

PRE-ELECTION SURVEY FINDINGS June 2024

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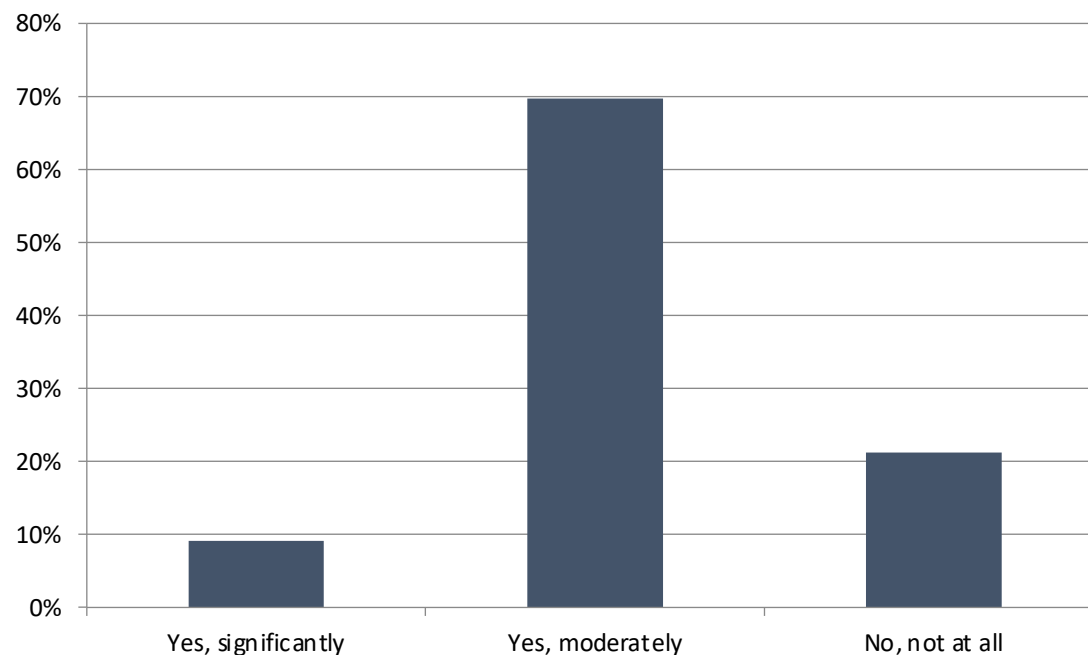
PRE-ELECTION SURVEY FINDINGS

Executive Summary

- Amid a backdrop of subdued M&A activity, a notable 70% of lenders are adopting measured adjustments to their credit strategies, highlighting a cautious, yet adaptive approach to market conditions. In contrast, a resilient 21% are unchanged in their positions, while a minority of 9% are implementing substantial shifts.
- Key factors identified as tipping points for M&A decisions overwhelmingly include economic stability (85%), the allure of lower interest rates (70%), and a marked increase in business confidence (70%).
- Driving market dynamics are consolidation strategies and buy-and-build opportunities, critical for 82% of those surveyed, alongside corporate carve-outs cited by 58% of respondents. Furthermore, strategic business growth plans (45%) and the attractiveness of low exit multiples to buyers (27%) are shaping current market sentiment.
- Sentiment regarding the UK election's potential impact on M&A activities remains diverse: 39% foresee no change, 36% anticipate a positive influence, and 24% predict a negative effect.
- Looking ahead, 45% of those surveyed believe that upcoming UK and overseas elections will have no bearing on cross-border M&A, while 36% foresee a decrease and a modest 18% expect to see an increase in activity.
- Regarding the economic outlook, 42% expect stability, 39% anticipate improvements, and only 18% foresee a decline, suggesting guarded optimism amid ongoing uncertainties on the global stage.

