



# Selling your Company in **2024**

## A MARKET UPDATE

# Introduction

## ‘What is the market like?’

This is a question we are often asked, so we thought you might appreciate an informal update as to what has been happening in the world of deal making in the last few years and what we might expect as we progress through the rest of 2024 and beyond.

### Some of the topics we will discuss include:

- **The relative stability of the Mergers and Acquisitions (M&A) market and how 2023/2024 has performed in comparison.**
- **The extent of cross-border interest in UK companies and what that could mean for you.**
- **How we see the future landscape for dealmaking shaping up into 2025 and beyond.**

Given that this is a general update, we won't delve into the detail on particular sectors, individual company requirements, tax, regulatory, energy & supply chains etc. Rather, we want to give you a sense as to the overall state of the deal making market, as we see it, and based on our own experience alongside data and analysis released by trusted sources such as the Financial Times, LSEG Data & Analytics, the 'Big Four' accountancy firms and so on.

If you would like to discuss the specifics of your business sale and the market within which it operates, we would be happy to help and give you some feedback on the prospects for a successful transaction – be that in the short, medium, or longer term.

## First, let's remind ourselves what it has been like selling a business over the last few years:

The market over the last three years has been difficult to predict producing both record highs and record falls within a relatively short space of time. During this time there have been various influences on deal making.

- Quality UK companies offer great value and are attractive to overseas acquirers.
- Money has been in plentiful supply and is always looking for a yield (bank loans, Private Equity funds, stimulus). Interest rates, however, have not stayed.
- Boardrooms around the world seek to diversify and dilute risk rather than simply buying further market share.
- Global instabilities have a dual effect causing closer scrutiny on deals but also highlighting the need to protect against future shocks through acquiring depth.



This unpredictability is not just restricted to the last three years, as illustrated in the graph below - showing global M&A activity since 2000:

#### You will notice the four spikes:

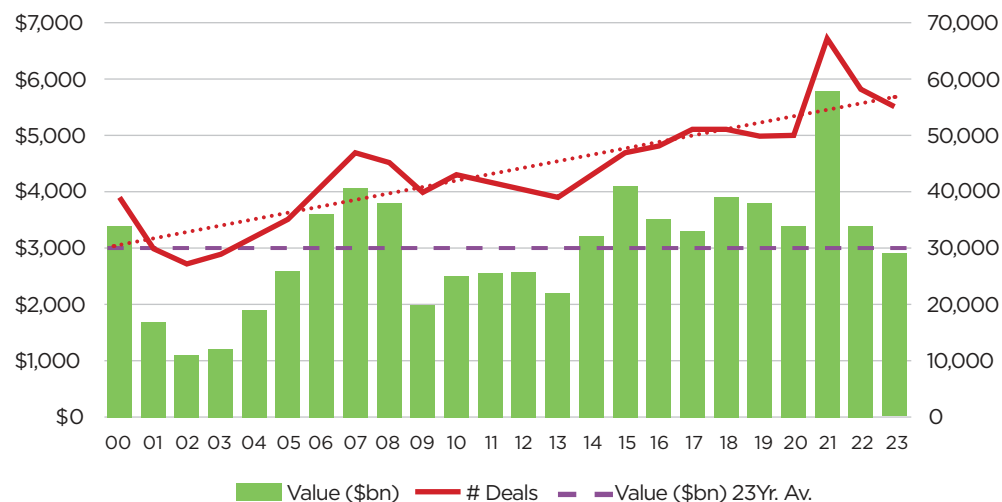
- **2000** (dotcom bust),
- **2007** (credit bubble burst),
- **2015** ('end' of the financial crisis or the beginning of a different one!)
- **2021** (post pandemic recovery).

You will notice too, the two-year falls in value that follow immediately after each spike before values recover with the overall trend being an upward one. It's worth remembering that these global value figures are skewed by mega-deals which are significantly more likely to be affected by macro conditions than the SME market.

The global 23-year average for annual values, indicated by the purple line on the chart, is \$3tn – so after the record highs of 2021, the current situation can be described as a return to some normality.

