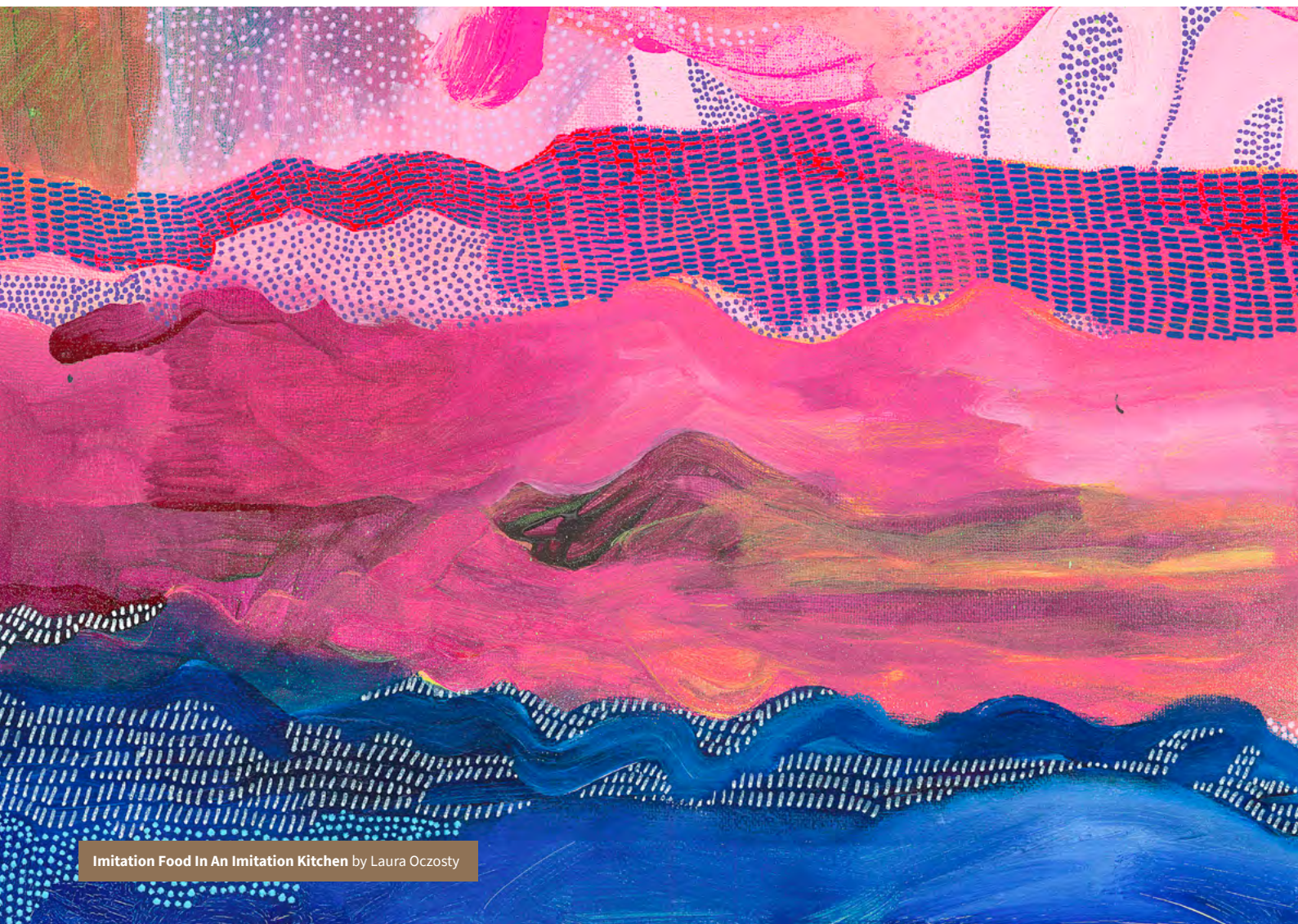


# IT'S PUBLIC

KWM M&A INSIGHTS | 2025



**Nicola Charlston and Anthony Boogert recently spent a week in New York City meeting with clients and advisers and attending the IBA's annual M&A Conference. With global dealmaking at a crossroads and the US market navigating a complex mix of optimism and caution, the timing was ideal to hear firsthand perspectives. Here are the key themes that emerged from their discussions and the conference.**

## GLOBAL M&A ACTIVITY IS 'SO-SO'

The positive transactional momentum leading into the start of the second Trump Administration lost steam after Liberation Day, as shifting political signals and policy ambiguity injected renewed caution into the market.