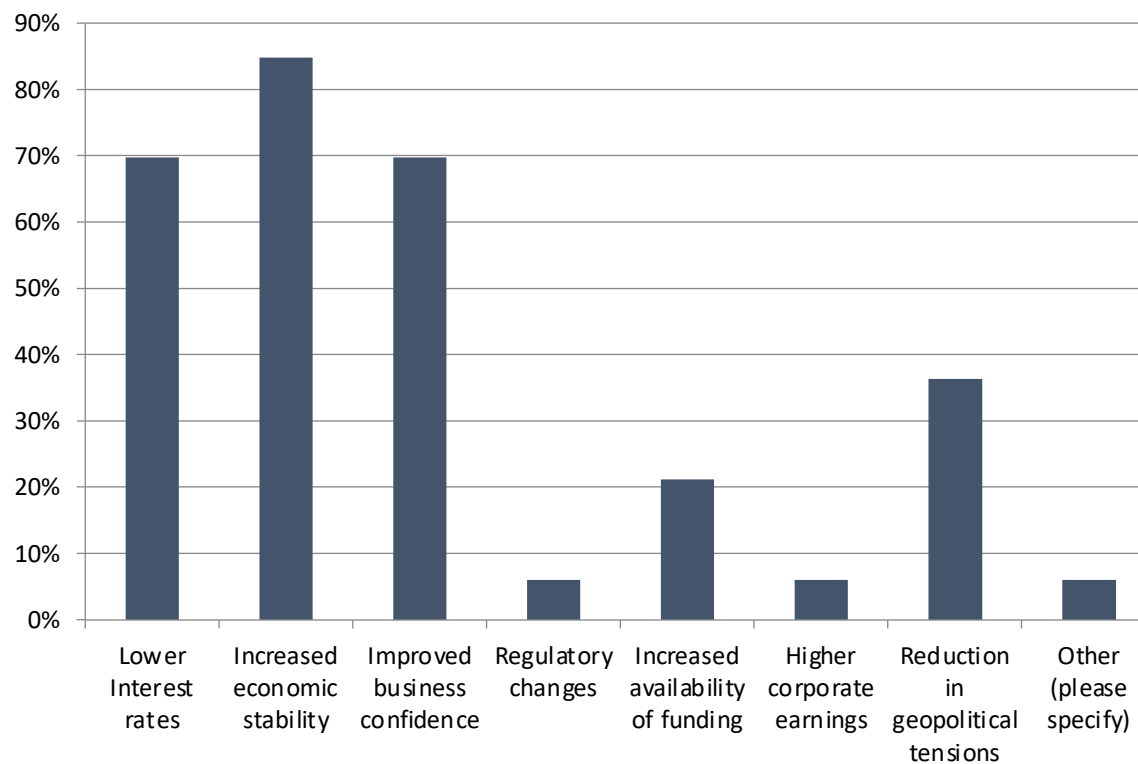
1. Is the lack of M&A activity driving lenders to change their credit appetite or adjust their pricing?

- **Moderate Adjustments:** 70% of respondents are making moderate adjustments to their credit appetite and pricing strategies due to the lack of M&A activity.
- **No Impact:** 21% of lenders reported no impact on their strategies, indicating resilience or a different strategic focus.
- **Significant Changes:** Only 9% of respondents are significantly altering their lending practices, reflecting a minority heavily reliant on M&A or proactively mitigating risks.



