



HARDMAN & CO.



Buying British

An analysis of UK exits (2015-2019)

By Rooney Nimmo and 24Haymarket

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Introduction from Hardman & Co

For this Monthly, we are delighted that Rooney Nimmo and 24Haymarket have allowed us to reproduce a recent report they jointly published, entitled *An analysis of UK exits (2015-2019)*, which provides a granular analysis by sector of the activity in our dynamic private companies world.

We hope you find the insights of interest.

About the authors

Rooney Nimmo is a boutique international law firm, specialising in investment, transformation and growth across global markets. As global transaction advisers, the firm advises high growth companies and investors, institutional funds, multi-national banks and FTSE 100 companies across its offices.

24Haymarket is a London-based investment firm that focuses on early-stage growth equity and venture capital companies underserved by the institutional market. The 24Haymarket Investor Network invests both its financial and human capital in developing industry leaders of the future.

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Key findings

Brexit bounce – COVID bounce?

In 2016, Brexit occurred, and yet the data shows no significant variance in deal volumes post 2016, with the only consistent year of decreases, across the board, happening in 2018. In fact, across the baskets, there were year-on-year increases in deal volume, achieving £250 million-£5,000 million enterprise values (EVs) in 2018-2019.

Companies buy companies

Among the companies that make up this report, 773 were bought by other trading companies – representing 63% of the total.

British businesses are most likely acquired by British businesses

Of the sample involving British companies or companies with significant UK exposure, statistically, the acquirer was from the UK, followed by the US, France, Canada and China.

80% of companies sold below an EV of £500m

Of the companies that make up the sample, the number of deal values that exceeded £500 million was 240, which is 20%.

TMT is the most active sector

Unsurprisingly, TMT was the most active sector in the sample. Its 218 exits meant it was comfortably ahead of the second most-active sector (Industrials – 120).

This document analyses the following:

Enterprise Value Baskets	Specific Sectors
£50 million-£100 million (across all sectors)	Consumer Goods (£50 million EV-)
£101 million-£250 million (across all sectors)	Financial Services (£50 million EV-)
£251 million-£500 million (across all sectors)	Industrials (£50 million EV-)
£501 million-£1,000 million (across all sectors)	Life Sciences (£50 million EV-)
£1,001 million-£5,000 million (across all sectors)	TMT (£50 million EV-)
£5,001 million- (across all sectors)	

The underlying data in this report is provided by MarktoMarket (MTM), a 24Haymarket portfolio company and data-as-a-service provider of private company valuations. MTM offers an "end-to-end" solution to produce efficient and auditable private company valuations.

Buying British: An analysis of UK exits (2015-2019)

Introduction from John Nimmo, Founding Partner, Rooney Nimmo

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For over a decade, we have advised some of the most sophisticated stakeholders in venture capital and institutional investment across the UK, USA and China, and, most recently, Africa.

Fundamental to our practice is our team of experienced practitioners, who can support our clients across a range of legal practice areas. This capability lends itself well to delivering potential and value to key stakeholders across global markets.

An exit does not happen overnight. There must be a concerted effort months, or years, in advance in preparation for the opportunity. However, we expect that the COVID disruption will skew the typical exit planning timetables and increase uncertainty. This report gives stakeholders valuable insight into the data behind such a process, and how our findings can be implemented.

We are delighted to publish this detailed report with 24Haymarket, whose understanding and delivery of private equity investment is market-leading and with whom we have worked closely for many years. Please get in touch if you have any questions or need planning help.

Introduction from Paul Tselentis, CEO, 24Haymarket

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24Haymarket offers a unique proposition as a private capital partner that we call to bear in all the transactions we take on – deep experience, a vast network, and complete transparency. More importantly, our goals are aligned with those of our partners.

The UK is rightfully recognised as a global leader in many markets, especially across the five key sectors analysed in this report.

We are confident in the future of the UK as a business destination post-Brexit and post-COVID because the fundamentals are strong. Recorded M&A activity between 2018-2019 strengthens that belief and offers parallels for post-COVID opportunities.

The key findings of this report are clear in their significance, but challenging in their delivery. This report offers all stakeholders critical insights into market trends and potential roadmaps.

Our team and membership have spent their careers working within or advising many of the companies and investors that appear in this report. Its conclusions are significant, and we are delighted to have the opportunity to make a meaningful contribution.

All-sector enterprise value (EV) baskets

EV basket overview

Across all sectors, aggregated into value baskets

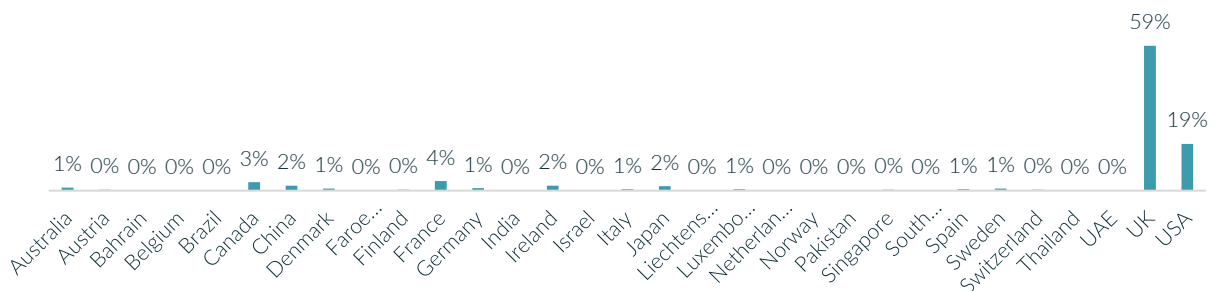
£50 million- £100 million	£101 million- £250 million	£251 million- £500 million	£501 million- £1,000 million	£1,001 million- £5,000 million	£5,001+ million
487 companies sold 40% of sample*	337 companies sold 28% of sample*	157 companies sold 13% of sample*	106 companies sold 9% of sample*	105 companies sold 9% of sample*	29 companies sold 2% of sample*
UK buyers are the most common 366 different acquirers from 23 countries	UK buyers are the most common 281 different acquirers from 19 countries	UK buyers are the most common 140 different acquirers from 20 countries	UK buyers are the most common 96 different acquirers from 17 countries	UK buyers are the most common 97 different acquirers from 15 countries	UK buyers are the most common 29 different acquirers from 5 countries
Average EV value is c.£73 million 66% Trading Companies / 34% Investors	Average EV value is c.£161 million 62% Trading Companies / 38% Investors	Average EV value is c.£358 million 61% Trading Companies / 39% Investors	Average EV value is c.£739 million 58% Trading Companies / 42% Investors	Average EV value is c.£2,027 million 61% Trading Companies / 39% Investors	Average EV value is c.£17,541 million 79% Trading Companies / 21% Investors

*numbers may not add up due to rounding

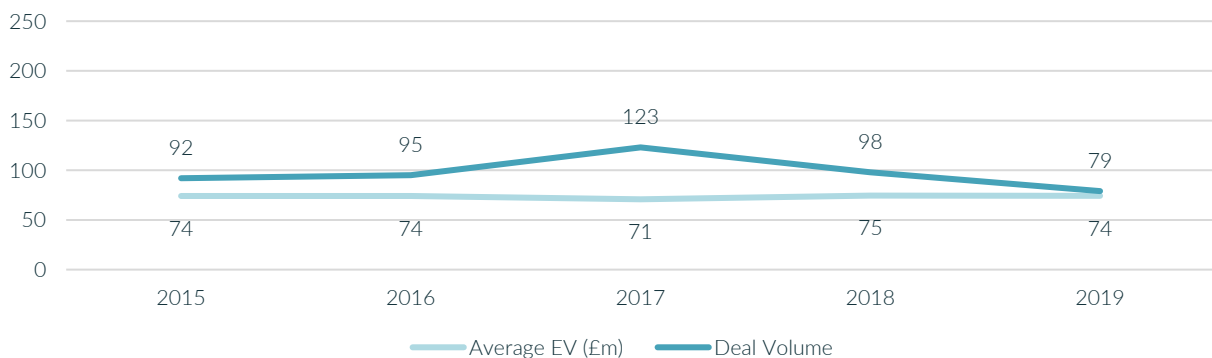
Basket 1 (£50 million-£100 million)

Being the most active basket, with 487 companies eligible, it was almost 1.5x the size of the next most active (Basket 2 – 337). The average EV across the basket was £73 million. Average annual EVs were tight throughout the years, with a range of £71 million-£75 million. Inflexion Private Equity, Lloyds Development Capital (LDC) and Graphite Capital were the most active investors; however, trading companies made up 66% of all acquirers.

