



Deal Market Perspective

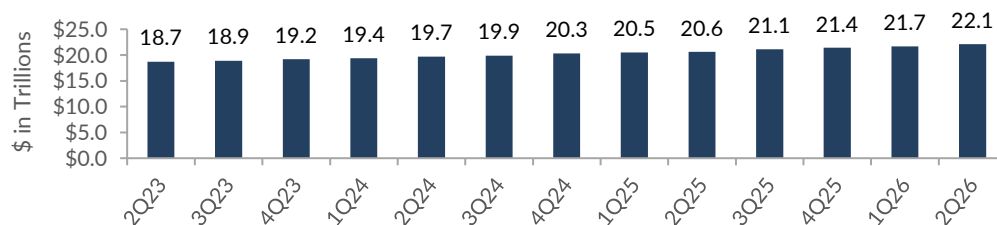
2nd Quarter 2026

Economic Overview

The U.S. economy continues to expand, but the momentum is becoming less certain. Slower job growth, persistent inflation concerns, and geopolitical tensions are creating headwinds, while corporate earnings, consumer spending, and AI investment remain important sources of strength. Businesses and investors are increasingly focused on how tariffs, interest rates, and AI will shape the next phase of growth. We New Yorkers too are refocusing on the economy ... after a storied Knicks championship run, Taylor's wedding, and the World Cup final!

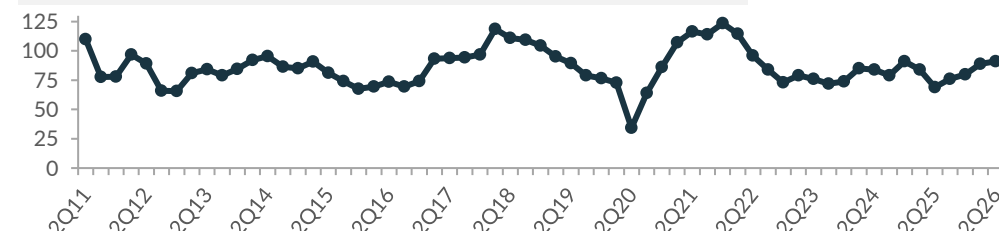
- ❖ U.S. GDP growth moderated in Q2 2026, increasing at a 1.5% seasonally-adjusted annual rate, down from 2.1% in Q1 2026, as falling government spending and decelerating investment and exports offset stronger consumer spending¹
- ❖ The labor market is cooling beneath a headline that flatters it, as unemployment edged down to 4.1% in July only because participation fell to 61.4%, a five-year low, while payrolls shrank by 23,000 on 53,000 fewer government jobs²
- ❖ Global growth is holding up better than the U.S. slowdown implies, with the International Monetary Fund trimming its 2026 outlook by just 0.1 point to 3.0%³
- ❖ The Fed held rates steady through its July meeting; its June projections reflected a committee evenly split, with half of the participants expecting at least one hike by year-end and one-third projecting more than one⁴
- ❖ Consumer confidence remains stuck far below its pre-2020 norm, finishing the quarter at 91.2 against an average of 110, with the share of consumers calling jobs "hard to get" at 22.5%, the highest since January 2021⁵
 - The mortgage "lock-in" effect continues to freeze housing turnover, with roughly half of outstanding U.S. home loans still carrying rates below 4.0% and rates not expected to drop below 6.0% before the end of 2027⁶

