PERDa

Price Earnings Ratio Database

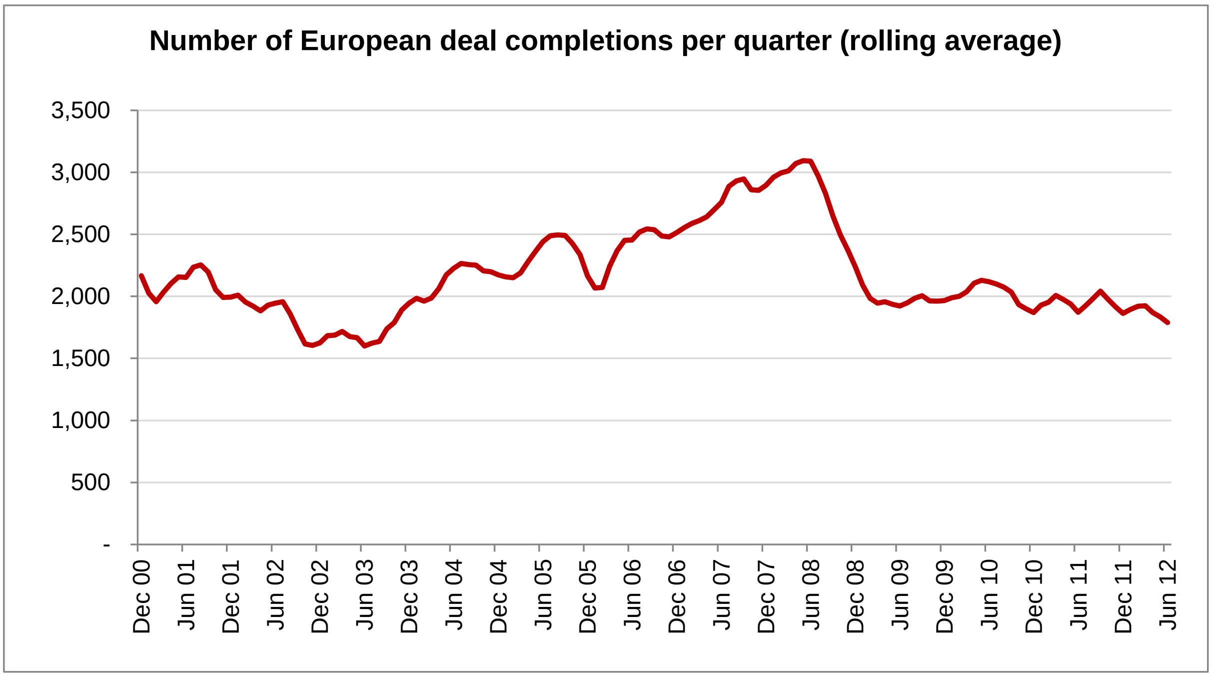
Issue 9: Summer 2012 European Edition

INTRODUCTION

Welcome to the Summer 2012 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 private companies as shown by recent transactions.

DEAL VOLUMES

The graph below indicates that the overall volume of European deal completions has gradually declined over late 2011 and into 2012, and are now some 15% below their long term average (data supplied by Corpfin/Experian):



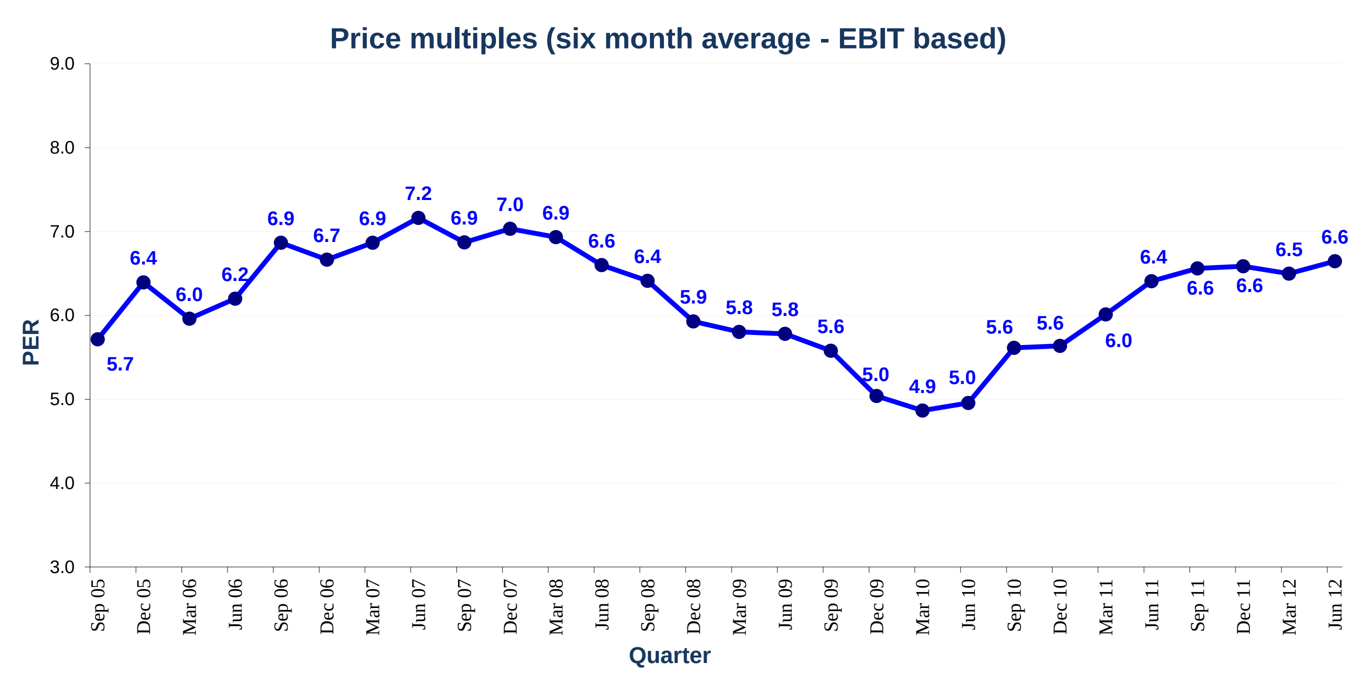
This decline is unsurprising given the continued economic, political and market turmoil during the first half of 2012. It also seems that the situation may continue to deteriorate into Q3 of 2012, with news that Europe's factory sector may suffer its worst quarter since 2009, leading some analysts to say it is almost certain the region will drop into a double-dip recession in the third quarter.

In addition, as for the last half of 2011, the above overall total masks significant volatility in certain sectors, especially in the Mid-Cap market.

Against this, large private equity deals seem to have increased both in volume and size, whilst corporates, in line with this level of uncertainty, still seem reluctant to use their considerable hoarded cash pile. Bank leading for deals remains focused on the larger deals.

PRICE EARNINGS RATIO

Below is a summary of the latest data from PERDa, showing the movements in the average Price Earnings Ratio ("PER"). This ratio measures the relationship between the consideration (price paid) for private companies and their profits on an adjusted Earnings Before Interest and Tax ("EBIT") basis.



The recovery and then stabilisation of PERs in 2011/12 partially reflects the quality and size of many of the deals undertaken in this period. PERs are now higher than their long term average of 6.3. As per our last newsletter, we do not expect PERs to increase significantly, and certainly not until economic and political stability returns within Europe.

Within the average PERs shown above, sectors such as food and drink and healthcare still continue to attract premium prices of up to 20% to 50%.

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 circa €12.9m and average EBIT profit of circa €1.9m.

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 Leading Edge Alliance or any of its members for the use of the data in the PERDa database or this publication.