



Deal Market Perspective

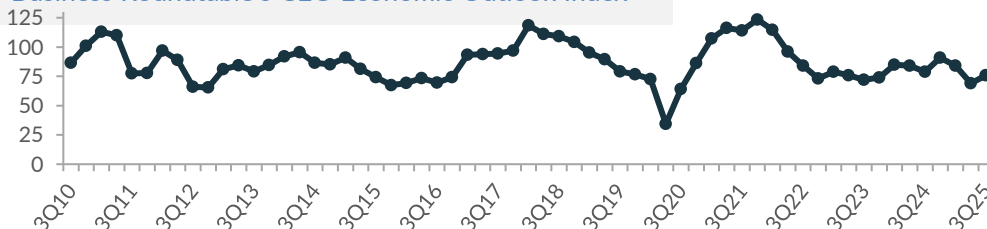
3rd Quarter 2025

Economic Overview

The government shutdown created weeks of disruption and delayed the release of key economic data. Continued growth and persistent inflation are keeping economic momentum alive, while slowing job gains point to emerging weakness, leaving the Fed in a difficult position. Meanwhile, the Trump administration is redirecting more of its attention to the economy, urging the Fed to cut interest rates, proposing tariff dividend checks, reducing tariffs on select food products, and advancing initiatives in housing and energy development. That may allow robust economic expansion to endure — and hopefully propel deal activity, as we New Yorkers won't be busy otherwise tracking the playoff prospects of the Giants and Jets.

- ❖ The U.S. GDP increased at a 3.9% seasonally-adjusted annual rate in Q3 2025, a 0.9% acceleration from Q2 2025¹
- ❖ The U.S. unemployment rate was 4.4% at the end of September, a marginal increase of 0.2% from the end of Q2 2025²
 - Job postings reached their lowest level in October since 2021, sitting at just 1.7% above pre-pandemic levels; the decline was widespread, with all but four sectors experiencing year-over-year drops³
- ❖ Non-farm employers added 119,000 jobs in September, in line with the trailing twelve-month average⁴
- ❖ The International Monetary Fund increased its outlook for global economic growth slightly to 3.2% for 2025 and 3.1% for 2026 from the organization's projections last quarter of 3.0% and 3.1%, respectively⁵
- ❖ The Fed made two 25-basis-point rate cuts this past quarter and announced it would continue to closely monitor inflation and labor force trends as it contemplates another interest rate cut⁶
- ❖ The U.S. consumer confidence index held steady in Q3 2025, finishing the quarter at 95.6, up 0.4 from Q2 2025⁷
- ❖ A composite index of CEO expectations for capital spending, hiring, and sales over the next six months increased seven points from the last quarter to 76, due to a more positive outlook on capital investment and sales, while still being lower than the historic average of 83⁸

Business Roundtable's CEO Economic Outlook Index⁸



- ❖ The U.S. annualized core CPI — which excludes food and energy — was 3.0% for September, a drop from the 3.1% seen at the end of Q2 2025⁴
 - The higher cost for housing was the primary driver of inflation, with automobiles and medical care also boosting the CPI
- ❖ The median age of first-time home buyers hit an all-time high of 40 in 2025, up from 33 in 2020, largely due to buyers' inability to save for a down payment coupled with a lack of affordable housing options⁹
- ❖ The effects of tariffs continue to impact the economy
 - American consumers are expected to absorb 55% of the costs from tariffs, with American businesses and foreign exporters bearing 22% and 18% of the costs, respectively, and 5% being evaded¹⁰
 - Corporate profit margins are much higher today than before the pandemic, making it easier for companies to absorb tariffs without raising prices¹¹
 - 68% of Americans believe they themselves are paying for tariffs¹²
 - U.S. tariffs on Chinese goods increased by 20.2 percentage points this year through October, while tariffs imposed by other countries rose by 17.3 percentage points¹³
- ❖ Wealthier Americans, buoyed by a stock market that keeps setting records, have continued to spend freely, whereas lower-income households — dealing with persistent inflation and a challenging labor market — are pulling back¹⁴
 - The top 10% of U.S. households now account for nearly half of all spending, the highest share since the late 1980s; consumer sentiment has climbed among high earners but steadily fallen for other groups
- ❖ 38% of U.S. consumers have used AI for online shopping — ranging from product recommendations to seeking out deals¹⁵
 - Easy comparisons and direct checkout could hurt retailers' and brands' customer loyalty, reduce add-on sales, and reduce retailers' ad business; more than 60% of the \$59B spent on ads is tied to search placements — if product discovery moves to AI assistants, ad budgets could follow¹⁶

