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The Global M&A Middle Market Insider is published by Global M&A, one of the world's leading independent M&A advisory firms. Specialized in the middle market, we provide support and opportunities locally and internationally for clients buying or selling companies as well as financings, corporate restructurings and other corporate finance transactions.

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U.S. Market Pulse Suggests Strong Deal Flow Ahead – If Economy Holds

Credit markets are opening up. With capital to deploy, private equity has a renewed focus on acquisitions, so there is heightened competition for good deals. Cash-rich strategic buyers are back. Quality and quantity of deals are improving, and purchase multiples are ticking up. Taken together, these trends make for a favorable M&A environment.

Commenting on the current M&A pipeline, Global M&A USA Managing Director, John Tilson said, "At the mid-year mark, there was a substantial backlog of deals being readied to launch—like a 'pig in a python'—largely middle market businesses that were sidelined from the dormant M&A market over the past 18 months." One of the driving forces behind the flurry of activity is the pending change in capital gains treatment on the horizon, when the U.S. capital gains tax will increase from 15 percent to 20 percent, which is assumed to take effect January 1, 2011. "The first wave started during the April/May timeframe. These were business owners who wanted a liquidity event before the new tax regime is enacted," Tilson added. "We are seeing a second wave now. These sellers realize that window may no longer be open; however, the market timing is right because their businesses are demonstrating much stronger financial performance. That financial performance is both the tailwind of revenue growth and margin expansion through cost-cutting initiatives," Tilson said. Top-line growth is translating into disproportionately higher growth in earnings because of cost saving measures that were undertaken in 2009. "That incremental revenue is going to be extremely profitable. For a 3 percent to 4 percent increase in revenue, you may see a 10 percent rise in earnings. Those companies are coming to market because their profitability is, in some cases, at or even above pre-recession levels," Tilson added.

Companies are healthier: Some companies that survived the recession are in a position to thrive as the economy recovers. Global M&A USA Managing Director, Andrew Petryk commented, "The strong financial performance seen during the first half of 2010 was broadbased, from industrial companies all the way through to service sectors, which speaks to the improved quality of M&A opportunities that we are seeing."

Strategic buyer activity gives compelling evidence that confidence is returning. After a period of portfolio reshaping and deleveraging, balance sheets are strong. There is better visibility in earnings and greater confidence in free cash flow profiles. Strategics are

active and aggressive. "A strategic buyer we are talking with has been given a mandate to double the size of a division in two years. That growth can only be accomplished through acquisitions," Tilson said. "Budgets for growth acquisitions at strategic buyers have been adjusted upward in 2010, and we expect that they will be adjusted upward for 2011," added Tilson.

Today, the outlook on M&A is decidedly more optimistic. Strategic buyers who previously were looking at buying assets on the cheap as restructurings and bankruptcies dominated deal activity are now looking at healthy growth acquisitions. Tilson commented, "Doubling the size of a business is not something that you would have heard this time last year. You would have heard, 'Who is going bankrupt, and do we need to buy their assets to take their business?' Instead, you now hear, 'Who do we want to buy that is a quality business that we can grow?'" Valuation multiples are more modest, as buyer and seller expectations are aligning, but not 'cheap.' High-quality middle market companies can still command premium multiples.

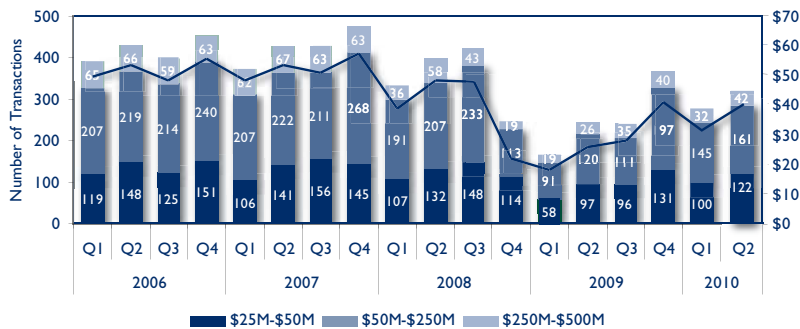
There has been a dramatic change in the landscape for acquisition financing, with some lenders even chasing deals, participants say, which is proven out in greater availability, higher leverage, and lower pricing. Providing some insight into the lending environment, Tilson said, "There are growing pockets of cash flow lending in the \$7 million to \$15 million EBITDA range, albeit at conservative leverage multiples — in the 2x to 2.5x range on senior debt. The growing pockets are coming from new finance companies that have raised capital — firms like Golub Capital and Tygris Commercial Finance. There is still very strong activity in the \$15 million to \$40 million EBITDA range." Tilson indicated that financing for the sub \$7 million EBITDA market is harder to find, although new lenders are entering the market and liquidity is slowing coming back. Aggressiveness on total leverage is going up, with structures north of 4x total debt more commonly seen today. Lenders are starting to require less equity in deals — another indication that the financing market is loosening.

We expect deal flow will remain steady to strong provided that the economy continues to grow. We are seeing willing buyers and sellers, balance-sheet strength on the part of strategic buyers, and more accommodating credit markets from a financing perspective, which supply the necessary formula for getting deals done.

