bizval global Ltd.

PROPRIETARY RESEARCH JUNE 2026

UK Mid-Market Macro & Geopolitical Report

How fiscal reform, capital behaviour, and geopolitical uncertainty are reshaping the UK mid-market deal environment - covering valuations, deal structure, and practical transaction guidance.

COVERAGE PERIOD	MARKET SEGMENT	CLASSIFICATION	PREPARED BY
Through 30 May 2026	UK Mid-Market	Confidential	bizval Ltd

£143BN
UK CROSS-BORDER M&A, YTD 2026

18%
BADR RATE FROM 6 APRIL 2026

Jim McLaughlin
bizval Ltd, United Kingdom

Executive Summary

The UK mid-market enters mid-2026 in a structurally recalibrated environment. The two-stage increase to Business Asset Disposal Relief is complete: from 6 April 2026 the rate sits at 18%, up from 10% two years ago. The window for tax-motivated exit acceleration has closed, and the market is adjusting to that baseline.

What is emerging is not stagnation but a more disciplined, structurally sophisticated deal market. Cross-border activity targeting UK-listed companies has reached £143bn year-to-date - on course for one of the strongest years on record - with inbound deals alone accounting for a record £123bn. Yet total UK deal volumes fell 12% in 2025 even as value rose 12% to £131bn. Foreign buyers, drawn by a persistent valuation discount, are leading the charge.

For mid-market participants, the defining dynamic is quality over quantity. Fewer deals complete, but those that do command premium pricing and deeper diligence. Deal structure - earnouts, deferred consideration, rollover equity - now carries the weight that headline price alone once bore.

Two live risks frame the second half of the year. The Iran conflict and the threat of disruption to the Strait of Hormuz place energy, freight and insurance costs - and therefore normalised EBITDA - under active challenge in supply-chain-exposed sectors. Separately, European dependence on US AI infrastructure is becoming a valuation and regulatory factor, not merely an operational one. UK M&A in mid-2026 is not retreating; it is repricing. Those who approach deals as structuring exercises, not simply pricing negotiations, are best placed to transact.

Executive summary continued

Trend	Implications	Actionable insight
BADR is now 18% - the pre-April window has closed	• Tax-motivated exit acceleration has run its course • Seller focus shifts from timing to structure • Net proceeds and after-tax outcomes define acceptable deals	*Structuring - earnouts, rollovers, deferred consideration - must now do the work the tax window previously drove.*
UK deal value rising even as volume declines	• Total UK deal value up 12% YoY to £131bn • Average deal size up 28%; quality commands premiums • Volumes fell 12% in 2025 - concentration in fewer, larger deals	*Position assets with clear growth narratives and defensible earnings - competition for quality is intensifying.*
Foreign buyers at record levels - the UK discount is being acted upon	• £143bn cross-border volume YTD - near-record pace • Inbound deals at £123bn - a record for the period • FTSE discount vs US and European peers persists	*Benchmark value against international comparables, not only local precedent transactions.*
Iran conflict & the Strait of Hormuz: live energy and supply-chain risk	• Active conflict risk to global energy transit routes • Energy, freight and insurance premiums at risk of rapid escalation • Normalised EBITDA under challenge in energy- and logistics-exposed sectors	*Stress-test EBITDA for energy and freight escalation in diligence; treat current normalised margins as conditionally stable.*
Geopolitical friction is structural, not temporary	• US tariff volatility weighed on Q1 2026 momentum • UK-US trade arrangement provides partial relief • Middle East and Ukraine conflicts sustain supply-chain uncertainty	*Build protective mechanisms - collars, earnouts, hedging - into structures as a matter of course.*
Private credit and hybrid structures now define mid-market financing	• Banks remain selective on risk and leverage • Private credit offers speed, flexibility, competitive pricing • Earnouts and vendor loans increasingly bridge valuation gaps	*Integrate financing strategy into deal design from the outset - structure shapes viability as much as price.*

Jim McLaughlin
Head of UK & Europe
jim@bizvalglobal.com

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This report maps the UK mid-market deal environment at the midpoint of 2026 - the post-April fiscal baseline, a value-up/volume-down market, record inbound capital, and two developing geopolitical risks: the Iran conflict and Strait of Hormuz, and European technology dependency on US AI infrastructure. It sets out practical guidance for sellers, buyers, and owners.

Key indicators (change versus prior reporting period)

Figures are the most recent published readings as of the 30 May 2026 data cut-off. See footnotes and citations.

