



2023

PCPI Q4

Private Company Price Index

M&A market (surprisingly) robust and resilient, with deals rising in Q4 and private equity contributing strongly.

613 deals completed in Q4, up 8% on the previous quarter (567 deals). There were 501 trade deals, compared with 476 in Q3, a rise of 5.3%. There were 112 private equity deals, a rise of 23% on the 91 deals seen in Q3. Private equity contributed to 18% of activity, the highest proportion since Q1 2021.

The overall picture for 2023 deal volume was remarkably like 2022, with only a 0.4% difference in activity levels. From a historic perspective, deal flow remains strong.

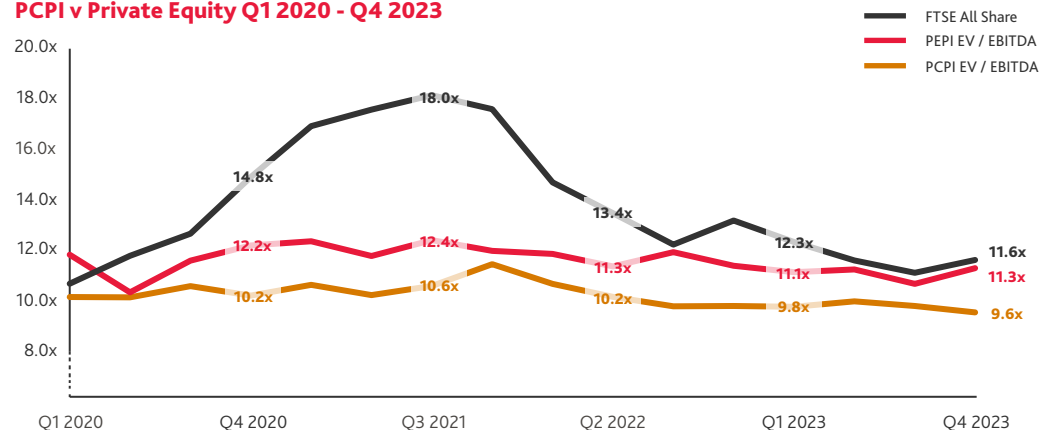
Valuation levels dipped slightly for trade deals in Q4, but private equity multiples picked up. The PCPI decreased to 9.6x EV/EBITDA, slightly down from 9.8x. Meanwhile, the PEPI increased to 11.3x EV/EBITDA, up from Q3's EV/EBITDA multiple of 10.7x. The FTSE all-share rebounded to 11.6x.



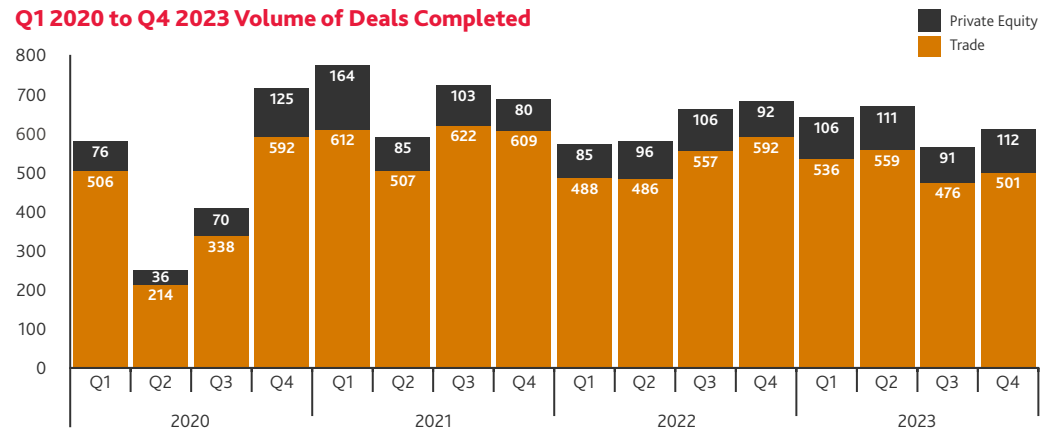
Roger Buckley, M&A Partner at BDO LLP commented:

There has been much doom and gloom in the headlines about M&A, but our analysis shows that there is no need to be miserable about the M&A market. Undoubtedly there were fewer big-ticket deals in 2023, yet it was a steady year for M&A volume, with the 5th highest level of activity across the last 15 years. With interest rates forecast to reduce, we expect the market as a whole to become increasingly optimistic about completing deals in 2024.

PCPI v Private Equity Q1 2020 - Q4 2023



Q1 2020 to Q4 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. Data is extracted from Experian MarketIQ during the second week of each new quarter. At present, the Private Company Price Index (PCPI) indicates that, on average, private companies are being sold to trade buyers for 11.3x slightly up from 10.7x in Q3.

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 maintained at £14.3m (Q3 £14.3m) for trade deals.

The included deals for the PEPI maintains an Enterprise Value of £41m for private equity deals (Q3 £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.

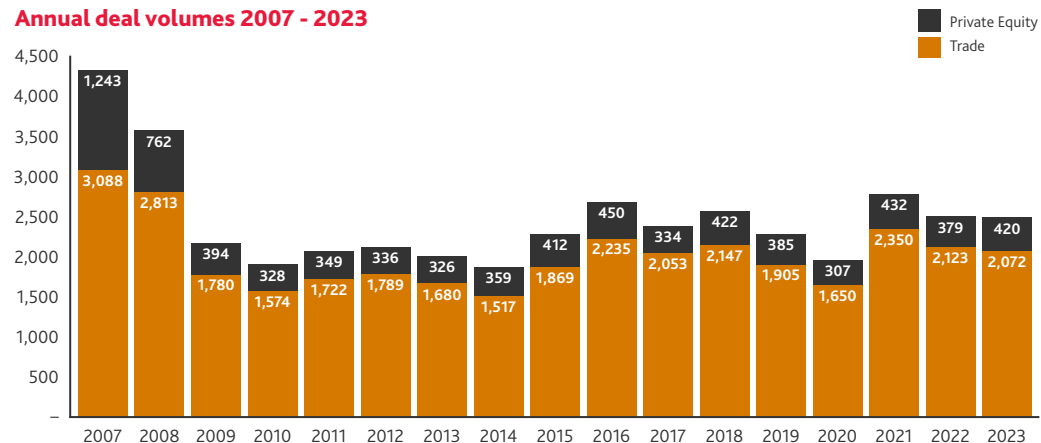


Read more in the PCPI sector spotlight blog:

Health and Social Care: 2024 set to be a strong year for M&A activity as operators and investors resume their focus on growth.

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.

Annual deal volumes 2007 - 2023



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