

SLAUGHTER AND MAY

Market view

Q2 2026



Foreword

Geopolitics continued to shape markets in Q2, and the impact of the conflict in the Middle East on dealmaking persisted. Yet, increasingly, deals are happening against that background. To an extent that reflects the fact that standing and waiting is also a decision – and risk and uncertainty are perhaps easier to calibrate over time. Either way, there was an uptick through the quarter and real momentum as peace talks played out – and that impetus appears to be holding for now even as some hostilities recommence.

Activity has been most pronounced at the top end – with scale and selectivity the dominant themes of the quarter across M&A, capital markets, financing and fundraising activity. Strategic M&A agendas are active, and sponsors have also shown appetite for larger deals.

Against this backdrop, the latest [regulatory recalibration proposed by the European Commission](#) is a welcome development in the merger control landscape, signalling a more nuanced approach to efficiencies and competitiveness.

Whilst the market at smaller deal values was, again, more subdued this quarter, we would expect

activity to strengthen through H2. The pressure to transact should grow.

Alongside conviction to act, creativity has helped unlock transactional complexity – whether bridging valuation gaps or addressing interest rate challenges. We explore this through insights on [preferred equity](#) and [innovation in private credit](#).

AI's pervasive thread ran through the quarter too – most prominently in [SpaceX's blockbuster IPO](#). More generally, AI continues to shape strategic agendas and corporate activity across the board – driving investment, infrastructure demand and deal activity, while also disrupting business models and prompting greater selectivity in parts of the credit market.

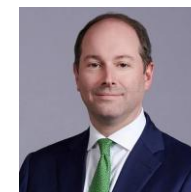
We hope this edition provides a useful guide to the quarter just gone. We would be delighted to discuss any of the topics covered in this edition with you in further detail, so please do get in touch.

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M&A

Quarter at a glance: record values, amidst more selective activity

\$1.76tn

global deal value
a quarterly record

29% ▲

global deal value
increase vs LTM quarterly
average

12% ▼

global deal count
decrease vs LTM quarterly
average

26

\$10bn+ mega deals
a quarterly record
with \$784bn aggregate value

1.12x

UK H1 deal value
increase vs UK FY deal value
in 2025

22% ▼

cross border M&A
as a proportion of global deal
value decrease vs LTM
quarterly average

Source: Mergermarket¹

Headlines

Q2 2026



A resilient quarter for dealmaking amidst geopolitical headwinds as deal values hit record quarterly levels – driven by large-cap deals as deal volumes soften

01

Global deal values surged to record quarterly levels in Q2.² This was underpinned by large-cap transactions and a record quarter for \$10bn+ mega-deals, as well-capitalised and predominantly strategic buyers adapted to market volatility in pursuit of scale, resilience and transformation.³

The conflict in the Middle East, its wider market impacts and associated inflationary pressures, weighed on global deal volumes which declined through the quarter, with caution demonstrated in the mid- and lower mid-markets.⁴

Conditions improved towards the end of the quarter amidst back and forth on a US-Iran peace deal, which, alongside growing confidence and pent-up demand, are expected to sustain robust activity levels in the second half of the year. And, in the short period since the resumption of hostilities, momentum appears to be holding.

02

Domestic transactions increased as a proportion of deal count and value across regions as geopolitical uncertainty, alongside political dislocation in some jurisdictions, dampened cross-border activity.⁵ In Europe, domestic and in-region consolidation drove an exceptional quarter for deal value relative to historic levels.⁶

03

The UK saw another strong quarter, with the result that 2026 deal values reached the highest half-yearly level since H1 2018.⁷ Deal values in the quarter were concentrated in a smaller number of high-value deals – which, contrary to the broader trend, were led by overseas interest in UK public companies, * SEGRO, * Intertek and * easyJet.

04

In APAC, deal value rose despite deal count edging lower. India epitomised this trend, with activity driven by sizeable outbound acquisitions, signalling a growing appetite among Indian corporates for strategic expansion abroad as confidence in pursuing cross-border transactions continues to build.⁸

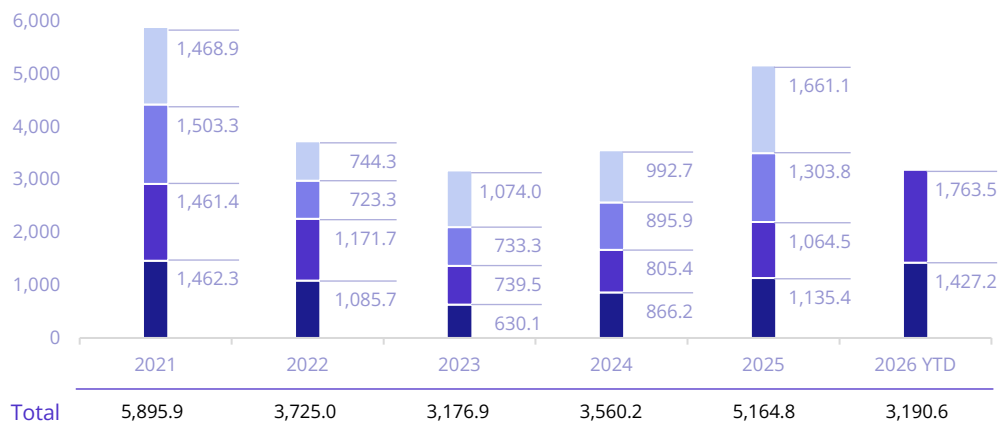
05

AI continued to shape deal activity, underpinning two of the largest transactions in Q2: NextEra's \$119bn offer for Dominion, supported by surging electricity demand, and SpaceX's \$60bn acquisition of Cursor, reflecting the race for AI coding capability. These transactions anchored a strong quarter in value terms for technology and energy & natural resources.⁹

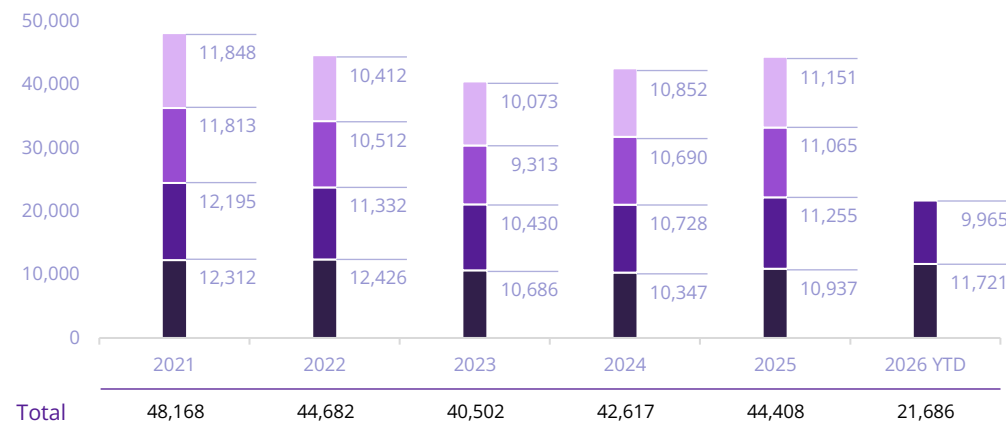
Global M&A activity

Global M&A volumes

Deal value, \$bn ■ Q1 ■ Q2 ■ Q3 ■ Q4



Deal count ■ Q1 ■ Q2 ■ Q3 ■ Q4



Largest global deals in Q2

Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
18/05/2026	 Dominion Energy Inc	Energy & Natural Resources	US	 NextEra Energy Inc	118.8
15/06/2026	 Honeywell Aerospace	Industrials	US	Existing shareholders	84.6
16/06/2026	 CURSOR	Technology	US	 SpaceX	60.0
03/05/2026	 ebay inc	Technology	US	 GameStop	57.0
21/05/2026	 AvalonBay COMMUNITIES	Real Estate	US	 Equity Residential	35.7

Source: Mergermarket¹⁰

Regional M&A activity

Largest deals in Q2

Europe					
Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
08/06/2026 *	Monte dei Paschi	Financial Institutions	Italy	Intesa Sanpaolo SpA	35.3
29/04/2026	TK Elevator GmbH	Industrials	Germany	Kone Oyj	34.4
17/04/2026	Altice France SA (telecoms business)	Communications, Media & Entertainment	France	Bouygues SA, Iliad SA, Orange SA	24.0
24/06/2026 *	SEGRO plc	Real Estate	UK	Prologis Inc	23.3
16/04/2026 *	Intertek Group plc	Business Services	UK	EQT AB	14.5

UK					
Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
24/06/2026 *	SEGRO plc	Real Estate	UK	Prologis Inc	23.3
16/04/2026 *	Intertek Group plc	Business Services	UK	EQT AB	14.5
22/06/2026 *	easyJet plc	Transportation	UK	Castlelake LP, Brookfield Asset Management Ltd	6.9
05/05/2026 *	Vodafone Three Holdings Ltd	Communications, Media, & Telecoms	UK	Vodafone Group plc	5.8
14/05/2026	Tate & Lyle plc	Consumer & Retail	UK	Ingredion Inc	5.0

APAC					
Announced	Target	Target sector	Target nationality	Acquirer	Deal value, \$bn
15/06/2026	Vedanta Aluminium Metal Ltd	Industrials	India	Existing shareholders	20.7
28/05/2026	ReNew Energy Global plc	Energy & Natural Resources	India	CPP Investments; Sumant Sinha (individual)	9.3
20/05/2026	Rakuten Bank Ltd	Financial Institutions	Japan	Rakuten Group Inc	8.8
30/06/2026	South32 Ltd (Bauxite, Alumina, and Aluminium Assets)	Energy & Natural Resources	Australia	Alcoa Corp	5.6
28/06/2026	REC Ltd	Financial Institutions	India	Power Finance Corp Ltd	5.0

Source: Mergermarket¹¹

Animal instinct: the continuing use of the bear hug

Bidders for UK public companies increasingly bypass target boards to put their proposals directly to shareholders

As differences in valuation expectations between bidders and target boards remain pervasive in UK public M&A, bear hug announcements are becoming an increasingly prevalent feature of the bidder playbook.

Through a bear hug, a bidder publicises its takeover proposal – without the target board’s consent – via a possible offer announcement, typically including a price, with the aim of encouraging target shareholders to pressure the target board to engage, grant access to diligence, explore a transaction and, ultimately, recommend the proposal. In other scenarios, the bear hug follows an announcement by either the target or the bidder required under the Takeover Code as a result of rumour or speculation about a bid.

Tactical considerations

A bear hug typically follows a degree of private engagement with the target board, but this is not always the case.

Where the announcement publicly reveals the bidder’s identity for the first time, it starts an offer period, triggering a 28-day ‘put up or shut up’ (PUSU) deadline by which the bidder must announce either a firm intention to make an offer or that it does not intend to make an offer. As an extension to the PUSU deadline is, in practice, only granted at the target board’s request, a bear hug raises the stakes as the bidder takes the risk as to whether the target shareholders and board will be persuaded by its terms – if not, it will be timed out and its only options are to make a hostile offer, which remains relatively rare in the UK, or walk away.

