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Global M&A Insights

FEWER DEALS, BIGGER BETS AMID MACRO PRESSURE

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Introduction

M&A in 2026: a market defined by strategic focus, geopolitical pressures, and regulatory shifts

The first six months of the year saw strong M&A values but fewer transactions as the conflict in the Middle East weighed on activity. Rather than terminating deals, parties instead delayed them in anticipation of an end to hostilities, and processes in the second half of the year will be influenced by the trajectory of relations between the U.S. and Iran. In our latest edition of M&A insights we explore the themes shaping dealmaking across the world, including an uptick in carveouts by corporates and the enduring influence of Middle Eastern sovereign investors.

By David Broadley, Dirk Meeus and Scott Petepiece

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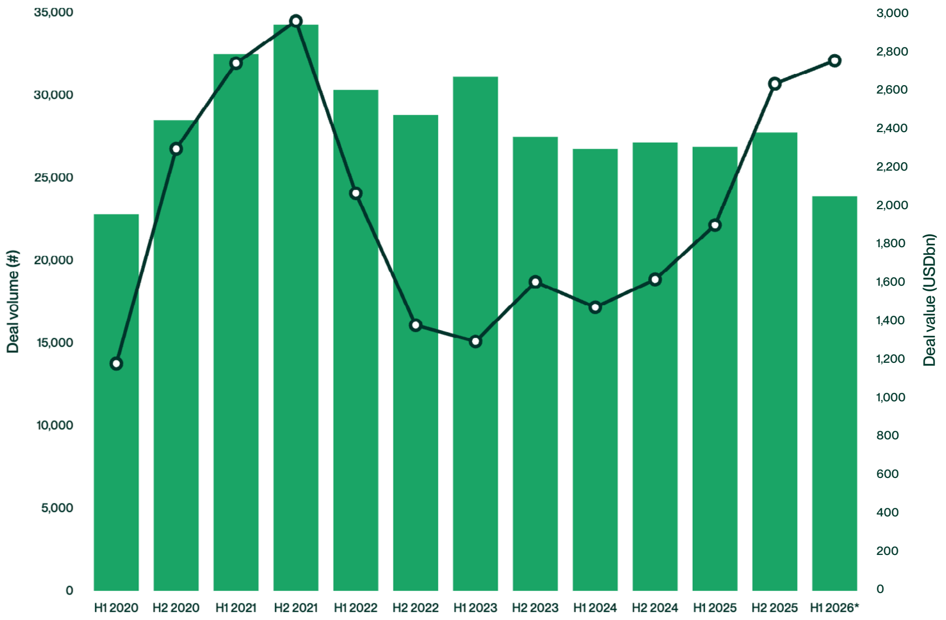
In brief

- Strategic buyers are a primary driver of current M&A, with corporates pursuing scale, resilience and portfolio optimization through acquisitions and carve-outs.
- Capital is flowing into assets linked to strategic resilience, including defense, renewables, critical minerals and AI infrastructure.
- Regulatory change continues to shape deal strategy across the U.S., EU and Australia, with antitrust, foreign subsidies, FDI and tax reforms affecting timing and execution.

GLOBAL M&A VALUES HIT HIGHEST LEVEL IN FIVE YEARS



Source: LSEG • *Data generated on June 29

During the first six months of 2026, global M&A activity was distinctly "K-shaped", with a split between robust deal values and falling transaction volumes. A combination of war in the Middle East, supply chain disruptions and sticky interest rates served to lengthen deal timelines without derailing transactions, particularly those with strong strategic rationales.

The pattern across the world is one of more selective activity, as boards, sovereign investors and corporate acquirors continue to pursue deals with compelling industrial objectives. Against this backdrop, carve-outs are gaining momentum, while private equity (PE) firms remain active despite continued pricing mismatches between buyers and sellers. With that said, in Europe we are seeing greater caution among PE investment committees when it comes to new investments, while financial sponsors globally are leaning harder on continuation vehicles and secondary buyouts to exit assets that have often been held for a considerable time.

VALUES HOLD FIRM WHILE DEAL VOLUMES FALL

Global M&A values in the year to June reached USD2.8 trillion, the highest half-year total since H2 2021. However, deal volumes were down 14% compared to H2 2025, with the number of transactions in Q2 (10.309) representing the lowest quarterly count since the turn of the decade.

The headline figures across major regions largely followed a similar pattern. North American M&A by value exceeded USD1.5tn, the highest six-month total in history, although volumes fell 16.2% versus H2 2025 to 6,261 transactions, the lowest deal count this decade. In Europe, deal values hit USD661.5 billion, the highest half-year figure since H2 2021, while volumes fell 17.8% compared to H2 2025.

In Asia Pacific, dealmaking bucked the global trend with values falling 25% to USD433bn and volumes dropping by 6% to 8,672 transactions. Middle Eastern M&A was more resilient at USD45.4bn, up 7% on H2 2025 despite regional instability.

STRATEGIC BUYERS SET THE PACE

Strategic acquirors were a strong driver of activity across regions. Many corporates are looking to dispose of non-core assets amid pressure on revenues, while others are seeking scale to address persistent macro headwinds. In the UK, strategic buyers drove a flight to quality, with U.S./UK public company deals another enduring trend; during the period to June, Unilever's foods business combination with McCormick and Ingredion's GBP2.7bn takeover of Tate & Lyle were prime examples.

In North America, high transaction values were heavily influenced by a series of transformational deals, including SpaceX's USD250bn acquisition of xAI and USD60bn post-IPO buyout of Anysphere, Paramount Skydance's pending USD111bn acquisition of Warner Bros. Discovery and Devon Energy's USD58bn merger with Coterra.

VOLATILITY DELAYS DEALS RATHER THAN DERAILING THEM

The U.S./Iran conflict was a drag on market sentiment, but M&A processes across the world were delayed rather than abandoned. The war compounded stubborn inflation and uncertainty around interest rates to widen pricing gaps between buyers and sellers, while in Europe in particular we are seeing a sharper divide between corporates pursuing acquisitions with confidence and financial sponsors that are more hesitant.

CAPITAL IS BEING DEPLOYED SELECTIVELY INTO ASSETS THAT PROMOTE RESILIENCE

From a sector perspective there is growing interest in assets tied to sovereign resilience. Defense and renewable power assets continue to attract significant investor attention in Europe, driven by supply-chain disruption, high energy prices and a more consolidation-friendly EU regulatory environment for domestic businesses.

Mining and critical minerals are a focus in North America and Australia, with buyers pursuing rare earths, lithium and other critical materials amid similar security-of-supply concerns. AI is another clear investment priority in every region, with corporates seeking technology and skills to accelerate their transformation, despite AI- and data-related deals facing heightened pressures amid the global focus on data and technological sovereignty.

The disruption of the European car sector from electric vehicles (EVs) is another prominent driver of M&A, with foreign investors exploring opportunities across the auto supply chain. Chinese EV makers for example are looking to acquire European manufacturing facilities as a hedge against geopolitical uncertainty and a volatile tariff environment.

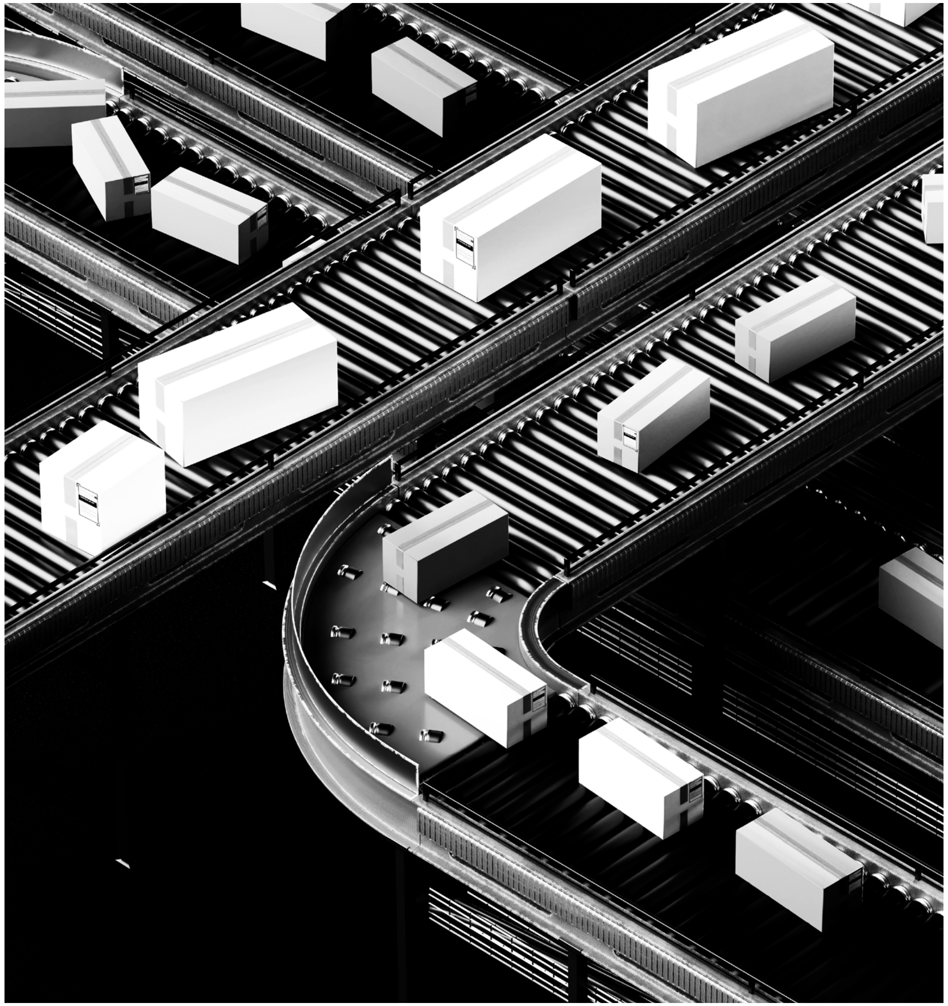
MIDDLE EASTERN SOVEREIGNS REMAIN IMPORTANT OUTBOUND INVESTORS

As far as cross-border capital flows are concerned, Middle Eastern sovereign investors continue to pursue outbound opportunities, including in China, with their allocations holding steady as those from parties in other jurisdictions have stalled.

Their long-term focus is providing structural support to M&A pipelines globally, with major funds such as PIF and MGX targeting AI and digital infrastructure assets, which in turn is boosting reciprocal investments into the Middle East. Japan remains a hot market for inbound investors from all regions as the weak yen makes Japanese assets relatively cheaper compared to similar opportunities in other markets. The UK, too, remains in focus for foreign acquirors, with USD202bn of inbound M&A in the first six months of the year, the highest figure since H2 2021 and more than double the total for H2 2025.

REGULATION IMPACTS DEAL PROCESSES ACROSS THE WORLD

Regulatory change continues to impact deal strategy and timing. In the U.S., Hart-Scott-Rodino filing requirements remain in flux after changes by the federal antitrust agencies introduced in 2025 were struck down by the courts. Currently parties are using the older, less burdensome form, although the Federal Trade Commission (FTC) is considering fresh reforms that could take effect in 2028. Meanwhile in the EU, the European Commission's review of European merger guidelines is intended to make consolidation easier for domestic investors, while its enforcement of the Foreign Subsidies Regulation has intensified. In Australia, proposed FDI reforms and changes to the country's capital gains tax regime have the potential to shape future processes, although the measures remain in draft form.



