

2024

# PCPI Q3

Private Company Price Index

**Year-on-year M&A volumes continue to rise, as many entrepreneurs plan to exit UK**

M&A volumes in Q3 reached 661 deals ahead of the three-year average of 638 deals and the ten-year average of 612 deals. For the 9 months of deal activity in 2024 we have seen deal volumes increase by 5% with 1,968 deals completed compared to 1,879 deals over the same period in 2023.

During Q3 M&A activity was driven by trade deals which saw 554 completions, and was spurred by a 31% surge in private equity deal volumes to 107 deals, compared with 82 in Q2. These private equity volumes are also ahead of medium-to-long term averages.

Valuation levels continue to be robust. The PCPI reveals a slight improvement in trade multiples with EV/EBITDA increasing to 9.8x in Q3, up from 9.7x the previous quarter.

The PEPI continued its upward trajectory for the fourth quarter in a row, reporting 12.2x EV/EBITDA in Q3 (11.9x in Q2). Having drawn level with the FTSE last quarter, the PEPI overtook in Q3, which was last seen in early 2020 and during 2018. The FTSE maintained EV/EBITDA at 11.9x.



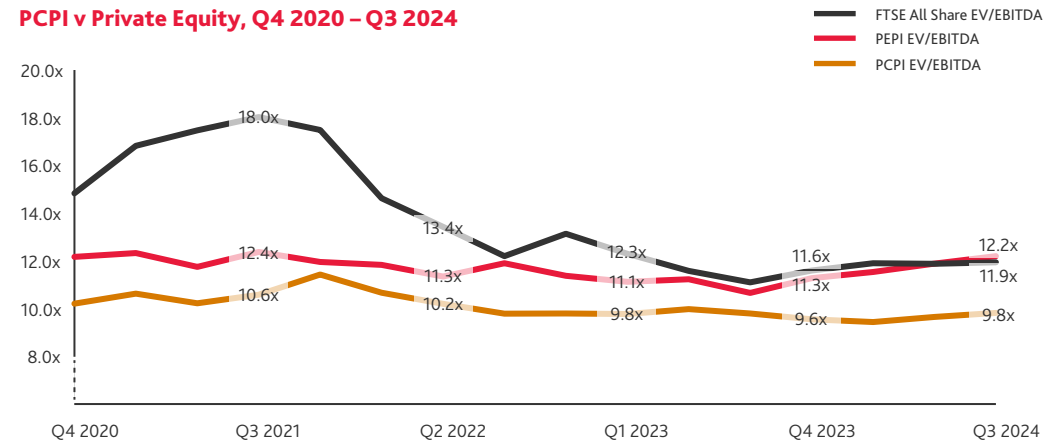
**Roger Buckley, M&A Partner at BDO LLP commented:**

Many entrepreneurial wealth creators in the UK are concerned.

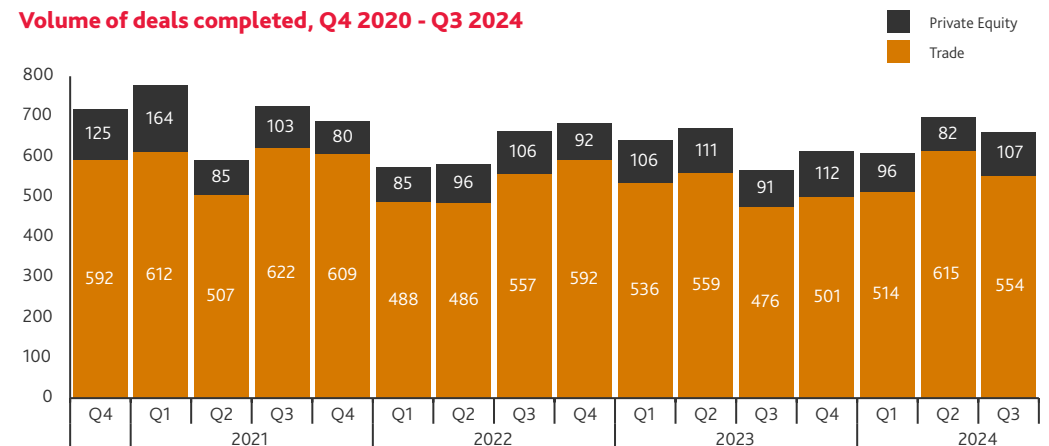
The uncertainty of future Government policy towards Capital Gains Tax and the threat of tax rises has led many to consider their exit plans. Sadly, we have already seen many of the UK's wealth creators actively considering the attractiveness of leaving the UK.

Future deal activity, as well as future tax receipts, are clearly threatened by potential tax changes.

**PCPI v Private Equity, Q4 2020 – Q3 2024**



**Volume of deals completed, Q4 2020 - Q3 2024**





# 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 9.8x historic EBITDA, up from 9.7x. The PEPI indicates that, on average, private companies are being sold to private equity buyers for 12.2x, up from 11.9x 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 maintained at £14.6m (Q2 £14.6m) for trade deals.

The included deals for the PEPI have an average Enterprise Value of £42.8m for private equity deals (Q2 £42.7m) (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:

**Leisure M&A: Travel deals are back!**

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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