

A large teal rectangular overlay covers the left side 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

September 2023



Poll Question

What is the average multiple that a £700,000 EBITDA UK business sells for now?

- a** 1x to 2.5x
- b** 2.6x to 5x
- c** 5.1x to 7.5x
- d** 7.6x to 10x
- e** 10.1x to 12.5x
- f** 12.6x +

Between August 2022 and July 2023, there were 218 reported UK acquisitions made by trade and PE.

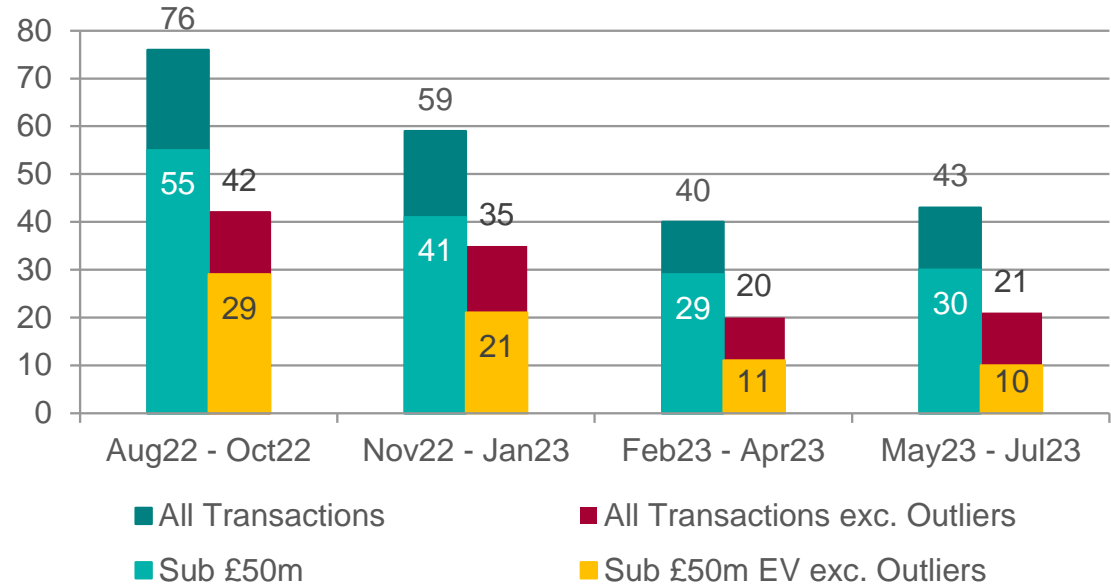
Of these 118 were profitable, reported and EBITDA multiple and was not considered an outlier (Multiple above 25x).

Aug 22 – Oct 22 had the most transactions at 76.

Feb 23 – Apr 23 had the fewest transactions at 40.

UK-based targets accounted for 218 transactions – approximately 70% in each period for sub £50m EV.

