



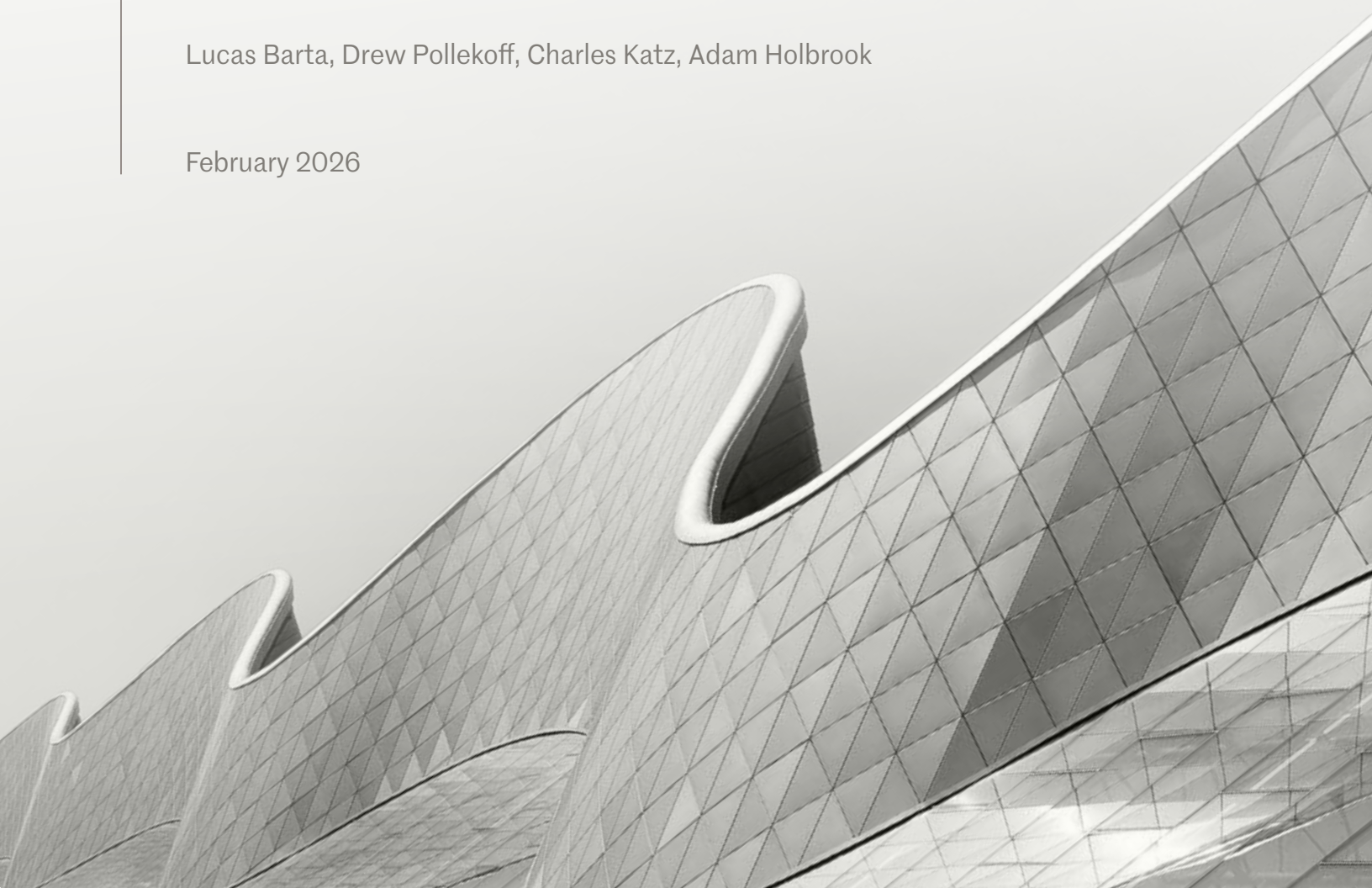
# 2026 M&A Outlook

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Examining the Impact of Megadeals, Private Equity, and Technology on  
M&A Market Momentum and Opportunity

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February 2026



## Overview

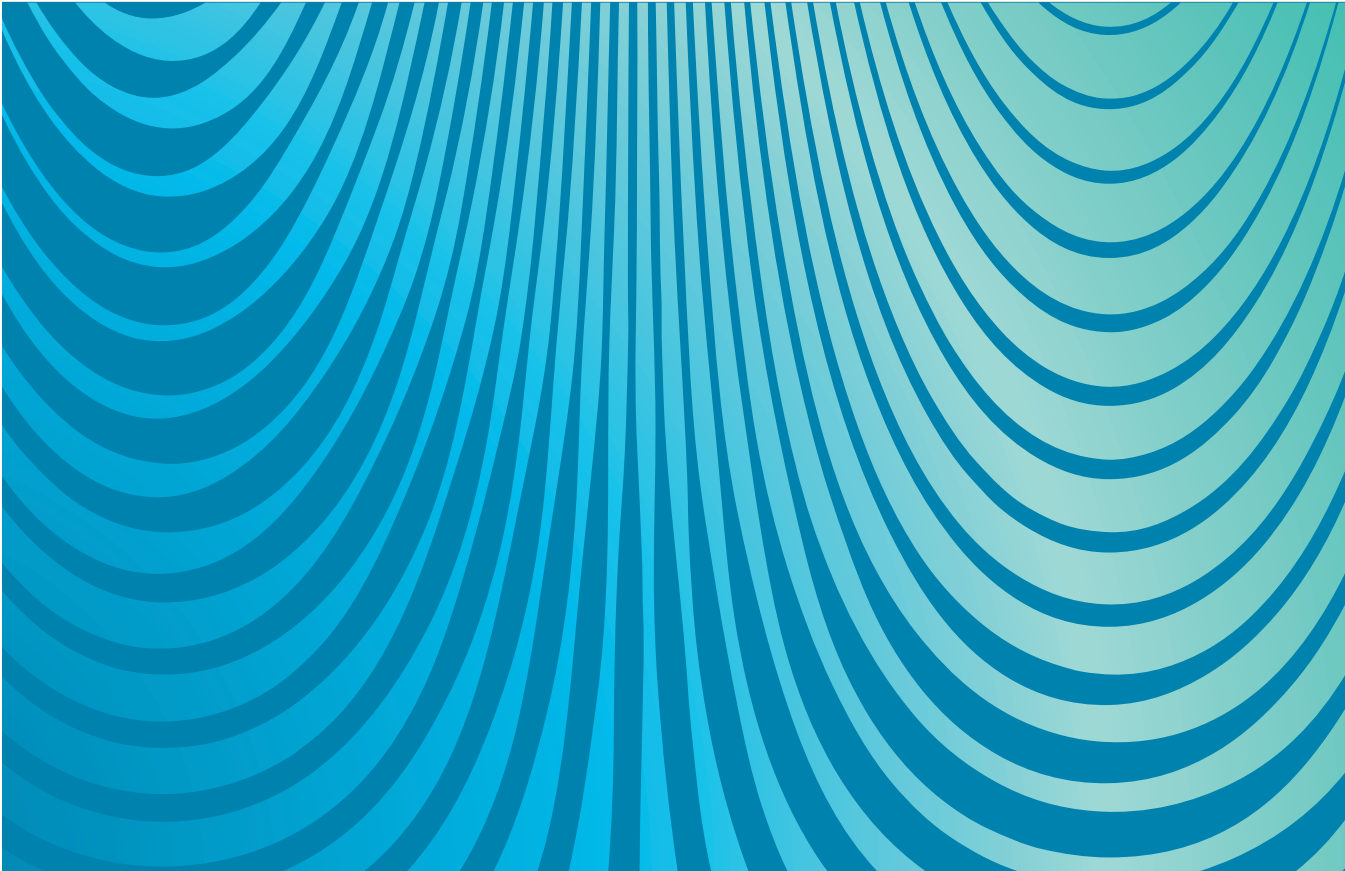
As the 2026 M&A Market looks to build on 2025's second half rebound, understanding the underlying trends behind that resurgence, including the return of megadeals, private equity re-engagement and exit pressure, and the increasing impact of technology M&A on adjacent industry sectors, will be essential in identifying value and executing on dealmaking opportunities in an improving market.