Once a bear hug has been made, subsequent engagements with shareholders, the press and other stakeholders will play out in public. Target shareholders and the target board will often expect the price proposed in the bear hug to be increased to get to a recommendable level. A bidder may want to declare its proposal “final” at some stage to limit further bumpitraging.

Bear hugs in Q2

SEGRO * Prologis took its proposal to SEGRO shareholders very early in the process, just over a week after it submitted an initial proposal to the SEGRO board.

ip group * Railpen’s voluntary bear hug for IP Group has been longer in the pipeline, with Railpen disclosing that it had been exploring a possible offer since 2025.

easyJet * Castllake’s bear hug was later in its offer period for easyJet, following an earlier announcement responding to speculation about the possibility of an offer.

The approach led to easyJet agreeing an extension to the PUSU date. Shortly before the deadline expired, the easyJet board and Castllake jointly announced an agreement in principle, and further extended the PUSU.

Apollo has since made a competing offer for easyJet.

intertek * EQT’s initial approaches were announced following press reports. Intertek made details of the price offered known to address speculation. Following further speculation, subsequent announcements contained more detail on Intertek and EQT’s respective views on valuation.

Ultimately, EQT adopted a bear hug approach by publishing its “final” proposal two days before the PUSU deadline (designed to leverage positive shareholder feedback and end price negotiations); Intertek announced it was minded to recommend the final proposal and granted a PUSU extension.

Preferred equity in M&A

As exit challenges and valuation gaps persist, preferred equity is increasingly facilitating deal execution



What are we seeing?

Macroeconomic headwinds and persistent valuation mismatches are prompting dealmakers to reach for hybrid capital solutions. Preferred equity instruments, which often more closely resemble loan-style financings, typically relieve the pressure on agreeing a valuation, present issuers with a less dilutive form of capital than common equity and provide investors with a fixed return profile and downside protection and – typically – an ability to participate in upside. As focus returns to interest rates, lending conditions harden (driven in part by strains on the private credit market) and LPs continue to clamour for liquidity, preferred equity is becoming an increasingly helpful tool to fund transactions, recapitalise existing structures and facilitate returns to investors.



Versatile application

Strategics: While preferred equity has long been used by sponsors, it is being increasingly deployed in corporate transactions, including: (i) acquisition or project financing by corporates seeking capital; and (ii) minority investments, joint ventures and strategic partnerships, where the parties' respective contributions of capital and strategic insight are asymmetric and risk tolerances differ.

Bridge mechanism: Preferred equity can be an effective tool to bridge differing expectations of value on sell- and buy-side. Particularly when combined with an upside sharing mechanism, such as warrants, hybrid capital structures reduce the reliance on a mutually agreed equity value (fundamental in a common equity deal) and instead allow the parties to balance their respective upside and downside cases through a combination of priority ranking, preferred returns and liquidity features.

What are the key practical issues and considerations?

Understanding payment risk: Preferred equity instruments are typically subject to a fixed return (akin to a coupon) which accrues regardless of business performance. Because the instruments are shares and not debt, payment of that return is subject to corporate law restrictions, which can – depending on the jurisdiction of the issuer – include a requirement for sufficient distributable reserves. Where such requirements apply, and underwriting cases assume cash payments over time (rather than liquidity exclusively at exit), reserves and cash positions must be subject to careful due diligence. Alternatively, comprehensive exit and liquidity rights (including redemption rights and an ability to force a sale or IPO of the issuer) may be necessary to ensure repayment.

Getting the accounting treatment right: The classification of preferred shares as debt or equity can have significant consequences for covenants and credit ratings. Classification often turns on the legal drafting of the share rights – including whether the company is obliged to redeem the shares and whether returns are guaranteed or subject to board discretion. Accountants should consider share rights as early as possible, to avoid late-stage structural changes.

Aligning on exit from the outset: With exit routes under pressure, exit terms built into preferred equity instruments need particular care. Whether through a fixed redemption date, a put option or other mechanism, expectations are often hard-wired into the deal. If not carefully managed, these rights can force a liquidity event at a time that does not suit the company or other shareholders; conversely, weak exit mechanics can leave investors trapped in an illiquid position.

European banking consolidation: momentum and friction

Market appetite for European banking consolidation highlights tension between Commission and national agendas

What are we seeing?

Q2 2026 saw further attempted European banking consolidation, building on a surge of cross-border EU bank mergers in 2025 - the highest annual level since the 2008 crisis.¹²

What is driving this?

Structural tailwinds. European banks have accumulated strong balance sheets following multiple years of elevated interest rates. In parallel, European banking markets remain fragmented, exacerbated by member states divesting residual stakes acquired through prior government interventions in the banking sector (Belgium/Belfius; Ireland/PTSB; and Italy/MPS), creating acquisition opportunities.

Strategic imperatives. Consolidation to add scale, technological capabilities and branch network rationalisation is becoming increasingly important in response to competition from new entrants (e.g. private credit providers and specialist lenders) and a persistent scale-gap with US banks.

Regulatory support. The European Commission (the Commission) has signalled its support for EU-wide banking consolidation as being beneficial for "the EU economy as a whole" and "essential for the achievement of the Banking Union".

Tension between the Commission and member states in banking M&A

Member state political and regulatory intervention in takeovers, especially involving domestic "national champion" banks, represents a material execution risk despite market appetite. The Italian and Spanish governments' imposition of onerous conditions last year in relation to UniCredit's offer for Banco BPM and * BBVA's offer for Banco Sabadell respectively are considered key factors in the failure of both transactions.

The German government's vocal opposition to UniCredit's hostile approach for * Commerzbank remains a hurdle to its prospects, although significant shareholder uptake during the tender process suggests it may nonetheless prevail.

The Commission has since launched infringement proceedings against both Italy and Spain. Its stance is clear: national governments should not have unlimited powers to interfere in mergers, and regulatory conditions must not be a medium to impose politically-motivated restrictions. These dynamics may be tested again following recent takeover interest in * Monte dei Paschi di Siena (MPS) by Intesa Sanpaolo and by Banco BPM

(whose largest shareholder is Crédit Agricole). MPS indirectly holds a c.13% stake in Generali, a major holder of Italian sovereign debt, making any change of control relating to MPS strategically sensitive.

Any interference could signal whether Commission pushback has tempered national instincts to protect Italian domestic banking interests and, by extension, may inform the risks, deliverability and value-case of further European banking consolidation.

The UK's political and regulatory approach to takeovers of systemically important banks has not been tested in recent years. That said, recent mid-size banking consolidation transactions in the UK - including * Nationwide's acquisition of Virgin Money and * Santander's acquisition of TSB - have each received regulatory approvals without the imposition of onerous conditions or remedies. Santander/TSB also suggests that the UK is not necessarily opposed to (continued) foreign ownership of mid-sized UK banks, even in this case where there were domestic buyer alternatives.

Data centres: the next phase

Surging demand drives geographic expansion, innovative structures and power-led partnerships in data centre M&A

Data centre deal value hit a multi-year high in 2025 and momentum has continued into 2026, driven not just by AI-compute requirements but also by continued cloud computing demands.¹⁴ Activity is diversifying across geographies and deal structures, with more creative exit strategies and partnership models also driving activity.

What are we seeing?



Geographic diversification

Supply constraints in traditional European hubs are driving deal activity in previously “secondary” markets, with the Nordics a particular focus – as illustrated by the joint acquisition by * CPPIB and Equinix of atNorth (a Nordic data centre provider) for c.\$4bn, 3i’s acquisition of a majority stake in LMD (a Norwegian campus), as well as the ongoing sale process for Conapto (a Swedish operator).

These markets offer competitive power costs and availability relative to primary markets, and are increasingly attractive to neocloud and hyperscaler driven demand.

The Middle East is also emerging as a notable growth area – data centre capacity in the region is projected to treble between 2025-2030, driven by government backing, a favourable subsidy environment and significant power-generation capacity.¹⁵ KKR’s \$5bn investment partnership with Gulf Data Hub is just one example.



New approaches to stabilised assets

The sheer size of platforms and the diverse range of development-phase assets and stabilised, income-generating assets within them does not make traditional “exits” straightforward currently.

This has led to creative dealmaking solutions to access alternative pockets of capital such as pension and real estate funds or insurance capital. YieldCo or StableCo structures, which carve out stabilised, fully-leased assets to provide access to stable, long-term cash flows usually without any construction risk exposure, are increasingly prominent (such as Arjun Infrastructure’s acquisition of a \$3.6bn stake in Data4’s StableCo or * Yondr’s current YieldCo process).

On a much larger scale, Blackstone turned to the public markets as a solution, with Blackstone Digital Infrastructure Trust Inc. completing a \$1.75bn IPO in May 2026 and providing a significant new outlet for stabilised assets.



Creative approaches to partnerships

Partnerships between strategic operators and private capital providers are nothing new, and continue to drive significant activity. However, we are also seeing previously more unusual partnerships coming to the fore.

Developers’ increasing need for off-grid power solutions to operate data centres amid grid constraints is leading some to secure vertical scale through partnerships with power generators, such as KKR’s \$10bn investment into a joint venture with Vistra (a power producer) and Brookfield’s \$5bn partnership with Bloom Energy.

* SEGRO’s two joint ventures with Pure Data Centre are another prime example which, together with the combination of each party’s respective expertise, involved contributions of land by SEGRO and secured-power access by Pure Data Centre, creating a practical framework for development.

H1 2026

38

data centre deals

\$26.5bn

aggregate deal value¹³

Data centres: the next phase

Evolving regulation, power certainty and partnership alignment should represent key focus areas for dealmakers when assessing risk and value

What should dealmakers have in mind?



Risk of evolving regulation

The growth in demand for data centres has significantly increased scrutiny of their impact on energy consumption, grid capacity, water use and the environment, driving rapidly evolving regulation in many jurisdictions. This has included tighter efficiency and sustainability requirements, more onerous tax regimes and, in some cases, constraints on new capacity: as illustrated by Energinet (the Danish state-owned grid operator) announcing in March 2026 a three-month pause on new grid connections. Similar moratoria have been seen recently in Ireland, Singapore and the Netherlands.

Investors should consider not only the current regulatory and policy position, but the expected direction of travel in-country and its implications for viability and long-term value.



The meaning of “committed” power

Investors need to stringently test claims from sellers and operators around “committed” power for sites, overlaying the legal contractual position, the technical due diligence and the typical approach of power and grid providers in the relevant country to come to a risk-based conclusion.



