

2022

PCPI Q1

PRIVATE COMPANY PRICE INDEX

DEAL VOLUMES IN Q1 RETURN TO PRE-PANDEMIC LEVELS



573 deals were completed in Q1 of 2022, down 16.8% from volumes seen in Q4 (689). Volumes match the average number of deals completed in 2019, before the pandemic. Following a subdued start to the year, March was the busiest month in the quarter with 192 deals.

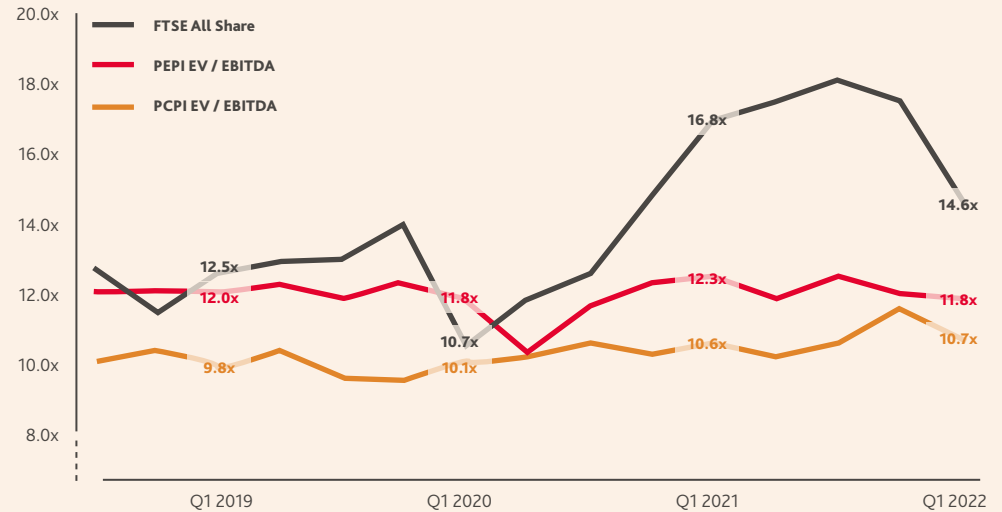
The decrease in overall volumes was driven by a 20% decline in trade activity, with 488 deals completing (609 in Q4). Private equity deals increased marginally to 85 deals (80 in Q4), representing a rise of 6.3%.

Trade deal valuations continue to hold firm. The PCPI edged down to 10.7x (11.4x in Q4), while the PEPI fluctuated to 11.8x (12.1x in Q4). The FTSE all-share arcs down to 14.6x as the reporting season brings a correction to profit multiples post-pandemic (17.5x in Q4).

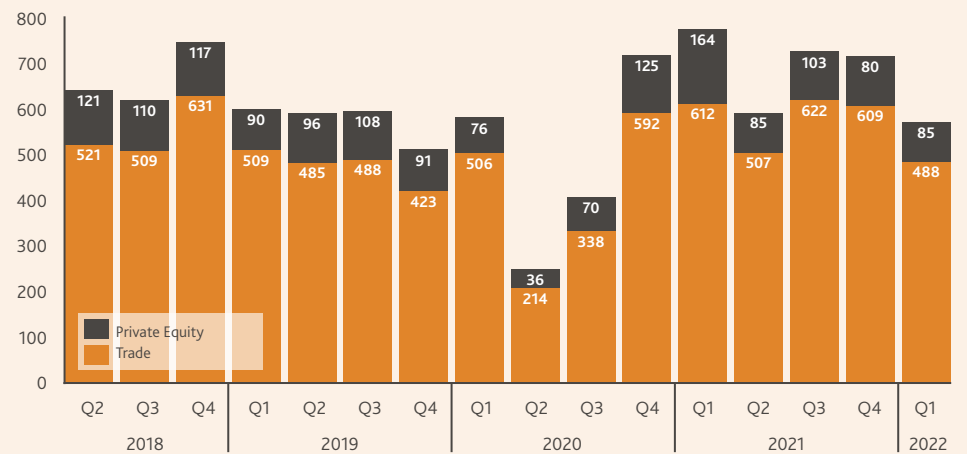
Roger Buckley, M&A Partner at BDO LLP commented:

"It is not surprising to see a simmering down in volumes following the catch-up activity that took place last year. So far, indications are that the 'new normal' is looking very much like the old normal, despite considerable uncertainties across the economic and geo-political spectrum. It is notable that March saw activity levels step up despite the invasion of Ukraine. UK business leaders have proven highly resilient and have cash to spend, meaning the outlook for M&A remains strong."