Indicator	Latest	Prior	Read for UK mid-market
BADR rate	18%	14% (2025/26)	Tax timing is no longer a lever; focus shifts to after-tax structure.
CGT main rate (upper)	24%	20% (pre-30 Oct 2024)	Higher headline CGT raises the bar for acceptable net proceeds.
Employer NIC (secondary)	15% / £5,000	13.8% / £9,100	Embedded margin pressure; scrutinised heavily in EBITDA add-backs.
BoE base rate	3.75%	3.75% (held)	Easing paused on sticky inflation and energy risk; relief is marginal.
UK GDP growth (2026f)	0.90%	1.4% (2025)	Subdued organic growth makes M&A-led expansion relatively attractive.
UK deal value (2025)	£131bn	£117bn (2024)	Value concentrating in fewer, larger, higher-quality transactions.
UK deal volume (2025)	2,991	3,411 (2024)	Selectivity rules; quality assets draw competition, middling assets stall.
Cross-border M&A (YTD 2026)	£143bn	~⅓ of this a yr ago	Benchmark value against international comparables, not just local precedent.
Inbound M&A (YTD 2026)	£123bn (Record)	Not available	US bidders dominate; the overseas buyer universe is well-capitalised.

Sources: HMRC / Autumn Budget 2024; House of Commons Library; Bank of England; PwC UK M&A Trends; LSEG / Reuters; S&P Global Market Intelligence; IEA. Year-on-year conventions follow each publishing source. See citations [1]-[10].

01 Fiscal and tax landscape

BADR at 18%: the new baseline for business disposals

The Business Asset Disposal Relief (BADR) rate increased to 18% on 6 April 2026, completing the two-stage uplift announced in the Autumn Budget 2024 (10% to 14% in April 2025, then 14% to 18%). All qualifying disposals from 6 April 2026 are subject to the 18% rate, with no further transitional period and the £1m lifetime cap unchanged.

The maximum BADR benefit, measured against the 24% main CGT rate, has fallen from £140,000 to £60,000 on the £1m cap. The relief remains meaningful, but its value as a deal accelerator has materially diminished. Attention has shifted to after-tax net proceeds, deal structure, and the economics of exit across multi-year horizons. Anti-forestalling rules also mean a pre-deadline contract does not preserve the lower rate unless it was an unconditional excluded contract entered into for wholly commercial reasons - sellers who sought to crystallise gains pre-April should confirm their position with advisers.

The April 2026 deadline has passed. Sellers should now plan around the 18% rate as a permanent baseline and focus on structuring deals that optimise the full after-tax outcome rather than waiting for the next policy window.

Employer NICs: structural cost pressure continues

The employer National Insurance changes from the Autumn Budget 2024 - the secondary Class 1 rate rising from 13.8% to 15% and the secondary threshold falling from £9,100 to £5,000 - took effect in April 2025 and are now fully embedded in operating cost structures. Their impact is a present-tense reality in management accounts, EBITDA normalisation, and buyer diligence:

- **Labour-intensive sectors**: hospitality, manufacturing, construction and healthcare face the most acute valuation pressure, with buyers scrutinising employment-cost add-backs particularly hard.
- **Consolidation catalyst**: higher NIC costs have accelerated interest from strategic consolidators targeting headcount and shared-services synergies.
- **Automation premium**: technology-enabled, asset-light businesses retain premium multiples, insulated from employment-cost inflation.

02 Macroeconomic environment

Subdued growth, cautious sentiment

The UK economy continues to expand modestly. Real GDP growth of around 0.9% is projected for 2026 (S&P Global Market Intelligence; the IMF's comparable figure is 0.8%), reflecting weak productivity, fragile consumer spending and business sentiment still recovering from fiscal headwinds. The Autumn Budget 2025 provided some clarity and conditions have stabilised, but the backdrop for organic growth remains challenging - making acquisition-led expansion, efficiency gains and consolidation relatively more attractive.

Deal activity: value up, volumes down - quality defines the market

UK M&A in 2025 was bifurcated. Total volumes fell 12% to 2,991 transactions, yet total value rose 12% to £131bn, with average deal size up 28% (PwC). In the mid-market, volumes held up comparatively well, supported by bolt-on acquisitions, cross-border interest and consolidation in business services, technology, financial services and healthcare; PE bolt-ons accounted for over half of PE deals. Into H2 2026, deal preparation accumulated through 2025 is expected to convert into completions as confidence and financing visibility improve.

Quality over quantity is the current market reality. The best assets attract intense competition and premium valuations; middling assets are far harder to move. Preparation, positioning and a credible equity story are now preconditions for a successful process.

