



**Numis**Focus

An inside-out study  
of UK mid-market M&A

March 2022

[numis.com](https://numis.com)

# Methodology

The Numis M&A study surveyed institutional investors and FTSE 250 board directors to gauge current sentiment across the market.

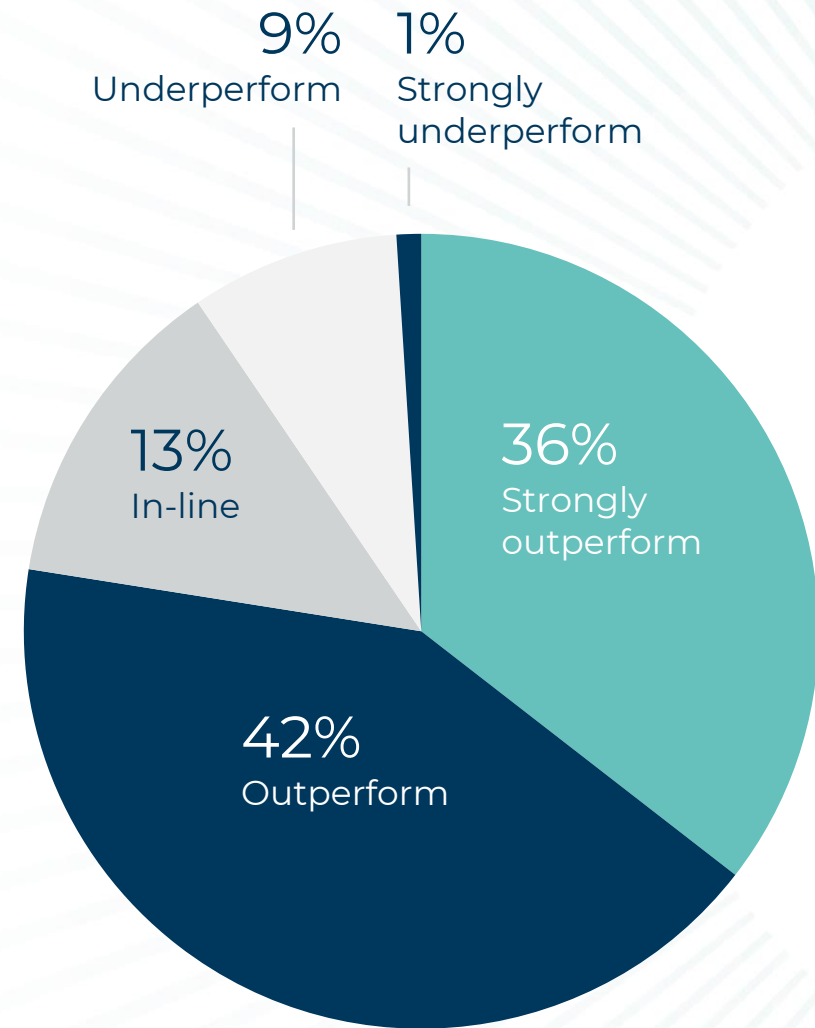
84 directors at FTSE250 companies were surveyed between January 25-28, 2022. Of these, 11% were chairs, 14% were non-executive directors, 42% were chief executives and 24% were chief financial officers. The remainder held other executive board positions.

200 institutional investors and fund managers were surveyed between January 25-28, 2022. 50% described themselves as institutional investors and a further 15% described themselves as institutional fund managers. 23% described themselves as hedge fund investors or managers, 10% as pension fund managers and 2.5% as insurance fund managers. All invest in UK equities.

# Institutions expect UK stock market to perform strongly in 2022

What is your view on the relative performance of UK stocks in 2022?

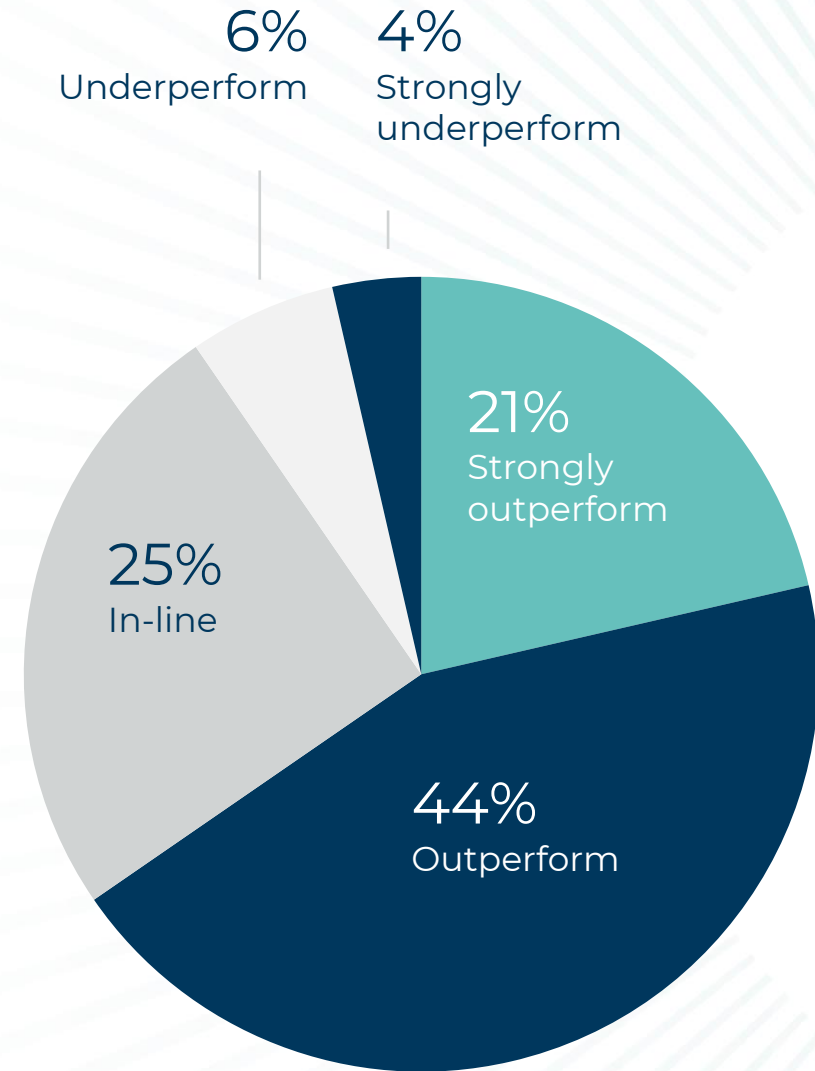
Our survey of 200 institutional investors found an overwhelming majority (78%) thought UK stocks would outperform or outperform strongly in 2022



