From Public Discount to Private Premium: Inside Britain's Takeover Wave

Introduction

Britain's public markets are contracting in size. Years of underperforming listings, fund outflows, and the rise of sponsor takeovers have actively reduced the number of businesses listed in London, while at the same time the ones that remain continue to trade at a significant discount to their peers in the United States. Private equity firms have become increasingly willing to pay large takeover premiums to take some of these businesses under private ownership.

That begs the following question: why are private equity firms willing to pay such substantial premiums, in some cases rising up close to 100%, for UK-listed companies that are structurally less attractive? The answer lies in the discrepancy between a firm's share price and the value a sponsor believes they can extract from it under private ownership. British public markets sector composition partly accounts for the valuation gap, but concerns around declining domestic ownership, lower liquidity, and macroeconomic and political uncertainty have also contributed to valuations that buyers increasingly believe do not reflect the true value that these companies offer.

Measuring the UK discount—and avoiding the misleading comparison

A large share of the UK's valuation discount stems from composition, and the fact that the UK and the U.S. indices contain fundamentally different companies. The FTSE 100 is largely weighted towards the Financials sector, which accounts for 26.15%, with consumer staples adding a further 15.15%, as of January 2026. Energy and mining make up a large proportion on top of that, while technology is barely present. If you look at the US, technology, media, and telecommunications make up roughly half of the S&P 500 index's total market capitalisation, with this share gaining further dominance each year. This vast difference in composition explains part of the valuation gap. Banks, consumer staples, and energy companies are characterised as capital-intensive, cyclical sectors with lower growth, and therefore they command structurally lower multiples relative to the higher growth technology firms that make up a large part of US indices. Thus, the lack of large, high-growth tech companies in the UK can partially explain this discount.

Another large driver for UK discounts is who owns these companies. Historically, British pension funds were natural buyers in the domestic stock market;, however, over the last few years, there's been a drastic retreat. UK pension schemes now hold just 4.4% of their assets in domestic equities, down from 6% the prior year, and less than half of the 10.1% global average. In contrast to the late 1990s, UK equities comprised over half of UK pension fund portfolios. Now, that figure is in single digits, with fixed income taking equities' place. The significance of this retreat lies in the fact that pension funds historically provide a large and stable source of domestic demand for UK equities. They are price-insensitive, structural buyers, putting a safety net for prices regardless of sentiment. Without pension funds, you are left with a pool of price-sensitive, short-term buyers, who demand lower prices, and a growing pool of international shareholders who are less inclined to back management through a downturn.

Thinner ownership feeds into a second problem of lower volumes, making positions harder to build and exit. Investors price this illiquidity in, demanding a higher expected return to compensate for it, which pushes down the prices they are willing to pay. Alongside this, research coverage has fallen, with the average FTSE 100 company having fewer analysts covering it compared to an S&P 500 company. Falling UK coverage means fewer international investors are exposed to or drawn to UK stocks, closing the doors for foreign capital. This creates a self-reinforcing loop, where thin coverage and liquidity lead to weaker valuation, making coverage less viable.

Estimates vary by methodology, but research suggests Brexit has damaged the UK's GDP by ~6-8% by 2025, relative to the scenario if Britain had remained in the EU, driven by weaker business investment, lower demand, and slow productivity growth as firms navigated new trade friction rather than expanded like its U.S. peers. The market's reaction has amplified the referendum since. A weaker domestic currency, coupled with stagnant growth, has driven investors to view UK equities as a source of political and macro risk, rather than the core holding it once was.

Britain also taxes its own stock market in a way U.S. rivals don't. For example, the UK charges a 0.5% stamp duty reserve tax on share purchases, raising billions in tax each year for the government. The London Stock Exchange has lost 213 companies since 2016, according to the CBI; through a mix of fewer listings and more exits, leaving behind an aging index, re-routing international capital to new, high-growth opportunities found in the U.S.

How the discount translates into private-equity returns

A premium is not measured against the true value of a business, but rather yesterday's share price, and this distinction is crucial to understand the current wave of takeovers in the UK. Average premiums on UK deals have been 44% this year, slightly up from ~40% last year, while UK takeover activity has almost doubled relative to 2025. A wave of this size, coupled with sustained levels of premiums, indicates bidders are not systematically overpaying, but instead correcting prices towards their fair value.

