

Mufson Howe Hunter

Investment Bankers for Growth



Mergers & Acquisitions Update: The Middle Market September 2011

The Mufson Howe Hunter Middle Market M&A Update is designed to provide business owners, managers, private equity investors and M&A professionals with a summary of current market trends in the North America Middle Market. For purposes of this report, Mufson Howe Hunter defines the Middle Market as transactions valued at \$250 million and below.

Mufson Howe Hunter Commentary

The marketplace for North American Middle Market M&A activity during the 1st half of 2011 was a continuation of two pervasive trends: a meaningful reduction in the number of Middle Market transaction activity since 2009, and increasing valuations with a widening spread of valuation multiples based upon company size. Specifically, the total number of transactions announced in the 1st half of 2011 dropped 22% to 1,376 from 1,771 for the same period in 2010. M&A volume in the 1st half of 2011 represented a decline of about 25-30% from the average six month period pre-2009. However, with record amounts of idle cash on corporate balance sheets and “dry powder” remaining at private equity firms, valuations are steadily increasing as buyers compete for quality companies in the upper strata of the Middle Market. Valuations of publically disclosed transactions during the 1st half of 2011 averaged 8.1x EBITDA versus 7.6x in the full year 2010.

Within the Middle Market we are experiencing a positive correlation between company size and valuation multiple. For example, in the 1st half of 2011, private companies valued between \$100 and \$250 million in enterprise value averaged 7.5x EBITDA, versus 5.5x EBITDA for private companies between \$25 and \$50 million. The disparity in valuation appears to also correlate with increasing leverage ratios for larger companies. The smaller end of the Middle Market remains lackluster primarily as a result of more disciplined lending practices by lower Middle Market debt sources, coupled with fewer quality businesses in the marketplace.

It is our opinion that this trend should continue through 2011 and conclude with another year of reduced deal activity but improved valuations.

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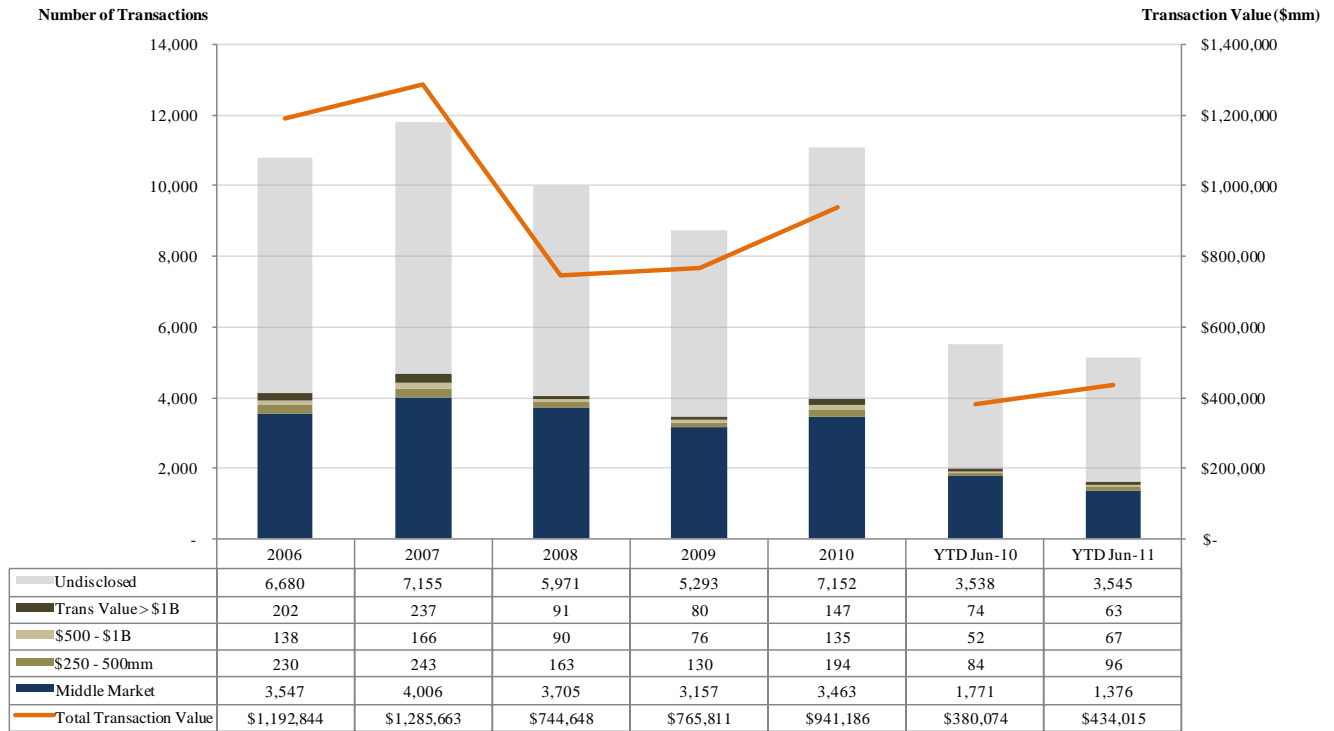
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Mufson Howe Hunter & Company LLC is a middle-market focused investment bank providing M&A, capital raising and financial advisory services.

