

# Small and Medium Enterprises Valuation Index

November 2014



## Corporate Finance



### About UK200Group

The UK200Group is an association of Chartered Accountants and Lawyers offering strategic business services advising key industries throughout the UK, in over 150 locations and internationally through our International Associates in some 68 countries. With experience of the owner managed, small and medium sized business sector our members work with clients to create the right solution for the business.

### About UK200Group Corporate Finance Panel

The Corporate Finance Panel of 14 independent specialists from UK200Group firms provide lead advisory and transaction support services for corporate finance work in the owner managed and SME business sector.

### What is the UK200Group SME Valuation Index?

It is the result of our Corporate Finance members providing key data on actual transactions involving the purchase or sale of real UK businesses (in the form of asset or share deals) over the past 5 years. Most importantly, the deal data provided by our Panel has been included in a format which allows comparability in a manner not available from publicly published data.

The market for corporate finance deals has continued to improve during the past two years, and UK200Group Corporate Finance panel members are enjoying a more buoyant period for mergers and acquisitions. The expectation for the next year remains positive.

It is no surprise to us that the UK200Group SME Valuation Index records an increase in the multiples being paid for the average SME business. The banking appetite in this sector has improved somewhat over the past couple of years which supports higher multiples that vendors are demanding and buyers are prepared to pay.

EBITDA multiples have risen fairly dramatically which could reflect a number of factors including the fact that more SME deals are determined on an EBITDA basis as opposed to on a P/E basis. Interestingly, the mean P/E has increased by a much greater proportion than the median P/E, reflecting the fact that a few deals attracted much larger P/E multiples.

Statistically, at a 95% confidence level, EBITDA multiples are occurring in the range 4.4 to 5.8, which shows a marked increase from the 2012 range of 3.6 to 5.4. P/E multiples are ranging, at a 95% level of confidence, between 6.3 and 8.3, which demonstrates a contracting towards the upper end of the 2012 range of 5.1 to 8.5.

	Median P/E	Median EBITDA	Mean P/E	Mean EBITDA	Avg Deal size (£m)
Nov-14	6.5	4.5	7.3	5.1	4.4
Nov-12	6.1	3.6	6.4	4.5	2.2

### Who wants this data?

The information contained in the Group's SME Valuation Index will be of benefit to corporate financiers, forensic accountants, insolvency practitioners, investors, banks, tax planners and clients.



Members of our **Corporate Finance** Panel have a reputation of helping members and clients using their experience and excellent resources and can provide solutions to:

- Sales, mergers & acquisitions
- Management buy outs and buy ins
- Due diligence & investigations
- AIM & Ofex listings
- Corporate planning
- Investigations

Panel members experience spans UK, European and global markets.

## Members of the Corporate Finance Panel

### ALTRINCHAM

Akeel Latif  
**Myerson Solicitors LLP**  
0161 941 4000  
[akeel.latif@myerson.co.uk](mailto:akeel.latif@myerson.co.uk)  
[www.myerson.co.uk](http://www.myerson.co.uk)

### DERBY

Simon Bursell  
**Dains LLP**  
0845 555 8844  
[sbursell@dains.com](mailto:sbursell@dains.com)  
[www.dains.com](http://www.dains.com)

### LONDON EC2

Simon Blake – *Chairman*  
**Price Bailey LLP**  
020 7065 2660  
[simon.blake@pricebailey.co.uk](mailto:simon.blake@pricebailey.co.uk)  
[www.pricebailey.co.uk](http://www.pricebailey.co.uk)

### OXFORD

Justin Ray  
**Critchleys LLP**  
01865 261100  
[jray@critchleys.co.uk](mailto:jray@critchleys.co.uk)  
[www.critchleys.co.uk](http://www.critchleys.co.uk)

### BEVERLEY

Mike Beckett  
**Forrester Boyd Robson**  
01482 889400  
[m.beckett@forrester-boyd.co.uk](mailto:m.beckett@forrester-boyd.co.uk)  
[www.fbrobson.co.uk](http://www.fbrobson.co.uk)

### GODALMING

Matthew Katz  
**Roffe Swayne**  
01483 416232  
[m katz@roffeswayne.com](mailto:m Katz@roffeswayne.com)  
[www.roffeswayne.com](http://www.roffeswayne.com)

### LONDON N3

Daniel Shear  
**Berg Kaprow Lewis LLP**  
020 8922 9321  
[daniel.shear@bkl.co.uk](mailto:daniel.shear@bkl.co.uk)  
[www.bkl.co.uk](http://www.bkl.co.uk)

### YORK

Tony Farmer  
**JWPCreers LLP**  
01904 717260  
[jaf@jwpcreers.co.uk](mailto:jaf@jwpcreers.co.uk)  
[www.jwpcreers.co.uk](http://www.jwpcreers.co.uk)

### CARDIFF

Lindsay Hogg  
**Watts Gregory LLP**  
029 2054 6600  
[l.hogg@watts-gregory.co.uk](mailto:l.hogg@watts-gregory.co.uk)  
[www.watts-gregory.co.uk](http://www.watts-gregory.co.uk)

### HULL

Jeremy Allison  
**Smailes Goldie**  
01482 326916  
[jeremyallison@smailsgoldie.co.uk](mailto:jeremyallison@smailsgoldie.co.uk)  
[www.smailesgoldie.co.uk](http://www.smailesgoldie.co.uk)

### LONDON NE

Michael Watts  
**Haslers**  
020 8418 3333  
[michael.watts@haslers.com](mailto:michael.watts@haslers.com)  
[www.haslers.com](http://www.haslers.com)

### CHELTENHAM

Will Abbott  
**Randall & Payne LLP**  
01242 548600  
[wja@randall-payne.co.uk](mailto:wja@randall-payne.co.uk)  
[www.randall-payne.co.uk](http://www.randall-payne.co.uk)

### LEWES

David Martin  
**Knill James**  
01273 480480  
[david@knilljames.co.uk](mailto:david@knilljames.co.uk)  
[www.knilljames.co.uk](http://www.knilljames.co.uk)

### NEWTON ABBOT

Linda Luggier  
**Peplows Limited**  
01626 208802  
[lindal@peplows.co.uk](mailto:lindal@peplows.co.uk)  
[www.peplows.co.uk](http://www.peplows.co.uk)



3 Wesley Hall, Queens Road, Aldershot GU11 3NP Tel 01252 401050 or 01252 350733  
[admin@uk200group.co.uk](mailto:admin@uk200group.co.uk) [www.uk200group.co.uk](http://www.uk200group.co.uk)

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