

PERDa

Price Earnings Ratio Database

Winter 2014 European Edition

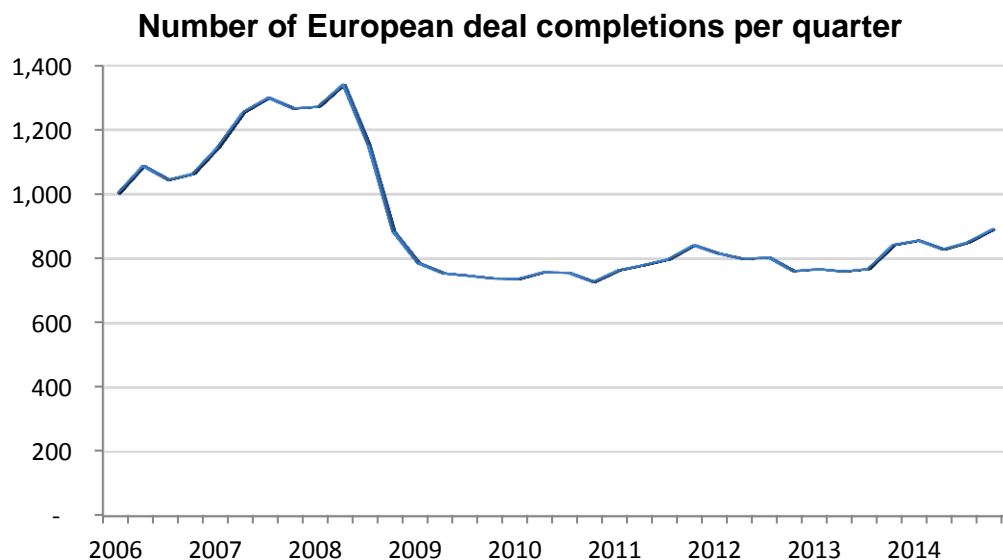


INTRODUCTION

Welcome to the Winter 2014 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

Deal volumes rose in Q4 of 2014 (data supplied by Experian):



Overall deal volumes in the second half of 2014 were up circa 6% when compared to the same period in 2013. Deal volumes have now moved above their long-term average mirroring a recovery of global business confidence.

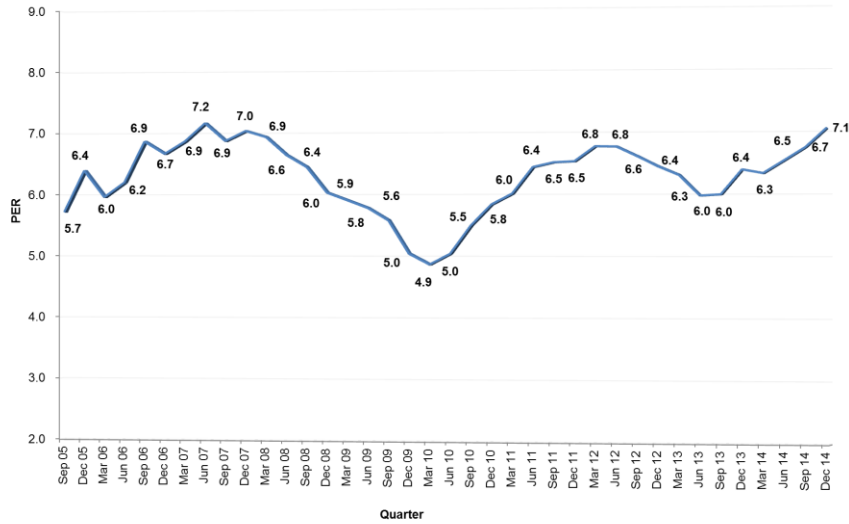
The more notable growth in the deal space has been in deal values. The second half of 2014 saw deal value circa 69% higher than the second half of 2013, with 2014 full year values increasing by circa 66%. This is a result of an increasing number of “mega” deals; for example, BSKYB’s acquisition of Sky Deutschland AG from Twenty-First Century Fox Inc for £4.5 billion.



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.

Price multiples (six month average - EBIT based)



EBIT PERs increased to 7.1 during Q4, significantly higher than the long term average of 6.3.

This is the first time the EBIT PER has breached 7.0 since the beginning of 2007. This is mainly driven by large corporates and private equity firms, previously stockpiling cash during the economic downturn, now looking to take risks and acquire businesses as part of renewed focus on increasing shareholder value.

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 €15.5m and average EBIT profit of circa €2.4m.

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.