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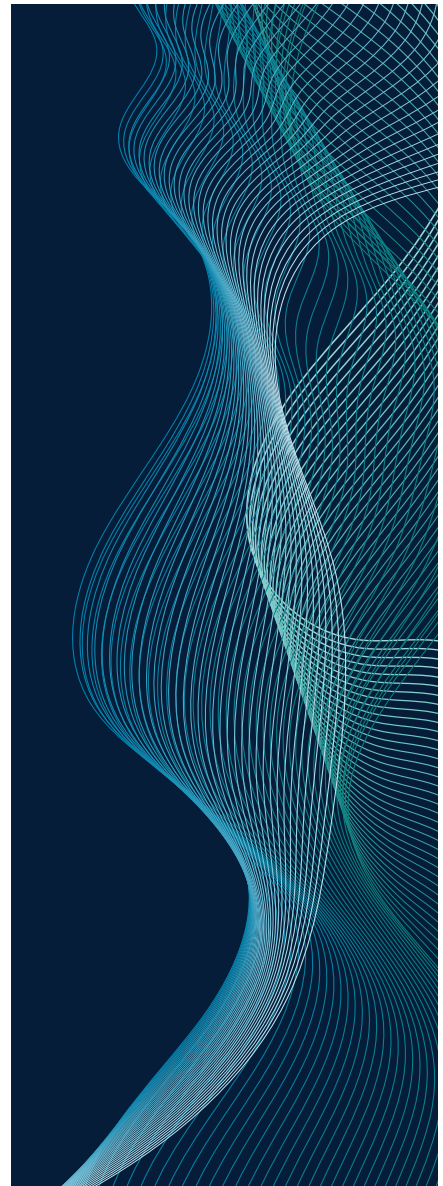


# Introduction

At the outset of 2025, our forecast aligned with the prevailing sentiment of most M&A practitioners – “cautious optimism.” Interest rate cuts, decreasing inflation and rallying public equity markets were expected to foster a deal-friendly market that would relieve pent-up pressure from lengthening private equity (PE) hold times and build confidence in a rebounding M&A market. Industry leaders also anticipated a decisively transaction-friendly regulatory environment under the incoming Trump administration, designed to further promote efficiency in dealmaking. In retrospect, however, 2025 brought with it a unique set of market conditions, regulatory factors and uncertainty that ultimately strayed from expectations and produced a tale of two halves.

In the first half of the year, the market’s “cautious optimism” quickly gave way to outright “caution” for many dealmakers. The incoming administration’s focus and rhetoric around efficiency and cost-cutting created significant uncertainty in the market and generated numerous false starts for transactions across industry sectors. As market participants wrestled with this reality, the M&A market was largely paralyzed, waiting for the fog to clear. By March, although tempered rhetoric from the administration had somewhat renewed market confidence and produced a brief uptick in transaction volume, rumblings of the potential impact of tariff policy changes had already begun to surface. Ultimately, the whiplash caused by the scale and speed of the Trump administration’s rollout of its “Liberation Day” tariff policies in April 2025 once again halted dealmaking momentum, as uncertainty and disruption in global import/export processes and industry supply chains sidetracked deals in all sectors. Speculation around the impact of the new tariff policies led to concerns around the possibility of re-inflation, which ultimately prompted the Federal Reserve to hold firm on interest rates. The denial of anticipated rate cuts dealt a significant blow to confidence in a rebound year for M&A, as uncertainty bred inaction and dealmakers retreated to safety on the sidelines through June.

In the second half of the year, however, a remarkable turnaround occurred. As the summer waned, key PE buyers assessed the opportunity cost of remaining inactive and made a conscious decision to deploy significant capital despite

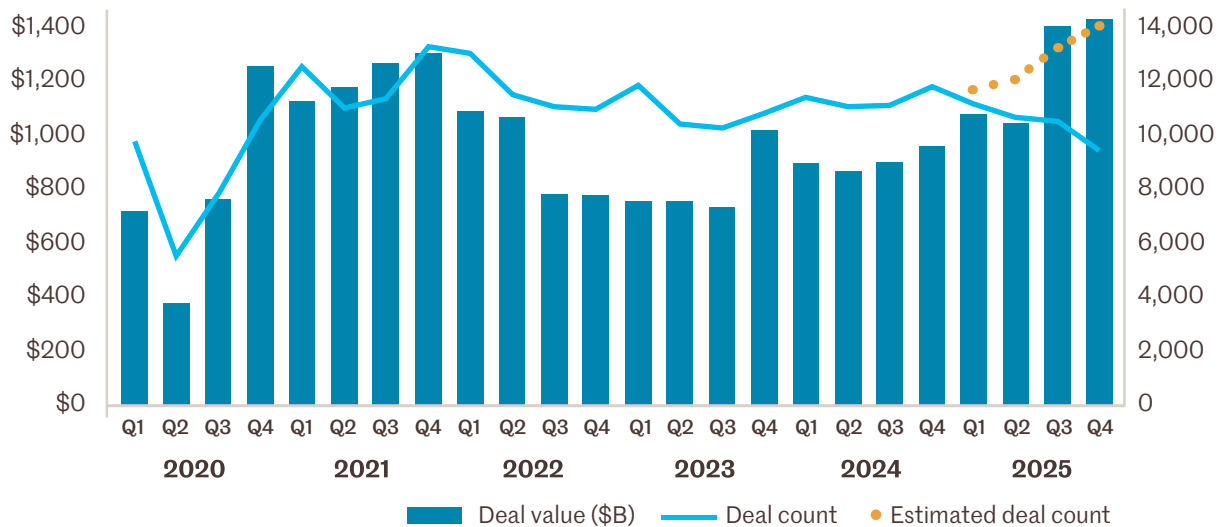


the apparent headwinds, resulting in several “megadeals” that proved to be critical inflection points in 2025’s M&A landscape. Massive, complex transactions took shape and signaled to the broader market that inaction by its biggest players was no longer justified. As shown in Figure 1, 2025’s megadeals shepherded the broader M&A market toward a rebound, catalyzing heavy reengagement in Q3 and Q4 and ultimately leading to a strong close for 2025 in terms of both deal volume and value.

As we forecast the M&A market in 2026, we may also see these megadeals “unstick” a larger base of PE buyers and sellers – the proverbial flywheel of the engine that is today’s M&A market – by providing confidence and restoring inertia that middle-market and smaller funds might subsequently use to justify reengagement. Entering the new year, practitioners’ optimism feels less “cautious” and more “justified” due not only to the reemergence of these large-scale transactions as a guiding light but also to the trends and data beneath them that many dealmakers believe will continue in the coming months. Financing conditions and the cost of capital have eased on the backs of three 25 basis point interest rate cuts in the latter half of 2025, speculation around tariff and trade policy is becoming increasingly distant as concerns over reflation have dissipated, and deal volume continues to rise. Practitioners anticipate that this momentum will

produce opportunities for growth and activity in critical industries, including AI and information technology as well as adjacent sectors like government technology and defense, energy, and infrastructure. While corporate buyers will play a vital role in 2026 as always, the ability of the market to convince PE buyers and sellers to reengage in earnest is likely to define its performance this year due to the immense potential energy stored both in their available capital and in their desire to resolve long-standing liquidity and deployment pressures. If that proves to be the case, we may see the market continue its late-2025 resurgence.

FIGURE 1: GLOBAL M&A ACTIVITY BY QUARTER



Source: PitchBook, 2025 Annual Global M&A Report

# Restoring Momentum: Unsticking the PE Flywheel

As discussed above, last year's late-season turnaround not only bolstered overall performance metrics but perhaps more importantly also may have provided the blueprint for the market to compound its performance in 2026: In a time when unique market conditions created significant uncertainty and disrupted the rhythm of the M&A market, the reengagement of large PE funds absorbed the shock from these disruptions and provided renewed confidence to smaller funds that they may not have otherwise found. The reignition of market activity by those with the most capital to deploy signaled to smaller participants that the market has reached a point where a return to action is viable. While we expect that 2026 M&A activity may result in more large-scale or megadeal transactions in and of themselves, we may also see the ripple effects of these transactions restore momentum and consistency to the M&A market more broadly as the engine of today's M&A market – PE buyers and sellers of all sizes – roars to life. Funds of all sizes are expected to prioritize exit and redeployment as market conditions improve in order to relieve liquidity pressure and ensure they are able to meaningfully reengage as acquirors themselves.

