

2021

PCPIQ2

PRIVATE COMPANY PRICE INDEX

BACK TO NORMAL? Q2 M&A DEAL VOLUMES SUGGEST SO

In Q2, M&A volumes returned to more normal levels, with 507 trade deals and 85 private equity deals completing.

Following the disruption in 2020, Q2 deal volumes were back on a par with the pre-lockdown period of Q1 2020. This confirms there had been an acceleration of deal completions in Q1 to insure against potential capital gains tax rises in the Budget and pent-up demand from summer 2020 had been largely satisfied in Q4 2020 and Q1 2021. Trade deal volumes declined by 17% and PE volumes almost halved against the exceptional Q1.

Deal values in Q2 continued to fluctuate gently, with trade multiples settling at 10.2x (Q1 10.6x), while PE multiples dipped slightly to 11.8x (Q1 12.3x). The FTSE all-share continued to soar, reaching a new record multiple of 17.5x, reflecting the positive forward-looking profit expectations of the stock market.

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

“ The corporate finance market is very healthy currently. There is plenty of cash available with private equity and corporates alike keen to acquire and debt markets open to support. Capital markets are also busy. There is no shortage of buyers and despite the COVID-19 pandemic, owners realise this is a good M&A market. It feels very much like the market is getting back to normal, and while this quarter saw a slight reduction in multiples, they are still within the expected historical range. ”

Read more in the PCPI sector spotlight blog: *Changing consumer trends and what they mean for M&A activity.*

If you would like to know more about how to value or understand M&A market dynamics for your company, please contact a BDO representative (overleaf).



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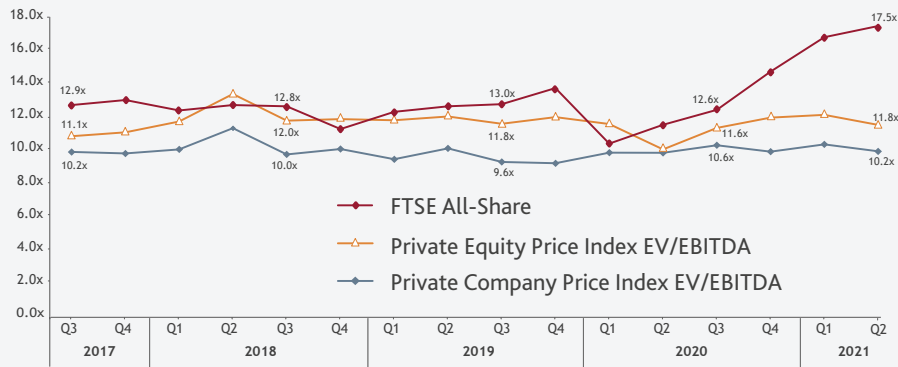


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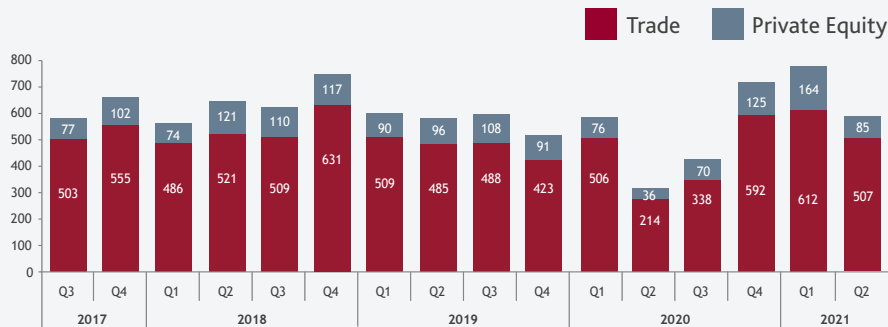
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PCPI V PRIVATE EQUITY | Q3 2017 – Q2 2021



Q3 2017 TO Q2 2021 | 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 10.2x historic EBITDA, a decrease on the Q1 value of 10.6x. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 11.8x historic EBITDA, down from 12.3x 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 is maintained at £14.3m (Q1 - £14.1m) for trade deals.

The included deals for the PEPI maintains an Enterprise Value of £40m for private equity deals (Q1 £40m) (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.

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