U.S. Consumer Spending (Annualized)¹



- ❖ Against a softer consumer backdrop, corporate sentiment has moved in the other direction, with CEO expectations for capital spending, hiring, and sales over the next six months rising two points in Q2 2026 to 91, its highest reading since Q4 2024 and above the historic average of 83⁷
- ❖ Core inflation is proving sticky rather than falling, with the U.S. year-over-year core CPI – which excludes food and energy – at 2.5% for the 12 months ended July, down only slightly from 2.6% in June²
 - Prices rose 0.1% in July, following a 0.4% decline in June, as the energy index dropped 1.5%²
 - Oil ended the quarter roughly 15% below its June peak, though the U.S.-Iran framework that drove the drop has since unraveled and stemmed the decline⁸
 - The personal consumption expenditures (PCE) price index, the Fed's preferred inflation gauge, rose at a 5.1% annual rate in Q2 2026, up from 4.6% in Q1 2026¹
- ❖ Inflation expectations moved higher, with 81.0% of surveyed participants expecting inflation of 3.0% or more in H2 2026, up sharply from 52.0% of participants in Q1⁸
- ❖ Policy has become a more significant factor for dealmaking, with tariffs and their impact on prices and profits unsettled and the midterm elections ahead
 - The U.S. is collecting less tariff revenue today than it did before the April 2025 reciprocal tariff announcement⁹
 - The party that holds the White House has lost seats in the U.S. House in 19 of the past 21 midterm elections¹⁰
- ❖ AI has moved from a capital-markets story to a macroeconomic one, showing up in payrolls and in the industrial race with China
 - AI-exposed industries are shedding roughly 11,000 jobs per month¹¹
 - Chinese manufacturers shipped roughly 18,500 humanoid robots in the first half of 2026, as compared to about 4,000 from U.S. companies¹²
- ❖ Americans rank second worldwide in average wealth but only 28th by median wealth, reflecting greater income inequality¹³

Business Roundtable's CEO Economic Outlook Index⁷



- | | | |
|------------------------------------|-------------------------|-------------------|
| 1. Bureau of Economic Analysis | 5. The Conference Board | 9. ING |
| 2. Bureau of Labor Statistics | 6. Morgan Stanley | 10. Glenmede |
| 3. The International Monetary Fund | 7. Business Roundtable | 11. Goldman Sachs |
| 4. Federal Reserve Board | 8. PitchBook | 12. Omdia |

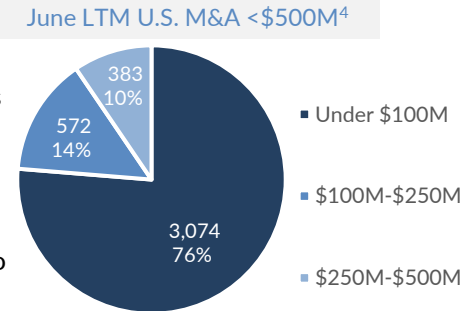
13. UBS

Mergers and Acquisitions (M&A)

M&A activity is improving, but the recovery remains uneven. Large transactions and technology deals continue to dominate, while higher financing costs and differences in buyer and seller expectations are keeping many deals on the sidelines. With economic, tariff, and geopolitical uncertainty still elevated, earnouts remain a key component of transaction consideration as a way to share risk and reward among parties.

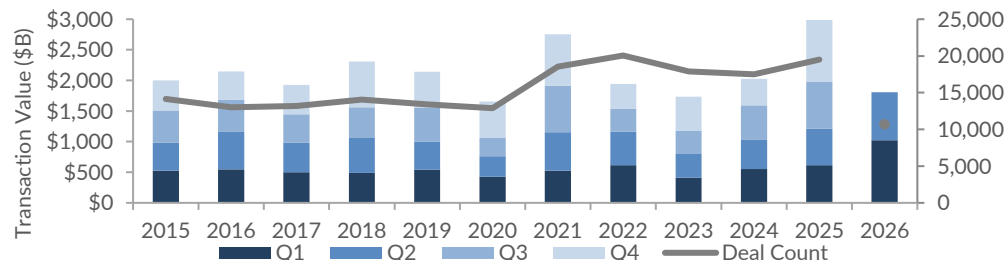
- ❖ Global M&A deal value reached an estimated \$1.3T across 11,880 transactions in Q2 2026, up 35.3% in value and 3.4% in count from Q2 2025, but down 18.4% and 2.4%, respectively, from Q1 2026¹
 - Deals of \$5.0B or more generated \$553.0B across just 34 transactions, close to 42.0% of total global M&A value for the quarter
 - Strategic buyers displaced sponsors, with strategic M&A value holding at \$892.7B, while buyout value fell 35.7% quarter-over-quarter to \$287.3B
- ❖ North American (N.A.) M&A deal value was \$787.0B in Q2 2026, down 24.3% from an unprecedented Q1 2026¹
 - The \$118.5B acquisition of Dominion Energy and the \$60.0B acquisition of Cursor, both funded largely with stock, dominated N.A. megadeal value
- ❖ Transaction multiples for N.A. and Europe remained stable, with the median trailing 12-month (TTM) enterprise value (EV)/EBITDA multiple holding at 10.2x, level with 2025^{1,2}
 - The median TTM private equity (PE) buyout multiple ran at 12.2x against 9.3x for corporate buyers, a gap that has narrowed from 4.6 turns in 2024
- ❖ Healthcare held the highest median TTM sector multiple at 12.6x and energy the lowest at 8.0x, even as energy led all sectors with M&A value up 61.7% quarter-over-quarter^{1,2}
- ❖ Earnouts are doing more of the work of bridging price expectations, appearing in 24.0% of private-target deals in 2025, up from 22.0% in 2024, at a median of 34.0% of the closing payment; sellers ultimately collect closer to one in five of those dollars³

