

# MoFo Global PE Trends 2025 and Outlook for 2026

As geopolitical unpredictability continues around the world, what does 2026 have in store for the global private equity (PE) market? In this annual report, MoFo partners review the key PE trends from 2025 and make predictions from global, regional, and sector perspectives for 2026.

## 2025 Global Trends

Across the board, our 2025 global PE predictions largely aligned with actual market dynamics. At a high level, as predicted:

- Deal flow improved, especially in larger and strategic segments;
- Tariffs and regulations created unevenness rather than wholesale disruption;
- Tech investing remained central; and
- Healthcare and life sciences showed nuanced but real activity, as did PE-led take-privates.

Below, we revisit the core trends we identified and assess how our forecasts performed:

- **Regional M&A Resilience Amid Overall Market Decline.** While global deal volumes remained uneven and below historic peaks, deal values increased in several regions, with high-value transactions (including several megadeals) driving record transaction activity by aggregate value. Dealmakers adapted to macro challenges with targeted, strategic activity, particularly later in the year.
- **Uncertain Impact of Tariff Policies.** As predicted, the influence of tariff and trade policy was a notable risk factor in 2025. Many private equity firms actively assessed supply chain and tariff impacts, indicating that trade policy was on dealmakers' radars. Sector and regional deal flow reflected uneven global patterns, mirroring the inconsistent implementation of new tariff policies throughout the first half of 2025, with certain industries feeling more headwinds than others.
- **Shifting Global Regulatory Environment.** Regulatory scrutiny remained a key theme in 2025, particularly affecting cross-border and large transactions, even as some jurisdictions explored more lenient frameworks. Regulatory conditions varied by region. While the U.S. environment showed pockets of encouragement, other regions, including China and parts of the European Union, continued to apply rigorous antitrust, foreign investment, and national security reviews, contributing to fragmented cross-border M&A activity.
- **PE Investments in Tech.** Consistent with broader market trends, according to Mergermarket, the aggregate value of all transactions announced in the computer software, hardware, and semiconductor

subsectors through the first three quarters of 2025 was up 72.2% year over year, though deal volume in these same sectors was down 9.3%. Tech M&A continues to show resilience and insatiable investor appetite, with investor focus shifting from SaaS offerings and cybersecurity to AI and data centers.

- **Life Sciences and Healthcare.** Life sciences and healthcare M&A remained strategic and active, though the pattern was more a recalibration than a dramatic surge. Dealmakers repositioned portfolios in response to sector-specific dynamics. Activity was meaningful but with mixed momentum, and macro and regulatory complexity produced moderate volume compared with the tech sector.
- **China.** As we anticipated, Asia-headquartered and China-focused PE firms acted on a number of significant, middle-market acquisitions in China, where control deals gained traction. Middle East-based sovereign wealth funds remain key sources of capital in China's private equity market, with a strong focus on direct investments and co-investments.
- **Take-privates.** While specific regional patterns varied by market—such as China-headquartered companies delisting amid U.S. exchange pressures, UK de-listings, and Tokyo-based transactions—the broader trend of PE-led take-privates persisted as capital sought strategic ownership and exit pathways.
- **The Outmoding of “ESG.”** As we predicted, political and cultural developments, including the administration change in the U.S., have caused the term “ESG” to fall into disfavor. Given the heightened attention focused on ESG-related efforts, including investment, many PE firms and companies have begun to pursue their sustainability agenda less publicly. Where “greenwashing” was once a concern, some now see “greenhushing,” downplaying ESG initiatives to avoid scrutiny. Though there may have been less fanfare around sustainability efforts this year, PE firms generally continued to view sustainability as important to long-term value generation.



## 2026 Global Outlook

How will economic uncertainty impact PE investing in 2026? The following are our predictions:

