

“I made my money by selling too soon”

- Bernard Baruch

# THE MARKET

## FOR PRIVATELY HELD COMPANIES

### Topics Relevant to Middle Market Mergers & Acquisitions

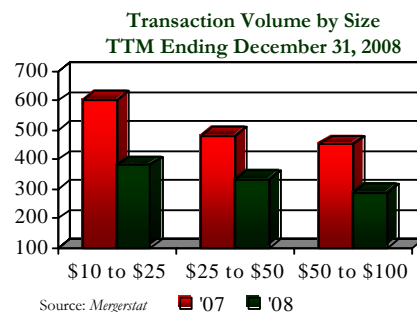
#### M&A Activity – Q4 2008 Data

Transaction volume moderated in 2008 relative to 2007. Overall transaction volume (including public and private companies of all sizes) for the TTM ended December 2008 was 30% lower than the same period in 2007. Especially hard hit were transactions valued at over \$1 billion. Those transactions are off 60%.

#### Transaction Volume for the Lower Middle Market

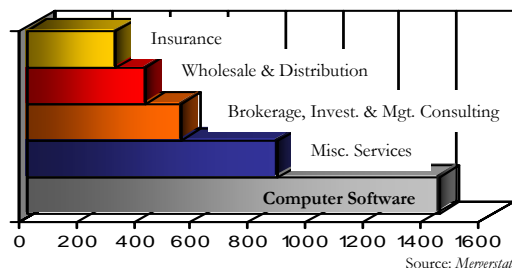
The chart below includes both public and private transactions for the lower middle market and reveals that transaction volume has moderated in all three size categories.

The number of transactions in the \$50 to \$100 million enterprise value category fell 36% compared to the prior year. Transactions in the \$25 to \$50 million enterprise value category decreased 31%, and transaction volume in the smallest category (\$10 to \$25 million) slowed 37%. The number of deals with undisclosed values dropped only 25%. It is highly likely that most of these deals are under \$25 million in value.



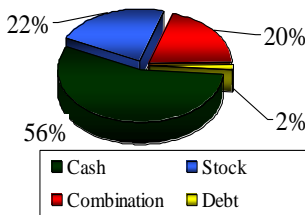
#### Which Industries are Most Active?

The chart below reveals the **five most active industries** in terms of transactions closed for the **12 months** ended December 31, 2008. In addition to the industries listed in the chart, the following industries also exhibited high transaction volume: Drugs, Medical Supplies & Equipment; Construction Contractors & Engineering Services; Leisure & Entertainment; Retail; and Health Services.



#### 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. 56% of the transactions completed in the three months ending December 2008 were all-cash transactions.



Source: Mergerstat

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