

SLAUGHTER AND MAY/

MARKET VIEW

Q1 2026



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SLAUGHTER AND MAY/

M&A

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M&A HEADLINES – Q1 2026



Global M&A activity started strongly in Q1 – deal values continued the momentum seen in H2 2025 although deal count was down.

01

The outbreak of conflict in the Middle East at the end of February has inevitably slowed things down. Nevertheless, activity remained relatively resilient in March; aggregate deal values dipped after a strong February, but were substantially above January's levels, whilst deal count held steady against the rest of the quarter.

The longer-term impact of the conflict on deal flow, and in particular on the ability to agree valuations, remains to be seen. The key will be the duration and extent of global shocks to energy markets and follow-on impacts to inflation and interest rates. A “wait and see” interlude may lead to a lag in momentum over the coming months before a return of greater activity towards the end of the year.

02

Large cap transactions and mega-deals were the dominant theme and drove global deal values, continuing the trend seen last year – as strategic appetite for scale and transformational transactions (for many reasons) shows little sign of abating.

03

Whilst US transactions continued to anchor activity, European – and particularly UK – targets attracted an outsized share of global deal value as cross-border deals accelerated. This was underpinned by strong activity in the European financial services sector.

04

In APAC, M&A momentum was more moderate following a strong FY 2025, as sponsors increasingly seek to prioritise platform acquisitions and targeted bolt-ons, alongside continued divestment and portfolio reshaping activity from strategic acquirers.

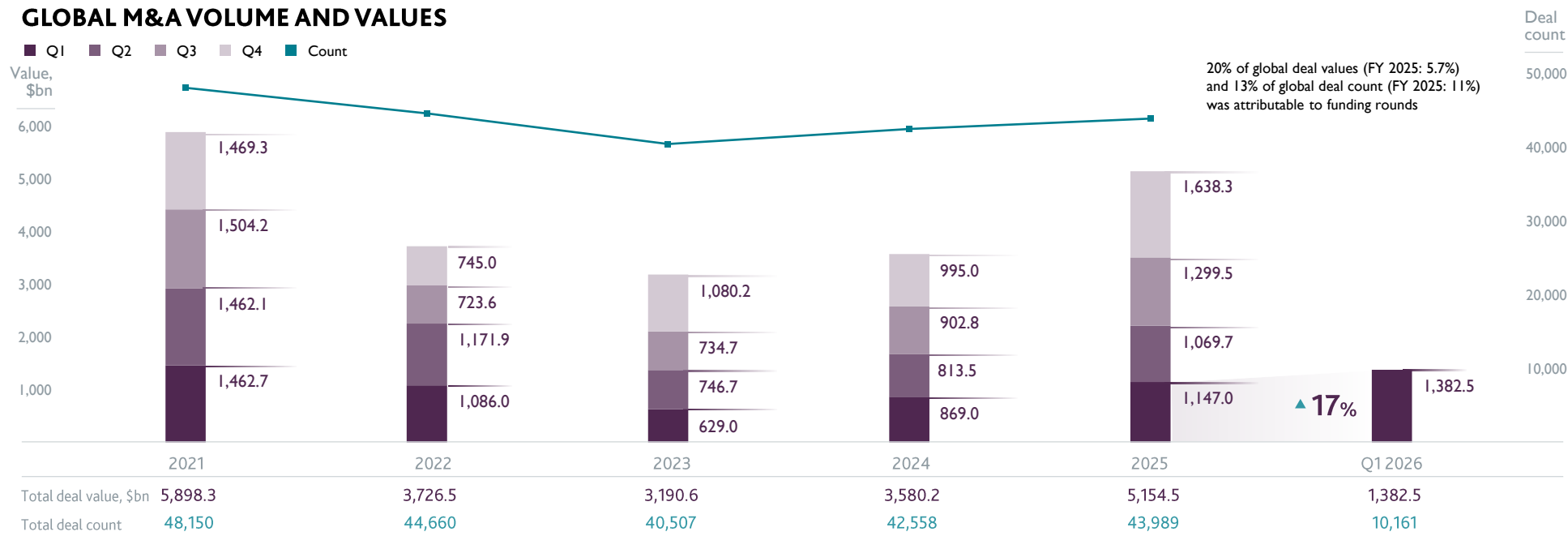
05

Sponsors remained active, with deal count remaining at the elevated levels seen in 2025. However, the high volume of sponsor-backed deals disguised changes in deal type and strategy; average deal values fell, reflecting a rebalancing towards more mid- and small-cap transactions.

GLOBAL M&A ACTIVITY

Global M&A activity was resilient and value-driven in Q1 2026 with disciplined dealmaking amid mounting uncertainty

GLOBAL M&A VOLUME AND VALUES



Source: Mergermarket¹

Q1 2026 saw the strongest opening quarter for global deal value since 2021, increasing 17% year-on-year and carrying forward the momentum seen in H2 2025, despite values not quite reaching Q4 2025 highs. By contrast, the number of deals fell, underscoring a disciplined and selective approach to dealmaking and an increasing concentration of capital in high-quality assets, with buyers prioritising transformative transactions with compelling strategic rationale.

The picture was mixed following the outbreak of conflict in the Middle East on 28 February 2026. Deal values fell by c.10% from February to March, but March values were up 72% compared to January's levels, driven by a proportionate uptick in \$10bn+ deals. Deal count held steady against the rest of the quarter, signalling relatively resilient activity.²

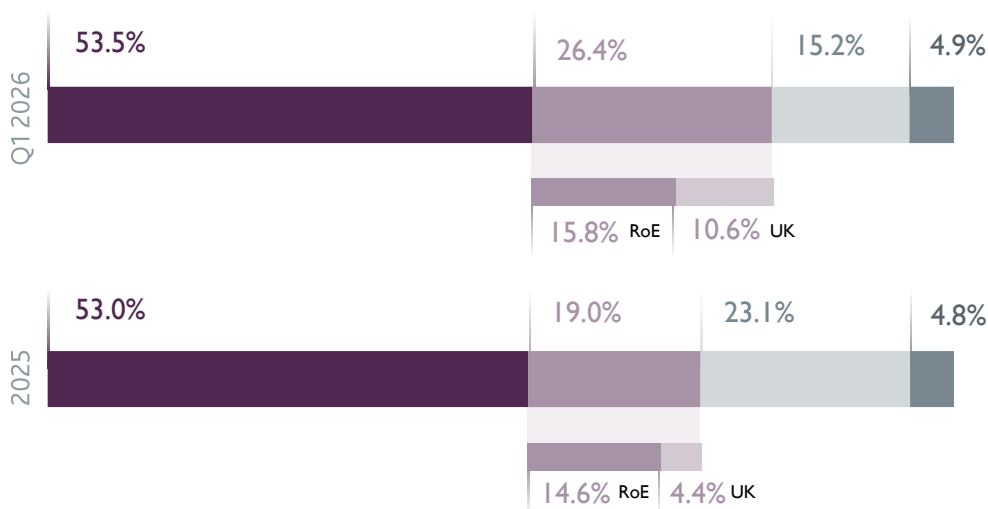
This conviction in pursuing well-advanced transactions – especially transformative ones – continues the theme of a growing tolerance and adaptability to persistent volatility, and contrasts with more muted activity in the immediate aftermath of the US's tariff raises from February 2025 and "Liberation Day" in April 2025. However, the longer-term impact of the Middle East conflict on deal flow remains to be seen.

REGIONAL M&A ACTIVITY

North American inbound deal values surged year-on-year while Europe captured an outsized share of global M&A value given a more muted quarter in APAC

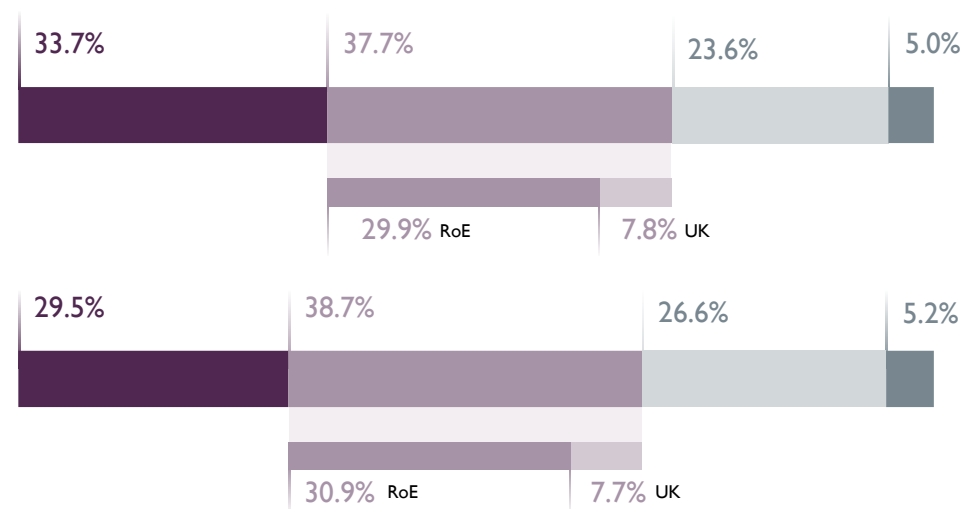
DEAL VALUES

■ North America ■ Europe ■ APAC ■ RoW



DEAL COUNT

■ North America ■ Europe ■ APAC ■ RoW



Source: Mergermarket³

North America increased its share of global deal values and count, and year-on-year deal values rose 37%, showing continued resilience in US domestic M&A activity despite persistent market volatility.

European deal values represented an outsized 26% of global deal value (FY 2025: 19%) despite European deal count falling by 10% versus the FY 2025 average. This was underpinned by an especially strong quarter for UK deal values relative to historical levels. 11 of the 12 highest value European deals were cross-border, led by strategic bidders – predominantly from the US – as European targets prove increasingly attractive propositions to bidders seeking regional diversification.

Activity in APAC was more muted (in value and volume terms) relative to FY 2025. Whilst China remains the largest APAC M&A market by value, contributing \$74.6bn in Q1 2026, and Japan also featured prominently, activity is broadening beyond traditional centres, with the Rest of APAC⁴, increasing its share of the region's deal value to 15% in Q1 2026 (from 5% in Q1 2025).

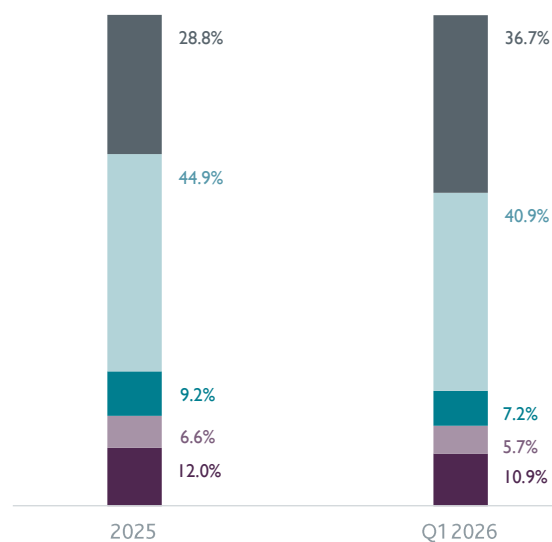
M&A DEAL SIZE

High value transactions drove global M&A value in Q1 2026, underpinned by mega-deals, whilst lower- and mid-market activity remained subdued

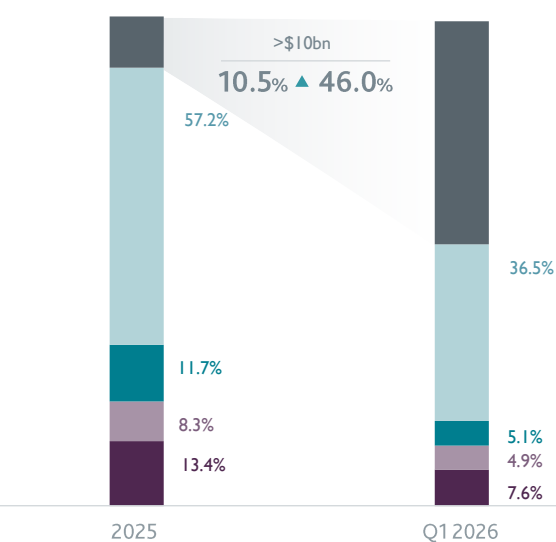
GLOBAL

Deal values

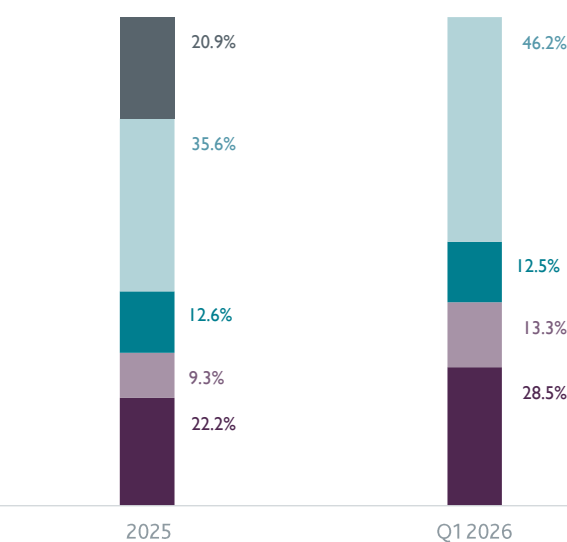
■ <\$250m ■ \$250m - \$500m ■ \$500m - \$1bn ■ \$1bn - \$10bn ■ >\$10bn



EUROPE



APAC



Source: Mergermarket⁵

Global deal values continued to be anchored by deals between \$1-10bn, accounting for 41% of aggregate values (FY 2025: 45%). This was most pronounced in APAC, underscoring the growing weight of larger cap deals in APAC's deal flow.

Strong global deal values were driven by \$10bn+ mega-deals, which accounted for 37% of aggregate global value (FY 2025: 29%), underscoring the strategic appetite for scale and coveted assets in mature sectors with strong earnings-visibility. Activity was underpinned by a bumper quarter for mega-deals involving European targets, accounting for 40% of all global mega-deals (FY 2025: 10%).

Lower- and mid-market M&A activity remained subdued in both deal count and value terms. Buyers at this end of the market are displaying caution amid macro uncertainty and supply-chain exposure to an evolving tariff landscape, whilst sellers have largely held firm on valuation expectations.

MEGA-DEAL MOMENT

Strong momentum for mega-deals continues, led by US bidders and a resurgence of activity in Europe, despite geopolitical and macroeconomic volatility

20 mega-deals in Q1 2026
with aggregate value of **~\$508bn**

Record levels of mega-deals (\$10bn+) was the global M&A headline of 2025 – and this surge has carried into 2026, with Q1 2026 featuring 20 mega-deals at an aggregate value of c.\$508bn.⁶ Over 1/5th of that value is attributable to Open AI's \$110bn funding round announced in February.

To date, activity has been resilient following the invasion of Iran on 28 February 2026, with eight mega-cap transactions announced in March, notably *UniCredit's \$29.5bn hostile takeover offer for Commerzbank, and Unilever's agreement to combine its food business with McCormick in a \$66bn tie-up. Q2 kicked off with Pershing Square's \$64.5bn offer for Universal Music.



QUEST FOR SCALE

Strategic acquirers continue to dominate the mega-deal landscape, accounting for 86% of the transactions in Q1, as corporates demonstrate conviction in pursuing compelling opportunities that will deliver focused scale and – perhaps – insulation in the face of heightened macroeconomic uncertainty.

Q1 takeaways

- 01** Europe in the spotlight: Cross-border activity was notably elevated through the quarter, with Europe punching above its weight. European targets continue to prove attractive, accounting for 38% of all mega-deals, particularly to US bidders amidst persistent volatility in US markets.
- 02** The UK – which saw four mega-deals this quarter, after only one in the whole of 2025 – has underpinned this European resurgence, with notable activity in the FIG sector (including *Schroders / Nuveen and *Beazley / Zurich). The UK's out-sized performance comes notwithstanding the abandonment of Glencore and Rio Tinto's proposed merger in February 2026, which would have created the world's largest mining group, after the parties failed to reach agreement on valuation amidst a wave of consolidation (and attempted consolidation) in the sector.
- 03** Mega-deal activity remains episodic in APAC, with none recorded in Q1 2026 (versus seven in Q1 2025 with an aggregate value of \$142.5bn). However, opportunities can still emerge where strategic rationales align, as illustrated by *HSBC's c.\$13.6bn privatisation of Hang Seng Bank by way of a scheme of arrangement (closed in Q1 2026) – reportedly Hong Kong's largest privatisation.
- 04** Nonetheless, activity continues to be anchored by the US – with US acquirers accounting for 62% of the mega-deals seen this quarter, as US dealmakers continue to take advantage of the Trump administration's receptiveness to – and notable interest in – mega-cap transactions.

MEGA-DEAL MOMENT

Spotlight on Paramount's acquisition of Warner Bros. Discovery

THE BATTLE FOR WARNER BROS. DISCOVERY (WBD)

The largest mega-deal announced in 2025 played out in Q1 2026, with the protracted competitive process coming to a head in February as Netflix withdrew following Paramount's increased offer valuing WBD at \$110bn.



\$110_{bn}

There were several notable themes amongst the plot twists:



Focus on execution-risk

Paramount's bid was framed around deliverability, including:

- the absence of financing conditions;
- a commitment to fund the \$2.8bn break fee that would be triggered by WBD terminating its merger agreement with Netflix; and
- the inclusion of a "ticking fee" to compensate shareholders for regulatory delay beyond Q4 2026.

Execution certainty is increasingly an important shareholder hook in large, complex mergers, particularly in already highly-consolidated sectors.



