

SLAUGHTER AND MAY

Market view

Q3 2026



Foreword

Geopolitics were once again the backdrop to the quarter, and weighed more heavily on dealmaking in Q3 after a record-breaking Q2. With renewed and expanded hostilities in the Middle East alongside macroeconomic impacts on energy costs, inflation and interest rates, activity has perhaps inevitably slowed.

Activity has therefore been more selective and remains concentrated at the top end. Deal volumes cooled in Q3, even allowing for the usual summer lull, and financing levels lagged too. The US was notably quieter, perhaps reflecting a wait-and-see approach to November's midterm elections. We consider the [impact of market volatility on dealmaking](#).

While September did not deliver a major pulse of new season activity, our sense is there remains real appetite (and even pressure) to transact. Prospecting levels are strong. The key in the upcoming period will be the rate at which that prospecting converts into agreed and announced deals, with macro considerations (US midterms, UK budget and European elections on the horizon) remaining important.

Beyond the macro, we are seeing complexity and activity continue to co-exist. With protracted timelines, parties are focused on [apportioning risk prior to completion](#) and [structuring debt financing](#) accordingly. Meanwhile, there is a continuing but growing trend for [UK IPO candidates on the path to exit](#) to explore a wide range of alternative transactions to preserve optionality.

AI is still driving activity in all spheres – though its influence is cutting both ways. AI and AI-adjacent businesses continue to command new capital investment, notably through IPOs and VC funding rounds. Meanwhile, investors continue to look for opportunities that are relatively insulated from AI and technological disruption – this has driven material M&A in the industrials space, and also in sports investment: see our insights on [financial sponsor investment in sport](#).

We hope this edition provides a useful guide to the quarter just gone. We would be delighted to discuss any of the topics covered in this edition with you in further detail, so please do get in touch.

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M&A

Q3 at a glance: global moderation following a record H1, with divergent regional performance

Global aggregate deal values

\$1,241bn

▼ 6% YoY
▼ 30% QoQ

Global aggregate deal count

9,526

▼ 14% YoY
▼ 16% QoQ

\$1bn+ deals (global count)

301

▲ 24% YoY
▲ 9% QoQ

US aggregate deal values

\$544bn

▼ 18% YoY
▼ 45% QoQ

APAC aggregate deal values

\$332bn

▲ 36% YoY
▲ 20% QoQ

UK aggregate deal values

\$78bn

▲ 2% YoY
▼ 26% QoQ

Source: Mergermarket¹

Headlines



A more subdued quarter for global dealmaking following a record-breaking first half as the record run of blockbuster \$10bn+ mega-deals eased

01

Global M&A moderated after resilient activity in H1, as renewed geopolitical volatility and macroeconomic challenges, and resulting high interest rates, weighed on the market and added complexity to deals, lengthening timelines.

After a record-breaking Q2, deal volumes and values weakened month-on-month amid escalating tensions in the Middle East. Our experience was working on a lot of potential transactions but with a number falling by the wayside (for now).

Nevertheless, momentum (and even pressure) to transact remains amidst strategic imperatives to build scale, strengthen supply-chain resilience, rationalise portfolios and add AI- and tech-related capabilities.

02

Large cap transactions continued to perform strongly, with an uptick in transactions valued at \$1-10bn, responsible for 55% of global deal values – although \$10bn+ mega-deal activity moderated after record levels in H1 with several rumoured mega-deals abandoned, including the c.\$400bn combination of AstraZeneca and Bristol Myers Squibb. Lower-market activity remained subdued.

03

APAC stood out against a softer global market, supported by greater policy visibility, recovering Chinese capital markets and robust strategic and public-company activity in Australia. In contrast, US activity slowed significantly, as renewed tariff uncertainty, conflict-linked inflationary pressures and a tighter financing backdrop weighed on confidence and exacerbated valuation hurdles.

04

The UK market was interesting in terms of the profile of activity. Echoing the global picture, overall activity slowed after a strong H1, while public M&A had another strong quarter, driven by large-cap deals. Overseas interest in UK-listed businesses helped underpin public M&A activity, with takeover bids for easyJet, * Rotork and * SEGRO – see [the battle for SEGRO \(p.10\)](#) – amid the persistent perception that UK indices remain undervalued.

05

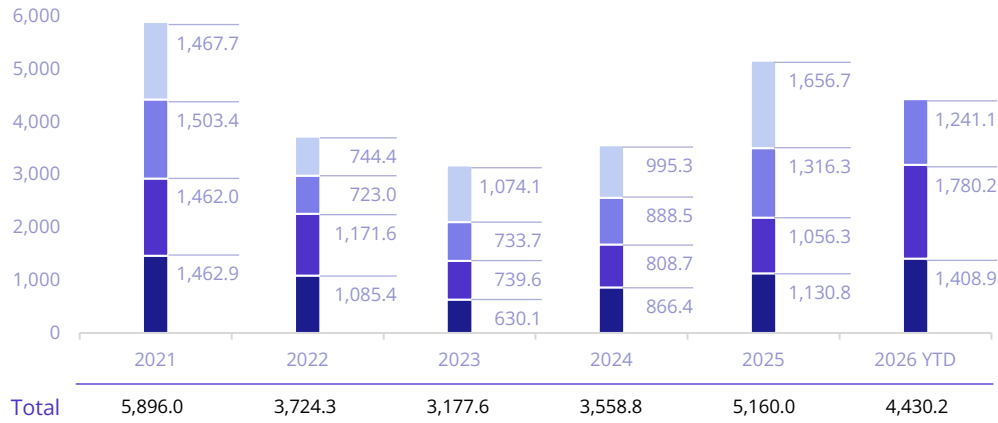
Technology remained the dominant global sector despite a significantly softer quarter, both in absolute terms and as a share of global deal value. This came amid continued AI-related disruption to traditional software business models, increasing buyer caution as future earnings and long-term growth prospects become harder to assess. However, demand for AI-related assets remains strong and should continue.

Source: Mergermarket²

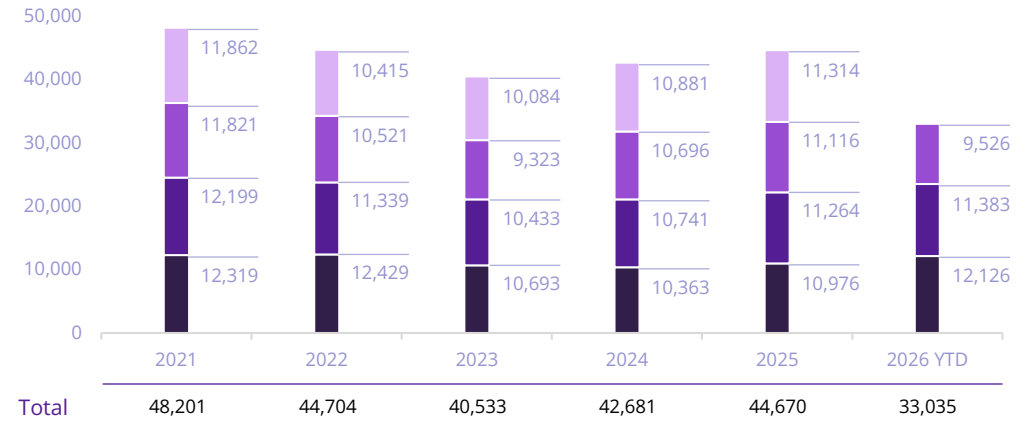
Global M&A activity

Global M&A volumes

Deal value, \$bn ■ Q1 ■ Q2 ■ Q3 ■ Q4



Deal count ■ Q1 ■ Q2 ■ Q3 ■ Q4



Largest global deals in Q3

Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
31/07/2026	 Paramount Skydance Corp	Communications, Media & Entertainment	USA	 L'IMAD Holding Co PJSC, Qatar Investment Authority, LionTree Advisors LLC	46.8
21/08/2026 *	 Banco BPM SpA	Financial Institutions	Italy	 Monte dei Paschi	32.3
28/09/2026	 Northern Star Resources Ltd	Energy & Natural Resources	Australia	 Gold Fields Ltd	25.8
06/09/2026	 中国农业银行 AGRICULTURAL BANK OF CHINA	Financial Institutions	China	 Ministry of Finance, China National Tobacco Corp	23.8
18/08/2026	 USI Insurance Services LLC	Financial Institutions	USA	 Aon plc	17.0

Source: Mergermarket³

Regional M&A activity

Largest deals in Q3

Europe

Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
21/08/2026 *	Banco BPM SpA	Financial Institutions	Italy	Monte dei Paschi	32.3
21/08/2026 *	Banca Generali SpA	Financial Institutions	Italy	Monte dei Paschi	11.1
31/07/2026	Zabka Polska	Consumer & Retail	Poland	Alimentation Couche-Tard	10.7
10/07/2026	easyJet	Transportation	UK	Apollo Global Management	7.6
11/08/2026	ATG Entertainment	Consumer & Retail	UK	Mari Group	6.1

UK

Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
10/07/2026	easyJet	Transportation	UK	Apollo Global Management	7.6
11/08/2026	ATG Entertainment	Consumer & Retail	UK	Mari Group	6.1
10/07/2026	Vodafone Group plc	Communications, Media & Entertainment	UK	Xavier Niel (Private Individual)	6.0
16/07/2026 *	Rotork	Industrials	UK	ABB Group	5.6
21/07/2026	Mitie Group	Business Services	UK	OCS Group International	4.8

APAC

Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
28/09/2026	Northern Star Resources Ltd	Energy & Natural Resources	Australia	Gold Fields Ltd	25.8
06/09/2026	Agricultural Bank of China Ltd	Financial Institutions	China	Ministry of Finance, China National Tobacco Corp	23.8
06/09/2026	Industrial & Commercial Bank of China - ICBC	Financial Institutions	China	Ministry of Finance, China National Tobacco Corp	14.9
14/09/2026	PT Borneo Prima	Energy & Natural Resources	Indonesia	PT Fortune Indonesia Tbk	8.1
13/08/2026	Cleanaway Waste Management Ltd	Energy & Natural Resources	Australia	EQT AB	6.6

Source: Mergermarket⁴

Mind the gap

Navigating a protracted path to completion

M&A transactions continue to operate in a complex regulatory landscape. For deals in sensitive sectors or major transactions, the period between signing and completion can remain lengthy: the take-private of Electronic Arts completed this quarter, approximately 10 months after signing. Buyers and sellers are sharpening their focus on risk allocation around regulatory approvals and interim protections, as well as financing – see [M&A financing: regulation meets execution](#) (p.28).

Managing conditionality and the timetable

Regulatory conditions

Parties are closely negotiating whether failure to secure approvals that would not have a material adverse effect on the bidder should be permitted as conditions to completion. Sellers are focusing on the list of regulatory deal conditions, particularly voluntary approvals, alongside early regulatory risk analysis. Bidders are increasingly considering whether to accept the risk of signing transactions without conditionality for clearances under voluntary regimes to make their bid more attractive.

Sweeper conditions

These protect buyers against changes in law or unexpected filing requirements arising between signing and completion. Sellers will resist unfettered sweepers that could introduce late

conditions or cause the transaction to time out. Any sweeper should clearly define whether it covers voluntary approvals and whether a materiality threshold applies.