## Megadeals as a Catalyst

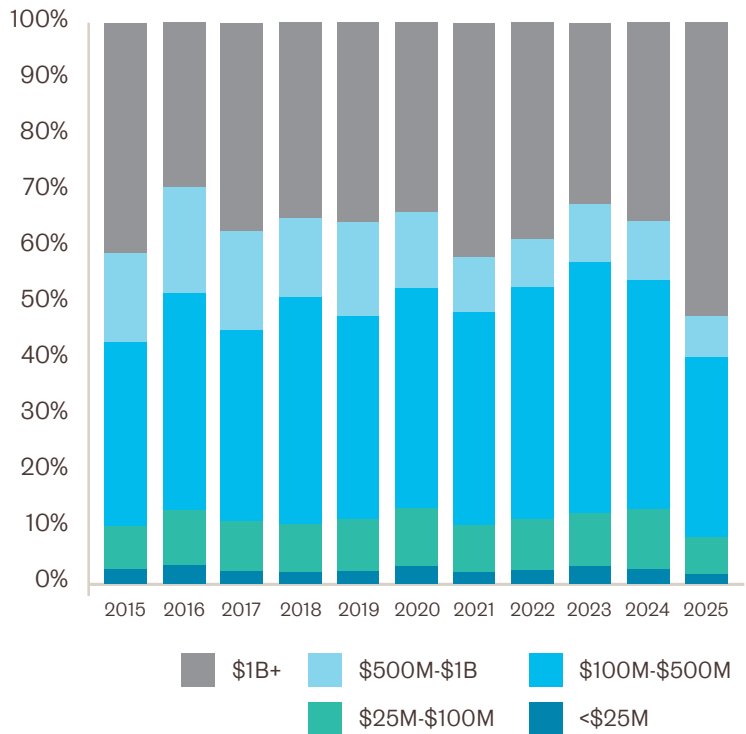
Reliably forecasting M&A activity in 2026 is predicated on understanding the primary catalyst for the market's turnaround in 2025. With the amount of sidelined PE capital rapidly increasing through the sluggish first half of 2025, the questions became not if, but when, top PE firms would make their moves, and what impact those moves could have on a hesitant deal market as a whole. The third quarter of 2025 proved to be a flashpoint, as several high-value transactions took shape. Beginning in earnest with Palo Alto Networks' \$25 billion acquisition of CyberArk in late July, several top PE funds reentered the market with force and conviction, as significant transactions like Thoma Bravo's take-private acquisition of Dayforce for \$12.3 billion and the acquisition of Electronic Arts by PIF, Affinity Partners and Silver Lake for a PE buyout-record \$55 billion price tag were subsequently announced. Deal value surged to one of the strongest quarterly tallies on record at roughly \$310 billion, even as deal volume stayed relatively flat, and a top-heavy, value-over-



volume trend spurred the market on through the end of the year. According to PitchBook, deals over \$1 billion accounted for about 53.6% of U.S. PE deal value, up from 35% in 2024, while representing only roughly 1.9% of total deal count (see Figure 2). In particular, take-private transactions exemplified this shift. While the number of take-privates fell to approximately 58 in 2025 from about 97 across 2023-2024, aggregate value climbed above \$200.3 billion.

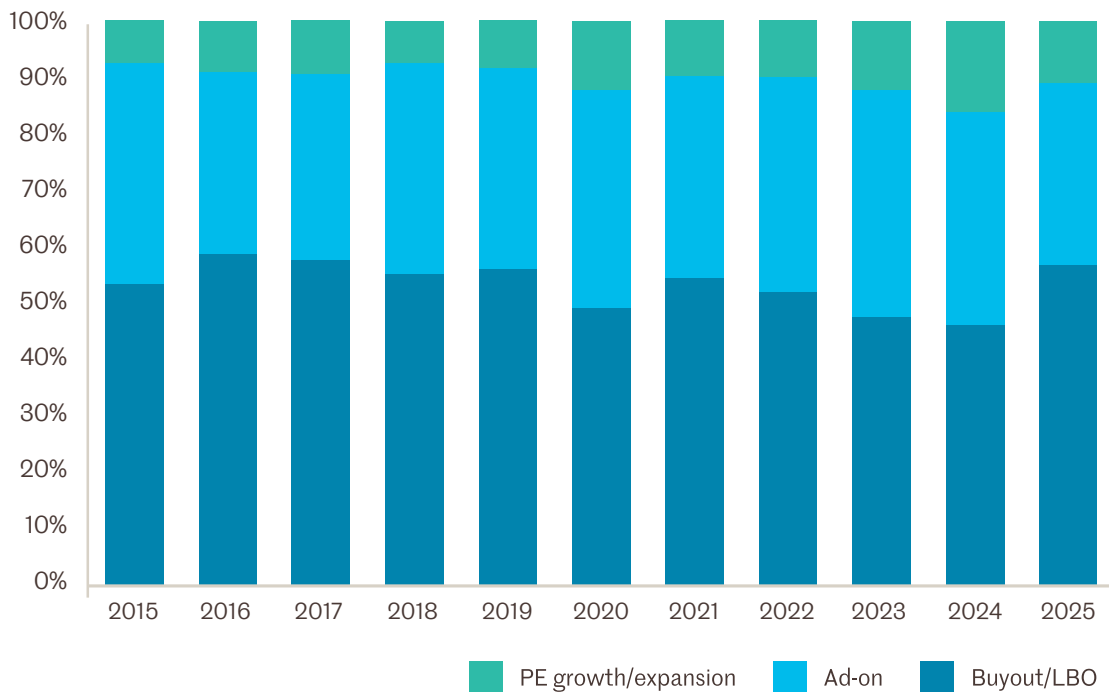
Buyout structures dominated transaction value, accounting for approximately \$525 billion in value as compared to approximately \$304 billion in value generated by “add-on” structures, despite buyouts representing a much smaller volume of deals (see Figure 3). Technology and IT-adjacent industry sectors enjoyed significant year-over-year performance while consumer-facing businesses experienced more modest growth. These metrics formed a pattern that became more visible throughout 2025 – PE sponsors concentrated capital in execution-ready assets with defensible growth, durable cash generation and clearer exit paths, and the top PE

**FIGURE 2: PE DEAL VALUE BY SIZE**  
Share of PE deal value by size bucket



Source: PitchBook, Geography: US, as of December 31, 2025

**FIGURE 3: SHARE OF US PE DEAL VALUE BY TYPE**



Source: PitchBook, 2025 Annual US PE Breakdown

funds identified and acted on value opportunities in these structures as market headwinds and uncertainty began to wane, resulting in massive transactions that signaled to the broader market that the risk profile for reengagement had become more palatable.

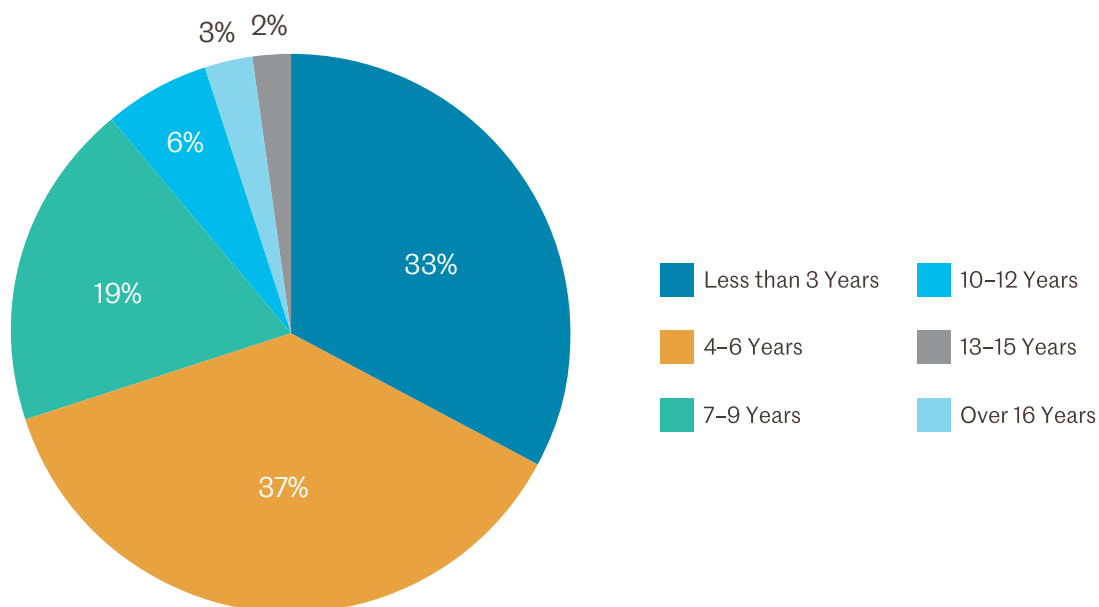
We anticipate that these megadeals may do more than just put a bow on the 2025 market's performance data, however. As the most impactful firms continue deploying capital in earnest, smaller firms will be further incentivized to take advantage of the downstream impact of those transactions as new platforms take shape and existing portfolios seek offramps for valuable assets. While other factors will certainly play a role in bringing PE funds off the sidelines in 2026, the importance of large-scale transactions in that endeavor should not be underestimated.

