# STRATEGIC DEALS, SELECTIVE WINDOWS: M&A AND IPOS IN 2026

**Kimberly Petillo-Decossard** 00:00

Alright. Good morning, everyone. Thank you for joining us this morning. And we have a great panel here today talking about M&A and IPOs. We are going to make this a little bit of a breakfast sit-and-chat, so I look forward to hearing from all of you on all of the topics that we'll be discussing. But let me just do a little bit of levelsetting before we start. We have, in the first quarter, global deal value for M&A was about 1.6 trillion, which is up 8.8 percent from the prior three months and more than 50 percent year over year. We have healthy capital markets, we think, with some big announcements coming out. And so, let's talk about both of those topics, and let's talk about the headwinds, tailwinds, and all of the things that we're facing. So, if anyone was at panels yesterday, there was a lot about geopolitics. So, let's start there. That's dominated the headlines. Andrea, you said geopolitics is central to capital allocation recently. So how are these factors playing into the core deal variables, and how are people pricing them in and dealing with that?

**Andrea Guerzoni** 01:20

Thank you. It's an interesting question, and it's counterintuitive to see so much deal activity in a global environment that is so uncertain and characterized by this level of disruption coming from geopolitical issues, but also from the impact of AI, which is the other probably very important factor to be considered. But yes, if we look at the number of deals, the values transacted even in April, at record highs. And so, what all this means, actually, why this is happening, because it's counterintuitive. And we ran this quarterly survey. We interview 1,200 CEOs, really to test their confidence and their expectations regarding business outlook. And one important data point that we've been gathering over the last quarter is really the fact that this extremely uncertain environment, which actually has been characterizing the global economy for the last five years, probably since the COVID crisis, has becoming more and more the new normal. And CEOs and boards cannot really afford to stand still. They need really to address this level of uncertainty because it's the only way they have really to steer their companies, their organization, towards the kind of growth that would justify the hefty valuations that you have just mentioned. So, there is a significant change in the mindset in the system, and basically the idea that this is a temporary crisis, it will pass,—stand still, don't take risk—this is no longer valid. So, plan B has become more and more: Let's try to face this level of uncertainty. Let's try to keep ourselves, our boards, with the level of competencies that are required really to open the dimension that this geopolitical situation is creating. And by analyzing the risks and the opportunities, take a strategy that embeds growth, but also resilience, and profitability, but also security. And this is exactly what's happening in the M&A. So basically, you look at the geopolitical risk, but you see that there are also opportunities. And M&A is one of those tools that would allow you really to accelerate upon your decision-making. If you have a strategy, you can accelerate your strategy by allocating differently your capital. So, this survey is telling us two important things which we are experiencing on our daily interactions with clients. First, that yes, geopolitical risk is perceived as the most important risk by almost 60 percent of our CEOs. So, it's there, it's recognized. But second, that this risk can be addressed. And we look at our boards, our clients, they are all keeping themselves with specialists capable of looking into these variables, playing scenarios, and taking actions. And this deal-making is actually driven by exactly this sort of logic. So how can we create value, resilience, in an environment that is so disrupted? How can we actually ensure that we build and redesign different supply chains, since the traditional ones are going to be disrupted? How can we ensure that we mitigate the impact of the volatility of the tariffs, for example? How can we ensure that we get the capabilities that are required, really, to play a role in this AI-driven world? Almost 50 percent of the deal ideas now, according to our surveys, actually stem from the willingness, the desire, to look into targets to expand AI capabilities, both from a technical point of view and competence talent point of view. So different drivers are driving different deal activities. That is inherently more complicated. You have to add another dimension, which is the geopolitical one. Deals are taking longer to complete. They need really to look at different kinds of challenges in terms of protectionism, and the level of complexity is going up. But also, the boards and the CEOs are much better equipped to address these issues.

**Anu Aiyengar** 06:15

In fact, it shifted from earlier—you would think about doing an M&A deal as adding to risk. And now you think about doing M&A to mitigate the risk that is facing your business—geopolitical risk, AI risk, tech enablement risk, supply chain risk, demographic risk—and your people are looking to say, "How do I do a deal and find the synergies to reinvest in the business to mitigate risk?" Which is a reframing of how you use M&A as a tool.

**Kimberly Petillo-Decossard** 06:48

Leon, you have your foot in both the M&A and the IPO world. From an IPO perspective, do people evaluate and analyze this geopolitical risk differently than we just heard as it relates to M&A?

**Leon Kalvaria** 07:01

It's somewhat different, and thanks for having us here. The IPO market right now—remember what's going on in the IPO market. Never in history have we had companies worth half a trillion to a trillion dollars that are still private. And so, all of that is leading to a different set of decisions here right now, which is how to value these companies, and will there be capital available to do it? So, the IPO market is robust. It'll be a function of the windows that open up, and there's times when it's closed, and the back half of the year should see some interesting transactions. Obviously, there's a large pipeline. Some of those will not end up going, they will not end up getting done. But I think effectively by year-end, we'll certainly see one of these very large companies—you can't call them unicorns anymore, I don't quite know what you call them—but you will see them accessing the public market in size. That is a function of investor demand and valuation. The M&A market is somewhat different from that standpoint, and just to touch on the points that were raised before, I think what the market has now done from an equity standpoint and from an M&A standpoint is they are looking through all of these events. And from my standpoint, leaving aside the '08 crisis, we had COVID, we had tariffs, we had obviously the war in Iran, and then the stop-start with private credit and AI. Market is looking through all of those things and realizing that they will come out the back end. So, I think boardroom confidence is high, as Anu said. I think people are contemplating transactions right now that have never been looked at before, fundamentally because they want to reposition their businesses, and they also think that the regulatory environment, at least at the moment, is more benign. And last but not least, you're seeing considerable interest in investing in the US. So, people are looking at US targets, they're evaluating them because they want to put more capital in the US. So, I think we're going to see—this year has been very good. I think it'll continue on this way right now. There's a ton of private capital sitting to deploy. We can talk about the Anthropics and the SpaceXs. There's also a bunch of small companies out there that are just not suited for the public market anymore. No one cares, and they're going to go private. So, there's a whole raft—small, medium, and large—and I think that people are looking through this and looking ahead two or three years right now and positioning themselves here right now—different to the IPO side of the equation, which is going to be much more episodic with windows opening and closing.