Long-stop dates

Complex, multi-jurisdictional deals may require long-stop periods of 18 to 24 months. If regulatory reviews take longer, having to extend the long-stop date may risk giving the counterparty an opportunity to reopen other deal terms. Extension rights, approval sequencing, termination rights and any mini long-stop dates should therefore be negotiated as a coherent package. Parties should also watch out for obtained approvals 'expiring' during an extended period.



Paramount / Warner Bros. Discovery:
the economics of regulatory delay

\$7bn

regulatory
termination fee

\$7mn/day

daily ticking fee payable
from 1 October 2026

Mind the gap

Navigating a protracted path to completion

Pricing regulatory delay

Reverse break fees

Reverse break fees (RBFs) are increasingly used in deals with greater risk of regulatory scrutiny and, where parties are apart on the level of commitment (e.g. reasonable endeavours vs. “hell or high water”) or the scope of any qualifications (e.g. excluding certain divestment remedies), an RBF may form part of an overall acceptable package. From a seller’s perspective, the amount and triggers should be negotiated in the round with the buyer’s efforts covenant to create an incentive for the buyer to obtain approvals, while also compensating the seller for deal risk if the transaction collapses for regulatory reasons. In the UK, if a UK public company bidder is offering share consideration, financial assistance considerations will be relevant to the size of an RBF which can be offered.

Ticking fees

Ticking fees or permitted dividend regimes that step up if completion does not occur by a certain date are increasingly negotiated to compensate the sell-side for delay and encourage prompt completion.

Paramount agreed to pay WBD shareholders a ticking fee equivalent to c.\$7mn per day from 1 October 2026, together with a \$7bn termination fee if the required regulatory approvals were not obtained. A challenge by US state attorneys general delayed completion but was settled before the ticking fee began to accrue. The transaction has since completed.

Managing the business between signing and closing

Beyond material adverse change (MAC) clauses, which are less common in UK and European deals than in the US, parties are closely negotiating the allocation of regulatory risk through conditions to completion. Sellers generally resist broad walk-away rights while buyers will seek protection against material obstacles to completion.

Interim covenants

Conduct of business covenants remain a key focus for buyers to preserve deal value between signing and completion, but must leave sellers sufficient flexibility to operate normally and avoid gun-jumping concerns. Negotiations are focusing on greater covenant specificity, with clearer compliance standards, defined consent thresholds and tailored carve-outs for ordinary-course, seasonal and emergency actions.

Information and audit

Buyers may also seek targeted information rights to monitor compliance. Audit rights in respect of the seller’s compliance with agreed covenants are an emerging feature of negotiations where the interim period is lengthy. However, as with MACs, European practice remains less buyer-friendly than in the US, where it remains common for completion to be conditional on there having been no material breach of the interim covenants.

The battle for * SEGRO

Lessons from the UK's largest public takeover of 2026 and the public contest that shaped it



The UK's largest public takeover of 2026 (YTD) played out through a series of highly public exchanges between Prologis and SEGRO as Prologis improved its proposals to acquire the FTSE 100 company, culminating in a recommended offer valuing SEGRO at approximately £14.3bn.

The combination will add further scale in the UK and Europe to Prologis' global logistics and industrial real estate platform, which is already the world's largest.

Amidst a return of large-cap take-private transactions in the UK this year, the transaction illustrates a number of wider trends.

Capitalising on European real estate trends

The offer valued SEGRO at a 46.5% premium to its three-month volume-weighted average price (VWAP), but a lower 14% premium to its net asset value (NAV), reflecting the story of valuation challenges faced across the European real estate sector, exacerbated by recent geopolitical events, as shares consistently trade at a discount to NAV. That trend provided Prologis with a compelling opportunity to acquire a premium quality portfolio and embedded future opportunity at an attractive price.

The offer also illustrates strategic acquirers' focus on pursuing scale, resilience and transformational transactions in the face of a rapidly changing market. Scarce, high-quality infrastructure and real-asset platforms such as SEGRO are proving attractive targets, given their potential for long-term growth and exposure to structural trends, including AI-driven compute demand.

Bear hug in practice

Reflecting the return of more aggressive bidder tactics in UK public M&A this year, immediately following the SEGRO board's rejection of Prologis' first proposal, it announced the terms of its possible offer through a "bear hug" without the SEGRO board's consent. Publishing the proposal and making the case directly to SEGRO shareholders triggered the Takeover Code's 28-day "put up or shut up" (PUSU) deadline for Prologis to either announce a firm offer or withdraw.

The debate then played out in public, as SEGRO defended its standalone prospects and challenged Prologis' valuation, while Prologis sought support for its proposed combination from SEGRO shareholders. Following a series of improved proposals, Prologis ultimately made an improved "best and final" proposal on the day of the PUSU deadline. This represented a 9.5% increase in value over its initial proposal and was ultimately recommended by the SEGRO board to shareholders.

Bridging the gap

Prologis also sought to enhance the attractiveness of its proposal beyond headline value. It initially proposed an all-share offer of its own US-listed stock, subject to valuation fluctuations and not capable of being held by all SEGRO shareholders. A 25% cash "sweetener" (of up to £3.5bn) at a fixed price per share was subsequently introduced, enabling SEGRO shareholders to elect for liquidity at a guaranteed price for part of their holdings.

As part of the improved terms, Prologis also committed (as a condition to completion) to establish a secondary listing of its shares on the London Stock Exchange. This was designed to ensure that more UK-mandated investors and those unable to hold US-listed securities could accept its paper and retain exposure to the combined group's future value creation.

In addition, the final package preserved SEGRO shareholders' entitlement to interim and final dividends in respect of 2026 and 2027 (subject to timing of completion), without reducing the offer consideration, providing additional value in cash for shareholders during the period to completion.

Defence sector M&A: gearing up for growth

Rising defence budgets and policy support are accelerating consolidation and drawing private capital into the sector

Sustained geopolitical instability and shifting security priorities are driving an increase in global defence spending. The UK's Defence Investment Plan, published on 30 June 2026, sets out £298bn of defence investment over four years to 2029/30 and a commitment to increase UK defence spending to 3.5% of GDP by 2035.⁵ Alongside European defence budgets, equivalent NATO spending commitments and an increasing willingness by policymakers to mobilise private capital, this is expected to drive a sustained period of investment and restructuring across the defence sector.

These tailwinds are already translating into increased M&A activity, with global defence deal value reaching \$14.4bn in 2026 YTD, more than double the \$7.1bn seen in 2025.⁶ This momentum should continue to create opportunities for companies and investors, provided they are able to navigate the uniquely complex legal and regulatory landscape.

2.03x

increase in global defence M&A deal value, 2025 to 2026 YTD⁷

£298bn

UK defence investment over the four years to 2029/30

What should dealmakers have in mind?



National security and FDI regimes

Cross-border transactions may engage multiple national security and FDI regimes in parallel. The defence sector accounted for 58% of notifications under the UK's national security screening regime in 2025–26 and 47% of acquisitions called in for detailed review.⁸ From January 2028, the EU's revised FDI Screening Regulation will also require member states to screen a common minimum range of sensitive sectors.

Parties must allow for an evolving, complex and often politically sensitive regulatory backdrop when negotiating risk allocation and timetables. Early assessment of potential filings and engagement with relevant authorities and, at times, governments are key to minimising delay, particularly where clearances are required in multiple jurisdictions.



Export controls

Defence and dual-use technologies may be subject to overlapping trade and export-control regimes, particularly in the UK, EU and US. The scope of these regimes is expanding to capture

technologies not historically part of the defence sector, including AI, quantum computing, satellite technology, semiconductors and advanced manufacturing.

Buyers should confirm early the classification of relevant technology, whether required licences are adequate and transferable, and whether the transaction triggers additional notification or licensing requirements. Transaction documents may require bespoke conditions, information-sharing restrictions and post-completion controls on access to sensitive technology.



Digital regulation

Defence contractors must also comply with a rapidly expanding body of general digital regulation, including evolving cybersecurity, AI and data protection requirements. In the context of transactions, this affects diligence, contractual risk allocation, responsibility for ongoing compliance and change-in-law costs and, in some cases, the transaction's lawfulness or viability.

Early, comprehensive digital-regulation diligence is therefore essential. Transaction documents should clearly allocate responsibility for monitoring and implementing compliance, and its cost, across relevant jurisdictions.

China: a case study of structural flexibility

Multinationals are using transactions and partnerships to restructure China exposure and build in flexibility

For decades, multinational groups pursued increasingly integrated global operating models. Geopolitical tensions, trade restrictions, industrial policy and regulatory divergence are now prompting some businesses to rethink their presence in important markets. Rather than withdrawing entirely, many businesses are using transactions and partnerships to build flexibility while retaining exposure.

China is a clear example. While the recent Trump-Xi summit showed a shared interest in stabilising the relationship, many of the strategic issues shaping how businesses operate across the two markets remain unresolved.

What are we seeing?

A string of recent deal announcements illustrates how boards are using a range of structures to balance access to the Chinese market with greater strategic flexibility:

- Recent consumer-sector transactions have seen local investors assume operational control while multinational owners retain an economic interest through minority investments, licensing arrangements or both. Examples include Starbucks/Boyú (April 2026), Burger King/CPE (February 2026) and Häagen-Dazs China (June 2026).
- Other multinationals are using strategic partnerships to combine global and local capabilities while sharing investment, development and commercialisation

responsibilities. In May 2026, Bristol Myers Squibb and Hengrui Pharma announced a strategic collaboration worth up to US\$15.2bn, combining BMS's global development and commercial capabilities with Hengrui Pharma's R&D platform.

- In other cases, long-term commitment to China is being maintained, while operating arrangements elsewhere in the group are adapted. For example, in August 2026, General Motors extended its China joint venture with SAIC for a further 20 years, despite Reuters reporting that it had instructed suppliers in November 2025 to phase out China-sourced components for North American-built vehicles by 2027.

What is driving this?

The specific drivers vary by sector, but in China, several themes recur. Trade measures, regulatory divergence and restrictions on the movement of technology, data and products are making cross-border integration harder to sustain. At the same time, intense domestic competition means that reliance on market-wide growth alone is often no longer sufficient, increasing the value of local market knowledge and execution capability.

What should dealmakers have in mind?

A key strategic question is how ownership, governance and operational control should be structured to preserve flexibility as commercial, regulatory and geopolitical conditions evolve. Joint ventures, minority investments, strategic partnerships and staged transactions can provide greater flexibility than binary acquisition or divestment decisions, allowing companies to increase, reduce or reconfigure their exposure over time as circumstances change.

China is not unique in facing these pressures, but it may be the market in which the implications are currently most visible. For boards and dealmakers, the broader lesson is that structure can be a strategic tool in its own right. Those building flexibility into their structures early are likely to be best positioned.

Global sponsors

Q3 at a glance: buy-side sponsor activity steady as deal values and volumes remain within historical ranges

Global aggregate deal values

\$499bn

▼ 17% YoY

▲ 8% QoQ

Global aggregate deal count

5,718

▲ 12% YoY

▲ 2% QoQ

Global average deal size

\$87mn

▼ 26% YoY

▲ 6% QoQ

European aggregate deal values

€152bn

▼ 8% YoY

▼ 10% QoQ

European aggregate deal count

2,253

▲ 12% YoY

▼ 4% QoQ

European average deal size

€67mn

▼ 18% YoY

▼ 6% QoQ

Source: PitchBook Data, Inc.⁹

Headlines



While the US and Europe experienced steady quarters within historical norms, Q3 was a standout quarter for APAC sponsor activity.

