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Strategic Capital Meets Innovation: How Government and Industry Are Shaping the Next Wave of Market Growth

Contributing Partner

P. Michelle Gasaway / Los Angeles / Houston

Associate

Blake H. Bainou / Los Angeles

Key Points

- In 2025, the U.S. government evolved from grantmaker to direct capital provider, taking equity stakes and deploying loans and commercial arrangements in sectors viewed as strategically critical.
- Large corporations and other strategic investors made significant investments, often alongside commercial partnerships, to secure technology and supply chains.
- The IPO and SPAC markets reopened cautiously, with investors favoring innovation-focused businesses, clear investor stories and paths to profitability.
- Looking to 2026, policy support, strategic capital and improving public market conditions are expected to create opportunities for companies to access new sources of capital and tailor fundraising well suited to their business and capital structure goals.

Government Steps Up as a Capital Provider

In 2025, the "visible hand" of government became a defining feature of the U.S. financing landscape. Rather than relying solely on grants or tax credits, the federal government increasingly invested directly in companies in strategic sectors.

One of the earliest examples was the U.S. Department of War's (DOW's)[1] partnership with MP Materials, a rare-earth mining and magnet producer. The DOW agreed to invest approximately $400 million via preferred equity and warrants, taking an ownership stake of around 15%, and paired that with a $150 million loan and long-term offtake commitments for rare-earth magnets used in defense applications.

The package also included price floors and 10-year supply contracts, illustrating how public sector funding is now structured more like private capital, with upside participation and risk-sharing.

This new federal posture was reinforced by the Pentagon's Office of Strategic Capital (OSC), created to provide long-dated, low-cost financing to "deep tech" companies. The MP Materials loan became OSC's first marquee transaction, demonstrating how government capital is increasingly being deployed not only to subsidize projects but also to de-risk them for private co-investors.

Generally, 2025 saw a much broader wave of government investment activity across the economy. More than 30 companies[2] across critical technology, energy and industrial supply chains entered into formal investment, loan or incentive agreements with the federal government — primarily through the Department of Energy's (DOE's) Loan Programs Office (LPO), the DOW and the Department of Commerce (DOC), including incentives under the CHIPS and Science Act of 2022 (CHIPS Act).

Totaling well over $45 billion, the range of instruments expanded beyond traditional grants, including roughly:

[1] Congress has not yet acted on the administration's renaming of the Department of Defense.

[2] The data in this article is compiled from a number of sources, including: *Axios*, *Barron's*, *Debtwire*, Department of Commerce – CHIPS Program Materials, Department of Energy press releases, *Investing.com*, *Manufacturing Dive*, Nokia Corporation press releases, Perpetua Resources investor information, PG&E Corporation press releases, *Reuters*, *Supply Chain Brain*, *The New York Times*, U.S. International Development Finance Corporation (DFC) press releases and *The Wall Street Journal*.

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One Manhattan West
New York, NY 10001
212.735.3000

- $10.5 billion in common equity, preferred equity and warrants.
- $30 billion in senior loans, loan guarantees and offtake-backed financing.
- $800 million in nondilutive CHIPS Act incentives.

In addition to MP Materials, examples of government investments in public companies included Lithium Americas, Trilogy Metals, Analog Devices, Coherent, MACOM and others, alongside one high-profile case, Intel, whose CHIPS Act funding was effectively equitized into a nearly 10% federal ownership stake with an additional warrant providing the U.S. government the option to acquire up to a further 5% of the company under certain conditions.

In the clean energy sector, utilities in more than a dozen states secured nearly $40 billion in federal loan commitments for grid modernization, transmission upgrades and nuclear and hydropower portfolios.

The year also saw a landmark federal partnership with owners of Westinghouse Electric to build at least $80 billion of new nuclear reactors, giving the U.S. government a contingent profit-sharing right that could convert into an equity stake of up to 20%. The overall trend: Government capital is becoming broader, larger and more comparable to private institutional funding — positioning federal investment as an option for companies in strategic sectors.

