



TMT insights: Financial reporting and accounting quarterly – Q3 2026

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



In this edition

- The AI infrastructure build-out is shifting from funding to execution, with delivery and full-stack orchestration now the constraint, and sovereignty policies redistributing where data center investment flows.
- The AI performance gap is widening between leaders and laggards, rewarding disciplined, ROI-gated scaling over perpetual pilots.
- Entertainment growth is shifting East as Asian content-commerce models reset the global template, while trust becomes a differentiator on both security and brand.
- Accounting focus areas include capitalizing AI costs, long-term supply and product-financing arrangements, IEEPA tariff refunds, and new FASB and IASB actions on cash equivalents, digital assets, and IAS 28.
- Regulatory developments include SEC comment letter trends, proposed semiannual reporting and filer status modernization, the 2026 SEC "Reg Flex" agenda, proxy rule changes, and California SB 253 and EU ESRS requirements

Issue spotlight

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.

Business update

Accounting update

Regulatory update

About PwC's TMT industry practice





Business update

The TMT sector is being shaped by the AI infrastructure race, continued consolidation, and a sharper focus on financial performance. For finance leaders, the priorities are disciplined capital deployment and a clearer view of where compute, content, and connectivity can create lasting advantage.

As we move into the third quarter of 2026, the TMT sector is being reshaped by an AI infrastructure race shifting from funding to execution, a widening gap between AI leaders and laggards, and a growing premium on trust and human capability. For TMT leaders and their finance teams, the priorities are disciplined capital deployment, a clearer path from AI pilots to top-line growth, and clarity on where compute, content, and connectivity can create lasting advantage.

Delivery and geography are the build-out's new battleground

The debate over whether the AI infrastructure boom is adequately funded is largely settled. PwC estimates roughly **\$5.1 trillion** will be invested in data centers in the five years ending 2030, and around \$32 trillion over the next 25 years depending on AI adoption.

The more consequential questions are operational and geographic.

On delivery, the challenge is turning capital into a fully working data center. Projects often stall between key milestones: grid interconnections slip behind schedule, designs change after equipment is ordered, or finished construction fails to translate into a working center. When a multibillion-dollar campus schedule slips by a few months, the cost isn't only carrying capital longer; it can force companies to forfeit revenue and strategic commitments already sold forward. This is pushing the industry toward a single accountable orchestration layer—a **full-stack orchestrator** that sets standards, manages the integrated schedule, governs risk and change, and defines how acceptance is measured across power, cooling, controls, and IT.

On geography, the data center map is being redrawn. The \$32 trillion investment may shift away from today's handful of global hubs toward emerging markets building their own **sovereign AI**—countries building and operating their own data centers to more securely control sensitive financial, health, and government data. That redistribution favors regions with strong domestic demand and little existing capacity. PwC projects **Asia-Pacific capex** running 7% above the baseline and Africa's roughly 12% higher by 2050. TELUS has already built **Canada's first sovereign AI factory**, and Deutsche Telekom is marketing data sovereignty as a differentiator against hyperscalers.

For TMT leaders, sovereignty is becoming a commercial edge. Operators that build trusted, in-country capacity early can capture demand others aren't allowed to serve.

The AI value gap now rewards shapers over suppliers

The divide between AI leaders and the companies still stuck in pilots is widening, and it is no longer explained by adoption rate or cost savings alone. PwC's AI performance study found the **top 20%** of companies capture 74% of all AI-driven returns. What separates them is direction. Leaders point AI at the new value pools forming where sectors converge.

Telecom operators show how wide the gap can get. They run more AI pilots than almost anyone—**93% have participated**—yet only about a quarter have scaled AI across major functions, versus upwards of 40% for AI leaders. Most operators already build and connect data centers but stop at the low-margin infrastructure layer—owning the buildings, providing power, and laying out the fiber that connects them.

Offering only the physical basics wins volume but little margin. Telecom leaders should instead use AI to manage the higher-value layers, from power and edge computing to sovereign infrastructure and enterprise workloads, where stronger returns can be captured.

AT&T offers a scaled proof point. More than 100,000 employees use its Ask AT&T platform in their daily work, and every use case must clear a formal ROI business case before it scales. That disciplined approach

contributed to a 5x in-year free cash flow impact in 2025.