Core Traits Sought by AI-Based Shoppers¹⁷

Price and promotions	- Low-price leader - Transparent promotions
Assortment	Broad, differentiated assortment with clearly-articulated product benefits
Shopping experience	- Trust and transparent data use - Loyalty integration
E-commerce infrastructure	Rich product catalogs, pricing, logistics, and return policies
Supply chain	- Real-time inventory visibility - Trusted on-time delivery metrics with short delivery windows

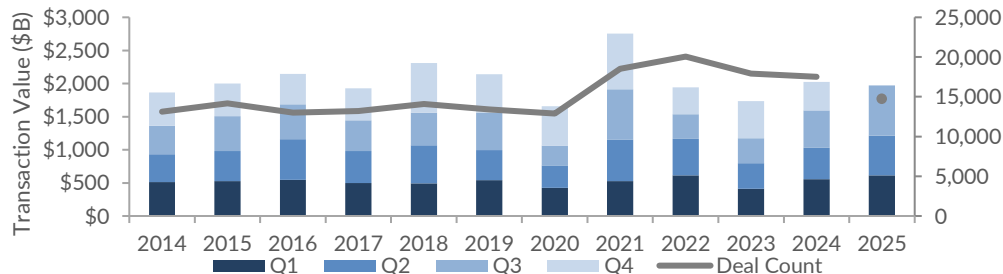
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| 1. Federal Reserve Bank of Atlanta | 5. The International Monetary Fund | 9. National Association of Realtors | 13. Yale Budget Lab | 17. Kearney |
| 2. Bureau of Labor Statistics | 6. Federal Reserve Board | 10. Goldman Sachs | 14. Moody's Analytics | |
| 3. Indeed | 7. Business Roundtable | 11. Bank of America | 15. Adobe | |
| 4. U.S. Department of Labor | 8. The Conference Board | 12. L.E.K Consulting | 16. Emarketer | |

Mergers and Acquisitions (M&A)

M&A activity remains below historical norms, but it has strengthened meaningfully—driven in large part by pent-up demand on both the buy and sell sides. Nevertheless, caution persists amid ongoing economic and geopolitical uncertainty, even as the prospect of lower interest rates provides an important counterweight. Meanwhile, the rapid rise of AI in purchasing decisions — along with the resulting disintermediation across many parts of the value chain — is poised to enhance the appeal of certain acquisition targets while diminishing others. (For more on this important topic, please see our guest article from Kearney beginning on page 6.)

- ❖ Global M&A deal value was \$988B and volume was 12,605 in Q3 2025, representing a 25.6% expansion in value and a 3.8% rise in transaction count as compared to Q2 2025¹
 - Global M&A this past quarter was buoyed by rate cuts both in the U.S. and Europe, fueling several megadeals with transaction values over \$1B
- ❖ North American (N.A.) M&A deal value and volume both grew in Q3 2025, with \$762.2B in value and 5,066 in volume, accounting for quarter-over-quarter bumps of 23.0% and 5.0%, respectively¹
 - Q3 represented the single best quarter for deal value and the second-highest deal count in history
- ❖ Transaction multiples for both N.A. and Europe across all deal sizes moved slightly upwards; the increase suggested the post-pandemic valuation recovery may be complete and multiples have stabilized^{1,3}
 - The median TTM enterprise value (EV)/EBITDA multiple in Q3 2025 was 9.7x, a 0.4x growth from values seen in Q3 2024
 - The median EV/revenue multiple for Q3 2025 was 1.6x, which is 0.1x higher than Q2 2025

N.A. M&A Activity¹

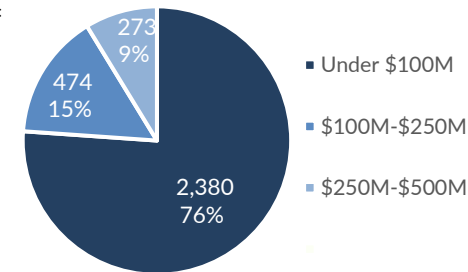


1. PitchBook
2. FactSet

3. These multiples reflect prices paid for mainly large public companies and do not account for smaller private company transactions that tend to change hands at much lower multiples

