

Buzzacott

Sector Valuation Insight Report
April 2023

Foreword

Welcome to the April 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. What's more some businesses have come back stronger from Covid-19 and others are still dealing with the negative impacts faced during the pandemic. Which businesses will show resilience against the uncertain economic climate and what is the impact for investors' existing and prospective portfolios?

In this report, we showcase the analysis carried out on EV/EBITDA multiples for c.500 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) and larger (>£500m revenue) sized businesses. We considered the movement of specific sector valuation performance over a 12-month period from April 2022 to March 2023, the absolute multiples of each sector as at March 2023, alongside the transactional volume in each sector over the first quarter of 2023. Our full criteria and sources are shown towards the end of this document.

Overall Market Trend

Key Findings

Businesses continue to trade and transact with a fairly uncertain economic and political backdrop, with three key challenges across multiple industries being rising inflation, downward pressure on consumer spend, and supply chain issues.

Despite these difficulties, the M&A and investment market continues to be fairly active, with continued funding available and being newly raised, and in most sectors latest deal volumes are broadly in line with those of the same months 12 months prior. The only exception to this is that of Real Estate, which has seen an 86% decline from Apr-22 to Mar-23. Despite this, over 3,000 transactions were completed during the first quarter of 2023.

Transactions are taking longer to complete, partly due to greater scrutiny in uncertain times, and also because of the flight to quality, with more focus on investments and acquisitions of the resilient businesses. This has meant multiples across the board have broadly held up as shown in our trend analysis, though there have been nuance variances by sector. This can be demonstrated by the slight 1% average EV/EBITDA multiple increase across the eight sectors analysed.

Sectors wise, despite the decline in transaction volume, Real Estate multiples proved to be most robust, growing over Q1 by 5%, closely followed by the Media and Entertainment sector, up by 4%. Conversely, the Healthcare sector has struggled with the average multiple falling by 6%.

19.3x

Average combined
TEV/EBITDA Multiple
(Jan 23 - Mar 23)

