h2Radnor View

Achieving optimal value in M&A

28th July 2025

The private M&A market – it was all going so well

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Over the past year, the private M&A market in the UK and Europe showed signs of recovery but then stumbled with a severe case of indigestion brought on by Trump's tariffs in April. The pressure on private equity (PE) investors to return capital to investors through exiting portfolio companies is increasing. Selling a company at any time requires clarity and conviction in articulating a compelling equity story to investors. Doing so into a market as challenging as today's intensifies that requirement.

The value of PE deals in Europe increased year-on-year every quarter of 2024 and Q1 2025[1]. Following Trump's 'Liberation Day' that trend was reversed in Q2 2025 when deal value fell an estimated 10.5% quarter-on-quarter. IPOs by PE were another significant casualty as Klarna, AUTODOC, Stada and Brainlab were all postponed. Prior to 'Liberation Day', the market had been benefiting from open credit markets, a declining cost of debt, the perception that inflation was under control and that interest rates were falling. Even after Trump's presidential election win, towards the end of a politically eventful year, few in the market had paid attention to the threat of tariffs so the announcement came as a significant shock. Although credit markets, the cost of debt and interest rate expectations remain broadly benign, inflation rates in the UK and Europe also unfortunately increased in Q2.

Since late 2021, investment activity and the rate of exits by PE have been constrained by rising interest rates, inflation, and geopolitical and political uncertainty. As a result, by 2025

[1] Pitchbook

fund-raising vintages from 2018 to 2021 had all significantly lagged historical benchmarks in returning capital to limited partners (LPs)[2] and as exits slowed, PE holding periods have lengthened; 42% of the ~13,000 European companies backed by PE have been held for over five years.

Investors in PE funds (LPs) increasingly want their money back and are pushing for full, conventional exits in spite of the headwinds in the market. A webinar poll conducted by ILPA-Bain in March showed that over 60% of LPs wanted conventional exits, even if at lower valuation marks, and preferred them to other realisations such as dividend recaps, LP-led secondary sales and sales to continuation funds. In spite of this, the rise of secondary sales to a record $102bn in the US in Q2[3], a total greater than that for most full years in the past decade, indicates that some LPs are taking the opportunity to raise cash and reshape portfolios into their own hands.

Outlook

In a market where buyers, especially strategics (trade), are either directly affected or distracted by tariff issues and operational issues such as rolling out AI and dealing with rising employee-related costs (e.g. NIC, rising minimum wage etc) and sellers are tempted to continue to wait for a better moment, it is worth remembering that the M&A market is far from broken. At h2Radnor, our team has been engaged on eight transactions in the past six months and four since 'Liberation Day'.

The challenges outlined above present opportunities to the enterprising. Moreover, the rising pressure for capital to be returned indicates that the moment when PE investors will sell assets at lower prices than envisaged is fast approaching. In the short term, feedback from M&A advisors indicates a pick-up in sale process launches in Q3 and Q4. Longer term, if the cycle of PE firms selling companies to each other continues to slow, the IPO market could return to favour as an exit route, evidence for which may be the recent news of potential IPOs of Shawbrook (BC Partners, Pollen Street), Visma (Hg Capital) and Utmost Group (Oaktree) to name just a few.

h2Radnor's contribution

In such a complex and competitive market, the performance of portfolio companies' senior executives and management in delivering a compelling equity story in a clear, confident manner to potential investors can enhance the likelihood of a successful sale. At h2Radnor we have a deep understanding of investors' needs and are specialists in educating executives in how to craft and articulate their message. We give them, even those doing so for the first time, the confidence to engage effectively with investors. Our involvement

[2] Bain

[3] Evercore and Prequin

also helps the sale proceed smoothly by ensuring clear communication between the executive team and the advisor(s) managing the process.

We have been advising companies since 2004, during which time we have developed a proven process that is repeatable and works in a variety of situations that involve investor contact: e.g. debt refinancing, fundraises, exits to PE, strategics and IPOs. Its success can be gauged from our re-engagement rate by M&A advisors and PE sponsors and testimonials.

The executive team are our sole client. They trust us and our experience and pay us to be critical. This allows us to pass on difficult messages when necessary but helps build their confidence. We work closely with advisors and sponsors in ensuring the company's equity story is validated by their presentation materials without becoming a crutch on which they depend. Ultimately we find that executives who communicate their story effectively retain the interest of potential investors in the process.

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