



Precedent Transactions Model

Precedent Transactions Model

- ❖ I have provided a Precedent Transactions Model for you to download with this lecture
- ❖ You can use the model as a template and adapt it for your own modelling

Precedent Transactions Model

- ❖ I want to discuss each section of this simple model to help you to familiarise yourself with it.

Precedent Transactions Model

❖ We start with the main transaction information

❖ Date

❖ Target Company

❖ Acquiror

❖ Description

Date	Target	Acquiror	Description
2007 Feb-10	Pearl Telecom Bucon Network Solutions	The Carphone Warehouse Spiritel	
Aug-09	Ed Communications	Spiritel	Earnout of £1.7m
Mar-09	Nessco	Spiritel	£1.2 initial, 2x £0.25m deferred 9 mths and 18 mths plus poss £0.3m
Nov-09	Edge Solutions	Spiritel	Poss earnout of £5.7m by Jan 2011
Dec-2010	NEG	Daisy Group	
Jun-10	MurphX Innovative Solutions	Daisy Group	22 June 2010 Daisy Group plc
Jun-10	Fone Logistics Limited	Daisy Group	10 June 2010 Daisy Group plc
Aug-09	ATC	Daisy Group	
Feb-2010	BNS Telecom	Daisy Group	
Jul-2009	Vialtus	Freedom4	Vialtus assets acquired; loss making
Aug-09	Eurotel	Daisy Group	
Jul-2009	Daisy	Freedom4 (reverse	Reverse takeover
Aug-09	Redstone Telecom telecom and mobile	Daisy Group	Redstone, the provider of integrated IT solutions, has entered into an
Oct-06	Networks Direct	Spiritel	Profits before management charges
Apr-08	WN1	Spiritel	£0.55 earnout
Dec-05	OneTel	The Carphone Warehouse	The Carphone Warehouse to acquire Onatel
Oct-06	Time Warner's AOL Internet access bus	The Carphone Warehouse	Carphone Warehouse to acquire Time Warner's AOL Internet access
Nov-09	ADK Communications	Spiritel	£0.5m earnout
Feb-10	Mobotel	Spiritel	Possible £1m earnout
Jun-10	Housing Communications	Spiritel	
Mar-07	Ashland	Spiritel	
Nov-07	Talk Direct	Adept Telecom	AdEPT is acquiring Telecom Direct, one of the oldest independent fixed
Sep-06	Call Plan	Spiritel	
Dec-03	Connaught Telecommunications Ltd	Adept Telecom	December 2003 - AdEPT Telecom acquires the fixed line customer base
Feb-08	Lios	Vyke Communications	Voip provider - £75k and £575k deferred
Jun-2005	4 Customer Bases	Daisy Group	8427 customers monthly rev £580.69k
Apr-2009	4Com	Daisy Group	
Jul-10	Data Select Networks	Expansys	
Nov-10	Spiritel	Daisy Group	
Aug-07	Redstone	Daisy Group	

Precedent Transactions Model

- ❖ The next section of the model comprises the financial inputs
- ❖ I won't list them, you can read them
- ❖ Note, this is a real model, it is difficult to get all the financial information you need to complete each cell
- ❖ Take note that different types of profits are put in separate columns

£m					£m		£m			
Deal Size £m	Debt	EV	Fin Year End	Employees	Revenues	Type of Profit	Op Profit	EBITDA	EBIT	PBT
£65.00	£25.00	£90.00	December 2001		£92.30	EBIT			£3.20	
£0.65			March 2013		£1.85	EBITDA		£0.10		
£1.30			December 2011		£2.10	EBITDA		£0.29		
£1.20			March 2013		£3.20	EBITDA		£0.20		
£3.60			April 2013		£5.50	EBITDA		£0.70		
£23.50					£11.20	EBITDA		£3.40		
£4.80			5 months Apr 2010 - Annualised		£11.52	EBITDA		£1.20		
£3.60			April 2010		£19.60	EBITDA		£0.50		
£7.00					£30.20	EBITDA		£3.50		
£10.45			July 2013		£36.90	EBITDA		£3.20		
£42.00			December 2012	194	£43.80	EBITDA		£4.65		
£13.50					£52.90	EBITDA		£5.30		
£81.00	£14.33	£95.33	April 2013	174	£53.53	EBITDA		£9.07		
£17.00			March 2009		£74.70	EBITDA		£3.10		
£1.60			May 2010		£1.60	Operating	£0.49			
£1.47			October 2011		£2.25	Operating	£0.60			
£154.20	£77.10	£231.30	December 2004		£280.00	Operating	£3.00			
£370.00			December 2005		£442.10	Operating	£14.10			
£1.00			March 2013		£1.60	PBT				£0.46
£1.15			March 2013		£2.10	PBT				£0.30
£2.10			September 2012		£2.90	PBT				£0.46
£3.70			December 2009		£4.00	PBT				£0.57
£6.40			March 2007		£13.00	PBT				£0.20
£0.63			January 2010			PBT				£0.14
£0.44					£1.00					
£0.65			December 2011		£2.30					
£4.80					£6.97					
£5.80					£8.40					
£27.20	£10.80	£38.00			18.3					
£27.30	£6.10	£33.40			£30.00					
£17.00			March 2013		£74.70		£4.60			