Finite inputs force intentional human and machine design

AI may feel limitless, but its **inputs are not**—chips, energy, capital, and human attention are all finite, and that scarcity is becoming a first-order strategic constraint. As PwC's TMT leader **Dallas Dolen** put it, "no one has the inputs for the math quite yet," and compute price spikes are likely to continue. Leaders cannot reliably model the cost to run the business in three years. That makes flexibility, not precision forecasting, the operative capability.

This scarcity reframes the question of when work should go to AI and when it should go to humans. The crude split—**AI for data-heavy tasks**, people for creative or judgment calls—is too binary. The better approach starts with the desired business outcome and designs teams around it, testing different combinations of people and machines rather than assuming one ideal mix. Some work should stay human by design, no matter whether the machine can do it—preserving the human ability to adapt in high-stakes, trust-dependent moments when things go wrong.

Entertainment's growth engine is shifting East

The entertainment and media (E&M) industry is on track to **reach \$4.2 trillion by 2030**, with an additional \$224 billion in US revenues by 2030. But growth is bifurcating by geography and model, and Asia is increasingly setting the pace.

One of the clearest examples of this shift is in **China's short-form microdrama** (duanju) market—90-second, vertical, serialized episodes watched inside apps where content, social, and payments are fully integrated. Nearly 60% of viewers transact while watching, whether unlocking the next episode or buying what's on screen. Korea has turned fandom into recurring revenue—HYBE's platforms drove a record \$470 million quarter—while in Japan, anime now earns more abroad than the country's semiconductor exports.

These formats are resetting the global template, and US platforms are following suit. **Netflix launched** "Clips" feed and Disney+ launched Verts—both vertical video features that deliver short TV and movie clips.

Asia is no longer just a market to sell into—it's where the next monetization models are being built. The common thread across these markets is the fusion of content and commerce, and the companies that study and adapt these models early will be better positioned as growth shifts East.

AI is raising the price of trust

Two forces are making trust harder to earn and easier to lose—and both are moving it up the leadership agenda.

The first is security. As AI accelerates the speed and scale of digital interaction, harms are outpacing defenses. In **PwC's Trust and Safety Outlook 2026**, 85% of US respondents said new technologies and harms are being created faster than organizations can respond, and only 9% believe the groups managing those threats are keeping pace.

Deepfake operations have scaled **1,100% in the US** in two years, and a single deepfaked video call cost one company \$25 million. As routine moderation automates, the human work that remains grows more consequential—edge cases, adversarial testing, and oversight—making trust and safety a core resilience capability that needs real human and capital backing.

The second force is brand. As AI makes content cheap to produce and easy to fake, authentic human experience becomes the scarce way to earn trust. Even as consumers spend more time online, they spend more of their entertainment budget offline—live music, cinema, and events account for **61% of consumer E&M spending**. The winning move is a shift from **campaigns to ecosystems**, where the brand's role moves from creator to enabler.

AI continues to dominate capital formation

Through **Q2 2026**, venture capital activity remained meaningful in dollar terms, but conviction and deployment were still concentrated around a relatively small number of AI-related companies. Valuation expectations continue to reset outside of core AI sectors.

The private company backlog remains substantial. A growing number of highly valued companies are preparing for potential public market debuts, but execution risk remains elevated as valuation expectations should align with a selective investor base.

Eight financings exceeded \$1 billion during Q2, with approximately 95% of the funding going to AI-focused companies. While this concentration continues to support funding momentum for category leaders, it has not yet translated into a broad-based recovery across venture markets.



Accounting update

In this issue, we highlight the accounting implications of recent hot topics including AI costs, long-term supply agreements and product financing considerations as well as updates on tariff. We also provide updates on recent actions taken by the FASB and the IASB.

AI costs: capitalize or expense

As companies invest heavily in AI, accounting leaders are asking a practical question: Can some of those costs be capitalized? The answer, like a lot of things in accounting, is, it depends. If AI costs are being spent to develop software, they may be capitalizable. AI may be changing the way software is developed, but it doesn't create a new accounting model. Companies should follow the existing software cost guidance and apply accordingly.

