

How much are companies worth in the TMT sector?

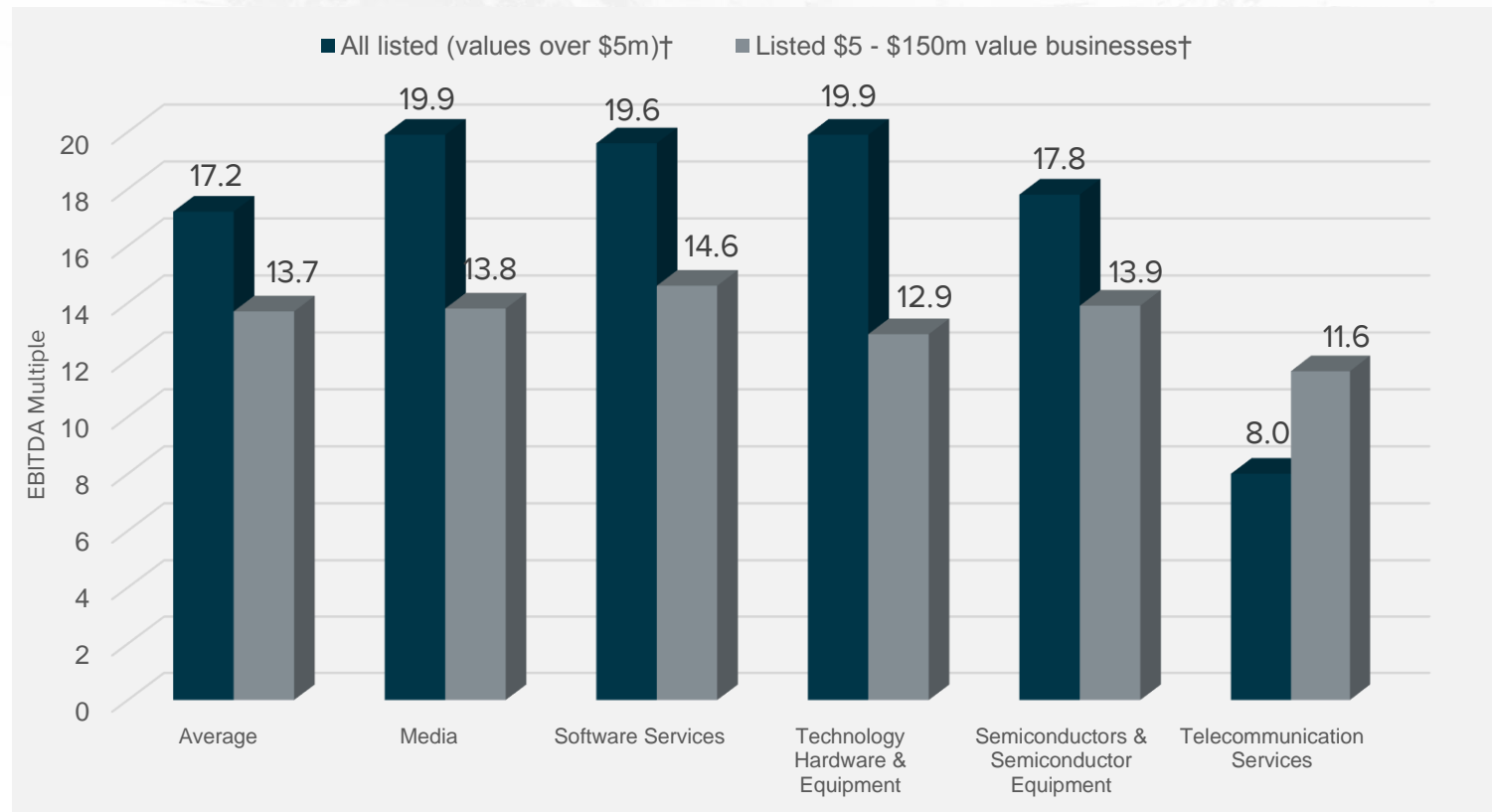
3 key factors can give private business owners an indication of their business valuation:

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 TMT companies was **17.2x**.[†] This is a slight decrease on the previous six months, when listed TMT companies were trading on a multiple of 17.3x. Within the TMT sector, trading multiples varied between 8.0x and 19.9x across the range of sub-sectors. Smaller businesses generally traded on lower multiples.

