

# PERDa

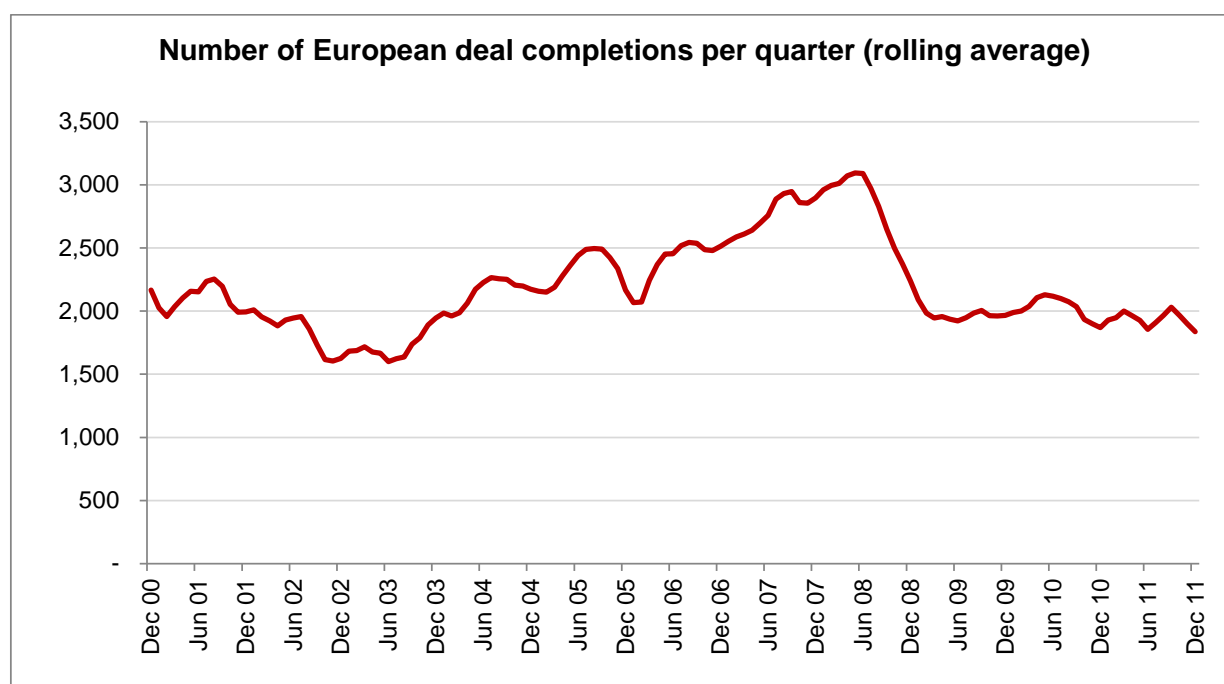
Price Earnings Ratio Database



## Issue 8: Winter 2011/12 European Edition

Welcome to the Winter 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 European deal completions, the graph below indicates volumes have broadly been stable over the last few years, although they are still some 10% below their long term average (data supplied by Corpin/Experian).

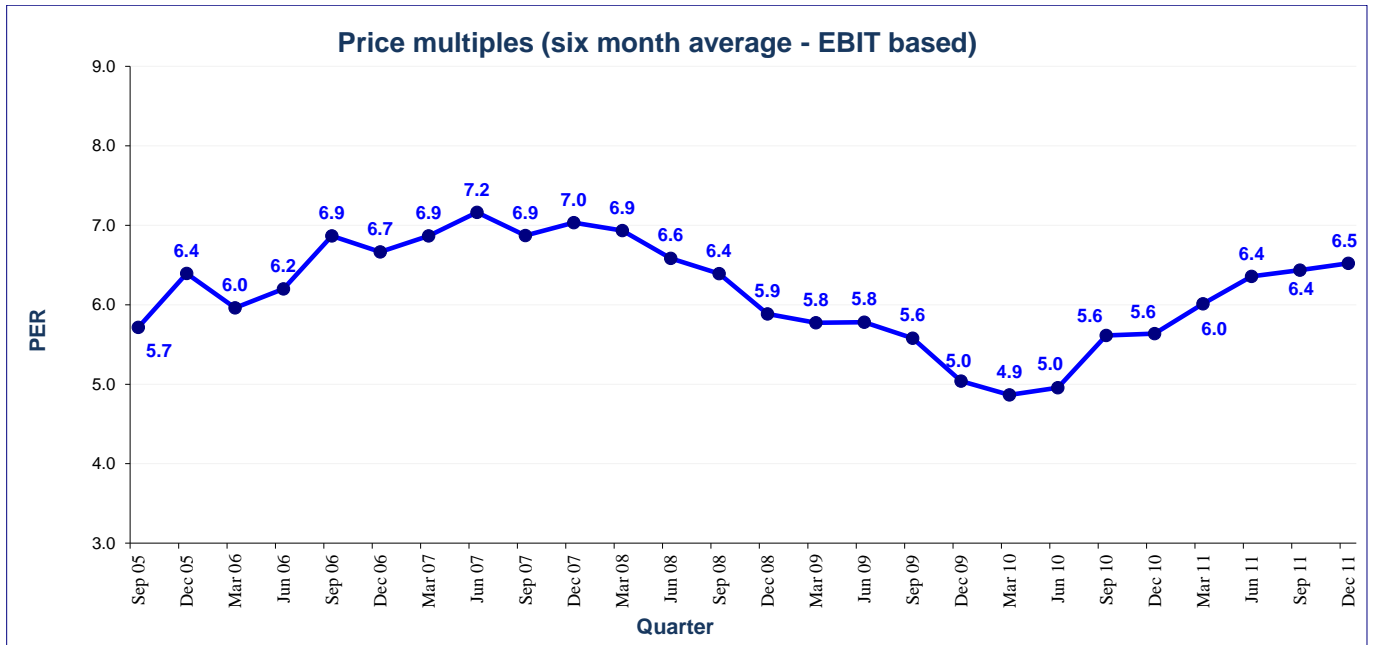


However, the recent apparent overall stability masks significant underlying variations in deal volumes between different sectors, deal sizes and countries, and may be partially distorted by the number of distress driven sales. Mid cap deal volumes (£10m to £100m enterprise value) remain highly volatile and future volumes here are extremely difficult to predict given continued economic complexities and funding difficulties.

Nevertheless, 2011 did mark a partial return to normality for some of the M&A market, with a number of deferred deals returning to the market. There are early signs that this may continue into 2012, supported by the availability (for the right deal) of a substantial level of equity funding. However, the continuance of this trend will depend heavily upon the economic climate within and outside the Euro zone.

## 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 partially reflects the quality and size of many of the deals undertaken in 2011. PERs are now slightly higher than their long term average of 6.3. As such, we would not expect these to continue 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.

## 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 circa €12.8m and average EBIT profit of circa €1.8m.

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.