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Resilient, Tech-Driven, and Private Equity-Backed: Insights from the Q2 2026 Facilities Management Mid-Market Update

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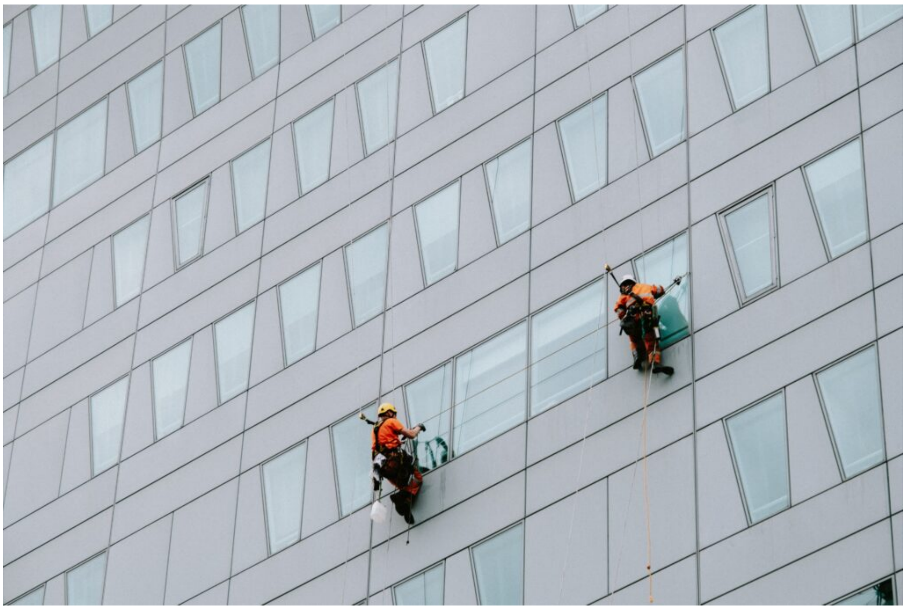

The UK Facilities Management sector continues to showcase remarkable resilience amidst shifting macroeconomic landscapes. According to the latest Facilities Management Quarterly Mid-Market Sector Update (Q2 2026) by Arrowpoint Advisory (Rothschild & Co's dedicated UK mid-market team), deal activity has surged well past historical baselines, driven by structural shifts toward technical services, decarbonisation, and surging data centre demands.

Here's a breakdown of the key takeaways from the Q2 2026 report and what they mean for investors and operators in the built environment.

1. M&A Activity Outpaces Long-Term Averages

Despite ongoing macroeconomic and geopolitical complexities, FM deal volume across the UK and Ireland climbed to 50 transactions in Q2 2026, running 31% above the long-term quarterly average of 38 deals.

While the average disclosed deal value settled at £454m (down 33% from the long-term average of £673m), transaction volume demonstrates continuous appetite. Private Equity (PE) remains a primary catalyst, fueling activity well above normal levels through new platform investments and aggressive buy-and-build strategies. A prime example highlighted this quarter is Arrowpoint Advisory's role advising on the sale of Senseco Systems (a premier fire and life safety platform) to Andwis Group, backed by H.I.G. Europe.

2. Six Core Themes Shaping Mid-Market M&A

The report highlights six major tailwinds and challenges dictating buyer behavior and valuation metrics:

- The AI Hedge: Buyers and investors are actively shifting toward tangible, physical, field-based technical services to mitigate substitution risks associated with "white-collar" services.
- Decarbonisation: Building owners and occupiers increasingly rely on FM providers to reduce energy consumption and integrate renewable technologies.
- Smart Buildings: The deployment of modern sensors and connected systems allows for real-time monitoring, automated controls, and predictive maintenance.
- Intensifying Cost Pressures: Workforce expenses have risen following increases in national insurance contributions and the national living wage under the Labour government, coupled with energy price volatility risks.
- Data Centre Growth: Driven by AI demand, data centres have become major growth drivers for FM providers requiring specialised cooling, electrical resilience, and critical engineering maintenance.
- Private Equity Appetite: Continued strong PE backing keeps deal pipelines robust and competitive.

3. Hard FM vs. Soft FM Valuations

Public market analytics from the report illustrate a clear valuation divergence between Hard FM and Soft FM cohorts:

- Hard FM companies consistently trade at a premium, boasting a median EV/EBITDA of 9.9x and EV/EBIT of 14.3x. This premium is attributed to longer-term contracts, more skilled workforces, defensible margins, and strict regulatory compliance drivers.
- Soft FM peers sit at a median EV/EBITDA of 9.1x and EV/EBIT of 13.6x.

4. The Value Journey: Scaling for Premium Multiples

For business owners looking to maximise value, Arrowpoint Advisory outlines a clear trajectory based on enterprise scale and business model maturity:

- Specialist Providers (<8x EV): Regional, often family-owned businesses with limited scale and narrower service specialisms, carrying higher key-man risk.
- Scaled Platforms (8-12x EV): Mature platforms with national footprints, recurring annual revenue, and diversified multi-service solutions.
- Market Leaders (>12x EV): International or national market leaders with technology-enabled operations, low economic cyclicality, multi-year recurring contracts, and proven M&A engines.

Looking Ahead

The Q2 2026 update underscores that businesses equipped with strong compliance drivers, technical engineering capabilities, and robust digital integration are best positioned to command outlier valuations. As private equity and strategic buyers continue to chase defensive, cash-generative assets in the built environment, the mid-market remains ripe for transformative transactions.