A more disciplined era for North American dealmaking

North American M&A values remain elevated thanks to a series of mega-deals, but lower volumes point to a more disciplined and strategic market. Here we explore how regional activity is evolving, and examine proposed changes to the U.S. premerger filing regime which could impact deal structuring, timing and disclosures.

By Jonathan Cheng, Romain Dambre, Sean Skiffington, Ryan Leske, Kiko Demetriou, Zac Kaplan and Jo Young

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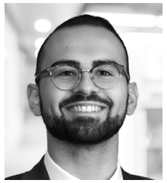

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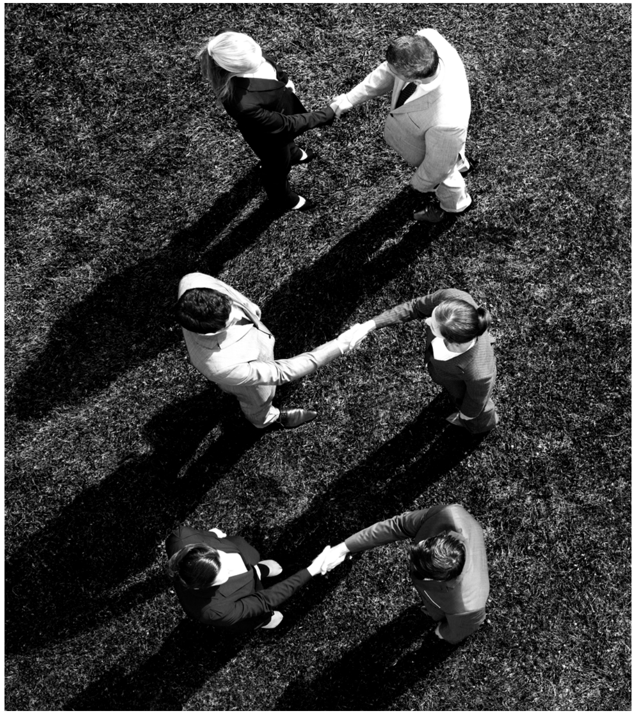
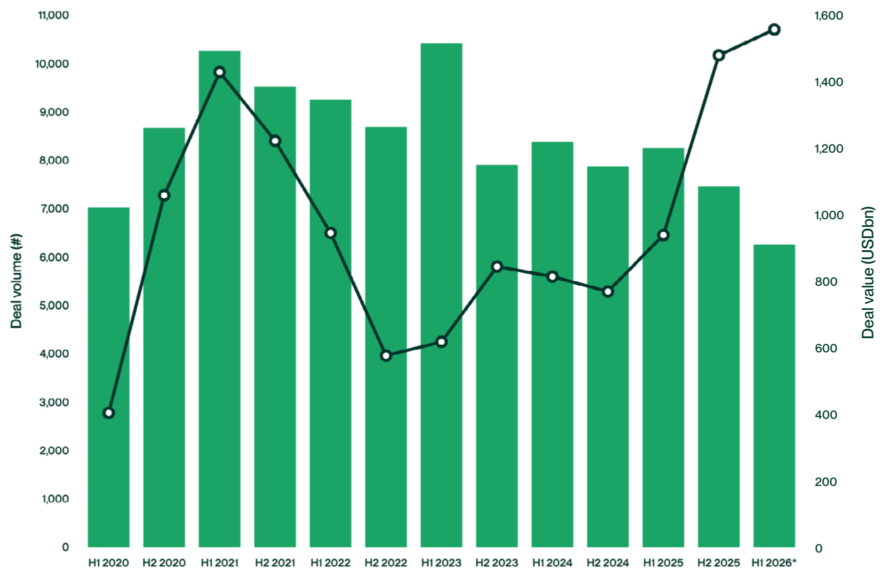


In brief

- The North American M&A market is shifting toward more disciplined, strategic dealmaking, with buyers and boards showing renewed confidence despite geopolitical tensions, rising inflation and an uncertain interest rate environment.
- Corporate carve-outs are increasing, with financial sponsors more willing to take on complex assets as they seek returns through operational improvements rather than leverage.
- Mining assets are emerging as a key focus for investors, driven by demand for rare earths, lithium and other critical materials.
- From a legal perspective, U.S. antitrust filing requirements remain in flux after recent reforms were struck down. However, the FTC is preparing a new proposal that could reshape filing obligations from 2028.

NORTH AMERICAN DEAL VALUES HIT ALL-TIME HIGH



Source: LSEG • *Data generated on June 29

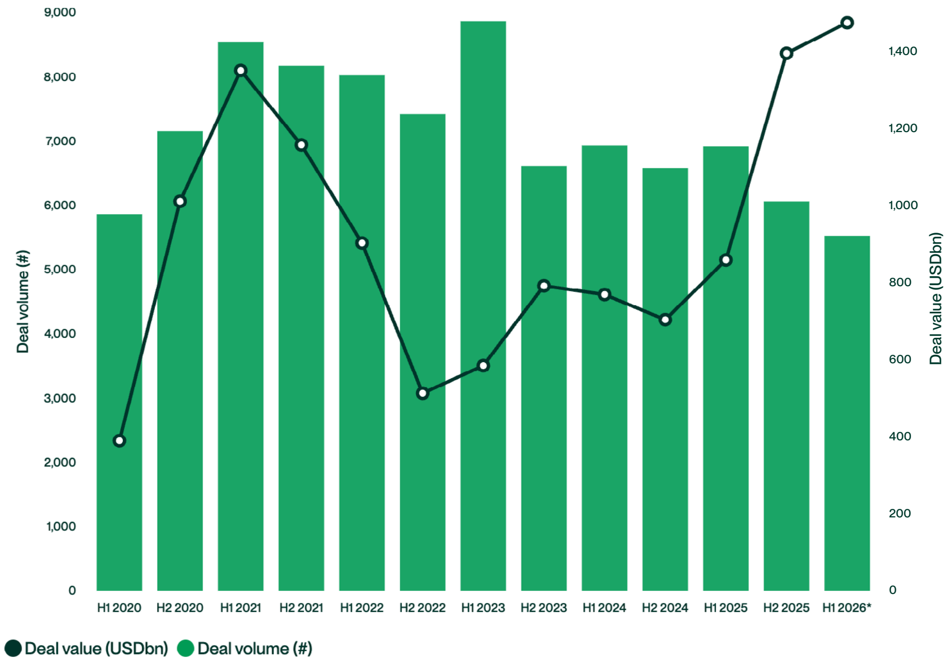
North American M&A by value in the first half of 2026 hit more than USD1.56tn, the highest six-month total in history and 5% up on the previous record set in H2 2025.

Yet in the period from January to June, deal volumes also fell by 16.2% (6,261 transactions) compared to the previous half-year period (the lowest half-year count this decade), with the gap revealing the outsize influence of a series of transformational deals (including SpaceX/xAI and Paramount/Warner Bros.) on the headline numbers.

Values were similarly elevated during the COVID-era boom, but today's activity is less speculative than many of the transactions that characterized M&A in 2021. Instead, what we are seeing on the ground is a return to more disciplined, strategic dealmaking.

MEGA-DEALS ACCOUNT FOR SIGNIFICANT PROPORTION OF TOTAL VALUE

U.S. M&A DRIVEN BY BIG-TICKET ACQUISITIONS AS DEAL FLOW SLOWS



Source: LSEG • *Data generated on June 29

Activity in the U.S. mirrored the regional trend, with USD1.47tn of deals in the period. This represents another all-time high yet deal volume (5,526 transactions) was again the lowest since H1 2020.

SpaceX's USD250bn acquisition of xAI—the largest M&A transaction ever—accounts for a substantial share of H1's value on its own. Other notable transactions in the first half of the year included Paramount Skydance's pending USD111bn acquisition of Warner Bros. Discovery; SpaceX's post-IPO buyout of Anysphere (the developer of the AI-powered coding platform Cursor) in a USD60bn stock deal; and Devon Energy's USD58bn merger with Coterra, which created one of the largest independent U.S. oil and gas producers.

As far as the broader M&A market is concerned, participants are showing renewed confidence and ability to execute even the most complex transactions. Some sale processes that were halted at the height of the tariff wars restarted as boards and private capital investment committees adjusted to a more volatile global economic outlook. Likewise, the war in the Middle East and absence of a cut to interest rates failed to dent transactional activity, although in some cases timelines lengthened. Amid the more disciplined focus outlined above, sellers are less able to dictate aggressive close dates as they were during the COVID-19 pandemic.

As in other regions we are seeing an uptick in carve-outs of non-core assets by corporates, with financial sponsors increasingly willing to take on the complexity such deals entail as they look to generate returns through operational efficiencies rather than leverage.

CHANGES TO ANTITRUST SCREENING PROCESS IMPACT DEAL STRUCTURING AND TIMELINES

From a legal perspective, dealmakers continue to adjust to changes in the U.S. merger notification landscape.

In February 2025, a revised Hart-Scott-Rodino Act (HSR) premerger notification form was introduced by the Federal Trade Commission (FTC) and Department of Justice (DOJ). The changes were the most significant in more than four decades and drastically increased the administrative burden on parties by requiring extensive disclosures on ownership structures, officers and directors, supply relationships and prior acquisitions, among other things.

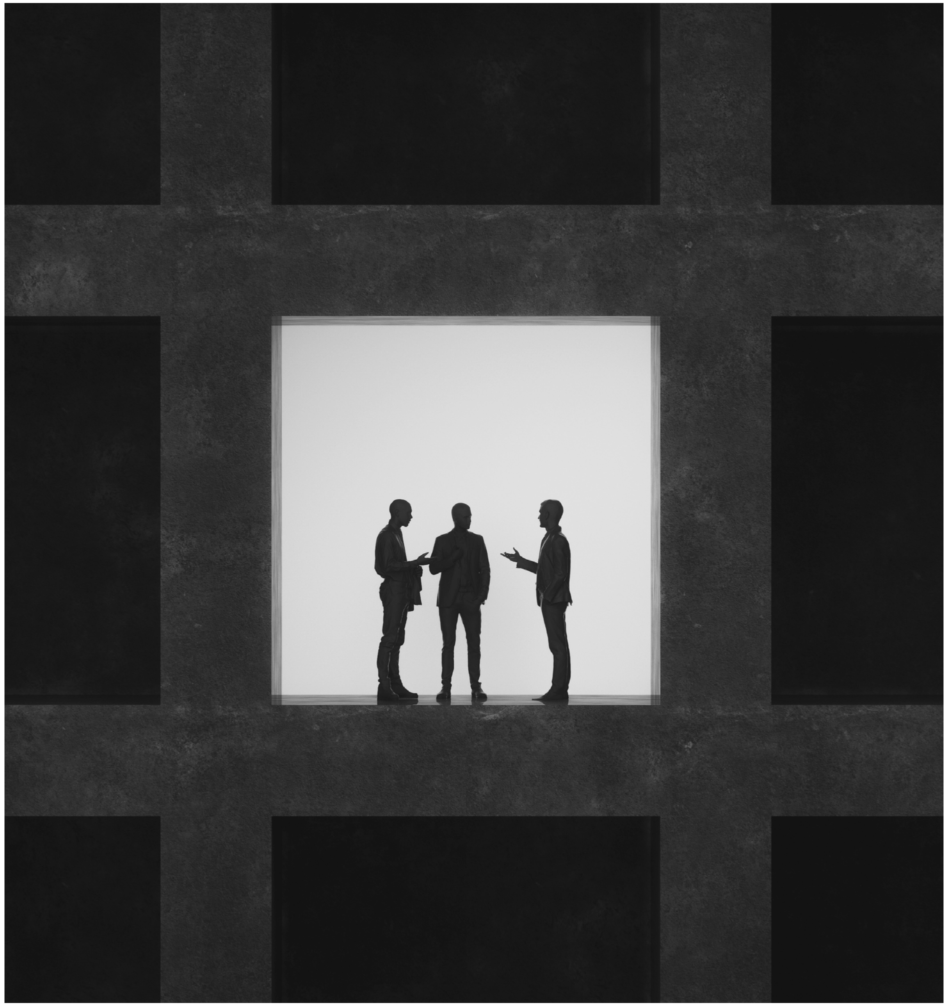
However, the reforms were struck down by a federal district court barely a year later. With an appeal on the merits pending, deals are currently filed under the older, less burdensome pre-2025 form. This simpler version will remain in use until either the Fifth Circuit reverses the district court's decision or the FTC proposes new disclosure requirements which would likely not take effect before early-to-mid 2028.

