

Buzzacott

Sector Valuation Insight Report

June 2023

Foreword

**Welcome to the June 2023
Sector Valuation Insight Report,
created by our Corporate
Finance team at Buzzacott.**

Trying to understand the impact of the adverse economic climate and subsequent instability on certain industries and companies is challenging to say the least. With continued geopolitical uncertainty, coupled with recessionary pressures worldwide, many industries continue to face challenging market conditions. Which businesses will show resilience against the uncertain economic climate and what is the impact for investors' existing and prospective portfolios amidst the current economic climate?

In this report, we showcase the analysis carried out on EV/EBITDA multiples for c.1,200 global businesses, looking at current valuations across the following eight key sectors:

- Financial Services
- Food & Beverage
- Real Estate
- Consumer
- Business Services
- Healthcare
- Media & Entertainment
- Technology

We have analysed a wide range of businesses, from smaller (<£100m revenue), mid-sized (£100m – £500m) to larger (>£500m revenue) sized businesses. We considered the movement of specific sector valuation performance over a 12-month period from July 2022 to June 2023, the absolute multiples of each sector as at June 2023, alongside the transactional volume in each sector over the second quarter of 2023. Our full criteria and sources are shown towards the end of this document.

Please note, in this edition of the Sector Valuation Insight Report the sample size across the eight sectors has been expanded, enabling a greater coverage and perspective of sector performance.

Overall Market Trend

Key Findings

The challenging economic landscape from Q1 of 2023 still remains, amidst periods of uncertainty and geopolitical instability. Whilst things look positive for some sectors, namely Business Services and Technology, the continued high levels of inflation and consequent impact on costs of living continue to affect consumer spend with knock-on effects to other areas of the market.

Although the economic outlook remains challenging for many sectors, the volume of transactions that have occurred amongst both financial and strategic buyers/investors remains buoyant, with an impressive total of 3,055 transactions in Q2 compared with 3,014 in Q1. Both the Technology and Consumer sectors continue to stand out for heightened M&A activity, with 623 and 681 transactions

taking place respectively amongst these two sectors. Real Estate continues to struggle in comparison to 12-months prior, though deal activity has increased versus Q1 of this year.

Despite lower deal volumes versus other sectors, Business Services multiples proved to be the most robust, growing over Q2 by 5%, closely followed by the Technology sector, which saw a 4% increase. Contrastingly, the Healthcare sector experienced a second consecutive quarter of falling multiples, declining by 16% in Q2.

