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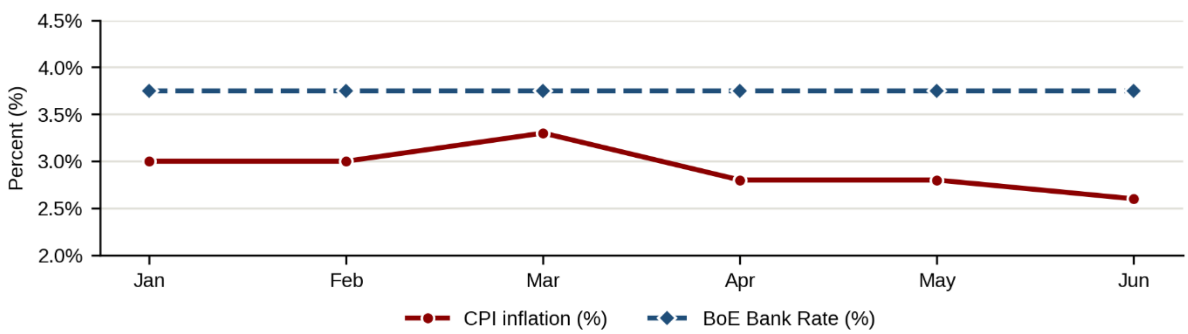
UK Market Snapshot - Q2 2026
A mid-market PE briefing

Data sources:
PitchBook Q2 2026 UK Market Snapshot
KPMG H1 Private Equity Snapshot 2026 (where cited)
Crow’s H1 2026 Mid-Market Round Up (where cited)

UK macro backdrop.

The UK economy held its momentum into Q2, but the outlook remains hard to read – political instability, energy-price volatility and a softening labour market are keeping Boards cautious. Inflation eased to 2.8% and the BoE held interest rates at 3.75% in June, citing continued uncertainty over energy prices and the inflation outlook. For dealmakers, this has shown up as slower decision cycles: longer diligence, more caution on demand resilience, and portfolio companies deferring leadership hires until the picture clears.



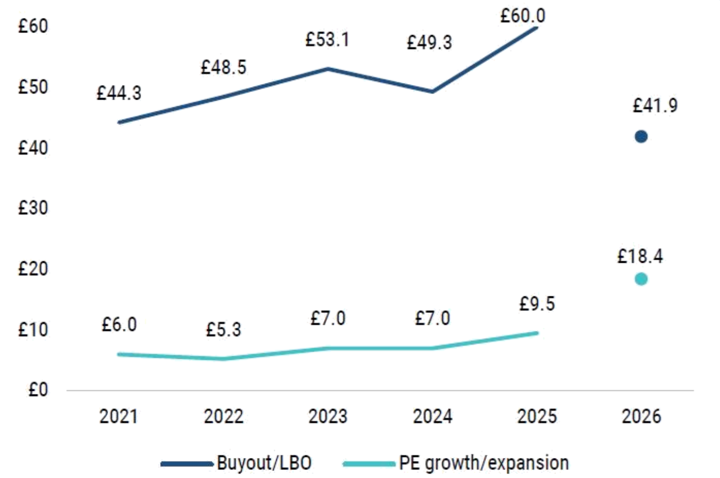
PE deal activity has stepped up sharply.

According to PitchBook’s Q2 2026 UK Market Snapshot, UK PE deal value hit £38.4B in Q2, a marked jump versus Q1, though still below the strong H2 2025 run rate. Buyout/LBO activity gained share of value in the quarter. Separately, KPMG’s H1 Private Equity Snapshot, shows a different pattern by volume: add-ons made up 61.8% of UK mid-market PE deals in H1 2026, up from 56.1% in H1 2025. Buy-and-build remains the dominant playbook by volume in the mid-market, even as larger single-platform deals pull the value figures up.

Source: PitchBook • Geography: UK • As of 30 June 2026

A more relevant read for mid-market investors sits below these aggregate figures, which a handful of large-cap deals skew. PitchBook's median deal value data shows median buyout/LBO deal value fell to £41.9M in 2026 (from £60M in 2025), suggesting investors are being more cautious, favouring smaller deals with less debt attached. Median growth/expansion deal value moved the opposite way, rising sharply to £18.4M (from £9.5M) - a flight to quality, with capital concentrating in fewer, better-understood growth assets.

