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UK M&A Market Report

Autumn 2026



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01

Executive Summary

Executive Summary (I/II)

UK M&A continued to attract substantial investment during 2026, with 3,363 transactions recorded between January and September and reported capital invested reaching £253.2B YTD, exceeding every previous full-year total since 2021. Although deal volumes declined 8.5% from the corresponding period of 2025, following the five-year high of 5,257 transactions in 2024, acquisition activity continued to be supported by strategic combinations, industry consolidation and ownership transitions. Larger transactions maintained a strong presence, with 56 disclosed acquisitions exceeding £1B during 2026 YTD, compared with 39 during the whole of 2025, as established acquirers pursued opportunities to expand market coverage, strengthen operations and secure complementary capabilities.

Alongside larger acquisitions, the SME market continued to offer opportunities through founder succession, consolidation across fragmented industries and private equity-backed buy-and-build strategies. Extended investment holding periods have increased the importance of generating additional value within existing portfolios, with complementary acquisitions providing a means to broaden customer relationships, secure specialist capabilities and improve operating scale. Established SMEs offering differentiated expertise, strong customer relationships and access to adjacent markets consequently remained attractive acquisition targets for strategic and financial buyers. With these acquirers pursuing different commercial objectives, identifying suitable counterparties and demonstrating the strategic value of individual businesses became increasingly important to achieving competitive transaction outcomes.

Sector performance continued to reveal areas of considerable acquisition opportunity across the UK market. Financial Services recorded 13.8% growth in transaction volumes, with consolidation across insurance broking, asset management, and specialised finance providing opportunities to expand



Executive Summary (II/II)

customer portfolios, broaden service offerings, and achieve greater operating scale. Information Technology remained comparatively resilient, with transaction volumes moderating just 3.9%, while increased activity in financial and network software demonstrated the growing importance of essential digital capabilities. Business Products & Services accounted for the largest share of UK M&A at 40.0%, with Construction and Engineering transactions increasing from 107 to 126 and Aerospace and Defence from 18 to 35, supported by infrastructure investment and defence-related demand for specialist capabilities. Elsewhere, selected consumer, healthcare, and materials businesses continued to attract acquisition interest through differentiated products, established customer relationships and consolidation opportunities.

Alongside these developments, acquisition valuations retained much of their recovery from the 2023 adjustment, despite financing costs remaining above earlier levels. Median EV/EBITDA among transactions with disclosed valuation data stood at 12.4× during January–September 2026, compared with 13.3× in the corresponding period of 2025. Competition between corporate and private equity-backed acquirers for established businesses continued to influence transaction pricing, while corporate portfolio reviews, secondary transactions and continuation vehicles provided additional sources of acquisition activity beyond conventional expansion-led transactions.

Looking ahead to 2027, improving economic stability, strategic consolidation, and investment across infrastructure, technology, and defence are expected to strengthen the environment for UK M&A. Established SMEs remain well positioned within these developments, offering specialist capabilities, customer relationships and operating expertise sought by larger acquirers. Together, these factors provide a constructive foundation for continued investment and a broader recovery in acquisition activity.



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UK M&A Market Landscape

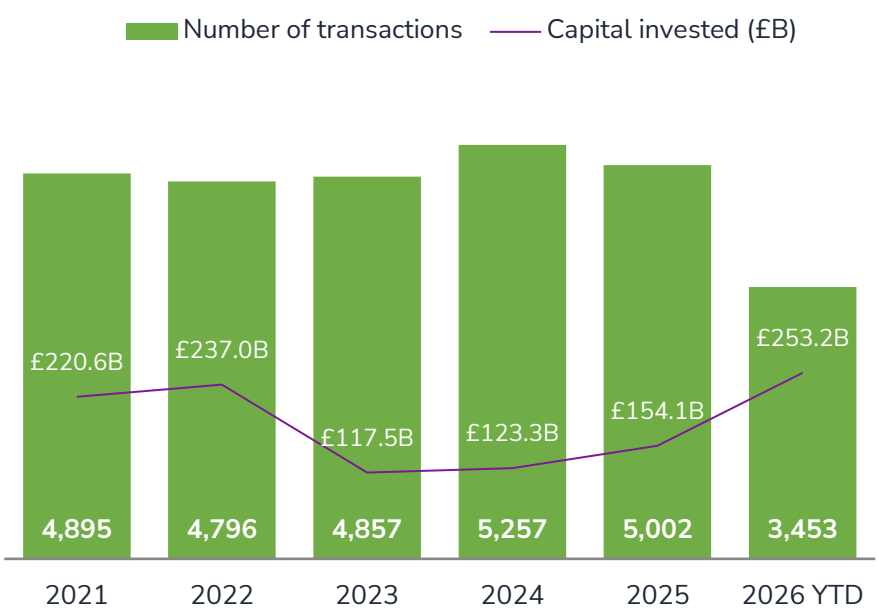
UK M&A Market Overview (I/II)

UK M&A Investment Reached New Highs as Strategic Acquisitions Continued Across the Market

UK M&A continued to attract substantial investment during 2026, with 3,363 transactions recorded between January and September and reported capital invested reaching £253.2bn YTD, exceeding every previous full-year total since 2021. Following the five-year high of 5,257 transactions in 2024, deal volumes moderated, declining 8.5% from the corresponding period of 2025. Nevertheless, corporate buyers and investors continued to pursue acquisitions where combining businesses offered opportunities to expand operations, strengthen market positions and access specialist capabilities, sustaining transaction activity despite more selective investment conditions.

Meanwhile, larger acquisitions remained an important part of this activity, with 56 disclosed transactions exceeding £1bn during 2026 YTD, compared with 39 throughout 2025. For established acquirers, purchasing businesses with existing customer relationships, developed operations and complementary capabilities offered a means of accelerating expansion while reducing the time and investment associated with building those capabilities internally. Similar strategic considerations continued to support consolidation across fragmented industries, where acquiring smaller complementary businesses provided opportunities to broaden service offerings, extend geographic coverage and improve operating scale.

UK M&A Transaction Volume and Capital Invested[1,2]



Key Figures

2024 peak annual volume
5,257

2026 YTD capital invested
£253.2B[2]

2025 capital invested growth
+25.0%

Source: PitchBook, Bank of England, ONS
1. *Capital Invested Based on Disclosed Deal Values*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*

UK M&A Market Overview (II/II)

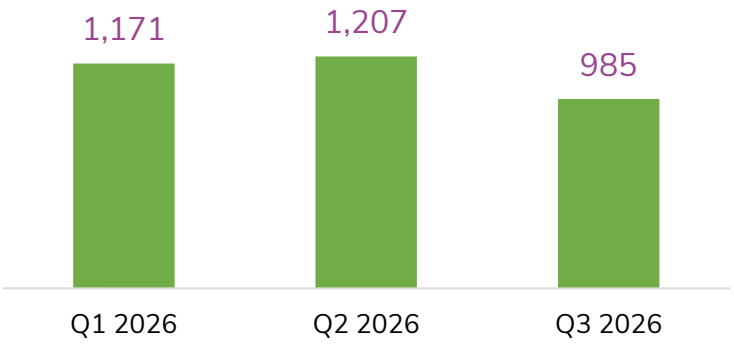
UK M&A Continued to Adapt as Financing Conditions Stabilised and Acquisition Priorities Evolved

The favourable financing conditions that supported UK M&A activity during the post-pandemic recovery in 2021 changed considerably over the following two years. Rising energy prices and broader inflation increased production, transport and employment costs during 2022, while higher interest rates made debt-funded acquisitions more expensive. As pressure on operating margins carried into 2023, buyers became more cautious about the earnings available to support purchase prices and acquisition financing, while sellers continued to adjust valuation expectations formed during the preceding low-rate environment, complicating transaction negotiations.

