
**First Quarter 2016**

In this edition of Valuation Insights we discuss the new lease accounting standards, the similarities and differences between the FASB and IASB standards, and their anticipated impact on the capital structure of companies in different industries.

In our Technical Notes section we discuss the results of the Duff & Phelps 2016 Global Regulatory Outlook which provides in-depth commentary on key regulatory and financial services developments for 2016 and beyond.

In our International in Focus article we discuss the results of the 2015 European Goodwill Impairment Study which examined general and industry goodwill impairment trends for companies in the STOXX® Europe 600 Index. Data is analyzed on both an industry and country basis.

Duff & Phelps held its 2nd Annual IP Value Summit in December of 2015 in Half Moon Bay, California. Read the Spotlight article for the key highlights from the conference.

In every issue you will find industry market multiples which are useful for benchmark valuation purposes. We hope that you will find this and future issues of this newsletter informative and reliable resources.

Read this issue to find out more.

**Now Available:**

Valuation Insights Industry Market Multiples are now available online with data back to 2010. Visit **www.duffandphelps.com/multiples** to analyze market multiple trends over time across industries and geographies.

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# Feature Story:
# Impact of the New Lease Accounting Standards on Capital Structures

New accounting rules on leases are expected to have a significant impact on the balance sheets of many public companies around the world, leading to the first-time recognition of potentially $3 trillion in lease-related assets and liabilities.[1] These rules are the culmination of a joint FASB/IASB project initiated in 2006 to improve the accounting for leases in response to concerns about the lack of transparency of information on lease obligations.

In simple terms, current rules say that if a lease is determined to be economically similar to acquiring the underlying asset, the arrangement is classified as a capital lease (or "finance lease" in IFRS) and reported on a company's balance sheet. All other leases are classified as operating leases and represent off-balance sheet obligations.

The soon-to-be-issued FASB lease standard will remove one of the most significant off-balance-sheet liabilities in U.S. GAAP. Most of the impact will be felt by lessees, who will now have to capitalize the present value of operating lease obligations as liabilities, with a corresponding amount recorded as lease assets. The final standard is expected in February 2016, with calendar-year public business entities required to apply it beginning with 2019. Private companies will have one additional year for annual statements, and two years for interim periods.

The IASB has just issued its own leases standard, generally mirroring FASB's blueprint on balance sheet reporting by lessees. Both FASB and IASB agreed to require leases to be reported on the balance sheet, using a similar method to measure the related liabilities. However, they ultimately diverged on how to recognize and present lease-related expenses in the income statement.

Security analysts typically factor in operating lease obligations (if material), when analyzing the debt-to-equity ratio and related metrics of the companies they follow. But while security analysts have made these adjustments for many years, companies appear less informed about the potential impact the new standard will have on their debt-to-equity position. For example, in a recent survey conducted by CFO Research and CIT Group, 43% of respondents said either that they are not very well informed or that they feel it's too early to determine the impact of the new accounting standard.[2]

The Duff & Phelps 2015 Valuation Handbook – Industry Cost of Capital[3] (the "Handbook") provides data that can help companies evaluate the potential impact of the new leasing rules. The Handbook includes statistics that enable the user to gauge the impact of "debt-like" off-balance-sheet items on the capital structure (specifically, on the debt-to-total-capital ratio) of their industry. While the metrics are developed using methodologies commonly employed by credit rating agencies for capitalizing operating leases, they should provide a reasonable benchmark for the potential impact of the new FASB lease accounting standards, once fully implemented. These debt-equivalent liabilities are not only taken into account by credit rating agencies when assigning a debt rating for a company, but are also likely considered when ascertaining the true financial risk of the subject company.

Appendix A of the Handbook lists the "Latest" debt-to-total-capital ratios of the 175 SIC codes analyzed before and after adjusting for capitalized operating leases and unfunded pension liabilities. They are sorted by the industries most impacted (at the top of the table) to the least impacted (at the bottom of the table). "Impact" is measured as the absolute difference in the "Latest" debt-to-total-capital ratio for each SIC calculated using (i) book debt and (ii) book debt plus off-balance-sheet debt. The adjusted ratio reflects the total impact of both adjustments.