APR 23 - JUN 23

Average combined
TEV/EBITDA Multiple

13.9x

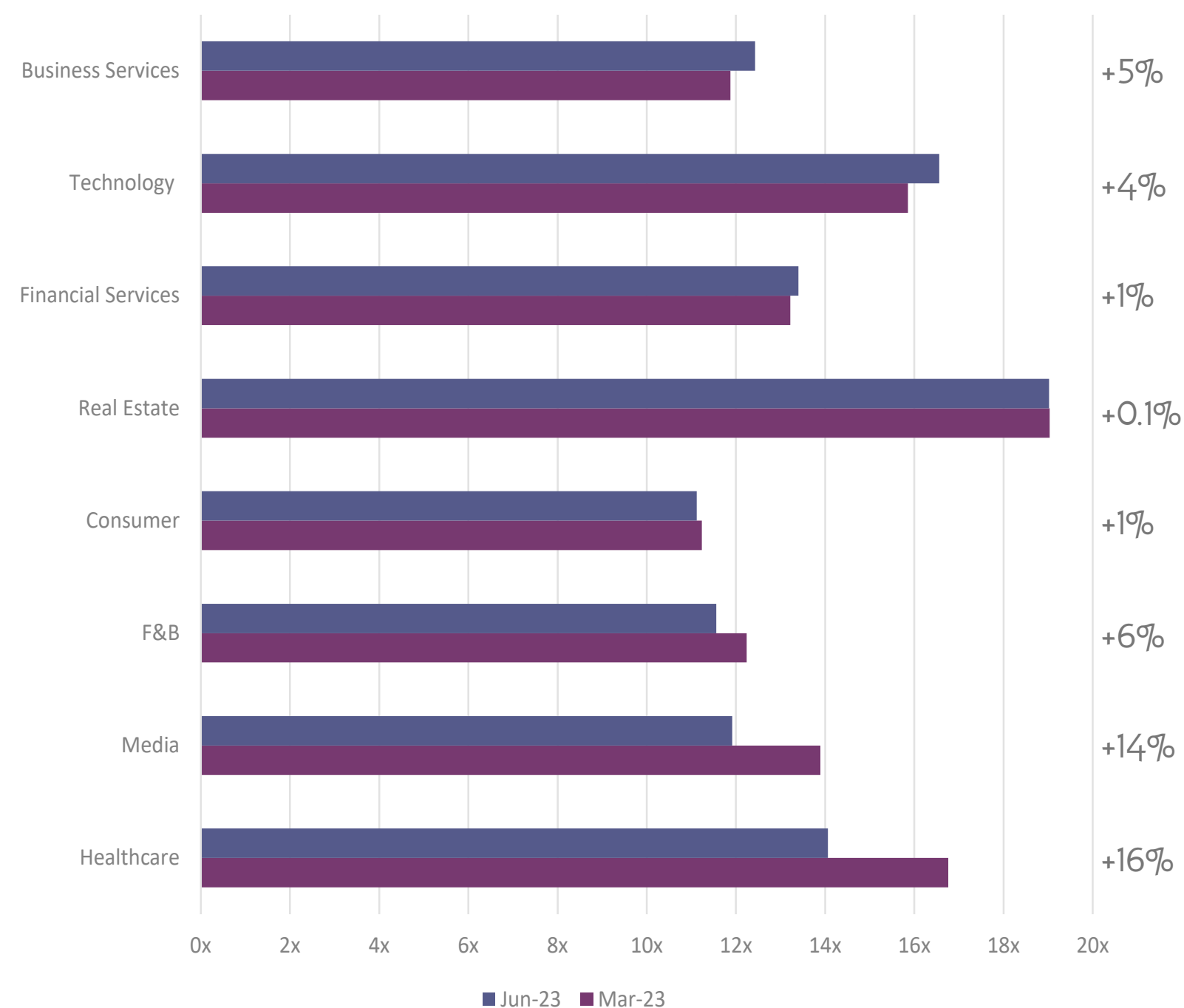
Decline in combined sector
TEV/EBITDA multiple

3.5%

M&A Transactions

3,055

TEV/EBITDA Variance – Jun 23 vs Mar 23



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Individual Sector Analysis

Average
TEV/EBITDA Multiple

13.0x

Increase in average
TEV/EBITDA multiple

1%

Transactions

345



Greg Westcott
Manager | M&A Advisory

SECTOR OVERVIEW

Financial Services

The Financial Services sector has continued to experience an unsettling few months amidst ongoing macroeconomic uncertainties in the form of continued increases in interest rates in a bid to ease inflationary pressures alongside further bank closures.

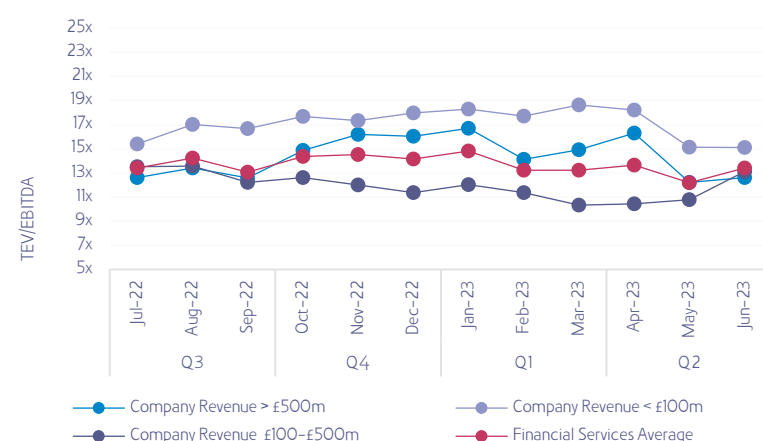
Despite the lingering uncertainty that exists within the sector, from a deal volume perspective the Financial Services sector has experienced stable figures in comparison to Q1. However, when comparing deal volumes

to the comparable period in 2022, M&A activity has decreased by 36% which can largely be attributed to a more risk-averse position with buyers and lenders due to the increased cost of borrowing restricting activity.

Whilst there has been a second quarter of slower M&A activity, TEV/EBITDA multiples have held steady with a moderate 1% increase on Q1 and an average of 13.0x.

