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M&A and PE Market Trends Report

2026



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Executive summary

Indicators point to UK private equity deal-making uptick

There are early indications that 2026 will be a strong year for UK private equity transactions after a stop-start previous 12 months.

While some major private equity transactions completed – such as deals for Hargreaves Lansdown and Grant Thornton – the overall picture in 2025 was one of fewer deals being done.

Buyers were very selective in committing funds, focusing on high-quality assets in industries promising opportunities for good growth, consolidation, and scalability, as well as where business models were seen as ripe for streamlining – including through use of technology. In that context, businesses active in the technology sector, as well as those involved in healthcare, professional services, and energy transition, continued to be popular targets.

Otherwise, there was a preponderance of caution in the market, reflecting underlying geopolitical and economic uncertainty. We saw a tendency for investors to deploy capital in assets and sectors they were already familiar with, whether via existing portfolio companies or new platform deals in sectors where they have previously generated strong returns, where sellers were able to present a very compelling offering.

Often those deals were more likely to be bolt-on acquisitions, integrated into existing PE-owned companies, rather than larger platform deals – though we did see these also – that can form the foundation for broader strategies focused on realising value from a series of acquisitions, either through achieving operational improvements or via plain arbitrage, or both.

That said, there are still opportunities for investors that are willing to start small, by identifying the right management team or company to serve as a smaller platform. Those targets can often be acquired at a lower price and provide the anchor for a proactive bolt-on programme that can deliver the sort of scale that will allow investors to achieve the desired exit multiples. Investors that are willing to be hands-on and that are confident with their ability to harness and drive value creation are realising the benefits of this investment strategy down the line.

Another trend we are seeing in the deals we advise on is an increase in the average lifespan of investee companies. Over the past couple of decades, it has typically been the case that general partners (GPs) would look to achieve an exit within three to five years. Now, we are seeing a growing number of investors holding onto assets beyond this previously typical period, with six and seven years becoming increasingly common.

There are some good reasons for this. GPs have found it hard to achieve or demonstrate the value growth expected from their intended investment case within typical timeframes, and this has coincided with would-be buyers tending to be more selective for what they perceive as quality assets. This, coupled with mismatches between some buyer and seller valuations and a lack of appetite among some private companies in the UK to achieve an exit through an initial public offering (IPO), means investors have chosen to hold onto assets longer – with a view to achieving what they consider the right overall return over longer 'hold' periods.

This approach can, though, clash with the need of limited partners (LPs) to access cash from their investments. This has put pressure on GPs to find ways to deliver returns at times when they feel they cannot realise full value via a conventional third party sale or IPO.

One way that GPs have chosen to address this conundrum is through the use of continuation vehicles, where instead of being sold at the end of an investment period, an asset is moved from one fund to another within the same private equity house. This option lets GPs achieve an exit for – and deliver some returns to – those LPs that want it, while enabling them to retain control of the assets until such time as they feel they can achieve better returns via an exit.

Previously, continuation vehicles had perhaps been considered solutions for problem assets where an exit at a respectable value was unrealistic. Now these vehicles are morphing into solutions that allow an exit for existing LPs at a value that has been tested but where investors consider there still to be upside to be generated. For similar reasons, anecdotally, we have seen an increase in PE investors reinvesting value into PE buyers' structures as a minority co-invest. PE buyers are becoming increasingly comfortable with these kinds of arrangement.

The caution in the market is perhaps also reflected in the number of secondary transactions we saw in 2025, where one private equity house buys out another. These deals made up the bulk of major warranty and indemnity (W&I) insurers' PE-related books last year and were so popular that it altered insurer practices in the market. Equally, with the increase in minority structures, insurers had to adapt their W&I policies, including moving to a more commercial position without prorating loss.

Towards the end of 2025, we began to see an uptick in activity – and this has continued into early 2026. We have already seen an increase in the number of investment memoranda circulating for new platform processes, with a wider acknowledgement of the quality of the assets being marketed, which we consider a good sign of things to come, as well as a rise in management buy-in deals being mooted. Traditionally, these are good bellwethers for subsequent deal-making.

There are further reasons for optimism: according to Pitch Book data, there is almost €2 trillion of private equity capital ready to be committed globally and around 30,000 private equity portfolio companies waiting to exit – at a time when limited partners are increasingly agitated about how long their funds have been tied up in assets for. Management teams also know that, in a relatively flat economic environment, they need to be on the front foot pursuing opportunities to consolidate, to grow, to invest, and that they will find it harder to achieve the results they want at the end of an investor lifecycle where funds may not be readily available to support growth initiatives. This year, we are already seeing the gap between buyer and seller valuations reducing too.



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These factors, in and of themselves, hold the promise of creating momentum for deals.

The continuing volatile geopolitical situation is one potential dampener on deal-making, with war in the Middle East the latest major development in a fractious world. However, as we have seen through the pandemic, energy crisis and war in Ukraine, buyers and sellers have proved to be resilient and adaptable when the situation demands and we expect this to be the case as the situation evolves.

Prior to the latest conflict, we had already seen a softening of private equity houses' approach to investing in defence assets amidst major commitments by European governments – including the UK's – to increase defence spending over the next decade. While we expect that many investors will remain reticent about investing in weaponry in light of ESG obligations, we are seeing some private equity investors explore opportunities to invest in companies likely to increase in value amidst the defence spending drive, where their technologies, products or services have a potential civilian, and not just military, use – such as cybersecurity, drones and autonomous systems.

One technology we expect to continue to have a major disruptive effect on private equity investment strategies is AI.

As part of their due diligence processes, we anticipate prospective investors will take a close look at whether business models and growth are sustainable in light of the evolution of AI. Even relatively new ways of operating are not necessarily immune from AI-related disruption. The recent reaction of public markets to the launch of AI tools such as Claude Cowork and speculation as to their impact on 'software as a service' business models in the cloud computing market, which have been favoured by private equity houses for delivering high margins and recurrent revenues, is an example of how AI is being viewed as a potential threat to valuations.

AI is also changing due diligence and insurance underwriting processes themselves too, supporting advisers with reviews of contracts, leases and other documents, and in summarising main findings. It is also supporting insurers with pricing and determining scope of initial coverage.

As AI becomes more embedded in deal-making processes, it will put a growing emphasis on better presentation of data – by would-be sellers and their advisers – to enable buyers to identify issues more easily. Those that can do this effectively may stand a better chance of completing a sale.

Co-written by Kieran Toal of Pinsent Masons, Simon Cope-Thompson of Arrowpoint Advisory, and Thomas Baker of Wiispa.



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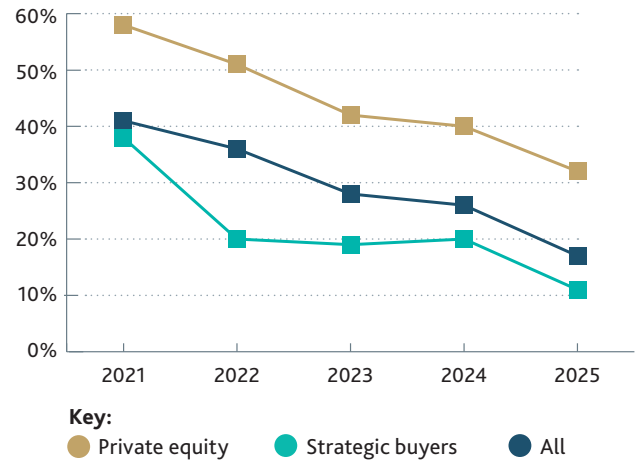
Deal process trends

Transactions via an auction process

The sustained trend of auction sale processes being more popular on private equity deals compared to strategic transactions continued in 2025. Perhaps reflective of broader market uncertainty, we did, however, observe a decline in the proportion of both PE and strategic transactions conducted by way of an auction after a resurgence in the previous year. The fall in private equity auctions continued for the fifth consecutive year following the peak of 2021 where auctions were seen in 58% of PE transactions, due to the M&A boom as the country began to recover from the pandemic. It is not surprising that the number of PE auction sales is generally greater than auction sales on strategic deals as any process where PE are to be targeted lends itself to a formal process, where PE has a greater expectation of venter due diligence being available.

The number of auctions seen in 2025 is broadly consistent with the data for pre-Covid deals and so is not particularly unusual in that context.

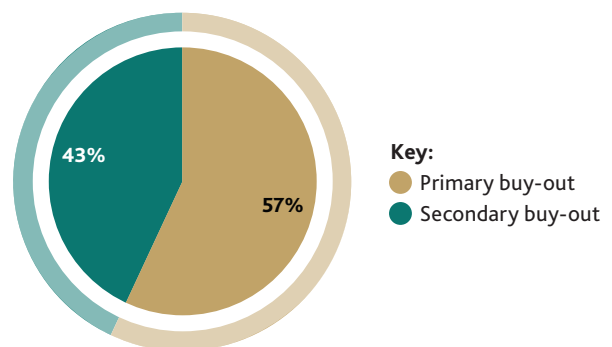
Whilst there are obvious benefits in running auction processes, there are clear risks, particularly in an uncertain market, in sellers not achieving the required valuation. Where credible off-market approaches exist, a "bird in the hand" strategy may be more compelling in these circumstances. We suspect that, in some cases, this dynamic contributed to the fall in PE-led auctions where perhaps a decent return for investors could be achieved via an off-market deal without the risk of a formal process failing to deliver the desired outcome.



Was the deal a primary or secondary buyout?

In last year's report, we predicted the trend for secondary transactions would continue to increase in 2025. This prediction was borne out with secondary transactions accounting for 43% of PE deals up from 31% in 2024 after the data for 2022 and 2023 suggested the market for secondary deals may be stabilising at around 20% of PE transactions.

This shift may reflect a scarcity of high-quality assets, prompting PE investors who are, as ever, under pressure to deploy capital, favouring businesses that have already been through a period of PE ownership and therefore presenting less of an investment risk. In our market conversations, some financial advisers are indicating better quality assets coming to market during 2026 raising the question of whether 2026 will see primary transactions regain prominence. Time will tell.



Split between exchange and completion

Transactions involving a split

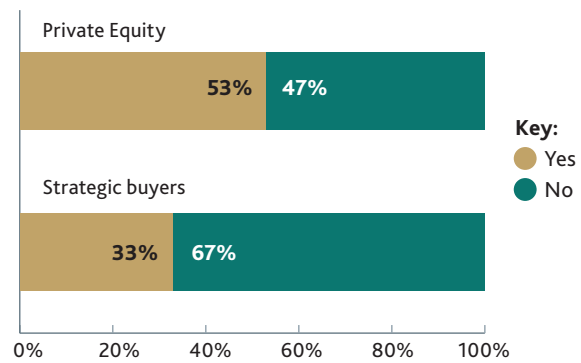
The number of deals involving a split exchange and completion for both private equity and strategic deals declined in 2025. This metric has fluctuated over the past 5 years and often reflects underlying specific regulatory requirements for certain sectors (such as professional/financial services), although the reduction in splits for PE deals (53%) is more aligned with 2024 (58%) than that seen in 2023 (33%) which was unusually low. The drop for strategic deals was more pronounced, falling from 43% in 2024 to 33% in 2025, a return to the levels seen two years ago. The divergence between PE and strategic deals may be partly explained by PE investors and their LPs requiring contractual certainty before drawing down funds, particularly on competitive sale processes (where sellers will equally require certainty!). By contrast, strategic buyers being more comfortable with the sectors in which they operate may be more inclined to overlook certain matters whereas PE investors and their investment committees, who will perhaps be less familiar, may require the same matters to be dealt with as conditions to completion resulting in a split.

One aspect that has resulted in an increase in split exchange and completions over recent years is the requirement in the UK for deals within certain sectors to obtain clearance under the National Security and Investment Act 2021. However, no consistent market practice has settled on how parties approach the process for seeking clearance on relevant deals. In our experience, the approach remains dependent on a number of factors including (i) whether a party requires contractual certainty before seeking clearance, (ii) confidentiality (although the process is confidential) and (iii) where clearance sought prior to signing

and before all deal terms are agreed may negatively impact sellers' bargaining position and any competitive tension. Another factor which sometimes makes buyers wait is where the acquisition structure must be settled before the filing is made, as it requires detailed information about how the target will be held in the acquirer group.

