



2024 PCPI Q1

Private Company Price Index

Deal volumes maintained in Q1, while trade and private equity valuations diverge

Deal volumes were maintained in Q1 and remain firmly in line with longer term averages. 610 deals completed in Q1, compared with 613 in the previous quarter.

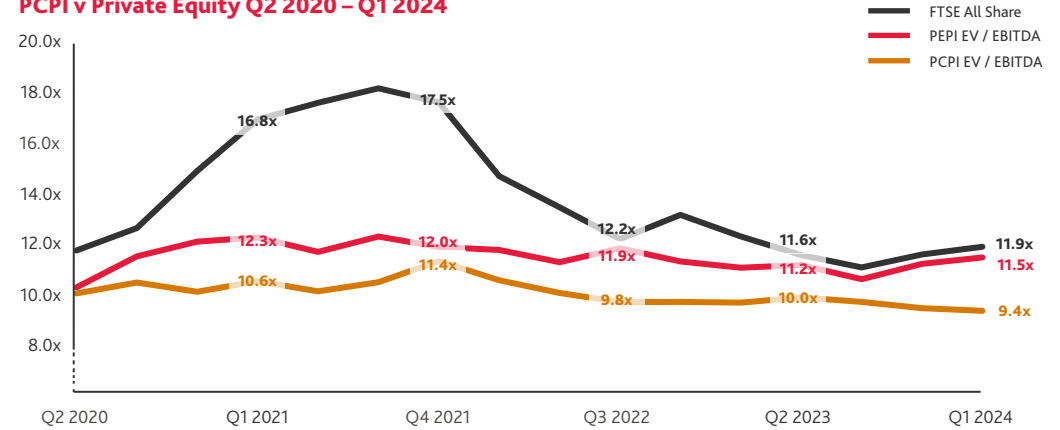
Trade deals were steady, with 514 transactions in Q1, compared with 501 in Q4 2023. There were 96 private equity deals, a decline of 14.3% on the 112 deals seen in Q4, but in line with quarter-on-quarter fluctuations seen over the last two years. For all the gloomy news about the M&A market, it is notable that Q1 volumes were consistent with the four-year average volumes of 610 deals (513 trade and 97 private equity).

Valuation levels have softened a little for trade deals, but private equity multiples have been more resilient.

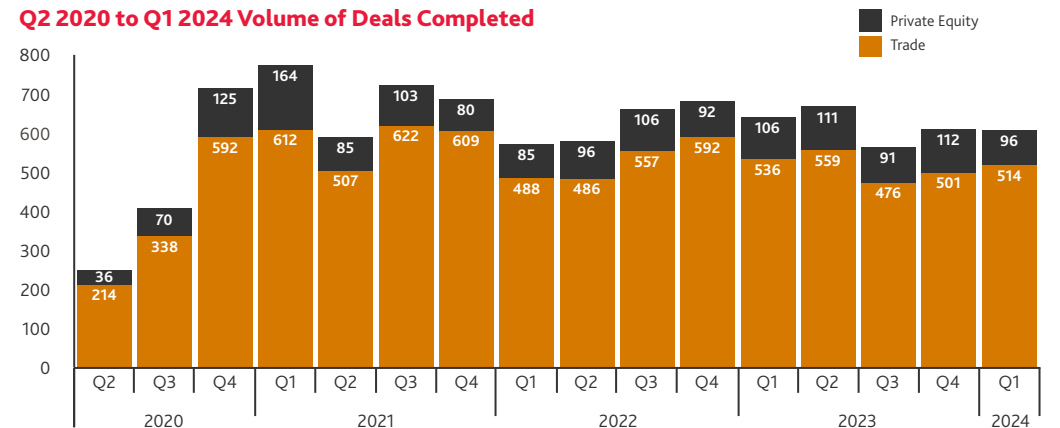
The PCPI reveals an ongoing softening in trade multiples: EV/EBITDA decreased to 9.4x in Q1, slightly down from 9.6x in the previous quarter. This multiple is broadly in line with trade multiples reported in the last two years but nonetheless reveals a downward trajectory since Q2 2023 and the lowest seen since 2015.

Meanwhile, the PEPI increased to 11.5x, up from Q4's EV/EBITDA multiple of 11.3x. The FTSE all-share increased again to 11.9x (11.6x in Q4).

PCPI v Private Equity Q2 2020 – Q1 2024



Q2 2020 to Q1 2024 Volume of Deals Completed





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

We have seen a little softening of trade valuations in the market with a small divergence between trade and private equity multiples over the last couple of quarters. To some extent, this reflects the profile of targets that attract private equity: typically, fast-growing businesses in resilient sectors, that would in any case attract high valuations. From a trade buyer perspective, there is no doubt that certain sectors are struggling more than others in the current market environment.

As we look ahead, the upcoming elections are providing a nudge to a number of business owners to consider their options, and we continue to see UK and international buyers searching for high quality businesses. Additionally, there appears to be a reduced level of uncertainty in buyers' minds and greater clarity of underlying levels of profitability, following years where underlying trading could be obscured by COVID-19, supply chain issues and high inflation.



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 9.4x historic EBITDA, down from 9.6x. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 11.5x, up from 11.3x in Q4.

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 £14.5m (Q4 £14.3m) for trade deals.

The included deals for the PEPI has an Enterprise Value of £42m for private equity deals (Q4 £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. Data is extracted from the Experian MarketIQ database on the second week of each new quarter.



Read more in the PCPI sector spotlight blog:

Tech, Media and Telecoms M&A in 2024

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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