## Liquidity Pressure

Another reality facing PE funds as 2026 takes shape is that most continue to experience immense pressure from limited partners (LPs) to exit existing holdings and return capital. Throughout the pre-COVID market of the mid- and late 2010s, hold times for PE funds remained steady at around 5.5 years, and LPs could typically calibrate

their exit timeline expectations with relative confidence (according to PitchBook). However, as shown in Figure 4 below, as the M&A market absorbed the effects of COVID and valuations surged around 2021, hold times began to increase proportionally, hitting a high of seven years in 2023. Buyers could not justify acquisitions at the inflated valuations of the post-2020 market, and thus sellers struggled to offload assets at their original expected rate of return. As the market struggled to bridge these bid-ask spreads, many sponsors shifted their focus to improving existing holdings, opting to bide their time instead of accepting lower valuations. Assets purchased around the 2020-2021 market activity peak pushed past their perceived expiration date, creating a significant backlog in the pipeline. Dealmakers expected this bloated pipeline and mounting exit pressure to produce a target-rich environment for buyers in 2025, but the unique and unpredictable market conditions discussed above chilled most buyers' confidence in valuations due to factors that had little to no historical data to base models on, including uncertain tariff impact, looming government shutdowns and efficiency evaluations, and various geopolitical conflicts. According to EY's Private Equity Pulse, while exit activity improved at the end of 2025, the scale of the backlog has left a record inventory of more than 30,000 portfolio companies globally.

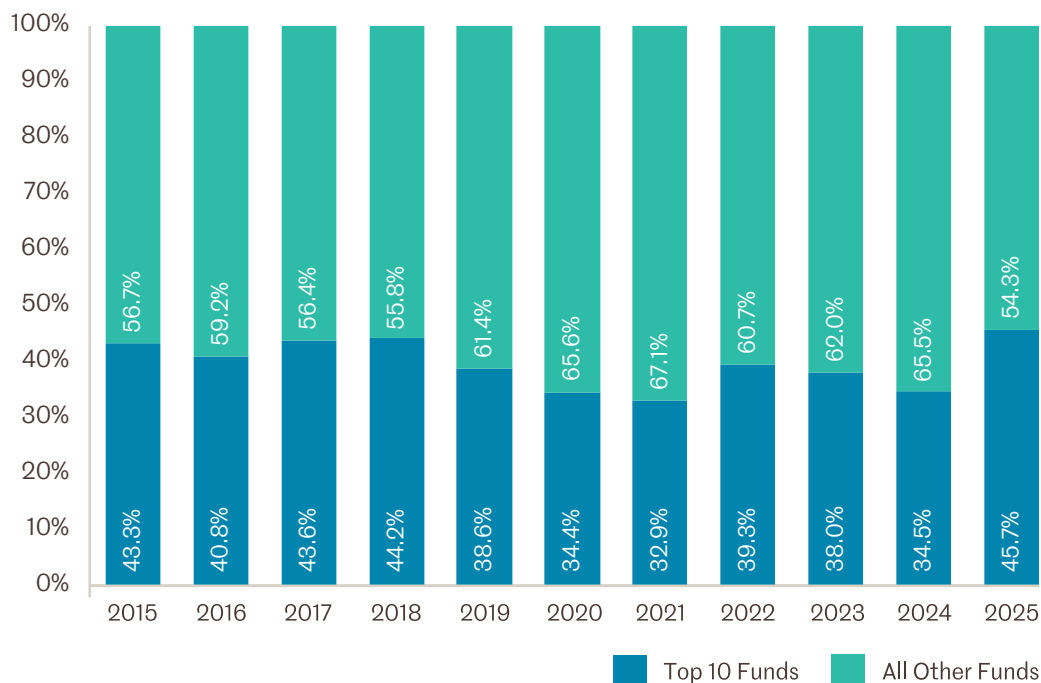
FIGURE 4: SHARE OF PE-BACKED COMPANY INVENTORY BY DEAL YEAR



Thus, M&A markets are reaching a critical inflection point. According to PitchBook, median hold times for exited deals currently sit at around six years, while median hold times for assets still in portfolios sit at their highest levels since 2011. Without exit liquidity, capital cannot flow back in, making it difficult for fund re-formation to produce ready sponsor buy-side vehicles, and as a result, both the amount of available funds and the number of active vehicles in the market have become drastically concentrated. As shown in Figure 5 below, the top 10 active funds accounted for roughly 45.7% of total capital in 2025, up from just 34.5% in 2024. Funds over \$1 billion represent only about 17.8% of active vehicles but now capture approximately 83.6% of capital raised. While approximately \$1.1 trillion in capital remained available to U.S. PE firms for deployment as of December 2025, overall fund counts have fallen to around 244 from a peak above 1,000 in 2022. What does this mean? The largest sponsors control the majority of available dry powder, even though the market's momentum depends on the ability of smaller funds to reengage. To combat this concentration, middle-market and smaller PE firms must exit their existing holdings to obtain capital commitments from investors, and therein lies the rub; these firms understand the critical need to relieve liquidity

pressure, but they are searching for trends, data and signals to justify exits and unlock their potential as repeat acquirors. While recent market conditions have obscured those signals, the activity of these large PE funds themselves may, ironically, provide the guiding light, as the momentum and downstream opportunities stemming from 2025's megadeals improve market confidence and encourage smaller firms to execute on exit opportunities and reengage.

FIGURE 5: PE FUND CONCENTRATION (TOP 10 FUNDS VS. ALL OTHERS)



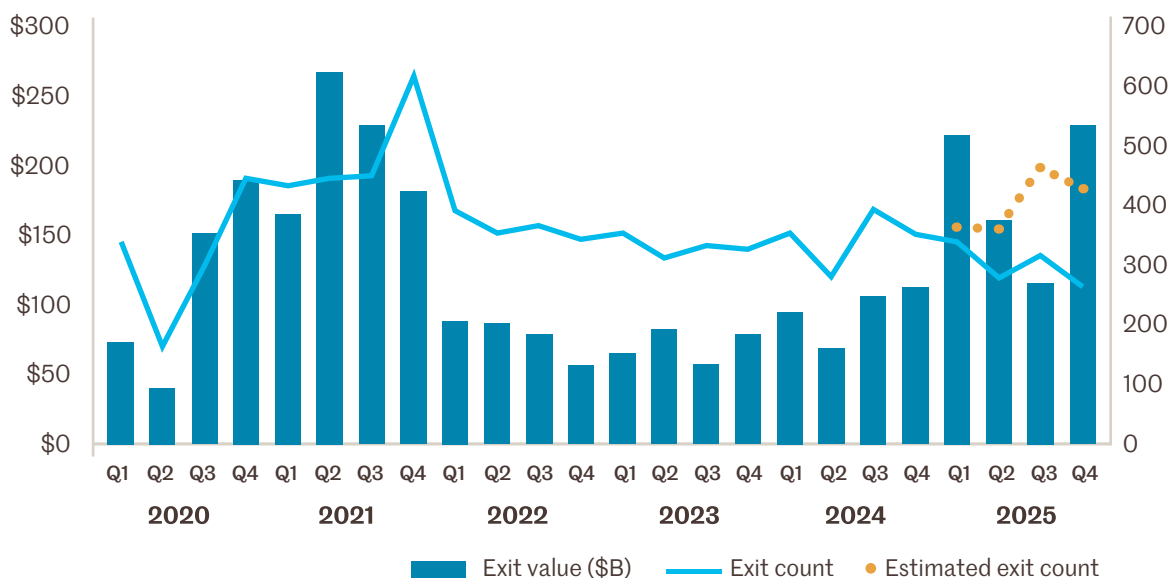
## Sponsor Exit Behavior and Alternative Structuring

Sponsor exit behavior in 2026 is likely to be defined by the motivation to exit as efficiently as possible and capitalize on increasing momentum and confidence. In PitchBook market surveys, 57% of PE investors indicated that exiting portfolio companies was the number one priority for the next six months, while only 8% of survey participants indicated that they would hold back until market indicators are clearer. This sentiment reflects our assessment above and suggests that PE investors are increasingly motivated to execute on exit opportunities and relieve the aforementioned backlog of assets from the 2020-2021 acquisition timetable (see Figure 6). Sponsors in 2025 often turned to traditional sponsor-to-sponsor sales to produce viable exits, although nontraditional avenues like continuation vehicles and a resurgence of the IPO market also provided minority use cases for offloading longer-held assets. Since 2023, sponsor-to-sponsor exits have increased year over year, from a third of all sponsor exits in 2023 to over 41.5% in 2025 (according to PitchBook). We expect sponsor-to-sponsor exits to continue to be a leading avenue for delivering liquidity, but given that middle-market and smaller firms may not be able to access ideal exit

conditions as easily as the largest PE players could during the latter half of 2025, even with improving market conditions, alternative transaction structures may be of increasing value as the market prioritizes exit and redeployment over further patience and seeking perfection in timing.