- ❖ U.S. middle-market M&A activity increased 9.3% year-over-year for the 12 months ended June 2026, with 76.3% of sub-\$500M transactions falling under \$100M, up from 74.8% for the 12 months ended March 2026⁴
 - The volume of deals over \$100M increased 21.8% year-over-year

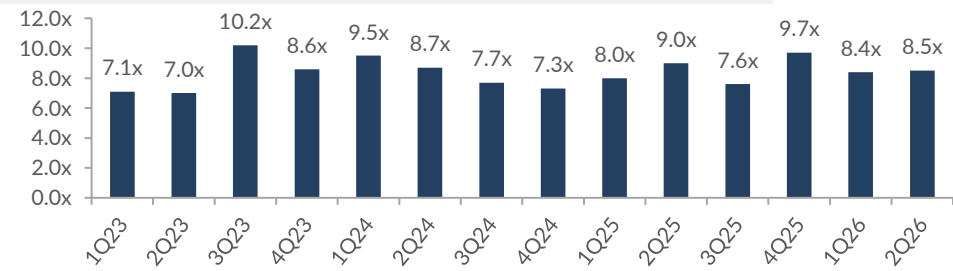


- ❖ The median U.S. middle-market M&A EV/EBITDA multiple in Q2 2026 for deals between \$1M and \$500M grew slightly to 8.5x, reflecting a middle market that has stayed within a 7x to 10x band since 2023^{2,4}
- ❖ Cross-border flows continue to favor N.A., with N.A. targets acquired by non-N.A. buyers drawing \$276.7B across 645 deals through Q2 2026¹
 - European targets acquired by non-European buyers attracted \$207.6B across 819 deals over the same period
 - The May 2026 U.S.-EU tariff framework, capping most U.S. duties on EU goods at 15.0% and eliminating EU tariffs on U.S. industrial goods, reduced one source of transatlantic transaction uncertainty
- ❖ European M&A proved more resilient than N.A., with deal value down 6.4% quarter-over-quarter and deal count up 0.9%, as sponsors and corporate buyers increasingly look to Europe for lower entry prices¹
- ❖ U.S. antitrust posture loosened further, as the FTC and DOJ resumed granting early termination for deals without competitive concerns and a federal court vacated the 2024 Hart-Scott-Rodino rule¹
- ❖ Middle-market dealmaker sentiment cooled sharply; 54.7% of respondents to a global M&A professional organization's member survey expect M&A to increase over the next six months, down markedly from 81.0% in Q1 2026⁵
 - Political or geopolitical instability ranked as the top risk, while the availability of high-quality businesses for sale fell from the fourth-ranked risk to nearly last
 - More U.S. businesses today are inherited than purchased, a reversal of the trend of only four years ago, thinning the supply of companies coming to market⁶

N.A. M&A Activity¹



U.S. Middle-Market Median EV/EBITDA M&A Multiples^{2,4}



1. PitchBook

2. 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

3. SRS Acquiom
4. FactSet

5. ACG Insights
6. Bank of America

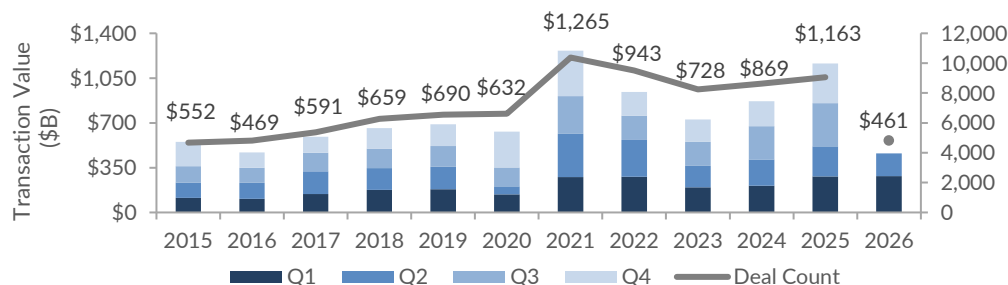
Private Equity

Private equity retains ample dry powder, but putting that capital to work and returning funds to investors both remain challenging. Exit activity is relatively weak, fundraising is increasingly concentrated among larger managers, interest rates are lofty, and valuation expectations remain difficult to reconcile. Add-on acquisitions continue to offer sponsors an attractive way to deploy capital.