However, while M&A participants reported that 2025 has fallen short of the optimistic expectations set earlier in the year, the reality also demonstrates more resilience than some of the gloomier narratives suggest — particularly outside of sectors hit hardest by tariffs and consumer demand fluctuations.

Many consider that uncertainty is no longer a disruption — it's the baseline. Rather than waiting for clarity, market participants have increasingly recognised that ambiguity, whether geopolitical, regulatory, or macroeconomic, is the new operating environment. The dealmaking playbook is adjusting accordingly.

## 'SOVEREIGNTY' – THE THEME OF 2025

The concept of 'sovereignty' is set to become a defining theme in 2025, shaping government policy, corporate strategy, and investment decisions. This renewed focus on national self-sufficiency and control over key sectors is expected to drive a significant increase in deal activity across several critical industries including:

- **Defence:** With growing geopolitical tensions and a heightened emphasis on national security, governments are likely to prioritise investment in domestic defence capabilities. This is expected to result in increased mergers, acquisitions, and strategic partnerships within the defence sector, as countries seek to secure supply chains, develop advanced technologies, and reduce reliance on foreign suppliers in the defence industry.
- **Domestic Manufacturing:** The drive for sovereignty will also encourage a resurgence in domestic manufacturing, with governments and businesses looking to strengthen local production capabilities to mitigate risks associated with global supply chain disruptions. This trend is likely to result in a wave of consolidation and investment in manufacturing assets, as well as the establishment of new domestic facilities. Sectors such as pharmaceuticals, electronics, and automotive components may see heightened deal activity as firms seek to onshore production and secure greater control over essential goods.
- **Critical Minerals:** For many nations, access to critical minerals — such as lithium, cobalt, and rare earth elements — has become a strategic priority, given their importance in technology, energy, and defence applications. This is expected to drive increased investment, joint ventures, and acquisitions aimed at securing reliable sources of these minerals.

## REGULATORY OVERLAY

Political considerations are now playing a far more prominent role in the regulatory approval of major transactions than ever before. In the US in particular, the traditional model — where dealmakers relied heavily on established lobbying channels and regulatory expertise — has been disrupted by a more direct and assertive role of the executive branch. The result is that regulatory decisions are no longer solely the domain of independent agencies or technical experts; but instead are subject to the prevailing political climate and the priorities of the government at the time.

A prominent example of this new reality is the proposed acquisition of US Steel by Nippon Steel. In this case, the US Federal Government has considered taking a so-called "Golden Share" — a special class of share that would give the government veto power or other special rights over key decisions. This move is emblematic of the increasing willingness of the executive branch of government to assert direct control over transactions deemed to have strategic importance, particularly where foreign ownership of critical assets is involved.

## CAUTIOUS OPTIMISM FOR PRIVATE EQUITY AND CAPITAL MARKETS

After a prolonged period of uncertainty, cautious optimism is emerging that we will see a new wave of private equity and capital markets transactions. While private equity exits remain challenging, largely due to the mismatch between high internal valuations and buyer price expectations, the broader macroeconomic backdrop is becoming more supportive. Decreasing interest rates, stabilising inflation, and record levels of dry powder are creating favourable conditions for private equity sponsors to re-engage in dealmaking.

At the same time, early signs of recovery in the capital markets are beginning to materialise, with the IPO window gradually reopening, led by momentum in the US.

Together, these factors suggest a more constructive environment for transactions in the second half of the year, even if caution continues to temper deal execution.

## SECTOR FOCUS

The energy sector continues to be a focal point in cross-border M&A activity, driven by a convergence of geopolitical, technological, and structural forces. Governments remain acutely focused on energy security and reducing reliance on foreign energy sources — a priority that has intensified since the onset of the Ukraine conflict.

Simultaneously, the global push toward energy transition and electrification is reshaping the sector, with significant investment flowing into renewables, storage, and infrastructure. Adding further momentum is the surging demand for power from data centre operators, spurred by the rapid growth of AI and crypto mining.

These overlapping dynamics are sustaining strong deal flow and strategic interest across both traditional and emerging energy assets, with buyers navigating regulatory and political complexity in pursuit of long-term value.





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