This is a view born out by Tim Clarke, Lead Analyst for PitchBook who comments: “We think we will look back on Q3 2023 as the trough in the current cycle, and Q1 2024 provided some support to that outlook. ... We see the better tone of the last two quarters as a sign that M&A dealmaking is slowly on the mend.”

### Worldwide Announced M&A Volumes



Source: LSEG Data & Analytics – (trendlines added)



## Has the UK SME market been any different?

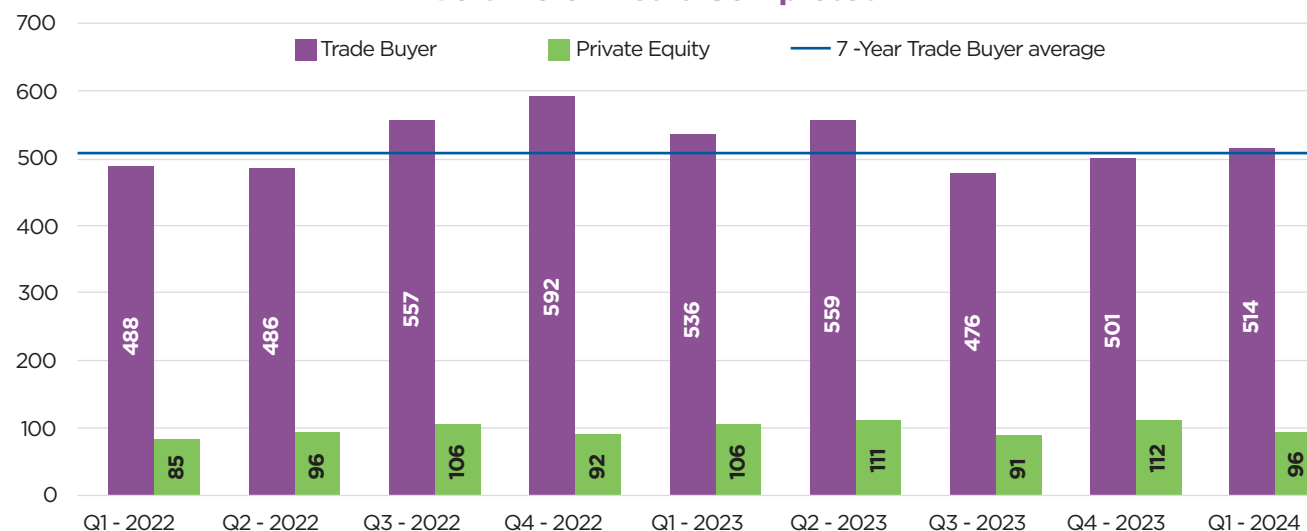
The PCPI analysis published by BDO focuses on private company trade deals with an average value of around £14m, which is much more in keeping with the UK SME sector.

In terms of UK volumes of deals per annum, this analysis shows very little change between 2022 and 2023 in contrast to the global picture. In other words, the SME deal landscape in 2023 remained robust in the face of some challenging headwinds.

The chart (right) shows the number of privately owned companies (lower and mid-market) sold to both trade buyers and to Private Equity buyers from 2017 to 2023. Despite a dip during the pandemic and the subsequent boost to deal volumes in 2021, the data shows a stable situation.

