H1 2026 ArkMalibu

Market Monitor

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ArkMalibu H1 2026 Market Monitor

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Please feel free to contact us at (513) 583-5413 to discuss how the information presented in each report may relate to your business and its own unique set of value drivers.

This edition features:

From the Desk of the Chairman & CEO

Rene Robichaud

- 15 years on Wall Street with Salomon Smith Barney and Morgan Stanley
- Former CEO of 2 public companies
- MBA, Harvard Business School

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01 M&A Market Overview

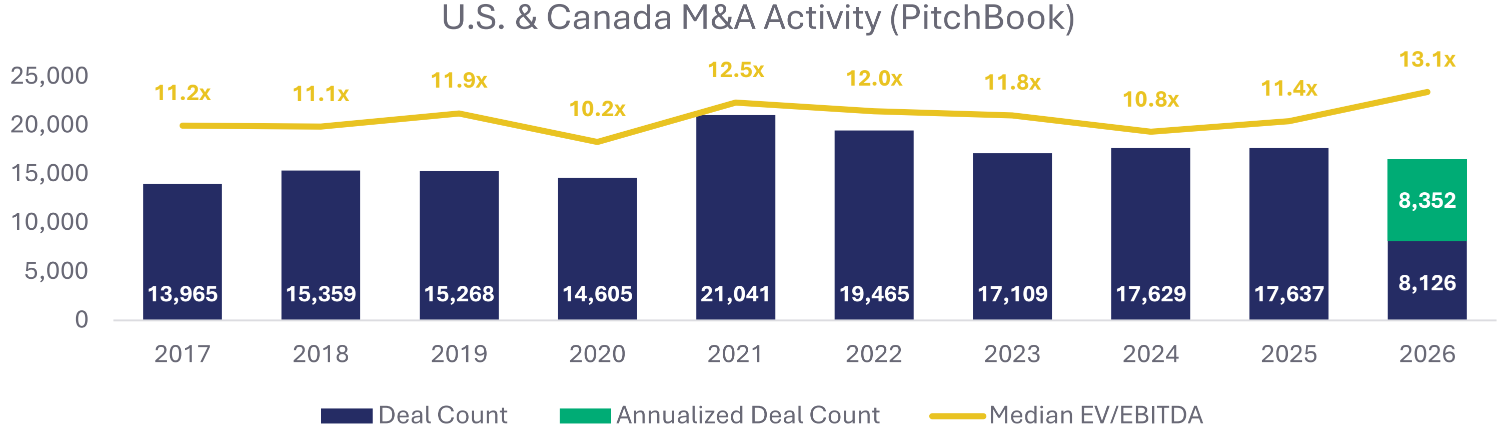
U.S. & Canada Overview

M&A deal counts in H1 2026 ran slightly below last year's pace, with full-year activity tracking toward 16,478 transactions compared to the 17,637 deals recorded in 2025. Valuations increased, with the median EV/EBITDA multiple expanding to 13.1x due to deal sizes increasing from a median of $56M in 2025 to $126M in H1 2026. That pricing strength was present across many sectors in the first half of the year, with Chemicals, Distribution, Industrials, Energy, and Materials & Building Products all seeing multiples and deal sizes expand relative to prior years.

Despite volatility stemming from geopolitical uncertainty, including the ongoing U.S.-Iran conflict, the U.S. economy continues to perform above expectations, with moderating inflation and a steady labor market signaling broad-based resilience and easing recessionary fears. With this backdrop, strategic investors have begun to deploy capital more aggressively, creating a promising deal environment for the second half of 2026, especially for premium assets.

Global Overview

M&A activity around the globe reached $2.9T across 24,055 deals in H1 2026. Megadeals were the defining feature of the half, with 34 transactions exceeding $5B in value. Strategics led this push into large transactions, recording nearly $2.0T of value in H1 2026, on track to exceed last year's full-year total of $2.8T in strategic deal value.



