



2024 PCPI Q2

Private Company Price Index

Deal volumes surged in Q2, with trade activity driving growth.

Deal volumes increased by 14.3% in Q2, representing the highest quarterly volumes for three years (since Q3 2021). 697 deals completed in Q2, an encouraging uptick from the 610 completions seen in Q1.

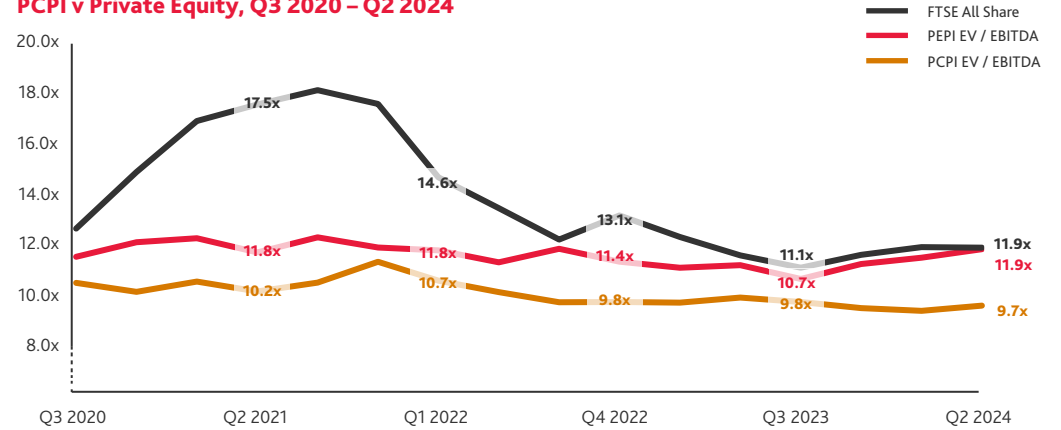
The surge was driven by trade acquirers, responsible for 615 transactions, compared with 514 in Q1, representing a rise of 19.6%.

Meanwhile, private equity deals declined for the second quarter in a row. There were 82 PE deals in Q2, compared to 96 in Q1 2024 and 112 in Q4 2023. These deals represent 12% of total activity, the lowest volume and share since Q4 2021, but volumes still remain within longer term norms.

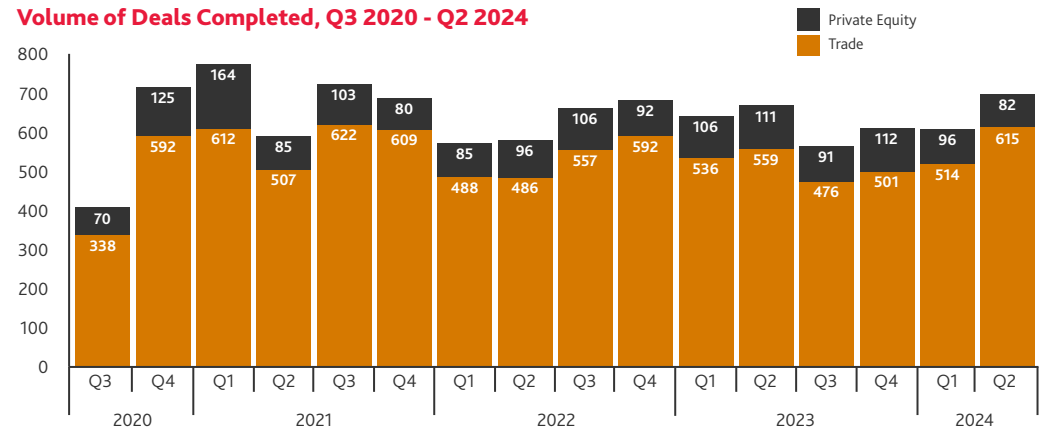
Following the softening in trade multiples seen over the prior year, Q2 saw valuations picking up across the board.

The PCPI reveals an uptick in trade multiples, with EV/EBITDA increasing to 9.7x, up from 9.4x the previous quarter. Meanwhile, the PEPI increased to 11.9x, up from 11.5x in Q1, the highest level seen for a couple of years. The FTSE all-share maintained at 11.9x (11.9x in Q1).

PCPI v Private Equity, Q3 2020 – Q2 2024



Volume of Deals Completed, Q3 2020 - Q2 2024





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

There has been a welcome return of deal volume to the UK market with trade acquirers in particular transacting at volume. Whilst Private Equity deal numbers have declined, this is not due to a lack of appetite; indeed, we continue to see Private Equity actively bidding in auctions and seeking a good home to deploy capital.

The political backdrop has settled in terms of the UK election outcome, but the threat of a potential capital gains tax rise in the Autumn Budget could see deal volumes increase in the short-term and has the potential to seriously impact M&A market deal volumes in the future. Business owners who were already considering an exit have been keen to accelerate sale processes in anticipation of tax rises. Other business owners are waiting for the Autumn Budget to see if the UK remains a good place to invest.



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 9.7x historic EBITDA, up from 9.4x in Q1. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 11.9x, up from 11.5x 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 increased to £14.6m (Q1 £14.5m) for trade deals.

The included deals for the PEPI have a trailing four-year average Enterprise Value of £42.8m for private equity deals (Q1 £42.0m) (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:

[Life Sciences M&A: will we see a new boom?](#)

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.

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