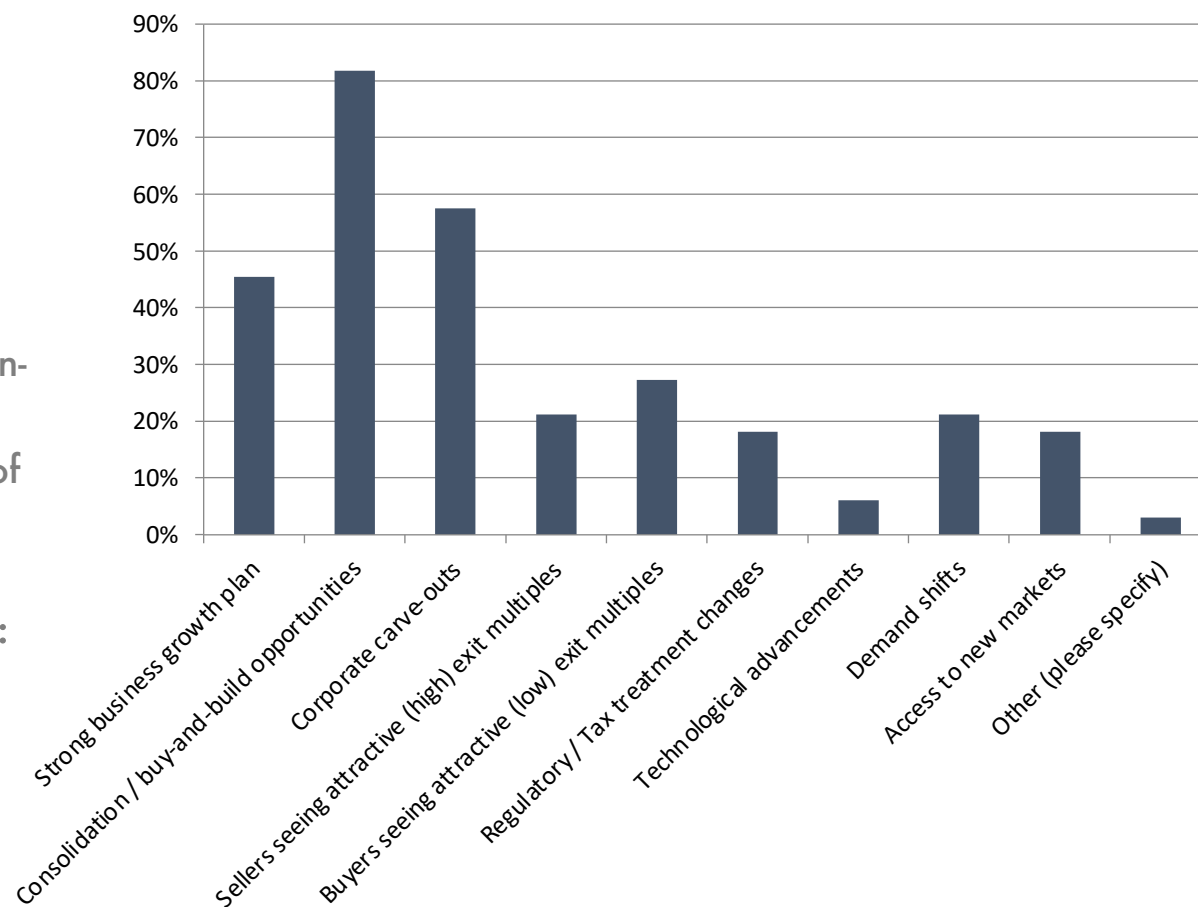
2. What tipping point factors would need to change for M&A activity to increase? (Please select up to 3)

- **Increased Economic Stability:** The overwhelming majority of respondents (85%) attributed improved economic stability as the leading factor in enabling M&A growth.
- **Lower Interest Rates:** A substantial 70% of participants noted that lower interest rates are a major driver of change.
- **Improved Business Confidence:** 70% of respondents pointed to improved business sentiment as a key driver for M&A.
- **Reduction in Geopolitical Tensions:** While not as dominant, 36% acknowledged that reduced geopolitical tensions would impact positively on M&A activity.



