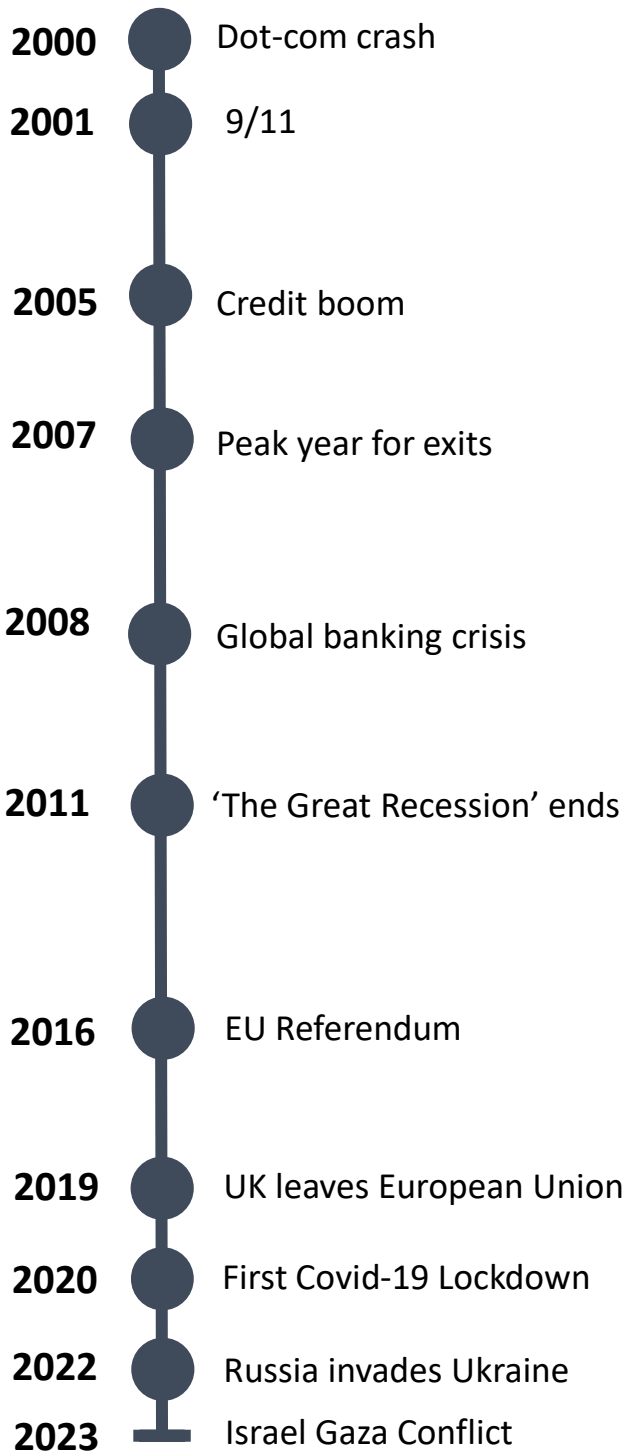


Survey of Welsh Company Exits 2000-2023





Over the 24 years, change in ownership has not had a negative impact on the Welsh private sector as around 80% of companies surveyed are still operating in Wales.

Welsh business exits recovered to pre-global banking crisis levels with trade sales and management buy-outs/buy-ins (MBOs/MBIs) proving to be the most favoured routes.

26 ownership transfers (with individual exit values of over £100m) exceeded £11.7bn in cumulative value, whilst the total estimated value for disclosed deals in the 24 year period approached £20bn.

Introduction

Gambit Corporate Finance LLP has compiled and analysed a database of corporate exits involving Welsh companies spanning the first 24 years of the 21st Century.

Business exit volumes can be given context by the economic conditions which prevailed during the period under review. The 24 year horizon saw key economic or political events define the era, globally and in Wales, including the dot-com crash, 9/11, the Great Recession, Eurozone Crisis, Brexit, the Covid-19 pandemic and the Russia-Ukraine War.

Gambit's database includes transactions with undisclosed values and, where possible, market intelligence or in-house knowledge has been applied. The data has been adjusted to exclude non-indigenous companies (e.g. subsidiaries of overseas companies) and property transactions. Exits comprise of trade sales, buy-in/buy-outs and divestment. Initial Public Offerings (IPOs), although not strictly exits, represent a significant change in ownership and have therefore been included in the survey data, as have stock market delistings.

