

Gathering Momentum

Last quarter, we observed that the vibrant mood among participants in the market for private M&A deals had yet to be reflected in the actual data. However, the figures are now turning more positive, and Jim Keeling of corporate finance advisor Corbett Keeling argues that there are grounds for optimism for the rest of the year.

We've reached the halfway point of the year. This is a good time to look back at what has happened over the past six months and, more importantly, to cast our gaze forward to what lies ahead.

First, I would note that our experience at Corbett Keeling matches the generally more positive deal data coming through. We will examine this in more detail shortly, but the gist of it is that the market is gathering momentum. The larger deals sector, generally a lead indicator of investor sentiment, has risen to the highest level in two years, and we see continued robust volume in deals under £150 million – reflecting steady interest in smaller companies, which is underpinning the market.

From our firm's perspective, it's certainly been a busy six months, with some excellent deals completed, more expected to close in the next half of the year, and some promising conversations with owners seeking advice on their exit strategies. For quality businesses looking to sell, achieving a sensible valuation should not be a problem in the current market.

And I'm glad to say we are not alone in sensing opportunity. The tone of our latest quarterly survey reveals that market participants are feeling decidedly upbeat. That sentiment will

be given a further boost if the Bank of England – and central banks elsewhere in the world – soon feel able to lower interest rates, stimulating further deal activity and prompting buyers to capitalise on new prospects.

Of course, there were always going to be concerns about political change, in what is the largest global election year in history. Here in the UK, we have a new government with a strong majority. While it has been careful to establish its credentials with businesses, it has also promised change. The government is in its honeymoon period, and only time will tell how business-friendly it will be in practice – and which sectors may benefit from its spending decisions.

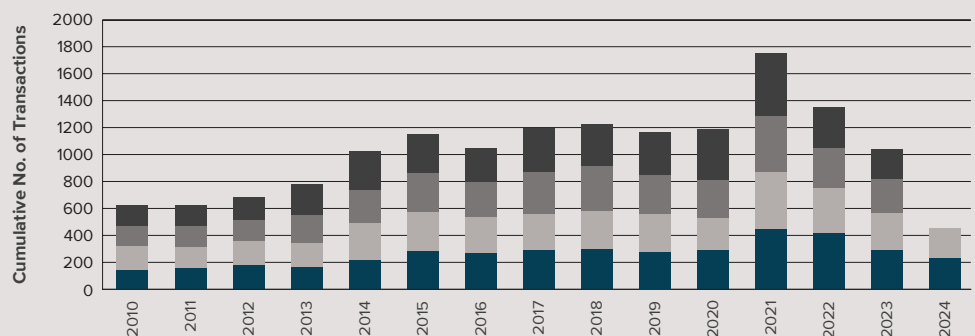
But, for any business owners planning for an exit who are concerned about the broader business environment or specifically about possible rises in Capital Gains Tax, don't hesitate to seek advice now.

Whatever happens, after 30 years working in this market through different political and economic regimes, I know all participants – owners and advisers alike – will continue to adapt to changing circumstances, roll their sleeves up and get business done.

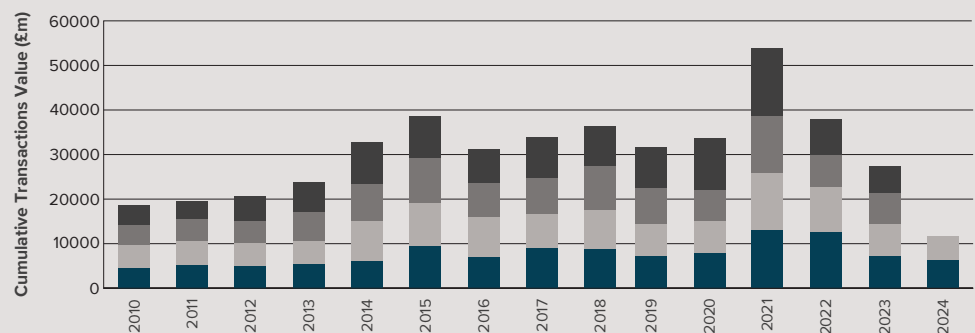
Assessing the deal data

The number of transactions in the **smaller deals** sector (with enterprise value of less than £150 million) increased marginally to 228 deals, compared with 225 in the first quarter of the year. The aggregate value of transactions declined however from £6.3 billion to £5.6 billion.

