Deal Sourcing, Acquisition Costs, and Hot Industries for M&A and Private Equity

Market Research Report (2024–2026)

Executive Summary

This report presents a current, evidence-based analysis of three interconnected areas shaping the M&A and private equity landscape from 2024 through 2026: deal sourcing channels, M&A advisor client acquisition economics, and emerging industry sectors attracting disproportionate capital. Drawing on practitioner commentary, benchmarking studies, and market data published between 2024 and 2026, the research identifies three dominant conclusions.

First, global dealmaking rebounded sharply in 2025. Total M&A value rose approximately 41% year over year to $4.8 trillion, while private equity deal value increased roughly 59% compared with 2024. This recovery has been driven less by an increase in deal count and more by a shift toward larger, more strategic transactions. Add-on acquisitions now account for 75.9% of buyout activity, underscoring the industry's focus on scale, operational leverage, and platform expansion rather than standalone acquisitions.

Second, M&A advisors face increasingly challenging client acquisition economics. Median client acquisition costs for comparable high-ticket professional services models now range from roughly $742 at the low end to more than $10,000 per engagement at established firms. Importantly, approximately 83% of total acquisition cost is attributable to advisor time rather than hard marketing spend. At the same time, outbound performance has deteriorated. Cold email reply rates fell to approximately 5.1% in 2024, down from roughly 7% the prior year, increasing the volume and time required to generate new mandates.

Third, capital deployment between 2024 and 2026 has concentrated heavily in AI infrastructure and adjacent sectors. Technology remains the largest contributor to global deal value, with nearly half of strategic technology deals above $500 million citing AI-related benefits. Healthcare, infrastructure services, aerospace and defense, energy transition, and private credit have also emerged as priority sectors, each supported by long-term structural drivers rather than short-cycle speculation.

Taken together, these findings suggest that success in the current cycle depends on disciplined sourcing, realistic budgeting for client acquisition and execution timelines, and a clear focus on sectors with durable demand drivers and repeatable value-creation paths.

I. Where Deals Are Being Sourced From

M&A Market Context (2024–2026)

Global M&A activity staged a meaningful recovery in 2025 following a subdued 2023–2024 environment. Bain & Company reports that 2025 is on track to become the second-highest year on record for deal value, with global M&A reaching approximately $4.8–$4.9 trillion, representing roughly 40–41% growth over 2024 levels (Bain & Company, 2026).

PricewaterhouseCoopers data shows that momentum accelerated during the first half of 2025. Global deal value increased from $1.3 trillion in the first half of 2024 to $1.5 trillion in the first half of 2025, a 15% year-over-year increase. The Americas accounted for 61% of this activity, with $908 billion in deal value, compared with $722 billion and 55% share during the same period in 2024 (PwC, 2025).

Deal Value Versus Deal Volume

A defining feature of the current cycle is the divergence between deal value and deal volume. While aggregate deal value increased, total deal volume declined approximately 9% between the first half of 2024 and the first half of 2025. This divergence reflects a shift toward fewer but larger transactions.

PwC reports that deals exceeding $1 billion in value rose 19% over the same period, while transactions above $5 billion increased 16%. In the United States alone, more than 130 deals valued at $1 billion or more were completed in 2025, representing a 30% year-over-year increase. Average deal size also continued to rise, reaching approximately $648 million in 2024, up from $631 million in 2023 (BDO, 2025).

These dynamics suggest that acquirers are prioritizing strategic impact, scope expansion, and scale advantages rather than pursuing higher volumes of smaller transactions.

Private Equity Deal Flow

Deal Value and Deployment Pressure

Private equity activity mirrored broader M&A trends but with greater intensity. Boston Consulting Group reports that global private equity deal value increased approximately 59% in 2025 compared with 2024. Despite this acceleration, firms continued to hold close to $2 trillion in undeployed capital as of December 2025, maintaining significant pressure to transact even as fundraising slowed from its 2021 peak (BCG, 2026).

In the United States, private equity deal value rose roughly 8% year over year in the first half of 2025 to just over $195 billion. This activity reduced domestic dry powder from a record $1.3 trillion in December 2024 to approximately $880 billion by September 2025 (PwC, 2025).

After a historic slump, buyout activity rebounded in 2024. Dealroom reports that buyout investment value rose 37% year over year to $602 billion, excluding add-on transactions, signaling renewed confidence even before the 2025 acceleration (Dealroom, 2025).

Add-On Acquisitions as the Dominant Strategy

Add-on acquisitions have become the primary deployment mechanism for private equity capital. In the second quarter of 2025, add-ons represented 75.9% of all buyout activity, up 250 basis points from the prior quarter and well above the five-year average of 72.5% (Dealroom, 2025).

