

# An exceptional first half of the year

**Was the record start to 2021 for deals in the private company market just a post-pandemic rebound? Jim Keeling of corporate finance advisor Corbett Keeling assesses the data and sees evidence of continuing strength, with significant interest from potential buyers.**

The remarkable pace of deal making in the first quarter of the year undoubtedly owed something to the completion of deals put on hold at the start of the Covid crisis. However, I also noted in our last issue that we currently appear to be in a “win-win” market. By that, I meant that we were seeing plenty of cash-rich trade buyers and private equity funds looking for targets at the same time as owners of private companies were looking to sell. This was leading to a large number of transactions done at prices which were attractive to both buyers and sellers.

And the good news is that this happy combination seems to have persisted into the second quarter of the year. While the figures for the value and volume of deals couldn't quite match the heady levels of the first quarter, most sectors of the market remained robust, resulting in a very strong first six months overall.

I expect that to continue, setting us on course for an excellent 2021. The economy is rebounding, as the success of the

vaccination programme brings the end of lockdown restrictions. Meanwhile, I have seen little negative impact so far from Brexit. Indeed, there are some signs that the lifting of Brexit-related uncertainty and businesses' swift adaptation to the new arrangements, as well as the implementation of new trade deals, will inject renewed positivity into the market and spur more investment in the UK.

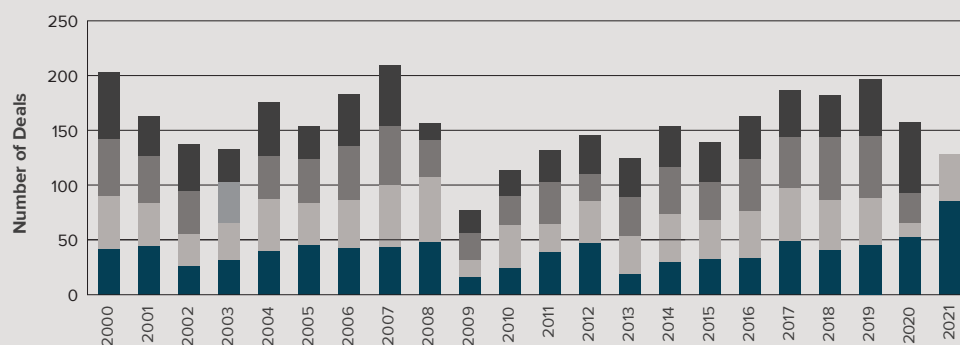
For sellers, the values achieved so far this year are extremely encouraging. In addition, there has been no sign yet of an increase in Capital Gains Tax, which has long been mooted as a possible cash generator for the Treasury. However, the Chancellor may at some point raise CGT as he seeks to repair the nation's finances after the pandemic.

In short, this still seems to be a good time for any private business owners who are contemplating a sale.

## Assessing the deal data

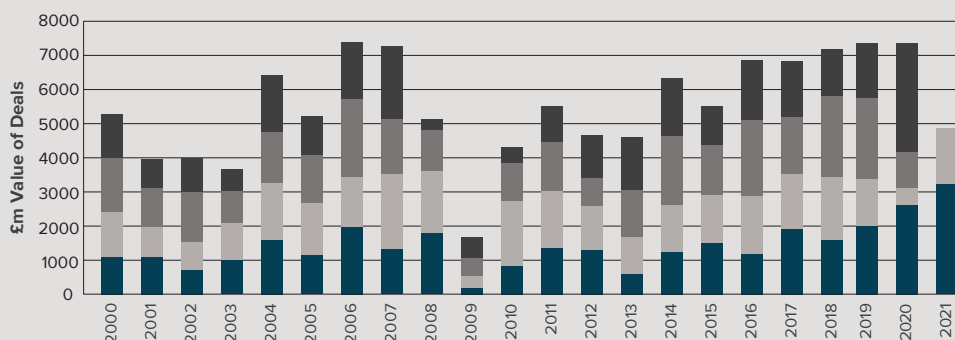
While the **smaller buy-outs** sector (transactions with enterprise value of less than £150 million) failed to match the record levels of the previous quarter, we still saw a respectable amount of activity. The volume of deals was well down from a record 85 in the first quarter to 43, while their value also declined from £3.2 billion to £1.7 billion.