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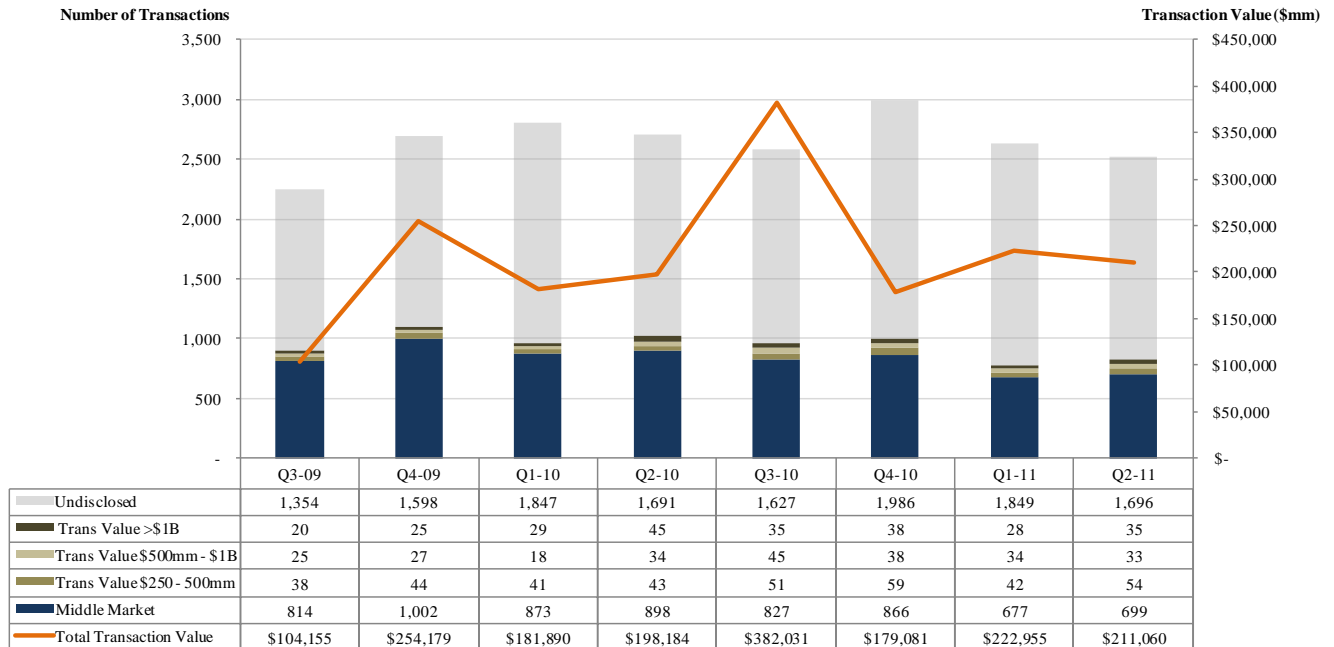
Middle Market M&A