Managing misalignment in sponsor-strategic partnerships

While the commercial rationale for strategic/sponsor tie-ups may be sound, it is critical that the joint venture documents clearly manage the typical areas of misalignment. For example:

- **Conflict of interest protection:** The operational expertise that strategics bring to partnerships is a strength, but for sponsors with little operational involvement in the business, a significant risk – especially where a strategic partner is also operating in similar markets. Sponsors will want robust conflict of interest provisions to step in where there are direct or indirect conflicts and to ensure appropriate prioritisation of their assets. This is probably the most critical focus in YieldCo or StableCo governance structures.
- **Exit horizons:** Sponsors typically require clear paths to liquidity through forced sale provisions, while strategic operators will not want to be forced to relinquish assets that they have operationally managed and developed into valuable businesses. Sponsors will need to be flexible regarding their traditional routes to liquidity (e.g., a drag, asset sales).

Privatisation-plus-listing by introduction: a Hong Kong revival

Amid persistent valuation discounts and volatile markets, corporates are seeking alternatives

The answer to valuation discounts and market volatility

A structure regaining traction in Hong Kong enables a corporate group to privatise its listed entity (by scheme of arrangement, merger by absorption (available to PRC-incorporated companies, where one company absorbs another, with the absorbed entity ceasing to exist) or share buy-back) while simultaneously listing another group entity by introduction, using the existing shareholder base and avoiding the need to raise new capital.



What is driving this?

The model is versatile. It can be deployed as a “flip-up” (parent privatises its subsidiary and lists itself, e.g. Sunshine Lake Pharma) or a “spin-off” (parent delists while carving out a subsidiary for listing, e.g. Skyworth).

Consideration is flexible (cash, shares or both). A pure share exchange removes the need to make available certain funds for the privatisation in accordance with regulatory requirements, but attracts greater regulatory scrutiny on the share valuation, given the need for independent shareholder approval and an IFA fairness opinion.

This aligns with the broader portfolio reshaping trend across Asia. Avoiding bookbuilding risk is particularly attractive given the market dislocations, with IPO pipelines disrupted and prospective issuers delaying plans.

What are we seeing?

This structure, used only twice in Hong Kong in the fourteen years prior to 2024, is now returning in a cluster of high-profile deals, demonstrating its versatility and strategic appeal:

What should dealmakers have in mind?

The conditions favouring this structure - valuation discounts, volatile markets, complex group structures - are expected to persist, particularly among PRC-linked conglomerates seeking to rationalise their capital markets platforms.

Listing applications by introduction face the same regulatory scrutiny as conventional IPOs - including the heightened regulatory focus on sponsor quality and documentation standards.

Independent shareholder approval and an IFA fairness opinion are required for the privatisation limb. Careful shareholder-base analysis is essential. Consideration should also be given to obtaining irrevocable undertakings from key shareholders to enhance deal certainty.

The inter-conditionality of both limbs means failure of either unwinds the entire transaction, making careful sequencing of regulatory approvals, shareholder votes and listing timetables critical.

Global sponsors

Quarter at a glance: diverging regional dynamics shaped sponsor activity

Global aggregate deal values

\$420bn

▼ 4% YoY
▼ 23% QoQ

Global aggregate deal count

5,672

▲ 17% YoY
▲ 2% QoQ

Global average deal size

\$74m

▼ 18% YoY
▼ 24% QoQ

European aggregate deal values

€158bn

▲ 22% YoY
▲ 7% QoQ

European aggregate deal count

2,383

▲ 19% YoY
▲ 3% QoQ

European average deal size

€66m

▲ 3% YoY
▲ 3% QoQ

Source: PitchBook Data, Inc.¹⁶

Headlines

Q2 2026



More deals, but smaller deals: that was the global story for sponsors as volatility eased in Q2, amidst sharp regional divergence.

01

Global sponsor deal count and value diverged in Q2. Deal count rose to its highest level since Q1 2022 as dealmaking picked up after the Middle East conflict stalled many processes at the end of Q1. As fears of a prolonged conflict and an oil-driven inflation shock receded, markets showed greater resilience to geopolitical uncertainty, even where a ceasefire was threatened. However, deal values fell to a two-year low, with activity more concentrated in small and mid-market transactions.

02

The decline in global deal values was largely a US story: aggregate values and average deal size fell markedly (38% and 37% respectively quarter-on-quarter). The US appears to have felt the effects of Middle East tensions more acutely than other regions, while persistent inflation unsettled investors and heightened concerns about a more hawkish Federal Reserve, contributing to a more hesitant, risk-off approach to larger deals. It also came amid a broader sell-off in software assets driven by AI disruption fears, with US software deal value down 66% year-on-year.¹⁷ Given the US market's reliance on large-cap transactions to drive aggregate deal values, the pullback in larger deals weighed heavily on the quarter.

03

Within Europe, the UK emerged as a clear outperformer. Average deal size rose 30%, highlighting stronger conviction at the upper end of the market. Against a more challenging US market, sponsors increasingly targeted larger transactions in the UK and Europe, attracted by a deep pool of high-quality, resilient businesses, compelling valuations and comparatively stable market conditions.

04

APAC sponsor-backed deal flow proved resilient, against a backdrop of divergent monetary policy across the region, with deal count rising quarter-on-quarter and year-on-year. Deal values pulled back from a strong Q1, but remained elevated year-on-year. The trend signals a measured and selective return of liquidity to the region's sponsor markets, concentrated around market-specific structural opportunities, with a broader recovery likely contingent on the geopolitical outlook.¹⁸

05

Looking forward, with a number of private processes pushed to H2 and sentiment improving through the quarter, conditions increasingly point to a stronger H2 as sponsors look to make up for lost time, particularly if conviction returns to the top end of the North American market.

Sponsor focus shifts to public markets

[Sponsors increasingly target public companies as geopolitics stalls private processes, with notable large-cap deals](#)

P2Ps moved back up the agenda this quarter, with sponsors increasingly turning to public targets after a more subdued period for take-privates. It comes as a more volatile macroeconomic and geopolitical backdrop has pushed a number of private processes to H2, while valuations in public markets, particularly in the UK and Europe, have made listed targets attractive relative to comparable private assets.

One hallmark of the recent P2P activity is a return to scale, with sponsors showing renewed willingness to pursue larger-cap, high-conviction public deals reminiscent of earlier days of sponsor activity. The US set the pace in late 2025, with the \$55bn consortium acquisition of Electronic Arts (marking the largest LBO on record).

That trend was on display in Europe in recent months, with a number of blockbuster offers announced for large-cap European companies. In the UK, * EQT's recommended offer for Intertek, valuing Intertek at c.£10.9bn, would be the UK's second largest sponsor-led take-private on record. Elsewhere in Europe, a CVC-led consortium made a €10.7bn bid for Recordati in Italy, while, in the Netherlands, an Advent-led consortium pursued InPost with a €7.8bn recommended offer.



Equity capital filling the gap – a cyclical and structural shift

A sharp recent rise in the cost of debt and a long-term structural shift towards lower leverage ratios for LBOs had made sponsor large-cap take-privates more difficult in recent years. The UK's largest sponsor-led take-private, KKR's acquisition of Alliance Boots, was in 2007 for c.£11.1bn and funded by way of a c.£9bn debt issue. In the US, KKR's iconic take-private of RJR Nabisco in 1989 for c.\$31bn (which remains the largest inflation-adjusted take-private in history) was funded using a debt structure worth around \$22bn. In contrast, leverage ratios sit nearer to 30-40% today.¹⁹

However, over time, the equity funding available to sponsors has expanded to fill the gap left by falling leverage ratios – facilitating the resurgent deal sizes now seen across North America and Europe. A few factors are responsible:

- over the last decade, fund sizes have grown significantly (AUM increasing by c. 174% from 2016-2025) and, while

fundraising has slowed slightly in recent years, dry powder remains close to record levels;²⁰

- LPs are increasingly seeking co-investment opportunities from GPs, increasing the available pool of equity funding beyond the limits of fund sizes; and
- syndication and consortium structures are being used more frequently to spread equity cheques across multiple investors, allowing sponsors to pursue larger transactions while de-risking equity investments at the individual fund level (e.g., Recordati, InPost).

Looking forward, we expect further record-breaking large-cap deals to be announced in the coming years, particularly if interest rates continue their fall across the UK, Europe and North America, as they have over the past two years (albeit with a pause given recent inflationary pressures).

Heavy assets steam ahead

Resilient cash flows, lower disruption risk and a broad operational playbook are driving renewed sponsor interest

Heavy-asset businesses were a clear focus in Q2, with a number of notable deals highlighting growing sponsor interest in so-called “HALO” companies (heavy assets, low obsolescence).

This marks a shift from the sponsor playbooks of the 2010s and early 2020s, when capital-light businesses were often preferred for their strong debt serviceability and more straightforward value creation opportunities, supported by scalable technology and lower capex. A combination of factors, including AI disruption in the once popular SaaS sector, which saw a dramatic public markets sell-off in late Q1, has forced a partial retreat.

The pivot represents something of a “back to the future” moment for sponsors, given that heavy-asset businesses were once at the centre of some of the largest acquisitions in LBO history (e.g., TXU Energy, Alltel, Kinder Morgan).



What should dealmakers have in mind?

Diligence looks different: heavy-asset deals often require more extensive diligence, particularly in relation to physical asset bases (including machinery, plant and other technical assets), manufacturing processes, supply chains, site operations and environmental and health and safety matters. The fragmented and decentralised nature of many such businesses can also make information gathering more complex, increasing the importance of well-coordinated diligence.

Regulation is central to execution: heavy asset businesses are more likely to operate in sensitive sectors and across multiple jurisdictions, meaning FDI, export control, sanctions, trade and sector-specific regulatory issues (such as permits or licences) can be central to diligence, deal structure, conditionality and timing.



What is driving this?

Winners and losers: A number of heavy-asset businesses, particularly in industrials, defence and energy-adjacent sectors, have proved resilient through recent market uncertainty, supported by predictable cash flows and tailwinds from reshoring, supply-chain security and domestic manufacturing. Even where performance has been more mixed, attractive valuations and operational value-creation opportunities can still support strong returns.

AI disruption: As AI reshapes markets, sponsors are increasingly drawn to businesses that are harder to displace. Many heavy-asset companies fit that profile, benefitting from high capex requirements, network effects, regulatory barriers and resilient end-market demand.

Operational value creation: As return levers such as multiple expansion and leverage have come under pressure, operational value creation has become a more important driver of returns, and heavy-asset businesses are often especially well placed in this respect. Their scale, operational complexity and physical footprints can leave meaningful room for improvement - whether through margin improvement, supply-chain and procurement optimisation, digital and IT upgrades or brand repositioning.

Notable examples from the quarter include:

- * Tincum and Blackstone's £1.4bn recommended offer for Senior plc.
- * EQT's c.£10.9bn recommended offer for Intertek Group plc.
- Apollo's abandoned £1.5bn bid for Bodycote plc.
- Triton Partners' acquisition of Flender GmbH, at a reported value of around €3bn.
- * Castlelake's c.£5.5bn bid for easyJet plc (followed, post-quarter, by Apollo).

