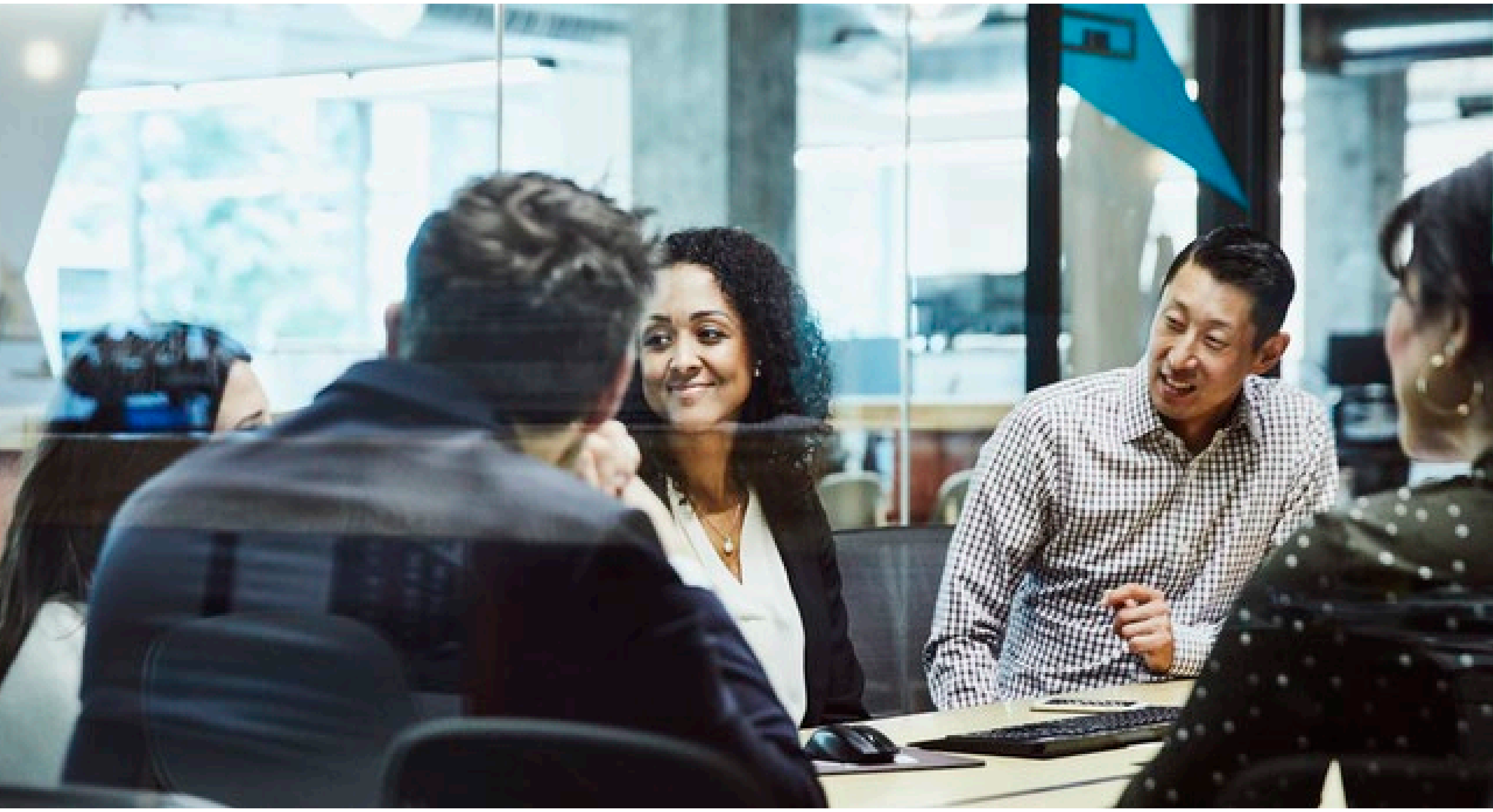
# TMT insights: Financial reporting and accounting quarterly – Q2 2026