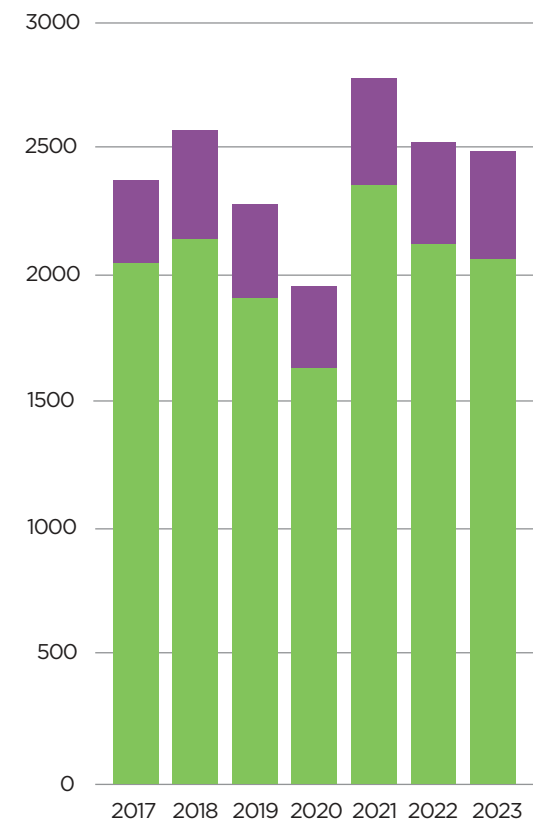
Zooming in to the last two years, the chart below shows the data broken down by quarter. The seven-year average for volume of trade-buyer deals sits at around 510 per quarter. As you can see, the Q1 2024 results show a positive trend back above the long term average.

### Volume of Deals Completed



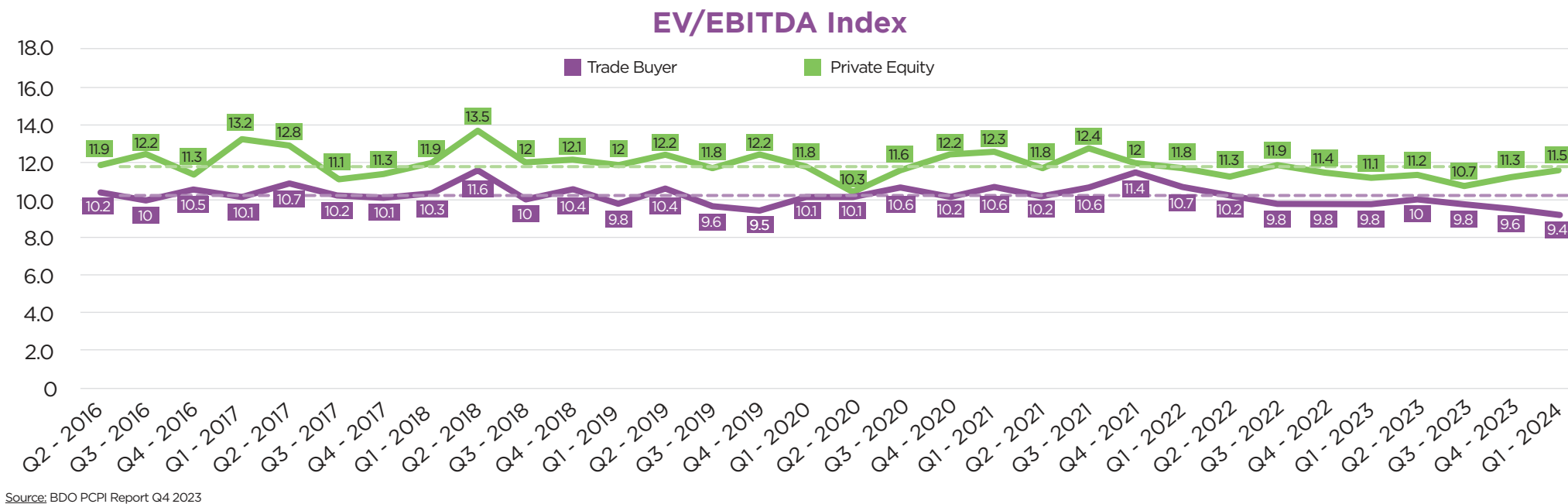
Source: BDO PCPI Report Q1 2024

### Volume of Deals Completed



Source: BDO PCPI Report Q1 2024

But what about values? If volumes are at or above average levels, are companies being sold at depressed prices? The answer is no. Referring to the BDO private company price index data showing EV/EBITDA multiples (below) you will note that once again EBITDA multiples remain at or around the median since 2016. Note that reported EBITDA data is unadjusted and so is not an absolute measure of value.



