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Deal Drivers:
Americas 2025 Outlook

Mergermarket

Outlook for 2025

Rate cuts open door to M&A revival in the Americas

After weathering a period of sharply elevated borrowing costs, the tide is slowly beginning to turn. The Federal Reserve's two rate cuts as of November have yet to spur a surge in dealmaking, but these things take time.

Debt markets are responding positively to looser monetary conditions, making life easier for acquirers. US leveraged loan yields in the secondary market fell to a two-year low of 9.1% in October, while the loan market expanded by US$17bn for the biggest month-on-month increase in two and a half years, according to Morningstar.

The bulk of activity has so far focused on refinancings and repricings, but moving into 2025 more private equity sponsors will look to capitalize on these conditions to underwrite new deals. With stock markets at all-time highs, corporates also have the equity firepower to fund strategic M&A. The dealmaking engine may have been idling, but it appears to be revving up for a better year.

	Brazil	Canada	Western US	Midwestern US	Southern US	Northeastern US	Latin America & Caribbean	TOTAL
TMT	23	16	94	42	86	154	22	437
Pharma, medical & biotech	13	4	55	57	79	116	8	332
Business services	24	10	28	17	44	50	14	187
Industrials & chemicals	21	10	25	24	30	49	11	170
Financial services	10	4	25	24	30	58	12	163
Consumer	12	3	18	17	27	30	17	124
Energy, mining & utilities	17	7	11	3	16	15	15	84
Leisure	3	1	17	9	17	22	2	71
Construction			10	3	12	8		33
Transportation	7		4	3	1	3	8	26
Defense	1		5	1	4	6	1	18
Real estate			2	4		2	1	9
Agriculture	1		3			3	1	8
TOTAL	132	55	297	204	346	516	112	1662

Note: The Intelligence Heat Charts are based on 'companies for sale' tracked by Mergermarket in the respective regions between 01/07/2024 and 11/11/2024. Opportunities are captured according to the dominant geography and sector of the potential target company.

Tech's mighty turnaround: TMT deal value hits two-year high

1 Software still scales

The pieces are falling into place for a major comeback for tech dealmaking. In Q3, technology, media & telecoms (TMT) transactions saw a decent 20% year-on-year jump in aggregate value, fueled by lower interest rates and a surge in US tech stocks. Mergermaket data shows that total deal value in the sector reached US$118.7bn in Q3 across the Americas, the highest reading in two years. Private equity buyers are diving in, accounting for nearly two-thirds of that quarterly value.

For all the talk about artificial intelligence (AI), there are few viable targets as of yet, though plenty of AI-adjacent assets are drawing bids as software companies scramble to rebadge their products. For instance, enterprise software remains a firm favorite among sponsors, who can't shake their appetite for scalable software-as-a-service products.

Across the Americas, there are 437 TMT 'companies for sale' stories, accounting for 26% of all deal reports, with stalwart tech and media markets in the Northeastern US (154) and Western US (94) promising the lion's share of this potential M&A activity.

2 Biotech bets

Pharma giants continue to zero in on biotech, the industry's golden goose. With blockbuster drug patents nearing expiration and revenue cliffs looming, the race is on to restock pipelines with cutting-edge therapies. Acquiring biotech firms, often pioneers in areas like oncology, rare diseases, and cell and gene therapies, offers pharma a workaround for costly R&D capital expenditures. A case in point, Vertex Pharmaceuticals made a bold move in April by acquiring Alpine Immune Sciences for US$4.9bn. The deal centers on Alpine's lead drug candidate, povetacicept, a promising treatment for IgA nephropathy, a rare kidney disease.

The Mergermarket heat chart data show 516 deal reports across the broader pharma, medical & biotech sector, a 20% share. Of these, the Northeastern US (116) is the sector's hottest region by far, but Southern US also has substantial potential activity (86). Favorable state policies, lower operating costs, and a strong talent pipeline from local universities in Texas, North Carolina, and Georgia make the region a magnet for biotech innovation.