However, in March 2026, the FTC signaled its intent to rewrite the HSR form no matter the outcome of the appeal, and expects to issue a formal Notice of Proposed Rulemaking by the end of this year. This triggers a mandatory comment period which usually takes between two and four months to complete.

In some areas this revised new form is likely to be narrower than the agencies' first attempt at reform. In vacating the pre-February 2025 form, the court faulted the FTC for imposing costs on all filers when only around 8% of deals warrant further scrutiny. As a result, any future changes will likely show deference to the cost-benefit standard, which requires the FTC to limit document and information disclosures only to those that are necessary and appropriate. Items from the vacated HSR form that would face a steep hurdle for reintroduction include information on interlocking directorates, and ordinary course documents analyzing overlapping products or services (known as "plans and reports").

However, elsewhere the FTC requested public comments on more ambitious reforms. Longstanding filing exemptions are under review, most notably the "investment-only" exemption for passive minority stakes and certain real estate deals, while changes to the treatment of real estate acquisitions by real estate investment trusts (REITs) are also being considered.

The antitrust agencies are also contemplating ways to review "non-traditional" structures such as licensing deals, acqui-hires, reverse acqui-hires and convertible securities (such structures have long been the subject of debate over whether they are used to absorb a competitor without triggering a review) citing recent high-profile AI talent-and-licensing transactions as the driver.



AGENCIES LOOK TO CLAMP DOWN ON LATE-STAGE FIXES

Late-stage deal "fixes" may also become more challenging, with the agencies exploring mechanisms to disincentivize late-stage proposals. The FTC sought public comments on one such tool, which would force parties to submit supplemental HSR filings when they propose divestitures or remedies late in a contested review; a development that could lengthen timelines and raise costs on already-scrutinized deals.

At the same time, national security-related disclosures may be folded into a future version of the HSR form. The agencies are exploring adding CFIUS-compliance and defense supply-chain disclosures to the form and facilitating "closer and more efficient coordination" with the Department of War (DoW), which could extend to sharing information on certain transactions with the DoW on request.

In the near term, the filing burden on parties is currently lighter under the reinstated HSR form, but they should be prepared to pivot filing forms depending on the Fifth Circuit's decision. Over the longer term, a final new rule, likely effective in 2028, could bring a broader set of deals into scope for mandatory reporting and reshape how parties handle timing, remedies and merger agreement drafting.

For a more detailed exploration of the evolving HSR landscape, read our article originally published in "The M&A Lawyer".

Middle Eastern dealmaking endures despite regional instability

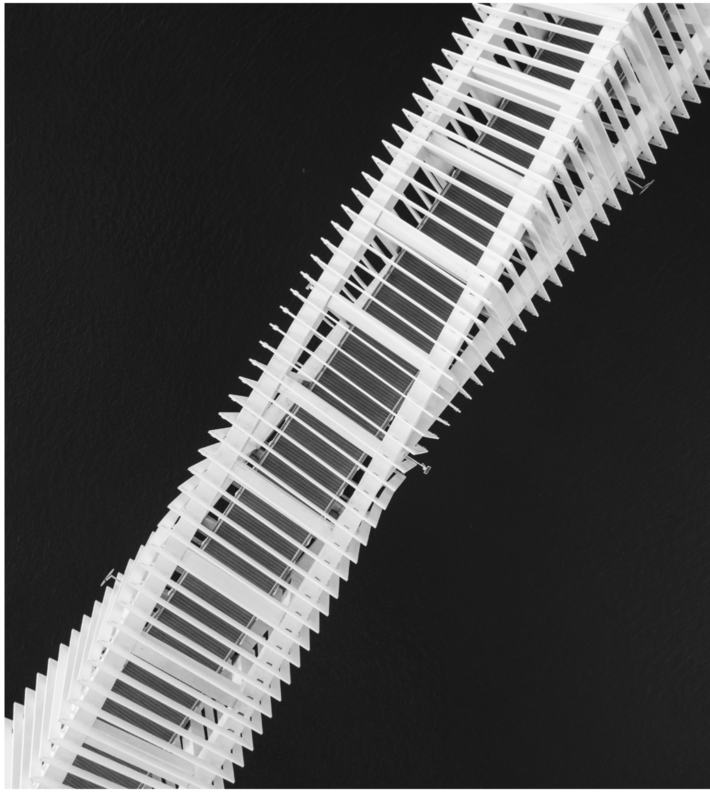
Middle Eastern M&A held up relatively well through the U.S./Iran conflict, with transactions delayed rather than abandoned. Ongoing relations between the U.S. and Iran will continue to influence activity, including among sovereign investors.

By Ben Ward

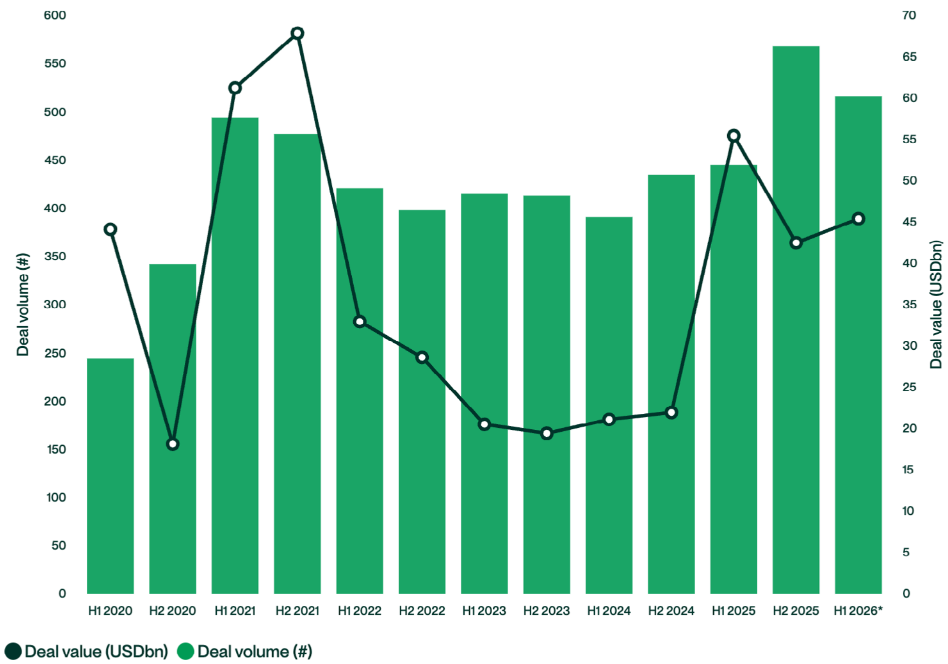
Ben Ward
Partner

In brief

- Deal activity slowed in Q2 2026 against a backdrop of ongoing conflict in the region, although the impact was selective; retail, FMCG, hospitality and tourism were most affected, while defense tech and strategic buyer activity stayed robust.
- In the UAE investment levels remained comparatively strong against recent historical benchmarks.
- Sovereign investors continue to provide structural support, using long-term mandates and capital deployment to sustain regional growth and investment.
- If stability holds, paused deal processes, intra-regional investment and IPO pipelines are expected to restart quickly.



CONFLICT DELAYS, RATHER THAN DERAILS, MIDDLE EAST TRANSACTIONS



Source: LSEG • *Data generated on June 29 (figures are for GCC countries only: Saudi Arabia, UAE. Kuwait, Bahrain and Oman)

M&A activity in the Middle East across the first half of the year was remarkably resilient, totaling USD45.4bn across 516 transactions. Volumes were down slightly on the previous half-year period, but deal values were broadly consistent with the total for the second half of 2025 despite the backdrop of the U.S./Iran war.

The overriding response to the conflict in the region was one of patience; few deals, if any, were terminated, with longer timelines the primary consequence. With that said, activity was up in Q2 compared to Q1, and was the third-highest quarterly total since 2021.

The year began with significant momentum, carrying a strong finish to 2025 into a busy period in January. From then, however, deals moved more slowly, with parties hitting pause in the hope of a resolution to the conflict.

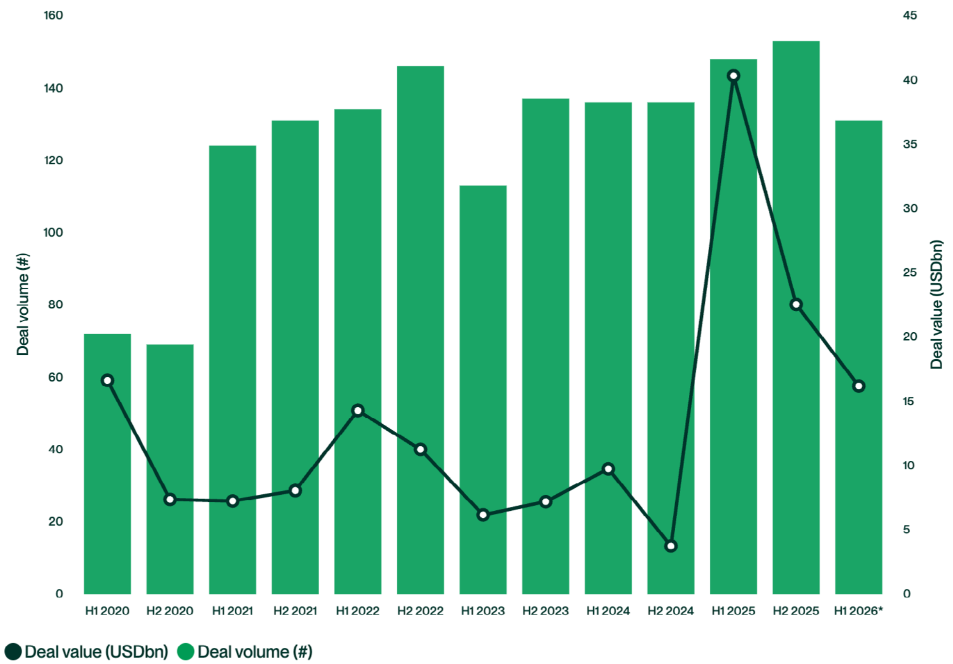
DEALMAKING IN CONSUMER-FACING SECTORS SAW BIGGEST CONTRACTION

The impact of the conflict on dealmaking through H1 was sector-specific, not market-wide. The more pronounced disruption hit some infrastructure deals coming to market and retail and FMCG transactions. Consumer-focused assets, particularly in hospitality and tourism, were the clearest area of slowdown, while interest in defense tech assets remained robust.

