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Chief Investment Office GWM
Investment research



The CEO Macro Briefing Book

Insights for dealmakers

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Insights for Dealmakers

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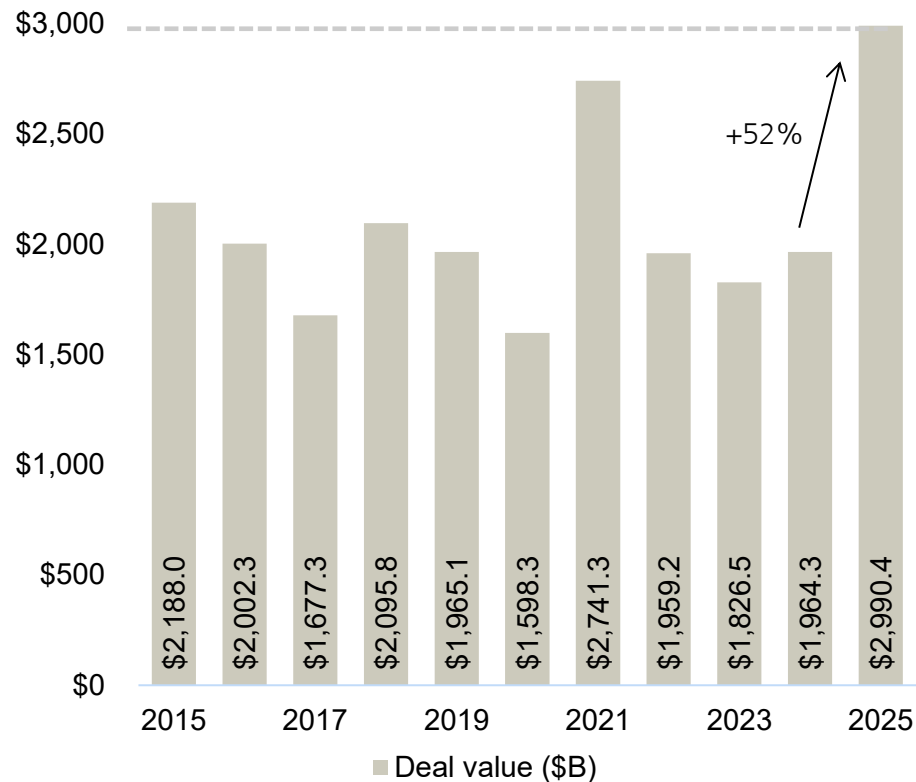
Is AI crowding out VC funding for everything else?

1

Will the “M&A-mentum” continue?

North American M&A surged in 2025

USD bn and count



Source: Pitchbook, UBS, as of 10 March 2026

2026 expected to continue 2025's acceleration

• 2025 recap: a memorable rebound

- After years of lackluster M&A performance owing to high interest rates and a wide gap between perceived bid and ask spreads, global M&A sharply rebounded last year to the second highest recorded total only behind 2021. North American deal values rose to ~USD 3 trillion in 2025, up +52% from 2024 values on the back of lower rates, increased AI-related optimism, and mega deals.