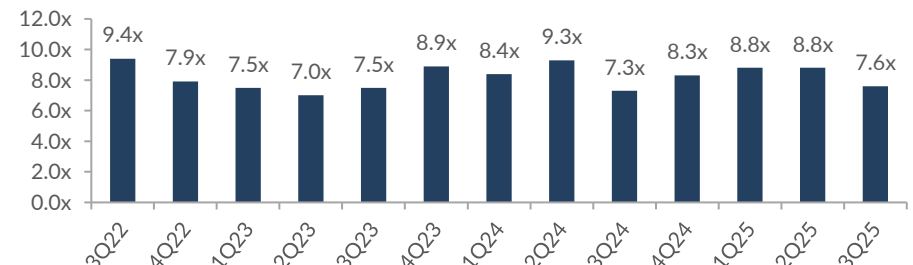
- ❖ U.S. dealmaking in Q3 2025 saw a 19.1% uptick in the number of deals as compared to the prior quarter, most of which were smaller transactions; 76% of the sub-\$500M transactions were under \$100M²

Q3 2025 U.S. M&A <\$500M²



- Average volume skewed towards smaller deals this past quarter
- ❖ The median U.S. middle-market M&A EV/EBITDA multiple in Q3 2025 for deals between \$1M and \$500M was 7.6x, a drop from last quarter's 8.8x, likely reflecting financing and business challenges facing smaller targets^{2,3}
- ❖ U.S. leveraged loan activity in Q3 2025 sharply rebounded from H1 2025, as macroeconomic uncertainty stemming from tariffs and policy uncertainty have subsided, coupled with the positive impact of rate cuts¹
 - Q3 2025 loan issuance in the U.S. increased to \$385.0B from \$115.5B in Q2 2025, representing a massive 233.3% growth in the market
- ❖ Cross-border M&A deal value in N.A. in Q3 2025 (N.A. M&A transactions with non-N.A. acquirers) was \$195.4B across 378 deals¹
 - There was a 207.7% boost in transacted deal value and a 27.3% gain in the number of deals as compared to Q2 2025
 - Year-to-date, there has been a net \$22.6B inflow of investment in N.A., representing a break from a long period of net outflows from N.A.
 - This trend is in part due to the euro's appreciation against the U.S. dollar, coupled with the European Central Bank having a comparatively looser monetary policy

U.S. Middle-Market Median EV/EBITDA M&A Multiples^{2,3}

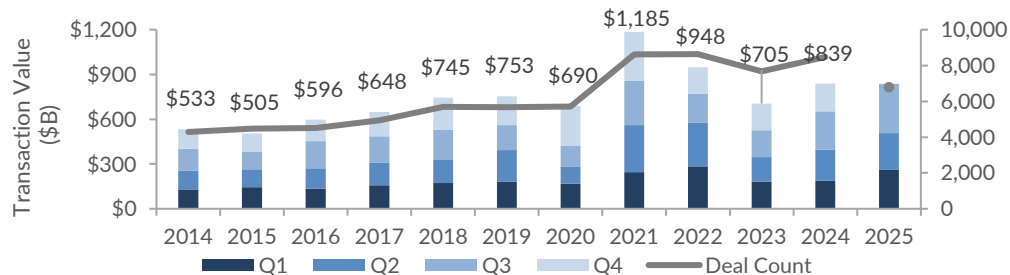


Private Equity (PE)

PE deal volume continues to rebound, though it has yet to regain full momentum. With interest rates still elevated and tariff-related uncertainty lingering — though showing signs of stabilizing — buyers are being both active and selective in pursuing new platform acquisitions, favoring the relative safety of add-on deals instead. When they do commit to new platforms, buyers are increasingly seeking larger equity rollovers and contingent payments (earnouts) to better align incentives and share both risk and reward.