# Corporates similarly believe UK 2022 equities to outperform 2021

What is your expectation of the relative performance of UK stocks in 2022 vs. 2021?

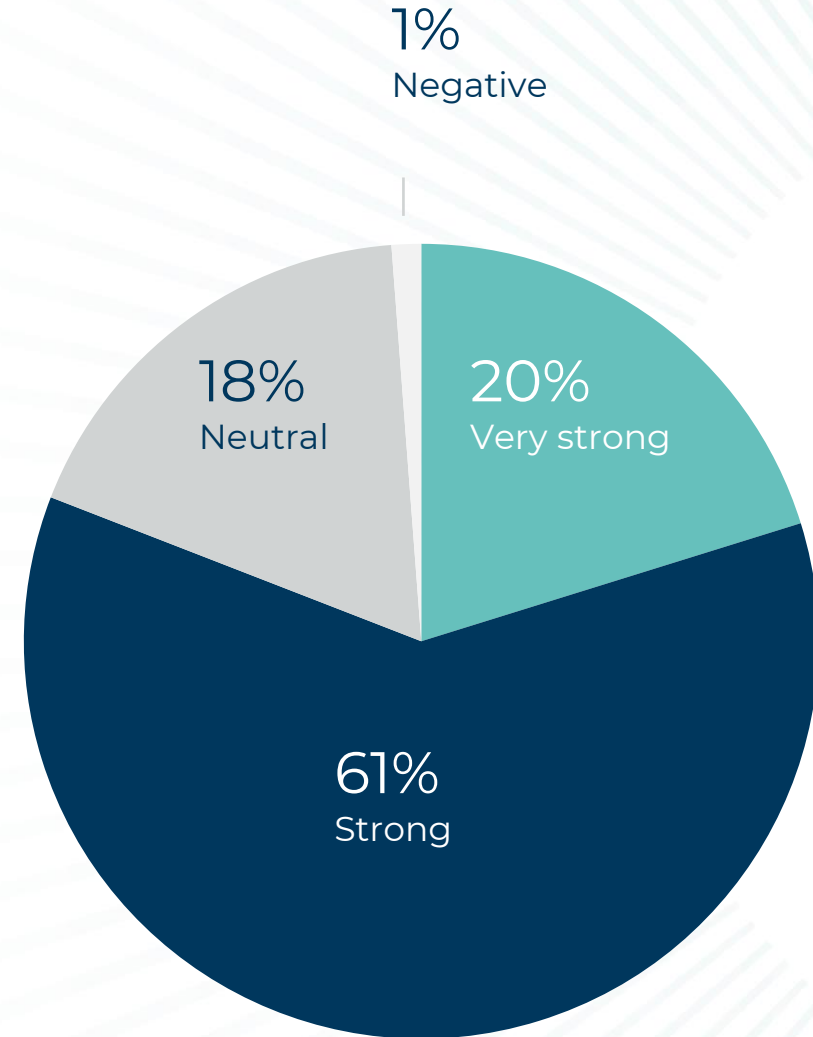
Mirrored by the corporates



# Highly positive 2022 M&A outlook from corporates

## What is your view on the general outlook for M&A in 2022?

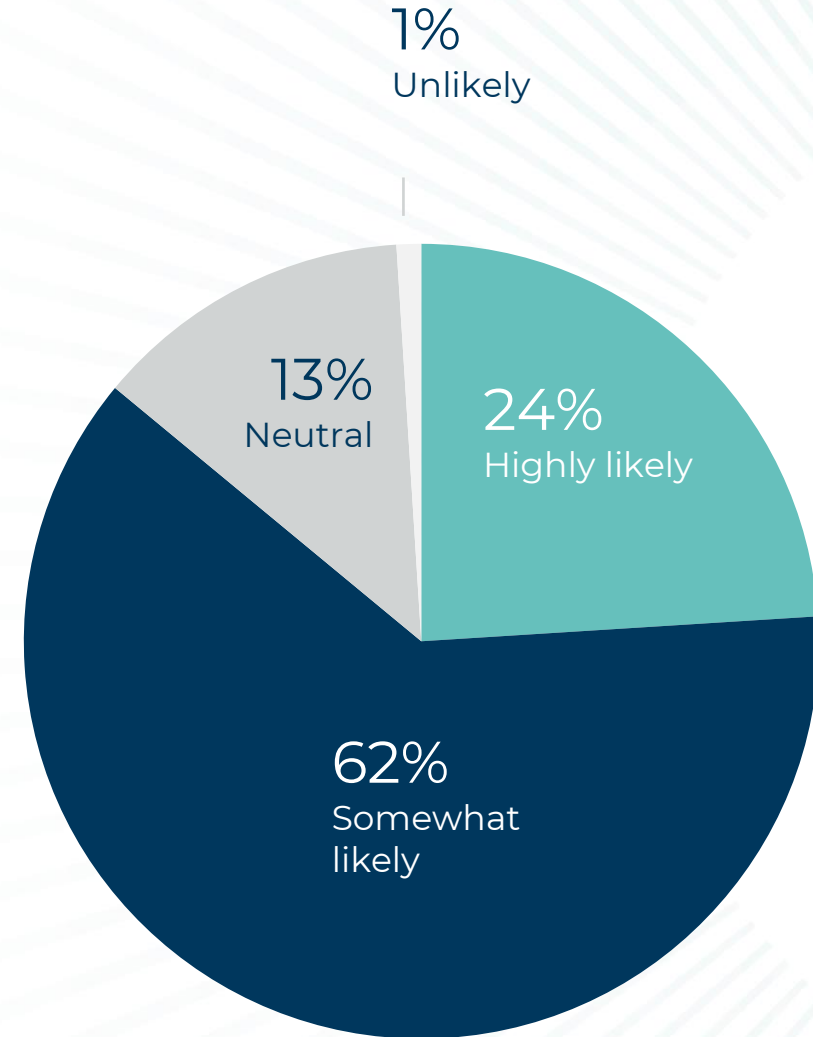
- 80% of corporates expect a strong pipeline of M&A opportunities in 2022
- M&A is viewed as a strategic imperative in the UK plc boardroom