For example, the number of exits through general partner-led continuation vehicles (CVs) has grown year over year since 2017, with exit values now topping \$80.1 billion and comprising roughly 5.2% of PE exit counts (according to PitchBook). What was once a rarely deployed exit strategy prior to 2020 now captures a non-negligible portion of the market. As firms struggle to identify actionable exit opportunities, CVs provide a credible path to exit and return capital to investors who are ready to liquidate and have lost their appetite for continued hold times. While not the primary exit that most firms are seeking, CVs provide another off-ramp for these LPs and allow existing funds to deliver liquidity and reset. As market conditions improve for traditional exits, the use of CVs and other alternative structures may wane, but it remains an important trend to footnote in the context of a 2026 environment focused on delivering liquidity and redeploying assets.

FIGURE 6: PE EXIT ACTIVITY BY QUARTER



Source: PitchBook, Geography: US, as of December 31, 2025

Additionally, despite an October government shutdown that halted issuance for 43 days, IPOs showed a tangible rebound in both volume and value in 2025, a trend that we may see continue in 2026. Coming out of 2022 in the trough of approximately \$6.1 billion in value, PE IPO exits have climbed year over year to about \$248 billion in value across only 131 listings in 2025, signaling that public markets are reopening as another viable release valve (according to PitchBook). While IPO exits are generally reserved for select companies with hungry retail demand, their resurgence as a market exit tool accounting for 23.2% of all exit value in 2025 should not be downplayed, especially in light of the relaxed SEC regulatory environment. According to Cornerstone Research, in FY 2025 (ending on September 30, 2025), 52 of 56 enforcement actions were initiated under the prior administration's SEC Chairman, Gary Gensler. New SEC Chairman Paul Atkins has indicated a return to basics, particularly targeting fraud and public company reporting and disclosure violations. Also, Chairman Atkins brought notable changes to the Wells Process in 2025 to make the investigative process more transparent and easier from the company perspective. Given these factors, IPO exits appear more viable even for smaller IPO candidates, as the cost of registration should plummet with a more relaxed SEC regulatory regime.

## Macro-Momentum

Aside from 2025's marquee transactions, there are other macro-tailwinds heading into 2026 that may further encourage the M&A market's resurgence. The Federal Reserve's three 25 basis point cuts in September, October and December 2025 lowered the base cost of capital and signaled a shift in policy emphasis toward labor market risk, framing mid-2025's tariff-related price bump as a one-time jump rather than systemic. These favorable financing conditions, when paired with the aforementioned levels of dry powder already available to PE buyers, offer more leverage for firms to reengage in the market with confidence. Additionally, according to SRS Acquiom, as market uncertainty waned and confidence rose in Q3 2025, stronger performance in equity markets also allowed practitioners to lean more heavily on cash/stock combinations (as opposed to all-cash deals) to bridge valuation gaps (see Figure 7). Increased deployment of earn-outs as a valuation convergence tool also helped deals close (over 29% of deals in Q3 2025 used earnouts) and signaled that sellers remain optimistic about post-closing business trends

(see Figure 8). These improving macro-factors, in combination with momentum at the top of the market, may further incentivize market participants to reengage.

FIGURE 7: CLOSING CONSIDERATION TRENDS  
Consideration type (SRS ACQUIOM DATA: 2024–2025 Q3)

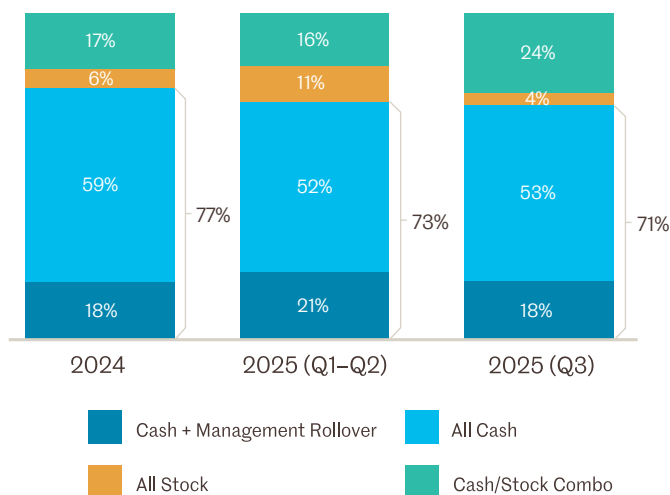
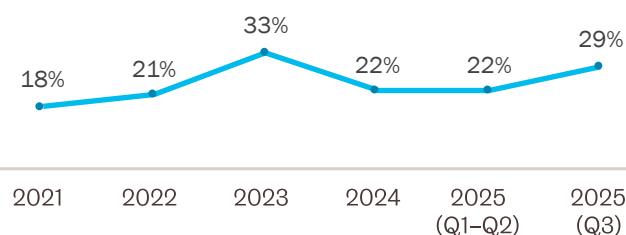


FIGURE 8: PERCENTAGE OF DEALS USING EARN-OUTS (NON-LIFE SCIENCES DEALS)  
Earnout included (SRS ACQUIOM DATA: 2021–2025 Q3)



# Divestitures and Corporate Separations

After the 2021 market exuberance, many acquirers felt the pressure of assets performing at the levels commanded by all-time-high valuation multiples. Leveraged deals eventually gave way to compounding debt pressures, and as a result, investors petitioned boards to seriously evaluate their portfolios and distinguish core assets from underperforming ones. In the years that followed, carve-outs and divestitures increasingly functioned as a defensive maneuver for both strategic corporate acquirers and PE-backed platforms to preserve value and advance growth by offloading struggling assets and tightening operational focus on core businesses. As 2026's M&A market takes shape, however, divestitures and corporate separations may be utilized not just as a defensive tool to shed sluggish performance or excess risk but also as a strategy for both corporate buyers and PE-backed platforms to proactively reposition their own portfolios and attack a rebounding market, which will in turn present an opportunity for buyers targeting certain sectors or asset portfolios to acquire prepackaged assets and business segments at value.

While much of the market outlook heading into 2026 rightfully focuses on the behavior of PE sponsors, corporate acquirers actually accounted for the majority of transaction value in North American M&A in 2025 (about 63%), with 9 out of the 10 largest M&A deals coming from corporate buyers (according to PitchBook). Although PE buyers may ultimately quarterback the market's momentum in 2026 as discussed, we expect that corporate buyers and sellers will continue to represent a significant portion of dealmaking activity. Strategically focused corporations may look to carve-outs and divestitures in particular as a remodeling tool for value

creation in their industry sectors. With market winds at their backs, corporate boards may feel more confident in releasing separation-ready assets into a positively trending market in order to justify strategic acquisitions elsewhere.

It should be noted, however, that divestitures and carve-outs are not just for corporate buyers. PE sponsors searching for exits may also employ these transaction structures to package non-core and exit-ready portfolio companies and assets for a market with increasing appetite. In its 2026 Global Survey, Deloitte noted that 74% of seller respondents stated that they expect to attempt at least one divestiture transaction, and 72% of buyer respondents will attempt at least one carve-out acquisition. This reflects the broader sentiment that mounting exit pressures may incentivize both corporate and PE-backed market participants to consider separations and divestitures as a way to accelerate their timelines and prime their core platforms for subsequent market reengagement.

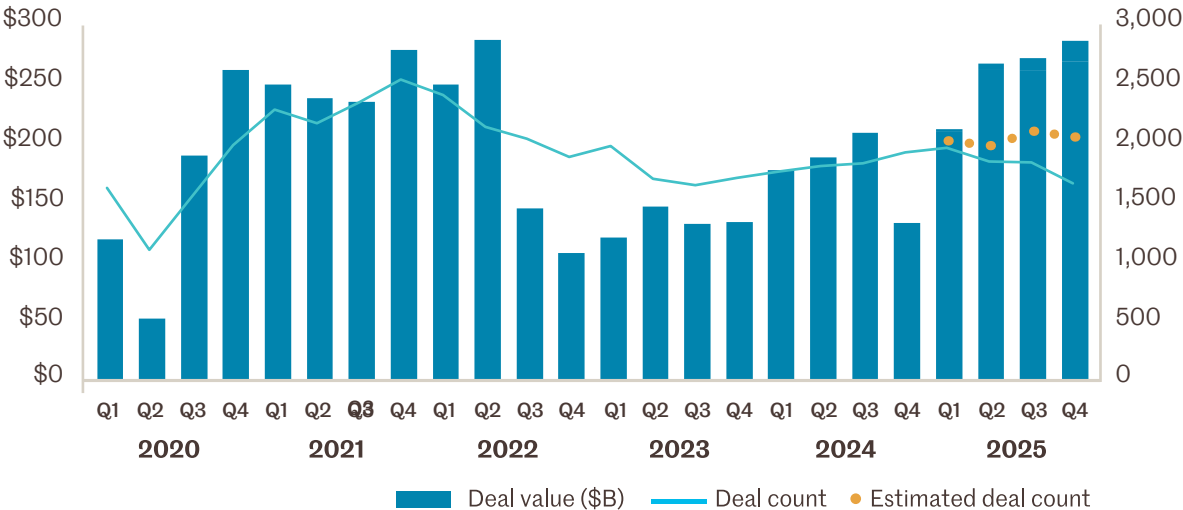
# AI and Technology

It is difficult to overstate the impact that rapid technological innovation, particularly in AI, has had on the volume and valuations in the M&A market – not just in 2025 but over the past several years. High demand for operational efficiency and market competitiveness among businesses, as well as increased investor interest in cybersecurity, supply chain and operational digitalization, and IT products and services, has resulted in a surge of technology-based M&A in recent years, with particular emphasis on AI and AI-adjacent targets and platforms. The appetite for investment in this sector is likely to grow even more in 2026 as renewed market confidence and significant growth opportunities take shape, both in the critical technology and AI platforms

themselves and in the adjacent industry sectors that support them.