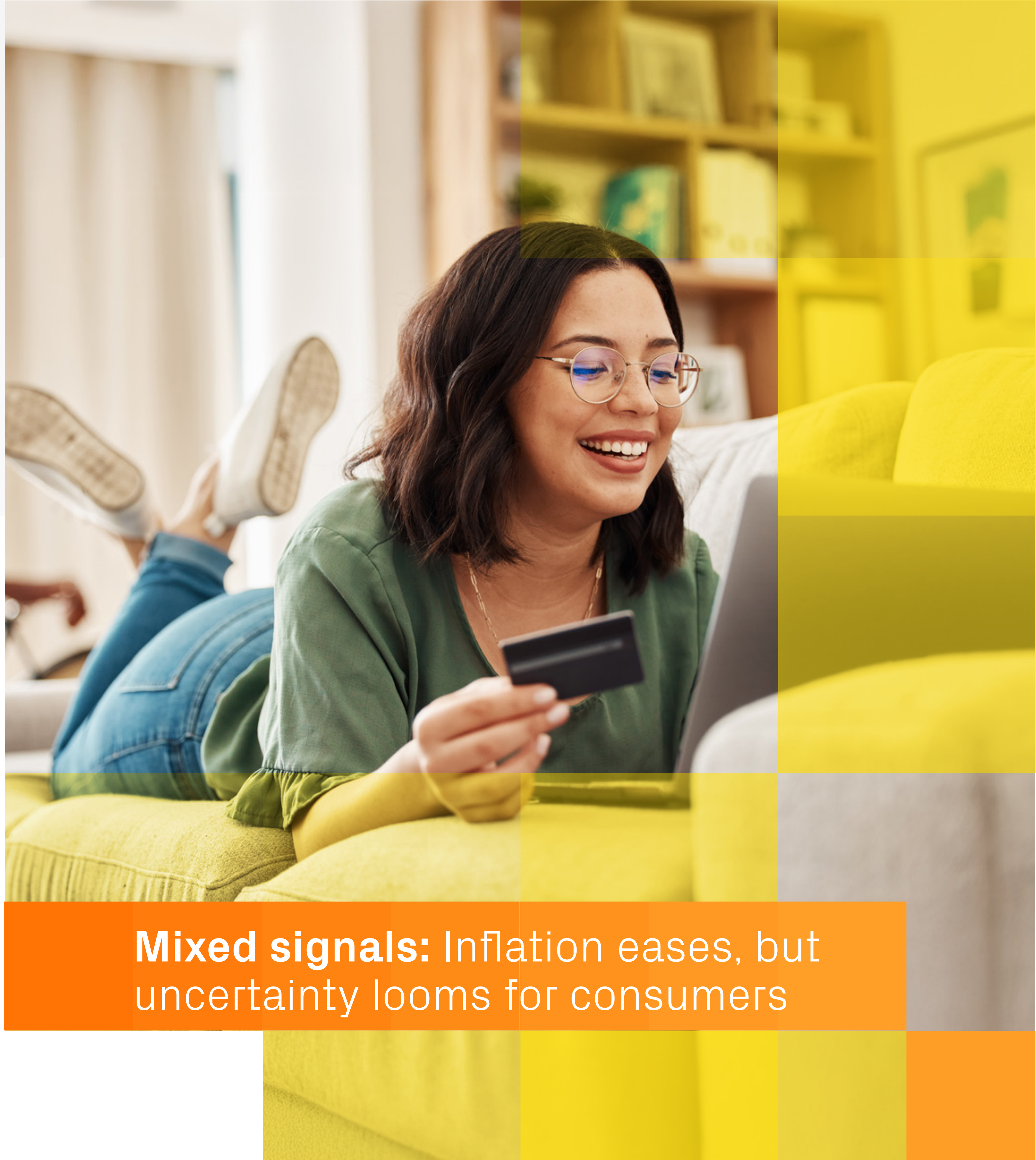
Biotech boom: Pharma groups race to restock drug pipelines

3 Dollar cost average

Consumers were granted some relief in 2024 as the US Federal Reserve made major headway in its fight against inflation. The slower pace of price increases and improving confidence should encourage spending, which so far has kept the US economy leading on GDP growth in the G7.

According to Mergermarket's heat chart, the consumer sector has 170 potential M&A deals in the Americas, or 10% of all transactions in the making, with the highest concentration in the Northeastern US (49) and the Southern US (30).

For all the progress, however, there are still some doubts about what lies ahead. The Consumer Price Index increased by 2.6% over the 12 months ending in October, slightly higher than the previous month, while the core measure, excluding food and energy, remained steady at 3.3%, according to the US Labor Department. Moreover, US president-elect Donald Trump is threatening to increase trade tariffs once again. The higher cost of imported goods can only be inflationary, so US consumers should not be counting their chickens just yet.



Mixed signals: Inflation eases, but uncertainty looms for consumers

Southern surge: A rising and diversified engine of US M&A

4 Southern hospitality

The Southern US continues to be a significant yet often-overlooked hub of American M&A. The region accounts for nearly 21% of all companies for sale stories, second only to the Northeastern US. Though perhaps best known for its rich oil & gas reserves, particularly in the Permian Basin, the South has a markedly diverse economy.