PCPI V PRIVATE EQUITY Q2 2018 - Q1 2022



VOLUME OF DEALS COMPLETED Q2 2018 - Q1 2022



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 10.7x historic EBITDA, a decrease on the Q4 value of 11.4x. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 11.8x historic EBITDA, down from 12.1x 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 dips to £14.7m (Q4 - £15.2m) for trade deals.

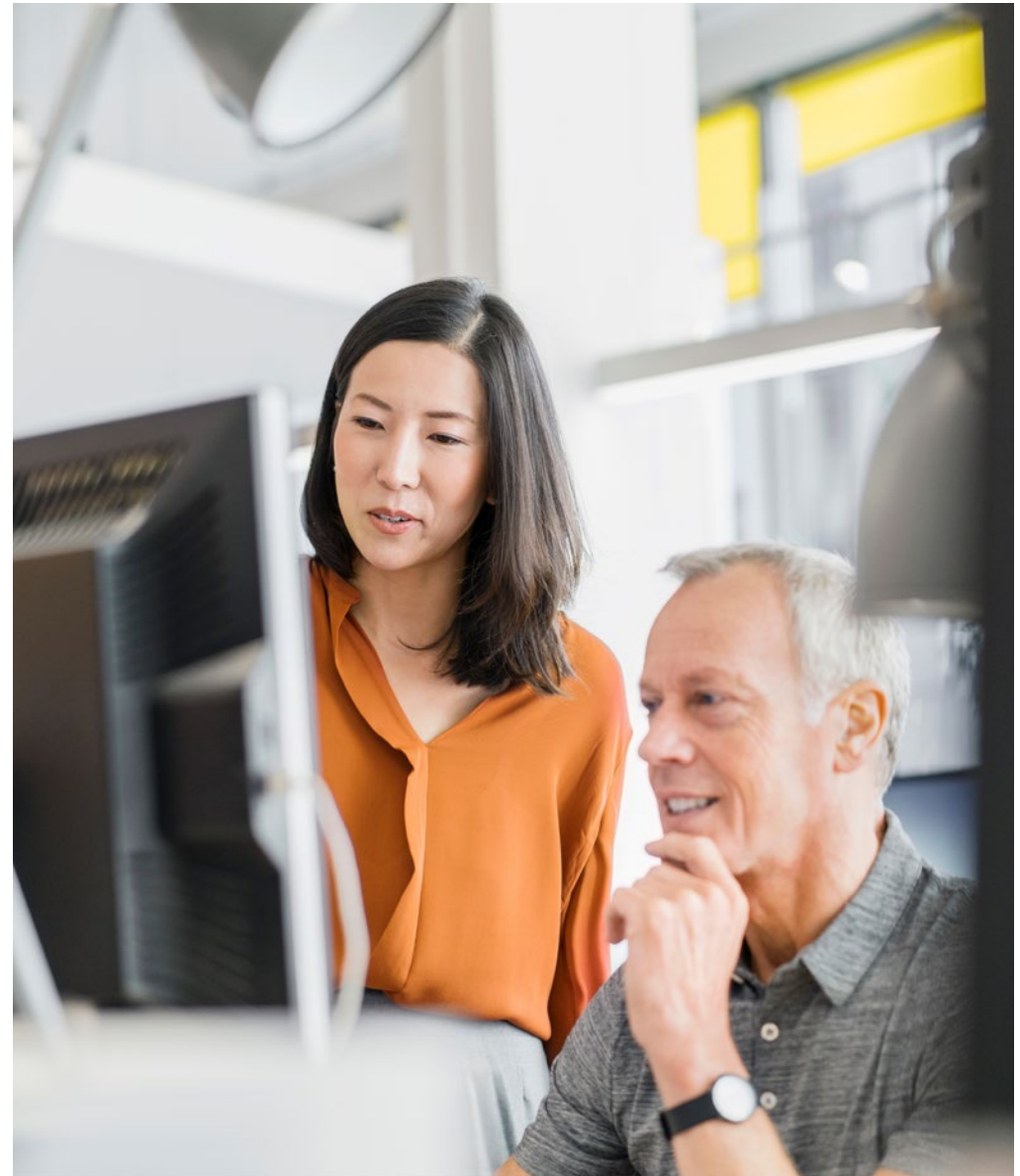
The included deals for the PEPI maintains an Enterprise Value of £41m for private equity deals (Q4 £41m) (median).

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.



Read more in the PCPI sector spotlight blog: Four reasons why investors should remain interested in Life Sciences & Pharmaceutical Services

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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