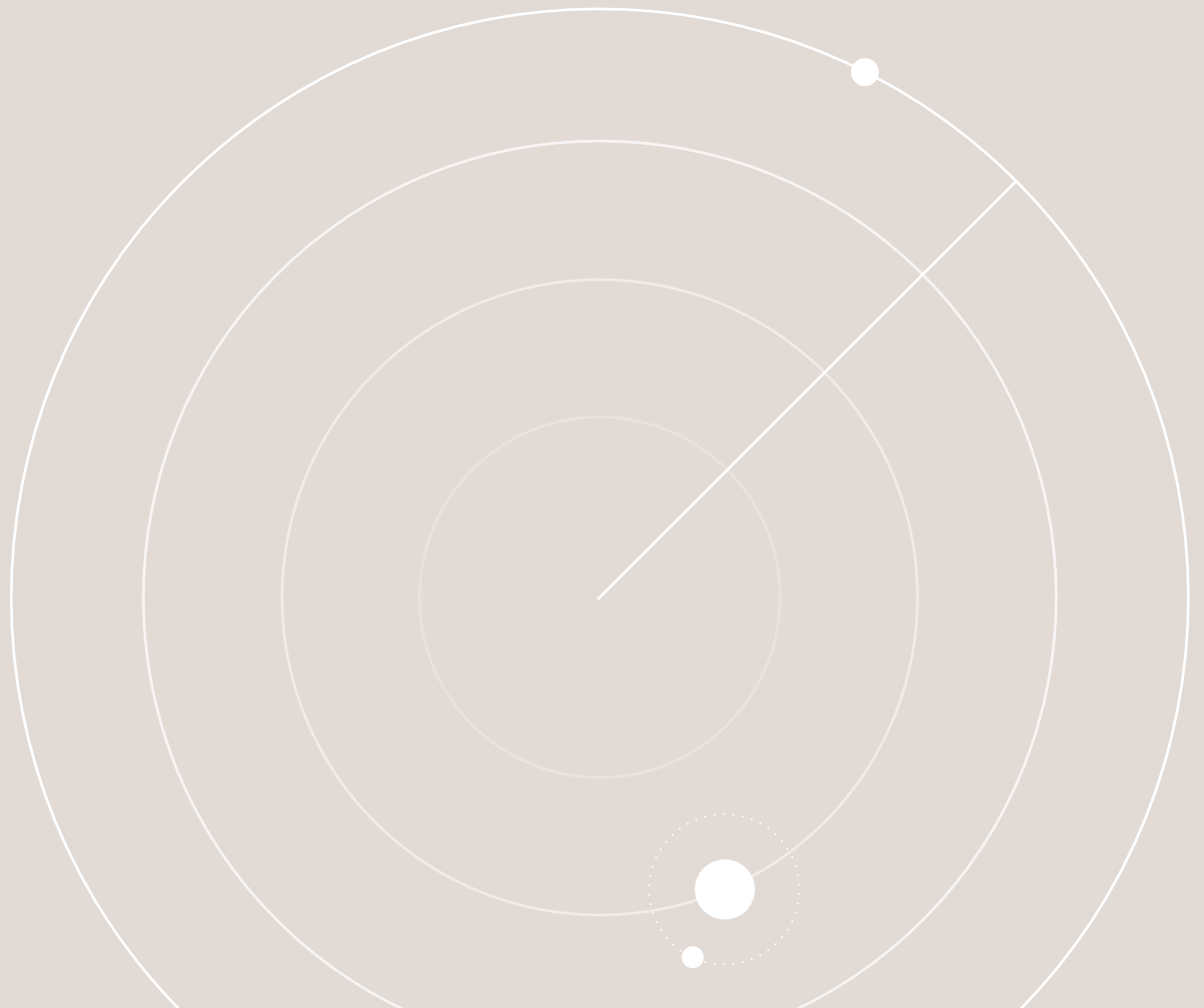




Transaction Radar

2025 annual summary



Ellex Transaction Radar 2025 annual summary

In the face of uncertainty: how 2025
put the transaction market in motion again

Comments by:

Risto Vahimets, Merlin Liis-Toomela,
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Martin Mäesalu ja Daniil Bardõbahhin

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Ellex Transaction Radar summarises the most important transaction market trends in 2025.

The total number of transactions in Estonia in 2025 surpassed last year by 32 (205 vs 173). The year was off to a rather cautious start but from the second quarter onwards there were clear signs of increased activity - the volume of transactions increased and remained stable until the end of the year. We hope that 2025 was a year of recovery and restoring confidence and not only a one-time boost.

Risto Vahimets, Partner and Head of Transactions | Ellex in Estonia

In 2025, a total of 205 transactions were registered in Estonia, divided as follows:

83	95
venture capital and technology transactions	traditional merger and acquisition (M&A) transactions
13	14
share issues (incl. OTC issues)	major real estate transactions

By the end of a very turbulent 2025 we can nonetheless say that the recovery, which has been anticipated for several years in the Estonian transaction market, has begun. Meanwhile, the environment remains unstable. The war in Ukraine has not ended. The USA is making decisions only to turn them around immediately. AI has raised a huge amount of money but is now wavering in the winds of various doubts.

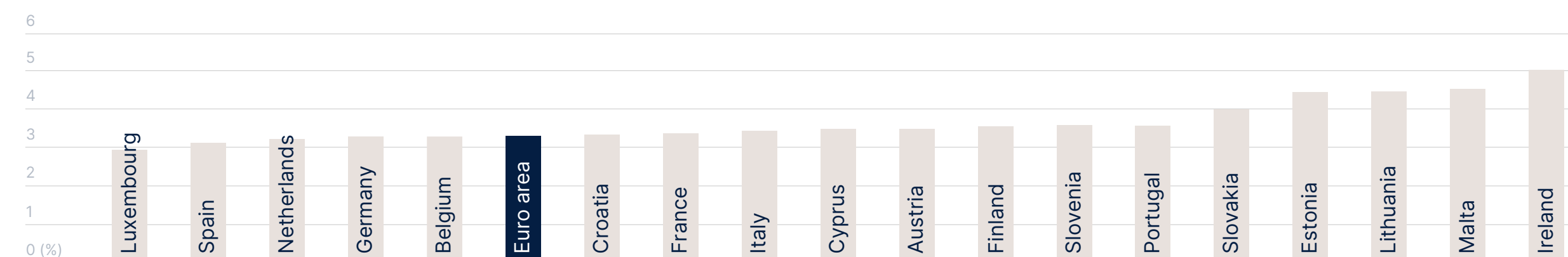
According to the Datasite Deal Drivers EMEA Q3 report, the number of transactions in the third quarter in our broader region was the lowest since 2022. The positive side was that the value of transactions reached the second highest quarterly position for this period. Investors have money but in uncertain times they prefer big companies with a track record of quality. The Deal Drivers Report also highlights that private equity funds are more active in the telecom, media and technology sector, while industry based activity is the highest in the industrial sector of German speaking countries. So, against the broader European backdrop we are somewhat of an exception because we rarely have “major” deals. However, two deals that were actually major were executed in Estonia in 2025 - the sale of Rimi to Salling Group and the acquisition of the Södra forestry portfolio by INGKA.