Private ownership can unlock value that public markets might not price in, because the structure of private ownership reshapes a business's potential. A private equity owner can carry meaningful debt against the same asset, utilising this additional leverage to support a higher valuation for identical cash flows, even before any operational changes, and in the UK, where valuations are discounted, this alone can bring significant value. From there, a private owner is capable of reducing costs, restructuring operations, and pursuing long-term ventures, without the short-term pressure of public market sentiment and earnings expectations. Maybe the most viable example today is the flexibility to invest heavily in technology and AI, driving efficiency spending and depressing short-term earnings, which pays off over a longer holding period. Public markets, especially in the UK, are failing to price that patience in, and demand discounts for the weak outlook in the UK at the moment, whereas a private buyer can look at a similar business and pay a healthy premium with the goal of unlocking longer-term value creation.

But the timing of this trend isn't explained by any of this. UK equities have traded at a discount for years now, and private ownership, in principle, has been known to unlock value that public markets cannot. What changed is that the conditions for both parties are aligned. Private equity firms are sitting on stockpiles of uninvested capital, with increasing pressure to deploy this capital. Coupled with falling rates, sponsors have an appetite for UK companies they believe are trading below fair value. For sellers, years of watching their shares trade below US peers, and with no clear domestic catalyst, they are increasingly open to engaging in a take-private.

The Three Sectors Most Affected

The discount becomes particularly relevant in sectors where private buyers can underwrite value against more than the current public-market earnings multiple. Three such areas stand out due to their market characteristics:

Business and Fund Services

Business services are a natural target for private capital because contracted revenues and high cash conversion support leverage and debt capacity. Moreover, fragmented markets provide sponsors with opportunities for consolidation through acquisitions, building larger assets under their umbrella.

The proposed combination of OCS and Mitie demonstrates both characteristics at scale. In July 2026, facilities management group OCS, backed by Clayton, Dubilier & Rice, agreed to acquire outsourcing company Mitie Group [MTO:LSE] for 221.6p per share, or up to £3.1bn including Mitie's FY26 final dividend. The offer represented a 46.8% premium to Mitie's unaffected closing price.

Combining Mitie and OCS creates an £8.5bn annual revenue powerhouse in facilities management, with exposure to government, defence, healthcare and infrastructure contracts grounded in long-term customer relationships and significant switching costs, both monetary and operational. For a private-equity-backed owner, these characteristics provide relatively visible cash flows against which acquisition debt can be serviced, while the increased scale creates opportunities to consolidate procurement, technology and central functions for improved economics and a broader buy-and-build strategy.

JTC provides a similar opportunity in professional services, where recurring revenues are combined with an established acquisition platform. Permira and CPP Investments completed their £2.7bn acquisition of JTC in September 2026, taking the company private from the London Stock Exchange at a 49% premium to its unaffected share price. JTC serves more than 14,000 clients across fund, corporate and private-client services and has historically combined organic growth with aggressive bolt-on M&A, usually through bank carve-outs or acquisitions of independent peers.

This model proved especially attractive to sponsors because administration revenues are recurring, client relationships are sticky, and the underlying market remains sufficiently fragmented to enable further growth through acquisitions. In JTC's case, Permira has explicitly identified strategic M&A, US expansion and AI-enabled service delivery as areas for deploying its long-term capital, aiming to double the size of the group under new ownership. Together, Mitie and JTC show how reliable cash flows, consolidation and scale can support valuations above those implied by public markets.

Testing, Inspection and Specialised Industrials

For companies involved in testing, inspection and specialised industrials, competitive advantage lies in technical expertise, accreditation, intellectual property and installed customer relationships. These create high barriers to entry and pricing power, while diversified end-markets reduce exposure to any single industrial cycle. For private buyers, the opportunity arises when short-term industrial weakness depresses public-market earnings and valuations without materially impairing these underlying competitive advantages.

Intertek [ITRK:LSE] illustrates the value of these characteristics. In June 2026, Swedish PE group EQT [EQT:STO] agreed to acquire the testing and certification group for £60 per share in cash, with shareholders retaining the 107.7p FY25 final dividend. The offer valued Intertek's equity at approximately £9.5bn, marking a 62% premium to the share price immediately before EQT's initial proposal. Intertek's global network of laboratories and technical expertise creates a difficult-to-replicate platform, while mandated regulatory and safety requirements make a significant share of its services non-discretionary for customers, ensuring resilient demand and a defensible competitive position.