Conditions became more supportive during 2024 as inflation moderated, economic growth resumed and the Bank of England began reducing interest rates. Annual transaction volumes reached a five-year high of 5,257, as greater predictability in economic and financing conditions helped restore confidence in corporate investment. However, easing inflation slowed further cost increases rather than reversing the higher operating expenses accumulated since 2022. Uneven customer demand during 2025 meant that recovery in corporate earnings varied across industries, while consolidation, ownership succession and corporate portfolio adjustments continued to generate acquisition activity beyond transactions driven primarily by business expansion.

These differing conditions carried into 2026, with businesses demonstrating established revenues and greater earnings visibility generally better positioned to support acquisition valuations and financing requirements. Meanwhile, uncertainty surrounding customer demand, operating margins and future investment needs complicated transactions in more cyclical industries. Year-on-year deal volumes declined 1.0% in the first quarter, 9.0% in the second and 15.6% in the third, as acquisition activity became increasingly selective. Nevertheless, investment in essential services, specialist technology and infrastructure and defence-related capabilities continued to support acquisitions linked to longer-term industry requirements.

2026 Quarterly Transaction Trend



EH Team Perspective

Reserved for EH partner commentary on the 2026 market trends and implications for dealmakers.

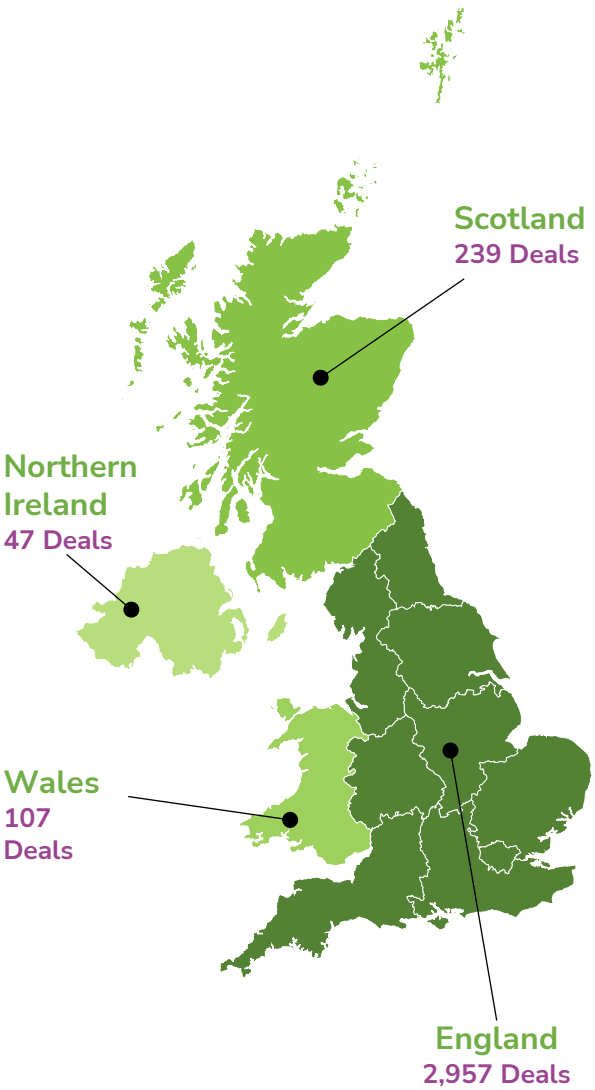
[EH Team member] | [Title]

Sources: PitchBook

UK M&A Regional Market Overview

England Led UK M&A Activity as Regional Industry Strengths Shaped Acquisitions

M&A Transactions by Region[1]





England

England remained the UK's largest M&A market, recording 2,957 transactions YTD, supported by its extensive business base across professional services, technology, consumer industries and engineering. London's concentration of corporate headquarters, investors and financial institutions continued to underpin acquisition activity.



Scotland

Scotland recorded 239 transactions and £9.4B in reported capital invested, spanning business services, construction, distribution and energy. Its offshore engineering, fabrication and marine-services capabilities continue to support acquisition interest in energy infrastructure and renewable generation.



Wales

Wales recorded 107 transactions, driven by its manufacturing, food production and specialist engineering base. Integration into wider UK aerospace, food and industrial supply chains continues to support acquisitions focused on expanding capabilities and market reach.



Northern Ireland

Northern Ireland recorded 47 transactions across agri-food, manufacturing, distribution, technology and professional services. Its links with Great Britain and the Republic of Ireland support acquisition activity through access to customers and established cross-border supply chains.

Source: PitchBook

1. *2026 year-to-date (YTD) figures are as of 8 October 2026*

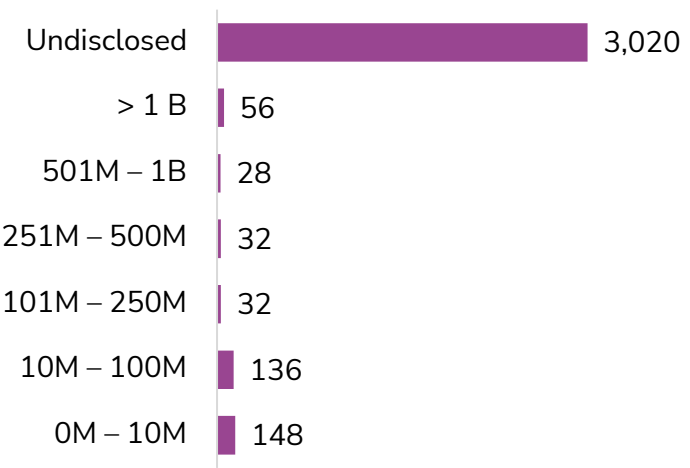
M&A Activity by Deal Size

Large Acquisitions Maintained Momentum Alongside Continued SME Consolidation Opportunities

Larger acquisitions maintained a strong presence in UK M&A activity during 2026, with 56 transactions exceeding £1B YTD, compared with 39 during the whole of 2025. Activity in the £251M-£500M and £501M-£1B categories reached 32 and 28 transactions respectively, broadly matching their previous full-year totals. Continued investment in larger businesses was supported by their established market positions, diversified customer bases and greater operating scale, providing stronger capacity to navigate fluctuations in demand, costs and wider economic conditions. Larger acquisitions also offered opportunities to combine complementary operations, expand market coverage and distribute operating costs across a broader revenue base, while financing conditions remained comparatively supportive for established businesses, with banks and other credit providers continuing to compete for sizeable borrowers and acquisition funding remaining available despite cautious credit demand, driving demand for larger companies.

Alongside larger transactions, consolidation across fragmented service and industrial markets continued to underpin SME acquisition activity, with 148 disclosed deals valued below £10m and a further 136 between £10m and £100m YTD. Accumulated employment, technology and administrative costs increased the importance of operating scale, strengthening the rationale for combining smaller businesses within established groups. Additionally, private equity-backed platforms pursued complementary acquisitions to expand their existing operations and increase portfolio earnings, while founder succession brought established independent businesses into the market. Competition between strategic and financial acquirers provided opportunities for SME owners to engage with buyers pursuing different commercial objectives. In this environment, transaction outcomes depended on more than headline valuations, with the balance of upfront consideration, deferred payments, retained equity and certainty of completion becoming important in assessing competing proposals.

Disclosed UK M&A Transactions by Deal Size, 2026 YTD[1]



EH Team Perspective

Reserved for EH partner commentary on the 2026 market trends and implications for dealmakers.