Transactions with deal values of over £100 million, albeit limited in number, skew the 24 year trend analysis as 26 deals have a combined value of over £11.7bn. Most notably, the £3bn sale of Hyder Plc assets and the and the recent £600m sale of Alcumus.

The period between 2003-2007 were years of record economic growth globally and in Wales. The average consideration for disclosed deals between 2003-2007 was £10m. In the build up to the Great Recession deal volumes and values were trending upwards, peaking in 2007 with 133 reported exits achieving a cumulative value of £748m.

During the Great Recession of 2008-2011, the average year on year fall in deal volumes was c.25% while cumulative deal values fell year on year by c.50%.

Business exits began to recover in 2015, with deal volumes returning to pre-crash levels in 2019, achieving a cumulative disclosed deal value of £333m as the UK left the EU. Brexit's influence is visible as cumulative disclosed deal values fell from £374m in 2017 to £179m in 2018. This was due to an increased volume of MBO/MBI exits while simultaneously higher value trade sale volumes fell.

Covid-19 had a substantial impact on the economy from 2020 onwards, with 2020 seeing a 34% decrease in the number of deals compared with 2019. Despite the ongoing impact of the Coronavirus, deal volumes increased by 93% in 2021, whilst cumulative disclosed deal values grew by 87%.

The economic fallout from Russia's invasion of Ukraine was the major event in 2022 with a negligible 1.5% fall in deal volumes compared with 2021. This trend continued with a further decline of 15% in 2023. However, overall deal values surged, showing a robust increase of 146% in 2022 and a further rise of 12.5% in 2023, as business valuations recovered.

Below is a snapshot of our findings:

72%

Of business exits were trade sales

37%

Of exits were in manufacturing sectors

82%

Exits occurred within the Southern region

>£100m

26 business exits over £100m

187%

Increase in the number of deals transacted in 2023 as compared to 2000

2007

Remains the year for the highest number of business exits in Wales

c.80%

Of business surveyed are operational and remain in Wales

24%

Decrease in the cumulative value of disclosed deals between 2014-2023 when compared to the previous decade

Notable Gambit Transactions



Welsh Business Exits

As expected there is notable disparity across the Welsh regions. During the 24 year period, c.80% of exits occurred in South Wales of which c.60% percent were in the South East.

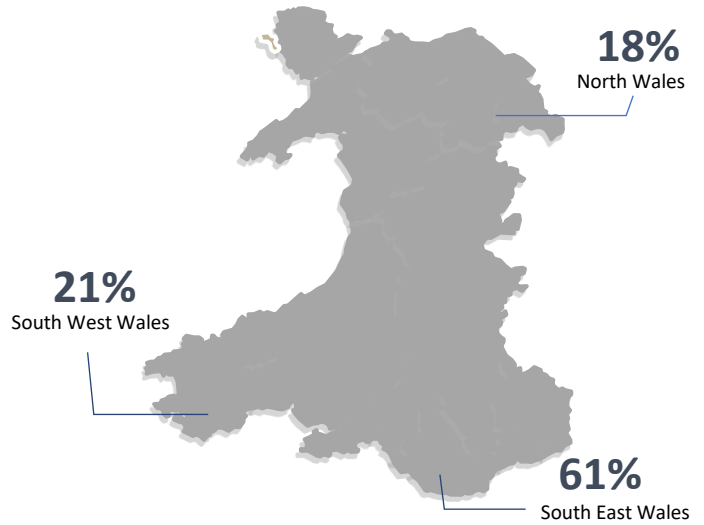
Notable deals in this area included the trade sale of Alcumus for £600m and the institutional buy-out of PHS Group in 2005 for £732m. The largest public company exits outside South Wales were the delisting of Big Food Group Plc in 2004 for £688m and the flotation of Watkin Jones Plc in 2016 for £131m.

Services business exits exceeded manufacturing transitions which declined in number throughout the period, an indication of the sectoral shift away from Wales' dominant manufacturing heritage to a maturing services sector. Around 40% of the total service sector exits by volume took place in the wholesale and retail distribution, IT and business services sub-sectors. Significant deals included the trade sale of Go Compare to Future in 2020 for £594m and the sale of Penguin Portals Group to RVU, also in 2020, for £508m.