01

Global sponsor deal values recovered in Q3, rising 8% quarter-on-quarter, indicating a modest improvement following the decline seen in Q2. While average deal size also increased by 6% compared with the previous quarter, it remained c.26% below the exceptional level recorded last year and below the trailing five-year average, suggesting activity continues to be concentrated in small- and mid-cap transactions.¹⁰

02

In the US, the rebound was more pronounced: aggregate deal values rose 20% and deal count 6% quarter-on-quarter, partially offsetting Q2's sharp pullback. Average deal size rose c.13% quarter-on-quarter to \$93mn, signalling a modest return of conviction at the upper end of the market with larger transactions playing a greater role, alongside a steady flow of add-ons and growth equity deals.¹¹

The macroeconomic backdrop became more uncertain towards the end of the quarter as renewed US-Iran hostilities pushed crude oil prices higher and the Federal Reserve raised rates for the first time since 2023. The extent to which these developments temper sponsor appetite will become clearer over the coming months.

03

European sponsor activity slowed broadly this quarter, with deal value down 10% quarter-on-quarter amid renewed inflationary pressures and expectations of further rate rises, culminating in the European Central Bank's second rate hike of the year in September. The UK proved comparatively resilient, accounting for a larger share of European deal activity amidst a lower deal count across mainland Europe.

04

APAC sponsor-backed deal values rebounded in Q3, rising by close to a third year-on-year, while deal count held broadly steady. The recovery therefore came from larger deals rather than more of them, suggesting sponsors are increasingly willing to commit capital to strategic opportunities in the region. Exit activity also strengthened materially, although headline exit values were concentrated in China and India and amplified by a small number of large public listings, highlighting the continued importance of IPO markets to liquidity in APAC. This stands out against a global market where values remained below last year's levels and recent averages. It also reflects a boost to liquidity for the region's private markets, where access to capital remains concentrated among the strongest assets and most established managers.¹²

05

Beneath the headline numbers, APAC remained a two-speed market. Oceania drove values, with sponsors pursuing fewer but significantly larger transactions, which reflects continued appetite for stable, mature assets. East and South-East Asia supplied the volume, with deal count up on last year, but activity there was concentrated in the mid-market. Taken together, the figures suggest that sponsors remain committed to APAC but are increasingly selective about where they deploy capital, favouring scale and certainty in some markets while pursuing growth through mid-market opportunities in others.

The changing game

Investment in sport becomes mainstream






Sport investing was historically the preserve of specialist investors or interested private individuals. However, mainstream sponsors have been increasingly crowding into the sector – a trend dramatically thrust into the spotlight in Q3 by FIFA president Gianni Infantino's controversial (and since-abandoned) plan to sell a 20% stake in the commercial rights to FIFA's tournaments, including the World Cup, to a private equity group led by Thrive Eternal.

Despite the spirited reaction to Infantino's plans, the overall direction of travel is clear, with several blue-chip sponsors launching dedicated multi-billion-dollar sport investment platforms since September 2025:

- Apollo launched Apollo Sports Capital, with plans to deploy \$6bn through the platform.
- CVC formed Global Sport Group to consolidate and expand its portfolio of sport investments, collectively valued at c.€7bn.
- KKR acquired Arctos Partners, a leading sponsor specialised in investing in sport franchises.

Sponsors have similarly been active on the deal front, with the quirks of sport investment forcing sponsors to adopt creative investment strategies in addition to acquiring simple majority stakes. Notable reported Q3 transactions included:

- Apollo Sports Capital's proposed €1bn loan to the Bundesliga, secured against the league's future domestic broadcasting revenues.

- EQT's acquisition of a majority stake in Australian National Rugby League (NRL) club Melbourne Storm, following the NRL's record A\$5.3bn broadcast deal.
- An ongoing auction for a minority stake in Serie A's international media unit, with Carlyle, Bain Capital and Oaktree reported to be participating.
- Clearlake Capital's acquisition of Todd Boehly's and Mark Walter's combined c.25% stake in Chelsea, giving it full control, in a deal valuing the club at c.£5bn.

Growing sponsor investment in sport has coincided with sponsors' increasing use of permanent capital vehicles as a tool to drive assets under management (AUM), a fund format particularly suitable to sport's often resilient long-term revenue streams. Such vehicles are at the forefront of sponsor activity in the sport sector:

- Thrive Eternal, a permanent capital vehicle launched by Thrive Capital, was to be the cornerstone investor in Infantino's FIFA commercialisation plan.
- * BXPE, Blackstone's permanent capital arm, was a member of the consortium that acquired Indian Premier League franchise Royal Challengers Bengaluru.
- Apollo and CVC, two of the most active sponsors in the sector, established permanent capital or long-term vehicles as their preferred platforms for sport investing.

What is driving this?

Diverse revenue channels – clubs draw on diverse revenue channels, including media rights, sponsorship, licensing and merchandising, while also increasingly making more effective use of their physical spaces as they transform stadia into entertainment venues or districts to generate revenue beyond matchdays.

Media power – despite the wider shift away from live television programming, sport continues to attract blockbuster media rights deals, typically locked in through long-term contracts. Strong customer engagement also places sport in pole position to benefit from changes in the media landscape as new media (e.g. social media) can be leveraged as further catalysts for engagement.

Resilient demand relatively insulated from AI and technological disruption – sport is a live consumer experience centred on human physical competition, with a long-term (often life-long) emotional resonance for fans based on shared moments and other factors such as pride of place and family loyalties.

Beyond the turnstile

Creative investment strategies

Sponsors investing in sport must navigate a complex regulatory environment, with bespoke rules for each sport in each jurisdiction and equally significant unwritten rules and conventions driven by fans, localities and other stakeholders.

League-specific rules

Leagues commonly impose restrictions on ownership. UEFA prohibits entities from exercising control or influence over more than one club competing in the same competition. The Bundesliga has a 50+1 ownership rule entrenching fan control. In the US, major sport leagues commonly cap institutional and sponsor ownership per club, with the NFL maintaining the strictest limit at 10%.

In addition, sponsors will be keenly focused on whether a league operates on a closed US-style “franchise” basis rather than a European-style “promotion and relegation” system. Given that relegation will have major financial and competitive consequences for clubs, there have been some attempts to shift to a franchise model. PREM Rugby recently moved to a franchise model as its clubs recognise the need for financial stability. However, other attempts to transition have fallen notably flat (e.g. the aborted European Super League).

Sport-specific legislation

Governments are increasingly regulating sport directly, as illustrated by the UK's Football Governance Act 2025 and France's Law No. 2026-725, enacted as part of a broader reform of the French Sports Code, which expand regulators' powers to scrutinise prospective acquirers of sport companies. Meanwhile, Saudi Arabia's first standalone sport legislation entered into force in 2026, creating a new framework for private investment in sport clubs, with foreign ownership limits expected to follow.

General legislation

Existing legislation not clearly aimed at sport can have far-reaching consequences. For example, competition law has been used across a wide range of sports to challenge club ownership restrictions, agent fee caps, player transfer rules, financial fair play rules and exclusion from certain tournaments.

Structuring sport investments

Media rights: For sponsors seeking exposure to sport beyond club ownership, media rights offer an attractive combination of long-term contracted revenues and the scarcity value of premium live sport content. Investments by CVC in LaLiga's and Six Nations Rugby's commercial rights and the current sponsor-led auction for the Serie A overseas media rights illustrate how investors can participate in the growth of leagues and competitions without acquiring clubs directly. Beyond simply providing capital for leagues, investment can bring in commercial expertise, such as * LaLiga's joint venture with Ocho Sport to promote international commercialisation of its media rights.

Such investments are not without their obstacles, however, as shown by the collapse of the Bundesliga's proposed media-rights joint venture in 2024 following club and fan opposition. Apollo Sports Capital's subsequent €1bn loan proposal, secured against the league's future broadcasting revenues, demonstrates how investors can use alternative structures to navigate the governance and stakeholder challenges that can accompany equity-driven media-rights deals.

Buy-and-build: Where ownership restrictions allow, multi-club ownership has gained significant traction. BlueCo's ownership of Chelsea and RC Strasbourg and INEOS's ownership of * FC Lausanne-Sport and * OGC Nice alongside its minority stake in * Manchester United illustrate the trend towards cross-league portfolio building. Nevertheless, sponsors will need to be mindful of indirect restrictions, such as UEFA's multi-club ownership restrictions, which have forced some owners to place clubs into blind trusts to comply with the rules.

Minority structures: Minority investments are growing in popularity as incumbent owners seek additional capital without ceding control, or to navigate leagues' ownership restrictions. Prominent minority deals in Q3 included a consortium (which included Amazon founder Jeff Bezos) acquiring a minority stake in Liverpool and Apollo Sports Capital acquiring a minority stake in the New York Yankees.

Build it and they will come

Stadia become the latest target for sponsors looking to replace traditional lenders

After clubs, leagues and media rights, sponsors in sport are now turning to the stadium itself, with venues being built as assets capable of use year-round beyond just matchday events. The UK pipeline includes Birmingham City's multi-billion-pound Sports Quarter, a potential £1bn-plus new ground for Newcastle and Manchester United's flagship project at Old Trafford.

The traditional route

Stadia have traditionally been built by using short-term construction loan style bank debt and then quickly refinancing once operational. In 2019, * Tottenham Hotspur converted its construction loans into £525mn of US private placement notes with maturities of up to 30 years. * Everton followed in 2025 with a £350mn, 30-year placement.

The attraction of the asset

The sport sector is increasingly considered to be under-levered at around 10% loan-to-value, compared with 40%-70% for real estate more generally.¹³ Much recent investment in UK clubs has come as owner equity rather than debt, leaving room for new lenders to rank ahead of a substantial equity cushion and take security over stadium revenues.

A modern stadium works like infrastructure: it is scarce and long-lived, and it earns contracted, often inflation-linked income from hospitality, naming rights and events. These revenues can be ring-fenced within a dedicated financing vehicle, allowing lenders to take direct security over key stadium cash flows without recourse to the club's wider balance sheet. For sponsors, this offers deployment at scale, access to long-dated returns supported by resilient revenue streams and enhanced structural protection.

What clubs gain

One sponsor can replace two or more banks, simplifying the financing structure. Stadium investment also sits outside the Premier League's new squad cost ratio, which came into effect for the 2026/27 season.¹⁴ Clubs therefore have greater freedom to upgrade their stadia and expand matchday and commercial revenues without constraining permitted on-pitch spending.

What sponsors gain

Unlike traditional lenders, sponsors can offer hybrid packages combining credit protection with equity-style upside and governance rights. Apollo Sports Capital's financing of Yankee Global Enterprises illustrates the potential for strategic influence, with Apollo Sports Capital's CEO joining the board as part of the investment. Once the venue is operational, sponsors can then elect to refinance into the institutional debt market and redeploy their capital into new opportunities.

The goal for sponsors

A crowded market: Stadia are complex, steel-heavy builds that take several years to deliver. Birmingham City and Brighton & Hove Albion are both targeting 2030/31 openings, while other UK schemes are also progressing fast. These projects compete with data centres, defence and public infrastructure for a limited pool of contractor capacity, increasing procurement costs and execution risk.

