

# PERDa

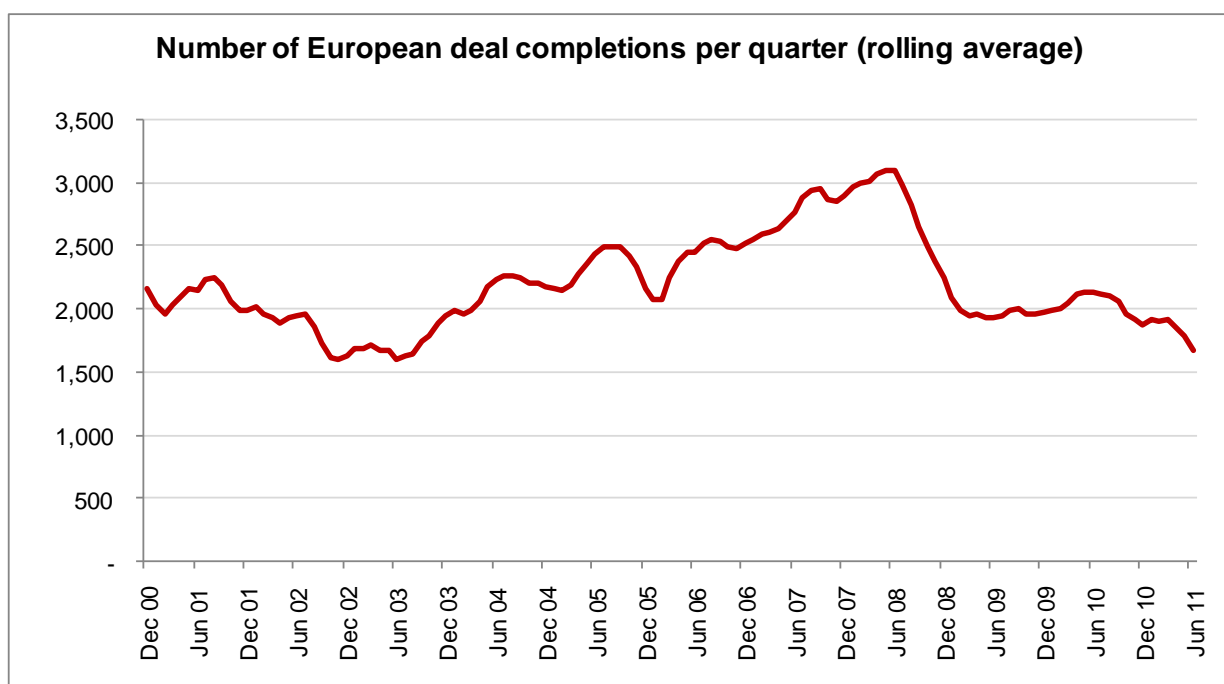
Price Earnings Ratio Database



Issue 7: Summer 2011 European Edition

Welcome to the Summer 2011 issue of PERDa, the newsletter that summarises and provides commentary on the data contained in the private companies' Price Earnings Ratio Database.

In terms of deal completion volumes, the stabilisation reported in the 2010 editions of this newsletter has turned downwards in 2011 (data supplied by Corpfin/Experian).