**A PwC report on emerging trends affecting technology, media, and telecommunications companies.**

| In this edition | Issue spotlight |
|---|---|
| • TMT dealmaking is concentrating around transformational scale plays and smaller AI capability tuck-ins, with compute, content, and connectivity reshaping capital allocation.<br>• AI infrastructure investment across hyperscalers, data centers, energy, and fiber is shifting the focus to execution, returns, capitalization, tax, structuring, and governance.<br>• The tariff landscape remains dynamic, with the focus shifting to IEEPA refund execution, Section 122 challenges, and related Q2 reporting judgments.<br>• Standard-setting activity included new FASB guidance on paid-in-kind dividends and environmental credits, proposed updates on cash balance plans and hedging, DISE implementation, and COSO guidance on board oversight.<br>• Regulatory developments include SEC comment letter trends, proposed changes to semiannual reporting, filer status and registered offerings, IPO modernization, climate rule rescission, and California cybersecurity audit requirements. | Moving toward Q3 of 2026, TMT finance leaders are navigating an AI infrastructure race, accelerated consolidation, and a regulatory agenda that could reshape public company reporting, raising the stakes for capital discipline, disclosure, and governance.<br> |



## Business update

As we move toward the third quarter of 2026, the technology, media, and telecommunications (TMT) sector is being shaped by the AI infrastructure race, continued consolidation, and an AI operating model focused on financial performance. For finance leaders and controllers, the priorities are sharper diligence, disciplined capital deployment, and a clearer view of where compute, content, and connectivity can create lasting advantage.

## Dealmaking: a barbell market driven by scale, IP, and AI infrastructure

TMT dealmaking is concentrating at two ends of the market: transformational megadeals and smaller, capability-driven AI tuck-ins. Across TMT, scale, scarce assets, and AI readiness continue to attract premiums.

In the tech sector, AI investment continues to shape strategic priorities. Anthropic's annualized run rate surpassed $30 billion in early 2026, up from roughly $9 billion at year-end 2025. OpenAI's annual run rate reportedly topped $25 billion, with approximately $600 billion in compute spending commitments through 2030. The four largest hyperscalers have guided to approximately $670 billion in 2026 capital expenditures (capex). Our dealmakers' guide to AI indicates that buyers are underwriting AI defensibility, data moats, and acceleration potential.

Hundreds of billions of dollars continue to flow into AI investment: data centers, semiconductors, energy infrastructure, and AI-native software. Many investors are pursuing opportunities in "physical AI"—the tangible infrastructure where demand for computing power is driving massive capital spending.

However, two years into the AI-driven megadeal cycle, acquirable AI-native targets may be increasingly scarce. The wave of hyperscale and infrastructure acquisitions has absorbed the most obvious targets. Companies that need AI capabilities are increasingly turning to greenfield investment—funding new data center builds, for example—and strategic partnerships rather than outright acquisitions. This shift has important implications. AI capex is not falling off, but dealmakers seeking AI exposure may need to pursue smaller targets or develop capabilities organically.

In entertainment and media, IP monetization and consolidation dominated the first half of 2026. Paramount Skydance's $110 billion enterprise value combination with Warner Bros. Discovery (WBD) reset streaming expectations and increased pressure on mid-tier platforms to consolidate, be acquired, or risk losing relevance. Streaming economics are forcing consolidation. The "growth at all costs" era has shifted to a profitability-first mandate, pushing mid-tier platforms toward mergers, joint ventures (JVs), bundling, library-sharing, and AI-enabled content creation.