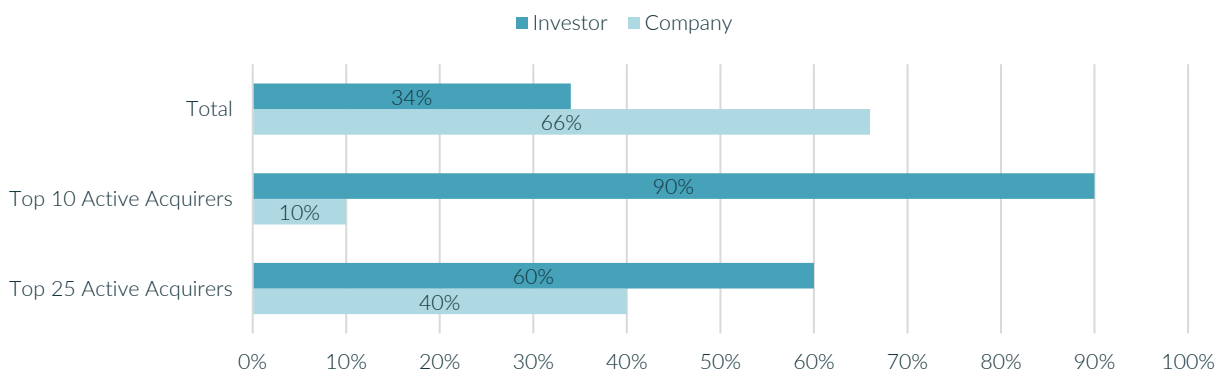
Acquirer geography



Yearly averages



Types of acquirers

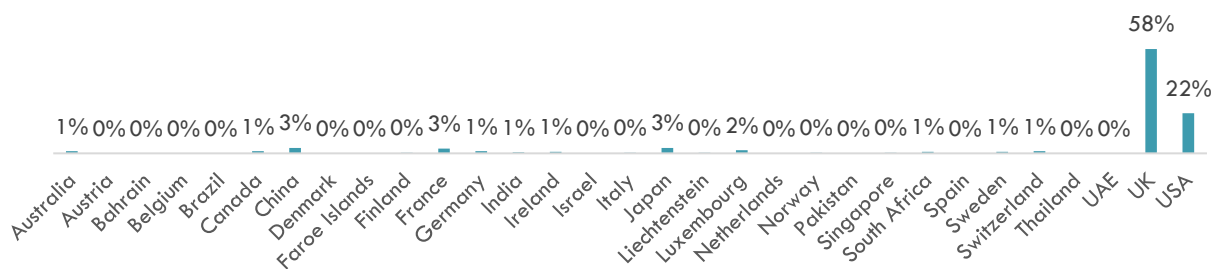


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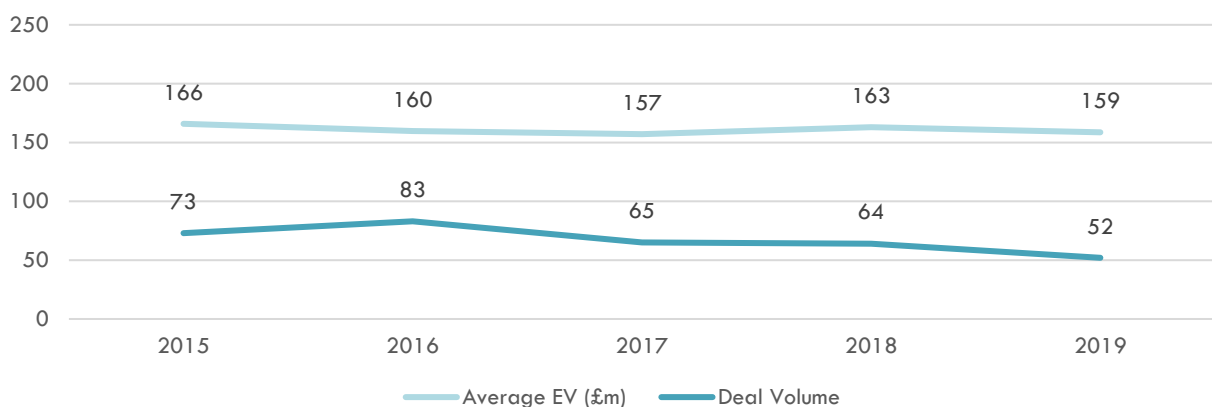
Basket 2 (£101 million-£250 million)

The second most active basket across the sample, 337 deals met the criteria. The basket showed little variance in average annual EVs across the years, with a 6% range. There was a steady decline in deal volumes after 2016, with a 37% drop from 2016-2019. LDC was, once again, a major market participant, followed closely by Exponent Private Equity and Vitruvian Partners. Trading companies, again, were most active with 62% of deals attributed to them.

