

Smaller company mergers & acquisitions (“M&A”) activity remains robust despite Brexit uncertainty

Recent data suggests that smaller company (defined as transactions in the £1-10m value range) corporate M&A activity in the UK, including late stage venture capital and private equity investment, remains strong despite Brexit and political uncertainty.

Period: 1 January 2019 -30 September 2019

407
Volume of transactions

£1.84bn
Total value of transactions

6.53x
Median EV* EBITDA for disclosed transactions

Period: 1 January 2018 – 30 September 2018

489
Volume of transactions

£2.23bn
Total value of transactions

5.44x
Median EV* EBITDA for disclosed transactions

*EV: Enterprise Value

What are we to read from these statistics?

The number of transactions has fallen by 17% between 2018 and 2019, and the total value of these transactions has also fallen by 18%. However, deal multiples have increased by 20% reaching a median Enterprise Value (“EV”)/EBITDA of 6.53x for the first 9 months in 2019.

We believe that the volume and value of transactions up to £10 million will remain strong and underpinned by record levels of liquidity, or dry powder from both corporate and institutional investors in SMEs in the UK, estimated to be around £35.83 billion at the end of 3Q 2019 vs £27.55 billion at the end of 3Q 2018.

This augurs well for entrepreneurs and business owners who may be considering exiting from their business in the short term. Despite headwinds, appetite for acquiring and investing in entrepreneurial businesses, across all sectors, remains extremely strong and supported by higher values.

(Source: Pitchbook data)

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