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DROOMS REPORT 2026

Executing in an Era of Market Complexities:

European M&A and PE Trends and the Technology Imperative

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Reports are written in accordance with PitchBook report methodologies, which is described in detail in PitchBook report methodology

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01. Executive summary

European PE and M&A markets are entering 2026 with some of the strongest dealmaking momentum seen in the past decade, driven by activity across major markets including **France, the UK, Ireland, DACH, Spain, Italy, Benelux, and Portugal.** Several structural forces are fuelling this momentum, including European Central Bank (ECB)'s rate cuts, pressure to deploy dry powder, and rising investor demand for **AI-driven digitalisation opportunities.** Even so, complexities can still arise for PE and M&A practitioners. Sourcing, due diligence, and execution in a high-volume environment require digital data management solutions to manage the volume, velocity, and sensitivity of information that defines modern deal execution.

Notably, the European Union's (EU) prioritisation of digital sovereignty —fortifying European control over data, compute, and cloud infrastructure—has added another layer of operational burden, from regulatory compliance to buyer execution risk.[1] Yet, this has also opened up a plethora of opportunities to fund homegrown AI infrastructure, models, and solutions for Europe. Investors will not only have to contend with a higher volume transaction environment but also regulatory compliance challenges that accompany the liberation of technology infrastructure, data management and decoupling from nondomestic technologies.

Against this backdrop, European PE and M&A flows have remained elevated—but headline figures do not tell the full story. As the leading European deal preparation and transaction platform, Drooms has worked closely with dealmakers across Europe and sees first-hand how evolving market dynamics, regulatory requirements, and AI-driven transformation are reshaping transaction processes.

Drawing on PitchBook data and Drooms' 25 years of market expertise, this report highlights three key themes defining the next phase of European PE and M&A dealmaking for 2026 and beyond—helping investors, advisors, and corporate leaders navigate an increasingly complex transaction environment:

- **European capital is concentrating around outlier bets as average PE deal sizes soar.**
- **While a handful of deals have gotten larger, add-on transactions have grown in prominence, signalling pervasive investor caution.**
- **European M&A and PE dealmaking is due for more tailwinds ahead**

These trends underscore a fundamental shift in how European PE and M&A transactions are being structured, sourced, and executed. Larger average deal sizes demand more rigorous and data-intensive due diligence processes, where the cost of information gaps is measured in hundreds of millions of euros. The proliferation of add-on transactions means fund managers are running multiple simultaneous deal processes across fragmented target landscapes—compressing timelines and multiplying the volume of sensitive documents, counterparties and compliance touchpoints that must be managed in parallel.

While consolidation momentum and focal points vary throughout Europe's most active M&A and PE markets, across all of these dynamics, the regulatory imperative of digital sovereignty adds a non-negotiable constraint: The platforms used to manage deal-critical data must credibly answer questions of jurisdiction, access control, and data security that European regulators, LPs, and counterparties are increasingly asking.

02. European market trends overview

This section offers an in-depth and data-driven glance at the complexities unfolding in European markets. Today, multiple variables are shaping European markets—from geopolitics, international relations, and monetary policy to a new industrial revolution led by AI—that dealmakers must juggle to inform sound decision-making with little to no precedent to guide them. These forces drive the push-and-pull factors behind every investment decision, but European PE investors and strategic acquirers have remained cautiously optimistic.

These three defining trends of 2025 will shape not only initial projections of capital flow trajectories in 2026 and beyond but also how investors reconcile these sources of market complexities with the AI revolution, a national push towards digital sovereignty, and, consequently, adopting the most appropriate technological stack to navigate these complexities.

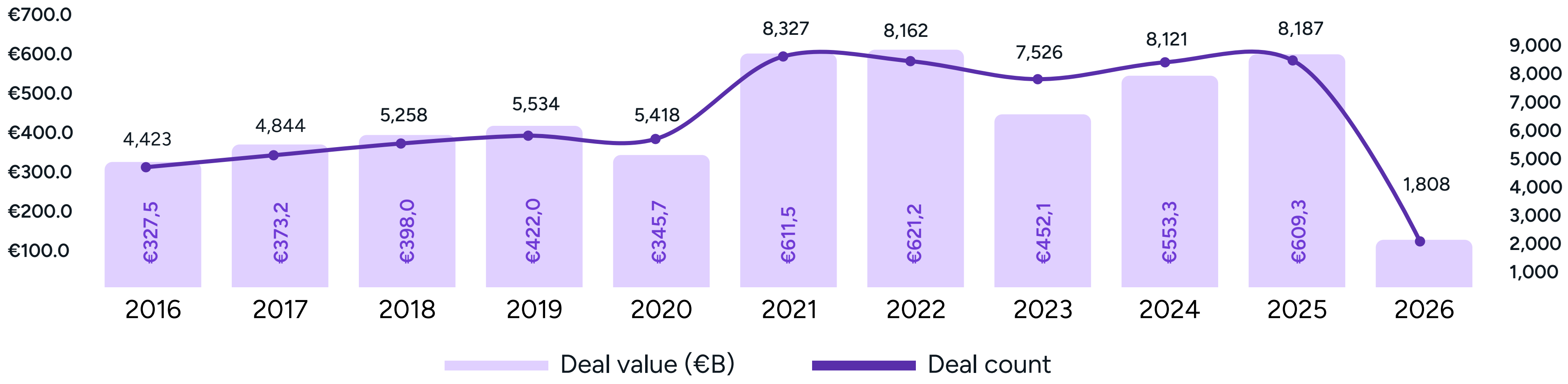
3 trends characterise European PE and M&A dealmaking:

- PE capital concentration in outlier bets
- A structural shift towards add-on transactions
- The widening opportunity set for European M&A

Europe's dealmaking is increasingly shaped by a small number of outlier transactions, but headline figures are masking the true state of the market for most participants

Upon initial analysis of European PE and M&A dealmaking figures, an increasing level of capital concentration is evident. European PE (8,187) and M&A (18,485) transaction volumes reached near decade highs by the end of 2025. While the amount of capital deployed saw a steep correction in 2023 due to unrelenting interest rate hikes—falling back down to near pre-pandemic levels—these figures have since rebounded to pandemic-level highs. Furthermore, average PE and M&A deal sizes support this trend. The average PE deal size soared to €359.7 million YTD from €289 million in 2025. Likewise, the average M&A deal size now rests at €546.3 million YTD, up from €276 million the prior year. In the same vein, the share of PE invested into multibillion-euro transactions (over €2.5 billion) rose to constitute over a quarter of all PE invested YTD.