If none of the above are an overriding factor, in many cases where a process is collaborative and the parties are confident that approval will be granted without a "call in" by the regulator, we often see clearance being sought prior to signing, while due diligence is ongoing and transaction documents are being negotiated.

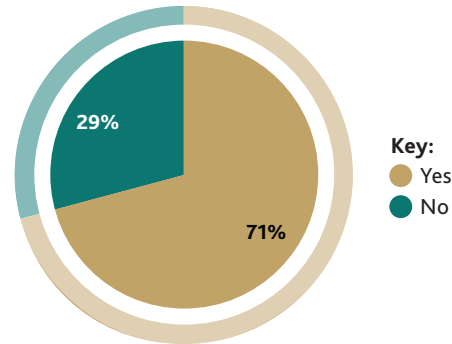
Was there a split between exchange & completion?



Were warranties repeated at completion?

The 2024 data reversed the unusual position observed in 2023 and returned closer to the long-term trend where warranties were typically repeated in circa 50% to 60% of relevant transactions. The reversal continued in 2025 and was significant, exceeding this normal range, with warranties being repeated in 71% of cases.

We suspect this increase in repetition is perhaps driven in part by the prevalence of W&I on deals where it is not uncommon for buyers to push for warranties to be repeated at completion. In these circumstances there should be little resistance from warrantors, particularly if their liability is capped at £1. Instances where buyers may not secure repetition could be where seller bargaining positions are strong; for example, during a competitive sale process where competing bidders may be happy to concede the point or where the period between exchange and completion is short e.g. to enable buyers to draw down funds without any other conditionality. Where warranties are repeated at completion, the question then arises as to whether these warranties should be subject to disclosure? This is discussed further below.

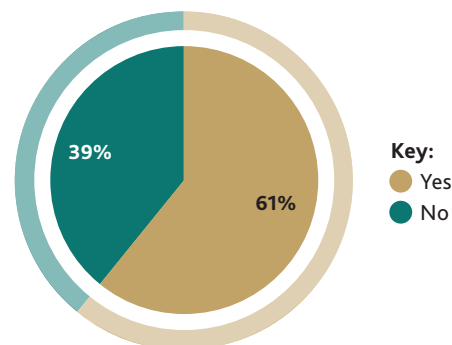


Was a second round of disclosure permitted?

Here we saw another reversal of last year's data. Whereas 2024 saw second round disclosure in 36% of transactions, 2025 showed a return towards historic norms where we saw a second round of disclosure against warranties repeated at completion in 61% of deals.

This result was notable given the prevalence of W&I on transactions as we are increasingly seeing a second round of disclosure driven solely by an insurers requirement (to have a second bring down procedure) on W&I backed transactions. Whilst it is not in buyers' interests to push for further disclosure as the knowledge acquired may inadvertently prejudice a buyers' ability to bring a warranty claim, the requirement under W&I to have this second disclosure may be a cause of this increase in the second disclosure round. While the second round of disclosure should be limited to circumstances arising in the period between signing and completion only, the knowledge acquired may impact the ability of buyers to give the no claims declaration, a confirmation that the buyer is not aware of any potential claims under the W&I policy at completion which will be a condition of the W&I policy before being placed on risk.

This is likely further evidence of a buyers' market in 2025.

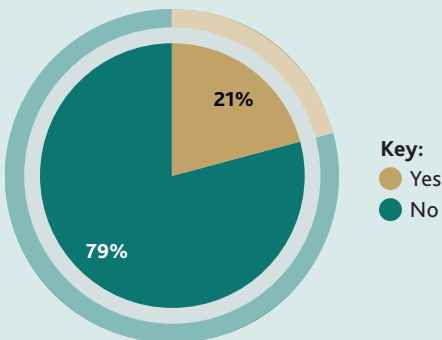


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MAC clause

We reported last year a steady increase in the use of MAC clauses following a significant reduction during the seller-friendly Covid-era. In 2024, MAC clauses appeared in 38% of relevant transactions; however, the result in 2025 bucked this trend with a surprise reduction, being seen in only 21% of surveyed deals. This is surprising given the challenging M&A deal landscape seen during the year which seemed to favour buyers more than sellers. However, where deals have got to the point of exchange, with this kind of market backdrop, we have seen sellers and their advisers pushing back strongly against MAC clauses, no doubt nervous given the unpredictable trading and geo-political environment that may directly or indirectly trigger a MAC, potentially allowing buyers to terminate or use it as an opportunity to renegotiate. Though we would equally expect this market environment to harden buyer resolve to secure a MAC, unpredictable times yield unpredictable outcomes.

Was there a MAC (material adverse change) clause?

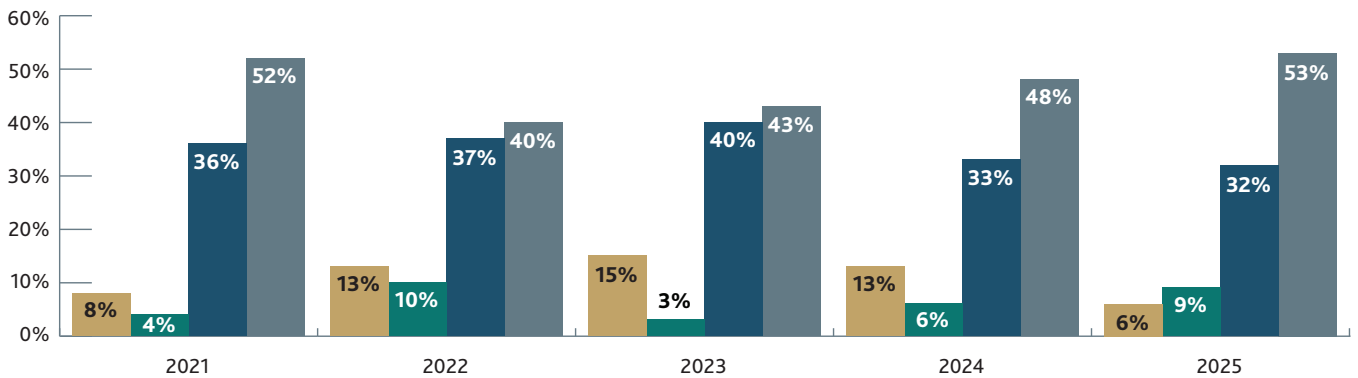


Restrictive covenants – non-compete

The relatively stable and predictable position on restrictive covenants continued in 2025. In addition, the general trend of a lengthening of non-compete periods seen previously continued with an increase in periods in excess of 24 months. The shortest period surveyed (12 months) decreased, suggesting reduced buyer

willingness to make concessions (e.g. carving out or reducing the period of restriction) for minority sellers who are not receiving life changing proceeds from deals. This increase particularly in periods in excess of 24 months, perhaps reinforces the view that 2025 was a market more favourable to buyers.

Non-compete periods



Key:

● 12 months ● 18 months ● 24 months ● over 24 months



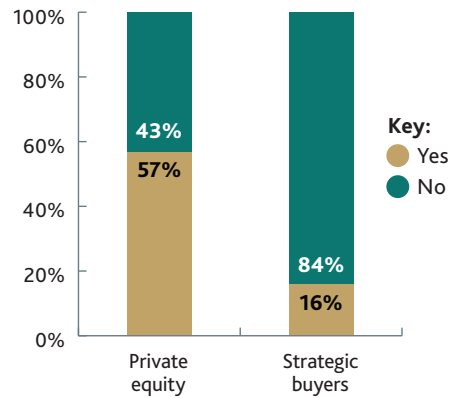
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Locked box, completion accounts and deferred consideration

Proportion of transactions using a locked box mechanism

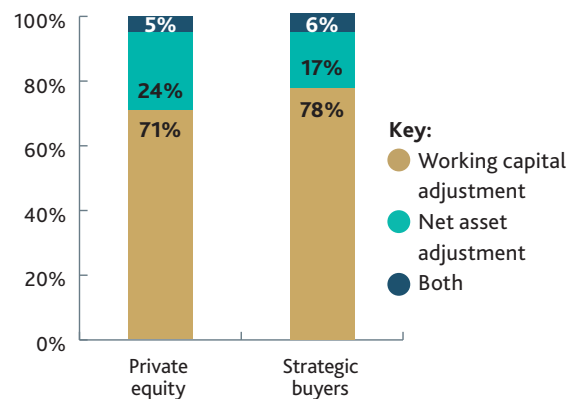
Locked box structures continued to be the preferred price adjustment mechanism for PE investors. While the position remained consistent with previous years for PE, there was a slight reduction on last year from 63% of deals down to 57%. In our experience, PE buyers (at least for their platform investments though less so with their bolt-ons) particularly like the certainty a locked box structure gives the parties, allowing management teams to look forward without the distraction and potential misalignment around a completion accounts true up. Sellers also favour locked box as it can provide certainty on the proceeds they will be receiving without the potential for reimbursement following a true up exercise.

It would seem strategic buyers continue to have less appetite for locked box structures than PE with a material reduction from 26% of transactions in 2024 to 16% in 2025. This may in part be due to strategic buyers' deeper knowledge of target businesses and their sectors enabling them to potentially capitalise on negotiations around completion accounts adjustments more effectively. We suspect there is more scope to assert a preference for completion accounts on bilateral deals or unstable or aborted sale processes where the balance of power in negotiations may rest with or shift to the buyer.



Type of post-completion adjustment clause specified in SPA

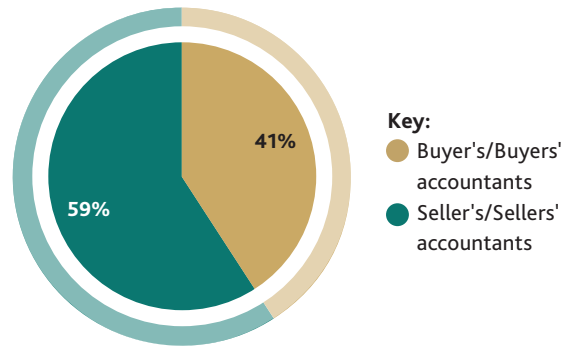
In 2025 on deals where completion accounts were used, we saw both PE investors and strategic buyers favouring either a working capital or net asset price adjustment mechanism. Of the two mechanisms, working capital adjustments, seen in 71% of deals for PE (same result as last year) and 78% strategic buyers (slightly up from 75% in 2024), remained dominant. This result may be reflective of an uncertain market with buyers placing higher importance on the operational liquidity of target businesses ahead of net asset value, to give buyers and their boards or investment committees as much comfort as possible that target business will have the ability to trade through volatile markets.



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Who will prepare the first draft of the completion accounts?

The 2025 results, which are similar to those seen in 2024, have seen a shift away from the 50:50 split between buyers and sellers preparing first draft of completion accounts which we saw in 2023. The data for 2025 (and therefore 2024) suggests sellers and their advisers may be better prepared for sale processes (e.g. with VFDD often being produced) leading buyers to pragmatically conclude that sellers may more often be best placed to produce the first draft accounts. This has the advantage of giving buyers a right of reply and the ability to dispute any calculations they do not agree with. Nonetheless, the position on which party actually produces the first draft can often turn on the dynamics of the deal and the specific preferences and bargaining position of the parties.

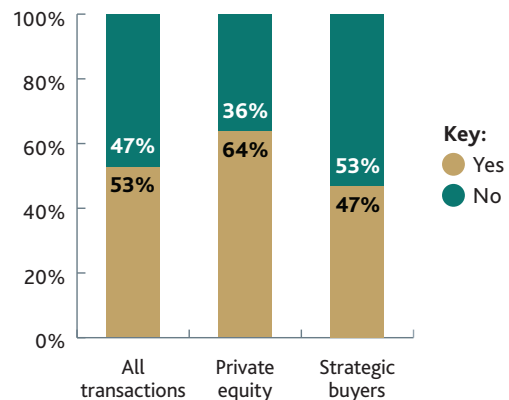


Deferred consideration

We saw a modest uptick in the use of deferred consideration in 2025, rising from 45% in 2024 to 53%, though the broad position is consistent with previous years. This would suggest that in the uncertain market environment seen over recent years, deferred consideration remains a popular method for bridging the gap in buyers' and sellers' value expectations.

The graphs show the use of deferred consideration on PE deals increased by a further 10 percentage points of relevant transactions, a rise from 54% of deals in 2024 to 64%. For strategic transactions, there was a slight increase from 41% to 47% for the same period.

