

2023

PCPI Q2

PRIVATE COMPANY PRICE INDEX

ANOTHER STRONG QUARTER FOR M&A WITH BOTH TRADE AND PRIVATE EQUITY DEAL VOLUMES EDGING UP



Roger Buckley, M&A Partner at BDO LLP commented:

“

Despite the economic and geopolitical challenges impacting the market, the M&A market has remained robust. The lower and mid-market continues to transact at volume, whilst there were noticeably fewer deals at the upper end of the M&A market during the quarter.

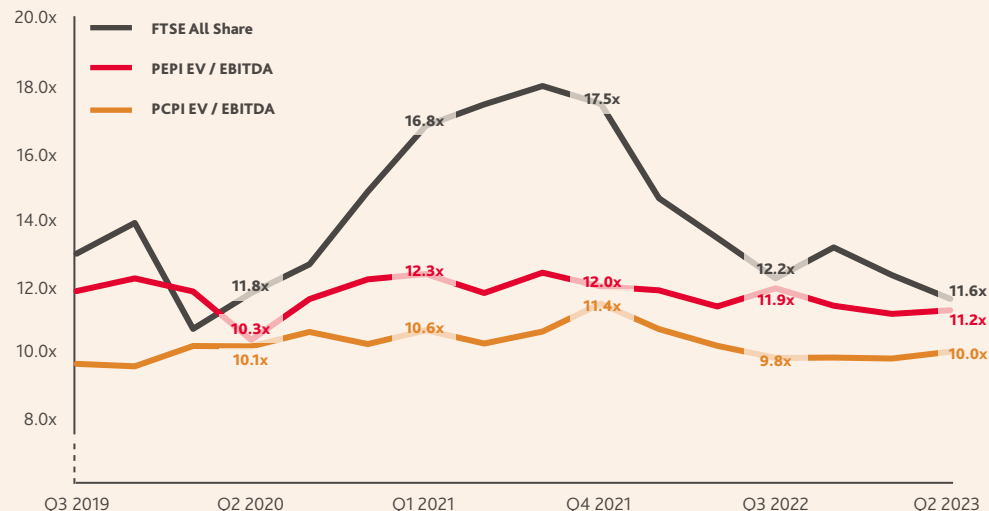
Key market drivers including ESG, technology, product expansion and transformation continue to be core motivations for M&A activity across a broad range of sectors. We continue to see a good level of activity supported by private equity as well as cash-rich corporates.

The rising numbers of deals in the quarter is good news for most business owners, with valuations remaining strong for those transactions completing.”

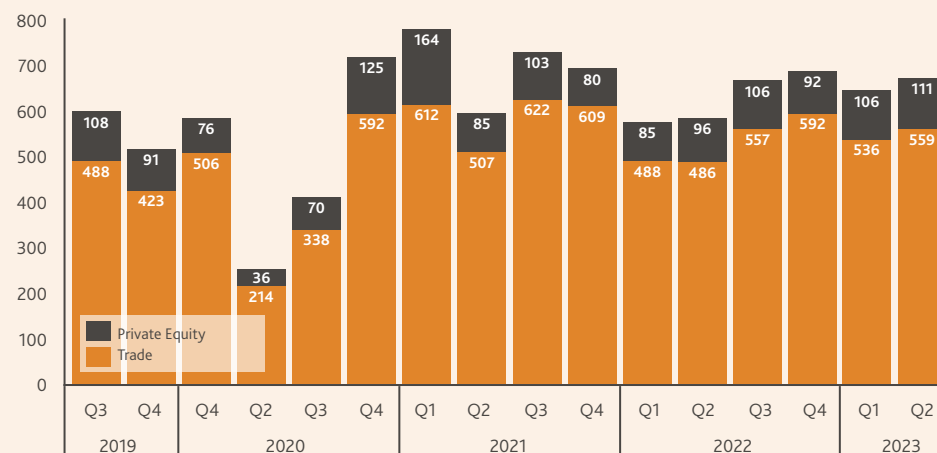
670 deals completed in Q2 2023, compared with 642 in the previous quarter, an increase of 4.4%. Trade deals rose by 4.3% to 559 deals, compared with 536 transactions in Q1. There were slightly more private equity deals as well, with 111 completions, compared with 106 deals in Q1.

Valuations saw marginal increases too, upheld by ongoing appetite from both trade and PE acquirers. The PCPI increased to 10.0x, narrowly up from 9.8x seen in the three previous quarters. Meanwhile, the PEPI nudged up to 11.2x, a slight increase from Q1's 11.1x. The FTSE all-share declined to 11.6x (12.3x in Q1).