President Trump takes the stage

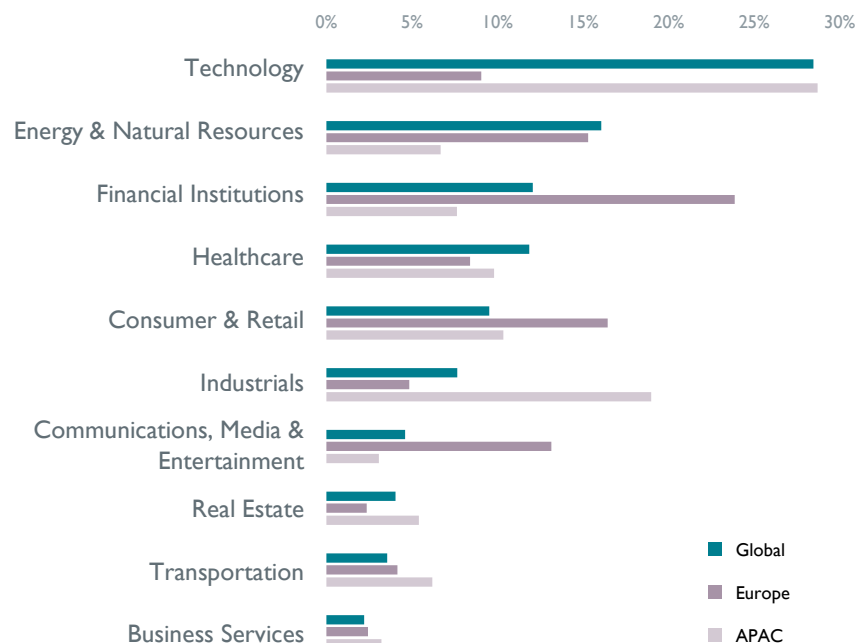
The competitive process involved extensive political lobbying and commentary. Notably, Netflix's federal lobbying expenditure in 2025 reached c.\$3.1m (up more than 60% year-on-year), whilst Paramount's reached \$6.2m. President Trump's offer-related commentary, together with his varying indications of involvement in the regulatory approval process, became a central theme – as both parties bolstered their ranks with individuals tied to the White House.

Against a backdrop of political dynamics increasingly shaping national antitrust enforcement priorities, and Trump's demonstrated willingness to comment publicly on the deal landscape, lobbying is likely to remain a key feature of US dealmaking.

SECTORAL M&A ACTIVITY

Technology and energy dominated global deal value, while European financial services M&A activity surged

DEAL VALUES – Q1 2026

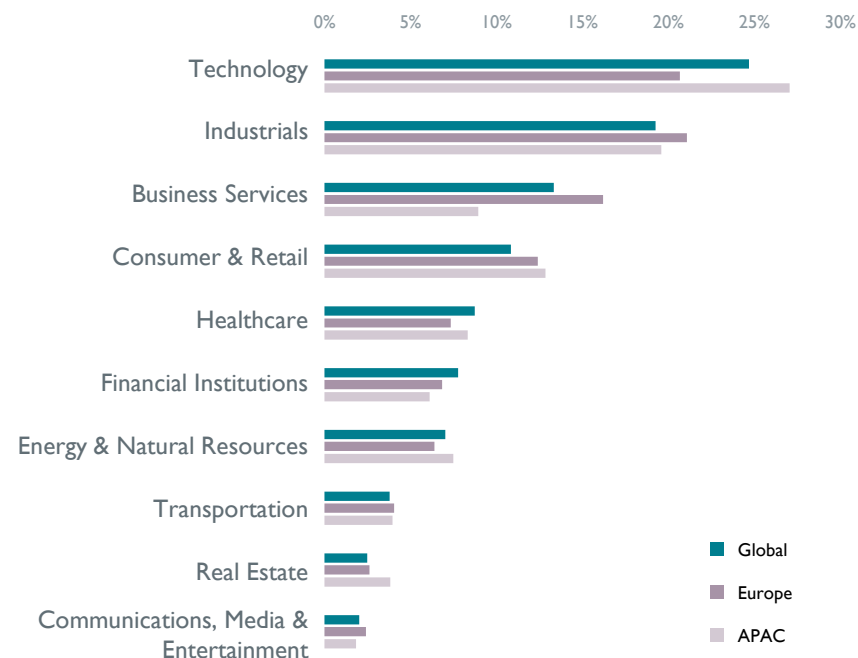


Source: Mergermarket⁷

Global sectoral deal value was dominated by technology targets (29% of total deal value, up from 22% in FY 2025) despite count declining relative to quarterly FY 2025 averages. Notably, c.8% of aggregate technology deal value in Q1 2026 is attributable to Open AI's \$110bn funding round, disguising a softer quarter for technology relative to a strong FY 2025.

Energy and natural resources (16% of global deal values, up from 12% in FY 2025 despite count declining relative to quarterly FY 2025 averages) deal activity featured a mixture of sponsor-backed and strategic acquirors, with sectoral drivers including increased electricity demand and vertical consolidation as a means to achieve scale and bolster distribution capabilities.

DEAL COUNT – Q1 2026



In Europe, FIG M&A accounted for 24% by deal value (FY 2025: 17%), with aggregate deal value nearing \$90bn, as buyer focus skewed towards large-cap European FIG targets, drawing US and other international strategic acquirers.

Technology and Industrials together led APAC deal value. Both are expected to remain standout target sectors through the remainder of 2026, with digital infrastructure in particular attracting sustained M&A appetite as AI and cloud computing demand accelerates.

FIG ON FIRE

FIG consolidation deals are dominating European M&A, as platforms turn to scale as a route to margin expansion

The value of European FIG M&A transactions increased by **90.4%** in Q1 2026 compared to Q4 2025^{*}

What are we seeing?

Q1 2026 was an exceptional quarter for FIG M&A in Europe. This follows a strong tail-end to 2025 which had included *Athora's acquisition of Pension Insurance Corporation Group for c.£6bn and *Brookfield Wealth Solutions' £2.4bn acquisition of Just Group.

What is driving this?

Momentum reflects a battle for scale in mature and maturing FIG markets and an increasing prevalence of global private capital groups in the FIG space. With margins under pressure and technology / AI investment needs rising, scaled platforms are better placed to invest in growth opportunities, capture new inflows and increase profitability. As organic growth remains constrained across mature FIG sub-markets, consolidation has become an attractive route to value creation, with buyers increasingly looking cross-border to build "mega-cap" scale and compete internationally. This has been a theme in European banking and asset management, with record cross-border transactions amid a broader consolidation push to improve international competitiveness (see next page).

In the insurance space, private capital has seen synergy opportunities in applying their asset management capabilities to large pools of savings. This has been particularly evident with life insurance groups, where large, long-dated asset bases align naturally with longer-duration private credit strategies, creating a strong incentive to deploy capital through a private credit platform.

Bumper FIG deals making headlines in Q1 2026

- 01 *UniCredit's c.€35bn takeover offer for Commerzbank, marking a major proposed consolidation in European banking.
- 02 *US asset manager, Nuveen's c.£9.9bn recommended acquisition of Schroders to create a global asset manager with nearly \$2.5tn of assets under management.
- 03 *Leading European insurer, Zurich Insurance Group's recommended acquisition of specialist UK insurer, Beazley, for c.£8bn to create the global leader in specialty insurance.
- 04 Triam Fund Management and General Catalyst's reported bidding war with Victory Capital for fund manager Janus Henderson in a potential c.\$8bn cross-border consolidation.
- 05 *Deutsche Börse Group's recommended acquisition of Allfunds Group for c.€5.3bn, signalling a major proposed expansion of its market infrastructure platform.
- 06 *NatWest Group's c.£2.7bn acquisition of Evelyn Partners from Permira and Warburg Pincus to make NatWest the UK's leading wealth manager and private bank (see p.22).

FIG ON FIRE

Strict regulatory requirements for FIG businesses raise distinct legal and financing considerations which should be a key focus for dealmakers

What should dealmakers have in mind?



FIG businesses operate in a heavily regulated sector, with a constantly evolving regulatory framework that makes regulatory strategy, due diligence and risk allocation critical in any acquisition. Buyers need to anticipate potential pinch points in the regulatory approval process and develop a plan for addressing them and opening early dialogue with the regulators. There is also focus on potential compliance issues, including historical redress exposure for unfair customer treatment (e.g. undelivered services or unfair undisclosed commission arrangements). The consequences of regulatory breaches can be severe given the scale of potential claims, as illustrated by the recent motor finance mis-selling cases.



That strict regulatory framework will also have knock-on consequences for acquisition and on-going financing. Key diligence questions on the target's outstanding regulatory capital instruments (including Tier 1, Tier 2 and, where relevant, RTI instruments) will relate to issuer substitution mechanics, potential defaults, and whether the instruments will continue to qualify as regulatory capital for the enlarged group under its applicable prudential framework. The results of that due diligence exercise will directly inform the structuring of the acquisition financing, including decisions around issuer substitution, instrument restructuring and the sequencing of regulatory engagement and approvals.



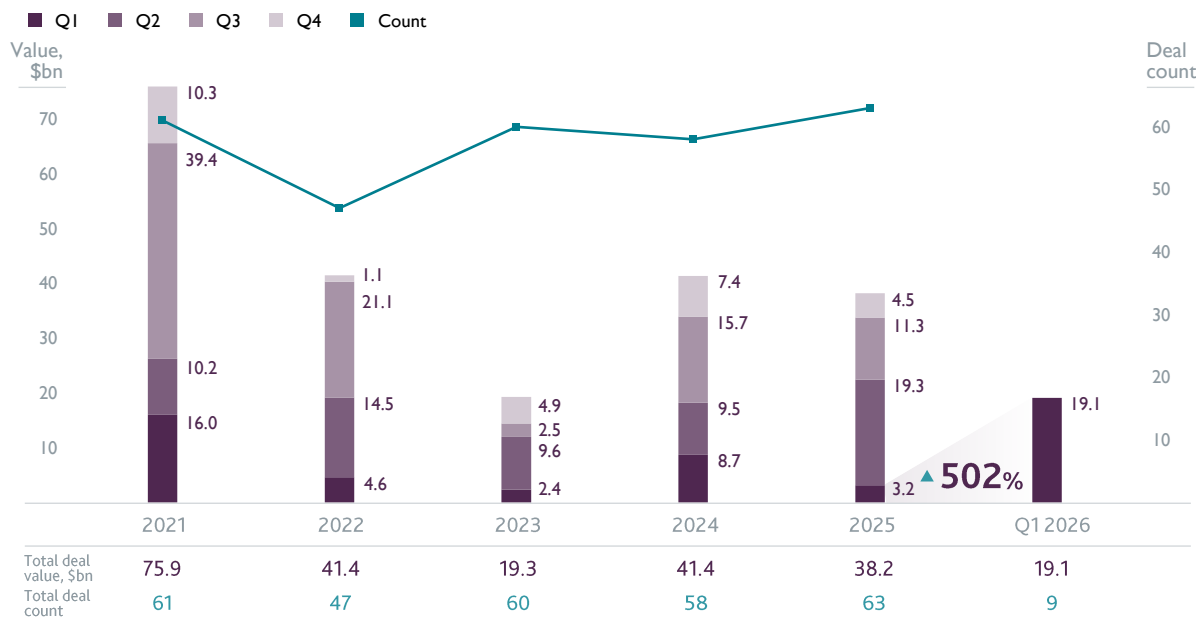
ANTITRUST SPOTLIGHT ON EUROPEAN BANKING CONSOLIDATION

Although the European Commission has signalled support for EU-wide banking consolidation, stating that “consolidations in the banking sector benefit the EU economy as a whole and are essential for the achievement of the Banking Union”, transactions still face headwinds due to opposition at the national level. See, for example, the Spanish government’s resistance to the proposed *BBVA and Banco Sabadell merger in 2025 and the German government’s hostility to *UniCredit’s approach to Commerzbank this quarter.

UK PUBLIC M&A ACTIVITY

As financial services mega-deals dominate, quarterly UK public M&A deal value surged more than five-fold year-on-year, despite flat volumes

UK PUBLIC M&A - DEAL VALUES AND COUNT

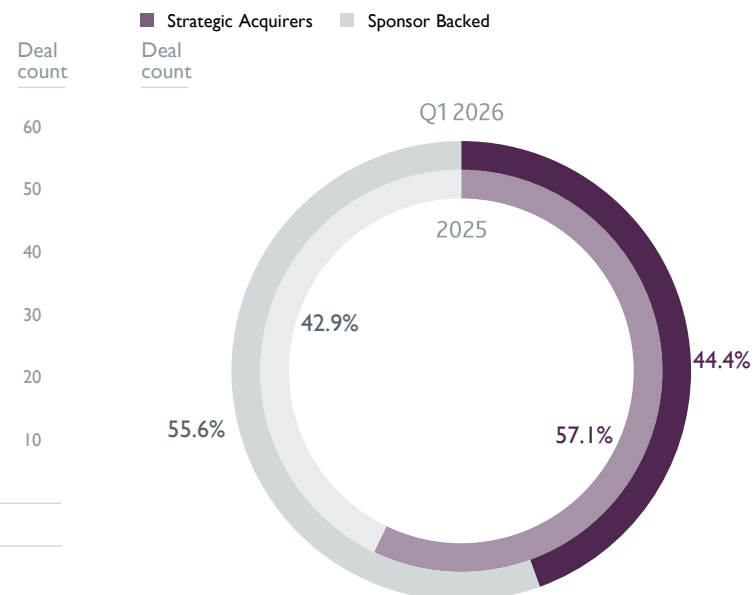


Source: Thomson Reuters⁹

UK public M&A activity started 2026 strongly in value terms, with aggregate deal value of £19.1bn, representing a more than five-fold increase from Q1 2025. By contrast, count remained flat following a subdued H2 2025, aligning with the broader theme of value concentration in large-cap transactions.

Financial services accounted for approximately 96% of UK public M&A value (FY 2025: 25%), driven by cross-border activity underpinned by strategic acquirers in this sector seeking scale through international expansion. Notably, the strong quarter for UK public deal values occurred despite the abandonment of Glencore and Rio Tinto's proposed merger.

UK PUBLIC M&A - BIDDER TYPE

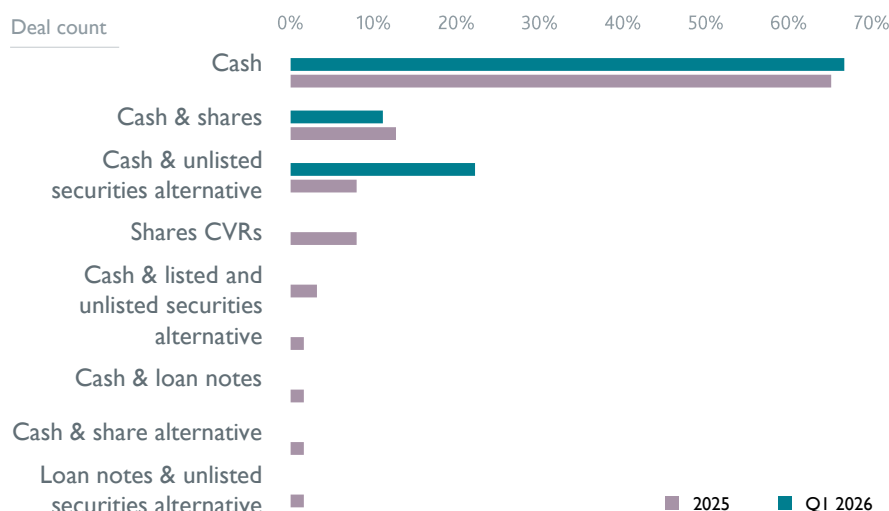


Sponsor-backed bidders were active in the quarter – accounting for 56% of all firm offers (FY 2025: 43%) but only 4% of deal value (FY 2025: 48%) – as the two largest takeover bids (for *Schroders and *Beazley, together representing 94% of aggregate value) involved strategic bidders. Sponsors continue to be increasingly active in the lower- and mid-market, as they recalibrate their strategies to reflect the macro environment amid record levels of dry powder.

UK PUBLIC M&A CONSIDERATION TRENDS

With equity-linked consideration remaining a regular feature of UK public bids, recent regulatory and practice developments should facilitate more efficient and effective share-based consideration bids

UK PUBLIC M&A – CONSIDERATION TYPE



Source: Thomson Reuters¹⁰

Cash bids in the first quarter tracked levels seen in 2025 and included the two largest deals by value (*Schroders / Nuveen and *Beazley / Zurich).

Although no takeovers were structured as all-share offers this quarter (FY 2025: 5), equity-linked consideration featured in a third of Q1 takeovers. There was one cash and listed share offer (The British Land Company/Life Science REIT). Stub equity continues to be deployed by sponsors to bridge valuation gaps and offer rollover participation for target shareholders within sponsor-backed ownership structures.

The UK's amended prospectus regime, which came into effect in January, is designed to make it easier, quicker and cheaper for UK-listed companies to offer their own shares as consideration on a takeover, and could encourage more UK corporates to offer a mix-and-match facility on cash and share offers.

“Mix-and-match”: a more effective approach - one for the purists...



The challenge

Mix-and-match facilities on cash and share bids allow target shareholders to elect to vary the proportions of cash and share consideration they wish to receive, subject to offsetting elections between shareholders. Traditionally, the exchange ratio determining the number of shares exchangeable for cash consideration (or vice versa) has been set by reference to the bidder's share price (and, if applicable, the relevant FX rate) on the date on which the scheme or offer document is published.

This has rendered mix-and-match facilities less useful for transactions with a significant gap between that date and completion, as elections tend to favour one form of consideration over the other – usually due to changes to the bidder's share price or FX rates in that period.