The table below is an excerpt from the September 2015 update of the *Handbook*.

Let's examine the most impacted industry, SIC Code 451 *Air Transportation, Scheduled, and Air Courier* (i.e., airlines) with a Debt-to-Total Capital of 22.8% as of September 30, 2015. Including Operating Leases and Unfunded Pensions as debt-equivalents increases Debt-to-Total Capital to 42.9%. This almost doubles the reported leverage ratio.

*Continued on page 4*

## Impact of Operating Leases

| | | Leverage Ratio (%) Debt-to-Total Capital | | Relative Impact: | |
|---|---|---|---|---|---|
| SIC Code | Industry Short Description | Calculated Using: Book Debt (Latest) | Calculated Using: Book Debt plus Off-Balance-Sheet Debt (Latest) | Operating Leases (%) | Unfunded Pension Liabilities (%) |
| 451 | Air Transportation, Scheduled, and Air Courier | 22.8 | 42.9 | 69.5 | 30.5 |
| 45 | Transportation By Air | 24.4 | 43.8 | 70.5 | 29.5 |
| 57 | Home Furniture, Furnishings, and Equipment Stores | 13.8 | 30.9 | 99.2 | 0.8 |
| 573 | Radio, Television, Consumer Electronics, and Music Stores | 13.1 | 28.5 | 99.7 | 0.3 |
| 54 | Food Stores | 20.4 | 35.6 | 94.5 | 5.5 |
| 541 | Grocery Stores | 20.7 | 35.7 | 94.3 | 5.7 |
| 56 | Apparel and Accessory Stores | 6.6 | 21.0 | 98.7 | 1.3 |
| 591 | Drug Stores and Proprietary Stores | 12.5 | 25.9 | 99.7 | 0.3 |
| 594 | Miscellaneous Shopping Goods Stores | 6.7 | 20.0 | 86.1 | 13.9 |
| 565 | Family Clothing Stores | 6.4 | 19.7 | 98.4 | 1.6 |

1. According to a joint FASB–IASB analysis of publicly-traded companies using U.S. GAAP or IFRS, which disclosed almost $3 trillion of off-balance sheet lease commitments in 2014. See for example, IASB's "IFRS 16 *Leases* – Effects Analysis", January 2016.
2. The survey results were based on 158 responses from finance executives at U.S. companies with revenues between $25 million and $1 billion. "Look Before You Lease - New rules for lease accounting are coming. Are CFOs prepared?" by David W. Owens and Josh Hyatt, December 15, 2015, CFO.com.
3. Visit www.duffandphelps.com/costofcapital to purchase the Duff & Phelps 2015 Valuation Handbook - Industry Cost of Capital.

# Technical Notes:
# The Global Regulatory Outlook 2016

Duff & Phelps published the results of our Global Regulatory Outlook 2016, which gathers and analyzes insights from 193 senior executives in the financial services industry regarding the impact of regulation on the financial services sector.

The 2016 Outlook found that a majority of the C-Suite and senior level staff believe that regulation is having little or no effect on stability, and potentially making the industry less stable. When asked if regulatory changes in recent years have created adequate safeguards to prevent a future crash, only 6% of respondents answered in the affirmative. Of the remainder, 37% said they had not, with 54% saying that new rules offer only partial protection against another crisis.

Additionally, fewer than a third of respondents felt that new regulation had improved investor and consumer confidence in the industry. This is a more negative view than reported last year, when 43% of those polled said confidence in the sector had been boosted by regulation.

These findings may simply reflect the limitations of what regulation can achieve. There are, after all, few guarantees with financial markets. However, the depth and breadth of regulation continues to expand, with new requirements on firms and new areas brought within regulators' remits.

## Additional Key Insights from the Report

### Global Agency Coordination

In addition to overall stability and consumer confidence, respondents also expressed concern over a perceived lack of coordination globally between regulators, with only 16% of respondents agreeing that the industry is effectively getting to a single global set of regulatory standards. Though there is still concern over convergence, 42% acknowledged that this is moving in the right direction.

