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Debt Capital Markets

Gambit Review

June 2025

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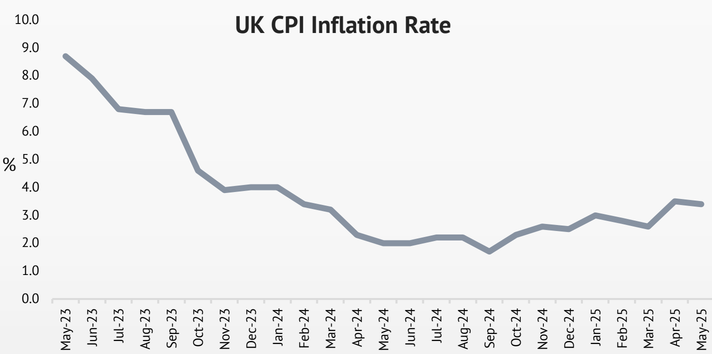
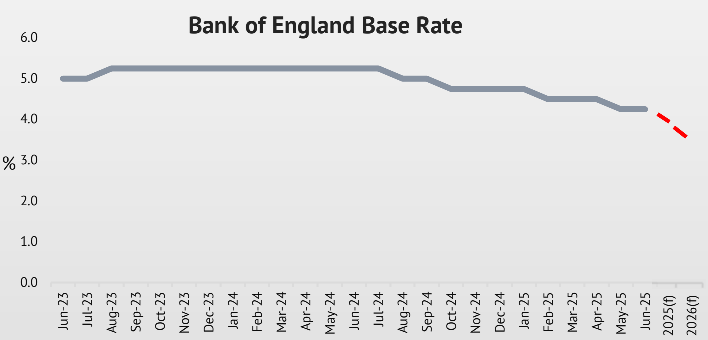
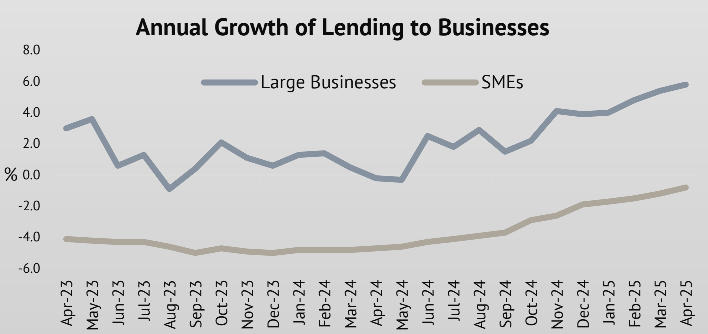
Jason Evans
Partner, Debt Advisory

Jason Evans is the Partner who leads Gambit's Debt Advisory team. Prior to joining Gambit, Jason was Regional Director for Lloyds Banking Group, heading up the regional corporate banking team in the mid-market and working with businesses with turnover between £10m and £750m. During his 32-year career, Jason held various senior roles, including Divisional Head of Leveraged Finance for HSBC.

He is an Associate of the Securities and Investment Institute, holding an advanced corporate finance qualification from the Institute of Chartered Accountants in England and Wales (ICAEW). Jason has also been voted "Corporate Banker of the Year" on a number of occasions at the Insider Dealmaker Awards and more recently has won a number of debt advisory awards.

