

Strategic Horizons Live: Global markets and M&A outlook

Webinar date: **20 May 2026**

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Transcript

Juan Pablo Bayter

Hi, everyone, and a warm welcome to this Oaklins webinar on Strategic Horizons, Global Markets, and M&A Outlook. I'm Juan Pablo Bayter. I'm the chairman of Oaklins International, based in Bogotá, Colombia, and I'll be hosting today's session.

We're going to give you an update on global markets and the broader economic outlook. This will be complemented by developments in M&A and debt markets.

Before we kick off, just a few brief housekeeping items. This webinar is being recorded, so you will all receive the recording at the end of the session, which we expect to last around 45 minutes or so.

Also, please make sure to use the Q&A facility at the bottom of the screen so you can ask questions to the panelists.

For those of you who don't know us, by way of introduction to Oaklins, we are the world's most experienced M&A advisor in the mid-market. We've got fantastic global reach across some 40 countries around the world, with a strong regional presence in Europe, the US, Asia, and Latin America. This international reach enables us to provide a truly global service to our clients. In terms of track record, we close around 4,400 deals per year, and over half of those are cross-border transactions.

Today, we have a stellar cast of panelists from Oaklins members across Europe and the US. Before kicking off, I'm going to ask each member of the panel to introduce themselves. I'll start with Roger.

Roger Lee

Hello, thank you, JP. I'm Roger Lee. I'm Head of Equity Strategy at Cavendish and Chief Strategist for the Oaklins Group.

Juan Pablo Bayter

Frank?

Frank de Hek

Perfect. My name is Frank de Hek. I work at the Amsterdam office of Oaklins, where I have been for 19 years. I'm the managing partner of our group in the Netherlands, as well as a partner in our M&A division.

Juan Pablo Bayter

Joanna?

Joanna Stone

Thank you, JP. I'm Joanna Stone. I'm a partner in the United States, in our New York office, and I co-lead the TMT practice globally for Oaklins.

Juan Pablo Bayter

And then Bas.

Bas Stoetzer

My name is Bas Stoetzer. Since 2010, I have been heading the debt advisory team of Oaklins in the Netherlands. Before that, I worked for over 15 years in different areas of various banks here in the Netherlands.

Juan Pablo Bayter

Thanks, everyone. So why don't we kick off, Roger, with the global markets and economic update?

Roger Lee

Thanks, JP.

I do feel that perhaps the title of this webinar is a bit of a misnomer, because we've called it Strategic Horizons. "Horizons" suggests that what I'm about to talk about could be very long-term, whereas, in fact, what I'm about to talk about could be over in response to a post on Truth Social or a comment from President Trump.

Clearly, markets are dominated by the conflict in Iran, but more specifically by the supply constraints across the Strait of Hormuz, which is the picture you can see in front of you at the moment.

Everything I'm about to talk about is really determined by one number, and one number only, and that's the oil price.

This isn't the first time we've had an oil crisis, as you can see on the next chart. In fact, I'm old enough to remember every single one of these.

That's the first point I would make: this isn't the first time we've had an oil crisis. This isn't the first time we've had a conflict in the Middle East that has caused elevated oil prices.

I'd also make a second point to put what we are seeing at the moment into some sort of context. When I first gave this presentation a few weeks ago, this next comment was seen as a bit more controversial. But given the way markets have moved over the last few weeks, it is now a lot easier to understand.

On every single occasion of the previous seven oil crises we've had, any point during that crisis has been a buying opportunity. Of course, if we were in the US now and talking about the S&P or the Nasdaq, this conflict is absolutely no different.

There has only been one occasion when a conflict in the Middle East, an oil crisis in the Middle East, has really caused significant long-term destruction of equity capital markets. That, of course, was in 1973 and 1974.

Just for one second on that, to show why this crisis is very different in terms of scale and proportion: back in 1973, the oil price went from US\$ 3 to US\$ 12. That would be the equivalent of the oil price now going from around US\$ 70 pre-conflict to close to US\$ 300.

At the moment, the oil price is just under US\$ 110. So what we are looking at here is a very different scale of crisis to 1973–74. The other crises have, if anything, proved to be opportunities rather than costs.

But of course, there are implications from this crisis, as we can see now. Effectively, what the market is worried about is the effect on interest rates. If we could just move on to the next slide, please.

And inflation. Of course, it's really the inflation implications that the market is most worried about. You can see here the very strong PPI number last week in the US, which was really caused by those little black bars you can see there, with energy prices ticking up.

Then, as you can see on the right-hand side, what central bankers are concerned about is how these inflationary impulses, as a result of a high oil price, feed into the broader economy.