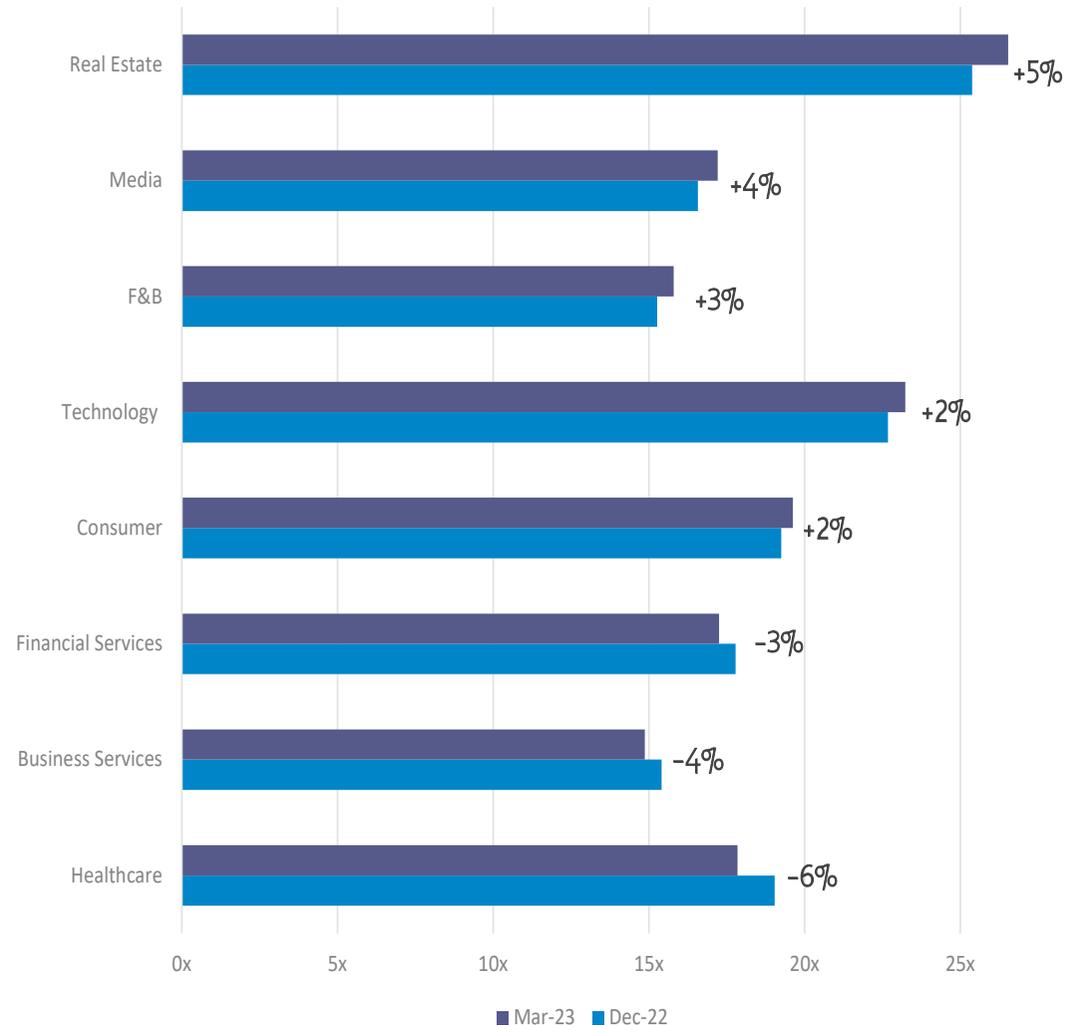
1%

Growth in combined sector
TEV/EBITDA multiple
(Jan 23 - Mar 23)

3,014

M&A Transactions
(Jan 23 - Mar 23)

TEV/EBITDA Variance – Q1 2023 vs Q4 2022



Valuation by Sector Analysis

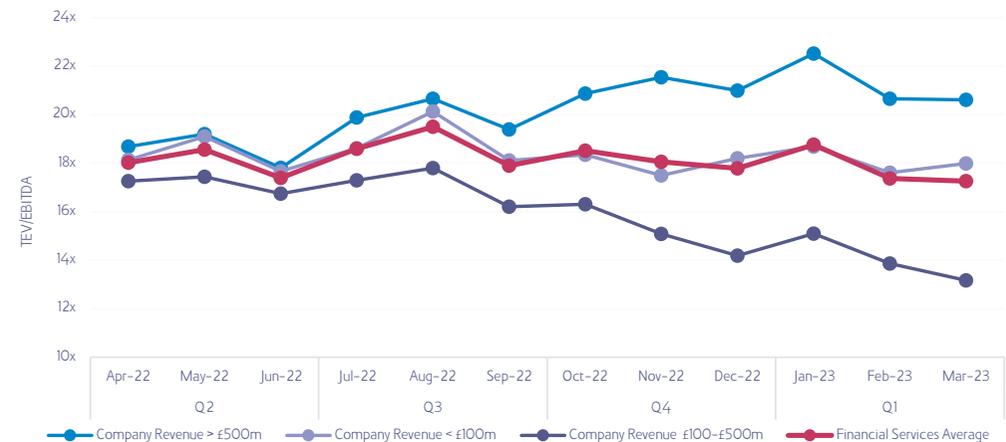
Sector Overview: Financial Services



The Financial Services sector demonstrated its ability to bounce back and adapt to change in the face of unprecedented uncertainty over the past two years, weathering the storm of a global pandemic. Financial institutions around the globe, from insurance brokers to wealth managers and banking corporations, showed their resilience to prolonged periods of downturn.

