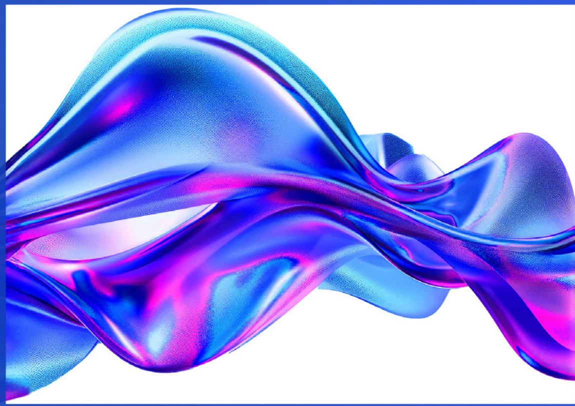
Pulse of private equity Q2'25

Private equity market trends in the UK



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The UK remains the largest private equity market in Europe, typically accounting for 25–30 percent of total deal value across the region. During Q2'25, it saw $36.8 billion in PE investment — up significantly compared to $24.8 billion in deals in Q1'25. Despite the current geopolitical and trade uncertainties hampering the market regionally and globally, the UK bucked downward in deal trends, with the number of PE deals rising from 389 to 419 quarter-over-quarter.

Fintech sector attracts significant attention in Q2'25

Fintech was a key focus for PE investment in the UK during Q2'25, accounting for two of the three largest deals of the quarter — KKR's buyout of post trade solutions company OSTTRA Group for $3.1 billion and Apax Partners' $2 billion buyout of Finastra's treasury and capital markets business.[1] The largest deal of the quarter, however, was Advent International's $5.1 billion take private of precision measurement instruments maker Spectris which was consequently outbid by KKR in early July (thus out of scope for this report's timeframe)[2].

UK's PE ecosystem is highly mature with a vibrant middle market

The UK has the most mature private equity ecosystem in the EMA region. In addition to highly regarded, well-established PE funds, it has developed a robust ecosystem of related businesses able to support getting PE deals across the line. When it comes to dealmaking, the UK also has a vibrant and growing PE middle-market — which is slightly less affected by headwinds than the large cap market.

Many of the UK's middle-market companies are focused on domestic or regional markets, making them somewhat more resilient to trade tensions and potential tariffs — which is a big draw in the business environment. They also tend to be in earlier stages of growth, which allows investors to see earnings growth as the business evolves and becomes more established.

"The bar for approval of new deals currently at PE Investment Committees is very high and as such we will see a bifurcation in PE deal activity. Super high-quality assets will attract a disproportionate amount of PE attention and such assets will get sold very quickly and at a very good price. Other perceived less high-quality assets will likely take much longer to complete with a higher risk of the sale process failing."

Naveen Sharma
UK Head of Private Equity
KPMG in the UK

Given these characteristics, it's not surprising that in the current business environment the UK's middle-market companies are finding it a bit easier to raise financing or debt and to attract attention from PE and other investors.

Government sees private investment as a strategic priority

The UK government is currently juggling a number of fiscal challenges. As a part of its approach to addressing some of these issues, it's highly committed towards bringing in private capital to invest — and has made private investment a key cornerstone of its infrastructure and private equity build-out. This focus goes beyond mainstream private equity, stretching into infrastructure and hybrid assets as well.

UK PE exit market remains weak; PE funds using continuation vehicles for high-quality assets

The UK's exit market has been particularly weak so far in 2025, with just $16.1 billion in deal value across 118 deals in the first half of the year compared to $51.8 billion in all of 2024 across 351 deals. Corporate and strategic acquisition deal value in the first half of the year was $7.3 billion— only slightly off the pace needed to match 2024's total of $15.7 billion. Secondary buyouts, however, were far off pace compared to last year, with just $8.8 billion in deal value compared to $34.7 billion in 2024. IPO activity was completely dry at midyear, following a weak 2024 that saw just $1.3 billion in exit value.

Given the challenging market, many PE funds have found it difficult to return capital to their LPs. In the case of high- quality assets, they've increasingly used continuation vehicles to extend the runway of their investments given the great reluctance to sell assets at a discount because of the current environment.

PE firms increasingly diversifying their funds

Within the UK market, a growing trend among PE firms has been the diversification of funds raised. While historically many PE firms focused on raising a single type of fund (e.g. pure buyouts), an increasing number have expanded their approach to include raising a mix of funds — such as large cap buyouts, mid-market buyouts, long-term patient capital, and infrastructure-focused funds.

