

UK Takeovers: Recap of key developments and trends in 2025

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This update recaps developments and key trends in UK takeover activity over the last 12 months.

Takeover offers: key developments

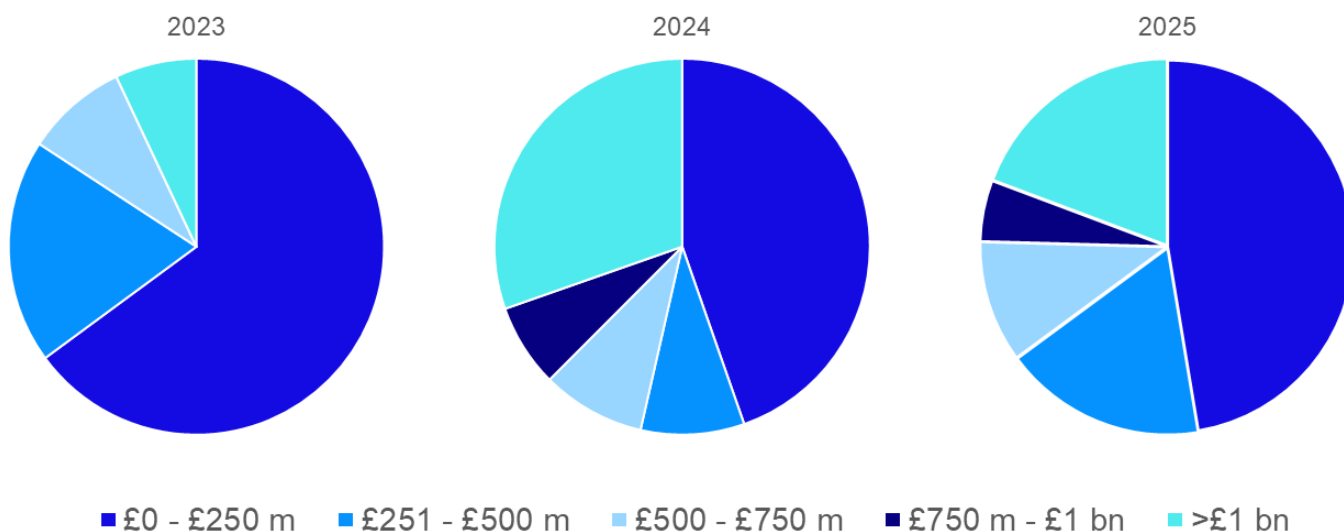
- **Narrowed scope of companies to which the Takeover Code applies.** On February 3, 2025, the Takeover Code was amended to reduce the number of companies to which it applies. Notably, the Takeover Code no longer applies to UK companies that are only listed on NYSE or Nasdaq (although any such UK companies which were incorporated before the amendments are subject to a two-year transitional period during which the Takeover Code may apply). Our article for *Law360* on the impact of the changes for companies can be found [here](#) and our client update on the topic can be found [here](#).
- **FCA notice on strategic leaks and unlawful disclosure.** On March 14, 2025, the FCA published [Primary Market Bulletin 54](#) noting an increase in instances where material information on live takeovers appeared to have been deliberately leaked to the press. The bulletin reminded market participants of the rules related to unlawful disclosure under the FCA's Code of Conduct Rules, the Takeover Code and the UK Market Abuse Regulation.
- **Guidance on profit forecasts, quantified financial benefit statements (QFBS) and investment research.** On July 3, 2025, the Panel published [Practice Statement 35](#) (Profit forecasts, quantified financial benefit statements and investment research) setting out how it normally interprets and applies certain aspects of Rule 28 in relation to profit forecasts and QFBS and Note 4 on Rule 20.1 in relation to investment research published by a connected firm. The Panel distinguishes between ordinary course profit forecasts (published in accordance with a party's established practice as part of its ordinary course communications with shareholders and the markets) and one-off profit forecasts, with the latter attracting stricter regulatory reporting obligations. Of interest to US bidders offering share consideration is that the Panel may be prepared to grant dispensations from the Rule 28 reporting obligations where an offeror is required by law to include a profit forecast provided by an offeree to it during the course of diligence in its US proxy statement.
- **Guidance on stub equity offers.** On July 3, 2025, the Panel also published [Practice Statement 36](#) (Unlisted share alternatives) setting out how it interprets and applies the Takeover Code's provisions that relate to unlisted share alternatives (or "stub equity"). Share and share alternative consideration remained popular in 2025, comprising 33% of the firm offers announced in 2025 (with 12% of the firm offers announced featuring unlisted securities). Our article for *Law360* on the impact of the changes for PE bidders can be found [here](#) and our client update on the topic can be found [here](#).
- **Dual class share structures, IPOs and share-buybacks.** On December 2, 2025, the Panel published amendments ([RS 2025/1](#)) to the Takeover Code in response to its consultation ([PCP 2025/1](#)) on the application of the rules to dual-class share structures, how the Rule 9 mandatory offer regime applies to share buybacks and pre-IPO submissions, which take effect on February 4, 2026. Our client update on the topic can be found [here](#). The amendments relating to dual-class share structures follow the wider shift in the UK capital markets regime to accommodate such structures, as discussed in our briefing [here](#).
- **City of London Law Society (CLLS) and the Law Society of England and Wales (Law Society) joint response in favor of the FCA's proposals on takeover exemptions.** On December 4, 2025, CLLS and the Law Society

