M&A Quarterly Update: 2026 First Quarter

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M&A Quarterly Update: 2026 First Quarter

North American M&A activity exited 2025 at record annual deal value, supported by improved financing conditions, renewed corporate buyer confidence, and greater visibility around monetary policy. Entering 2026, capital remains available and strategic acquirers are active, particularly in sectors where growth, technology integration, and margin scalability are clear.

A Focus on Marketing Company M&A

This quarter, we take a deeper look at Marketing Services M&A, a sector undergoing structural change. Digital capabilities, AI-driven tools, and performance-based marketing models are reshaping valuation frameworks and buyer demand. Strategic and private equity acquirers are increasingly targeting firms with scalable digital infrastructure, data-driven capabilities, and multichannel offerings.

QUARTERLY UPDATE:

1. **North American M&A Activity** – Record deal value and evolving buyer mix
2. **Industry Focus: Marketing Services** – Digital, AI, and multichannel transaction trends
3. **Private Equity Activity** – Add-on strategy and sponsor deployment dynamics

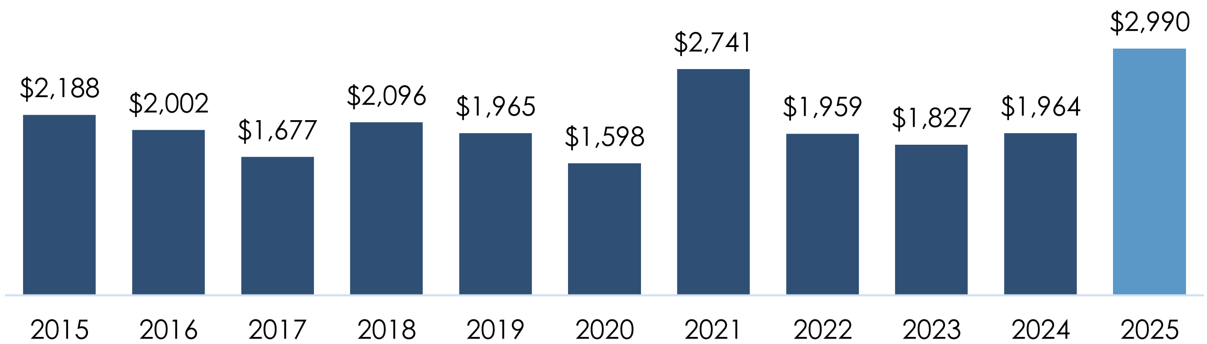
1 QUARTERLY NORTH AMERICAN M&A ACTIVITY[1]

North American M&A activity ended 2025 with record annual deal value totaling $2,990 billion.[2] While deal count remained relatively stable throughout the year, deal value increased significantly in Q3 and Q4 as tariff uncertainty eased and the Fed implemented rate cuts. The shift supported larger transaction sizes, with average deal value growing from $125 million in the first half of the year to $245 million in the second half.

Corporate acquirers accounted for 63.2% of M&A value in 2025, including nine of the largest ten transactions, regaining some of the share lost to private equity buyers in 2024.

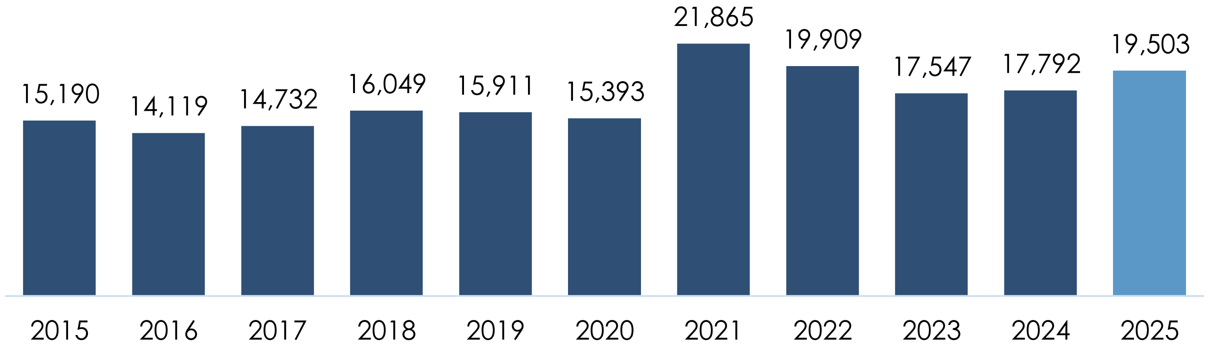
NORTH AMERICAN AGGREGATE DEAL VALUE[1]