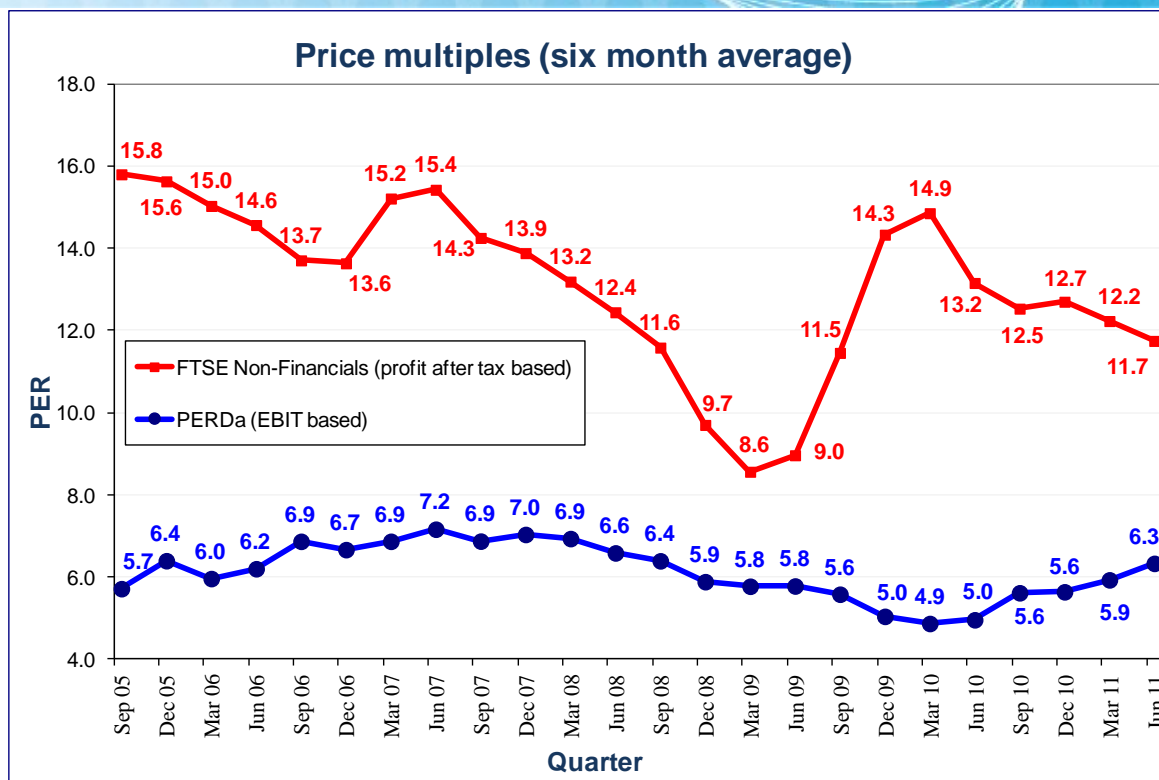


It is hardly surprising that deal volumes have fallen this year after their stabilisation in 2009/10. The economic turmoil across Europe is feeding continued uncertainty about the finances of governments, let alone private businesses. In addition, many businesses that were dependent upon government contracts have become unsellable until we see some form of stability return.

Unfortunately, there seems little confidence in any return to normality, at least for the short term. It may require the rest of 2011 for the events to properly unwind.

## PRICE EARNINGS RATIO

Overleaf is a summary of the latest data from PERDa, showing the movements in the average Price Earnings Ratio ("PER") between consideration (price paid) for private companies and their profits on an Earnings Before Interest and Tax ("EBIT") basis. This is contrasted with the consideration to Profit After Tax multiple for FTSE Non Financial companies.



In general, average PERs have returned to their long term historic average. This probably reflects the lower volumes, and especially lower volumes of distress sales, included in the data. Whether these levels can be sustained in the face of the global economic uncertainty will be the key question facing deal makers in the short term.

However, certain sectors remain busy in terms of volumes and multiples paid; for instance energy and renewables. This sector was buoyant despite considerable uncertainty created by reviews of subsidy regimes in several jurisdictions, particularly affecting solar photovoltaic installations. Regimes in the UK, Germany and the Iberian peninsula have been subject to alteration; in the latter case with the additional threat of retrospective changes. Fundamental drivers remain in place for continued growth - high and volatile oil prices, political support and falling capital costs. In Germany, always an important market for renewables deals, these drivers are accompanied by the recent change in attitude to nuclear power post-Fukushima; as a result we expect additional growth here.

## 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, 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 €12.5m and average EBIT profit of some €1.8m. 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.