• M&A outlook is optimistic to start 2026

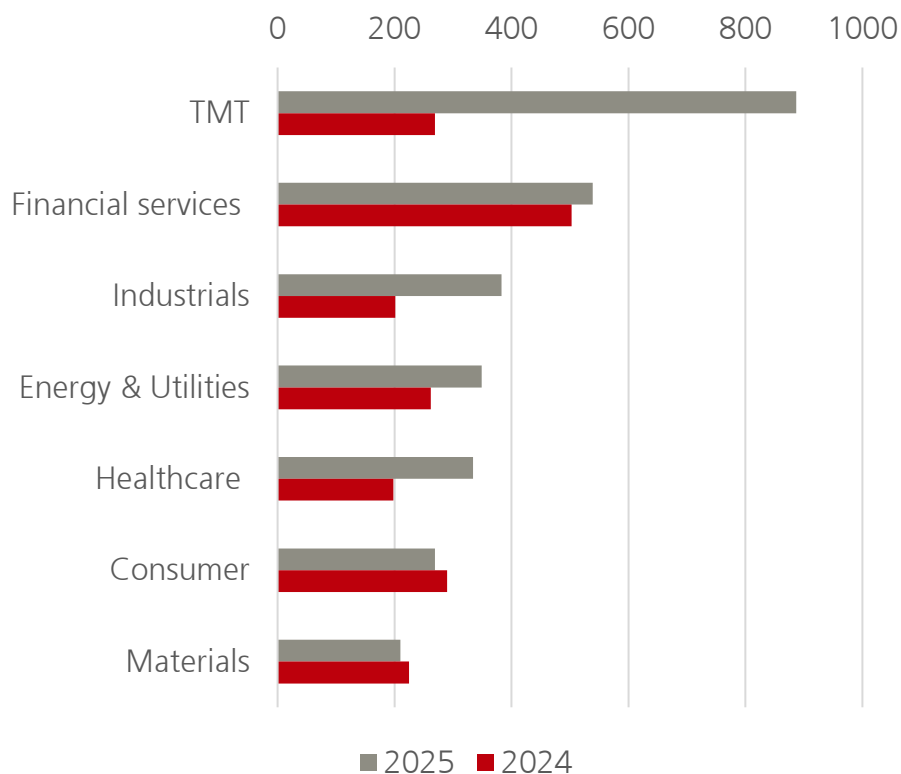
- Surveys from M&A executives show sentiment rising across a broad set of industries toward the end of 2025 with financial services and technology leading the pack. The business implications from AI remain a compelling dealmaking theme, even through elevated policy uncertainty. Even with a rebound, global capital allocation to M&A remains modest as R&D and capital expenditures are taking up the bulk of cash-on-hand priorities.

2

Which sectors stand out?

M&A value by sector

USD bn and count



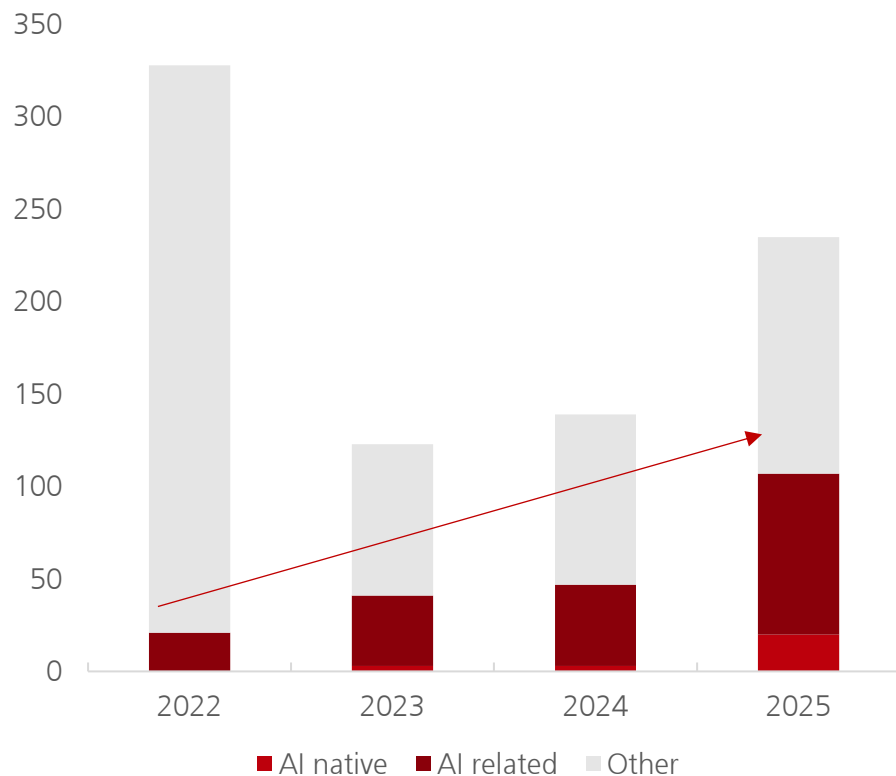
Source: Pitchbook, UBS, as of 10 March 2026