Despite this, there remains uncertain times ahead and future hurdles to overcome, largely in the form of geopolitical uncertainty, higher interest rates and inflation creating an overall recessionary environment. The recent events of the Silicon Valley Bank (SVB) collapse raises a wider question for the banking industry, as to whether SVB's collapse is indicative of a broader weakness in corporate balance sheets caused by rising rates on government-backed borrowing.

Financial Services firms must use the lessons learnt over the past two years to navigate through 2023, with a continued focus on digitalisation to help combat rising costs, drive efficiencies and enable the expansion of revenue streams through diversification of new products and services.



18.0 x
Average TEV/EBITDA
Multiple (Jan 23 - Mar 23)

3%
Decrease in average
TEV/EBITDA multiple
(Jan 23 - Mar 23)

362
Transactions
(Jan 23 - Mar 23)



Date	Acquirer/Investor	Target	Transaction Value
1-Mar	Barclays Plc	Norland Capital Group Plc	£2.4bn
1-Mar	The Toronto-Dominion Bank	Cowen Inc.	£1.1bn
28-Feb	PayPoint Plc	Appreciate Group Plc	£78.9m
10-Feb	Bank First Corporation	Hometown Bancorp Ltd.	£106m
1-Jan	Brookline Bancorp Inc.	PCSB Financial Corporation	£257m

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Sector Overview: Food & Beverage

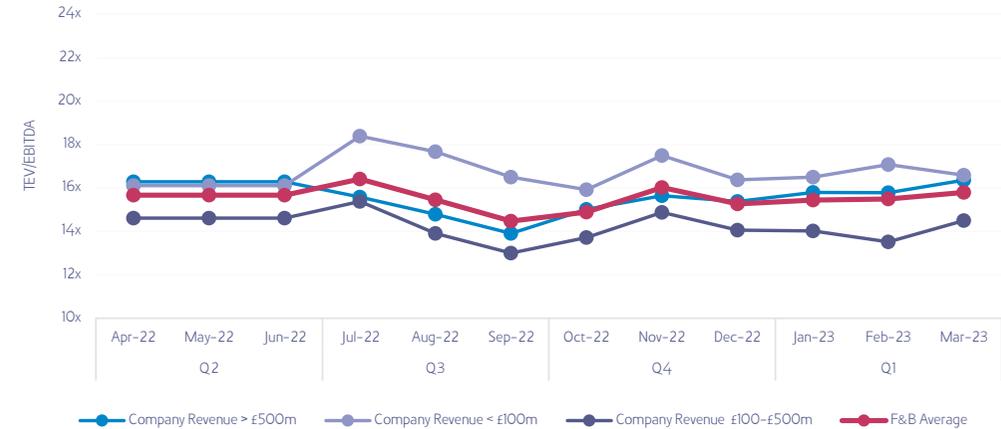
Meera Shah
Director | M&A Advisory



The cost of living crisis continues to pose a real challenge for many in the F&B sector, as consumers look at cutting expenditure on perceived luxuries such as eating out. Despite this, as demonstrated by the market data, trading and transaction valuations have held up in the past year.

Large conglomerates are looking to grow through diversifying their operations, by setting up or investing in companies with different competitive edges, such as Carlsberg's acquisition of Waterloo Brewing – their ready-to-drink beverages complemented by the more traditional beer and cider Carlsberg business.

Those performing well at the smaller end of the market are the businesses creating innovative, alternate F&B products, within an increasingly health and environmentally focused society. The rise of vegan sections in mainstream supermarkets, even for products at higher price points has continued to hold up despite the cost of living crisis, which demonstrates the resilience of businesses with unique product offerings.