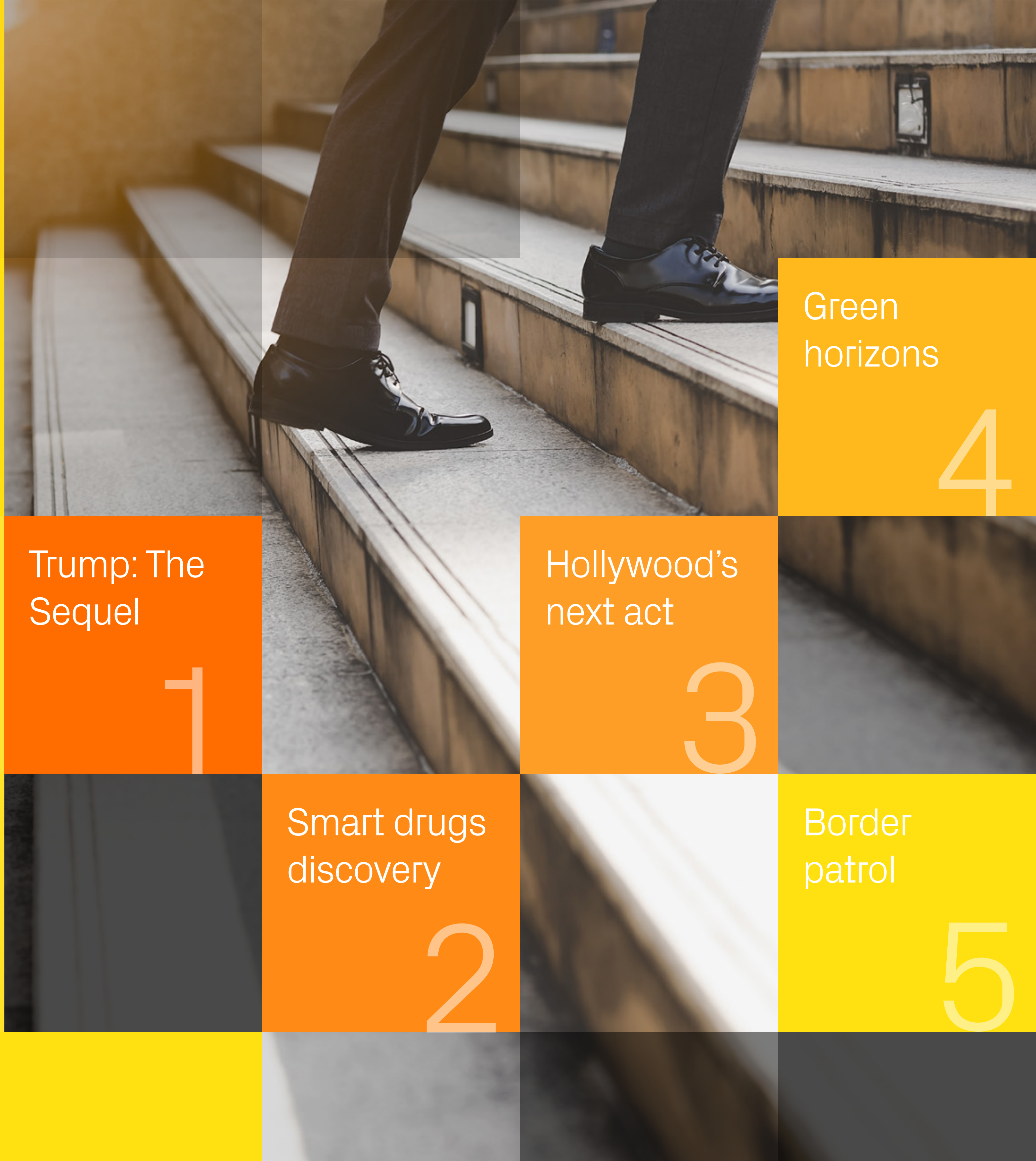
Cities like Austin and Atlanta are fast emerging tech hubs, attracting start-ups and established firms, with Elon Musk choosing the former to relocate social media platform X and space exploration business Space X in July 2024. With no state income tax and fewer business restrictions, it is plain to see why companies are decamping to Austin and the South more generally. After the recent inflationary phase for the US economy, businesses remain keenly focused on lower operational costs and are finding the Southern states meet their criteria.

Trends for 2025

A muted 2024 has set the stage for a more dynamic year to come.

Dealmaking in the Americas through 2024 saw only small year-on-year changes relative to 2023. Following the seasonal lull in the summer months, the closing quarter of any given year tends to see a burst of activity as deal teams push to finalize transactions before the holiday season. With a second Fed cut in November putting the wind in investors' sails, there is every chance that dealmakers can end 2024 on a high note.

The real question is where the market heads next. Everything is pointing to 2025 being a watershed year. With the uncertainty of the US presidential and congressional elections now in the rearview mirror and with borrowing conditions easing, a number of catalytic trends promise to stoke deals into action.