Global coordination is unlikely to be resolved in the foreseeable future and this will remain a challenge for firms. Even with transatlantic regulation outlining identical requirements, cultural differences between regulators and their enforcement regimes on each side would challenge any globally standardized approach.

### Corporate Culture Key to Avoid Regulatory Issues

While regulators' inconsistency comes under scrutiny by survey respondents, this is not a failing to which financial services firms themselves are immune. Just under half (49%) of respondents said that corporate culture was the most important factor on governance to get right to avoid regulatory issues. When asked what skills they would look to hire into their compliance teams, the majority (38%) said technical knowledge of regulations, followed by 15% who cited leadership and team management skills.

If firms are truly to achieve a cultural change, it is hard to see how this can be achieved without such skills, particularly on the leadership front to drive change efforts.

### Rising Costs

As the corpus of regulation increases, so too will the associated costs, according to the survey's respondents. 85% expect regulations to increase their costs this year. Looking ahead, 20% expect them to have increased by 10% in five years' time, with a further 28% expecting them to rise by between 4% and 10%.

It is hard to reconcile the industry's perceived lack of confidence in regulation when the majority of industry respondents expect regulatory compliance costs to increase over the next year. However, compliance spending is justified by the potential consequences and cost of failures, and firms should see it as an opportunity to proactively build a positive case for compliance. The compliance function can move from being seen as a cost center and "business prevention unit" to a "value generator".

However, the industry and regulators must ensure that enforcement actions don't simply become a fact of life, with the costs passed automatically to customers. If this happens, the entire point of delivering penalties will be lost.

### Cybersecurity, Anti-Money Laundering and Culture of Compliance Remain a Regulatory Priority

Cyber risks are an increasing focus for both firms and regulators. Increasing attacks on financial services firms and other industries have prompted cybersecurity regulations and guidelines from the U.S. SEC and the Hong Kong SFC, among others. It is not surprising then that respondents expect cybersecurity to take its place as a top priority for regulators. In total, 19% expect it to be the number one priority for regulators in 2016, against 18% for Anti-Money Laundering and Know Your Customer requirements, and 15% for efforts to ensure a firm-wide culture of compliance.

These results for cybersecurity were largely driven by U.S. respondents, where 35% expect regulators to prioritize their focus on this area. In the UK, it was lower, at 12%, with compliance culture (22%) expected to be the focus for regulators – a reflection, perhaps, of the Senior Managers and Certification Regimes being introduced for banks and likely the wider industry.

Find out more at: www.duffandphelps.com/GRO2016 or contact **Julian Korek**, Global Head of Compliance and Regulatory Consulting, via email at julian.korek@duffandphelps.com.

# International in Focus:
# Results of the 2015 European Goodwill Impairment Study

Duff & Phelps released the results of the 2015 European Goodwill Impairment Study (the "2015 European Study") in December 2015. Now in its third year of publication, the 2015 European Study continues to examine general and industry goodwill impairment trends by analyzing financial results from the 2010 through 2014 calendar years. As with past editions, the analysis in the 2015 European Study is focused on companies in the STOXX® Europe 600 Index, which is comprised of large-, mid- and small-capitalization companies across 18 countries within Europe. This study is a companion to the 2015 U.S. Goodwill Impairment Study (the "2015 U.S. Study"), now in its seventh year of publication, which examines similar trends in the United States, along with publishing the results of an annual survey of Financial Executives International (FEI).

### Highlights of the 2015 European Study

Impairments of goodwill declined significantly in 2014, but were still far above the aggregate amount of €15.2 billion seen at the onset of the Euro sovereign debt crisis in 2010, indicating that European businesses have not fully recovered to pre-crisis levels.

European companies in the STOXX® Europe 600 Index recognized a total of €29.4 billion of goodwill impairments in calendar year 2014, representing a decrease of approximately 41% from the €49.6 billion recorded in 2013. The decline in aggregate goodwill impairments is broadly consistent with the economic trends seen in Europe during 2014. The aggregate number of impairment events, on the other hand, decreased only slightly from 162 in 2013 to 160 in 2014.