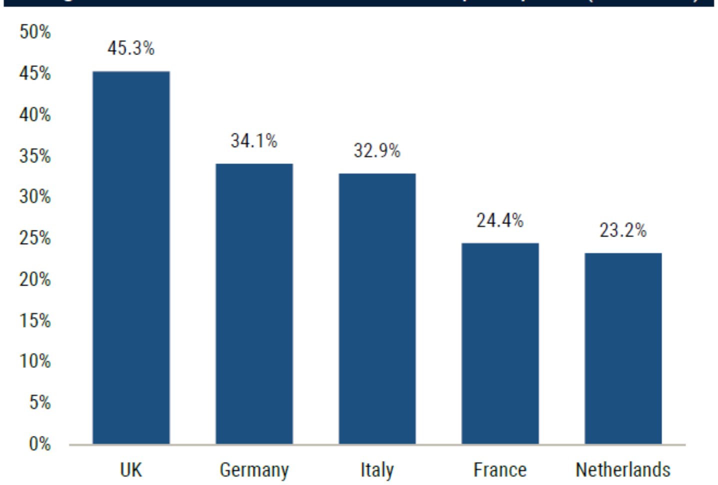
Median PE deal value (£M) by strategy



Source: PitchBook • Geography: UK • As of 30 June 2026

US investor participation in UK PE remains structurally high averaging 45.3% of deal value since 2021, well ahead of Germany (34.1%), Italy (32.9%) and France (24.4%), and reinforcing the UK's position as the preferred European entry point for US investors targeting mid-market assets.

Average share of PE deal value with US investor participation (2021-2026)



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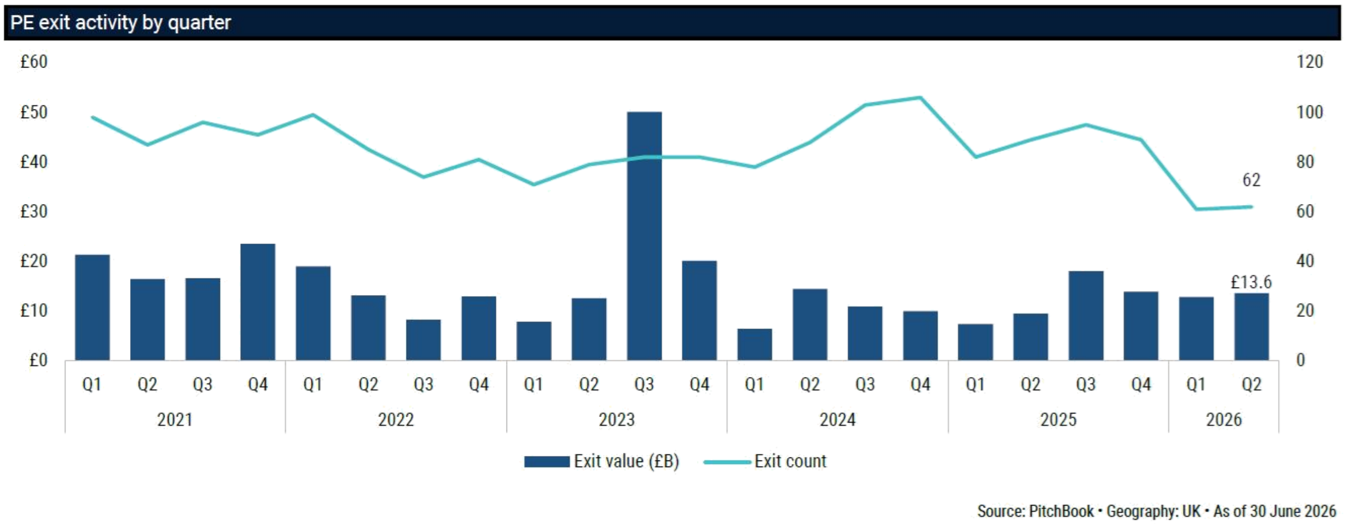
Strategic/corporate acquirers are a further, sizeable pool of competing capital: corporate M&A hit £29.3B in Q2 across 675 deals (median £16.3M) - a similar ticket size to the growth-equity deals above, and a reminder that mid-market sellers increasingly have trade buyers as well as PE bidding for the same assets.

Exit value is up, but that's concentration, not a mid-market recovery.

PE exit value trickled up QoQ to £13.6B, but roughly 44% of that came from just two large-cap deals (the £3.1B Equiniti sale and the £2.9B DPC Holdings IPO). The more telling number for mid-market investors is exit count, which fell to 62 in Q2, near the low end of the last five years.



KPMG's H1 2026 data corroborates this pattern at the wider UK market level (not mid-market specifically): just 96 UK PE exits completed in H1 2026, down nearly 30% YoY, even as exit values roughly doubled versus H1 2025 to £23.4B - the same fewer, chunkier deals dynamic that PitchBook's Q2 figures show.