The post-Paramount/WBD landscape will accelerate the race for scale. Scale is no longer defined by subscriber counts or library depth alone, but by the integrated power of global distribution, franchisable IP, ad tech, and data infrastructure. For mid-tier platforms, the strategic options are rapidly narrowing: consolidate, be acquired, or face structural irrelevance. The convergence of gaming and media will redefine the competitive landscape. The anticipated launch of Grand Theft Auto VI is poised to reset industry benchmarks for engagement, pricing power, and monetization, while capturing an outsized share of consumer attention from traditional streaming and cinema. As gaming cements itself as a core pillar of entertainment strategy, incumbents such as Netflix and Disney are accelerating investment, and interactive home entertainment is emerging as one of the most strategically contested sectors for both corporate and sponsor capital.

In telecommunications, fiber consolidation is accelerating, with 51 deals completed through May 2026. AT&T acquired Lumen's consumer fiber business for $5.75 billion, Verizon closed Frontier for over $20 billion, and T-Mobile expanded through fiber JVs with Oak Hill Capital and Wren House. Fixed-mobile convergence has moved from strategy to priority; the pending Charter/Cox combination would create a broadband platform spanning tens of millions of homes. AI infrastructure demand is making fiber a dual-use asset for connecting data centers. Financial buyers generated 20% of year-to-date (YTD) 2026 telecom deal volume, up from 11% in fiscal year 2025, with nearly 50 private equity (PE) firms deploying capital and roughly 36 PE-backed transactions in the trailing eight quarters.

## Compute and infrastructure: from technical decision to strategic capital allocation

Compute is becoming a strategic currency. As outlined in our framework for prioritizing compute, frontier graphics processing units (GPUs) remain constrained even as efficiency improves per task; the same pool now powers consumer AI agents, industrial digital twins, energy grid optimization, and autonomous mobility systems. PwC's US Infrastructure Outlook positions data centers, energy, and connectivity as foundational infrastructure and a fast-growing destination for institutional capital. For TMT finance teams, compute commitments increasingly resemble capital allocation decisions: long-dated, capacity-constrained, and governed by contractual access rather than spot purchasing. Boards can expect more attention on compute strategy and capex disclosures.

## AI ROI: from pilots to performance

AI spend targeted at top-line growth, not just cost takeout, is seeing stronger returns. That matters in TMT, where AI is a product, an operating approach, and a cost center.

Our latest Digital Trends in Operations Survey echoes this. Among tech and telecom respondents, 94% have adopted AI, and 40% are scaling it enterprise-wide, yet only 21% say AI is embedded across business units, leaving many efforts in pilots. Another 58% report measurable impact from recent digital initiatives across multiple areas, including financial and strategic outcomes. Most are rolling out external digital capabilities, including AI agents, data ecosystems, and intelligent automation, across supplier, business partner, and customer interactions, and about half cite reduced reliance on offshoring as automation and “digital workers” reshape operations.

Barriers remain: data quality and access, legacy system integration, and user adoption. While 34% of tech and telecom leaders are comfortable letting AI agents run end-to-end processes, a third say skill shortages are slowing scale. Finance and controllership teams can set financial objectives, prioritize data foundations, and build agentic AI governance with testing, monitoring, and human-in-the-loop oversight.

## The deeply human edge

Even as compute and AI dominate the agenda, there’s a flip side. As execution becomes more automated, differentiation shifts toward judgment, creativity, trust, and relationships. For media companies, that means storytelling; for technology firms, augmented professional judgment; and for telecom operators, experience-led connectivity.

For finance leaders, the next phase of TMT growth may reward organizations that pair capital discipline and AI-enabled productivity with the human capabilities that build customer trust. Deal rigor, compute discipline, AI performance, and clarity on what people are uniquely positioned to do can help differentiate leaders heading into the back half of 2026 and beyond.

## Accounting update

In this issue, we highlight the accounting implications of recent developments involving tariffs and the implementation of the disaggregated income statement expense disclosures ("DISE"). We also provide updates on recent actions taken by the FASB.