PCPI V PRIVATE EQUITY Q3 2019 – Q2 2023



Q3 2019 TO Q2 2023 VOLUME OF DEALS COMPLETED



MAKING THE MOST OF THE PCPI / PEPI

The PCPI incorporates Enterprise Value to EBITDA multiples as the method of valuation.

The PCPI/PEPI tracks the relationship between the Enterprise Value (EV) to Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) multiple (EV/EBITDA) paid by trade and private equity buyers when purchasing UK private companies.

The private company EV/EBITDA is calculated from publicly available financial information on deals that complete in the quarter. At present, the Private Company Price Index (PCPI) indicates that, on average, private companies are being sold to trade buyers for 10.0x historic EBITDA up from 9.8x seen in the three previous quarters. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 11.2x up from 11.1x in Q1.

As private companies are generally owner-managed, reported, or disclosed profits tend to be suppressed by various expenses that may be non-recurring under a new owner.

This will have been factored into the price the purchaser paid but may not be reflected in the profits declared to the public.

The effect of this is that the EV/EBITDA paid as calculated from the publicly available information may be overstated. The PCPI/PEPI is calculated as the median of EV/EBITDA for deals where sufficient information has been disclosed. The PCPI Enterprise Value trailing four-year average declines to £14.2m (Q1 - £14.4m) for trade deals.

The included deals for the PEPI maintains an Enterprise Value of £41m for private equity deals (Q1 £41m) (median).

The PCPI/PEPI is an average measure and a guide, not an absolute measure of value, as there are many other factors that can have an impact on value.



Read more in the PCPI sector spotlight blog:

WHY GOVERNANCE, RISK AND COMPLIANCE PLATFORMS ARE HOT PROPERTY

If you would like to know more about how to value or understand M&A market dynamics for your company, please contact your usual BDO contact or the author.



FOR MORE INFORMATION:

LONDON

alex.e.mackay@bdo.co.uk
07800 682 848

daniel.guttman@bdo.co.uk
07808 056 887

duncan.chandler@bdo.co.uk
07788 583 743

gordon.carstairs@bdo.co.uk
07583 183 256

gurpal.ahluwalia@bdo.co.uk
07583 036 826

harry.stoakes@bdo.co.uk
07785 576 325

jamie.austin@bdo.co.uk
07771 928 208

janie.reid@bdo.co.uk
07800 682 641

jonathan.rowan@bdo.co.uk
07436 291 032

laura.mcnaughton@bdo.co.uk
07816 224 279

paul.russell@bdo.co.uk
07775 903 201

peter.hemington@bdo.co.uk
0207 893 2344

richard.austin@bdo.co.uk
07808 246 133

ross.mcdonald@bdo.co.uk
07779 124 664

tom.holt@bdo.co.uk
07385 933 809

BIRMINGHAM

john.stephan@bdo.co.uk
07979 709 731

roger.buckley@bdo.co.uk
07966 373 914

BRISTOL

duncan.lamb@bdo.co.uk
07583 014 817

CAMBRIDGE

peter.hemington@bdo.co.uk
07785 308 245

EDINBURGH

rory.mcpherson@bdo.co.uk
07583 050 275

GATWICK

jamie.austin@bdo.co.uk
07771 928 208

GLASGOW

rory.mcpherson@bdo.co.uk
07583 050 275

IPSWICH

keith.ferguson@bdo.co.uk
07796 278 303

LEEDS

jason.whitworth@bdo.co.uk
07990 532 296

LIVERPOOL

jason.whitworth@bdo.co.uk
07990 532 296

MANCHESTER

jason.whitworth@bdo.co.uk
07990 532 296

NORWICH

keith.ferguson@bdo.co.uk
07796 278 303

NOTTINGHAM

roger.buckley@bdo.co.uk
07966 373 914

READING

duncan.lamb@bdo.co.uk
07583 014 817

SOUTHAMPTON

helen.okane@bdo.co.uk
07966 008 617

This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad statements only. This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication without obtaining specific professional advice. Please contact BDO LLP to discuss these matters in the context of your particular circumstances. BDO LLP, its partners, employees and agents do not accept or assume any responsibility or duty of care in respect of any use of or reliance on this publication, and will deny any liability for any loss arising from any action taken or not taken or decision made by anyone in reliance on this publication or any part of it. Any use of this publication or reliance on it for any purpose or in any context is therefore at your own risk, without any right of recourse against BDO LLP or any of its partners, employees or agents.

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.

BDO is the brand name of the BDO network and for each of the BDO member firms.

BDO Northern Ireland, a partnership formed in and under the laws of Northern Ireland, is licensed to operate within the international BDO network of independent member firms.

Copyright © July 2023 BDO LLP. All rights reserved. Published in the UK.

www.bdo.co.uk