- **Activity Builds—but in Measured Steps.** With sentiment improving and a 2025 back-half pickup in deal value, 2026 should see steadier deployment and more exits, aided by a gradually reopening IPO window and broader use of GP-led solutions. Lower borrowing costs and competitive direct lender supply should support underwriting of larger, more complex deals and facilitate exits as valuation spreads compress. Expect large transactions and the bulge bracket to continue to dominate, but signs also point to middle-market activity rebounding as well, particularly in the U.S.
- **Take-Privates Remain a Core Route to Scale.** Public-to-private pipelines—and carve-outs—are set to persist as sponsors target quality assets at more rational multiples, especially in software, industrial tech, and healthcare.
- **Liquidity Engineering Goes Mainstream.** Continuation funds, secondaries, and bespoke structures will continue to be meaningful tools to manage duration and distribute cash, especially where IPOs and strategic exits are selective by sector/region.
- **Cross-border Dealmaking Stays Opportunistic Amid Policy Risk.** Expect more Europe-U.S. two-way traffic and supply chain realignment plays, even as tariffs and national security reviews add friction and influence where platforms are built.
- **Asia Becomes More Important.** Japan and India should see heightened inbound PE activity. Expect increases in large-cap and mid-cap deals in Japan, with both Japan and India remaining magnets for investors seeking growth and diversification.
- **Fundraising Concentrates at the Top.** While capital is still readily available, investors have become significantly more cautious. A slowdown in exits has reduced return distributions to LPs, creating a cycle where fundraising is increasingly concentrated among established firms with proven track records. Unless exit activity picks up, the market is likely to see further consolidation, leaving experienced managers with the bulk of new commitments while newer, emerging managers struggle with extended fundraising periods.
- **AI and Digital Infrastructure.** Expect to hear and talk a lot about AI. Sponsors will continue leaning heavily into AI enablement (operations and product) and the data center/edge stack, while scrutinizing pricing and the durability of AI-driven growth. AI will also remain a driving investor underwriting metric, including businesses' integration of AI and their competitive exposure to it.
- **Europe: 2026 Tech M&A Hotspot.** In [Morrison Foerster's 2025 Tech M&A Survey](#), Europe was ranked by 30% of respondents as the top region for tech M&A opportunities, the highest of any market. We continue to see U.S. PE funds look to Europe for opportunities in the sector and expect this trend to continue in 2026.
- **China.** After several years of subdued activity, 2026 could mark the start of a gradual recovery in China's PE market. Diversification needs of international investors, renewed confidence among regional investors, and early signs of policy stabilization may support a modest rebound in dealmaking. Asia-headquartered and China-focused PE firms and government-backed vehicles are expected to continue driving activity, particularly in sectors prioritized under China's industrial upgrading agenda, including semiconductors, AI, and renewable technologies. The consumer sector also shows encouraging signs of revival and participation by international investors, exemplified by high-profile, PE-led transactions like [CPE's strategic partnership with Restaurant Brands International to form a joint venture for Burger King China](#). Select Asia-based GPs are likely to view 2026 as a window to acquire quality assets at attractive valuations, while Middle Eastern sovereign investors may expand their presence through joint ventures and co-investments. Overall, while the market will remain largely domestically financed, improved exit prospects in Hong Kong and a firmer macroeconomic footing could help restore momentum across China's PE landscape.
- **Beyond the Buzzwords.** The cultural backlash against terms like "ESG" and "DEI" will continue in 2026. PE attention to environmental, social, and governance-related sustainability, however, is not expected to wane. Though the formerly favored three-letter acronyms may be out of fashion, PE firms generally recognize the benefits of considering non-financial, sustainability-related factors. Moreover, with more markets developing and refining ESG taxonomies, reporting requirements, and due diligence directives, the legal imperatives around corporate sustainability may outweigh qualms about ESG.

# Regional Perspective for 2026

## United Kingdom

- Global factors affecting UK deal flow are stabilizing, but the domestic macro position remains mixed
- Deal terms will continue favoring sellers of high-quality assets
- Tech and regulatory liberalization will be features of the equity story in some sub-verticals

► [Read More](#)

## Europe

- Deal flow expected to accelerate
- Tech & software, healthcare & life sciences, and energy will transition as deal drivers
- Increase in cross-border activity within EU and inbound

► [Read More](#)

## United States

- Bulge bracket deals will continue to dominate
- Favorable credit pricing will narrow the valuation gap
- Government uncertainty will continue to impact the market
- Industrial deals are expected to get done
- Software deals will build on a strong 2025

► [Read More](#)

## Japan

- Economic factors driving investment growth
- Trend to more take-privates and, for large cap deals, co-investments
- Carve-outs, owner-/founder-succession opportunities, and growth equity continue to attract investment, with infrastructure deals also drawing strong interest
- Hot sectors include semiconductors, automotive parts, electronics, and life sciences

► [Read More](#)

## Latin America

- Exits: IPOs stayed limited; liquidity came mainly from structured and secondary paths
- Sectors: Energy transition and digital infrastructure represent largest tickets
- Risk: FX, politics, and tax/regulatory complexity
- Themes: Nearshoring, digitalization, AI, and energy transition remain key focus areas

► [Read More](#)

## China

- Gradual market recovery expected as policy support and sentiment improve
- Domestic and Asia-based GPs lead investments in AI, semiconductors, renewables, and consumer sectors
- Attractive valuations spur selective, value-driven acquisitions
- Middle Eastern sovereign funds deepen co-investment activity
- Hong Kong IPO revival boosts exit confidence