Here you can see in the US how, for instance, Russia's invasion of Ukraine in 2022 had a meaningful impact on wage growth. That was seen as inflationary and had to be controlled.

It's this phenomenon, which you can see all around the world, that markets and central banks are concerned about: how elevated oil prices feed into inflation, which then feeds into broader economic activity, such as wage growth and higher consumer prices.

As a result, as you can see here on the next slide, you can see how the market has reacted. This is perhaps one of the keys to what we're going to talk about in a couple of minutes' time in a bit more detail. What you've seen over the course of this conflict is a complete reversal of interest rate expectations.

If we looked at interest rate expectations prior to the conflict, then, generally speaking, in the US, the market was looking for two to three interest rate cuts. In Europe, even from a relatively low 2% interest rate, the market was still looking for an interest rate cut or so during 2026.

As you can see from the green lines here on the right-hand side, that has completely reversed. Instead of interest rate expectations pointing to monetary easing and lower interest rates, we've now got tightening in Europe and effectively flat rate expectations in the US.

So it's not too difficult to understand that if the macro environment prior to the conflict has completely reversed, making a 180-degree reversal, you would expect asset prices to have adjusted accordingly to those completely opposite economic and macro conditions. I think you can see that quite clearly on the next slide.

This is a bit busy on the left-hand side, and I'm not going to try to go through each individual line, but we've got another slide that will show this a bit more clearly.

What we've tried to do here is look at the performance of indices pre-Iran, and across asset classes for that matter, not just equities. The pre-Iran lines are the dotted lines, and the solid lines are post-Iran.

You can see, I hope, that we have seen a complete reversal of asset price performance, and we'll talk about this in a bit more detail in a minute.

You could easily look at the S&P, for example, which underperformed prior to the conflict and has now obviously significantly outperformed. That is certainly true for the Nasdaq as well. Again, it underperformed pre-conflict and has massively outperformed post-conflict.

That also applies in terms of style. Prior to the conflict, at least through midway through 2025, you saw the performance of small-cap equities on a global basis. There was outperformance of small-cap equities, which had underperformed for many years relative to large-cap equities.

Again, you can see that in terms of the Russell 2000, small-cap US equities relative to the top 50 US equities. You saw that outperformance at the end of 2025 and the beginning of 2026, and that outperformance of small-cap equities has completely stopped. In fact, what we have seen is that large-cap equities have generally outperformed.

So again, I just want to emphasize this point: what the conflict has induced in markets is effectively the reverse of what we were seeing prior to the conflict. We can see this again, perhaps more clearly, on the next chart.

To think about what will happen in the future, we have to think about what has happened in two stages: what happened in 2025 and the beginning of 2026, and what has happened during the conflict.

If we go back six or nine months, really probably since the tariffs back in April last year, what we have effectively seen is a diversification trade out of the US.

This has primarily been driven by policy volatility in the US. The market generally felt that, after years of seeing the US as the only place to invest, this concept of US exceptionalism was being challenged. Policy volatility coming out of the White House, particularly around the tariffs in April 2025, led to this idea of “anything but the US.”

Effectively, what the market decided was that the benefits of diversification were going to be relearned. There was an advantage, and there was value, in asset classes other than large-cap US equities.

So, in 2025, you saw this “anything but the US” performance. You can see it most clearly here in the DAX, which was one of the best-performing developed market equity indices. But you genuinely saw a lot of European asset classes performing, you saw emerging markets performing, and if you go right to the bottom of that chart, you’ll see that the US was a relative underperformer for global equities.

Now, including the conflict, that has reversed. The DAX, having been one of the strongest asset classes in 2025, has underperformed so far this year, as has the CAC. Again, this illustrates that what we have seen in markets has been a complete reversal of the themes that we saw up until the conflict.

So, of course, this begs a question, and it’s the key question that every institutional investor is asking at the moment. I think we can see this on the next slide.

Every single institutional investor is asking: what happens next? The actual question is quite straightforward. Do the themes that we saw prior to the conflict reassert themselves? This idea of policy volatility and the attractions of diversification away from the US? Or do the trends that we’ve seen over the last six or seven weeks persist? Do we see this reversion back to the US and back to US exceptionalism?

Of course, that is the question to ask.

But the market has been quite kind to us, in that it has given us a couple of glimpses of what might happen if we get that Truth Social post saying the Strait of Hormuz is open.

We have Mr. Trump to thank for this, because on a number of occasions during the conflict, he has claimed that the Strait is going to be reopened. He has claimed that there is going to be a deal. There was one particular instance, about two weeks ago, when the market definitely believed that the conflict, or at least the supply disruption, was effectively over.