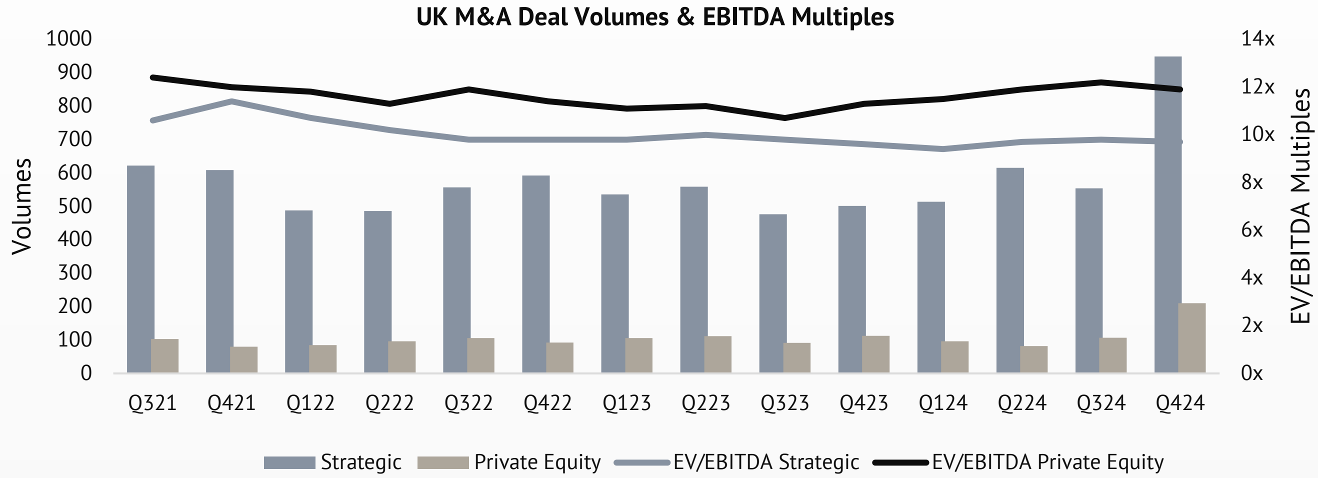






Source: Gambit analysis, Bank of England and ONS

- Inflation fell from 8.7% in April 2023 to 1.7% in September 2024. It has ticked up from this point to 3.4% in May 2025.
- The Bank of England base rate has reduced from 5.25% in July 2024 to 4.25% in May 2025. This has been completed through 4 quarter point reductions. Capital Economics forecasts a bank rate of 3.5% and inflation falling back to 2.0% by 2026.
- Annual growth of lending to businesses for both large companies and SMEs increased by 0.4% from March 2025 to April 2025.
- For large businesses, the annual growth rate of borrowing increased from 1.5% in September 2024 to 5.8% in April 2025.
- Lending to SMEs remains weak but continues to improve. The annual growth rate improved from -3.7% in September 2024 to -0.8% in April 2025.
- Despite geopolitical uncertainty and challenges around US tariffs, borrowing appetite in the UK continues to improve.
- In the current climate, it is essential for borrowers to leverage the expertise of experienced corporate finance advisors to be well-prepared for discussions with financial institutions.



Overview & Outlook

- UK transaction volumes increased by 26% year-on-year, increasing from 2,492 completed deals in 2023 to 3,127 completed deals in 2024. Activity accelerated sharply between Q3 2024 (661 deals) and Q4 2024 (1,159 deals).
- Strategic-acquirer activity increased by 71%, moving from 554 deals in Q3 2024 to 949 in Q4 2024, as many owner-managers accelerated exit plans ahead of the tightening taxation environment.
- Financial-sponsor deal volumes increased by 96%, rising from 107 transactions in Q3 2024 to 210 in Q4 2024, supported by lower borrowing costs, improved credit availability and high competition for premium assets in the market.
- Overall, UK M&A momentum strengthened despite macroeconomic uncertainty.
- Although deal volumes softened in Q1 2025 (after a 'bumper' Q4 2024), the outlook remains cautiously positive. Despite geopolitical uncertainty, the market is underpinned by significant levels of liquidity, with interest rates forecast to reduce further and sustained appetite from both corporate and financial buyers.

Valuation Multiples

- M&A valuation multiples narrowed between strategic and financial acquirers, as competition for high-quality assets reduced the private-equity premium to c.2.2x EV/EBITDA in Q4 2024.
- Private-equity EV/EBITDA multiples decreased by 2.5%, from 12.2x in Q3 2024 to 11.9x in Q4 2024; strong levels of "dry powder" and an improving leveraged-finance market are expected to continue supporting the market through 2025.
- Strategic EV/EBITDA multiples decreased marginally, moving from 9.8x in Q3 2024 to 9.7x in Q4 2024. Multiples were underpinned by strong corporate balance sheets, disciplined pricing and a continued focus on earnings-accretive transactions.
- The M&A outlook for 2025 remains positive, supported by a lower cost of capital in credit markets and strong capital availability.

Source: Gambit analysis, ONS and S&P

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European Loan Market

- Private equity backed businesses issued €33.6 billion of leveraged loans in Q1 2025, up from €21.2 billion in Q4 2024 and €22.4 billion in Q1 2024. This was the busiest first quarter for sponsored companies in the loan market since Q1 2007.
- Primary corporate buy-outs represented 43% of transactions executed in Q1 2025, up from 28% across full-year 2024.
- With the cost of funding now nearing the lowest level seen for nearly three years, leverage multiples are moving off recent lows. In the trailing 12 months to March 2025, average leverage multiples for buyout deals were 4.87x, up from a 12-year low of 4.58x at the end of 2024.
- As risk appetite improves, sponsors also sought to eke out returns via debt-funded dividend payments. A total of €4.5 billion of loans were taken in Q1 2025 to fund dividend recapitalisations, making it the busiest first quarter for this use of funds in four years.

Typical Pricing Spreads

	Senior Cash Flow	Unitranche	Subordinated
May-25	4.00% – 6.00%	6.00% - 8.25%	10.00% - 13.50%
Apr-25	4.00% – 6.00%	6.00% - 8.25%	10.00% - 13.50%
May-24	4.25% - 6.25%	6.25% - 8.50%	10.25% - 13.50%

- Average pricing spreads across senior debt, unitranche and subordinated facilities tightened over the last twelve months.
- Whilst inflation is currently above target levels, forecasts suggest that by 2026 this will be close to 2.0%. Combining this with forecast base rate reductions in 2025 and interest margin compression reflects a trend towards a more ‘friendly’ debt market landscape.
- Drawing on the expertise of a knowledgeable debt advisor to support a quality proposal to present to the most relevant funder audience is key to achieving a successful fundraise in this market.