A potential resolution

We recently devised an alternative approach – setting the exchange ratio on the effective (i.e. closing) date (in *American Axle & Manufacturing (AAM) / Dowlais). This approach is more likely to produce value-neutral elections and fairer outcomes for target shareholders, giving a genuine choice on the form of consideration they wish to receive, irrespective of value. On AAM / Dowlais, it neutralised the impact of the c.88% increase in AAM's share price over the 229-day period between the date of the scheme document and the effective date of the scheme. The result was the rare outcome of elections for more cash and for more shares being made in respect of broadly the same number of shares.

LARGEST DEALS BY VALUE – Q1 2026

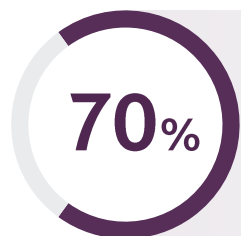
Announced	Target	Target sector	Target nationality	Acquirer	Seller (where relevant)	Deal value, \$bn
GLOBAL						
31/03/2026	Unilever (food business)	Consumer & Retail	UK	McCormick & Co Inc	Unilever	42.7
02/03/2026	AES Corp	Energy & Natural Resources	US	Global Infrastructure Partners, EQT AB, California Public Employees' Retirement System, Qatar Investment Authority		38.4
16/03/2026	Commerzbank	Financial Institutions	Germany	Unicredit		29.5
30/03/2026	Jetro Restaurant Depot	Consumer & Retail	US	Sysco Corp	Leonard Green & Partners LP	29.1
02/02/2026	Coterra Energy Inc	Energy & Natural Resources	US	Devon Energy Corp		26.1
EUROPE						
31/03/2026	Unilever (food business)	Consumer & Retail	UK	McCormick & Co	Unilever	42.7
16/03/2026	Commerzbank	Financial Institutions	Germany	Unicredit		29.5
22/03/2026	Telecom Italia	Communications, Media & Entertainment	Italy	Poste Italiane		24.8
25/02/2026	UK Power Networks Holdings Ltd	Energy & Natural Resources	UK	Engie SA	CK Infrastructure Holdings Ltd, Power Assets Holdings Ltd, CK Asset Holdings Ltd	21.4
18/02/2026	VodafoneZiggo Group Holding BV	Communications, Media & Entertainment	Netherlands	Liberty Global Ltd	Vodafone Group plc	13.5
APAC						
05/01/2026	BlueScope Steel Ltd	Industrials	Australia	SGH Ltd		9.6
03/02/2026	ST Telemedia Global Data Centres	Technology	Singapore	Singtel, KKR	Singapore Technologies Pte Ltd	9.0
08/02/2026	Innovent Biologics Inc (license)	Healthcare	China	Eli Lilly & Co	Innovent Biologics Inc	8.6
20/03/2026	MOONTON Games	Technology	China	Savy Games Group	Bytedance Ltd	6.0
26/03/2026	Daishi Hokuetsu Financial Group Inc	Financial Institutions	Japan	Gunma Bank		5.4

PORTFOLIO RESHAPING GAINS MOMENTUM ACROSS ASIA

Governance reform, activist pressure and demand for corporate clarity underpin a sustained wave of carve-outs and divestitures

The volume of large-scale carve-outs and divestitures from Asia public companies tripled year-on-year in 2025, establishing strategic separation as a dominant theme in the region's M&A landscape. This trajectory mirrors a broader global trend as corporates worldwide reassess portfolio composition in the face of shifting strategic priorities.

In Asia, this is continuing into 2026 – three of the top five Asia M&A deals in Q1 2026 were strategic divestitures or carve-outs and a significant majority of Asia executives surveyed by Deloitte are considering one or more divestment(s) over the next 12 to 18 months.



Across the Asia region, 70% of executives surveyed are considering one or more divestment(s) over the next 12 to 18 months¹²

Structural forces converging to sustain this shift:

Boards have felt increasing pressure to address underperforming or non-core business units.

Activist investor campaigns have risen materially. In 2025 alone, there were 275 activist campaigns in Asia, representing a 44% increase on the 2021–2023 average.¹³

Private equity has been a willing and consistent buyer, with carve-out transactions featuring prominently among larger deals, accounting for three of the top ten Asia PE buyout investments in 2025, including Bain Capital's acquisition of York Holdings, the largest consumer carve-out in Japan's history.¹⁴

What should dealmakers have in mind?

- 01 In Asia, where transactions often involve carve-outs of complex conglomerate or family-owned entities, 'separation plan clarity' is among the top factors positively impacting divestiture proceeds in the region. The more confidence a seller can give, the less likely a buyer is to build in a price discount for separation risk or, worse still, walk away for fear of a painful and unconstructive separation process.
- 02 Having the selling business retain a stake in the carved-out business may create complexity, but ongoing exposure can incentivise a seller to ensure the carve-out is done well. Earn-out or deferred purchase price mechanisms can achieve a similar effect in a less complex manner, provided they are structured in the right way - aligning both sides' interests through the separation process and beyond.
- 03 Amidst the urgency and noise of sale negotiations, the temptation may be to defer detailed separation discussions to post-signing - but agreeing key separation matters upfront, alongside the deal terms, rather than relying on mere "agreements to agree", is usually time well spent.

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GLOBAL SPONSORS

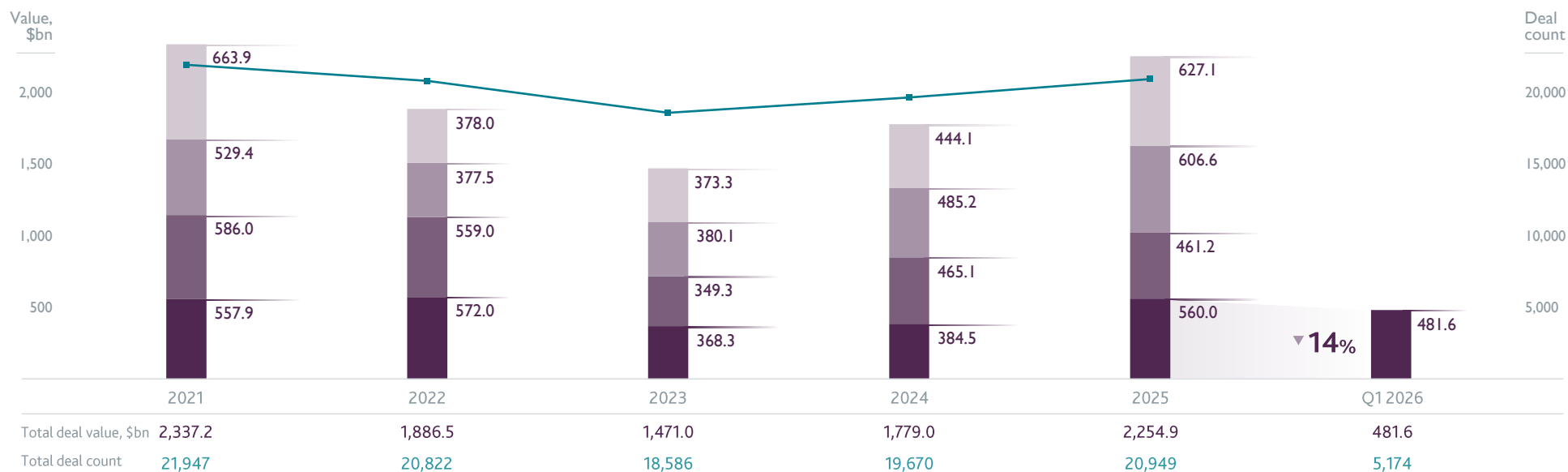
1. Global sponsor activity
2. Regional sponsor activity
3. Consumer carve-outs
4. Financial services bolt-ons
5. Japan's private equity moment

GLOBAL SPONSOR ACTIVITY

Global sponsor activity eases from 2025 resurgence but remains resilient, particularly in the small- and mid-cap market as strong volumes focus attention

GLOBAL SPONSOR-BACKED DEALS

■ Q1 ■ Q2 ■ Q3 ■ Q4 ■ Count



Source: PitchBook Data, Inc.¹⁵

After a significant rebound in H2 2025, global sponsor aggregate deal count and values eased in Q1. However, activity remains elevated relative to the levels seen in mid-2022–2024. Count remained robust and on a par with Q1 2025, reflecting a healthy ecosystem for sponsor deals and strong desire to put record levels of dry powder to work.

Aggregate and average deal values fell by around 23% and 18% respectively from Q4 2025. Despite resilient deal count, lower values point to a greater skew towards small- and mid-cap transactions, as volatile macroeconomic conditions linked to conflict in the Middle East increase the relative attractiveness of smaller, lower-risk deals – particularly add-ons – which rose to c.34.4% of deals (from 28.8% in Q4 2025).

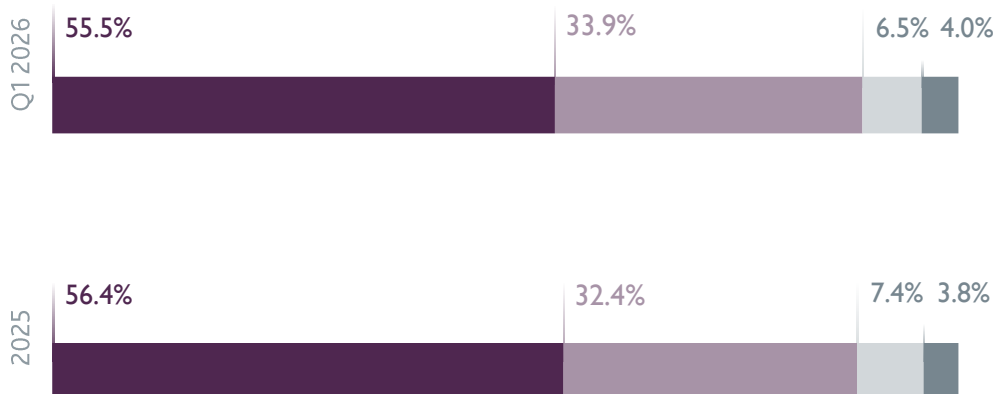
As we enter Q2, the prospect of higher inflation and margin compression, as increased costs linked to conflict in the Middle East start to impact portfolios, may weigh disproportionately on larger, leverage-intensive transactions and strengthen global sponsor demand for small- and mid-cap deals, which are typically cheaper to finance and offer a lower risk to capital deployment.

REGIONAL SPONSOR ACTIVITY

US rebalances after a mega-deal led 2025, Europe continues to show strong deal flow while APAC markets are muted

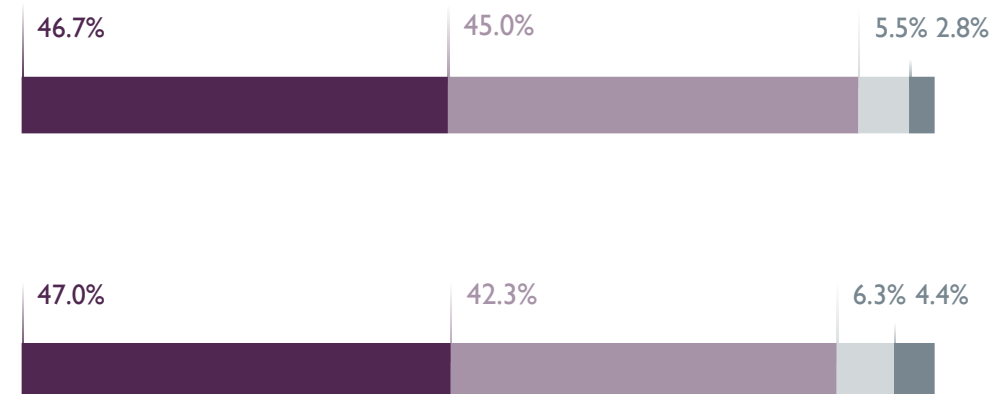
DEAL VALUE

■ North America ■ Europe ■ APAC ■ RoW



DEAL COUNT

■ North America ■ Europe ■ APAC ■ RoW



Source: PitchBook Data, Inc.¹⁶

European activity eased in line with the global trend, coming off an exceptionally strong 2025 in which European aggregate deal values and count reached record highs. Aggregate deal values fell back below the 2025 quarterly average. Deal count, however, remained a clear strength, reaching levels surpassed only twice in the past five years (Q1 2021 and Q4 2025), highlighting the strength of Europe's mid-market in sustaining deal activity as sponsor appetite for large deals softened.

In the US, deal activity was more evenly balanced after a mega-deal led 2025, including the \$55bn consortium acquisition of Electronic Arts (the largest LBO on record). An increase in smaller transactions lifted deal count to the highest level since Q1 2022 and, although aggregate deal values fell by around 18%, they remained c.10% above the US quarterly average for 2021-2025, in a sign of the US's strength across all deal sizes.

APAC sponsor activity increased in 2025, following a strong fourth quarter, with deal value up around 10% year-on-year. Activity pulled back in Q1, with deal volume down 18% year-on-year (287 vs 350) and deal value declining c.31% (\$31.5bn vs \$45.7bn), reflecting investor selectivity and a continued shift toward structured transactions, cash-generative sectors and new partnership models.

MOMENTUM FOR CONSUMER CARVE-OUTS

Following a record year for European sponsor carve-outs, there is a promising pipeline for 2026 with rollover structures likely to feature prominently

What are we seeing?

European sponsors completed record levels of corporate carve-outs in 2025, a third consecutive year of growth.¹⁷ While corporate-to-corporate deals remain common, as illustrated by Unilever's announced combination of its food division with McCormick, sponsors are increasingly keen buyers and have dominated several recent high-profile auctions – particularly for consumer businesses. Increasingly, sponsor-backed deals involve the seller retaining a meaningful economic exposure to the performance of the carved-out business, whether through retention of an ownership stake or the use of deferred and/or contingent consideration structures.

What is driving this?

The strong pipeline for consumer carve-outs reflects a renewed corporate push for portfolio optimisation, as conglomerates seek to carve out non-core units to sharpen focus and redeploy capital into areas of “focused scale”. Greater appetite for pure-play businesses and increasing emphasis on “corporate clarity” are also reinforcing this trend, as large-cap corporates chase the higher valuation premia now commanded by the most streamlined businesses.

Why are sponsors asking sellers to retain an interest?

Complex corporate carve-outs typically require extensive transitional service arrangements between the target and retained businesses. Keeping the seller in the corporate structure is a tool that an acquiring sponsor can use to ensure that interests remain aligned (i.e., transitional service costs remain low) despite significant knowledge asymmetry between the seller and the sponsor. The return waterfall, and its treatment of transitional service fees, is often key to achieving this.

For sponsors, large-cap corporate carve-outs in mature industries can require large equity cheques without a clear path to generating significant EBITDA growth. In that context, asking a seller to retain an interest is an important tool – reducing the upfront equity cheque, retaining key expertise in the boardroom and, if the venture is a success, giving the sponsor a chance to buy-out the seller's remaining interest later.

Recent deal spotlights



*On 31 December 2025, Reckitt Benckiser completed the sale of its Essential Home carve-out to Advent for a \$4.8bn enterprise value, with Reckitt retaining a 30% equity stake.



Nestlé announced that it is exploring sales of its:

- remaining ice cream business to Froneri, a joint venture which it created with PAI Partners in 2016; and
- water unit, with bidders reportedly limited to sponsors CD&R, KKR and PAI who are vying to acquire 50% of the business, with Nestlé retaining the remaining 50%.

FINANCIAL SERVICES BOLT-ONS IN FOCUS

Buy-and-build strategies are increasingly popular for sponsors, with fragmented financial services markets a key target

What are we seeing?

Alongside a number of strategic FIG large-cap deals, sponsors are continuing to target mid- and small-cap financial services businesses in fragmented sub-markets as part of buy-and-build consolidation strategies, and the rate of European sponsor bolt-ons (relative to all sponsor deals) matched its five-year high. In this context, financial services continue to attract significant focus from sponsors, with volumes at elevated levels (c.9-10%) relative to other sectors over the past three years.¹⁸

Why is sponsor appetite for buy-and-build so strong?

As it becomes harder to rely on multiple expansion to deliver returns, and optimisation through operational improvement remains challenging, sponsors frequently use buy-and-build platform strategies to drive value. Bolt-on acquisitions typically require less leverage, which has proven advantageous in the recent higher-rate environment, and can be quick to conduct diligence and integrate. This reduces execution and exit risks while enabling sponsors to scale up high-performing businesses and deploy extensive amounts of capital into strong platforms.

Why is financial services a key target?

Financial services is proving to be a particularly attractive sector for sponsor buy-and-build strategies. A number of sub-markets are highly fragmented, including insurance brokerage, wealth management / independent financial advice and specialist parts of asset management (e.g., pensions). In a client-driven, technology-enabled market, consolidation also delivers distinctive advantages for financial services: adding established products and client books to existing platforms, realising operating efficiencies and cost synergies through shared functions, and leveraging a more unified platform with greater technology capabilities and cross-selling opportunities (see p.22). By consolidating small-cap businesses into mid- and large-cap businesses, sponsors also benefit from advantageous multiple re-rating.

What should dealmakers have in mind?

01 Equity rollover: For consolidation platforms, equity financing is common – with target shareholders rolled up into the consolidator's shareholder base. It reduces upfront funding pressure, aligns management incentives and makes it easier to hold sellers to their restrictive covenants. In a downside scenario, those positives must be balanced against the risks inherent in a wide shareholder base with differing return outcomes. This may present challenges during the period of ownership (as out-of-the-money equity ceases to be a performance incentive) and on exit, where interests may not be aligned.