Even within that, however, U.S. and international strategic buyers continued to transact despite the prevailing uncertainty, and several high-profile private equity deals were announced.

UAE ACTIVITY REMAINS ROBUST DESPITE HEADWINDS

UAE M&A PROVES REMARKABLY RESILIENT AMID MILITARY STRIKES



Source: LSEG • *Data generated on June 29

At a country level, the UAE was one of the strongest-performing markets despite the prevailing headwinds. While M&A value was down 28% vs H2 2025 to USD16.2bn, this figure is still the fourth-highest half-yearly total since 2020. Inbound investment was also up more than 167% to USD12.3bn compared to the previous six-month period.

SOVEREIGN INVESTORS PROVIDE STRUCTURAL SUPPORT

The fact that Middle Eastern M&A held firm can in part be explained by the long-term strategies of the region's sovereign investors, which provide a degree of structural insulation from short-term geopolitical shocks. Funds such as the Saudi Public Investment Fund (PIF) and Abu Dhabi's tech- and AI-focused MGX operate under decades-long mandates to diversify their national economies away from oil and gas.

Their investments outside the region into AI and digital infrastructure have continued throughout the year. Both PIF (via its AI-focused fund HUMAIN) and MGX invested in xAI ahead of its merger with SpaceX (with PIF also reportedly placing a large order for shares in SpaceX's IPO), and have continued to target data center deals across the world.

The region's sovereigns also view their continued investment as a way to sustain capital flows, deploying capital globally as a way to encourage foreign investment into the region. The Middle East remains an attractive destination for inbound investors, and reciprocal knowledge and technology transfer is a notable feature of these deals.

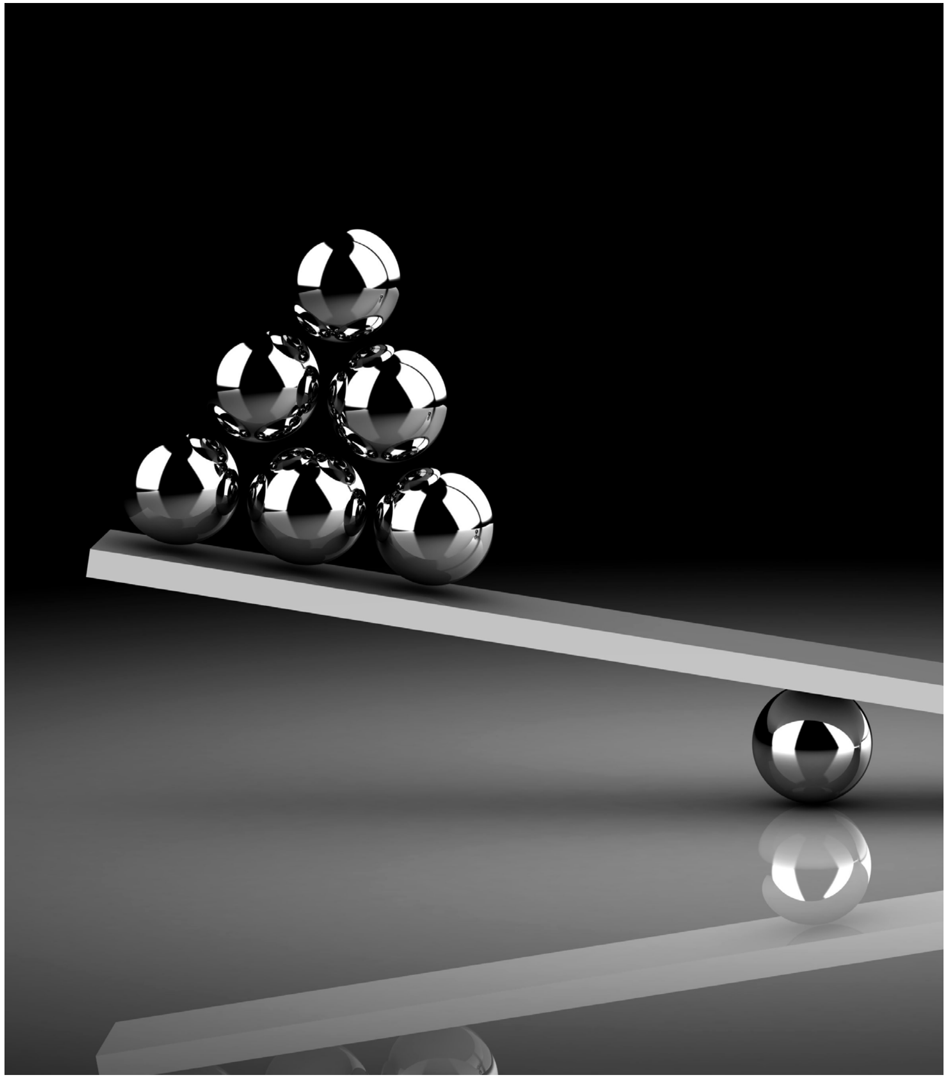
CAPITAL PIVOTS TOWARD REGIONAL RESILIENCE

Looking ahead, we expect a deliberate shift toward strategic intra-regional investment aimed at shoring up domestic resilience, some of which will flow directly into oil and gas infrastructure damaged during the conflict.

Regional businesses are responding with the same agility, pivoting to hedge their exposures and shore up revenues. Some energy companies, for instance, are exploring outbound investments into the United States as a response to the revenue pressure they face in response to heightened tensions locally.

IPO PIPELINE POISED TO REOPEN

The Middle Eastern IPO pipeline similarly contracted during the conflict. However, even at the height of the disruption, several IPOs progressed, including the upcoming listing in Oman of Omifco, an Omani-Indian fertilizer business located outside the blockaded area around the Strait of Hormuz.



Asia Pacific dealmaking remains resilient despite energy supply vulnerabilities

Asia Pacific M&A slowed sharply in the first half of 2026, but strong activity in China, Japan and Australia shows dealmakers continuing to find opportunities despite energy disruption, tariff pressure and shifting regulatory regimes.

By Jackie Donald, Daniel Harris, David Norman, Nick Wall and Ka Sen Wong

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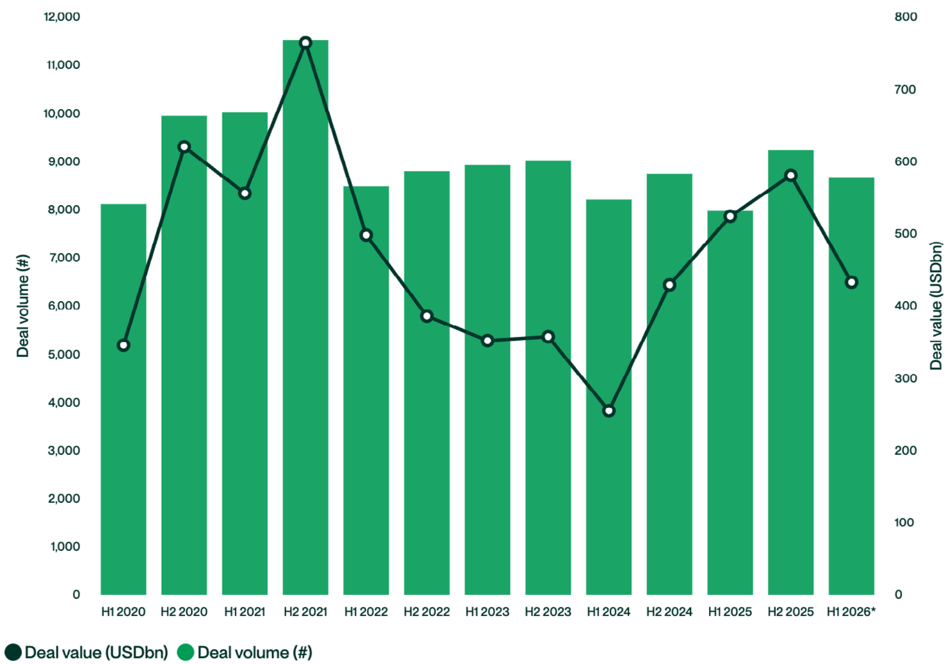
Partner

In brief

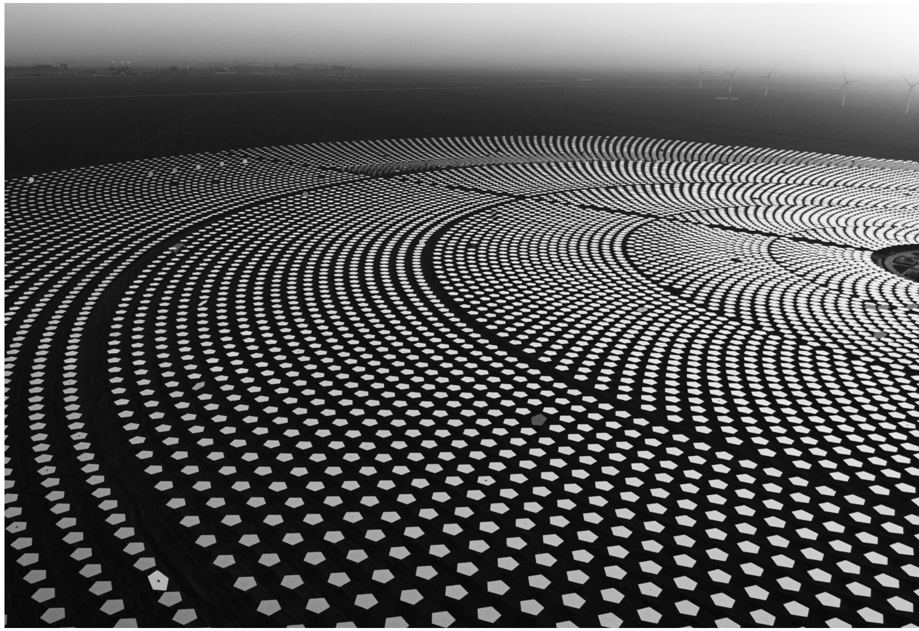
- Regional dealmaking slowed overall in H1 2026, but activity remains resilient in key markets, with Japan and Australia outperforming the wider Asia Pacific trend.
- China and Hong Kong continue to see weaker inbound activity, although Middle Eastern sovereign investors remain a notable source of long-term capital.
- We are also seeing signs of returning investment into tech and life sciences platforms in Greater China as international buyers seek exposure to China's AI and biotech ecosystems.
- Buyer profiles are shifting, with domestic Chinese financial sponsors becoming more influential and Chinese corporates accelerating international expansion.
- Japan is benefiting from a weak yen, attractive asset pricing and governance reforms.
- Australia remains a major inbound investment destination, with critical minerals, infrastructure, defense and pending FDI and tax reforms shaping deal strategy.

