

2022

# PCPI Q2

PRIVATE COMPANY PRICE INDEX

## DEAL VOLUMES IN Q2 STABILISE OVERALL, WITH LITTLE MOVEMENT IN ACTIVITY LEVELS COMPARED WITH THE PREVIOUS QUARTER



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

*"There has been a gentle softening in the marketplace in recent quarters following some of the heady volumes and prices seen last year.*

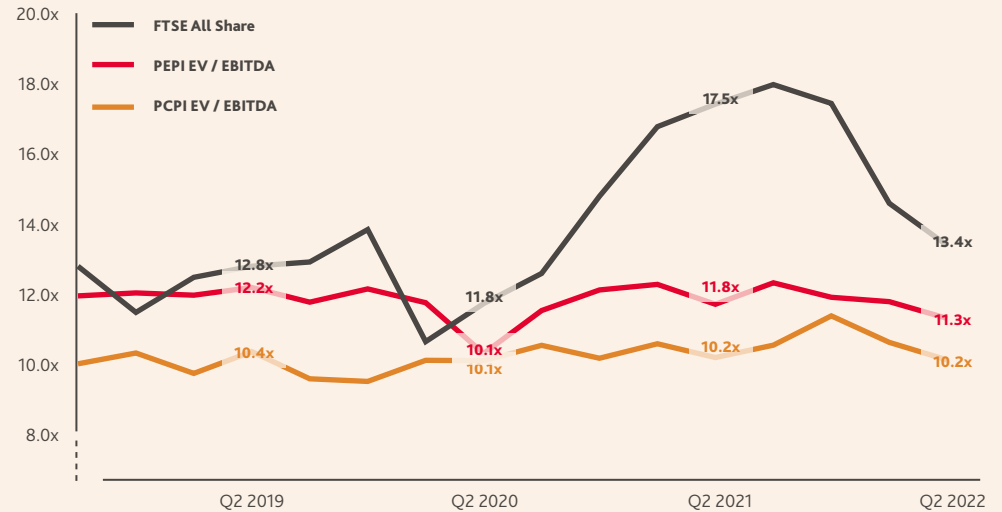
*Companies are grappling with a wide range of macro challenges, and many business owners are fighting on multiple fronts.*

*To date, we have not seen a material impact in the M&A market. Whilst we do expect this year to be more subdued compared to last year's valuations and volumes, the market trades within expected ranges. We continue to see UK businesses attracting strong interest from overseas."*

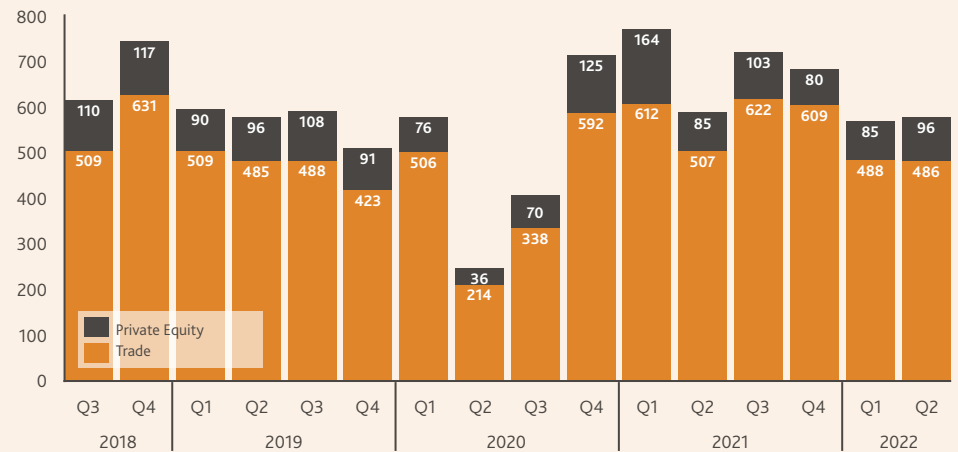
582 deals completed in Q2, a marginal increase of 1.6% on levels seen in Q1 (573 deals). Trade volumes held firm, with 486 deals, just two fewer transactions than Q1. However, transactions involving private equity rose by 12.9% to 96 deals (85 in Q1).

The PCPI edged down to 10.2x EV/EBITDA (10.7x in Q1), while the PEPI dipped to 11.3x (11.8x in Q1). Meanwhile, the FTSE all-share continued its trajectory to 13.4x (14.6x in Q1).

PCPI V PRIVATE EQUITY Q3 2018 - Q2 2022



Q3 2018 TO Q2 2022 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 10.7x. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 11.3x historic EBITDA, down from 11.8x 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 dips to £14.3m (Q1 - £14.7m) for trade deals.

The included deals for the PEPI maintains an Enterprise Value of £41m for private equity deals (Q1 £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 is the outlook for the UK Leisure & Hospitality industry?

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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