► [Read More](#)

## India

- India remains a leading PE destination, driven by structural growth and resilient fundamentals
- Investors are increasingly focusing on controlling positions to unlock operational value creation
- Exit planning is pivotal to drive efficient scale
- Local presence and partnerships remain critical for successful execution

► [Read More](#)

## Southeast Asia

- Technology and AI innovation will propel growth across the region
- Regulatory and foreign investment scrutiny will increase deal complexity
- Secondary buyouts and continuation funds will gain traction as flexible exit options
- Firms with strong local expertise and global industry experience will be best positioned to capture emerging opportunities

► [Read More](#)



# Regional Perspective for 2026

## United States



### **Bulge Bracket Deals Will Continue to Dominate:**

With relatively stable market conditions and a positive trend on interest rates, we expect to see more of the very large PE-backed transactions, including take-privates, that the market experienced in 2025. These deals are likely to drive growth in total PE deal value, alongside more modest growth in deal volume.



### **Favorable Credit Pricing Will Narrow the Valuation Gap:**

Following interest rate drops in 2025, lower borrowing costs will help further reduce the valuation gap between buyers and sellers that has impacted deal activity in recent years, increasing exit activity and overall deal volume.



### **Government Uncertainty Will Continue to Impact the Market:**

Ongoing governmental uncertainty, including tariffs and the hangover from an extended U.S. government shutdown, will continue to impact the dealmaking environment.



### **Industrial Deals Are Expected to Get Done:**

Despite uncertainty around tariffs and trade policy, sponsors will continue to execute on industrial deals where they see opportunities for optimization, technological improvements, or strategic fit.



### **Software Deals Will Build on a Strong 2025:**

We expect continued strong PE deal interest in software companies, especially B2B SaaS companies focused on industries such as hospitality, healthcare, and local services that are still in the process of digital transformation.

## Latin America



### **Exits: Subdued Volumes but Liquidity Achieved**

**Through Bespoke Structures:** Recent 2025 data shows limited sponsor exits, with IPO activity remaining muted. Sponsors have secured liquidity through partial sales, continuation vehicles, secondary processes, and other credit-backed or structured solutions.



### **Sector Deployment: Infrastructure and Digital Infrastructure Anchored Actual Deal Flow:**

In 2025, large-ticket deployment concentrated in energy-transition platforms, distributed generation, logistics assets, and digital infrastructure across Brazil, Mexico, Chile, and Colombia. Software/IT continued to produce the most transactions. In 2026, infrastructure-linked assets should remain the most bankable segment for large-scale sponsor capital.



### **Risk Environment: FX, Elections and Regulatory Processes Drive Appetite:**

Currency movements, political cycles, tax reform, and regulatory uncertainty have long influenced valuations and transaction execution in LatAm. Brazil's presidential election in 2026 and ongoing tax-reform implementation and Mexico's trade-related volatility and security instability should continue to affect pricing and timelines without derailing deals supported by strong fundamentals.



### **Structural Drivers: Nearshoring, Digitalization, AI, and the Energy Transition Remain in Focus:**

Investor focus includes nearshoring, rapid digital adoption, AI-enabled business models, and renewable and climate-linked assets. High-growth verticals, such as FinTech, AI, machine learning, and clean/climate tech now account for a significant share of private-capital activity, particularly in Brazil and Mexico.

## United Kingdom



### **Stabilizing Global Conditions for UK Deals:**

Global factors influencing UK deal flow are stabilizing, though the domestic macroeconomic backdrop remains mixed. Large-cap cross-border activity is expected to continue strengthening, particularly for strategic transactions. While mid-market activity has been subdued and valuations remain cautious, deal volumes are expected to rise, especially in resilient sectors such as digital and technology, healthcare, infrastructure, and services.



### **High-Quality Assets Continue to Drive Deal Terms:**

Deal terms remain favorable for sellers of high-quality assets, though the distinction between high- and low-quality assets is expected to soften. Potential equity fundraisings in dual-track exits may increase market choice, supporting more competitive deal dynamics.



### **Tech and Regulatory Changes Drive PE Opportunities:**

Innovation and regulatory liberalization are expected to shape the equity story in certain sub-verticals, such as professional services. These trends are expected to create opportunities for PE ownership and consolidation both in the UK and internationally.

## Europe



### **Re-accelerating Deal Flow:**

Compared to 2024, deal activity in 2025 moderately rebounded, with larger deals becoming more visible and mid-market being the main engine. There is a clear expectation for increased transactions in Europe in 2026 due to a number of factors, such as financing tailwinds (stabilized interest rates, high levels of dry powder, including for private debt), increasing pressure on strategics to carve out non-core assets, and the need for liquidity for the still-growing exit pipeline. As valuation gaps may persist, continuation funds will remain a popular means to generate liquidity.