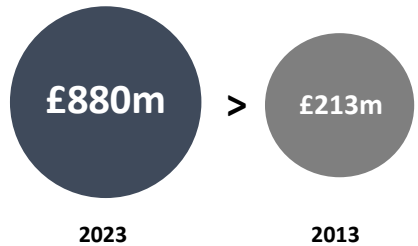
Manufacturing exits were significantly more widespread with the prevalent sub-sectors being machinery and equipment and food and drink, which together accounted for 31% of total exits by number of transactions.

The largest business exit in food and drink was, again, the delisting of Big Food Group Plc which was acquired by an investment consortium in 2004 for £688m, whilst the largest transaction in the machinery and equipment sub-sector was the trade sale of Invertek Drives, in 2019 for £100m.

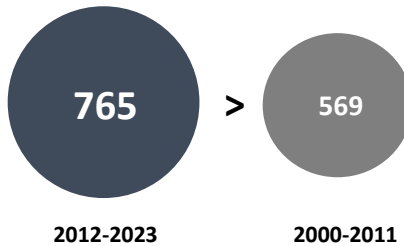
Exit volume by region



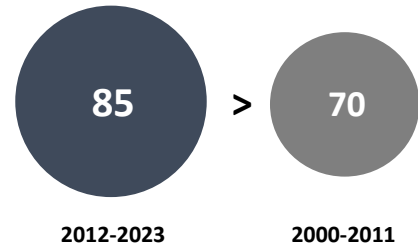
Highest cumulative value of disclosed deals below £100m



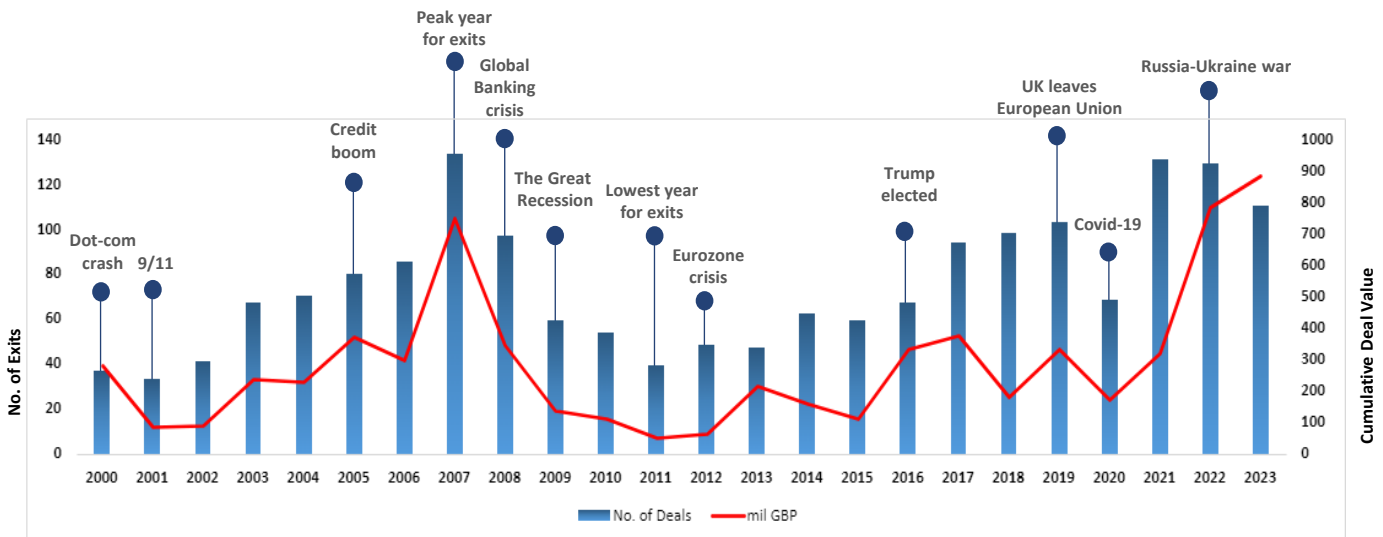
Cumulative number of trade sale exits below £100m



Average number of deals per annum



Total number and value of disclosed deals occurring in Wales below £100m



Welsh Business Exits

The most popular route to exit over the 24 year period was via a trade sale with 72% of shareholders choosing this transfer option whilst the second most prevalent route to exit was via an MBO/MBI for 22% of companies surveyed. Notable MBO/MBI exits were the MBO of Bluestone Resort Ltd in 2013 for £87m and the MBO of Iceland in 2020 for £115m.