Before delving into the details of the transactions, we need to have an overview of the European and Estonian macroeconomics.

And we need to start with the interest rates. ECB’s outlook on the eurozone business loan cost is presented in the following table where Estonia has dropped another place and now comes in fourth. A year ago we were ranked first so doing deals will gradually become easier - compared to the top, a 4.46% interest cost no longer seems like a nightmare. However, the competitors of our companies and probably also their M&A transactions still receive foreign investments at a cost that is more than 1% lower.

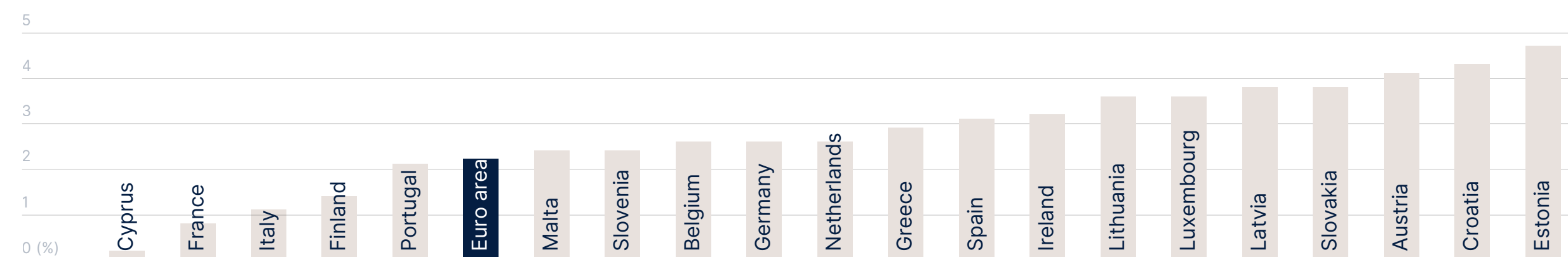
Let us hope that the recent speculation about the ECB raising base rates is not true. In December the base rates remained at the same level.

Business loan interest rates



Estonia still leads the eurozone with an inflation that reaches 4.7%. Although Estonia is not the only country in Europe and the world that is struggling with inflation, with out 4 percent we are far ahead of the eurozone average of 2 percent.

Inflation

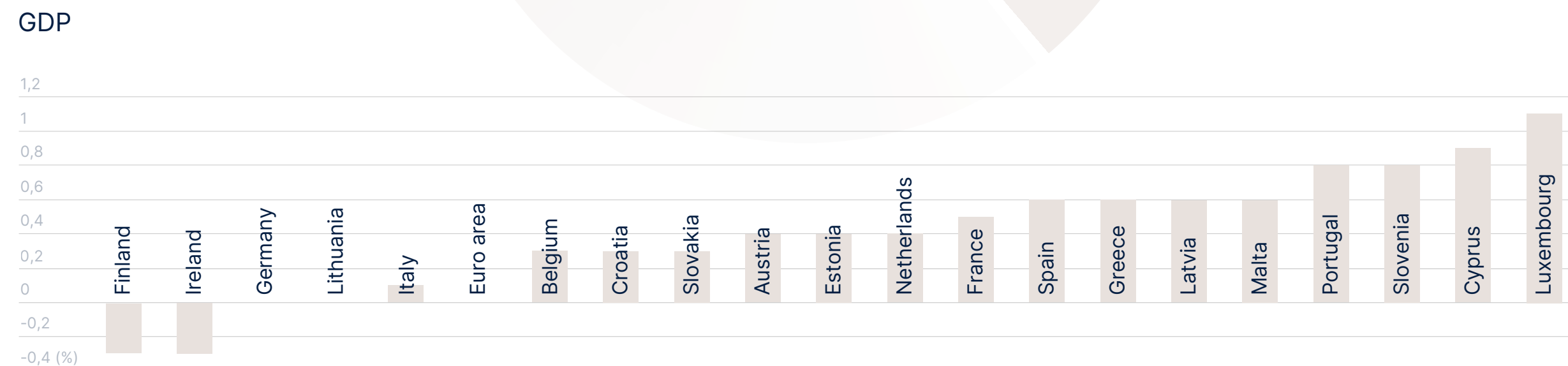


Estonian economy grew 0.9% in the third quarter of 2025. The reversal of the tax reform is expected to improve consumer confidence but not result in a boom. Meanwhile, there are no signs of strong economic growth anywhere in Europe. However, only Finland is in decline, which has a significant and direct impact on our market as well. Ireland’s decline is technical, caused by the exceptionally high growth numbers in the previous periods.

The war in Ukraine, which has a strong negative impact on the transaction activity in our region, is still ongoing and is not showing signs of dying down. Trump’s “actions” in this regard are not contributing to stability in the region - it could rather be said that his goal is the continued instability of the European market.

When it comes to industry-based topics, there has been a slight cool-down regarding AI-specific companies. The defence industry is still “hot” and is not showing any signs of becoming less relevant. Quantum computing pops up here and there but perhaps even too often in relation to a post-AI world - for example, in relation to what the new hype could be once AI is no longer it.

Although in the grand scheme of things, the situation with financial liquidity has not changed - a lot of money is waiting to be invested and many companies have been owned by funds well beyond the fund’s maturity - private equity funds have had some difficulties with raising new capital. The inability of the funds to regularly exit investments has been given as a reason. Investors are waiting to get their money back and the funds are unable provide, thus extending the maturity terms. This in turn means that there is pressure to make transactions.



