

M&A UPDATE

Issue Highlights

2Q 2011

- \$740 million aggregate ARM transaction value in 2Q11
- 12 month rolling ARM transaction value continues rising to \$1.38 billion
- Average ARM transaction value at 2007 levels
- Significant worldwide deal activity
- Pricing multiples increase from 1Q11

Larger Deals Dominate - Major Surge in 2Q 2011 Deal Value

The 2nd quarter brought a major rise in the number of ARM M&A transactions, as well as average transaction size, marking significant gains compared to the 1st quarter. Greenberg Advisors tracked 13 transactions in 2Q11 for a total of \$740 million in aggregate ARM deal value (**Figure 1**), with an average transaction value of \$56.9 million. These figures reflect massive increases from the 1st quarter, when 8 transactions were completed for \$140 million in aggregate ARM deal value, and the average transaction value was \$17.5 million. In addition, the last twelve months (LTM) of ARM deal value continued its steady rise, up to \$1.38 billion (**Figure 2**), a prime indication of the industry's increasing M&A activity, and validation that the current market presents many attractive opportunities for buyers and sellers.

Largest Deal Sizes Since 2007. Through the first half of 2011, 21 transactions were completed for a total of \$880 million in ARM deal value, and an average deal size of \$41.9 million. This trumps the average deal sizes for 2010 (\$22.5 million), 2009 (\$12.6 million), and 2008 (\$34.3 million), and interestingly, is in line with the 2007 average of \$40.5 million (**Figure 3**). This also coincides with the increasing activity of financial buyers, which have been responsible for 29% of the deals thus far in 2011, a significant increase from 2008-2010 when they were responsible for approximately 20% of deal activity. We expect that larger deals will continue occurring as long as financial buyers remain active, and other market dynamics remain in place.

Global Transaction Activity. Deal participants this quarter hailed from Brazil, France, Germany, India, Poland, the UK, and the US. Large deals included **AnaCap Financial Partners'** (along with **Morgan Stanley Alternative Investment Partners** and **Partners Group**) acquisition of **Cabot Financial**, **EOS Group's** acquisition of **Credirec SAS**, **SourceCorp.'s** merger with **HOV Services**, and **TDR Capital's** management-led acquisition of **Lowell Group**. Another sign of heightened interest in the sector was the IPO of Poland-based **Kruk S.A.**, the first ARM sector IPO in some time. With IPOs generally fetching the highest valuation for sellers and the market warming up lately, we expect to see more of them in the not-so-distant future.

Slight Increase in Deal Multiples. The median Price / EBITDA and Price / Revenue multiples in 2Q11 were 5.3x and 1.0x respectively, up from 5.0x and 0.9x in 1Q11 (**Figure 4**). This is of course based on aggregate data and multiples can vary significantly deal to deal. High-performers and companies with unusual scale, expertise and other desirable attributes often trade well above these figures, and firms without these attributes can trade at lower multiples. In the past 3 quarters, the median Price / EBITDA multiple has ranged between 5x - 6x, as compared to 2009 and the first 3 quarters of 2010 when the median Price / EBITDA multiple was above 5x in only 1 of the 7 quarters. This is not surprising given the larger deals that have been completed recently and the growing strength of the M&A market.