So what this chart is showing is the two major asset classes that have really defined markets over the last 18 months or so: the gold price and the US dollar.

They have really been emblematic of this diversification trade out of US assets.

Up until the start of the conflict, what we saw was the dollar weakening and, as you all know, the gold price strengthening. That is effectively two sides of the same trade. The dollar weakening was symptomatic, and the clearest indication, that we were seeing asset flows out of the US.

For all other reasons, you would have expected the dollar to be strong in 2025 and the beginning of 2026. The US had the strongest growth among developed market economies. It had some of the highest interest rates among developed market economies. Those are conditions where you would normally expect to see a strong dollar environment.

In fact, we saw the exact reverse. Why? Because there were asset sales out of the US into non-US assets, as shown in the charts I was just showing you about the performance of the rest of the world versus the US.

The gold price is a sort of mirror of that. The gold price now doesn't necessarily reflect a store of value, but more reflects concerns about the US: the idea that US deficits are very high, US spending is very high, and what people talk about as dollar debasement.

So what we saw prior to the conflict was the gold price strengthening and the dollar weakening. Just to be clear, we've inverted the DXY index here so you can see them working together.

Then, when the conflict started, as I've said a few times now, everything reversed. The dollar strengthened and the gold price weakened. You've seen that correlation work very closely over the last few weeks.

Two weeks ago, when we had the glimpse of what might happen. If there is some sort of peace deal, or if the supply disruption in the Strait of Hormuz is finally ended, what we saw then was a reversal back to the trends we saw prior to the conflict. We saw the dollar weaken and the gold price strengthen, and that's the circle on this chart.

Of course, the conflict trends we've seen have reasserted themselves over the last couple of weeks, because that was erroneous. There was no deal, and the Strait of Hormuz is still effectively blocked.

So what does this mean going forward? Again, you can see this on the next slide.

What we have been talking about is that, during the conflict, the market has been very concerned about higher inflation as a result of higher oil prices.

In that glimpse I just talked about, we saw the oil price fall very sharply, very quickly, and that is the reversal effect. The oil price falls, and inflation pressures are alleviated.

To have an idea of what might happen, let's think about what might happen to the oil price. Again, I'm not a commodity analyst, and I'm not suggesting that I am. There are a lot of people who are better qualified to talk about commodities than I am.

But I was certainly in the market during the first Gulf War in 1991 and 1992. Here on the left-hand side, you can see the oil price during that Gulf conflict, and we've overlaid the oil price during this one.

The point I'm trying to make here is that once Desert Storm had actually started in that case, or once the conflict was perceived to be over, the oil price fell very sharply. Not in a week, not in a month, but in days.

That, I think, is what history teaches us this time, and we've seen glimpses of this during the conflict.

If the conflict is over, and if the Strait of Hormuz is opened up, then there is every chance, if history repeats itself, that the oil price will fall very sharply. There is even a possibility that the oil price could fall more than that, because the UAE left OPEC on 1 May. The OPEC cartel is effectively over, to all intents and purposes.

That means there is perhaps no possibility of supply constraint coming back through OPEC, so the chances are that the oil price could actually fall further.

Those trends that we saw before the conflict could very much reassert themselves, and could reassert themselves very quickly indeed.

I'm just going to wrap up with what the opportunity could therefore be as you look at valuations across the world on the next slide.

Here, you can see the re-rating of "anything but the US" that we saw. It's a bit of a complicated slide, but just bear with me. The red dots show where valuations were at the end of 2024, the blue dots show where we are now, and the yellow dots show where historical median valuations are.

You can see, just looking across the world, that the US still trades at a very significant premium. It has de-rated a bit, but it is still at a very significant premium to its long-term average, and almost every other market has re-rated.

Where the value still sits, especially now, post-conflict, is in small- and mid-cap equities. This perhaps explains why we're still seeing a lot of M&A activity.

So while those red dots have moved up, the blue dots, certainly for those major mid-cap indices across Europe, are still sitting at a discount to long-term averages.

I'll conclude by showing that in a different way, just to show where the value is on the final slide.

That's the discount that the two major small-cap developed market indices trade at right now.

The S&P 600, the 600 smallest stocks in the S&P 1500, trades at around a 30% discount to large-cap equities relative to its historic valuation multiple. Uncannily, that discount is roughly the same in Europe.

So, just to conclude, if we start to see this conflict resolved, if the Strait of Hormuz is reopened, and if we are right in our historical example that the oil price will fall sharply, inflation concerns will be alleviated.

