

# M&A REVIEW

CORE CAPITAL'S QUARTERLY NEWSLETTER  
WINTER 2013



Welcome to Core Capital Group's quarterly newsletter, M&A Review, which highlights activity and trends in mergers and acquisitions (M&A), including a comprehensive recap of middle-market M&A transactions as well as specific data (including multiples) for industry sectors.

**Core focuses exclusively on representing middle-market companies**, with an emphasis in the technology sector. We are a founding member of AICA, the Alliance of International Corporate Advisors, a global investment banking partnership with 31 member firms in 18 countries on five continents — and over 100 professionals who will leverage their resources to provide you maximum exposure.

## OUR PERSPECTIVE

**We continue to see slow but positive growth** in the availability of capital. While this makes transactions easier, it does not necessarily indicate strong liquidity in capital markets. Institutional investors are making long-term bets in healthy, growing companies. This bias is evident in the proportionately larger population of mid-cap and lower-mid deals versus small and micro-cap deals. Furthermore, this competition for healthy growth plays is illustrated by the high valuations for companies with \$5MM-\$10MM in EBITDA.

Some industries have more capital available than others. Life sciences continues to be a difficult market, while health care services remains bubbly. Business services as an industry is seeing a high volume of deals but without premium valuations. Technology companies as an industry, on the other hand, are seeing very strong valuations but with fewer overall deals being completed.

Core Capital maintains that institutional investors are looking for quality opportunities and have a lot of capital available for those attractive deals. Some funds are specifically on the lookout for distressed situations, which has shifted median M&A multiples slightly south from earlier in the year. In terms of raising growth capital, we are confident that healthy business models have many advantages in today's market.

## FOURTH QUARTER 2012 M&A RESULTS

■ **The fourth quarter GF Data** provided in the following three tables includes data from 180 PE firms. The volume of deals for 2012 was 208, up considerably over the past several years. The overall average valuation for 2012 was 6.2x TTM Adjusted EBITDA. As seen in the past, valuations for larger companies were significantly higher than those of smaller companies.

### Total Enterprise Value (TEV)/EBITDA

Total Ent. Value	2003-07	2008	2009	2010	2011	2012	TOTAL	No. Transactions
\$10-\$25 million	5.5	5.4	5.5	5.3	5.3	5.6	5.5	669
\$25-\$50 million	6.1	6.0	6.0	6.2	5.8	6.1	6.1	477
\$50-\$100 million	6.6	6.7	6.5	6.6	7.1	6.8	6.7	337
\$100-\$250 million	7.3	6.7	7.2	6.2	7.7	7.5	7.2	128
<b>TOTAL</b>	6.1	6.0	6.0	5.9	6.1	6.2	6.0	
<b>No. Transactions</b>	<b>802</b>	<b>167</b>	<b>92</b>	<b>174</b>	<b>168</b>	<b>208</b>		<b>1,611</b>

Source: GF Data Resources LLC

■ **Multiples in the greater-than-\$10 million** bracket lagged behind those in the \$8 to \$10 million range, which also occurred in 2011. This suggests that there are more “value investors” who focus on larger transactions.

### Total Enterprise Value (TEV)/EBITDA

All Industries by EBITDA Size

EBITDA	2003-07	2008	2009	2010	2011	2012	TOTAL	No. Transactions
3-5	5.7	5.7	5.4	5.9	5.6	5.5	5.7	443
5-8	6.1	5.9	6.4	5.9	6.0	6.3	6.1	384
8-10	6.0	6.4	5.8	5.7	7.0	7.0	6.2	137
>10	6.3	6.0	6.0	6.2	6.7	6.2	6.3	329
<b>TOTAL</b>	6.0	5.9	5.9	6.0	6.1	6.1	6.0	
<b>No. Transactions</b>	<b>631</b>	<b>139</b>	<b>75</b>	<b>134</b>	<b>143</b>	<b>171</b>		<b>1,293</b>

Source: GF Data Resources LLC

■ **Approximately 80 percent of the GF Data deal volume** comes from four major business categories: manufacturing, business services, health care services and distribution. Once again, health care services showed strong overall valuations at 7.2x in 2012. While technology appears high, few deals were reported in that sector.

