PAUL HASTINGS

The Buyer's Playbook
Legal Insights Into M&A

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Key Legal Trends Shaping M&A in 2026

After a period of relative slowdown, global M&A activity is showing signs of recovery. Financing markets have become more constructive, interest rates expectations have stabilised and both private equity sponsors and corporates are re-engaging with opportunities.

The environment in which deals are being executed has changed. Against that backdrop, we are launching *The Buyer's Playbook*, a series of practical insights into the legal considerations that matter most to buyers in M&A transactions. Over the course of the series, we will examine the transaction timeline from a buyer's perspective: from initial diligence through signing, completion and post-closing risk allocation. Each piece will draw on our experience advising on complex, cross-border transactions, with the aim of helping buyers execute transactions with greater confidence.

In this introductory note, we highlight five key trends shaping UK M&A and how they are influencing deals in practice.

1. Execution Risk

One of the most notable developments in recent years has been the increased focus on execution risk between signing and completion. That period is no longer treated as a formality.

Regulatory approvals, financing conditions and broader deal complexity can all extend timelines and create uncertainty. Merger control and national security reviews, in particular, can take months to secure and may materially affect deal planning.

Buyers are therefore focusing more closely on conditions precedent, long stop dates, interim covenants and termination rights. Material adverse change provisions — historically rarely invoked successfully in UK M&A — are also receiving renewed attention.

We explore these issues further in our forthcoming note: "From Signing to Completion: Managing Execution Risk".

2. Valuation Gaps

Although market activity is picking up, valuation expectations between buyers and sellers are not always aligned. Many sellers continue to price based on levels seen in stronger markets, while buyers are factoring in higher financing costs, macroeconomic uncertainty and a more cautious outlook on growth.

This mismatch may not prevent deals from happening, but it can change how they are structured.

Rather than walk away, parties are increasingly turning to more creative solutions to bridge the gap. In our experience, earn-outs and deferred consideration have become more common, allowing part of the price to be contingent on future performance. It is estimated that 30–40% of private equity deals in Europe now include earn-outs or an element of deferred consideration.

In private equity transactions, rollover equity and other management incentivisation remains a key tool for aligning interests and managing valuation expectations.

At the same time, traditional pricing mechanisms are coming under closer scrutiny. Locked box continues to be the preferred mechanism in competitive processes, but buyers are focusing more carefully on leakage provisions, working capital assumptions and the treatment of debt-like items. The detail of these provisions can have a meaningful impact on value.

For buyers, the key point is to avoid treating valuation as a single headline price. Value can move through earn-outs, deferred consideration, rollover equity, leakage protection, debt-like items, working capital targets, locked box interest and completion accounts methodology.

We explore these issues further in our forthcoming note: "Where Value Moves: Price Adjustment Mechanisms".

3. Due Diligence

The approach to due diligence is also evolving. While the volume of information available to buyers has increased significantly, the time available to analyse it has not.

Against that backdrop, buyers are moving away from exhaustive, "boil the ocean" due diligence exercises towards a more focussed, risk-based approach.

In practice, this shift means prioritising the issues that are most likely to affect value or execution. Buyers are relying more heavily on vendor due diligence, with market data suggesting that it is being used in the majority of mid to large private equity exits. Technology is also playing an increasingly important role, helping to manage and review large volumes of data more efficiently.

Due diligence is no longer about identifying every possible risk. It is about identifying the risks that matter and understanding what to do about them.

But striking the right balance is critical. Too much due diligence can slow down a process and increase costs while too little due diligence can lead to mistakes in pricing and surprises down the line. And a due diligence finding only becomes meaningful when it is translated into a commercial outcome.

We explore these issues further in our first instalment of this series: "Legal Due Diligence: What Really Matters".

4. Minority Investments and Joint Ventures

Another noticeable trend is the increased use of minority investments and joint ventures. In a market in which full control acquisitions are not always feasible or desirable, buyers and sellers are showing greater willingness to adopt more flexible ownership models.

Several factors have played a role in shaping this trend, including buyers wanting to access growth while limiting downside risk and diversifying their portfolios, exits becoming more challenging, higher financing costs, and founders and corporates wanting to retain an interest in their businesses.

The result is a growing number of transactions structured around shared ownership rather than outright control. Minority stake acquisitions, joint ventures and other co-investment arrangements are all becoming more common.

These structures require a different legal approach. A buyer that does not have control must protect value through governance rights, information rights, reserved matters, transfer restrictions, anti-dilution protection, exit rights and deadlock mechanisms. The legal architecture is therefore not ancillary to the commercial deal — it is often the mechanism by which the buyer protects the deal.

We explore these issues further in "Navigating Minority Investments and Joint Ventures".

5. Distressed M&A

Alongside the broader recovery of M&A, there are clear signs of increasing distress in certain parts of the market as companies seek to refinance or raise fresh capital to avoid formal insolvency, continue trading and/or realise value for existing creditors.

Distressed M&A activity is experiencing sustained growth, driven in large part by the current debt "maturity wall". The period of near-zero interest rates and unprecedented fiscal stimulus during the pandemic fuelled a significant increase in leveraged buyout activity. Much of the debt incurred during that period is now approaching maturity, and it is estimated that between 2024 and the end of 2026, approximately $2 trillion of corporate debt will fall due for repayment.

For buyers, this is giving rise to opportunities. But those opportunities come with a different risk profile.

Distressed transactions are often characterised by compressed timelines, limited access to information and a heightened degree of execution risk. Processes may be accelerated, particularly in insolvency scenarios, and buyers may be required to make decisions without all the information.

At the same time, the legal and structural considerations can be more complex. Issues around title, liability transfer and stakeholder coordination become more acute, and there is often less scope for post-completion recourse.

Despite these challenges, distressed M&A remains an attractive area for certain investors, particularly those with the ability to move quickly. The key is understanding the trade-off between price, speed, certainty and recourse.

We explore these issues further in "Distressed M&A: A Buyer's Guide".

Final Thoughts

The global M&A market is returning to activity, but the landscape has changed. Across each of the trends outlined above, a consistent theme emerges: buyers are operating in a more complex and pressured environment.

The Buyer's Playbook provides practical guidance on navigating these challenges. Each instalment will explore a specific aspect of the deal process in greater detail, drawing on our experience advising on complex, cross-border transactions.

We look forward to sharing further insights in the series ahead.