

AUGUST 2025

ROPES & GRAY

Mergers & Acquisitions Dealmaker's Digest

A TOP 10 BULLETIN



In this edition of *Dealmaker's Digest*, we bring you the latest transactional developments to keep you in the know.

GLOBAL M&A ACTIVITY

BLOCKBUSTER DEALS

CROSSBORDER ACTIVITY

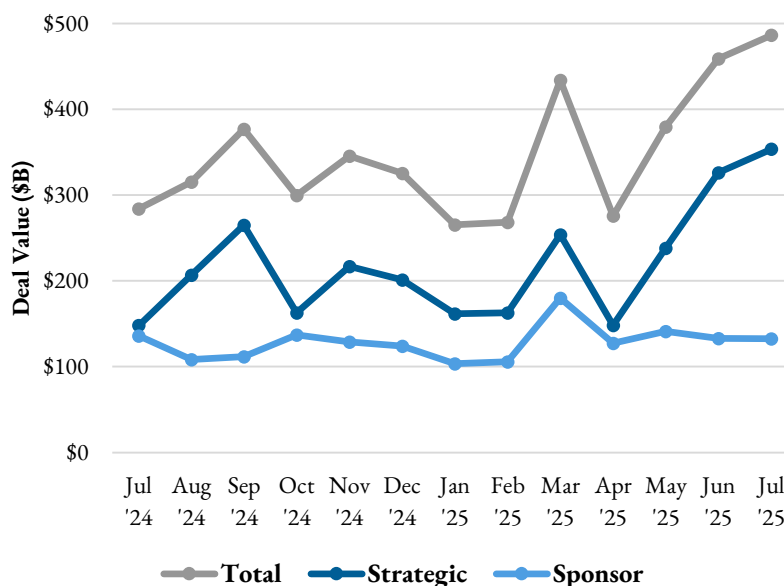
ACTIVE INDUSTRIES

MARKET SNAPSHOT: EARNOUTS

GLOBAL M&A ACTIVITY UPDATE

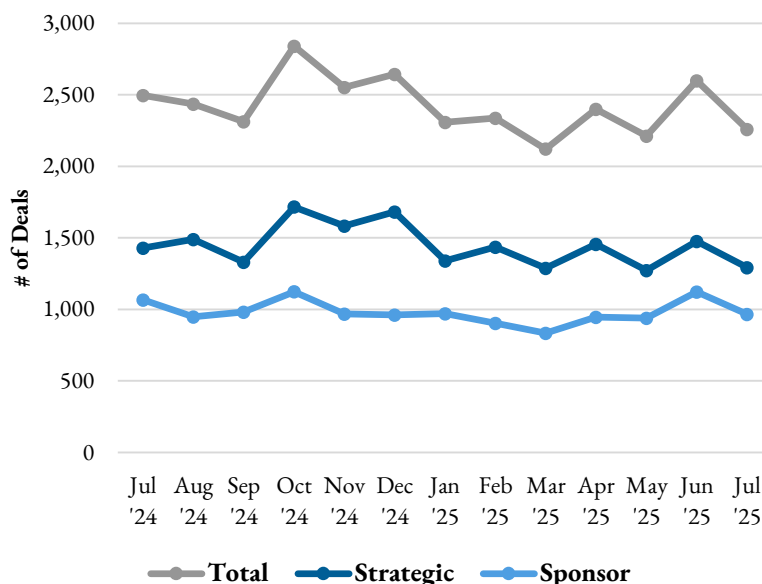
1 Deal Value Trends

- ↑ Aggregate global monthly deal value¹ in July exceeded \$480 billion, an increase of 6% from June and 71% year-over-year. Union Pacific's \$71 billion proposed acquisition of Norfolk Southern drove the highest monthly deal value in more than three years.
- ↑ Transactions involving strategic buyers in July exceeded \$350 billion and continued Q2's upswing in activity. Strategic buyer deal value was up 8% month-over-month and 139% year-over-year.
- ↔ Financial, or sponsor, buyer transactions held steady in July, down by just \$100 million. Year-over-year, sponsor buyer deal value also held steady (-2%).