ASIA PACIFIC DEALMAKING BUCKS GLOBAL TREND AS VALUES DROP



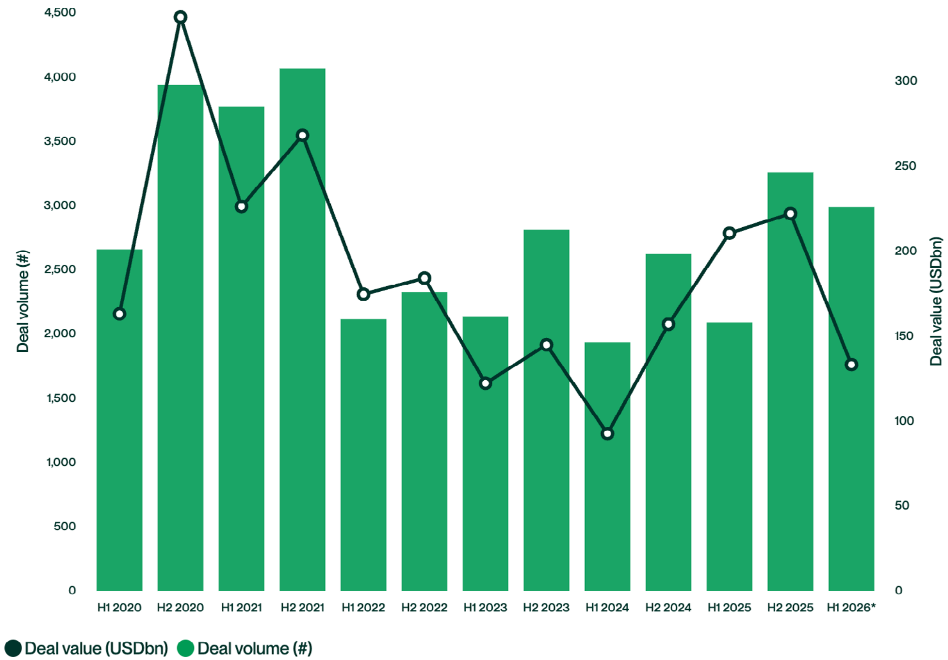
Source: LSEG • *Data generated on June 29

M&A by value in Asia Pacific during H1 2026 fell by 25% to USD432.9bn compared to H2 2025, with deal volume over the period also down by 6% to 8,674 transactions. At country level the picture was more nuanced: M&A values in Mainland China and Hong Kong fell significantly but in Japan and Australia they rose despite the wider macro disruption that has characterized the past six months, from the U.S./Iran conflict and energy supply disruption to ongoing tariff volatility.



CHINA AND HONG KONG: MIDDLE EASTERN SOVEREIGN INVESTORS CONTINUE TO TARGET OPPORTUNITIES

MAINLAND CHINA M&A VALUES DROP SHARPLY



Source: LSEG • *Data generated on June 29

In Mainland China, total deal value fell by around 40% to USD133bn in the first half of 2026 compared to the previous six-month period, with deal volumes also down by 8% (2,985 transactions). Activity in Hong Kong showed a similar decline, with USD10.7bn of deals in the period to June 11, almost 70% lower than in H2 2025.

Inbound investment into Mainland China remains on a similarly downward trajectory, with total inbound M&A by value for the period standing at USD11.4bn, 31% lower than in H2 2025. Several forces lie behind this trend, including the withdrawal of international private capital providers amid a challenging geopolitical environment and the higher risk/return profile of Chinese assets relative to those in other markets, given ongoing difficulties in exiting existing investments outside of the tech and life sciences sectors. International corporates are also assessing their China platforms as geopolitical tensions remain elevated, with many multinationals focusing on diversifying their international supply chains away from the PRC in search of greater resilience and in response to U.S. and EU regulations.

Middle Eastern investors are a notable exception, particularly the region's sovereign wealth funds. Their long-term mandates to support the transition of their national economies away from fossil fuels, and lower sensitivity to the optics of investing simultaneously in China and the U.S. as they look to build geopolitically hedged portfolios, set them apart. Allocations to China have risen following government-level engagement between Chinese and Middle Eastern leaders in early 2025.

The Iranian crisis caused a pause in Middle East/China investment but not a structural shift, although a capital constraint may materialize in the months ahead as investment is directed towards rebuilding local infrastructure damaged during the conflict. At the same time, energy trade dynamics bind the Middle East to China over the long term, with China remaining the largest buyer of the region's oil and gas.

DOMESTIC PRIVATE CAPITAL FIRMS GROW IN INFLUENCE AS BUYER PROFILE SHIFTS

Against this backdrop the composition of buyers in China has changed. The bigger Chinese financial sponsors (including PAG, Boyu and Hillhouse) are increasingly acting as lead or co-underwriters on China deals and have become active buyers of Chinese assets divested by international private capital providers, alongside long-term domestic investors such as pension funds.

They are also investing cross-border into Southeast Asia, though like their international counterparts they are challenged by the fact that deals here often carry a high tariff of complexity relative to the size of the check, given the legal and regulatory dynamics in certain markets. With that said, tentative recovery signals are also emerging among international sponsors, with players like KKR and CPPIB looking more favorably at Asia than they have in the recent past.

The rationale for international corporates investing into China is also evolving, with many now deploying capital to tap into domestic innovation rather than purely to access the Chinese consumer market. In automotive and renewable energy, for example, Chinese companies are now more advanced than their Western counterparts. In response, we are seeing global companies pursuing investments and joint ventures with Chinese partners in order to become more competitive globally. Volkswagen's recent China pivot is one of the clearest examples.

At the same time, Chinese corporates are expanding internationally at speed, leveraging their ultra-low cost bases (in large part the result of hyper-efficient AI-powered manufacturing processes) and strong IP in batteries, electric vehicles (EVs) and solar photovoltaics.

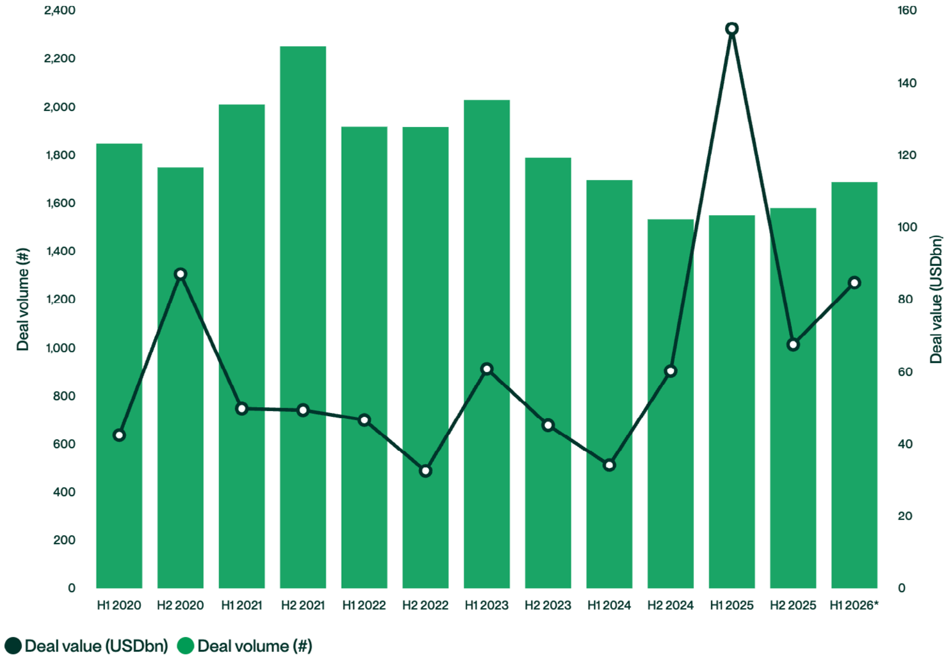
With the Chinese market oversupplied in many of these areas, China's leading players need to sell their products abroad. Even in a more volatile tariff environment, many Chinese companies' cost advantage is so great that they can continue to manufacture in China for export without becoming uncompetitive.

However, some are also pursuing acquisitions of manufacturing facilities in Europe and beyond as a hedge against wider geopolitical instability. In some sectors such as automotive we are also seeing outbound investments into distributors alongside joint ventures with consumer finance providers. As an example, Chinese EV makers are pursuing JVs with international banks to provide financing for customers to buy their vehicles in Europe; the Western model of carmakers bundling finance with vehicle sales has no real parallel within China itself.

Hong Kong's strengthening equity market underpins these dynamics, offering Chinese corporates a way to access international investment (Hong Kong's currency is pegged to the U.S. dollar) and navigate domestic capital controls as they internationalize their products. The performance of recent Hong Kong listings also underlies the nascent reevaluation of Mainland China as an investment destination for international funds that we outline above, offering as it does a visible exit route for Chinese portfolio assets.

JAPAN: DEALMAKING RISES DESPITE MARKET UNCERTAINTY

JAPANESE M&A DEFIES MARKET HEADWINDS WITH VALUES UP 25%



Source: LSEG • *Data generated on June 29

Japanese M&A activity in H1 2026 was particularly strong. Total deal value exceeded USD84bn, up 25% on the previous six-months, while volumes during the period were 7% higher than in H2 2025. Inbound M&A reached USD15.1bn across 109 transactions, both broadly consistent with the June to December totals, placing Japan just outside the global top ten most-targeted markets internationally.

Anecdotally, however, sentiment dipped in Q2, driven by the Iran conflict and Japan's dependence on oil and liquefied natural gas (LNG) shipped through the Strait of Hormuz. Japan is better positioned to weather this disruption than many Asian economies given its significant reserves, although the supply squeeze from the conflict was tangible, with one major snack food manufacturer having to repackage its products due to a lack of printing-grade petrochemicals. However, the energy crisis could reshape policy in ways that may create momentum for deals, particularly if the Japanese government continues with its plan to revive the country's nuclear power program.