Chart 1: PE deal activity (€B)



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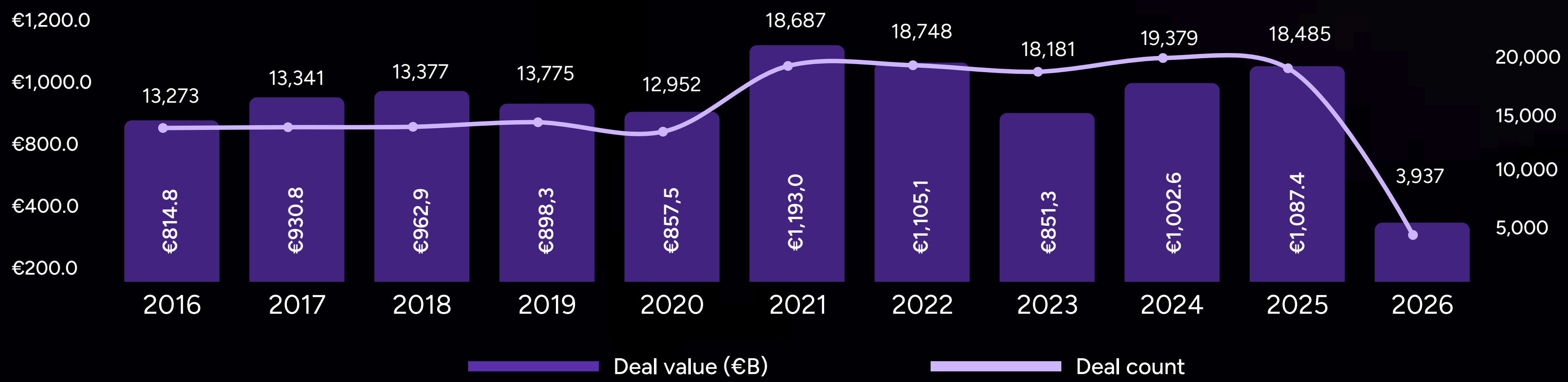
€19.7B

The largest M&A deals closed (YTD)

Capital concentration and market consolidation have been driven by robust M&A activity. Strategic acquisitions constituted well over 60% of M&A transaction volumes and value generated YTD compared to PE leveraged buyouts' (LBOs) roughly 40%. In fact, the largest M&A deals closed YTD were JDE Peet's €19.7 billion public-to-private deal by Keurig Dr Pepper, and Beazley and SolGold's €8 billion and €9 billion acquisitions, respectively. While these are far from the largest M&A deals to close in European history, the **overall strength of strategic acquisition dealmaking illustrates a slight improvement in credit conditions as well as a shift towards more equity-heavy deal structuring,** which tends to favour corporates with strong balance sheets.

Chart 2: M&A activity (€B)



Optimistic readings of headline dealmaking figures can easily obscure more elusive but equally important benchmarks used when assessing overall market sentiment in PE and M&A dealmaking. Not all PE buyouts are equal: Deal type matters. Transactions—LBOs, management buyouts, add-ons, secondary buyouts, public-to-privates and others—differ in leverage, expected outcomes, and sensitivity to interest rates and the business cycle. The trend towards larger outlier transactions notwithstanding, add-on acquisitions continue to define the texture of European PE dealmaking—smaller in scale but no less consequential as a value creation strategy when ongoing fundraising challenges, macro headwinds and higher interest rates make larger mid-cap and large-cap platform bets more challenging to execute.

Nonetheless, larger outlier transactions, often concentrated in AI infrastructure, cloud computing, and European technology champions, lie at the heart of Europe's digital sovereignty agenda. Competing for these assets requires practitioners to not only understand complex, fast-moving technology businesses but to conduct diligence on them securely, given that the underlying assets—proprietary models, data infrastructure, and compute agreements—are precisely the kind of strategically sensitive information that European regulators are most concerned about protecting.

A deal platform operating under European jurisdiction is not merely a compliance convenience in this context; it is a prerequisite for conducting diligence on Europe's most consequential deals without introducing the jurisdictional exposure that a US-controlled platform would create.

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Chart 3: Median and average PE deal value (€M)

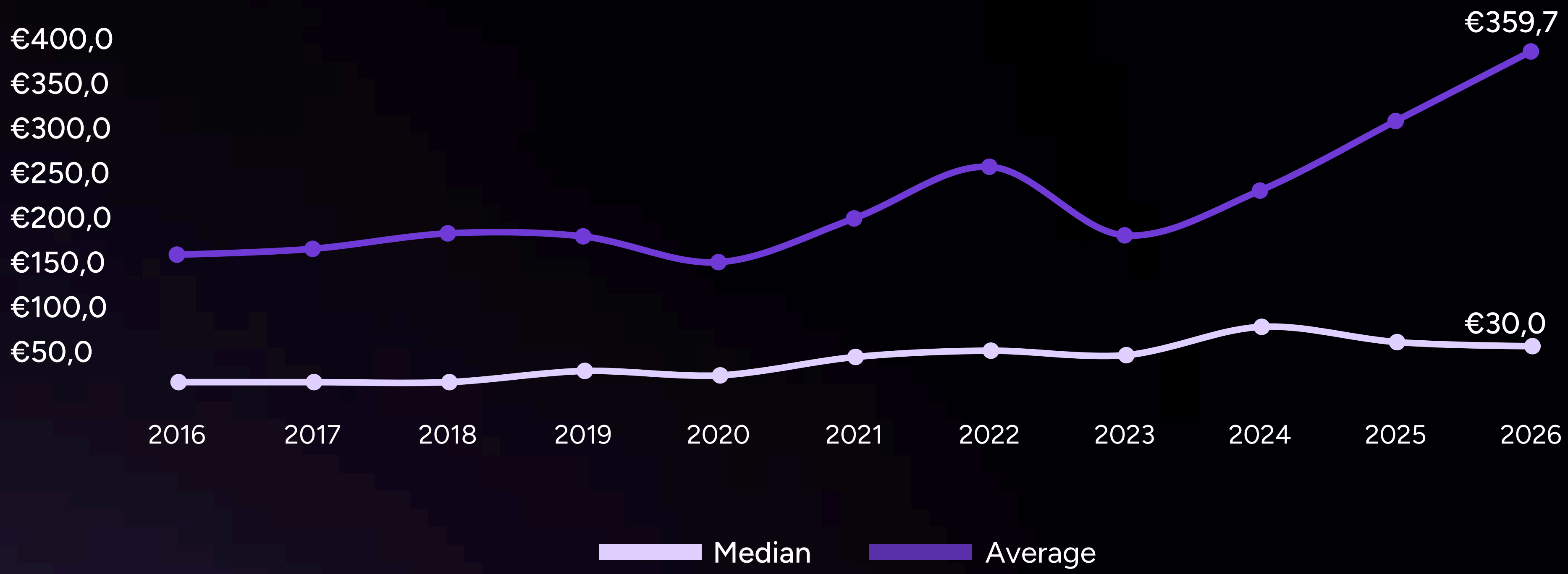
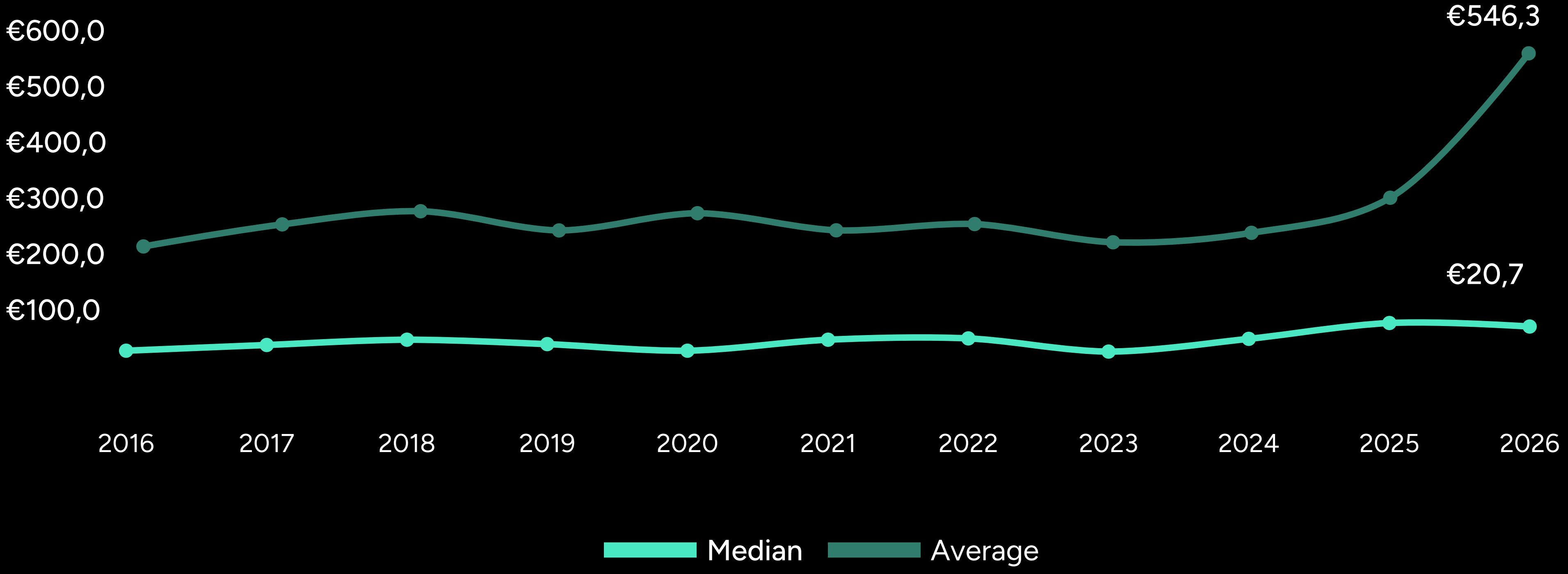