Central banks will be able to revert back to monetary loosening, particularly if there has been some economic damage during this conflict. That economic loosening would suggest that the economic conditions for mid-cap equities globally to outperform again will return, just as they were outperforming prior to the conflict.

Juan Pablo Bayter

Thanks, Roger. I'm sure we'll all be looking forward to getting this post on Truth Social.

I'm going to ask now my colleague Frank to put this into context with a European update on M&A.

Frank de Hek

Yes, perfect. Thank you.

I'm going to talk a little bit about European M&A dynamics. Here on the left side of this page, you see the number of transactions.

I must say, especially over the last couple of years, this has been much more stable than the graph we saw from my colleague Roger Lee, except for the dip we saw after 2022.

But 2022 was an exceptional year, with a lot of catch-up deals from transactions that didn't take place during the coronavirus period.

Over the last couple of years, there have been about 14,000 sizable M&A transactions per year. That is relatively stable, and I think it was still surprising last year that so many deals took place in Europe.

In the end, a lot of companies were hit by the trade tariffs imposed by the US, as well as the uncertainty that resulted from that. At the same time, it shows the resilience of the industry.

Looking ahead into 2026, I think there is again a lot of uncertainty, especially around energy prices and supply chain disruptions following the war in Iran.

Nevertheless, we see that the markets continue to move forward at the same pace, which is good.

At the same time, I think the outlook is that there are a lot of deals that can take place as soon as calm returns to the market, when the Iran war is over, as Roger Lee said.

When energy prices stabilize, I think the uncertainty is just bad for deal-making. When that uncertainty is gone, we think many more transactions will take place, especially on the private equity side.

Private equity firms have had many companies in their portfolios already for far longer than the usual holding period. When the right moment comes, we think a lot of those transactions will come to market. I'm not sure if that will be in half a year or in a year.

But sooner or later, we expect the number of deals to increase.

Although this slide shows that the market has been quite stable, at least in the number of deals, if we move to the next slide, we see a different picture.

On this slide, we see the number of transactions in Europe divided by sector.

What it shows is that in 2025, 18% of transactions took place in the technology, media and telecom industry. But honestly, in the last couple of years, that amount was much higher. I think even during the coronavirus period, it was north of 35%. That was unreasonably high, but it has also been higher in the last couple of years.

That comes with benefits for other industries. The reason why we've seen fewer transactions in the TMT industry is also because of the uncertainty around AI. A lot of software companies in particular have been hit. There is more uncertainty around their business models, and we see private equity firms moving away from these files because of that uncertainty.

On the other hand, there are also industries that are doing much better. We see private equity moving its focus from IT towards more industrial companies, where there is more stability.

On top of that, in Europe, a major theme going around now is energy autonomy. We should not be dependent on gas from Russia or oil from the Middle East, but should really build our own infrastructure.

We see a lot of policymakers coming up with all kinds of measures to stimulate energy autonomy, and private equity firms are also focusing on it. That also comes back on the next slide, which shows valuation multiples, enterprise value divided by EBITDA, across the different industries.

At the top, you see the yellow line, which shows the valuations of IT companies, which have seen a sharp decline over the last few years.

This is for listed firms, but that has a big impact on private deals as well, because strategic players are simply willing to pay less, and we see private equity firms also mirroring the valuations of those listed firms.

At the same time, we see sellers saying, "In the last couple of years, I heard multiples that I could sell my company for, for 20 times EBITDA, and now everybody is only offering 12. It's not a good moment."

So that has a very big impact on the M&A mix. Whereas, for example, in the energy segment, you do see at least a slight increase in valuations.

Going forward, I think this year we expect a lot of transactions in the energy or energy transition space, as well as more in the industrial space, which is a sector that has shown less deal activity in the last couple of years.

Overall, I think there are good dynamics for the years to come in terms of deal-making in Europe.

JP, I'll give the word back to you.

Juan Pablo Bayter

Thanks, Frank.

I'm sure there are a number of corporate and private equity companies getting ready for when they get the post on Truth Social.

Maybe it's a good time for companies that want to sell to start preparing for the rush that may happen once we get this post.

So I'm going to ask my colleague Joanna to give us an update on the US.

Joanna Stone

Thank you, JP.

In North America, M&A is rebounding after a slower 2023–2024 period, similar to what we've heard across the board.

When you include the estimate of deal counts, including deals that either were not reported or were reported recently, you actually see this continued increase, both from a deal count and deal volume standpoint, all the way through the first quarter of 2026, although buyers are remaining more selective and disciplined about pricing.

