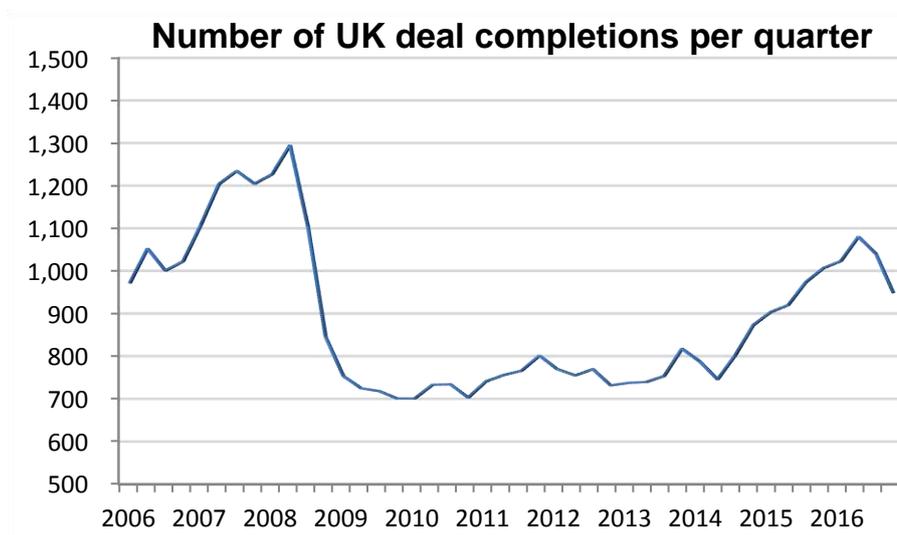


INTRODUCTION

Welcome to the Winter 2016 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 declined in the second half of 2016 compared to the first half of the year (data supplied by Experian):

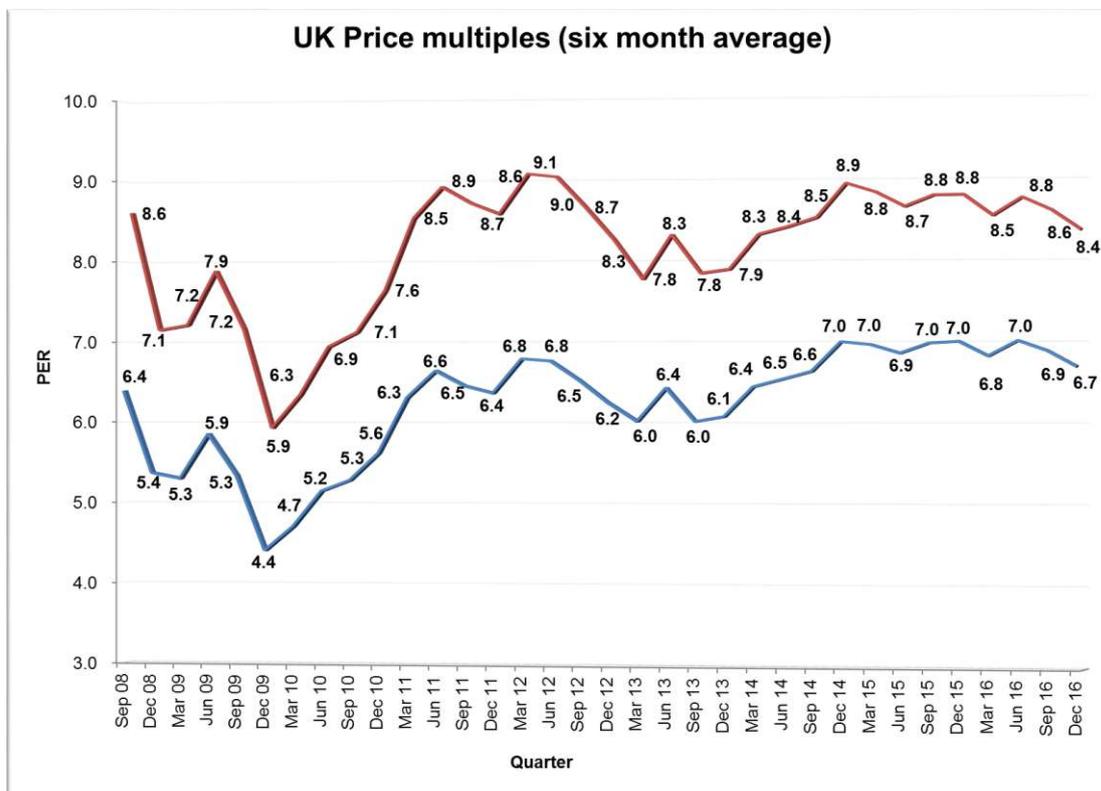


UK deal volumes fell by c.12% in the first half of 2016 compared to the first half of 2016. Even though deal volumes for 2016 were higher than 2015 by some 5%, this does not account for the peak of deal volumes in May 2016, and the subsequent and continuing fall. The timing of this fall with the Brexit result does not appear to be a coincidence and the combined concerns over the long term impact of the referendum and the instability of currency markets seems to have either postponed or cancelled deals.

However, these concerns did not stop larger UK deals in the second half of 2016 such as the £41 billion acquisition of Reynolds American Inc. by FTSE 100 British American Tobacco Plc and the Japanese-based Softbank Corp's £24 billion acquisition of Cambridge-based ARM Holdings Plc. In fact, total UK deal values actually c.80% compared to the second half of 2015, partly driven by these larger deals.

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. We include below the average PER based on Earnings Before Interest and Tax (“EBIT”) {blue line} and Profit After Tax {red line}.



EBIT PERs fell from 7.0 in the first half of 2016 to 6.9/6.7 in the second half 2016, which despite the fall, remains higher than the long term average of 6.5. It is therefore possible that the Brexit referendum has had a negative impact on valuation sentiments, with PER ratios hitting their lowest point since 2014. However we note that fluctuations do occur and therefore we await further data from 2017 before concluding on the impact of Brexit on valuation PERs.

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 info@perda.co.uk.

DATA COMPILATION: The database contains data submitted by Corporate Finance advisors and Experian PLC. Financial data for each deal is adjusted 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 £17.6m and average EBIT profit of some £2.8m.

The UK transactions used in this newsletter have an average Enterprise Value of £21.4m and average EBIT profit of some £3.6m. 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 Corporate Finance advisors who submit data or Experian for the use of the data in the PERDa database or this publication.