Chart 4: Median and average M&A value (€M)



2.1%

The rise of add-on transactions reflects something deeper than tactical caution: It signals a **structural shift in how European PE creates value**

Add-on transactions have grown steadily as a share of European PE deal activity throughout the cycle, accelerating further in periods of macro uncertainty. The volume of add-on transactions increased from 56% in 2025 to 58.1% YTD, continuing an upward trend in this strategy's share of European PE deal activity. Add-ons are a structurally more conservative buyout strategy because they are typically smaller and less leveraged. Thus, this reflects a re-orientation of the European PE value creation model: **GPs are approaching value creation by building scale within existing portfolio companies rather than deploying fresh capital into new ones.**

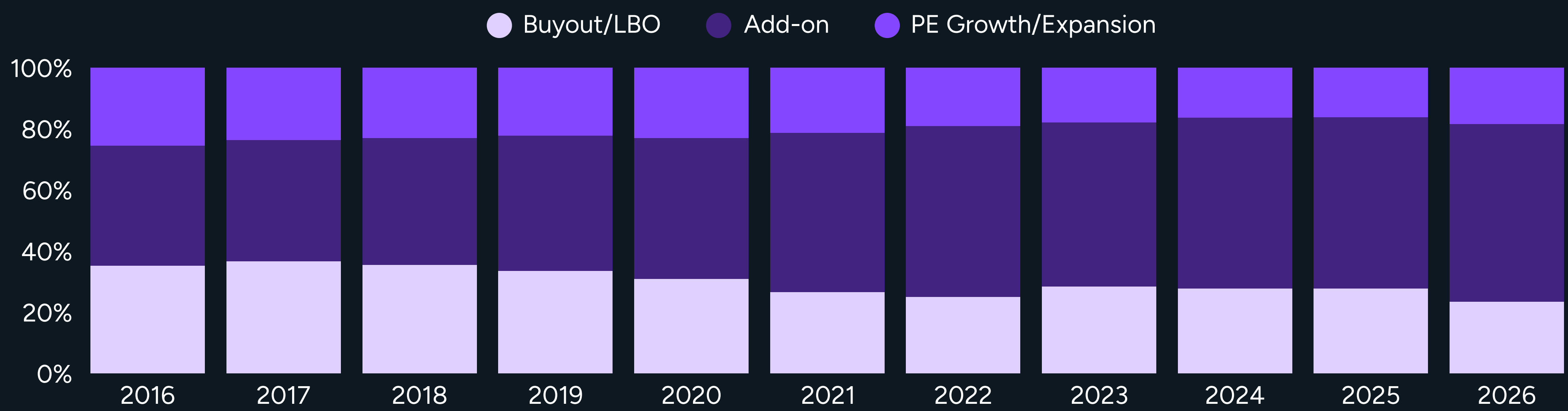
The rise of add-ons also reflects broader investor sentiment and challenges in Europe. Sponsor preferences for equity-heavy, debt-light strategies (add-ons among them) grew despite the ECB's rate cuts at the end of 2024. The growing popularity of add-ons in an improving rate environment is seemingly counterintuitive, but investor anticipation of continued uncertainties around the cost of borrowing and geopolitical shocks in the future, as well as inflated valuations from the influx of US sponsor activity, has kept investor strategies cautiously optimistic.[2] **Given the uncertainties that have defined the post-pandemic dealmaking environment, it is a sentiment, not a lack of capital, that has funnelled capital into more add-on transactions relative to other PE strategies.**

The operational consequences of this shift are compounding. With add-ons constituting a growing share of deployed PE, fund managers are simultaneously managing more portfolio companies, running more parallel diligence processes, and integrating more acquired entities than at any prior point in the cycle—making improvements in GP operational capability, rather than deal sourcing alone, the primary driver of returns.

In this environment, technology infrastructure is crucial to smoothing the investment process.

AI-powered deal platforms are transforming how practitioners screen targets, extract insights from diligence materials, and manage the flow of sensitive information. Critically, as Europe's digital sovereignty agenda tightens the rules around data jurisdiction and cross-border information flows, the choice of platform matters as much as the capability it offers. A deal platform operating under European legal jurisdiction can help reduce compliance risk and ensure that the most sensitive moments of a transaction are protected by the same regulatory framework that European fund managers are increasingly being held to.

Chart 5: Share of PE deal count by type



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Investor sentiment has broadly remained cautiously optimistic, and that sentiment has shaped the structural complexities observed in the data thus far, from capital concentration in outlier transactions to a growing prevalence of risk-averse add-on strategies. Investors have, evidently, displayed a clear message: **They have the money to spend but lack certainty of where to spend it.** Thus far, investors have deployed capital in relatively conservative strategies aimed at familiar investment targets.

However, a third structural theme has also emerged, piling on to the uncertainties shaping European markets. **This theme is fragmentation.** In 2025, the ratio of M&A transaction volumes to the number of existing privately backed companies across Europe's largest and most active regions broadly fell. In other words, major European markets have seen their private company inventories grow faster than acquisition activity, signalling greater fragmentation rather than consolidation despite record M&A dealmaking activity.

This dynamic has two underappreciated implications. First, it means the **Europe-wide opportunity set for M&A and PE is structurally larger than deal activity alone suggests;** there is a deepening reservoir of assets across the continent. Second, it means that as deal activity accelerates in 2026, **the ability to identify, prioritise and move on the right targets within an increasingly large universe of options becomes the defining competitive challenge.** Therefore, data infrastructure is not a back-office consideration—it is the front-line tool by which practitioners either gain or cede their informational edge.

