Ecosystem architects vs Core consolidators

How M&A is reshaping competitive boundaries

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Converging through deals: Cross-sector M&A shapes strategy

The deal landscape in the first half of 2025 tells a compelling story: Cross-sector acquisitions are accelerating sector convergence, with competitive advantage flowing to those who can effectively combine capabilities from once-separate domains. This transformation is driven by deals that are closely aligned with strategic imperatives including digital transformation, geopolitical shifts, and sector convergence.

Businesses in different sectors are using M&A selectively — either to consolidate their core business, to expand internationally or to transform and extend their business models — with the dominant approach varying significantly by sector. This multidimensional approach to deal-making reflects the complex challenges leaders face in positioning their organizations for sustainable success in an era of continuous disruption.

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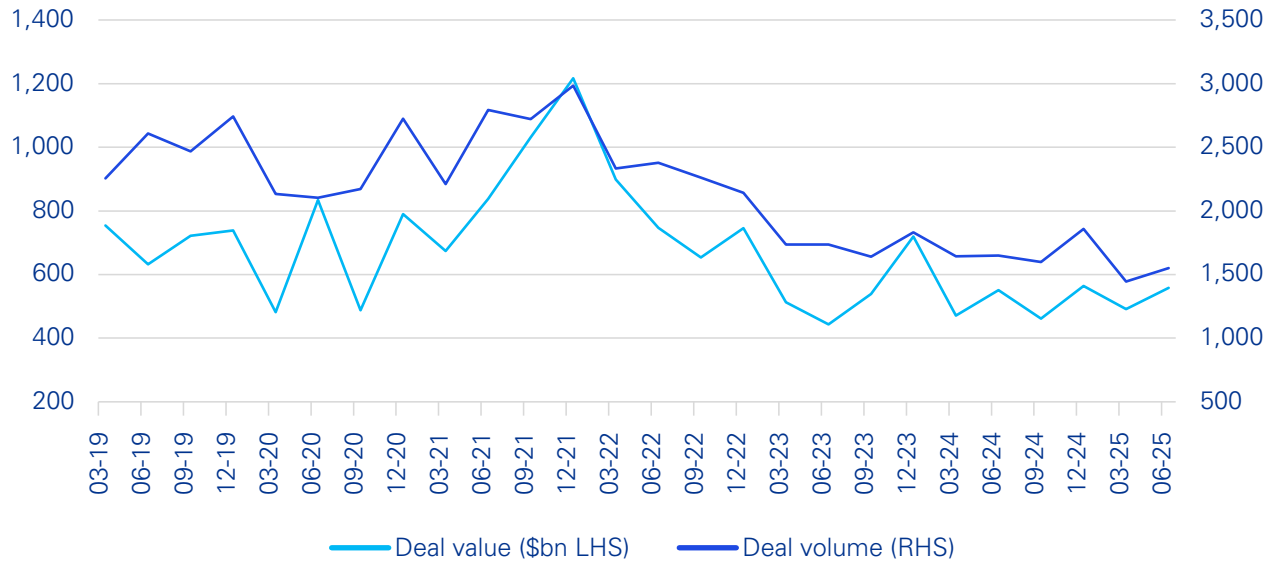
Quarterly deal activity: Stabilizing approaches to a sea of change

Quarterly global deal activity



Source: LSEG Workspace, KPMG and Bayes Analysis

Quarterly global deal activity re-enforces 2024's stabilization after a decline from the post-pandemic spike in deal-making.

Q1 2025 shows the expected seasonal first-quarter dip from Q4 2024, recovering in Q2. But whilst first half volumes are down 9 percent year-on-year, deal value increased 3 percent, driven by a 30 percent surge in the number of transactions exceeding $5 billion.

Large deals continue to drive M&A investment, with billion-dollar plus deals representing nearly three-quarters of total global acquisition spend. In contrast, volume decline is largely driven by smaller deals (below $100 million), which typically represent less than 5 percent of the total amount invested.

The relative resilience of larger deals shows that, in a rapidly changing and uncertain global business environment, M&A remains a key tool to rapidly adapt to strategic challenges — and demonstrates the importance of organizations maintaining their capability for agile, forward-looking deal-making.

