

PERDa

Price Earnings Ratio Database

Summer 2015 UK Edition

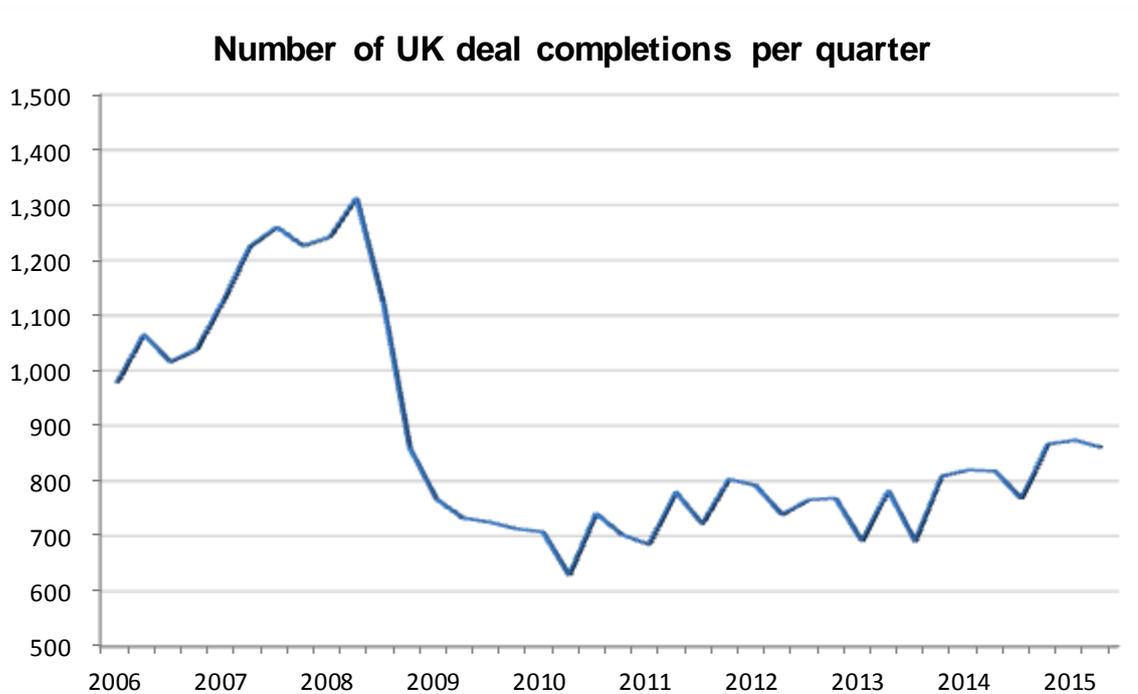


INTRODUCTION

Welcome to the Summer 2015 UK 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 a multiple of profits) as shown by recent transactions.

DEAL VOLUMES

Deal volumes have increased in the first half of 2015 compared to the same period in 2014 (data supplied by Experian):

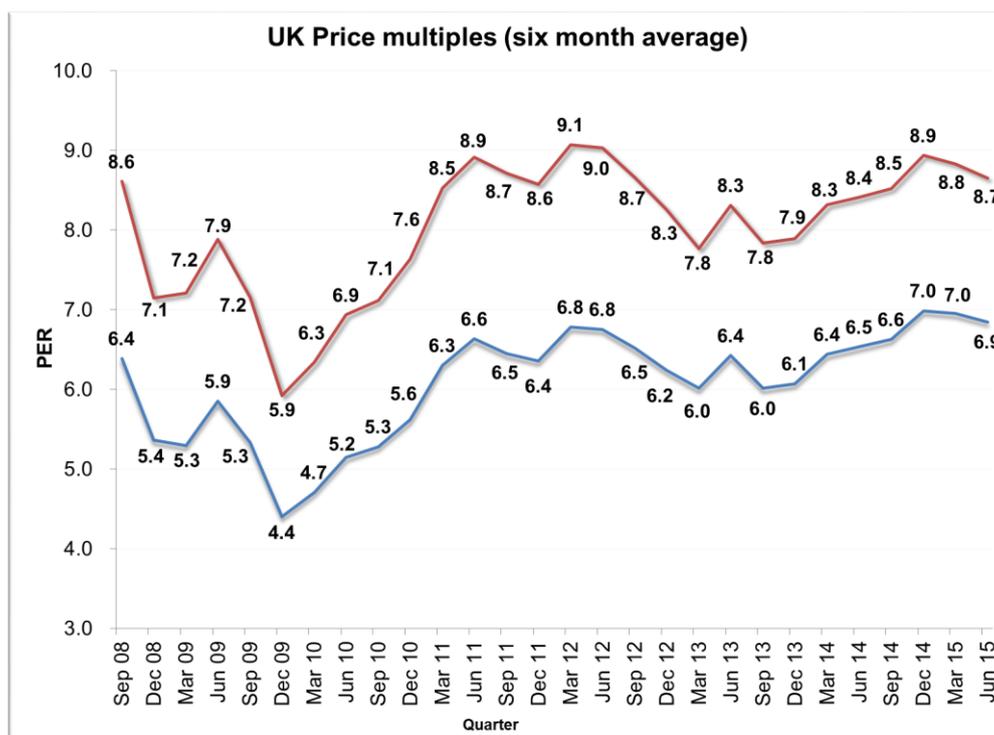


UK Deal volumes increased 7% in the first half of 2015 compared to the same period in 2015, but fell 2% compared to the second half of 2014 (very similar trend as shown by the European analysis). Encouragingly, 2015 volumes are 11% higher than post 2009 average reflecting the steady improvement in market confidence.

However, total UK deal value fell by 41% in the first half of 2015 compared to the same period in 2014, and by 12% compared to the second half of 2014. This is primarily due to a number of mega-deals that occurred in 2014 in the pharmaceutical, financial and insurance sectors such as the Aviva/Friends Life deal, the likes of which have not been repeated in the first half of 2015.

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 basis. Due to the popularity of this measure, we receive regular requests for different versions of the data. We therefore include below the average PER based on Earnings Before Interest and Tax (“EBIT”) {blue line} and Profit After Tax {red line}.



EBIT PERs remain at circa 7.0 in 2015 which is higher than the long term average of 6.3 and 15% higher than the long term average of 6.1 that excludes the 2007/2008 peak in PERs. This reflects the quality of businesses being sold with good business achieving premiums. Large corporates and private equity firms are still prepared to pay close to historic high multiples for the right business.

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 £14.8m and average EBIT profit of some £2.5m.

The UK transactions used in this newsletter have an average Enterprise Value of £18.7m and average EBIT profit of some £3.0m. 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.