

How much are companies worth in the Financial Services sector?

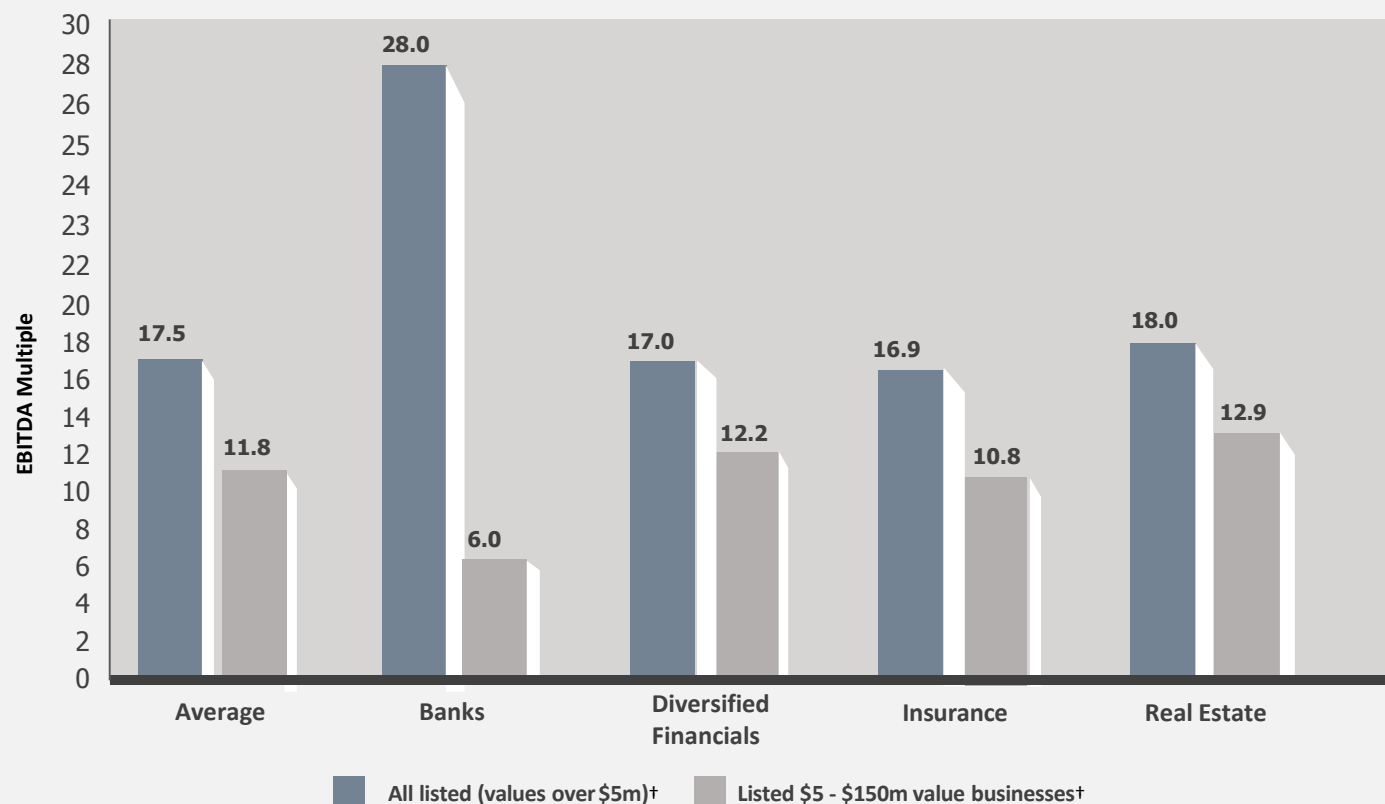
3 key factors can give private business owners an indication of their business valuation:

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 H2 2020, the global, all market average Enterprise Value to EBITDA multiple for listed Financial Services companies was **17.5x**.† This was an increase on the previous six months, when listed Financial Services companies were trading on a multiple of 16.7x. Within the Financial Services sector, trading multiples varied between 16.9x and 28.0x across the range of sub-sectors. Smaller businesses generally traded on lower multiples.