Europe's private company universe is growing faster than its transaction market can absorb, but the pressure is building unevenly across regions

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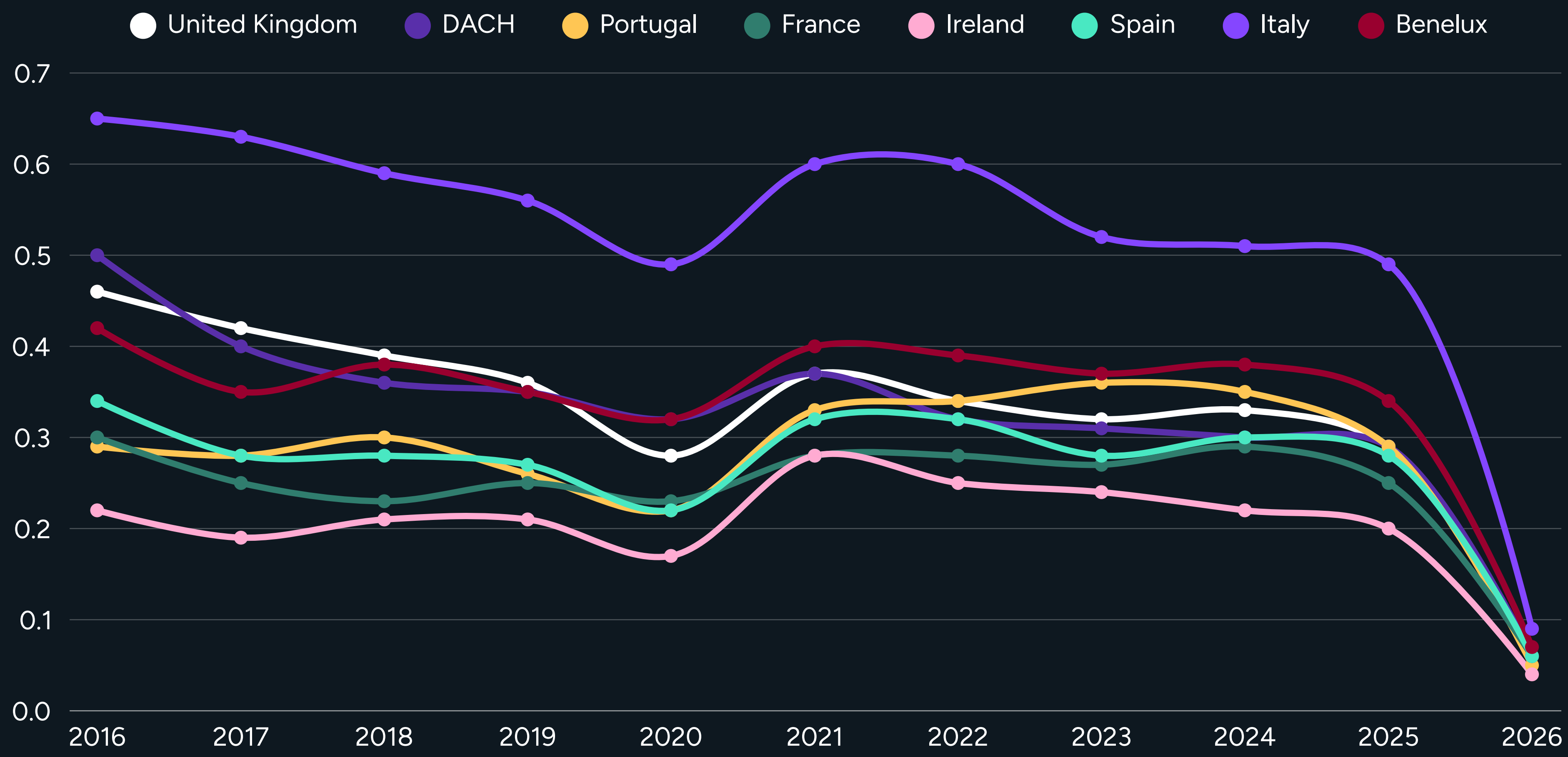
Chart 6: Ratio of M&A deals to privately backed company inventory by region



03. Regional divergences

Digital sovereignty is driving regional divergences in European dealmaking

These three defining themes in European PE and M&A markets have produced an increasingly sophisticated operational environment for market participants. Digital upgrades to internal tech stacks are becoming paramount to not only managing data and documentation but also translating data points into actionable insights. However, structural market complexities are not the only challenge practitioners must contend with. The EU's political agenda—decoupling from nondomestic technological infrastructure and fortifying local capabilities and innovation to secure their digital sovereignty—provides guidance on how practitioners should act on the forces of complexity outlined in this report and align their strategies with the national push towards digital sovereignty.

It is within this context that the report turns to regional divergences across Europe's PE and M&A landscape. The eight regions examined here—**France, the UK, Ireland, DACH, Spain, Italy, Benelux, and Portugal**—account for most European private market activity and present a distinct set of opportunities that reflect and shape the continent's broader push towards digital sovereignty and AI-driven innovation.

The EU's pursuit of digital sovereignty will necessitate greater connectivity infrastructure build-out, a deeper information and communications technology talent pool, secure energy supply chains, and widespread digitalisation across sectors.[3] However, the most salient challenge to private markets in these eight regions is enabling European tech champions to present as robust substitutions to US Big Tech players, which constituted 65% of Europe's cloud services market[4]. Europe's tech market is becoming increasingly fragmented, and the regulatory landscape remains cumbersome. To nurture homegrown national champions, consolidation and partnerships are prerequisites to achieving the scale, networks, and know-how to serve an economic bloc of 27 countries worth almost €20 trillion.

Europe’s leading tech players, such as Mistral AI, DarkTrace, and Scaleway, have leveraged the consolidation playbook to enter the forefront of regional tech dominance and inadvertently position themselves as strong contenders to lead the EU’s push for digital sovereignty. French large-language-model company Mistral AI acquired Koyeb in February 2026 to vertically integrate its tech stack offerings, enabling clients to leverage its AI models and integrate the model into their own tech infrastructure. Thoma Bravo-backed DarkTrace acquired Cado Security and Mira Security over a span of six months in 2025 to systematically fill capability gaps and scale its AI-powered cybersecurity platform. Like Mistral AI, cloud computing operator company Scaleway acquired Saagie in 2025 to compete as a full-stack sovereign platform rather than just an infrastructure provider. Already, Scaleway has made demonstrable progress in enabling Italy’s digital sovereignty—signing a strategic partnership with S2E to proliferate digitalisation and AI adoption with sovereign solutions across the country.[5] France’s digital sovereignty efforts are also underway, replacing Microsoft Azure with Scaleway to host the country’s Health Data Hub.[6]

As evidenced by Europe’s most prominent tech companies, acquisitions (including strategic acquisitions and sponsor-backed add-ons) enable companies to quickly attain the necessary technical capabilities and talent to achieve digital sovereignty sooner. However, the consolidation playbook has played out unevenly across Europe’s most active private market hubs. Such insights inform which markets possess the greatest potential for acquisitions and technological upgrade and which will spearhead the EU’s digital sovereignty efforts—either of which necessitate enhanced data management and analysis capabilities.

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France and Germany lead AI innovation and make strong contenders to lead Europe's digital sovereignty initiatives

Digital sovereignty—which includes homegrown AI innovations—was a key driver in regional divergences in private market outcomes. Europe's more prominent regions at the forefront of innovation, funding, and digital sovereignty are examined below to shed light on the opportunities and challenges shaping each market and what this ultimately means for the EU's ambitions to build and scale domestic tech champions.

