

2021

PCPIQ3

PRIVATE COMPANY PRICE INDEX

SOARING DEAL VOLUMES IN Q3 CONFIRM MARKET RECOVERY

In Q3 deal volumes surged once again, with 725 completions in the quarter, up from 592 in Q2, representing a rise of 22.5%. Deal volumes during the first three quarters were up by 69% compared to the same period in 2020. They were also up from pre-pandemic volumes, 15% compared with 2018 and 18% compared with 2019.

The increase was reflected equally across trade and private equity activity, with trade volumes increasing by 22.7% to 622 deals, and private equity transactions increasing by 21.2% to 103 deals. There was also a rise in the number of big-ticket deals completed by private equity, which included a number of 'take-private' deals including Morrisons, Tate & Lyle, Stock Spirits Group and Blue Prism Group.

With deal volumes in the first three quarters of 2021 already exceeding the total for 2020, we can expect the full year result to be one of the strongest seen for years.

Deal values strengthened in Q3 as activity intensified. Trade multiples settled once again on 10.6x (Q2 10.2x), while private equity multiples increased to 12.4x (Q2 11.8x). The FTSE all-share index climbed even higher, with a multiple of 18.0x, reflecting the positive forward-looking profit expectations of the stock market.

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

“*The recovery of markets and the volume of money in the marketplace continue to drive M&A activity, both trade and private equity. We are seeing an incredibly active M&A market and a competitive environment for buying. Times of change create opportunity, and we see this playing out in so many ways in the current M&A market. Quoted companies, large private entities, PE, and debt markets alike are open for transactions as they seek to grow on a non-organic basis, reposition their businesses post-pandemic and consolidate marketplaces.*”

Read more in the PCPI sector spotlight blog: [Why Insurance M&A remains buoyant despite global turmoil and uncertainty.](#)

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).

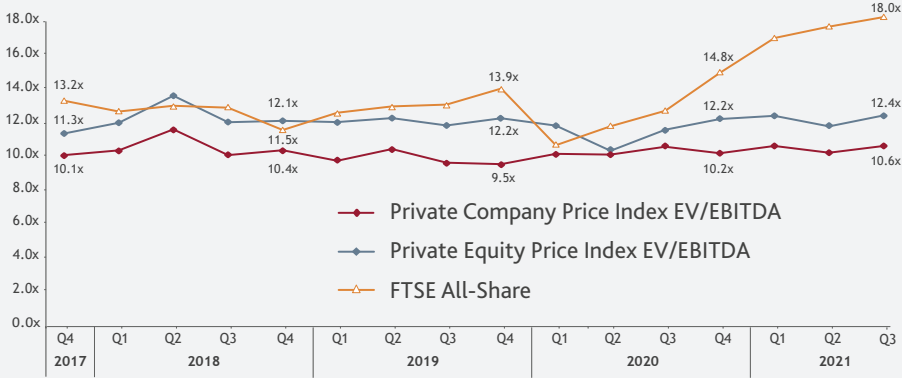


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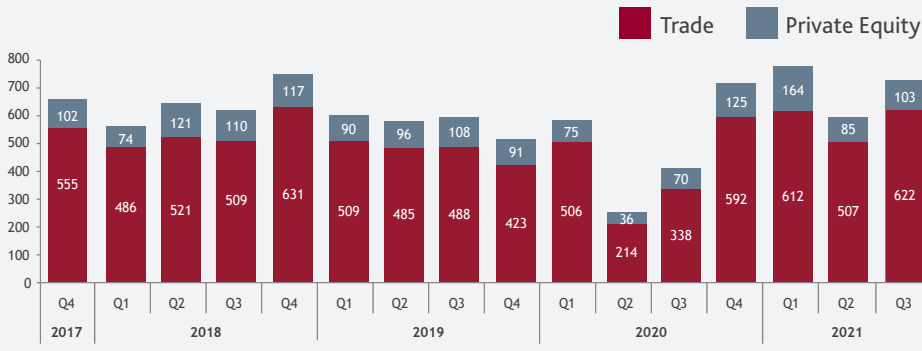
PCPI Q3

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PCPI V PRIVATE EQUITY | Q4 2017 – Q3 2021



VOLUME OF DEALS COMPLETED | Q4 2017 – Q3 2021



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 10.6x historic EBITDA, an increase on the Q2 value of 10.2x. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 12.4x historic EBITDA, up from 11.8x in Q2.