02 Antitrust risk: The UK Competition and Markets Authority is increasingly scrutinising sponsor consolidation plays as a potential competition risk. See, for example, the merger control investigation into IVC's acquisitions of eight veterinary businesses (2023), reforms following its veterinary market investigation (2026), and ongoing market study into dental services (2026) – sectors which have seen extensive sponsor consolidation in recent years.

Sponsors should assess acquisition roadmaps for antitrust risks early on, particularly as transactions may face regulatory scrutiny after the fact. This can result in a painful unravelling and the removal of any rolled target shareholders from the equity.

FINANCIAL SERVICES BOLT-ONS IN FOCUS – UK WEALTH MANAGEMENT CONSOLIDATION

UK wealth management consolidation accelerates, driven by demand for scale and resilient revenues

What are we seeing?

In the UK bolt-ons market, wealth management has been a prominent theme as sponsors have built consolidation platforms to build scale in a fragmented market. This trend continued to play out, most notably through an exit from one of the most successful consolidation platforms as *Permira and Warburg Pincus sold Evelyn Partners to NatWest Group.

Notable ongoing UK wealth management consolidation plays also include:



Titan Wealth, which continued its acquisition spree by purchasing Independent Wealth Planners and two regional targets.



*Inflexion's investment in Absolute Financial Group, a new consolidator for UK independent financial advisers.



*Pollen Street Capital's acquisition of Mattioli Woods plc and its subsequent merger with fellow sponsor-backed wealth manager Kingswood Group.



*Nucleus Financial's acquisitions of Curtis Banks and Third Financial.

Deal spotlight: £2.7bn sponsor exit for buy-and-build consolidator Evelyn Partners*

In February 2026, Permira and Warburg Pincus agreed to sell buy-and-build entity Evelyn Partners to NatWest Group for an enterprise value of £2.7bn, at an EBITDA multiple of 15x. The sale follows a competitive auction, with other major financial institutions participating in the auction process. It marks one of the largest UK and European sponsor exits in recent months.

Evelyn Partners' £2.7bn valuation is the culmination of a long-term buy-and-build strategy pursued by Permira. Permira acquired Bestinvest in 2014 for an enterprise value of c. £160m, which was then combined with Tilney in 2014, Towry in 2016 and Smith & Williamson in 2020 (supported by an investment from Warburg Pincus). It was rebranded as Evelyn Partners in 2022.

The exit forms part of another consolidation play, bringing £69bn of AUMA to NatWest Group and increasing its AUMA to £127bn – and is expected to make NatWest Group the leading private bank and wealth manager in the UK.

The acquisition accelerates the delivery of NatWest Group's strategy by significantly expanding fee-based income and reducing reliance on rate-dependent revenues. More broadly, it reflects a wider trend among banks to use wealth management M&A to rebalance earnings away from deposit- and lending-driven income towards more capital-light, macro-resilient revenues – particularly given recent rate cuts in Europe and the US.



“ When we invested in 2014, we believed UK wealth management would increasingly reward scale, advice-led models and institutional investment standards. Over more than a decade, Evelyn Partners has been built deliberately around that conviction. ”

Chris Pell, Managing Director of Permira

JAPAN'S PRIVATE EQUITY MOMENT

Structural reform, cultural acceptance and deep deal flow are positioning Japan as Asia's leading market for sponsor activity

Japan was the standout story for sponsors in Asia in 2025. Sponsor-backed capital invested rose 144% year-on-year to reach \$44.8bn, accounting for over a quarter of all sponsor-backed investment value in Asia, as the country attracted several of the region's largest buyout transactions.¹⁹

Where sponsors were once labelled vulture funds by the Japanese corporate establishment and treated with suspicion, both global and domestic sponsors are now rapidly expanding their Tokyo presence.

With a continuing supply of deals from governance-driven carve-outs, activist-prompted disposals and succession planning, Japan is expected to remain at the forefront of sponsor activity in Asia throughout the year.²⁰

The drivers are structural, not cyclical



Governance reform

The Tokyo Stock Exchange's push to improve price-to-book ratios, combined with the Japanese Ministry of Economy, Trade and Industry's legal reforms, has fostered a more dynamic and active M&A market.



Activist pressure

Public activist campaigns in Japan have surged materially year-on-year, adding external pressure on management teams to unlock value.



Favourable financing

Japan retains one of the lowest base rates among developed markets, with leveraged buyouts financed predominantly through senior bank debt at low all-in costs. This has enhanced equity returns and underpinned Japan's outsized share of sponsor activity in Asia, even against a backdrop of lower domestic growth.



Succession crisis

A demographic dynamic unique to Japan, where a significant proportion of ageing SME owners face retirement without successors, is generating deal flow and driving a growing acceptance of sponsor-backed transitions.

SLAUGHTER AND MAY/

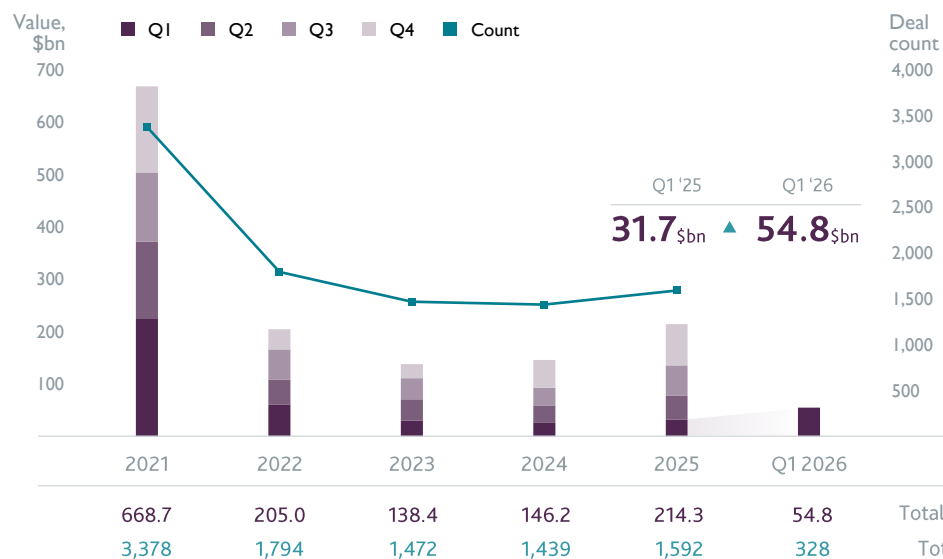
EQUITY CAPITAL MARKETS

1. Global ECM activity
2. Global activism activity
3. APAC ECM update
4. Hong Kong IPO resurgence comes with sharper regulatory edges
5. European ECM update
6. UK and EU prospectus reforms
7. PISCES tests the waters

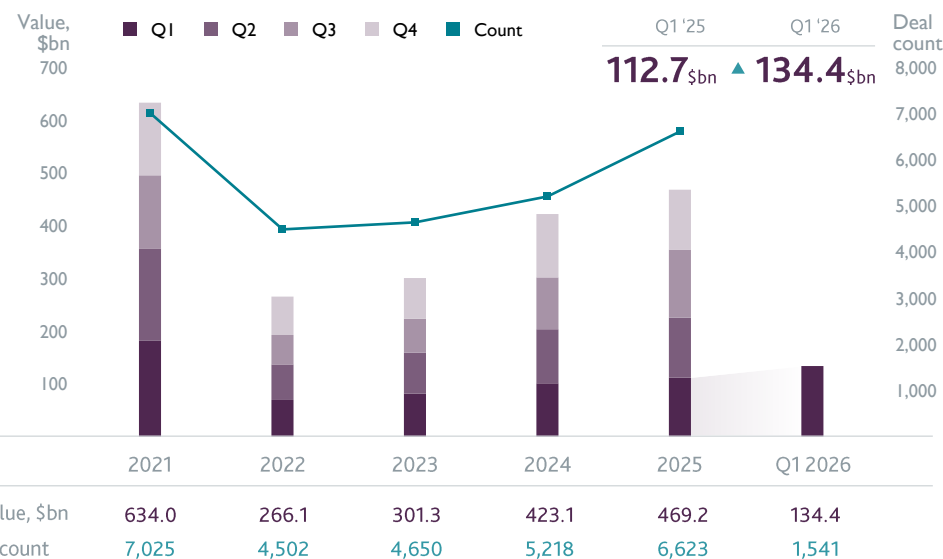
GLOBAL ECM UPDATE

Sustained momentum from 2025, but macro and geopolitical events started to weigh on activity towards quarter-end

GLOBAL IPOs



GLOBAL SECONDARY RAISINGS



Source: Bloomberg Finance L.P.²¹

Q1 was the strongest first quarter in value terms since 2021 for both global IPO activity and secondary capital raisings, sustaining the momentum built through H2 2025. IPO proceeds performed 73% ahead of a relatively subdued Q1 2025 as deal count remained broadly flat. Stronger values over a lower number of secondary raisings show investor willingness to deploy capital on mega-deals, including Zurich's \$5bn raising and Rosebank Industries' c.£1.9bn raising to support acquisitions.

However, fallout from the conflict in the Middle East appears to be weighing on the market as IPOs and secondaries declined sharply in the last week of the quarter against prior weekly averages.

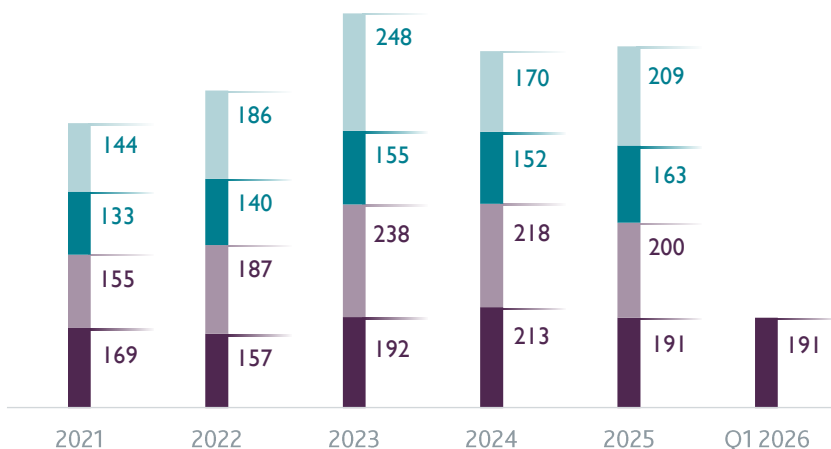
Global outlook for 2026 remains positive, with a pipeline of mega-cap candidates pointing to strong IPO values (if not volumes) later this year. SpaceX confidentially filed for an IPO on 1 April, reportedly seeking to raise a record \$75bn (at a \$1.75 trillion valuation), over double the current global record (\$29.44bn: Saudi Aramco). Anthropic and OpenAI are also reportedly planning to test the market in 2026. If any of this trio come to market, it remains to be seen whether such mega-listings would encourage a surge of US and European IPOs or would (in the US at least) absorb capacity and demand.

GLOBAL SHAREHOLDER ACTIVISM UPDATE

Shareholder activism remains firmly on the corporate agenda, as global campaign volumes hold strong

NUMBER OF CAMPAIGNS GLOBALLY

■ Q1 ■ Q2 ■ Q3 ■ Q4

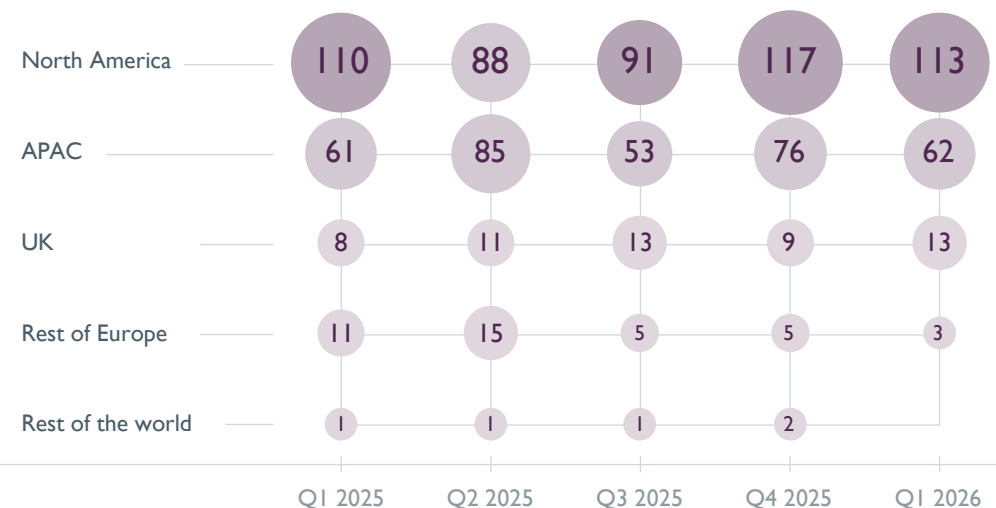


Source: Bloomberg Finance L.P.²²

The US and Japan (which accounted for 93% and 80% of the campaigns recorded in the North America and APAC regions respectively) together dominated global activism activity. Europe saw another busy quarter sustaining the momentum seen in the second half of 2025 with activity focused on UK-listed companies which were targeted in 13 of the 16 public campaigns in Europe.

Board and management changes remain the leading campaign objective globally (43% of campaigns) often alongside a broader agenda. Activists achieved representation on the boards of 39 targets globally in the first quarter, already over a third of the full-year total for 2025,²³ with the proposed appointment of a Cevian nominated representative to AkzoNobel's Supervisory Board thought to be a first in the Dutch market. Activists have maintained their focus on M&A, with M&A-related demands appearing on the agenda of 27% of global campaigns playing out.

NUMBER OF CAMPAIGNS BY REGION

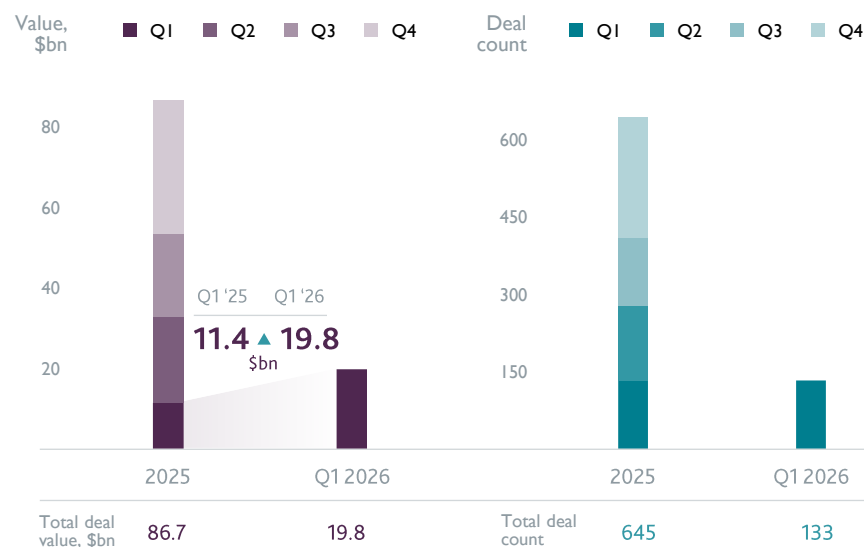


Although traditional activist investors wage the highest number of campaigns globally, the number of campaigns by occasional activists is almost on equal footing. A history of successful campaigns is no longer a prerequisite to win support from proxy advisers and institutional investors. AI is unsurprisingly reshaping the activist landscape, facilitating occasional activists in spotting opportunities, and building theses on potential targets – raising the bar for target preparedness and campaign defence.

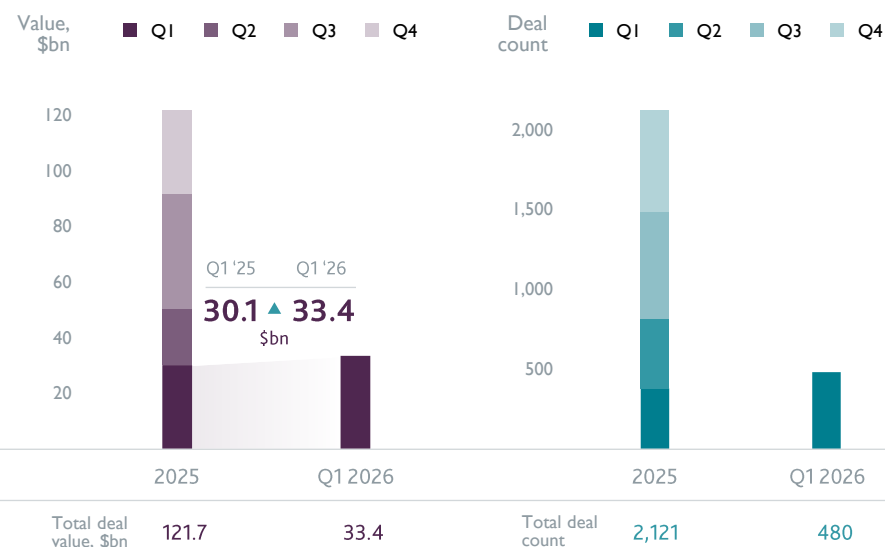
APAC ECM UPDATE

Strong IPO issuance led by Hong Kong, alongside sustained secondary capital raising across the region, underpins activity

APAC IPOs



APAC SECONDARY RAISINGS



Source: Bloomberg Finance L.P.²⁴

APAC IPO activity strengthened through 2025, underpinned by improving market sentiment, stabilising valuations and a backlog of issuers that had delayed listings during earlier periods of market volatility. Heightened regulatory scrutiny and greater emphasis on execution quality have led to more disciplined approaches to IPO timing in 2026. Nevertheless, activity in the region has remained resilient and increasingly value-driven – with IPO levels on a par with Q1 2025 and a meaningful year-on-year increase in aggregate capital raised – pointing to stronger issuer profiles and improved investor conviction supporting larger transactions.