### **Key Industry Sectors:**

Tech and software continue to be a structural focus of PE investments, with an emphasis on digital transformation, B2B software generally, digital services in industrials, data infrastructure, and AI-enabled value creation. Other sectors driving deals include life sciences and healthcare, as well as energy transition. It remains to be seen whether currently high interest in European defense and security will develop sponsor opportunities.




### **Rising Cross-Border Activity:**


The continued build-out of platforms through bolt-ons to create truly European players will increase cross-border activity within Europe. Also, due to valuations of European assets being relatively more appealing than U.S. assets and the comparative political and regulatory stability, an increasing interest of U.S. investors in the EU markets is expected.

# Regional Perspective for 2026


## China

 **Early Signs of Recovery:** After years of subdued activity, China's PE market is expected to enter a phase of gradual recovery in 2026, driven by improving policy sentiment, selective easing, and stabilizing macroeconomic conditions.

 **Domestic and Regional Capital Lead Dealmaking:** RMB-denominated funds, government-backed vehicles, and Asia-headquartered GPs are set to remain active, concentrating on national priority sectors such as semiconductors, AI, renewable technologies, and consumer-market upgrading.

 **Attractive Valuations Create Buying Opportunities:** Regional and China-focused funds are likely to capitalize on compressed valuations to acquire quality assets, positioning for long-term value creation as confidence rebuilds.

 **Renewed Middle Eastern Engagement:** Sovereign wealth funds from the Middle East are expected to expand their China exposure through co-investments, strategic partnerships, and direct deals rather than blind-pool commitments.

 **Exit Environment Improves:** Strengthening IPO sentiment in Hong Kong and early signs of greater liquidity could support a modest rebound in exits, improving investor sentiment and market momentum heading into 2026.

## Southeast Asia


 **Technology and Digital Transformation to Accelerate Growth:** Technology will remain a key driver of Southeast Asia's deal activity. Rapid digital adoption, AI integration, and investment in data center infrastructure are expected to fuel deal activity, though increasing regulatory scrutiny tied to national security and geopolitical tensions will add complexity to transactions.


 **Healthcare Sector Momentum Sustained:** Healthcare, spanning medical technology, health services, and Insurtech, is expected to maintain strong growth. Rising middle-class demand, higher government health budgets, and innovation in biotechnology and digital health will continue to attract both strategic and financial investors.

 **Secondary Buyouts and Continuation Funds Gain Traction:** PE firms are increasingly turning to secondary buyouts and continuation funds as viable alternatives to traditional exits in Southeast Asia, enabling them to extend holding periods, capture incremental value, exit very large assets, and manage liquidity amid changing market conditions.

 **Geopolitical Risks and Opportunities:** Southeast Asia's geopolitical neutrality will continue to attract investment in manufacturing, logistics, and technology, benefiting from global chain realignments. However, escalating trade tensions and shifting regulatory frameworks will require careful navigation of cross-border deal risks.

## Japan


 **Japan Investment Surging:** In 2025, there was a slowdown in the number of large-cap deals due to stock market valuations relative to expectations but a strong surge in the number and value of mid-cap deals. For 2026, the outlook for large-cap and mid-cap deals remains positive, with factors such as the weaker yen, low interest rates, economic and political stability, and Japan corporates looking to unlock shareholder value expected to continue to drive strong deal flow.

 **Governance, Activists, Take-Privates:** Recent governance reforms such as the new M&A Guidelines and TSE reforms continue to take hold in the market, leading management to be more open to acquisition proposals and activist investors to pressure companies on shareholder value. Take-private transactions, illustrated by [EQT's take-private of Fujitec](#), will continue to be a key trend in 2026, across both large-cap and mid-cap companies, as will co-investments for large-cap deals.


 **PE Acquisition Focus:** Carve-out deals, buyouts from founders, and growth equity investments in late-stage startups are expected to continue to attract significant interest from buyout funds. Large-cap funds are launching Japan infrastructure teams. Active sectors include semiconductors, high-tech manufacturing (e.g., automotive components, electronics), life sciences, and healthcare.

## India

 **Momentum Amid Moderation:** India remains one of the most resilient and attractive private-equity markets regionally, powered by consistent GDP growth, demographic tailwinds, and sectoral trends that are boosting dealflow. Despite tighter global liquidity, India remains a magnet for U.S., Middle Eastern, and Asian investors seeking growth and diversification.

