

# PERDa

Price Earnings Ratio Database

Winter 2013/14 UK Edition

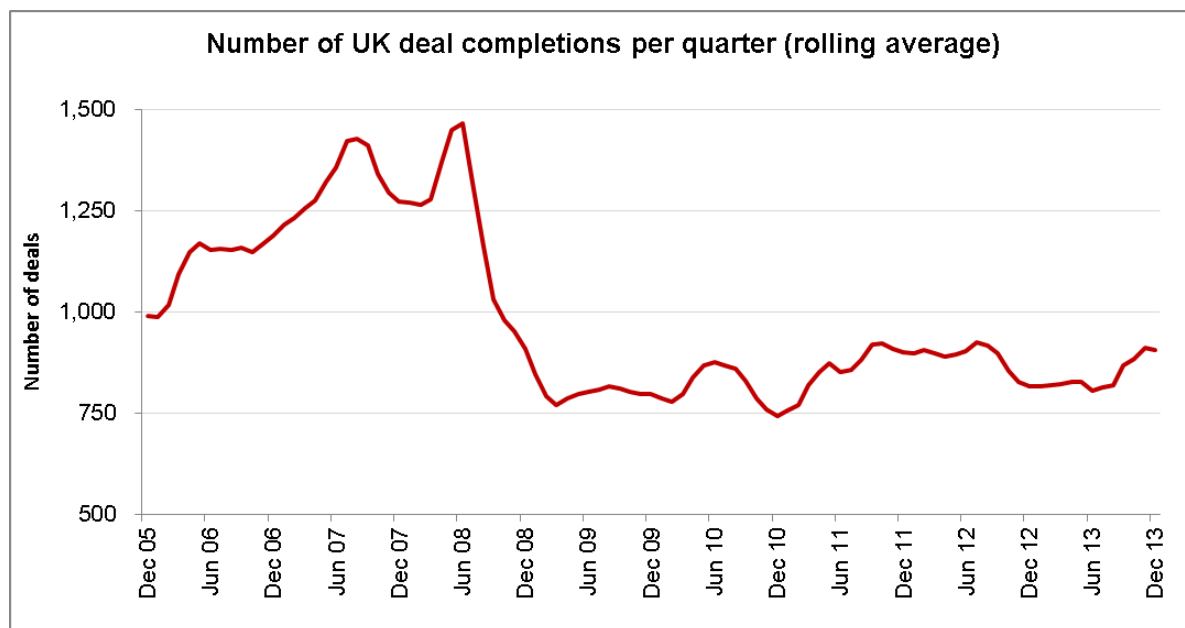


## INTRODUCTION

Welcome to the UK Winter 2013/14 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 UK private companies as shown by recent transactions.

## DEAL VOLUMES

UK deal volumes rebounded substantially in the final quarter of 2013, being some 11% higher than the equivalent period in 2012 (data supplied by Corpin/Experian) and 4% up on 2013 Q3.



