# Private Equity

## Mid-Market Review H1 2026

*What returning confidence means for dealmaking, value creation and exits.*

Walker Morris

# Outlook: H2 2026

As we look to H2 2026, we're seeing a PE market ready to move — but still disciplined about where it commits capital. The opportunity is there. The winners will be the sponsors and management teams that can evidence growth, show operational grip and move quickly when the right asset comes to market.

*Capital is back. Selectivity never left.*

**01**
Sustained ***exit activity***, primarily via secondary and structured routes

**02**
Continued dominance of ***mid-market and add-on transactions***

**03**
Potential ***gradual reopening of IPO markets***

**04**
Ongoing ***inbound investment*** into the UK

**05**
Continued pursuit of ***large strategic acquisitions***

**06**
Increased emphasis on ***operational value creation***, including digital transformation and margin expansion

**07**
***Availability of dry powder and debt markets***

**08**
Ongoing ***competition for high-quality assets***

For sponsors and management teams, the second half of 2026 will reward preparation. The strongest outcomes will go to those that can evidence growth, improve efficiency and present a platform capable of attracting premium valuations at exit.

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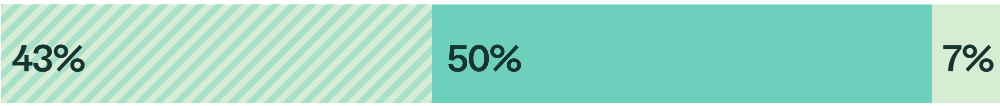
# Deals data

## M&A Trends

Across the H1 2026 transactions we've advised on, we're seeing a market that is stable in its foundations but sharper in execution. Familiar structures remain, but they are being used with more precision, more selectivity and a clearer focus on certainty.

Sponsors are choosing pragmatic solutions over aggressive positions. Tools such as W&I insurance, locked box pricing and completion accounts are being deployed according to the deal's risk profile, not because convention says they should be.