 **Taking Control:** Sponsors are increasingly prioritizing operational value creation, governance strength, and sustainability metrics over rapid scale. There is an evolution from simply being "check writers" to operational partners where control, management, and active involvement are becoming key decision factors.

 **Exit Planning is Key:** Exit planning will be central to the PE thesis, with a clear scale story and more defined hold periods. With the IPO window stabilizing and public-market valuations normalizing, secondary buyouts and strategic consolidation are expected to rise further in 2026.

 **Local Depth as a Competitive Edge:** In a selective fundraising environment, investors with an established local platform, trusted partnerships, and the ability to navigate regulation and deal origination on the ground shall continue to outperform, particularly in key industries such as healthcare, manufacturing, digital infrastructure, and technology.

# 2026 Industry Focus



## AI



**Care in Valuing AI Businesses:** For the first time in its short life, AI may have clouds on its horizon. Is it the savior of economies and companies worldwide? Or is the value of AI companies (and the value of AI to companies generally) overblown? Capital investment in AI projects continues to grow across the board, but the market is nervous. There are more reasons than ever to assess even more carefully the impact of AI on target valuations.



**AI in PE Operations and Investments:** PE firms continue to use AI as a tool to drive value across portfolio businesses by supporting data-driven decision-making that goes beyond traditional supply chain optimization and back-office harmonization. By building data engines incorporating data from across portfolio companies, PE firms are starting to leverage economies of scale, standardized analytics, and shared insight-generation, while also powering AI-driven initiatives such as portfolio-wide predictive modeling, benchmarking, and operational insight. But doing so requires careful consideration of contractual and regulatory rights to share data and the potential competition risks arising from doing so across otherwise independent businesses.



**Data Centers:** In the AI era, data centers have become mission-critical infrastructure for PE-backed growth. PE firms are also acquiring real estate and investing in (and solving for) power, cooling, land, and interconnect requirements. More platform acquisitions, campus roll-ups, and AI-specific capacity-planning are likely to be embedded in investment theses in the coming years.



**Agentic AI:** Agentic AI refers to AI systems that can act autonomously through planning, decision-making, and executing workflows with minimal human direction. PE firms and their portfolio companies are using agentic AI to shift from mundane manual tasks (e.g., contract-review, customer-service routing, renewal decisions) toward AI-driven, autonomous workflows. PE firms are evaluating target companies not just on existing margins, but on their readiness for agentic automation to create new value-levers post-deal.



## Food + Ag



**Health, Longevity, and Functionality Continue to Fuel CPG M&A:** The “better-for-you” CPG segment remains the sector’s most active M&A pocket. Wellness positioning, longevity, and dietary personalization are attracting PE-backed investments into protein brands, gut-health snacks, functional beverages, hydration products, and supplements.



**Portfolio Rebalancing to Continue:** Multinationals are continuing to rebalance their portfolios, both through divestitures and carve-outs, as well as through acquisitions of portfolio-enhancing brands. This should create entry points for PE on the one hand and continue to provide an avenue for attractive exits on the other.



**AI & Tech as a Value Driver:** AI and technology enablement are becoming differentiating factors in valuation and exit potential. Expect more transactions where differentiated technology—robotics, satellite analytics, and digital traceability, but also genetics, novel ingredients, and similar differentiators—is meaningful to the target’s operations.



**Cautious Optimism Across Other Parts of the Sector:** After two years of slower deal flow, there is cautious optimism that 2026 could be a measured comeback year in other parts of the Food + Ag ecosystem. Interest in clean and functional ingredients, farm labor technologies, alternative inputs, and traceability solutions is high, whereas stabilized interest rates and improved farm income could help drive deal activity across a variety of other sub-verticals.

# 2026 Industry Focus

## continued



### Life Sciences



**Consolidation of Fragmented Services:** Persistent fragmentation across clinical services, specialty manufacturing, diagnostics, and tech-enabled care will continue to support platform-building opportunities. Investors are expected to focus on driving efficiency gains through commercial professionalism, enhanced quality systems, and digital integration.



**Shift Toward Mature, De-risked Assets:** Sponsors will focus attention on revenue-generating, later-stage life sciences assets, including medical devices, diagnostics, contract research organizations (CROs), contract development & manufacturing organizations (CDMOs), as well as lab and clinical services, rather than early-stage biotech. This reflects a “quality over quantity” mindset as investors seek predictable cash flow and lower scientific risk in early-stage volatility. Examples include the expansion of obesity and diabetes pipelines—such as oral GLP-1s, combination therapies, and cardioprotective treatments—as well as nuclear medicine and advanced biologics. In these areas, attractive consolidation opportunities exist across the supply chain, with analytics and late-stage manufacturing capabilities offering meaningful leverage. PE will look for successful platforms that differentiate through compliance excellence, capacity reliability, and diversified customer bases.