Tech M&A surged last year and so did health care

- **TMT drove the acceleration in overall value, while health care-related M&A staged an impressive rebound**
 - Tech M&A surged last year propelled by AI-related deal and global demand of data center capacity. Deals like Alphabet's USD 32 billion purchase of Wiz and Softbank's USD 40bn into OpenAI help the sector's global dealmaking value reach almost USD 1tr in 2025.
 - Health care-related M&A also enjoyed a sustained rebound from 2024's depressed levels. Like tech, executives have been focused on scape and capability deals, taking up 85% of all deals in 2025. Megadeals have been concentrated in health care such as Pfizer's USD 10bn acquisition of Metsera, a firm specializing in the GLP-1 space.

3 Is AI driving the M&A boom?

AI-related deals now account for ~50% of tech M&A dollars
in USD bn



Source: Bain, Goldman Sachs, UBS, as of 31 March 2026

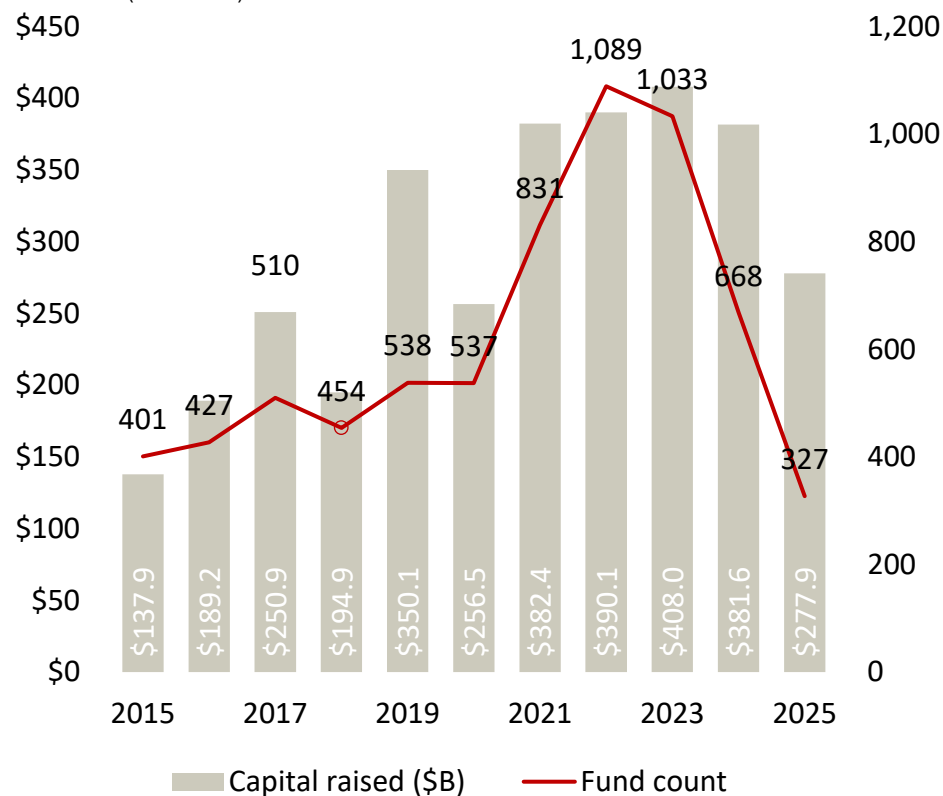
Yes – AI-related transactions make up almost half of all deal volume