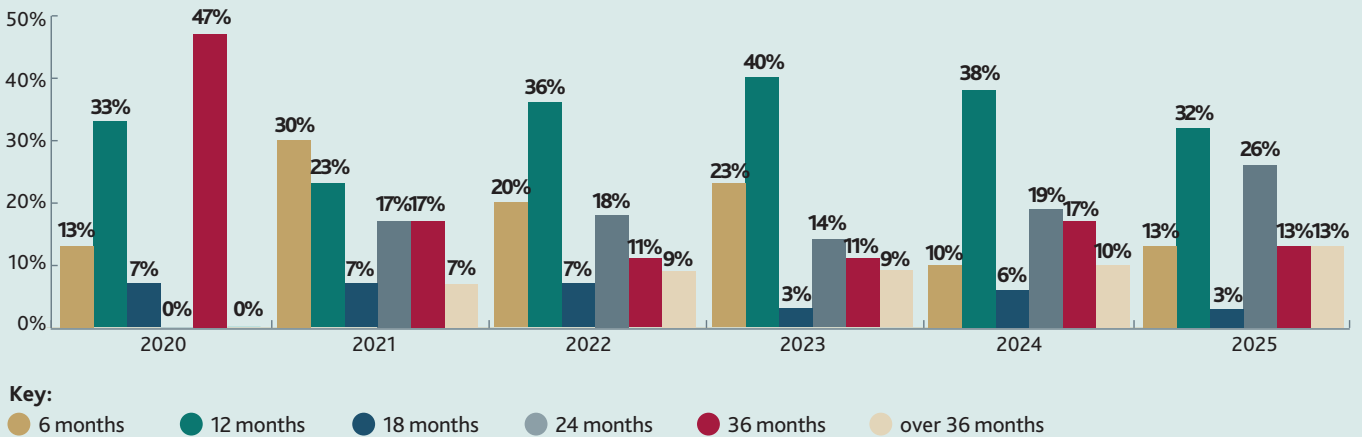
Deferred consideration: was payment of the consideration structured to include some or all by deferred payment?



Deferred consideration periods

Since 2022, the dominant deferred consideration period has been 12 months. In 2020 during Covid many buyers were prepared to execute transactions during a time when the trading outlook was difficult to predict. To bridge the gap between seller and buyer price expectations buyers often withheld a portion of the purchase price for a longer period than would otherwise be acceptable to give target businesses time to prove their post-pandemic trading performance on which the agreed valuation and price were based. This resulted in 36 months being the dominant period during these times, occurring in 47% of transactions, falling to anywhere between 11% and 17% of transactions from 2022 to the present.

While a deferred consideration period of 12 months has occurred most often on deals from 2022 onwards, in 2025 we saw periods increasing, with 24 months or more featuring in 52% of transactions, either suggesting a return to the more cautious buyer climate seen over recent years or the need for more creative dealmaking to bridge the gap between buyer and seller price expectations. To emphasise this further, a period of 24 months featured in 26% of surveyed deals, the highest occurrence seen over the last 6 years.

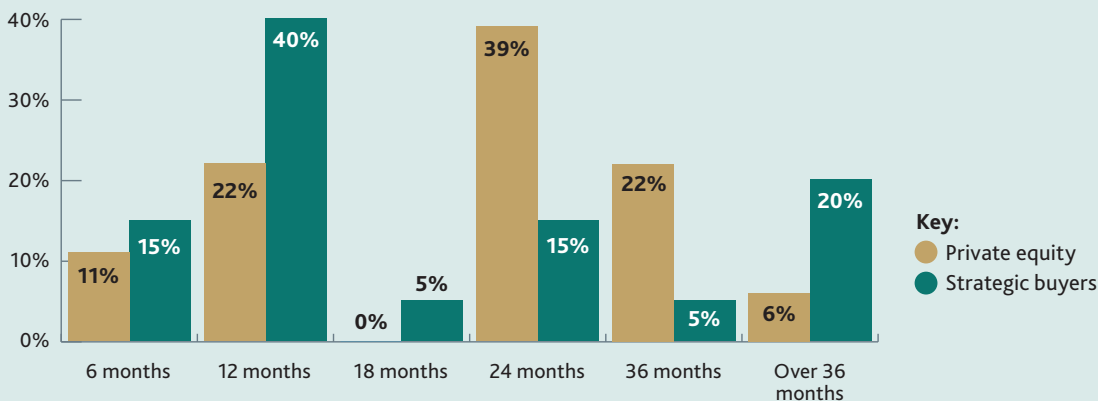


Deferred consideration periods – private equity vs strategic buyers

As mentioned above, overall deferred consideration periods lengthened from those seen in 2024, particularly on private equity deals where there was a significant increase in the 24-month category from 13% in 2024 to 39%, with a corresponding sharp fall (by nearly 50%) in PE

deals with a 12-month period. This again perhaps demonstrates either a level of nervousness amongst the buyer community in 2025 and/or a need for buyers to find ways to get sellers over the finishing line.

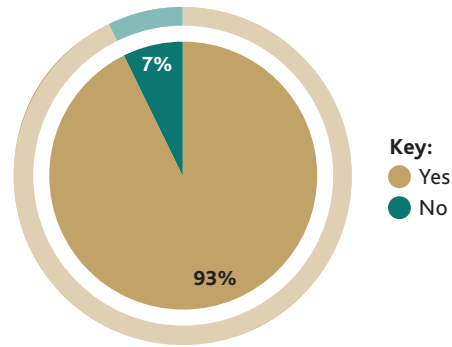
Deferred consideration periods



Warranties

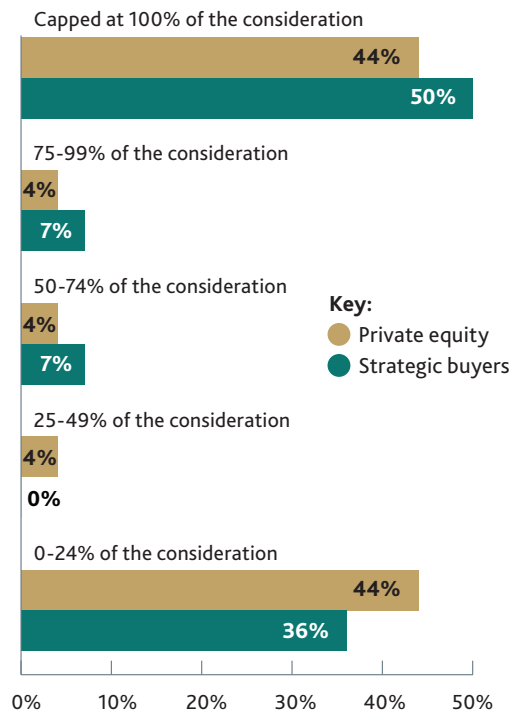
Was there a cap on the sellers' liability under the warranties?

The result for 2025 was consistent with the long-term trend.



What was the amount of the cap on the seller's liability under the warranties?

The results were largely consistent with those seen for both PE and strategic deals in 2024. In 2023, we had seen a sharp increase in liability caps of 100% of consideration for strategic deals, which featured in 61% of all transactions surveyed and we considered this to be an anomaly. The data for 2025, which is consistent with 2024 and broadly consistent with the years prior to 2023, confirms this view. The data also continues to support last year's conclusion that strategic buyers are increasingly comfortable with lower liability caps. We suspect this is, in part, due to the prevalence of W&I, where the warrantors' liability is often capped at £1 (see below for commentary on the W&I market).



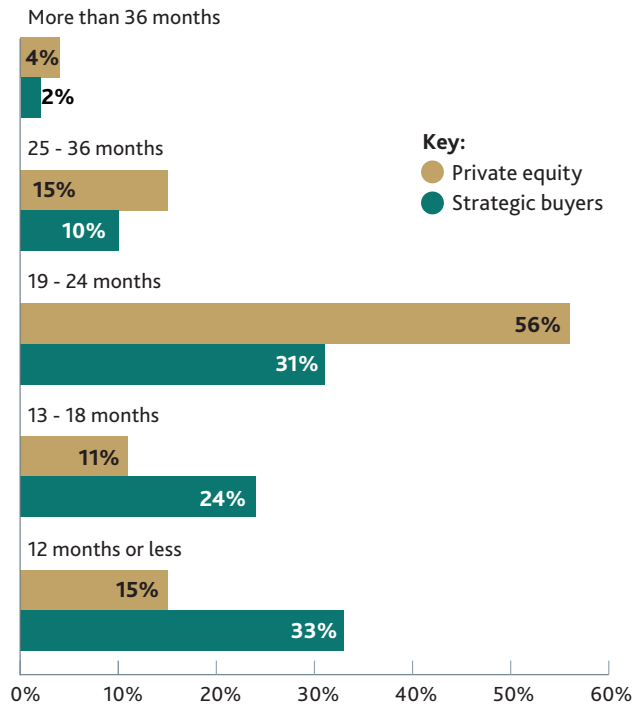
Limitation periods for warranty claims

Warranty claim periods for PE deals remained broadly consistent with previous years with 19-24 months continuing to dominate, seen on 56% of relevant transactions. For strategic transactions, the 10 percentage point gain seen in the 19-24 month category in 2024 was wiped out with a significant fall in the category from 52% in 2024 to 31%. There was a corresponding increase in the 12 months or less category which jumped to 33% after featuring in only 7% of relevant deals in 2024. The shift is unusual which we consider to be anomalous.



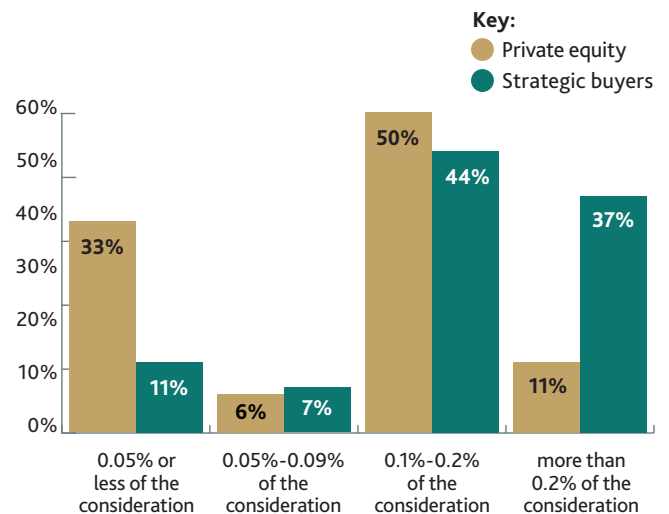
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Limitation period for warranty claims - commercial (i.e. non-tax) warranties



Throwaway de minimis for warranty claims as a % of consideration

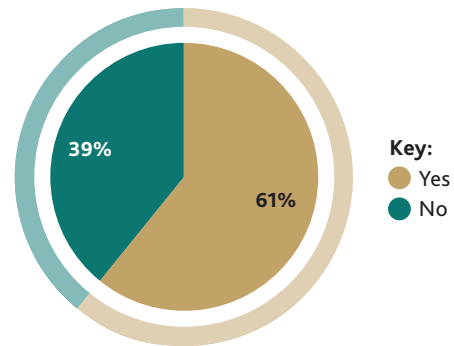
We commented last year that the shift in the 0.1% to 0.2% range for PE deals could be due to PE buyers agreeing to increase the de minimis thresholds consistent with that seen in corresponding W&I policies as before then the metric had remained largely static. The data for 2025 largely reinforces this view. For strategic deals, there was a significant increase in de minimis levels which exceed 0.2%, increasing from 17% in 2024 to 37%. This may be explained by strategic buyers embracing W&I though the increase is in the higher de minimis category than that for PE deals referenced above.





Did the transaction use a basket / threshold for claims?

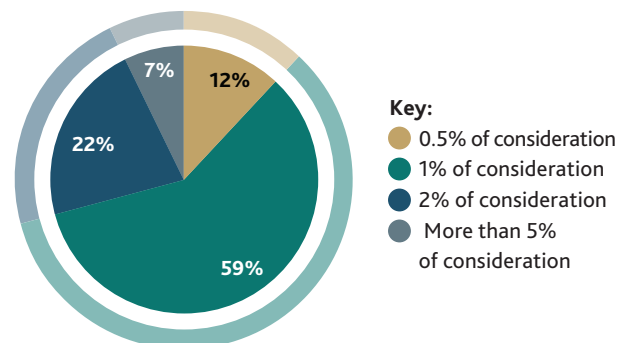
We referenced last year a meaningful fall in the use of baskets for claims with the data for prior years being largely consistent, occurring in approximately three-quarters of transactions. The 2024 decline to 64% of deals appeared anomalous at the time. However, the further decrease to 61% suggests a possible recalibration of the trend rather than a one-off result. Anecdotally, we still consider baskets to be an important limitation when acting for sellers whether or not the transaction is W&I backed.