Growing focus on defense sector

The UK has one of the largest defense markets in the EMA region and, given the rapidly evolving geopolitical tensions and conflicts occurring in the region and beyond, it is expected that capital will continue to flow into the sector for some time to come — including into traditional defense companies, defense tech startups, and adjacent companies, such as firms supplying business services to the defense industry. Given its increasing prominence and long-term outlook, PE investors in the UK are increasingly looking at opportunities in the sector, primarily focusing their efforts on suppliers to the prime defense contractors and on niche companies feeding into specific subsectors of defense — such as aerospace.

> Despite the challenging headwinds, however, there is still a significant pool of dry powder in the PE market in the UK. Given that, PE funds are expected to continue to work hard to get deals done — taking innovative approaches as required in order to move deals forward. As the US IPO market improves, it could spark some positive momentum on the exit front in the UK. This will be an area to watch over the next few quarters."

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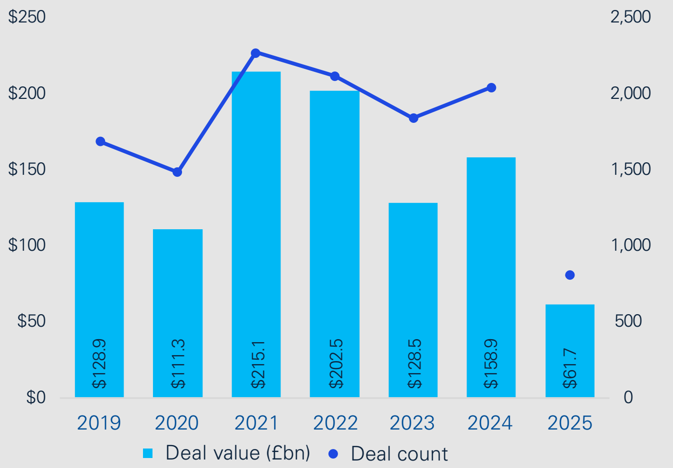
PE firms looking at AI as an enabler of performance

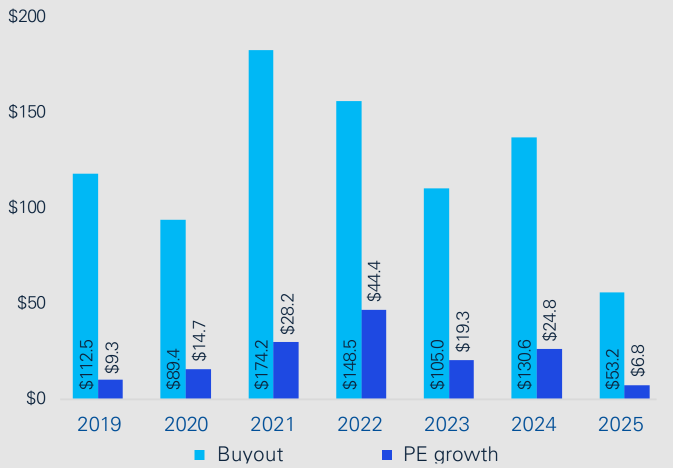
Similar to other jurisdictions, AI has gained a significant amount of attention from PE investors in the UK. While AI infrastructure like data centers is expected to be an increasing focus of PE investors in the future, currently PE firms in the UK have primarily looked at AI opportunities from an enablement point of view —evaluating AI-focused companies for their potential to enhance the performance of their existing portfolio companies. This has been particularly true for PE firms that have had to hold on to their assets for a longer period of time than expected, and so are now looking at additional opportunities to enhance returns.

Some PE firms in the UK have also started to experiment with AI at an operational level — looking at whether and how it can be used to help screen assets in order to improve the efficiency and effectiveness of investment managers.

UK PE deal activity



UK PE activity ($B) by type



Trends to watch for in Q3'25

Heading into Q3'25, the deal market in the UK could be somewhat volatile, particularly in sectors weathering the storm of the back and forth on US tariffs. With the recent trade deal between the US and the UK, market conditions will likely stabilize. Until then, however, many PE investors will likely remain very cautious with their capital.