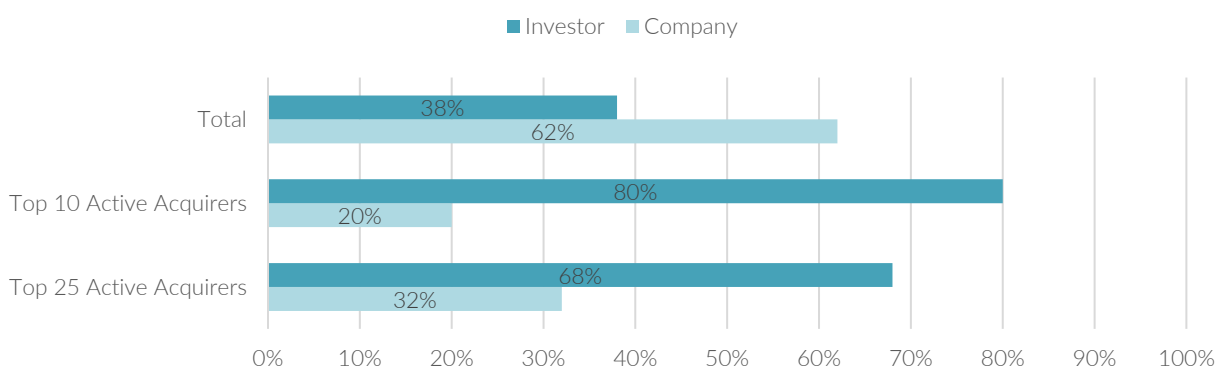
Acquirer geography



Yearly averages



Types of acquirers

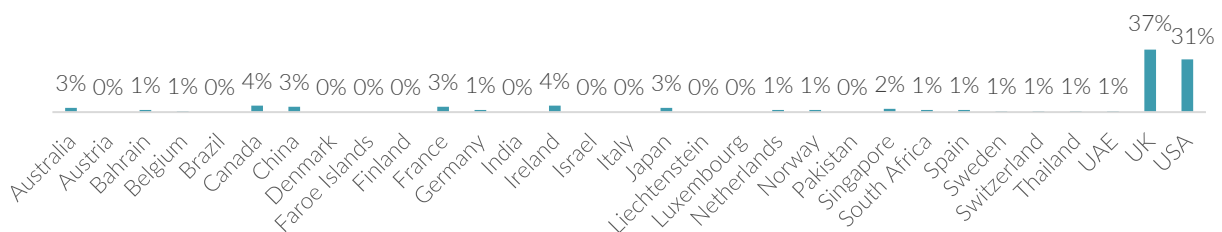


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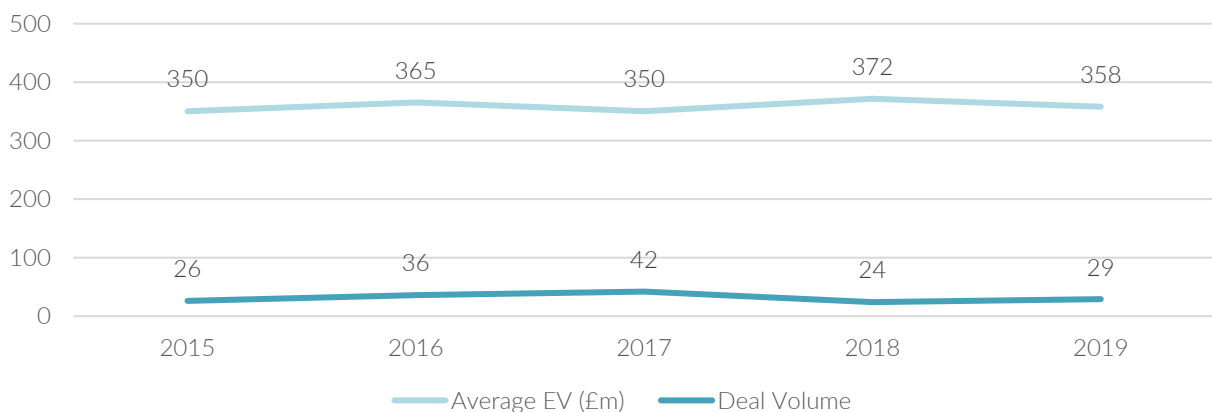
Basket 3 (£251 million-£500 million)

Amongst the 157 companies within the basket, no year saw an average annual EV above the basket mid-point. The closest year was 2018, at £372 million. Across deal volumes, there was only one year recording a decline (-43% in 2018), yet annual average EVs consistently rose and fell each year. Intermediate Capital and HG Capital led, with three deals each and thirteen different acquirers completed two deals each. Only 39% of all deals were completed by investors, however.

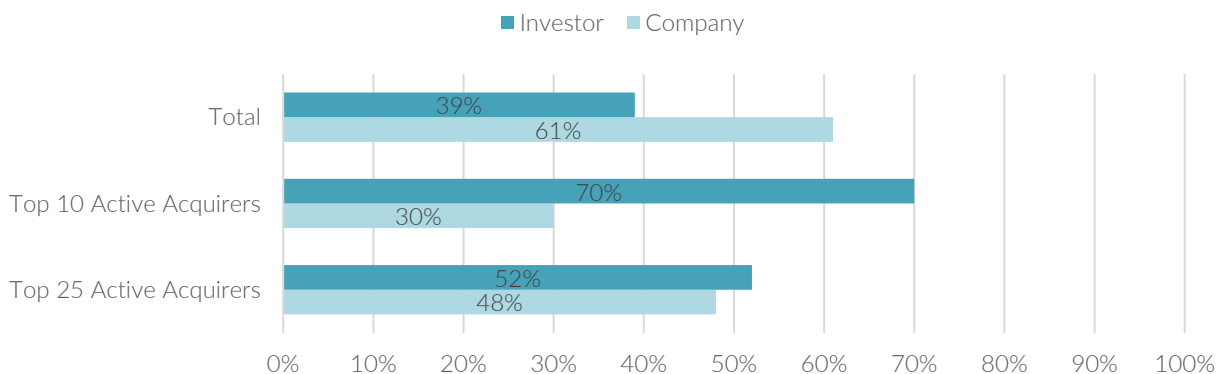
Acquirer geography



Yearly averages



Types of acquirers

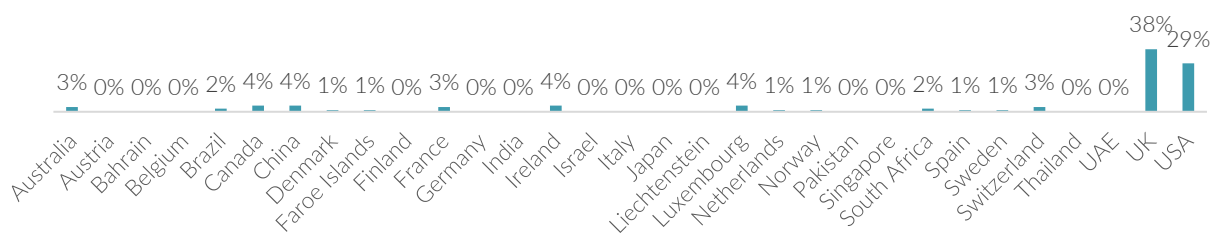


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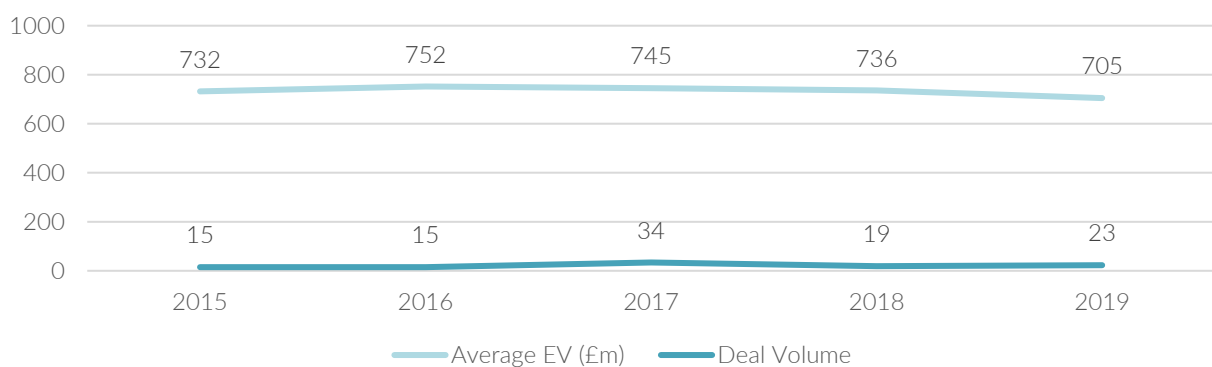
Basket 4 (£501 million-£1,000 million)

In this basket, only 106 eligible companies were sold over the period. Percentage variances in deal EVs were single figures, and yet deal volumes saw a significantly broader range, with treble-digit percentage increases recorded (albeit with a sharp immediate decline). CVC was the most active, with three deals, and followed by eight different acquirers who recorded two deals each. The company/investor proportion was slightly more even than the previous basket (58%/42%, respectively).