16.0 x
Average TEV/EBITDA
Multiple (Jan 23 - Mar 23)

3.5%
Decrease in average
TEV/EBITDA multiple
(Jan 23 - Mar 23)

136
Transactions
(Jan 23 - Mar 23)

Date	Acquirer/Investor	Target	Transaction Value
7-Mar	Carlsberg Canada Inc.	Waterloo Brewing Ltd.	£131m
28-Feb	Lamb Weston Holland B.V.	Meijer Frozen Foods B.V.	£627m
15-Feb	Starco Brands Inc.	Soylent Nutrition Inc.	£22.8m
10-Feb	Morinaga Nutritional Foods Inc.	Turtle Island Foods Inc.	£10m
10-Jan	Orsero S.p.A	CAPEXO S.a.s	£40m



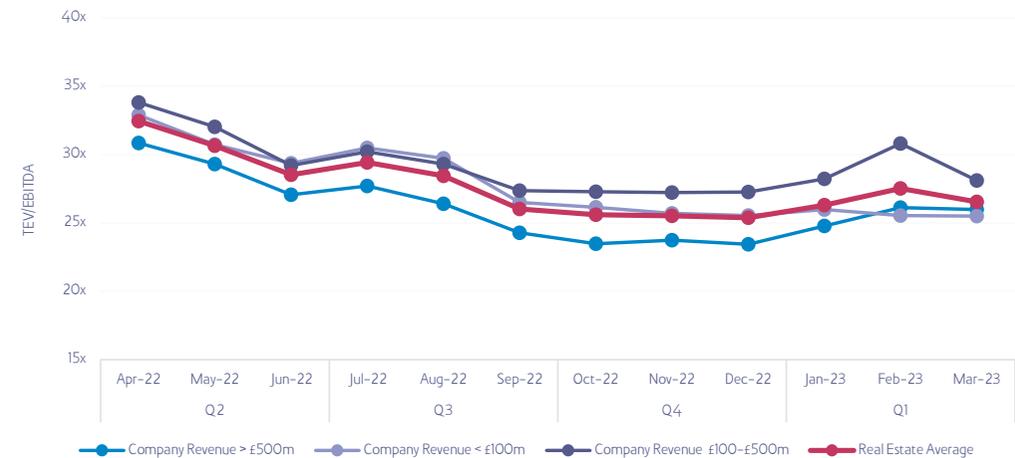
Sector Overview: Real Estate

The real estate sector is facing considerable headwinds caused by rising interest rates and slower growing economies. The post-covid appetite for workers to return to the office is significantly impacting on office utility meaning businesses continue to downsize their office space.

Residential property is seeing slow downs in the first quarter with house prices falling. Despite demand still outstripping supply, the inflationary squeezes on households combined with the rising interest rates means that this demand is expected to contract.

Bank and funders are tightening their lending standards due to the economic uncertainty which in turn is leading to more price uncertainty and a considerable drop in the volume of deals experienced over Q1 2023. Although there has been some declines in the valuation multiples have declined considerably when compared to 12 months previously.

The downward trend in both residential and commercial real estate is expected to continue in the short term.



27.0 x
Average TEV/EBITDA
Multiple (Jan 23 - Mar 23)

4.5%
Decrease in average
TEV/EBITDA multiple
(Jan 23 - Mar 23)

139
Transactions
(Jan 23 - Mar 23)

Date	Acquirer/Investor	Target	Transaction Value
6-Mar	Shaftesbury Plc	Capital & County Properties Plc	£1.47bn
17-Feb	Dream Industrial/QIC Real Este Pte. Ltd.	Summit Industrial Income REIT	£3.6bn
10-Jan	SEQRO Plc	Bath Road Retail Park	£120m
3-Jan	Cavco Industries Inc.	Business of Solitaire Homes Inc.	£77m
10-Oct	Prologis Inc.	Duke Realty	£20.4bn