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Introducing the KPMG Bayes global deal sector heatmap

Our heatmap analysis combines sector-by-sector data including deal volume, value, and deal market relative growth to generate an overall ranking of the relative importance of M&A as a growth strategy in each of 12 global business sectors. The table shows the heatmap ranking for each sector from hottest (1) to coolest (12) in H1 2025, together with historical rankings for the previous 5 years stretching back to 2019.

	2019	2020	2021	2022	2023	2024	2025 H1	
High Technology	2	3	1	5	6	1	1	-
Banking & Finance	5	3	9	6	5	12	2	+10
Materials	6	6	4	7	1	7	3	+4
Real Estate	1	7	7	3	9	1	4	-3
Industrials	4	2	2	1	3	3	5	-2
Business Services	8	8	4	8	8	10	6	+4
Energy & Power	3	3	8	2	2	3	7	-4
Telecommunications	12	9	12	12	11	9	8	+1
Healthcare	6	1	3	9	3	8	8	-
Consumer	10	11	4	11	7	11	10	+1
Media & Entertainment	9	12	11	3	12	6	10	-4
Retail	11	10	10	10	10	5	12	-7

Source: LSEG Workspace, KPMG and Bayes Analysis

Ranking sectors by deal volume or size tells us little about which areas are truly "hot" for M&A-led growth. Instead, we track how deal activity changes over time — both by acquirers within each sector and by targets acquired in each sector — to reveal shifts in relative importance and uncover emerging cross-sector trends. The result is a dynamic league table of deal-making that shows how sector momentum evolved before, during, and after the pandemic.

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Sector dynamics: Tech reclaims the crown. The evolving heatmap rankings highlight the blurring of traditional sector boundaries, driven by rapid technological disruption, sector convergence and the need for integrated business solutions.

High Technology retains the top spot, riding the AI revolution's acceleration and significant cross-sector inbound investment and reflecting the race to secure next-generation capabilities in rapidly evolving, sector blurring business ecosystems.

Banking & Finance (+10 positions) Bouncing back with significant growth after a large dip in both deal volume and value in 2024, driven by some of the largest deals in the year so far, and a resurgence of PE interest.

Industrials (-2) drops out of the top 3 for the first time since 2019, with a softening of acquisition activity by industrial sector acquirers relative to the market. Industrials historical resilience, and considerable cross-sector inbound investment, emphasizes the continuing importance of the control of physical assets, even in a digitized economy.

Business Services (+4 positions) with significant cross-sector deal volume as provision of services continues to be disrupted by digital and AI, and players across the sector seek to acquire technology and gain control of the end customer.

Materials (+4 positions) moves up reflecting the strategic imperative to secure supply chains in an increasingly turbulent geopolitical environment.

Energy (-4 places) deal market cooled somewhat with a lack of large deals compared to other sectors and to 2024, but volumes of smaller deals holding up compared to the wider deal market.

Other sectors also faced headwinds. Retail was down seven positions, and media four, as the level of dealmaking in these sectors relative to the global deal market in 2024 was not sustained in the first half of 2025.