Transaction basket / threshold amount as a % of the consideration

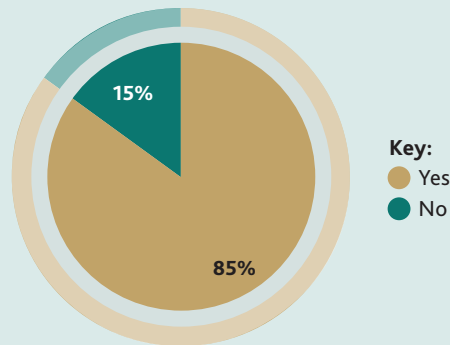
For those deals with a basket we continue to see a gradual rise in basket levels for the 1% and 2% categories, with rises of 4% and 6% respectively in 2025. The sub-1% category fell sharply by 17 percentage points. This increase in basket levels is likely explained by the prevalence of W&I where policy baskets often fall within the higher ranges and so we expect higher baskets to dominate in the future given W&I cover is now a mainstay of the M&A landscape.

Please specify amount for the basket/threshold as a % of the consideration



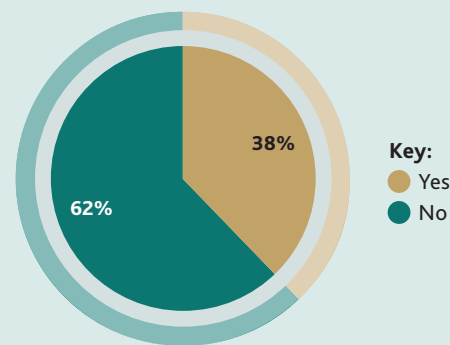
Did the buyer agree to general disclosure of the data room?

General disclosure of data rooms occurred in 85% of surveyed transactions, up from 79% in 2024. This result aligns with market practice that buyers are increasingly more comfortable with general disclosure. This trend has been assisted by general disclosure often being included as a standard term on mid-market M&A W&I policies. In any event, with sophisticated data rooms that are well ordered and navigable, buyers seem to be more prepared to take responsibility for reviewing the contents of data rooms, subject always to the principle of fair disclosure. For these reasons, we would expect the trend for general disclosure to remain high for the foreseeable future.



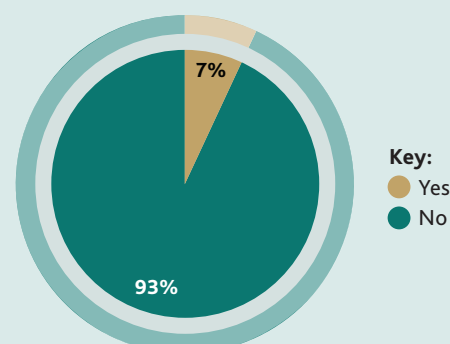
Did the buyer give a reverse warranty?

We saw an increase in buyers giving reverse warranties after a marked decrease in 2024. Reverse warranties from buyers, confirming they are not aware of matters that would entitle them to bring a claim under the warranties, were given in 38% of transactions in 2025, edging back closer towards the 42% of surveyed deals seen in 2023. We commented last year that while there is understandably a natural resistance from buyers to give warranties, buyers were getting more comfortable in giving sellers alternative forms of contractual comfort prohibiting them from bringing claims for breach of warranty where they have existing knowledge of a claim. This is usually on the proviso that the source of the buyer's knowledge is clearly identifiable and limited in scope (e.g. knowledge obtained having read specified due diligence reports) as well as being limited to a small number of individuals within the buyer's core deal team. The results for 2025 however suggest that in some circumstances buyers are prepared to give a reverse warranty, though any such warranty, if it is to be given, should limit the buyer's knowledge using the same guardrails described above.



Was the buyer entitled to recover for breach of warranty on an indemnity basis?

After a few years where we saw US-style warranty terms featuring at a level materially higher than the long-term trend (16% in 2023 and 13% in 2024), the percentage dropped back towards historic norms last year with warranties on an indemnity basis occurring on 7% of transactions, one percentage point higher than the 6% seen in 2022. This feels consistent with our experience as most sellers of UK assets are able to successfully defend attempts by US buyers to impose US governing law or warranty terms. An increasing awareness of US style / hybrid insurance products may assist in getting US buyers comfortable with this position.

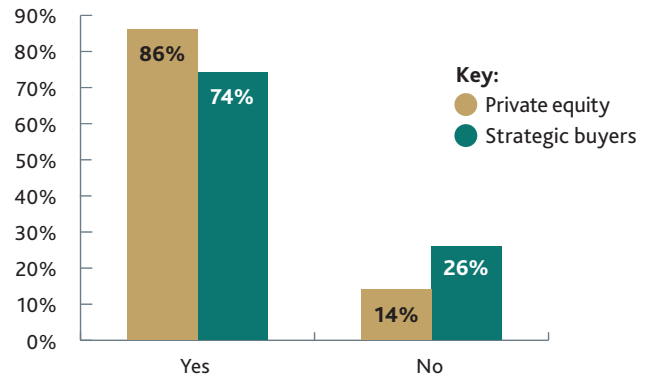


Tax

Tax covenants

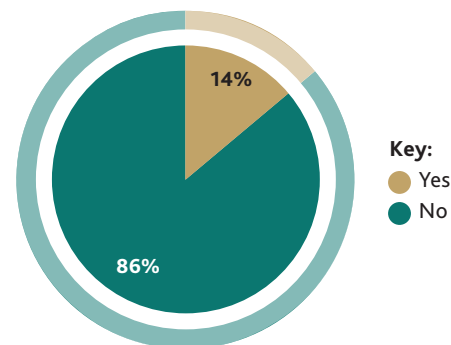
We have seen a small increase in the use of tax covenants on private equity transactions from 83% in 2024 to 86% in 2025. The high proportion of transactions reflects the continued approach to risk in this area. Investors need to be seen to take appropriate steps to mitigate risks on transactions. The proportion of private equity deal vs strategic buyers requiring a tax covenant may be reflective of external funding being more commonly used on private equity deals. Strategic buyers using their own resources may be more open to pricing in risks from the outset. Whilst not specifically identified in the numbers, the data also reflects the continued use of tax insurance policies on transactions enabling founders and shareholders to reduce their exposure to risk.

Was a tax covenant used?



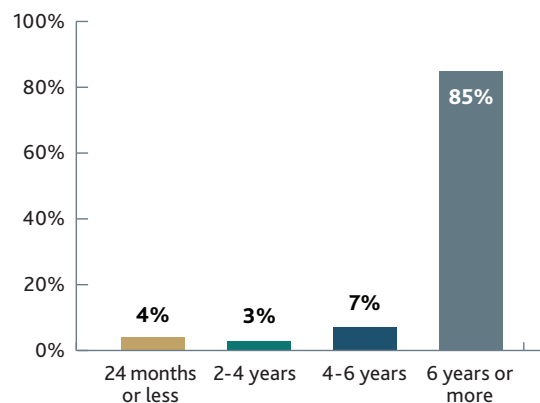
As ever, the number of transactions where a separate liability cap on tax matters was obtained remained relatively low at just 14%, which is broadly in line with past years.

Was there a separate cap on liability under the tax covenant/deed?



The time period for tax claims remained 6 years or more in the majority of cases. There was a reduction in transactions where a shorter period of less than 2 years was accepted, correcting the anomaly seen from the 2024 data.

Limitation period for tax warranty claims



Warranty & indemnity insurance

Introduction

Wiispa is a specialist transactional risk insurance broker, with a primary focus on UK and European private equity transactions and deep expertise in both W&I and tax insurance solutions.

Looking Back - 2025

European W&I policies show further US-style influences, with hybrid policy approaches becoming increasingly common. Parties also adopted more creative structures, using insurance strategically to manage transaction complexity, competitive pressures and process friction. Although high quality deals still attract strong competition, pricing moved from historic lows. We anticipate further pricing increases of between 10–20 basis points through 2026. Additional paid-for enhancements, often priced at 5–20% of premium per feature, are increasingly used, though still cheaper in aggregate than base premiums from prior years.

Underwriting capacity underwent noticeable change driven by M&A in the insurance sector, new SME underwriters and some markets stepping back from W&I. As a result, insurer selection is more important than ever as appetite, speed, wording positions and claims approach can quickly shift as terms and platforms change.

Coverage flexibility narrowed slightly with insurers becoming more reluctant to offer broad "affirmative" cover as standard without clear supporting diligence or underwriting narrative. Although sell-side policies returned to favour, some were placed with limited DD access, an option available only in select circumstances and requiring early, structured planning. Minority investments rose, prompting insurers to revisit assumptions on pro-rating loss and seller fraud exclusions and to adopt more bespoke approaches where justified.

Outlook for 2026

W&I pricing is expected to rise but not uniformly, with underwriters applying increasing scrutiny based on sector risk, diligence depth, deal structure and the level of cover. Complex structures, including carve-outs, cross-border groups, high growth sectors and key contract reliance will attract higher retentions or narrower terms. As stated above, insurers are reducing willingness to offer affirmative cover without compelling diligence, reinforcing a shift toward disciplined risk differentiation.

Continuing the trends seen in 2025, a pronounced "two-speed" market is emerging with strong diligence, clean disclosure, balanced SPA terms and realistic coverage requests continuing to receive competitive pricing and fast turnaround; while limited diligence, aggressive positions or heightened risk profiles produce more conditional NBIs and tighter terms. Capacity movements and team relocations are amplifying this divide, making broker strategy increasingly central to outcomes.

Early engagement is now critical. With W&I more diligence sensitive, late requests for enhanced cover or sell-side structures are less likely to succeed without additional cost or exclusions. Early alignment allows deal teams to shape diligence, manage insurer selection and avoid last-minute execution risk.



Claims

Although most W&I claims remain confidential, a small number have been disclosed public whether through the public nature of litigation in the courts, regulatory proceedings or media reporting. These cases illustrate judicial and underwriting focus on loss quantification, causation, disclosure and evidentiary burden. Significant payouts can and do occur, particularly where issues with financial information or misconduct arise, reinforcing why insurers scrutinise these areas closely.

Also, the courts are scrutinising claimants ability to prove their loss with increasing rigour and have seen a high-profile claim fail on evidentiary and loss assessment grounds which emphasises the importance of claimants having a robust claims strategy and quantification approach from the outset.

The maturity of the W&I product is reflected in stable market metrics: a 12% notification rate, paid-claims rate of around 5% and roughly 50% of closed notifications resulting in payment. Claims resolution is accelerating, with c.75% settled within 18 months. PE sponsors remain the primary beneficiaries of successful claims (approximately 60%), with about 50% linked to third party claims, fraud or non-disclosure where insurers have paid out although worth noting in the case of fraud (and potentially non-disclosure) warrantors may leave themselves open to a potential claim from insurers under the subrogation provisions in policies.

The profile of paid claims remains closely aligned to the usage by private equity with c.60% of successful claim payments being made to financial sponsors with the underlying drivers continue to validate W&I as protection against truly unforeseen risks – around 50% of claims involve third party claims, fraud or non-disclosure. Claims are also being resolved quicker with approximately 75% of claims being settled within 18 months (and 23.8% claims within 6 months).

Sector level trends also remain consistent with paid claims relating to financial statements, tax and material contracts (c.29%), with financial statements and compliance with laws forming a common feature in paid outcomes (c.32%) while in the technology sector in particular (c.26% of placements) valuation volatility and evolving regulatory requirements are frequently cited as contributors to claims activity.

Subrogation (that is, claims against selling parties) remain exceptional and occurs in only around 2% of successful claims indicating that insurers rarely pursue recovery from sell-side other than in clear cases.

W&I usage continues to expand across jurisdictions, including France, the Benelux, Southern Europe and MEA. Insurers are also increasingly prepared to underwrite specialist risks, such as carbon capture, where diligence supports them.

