

PRIVATE EQUITY LEADERS' LONDON ROUNDTABLE

MARKET PERSPECTIVES OCTOBER 2025

A WHITE PAPER BY BZ

Specialists in structured asset-based lending and cashflow facilities.

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LEFT TO RIGHT:

PETER JAFFE, REZA FARDAD, CEM YASLAK, ROSS CLARKE, BEN MILNER, MARC FINER, ALASTAIR MILLS
JOHN STEVENS, RICH ATKINS, DUNCAN MAYBURY, ANDREW LYNN, HENRY GREGSON

PRIVATE EQUITY LEADERS' LONDON ROUNDTABLE

Welcome to BZ's London Private Equity Leaders' Roundtable extract briefing.

This paper presents insights from senior private equity professionals and investment leaders as they assess M&A market activity ahead of the Chancellor's Autumn Budget Statement.

THANKS TO OUR EXPERT PANEL FOR YOUR CONTRIBUTION:

- Rich Atkins, Stifel
- Ross Clarke, Altenburg Advisory
- Reza Fardad, Freshstream
- Marc Finer, AURELIUS
- Henry Gregson, Acorn Capital Management
- Andrew Lynn, RW Baird
- Alastair Mills, H.I.G. Capital
- John Stevens, Endless

BZ hosts and participants: Peter Jaffe, Chief Executive Officer; Ben Milner, Managing Director; Cem Yaslak, Director; and Duncan Maybury, Associate.

DETAILED INSIGHTS FROM INDUSTRY LEADERS

The roundtable opened with Cem Yaslak, BZ's Regional Director for London, framing a key challenge facing the market:



Cem Yaslak, BZ: "When we were here this time last year, many of us were optimistic that the M&A market would gain momentum and activity would pick up. However, fast forward to today, and the data tells a different story. In the first half of 2025, global M&A volumes fell by 9% year on year, while deal values rose by 15%. This raises an important question: are sponsors simply being more selective about where they deploy capital, or are we seeing deeper structural changes in the M&A market?"

GEOPOLITICAL DISRUPTION AND MARKET CONFIDENCE

The conversation began with an unexpected catalyst affecting mid-market activity this year.



Andrew Lynn, RW Baird: "I joined in November, and we'd just experienced our second-best year ever, both in Europe and globally. There was a lot of optimism heading into the year, and it just felt like we were off. Liberation Day, the Trump administration's January 2025 tariff announcement, was the event that really threw a spanner in the works. Whether it should have or not, it absolutely did. It caused a pause and a loss of confidence, even where the business wasn't directly affected. The mood in the market shifted. Right now, though, that seems to be changing. Our US colleagues are flat out, and we're pitching for a lot of opportunities to start in the new year."

THE QUALITY MARKET DYNAMIC

Participants discussed the state of the market and the scarcity of quality assets.



Reza Fardad, Freshstream: "We're seeing a few good quality assets coming to market in the UK, but it has been slower this year. Given our focus on primary deals, owners can be more patient to pick the right time to come to market. Many of these businesses are in net cash positions and have been owned by the same individuals for decades. What is coming to market is either businesses with strong track records and solid historic growth, attracting plenty of bidders and very strong valuations. On the other, there are assets that may have had one strong year but a very inconsistent past."

FINDING VALUE IN COMPLEXITY

For specialists focused on operational improvement, complexity creates distinct opportunities.



Marc Finer, AURELIUS: “It comes down to each sponsor’s own experience and strategy. At Aurelius, we are active globally, and complex cross-border transactions are in our sweet-spot, so local market dynamics don’t necessarily dictate our levels of activity or the pool of opportunities we look at. We’re having a very strong year, and as a carve-out investor we don’t shy away from situations where historic performance might be a difficult story. In other words, because we focus on delivering value creation through hands-on operational improvement, we are more insulated against the macro backdrop than many of our peers may be. In fact, I think the difficult market backdrop is generating some of these opportunities, and plays to our strengths.”

CREDIT MARKET COMPRESSION

Pricing dynamics have shifted as larger funds squeeze smaller players.



Rich Atkins, Stifel: “One comment I’ve observed is that pricing in private credit has come down to around 475 on some really nice transactions. The larger private debt funds, because they manage such large portfolios, can afford to price deals down in that range because it doesn’t change their average cost or target returns. They can afford to eat these lower costs and gain market share and as they deploy more capital, they’ll win in the long run. Smaller debt funds struggle because they are hamstrung by what they’ve promised their LPs, whereas the bigger players can price deals down without it moving the needle for them.”

WHY DEBT PRICING ISN’T THE ISSUE

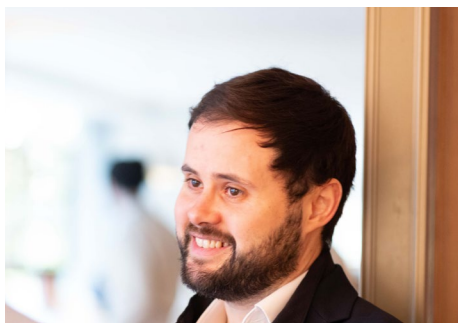
The conversation about pricing revealed an important point: lender flexibility and support are vital.



Henry Gregson, Acorn Capital Management: “From a private equity perspective, the cost of debt is largely irrelevant. Anybody who’s run a buy-out or MBO model will know that if you add 100 or 200 basis points to your cost of debt, you won’t see it in your returns matrix. The debt industry obsesses about shaving 25 basis points here or there, but it’s irrelevant. What really matters are the economy and major exogenous events. Looking back at investing history, great successes and failures almost always stem from unpredictable, large-scale events. Whether debt costs fluctuate by 50, 75, 100, or even 200 basis points is trivial in comparison. What you want to build into your debt structure is resilience - the ability to survive. The key question is: do I have a lender who will be tolerant, constructive, and supportive when I go through 12- to 24-month exogenous events – in terms of covenant flexibility or adjustments, rather than one who’s fixated on 50 basis points?”