Hong Kong continues to play a central role in the region's IPOs, accounting for 32 of the 133 APAC IPOs and approximately \$11.5bn of the \$19.8bn raised, reflecting Hong Kong's deep liquidity pools, broad international investor base and its ability to support complex and sizeable transactions. Hong Kong has benefitted from sustained pipelines of Mainland Chinese and cross-border issuers seeking offshore capital, alongside listing regime reforms that have widened eligibility for biotech, specialist technology and pre-profit companies.

APAC secondary markets remained robust. Accelerated bookbuilds and other streamlined issuance formats have continued to underpin secondary volumes, offering listed issuers speed, flexibility and execution certainty amid intermittent market volatility.

HONG KONG IPO RESURGENCE COMES WITH SHARPER REGULATORY EDGES

Rising volumes and regulatory expectations are reshaping the approach to IPO preparation, resourcing and disclosure



Hong Kong's IPO market rebounded strongly in 2025, primarily driven by listings from leading Mainland Chinese issuers and an increasing concentration of technology-focused and innovation-led companies. Rising geopolitical complexity and a more demanding regulatory and audit environment in the US have prompted many companies to reconsider whether a US IPO remains a viable or efficient route to market.

While issuer eligibility remains a threshold consideration, regulatory scrutiny in Hong Kong has increasingly focused on execution quality, with documentation standards, depth of due diligence and sponsor capacity now central to the listing process.

Proposals to extend accountability beyond sponsors to legal and accounting advisers signal a move towards ecosystem-wide responsibility for IPO standards, rather than isolated gatekeeping.

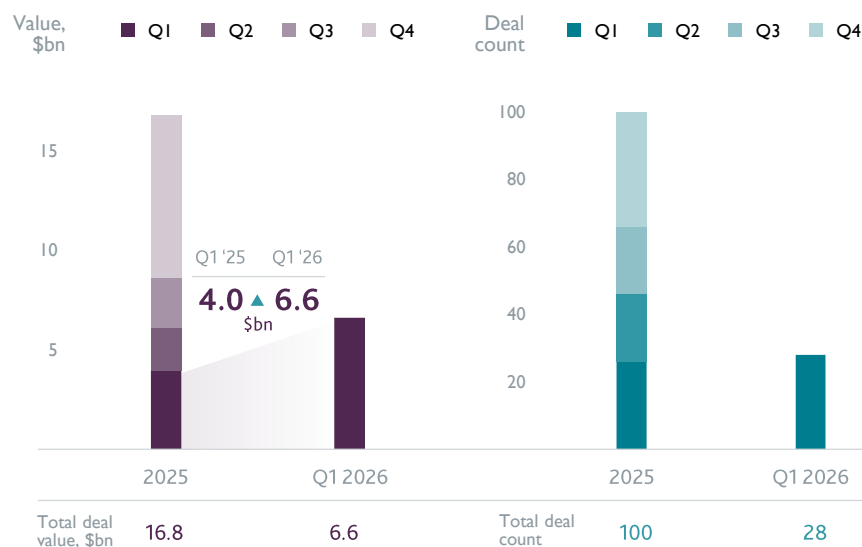
Successful IPO outcomes are now increasingly shaped well before filing, with early preparation, credible timelines and execution discipline becoming key differentiators.

In this environment, advisers with a longstanding reputation for rigorous analysis, clear disclosure and consistent regulatory engagement are particularly well positioned to support complex or high-profile listings.

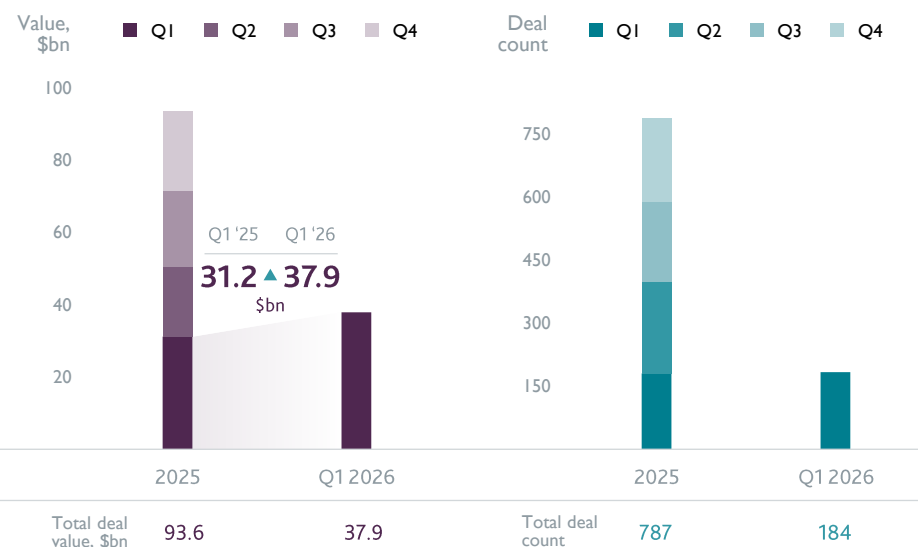
EUROPEAN ECM UPDATE

Optimism for Europe's IPO market is tested by global conflict and AI disruption, but secondary capital raising shows resilience

EUROPEAN IPOs



EUROPEAN SECONDARY RAISINGS



Source: Bloomberg Finance L.P.²⁵

European IPOs recorded their strongest Q1 by both count and value since 2021, building on a well-received end to 2025 in the UK – including *Shawbrook's listing. Czechoslovak Group's listing on Euronext Amsterdam in January was a standout – the largest-ever IPO in the defence sector – demonstrating strong appetite for the sector in the current climate.

European secondary activity was similarly strong. London listed Rosebank Industries raised c.£1.9bn through an institutional capital raise in March to fund two US-based acquisitions, reiterating London's capacity for follow-on activity after a series of significant capital raises throughout 2025.

The optimism for a sustained wave of European IPOs through 2026 is, however, being tested by heightened market volatility and timing risk. Some prospective issuers have reportedly delayed plans in the wake of the conflict – notably, travel business, Loveholidays, which was expected to be London's first significant listing of 2026. Visma, among the most closely watched London software and fintech candidates, is reportedly considering pushing its listing back following a sell-off in the software sector triggered by concerns about the disruptive impact of AI on SaaS businesses – creating a more challenging pricing environment.

Nevertheless, the UK and European IPO pipeline remains well-stocked, and with the majority targeting a listing later in 2026 or early 2027, which is expected to allow time for conditions to ease before IPO activity returns.

MAKING THE MOST OF UK AND EU PROSPECTUS REFORMS

Regulatory reforms aim to make secondary capital raisings faster and cheaper, but developing market practice must balance risk and opportunity

The UK (since January 2026) and the EU (since December 2024) have both made long-awaited changes to their public offers and prospectus regimes which, in principle, make it easier and quicker for a company to do a large secondary fundraising without having to publish a prospectus. Very few pre-emptive offers have been launched since the reforms took effect, so as yet neither regime has been properly tested.

In principle, a company subject to the UK prospectus regime can now do a secondary issuance (such as a rights issue or open offer) of up to 75% of its existing share capital without having to publish a prospectus or other prescribed form of disclosure document – up from 20% under the old rules. In practice, the formal public announcement will still need to include certain minimum information – and a company may want to disclose additional information to set a baseline for the issue or to reduce liability risk.



Secondary issuances of up to

75%

of existing share capital without a UK prospectus

US considerations

The reforms do not, however, mean that public documentation can be avoided in all cases. Where, for example, US investors represent a significant proportion of the company's existing share register or where underwriting banks want to be able to sell any unwanted "rump" shares to US investors, additional disclosures will likely be needed to meet US investor expectations and manage risks – principally, liability under Rule 10b-5 US Securities Exchange Act 1934.

These risks have traditionally been managed through extensive disclosure in the offering document (in the UK, a prospectus). Publishing a "voluntary" prospectus or an offering memorandum with similar content is therefore likely to remain the preferred option for banks seeking to manage these same risks under the new rules – as opposed to, for example, relying solely on disclosure in a public announcement combined with representation letters from participating US institutional investors.

An opportunity for flexibility

Companies with a US element to their offering should, however, balance the US-related risk and resource required to produce a prospectus against the opportunity presented by the prospectus reforms.

To capitalise on the intended benefit of the reforms, issuers, banks and legal counsel should consider at the outset whether more streamlined disclosure can be achieved (taking into account, for example, the size of the issue; the extent of US investor participation; the scope and quality of the company's previous disclosures and the banks involved and their requirements and the perceived level of US-related risks).

PISCES TESTS THE WATERS

As the first trades are launched on the UK's new private share trading platforms, the EU considers whether to follow suit



WHAT PISCES OFFERS

A PISCES platform is a new type of UK regulated trading platform that allows trading of shares in private companies within scheduled, periodic windows, as opposed to continuous trading. The idea is loosely modelled on Nasdaq Private Markets, where blocks of shares in private US companies (including OpenAI and Pinterest) are traded.

As companies increasingly remain privately held for longer, PISCES platforms are designed to offer a new route to liquidity for existing investors in private companies as a step towards or alternative to IPO – and to boost UK markets. However, PISCES has its limits: it does not currently allow primary fundraisings or access to retail investors, and it is expected to operate within the FCA's regulatory sandbox until 2030.

The EU takes note

In March 2026, the EU launched a consultation on the merits and possible features of a platform for secondary trading of private company shares – as well as the merits of extending such a platform to primary fundraisings. The EU is clear that any such regime should not be seen as a substitute for public listings; instead, it should facilitate exits and ultimately support a company's transition towards public markets. The EC will no doubt be watching the progress of PISCES closely.

The first trades

Although the London Stock Exchange was the first operator to receive approval to provide a PISCES platform (known as the Private Securities Market), JP Jenkins' platform was the first to facilitate a trade.



VC-backed QPlay traded on JP Jenkins' platform between 18 and 24 March 2026 for a valuation of c.£42m.



The LSE's Private Securities Market also saw its first trade in March: shares in Tradable Private Equity.

What will PISCES add to UK capital markets?

With the first trades successfully executed, more companies are expected to come forward to participate, particularly smaller companies with diversified cap tables or where a near-term IPO or other exit has become less certain. Whether the platform will evolve into a meaningful method for large private companies to access liquidity – both the permanently private and those on their way to IPO – remains to be seen.

Whilst evidence from the US suggests that PISCES platforms are likely to be useful for smaller, more frequent sales with larger stakes continuing to be sold via bilateral negotiations or bank-facilitated book-building processes, the clearest sign of success will come if a high-value private company steps forward in search of sizeable secondary liquidity.

SLAUGHTER AND MAY/

DEBT MARKETS

1. Credit headlines
2. Loan market activity
3. Transfer restrictions in syndicated loans
4. Bond market activity
5. M&A financing
6. Direct lending
7. Private credit under scrutiny

CREDIT HEADLINES

A strong start to the year gives way to more selective and cautious markets

Following a record year for the credit markets in 2025, Q1 2026 got off to a strong start, but activity began to slow during February. Concerns about creditors' exposure to software companies facing disruption from agentic AI, reinforced by economic uncertainty and the Iran war and the resultant surge in energy and commodity prices, all contributed to a fall in activity in the run up to the Easter break.

“ Heightened uncertainty and unpredictability have made it harder for markets to price underlying economic fundamentals, increasing the likelihood and magnitude of sharp market shifts in response to new information. ”

(Bank of England Financial Policy Committee, 27 March 2026)

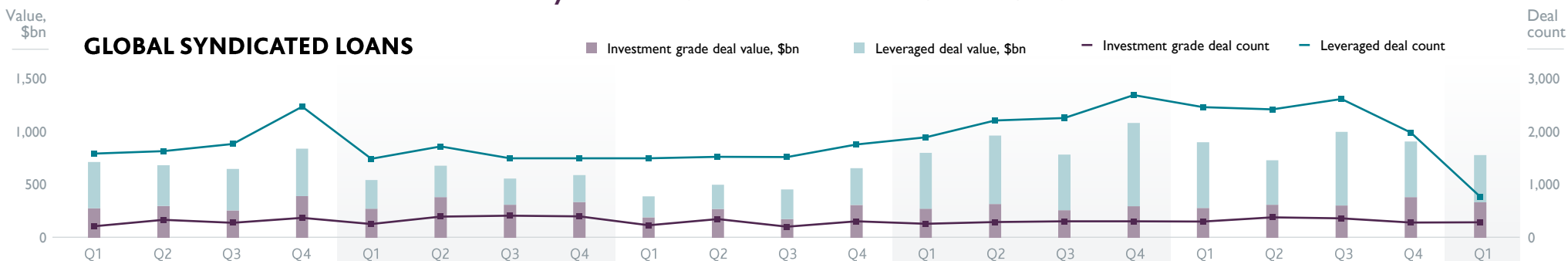
Q1 takeaways	Market outlook
01 Volumes of syndicated loans fell to the lowest levels in two years globally. Investment grade issuance remained reasonably resilient, supporting a number of issuers who brought forward their financing plans, concerned about the prospect of widening spreads and further pressure on working capital as the year progresses. The flow of refinancings and amendments was insufficient to counterbalance the pause in repricing and M&A/LBO transactions in the final weeks of the quarter.	Market participants are focused on the likelihood of sustainable de-escalation of the Middle East conflict, and what that might mean for inflation, interest rates and growth.
02 Event-driven lending is apparent, but activity levels have not met expectations built on the momentum of 2025. The mood is cautious, although as the number of “mega-deals” during the quarter illustrates, underwriting is available for the right credits and transactions.	
03 Another positive story is the investment grade bond market, which experienced a record Q1 globally. Issuers are taking a strategic approach in the face of heightened volatility, ensuring documentation is ready, consents and authorities are in place, and investor relations teams briefed so they are ready to come to market as windows open.	Rate rises are expected in the US. However, the European Central Bank and the Bank of England are signalling that monetary policy will be “held steady” until the impact becomes clearer, given the current shocks are landing on economies that are, relatively speaking, in better shape than in 2022.
04 Both the leveraged lending and the high yield markets have experienced challenges. Some of the larger leveraged transactions to emerge during March have cleared the market, but priced wider than might have been the case at the end of last year. The high yield market experienced a busy start to the year, but overall, a disappointing quarter, with European issuance effectively coming to a standstill for much of March.	Q1 data illustrates scepticism about rates holding firm across the board, with key indices showing a widening of bond spreads, in the US, in APAC, in the euro area and in the UK.

LOAN MARKET ACTIVITY LEVELS

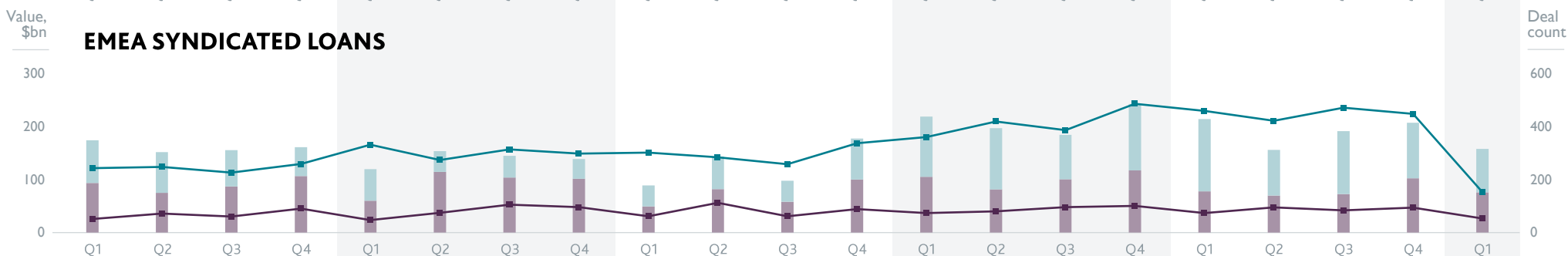
“ Global loan issuance falls 67% as volatility bites ” (Pitchbook Global Loan Statistics Report, February 2026)

GLOBAL SYNDICATED LOANS

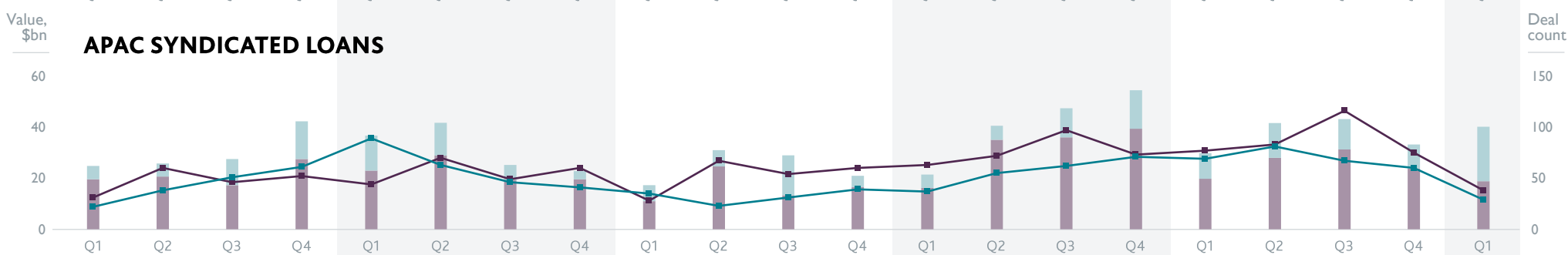
Investment grade deal value, \$bn Leveraged deal value, \$bn Investment grade deal count Leveraged deal count



EMEA SYNDICATED LOANS



APAC SYNDICATED LOANS



LOAN MARKET VOLUMES FAIL TO REACH EXPECTATIONS

Early momentum curtailed by AI shocks and Middle East conflict

In the US, 2025 was the second busiest year on record for lending activity. In Europe, volumes reached €250bn, a post-global financial crisis record. That momentum continued into the first weeks of 2026. In February, the position deteriorated, prompted first by Anthropic's launch of its new AI tool, Claude CoWork.