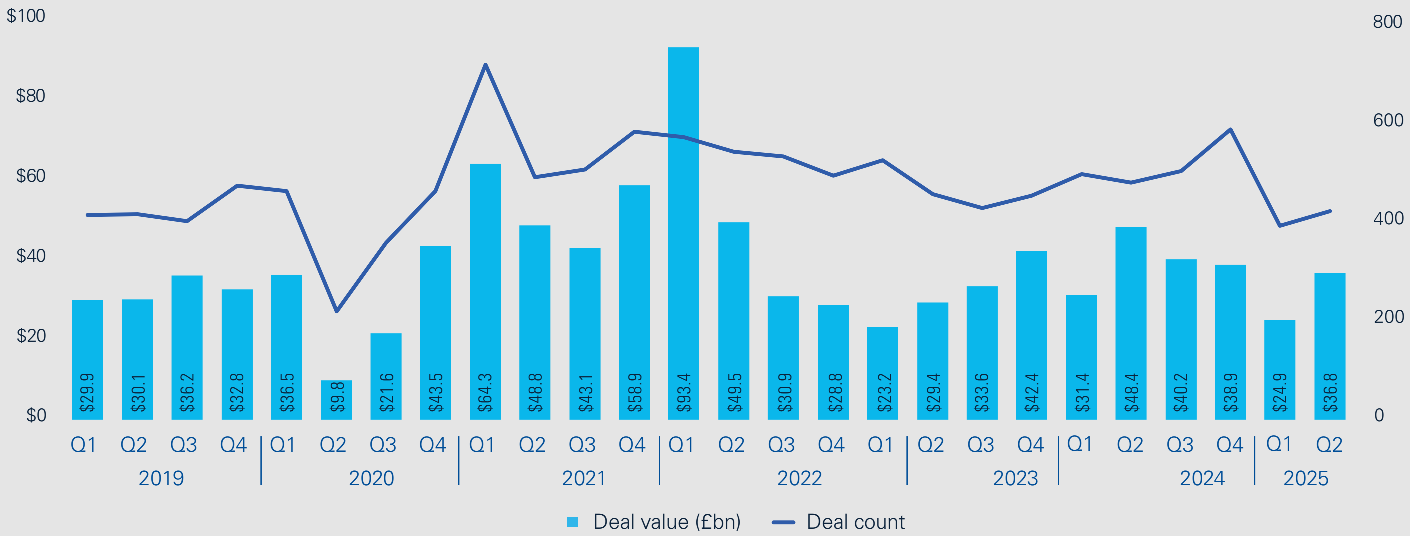
Despite the challenging headwinds, however, there is still a significant pool of dry powder in the PE market in the UK. Given that, PE funds are expected to continue to work hard to get deals done — taking innovative approaches as required in order to move deals forward.

The bar for approval of new deals currently at PE Investment Committees is very high and as such we will see a bifurcation in PE deal activity. Super high-quality assets will attract a disproportionate amount of PE attention and such assets will get sold very quickly and at a very good price. Other perceived less high-quality assets will take much longer to complete with a higher risk of the sale process failing.

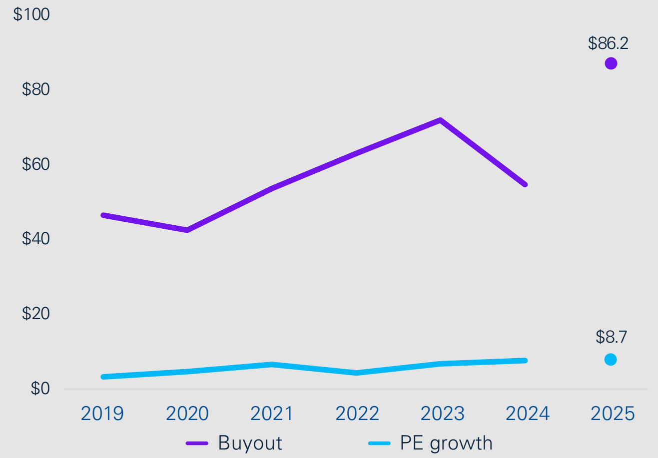
As the US IPO market improves, it could spark some positive momentum on the exit front in the UK. This will be an area to watch over the next few quarters.

Source: *Pulse of Private Equity Q2'25 KPMG analysis of global private equity activity as of June 30, 2025. Data provided by PitchBook.*

UK PE deal activity



UK median PE deal size ($M) by type



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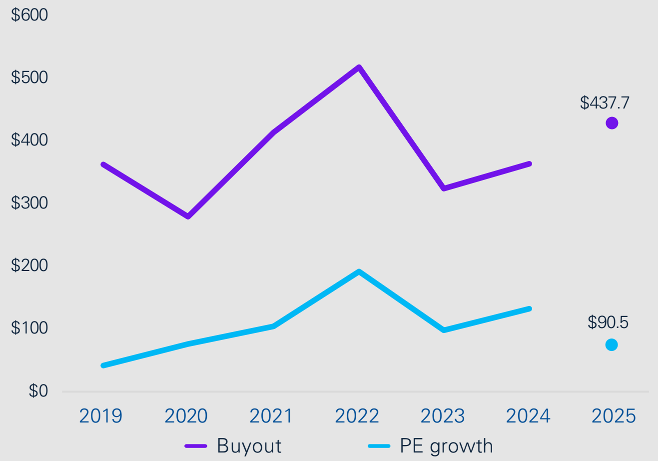

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