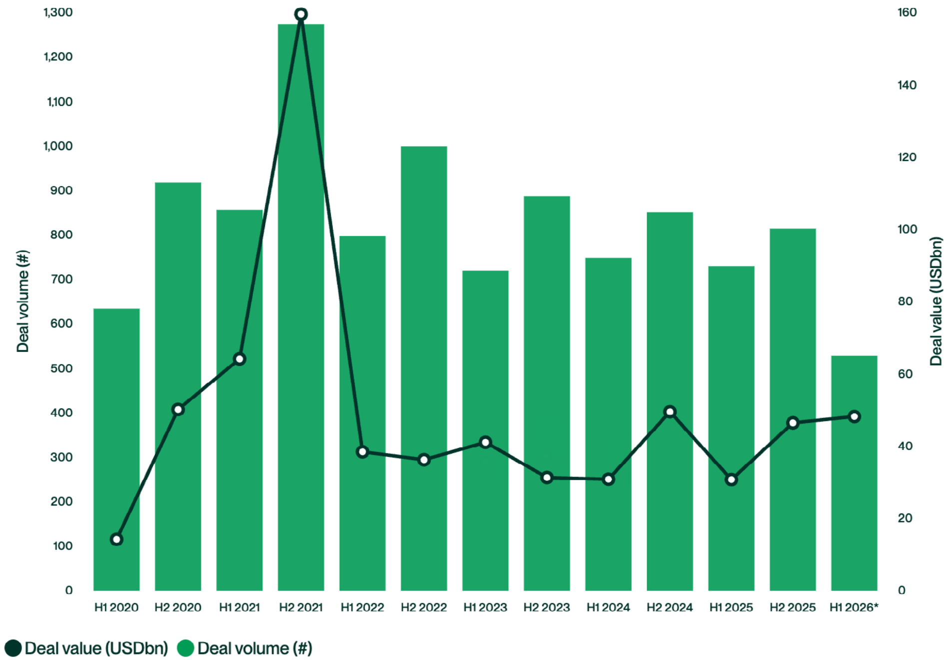
At the same time, Japan's low EV adoption deepens its exposure to oil disruption. With petrol and diesel still dominant, few near-term alternatives exist beyond continued sourcing through vulnerable sea lanes. Despite being early movers in EVs, Japanese carmakers have since focused on hybrid technology, in contrast to other global OEMs.

WEAK YEN PROVIDES POWERFUL TAILWIND FOR M&A

Global financial sponsors are increasingly establishing an on-the-ground presence in Tokyo, reflecting the quality and pricing of Japanese assets and the country's sophisticated legal infrastructure. The weak yen is a powerful deal driver, keeping asset valuations attractive for inbound investors and driving Japanese corporates to accelerate disposals of non-core assets originally acquired in dollars or euros to take advantage of favorable exchange rates. Sector consolidation—particularly in chemicals and construction—is a notable theme, alongside continued tailwinds from the corporate governance reforms we explored in the previous edition of M&A Insights. The potential for further dealmaking in the auto sector is also being closely watched.

AUSTRALIA: REGULATORY CHANGES ON THE HORIZON SET TO IMPACT M&A PROCESSES

AUSTRALIAN M&A VALUES HOLD FIRM BUT DEAL FLOW DECLINES



Source: LSEG • *Data generated on June 29

Australian M&A in the period to June 11 reached USD48.2bn, a slight increase compared to H2 2025's figure and 57% above the total for the corresponding period last year. Deal volumes by contrast were 35% lower than in H2 2025. Inbound M&A hit USD27.1bn, 20% up on the previous six months.

There was a determination among dealmakers to proceed with transactions despite the instability in the Middle East. Boards have adjusted to the prevailing macro uncertainty and while some processes were paused at the height of the conflict, contrary to some analyst predictions, deal flow was not significantly impacted.

CRITICAL MINERALS IN FOCUS FOR INVESTORS

Australia's mining sector is a focus for investors, driven by the intergovernmental frameworks between Australia and the United States and a parallel U.S./Japan arrangement designed to bolster security of supply in relation to critical minerals and rare earths, alongside the prioritization of defense resilience globally.

While there has been some initial Australian M&A activity because of the Australia/United States critical minerals deal, the full impact of the agreement has been slowed by the Iran conflict. However, the pipeline for future M&A activity is strong given that Australia has 680 resource deposits aligned with the U.S. Critical Minerals List, with 90% of those deposits available for investment and development by U.S. firms.

Given Australia's position as a strategically important, resource-rich and geopolitically stable market in the Indo-Pacific, data centers, infrastructure and defense assets are sought after by domestic and overseas investors, though transactions here have a variety of structural and regulatory nuances that require careful navigation (you can read more on why (and how these issues are being addressed)in our report Resilient returns: investing in defense).

GOVERNMENT PROPOSES CHANGES TO FDI AND TAX REGIMES

As far as policy developments are concerned, there are changes to Australia's foreign direct investment (FDI) screening regime on the horizon. A recent Treasury paper outlines reforms to further streamline and strengthen Australia's FDI laws, which include proposals to reduce the regulatory burden on low-risk investments and increase certainty for low-risk investors through broader exemption certificate powers, narrowing certain mandatory notification requirements and increasing the validity periods for no objection notifications to 24 months.

It is expected that low-risk investors currently caught by the broad application of tracing rules and Australia's Foreign Government Investor status will be the primary beneficiaries. For high-risk investments, the reforms proposed are intended to improve the tools available to the country's Foreign Investment Review Board (FIRB) by expanding approval requirements in sensitive sectors and extending call-in powers to previously approved applications where necessary. The latter would enable the government to call in and review commercial agreements in sensitive and critical sectors that could confer control without ownership, such as offtakes and other contractual lending agreements. The reforms will largely be effected through legislative amendments, although a timeframe has not been specified. Meanwhile, FIRB is proposing a shorter 30-day turnaround for decisions on low-risk investments (to be implemented from January 1, 2027), and will also review ineffective conditions on existing approvals.

Elsewhere, the range of share sales triggering Australian capital gains tax (CGT) for foreign sellers is being extended by widening the definition of real property to include all assets with a "close economic connection" to Australian land or natural resources, which includes energy and infrastructure assets.

A new pre-closing notification requirement for transactions of AUD50 million or more will affect deal timing. Buyers may also need to conduct more extensive due diligence to assess which assets fall into scope of the new rules, rather than relying on assurances from sellers. With that said, the measures are yet to be enacted and may change in response to feedback.

European M&A maintains momentum amid broader market uncertainty

European dealmaking values during the first half of the year remained robust, although the number of transactions declined. Here we explore the picture in three key markets, pinpoint the sectors where we expect to see activity in the period ahead and examine the shifting dynamics between strategic acquirors and financial sponsors.

By Frederiek Adams, Olivier Valk and Michael Weiss

Frederiek Adams
Partner

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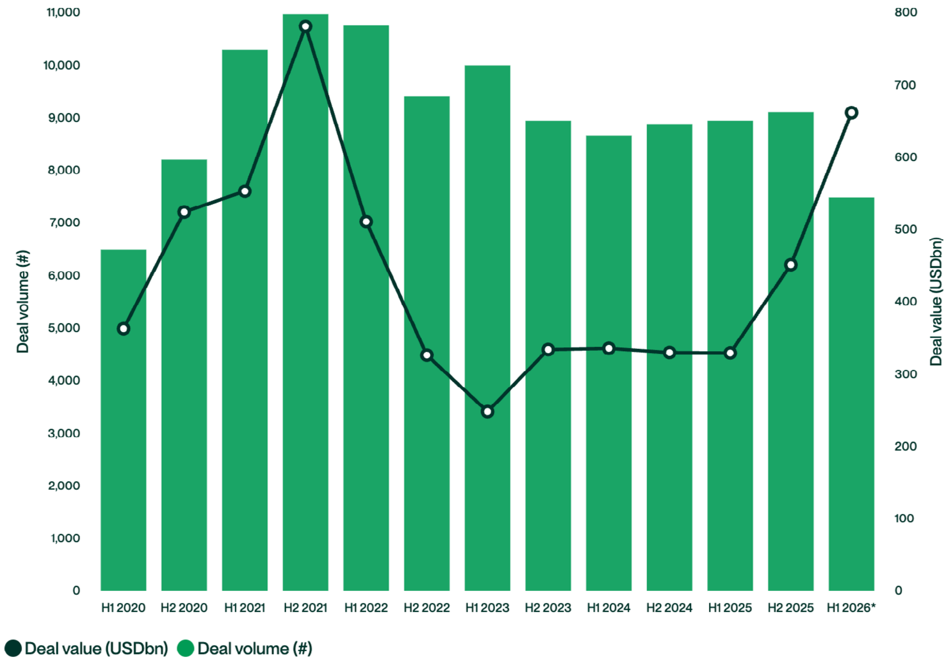
In brief

- Strategic acquirors are continuing to pursue deals in Europe despite the prevailing uncertainty in the global economy.
- Defense, renewable power and electric vehicles are attracting increased investor attention, driven by supply-chain concerns, energy security pressures and a more consolidation-friendly EU regulatory backdrop.
- Germany remains a focus for inbound M&A, with particular interest in the country's auto sector, including from Chinese EV manufacturers.
- In the Netherlands, overall activity fell, but inbound investment remained strong; corporates stayed active through volatility while private equity activity weakened.
- Belgium's market shows a disconnect between abundant private capital and cautious investment committees, with valuation gaps causing some bidders to withdraw while mid-market software and technology deals remain resilient.

EUROPEAN DEAL VALUES NEAR HISTORIC HIGHS BUT DEAL COUNT DECLINES



Source: LSEG • *Data generated on June 29

European M&A by value in the first half of 2026 defied geopolitical headwinds to reach USD661.5bn, 85% of 2025's full-year figure and the highest half-year total since H2 2021.

Yet beneath this headline strength, European deal volumes fell 17.8% compared to the previous half-year figure, the sharpest drop for several years.

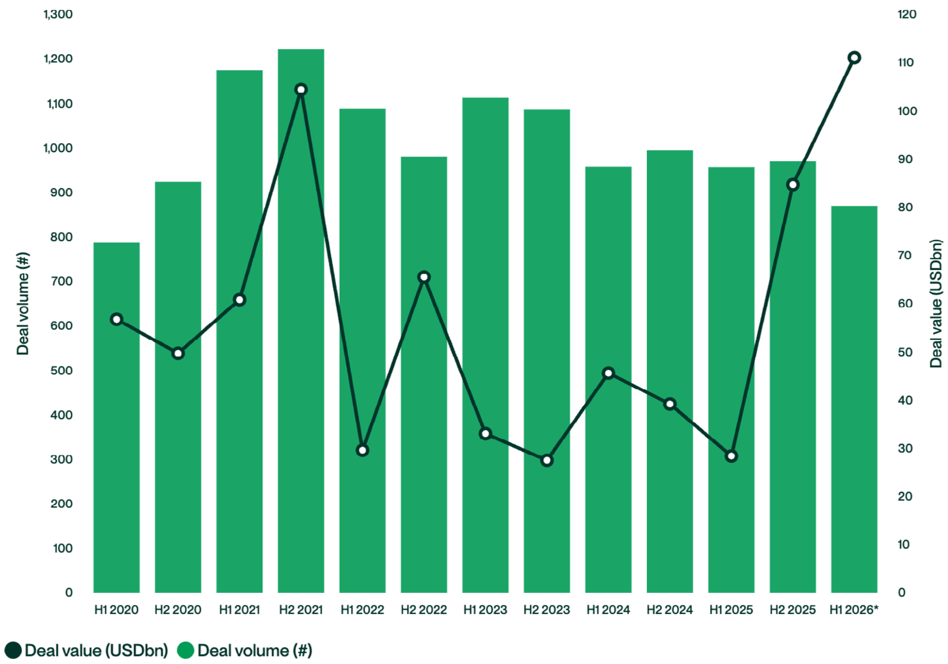
What we are seeing across key EU jurisdictions is an M&A market where strategic urgency is overcoming market headwinds. The conflict in the Middle East made converting intent into completed transactions difficult and served as a drag on pricing and timelines.