The recent banking collapses in both North

America and Europe have put notable pressure on the wider banking system, with a growing number of small and medium-sized banks feeling the strain with a growing trend towards consolidation. The largest and most notable recent demise is that of Credit Suisse Group, which was purchased by Swiss rivals UBS for c.£2.8bn. Other examples of this consolidation, which is more prominent in the US, include Bank First Corporation's merger with Hometown Bancorp, alongside Mid Penn Bancorp's acquisition of Brunswick Bancorp for £37m.



Date	Acquirer/Investor	Target	Transaction Value
12-Jun	UBS Group AG	Credit Suisse Group AG	£2.8bn
19-May	Mid Penn Bancorp Inc	Brunswick Bancorp	£37m
10-May	Amynta Agency Inc	Ambridge Partners LLC	£17m
21-Apr	Altaris Capital Partners LLP	Trean Insurance Group Inc	£136m
6-Apr	Investor Group	Net Insurance S.p.A	£93m

Average
TEV/EBITDA Multiple

12.0x

Decrease in average
TEV/EBITDA multiple

6%

Transactions

170



Meera Shah
Director | M&A Advisory

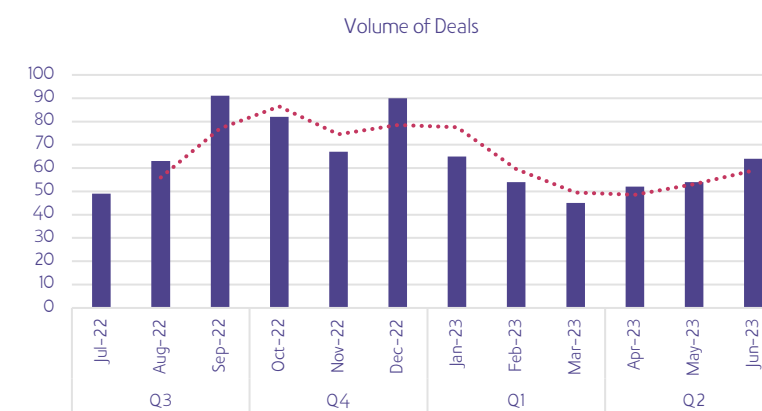
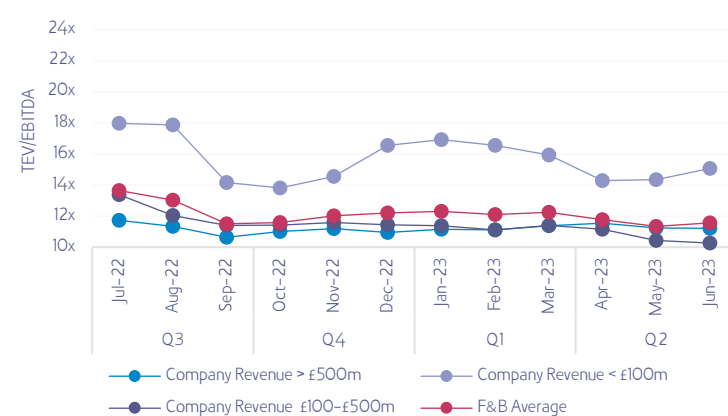
SECTOR OVERVIEW

Food & Beverage

Given the continued cost of living crisis, and an increase in taxes on some alcohol products in the UK, the limited shelf space for many F&B products has driven greater competition in the sector. This has come with many positives, for example the level of innovation that it drives in order for new products to have their USP over others. This has resulted in a healthy level of deal volumes, with 170 transactions in Q2 and only a small decrease in average TEV/EBITDA multiples, remaining at a strong 12.0x on average.

In the more niche sectors such as the plant-based sector, acquisitions have increased as more established players such as Wicked Foods Inc look to expand and innovate through acquisition given the large numbers of earlier stage players in the market.

The same is true of many companies in the drinks industry, with acquisitions and investments by Diageo and The Keepers, helping interesting spirit producers reach scale through opening up their established manufacturing facilities and other know-hows.



Date	Acquirer/Investor	Target	Transaction Value
1-Jun	Luxco Inc	Penelepo Bourbon LLC	£174m
23-May	Wicked Foods Inc	Current Foods Inc	N/A
28-Apr	BEWI Invest AS	Sinkaberg Hansen AS	£166m
17-Apr	The Keepers Holdings Inc	Bodegas Williams & Humbert	£78m
14-Apr	Saria SE & Co	Devro Plc.	£632m

Average
TEV/EBITDA Multiple

19.0x

Increase in average
TEV/EBITDA multiple

1%

Transactions

298



James Wood
Senior Manager | Transaction Services

SECTOR OVERVIEW

Real Estate

There persists to be challenges across the Real Estate sub sectors with the return to work debate impacting office spaces, residential valuations being hit due to rising interest rates despite the global shortage in affordable housing, the rise of e-commerce impacting retail and cost of living crisis reducing expenditure on hospitality.