Venture capital

Quarter at a glance: selective, larger rounds driven by US gravitation towards the AI giants

Global VC investment rounds

8,468 ▼ YoY (count)

\$227.5bn ▲ YoY (value)

AI's share of European VC activity

59.9% investment rounds (by value)

16.2% acquisitions, buyouts and listings (by value)

UK's share of European VC activity

36.9% investment rounds (by value)

7/20 of Europe's largest investment rounds

Source: PitchBook Data, Inc.²¹

Fewer, larger VC rounds

While VC investment rounds across the world fell in number in Q2 2026, they rose considerably in value. The largest rounds were in North American AI businesses, notably Anthropic (\$65bn) and Prometheus (\$12bn).

This concentration reflects the escalating capital requirements of the largest AI platforms, as integration with compute infrastructure and rising talent acquisition costs favour a small number of well-capitalised late-stage players. As we move into H2 2026, earlier-stage companies, particularly in the AI space, may be forced to compete for a shrinking share of available funding.

European targets are diversified

AI dominated VC investment rounds in North America in Q2 2026. In Europe, by contrast, activity was more varied, with the top European VC rounds spanning cleantech (Stegra, Sweden, €1.4bn), space and defence (ICEYE, Finland, €1.0bn) and robotics (STARK, Germany, €500m).

There are also signs that investors in European AI may be holding positions in anticipation of further growth. In Europe, while AI accounted for €13.1bn (59.9%) of VC investment round value in Q2 2026, it only accounted for €2.7bn (16.2%) by value of acquisitions, buyouts and listings.

University spin-outs drive UK success

Within Europe, the UK led VC activity in Q2 2026, hosting more of the largest 20 investment rounds than any other country, including three out of the top five: Isomorphic Labs (€1.8bn), Wayve (€1.1bn) and Ineffable Intelligence (€943m).

UK university spin-outs enjoyed a strong Q2, with highlights including a €300m Series C round for Oxford spin-out Oxford Quantum Circuits and a €188m Series D round for Cambridge spin-out CellCentric. Strong political support may create further opportunities: in June, the Chancellor Rachel Reeves endorsed a goal of £10bn per year of external investment in UK university innovation.²²

Bespoke earnouts in post-VC tech M&A

Tech buyers are finding creative solutions to bridge valuation gaps



There is strong international demand, particularly from US acquirers, for European VC-backed tech IP and talent, and acquisitions were the favoured VC exit route in Q2 2026, representing 73% of European VC.²³

As valuations soar for late-stage tech targets, deferred and contingent consideration mechanics are helping dealmakers find the path forward.

Novel businesses require novel deal terms

In Europe, median Series D+ pre-money valuations rose to €1.947bn in H1 2026, a 4x increase from 2025.²⁴ However, buyers and sellers often assign starkly different valuations to VC-backed tech companies, given volatile earnings histories and debate over any “AI premium” to be applied. Sellers may anchor sale consideration to recent funding rounds; US buyers will apply earnings-based methodologies to produce lower numbers.

Deferred and contingent consideration mechanics can bridge these different starting points. Earnouts and contingent value rights (CVRs) can satisfy both sides where expectations differ over post-completion performance, while incentivising management. Earnouts are widespread in post-VC M&A, featuring in one fifth of post-VC deals worldwide²⁵ and almost half of those in the US market.²⁶

Meaningful milestones

Recently we have seen buyers of VC-backed businesses offering creative, tech-specific bridging mechanics, such as earnouts tied to subscriber number milestones, or CVRs tied to key drug approvals.

Traditional earnouts are based on post-completion financial metrics, especially revenue, but this carries practical challenges in the post-VC context. Once the target's talent is embedded in the acquirer's teams, the boundaries of the businesses can become blurred and revenue attribution difficult. This is particularly true when US buyers integrate target companies into their existing sale and distribution networks. Furthermore, earnouts are often litigated, with 35% of dealmakers citing them in 2025 as a leading factor in M&A disputes (up 11% year-on-year).²⁷ Sellers often claim that buyers have manipulated relevant metrics by, e.g., deferring revenues or reallocating costs. Even if not escalated to litigation, disputes risk alienating founders and key management.

By contrast, business-specific, non-revenue milestones, like software performance benchmarks and key product launches, will often be easier to measure and, from a seller's perspective, carry less risk of buyer manipulation.

For a buyer, bespoke earnouts and CVRs may also result in greater operational freedom, as a seller may accept them with less onerous conduct restrictions than would accompany traditional financial earnouts (such as stringent obligations to deal in the ordinary-course post-completion). Furthermore, in a competitive sale process, a bidder can stand out by proposing a bespoke earnout that shows its familiarity with the business and respect for the expectations of founders and other sellers.

Bridging the gap

On a sale of a “growth mode” tech business, bespoke earnouts and CVRs let dealmakers on both sides agree on how they see the value that the business will provide - instead of just deferring the argument.

Shareholder activism

Quarter at a glance: APAC and UK companies come under increasing scrutiny

The number of global campaigns remains close to recent volumes

187
global campaigns ▼ Q1 2026: 203
▼ Q2 2025: 200

US activity slowed as APAC and the UK saw a more active quarter

76
US campaigns ▼ Q1 2026: 118
▼ Q2 2025: 88

The UK remained the busiest European market with a marked uptick in campaign numbers

18
UK campaigns ▲ Q1 2026: 13
▲ Q2 2025: 11

Source: Bloomberg Finance L.P.²⁸

Global activity

The US market – whilst still the most dominant market for shareholder activism – saw a notably smaller proportion of global campaigns this quarter, accounting for 40% of campaigns, compared with 58% of campaigns in Q1 2026.

An uptick in activity across APAC – with notable increases in campaigns against Japanese and Australian companies – and the UK maintained global campaign volumes this quarter.

UK targets continue to face pressure

The UK remained the busiest market in Europe for activist activity whilst levels in continental Europe slowed. The UK accounted for 78% of all European campaigns, compared with 68% of European campaigns in Q1 2026, attracting scrutiny from a broad range of domestic and international shareholders.

Capital returns feature prominently

Whilst board and management changes remain the primary objective, there was a notable uptick in demands to return capital - featuring in almost one-third of campaigns globally.

In the UK, demands for capital returns featured on multiple campaign agendas this quarter, including against Autotrader, CVS and Capita. This follows Elliott's high-profile campaign at the London Stock Exchange Group (LSEG) last quarter, culminating in LSEG announcing a plan to execute a £3bn share buyback over the next year.

bp's AGM

Pressure from climate activists exposes governance challenges at bp



€1.5tn

Collective Follow This AUM

0.27%

bp stake – and at least 100 shareholders in number²⁹

Key developments

- '26
- 14 January Follow This, along with 23 institutional investors, announces it has filed a shareholder resolution for bp's 2026 AGM which would require bp to disclose its strategies for creating shareholder value under scenarios of declining oil and gas demand.
 - 6 March bp's AGM notice does not contain the resolution requisitioned by Follow This. A climate resolution filed by the Australasian Centre for Corporate Responsibility (ACCR) is included on bp's AGM agenda – which would require bp to disclose how its increase in oil and gas spending has created shareholder value. bp recommends that shareholders vote against it.
 - 2 April Follow This and a group of 12 investors urge shareholders to vote against bp's resolution to revoke its 2015 and 2019 climate disclosure mandates.
 - 7 April Glass Lewis and L&G reportedly recommend that shareholders vote against Albert Manifold's re-election as Chair, on the basis that the decision to exclude the Follow This resolution reflects a lack of transparency and raises issues with shareholder communication.
 - 23 April At the AGM, bp's resolution to revoke its 2015 and 2019 climate disclosure mandates is defeated, with 52.53% votes against. The ACCR capex disclosure resolution fails, receiving only 25.85% support. Manifold receives 18.23% votes against his re-election.
 - 26 May bp removes Manifold as Chair and director with immediate effect, citing serious concerns relating to governance standards, oversight and conduct.

bp's shareholders reject virtual-only meetings

The resolution to amend bp's Articles of Association, which would have given the board the option to hold virtual-only meetings, was defeated alongside the climate disclosure mandates resolution.

The results, coupled with an 18.23% vote against the Chair's re-election, could suggest that shareholders may have interpreted the proposals as a connected question of governance process and shareholder engagement.

bp's approach on both climate and virtual-only meetings contrasted with that of its peers.

- The same group of investors, led by Follow This, filed the same resolution ahead of Shell's 2026 AGM. Shell accepted the resolution, which ultimately failed, receiving only 13.01% support (significantly lower than the support for other Follow This resolutions at prior Shell AGMs).
- Despite anticipated changes to legislation, which should clarify that virtual meetings are permitted under the Companies Act 2006, no other FTSE 100 or FTSE 250 issuers attempted to amend their Articles to permit fully virtual meetings during the first half of 2026.³⁰
- Since the start of the year, only 1 FTSE 100 issuer and 2 FTSE 250 issuers held fully virtual AGMs and in 2025, less than 1% of the FTSE 350 AGMs were fully virtual.³¹

Saba Capital's investment trust campaigns

Campaigns against UK investment trusts have had limited success, but recent progress at EWIT may embolden Saba

Saba | Capital



\$6bn
AUM³²

Over the past decade, Saba has waged activist campaigns against US closed-end funds. In the last three years, it has deployed a similar strategy against UK-listed investment trusts. Saba has built stakes in over 40 UK-listed investment trusts.³³

Q4 2024 – Q2 2025: Saba resisted

In December 2024, Saba announced that it had requisitioned general meetings at seven UK-listed investment trusts to replace their entire boards with Saba's own nominees. Saba had built stakes of c.19% to 29% across each of the trusts, making it the largest investor in each trust.

The trust boards mounted effective defences and received support from the Association of Investment Companies, which wrote to the FCA raising concerns about conflicts of interest that could arise if the trusts elected Saba's nominees, who could have the power to appoint Saba as investment manager. Shareholders rejected Saba's proposals at all seven trusts.

In February 2025, Saba announced a second wave of requisitioned general meetings, targeting two of the seven trusts again and two new trusts. Saba proposed that shareholders vote to provide the opportunity to transition the trusts to comparable open-ended funds. Three of the resolutions were withdrawn after consultations with the boards and one was deemed invalid.

Q2 2026: Success for Saba at EWIT

By Q2 2026, Saba had built its stake in Edinburgh Worldwide Investment Trust (EWIT) to 31%. Saba requisitioned resolutions at EWIT's AGM in April 2026 to appoint Saba's three nominees as directors and announced it intended to vote against the re-election of the trust's five directors.

On the morning of the AGM, EWIT announced that it expected there would be insufficient support at the meeting to re-elect its directors and that it expected Saba's nominees to be elected. EWIT stated that a further US investment fund with a material holding had voted against the incumbent directors, and that the number of US investment fund shareholders opposing the board had risen to more than 40%. EWIT's directors were replaced with Saba's nominees.

Ahead of the AGM, Saba's criticisms focused on the discount at which EWIT's shares traded relative to NAV. In response, the EWIT board maintained that Saba's campaign was one of "opportunistic investment trust discount trading" and highlighted the trust's NAV total return of 25.7% over 2025, 6.5% higher than the S&P Global Small Cap benchmark.