[EH Team member] | [Title]

Source: PitchBook

1. 2026 year-to-date (YTD) figures are as of 8 October 2026

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Sectoral M&A Landscape



BUSINESS PRODUCTS & SERVICES

Infrastructure Investment and Industry Consolidation Sustained Activity Across the UK's Largest M&A Sector

1,347 [1]	-8.7% [1]	40.0% [1]
Transactions	**Year-on-year Change**	**Transactions**

Business Products & Services remained the UK's largest M&A sector during January - September 2026, recording 1,347 transactions and accounting for 40.0% of total market activity, despite an 8.7% decline from the corresponding period of 2025. While weaker industrial orders and cautious corporate expenditure reduced activity in parts of the sector, investment in electricity networks, water infrastructure and defence programmes continued to generate demand for established engineering and technical capabilities. Contractors serving these programmes were operating against longer-term infrastructure requirements, where the availability of qualified personnel, specialist equipment and proven delivery capacity could determine participation in upcoming projects. With these capabilities requiring considerable time to develop internally, acquisitions remained relevant to expanding delivery capacity.

Beyond industrial markets, the pressures limiting organic growth also influenced the ownership structure of professional and outsourced services. Smaller independent practices faced rising technology, compliance and administrative expenditure that had to be funded from existing fee income, increasing the financial demands of remaining independent as revenue growth moderated. At the same time, founder succession continued to bring established customer portfolios into the market, supporting consolidation among larger service groups already operating centralised administrative and technology functions.

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> Reserved for EH partner commentary on the 2026 market trends and implications for dealmakers.
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> [EH Team member] | [Title]

Source: PitchBook

1. *Q1 2026 – Q3 2026*

Engineering, Defence, and Environmental Services Emerged as M&A Growth Areas

Construction, Engineering & Defence[1]

Construction and Engineering transactions increased from 107 to 126 during January–September 2026, while Aerospace and Defence rose from 18 to 35. The 2025 - 2030 water investment programme and 2026–2031 energy network investment framework supported demand for specialist engineering and maintenance services, strengthening acquisition interest. Meanwhile, the UK's 2025 Defence Industrial Strategy encouraged domestic manufacturing and supply-chain development, supporting acquisitions aimed at expanding production capacity and specialist component manufacturing capabilities.

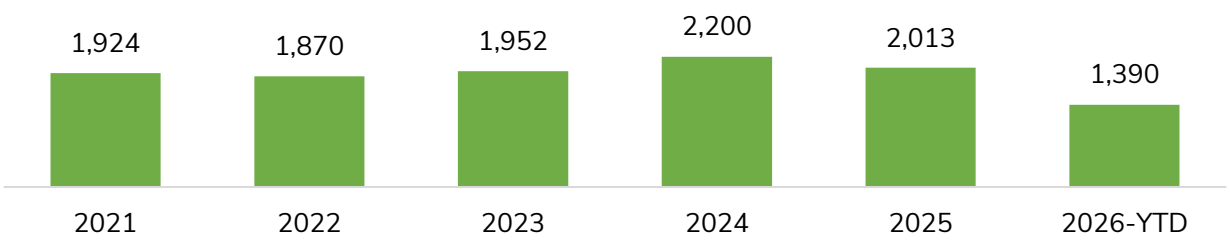
Commercial Services, Distribution & Logistics[1]

Distributors/Wholesale transactions declined from 135 to 101, while Logistics declined from 48 to 35, as weak discretionary corporate expenditure affected commercial-service project pipelines, while distributors faced uneven industrial orders, slower inventory turnover, and greater working-capital requirements. Logistics operators encountered elevated transport costs and supply-chain disruption, complicating agreement on transaction valuations and contributing to lower acquisition activity across the three subsectors.

Professional & Specialist Services[1]

Accounting, Audit and Tax Services recorded 84 transactions against 92 a year earlier; Consulting Services declined from 130 to 124, and Legal Services from 65 to 61. Private equity-backed accountancy consolidation continued, supported by opportunities to expand customer portfolios, broaden services and invest in technology, although integration requirements and valuation expectations moderated transaction activity. Meanwhile, Environmental Services increased from 46 to 52 deals, with England's Simpler Recycling requirements supporting demand for compliant waste collection and encouraging acquisitions.

Sector Deal Volume[2]



Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*



CONSUMER PRODUCTS & SERVICES

Consumer M&A Supported by Established Operations and Service-Sector Consolidation

825[1]	-13.5%[1]	24.5%[1]
Transactions	**Year-on-year Change**	**Share Of UK Activity**

Consumer Products & Services remained the UK's second-largest M&A sector during January–September 2026, recording 825 transactions and accounting for 24.5% of total market activity. Although transaction volumes declined 13.5% from the corresponding period of 2025, improving retail sales during parts of the year provided some support to consumer-facing businesses. However, the relationship between recovering sales and corporate profitability had changed following several years of rising employment, occupancy and energy costs. For businesses operating extensive physical premises, additional customer spending did not necessarily translate into a corresponding improvement in cash generation, particularly where property commitments, staffing requirements and ongoing refurbishment expenditure remained substantial.

Beyond these more consumer-dependent businesses, the sector continued to benefit from acquisition demand associated with established service revenues and industry consolidation. Real Estate Services recorded increased activity as the changing regulatory requirements of the rental market added to the operational demands of property management, while fragmented ownership continued to provide an acquisition opportunity. These transactions were driven by different commercial considerations than acquisitions involving hotels, restaurants, and physical consumer operations, where trading volumes and premises-related investment remained more significant. The continued presence of both consolidation-led and consumer-dependent transactions supported a substantial level of M&A activity,

> **EH Team Perspective**
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> [EH Team member] | [Title]

Source: PitchBook

1. *Q1 2026 – Q3 2026*

Property Services Consolidation Led Consumer M&A Growth Areas

Real Estate Services[1]

Real Estate Services transactions increased from 95 to 115 during January-September 2026. England's Renters' Rights reforms, which took effect in May 2026, introduced changes to tenancy administration, rent increases and possession procedures, adding to the operational responsibilities of letting agents and property managers; this strengthened the rationale for consolidation within fragmented agency markets.

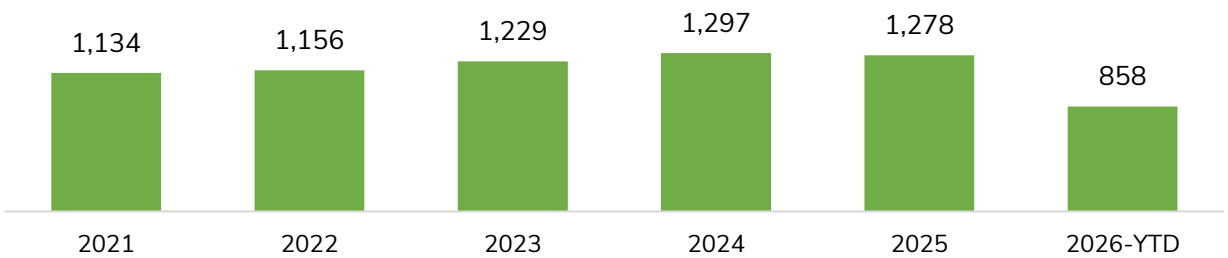
Hospitality & Restaurants[1]

Hospitality remained an active area of UK M&A, with 48 Hotels and Resorts transactions and 69 Restaurants and Bars transactions during January–September 2026, compared with 82 and 83, respectively, a year earlier. Established hotel portfolios and restaurant operations continued to provide a basis for consolidation; however, rising employment, energy, and occupancy costs had increased the revenue required to maintain profitability, while hotel refurbishment and property-related commitments added to the investment associated with acquisitions.