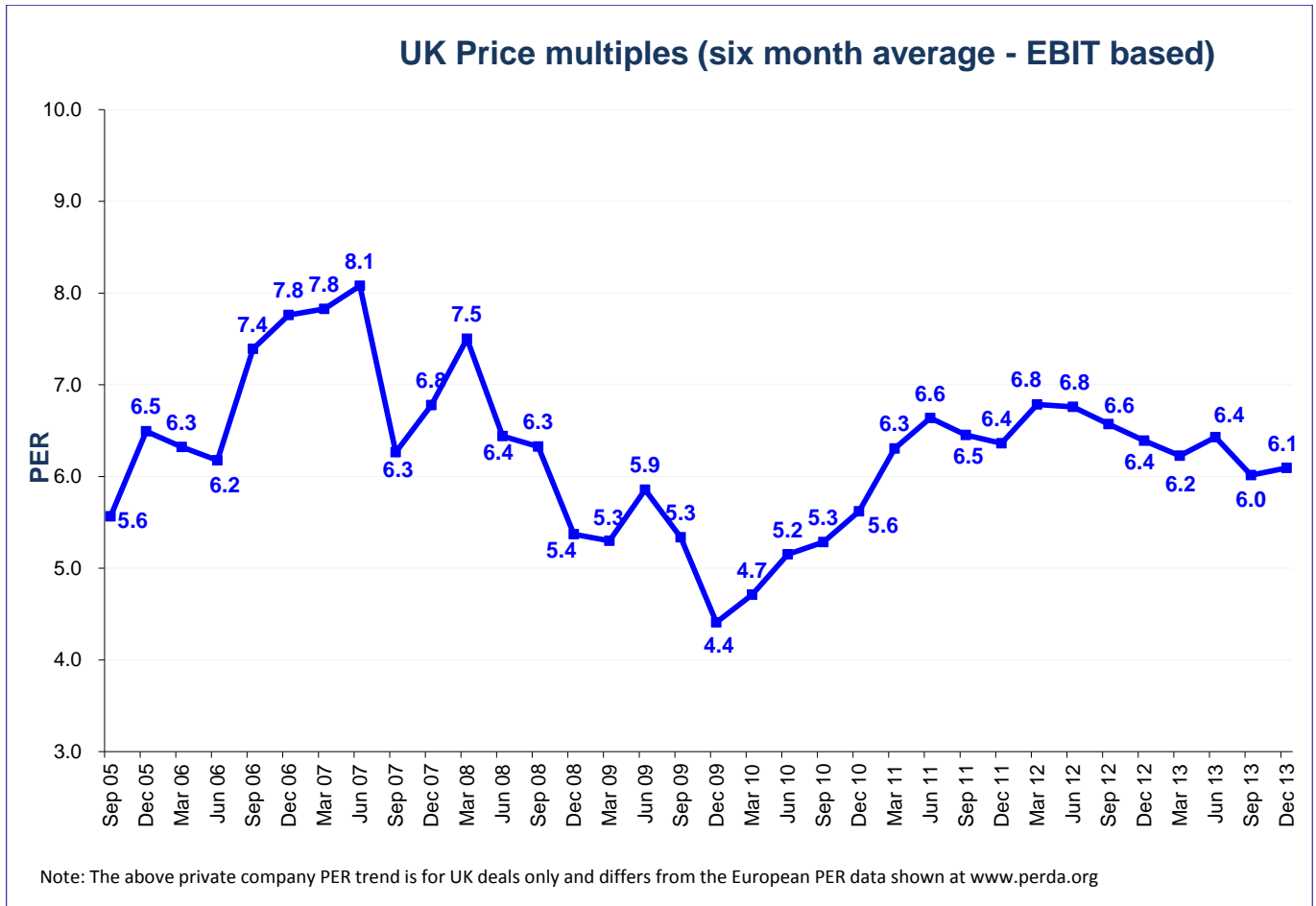
The increase in volumes accompanies the “feel good” factor that started to return to the UK economy in late 2013 and has been maintained into 2014. This reflects:

- 1) UK GDP growth rates rebounding significantly (although some question the maintainability of this growth);
- 2) Low interest rates and a gradual increase in the perceived availability of funding; and
- 3) Significant cash within larger corporates slowly being used for acquisitions, albeit at a very low rate.

Volumes in Q4 were, however, still some 8% below the 10 year average and this recovery has also only been for one quarter. Although signs remain positive for 2014, it is still unclear how maintainable this increase is, especially in light of the considerable uncertainty surrounding the 2014 Scottish vote/2015 general elections.

## PRICE EARNINGS RATIO

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



The long term average for UK PERs is 6.3, so recent PERs are broadly in line with this (and the long term average of 6.1 that excludes the 2007/2008 unsustainable peak in PERs). However, there has been a gradual decline in this average ratio over the last two years. This is more complex to interpret as the average covers a wide range of underlying factors specific to sectors, deal types and deal sizes.

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 £11.8m and average EBIT profit of some £1.9m. The UK transactions used in this newsletter have an average Enterprise Value of £14.9m and average EBIT profit of some £2.4m.

We would highlight that the PERDa data is primarily 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 LEA or any of its members for the use of the data in the PERDa database or this publication.