# Tariff update: refunds, Section 122 challenges, and Q1 lessons learned

The tariff landscape remains dynamic, but the focus has shifted. In Q1, many companies were evaluating the impact of the Supreme Court (SCOTUS) decision on the IEEPA tariffs and whether a tariff refund receivable should be recorded. In Q2, the focus has shifted to execution with the opening of the U.S. Customs and Border Protection (CBP) refund portal in April.

Companies are now working through the mechanics of the IEEPA refund process while monitoring ongoing challenges to the Section 122 tariffs imposed in response to the SCOTUS decision and continuing to evaluate how recent developments may affect accounting conclusions in Q2. The message remains the same: this is a team sport. The trade compliance function may be leading the filing process, but finance, accounting, tax, transfer pricing, legal, treasury, and supply chain teams all need to stay closely aligned.

You can check out our publication, Q2 2026 Closing statements: Quarter end insights for controllers, for additional accounting and operational considerations related to tariffs.

# DISE adoption is getting closer

2027 may still feel far away, but implementation of the FASB's new disaggregated income statement expense disclosures (DISE) continues to require planning and attention. In May, the FASB held a roundtable to give stakeholders an opportunity to share feedback on DISE implementation. Some preparers attending the roundtable highlighted significant efforts to date in implementing the new requirements. Specifically, they cited challenges with data availability, complex cost allocation structures, multiple ERP systems, and the use of estimates. On the other hand, investor representatives emphasized the usefulness of the new disaggregated expense information, including the potential to better understand a company's cost structure and assess earnings quality.

It is unclear whether the FASB will take any actions based on feedback from the roundtable. For now, companies should continue moving forward with implementation plans and focus on identifying data gaps, estimation approaches, and related controls.

Our accounting guide reflects the disclosure requirements based on the new DISE guidance, Disaggregation of income statement expenses (PwC's *Financial statement presentation* guide, Section 3.11). Our recent podcast episode, Disaggregated expense disclosures: Don't roll the DISE, covers what the new disclosure requirements mean, why implementation may be more complex than expected, and how companies can start preparing their data, systems, processes, controls, and judgments now.

# FASB updates

The FASB issued two ASUs in the second quarter of 2026, ASU 2026-01, Equity (Topic 505): Initial Measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock; and ASU 2026-02, Environmental Credits and Environmental Credit Obligations (Topic 818). In addition, the FASB also proposed two draft ASUs to improve accounting guidance for certain market-return cash balance plans and hedging.

**1. FASB issues new guidance on paid-in-kind dividends**

On April 23, the FASB issued ASU 2026-01 Equity (Topic 505), Initial measurement of Paid-in-Kind Dividends on Equity-Classified Preferred Stock. The ASU requires paid-in-kind (PIK) dividends to be initially measured on the basis of the PIK dividend rate stated in the preferred stock agreement. The measurement will be used for both recording the dividend in the financial statements and calculating earnings per share. The new guidance does not change when PIK dividends are recorded or when they impact earnings per share. It is effective for all entities for annual reporting periods beginning after December 15, 2026 (and interim periods within those annual periods) with early adoption permitted.

Check out our publication, FASB issues new guidance on PIK dividends, for a summary of the accounting and reporting implications.

**2. FASB issues new standard on environmental credits accounting**

On May 19, the FASB issued ASU 2026-02, Environmental Credits and Environmental Credit Obligations (Topic 818), to establish guidance on the recognition, measurement, presentation, and disclosure of environmental credits and environmental credit obligations. Under the new standard, an entity will recognize and measure environmental credit assets based on their intended use (e.g., compliance environmental credits, noncompliance environmental credits, voluntary credits) as well as how the credits are obtained (e.g., acquired, internally generated). Environmental credit obligations will be recognized and measured depending on whether an entity holds and expects to use compliance environmental credits to settle that obligation.

The new guidance is effective for public business entities in annual periods beginning after December 15, 2027 (including interim periods within) and one year later for all other entities, with early adoption permitted as of the beginning of an annual reporting period.