### **Pricing mechanisms:** A balanced but cautious approach

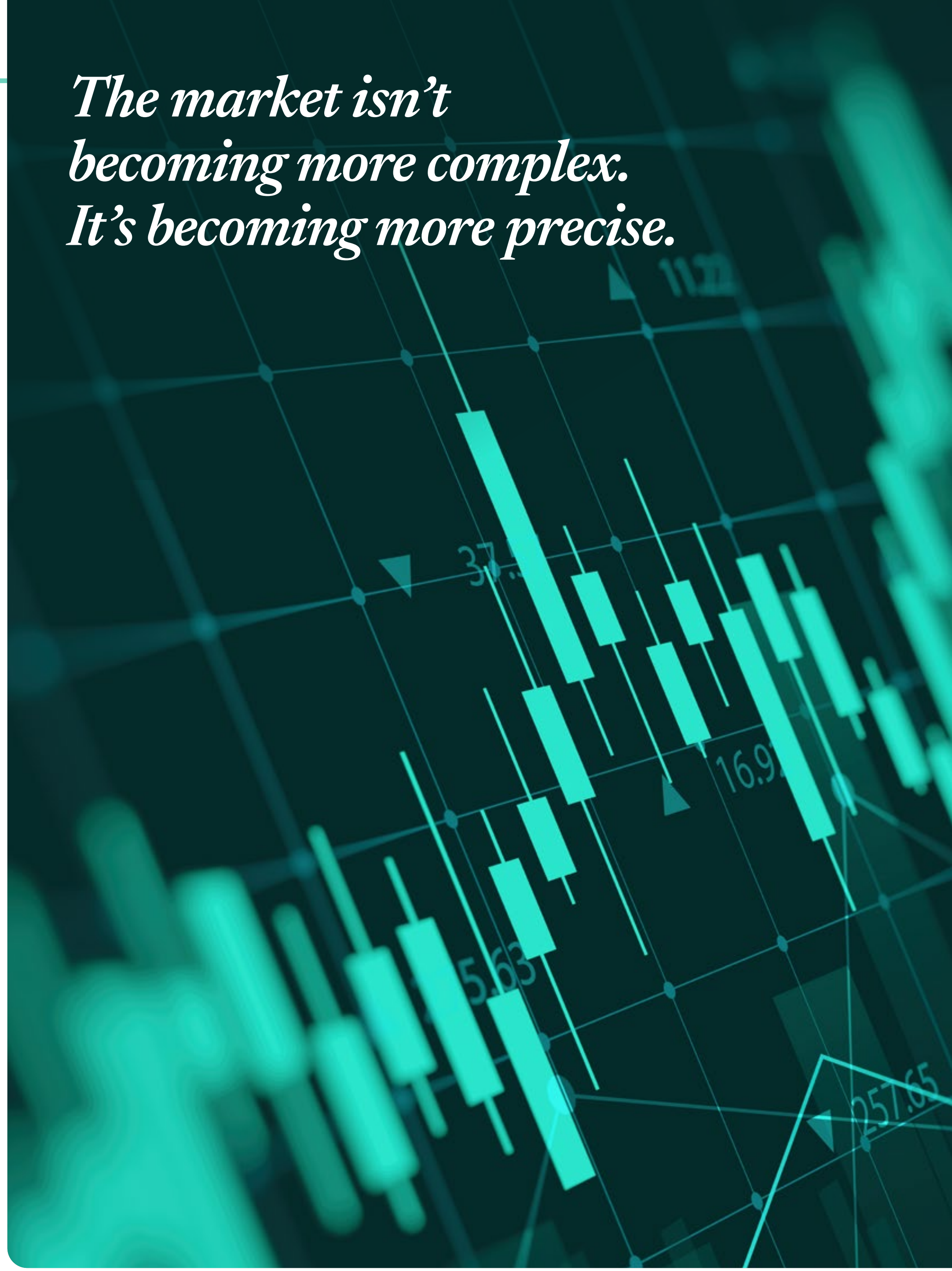



**Mechanism**

*Locked box* *Closing accounts* *Other bespoke*

We're seeing pricing mechanisms used as a deliberate allocation of financial risk, rather than as a default market convention.

Locked box remains important in competitive processes. But where trading performance, working capital or value stability is less certain, we're seeing buyers — particularly US inbound acquirers — push more naturally towards completion accounts.



## **Execution structure:** Regulatory impact on deal timings


**Structure**

*Simultaneous* *Split Exchange*


**Split Exchange Condition**

*Regulatory Approval* *Financing Conditions* *Change of Control*

We're still seeing simultaneous exchange and completion as the preferred route. Where deals split, it is usually because external approvals or consents create unavoidable execution risk. The prevalence of regulatory approvals in split exchange transactions underlines the practical impact of CMA and NSIA considerations on timetables, conditionality and deal architecture.

That risk now needs to be managed earlier. We're seeing more focus on conditions precedent, longstop dates and termination rights, with buyers seeking flexibility if warranties are breached or conditions are not satisfied before completion.

Locked box claim periods also show settled market practice, with timing conventions remaining embedded even as other aspects of deal structuring evolve.

## **Restrictive covenants:** Stability with increasing sophistication

Restrictive covenant provisions continue to align with established norms, but there is increasing sophistication in how they are applied.

Shorter periods are occasionally used for more junior management, while some deals calibrate restrictions to role and influence. The underlying market position is stable, but drafting is becoming more tailored.

## **Consideration structures:** Cash remains king


Cash consideration remains the clearest marker of sellers' preference for certainty of value in the current market.

Alternative consideration remains strategically useful, particularly where buyers need to align management, retain key individuals or bridge valuation gaps.

However, its more limited use compared with pure cash structures indicates that alignment remains secondary to price certainty in most processes.

## More precise deal-doing

Across H1 2026 activity, we're seeing stability in core legal structures but greater precision in execution. The familiar protections around warranties, covenants, liability and management equity remain. The difference is how carefully they are now being calibrated to the risk profile, economics and commercial objectives of each deal.

The market is not changing structurally. It is becoming more targeted. Sponsors are spending their negotiation capital where it will change outcomes: certainty, economics, alignment and value protection.

# Management equity:
## Settled protections, sharper incentives

*The legal fundamentals are not the battleground.*

Where management reinvestment is involved, we're seeing the same core protections appear consistently: additional warranties, proportionate liability exposure and restrictive covenants. That framework is settled.

Where the market is moving is in the economics. Sponsors are using management equity more deliberately to drive alignment, retention and value creation. Loan notes remain common, often with a minority equity component. Hybrid instruments, including preference shares, are being used where sponsors want to fine-tune the balance between downside protection and upside participation.