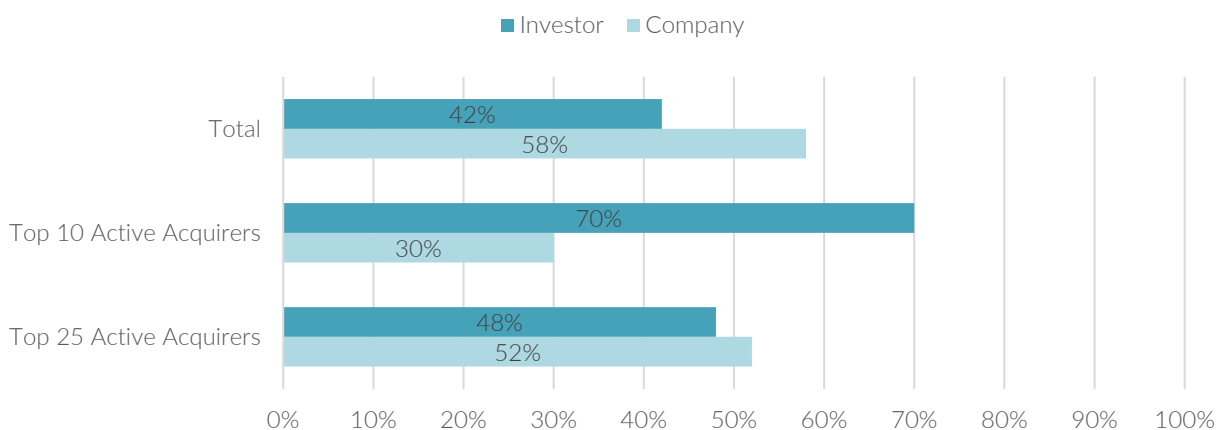
Acquirer geography



Yearly averages



Types of acquirers

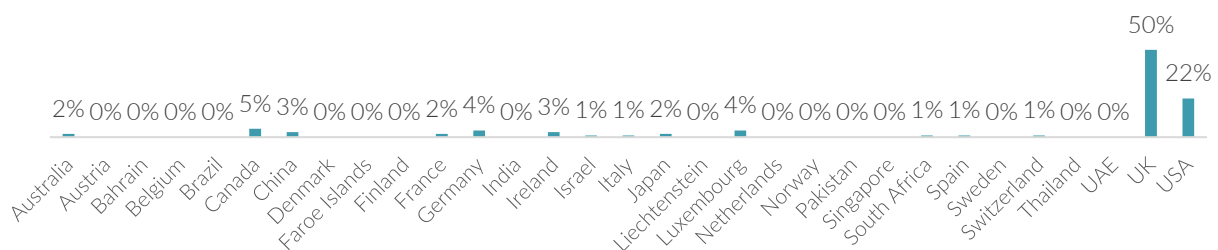


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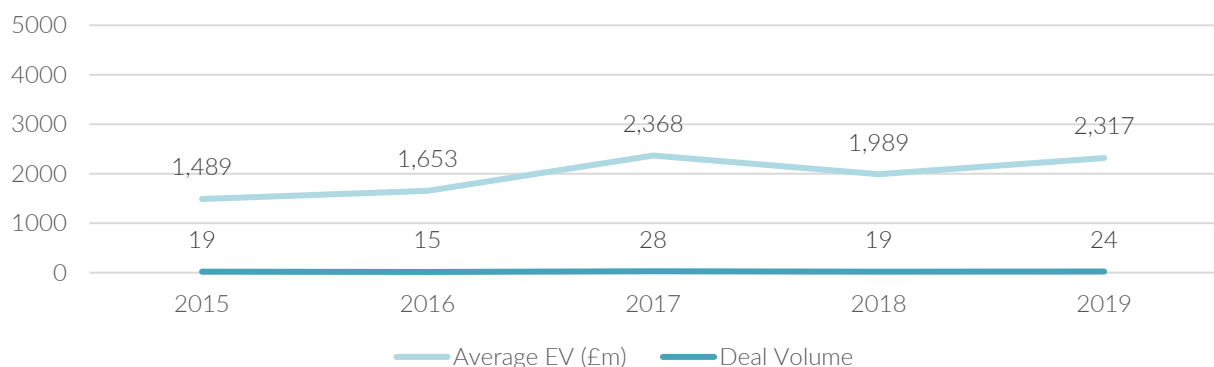
Basket 5 (£1,001 million-£5,000 million)

Within Basket 5, 105 deals were completed – a mere 1% drop in deals compared with Basket 4. Basket average EV (£2,027 million) was well below the midpoint, because only two years saw an average annual EV above £2,000 million (2017 and 2019). Eight different acquirers recorded two deals within the basket, including Allianz Group, Bain Capital, KKR and Michael Kors. Once again, trading companies took the lion's share, with 61% of deals.

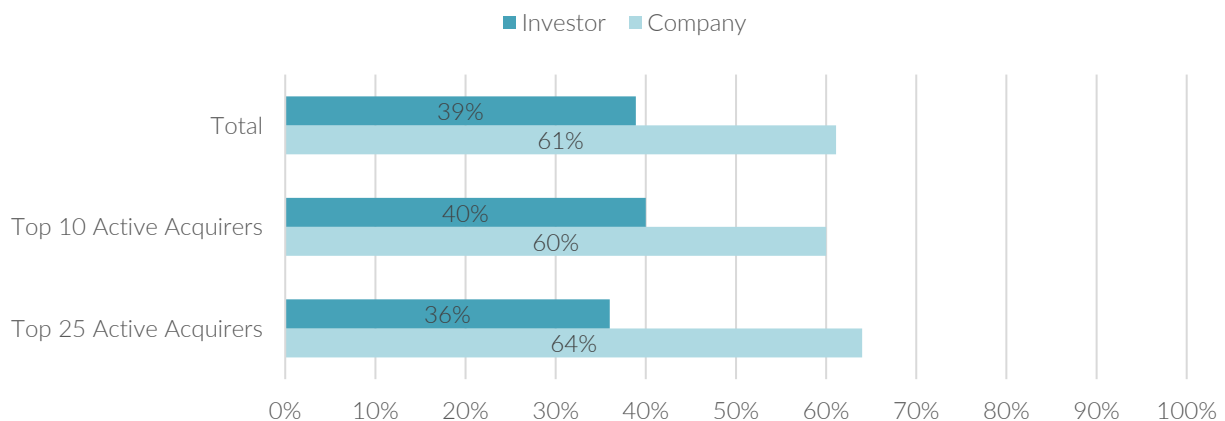
Acquirer geography



Yearly averages



Types of acquirers

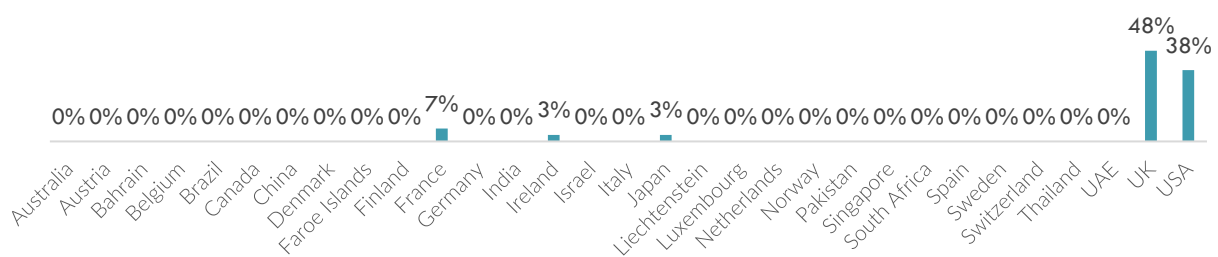


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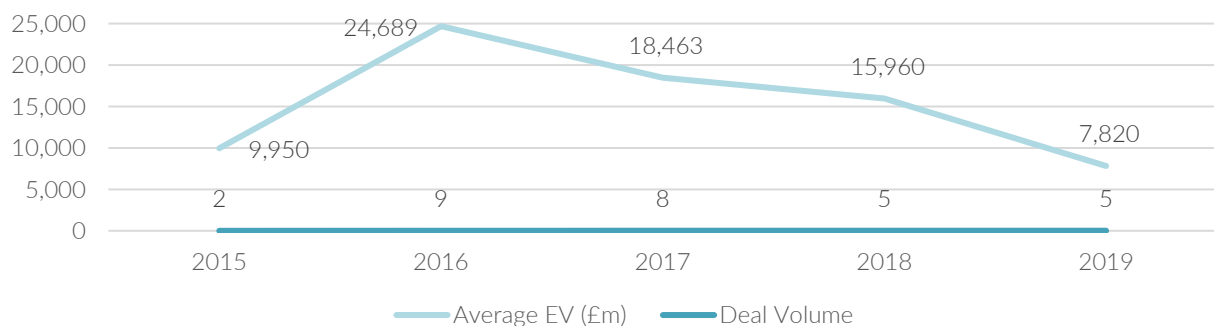
Basket 6 (£5,001 million-)

The only basket to have fewer than 100 deals over the sample, 29 deals occurred within Basket 6. Total average EV was high (£17,541 million). There were also some large fluctuations in yearly average EVs, with increases of 148% and decreases of 51% being recorded. Deal volumes rose and then fell, with no change in deal volumes 2018-2019. No acquirer completed more than one deal, with AB Inbev, British American Tobacco and Royal Dutch Shell paying the most of all acquirers in the basket. 79% of deals were completed by companies.

