



2023

PCPI Q3

Private Company Price Index

Simmering down of the M&A market in Q3, with deals down 15%

567 deals completed in Q3 2023, compared with 673 the previous quarter. There were 476 trade deals, compared with 559 transactions in Q2, representing a decline of 15%. Private equity deals saw a slightly steeper decline of 18%, with 91 completions, compared with 111 deals in Q2.

Comparable deal volumes were seen in Q1 and Q2 2022, with the 'slump' following four quarters of strong deal flow. So far 2023 has seen an average of 626 deals, still higher than the ten year average of 594 deals.

Valuations cooled a little too: the PCPI decreased to 9.8x in Q3, slightly down from 10.0x (Q2). Meanwhile, the PEPI dipped to 10.7x, a decline from Q2's EV/EBITDA multiple of 11.2x. The FTSE all-share decreased to 11.2x, the lowest trading multiples seen since early 2020.



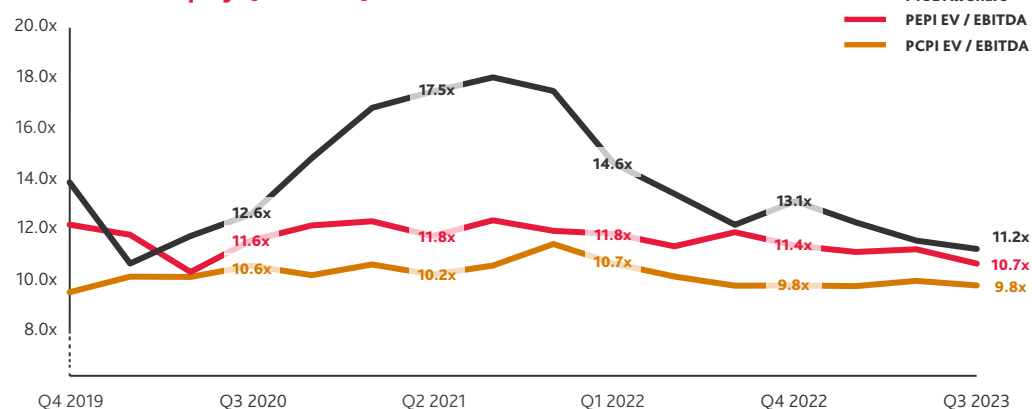
Roger Buckley, M&A Partner at BDO LLP commented:

Deals are taking longer to execute, and the M&A market is slower than it has been.

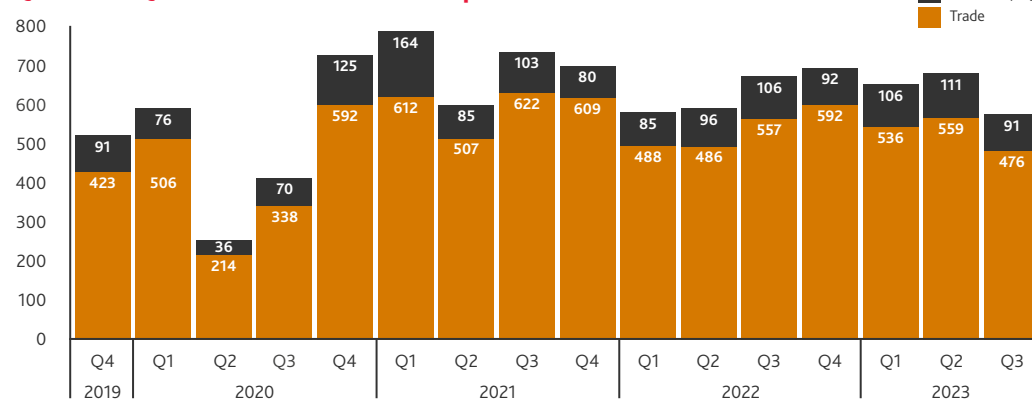
Deals values in the market have dipped a little, but whilst some reports suggest a 25% decrease in enterprise values, this mainly reflects the turbulence of public markets and dynamics of larger transactions. At the lower and mid-market, M&A volumes and values are more resilient.

From our perspective, we are seeing robust and resilient deal volumes and a gentle softening of valuations.

PCPI v Private Equity Q4 2019 - Q3 2023



Q4 2019 to Q3 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 9.8x historic EBITDA, down from 10.0x. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 10.7x a decline from 11.2x in Q2.

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 fluctuates to £14.3m (Q2 - £14.2m) for trade deals.

The included deals for the PEPI maintains an Enterprise Value of £41m for private equity deals (Q2 £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:

What's behind the rising appetite for Food and Drink M&A in the coming year?

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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