- International bidders likely to play an important part
- Private equity firepower remains high



# Corporates expect to be active in 2022 M&A market

## How likely is your company to undertake any form of M&A in 2022?

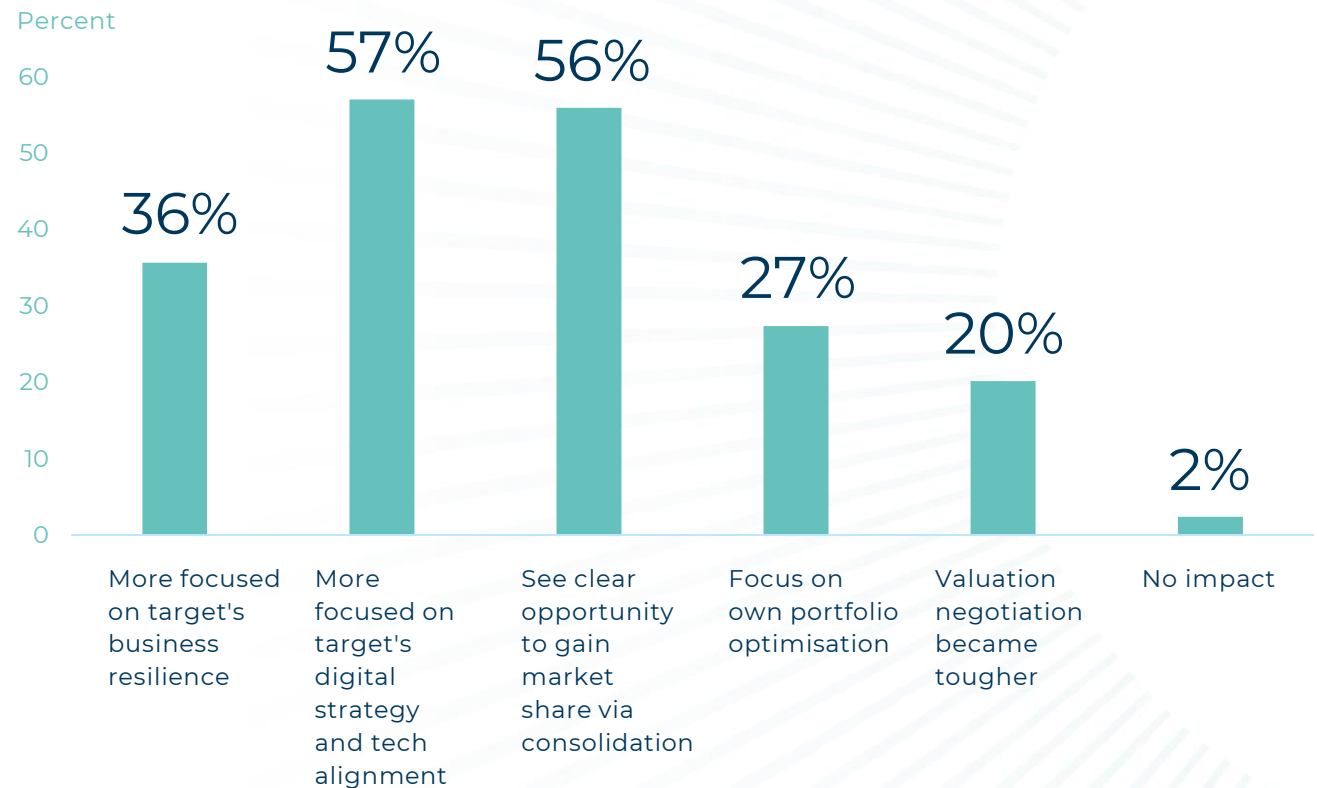
- 86% of FTSE 250 company directors expect to undertake some form of M&A in 2022
- Bifurcated performance post-covid and valuation differentials across sectors
- Requirement for cost savings in the higher inflation environment
- Adding capabilities in rapidly changing environment (e.g. digitalization / tech)