**AI and Digital Transformation as Core Value-Creation Levers:** The rapid adoption of generative AI and model-based tools across discovery, clinical development, safety, and commercialization will fuel demand for tech-enabled CROs/CDMOs, data assets, and real-world evidence platforms. Assets with clear AI adoption pathways will be attractive to investors, who will use such capabilities as a core value-creation lever post-acquisition.



**Increased Investor Selectivity and Heightened Regulatory Scrutiny:** Increased regulatory uncertainty, pricing scrutiny, an everchanging exit environment, and data-governance and operational risk with the digitization of the sector will lead to enhanced diligence by investors and a focus on targets with strong regulatory and compliance strategies.



### Aerospace, Defense, and Government Services (ADG)



**Increased Focus on Defense Technology:** World leaders are under pressure to innovate quickly to meet emerging threats. Instead of spending on long-term development projects with uncertain outcomes, governments are looking to existing developed technologies that can be modified or expanded to meet specific needs. Sellers of existing technology to governments are under extra pressure to protect their intellectual property and understand what rights, if any, government authorities may have in that IP resulting from such sales.



**Non-Traditional Players:** Commercial firms, and firms backed by investors that have not traditionally invested in the ADG space, have been showing more interest (and success) in the government markets. If the appropriate regulators are successful in removing industry-specific regulatory hurdles and shortening the procurement cycle, it is anticipated that commercial interest will continue to be an area of growth in the coming year. If regulators are not successful, there could be a backlash, forcing commercial investors to invest in compliance infrastructure to avoid future enforcement.



**Non-Traditional Contracts:** To encourage the growth of defense technology and new industry players, the U.S. government has continued to utilize non-traditional contracting vehicles (more akin to commercial relationships for the provision of goods and services). These non-traditional contracts (e.g., OTAs, CSOs, SBIRs) may result in sole source awards, expedited awards at commercial prices, or limited competition, creating benefits for businesses that understand them.



**Potential for Larger European Markets:** For any number of reasons, European governments have expanded their defense spending. This trend is likely to continue and should result in new opportunities for both European and U.S.-based defense firms.

# 2026 Industry Focus

## continued



### Professional Services



**FOMO:** Private equity interest in professional services is expected to remain intense in 2026. Sponsors are expanding beyond financial services into accounting, legal, and alternative professional services, driving competitive processes and higher valuations in the U.S. and UK/Europe. In the Asia-Pacific region, activity is growing in corporate, secretarial, and alternative legal platforms, with large combinations and take-privates since 2023. Capital is increasingly directed toward consolidation, technology investment, and scalable workforce models rather than owner liquidity.



**What is a Target?** Regulatory constraints continue to shape investable targets. U.S. law firms are generally restricted to attorney ownership, while the UK and limited U.S. jurisdictions allow alternative structures; similar restrictions apply to audit firms. Management Services Organization (MSO) structures remain central, capturing economics outside regulated entities. In the U.S., specialized law firms with significant non-legal operations (e.g., scalable paralegal workforces) that can sit in MSOs remain the most viable targets, but regulatory changes have inspired creative structures. In the UK, sponsors may hold minority equity interests with outsized economic rights, while in the Asia-Pacific region, ownership and fee-sharing restrictions push sponsor economics into management or services companies rather than regulated entities.



**New Operating Model:** Getting the new model right on incentives and restrictive covenants is fundamental, but approaches to incentives and restrictive covenants are highly jurisdiction- and profession-specific. Larger management equity pools, synthetic liquidity, and “share shops” are common. In the U.S., traditional non-competes are generally unenforceable against attorneys. In the UK, where client non-solicits/non-competes are enforceable, covenants are one of the most contentious deal points, with harsh equity-related consequences of leaving for a competitor. Singapore and Hong Kong, by contrast, enforce only targeted restraints tied to legitimate interests, while Mainland China and Japan allow post-employment restrictions only on a limited, tightly regulated basis.



### Data Centers



**Deal Structure and Scale:** M&A activity continues to grow as assets stabilize and fund investors seek exits. The scale of data center campuses is increasing, with customers looking for clear expansion and delivery capability. Japan remains a particularly active market, with robust secondary deal flow involving established operators. Strategic investment into existing platforms is increasing, as operators seek capital to fund greenfield development.



**Structural Complexity in Transactions:** Sales are increasingly structured as multi-building transactions, often including forward sales of contracted but uncompleted phases.