Sector Overview: Consumer

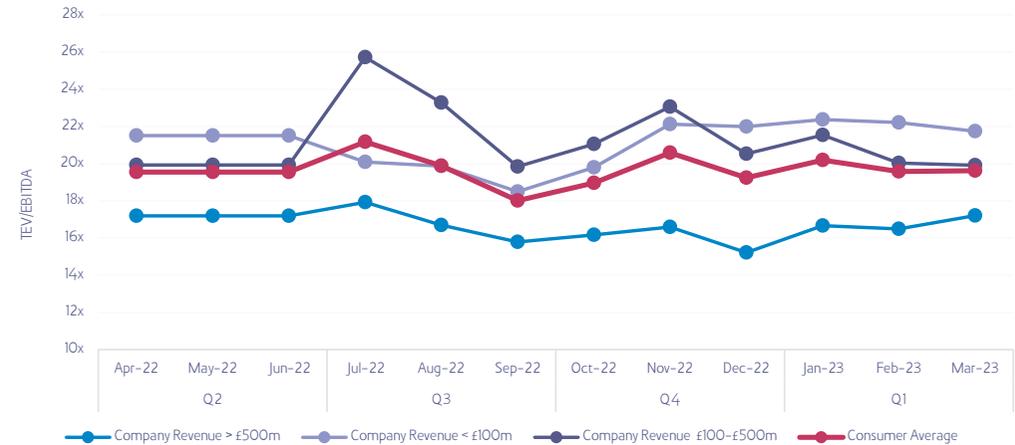
The current consumer landscape remains challenging with the cost of living crisis leading to much of the population looking to cut back and minimise unnecessary spending. Fast fashion has been a particular victim of this with ASOS, Boohoo and H&M all facing a degree of difficulty.

However as many predicted, the luxury fashion sector has remained resilient with companies such as LVMH, Hermes, Burberry and Christian Dior trading at or close to all time highs. This illustrates the continued spending power of the typical clientele of such brands.

On a transactional level, like in other sectors, consumer has seen a slowdown in the market, with March seeing the fewest transactions completed in the last 12 months. This hesitancy is again linked to a lack of confidence in the sector from many parties. The only major standout transaction in Q1 of FY23 has been the acquisition of Clean Uniform by UniFirst.



George Thresh
Senior Manager | Transaction Services



20.0 x
Average TEV/EBITDA
Multiple (Jan 23 - Mar 23)

2%
Decrease in average
TEV/EBITDA multiple
(Jan 23 - Mar 23)

703
Transactions
(Jan 23 - Mar 23)



Date	Acquirer/Investor	Target	Transaction Value
28-Mar	Halma Plc	Firepro Systems Limited	£132m
17-Mar	Crown Crafts, Inc.	Manhattan Group LLC	£14mn
13-Mar	UniFirst Corporation	Clean Uniform Company	£2.5bn
28-Feb	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd	Morphy Richards Appliances Ltd	£164.7m
30-Jan	Flight Centre Travel Group Ltd	Scott Dunn Limited	£119.6m

Sector Overview: Business Services

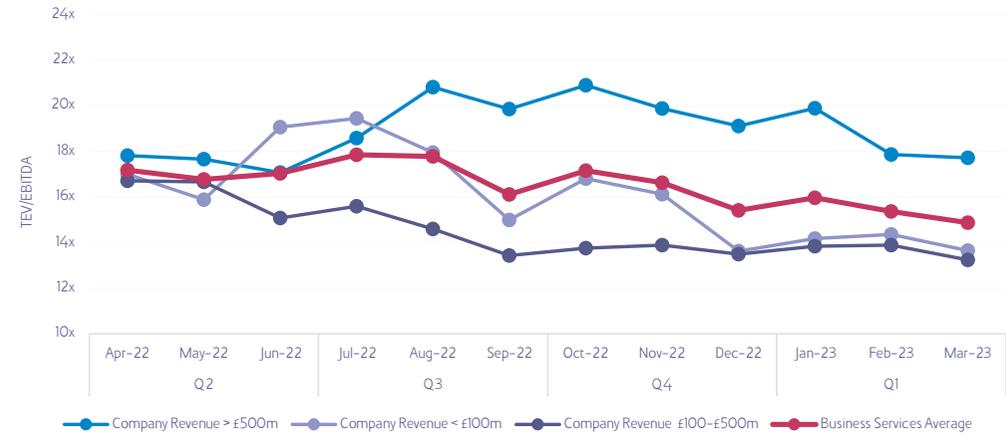
The business services sector is facing a key challenge: rising labour costs. This issue is particularly pronounced for smaller companies in the industry, as they often cannot compete on salaries and benefits with larger firms. This is reflected in our dataset as companies with revenues of less than £500m are experiencing a decrease in their EV/EBITDA multiple, while larger companies with revenues above £500m are relatively stable over the 12 month period.