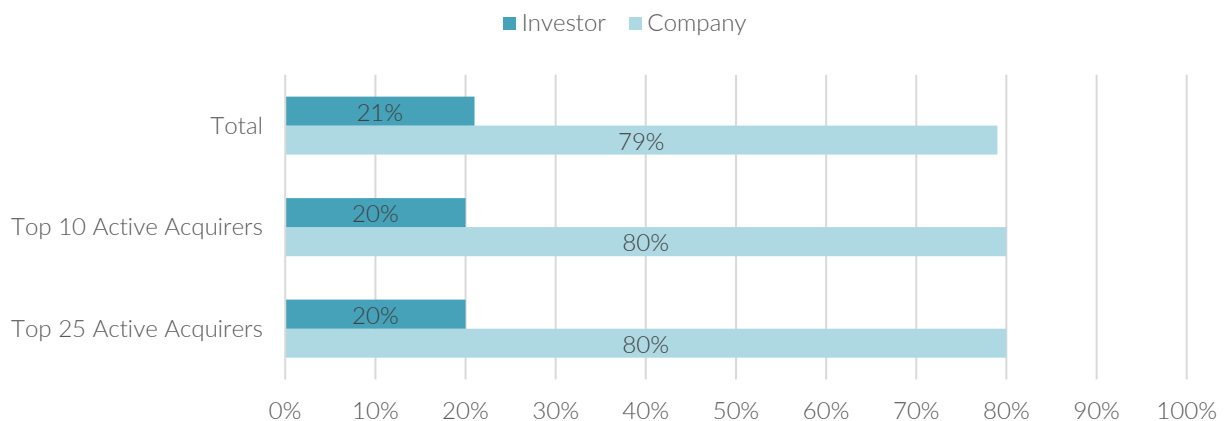
Acquirer geography



Yearly averages



Types of acquirers



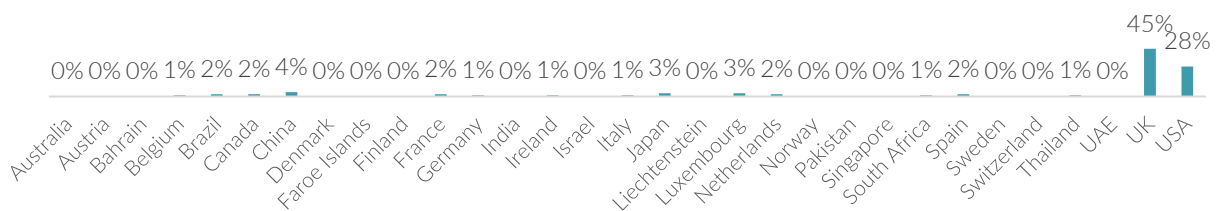
Note: Numbers may not add up due to rounding.

Sectors

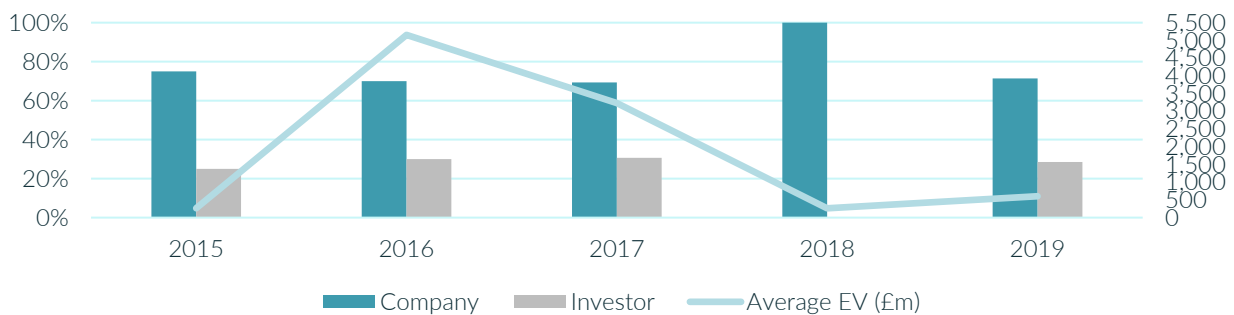
Consumer goods

Over the sample, 96 deals were recorded in the sector. Average EVs over the years were erratic, with year-on-year increases of 1,851% and decreases of 92% recorded. However, the 2019 figures are robust – showing an average EV of £602 million (the third highest annual average) across 14 deals (up 129% and 100% from 2018). For deals below £500 million, the average EV was £130 million; however, for the next bracket, it was £771 million and, for deals over £1,000 million, it was £18,591 million. 86 different acquirers were active and, within them, 73% were trading companies.

