

M&A Deal Advisory

Market Multiples & Valuation Trends

Market Insights

March 2024

INTRO

Multiple analysis

In the field of Mergers and Acquisitions and the broader scope of strategic financial choices, considering market data on value creation and the general trend in pricing for transactions within a particular industry or region is essential. Evaluating a firm's potential market price typically involves using financial ratios from similar publicly traded companies. The effectiveness and relevance of using these financial ratios is a common topic of discussion. Yet, understanding these ratios in the given industry and region is critical to informed strategic financial decision-making. Additionally, observing the changes in these ratios over different periods can provide deeper insights into the industry in question.

The study

At BDO we analyze on a quarterly base the Enterprise Value multiples (EV-to-EBITDA) of Western-European publicly traded companies. Our analysis will span different periods to provide a comprehensive view of the selected sectors we study, specifically focusing on the Food, Industrial and Tech industries. This approach will allow us to understand the trends and variations in these multiples over time, offering valuable insights into the financial landscape of these Western-European markets. In this study, we make several assumptions:

- Positive EBITDA
- Positive Enterprise Value
- Multiple between 0 and 20

Some remarks on sensitivity

- Enterprise Value \neq Equity Value. The Enterprise Value is the entire value of the business without considering its capital structure, and Equity Value is the total value of a business that is attributable to the shareholders. Equity value is calculated by taking a company's Enterprise Value and subtracting the value of any debt / debt equivalents owed by the company and then adding the value of any excess cash / cash equivalents owned by it.
- There are many types of enterprise valuation multiples used in financial analyses. Beside EV-to-EBITDA one can also use EV-to-EBIT of EV-to-Revenue. Depending on the characteristics of the specific company one can decide which type of multiple is most appropriate to use.
- This Market Multiple insight is based on Western-European publicly traded companies. These must not 1:1 be applied when valuing private SME companies. **In general, publicly traded companies' multiples are on average significantly higher (up to 50% or more) than multiples for private SME companies.** Reasons for this are for example differences in regulation, differences in size, illiquidity discounts, information asymmetry and (other) so called Small Firm Premiums that are applicable for valuing private SME companies.

Concluding remarks

At BDO Deal Advisory we can assist you with your business exit planning, divestment, acquisition and valuation requirements. We understand the business of private companies and make the correct choices of multiple(s) when valuing and comparing different type of companies. Want to know more about our Deal Advisory services or get in touch? Give us a call or send us an email.

