



## 2025 M&A Outlook:

# A New Year Action Guide for Investors

Looking forward to 2025, how will China's mergers and acquisitions market move forward?

V-Capital | December 31, 2024

As the New Year bells are about to ring, the 2025 M&A market welcomes new challenges and opportunities. In early 2024, V-Capital pioneered the concept of "Chinese-style M&A." Throughout the year, in our interactions with governments, listed companies, and financial institutions, we deeply felt that the current market remains at a crossroads of "vague entanglement" and "dispersed demand" - enterprises, local governments, and financial institutions urgently need more targeted M&A solutions, while M&A funds and professional teams bear the important responsibilities of matchmaking, structure design, and post-investment empowerment.

Looking ahead to 2025, how will China's M&A market progress? Will it flourish vigorously, or evolve steadily with both internal and external improvements?

Based on interviews with various listed companies and prefecture-level governments in 2024 and transaction practices, we have identified 8 key trends for the 2025 M&A market. We hope this report goes beyond a mere "industry overview" and provides inspiration and insights for all parties involved in M&A. Let us move forward together with M&A and with the times in the new year!

### 01. Technology Companies Will "For the First Time" Become a Hot Spot in China's M&A Market

Unlike the previous M&A wave that focused on internet, mobile, or consumer sectors, technology companies will "for the first time" become the focus of China's M&A market in 2025. This is not just a market development choice but a reflection of the times. However, the valuation systems of technology companies differ from traditional enterprises, and current valuation methods and regulatory mechanisms urgently need breakthrough and innovation, bringing new challenges and opportunities for M&A.

### 02. Industrial M&A Promotes the Strengthening of Leading Enterprises

The 2025 M&A market will focus on industrial M&A. Different from the market's advocacy of "cross-border M&A" or focus on "market value management" of small and medium-sized companies, we believe this round of restructuring will emphasize the union of strong players within industries. Through deep integration and supply chain synergy, this will promote the optimization and strengthening of leading enterprises, consolidate market positions, and achieve industrial upgrading.

### 03. "M&A Investment Promotion" Will Become a Powerful Tool for Local Governments

"M&A investment promotion" will become an innovative model for local governments to promote regional development. From 1.0 policy promotion to 2.0 investment promotion, and now to 3.0 M&A promotion, local governments' involvement depth and risk exposure continue to increase. This requires local governments to possess project judgment capabilities, "investment banking + investment" mindset, and post-investment management abilities. Although "M&A investment promotion" has high return potential, its implementation process also comes with high uncertainty and challenges, requiring local governments to possess high professional capabilities to ensure effective project implementation.

### 04. "Absorption Mergers" Between Listed Companies Become a New Trend

In the history of China's capital market, "absorption mergers between listed companies" has never been mainstream, while this practice is very common in mature capital markets (such as the United States), with transaction volumes comparable to listed companies acquiring non-listed companies. As China's capital market shifts from incremental to stock-based growth, coupled with policy support, absorption mergers between listed companies will become inevitable, not only as a continuation of historical experience but also as a policy-driven necessity.

### 05. Establishment of a "Buyer's Market" Centered on Listed Companies

Unlike the previous round's "high valuation, high goodwill, high performance commitment" seller's market, the 2025 buyer's market will be centered on listed companies, forming an obviously buyer-dominated M&A market. A "buyer's market" means listed companies will have stronger bargaining power over targets, prices, and transaction methods in M&A deals. Meanwhile, non-listed companies, especially Pre-IPO companies and those who have withdrawn IPO applications, will become quality acquisition targets under valuation adjustments, welcoming new opportunities.

### 06. Best Period for Cross-border M&A

2025 will be the golden period for cross-border M&A. Legal and policy support, changes in the global economic environment, and positive attitudes from both buyers and sellers have together created unprecedented opportunities for cross-border M&A. The latest revised cross-border M&A related laws (such as the "Administrative Measures for Strategic Investment in Listed Companies by Foreign Investors" released in November 2024) have cleared multiple institutional obstacles. For capable enterprises, amid geopolitical adjustments and international supply chain restructuring, cross-border M&A is a strategic choice to expand international markets and enhance global competitiveness.

### 07. Innovation in M&A Payment Methods and Transaction Structures

To solve the challenge of one-time payments in "large-scale M&A," financial institutions are introducing diverse payment methods, such as convertible bond M&A funds, installment payments, and equity swaps, which both ease buyers' financial pressure and allow time for due diligence and post-merger integration. Meanwhile, M&A transaction structures are becoming more flexible, breaking through traditional single cash or equity swap modes, to meet both parties' needs with more efficient and customized solutions. This will significantly improve M&A efficiency, flexibility, and success rates.

### 08. M&A Funds Will Become the Main Force in This Round of Restructuring

M&A funds will play a key role in this round of M&A, becoming the main force in restructuring rather than just "icing on the cake." M&A funds will not only provide necessary financial support but also play an indispensable role in coordinating interests between parties, promoting negotiations, and implementing M&A plans.

---

## Conclusion: Looking Forward to Chinese-style M&A in 2025 Amid Multiple Changes

In a market environment interwoven with multiple variables, the 2025 M&A market might just be the beginning of a long test. From geopolitical fluctuations to the rise of emerging technology waves, to profound changes in global markets, these forces are deeply shaping transaction confidence and market patterns.

Facing challenges and changes, maintaining rational optimism about the future and finding the right path through practical steps will enable us to seize opportunities amid trials. Looking ahead to 2025, we expect China's M&A market to release more potential in the following directions:

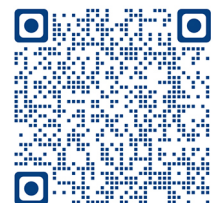
**Industrial M&A reshaping value chains**

**Accelerating absorption mergers of listed companies**

**Synergistic efforts of M&A funds and cross-border M&A**

It is the convergence of these trends that will drive China's M&A market toward "greater maturity, rationality, and higher levels," while injecting momentum into economic development.

As an explorer of "Chinese-style M&A," V-Capital will be driven by professionalism and innovation, resonating with policy makers, industrial capital, and all parties involved in M&A, to jointly welcome new fluctuations and opportunities in the M&A market as times change. We look forward to joining hands with more partners to jointly promote the high-quality development of Chinese enterprises and move forward together with China's economy.



Scan the QR code to read the original text of "Chinese-style M&A"