Food Products & Automotive[1]

Acquisition activity also continued across Food Products and Automotive, with 41 and 56 transactions respectively during January–September 2026, compared with 54 and 67 a year earlier. Food manufacturing continued to benefit from relatively stable underlying demand for essential products, maintaining the momentum of consolidation across production and distribution networks. However, higher ingredient, packaging and energy costs, alongside pricing arrangements with retailers, continued to influence the market. Automotive followed a different trajectory, as healthy new-car registrations supported underlying market activity while the transition towards electric vehicles increased investment requirements.

Sector Deal Volume[2]



Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*



INFORMATION TECHNOLOGY

Cloud Investment, Digital Transformation, and AI Adoption Sustained Technology M&A Activity

464[1]	-3.9%[1]	13.8%[1]
Transactions	**Year-on-year Change**	**Share Of UK Activity**

Information Technology remained an active segment of UK M&A during January-September 2026, recording 464 transactions and accounting for 13.8% of total market activity. Continued investment in cloud infrastructure, enterprise digitalisation and the modernisation of legacy systems maintained demand for technology businesses supporting critical corporate operations. As organisations migrated applications and data to cloud-based environments, the growing complexity of interconnected systems increased requirements for systems integration, cybersecurity and ongoing infrastructure management, continuing to support acquisition interest in established technology providers.

Alongside ongoing digital transformation, the increasing adoption of artificial intelligence introduced a further dimension to corporate technology investment. Moving AI applications beyond initial experimentation required businesses to address existing data infrastructure, integrate new capabilities into established systems and adapt operational workflows. At the same time, the integration of AI functionality into established technology platforms began changing competitive conditions for standalone applications, placing greater importance on proprietary functionality.

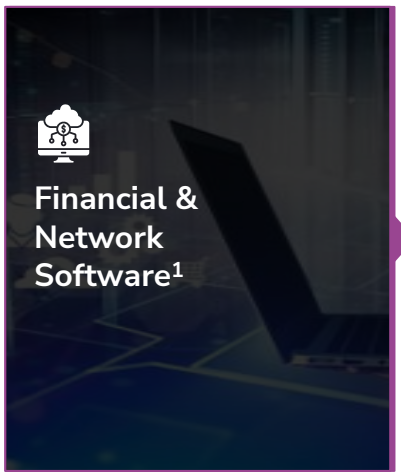
The recurring-revenue characteristics of established software businesses remained an important source of acquisition interest, particularly where subscription contracts, long-standing customer relationships and integration into daily operations provided greater visibility over future earnings. As enterprise technology environments became increasingly interconnected, replacing embedded applications often involved substantial migration, implementation and operational disruption, supporting customer retention and the continuity of existing revenues.

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Source: PitchBook

1. *Q1 2026 – Q3 2026*

Financial and Network Software Attracted Growing M&A Interest in Digital Systems

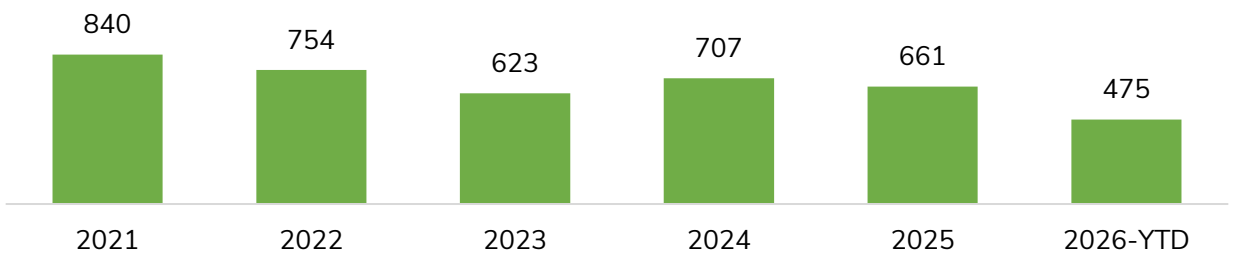


Financial Software transactions increased from 31 to 48 during January - September 2026, while Network Management Software rose from five to 12. Continued development of digital payments, financial reporting, and regulatory compliance supported demand for specialised software integrated into critical financial operations, while growing reliance on cloud infrastructure and increasing cybersecurity requirements supported demand for network monitoring and management technologies, strengthening acquisition interest in both spaces.



Business/Productivity Software remained the largest IT subsector, although transactions declined from 181 to 161, while IT Consulting and Outsourcing fell from 125 to 115. The integration of AI-enabled functionality into established enterprise platforms intensified competition for standalone applications, increasing pressure on software businesses to demonstrate product differentiation and sustainable subscription revenues. IT service providers faced a different challenge, as corporate customers increasingly prioritised projects delivering measurable efficiency improvements, while AI-enabled automation raised questions about traditional labour-intensive delivery models, contributing to more selective acquisition activity across both subsectors.

Sector Deal Volume[2]



Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*



FINANCIAL SERVICES

Financial Services M&A Expanded Through Insurance, Wealth and Specialist Finance Consolidation

339 [1]	+13.8% [1]	10.1% [1]
Transactions	**Year-on-year Change**	**Share Of UK Activity**

Financial Services M&A gained momentum during January-September 2026, with transactions increasing 13.8% from 298 to 339. Consolidation across insurance broking, asset management and specialised finance continued as strategic and private equity-backed acquirers expanded established customer portfolios, distribution networks and specialist capabilities. Meanwhile, rising technology, compliance and administrative costs increased the financial demands of operating independently, particularly among smaller intermediaries, while ownership succession brought further businesses into the acquisition market.

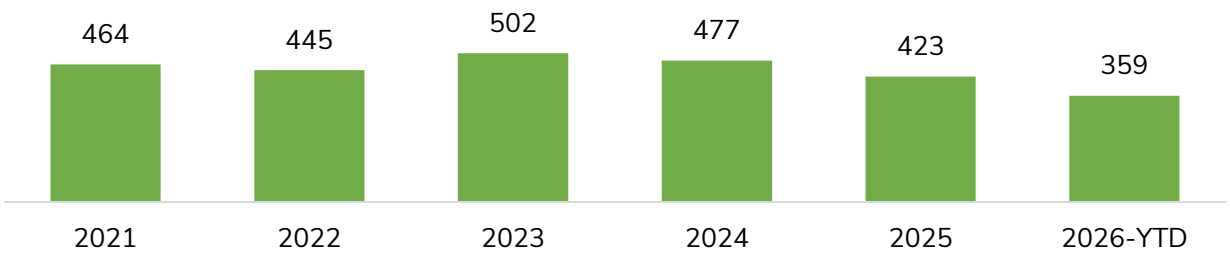
Insurance Brokers

Insurance Brokers transactions increased from 48 to 58, as consolidators acquired regional and specialist intermediaries to expand commercial insurance portfolios, insurer relationships and expertise in complex risks. However, softer insurance premium conditions increased the importance of acquiring businesses with established customer retention and specialist market positions, and therefore acquisition interest remained selective.

Asset Management & Specialised Finance

Asset Management transactions rose from 46 to 53, as adviser succession and rising technology, compliance and servicing costs encouraged smaller firms to join larger platforms. Meanwhile, Specialised Finance transactions doubled from eight to 16, as buyers sought specialist lending products, broker networks and underwriting capabilities.

Sector Deal Volume[2]



Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*



HEALTHCARE

Healthcare M&A Spanned Care Ownership Changes and Specialist Clinical Investment

256 [1]	-13.8% [1]	7.6% [1]
Transactions	**Year-on-year Change**	**Share Of UK Activity**

Healthcare remained an active segment of UK M&A during January–September 2026, recording 256 transactions and accounting for 7.6% of total market activity, despite a 13.8% decline from 297 a year earlier. The slowdown was concentrated in care-related services and followed a period of substantial healthcare investment during 2025, when large international investors acquired major UK care-home portfolios, significantly changing the ownership landscape and influencing the opportunities for further consolidation during 2026.