Artificial intelligence is now one of the biggest drivers of M&A activity. This is something we are particularly seeing strongly affecting the technology sector, of course, but it really is universal across all sectors. AI is increasingly driving demand to essentially acquire innovation.

It is also interesting to note that the increase in M&A activity across the board is being driven by both private equity and strategics. There was this pause in private equity investment a couple of years back, which led to pent-up demand to put capital to work. So we're really seeing stronger confidence coming from both corporate buyers and private equity firms.

If we turn to the next slide.

While my focus is really on North America, I thought this graph was particularly interesting in terms of cross-border deal flow, because it not only suggests, of course, the importance of the US and the broader Americas region as an attractive destination for M&A, but it also speaks to the interdependency across global regions.

As you can see from the plus signs in parentheses, overall deal activity for cross-border deals continues to grow significantly. Especially in the last year, cross-border deals accounted for 19% of total deal value globally in 2025, up from 15% a year earlier.

If we turn to the next slide.

This is really the key trends that I want to talk about and summarize a bit, and also shed a little more light on.

We've talked about artificial intelligence, of course, being one of the biggest drivers of M&A. I think it's worth noting that there are companies acquiring AI capabilities, data assets and talent to stay competitive. This is across sectors. It is not just in technology. It is in healthcare, it is in manufacturing, as companies need to figure out how AI plays into their company and their corporate strategy, regardless of industry.

M&A activity, as the first bullet notes, is going to continue to grow, it seems, despite whatever geopolitical global volatility throws at us.

I think what's also interesting is that we're seeing an increase in carve-outs and corporate divestitures. We personally were just involved in one with S&P, so we're certainly seeing it on a micro level, but also on a macro level, we're seeing large companies selling non-core business units and really focusing on their strongest operations to unlock shareholder value.

I think this is just another way that large companies can use M&A to promote their strategies in a more effective way.

Private equity also, as we've said, remains a very major force in the market. They still have a lot of undeployed capital, and they need to put this so-called dry powder to work.

They are aggressively pursuing acquisitions and take-private transactions. We can see this in the charts, the numbers and the graphs that I showed in an earlier slide, but here at Oaklins, we also measure this by the PE interest that we get, the number of incoming calls we receive, the amount of PE interest and the actual offers we're receiving.

In all of these, we're seeing a continued increase, which speaks to the increasing importance of private equity and the confidence of private equity in the market right now.

I thought I'd also touch on a few industry specifics and the trends that are fueling growth.

Healthcare and biotech M&A activity has accelerated sharply. Big pharma companies are buying biotech firms to replace revenues from drugs facing patent expirations, and also to access innovative therapies and AI-driven drug development platforms.

In the energy sector, you're seeing consolidation also increasing. Companies are merging to gain scale, reduce costs and strengthen their positions across major US basins.

In manufacturing, companies are pursuing acquisitions tied to automation, robotics and supply chain resilience. Buyers are prioritizing deals that strengthen domestic production capabilities and improve operational efficiency in many cases.

Then in technology, which is obviously where we're seeing the biggest impact from AI, M&A is centered on this need to understand how these companies are going to survive in an AI-driven world.

We're also seeing a lot of activity around cybersecurity, cloud computing and data platforms, which are, of course, also going to drive the data that drives AI.

Large companies are buying specialized AI firms, and also talent. There is a lot of talent acquisition going on, because that talent is going to help them accelerate innovation and remain competitive in the so-called AI arms race.

As long as we're talking about arms races, we are not surprisingly, given everything happening in the world, seeing a big uptick in defense and aerospace due to geopolitical tensions and rising national security spending.

This is driving consolidation and investment in defense technology, space systems and cybersecurity, which we already touched on. We're really seeing M&A being used to modernize and respond rapidly to what are being seen as increasing security threats.

Finally, as I mentioned earlier, cross-border M&A is also growing, as international buyers continue to look across borders. They're looking for growth opportunities in the US, while US companies are also expanding abroad to gain access to new customers, technology and supply chains.

Just to quickly sum it up, I think one of the really big key themes across markets is this idea of strategic transformation. Companies are using M&A not just for growth, but to reshape their businesses around digital transformation, AI adoption and long-term resilience.

With that, I will hand it back to you, JP.

Juan Pablo Bayter

Thanks, Joanna. Certainly, the US has a very positive outlook compared to the rest of the world, so we hope that continues in the short and medium term.

Now we're going to ask my colleague Bas to give us an update on debt advisory in this context.

Bas Stoetzer

Yes, thanks, JP.

On a quarterly basis, we reach out to a group of lenders consisting of banks and private credit firms here in the Netherlands.