The outbreak of the war prompted a drop in demand for event-driven financing, with many deals put on hold or postponed. The economic backdrop also put the brakes on some of the repricing activity seen during the previous 12 months.



High grade loan volumes remain relatively robust

The final Q1 figures indicated that syndicated loan volumes for high grade issuers, although down on Q4 2025 (the busiest of last year), measured up reasonably well globally against 2025 quarterly volumes, supported by some significant M&A transactions and a continuing, although reduced, flow of refinancing transactions.



Borrowers act early as rate expectations reset

As expectations regarding interest rates cuts in the US, the EU and the UK moved towards (at best) "higher for longer", we saw a number of borrowers push forward their refinancing plans, for fear the position could worsen as the year progresses. Certain companies, anticipating volatility in energy and commodity markets, took steps to secure additional liquidity lines as a precautionary measure.



Leveraged loan activity falls back despite landmark transactions

The leveraged market saw the biggest drop in activity, with global loan volumes almost 30% lower compared to Q1 2025. Transaction numbers were down almost 70%, revealing the impact of a handful of very large transactions on the Q1 figures. Debt packages supporting the Electronic Arts buyout (\$18bn+) and \$6bn+ financings for each of Nextstar's purchase of Tegna and CD&R's acquisition of Sealed Air have tested leveraged loan and high yield investors' appetite during recent weeks. All cleared the market but are indicated to have priced wider (to varying degrees) than early-year expectations.



European issuance concentrated early in the quarter

European leveraged loan data illustrates particularly clearly the impact of the Iran war and concerns around regional energy supply. In EMEA, \$82.4bn of syndicated loans were issued in January 2026, an 8% year-on-year increase, largely attributable to an increase in leveraged issuance. 82% of Q1 issuance took place during January and February.

SPREADS WIDEN AND TERMS TIGHTEN, SELECTIVELY

Popular credits continue to enjoy borrower-friendly terms

Loan spreads became increasingly compressed during 2025. During Q1 2026, average spreads ticked upwards in the UK, in Europe and in the US, in particular in the sub-investment grade space.

For example, in February, average all-in spreads on European TLB widened to EURIBOR+362 (up from EURIBOR+321 in January). In the US, spreads for B-rated issuers widened by 100bps in February and March, relative to January levels.



Cautious market environment favours high grade borrowers

Lenders are treading carefully. Wider pricing and tighter terms are most apparent in the sub-investment grade space. The more volatile environment has prompted the usual flight to quality, providing an opportunity for higher grade borrowers. A number of strong investment grade credits have improved on pre-existing terms in Q1 2026 financings (for example, the removal of financial covenants), and a range of significant investment grade acquisition financings closed in March, for example a *\$40bn bridge loan to SoftBank Group (for general corporate purposes and in connection with investments in Open AI).



Increased scrutiny of aggressive terms

In the sub-investment grade market, even pre-Iran war there were signs that leveraged loan investors were starting to push back more strongly on the most aggressive terms. A key focus, with the emergence of US-style liability management exercises in Europe, has been on attempting to close off loopholes in documentation that permit the incurrence of super-priority debt or the removal of assets from the credit group.

Restrictions on transfer have been another area of contention over the last six months; many transactions have featured extensive controls on transfers, inhibiting investors' ability to sell out of positions as needed. It is only more recently that investors have had scope (depending on the deal) to resist the most restrictive provisions more strongly.



Borrower-friendly terms prevail overall

Other than in relation to those specific points, borrower-friendly leveraged loan terms remain the rule rather than the exception. It is certainly not clear that recent market shocks are translating beyond pricing into tighter terms market-wide; EBITDA add-backs and covenant permissions remain flexible. The continuing availability of flexible terms, coupled with the absence of call protections and the potential for opportunistic repricing suggests that sub-investment grade issuers will continue to prefer loans to high yield where the market affords a choice.

TRANSFER RESTRICTIONS IN SYNDICATED LOANS

A key area of focus for leveraged loan investors as the market enters a more volatile phase

01

Transfer restrictions inhibit lenders' ability to exit or trade positions at speed in distress situations. Transferability is widely considered to be the quid pro quo for covenant flexibility in leveraged lending.

02

Somewhat paradoxically, over the last few years transfer restrictions in some leveraged loans have become more stringent and granular than those applicable in relationship-driven investment grade loans.

03

This topic is increasingly mentioned as a key concern for investors as the market enters a more volatile phase.

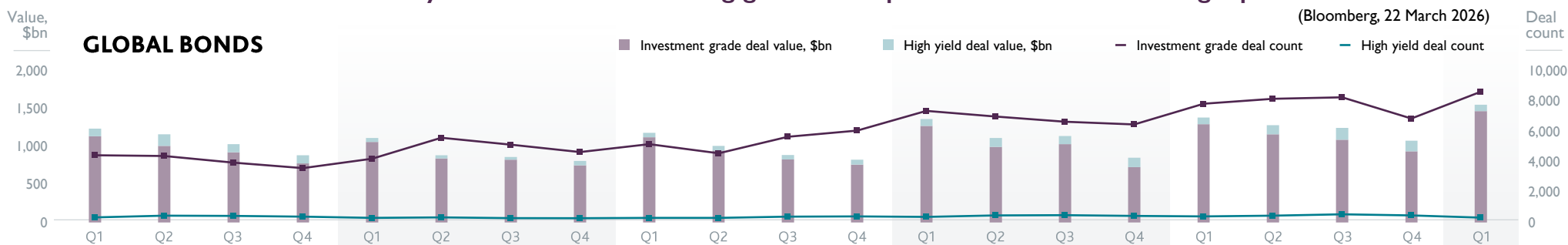
	INVESTMENT GRADE EMEA	LEVERAGED EMEA
Borrower consent requirement	Required save for transfers to Lender Affiliates and while Event of Default continuing	Required in the majority of cases subject to approved lender lists (whitelists) which can often be adjusted by the borrower (within parameters)
Consent not to be unreasonably withheld	Standard	Not always applicable
Disqualified lender (DQ) lists	Not typical	DQ lists common and increasingly widely drafted
Deemed consent	Standard – typically 5 business days	Increasingly absent – active consent required
Requirement to pre-notify borrower of transfer	Not typical	Required even for whitelisted transferees
Minimum transfer amounts	Not typical (minimum hold amount more common)	€1m is standard – but escalating – up to €5m in some deals
Restrictions on sub-participation etc.	Not typical but negotiated by some stronger credits	Not typical but becoming more common

BOND MARKET ACTIVITY LEVELS

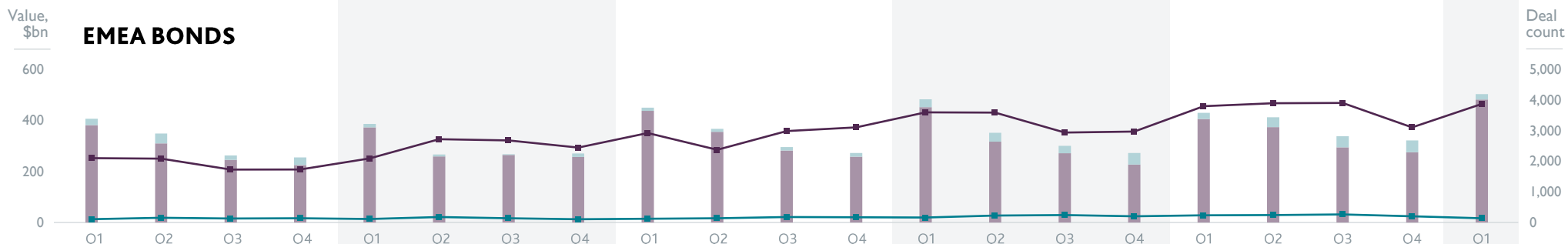
“Bond markets have stayed open, but issuance has become episodic since the Iran war began, with borrowers crowding into short windows of stability and investors demanding greater compensation for inflation and geopolitical risk.”

(Bloomberg, 22 March 2026)

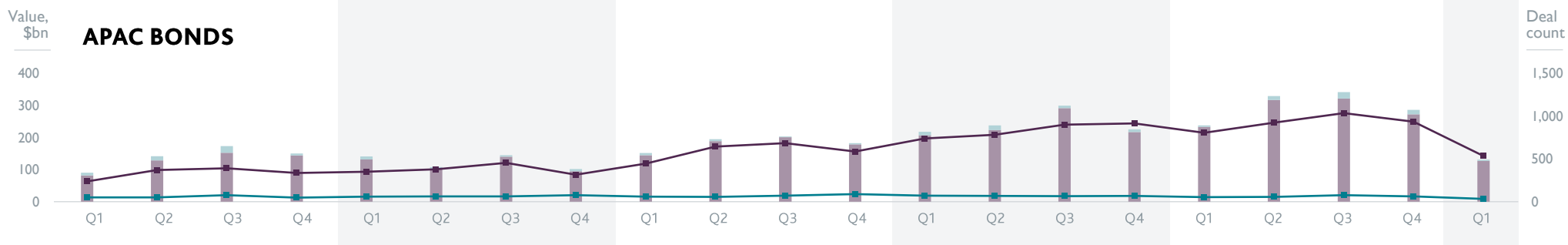
GLOBAL BONDS



EMEA BONDS



APAC BONDS



2021 2022 2023 2024 2025 2026

A MIXED PICTURE IN THE BOND MARKET

High grade breaks records, high yield falls away

Global investment grade bond issuance hit the highest quarterly levels seen in the last five years, in terms of both volume and number of deals. High yield issuance, on the other hand, was very subdued, with global deal numbers down almost 20% on Q1 2025 (the quietest quarter of 2025) and the lowest quarterly issuance, by value and by deal count, since 2023.

High yield issuance was limited and sporadic from mid-February onwards, down almost 40% on Q1 2025, perhaps in part due to the customary preference from leveraged issuers for loans in periods of heightened uncertainty. The downsizing of the €1.08bn bond forming part of the Electronic Arts buyout package, in favour of an upsizing of the loan component is a case in point. Similarly, Paramount's bumper debt package supporting its bid for WBD has been structured using loans over high yield issuance.

Issuers across the credit spectrum are alive to the need to pay careful attention to timing; adopting an "ever ready" approach to issuance, with documentation and consents kept ready to go as and when a window opens.



HIGHEST

Investment grade
issuance in five years

LOWEST

High yield issuance
since 2023

In EMEA, Q1 broadly kept pace with 2025 in terms of activity levels, but it was a record quarter for volumes, illustrating continuing demand for higher grade issuance.

The story was more gloomy in APAC, the impact of the Middle East conflict weighing heavily on debt capital markets activity. Both investment grade and high yield issuance levels were below expectations and significantly down on 2025 averages. Quarterly investment grade issuance fell to its lowest level since 2022.

M&A FINANCING – TRENDS AND OBSERVATIONS

Careful structuring of debt packages to minimise execution risk

While Q1 has brought a welcome wave of “mega-deals”, the deal pipeline (and so the debt pipeline) has been slowed by geopolitical developments.

Against a more volatile backdrop, financing requirements for both corporate M&A and LBOs are being structured carefully to minimise execution risk.

01 Full-value commitments

Bidders may draw on a combination of sources to fund public to private transactions (equity raises, third party debt and existing cash reserves), but we have increasingly seen acquirers raise bridge financing that covers the entire transaction value. The principal advantage is structural simplicity. A single facility eliminates the administrative complexity of reporting across multiple funding lines and the need to escrow funds for cash confirmation purposes.

02 Minimising fees

A full-value bridge financing increases potential commitment fees. Ticking fees which accrue only as drawn amounts increase over time can reduce the carrying cost of an oversized commitment during the pre-closing period. Another option is to close on a commitment letter appended to an agreed-form facility agreement, to be held in escrow and released at the agreed point. The facility attracts no commitment fees while in escrow.

03 Precision sizing

Sizing acquisition facilities is an ongoing challenge: neither so tight as to create a funding shortfall nor so generous as to carry unnecessary headroom (and associated fees). The ability to cancel or adjust bridge commitments to reflect mix and match results (including FX impacts) is a consideration in public M&A financing, where applicable. Another issue requiring attention in public deals is the treatment of employee share awards under the Cooperation Agreement: what constitutes “participating scheme shares”; how vesting awards are to be satisfied (in target shares, bidder shares or cash); and who bears responsibility for satisfying them.

04 Maximising options

Financing processes may proceed on a dual-track basis, simultaneously pursuing both broadly syndicated loan (BSL) and direct lending (DL) solutions to preserve optionality and create competitive tension that can improve terms. As the lines between the two markets continue to blur, dual-track financing processes have become an increasingly prominent feature of the leveraged finance landscape.

05 Navigating refinancing risk

Volatile conditions in the capital markets put pressure on short-term bridge refinancings. Larger bridge facilities may be structured in multiple tranches with varying maturities and margins to provide some flexibility. Close attention is being paid to extension options for loan tranches that are intended to be refinanced with bonds or equity, to mitigate the risk of forced issuances into unfavourable market conditions.

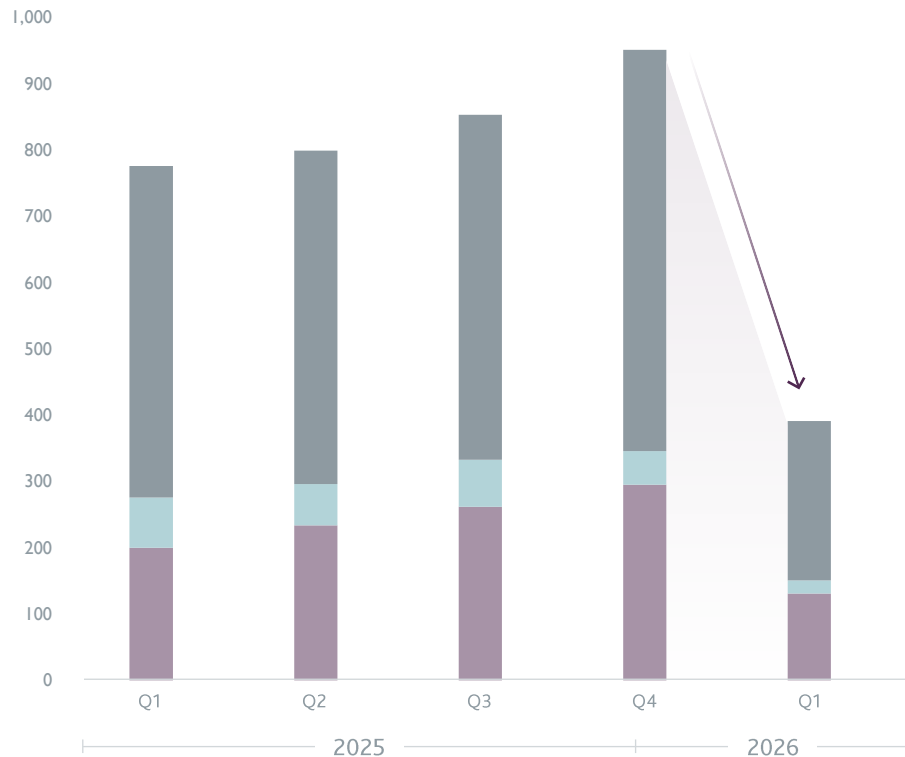
DIRECT LENDING ACTIVITY

Direct lending is subdued by a triple threat of AI disruption, regulatory scrutiny and the fallout from the Iran war, but continues to be the instrument of choice for financing LBOs

DIRECT LENDING DEAL COUNT FALLS

■ EMEA ■ APAC ■ Americas

Deal count

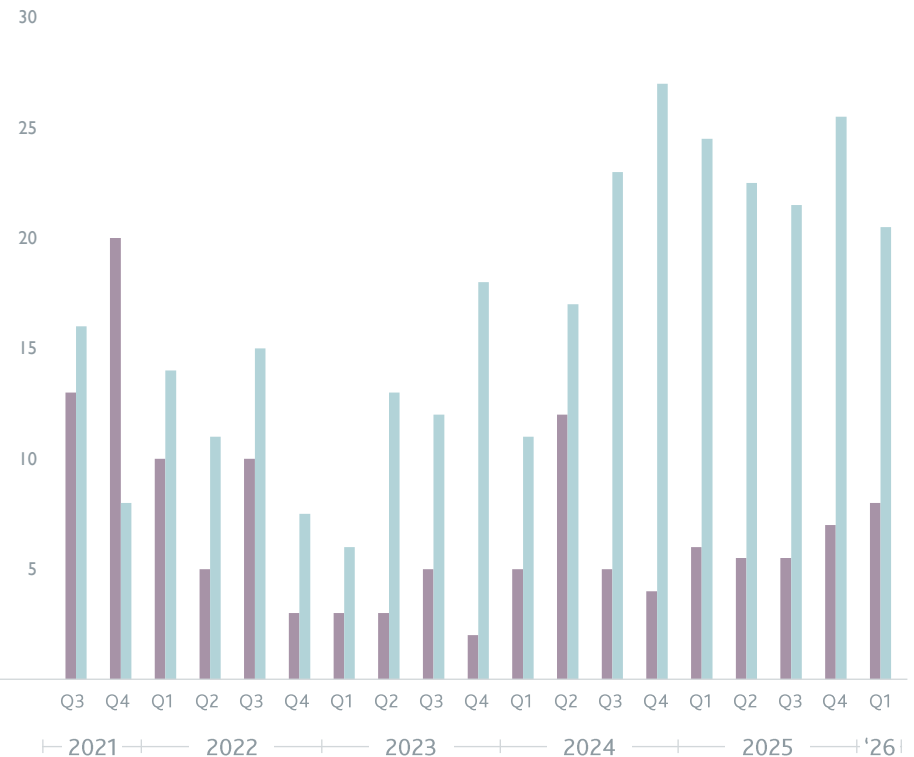


© Octus Private Credit Monitor²⁸

BSL vs DL COMPETITION CONTINUES IN LBO MARKET

■ Syndicated ■ Direct lending

LBO Deal count



© PitchBook LCD European Quarterly Credit Markets Wrap Q1 26²⁹

PRIVATE CREDIT UNDER SCRUTINY

“ Private credit is having a very public breakdown ” (Financial Times, 27 March 2026)



Full year figures for 2025 indicate that DL financed four times more LBOs than BSL, although BSL won on volumes. DL capacity has become larger, but DL has achieved great success in the lower mid-market (€100m–€349m), where its estimated market share in 2025 was 56%.



