Mid-Market Private Equity – What is going on

23rd June 2026

The Environment: Where We Are

Tim Huddart
Executive Director

The last twelve to eighteen months have been a period of considerable frustration for many sponsors — both here in the UK and on the Continent. Sellers have been reluctant to bring assets to market unless they were confident in the outcome, and the result has been a notably higher incidence of bilateral and strategic transactions relative to historical norms.

Two forces have been at work. For a seller, the prospect of open-market price discovery is never comfortable if the outcome is uncertain. For a buyer, the question of whether any price paid is the right price has been equally difficult to answer with conviction. That tension was sharpened earlier this year when the debate around AI impacts and opportunities began to cast doubt on valuations — an issue of particular consequence given the concentration of software and software-adjacent assets across sponsor portfolios.

Against a backdrop of persistently high interest rates and inflation, along with the continuing effects of geopolitical tensions, there has been no shortage of reasons for caution.

Green Shoots: Where Activity Is Returning

Despite that backdrop, we have seen a meaningful increase in enquiry levels for early-stage engagement with two sectors standing out.

Healthcare and Pharma. After an extended period of subdued activity, a few healthcare-related assets are now beginning to emerge. This extends beyond care provision to the broader pharma and life sciences space. Whilst some of the financial metrics on UK care businesses remain below where sellers had originally hoped — particularly on EBITDA multiples — transactions are happening, and we expect more to follow. The underlying care demand fundamentals remain robust.

Business Services Buy-and-Build. Particularly on the Continent, we are seeing early-stage processes emerge from several buy-and-build platforms in business services. These are businesses that have continued to execute their roll-up strategies quietly through the difficult period and have, in several cases, now reached a genuine inflection point. EBITDA improvement means they can sustain a degree of additional leverage whilst simultaneously lowering their leverage ratios. It is an encouraging dynamic, and one we expect to broaden.

Why H2 2026 and H1 2027 Should Be More Active

With short-term rates now appearing to be at, or near, their peak, sentiment is beginning to shift. More significantly, we believe several structural factors could combine to create a concentrated window of deal activity in the period ahead:

- A material volume of sponsor assets has been held for longer than originally intended. The pressure to generate liquidity for LPs is real and growing.
- Buyer confidence is gradually returning as rate expectations stabilise and valuation frameworks become more predictable.
- The prospect of a lasting settlement in the Middle East, if realised, would remove a significant source of macro uncertainty.
- Progress towards an end-state in the Russia-Ukraine conflict — which we believe both sides are increasingly motivated to achieve — could trigger a substantial reassessment of European risk appetite, particularly in DACH and broader Central European markets. We would expect a meaningful relief rally in transaction volumes on the back of it.

The risk, in that scenario, is one of congestion. If a window opens, many sponsors will attempt to move simultaneously. The difference between those who get out cleanly and those who scramble will, in our experience, come down to preparation.

A Different Kind of Engagement: Early-Stage Equity Story Development

The change we have noticed most acutely in our own workflow is one of timing. Increasingly, sponsors are approaching us not at the point of appointment, but earlier, at the stage where a management team is beginning to think about what their story might be. In a market where no sale process looks the same, and unsolicited bids or unexpected approaches are a real possibility, advance preparation is vital. A compelling equity story, clearly articulated by the team, can provide multiple benefits.

What's involved is a structured conversation; sitting with a chief executive and finance director, often alongside the sponsor, and listening to how they describe their business, their market, and the opportunity they see ahead. Think of it as an updated version of the classic fireside chat, with the deliberate objective of helping management sharpen their narrative before any formal process begins.

The benefits are:

- **Management teams arrive at early investor conversations notably better prepared, which translates directly into the quality and credibility of those meetings.**
- **When investment banks are invited to engage, they can start from a position of strength: a compelling, coherent and up-to-date equity story. This is far more effective than asking them to revisit and rebuild historic perceptions by simply updating a presentation from a previous process.**

- **Transactions are taking longer, diligence is deeper and competition for attention is greater than it was earlier in the decade. As a result, a compelling equity story and a well-prepared management team are becoming increasingly important to a successful process, and an essential component of value maximisation.**

These engagements are deliberately light-touch and do not require a significant commitment of time or cost at this stage. But the value creation potential, in our view, is disproportionately large relative to the input.

We have now run this type of engagement across companies ranging from a few hundred million in enterprise value to several billion, and the pattern holds consistently: **getting management on message early lifts the team, aligns the narrative, and — critically — positions the business more competitively in a market where multiple assets will likely be competing for buyer attention at the same time.**

A Practical Observation

If you have portfolio companies where an exit might be on the horizon over the next twelve to eighteen months, the question worth asking now is not whether to prepare — but when. **In a market where a window may open with limited notice, and where your peers will be moving at the same time, the cost of early preparation is modest. The cost of arriving unprepared into a crowded market is considerably higher.**

We would be happy to have a preliminary conversation about any specific situation, with no commitment attached.

Tim Huddart
Executive Director
thuddart@h2radnor.com
+44 (0)203 897 1830