You see a snapshot of that, and we ask lenders, among other things, about their expectations for the next six months regarding movements in leverage levels, pricing, governance and specific credit committee items.

I will use part of the outcome of the Q1 questionnaire during the rest of my presentation to support the trends we see.

Maybe we can go to the next slide.

Trends in the cost and availability of debt financing in the European M&A market are currently being shaped by a combination of strong liquidity, increased lender competition and growing macroeconomic uncertainty.

Despite ongoing geopolitical uncertainty, inflation concerns and broader economic volatility, the debt financing market for M&A in Europe remains constructive and very much open for business.

Liquidity continues to be strong, particularly from private credit firms. Banks have also become increasingly competitive again after a more cautious period.

As a result, financing remains broadly available for high-quality assets, resilient business models and strong sponsors.

At the same time, lenders remain highly selective.

Businesses with recurring revenues, resilient cash flows, defensive sector exposure and experienced management teams continue to attract strong interest from both banks and private credit providers.

In contrast, more cyclical, operationally volatile, AI-disrupted or energy-sensitive businesses continue to face higher risk premiums, tighter structuring requirements and greater lender scrutiny.

From a pricing perspective, margins have tightened over the past 12 months due to strong competition between lenders and a significant amount of dry powder still available in the market.

This trend now appears to be coming to an end. However, we see that high-quality borrowers are still benefiting from attractive terms, stronger leverage appetite and more flexible financing structures.

Another important trend is the increasing overlap between traditional syndicated lending and private credit.

Sponsors now have multiple financing options available, and are selecting capital providers not only on pricing, but also on execution certainty, flexibility, speed and ability to support future acquisitions.

Let me go to the last slide, please.

We're also seeing more tailored and hybrid financing solutions offered by lenders, combining different pockets of capital to support specific strategic objectives.

Then the selection itself has become far more granular. Today, significantly more focus is placed on which specific lenders are investing, how much dry powder is available, how close the vintage is to the end of its investment period, and whether there are constraints around follow-on support capacity.

Looking ahead, the outlook is increasingly shaped by uncertainty around interest rates.

While market expectations at the end of 2025 pointed toward further rate cuts, sentiment has shifted more recently toward the possibility of renewed rate increases, driven by persistent inflationary pressure.

A higher rate environment would increase the cost of debt and could put pressure on overall M&A activity levels.

In response to this uncertainty, internal credit scrutiny has intensified further. Credit committees are placing greater emphasis on downside resilience, with increased focus on sectors exposed to structural disruption, including certain parts of the software market.

Lenders these days are prioritizing businesses with defensible market positions, supported by factors such as operational complexity, deep customer integration and mission-critical product offerings.

These items translate into recurring revenues, strong customer retention and greater visibility on future cash flows.

This heightened scrutiny is also impacting execution dynamics. Financing processes are taking much longer and require more extensive preparation and engagement to maintain transaction momentum.

At the same time, the bifurcation between high-quality and more challenging credits continues to widen, and is not expected to change in the near term, either from a pricing perspective or in terms of financing availability.

Overall, I would say the market remains constructive in Europe, while lenders continue to maintain discipline around risk.

There is clearly strong appetite to deploy capital for high-quality transactions, and competition among financing providers remains healthy across the European M&A market.

Thanks so far, and I'll give the floor back to JP.

Audience Q&A

Juan Pablo Bayter

Thanks, Bas.

We're now moving to our Q&A. We have a little bit of time, so we're going to try to answer as many questions as we can.

Please use the Q&A button at the bottom of the screen so you can ask our panelists your questions.

We can also answer some questions after the session by email, or if you get in contact with us. We'll be more than happy to answer your questions.

Let's move to the first one. This one is clearly for Roger.

The political situation in the UK seems fragile, to say the least. What is causing that, and is there any road across to Europe?

Roger Lee

Thank you. I could easily take up the rest of this webinar and the next one on this subject, but I won't.

Yes, the UK situation does seem extremely fragile. We're in the midst of another political crisis, where it looks as if our prime minister will have to step down after only being elected in July 2024. This is quite unprecedented for the UK.

Let me just check. Yes, if the current prime minister, Prime Minister Starmer, goes, we will have had eight prime ministers in the last 20 years. We had seven in the previous 40. So the political turbulence in the UK continues.

What has triggered this latest one is some municipal elections, where the current Labour Party, which is in power, suffered the worst electoral losses in its history. It is really very difficult to describe quite how bad these were.

That has put pressure on the leadership, and hence why we're in this latest crisis.