Another key issue has been EWIT's exposure to SpaceX, the Trust's largest holding. Saba had pressured the board to launch an immediate tender offer, as well as a second tender offer after SpaceX's IPO. On 4 June, the newly elected board announced that it intends to pursue a tender offer as soon as reasonably practicable following SpaceX's IPO and the expiry of any applicable lock-up restrictions.

Success at EWIT could embolden Saba, which remains a shareholder in other UK investment trusts, in its UK campaigns. However, the FCA launched a consultation in June on proposed, targeted changes to the UK Listing Rules applicable to investment trusts - in part motivated by concerns about potential conflicts of interest where an activist obtains control of an investment manager and/or appoints directors in order to cause the trust to enter transactions that benefit the activist but not necessarily other, minority investors.

Equity capital markets

Quarter at a glance: big tech ascendance

Global IPO proceeds
with SpaceX accounting for over half
of quarterly value

\$170.2bn ▲ 73% YoY
▲ 68% QoQ

SpaceX's IPO proceeds
represent the
largest ever IPO

\$86.3bn

European IPO proceeds
declined QoQ
as some issuers' plans were paused

\$3.5bn ▲ 67% YoY
▼ 47% QoQ

Source: Bloomberg Finance L.P.³⁴

Mega-cap AI boom

The quarter was dominated by SpaceX's blockbuster IPO and the anticipation of further mega AI listings.

SpaceX launched its hotly anticipated IPO on 12 June, with a valuation of \$1.77tn, reaching a peak Q2 valuation of \$2.64tn.³⁵ The company raised \$86.3bn, making it the largest IPO in history and contributing to the strongest quarter for IPO values since 2021.

Anthropic and OpenAI each announced their confidential S-1 filings in June, and AI chipmaker Cerebras Systems raised \$6.38bn from its IPO in May, reaching a market capitalisation of \$56.4bn.³⁶

AI raisings vs AI resilience

The wave of US big tech activity extended beyond IPOs. Alphabet announced its \$84.8bn equity raising (its first offering in more than two decades) to fund AI infrastructure spending, and Meta is also reportedly considering a similar offering.

At the end of the quarter, Lime, the e-bike and e-scooter start-up, raised \$173.9m in its IPO, achieving a valuation of \$1.6bn.³⁷ Lime's sector appears resilient when confronted by AI – a key test in the current market – and its success comes as some investors are moving away from software towards physical assets.

Impact on European IPO pipeline

The resurgent activity seen in the US has not yet flowed through to Europe, despite the optimism at the start of the year.

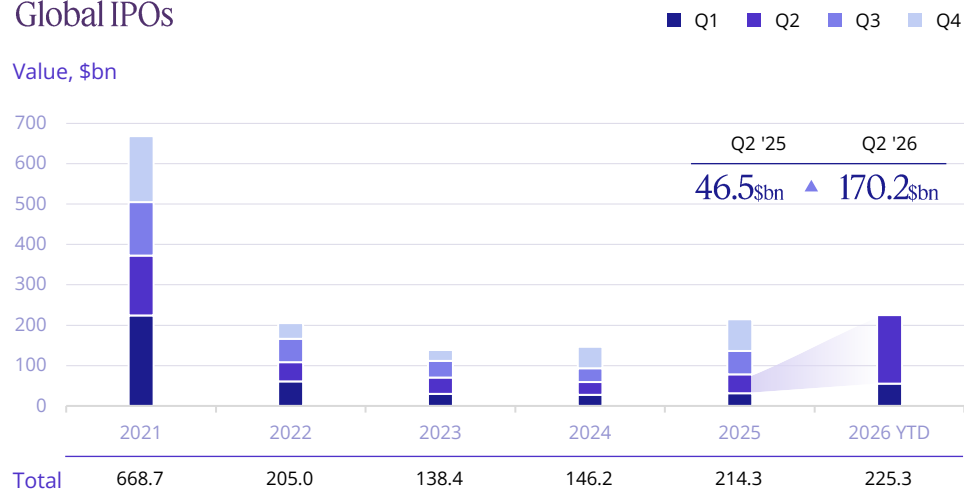
The war in the Middle East has weighed more heavily on Europe's IPO markets. KNDS announced at the end of the quarter that, "in light of current market volatility" it would resume its IPO process once markets return to "more favourable conditions", and several London candidates reportedly delayed their plans. The threat from AI to SaaS businesses continues to delay other prospective issuers.

Nevertheless, the pipeline for UK and wider European IPO candidates remains well-stocked, albeit now unlikely to be unlocked until 2027.

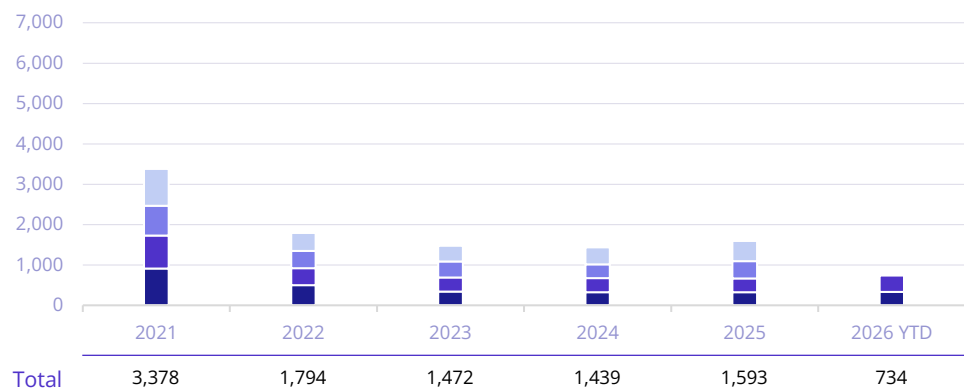
Global ECM activity

Steep increase in global values, if not volumes, as the mega-cap AI boom dominates ECM headlines

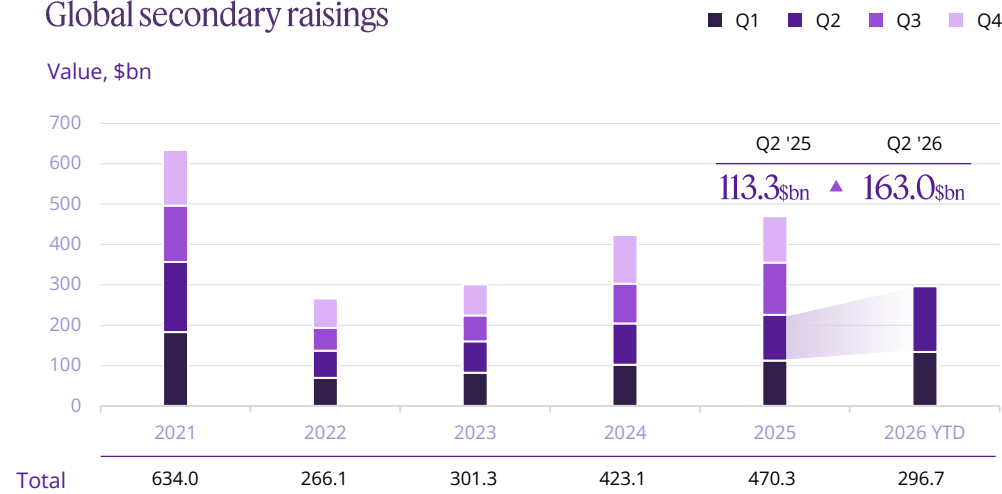
Global IPOs



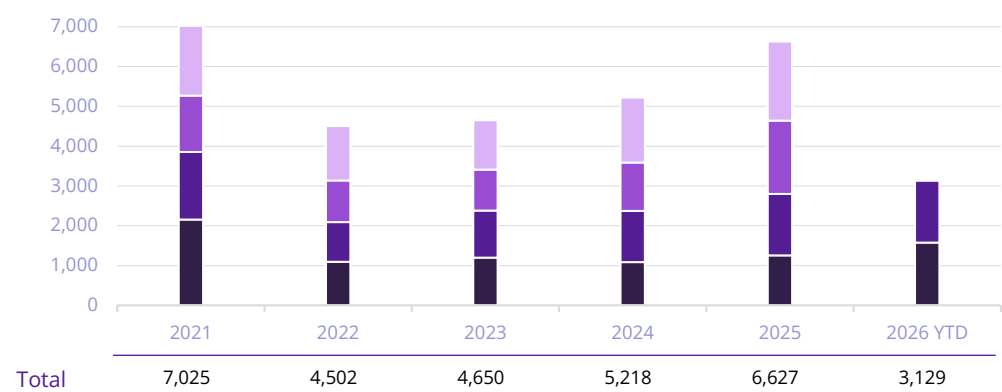
Count



Global secondary raisings



Count



AI transforms public markets

US mega-listings



AI's public debut

The US IPO market entered a period of unprecedented scale as SpaceX went public with a valuation of \$1.77tn, reaching its peak valuation two trading days later at \$2.64tn.³⁹ Anthropic and OpenAI are expected to follow later in the year, each with valuations approaching a trillion dollars.

The mega-listings will command several trillion dollars in combined market capitalisation and represent a significant test of public market depth, alongside Alphabet's \$84.8bn equity raise and reports of a similarly significant listing planned by Meta to finance AI infrastructure spend.

The current wave of AI market activity appears to be underpinned by accelerating demand for AI infrastructure and increasing revenues, with Anthropic on track for its first operating profit and Google reporting a nearly seven-fold increase in AI token production over the past year.

However, demand for SpaceX did cool towards the end of the quarter, losing more than 22% from its peak on the date it announced its \$25bn bond issuance.⁴⁰

It remains to be seen whether the market's appetite for AI exposure will sustain once the sector matures.

Fast track to index inclusion

The anticipated mega-cap IPOs prompted a wave of rule changes by stock index providers to accommodate earlier inclusion for big tech issuers.

The rule changes mean that investors in certain index tracker funds have been exposed to SpaceX during its period of initial trading volatility, much earlier than under the old rules and without any stabilisation period. However, index constituent size is typically determined by market cap adjusted by free float, meaning SpaceX's index weighting – based on its small float-adjusted market cap of c.\$90bn – leaves it outside the top 100 issuers.⁴¹

S&P Dow Jones Indices declined to change its eligibility criteria for the S&P 500, maintaining its 12-month seasoning period, 10% minimum float requirement and four-quarter profitability screen, leaving SpaceX outside its index for at least a year.⁴²

An overview of the rule changes⁴³

- **Fast-track entry:** Nasdaq's new fast entry rule allows the largest newly listed companies to join the Nasdaq-100 after just 15 trading days, exempt from seasoning and liquidity requirements. FTSE Russell will admit eligible mega-cap IPOs to the Russell indices after the fifth trading day (bringing the methodology on their Russell indices in line with the FTSE Global rules).
- **Minimum free float:** Nasdaq has eliminated its 10% minimum free float requirement for the Nasdaq-100, and Morningstar CRSP has dropped its 10% minimum free float requirement under its existing fast-track process (issuers are either required to have at least 10% free float or have a float-adjusted market cap that is at least 0.005% of the "index-eligible universe" – c.\$3.3bn as of March 2026).
- **Nasdaq float multiplier:** Nasdaq has introduced a "modified market capitalisation" weighting that values low-float securities at three times their actual free float.

