

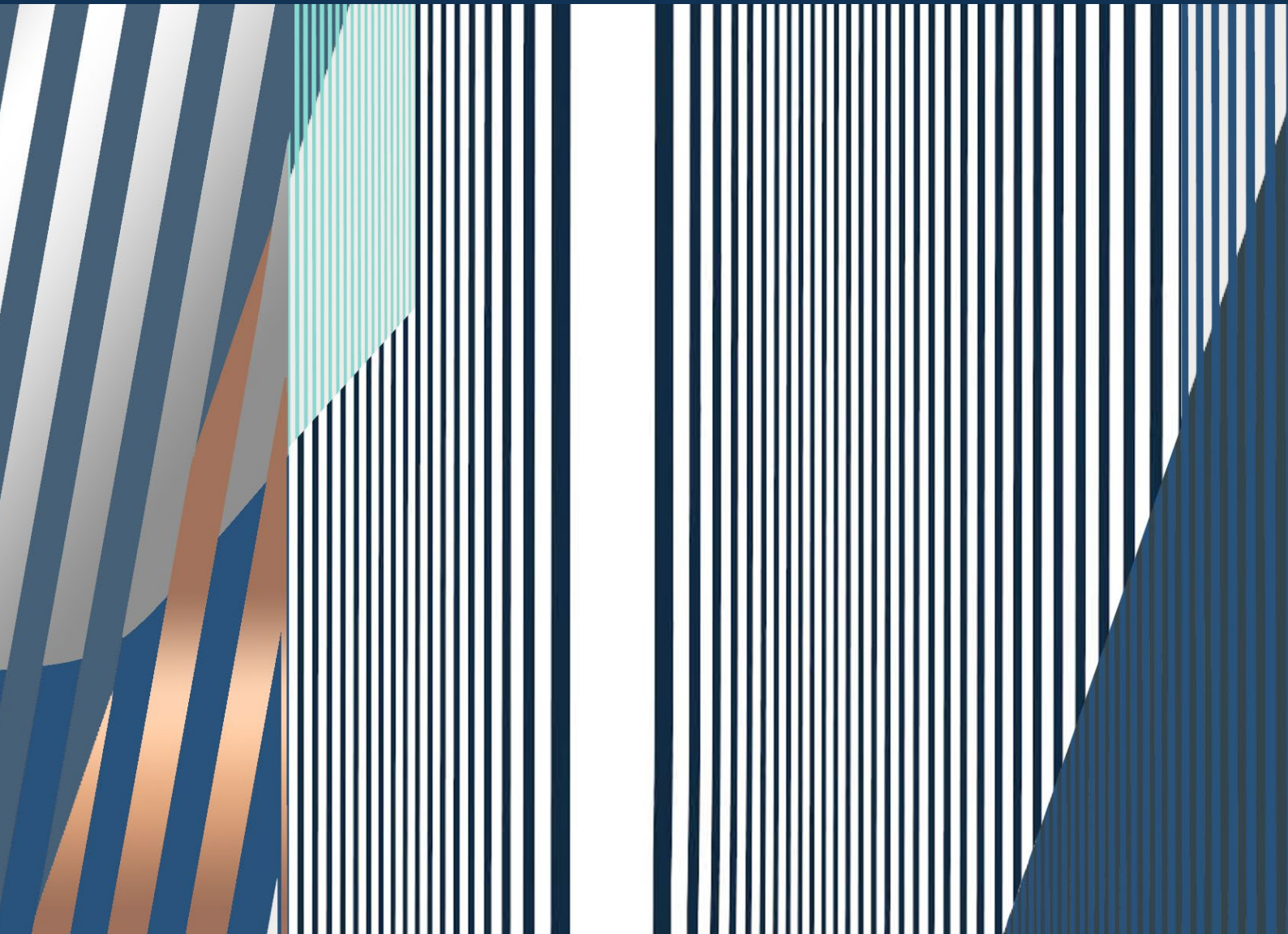
# ANTICIPATING THE AUTUMN STATEMENT: UK INVESTMENT OUTLOOK

MARKET PERSPECTIVES FROM THE LONDON PRIVATE EQUITY  
LEADERS' ROUNDTABLE

A WHITE PAPER BY BZ

Specialists in structured asset-based lending facilities.

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# ANTICIPATING THE AUTUMN STATEMENT: UK INVESTMENT OUTLOOK

## MARKET PERSPECTIVES FROM THE LONDON PRIVATE EQUITY LEADERS' ROUNDTABLE

Welcome to BZ's London Private Equity Leaders' Roundtable extract. This paper presents insights from senior private equity professionals and investment leaders as they assess the UK landscape ahead of the Chancellor's Autumn Budget Statement.