The reasons for this, I think, do apply across Europe, because if you look at the polling of what people are concerned about in the UK, two issues absolutely dominate any polling, and have done now for the last 10 years or so in the UK. It's the same in Europe: the cost of living, the economy, and immigration.

Seemingly in the UK, it doesn't matter which party is in power. They have been unable to deliver growth for the UK. That in itself is quite a broad subject, but they have been unable to deliver growth, and they have been unable to control immigration.

It's those themes. Both of the major parties have failed to deliver on those two issues, so the electorate keeps looking for other answers. Those other answers now, after this latest electoral defeat, seem to be with the extremes in the UK: Reform or the Greens.

I think it's that theme that we're very much seeing across Northern Europe. The centrist parties are unable to deliver economic growth, and they are unable to control immigration, so electorates are looking for more extreme answers.

So yes, I think it's a very consistent theme. Until our politicians actually deliver a better standard of living for our citizens, I suspect it is probably going to continue.

Juan Pablo Bayter

Thanks, Roger. I now have another question for you.

Why are developed market sovereign bond yields rising, and how concerned should we be?

Roger Lee

Well, it's a very consistent reason. Actually, it is two reasons.

One is clearly the inflation impact of the elevated oil price, and we're seeing that. It doesn't matter where you are in sovereign bonds, and in fact, to an extent, even in emerging market bonds as well. Certainly, any of the major developed market sovereign bonds have all been hitting record highs recently, whether it's Japan 30-year bonds or US Treasury yields.

But you're also overlaying an inflation issue on the back of the fact that the developed world is very indebted. There are very high, almost unprecedented levels of net debt to GDP, unprecedented levels of government debt, and deficits are, in many cases, extended.

So you're overlaying an inflation spike onto a bond market that is already extremely indebted, and that is now sending yields higher, in many cases to record levels.

Should we be concerned? Yes, because this is now starting to feed into equities.

It all comes back to that post on Truth Social that we're waiting for. If that comes, then this problem will probably go away as inflation expectations fall.

I would add one more point to this: the US Treasury market is obviously part of this global bond sell-off, very much part of this global bond sell-off. US Treasuries are now at around 20-year yield highs.

It will be interesting to see how high the US is able to allow its yields to go before it starts causing broader funding issues and broader issues for the US.

Interestingly, I wonder if bond yields will be another factor in determining how quickly some sort of peace settlement is achieved.

Juan Pablo Bayter

Thanks, Roger.

Now, I have a question for Joanna and Frank.

You touched a little bit on what the performance of the M&A market has been, but this is more for this year, I guess, for the last few months.

Probably, you can also give us your view on the coming months, and how it is going to perform in the face of these geopolitical headwinds. What do you think is going to happen with the M&A market in the next few months? Let's start with Joanna.

Joanna Stone

Okay, great. I think it's important to drill down a little on the drivers we're seeing that are actually promoting more deal activity, despite the political uncertainty and geopolitical movement.

The first one, of course, is what we talked about: the AI arms race, as I said, but really this race to get AI into every company.

I think large corporations, whether through acquiring, where they just need talent and are willing to pay a lot of money for it, or whether by trying to get the data they need, the special semiconductors they need, or whatever else they need to avoid falling behind, are under real, intense pressure right now.

I don't see that going away anytime soon. It has been driving activity in 2026, and I think we can see that continuing for a while.

I also think that, because of geopolitical pressures and instability, there has been pressure to localize supply chains. That is creating some acquisition activity within the US of industrial and manufacturing assets, to allow for less dependency and to avoid interruptions to operations.

We're also seeing, as we talked about, that we just happen to be coming out of a period when there was a lot of pause and private equity firms were not putting capital to work. Now they have so much dry powder that they need to put to work.

A lot of the investments they are holding, because of downward pressure on multiples, are well beyond their typical timelines. That is creating intense pressure both to put capital to work and also to sell assets that may now be in a good position, especially if they are in an area where they can benefit from interest in AI or any of the other trends.

So you're seeing a lot of activity on both sides of the private equity world.

I also think that, in the mid-market world where we live, there is a push for scale and operational efficiency. When you are at an inflection point as a company and you see uncertainty, it becomes an attractive time to maybe sell to a larger company, where you know you can have stability to weather whatever uncertainty there is.

I think that is also driving some of the M&A. So I expect all of that to continue at least well into 2026, and potentially beyond.

Juan Pablo Bayter

Thanks, Joanna. Frank?

Frank de Hek

Yes, and then to touch upon the European situation. I think American people always think big and in terms of opportunity. In Europe, we are a bit more conservative.

I also think we see that on the AI side, where the number of deals we see here in AI is not as big as in the US. Obviously, it is going to impact all businesses heavily.