According to PitchBook, the IT sector experienced a record M&A year in 2025 with over 8,000 transactions announced or closed and \$989.5 billion in deal value recorded, which represented a 41.6% increase in deal value year over year and exceeded the sector’s all-time record of \$989.3 billion set during the technology M&A boom of 2021 (see Figure 9). This is the second consecutive year-over-year increase in deal value of over 40% in this sector, signaling its growing influence as a pace car for the broader market. Technology M&A accounted for some of the most consequential megadeals of 2025, including

FIGURE 9: IT M&A ACTIVITY BY QUARTER



Source: PitchBook, Geography: Global, as of December 31, 2025



the aforementioned Electronic Arts and Dayforce acquisitions. In the IT sector, 111 megadeals contributed over \$600 billion in overall deal value in 2025. As discussed, many of these transactions were announced or closed during 2025's resurgent third and fourth quarters, as deal value rose during each quarter of 2025 even as deal count declined. As the IT sector continues to mature in 2026, it is uniquely positioned as a key catalyst for a rebounding transactional environment and an opportunity zone for the market's most influential dealmakers.

It's important to note also that the influence of IT M&A extends beyond critical technologies themselves. As we discussed in our 2025 M&A Outlook report, businesses in other sectors such as energy, infrastructure and financial services continue to pursue M&A opportunities to integrate advanced technologies into their operations, with a focus on operational efficiency and market competitiveness. The demand for AI and IT infrastructure continues to drive the deployment of capital in this sector, as transactions like the Q4 acquisition of Aligned Data Centers for \$40 billion underscore the industry's perceived need for support and computing power as the backbone of the value-driving AI and IT platforms themselves. Likewise, according to PitchBook, the energy sector benefited considerably from 2025's second-half surge as buyers, led largely by technology-focused corporate acquirers, identified and executed on strategic opportunities in overlapping spaces. Energy M&A experienced a record deal count for the sector and a 25.3% annual increase in deal value that was led by a massive \$223.8 billion Q4. A significant portion of this success can be traced directly back to the market's growing emphasis on the importance of AI and IT, as

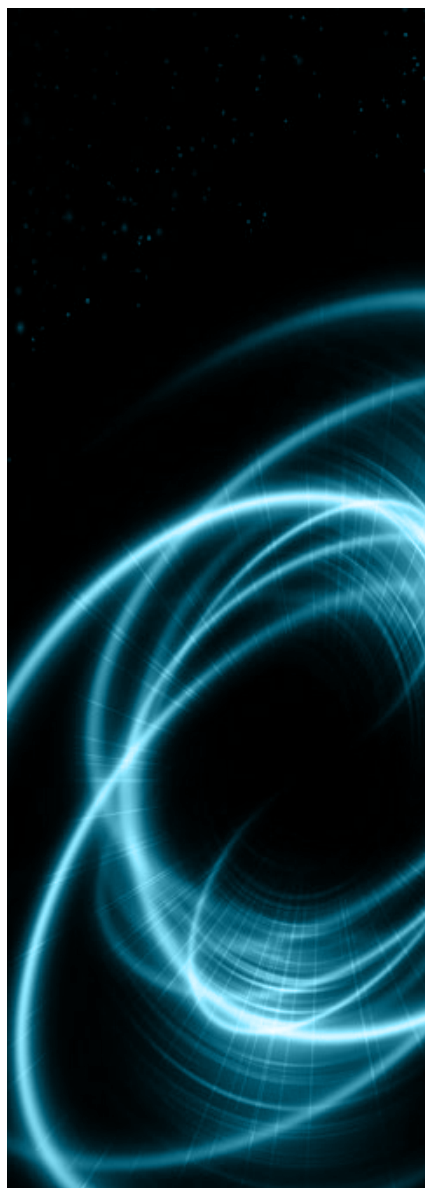
transactions like Alphabet's announced acquisition of Intersect (a data center and energy infrastructure solutions provider) for \$4.8 billion underscore the ripple effects of acquirers' desire to support their AI and IT M&A strategy with acquisitions in counterpart sectors. These AI and technology-adjacent acquisitions may also provide acquirers with more dependable revenue streams to support technology-focused portfolios that can otherwise skew growth-heavy from a risk perspective.

Despite the excitement surrounding AI and IT's rise to prominence, however, some indicators still remind us that the deal market is maturing in terms of the way acquirers identify and value opportunities in these sectors. For example, according to PitchBook data, while the median IT M&A EV/revenue multiple increased from 2.4x in 2024 to 2.7x in 2025, the median IT M&A EV/EBITDA multiple decreased from 13.7x in 2024 to 12.6x in 2025. More importantly, in both cases, these median figures are also still well short of the high-water marks of 3.3x and 14.5x, respectively, set in 2021. This signals that while both corporate and PE buyers have clearly pushed their chips back into technology M&A, some scar tissue remains from the outsized technology M&A valuations in 2021 and the resulting chilling effect on valuations and exits in 2022. We anticipate that acquirers will be discerning about valuations in this sector as they apply lessons learned and seek to avoid a similar "gold rush" mentality that marked the 2021 boom. Nevertheless, steady reengagement by buyers has made it clear that AI and IT M&A is once again poised to fuel an optimistic market in 2026, as both a breeding ground for market-influencing megadeals and a high-volume opportunity zone for smaller dealmakers with the potential for sector overlap.