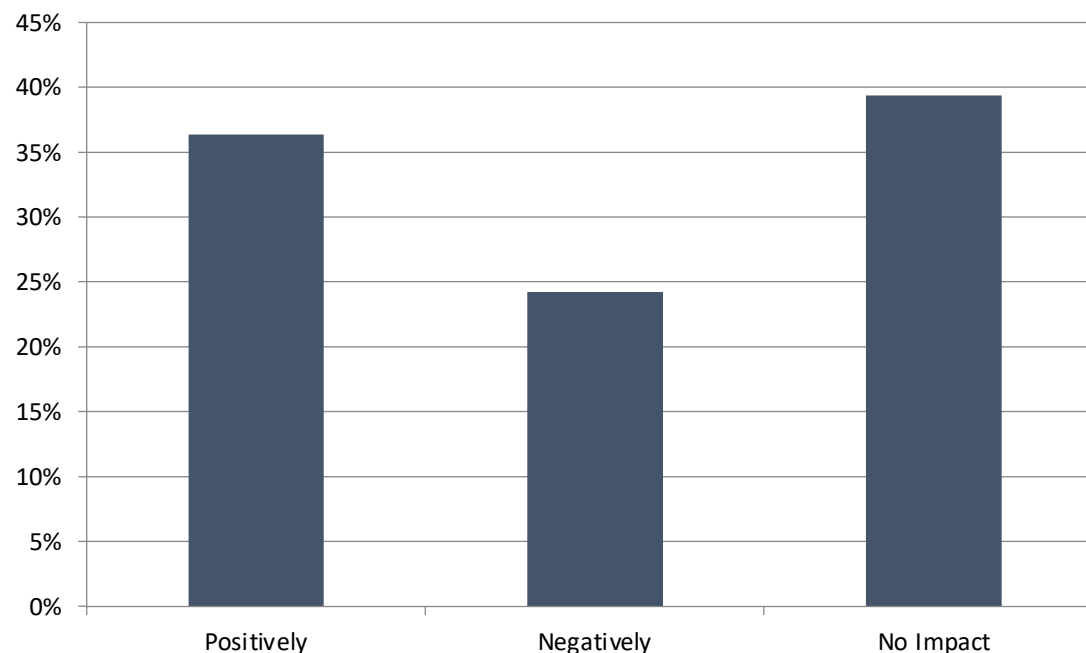
3. What do you think will be the key drivers for M&A activity? (Please select up to 3)

- **Consolidation / Buy-and-Build Opportunities:** The leading driver, with 82% of respondents highlighting consolidation and buy-and-build strategies as key motivators for M&A activity.
- **Corporate Carve-Outs:** At 58%, corporate carve-outs are seen as a significant driver, reflecting the trend of companies selling off non-core assets to focus on core competencies.
- **Strong Business Growth Plan:** A robust 45% of participants identified strong business growth plans as essential drivers.
- **Buyers Seeing Attractive (Low) Exit Multiples:** At 27%, buyers recognising attractive low exit multiples are a notable factor, suggesting that favourable acquisition prices are a significant consideration in the current market.