BDO GLOBAL DEAL ADVISORY



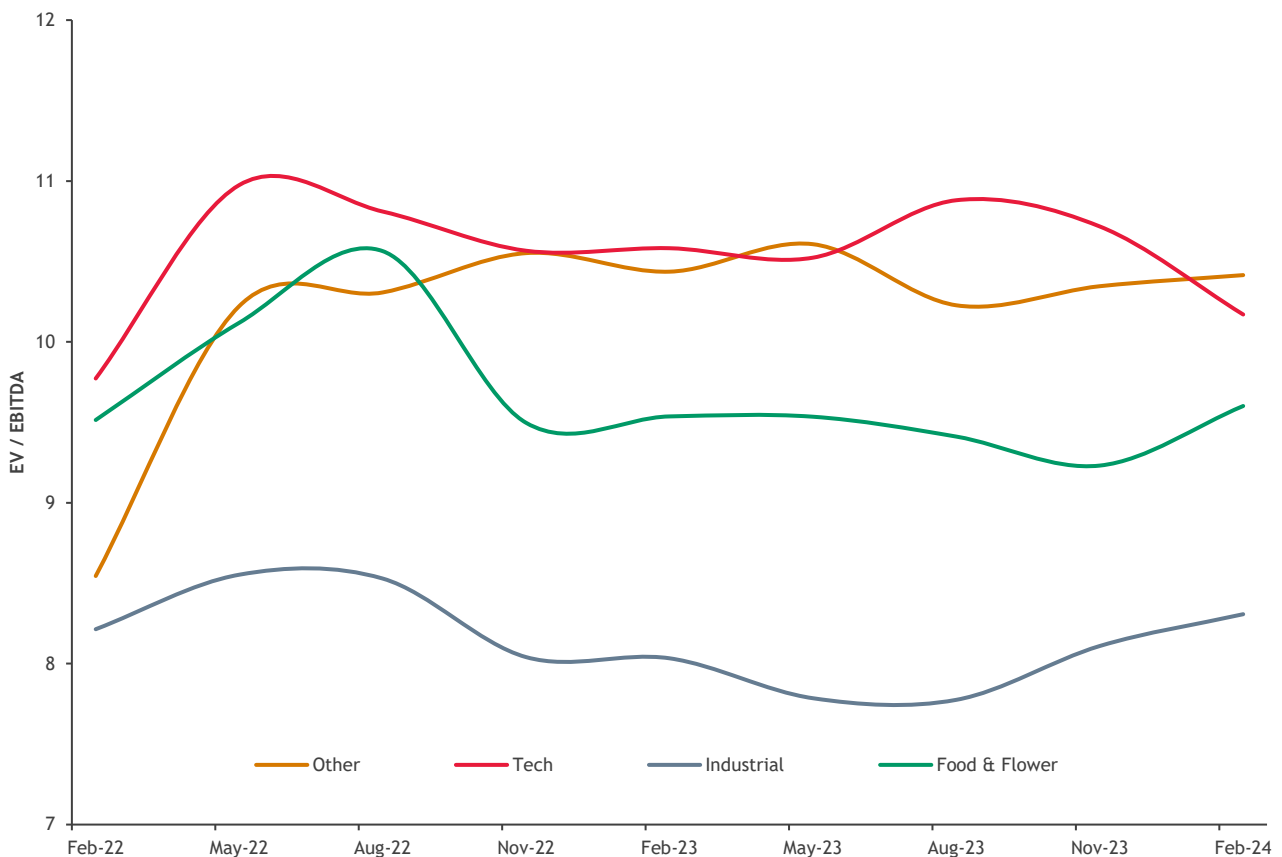
BDO Deal Advisory

Market multiples per industry

| BDO industry | N | EV/EBITDA | | | | | | | | | |
|---|------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| | | Feb-22 | May-22 | Aug-22 | Nov-22 | Feb-23 | May-23 | Aug-23 | Nov-23 | Feb-24 | |
| Food & Flower | 66 | 9,5 | 10,1 | 10,6 | 9,5 | 9,5 | 9,5 | 9,4 | 9,2 | 9,6 | |
| Agricultural Products and Services | 9 | 9,2 | 10,5 | 11,8 | 8,5 | 7,8 | 6,6 | 7,4 | 7,0 | 7,8 | |
| Food Distribution | 13 | 7,8 | 8,1 | 9,7 | 8,3 | 9,2 | 9,2 | 8,4 | 8,0 | 8,4 | |
| Packaged Foods and Meats | 23 | 9,9 | 10,6 | 9,9 | 10,6 | 11,0 | 11,9 | 10,8 | 10,9 | 11,0 | |
| Beverages | 21 | 11,1 | 11,3 | 10,9 | 10,6 | 10,1 | 10,4 | 11,0 | 11,0 | 11,1 | |
| Industrial | 151 | 8,2 | 8,6 | 8,5 | 8,0 | 8,0 | 7,8 | 7,8 | 8,1 | 8,3 | |
| Plastics & Packaging | 10 | 9,7 | 8,0 | 7,1 | 6,7 | 6,5 | 6,4 | 6,8 | 7,3 | 7,3 | |
| Metals & Machinery | 84 | 8,2 | 10,5 | 10,2 | 10,3 | 9,7 | 9,6 | 8,9 | 8,7 | 9,2 | |
| Commercial Construction Service | 32 | 7,6 | 7,6 | 8,2 | 7,4 | 8,1 | 7,2 | 7,9 | 8,7 | 8,4 | |
| Building Products | 25 | 7,4 | 8,2 | 8,7 | 7,8 | 7,7 | 7,9 | 7,5 | 7,7 | 8,3 | |
| Tech | 113 | 9,8 | 11,0 | 10,8 | 10,6 | 10,6 | 10,5 | 10,9 | 10,7 | 10,2 | |
| IT Services (Consulting, Infrastructure, Cloud) | 32 | 12,0 | 12,6 | 11,8 | 11,4 | 10,7 | 10,9 | 11,3 | 11,9 | 11,2 | |