# COVID has had big impact on M&A strategies

## How has your M&A strategy and outlook been affected by COVID-19

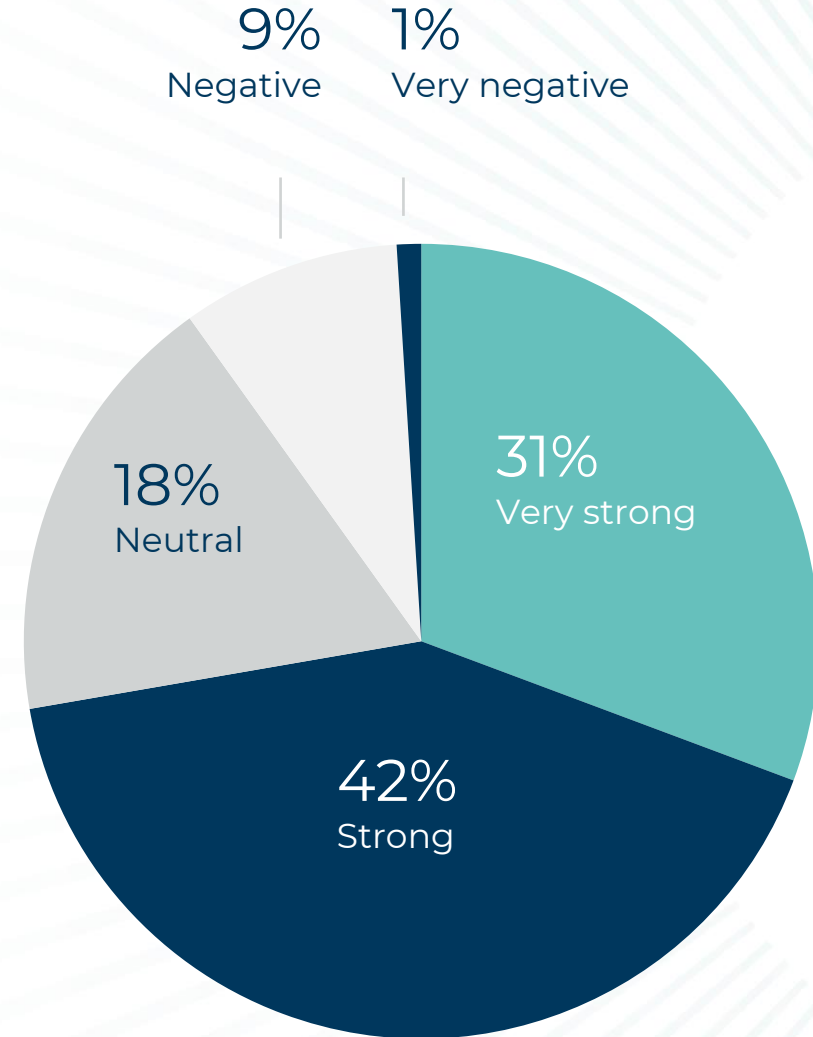
- Digitalisation and tech alignment has become central in M&A strategy
- Disruption provided and provides opportunities to gain market share
- Uncertainty of COVID has made valuation negotiations during M&A tougher



# Institutions also expect strong year for M&A

## What is your view on the outlook for M&A in 2022?

- Three quarters (73%) of institutional investors agree with corporates on a strong pipeline of M&A opportunities in 2022
- 2021 was a very strong year and M&A played an important part in fund performance
- Overwhelming majority of 2021 deals were supported by institutions






# Organic growth and private M&A top of mind for investors

Rank your preference for allocating new capital?

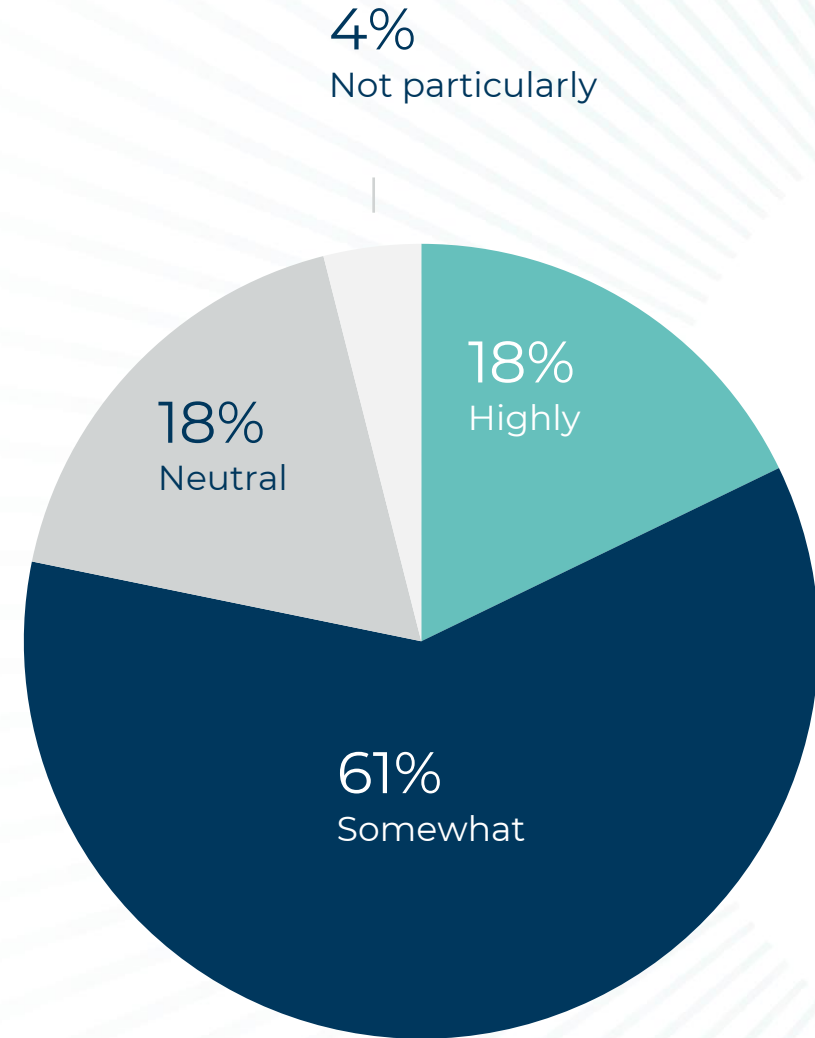
After a strong year of IPOs in 2021, investors see backing well-regarded management teams to acquire private businesses as preferable to either IPOs or plc-to-plc deals

