## How much are companies worth in the Financial Services sector?

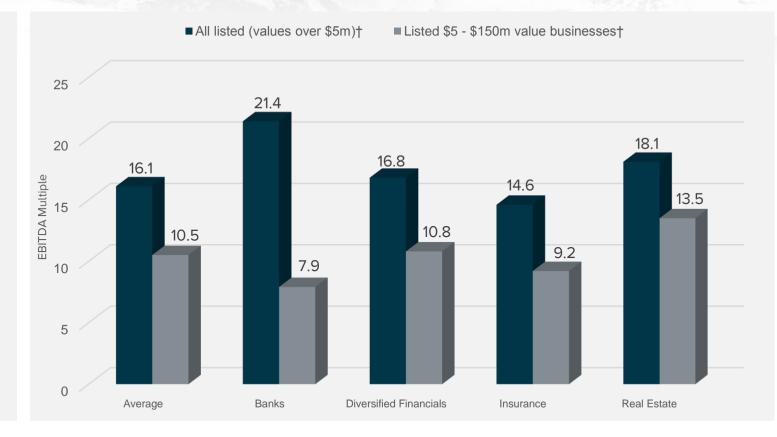
## CORBETT KEELING

## H1 2021

3 key factors can give private business owners an indication of their business valuation: The Enterprise Value to EBITDA\* multiples on which comparable listed companies are trading. The **multiple of EBITDA paid by acquirers** of comparable businesses.

The volume of **M&A** transactions and acquisitions.

At the end of H1 2021, the global, all market average Enterprise Value to EBITDA multiple for listed Financial Services companies was **16.1x**.<sup>†</sup> This was a decrease on the previous six months, when listed **Financial Services** companies were trading on a multiple of 17.5x. Within the Financial Services sector, trading multiples varied between 14.6x and 21.4x across the range of sub-sectors. Smaller businesses generally traded on lower multiples.



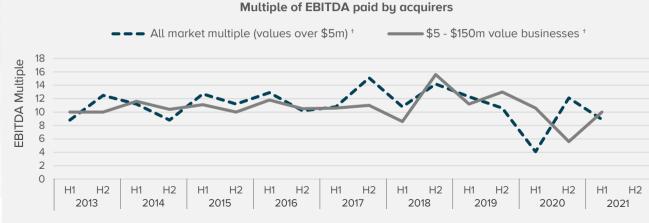
\* EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation

<sup>+</sup> Note, the Enterprise Value to EBITDA multiples above are for listed businesses. By comparison **privately owned businesses are generally valued at a discount.** Listed company data was accurate at 05/07/2021.

The average multiple<sup>+</sup> of EBITDA<sup>\*</sup> paid globally in Financial Services transactions has reduced over the past six months. It currently stands at **8.9x.** Despite the recent slight downturn, this multiple is significantly above that seen in H1 2020, emphasising the recovery in valuations seen since this period.

When reviewing these multiples we break out businesses in the range \$5-150m, as they tend to have unique attributes which affect their valuation. The multiple for these lower mid-market transactions over the past six months, at 10.0x, is much higher than it was in H2 2020. This quick rebound in valuations signals the improvement in outlook for lower mid-market businesses over the past six months.

In H1 2021, there were 1,766 transactions globally in the Financial Services sector. This is a slight increase on the preceding six months, when there were 1,518 transactions. This is the highest number of transactions since H2 2017, demonstrating the current strong demand for Financial Services businesses.



\* EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation

<sup>+</sup> Note, the transaction multiples above are calculated from raw historic data. This typically understates profits and therefore **valuations actually achieved are generally at lower multiples of "normalised" profits.** 



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Analysed by UK Globalscope firm CORBETT KEELING