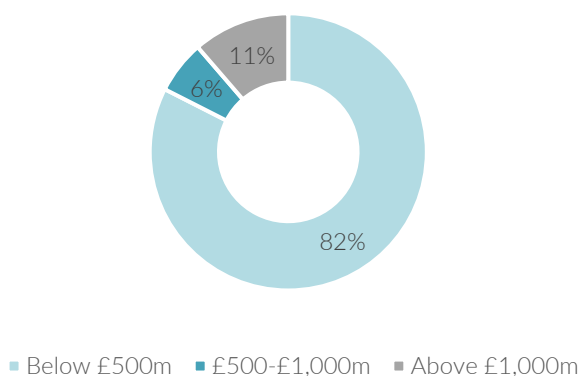
Acquirer geography



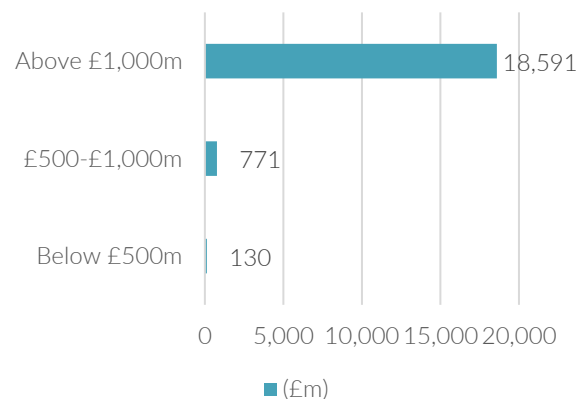
Yearly averages



Sector EV distribution



EV sub-basket averages

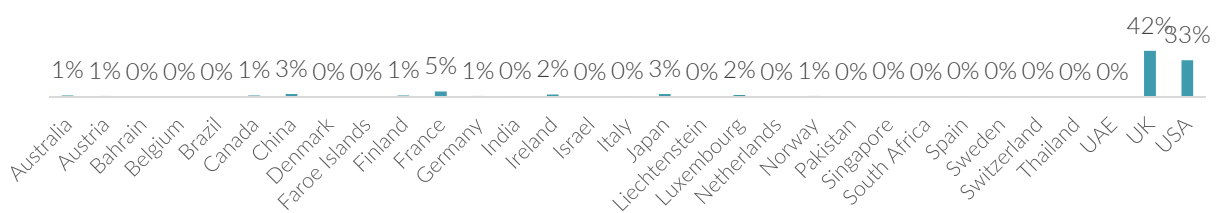


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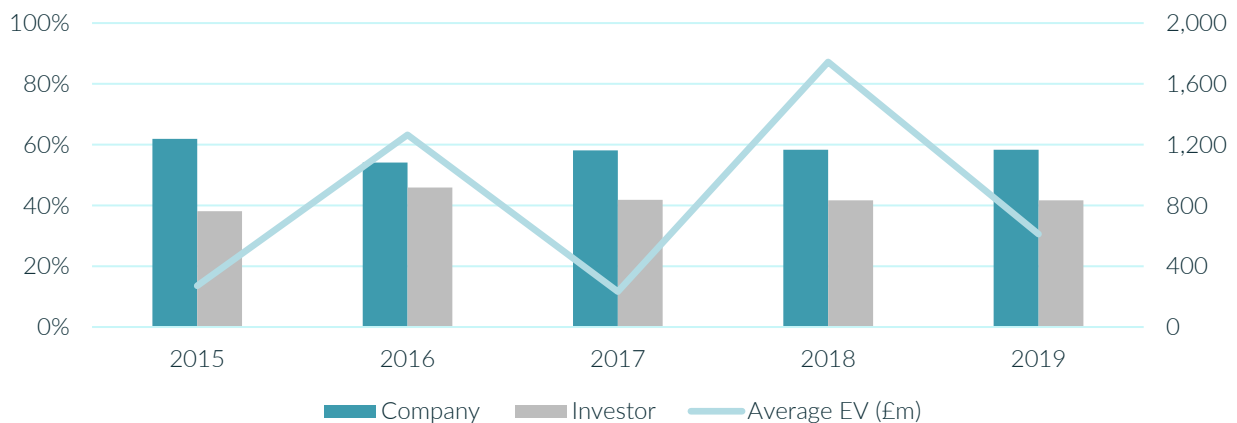
TMT

With 218 eligible deals completed over the period, TMT was the most active sector in this report. Average EV and deal volumes continued to change, with year-on-year variances of +648% and -82% recorded across average EVs and +45% and -50% across deal volumes. In 2019, there was a 65% and 50% decrease in average EV and deal volumes, respectively. For deals below £500 million, the average size was £143 million, for the next bracket £670 million, and finally £5,841 million. 179 different acquirers entered the market, 58% of which were trading companies.

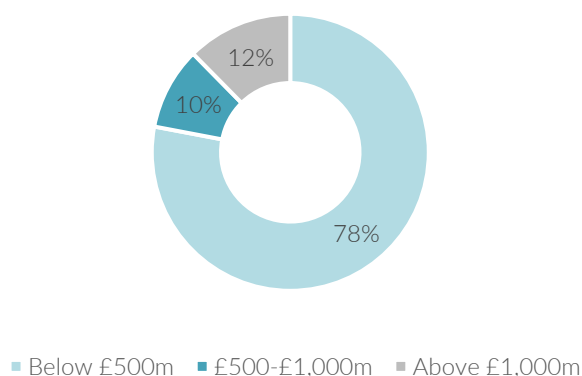
Acquirer geography



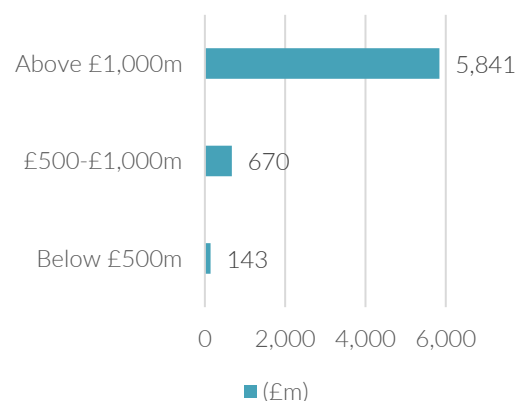
Yearly averages



Sector EV distribution



EV sub-basket averages

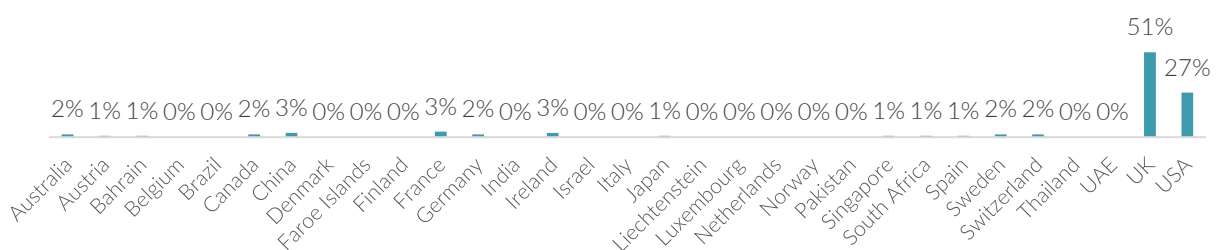


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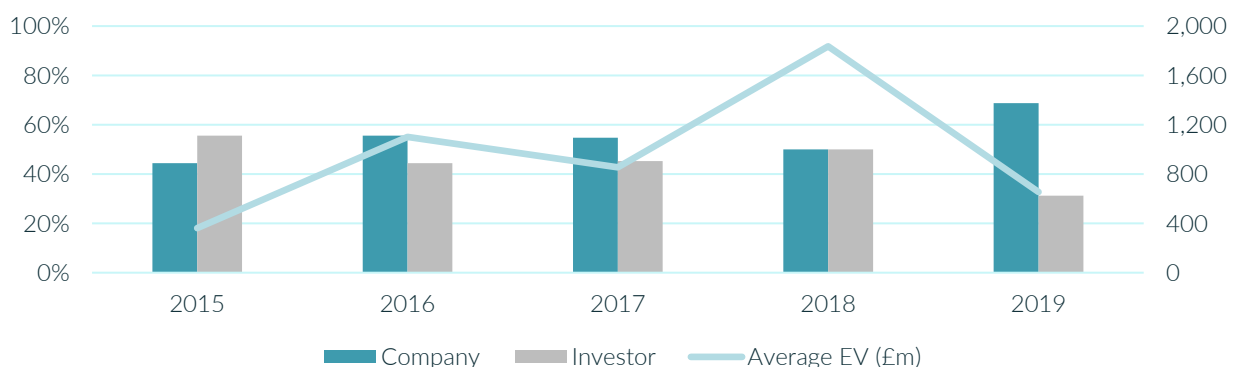
Financial services

Financial services, naturally, generated high average EVs, but that did not stop significant year-on-year movement. Average EVs saw rises of 205% and 115%, with only one year decreasing more than 50% (-64% in 2018-2019). Deal volumes saw only one year of decreases (2017-2018), with 2018-2019 remaining flat. For deals below £500 million, the average size was £148 million, £723 million in the next bracket, and £3,411 million for all deals above £1,000 million. There were 104 different acquirers across 119 deals, with trading companies constituting 55% of all acquirers.