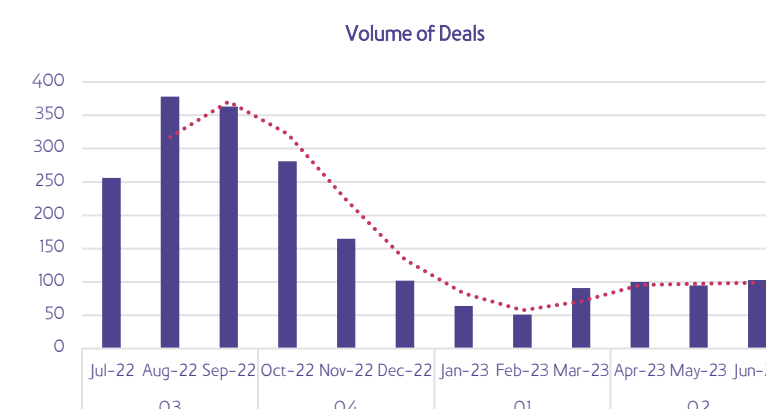
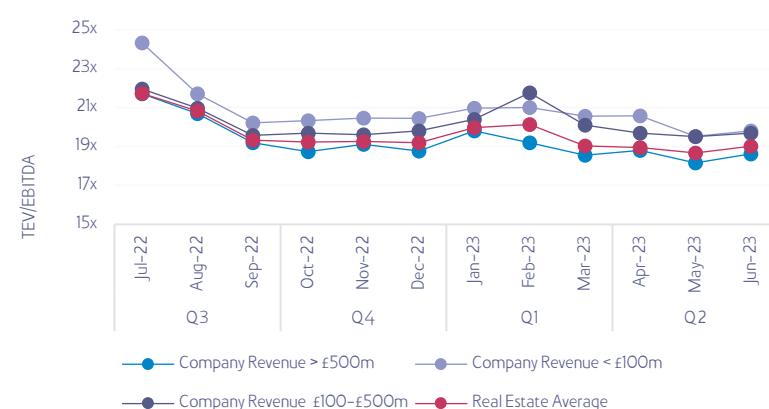
Despite these challenges, the sector has experienced significant increases in terms of deal volume (increasing 114%) over Q2 2023. Though deal volumes remain behind

the previous year, which experienced a significant bounce back post Covid, the monetary policies deployed by central banks have meant that the increased cost of borrowing is expected to continue to restrict the activity in this sector.

Valuation multiples have declined slightly in this quarter but appear to have levelled out over the past nine months. These lower multiples are expected to continue as this capital dependent market is squeezed by interest rate rises. The lower valuations are

expected to draw in new dealmakers into the market with PE and similar investors with capital to deploy over in the short term expected to enter the market.

The announcement of property developer, Evergrande's record \$81bn loss over the 2 years to 2022 made global headlines as China's Real Estate sector continues to struggle which is a clear barometer that the sector is facing considerable challenges. However, the continued demand for real estate is expected as investors look to adopt a longer-term view on the sector.



Date	Acquirer/Investor	Target	Transaction Value
30-Jun	Primonial REIM & Société Générale Assurances	Icade Sante SAS	£1.2bn
7-Jun	CBRE Group	Valuation & Information Group	N/A
7-Jun	Sheldon Bosley Knight (SBK) Limited	Andrew Greenwood Estate Agents Limited	N/A
12-May	The Procter & Gamble Company	Kansas City Plant	N/A
11-May	Strike Limited	Purplebricks Group Plc	N/A