Overall rank	Item
1 	Invest in organic growth for an existing company
2	Funding a company buying a private target
3	IPO's
4	Funding a company buying a public target

# Corporates believe UK plcs are vulnerable to takeovers

## What is your view on UK plc's vulnerability to takeovers?

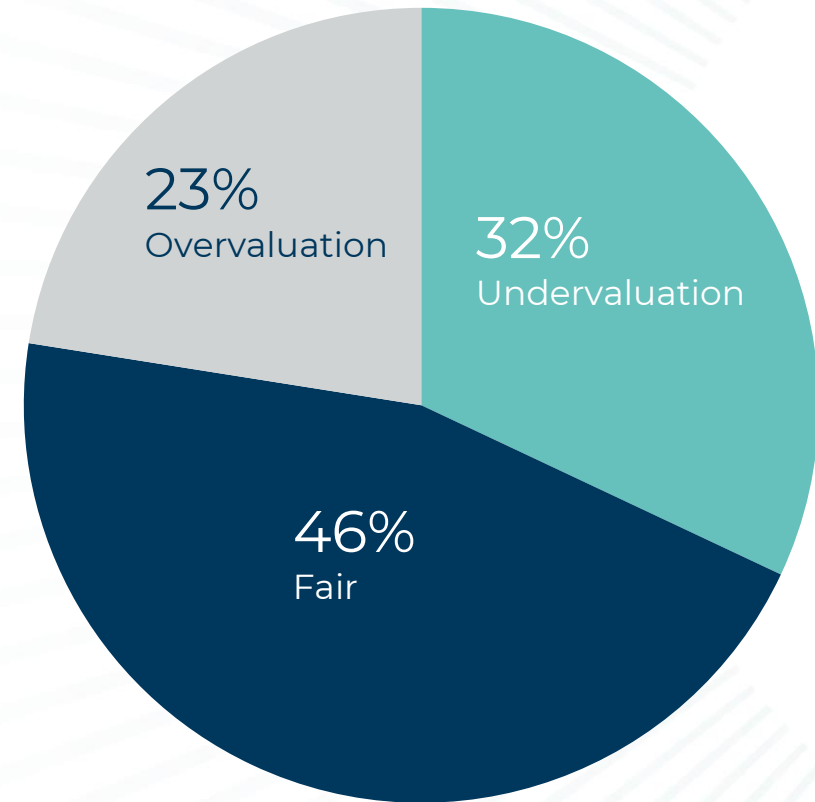
- 78% of UK corporates are of the view that UK plc is either somewhat or highly vulnerable to takeovers
- Across its client base, Numis is regularly preparing boards for bid defense as part of its integrated broker and advisor role



# Most of 2021 public deals reflected at least fair value

In your general opinion, was the public M&A that happened in 2021 reflecting fair value of UK plc?