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Chart 7: Regional M&A activity as a share of all Europe M&A activity

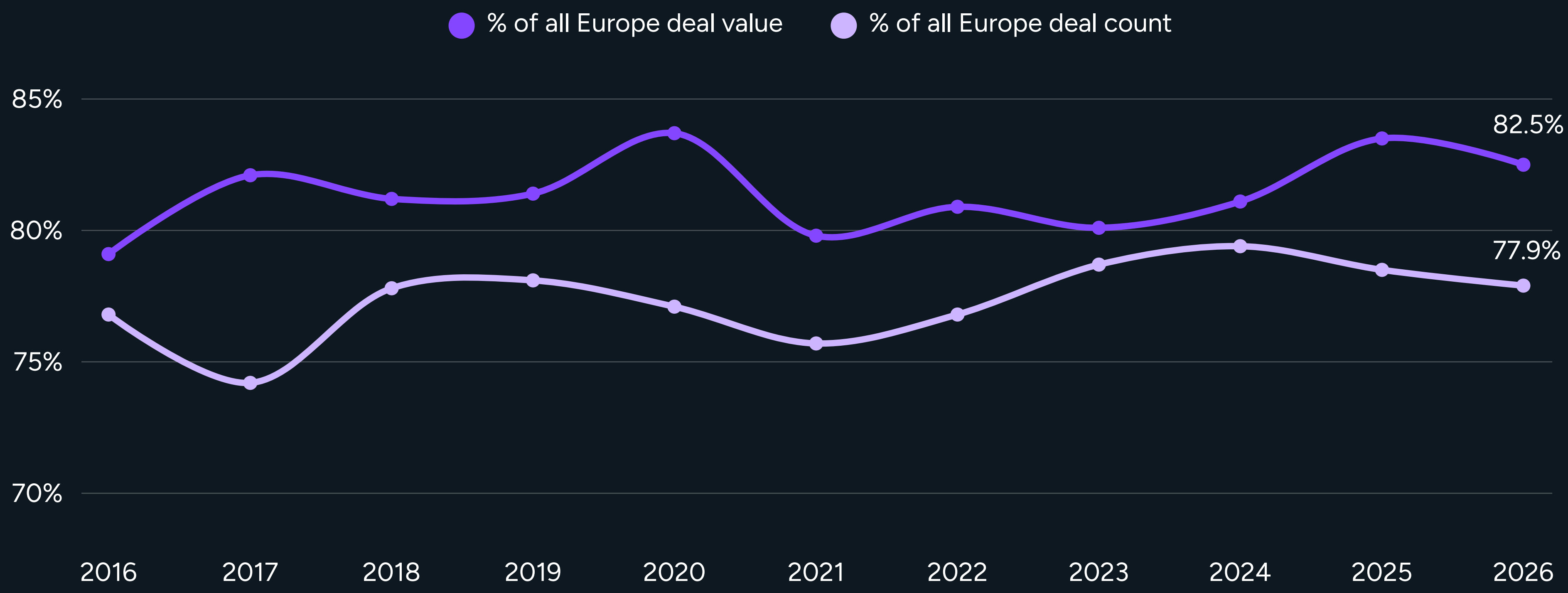

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Chart 8: Share of M&A value by region

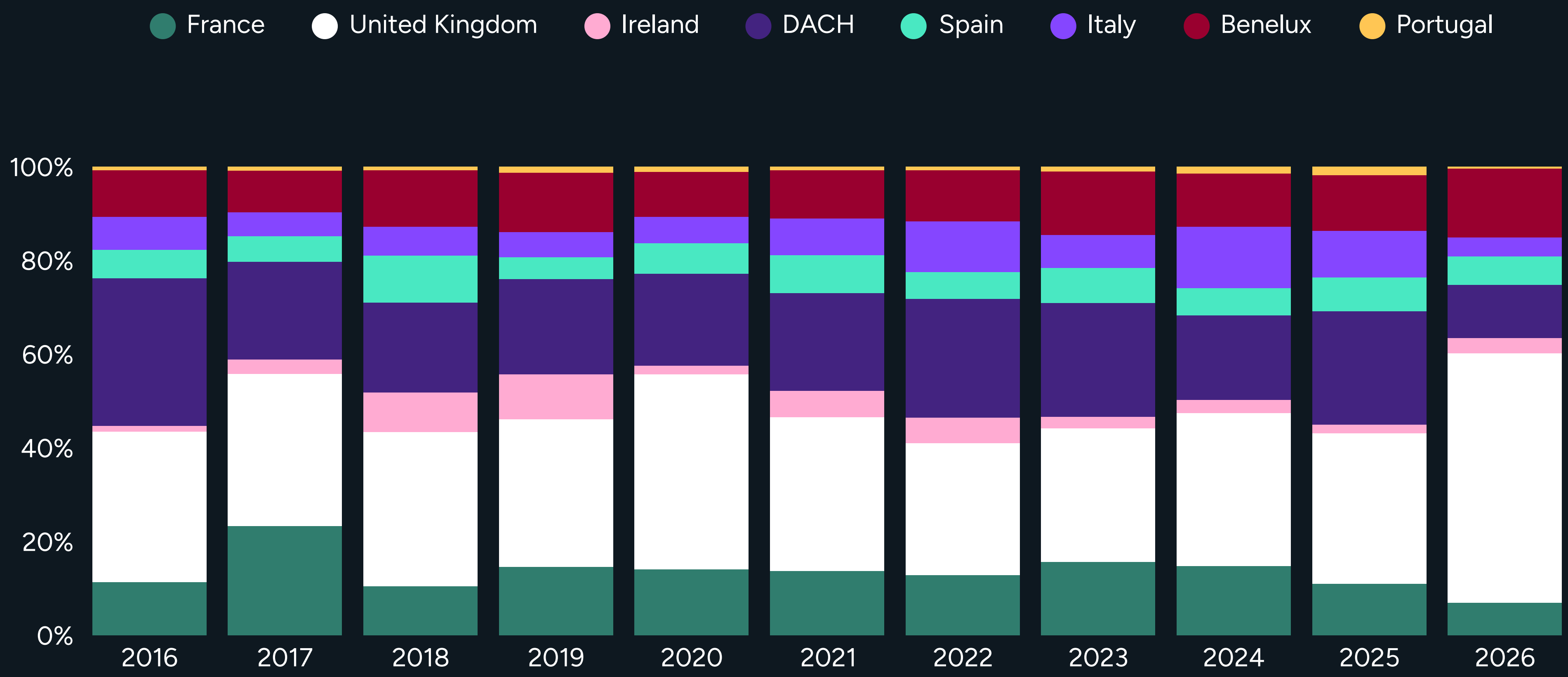

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Chart 9: Share of M&A count by region