Towards the end of 2025, and into Q1 2026, the private credit success story has taken a negative turn. In Q4 2025, US DL volumes retreated to the lowest level in two years. In Q1 2026, DL issuance levels were significantly quieter globally, and, in particular, in the US, where the private credit market has been undergoing its first major stress test.



The high profile bankruptcies of TriColour and First Brands initially raised red flags among investors about credit quality and default rates in the private credit world. Subsequent distress situations including defaults by Market Financial Solutions Limited in the UK and in the US, certain healthcare credits, a sector traditionally considered among the more resilient, have contributed to growing concerns around default rates. There is also focus on the lessons to be learned from defaults involving fraudulent situations.



Alongside credit quality considerations, the perceived over-exposure of private credit funds to AI-vulnerable software credits (AI risk) and the economic impacts of the Iran conflict, have all contributed to certain international funds experiencing a wave of redemption requests, forcing managers including Ares, Apollo, Blue Owl and Cliffwater to impose withdrawal caps and look to secondary sales for liquidity.



A key question is how the story playing out in the US might impact private credit activity in Europe and the UK, where it might be argued the outlook for DL, and private credit more broadly, is more nuanced.

REGULATORY

1. Regulatory update
2. China merger control
3. EU merger control
4. A renewed focus on minority shareholdings
5. UK merger control
6. Foreign direct investment regimes and FSR
7. US merger control

REGULATORY UPDATE

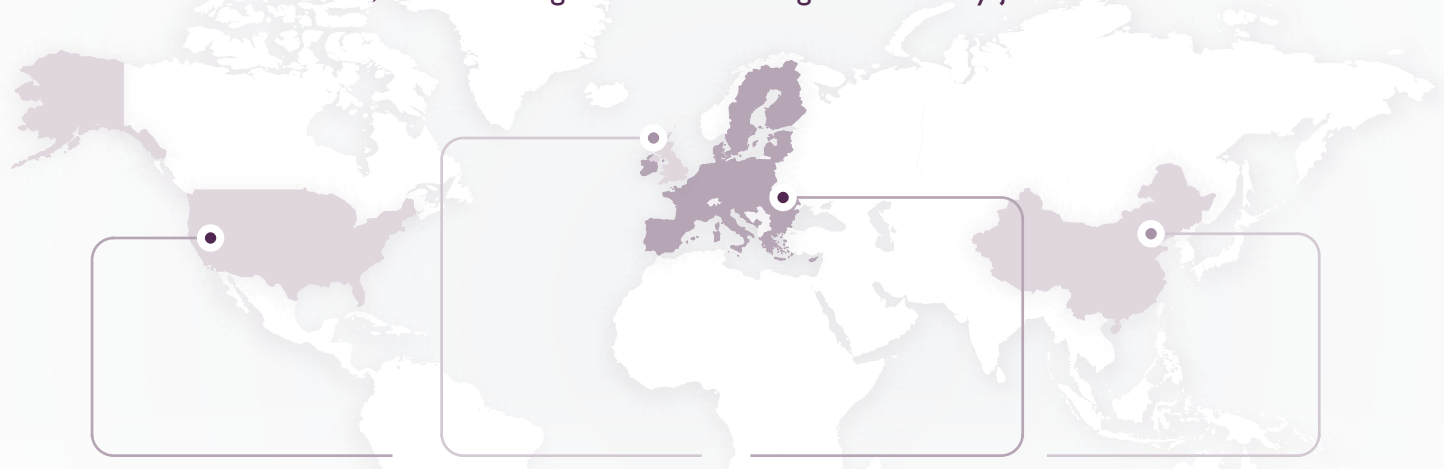
A dynamic merger control landscape calls for sophisticated regulatory strategy

As geopolitical tensions, industrial policy and competitive pressures reshape global markets, merger control is undergoing recalibration across key jurisdictions. Although the foundational principles remain steady, enforcement is being reshaped by political imperatives and evolving policy goals.

In recent years, competition authorities like the UK Competition and Markets Authority (CMA) and the European Commission (EC) have taken an interventionist approach to merger control. The authorities have adopted broad approaches to claim jurisdiction over global transactions and used novel approaches on substantive reviews.

However, a new wave of political influence has encouraged regulators to balance enforcement with broader economic goals, such as stimulating growth and attracting investment.

As competition authorities consider how to adapt merger control policy to reflect this new environment, we are seeing new trends emerge in some key jurisdictions:



The Trump administration shows greater willingness to negotiate remedies – but the US State Attorney Generals (AGs) appear ready to challenge transactions.

Following pressure from the UK government, the CMA is seeking to prioritise economic growth alongside competition enforcement.

The Draghi Report has prompted a rethink of EU competition policy, with new draft Merger Guidelines to be published soon.

China is becoming more interventionist on merger control, issuing more conditional clearances and prohibition decisions than in the past.

The regulatory landscape for M&A is complicated by geopolitical tensions. FDI has become a key area of focus, with governments eager to safeguard strategic industries that are crucial for national security, economic stability, and public safety. The EU's Foreign Subsidies Regulation (FSR) also provides another regulatory hurdle for investors and has the potential to be used as an industrial policy tool.

Merger control is in a new phase marked by both convergence and divergence in enforcement styles. While authorities remain committed to protecting competition, there is growing recognition that merger control should also support investment and strategic priorities. For dealmakers, this means understanding jurisdictional nuances, anticipating dynamic competition arguments, and crafting compelling investment narratives will be key to securing clearance in 2026 and beyond.

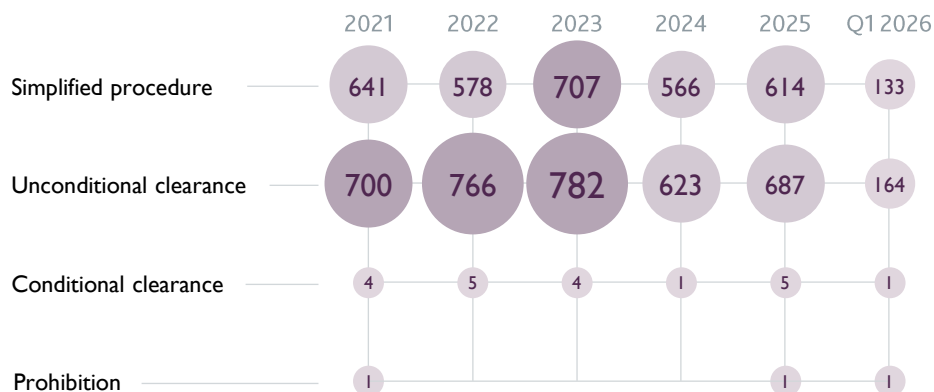
CHINA MERGER CONTROL

SAMR is intervening more often in sensitive or highly concentrated markets, although review remains pragmatic for most³⁰

China is quietly becoming more interventionist on merger control

- Most transactions with a China nexus receive clearance. However, the State Administration for Market Regulation (SAMR) is willing to step in where a deal touches sensitive sectors, supply-critical inputs or highly concentrated markets.
- Statistics show that the simplified procedure applies to most cases, but conditional clearances and prohibitions are on the rise.

ANNUAL MERGER REVIEW STATISTICS



Where SAMR does raise substantive concerns, the route to clearance remains broadly familiar

- SAMR continues to favour behavioural commitments that protect Chinese customers and preserve workable access to supply, rather than structural remedies.
- For deal teams, the key issue is often not clearance risk, but whether the commitments required are commercially acceptable.

BEHAVIOURAL REMEDIES IN RECENT CASES

Conditional clearance	Price caps	Continue supply on FRAND terms	Maintain product quality / service level	Behavioural remedy duration
AAM / Dowlais Jan 2026	✓	✓	✓	5 years
Codelco / SQM Nov 2025*	✓	✓	✓	10 years
Keysight / Spirent Sep 2025*	–	–	–	5 years
Synopsys / Ansys Jul 2025*	–	✓	✓	5 years
ANA / Nippon Cargo Jun 2025	–	✓	✓	~10 years
Bunge / Viterra Jun 2025*	✓	✓	✓	5 years
JX Nippon / Tatsuta Jun 2024	–	✓	✓	8 years

EU MERGER CONTROL

EC holds firm on merger control, but faces growing pressure to reflect EU industrial policy goals

The EC is facing growing pressure to place greater emphasis on industrial policy and EU competitiveness following the September 2024 Draghi Report.



While the EC has so far maintained its traditional approach to merger assessment, it has launched a review of its Merger Guidelines.



A draft version of the revised Merger Guidelines is expected in the coming weeks, with the EC aiming to adopt the Guidelines in late 2026 or early 2027.



The revised Merger Guidelines are expected to enable the EC to take into account factors including innovation, resilience and sustainability when reviewing mergers, which may help European companies to scale up in global markets.



It remains unclear, however, how much the new Merger Guidelines will change the EC's approach in practice. Recent EU merger decisions illustrate that the EC remains willing to intervene on novel theories of harm (see the Prosus / Just Eat Takeaway case study below).

Dealmakers should therefore expect to see incremental changes rather than sweeping reforms from the EC.

The focus on European competitiveness has not stopped the EC's attempts to expand its jurisdiction to review transactions that do not satisfy the EU Merger Regulation (EUMR) thresholds.

However, those attempts are subject to judicial review:

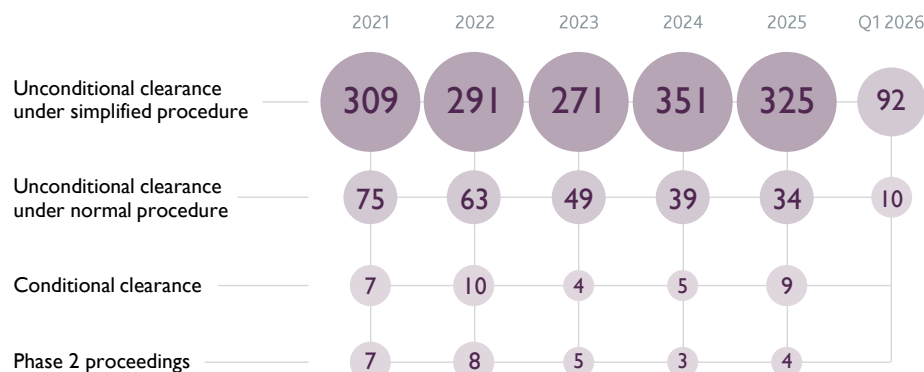
- 01 In September 2024, the European Court of Justice ruled in Illumina / GRAIL that the EC could not rely on Article 22 EUMR to scrutinise deals falling below both EU and national merger thresholds.
- 02 Since then, the EC has turned to Member State “call-in” powers to review such deals. This approach is now being challenged by Nvidia before the European General Court, after the EC relied on the Italian call-in powers to scrutinise its below-threshold takeover of Run:ai.
- 03 If the ruling goes against the EC, it will need to initiate legislative reform or leave scrutiny of below-threshold deals largely to national regulators.
- 04 If the Court upholds the EC's approach, it will provide the regulator with considerable flexibility to review below-threshold transactions given that call-in powers are now a feature of many national regimes across Europe, and more are expected to be introduced in the future.

EU MERGER CONTROL TRENDS

Efforts by the EC to simplify and streamline merger control review have seen more simplified cases, cautious use of remedies, and a gradual easing of merger review timelines³¹

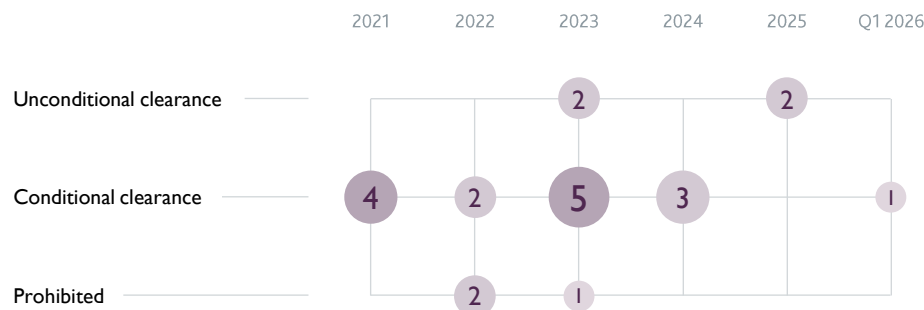
FIRST PHASE DECISIONS

A high proportion of cases are being reviewed under the simplified procedure; remedies are required in only a small proportion of Phase I cases.



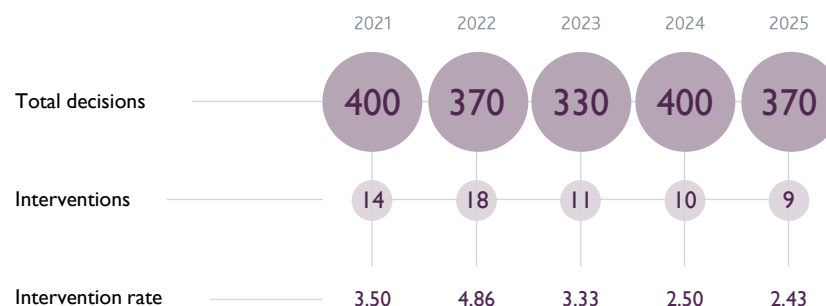
SECOND PHASE DECISIONS

Very few Phase 2 decisions each year; 2025 marked a departure from recent practice, with no Phase 2 remedies or prohibitions.



TOTAL INTERVENTIONS

Intervention rates have decreased slightly in recent years, but the EC remains vigilant against potentially anticompetitive mergers.



AVERAGE DURATION OF PROCEEDINGS

Pre-notification periods have returned to pre-2020 levels, alongside shorter post-notification timelines.

EC internal stats	2021	2022	2023	2024	2025
Average duration of pre-notification from first draft Form CO	32.7	39.3	40.9	26	28.9
Average duration of proceedings after notification	22.7	23.3	22.1	20	18.7
Average total duration of proceedings	55.4	62.6	63	46	47.6

A RENEWED FOCUS ON MINORITY SHAREHOLDINGS

Horizontal cross-ownership between competitors may raise antitrust risks and should be handled appropriately

Recent cases indicate that European competition authorities are increasingly focused on minority shareholdings between competitors that may give rise to competition concerns.

As a result, additional caution is required when assessing minority stakes in competing businesses, particularly where the structure or associated rights could facilitate the exchange of commercially sensitive information or soften competitive incentives.

Merger review



In 2025, the EC reviewed the €4.1bn acquisition by Prosus of Just Eat Takeaway (JET). Although Prosus and JET did not compete horizontally, the EC focused on Prosus's 27.4% minority stake in Delivery Hero (DH), a competitor to JET in several Member States.



Despite the absence of formal control and the characterisation of the stake as a passive investment, the EC concluded that the shareholding gave Prosus the ability to influence DH's conduct and create incentives for tacit coordination between DH and JET.



To address these concerns, the EC imposed far-reaching remedies, including dilution of the stake, the waiver of governance and information rights, and commitments not to appoint connected persons. Prosus is required to sell down its shareholdings to a single digit percentage within 12 months of the EC's decision.



Had the deal been the other way round with Prosus already owning JET and looking to acquire a non-controlling interest in DH, the EC may not have had jurisdiction to review the overlap under the EUMR. However, any possible anticompetitive behaviour between the parties would still have been subject to the antitrust rules.

Antitrust



Shortly before the Prosus / JET transaction, the EC imposed fines totalling €329m on DH and Glovo for participating in a cartel. The EC found evidence of no-poach agreements, geographic market allocation and the exchange of commercially sensitive information.



The EC found that this conduct was facilitated by DH's minority shareholding in Glovo, which began at 15% in 2018 and increased over time until DH acquired sole control.



Whilst the EC emphasised that owning a stake in a competitor is not itself illegal, it concluded that DH's stake enabled influence over Glovo and created structural conditions that made collusion more feasible and sustainable.



Other European jurisdictions have found similar concerns:

- Germany's Bundeskartellamt closed antitrust proceedings only after Deutsche Post and Max Ventures unwound minority shareholdings and other structural links between them.
- In Italy, an investigation involving SAS, GNV and Moby was closed only after SAS exited its 49% minority stake in Moby and all structural links were removed.

UK MERGER CONTROL

The modernisation of the UK regime gains momentum

The UK government has been explicit that regulation should support growth and investment. This agenda extends beyond competition law, but merger control has been a central focus.