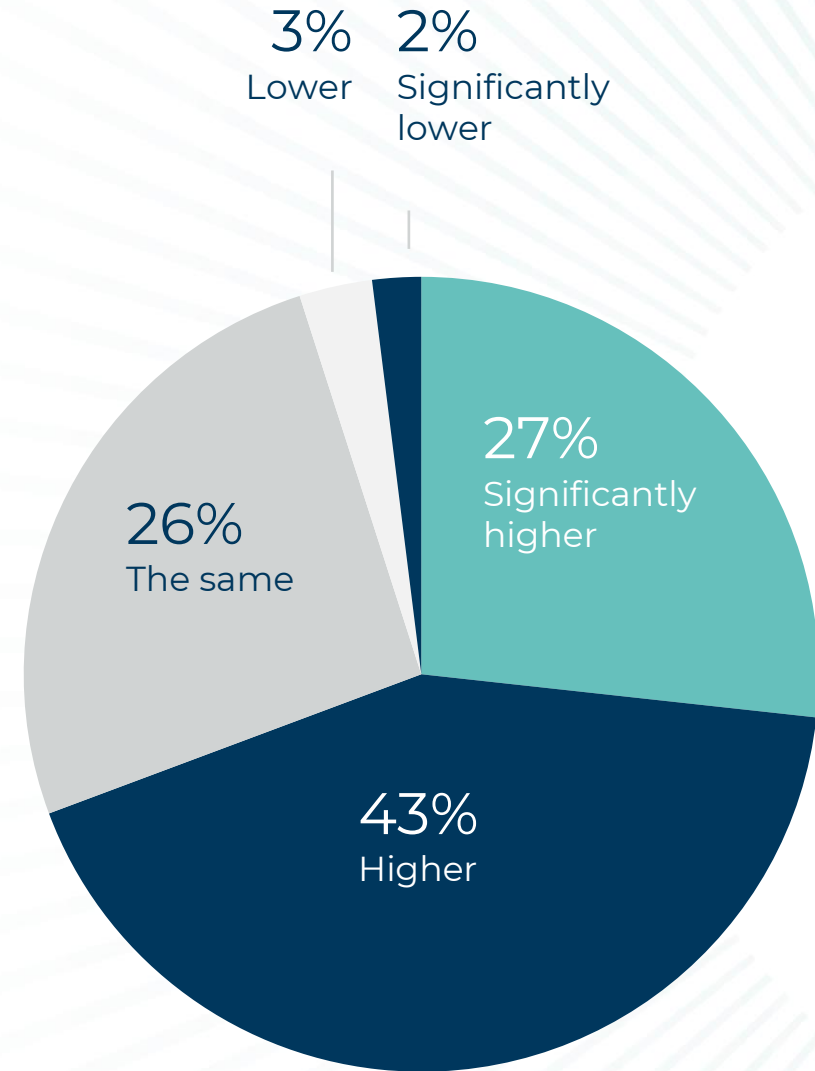
Despite some negative rhetoric around 'the sale of UK plc', most deals were shareholder approved and 2/3s of institutions felt it was at least at fair value



# 2022 institutions' valuation expectations are on the rise

How do you expect M&A valuations in 2022 to compare with 2021?

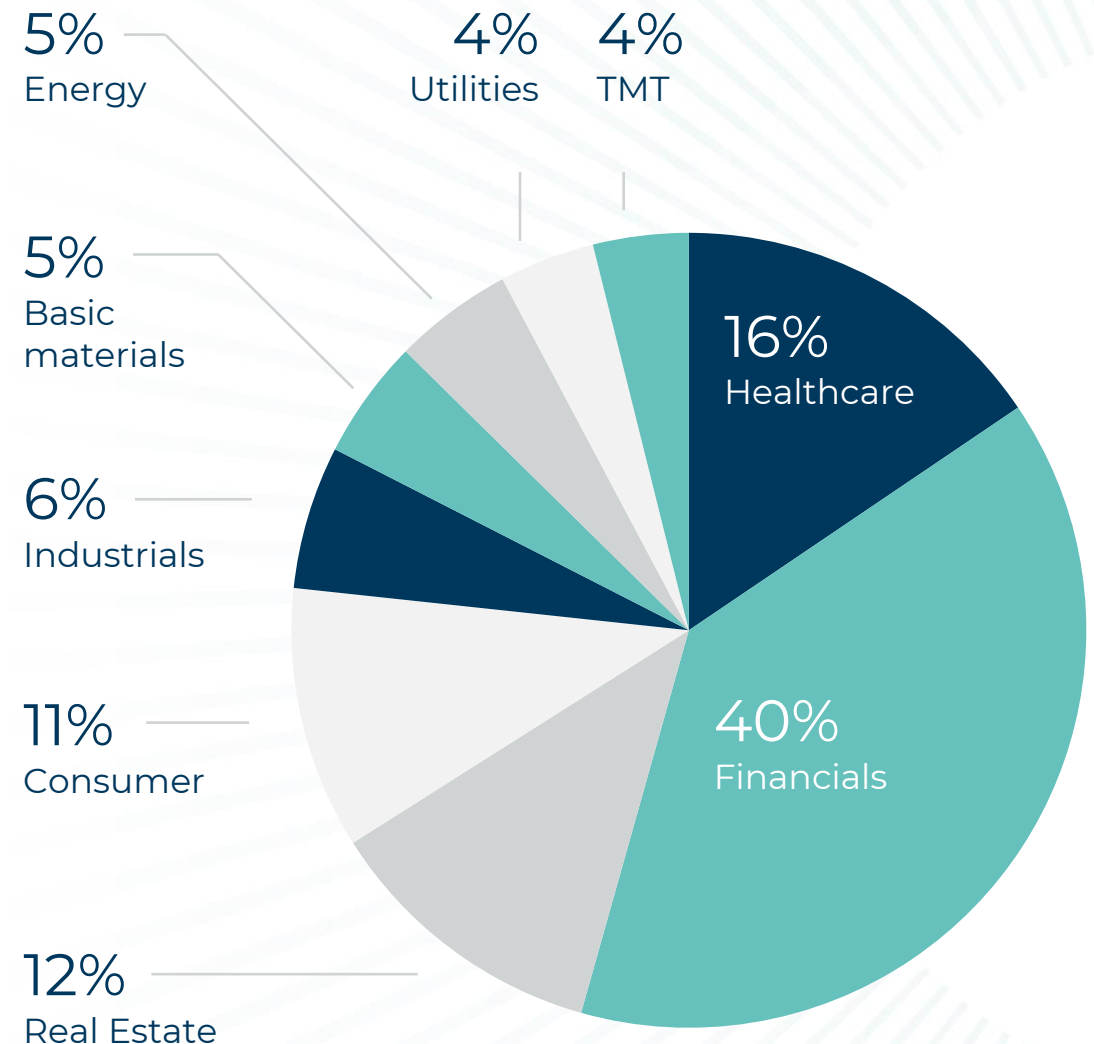
Most institutional investors expect higher valuations this year



# Broad expectation of M&A activity across sectors

What sectors do you view as being the most active for M&A in 2022?