Dollars in billions



NORTH AMERICAN TRANSACTION VOLUME[1]

Number of deals in actuals



[1]Pitchbook Global M&A Report
[2]Including estimates for late-reporting or undisclosed deals

During Q4 2025, the Federal Reserve implemented two 25 basis point rate cuts, lowering the federal funds rate target range to 3.50%-3.75%. The Fed continues to view tariff-related inflation pressures as temporary. Despite inflation moderating slightly to an average of 2.7%[1], Jerome Powell indicated that the Fed does not expect to make additional rate cuts in the near future.

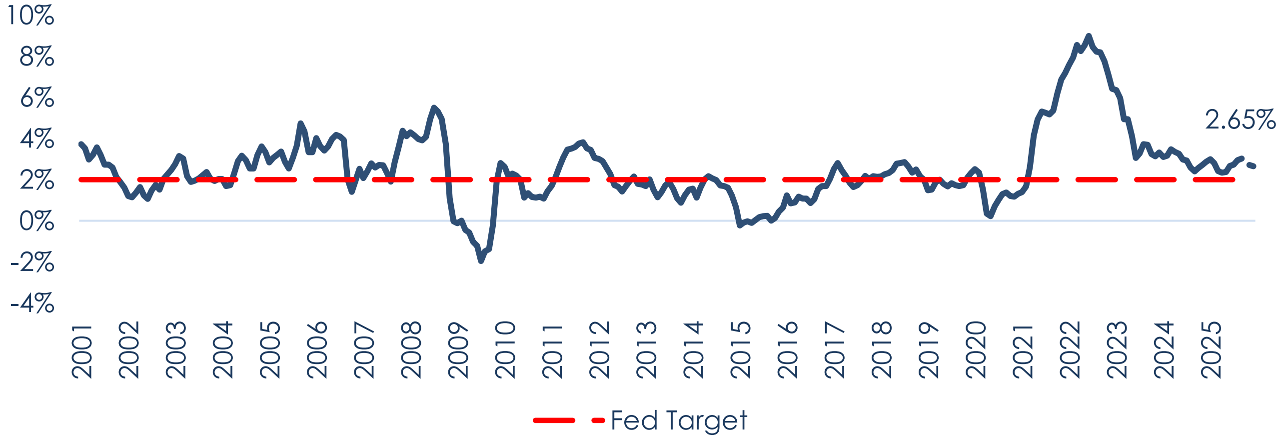
However, markets are increasingly interested in the policies of the next Chairman of the Fed. In January 2026, President Trump nominated former Federal Reserve Governor Kevin Warsh to succeed Powell when his term concludes in May 2026. The nomination has added uncertainty around the longer-term direction of monetary policy, as markets weigh Powell's "higher for longer" stance against the potential for Warsh to lower interest rates and reduce the Fed's balance sheet.

"There is no risk-free path for policy as we navigate this tension between our employment and inflation goals. A reasonable base case is that the effects of tariffs on inflation will be relatively short lived—effectively a one-time shift in the price level. Our obligation is to make sure that a one-time increase in the price level does not become an ongoing inflation problem. But, with downside risks to employment having risen in recent months, the balance of risks has shifted. […] Accordingly, we judged it appropriate at this meeting to lower our policy rate by ¼ percentage point."

-Jerome Powell, Chairman Federal Reserve (Dec. 2025)

The following chart depicts the latest inflation trends:

RATE OF INFLATION – CONSUMER PRICE INDEX[4]



[1]FRED as of Dec. 30, 2025. No data for Oct 2025 due to the government shutdown.