Source: Bank of England, Weil and Gambit analysis

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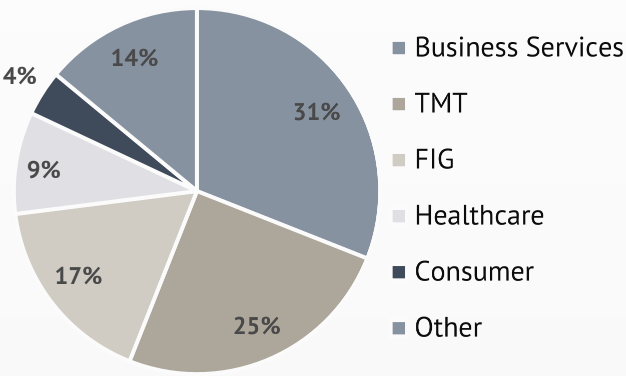
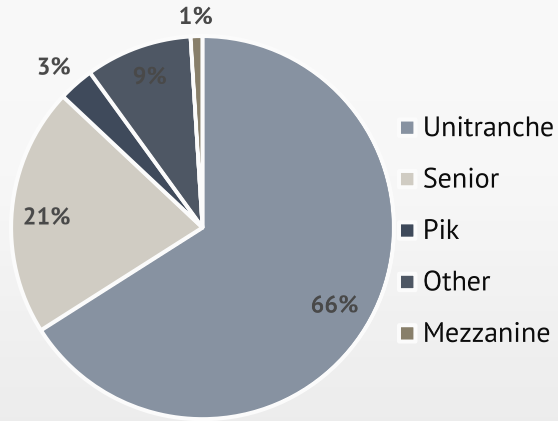
- As of H2 2024, the UK remains the leader in private debt activity in Europe, with 137 out of a total of 436 deals reported closed.
- Private credit activity across the Business Services, TMT, FIG and Healthcare sectors were the most prominent. However, this has left opportunity for deployment across areas such as transportation, infrastructure and niche industry-specifics, which we anticipate private credit will be alive to in H2 2025.
- Private credit's attractiveness from both borrowers and sponsors is underpinned by faster transaction execution, greater covenant flexibility and banks' involvement more in the direct lending space, by providing super senior financing for unitranche lending.
- Across private credit structures, Unitranche dominated, representing 66% of transactions.
- Leveraged buyouts and bolt-on transactions accounted for 28% and 38% of private credit transactions, respectively.
- The private credit market is forecast to continue to grow over the next 12 months, as private debt continues to offer borrowers the flexibility of a single-fund solution.
- In the current climate, borrowers should leverage the expertise of experienced corporate finance advisors to be well-prepared for discussions with financial institutions.

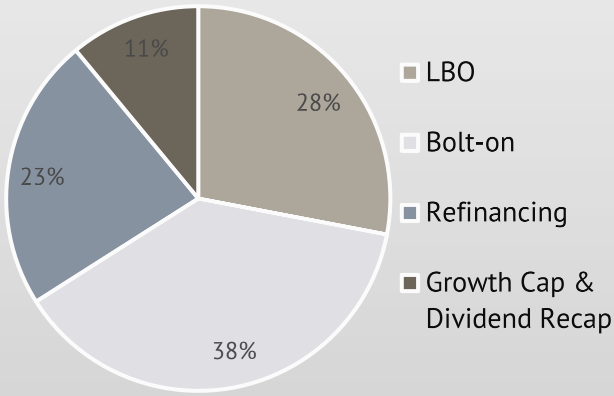
Private Credit - Sectors



Private Credit - Structures



Private Credit - Uses



Source: Gambit analysis, Weil, Pitchbook, Real Deals

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Gambit Corporate Finance acted as lead advisor to THE LONDON MINT OFFICE on raising debt facilities from Omni Capital	Gambit Corporate Finance acted as lead advisor to JOURNEY HOSPITALITY on its fundraising from Growth lending	Gambit Corporate Finance acted as lead advisor to Hybrid. on its fundraising from HSBC	Gambit Corporate Finance acted as lead advisor to veezu. on its refinancing from Santander TRESMARES CAPITAL	Gambit Corporate Finance provided strategic advice to the **British and Irish Lions**	Gambit Corporate Finance acted as lead advisor to CREO MEDICAL on raising debt facilities from BARCLAYS
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Gambit Corporate Finance

Established in 1992, Gambit Corporate Finance is an independent corporate finance boutique specialising in advising private and public organisations on mid-market transactions in the UK and overseas. With offices in London and Cardiff, Gambit is widely recognised as a market leader in corporate finance advice having built up detailed industry knowledge and an enviable track record in deal origination and execution.

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Corporate Finance International

Gambit is the exclusive UK shareholder of CFI, a global partnership of mid-market investment banks and corporate finance advisory firms. With over 300 professionals located in 29 offices throughout the world, CFI members specialise in cross-border acquisitions, disposals, capital raising, and related services. CFI is Ranked number 16 in Europe and number 19 globally by Thomson Reuters for transactions valued up to €200m.

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