Precedent Transactions Model

- ❖ This is where the model takes over and calculates the ratios
- ❖ We consider both Revenues and Profits but the latter is more relevant to our valuation

0.7x		Profit Multiple			
PSR	EV/Sales	Op Profit	EBITDA	EBIT	PBT
1.4x	1.0x			20.31x	
0.4x			6.50x		
			4.48x		
0.4x			6.00x		
0.7x			5.14x		
2.1x			6.91x		
0.4x			4.00x		
0.2x			7.20x		
0.2x			2.00x		
0.3x			3.27x		
1.0x			9.03x		
0.3x			2.55x		
1.5x	0.6x		8.93x		
0.2x			5.48x		
1.0x		3.28x			
0.7x		2.5x			
1.8x	1.2x	51.4x			
0.8x		26.2x			
0.6x					2.17x
0.5x					3.83x
0.7x					4.54x
0.9x					6.49x
0.5x					32.00x
					4.61x
0.4x					
0.3x					
0.7x					
0.7x					
1.5x	0.5x				
0.9x	0.9x				
0.2x		3.70x			

Precedent Transactions Model

- ❖ At the bottom of the sheet the model calculates
 - ❖ Mean
 - ❖ Median
 - ❖ Max
 - ❖ Min
- ❖ So we calculate a valuation range and can identify outliers

0.7x	Profit Multiple				
PSR	EV/Sales	Op Profit	EBITDA	EBIT	PBT
1.4x	1.0x			20.31x	
0.4x			6.50x		
			4.48x		
0.4x			6.00x		
0.7x			5.14x		
2.1x			6.91x		
0.4x			4.00x		
0.2x			7.20x		
0.2x			2.00x		
0.3x			3.27x		
1.0x			9.03x		
0.3x			2.55x		
1.5x	0.6x		8.93x		
0.2x			5.48x		
1.0x		3.28x			
0.7x		2.5x			
1.8x	1.2x	51.4x			
0.8x		26.2x			
0.6x					2.17x
0.5x					3.83x
0.7x					4.54x
0.9x					6.49x
0.5x					32.00x
					4.61x
0.4x					
0.3x					
0.7x					
0.7x					
1.5x	0.5x				
0.9x	0.9x				
0.2x		3.70x			
0.73x	0.84x	17.41x	5.50x	20.31x	8.94x
0.65x	0.90x	3.70x	5.48x	20.31x	4.57x
2.10x	1.21x	51.40x	9.03x	20.31x	32.00x
0.18x	0.48x	2.45x	2.00x	20.31x	2.17x

Precedent Transactions Model

- ❖ Seeing the sheet as a whole you can see how straightforward this is to work with
- ❖ The key as ever is the identification of the correct peer group