M&A Activity



Note: Publicly disclosed M&A transactions

M&A Activity

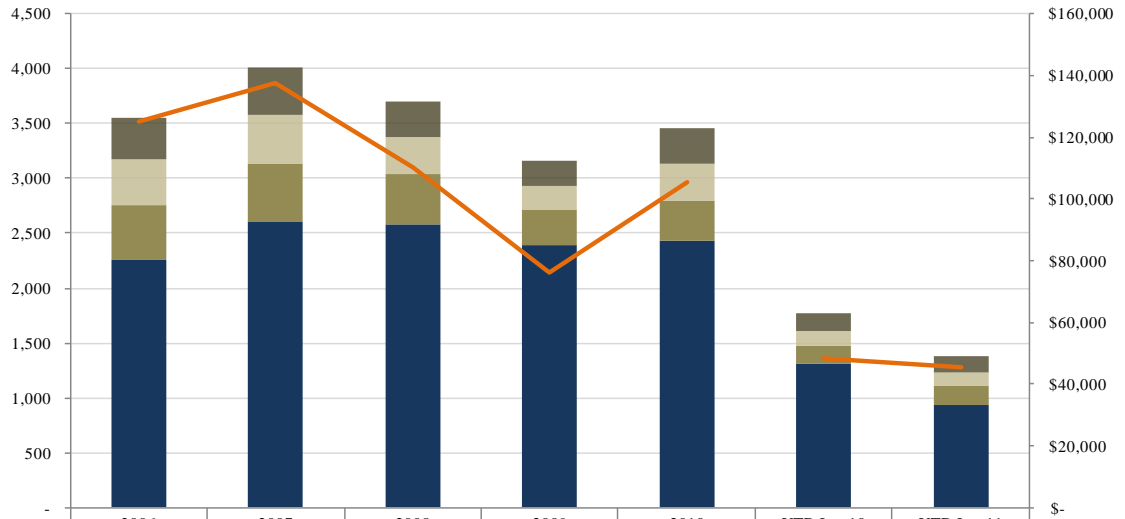


Note: Publicly disclosed M&A transactions

Middle Market M&A Activity

Number of Transactions

Transaction Value (\$mm)



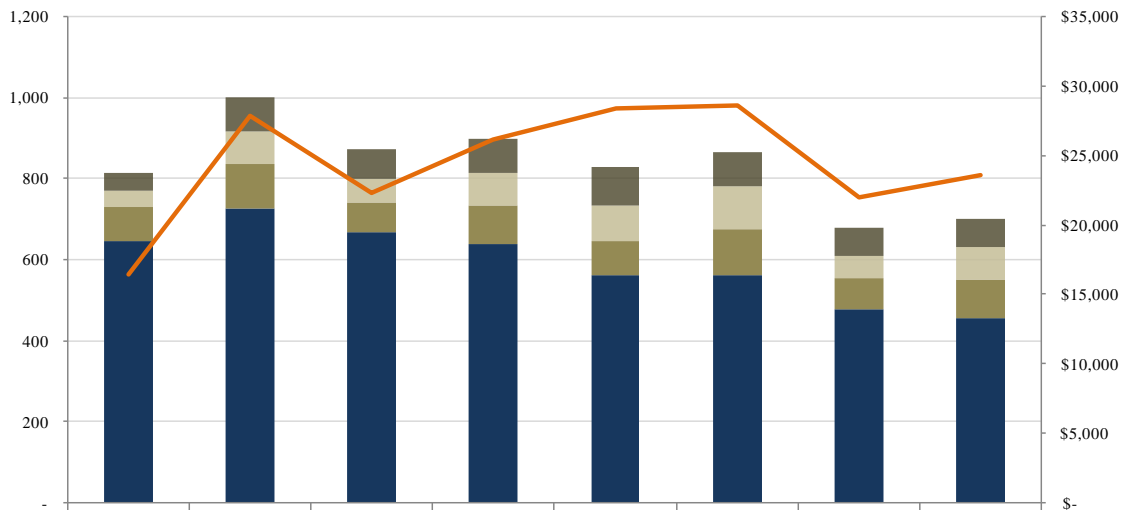
	2006	2007	2008	2009	2010	YTD Jun-10	YTD Jun-11
\$100 - 250mm	376	421	325	226	335	156	139
\$50 - 100mm	417	458	346	214	334	140	133
\$25 - 50mm	504	513	459	325	365	168	171
\$0 - 25mm	2,250	2,614	2,575	2,392	2,429	1,307	933
Total Transaction Value	\$125,163	\$137,473	\$110,049	\$76,245	\$105,481	\$48,437	\$45,496

Note: Publicly disclosed M&A transactions

Middle Market M&A Activity

Number of Transactions

Transaction Value (\$mm)