One of the main difficulties for business services firms is passing on cost increases to clients. In the current economic climate, where interest rates are rising and inflation remains high, clients are looking to cut costs wherever possible. Consequently, many business services firms are exploring automation and outsourcing to reduce their operational costs.

As an important part of in the economy, the business services sector remains an attractive option for investors. However, there has been a recent drop in confidence due to the labour cost issue which is reflected in the decrease in the number of deals over the most recent quarter.



Sriram Ainkaran
Assistant Manager | M&A Advisory



15.0 x
Average TEV/EBITDA
Multiple (Jan 23 - Mar 23)

4%
Decrease in average
TEV/EBITDA multiple
(Jan 23 - Mar 23)

304
Transactions
(Jan 23 - Mar 23)

Date	Acquirer/Investor	Target	Transaction Value
23-Mar	Pearson plc	Personnel Decisions Research	£155.3m
1-Mar	Public Policy Holding Company, Inc.	MultiState Associates Inc.	£57.86m
14-Feb	Sun Capital Partners Group VIII, LLC	K3 Capital Group PLC	£249m
1-Feb	Veritas Capital Fund Management, L.L.C	Wood Mackenzie Limited	£2.68bn
25-Jan	Ricardo plc	E3-Modelling S.A	£24m

Sector Overview: Healthcare

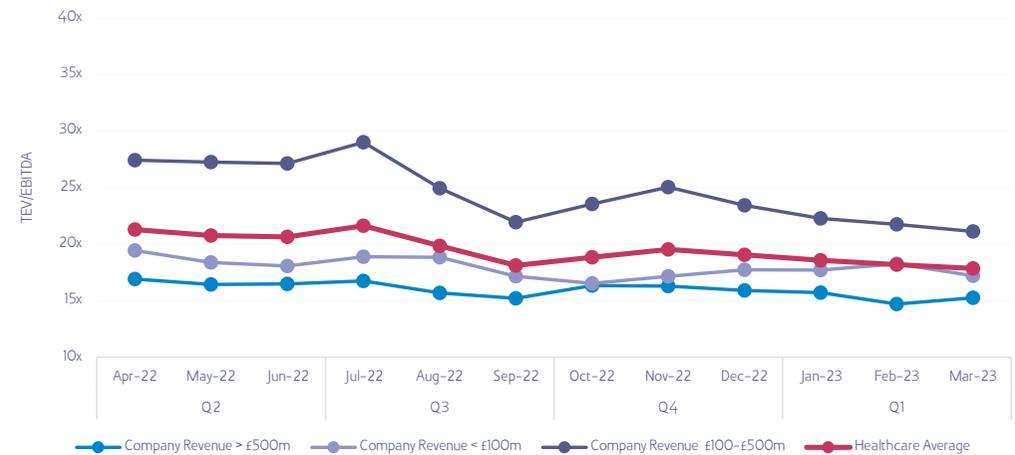
As a sector, healthcare was broadly resilient over the pandemic however, the industry faces difficult conditions in 2023 due to the continuing high inflation rates and shortages of labour.

With the economic slowdown and COVID-19 moving towards an endemic stage, overall healthcare spend has decreased from pandemic levels. Without the additional healthcare demand attributable to COVID-19, we expect growth in the sector to slow down. This is reflected in our data as the volume of deals has decreased notably in 2023 and there is a downward trend in multiples across the reviewed period, particularly in companies with revenues of £100–£500m.

