

# FOLEY EXECUTIVE BRIEFING SERIES



## M&A Trends and Insights: Is the Market Picking Up?

Susan Pravda, Office Managing Partner and Chair, Emerging Technologies Practice  
Gabor Garai, Chair, Private Equity & Venture Capital Practice

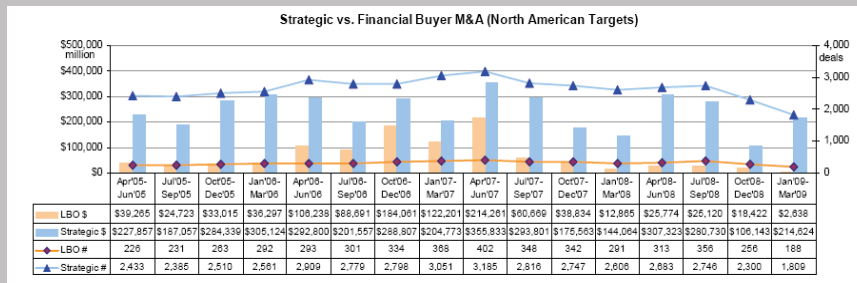


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## Mergers and Acquisitions Activity by Quarter



\* Data from Capital IQ

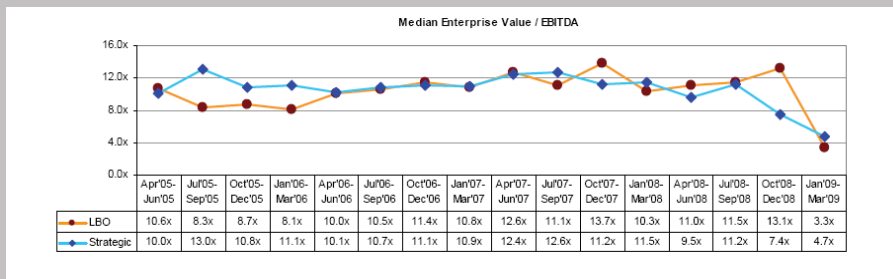


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Mergers and Acquisitions Valuation by Quarter (North America)



\* Data from Capital IQ



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Valuation by Sector and Deal Size

Median Implied Enterprise Value / EBITDA (North American Targets)

(As of 3/31/09)

Target's Sector	Last Twelve Months Ending March 31 of:							
	2006		2007		2008		2009	
	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M	Less Than \$500M	Greater Than \$500M
Consumer Discretionary	9.3x	10.9x	9.9x	11.4x	9.9x	12.3x	9.5x	9.0x
Consumer Staples	8.1x	6.6x	10.8x	11.6x	9.0x	12.7x	7.6x	10.1x
Energy	7.9x	7.5x	7.9x	9.7x	5.9x	10.8x	5.9x	9.8x
Financials	N/M	N/M	N/M	N/M	N/M	N/M	N/M	N/M
Healthcare	11.9x	16.2x	13.9x	18.3x	15.3x	16.6x	12.4x	13.2x
Industrials	9.3x	12.3x	7.1x	10.8x	9.7x	12.4x	9.0x	10.2x
Information Technology	14.4x	15.6x	12.0x	18.8x	17.0x	15.1x	9.7x	12.3x
Materials	6.1x	9.2x	7.0x	9.2x	11.7x	8.4x	7.9x	9.1x
Telecommunication Services	6.4x	10.2x	8.7x	10.8x	8.1x	11.3x	9.4x	7.3x
Utilities	7.0x	9.8x	8.0x	11.1x	18.5x	8.4x	6.4x	18.4x

\* Data from Capital IQ



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## Volume by Sector

### North American Target M&A

(As of 3/31/09)

Last Twelve Months Ending March 31 of:

Sector	2005		2006		2007		2008		2009	
	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)	# of Deals	Value (\$mil)
Consumer Discretionary	1,911	\$ 191,959	2,135	\$ 161,640	2,679	\$ 246,277	2,615	\$ 203,056	1,808	\$ 42,084
Consumer Staples	323	87,227	336	34,079	460	35,337	435	33,805	333	114,686
Energy	540	65,361	801	145,102	895	222,405	836	150,142	680	90,759
Financials	1,173	157,493	1,177	215,910	1,416	337,593	1,361	196,176	1,746	198,605
Healthcare	783	60,560	978	122,684	1,054	172,975	1,121	138,436	934	255,303
Industrials	1,423	60,236	1,695	78,469	2,159	106,551	2,204	130,154	1,713	64,740
Information Technology	1,939	79,520	2,075	88,599	2,252	155,422	2,289	174,669	1,739	62,030
Materials	580	47,833	874	95,769	1,135	152,276	1,162	186,409	928	69,828
Telecommunication Services	181	115,915	181	124,348	157	19,394	168	46,205	121	45,238
Utilities	155	23,183	151	68,683	230	37,342	174	31,948	159	34,701
Grand Total	9,008	\$ 889,288	10,403	\$ 1,135,283	12,437	\$ 1,485,571	12,365	\$ 1,291,001	10,161	\$ 977,973

\* Data from Capital IQ

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## Current Capital Market Conditions

- Stimulus package – has not kicked in
- Uncertainty and unpredictability
- Politics and Wall Street experts
- Need to reopen secondary market
- Enormous opportunities

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## Effect of Credit Market on M&A Private Equity Funds

- The leverage imperative
- The existing portfolio imperative
  - Time
  - Reserves
- Pressures from the Limiteds
- Value opportunities



## Effect of Credit Markets on M&A – Strategic Buyers

- Same leverage issues
- Earnings visibility – reserves
- Value opportunities
- Cash and credit lines



## The M&A Landscape

- Fewer financial buyers
- Fewer foreign buyers
- Fewer strategic buyers
- Elongated process



## Sale Side Issues

- The price expectation gap
- The pricing paradox: lower EBITDA base x lower multiple
- Factors impacting multiples:
  - Earnings predictability
  - Earnings growth
  - Market conditions (comparables)



## Bridging the Funding and Price Gap

- Earn-outs
- Seller notes
- Buyer stock
- Tax and accounting issues



## Current Deal Issues

- Due diligence – timing and depth
- Term Sheet/LOI lockups
- Subject to financing?
- Size of escrows



## Hot Opportunities

- <15m deals
- Recaps
- Distressed



## Contact

Susan Pravda  
[spravda@foley.com](mailto:spravda@foley.com)  
617-342-4000

Gabor Garai  
[ggarai@foley.com](mailto:ggarai@foley.com)  
617-342-4000