KPMG's data shows trade acquirers accounted for 51% of H1 2026 exits and secondary buyouts 46%, with IPOs making up the small remainder. The mid-market exit path currently runs almost entirely through M&A and investor-to-investor deals.

This fits the broader narrative from advisors (RSM, Norton Rose Fulbright) that 2026 will be defined more by the clearing of a multi-year backlog of unsold, ageing assets than by fresh fundraising, but the data suggests that clearing has not yet meaningfully lifted deal count. PitchBook's data shows the population of PE-backed companies still under ownership has grown steadily over the past decade, which is consistent with the backlog dynamic, even without breaking out exactly how much of that sits at the oldest end of the holding-period range.

Fundraising is a weak point.

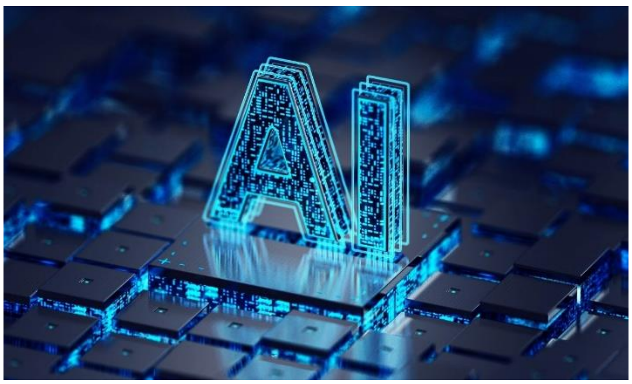
UK PE capital raised sits at just £11.9B through H1, a run-rate implying roughly a 30% YoY decline for the full year. The drag is likely both cyclical (soft exits mean less capital being returned to LPs to recommit) and potentially structural (some LPs may be rebalancing away from PE allocations, rather than simply waiting out a liquidity squeeze). Dry powder has fallen in step to £121.4B (PitchBook's UK PE-specific figure, as of Q4 2025, the latest available) - funds are spending down faster than they're refilling, a slow squeeze on future dealmaking capacity if it persists.

The capital that is being raised isn't spreading evenly: it's concentrating into larger, established managers - Inflexion Buyout Fund VII (£4.5B) and Investindustrial Lower Mid-Market IV (£1.5B) were the standouts. That points to a broader flight to scale and track record rather than a mid-market specific retreat - LPs are being more selective, backing proven track records over smaller funds.

Regional movement.

Cambridge remains the standout outside London, leading on PE deal value (£38.5B vs £406.9B London) - a function of its deep-tech/life-sciences cluster. Leeds (£19.3B) and Birmingham (£14.8B) rank third and fourth, with Bristol (£9.9B) and Manchester (£8.8B) in fifth and sixth position. This highlights that mid-market deal flow is increasingly a regional story, not just a London one.

Sector trends.



Business Services and TMT together consistently make up the largest share of activity though both eased back over H1 2026 - Business Services -5.9% and TMT -3.7% (KPMG H1 2026 Private Equity Snapshot). This reflects softer momentum on the Professional Services end of Business Services, and AI caution on the Tech side. KPMG describes investment committees hunting for "HALO" companies (Heavy Asset, Low Obsolescence) with a defensible moat around their revenue; Crowe notes AI is the market's main source of caution specifically for Software/SaaS businesses, where investors are assessing whether AI could commoditise the value they provide.

There was clear momentum in Industrials and Healthcare. Healthcare rose 9% off a low base (KPMG), likely reflecting demographic tailwinds and defensive, recurring-revenue appeal. Industrials momentum is tied to a genuine rotation towards ‘blue-collar’ services and industrials assets offering secure, sticky recurring revenues - testing and inspection, facilities management, waste, logistics, defence supply chain, and similar - underpinned by structural drivers like reshoring, defence spending and electrification.

Financial Services saw ongoing consolidation across wealth management, insurance broking and investment management.

In Consumer, deal numbers ticked up slightly last year, but investors appear more nervous and pickier here than in other sectors seeking to back the safest, most essential businesses, while everything else (especially non-essential shopping) is attracting far less interest (compounded by public sensitivities around spending).

Artificial Intelligence insight. UK Government has begun directing meaningful capital toward AI infrastructure (a £1.1B AI Hardware Plan plus £200M+ in adoption initiatives at London Tech Week), coinciding with over £6B in private co-investment commitments - an early signal that AI-enabled commercialisation will be a differentiator in portfolio company value creation through the rest of 2026.

Links:

Data has been taken from PitchBook’s latest quarterly UK update - PitchBook Q2 2026 UK Market Snapshot

PitchBook, a Morningstar company, is an award-winning platform delivering insights for fundraising, due diligence, business development, and beyond.