01 U.S. & Canada M&A Valuation Trends by Sector

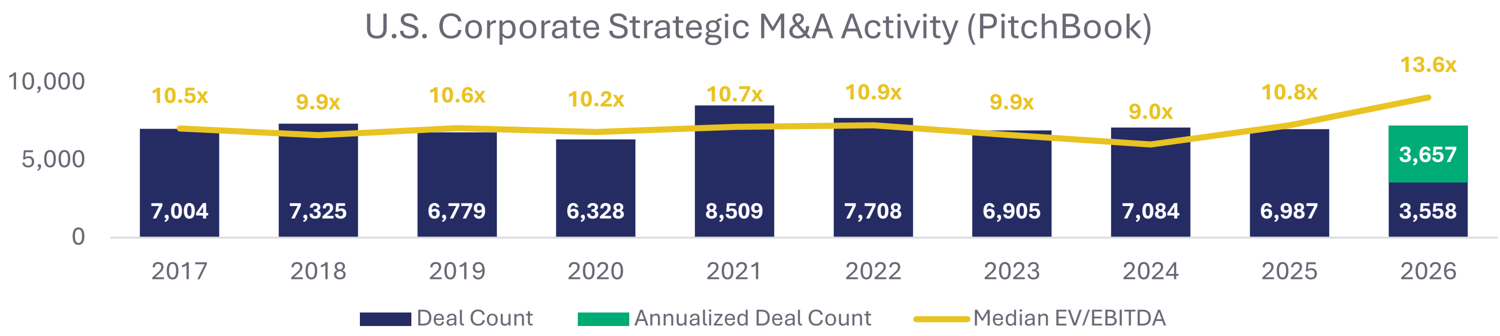
Rising Multiples and Larger Deal Sizes Counter Lower Volumes

	Median EV/EBITDA			Median EV/Revenue			Median Deal Size			Deal Count		
Sector	**1 Yr**		**3 Yr**	**1 Yr**		**3 Yr**	**1 Yr**		**3 Yr**	**1 Yr**		**3 Yr**
Aerospace & Defense	9.3x	↓	12.4x	2.2x	—	2.2x	$150M	↑	$131M	267	↑	214
Automotive	11.1x	↑	9.8x	0.5x	—	0.5x	$45M	↑	$28M	610	↓	687
Business Services	10.7x	↓	11.0x	1.8x	—	1.8x	$75M	↑	$45M	6,228	↓	6,347
Chemicals	13.1x	↑	10.0x	1.2x	—	1.2x	$104M	↑	$78M	186	—	186
Consumer Products	11.8x	↑	11.6x	1.4x	↑	1.3x	$60M	↑	$35M	1,046	↓	1,196
Distribution	13.7x	↑	11.6x	0.9x	↓	1.0x	$38M	↑	$28M	799	↓	930
Diversified Industrial	12.4x	↑	10.7x	2.2x	↑	1.9x	$478M	↑	$180M	499	↓	557
Energy	8.9x	↑	6.7x	3.2x	↑	2.2x	$365M	↑	$211M	643	↑	620
Healthcare	19.0x	↓	19.8x	4.6x	↑	3.4x	$140M	↑	$77M	613	↑	603
Healthcare Services	14.9x	↑	14.2x	1.7x	—	1.7x	$55M	↑	$48M	1,305	↓	1,463
Human Capital Services	NM	—	22.0x	1.0x	↓	1.7x	$98M	↑	$40M	273	↑	272
Industrial Machinery	NM	—	11.0x	3.1x	↑	1.5x	$69M	↑	$47M	300	↓	316
Materials & Building Products	13.9x	↑	10.6x	2.0x	↑	1.6x	$87M	↑	$50M	1,038	↓	1,060
Medical Technology	18.9x	↓	19.8x	3.9x	↑	3.3x	$75M	↑	$55M	368	↑	337
Software	20.7x	↑	18.5x	3.5x	↓	4.1x	$102M	↑	$77M	2,529	↑	2,423
TMT	13.2x	↓	14.2x	2.8x	↑	2.6x	$266M	↑	$135M	535	↓	606
Transportation & Logistics	10.3x	—	10.3x	1.0x	—	1.0x	$99M	↑	$52M	1,015	↓	1,107

