

PERDa

Price Earnings Ratio Database

Winter 2012 / 13 European Edition

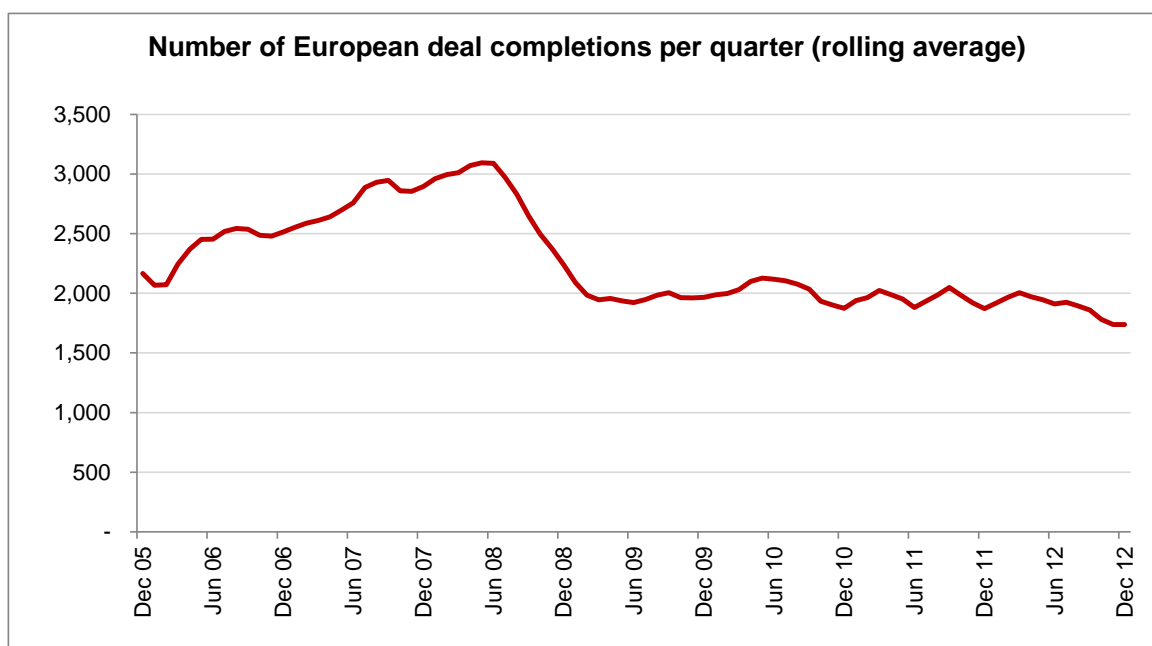


INTRODUCTION

Welcome to the Winter 2012/13 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 continued its gradual decline and are now nearly 20% below their ten year average, with 2012 levels some 10% below their 2011 equivalent (data supplied by Corpfm/Experian).



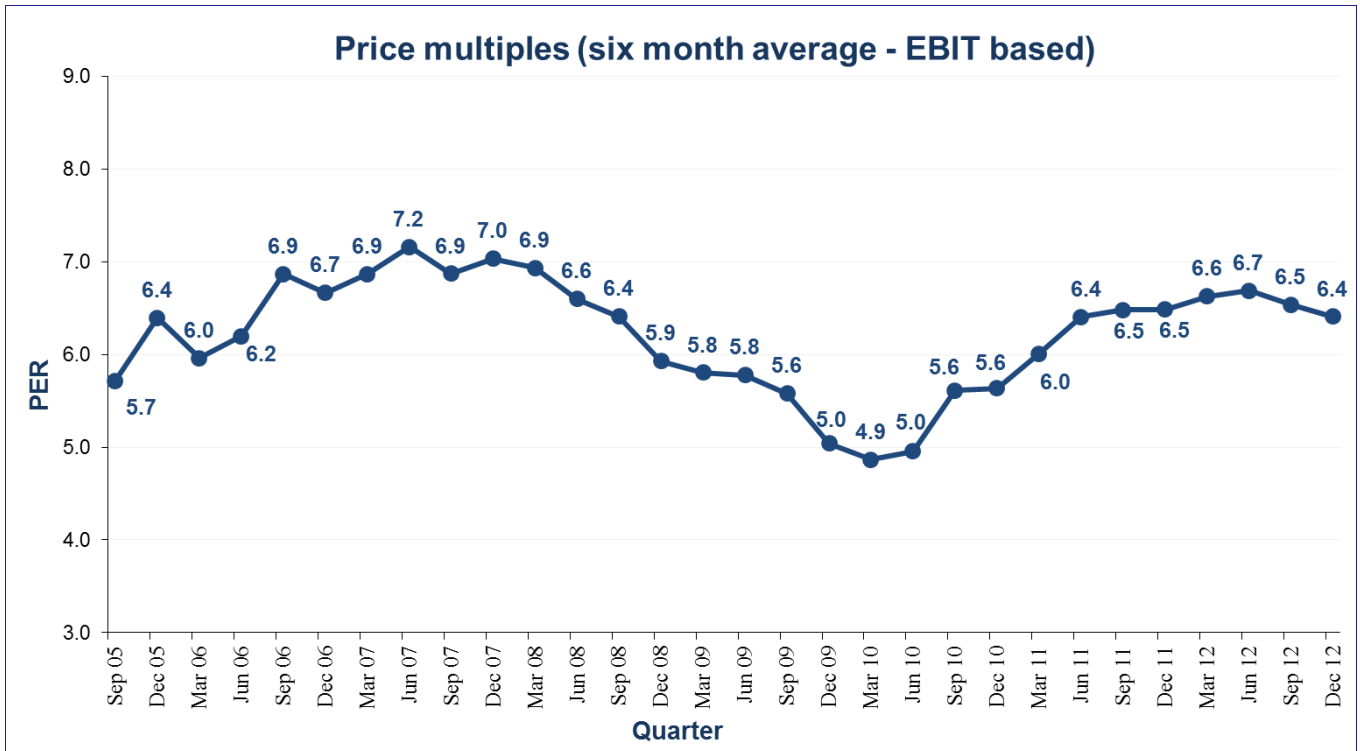
This decline accelerated in the last quarter of 2012, and was consistent across all types of transactions. The only exceptions were in larger deals where volumes were up slightly on 2011 and in certain sector types such as defence and technology where the decreases were less than elsewhere.

This overall decline is unsurprising given the continued economic, political and market turmoil and this shows few signs of a reversal in 2013, even with the significant cash reserves of large corporates and equity funds.

There is still a very high rate of aborted deals, even at very late stages and times to deal completion from inception continue to expand. However, good transactions are still obtaining funding and completing with persistence and good advisors.

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.



PERs have been broadly stable at circa 6.5 since mid-2011, but the recent decreasing trend, together with the lower volumes is of concern. We certainly do not expect PERs to increase significantly until economic and political stability returns within Europe. This may drive inward investors, especially from Asia, who see lower prices as presenting an attractive opportunity.

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 €12.8m and average EBIT profit of circa €2.1m.

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.