

UK Q1 2026 ANALYSIS

# Geopolitical uncertainty and AI fears stifle UK private equity activity in Q1

## Any optimism circulating towards the end of 2025 around an increase in buyouts has quickly dissipated amid continued market uncertainty that has plagued the opening quarter of this year. Jonathan Klonowski examines Actum data to understand the drivers behind private equity activity in the UK during Q1 2026.

In late 2025 experts spoke of a “strange, soft year” for UK private equity dealmaking, with a quiet optimism for an uptick in the year ahead. Instead, the market has been blighted by renewed macroeconomic concerns, which have once again held activity back.

The first quarter of 2026 saw a total of 80 buyouts, according to Actum data, 5.9% lower than the number of deals seen during the final quarter of 2025 (85 buyouts). This figure is in line with the quarterly average seen across last year, in which 81 buyouts per quarter took place.

Two key dealmaking themes arose from Actum’s 2026 Value Creation Forum in mid-March – AI’s disruption to business models, and the renewed macro uncertainty surrounding the war in Iran.

While panellists spoke of a potential “fourth industrial revolution” thanks to the

development of AI, its disruption is also causing fear around the impact in certain sectors. SaaS, for example, has been a focus of private equity firms in recent years. Yet worries around how AI would impact the business models of such firms caused software stocks to fall and has left investors in the private equity world considering the long-term prospects of SaaS assets.

The private equity market must also now contend with further geopolitical uncertainty in the Middle East. The ongoing effects of the war, and the wider risks involved are causing private equity firms to rethink investment decisions. As a result, sponsors are having to place more emphasis on stress-testing portfolio companies and identifying defensive actions to ensure supply chains and cost bases are sufficiently robust enough to absorb shocks.

And the full impact of the war is also yet to be fully seen. The effects on energy, trade, inflation, and interest rates are yet to be fully felt.

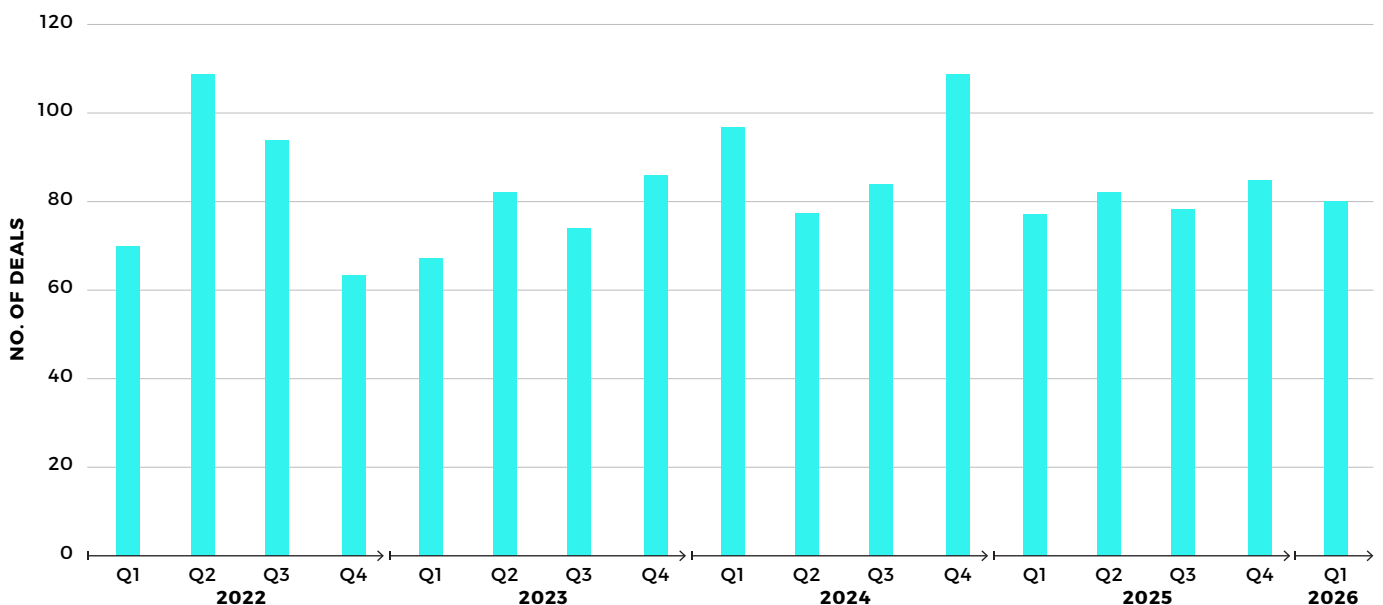


Figure 1: Quarterly UK Buyout Activity (Source: Actum data)

