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Debt Capital Markets

Gambit Review

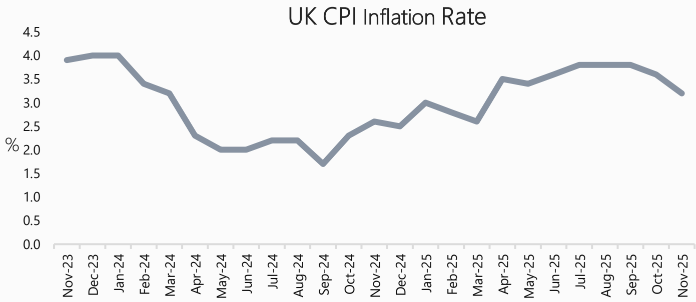
January 2026

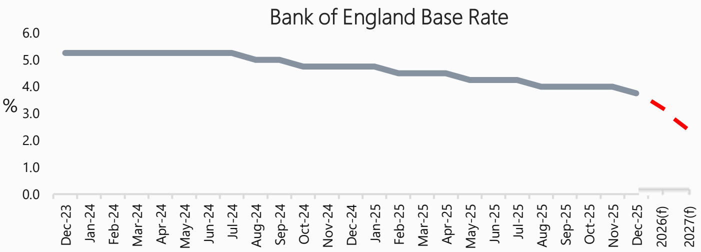
Executive Summary

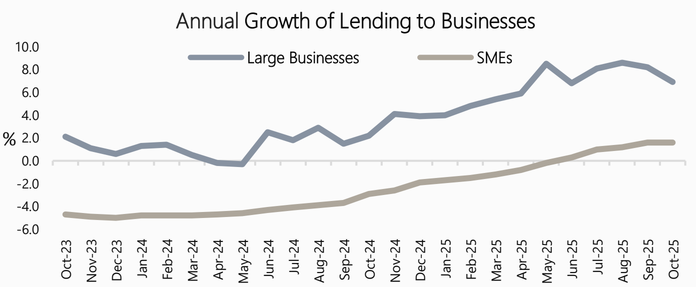
Jason Evans
Partner, Debt Advisory

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 33-year career, Jason has 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.







Sources: Bank of England, ONS, Capital Economics, Gambit Analysis

- **UK CPI inflation has eased materially**, falling from a peak of 11.1% in October 2022 to 3.2% in November 2025, **although progress has slowed in the past year and inflation remains sticky**.
- Despite inflation still sitting above the Bank of England's 2% target, the **base rate has been lowered from 5.25% in September 2023 to 3.75% in December 2025,** through six quarter-point reductions.
- **Capital Economics forecasts further base rate cuts in 2026**, with the base rate reaching 3.0% and inflation falling back to around 2.2%.
- **Lending growth to large corporates has increased** from 2.9% in August 2024 to 6.9% in October 2025, **and lending growth to SMEs has increased** from (3.9%) to 1.6%, demonstrating encouraging signs of recovery.
- **Post-Budget stability has improved lender confidence,** supporting a more constructive lending environment despite ongoing geopolitical uncertainty.
- **It is essential for borrowers to leverage the expertise of experienced corporate finance advisors to be well-prepared for discussions with financial institutions.**

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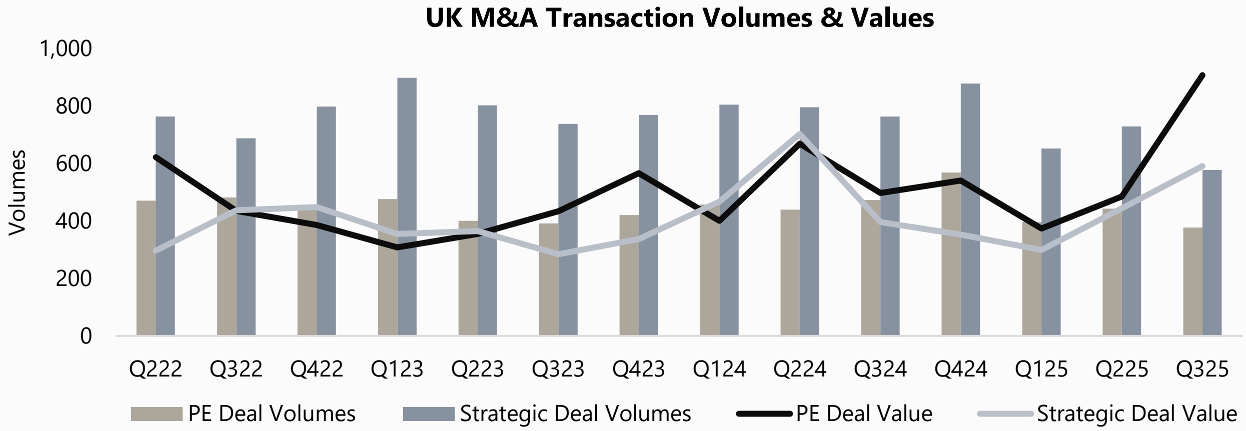
M&A & Credit Markets



Volumes

- **Private equity transaction activity decreased by 14.9%**, from 443 deals completed in Q2 2025 to 377 deals completed in Q3 2025, whilst **strategic activity decreased by 20.9%**, from 729 deals completed in Q2 2025 to 577 deals completed in Q3 2025.
- Uncertainty caused by the **much-anticipated UK domestic budget announcement and geopolitical risks dampened deal volumes in Q3 2025**.
- **Record levels of dry powder continue to fuel appetite for new investments and bolt-on acquisitions**, and many UK private equity portfolio companies have reached maturity, extending beyond their natural exit points and now awaiting sale.
- Against this backdrop, the **UK still outperformed its European peers in total deal volumes in Q3 2025**, supported by swift trade diplomacy with the US and monetary easing by the Bank of England.
- **Looking ahead, subject to geopolitical stability, market confidence is expected to strengthen in 2026, underpinned by resilient strategic and private equity appetite, receptive debt markets and an improving interest rate environment.**