This trend reflects a deliberate strategy. Rather than underwriting full-platform risk repeatedly, firms are using add-ons to deepen market share, extract operational synergies, and enhance pricing power within existing portfolio companies. Corporate buyers have also contributed to this pattern, with exit value rising 77% in the first half of 2025 as strategic acquirers returned to the market (Dealroom, 2025).

Public-to-Private Transactions

Public-to-private transactions have re-emerged as a meaningful source of deal volume. Global P2P deal value reached nearly $250 billion in 2024, accounting for almost half of all North American transactions exceeding $5 billion. A notable example was the $8.4 billion acquisition of Smartsheet by Vista Equity Partners and Blackstone (Dealroom, 2025).

While U.S. equity markets remained strong, dislocations in Europe created additional opportunities. Weaker public market valuations enabled sponsors to identify mispriced assets suitable for take-private strategies, further diversifying sourcing channels.

The Dry Powder Constraint

Although total unspent capital declined modestly in 2024, Dealroom notes that the proportion of aging dry powder—capital held for four years or more—increased to 24% of total commitments. This rising vintage pressure underscores the difficulty general partners face in sourcing attractive deals at acceptable valuations, reinforcing the need for creative structures and differentiated sourcing strategies.

Fundraising and Deployment Imbalance

Fundraising has not kept pace with deployment needs. PwC reports that global private equity fundraising reached approximately $150 billion in the second quarter of 2025, down slightly from the prior quarter. Commitments to traditional commingled funds fell roughly 24% year over year, and U.S. fundraising ran about 40% below prior-year levels.

As a result, firms are increasingly turning to carve-outs, continuation vehicles, co-investments, and structured equity solutions to deploy capital efficiently. Those unable to adapt face mounting pressure from limited partners to demonstrate realizations and momentum.

Canadian Market Context

Canada represents a notable regional bright spot. Torys reports that domestic public M&A deal value reached approximately $63 billion in 2024, a substantial increase over prior years. The number of public transactions valued above $1 billion nearly doubled compared with 2023 levels.

Inbound M&A into Canada also strengthened, with total deal value in 2024 exceeding that of any year between 2014 and 2023. Deal flow into Canada is expected to remain strong throughout 2025 as foreign buyers pursue stable assets in a comparatively predictable regulatory environment (Torys, 2025).

II. The Cost to Land a Deal

M&A Advisor Client Acquisition Economics

For M&A advisors, the economics of winning mandates have grown increasingly demanding. While marketing spend often receives the most attention, empirical data shows that time investment is the dominant cost driver.

Client Acquisition Cost Benchmarks

Research from Kitces and related financial advisory studies provides the closest available proxy for M&A advisor economics. In 2024, the median client acquisition cost for financial advisory firms reached approximately $3,800, up 75% from $2,160 in 2021 (Kitces, 2024).

A study covering more than 800 advisors found the average total cost to acquire a new client was $3,119, broken down as follows:

- Hard-dollar marketing costs: $519 (17%)
- Advisor time cost: $2,600 (83%)

This distribution highlights the core constraint of professional services growth. Revenue expansion requires proportional increases in senior time unless firms invest in dedicated business development infrastructure.

CAC by Firm Size and Maturity

Smaller practices with lower opportunity costs can acquire clients for $500 to $2,000. Mid-sized firms typically incur $3,000 to $5,000 per client. At the upper end, established firms generating more than $5 million in annual revenue often exceed $10,000 per acquired client, reflecting the high value of partner time (LinkedIn, 2024).

By contrast, growth-focused advisors that systematize marketing report CAC closer to $997, while firms managing more than $100 million in assets average approximately $742 per client due to strong referral networks and reputational momentum (Amra & Elma, 2025).

Cold Outreach Performance (2024–2025)

Outbound performance continues to weaken. Martal reports that average cold email open rates declined to 27.7% in 2024, down from approximately 36% previously. Reply rates fell to 5.1%, with most campaigns clustering between 1% and 5%.

Belkins' analysis of 16.5 million B2B emails in 2025 shows similar results. Average reply rates slipped to 5.8%, and while early 2024 saw brief improvements in open rates, engagement dropped later in the year. Shorter messages and limited follow-up sequences consistently outperformed longer campaigns.

Targeting quality remains critical. Reaching one to two contacts per company yields reply rates near 7.8%, while contacting more than ten individuals at the same company reduces response rates below 4%.

Lead Generation Costs by Channel

Lead costs vary dramatically by channel. In 2025, SEO-driven leads averaged $31–$55, while email marketing averaged roughly $53 per lead. At the other extreme, trade shows and events exceeded $800 per lead. Paid LinkedIn advertising ranged widely but averaged more than $400 per lead for financial services buyers (Expandi, 2025; Flywheel, 2025).