But from an M&A perspective, I think we have more downward pressure because of the uncertainty around AI, and upward pressure on the number of AI deals.

Having said that, I'm fully in line with Joanna about the number of deals we should be seeing from private equity firms. I think we already expected that to kick in last year. Because of all the uncertainty around the trade tariffs that America imposed, it didn't take place.

But those deals will come to market when markets stabilize. I think we'll see that in our own portfolio. We already have some companies in our portfolio of private equity firms that simply need to sell because the fund is closing.

I think we'll see that increasingly. At the same time, these private equity firms have a lot of dry powder, and when the uncertainty is gone, they will be even more eager to deploy that.

So I'm optimistic about this year, as well as next year.

Juan Pablo Bayter

Thanks, Frank.

Certainly, in Latin America, we have a similar picture. Whereas in 2025, tech and AI-related deals were the top-performing sectors, this quarter they are now way below that, and we are seeing increased activity in all the traditional sectors, more like natural resources and financials, etc.

So it's a picture that is similar to Europe.

Now, we have a question for Bas, and I guess it relates to the same issue.

Can you tell us the trends in the cost and availability of debt finance in M&A currently? And also, I guess, what is your expectation for the coming months?

Bas Stoetzer

Thanks, JP.

I think what we see, and what I said already in my presentation, is that for good and high-quality assets, there is still a lot of interest. So we see pricing still at the lower end, if you compare that to a couple of months ago.

The big difference is that, if we go to market with credits, we probably have to invite twice as many potential lenders as we did, for example, a year ago, to make sure that we get to the finish and have at least something to choose from at the end, with term sheets.

That's a big thing. It's quite black and white in the lending landscape at the moment.

Especially if you look at portfolios of direct lenders, they are already quite overexposed to TMT-related financings. So if you come to the market with a TMT deal, it is far more difficult these days than if you go to the market with a more classic company, such as a manufacturing business.

So we go broad to make sure that we get to the finish.

There is still enough appetite, and there is still enough dry powder, so funds have to be deployed. Those are good items.

So far, it is still a very active market. I think if you compare direct lending with banks, you see direct lending now overtaking banking. I think it is the other way around in the US, where direct lenders already dominate the market.

Here in Europe, in a more classic way, the banks were running the show, but that is changing as well.

Juan Pablo Bayter

Thanks, Bas.

Now I have another question for Roger. Where do you think interest rates will be when the conflict ends?

Roger Lee

Well, I guess that does depend on when the conflict ends.

I think this is where the market may be wrong. We talked about Europe definitely looking for rate rises, and that's the same in the UK. Obviously, the US is a bit more mixed, probably a flatter rate environment rather than cuts.

I think what we're hearing more and more from central banks is that they are definitely waiting to see what happens. They are reluctant to pull the trigger too quickly on rate rises. I think that's certainly a message we are starting to hear from central banks.

So the first point I would make is that the market is probably being overly aggressive in terms of the appetite for central banks to raise rates.

Although that does depend on the duration. If the oil price stays above US\$ 100 for an extended period of time, and here we are talking about a year, then that would obviously force central banks to raise rates.

If the conflict is resolved, I think the interest rate environment will change very quickly, as I said during my presentation. I think the interest rate environment will change very quickly, not least because the oil price will change very quickly. That will relieve a lot of pressure from central banks to raise rates. Then the question becomes, how much will they have to cut rates?

Clearly, there is an economic cost from elevated oil prices, both in the labor market, as we've seen in the UK and in Europe, and for corporates. That damage to corporate confidence may perhaps require a looser monetary environment.

So I think the interest rate market at the moment is overly cautious. I suspect that when the conflict ends, it will again be overly cautious about how much rates may have to fall.

Generally speaking, we would disagree with the interest rate market at the moment.

Juan Pablo Bayter

Thanks, Roger.

We have now just one minute for a quick comment from you, Joanna.

There's a question here: I may have missed it, but do we have multiples by industry for North America? The trends chart for Europe was very useful. I guess you will have to produce the same chart, and if you can **please post it**.

Joanna Stone

Yes, I would be happy to follow up with that, absolutely. Given that we're out of time, it sounds like, I'm happy to follow up with that.

Closing

Juan Pablo Bayter

Thanks, Joanna.

So, we have now come to the end of our panel. We hope it has been useful to understand the complex economic situation of the world.

Do stay tuned for our next sector webinar. We produce them regularly, so please check our webpages and social networks.

Remember that this webinar was recorded, so you will receive the recording afterwards.

Thanks very much. Thank you to all our panelists, and we hope you enjoyed it.