## Proceeding with caution

The ultimate result is a heightened level of caution among sponsors. Panellists at the Actum forum detailed their view that private equity firms would continue to focus on businesses that provide essential products and services, and assets with a level of resilience to macroeconomic shocks. This includes B2B services which are deeply embedded into firm's operations such as TICC, as well as sectors such as healthcare, food, and utilities.

This echoes the sentiment from dealmakers in Actum's Q4 2025 report in which experts noted the "flight to quality and safety". The uncertainty has left sponsors doubling-down on the strategy, focusing on assets with stable cash flows.

Concerns surrounding the impact of AI are also causing a dealmakers to rethink their approach. Being still at the embryonic stage of AI development, it remains a huge challenge to price in the risk of such new technology.

Panellists at the Actum forum discussed how sectors such as industrials, for example, are further behind on the technology adoption curve. Yet there are clear paths to AI implementation. These low-risk, high-impact opportunities provide sponsors with the ability to implement AI to materially improve operational efficiency, they said.

Actum data, meanwhile, shows how some firms remain willing to make high cost bets. The nine large-cap buyouts, defined as deals with an enterprise value at or above £500m, announced in the opening three months of the year, two more than in Q4 2025, represents an 11.3% share of UK buyout activity in Q1. This marks an increase from the 8.4% share seen during the final quarter of last year. Such deals this year include KKR and Oak Hill Capital's investment into [Global Technical Realty](#), and Macquarie's acquisition of [Energy Assets Group](#), from a consortium of investors.

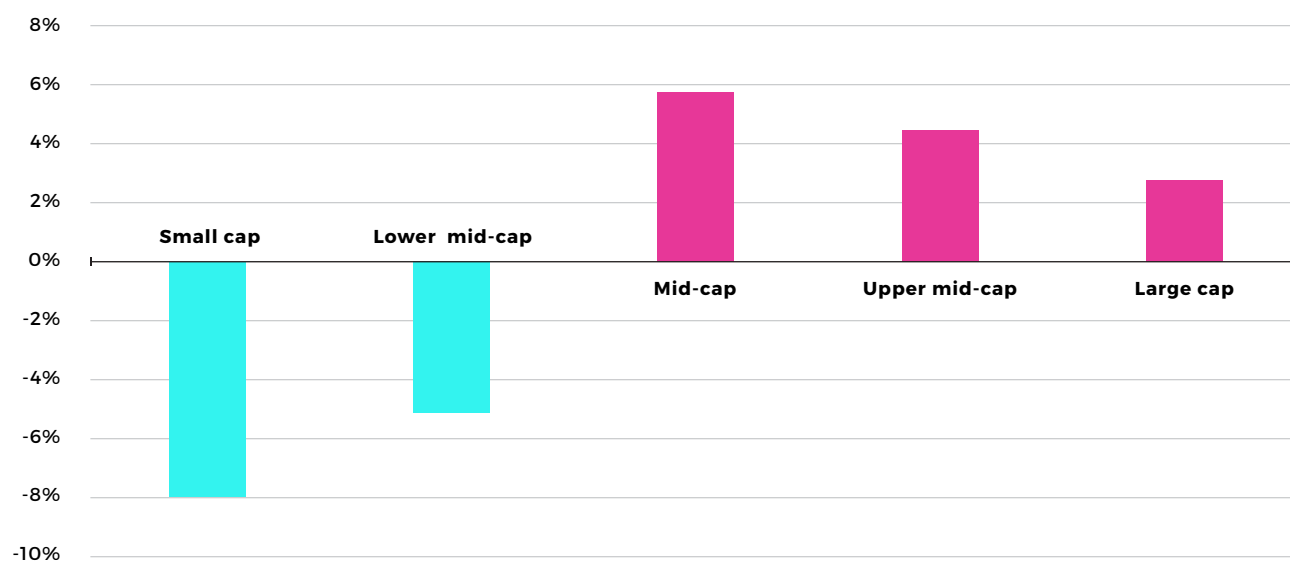


Figure 2: Percentage point change in UK buyouts by size (1Q26 vs. 4Q25) (Source: Actum data)

