Private equity adds to surging deals market

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By LLB Editor

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A number of high profile private equity deals reported in the past few days, including the proposed takeover of supermarket chain Morrisons, by American-based private equity firm Clayton, Dubilier & Rice, has shone a light on what is an incredibly busy market. Deal volume are at their highest since 2006, while the 345 bids made for British companies is the highest since 1984.

The volume of deals has been noticed by professional service and accounting firms, a sector which has seen a far quieter year given Covid-19 and Brexit. Mid-sized firms have disrupted the sector this year, taking on many of these large clients, and offering more tailored solutions to clients. As such, this is an opportunity for these firms to further monopolise and aid both buyers and sellers in the private sector to ensure neither party falls flat at a time of rapid deals, and surges in cashflow and financial backing driving deals quicker than ever before.

The end of the Big Four's near monopoly could also open the door for smaller, more nimble firms to further capitalise, and the increasing demand for consultancy around deals means that those looking for a more tailored service will in many cases look to smaller, more agile providers.

Chris Biggs, Partner at Theta Global Advisors – an accounting and consultancy disruptor – has commented: “I can see 2021 being a record year for M&As and other kinds of deals as a large amount of uncertainty melts away that has lingered from Covid and Brexit. We have been instructed on a number of deals in the past few weeks and this looks set to carry on for the foreseeable, something that will be a boost to firms and especially those below the Big Four.

“The UK has set up a plan for recovery that is extremely investment-friendly post-Covid. Despite the initial impact of Brexit with deals and investments moving abroad, we are seeing the financial services sector adapt, with mid-sized firms offering agile, diverse services to their clients with less risks for conflicts of interest we have seen previously.

“This year has really allowed smaller firms to compete in a way that has been difficult in the past. There are no more advantages to a massive office in Canary Wharf when everyone is working from home and now those overheads look like an unnecessary excess for clients comparing their options.

“As business look to avoid actual or perceived conflicts of interest, I can see a big shift towards smaller firms. It is easy to get lost in a sea of big clients if your firm is not a key account, but when working with smaller accountancy practices your needs are prioritised no matter how big you are. This has come into increased focus throughout the pandemic and will continue long beyond it.”