AI transforms public markets

Founder control rights and retail access in the spotlight as AI's biggest names go public



A new retail playbook across UK and European markets

Retail participation is becoming a more common structural feature of capital markets transactions. Reportedly, more than 20% of SpaceX's global offering was allocated to individual investors. In the UK, retail investors were allocated \$363m worth of shares and in Europe, retail investors were reportedly offered c.\$600m across seven states: Germany, France, the Netherlands, Denmark, Norway, Spain and Sweden.

SpaceX: New UK rules facilitate a retail POP

The offer was one of the largest ever retail offers in the UK, but no UK listing or UK prospectus was required as SpaceX's offer was facilitated under the new public offer platform (POP) regime.

To facilitate a public offer, POP operators (regulated by the FCA) are required to carry out due diligence on the issuer, including on its financial viability and the key risk factors associated with the offer, and present investors with a disclosure summary. The success of SpaceX's UK retail offering demonstrates the potential of the POP regime to enable fast and efficient access to the UK retail market, and the depth of capital available.

A prospectus was required in the EU, and the offer marked the first time a US mega-cap IPO has structured a formal, multi-jurisdictional EU retail offering of this scale.

A combination of technology and regulatory changes is driving an increase in retail participation as a structural feature on major capital markets transactions – including on * Shawbrook's IPO last year, which included a retail offer conducted via RetailBook, raising approximately £25m.



A high-water mark for founder control

SpaceX has faced criticism from some investors over the uniquely limited governance rights that afford Musk more control over the company than its big tech dual-class peers. Alphabet and Meta also operate 10:1 voting ratios, but SpaceX's Class B shares comprise c.44% of the share capital, compared with c.7% at Alphabet and c.13% at Meta.⁴⁴

Musk holds c.85% of combined voting power through Class B shares carrying ten votes each, with no time-based sunset and an effective veto over his own removal as CEO and Chairman. The structure also includes mandatory arbitration for shareholder disputes (the first such provision adopted by a major US issuer at IPO), which, the S-1 warned investors, could limit their ability to pursue claims and increase the cost of doing so.

The multi-class structure has prompted concern among some institutional investor groups, particularly pension funds, which view the founder-entrenched structure as potentially damaging to long-term value creation. European pension fund AkademikerPension made headlines by reportedly excluding SpaceX from its portfolio based on the "significant governance concerns" revealed in its S-1.⁴⁵

SpaceX's class structure appears to be a high-water mark, and could, in part, be attributed to Musk's experience at Tesla. The structure, however, could serve as a useful precedent for other founder-led companies looking to secure similar control at IPO.

Global regulatory relaxation

Regulators look to increase the appeal of the public markets – to both issuers and investors

Regulators across the globe are making efforts to reduce friction, widen investor access and rebuild the appeal of public markets. As access to private capital continues to keep companies private for longer, it remains to be seen whether easing the regulatory burden will be enough to incentivise greater numbers of companies to go public.



“Make IPOs Great Again”

In May, the SEC announced the initial proposals under Chair Paul Atkins’ “Make IPOs Great Again” agenda – built on three “pillars of reform”:

- disclosure reform, primarily to link disclosure to a materiality threshold based on the size of issuer;
- de-politicising shareholder meetings; and
- reforming the securities litigation landscape to reduce the number of frivolous claims.⁴⁶

The reforms aim to increase the accessibility of the public markets for both issuers and investors, ensuring that a US IPO is no longer “reserved for unicorns”; and that “all workers and savers – not just the select few with access to the private markets – can participate in the prosperity of the next generation of American entrepreneurs”.⁴⁷



The European approach

EU and UK regulators are similarly pursuing a programme of reforms to reinvigorate capital markets and widen access to public funding.

The UK has overhauled its listing rules, reformed its prospectus regime, launched the PISCES private share trading platform and introduced the POP regime to widen retail access. The EU is on a similar path, having reformed its prospectus regime in December 2024.

Looking ahead, further UK initiatives include the potential removal of stamp duty on share trades (beyond the current three-year post-IPO relief) and pension investment reform. The upcoming Pension Schemes Bill is designed to steer default pension savings towards UK equities – setting a 20-25% UK equity allocation in default defined contribution funds could increase investment in UK equities by c.£95bn.⁴⁸



Hong Kong competitiveness

The Hong Kong Stock Exchange’s competitiveness review responds to regulatory developments in other markets. The review aims to broaden the city’s issuer base – with particular focus on overseas companies and high-growth markets such as Southeast Asia – and reinforce its position as a leading international fundraising venue.

The proposals include extending confidential filings to all listing applicants, enabling companies to pursue applications without publicly disclosing strategic or commercially sensitive information at an early stage. The proposals also include lowering the bar to the weighted voting rights regime through reducing eligibility thresholds to encourage growth and founder-led companies.

The reforms represent a recalibration, not wholesale deregulation – listing quality, suitability and sponsor accountability remain central.

Debt markets

Quarter at a glance: selective, sensitive, but resilient⁴⁹

\$11bn

* GSK's facility agreement in connection with its acquisition of Nuvalent, demonstrating continued appetite for large-cap M&A financings for strong borrowers

€1.3bn

* Reckitt Benckiser's senior notes issuance, reflecting a continuing trend of issuers seeking to take advantage of favourable euro market conditions

335bp

Average euro-denominated single-B spread in Q2 2026, down from 343bp in Q1 as borrower-friendly conditions persist



Markets have remained open and active, but lenders and investors are being selective. Issuance is episodic, crowding into windows of stability as market participants recalibrate around a higher-volatility baseline.

Subsequent geopolitical developments have renewed uncertainty around the Strait of Hormuz and broader regional shipping routes, but progress on the reopening of the Strait in early June prompted a spurt of pent-up activity in the primary markets, with borrowers and issuers keen to get deals away ahead of the summer break.

Headlines

Q2 2026

01

Significant underwritings dominate

Mega-deals continue to test market depth, but large transactions account for a disproportionate share of aggregate volumes masking what remains a growing but still relatively thin pipeline of event-driven activity. Q2 examples of strong borrowers able to secure significant acquisition financing commitments, include * GSK in the context of its \$11bn facility supporting its acquisition of Nuvalent, Inc.

02

Positive and negative ripples from AI

Concerns about AI-driven disruption have weighed heavily on software credits, prompting a fundamental reassessment of the recurring revenue lending structures that fuelled the sector's expansion over the past cycle. On the other hand, AI-driven capital expenditure (data centres and supporting digital infrastructure) is supporting bond issuance levels, including in the high yield market.

03

USD-denominated issuers look to Euro

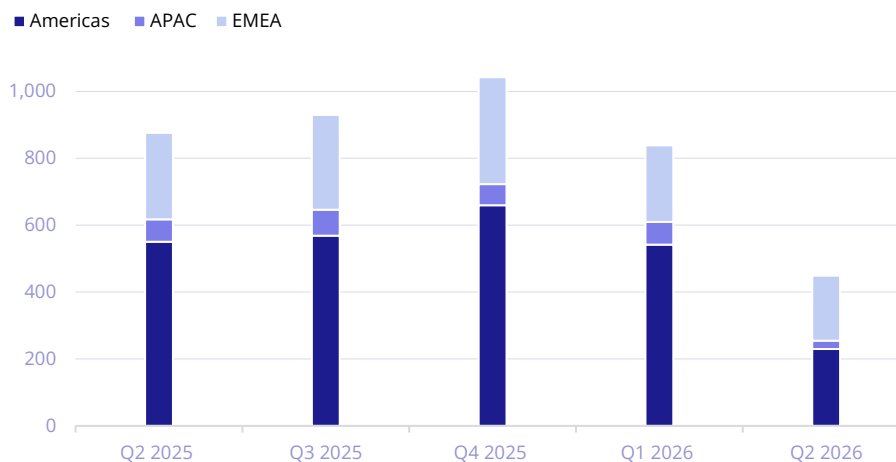
Interest rate differentials between the US and Europe continue to sustain reverse-Yankee flows, alongside favourable movement of the USD against the Euro. This backdrop is attracting both US issuers and EMEA issuers with non-euro functional currencies. * Reckitt Benckiser, for example, issued €1.3bn of senior unsecured notes in two tranches under its debt issuance programme in Q2.

04

Private credit continues to evolve

Concerns around fraud, AI-driven disruption, semi-liquid fund redemptions, rising defaults and “shadow” defaults have continued into Q2, yet resilience remains the private credit mantra. Market data shows that overall deal flow has reduced, driven by a more notable decline in the US than EMEA underscoring the regional divergence shaping private credit in 2026. The outlook remains positive though as investors apply a sharper lens to credit quality, exercise greater selectivity around sector exposure and focus on more innovative structures.

