

# Small and Medium Enterprises Valuation Index

November 2020



Corporate Finance



**MM** MARK TO MARKET

## About UK200Group

The UK200Group is a professional services group of Chartered Accountancy and Law firms offering strategic business services advising key industries throughout the UK, in over 150 locations and internationally through our International Associates in 70 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 independent specialists from UK200Group member firms, provide lead advisory and transaction support services for corporate finance work in the owner managed and SME business sector.

## What is MarktoMarket?

MarktoMarket (MtM) is a leading provider of data on UK private companies. MtM has been collaborating with the UK200Group and its members to provide insight and analysis into valuation trends.

## What is the UK200Group MarktoMarket 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 few 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 last year clearly is defined by COVID-19. Before the pandemic hit, activity levels were high. The first phase of lockdown saw an understandable significant drop in transactions completing given the uncertainty, and UK200Group had a number of clients that immediately stopped or delayed transactions. It would be fair to say that of those deals that were done, multiples and deal values would be expected to, and did, fall and there was a greater emphasis on earn out and deferred terms. Of course part of the impact is that banking activity shifted almost entirely to CBILS and Bounce Back loans, which excluded acquisition funding, so deals completing would have been impacted by available finance.

Overall, multiples decreased. At a 95% confidence level, EBITDA multiples are occurring in the range of 5.0-6.9x.

An analysis of the data shows significant difference in figures before and after the advent of the first national lockdown in March. Pre-lockdown, the median EBITDA multiple was 5.9x, decreasing to 4.8x thereafter. The median P/E multiple was 8.0x, which fell to 5.7x. The mean EV/EBITDA multiple was sitting at 6.4x pre-lockdown, falling to 5.5x for the rest of the year, whilst the mean P/E multiple was 9.3x, decreasing to 6.8x. Average deal size pre-lockdown was £4.7 million, which subsequently dropped to £3.6 million.

	Median P/E	Median EBITDA	Mean P/E	Mean EBITDA	Avg Deal size (£m)
Nov-20	7.0	5.4	8.3	6.0	4.1
Nov-19	7.8	5.8	8.1	6.1	5.0
Nov-18	8.0	5.5	8.9	6.0	4.4
Nov-17	5.4	4.2	7.3	6.2	3.4
Nov-16	6.8	5.4	9.6	6.1	4.2

## 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.

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