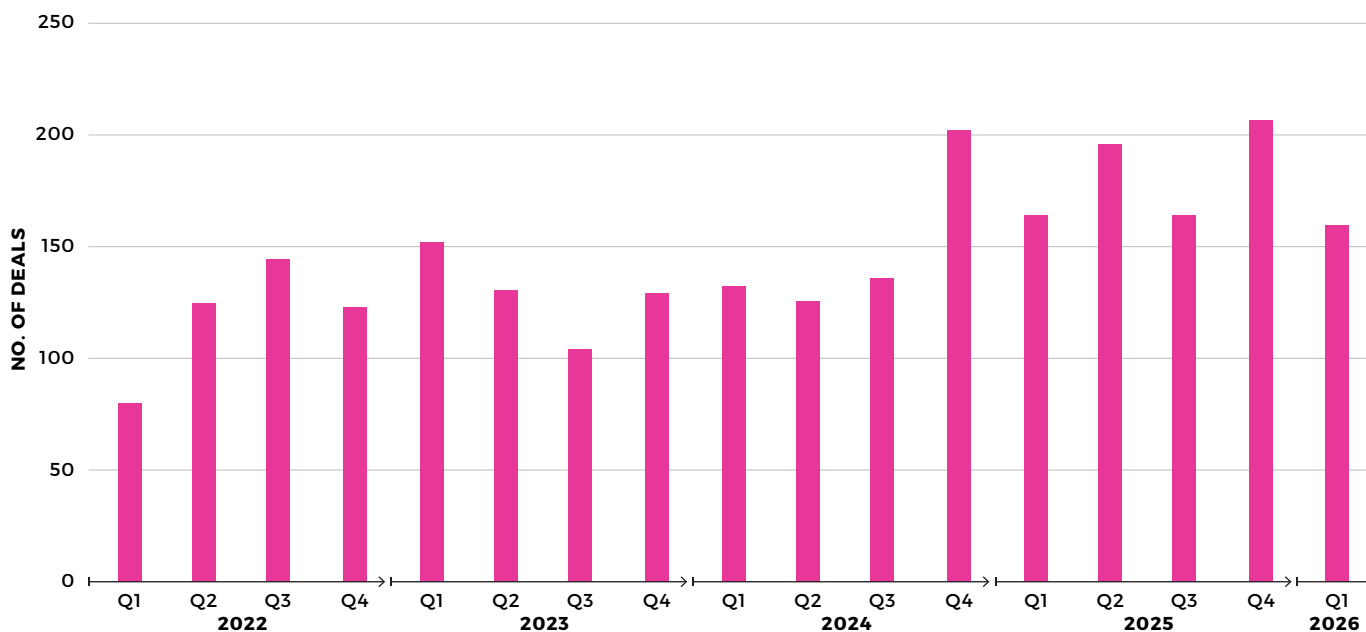


Figure 3: Bolt-ons by UK-based portfolio companies (Source: Actum data)

## Portfolio resiliency

The uncertainty has also caused a renewed focus on portfolio resiliency. The importance of value creation, particularly operational excellence, was evident at Actum's recent forum, in order for portfolio companies to survive the latest uncertainty.

Given the multiple macroeconomic shocks experienced in recent years, private equity firms must continue to help portfolio companies through this uncertainty, panellists at the forum stated. This includes regularly assessing the cost base, as well as ensuring strong customer relationships through cross-selling to further embed services into clients.

Bolt-on activity, meanwhile, has taken something of a backseat this year. While the 160 acquisitions conducted by UK-based portfolio companies remains well ahead of the averages seen between 2022 and 2024 (132 deals per quarter), it represents a clear dip from the 184 bolt-ons per quarter seen last year.

## Dealing with uncertainty...again

The coming months are likely to result in UK private equity remaining in a holding pattern as sponsors continue to navigate the layers of uncertainty plaguing the market. Although the number of deals has remained relatively stable in Q1, sentiment is fragile, and the expected uptick appears to be a remote possibility.

As a consequence, sponsors are likely to prioritise businesses that can demonstrate resiliency. Expect a continued focus on high-quality assets which can withstand macro disruption, while offering scope for operational improvement.

Until the uncertainty lifts, the strategy among investors is unlikely to materially shift. The focus will remain on positioning portfolio companies to help navigate uncertainty and protect value.

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