| Interactive Media & Services | 38 | 9,5 | 10,0 | 10,7 | 10,6 | 10,2 | 10,4 | 10,7 | 10,0 | 9,8 | |
| Software (Applications & Systems) | 31 | 9,9 | 12,3 | 11,7 | 11,3 | 12,5 | 12,6 | 12,9 | 12,5 | 12,1 | |
| Telekom | 12 | 7,7 | 9,1 | 9,1 | 9,0 | 8,9 | 8,3 | 8,6 | 8,5 | 7,7 | |
| Other | 356 | 8,5 | 10,2 | 10,3 | 10,6 | 10,4 | 10,6 | 10,2 | 10,3 | 10,4 | |
| Transport & Logistics | 21 | 7,5 | 9,8 | 9,6 | 10,2 | 10,0 | 9,7 | 9,1 | 9,5 | 8,9 | |
| Chemicals | 33 | 7,6 | 8,9 | 9,3 | 9,0 | 10,1 | 10,3 | 9,7 | 11,2 | 10,9 | |
| Energy & Utilities | 54 | 7,2 | 10,2 | 9,8 | 10,7 | 9,8 | 9,1 | 9,3 | 8,6 | 8,8 | |
| Financials | 58 | 9,9 | 11,8 | 11,1 | 11,2 | 11,1 | 11,4 | 11,0 | 10,9 | 10,6 | |
| Leisure | 27 | 11,6 | 11,4 | 11,8 | 11,5 | 11,3 | 11,2 | 10,7 | 10,3 | 10,2 | |
| Entertainment | 14 | 7,0 | 10,3 | 10,5 | 12,0 | 9,3 | 10,8 | 10,0 | 11,1 | 11,5 | |
| Real estate | 31 | 9,5 | 10,9 | 12,0 | 11,4 | 11,4 | 12,3 | 11,2 | 11,8 | 12,3 | |
| Healthcare | 71 | 9,0 | 10,5 | 11,0 | 10,7 | 10,7 | 10,9 | 11,0 | 10,9 | 11,5 | |
| Consumer goods | 58 | 8,5 | 10,1 | 9,5 | 9,9 | 10,4 | 10,5 | 10,3 | 9,7 | 10,3 | |
| Retail | 46 | 7,6 | 8,2 | 8,3 | 9,0 | 10,2 | 10,1 | 9,9 | 9,4 | 9,1 | |
| Grand Total | 935 | 9,1 | 10,4 | 10,4 | 10,3 | 10,1 | 10,2 | 10,0 | 10,0 | 10,0 | |