In comparison, U.S. public companies[1] recorded $26 billion of goodwill impairment in calendar year 2014, representing an increase from the $22 billion in 2013. The number of goodwill impairment events also increased from 274 to 341 over the same period.

### Industry Highlights

From an industry viewpoint, the 2015 European Study showed that Financials and Industrials experienced the greatest number of impairment events in 2014, at 48 and 31, respectively. In terms of aggregate goodwill impairment amounts, Telecommunication Services recorded the largest amount in 2014 at €8.9 billion. Financials followed with an aggregate impairment of €6.7 billion, a 61% decline from €17.2 billion in 2013. Other notable decreases in the aggregate amount of goodwill impairments included Materials, which declined from €7.5 to €0.4 billion, and Utilities which dropped from €9.0 to €2.1 billion.

Energy dominated the results of the 2015 U.S. Study, as two of the top five largest impairment events drove up the total for the industry. Information Technology followed with an aggregate impairment of amount of $3.6 billion, with Industrials and Consumer Staples closely behind at $3.5 billion each.

### Country Highlights

The United Kingdom was the country with the highest aggregate amount of goodwill impairments, which totaled €12.4 billion. However, this still represents an 18% decline in the amount of goodwill impairments relative to €15.0 billion in 2013. France, which had the second-highest aggregate impairment amount at €3.7 billion, saw an even sharper decrease (69% down from €12.0 billion in 2013). In absolute terms, the steepest drop in aggregate goodwill impairment was realized by Italy, with a decline of €13.1 billion or 82.0%, putting its aggregate impairment at €2.9 billion in 2014. Goodwill impairments in Germany totaled €1.4 billion in 2014, marking a 5-year low for German companies. Despite the sharp decline in aggregate goodwill impairments in Germany in 2014, this trend may well have reversed in 2015, as several notable impairment events were already announced.

Visit www.duffandphelps.com/GWIStudies to obtain the 2015 European and U.S. Goodwill Impairment studies.

1. The dataset for the 2015 U.S. Study included 8,705 public companies, compared to 600 companies in the STOXX® Europe 600 Index.

*Continued from page 2:*

Because both operating leases and unfunded pensions are considered off-balance sheet debt-equivalents, to the right-hand side of the chart we show how much of the increase is attributable to capitalizing leases. In this example, 69.5% of the off-balance sheet debt is due to operating leases. So, doing a little math, we get:

- Total Increase in Debt-to-Total Capital ratio = 42.9% - 22.8% = 20.1%
- Increase in Debt-to-Total Capital ratio related to Operating Leases = 20.1% x 69.5% = 14.0%
- Increase in Debt-to-Total Capital ratio due to Operating Leases = 22.8% + 14.0% = 36.8%

Appendix B builds on the statistics provided in Appendix A for gauging the impact of "debt-like" off-balance-sheet items on the capital structure of the subject industry.

Duff & Phelps is working with companies now to help them assess the impact of the new lease accounting standards. For more information contact **Ross Prindle**, Duff & Phelps Real Estate Advisory Group Leader, at 312 697 4740.

# Spotlight:
# Highlights from the Duff & Phelps IP Value Summit

The 2nd Annual IP Value Summit convened corporate executives, legal counsel and other experts to discuss the latest issues impacting intellectual property. David J. Kappos, partner at Cravath, Swaine & Moore LLP and former Director of the U.S. Patent and Trademark Office, served as Keynote of the summit. He discussed the enormous impact IP has in the U.S. economy, with 27.1% of U.S. jobs and 24.8% of the U.S. GDP in IP intensive industries. He also discussed that with a new administration on the horizon, IP leadership must start at the top and the Federal government must incentivize innovation.

The morning concluded with a diverse panel discussing hot topics including the emergence of the Unified Patent Court and its potential Pan European impact; the impact the Trans-Pacific Partnership will have on international trade; the presumption that extraterritorial reach exists for U.S. domestic patents in other countries, and trade secret misappropriation.

