

A fresh chapter

As the UK awaited and then digested the first Labour Budget for nearly fifteen years, 2024 drew to a fairly quiet close for activity in the UK private company M&A market. Yet, looking ahead to 2025, Jim Keeling of corporate finance adviser Corbett Keeling sees reasons to be cautiously optimistic.

The start of a new year is always an interesting pivot point. It's a time for sober reflection on the year just passed. But it's also a time to look forward hopefully to the coming year – the unwritten chapter.

Let's start with the sober reflection. If we consider 2024 as a whole, the figures suggest it was not a great year. Zooming out, we can see that the UK private M&A market had a post-pandemic boom in 2021, and activity has been slowly returning to normal ever since. In this context, 2024 appears unexceptional – as we will see when we look at the data for the fourth quarter. But it certainly felt busy for some of us in the market including at Corbett Keeling.

And what about the year ahead? At Corbett Keeling, we are definitely glass half full people. You won't be surprised to hear that, while acknowledging the challenges, we see plenty of grounds for optimism.

Domestically, we have had the Chancellor's first Budget. Businesses now know the full scale of the challenges from increased taxes. They will adapt, as they always do. For anyone who is considering a sale of their company, the good news is that the worst fears for Capital Gains Tax have not materialised – so far, at least.

The government has talked a big game about raising economic growth. If it is to achieve that goal, it will have to enact some more business-friendly measures to outweigh the tax rises. Currently, the talk is of deregulation and investment. We shall see.

In the meantime, the UK isn't the only country with a new government. The re-election of Donald Trump – the self-proclaimed master deal maker – could be positive for M&A activity over here, particularly given sterling's recent weakness. See page 5 for a helpful discussion of ways to boost your business's appeal to American buyers.

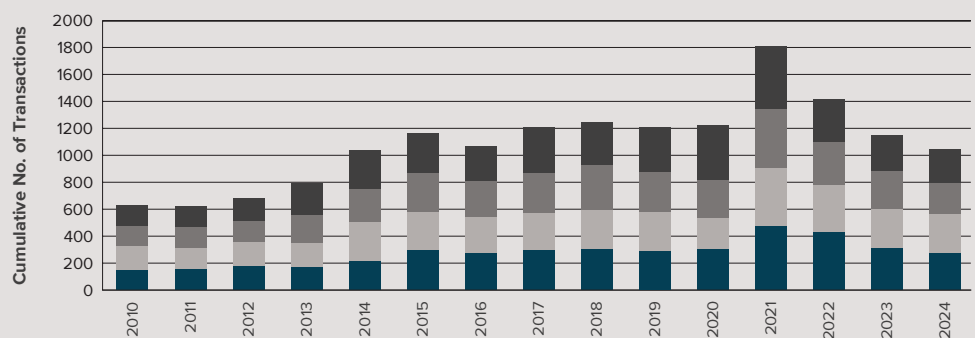
Assessing the deal data

The figures for the final quarter confirmed that 2024 was not a vintage year for deals. But there is some reason to believe the tide may be turning in the smaller deals segment.

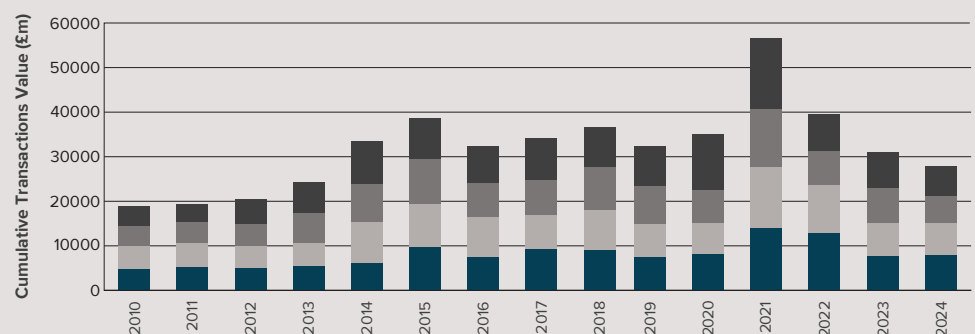
Smaller deals (enterprise value under £150 million) showed tentative signs of a re-acceleration in the last three months of the year. The number of transactions increased, from 230 to 250, and the aggregate value of deals was up from £6.1 billion to £6.9 billion. These figures are generally subsequently revised upwards for late reported deals, which would take them to solid levels. Nevertheless, the totals for the year as a whole were still lacklustre.

Key:
 Q1
 Q2
 Q3
 Q4
 Data supplied by PitchBook.