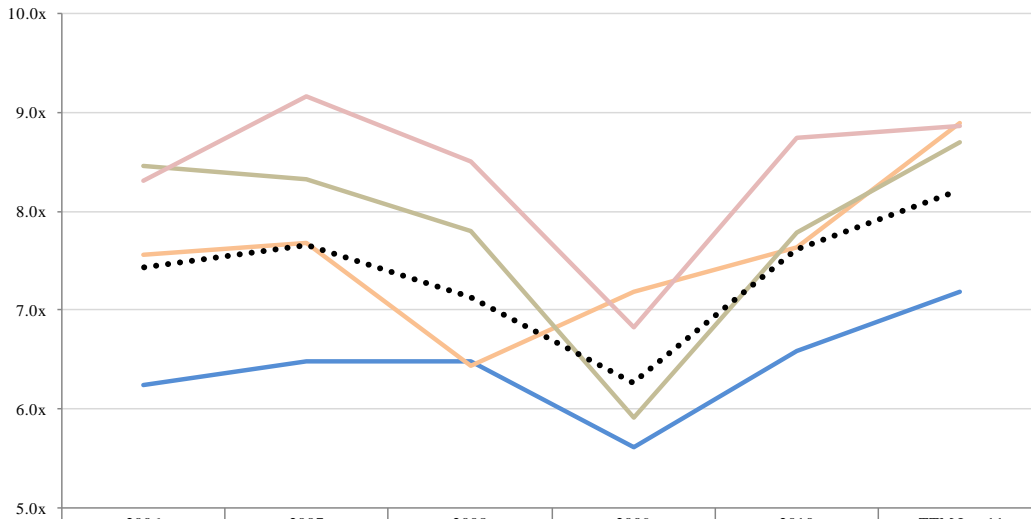


	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11
\$100 - 250mm	43	85	72	84	93	86	70	69
\$50 - 100mm	41	81	60	80	89	105	54	79
\$25 - 50mm	84	111	72	96	82	115	75	96
\$0 - 25mm	646	725	669	638	563	560	478	455
Total Transaction Value	\$16,377	\$27,817	\$22,289	\$26,148	\$28,422	\$28,614	\$21,952	\$23,544

Note: Publicly disclosed M&A transactions

Middle Market M&A Transaction Valuations

EV/EBITDA Valuation

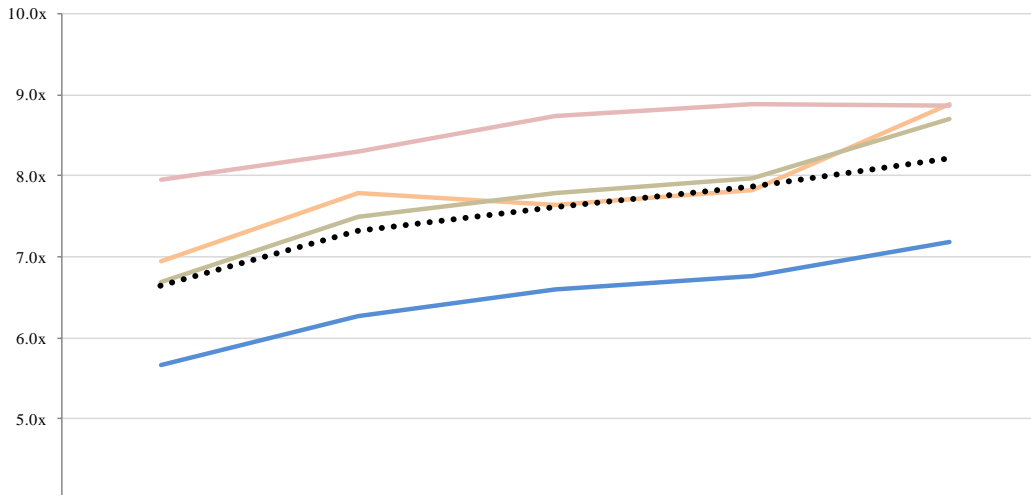


	2006	2007	2008	2009	2010	TTM Jun-11
\$0 - 25mm	6.2x	6.5x	6.5x	5.6x	6.6x	7.2x
\$25 - 50mm	7.6x	7.7x	6.4x	7.2x	7.6x	8.9x
\$50 - 100mm	8.5x	8.3x	7.8x	5.9x	7.8x	8.7x
\$100 - 250mm	8.3x	9.2x	8.5x	6.8x	8.7x	8.9x
Average Mid Market	7.4x	7.7x	7.1x	6.3x	7.6x	8.2x

