



MarktoMarket

UK M&A 2022 Indices

Executive Summary

MARKTOMARKET UK M&A VALUATION INDICES

MarktoMarket (“MtM”) presents its 2022 UK M&A Valuation Indices (the “MtM Indices”), covering UK M&A transaction multiples for M&A deals completed in 2021.

The MtM Indices have been created in response to customer requests for high level reference points for the valuation of UK companies based on size and sector characteristics. The MtM indices have been compiled using MtM’s proprietary deal data as well as transaction information submitted by its customers, including many of the UK’s most active M&A advisers.

The MtM Indices focus on the small and mid-market where data is most scarce and the Indices are presented by deal size and sector. We believe that the MtM indices represent the most complete analysis of UK company valuation trends. Please read pages 8 and 9, which explain the methodology used and the limitations inherent in this type of analysis.

2021 PRICING TRENDS

2021 was an impressive year for M&A with both deal volumes and multiples remaining resilient throughout the year.

The MarktoMarket All Cap Index, representing the mean Enterprise Value to EBITDA (EV/EBITDA) multiple paid over the year, excluding outliers*, was 9.9x. The 2020 comparison was 9.5x**.

As ever, these headline multiples only tell a fraction of the story. Unlike indices comprised of publicly traded assets, where the same (or a similar) basket of constituents is priced daily, transaction-based indices, such as those compiled by MarktoMarket, represent collections of different constituents. The result is that outputs may be skewed depending on the specifics of the companies acquired in each period.

The real insight comes from within the dataset when the sample is segmented by deal size and target company sector. As in previous years, the 2021 Size Indices show a clear expansion of multiples as deal size increases up to £250 million.

In the Sector Indices, the Technology, Media and Telecommunications (TMT) Index attracted the highest mean EV/EBITDA multiple in 2021 (11.4x) as software and other technology companies remained in demand, even as the effects of the pandemic began to unwind. Although the Consumer Index EV/EBITDA multiples bounced back somewhat in 2021, the sector attracted the lowest mean EV/EBITDA multiple in our All Cap Index data set (8.5x).

Following the volatility of the deal market in 2020, deal volumes increased significantly in 2021. The rumoured changes to the capital gains tax regime alongside the successful vaccine rollout and government support through lockdown drove a significant increase in activity in the first quarter of 2021. Deal volumes remained elevated throughout 2021 relative to 2020 as capital continued to be available from corporates, Private Equity and banks.

*See pages 8 and 9 for a definition of outliers, within our ‘Methodology’ section

** comparative figures have been updated for additional deal information identified post publication of prior year indices

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MarktoMarket All-Cap Sub-£250m Index