Values

- **Total M&A transaction values increased by 61%** from Q2 2025 to Q3 2025, supported by an influx of US capital inflows and heightened valuations for premium assets.
- The **UK continues to attract the largest share of US investors in Europe**, accounting for over 50% of deal values in Q3 2025.
- **Total private equity deal values increased by 87%** from Q2 2025 to Q3 2025, underpinned by a larger number of jumbo transactions executed.
- **Total strategic deal values increased by 33%** from Q2 2025 to Q3 2025, reflecting a sharp rise in growth, expansion and add-on investments as corporates refocused on scaling core operations.
- **Mid-market M&A activity is well-positioned to rise in 2026, supported by strong capital inflows and improved financing conditions.**

Sources: Pitchbook, Gambit Analysis

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Loan Markets

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European loan market

- European leveraged loan issuance in 2025 is expected to reach the record highs of 2021.
- Buoyant activity has been largely underpinned by repricings and extensions, with 2025 set to become Europe's busiest ever year for refinancing activity.
- Direct lending volume in 2025 is 22% higher than the same period in 2024.
- Despite weakened M&A transaction volumes in Q3 2025, overall M&A loan volumes in 2025 have reached their highest level since 2021, now representing over 30% of total loan issuance.
- Direct lenders continue to prioritise the mid-market, whilst the syndicated loan market remains focused on large-cap transactions.
- Older-vintage private equity investments continue to need to churn or rely on dividend recapitalisations to generate returns.

Typical pricing spreads

	Senior Cash Flow	Unitranche	Subordinated
Jan-26	3.75% – 6.00%	5.75% - 8.00%	9.75% - 13.50%
Dec-25	3.75% – 6.00%	5.75% - 8.00%	9.75% - 13.50%
Jan-25	4.00% - 6.00%	6.00% - 8.25%	10.00% - 13.50%

- As private markets remain highly competitive, average pricing spreads across senior debt, unitranche and subordinated facilities have held steady after a year of tightening spreads and expanding leverage.
- Leveraged issuance, particularly across the mid-market, has rebounded as borrowers take advantage of improved pricing conditions and an easing in market uncertainty.
- In short, whilst borrowing conditions have improved, leveraging 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.

Sources: Pitchbook, Capital Economics, Gambit Analysis

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Private Credit

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Overview

- **The UK remains Europe's leading direct lending market**, accounting for just under 25% of total private debt deal volume in 2025.
- **Direct lending activity remains historically strong**, with 2025 deal count and volume ahead of 2024 despite a H2 slowdown; €34 billion of YTD activity is nearly three times 2020 levels.
- **The lower mid-market is the clear engine of activity**, representing 55% of deal flow in 2025 - the largest share on record.
- **M&A and LBOs continue to drive transactions**, representing 75% of deal flow in the last 3 months of 2025. Moreover, 14% of transactions were attributable to recapitalisations and 11% to refinancings.
- **Private credit adoption continues to accelerate**, as UK sponsors increasingly favour non-bank lenders for certainty, flexibility and speed of execution.
- **2025 has exhibited a greater number of sponsor-less transactions**; a trend that is expected to continue in 2026.
- **The UK lower mid-market private credit market is well positioned into 2026**, supported by an easing in market uncertainty, sustained demand and an active lending ecosystem.
- **Early engagement with experienced corporate finance advisors** remains critical to accessing the right capital partners and optimising outcomes.

2025 market snapshot

~25%	UK's share of European market activity
€34bn	Total European transaction values
55%	Proportion of deals attributable to the lower mid-market
75%	Proportion of deals attributable to M&A and LBOs
14%	Proportion of deals attributable to recapitalisations
11%	Proportion of deals attributable to refinancings

What does this mean for borrowers?

1. *Reliable access to capital despite public market volatility*
2. *Flexible structures tailored to lower mid-market businesses*
3. *Experienced lenders with the ability to support growth and change*
4. *Improved pricing, leverage and structures*

What does this mean for lenders?

1. *Attractive deployment opportunities in a resilient UK lower mid-market*
2. *Increased borrower demand for certainty, speed and structuring flexibility*
3. *Repeat deal flow from active sponsor-backed businesses, supporting ongoing origination*

Sources: Pitchbook, Gambit Analysis

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Gambit Corporate Finance

Jason Evans
Partner
O: +44 (0) 845 643 5500
M: +44 (0) 772 544 6741
E: jason.evans@gambitcf.com

Sam Farrell
Director
O: +44 (0) 845 643 5500
M: +44 (0) 790 786 7303
E: sam.farrell@gambitcf.com

Harrie Thorrington
Manager
O: +44 (0) 845 643 5500
E: harrie.thorringon@gambitcf.com

Oscar Webb
Analyst
O: +44 (0) 845 643 5500
E: oscar.webb@gambitcf.com

Gambit Corporate Finance acted as lead advisor to digIG on raising debt facilities from Ecobank The Pan African Bank

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

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.

www.gambitcf.com

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 28 offices throughout the world, CFI members specialise in cross-border acquisitions, disposals, capital raising and related services. CFI is Ranked number 19 in Europe and number 31 globally by Thomson Reuters for transactions valued up to €200m.

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