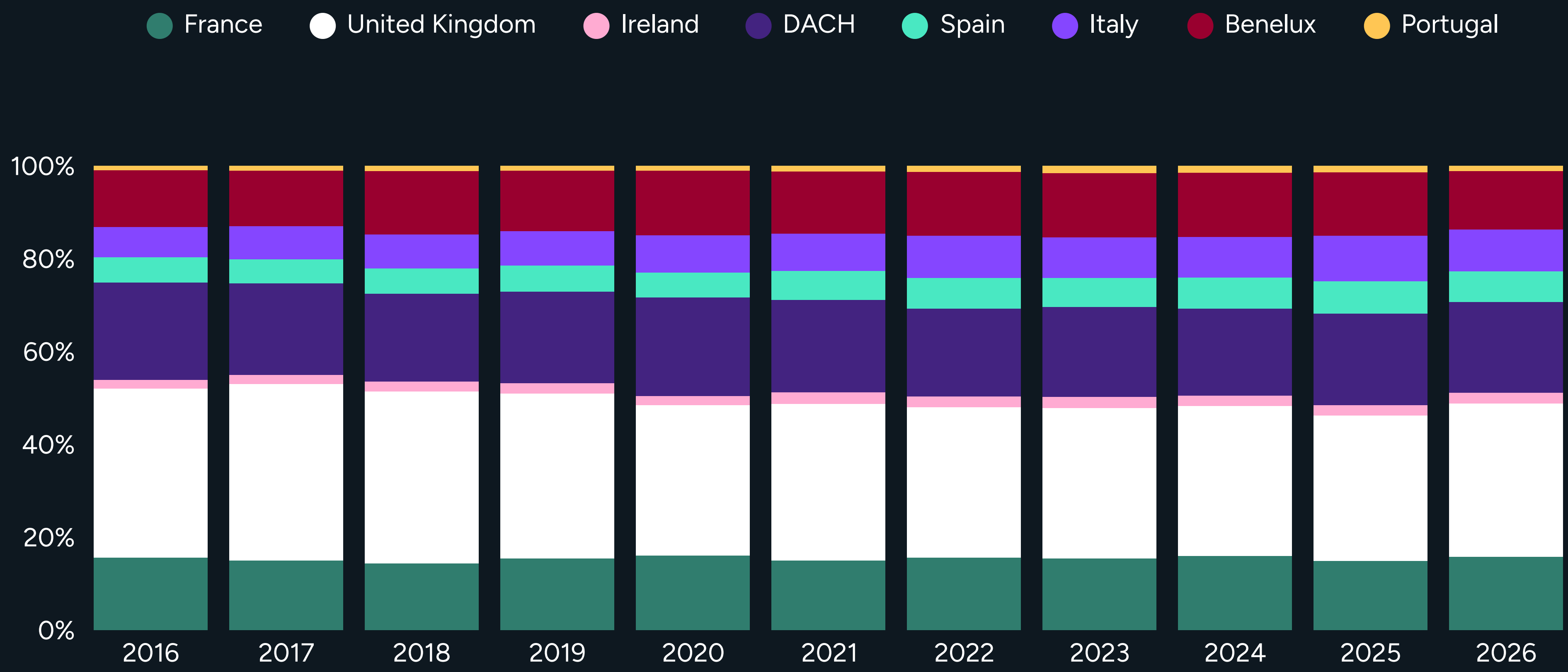
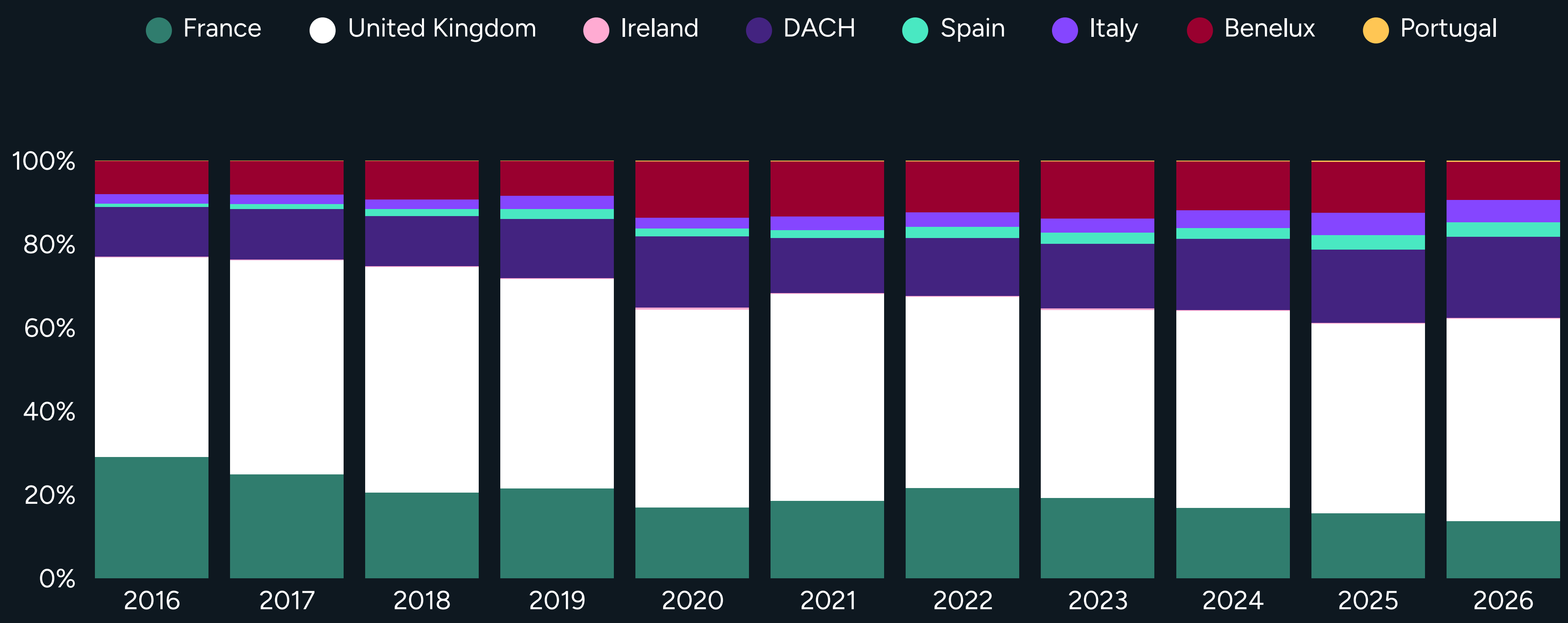


Chart 10: Share of HHI based on PE deal count by region



France

As a co-architect of Europe's digital sovereignty agenda, France is arguably the continent's most consequential market for AI- and tech-driven M&A. In November 2025, France and Germany hosted a Summit on European Digital Sovereignty, which identified AI, data, and digital public infrastructure as focal points to achieving European technological independence. It is no surprise that many of Europe's leading foundational AI model developers (Mistral AI), AI research labs (Kyutai), AI infrastructure (Scaleway), cloud companies (Outscale), and vertical AI applications (AQEMIA) are domiciled in France.

Consolidation is the key to scaling tech champions. In 2025, France's M&A (2,160) and PE (1,076) transaction volumes were the third highest counts across major European ecosystems, trailing slightly behind the DACH region. Not only was France one of the most active M&A and PE markets, but the country's pace of consolidation over time was just as robust. Buyout volumes have grown steadily since 2016, reaching 303 in 2025, while add-on counts (559) now significantly outpace new platform entries. The median PE deal size is now 14.7x YTD (€42.5 million) from where it was in 2016 (€2.9 million), and the country commands some of the highest M&A multiples (12.3x) among all eight regions discussed. Thus, comparisons of absolute figures among the eight markets underestimate the value French companies offer.

Strong deal sizes and valuations among select high-quality investment targets reflect a maturing sponsor ecosystem executing buy-and-build strategies at scale.

France's position as a thought leader and incubator of AI innovation as well as competitive M&A and PE dealmaking dynamics bode well for the EU's grander ambition of achieving digital sovereignty. France will be one of the leading European economies to establish credible tech champions that could serve not only European markets but also global ones.

United Kingdom

The UK remains the dominant European private markets hub by every measure, generating **€292.3 billion in M&A deal value** in 2025 and **€169.4 billion in PE deal value**—the highest of any region.

With 4,545 M&A deals and 1,857 PE deals in 2025, the market's sheer volume and breadth are unmatched. Add-on activity has surged, with 1,064 add-ons in 2025—the highest count among all eight regions—underscoring the structural shift towards consolidation-driven value creation. The market is also conspicuously bifurcated. In 2025, the UK's median M&A deal size of €25.6 million sits far below the average of €317.6 million, confirming **a small number of very large strategic transactions dominate reported value while midmarket activity drives count.**

However, big does not always mean better. Headline figures appear optimistic, but the UK's scale-up funding gap and its reliance on cross-border capital to close this gap adds nuance. In some instances, the UK's reliance on cross-border capital highlights a broader tension shaping Europe's digital sovereignty ambitions: balancing openness to global investment with the desire to build and retain strategically important domestic technology capabilities. Google's 2014 acquisition of London-based AI startup DeepMind (now known as Google DeepMind) illustrates this trade-off: A dearth of scale-up capital and nonacquisition exit pathways drives many UK startups to overseas sponsors and strategic acquirers.