In 2025 we counted a total of 83 venture capital/technology transactions, 14 major real estate transactions, 13 emissions (incl. over-the-counter) and 95 traditional mergers and acquisitions (M&A deals) (205 in total). It was a positive trend in terms of the number of transactions, the volume of transactions increased and remained stable until the end of the year.

Europe

The largest transaction in Europe was the acquisition of the Dutch company JTE Peets by Dr Pepper for BEUR 19.78. Following the transaction, the plan is to divide into two global companies, one of which distributes soft drinks and the other coffee.

Another European transaction came just short of 20 billion euros - Greek gaming giant OPAP merged with Allwyn International. It is an indicator in itself that once again no European transactions made the global TOP 10 and more money keeps on concentrating to the USA.

The heat chart of the Mergermarket EMEA transactions still shows only two hot zones for the number of transactions - the UK and Irish technology transactions and industrial and chemistry transactions in German speaking countries. The remainder of the heat chart is lukewarm.

World

Transactions in the second half of the year completely cleared out the global TOP 10. The major transactions of the first half of the year, the merger of Charter Communications and Cox Communications (transaction value 34.5 billion dollars) and Google's acquisition of cyber security company WIX for 32 billion dollars, dropped to the bottom of the TOP 10.

The largest transaction in 2025 was the acquisition of Norfolk Southern by Union Pacific for 86 billion dollars. This is the creation of a US railway giant with sleepers running from the Atlantic to the Pacific Ocean. The second largest transaction is also associated with infrastructure. American Water Works and Essential Utilities are merging as a result of a 63 billion dollar deal.

Even bigger than the European gaming industry's OPAP deal is the acquisition of Electronic Arts by the Saudi Arabian state fund Silver Lake and Jared Kushner's Affinity Partners. The fourth deal to exceed the 50 billion dollar limit (55 billion dollars) was struck in the mining sector with the merger of Teck and Anglo American. The largest deal in the medical sector where Kimberly-Clark acquired Tylenol and Band-Aid manufacturer Kenvue was just under 50 billion.

Sector-wise the global TOP 10 gives food for thought - 3 US infrastructure deals, 2 cyber security service deals, 2 medical deals and 2 gaming industry and entertainment deals. There is clearly a search for security. This is also confirmed by investments in traditional infrastructure and the sectors that made it to the global TOP 10.

Estonia

In addition to the acquisition of the RIMI store chain by Salling Group in the first half of the year, Estonia participated in another major deal. INGKA acquired a huge Estonian and Latvian forestry portfolio from Södra, stating that they are investing with a century-long perspective. Both transactions are noteworthy in that these are investments that shut down speculations about the (lack of) courage of foreign investors to invest in the Baltic region.

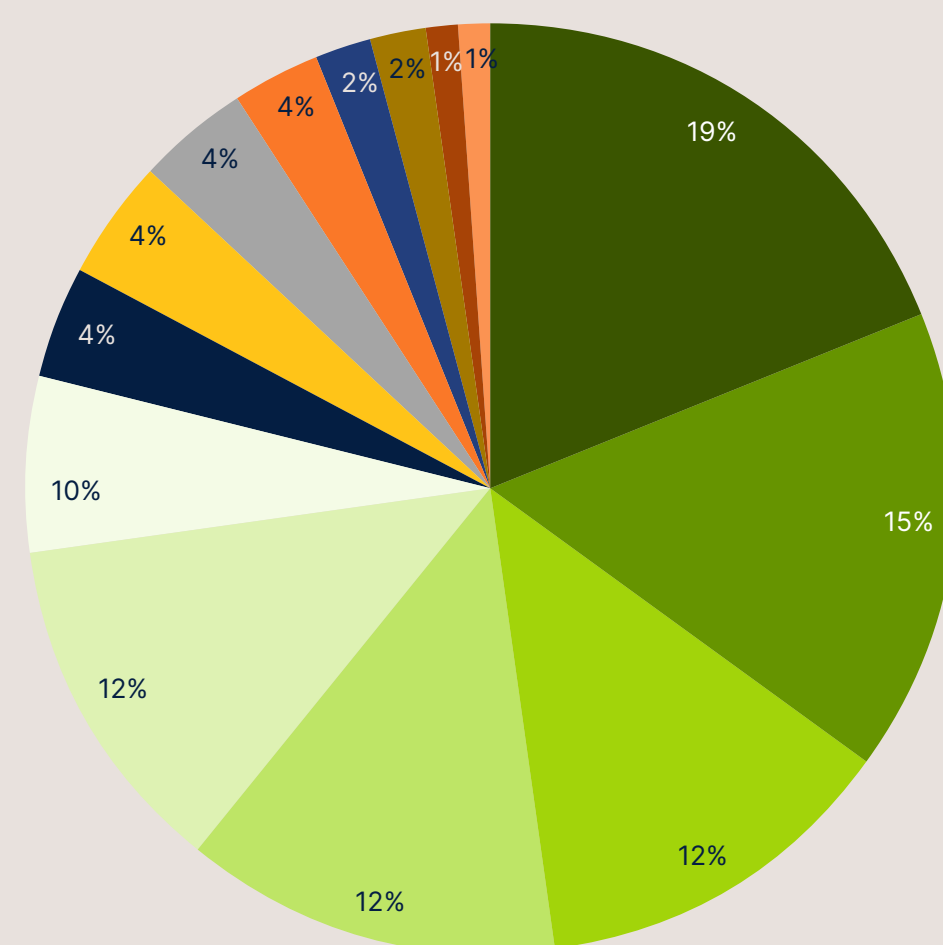
The most noteworthy capital raisings in 2025 in the technology sector were Starship (50MEUR), Pactum AI (47MEUR), Blackwall (45MEUR), Druid AI (31MEUR), Lightyear (23MEUR), Katana (14MEUR) and Stargate Hydrogen (11MEUR). The more active sectors were AI, finance, energy technology, cyber security, logistics and of course the defence industry.

What to predict for the future?

At the moment, I do not see any reason why the pace of transactions should not pick up even more. This is supported by the macroeconomic environment, the pressure for transactions has increased from the piling money and companies that have been in funds for a long time. Banks are open to give out loans, interest rates are at a reasonable level.

But there are plenty of opportunities for the unexpected, especially geopolitically. Perhaps we are slowly starting to get used to and adjust to this situation.