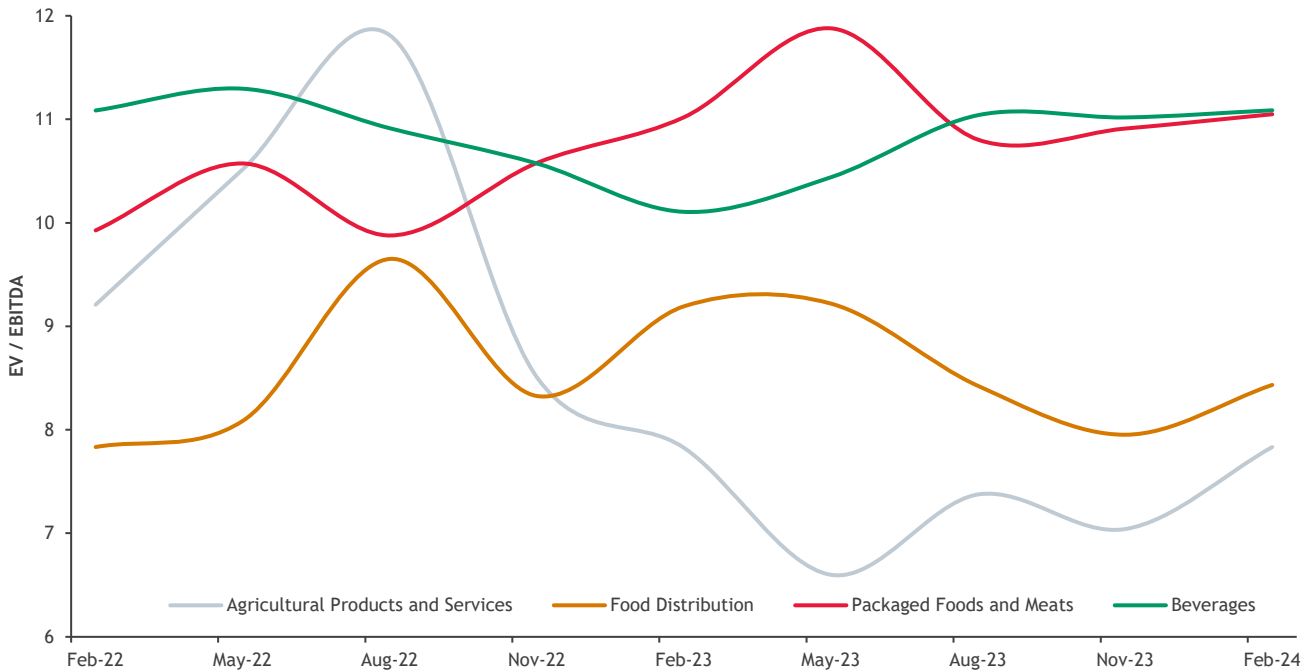
Source: Capital IQ

Notes: total number of firms in the sample N = 935, Additional adjustments (such as size premia/ discounts, minority discounts) have neither been applied nor reflected graphically. The EV/EBITDA multiples must not 1:1 be applied when valuing non-listed private SME companies. In general, publicly traded companies' multiples are on average significantly higher (up to 50% or more) than multiples for private SME companies. Reasons for this are for example differences in regulation, differences in size, illiquidity discounts, information asymmetry and (other) so called Small Firm Premiums that are applicable for valuing private SME companies, The displayed lines are based on EV/EBITDA multiples per quarter and should therefore be considered as a stylized representation of reality



BDO Food & Flower Deal Advisory

Market multiples & valuation trends



Source: Capital IQ
 Notes: total number of firms in the sample N = 66, Additional adjustments (such as size premia/ discounts, minority discounts) have neither been applied nor reflected graphically.

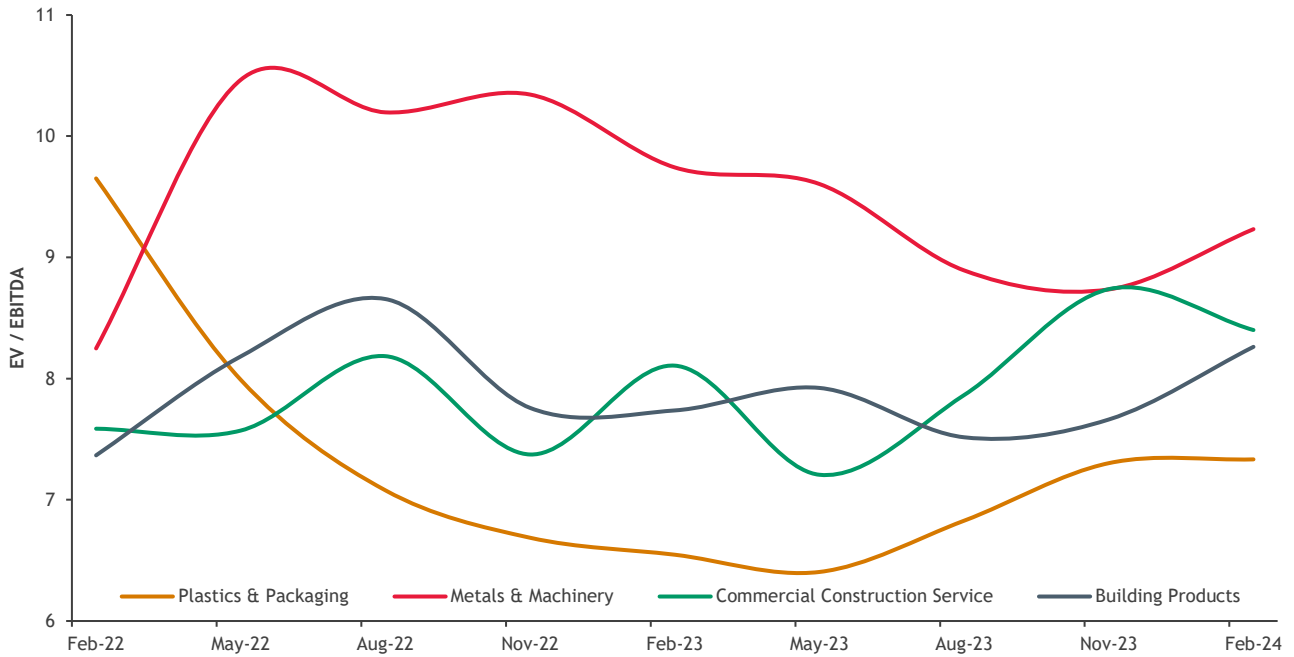
“We leverage on an extensive network in the food- and horticulture industries and work closely with our clients to understand their unique needs and goals. This empowers us to provide innovative solutions to help them achieve success in their competitive markets”