## Thoughts on deal making in 2024 and beyond

When it comes to looking at the remainder of 2024, the backdrop is pretty similar. Interest rates and the economy are regular news items. When it comes to interest rates, most readers will be old enough to remember that they were not always 0.25%! The return to a more normal interest rate environment may be a shock to some who are overstretched, but it's a welcome return to some normality for others.

We were all quite used to doing business, thriving, and selling companies between 1997 and 2007 during which time the average

interest rate was 5.1%. Savers excepted, we simply forgot about typical interest rates and got used to the sugar high of the 0.54% average that followed between 2008 and 2022.

If it's not interest rates, it's politics... 2024 has been dubbed the year of elections with 64 countries and the European Union going to the polls - that's 49% of the global population. This adds to the general feeling of uncertainty in global markets. But, as we have highlighted, world events have a far greater impact on mega deals, than they do on SME deal making.



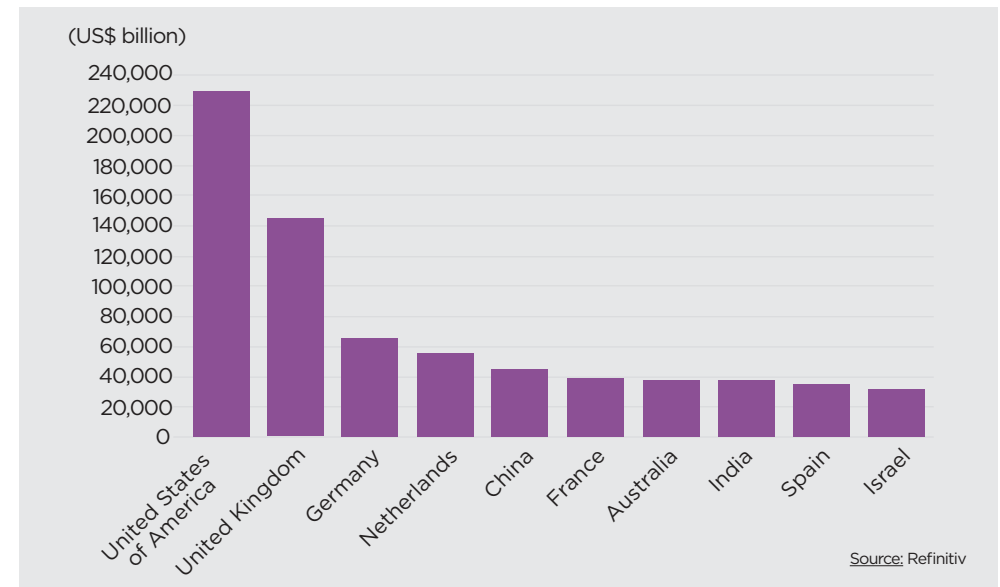
The bottom line here is that when it comes to selling a business, no particular era is any better than another. It's about presenting the strongest possible case to potential suitors when the time is right according to your circumstances and what is right to ensure your business builds into the future. Each individual business owner faces a different set of challenges at different times and in different sectors.

Good companies that are built to stand the test of time will sell no matter what the backdrop. Buyers value resilience as well as growth, so if competitors are struggling your business can really stand out and shine.

## UK companies are attractive!

Acquirers like to buy quality companies which are good value. UK financial reporting regulations help investors assess the performance of the business, something that is more challenging to assess in other global markets. In addition, the relative position of Sterling against global currencies provides a tailwind for UK business owners who are selling. These factors, among others, contribute to making the UK one of the most attractive markets for acquisitions globally.

Data from 2023 is not yet available, however, data from LSEG Data & Analytics (formerly known as Refinitiv) shows that in 2022 UK companies were the second most targeted for acquisitions globally and more than the next two countries (Germany and Netherlands) combined.