**Anu Aiyengar** 09:51

The one commonality I see, though, across the equity markets and the M&A markets is the scale and the focus on that. Because when you look at the public markets from 2019 to 2025, the size of inclusion in the S&P 500 or S&P 600 has tripled. And you find the scale premium—larger company versus smaller company—what's the EBITDA multiple difference or P/E multiple difference between the two? It's at an all-time high. And the same, as Leon was saying, when you look at the M&A market, 10 billion-plus deals, record high. Last year, we had 71. This year, first four months, we had 30 deals north of 10 billion. But on the smaller side, sub-two billion, the activity has been very muted. And likewise, in the public markets, if you're a smaller company, life has been harder. So, I see that similarity between the two markets.

**Andrea Guerzoni** 10:47
That's very true, and if you look at this through the lens of corporate versus private equity, this is very evident that private equity are struggling actually with their exits, in particular exits through IPO, because

the average size of their assets is not big enough really to be appealing for an IPO. That's really true in particular—

**Leon Kalvaria** 11:09

But I think you're going to, just last, you're going to see transactions that people never dreamt about occur. McCormick, Unilever have been talked about for years, splitting in two. They finally did it with McCormick, with a family-owned company. We saw what was going on with Pernod Ricard. Again, things that people would have never contemplated, cross-border family transactions, right now. We saw Paramount that no one would ever thought that they would end up buying a company, which hopefully will close soon, like Warner. So, you're seeing people that are prepared to do radical reshaping moves. If not, and again, sorry to go back to you, Anu, they can end up being left behind. The multiple goes down.

**Anu Aiyengar** 11:51

Exactly.

**Leon Kalvaria** 11:52

And by the way, and you can comment from the public market, they get to a point where the equity investors don't care. It's like, "Whatever. I can allocate money elsewhere." "I don't need to play around in the small cap space."

**Anu Aiyengar** 12:03

Yeah. Go big or go private.

**Becky Steinthal** 12:06

I've never believed that there is a price for everything. That argument has never made any sense to me. Investors have free will and choice, and right now in the public market, it is a buyer's market. For a very long time, obviously in COVID, it was a seller's market from a valuation perspective, and then growth sold off, the market collapsed. I faced existential crisis in what am I going to do for a living, and it felt like we were just at a standstill. And then for a period of time—I would argue late '22 and '23, or maybe '23 and '24, I would argue we were in a seller's market where investors were much more interested and seeking out IPO opportunities, and sellers had no interest in coming to market. And investors would say “I understand why everyone wants to raise a private. I understand why it's really hard to grow into a previous valuation, but the market is quiet.” We're feeling better about the world. Time for companies to go public. I think the pendulum has really now shifted to the buyer side because now it's the opposite. Most of my day job is accelerating IPO timelines that were expecting to go back half of this year, next year. Now everyone is thinking about testing the market sooner because it makes no fundamental rational sense that the market has been so resilient in a time when we are in an actual global war. And so, no one wants to miss that boat. The tide has come. You made the comment, I think it's going to be an incredibly haves and have-nots IPO market, and one of the things that I hear is, "No, thanks. I don't need to take that meeting. I don't need to evaluate this opportunity because there are so many opportunities behind it, and I can just choose to say no regardless of valuation." Because at a certain valuation, you do become somewhat forgotten and left behind. And so, it's such an interesting moment in the IPO market right now because I fundamentally agree with everything that's been said. You cannot deny the IPO market is having a moment, and probably that moment is going to continue, but it's super, super, super winners and losers. And I also think that investors are going to have their cake and eat it too. They feel like they lived through a period of time where issuers were really able to push price. They're not as much now, and so they're going to happily pass if they don't feel like it. And I think it's going to be really interesting—I always joke with clients that the second you tell someone you're going public, all of the sudden your business is just not as cool anymore. The second you start asking for their wallet, their check, their valuation, a little bit of that halo, it starts to degrade. And I think it's going to be really weird, for lack of a better word, when some of these companies flip their S1s public, all of their financials are out there. These businesses are no longer being driven by FOMO and red-carpet moments, and everyone thinks I'm so amazing. You got to now prove it. I think that's going to be really weird. I think it's going to create a very, very dynamic market, and I see it in every investor conversation I have. Investors are very happy to dig their heels in if they feel like something is losing momentum. My entire job was driven on FOMO, right? It's all about you either have momentum or you don't. And I worry that some of these high-momentum companies in private markets might start to lose that when all of a sudden their numbers are out there, and it's going to be a really interesting time.