2025 M&A and real estate transactions



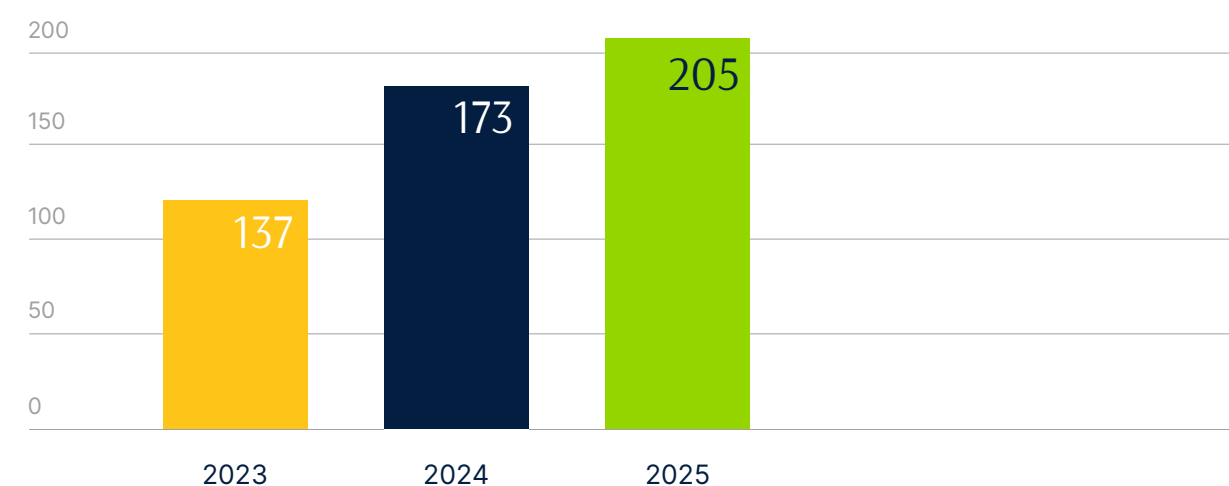
Noteworthy M&A transactions in Estonia in 2025:

- Optimove acquires Adact to elevate AI-orchestrated gamification.
- Largest Danish retail group Salling Group acquired retail chain Rimi Baltic. Transaction value is estimated at 1.3 billion euros. Noteworthy for the courage of foreign investors.
- BaltCap sold its majority shareholding in Ridango to Bregal Milestone.
- Eesti Energia acquired all the shares in Enefit Green AS, after which the company was delisted from the Nasdaq Tallinn main list.
- BCS Itera AS sold the company to Digmatrix. The acquisition was supported by an investment from the Baltic private equity fund Livonia Partners and funding from SEB Pank.
- Estonian company Stargate Hydrogen which develops the technology for efficient and cost-effective hydrogen production entered into a strategic partnership with one of Europe's largest energy groups Repsol.
- Private equity fund INVL Private Equity Fund II, which is part of the Invalda INVL group, acquired 75% in the biggest Estonian waste management group Eesti Keskkonnateenused.
- Defendec sold 100% of its shareholding to Vosker. Defendec is the market leader for AI-based autonomous surveillance solutions.
- IKEA and Ingka Investment agreed on acquiring approximately 18,000 hectares of land in Estonia and 135,000 hectares in Latvia from Sweden's largest forest owners association.
- P&E Capital, the investment company owned by the Piilmann family, acquired the Solaris shopping centre from its former owner, the Swedish company Sveafastigheter Fersen Estonia AB.
- Netflix is acquiring Estonian-based Ready Player Me to develop cross-platform avatars in support of its TV-centric gaming strategy.

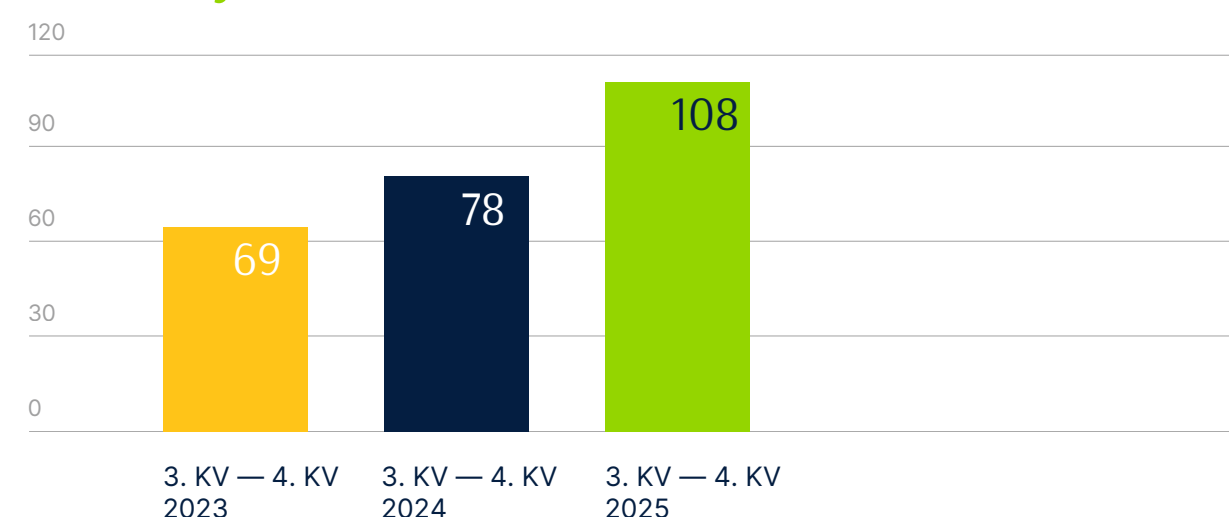
Largest global deals in 2025:

- Union Pacific (UP) acquires Norfolk Southern (NS) in an 85 billion USD deal. The aim is to build the first railway across the US continent, connecting UP's western and NS's eastern railway network (infrastructure)
- American Water Works and Essential Utilities are merging in a 63 billion dollar share swap deal (infrastructure)
- Saudi Arabian public investment fund (PIF) Silver Lake and Affinity Partners (Jared Kushner's investment fund) are forming a consortium that will acquire one of the companies in the video gaming industry Electronic Arts (EA) for 55 billion US dollars. This is a large-scale exit from the stock exchange (video gaming industry)
- Teck and Anglo American are merging on equal grounds, forming the company Anglo Teck - a global leader in the critical minerals sector, headquartered in Vancouver, Canada. The deal value is 53 billion dollars (mining)
- Kimberly-Clark is acquiring Kenvue for 48.7 billion US dollars. The company's portfolio includes well-known consumer and medical products, including Tylenol and Band-Aid (consumer goods / healthcare)
- Artificial Intelligence Infrastructure Partnership (AIP), MGX and BlackRock's Global Infrastructure Partners (GIP) are acquiring 100% of Aligned Data Centers, the private infrastructure funds managed by Macquarie Asset Management. The transaction value is 40 billion US dollars (data centres / digital infrastructure)
- Charter Communications and Cox Communications are merging in a 34.5 billion US dollar deal (communication and entertainment)
- Google is acquiring cyber security company Wiz for 32 billion US dollars (cyber security)
- Palo Alto Networks is acquiring CyberArk for 25 billion US dollars to create an integral identity-based cyber security platform (cyber security)
- Sycamore Partners is acquiring Walgreens Boots Alliance for 23.7 billion US dollars (retail and healthcare sector)

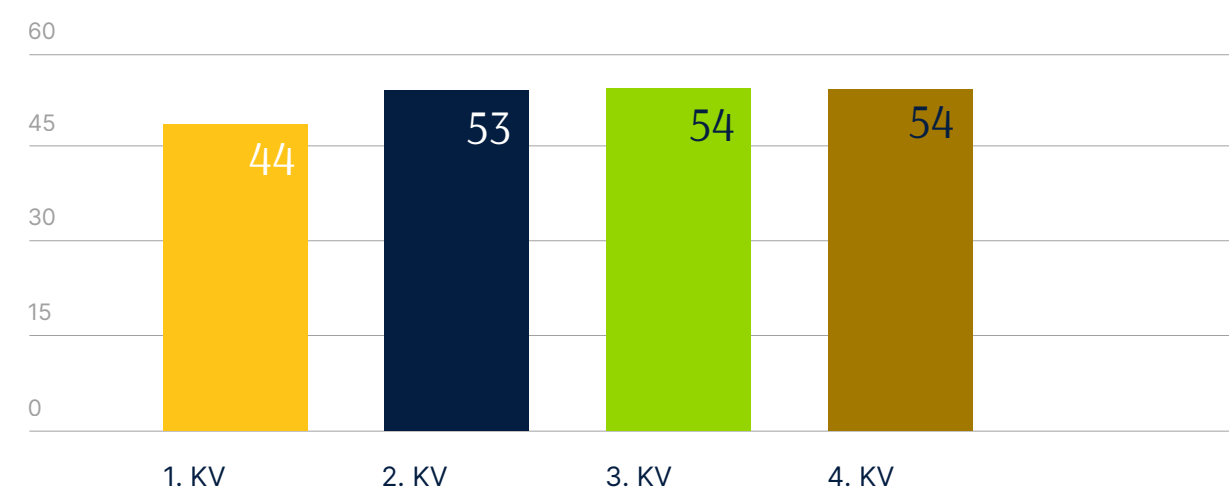
Total number of transactions (2023–2025)



Total number of transactions in the II half of the year (2023–2025)



Total number of transactions in the last 4 quarters



Invisible breaks on transactions: dual-use risks, open source code and IP clarity

Merlin Liis-Toomela, Associate Partner and Head of Data Protection and IT Law | Ellex in Estonia

It is customary in transaction processes for the buyer or investor to carry out a legal due diligence which is a thorough audit of the company’s legal, financial and technical situation. Its aim is to evaluate risks that can affect the transaction value or even its success. In the Estonian transaction market, where the majority of M&A deals concern technology-centred companies, technology and intellectual property matters are often at the forefront of the audit. In practice it can be seen that these are the issues that determine whether the transaction progresses smoothly or comes to a halt. Examination of IP is therefore one of the most critical stages: buyers want the certainty that the company’s technology is lawful, works reliably and all the necessary rights are indeed vested in the company.

The growth of the defence industry and strategic technologies has brought the regulation of dual-use goods into focus. An increasing number of software-based solutions could fall under the rules of strategic goods. This means requirements for export control and clear risk management. If the company has failed to consider these issues at an early stage, the transaction could fall through already in the audit stage. Investors do not want to take the risk that the sale or use of the product could run into legal issues later on.

There is also more attention on the use of open source code software. The rapid spread of artificial intelligence means that open source codes are used more than ever before. The use

itself is not a problem but there is an issue if the license terms are unknown or the company does not have any clear rules. An element with a copyleft license could oblige to share the source code or give third parties broader rights. These situations cannot be “fixed” with contractual provisions - if it is revealed that the company’s core technology rights have essentially been assigned, the deal is usually called off.

IP clarity is important also in a broader context. Legal audits have in practice revealed situations where the company has in early consumer contracts unknowingly surrendered part of its technology. Not only do these errors have an effect on the value of the transaction, these could also render the transaction impossible.

In summary

The success of the deal is more and more dependent on whether the company’s technological and legal basis are in order. Compliance with dual-use requirements, conscious use of a public source code and clear IP infrastructure are the underlying conditions of the transaction. Companies who have these matters under control early on, have a clear advantage in transactions.

Estonian VC and PE transactions: what has happened in the past year?

Rutt Värk, Associate Partner | Ellex in Estonia

While in previous years, the Estonian investment environment was characterised by record amounts of financing and abundance of rapid growth rounds, the picture has clearly changed over the past 12-18 months. Venture capital (VC) and private equity (PE) transactions have not disappeared but have become more selective, strategic and technologically profound.

VC: less transactions, higher stakes

There are currently less transactions in the Estonian venture capital market but the average quality and maturity of companies is generally higher. Capital is primarily going towards companies which have either a clear global market and scalable business model, proven product and early sales pull, deep tech advantage (AI, deep tech, cyber security) or are associated with the defence and dual use sector.

Financing of companies engaged in artificial intelligence and data processing is especially remarkable. Estonia's strong pool of software engineers and international experience are a clear competitive advantage in this sector. The defence and dual use technology sector is also on a noticeable rise - only five years ago this sector was rather a niche sector but today it is a legitimate and even desired investment target for local as well as international investors. The third trend to point out is the deep tech spin-outs from universities and research facilities for which the investors accept a longer

development cycle but expect a considerably higher strategic value.

The early-stage market (pre-seed, seed) has not disappeared but has become more cautious and slower. The founders are expected to provide more than just an idea - first clients, protected technology or regulatory advantages have basically become a minimum requirement.