# Sector Spotlight: Government Technology

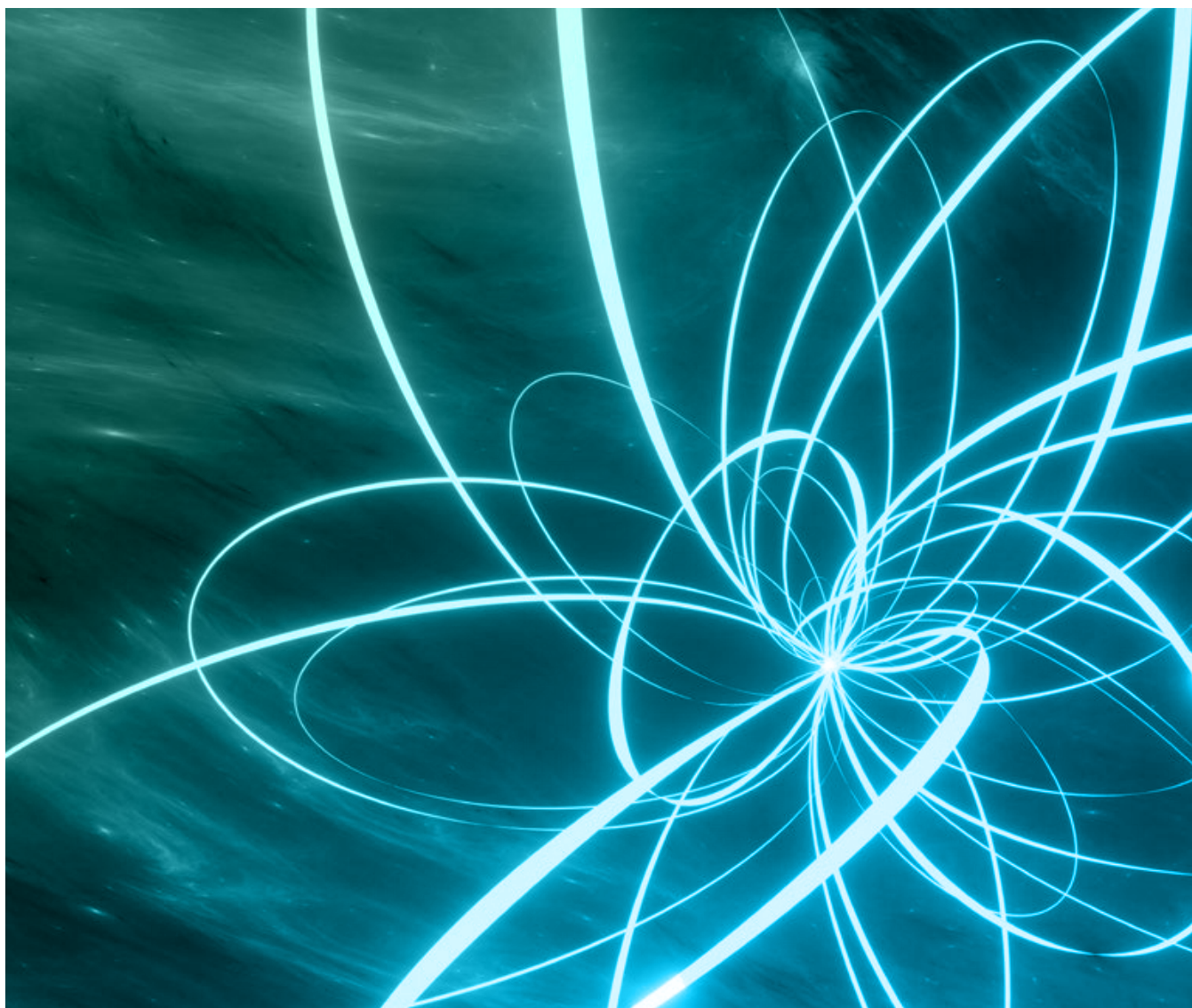
As the unique conditions of 2025 unfolded, the sector of government technology and services experienced significant and (in some cases) disparate impact, particularly in the first half of the year as things like the new administration's Department of Government Efficiency initiative, cybersecurity concerns domestically and abroad, and tariff discussions cast uncertainty over the federal government's role as a customer and what its spending priorities would be centered around moving forward. Many of the industry sector's leading corporate buyers kept their powder dry as a result and focused on their internal responses and alignment with these conditions. The result was a sector-wide shift in focus to investing in and developing government technology ("govtech") products in lieu of focusing on services-based solutions. Geopolitical events like the ongoing Ukraine conflict and tariff negotiations, as well as the government's renewed focus on cybersecurity threats and ransomware both in the government and private sectors, spurred this effort further. As a result, the govtech sector is well positioned within the broader IT market to deliver opportunity and value both to reengaging buyers and to end-user customers. Companies in this sector are developing and promoting technology products and platforms that are execution ready for the government and its primary contractors as end users. Examples include shifts to "zero-trust" architecture for data privacy and cybersecurity solutions, integrating new AI products and offerings to automate or enhance citizen service and emergency response capabilities, and continued migration by state and local governments toward cloud-based data infrastructure and computing. As the federal, state and local governments crystallize spending agendas and companies position themselves to provide responsive offerings, we may see govtech play a key role in technology M&A's broader influence on the 2026 market.

Relatedly, traditional IT PE buyers are also targeting govtech, defense and aerospace as an increasingly attractive entry point for expanding their portfolios. As federal, state and local government agencies modernize their technology platforms and digital infrastructure to align with the Trump administration's focus on efficiency and the realities of an increasingly digital world, PE buyers have made a concerted effort to enter into and consolidate this market sector, leveraging their resources and overlapping experience



in investing in the traditional/commercial IT market to build out platforms with multiple offerings specifically designed to attract the government as a repeat customer. As firms continue to invest in and develop new technology products that are integrated into daily and ongoing operations and initiatives of the government as the end user, these platforms deliver long-term value by making inroads into, and reducing the complexity of, the procurement process. Integrated products have a higher likelihood of remaining “sticky” in the government’s operations, and PE buyers can identify more target companies in the sector whose products and solutions can be integrated into new or existing platforms and augment the platform’s offerings as a whole to federal, state and local governments as a customer, generating more predictable revenue and the traditional counter-cyclical stability that the sector provides.

While some uncertainty remains in the near term due to ongoing efforts in Congress to finalize and pass a fully funded appropriations bill and avoid another government shutdown, what is clear is that this sector of the technology market is well positioned to provide opportunities to buyers seeking to reenter the market in 2026 and beyond. The World Economic Forum reports that government technology could unlock an estimated \$9.8 trillion in public value by 2034 as the U.S. and other countries continue to invest in technology and the adoption of AI and cloud computing at mass scale. We may see both corporate and PE buyers try to take advantage of this trend by deploying capital to cultivate multifaceted platforms and offerings that can be marketed to a government end user for long-term integration and procurement.



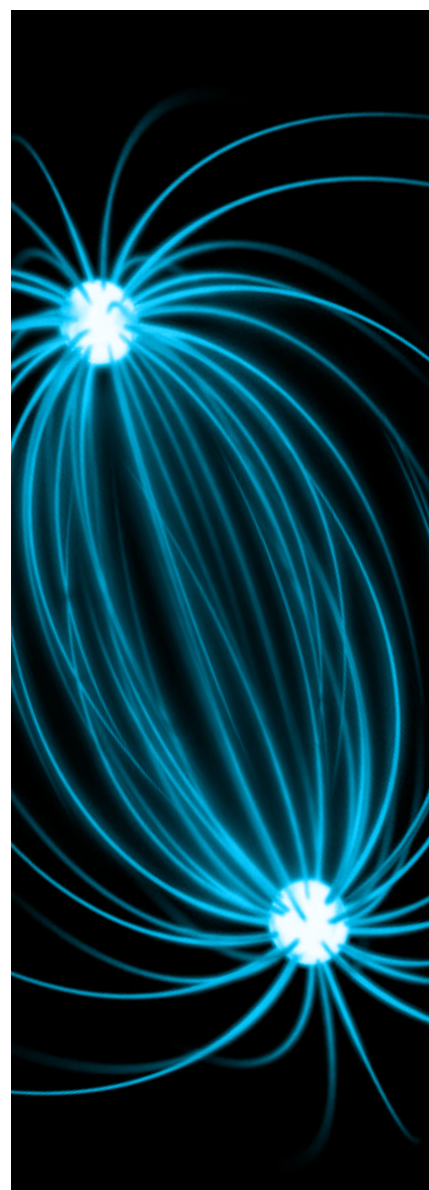
# Regulatory Environment: HSR, CFIUS and Tariff Policy Review

## HSR and Antitrust Regulation

The antitrust regulatory landscape has generally become friendlier for dealmaking under the Trump administration. Agencies have shifted their focus back toward more traditional theories of competitive harm, renewed their receptiveness to structural and behavioral remedies, and resumed granting early terminations. However, antitrust enforcement remains active and particularly vigorous within certain industries – such as technology and healthcare – and the regulatory regime is more nuanced than many expected it would be under the Trump administration.

FTC Chairman Andrew Ferguson surprised many practitioners when he renewed the 2023 Merger Guidelines adopted under the prior administration, noting policy consistency is more important than pendulum swinging from administration to administration. Dealmakers can expect “plain vanilla” transactions to clear antitrust agency review within the 30-day waiting period (or even receive early termination), but they can also expect scrutiny to remain more intensive and review/second-request timelines to run longer in “sensitive” sectors that directly impact American pocketbooks and daily life (such as housing, healthcare, insurance, transportation and entertainment) while agencies probe labor and consumer impact. Based on agency rhetoric and enforcement trends over the past year, transactions and sectors involving data, digital platforms and/or supply chain implications are also likely to incur heightened scrutiny.

In keeping with the approach of promoting policy consistency, the FTC allowed expanded Hart-Scott-Rodino (HSR) filing requirements finalized under the prior administration to take effect on February 10, 2025, which came as a surprise to many practitioners given the additional burden placed on filing parties as compared to the prior regime. Under the final rule, filers must provide more granular detail on ownership structures, horizontal and vertical overlaps between the parties, and the potential impact on customers and suppliers in overlapping product markets. However, on February 12, 2026, the Eastern District of Texas vacated the final rule





in *Chamber of Commerce v. Federal Trade Commission*, No. 6:25-cv-9 (E.D. Tex. Feb. 12, 2026), and the FTC is currently appealing to the Fifth Circuit. If the final rule is ultimately invalidated, filing parties will revert to the old, less burdensome HSR form, which would meaningfully streamline filing timelines. Because this litigation remains pending, practitioners and dealmakers should closely monitor the appeal process and the status of the injunction when evaluating filing obligations in connection with any pending or contemplated transaction.

