

“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 – Q3 2009 Data

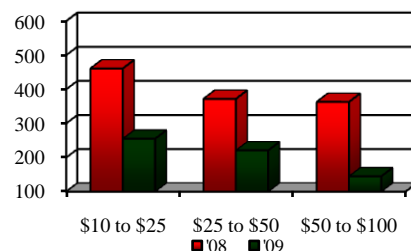
Transaction volume moderated in Q3 2009 relative to the same period in 2008. Overall transaction volume (including public and private companies of all sizes) for the trailing twelve months ended September 30, 2009 was 29.1% lower than the same period in 2008. Especially hard hit were transactions valued at over \$250 million. Those transactions are off over 50%.

#### 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.

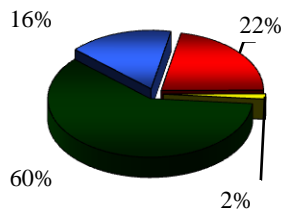
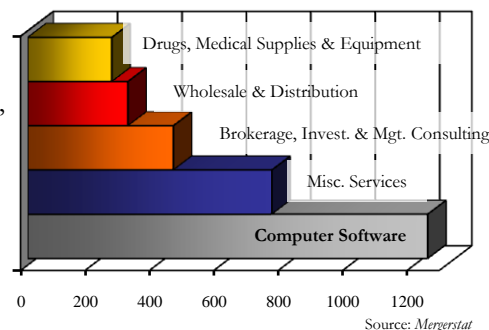
The number of transactions in the \$50 to \$100 million enterprise value category fell 60.1% compared to the prior year. Transactions in the \$25 to \$50 million enterprise value category decreased 40.6%, and transaction volume in the smallest category (\$10 to \$25 million) slowed 44.7%. The number of deals with undisclosed values dropped only 21.5%. It is highly likely that most of these deals are under \$25 million in value.

Transaction Volume by Size  
TTM Ending September 30, 2009



#### Which Industries are Most Active?

The chart to the right reveals the five most active industries in terms of transactions closed for the 12 months ended September 30, 2009. In addition to the industries listed in the chart, the following industries also exhibited high transaction volume: Banking & Finance; Health Services; Insurance; Construction Contractors and Engineering Services; and Leisure & Entertainment.



#### Pricing and Structure

In spite of the slowdown in transaction volume, **valuations remain attractive** for healthy 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. 60% of the transactions completed in the three months ending September 30, 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