The EU defense supply chain is attracting significant interest from investors, although deal volumes for now remain relatively low. Despite the sector's prominence in a more contested geopolitical arena, investments can be challenging for those unfamiliar with its unique dynamics and heavy government scrutiny (for more on the nuances of defense investments, read our report Resilient returns: investing in defense). Demand for renewable power and electric vehicles are also gaining momentum in response to the impact of rising conflict on Europe's energy supply chains.

In parallel the regulatory environment in the EU is becoming more deal-friendly, at least for domestic investors. The European Commission's review of its merger guidelines is intended to make consolidation easier as a way to strengthen European supply chains, including in defense, and boost competitiveness. Meanwhile, the Commission has also intensified its enforcement of the Foreign Subsidies Regulation, which aims to constrain foreign state-backed acquisitions.

GERMANY: POSTPONED DEALS MOVE FORWARD WHILE AUTOMATIVE DISTRESS ATTRACTS INVESTOR ATTENTION

GERMANY RECORDS RECORD-BREAKING HALF-YEAR FOR M&A VALUES



Source: LSEG • *Data generated on June 29

German M&A by value in the period to June 11 stood at USD111bn, the highest half-year total ever. With that said, deal volumes were down 10% versus the previous six-month period, mirroring the broader European trend.

Germany was the most active EU jurisdiction for inbound M&A in the year to mid-June (and the third-most targeted market globally) recording 431 inbound deals with a combined value of USD98.3bn.

Overall, market activity remains robust against a backdrop of persistent volatility, although much of the deal flow through Q2 2026 consisted of transactions postponed over recent years. Boards across sectors are under public pressure to right-size their businesses via divestments of subsidiaries and non-core assets, and are also seeking scale as a hedge against wider economic volatility.

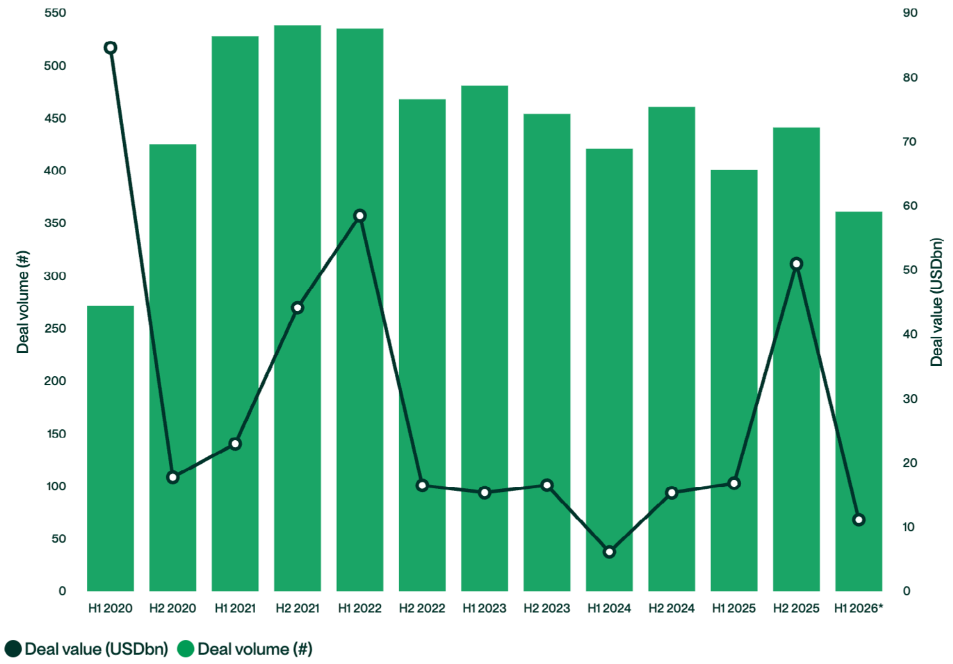
AUTOMOTIVE SECTOR PROVIDES ATTRACTIVE TARGETS FOR FOREIGN ACQUIRORS

From a sector perspective, the German automotive industry's distress is generating a wave of corporate activity: Volkswagen selling parts of its business, Porsche closing three subsidiaries and Chinese car-makers considering acquisitions of EU manufacturing facilities to produce within the EU rather than export from their home market.

While the current German government remains no more open to Chinese investment than its predecessors, automotive may prove the exception by necessity—the largest Chinese EV makers are among the only realistic buyers for facilities that employ thousands.

THE NETHERLANDS: CORPORATES ACT DECISIVELY IN PURSUIT OF STRATEGIC ACQUISITIONS

DUTCH M&A VALUES FALL SHARPLY AS DEALS ARE PUT ON ICE



Source: LSEG • *Data generated on June 29

Overall activity in the Netherlands was down sharply in H1 2026 compared to H2 2025 (USD11.2bn, a 78% fall on the previous period).

Within that figure, much of the activity involved inbound investment (USD10.3bn invested across more than 200 transactions), making the Netherlands the sixth-most active European jurisdiction for inbound M&A by value.

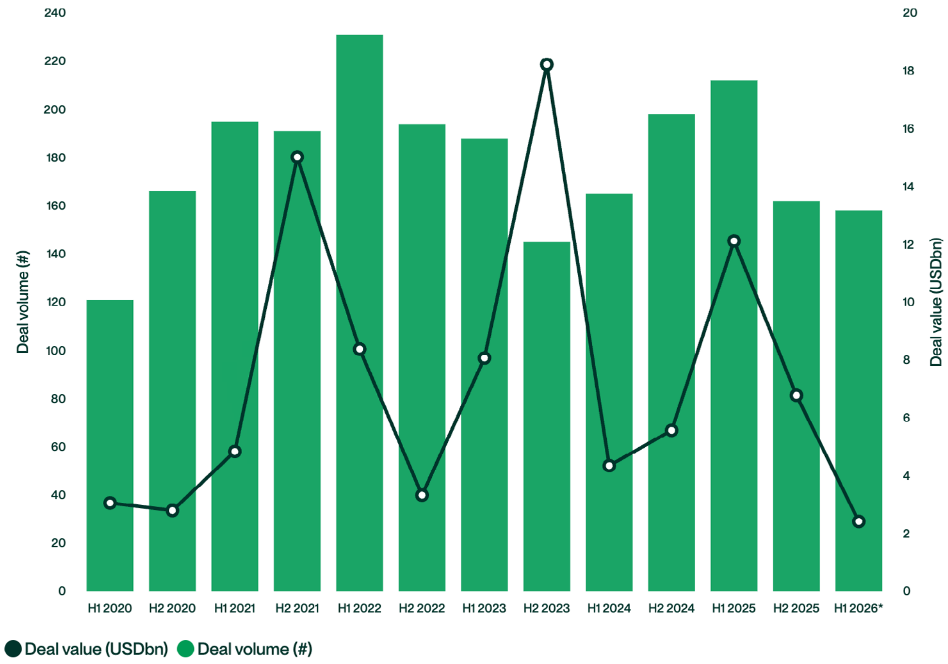
Public M&A processes continued despite the Iran war, though that activity did not convert into a large number of completed deals. Much of this resilience reflects the nature of the transactions, which were typically one-on-one situations involving strategic acquirors rather than sponsor-driven public to private deals.

Indeed, a sharper corporate/private equity divide opened during the conflict in the Middle East, with corporates remaining active while PE dealmaking declined. This reflects the desire for scale and strategic focus outlined above, yet while many corporates can see the benefits of strategic combination and integration, agreement on terms is not always straightforward. Despite this, CEOs in the Netherlands continue to make bold moves, having grown accustomed to generalized market instabilities.

Amsterdam's IPO markets had a strong start to the year only for activity to tail off. However, boards have carried on with their IPO preparations; unless the cessation of hostilities in the Middle East is fragile, we expect activity to rise in H2.

BELGIUM: PRIVATE EQUITY INVESTMENT COMMITTEES PROCEED WITH CAUTION DESPITE SHORTAGE OF OPPORTUNITIES

BELGIAN DEALMAKING DROPS TO LOWEST LEVEL IN SIX YEARS



Source: LSEG • *Data generated on June 29

Belgian M&A by value reached USD2.4bn in the year to June 11, the lowest half-year total since the turn of the decade, with 158 deals recorded in the period. Of those, 83 were inbound acquisitions with a combined value of USD1.8bn.

Activity among private capital investors at the upper end of the market reveals a notable disconnect: an asset shortage that would normally lift prices coexisting with cautious valuations driven by prudent investment committees.

Across the first half of the year we saw bidders unable to bridge these gaps withdrawing from processes, including between the non-binding and binding offer stage. Sellers are having to readjust to this dynamic, though it remains to be seen how far they will move versus turning to alternatives such as continuation vehicles. Elsewhere, mid-market activity is strong, including in software and technology, propelled by unprecedented levels of PE dry powder.

As in other markets, deal processes were delayed rather than terminated during the U.S./Iran conflict, with bidders keen to wait for current trading results to assess how market pressures are affecting financial performance.

How strategic buyers are reshaping UK M&A

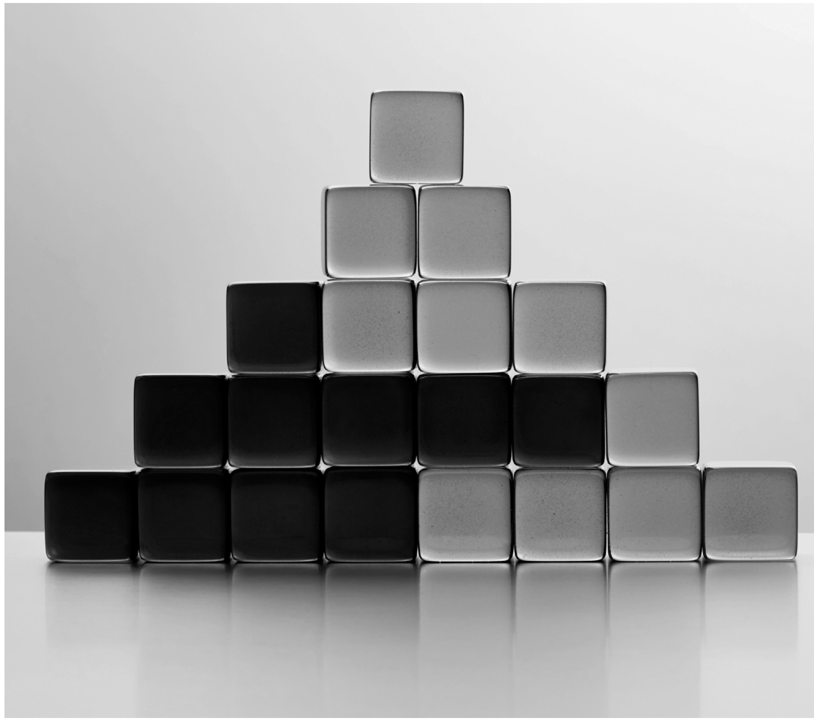
UK M&A deal values rose strongly in the first half of the year as strategic buyers pursued high-quality assets, with AI, carve-outs and inbound investment helping to sustain momentum despite lower volumes and a softer second quarter.

