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Preparing for M&A Activism in 2026

The resurgence in M&A activity over the past 12 months has greatly increased the likelihood of an uptick in M&A activism in 2026. Recent trends are already showing a growing share of activist campaigns focused on catalyzing transactions, opposing announced deals or reshaping portfolios through break-ups and divestitures, particularly at companies trading at a valuation discount. Momentum for M&A activism is likely to grow in the coming months, fueled by increasing sponsor buyout activity, a favorable regulatory environment and supportive credit markets. Adding to this momentum is the fact that M&A-driven activism has been at near-term lows: historically, approximately half of all activism campaigns have involved M&A demands, but only about a third of the campaigns in the past three years have involved M&A theses.

Why M&A Is the Holy Grail of Activist Objectives

For activists, M&A offers a direct path to realizing significant returns in a short amount of time. The gains can accrue even at the earliest stages of a transaction: once a company has publicly committed to exploring strategic alternatives, the market will begin to price in the impact of a potential transaction. More importantly, a sale of a company is particularly attractive because it allows an activist to pocket a full control premium. From a reputational and credibility standpoint, M&A transactions allow an activist to definitively validate their value creation thesis.

By contrast, other activist theses such as operational turnarounds, governance reforms, cost-cutting or capital allocation changes require sustained focus over time and the cooperation of the board and management. Returns from these initiatives translate more slowly and indirectly, if at all, into stock price performance, and the activist must bear the full risk of variables outside its control in order to make a return on its investment.

M&A Trends Likely to Dominate 2026

In the coming months, we anticipate activists pursuing M&A demands in the following ways:

1. *Pushing for a strategic review at companies that are potential buyout targets.* Small- and mid-cap public companies with strong cash flow could become targets for activists as private equity sponsors look to deploy dry powder. Companies operating in sectors that have been overlooked by the AI boom but otherwise have strong fundamentals may be particularly attractive given their relative valuation.
2. *Teaming up with sponsors to push for a sale.* The line between private equity and activists often blurs during periods of robust dealmaking, and the coming months could signal a gradual return of private equity cooperation and teaming up with activists to put companies in play. Activists may also seek to broker deals by identifying potential targets for sponsors.
3. *Inserting themselves in strategically transformative transactions.* Activists may seek to gain influence within companies rumored to be exploring a potential transaction in order to increase the odds of such a transaction being consummated. Such actions may include seeking access to information or nominating directors to the board.
4. *Opposing announced M&A and/or engaging in bumpitragé.* Where announced transactions fail to meet market expectations (or in many cases, the activist's expectations), activists may agitate against the transaction, or alternatively, urge the parties to revise the transaction terms in order to make a quick and outsized return.

5. *Pushing for break-ups and divestitures.* Portfolio simplification will likely continue to be a priority for activists, as investors reward focused portfolios and easily understandable strategies. We expect companies with disparate or underperforming segments to continue to face activist pressure to simplify their operations through M&A.

The Unique Challenges of Managing M&A Activism

Preparing for and responding to M&A activism can be uniquely challenging. Unlike activist campaigns centered around operational, capital allocation or governance demands, boards and management face greater legal constraints and heightened market scrutiny when engaging in conversations, public or private, relating to M&A. When faced with an activist making M&A-related demands, management teams and boards would be well advised to consider the following:

1. *Recognize that maintaining confidentiality is essential.* While keeping discussions with an activist private can be advantageous across all activism situations, maintaining confidentiality is critical in M&A-oriented campaigns where leaks and rumors about an activist campaign can disrupt a sale process or inadvertently put a company in play. Knowing when and how to engage with an activist and whether and when to bring an activist under the tent are among the key tactical decisions targeted companies will need to make.
2. *Be prepared to respond under a compressed timeline.* M&A activism can create potentially irreversible market signaling effects that do not exist in other types of activist campaigns. Public discussion of a sale may reshape expectations among investors, employees, customers and business partners, and if not promptly addressed can create the expectation of an M&A transaction. And once an M&A thesis gains traction, the board and management may face an uphill battle persuading investors to support other value creation pathways.
3. *Understand that governance processes and board records will be scrutinized.* Governance issues are often the focal point of an M&A activism campaign because a flawed (or failed) sale process can help an activist discredit the board and management and provide the basis to terminate or revise an announced transaction, re-evaluate proposals that have been rejected by the board or commence a new sale process. Consequently, how a sale process is structured and how board deliberations are documented are important issues to consider when preparing for M&A activism.
4. *Expect subsequent annual meetings to become a referendum on an announced transaction.* The decision of shareholders to remove three James Hardie directors following the company's poorly received acquisition of AZEK last year underscores how annual meetings can become a shareholder referendum on the transaction even when a shareholder vote is not required to approve the transaction. Activist shareholders may also look to capitalize on investor frustration by running a vote-no campaign against directors.
5. *Response strategies will need to evolve.* M&A activism often focuses attention on whether the board and management have adequately tested a company's strategic alternatives. In this context, partial concessions, reaffirmations of conviction in long-term strategy and incremental governance improvements can be ineffectual if the board has not delivered a credible response.

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M&A activism activity is likely to increase in 2026. For boards and management teams, the key risk is being unprepared for how quickly an M&A-oriented campaign can narrow strategic discretion, compress timelines and reshape shareholder expectations. In this environment, early preparation, disciplined governance processes and a clear understanding of when and how to engage are essential to preserving optionality and maintaining control of outcomes when M&A activism surfaces.

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This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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