Too good to go?

UK plc is on sale but the bigger opportunity may lie beyond M&A.

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We Brits have long treated bargain-hunting as a national sport. Aldi's infamous aisle of shame may have confounded the nation when it first arrived, but it's helped propel the budget retailer into the UK's fourth largest food retailer. A quarter of its stores are reportedly within a mile of Waitrose, creating the ultimate symbiotic shopping trip of pairing a £250 hot-tub with a £280 bottle of Cristal.

Then there's the yellow sticker frenzy, capable of turning even the red trouser brigade into sharp-elbowed predators. Since moving back to London, I've rediscovered the joys of the 6pm Waitrose raid, though my children remain less enthused about suppers assembled entirely from discounted picky bits.

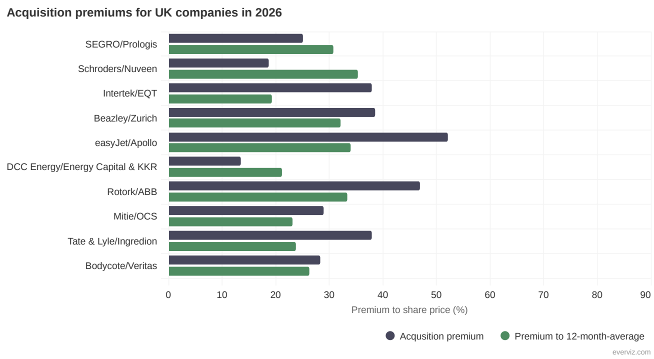
But shoppers aren't the only bargain-hunters in town: UK plc has become the world's favourite discount aisle, and overseas buyers have piled in with gusto. More than £70 billion of deals have been announced so far in 2026 - over twice the total for 2025. And the headline numbers look enticing: AJ Bell puts the average premium at 43%, with easyJet commanding an eye catching 81% after its recent private equity tussle.

On the surface, this may look like easy pickings for UK investors but, as is so often the case, the devil is in the detail.

Roll up roll up

On the face of it, acquirers are paying some hefty premiums to take out UK-listed companies this year, with many of the largest bids offering a 40%-plus premium to the 'undisturbed' share price. But such premiums are frequently flattered by well timed swoops, with a few looking distinctly less impressive against 12 month averages.

UK companies have commanded large takeover premiums in 2026



Source: Offer documents, based on final cash offer consideration. Where not specified in offer document,12-month average premium based on daily closing share price over the 12 months preceding the undisturbed share price date.

Past performance is not a reliable indicator of future results.

Take Intertek, whose shares had fallen by a quarter after missing growth expectations when private equity firm EQT swooped in with a bid in April. The board squeezed out another 16%, but even the final offer was only 30% above the 12 month average.

And easyJet saw similar opportunism: the Iran conflict triggered a slide in its shares, prompting Castlelake to make multiple approaches before Apollo gatecrashed the party. The recommended bid was at an 81% premium but nearer to 50% against the 12 month average.

Private equity has driven much of the activity, keen to put dry powder to work to justify their management fees, but trade buyers have also re emerged. The potential synergies on offer have pushed up premiums, with Swiss engineering group ABB paying a 70% plus premium to leverage Rotork's product catalogue.

For UK investors, the M&A boom has offered a welcome route to crystallise returns after years of depressed valuations but if sentiment improves, the bigger prize may come from backing companies to stay independent and deliver their own rerating.

The more pressing challenge, however, is the steady shrinking of the listed market, with takeovers removing companies faster than a moribund IPO market can replace them. Deliveroo was the biggest ticket London IPO of the past five years, but lasted just four years before being acquired by US rival DoorDash. ARM chose the US for its relisting, while Flutter, Wise and Indivior have shifted their primary listings across the Atlantic.

With NVIDIA alone worth the same as the entire UK Main Market, calls for more radical action are growing. Listing rule reforms should help, but ultimately performance is the best advertisement, and there are at least some green shoots on that front.

Getting a piece of the action

Owning a takeover target is the obvious win, though notoriously difficult to predict. And once a bid lands, investors have to choose between profit-taking on the bounce or holding out for completion, which isn't guaranteed if regulators decide to intervene.

A portfolio approach tends to offer significantly better odds. While managers rarely hunt explicitly for M&A targets, the same traits that attract buyers - cash generative, quality businesses trading at undemanding valuations - often feature heavily in active portfolios, so which trusts have been best placed to benefit?

Law Debenture (LWDB) offers a differentiated equity income proposition, pairing a UK equity portfolio with a professional services arm that underpins its dividend. The trust has returned 28% over the past year, with a near 3% yield. Bid activity has been a material contributor, with eight approaches in its interim results - including easyJet, Schroders and Tate & Lyle - while M&A also benefits its services division.

One area less exposed to the UK's de equitisation is the FTSE 250, which **Schroder UK Mid Cap (SCP)** manager Jean Roche dubs the "Heineken index" thanks to its constant refreshing via promotions and demotions. Mid-caps were hit by the Iran conflict but have since rebounded, returning 11% over six months. Depressed valuations have created a fertile hunting ground for takeovers, with SCP benefiting from premia of 75% and 100% on the acquisitions of Just Group and Spectris.

Looking ahead, UK plc may still resemble the nation's favourite yellow sticker aisle, but the M&A wave is at least shining a light on the valuation opportunity on offer in the UK. If sentiment and performance improve, investors may yet find the real upside in the companies remaining independent and proving themselves too good to go after all.

All data as at 07/09/2026 unless specified otherwise.

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