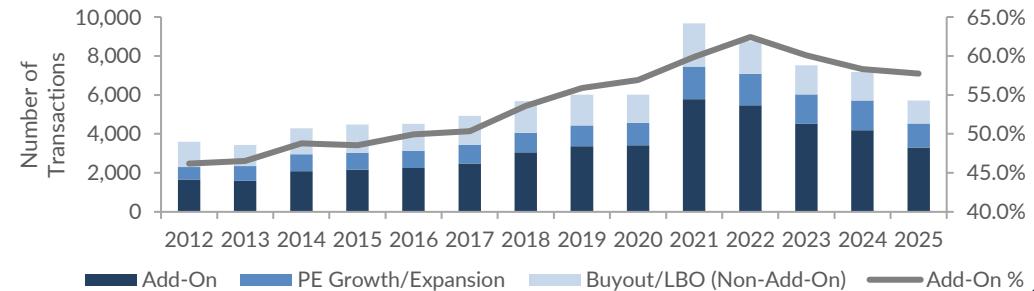
- ❖ U.S. PE investment activity continued its return to a normalized pace in Q3 2025, with 2,347 closed deals, representing a 3.7% gain in volume from Q2 2025¹
 - Aggregate deal value rose 28% from Q2 to Q3, representing \$331.1B in transactions
 - The pause in transactions experienced in Q2 has ended, largely in response to the Fed issuing long awaited rate cuts and more certainty around tariffs
- ❖ Private equity has outperformed the S&P 500 and the Russell 2000 Growth Index in each of the past 10 years by an average of 5.6 and 9.3 percentage points, respectively²
- ❖ Add-on investments continue to drive the U.S. PE market, accounting for 74.1% of all deals in Q3 2025¹
- ❖ For U.S. PE-led transactions between \$10M and \$250M, the average EV/EBITDA multiple fell to 6.8x from 7.6x in the previous quarter, according to the most recently available data, again reflecting the greater financing and business risks encountered by smaller businesses³
- ❖ U.S. PE firms had 12,899 companies in inventory at the end of Q3 2025 — a new record, exceeding last quarter's value¹

U.S. Private Equity Deal Flow¹



- ❖ U.S. PE exit activity in Q3 2025 saw 464 exits accounting for \$125.5B in value, representing a rise of 22.4% in volume and 29.6% dip in value as compared to Q2 2025¹
 - Exit value is expected to outpace that of 2024 when annualizing year-to-date activity, largely on the back of exits in excess of \$1B in value, which have made up 77% of the value of exits so far this year
 - The median holding period for currently held U.S. PE-backed companies remained flat at 3.8 years — still the longest since 2011 — while the median holding period at exit fell to 6 years this past quarter, a narrower gap signaling the first optimistic exit environment since 2023
- ❖ U.S. PE fundraising continued its sluggish pace in Q3 2025, with \$65.4B raised across 98 funds, a 29.1% decrease in capital raised and a 46.3% uptick in funds closed as compared to Q2 2025¹
 - 2025's exit market has been relatively tepid, which has resulted in disappointing aggregate values for funds raised; sustained slow exit velocity likely would result in a continued lackluster fundraising environment for the remainder of the year, going into 2026¹
 - LP's continue to apply pressure on GP's to exit investments and return capital, with all parties hopeful that additional exits will reinvigorate the PE fundraising flywheel⁴
 - Secondaries have become very popular as a vehicle for investor liquidity, with 2025 on pace to eclipse \$200B of these transactions¹
- ❖ Creative structures, such as earnouts and tariff-related material adverse change clauses, are helping PE firms mitigate tariff-based concerns by bridging valuation gaps and reducing risk⁴
 - 65% of PE firms believe that valuation gaps have at least moderately narrowed over the past year, enabling buyers and sellers to find common ground
- ❖ U.S. PE dry powder was just under \$1T at the end of Q3 2025, similar to the level at the end of the previous quarter¹
 - Sluggish fundraising coupled with a higher volume of transactions have resulted in the lowest ratio of dry powder to assets under management ever recorded at 27.8%

U.S. Private Equity Deal Activity by Type¹



1. PitchBook
2. Bank of America
3. GF Data
4. EY

Equity and Debt Capital Markets

The longstanding bull market has continued its run, driven largely by advances in AI. Recently, however, concerns about the rising costs of data centers and other AI-related expenditures have put some pressure on equities. The IPO market has begun to thaw, though it still favors a narrow set of higher-profile companies, and private-company holding periods remain well above historical norms. Venture capital (VC) investing and fundraising are showing increasing signs of recovery. Meanwhile, lower interest rates have supported certain areas of debt activity, even as they underscore the broader economic uncertainty.

