

Deals, doubts and divergences: CMS European M&A Outlook 2026



According to CMS's 2026 European M&A Outlook, half of dealmakers expect the level of European M&A activity to increase over the next 12 months, even in the face of considerable market volatility. The Outlook was published today in association with financial data firm *Mergermarket*.

Signs of recovery in 2024 were obscured in early 2025 by a pronounced period of market uncertainty, driven by trade tariffs. Deal volume in H1 was down by 11% relative to the same period in 2024 – however, aggregate transaction value proved more robust, rising by 3.6% year-on-year, demonstrating that dealmakers are still ready to put money to work for the right assets.

Louise Wallace, *Head of the CMS Corporate/M&A Group*, said: “While the first half of 2025 brought fresh and unexpected challenges—from tariff volatility to tightening financing conditions— European M&A continues to demonstrate remarkable resilience in the face of renewed uncertainty and the M&A landscape remains fundamentally healthy. Dealmakers are focused on transformational opportunities and strategic growth. As the market adapts to another ‘new normal’, we expect deal activity to strengthen across key sectors, in particular industrials & chemicals, TMT and energy.”

In CEE investors focus on strategic deals and take a risk-off approach

In H1 2025, CEE M&A deal value increased by 7% to EUR 19.1bn, with a pronounced 24% decline in transaction volume compared to H1 2024.

Sentiment towards the region remains polarised: 10% of those surveyed expect CEE to attract the strongest M&A growth in Europe, while 8% take the opposing view and foresee the region will experience the lowest growth. CEE is identified by 11% of respondents as the leading investment destination in the coming year.

When asked to pinpoint the biggest risks to investing in their region of choice, respondents most frequently cited an intensifying competitive bidding environment (23%), followed by challenging compliance management requirements, and a heavy administrative burden (each selected by 15%).

Horea Popescu, *Managing Partner at CMS Romania, and Head of Corporate M&A in CEE* commented: “Central and Eastern Europe is poised to surprise us on the upside. With GDP growth in the region outpacing the eurozone average, and sectors like tech, defence, infrastructure and energy attracting strategic capital, CEE offers a compelling mix of resilience and opportunity for dealmakers. Improving financing conditions and strong domestic demand could result in CEE outperforming expectations in the next 12 months. It’s a region where strategic

investment is increasingly translating into tangible momentum and dealmaking confidence.”

Rodica Manea, *Corporate Partner at CMS Romania*, stated: “Even amid economic and geopolitical volatility, Romania remains on investors’ radar due to its growth potential in sectors such as technology, energy and infrastructure. We are witnessing sustained activity in the local market, with Romanian companies continuing to adapt swiftly and capitalise on emerging opportunities.”

Deal executives making peace with uncertainty

- Despite market uncertainty, dealmakers are cautiously optimistic about Europe’s M&A prospects.
 - In our survey of 250 corporate and private equity dealmakers and executives, half of respondents expect activity to increase in the next 12 months - down slightly from last year, when 65% were expecting an increase. 85% expect to engage in M&A in the coming year, for corporates, particularly on the buy-side.
 - Deal volume in H1 2025 was 8,195, down 11% from the same period in 2024.
 - However, total deal value in H1 2025 reached €465 billion, a 3.6% year-on-year increase.
 - Over a third of the respondents (34%) believes that difficulties in arranging deal financing will be a major obstacle to M&A in the coming year. Buyer-seller valuation gaps (30%) are also a concern.
 - The impact of trade wars is weighing heavily on the market. 26% of the respondents describe trade-related disruptions as a major obstacle to M&A, up from just 10% last year.
 - More than a third of the respondents (38%) say distress-driven M&A will propel sell-side activity in Europe. Respondents expect buy-side drivers to be undervalued targets and turnaround opportunities (both cited by 31%).
 - The largest share of respondents (38%) expects the Benelux region to see the highest M&A growth in the next 12 months, placing it in top spot for the second year in a row. The UK&I, Austria and Switzerland are also expected to drive M&A growth.
 - Over half of the respondents (51%) believe that cash reserves will be the most available source of finance in the next 12 months, followed by debt capital markets (38%).
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Non-core divestments, digitalisation and strategic growth

Respondents expect the greatest sell-side drivers of M&A activity in Europe over the next 12 months to be non-core asset sales from larger companies (42% of top-two votes) and, relatedly, distress-driven M&A (38%). Private equity divestments (36%, including 25% of first-choice votes) are also expected to feature prominently, with funds under pressure to return capital to investors.

On the buy-side, dealmakers expect a variety of factors to propel M&A, from undervalued targets (31%) and turnaround opportunities (also 31%) to supply-chain security (27%) and the ubiquitous drive towards greater levels of digitalisation (30%). Many corporates though have their sights set on strategic growth – the most anticipated driver for their acquisitions being transformational deals, with 38% identifying this as a top two reason, followed in second place by growth in new geographies and customer bases.

Securing financing

Most respondents (78%) expect financing conditions in Europe to worsen over the next 12 months, including 29% who believe it will be much harder to secure capital. Unsurprisingly, a large share of dealmakers identifies financing difficulties as a major hurdle to their M&A plans (34% of top-two votes).

Cash reserves are expected to be the most available source of finance (51%), followed by debt capital markets (38%). Moreover, two-thirds of the respondents (67%) are considering using alternative deal structures, such as convertible instruments and earnouts, as part of their M&A financing strategy over the next 12 months.

Prizing political stability

The Benelux region is expected to see the highest growth in M&A activity over the next 12 months, according to our respondent group (38% of top-two votes), followed by the UK & Ireland (29%) and Austria and Switzerland (27%). Respondents are quick to highlight the Benelux region's supportive investment ecosystem and strong logistics capabilities. Broadly speaking, dealmakers are showing a preference for regions with higher levels of political and economic stability.

Cross-border concerns

Domestic dealmaking will come to the fore over the next 12 months. Among corporate respondents, 51% do not expect to undertake any cross-border M&A. Trade-related and other geopolitical volatility is clearly a point of concern – 26% of the respondents cite trade wars as a barrier to M&A, up from just 10% in last year's survey.

Outlook for 2026

Despite pronounced market volatility, particularly in respect of EU-US trade policy, dealmakers continue to see opportunity in Europe. A number of positive tailwinds are expected to drive M&A in the near to medium term. European nations are spending more on infrastructure and defence, while regulators are taking steps to improve the region's competitiveness and attractiveness to international investors.