Gallagher

D&O Databox 2026 Mid-Year Report

Securities Class Actions and Settlement Dollars Rise

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Gallagher's D&O Databox™ Mid-Year Report provides insights into securities class action activities, developments and historical trends — sourced from the D&O Databox, our proprietary database and leading resource for securities class action data over the last 30-plus years. The D&O Databox powers our analysis of the D&O litigation environment and enables public companies — and those looking to go public — to assess their management liability risks with more precision and clarity. This edition of the D&O Databox Mid-Year Report reviews securities class action filings and settlements for the first half of 2026.

The rate of filings for securities class action suits is edging upward. The roster of the top three industries attracting litigation remains stable, but the real news is the severity of settlements.

Securities Class Action Filing Activity Rose in the First Half of 2026

In the first half of 2026, plaintiffs filed 113 securities class actions (SCAs), marking a 10% increase over the same period in 2025.

Filings were slightly higher in both quarters of 1H 2026 than in 1H 2025, as shown in the chart to the right.

What do these numbers tell us about the total cases that might be filed in 2026?

If filing activity continues at the pace seen in 1H 2026, there could be approximately 226 cases filed by the end of the year.

However, if history is any indication, filing activity tends to drop off in the second half of the year. The average percentage of filing activity over the last ten years breaks down as follows:

52%
1H — Jan to Jun

48%
2H — Jul to Dec

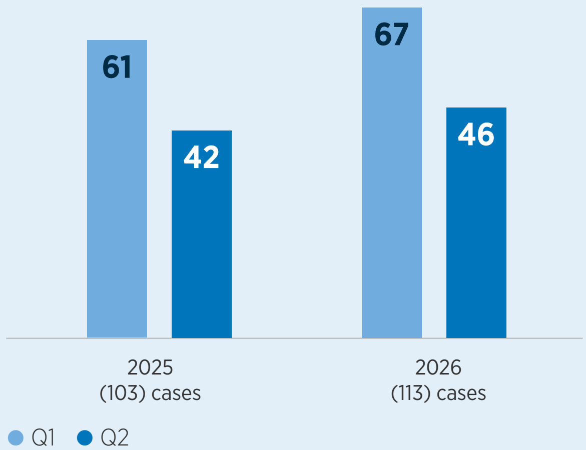
In fact, last year, filings dropped 10% in the second quarter. If last year's filing pattern repeats, total filings in 2026 could hover around 200 cases.

A total of 200 cases would fall within the five- and ten-year average ranges for annual filings:

188
cases
Five-year average

206
cases
Ten-year average

Securities Class Actions Filed*
1H 2025 vs 1H 2026

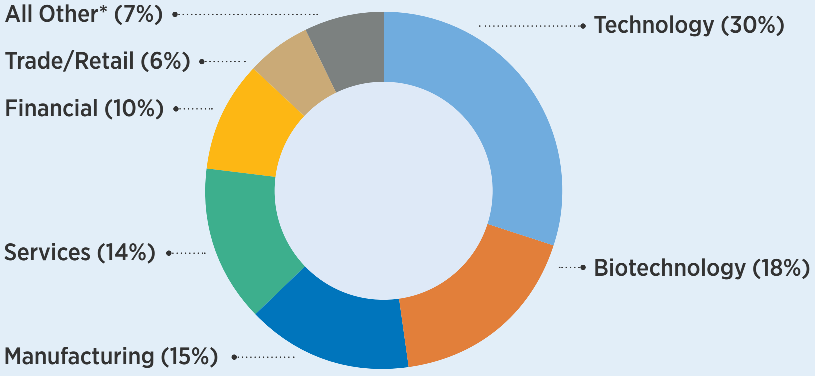


*For purposes of tracking issuer-related securities litigation, the D&O Databox focuses exclusively on securities class action lawsuits that holders of common or preferred stock file in US federal and state courts against public companies. The count does not include pre-M&A class action suits or derivative suits.