2 Deal Count Trends

- ↓ Despite the upswing in monthly value, global deal count declined 13% in July and regressed toward the trailing twelve-month average (~2300 deals). Year-over-year, deal count dropped 10%.
- ↓ Strategic buyer deal count in July also declined 13% month-over-month and 10% year-over-year.
- ↓ Sponsor buyer deal count fell 14% from June and 9% year-over-year.

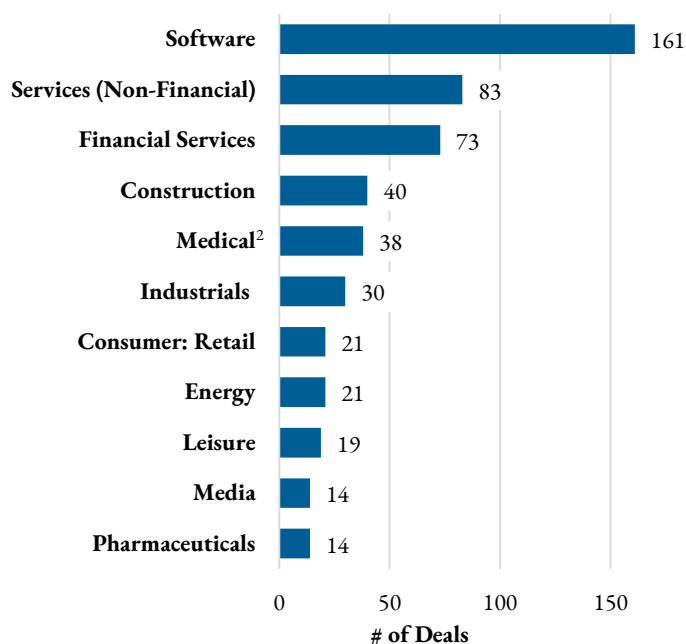


¹ Unless otherwise noted, charts compiled using Mergermarket data for July 2025 as of August 5, 2025. Aggregate deal values by dollar amount are calculated from the subset of deals with disclosed values.

ACTIVE M&A INDUSTRIES (U.S. TARGETS)

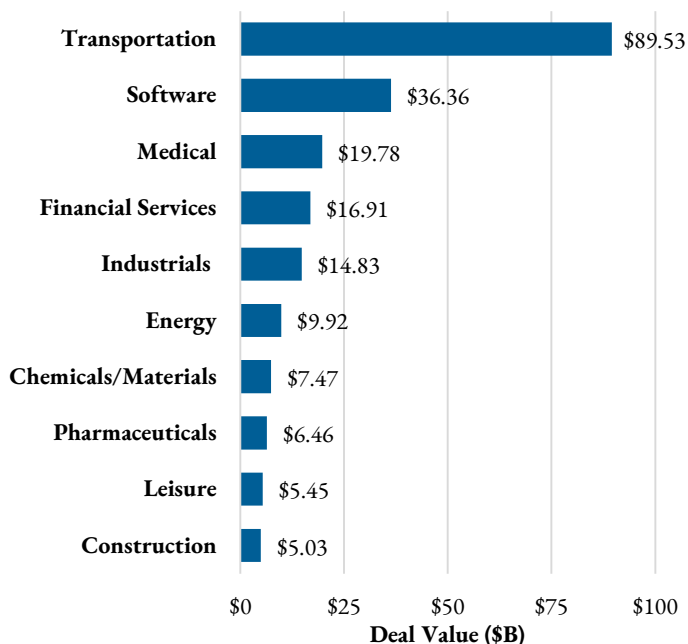
3 By Deal Count

- The software industry remained at the top for U.S. M&A activity by deal count in July, continuing its streak as the leading industry by volume.
- Services industries remained active, rounding out the top three sectors in July by deal count.