**Leon Kalvaria** 16:19

I think if I could just touch on that, because what we've watched on these valuations, you do a great job where you're valuing a company carefully with all sorts of metrics, and then you look at some of these big names, and we're not going to mention them, where the valuation, the next round is up 50 billion. No one knows, but it's up 50.

**Becky Steinthal** 16:37

Right.

**Leon Kalvaria** 16:38

The next round's up 100 billion. No one knows. The concept of having a billion-dollar company is irrelevant. It's now can you get to a trillion valuation? And I think what you will then see over the next few years, I think a lot of them will go public. I think they'll go public successfully. But then two or three years from now, we'll see how the sunshine of investors looking at the financials starts to reflect on value. And I think to be honest, it's a little bit unproven as to how this will work out over the next few years here right now, because you've got a lot of people that have invested through private vehicles inside of these companies—

**Becky Steinthal** 17:15
—Totally—

**Leon Kalvaria** 17:15

—Through SPVs, and they will see what reality looks like here over time, and hopefully it'll be good.

**Becky Steinthal** 17:22

One of my favorite investors, who is incredibly smart and looks at every private, every IPO, just across the whole gamut, made a comment to me that it's been 25 years that he's been doing the exact same thing, and he has absolutely no idea what to put his money into right now because he said that the—and if you're listening, thank you for the quote. He said, "My high school daughter could walk into school and say, 'Guess which companies my dad owns?' And everyone could guess. Anthropic, OpenAI, SpaceX, Canva, Databricks, you name it." And he said, "I don't really know what comes next." At the beginning, at the advent of the internet, who knew what sort of the next—they got a sense of the early adopters. Everyone loves everything that's an infrastructure play on AI, data centers, all that fun stuff. They're all having their moment. But the what happens next is really hard to figure out. And I thought that was a really interesting comment that everyone has a sense of what's very in vogue right now. Okay, so what comes next? And what this person was basically saying to me was, "I have absolutely no idea." And there's so much capital chasing some of these businesses and who knows what they're going to be?

**Kimberly Petillo-Decossard** 18:42

Alan, I want to—oh, go ahead.

**Alan Tannenbaum** 18:47

No, please. I was feeling left out.

**Becky Steinthal** 18:49

No, Alan. No, come on.

**Alan Tannenbaum** 18:51

Thanks.

**Becky Steinthal** 18:51

Get in there.

**Alan Tannenbaum** 18:51

I actually wanted to touch on two themes that have come up, but maybe as we're at the Milken Conference, and we have so many of our private equity friends and clients here—two themes. One, smaller cap M&A, right? So, as Anu pointed out, very active large cap, very active in public markets. We're seeing very good interest activity levels desire to transact. You're clearly seeing a bigger challenge in the smaller—in the mid-size and the mid-cap market in terms of being able to execute M&A. Things are slowing down. We have seen a bit of an impact from the geopolitical environment. Again, the desire to transact, the inevitability of transaction feels high, but you're seeing some delays, and some of the uncertainty in financing markets, if you're not a public company that has access to either your own currency and stronger access to public markets, given what's going on, again, touched on in the private market. So, access to capital is not as certain today as it was prior to some of the geopolitical events. The other item I think is important to note, and I feel like as we're talking about the IPO market, it's so easy to get carried away with the SpaceXs and Anthropics of the opening the eyes of the world, and it's going to be incredible to watch that journey. But we're really seeing strong health across the IPO market, which is encouraging. And as we engage, particularly again with our private equity clients, feel like there really is a strong pipeline there as well, that community has started to appreciate that as they're growing companies to a certain size where M&A is a less obvious exit, we're seeing the IPO channel as a more viable exit channel. And what we're encouraging our clients, and I think it's really resonating, is to start that process. Like, as you know, when PE-owned companies go public, in some cases, as much as 100 percent of the proceeds are used to pay down debt, and we're going to see that over the course of the next 12 months. But they're more open to beginning that process to monetize and exit their positions over a period of time, recognizing it will take not just months, but years. So, seeing very good engagement and desire to transact both in the M&A and the IPO market, which is very encouraging to us as we think about the next 1224 months.

**Kimberly Petillo-Decossard** 21:29

You answered my question. Perfect.

**Alan Tannenbaum** 21:32

Great.

**Kimberly Petillo-Decossard** 21:33

So, there was talk already, a lot of talk already, and at the conference more broadly about AI and tech. Becky, this is how you spend your day.

**Becky Steinthal** 21:43

It is how I spend my day.

**Kimberly Petillo-Decossard** 21:44

And Leon said he didn't want to talk about AI.

**Becky Steinthal** 21:46

I don't really want to talk about AI.

**Leon Kalvaria** 21:48

No.

**Becky Steinthal** 21:49

I really don't, but I'm happy to.

**Leon Kalvaria** 21:50

What is AI?

**Becky Steinthal** 21:51

Yeah, you go first. I have no idea how this is going to play out, and I don't really think that anyone does.

**Kimberly Petillo-Decossard** 22:00

Is it boom or bust?