- **AI is and remains a persistent structural driver of M&A**
 - Around 50% of tech deal value had some AI component in 2025, up from roughly 25% in 2024.
 - Advanced manufacturing firms are increasingly pursuing tech acquisitions to broaden capabilities.
- **AI is also increasingly used as a tool in M&A**
 - M&A executives report that adoption of AI tools in the dealmaking process has more than doubled since 2024, evolving from basic due diligence and screening to late-stage deal execution and post-merger integration.
- **Regional regulation is an important consideration**
 - The EU AI Act (2024) introduces tiered “risk” ratings for AI-related M&A transactions, increasing scrutiny of target capabilities (e.g., privacy and manipulation risks).
 - The US does not yet have comprehensive federal AI regulation, though several states—including Colorado, Texas, and New York—have implemented rules limiting the use of personal data in AI training and requiring bias audits.

4 What's the biggest issue in PE right now?

PE fundraising activity declines to 2020 lows

Volume (USD bn) and count



Source: Aventis Advisors, UBS, as of 25 March 2026

More exit activity needed to increase fundraising

Fundraising remains very weak

- Despite an impressive turnaround in exits, private equity experienced its weakest year for fundraising since 2020, falling to below USD 300bn.
- Fundraising is extremely concentrated: The top ten funds accounted for nearly 50% of total capital raised, while the rest of the PE market lagged.
- This concentration is self-reinforcing, as reduced capital availability leads LPs to prioritize longer-standing relationships with larger, established GPs.

Dry powder reaches a record high, exceeding USD 1tr

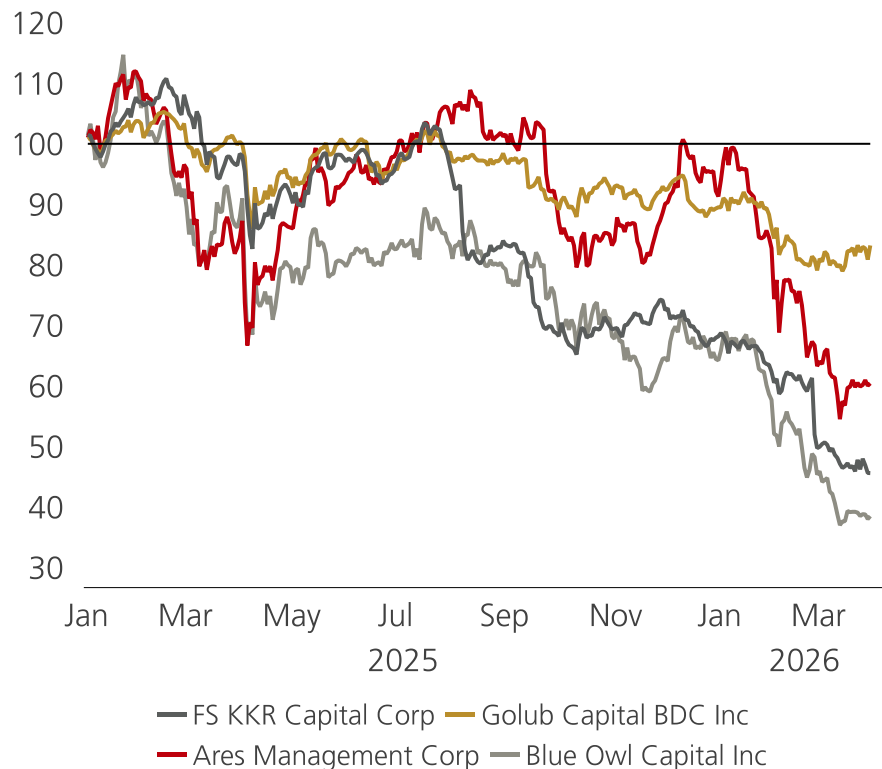
- As a result, competition for attractive deals remains intense and keeping the exit window open is critical—there are still more than 30,000 unsold companies, worth nearly USD 4tr, waiting for liquidity.
- At the end of 2025, there were over 13,000 PE-backed companies, with mega-exits (>USD 10bn) accounting for around 80% of total exit value last year.