The bankability gap: Traditional project finance lenders generally expect a well-capitalised contractor to assume comprehensive responsibility for delivering the stadium on a fixed-price, date-certain basis. As contractors become increasingly reluctant to contract on these terms, a gap emerges between lenders' requirements and prevailing market practice. As a result, clubs are increasingly looking to sponsors for capital solutions capable of accommodating a greater degree of construction and completion risk.

The opportunity: As construction risk moves beyond the limits of traditional project finance, sponsors have an opportunity to fund a growing pipeline of stadium developments by appropriately pricing construction risk that traditional lenders are unwilling to take.

Venture capital

Q3 at a glance: smaller funding rounds; open-weight AI models and defence tech gain ground

Largest global VC round

\$5bn
Databricks



92% from
Anthropic's Q2
\$65bn round

Open-weight AI labs

50%

of the four largest global
investment rounds

Robotics and drone tech

▲ 62%

sector deal value YTD
increase vs FY 2025

Source: PitchBook Data, Inc.¹⁵

Mega-rounds dry up

After OpenAI's \$122bn Q1 round¹⁶ and Anthropic's \$65bn Q2 round, Q3 saw nothing of similar scale. Mega-rounds dried down as OpenAI and Anthropic turned their attention to IPOs. VC deal value fell correspondingly, by \$68bn vs Q2.

AI remains the largest VC vertical by deal value and volume. But since only the frontier labs have been able to raise funds at such grand scale, their absence left Q3 VC more diversified. Furthermore, Q3 saw public and regulatory concern mount about existential risks, which could dampen VC appetite for the frontier labs in Q4.

Open-weight AI models draw major funding

In Q3, tech industry enthusiasm for open-weight AI models translated into VC funding, with China's Moonshot and France's Mistral completing the 3rd and 4th largest rounds (~\$3.5bn each).

While China is well established in the open-weight market, Mistral has emerged as a genuine European challenger. Days after Q3 end, it launched its "Large 4" model, reportedly outperforming some established Chinese open-weight models.¹⁷ The US may lead in top-end capabilities, but the rest of the world is seizing the open-weight opportunity.

Defence build-up boosts robotics and drone tech

VCs have piled into defence tech in 2026, as conflict in Ukraine and the Middle East has focused minds on defence readiness.¹⁸ Across NATO, defence has attracted 5% of all VC.¹⁹

Robotics and drone verticals in particular have profited. Europe has outpaced the global trend with 74% deal value growth 2026 YTD vs 2025 full year. A new generation of defence companies has matured fast since the rush to European defence tech started in 2025. In July, German drone maker Helsing completed Q3's 10th largest VC round worldwide, at \$1.8bn.

Cross-directorships under scrutiny

Board seats across competing portfolio companies are in the antitrust spotlight

Reported scrutiny of VC firm Andreessen Horowitz's board seats across competing portfolio companies by US antitrust authorities has brought renewed attention to the treatment of cross-directorships under competition rules, creating risk for VCs and growth companies alike.



US

Section 8 of the Clayton Act prohibits individuals from serving on the boards of competing companies. Interlocking directorates were an enforcement priority under Biden, and enforcement has continued under the current administration.

Enforcement action has extended to "indirect" interlocks, where different individuals from the same investment firm sit on the boards of rivals. The Department of Justice's probe into Andreessen Horowitz – the first known Section 8 investigation targeting a VC firm – relates to concerns that two of its partners are serving on the boards of competing data companies in the Andreessen Horowitz portfolio.



EU and UK

There is no standalone prohibition on interlocking directorates in the EU or UK. Cross-directorships can be addressed through merger control and antitrust rules if they facilitate the exchange of competitively sensitive information or soften competitive incentives.

In its 2025 review of the €4.1bn acquisition of Just Eat Takeaway (JET) by Prosus, the European Commission found that Prosus's pre-existing 27.4% stake and board seat in Delivery Hero (DH) – a direct competitor of JET – would, post-merger, reduce competitive incentives between the combined entity and DH. The Commission imposed far-reaching remedies including dilution of Prosus's stake in DH, waiver of governance and information rights and commitments not to appoint connected persons.

Shortly before the Prosus / JET transaction, the Commission fined DH and Glovo a total of €329mn under Article 101 TFEU for cartel conduct – including information exchange – facilitated by DH's minority shareholding (and board position) in Glovo.

Risk across the tech sector

Growth companies may find it harder to gain funding (and valuable VC guidance) in crowded sub-sectors, like enterprise AI, where VCs' antitrust risk will be higher. VC money is already crowding into a few frontier model developers (OpenAI and Anthropic received over 60% of VC funding for US start-ups²⁰ and 53.3% of global VC funding in H1 2026²¹). Smaller companies may need to seek alternatives like government partnerships.

VC firms may seek alternatives to board seats (e.g. observers) but these may make it harder to influence operations or drive exits, and may still raise information sharing concerns. Internally, ethical walls and antitrust policies may disrupt VCs' open culture. However, smaller VCs, with fewer partners, may have fewer existing conflicts to navigate. So may non-US VCs, depending on how the rest of the world enforces.



Strategies for VCs

Monitor cross-jurisdictional exposure: Board arrangements permitted in one jurisdiction may create risk in another. Global VC firms should ensure a coordinated approach to compliance across portfolios.

Assess whether antitrust policies are fit for purpose in light of regulatory scrutiny.

Conduct portfolio-level audits: Map shareholdings, board seats and information flows across portfolio companies. Identify both current- and future-competitor overlaps.

Structure governance rights: Director, observer, approval and information rights can all result in sharing competitively sensitive information. They should be structured with antitrust risk in mind.

Activism

Q3 at a glance: activists sharpen their focus on European M&A as global volumes fall

Global campaign volumes hit a four-year low

143

global campaigns

▼ 13% YoY

▼ 25% QoQ

Unusually, rest of Europe sees more new campaigns from activist investors than the UK

10

European campaigns

▲ 100% YoY

▲ 100% QoQ

M&A objectives climb up the activist agenda across Europe

58%

of European campaigns

▲ 16% YoY

▲ 11% QoQ

Source: Bloomberg Finance L.P.²²

Global activity drops

Global campaign volumes dropped markedly this quarter, the lowest quarterly figure in four years. The slowdown was most visible in APAC, where campaign volumes almost halved vs Q2.

The fall was almost entirely in Japan, largely reflecting the timing of Japan's AGM season in Q2, when shareholder proposals and board-related campaigns are typically launched. By contrast Hong Kong saw seven campaigns launched – notable in a market where public activism is relatively rare. The campaigns focus on board seats, and the rise is consistent with Hong Kong shareholders' growing focus on corporate governance and board accountability.

UK campaign volumes drop

After a busy H1, the number of public campaigns against UK-listed targets fell by half against Q2, while campaigns against companies in the rest of Europe doubled. Yet UK public companies remain a focus for activists amidst attractive valuations and transactability.

In the UK, notable activity included Cevian Capital's relationship agreement with Pearson plc, governing the appointment of a Cevian representative to the Pearson board.²³ Cevian's stake in Pearson, now at 19.4%, was first disclosed in June 2020.²⁴ One of Europe's largest activist investors, Cevian has held board seats on c.75% of all disclosed portfolio companies since it was founded.²⁵

European targets face deal pressure

Across Europe and the UK, calls for M&A and strategic transactions were the most common public objective this quarter, with a focus on strategic reviews, specific transactions and sale of the target company entirely.

However, the data does not reveal the story of the "quiet" activist – multiple campaigns are initiated that remain behind closed doors. On average, European issuers with "quiet" activist shareholders (those with meaningful holdings by investors that are known to have adopted public positions against other issuers) are associated with higher returns, fewer acquisitions and more asset sales/disposals.²⁶

Investing in the boardroom

Cevian offers its views on UK NED remuneration, but structural constraints dictate current market practice

Cevian⁺

One of Europe's largest activist investors, Cevian Capital, has published a report with advisory firm Willis Towers Watson calling for increased investment in UK boardrooms, through NED remuneration. The report criticises current UK market practice as undermining long-term performance.²⁷



Cevian's criticisms and proposals

Rather than a targeted campaign against an issuer, the report serves as a rarer example of broad criticism, designed to increase value creation among companies in response to the challenges facing the UK public markets. Cevian has put forward the following criticisms and proposals²⁸:

- **Pay is too low:** UK NED pay has fallen in real terms over the past decade and is not competitive with comparable NED positions in the US, Switzerland and private markets, making it difficult for UK listed companies to compete for talent on the international stage. Share awards should be introduced with a value equal to current base fees.
- **Alignment between NEDs and their companies is limited:** UK NEDs typically hold insignificant shareholdings in their companies. Awarded shares should be held until six months after the NED leaves the board, subject to a minimum five-year holding period.
- **UK NEDs are spread too thin:** Cevian identified that 55 of the 767 individual FTSE 100 NEDs hold four or more board seats. Overboarding policies should be tightened to a maximum of three public company seats per NED.



Factors driving market practice

The UK NED remuneration model has long been the subject of debate. The Financial Reporting Council updated its UK Corporate Governance Code guidance in November 2025 to confirm that boards do have the flexibility to pay NEDs a portion of their fees in shares, provided they maintain transparency about their rationale and approach.²⁹

Since the updated guidance was published, only a small number of listed UK incorporated companies, predominantly those with a US listing, have introduced NED share remuneration schemes. For a few reasons, Cevian's report is not expected to have a meaningful impact on that trend:

- **Structural barriers:** The UK Companies Act exemptions do not extend to NEDs (non-employees), meaning that delivering share-based NED remuneration requires designing and implementing bespoke arrangements. Most issuers continue to opt for the standard approach which requires NEDs to use a portion of their cash base fees to invest in shares – albeit a less efficient method of aligning NEDs to share price.
- **First-mover reluctance:** The complexity and cost have deterred UK incorporated companies from designing and implementing novel share-based remuneration arrangements for NEDs which work within the UK Companies Act guardrails.

“

Improving corporate performance is the closest thing we have to a *silver bullet for reviving the UK equity market* and contributing to UK growth.

Harlan Zimmerman

Senior Partner, Cevian Capital

ECM

Q3 at a glance: global IPO momentum holds post-SpaceX, but the market cooled after quarter-end

Another strong quarter for global IPO proceeds, following the SpaceX-led Q2

\$98bn

global IPO proceeds

▲ 70% YoY

▼ 43% QoQ

APAC IPO proceeds hit their highest quarterly level since 2021

\$43.5bn

APAC IPO proceeds

▲ 109% YoY

▲ 33% QoQ

UK secondary raisings proceeds demonstrate London's depth

\$3.9bn

UK follow-ons

▲ 101% YoY

▲ 70% QoQ

Source: Bloomberg Finance L.P.³⁰

Global market volatility persists

Global IPO proceeds saw the strongest quarter since 2021, aside from Q2 when SpaceX's record IPO accounted for over half of global proceeds. Excluding SpaceX, proceeds were up 14% on Q2, with a smaller number of mega-cap IPOs driving values. South Korean chip maker, SK Hynix, led Q3, marking the largest US IPO by a foreign company and continuing the wave of AI activity.

Despite expectations of a blockbuster year for IPOs, the market has slowed since the quarter-end. Both US and European IPO candidates have reportedly delayed listing plans amid continued conflict in the Middle East and a wait-and-see approach to the mega AI listings.