Following the General Session, attendees chose to explore topic areas most relevant to them. The Valuation and M&A track included a discussion on navigating IP in M&A transactions and the vital role IP plays in technology-driven M&A transactions — often the driving rationale for a merger or the reason a transaction fails to close. The Tax and Transfer Pricing track included discussions on how the value of IP affects multinational enterprises' international tax and transfer pricing strategy, spotlighting the impact of BEPS measures. And, the Licensing and Litigation Strategy track examined the legal environment for IP and its impact on business and licensing.

We expect the complex challenges and opportunities attendees discussed will continue to evolve in 2016 and beyond, and look forward to continuing the conversation.

# North American Industry Market Multiples
# As of December 31, 2015

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| Industry | Market Value of Equity to Net Income | | MVIC to EBIT | | MVIC to EBITDA | |
|---|---|---|---|---|---|---|
| | U.S. | Canada | U.S. | Canada | U.S. | Canada |
| Energy | 12.6 | 19.7 | 14.7 | 19.0 | 7.9 | 5.8 |
| Energy Equipment & Services | 13.4 | 16.2 | 12.4 | 16.5 | 7.4 | 6.0 |
| Integrated Oil & Gas | — | — | — | — | 10.1 | — |
| Materials | 15.1 | 8.9 | 13.8 | 14.2 | 9.3 | 7.5 |
| Chemicals | 17.4 | 14.9 | 13.8 | 15.9 | 9.7 | 8.7 |
| Diversified Chemicals | 16.9 | — | 14.9 | — | 9.8 | — |
| Specialty Chemicals | 21.6 | — | 16.3 | — | 12.2 | — |
| Construction Materials | 19.8 | — | 15.7 | — | 10.2 | 6.7 |
| Metals & Mining | 6.0 | 6.3 | 12.3 | 13.4 | 8.9 | 6.1 |
| Paper & Forest Products | 15.5 | 10.3 | 13.0 | 16.6 | 8.6 | 13.7 |
| Industrials | 16.8 | 15.4 | 13.5 | 13.9 | 9.7 | 8.9 |
| Aerospace & Defense | 17.2 | 15.0 | 14.1 | 17.0 | 10.4 | 10.5 |
| Industrial Machinery | 17.3 | 13.7 | 13.9 | 12.4 | 9.4 | 8.8 |
| Commercial Services & Supplies | 17.6 | 24.2 | 14.0 | 14.3 | 9.5 | 6.0 |
| Road & Rail | 14.0 | 17.5 | 11.6 | 13.5 | 7.2 | 9.1 |
| Railroads | 15.8 | — | 13.2 | — | 8.8 | — |
| Consumer Discretionary | 17.4 | 20.2 | 13.7 | 15.0 | 10.3 | 10.6 |
| Auto Parts & Equipment | 15.5 | 9.8 | 12.1 | 8.4 | 7.2 | 5.9 |
| Automobile Manufacturers | — | — | — | — | — | — |
| Household Durables | 15.4 | — | 13.1 | — | 11.8 | — |
| Leisure Equipment & Products | 18.8 | — | 12.6 | — | 10.5 | — |
| Textiles, Apparel & Luxury Goods | 14.1 | — | 11.9 | — | 9.6 | — |
| Restaurants | 25.1 | 20.9 | 18.9 | 14.6 | 11.9 | 13.6 |
| Broadcasting | 15.8 | — | 13.4 | 19.0 | 10.1 | 10.8 |
| Cable & Satellite | 27.9 | — | 19.9 | 13.3 | 10.5 | 7.6 |
| Publishing | 18.8 | — | 15.2 | 11.2 | 10.3 | 7.5 |
| Multiline Retail | 15.9 | — | 14.1 | — | 9.9 | — |