5

Why has private credit slumped this year?

Rising anxiety weighs on private equity fund performance

Rebased, 100=1/1/2025



Source: Bloomberg, Pitchbook UBS, as of 16 March 2026

Increased market stress and AI-related scrutiny on software firms

Private credit distress worsened by “SaaS-pocalypse” fears and opaque valuations

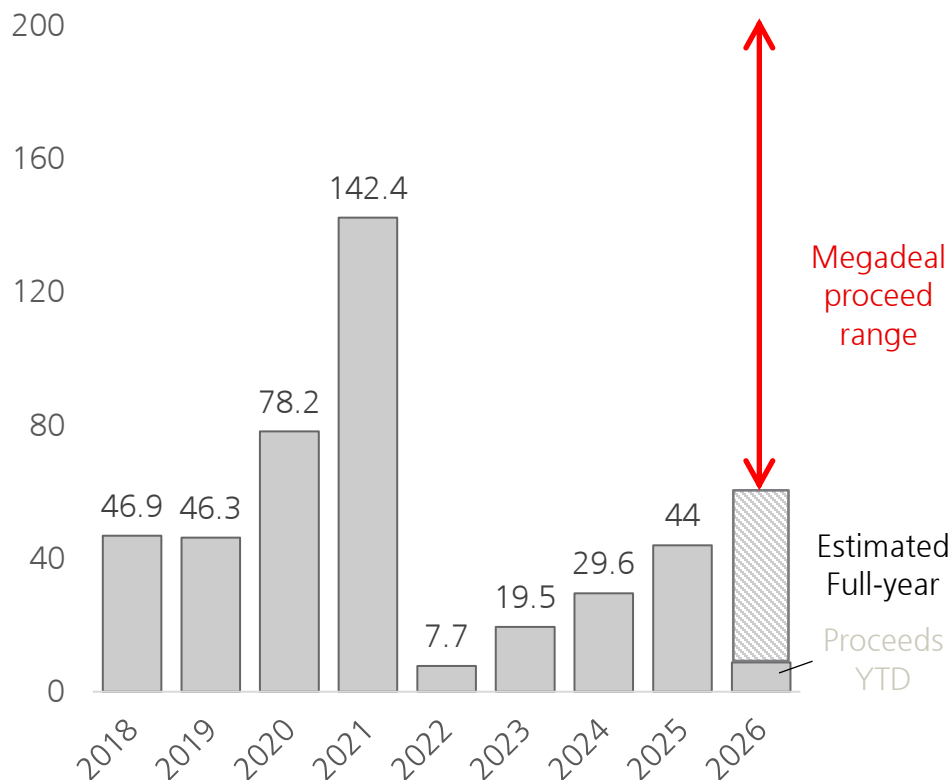
- Private credit faces elevated risk from high exposure to software companies—receiving around 20% of loans made by private credit funds—since their valuations are under scrutiny as AI advancements threaten their business models.
- Zooming out, private credit has seen extraordinary growth, raising USD 1.3tr of new capital between 2021 and 2025. Yet year-to-date, several prominent private credit funds have declined by 20-60%, alongside rising redemption requests, likely exacerbated by the “black box” nature of underlying loan valuations.

6

Will this finally be the “year of the IPO”?

Megadeals could bring record IPO proceeds in 2026

US IPO proceeds, USD bn



Note: IPOs less than USD 50mn market cap were not included.

Source: Pitchbook, Reuters, UBS, as of 16 March 2026

IPO activity already improving before any mega-IPOs

• IPO market steadily improving

- Activity improved last year, with proceeds reaching USD 44bn, a ~50% increase and the highest level since 2021. Further acceleration is expected this year, with a base case of USD 50-60bn in annual proceeds, excluding the influence of mega-IPOs.