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In other instances, nondomestic investors can offer the networks and financial resources to challenge incumbents. SoftBank's acquisition of Graphcore in July 2024 was a rare boon to the UK because Europe's lack of a semiconductor manufacturing champion meant Graphcore would compete in an unsaturated market, and Graphcore gained the financial firepower to compete for global market share currently dominated by NVIDIA. Netherlands-based ASML, the world's sole extreme ultraviolet lithography machine manufacturer, is a model example of what the UK can achieve if it plays its cards correctly with Graphcore. At the same time, Graphcore would join the ranks of ASML at the centre of Europe's digital sovereignty ambition.

All in all, the UK illustrates both the strengths and trade-offs of Europe's globally integrated technology ecosystem—a deep bench of AI leaders and talent and robust private markets activity on one hand, and a persistent scale-up funding gap on the other. Closing that gap is what stands between the UK and a homegrown global tech champion.

Despite world-class AI talent and active private markets, **the UK's persistent scale-up funding** gap continues to hold back a home-grown global tech champion.

Ireland

Ireland has long attracted multinational enterprises (MNEs) and is a vibrant tech and healthcare startup ecosystem due to its business-friendly low-tax regime, highly skilled English-speaking talent pool, and its position as a gateway into the EU market.

Ireland hosts significant European operations for hyperscalers, including Microsoft, Google, and Amazon. Ireland's reputation of building and nurturing innovative startups at the forefront of solving the world's most pressing problems has also meant that the majority of its consolidation activities have been driven by overseas acquirers and investors. As such, **the country's distinctly globalised posture leaves it exposed to geoeconomic fragmentation risks**—policy-driven economic decoupling between countries —as well as "geo-technological" challenges, which underlie the EU's efforts to promote digital sovereignty in light of the more contentious and unpredictable US-EU relationship.

Amid this backdrop, Ireland sits at the centre of geo-technological tensions, exacerbated by regulatory compliance contradictions between the US Clarifying Lawful Overseas Use of Data (CLOUD) Act and the EU's General Data Protection Regulation and data and cloud sovereignty ambitions. Ireland's acquisition activities allude to this challenge as well. Despite being one of the smallest M&A and PE dealmaking markets, Ireland's average M&A and PE deal sizes are the most volatile, where the average PE and M&A deal size reached nearly €1 billion and €700 million, respectively, YTD. Some of Ireland's largest M&A deals in history were, in fact, all purchases made by nondomestic acquirers. Thus, **regulatory compliance with nondomestic direct investments and cross-border acquisitions will pose the strongest barriers to achieving digital sovereignty but will also provide an area of opportunity to leverage technological solutions.**

DACH

The DACH region is **Europe's economic powerhouse,** a significant investor in research & development and a key market for innovation. The region, which consists of Germany, Austria, and Switzerland, contains two of Europe's largest economies by nominal GDP and commands one of the highest GDP per capita figures. Germany's strong economic positioning leaves no doubt as to how its companies became coveted acquisition targets and why they consistently earn the highest acquisition premiums across Europe.

The breadth of industry-leading players is also evidence of the quality of the DACH innovation ecosystem. SAP is Europe's largest software company and Germany's flagship enterprise tech asset; Aleph Alpha is Germany's sovereign large-language-model answer to Mistral; Helsing is one of Europe's most-watched defence AI companies; and DeepL is a homegrown AI translation leader.

Germany is one of the most active PE and M&A markets in Europe in terms of volumes and capital deployed, trailing behind the UK. Despite robust acquisition momentum, **Germany remains more isolated from cross-border regulatory compliance risks because many of the country's largest acquisition deals were made by investors located in the same economic bloc.** Cross-border regulatory compliance risks elevate exponentially with overseas acquirers. While Germany has also captivated US investors in recent years, it is German and UK acquirers that have consistently driven Germany's largest acquisition deals.

Consolidation is rising steadily, but what is most notable about capital deployment in Germany is the price buyers are willing to pay. German acquisition targets consistently garner the highest median M&A enterprise value/EBITDAmultiples, peaking at 13.5x YTD. UK-based PE firm CapVest Partners’ €7 billion acquisition of STADA Arzneimittel, one of the largest European PE exit events in 2026, commanded a 10.4x multiple. Buyers’ willingness to pay for quality assets can raise the bar for exit returns and demand greater diligence precision at entry. For Europe’s digital sovereignty, this means that German assets most critical to Europe’s technological independence—from enterprise software platforms to industrial AI infrastructure—will change hands at valuations that leave little margin for error, making the **quality of diligence and data management infrastructure not just operationally important, but commercially decisive.**

German targets command the **highest median M&A EV/EBITDA** multiples, reaching 13.5x YTD.

Spain

Spain is emerging as one of Europe’s most dynamic midmarket PE hubs. PE deal counts have more than tripled since 2016, reaching 486 in 2025.

PE growth and expansion transactions have gained meaningful traction since 2021, reflecting a maturing market where minority and growth-oriented structures increasingly complement classic buyout strategies. Spain’s dealmaking momentum is also attracting large-cap attention: The region posted the highest median PE deal size among all eight European countries and an outlier average M&A deal size of €453.4 million YTD, suggesting that **transformative transactions are beginning to sit alongside a high-frequency midmarket base.**

Much of this large-cap activity is concentrated in sectors directly relevant to Europe’s digital sovereignty agenda. Spain has emerged as a preferred destination for datacentre investment, driven by favourable land availability, lower energy costs relative to Northern Europe and strong subsea cable connectivity to Latin America and Africa—making it a natural choice for AI compute infrastructure build serving both European and global demand. Telefónica, Spain's telecommunications giant, has become an increasingly active participant in European AI and cloud infrastructure, while a growing cohort of Barcelona- and Madrid-based enterprise software and fintech companies are attracting cross-border PE interest. Quantum AI software developer Multiverse Computing is another notable standout among Spain’s homegrown AI companies. **As the EU deploys its national digital roadmaps, Spain’s infrastructure advantages and deepening sponsor ecosystem position it as an important node in Europe's sovereign technology build-out.**

Italy

Italy presents one of the most compelling consolidation stories in European private markets. With respect to other active M&A and PE regions in Europe, Italy's ecosystem is markedly smaller but growing.

PE deal counts have grown every year since 2016, reaching 667 in 2025, while add-on counts have nearly doubled over the same period —pointing to a maturing sponsor ecosystem building platforms across fragmented sectors. Most tellingly, Italy's ratio of M&A deals to private company inventory, at approximately 0.49, is the highest of any market in the dataset, meaning **acquisitions are outpacing the supply of investable private company targets.** Consolidation is a positive indicator for market maturity and competitiveness. While consolidation activities have accelerated, acquirers in Italy have shown limited interest in the technologies and sectors that enable digital sovereignty.

In fact, the country's private market activities are unsurprising: Italy is the second-largest manufacturing economy in Europe after Germany and thus benefits from scaling its manufacturing industry.[7] While data has yet to display the alignment of private market investors with the broader EU agenda of building digital sovereignty capabilities, there are political signals that foreshadow a shift in investments going into the future.

Over the past few years, Italy has participated in highly visible initiatives to bolster EU technological capabilities. Subsequent to Italy joining the European High Performance Computing Joint Undertaking (EuroHPC JU) in 2025, it has since led efforts to build homegrown supercomputers (Leonardo Supercomputer) and open-source AI infrastructure and AI supercomputers (IT4LIA AI Factory) as well as re-skilling the workforce in preparation for a highly integrated AI future (National Competence Centre and MINERVA Project). Government guidance provides clear milestones and strategic direction for private markets to implement. While such initiatives are intended to direct private and public capital to enable national technological imperatives, it remains to be seen which Italian companies will emerge as leaders or the scale to which private market acquirers will redirect their investment strategies. **However, the bricks are slowly being laid with Italian AI startups such as iGenius paving the path forward to digital sovereignty, beginning with its first-of-a-kind sovereign AI datacentre.**

Italy's M&A and PE transactions **remained concentrated in manufacturing industries,** such as industrial supplies and parts, chemicals, and machinery.