Refer to **Closing statements Q3 2026: What controllers need to know for quarter end**, for additional accounting and operational considerations related to AI costs.

Long-term supply agreements and product financing considerations

Demand for critical AI hardware, including processor chips and other semiconductors, networking equipment, and other electronic components, remains high and has contributed to supply constraints. To help secure access to this inventory while managing working capital, some companies are turning to third parties to purchase and hold the inventory until it is needed. Whether such arrangements are just a normal purchase commitment with a third-party supplier, or the third party is effectively financing the purchase depends on the substance of the arrangement, not just who holds legal title to the inventory. The key is understanding whether the third party is truly acting as an independent owner that controls the inventory and bears meaningful market risk, or is effectively acting as a financing intermediary.

For further discussions of the relevant considerations, see our publication, **Closing statements Q3 2026: What controllers need to know for quarter end**.

Tariff update

Tariff landscape continues to evolve in Q3. The refund program for the IEEPA tariffs continues to progress, with over \$100 billion in refunds paid or in queue for payment through August. Refer to our **Closing statements** and **podcast** for a deep dive on the latest tariff developments from accounting for tariff refunds and staying ahead of rising enforcement activity to financial reporting and internal controls.

FASB updates

On August 18, the FASB issued a **proposed ASU, Cash Equivalents—Disclosure Enhancement and Evaluation of Certain Digital Assets**. The proposal would (1) require all entities to disclose the significant components and related amounts of cash equivalents on an annual basis, and (2) add illustrative examples to clarify how the existing definition of “cash equivalents” applies to certain digital assets. The classification guidance would be most relevant to entities that hold digital assets designed to maintain a stable value relative to a reference asset (often referred to as “stablecoins,” which are not defined in the Codification) while the disclosure would apply to all entities with significant cash equivalent balances. Refer to our publication, **Cash equivalents and digital assets: FASB proposes new guidance**, for more details about the proposed standard.

The FASB updates its technical agenda periodically, generally when significant milestones are achieved on individual projects. Refer to the **agenda** for the latest updates.

Check out PwC Viewpoint pages that list the effective dates of each FASB ASU by year for **public** and **nonpublic** companies along with helpful PwC resources for each ASU.

IASB amendments to fair value guidance under IAS 28

On June 26, the International Accounting Standards Board (IASB) issued **Amendments to the Fair Value Option for Investments in Associates and Joint Ventures**, clarifying which entities are eligible to measure investments in associates and joint ventures at fair value under IAS 28 **Investment in Associates and Joint Ventures**. Read our **summary** for more information.



Regulatory update

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

SEC reporting and regulatory developments continue to move quickly. Proposals addressing semiannual reporting, filer status, and registered offerings could significantly affect public company reporting, internal control requirements, and capital-raising transactions, with further SEC rulemaking still expected. Our **podcast** provides an overview of these developments and where they stand, including investor and preparer reactions. We also examine current SEC staff comment letter trends arising from filing reviews.

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 June 30, 2026, the top five topics that generated the highest volume of SEC comments included: Management's Discussion and Analysis (MD&A); segment reporting; revenue recognition; non-GAAP measures; and goodwill and other intangibles.

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

Feedback on recent SEC proposed rules

The comment periods for the SEC's proposed rules on semiannual reporting and filer status modernization ended in July 2026. Here's an overview of the feedback:

- Semiannual reporting: Response volume on semiannual reporting is likely record breaking with more than 200,000 responses received, driven principally by the investor community and often consisting of only brief remarks. Although the proposed rule would not require a change to semiannual reporting, many investor groups, academics, and individual investors commented on the value of standardized quarterly

information and argued that giving a public company the option to reduce reporting frequency could reduce transparency and comparability. Issuers and preparers largely support the SEC's goal of providing greater reporting flexibility and reducing the burden on issuers, but they recommend targeted changes, coordination with the FASB/PCAOB, and continued attention to disclosure quality.