APAC's IPO market continues its strong recovery

APAC has seen its strongest IPO quarter since 2021, reflecting issuers bringing larger, higher-quality businesses to market and investors having the depth to absorb them. YTD proceeds are already ahead of a resurgent FY2025 in a sign of market resilience to volatility.

Hong Kong, in particular, has been a key driver of the activity, supported by a deep pipeline of A+H (China plus Hong Kong) dual listings and large-cap issuers, and the region looks well placed for a strong Q4.

Strong quarter for secondary raisings

It has been a strong year for secondary raisings globally, with total YTD proceeds already exceeding the total volumes for each of 2024, 2023 and 2022.

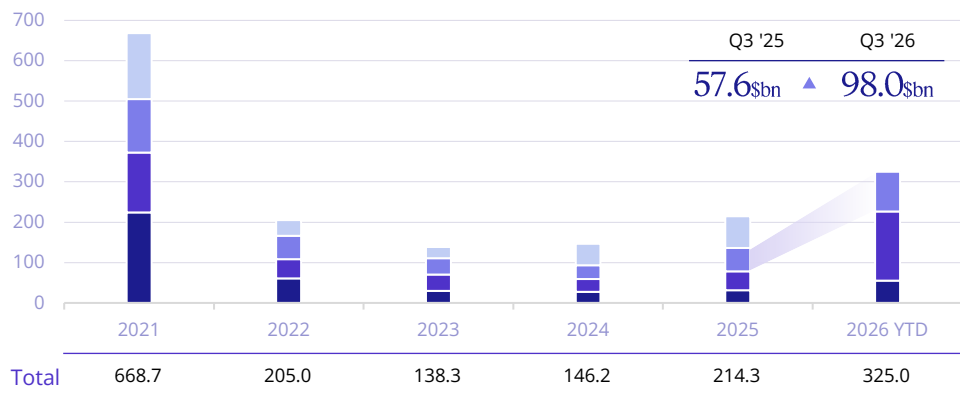
Despite a small drop in overall European volumes, the UK saw an increase in secondary raisings proceeds this quarter as the London market continues to demonstrate the depth of follow-on liquidity available. * Hammerson, * Softcat and * Land Securities Group raised a combined c.£1bn, each to fund specified acquisitions, and * Pennon Group has since announced a £550mn rights issue to fund capital investment.

Global ECM activity

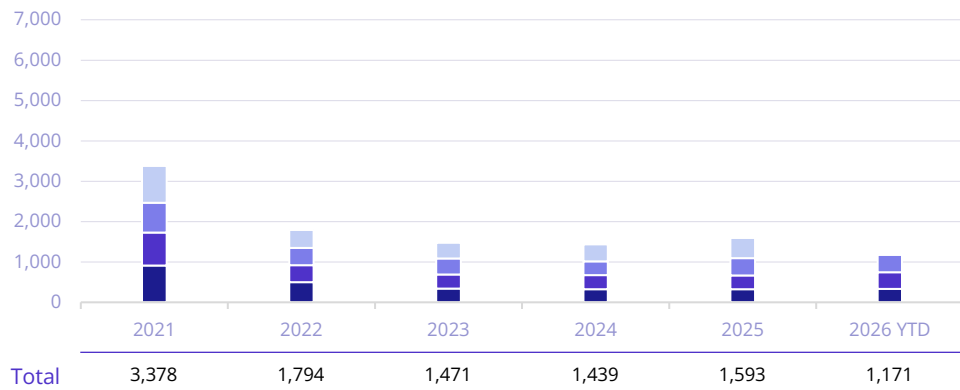
2026 on track for the strongest ECM year since 2021 by value, despite lower volumes

Global IPOs

Value, \$bn

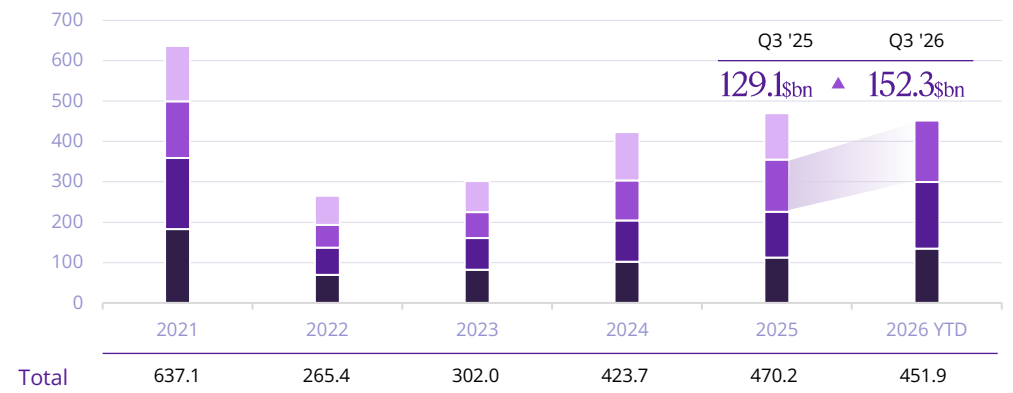


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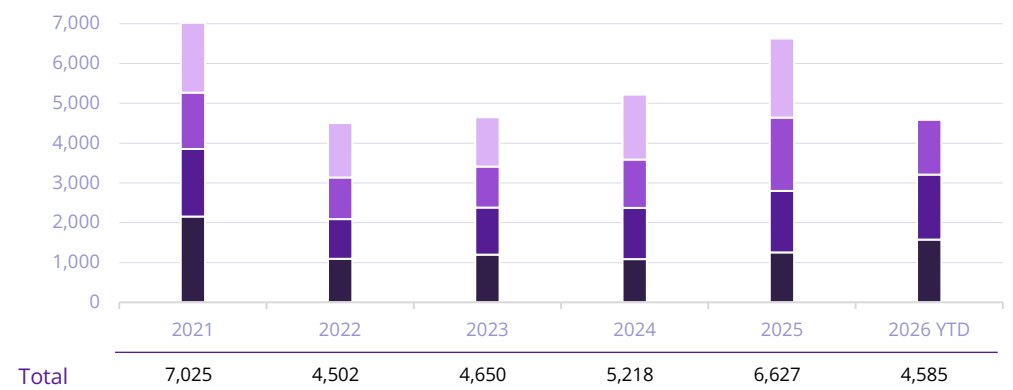


Global secondary raisings

Value, \$bn



Count



The path(s) to exit

Market volatility is pushing IPO candidates to think beyond the dual-track

As IPO conditions remain challenging and listing windows unclear, many of the candidates that were expected to come to market in the UK this year are reportedly exploring a range of alternative transactions simultaneously as they look beyond the IPO market for liquidity and access to capital, whether as a means to defer an IPO or as an alternative exit strategy.

In an early sign of this trend, Sycamore Partners recently agreed to sell IPO hopeful Boots to Canada's Weston family vehicle, Wittington Investments, ending prospects of Sycamore choosing to list Boots on the London market. This trend is adding to the well-documented challenges faced by UK capital markets as a number of the expected IPO candidates in the pipeline may ultimately take a different path and remain in private ownership.

Unpacking the trend

Exploring a private sales process alongside an IPO readiness workstream is a well-trodden path but with capital markets facing sustained volatility, many candidates in the UK IPO pipeline are exploring even more alternative transactions in parallel to maximise their optionality across a range of exit and funding avenues, running three or even four tracks concurrently.

In addition to actively pursuing a full sale alongside an IPO process, the sale of a partial stake, a significant minority investment or new funding round could bridge the gap to a later IPO or 100% sale when market conditions improve. For sponsor-backed candidates, options being explored extend to continuation vehicles and secondary buyouts, allowing certain investors to exit.

The drivers

Market conditions

The current environment for capital markets is challenging, driven in part by the period of sustained geopolitical conflict, as well as the disruptive impact of AI on some candidates' business models. Yet a company's need for additional funding, or sponsor pressure for an exit route or to achieve liquidity, persists throughout cyclical variations in market conditions.

Structural challenges

Persistent volatility has exacerbated the structural challenges of an IPO process, including execution risk, uncertainty over pricing and performance and the duration and cost of an IPO process – whilst the actual or perceived valuation gap in public markets leaves IPO candidates more exposed to macroeconomic risk than in private alternatives.

Commitment issues

Preparing for an IPO is a significant commitment of time, cost and resource. Despite the strength of the UK's pipeline, the first nine months of the year has seen just four IPOs come through in London, while frequent reports of postponed IPOs have stalled market confidence.³² Rather than committing fully to an 18-month IPO process, more companies are keeping IPO preparations ticking over at a slower pace while exploring alternative strategies in parallel – preserving their options until the market recovers.

Private for longer

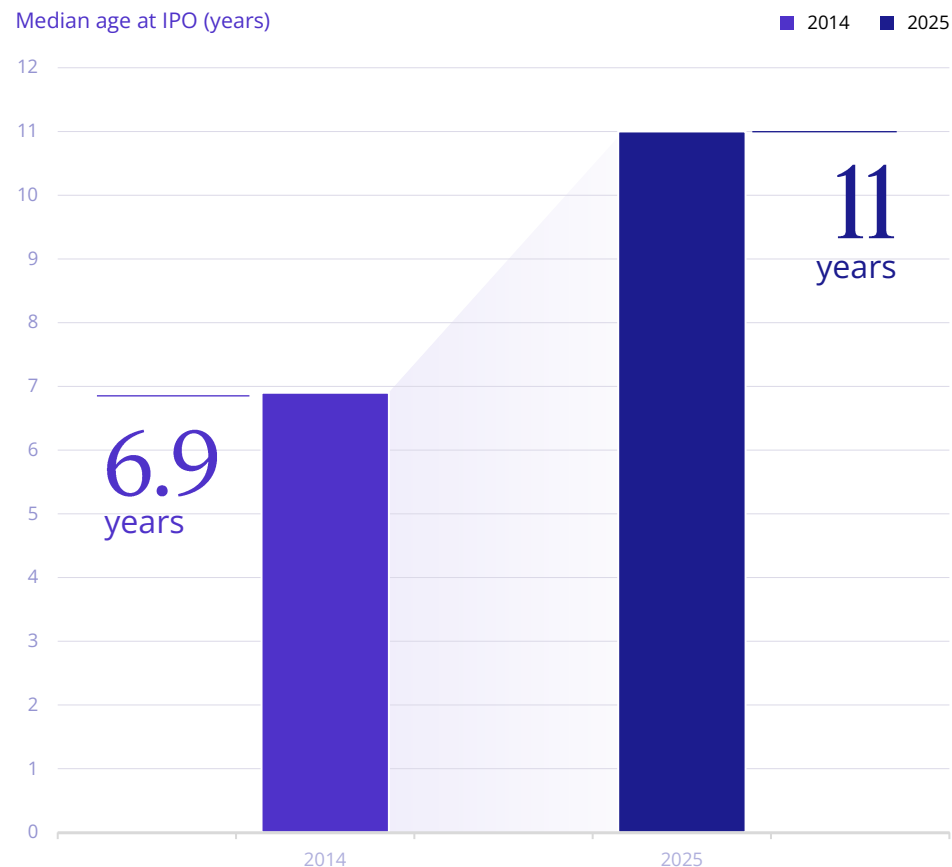
Access to capital has always been one of the main drivers of companies going public, whereas the depth of private markets today and significant availability of private capital at scale continues to enable companies to stay private for longer amidst challenging conditions for public markets.