Companies considering government funding as a source of capital should first consider their readiness to present their project and investment opportunity to the government, including having plans, timelines and budgets and, if the government funding is not expected to cover the full project cost, other sources of financing available.

Companies also may want to carefully analyze both short- and long-term implications for their businesses, capital structures and future financing plans. As with any capital, companies may want to consider evaluating:

- Certainty and timing of funding, and any conditions to receipt of funds.
- Economic and structural terms.
- Any covenants or other restrictions on the business (including customers or suppliers) or its ownership.
- Funding authorizations.
- Potential dilution to existing shareholders and considerations with respect to the current shareholder profile.
- Interaction with existing commercial arrangements.
- Governance implications, including relating to oversight, approval rights, negative control rights, board representation or management decisions.
- Interaction with the capital structure, including existing financing arrangements and outstanding securities.
- How the funding may impact future debt or equity capital raises, or other financing.
- Unique aspects of contracting with the government, including limitations on specific performance, indemnification and damages, and implications of a federal governing law provision.

In addition, commercial arrangements, particularly those tied to specific policy goals — domestic production, supply chain security, restrictions on offshoring and, in some cases, profit-sharing — require careful evaluation of terms and conditions and long-term strategic fit. Boards evaluating government capital may want to pressure-test not just the economics of the proposed investment, but also "day two" scenarios — how oversight, approval or negative control rights and informal influence could evolve as administrations change, political scrutiny intensifies or new officials inherit the government's seat at the table.

Strategic Capital: Corporations as Co-Financiers

The past year also saw an increase in strategic investment — over $800 billion in publicly disclosed transactions — as large technology and industrial companies deployed or committed capital to secure technology, capacity and input materials.

A headline example was NVIDIA's announced $5 billion equity investment in Intel, paired with a broad technology collaboration under which Intel would manufacture central processing units (CPUs) for NVIDIA's platforms and the companies would co-develop next-generation data centers and computer chips.

NVIDIA followed this announcement with a $1 billion equity investment in Nokia that deepened their partnership around using NVIDIA's hardware and software to modernize Nokia's mobile network technology. Together, these transactions — competitors becoming shareholders in one case and a major chipmaker taking a significant stake in a global network infrastructure vendor in the other — illustrate how strategic capital is increasingly being used to reshape competitive dynamics and reposition companies within the broader technology ecosystem.

Strategic capital also flowed upstream into critical supply chains. In the rare earths space, Apple agreed to a $500 million supply and investment arrangement with MP Materials aimed at securing a non-Chinese source of magnets for its devices. In the artificial intelligence (AI) foundation-model ecosystem, Microsoft and NVIDIA together committed up to $15 billion to large language model developer Anthropic through a mix of equity and long-term compute arrangements that will fund Anthropic's training and deployment ambitions. (See "M&A in the AI Era: What Buyers Can Do to Confirm and Protect Value.")

And, in the AI infrastructure space, NVIDIA's investment in graphics processing unit-focused cloud provider CoreWeave, alongside a multiyear, multi-billion dollar supply agreement, highlighted how strategic investors are using both balance sheet capital and commercial contracts to shape emerging ecosystems. (See "Structured Finance Is Playing a Key Role as the Capital Demands of Data Center and Power Build-Outs Balloon.")

These transactions illustrate that strategic capital can sit alongside, or even anchor, more traditional equity and debt financing (both public and private), as well as, in some cases, complement U.S. government funding.

As with any financing, companies should consider taking a complete view of their capital structure and business plans, both near- and longer-term, in evaluating strategic financing. The terms and conditions of strategic investments are particularly important to consider, especially if those investments come with governance rights, exclusivity or commercial arrangements.

Public Markets Reopen: IPOs and SPACs

After several years of prolonged slowdown, 2025 brought a measured reopening of the IPO and SPAC markets, especially for innovation-driven businesses.