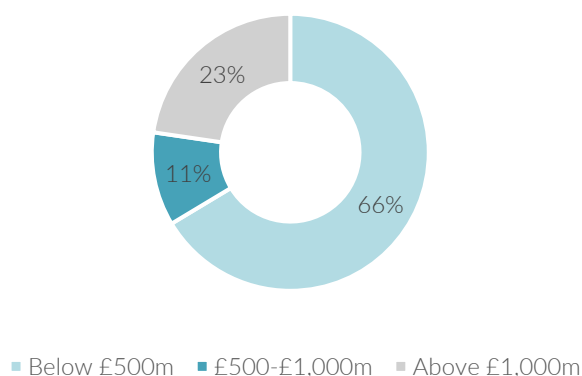
Acquirer geography



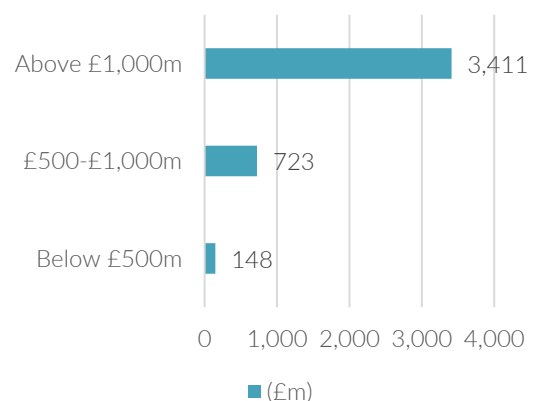
Yearly averages



Sector EV distribution



EV sub-basket averages

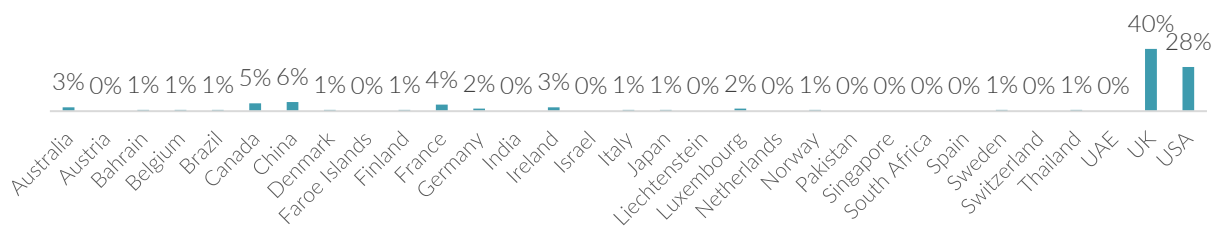


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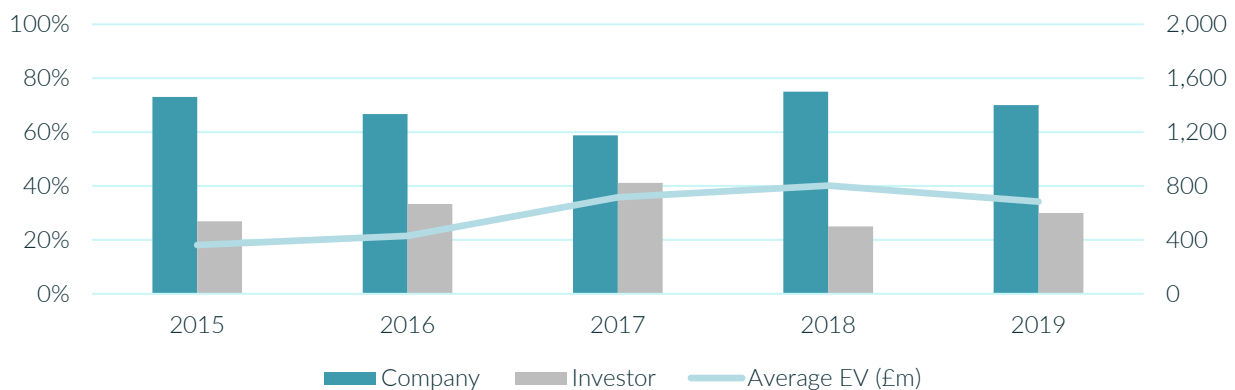
Industrials

The Industrials sector recorded the second-most deals across the five sample sectors (120), and yet no year saw an average EV of above £1,000 million. £803 million was the highest average EV across the sample (2018 – 16 deals) and £362 million the lowest (2015 – 26 deals). 2019's figures saw a £684 million average EV across 20 deals (2018-2019 was -15% and +25%, respectively). For deals below £500 million, the average size was £142 million, £780 million in the next bracket, and £4,292 million for all deals above £1,000 million. Only 33% of the deals were taken by investors.

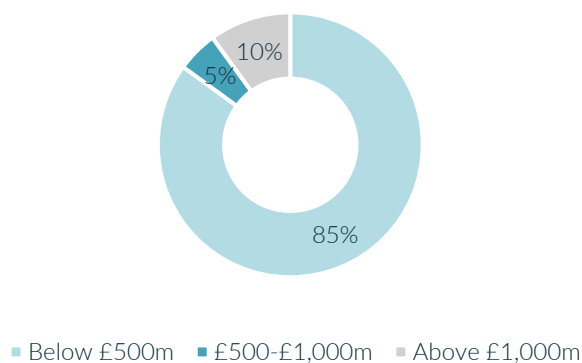
Acquirer geography



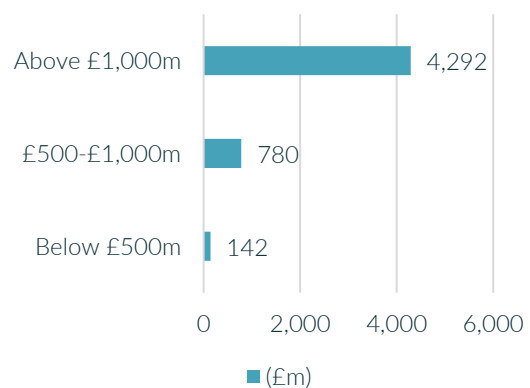
Yearly averages



Sector EV distribution



EV sub-basket averages

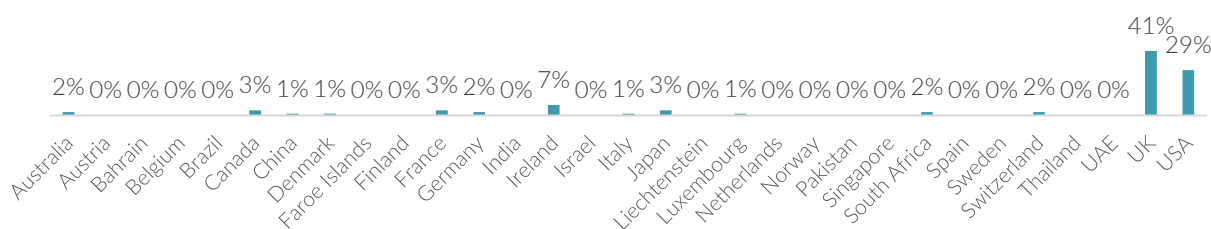


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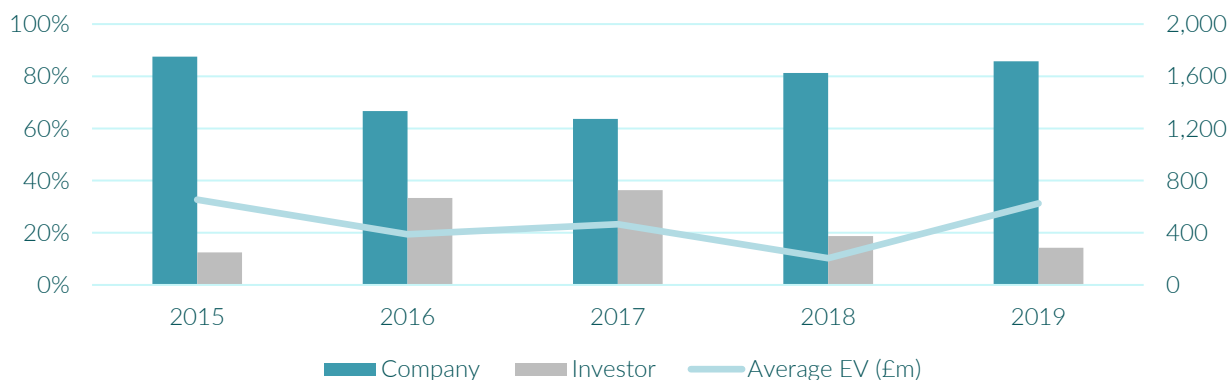
Life sciences

Life sciences was the least active sector of all, with only 90 deals recorded. Like Industrials, it had no yearly average EV over £1,000 million. Highs of £654 million (2015 – 24 deals) and lows of £205 million (2018 – 16 deals) were recorded, with a strong showing for 2019, with an average EV of £625 million across 7 deals for the year. For deals below £500 million, the average size was £166 million, £693 million in the next bracket, and £3,386 million for all deals above £1,000 million. 78 acquirers completed 90 deals, with 76% of all deals being taken by trading companies.