Market Trends

Mergers & Acquisitions Activity

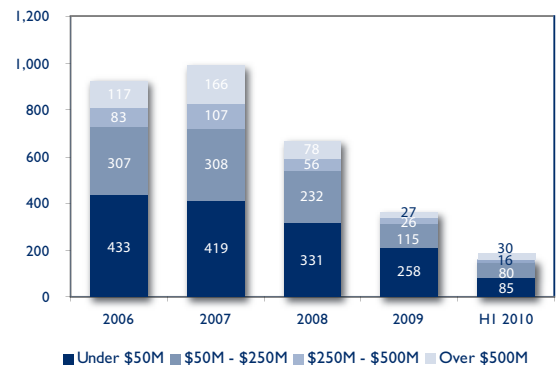
Middle Market M&A Activity



Based on announced deals, where the primary location of the target is in the United States. Middle market enterprise values between \$25 million and \$500 million.

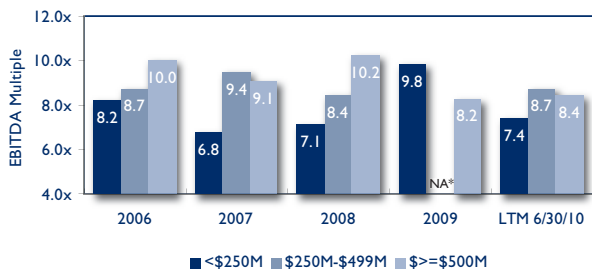
Source: Capital IQ.

Private Equity Transaction Activity
Transaction Count by Deal Size



Source: PitchBook.

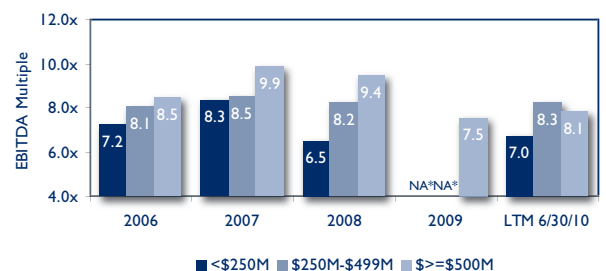
Strategic Buyer Valuation Trends



*NOTE: Data not reported due to limited number of observations for period.

Source: Standard & Poors LCD.

Financial Buyer Valuation Trends

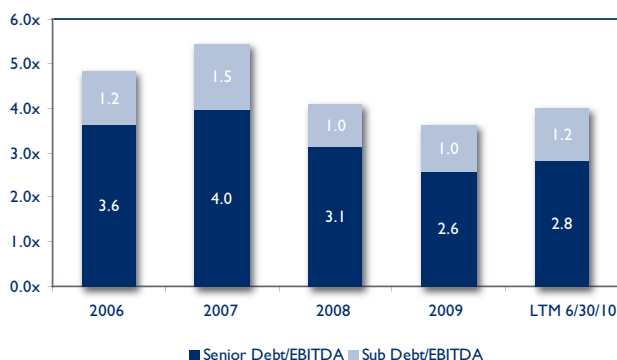


*NOTE: Data not reported due to limited number of observations for period.

Source: Standard & Poors LCD.

Acquisition Financing Trends

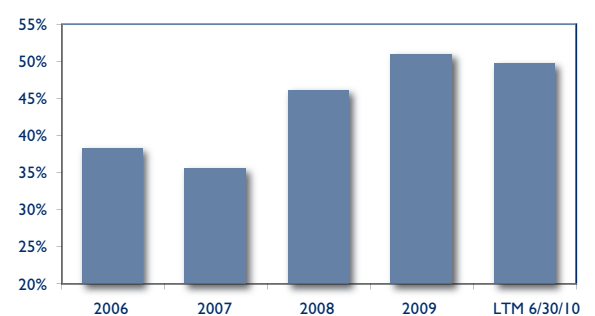
Leverage



Middle market enterprise values between \$25 million and \$500 million.

Source: Standard & Poors LCD.

Equity Contribution



Middle market enterprise values between \$25 million and \$500 million.

Source: Standard & Poors LCD.

About Global M&A

Global M&A is one of the world's leading independent M&A advisory firms. Specialized in middle market transactions, we provide support and opportunities locally and internationally for clients buying or selling companies as well as financings, corporate restructurings and other corporate finance transactions.

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| Belgium | Estonia | Ireland | Perú | Ukraine |
| Brazil | Finland | Israel | Poland | United States |
| Canada | France | Italy | Russia | |
| Central America | GCC & Yemen | Japan | Spain | |

Completed Transactions

ShowTime Budapest <hr/> Sony Music <p>Sale of a majority stake in a leading Hungarian organizer of live concerts for Sony Music</p> <p>Exclusive advisor to the seller</p> 	Endeavour Shipbrokers Pty Ltd <hr/> ACM Shipping Group plc <p>Acquisition of a leading Australian dry cargo shipbroker</p> <p>Exclusive advisor to the buyer</p> 	Huber + Suhner <hr/> Rosenberger <p>Sale of a leading Swiss radio frequency connectors business</p> <p>Exclusive advisor to the seller</p> 	Prestamos <hr/> Undisclosed <p>Partial sale of a leading Argentinian consumer finance portfolio</p> <p>Exclusive advisor to the seller</p> 
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