear on how financial services institutions ... can absorb or take on AI tools of platforms,” a majority of dealmakers indicated that they are still at the stage of evaluating either use cases or vendors.

Just 11 percent said they had moved on to implementing AI into existing processes, while a further 13 percent said they were building capabilities in-house. There are more nuanced differences in approach when comparing PE and corporate respondents: A greater share of respondents from PE firms have

already implemented AI than their corporate counterparts, with many of those corporate dealmakers seemingly still at the stage of evaluating vendors.

Figure 16: How do you expect the use of tools powered by AI during M&A/financing deal processes to change over the next 12 months?



One conclusion to draw from these findings is that a comparative minority are building AI-related capabilities internally, with more dealmakers opting for a buy or partner strategy. This places significant importance on getting procurement right. While identifying third-party service providers did not rank among the top three challenges in adopting generative AI for dealmakers we surveyed, our research has suggested that this problem is considered more acute in APAC than it is in North America and EMEA.

At the same time, our research suggests that financial institutions could be considered behind in their adoption of AI and, as a result, accelerating that adoption will be a critical focus for the year ahead. Failure to catch up means falling behind the 11 percent who are already at the implementation phase, and who will likely reap the benefits of being early movers.

To close the gap, financial institutions will have to face the most pressing concerns head-on. These include data privacy and security, reliability of outputs and the high costs of implementation.

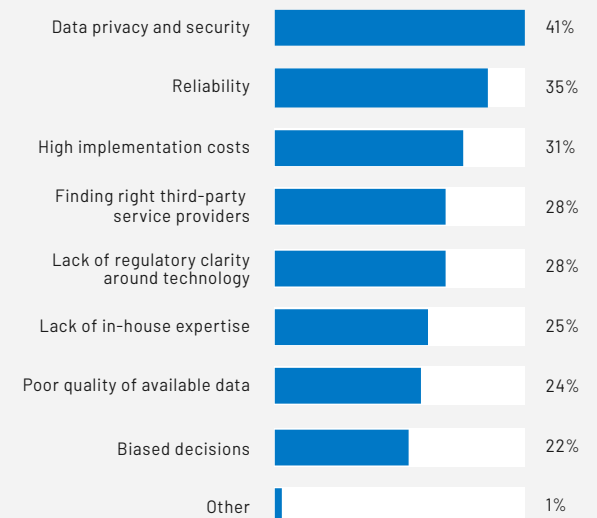
Cybersecurity concerns are on the rise

One trend to monitor regarding the role of technology in dealmaking is the increasing concern of cybersecurity. Our research has indicated a steep rise in concerns relating to cybersecurity, with the share of respondents indicating at least slight concern rising from 53 percent in last year's poll to 82 percent in this year's survey.

Nearly half of respondents (44 percent) said they were very concerned, while the level of concern related to cybersecurity is more acute in APAC than in other regions. Concerns relating to cybersecurity are rising more

prominently, fueled by the growing nature of cyberthreats and increasing geopolitical uncertainty, to name but a few contributing factors. These are weighing heavily on the minds of dealmakers, with nearly three-quarters (72 percent) expecting cybersecurity concerns to increase over the next year. Countering cybersecurity in its entirety will require a comprehensive set of tools and approaches.

Figure 17: What are the biggest challenges to the adoption of generative AI for M&A/financing?



How data rooms are boosting efficiency and security

Among the technology set used by dealmakers today, VDRs play a critical role in providing enhanced security and efficiency. More than 40 percent of dealmakers surveyed said their primary reasons for using VDRs included cost-effectiveness, ease of use and accessibility, efficient document management, and improved security and confidentiality.

A majority (71 percent) of respondents said they use VDRs frequently (for more than half of the deals they are working on), leaving a minority of dealmakers who said they only use VDRs occasionally.