**Becky Steinthal** 22:02

I think that there's going to be some bust. I think that we've seen a lot of boom—a lot of boom in the private market. I think we are going to see some boom in the public markets, and I think we're going to see some busts. It's a little bit to the comment I made about my much smarter than me investor friend who made the comment, "I don't really know what to do now." I think that that's fair. I also think that it's hard to know as an investor how to play this theme outside of infrastructure. It's really, really hard to know how to invest in the application layer. I am not smart enough to do it, and honestly, most people who pitch me on it, I'm not even sure that they know what they're talking about. So, I think it's going to be tricky to navigate. I also think that I don't think anyone even knows what KPIs to track. There isn't a public company that you can say, "Okay, this is what it's supposed to look like." I had an AI native private company tell me they want to go public before some of their peers do, so they can set the precedent on how gross margins are supposed to grow as an AI-native company in the public market. It's kind of crazy to think that that's the conversation we're having. I think that there's just a lot of uncertainty, and it's very, very hard to quantifiably track. So, I believe it's going to do amazing things for businesses. I believe that the most incredible companies, some of which we know and some of which we don't even know exist right now, are going to be born and raised and go public, and it's going to be amazing. But if you had me make a bet on them right now, I don't think I could do it. And I think there's also going to be a lot that create head fakes.

**Leon Kalvaria** 23:58

Yeah, but on the other hand, because I agree with that, you look at last week, Google announced blowout earnings. The market cap went up, I think, 250 billion in one day. So, from an investor standpoint here right now, there's different ways, and you know better than I, about how you can play that game.

**Becky Steinthal** 24:16

Totally.

**Leon Kalvaria** 24:16

Because when you look at a Google and a Meta and the things they're doing, that's basically playing a hedge bet against everything that's going on.

**Becky Steinthal** 24:26

It's the devil you know.

**Leon Kalvaria** 24:27

Exactly. Then you look at the private companies, and a lot of what has gone on here, when I talk to some of the big growth funds, is they basically put a bunch of shots on goal, recognizing that some of them will not go there, but recognizing that the ones that are winners could be amazing. So, I think we're going to see how all of this plays out because it's very early innings. And obviously, when we talked about some of the shock events, on some basis here, what happened to software and data valuations earlier in the year was a real shock for people, and the cleaning out and the recognition that certain of these companies, and we're not going to go into names, may go to zero because they're going to get completely taken out. So, I think it's kind of the early innings of people figuring it out. As you said, the KPIs, how do you value this? What are people going to look at here right now? What will OpenAI look like in the cold light of day, etc.? And I think we will know a lot more over the next two or three years, and there will be some accidents. But on your point, on the other side, people are investing in a bunch of places that are providing, and Anu mentioned this too, infrastructure. So, you take a company like Caterpillar, whose market cap I think has gotten to 400 billion. Very basic from that standpoint because they're construction, power, water, and I think people are playing it a lot that way because at least it's a safer way for your equity investors to look at it and get some level of exposure.

**Becky Steinthal** 26:00

Oh, I should 100 percent be in industrials or in energy equity capital markets banker.

**Leon Kalvaria** 26:05

Right.

**Becky Steinthal** 26:05

Because that's a much easier play right now. I think what's interesting—you made the comment—the shots on goal. One of the things that, as I said before, I just don't believe that there's a price for everything. One of the things I hear a lot, which rationally makes no sense, it doesn't actually make sense to me, is the shot on goal that I'm going to take, why would I take the shot on this company that's in the private market that, yeah, it could quadruple, quintuple value, but also, I could just go buy Google. I could go buy Microsoft. I could go buy Nvidia. I made a bunch of money on that. There's probably more money to make. I think that's what we're feeling a lot right now is that option B is public and big and liquid, and if you need to get out of it, it's really not that hard. And that's what's historically what makes my market function is that you get a discount, and the alternative is a comp that trades in the public market that's of similar size, scale, whatever it is. That doesn't exist anymore. There is no comp in the public market between a company that's now looking to go public, even for some of the mega caps. So, it creates a really interesting dynamic. I spend a lot of my time thinking about buy-side choice and optionality, and how much optionality they have right now. So, what can we do to this IPOing company to make it feel like there's some kind of forcing function to make them want to invest right now when all of the optionality, I would argue, is in the buyer's hands.

**Anu Aiyengar** 27:55

But how people talk about AI has also changed, right? Because if you had this panel even one year ago, I think people talked about, "Oh, I want to insulate my business against AI. I want to build a moat around it. I want to understand it." Whereas today, I think there's an acceptance that there is no such thing. Every business is going to be affected by it. Boards need to get educated on it. Every business needs to think about how is AI going to affect my business. You may not have the exact answer, but you have to think about it. Likewise, the amount of money that is being deployed, look at how much money has gone into VCs. More than 60 percent is AI-related. But like any business, over time, you'll have one, two, three, four endgame winners. Right now, there are thousands. So, who among these will be the endgame winner? Who'll survive? Who'll kind of get lost? I think that is going to be an interesting thing to see, and also how companies use AI, to me, has been really fascinating. Majority of people are taking their existing process and way of doing things and just plugging AI into it. And that is completely underutilizing what AI can do for you. Because you have to think about if I was starting this business with a fresh slate, earlier I thought about the human beings I have, the capital I have, and the machinery I have. That is Industrial Revolution time. Today is AI revolution time, and today, if you're starting a business with a fresh slate of paper, how would you do that? And that thinking is not as prevalent as it should be, and if there are companies who get that right, I think that could be a clear driver for differentiation.

**Kimberly Petillo-Decossard** 29:41

Yeah. So, you and I were talking about this in our own businesses, but I want to hear how you're talking to clients about that. And then, Andre, I want to go back to you on the similar question around your CEO research.

**Alan Tannenbaum** 29:54

Before we get to our clients around AI, you touched on this earlier, and I'm jealous, Becky, of all the cool companies you get to hang out with every day.

**Becky Steinthal** 30:04

Well, some of them are also going to be train wrecks, so you never know.