Note: Publicly disclosed M&A transactions

Middle Market M&A Transaction Valuations (TTM)

EV/EBITDA Valuation

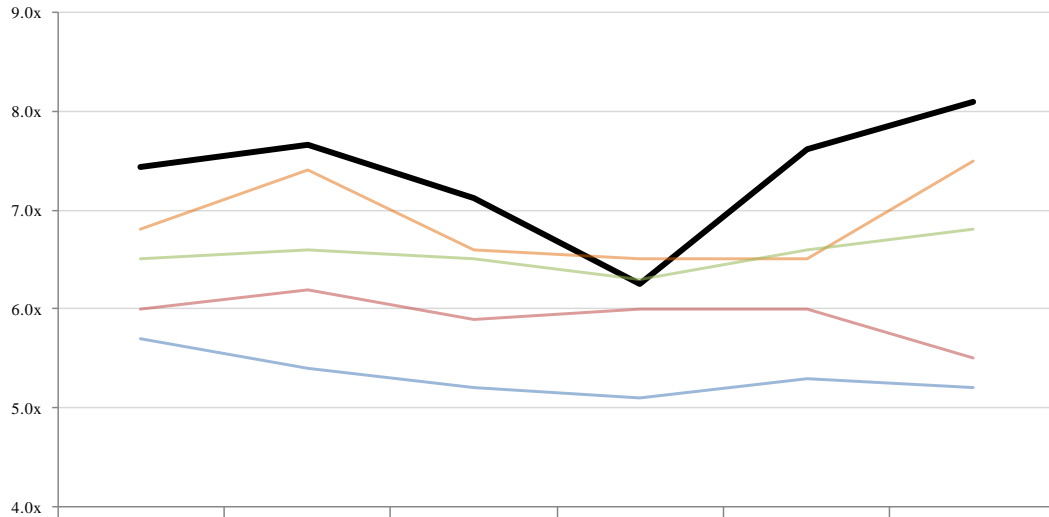


	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11
\$0 - 25mm	5.7x	6.3x	6.6x	6.8x	7.2x
\$25 - 50mm	6.9x	7.8x	7.6x	7.8x	8.9x
\$50 - 100mm	6.7x	7.5x	7.8x	8.0x	8.7x
\$100 - 250mm	8.0x	8.3x	8.7x	8.9x	8.9x
Average Mid Market	6.6x	7.3x	7.6x	7.9x	8.2x