Filings by industry: Tech, biotech and manufacturing continue to lead

About half (48%) of all SEC filings in 1H 2026 are against technology and biotechnology companies (compared to 52% filed is 2025)

SCA Filings by Industry (1H 2026)



*All Other: Basic Materials (1%), Construction (1%), Energy (1%), Mining (2%) and Transportation (2%)

Compared to 2025:

Total suits against **biotechnology** companies are currently down 5% points from 2025 (23% in 2025)

Total suits against **service** companies are currently up 4% points from 2025 (10% in 2025)

The top three industries sued have not changed since 2021:

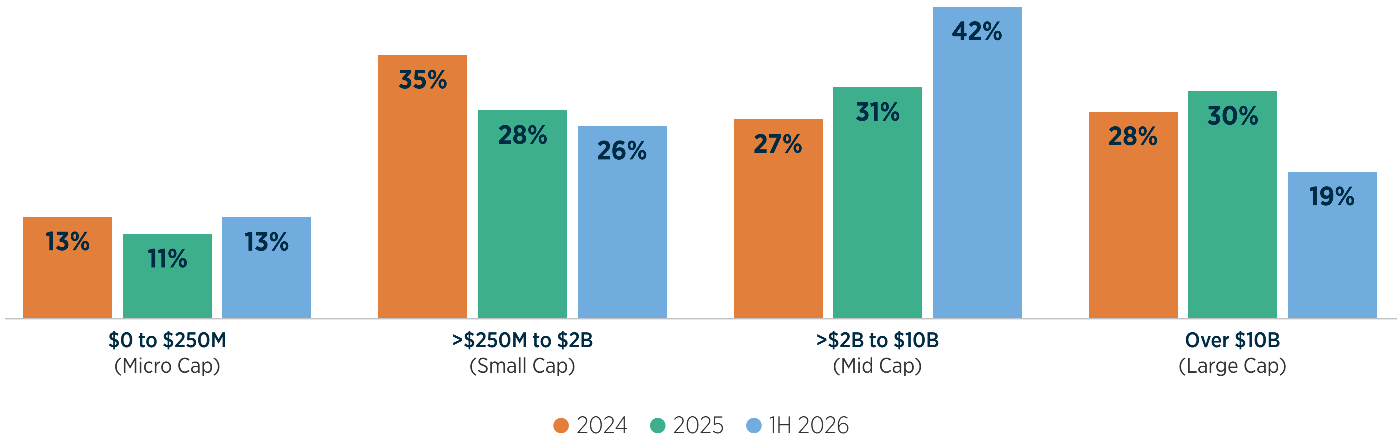
- Technology
- Biotechnology
- Manufacturing

Filings by size and trading history: Large-cap companies see fewer suits

Reviewing the filings in 1H 2026 by company market capitalization, the largest shifts occurred among mid-cap (>$2B to $10B) and large-cap (over $10B) companies. Compared with 2025, filings involving mid-cap companies increased by 11% points, while filings involving large-cap companies decreased by 11% points. Meanwhile, filings for companies with $2 billion or less in market cap remained relatively unchanged from last year. Overall, 61% of the companies sued in 1H 2026 had a market cap of over $2 billion.

The following is a breakdown by market cap ranges for filings in 2024, 2025 and 1H 2026:

Filings by Market Cap Range (2024, 2025 and 1H 2026)



The number of companies going public has dropped since the record high of over 600 in 2021 (excluding Special Purpose Acquisition Companies, or SPACs). As a result, it's unsurprising that a sizable portion of the filings in 1H 2026 were comprised of mature public companies. The table below provides a breakdown of companies sued based on their trading history on US exchanges.

Filings by Trading History for 1H 2026
(Years Trading on a US Exchange)

Time Span	Percentage Sued	Average Years on a US Exchange
0 to 3 years	19%	1 year
>3 to 10 years	36%	6 years
>10 years	45%	21 years

Factors affecting filing activity

Artificial Intelligence: In 2025, 6% of cases filed alleged stock price declines resulting from AI-related business strategies. In the first half of 2026, the percentage of cases involving AI issues doubled to 13% (15 of 113 cases). Most of these allegations pertained to the following matters (case examples included):

- Businesses investing in AI infrastructure
  - » **Oracle Corporation:** The company faced allegations that it misrepresented the impact of potential AI-related revenue growth. Financial analysts raised concerns about the company's ambitious plan to accelerate revenue growth by committing significant resources and relying on massive external funding to provide data centers for OpenAI, which the company projected could account for more than a third of total revenues by fiscal year 2028.