IPOs

Global IPO volumes and proceeds increased meaningfully in 2025, with the U.S. leading the rebound as equity indices reached new highs.

Technology, media and telecommunications IPOs in particular delivered strong aftermarket performance: A basket of these offerings in Q2 2025 generated average returns of roughly 40% to 50% for the quarter, and in Q3 2025, average returns topped 18%.

For example, the cloud provider CoreWeave mentioned above listed in March 2025 and quickly surged on its debut, and AI platform provider Figma soared more than 250% following its July 2025 IPO. Since then, CoreWeave has continued to trade well above its offering price, while Figma has retreated from its early surge and now trades at more than 50% below its post-IPO peak.

Beyond traditional technology sectors, digital asset firms also made a splash:

- Stablecoin issuer Circle Internet Group raised over $1 billion in its IPO and saw its shares jump more than 200%.
- Crypto exchange Gemini Space Station raised $425 million in its listing and climbed over 30% on its first day of trading. (See "With Supportive New Regulations, Digital Assets Are Likely to Proliferate in 2026.")

Other active sectors included:

- Energy: Fermi America's September 2025 IPO raised roughly $680 million and delivered a first-day pop of more than 50% as investors embraced its ambitious, nuclear-powered data infrastructure strategy.
- Space technology: Firefly Aerospace's August 2025 IPO raised about $868 million and saw its shares surge roughly 34% on its first day of trading before the stock drifted below its IPO price in subsequent trading.

SPACs

SPACs also staged a "version 2.0" comeback. Through the first eight months of 2025, U.S. SPAC IPOs raised approximately $16.1 billion across 81 filings, compared with only about $1.8 billion in all of 2024 — an almost ninefold increase in proceeds and more than double the 31 SPAC IPOs that priced in 2023.

Momentum accelerated in Q2 2025, when 46 SPAC IPOs raised $8.8 billion, exceeding the quarter's traditional IPO proceeds. The revival was driven by experienced, repeat sponsors — who accounted for nearly 80% of new SPACs — and by more investor-friendly terms, more conservative projections and robust private investment in public equity (PIPE) financing.

While the market remains selective, these developments indicate that capital markets are again receptive to innovation-focused businesses. (See "Digital Asset Treasury Companies Are Using Common Forms of Capital Raising — With a Few Twists.")

At the same time, the rapid rise of AI-linked valuations has prompted recurring comparisons to prior tech bubbles, with investors increasingly distinguishing between companies with durable business models and those riding thematic momentum.

As a result, AI-adjacent offerings that pair credible revenue prospects with clear unit economics are likely to continue to find strong demand, while more speculative stories will be met with heightened scrutiny.

2026: What Companies Should Be Thinking About

Markets are entering 2026 with a constructively bullish view on innovation-linked assets, citing continued AI investment, industrial policy support and the potential for modest rate cuts if inflation remains contained.

For companies, several themes are emerging:

- **Government capital is now part of the funding toolkit.** Businesses in strategic sectors may want to track federal programs (CHIPS Act, DOC, DOW, DOE, OSC) and assess whether their business plans align with policy objectives.

- **Strategic investors can be catalytic.** Partnerships with large corporations and other strategic investors can provide capital, credibility and better market access.
- **Stay IPO-ready.** With the issuance window reopening, companies that have planned ahead to go public — with strong, well-articulated equity stories and public-ready financials, controls and governance — will be best placed to act quickly.
- **Expect continued competition for strategic assets.** As governments and corporations seek to secure technologies and supply chains, valuations in areas like chips, AI infrastructure, energy and critical materials are likely to remain competitive.

Taken together, 2025 demonstrated how strategic capital and innovation have become tightly linked. Looking ahead to 2026, companies that understand this evolving landscape — and can navigate between government, strategic and public-market capital — will be well positioned to capture the next wave of market growth.

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