**Alan Tannenbaum** 30:09

Well, you'll figure that out. But as I go back to our audience here, what we're seeing and what we're really directing our private equity clients is the incredible opportunity to facilitate this revolution, right? You touched on it, that it's the power generation, it's the infrastructure, it's the construction companies, it's the cement companies, it's the metals that are required to go in. We're seeing a whole ecosystem that, from our perspective, represents a very different risk profile that we're very comfortable with, that we're seeing our investors very comfortable with. Picking winners and losers in AI, very difficult. Figuring out who's going to build a data center, not that hard.

**Becky Steinthal** 30:53

Totally.

**Alan Tannenbaum** 30:53

Figuring out who's going to be literally putting in the electrical lines, and supplying the power equipment, which is candidly not that high tech, but very profitable, and great, predictable businesses, and the kinds of businesses that our clients love to own. We see that as the real opportunity for us, from an investment and banking perspective around AI. In terms of what the clients are doing, and everybody's touched on this, I think that we're all struggling with how do we integrate these tools, how do we think about creating productivity gains for our existing teams, and then as Anu mentioned, really trying to find either adjacencies or ways to leverage this technology to create whole new businesses for ourselves and new revenue streams and working with our clients to understand where they're coming at, and then thinking about it for our own businesses. So, this is an incredibly exciting, interesting, challenging, and, some days, confounding environment, and trying to stay current with all of the resources that are being developed, the new companies that seem to be coming up every day, as Anu said, creating new businesses out of this technology. And really also doing it in an environment from—you've got some very large banks here, right? That the number one priority for us is cybersecurity. The number one priority for us is data security. So, putting those priorities first as we think about it, and candidly, even helping some of our clients leverage the work we're doing because we have to be best in class in those elements, and helping them understand how to protect their data, how to protect their resources. So, just a fascinating time.

**Anu Aiyengar** 32:45

Yeah. If scale is kind of the first theme for this year, I'd say the second one is selectivity, right? Because you have to really be careful whether it's buying a company or thinking about which company to take public, or if you're a stock picker, where to invest in. The level of selectivity that is required because every M&A deal not good, every company shouldn't be going public, every company shouldn't be taken private. So that has become very high in the analysis that both investors, venture capital, private equity, family offices, companies, public, private is doing is analyzing a whole bunch of things and then being very targeted and selective in what it is that they pursue.

**Kimberly Petillo-Decossard** 33:29

Andrea, so your CEO research, you talk a little bit in there about CEOs who are doing a good job at making AI M&A more of an engine than experiment. What is the distinguishing characteristic? What defines success versus just an experiment?

**Andrea Guerzoni** 33:47

Yeah. Let me unpack a bit because I agree with all that's been said there, but with some caveats. Regarding the players and the valuations and all these companies that are developing these tools, I think there will be a clear separation between those who actually are not just from the academy, and they build fantastic tech tools, but they don't know exactly how these tools can be embedded in a corporate world. And this requires fundamentally two additional elements apart from the tech element. You need to understand the sector and, in particular, the issues that are relevant to that sector, and you need to understand the corporate working, the culture, how they institutionalize the use of the existing software and tools actually can create a barrier for the new AI tools. So, I think only those companies who have this fully fledged vision can actually manage to distribute their products in order really to upgrade the weaponry of the corporate world. And if you look at the flip side of this, the technology has changed dramatically over the last 12 months. From GenAI to now agentic AI, and really, the possibilities are infinite. The key point is how you really deploy these possibilities in that specific corporate environment, in that specific sector, adhering to the institutionalized way of doing business in that corporate. Meaning safely, meaning respecting privacy, meaning ensuring that you keep the same level of precision, attest, monitoring, observability that is required really to operate in a corporate world. So, these aspects have been neglected during the first wave of AI. Now, I think more and more CEOs are understanding that it's not just the tool itself, it's really the ecosystem you create to not just bolt into the organization the tools, but embed the tools and the technology, including data layers, including the agentic layer, into the corporate organization, changing the workflows. And this is where you don't just increase productivity, but you actually create new avenues for growth. You actually change your R&D, you change your corporate strategy. So, it's a much more pervasive way of creating value. And what our survey is saying is that, with these new technologies coming into play and with the increased awareness that you need to have this ecosystem really to get the most out of these technologies, CEOs are much more prone towards investing more in all this. 80 percent of our surveyed CEOs are stating that they're going to increase significantly in the next 12 months their AI spend, only 1 percent is going backwards. So that's just to give you an idea. And basically, half of them are just stating that they want really not just to select their vendors or their consultants, but they want enter into M&A situations to get these technologies, these competencies. Because talent and skill set is another important element of this, cannot be created very fast. It's easier to buy actually out. And this has changed quite significantly over the last six months. So, the previous surveys were not really relaying the same type of feedback. So, this is the real difference that we are observing now, and we think that this year is going to be really the defining year to really start monitoring and taking stock of the real improvement using traditional KPIs. Why don't we have that kind of precision today? Because the technology has evolved so much over the last 18 months. And the way of adopting this has been so sketchy, so experimental, that wasn't really technically possible to take stock of the real increases in productivity. This is happening now. This year, this is already happening. We are observing this as we collaborate with our clients, deploying these technologies. There's a significant shift that is happening that has not been captured by numbers, but is happening.

