h2Radnor View

Fail to Prepare? Prepare to Fail

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Mark Twain on preparing for the sale of a private company and other events:

"The secret of getting ahead is getting started."

Be a Scout

The Scouts' motto is 'Be Prepared'. For private companies and their investors seeking a sale in the next 12-18 months, we believe it has never been more pertinent.

In our last *h2Radnor View*, Tim Huddart summarised the state of the private M&A market and our belief that activity in the UK and Europe is likely to accelerate in H2 2026 and H1 2027. Given the risk of congestion in the market, when sellers perceive a wider opening of the exit window and the capacity of buyers and service providers may well be overwhelmed, we emphasised the need for early preparation by management teams.

Expanding on this and given the significant changes in the nature of sale processes since COVID, we recommend management teams and their Private Equity sponsors adopt a mantra of being 'permanently prepared'.

The changing paradigm for sale processes

In the past, when interest rates were close to zero and many PE exits were driven by financial engineering and multiple expansion, a conventional sale process followed a 3-5 year hold period, a refi, some early look meetings and investor education, due diligence, management presentations and then an auction. The situation today has changed; PE holding periods have extended, returns to LP investors has dropped to 15% of PE NAV (from the long-term average of 20%-25%) and the age of the average global PE portfolio has extended to 6+ years. In contrast to the prior era, operational improvement delivers half of portfolio companies' EBITDA growth, up from a quarter three years ago (EY).

There is no longer a single format for the ideal sale process. Fragmentation has come to M&A and every process is different depending on the situation. In contrast to the old standard of a multi-month process that includes investor education and the sale itself, a more successful approach would be a long period of tracking and mutual discovery by both buyer(s) and seller/management teams, followed by the execution of a shorter sale process potentially after a pre-emptive bid.

The market continues to be buffeted by uncertainty and competition among investors. Deal volumes in H1 2026 fell from the previous year in part because of geopolitical uncertainty (Iran, change of Prime Minister etc), the impact of AI on software ('SaaSpocalypse'), an elevated oil price and its impact on inflation and interest rate expectations. PE investors and their investment committees have become more selective about their investments, which means successful sales continue to be dominated by the highest quality companies.

How to complete a sale. How h2Radnor can help.

Deals remain the preserve of buyers from PE and trade, with IPOs showing little sign of re-emerging as a popular exit-route in the short term. Meanwhile mid-cap PE funds, under pressure and with increasingly picky investment committees, are behaving more like large cap funds in tracking potential investments for multi-year periods, effectively conducting long-term, continual due diligence.

If investors are conducting long-term monitoring, sponsors and management teams must respond by preparing in advance so they are ready when monitoring starts, and in a strong position in case of an unsolicited bid. Our firsthand experience tells us this is happening much more frequently.

The value of early preparation for management teams, well ahead of a prospective sale, is based not only on our experience but also on a recent report by EY-Parthenon and their survey of PE investors and portfolio companies, stating that:-

- 86% of GPs said that early preparation initiatives improve exit valuations, and that
- the two actions that had the most beneficial impact in preparation are
    - presenting evidence of value creation and
    - preparation of a clearly defined equity story.

The latter effectively projects the value creation case into the future and is central to our work at h2Radnor. In the same report, the key feedback from companies' management teams about what they would do differently in a future sale process is telling:

- *"portfolio companies say the #1 thing they'd do differently in the sale process*: *better management preparation".*

h2Radnor have been assisting management teams in communicating with investors and preparing for sale processes for almost 20 years. The importance of a coherent and clearly articulated equity story for companies seeking a successful sale has never been greater. In every process there is an abundance of data made available through the CIM, commercial and vendor due diligence, financial due diligence etc but what connects it all is the management team's ability to paint a picture that describes not only what has been achieved, but the opportunity ahead. The way we like to think of it is that the investor is "paying for the past but buying the future" and a management team's ability to articulate that vision, supported by facts, makes a significant contribution to a successful sales process. We are an independent, experienced team working for senior management, specialists in all matters relating to investor communication and complement the work done by the M&A adviser and their sponsor ahead of and during the sale process.

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