Note: Publicly disclosed M&A transactions

The Middle Market Public-Private Valuation Spread

EV/EBITDA Valuation

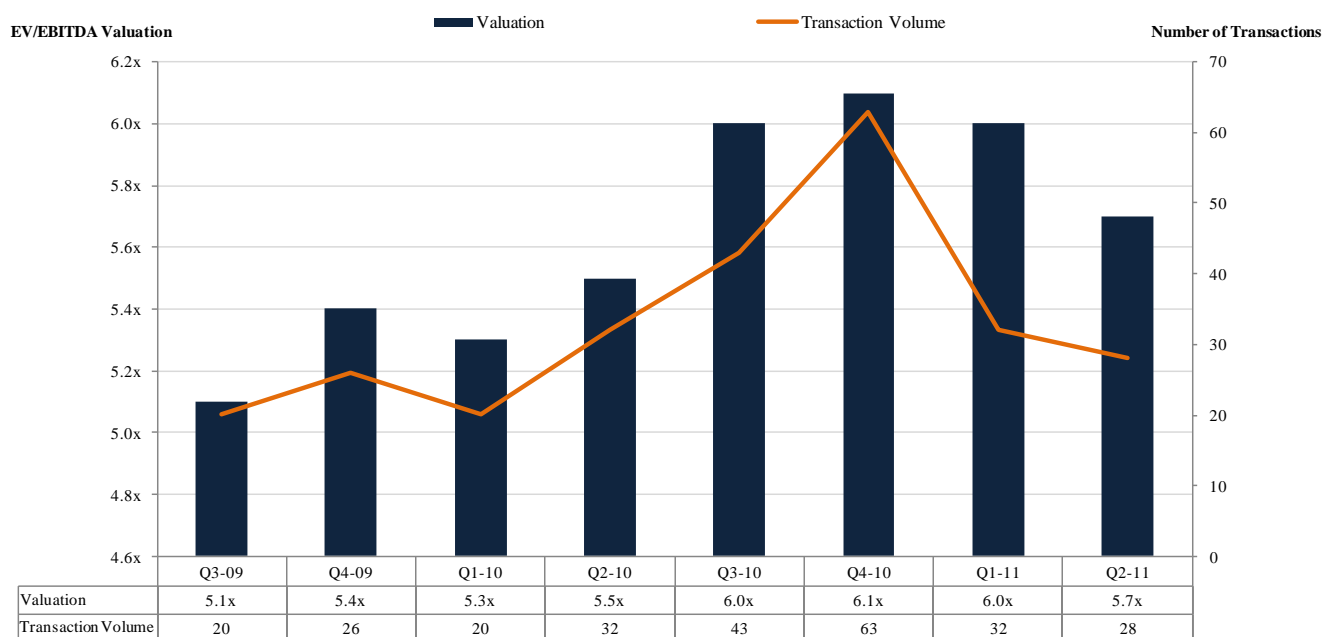


	2006	2007	2008	2009	2010	YTD Jun-11
Mid Market (a)	7.4x	7.7x	7.1x	6.3x	7.6x	8.1x
Private PE trans \$100-250mm	6.8	7.4	6.6	6.5	6.5	7.5
Private PE trans \$50-100mm	6.5	6.6	6.5	6.3	6.6	6.8
Private PE trans \$25-50mm	6.0	6.2	5.9	6.0	6.0	5.5
Private PE trans \$10-25mm	5.7	5.4	5.2	5.1	5.3	5.2

(a) Publicly disclosed M&A transactions

Mufson Howe Hunter is provided access to GF Data's proprietary private transaction database and reports. GF Data provides subscribers' data on private equity-sponsored M&A transactions with enterprise values of \$10 to \$250 million. GF Data collects transaction information from 176 private equity groups on a blind and confidential basis. For further information, please contact GF Data at info@gfdataresources.com.

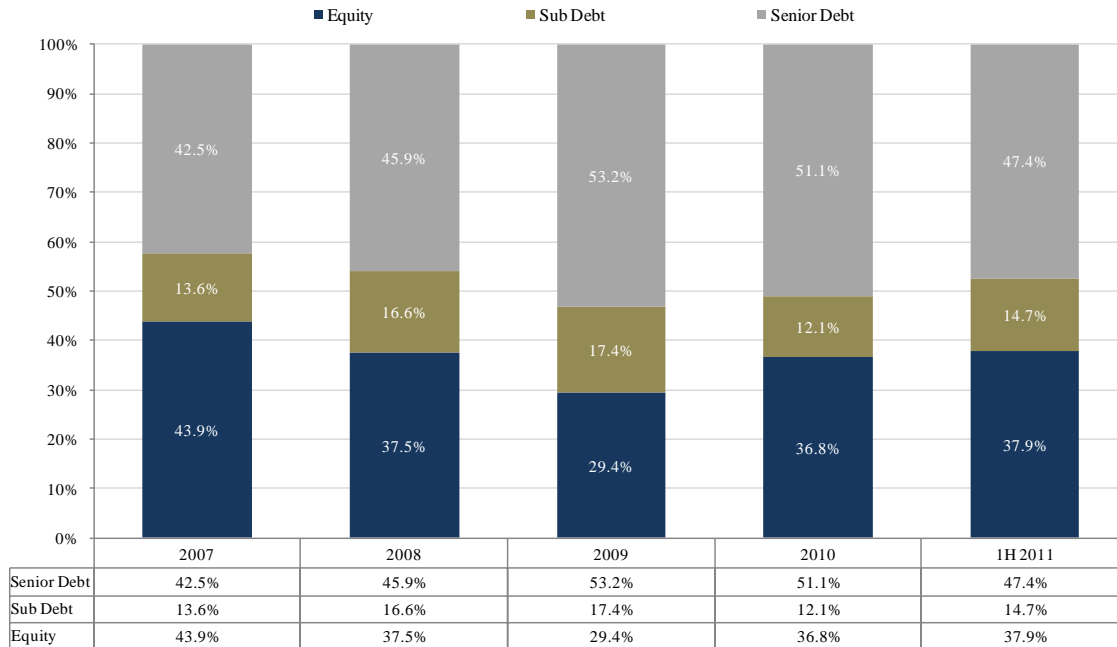
U.S. Middle Market Private Equity Transactions