Private credit issuance levels

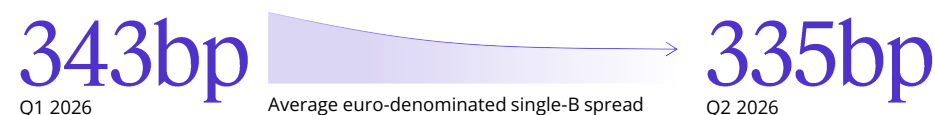


Source: Octus Intelligence⁵⁰

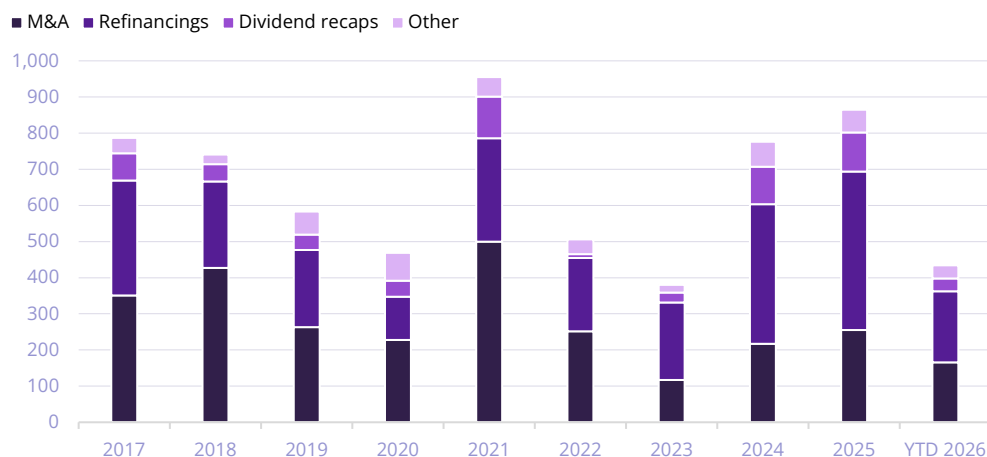
Global activity levels

Activity accelerates amid supportive credit conditions

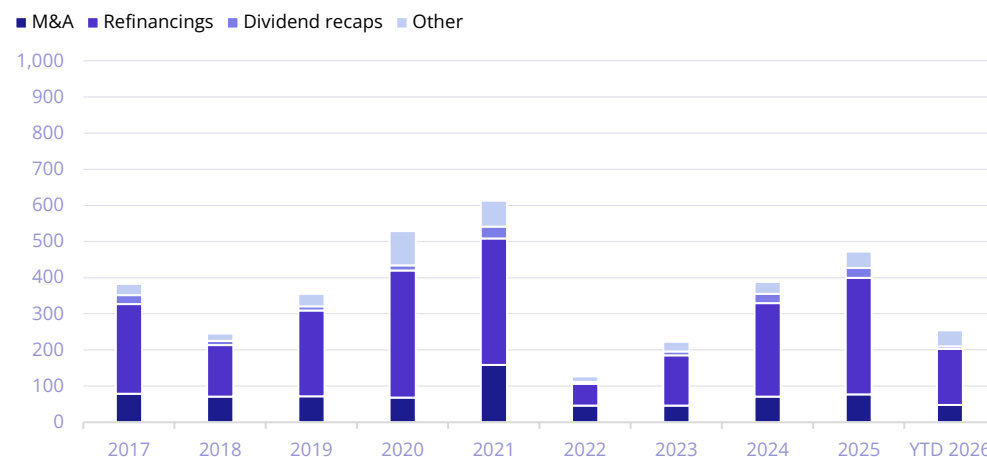
Market activity gathered pace in Q2, putting global leveraged finance issuance on track for its strongest year since 2021. AI-related capex and M&A drove pockets of new-money activity especially in the high yield market, yet overall issuance was firmly weighted towards refinancings, opportunistic repricings and maturity extensions. Borrower-friendly conditions persisted, with European leveraged loan spreads tightening to their lowest levels since before the Global Financial Crisis.



Global new-issue loan volume by purpose \$bn



Global new-issue bond volume by purpose \$bn



Source: PitchBook Data, Inc.⁵¹

Private credit's innovation edge

Creative structures help private credit gain ground in the infrastructure space



We continue to see increased interest in innovative structures for large-scale infrastructure projects which seek to mitigate construction and revenue risk in a manner capable of attracting different types of institutional and private capital at scale.

Recent examples include a range of funding options such as the use of preferred equity and quasi equity notes alongside multi-layer debt aimed at capturing investors' different appetites for risk and return.

Hornsea 3 wind farm



A major and first of its kind transaction in this space, was * Ørsted's divestment of a 50% stake in the Hornsea 3 wind farm to Apollo managed funds.

At 2.9 GW, Hornsea 3 is currently the world's largest wind farm which, when completed, will produce enough electricity to power more than three million UK homes.

The transaction, which recently won M&A deal of the year at Tamarindo's Wind Investment Awards 2026, highlighted investor appetite for the right assets amidst unprecedented geopolitical challenges, rising supply chain costs and other issues with which the offshore wind sector has had to contend in recent years.



This transaction involved many novel features including a bespoke asymmetric revenue sharing arrangement. For the first few years of operations, the underlying project cash flows are distributed according to ownership shares, and subsequently, the partnership is structured to asymmetrically distribute the project's underlying operating cash flows at different stages of operational lifetime.

Looking ahead, focus from both sponsors and private investors is likely to be on bridging key value gaps – for example, in relation to Final Investment Decision (FID) risk in development stage

projects, construction risk where a full wrap is difficult to provide and merchant-tail risk in subsidised projects.

Whilst certain of these risks can be mitigated through contractual solutions – e.g. earn-out mechanics to deal with FID risk and cost under/over-run sharing mechanics to deal with construction pricing risk – increased reliance will be placed on structuring solutions such as revenue sharing arrangements, hybrid securities and other features which have more typically been seen in the structured finance and private equity context.

Spotlight on securitisation and structured finance

Investor reaction to high-profile fraud cases

Following the high-profile collapses of originators Tricolor, First Brands and MFS amid accusations of double pledging and accounting fraud, some investors in asset-backed securities are looking to tighten lending standards and are seeking additional protections in deals around audit rights, reporting and third-party verification of assets.



What is double pledging?

In asset-backed securitisations, the finance made available to a borrower by investors is secured on a specific portfolio of assets, and the payments by the borrower on such financing depend on the performance of that portfolio of assets.

In cases of double pledging, one or more specific assets (e.g. loans or trade receivables) are pledged as security to one or more securitisations, creating competing security interests over the same assets. This undermines the security that each set of securitisation investors thought that they had over such assets.

Double pledging may also refer to the fabrication of loans or receivables in a portfolio by fraudulently re-using one set of customer and/or asset details to record multiple assets.



Investor approaches

Investors are demonstrating an increased emphasis on verifying collateral, with third party verification parties (such as audit providers) offering double pledging checks as part of their initial due diligence and ongoing audit services.

In the asset-backed lending market, investors are requesting enhanced audit rights and an increased frequency of portfolio reporting in order to spot real-time issues or discrepancies in the underlying portfolio.

There is a heightened focus in high-risk areas (for example where the underlying assets are to customers with little or no credit history) and on the historical origination standards and performance of the relevant originator.

Originators of assets backing financing arrangements should consider these enhanced diligence requests carefully with their advisers to ensure that they are proportionate to the risk profile of the underlying assets and the originator's overall business.

What's next for distressed disposal LMEs?

English law intercreditor agreements before the courts



English law intercreditor agreements (ICAs), a feature of almost all European HY issuers' capital structures, include rights to implement distressed disposals of shares and assets, which are increasingly used as an alternative to formal restructuring tools such as Part 26A restructuring plans. These liability management exercises (LMEs) allow a specified class of creditors to facilitate, in a distressed scenario, a disposal of some, or all, of the debtor's business free of out-of-the-money liabilities and can be used to deliver debt-for-equity swaps via credit bids.

Key advantages over formal restructuring processes include lower consent thresholds, fewer opportunities for upfront challenge due to the absence of court supervision, the ability to treat minority creditors on a non-pro rata basis and no requirement to provide value to out-of-the-money creditors, unless the ICA terms so require. However, LMEs face an increasing risk of challenge. In particular, the ability to use the tool depends heavily on the specific drafting of the distressed disposal provision.



Well-funded challenges to distressed disposal LMEs are increasing. Three key cases - *Selecta*, *Hurtigruten*, and *Hunkemöller* - in which minority creditors have challenged or intimated challenges on grounds including the minority protection principle (whether the instructing group must exercise its powers in good faith and in the interests of the class as a whole) and directors' duties.

Pending the outcome of these cases, challenge risk must be carefully benchmarked against alternatives, and we may see a shift towards greater standardisation, or more bespoke negotiation of distressed disposal provisions in ICAs at origination.



Distressed disposal LMEs have emerged as a powerful tool for senior creditors to restructure out-of-the-money liabilities without court supervision or formal insolvency processes.

However, with minority creditors mounting well-funded challenges in *Selecta*, *Hurtigruten* and *Hunkemöller* on grounds ranging from the minority protection principle to directors' duties, the market is watching closely to see whether the courts will impose new limits on their use.

Regulatory

Quarter at a glance: efficiencies in the spotlight, geopolitical priorities and heightened consumer enforcement

“ This is an *ambitious approach to our competition policy* - so we can meet the realities of the fiercely competitive global economy and boost our competitiveness, while preserving the predictability and certainty that investors value most in Europe.

Ursula von der Leyen

President of the European Commission (EC),
on the draft Merger Guidelines

01

Key takeaways

Q2 2026 has seen notable developments across competition and regulatory policy. The EC's new draft Merger Guidelines update how efficiencies and innovation are weighed in deal review, while geopolitical considerations continue to shape cross-border transactions. Consumer focused enforcement has also stepped up in both the UK and EU, with regulators deploying their powers to address pricing practices and fairness.

02

EC Merger Guidelines

A new framework for efficiencies: The EC's consolidated guidelines introduce a "theory of benefit" framework and an "innovation shield" for acquisitions of innovative firms, creating clearer pathways for parties to demonstrate pro-competitive effects. The Competition and Markets Authority (CMA) is converging with the EU on giving efficiencies greater weight, though differences remain.

03

Geopolitics in deal review

National security and economic sovereignty are reshaping cross-border deal outcomes globally. Screening now extends well beyond traditional defence targets - spanning agricultural land, cloud infrastructure, AI assets and critical minerals - and applies to buyers from allied nations as well as strategic rivals.

04

Consumer enforcement

The CMA opened 14 investigations in its first year under the Digital Markets, Competition and Consumers Act (DMCCA) and has now imposed fines totalling millions of pounds. The EU is advancing its own agenda through the Empowering Consumers for the Green Transition Directive and the forthcoming Digital Fairness Act.

European Commission releases draft revised Merger Guidelines

A new era for efficiencies in merger review?

The most significant update in two decades is a recalibration, not a revolution in EU merger control. The draft guidelines provide both expanded theories of harm and new pathways to advocate for deals.



The EC has positioned the reforms as aligning merger control with the realities of global competition, while preserving the predictability and certainty valued by investors

On 30 April 2026, the EC published its draft Merger Guidelines, consolidating the 2004 Horizontal and 2008 Non-horizontal Merger Guidelines into a single framework organised around theories of harm.

The Guidelines seek to reshape the treatment of efficiencies in merger control. A new “theory of benefit” framework provides a structured pathway for parties to demonstrate pro-competitive effects from the outset, with scale, resilience and sustainability recognised as relevant considerations.

The guidelines also expand theories of harm, including entrenchment, portfolio effects and labour market impacts. In practice, these theories largely codify developments already evident in the EC’s recent enforcement.

Innovation features prominently. A new “innovation shield” introduces a form of safe harbour for certain acquisitions of small innovative firms or start-ups that meet specified thresholds.



Greater alignment between Europe and UK on efficiencies

The EU and UK are converging on the principle that efficiencies should carry meaningful weight in merger assessments. In June 2026, the CMA consulted on revised guidance clarifying how rivalry-enhancing efficiencies and customer benefits will be assessed, with greater emphasis on early engagement and evidential rigour.

However, the CMA’s approach differs in how it manages uncertainty. While efficiencies must still meet a high evidential bar, the CMA indicates that remedy design may play a role where the delivery or timing of efficiencies is uncertain. In particular, behavioural or time-limited remedies may be used to secure or “lock in” expected benefits and bridge any short-term harm.



New advocacy pathways – but legal standards unchanged

The EC’s new “theory of benefit” framework creates clearer pathways for efficiencies to influence merger outcomes and may tip the balance in some complex transactions.