Spectris demonstrates the other side of the same opportunity: acquiring these underlying strengths when weaker end-markets weigh on public valuations. After a bidding contest between Advent and KKR [KKR:NYSE] in 2025, KKR secured the precision-measurement group for £41.75 per share, representing a 104.9% premium to its unaffected share price. This was particularly notable given that Spectris had reported a decline in like-for-like sales and lower operating margins in 2024 amid weaker end-markets.

For private equity, this industrial weakness created an attractive entry point into a fundamentally strong business. Spectris operates in markets where product expertise and deep customer integration create high barriers to entry. Alongside this defensible position, its £50m profit-improvement programme and scope for further bolt-on M&A provide private owners with value-creation levers beyond multiple re-rating. These examples show how private buyers may look beyond near-term industrial weakness and use defensible market positions, operational improvements and M&A to generate sizeable returns despite paying rather hefty takeover premiums.

Asset-rich Businesses

Asset-heavy businesses are the third group of companies affected by a valuation gap. Public investors tend to capitalise on near-term earnings, which can move sharply with fuel prices, interest rates or capital expenditure requirements. An acquirer, however, can place greater weight on the replacement cost, strategic value or cash-generating potential of the underlying assets. This can create a gap between the market value of the equity and the value a long-term owner assigns to the asset base.

EasyJet provides a clear example in aviation, where volatile earnings can obscure the value of the underlying platform. In August 2026, Apollo [APO:NYSE] agreed to a recommended cash acquisition of easyJet [EZJ:LSE] at 715p per share, valuing the airline's equity at approximately £5.7bn. The offer represented an 81% premium to easyJet's share price before takeover speculation began and followed competing proposals from Castlelake, whose final indicative offer had reached 690p. Airlines are difficult for public markets to value because earnings are highly sensitive to fuel prices, capacity and demand. However, Apollo is acquiring an established European airline with a sizeable fleet, valuable slots at capacity-constrained airports and a network that would be costly to replicate. A longer investment horizon allows greater weight to be placed on these underlying assets and the broader platform, alongside value creation through fleet modernisation, ancillary revenues, loyalty and the continued expansion of EasyJet Holidays.

The same gap between public valuation and underlying asset value is visible in UK real estate. Prologis' [PLD:NYSE] recommended acquisition of warehouse group SEGRO [SGRO:LSE] valued its equity at approximately £14bn, or 1,032p per share. That represented a 39% premium to SEGRO's unaffected share price, but only a 14% premium to its pro-forma adjusted NAV of 905p per share. Much of the headline takeover premium therefore reflects how far SEGRO's shares were already trading below the value of its underlying property portfolio, rather than a large premium being paid for the assets themselves. Although Prologis is a strategic rather than financial buyer, the transaction illustrates the same opportunity available to private capital. When listed asset-heavy businesses trade materially below NAV, an acquirer can pay a substantial premium to the share price while acquiring the underlying assets at a smaller premium to their assessed value. This allows buyers to look beyond near-term earnings volatility and underwrite valuations based on long-term asset value and cash generation.

Conclusion

The defining feature of the UK takeover wave is not exclusively based on the level of premiums being paid, but rather the valuations from which those premiums begin. A 40% or 50% takeover premium appears high when compared to yesterday's closing share price, but considerably lower when considered within the context of the true value potential of the underlying assets and the potential a sponsor believes they can extract under private ownership.

The frequency at which private equity firms are now willing to bridge large gaps between a company's trading share price and their belief in the underlying true value of the business highlights a broader problem for London. Private capital has opportunistically been able to take advantage of the valuation gap to acquire strong companies across business services, specialised industrials, and asset-rich businesses. With every take-private transaction, another company is removed from the UK's already diminishing investment universe. Unless the structural forces behind the discount begin to reverse, the UK faces the risk of entering a self-reinforcing cycle where low valuations attract buyers, takeovers reduce the size of the market, making it progressively less attractive to the capital needed to close the valuation gap.