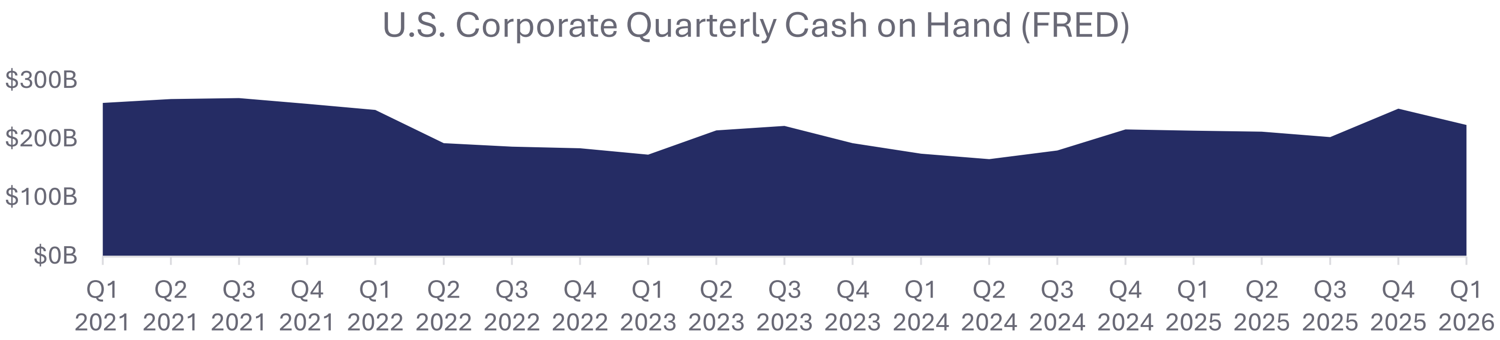
Note: 1 Yr reflects 7/1/2025 to 6/30/2026; 3 Yr reflects 7/1/2023 to 6/30/2026. NM = Not Meaningful.

02 U.S. Corporate Dealmaking

Volume and Multiples Climb as Corporations Deploy Cash



Corporations uncorked pent-up M&A demand through the first half of 2026, with transaction volume on pace to reach 7,215 deals this year, while median deal sizes nearly tripled to $133M, driving premium EV/EBITDA multiples of 13.6x. Deal activity strengthened most versus H1 2025 in Pharmaceuticals & Biotechnology (59%) and Commercial Banks (51%), while Consumer Durables (-31%) and Non-Financial Services (-28%) lagged behind.



The uptick in strategic deal volume and valuations in H1 2026 coincided with a sharp decline in corporate cash, which fell to $224B in Q1 2026 from a three-year high of $251B in Q4 2025. This drawdown reflects a more aggressive deployment appetite rather than capital depletion, leaving substantial cash on hand to support continued dealmaking.