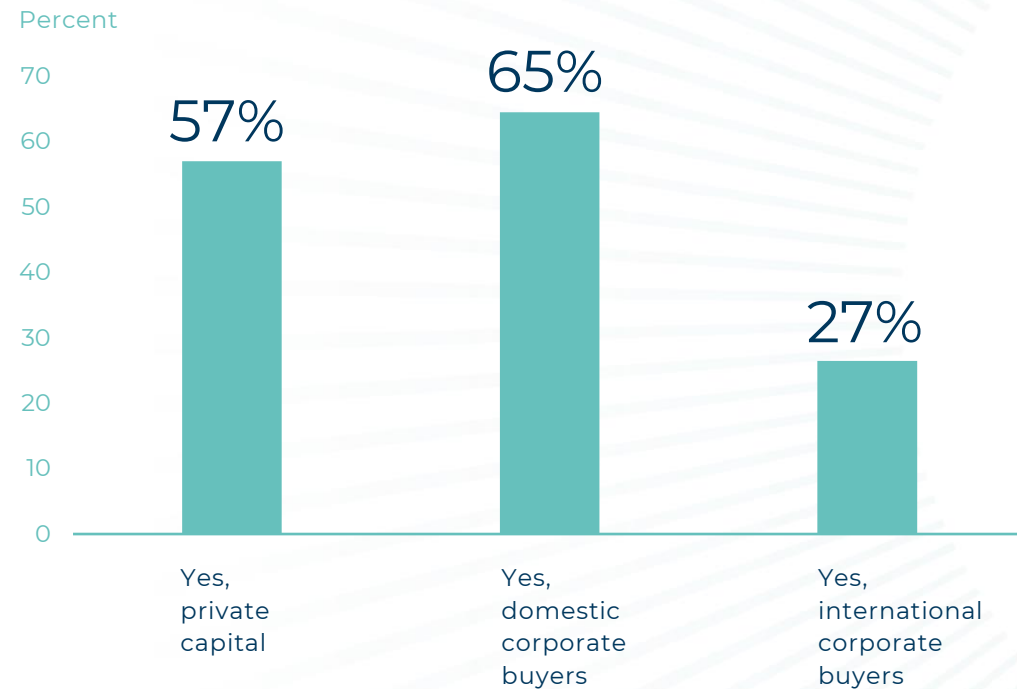
- Financials expected to be the most active sector in a rising interest rate environment
- With Consumer, Real estate, Healthcare also expected to be particularly active



# UK corporates expected to lead competition for assets

Do you expect to see competition for assets increase in 2022 and, if so, from where?

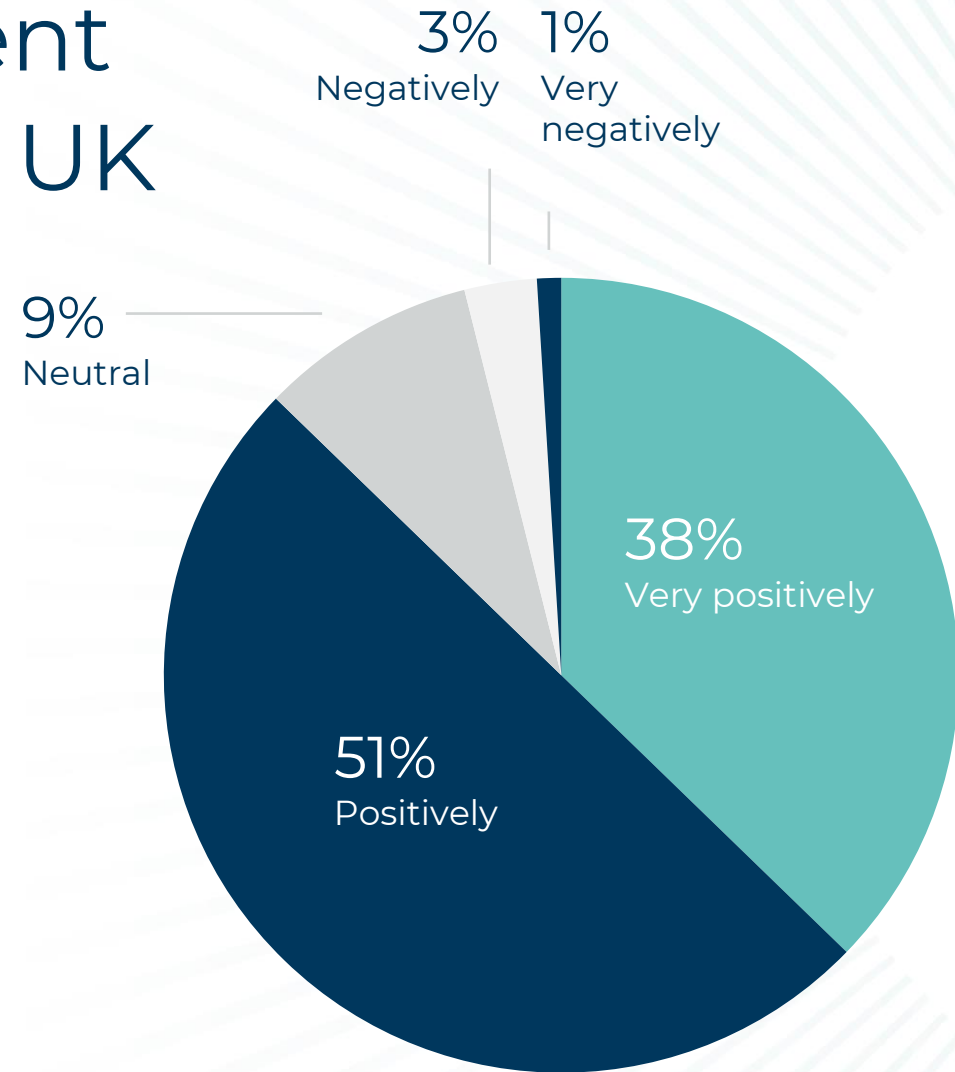
- PE expected to be highly competitive with UK corporate bidders
- Only 25% of institutions expect interest from international bidders which would be low by historical standards