**Financing:** Financing for data center developments remains broadly available, with capital sources expanding, depending on the region, from traditional bank lenders to private credit.



**Regulatory and National Security Considerations:** Risks around tightening of U.S. export controls on GPUs continue to complicate investment strategies, particularly with respect to end-user profiles.



**Execution Challenges – Power and Land:** Power availability remains a key gating challenge, with increasing scrutiny by local authorities and communities on the impact of data centers on their local environments. Rising land and construction costs continue to pressure project budgets and influence deal valuations.



**AI Infrastructure and Technology Upgrades:** Growing demand for AI-ready capacity is driving upgrades in cooling infrastructure and data hall configuration. Liquid cooling and other advanced systems will continue to evolve for next-generation data centers.

# Key Themes

## Focus on Finance



**Trends in 2025:** The global financial landscape was defined by resilience amid uncertainty. Tariffs, trade tensions, and shifting geopolitical dynamics weighed on investor confidence and impacted deal activity, introducing new layers of risk to capital flows and cross-border financing. Regionally, underlying growth momentum and policy adaptability continued to support Asia's medium-term outlook. Both the U.S. and Europe demonstrated stability in financing markets, with refinancings and recapitalizations dominating, while new issuance remained concentrated among high-quality borrowers with stable cash flows. Loan margins widened modestly through midyear but tightened again in Q4 for sponsor-backed deals as competition among direct lenders and banks intensified.



**Private Capital:** Private credit remains a powerful complement to traditional buyouts, as borrowers seek flexible funding. Many private equity firms have expanded into credit strategies or hybrid capital solutions to capitalize on this opportunity. Private debt funds have maintained their dominant position relative to banks by proving private credit's resilience in near-term volatility with stable performance.



**Digital Infrastructure:** A defining area of activity is the continuing surge in digital infrastructure investment, underpinned by the AI and cloud-computing boom. This trend sits at the intersection of technology, real assets, and finance, attracting increasing capital from both private equity and sovereign investors. In Europe, digital infrastructure and energy transition themes continue to drive cross-border investment, particularly in the Nordics, France, and Germany, where data centers, renewables, and energy services transactions remained active.



**Looking Ahead to 2026:** Globally, private markets are expected to balance caution with opportunity as investors navigate geopolitical uncertainty. Private markets in Asia are poised to continue pursuing growth in technology, energy transition, and healthcare. In the U.S. and Europe, stabilizing rates, deep pools of private capital, and lenders' appetite for scalable, high-quality assets are expected to underpin a gradual, broad-based recovery in M&A and leveraged finance through 2026.

## Focus on Special Situations



**Sponsors Continue to Combat Lender Collective Action:** Throughout 2025, sponsors have advanced creative new technologies designed to improve the sponsor's leverage position when negotiating with lenders. Among other techniques, so-called anti-coop provisions that would prohibit contractual agreements among lenders to cooperate and act together emerged in 2025. More recently, challenges to cooperation agreements have been brought on antitrust grounds, first by lenders of Selecta Group BV and more recently by Altice USA Inc. We expect sponsors to continue to create flexibility and increased negotiating leverage if negotiations with lenders become necessary later.



**Liability Management Transactions (LMTs) Continue to Develop in Europe:** Although still in the relatively nascent stages relative to the U.S. markets, threatened and implemented LMTs in European markets have maintained a steady flow. Certain features of the European loan market make particular LMTs more difficult (e.g., limits on exit consents and intercreditor waterfall provisions). However, LMTs in the European high-yield market continue to proliferate, whether as the ultimate solution or the backdrop against which a broader deal is negotiated. We expect sponsors to continue to work to get ahead of the game, advancing similar anti-coop provisions as those proposed in the U.S. market and developing strategies to limit the impact of unanimous consents required to amend intercreditor waterfall provisions.

# Key Themes

## continued

### Focus on Sustainability & Corporate Responsibility



**More Regulations and Reporting Requirements:** ESG regulations and reporting requirements are tightening globally, and PE firms are increasingly drawn into the disclosure frameworks applied to public companies. Though the EU's Corporate Sustainability Reporting Directive (CSRD), European Sustainability Reporting Standards (ESRS), and Corporate Sustainability Due Diligence Directive (CSDDD) tend to take center stage, mandatory and voluntary sustainability due diligence and reporting standards are solidifying across the Americas and Asia, with emerging sustainability efforts in Africa as well. Despite national and regional nuances, many reporting requirements are being crafted to align with global standards like the Task Force on Financial Disclosures (TCFD), the International Sustainability Standards Board (ISSB), and the Global Reporting Initiative (GRI). This should allow for increasingly useful and comparable data for PE firms at the regional and global level.