published a joint [response](#) to the FCA's consultation in [Primary Market Bulletin 58](#) on [draft Technical Note 608](#). The response supports the FCA's proposal that, where an offeror is relying on the exemption from the publication of an FCA approved prospectus in PRM 1.4.9 (equity securities offered in connection with a takeover), an offer or scheme document should automatically be treated as satisfying the requirements for an exemption document provided that the securities are equity securities fungible with those already admitted to trading and the transaction is not a reverse acquisition (otherwise, content requirements should be set out in FCA guidance rather than by reference to the Takeover Code). In any event, bidders may alternatively seek to rely on other exemptions, including the annual exemption for further issuances set out in PRM 1.4.3 (further issuances) and so will not need to rely on the takeover exemption.

- **Minor amendments to the Takeover Code.** On December 15, 2025, the Panel published [Panel Statement 2025/20](#) announcing minor amendments to the Takeover Code (including the requirement to include a legal entity identifier in announcements) which will also take effect on February 4, 2026.

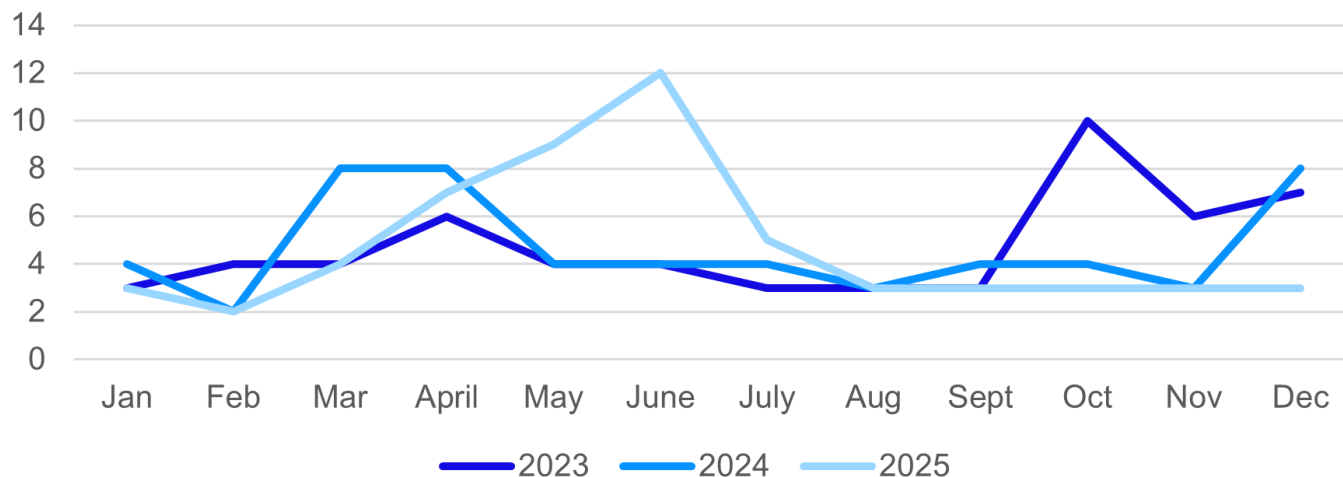
Takeover offers for Main Market listed and AIM traded targets: key trends

- **A similar number of offers, but with a lower value than last year.** There were 57 firm offers in 2025 (56 in 2024) with an aggregate value of over £37.8 bn (£50 bn in 2024) and an average value per firm offer of around £660 m (£1 bn in 2024). There was a decrease in the proportion of firm offers over £1 bn (19% in 2025, down from 30% in 2024) and an increase in the proportion of deals between £251 m and £500 m (18% in 2025, up from 9% in 2024). This trend towards smaller deals may, among other things, be reflective of an aversion by larger players to undertake more transformational deals, with a preference for less risky, smaller deals in a market disrupted by tariffs and geopolitical uncertainty, as well as the need for smaller players to consolidate to survive and the relative underperformance of AIM (which accounted for 44% of the firm offers) as a market providing value opportunities for bidders.