Equity Markets

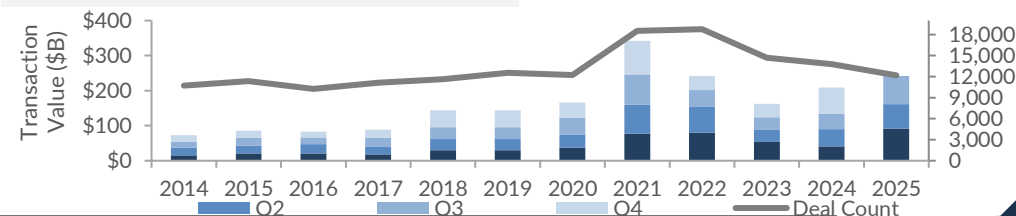
- ❖ Q3 2025 saw 65 U.S.-based IPOs raise \$15.7B, representing volume and dollar expansions of 63% and 84%, respectively, relative to Q3 2024¹
 - AI and crypto deals, like those of CoreWeave and Circle Internet Group, continue to lead both in the value and volume of IPOs
 - Driving the positive momentum were 23 IPOs in excess of \$100M, five of which exceeded \$1B
 - Q4 and 2026 are expected to enjoy more vigorous IPO markets, with 50 lined up next quarter and 250 predicted for next year²
- ❖ The S&P 500 started Q3 2025 the way it ended the quarter – at all-time highs; the S&P 500 gained 7.9% during the quarter³
- ❖ Earnings for S&P 500 companies that announced earnings through November 14th rose, with an estimated blended growth rate of 13.1%⁴
- ❖ U.S. VC deal value saw a 4.9% uptick to \$80.9B in Q3 2025, and the deal count ticked up 5.2% to 4,208 transactions, both relative to Q2 2025⁵
 - The share of sub-\$5M rounds fell to 50.3% of all VC deals in 2025, down from 57.0% in 2024 – a decade low
 - The AI and machine learning sector continues to attract significant levels of VC investing, accounting for 64.3% of deal value despite only representing 37.5% of deal volume in Q3 2025
 - The median pre-money valuation is now as high as it was in 2021
- ❖ U.S. VCs raised \$19.1B across 138 funds in Q3 2025, an improvement of 15.1% and a reduction of 8.6%, respectively, relative to Q2 2025⁵
 - VC funding is becoming increasingly concentrated, with the top 10 funds by size having raised 42.9% of capital this year
 - The median time to raise a fund has stretched from 9.7 months in 2022 to 15.6 months as of Q3 2025
 - Of the 2,220 VCs that launched funds in 2021 and 2022, only 653 have raised a follow-on vehicle and around 70% have yet to raise another fund

- ❖ Reversing a recent trend, down rounds are at their lowest levels since 2022, and flat rounds are back to pre-2021 levels, both signs of a potentially more robust funding environment⁵
- ❖ The number of startup exits – by sale or public offering – shrunk to 362, while the value grew to \$74.5B in Q3 2025, a decrease of 9.3% and increase of 4.9%, respectively, on a quarter-over-quarter basis⁵
 - Optimism is growing that startups are finding paths to liquidity; the year-to-date deal values have already surpassed the full-year deal values of each of the past three years
 - The sectors seeing high-profile exits are those closely aligned with President Trump's priorities, including AI, security and defense, fintech, and crypto

Debt Markets

- ❖ At the end of Q3 2025, the yields on the 10-year investment-grade bond index and 10-year high-yield bond index slid to 4.8% and 7.0%, respectively, highlighting concerns with inflation and economic growth^{3, 6}
 - In September, \$210B of investment-grade bonds were sold in the U.S, making it the busiest September on record⁷
- ❖ New issue loan volume fell to \$62.3B in Q3 2025, representing the lowest quarterly total since Q4 2023⁵
- ❖ For PE-led transactions between \$10M and \$500M, the average total debt/EBITDA multiple was 4.2x, a 0.2x uptick over the previous quarter⁸
- ❖ The leveraged loan default rate for Q3 2025 was 1.5%, which remained low by historical standards⁵
- ❖ Borrowers repriced \$226.0B of loans in Q3 2025 (60% of leveraged loan activity) in reaction to the Fed rate cuts during the quarter⁵
- ❖ Tech companies, governments, and their global partners will borrow trillions of dollars to fund nearly \$3B of data centers by 2028⁹

U.S. Venture Capital Deal Flow⁴



1. EY	5. PitchBook	9. Morgan Stanley
2. Renaissance Capital	6. U.S. Bank	
3. S&P Global	7. Dealogic	
4. FactSet	8. GF Data	