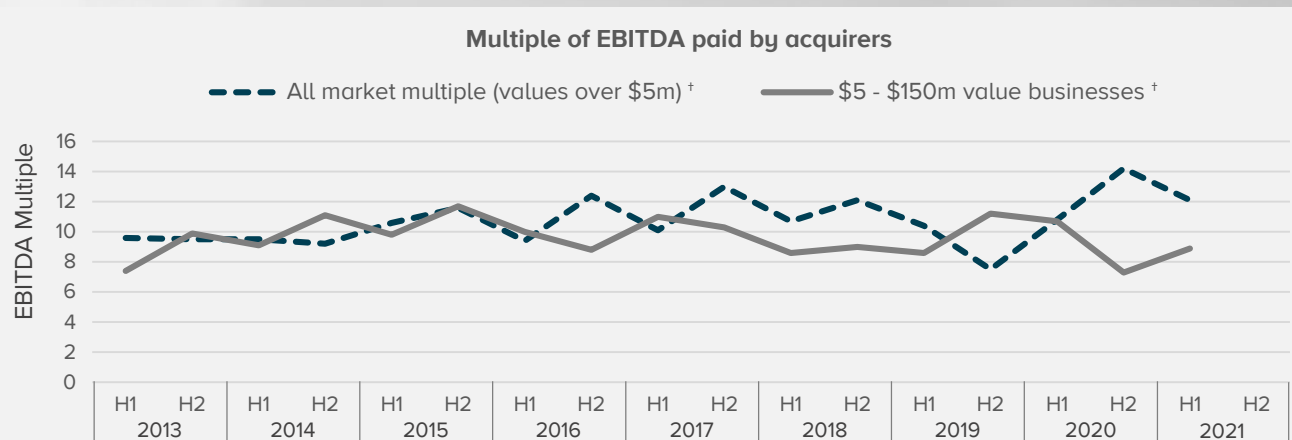


* EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation

[†] 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* of EBITDA* paid globally in TMT transactions has decreased over the past six months. It currently stands at **12.1x**. Despite the slight reduction, the current multiple remains high by historical standards.

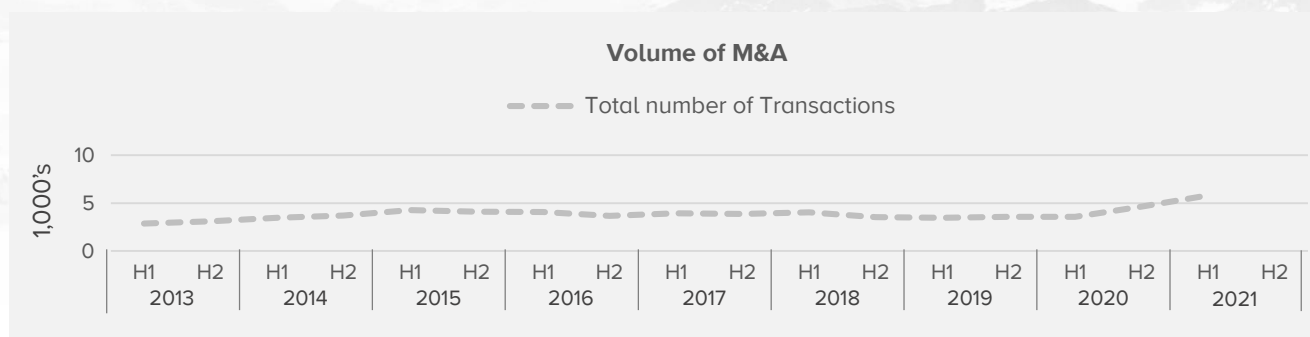
When reviewing these multiples we break out businesses in the range \$5-150m, as they tend to have unique attributes which affect their valuation. The multiple for these lower mid-market transactions has improved slightly over the past six months, and currently stands at 8.9x. This increase in the valuations seen in the TMT lower mid-market suggests a slight recovery in the sector compared to the drop in multiples seen in H2 2020.



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

† 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.

In H1 2021, there were 5,808 transactions globally in the TMT sector. This is an increase on the preceding six months, when there were 4,619 transactions. This large increase in transaction numbers over the last six months, to the highest level we have seen in our review period, demonstrates the continuing strong demand for TMT businesses.



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