Check out our publication, Environmental credits accounting: FASB issues new standard, for a summary of the accounting and reporting implications.

### 3. FASB proposes improvements in accounting guidance for certain market-return cash balance plans

On June 10, the FASB issued a proposed ASU intended to improve accounting guidance for certain market-return cash balance plans. The proposal, based on an EITF recommendation, addresses diversity in practice and concerns that current guidance may not reflect the economics of these plans, which can create mismatches between measured obligations and plan balances. The FASB proposed to require an entity to use the assumed interest crediting rate as the discount rate to measure the benefit obligation for certain market-return cash balance plans, so that the obligation would generally equal the plan's hypothetical account balances. Comments are due by August 10.

### 4. FASB proposes targeted improvements to hedge accounting guidance

On June 17, the FASB issued a proposed ASU intended to more closely align the interest rate risk and net investment hedging accounting guidance with certain entities' risk management activities. The targeted improvements would permit an entity to:

- Hedge interest rate risk for held-to-maturity (HTM) debt securities
- Amend the current GAAP definition of the secured overnight financing rate (SOFR) overnight index swap rate to permit designation of any tenor of SOFR as a benchmark interest rate, and
- Expand the population of eligible net investment hedging instruments by permitting the use of certain float-to-float cross currency swaps with different reset dates.

The proposed amendments would apply to any entity that elects to apply hedge accounting. Comments are due by August 17.

In addition to the recent new ASUs on paid-in-kind dividends and environmental credits, as well as the proposed ASUs for certain market-return cash balance plans and hedging, the FASB has continued to add technical and research projects to its agenda. The FASB updates its technical agenda periodically, generally when significant milestones are achieved on individual projects. Refer to the agenda for the latest updates.

For a complete list of recently issued accounting standards and their effective dates, including links to PwC resources, refer to the FASB website Accounting Standards Updates Effective Dates.

# Other hot topics

**Corporate Governance: Guiding Principles for Board Oversight**

On March 31, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released Corporate Governance: Guiding Principles for Board Oversight, which provides a board-level set of guiding principles and practical illustrations to help a board assess whether its governance model remains fit for purpose amid accelerating change, heightened stakeholder scrutiny, and increasingly complex risk environments. Members of PwC's Governance Insights Center served as principal authors of the publication.

# Regulatory update

On the regulatory front, we provide updates on the SEC and other regulatory agencies across multiple frameworks.

# SEC comment letter trends

The SEC Division of Corporation Finance's filing review process monitors the disclosures made by registrants. Based on the analysis of comment letters publicly issued to TMT companies in the 12 months ending March 31, 2026, the top five topics that generated the highest volume of SEC comments included: Management's Discussion and Analysis (MD&A); segment reporting; non-GAAP measures; revenue recognition; and debt, quasi-debt, warrants, and equity.

Check out our summary of current comment letter trends for TMT companies.

# SEC rulemaking: preparing for potential changes to the reporting landscape

The SEC has been busy. Over the course of just a few weeks, it issued a series of proposals that, if finalized, could represent one of the most significant shifts in the public company reporting framework in decades. Collectively, these proposals could potentially impact a large number of public companies. Companies should get familiar with them and consider sharing feedback with the SEC during the public comment period.

1. SEC proposes optional semiannual reporting framework

The SEC's proposal would allow a registrant to elect semiannual reporting on newly established Form 10-S in lieu of quarterly Form 10-Q filings.

This decision should not sit solely with financial reporting teams. A company should evaluate the proposal through a cross-functional lens, with input from legal, controllership, investor relations, treasury, the audit committee, and senior leadership.

The public comment period was open through July 6.

Also, check out our recent podcast episode, SEC semiannual reporting proposal: Cutting quarters, not corners, on what the proposal would change, why the SEC is considering the shift now, and the potential implications for companies, investors, and the public markets.