The path(s) to exit

Market volatility is pushing IPO candidates to think beyond the dual-track

Companies are staying private for longer³³

Private companies are taking longer to go public, with the median age increasing from 6.9 years in 2014 to 11 years in 2025.



SLAUGHTER AND MAY

Confidence is returning to London

94% of UK-listed leaders expect UK IPO volumes to rise over the next two years³⁴

The outlook

Despite the macro challenges, the fundamental attractions of an IPO remain: the long-term potential for a higher valuation, the option for continued ownership and control (and retained upside) for founders, and a platform to sell down over time. Moreover, recent regulatory changes aimed at improving the UK's capital markets have increased the attractiveness of being listed.

It is encouraging that confidence is returning to London's capital markets and there is broad optimism that market conditions will stabilise. Recent activity has demonstrated the UK's resilience, and London remains Europe's most active and liquid market with truly global reach: African mobile payments company Airtel Money's recent listing underlines London's attractiveness to foreign capital for its depth of capital and access to international investors. As one of the UK's largest IPOs in recent years, Airtel Money sends a welcome signal to other candidates for whom a London listing is a potential option.

In the meantime, exploring more creative routes to liquidity and keeping multiple options open remains a sensible strategy. Optionality creates value: running an IPO workstream alongside a fundraising or exit process allows companies to preserve flexibility and move quickly when a window emerges.

Debt markets

Q3 at a glance: headwinds dampen activity across all asset classes

\$635bn

Total global new-issue loan volume

▼ 27% YoY

\$370bn

Total global new-issue bond volume

▼ 21% YoY

362bp

Average euro-denominated single-B spread, a rise from Q2 that reversed several quarters of tightening in the face of rate rises

▲ 8% QoQ



Markets remained open for business, but activity slowed noticeably across all asset classes even allowing for the customary August lull. High energy prices, inflation concerns, rising interest rates, the approaching US midterm elections and continued geopolitical instability weighed on sentiment.

With rises in sovereign yields pushing up borrowing costs, lenders and investors stayed selective as they navigated the headwinds, concentrating on performing sectors and high-quality credits. There are still pockets of positivity heading into Q4. The high yield bond market remains strong, private credit picked up somewhat in September and proportions of M&A financing remain buoyant.

Headlines

01

Loan activity levels decline across all regions

Overall, loan volumes were subdued in Q3 by geopolitically driven volatility. Against a backdrop of rate hikes, loan refinancing volumes fell significantly quarter on quarter. In Europe total loan volume fell 23% in Q3 from Q2 to €25.4bn. Global figures reflect similar drops indicating that the fall in momentum is playing out across all regions. However, the proportion of loan volume represented by M&A provides cause for optimism, supported by a number of large deals.

02

High yield bonds continue to be the asset class leader

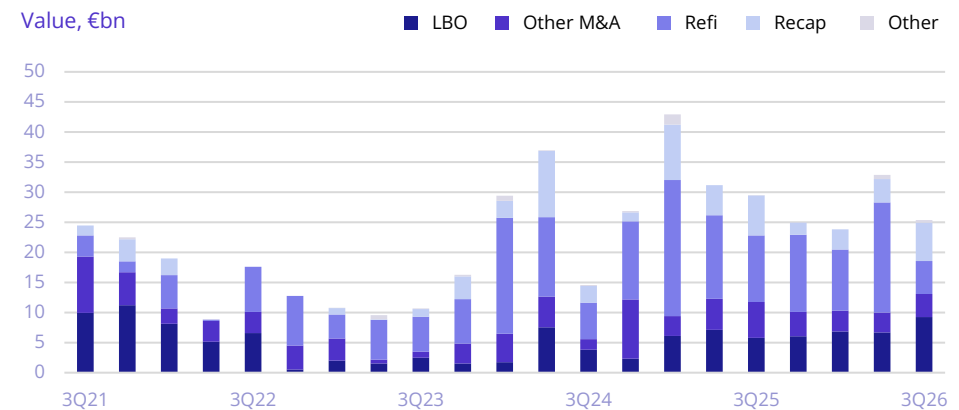
Both investment grade and high yield bond volumes fell compared with the immediately preceding quarters and year on year, but both markets shared a strong post-summer rebound in September. Softbank's US\$11.14bn cross-border offering, the largest high yield issuance on record, ensured that high yield continues to surge ahead of loans in 2026. Refinancings also drove the September surge, prompted by a combination of upcoming 2021 maturities and concerns that inflation risk would push up future pricing.

03

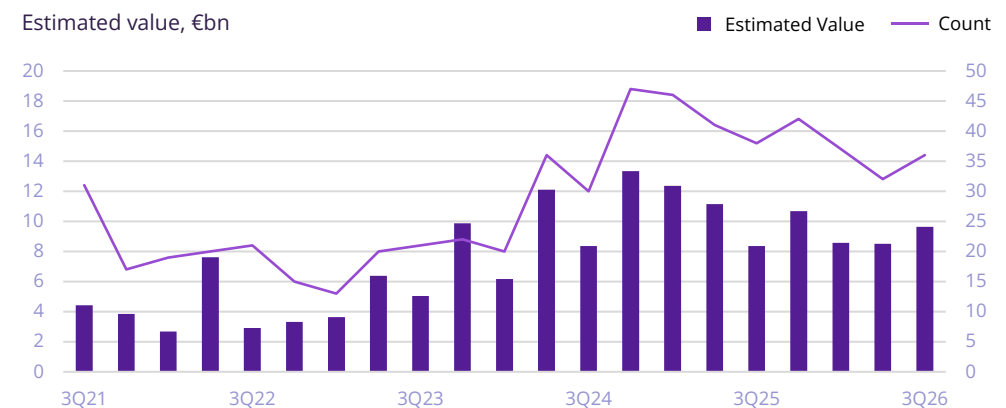
Private credit ends Q3 on a more positive note

Although private credit may not yet have returned to its 2025 performance levels, the market enjoyed a post-summer bounce in Q3, demonstrating the resilience its proponents have long championed in the face of concerns earlier in the year over AI disruption and a number of high-profile defaults. In the US, PE-backed deal counts rose to 129, up from 102 in Q2 2026, while in Europe estimated volumes reached €9.6bn, the highest since Q4 2025.

European quarterly loan volume

Source: PitchBook³⁶

Quarterly direct lending activity

Source: PitchBook³⁷

M&A financing: regulation meets execution

Where regulatory approvals set the pace, debt must be structured to flex for delays and downside scenarios



Scale and sector trends drive increased conditionality

Deal certainty is increasingly a question of timing, and the financing of transactions is no exception. Where approvals extend the timetable, as explored in [Navigating a protracted path to closing \(p.8-9\)](#), lenders must commit to accommodate regulatory decision-making.

Change-of-control approvals, competition clearance and foreign direct investment reviews extend deal timetables as well as introducing uncertainty. The challenge is greater in multi-jurisdictional transactions, where filing processes and regulators' scope to intervene may be difficult to predict. Large or regulated sector deals – both hallmarks of the current market – inevitably require more clearances and approvals.



Buy-side considerations

Some practical takeaways for buyers/borrowers include:

- Map approval pathways prior to finalising debt term sheets. Test certain funds periods, long-stop dates, margin step-ups and final maturity dates against a realistic regulatory timetable that gives adequate weight to uncertainty.
- Engage with financing banks at the earliest permissible stage. This allows lenders to underwrite regulatory risk, rather than price against it at the last minute.
- Financing conditionality may be a negotiation tool where regulatory approvals affect underwriting terms.
- If regulatory clearances are expected to be conditional on, for example, post-closing disposals, consider the potential impact on the bridge or other financing arrangements.

How much flexibility is needed?

The impact of conditionality on debt terms can be particularly acute in public-to-private transactions, where the UK Takeover Code (or equivalent regimes in other jurisdictions) requires the acquisition financing to be provided on a "certain funds" basis for the whole period from announcement to closing.

Just as regulatory conditions are shaping purchase agreements, multi-conditional deals are affecting financing structures and terms:

- **Flexible timetables:** Debt financing must be structured around the likely approval timeline, but with enough flex to accommodate the furthest credible long-stop date. This feeds into availability periods, long-stop dates and extension rights. Regulatory conditions typically mean a longer "certain funds" period.
- **Underwriting group and syndication strategy:** Buy-siders will be closely focussed on ensuring that predicted time periods are realistic – leaving underwriters "on risk" for longer may affect the commitment fees and pricing flex on offer. Commitments may need to be spread across more underwriting banks, which in public-to-private deals could require engagement with takeover authorities.
- **Drawn-down mechanisms:** How soon must the deal complete after clearance is given? This is particularly relevant for acquisitions requiring US anti-trust approvals, where the expectation is that transactions must close as soon as the next business day after clearance. The borrower may need an option to make a pre-emptive, purpose-restricted drawdown before regulatory conditions are satisfied if standard utilisation procedures cannot accommodate likely requirements.

Anti-LME protections becoming mainstream

European leveraged financing terms tighten in response to LME litigation³⁸

Liability management exercises (LMEs) are not new. Many potential restructurings begin with borrowers and their advisers looking at ways to use existing flexibilities in debt documentation – permitted debt baskets, restricted payments carve-outs – to manage balance sheet stress outside a formal insolvency process. Contentious at times, but a long-established part of the restructuring toolkit. What has changed more recently is the scale and ambition of certain LMEs, some of which have escalated into litigation.

A wave of more creative and aggressive transactions has turned certain techniques – up-tier exchanges, non-pro rata priming deals, drop-down asset transfers – into a systematic playbook in the US. Initially considered a US issue, with the rise of European LMEs, attempting to close these loopholes has now become a key area of focus in both loan and high yield documentation discussions in EMEA deals.

Three protections blocking certain known LME routes (each named for the transactions where the gap came to light) are now routine in European leveraged loans, although in each case, the formulation requires careful examination. Adoption has, however, been slower in the high yield (HY) market, which has only started to adopt these provisions more recently.

J.Crew blockers

- Provisions that restrict the designation of unrestricted subsidiaries/transfer of material IP or other material assets to unrestricted subsidiaries (to prevent leakage of high value assets).
- J.Crew blockers were included in virtually all 2026 LBOs and full refinancing leveraged loans in Europe (vs 89% in FY 2025).
- These clauses are less prevalent in HY, but adoption is growing, featuring in 48% of H1 2026 European HYB issuances (vs 42% in FY 2025).

Chewy provisions

- Limits on ability to engineer the release of subsidiary guarantors by turning them into non-wholly owned subsidiaries (by dropping collateral into a newly formed entity).
- In H1 2026, the vast majority (more than 80%) of LBOs and full refinancing leveraged loans in Europe included Chewy protection (but a slight decline on FY 2025 where Chewy protection featured in 85% of deals).
- Percentage of HY transactions which include Chewy protections is declining. Included in 9% of HYB issuances (vs 12% in 2025).