| Industry | Market Value of Equity to Net Income | | MVIC to EBIT | | MVIC to EBITDA | |
|---|---|---|---|---|---|---|
| | U.S. | Canada | U.S. | Canada | U.S. | Canada |
| Consumer Staples | 21.6 | 18.0 | 16.5 | 16.8 | 12.8 | 10.8 |
| Beverages | 27.1 | 23.5 | 21.0 | 23.1 | 14.6 | 12.3 |
| Food Products | 22.9 | 18.1 | 17.5 | 16.8 | 13.0 | 13.4 |
| Household Products | 24.5 | — | 16.5 | — | 13.3 | — |
| Health Care | 23.6 | 16.1 | 18.4 | 30.6 | 14.0 | 18.5 |
| Health Care Equipment | 29.7 | — | 24.5 | — | 15.6 | — |
| Health Care Services | 22.3 | — | 15.1 | — | 11.8 | — |
| Biotechnology | 19.0 | 10.3 | 18.8 | 39.9 | 21.9 | 22.1 |
| Pharmaceuticals | 19.9 | — | 19.4 | 35.7 | 15.1 | 21.8 |
| Information Technology | 24.7 | 21.1 | 20.0 | 15.9 | 14.3 | 13.6 |
| Internet Software & Services | 28.1 | 29.9 | 25.1 | 18.2 | 16.3 | 16.7 |
| IT Services | 26.3 | 16.9 | 18.7 | 13.7 | 12.5 | 15.1 |
| Software | 31.1 | 40.8 | 26.6 | 37.6 | 19.2 | 26.8 |
| Technology Hardware & Equipment | 19.1 | 15.6 | 16.4 | 14.0 | 12.0 | 12.1 |
| Communications Equipment | 25.9 | 15.6 | 18.5 | 14.2 | 13.8 | 13.5 |
| Computers & Peripherals | 15.9 | — | 16.4 | — | 11.8 | — |
| Semiconductors | 26.7 | — | 24.9 | — | 17.6 | — |
| Telecommunication Services | 18.3 | 21.6 | 21.1 | 16.5 | 8.0 | 8.9 |
| Integrated Telecommunication Services | 17.0 | — | 15.9 | — | 6.3 | 8.9 |
| Wireless Telecommunication Services | 18.2 | — | 24.3 | — | 8.3 | — |
| Utilities | 19.5 | 15.7 | 15.8 | 20.0 | 10.0 | 11.5 |
| Electric Utilities | 19.2 | — | 15.4 | — | 9.8 | — |
| Gas Utilities | 19.7 | — | 15.0 | — | 10.0 | — |

| Industry | Market Value of Equity to Net Income | | Market Value of Equity to Book Value | |
|---|---|---|---|---|
| | U.S. | Canada | U.S. | Canada |
| Financials | 15.3 | 10.8 | 1.1 | 1.2 |
| Commercial Banks | 15.2 | 10.5 | 1.1 | 1.3 |
| Investment Banking and Brokerage | 23.4 | — | 1.6 | — |
| Insurance | 13.2 | 11.5 | 1.3 | 1.3 |

An industry must have a minimum of 5 company participants to be calculated. For all reported multiples in the U.S. and Canada, the average number of companies in the calculation sample was 86 (U.S.), and 26 (Canada); the median number of companies in the calculation sample was 46 (U.S.), and 11 (Canada). Sample set includes publicly-traded companies (private companies are not included). Source: Data derived from Standard & Poor's Capital IQ databases. Reported multiples are median ratios (excluding negatives). MVIC = Market Value of Invested Capital = Market Value of Equity plus Book Value of Debt. EBIT = Earnings Before Interest and Taxes for latest 12 months. EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization for latest 12 months.