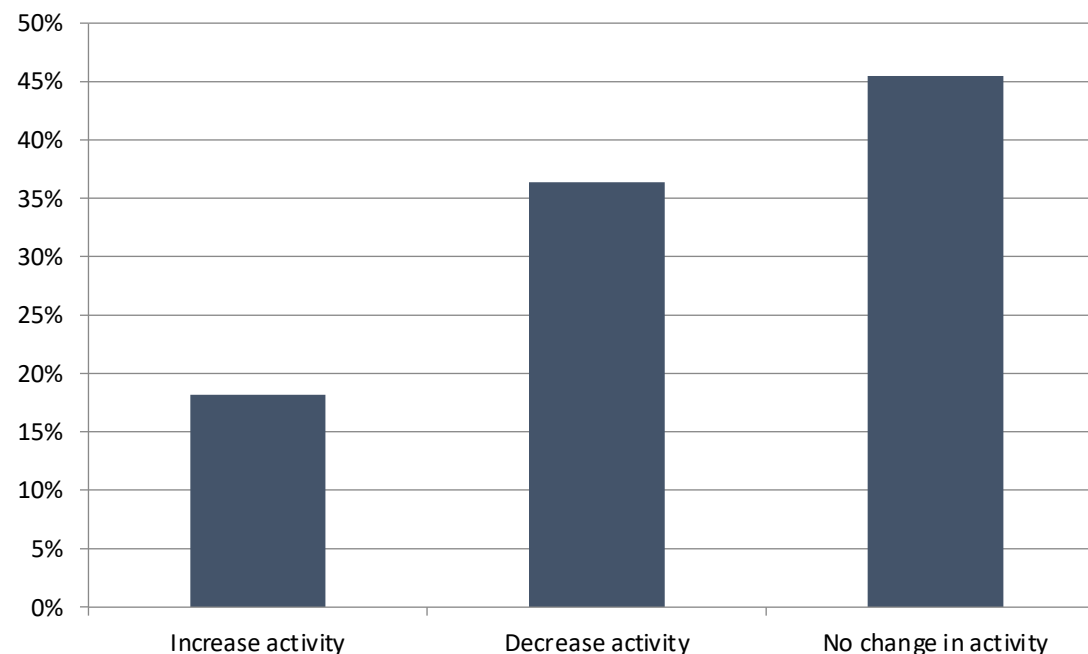
4. How do you expect the upcoming election to impact the UK M&A market in the next 12 months?

- **No Impact:** 39% believe the election will have no impact on the UK M&A market, indicating that market dynamics will remain stable regardless of the outcome.
- **Positively:** 36% of respondents expect the upcoming election to have a positive impact on the UK M&A market.
- **Negatively:** 24% anticipate a negative impact from the election, reflecting concerns about potential uncertainties or adverse policies affecting the M&A landscape.



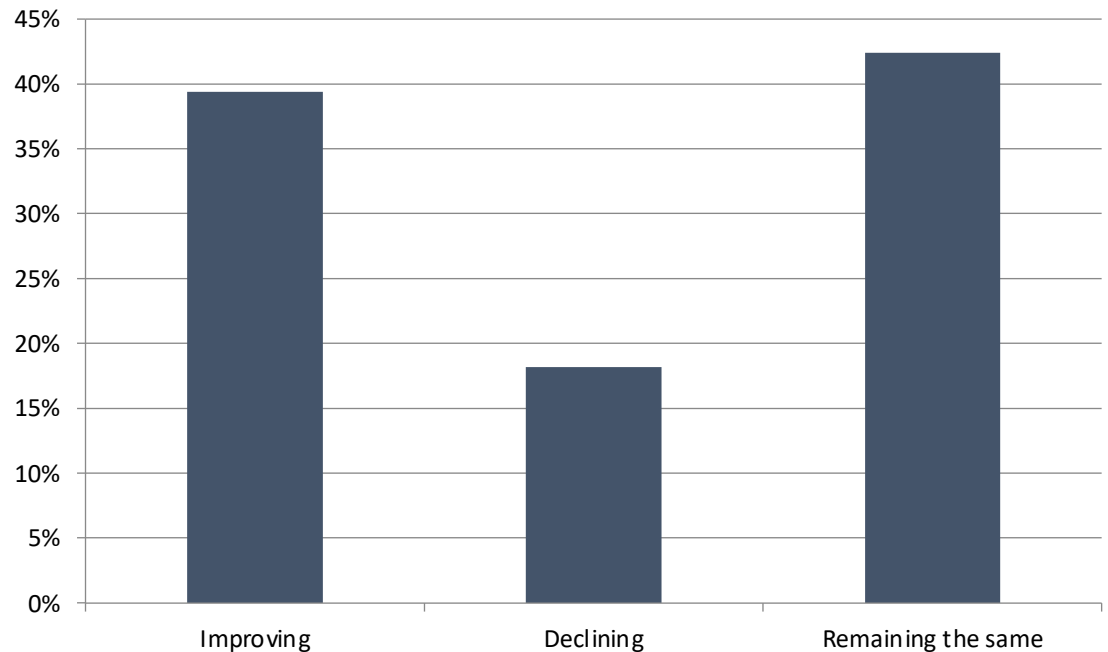
5. How do you expect the UK and other overseas elections to influence cross-border M&A activity?