### What we're seeing in practice

***Loan note-heavy structures*** are being used where sponsors want downside protection and predictable returns.

***Equity participation*** remains important where the priority is upside alignment and management commitment.

***Hybrid instruments*** are being used to tailor the risk-return profile to the specific deal.

***Vesting mechanics*** are doing more work. We're seeing four-to-five-year vesting, staggered schedules and occasional cliff structures used to keep management focused through the early ownership period.

## Leaver provisions

We're seeing more focus on intermediate leaver categories, giving sponsors and management teams more flexibility than a binary model. Management teams are also seeking broader good leaver protection for more nuanced personal circumstances, including caring responsibilities.

That said, the shift remains limited. In the deals we're seeing, broader flexibility usually sits with the board or investor discretion rather than being hardwired into the drafting.

## Competitive distinction vs core legals

The legal fundamentals are not the battleground. They are largely settled. Competitive distinction now comes from how intelligently sponsors use the available tools — pricing, reinvestment, vesting and incentive design — to align management behaviour with the investment case.

**This is the sharper point from the deals we're seeing:** terms are not becoming more complex for complexity's sake. They are becoming more targeted. For sponsors, that means the real negotiation advantage sits in process design and commercial calibration, not in re-fighting settled legal positions.

# W&I insurance

We're seeing a competitive W&I market, but cover is no longer just a process point. The quality of diligence now makes the difference between broad cover and a difficult underwriting process.

## What we're seeing

**01**
Pricing is broadly stable and retentions continue to reduce, with tipping-to-nil structures regularly available.

**02**
Materiality and knowledge scrapes, synthetic tax protection, interim breach cover and broader loss formulations are increasingly available where the diligence supports them.

**03**
Cyber, data protection, tax, ESG and environmental risk remain key underwriting pressure points. Thin diligence means narrower cover, more exclusions and slower execution.

## The practical point

W&I strategy needs to start early. It should shape diligence, SPA drafting and negotiation strategy from the outset — it should not be treated as a bolt-on once the main deal terms are largely settled.

## Usage in our dataset

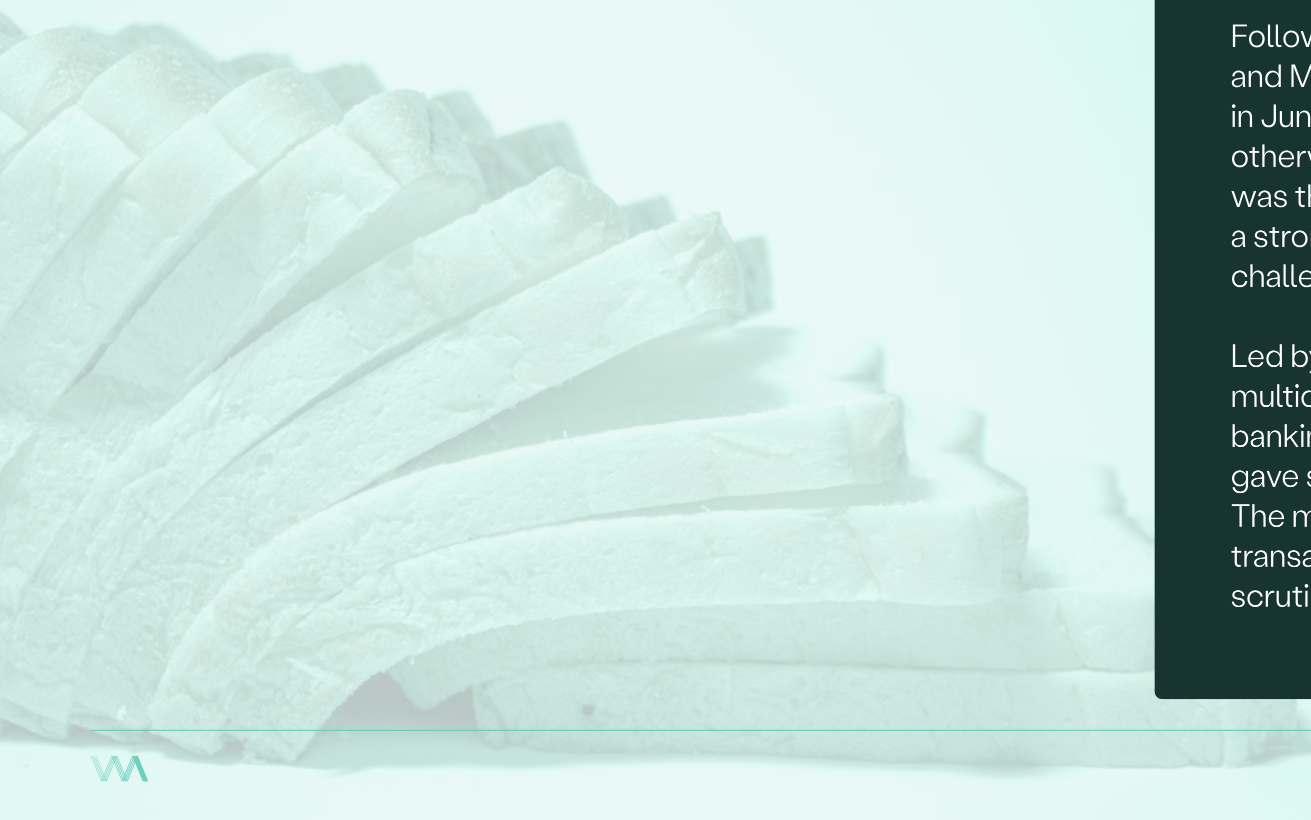
| | |
|---|---|
| 60% | *Deals with W&I* |
| 40% | *Deals without W&I* |