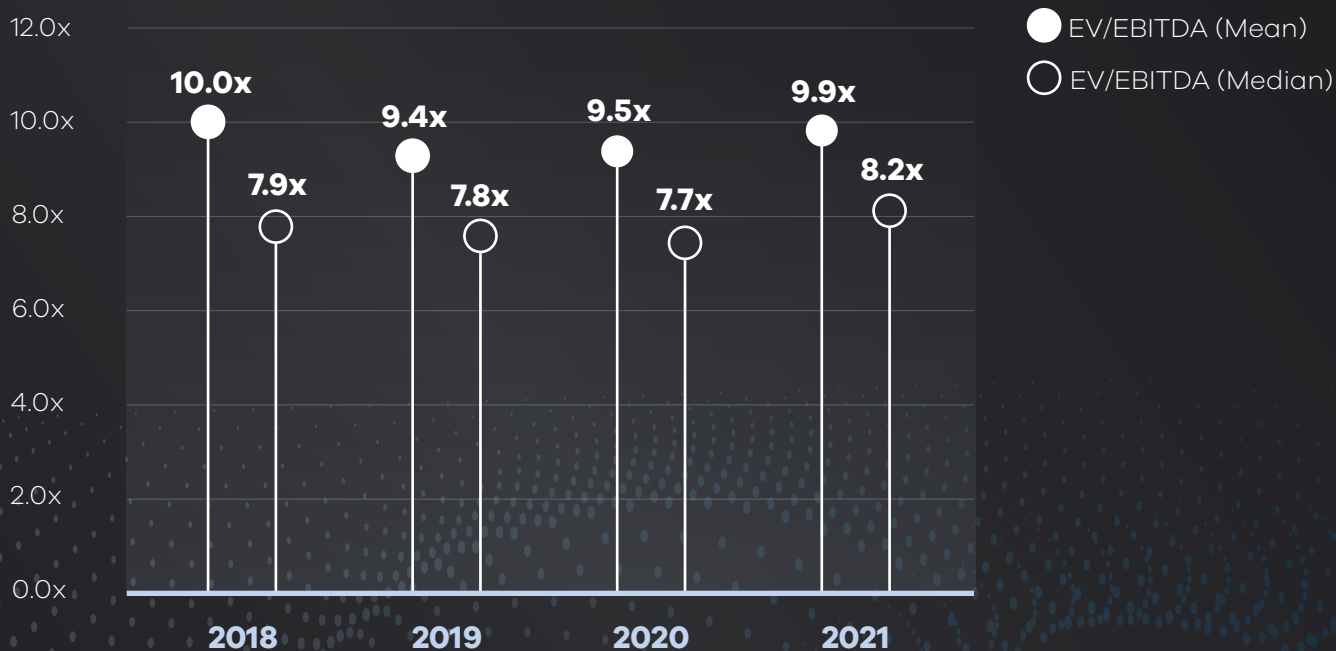
EBITDA MULTIPLES

EBITDA MULTIPLES paid in UK M&A transactions in 2021 were marginally higher than in 2020, when viewed over the year. The MarktoMarket All Cap Index, comprising deals valued at up to £250 million (enterprise value), recorded a mean EV/EBITDA multiple of 9.9x for the period, compared to 9.5x in 2020.

The median EV/EBITDA multiple was 8.2x in 2021 (7.7x in 2020).

Whilst the All Cap EBITDA multiple increased modestly, total UK M&A deal volumes increased significantly in 2021 with a total of 5,890 deals, some 46% higher than in 2020 (4,045). The fear of potential changes to the capital gains tax regime saw volumes soar in March 2021 to 717 deals from an average monthly rate of 489 for 2021. Deal volumes remained elevated throughout 2021 due to confidence building through the successful vaccine programme as well as the availability of capital and low interest rates.

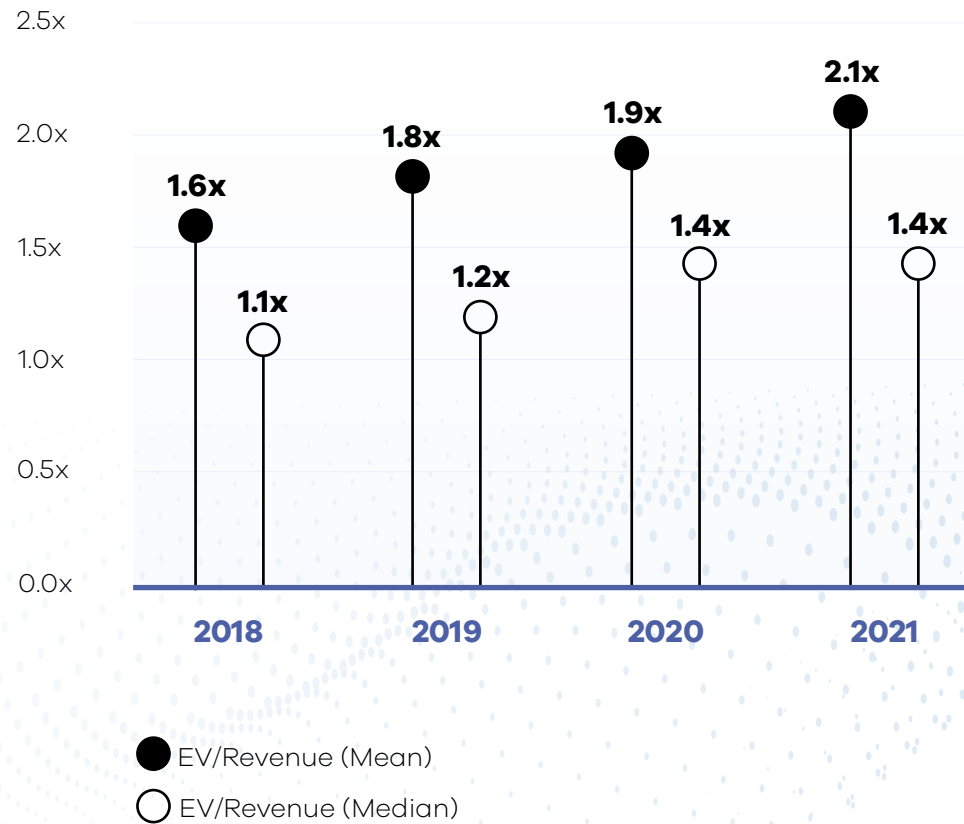
3. MarktoMarket All Cap Sub-£250m Index EBITDA Multiple (Mean)



