Navigating Uncertainty:

M&A Trends and Outlook for the UK and Beyond

H1 2025

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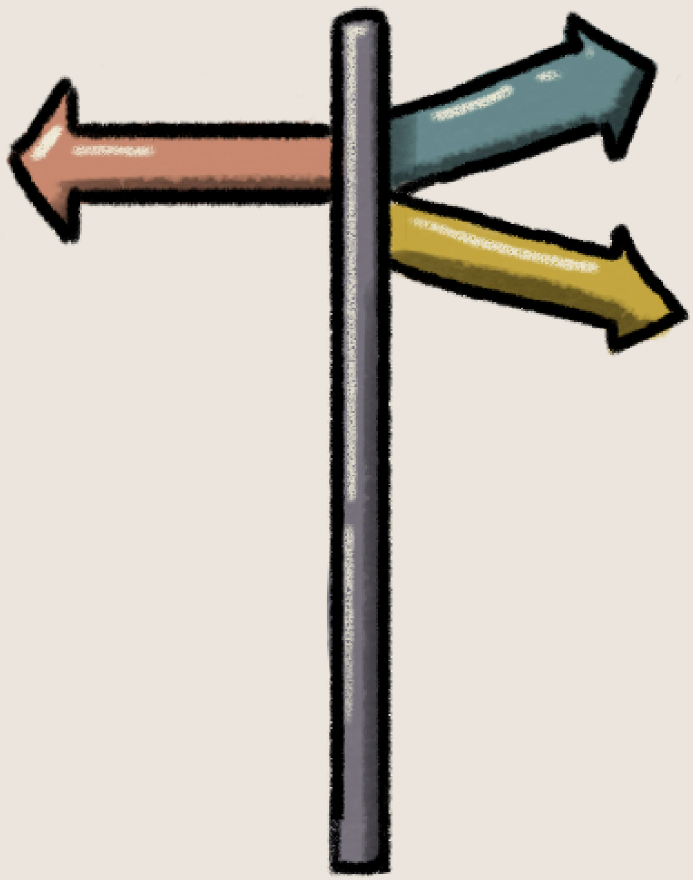
Overview

Turbulence persists, yet optimism remains

2025 has been a turbulent year for M&A markets across the globe. We began with optimism, expecting activity to rebound after a difficult 2024, when deal values reached historically low levels as a percentage of global GDP. However, that positive outlook faded during the first half of the year.



Markets have struggled under the weight of new tariffs affecting global trade, political uncertainty, deepening conflicts, and unfavourable inflation and interest rate movements.

These conditions have created significant challenges for dealmakers and reshaped the global M&A landscape, though there are reasons for cautious optimism for the second half of 2025.

Global market trends

Global M&A activity has slowed, though high-value and resilient deals continue to attract dealmaker attention

By April 2025, tariffs had become the main concern for many. Global markets suffered a significant hit, and business activity slowed sharply. Continued conflicts in the Middle East and Ukraine have further compounded uncertainty.
More recently, government debt has become a central issue, escalating in the US and dominating political debate in France. Interest rates have risen steadily throughout the post-COVID period, with inflation reaching record highs, and have yet to return to levels that could be considered normal.

Despite these challenges, some key patterns have emerged:

Volume down, value up: Global M&A volumes fell 9% in H1 2025 compared with the same period in 2024. Yet, average deal values rose 15%[1], highlighting a more selective market.

Shift to domestic deals: Investors increasingly favour locally focused transactions, particularly in services and sectors less exposed to tariffs.

Technology and defence have held up well, supported by AI adoption and government defence spending. In contrast, tariff-sensitive sectors, such as materials and automotive, have suffered.

Resilience premium: High-quality companies with strong cash flows and proven track records continue to command strong valuations. Investors are gravitating toward businesses with demonstrable resilience and lower perceived risk.

AI in dealmaking: Generative AI is transforming the M&A process, identifying targets earlier, sharpening valuations, streamlining due diligence, and improving returns. This is contributing to a "fewer but better" dealmaking environment, where lower volumes are offset by higher-value, higher-quality transactions.

[1] PwC – Global M&A Industry Trends: 2025 Mid-Year Outlook
PricewaterhouseCoopers. (2025, June 24). Global M&A industry trends: 2025 mid-year outlook. PwC. Retrieved from https://www.pwc.com/gx/en/services/deals/trends.html

The UK Situation

The UK market has shown signs of life, though volatility remains the defining feature