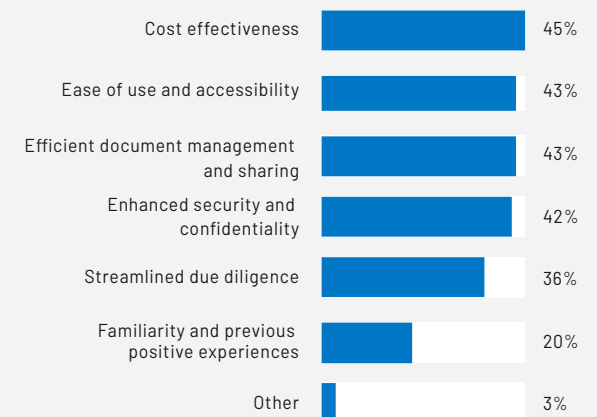
VDRs could therefore be considered similarly to AI: a technology option that unlocks greater efficiency in dealmaking, while also offering cybersecurity benefits. It is perhaps for these reasons that VDRs are being adopted by most dealmakers today. The use of VDRs could be expected to grow in the short-term – just 14

percent of respondents said they are used for every deal – and those not using VDRs could well be failing to capitalize on efficiencies others are benefitting from. With paper-based dealmaking consigned to the history books, dealmakers using alternative digital options may miss out on additional features and may further be exposing themselves to security risks.

We also asked VDR users about the features they most commonly desire. The most popular suggestions include integration with AI and ML approaches, enhanced security, functionality to improve collaboration across teams, advanced search and filtering, and the ability to customize user permissions in a more granular fashion.

A majority (71 percent) of respondents said they use VDRs frequently (for more than half of the deals they are working on), leaving a minority of dealmakers who said they only use VDRs occasionally.

Figure 18: What are your primary reasons for using virtual data rooms (VDRs)?

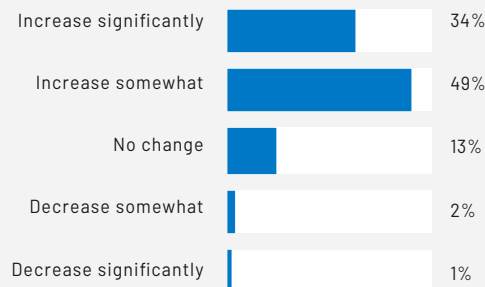


Spotlight: ESG Trends for the Future

Environmental, social and corporate governance (ESG) issues, and in particular regulations, continue to be something of a shifting sand for investors and dealmakers to navigate. The regulatory envelope continues to evolve and expand in scope, and this impact is being felt keenly among the dealmaking community.

A significant majority (84 percent) of respondents expect the level of ESG regulation in M&A/financing to increase over the next three years, with more than one-third (34 percent) expecting that level to increase significantly.

Figure 19: How do you expect the level of ESG regulation in M&A/financing to change in the next three years?



SPOTLIGHT: ESG TRENDS FOR THE FUTURE

This expectation is greater for those in APAC, with 94 percent of respondents from the region expecting ESG regulation to increase over the next three years. Respondents from APAC were more likely to suggest this impact would increase significantly than any other region surveyed.

Meanwhile, respondents from North America were most likely to suggest that ESG regulation would decrease somewhat over the next three years, perhaps a reflection of the direction of travel of ESG regulation in that market. There has been a much-publicized backlash to ESG measures in the U.S. While our survey was conducted prior to Donald Trump's election victory in November, much of his campaign messaging was around relaxing and repealing regulations surrounding sustainability.

This represents something of a step change year on year, especially given the number of dealmakers expecting ESG regulation to

increase significantly. Last year just 13 percent of respondents expected ESG regulation to significantly increase. That more than one-third now expect this to happen would suggest a general feeling that ESG factors are on the rise for dealmaking.

One major impact of this will be felt in due diligence, with a majority (77 percent) expecting more scrutiny over ESG factors in transactions over the coming years. Once again, this impact is expected to be more keenly felt in APAC, where respondents were most likely to expect significantly more scrutiny on transactions going forward.