Notwithstanding the above, the claims data reinforces that W&I is not a protection against a bad bargain – English law disputes in recent years continue to be cited for the principle that W&I responds to insured breaches and insured loss – not general buyer's remorse, macro shifts or valuation disappointment.

Outlook for 2026

For 2026, claim maturity is expected to push the market towards greater emphasis on diligence quality, disclosure rigour and the insured's ability to evidence breach and loss. For all parties, strong process discipline will remain the most reliable way to secure broad terms, competitive pricing and a smoother pathway to recovery if needed.

Tax Contingent Risk Insurance

Looking Back - 2025

The tax insurance market saw substantial growth, bolstered by increased underwriting capacity and competitive pricing, with straightforward risks attracting premiums around 1% of the insured limit. Demand broadened beyond M&A to reorganisations, refinancings and the release of balance sheet provisions, reflecting deeper market understanding.

Insurers expanded jurisdictional appetite, including historically challenging regions such as South America, Africa and Southern Europe, and are increasingly prepared to consider risks already under audit, provided they are appropriately structured. Growing regulatory enforcement worldwide has driven higher audit activity, amplifying appetite for insurance-backed certainty.

Seller-led tax insurance solutions are rising, helping to bridge valuation gaps and reduce the need for escrows or extended indemnity periods.

Claims

Claims experience within the tax insurance market has remained relatively benign to date. However, some market participants anticipate an increase in notifications in 2026, particularly in relation to more complex risks written over the last two years, policies covering audited positions and longer tail or binary tax outcomes.

Outlook for 2026

Looking ahead, pricing and capacity may stabilise but more disciplined underwriting is expected - particularly for higher risk profiles and jurisdictions where claims exposure is increasing.



For 2026, claim maturity is expected to push the market towards greater emphasis on diligence quality, disclosure rigour and the insured's ability to evidence breach and loss. For all parties, strong process discipline will remain the most reliable way to secure broad terms, competitive pricing and a smoother pathway to recovery if needed.

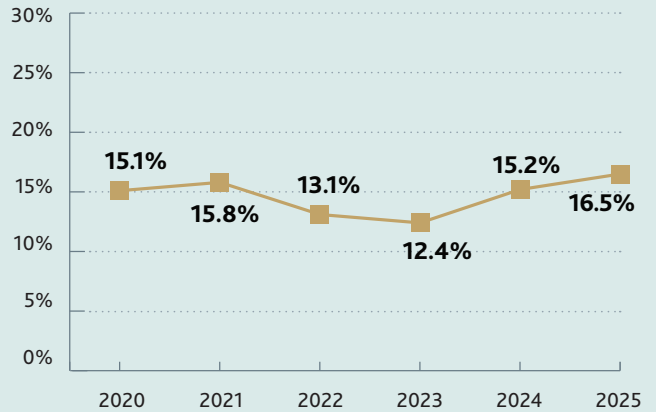
Private equity

Sweet equity allocation

Sweet equity allocation for management continues to be a key area of focus when we publish the report, both for management teams, PE sponsors and advisers, and is one of the trends where we see measurable movement year on year. Within the typical 10% to 20% of issued shares range, between 2019 and 2023 we saw percentage allocations declining from 16.4% in 2019 to 12.4% in 2023, which was low relative to historic norms. After 2023, allocations have been rising, reaching 15.2% in 2024. The increase continued in 2025 with a shift to 16.5%.

This outcome is unexpected given the number of PE platform deals seen over 2025, where activity was more muted. It may indicate that for those platform deals completed in an uncertain deal market, investors were prepared to concede higher sweet equity allocations to win over quality management teams of prized assets.

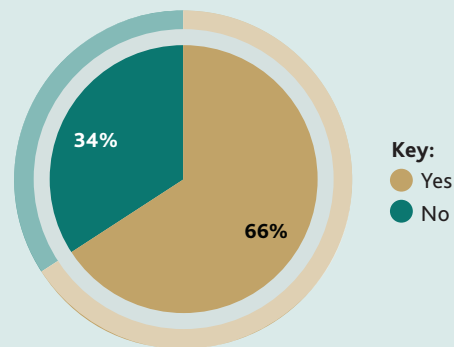
Average percentage of equity available as sweet equity



Did the sweet equity pot include the Chair/NED?

The customary position continues to persist for management to absorb the dilution arising from the allocation of sweet equity to the Chair or other NED appointees. This includes where the appointment is at the discretion of the investor (which tends to be the case).

Recent years have shown increasing dilution of management sweet equity in these circumstances, occurring in as many as 75% of surveyed deals in 2023 (up from 56% in 2022). The proportion rose further to 78% in 2024 and we commented then that we did not anticipate any significant movement in favour of management in the near term. The data for 2025 however showed a reduction to 66% of relevant deals. This is still 10 percentage points higher than the low point of 2022 (56%) and while the reduction in 2025 was unexpected, we wouldn't expect the percentage to reduce much lower than this in the coming years.



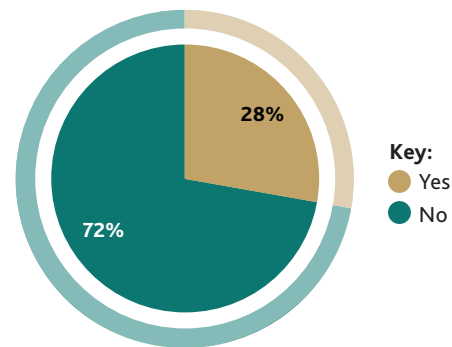


Ratchet

In last year's report we explored whether there was a correlation between higher initial sweet equity allocations (towards the upper end of the 10%-20% of issued share cap range) and the use of ratchets as a mechanism to reward outperformance on exit. We considered whether investors may be using ratchets as a mechanism to reward management for outperformance rather than granting them a higher initial sweet equity allocation. This, however, was not supported by last year's data and despite the rise in sweet equity allocations for management (see above) in 2024 (15.2%) and a further increase to 16.5%, the prevalence of ratchets remained unchanged at 28% of surveyed deals, identical to 2024.

As the tracking of ratchets is a relatively new dataset for our report, early patterns indicate that perhaps the occurrence of ratchets in around a quarter of all surveyed deals is where the data and therefore trend may settle. The data for 2025 reinforces this view.

Was there a ratchet?



In last year's report we explored whether there was a correlation between higher initial sweet equity allocations (towards the upper end of the 10%-20% of issued share cap range) and the use of ratchets as a mechanism to reward outperformance on exit.

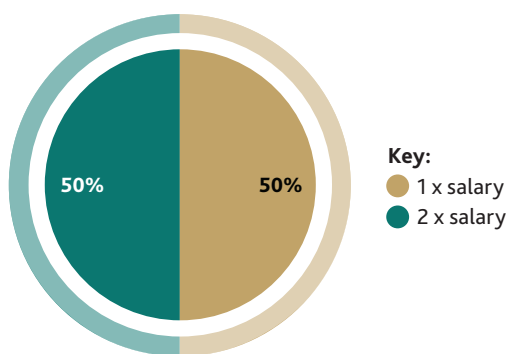
Warranty caps

Investment warranty cap data for 2025 produced several notable findings. Historically, 1x salary liability caps have dominated for management receiving sweet equity, ranging from 70% (2022) to 79% (2023). We previously considered whether investors were taking a more pragmatic approach to these caps perhaps appreciating the limited benefit of seeking recourse for breach of these warranties from their own management teams. We suspected this pragmatism chimed the death knell for liability caps of 3x salary or more but were then surprised in 2024 to see the re-emergence of caps of this level. This likely contributed to the fall in 1x caps from 79% in 2023 to 57% in 2024, a 22 percentage point drop, though we did consider the re-emergence in 3x liability caps to be an anomaly.

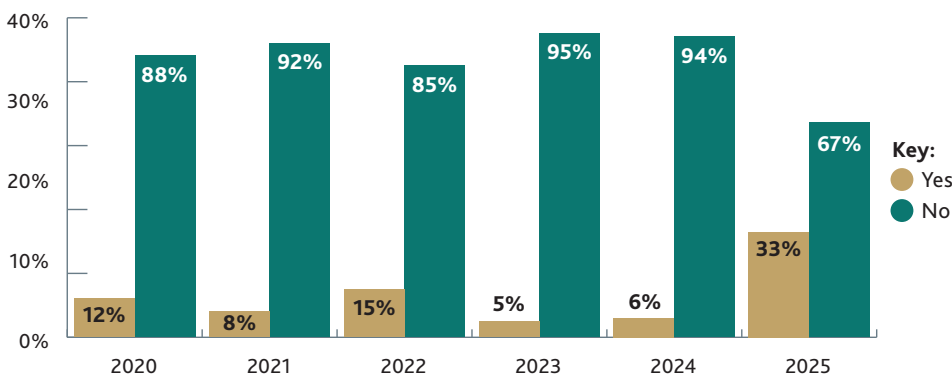
The data for 2025 supported this conclusion, the results of which were that (i) a liability cap of 3x salary did not feature at all in the data and instead (ii) we saw a rise in the 2x liability cap from the position seen in 2024 (29% of deals) to 50%, with 1x cap featuring in the other half of deals. This shift suggests investors, who as mentioned above are commonly using W&I policies on the buy-side, still consider it to be important for investing managers to be subject to meaningful liability caps and explains the rise in 2x caps at the expense of 1x caps. It may also indicate that while management seem to have been successful in pushing for more favourable investment terms, with the backdrop of an uncertain deal environment investors have equally been asserting themselves by insisting on higher liability caps in their negotiations with management.

We saw a change in liability caps for rollover managers versus sweet equity managers. In 2025, rollover managers were subject to alternative caps in a significantly higher percentage of deals than in 2024. These caps were likely to be higher and reflecting the amount of proceeds received by them from the buyout and could be a higher multiple of salary or (more likely) a higher aggregate amount. This occurred in 33% of relevant transactions, a jump of more than twice the level seen over the previous 6 years (the highest year being 15% seen in 2022). This appears to be consistent with the data which would seem to indicate an increased focus from investors on ensuring managers who have received meaningful sums from the transaction assume an appropriate level of risk.

What was the warranty liability cap for managers taking sweet equity?



Did warranty cap vary for rollover investor?



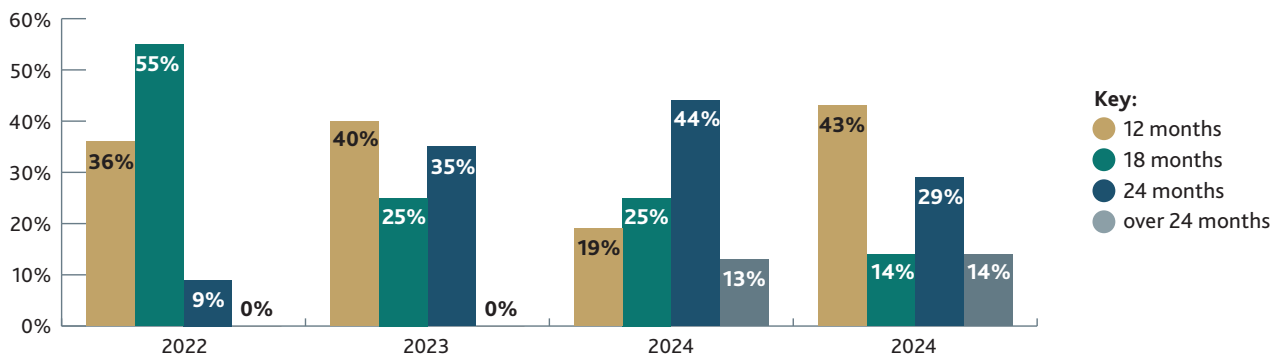
Restrictive covenant periods

Previous reports have suggested that investors are perhaps increasingly accepting differentiated restricted periods for different tiers of management, with concessions on period being agreed for junior managers with longer periods for those managers who have received often life changing proceeds from the deal or are fundamental to the investment case. The data for 2025 evidences a significant increase in the 1-year restricted period, rising from 19% to 43% (a 24 percentage point rise), aligning with the level seen in 2023 (40%). Restricted periods exceeding two years remained broadly consistent with 2024 (14% compared to 13% in 2023) after not featuring in a couple of years prior to 2023.