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Onderzoek
Innovatie in de Nederlandse foodsector

BDO Industrial Deal Advisory

Market multiples & valuation trends



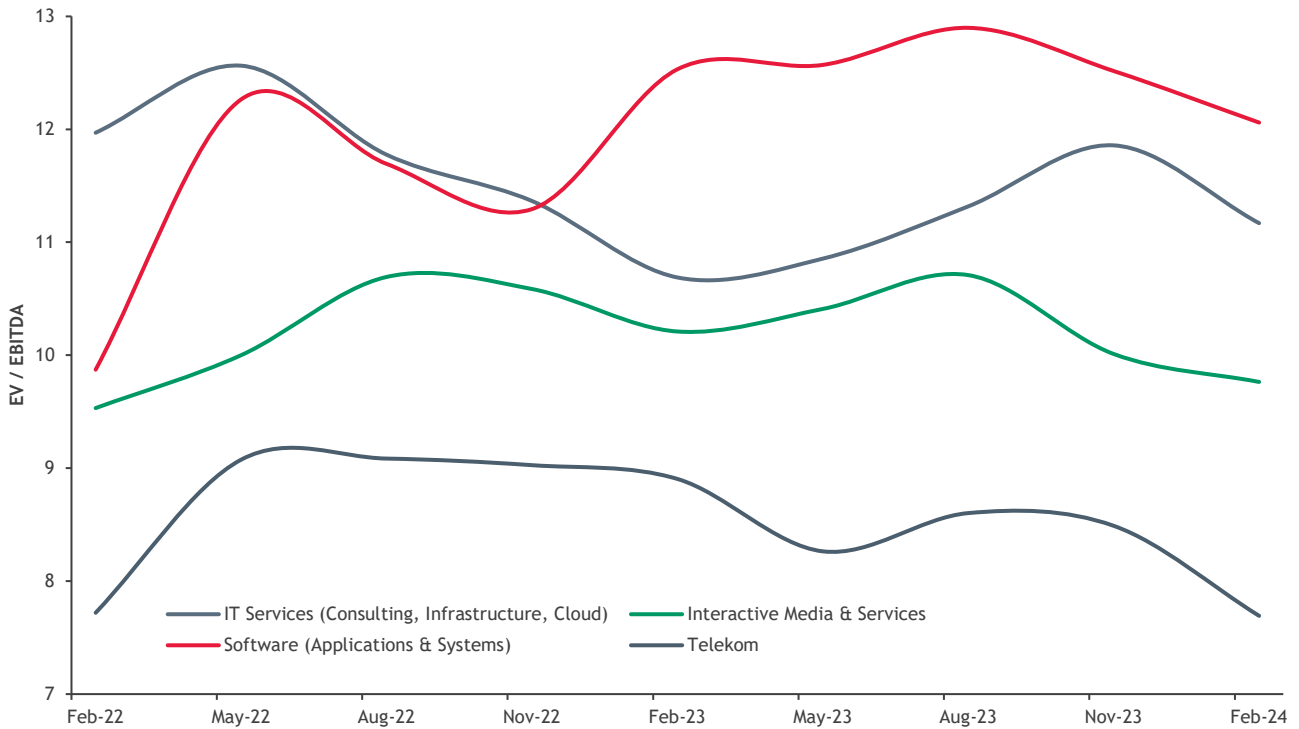
Source: Capital IQ
 Notes: total number of firms in the sample N = 151, Additional adjustments (such as size premia/ discounts, minority discounts) have neither been applied nor reflected graphically.