Average
TEV/EBITDA Multiple

11.0x

Decrease in average
TEV/EBITDA multiple

1%

Transactions

681



George Thresh
Senior Manager | Transaction Services

SECTOR OVERVIEW

Consumer

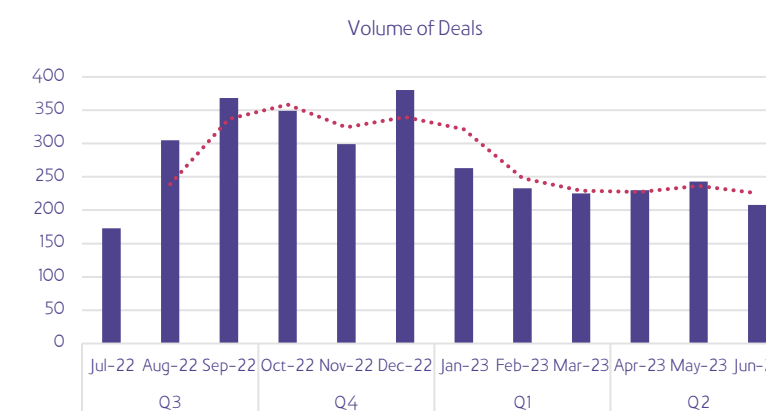
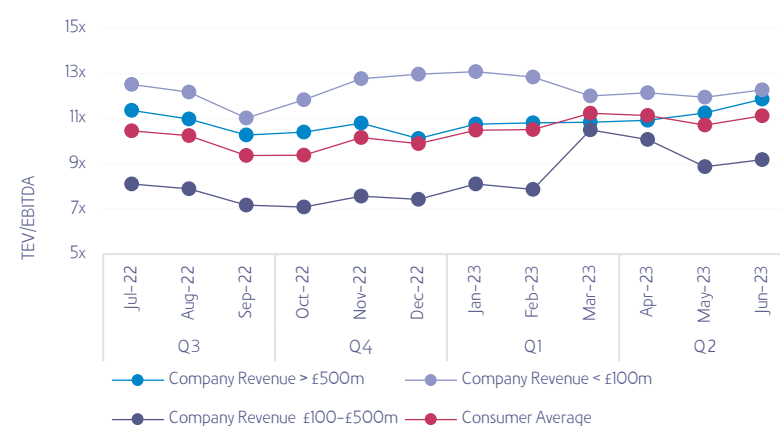
The last quarter in the consumer sector saw mixed fortunes for many. On the one hand, high end luxury brands performed well with LVMH, Hermes, Burberry and Christian Dior all touching all-time highs at some point over the quarter. However fast fashion retailers continued the struggles seen in Q1 with neither ASOS or Boohoo improving on the challenged performance seen in our March 2023 report.

Generalist brand portfolio holding companies Unilever and Procter &

Gamble performed similarly, with both companies seeing strong gains in share price in April and May before seeing these largely fall away in June.

On a sector overall view, TEV/EBITDA multiples remained largely consistent at 11.0x (just a 1% decrease from the previous quarter). Deal volumes remained depressed (when compared to historic levels) with only 681 transactions completed (down from 721 in the previous quarter).

There were a few notable transactions over the quarter, most significantly the £2bn acquisition of Tom Ford by Estee Lauder and the £2.5bn acquisition of TravelCentres of America by BP Products. Both transactions have changed the landscape of their respective industries (fashion for Tom Ford, retail/convenience for TA). Both transactions have changed the landscape of their respective industries (fashion for Tom Ford, retail/convenience for TA) through sheer size and cultural impact.



Date	Acquirer/Investor	Target	Transaction Value
28-Apr	Estee Lauder	Tom Ford International	£2,041m
15-May	BP Products	TravelCenters of America	£2,539m
20-Apr	N/A	Dowlais Group	£1,981m
9-Jun	Frasers Group	AO World	£74m
24-May	eComm Holding	Spherio Group	£23m