REVENUE MULTIPLES

Revenue multiples climbed to a mean of 2.1x and a median of 1.4x, a new high in comparison the the previous three years.

4. MarktoMarket All Cap Sub-£250m Index Revenue Multiple (Mean)

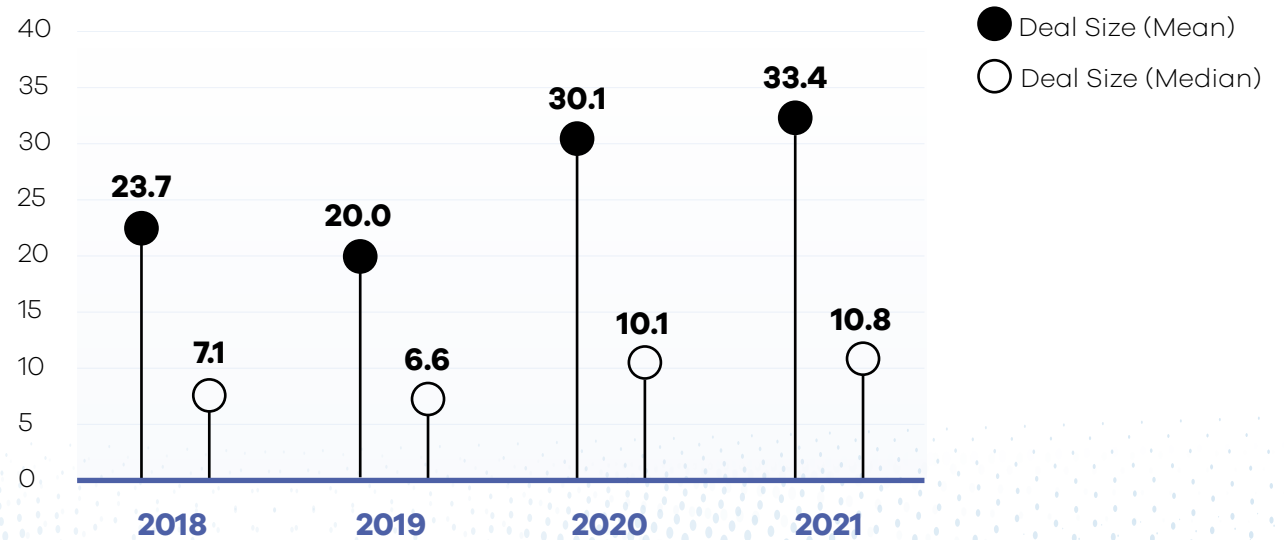


DEAL SIZE

To provide context to the aggregate multiple paid, we present mean and median deal sizes from our samples. The mean deal size in our sample increased from £30.1 million in 2020 to £33.4 million in 2021 (the median grew from £10.1 million to £10.8 million).

Please note that the chart does not imply that deal values have increased during 2021 relative to 2020 but rather that the deal sizes have increased within our datasets, which consist of MtM's proprietary data and intelligence submitted by our network.