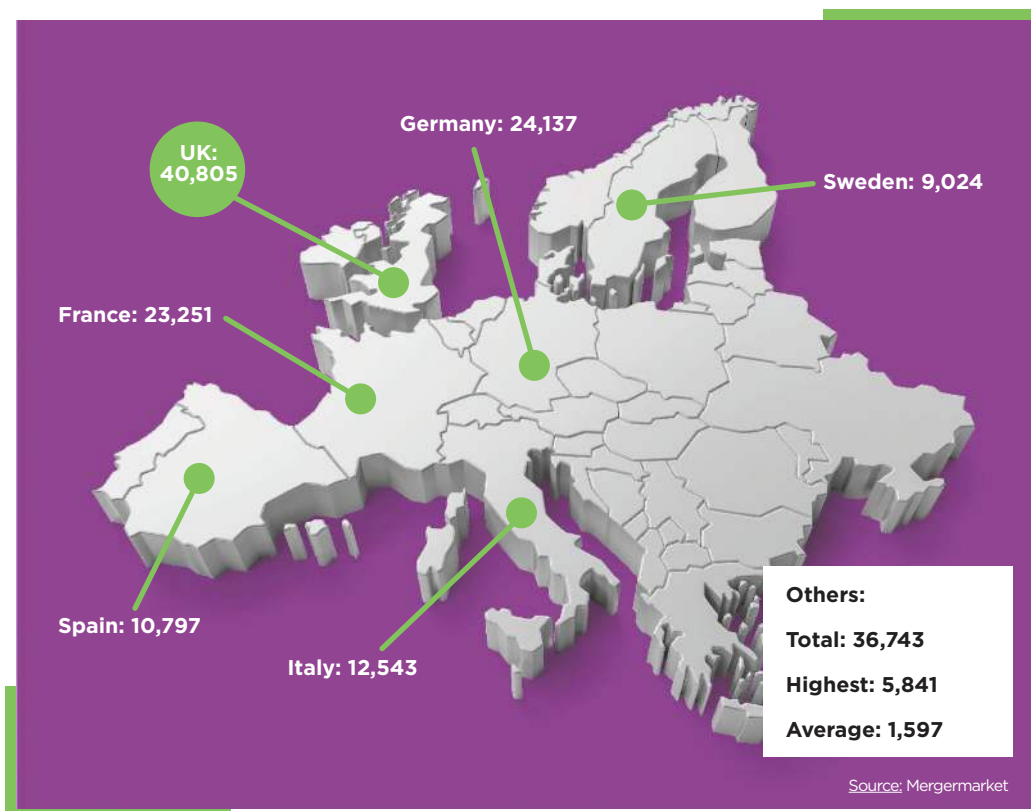


The following graphic illustrates that this is part of an ongoing trend with the UK being the most active European nation in terms of deal volumes over the last two decades, and by some margin.

At Entrepreneurs Hub half of all the deals we have completed in 2022 and 2023 were to overseas acquirers. Looking at this another way, 100% of the deals we completed, where our customers'

businesses enjoyed high levels of Intellectual Property (IP), sold to overseas acquirers (software, technology, engineering, chemicals etc.). Furthermore, we see no let-up in this trend in our current pipeline of transactions for 2024/25 with multiple bidders coming to the table for each of our clients (both domestic and cross border deals).

### Total Deals by Country 2003-2022



***“The United Kingdom remains the top target in Europe for inbound and domestic investment...”***

M&A Attractiveness Index Score published by the Mergers and Acquisitions Research Centre at Bayes Business School.

## Entrepreneurs Hub business sale transactions:

At Entrepreneurs Hub most of our deals are the sale of privately owned companies, typically selling for between £3m and £30m in value. Sometimes more and sometimes less.

We engage with our customers between one and five years from the date of completing a sale which is normally a function of how prepared they are to enter the 'transaction process' and how likely they are to achieve their aspirations. The exception can be a very short transaction process where we are called in to negotiate with acquirers who have made an approach. The table right encompasses all these scenarios.

Half of the transactions were to publicly traded companies listed on the US, European and Asian stock exchanges with the remainder being domestic transactions, including two companies who realised value for their shareholders by selling into an Employee Ownership Trust (EOT).

As a company we choose to work with small numbers of business owners and deliver high-touch and high-quality service. Our adherence to this strategy continues to work well for our customers and ourselves in a win-win relationship.