Benelux

3rd place in European PE deal value and 1st place in add-on volume

Benelux's outsized presence in European private markets—third in PE deal value at €62 billion in 2025 and first in add-on count at 598—is the product of its distinct economic character. A highly open economy with a disproportionate concentration of global headquarters, financial services institutions, distribution and logistics networks, and technology businesses generates deal activity that consistently punches above the region's geographic footprint. The M&A market reinforces this picture: 1,988 deals generating €108.1 billion in value in 2025, with transaction velocity that has remained elevated even as other markets have moderated. Just as Italian PE and M&A activity was shaped by its economic strengths, Benelux was no exception. Software, distribution/wholesale, and IT consulting and outsourcing were just a few major areas of PE and M&A deal activity in 2025, in line with its regional strengths.

The density of its global technology operations places Benelux at the centre of Europe's digital sovereignty agenda in ways no other market can replicate. Netherlands-based ASML is the single most critical chokepoint in global semiconductor supply chains and an indispensable pillar of the EU Chips Act. Beyond semiconductors, like Ireland, Benelux's concentration of global technology headquarters makes it one of the regions most exposed to the US-EU technological tensions, which are increasingly shaping how practitioners structure deals and select the platforms through which deal-critical data flows. Nonetheless, Benelux is still a conglomeration of innovation powerhouses working collectively to achieve technological independence from major nondomestic tech companies and will undoubtedly serve as a frontrunner for the EU's digital sovereignty efforts.[8]

Portugal

2x higher M&A deal count, **3x higher** PE deal count, **~6x higher** add-on activity since 2016

Portugal is a comparably smaller market than the rest of its European peers and rests earlier in its M&A and PE development cycle, but its demonstration of accelerated future growth will warrant continued observation. Portugal's M&A deal counts have more than doubled since 2016 to 197 in 2025, PE deal counts have grown threefold to 102, and add-on activity has expanded from just seven transactions in 2016 to 40 in 2025. The stability of Portugal's M&A-to-private-company ratio over this period is also a telling data point. Unlike Italy, where transaction activity is outpacing target universe replenishment, Portugal's deal market is growing organically in line with its expanding private company base, a market with its consolidation wave still in early stages.

That runway is increasingly intersecting with Europe's digital sovereignty agenda: Lisbon's technology ecosystem, anchored in part by Web Summit's gravitational pull on global capital and talent, combined with competitive operating costs and full EU membership, makes Portugal a natural beneficiary of the EU's €288.6 billion national digital roadmap commitments. **In financial services, healthcare, and energy particularly, where digital upgrading remains underpenetrated relative to Northern European peers, Portugal's intact target universe and growing sponsor infrastructure position it as one of Europe's most compelling emerging markets for technology-oriented PE activity.**

> While deal activity is recovering across Europe, operational complexity behind transactions continues to increase significantly. Buyers and sellers are navigating larger volumes of sensitive data, tighter regulatory requirements, AI-driven workflows, and growing scrutiny around data sovereignty and cybersecurity. As a result, due diligence is no longer just a procedural step in dealmaking. It is increasingly becoming a strategic risk-management function. In this environment, secure digital infrastructure, trusted data handling, and efficient collaboration processes are becoming critical differentiators for successful transactions.

Alexandre Grellier
CEO of Drooms

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We approach 2026 with a positive tone, driven by greater liquidity, better financing and the need for transformation, although still marked by macro uncertainty and geopolitical tension (as a "new way of operating" in the market), which mean that the price gap between buyers and sellers does not quite narrow. We see an evolution towards a more "transformational" M&A, where the acquisition of greater installed capacity in relation to better technology or AI becomes the focus to bear in mind. And with the usual suspects in terms of sectors, leading: TMT, health, energy and infrastructure and consumer, with strong weight from the energy transition and digitalisation; where private equity appears to continue being a key driver of activity. A question still to bear in mind (and more as an open question): how to fully bring through areas such as defence and data centres.

Juanjo Corral
Partner in Corporate & M&A at Baker McKenzie

Technological developments such as AI-powered ‘vibe coding’ and the digitalisation of business models are transforming the value drivers in M&A transactions. In future, an attractive target will be assessed not only on the basis of strategic and financial fit, but increasingly on how professionally it meets regulatory requirements – such as those set out in NIS2 or the Digital Omnibus Directive – in the areas of data security and digital resilience. The same applies to the transaction process itself: AI-supported due diligence processes – already in use in the majority of deals today – are becoming the standard for due diligence. Cybersecurity and data protection are thus evolving from purely compliance-related issues into key value and risk factors.

Dr Astrid Roesener
Partner, CMS, Munich, Germany

04. Looking forward

European PE and M&A dealmaking enters 2026 from a position of structural momentum, but the forces shaping that momentum are growing more complex. Rate cuts have unlocked capital, dry powder is being deployed, and the AI-driven digitalisation wave is generating a new class of high-conviction investment targets.

Yet beneath the headline figures, the data tells a more nuanced story: Capital is concentrating in a smaller number of outlier transactions, add-on strategies are structurally entrenched even in an improving rate environment, and Europe’s private company universe is expanding faster than acquirers can transact against it. **Taken together, these trends do not describe a market returning to prior equilibrium, they describe one that has evolved into something structurally more complex and operationally more demanding than anything that preceded it.**

The regional divergences examined in this report add further texture to that complexity. France and DACH are deploying capital into some of Europe’s most consequential technology assets at record valuations, where the cost of information gaps at diligence is measured in hundreds of millions of euros. The UK and Benelux are running the highest add-on volumes in Europe, placing extraordinary operational demands on fund managers executing multiple simultaneous processes. Italy’s consolidation wave is tightening its target universe faster than any comparable market, raising the premium on proprietary sourcing capability. Spain and Portugal, meanwhile, are earlier in their development cycles—markets where the first movers who adopt the right deal infrastructure and data management discipline now will compound an informational advantage as deal activity accelerates.

Overlaying all of this is Europe's digital sovereignty imperative. The EU's push to secure control over its data, compute, and cloud infrastructure is simultaneously reshaping what practitioners invest in and how they must operate when making those investments. The platforms through which deal-critical information flows, from initial sourcing through diligence to closing, must now meet a standard of jurisdictional credibility, data security, and regulatory compliance that the previous generation of technology infrastructure was not built to deliver. Critically, the integration of AI into dealmaking workflows is itself becoming a sovereignty decision rather than a purely technical one. As fund managers lean more heavily on AI to accelerate sourcing, surface diligence insights, and manage information at scale, the architecture beneath that AI—where it is hosted, who developed it, and whether sensitive deal data is routed through external public-AI APIs—determines whether efficiency gains come at the cost of jurisdictional exposure. Deal platforms that run on European infrastructure, develop their AI capabilities in-house, and keep proprietary deal information out of third-party model pipelines offer a structurally different risk profile than those that have begun routing client data through external US-controlled large language models. In a market where the most consequential transactions sit at the intersection of AI, infrastructure, and European technology champions, the conscientious selection of the AI-enabled platform itself has become inseparable from the diligence process it supports.

The practitioners best positioned for what comes next will be those who recognise that the deal platform and data management infrastructure underpinning every transaction is no longer an afterthought; it is the **operational foundation on which returns are built, protected, and ultimately realised.**

05. References

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