- **A tale of two halves.** The number of firm offers announced in the first half of 2025 was higher than in recent 6-month periods (with 12 being announced in June 2025 alone), but activity slowed in the second half of the year.

Number of firm offers announced each month



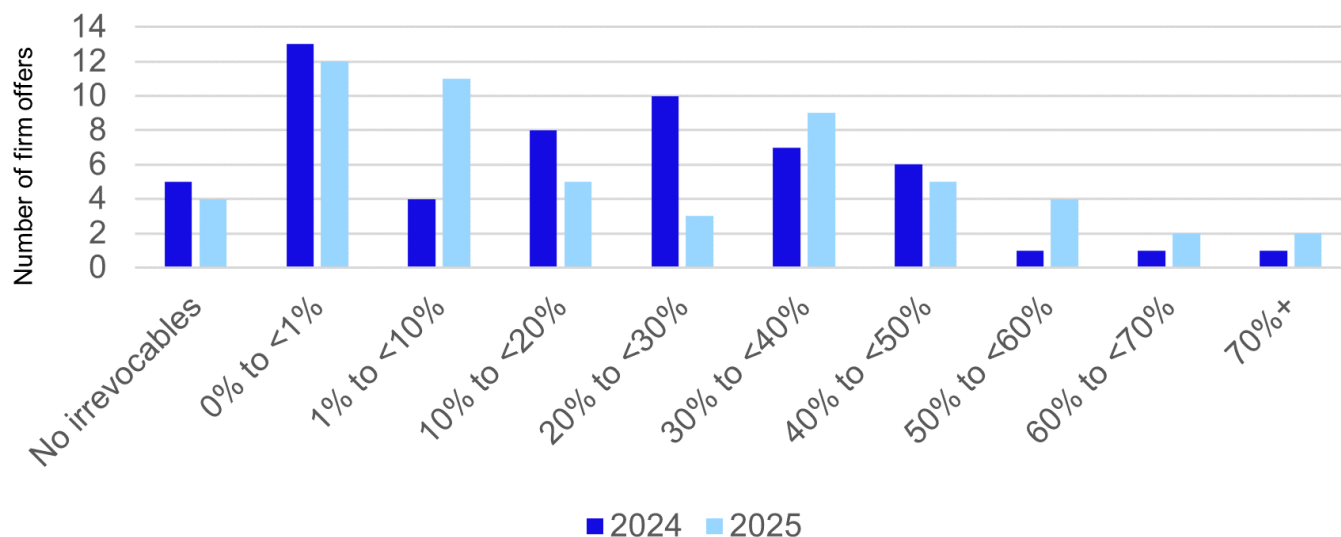
Bid premiums remained high. Bid premiums to the undisturbed share price were around 49% in 2025 (broadly consistent with 2024), indicating that UK stocks may continue to be considered as undervalued. There were also multiple instances where premiums went above 100%, demonstrating a willingness to pay for premium assets.

Premiums remain a sensitive issue for bidders, with 14 of the 57 firm offers in 2025 including “no increase” statements (the same number as in 2024). Of those statements, 6 were given at the outset (5 in 2024), reflecting the desire to avoid post-announcement price increases as a result of pressure from increasingly activist shareholders and event-driven “bumptrage” investors (having likely already gone through a number of private price increases with the target’s board).

- **There were a number of high-profile competitive processes, although the overall number of competing offers was broadly similar.** In 2025, 5 companies were the subject of competing offers (the same number as in 2024), with a further 6 being the subject of potential competing offers (compared with 3 in 2024).
- **Strategic bidders continued to be more active than PE bidders.** Strategic bidders made around 60% of all firm offers in 2025, compared with 30% made by PE bidders (down from 43% in 2024). PE bidders also accounted for a lower number of high-value bids, comprising only 36% of the firm offers above £1 bn in 2025 (down from 47% in 2024). The potential reasons for this trend given in our 2024 round-up [here](#) likely remained true for 2025, including the ability for strategic bidders to bridge valuation mismatches more easily with share consideration and a relative insensitivity (compared to PE bidders) to the cost of debt.
- **UK and US bidders were active, with US bidders dominating the high end.** UK bidders continued to be active in 2025, involved in 24 of the 57 firm offers. US bidders were the second most active by volume, involved in 18 of the firm offers, and participated in 7 of the 11 firm offers over £1 bn.
- **Increase in the number of contractual offers.** Schemes of arrangement (which provide greater certainty of acquiring 100% of the target) continued to be the favored structure of recommended bidders, although only constituted 87% of firm offers in 2025 (down from 95% in 2024). By contrast, contractual offers slightly increased from 5% of firm offers in 2024 to 13% in 2025, with the structure being deployed for the usual reasons, such as in a hostile or unrecommended and/or competitive situation (with some bidders accepting a 50% acceptance condition for greater execution certainty) and/or where the bidder already holds a significant stake in the target (making a scheme less effective).
- **Irrevocables from target shareholders remained popular.** Irrevocable undertakings continued to be a feature of most deals, with target director shareholders typically giving “hard” undertakings and non-director shareholders giving “hard” or “semi-hard” undertakings. Of the firm offers where non-director shareholders gave irrevocable undertakings, 59% involved at least some non-director shareholders giving “hard” irrevocable undertakings (up from 49% in 2024).