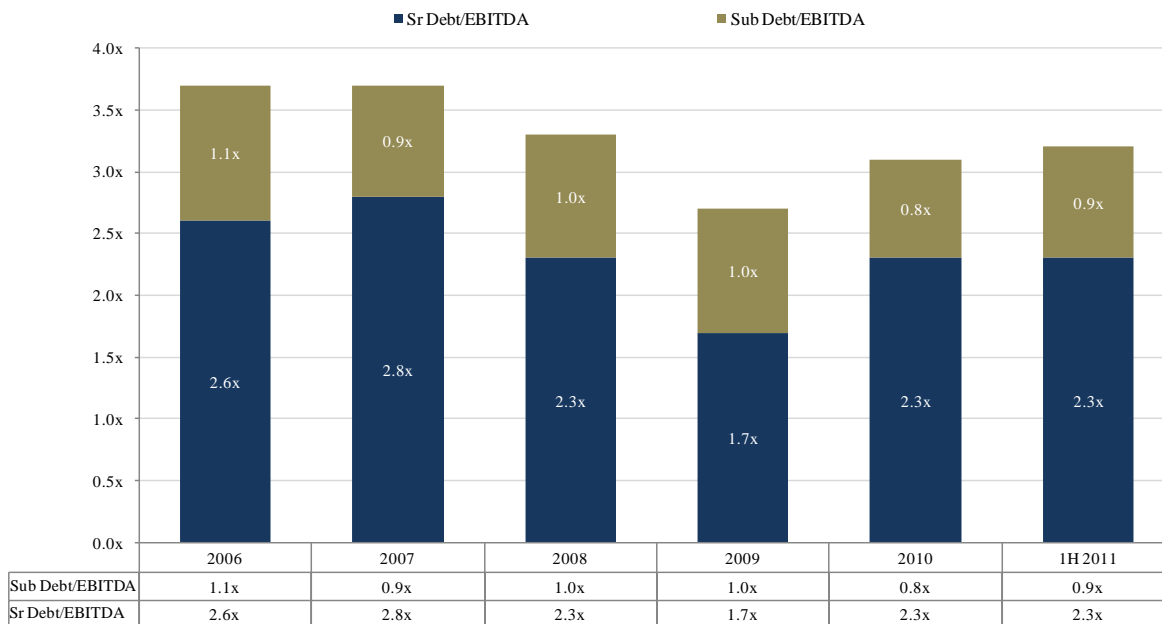
Non-Public U.S. Middle Market Private Equity Transaction Valuations

EV Range	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	
\$10-25mm	4.7	4.7	4.5	4.8	5.9	5.7	5.4	4.9	
\$25-50mm	5.8	5.6	5.0	6.6	5.8	6.1	5.3	5.8	
\$50-100mm	5.7	5.7	6.4	6.2	6.9	6.7	7.2	6.3	
\$100-250mm	4.9	8.8	6.8	7.0	6.0	5.7	8.5	7.0	
Total	5.1x	5.4x	5.3x	5.5x	6.0x	6.1x	6.0x	5.7x	
	<i>n</i>	20	26	20	32	43	63	32	28

U.S. Middle Market Private Equity Transactions Purchase Price Contribution



U.S. Middle Market Private Equity Transactions Debt Multiples



Mufson Howe Hunter is an independent investment bank for middle-market companies. We focus on selling businesses, recapitalizations, buy-outs, acquisitions and raising capital. Unique to the middle market, our senior bankers have extensive corporate finance experience and deep knowledge of the capital markets.

Mergers & Acquisitions

- Advise buyers and sellers (public and private companies)
- Sale of businesses, strategic acquisitions, recapitalizations, management buy-outs and industry build-ups
- Specific background in representing closely-held and family-owned businesses

Raise Capital

- Equity (control and non-control)
- Mezzanine financing
- Senior and junior debt
- Typically raise debt & equity capital from commercial banks, finance companies, investment funds and private equity sponsors

Financial Advisory Services

- Analysis of business strategies and options
- Fairness opinions
- Complex Valuations

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