

“I made my money by
selling too soon”

- Bernard Baruch

July 2008

WATERVIEW ADVISORS MERGERS & ACQUISITIONS

For further information:
Larry S. Starks
Senior Managing Director
14881 Quorum Drive
Suite 430
Dallas, TX 75254
Office: 469.916.3937
Fax: 972.690.5403
larry.starks@waterviewadvisors.com

www.waterviewadvisors.com

© 2008 by Waterview Advisors

THE MARKET

FOR PRIVATELY HELD COMPANIES

Topics Relevant to Middle Market Mergers & Acquisitions

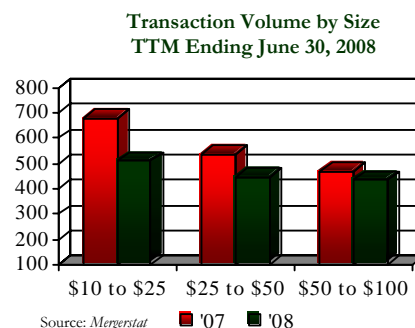
M&A Activity – Q2 2008 Data

Merger and acquisition activity remains **extremely active in software, business services (both BtoB and BtoC), distribution and construction**. Although active, transaction volume has moderated relative to the same period in 2007. Transaction volume (including public and private companies of all sizes) for the TTM ended June 2008, was 16% lower than the same period in 2007. Although volume is lower, pricing remains high relative to historic levels.

Transaction Volume for the Lower Middle Market

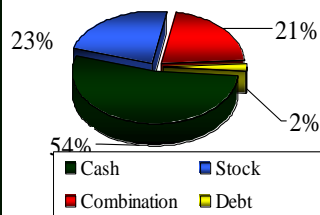
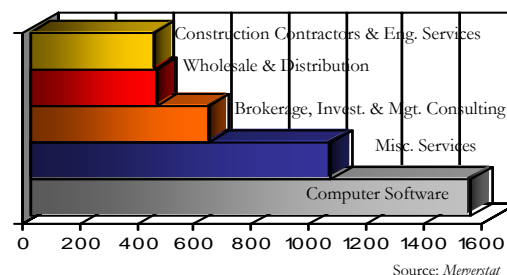
The chart below includes both public and private transactions for the lower middle market and reveals that transaction volume has moderated in all three size categories.

The number of transactions in the \$50 to \$100 million enterprise value category fell 7.2% compared to the prior year. Transactions in the \$25 to \$50 million enterprise value category decreased 17.1%, and transaction volume in the smallest category (\$10 to \$25 million) slowed 24.9%. The number of deals with undisclosed values only dropped 14.7%. It is highly likely that most of these deals are under \$25 million in value.



Which Industries are Most Active?

Activity in most industries remains robust, and the chart below reveals the five most **active industries** in terms of transactions closed for the **12 months** ended June 30, 2008. In addition to the industries listed in the chart, the following industries also exhibited high transaction volume: Leisure & Entertainment; Drugs, Medical Supplies & Equipment; Insurance; Health Services; Banking & Finance; and Communications.



Pricing and Structure

In spite of the slowdown in transaction volume, **valuations remain attractive** for private companies. EBITDA multiples are approximately 5-10% below those observed in 2006 and 2007 and remain greater than 2003 and 2002. **Another positive note** - cash is still king. 54% of the transactions completed in the three months ending June 2008 were all-cash transactions.

Waterview Advisors is a Sell Side Intermediary and Valuation Advisory Firm

- The Mergers & Acquisitions Division serves client companies with revenue between \$5 million and \$100 million:
 - ◆ Sell Side Representation (marketing to both strategic and financial buyers)
 - ◆ Private Equity Sponsored Leveraged Recapitalizations (optimal for generational transfers)
- 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