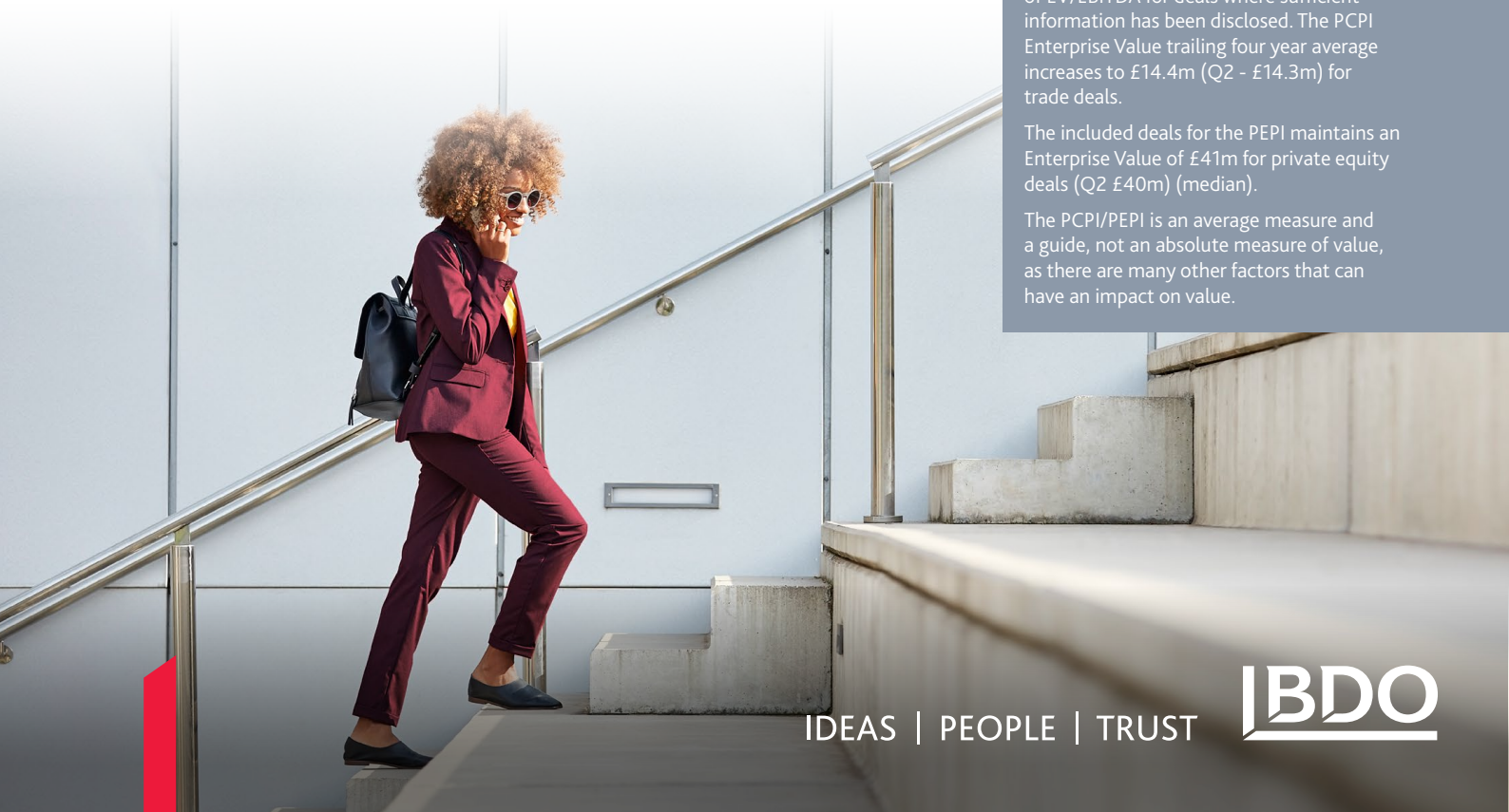
As private companies are generally owner-managed, reported or disclosed profits tend to be suppressed by various expenses that may be non-recurring under a new owner.

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 increases to £14.4m (Q2 - £14.3m) for trade deals.

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



FOR MORE INFORMATION

BIRMINGHAM

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

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

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

rob.mccann@bdo.co.uk
07971 716 484

LONDON

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

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

LONDON

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

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

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

duncan.chandler@bdo.co.uk
0778 858 3743

LONDON

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

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

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

MANCHESTER

rob.mccann@bdo.co.uk
07971 716 484

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

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