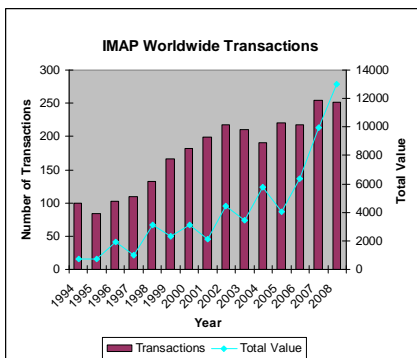


## IMAP Reports Record Year for 2008



Even though 2008 closed on a down note, IMAP had another record year in 2008. Total closings in 2008 (252) were on a par with 2007 (254). However, the total value of IMAP transactions in 2008 was up 30.9 percent over the previous year — \$13.024 billion versus \$9.946 billion in 2007. This continues a steady upward trend over the last few years, indicating consistent IMAP growth as a global organization.

IMAP transaction multiples reached their zenith during the third quarter of 2008. The average transaction multiple hit a historical record high of 9.6x EBIT in the third quarter. There was some carry-over of strong valuations in the fourth quarter, but on average the multiple values dipped and were dropping as the year 2008 was concluding.

According to the opinions of IMAP advisors at the end of 2008, there were noticeably fewer buyers in the market. This is likely a result of rapidly changing market conditions for M&A. Sellers, especially in the U.S. and Canada, were also in retreat. As the financial crisis took hold in the fourth quarter, the M&A market was disrupted by funding uncertainties and an expanding gap between buyer and seller valuation expectations.

The outlook for 2009 is for a continued decline in buyer and seller activity. About half of the IMAP advisors believe buyer and seller activity will be down in 2009 compared to 2008. Less than 25 percent believe buyer activity will increase. Slightly less than a third believe seller activity will increase. Lack of funding and unattractive seller valuations were the most-often cited reasons for reduced M&A activity expected in 2009.

(See page 2, col. 1)

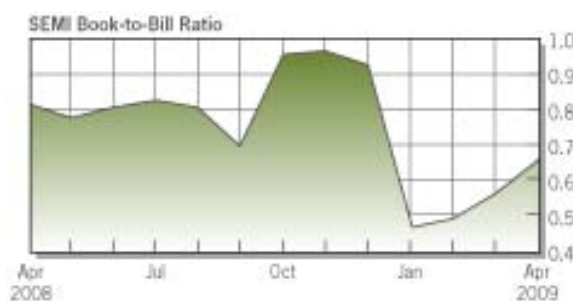
## To Invest or Not to Invest... The Question on Everyone's Mind

There is an undercurrent building in M&A deal flow. Everyone seems to be trying to determine the right time to reenter the market. There is a lot of money sitting on the sidelines, both institutional and private. In addition, valuations are at historic lows representing tremendous opportunity for upside growth. Like many things in life, it is all a matter of timing.

(See page 2 col. 2)

## Book-to-Bill Upward Trend Continues

North American-based manufacturers of semiconductor equipment posted \$253 million in orders in April 2009 (three-month average basis) and a book-to-bill ratio of 0.65 according to the April 2009 Book-to-Bill Report published today by SEMI. A book-to-bill of 0.65 means that \$65 worth of orders were received for every \$100 of product billed for the month.



## Is Debt Becoming the New Equity?

As banks continue to battle and rebuild the health of their balance sheets, there is a shift happening among other credit sources. Private equity professionals, non-traditional lenders and junior lenders appear to be stepping up to fill the gap.

Many private equity groups are now emphasizing debt restructuring rather than equity investing. "We are seeing a shift in the way private equity groups are investing. Some are issuing debt where it makes sense," according to Loren Lancaster, managing director with Core Capital Group's Electronics and Semiconductor Group.



Private equity groups are sitting on a huge amount of cash right now, and they need to put that money to work.

(See page 2, col. 2)



INTERNATIONAL NETWORK OF M&A PARTNERS

Core Capital Group focuses on providing a full range of M&A services to middle market companies within the technology sector. We are a member company of the International Network of M&A Partners (IMAP), a global partnership of leading merger & acquisition advisory firms with over 100 offices located in 40 countries worldwide. We encourage you to visit our web site at [www.esgibank.com](http://www.esgibank.com) to learn more about us and how we might be of service to you now or in the future. If you wish to subscribe to, or unsubscribe from, this newsletter please send an email to [info@esgibank.com](mailto:info@esgibank.com) stating your name and your request.

