

“I made my money by selling too soon”

- Bernard Baruch

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WATERVIEW ADVISORS  
M&A ADVISORY • VALUATIONS • CAPITAL SOURCING

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# THE MARKET

## FOR PRIVATELY HELD COMPANIES

### Topics Relevant to Middle Market Mergers & Acquisitions

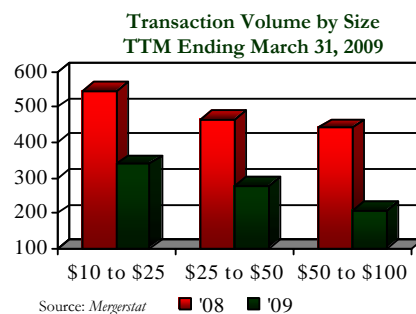
#### M&A Activity – Q1 2009 Data

Transaction volume moderated in 1Q 2009 relative to 2008. Overall transaction volume (including public and private companies of all sizes) for the TTM ended March 31, 2009 was 33% lower than the same period in 2008. Especially hard hit were transactions valued at over \$1 billion. Those transactions are off 60%.

#### Transaction Volume for the Lower Middle Market

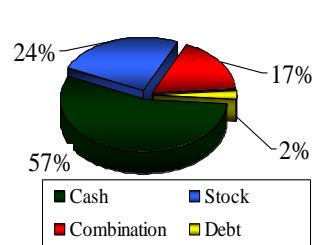
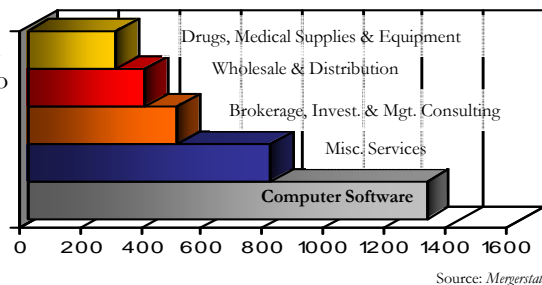
The chart below includes both public and private transactions for the lower middle market and reveals that transaction volume has moderated in all three size categories.

The number of transactions in the \$50 to \$100 million enterprise value category fell 53% compared to the prior year. Transactions in the \$25 to \$50 million enterprise value category decreased 40%, and transaction volume in the smallest category (\$10 to \$25 million) slowed 38%. The number of deals with undisclosed values dropped only 27%. It is highly likely that most of these deals are under \$25 million in value.



#### Which Industries are Most Active?

The chart below reveals the **five most active industries** in terms of transactions closed for the **12 months** ended March 31, 2009. In addition to the industries listed in the chart, the following industries also exhibited high transaction volume: Insurance; Construction Contractors & Engineering Services; Health Services; Leisure & Entertainment; Retail; and Banking & Finance.



#### Pricing and Structure

In spite of the slowdown in transaction volume, **valuations remain attractive** for private companies. EBITDA multiples for lower middle market companies, although lower than the peaks experienced 18 months ago, continue to be competitive with long term averages. **Another positive note** - cash is still king. 57% of the transactions completed in the three months ending March 31, 2009 were all-cash transactions.

#### Waterview Advisors is a Financial Advisory Services firm focused on Investment Banking and Valuation Services

- The Investment Banking Division serves client companies with revenue between \$5 million and \$100 million:
  - ◆ Sell Side Representation (marketing to both strategic and financial buyers)
  - ◆ Capital Sourcing (senior debt, mezzanine and equity)
- The Valuation Advisory Division provides the following services:
  - ◆ Fairness Opinions
  - ◆ Business Valuations for Gift & Estate Tax purposes
  - ◆ Valuations and Financial Analysis to Support Business & Tax Planning