THE CHALLENGE OF ASSESSING PARTNERSHIP QUALITY

This raised a practical question: how do sponsors assess these qualities before selecting a lender?



Ross Clarke, Altenburg Advisory: “It’s very difficult to assess. Track record and experience play a part. If, as a debt advisor, you’ve worked with multiple clients and lenders, you gain insight into how they behave. But that doesn’t always guarantee the right experience with the right lender, sector, or situation. Beyond that, it often comes down to wider market intel - how lenders behave in comparable situations. Ultimately, a lot of it involves qualitative assessment. When management or sponsors meet lenders, you observe the dynamic: do they see eye to eye on risk? Do they have the right vibe and alignment? That’s the foundation for a partnership. There’s also an element within the borrower’s control. How you behave with your lender matters a lot. Are you upfront and transparent? Are you collaborating, or are you hiding issues until a covenant breach is imminent? If lenders feel you’re being honest and proactive, they’re far more likely to respond positively.”

MANAGING PORTFOLIO EXITS

Lender flexibility matters most when exits stall and debt outlives the equity.



Alastair Mills, H.I.G. Capital: “A meaningful proportion of PE backed deals completed pre-COVID with high leverage and at high multiples which then experienced the multiple impacts of the pandemic, the Ukraine crisis, supply chain and energy disruptions, and rising interest rates, now sit with the lenders or are otherwise hamstrung with too much debt and high debt service costs. A number of businesses are stuck as a result either with lenders unwilling to sell at a valuation below par or are otherwise difficult to refinance (particularly with the incumbent) given the history and current leverage. In the latter case when companies in this situation approach new lenders, they inevitably ask, ‘Why isn’t the incumbent, who knows the business best, seeking to support?’ That raises suspicion amplifying the issue. If these legacy deals, particularly those where the lender has taken the keys, could be cleared, it would unlock liquidity and deal flow in the market – but that’s unlikely, as the debt funds are not really incentivized to realise the loss. The trigger point to do so normally being a new money requirement.”

“From our perspective, looking at our Middle-Market fund – which focuses on larger deals with EBITDA of around £35 million and upwards – they’ve had their busiest year ever across Europe. With a consistent pattern of deal flow across all the major European markets. When you dig into why, in that segment of the market they are seeing the DPI pressure being experienced across the industry drive the desire to realise a return even if that return is lower than initial expectations. When you couple this with an ongoing risk aversion among many funds that creates opportunity for those institutions who are prepared to take more of a view on new opportunities.”

DPI AS KING

Extended hold periods are now creating fundraising pressure across the industry.



John Stevens, Endless: “The average hold period in private equity is now close to seven years, significantly longer than the historic three to five years. Many of these businesses were acquired in a completely different macroeconomic environment – one defined by zero interest rates. In today’s environment – with low growth and interest rates four to five percent higher – unlocking value has become a significant challenge. Over the past five years or so, we’ve also experienced a series of black swan events on almost an annual basis. This has significantly slowed down the pace of private equity exits as businesses that were bought at high EBITDA multiples can no longer be traded at those values in many cases. To fundraise, private equity must deliver tangible returns to its LP base: as you said, it’s all about DPI.”

THE ABL SOLUTION

When adaptability is critical, hybrid lending structures offer significant advantages.



Ben Milner, BZ: “BZ has evolved a lot over the past few years. We’ve always been asset-focused, but cash flow term loans have become an increasingly important part of what we do. That’s meant we’re now competing more often with other private credit lenders offering unitranche-style structures.

What really sets us apart, though, is that a big part of our facilities is still structured against assets – especially revolving lines linked to working capital. That gives us much greater flexibility when the unexpected happens.

Sometimes, if sponsors haven’t worked with ABL before, they assume it’s less committed because the availability moves with the asset base. But those who have used these structures previously really understand how powerful that flexibility can be. Ultimately, when challenges arise, having a lender whose structure can adapt with you makes all the difference.”

RETURNING TO FUNDAMENTALS

The roundtable concluded with a reflection on how the industry is evolving in response to higher interest rates and the renewed focus on strategic value creation.



Peter Jaffe, BZ: “Now, especially with private equity, we’re seeing the impact of higher interest rates. It’s become harder, and it takes real skill. You actually have to do something with a business – not just hold it, pay down the debt, and re-lever. You need your operational teams involved. You’re actively improving businesses, picking them up and fixing them. Private equity used to be about strategy, transformation, and growth, not just financial engineering. In many ways, we’re returning to that.

At BZ, we believe it’s important to meet a company outside the confines of the process itself. Asset-based lending offers more flexibility than traditional term loans or super senior structures. Depending on the asset profile, the revolving element offers companies much more room to move than a rigid cash flow strip. It’s not just about cost – it’s about adaptability and having the freedom to adjust rather than being forced into a ‘square peg, round hole’ structure.

Communication is everything for us. It sounds simple, but it’s vital. Too often, things are commoditised and reduced to tick-box exercises, but our product doesn’t fit that mould. We focus on meaningful dialogue and genuine understanding, not a mechanical process.”



KEY CONTACTS



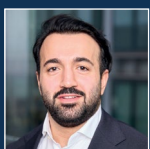
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