“We focus on Plastics & Packaging and Machinery & Metalworking where we have extensive deal experience and work closely with key industry bodies to provide real solutions today for tomorrow's challenges”

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BDO Tech Deal Advisory

Market multiples & valuation trends



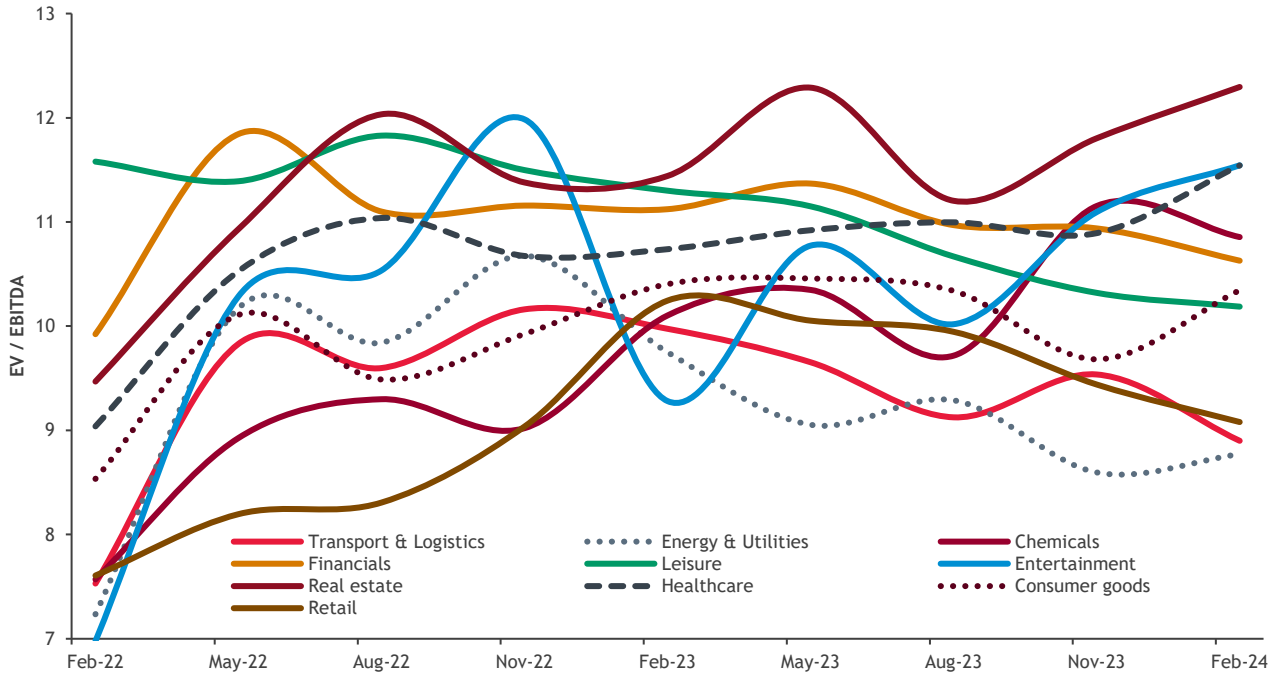
Source: Capital IQ
 Notes: total number of firms in the sample N = 113, Additional adjustments (such as size premia/ discounts, minority discounts) have neither been applied nor reflected graphically.

“We focus on Digital Agencies, IT Services and Vertical Market Software where we possess in-depth knowledge and maintain a comprehensive understanding of the buyer landscape”

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BDO Deal Advisory

Market multiples & valuation trends



Source: Capital IQ
 Notes: total number of firms in the sample N = 356, Additional adjustments (such as size premia/ discounts, minority discounts) have neither been applied nor reflected graphically.

“As a key member of the BDO international network, we have a presence in every major global financial and commercial centre. By working with an international organisation that carries huge amounts of expertise across multiple areas, you can take advantage of our flexible and pragmatic approach in corporate finance or beyond”

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BDO Deal Advisory

Deal Advisory Services

When you are looking to complete a deal or fundraising for growth or expansion you need advisers who understand your business, industry and market. By choosing to work with us, you will have access to the full range of corporate finance services from M&A strategy, debt advisory and due diligence through to post-deal value creation. You will get comprehensive and holistic support throughout the transaction process.