Guest Article by Kearney

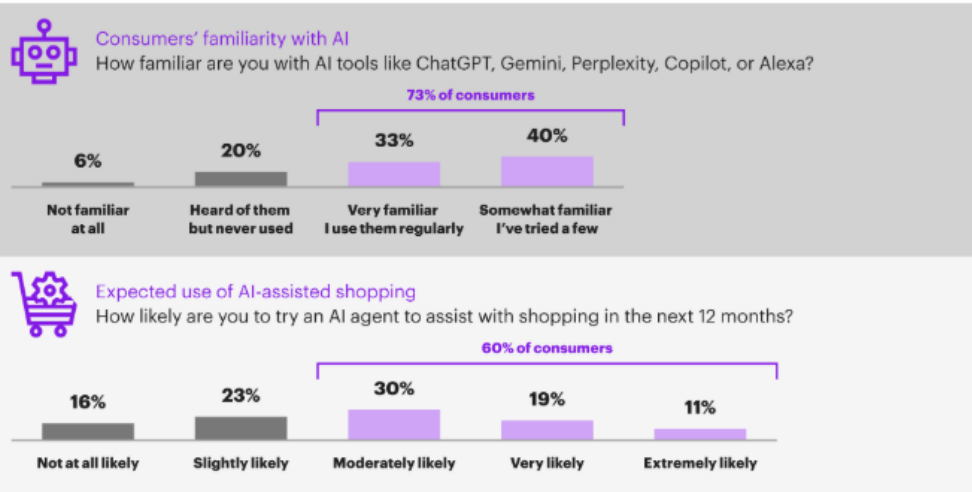
How to Adapt as Agentic Commerce Reshapes Retail and Brand Marketing

AI shopping agents are already deciding what consumers and companies buy. For retailers and branded product and service sellers, winning in this market means making your business easy for those agents to choose—every time.

Introduction

Shopping without shopping has arrived. Consumers are delegating routine buying to AI agents that anticipate needs, compare options across platforms, and complete purchases. In our latest research, 60 percent of consumers say they expect to use AI agents for shopping within the next 12 months (see figure 1). This isn't an edge case. It's a mainstream shift that will reset retail and brand economics faster than e-commerce did.

Figure 1
Most consumers say they plan to use AI agents for shopping in the next 12 months



Source: Kearney's US Consumer Study, July 2025 (n = 750)

Your New Competitor Sits Between You and Your Customer

Consumers tell us they value best price, speed, and trust. And that favors cross-platform "super agents," not individual retailer or DTC apps. The competitive frame is no longer Walmart versus Target or one brand of housewares, pet food, or PPE versus another. It's OpenAI, Google, Klarna, Instacart, and others that can broker discovery, compare prices, and execute with confidence.

Adoption will not be uniform. Four personas are shaping the curve (see figure 2). About 15 percent are tech-forward early adopters who want to automate chores. Roughly 35 percent are price-sensitive pragmatists who respond to comparisons, discounts, and savings guarantees. Around 30 percent are privacy-conscious skeptics who need control and recourse. The remaining 20 percent are routine-loyal traditionalists who prefer the familiar and value human touch. So, what wins across segments? Design choices that prove savings, protect data, and allow for budget controls.

Figure 2
Consumers are embracing agentic AI to varying degrees

Persona	Tech-forward early adopters	Price-sensitive pragmatists	Privacy-conscious skeptics	Routine-loyal traditionalists
Who they are	Focused on automating routine tasks to free up time using leading-edge tech features Less concerned with data privacy and controls or savings	Most responsive to price comparisons, discounts, and savings guarantees Want to know exactly how much they save and retain ability to control spend	Will adopt AI but need to retain control of decision-making and data , want assurance that mistakes will be corrected Time and price savings alone will not persuade this group	Prefer familiar brands and products , even when others are more convenient or better priced Highly value data security, and most prefer human interaction
Size of market	~15% of market	~35% of market	~30% of market	~20% of market
Tech fluency	High	Medium	Medium	Low
Relative importance of ...				
Data privacy and control	Low	Medium	High	High
Convenience	High	Medium	Medium	High
Price	Medium	High	Medium	Medium

Source: Kearney's US Consumer Study, July 2025 (n = 750)

How to Adapt as Agentic Commerce Reshapes Retail and Brand Marketing

The Economics are Material

Agent-first shopping changes basket shape, pricing power, and media spend. Our modeling suggests that revenues could fall by 5 to 15 percent as agents compress prices and fragment baskets. Gross margins may drop 3 to 8 points after reflecting lower average selling prices and agent take rates that trend around 3 to 5 percent. Smaller baskets raise per-order fulfillment costs by 10 to 15 percent. Put together, as much as 200 to 500 basis points of EBIT are at risk.

