

# M&A REVIEW



Volume 6, Issue 2

June 2008

## IMAP ranks No. 4 in Global Middle Market M&A for 2007

Core Capital Group has been an active member/partner in the International Network of M&A Partners (IMAP) since 2003. IMAP is an exclusive global organization of leading Merger & Acquisition Advisory firms. Formed in 1973, IMAP is comprised of 57 firms with 101 offices in 40 countries including North and South America, Eastern and Western Europe, Australia, and Asia.

IMAP ranked No. 4 among the global middle market advisory organizations for 2007 according to the recently-released Thomson Financial League tables. Thomson (NYSE: TOC) is a leading provider of information-based services to the global business community. Results for 2007 show IMAP ranked 4th for world-wide deals with a value of up to \$50 million (based on volume of completed transactions). IMAP was listed 6th for completed transactions of up to \$100 million worldwide. IMAP ranked No. 6 in Europe, No. 7 in the U.S., No. 6 in Eastern Europe, No. 9 in Hochinma and No. 1 in the Nordic region for completed transactions up to \$100 million.

IMAP recently published its pricing survey results for transactions completed by IMAP partner firms in the NAFTA region for 2007.

Category	Transactions Completed	Median EBIT Multiple
Non-Proprietary Mfg.	13	6.1
Proprietary Consumer Mfg.	10	7.1
Proprietary Industrial Mfg.	11	5.1
Technology, Non-Proprietary Mfg.	2	6.5
Technology, Proprietary Mfg.	12	4.8
IT Services	7	6.3
Non-IT Services	18	6.9

*Core Capital Group focuses exclusively on providing a full range of M&A services to middle market companies within the technology sector. We are a member of the International Network of M&A Partners (IMAP), a global partnership of leading M&A advisory firms with 57 member firms located in 40 countries worldwide. We invite you to visit our web site at [www.corecapital.net](http://www.corecapital.net) to learn how we might be of service to you now or in the future.*

## Why Retain an Investment Banker?

We're often asked by potential sellers of companies why they should consider engaging an intermediary/investment banker to assist them in selling their business rather than just handle the sale themselves. There are many valid reasons to engage an investment banker, but here are just a few that we offer potential clients for their consideration:

- **COMPETITIVE BIDDING:** An intermediary can conduct a competitive, yet controlled, auction process for your business. Competition always produces the best price and terms.
- **CAST A WIDE NET:** Core Capital Group has developed one of the largest proprietary databases and knowledge networks in the technology sector. Additionally, our IMAP network has buyers and sellers available all over the world.
- **KEEP YOUR EYE ON THE BALL:** Use of an investment banker allows the company's management team to stay focused on running the business during the transaction process.
- **CONFIDENTIALITY:** An intermediary ensures that your process is kept out of the public domain; controlled release of information shields employees, competitors, suppliers from the process.
- **INDUSTRY KNOWLEDGE & EXPERIENCE:** Knowledgeable and experienced buyers prefer to deal with an experienced intermediary on the other side of the transaction. Intermediaries ensure reasonable valuation expectations, expedite the flow of information and help get the deal done faster.
- **POSITIONING & SCREENING:** Qualified investment bankers know how to present your company to the market in a manner that will attract the most truly qualified buyers.
- **DON'T BID AGAINST YOURSELF:** There's an old adage that goes "you can name the price if I can name the terms". A qualified intermediary will ensure you don't find yourself in that situation.
- **NEGOTIATION BUFFER:** The intermediary will stand between you and the potential buyer helping to ensure that emotion does not sour the process. Remember, you may well have some form of employment contract with the buyer post closing—the intermediary won't.
- **PROJECT MANAGEMENT:** A qualified investment banker will manage the due diligence process to achieve a speedy closing. Once a Letter of Intent is signed, time becomes your enemy until the deal is closed.
- **MARKET VALUATION:** A qualified intermediary will determine a defensible current market value of your company.
- **BEST PRICE & TERMS:** And finally, it has been shown that a qualified intermediary will serve to get you the best price in the shortest amount of time.

(OVER)



INTERNATIONAL NETWORK OF M&A PARTNERS

## Q1 2008 M&A Results—What We Can Expect Going Forward?

Middle-market deal volume decreased 28% in Q1 2008 versus Q1 2007, as the impact of the global credit crisis worked its way down to middle-market deal financing. Leverage multiples for middle-market deals decreased from 4.4x in 2007 to 3.8x in Q1 2008.

This decline in debt financing has had a negative impact on valuation for middle-market businesses in recent transactions although buyers, both strategic and financial, remain interested in acquiring quality middle-market businesses. For example, software & IT companies are being actively sought after by foreign buyers and are still commanding premium prices. Transaction values as high as 7 to 10 times EBITDA are being reported in many such transactions.