A matter of cost and data quality

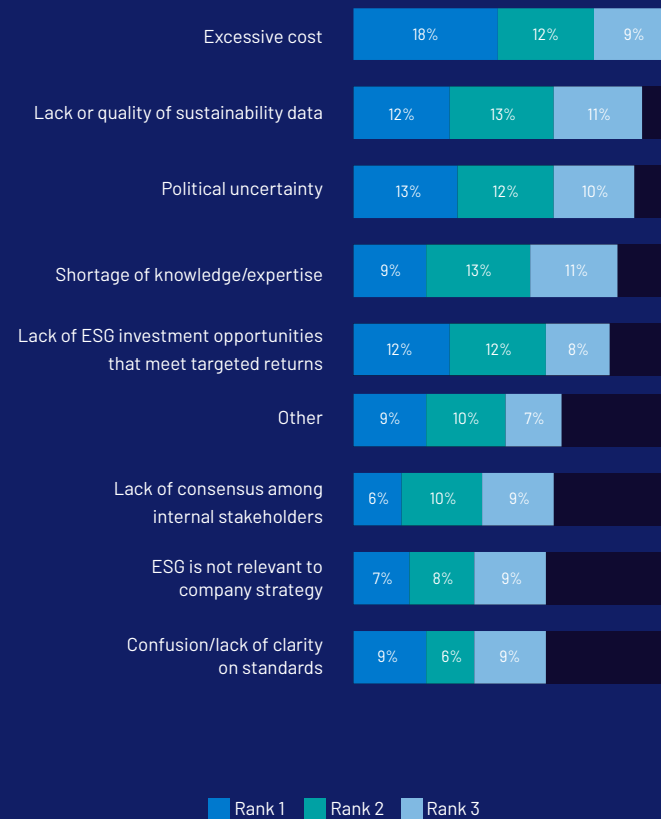
While regulation may be a drag on due diligence, the primary concern related to making ESG-oriented investments is their excessive cost. This was the most-cited challenge in this year's survey, identified by 39 percent of total respondents.

Concerns over the lack of quality of sustainability data have remained relatively constant year on year, an indication that efforts to improve quality have not been successful, or at least not yet. Scope 3 emissions data in particular remains a key challenge, requiring collaborative efforts across and throughout supply chains and channel partners.

While the U.S. Securities and Exchange Commission has walked back requirements for U.S. companies to report on Scope 3 emissions, the requirement very much remains a core plank of Europe's Corporate Sustainability Reporting Directive (CSRD), a regulation that will still require many U.S.-based companies to report. With compliance will come familiarity and experience, and with most companies that would fall under the CSRD's compliance requiring to report by 2026 at the latest, there is every expectation that concern will ease in the coming years.

SPOTLIGHT: ESG TRENDS FOR THE FUTURE

Figure 20: What are your organization's biggest challenges in making ESG-oriented investments?



One positive to draw from this year's results is the apparent collapse in concern surrounding a lack of clarity on standards related to ESG. While 71 percent of respondents cited it as among their organization's biggest ESG-related challenges last year, just 24 percent said the same in this year's polling. This would indicate that efforts to standardize ESG reporting and bring it more in line with financial disclosures have paid dividends.

Linking ESG and financial performance

If ESG-related investments are to step into wider prominence within the community, our research indicates that there must be a more demonstrable, proven link that connects ESG activities and improved financial performance. Just over one-quarter (27 percent) of respondents said this was the most important factor that would push their organization to have a wider consideration of ESG.

Figure 21: What is the most important factor that would push your organization to have a wider consideration of ESG?



Looking Forward

Dealmakers are entering 2025 with a healthy dose of optimism. A significant majority expect M&A and financing deals to increase over the next 12 months. While PE firms may be more bullish about market prospects, we see this as a widespread expectation. Consecutive years of relatively muted activity have translated into plenty of dry powder left in the market, and most appear to expect activity to begin ramping up early in the year.

The broader economic environment is unquestionably healthier than it was this time last year. Inflation has contracted to such an extent that the Fed and other regulators have felt comfortable cutting interest rates. Further rate cuts are expected, albeit on a slower trajectory than expected – but the storm has not yet truly passed. Economic conditions will

remain a prevalent challenge for dealmaking in 2025, surpassed only by greater competition for deals as organizations look to put liquidity to use.

Financial services, TMT and the energy sector continue to be of particular interest for dealmaking, driven by strong performances and more industry-specific trends. While the technology sector may find it difficult to convert hype into growth in the more immediate term, confidence in its strong long-term prospects remains high. Organizations are increasingly looking inward, rather than at the economic environment or more opportunistically outside of their business, when it comes to M&A. Bolting on new or expanded tech capabilities and geographical expansions

are the primary drivers for M&A activity as we enter 2025.

While also being a driver for M&A activity, technology will be critical to dealmaking execution in 2025 and beyond. Primarily used to automate the more labor-intensive tasks and processes associated with sourcing and executing, the industry widely expects AI adoption to grow and do so significantly over the coming 12 months.

There is a major strategic advantage to being an early adopter in this field, and yet most respondents surveyed indicate they have yet to implement AI into existing processes. Those who have can expect to capitalize on their early mover status, and those who haven't must prioritize catching up to remain competitive.

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