Winter 2017 UK Edition

PERDa

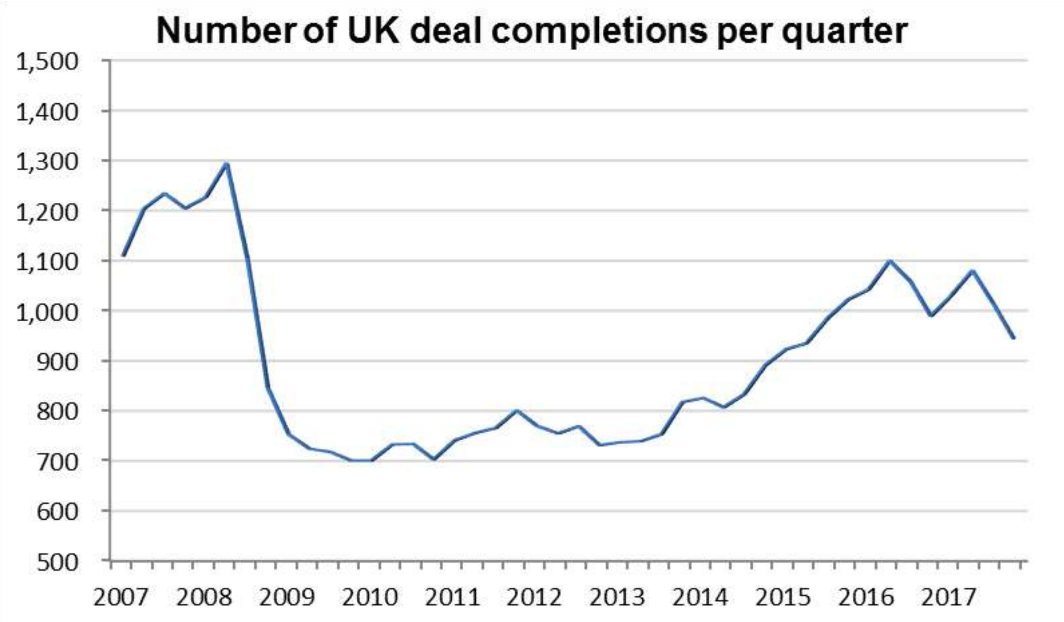
Price Earnings Ratio Database

INTRODUCTION

Welcome to the Winter 2017 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

UK deal volumes decreased overall in 2017 when compared to 2016, with total volumes down by some 3% (data supplied by Experian):

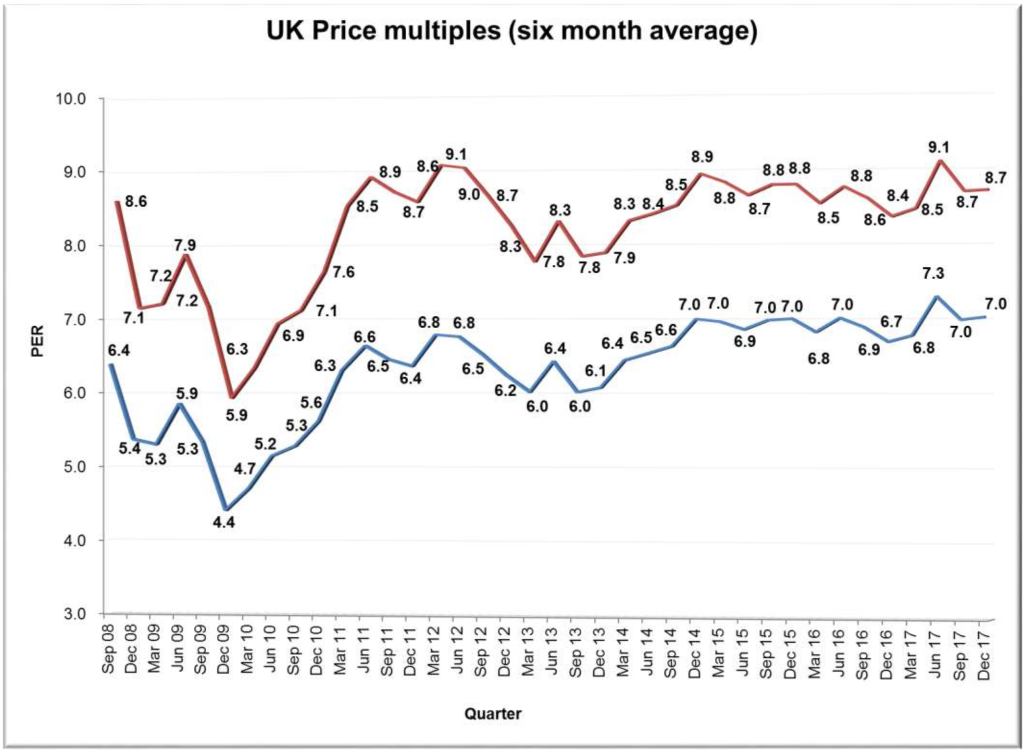


Deal volumes have been highly volatile since the Brexit referendum in mid 2016. The main influence seems to be on fewer deals involving non UK companies (apart from "mega deals" noted below), whilst UK only M&A activity has remained fairly consistent. However, even after the decreases since Q2 2017, volumes still remain some 10% above their 10 year average.

Overall the total value of completed deals fell slightly in 2017 compared with 2016. The decrease in the mid-market sector was partly offset by several "mega deals". The first half of the year saw the $18bn Mead Johnson/Reckitt merger and the €12bn China Investment Corporation acquisition of Logicor, and the second half the $10.4bn acquisition of Worldpay Group by Vantiv and the €7bn buyout of Unilever's spread business by KKR.

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. We include below the average PER based on Earnings Before Interest and Tax ("EBIT") {blue line} and Profit After Tax {red line}.



EBIT PERs fell from 7.3 in the first half of 2017 back to 7.0 in the second half 2017, but remain above the long terms averages (5 year: 6.7 and 10 year: 6.3). Looking at these higher than average ratios in context of the above noted lower deal volumes, it demonstrates that there remains demand for high quality trading businesses, particularly trade acquisitions and private equity buyouts. Both industry players and private equity firms are sitting on large quantities of undeployed capital and continue to see acquisitions as a valid route to growth or strategic diversification.

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.**

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 £17.2m and average EBIT profit of some £2.8m.

The UK transactions used in this newsletter have an average Enterprise Value of £20.5m and average EBIT profit of some £3.5m. 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.