**Sustainability as a Core Consideration:** For years, sustainability has been framed as a bonus consideration—a potentially beneficial, but not essential, aspect of PE investing. As investors increasingly see a relationship between environmental/social sustainability and financial performance, many firms view these considerations to be an increasingly indispensable part of the deal lifecycle.



**“Greenwashing” Meets “Greenhushing”:** “Greenwashing”—the practice of exaggerating environmental performance with the goal of attracting more investors and/or consumers—will remain an issue as many PE firms and consumers continue to favor sustainability-minded corporate actors. Meanwhile, there is growing recognition of “greenhushing,” the practice of playing down sustainability efforts to avoid unwanted political scrutiny. Both phenomena warrant a critical eye when examining corporate and investment performance to suss out which actors are, in fact, making meaningful strides in the sustainability arena.



**AI and Sustainable Investing:** Sustainable investing is rapidly changing in response to AI-driven technologies and analytics. To date, AI has enabled more sophisticated, data-driven decision-making and continuous monitoring of portfolio performance, leveraging information from company reports, supply chain disclosures, satellite imagery, and social media, among other sources. As the industry's understanding and integration of these emerging technologies continue to mature, AI is expected to be increasingly leveraged to enhance sustainable investing among PE firms.

# MoFo Global Contributors

## How Can MoFo Help?

- For more information on our insights into global PE trends in 2025 and outlook for 2026, please contact [Patrick Huard](#), Chair of the Global Private Equity Practice, or any of the global contributors listed here.
- Subscribe to MoFo's [PE mailing lists](#) to stay up to date on the hottest topics in the global PE space.

### Global



[Patrick Huard](#)



[Randy Laxer](#)



[Omar Pringle](#)

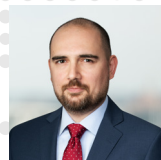
### U.S.



[James Beach](#)



[James Lee](#)



[Leo Martin](#)

### Latin America



[Randy Bullard](#)

### UK



[Ambarish Dash](#)



[David D'Souza](#)

### EU



[Jörg Meißner](#)



[Jennifer Seipelt](#)

### China



[Marcia Ellis](#)

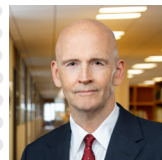


[Xiaoxi Lin](#)



[Yilong Luo](#)

### Japan



[Steve DeCosse](#)



[Adam Harris](#)



[Nozomi Oda](#)



[Naoya Shiota](#)

### India



[Per Lindberg](#)



[Gary Smith](#)



[Jeremy White](#)

### Southeast Asia



[Scott Jalowayski](#)



[Stephanie Kam](#)



[Greg Salathé](#)



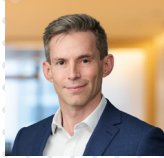
[Tabitha Saw](#)

# MoFo Global Contributors

## AI



[Alistair Maughan](#)



[Gordon Milner](#)



[Tessa Schwartz](#)

## Food + Agriculture



[Andrew Boyd](#)



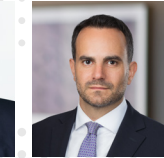
[Chuck Cotter](#)



[Aly El Hamamsy](#)



[Mitchell Presser](#)

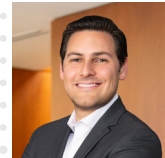


[Omar Pringle](#)

## Life Sciences



[Andrew Boyd](#)



[Matt Ferry](#)



[Matt Karlyn](#)



[Omar Pringle](#)



[Wolfgang Schöning](#)



[Chuan Sun](#)

## ADG



[Tyler Sewell](#)



[Damien Specht](#)

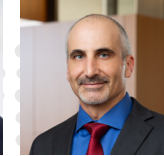
## Data Centers



[Dale Caldwell](#)



[David D'Souza](#)



[Joshua Isenberg](#)



[Larry Medvinsky](#)



[Tabitha Saw](#)



[Theo Seltzer](#)



[Chris Spalding](#)

## Professional Services



[Ambarish Dash](#)



[David D'Souza](#)



[Xiaoxi Lin](#)

## Finance



[Dario Avram](#)



[Ambarish Dash](#)



[Tammy Davies](#)

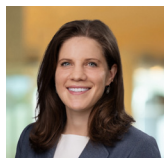


[Jennifer Seipelt](#)



[Yemi Tépe](#)

## Sustainability & Corporate Responsibility



[Rachel Davidson](#)



[Hayley Ichilcik](#)



[Suz Mac Cormac](#)



[Craig Martin](#)

## Special Situations



[James Newton](#)