1 Trump: The sequel

The re-election of Donald Trump has set high expectations for a surge in M&A activity in 2025, fueled by his pro-business leanings and willingness to cut red tape. Many are expecting that the new administration will adopt a more lenient approach to antitrust policies, with the Department of Justice and Federal Trade Commission possibly dialing down the level of scrutiny applied to large mergers.

However, four more years of Trump will almost certainly deliver some surprises. While his presidency is welcomed by many on Wall Street, the potential for major shifts in trade policies and regulatory priorities should not be underestimated. As a staunchly protectionist president, Trump signed the Foreign Investment Risk Review Modernization Act into law in 2018, as part of the National Defense Authorization Act. The legislation marked the most substantial expansion of the Committee on Foreign Investment's jurisdiction and powers in over a decade. Inbound cross-border M&A is unlikely to get any easier.

2 Smart drugs discovery

Question marks continue to hang over the true potential of generative AI. Goldman Sachs has expressed skepticism regarding the immediate benefits of the technology, cautioning that the rush to pour capex into the genAI wave is unlikely to yield proportional near-term benefits.

That is not to sell short AI and its many iterations and applications. AI-driven advancements in drug discovery and diagnostics, which are enabling faster and more efficient R&D processes, are setting the stage for many potential deals. For example, AI can identify promising drug candidates, optimize clinical trials, and predict patient outcomes with unprecedented accuracy, reducing costs and time-to-market for new treatments. This is making biotech firms with AI capabilities especially attractive acquisition targets.

In response, large pharma companies are expected to seek AI-powered start-ups to bolster their pipelines and maintain a competitive edge. Beyond drug development, AI applications in personalized medicine and operational efficiencies are further enhancing the value proposition of such deals.

3 Hollywood's next act

Further consolidation in the US media and entertainment sector may be coming soon, as the industry grapples with shifting consumer habits, escalating production costs, and intensified competition from streaming platforms. The past five years have already seen some major consolidation with blockbuster mergers like Warner Bros–Discovery, CBS–Viacom, and Disney–Fox, leaving few options for truly monumental deals.

However, streaming business Skydance Media and PE firm RedBird Capital Partners' US$8bn takeover of Paramount Global in July, including its renowned film studio, signal that creative transactions are still very much possible. Streaming platforms are seeking to bolster their content libraries as they continue to draw crowds away from the cinema, and are increasingly taking matters into their own hands. How much of this will be centered on the US versus overseas markets is another question. Netflix, Disney+, and Amazon Prime Video have raised their investment in locally-produced content to cater to international audiences. Either way, media consumption is continuing to evolve and companies are leveraging M&A to keep up.

Streamlining media: Consolidation to meet changing audiences

4 Green horizons

Brazil's renewable energy sector, the largest in Latin America, accounting for around 55% of the region's total capacity, offers fertile ground for M&A. Following a joint venture agreement between TotalEnergies and Casa dos Ventos established in 2023, a 12GW wind and solar portfolio is slated to come on stream, one of the biggest such projects in the country.

In October, the Brazilian government announced an investment of US$1.1bn to establish clean hydrogen hubs aimed at decarbonizing hard-to-abate industries and enhancing the country's competitiveness in the global green hydrogen market. And while electric vehicle (EV) sales may have slowed in some regions, the long-run trend remains positive as governments legislate against fossil fuel-powered cars. Given its position as the world's third-largest producer of battery metals essential to the EV supply chain, Brazil is experiencing a surge of international interest in its critical materials industry. Put all that together and this resource-rich nation is poised to play a big part in the energy transition, meaning deals will flow.

5 Border patrol

Mexico's manufacturing sector is at the center of a nearshoring boom, as companies seek to bring production closer to North American markets. Rising labor costs in Asia, global supply-chain disruptions, and trade tensions are behind this pivot, with Mexico emerging as a prime destination due to its proximity to the US, competitive costs, and trade agreements like the USMCA.

This could set off a spate of M&A activity, as companies acquire assets to establish or expand capabilities in the country. UPS recently acquired equivalent Mexican logistics provider Estafeta, anticipating a surge in demand for transporting goods across the border. However, that was back in July 2024, before the US election.

A staunch opponent of trade deficits, Donald Trump may use tariffs as a lever to curb immigration across the US's southern border, potentially upending the Mexican nearshoring wave. That said, a proposed universal baseline tariff of 10%-20% on all imports could also level the playing field somewhat. The new administration's policies and their impact remain a known unknown for now.

Nearshoring boom: Opportunity amid policy uncertainty

About this report

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Full version of the Mergermarket M&A deal database inclusion and league table criteria >

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