

A large teal rectangular overlay covers the bottom-left portion of the image. It contains white text for the webinar title and date. A small white horizontal bar is located at the top left of this teal area.

Valuation Webinar

December 2023



Poll Question

Do you think that the number of deals completed in the most recent quarter has:

- A) Increased against the last quarter
- B) Decreased against the last quarter
- C) Stayed the same as the last quarter

Between November 2022 and October 2023, there were 209 reported UK acquisitions made by trade and PE.

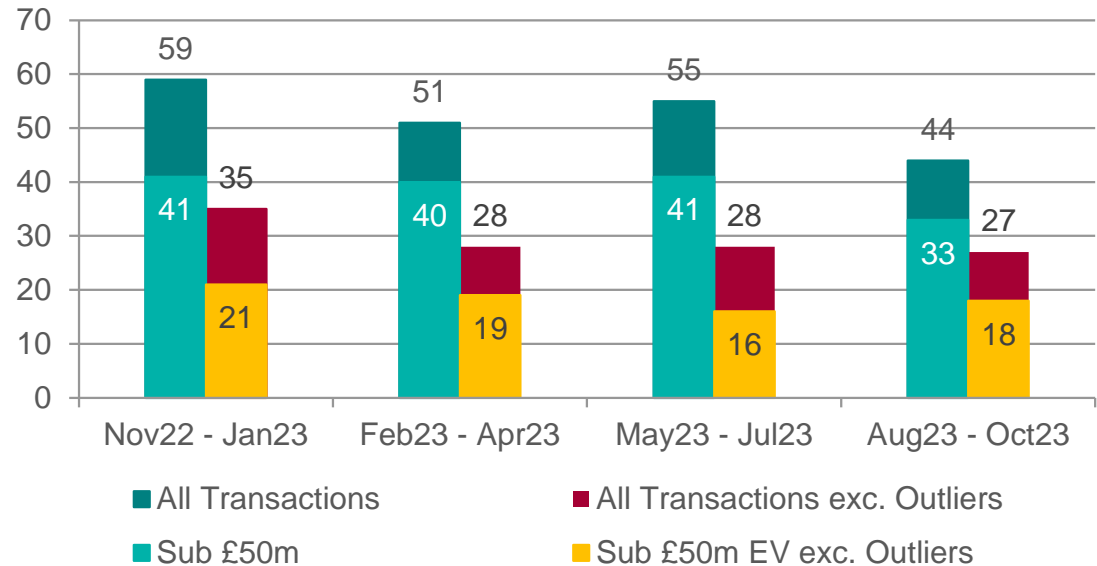
Of these, 118 were profitable, reported an EBITDA multiple and were not considered outliers (Multiple >25x).

Nov 22 – Jan 23 had the most transactions at 59.

Aug 23 – Oct 23 had the fewest transactions at 44.

An overall slowdown in M&A extends to transactions with UK-based targets

No. of Transactions - UK Targets



Outliers are companies that did not report an EBITDA multiple, were loss-making or had an EBITDA multiple in excess of 25x.

Poll Question

Do you think overall EBITDA multiples are:

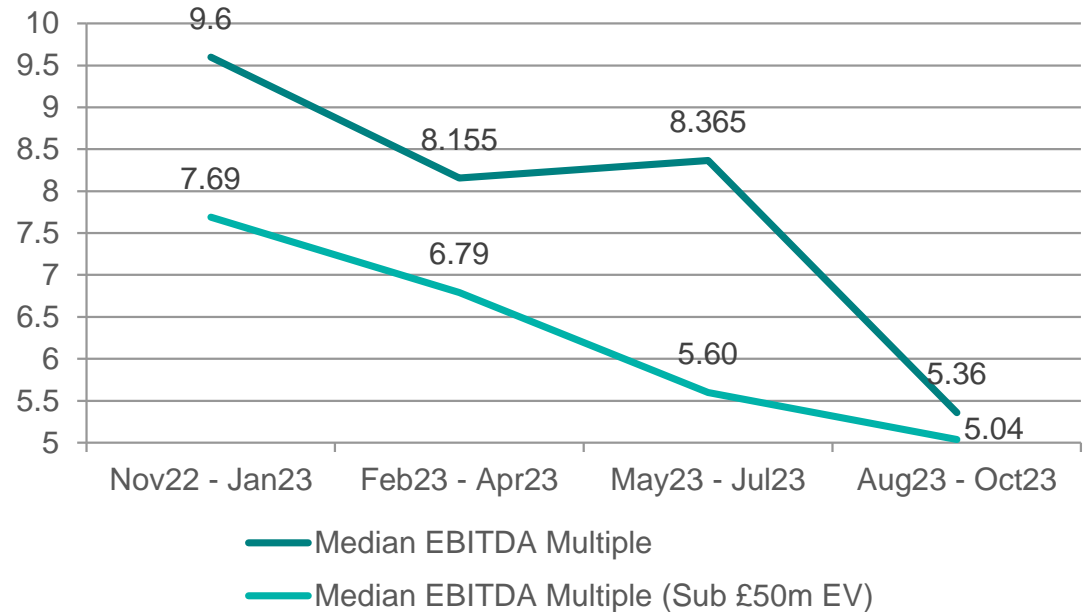
- A) Increasing – showing an upward trend
- B) Decreasing – showing a downward trend
- C) Remaining consistent – showing a flat trend