# Private equity involvement viewed as positive in the UK market

How do you view the very high levels of PE buyer activity in the UK M&A market?

9 in 10 (89%) institutional investors view the higher levels of PE buyer activity as a positive for the UK market despite isolated pockets of noise on individual deals



# Institutions are most concerned with financing environment...

## What do you believe will be key obstacles to M&A in 2022?

- Institutional investors ranked the financing environment as the greatest obstacle which is not surprising in the rising interest rate environment
- Regulatory challenges are also a concern, including National Security and Investment Act

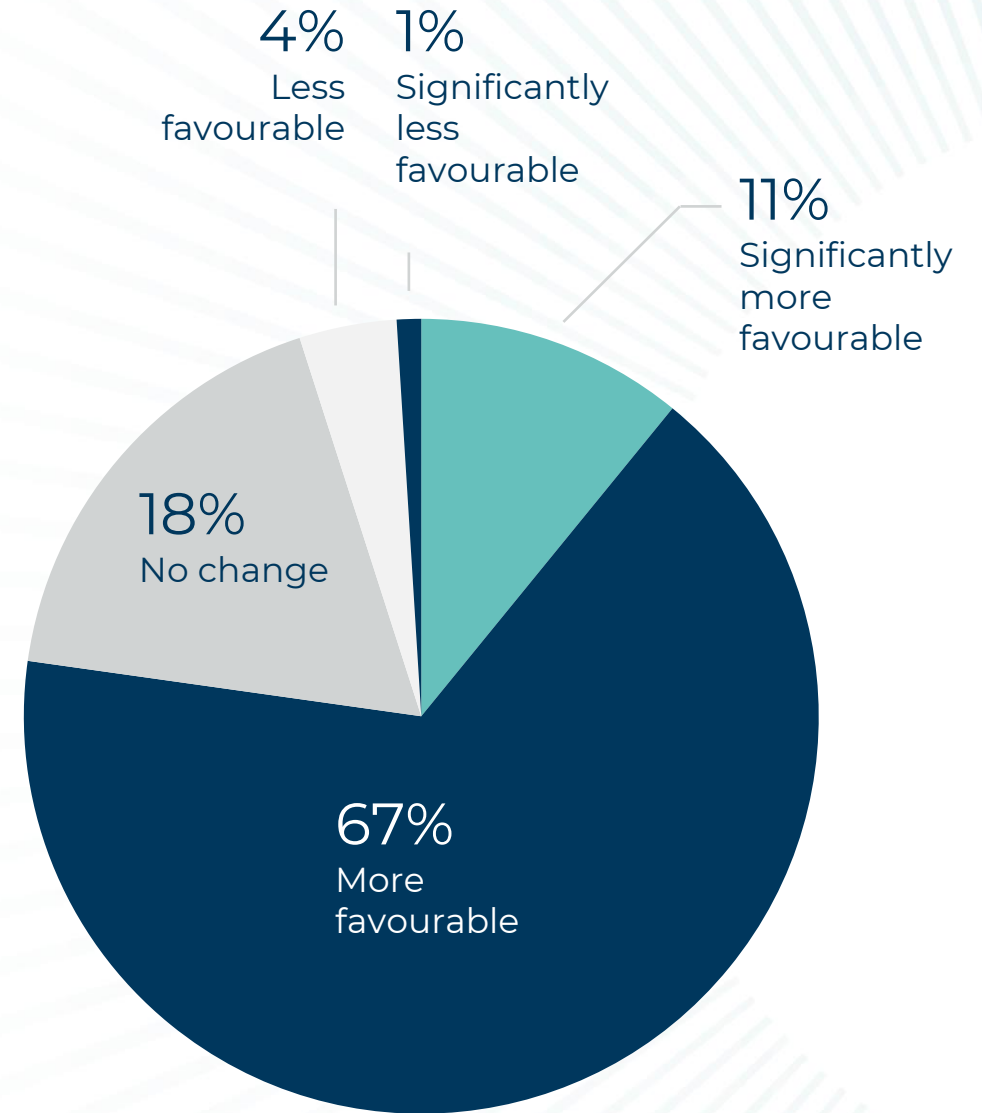
Overall rank		Item
1		Financing environment
2		Regulatory change
3		COVID-19
4		Valuation gap
5		Economic outlook
6		Political environment



# ... with corporates considerably more upbeat

How do you expect financing market conditions to be in 2022 vs 2021?

Directors are more bullish on the financing environment vs institutions, possibly reflecting access to capital and conservative leverage across the UK listed market



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