

Majority of private equity professionals see greater opportunities in UK PLC compared to other markets - Numis research

- **Private equity investment environment remains highly competitive**
- **UK more attractive investment destination versus other markets**
- **Macro issues remain for acquisitions and sales of assets**

Numis research, which polled 200 senior private equity professionals who focus on the mid-market¹, has revealed that 73% of their pipeline is focussed on UK listed companies with 92% referencing the opportunity for public to private deals.

The UK is a highly attractive investment destination. The vast majority (91%) of private equity investors believe the UK is more attractive (50%) or significantly more attractive (41%) than other markets available to them. 38% cite opportunities created by the value bias of institutional shareholders as the key factor attracting them to UK PLCs. 92% believe that recent regulatory developments in UK capital markets have made them significantly more positive about UK assets.

The competition for assets is strong. 79% of survey respondents see the current competition for UK assets as either very competitive (40%) or competitive (39%) and all respondents expect that to increase over the next 12 months with 66% of private equity investors citing that their main competition is expected to come from their private equity peers.

While the private equity mid-market is actively screening opportunities, the cost of finance has increased and access to debt finance has become more difficult. 82% view the UK debt market as challenging; however, 87% expect the UK debt market to improve over the next 12 months.

Private equity professionals believe that institutional owners of listed companies are ready to back their public to private deals. Confidence is high, with 83% of survey respondents believing institutions would be receptive or highly receptive. This is further reinforced in an earlier study by Numis, *An inside-out study of UK mid-market M&A*², where 9 in 10 institutional investors view the higher levels of private equity buyer activity as a positive for the UK market.

¹ £250m-£1bn investment size.

² *An inside-out study of UK mid-market M&A* (18 May 2022).

With a slow IPO market, private equity firms continue to prefer private auction as the exit route for investments. 82% believe that the exit market is strong or very strong, but key challenges cited are (ranking in order of performance) the economic outlook, distracted buyers and political environment.

Rebound in IPO activity in the UK not expected before late next year. 76% of private equity respondents expect the market rebounding in the next 18 months, but of these only 29% believing it will happen within the next 12 months.

ESG remains an important consideration for private equity. 53% of respondents consider ESG very strongly in capital deployment decision- making whilst another 44% consider it strongly.

Stuart Ord, Head of M&A at Numis, said:

"It's clear from our research and meetings that private equity maintains a significant interest in pursuing public to private transactions and is actively screening UK-listed opportunities. In recent months though, the impetus to move from assessing to submitting bids has diminished. Despite the valuation falls across many sectors, private equity's sense is that the valuation knife has further to fall as interest rate rises, and inflation and other macro factors take their toll."

"Once the market has repriced in the near term, there is a likelihood that with lots of dry powder in their funds and their expected improvement in debt markets, private equity will begin again to make bid approaches to UK PLCs. And they expect institutional shareholders to be receptive to their advances, given many remain under pressure from redemptions," Ord continued.

"While large cap M&A has been slower this year and private equity bids may be less likely in the near term, volumes of UK mid-market deals have held up. Activity levels remain high from overseas, particularly North American buyers, bidding for quality companies in what is now an even more favourable exchange rate environment. Our observation is that many boards recognise this potential vulnerability and are refreshing valuation analysis and preparing for a bid approach.", Ord concluded.

[The full report can be viewed here.>>](#)