- Filer status modernization: Comment letter volume was much lower here, with less than 200 responses. Feedback generally supports simplifying the filer status framework, though views are notably mixed on other aspects of the proposal. The main debate centers on finding the right balance: industry commenters generally support expanded accommodations, while audit, investor, and governance groups question whether the proposal goes too far—particularly by significantly expanding exemptions from SOX 404(b) auditor attestation and scaled disclosure requirements. Overall, respondents support the SEC's modernization efforts while recommending the agency strive to balance increasing accommodations for issuers and maintaining beneficial investor protections.

2026 SEC regulatory agenda

On July 7, 2026, the Office of Information and Regulatory Affairs **released** the 2026 Regulatory Agenda (the “Reg Flex” agenda). The Reg Flex agenda includes a list of potential rulemaking initiatives and the status of priority rulemaking activities for government agencies, including the SEC.

The agenda includes several projects that are already the subject of recent SEC rulemaking proposals, including semiannual reporting, simplification of filer status, and registered offering reform. It also identifies additional potential areas of rulemaking, including reforms to executive compensation and shareholder proposal requirements, updates to the foreign private issuer framework, and crypto asset regulation.

In a **statement** from the SEC Chairman Atkins, the 2026 regulatory agenda signal an SEC focus on crypto regulatory clarity, modernization of public-company disclosure requirements, facilitating IPOs and capital formation, and expanding retail access to private markets.

SEC issues CFIs on incorporation by reference in Form S-1

On September 4, 2026, the SEC staff issued new **Corporation Finance Interpretations** (CFIs) that clarify the availability and application of incorporation by reference for Form S-1 registration statements, including when a registrant becomes eligible to incorporate by reference after initially filing the registration statement.

SEC proposes shareholder and proxy rule changes

On September 16, 2026 the SEC **proposed** (1) rescission of Rule 14a-8, the shareholder proposal rule, and (2) amendments to Rule 14a-4(c) to provide a company with greater flexibility regarding proposals for which it may seek discretionary proxy voting authority.

Separately, the SEC **proposed** rule amendments to modernize the proxy solicitation process. The amendments would eliminate the requirement that a company deliver an annual report to security holders and eliminate the delivery deadline when documents are incorporated by reference into a proxy statement, among other things.

The public comment periods will remain open for 60 days following publication in the Federal Register.

California SB 253—CARB rulemaking for 2027 and beyond

On July 21, 2026, the California Air Resources Board provided additional details on its proposed requirements for reporting scope 1, scope 2, and scope 3 greenhouse gas emissions under California SB 253 beginning in 2027. Read our **summary** for more information.

Simplified ESRS (2026) and exposure draft ESRS-40a

On July 3, 2026, the European Commission adopted the final delegated act containing the simplified European Sustainability Reporting Standards (ESRS (2026)). This delegated act on ESRS (2026) is one of the final steps of the European Commission's February 2025 'Omnibus' package intended to simplify EU sustainability reporting rules issued as a result of the European Green Deal. Entities subject to the scope of the Corporate Sustainability Reporting Directive (CSRD) must apply ESRS (2026) for financial years beginning on or after January 1, 2027. On August 28, 2026, EFRAG published its draft list of datapoints for the revised European Sustainability Reporting Standards (ESRS (2026)) for fatal flaw review. Comments are due by October 23, 2026. The list of datapoints is intended to be non-authoritative supporting material for entities applying ESRS (2026).

On July 23, 2026, EFRAG published an exposure draft of the European Sustainability Reporting Standards for certain non-EU groups (draft ESRS-40a) for a 100-day public consultation. The standards would apply to non-EU groups with significant EU activities beginning with financial year 2028 (reporting in 2029). The exposure draft is based on the revised European Sustainability Reporting Standards issued on July 3, 2026 (ESRS (2026)).

For more information on ESRS (2026) and ESRS-40a, see our publications:

- [**Simplified ESRS—Final delegated act adopted**](#)
- [**ESRS \(2026\)—a deep dive into the revised standards**](#)
- [**Revised ESRS: EFRAG releases draft list of datapoints**](#)
- [**ESRS-40a—EFRAG proposes standards for non-EU groups**](#)
- [**Sustainability now: Revised ESRS—Simplifications explained**](#)
- [**Sustainability now: What draft ESRS-40a mean for non-EU groups**](#)

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