Sub-£150m Buyouts by Volume



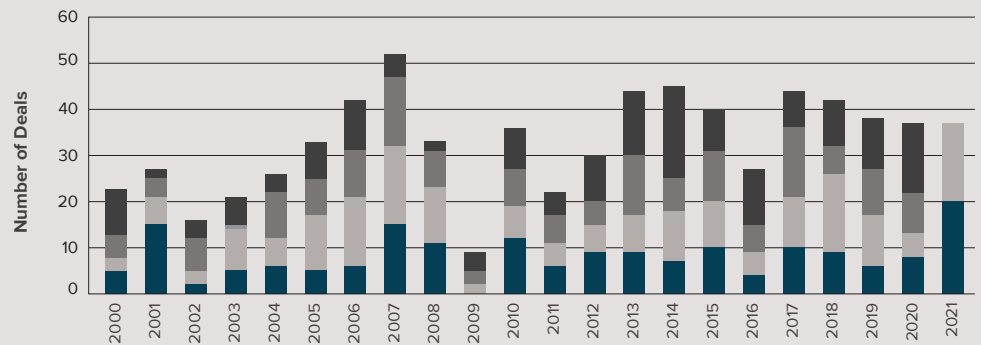
Sub-£150m Buyouts by Value

Key:



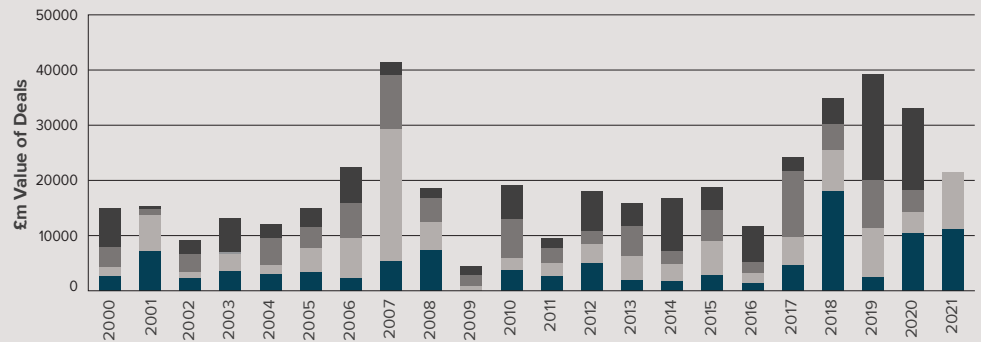
The **larger buy-outs** sector (enterprise value of £150 million or above) held up remarkably well, with totals nearly matching the previous quarter's robust start to the year. The volume of transactions dipped only slightly, from 20 to 17, taking the figure for the first six months to 37, the same as in the whole of last year. Their value edged down from £11.1 billion to a still strong £10.5 billion.

£150m+ Buyouts by Volume



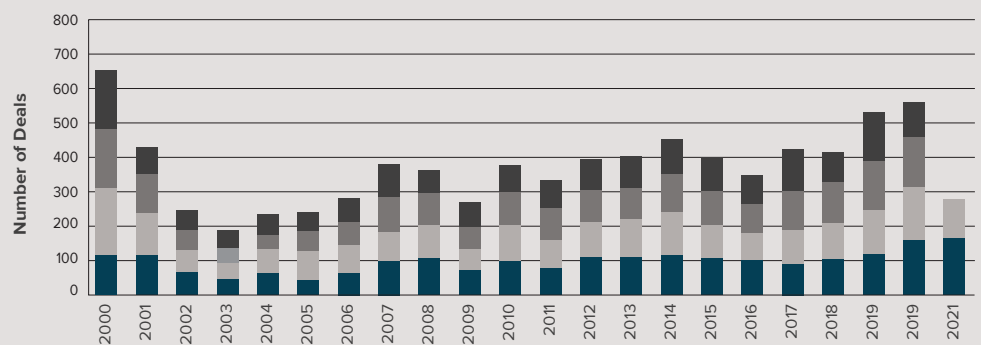
£150m+ Buyouts by Value

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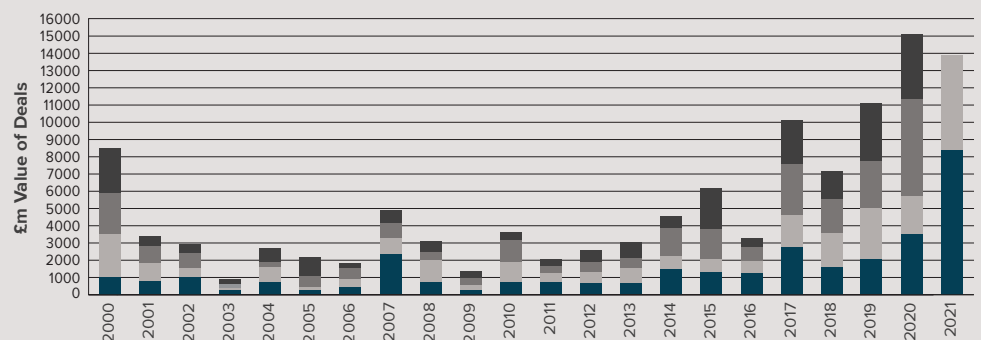
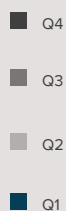
While **early-stage and expansion capital deals** failed to equal the first quarter's totals, the pace of activity stayed strong, with companies still achieving very high prices. The number of transactions was down from 163 to a respectable 115. But the value of deals, though down from the previous quarter's record £8.4 billion, was the third highest ever, at £5.5 billion. Over the first six months, the value of transactions topped £13.9 billion, more than any **annual** total except for 2020.