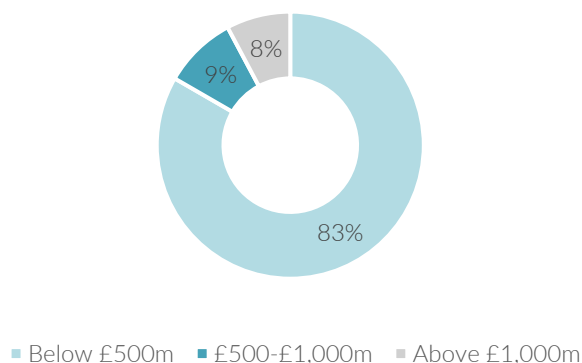
Acquirer geography



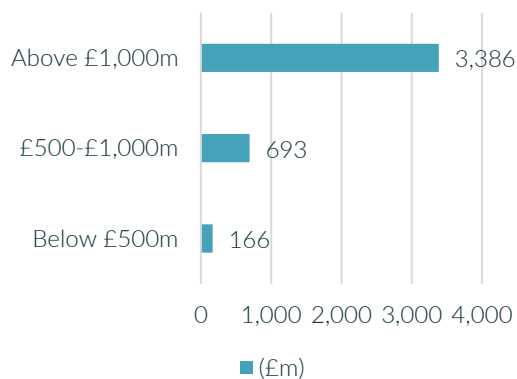
Yearly averages



Sector EV distribution



EV sub-basket averages



Note: Numbers may not add up due to rounding.

Conclusion

Of the many conclusions provided by the research in this report, the following are most significant.

Brexit bounce – COVID bounce?

The data shows no significant drop in deal volumes post 2016, with the only consistent year of decreases, across the baskets, happening in 2018. This can be expected with the looming horizon of a “No-Deal Brexit”, such as there was then. Subsequently, across the baskets, there were year-on-year increases for deals achieving £250 million-£5,000 million EVs in 2018-2019. This corroborates the increase in M&A transactions Rooney Nimmo advised on in 2019. This offers COVID parallels – once the trading companies begin their recovery, coupled with foreign exchange and consolidation opportunities for sector leaders seeking to innovate.

Companies buy companies

Amongst the companies that make up this report, 773 were bought by other trading companies – representing 63% of the total. With reports of record dry powder at private equity firms¹, there is an implication of demand without supply for such investors. Certainly, the sheer volume of acquisitions by trading companies denotes sufficient deal flow; so investors have perhaps been looking elsewhere for capital allocation. There is likely to be a pressing need for innovation within market leaders post-COVID; therefore, knowing which market participants and their competitors are active (or not) focuses the target list for management teams as preparations to exit begin.

British businesses are most likely acquired by British businesses

In short, there were 1,221 exits involving British companies or companies with significant UK exposure. Statistically, the acquirer will be from the UK, followed by the USA, France, Canada and China. Much value remains in encouraging British businesses to expand overseas, most likely in one or more of the most active countries, and there are significant governmental resources supporting such expansion. However, perhaps there would be equal merit in deploying such resources across the UK to guard against IP and asset expatriation through (possible) international M&A post-COVID.

80% of companies sold below an EV of £500 million

Within the sample, the number of EVs that exceeded £500 million was 240, which is 20%. The level of activity in and around the £500 million EV figure indicates a preference for buyers. That there was only a 1% drop between Baskets 4-5 is positive; however, it was followed by a 72% drop between Baskets 5-6. For a sector leader, £500 million is not an especially high acquisition price if such an acquisition offers post-COVID/digital economy value and competitive advantage.

TMT is the most active sector

Unsurprisingly, TMT was the most active sector in the sample. Its 218 exits meant it was comfortably ahead of the second-most active sector (Industrials – 120). Curiously, though, not once did it record the highest yearly average EV (Consumer – £5,155 million (2016)). The figures for TMT 2019 were strong relative to the other sectors, as it was only 12% lower than the highest 2019 average sector EV (Industrials). This should give the market confidence – especially as a good number of the sector sample includes traditional businesses who have incorporated technology into their products/services.

¹ <https://www.ft.com/content/2f777656-9854-11e9-9573-ee5cbb98ed36>

Methodology

This report scope covers the period of 1 January 2015 to 31 December 2019

This report considers deals that conform to at least two of the following criteria:

- ▶ Achieved an EV of above £50 million
- ▶ Was classified in the MarktoMarket database under the following sectors:
 - Consumer
 - TMT
 - Financial Services
 - Industrials
 - Life Sciences
- ▶ Public information is available (even if just price)

Transaction types in this report include:

- ▶ Primary investment/buy-outs
- ▶ Management buy-outs
- ▶ Management buy-ins
- ▶ Bolt-ons
- ▶ Corporate divestitures
- ▶ Public-to-private buy-outs
- ▶ Trade acquisitions
- ▶ Strategic acquisitions
- ▶ Financial acquisitions

It does not include:

- ▶ Financial instruments (i.e. bonds, loan portfolios)
- ▶ Property assets (however, businesses whose nature is to operate services beyond maintenance within properties they own are included)
- ▶ Companies that have completed an IPO (sometimes classified as an exit)

Company = a company whose main focus is not to make investments or, if it is (say a financial services firm), the acquisition is a strategic investment.

Investor = a company whose primary focus is to make investments.

Rationale

The rationale for these overlapping, but distinct, groupings is that an EV of £50 million pre-supposes enough relevant characteristics relating to revenues, staffing and any other comparable characteristics when comparing such an eight-figure EV with, say, a ten-figure EV company.

Providing findings on each EV basket across all sectors enables management, investors and professional advisers the opportunity to understand where they may find the most suitable acquirer at each stage and when/if they reach the market sweet spot for acquisitions.

Indeed, understanding:

- ▶ where the most likely buyer in each basket/sector is (is it in North America, Europe, Asia or elsewhere?);
- ▶ knowing what the previous appetite has been; and
- ▶ how much capital (broadly) each acquirer is willing to part with within the sector is critical in planning for the exit.

Finding a buyer is hard enough and, in a buyer's market, getting the best price is even harder. An exit will most likely happen when the question "*why should I make the acquisition?*" is turned into "*why shouldn't I?*". Therefore, doing the simple things more efficiently and the difficult things more intelligently to achieve the rhetorical, rather than the conditional, seems to be the most logical path to achieving this potential and value.

About the authors

Rooney Nimmo

Rooney Nimmo is a boutique, international law firm, specialising in investment, transformation and growth across global markets. As global transaction advisers across the UK, USA, China and Africa, our staff have advised management and investors on deals, ranging from eight- to ten-figure EVs across many sectors.

Our mission is to do the simple things more efficiently and the difficult things more intelligently. We have delivered for global sector leaders, high-growth companies (including pre-revenue), educational, financial and investment institutions, as well as governments – often in periods of significant commercial and operational importance, due to our corporate and commercial nous.

24Haymarket

24Haymarket is an investment firm that focuses on early-stage growth equity and venture capital investments. The premise of 24Haymarket's Investor Network is to assemble the pre-eminent talent in the UK business community to invest their financial and human capital to develop industry leaders of the future.

We focus on investment opportunities underserved by institutional venture capital firms, providing intelligent, aligned capital, as well as commercial acceleration at a crucial point in the "scale-up" journey for young companies.

Notes

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First published in 2020 by:

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