There's also an advertising shift. Retail and DTC media and search budgets follow the point of discovery. As agents become the interface, ad dollars move upstream to the platforms that influence agent recommendations. Brands that look interchangeable in the agent's logic will be commoditized.

How to Become Agent-Preferred

Winning in this market isn't about building a vanity agent. It's about making your business easy for agents to choose—every time.

- ❖ **Make your data agent-ready.** Expose clean, structured product, price, inventory, and policy data through open APIs. Give agents real-time availability and delivery promises they can trust.
- ❖ **Double down on trust.** Provide clear privacy safeguards, transparent personalization, and consumer control over spending. Savings guarantees and proof of savings matter because shoppers still want to feel like savvy buyers, even if the agent does the work.
- ❖ **Reset your media strategy.** Plan for ad spend to migrate from search and retail media networks to agent platforms. Build a measurement that captures agent-influenced discovery, not just last-click sales.
- ❖ **Engineer for algorithmic preference.** Be the low-price, fast-fulfillment, high-certainty option. Think dynamic pricing that agents can read, a strong brand that helps differentiate, short delivery windows, on-time performance, and loyalty benefits that are legible to agents.

Five Questions for Your Next Leadership Meeting

- ❖ If half of your category's decisions were made through agents tomorrow, how often would you be chosen first?
- ❖ Which of your categories are most vulnerable to price compression and basket fragmentation, and how will you protect EBIT?
- ❖ What would it take to expose a complete, trustworthy, and secure data layer to agents within six months?
- ❖ Where can you reallocate media spend to influence agent recommendations rather than only human searches?
- ❖ Which exclusive products, service promises, or partnerships would make your offer non-substitutable in an agent's optimization?

The Takeaway

Agentic commerce is not a future scenario. It's already changing how consumers and businesses make decisions and how they perceive value. Retailers and brands that become agent-preferred will expand their market share as discovery shifts. Those that don't will see margins erode and media dollars slip away. The time to adapt is now.

About the Author:

Kearney is a global management consulting firm founded in 1926 and headquartered in Chicago. The firm operates in more than 40 countries and serves corporations, governments, and nonprofit organizations worldwide.

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Differentiation

Aramar is a boutique investment bank focused on providing merger, acquisition, and strategic private placement services; we are unique among our investment banking peers in that we:

- Focus on middle-market transactions; these transactions are a priority, not a default for when larger deals are dormant
- Have significant transactional expertise
- Provide senior-level attention
- Have a proprietary marketing process that follows a comprehensive approach tailored to each buyer or investor candidate, rather than a typical generic approach utilizing blast teaser e-mails and other automated contacts



Clientele

Aramar focuses on providing high-quality, high-touch services to middle-market clients

- Our M&A transactions range in size from approximately \$10 million to \$250 million and strategic private placements range in size from approximately \$10 million to \$100 million
- We provide the high quality of service and substantial transactional experience offered by a major national investment bank, but to a clientele that either is too small for, or cannot receive, the proper level of attention from a larger investment bank, or would receive lesser services and capabilities from a business broker, consultant, or smaller investment bank



Services

Aramar offers a highly focused set of corporate finance services to assist our clients in conceiving, defining, executing, and optimizing their objectives:

- Mergers and acquisitions
 - Negotiated sales of closely-held companies
 - Corporate and private equity firm divestitures
 - Leveraged and managed buyouts
 - Buy-side advisory
- Private placements and recapitalizations
- Fairness opinions, valuations, and financial advisory



Team

Aramar has assembled a unique team of professionals with a comprehensive and attractive mix of skills and backgrounds

- Significant investment banking experience, including stints at many other prominent financial services firms
- Entrepreneurial, managerial, and ownership experience that sets apart Aramar's "principal" perspective from that of most investment banks; our team members have founded, sold, and merged our own companies; acquired businesses; and acted as officers and directors of both public and private enterprises
 - As such, we can relate more closely to our clients and better advise them, at the same time as ensuring senior-level investment banking attention