EBITDA multiples have started to decline through the last twelve months – valuation multiples were elevated through the pandemic period.

A higher proportion of targets under £5m EV has substantially reduced the overall median multiple in the most recent quarter.

EBITDA Multiples have shown a sizeable decline through the last 12 months

EBITDA Multiples by Quarter



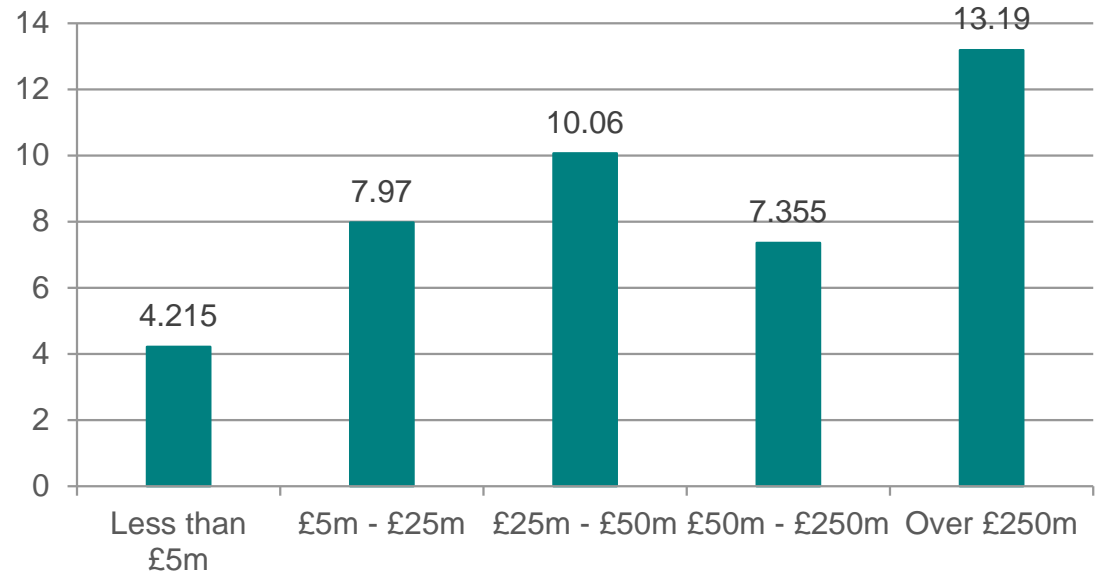
Outliers are companies that did not report an EBITDA multiple, were loss-making or had an EBITDA multiple in excess of 25x.

We would typically expect that a larger company would warrant a higher EBITDA multiple owing to factors such as increased market share and pricing power (amongst many other factors).

There is a clear valuation gap shown, with the effects most prominent in smaller businesses.