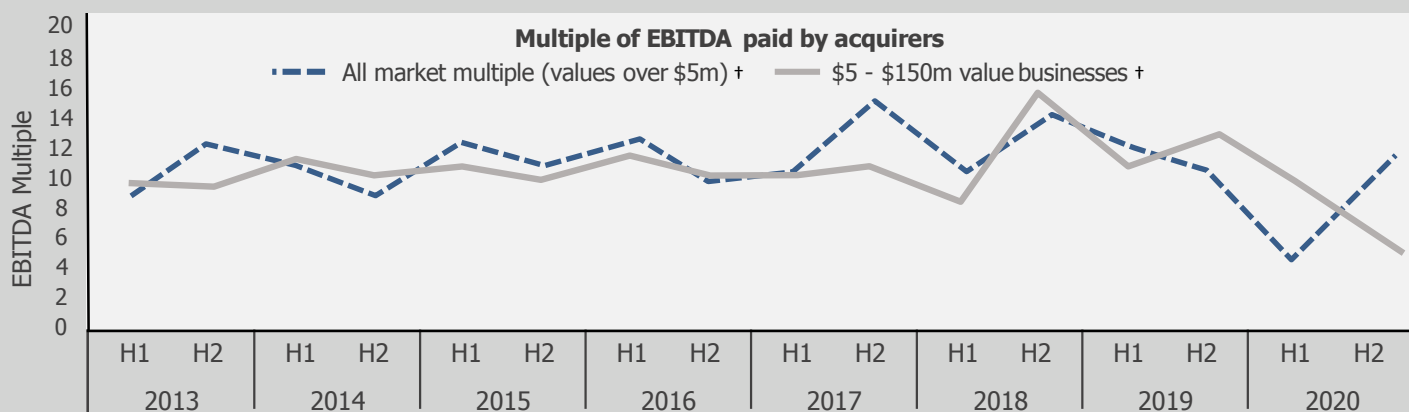


* EBITDA is Earnings Before Interest, Tax, Depreciation and Amortisation

† 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 04/01/2021.

The average multiple† of EBITDA* paid globally in Financial Services transactions has increased significantly over the past six months. It currently stands at **12.1x**

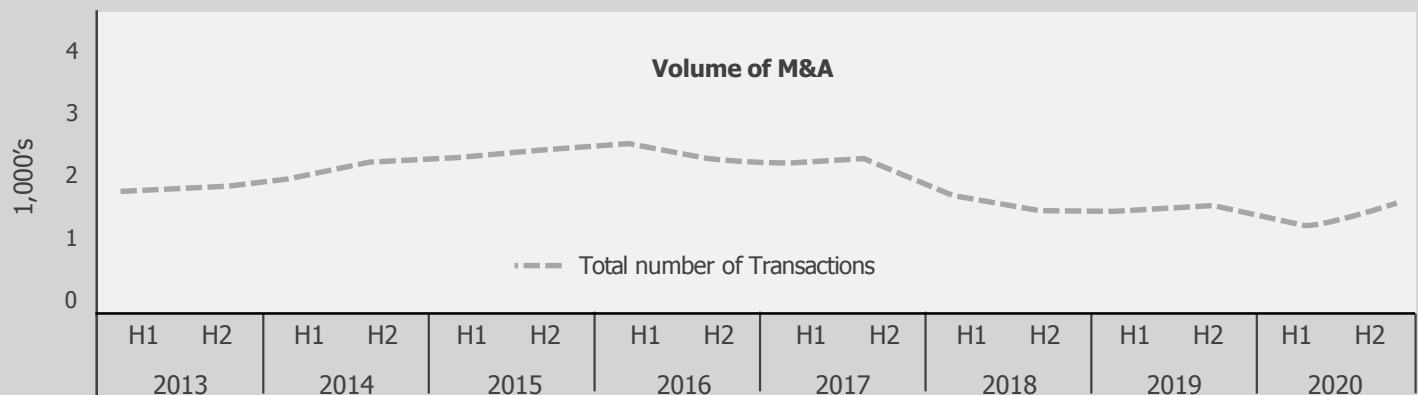
When reviewing these multiples we break out businesses in the range \$5-150m, as they tend to have unique attributes which affect their valuation. The multiple for lower mid-market transactions over the past six months, at 5.6x, is much lower than it has been historically and is lower than we would have expected to see for financial services transactions in the period. It has been artificially distorted downwards due to the low number of transactions with the relevant valuation data recorded, and so the true multiple may be higher.



* 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 H2 2020, there were 1,518 transactions globally in the Financial Services sector. This is an increase on the preceding six months, when there were 1,329 transactions. The last quarter shows an increase in demand for Financial Services businesses.



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