These were the largest VC transactions in 2025:

- In 2025 **Starship Technologies** raised nearly 50 million euros in Series C round to develop an autonomous robot park in Europe and the USA. The funding round was led by Plural.
- **Pactum AI** which develops AI agents raised approximately **47 million euros in Series C** round which was led by Insight Partners.
- **Blackwall** raised **45 million euros in Series B** round led by Dawn Capital. The company operates in the cyber security and online infrastructure protection field, with a wide application of artificial intelligence.
- **Katana** raised **14 million euros in Series B extension round**, assuring that also more mature vertical SaaS companies can still attract capital.
- **Stargate Hydrogen** raised **11 million euros in Series A round** for the development of a green hydrogen production technology - an important example of the viability of the Estonian cleantech sector.

PE: slowly but surely

While VC transactions are more publicly visible, the private equity move in Estonia has been more low-key. The focus

tends to be on controlling shareholdings; medium size enterprises which are often family or founder based and creating a clear operational value.

The most outstanding private equity transaction in 2025 in Estonia was INVL Private Equity Fund II's acquisition of a 75% shareholding in Estonia's largest waste management company Eesti Keskkonnateenused (EKT). This is the first landmark investment by one of the largest Baltic PE funds in the Estonian market and a strong signal that mature Estonian service and infrastructure companies are attractive for PE funds.

A trend to point out is the exit of founder and family businesses to PE funds becoming a common development stage and not an exception.

VC and PE overlap: defence and deep tech

A new investment pattern is becoming increasingly more evident in Estonia: companies that start with VC funding gain national or NATO sector clients and need either growth capital or private equity investment to scale. This has created a new in-between exit road: not IPO or Big Tech but selling to a growth-PE or strategic investor. This is especially evident in the defence, dual use and deep tech sector where the need for capital, regulatory framework and sales cycles are considerably different from the traditional software-startup model.

In summary, it can be said that the Estonian investment market has not subsided but has matured. Capital is moving slower but wiser. Investors prefer technological profoundness, a clear strategic position and realistic growth path. This creates a stronger and more sustainable basis for the next growth cycle - for founders, investors and the Estonian economy as a whole.

Noteworthy venture capital transactions in Estonia in 2025:

- Stargate Hydrogen raised 11 million euros in series A funding round to expand the production of precious metal free electrolyzers
- Blackwall raised 45 million euros in series B funding round to protect companies from malicious web traffic
- Gaming technology company Ultra raised 10.8 million euros in an investment round to expand their platform and team. The investment round was led by the NOIA Digital Assets fund.
- Pactum AI, start-up company that automates negotiations using artificial intelligence, raised 47 million euros in Series C round.
- Technology company Labrys raised 20 million dollars in Series A funding round. The investment round was led by Plural, participants included Superangel, AlbionVC and current investors Project A, Expeditions Fund and MD One Ventures.
- Investment platform Lightyear raised 23 million US dollars in Series B funding round. The round was led by NordicNinja, participants included Superangel, Specialist VC, Lightspeed and Metaplanet.
- Karma Ventures and other angel investors participated in DRUID AI 31 million dollar Series C funding round to accelerate the international growth of the artificial intelligence platform.
- Swiss investment company Bayard Capital is investing over 10 million euros in Estonian mirror houses manufacturer OOD.
- Starship Technologies, leading autonomous delivery robot company, raised 50 million US dollars in Series C funding. The funding was led by Plural and participants included also Karma Ventures, Latitude, Coefficient Capital, SmartCap and Skaala.
- Katana raised 14 million euros in Series B extension round led by Cogito Capital Partners together with Fenton/Greer Family Trust and current investors Northzone, Atomico, 42Cap and Lightrock.
- Estonian defence technology company PowerUP Energy Technologies raised 10 million euros in Series A funding round led by Mercaton and ScaleWolf together with SmartCap Green Fund.

2025. venture capital transactions



2025 in Competition Law

Born to run: transaction market speeds up, procedures try to keep up

Martin Mäesalu, Managing Partner, and Daniil Bardõbahhin, Lawyer | Ellex in Estonia

Everything (at least competition proceedings) is new but the first cases are yet to come

The most significant event of 2025 in the competition law world was the amendments to the Competition Act that entered into force on 6 July, bringing the current Competition Act into compliance with the NN ECN+ directive. The key amendment is the establishment of new so called competition law supervisory proceedings that replaced the former system. The new competition law supervisory proceedings must ensure principles similar to those in criminal proceedings. Upon identifying a violation, the Competition Authority can now request that the entrepreneur is fined by the court and as part of misdemeanour proceedings.

The Competition Authority will have two main investigative measures in the supervisory proceedings: searches and information requests. A search can be conducted with authorisation from the administrative court in the company premises as well as the residential premises of third parties. The regulation of information requests is also extended. The existing legal order for both will change significantly and companies should consider updating their internal procedures.

As far as is known, the Competition Authority is yet to apply

the new supervisory proceedings in collecting evidence, so the formation of case law still lies ahead. We are likely to see first major proceedings in 2026. The law also leaves a wide margin of interpretation and several regulations are disputable. This means that extensive disputes over the application of proceedings and limitation of rights are likely.

Under pressure: the number of notices is on the rise, the pace of proceedings may not keep up

At the time of writing this, the Competition Authority has received 45 merger notices in 2025 but by the time of publication the number is likely to exceed 50 again. With nine notices, additional proceedings were initiated. All of this reflects the significant increase in the transaction market activity, especially in the second half of the year.

However, statistics show that most proceedings concern cases which lack wider public interest for an analysis. Submitting a notice is more of a formal requirement. Such practice is a burden on the resources of the Competition Authority as well as companies. The thresholds for merger notices have essentially remained unchanged for decades, which has resulted in the obligation to notify the Competition Authority of nearly all transactions where the parties have any operations in Estonia.

The large number of notices has also highlighted the lack of resources of the Competition Authority. Analysing each case inevitably takes time. Delayed proceedings are not useful for the transaction parties or the Estonian economy in general.

Of course longer proceedings also include several more complex cases which require a detailed analysis. More can be said about these after the decisions have been made. However, there is reason to believe that among the nine

extended proceedings are several which are extended due to the lack of resources. The efficiency of proceedings and sufficiency of resources are probably matters that require the most attention also in 2026.