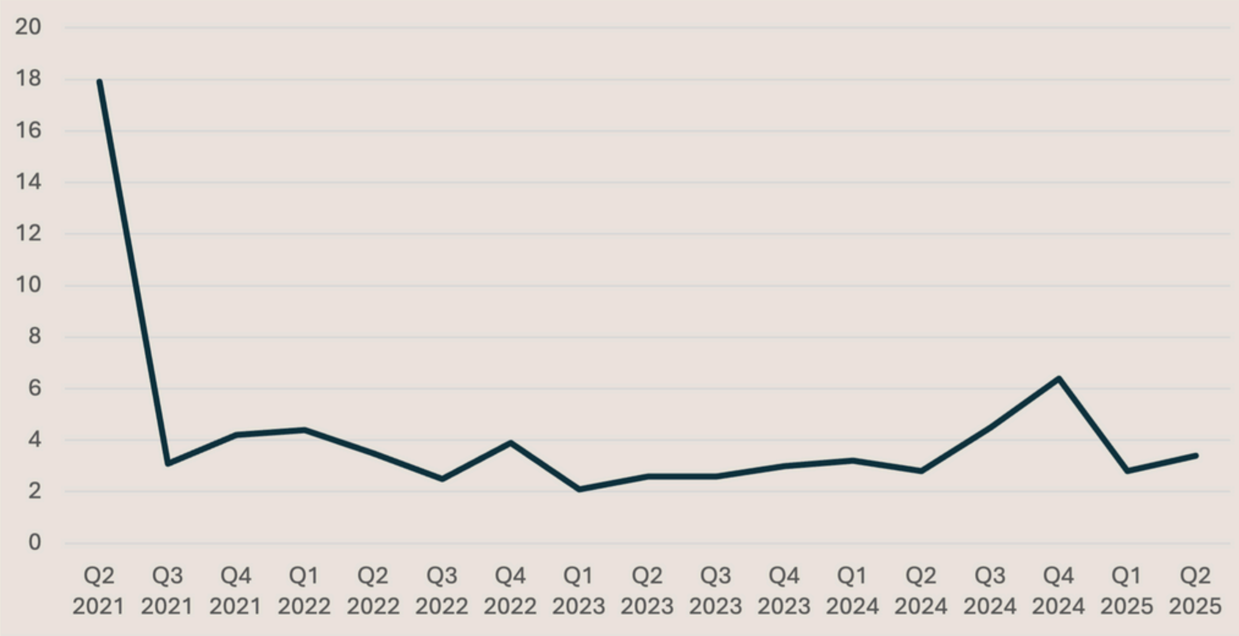
M&A activity picked up in Q2 2025, with 501 transactions completed - an increase of 89 from Q1 according to ONS data[2]. April was particularly strong, helping offset a subdued start to the year. H1 volumes, however, remain below 2024 levels over the same period.

Deal Volume by Quarter (UK)

While volumes rose in Q2 2025, domestic deal values lagged. Q1 saw values fall back to post-COVID lows, followed by only a modest £0.6 billion recovery in Q2. Historic volatility persists, with gains often erased in subsequent quarters.

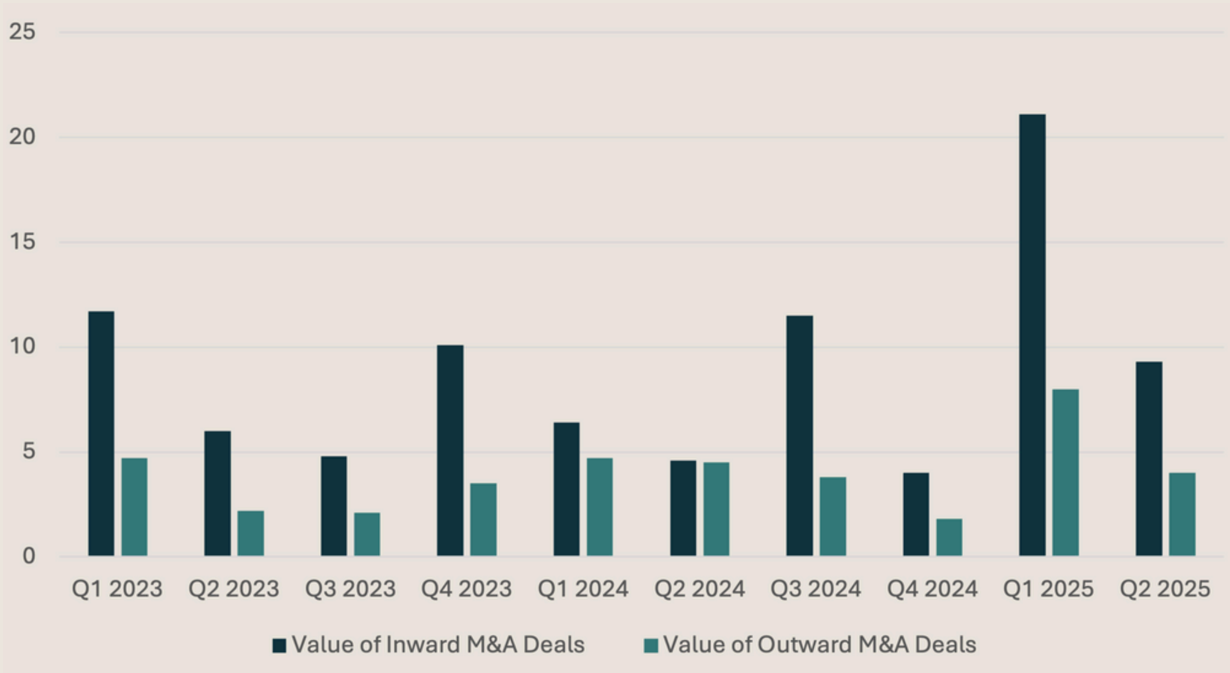
[2] Office for National Statistics – Mergers and Acquisitions Involving UK Companies: April to June 2025
Office for National Statistics. (2025, September 2). Mergers and acquisitions involving UK companies: April to June 2025. ONS. Retrieved from https://www.ons.gov.uk/businessindustryandtrade/changestobusiness/mergersandacquisitions/bulletins/mergersandacquisitionsinvolvingukcompanies/apriltojune2025

