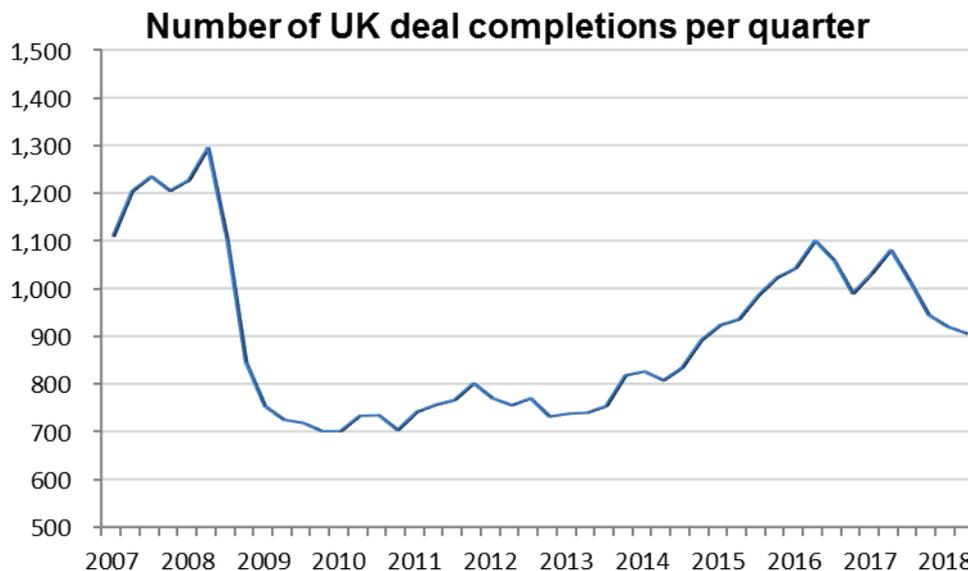


INTRODUCTION

Welcome to the Summer 2018 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

UK deal volumes continued to decrease in the first half of 2018, resulting in four consecutive quarters of decline. Compared to the first half of 2017, deal volumes are down by some 16% (data supplied by Experian):

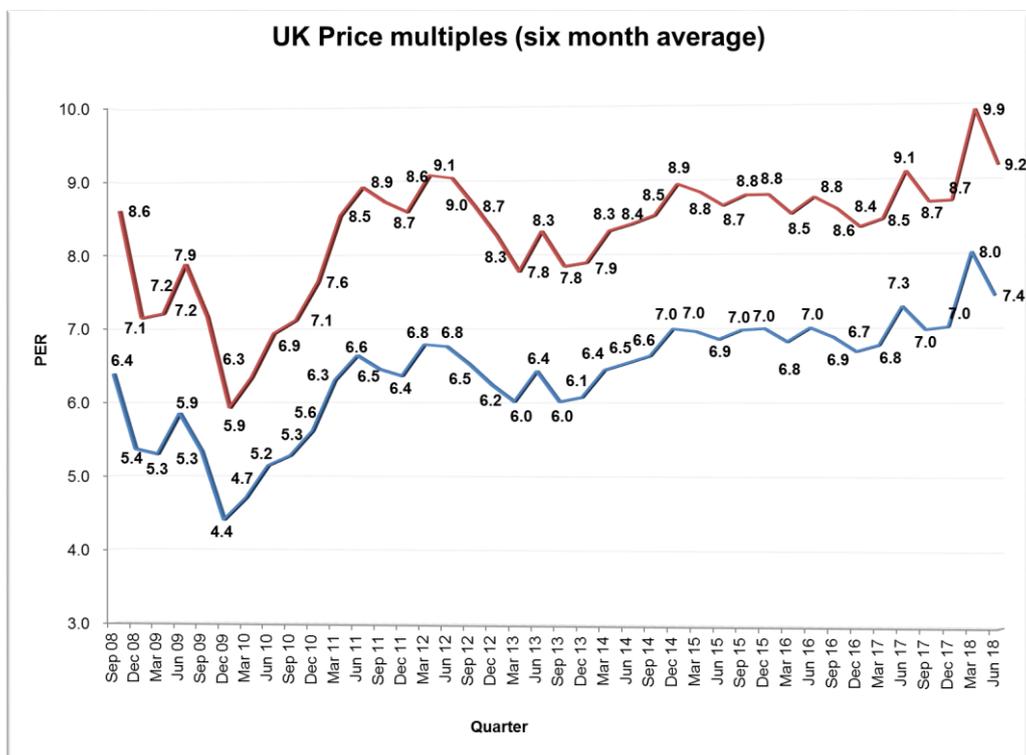


Although deal volumes are down, the total value of deals has increased by 12% compared to H1 2017. This was in part due to a continued increase in the £1bn plus value “mega deals”, including GlaxoSmithKline’s £9.2bn buyout of Novartis’ share of their Consumer Healthcare joint venture and Vodafone’s £16bn acquisition of Liberty Global’s German and eastern European operations.

However, given the continued political uncertainty in the UK, the US and global economic risks, we remain cautious regarding both deal volumes and deal values in the second half of 2018.

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 rose from 7.0 in the second half of 2017 to 8.0 in the first quarter of 2018, before dropping back to 7.4 in the second quarter. This remains above the long terms averages (5 year: 6.9 and 10 year: 6.5). Private equity activity was up and the decrease in volumes but increasing average ratios and values points toward increased competition for larger more established assets by acquirers that continue to sit on large quantities of undeployed capital. Firms are also looking to diversify geographically and take advantage of strong overseas growth through outward investment from the UK.

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 £17.5m and average EBIT profit of some £2.9m.

The UK transactions used in this newsletter have an average Enterprise Value of £20.8m and average EBIT profit of some £3.5m. 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.