Beyond residential care, acquisition activity continued across clinical services and pharmaceutical businesses, where investment considerations differed from those associated with large care-home portfolios. Healthcare providers faced changing NHS commissioning arrangements and continued demand for specialist treatment, while private healthcare and corporate-funded services offered different revenue characteristics from activities dependent primarily on public funding, influencing the economics of expanding healthcare operations, maintaining several sources of acquisition activity across the sector, even as large-scale care consolidation became more demanding.

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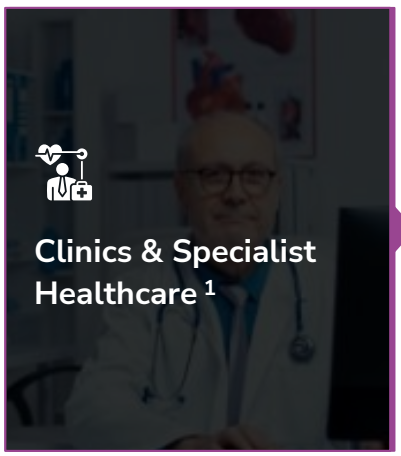
Source: PitchBook

1. *Q1 2026 – Q3 2026*

Clinical and Pharmaceutical Acquisitions Held Steady as Care Portfolios Adjusted

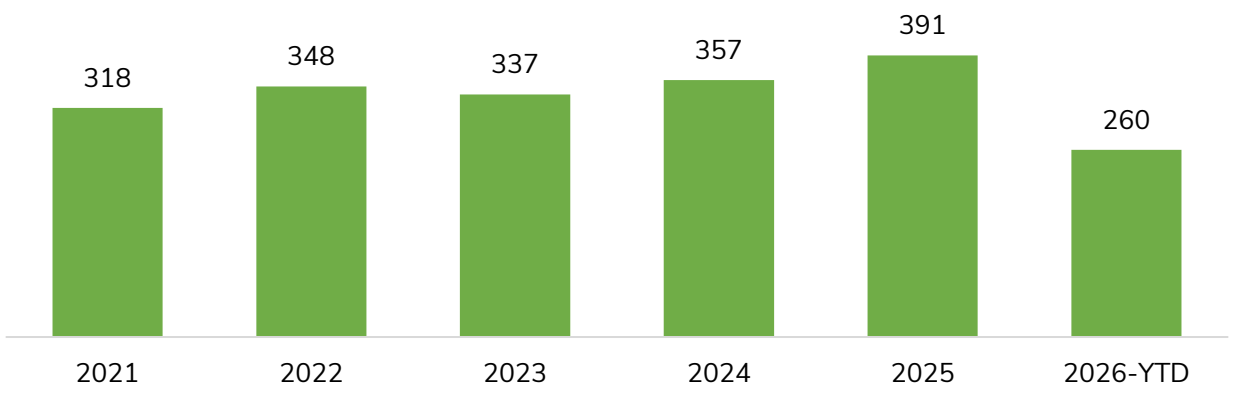


Elder and Disabled Care transactions declined from 113 to 85 during January–September 2026, as major UK care-home portfolio acquisitions during 2025 reshaped the ownership landscape. The April 2026 National Living Wage increase to £12.7 added to staffing costs, while local-authority commissioning fees remained under pressure to cover the full cost of care delivery. Persistent workforce shortages, particularly in homecare, further increased reliance on overtime and temporary staffing, driving cautious acquisition activity.



Acquisition activity across Clinics and Outpatient Services, Hospitals and Inpatient Services, and Pharmaceuticals remained stable at a combined 69 transactions during January–September 2026, unchanged from the corresponding period of 2025. Continued demand for specialist treatments and established clinical capacity supported acquisition activity, with hospitals attracting interest through existing facilities, medical teams and inpatient capabilities, while pharmaceutical businesses offered access to product portfolios, intellectual property and regulated development or manufacturing expertise, sustaining activity across clinical and pharmaceutical services.

Sector Deal Volume[2]



Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*



ENERGY

Energy Transition and Infrastructure Investment Sustained UK M&A Activity

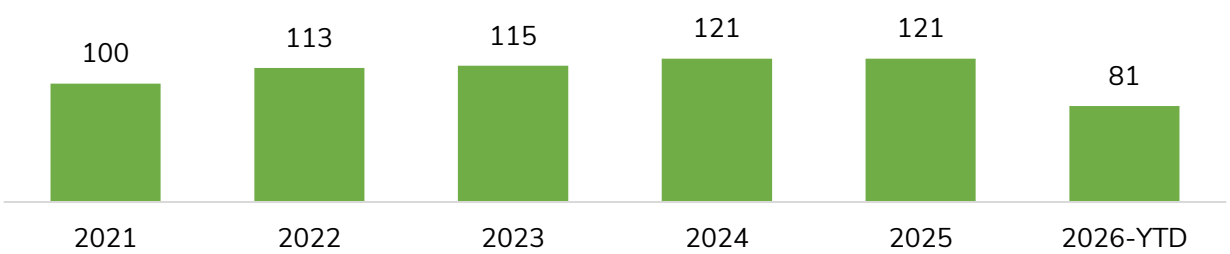
79 [1]	-9.2% [1]	2.3% [1]
Transactions	**Year-on-year Change**	**Share Of UK Activity**

Energy remained an active segment of UK M&A during January–September 2026, recording 79 transactions and accounting for 2.3% of total market activity. Continued investment in renewable generation, supported by the UK's Clean Power 2030 programme and longer-term energy transition commitments, maintained opportunities for acquisitions across the sector. As investment in new generation capacity progressed, established energy assets and development portfolios continued to attract acquisition interest, with investors and operators seeking to expand their presence in renewable energy markets and participate in the UK's evolving energy infrastructure.

Energy Infrastructure

Energy Infrastructure transactions increased from five to 13, supported by planned investment in electricity networks and energy-system upgrades. Alongside electricity connection reforms, the need for grid development and specialist network capabilities, investors are looking to secure operating assets, established technical expertise and access to network-related projects, supporting increased activity in the subsector.

Sector Deal Volume[2]



Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*



MATERIALS & RESOURCES

Manufacturing Investment and Product Differentiation Shaped Materials M&A

57 [1]	-28.8% [1]	1.7% [1]
Transactions	**Year-on-year Change**	**Share Of UK Activity**

Materials & Resources recorded 57 transactions during January–September 2026, accounting for 1.7% of UK M&A activity, compared with 80 transactions a year earlier. The 28.8% decline occurred as weaker orders from construction and industrial customers reduced production volumes across parts of the sector, while energy, employment and maintenance costs remained embedded in manufacturing operations. For capital-intensive producers, lower capacity utilisation increased the cost of production per unit, while continuing requirements for equipment renewal and energy efficiency placed additional demands on investment. Acquiring further manufacturing capacity therefore became more difficult as recovery in industrial orders remained uncertain.

