

PERDa

Price Earnings Ratio Database

Winter 2014 UK Edition

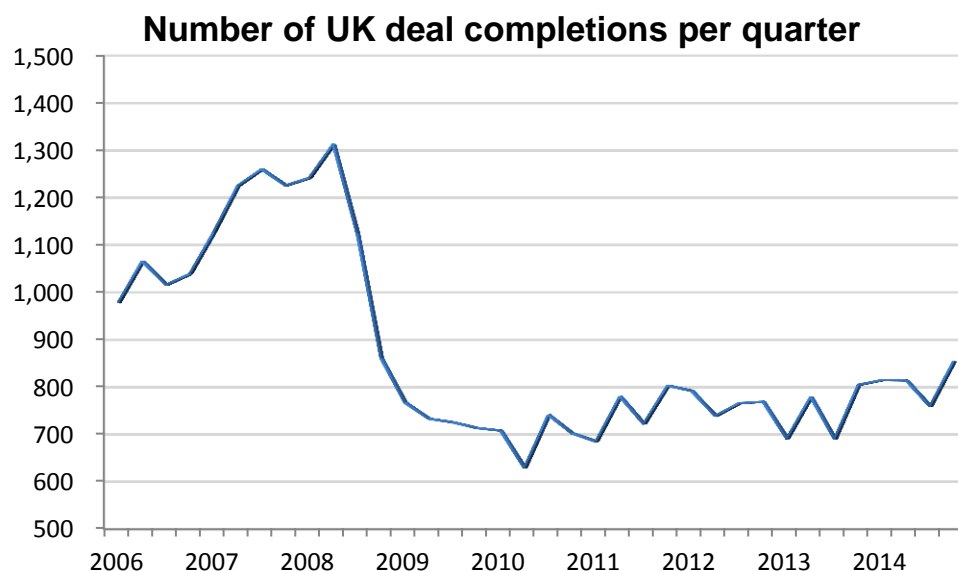


INTRODUCTION

Welcome to the Winter 2014 UK 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 UK private companies (as a multiple of profits) as shown by recent transactions.

DEAL VOLUMES

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



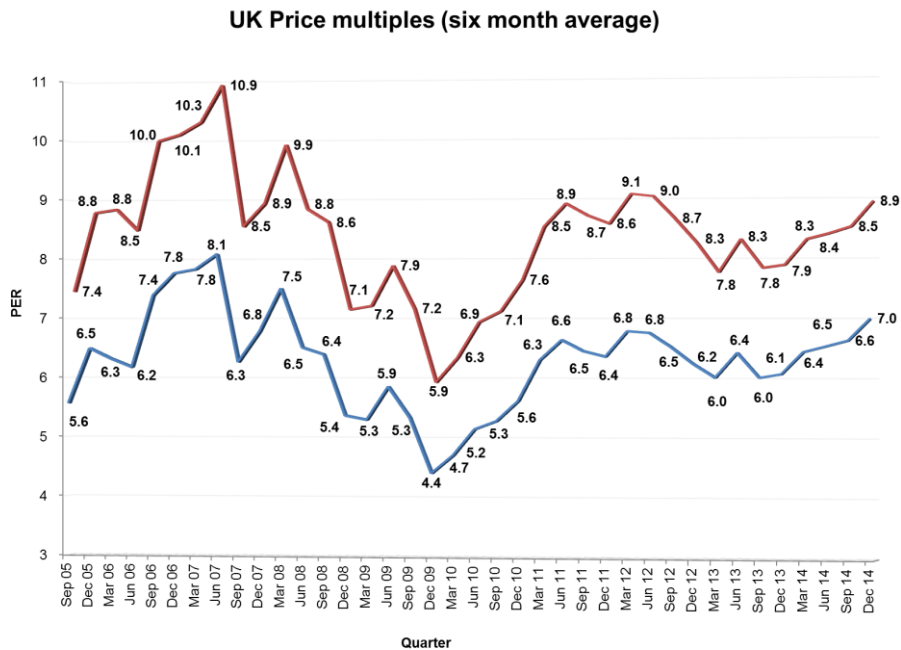
Overall deal volumes in 2014 were up circa 6% compared to 2013, with the second half of 2014 exceeding the long-term average deal volumes. This recovery was reflected across the globe with volumes particularly high in the strengthening US economy, bolstered through continued relaxed monetary policy.

The increase in deal volumes is however small in comparison to deal values, which has seen an unprecedented rise of 64% in 2014, as 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.

The improved deal numbers and values reflect the steady, albeit relatively slow growth of the UK economy as it grinds out of the economic depression. The Bank of England's commitment to low interest rates has provided a platform for cheap debt, a catalyst for business acquisitions and mergers.

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 UK private companies and their underlying profits on an adjusted basis. Due to the popularity of this measure, we receive regular requests for different versions of the data. We therefore include below the average PER based on Earnings Before Interest and Tax (“EBIT”) {blue line} and Profit After Tax {red line}.



EBIT PERs increased to 7.0 in Q4, significantly higher than the long term average of 6.3 (and notably higher than the long term average of 6.1 that excludes the 2007/2008 peak in PERs).

This is the first time the EBIT PER has breached 7.0 since the beginning of 2008, 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 £12.7m and average EBIT profit of some £2.1m. The UK transactions used in this newsletter have an average Enterprise Value of £15.5m and average EBIT profit of some £2.6m.

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 LEA or any of its members for the use of the data in the PERDa database or this publication.