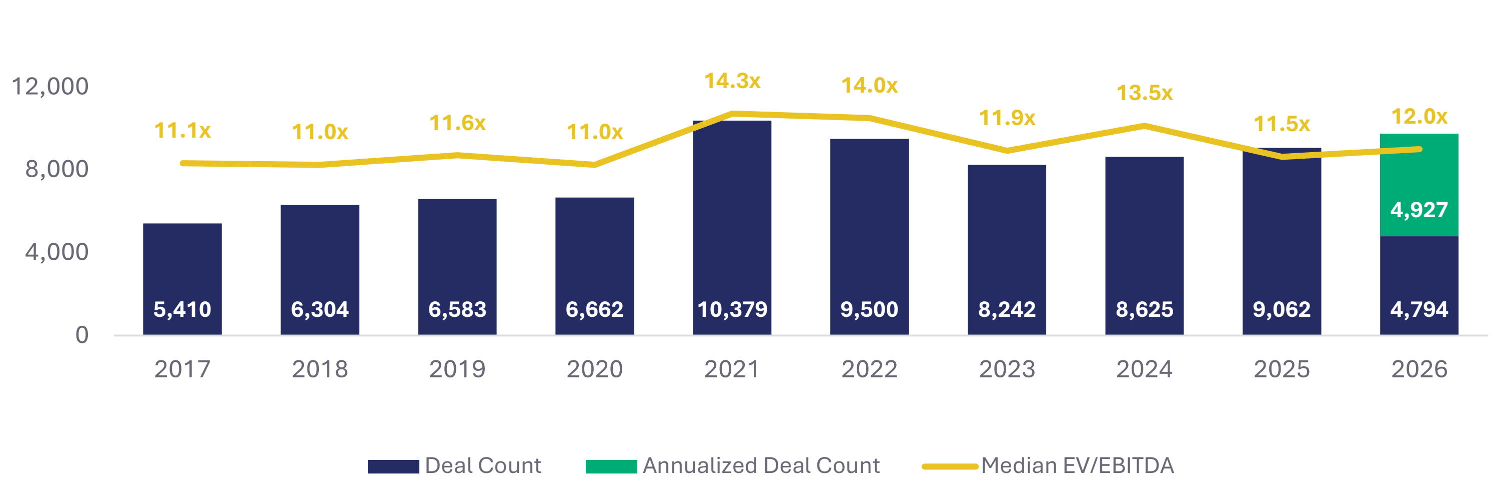
03 U.S. Private Equity Transactions

Deal Activity Climbs as Value and Exits Retreat

Private equity completed 4,794 transactions in H1 2026, up 8.0% from H1 2025, while aggregate deal value settled at $461B, down 10.6% over the same period. This divergence was deliberate, as multiple converging factors such as energy and inflationary pressures due to geopolitical instability, fading hopes of further interest rate cuts by the Federal Reserve, and AI disruptions prompted buyers to reprice risk and diversify deployment across a greater number of smaller transactions. PE deal valuations also increased, with the median U.S. PE buyout EV/EBITDA multiple rising to 12.0x, signaling that sponsors are willing to pay for premium assets despite fluctuating macroeconomic conditions.

After a stronger start to the year, PE exits in Q2 2026 dropped 46.3% compared to Q1, falling to $103B, the lowest quarterly level in over a year. Robust Q1 activity cushioned the blow somewhat, though H1 2026 exit value of $294B is still tracking 12.1% below the comparable 2025 window. This lower exit activity leaned on public listings, which were led by the $10.2B listing of aerospace manufacturer Arxis by Arcline in Q2. Meanwhile, U.S. PE company inventory sits at 13,509 companies, a record high, underscoring the pressure on sponsors to exit long-held investments and reignite the fundraising and buying cycle.

U.S. Private Equity M&A Activity (PitchBook)