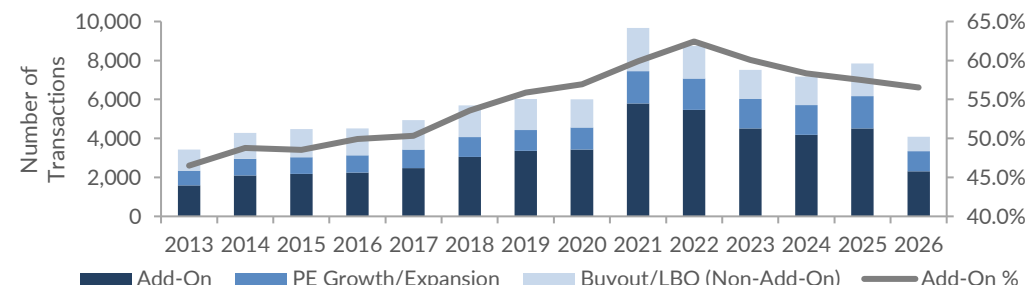
- ❖ U.S. PE deal activity closed Q2 2026 with 2,384 transactions, flat for the quarter and up 11.5% year-over-year, while deal value fell 37.5% on the quarter to \$177.3B¹
 - The year-to-date deal value of \$461.0B is down 10.6% from H1 2025 and well below the \$647.8B in H2 2025
- ❖ U.S. manufacturing PE deal value fell to \$71.1B in H1 2026, its weakest level since H1 2020, amid tariff uncertainty and the Iran war²
 - Yet, surging investment commitments, reshoring, permanent 100% bonus depreciation, and defense and dual-use policy support are creating the sector's most favorable capital investment backdrop since the early 2000's
- ❖ Add-on acquisitions remained the dominant buyout strategy in Q2 2026 at an estimated 885 transactions, roughly three-quarters of all buyouts, though add-on value fell 44.5% year-over-year to \$52.6B and platform count fell 34.0%¹
- ❖ Growth equity investments were the only PE segment to grow in Q2 2026, rising 19.1% year-over-year to 493 deals¹
- ❖ For U.S. PE-led transactions between \$1M and \$500M, the average EV/EBITDA multiple rose to 7.3x based on the most recently available data from 7.2x during the prior quarter, as improving availability pushed senior debt on new platform deals to its cheapest level since 2022³
- ❖ U.S. PE exit value fell 46.3% on the quarter and 7.4% year-over-year to \$102.6B, while exit count declined 14.1% on the quarter to 353¹
 - Mega-exits of \$1.0B or more accounted for over 61.0% of Q2 2026 exit value