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Figure 1

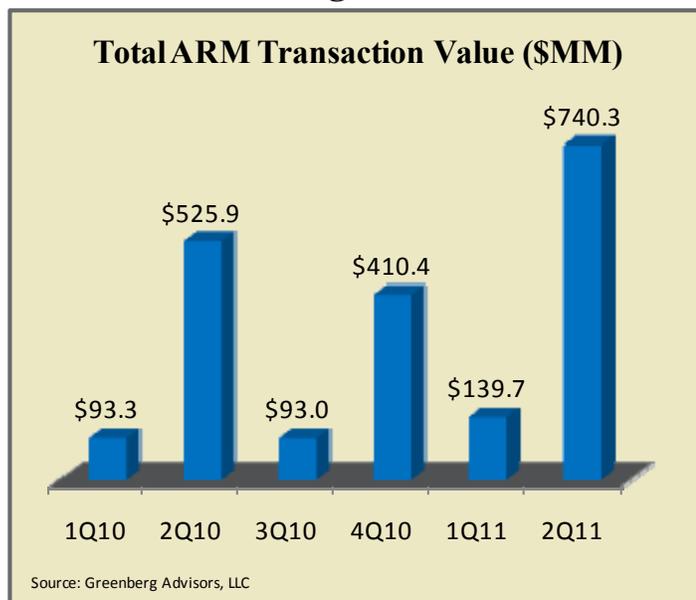


Figure 2

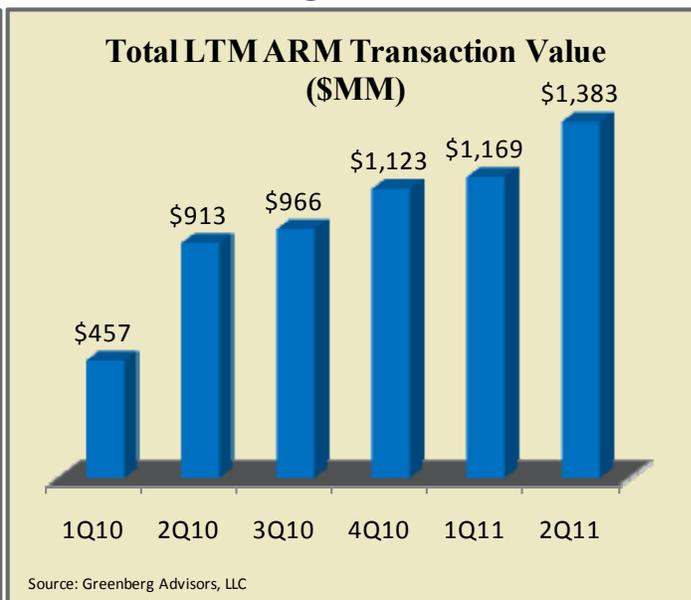


Figure 3

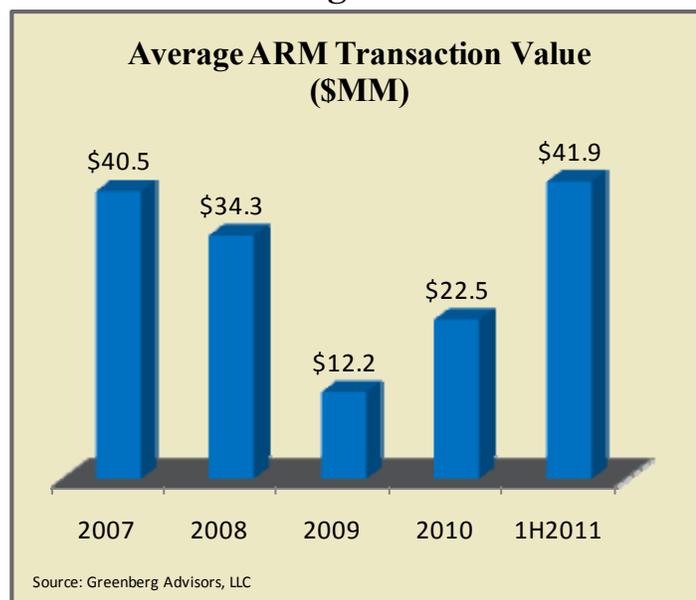
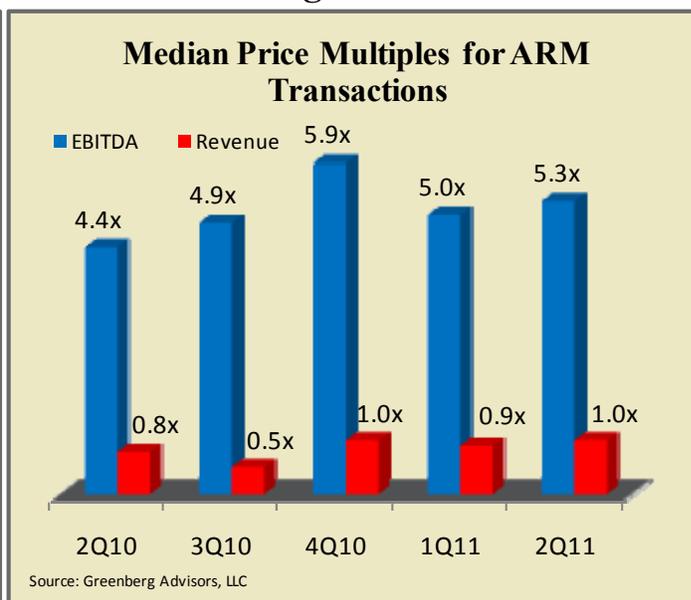


Figure 4



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