Your trusted deals advisor

Our partner-led teams have entrepreneurial spirit. They will invest the time to understand you, your business and your objectives and your lead partner will be involved throughout the project, not just in bidding for work. The team you work with will have the right experience and expertise to help you achieve your strategic objectives, make the most of opportunities and minimise risk.

Private Equity

If your business needs investment, Private Equity (PE) should always be one of the options you consider. Whether it is the first time you are using PE or you are a PE veteran, it can be a transformative and rewarding experience. Our advice will help you avoid the pitfalls and reap the rewards of working with PE investors.

We have strong relationships with trusted PE houses and understand the entrepreneurial spirit that underpins PE investments and portfolio companies. Whether you are looking for a PE investment for the first time, need support in managing your relationship with your investors, or are preparing for an exit, our team can help you get the most out of your Private Equity journey.

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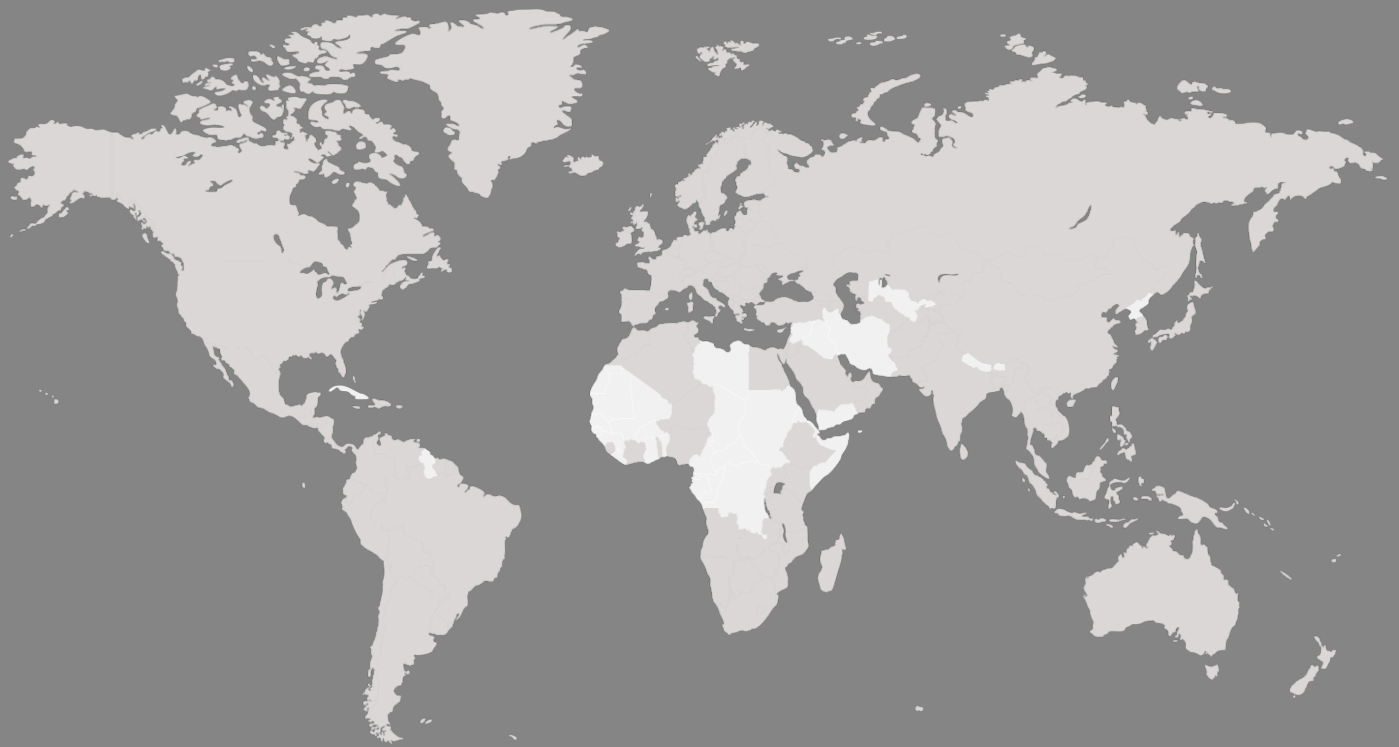
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