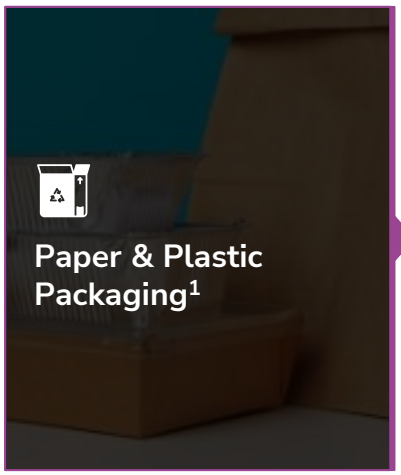
The commercial considerations surrounding specialised materials differed from those associated with conventional production capacity. Established manufacturing processes, customer-specific formulations and technical production capabilities continued to hold strategic relevance, particularly where developing equivalent products internally required substantial investment, testing and customer qualification. Acquisition activity consequently remained present in selected packaging and Speciality chemicals markets, where the value of established product capabilities extended beyond additional manufacturing capacity.

> **“ EH Team Perspective**
>
> Reserved for EH partner commentary on the 2026 market trends and implications for dealmakers.
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> [EH Team member] | [Title]

Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*

Packaging Innovation and Speciality Chemicals Attracted Acquisition Interest



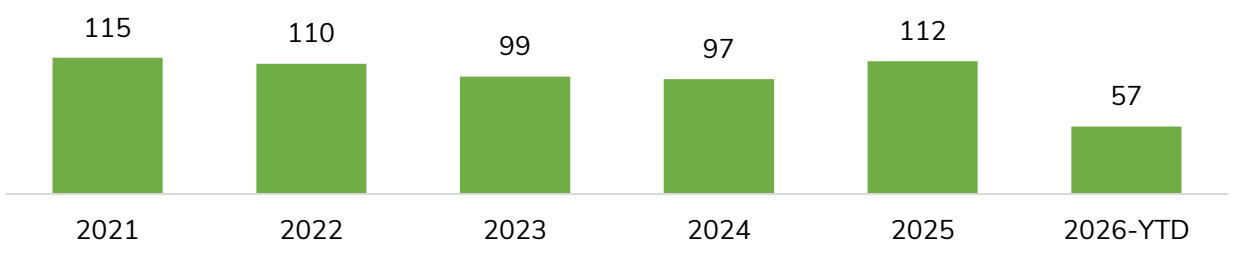
Paper and Plastic Containers & Packaging recorded a combined 17 transactions during January–September 2026, compared with 20 in the corresponding period of 2025. Evolving packaging regulations and growing requirements for recyclability, product protection and material efficiency have increased the importance of specialised manufacturing processes, particularly in flexible films, high-barrier food packaging and heat-seal technologies.

Developing these products involves technical testing, production expertise and customer qualification, making established specialist manufacturers relevant to consolidation as packaging businesses expand their product capabilities and respond to changing customer requirements.



Speciality Chemicals transactions increased from five to eight, supported by acquisition interest in proprietary formulations, specialised industrial applications and established technical expertise. Unlike conventional materials production, where expansion often requires substantial additional manufacturing capacity, specialist formulations can provide access to customer-specific applications and higher-value products that require time and technical investment to develop internally, maintaining rationale for acquisitions involving differentiated chemical capabilities.

Sector Deal Volume[2]



Source: PitchBook

1. *Q1 2026 – Q3 2026*
2. *2026 year-to-date (YTD) figures are as of 8 October 2026*

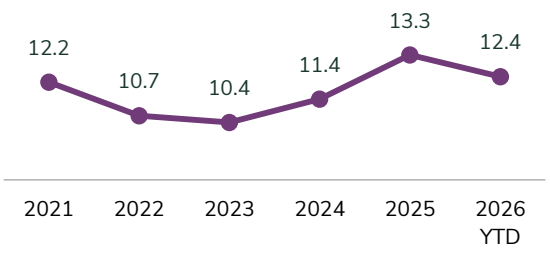
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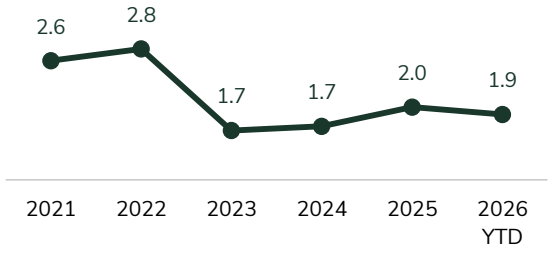
M&A Valuation Dynamics

UK M&A Valuations Recovered as Financing Conditions Stabilised (I/II)

Median EV / EBITDA[1]



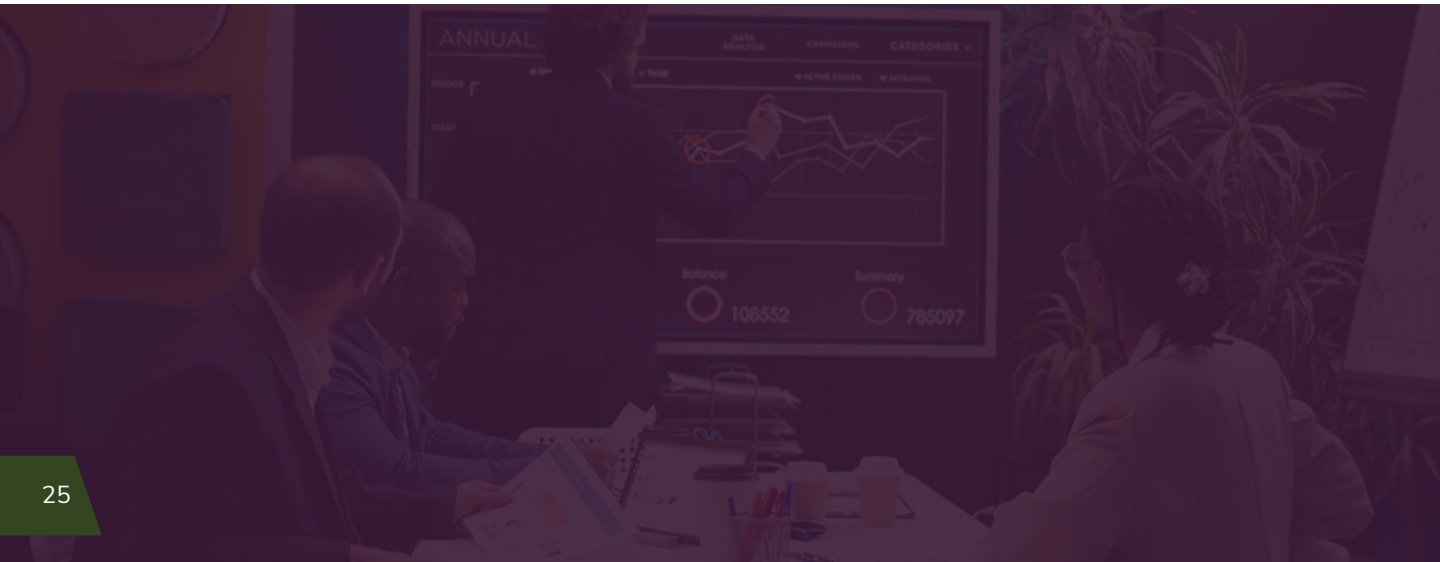
Median EV / Revenue[1]



UK M&A valuations began recovering in 2024 following a two-year adjustment in acquisition financing and corporate profitability. During 2022 - 2023, rising interest rates increased the cash flows required to service acquisition debt, while higher energy, employment and input costs reduced the earnings available to support purchase prices. Valuations established during the earlier low-rate environment became increasingly difficult to sustain where sellers continued to anticipate a recovery in profitability that had yet to materialise. Against this backdrop, median EV/EBITDA declined from 12.2× in 2021 to 10.4× in 2023, while EV/Revenue fell from its 2022 peak of 2.8× to 1.7× in 2023.