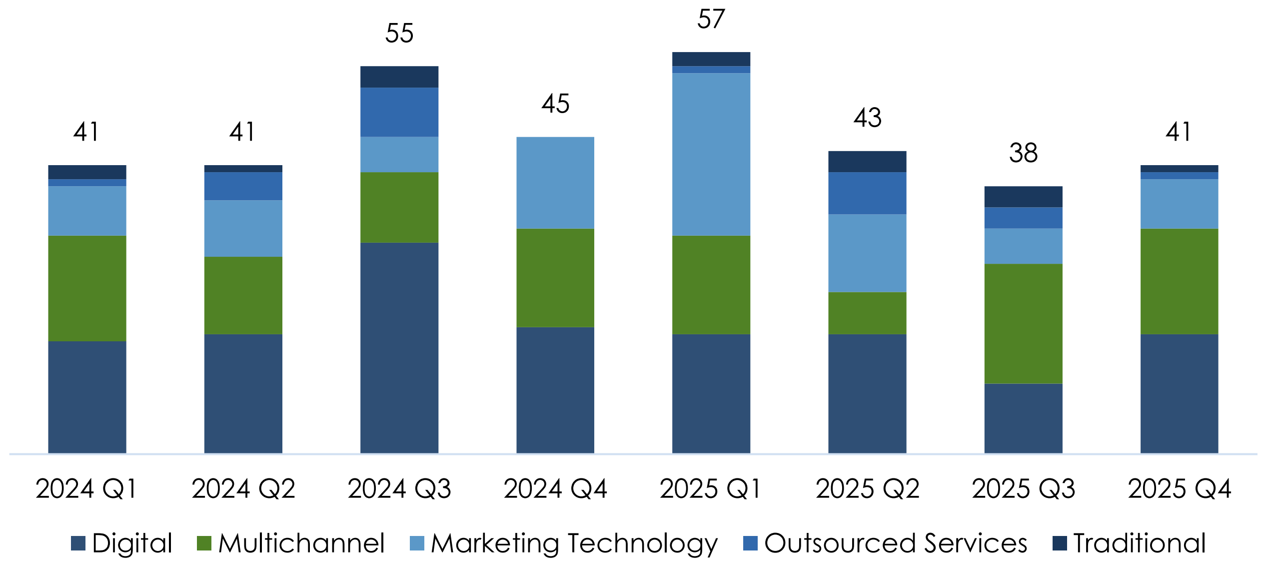
2 INDUSTRY HIGHLIGHTS—MARKETING SERVICES

Colonnade tracks marketing services transactions, a subsector of the broader marketing industry. In Q4 2025 there were 41 marketing services M&A transactions announced, representing a quarter-over-quarter increase of 7.9%. Digital marketing was the most active subsector, with 17 deals this quarter. On a full-year basis, 2025 saw 179 marketing transactions, down slightly from 182 in 2024.

FIRM TYPE	DESCRIPTION
Digital Marketing	Marketing efforts delivered through online channels such as search, social media, email, and websites to reach and engage customers
Traditional Marketing	Marketing conducted through offline media such as print, billboards, and direct mail
Multichannel Marketing	Marketing firms that integrate traditional and digital channels, offering a combination of services across digital, print, media, and strategy
Marketing Technology	Software and digital tools that help companies plan, execute, measure, and optimize marketing campaigns and customer engagement
Outsourced Services	Marketing support services delivered by third-party providers

MARKETING SERVICES TRANSACTION VOLUME[1]

Number of deals in actuals



[1]Bloomberg, Pitchbook, public disclosures

SELECT TRANSACTIONS—MARKETING INDUSTRY

DATE	TARGET	BUYER	CATEGORY
December 2025	UBIQUITOUS	HUMANZ	DIGITAL MARKETING
November 2025	MARKACY	24 SEVEN *(Morgan Stanley Capital Partners)*	MULTICHANNEL MARKETING
November 2025	GIANT SPOON	WPROMOTE *(ZMC)*	MULTICHANNEL MARKETING
November 2025	SOJERN	RATEGAIN (NSE: RATEGAIN)	DIGITAL MARKETING
November 2025	WEST PEAK COLLECTIVE	TAVOLA GROUP	DIGITAL MARKETING
October 2025	WALKER SANDS	MOUNTAINGATE CAPITAL	MULTICHANNEL MARKETING
October 2025	BAM STRATEGY	LEVEL *(Dubin Clark)*	DIGITAL MARKETING
October 2025	ASCEND MARKETING	MOD OP *(Alterna Equity Partners)*	MARKETING TECHNOLOGY
October 2025	VOYAGER WEBSITES	VACATIONPORT	MARKETING SERVICES
October 2025	BLACKJET MARKETING	THIRD CENTURY MANAGEMENT	TRADITIONAL MARKETING