Date	Target	Acquiror	Description	£m	Debt	EV	Fin Year End	Employees	£m	Type of Pro	Op Profit	EBITDA	EBIT	PBT	PSR	EV/Sales	Profit Multiple	EBITDA	EBIT	PBT
2007	Pearl Telecom	The Carphone Warehouse		£65.00	£25.00	£90.00	December 2001		£92.30	EBIT			£3.20		1.4x	1.0x			20.31x	
Feb-10	Bucon Network Solutions	Spiritel		£0.65			March 2013		£1.85	EBITDA		£0.10			0.4x			6.50x		
Aug-09	Ed Communications	Spiritel	Earnout of £1.7m	£1.30			December 2011		£2.10	EBITDA		£0.29						4.48x		
Mar-09	Nessco	Spiritel	£1.2 initial, 2x £0.25m deferred 9 mths and 18 mths plus poss. £0.3m	£1.20			March 2013		£3.20	EBITDA		£0.20			0.4x			6.00x		
Nov-09	Edge Solutions	Spiritel	Poss earnout of £5.7m by Jan 2011	£3.60			April 2013		£5.50	EBITDA		£0.70			0.7x			5.14x		
Dec-2010	NEG	Daisy Group		£23.50					£11.20	EBITDA		£3.40			2.1x			6.91x		
Jun-10	MurphX Innovative Solutions	Daisy Group	22 June 2010	£4.80			5 months Apr 2010 - Annualised		£11.52	EBITDA		£1.20			0.4x			4.00x		
Jun-10	Fone Logistics Limited	Daisy Group	Daisy Group plc	£3.60			April 2010		£19.60	EBITDA		£0.50			0.2x			7.20x		
Aug-09	ATC	Daisy Group	Daisy Group plc	£7.00					£30.20	EBITDA		£3.50			0.2x			2.00x		
Feb-2010	BNS Telecom	Daisy Group		£10.45			July 2013		£36.90	EBITDA		£3.20			0.3x			3.27x		
Jul-2009	Vialtus	Freedom4	Vialtus assets acquired; loss making	£42.00			December 2012	194	£43.80	EBITDA		£4.65			1.0x			9.03x		
Aug-09	Eurotel	Daisy Group		£13.50					£52.90	EBITDA		£5.30			0.3x			2.55x		
Jul-2009	Daisy	Freedom4 (reverse)	Reverse takeover	£81.00	£14.33	£95.33	April 2013	174	£53.53	EBITDA		£9.07			1.5x	0.6x		8.93x		
Aug-09	Redstone Telecom telecom and mobile	Daisy Group	Redstone, the provider of integrated IT solutions, has entered into an	£17.00			March 2009		£74.70	EBITDA		£3.10			0.2x			5.48x		
Oct-06	Networks Direct	Spiritel	Profits before management charges	£1.60			May 2010		£1.60	Operating	£0.49				1.0x		3.28x			
Apr-08	WN1	Spiritel	£0.55 earnout	£1.47			October 2011		£2.25	Operating	£0.60				0.7x		2.5x			
Dec-05	OneTel	The Carphone Warehouse	The Carphone Warehouse to acquire Onatel	£154.20	£77.10	£231.30	December 2004		£280.00	Operating	£3.00				1.8x	1.2x	51.4x			
Oct-06	Time Warner's AOL Internet access bus	The Carphone Warehouse	Carphone Warehouse to acquire Time Warner's AOL Internet access	£370.00			December 2005		£442.10	Operating	£14.10				0.8x		26.2x			
Nov-09	ADK Communications	Spiritel	£0.5m earnout	£1.00			March 2013		£1.60	PBT				£0.46	0.6x					2.17x
Feb-10	Mobotel	Spiritel	Possible £1m earnout	£1.15			March 2013		£2.10	PBT				£0.30	0.5x					3.83x
Jun-10	Housing Communications	Spiritel		£2.10			September 2012		£2.90	PBT				£0.46	0.7x					4.54x
Mar-07	Ashland	Spiritel		£3.70			December 2009		£4.00	PBT				£0.57	0.9x					6.49x
Nov-07	Talk Direct	Adept Telecom	AdEPT is acquiring Telecom Direct, one of the oldest independent fixed	£6.40			March 2007		£13.00	PBT				£0.20	0.5x					32.00x
Sep-06	Call Plan	Spiritel		£0.63			January 2010			PBT				£0.14						4.61x
Dec-03	Connaught Telecommunications Ltd	Adept Telecom	December 2003 - AdEPT Telecom acquires the fixed line customer base	£0.44					£1.00						0.4x					
Feb-08	Lios	Vyke Communications	Voip provider - £75k and £575k deferred	£0.65			December 2011		£2.30						0.3x					
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Jul-10	Data Select Networks	Expansys		£27.20	£10.80	£38.00			18.3						1.5x	0.5x				
Nov-10	Spiritel	Daisy Group		£27.30	£6.10	£33.40			£30.00						0.9x	0.9x				
Aug-07	Redstone	Daisy Group		£17.00			March 2013		£74.70		£4.60				0.2x		3.70x			
	Mean			£29.03		£97.61			£44.35						0.73x	0.84x	17.41x	5.50x	20.31x	8.94x
	Median			£4.80		£90.00			£11.36						0.65x	0.90x	3.70x	5.48x	20.31x	4.57x
	High			£370.00		£231.30			£442.10						2.10x	1.21x	51.40x	9.03x	20.31x	32.00x
	Low			£0.44		£33.40			£1.00						0.18x	0.48x	2.45x	2.00x	20.31x	2.17x

Precedent Transactions Model

- ❖ Don't forget you can download both this slide deck as a PDF and the Excel Model to use for your own projects.



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