- **No Change in Activity:** The majority of survey participants (45%), believe that UK and overseas elections will not influence cross-border M&A activity, again indicating that political events are not expected to significantly sway current M&A dynamics.
- **Decrease Activity:** 36% of respondents anticipate a decrease in cross-border M&A activity as a result of domestic and overseas elections.
- **Increase Activity:** Only 18% expect that the elections will serve to increase cross-border M&A activity.



6. How do you see the UK's economic prospects over the next 12 months?

- **Remaining the Same:** The largest segment of respondents, 42%, expect the UK's economic prospects to remain unchanged over the next 12 months.
- **Improving:** 39% of respondents are optimistic, predicting an improvement in the UK's economic prospects, suggesting confidence in economic recovery or growth.
- **Declining:** 18% foresee a decline in economic prospects, reflecting concerns about potential downturns or ongoing economic slowdown.



7. Additional Comments

Please provide any additional comments or insights on how you believe the upcoming election could impact the M&A market.

Political and Economic Stability

- "Provide some stability to economic outlook."
- "We need a period of political and economic stability and at least 50 bps interest cuts by Christmas."
- "Hopefully the result of the election will bring a measure of certainty to the UK market and help to generate increased business confidence."
- "Regardless of the outcome, stability and certainty is needed to increase activity."
- "There is no shortage of capital to fund M&A, the market has not picked up yet through a combination of vendor price expectations and soft trading. Economic, political and geo-political stability should help ease this."
- "My answer of 'improving' to Q6 might be somewhat optimistic but I am hopeful that a change in government may reinvigorate people. We not only need a competent government, however, we also need a decent opposition. We will know more in another two weeks I guess...."

7. Additional Comments

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Impact on M&A Activity

- "Expect it will be no earlier than Q4 this year or Q1 next year where we actually see a change of M&A activity on the back of the election. It will take the market a while to stabilise and this might align with when interest rates are expected to come down."
- "My guess is that the change in Government will not have an immediate change on the economic prospects for the UK and thus M&A activity in the short term. However, I expect after about 12 months the economy will start to improve and growth could return."
- "Private asset values need to adjust (lower) to ensure there is a window of opportunity to get a deal done."
- "There is no shortage of capital to fund M&A, the market has not picked up yet through a combination of vendor price expectations and soft trading. Economic, political and geo-political stability should help ease this."
- "A Labour majority Government will hinder M&A activity."
- "I believe the increased regulation and lack of public service reform (due to the power / pressure from trade unions), and higher taxes (on wealth creation) to have an overall negative impact on the economy."

7. Additional Comments

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Market Behaviour and Investment

- "Capital needs to be deployed, whilst there may be an initial slow down whilst potential buyers wait and see eventually they will have to deploy their dry powder before they can raise their next fund. Also stagnant markets make for good opportunities for those that are brave."
- "Tax on VC's may lead to rush of deals."
- "The result is a foregone conclusion but it might cause a break in processes until greater clarity on CGT treatment going forward."
- "It's already priced into expectations, so the election itself won't impact things. The first budget is a more obvious reason to delay and possibly accelerate deals. The US election is another excuse for things to be delayed into 2025."
- "Earlier than expected timing is likely favourable to M&A as it removes some uncertainty which would have been present for longer had the election taken place in Autumn or later."

7. Additional Comments

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Sector-Specific Impacts

- "The election of Labour is likely to bring renewed focus to the Renewable Energy sector through the establishment of GB Energy. I don't see any more material impacts as there seems unlikely to be an increased emphasis in government spending on infrastructure or a change in direction in terms of our trading arrangements with the EU."

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