4 By Deal Value

- The transportation sector topped the charts by deal value in July, driven by Union Pacific's \$71 billion announced merger with Norfolk Southern.
- The software industry fell to second place for most active sector by deal value in July, followed by the medical industry.



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Global Blockbuster Deals

Largest
Transportation
Deal



agreed to acquire
NS
NORFOLK SOUTHERN[®] in a
stock and cash transaction
with an equity value of
approx. **\$71 billion.**



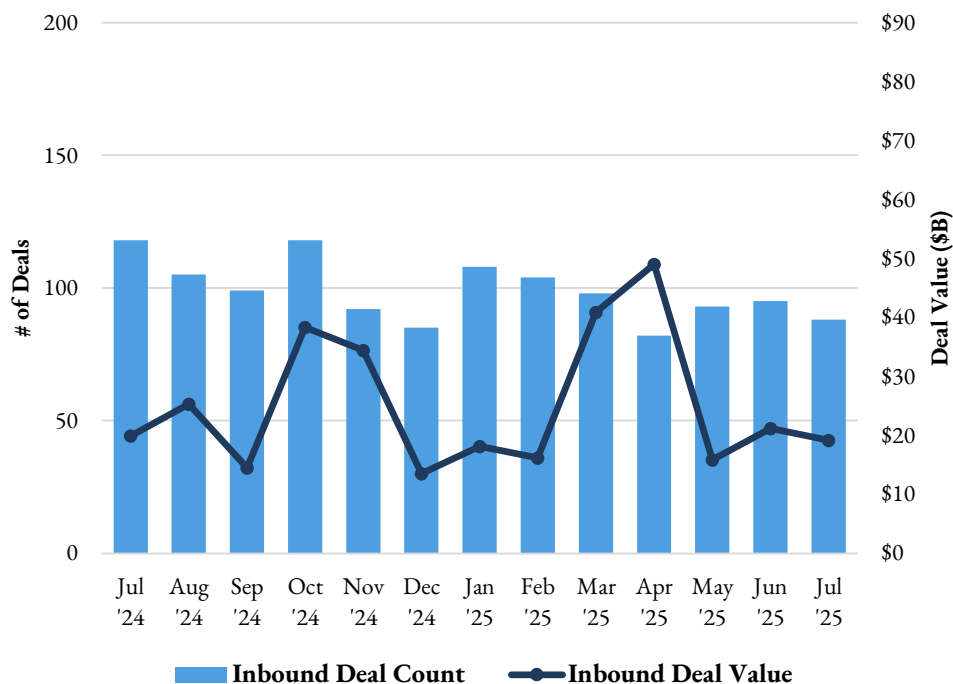
agreed to acquire
CYBERARK[®]
THE IDENTITY SECURITY COMPANY[®] in a
stock and cash transaction
with an equity value of
approx. **\$25 billion.**

Largest
Software
Deal

² Medical industry classification principally includes medical devices/technology/services, excluding biotech and pharmaceutical deals.