    Following Oracle's December 2025 quarterly results, investor concerns intensified after the company doubled AI-related lease commitments, delayed completion of OpenAI data centers and lost a financial backer for a planned $10 billion AI facility. Investors raised questions about spending levels and increasing debt obligations.
- Platform/technology product performance issues or slower-than-expected sales growth
  - » **Microsoft Corporation:** The company faced allegations that it misrepresented revenue growth pertaining to its AI tool, Copilot, while downplaying user experience issues that were driving consumers to other competitive chatbots, such as Google Gemini and OpenAI's ChatGPT — issues that required billions more in capital expenditures than analysts expected.

While AI issues are referenced in these complaints, some of the cases could be attributed less to AI matters than to broader business performance issues. However, as more public companies integrate AI into their growth strategies, AI-related allegations tied to revenue growth are now more common in securities class action cases.

IPO companies: In the first half of 2026, 9% of the filed cases included Section 11 claims involving initial public offerings. This is a slight uptick from rates of 6% to 7% of annual filings since 2023.

Pump-and-dump schemes: Pump-and-dump allegations became more prevalent in 1H 2026, making up 7% of total filings in 1H 2026. Plaintiffs allege that certain public companies engaged in market manipulation and fraudulent promotion schemes involving social media platforms, with impersonators posing as financial professionals. Prominent cases involved micro-cap companies with low float headquartered in China, Hong Kong or Singapore. Five of the eight companies involved have been trading on US exchanges for less than one year.

De-SPACs: In the first half of 2026, 7% of the companies sued were SPACs that merged with private operating companies in the past five years (known as de-SPACs). This is consistent with 2024 and 2025 data, when de-SPACs accounted for 8% of filings. It also represents a drop-off from the 2021 and 2022 highs, when de-SPACs accounted for 18% of securities class actions.

Foreign-headquartered companies: Filings against Chinese/Hong Kong companies have raised this percentage as of 1H 2026 to 26%, compared to 18% in 2025. Foreign companies sued were headquartered across the following 11 countries:

- Australia, Bermuda, Canada, China (including Hong Kong), Ireland, Israel, Luxembourg, Netherlands, Singapore, Switzerland and the United Kingdom

The market caps of these companies range from $72 million to $38 billion.

Key takeaways: Filing trends in the first half of 2026

The filing data reflects a consistent trend in industry concentration — technology, biotechnology and manufacturing — with a shift in size of company sued from large-cap to mid-cap involving mature, public companies. The median market cap of companies sued in 1H 2026 is $3 billion, with an average period of trading on a US exchange of 12 years.

Overall, 1H 2026 filing activity remained consistent with historical norms. AI-related allegations became more prominent, and filings against foreign-based companies increased, driven by a rise in cases involving Chinese companies.

Total Dollar Settlements Are Up, Outpacing 1H 2025 Total Dollar Settlements

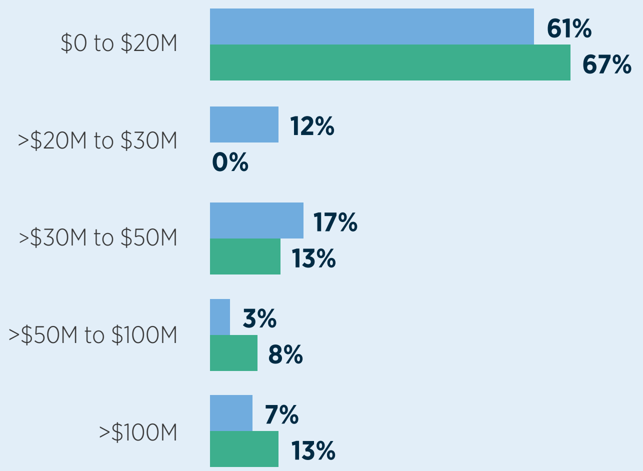
Total settlement dollars in the first half of 2026 were 48% higher than in the same period in 2025. The first half of 2026 saw 48 settlements totaling $2.1 billion, compared to 41 settlements totaling $1.1 billion in 1H 2025.

The chart below shows how the first half of 2026 compares to 2025 and the previous ten years of settlement dollars paid out.