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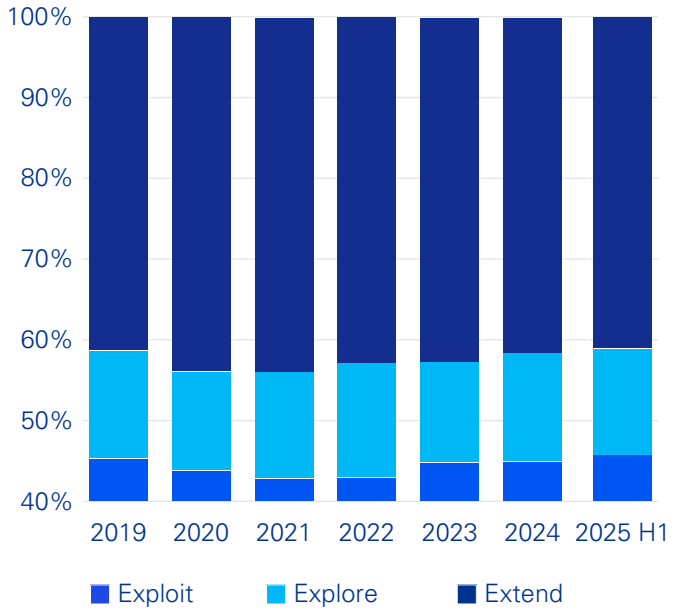
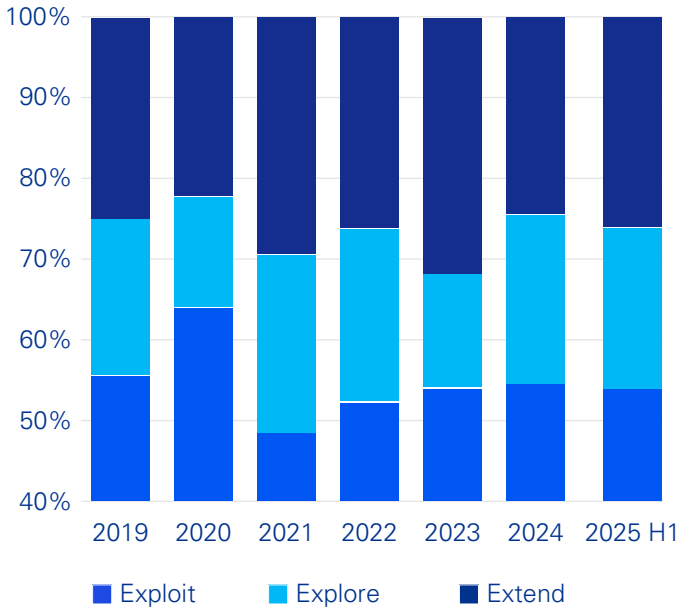
Navigating the three strategic M&A pathways

We've analyzed more than 40,000 deals by strategic acquirers since the start of 2019 to understand the strategic drivers of corporate M&A investment across 3 distinct categories:

Nature of strategic acquisitions (# Deals)



Nature of strategic acquisitions ($)



Exploit deals are those with buyer and target in the same industry and country

Explore deals are cross-border transactions between a buyer and target in the same industry sector

Extend deals are cross-sector deals where the buyer and target sit in different industry sectors

Source: LSEG Workspace, KPMG and Bayes Analysis

The balance between the volume different deal types across the whole global deal market is relatively consistent over time: nearly half of deals **exploit** current strengths by acquiring targets in the same sector and country. In comparison, only 12 to 14 percent of deals **explore** global expansion by cross-border acquisitions in the acquiror's own sector. More than 40 percent of deal volume has focused on acquiring new capabilities — to **extend** beyond core activities and capabilities through cross-sector acquisitions.

The value invested in each pathway has shifted over time. During the pandemic, deal-making retrenched towards **exploiting** lower risk core consolidation.

The post pandemic peak in deal activity saw increased investment in **exploration** of cross-border acquisitions, and since that point cross-sector extension has seen consistent investment.

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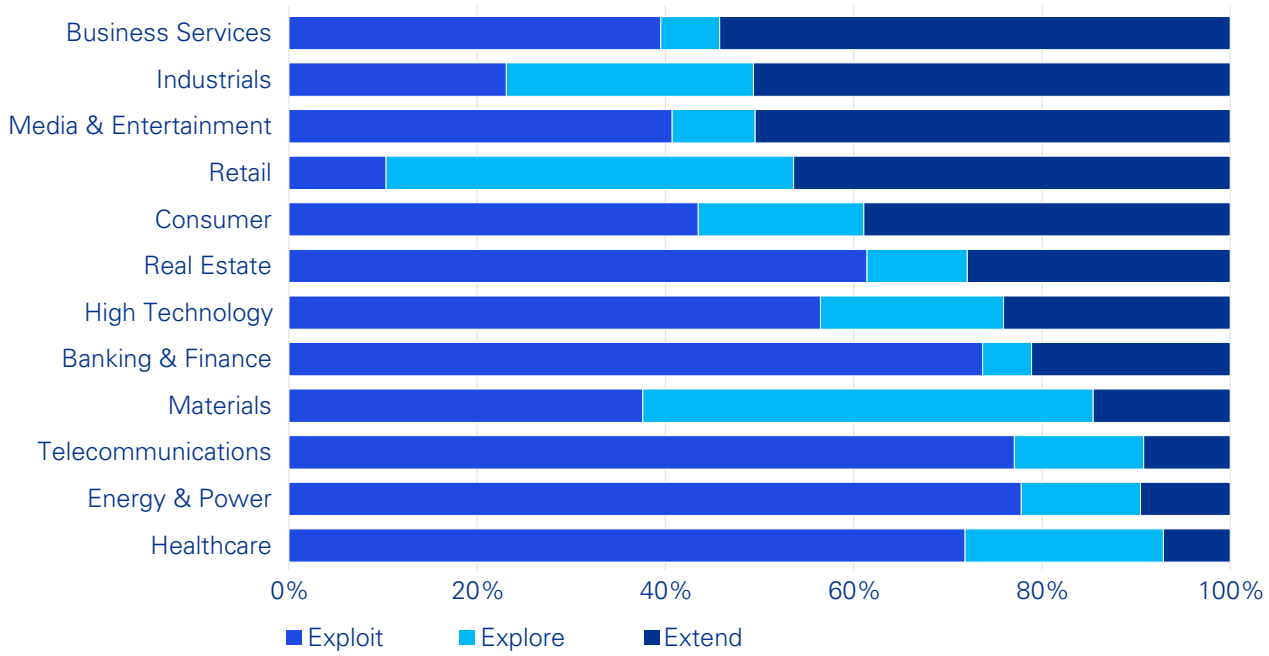
Sector analysis contrasts “ecosystem architects” and “core-consolidators”