The increased use of 1-year restricted periods came at the expense of 18 month and 24-month periods, with the latter dropping from 44% to 29%. After many years tracking non-compete periods, this appears to be an area of the report where no clear long-term

trend has emerged. This likely reflects a number of different risk factors, either specific to particular businesses or their underlying sectors which are considered by investors who are cognisant of the importance of non-competes in protecting goodwill ahead of an exit. The factors include the make-up of their management teams, whether there is reliance on a small or core group of managers to drive value, whether any managers have or have not received life changing (or indeed any) proceeds from the transaction (making them more or less likely to compete and potentially agree longer periods), the bargaining position of management and, of course, market conditions. As a general rule, and absent of any deal specific factors relevant to an investment, management team or deal dynamics, an 18-month restricted period from cessation of employment is often acceptable, though on some deals we see restrictions applying from cessation of shareholding (though this will often be strongly resisted by management).

What was the length of restrictive covenant period in the investment agreement for managers?

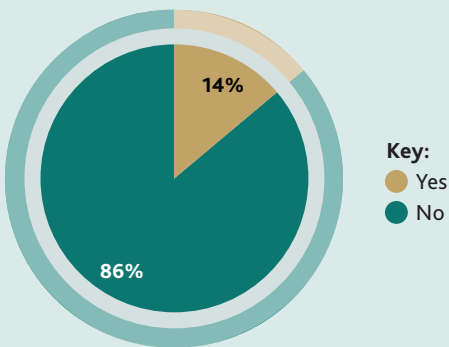


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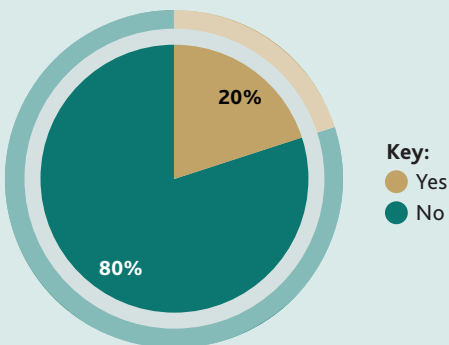
Fees

We saw a drop in arrangement fees in 2025, featuring in only 14% of deals - a reduction of more than half of the level seen in 2024 (35%). This represents a significant swing. We noted last year that the 2024 result was more consistent with historic trend after highs of 57% in 2022 and 47% in 2023, but 2025 presents a more material decrease. As can be seen from recent data, the position on arrangement fees tends to fluctuate. This fluctuation prompted us previously to speculate whether a greater occurrence of arrangements fees may be reflective of market conditions, with investors pushing for these fees in an uncertain deal environment? The result for 2025 may well dispel this theory.

Was there an arrangement fee?



Is there a monitoring fee on top of director's fee?



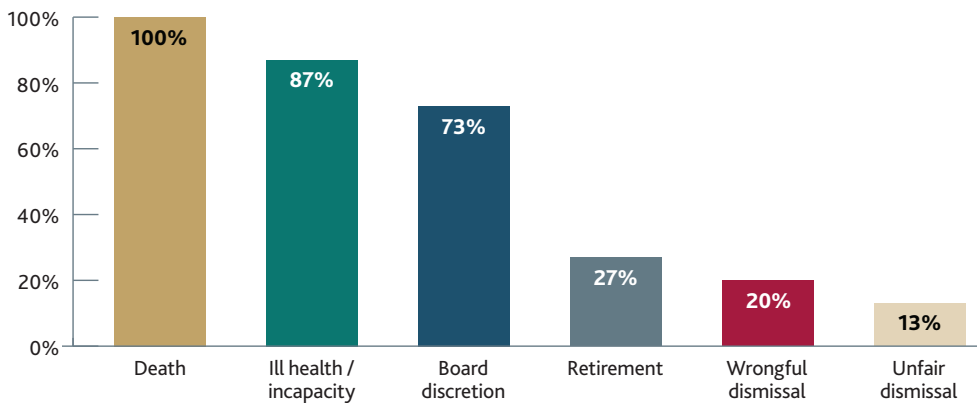
Leavers

Good leaver circumstances

The 2025 dataset aligns broadly with prior years for the main good leaver categories of death, ill health/incapacity and upgrade to good leaver with board discretion, although we saw slight reductions in the use of the latter two categories which we typically see included in almost all of mid-market PE platform deals we are involved in. Ill health/incapacity being treated as a good leaver event saw a 13 percentage point reduction from the 100% seen in 2024 which is notable as was board discretion which dropped 10 percentage points from 83% in 2024 to 73% in 2025. This one is a little more puzzling as an upgrade with board discretion makes sense for both management and investor and so at least in this case, this reduction could be considered anomalous. Perhaps investors are hardening their position due to market conditions, though given the settled nature of good leaver circumstances, even in challenging markets this may be considered aggressive.

We note the inclusion of unfair dismissal as a good leaver event rose slightly to 13% from the 11% seen in 2024 which broadly seems to be where the data has settled probably in light of the enduring popularity of intermediate leaver.

Conversely, we saw a rally in the use of wrongful dismissal as a good leaver event (20% up from 6% in 2024). Investors often tend to resist wrongful dismissal as a good leaver category due to concerns that technical breach of an employment contract (for example, not technically serving notice in the correct form, or not fully complying with a contractual performance management procedure for an executive) should not in itself justify elevating to good leaver. A technical wrongful dismissal can of course also overlap with bad leaver categories (such as gross misconduct), leaving uncertainty as to whether the leaver then falls within the good or bad (or very bad) leaver.



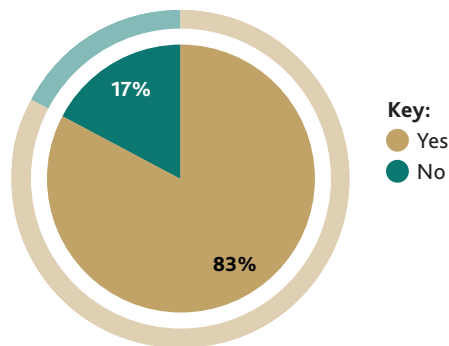
Intermediate leaver

The prevalence in the use of intermediate leaver on deals declined from its usage in 94% of relevant deals in 2024. Nevertheless, the fall to 83% of deals in 2025 from last year's high still represents a strong showing (higher than the 76% of relevant deals seen in 2023) and underlines the use of intermediate as an acceptable compromise which rewards managers for their contribution to value creation prior to termination where they do not fall within good leaver, bad leaver or (if applicable) very bad leaver categories. This is particularly useful as it avoids often contentious negotiations around unfair dismissal versus good leaver categorisation.

Intermediate leaver structures typically involve managers' sweet equity 'vesting' typically over a 4 or 5 year period, commonly starting after the first anniversary of completion, though sometimes later, and usually capping out at 80% to 100% of the leaver's shares depending on bargaining position. Vested leaver shares can be forfeited at cost which then enables the equity to then be recycled more efficiently to other existing or incoming managers at a more affordable price (subject to tax advice).

The data over recent years suggests intermediate leaver is nearly as common as good leaver and bad leaver categories and we do not expect this to change, even if the deal environment shifts significantly in favour of investors, as it is often considered to be an equitable solution for investors and managers irrespective of deal environment.

Is intermediate leaver concept included?

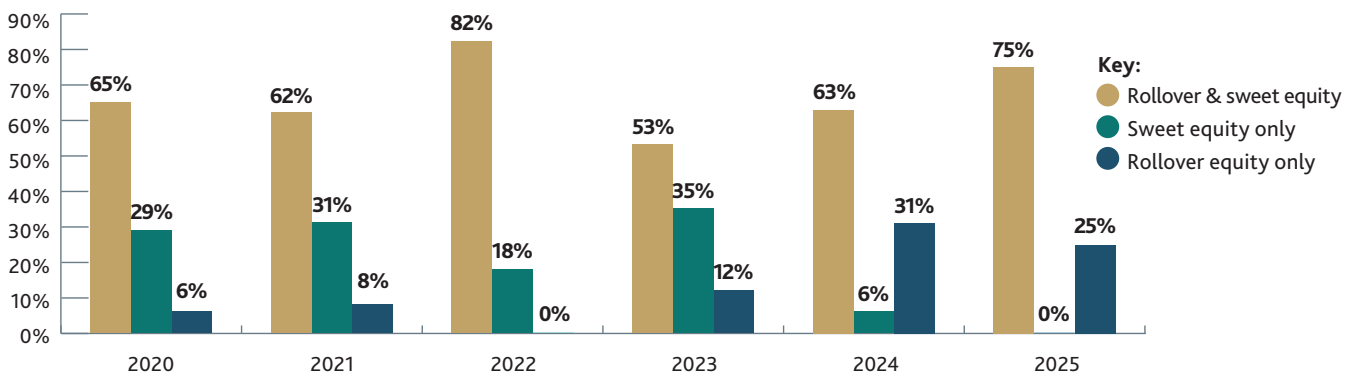


Leaver provisions – application to rolled equity

The application of leaver provisions to both rollover and sweet equity continues to dominate, though as noted in previous years, in terms of rollover, the provisions generally tend to apply more to serious bad leaver/very bad leaver events. Where a manager is a good leaver or intermediate leaver we would not typically see rollover equity coming up for sale (though we do see it at times). However, the position seems to be settled that rollover equity is not

the great untouchable it once was where managers held firmly onto it come what may. In 75% of surveyed deals, the application of leaver provisions to rollover as well as sweet is approaching the peak of 82% seen in 2022 (then considered anomalous), reinforcing the seemingly acceptable position that, albeit only for more serious circumstances, rollover will generally be subject to leaver provisions.

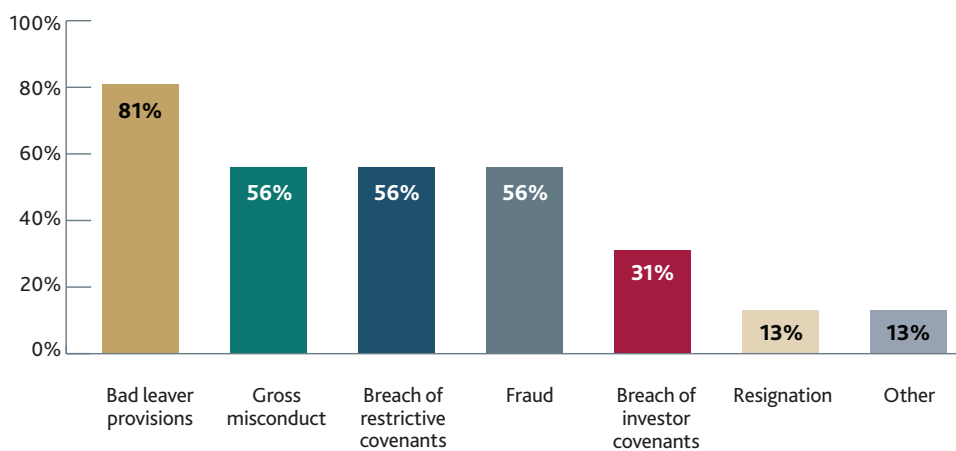
What classes of shares do leaver provisions apply to?



Which leaver provisions apply to rollover equity?

The use of bad leaver continues to dominate those leaver circumstances which apply to rollover equity, rising 1 percentage point to 81% in 2025. We note a fall in the use of gross misconduct, fraud and breach of restrictive covenants, which feels out of kilter with our experience. The inclusion of these leaver events are fairly

common although they may be captured indirectly under broader leaver terminology such as summary dismissal, which could conceivably cover gross misconduct, breach of restrictive covenant or fraud. The reason for their fall in use therefore may be more a case of drafting nuance than a substantive shift in use.



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Loan notes and preference shares

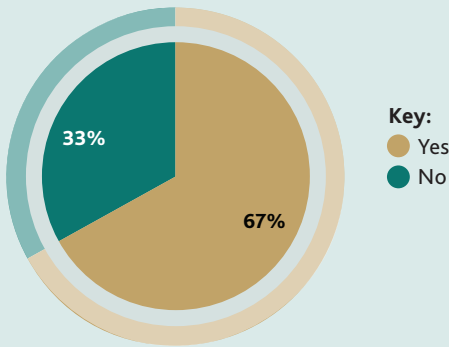
We saw a significant increase in the use of loan notes in 2025, rising from 48% of surveyed deals to 67% although the use of preference shares (44%) came out almost identical to that seen in 2024 (43%).