- ❖ Public listings were the only exit route to grow, with PE-backed IPO value up 42.2% quarter-over-quarter to \$27.6B¹
 - Corporate acquisitions, still the largest exit route at \$38.5B, fell 63.5% quarter-over-quarter, while sponsor-to-sponsor buyouts dropped 57.0% to \$24.5B
 - Continuation funds have not filled the gap, with 69 formed globally through Q2 2026, below the pace needed to match the 158 tracked in 2025¹
- ❖ PE inventory reached 33,575 companies in Q2 2026; at the current pace, the backlog would take about nine years to clear^{4,5}
 - The NAV of U.S. PE assets in funds at least a decade old hit an all-time high of \$348.5B, 3.5x the value in 2015 and over 100x the value in 2005¹
 - So-called zombie funds (i.e., those past their expected lifespans) reached \$1.16T, up 38.0% year-over-year⁶
 - With exits constrained, sponsors are increasingly turning to dividend recapitalizations to return cash to LPs — loans backing sponsor dividends exceeded \$9.0B in July 2026, the busiest month since September 2025¹
- ❖ U.S. PE fundraising totaled \$159.6B across 223 funds year-to-date through Q2 2026, on pace with 2025's muted \$308.0B across 551 funds¹
 - A 60.0% quarter-over-quarter increase reflected a handful of large closes — e.g., KKR's \$23.0B North America Fund XIV and Clearlake's \$14.8B Fund VIII — rather than a broadening of the market
 - Funds under \$1.0B drew only 16.7% of 2026 commitments, and only 23 first-time funds closed in H1 2026
- ❖ U.S. PE dry powder stood at \$1,067.5B, while evergreen PE fund assets nearly doubled to \$99.0B amid the challenging fundraising climate¹
- ❖ U.S. PE generated 6.4% annualized returns from July 2022 through March 2026, well below the S&P 500's 15.2% and the Nasdaq's 19.3%⁷
- ❖ Smaller sponsors have been out-earning the largest, with realized lower-middle-market deals since 2009 returning a 39.0% gross IRR and 3.3x total value to paid-in capital (TVPI) against 28.0% and 2.7x, respectively, for the largest cohort^{1,8}
 - Independent sponsor deals generated a median equity IRR of 23.8%, as compared to 18.5% for comparable U.S. buyouts, according to a Q2 2026 study⁹
- ❖ 73.0% of surveyed PE executives expect AI to lift portfolio values over the next 12 months¹⁰

U.S. Private Equity Deal Flow¹



U.S. Private Equity Deal Activity by Type¹



1. PitchBook	5. PwC	9. University of North Carolina
2. The New York Times	6. TREO Asset Management	10. Alvarez & Marsal
3. GF Data	7. MSCI	
4. The Wall Street Journal	8. Stepstone	

Equity and Debt Capital Markets

Capital markets are increasingly reflecting a two-tiered environment. Equity investors remain enthusiastic, particularly about AI, amid robust corporate earnings, while IPO and venture capital (VC) activity remain highly concentrated. Debt markets are healthier than they were, but inflation, interest-rate uncertainty, and looming maturities continue to temper the outlook.

Equity Markets

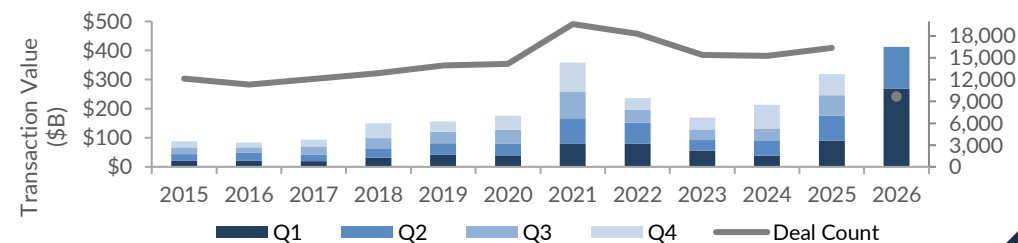
- ❖ Equity markets rallied on an exceptionally strong earnings season, with the S&P 500 returning 15.2% in Q2 2026 including dividends and reaching record highs, its strongest quarter since Q2 2020, lifting the first-half return to 10.2% after a 4.3% decline in Q1¹
 - 77.0% of the more than 1,500 companies reporting Q2 earnings beat EPS expectations, about ten points above the ten-year average beat rate²
 - AI-related companies made up an unprecedented 40.0% or more of the S&P 500's value at the start of July 2026³
- ❖ Since 2022, only 70 PE-backed companies have gone public on U.S. exchanges, against 424 from 2017 through 2021, leaving the route effectively shut for most sponsors (notwithstanding a small Q2 spurt led by SpaceX)⁴
- ❖ U.S. VC deal value totaled \$143.9B across an estimated 5,039 transactions in Q2 2026, the second-highest quarterly value in a decade behind Q1 2026's \$268.9B⁵
 - H1 2026 deal value of \$412.7B already exceeds the 2025 full-year figure by nearly 30.0%, with AI absorbing \$355.9B, or 86.0% of all venture dollars
 - Food delivery and online grocery, once the largest consumer category by company count, saw VC funding collapse 90.0% from \$11.0B in 2021 to less than \$1.0B in 2025, as U.S. GLP-1 users skyrocketed from roughly 1M to 15M
 - Corporate investors and corporate venture capital arms (CVCs) joined just 21.1% of H1 2026 deals — a decade low — yet accounted for a record 82.6% of deal value
- ❖ VC valuations have pushed past their 2021 peaks at every stage, with AI setting the pace and the down-round era effectively coming to a halt⁵
 - Median Series A pre-money valuations hit \$64.0M in Q2 2026, more than triple 2020's \$21.0M, while those for Series C jumped 84.5% year-over-year to \$546.0M; flat and down rounds fell to 13.1% of deals, the lowest since 2022
 - AI startups raised at a 2.2x median valuation step-up in 2026, as compared to 1.6x for non-AI companies
- ❖ VC fundraising is consolidating into fewer, larger funds, with U.S. VC firms raising \$72.4B across only 405 funds in H1 2026, nearly matching the full-year 2025 total of \$74.9B raised across substantially more vehicles⁵