As inflation moderated and borrowing conditions became more predictable, acquisition valuations recovered despite financing costs remaining above the levels prevailing before 2022. Median EV/EBITDA increased to 11.4× in 2024 and 13.3× in 2025, while EV/Revenue recovered to 1.7× and 2.0× respectively. During January-September 2026, median EV/EBITDA remained at 12.4×, while EV/Revenue was at 1.9×, remaining above their 2023 levels, preserving much of the recovery achieved despite borrowing costs and accumulated operating expenses remaining elevated. The sustained improvement in disclosed acquisition valuations, without a return to earlier financing conditions, also coincided with differing valuation outcomes across industries, where earnings characteristics and capital investment requirements continued to influence transaction pricing.

Source: PitchBook
2026 year-to-date (YTD) figures are as of 8 October 2026

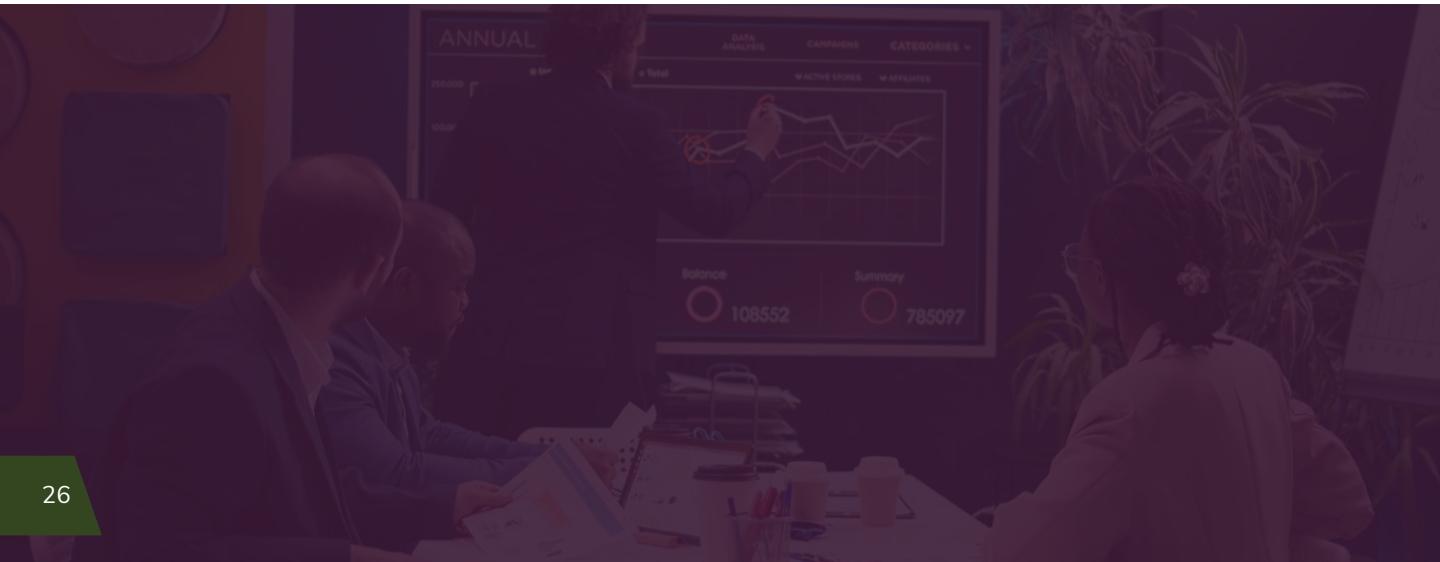


UK M&A Valuations Recovered as Financing Conditions Stabilised (II/II)

UK acquisition valuations varied across industries during January–September 2026, with Financial Services recording the highest disclosed median EV/EBITDA at 15.3×, followed by Healthcare at 13.2×, Business Products & Services at 13.0× and Consumer Products & Services at 12.8×. Fee-based financial businesses benefit from established customer portfolios and relatively limited physical-asset requirements, while healthcare valuations involve a different balance between recurring demand, clinical capacity, staffing expenditure and funding arrangements. B2B encompasses both contract-led services and capital-intensive engineering businesses, while consumer operations vary according to property commitments, operating margins and investment requirements.

Information Technology recorded a median EV/EBITDA of 11.2×, with valuations influenced by subscription revenues, customer retention and technological differentiation. Materials & Resources and energy recorded 10.6× and 9.8×, respectively, with asset-intensive activities involving equipment replacement, maintenance expenditure and project-development requirements that influence cash generation beyond reported EBITDA. These financial characteristics provide different foundations for acquisition pricing, although the limited disclosed samples restrict broader comparisons between sector medians.

Competition between corporate and private equity acquirers added another dimension to UK acquisition pricing in 2026, with private equity and corporate acquirers pursuing overlapping opportunities. PE-classified transactions recorded a median EV/EBITDA of 15.3×, compared with 12.1× for corporate acquisitions, demonstrating relatively elevated valuations within the disclosed private equity transaction sample. PE-backed platforms also competed with strategic buyers for SME acquisitions, particularly established regional operators and specialist businesses offering opportunities to expand customer portfolios, strengthen market positions and introduce complementary capabilities, providing a supportive environment for well-positioned SMEs with established earnings and clear strategic relevance, as both buyer groups sought opportunities to strengthen their existing operations through acquisitions.



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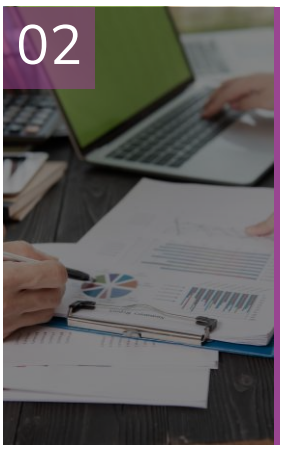
Key Factors Influencing UK M&A

Key Factors Influencing UK M&A in 2026 (I/II)



Private Equity Exit Pressure and Alternative Liquidity

Private equity sponsors are facing growing pressure to realise investments as elevated financing costs, uneven earnings performance and differences in valuation expectations have made exits at targeted returns more difficult. Longer holding periods are delaying distributions to investors and increasing the importance of generating additional value within existing portfolio companies. Against this backdrop, PE-backed platforms are pursuing acquisitions of smaller businesses to accelerate earnings growth, expand geographical coverage and strengthen specialist capabilities ahead of eventual exits. Buy-and-build strategies are consequently sustaining acquisition demand across fragmented SME markets.



Corporate Portfolio Restructuring and Carve-outs

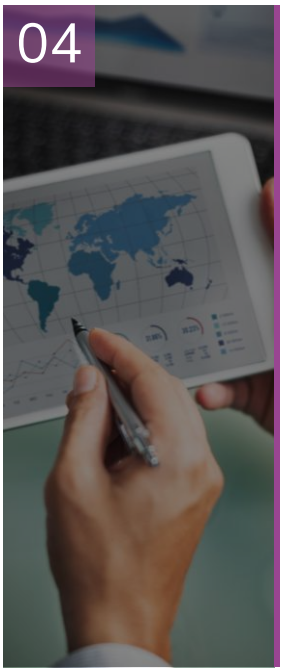
Corporate acquirers are increasingly directing capital towards businesses that strengthen their core operations and provide capabilities required for future growth. Subdued organic growth and changing customer requirements are reinforcing acquisitions as a means of accessing specialist technologies, technical expertise, established customer relationships and distribution networks without developing these capabilities internally. Alongside acquisitions, larger groups are divesting non-core divisions to release capital and concentrate investment on strategically important activities, generating transaction opportunities for established SMEs.