An interest rate or coupon of 10% on loan notes and preference shares proved to be the most dominant in 2025. For loan notes, the use of this rate increased to 56% of all deals from the 44% seen in 2024. For preference shares the 10% rate featured in 65% of deals, nearly doubling the occurrence seen in 2024 (33%). We suspect that, for both loan notes and preference shares,

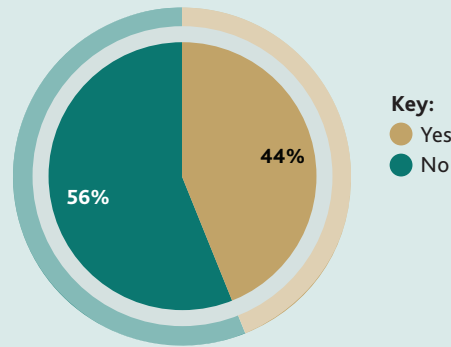
this can in part be explained by the gradual reduction in Base Rate seen during the year and with the uncertain financial and geo-political environment it is likely this position will remain through 2026 with 10% being the rate seen on a majority of deals (assuming Base Rate does not increase in the short term).

We observed an unusual contraction in the use of 12% coupon rate on preference shares, appearing in 26% of deals. We would normally expect the rate to align more closely with the use for loan notes and so this may simply be a quirk of the data.

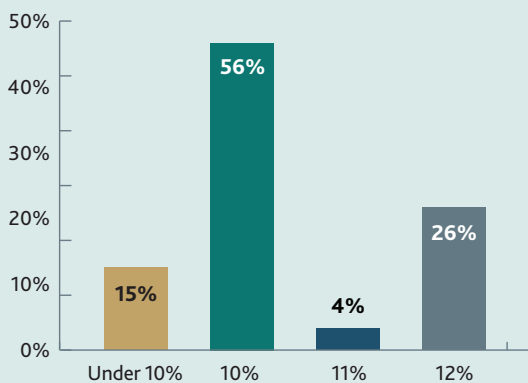
Were investor loan notes issued?



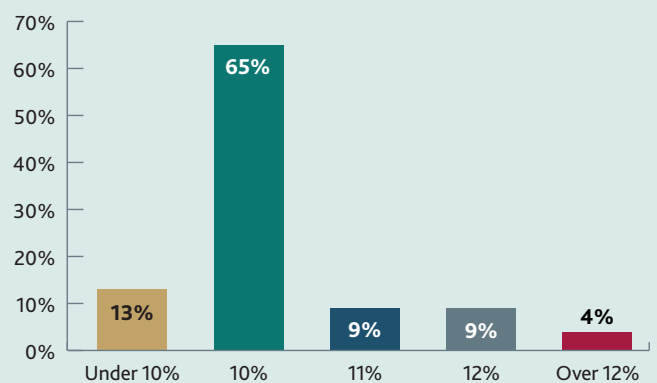
Were preference shares issued?



What was the interest rate on investor loan notes?



What was the coupon on the preference shares?



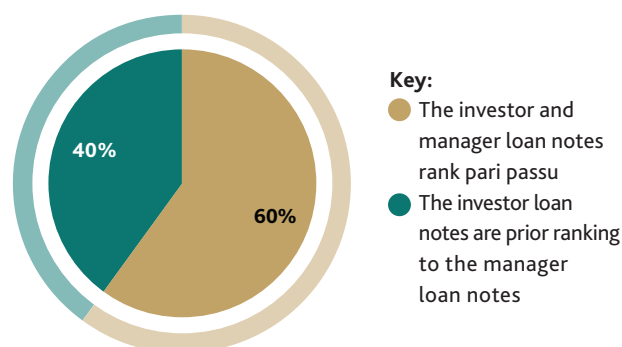


Ranking of loan notes

In prior years, we reported growing investor acceptance of equal ranking between investors and management on institutional strip loan notes. This trend has possibly been influenced (at least in part) by concessions on equal ranking made by investors during the frenetic deal activity during the Covid era (which was generally considered to be management friendly). Before to this period, prior ranking in favour of investors was seen as standard. Despite the appearance of equality, another feature in investors getting comfortable are the contractual protections within the documents which often contrast with the veneer of equal ranking. This may include equal ranking other than in a "downside scenario" (e.g. sale at an undervalue) where investors' loan notes may be paid out first. We also see provisions preventing managers enforcing their rights on events of default where the power of enforcement will generally rest with investors (subject always to any existing rights of senior lenders under wider financing arrangements). Investors will also generally require the ability to deal with management's loan notes, though this will often be on the proviso the same or equivalent amendments are made or consents or approvals are given in relation to the investors' loan notes.

All this being the case, we have reported a decrease in equal ranking over the last few years after the high point of the Covid era where we saw it featuring in 81% of surveyed deals in 2021. The position in 2025 was identical to the prior year with equal ranking featuring on 60% of deals, though this was down from 78% seen in 2023. Despite this reduction, equal ranking, often with qualifications, remains generally acceptable to many investors, whereas historically it was considered to be a strict investor red line.

How do the investor and manager loan notes sit for ranking purposes?



Swamping rights

The position on swamping rights remained reassuringly consistent following a reduction in the use of banking covenant breach as a swamping event in 2023. We would typically expect this to occur on all PE deals where the swamping concept is used, but in that year it featured in only 92% of deals rather than the usual 100%, which we considered unusual. As predicted, breach of banking covenants returned to 100% in 2024 and, as can be seen from the graph below, the result for 2025 is identical.

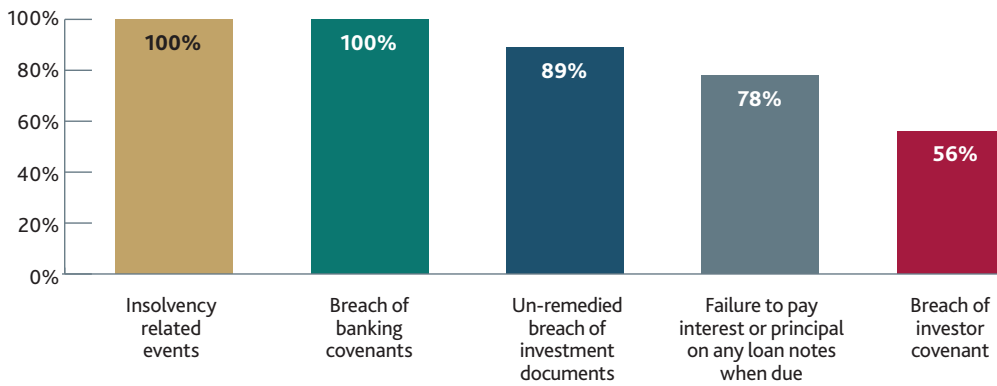
In 2024 we observed an increase in the use of insolvency related swamping events after noting a reduction over the years prior to last year. Again, it is notable (and consistent with our experience) that we have seen a further increase in its use to 100% of relevant deals after featuring in 90% last year. It would seem therefore that for both banking covenant breaches and insolvency events, for the purposes of swamping, normal business has been resumed.

In relation to breach of investor covenants, the upward trend observed in 2024 (rising to 50% from 33% in 2023) continued in 2025, featuring in 56% of deals.



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If the investment agreement contains "swamping rights", in what circumstances can investors invoke these rights



Employment perspectives

In this new section for our 2026 report, we have invited the Pinsent Masons Employment & Rewards Team to share their perspectives on emerging trends and practices they are observing as employment advisers in the context of M&A and PE transactions.

Bolt-on M&A

In the HR and employment law space, one of the clearest trends we are observing in private equity is the growing impact of the buy-and-build model on restrictive covenant protections. Traditionally, restrictive covenants in both employment contracts and investment agreements have followed a familiar pattern with the inclusion of non-compete, non-dealing, non-poaching and non-solicitation provisions which have remained largely unchanged for decades. However, as buy-and-build strategies become increasingly central to value creation, we're seeing some investors shifting towards more bespoke restrictions to sit alongside and complement more traditional covenants. In particular, some investors are pushing for covenants specifically preventing managers from acquiring, investing in or providing funding to potential bolt-on targets they became aware of during their employment. These provisions aim to stop individuals from leveraging deal intelligence or due diligence conducted in-house to "poach" a confidentially identified target for the benefit of their new employer or fund if they move on.

Although we have yet to see a test case on the enforceability of these newer bolt-on related covenants, they are likely to act as a deterrent. They also sit naturally alongside existing non-compete and confidentiality obligations, reinforcing the protections that PE investors rely on when pursuing buy-and-build strategies.

International management teams and restrictive covenants

With remote working now firmly embedded in modern business culture, we're seeing a marked rise in genuinely multinational management teams – even for predominantly UK-based businesses. This might mean executives spread across jurisdictions with responsibility for local operating units, or something as simple as a France or Germany based non-executive director joining the board of a UK portco. While this brings valuable diversity of experience and cultural perspectives, it also raises a practical challenge for PE investors: how best to protect their portcos when key individuals sit under different legal regimes.

Where we have multi-jurisdictional management teams, we are therefore seeing a shifting trend towards jurisdiction-specific schedules or addenda, governed by local law and containing tailored restrictive covenants that each manager signs up to on a country-by-country basis. This is to reduce enforcement risk on jurisdiction-specific grounds.

We expect this trend to continue as cross-border management teams become more common rather than the exception.



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European perspectives



Germany

The total volume of transactions in the German market in 2025 was similar to the volume in 2024.

In 2025 however, private equity investors surpassed strategic buyers in the German transaction market, accounting for more than 50% of all transactions, demonstrating the increasing importance of private equity investments in Germany. It is noticeable that private equity investors were involved in 69% of small and medium-size deals announced during 2025. While corporates slightly reduced their activity, private equity remained stable in terms of both deal number and deal volume. Investments continue to be made primarily in mid-sized and family-owned target companies. Private equity investors were active across nearly all sectors, especially technology, industrials and infrastructure.

While the technology sector recorded a slight decline in deal activity due to strong competitive pressure on the market and relatively high asset valuations, activity in industrial manufacturing increased, with lower valuations and reduced competition creating attractive opportunities. Private equity investors from the United States benefited particularly from these conditions. Another sector attracting interest from PE investors in 2025 has been energy and infrastructure which has been driven by the need for many companies to modernise their energy supply as well as their facilities and processes as part of their decarbonisation efforts. We expect this interest will continue in 2026, particularly considering the €500 billion special fund for infrastructure and climate neutrality passed by the German government in 2025.

Like elsewhere, the economic environment remained challenging in 2025, particularly due to economic uncertainties and geopolitical developments. The more restrictive policies of central banks, in particular rising interest rates, made it more difficult for investors to raise funds and close deals.

Also, the introduction and frequent recalibration of US tariffs added risk to large cross-border transactions. Nevertheless, fund managers have been adapting by expanding their strategies and exploring new concepts such as private loans and new asset classes such as infrastructure. Despite these challenges, the private equity market provided a solid foundation for investments in Germany.

In terms of the number of transactions in Germany, US private equity firms once again showed the greatest interest in German targets. They were responsible for 141 transactions, accounting for 25.3% of all private equity investments since the beginning of 2025. Private equity investors from the Netherlands recorded the second-highest number of transactions in 2025, with 76 transactions, increasing their activity compared to the previous year. Private equity investors from the United Kingdom ranked third with 72 deals, accounting for 12.9% of all transactions. However, UK activity is slightly reduced compared to 2024.

Outlook: Europe's defence sector is undergoing a structural transformation, shifting from a consolidated, policy-sensitive environment to a viable investment frontier as governments boost spending and investor perceptions on investor in defence evolve. Investment opportunities are emerging, particularly in cyber security, surveillance technology and artificial intelligence.

Therefore, new sectors and opportunities will open-up for investments in 2026. Despite fluctuating conditions, we expect private equity investors to be resilient and demonstrate their enduring ability to will adapt and cope with the uncertain and changing deal landscape.



The M&A market began strongly in Ireland in 2025, with the early part of the year seeing a solid increase in deal volumes. While the number of deals rose (499 deals compared to 464 in 2024), overall deal values did not increase, resulting in a greater number of transactions at more balanced valuations. This was mainly due to the absence of any "transformational transactions" or very large, high-value deals comparable to those seen in 2024. As a result, there was only a modest increase in deal activity when compared with previous years. Despite this, the attraction of mid-sized Irish acquisitions remained compelling for dealmakers.