## 2. SEC proposes major filer status overhaul

The SEC also proposed a significant overhaul of the filer status framework. The proposal would simplify the existing structure into two primary categories:

- Large accelerated filers (LAF)
- Non-accelerated filers (NAF)

The public float threshold for becoming a LAF would increase substantially, from $700 million to $2 billion. Any company that does not meet the LAF criteria would be a NAF. An NAF would be eligible for an expanded set of scaled disclosures and accommodations, including those currently reserved for a smaller reporting company or emerging growth company. Consistent with today's requirements, auditor attestation on internal controls over financial reporting (ICFR) would not be required for an NAF, but management's responsibility for establishing, maintaining, and assessing the effectiveness of the company's ICFR would remain unchanged.

A company filing an initial registration statement would always enter as an NAF and would retain that status for a minimum of five years. This means that any company pursuing an IPO (as well as any company that had an IPO in the last five years) could benefit from the rule's enhanced accommodations.

A company should revisit its recent public float calculations and assess whether the proposed changes could impact its future reporting obligations, disclosure requirements, and filing deadlines if the rules are adopted as proposed.

The public comment period is open until July 20.

## 3. SEC registered offering reform: capital raising impacts

The SEC's third proposal focuses on modernizing the registered offering framework. The proposal would expand eligibility to use Form S-3, broadening access to shelf registration and at-the-market offering programs by replacing the existing well-known seasoned issuer (WKSI) framework with new issuer categories. The changes are intended to expand capital raising benefits and make them available to a larger population of registrants.

The public comment period is open until July 27.

# Other SEC rule making activities

### 1. SEC seeks public input on modernizing IPOs

On May 26, SEC Chairman Paul Atkins announced that the SEC is seeking feedback on how to modernize initial public offerings (IPOs). Chairman Atkins specifically referenced rules relating to communications ahead of an IPO, but he also expressed an interest in hearing feedback on other IPO-related rules as well as potential roadblocks to non-traditional paths to going public.

### 2. SEC proposes rescission of climate-related disclosure rules

On May 29, the SEC proposed to rescind its 2024 rules that require certain climate-related information in registration statements and annual reports. The rules have been held in abeyance since September 2025 pending the SEC's determination of next steps.

# Other SEC updates

On April 8, the SEC announced the appointment of David Woodcock as Director of the Division of Enforcement, effective May 4. Mr. Woodcock, who currently chairs Gibson, Dunn & Crutcher LLP's Securities Enforcement Practice Group, previously served as Director of an SEC regional office from 2011 to 2015. Mr. Woodcock's appointment fills the vacancy left by Judge Margaret Ryan, who stepped down as enforcement director in March. Sam Waldon, who has served as Acting Director since Judge Ryan's departure, will continue in that role until May 4.

# Preparing for California cybersecurity audit requirements

California's updated privacy regulations under the California Consumer Privacy Act (CCPA) introduce independent cybersecurity audit requirements for organizations that meet certain size or data processing thresholds. For audit periods beginning in 2027, in-scope companies will need to demonstrate through independent audit that their cybersecurity controls protecting personal data are appropriately scoped and operating effectively. Organizations that meet CCPA thresholds should begin preparing by evaluating their system scope, control activities, and ability to produce audit-ready evidence. Read our summary for more.

## About PwC's TMT industry practice

Our TMT practice is dedicated to helping business leaders in the technology, media, and telecommunications industries manage their complex businesses while delivering sustained outcomes. In doing so, we offer a range of capabilities, including risk, transformation, cloud and digital, deals, sustainability, cybersecurity and privacy, governance and boards, tax services, and much more. We are committed to advancing quality in everything we do.

## Let's talk

For deeper insights regarding the topics addressed in this latest edition of our TMT insights: Financial reporting and accounting quarterly, please contact:

**Chris Stephens**

Technology, Media, and Telecommunications Trust Solutions Leader
PwC US

pwc.com