**Anu Aiyengar** 38:21

I agree with that because last year, I think you could go get on your earnings call or go to your investment committee and talk about, "This is the amount of money I'm going to spend on AI." And there wasn't as many questions asked saying, "Okay." Because if you went and said, "I'm going to spend this much money on a capital project," you would have to explain, "I'm going to spend this much money, and the resultant cash flows are going to be..."—and you would have to show an IRR or a return on invested capital. Whereas most of the companies, if you go through and look at their earnings transcripts, they talk about how much money they are spending, what it is that they're going to spend it on, but there isn't anything about what am I going to get for it.

**Leon Kalvaria** 39:03

Yep.

**Anu Aiyengar** 39:03

This year, the market is asking, investment committees are asking, "Okay, you're going to do that, but how am I going to know that it's money well spent? Is that going to show up in a fewer number of entry-level people you hire? Is that going to show up in more revenues that you're going to create, faster go-to-market strategy, reduction of some line item on your P&L that is currently human cost or some other inefficiency that you're going to remove? How am I going to hold you accountable for the return on investment?" And I don't think we have next year to deliver on that. I think this year companies will have to talk about that.

**Leon Kalvaria** 39:47

Yeah, but I think you got an interesting issue here because part of the premise of this panel was M&A, and M&A in this sector, I think is incredibly difficult. These companies don't have the currency to be able to do it. They're certainly not going to pay cash because it's not that easy. So, you see relatively small things. Obviously, xAI and Elon is a completely different event that has nothing to do with anything that we're talking about right now because he was merging his own two companies. But if you look at it here, companies are going to be very careful. It's one thing to go invest inside of your business and spend the money, which most companies are doing with a reasonable return. It's another thing to turn around and say, "We're going to buy X or Y," because they're sitting here at valuations that are very difficult to look at from an M&A standpoint. People have gone back to the old drug of looking at multiples of revenue as opposed to a return on invested capital, and that will have its own problems here down the road. So, from an M&A standpoint, what's really occurring is something different, which is when you look at database companies, companies that have some level of potential disruption, what people are looking at here right now is saying, "Am I going to buy this company and have to rebuild the entire company again in three years from now because their technology's not there, so why bother?" And that's a very consistent theme, which is also why you see some of the large companies, the Googles, etc., they don't do much M&A. They are basically building it inside of their businesses right now, and I think that's a common theme. When will that change? I think over the next two or three years, as some of these companies go public, as they have a currency that has been vetted in the cold light of day with tough investors, you will then start to have an ability to actually use a currency with KPIs and a valuation that makes sense. At the moment, I think you see we've done a few, but they're relatively small transactions. They're almost acqui-hires.

**Anu Aiyengar** 42:08

Acqui-hires.

**Leon Kalvaria** 42:09

That's what's affecting. They're buying great-

**Anu Aiyengar** 42:12
—Talent?

**Leon Kalvaria** 42:12

Engineers, etc. They're buying a product line.

**Anu Aiyengar** 42:16

Yeah.

**Leon Kalvaria** 42:16

It's effectively a product add-on here right now, and I think that's going to take a few years until that comes out of the system here right now. And then you'll start to see more activity.

**Kimberly Petillo-Decossard** 42:28

So, I want to—I'm mindful of time. We only have about 16 minutes, and we have a few more topics to cover and then a couple of questions. So, I'm going to pan out. We're going to leave AI, Leon, so you'll be happy—

**Leon Kalvaria** 42:40
Thank God.

**Kimberly Petillo-Decossard** 42:42

[Laughter] So let me pan out for a minute. In the first quarter, there were slightly more deals outbound to Europe than inbound into the US. Slightly more. Alan, what do you think about cross-border M&A, meaning outbound, in the year ahead?

**Alan Tannenbaum** 43:06

We've seen some interesting trends, and it's been touched on. We definitely saw over the last 24 to 36 months more inbound interest.

**Kimberly Petillo-Decossard** 43:15

Inbound, yeah.

**Alan Tannenbaum** 43:16

A real desire to have exposure, candidly, to dollar assets, to US assets. And it almost accelerated after the tariff dynamic, where the need to diversify your manufacturing, diversify your sourcing, diversify your currency exposure, definitely saw more of a trend to wanting to own US-based assets from all over the world. It feels like that's just stabilized, right? We went from maybe the pendulum swinging too far to one direction, and now, given some of the geopolitical events of this year, and you've seen all of the leading public figures from outside or some in North America, but certainly outside, talking about need to diversify supply chains, diversify partners. And to me, that's just a natural reversion to a more global perspective, which hopefully is good in the long term. So, I wouldn't necessarily draw it as a radical shift one direction or the other, just see it more as a normalization of what was an overemphasis, perhaps, of US-based assets.

**Anu Aiyengar** 44:29

I actually think cross-border has been very robust, despite what you may think. So, if you just look at the numbers itself, US as a target has been the highest because every company wants access to this capital market. Valuations are higher here. And it's not necessarily just through a European company buying a US company. You've seen demergers, spins, splits, relistings, taking a portion of the company and reverse merging it into a US public company. So, US as a target, despite the valuation premium, I'd say, has been very high, including in sectors where you traditionally didn't see it, like financial institutions, right? You saw one of the largest cross-border deals happen in that space. UK as a target has been another big area of cross-border, and that volume, again, last year was good. This year continues to be good. And both these markets have very well-established M&A practices. People are comfortable saying there's enough disclosure. I can understand it. I know how deal-doing happens. Then, when you look at which countries have done the most outbound, Japan outbound, Middle East outbound, despite what you've seen in terms of the geopolitical risk. So, I'm actually very encouraged by the level of cross-border activity. And when you try and ask companies today, and Leon and I were chatting about this earlier, when you go across Europe, that's the question everybody wants is: How do I get more US exposure?