Anti-Serta protections

- Requirement for unanimity or high creditor consent threshold before liens or payment priority can be subordinated – effectively requiring pro rata treatment in any up-tier exchange, blocking selective priming.
- 100% of LBOs and full refinancing leveraged loans included anti-Serta protections in H1 2026 (vs 94% in FY 2025).
- Serta protection is also less prevalent in HY – although increasing. Protection was included in 20% of H1 2026 European HYB issuances (vs 11% in FY 2025).

Key takeaways

Chewy provisions slightly less prevalent

Chewy blockers trail J.Crew and Serta protections perhaps because investors see them as guarding against a slightly less common risk (guarantee releases). This risk has generally been less prominent in recent LMEs compared to asset drop-downs (J.Crew) and up-tiering transactions (Serta).

The bond market, slower to adapt

While the European loan market has responded fairly swiftly to LME activity, HY investors have been slower to demand action – despite substantially all European LME activity to date having involved bonds. The relative lack of protection in HY reflects a function of the transferability of bonds compared to loans, as well as potentially, the simple dynamic “if you don’t ask, you don’t get”.

Anti-LME protections: how are sponsors responding?

Closing the door

Sponsors (and their counsel) are attempting to push back on anti-LME protections – but with mixed success. In a market where private credit funds and CLO managers are actively competing to deploy capital, some sponsors and borrowers have found leverage to resist. But general consensus is that the documentation gap that enabled the most aggressive LMEs is closing – both in the US and in EMEA.

Sponsor counsel generally accept that the core protections noted (pro rata sharing, anti-priming language, restrictions on selective new money) have become market standard for any broadly syndicated or institutional loan.

Where borrowers win concessions, they tend to do so at the margins: carve-outs for operational flexibility, baskets sized to genuine business need, or sunset provisions that relax protections once leverage falls below agreed thresholds.

It is in these concessions that gaps can become apparent over time. Market analysis suggests that nearly two-thirds of all Anti-Serta provisions in the European market contain some form of structural weakness or loophole. HY terms appear especially vulnerable to legal loopholes which borrowers and sponsors rely on to repeatedly implement more aggressive priming and/or value stripping techniques. A key point is that J.Crew protections and Chewy protections may not be “sacred rights” i.e. they can be amended with majority consent.

“Omni-blockers” are gaining traction

It follows that as deals return to market – or in new money deals with the same sponsor – investors are focussing closely on strengthening protections. More recently, lender asks have started to extend beyond provisions aimed at blocking specific routes towards general “omni-blockers”.

Omni-blockers are broad contractual provisions designed as an all-purpose shield to protect from non-pro-rata transactions replacing the “whack-a-mole” approach of targeting specific, known LME structures one at a time. Historically, these catch-all LME blockers have been confined to post restructuring transactions, where there is concern that borrowers/issuers may need to return to market for further amend and extends. More recently, omni-blockers have started to appear in mainstream leveraged finance transactions. Peranel’s recent M&A financing is the first example of a European TLB with an omni-blocker we have seen reported.

One step forward, two steps back

“Anti coop provisions” are being discussed but are not clearing the market. These are borrower friendly provisions which aim to prevent lenders agreeing to vote together (and thus block an LME) – normally by imposing penalties on lenders if they do sign up, including disenfranchisement, blocks on transfers, or rights for the borrower to replace them.

Sponsors keep trying, often to no avail – either in the US or in Europe. In Q3, InPost broke new ground by including anti-coop terms in both its loan and bond terms, the first attempt to do so in HY. According to recent reports, the anti-coop terms have been struck out in both instruments.

Spotlight on intercreditor terms

The ‘distressed disposal’ mechanism in English law intercreditor agreements has been a key delivery tool for LMEs in Europe, enabling a controlling majority of creditors to restructure a business and leave the minority with deeply subordinated paper (a dynamic recently tested in transactions such as Selecta and Hünkemöller). Resulting creditor-on-creditor litigation spanning courts in New York, London and beyond has put the intercreditor frameworks under a microscope.

There is limited indication yet of any meaningful change to standard intercreditor frameworks in response – and determining how to respond definitively may depend on court rulings (which may never come).

In the meantime, parties are looking closely at intercreditor agreements that underpin the distressed disposal mechanics at the heart of recent disputes. Relatedly, there is also growing focus on the scope of security agent powers, the thresholds for instructing enforcement and the regulation of non-cash consideration (which is necessary to allow credit bidding).

Convertible bonds: quietly becoming the product of the year?

Record volumes and low-to-zero coupons

Another AI story

Global convertible bond issuance is becoming one of the most compelling stories in capital markets. By the end of Q3, a total of \$186.8bn of convertible bonds had been issued across 362 deals. The asset class has moved from what was a relatively niche financing tool to an established feature of corporate capital-raising, and momentum appears to remain strong.

A major driver is demand for AI investments, which represents 44% of this year's convertible bond sales in the US. Companies building the infrastructure behind the AI boom – data centres, GPU cloud platforms, and energy systems – have been prominent issuers, seeking a lower-cost alternative to straight debt.

Zero coupons for US issuers

Lower-cost may, in some instances, mean no-cost. By late August 2026, global zero-coupon issuance had reached \$72bn, with the largest issuers being based in the US. Technology companies such as Ciena (\$2.875bn) and Akamai Technologies (\$3.5bn) have been at the forefront of this trend.

Zero-coupon convertibles pay no periodic interest; the investor's return depends on the embedded conversion option. For issuers, this means zero cash interest cost, though the price is potential equity dilution. Investors forgo the coupon in exchange for equity upside: elevated share-price volatility makes the conversion option valuable enough to compensate, which in turn allows issuers to set more aggressive terms.

The boom is US-led, but not US-only

The record levels of convertible issuance in the US this year come alongside a striking climb in conversion premiums. Cloudflare's August 2026 notes, for example, carried a 60% premium – one illustration of how aggressively issuers can set terms in the current market.

The boom is most pronounced in, but is not confined to, the United States. In Asia-Pacific, issuances more than doubled year-on-year in Q2 2026, reaching \$13.2bn across 23 deals, with 20 of 23 priced at a zero-coupon. Lenovo Group's \$2.0bn convertible ranked among the ten largest deals in Q2 globally. Larger issuance have continued to follow into Q3, including MediaTek's \$3.9bn zero-coupon convertible bond issued this September.

Could zero-coupon structures cross the Atlantic at scale?

In Europe, equity-linked bond issuance reached \$26bn across 53 deals towards the end of Q3, with examples including MTU Aero Engines (\$700mn), Vinci (\$590mn), Snam (\$584mn) and Harmony Gold Mining (\$500mn). Vonovia placed an upsized €850mn convertible in June 2026 – one of the largest European real estate convertibles

on record. French semiconductor materials group Soitec raised €500mn in September 2026, as investors sought AI exposure through its role in data-centre supply chains. With a coupon of just 0.50% and a conversion premium in the region of 50%, the deal is an example of European issuers moving towards the low-cost, high-premium terms more commonly seen in the US.

Europe is not yet replicating the US boom at scale: its convertible issuer base remains weighted towards investment-grade industrials, real estate, and utilities rather than high-volatility AI names. European issuance also depends on shareholder-approved authorised capital and disapplication of pre-emption rights, gating items US issuers largely avoid. However, the ingredients are assembling: a maturity wall of pandemic-era convertibles due for refinancing in 2026–2027, supportive equity performance and volatility and growing investor appetite following strong secondary performance. For European issuers with compelling equity stories, the path to low/zero-coupon issuance is opening up.

Regulatory

Q3 at a glance: a landmark platform merger ruling, algorithmic pricing enforcement and new Article 102 guidelines

“ [The Merger Guidelines] do not prevent the Commission from taking into account new forms of competition concerns, such as those which may arise in digital markets.

General Court,

Press Release, Case T-1139/23 *Booking Holdings v Commission*, 9 September 2026

01

Booking/eTraveli: a precedent for the platform age

The General Court dismissed Booking's challenge to the European Commission's prohibition of its acquisition of eTraveli Group. The Court accepted the Commission's "reverse leveraging" ecosystem theory of harm and held that merely consolidating an already low level of competition can constitute a significant impediment to effective competition, even absent quantitative evidence.

02

Algorithmic pricing under scrutiny

Competition authorities worldwide are now actively investigating how algorithms, automated pricing tools and shared data shape competitive behaviour. China's State Administration for Market Regulation (SAMR) imposed financial penalties totalling RMB 5.2bn on Trip.com for abuse of dominance through algorithmic price parity and exclusivity. Investigations are under way in the UK, EU and US, while private claimants are pursuing parallel theories of harm.

03

New Article 102 guidelines reshape the landscape for dominant firms

The European Commission has adopted guidelines on exclusionary abuses under Article 102 of the Treaty on the Functioning of the European Union (TFEU), replacing the 2009 framework. While the guidelines row back from some of the Commission's more controversial proposals, self-assessment remains challenging given limited guidance on the boundary between legitimate competition and abuse.

04

Foreign subsidies and merger control reforms in Europe

The European Commission's first review of the Foreign Subsidies Regulation concluded that the regime remains fit for purpose, but a consultation on targeted procedural reforms aimed at reducing the burden of merger reviews is expected later this year. In merger control, the CMA published its final revised efficiencies guidance in September, while debate continues on the European Commission's draft Merger Guidelines, which could reshape the assessment of efficiencies, innovation and other competitive effects in the EU.

Booking/eTraveli: a precedent for the platform age

The General Court endorses the European Commission's novel ecosystem theory of harm

The European General Court dismissed Booking's challenge to the European Commission's decision prohibiting its proposed acquisition of eTraveli Group. The judgment will come as a relief to the Commission, which had already incorporated a section on the ecosystem theory of harm (now termed "entrenchment") into its new draft Merger Guidelines, set to be finalised later this year. The Commission is also likely to welcome the Court's recognition that it retains the flexibility to depart from its guidelines where warranted and to pursue theories of harm specifically adapted to the dynamics of a particular sector or market structure.



Reverse leveraging and the entrenchment framework

The Court endorsed "reverse leveraging": using a non-dominant position in one market to reinforce dominance in another. The draft Merger Guidelines recognise this as "entrenchment of a dominant position", where a dominant firm acquires related assets that are important for effective competition, such as a key customer acquisition channel.

The Court also found that the significant impediment to effective competition (SIEC) test does not require a significant reduction in existing competitive pressure. Where a market is characterised by strong network effects, high barriers to entry and a dominant firm far ahead of its competitors, it is enough that the transaction consolidates and perpetuates an already low level of competition. M&A in complementary or adjacent markets now carries materially greater risk for some dominant firms.



Qualitative evidence and internal documents

The Court upheld the prohibition notwithstanding that the transaction may only have added "a few tenths of a per cent" to Booking's market share. Qualitative evidence carried decisive weight in the Commission's case. The draft Merger Guidelines confirm there is "no hierarchy" between qualitative and quantitative evidence, and that a single documentary item may suffice if its probative value is undoubted.

This lowers the practical threshold for intervention in cases involving dominant firms and further solidifies the importance of internal documents as evidence. Board papers, investor presentations and internal emails are fertile grounds for the Commission, even when quantitative evidence provides little support for intervention.



High bar for efficiencies

The Court upheld the Commission's assessment that the efficiencies which Booking claimed would result from the transaction were not sufficient to offset its expected negative effects. Notably, the Court held that efficiencies for one consumer group (flight customers) cannot be balanced against harms of another group (hotel customers) unless those groups are "substantially the same".