2025 H1 Strategic Deals by type ($ invested)



Source: LSEG Workspace, KPMG and Bayes Analysis

Acquirers in different sectors are adopting radically different strategic approaches to securing growth through M&A.

At the top of the chart are the “**ecosystem architects**” — Business Services, Industrials and Media sector acquirers focusing the largest portion of M&A investment on acquiring new capabilities through cross-sector acquisitions.

At the bottom we have the “**core-consolidators**” — operating in specialized fields including Finance, Telecoms, Healthcare, and Energy & Power, with 80 percent or more of their acquisition spend on targets in the same sector, predominantly in their home countries.

And in the middle are Retail and Materials sector acquirers expanding geographically using acquisitions to gain rapid scale in new geographies.

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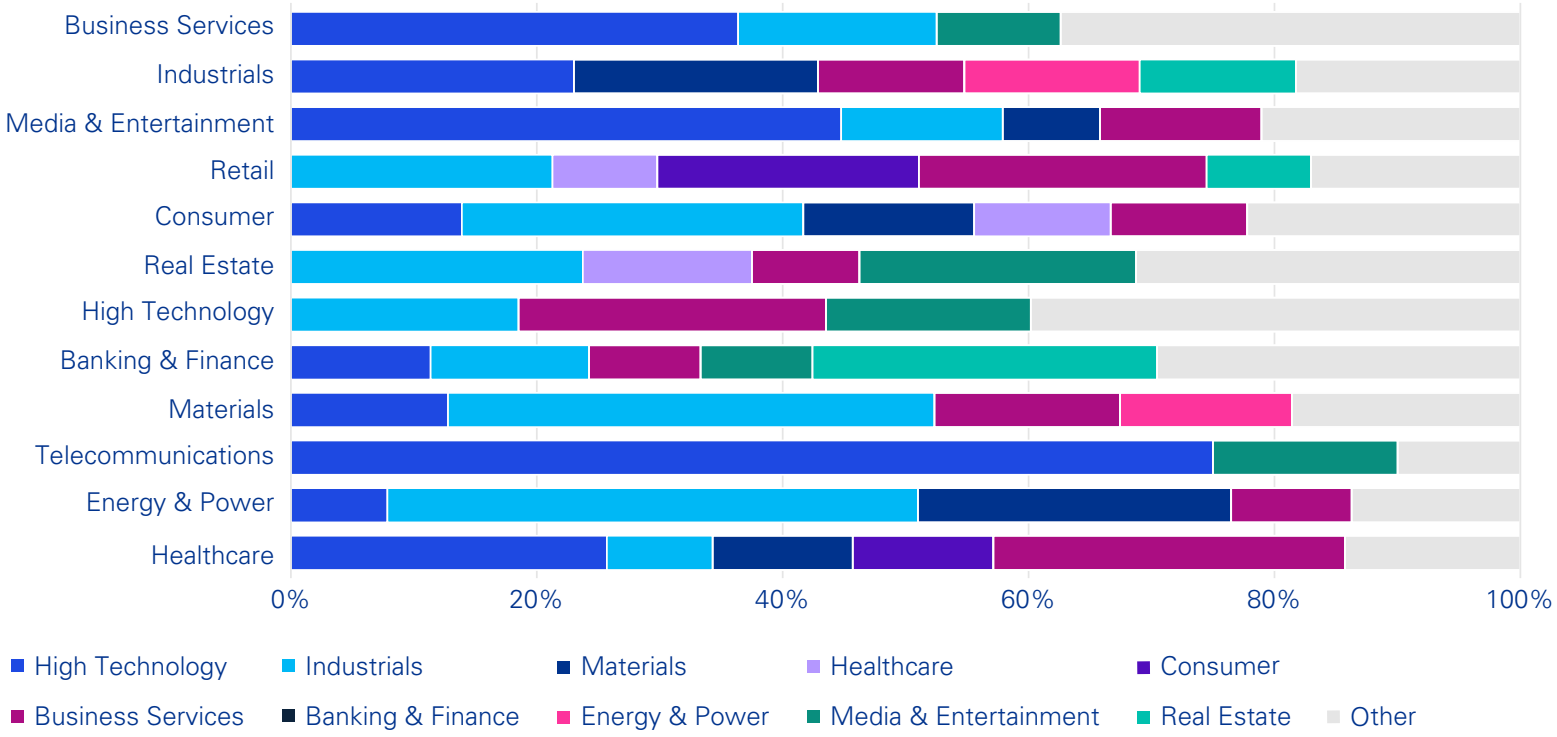
Cross-sector deal flow reflects sector specific M&A strategies