Financial services, legal services, and cybersecurity consistently ranked among the most expensive verticals, with average cost per lead ranging from $400 to $650 or more.

Timeline and Conversion Economics

Deal timelines have lengthened materially. Bank Director reports that banking M&A deals exceeding $500 million took an average of 347 days to close in 2024, compared with 286 days previously. Sub-$100 million deals averaged 209 days. Overall, timelines are now approximately 78% longer than in 2012.

When combined with conversion rates of 1–3% for investment and wealth management leads, these extended timelines materially increase working capital strain for advisors dependent on success fees.

Key takeaways:

- Time cost dominates acquisition economics.
- Cold outreach efficiency continues to decline.
- CAC scales sharply with firm maturity.
- Channel selection has a 25x cost differential.

III. Hot and Emerging Industries (2024–2026)

AI Infrastructure and Data Centers

Technology continues to dominate global deal value. Bain reports that nearly one-third of global buyout value in 2025 came from technology, with almost half of strategic technology deals above $500 million citing AI-related benefits.

AI-native firms command the highest multiples, but infrastructure software, cloud platforms, semiconductors, and data centers represent the most consistent volume of transactions. Dealroom characterizes this competition as a modern “gold rush,” driven by the need for compute, storage, power, and secure networks.

Canada is emerging as a focal point for sovereign AI initiatives, driving M&A in cybersecurity, energy management, semiconductors, and cooling technologies (PwC Canada, 2025).

Cybersecurity

Cybersecurity posted gains of approximately 30% in 2024 as cyber threats intensified. Governments and enterprises increasingly treat cybersecurity as critical infrastructure, fueling consolidation and cross-border activity. Sovereign AI initiatives further amplify demand for trusted security platforms (PwC Canada, 2025).

Healthcare and Life Sciences

Healthcare M&A rebounded strongly in 2025. Private equity accounted for roughly 40.2% of healthcare deal investment in the first quarter of 2025, up from 25.1% in 2024 (Dealroom, 2025). Aging demographics, chronic disease prevalence, and value-based care models continue to drive consolidation, particularly in healthcare IT, behavioral health, and outsourced medical services.

Infrastructure and Industrial Services

Infrastructure-related services are benefiting from nation-building initiatives and deferred capital spending. Engineering, contracting, HVAC, and environmental services all attracted strong private equity interest in 2025 (Capstone Partners, 2026).

Aerospace and Defense

Aerospace and defense M&A rebounded to approximately 250 transactions in the first half of 2025, up sharply from late 2024. AI-enabled defense systems, autonomy, and digital modernization are central themes driving deal flow (Dealroom, 2025).

Energy Transition

Energy transition remains a priority despite financing constraints. Wind, solar, storage, and utilities stand to benefit from rising power demand driven by AI data centers. Analysts describe a potential once-in-a-generation opportunity as energy and technology demand converge (Yahoo Finance, 2025).

Financial Services and Private Credit

Private credit has become a core pillar of the PE ecosystem, with the U.S. market approaching $1.3 trillion and more than $400 billion in available capital. Wealth management and financial services consolidation is expected to accelerate into 2026 (EY, 2026; PwC Canada, 2025).

Vertical SaaS and Business Services

Infrastructure software and vertical SaaS remain favored due to predictable recurring revenue and embedded customer relationships. Business services tied to construction, accounting, staffing, and healthcare IT also continue to attract buyers seeking defensive growth profiles (Capstone Partners, 2026).

Cross-Sector Trends

Scope-driven deals are replacing pure scale plays. Bain reports that 60% of deals above $1 billion in the first nine months of 2025 were scope transactions, the highest share on record.

Companies executing M&A outperformed non-acquirers by 11 percentage points in Q3 2025, reinforcing the market's renewed confidence in strategic dealmaking. Investment banks reported double-digit revenue growth in Q3 2025 and are underwriting approximately $65 billion in buyout financing ahead of 2026 (Datasite, 2025).

IV. Key Limitations and Unknowns

- Direct M&A advisor CAC studies remain unavailable; data is extrapolated from closely aligned professional services models.
- Funnel-level conversion data specific to M&A advisory remains limited.
- Sector-specific sourcing costs lack granular public disclosure.

Conclusion

From 2024 through 2026, dealmaking has entered a structurally different phase. Capital is abundant, but competition, timelines, and acquisition costs have increased. Value creation now depends less on deal volume and more on disciplined sourcing, operational leverage through add-ons, and sector selection grounded in long-term demand.

Advisors must internalize the true cost of client acquisition, recognizing that time investment outweighs marketing spend by a factor of five. Investors, meanwhile, must deploy capital creatively while focusing on sectors where momentum is supported by measurable activity rather than narrative enthusiasm.

The firms that adapt to these realities are best positioned to succeed as deal activity continues to normalize into 2026 and beyond.

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