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Inbound U.S. M&A Activity

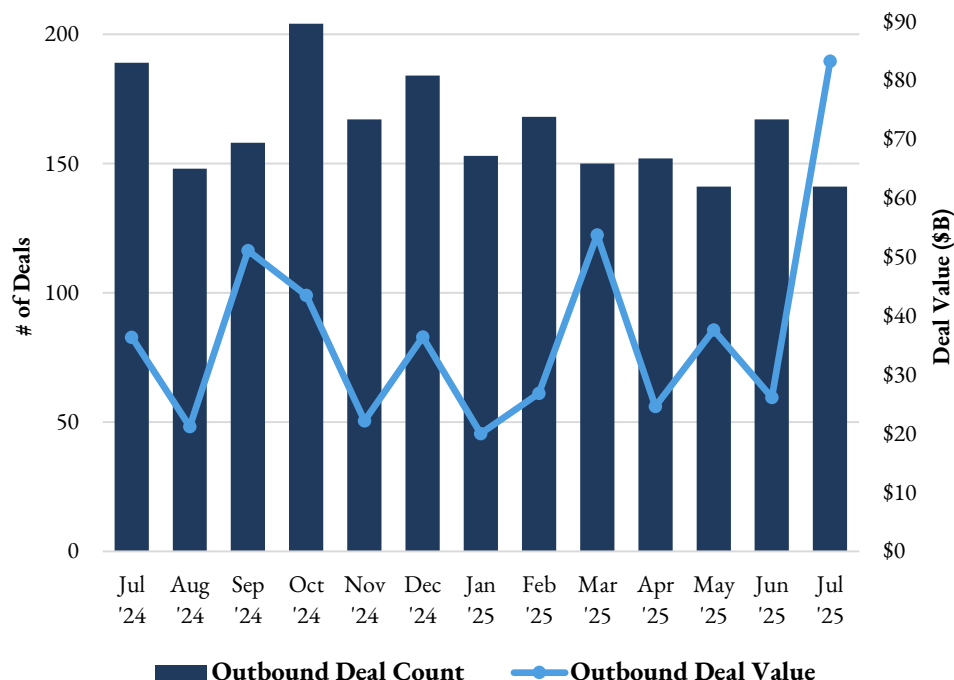


- By deal value, inbound U.S. activity in July declined 10% from June. Year-over-year, inbound deal value held roughly steady (-4%).
- By deal count, acquisitions of U.S. targets by non-U.S. acquirers declined 7% in July. Year-over-year, inbound deal count decreased 25%, likely the result of continuing political uncertainty regarding foreign investment.
- UK- and Canada-based acquirers undertook the largest number of inbound transactions in July, with 15 and 12 deals, respectively. India trailed behind with 7 deals.

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Outbound U.S. M&A Activity

- By deal value, acquisitions of ex-U.S. targets by U.S. buyers in July skyrocketed 219% from June to approximately \$83 billion, the highest recorded in over 3 years. Megadeals in the software and pharmaceutical sectors drove the increase. Year-over-year, outbound deal value was up 129%.
- Despite the boom in deal value (caused by outsized blockbusters), outbound deal count decreased 16% from June to July. Year-over-year, outbound deal count declined 25%.
- U.S. acquirers predominantly looked to targets in the UK in July, with 29 transactions. Canada took second place with 15 transactions, and Australia took third with 9 deals.



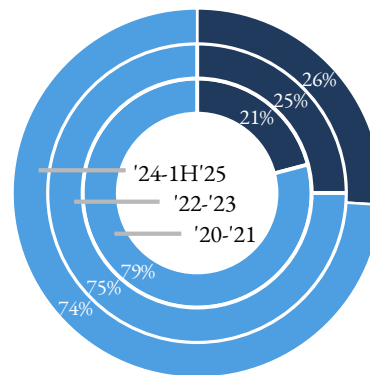
MARKET SNAPSHOT: EARNOUTS

Whether bridging stubborn valuation gaps, unlocking deals that might otherwise stall, or assuring founders they can participate in future upside, earnouts have become a defining feature of M&A in recent years. Key earnout market insights are highlighted below.