By Maegen Morrison

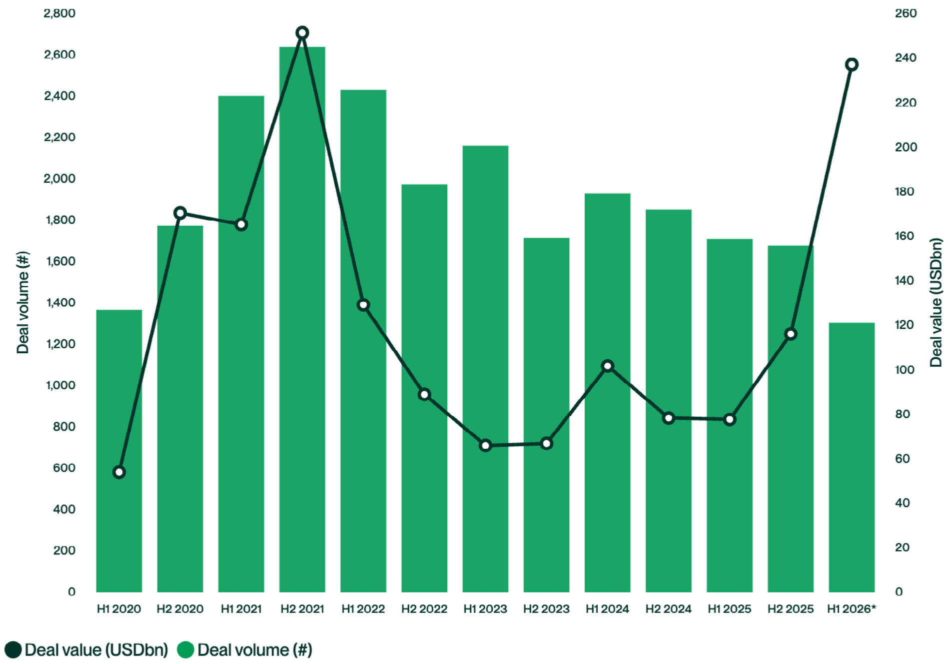
Maegen Morrison
Partner

In brief

- UK M&A activity was uneven in H1, with an exceptionally strong first quarter followed by a sharp drop in Q2 amid geopolitical uncertainty.
- Strategic investors are setting the tone, showing conviction around selected high-quality assets and continuing to drive notable U.S./UK public company transactions.
- Inbound interest in UK assets remains strong, supported by pricing dynamics and perceptions of regulatory stability, although recent political change may test market confidence.
- Carve-outs are becoming a prominent feature of the pipeline as large corporates look to release value from non-core assets, with strategics the main buyers and spin-offs an occasional route to liquidity.



VALUES UP, VOLUMES DOWN IN UK AS UNCERTAINTY PUTS DEALS ON PAUSE



Source: LSEG • *Data generated on June 29

The headline numbers for UK M&A in the first half of the year tell two stories. Deal values in H1 were more than double those of the previous six months at USD237bn, while volumes were down 22% versus H2 2025 at 1,303 transactions, mirroring the pattern in the U.S. The trajectory across the half-year however was uneven: Q1's total deal value (USD144.9bn) was the third-highest quarterly figure on record, but activity then dropped 36% to USD92.1bn between March and the end of June.

ACTIVITY AMONG STRATEGICS DRIVES DEAL PIPELINE

Strategic investors remain the primary drivers of activity, with M&A data showing a flight to quality: fewer deals, but conviction behind the pursuit of the best assets. The continued flow of U.S./UK public transactions can be seen in the combination of Unilever's foods business with McCormick and Ingredion's GBP2.7bn takeover of Tate & Lyle. Inbound M&A in H1 stood at USD202bn, more than double the previous six-month total and the highest half-year figure since H2 2021.

Asset prices are part of the story for foreign buyers targeting the UK market, alongside the perception of stability in the regulatory environment. The departure of Labour Prime Minister Sir Keir Starmer in June (the sixth such departure since Brexit) may test this impression, although his likely successor, former Manchester Mayor Andy Burnham, has been deliberate in his efforts to reassure markets by taking soundings on economic policy from a heavyweight group of former policymakers.

Private equity activity is there, although not at scale; on the sponsor side we are seeing a heavy reliance on alternative structures (continuation vehicles and secondary buyouts in particular) as an exit route, with many funds needing to crystallize realizations before they can deploy meaningful new capital.

The drop in activity in Q2 reflects the uncertainty that flowed from the war in Iran, compounded by uncertainty over inflation and how the Bank of England would respond on interest rates. Many UK businesses are cross-border by nature, exacerbating the impact of the conflict. Much as we saw in other markets, however, the primary effect on UK deal-making was to delay processes rather than stop them.

FOCUS ON AI, INFRASTRUCTURE AND ENERGY TRANSITION DEALS

The other clear deal driver is AI, with corporates looking to jump-start their AI strategies by acquiring technology and skills. Here, the dislocation created by AI across industries is shaping target selection: businesses in sectors that are further along the AI curve are more attractive to acquirers looking to accelerate their transformation. While valuations are high, the calculus for most investors is that the upside still outweighs the risk.

At the same time, AI- and data-related deals are being executed in an increasingly challenging geopolitical environment; the U.S. BIOSECURE Act, China's Network Data Security Management Regulations and the EU Tech Sovereignty Act, among other frameworks, have made data sovereignty and cross-border data transfer primary risk factors in deal processes. (We outline the key considerations for boards in AI-related deals as part of our Transformational forces series).

BOARDS FOCUS ON CARVE-OUTS AMID MARKET DISLOCATION

One of the more pronounced themes of H1 2026 has been the role of carve-out transactions in the deal pipeline. As in other markets across Europe in particular, bigger corporates are assessing whether they can create value through divestitures of non-core assets, which can be a drag on profitability and management time.

The buyers for divested assets are, in the main, strategics rather than sponsors. Some are also finding their way to the public markets through spin-offs (e.g., Associated British Foods/Primark), which have performed well where the underlying business is sound. With that said, London IPO markets have remained quiet during H1—there had been hopes that green shoots in 2025 would flourish, but macro pressures have served to constrain new listings.

How reforms to global minimum tax standards could impact dealmaking

The Organization for Economic Cooperation and Development's (OECD) Pillar Two framework establishes a global minimum corporate tax rate of 15% in a bid to prevent multinationals from shifting their profits into low-tax jurisdictions. Earlier this year, the side-by-side (SbS) package was released, which aims to address concerns from the U.S. administration in relation to various aspects of the regime. Here we explore the impact of this shake-up on M&A, including in relation to due diligence and contractual protections.

By Ryan Bray, Tim Harrop and Brin Rajathurai

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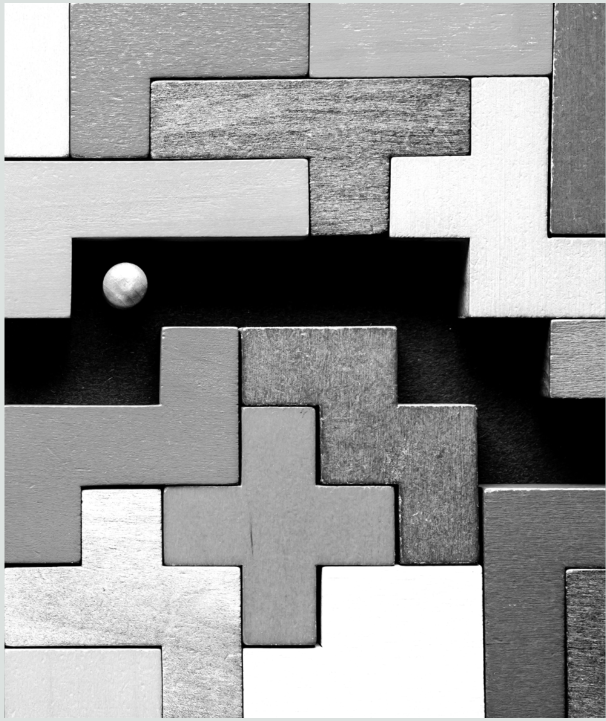
In brief

- The OECD/G20 Inclusive Framework's new side-by-side package responds to U.S. concerns about the impact of the global minimum tax regime.
- For M&A, the package introduces two safe harbors that may reduce global minimum tax exposure for qualifying multinational groups.
- The reforms should give U.S. acquirers greater certainty in target pricing, but they do not remove the need to consider domestic minimum top-up taxes, pre-acquisition tax liabilities, indemnities, information rights and related contractual protections.
- Deal teams should factor the safe harbors into vendor and buy-side due diligence, tax modelling and transaction structuring, particularly where joint ventures involve both U.S. and non-U.S. investors.



Earlier this year the OECD/G20 Inclusive Framework published its side-by-side (SbS) package on Pillar Two after months of negotiations. The package was a response to concerns raised by the U.S. government regarding Pillar Two's undertaxed profits rule (UTPR) and the treatment of existing U.S. credits, including in relation to R&D.

Faced with the threat of retaliatory U.S. tariffs or taxes, the OECD/G20 Inclusive Framework negotiated a compromise intended to address these concerns as well as frustrations in other jurisdictions around the complexity of the existing regime.

Among other things, the new framework introduces new safe harbors for multinational groups in jurisdictions with eligible tax systems that subject profits to minimum levels of tax: the SbS Safe Harbor and Ultimate Parent Entity (UPE) Safe Harbor (which allow multinational enterprises to deem their top-up tax under the UTPR to be zero).

The SbS Safe Harbor, currently available only to multinational groups with a U.S. parent, exempts qualifying businesses from two core aspects of the global minimum tax (the UTPR and the income inclusion rule, or IIR) and for transactions involving U.S. acquirers it should therefore bring greater certainty in target pricing.

However, domestic minimum top-up taxes remain in play regardless of the exemption, meaning existing M&A considerations around indemnities and accruals for pre-acquisition taxes, tax elections, information rights and joint and several liability are still live issues. Pillar Two tax due diligence and contractual protections remain essential.

One immediate practical consequence is that vendor and buy-side due diligence and modelling should now take account of the SbS Safe Harbor where relevant. Joint venture structures involving both U.S. and non-U.S. investors raise particular complexities, in part because the applicable rules depend on how the JV is classified for the purposes of the Pillar Two rules. In response, deal teams need to build optionality into their tax analysis from the outset rather than assuming a single Pillar Two compliance framework applies across all counterparties.

The extension of the Transitional CbCR Safe Harbor (the Pillar Two mechanism that temporarily exempts MNEs from full global minimum tax calculations based on data from Country by Country Reports (CbCRs)) to fiscal years beginning on or before December 31, 2027 has been welcomed by dealmakers. However the "once out, always out" rule still applies, and acquisitions or disposals can themselves trigger failure of the safe harbor in a jurisdiction.

Critically, the 2029 stocktake of how the new Pillar Two SbS package is working introduces a degree of uncertainty. Parties should not assume that the exemption for U.S.-headed groups will remain in its present form indefinitely, and those entering longer-term arrangements such as joint ventures may wish to include provisions allowing renegotiation in the event of a material change. In response, deal teams should build flexibility into contractual arrangements now and plan for the possibility that the exemption may be taken away, rather than treating the current framework as settled.

For more insights on the changes introduced by the SbS package, read our briefing.

FIND OUT MORE

To find out more about these topics, please reach out to any of the report authors or your usual A&O Shearman contact.

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