The downward trend is expected to continue in the short term however, due to the continued innovation in the sector prompted by pressure from the pandemic and increasing application of technology, prospects over the next few years seem favourable.



Ashleigh Barghuti
Executive | Valuations



18.0 x
Average TEV/EBITDA
Multiple (Jan 23 – Mar 23)

6%
Decrease in average
TEV/EBITDA multiple
(Jan 23 – Mar 23)

365
Transactions
(Jan 23 – Mar 23)



Date	Acquirer/Investor	Target	Transaction Value
29-Mar	CVS Pharmacy, Inc.	Signify Health Inc.	£6.2bn
22-Mar	Amazon.com, Inc.	1Lif Healthcare Inc., d/b/a One Medical	£3.4bn
20-Jan	Evolent Health LLC	National Imaging Associates, Inc.	£642.6m
16-Jan	AstraZeneca PLC	Neogene Therapeutics, Inc.	£262.2m
11-Jan	Merck Sharp & Dohme Corp.	Imago BioSciences, Inc.	£961.4m

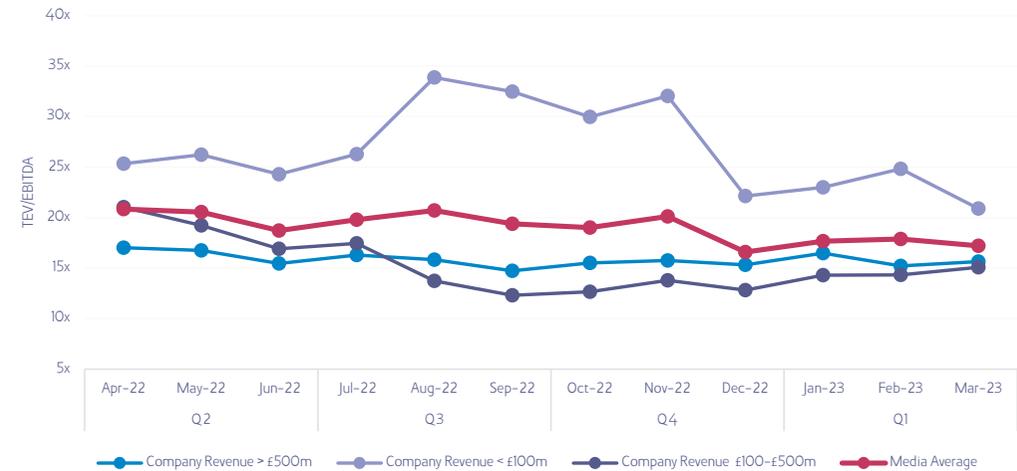
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Sector Overview: Media & Entertainment

The long-term trend of media and entertainment is one of normalisation. Having had the experience of COVID, there are always questions about the long-term run-rate of a business. While certainly a fortunate situation versus a lot of sectors, a lot of gaming and other entertainment companies saw a boost in revenues whereas other sectors such as cinemas saw decreases. This leads to the question of what is the true performance of the business which makes it difficult to value.

Overall valuations have been stable except in the <£100m category, however due to the more limited information here, certain companies can distort the market valuation.

Overall, the market is one of two halves, one recovering from COVID and the other stabilising after a COVID bump. However, both are trying to prove long term stability so we may expect valuations to move as the markets adjust to this.



18.0 x
Average TEV/EBITDA Multiple (Jan 23 - Mar 23)

4%
Decrease in average TEV/EBITDA multiple (Jan 23 - Mar 23)

336
Transactions (Jan 23 - Mar 23)



Date	Acquirer/Investor	Target	Transaction Value
1-Mar	Ritchie Bros. Auctioneers Incorporated	VeriTread LLC	£20.8m
28-Feb	The Little Goddess Inc	Cherry Lane Theatre	£8.39m
9-Feb	Yerbaé Brands Corp.	Kona Bay Technologies Inc.	£32.05m
7-Feb	Auction Technology Group plc	Vintage Software, LLC	£33.28m
31-Jan	QIQ Media	ZeroCorp Limited	£39.53m