No. of Transactions - UK Targets

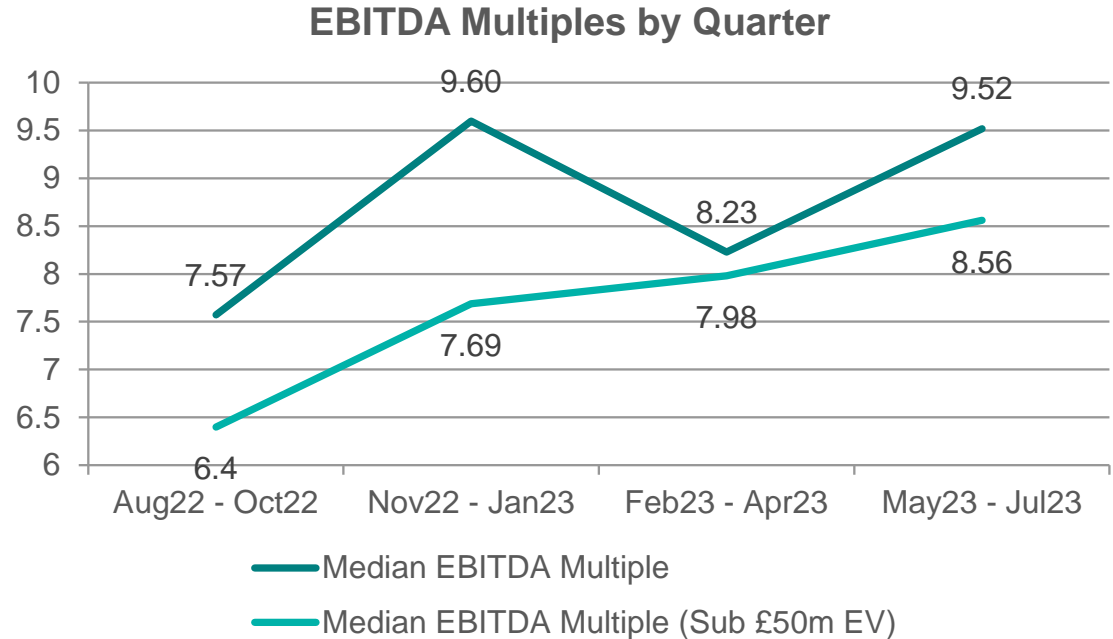


Outliers are companies that did not report an EBITDA multiple, were loss-making or had an EBITDA multiple in excess of 25x.

EBITDA multiples have trended upwards through the last twelve months after a dip in Feb23 through Apr23.

The most recent quarter includes a comparatively higher number of transactions at an EV over £250m – which typically attract a premium multiple.

EBITDA Multiples have trended upwards



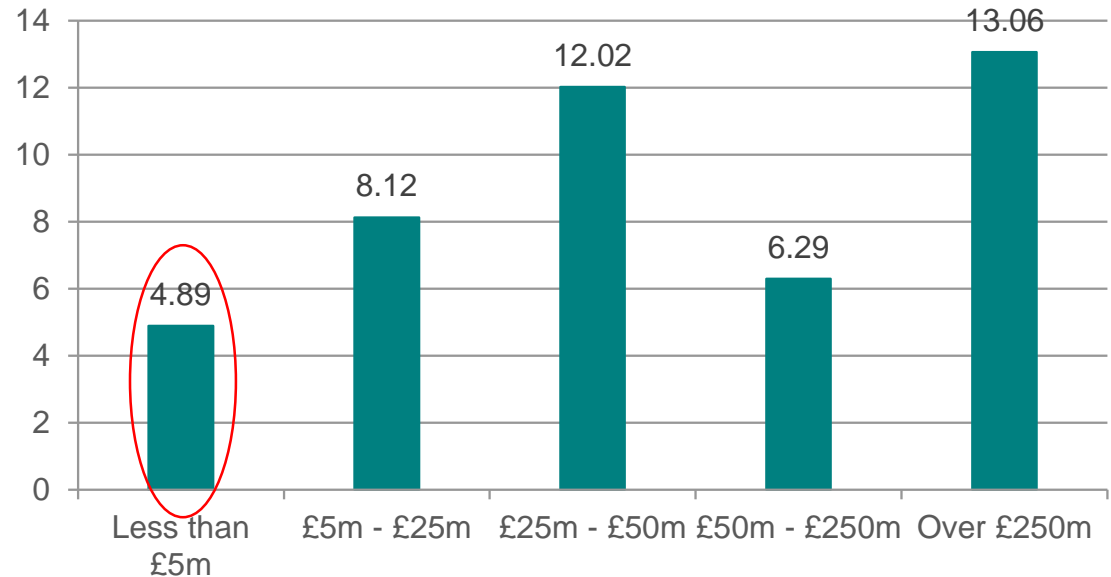
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We would typically expect that a larger company would warrant a higher EBITDA multiple owing to factors such as increased market share and pricing power (amongst many other factors).