• SPACs enjoyed a measured resurgence

- Of the nearly 350 IPOs completed last year, 141 were SPACs—the third most active SPAC year since 2016.
- SPACs raised around USD 28bn in 2025, an improvement, but still far below the 2021 peak of USD 149bn

• Megadeals have the potential to upend the IPO market

- Established AI-related names like Anthropic and OpenAI have already taken preliminary steps to go public, which could boost proceeds north of 2021’s record year of USD 142bn worth of proceeds.

7

Could mega-IPOs squeeze out the rest of the pipeline?

Half of the most valuable private companies are AI-native

#	Company	Valuation	Revenue	Revenue multiple
1	SpaceX	\$1,000B	\$15.5B	64.5x
2	OpenAI	\$730B	\$20.0B	36.5x
3	Tether	\$500B	\$10.2B	49.0x
4	ByteDance	\$480B	\$172.0B	2.8x
5	Anthropic	\$380B	\$14.0B	27.1x
6	xAI	\$250B	\$3.8B	65.8x
7	Stripe	\$159B	\$5.0B	31.8x
8	Databricks	\$134	4.0B	33.5x
9	Waymo	\$126B	\$0.4B	315.0x
10	Ant Group	\$79B	\$21.0B	3.7x

Source: Multiples.VC, UBS, as of 25 March 2026

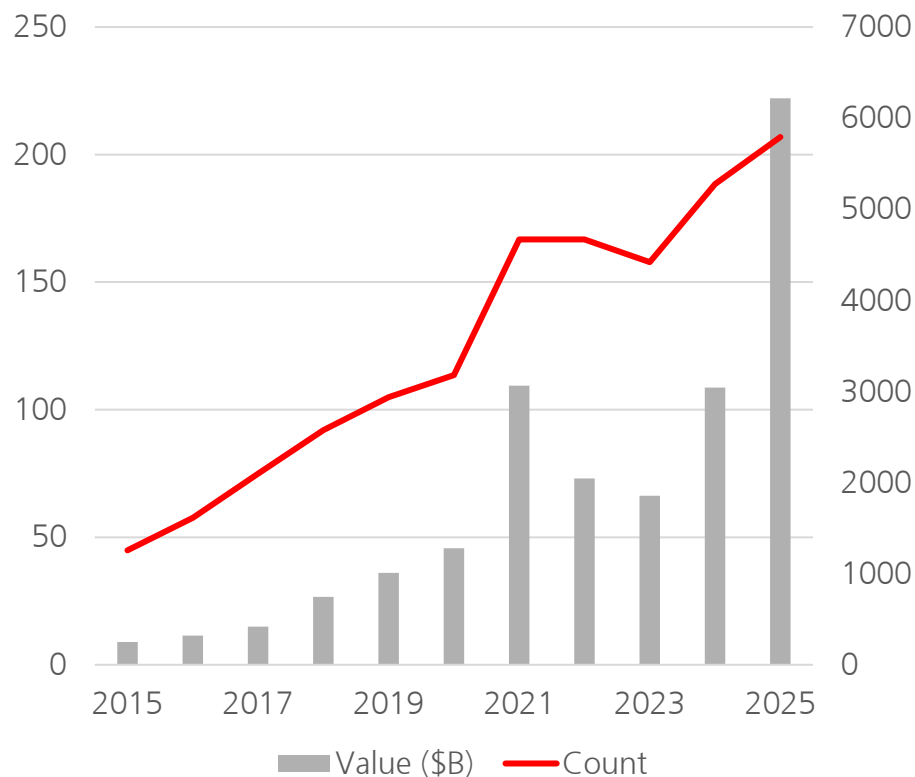
Mega-IPOs could add USD 80-200bn worth of proceeds

