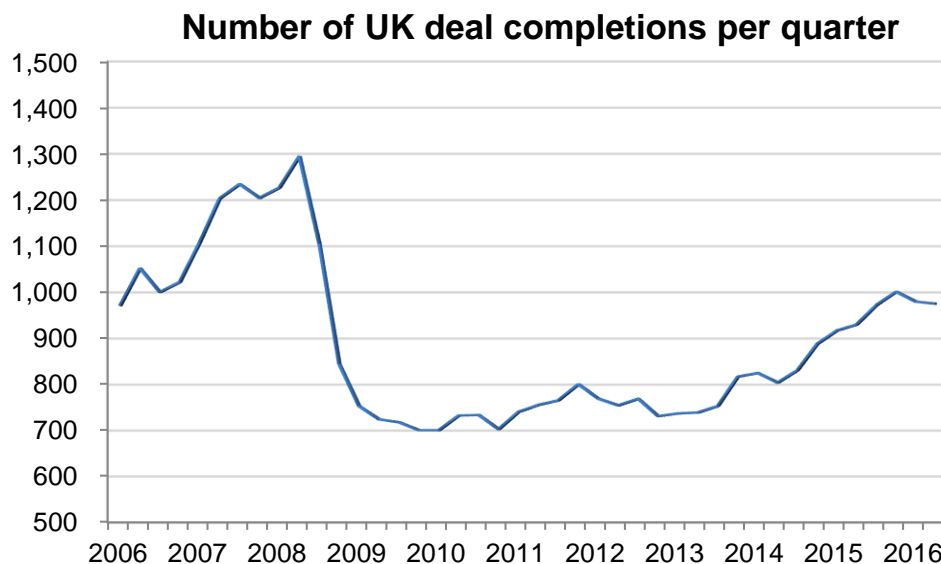


## INTRODUCTION

Welcome to the Summer 2016 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 declined in the first half of 2016 compared to the second half of 2015 (data supplied by Experian):



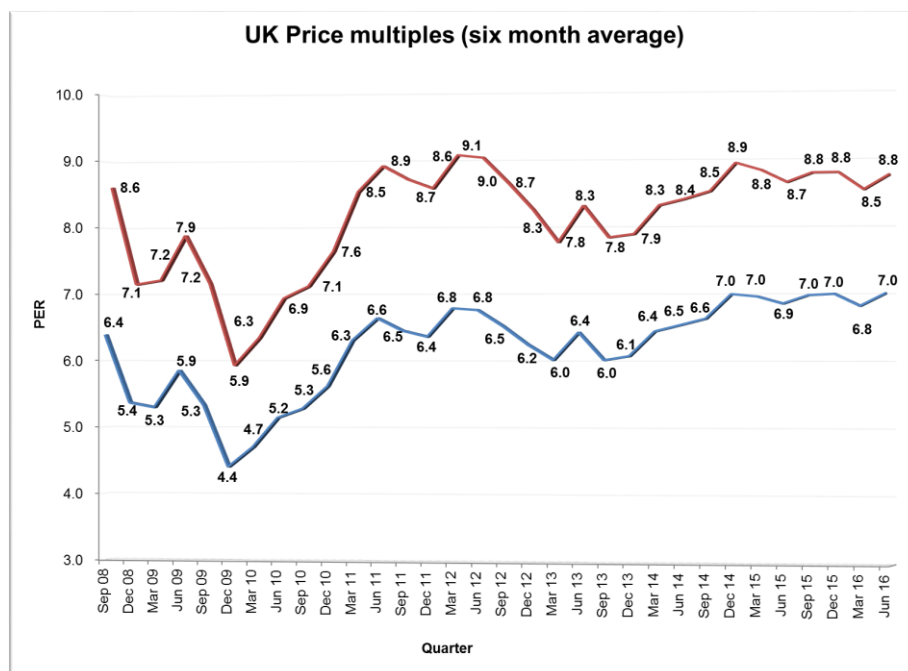
UK deal volumes fell by c.3% in the first half of 2016 compared to the second half of 2015. In the first half of 2016 a total of 1,951 UK deals were completed.

Despite the decline in deal volumes, total UK deal value increased by c.112% in the first half of 2016 compared to the second period of FY15, and by c.82% compared to the first half of 2015. One of the main reasons for this increase was the completion of Royal Dutch Shell Plc's acquisition of BG Group for c.£47 billion in April 2016.

The increase in deal market activity appears to reflect the growing confidence seen in the UK economy in the first half of 2016. However, given the result of the Brexit referendum, political unrest in the US and global economic risk, we remain cautious regarding both deal volumes and deal values in the second half of 2016.

## 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 remain at circa 7.0 in the first half of 2016 which is higher than the long term average of 6.5. It appears that the approaching Brexit referendum had little impact on valuation sentiments, with close to all time high multiples being recorded. This perhaps partially reflects the, now proven incorrect, assumption held by many in the commercial and financial sectors that UK citizens would vote to remain within the E.U. We also note that we are aware of anecdotal market evidence that many ongoing deals are failing to complete

## 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 [info@perda.co.uk](mailto:info@perda.co.uk).

**DATA COMPILATION:** The database contains data submitted by Corporate Finance advisors and Experian PLC. Financial data for each deal is adjusted 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 £15.7m and average EBIT profit of some £2.4m.

The UK transactions used in this newsletter have an average Enterprise Value of £19.0m and average EBIT profit of some £3.0m. 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 Corporate Finance advisors who submit data or Experian for the use of the data in the PERDa database or this publication.