- ❖ Q2 2026 VC exit value reached \$1.83T, dominated by SpaceX's \$1.7T IPO⁵
 - Excluding SpaceX, exit value was roughly in line with the constrained levels of recent years
 - Active unicorn counts reached a record 945, up 9.4% from year-end 2025, with an aggregate post-money value of \$5.3T
 - Most of 2026's largest VC-backed listings have since traded below their IPO prices

Debt Markets

- ❖ At the end of Q2 2026, the yields on the 10-year investment-grade bond index and 10-year high-yield bond index eased to 5.2% and 7.2%, respectively, as credit spreads tightened even while Treasury yields rose⁶
- ❖ Long-term government bond yields are reaching multi-decade highs, with the U.S. 30-year Treasury yield recently hitting its highest level since 2007, as fiscal concerns and the AI boom drive competing demand for capital and big technology companies issue large amounts of debt to fund chips and data centers³
- ❖ Leveraged loan markets stayed busy in Q2 2026, but the activity was defensive rather than deal-driven⁵
 - Total activity of \$224.0B, including repricing and extension amendments, fell 7.0% from Q1 but ran 17.0% above the five-year quarterly average
 - Issuance backing M&A slowed to \$92.0B from \$126.0B in Q1; PE-backed speculative-grade company issuance fell 33.0% to \$49.5B, the lowest since 2023
 - Amend-to-extend volume of \$29.5B was the highest quarterly tally since the global financial crisis, as sponsors refinanced and extended debt coming due in 2028, when \$208.5B is set to mature
- ❖ For U.S. PE-led transactions between \$1M and \$500M, the average total debt/EBITDA multiple rose to 3.5x from 3.2x in 2025, according to the most recently available data⁷
- ❖ Credit stress remains contained but is expected to build, with 1.35% of U.S. leveraged loans by volume now in payment default, and 41.0% of surveyed participants expecting a year-end 2026 rate of 1.50% to 1.99%⁵
- ❖ Venture debt issuance reached \$64.7B across just 280 loans in H1 2026, boosted by a \$20.0B refinancing for SpaceX⁵

U.S. Venture Capital Deal Flow⁵



1. S&P Global

2. Bespoke Investment Group

3. The Wall Street Journal

4. Dealogic

5. PitchBook

6. Cincinnati Asset Management

7. GF Data

Artificial intelligence (AI) is no longer a niche consideration in corporate transactions. Whether as a driver of acquisition strategy, a source of unique due diligence challenges, or a powerful tool to enhance deal execution, AI is reshaping how mergers and acquisitions (M&A) transactions are conceived, valued, and closed.

AI as a Deal Driver and a Deal Risk

AI is increasingly shaping acquisition strategies. Some buyers may actively pursue targets with advanced AI capabilities or valuable proprietary datasets, viewing these as catalysts for competitive advantage. Others may look to invest in businesses positioned to benefit from growing demand for computing infrastructure, such as data centers and energy providers. At the same time, acquirers could well become more cautious about legacy businesses that have not embraced technological change, recognizing that such targets may struggle to remain competitive.

Although there are numerous examples of AI-related concerns affecting the value of software companies, these dynamics are not confined to the technology sector. Spanning industries from retail to financial services, a target's approach to AI adoption and its vulnerability to AI-driven disruption may become increasingly relevant to its long-term prospects. For buyers, this means grappling with new forms of uncertainty: How sustainable are the target's AI-related revenues? How quickly might its technology become antiquated? Where does the real value lie — in the software or in the underlying data?