Average
TEV/EBITDA Multiple

12.0x

Increase in average
TEV/EBITDA multiple

5%

Transactions

229

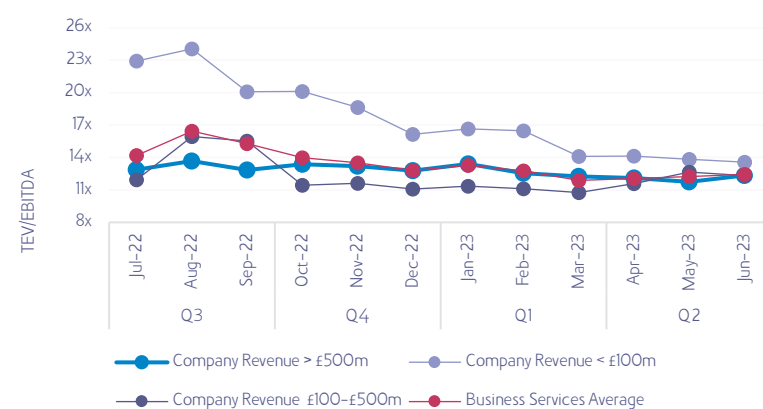


Sriram Ainkaran
Assistant Manager | M&A Advisory

SECTOR OVERVIEW

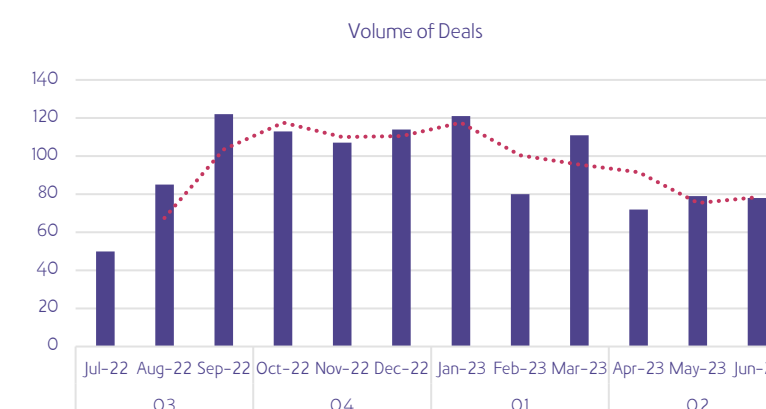
Business Services

The Business Services industry witnessed a noteworthy decline in the average TEV/EBITDA multiple from 15.0x in Q1 2023 to 12.0x in Q2 2023. This reduction was primarily driven by the fall in TEV/EBITDA multiple of small business services firms (<£100m revenue) at the tail end of Q1. However, on a positive note, this trend stabilised during Q2 2023, indicating a potential moderation of cost pressures caused by wage inflation.



In terms of sub-sector performance, Q2 2023 saw M&A and other corporate transactions experiencing weakened revenues, primarily influenced by higher funding costs, which subsequently constrained the number of such initiatives. Additionally, the Construction and Logistic sub-sectors also experienced reduced demand during Q2 2023.

Despite the challenges experienced by select sub-sectors, the Business Services industry is witnessing a gradual recovery



in sentiment, fuelled by a more positive economic outlook. Notably, the average TEV/EBITDA ratio during Q2 2023 showed improvement. Furthermore, there continues to be a significant number of transactions in the sector, ranging from small to large cap, as the compression in multiples sparks increased interest from Private Equity. The most notable example of this in Q2 2023 was QI Partner's all-cash acquisition of Atlas Technical Consultants at £788m.

Date	Acquirer/Investor	Target	Transaction Value
31-May	Inspirit Capital	Capita Resourcing	£21m
17-May	Ripple Labs Inc.	Metaco SA	£200m
9-May	Kin and Carta Plc	Forecast Data Services Ltd.	£13m
19-Apr	QI Partners	Atlas Technical Consultants Inc.	£788m
1-Apr	Heidrick & Struggles Inc	Business 3.0 Ltd	£14m

Average
TEV/EBITDA Multiple

15.0x

Decrease in average
TEV/EBITDA multiple

16%

Transactions

370

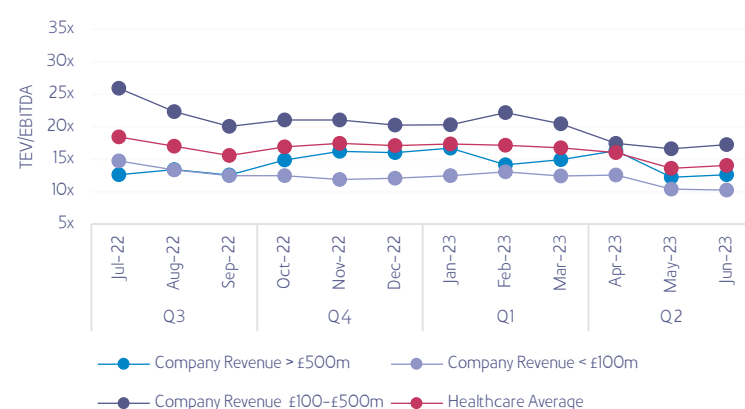


Ashleigh Barghuti
Executive | Valuations

SECTOR OVERVIEW

Healthcare

M&A activity in the healthcare sector has remained steady in the second quarter of FY23 as it continues to play a crucial role in the competitive strategies of both large and mid-cap firms. A notable instance is QSK's £1.3bn acquisition of Bellus in June 2023, aimed at bolstering its competitiveness against Merck's offerings in treating chronic cough.