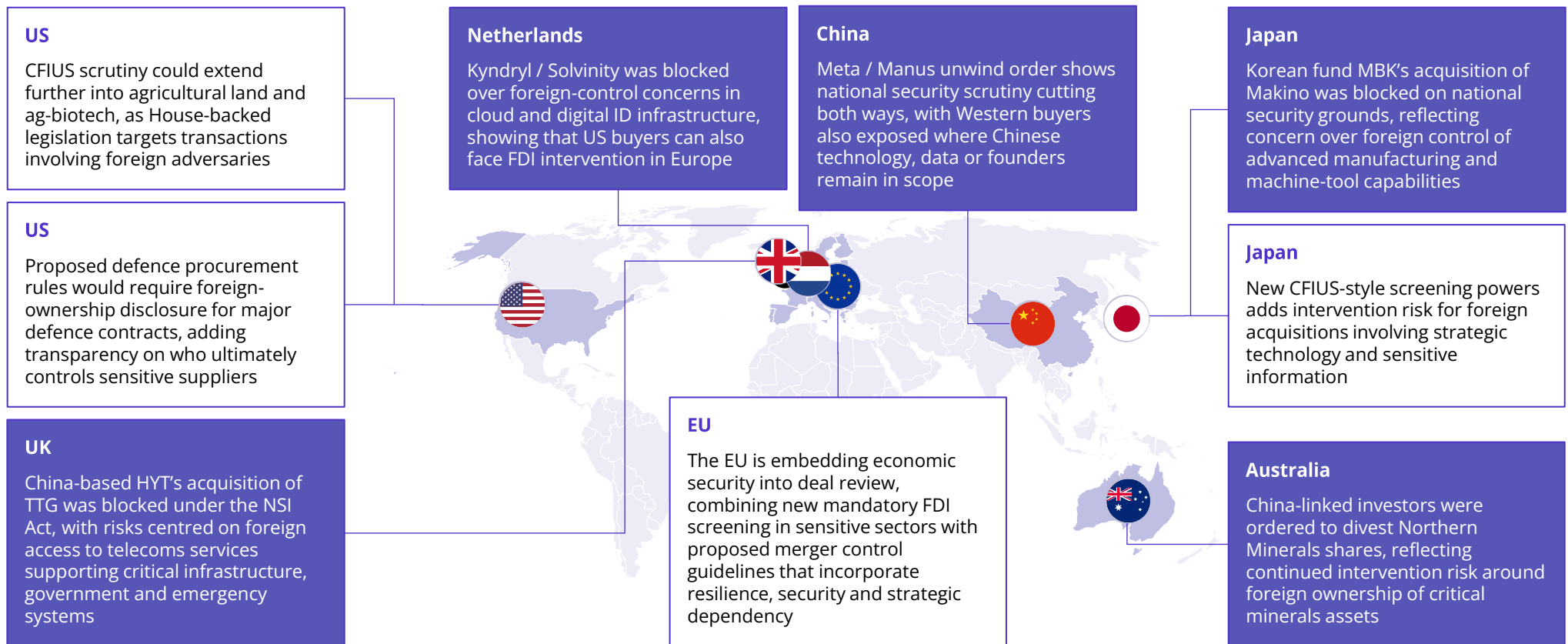
However, the evidential bar remains high. The draft Merger Guidelines retain the three cumulative conditions for efficiencies (verifiability, merger-specificity and consumer benefit), which have traditionally been difficult to satisfy.

Parties should therefore invest early in building a robust evidential record that substantiates their efficiency narrative with concrete data, integration plans, and credible projections.

Geopolitics becomes more visible in deal review

National security and sovereignty priorities increasingly shape cross-border deal outcomes

Recent interventions and regulatory reforms around the globe point to a more economic security driven approach to deal review. The risk is not confined to Chinese acquirers or traditional defence targets: authorities are also scrutinising US buyers of cloud and digital ID infrastructure, Western acquisitions of China-linked AI assets, and Korean buyers of machine-tool technology. For sensitive assets, a credible regulatory narrative on control, access and continuity is becoming critical.



Consumer-driven enforcement

Consumer protection remains high on the regulatory agenda in the UK and EU

The CMA says that “championing consumers will continue to be at the heart of everything we do”, with a focus on putting “money back in people’s pockets”. The EC has likewise observed that “consumer protection drives Europe’s competitiveness and economic growth”.



The UK’s DMCCA

The Digital Markets, Competition and Consumers Act has overhauled UK consumer enforcement, enabling the CMA to investigate and impose penalties directly, without court proceedings.

In its first year, the CMA opened 14 investigations and issued 157 advisory and warning letters, focusing on drip pricing, fake reviews and online choice architecture.

Enforcement has been robust. The CMA fined the AA £4.2m for drip pricing and ordered refunds to over 80,000 customers. It also fined Marks Electrical £720,000 for pre-selected extra charges and StubHub £900,000 for drip pricing, with refunds in each case for thousands of customers.

These actions signal an increasingly assertive approach, with enforcement expected to continue at pace.



EU 2030 Consumer Agenda

The EC is likewise intensifying consumer protection activity. The 2030 Consumer Agenda sets a strategic EU framework, prioritising stronger enforcement and implementation of consumer rules while addressing digital fairness and online protection.

The substantive provisions of the Empowering Consumers for the Green Transition Directive will apply from 27 September 2026, tightening rules on green claims.

The EC is also expected to publish a proposal for a Digital Fairness Act in 2026, targeting drip pricing, dark patterns and addictive design features.

These developments will expand the scope of regulated conduct and equip authorities with a clear mandate, increasing the likelihood of more frequent enforcement across the EU.



Advanced objectives

Authorities are also using antitrust and market tools to advance consumer protection objectives.

The CMA has prioritised essential spending, including market inquiries into childcare, dentistry, heating oil and veterinary services, alongside continued scrutiny of fuel and groceries.

In both the UK and EU, competition authorities are pursuing investigations in consumer-related markets, including into labour practices and restrictions on cross-border trade.

For businesses with significant consumer exposure, these developments point to a more interventionist and coordinated enforcement environment, requiring alignment between competition, consumer protection and compliance functions.

Geopolitical impact

Quarter at a glance: the Strait of Hormuz - from conditional reopening to renewed closure



A conditional reopening

The US-Iran memorandum of understanding ("MOU", widely referred to as the Islamabad Memorandum) of 17 June 2026 was a pause, not the end of the crisis. It envisages a 60-day period to reach a final agreement (extendable by mutual agreement). The MOU is a political framework, not a self-executing legal instrument.

It sets out the parameters of several key negotiating points including:⁵²

- Removal of sanctions against Iran
- At least \$300bn for the reconstruction and economic development of Iran
- International oversight of Iran's nuclear programme

The MOU does not require Iran to surrender its stockpile of 60% enriched uranium. Pending a final deal, under the terms of the MOU, Iran committed to use "its best efforts" to make arrangements for the safe passage of commercial vessels with no charge for 60 days.

The US briefly relieved sanctions by authorising exports of Iranian oil, petrochemicals, banking services and insurance transactions - and even direct US dollar payments to Iran - through 21 August 2026.⁵³ Following the 7-8 July 2026 attacks on shipping, the US revoked this relief, permitting only the wind-down of existing dealings until 17 July 2026.⁵⁴ EU and UK sanctions remained fully in force throughout.

A chokepoint closure is never only a shipping problem: it is a trade, sanctions and resilience problem at the same time, and it reaches into valuation and bankability.

\$34-58bn

Estimated cost of Gulf infrastructure repair⁵⁵



The calm has proved temporary

Transits recovered strongly through late June and early July – from fewer than 10 vessels a day prior to the ceasefire, to approximately 108 vessels in total over the 4-5 July weekend, before collapsing again after renewed attacks to around 34 transits in 24 hours.⁵⁶ Brent, having fallen by more than a third from its peak to around \$73, gave back most of the war premium.⁵⁷

That recovery ran ahead of the legal position: supply stayed constrained, at several million barrels per day below pre-crisis levels in June, and the arrangements for transit remained unresolved. In early July, the caution was vindicated. With the ceasefire declared over, US strikes resumed, and vessels were again struck in the Strait, prompting US strikes on more than 80 targets and pushing Brent above \$80 on 8 July, before easing to around \$77.50 on 9 July.⁵⁸ The final agreement now looks in serious doubt.

The rebound in prices has been tempered by OPEC+, which has approved its fifth consecutive quota increase, with output set to rise by 188,000 barrels per day from August.⁵⁹

The wider exposure: trade, sanctions and resilience

The crisis reaches past individual contracts into the trade, sanctions and supply-chain architecture

The exposure reaches well beyond oil

The closure removed roughly a fifth of global LNG supply, but also struck fertiliser, sulphur, carbon dioxide and helium, cascading into food, semiconductor and critical minerals chains. For example, urea prices are up 80%, raising food-security risk.⁶⁰

Disputes over non-delivered cargoes already run to billions of dollars, compounding across shipping, trade finance and supply chains. The extent of the impact ultimately depends on the conclusion and terms of a final settlement.



Trade and transit

Hormuz has no maritime bypass: cargoes loaded inside the Gulf can be delayed or cancelled, but not rerouted until alternative, land-based infrastructure is developed. Iran's newly created Persian Gulf Strait Authority now requires vessels to file a declaration of ownership, cargo and crew before passage, and is reportedly trialling charging of the order of \$2m per vessel (reporting puts the charge at approximately \$1 per barrel, or around \$2m for a very large crude carrier), with a parallel Iran-Oman protocol to administer the waterway.⁶¹ This would turn a navigation chokepoint into a quasi-customs frontier, raising administrative burden, regulatory risk and cost. Some commentators have compared this to a Montreux Convention-style transit fee regime (as for the Dardanelles and Bosphorus), with potential annual revenue up to \$15bn, suggesting a structural feature, rather than a temporary toll.⁶² Allocating responsibility for these impacts between the parties will be a key concern for commercial parties.



Sanctions

Sanctions relief is the currency of the US-Iran MOU, which makes the truce reversible at speed if talks fail. Two crucial exposures follow:

- Firstly, snapback risk, which is no longer hypothetical, given the US has now revoked its interim licence for Iranian oil exports, and imposed a wind-down deadline of 17 July 2026, stranding cargoes and payments mid-transaction and vindicating the case for treating relief as reversible at speed.
- Secondly, direct conflict between regimes, since US Treasury guidance treats payments for safe passage through the Strait as unauthorised for US persons, so that complying with the transit regime and complying with sanctions pull in opposite directions. More specifically, US persons may not make safe-passage payments to the Government of Iran, and non-US persons face secondary sanctions exposure for doing so.⁶³



Supply chain resilience

The crisis showed that energy and non-energy supply chains constitute a single system. Whatever the shape of the final US-Iran deal, resilience is becoming a diligence and valuation metric, and an operational concern, with buyers and lenders probing route concentration, single-origin dependence and strategic stock. As a result, expect dual sourcing, destination flexibility and minimum-inventory obligations to migrate from operational policy into contractual covenants.

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Publication notes

Percentages included in this publication may not amount to 100% due to rounding.

Transaction references are taken from public data.

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