**Leon Kalvaria** 46:09

Correct.

**Anu Aiyengar** 46:09

Because of the valuation differential between the two markets.

**Leon Kalvaria** 46:10

But the issue you end up having, first of all, the geopolitical side of it actually becomes very important which is how is the administration going to view them? Are you going to end up with a CFIUS review or not? And how's that going to play out? But there are a number of conversations going on, which I've not seen in years, on redomiciling as a way of dealing with that here right now. And for those of us that have done M&A a long time, it's not an easy process to go through, but people are willing to do it. So that's point number one. Point number two, which to me is unfortunate because I would have thought you would have seen more, is M&A activity within the EU has been, in my opinion, muted.

**Anu Aiyengar** 46:56

Yes.

**Leon Kalvaria** 46:57

They talk about the EU, which is a fantastic concept. We all love it. They cannot seem to be able to do mergers inside of the market to create EU champions. We would have thought the defense industry—there's a bunch of companies in defense that would have done it. We've seen what's happened to my friend Andrea Orcel on Commerzbank where they've effectively stiff-armed him yet again, at least for the moment here. So, within the EU, they cannot seem to be able to do it here right now. And so, I think you're going to see continued investment. Japan is critically important, and remember, part of their investment effectively falls under the guidelines of the Trump administration in terms of what they've allocated to it. We work for Nippon Steel. It was two CFIUS reviews that we went through, a rejection, and then an approval here right now. They want to invest inside of this country. Australia wants to invest inside of this country here right now. The EU itself, to be honest, still has not, in my opinion—

**Anu Aiyengar** 48:05

—I know—

**Leon Kalvaria** 48:05

—Gotten their act together.

**Anu Aiyengar** 48:06

Yeah. The Draghi report is great.

**Leon Kalvaria** 48:09

But—

**Anu Aiyengar** 48:09

—The action matching the report is yet to come, right? We've been talking about the creation of pan-European champions. You have an Asian champion, a US champion. That needs to happen. And if it doesn't happen now with all the drivers that is there for the pressure on EU to step up, right? In some ways, you've seen some of the things in terms of defense spending, and others where the culture of investment in Europe has changed. There's a lot of focus on where is the data sitting. Right? Every cloud company is currently in the US, so you can have all these rules on data integrity, but where is European data sitting, and how do you solve that? And likewise, how do you create the pan-European champions? So, we remain optimistic, but it hasn't happened as yet.

**Leon Kalvaria** 48:58

But look from a tech standpoint—I mean the data center, the ability to put data centers in the US from a permitting standpoint, a construction standpoint, is pretty good. Look at what's going on in Europe. They are having trouble building this out. They have one champion, which is Mistral, but they've got a long way to go here right now. So, the EU will have to figure out overtime how they can create champions, how they can be an attractive place for capital to go. Spotify is great, but there's not enough examples of that out there right now. And I think the UK is almost separating itself out, and I think you'll see a lot more cross-border transactions done in and out of the UK, at least from our standpoint right now, because they view themselves as disconnected to a certain extent from everything going on inside the EU.

**Kimberly Petillo-Decossard** 49:54

Alright.

**Andrea Guerzoni** 49:54

Let me just—

**Kimberly Petillo-Decossard** 49:55

—Yeah, please—

**Andrea Guerzoni** 49:56

—Because probably I'm the only European here, so—

**Anu Aiyengar** 49:59
—In defense of Europe—you're going to announce a pan-European view. [Laughter].

**Andrea Guerzoni** 50:03

I'm going to give you a slightly contrarian view on this. [Laughter] I agree with all that has been said. By all means, we have five times the number of mobile telecom companies than in the US. Cannot be right. It's quite obvious that blocking large consolidations within the manufacturing industry, the defense space, has been a big issue. But I would be more optimistic regarding the near future for just one big reason. If you look at the way in which the EU has been formed and actually the key fundamental steps in its evolution over the last 40+ years, it's really through crises that we have changed, and we have moved the dial. And I think we are—

**Leon Kalvaria** 50:53
—You got one now. [Laughter]

**Andrea Guerzoni** 50:54

I think this is the most existential one because actually all of a sudden, we found ourselves with no particular advantages on both fronts. The geopolitical part, because it's obvious that we are in the middle of two conflicts, and we are—

**Anu Aiyengar** 51:13

At least two. Several more, I'd say—

**Andrea Guerzoni** 51:14

—At least two, and we are not self-sufficient in terms of energy, in terms of a lot of raw materials, and fundamental other things. And on the other side, if you look at technology and AI, yes, we don't have the level of development that will be required really to modernize our industry. So, what happened over the last six months, and actually the study that Draghi disseminated, which implies that—

**Anu Aiyengar** 51:44

—Is it good?

**Andrea Guerzoni** 51:44

I think it's very spot on. And what we are basically saying is, we need a shock, an investment shock of 700, 800 billion every year to be thrown into the system. And with the right policies, in five years, you can really catch up and build those kind of champions that can actually match the Americans and the Chinese ones. Everything is theoretically possible, especially if the level of pain that the citizens and EU are feeling is growing very fast, in particular due to the Middle East crisis. So, I wouldn't underestimate the possibility actually to move the dial and to find a very nice spot where actually consolidation can bring value for foreign investors and a third way to invest, which is not necessarily disconnected with the other two.