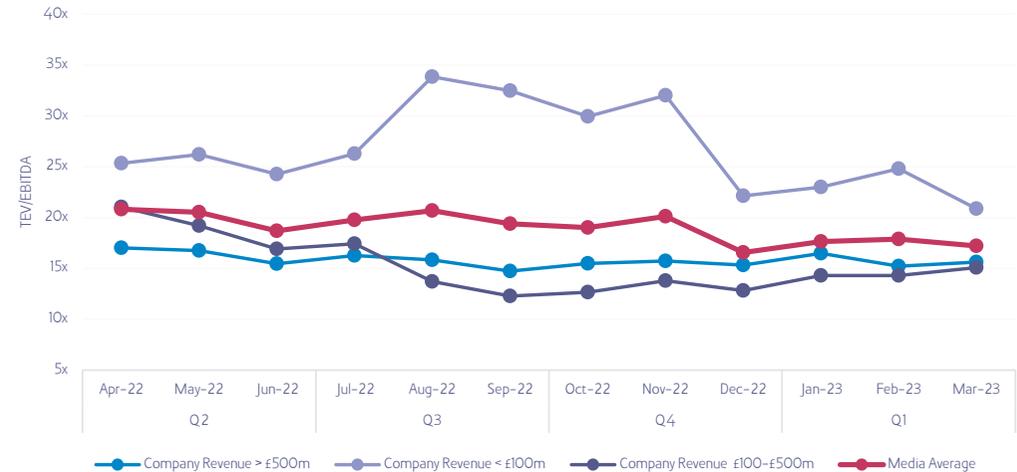
Sector Overview: Technology

Technology valuations have been a topic of much discussion, with technology valuations having come down over the last year. However, as the numbers indicate, this is not a universal trend. The biggest impact has been to loss-making technology businesses as there has been a flight to profitability. Whereas those who are profitable have seen much reduced impacts in valuations.

However, as can be seen from the numbers valuations do not remain on a slide and have stabilised, which is likely to remain an ongoing trend.

One of the impacts has been the reduced number of transactions as technology businesses have been holding back from transacting to not lock in lower valuations. However, as the market adjusts, we may expect this to stabilise. It is noticeable that the reduction in transactions is lower than other sectors such as consumer and real estate where there remains more ongoing uncertainty. It feels like the technology correction has already happened.

Andy Hodgetts
Partner | M&A Advisory



23.0 x
Average TEV/EBITDA
Multiple (Jan 23 - Mar 23)

2%
Decrease in average
TEV/EBITDA multiple
(Jan 23 - Mar 23)

669
Transactions
(Jan 23 - Mar 23)



Date	Acquirer/Investor	Target	Transaction Value
16-Mar	Sonata Software North America Inc.	Quant Systems Inc.	£133m
13-Mar	Cognizant	Mobica	£278m
1-Feb	WiseTech Global	Blume Global Inc.	£347m
1-Feb	WiseTech Global	Envase Inc.	£199m
12-Jan	Lessen Inc.	SMS Assist LLC	£764m

Criteria and Sources

Criteria

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

- Financial Services
- F&B
- Real Estate
- Consumer
- Business Services
- Healthcare
- Media & Entertainment
- Technology

For each sector, we have selected a minimum sample of 60 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 first 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 31 March 2023.

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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 18 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
- Transaction Advisory
- Tax Structuring
- Vendor Due diligence
- Financial modelling

Valuation Services:

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

Get in touch



Matthew Katz
Partner | Corporate Finance
katzm@buzzacott.co.uk



Andy Hodgetts
Partner | M&A Advisory
hodgettsa@buzzacott.co.uk



Meera Shah
Director | M&A Advisory
shahm@buzzacott.co.uk



Alex Judd
Partner | Transaction services
judda@buzzacott.co.uk



David Stears
Director | Head of Valuations
stearsd@buzzacott.co.uk

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