### EXECUTIVE SUMMARY

Private equity leaders highlighted three critical concerns for UK investment in advance of the Autumn Statement:

- Immediate pressure to complete deals before potential tax changes, driven by a £40 billion fiscal gap
- Structural shifts in investment returns due to anticipated increases in the tax burden on UK businesses and the implications surrounding changing labour regulations
- Growing uncertainty around business confidence and policy direction affecting strategic planning.

Their insights suggest the forthcoming budget announcement represents a pivotal moment for UK private equity, with implications for deal flow, valuations, and portfolio companies.

### Reshaping Investment Strategies

As the UK navigates a complex economic and political landscape in late 2024, leading private equity investors gathered to discuss the challenges and opportunities ahead.

With the Autumn statement approaching and the prospect of significant policy changes ahead, concerns are mounting about the impact on business confidence and investment decisions.

A substantial fiscal gap looms large, while changes to corporation tax and labour regulations are already affecting investment calculations and decisions.

Our panel of private equity leaders shared candid insights about deal flow, market timing, and the operational implications of potential policy changes.

The discussion reveals how increased political and economic uncertainty is reshaping investment strategies and business planning across the UK market.

**Thanks to our expert panel for your contribution:**

**Tom Callaghan**, Endless LLP (TC)

**Henry Gregson**, Acorn Capital Advisors (HG)

**David Jolly**, Weight Partners Capital (DJ)

**Calum MacEwen**, Cap 10 Partners (CM)

**Alastair Mills**, HIG Capital (AM)

**Randal Pringle**, Rothschild & Co (RP)

**Valentina Vitali**, Limerston Capital (VV)

**Alistair Wood**, Deutsche Numis (AW)



**Left to right:**

Alastair Mills, Henry Gregson, Duncan Maybury, Alistair Wood, Cem Yaslak, Tom Callaghan, Valentina Vitall, Alex Hall, Calum MacEwen, Randal Pringle, Rob Wakeford

## KEY THEMES FROM PRIVATE EQUITY LEADERS' DISCUSSION

- 1. Market Pressures**  
Significant fiscal gap to be addressed through tax/spending measures
- 2. Deal Environment**  
Deals being accelerated before potential tax changes
- 3. Strategic Response**  
Current environment forcing rapid decision-making on exits and investments
- 4. Structural Changes Tax Impact**  
Higher UK corporation tax affecting investment returns
- 5. Cross-Border Considerations**  
Cross-border tax arbitrage becoming more significant
- 6. Investment Metrics**  
Changing calculations of lever-free cash flow yields
- 7. Political Uncertainty Economic Messaging**  
Labour's economic messaging affecting market confidence
- 8. Future Outlook**  
Concerns about future business environment
- 9. Investment Implications**  
Potential capital gains tax increases affecting investment decisions and potentially accelerating dealmaking activity
- 10. Operational Impacts Workforce Considerations:**  
Labour-intensive businesses particularly exposed
- 11. Regulatory Changes**  
Zero-hours contract reforms could affect multiple sectors
- 12. Healthcare Focus**  
Healthcare sector rushing to lock in funding arrangements
- 13. Market Sentiment and Market Data**  
Deteriorating consumer confidence and survey data
- 14. Timing Issues**  
Timing concerns regarding change implementation

## DETAILED INSIGHTS FROM INDUSTRY LEADERS

### UK Budget & Tax Outlook

From broad market pressures to specific impacts, private equity leaders shared detailed insights about their current challenges and strategic responses.

**Cem Yaslak, Regional Director – London, BZ:** *“There’s been a lot of crystal ball gazing in terms of what might happen in the Autumn statement. The FT last night indicated that the Chancellor needs to raise as much as £40 billion through a combination of tax and spending cuts, and it increasingly sounds like most of that tax burden is going to fall on businesses. How are you, if in any way, preparing for this event? Has it impacted your business and your plans going forward?”*

### Operational Impacts and Labour Costs

The combination of signalled policy changes and market uncertainty is having a significant impact across portfolio companies.

**VV:** *“Decisions made in the Autumn statement may impact the deals pipeline, as well as impact portfolio exits. We are hard at work to ensure the companies we plan to exit maintain strong performance to be attractive in the current market. When looking at new investments, we are seeing some processes delayed as sellers look to maximise results and some companies look to mitigate some of the budget consequences, particularly companies with large workforces, given potential impact on labour costs.”*



### Labour Regulations and Healthcare Sector Impact

Changes in labour regulations and healthcare policy are creating specific challenges for businesses.

**DJ:** *“Our businesses often employ large pools of staff, so the new legislation around labour protections will impact our businesses significantly. If we get rid of zero-hours contracts, that will be particularly challenging for retail, leisure and healthcare. We’re seeing healthcare businesses rushing to lock in any government funding arrangements contractually before the budget, in case those get thrown up in the air. We could see a shift in bias away from private sector providers back towards public providers, at least until it becomes clear that doesn’t work – which is what happened last time.”*

### Political Climate and Market Sentiment

These challenges are occurring against a backdrop that has often been described as ‘VUCA’ in nature; an environment that is Volatile, Uncertain, Complex and Ambiguous.