Sub £150m Transactions by Volume

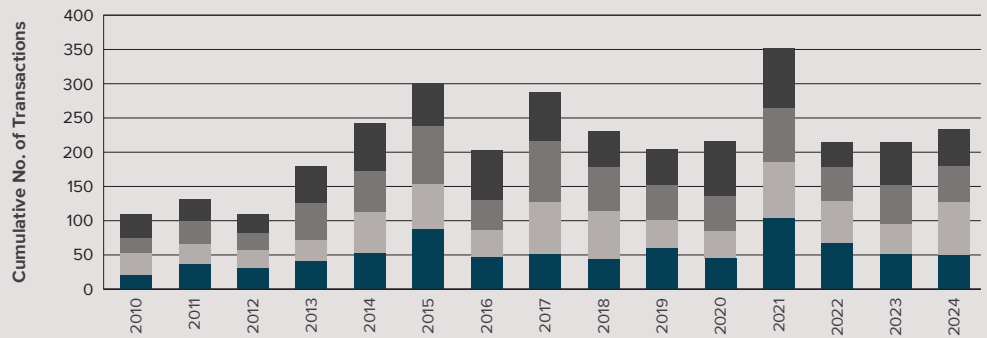


Sub £150m Transactions by Value

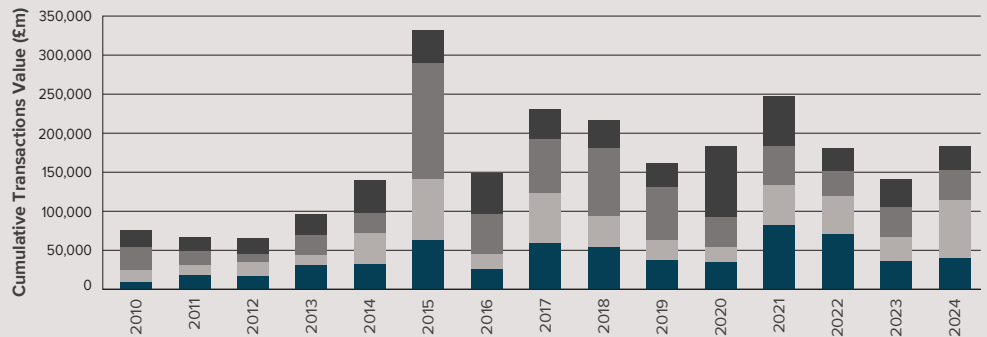


Larger deals (enterprise value of £150 million or more) did not show any sign of a resurgence. The number of deals inched up from 53 to 54 in the last compared to prior quarter, while the value actually declined, from £38.6 billion to £30.5 billion. For 2024 as a whole, however, this segment of the market showed considerable strength, with both the value and the volume of transactions surpassing the figures for 2022 and 2023.

£150m+ Transactions by Volume



£150m+ Transactions by Value

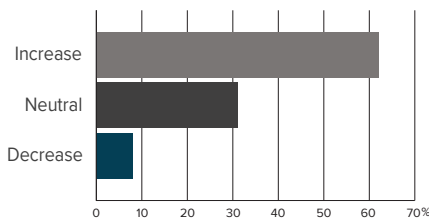


Key:
 ■ Q4 ■ Q3 ■ Q2 ■ Q1
 Data supplied by PitchBook.

So what does our latest survey suggest?

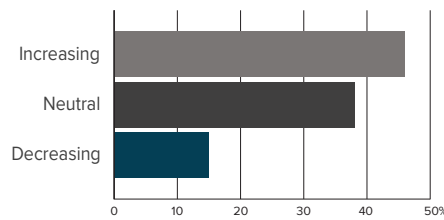
Overall, market participants appear to be in a marginally more optimistic mood than they were three months ago.

1 Do you expect deal volumes to increase or decrease?



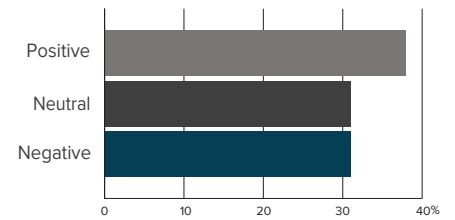
The proportion of market participants forecasting a higher volume of transactions rose from 58% to 62%, while 31% expected little change. Only 8% were expecting the number of deals to decline.

2 Is debt availability increasing, decreasing or neutral?



The picture is a bit more mixed when it comes to debt availability. While the percentage saying it was increasing rose from 33% to 46%, the proportion anticipating a decrease in availability was also up, from 8% to 15%. However, the optimists clearly outweigh the pessimists.

3 What is the likely impact of the UK Autumn Budget on your portfolio companies?



Perhaps surprisingly, given some of the media commentary, our respondents appeared fairly sanguine about the Budget's likely impact on private equity portfolio companies. Some 38% of respondents expected a positive impact, while the remainder were evenly split between those predicting a negative impact and those foreseeing little change.

Contact us

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