Total Value of Domestic M&A in the UK post-Covid (£Bn)



Both inward and outward M&A values fell. Outward activity halved to £4 billion, while inward fell sharply from £21.1 billion in Q1 to £9.3 billion in Q2. This follows a strong Q1, when inward deals had quadrupled, underscoring the impact of tariff uncertainty and the growing bias toward domestic transactions.

Value of Inward and Outward Deals in the UK (£Bn)



Conclusion and outlook

Who will be best positioned in the new era of M&A?

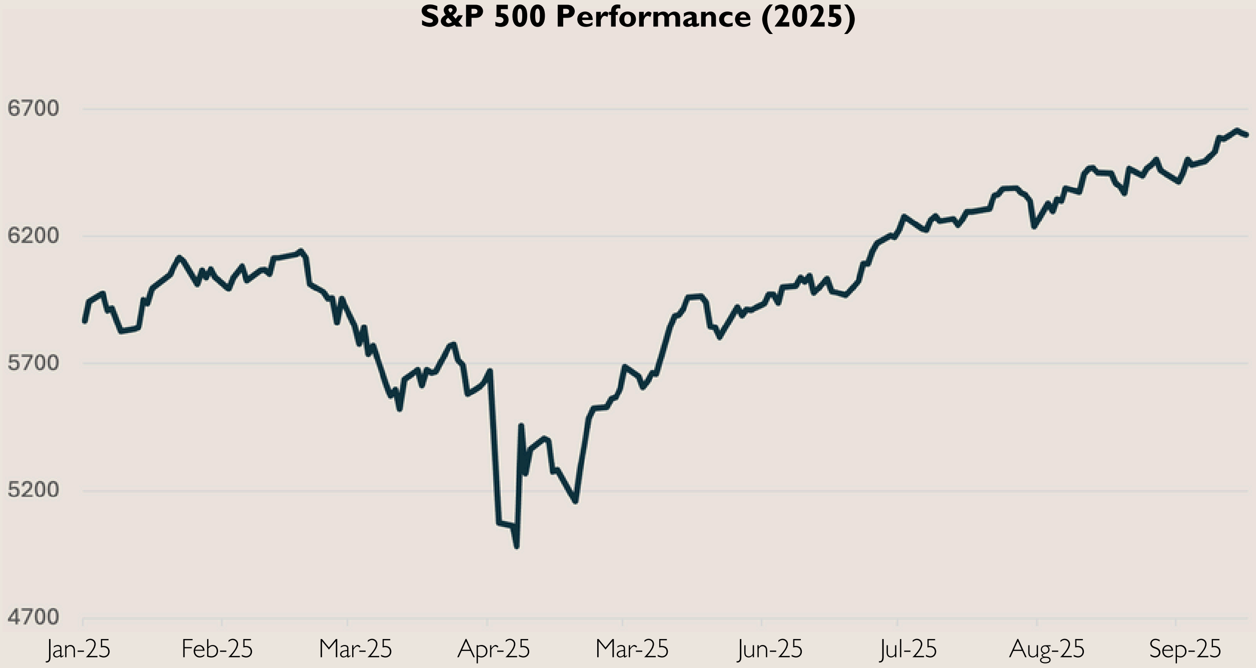
Uncertainty is here to stay.
Having weathered COVID-19 and its aftermath, the M&A market now faces higher interest rates and rising political instability, creating a backdrop that is less forgiving and more risk-averse. Looking ahead, these pressures are unlikely to dissipate quickly, with inflation and geopolitical tensions continuing to shape investor sentiment.

Successful dealmakers will be...

- Adapting to the environment
- Leveraging AI
- Looking for quality revenue
- Focusing on strong cash flow
- Actively managing external risk

However, there are two reasons for cautious optimism.

- Equity markets have rebounded strongly, signalling renewed confidence.
- Cross-border activity shows early signs of stabilisation as tariff effects crystallise.



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We're a boutique corporate finance firm that works side-by-side with tech founders, shareholders and investors to deliver exceptional M&A outcomes.

We don't stop until the right acquirer is found, the best terms negotiated, and the deal signed.

2010
Founded

£10-£50m
Deals specialists

+£3 billion
Aggregated deal value

35 deals
Completed since 2012

Our Team

We're a team of experienced advisors, former investors, and sector specialists.

Each of us brings a different perspective, but we're united by a shared belief in hard work, thoughtful approach, and seeing the deal through.

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