**TC:** *“We were at an event the other day where an ex-political advisor was saying that the current government has done a poor job of talking the UK economy down without doing anything about it. It appears that it has really hurt consumer confidence. Looking at consumer sentiment surveys, there is negative sentiment across the board. The government has a lot to do to inject that confidence and momentum back into the UK economy.”*



### Market Timing and Deal Flow

The immediate response to these pressures is evident in current deal activity.

**AM:** *“We have seen a number of transactions this year where the certainty of the current tax environment became an increasingly important deal driver as the process advanced. It was not the primary catalyst behind the launch in most instances but the ability to sign and close before the end of October, locking in current tax rates, has been a more significant feature as the year has progressed.”*

**TC:** *“It has been a helpful deadline, hasn’t it? Artificially, it has driven activity that might have otherwise drifted to Christmas or next year.”*

## Cross-Border Tax Implications

Beyond immediate deal pressures, structural changes in taxation are reshaping investment calculations.

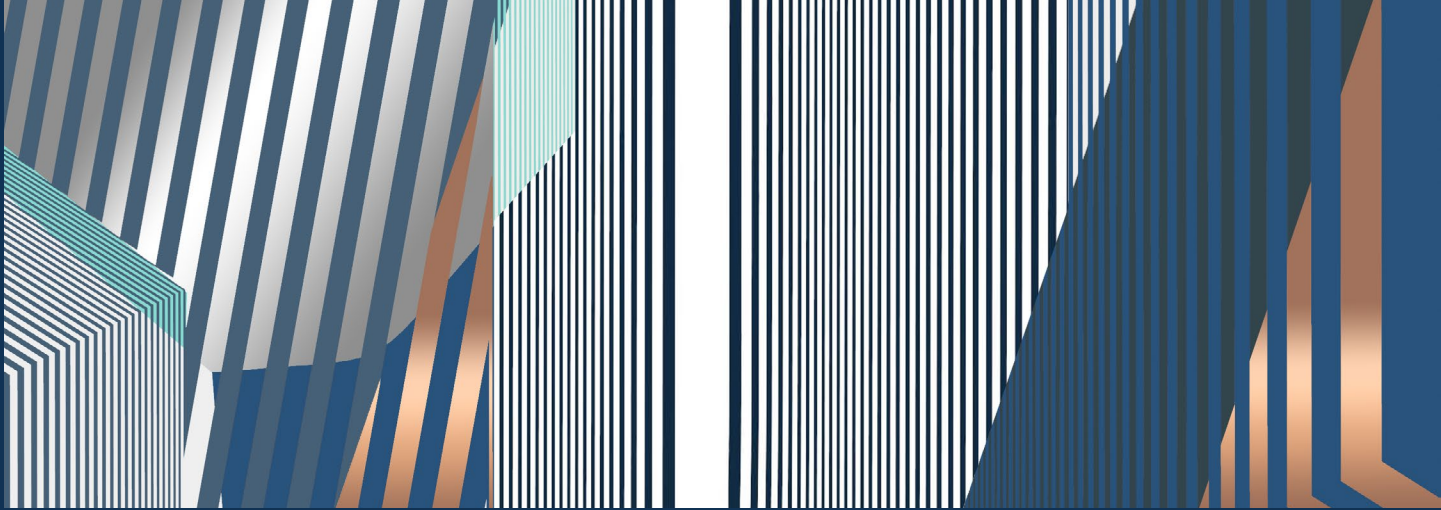
**CM:** *“We now have a structurally higher corporation tax rate in the UK, which creates a significant reduction in the levered-free cash flow yield that you can make on a target absent a reduction in price. Fundamentally, you’re getting less cash flow from all your investments than you were two years ago. And if you look at your levered-free cash flow yield, you’ve got to price your equity accordingly – that’s how we look at the world. That has to have a mechanical impact on the price at the top line. I don’t think people have necessarily factored that in. You have significant variance across different European economies as well. In Ireland, there’s very little corporation tax rate – obviously, that’s likely to change. Where there are noted differences in valuation multiples by geography, the tax environment typically has a large part to play.”*



## CONCLUSION

The roundtable discussion reveals significant challenges and strategic shifts in UK private equity ahead of the Autumn Statement. The prospect of major tax changes has accelerated and may continue to fuel further deal activity, while structural changes in business taxation are fundamentally influencing investment decisions. Portfolio companies face mounting pressures from potential labour reforms and tax changes, particularly in sectors with large workforces. The prolonged uncertainty and economic messaging have further complicated investment planning and business confidence.

In this complex environment, BZ’s structured asset-based lending solutions provide vital flexibility for mid-market businesses and private equity sponsors seeking to optimise their funding structures and maximise headroom during periods of significant potential change.



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