So where does all the cross-sector investment go? We analyzed the target sector split of **Extend** deals by acquirers in each sector:

2025 H1 Acquiror cross-sector acquisitions (# Deals)



Source: LSEG Workspace, KPMG and Bayes Analysis (all target sectors where volume >2% of all deals by relevant sector acquirers)

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The cross-sector acquisition landscape in H1 2025 reveals clear strategic imperatives driving deal-making across industries. Acquirers are making targeted moves to build competitive advantage and adapt to a rapidly evolving global environment:

Future-proofing with technology integration:

Most sectors are heavily investing in High Technology acquisitions. This reflects a universal drive to embed AI and advanced digital capabilities into business models, enhancing efficiency, innovation, and customer engagement to stay competitive in a tech-driven world. Retail and Real Estate are notable exceptions, with acquisition strategies focused more on physical and operational capabilities than on digital and tech.

Control of physical assets and production:

Industrials are a significant target for cross-sector deals. This highlights the enduring strategic importance of securing physical assets, production capacity, and resilient supply chains. Such acquisitions enable vertical integration, enhance operational control, and mitigate risks in an uncertain geopolitical climate.

Ecosystem building and diversification:

Business Services and Media and Entertainment are diversifying broadly across technology, industrials and consumer targets — in order to build more comprehensive ecosystems, expand service offerings, and create integrated solutions to capture more of the value chain and increase their share of customer spend.

In essence, current cross-sector M&A activity is characterized by a dual focus:

Aggressively acquiring technology to drive digital transformation and innovation, alongside strategically securing physical assets and production capabilities to build resilient and integrated value chains. These actions underscore a proactive approach to navigating disruption and fostering sustainable growth.

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Strategic imperatives to action now

In the rapidly evolving landscape of 2025, the rules of M&A have transformed. Competitive threats are no longer just the familiar rivals but also emerging players from unexpected sectors. The deal agenda is increasingly driven by the need to secure the new capabilities needed to build and navigate complex ecosystems and foster collaboration.

This shift demands a new M&A playbook, one that embraces both defensive and offensive strategies to thrive in this dynamic environment:

1. Embrace the two-handed approach

Firms must adopt a dual strategy: continue traditional consolidation to strengthen market share while simultaneously exploring cross-sector acquisitions to gain new capabilities. This approach is evident in the rise of "Ecosystem Architects" who are redefining sector boundaries by acquiring capabilities that were once considered unrelated. For instance, a bank acquiring a tech startup or a manufacturer investing in renewable energy solutions are no longer anomalies but strategic necessities.