**Anu Aiyengar** 52:42

We remain hopeful.

**Leon Kalvaria** 52:42

We remain hopeful.

**Andrea Guerzoni** 52:45

I haven't convinced you probably, but—

**Anu Aiyengar** 52:47

—No. We remain hopeful. [Laughter].

**Leon Kalvaria** 52:49

Then they're going to have to redo Brussels and start again.

**Anu Aiyengar** 52:51

Exactly. We are trying.

**Kimberly Petillo-Decossard** 52:54

Alright. We have about one minute left—each. So, we're going to do a lightning round. And we're going to start with Anu. So, you have one minute each to make your last point here. What is the most compelling opportunity you see in the back half of '26 and into '27?

**Anu Aiyengar** 53:14

Yeah. So, my third mantra for this year, we talked about scale, we talked about selectivity, my third one is structure. We didn't talk about private equity. This conference, private equity usually kind of dominates the topic, and one of the biggest topics that you have to deal with for M&A and IPO is what happens to the 30,000 companies in private equity hands which are seeking liquidity. What is the solution there? And structure is a big part of it. Structure, and everybody's looking to find ways to get liquidity. And how do you do that? The traditional ways you think about is I either go sell the company, or I go IPO the company. If those are your only two alternatives, life is not going to look good for you. So, every other variation of it—take two companies in private equity hands, merge them, try and put some debt on it, private IPO, evergreen funds, continuation funds, secondary market, sell to a strategic, take some stock, and ride the upside. Every version of that, I think that type of structure is what I would say is one of the biggest drivers and solutions for private equity. So, scale, selectivity, structure.

**Kimberly Petillo-Decossard** 54:31

I love it.

**Andrea Guerzoni** 54:32

And I can add, as a segue, I really believe that the theme related to value creation in private equity portfolio is a fundamental one. We have these 30,000 portfolio companies. A third of them actually should've been sold years ago. And I think what—the new technology can really bring about is a way to accelerate the value creation, to really do value creation in a completely different manner by embedding AI into these portfolio companies. And I think with that level of sophistication that is typical of private equity investors, this can be an accelerated pathway, and there's really a possibility to create a huge amount of value scale in these portfolios if they really embrace what new technologies can bring about. I see this as a huge opportunity, I think.

**Leon Kalvaria** 55:27

Yeah. So, I'll go—two or three things. Firstly, I think we're going to see incredibly large-scale M&A in the next year. I think there's a lot coming here right now that I think will blow people's minds. On the private equity side here, my own personal view is there are probably, and I'm going to be conservative, at least 200, maybe 300 private equity firms that effectively will go out of business. They can't raise money. They have portfolio companies that are totally stuck, and I don't think AI's going to solve that problem. And I think there's going to be a whole cleansing. So what I think will happen as we get into the back part of the year, and it unfortunately does relate to AI too, is I think you're going to continue to see a lot of consolidation of alternative asset managers and traditional fund managers, so I'm going to go in a slightly different direction, because they need to have the resources to spend on AI from an asset management standpoint right now. They need to have the resources in order to be able to raise capital, and people are inclined to go invest in the big household names here right now, because I think a lot of these institutions and endowments have gotten stuck on funds where their investments have been sitting in there five, six years, and they're never coming out. So, I think you're going to get a wholesale shift in terms of asset management, in terms of traditional consolidation, and alternatives consolidation here, and that's going to occur, I think, over the next year or so, and you're already starting to see it now.

**Becky Steinthal** 57:01

Was the question the themes or what we're most excited about?

**Leon Kalvaria** 57:04

Predictions.

**Kimberly Petillo-Decossard** 57:04

Or both. Or predictions? It's whatever you'd like. And there's also a question for you that someone will have to ask you afterwards about elaborating on train wreck IPOs, so you could also cover that one.

**Becky Steinthal** 57:14

I'll do a whole panel on train wreck IPOs. I've had my hand in many of them. I am most excited about IPOs. I am most excited about them occurring. What I am really excited about is I think that everyone is going to be a surprise. I think there are a lot of companies that might seem like, oh, those aren't as cool, and they're going to do great. And there's going to be a lot of companies that feel like there's nothing but momentum and FOMO behind them, and they're not going to do as great. And I think it's going to be—I often say that the majority of my job is emotions management because there's a fundamental story, and then there's a valuation. And those things are not the same thing. And every company remembers the multiple and the dollar at which they went public, and no investor remembers that. They remember how the stock performed and how the company fundamentally performed as well. And the reason why those two things are different is the reason why the IPO market is inherently challenging, because it's very hard to find the price at which the board is happy with the price, and the investor set feels like they're actually going to ride the wave. And I think that is going to be a really interesting and dynamic push and pull, and you only really know that story if you're in the behind the scenes and working it, and I think that's going to be a big theme and also something just really interesting to sort of be tracking.

**Kimberly Petillo-Decossard** 58:49

Alright. Alan, last word to you.

**Alan Tannenbaum** 58:52

Our theme is flexibility. The topic here is windows, and that's how we see the world, right? There's so much going on around volatility and geopolitics that you're seeing volatility across different asset classes and across all of our markets businesses. It's impacting IPO markets, it's impacting the M&A market, and being flexible, adapting to those inputs, and pursuing your objectives with those inputs—that's how we're going to get through the next year and capitalize on it.

**Kimberly Petillo-Decossard** 59:27

Alright. Wonderful. Right on time. Thank you all for a wonderful conversation. This was a great sit and chat. Thank you all for joining us, and have a great day.