All you need is ... clarity: if there is no basis, it should be stated unambiguously

One of the decisions to receive the most attention in the second half of the year was the Competition Authority's decision about the so-called cinemas deal for the acquisition of the cinema complex operating in Tallinn city centre. No merger notice was made but in the course of supervisory proceedings the authority came to the conclusion that the obligation to submit the notice could have existed. However, the authority was not certain on whether they have the right to reverse a merger that had already taken effect. The decision implies that for some reason, they did not wish to take a final position on this.

The problem with this case is twofold. First, it is questionable whether it is justified to refer to possible unlawful activity if no further steps are ultimately taken in this regard. If no violation is ascertained, it is fair to avoid casting any shadows. Second, a situation where decisions are not taken merely due to the lack of case law creates uncertainty. If the authority is of the opinion that there are no legal grounds to take action, this should be clearly stated. Hesitant positions contribute to market uncertainty and undermine legal clarity.

Call me maybe?

The turnover thresholds for merger control have not changed since 2006 even though there has been significant economic growth and inflation. No proposals to change the thresholds have been made in 2025, so it should be assumed that the thresholds which by today are disproportionately low will still apply in 2026. Six million euros for the joint turnover threshold and two million euros for individual turnover.

However, there have been talks about amending the regulation so that the Competition Authority is given the right to control transactions also once they have been concluded (the so-called call in power). Latvia and Lithuania are the main examples for this model and similar discussions are being held elsewhere in Europe. In practice this regulation would bring about various problems which is why we should hope that Estonia does not reach this solution in the coming years.

Where is international M&A headed? Strategic direction and mega deals 2025

Alla Kuznetsova, Associate Partner | Ellex in Estonia

The activity of traditional mergers and acquisitions in the world continued increasing in 2025. It was regardless of a complicated macroeconomic environment where the total number of transactions fell compared to previous years but at the same time the total value^[1] of transactions actually increased. It was mostly major strategic transactions (so-called mega deals) that played an important role in the revival of the market. M&A was not merely a growth instrument but a tool to reform and organise business models that companies with strong capital used to implement strategic goals.

International M&A market was dominated by strategic buyers

The major deals in the international M&A market were clearly characterised by the domination of strategic buyers where the main motivation for transactions is first and foremost a long-term business and strategic logic. For example, the acquisition of Union Pacific for \$88 BUSD in Norfolk Southern was a strategic step to restructure the American freight rail infrastructure. The purpose of the deal is to create the first US transcontinental railway by bringing the western and eastern networks together under one operator, improving delivery possibilities and achieving long-term synergies in logistics.^[2] Google's decision to acquire cloud security company Wiz for nearly 32 billion dollars was driven by the goal to enhance Google Cloud's security capacity and long-term competitive position.

The focus of the mega deals was on:

- (iv) infrastructure and utility services;
- (iv) technology and cyber security,
- (iv) natural resources and critical minerals,
- (iv) communication and data infrastructure.

International reports indicate that strategic buyers also dominated other sectors. For example, in healthcare M&A transactions strategic buyers made up more than 60% of the deal volume while the share of financial investors remained modest.^[4]

The largest M&A deals in 2025 were not aimed merely at increasing production or volumes but at restructuring business models, reducing digital and technological lag and cleaning portfolios and sharpening the focus.

The transactions presented in the table also characterise the additional trend in the past years that international M&A is directly related to geopolitical deliberations. The decisions are no longer shaped only by economic efficiency or the return expected by investors but also questions of: (i) who controls strategic assets; (ii) how the supply chains and critical infrastructure is protected; (iii) what the geopolitical and security effects of the transaction are.

European and Estonian M&A market was also shaped by strategic transactions

The statistics of the European M&A market also reveal that although the number of transactions decreased, the total value of transactions increased. The 2025 European M&A market was also shaped by major strategic deals which were led by US as well as European buyers.

Single mega-deals, such as the acquisition of Dutch company JTE Peets by Dr Pepper, the merger of Helvetia and Baloise in Switzerland, consolidation of the Italian banking sector and merger of Allwyn and OPAP, constituted a disproportionately large share of the total value of European transactions. In addition to the above, the largest transactions of the year also included pharmacy, financial infrastructure, retail and technology (deliberate acquisitions of data infrastructure, cyber security and digital capacity providers) where several European companies were acquired by European as well as global strategic buyers.

The table of Estonian transactions also demonstrates that the majority of the deals were done by strategic buyers, i.e. industrial and service companies, regional or international groups, competitors or clients operating within the sector.

2025 in Estonia was a traditional strategic buyers market where buyers deliberately used M&A to strengthen their business models, add competences and secure their market position. Several transactions reflect the goal to achieve a lasting competitive advantage - whether by

increasing the market share, deepening vertical integration, acquiring technological or service capacities or expanding regional grasp.

This means that European (incl. Estonian and Baltic more broadly) companies are still attractive for regional and international buyers but the transactions that stood out on the market were primarily those driven by a clear and sustainable strategic logic and not short-term financial motivation.

Will the mega-deal trend continue also in 2026 and will there be any in the Baltics?

The 2025 M&A market had a strong recovery and successful buyers were those with a long-term strategic vision. I believe that 2026 will continue to focus on purposeful transactions and with continued emphasis on technology (mainly AI companies), healthcare and energy technology. The end of 2025 has shown that there is preparedness for this.

Will private equity and financial investors return to the M&A market in 2026?

Private equity and other financial investors have not left the M&A market but compared to before, they played a considerably smaller role in 2025. Participating in major deals was more of an exception for them and they focused on specific sectors (e.g. healthcare, IT services, automatization of business processes), leaving the general direction of the market to the strategic buyers. Private equity and financial investors were active in Estonia as well but they did not

dominate, focusing on growth stage companies, healthcare and technology.

But the market conditions are gradually changing. First of all, a considerable amount of uninvested capital (so-called dry powder) has accumulated in the private equity sector, which puts pressure on transactions. Secondly, the conditions for financing will hopefully improve in 2026 - stabilization or decrease of interest rates will make leveraged buyouts (LBOs) economically more reasonable again. Thirdly, many funds are also under pressure to exit which means that new acquisitions and restructuring of portfolios will become inevitable.

Private equity and other financial investors have not left the M&A market but they were on stand-by in 2025. My prediction is that in 2026 we have reason to expect their activity to increase moderately and purposefully, although the market direction will still be shaped by the strategic buyers.