2. Integrate M&A into organizational DNA

M&A should be a core competency, not just an occasional activity. Every division within a firm should actively scout for acquisition opportunities, as an embedded part of the strategic planning cycle. This proactive stance ensures that M&A becomes as natural as any other business function, fostering a culture of continuous growth and adaptation.

3. Develop peripheral vision

To avoid being blindsided by disruption, companies need to allocate resources to monitor adjacent sectors and emerging technologies. Cross-functional teams should regularly assess potential threats and opportunities, ensuring that the firm is always prepared to pivot or capitalize on new trends.

4. Prioritize speed in M&A execution

In the current M&A climate, speed is crucial. Far too often, strategic acquirers lose out to more agile bidders because of internal bureaucracy and multiple, time consuming levels of approval. Firms must establish rapid response capabilities, with streamlined processes to seize opportunities swiftly. This agility allows companies to outpace competitors and integrate new capabilities effectively.

5. Adopt a PE mindset for value creation

Corporates can learn from private equity firms, which excel in value creation through strategic repositioning, operational excellence, talent transformation, transforming go-to-market strategies and ultimately expanding the multiple. By adopting a similar mindset, firms can enhance their post-merger integration processes, buying to transform, rather than just to absorb.

6. Redefine success metrics

Traditional M&A metrics are insufficient for today's capability-driven acquisitions. Firms should develop new scorecards that measure speed to capability deployment, access to new customer segments, and the defensive value of acquisitions. These metrics will provide a clearer picture of the strategic value gained from M&A activities.

7. Plan integration before due diligence

The post deal value creation potential should be the defining feature of every attractive potential deal. Integration planning should therefore begin long before the deal is finalized. Firms need to outline how new capabilities will be integrated and transformed within the organization. This foresight ensures that acquisitions contribute to the firm's strategic goals and are not just absorbed without adding value.

8. Build your "big buys small" capability

Cross sector **Expand** deals are frequently concerned with acquiring new and innovative capabilities — often in the form of early stage or founder managed businesses. Few large organizations are well set up to allow these new capabilities to thrive and scale effectively. Firms must develop an effective playbook to retain and motivate talent, and deploy and leverage new capabilities, without smothering the acquired business.

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Conclusion: Evolve or be acquired

The M&A landscape is no longer about merely expanding within existing markets. It's about evolving into a new entity that can navigate and thrive amidst disruption. Firms that succeed will be those that build agile M&A capabilities, embed acquisition thinking at every level, and approach value creation with the rigor of a private equity firm. The alternative is to risk becoming a target for activist investors or for acquisition.

Turning deal insights into competitive advantage

In today's complex deal environment, the difference between transaction success and value erosion lies in the strategic clarity and execution excellence that organizations bring to their M&A activities. KPMG's integrated Deal Advisory practice combines deep sector knowledge with transformation expertise to help clients navigate every phase of the deal lifecycle — from strategy development through integration and value realization.

Our global network of professionals brings a unique perspective that connects deal mechanics with broader transformation imperatives, helping you identify the right targets, structure transactions for optimal outcomes, and integrate acquisitions to deliver the capabilities needed for sustainable competitive advantage.

Whether you're strengthening your core business, acquiring new capabilities, or making bold moves into new territories, KPMG provides the insights, methodologies and practical support to transform deal potential into realized value. Connect with our team to discuss how these market trends impact your strategic priorities and how we can help you navigate the opportunities ahead.

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Methodology

KPMG and Bayes Business School researchers have analyzed more than 40,000 transactions completing between 1 Jan 2019 and 30 June 2025, selected from LSEG data to include all recorded transactions which i) represented the acquisition of a majority stake in of the target and resulted in a change of control; and ii) for which a transaction value was disclosed.

Resulting deals were re-classified by sector based on KPMG's own definition of relevant market sectors. Cross-sector deals are those with acquiror and target in a different sector (based on this classification). Cross-border deals are those with Acquiror and Target identified by LSEG as being based in different countries.

The heatmap analysis combines ranking by sector of target and acquiror deal volume and deal value, and relative sector year on year deal volume and value growth to arrive at an overall ranking of which sectors were most active in the deal market, compared to historical patterns, in each period.

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