For 2024, and based on our own current pipeline of completions, we expect the same or better run rate compared to 2022/23.

	Blue Graphics Ltd and Blue Graphics Europe Ltd sale to NTI Group ApS (backed by Axcel PE)		
	Bulb Laboratories & Interiors Ltd sale to Unispace Global Pty Ltd (backed by PAG Asia Capital)		
	Pallet Plus Ltd sale to Expect Distribution Ltd		
	Bateman Skips Ltd sale to RSK Group (backed by Ares PE)		
	A.T.E. Solutions Ltd sale to Bergman & Beving AB (NASDAQ: BERG B)		
	Socrates Ltd sale to Sterling Check Corp. (NASDAQ: STER)		
	Hicom Technology Ltd sale to Vital Hub Corp. (TSX: VHI)		
	NAD Developments Ltd (WOW Toys) sale to Smart Industries NV		
	Silex Ltd and MVQ Silicones GmbH sale to Euston Ventures Ltd		
	Ground Engineering Ltd sale to Delta Simons Ltd (Lucion Group)		
	E.R. Williams Limited sale to Ian Williams Ltd		
	Optimal Industrial Automation and Technologies Ltd sale to Bruker Corp.(NASDAQ: BRKR)		
	Circle Waste Ltd sale to Reconomy (backed by EMK Capital)		
	SteriTouch (division of Radical Materials Limited) sale to Polygiene AB (NASDAQ:POLYG)		



## What should business owners do who are considering a sale in the next 12-36 months?

The answer is to start planning now. The date of approaching the market can be determined later down the line but benchmarking your aspirations and expectations against your company's commercial, financial, and legal readiness is vital to success. Likewise, an alternative transaction type may be more favourable for you, such as an Employee Ownership Trust, which doesn't require an external approach to market.

Once you have a plan, you have peace of mind and clarity. Once you have assessed and understood the facts, you are in a better state of 'transaction readiness' and able to make better decisions.

If the Pandemic has taught us anything – it is that anything can happen at any time! This is why most entrepreneurs will benefit from remaining focused on properly assessing their own situation to make sure they understand their options - rather than paying too much attention to the headlines (and the ones which will inevitably follow in the coming years too).

Furthermore, we have found over the last two decades that during tougher economic times smaller businesses can become more attractive. Larger acquirers slow their pace on mega-deals and turn their attention to lower risk, small and mid-market sized bolt-ons.

The caution for 2024/25 is that business owners looking to sell need to ensure they are well prepared to enter the transaction process, as acquirers (and their advisors) invest more time and resources into ensuring quality due diligence and wise investment decisions.

In conclusion, we trust that this short update has been useful and interesting for you. If you would like to discuss your specific situation / sector / business sale strategy, then we would be happy to help.

In the meantime, we wish you well and good trading for the remainder of 2024 and beyond.



## About Entrepreneurs Hub

Entrepreneurs Hub supports business owners through the complete business life cycle.

Whether you are seeking to grow, looking to support your executive team, or looking to prepare and sell your business, you'll find that using our refreshing approach will provide an experienced team to support and guide you to achieve your goals and aspirations.

Below are some of the comments we have received from business owners who recently completed their transactions with Entrepreneurs Hub.



*In addition to helping us understand and navigate the intricacies of the business preparation and sale process, Entrepreneurs Hub invested time to understand the culture and personality of the business, which has been crucial to the successful transition to new ownership.*

**Steve Fearn, Silex Ltd and MVQ Silicones GmbH**



*Choosing the right advisors to help me with the sale process was key from the outset. Early on I met with a number of potential advisors, both large and small, and found that only one could truly deliver the right outcome and success. Entrepreneurs Hub provided a skilled team with a comprehensive approach, but more importantly, they were empathetic and trustworthy partners. These attributes are vital in the journey to exiting well and selling the business. Interestingly the buyers, an acquisitive business much larger than my own, also commented on the high level of professionalism from Entrepreneurs Hub throughout the process. Tanya and I are incredibly grateful for their unwavering support throughout this process. Their expert guidance has ensured a successful transaction, allowing me to focus on my philanthropic work while securing the best future for WOW Toys. Entrepreneurs Hub have earned our strongest recommendation for any business owner considering a sale. You don't get to sell many businesses in your lifetime so when you do, it must be absolutely spot on.*