[1] According to Dealogic (Thomson Reuters), the number of transactions in 2025 until 1 August was 16% lower but the total value of transaction was 28% higher compared to the same time last year:

<https://www.reuters.com/business/finance/global-ma-hits-26-trillion-peak-year-to-date-boosted-by-ai-quest-growth-2025-08-04>

[2] <https://www.nasdaq.com/press-release/creating-americas-first-transcontinental-railroad-union-pacific-and-norfolk-southern>

[3] Google announces agreement to acquire Wiz

[4] <https://kpmg.com/us/en/articles/mergers-acquisitions-trends-healthcare-life-sciences.html>

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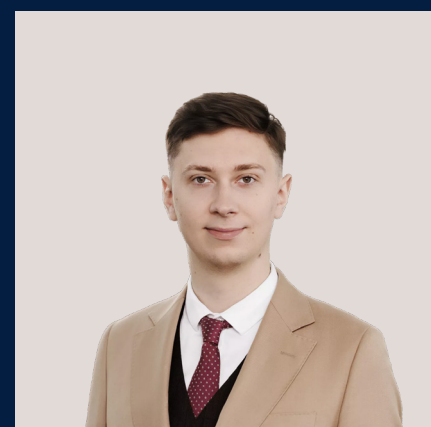
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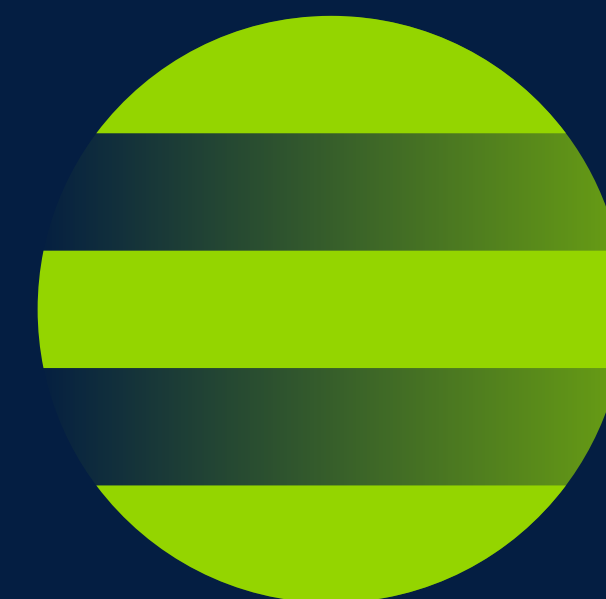
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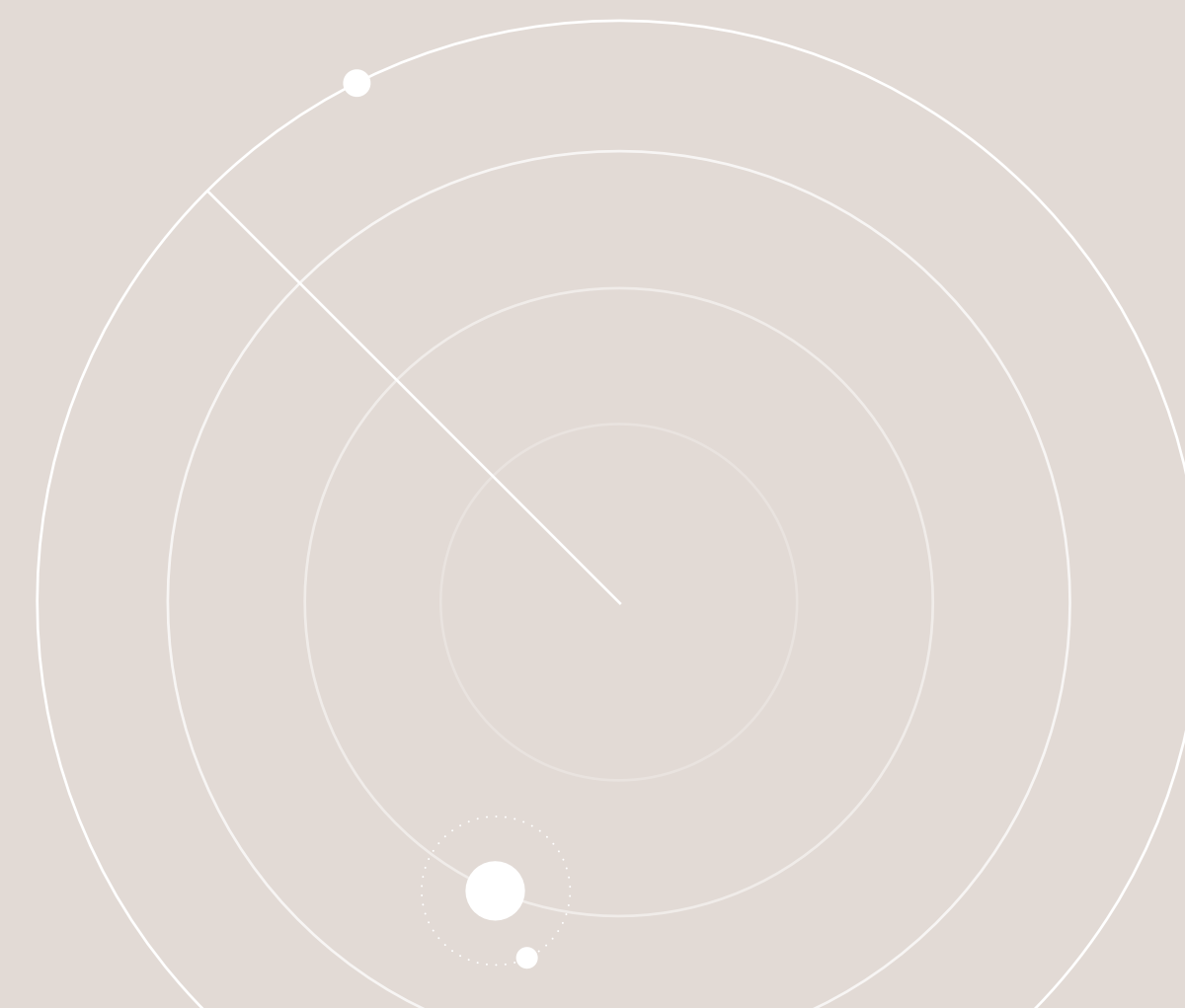


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