Interest rates and financing conditions

The Bank of England cut its base rate to 3.75% in late 2025 and has held it through mid-2026, with further easing tempered by inflation and energy risk. Ten-year gilt yields remain around 4.5%. Financing costs are improving only at the margin, and the structural shift toward private credit as the primary source of acquisition finance is unlikely to reverse. Private credit funds continue to expand - offering speed, flexibility and competitive pricing where bank appetite is constrained - and cross-border co-lending between US and UK specialists is driving higher leverage tolerance for quality borrowers.

03 Geopolitical and cross-border dynamics

US tariffs: disruption absorbed, uncertainty persists

The early-2026 US tariff measures created a period of disruption - slower deal momentum, longer investment-committee approvals, and stress-tested pricing in supply-chain-exposed sectors. Markets rallied quickly and a UK-US trade arrangement has provided meaningful relief for transatlantic exposure, but residual US-China tensions still ripple through to UK companies via input costs, margin-forecasting complexity and FX volatility. Buyers are maintaining wider sensitivity ranges, applying more conservative assumptions for import- and export-dependent businesses, and using protective structures - pricing collars, margin-linked earnouts and FX hedging - that were less standard in prior cycles. High-import-intensity sectors (manufacturing, electronics distribution, pharmaceutical inputs) face the most acute tariff-related scrutiny.

UK inbound M&A: foreign buyers at record levels

Cross-border activity targeting UK-listed companies has surged to £143bn year-to-date in 2026 - a near-record pace - with inbound deals accounting for a record £123bn, driven by the structural discount at which UK assets trade versus US and European peers. The FTSE's persistent discount, an established regulatory framework and a predictable takeover market make UK businesses compelling targets, particularly for US acquirers. High-profile approaches - EQT's proposed £9.4bn acquisition of Intertek (the largest UK private-equity takeover since 2007), Schroders and Unilever's food division - illustrate the scale of inbound interest. For mid-market sellers, valuation benchmarking against international comparables is now essential.

FX dynamics: selectivity over urgency

Sterling's late-2025 appreciation has moderated - though not eliminated - the currency tailwind for USD and euro buyers. FX is now best read as a contextual factor reinforcing the UK's relative-value appeal rather than a primary deal driver. The overseas buyer universe is active, well-capitalised and prepared to compete, meaning domestic buyers may struggle to win on price alone without strategic synergies.

Iran conflict and the Strait of Hormuz: a live risk to energy costs and deal margins

The ongoing US-Iran conflict and the associated risk of disruption to the Strait of Hormuz represent the most significant live geopolitical risk to the global economy as this report publishes in June 2026.

Roughly one-fifth of global oil and LNG transits the Strait; any sustained closure or reduced throughput would transmit rapidly into energy input costs, freight rates and marine insurance premiums across virtually all sectors of the UK mid-market. This is not a background risk - it is active and developing, with direct valuation consequences for energy-intensive, logistics-exposed and import-dependent businesses. It directly challenges the reliability of normalised EBITDA as presented in marketing materials; buyers underwriting margin sustainability will stress-test these assumptions, and sellers should pre-empt rather than wait for diligence. Three practitioner consequences follow:

- **Scenario-based margins**: EBITDA normalisation in energy-intensive sectors requires explicit scenario analysis, not a single-point assumption. Sellers who pre-empt buyer sensitivity ranges with their own analysis control the framing.
- **Earnout design**: in affected sectors, earnouts should be built around margin outcomes rather than revenue alone, so they remain achievable across energy-cost scenarios.
- **Discount-rate construction**: independent valuations should reflect elevated geopolitical risk in the cost-of-capital inputs applied to energy-exposed or internationally supply-chain-dependent businesses.

AI dependency and the UK/European technology sovereignty question

The rapid integration of AI into UK and European business models has created a structural dependency on US hyperscaler infrastructure that is now attracting regulatory and strategic scrutiny. The EU AI Act, the UK's divergent post-Brexit approach to AI governance, and the debate around data sovereignty together make a business's technology stack a valuation, regulatory and geopolitical question - not merely an operational one.

Three considerations are emerging in diligence and valuation:

- **Regulatory risk premium**: businesses whose service delivery depends on US-hosted AI face potential disruption under evolving UK data-localisation and AI-governance frameworks - a forward-looking risk not yet consistently priced.
- **Sovereignty premium**: businesses on UK- or European-hosted AI and cloud infrastructure are attracting incremental interest from buyers anticipating tighter requirements - an emerging rather than established premium, but the direction of travel is clear.
- **Independent validation**: the market is differentiating between AI that genuinely enhances defensible earnings and AI as a narrative overlay. Demonstrating measurable AI-driven margin or revenue improvement will increasingly require third-party substantiation rather than management assertion.

