

PERDa

Price Earnings Ratio Database

Winter 2015 European Edition

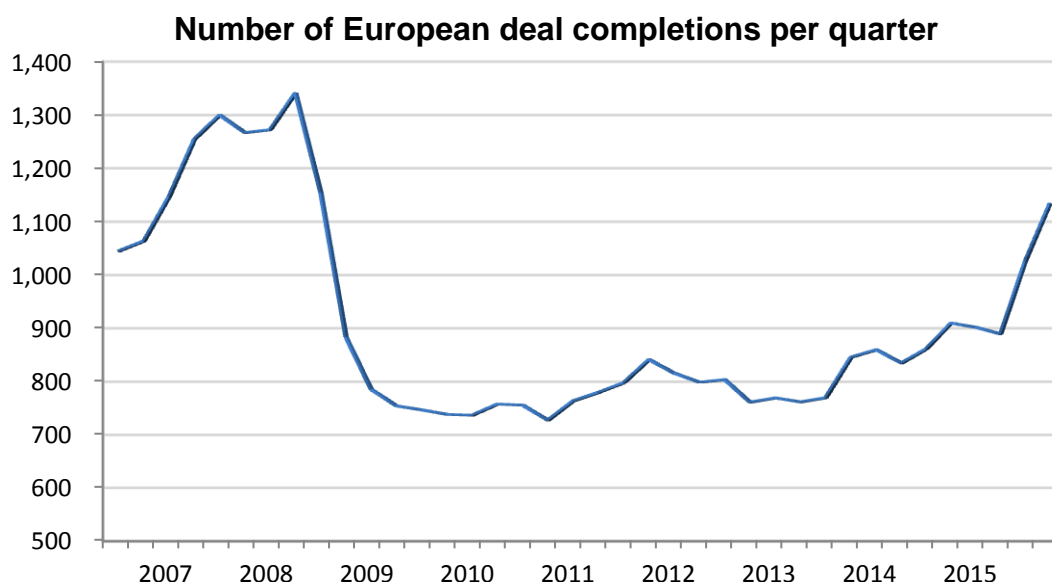


INTRODUCTION

Welcome to the Winter 2015 European issue of PERDa, the newsletter that summarises and provides commentary on the data contained in the private companies' Price Earnings Ratio Database. This data is used to highlight changes in the average value of private companies (as a multiple of profits) as shown by recent transactions.

DEAL VOLUMES

Total deal volumes improved in the second half of 2015 compared to the same period in 2014 (data supplied by Experian):



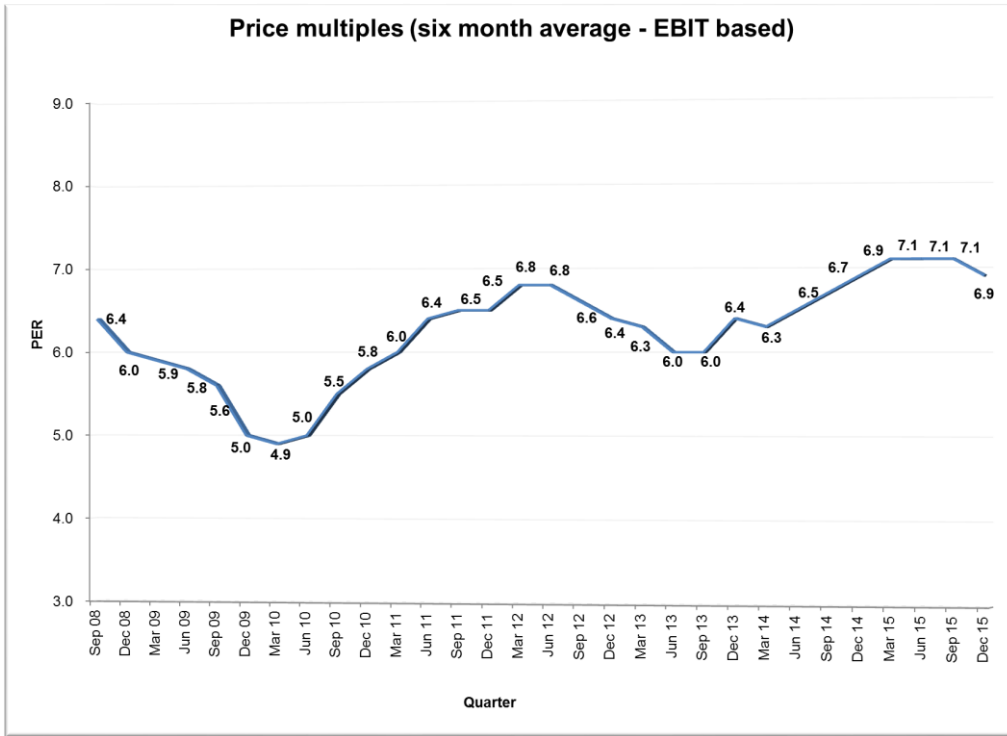
Overall deal volumes in the second half of 2015 were up circa 25% when compared to the same period in 2014. Encouragingly, full year 2015 volumes are 23% higher than post 2009 average reflecting the steady improvement in market confidence.

The more notable growth has been in deal values. The second half of 2015 saw pan-European deal value circa 117% higher than the same period in 2014, and 45% higher than the first half of 2015. This is primarily due to the agreed mega-deal of Anheuser-Busch InBev acquisition of SAB Miller for £71 billion as well as the ongoing consolidation in markets such as pharmaceuticals (such as the £26 billion acquisition of Dublin based Generic Drug Business of Allergan Plc. by Israel-based Teva Pharmaceutical Industries Ltd) and increased activity in the private equity space.



PRICE EARNINGS RATIO

Below is a summary of the latest data from PERDa, showing the quarterly movements in the average Price Earnings Ratio (“PER”). This ratio measures the relationship between the consideration (price paid) for private companies and their underlying profits on an adjusted Earnings Before Interest and Tax (“EBIT”) basis.



Average PER in the second half of 2015 was 7.0, significantly higher than the long term average of 6.3.

With both deal volumes and total values steadily increasing it appears that private equity firms and large corporates are still prepared to pay, what would be historically considered, a high multiple for the right business.

MORE INFORMATION

Should you wish to discuss the details of this newsletter, or obtain a current market valuation report for your company using the data in PERDa, please contact your local LEA member at www.leadingedgealliance.com.

DATA COMPILATION

The database contains data submitted by members of the Leading Edge Alliance (“LEA”). The LEA is an international professional association of major, independently-owned accounting and consulting firms. Financial data recorded for each deal is adjusted by the submitter to reflect the underlying basis of the deal. Graphs in this newsletter are based on the contents of the database at the time of compilation. The database is being constantly updated as deals complete and members submit new deal data, and this may result in changes in historic averages included within previous newsletters. The PERDa data represents companies from across Europe, with an average Enterprise Value of circa €19.6m and average EBIT profit of circa €2.9m.

We would highlight that the PERDa data is based on profits before tax and interest, whilst other PERs such as those quoted in the Financial Times are based on post tax profits. The information in this newsletter is based on averages derived from the PERDa database and is not intended to be an absolute guide to private company valuations as there are significant other factors involved. Due to the nature of the data, the subjective nature of the adjustments made and the constant process of updating, no responsibility is accepted by the Leading Edge Alliance or any of its members for the use of the data in the PERDa database or this publication.