**Direction of travel:** W&I remains a valuable deal tool, but advantage now sits with buyers who can tell a clean risk story, backed by proper diligence.

# Sector spotlight: Food & Drink

We continue to advise national and international food & drink businesses across product categories, channels and temperature regimes, from established manufacturers to plant-based alternatives.

We're seeing food & drink assets attract interest where resilience comes with a route to value creation. Sponsors are backing businesses that can protect margin, respond to changing consumer habits and improve performance through pricing, channel mix, automation, supply chain efficiency or buy-and-build.



## *Hovis*

We recently advised Endless LLP on the sale of Hovis to Associated British Foods, supporting the transaction from its announcement in August 2025 through to completion in July 2026.

The deal brought together two of the UK's best-known bakery businesses, combining Hovis with Allied Bakeries, owner of brands including Kingsmill. The transaction reflects a key trend in the Food & Drink sector, aimed at creating a stronger and more sustainable business through synergies.

Following an extensive Phase 2 review, the Competition and Markets Authority granted unconditional clearance in June 2026, accepting that Allied Bakeries would otherwise have exited the market. The transaction was therefore recognised as an opportunity to create a stronger and more sustainable bakery business in a challenging sector environment.

Led by Debbie Jackson and Sarah Ward, our multidisciplinary team spanning M&A, competition, banking, employment, tax, IP, commercial and real estate gave specialist advice at all stages of the transaction. The mandate demonstrates our ability to support complex transactions where strategic consolidation, regulatory scrutiny and long-term value creation are closely linked.

# Recent deal highlights

**Food & Drink**
Acted for Endless on its sale of KTC Edibles to Whitworths Food Group

**Food & Drink**
Acted for Ingå Group on its acquisition of JM Posner Limited

**Manufacturing & Logistics**
Acted for Endless on its acquisition of the Anochrome Group

**Manufacturing & Logistics**
Acted for Sorb Industri on the acquisition of MaxiMover

**Manufacturing & Logistics**
Advised on the acquisition by Schulke & Mayr GmbH of Redditch Medical

**Technology**
Acted for Total Capital Partners on the MBO of Radiocoms, the UK's leading critical communications provider

**Technology**
Acted for HSI on the acquisition of HandsHQ

**Defence**
Advised Quantum-Systems GmbH on its acquisition of Nordic Unmanned UK Limited

**Defence**
Advised Darktrace, on its acquisition of Cado Security

**Energy & Infrastructure**
Acted for Endless on its acquisition of the Ecobat Battery Group

**Energy & Infrastructure**
Acted for EA Technology on the acquisition of Fundamentals Limited

**Energy & Infrastructure**
Acted for Magnesium Capital on its acquisition of ABEC

# Sum-up: 2026

The market is moving again, but not indiscriminately. Across the deals we're seeing, capital is available, debt is more workable and exit routes are opening up — but only for assets with a clear equity story, resilient performance and credible growth levers.

For sponsors and management teams, the winners in H2 will be those who can show exactly where value will come from, how it will be delivered and why they deserve a premium outcome.

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