Shareholder activism and regulatory perimeter

Shareholder activism is now a permanent feature of UK deal origination. 2025 was a record year globally (255 campaigns, Barclays), with M&A demands featuring in roughly half of campaigns - activists function as a parallel origination channel, forcing strategic reviews and carve-outs. The CMA's continued focus on private-equity roll-ups adds a regulatory dimension to origination, and the Digital Markets, Competition and Consumers Act 2024 has expanded the perimeter, particularly for transactions involving digital platforms or significant technology components.

04 Valuation in a repricing environment

Buyer and seller EBITDA are not the same number
The buyer-seller valuation gap has narrowed - most GPs reported in late 2025 that it had reduced - but the underlying asymmetry has become more technically complex rather than disappearing.

Sellers anchor on inflation-adjusted earnings and nominal EBITDA highs from 2023-24; buyers underwrite against margin sustainability in a structurally higher-cost environment, applying more aggressive normalisation and resisting multiple expansion where earnings quality cannot be evidenced.

Buyer scrutiny of add-backs intensified through 2025, with reduced acceptance of one-off adjustments - COVID-era distortions, executive restructuring, capitalised development. A 10% rejection of proposed add-backs can compress enterprise value by a full turn of multiple or more, forcing either price renegotiation or a structural solution.

Precision about which earnings will be capitalised, at what multiple, and under what assumptions is the defining valuation skill in this market. Early alignment with buyer-validated - not seller-proposed - EBITDA determines whether processes complete or stall.

Earnouts and contingent consideration: the new normal
Earnouts have moved from deal-saving fallback to core architecture, particularly in consumer, business services and asset-light sectors, deferring the pricing debate from negotiation to execution and transferring valuation risk to the period in which margin durability can be evidenced.

On tax, most performance-based earnouts are treated as unascertainable consideration under UK case law (the Marren v Ingles principle): the right to future payments is a separate asset, with an initial gain on upfront consideration only and subsequent receipts triggering separate CGT events.

Under the 18% BADR rate this can offer indirect deferral, though it does not guarantee a lower overall liability and requires careful structuring. Sellers who introduce clear, tightly governed earnout frameworks early are better placed to shape negotiations; those who resist earnouts on principle may face a narrower buyer universe and weaker leverage on headline price.

05 Strategic implications and outlook

Tax-driven structuring after April 2026
With the BADR deadline passed, the conversation has shifted from timing to architecture. Rollover equity is gaining prominence as a means of deferring tax crystallisation while retaining upside in sponsor-backed transactions - minority rollovers align sellers with future value creation, provided governance and exit mechanics are carefully structured, and are especially relevant where sellers back the acquirer's operational thesis. Hybrid funding stacks - private credit combined with vendor loan notes or deferred consideration - increasingly enable deals that would otherwise struggle to clear, and let sellers earn incremental return while supporting completion certainty. Successful sellers now act as structuring partners, not passive price recipients.

Three scenarios for the remainder of 2026

Base case - gradual, back-end-weighted recovery
Rates decline measuredly, inflation stays contained, and the Q1 2026 stabilisation extends. Held-back pipeline converts to completions, momentum building in H2. Activity is selective - resilient cash flows, clear growth, demonstrable earnings quality - and cross-border interest sustains pricing tension.

Downside case - geopolitical shock disrupts fragile confidence
Escalation of the Iran conflict and sustained disruption to the Strait of Hormuz is the named leading risk: an energy price shock transmits into input costs, inflation and rate expectations across the UK and Europe. Renewed FX volatility and tariff dynamics spread risk-off sentiment to deal approvals; timelines extend and activity retreats to defensive sectors. Earnouts and deferred consideration become critical to enabling deals that can no longer be priced with confidence on a clean upfront basis.

Upside case - infrastructure- and technology-led acceleration.
Government infrastructure commitments - offshore wind, grid expansion, data-centre investment - catalyse a renewed investment cycle drawing domestic and international capital. AI-driven demand for digital infrastructure and energy creates buyer conviction that overrides macro caution; high-conviction sectors attract premium pricing, with a confidence spillover into the broader mid-market.

06 Footnotes and citations

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11. Earnout tax treatment as unascertainable consideration derives from the Marren v Ingles (1980) line of UK case law; specific structuring should be confirmed with tax advisors.