We are seeing domestic buyers of middle-market companies aggressively seeking to mitigate risk through structured transactions, reduced valuations and much more extensive due diligence while private equity firms are often delaying the sale of select portfolio companies in hopes of exiting investments during improved market conditions.

Both total value of transactions and deal activity dropped to 15-month lows in the US M&A market in March. From Q1 2007 to Q1 2008 it's reported that total spending slid from \$306 billion to \$180 billion and the number of deal announcements fell from 2,951 to 2,104 -- the third consecutive quarterly decline in aggregate deal value and the fourth consecutive quarterly decline in deal volume.

For comparable trailing 12-month periods ending March 31, 2008 and March 31, 2007, deal activity in the US was down 15% and aggregate M&A spending was off by 12%. Foreign investors, both strategic and financial, continue to show strong interest in purchasing firms driven heavily by the continued weakness in the US dollar.

### SUMMARY

**So what can we expect going forward in 2008? We believe that restricted credit markets will continue to have an impact on both volume and multiples in the middle-market M&A although middle-market deals will continue to be completed as financial buyers look to put the large amounts of capital raised in previous years to work and strategic buyers look to capitalize on attractive valuations. Private equity firms will more likely focus additional effort on building existing portfolio businesses through strategic acquisitions versus seeking new platform investments.**

The infrastructure, financial services, oil and gas, media and entertainment, and the technology sectors continue to lead the pack in terms of overall transaction volume. Because of their currently undervalued assets, these sectors also have the greatest potential to stimulate a market rebound. While we don't track all industry M&A, tech sector transactions and multiples have remained fairly stable, buoyed by cross-border activity, increased divestitures and a relatively strong lower middle market.

## Recent Transactions

**Carlyle Group [DC] agreed to acquire majority stake in US Government Business of Booz Allen Hamilton, Inc. [VA]** Carlyle Group [DC] agreed to acquire majority stake in US Government Business of Booz Allen Hamilton, Inc. [VA]. Booz Allen Hamilton, Inc., US Government Business provides management consulting, engineering, information technology, and systems development and integration services supporting mission-critical programs for the US government.

**Accenture Ltd. [Bermuda] acquires Origin Digital Inc. [NJ]** Accenture Ltd. (New York: ACN), which provides technology, management consulting and business process outsourcing services, agreed to acquire Origin Digital Inc., a developer of scalable and secure network-based video application solutions and software.

**Hewlett-Packard Co [CA] acquires Electronic Data Systems Corp [TX]** Hewlett Packard Co (New York: HPQ), which manufactures computers, electronic testing and measuring equipment, medical electronic equipment, calculators and other personal information products, and solid state components and instrumentation for chemical analysis, definitively agreed to acquire all the outstanding common stock of Electronic Data Systems Corp (New York: EDS), a provider of information technology services, for USD \$25 in cash per share, or a total value of USD \$12.6bn.

**Embarcadero Technologies Inc [CA] acquires CodeGear [CA]** Embarcadero Technologies Inc., developer of database software, definitively agreed to acquire CodeGear, a developer of software, from Borland Software Corp, for an estimated USD \$23.0mn.

**Stanley, Inc. acquired Oberon Associates, Inc.** for \$170mn.

**Finmeccanica SpA acquired DRS Technologies** for \$5.2bn.

**SRA International acquired ERA Corporation** for an undisclosed price.

**Barracuda Networks Inc [CA] acquires Sourcefire Inc [MD]** Barracuda Networks Inc, manufacturer of email and Web security appliances, planned to acquire all the outstanding common stock of Sourcefire Inc (Nasdaq:FIRE), a developer of real-time network security software, for USD 7.5 in cash per share, or a total value of USD \$187.4mn.

**David B. Pomeroy II, Director of Pomeroy IT Solutions Inc. (NasdaqNM: PMRY) [KY], and ComVest Investment Partners III LP [NY],** managed by Comvest Investment Partners made a non-binding offer to acquire all of the outstanding shares of Pomeroy IT Solutions Inc. (NasdaqNM: PMRY). David B. Pomeroy II, Director of Pomeroy IT Solutions Inc. and ComVest Investment Partners III LP [NY] made a non-binding offer to acquire all of the outstanding shares of Pomeroy IT Solutions Inc.

*Source of data in M&A Review: Capital IQ & IMAP*

[www.corecapital.net](http://www.corecapital.net)

Our website contains additional information about Core Capital Group and the investment banking services we provide. You can also sign up to receive this newsletter in electronic form. Please take a moment to visit us on the web!