

# PERDa

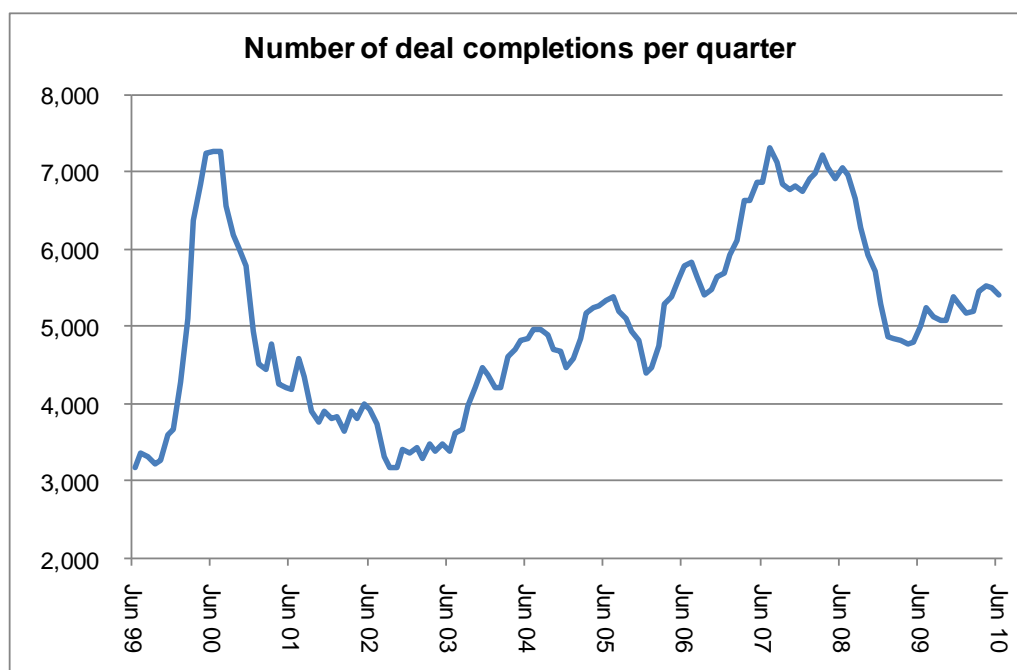
Price Earnings Ratio Database



## Issue 5: Summer 2010 European Edition

Welcome to the Summer 2010 issue of PERDa, the newsletter that summarises and provides commentary on the data contained in the private companies' Price Earnings Ratio Database.

The last two years have seen a dramatic decrease in deal volumes compared to their peak in 2007/8, and we contrast below (using data from Corpfm/Experian) the recent trend with the collapse and subsequent recovery in deal volumes following the dotcom crisis:

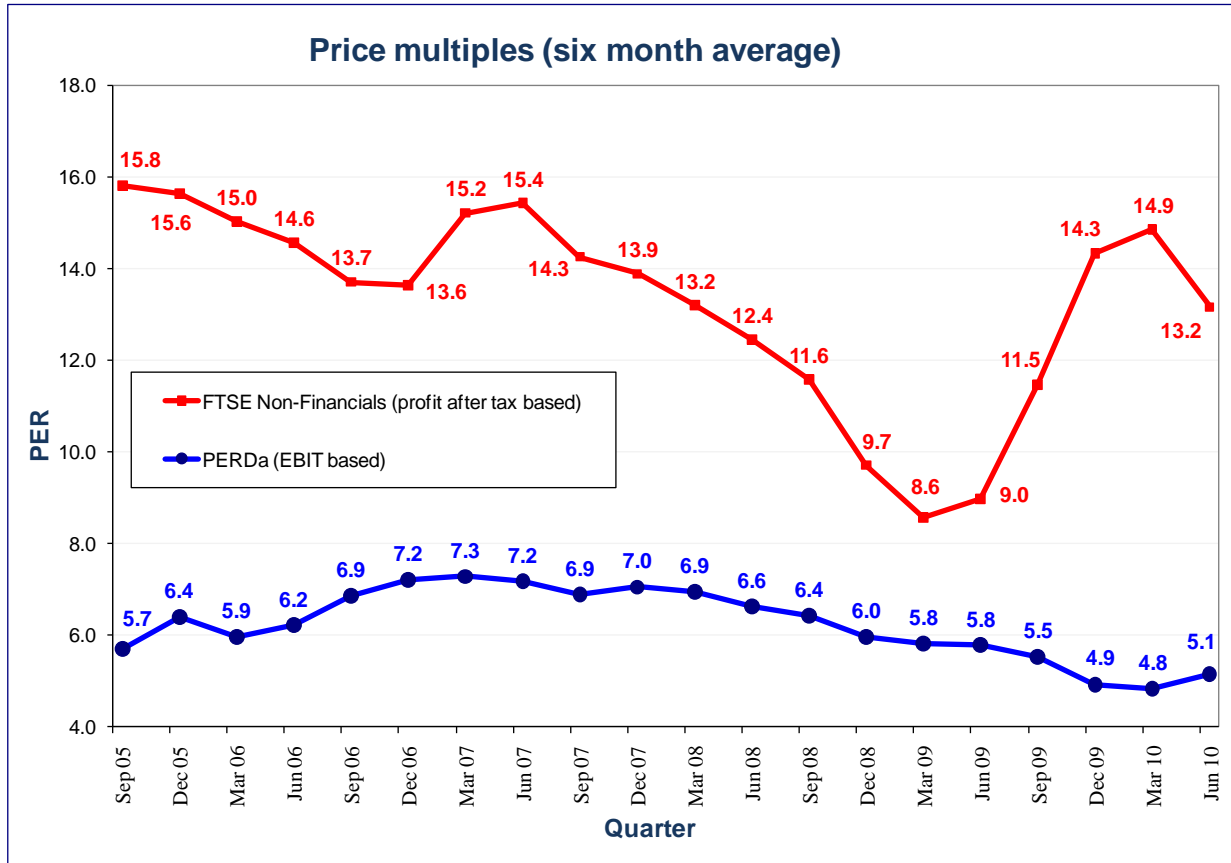


The fall in deal volumes in 2000/2001, after the shorter dotcom deal boom, can be seen as more severe than that experienced after the recent crash, with deal volumes falling (so far) to a much lesser extent. The recent stabilisation in deal volumes over 2010 is echoed in other recent market surveys, with volumes predicted to increase across the second half of 2010 and into 2011.

This recent trend is set against a fairly complex background. The first six months of 2010 was a period of intense uncertainty in world markets. The European sovereign crises (shown as an extreme in the Greek riots) and continued (potentially unsustainable) government assistance to their economies, unsettled financial markets and made any sort of national or business forecasting difficult. However, matters seemed to have stabilised over the recent weeks/months, and most corporate finance teams participating in PERDa have seen an increase in deal starts recently and expect a significant upturn in completions in late 2010/early 2011.

## PRICE EARNINGS RATIO

Below is a summary of the latest data from PERDa, showing the movements in the average ratio between consideration (price paid) for private companies and their profits (on an EBIT basis). This is contrasted with the price to profit multiple for FTSE Non Financial companies.



The above shows a slight recovery in average prices from their recent historic lows. This is unsurprising as the 2009 deals were set against one of the worst economic backgrounds of recent times, with buyers being both scarce and risk conscious, and funders even more so.

## 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](http://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. The PERDa data represents companies from across Europe, with an average Enterprise Value of €8.7m (£6.4m) and average EBIT profit of some €1.3m (£1m). The FTSE data is taken from the Financial Times.

The two profit multiples taken from PERDa and FT are not directly comparable for each quarter as, amongst other factors, the PERDa data is based on profits before tax and interest, whilst the FT line is based (broadly) on adjusted, post tax profits. We therefore concentrate in this newsletter on trend comparison. 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.