In the Commission's draft Merger Guidelines, considerable attention was paid to a new "Theory of Benefit" framework, where merging parties are encouraged to bring forward pro-competitive efficiency arguments early in the merger control process. While this is a welcome development, its practical impact may prove limited if the Commission continues to apply a demanding evidential bar when assessing efficiency claims.

Algorithmic pricing moves up the enforcement agenda

Competition authorities are increasingly focused on how algorithms shape pricing and competition



RMB 5.2bn
financial
penalties

Businesses using algorithm-driven pricing face a rapidly evolving enforcement landscape. Authorities worldwide are testing how algorithms, automated pricing tools and shared data shape competitive behaviour, while private claimants are pursuing parallel theories of harm. China's Trip.com decision offers a striking illustration of regulators looking past contractual form to how technology operates in practice.

China: a costly lesson in algorithmic pricing

In July 2026, China's State Administration for Market Regulation (SAMR) imposed financial penalties totalling RMB 5.2bn (~US\$770mn) on Trip.com after finding that it had abused its dominant position through price parity and exclusivity requirements:

- **Algorithmic price parity:** Trip.com required certain hotels to give the platform a pricing advantage over competing platforms. Its algorithms monitored prices elsewhere, identified discrepancies and prompted or implemented price adjustments. Hotels that did not comply could face ranking demotions, reduced traffic, delisting or forfeiture of deposits.
- **Platform-enforced exclusivity:** Certain hotels were required to work exclusively with Trip.com, with non-compliance risking reduced traffic, loss of benefits or delisting. However, the exclusivity requirements were not always reflected in express contractual provisions. SAMR found that traffic allocation, hotel labelling, incentives and automated price adjustments produced effects comparable to exclusivity through less visible means.

SAMR examined technical documents and algorithmic code, conducted its own analysis and consulted external experts. The decision shows that authorities may look beyond contractual terms to how algorithms and platform systems shape prices and commercial behaviour in practice, not merely how arrangements are documented. Technical complexity will not insulate commercial arrangements from scrutiny.

Enforcement gathers pace worldwide



The [UK Competition and Markets Authority](#) is investigating whether certain hotel chains shared competitively sensitive information through a third-party data benchmarking and analytics provider.



The [European Commission](#) has confirmed that several investigations into algorithmic pricing are under way, alongside enforcement at Member State level. The issue is moving from policy debate to active enforcement, although the businesses and sectors involved remain undisclosed.



The [US Department of Justice](#) settled its landmark litigation against RealPage, a revenue management software company in the real estate sector, alleged to have facilitated algorithmic collusion among competing landlords.

Separately, the MultiPlan litigation alleges that insurers used a common algorithm and confidential data to suppress out-of-network healthcare reimbursement rates, highlighting the private class action risk associated with algorithmic pricing.



Canada's [Competition Bureau](#) is investigating whether Kalibrate's pricing guidance and competitor-intelligence tools adversely affected competition among gas station operators.

European Commission's Article 102 Guidelines

Key observations and what they mean for dominant firms

A long-awaited framework

On 3 September 2026, the European Commission adopted its long-awaited guidelines on exclusionary abuses under Article 102 TFEU, which prohibits the abuse of a dominant market position. The guidelines replace the Commission's 2009 Guidance Paper on enforcement priorities, ending a framework that had been in place for almost two decades.

The earlier draft of the guidelines (published for consultation in August 2024) was widely criticised for introducing formalistic presumptions unsupported by the case law and failing to enhance legal certainty for dominant or potentially dominant undertakings.

The direction of travel

While the final guidelines more closely resemble the current state of Article 102, this does not mean greater clarity for dominant firms. Recent landmark Article 102 rulings from the European Court of Justice have reshaped the contours of Article 102, fuelling uncertainty around key concepts and according the Commission ever more discretion to find that conduct infringes Article 102. The guidelines codify this expansive approach.

With further key Article 102 rulings from the EU courts on the horizon, the rapid pace of Article 102's evolution shows no signs of slowing.

Key observations on the guidelines



Soft safe harbour reinstated: The guidelines reinstate the "soft safe harbour" for market shares below 40% (which was missing from the draft guidelines), acknowledging that dominance is "generally unlikely" below that level.



Rowing back from presumptions: The Commission has dialled down its most controversial proposal. Presumptions still feature in the final guidelines, but in a way which finds support in EU case law – for example, exclusive dealing is presumed to distort effective competition, but dominant firms can rebut this with evidence.



Abuse is a two-stage test: The guidelines set out a two-stage test for assessing whether conduct is abusive – it must depart from competition on the merits and be capable of exclusionary effects. However, this may be more of a conceptual framework than a meaningful hurdle for the Commission in practice.



Competition on the merits: The guidelines provide limited guidance on the concept of competition on the merits. They list factors which indicate that a dominant firm is not competing on the merits, and factors which may be relevant depending on the circumstances. But the lack of a "bright line" between legitimate competition and abuse means self-assessment remains difficult.



Declining relevance of "as-efficient competitors": The guidelines codify the declining relevance of the as-efficient competitor principle following recent EU court rulings. While it remains the key tool for assessing pricing conduct, for non-pricing conduct, dominant firms can no longer assume that conduct replicable by an equally efficient competitor is safe.



Causal link: Consistent with recent rulings, the guidelines confirm that the Commission need not rely on a "counterfactual analysis" to establish a causal link between conduct and its exclusionary effects – removing a potential line of defence for dominant firms.

Geopolitical impact

Q3 at a glance: Energy and trade shocks revive inflation and reset the cost of capital

Rising tariff rates³⁹

11%

average US statutory
tariff rate

37.5%

for many
Chinese imports

Energy supply shocks⁴²

>€80/MWh

European gas futures
(September 2026)

>\$100/barrel

Brent Crude
(September 2026)

Headline inflation rising globally⁴⁴

3.4%

US

3.1%

UK

3.2%

Euro area

Trade policy and tariffs

US tariff policy remains a material source of supply chain disruption. Increasingly, however, uncertainty surrounding its legal basis and policy direction matters as much as the level of those tariffs. Since the US Supreme Court invalidated tariffs imposed under the International Emergency Economic Powers Act in February, the legal basis for US duties has changed twice. The average statutory rate has since settled at around 11%, although imports from China remain subject to materially higher rates.⁴⁰ Many Chinese goods now face tariffs of c.37.5% on top of ordinary customs duty – the highest of any major US trading partner, despite recent concessions following Xi Jinping's state visit to Washington.

Retaliatory measures are now amplifying the disruption. In September, Canada imposed counter-tariffs of 15%, 25%, and 50% on c.\$20bn of US goods: designed to mirror new US duties dollar-for-dollar.⁴¹

Energy and supply chains

As we noted in our previous edition, the disruption caused by the US-Israeli war with Iran is still proving to be the defining energy risk of 2026. The war has materially constrained transit through the Strait of Hormuz since March, disrupting a principal artery for global energy supplies. However, the risk is not confined to the Strait. The conflict's spillover effects include renewed hostilities between Saudi Arabia and Iran, creating further uncertainty over supply through the Red Sea route.

Brent crude rose above \$100 per barrel in September as the conflict intensified; drone strikes also closed Saudi Arabia's East-West pipeline, the principal alternative export route. European gas futures exceeded €80/MWh in September 2026, their highest level in three years, before easing to €75 in early October.⁴³

Inflation raising interest rates and constraining sovereign borrowing

Geopolitical shocks continue to drive prices. Higher energy costs from the Middle East conflict, coupled with higher tariffs, have lifted headline inflation to 3.4% in the US, 3.2% in the euro area, and 3.1% in the UK. Core inflation remains contained at present, but concerns about second-round effects have tilted policy. The US Federal Reserve, European Central Bank and Bank of Japan raised rates in September, while the Bank of England held rates.

Long-dated yields are repricing upwards across the G7: the US 10-year Treasury yield passed 5% in September for the first time since 2024, and Japan's is at its highest since 1996.⁴⁵ Rising debt-service costs appear to be tightening fiscal budgets for energy subsidies and infrastructure investment. The US Treasury Secretary expects inflation and yields to settle once the conflict ends,⁴⁶ but some analysts are sceptical and the timing of any resolution is unclear.

Dealmaking under pressure

Volatility is reshaping the landscape

Compounding pressures on corporates

Higher borrowing costs, elevated energy bills, supply chain disruptions and tariff volatility (themes we have tracked across our previous editions) appear to be converging, rather than emerging in isolation. For groups operating across multiple G7 markets, the effect is potentially cumulative: each shock may compound the operational and financial consequences of the others.

The exposure may be felt most acutely in energy-intensive, low-margin sectors (including steel, aluminium, glass, ceramics and food processing), and in those sectors that sit downstream of them, where limited pricing power and contractual structures that fix prices well in advance of input costs are likely to constrain the capacity to absorb further cost increases.

Taken together, these pressures and their consequences for M&A are likely to emerge sequentially: first through valuation uncertainty and delayed execution, then through a more fundamental reallocation of capital, assets and supply chains.

Impact to date

Volatility has, thus far, deferred transactions more often than it has prevented them. Larger strategic transactions have proved comparatively resilient, since scale, balance sheet capacity and pricing power permit acquirers to absorb cost shocks that are more

difficult for smaller businesses to manage. Consequently, the mid-market lagged in H1.⁴⁷

Volatile inputs complicate the assessment of sustainable earnings. Building on the trend we highlighted in Q2, we observe that diligence now increasingly extends further into supply chain concentration, tariff exposure, energy procurement and the contractual capacity to pass higher costs through to customers.

Looking ahead

Near term: We anticipate higher interest rates will continue to make leveraged buyout activity more selective, favouring larger, more resilient businesses over highly-leveraged or cyclical assets. Buyers will place greater value on pricing power, diversified supply chains and secure energy arrangements. Meanwhile, pressure on profit margins may prompt distressed sales and create opportunistic acquisition opportunities in energy-intensive sectors.

Medium term: Tariff barriers and energy insecurity could stimulate strategic M&A intended to relocate or regionalise production, secure critical inputs and reduce exposure to vulnerable trading routes. Conversely, energy disruptions may bring enhanced scrutiny (particularly through national security and regulatory reviews), as governments prioritise security of supply and sovereign control of critical infrastructure, alongside wider concerns about growth, employment and tax revenues. We predict sustained investment in generation, grids, storage

and related infrastructure. In addition, we may observe additional premiums for assets with contracted power supply or credible grid connections.

Deal terms: Transaction documentation may need to allocate risks that were formerly treated as ordinary commercial volatility. We expect more sophisticated price-adjustment mechanisms, express allocations of tariff and energy price risk, and longer long-stop dates. Commodity price uncertainty is also encouraging more creative consideration structures, with deferred and contingent mechanics used to share upside and downside performance risk over a longer period. Buyers may also increase scrutiny of the durability and conditions, alongside the availability, of public funding. Risk sharing joint ventures and public-private structures may also become more prominent where the scale of investment, regulatory exposure or project risk exceeds what a single sponsor can efficiently bear.



For prepared acquirers able to identify, quantify, and price geopolitical and operational risk with greater precision, however, disruption remains a source of opportunity. They may find value where less-prepared bidders observe only uncertainty.

Endnotes

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47. Source: Mergermarket as of 2 October 2026 (excluding lapsed deals and privately disclosed and estimated deal values).

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