5. MarktoMarket All-Cap Sub-£250m Index Deal Size (£m) (Mean)



Access to Full Report

For access to the full report, please contact olga@marktomarket.io. The full report consists of the following indices, alongside commentary and analysis:

Size Indices

Nano Cap	Enterprise Value range £0 - 2.5 million
Micro Cap	Enterprise Value range £2.5 - 10 million
Small Cap	Enterprise Value range £10 - 50 million
Mid Cap	Enterprise Value range £50 - 250 million
Large Cap	Enterprise Value range £250 million +

Sector Indices

Industrials & Business Support Services
Consumer
Technology, Media & Telecommunications
Healthcare
Financial Services

Acknowledgements

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Methodology

UNIVERSE

MtM has compiled the MtM Indices using Revenue and EBITDA multiples for M&A transactions valued at less than £250 million involving UK companies (either as the target or the acquirer) during the period from 2018 to 2021. A separate index has been built for deals valued at over £250 million but we do not include these larger deals in our All Cap Index, which includes sub-£250 million deals only, nor do we include these larger deals in the sector indices.

The data consists of MtM's proprietary data and multiples submitted by its customers. Customer-submitted data has been volunteered on an anonymised basis – approximate deal size, multiples and target company sector were disclosed but in many cases the identity of the target and acquirer were not divulged to respect confidentiality around pricing. It is therefore possible that a small number of deals have been double counted but our analysis concluded that there will be little, if any, impact on the output.

DEAL VALUES

Deal values are defined as Enterprise Values. Enterprise Values used in calculations include deferred/contingent payments, which will have the effect of increasing deal values and, therefore, multiples, in transactions that include an element of future consideration. Best efforts are used to estimate Enterprise Value where we believe that the only value disclosed relates to an equity value.

This is done by reference to the acquired company's last reported balance sheet, however, the level of completion cash and debt may vary materially from an acquired company's last reported balance sheet figures and there are instances where a recent balance sheet is not available and equity values cannot be adjusted for cash and debt.

EBITDA ADJUSTMENTS

EBITDA figures are, to the extent possible, adjusted for non-recurring and exceptional items to arrive at a 'clean' figure. However, owner-managed private companies may book expenses that are not separately disclosed but would not recur under new ownership, thus depressing profit and increasing the multiple. Conversely, some businesses may post artificially low salaries (perhaps because remuneration is taken predominantly through dividends), thus increasing profit and depressing the multiple.

Where only profit before tax has been sourced, best efforts are made to estimate EBITDA by reference to the relevant company's last reported results. Furthermore, we use a proprietary process for estimating earnings and, therefore, multiples in companies with limited disclosure. These companies' actual results may differ materially from our estimates.

TRAILING MULTIPLES

Where possible, current year financials are used as the basis of the denominator in Revenue and EBITDA multiples. Current year refers to the financials of the acquired company relating to the year in which it was acquired. Where current year estimates are not available the historic (last reported) figures are used. Historic trading may differ materially from current trading and may therefore not accurately represent the basis upon which the buyer priced the target.

PROVISIONAL DATA

Transaction data collected by MtM is gathered and enriched over time. When a deal completes, provisional data may be used from press releases and other sources, which may not accurately disclose the value of a deal. As such, some data, especially relating to more recent transactions, should be treated as provisional and it is possible that figures may change, perhaps materially, over time.

OUTLIERS

Outliers (for the purposes of calculating mean multiples):

Revenue multiples <0.1x; >10x

EBITDA multiples <1x; >50x

Mean multiples are presented in the main body of the report, however, we also disclose median multiples in the appendices, the latter to further lessen the influence of outliers.

OTHER POTENTIAL DISTORTIONS

Within the size indices, mean and median multiples will be influenced by the sector classification of transactions. Certain sectors tend to attract higher multiples – if there is a greater propensity of deals in these ‘higher-multiple’ sectors in a given year, the expectation is that the aggregate size multiple would be higher.

Within the sector indices, mean and median multiples will be influenced by the size of the underlying transactions. Size is a key determinant in the multiple paid for businesses – if there is a greater propensity of larger deals in a sector in a specific year, the expectation is that the aggregate sector multiple would be higher. There is a degree of subjectivity to the allocation of deals to sectors and this can have an impact on the output.

The MtM Indices are intended to be an average measure and guide to valuation multiples – there are many other considerations that may impact multiples. Users of this data assume full responsibility for any references to the MtM Indices and conclusions drawn from any usage. MarktoMarket has no liability for any damage caused by errors or omissions in any information.



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