However, the sector experienced a decline in TEV/EBITDA multiples, dropping from an average of 18.0x in Q1 FY23 to 15.0x in Q2 FY23. This shift can be attributed to two key trends:

1. Investors are shifting their focus away from more defensive investment options, such as healthcare, in favour of industries presenting higher growth potential.
2. The normalisation of healthcare spending to pre-pandemic levels has led to a reduction in growth rates.

Whilst there continues to be significant interest for M&A activity in the sector, it is important to note that the number of transactions in this quarter is roughly 40% lower than the same quarter in FY22. The likelihood of witnessing comparable levels of activity in the short term is low due to the persistent challenges associated with accessing capital.



Date	Acquirer/Investor	Target	Transaction Value
28-Jun	QSK Plc	BELLUS Health Inc	£1.3bn
22-Jun	Tilray Brands Inc	HEXO Corp.	£121m
1-Jun	Lonza Group AG	Synaffix BV	£138m
13-Jun	Antech Diagnostics Inc	Heska Corporation	£1.1bn
17-May	Alimera Sciences Inc	YUTIQ	£64m

Average
TEV/EBITDA Multiple

13.0x

Decrease in average
TEV/EBITDA multiple

14%

Transactions

339



Meera Shah
Director | M&A Advisory

SECTOR OVERVIEW

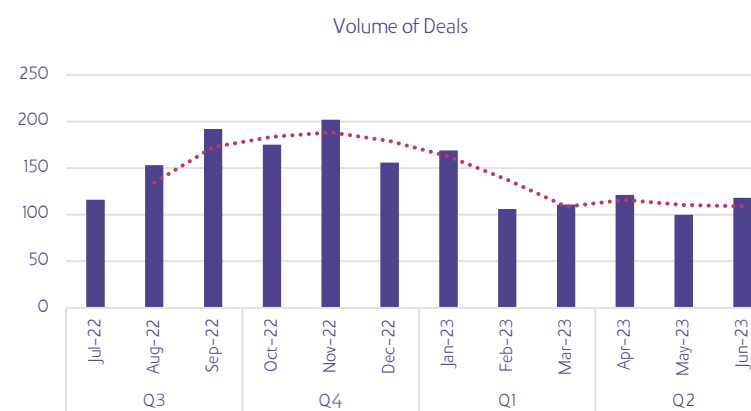
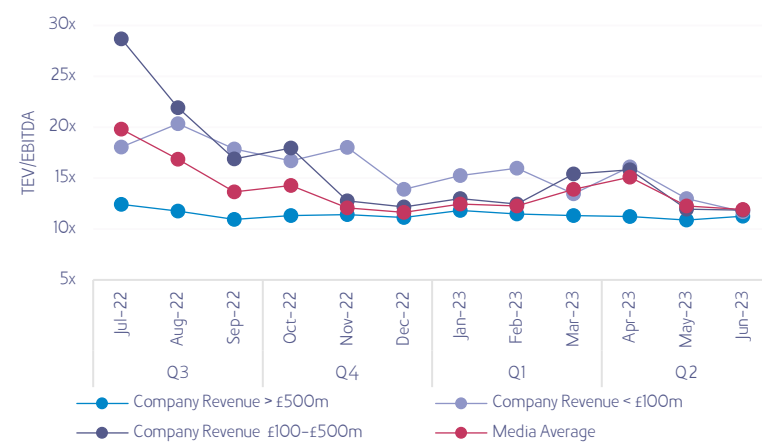
Media & Entertainment

This sector is continuing to reap the rewards of the post-Covid trends which are clearly here to stay. Deal activity being more buoyant in this sector compared to other sectors is reflective of the increased demand for Media and communication needs due to businesses increasing the quantity and quality of connectivity and communication.

The convergence of entertainment and education, with for example more education-related content being focused on, has been an additional breakthrough for the sector. Companies such as Moonbug who acquired Cocomelon, benefiting from this trend in demand.

TEV/ EBITDA multiples have decreased slightly on average in Q2 compared to Q1. This could be attributable to the flight to more resilient sectors away from those more dependent on high levels of consumer spend.

Whilst Shutterstock's acquisition of Giphy from Meta was partly driven by the UK regulatory need to maintain competition in the market, it is indicative of the money that is being invested in newer forms of communication, backing the trends in the sector.



