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Trade buyers boost European deal prices

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Trade buyers are now paying more for European mid-market businesses than private equity firms, amid rising confidence among corporates.

Stock market rises contributed to the trend

The average price paid by trade buyers rose to 7.6 times earnings before interest, tax, depreciation and amortisation for businesses in the fourth quarter, against 7.3 times Ebitda paid by private equity firms.

That compares with a multiple of 6.1 times for trade buyers and 7 times for private equity purchasers in the third quarter, according to the data published this week by Epsilon Research and French buyout firm Argos Soditic. Trade prices were up 25% in the final three months of the year compared with the previous quarter.

Overall the median price paid by private equity firms and trade buyers rose to 7.5 times Ebitda from 6.7 times in the third quarter.

Simon Tilley, a managing director at DC Advisory, said that he has seen resurgence in the appetite of trade buyers for European companies due to renewed confidence.

He said: “Twelve to 18 months ago we saw that logical, well-resourced international trade buyers -- particularly American trade buyers - were very nervous about European markets, since which time Europe has clearly stabilised and we've got increasingly positive economic indicators being shown.

“That has given international trade buyers that have continued to stockpile cash renewed confidence to make those strategically compelling acquisitions.”

Two private equity beneficiaries of this trend were Nordic mid-market firm CapMan and the China-European firm Mandarin Capital Partners.

In September, CapMan agreed to sell pan-Nordic TV production company Nice Entertainment to Sweden’s Modern Times Group for 10.7 times Ebitda, while in August Mandarin sold Gasket International, an Italian maker of valve sealing system components for the oil and gas market, to

Total subsidiary Hutchinson for 8.8 times Ebitda, according to the Epsilon Research/EMAT database.

The most recent research also shows that leveraged buyout activity showed strong signs of growth in the second half of 2013, rising 85% in volume and 94% in value from the first six months of the year.

However, the overall M&A market was weaker in 2013 than it was in 2012, the report added. The research was based on mid-market companies in eurozone countries that have an equity value of €15 million to €150 million.

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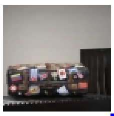
-  Career Clinic: When is the best time to move abroad?
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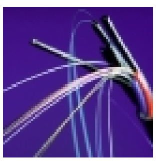
- 

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