Due Diligence in the AI Era

Where a target's value depends on AI capabilities, due diligence must go further than traditional processes. Not all AI is created equal: What one seller describes as AI might be a sophisticated machine learning platform, or it might be a collection of relatively simple automation scripts. There is a material difference between the two from a valuation perspective, so buyers need to understand exactly what they are acquiring and whether it can deliver the anticipated benefits. This underscores the importance of due diligence. Key areas for diligence are likely to be how the AI capabilities were developed and the extent to which AI is integrated into the target's products or systems. As part of that, due diligence should also consider the AI's use and access to trade secrets and confidential information, the nature and type of content used by the AI, and how the AI's outputs are used.

Legal due diligence should also address wider regulatory compliance (including data protection obligations) and intellectual property concerns. We anticipate that AI-related acquisitions will attract increasing regulatory focus, particularly in instances where they could be seen to affect national security, reduce competition, or entrench data monopolies.

Bridging Valuation Gaps: Structuring AI Deals

Valuing AI assets is inherently difficult. Performance can fluctuate, technology can become outdated quickly, and future revenues may be uncertain. Buyers and sellers often have different views on what an AI business is worth, and bridging that gap often requires more complex deal structuring.

Earnouts and equity rollovers are common methods for addressing this, as deferred consideration can be linked to performance benchmarks. Escrow arrangements may also be used to hold back part of the purchase price pending confirmation that the technology functions as expected.

Addressing AI Use in NDAs and Confidentiality Agreements

AI also raises practical issues at the very start of a transaction, when parties exchange and review proprietary confidential information. Recipients of sensitive data may use AI tools in their daily workflows, and there is a risk that confidential information could be uploaded to those systems. These systems may, in turn, use the data to improve their models, meaning that confidential information could theoretically be incorporated into the system.

Perhaps to address this concern, we are beginning to see AI clauses included in non-disclosure agreements (NDAs). In some cases, existing confidentiality provisions may be sufficient. In others, it may be appropriate to permit conditional AI use, subject to safeguards. Highly sensitive transactions, or transactions involving a target business that is an AI business (or highly dependent on AI for its results and performance), may, however, warrant additional guardrails in NDAs.

Contractual Protections for AI-Driven Value

When AI is central to the deal rationale, buyers will want robust contractual protections relating to ownership, training data, compliance with regulations, and accuracy of claims about performance and capabilities.

The overall timing of a transaction, including any period between signing and closing, will also be very important. AI assets can deteriorate quickly – whether through degradation of datasets or changes to underlying technology. Should a significant gap between signing and closing appear likely, buyers should carefully consider the extent to which interim covenants requiring the seller to maintain the business in its current state and preserve core technology may have to be balanced against obligations to ensure the technology continues to evolve in response to market demands.

AI in Deal Execution: Enhancing the Transaction Process

AI is also transforming how deals are executed. Private equity firms, venture capital providers, and other acquirers and investors are increasingly leveraging AI to scale and accelerate their own analytics. Some platforms may gain traction among private equity firms because they can extract information quickly and with the level of detail required by investment teams, enabling faster and more comprehensive analysis of potential targets.

Legal advisers have been using technology to assist with due diligence and document review for many years, but recent advances in generative AI (GenAI) have opened up new possibilities. These tools can help summarize large volumes of documents, identify relevant provisions, and even flag risks. That said, AI is not a substitute for legal expertise. Outputs need to be carefully reviewed and validated by experienced practitioners who understand the legal and commercial context and can identify technical errors or informational gaps.

Looking Ahead

We anticipate that AI will continue to redefine the M&A landscape in the years ahead. Businesses that look to better understand these imminent opportunities and risks, and work with advisers who can help them navigate both, will be best placed to succeed.

About the Author:

Katten Muchin Rosenman LLP is a full-service law firm with nearly 650 attorneys across offices in the United States, London, and Shanghai and provides legal counsel to public and private companies, financial institutions, private equity firms, government and nonprofit organizations, and individuals. Katten's practices include corporate mergers and acquisitions, financial services, litigation, real estate, restructuring, intellectual property, private credit, structured finance and securitization, and trusts and estates.

Read the full article here:

[Artificial Intelligence and M&A: Navigating the New Deal Landscape](#)

Katten



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 work



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