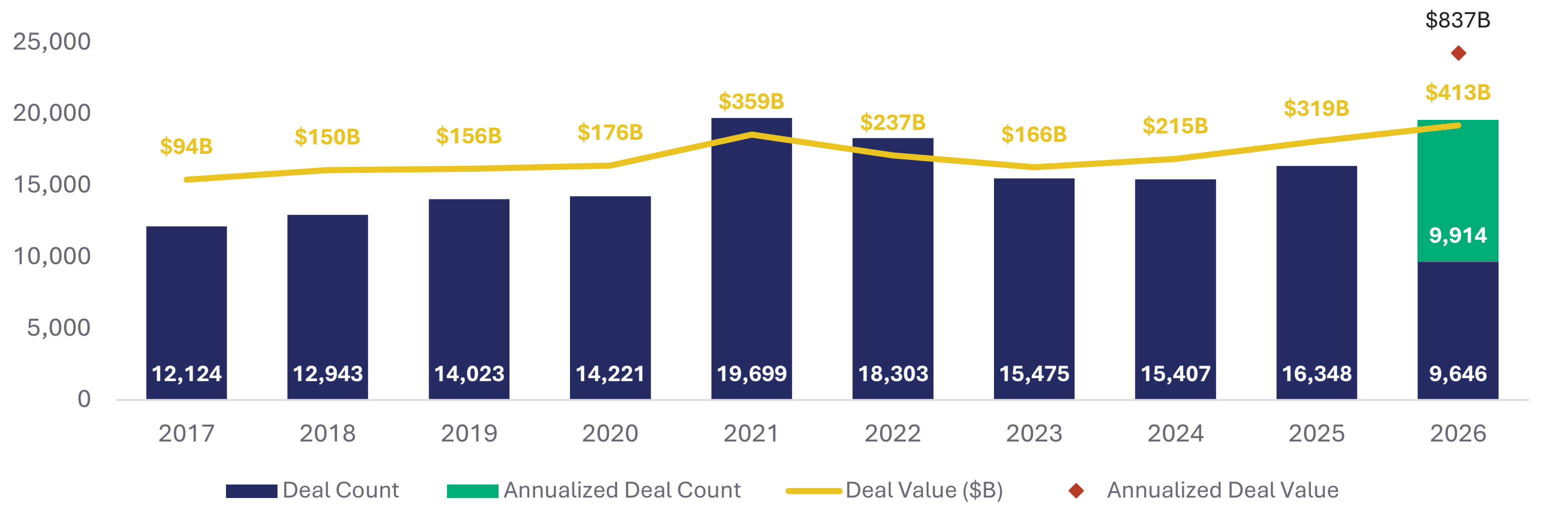
04 U.S. Venture Capital Activity

AI and Megadeals Drive Record VC Activity

Venture capital deal counts surged in H1 2026 to 9,646 deals, with the annualized figure on pace to rival the previous high-water mark of 19,699 in 2021. Total deal value shattered records, driven by megadeals and investment in AI, reaching $413B in the first half of 2026 (on pace to more than double historical annual totals). Deals under $100M in value only drew $51B out of $413B in capital deployed as their share compressed from 33.1% in 2025 to just 12.5% this year, while AI deals drew 86.0% of all venture dollars in the period. Q2 alone had seven rounds at or above $1B, totaling $87B in value (Anthropic, Prometheus Industries, Anduril Industries, Baseten, MiRus, Kalshi, and Cognition), five of them by AI companies. Anthropic's $65B round led the group, marking a 157.1% valuation step-up in three months and lifting its post-money valuation to $965B.

IPO activity took center stage, however, with SpaceX listing at a historic $1.7T, the largest of all time. In sum, the first half of 2026 totaled $2.2T in VC exit value largely due to SpaceX, dwarfing every full year on record and reinforcing the prominence of megadeals in VC activity. This trend is only expected to continue, as Anthropic and OpenAI have both filed confidentially for IPOs that will likely add two more trillion-dollar exits. Along with SpaceX, the Anthropic and OpenAI exits would generate more value than all U.S. VC-backed exits that have occurred this century combined.

U.S. VC M&A Activity (PitchBook)



05 U.S. Equity Markets Summary

Sources: Investing.com and MarketWatch

Index Returns as of 6/30/26	H1 2026	Average Annual Returns: 1-Year	3-Year	5-Year	10-Year
S&P 500	9.0%	20.9%	17.9%	14.9%	11.6%
Russell 1000 Growth	5.0%	17.1%	21.8%	12.9%	17.6%
Russell 1000 Value	15.2%	24.7%	15.3%	8.8%	9.0%
Russell 2000	21.4%	39.1%	17.0%	5.5%	9.2%
Russell 2000 Growth	21.3%	38.0%	17.8%	4.9%	11.3%
Russell 2000 Value	21.5%	40.1%	16.2%	5.9%	8.6%

Stock Indices Post Broad H1 2026 Gains as Value and Small-Caps Rebound

Following a turbulent Q1 characterized by geopolitical volatility stemming from the U.S.-Iran conflict, publicly traded stock indices in Q2 delivered one of the strongest quarters of this century. Initially, these gains were driven by large-cap growth and hyperscalers, but by the end of H1 2026, small-cap, micro-cap, equal-weight, and value benchmarks all reached new record highs. The Magnificent Seven (Microsoft, Amazon, Meta Platforms, Apple, Alphabet, Nvidia, and Tesla), normally the backbone of market gains, were notable exceptions, posting a collective loss of 1.7% as of June 30.

Nine out of eleven S&P 500 sectors posted gains in H1 2026, with Industrials (20.1%), Technology (19.8%), and Energy (19.7%) leading the pack. Small-caps outperformed, with all eleven sectors posting gains in H1 2026. The small-cap Technology sector (49.3%) dominated the first half of the year, reversing a Q1 decline to post staggering gains in Q2, while Industrials (28.5%), Energy (22.3%), and REITs (18.8%) all supported a strong first half of the year for small-cap stocks.

86% of S&P 500 companies that issued EPS guidance in Q2 2026 surpassed EPS estimates, above the 1-year (80%), the 5-year (78%), and the 10-year (76%) averages. In sum, companies reported earnings 39.3% above expectations, largely buoyed by Alphabet's large positive EPS surprise in which it reported $9.11 EPS while consensus estimates expected $2.88 EPS. The S&P 500 forward 12-month P/E ratio was 20.4x as of the end of June, which is a 7.4% premium over the 10-year historical average.