Volume of Early-Stage / Expansion Deals



Value of Early-Stage / Expansion Deals

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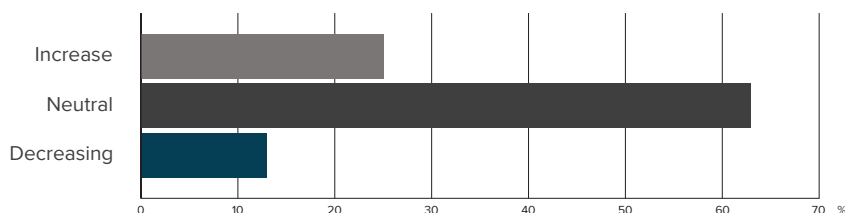


# So what does our latest survey suggest?

The mood of the market seems broadly positive. Although the overall tone of responses to our survey was down marginally on the previous quarter, a majority of answers were neutral, chiming with our view that the outlook for deal values and volumes remains buoyant.

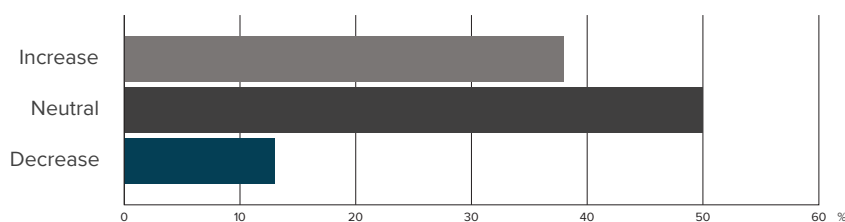
## 1 Do you expect deal volumes <£100m to increase or decrease?

For the smaller value segment of the market, the percentage of respondents predicting a rise in volumes over the next six months was down from 38% to 25%, but 50% expected little change. The proportion forecasting a fall was unchanged, at 13%.



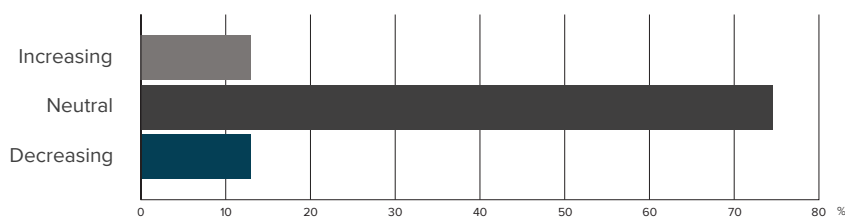
## 2 Do you expect deal volumes >£100m to increase or decrease?

For the larger value segment, sentiment held remarkably steady. The percentage projecting a rise in the volume of deals edged down from 44% to 38%, but those reporting a neutral response rose from 44% to 50%.



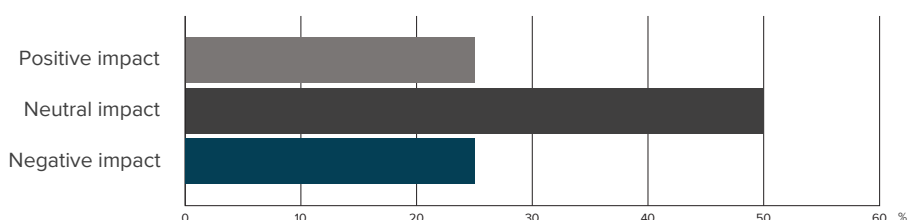
## 3 Is debt availability increasing, decreasing or neutral?

The concerns about debt availability we saw last year have practically vanished. Three quarters of respondents reported no change in availability, and only one eighth reported that debt was harder to come by.



## 4 Will Covid-19 have a lasting impact on your portfolio companies?

When asked whether COVID-19 would have a lasting impact on portfolio companies, half of respondents expected little or no long-term effect. The rest were evenly split between predicting a positive and a negative impact.



### Contact us

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