Given the uncertainty around the HSR process and the shifting sands of policy, regulatory provisions in acquisition agreements will continue to be important and heavily negotiated tools for allocating and mitigating antitrust regulatory risk. We expect to see longer outside dates for certain transactions, including with creatively negotiated extension structures and/or usage of “ticking fees” to align economics during extended reviews and second-request cycles. Reverse termination fees will continue to be elevated in usage and size and should ultimately be calibrated to remedy deal-specific risk rather than headline deal value. Regulatory efforts covenants should continue to be tailored according to risk profile; for transactions that are inherently riskier from an antitrust perspective or may invite more scrutiny under the Trump administration’s priorities, it is critical to clearly define the scope of any agreed-upon divestitures and/or other commitments (including with respect to litigation, which should be specifically reflected). Interim operating covenants should be aligned to (and considered in light of the expectation of) extended interim periods, providing carve-outs for competitive separation, data segregation, capital expenditure flexibility and other matters necessary to preserve the stand-alone viability of any potential divestiture package and allow the business to continue operating in the ordinary course without undue restriction.

## CFIUS and Foreign Investment Review

For foreign investments entering the U.S., review efforts by the Committee on Foreign Investment in the United States (CFIUS) will remain a gating variable for cross-border deals involving rival nations (such as China) or investments that are strategic to the United States’ national interests and security, including sensitive data, critical technologies, advanced manufacturing, space and

dual-use, and energy and grid-adjacent infrastructure. While efforts like the Known Investor Program established by the Department of the Treasury (established in May of 2025) have signaled efforts to streamline certain aspects of foreign investment review, particularly for investors hailing from allied nations, parties should expect enhanced scrutiny on these types of transactions. Parties considering international investments that are likely to fall under CFIUS jurisdiction should consider voluntary filings as a proactive safe harbor, with a bias toward giving full notice when mitigation is foreseeable. Timelines can vary with geopolitical conditions and sector sensitivity even when the rules are unchanged, so outside dates and reverse fees should be calibrated toward a realistic mitigation path rather than a best-case declaration clearance.

## Tariff Policy and IEEPA Fallout

The Trump administration's aggressive tariff policy was responsible for a significant portion of the uncertainty and hesitation that clouded M&A markets in 2025 as it sought to rebalance trade agreements globally and reduce the national trade deficit. In particular, the administration's novel invocation of the International Emergency Economic Powers Act (IEEPA) to declare a state of national emergency with respect to the United States' "large and persistent trade deficits" and the influx of drugs from North American border countries was the driving force behind its imposition of "reciprocal" tariffs *en masse*, as it publicized these tariffs on Liberation Day before subsequently pausing, restarting and modifying many of them through the course of the year. The shifting sands of trade policy provided unstable footing for market participants (as discussed above) and resulted in dealmakers in many industry sectors operating with hesitation and confusion as they looked to avoid negative consequences. Market participants looked to limit international import/export exposure, and many paused their acquisition timelines to evaluate whether long-term adjustments to their manufacturing and supply chains would be required.

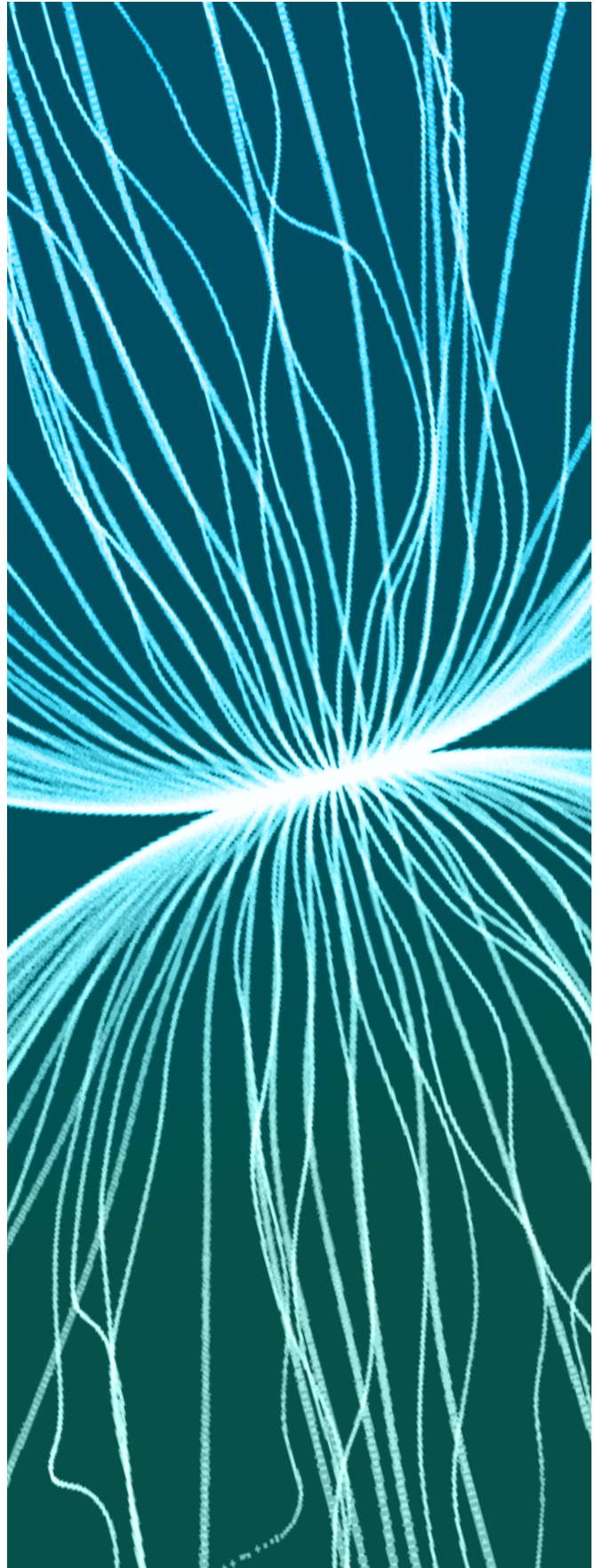
On February 20, 2026, however, the Supreme Court held that the IEEPA did *not* authorize the executive branch to unilaterally impose tariffs, resulting in a rare defeat for the administration in the nation's highest court that will shape a key aspect of the administration's economic policy moving forward. In the short term, U.S. consumer burden from tariffs is likely to drop, and M&A in industry

sectors that involve cross-border supply chains and heavy import/export components will benefit from some finality on the subject. Practically speaking, however, any long-term effects of the *Learning Resources* decision on transactional markets are too ethereal to consider in this moment. The ruling does not authorize refund payments for previously imposed tariffs and did not provide any specific guidance in that regard. Any refund rulings are likely to be handled through lower courts at a later time, and although many companies are expected to file suit and claim entitlement to refunds for invalidated tariffs, parties should assume lengthy delays in the determination of refund availability (if any) and the adjudication of the process for such refunds. Industry experts have also noted that the scope of the Supreme Court's decision does not address specified tariffs levied under signed agreements with trade partners like the UK, and that it is unclear whether and how those agreements would be affected at all. Economists have also noted that the Trump administration has imposed other tariffs on different authorities that likely stand on firmer legal footing, and the administration itself has said that in the event IEEPA tariffs were struck down, it would likely use these avenues as soon as possible to "get to the same place."

As a result, companies should monitor both the executive branch's activity in imposing any alternative tariff structure and the status of inbound tariff refund lawsuits stemming from the *Learning Resources* ruling in the coming months. Companies with meaningful import and export components in their portfolio should also proactively conduct internal assessments of any 2025/2026 IEEPA liability in order to understand what claims, if any, they might ultimately have if a refund process is established for IEEPA tariffs. Although tariff uncertainty is likely to linger to some degree as the administration pivots, the *Learning Resources* decision puts a significant component of 2025's trade headwinds – the unpredictability of reciprocal tariffs under the IEEPA – further in the rearview mirror and strikes a positive tone for dealmakers looking for more predictable limitations to the administration's authority as they evaluate M&A opportunities in significantly affected industry sectors.

# Conclusion

As 2026 begins in earnest, strong momentum from the latter half of 2025, led by the return of megadeals across key industry sectors, has generated justified optimism among practitioners for the year's dealmaking outlook. The ability and willingness of PE funds to prioritize exits and reengage with the market as efficiently as possible will be critical in sustaining the M&A market's renewed momentum. As financing conditions improve and uncertainty wanes, key sectors like technology, energy and infrastructure are poised to emerge as hubs for both deal value and deal volume. In particular, dealmakers' intense focus on the IT sector is primed to drive market engagement and deliver positive ancillary impacts to other sectors that support it. While the regulatory environment may still provide challenges for certain deal structures, the regime generally continues to push in a deal-favorable direction, which should further boost dealmakers' confidence in execution timelines and deal certainty. The road ahead in 2026 will wind, as always, but with the market's engine shifting to higher gears, dealmakers may yet enjoy a smoother ride.



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