- **Investors and White House watching for key AI IPOs**
 - The largest private companies today are AI-related. Names such as OpenAI, Anthropic, and SpaceX have taken preliminary steps toward IPOs—potentially bringing more than USD 1tr in market capitalization to public markets and raising USD 80-200bn in proceeds.
- **Investors are increasingly receptive to megadeals**
 - In 2025, there are more than 23 US companies listed with valuations above USD 1bn, compared with just nine in 2024.
 - The White House also wants to “Make IPOs Great Again” amid a secular decline in public listings—the number of companies making IPOs has fallen from an ~8,000 annual run rate in the mid-1990s to around 4,000 last year. SEC Chair Paul Atkins has publicly called for increasing IPO debuts by reducing reporting requirements and disclosures, limiting shareholder proposals, and reducing company liability from shareholder lawsuits.

8 Is AI crowding out VC funding for everything else?

AI already makes up most of VC-related funding dollars

Volume (USD bn) and count



Note: Excludes deals <USD 1bn and real estate/services
Source: Pitchbook, OECD, UBS, as of 25 March 2026

Yes – around 60% of global VC went to AI last year

- **AI-related firms captured most VC funds last year at around 60% of global VC funding share, up from 30% in 2022**
 - Like other parts of the dealmaking space, AI-related megadeals dominated. Valuations of AI foundational and LLM-related companies remain the most heavily funded category in the second half of 2025—the top ten unicorns enjoyed more than 50% of overall value, up from a modest 18.5% in 2022.
- **Valuations bifurcated as market conditions shift**
 - AI-related companies are also enjoying a valuation premium between ~40% and 50% depending on funding round (valuation premia increases the later the funding round).
 - Startups that have last raised in 2021 and 2022 are trading at >50% discount, while the average firm that last raised in 2023 is trading at a 19% discount.

Appendix

Non-traditional asset classes are alternative investments that include hedge funds, private equity, private credit, real estate, and managed futures (collectively, alternative investments). Interests of alternative investment funds are sold only to qualified investors, and only by means of offering documents that include information about the risks, performance and expenses of alternative investment funds, and which clients are urged to read carefully before subscribing and retain. **An investment in an alternative investment fund is speculative and involves significant risks.**

Specifically, these investments (1) are not mutual funds and are not subject to the same regulatory requirements as mutual funds; (2) may have performance that is volatile, and investors may lose all or a substantial amount of their investment; (3) may engage in leverage and other speculative investment practices that may increase the risk of investment loss; (4) are long-term, illiquid investments, there is generally no secondary market for the interests of a fund, and none is expected to develop; (5) interests of alternative investment funds typically will be illiquid and subject to restrictions on transfer; (6) may not be required to provide periodic pricing or valuation information to investors; (7) generally involve complex tax strategies and there may be delays in distributing tax information to investors; (8) are subject to high fees, including management fees and other fees and expenses, all of which will reduce profits.

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- **Hedge Fund Risk:** There are risks specifically associated with investing in hedge funds, which may include risks associated with investing in short sales, options, small-cap stocks, "junk bonds," derivatives, distressed securities, non-U.S. securities and illiquid investments.
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- **Real Estate:** There are risks specifically associated with investing in real estate products and real estate investment trusts. They involve risks associated with debt, adverse changes in general economic or local market conditions, changes in governmental, tax, real estate and zoning laws or regulations, risks associated with capital calls and, for some real estate products, the risks associated with the ability to qualify for favorable treatment under the federal tax laws.
- **Private Equity:** There are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences including, but not limited to, a total loss of investment.
- **Private Credit:** There are risks specifically associated with investing in private credit. This could include losses stemming from defaults on loans, which in significant adverse circumstances could result in a substantial loss of investment.
- **Foreign Exchange/Currency Risk:** Investors in securities of issuers located outside of the United States should be aware that even for securities denominated in U.S. dollars, changes in the exchange rate between the U.S. dollar and the issuer's "home" currency can have unexpected effects on the market value and liquidity of those securities. Those securities may also be affected by other risks (such as political, economic or regulatory changes) that may not be readily known to a U.S. investor.

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