Founder Succession and Changes in Exit Taxation

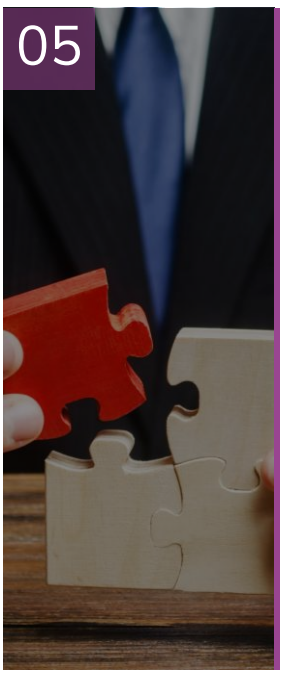
Founder succession remains an important driver of SME M&A as established business owners assess ownership transitions, management continuity and the future development of their companies. Recent UK tax reforms have also changed the financial considerations surrounding business disposals, with the Business Asset Disposal Relief rate increasing from 14% to 18% in April 2026 and the capital gains tax exemption on qualifying Employee Ownership Trust disposals reducing from 100% to 50% in November 2025, altering the comparison between third-party sales, management buyouts and employee ownership structures, increasing the importance of coordinated M&A, legal, and tax advice in evaluating exit alternatives, transaction structures and the proceeds ultimately available to shareholders.

Key Factors Influencing UK M&A in 2026 (II/II)



Overseas Acquirers and Public-to-Private Transactions

International acquirers are pursuing UK businesses to secure established market positions, specialist capabilities and access to domestic customer relationships. Valuation differences between UK-listed companies and international markets have contributed to overseas interest in public-to-private transactions, while strategic expansion requirements are also directing attention towards privately owned businesses. Acquiring established UK operators provides overseas groups with local market knowledge, operational infrastructure and recognised industry relationships, supporting expansion without the lengthy process of building equivalent capabilities organically. International acquisition activity is therefore broadening the buyer universe for UK SMEs, particularly specialist businesses with differentiated products, technical expertise and established positions in attractive market segments.



Financial Distress and Restructuring-Led Acquisitions

Persistent financing and operating-cost pressures are driving restructuring activity among financially constrained UK businesses, creating selective acquisition opportunities for well-capitalised strategic and financial buyers. Higher debt-servicing requirements, working capital shortages, and reduced operating margins are placing pressure on businesses whose existing capital structures no longer support their operations. Restructuring processes are bringing viable operations, established customer portfolios and productive assets into the acquisition market through business disposals, divisional sales and asset transfers. Acquirers with stronger financial resources are using these transactions to expand existing operations or acquire specialist capabilities, while new ownership and investment are supporting the continuation of commercially viable businesses.

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M&A Outlook

UK M&A Outlook (I/III)

UK M&A enters the final quarter of 2026 with strategic and financial acquirers pursuing opportunities to strengthen existing operations, expand market presence and secure established business capabilities. Acquisition financing remains accessible to established borrowers, supporting transactions underpinned by sustainable earnings and clear strategic priorities. Alongside corporate expansion, private equity-backed consolidation and changing ownership requirements are maintaining a diverse pipeline of acquisition opportunities across the UK market. These sources of demand provide a foundation for transaction activity heading into 2027, with improving economic stability expected to strengthen the environment for corporate investment and acquisition decisions.

Looking ahead to 2027, the UK economy is forecast to expand by 1.2%, following projected growth of 1.3% in 2026, while annual CPI inflation is expected to moderate from 3.3% to 2.8%. Continued economic expansion, combined with easing inflation, should provide greater predictability in household expenditure and business operating costs, creating more favourable conditions for consumer spending and corporate investment. While energy prices and borrowing costs remain important considerations, greater stability in the economic environment would allow businesses to plan investment with more confidence and strengthen earnings through improving sales volumes and operating efficiency. More dependable corporate earnings would, in turn, support acquisition valuations and financing decisions, allowing existing acquisition demand to translate into a broader recovery in UK M&A activity.

Improving economic stability and the prospect of stronger consumer spending are expected to create a more favourable environment for acquisitions across consumer-facing and commercial service industries during 2027. Alongside improving trading conditions, larger businesses are pursuing consolidation to expand regional coverage, strengthen customer relationships and improve operating efficiency.

Sources: PitchBook, IMF, October 2026 WEO



UK M&A Outlook (II/III)

Acquiring established operators provides access to existing locations, customer portfolios and operational infrastructure, while integrating complementary businesses allows groups to spread administrative, property and other fixed costs across a broader revenue base. These commercial advantages are reinforcing acquisition demand in fragmented markets, particularly for established regional businesses offering profitable operations and opportunities for integration within larger platforms.

Alongside consolidation, committed infrastructure investment is generating a substantial pipeline of opportunities across specialist industrial markets. The £104bn water-sector investment programme for 2025–2030 and planned electricity-network upgrades are directing expenditure towards engineering, technical equipment and infrastructure delivery. As these programmes progress, requirements for qualified engineers, specialist manufacturing capabilities and established supply-chain relationships are strengthening. With technical certifications, skilled personnel and production capacity requiring considerable time and investment to develop, acquisitions offer contractors and equipment suppliers a route to expand delivery capabilities and secure the expertise needed to participate in long-term infrastructure programmes.

Together, service-sector consolidation and infrastructure-led expansion are creating complementary sources of demand for UK SME acquisitions. Established regional operators are attracting interest from larger groups seeking to expand their customer base and improve operating scale, while specialist engineering and technical businesses provide access to capabilities required for funded investment programmes. These different acquisition priorities are broadening opportunities across the SME market, supporting continued transaction activity beyond businesses dependent solely on a recovery in domestic consumer spending.

Sources: PitchBook, IMF, October 2026 WEO



UK M&A Outlook (III/III)

The transition from experimental AI adoption towards integration within established business operations is creating new acquisition opportunities across the technology sector. As enterprises incorporate AI into customer-facing applications, internal processes and data management, established technology groups are seeking specialised software, proprietary datasets and technical expertise to accelerate product development and expand their existing offerings. Acquiring businesses with developed applications and established customer relationships provides a faster route to these capabilities than building equivalent solutions internally. At the same time, growing reliance on interconnected digital systems is strengthening demand for cybersecurity, monitoring and managed security capabilities, while AI-driven changes to software functionality are increasing the strategic importance of differentiated products and established customer relationships.

Alongside technological transformation, the UK's defence investment programme is generating opportunities across advanced manufacturing, engineering and specialist industrial supply chains. The Defence Investment Plan provides for approximately £298bn of expenditure over four years to 2029 – 2030. Expanding investment priorities in autonomous systems, advanced equipment and domestic supply-chain capacity are increasing demand for specialist engineering expertise, qualified manufacturing facilities and established supplier relationships.

Taken together, improving economic stability, industry consolidation and long-term investment across infrastructure, technology and defence provide a constructive outlook for UK M&A in 2027. Established SMEs offering specialist expertise, proven operating capabilities and strong customer relationships are well positioned to attract interest from strategic, private equity-backed and international acquirers. The diversity of buyer objectives creates opportunities for business owners, but also places greater importance on identifying credible counterparties, maintaining competition throughout the sale process and negotiating terms that balance valuation with execution certainty. Experienced M&A advisers play an important role in navigating these considerations and converting acquisition interest into successful transactions.

> **“ EH Team Perspective**
>
> Reserved for EH partner commentary on the 2026 market trends and implications for dealmakers.
>
> [EH Team member] | [Title]

Sources: UK Cyber Security and Resilience Bill, Defence Investment Plan, June 2026

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About Entrepreneurs Hub

Entrepreneurs Hub is a trusted M&A advisory firm with a focus on UK SME businesses. We are a highly experienced team who have been where you are - entrepreneurs, business owners, and board-level directors, we have bought companies, sold companies and advised hundreds of clients to do the same.

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