Private equity continued to play a crucial role in Irish M&A activity. PE deals took place across the pharmaceutical, financial services and technology sectors, with almost a quarter of all Irish M&A transactions involving a PE component. PE dealmakers viewed Ireland as an attractive jurisdiction for investment, they became more calculated and focused on the Irish market. Contrasted with 2024, PE activity throughout 2025 showed significant growth. Similar to the wider M&A market, PE transactions were generally lower in value but higher in volume. Nonetheless, PE investors (both UK and international) remained strongly attracted to Ireland as a location for executing deals with Ireland being considered as a central jurisdiction for Europe's future.

Although global tensions persisted, deal activity across Irish sectors continued to grow throughout 2025, with expectations of similar momentum into 2026. The life sciences sector recorded the highest deal values, along with the financial services sector. This emphasises the continued interest of PE investors in Irish-based businesses. International buyers also remained active. In the first half of 2025, almost two-thirds of all transactions involved overseas purchasers, with UK and US deal makers maintaining strong interest and completing several transactions across a wide range of sectors. Notwithstanding the introduction of Ireland's new foreign investment screening requirements, cross-border activity continued to show momentum.

Interestingly, Irish business owners increasingly view PE ownership as a viable and "mainstream" option for succession planning and growth. This reflects a cultural shift from traditional family ownership to more partnership-based models involving PE firms. The trend of consolidation among insurance brokers, accountancy practices, wealth managers and law firms continued throughout 2025, resulting in greater efficiencies within the professional services landscape, efficiencies that PE firms continue to encourage.

In Ireland's diversified industrials sector, M&A activity continued to be driven by mid-market consolidation and long-term investment programmes, particularly in water-related infrastructure and services. For example, water treatment firm CSG Chemical Solutions announced its proposed acquisition of Celtic Watercare in January, reflecting a broader trend of industrial groups scaling their operations to meet increasing environmental, regulatory and efficiency demands. This activity aligns with market indicators suggesting that industrial businesses supplying essential inputs and technical services are well positioned for growth as Ireland's water industry undergoes significant transformation supported by capital investment and strengthened regulatory frameworks. Construction services also experienced healthy growth, with deal volumes increasing by 33 per cent year-on-year. Significant acquisitions in this sector included CRH's acquisition of Gibson Brothers and Turner's acquisition of Dornan Engineering.

Fundraising activity by Irish PE funds remained buoyant, with MML, Erisbeg and Claret Capital all raising new funds in 2025 in an aggregate amount of €440m, targeting investment in high growth Irish businesses.

Overall, the past year demonstrates that the Irish M&A market remains strong, diverse and increasingly driven by PE activity. Although total deal values declined from earlier peaks, the consistent rise in mid-market deal volumes indicates continuing confidence among both Irish companies and international investors. With strong company balance sheets, available PE capital, and ongoing activity in financial services, technology, construction and life sciences, Ireland is well positioned to maintain this momentum into 2026. The breadth of activity across sectors, combined with persistent interest from PE firms and international buyers, suggests that mid-market transactions will continue to form the backbone of Ireland's M&A landscape.



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Luxembourg

The economic conditions enabling PE transactions deteriorated throughout 2025 across Europe and globally. Difficulties and uncertainties surrounding both investment and divestment decisions persisted. Businesses with exposure to the United States faced heightened operational challenges, influenced in part by certain policies introduced by the new government. For many private equity participants, deal activity appeared to stabilise at lower levels, both in terms of transaction volumes and deal values.

Tariffs and concerns about international conflicts had a marked impact on PE activity in Luxembourg during 2025, contributing to a notable decline in activity. The pressure on valuations reflected in global financial markets naturally extended into PE transactions, resulting in considerable impairment of assets held in portfolios. Pricing on the secondary transactions was particularly affected, with valuations suffering significantly under these conditions.

Despite this environment, market practices that had become standard in previous years continued largely unchanged in 2025, with no perceptible shifts in the preparation, negotiation or final terms and conditions of PE transactions compared with earlier periods.

Nonetheless, 2025 also marked a significant consolidation of PE as an asset class capable of delivering strong returns, with continued developments in investment entry points and diversification across both value and inherent risk exposure. As across Europe, the Luxembourg PE industry increasingly focused on addressing two major issues likely to create transactional bottlenecks: the diversification of the investor base to allow for variations in portfolio maturity, and outreach to investors from different origins and geographies. This also involved pursuing new sources of liquidity by appealing directly to wealth investors and alternative funds through a range of targeted fundraising initiatives. Target assets and anticipated exit timelines are expected to adjust accordingly.

Regulatory attention followed the evolution of European ESG legislation, particularly the revised timeline introduced under the new omnibus wording of the CSRD, which again postponed the implementation required to ensure compliance with reporting regimes. On a local level, Luxembourg announced or introduced several notable innovations to the PE framework. Two key developments stand out: the design of a new carried interest regime aimed at supporting PE firms operating in Luxembourg, and the forthcoming rules intended to facilitate initial capital subscriptions in private limited liability companies. These rules would allow the deferral of capital payments until they coincide with transactional fund flows, thereby improving flexibility in capital allocation.

Luxembourg continues to be a jurisdiction of choice for PE transactions, serving as a key platform for Western hemisphere PE funds, and all indicators suggest it will remain central to transactions that bridge global markets. This remains true for investments using both Luxembourg-based funds and acquisitions or control executed through the country's well-established special acquisition vehicles. Beyond traditional PE-friendly sectors—such as real estate, utilities, and infrastructure—large-scale investment in artificial intelligence-driven businesses, a defining trend of 2025, appears likely to expand further into 2026.

We also observe a rise in the number of PE investors establishing a presence in Luxembourg, accompanied by increasingly substantial local teams. Their target markets continue to diversify and are now almost entirely cross-border, frequently extending into more remote regions of Europe and beyond. There is broad consensus that this reflects Luxembourg's highly favourable environment from both tax and legal perspectives, reinforcing its position as a preferred jurisdiction for PE activity.





Netherlands

The Dutch mid-market grew steadily in 2025 as stable financing and narrowing valuation gaps brought buyers and sellers together. Entering 2026, momentum continues, driven by strong demand for recurring-revenue businesses.

Deal terms in the Netherlands reflected a rational yet competitive environment. Cash-at-closing structures became the norm and deferred elements decreased. Management roll-over grew more flexible, with leaver terms tailored to retention. Locked-box mechanisms and W&I insurance remained standard across mid-market transactions. Timelines continued to compress as AI-enabled diligence accelerated financial, legal and operational workstreams, but less so for real-time portfolio monitoring and AI-driven deal sourcing as we have seen in the UK.

After muted exits in previous years, we saw the return of fully structured auction processes in the Dutch mid-market in 2025. Sellers invested earlier in vendor analysis and data quality to reduce execution risk, while buyers placed scrutiny on digital maturity, supply-chain resilience and ESG. These themes mirror the UK, although UK processes have been shaped more visibly by tariff and geopolitical caution.

The investor base in the Netherlands combines local institutions with US and pan-European sponsors, similar to the investor base in the UK. We see however differences in the financing mix. Private credit remains highly competitive in both jurisdictions, but the UK leads in the portion of private-credit and hybrid capital solutions. In the Netherlands, we expect the availability of private credit to increase and this competitive lender landscape should keep terms favourable for high-quality credits.

Dutch mid-market activity is expected to concentrate around technology and software (scalable SaaS, cybersecurity, data-rich services), energy transition (electrification, grid technologies, infrastructure), science-based industrials (automation, advanced manufacturing) and healthcare and life sciences (diagnostics, specialist care, med-tech). Financial and professional services have traditionally been strong sectors in the Netherlands. In the UK, although there is some overlap with technology; financial and professional services are even more prominent. The Netherlands, meanwhile, demonstrates greater balance across industrial technology, energy transition, and healthcare, which reflects the country's local expertise in these areas.

We expect a moderate but meaningful increase in Dutch mid-market activity in 2026, as stabilised financing and tighter valuation spreads draw more assets to market. Structured auctions are becoming the default format, evidencing renewed seller confidence and data-driven process design. Financing will be interesting, flexible private-credit solutions should support certainty and speed, while competitive tension between lenders keeps pricing and covenant terms attractive.

Transaction structuring will continue to evolve. Continuation vehicles which we have seen becoming common in the UK, are rising in the Netherlands as sponsors seek to extend hold periods for strong assets while providing LP liquidity. At the same time, AI-enabled value-creation plans will become more and more the standard, focusing on automation, predictive analytics, pricing and operational efficiency. Exit options are slowly improving. Although the UK could see more IPO's, the Netherlands is expected to continue focusing on secondary and strategic buyer-led exits.

Strengthened fundamentals, disciplined processes and increasingly flexible capital, will ensure the Netherlands remain a leading European hub for mid-market private equity in 2026. The Dutch market shows continuous momentum, a balanced mix of banks and private-credit and a broad sectoral spread in technology, energy transition, industrial technology and healthcare.



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Spain

Following a year marked by significant transactions in the PE sector and a continued decrease in interest rates, it is anticipated that this level of transactional activity will continue throughout 2026.

As in 2025, the beginning of 2026 is marked by geopolitical uncertainty, with ongoing tensions in the Middle East, Latin America and Europe, which may initially give rise to caution when making investment decisions. However, as occurred in 2025, interest rates continue to trend downwards and, while they remain elevated, they continue to incentivize PE investors to maintain the investment level achieved in 2025, given that the prospect of achieving higher future returns remains attractive.

In general terms, PE investors identified Spain as a highly appealing investment destination during 2025, as evidenced by the significant transactions carried out over the course of the year, including Cinven's acquisition of Universidad Alfonso X El Sabio, H.I.G.'s acquisition of Avanta or EQT's acquisition of Adevinta. This appeal, together with the expansion of foreign PE investor teams operating in Spain, suggests that the pace of deal execution throughout 2026 is expected to continue along the same path.

Likewise, local PE investors remain actively engaged in expansion strategies through transactions designed to enhance the future profitability of their portfolios, by identifying synergies between newly acquired companies and those already held and maximizing the overall value generated across their investments.

Notwithstanding the foregoing, and despite the expected continuation in the growth of investment activity, a substantial portion of transactions are expected to be driven by divestment processes, pursuing two principal objectives: (i) to ensure that distributions to LPs are maximized, and (ii) to facilitate the reinvestment by LPs of part or all of those proceeds alongside the GP, either in connection with new investments or through participation in new funds that GPs are planning or targeting.

From a legal perspective, and in line with the trends observed in 2025, W&I insurance and locked-box mechanisms are expected to remain standard market practice, given the certainty and risk allocation advantages these structures provide to purchasers. In addition, investments by PE investors in minority positions are becoming more frequent, accompanied by customary control and exit mechanisms.

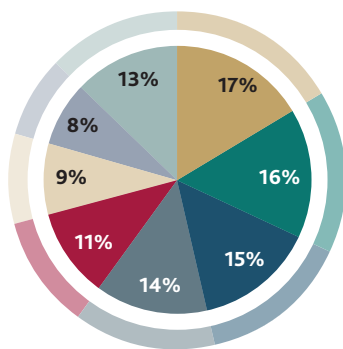


Survey methodology

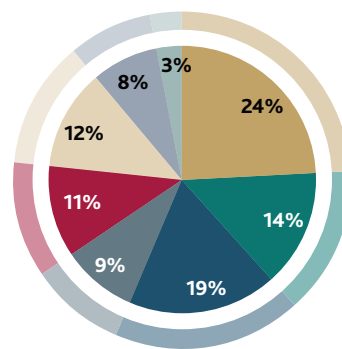
This report is primarily based on an analysis of the key terms and conditions in M&A and private equity transactions advised on by Pinsent Masons during 2025. The dataset covers 103 transactions with an aggregate deal value of £3.3bn. Approximately two-thirds of the transactions analysed were strategic acquisitions, with the remaining third comprising private equity transactions.

In the warranty and indemnity section, the analysis is supplemented with data from WIISPA, while the private equity section is supplemented with data from Arrowpoint Advisory.

Transactions by sector



Transaction value by sector



- Key:**
- Business Services
 - Diversified industrials
 - Financial Services
 - Energy
 - TMT
 - Retail & Consumer
 - Life Sciences & Healthcare
 - Other



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