There are comparatively fewer transactions in 'high-value' sectors such as Healthcare and Financial Services in the £50m - £250m EV bracket.

Growing EBITDA has an outsized impact on valuations

Median EBITDA Multiple by EV



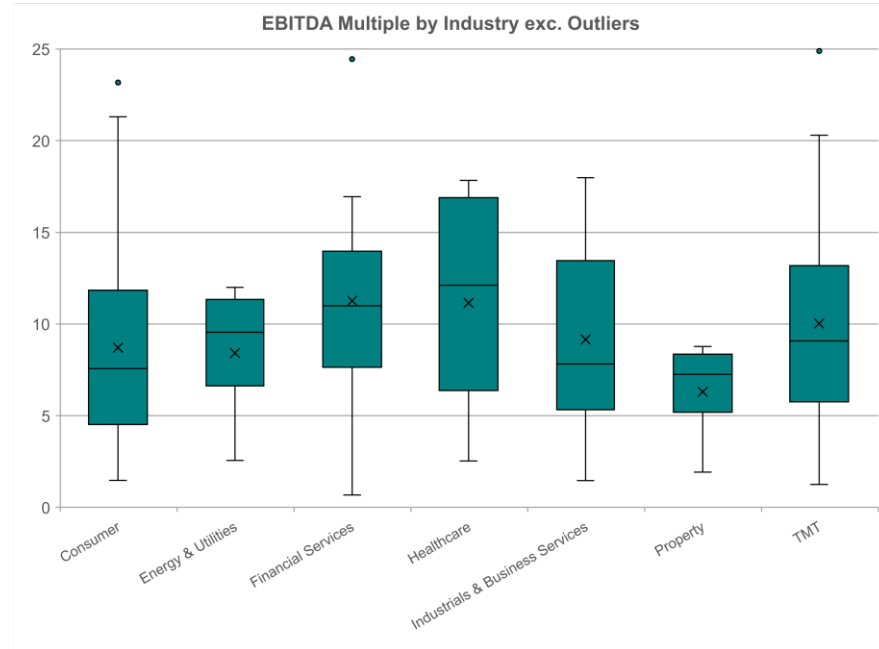
Outliers are companies that did not report an EBITDA multiple, were loss-making or had an EBITDA multiple in excess of 25x.

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

Healthcare and Financial Services reported the highest median multiples at 12.11x and 10.99x respectively.

Property reported the lowest at a median EBITDA multiple of 7.25x.

Healthcare and Financial Service attract multiples above 10x



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

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 71 transactions valued at under £50m EV, only 13 were acquired by an overseas entity.

US dominates overseas acquisitions of UK companies

Acquirer Base	No. of Transactions	Median EV	No. of Transactions (Sub £50m EV)
UK	150	£7,079,966	58
US	24	£130,847,500	2
Australia	8	£15,924,645	3
Canada	6	£1,332,700,000	2
Sweden	6	£12,500,000	2
South Africa	3	£182,000,000	0
Germany	3	£415,000,000	1
France	3	£1,120,000,000	0
Other	15	£37,658,000	3
Total	218	£13,100,000	71

Poll Question

How do you increase valuation?

Please write your answers and suggestions in the chat box.

Valuation Issues

- Appropriately including the impact of **COVID** on a business:
 - Determining whether a poor performing year is a one-off or the start of a downwards trend.
 - Leisure-based industries were closed during most of 2020, then had the 'staycation' boom in 2021.
- **BREXIT** – issues with cross-border trade, extra administration and associated time, work permit issues esp. farming.
- **Interest rates and inflationary environment** – increasing cost base, risks of fixed pricing contracts.
- **Supply chain limitations** – energy prices, container issues, raw material shortages (e.g. microchips).

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.



Next webinar: 5 December 2023

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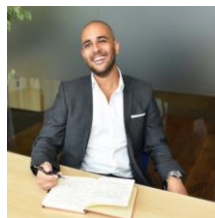
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