	10 Years (2016 to 2025)	2025	1H 2026
Settlement $	$27B	$3.6B	$2.1B
Average	$33M	$45M	$44M
Median	$11M	$16M	$15M
75th Percentile	$28M	$40M	$41M

Settlement dollars for the first half of 2026 have already reached 58% of the 2025 total. As illustrated in the chart below, high-dollar settlements are driving up the median and 75th percentile.

Settlement Distribution by Dollar Range 1H 2025 vs 1H 2026

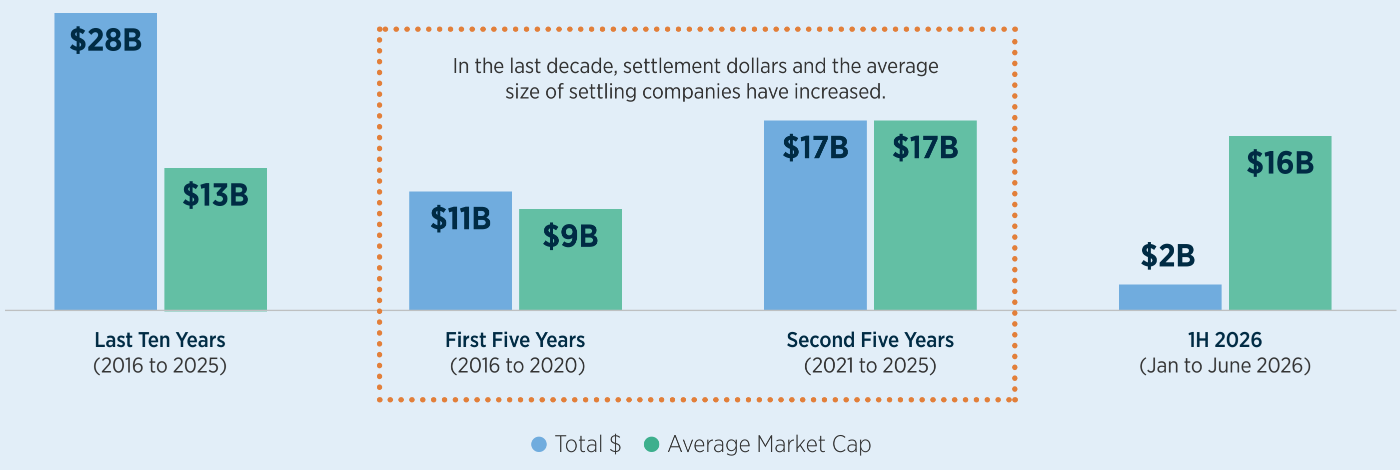


21% of the settlements in 1H 2026 were greater than $50 million, which is 11% points higher than in 1H 2025 **(10%).**

On the other hand, lower-dollar settlements exceed those of the same period in 1H 2025 by 6% points.

To further illustrate how settlement dollars have increased in severity, the following chart indicates that the average market capitalization of the settling companies has risen over the last five years (2021 to 2025) as compared to the previous five years (2016 to 2020):

Total Settlement Dollars and Average Market Capitalization of Settling Companies 2016 to 1H 2026



Top 10 settlements in 1H 2026

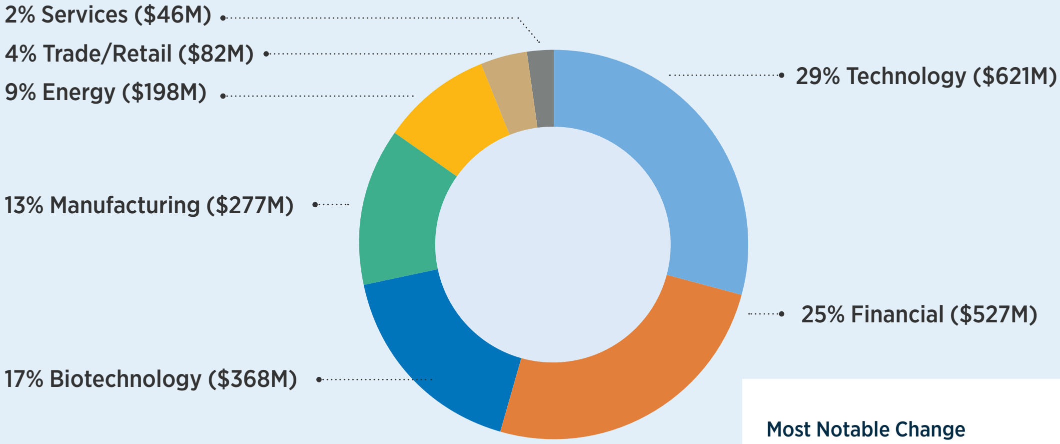
Of the $2.1 billion settlement dollars paid out in 1H 2026, $1.6 billion came from the top 10 settlements listed below. Seven of the ten companies were in the technology and biotechnology industries. The allegations in cases involving the top 10 settlements involved the following matters:

- Misappropriation of funds or questionable business practices
- Production, operational and inventory problems
- Clinical trial issues

Top 10 settlements in 2026

Entity	Suit Year	Industry	Cash Settlement Amount	Case Allegations
The Goldman Sachs Group, Inc.	2018	Financial	$500M	Alleged oversight failures of Malaysian sovereign wealth fund bond offerings involving the misappropriation of $2.7B Note: Derivative suit settlement of $79.5M in 2022.
The Estée Lauder Companies, Inc.	2023	Manufacturing	$210M	Alleged misrepresentation of revenue growth. The company lowered guidance due to its failure to reduce inventory, improve market share and solidify its brand identity in Asia in a post-pandemic environment.
Seagate Technology Holdings plc	2023	Technology	$175M	Alleged failure to follow US export regulations. A $300M penalty was imposed by the US Department of Commerce.
Danaher Corporation	2023	Technology	$172.5M	Alleged misrepresentation of revenue growth. Lower growth in COVID-19 vaccine testing led to disappointing Q1 2023 results and a lowering of guidance for the remainder of 2023.
NextEra Energy, Inc.	2023	Energy	$150M	Allegations of behind-the-scenes political misconduct by orchestrating the unseating of “unfriendly” legislators.
Zymergen Inc.	2021	Biotechnology	$125M	Alleged misrepresentation at the IPO of revenue growth. Product quality issues led the company to announce up to $185M in potential costs to fix the issue.
Shoals Technologies Group, Inc.	2024	Technology	$70M	Alleged misrepresentation at the IPO of revenue growth that was impacted by product implementation issues.
ChemoCentryx, Inc.	2021	Biotechnology	$69M	Phase III clinical trial issues for its treatment for ANCA-associated vasculitis (avacopan). In April 2026, the FDA asserted that the application used to support approval of the drug contained “untrue statements of material facts.” When this information was disclosed, a preliminary SCA settlement of $35M was amended and increased to $69M.
Mylan N.V.	2020	Biotechnology	$60M	Alleged misrepresentation of FDA compliance pertaining to quality control issues that impacted revenue growth.
SolarEdge Technologies, Inc.	2023	Technology	$55M	Alleged misrepresentation of revenue growth. Higher-than-expected inventory levels led to unexpected cancellations by European distributors.

Settlements by industry: Tech, finance and biotech make up 71% of total settlement dollars



Most Notable Change

Technology moves back into first place with 16 companies settling for 29% of the total settlement dollars (compared to 13% in 1H 2025)..

Note: Percentages may not total 100% due to rounding.

Key takeaways: Settlement trends in the first half of 2026

Settlement dollars increased significantly in 1H 2026 compared to 1H 2025, driven by a larger number of individual cases involving high-dollar resolutions. The rise in settlement severity is further reflected by the increasing average market capitalization of settling companies over the past five years. At the same time, lower-dollar settlements also increased, indicating growth at both ends of the settlement spectrum.

Looking Ahead to the Second Half of 2026

Securities class action filings aren't expected to slow materially in 2H 2026, and well-established public companies with market caps exceeding $2 billion will likely continue to be candidates for securities litigation. While the IPO market has begun to recover, activity remains below the levels seen during the 2020–2021 IPO boom. It's unlikely that notable increases in class action activity involving IPOs will take place this year — certainly not at the level seen in 2022, when over 20% of the filings involved IPO companies.

Total settlement dollars remained robust in 1H 2026, with settlement severity staying elevated. Given that approximately 70% of open cases filed before 2024 involve companies with market capitalizations exceeding $2 billion, large settlements are unlikely to abate in 2H 2026. Total settlement dollars are on pace to meet or exceed 2025's $3.6 billion payout.

Questions about this Guide? Comments? Compliments?

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