2025 KEY MARKETING TRENDS AND HIGHLIGHTS

1. Marketing technology acquisitions peaked in Q1 2025 as urgency to add AI capabilities accelerated deal activity

2. AI also shifted demand for digital marketing companies, as strategic buyers looked to add SEO and GEO capabilities for AI-driven search

3. While there are still deals in the traditional marketing sector, most targets pair those capabilities with digital offerings and fall into the multichannel category

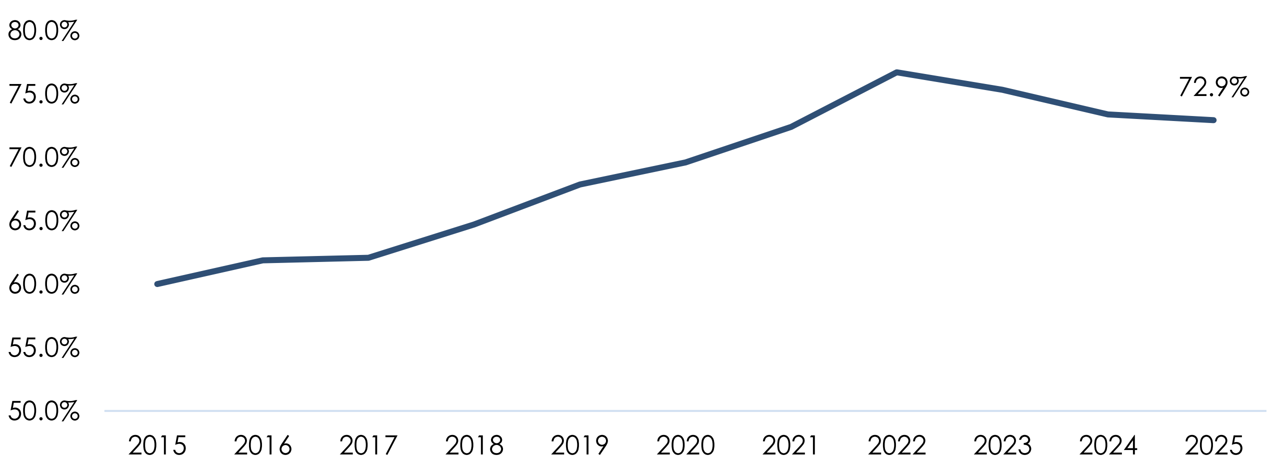
3 PRIVATE EQUITY ADD-ON ACTIVITY

U.S. private equity M&A activity remained steady in Q4 2025, supported by improving financing conditions and a more stable credit environment. The Federal Reserve's rate cuts, tighter loan spreads, and greater lender participation contributed to increased sponsor confidence and sustained transaction execution through year-end.

Add-on acquisitions continued to account for the majority of private equity buyout activity, representing 74.0% of all PE buyouts in Q4 2025. Sponsors remained focused on tuck-in acquisitions as a primary driver of portfolio expansion, using M&A to increase operating scale, broaden service offerings, and support margin performance.

Growth equity also remained a meaningful component of private equity deployment, accounting for 15.9% of total PE deal activity in Q4 2025, although its relative share of activity moderated with respect to recent quarters as financing conditions improved and buyout execution became more accessible.

ADD-ONS AS A SHARE OF PRIVATE EQUITY BUYOUTS[1]



[1]Pitchbook US PE Breakdown

CONCLUSION

M&A activity closed 2025 at record levels, growing significantly in the fourth quarter as tariff uncertainty eased and lower borrowing costs supported larger transaction sizes.

Within the marketing sector, deal activity was primarily driven by demand for AI tools, with most transactions involving firms with digital capabilities. Traditional marketing targets continued to transact, though most firms increasingly integrate digital offerings.

Looking ahead, M&A conditions entering 2026 remain favorable, supported by improved capital availability and sustained buyer interest. As the year progresses, the market will continue to monitor how new Federal Reserve leadership may influence the future direction of monetary policy.

If you would like to discuss M&A market conditions with Colonnade, please contact:

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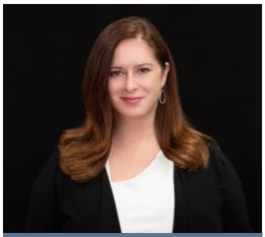

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Sources: Sources: Bloomberg, Pitchbook, FOMC, FRED, public disclosures, and company presentations