Date	Acquirer/Investor	Target	Transaction Value
23-Jun	Shutterstock Inc	Giphy Inc	£100m
25-May	Mithaq Capital SPC	Aimia Inc	£22m
22-May	Providence Equity LLP	Hyve Group Plc	£44.2m
1-Apr	Goldbach Group AG	Clear Channel Schweiz AG	£76m
1-Apr	Keywords Studios Plc	Digital Media Management Inc.	£55m

Average
TEV/EBITDA Multiple

16.0x

Increase in average
TEV/EBITDA multiple

4%

Transactions

623



Anna-Louise Shipley
Associate Director | M&A Advisory

SECTOR OVERVIEW

Technology

Accounting for the widened dataset and as anticipated in our previous sector report, the overall trend persists; there was relative stability in valuations across the sector without signs of returning to their previous, arguably inflated, level. However, this wider analysis has highlighted the greater volatility of valuation experienced by the smaller companies.

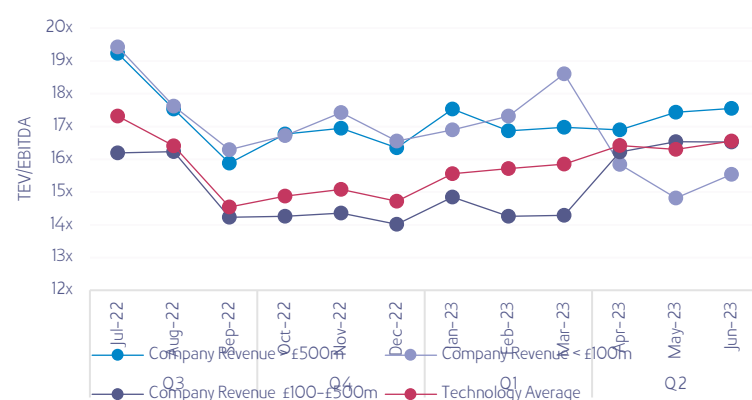
Likely due to the comparatively suppressed valuation level, the volume of deals has continued to trend

downwards. This suggests there to be a pent-up demand to transact from those holding out for increased valuations. Should this valuation level hold, it is likely demand will begin to unwind and drive a recovery in deal volumes.

For some time now, data has been a currency that transcends borders and nine months on from the launch of Chat GPT, there is an ever-increasing prevalence of AI in sectors far beyond the Technology space. This value placed on data and the

desire for AI to provide a competitive edge is evident in Snowflake’s acquisition of Neeva, a search company which utilises generative AI to optimise data search capabilities.

While there remains great uncertainty around the regulation of AI, it is undoubtedly going to be a key aspect of the future landscape and will be driving the volume and value of transactions in the technology space.



Date	Acquirer/Investor	Target	Transaction Value
27-Jun	Socure Inc	Berbix Inc	£55m
24-May	Insight Venture Management LLC	SignUp Software AB	£156m
24-May	Snowflake Inc	Neeva Inc	£121m
15-May	Mecanizados Escribano S.L.	Indra Sistemas S.A	£57m
27-Apr	SAI Global Compliance Inc.	EvoTix Limited	£97m

Criteria and Sources

Criteria

Our Sector Valuation Insight Report evaluates a sample of global publicly traded companies' financial performance over the 12-month period July 2022 to June 2023, focusing on the following eight sectors:

- Financial Services
- Food & Beverage
- Real Estate
- Consumer
- Business Services
- Healthcare
- Media & Entertainment
- Technology

For each sector, we have selected a minimum sample of 150 listed companies, of which there is an even mix of 'small' (<£100m annual revenue), 'medium' (£100m – £500m revenue) and 'large' (>£500m) companies. We have calculated specific data points at the end of each month, identifying trends and key movements throughout the second quarter of 2023.

The results within the report are based on the average trading EV/EBITDA multiple of our selected samples, which have been filtered by largest Enterprise Value to smallest. We have not considered any loss-making businesses, and have excluded any anomalies from our sample.

We have specifically focused on the following geographies: Europe, USA & Canada.

Sources

Data has been sourced from:

- S&P Capital IQ Pro – correct as of 30 June 2023.

Corporate Finance

Overview

Buzzacott has one of the fastest growing Corporate Finance teams in the UK, firmly committed to helping entrepreneurs build and realise value over the long term.

The 15 strong team typically work with businesses valued between £10m to £100m+.

Lead Advisory:

- Mergers and acquisitions (M&A)
- Private equity
- Debt advisory
- Capital fundraising

Transaction Services:

- Financial Due Diligence
- Tax Due Diligence
- Acquisition Tax Structuring

Valuation Services:

- Commercial valuations
- Contentious valuations
- Financial & management reporting valuations
- Tax valuations

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