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Earnout Usage

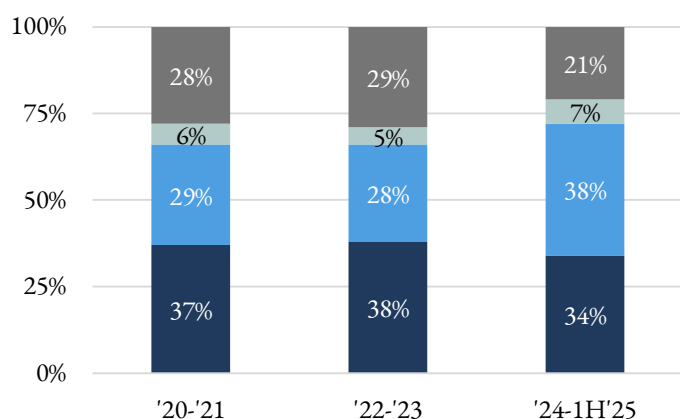
- Earnouts have gained prominence as a flexible solution to valuation uncertainty, especially in sectors facing rapid change or limited comps. They allow parties to bridge pricing gaps by tying a portion of the purchase price to the achievement of post-closing milestones, aligning incentives and enabling deals in challenging environments.
- In private-target North American deals (other than life sciences transactions)³ in which Ropes & Gray advised over the last 18 months, more than one-quarter included a milestone payment or other earnout mechanic.
- The noticeable post-2020 uptick (when 21% of comparable deals utilized an earnout) illustrates the extent to which parties have leveraged this mechanism to enable deals amid unsteady economic markets.



■ Earnout ■ No Earnout

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Basis for Earnout

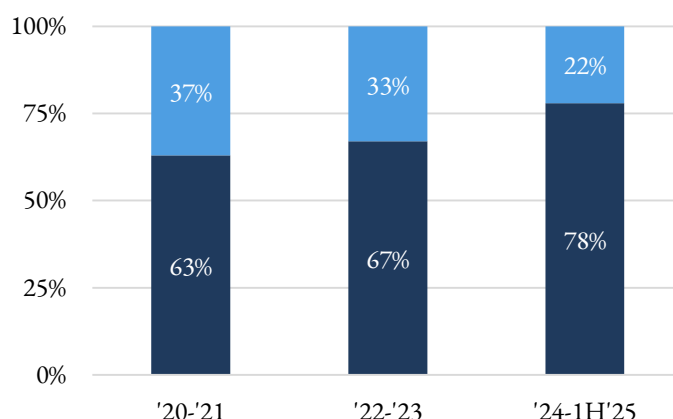


■ EBITDA/Earnings ■ Revenue/Sales ■ Both ■ Other

- Sales or revenue-based metrics have been the most frequently utilized earnout triggers over the past 18 months, followed by EBITDA or other earnings-based targets.
- Other triggers that we observe include deal-specific objectives, such as high-multiple exits, closing of add-on acquisitions or technology-focused metrics (e.g., subscription counts).

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Standard of Operation for Businesses Subject to Earnout



■ Sole discretion ■ No sole discretion

- Where earnouts are utilized, covenants and other guardrails regarding the standard of operation during the earnout period are often heavily negotiated.
- We have observed an increasing percentage of deals providing buyers with sole discretion to operate post-closing, often coupled with deal-specific or measurable obligations in lieu of “ordinary course” covenants. This trend continues from earlier years.

Ropes & Gray maintains a proprietary experience database to collect and organize data from the M&A deals we advise on. This comprehensive database provides information on over 3,000 closed M&A transactions, including a mix of mid-cap and large-cap, as well as buy-side and sell-side engagements.

³ Transactions in the life sciences sector have been excluded to better represent the prevalence of earnouts and related standards across all industries. Life sciences transactions have traditionally utilized earnouts or CVRs at higher rates and incorporate tailored milestone events (such as regulatory approvals or commercial viability standards); recent data suggests the use of earnouts and CVRs outside of life sciences is increasing.

About Our M&A Practice

Ropes & Gray's award-winning M&A practice is regularly ranked among the world's leading practices in *Chambers*, *Legal 500* and *Best Lawyers*, among others. With over 250 M&A attorneys located in the United States, Europe and Asia, our practice offers global scope and on-the-ground service where and when needed. In 2023–2024, Ropes & Gray navigated more than 400 M&A transactions, with an aggregate deal value of \$260+ billion.

