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M&A | FEATURE

# M&A Is Back. These Stocks Could Be Targets.

Dealmaking is in style again under President Donald Trump. Potential takeover targets include C3.ai, Viking Therapeutics, and Lyft.

By Jacob Sonenshine [Follow](#)

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Mergers and acquisitions are back in a big way, and stocks—big and small—should benefit.

It didn't always look that way. Despite predictions for an M&A revival in 2025, dealmaking looked DOA at the start of the year. The dollar value of announced deals globally in January and February was down 14% from the same period in 2024, according to London Stock Exchange Group, as companies waited for Donald Trump to take office. And companies pulled back again in April, as panic over the administration's tariff policies took hold.

Then Trump started backtracking—and dealmaking took off. From April 8 through July 22, companies struck over \$1 trillion worth of deals, up 34% from the same stretch last year, according to LSEG. For the entire year, deals are up to \$2.16 trillion—and on pace to reach \$3.8 trillion, almost 8% above last year's level.

Even that may be underestimating the potential increase. The combination of a resilient economy, less tariff uncertainty, and an easier regulatory regime looks to be putting dealmaking front and center once again. Just this week, Union Pacific ↓ **UNP -2.39%** and Norfolk Southern ↓ **NSC -3.04%** announced a \$71.5 billion merger that would create the nation's first coast-to-coast railroad.

"I'm expecting the [M&A] markets to improve tremendously," says Michael Mufson, managing partner at investment bank Mufson Howe Hunter & Company. "It's not 'if,' it's 'when.' "

That a little more certainty on trade would be a prerequisite for M&A shouldn't be all that surprising. What is surprising is that the economy—and corporate earnings—have held up as well as they have. The Atlanta Fed's GDPNow tool estimates second-quarter GDP should come in at 2.4% when it is released on Wednesday, while second-quarter earnings continue to come in much better than expected—some 86% of companies reporting have topped estimates.

"When it comes to the business cycle, the [M&A] trends seem like they're going to be positive for the next 12 months," says Jay Hofmann, co-head of North American M&A at J.P. Morgan.

## Let's Make a Deal

The dollar amount of global M&A is on pace for its highest level since 2021.

\$6 trillion



Year	Amount (\$ trillion)
2020	1.5
'21	1.2
'22	1.8
'23	2.2
'24	2.5
'25E	2.8

4

2

0

2020

'21

'22

'23

'24

'25E

Note: E=estimate

Source: LSEG

The bigger change might be on the regulatory front. Companies sense that the Trump administration will be more lenient about approvals—and they’re trying deals that never would have passed muster under President Joe Biden. Bank M&A has skyrocketed, and it’s impossible to imagine a Union Pacific and Norfolk Southern deal under the previous administration. “That has been a tailwind for deals,” says Adam Reilly, partner with Deloitte’s M&A business.

Lower regulatory hurdles could be great news for Big Tech companies. Many are looking for smaller assets that will help them expand faster than they could on their own. Google’s \$32 billion acquisition of Wiz will enhance its cloud offerings, while Salesforce’s \$8 billion all-cash purchase of Informatica will help it manage data in the cloud. Other potential acquirers include Microsoft, Amazon.com, and Oracle, which said on its quarterly earnings call in early June that it wants to pursue “strategic acquisitions.”

And the potential targets? Look for companies with market caps below \$5 billion; a low percentage of analyst Buy ratings; net debt that’s less than three

times expected earnings before interest, tax, depreciation and amortization, or Ebitda; and businesses in crowded industries, according to Wolfe Research Strategist Chris Senyek. He screened for stocks matching those criteria and came up with [Zoom Communications](#), [RingCentral](#), [DocuSign](#), and [Dropbox](#), among others.

[C3.ai](#) stock looks particularly interesting. Shares of the company, which sells a platform to develop new artificial-intelligence applications, are down 80% from their 2020 trading debut. A deal that happens at any kind of significant premium to its current price might be a welcome reprieve for suffering shareholders.

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Healthcare also looks ripe for more mergers. Many large pharmaceutical companies need to bolster their drug pipelines—and have the cash to do it. On May 27, [Eli Lilly](#) announced a \$1 billion all-cash purchase of SiteOne Therapeutics and its nonaddictive pain killer that's moving through the trial process. [Merck](#), meanwhile, [announced its acquisition of Verona Pharma](#) for \$10 billion on July 9, a move to gain a treatment for various lung diseases. Other companies on the prowl include [Gilead Sciences](#), [Biogen](#), and [Pfizer](#), according to Jefferies analyst Michael Yee.

That makes some of the hundreds of publicly traded small healthcare and biotech companies in the U.S. potential targets. Biotechnology companies where analysts project at least \$1 billion in annual revenue over the long term, and with strong data on Phase 2 trials for new drug candidates, are potential targets, Yee writes. Stocks that fit the bill include [Cytokinetics](#), [Scholar Rock Holding](#), and [Viking Therapeutics](#). Viking is developing treatments for metabolic and endocrine disorders such as obesity, and has begun Phase 3 trials for a GLP-1 drug. With a \$3.8 billion market cap, it could attract an offer from a larger pharma company looking to enter that market.

Industrial M&A is also making a comeback. Acquisitions in the sector this year through mid-June totaled \$177 billion, more than double the amount during the same period in 2024. Investors don't have to fear big acquisitions, says J.P. Morgan analyst Stephen [Tusa](#). [✉](#) He recommends looking for acquirers that have a history of dealmaking but have kept their net debt below three times Ebitda. Some large potential acquirers, Tusa says, are [Eaton](#), [Roper Technologies](#), and [DanaHER](#).

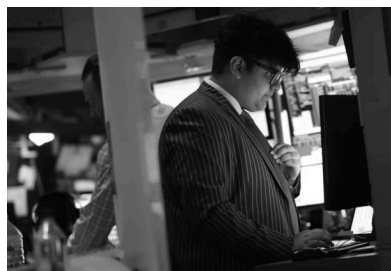
Potential industrial targets that meet Wolfe's target of having at least 10% expected sales growth, less than \$25 billion market caps, and less than four times net debt to Ebitda include [Construction Partners](#), which builds and maintains roads and other infrastructure, and ride-sharing company [Lyft](#).

Also making the list: \$7 billion [Casella Waste Systems](#), which provides waste management services. It has been stumbling, missing earnings estimates in five of the past eighty quarters, according to FactSet.

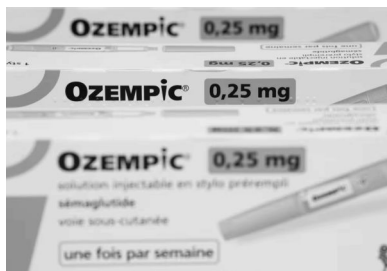
Expect a lot of handshakes in the coming year—and some happy investors.

Write to Jacob Sonenshine at [jacob.sonenshine@barrons.com](mailto:jacob.sonenshine@barrons.com) [✉](#)

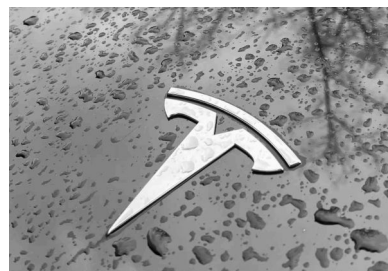
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