Supported by strong equity performances, global IPO proceeds tripled YoY, from $58B in H1 2025 to $178B in H1 2026, with the U.S. contributing eight of the ten largest IPOs worldwide and the Americas making up 77% of total global proceeds. The largest of these was the SpaceX IPO, which raised $75B in capital – 42.1% of all global IPO proceeds in H1 2026. The Americas raised $138B from 203 IPOs, the region's strongest proceeds performance since 2021. Excluding the SpaceX IPO, U.S. proceeds in H1 2026 more than doubled H1 2025 numbers. Annualized, full-year 2026 volume is expected to exceed 2025 levels by 28.3%, continuing 2025's explosive growth of 54.3% over 2024.

06 U.S. Economic Update

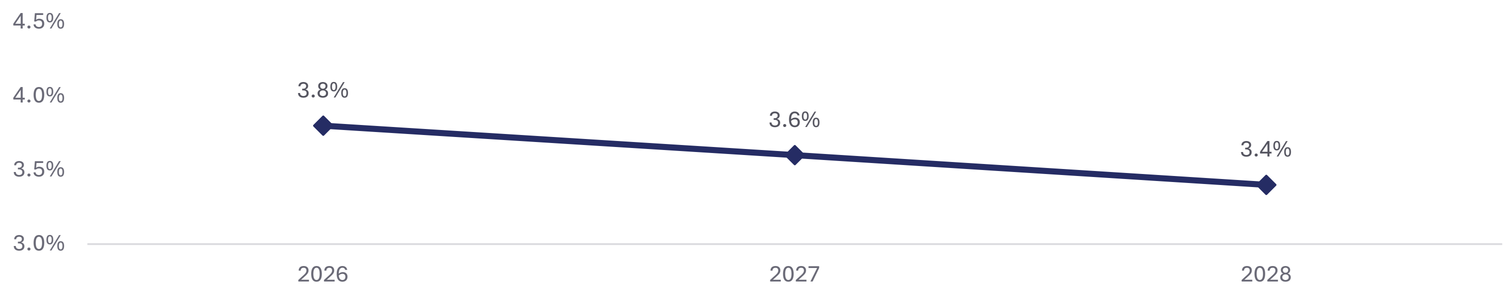
Moderating Inflation and Steady Job Reports Fuel Cautious Economic Optimism

In the June 2026 report, U.S. CPI decreased 0.4% MoM for a 3.5% increase YoY, largely driven by declining energy prices. Core CPI (excluding food and energy) stayed flat MoM, representing a 2.6% increase YoY, signaling that moderating inflation is broad-based and not exclusively due to volatile energy fluctuations. Commodities rose 0.1% MoM and 0.8% YoY while Services remained flat MoM and increased 3.2% YoY. Wages increased in June, with the average hourly nonfarm earnings rising by 13 cents over May to $37.64, which is a 3.5% increase from June 2025, keeping pace with yearly inflation. The June jobs report showed 57,000 nonfarm jobs added and the unemployment rate stayed steady both MoM and YoY at 4.2%.

Across all four of the Federal Reserve’s meetings in H1 2026, participants voted to maintain the federal funds rate target at 3.50%-3.75%. Fed participants stated that they considered a mix of factors including solid economic growth, geopolitical uncertainty in part due to the U.S.-Iran conflict, strong productivity growth and capital investment, job gains, and the flat unemployment rate before settling on holding the funds rate steady.

Due to these factors, the near-term economic outlook is mixed but tilting positive. In a Wall Street Journal poll of 72 economists, respondents expected inflation to stay stubbornly elevated even as growth and employment metrics strengthen. The same poll results put the odds of a U.S. recession over the next twelve months at 25%, down from 33% in the prior survey, signaling that sentiment is cautiously optimistic despite lingering price pressures.

FOMC Summary of Economic Projections for the Fed Funds Rate, Median



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Our “sell-side only” focus affords us uncommon flexibility to craft a highly-tailored and more comprehensive deal search, underscored by a core commitment to being a fully independent and unrelenting advocate for our clients’ interests.

Sell-Side Only Matters

Our team at ArkMalibu is proud of our business model, which avoids conflicts of interest while leveraging M&A expertise and value-added processes to deliver results that far exceed the expectations of our clients, the one-time sellers. We would be delighted to listen and then help you navigate the M&A market in achieving your goals.

SOURCES

ArkMalibu, FRED, Bureau of Labor Statistics, Federal Reserve, PwC, JP Morgan, S&P Global, The Wall Street Journal, Nasdaq, MarketWatch, Investing.com, PitchBook, FactSet, and other publicly available news sources.

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