Following a strategic steer from the UK government, the CMA is seeking to prioritise economic growth alongside its competition enforcement activities:

01 The CMA has consulted on several proposals aimed at embedding its new growth-focused “4Ps” framework across its activities (prioritising pace, predictability, proportionality, and process). The CMA has made changes to its remedies guidance – softening its approach to behavioural remedies and offering more extensive engagement early in the process – and to its guidance on jurisdiction and procedure. It has also taken steps to shorten lengthy processes, increase engagement with merger parties, and adopt a seemingly less interventionist approach to global deals.

02 The CMA maintains that its approach to the substantive assessment of mergers remains the same. However, recent merger control statistics show that the CMA is finding competition concerns in fewer cases (see next page). While the CMA does not publish data on briefing papers, experience suggests that more cases are being dealt with using this light touch review method instead of formal Merger Notifications.

In January 2026, the UK government launched a consultation on reforms to the UK competition regime:



Many of the proposals seek to embed changes the CMA has already made.



However, one proposal stands out as a more radical departure: the abolition of the independent Panel that currently decides Phase 2 merger and market investigations, to be replaced by decision making sub committees of the CMA Board. This proposal has raised some concerns over independence and political influence.



Additional proposals seek to extend the timeline for discussing remedies in Phase I and introduce legislative changes to the jurisdictional tests to improve predictability.

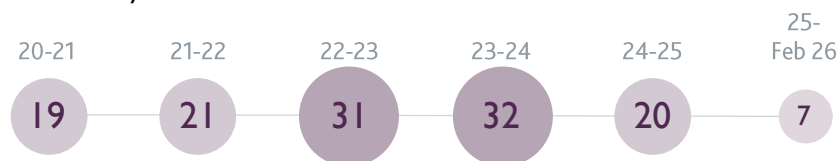
For dealmakers, the practical message is mixed. On the one hand, the CMA appears more willing to engage, less inclined to over intervene, and more open to remedies that secure investment and efficiencies. On the other, the proposed institutional changes create uncertainty, particularly for transactions that may attract political attention.

UK MERGER CONTROL TRENDS

The CMA is finding competition concerns in fewer cases since the UK government steer to prioritise economic growth, but it remains vigilant and is still willing to prohibit potentially anticompetitive mergers³²

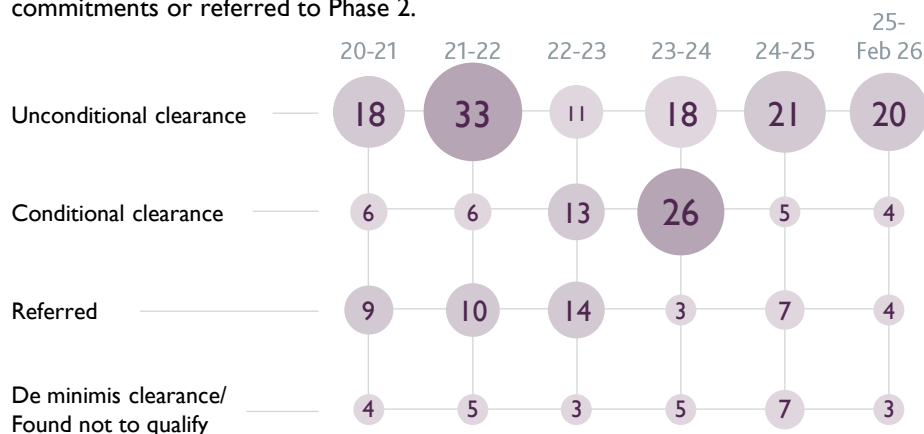
CASE REVIEW MEETINGS BY FINANCIAL YEAR

Fewer mergers have been escalated for detailed internal review at the CMA over the last year.



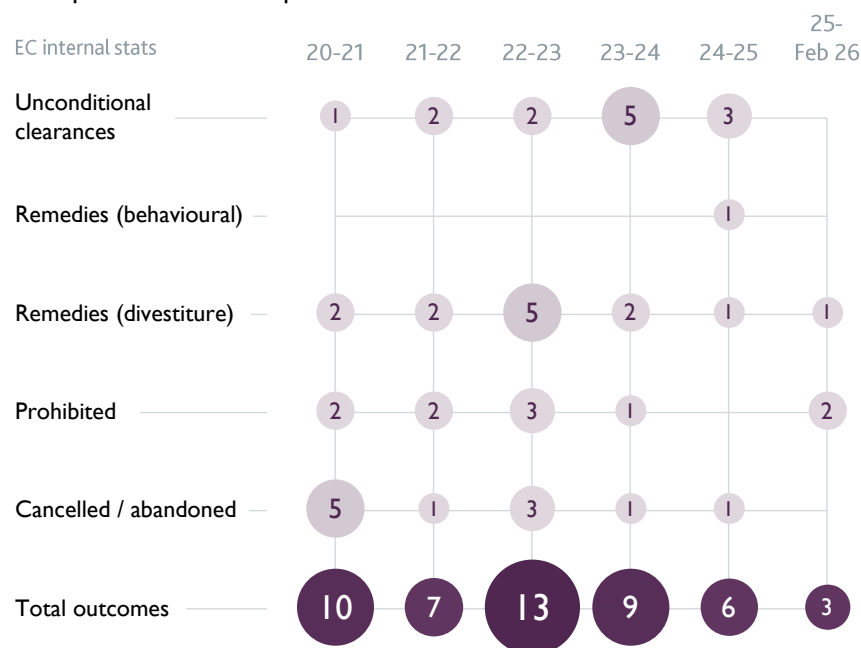
PHASE 1 DECISIONS

Significant reduction compared to peak in cases subject to Phase 1 commitments or referred to Phase 2.



TOTAL INTERVENTIONS

The CMA remains vigilant against potential competition concerns and continues to impose remedies and prohibit deals at Phase 2.



The CMA is taking steps to accelerate merger review timelines, recognising that pre-notification discussions have been lengthy for many cases in recent years.

The CMA has introduced new KPIs for straightforward cases: 40 working days for pre-notification and 25 working days for Phase 1 clearance. A clearer picture of their impact on deal timetables should emerge when the CMA publishes KPI statistics (although the publication date is currently unclear).

FDI REGIMES AND FOREIGN SUBSIDIES REGULATION

The European regulatory landscape for M&A is complicated by geopolitical tensions

Foreign direct investment (FDI)



FDI screening has become a key area of focus in Europe, with governments eager to safeguard strategic industries that are crucial for national security, economic stability, and public safety.



Several European countries have introduced or significantly expanded their screening regimes, broadening the scope of investments subject to mandatory reviews. Despite wider scrutiny, most deals clear FDI reviews without remedies. The most recent EU and UK reports show that 86%³³ of EU and 98%³⁴ of UK formal reviews were cleared unconditionally. Only a small minority were subject to remedies, prohibited, or withdrawn by the parties.



Planned revisions to the EU FDI Screening Regulation will lead to more rigorous and consistent scrutiny, including mandatory approval for certain sectors and foreign-controlled EU investors.



The EC recently proposed an EU Industrial Accelerator Act, which is designed to address growing concerns about the EU's industrial competitiveness and strategic dependencies. If passed, the Act would impose additional conditions on major foreign investments in strategic sectors.



For dealmakers, this means broader regulatory risk-spotting is now critical when structuring cross-border transactions. Engagement strategies for deals in potentially sensitive sectors increasingly need to include a clear narrative on national security and economic benefits, with local investment commitments playing a growing role in securing approvals.

Foreign Subsidies Regulation (FSR)



Introduced in 2023, the EU's FSR is intended to address distortions in the EU internal market caused by foreign subsidies. The FSR includes a suspensory regime for acquisitions and public procurements satisfying thresholds related to turnover and financial contributions from non-EU governments.



The FSR has become a significant review track for large M&A transactions. While FSR notifications in relation to M&A remain high (with around 250 M&A notifications at the time of writing), only two cases have proceeded to an in-depth review, both concluded with behavioural commitments.³⁵



The 2026 FSR Guidelines shed further light on the EC's anticipated application of the regulation, though uncertainties persist in several areas, including its approach to cross-subsidisation and the use of its call-in powers.



The EC launched its first formal review of the FSR in August 2025, with a report due in July 2026.



Looking ahead, more Phase 2 investigations are likely as the EC gains confidence and experience applying the regime. Geopolitical factors are expected to continue influencing FSR enforcement, with EU-China relations, scrutiny of Gulf sovereign financing, and the EU's industrial strategy expected to shape sectoral focus and remedies.

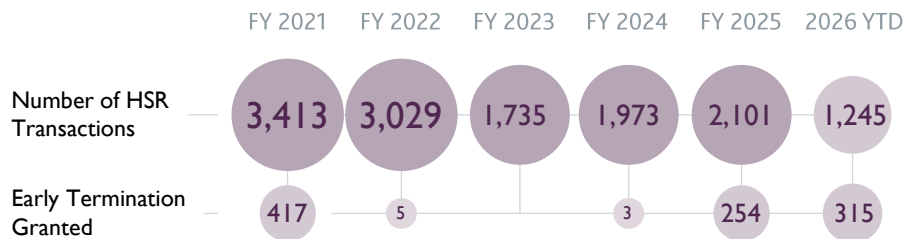
US MERGER CONTROL

A business-friendly federal landscape is offset by heightened state-level intervention

Federal merger control is now seen as more open and less adversarial than the previous administration with more settlements and the return of early terminations.^{36,37}

ANNUAL MERGER REVIEW STATISTICS

- The US agencies have shown greater willingness under the Trump administration to negotiate remedies.
- However, some recent cases have raised questions about consistency and allegations of political interference (e.g. HPE / Juniper and Compass / Anywhere). Allegations in these cases include claims that high-level political appointees overruled career antitrust staff to approve mergers amidst reports of a 'mass exodus' of career staff at the agencies.



US State AGs appear ready to challenge transactions

- State-level antitrust enforcement is not new, but State AGs are increasingly willing to act independently in merger cases.
- Recent cases show states challenging transactions even where federal regulators have settled or cleared deals (e.g. HPE / Juniper and Nexstar / TEGNA).
- The DOJ has indicated that increased state and private enforcement of merger transactions is a welcome development and may change their "calculus" on whether to pursue a matter themselves.
- Several states are also introducing state-level pre-merger notification regimes, adding new procedural hurdles.
- These developments create a more fragmented and uncertain merger control landscape in the US.

SLAUGHTER AND MAY/

GEOPOLITICAL IMPACT

I. The Strait of Hormuz Crisis

THE STRAIT OF HORMUZ CRISIS

Global market and legal dislocations



Global exposure to the crisis

The Strait of Hormuz closure – through which one-fifth of global oil supply and one-quarter of global LNG trade passes daily – represents the largest supply disruption in the history of the global oil market. Exposure is unevenly distributed:³⁸

- APAC importers (Japan, South Korea, China, and India) face the most severe structural vulnerability – with 84% of Hormuz crude flows destined for Asian markets – whilst emerging market economies across South and Southeast Asia face acute fuel shortages and limited fiscal headroom to absorb the shock.
- European markets face renewed supply insecurity, with storage at historically low levels following the 2025-26 winter.



Gas, oil, and LNG: immediate market dislocations

Global energy markets have been severely dislocated:

- Physical crude for prompt delivery has reached approximately \$150 per barrel, against Brent futures trading near \$100 (a spread that was negligible before March 2026). Diesel and kerosene prices remain at their highest since 2022. The International Energy Agency has characterised this as the largest oil supply disruption on record.³⁹
- The attacks on Ras Laffan – the world's largest LNG terminal (offline since 2 March 2026) – prompted QatarEnergy to declare force majeure on all shipments. Global LNG supply has fallen by approximately 20%, with multi-year recovery projected.⁴⁰



Cascading costs: infrastructure markets under stress

Disruption is cascading across infrastructure markets:

- The loss of approximately one-third of global helium production (another byproduct of Ras Laffan) threatens semiconductor and data centre supply chains. Fertiliser prices are up approximately 50%, compounding input costs across energy-intensive industries.⁴¹
- Copper prices face upward pressure from sulfuric acid scarcity (approximately half of global seaborne sulphur trade transits Hormuz), whilst rising costs for steel, aluminium, and critical minerals compound as G7 and G20 decarbonisation programmes scale up. Disruption to industrial CO₂ supply is also affecting UK food supply chains, with reports of localised shortages and wider spillover risk.⁴²
- Severe congestion at Jebel Ali (the world's largest container port) is compounding pressure on construction supply chains and EPC contract pricing (with utilities, EPCs, and insurers facing mounting force majeure and litigation risk). In some sectors, reduced Asian exports into Europe are easing competition from cheaper imports and supporting European producers.⁴³



Stagflationary pressures and tightening financial conditions

Monetary policy and growth expectations have shifted sharply:

- Rate cuts anticipated before the crisis have been deferred or reversed, and UN Conference on Trade and Development projects global merchandise trade growth slowing from 4.7% in 2025 to 1.5-2.5% in 2026.⁴⁴
- The OECD has delivered growth downgrades across major economies. For UK-based businesses and investors, the domestic picture is particularly acute: inflation is projected at 4%, and 10-year gilts have exceeded 5% for the first time since 2008.⁴⁵

THE STRAIT OF HORMUZ CRISIS

Escalation, blockade, and the path forward

Fragile ceasefire, diplomatic impasse, and US naval blockade

The trajectory of negotiations directly affects the expected duration of disruption: a variable parties should factor into force majeure, material adverse change (MAC), and price adjustment provisions in live transactions.

The US and Iran agreed a conditional ceasefire on 8 April 2026, although peace negotiations in Islamabad on 11 April 2026 ended without agreement.⁴⁶

- US demands – for centrifuge dismantlement and surrender of enriched uranium stockpiles – remain inconsistent with Iranian positions. China's economic exposure to prolonged disruption remains the principal external variable on which any renewed diplomatic process will depend.
- The US has commenced a targeted naval interdiction of vessels that have called at Iranian ports.⁴⁷
- A principal escalation risk concerns Chinese-flagged vessels: any attempt to board and seize such vessels could challenge Chinese naval sovereignty in ways Beijing may feel compelled to contest.

Attempts to reconvene talks face uncertainty at the time of writing.

Force majeure: a primer

Force majeure clauses excuse contractual performance where extraordinary events beyond a party's control render it impossible or impracticable.

QatarEnergy's declaration suspends its LNG delivery obligations without triggering liability, but whether counterparties accept this depends on precise contractual language.

Key disputes will turn on:

- whether the clause covers the specific event;
- whether the affected party took reasonable mitigation steps; and
- how 'impossibility' is defined against mere commercial hardship.

English law construes force majeure clauses narrowly. Multi-jurisdictional supply chains may face fragmented outcomes where different governing laws apply.

Notice periods are frequently short and strictly construed. Failure to serve timely notice of a force majeure event (even where the underlying event is clearly qualifying) could result in the loss of the right to invoke the clause entirely.

Material adverse change

MAC provisions – mechanisms designed to allocate risk between parties – have similarly been brought into focus in the wake of the conflict. In an M&A context, a MAC condition protects the purchaser from an unforeseen material adverse change affecting the target business in the period between signing and completion, typically allowing the purchaser to terminate the agreement.

For in-flight transactions, parties will be closely focused on the specific wording of the provision and the scope of exclusions to assess whether the provision can be triggered. Materiality is commonly undefined.

Courts on both sides of the Atlantic have set a high bar for invocation, and MAC conditions are more commonly deployed as leverage to renegotiate terms than successfully triggered. Gathering data to support or resist a MAC argument is the important first step.

In oil and gas transactions specifically, broad commodity price exclusions mean a purchaser invoking a MAC on the basis of collapsed offtake economics or feedstock inflation must demonstrate that the adverse change affects the target disproportionately relative to industry peers. To bridge value gaps created by increased volatility more broadly, we are also seeing contingent payments linked to oil and gas prices becoming more common.

Similar considerations apply to MAC provisions in financing documentation, which are widespread. While the specific formulation of the clause will be key, such provisions are rarely relied upon by creditors in isolation and are more commonly considered alongside other contractual protections.

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ENDNOTES

END NOTES

1. Source: Mergermarket as of 31 March 2026 (excluding lapsed deals and privately disclosed and estimated deal values).
2. Source: Mergermarket as of 16 April 2026 (excluding lapsed deals and privately disclosed and estimated deal values). Data based on target jurisdiction.
3. Source: Mergermarket as of 31 March 2026 (excluding lapsed deals and privately disclosed and estimated deal values). Data based on target jurisdiction.
4. The Asia Pacific region other than Mainland China, Hong Kong, Japan, Singapore, Australia and India.
5. Source: Mergermarket as of 31 March 2026 (excluding lapsed deals and privately disclosed and estimated deal values). Data based on target jurisdiction.
6. Source: Ibid.
7. Source: Ibid.
8. Source: Mergermarket as of 31 March 2026.
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11. Source: Mergermarket as of 31 March 2026 (excluding funding rounds, lapsed deals and privately disclosed and estimated deal values). Data based on target jurisdiction.
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16. Source: Ibid.
17. Source: PitchBook, a Morningstar company, 2025 Annual European PE Breakdown.
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20. Source: Ibid.
21. Source: Bloomberg. Priced deals by exchange (adjusted to report data range based on priced date).
22. Source: Bloomberg. Data compiled and reproduced in accordance with the standard criteria and methodologies applied by Bloomberg Finance L.P.
23. Source: ActivistMonitor.
- 24-25. Source: Bloomberg. Priced deals by exchange (adjusted to report data range based on priced date).
- 26-29. All data points cited in this section are based on commentary and data published by Bloomberg, PitchBook Data Inc., CreditSights and Octus.
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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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