In some deals, irrevocable undertakings were given in respect of over 70% of the target’s issued share capital, but typically were in respect of either less than 10% or between 30% to 50% of the target’s issued share capital.

Percentage of share capital represented by irrevocable undertakings



– **Forms of consideration remained consistent with 2024.** The number of cash only bids increased only slightly from 62% in 2024 to 67% in 2025, and offers involving shares and share alternatives continued at around the same relatively high (when compared to previous years) levels seen in 2024. Share and share alternative offers continue to be useful tools, allowing target shareholders to retain exposure to the asset and giving bidders an alternative to having to raise further cash.

PE and private company bidders also continued to be willing to offer unlisted “stub equity” alternatives to secure deals (comprising 18% of deals by such bidders, down slightly from 22% in 2024), which became a particular area of focus for the Panel. Bidders are increasingly offering mix and match election facilities to give target shareholders more flexibility, with only 3 bidders offering shares as the sole form of consideration (down from 8 in 2024).

Contingent value rights (CVRs), which provide for further consideration conditional on the occurrence of a specific event or outcome and are another tool for bidders to bridge valuation gaps, featured in 2 of the firm offers in 2025 (1 in 2024).

– **Common for deals to involve some form of debt financing.** 56% of firm offers in 2025 involved some form of debt financing (compared with 48% in 2024). Where cash consideration was not debt financed, it was funded from existing cash resources (usually strategic bidders) and equity subscriptions (usually PE bidders).

– **Tailored regulatory conditions remained common.** Market practice remained to include conditions precedent to allow for completion of informal CMA briefing paper engagement and NSI mandatory notifications. In deals where no proactive engagement is envisioned, springing conditions precedent to cover off the risk of call-in and interim orders by the CMA and the ISU remain important. However, we have also seen bidders forgo a CMA condition (or other regulatory conditionality) in the interest of making their bid more attractive in a contested bid context.

– **Reverse break fees (RBFs) continued to be used in connection with regulatory conditionality.** RBFs remained a key risk-shifting tool in connection with regulatory conditionality, with 3 firm offers in 2025 featuring reverse break fees linked to regulatory conditions (compared with 2 in 2024 and none in 2023), reflecting target boards’ focus on deal certainty in an increasingly regulated landscape and the need for bidders to be competitive. Bidders may be more willing to take on such contractual risk in light of the CMA’s updated policies and procedures (revised following a government strategic steer at the start of 2025), which mean that more substantively complex deals face better prospects of timely clearance and, where issues are identified, there is a greater openness to accepting behavioral commitments.

– **Continued active enforcement of UK National Security and Investment (NSI) Act.** In 2025, the Investment Security Unit (ISU) imposed final orders in relation to 12 deals (compared to 15 in 2024). Only one transaction was ordered to unwind, while all other final orders imposed behavioral remedies (the regime remains focused on conditional approvals rather than outright blocks, and the ISU is also increasingly collaborative on the form of such commitments). Of the 12 final orders, only one concerned the takeover of a UK listed target (traded on AIM). While

clearance metrics remain encouraging, parties operating in sensitive sectors, or with sensitive investors, should still allow for a 3 to 4-month NSI timeline when structuring deal longstop mechanics.

- **Shareholder approval of management incentivization arrangements continues to be rare.** Private equity bidders continued to be willing to defer discussions and agreements on management incentive plans until after the offer has completed. Only 1 firm offer in 2025 required separate independent shareholder approval for special management incentivization arrangements (so-called “Rule 16 arrangements”) (consistent with 2024, where only 2 of the 56 firm offers required such approval).
- **Continuation of enhanced severance entitlements.** In 2025, enhanced severance packages continued to be offered to a target’s employees post-completion, typically providing more generous terms than those available pre-completion. These enhanced arrangements generally applied for 12 months following completion and, in some cases, extended up to 24 months. Targets often leverage the takeover context to negotiate these enhanced terms as part of their retention and transition strategies.

The analysis and commentary set out above is based on publicly available information relating to the 57 firm offers (including, for the purposes of comparing acquisitions of control governed by the Takeover Code, one offer structured as a reduction of capital and one as a tender offer) made for Main Market listed or AIM traded targets in the period January 1, 2025 to December 31, 2025 inclusive.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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