

Investors and corporates expect a busy year for M&A, un-phased by increased levels of PE buyer activity - Numis research

- 85% of FTSE 250 company directors expect to undertake some form of M&A in 2022
- Three quarters of institutional investors expect a strong pipeline of M&A opportunities in 2022
- 9 in 10 institutional investors view the higher levels of PE buyer activity as a positive for the UK market

A new study from Numis, the independent investment bank (**AIM:NUM**), has revealed positive sentiment around UK investment opportunities, against a backdrop of growing boardroom confidence in the pursuit of M&A activity. The survey reveals that four fifths (78%) of institutional investors think UK stocks will outperform in 2022, and 73% are forecasting highly buoyant M&A volumes in 2022.

This mirrors the sentiment amongst corporates, with 85% expecting to undertake some form of M&A this year, as they seek to drive a market leading position (51%), navigate industry change (31%) and stay ahead of structural sector developments (31%).

Private equity and overseas bidders will continue to lead the way in driving UK M&A activity in 2022, according to the survey, attracted by compelling valuations, favourable exchange rates and access to cheap financing. Of the 200 institutional investors surveyed, 57% expect competition for assets from private equity to rise in 2022 with 89% of investors viewing the higher levels of PE buyer activity in the UK market as either positive or very positive.

From a sector perspective, 40% of institutional investors expect financials to be the most active from an M&A standpoint, more than twice the proportion of any other sector and further evidence of consolidation pressures across the industry.

Stuart Ord, Head of M&A at Numis, said: *"2021 was a very strong year for M&A activity in the UK and our survey clearly shows that companies and institutional investors are confident the trend will continue in 2022, as the pent-up appetite for dealmaking during the pandemic continues to unfold. There seems to be an increasing strategic imperative and confidence in the boardrooms of UK plc with respect to pursuing an M&A agenda. Whether that be to take advantage of market strengths or as a defensive necessity to adapt to new realities caused by technology, Brexit and the pandemic.*



"Most private equity firms have screened their targeted sectors and are ready to move swiftly should an actionable situation be identified or develop. On the other side, UK corporates are also looking for opportunities to solidify their market positions, hence the M&A market this year is likely to continue its momentum."

Investors and corporates aligned on valuation expectations

With regards to valuations in M&A, most institutional investors agreed that M&A deals in general represented good value last year, with almost half (46%) believing deals were fairly valued and a third (32%) noting that M&A in 2021 represented an undervaluation of UK plc. Looking ahead to 2022 the majority of institutional investors surveyed think M&A valuations will rise further. Significantly however, 20% of directors said that COVID-19 had made valuation negotiations during M&A tougher, due to the uncertainty about how the medium and long-term effects of the pandemic [and, in some cases, Brexit] will impact individual sectors and businesses.

Obstacles to M&A

While the outlook for the volume and value of M&A in 2022 is resoundingly positive, obstacles remain, with regulation cited as one of the top three challenges by both institutional investors and corporates.

Where the two groups diverge, are their respective conclusions on the financing environment as a barrier to M&A. Institutions placed the financing environment as the principal obstacle to M&A in 2022, while directors see it as less of a challenge.

The typical FTSE 250 director actually took a positive view of financing conditions – 67% said they expected conditions to be more favourable in 2022 than in 2021 and 11% said they expected them to be significantly more favourable.

-ENDS-

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Notes to editors

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.

About Numis

Numis is an independent investment banking group, offering a full range of research, execution, corporate broking and advisory services to ambitious corporate clients and institutional investors. Numis is listed on AIM, and has offices in London and New York.