Only 31 flotations have featured during the 21st Century, the largest of which were the IPO of Admiral Group Plc in 2004 for £386m followed by the IPO of Watkins Jones in 2016 for £131m. These listings accounted for just 2% of transfer options. More recent IPOs include Diurnal Group Plc in 2016 for £25m, Brickability Group Plc in 2019 for £57m and Facilities by ADF in 2022 for £18m.

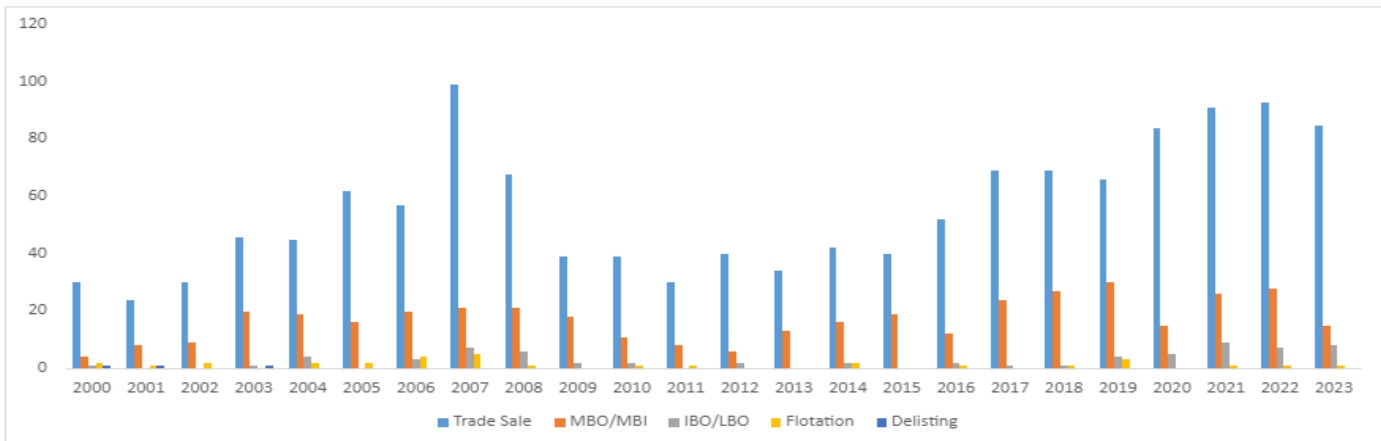
Meanwhile, seven delistings took place with an average value of £44m including BBI Holdings in 2007, privatised by the US-based Inverness Medical Innovations for £73.5m and Frisbee Bidco's acquisition of Finsbury Food Group in 2020, for £144m.

During 2000-2011, 55% of exits involved businesses that were less than 10 years old which dropped to 40% between 2012-2023. This was symptomatic of the lack of available liquidity during the deep recession and market uncertainty around Brexit. Whilst companies of all ages were exited throughout the period, 35% of businesses had existed for between ten to twenty five years.

According to the latest data, in 2023, the average age of shareholders exiting via trade sale and MBO/MBI was 59. The age of shareholders at exit has been increasing over the past decade as economic uncertainty and availability of finance, has resulted in exits being delayed and inevitably shareholders getting older.

A review of the current ownership of exited companies over the 24 year period reveals that out of nearly 2,000 exits that have been collated and analysed, around 80% of the acquired companies still remain active in Wales, dismissing the notion that change of ownership has a negative impact on the Welsh private sector. Change of ownership for succession, new management and corporate longevity are hallmarks of a healthy and stable business sector.

Total number of exits by transaction type



Looking Forward

This is the fifth edition of our 'Survey of Welsh Company Exits' which looks to examine changes of business ownership in Wales.

Looking forward, the Welsh private sector still has to overcome the challenges of leaving the EU, Covid-19 pandemic, the Russia-Ukraine War and, more recently, the Israel Gaza Conflict.

Against a backdrop of negligible economic growth, arguably stagnation, geopolitical conflict, exit deal activity has remained resilient in the last 4 years and is picking up due to buyers seeking growth by acquisition as opposed to organic investment. Overseas buyers and financial acquirers are the main protagonists and will increase activity levels and appetite as debt markets improve, despite a cautious outlook on B2C sectors.

An ageing ownership population fuels pent up demand for succession, but the key due diligence focus is on the underlying sustainability of financial performance in businesses whose owners are seeking to move out.



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