Sub £150m Transactions by Volume



Sub £150m Transactions by Value

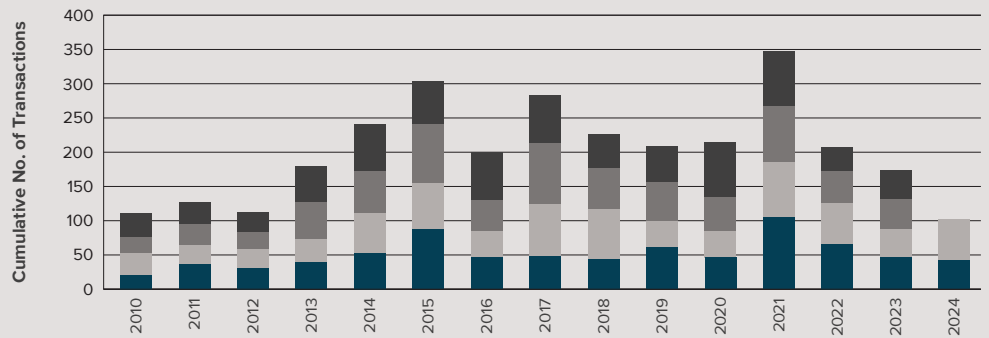


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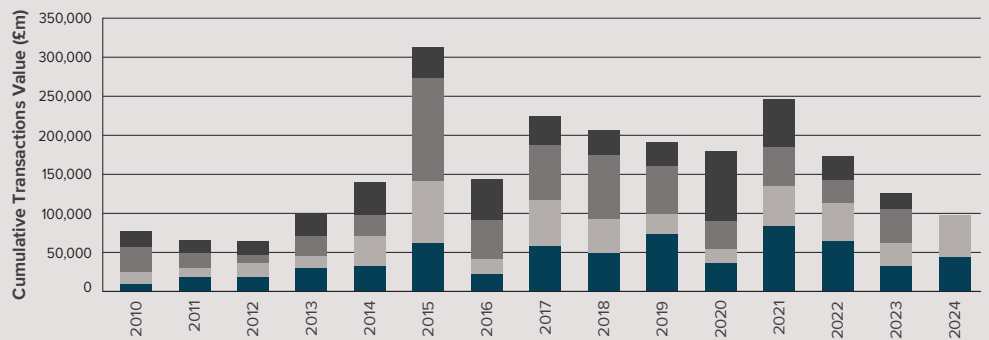
Data supplied by PitchBook.

The **larger deals** sector (enterprise value of £150 million or above) enjoyed a strong three months. The number of transactions increased from 42 to 61, and their total value was up from £43.7 billion to £53.5 billion, the highest quarterly figure for two years.

£150m+ Transactions by Volume



£150m+ Transactions by Value

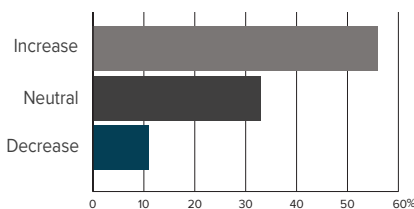


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So what does our latest survey suggest?

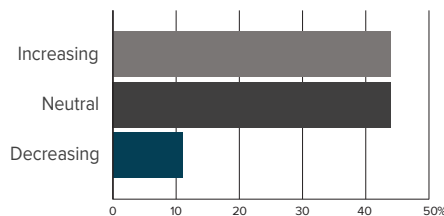
The marked increase in confidence we saw last quarter has continued, with respondents remaining in a decidedly optimistic mood.

1 Do you expect deal volumes to increase or decrease?



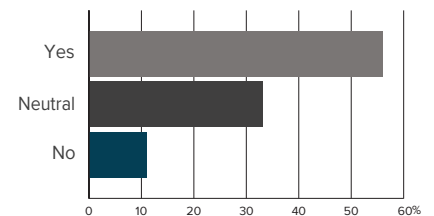
The percentage of respondents forecasting an increase in deal volumes over the coming months continued to rise, up from 43% to 56%, with only 11% predicting a decline. A third expected volumes to remain relatively unchanged.

2 Is debt availability increasing, decreasing or neutral?



Last quarter's greater optimism on debt availability hasn't abated. Some 44% of respondents thought debt was becoming increasingly available, and a similar proportion thought it was unchanged.

3 With inflation approaching the Bank of England's 2% target and interest rates expected to fall later this year, are you confident the overall M&A environment will improve in the second half of 2024?



This buoyant mood permeates the market's outlook on the overall backdrop for M&A. Only 11% expect a deterioration, while a clear majority are forecasting an improvement.

Contact us

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