Growing EBITDA has an outsized impact on valuations

Median EBITDA Multiple by EV



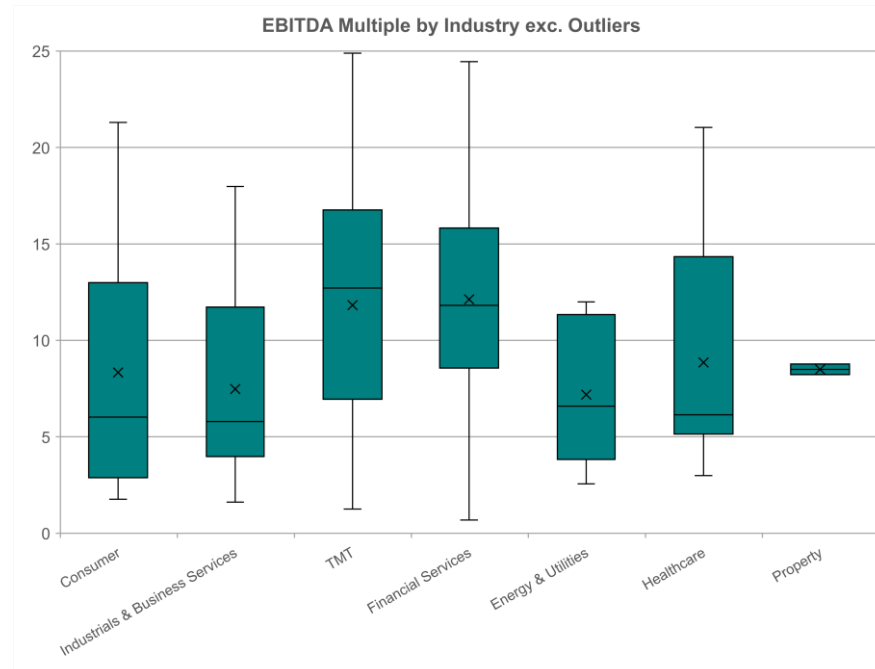
Outliers are companies that did not report an EBITDA multiple, were loss-making or had an EBITDA multiple in excess of 25x.

After removing those transactions described as outliers, a wide spread exists within individuals industries.

Financial services remains one of the highest value sectors at a median of 11.82x, but it and TMT have shown high volatility.

Median multiples across a range of sectors has dropped to between 5.8x and 6.6x.

Declining multiples have increased the volatility of valuations within sectors.



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Overseas transactions are typically reserved for the most valuable companies – in part due to the complexity of completing the deal and managing operations in a foreign jurisdiction.

Of 74 transactions valued at under £50m EV, only 19% were acquired by an overseas entity, compared with 29% of all UK-based targets.

US continues to dominate overseas acquisitions of UK companies

Acquirer Base	No. of Transactions	Median EV	No. of Transactions (Sub £50m EV)
UK	149	£5,700,000	60
US	22	£130,847,500	4
France	6	£659,735,000	1
Australia	5	£13,849,290	2
Canada	3	£2,200,000,000	0
Sweden	4	£12,500,000	1
Germany	2	£333,900,000	1
Other	18	£63,921,010	5
Total	209	£12,000,000	74

Limitations

We note that the data analysis may be naturally limited in some respects.

Financial information may be incomplete for some entries – Our sources of information are limited to the disclosures made by either party in a particular transaction, or through investigative journalism conducted by our data providers or other reputable news source in discussion with either company participating in the transaction.

Financial information is subject to restatement – A subject company may restate various financial data at a date later than the analysis was conducted.

Various deals may not be captured by the above search criteria – Reasonable efforts have been made to ensure that the entries included within the dataset are appropriate, but we cannot ensure that all relevant details are captured, as this is influenced by the classification techniques of our data providers and by the disclosures made by transacting companies.

Previous deal data may not be indicative of future market trends – Valuations (and multiples) may fluctuate with the economic cycle.