**Nadim Ednan-Laperouse OBE, CEO, WOW Toys**



*Entrepreneurs Hub stood out, they had a pedigree that we felt was unmatched by their competitors. Having industry experts to help you along the bumps and turns that naturally occur during the process is a "must have". You build your business with a winning team, so my personal recommendation is to maintain that eminence by adding Entrepreneurs Hub. It's likely you will only sell your business once, so choose wisely; I whole-heartedly advocate EH as the professional partner of choice for any business looking for an exit strategy.*

**Matt Allen, CEO, Bluegfx**



*Many thanks to the team at Entrepreneurs Hub for their support throughout the sale process; something we couldn't have managed without their help. With no previous experience, the journey was much more comprehensive than envisaged and their support was invaluable.*

**Derek Jones, Managing Director, Bulb Interiors Ltd**



*For us it came down to trust. It took 25 years to build a very successful business in our sector, but the biggest decision we ever made was the appointment of Entrepreneurs Hub. If we were to do it all again, it would be with Entrepreneurs Hub.*

**Gary Rowe, Managing Director, Pallet Plus Ltd**



*I had never sold a business before. Entrepreneurs Hub were very helpful from the beginning and gave me realistic advice and expectations which was invaluable. Excellent service from EH overall and wouldn't hesitate to recommend.*

**Lee Bateman, Managing Director, Bateman Skips**



*It was important for us to work with experienced advisors who share our ethos for delivering outstanding service. The Entrepreneurs Hub team took the time to understand our business and guide us through all the necessary steps to prepare for, discretely approach and meet with several interested parties and to ultimately complete this transaction for us. I would highly recommend Entrepreneurs Hub to anyone considering a sale of their business.*

**Steve Lees, Managing Director, A.T.E. Solutions Ltd**



*M&A projects are extremely complex, and success is only possible when the right team is assembled. Having counted on the support of Entrepreneurs Hub to design and execute the strategy was key to achieve the goal; their professionalism, responsiveness and technical knowledge made them a valuable asset to us.*

**Juan Pablo 'JP' Paredes, Executive Director, Socrates Ltd**



*We would like to thank the Entrepreneurs Hub to whom we are indebted for their tireless work at every stage of this deal to help us achieve this great outcome.*

**John Sanderson & Bruce Richards, the principals of Hicom Technology Ltd**



*We are proud to announce after continued support throughout from Entrepreneurs Hub, the deal has completed, we have realised "our dream" and all our expectations have been met.*

**Paul Alexander, Director Hi-Level Mezzanines Ltd**



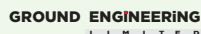
*This was the first time we had been through a business sale, and it would have been impossible without the support of Entrepreneurs Hub. A fascinating but occasionally stressful process, it was made significantly more manageable by their expert, patient, and friendly guidance.*

**Nick Corlett, Co-Founder of Radical Materials Ltd**



*During the process Entrepreneurs Hub was there every step of the way and helped with finding specialist lawyers and professional trustees and was always available to answer questions and to assist throughout the process. I know just how difficult a decision it is to appoint the correct consultancy and I can confirm first hand that by appointing your company I got it right.*

**Matt Hughes, Director NWPS Construction Ltd**



*Entrepreneurs Hub's understanding of the sale process and highly effective marketing of the company sale helped identify the right purchaser and a great fit for our business. Their dedicated support throughout the sale, and consideration of our wishes for the future of both ourselves and the company, has enabled us to successfully complete the sale with our ambitions achieved.*

**Steve Fleming, Director, Ground Engineering Ltd**



*Much appreciation goes to team at Entrepreneurs Hub for guiding us through this process to achieve such a successful outcome. They have supported us from beginning to end with measured and insightful advice and a personal approach.*

**Ruth Walton Director, E.R. Williams Ltd**

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