# European Industry Market Multiples
## As of December 31, 2015

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| Industry | Market Value of Equity to Net Income<br>Europe | MVIC to BIT<br>Europe | MVIC to EBITDA<br>Europe |
|---|---|---|---|
| Energy | 12.6 | 12.7 | 7.8 |
| Energy Equipment & Services | 16.4 | 11.8 | 7.5 |
| Integrated Oil & Gas | 17.1 | 26.0 | 7.7 |
| Materials | 16.6 | 15.1 | 9.2 |
| Chemicals | 18.6 | 16.4 | 10.0 |
| Diversified Chemicals | 17.1 | 12.3 | 7.7 |
| Specialty Chemicals | 19.6 | 16.0 | 10.4 |
| Construction Materials | 17.8 | 17.2 | 9.9 |
| Metals & Mining | 12.2 | 12.2 | 7.9 |
| Paper & Forest Products | 13.7 | 14.7 | 8.9 |
| Industrials | 17.9 | 15.4 | 10.6 |
| Aerospace & Defense | 23.3 | 19.7 | 12.6 |
| Industrial Machinery | 17.5 | 14.2 | 10.4 |
| Commercial Services & Supplies | 19.4 | 15.9 | 9.8 |
| Road & Rail | 17.4 | 14.2 | 8.3 |
| Railroads | — | — | — |
| Consumer Discretionary | 17.1 | 15.5 | 10.9 |
| Auto Parts & Equipment | 15.5 | 12.8 | 7.6 |
| Automobile Manufacturers | 10.5 | 15.3 | 11.0 |
| Household Durables | 15.0 | 12.0 | 10.3 |
| Leisure Equipment & Products | 16.6 | 15.7 | 12.8 |
| Textiles, Apparel & Luxury Goods | 17.0 | 15.4 | 11.8 |
| Restaurants | 21.7 | 16.8 | 11.9 |
| Broadcasting | 24.4 | 15.2 | 11.9 |
| Cable & Satellite | 21.3 | 25.8 | 10.6 |
| Publishing | 13.1 | 16.6 | 10.8 |
| Multiline Retail | 18.8 | 13.6 | 10.8 |
| Consumer Staples | 20.3 | 17.0 | 11.8 |
| Beverages | 23.3 | 18.0 | 13.5 |
| Food Products | 18.4 | 16.0 | 10.8 |
| Household Products | — | 15.2 | 11.4 |

| Industry | Market Value of Equity to Net Income<br>Europe | MVIC to BIT<br>Europe | MVIC to EBITDA<br>Europe |
|---|---|---|---|
| Health Care | 27.5 | 21.8 | 17.0 |
| Health Care Equipment | 29.3 | 22.0 | 17.7 |
| Health Care Services | 17.8 | 14.2 | 9.8 |
| Biotechnology | 27.4 | 32.6 | 27.3 |
| Pharmaceuticals | 30.0 | 22.2 | 16.2 |
| Information Technology | 21.8 | 17.9 | 14.3 |
| Internet Software & Services | 30.4 | 25.6 | 18.6 |
| IT Services | 20.1 | 14.7 | 12.4 |
| Software | 24.5 | 20.0 | 15.6 |
| Technology Hardware & Equipment | 21.0 | 17.4 | 13.0 |
| Communications Equipment | 24.0 | 17.2 | 14.0 |
| Computers & Peripherals | 25.3 | 18.1 | 14.6 |
| Semiconductors | 17.0 | 22.3 | 15.1 |
| Telecommunication Services | 22.1 | 18.0 | 10.3 |
| Integrated Telecommunication Services | 20.3 | 15.7 | 9.0 |
| Wireless Telecommunication Services | 19.0 | 19.6 | 9.5 |
| Utilities | 14.7 | 16.9 | 10.2 |
| Electric Utilities | 13.3 | 15.1 | 9.3 |
| Gas Utilities | 13.4 | 15.8 | 10.9 |

| Industry | Market Value of Equity to Net Income<br>Europe | Market Value of Equity to Book Value<br>Europe |
|---|---|---|
| Financials | 13.4 | 1.1 |
| Commercial Banks | 11.3 | 0.6 |
| Investment Banking and Brokerage | 18.0 | 1.4 |
| Insurance | 12.6 | 1.2 |

An industry must have a minimum of five company participants to be calculated. For all reported multiples in Europe, the average number of companies in the calculation sample was 91 and the median number of companies in the calculation sample was 40 Sample set includes publicly-traded companies (private companies are not included). Source: Data derived from Standard & Poor's Capital IQ databases. Reported multiples are median ratios (excluding negatives). MVIC = Market Value of Invested Capital = Market Value of Equity plus Book Value of Debt. EBIT = Earnings Before Interest and Taxes for latest 12 months. EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization for latest 12 months.

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