

# EXPERT INSIGHTS

forvis  
mazars

## Navigating Value Creation: Insights on Market Shifts and Strategic Growth



### FRED DEARDEN

Head of Private Equity Advisory, Forvis Mazars

**Fred Dearden, Head of Private Equity Advisory at global professional services firm Forvis Mazars, discusses upcoming macro and micro economic changes that will impact on private equity strategies in the UK with Sofia Karadima.**

“Value creation is as important as it probably ever has been in private equity,” says Dearden, who leads Forvis Mazars’ Private Equity relationship programme across its advisory practice.

As Dearden reflects on the last 10-plus years as an M&A practitioner, during which he has experienced an extended low interest rate environment drive deal activity and a trend towards rising prices, which today has been halted due to rises in interest rates following a number of external market events, such as Brexit, COVID-19, and wars across Europe.

“Deal doing is not as straight forward as it was. There is more complexity and challenge on every transaction. This has prompted PE firms to dig deeper into available value levers, particularly in areas they may have either overlooked or not considered previously,” he says.

### **Creating value through talent and tech**

While talent management and retention, improvements in technology, systems and operational efficiency remain central value creation levers, new strategies have emerged. “Typically, the first 18 months of investment would focus on professionalising core areas of a business and looking to create a sustainable platform for organic and inorganic growth,” he adds. “Today, firms are realising that putting these investments and plans in place from the beginning of the investment are as vital as ever.”

A significant example of this has been the assessment of technology and cyber risks across all types of businesses, which might often have not been undertaken on transactions historically. “Investing in these areas not only mitigates downside risks but also creates growth opportunities, especially if a business’ strategy to use technology aligns with its growth ambitions,” Deardon explains.

Another area of increased focus for private equity firms in both their own business and the investments they are making is sustainability and ESG (Environmental, Social, and Governance) criteria. As Dearden explains, a decade ago ESG principles, work streams and diligence were rarely seen on transactions and across portfolios, but now are now becoming essential, as firms need to demonstrate compliance with market standards and demonstrate value they are adding when they come to exit their portfolio companies.

### **Stability drives transaction volumes**

Since July's general election the UK has a degree of certainty over its outlook, which Dearden believes will support deal activity. "Throughout H1 2024 there was some uncertainty in the deal market as the general election loomed. Having had a clear outcome from that, the next focus became the budget [in October], with business owners and their advisers having one eye to potential tax increases that would impact businesses and transactions.

Several deals rushed through to meet that budget deadline, but we now expect there to be strong activity into early next year both in anticipation of the end of the tax year but also as the market has returned to some level of normality."

Reflecting on the broader investment climate, Dearden points out that, despite a sluggish 12 months of deal volume, recent months have shown positive momentum. "Interest rates are coming down (they were reduced in November, and further rate cuts expected in 2025), which will support the affordability of transactions and likely increase volumes as a result. Combined with this, there is significant supply of capital within the private equity market that should ultimately drive a need for more deal activity", he says.



*...a decade ago ESG principles, work streams and diligence were rarely seen on transactions and across portfolios, but now are now becoming essential.*

"Founders and business owners in some cases will have been contemplating a transaction for years and will have held off due to challenging market factors and trading conditions, many of which have either reduced or disappeared altogether. Based on our pipeline and these market factors, we expect a more vibrant 12 months ahead."

### **Bolt-Ons vs Exits**

Bolt-on acquisitions have become a staple of the private equity toolkit, despite challenging market conditions, Dearden says. "Bolt-on activity has remained strong, especially among PE firms looking to materially grow platforms through targeted acquisitions in fragmented markets. With one eye to exit, there is now a greater focus on ensuring that each acquisition adds value to the platform, rather than just buying scale," he says.

As private equity houses increasingly rely on bolt-on strategies, as analysed in a recent [Actum report](#), Dearden expects the trend to persist. "Several platforms and investors specifically target buy-and-build

strategies in fragmented markets where there is an opportunity to build scale and improve businesses through combinations, reinforcing the importance of bolt-on acquisitions.”

Exit activity, on the other hand, has slowed over the last 12-18 months although there is growing pressure on sponsors from LPs to realise assets, as reported in [Actum's Q3 UK buyout report](#). “Fundraising has become harder in recent times, with managers needing to demonstrate more than standard returns profiles to be able to raise new funds from their investors,” Deardon says. “The need for successful exits has therefore become even more pressing for funds nearing the end of their cycle, as they look to demonstrate stronger returns and an ability to differentiate in their parts of the market before moving into the next funding round. Disposals of private equity assets are starting to increase as market conditions have improved and I anticipate this trend will only strengthen in the coming months.”

### **Minor stakes, major sustainability**

One emerging trend that could further reshape the private equity landscape is the rising appeal of minority transactions, Deardon notes.

“With market conditions improving and a slight up-tick in capital gains tax rates potentially encouraging founders and owner managers to retain businesses and grow them further to exit, we may see more structured minority investments as owners look to partially cash out, while securing growth capital,” he says.

This move could attract new players into the market, Dearden suggests, especially those interested in growth capital, as it offers an alternative for businesses looking to de-risk but also continue to scale with the support of a credible investor.

“We’re noticing strong interest for this from owners of businesses who believe there is more to achieve with their businesses but need a capital event to trigger that.” he adds.

### **What lies ahead**

For Dearden, the future of private equity hinges on adaptability. “Firms must now consider new value levers, respond to emerging trends, and adapt to regulatory changes. The focus on technology, talent, and ESG will define the leaders in this space,” he says. “Those who can effectively navigate these changes will create the most significant value. However, the influence of external factors, such as the US election and the global political dynamics will play a crucial role in shaping the private equity landscape in the UK over next few years.”

### **Author**

#### **SOFIA KARADIMA**

*Head of Community  
Engagement  
Actum Group*