RECENT RECOGNITION

 <p><i>The American Lawyer</i> 2024</p> <p>"Dealmakers of the Year," fourth consecutive year</p>	 <p><i>Legal 500 US 2025</i></p> <p>Ranked as a leading firm in numerous categories:</p> <p>M&A: large deals (\$1B+)</p> <p>Private equity buyouts: large deals (\$500M+)</p> <p>Shareholder activism – advice to boards</p> <p>Technology transactions</p>	 <p><i>Law360</i></p> <p>Nine-time "Private Equity Group of the Year" winner since 2011</p>	 <p><i>Chambers USA 2025</i></p> <p>Corporate/M&A Nationwide: The Elite</p> <p>Band 1 Nationwide Private Equity Buyouts, Mid-Market</p> <p>Band 1 New York Corporate/M&A Highly Regarded</p> <p>Band 1 Massachusetts Corporate/M&A</p>	 <p><i>Best Lawyers "Best Law Firms" 2025</i></p> <p>Tier 1 Nationwide, Boston and New York Mergers and Acquisitions Law</p> <p>Tier 1 Nationwide, Boston and New York Leveraged Buyouts and Private Equity Law</p>
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DEPTH OF EXPERIENCE

400+

Signed transactions in
2023–2024

\$260B+

Total transaction value in
2023–2024

80+

Industries and sectors

OUR COMMITMENT

250+

M&A lawyers

350+

Specialty-support
lawyers

150+

Years of practice
history

15

Offices around the
globe

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For more information, please contact your usual Ropes & Gray attorney or reach out to a member of our M&A team below.

ROPES & GRAY



Michael Beauvais
Partner, Boston
Michael.Beauvais@ropesgray.com
+1 617 951 7601



Zachary Blume
Partner, Boston
Zachary.Blume@ropesgray.com
+1 617 951 7663



Matt Byron
Partner, Boston
Matthew.Byron@ropesgray.com
+1 617 951 7836



Jackie Cohen
Partner, New York
Jackie.Cohen@ropesgray.com
+1 212 596 9296



Christopher Comeau
Partner, Boston
Christopher.Comeau@ropesgray.com
+1 617 951 7809



Ariel Deckelbaum
Partner, New York
Ariel.Deckelbaum@ropesgray.com
+1 212 596 9742



Tara Fisher
Partner, Boston
Tara.Fisher@ropesgray.com
+1 617 235 4824



Thomas Fraser
Partner, Boston
Thomas.Fraser@ropesgray.com
+1 617 951 7063



David Harris
Partner, New York
David.Harris@ropesgray.com
+1 212 596 9443



Thomas Holden
Partner, San Francisco / Boston
Thomas.Holden@ropesgray.com
+1 415 315 2355 / +1 617 951 7097



Paul Kinsella
Partner, Boston
Paul.Kinsella@ropesgray.com
+1 617 951 7921



Stephanie Lapidus
Partner, Boston
Stephanie.Lapidus@ropesgray.com
+1 617 951 7212



Michael Littenberg
Partner, New York
Michael.Littenberg@ropesgray.com
+1 212 596 9160



Arthur Mok
Partner, New York / San Francisco
Arthur.Mok@ropesgray.com
+1 212 596 9009 / +1 415 315 2325



Emily Oldshue
Partner, Boston
Emily.Oldshue@ropesgray.com
+1 617 951 7241



John Sorkin
Partner, New York
John.Sorkin@ropesgray.com
+1 212 596 9394



Suni Sreepada
Partner, New York
Suni.Sreepada@ropesgray.com
+1 212 596 9960



Eric Wu
Partner, Hong Kong
Eric.Wu@ropesgray.com
+852 3664 6505



Sarah Young
Partner, New York
Sarah.Young@ropesgray.com
+1 212 596 9710



Marko Zatylny
Partner, Boston
Marko.Zatylny@ropesgray.com
+1 617 951 7980

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