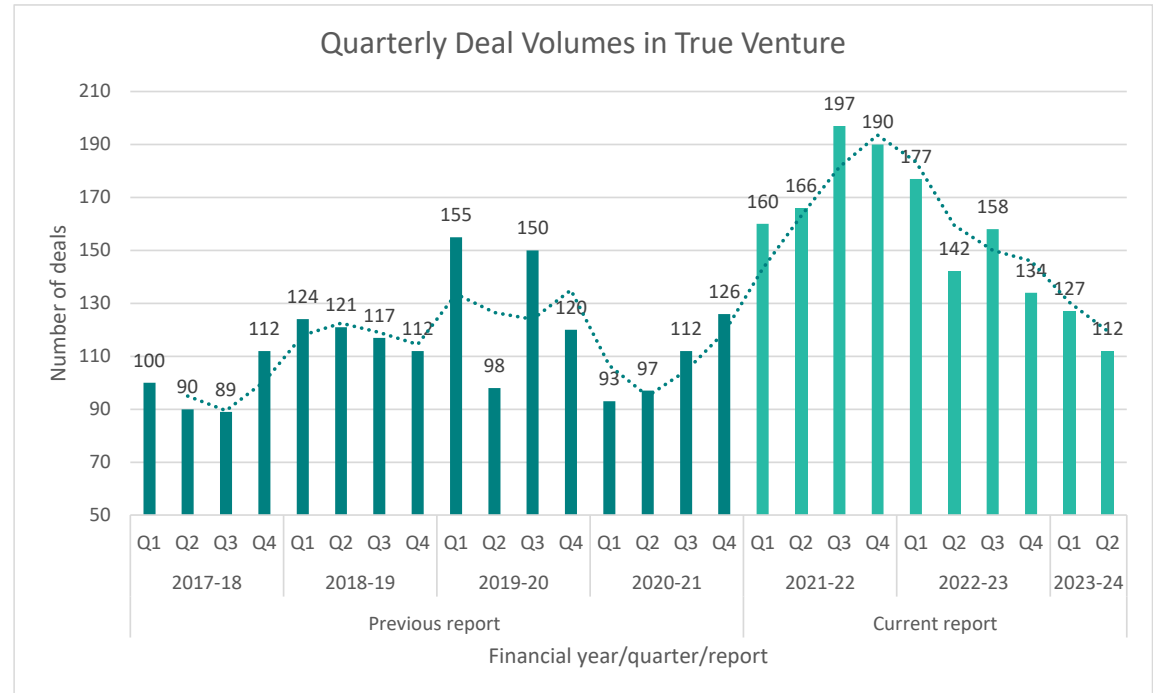
Adjustments made to Enterprise Value are subjective – The adjustments made to the Enterprise Value to arrive at Equity Value will depend on the particular companies and transactions in a number of respects.



In our upcoming True Venture report, we look at the equity fundraise market focusing on Companies that are:

1. Unquoted (a limited company).
2. Previously had aggregate funding of less than £1.5m.
3. Have conducted a raised of at least £2m.

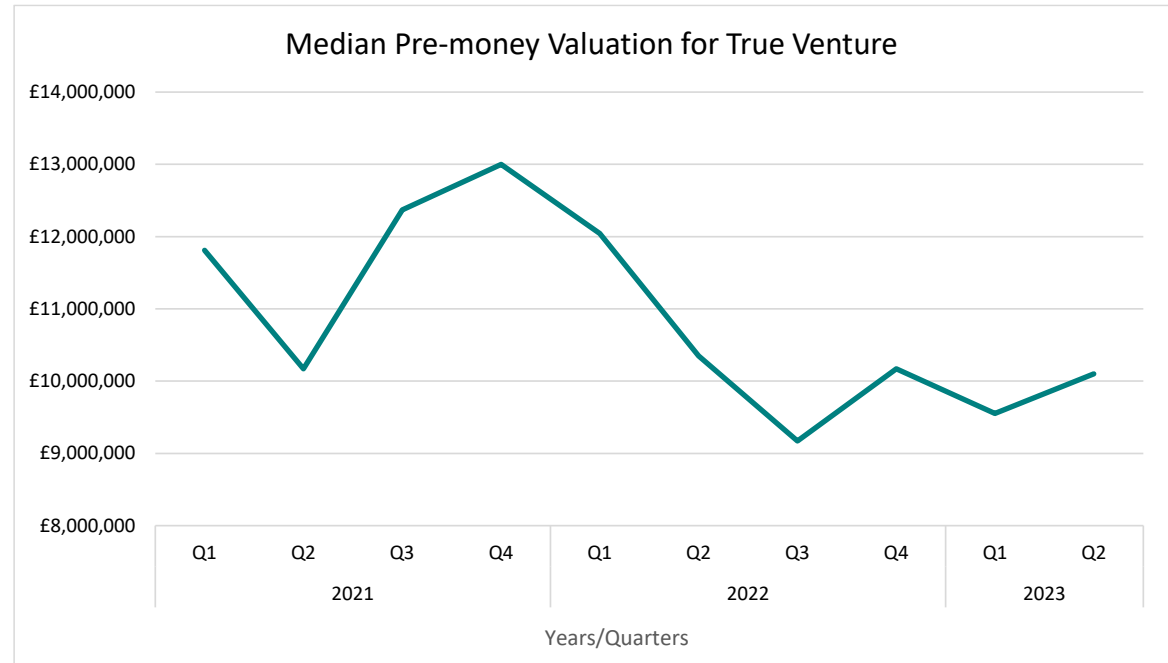
True Venture deals are showing a similar decline in volumes returning to pre-pandemic levels



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True Venture deals are also showing declining pre-money valuations



Next webinar: 5 March 2023

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