## IMAP *(From page 1, col. 1)*

### US & CAN—All Manufacturing Companies by Revenue

Annual Revenue	# of Trans.	Median Multiple	Inner Quartiles (A)	
			Low	High
\$50 Million +	12	5.6	5.3	9.0
\$20 - \$50 Million	13	6.3	4.6	7.0
\$10 - \$20 Million	6	7.2	5.9	8.6
Under \$10 Million	12	4.8	4.1	7.3
Total	43			

### US & CAN—All Companies by Product or Type

	# of Trans.	Median Multiple	Inner Quartiles (A)	
			Low	High
Non-Proprietary Mfg. (B)	19	5.5	4.1	6.3
Proprietary Consumer Mfg.	11	6.1	5.1	8.0
Proprietary Industrial Mfg.	10	5.8	4.0	7.2
Hi-Tech, Non-Proprietary Mfg.	0	n/a	n/a	n/a
Hi-Tech, Proprietary Mfg.	3	14.2	12.1	15.9
Distribution	6	4.1	3.3	5.3
Service, InfoTech (C)	6	7.8	4.7	9.7
Service, Non-InfoTech	21	5.7	3.8	10.5
Total	76			

### Europe—All Manufacturing Companies by Revenue

Annual Revenue	# of Trans.	Median Multiple	Inner Quartiles (A)	
			Low	High
\$50 Million +	7	9.9	6.9	10.9
\$20 - \$50 Million	13	7.2	5.3	9.5
\$10 - \$20 Million	13	9.0	7.7	12.0
Under \$10 Million	24	6.3	4.0	8.8
Total	57			

### Europe—All Companies by Product or Type

	# of Trans.	Median Multiple	Inner Quartiles (A)	
			Low	High
Non-Proprietary Mfg. (B)	13	6.8	4.9	8.9
Proprietary Consumer Mfg.	8	9.3	8.4	11.1
Proprietary Industrial Mfg.	28	7.1	4.8	9.7
Hi-Tech, Non-Proprietary Mfg.	1	12.0	12.0	12.0
Hi-Tech, Proprietary Mfg.	7	6.2	4.5	8.2
Distribution	1	8.1	5.0	12.9
Service, InfoTech (C)	10	5.2	4.1	8.0
Service, Non-InfoTech	21	5.7	4.3	7.5
Total	109			

(A) Multiple spread within the middle 50% of completed transactions.

(B) Contract manufacturers (e.g., stampers, molders, production fabricators).

(C) IT consulting, integration, software development, IT staffing.

Multiples of Earnings before Interest and Taxes were used in the comparisons above. EBIT was calculated as trailing 12 months earnings before interest and taxes, adjusted for non-recurring expenses and discretionary owner distributions including compensation in excess of market rates. Seller notes, etc., were discounted to present values. To compute the multiple, one divides the purchase price plus the assumption of any interest bearing debt by the adjusted EBIT.

We recommend that this survey be used only as a general guide. Many factors influence selling price. The best insights will come from informed advisors who are currently active in mid-market transactions. What was true as recently as 6 months ago may no longer apply.

## Invest *(From page 1, col. 1)*

M&A activity reached a value trough in November and in March, deal flow reached its lowest point in almost six years, according to Dealogic:

\* Only \$8.7 billion worth of private-equity-led deals were completed, compared to the \$57.6 billion in the first quarter of 2008.

\* Moreover, private equity fundraising - the fuel for future activity - also fell off the cliff, dropping 81%, to its lowest level in over five years.

Venture-backed M&A activity also dropped significantly in the first quarter. According to VentureSource, liquidity generated through the sale (M&As) of venture-backed companies fell 64% from \$8.8 billion in the first quarter of 2008 to \$3.2 billion in the first quarter of this year. The 68 M&As in the quarter are a far cry from the 104 completed in the first quarter last year and the lowest number of M&A transactions in a quarter since 1999.

Demand is building. The number of firms hitting the pavement to raise new funds is on the rise. In January, there were 1,624 funds trying to raise \$889 billion, a 25% increase from last year...and a 43% increase from 2007. And they're enjoying success. Morgan Stanley raised a record-setting \$1.14 billion for its Private Markets Fund IV. Abbott Capital Management also raised more than \$1 billion for their latest fund.

"We are working with clients to make sure they are exceptionally well prepared to approach investors with the best possible story," according to Loren Lancaster, managing director with Core Capital Group's Electronic and Semiconductor Group.

## Equity *(From page 1, col. 2)*

*Mergers Unleashed* recently reported that some private equity firms are involved in buying debt of distressed companies and then swapping those positions for equity in the restructured entity. It has become a tool to fix the capital structures within their own portfolios as well. The Carlyle Group, Blackstone and Goldman have recently raised funds to take advantage of this strategy. At the same time many middle-market players are looking at distressed debt as a way to maintain a voice in the potential restructuring situation.

In addition, private equity groups are being innovative in the pay-back structure to protect the borrower's cash flow.

Bottom line is that there is likely more capital available now than there was in the recent past. Companies looking for capital may have more choices than they realize. It just takes looking past the historical norm for funding sources.

[www.esgibank.com](http://www.esgibank.com)

Our website contains additional information about Core Capital Group's Electronic and Semiconductor Group and the investment banking services we provide. Please take a moment to visit us on the web! You can also sign up to receive this newsletter by writing to [info@esgibank.com](mailto:info@esgibank.com).