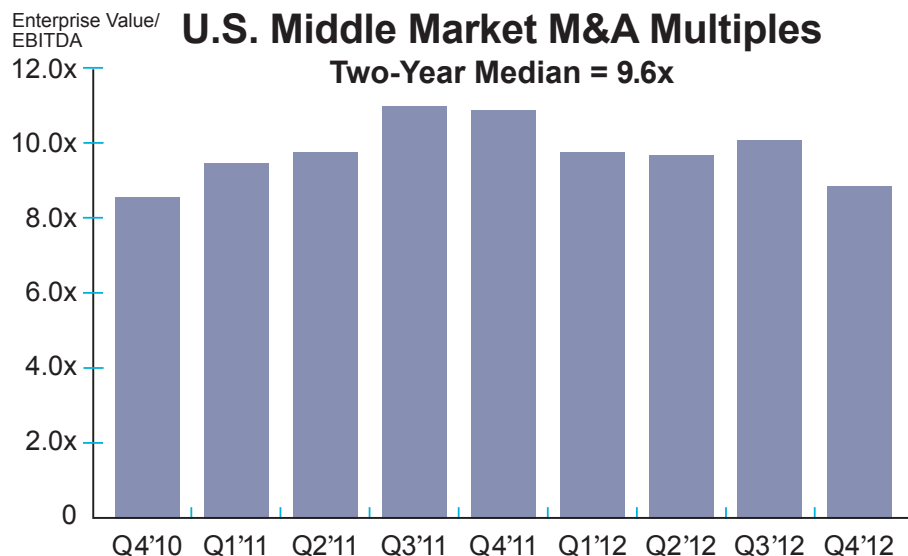
### Total Enterprise Value (TEV)/EBITDA

By Industry Sector

Industry	2003-07	2008	2009	2010	2011	2012	TOTAL	No. Transactions
Manufacturing	5.9	5.8	5.7	5.9	5.9	5.9	5.9	684
Business Services	6.1	6.1	5.9	6.0	6.5	5.7	6.1	277
Health Care Services	6.7	6.6	6.3	6.6	7.3	7.2	6.8	147
Retail	6.5	6.4	5.2	6.1	6.1	6.3	6.4	49
Distribution	5.9	6.3	5.5	5.3	6.0	6.2	5.9	169
Publishing & Media	7.5	6.1	7.4	4.2	6.1	N/A	7.3	32
Technology	5.3	6.5	6.6	5.7	4.6	7.6	6.2	35
Other	5.8	5.4	6.4	5.6	5.0	6.3	5.8	218
<b>No. Transactions</b>	<b>802</b>	<b>167</b>	<b>92</b>	<b>174</b>	<b>168</b>	<b>208</b>		<b>1,611</b>

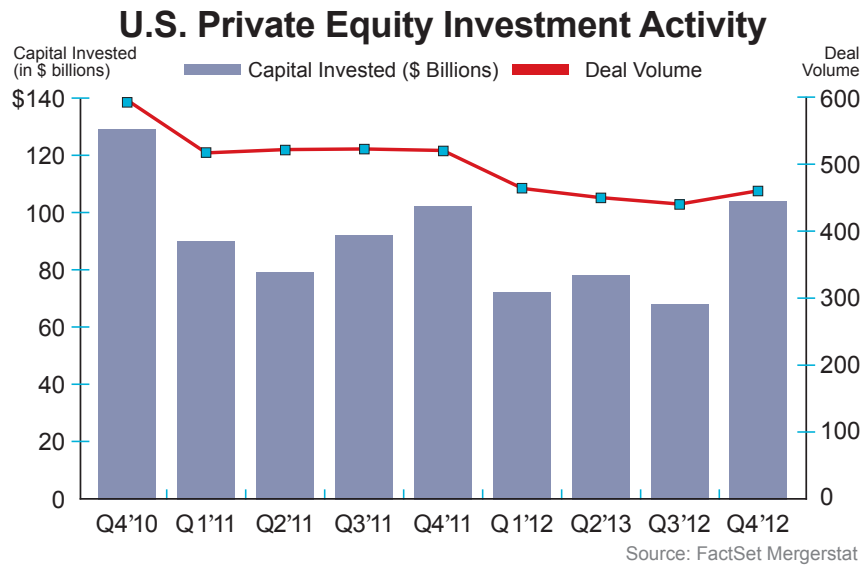
Source: GF Data Resources LLC

■ **While expectations were high** going into the 4th quarter of 2012, the results were less exciting. Ongoing uncertainty combined with a lack of significant deal opportunities made for a lackluster quarter. The median deal multiple did show a slight increase, going from 9.4x in the 3rd quarter of 2012 to 9.6x in the 4th quarter.

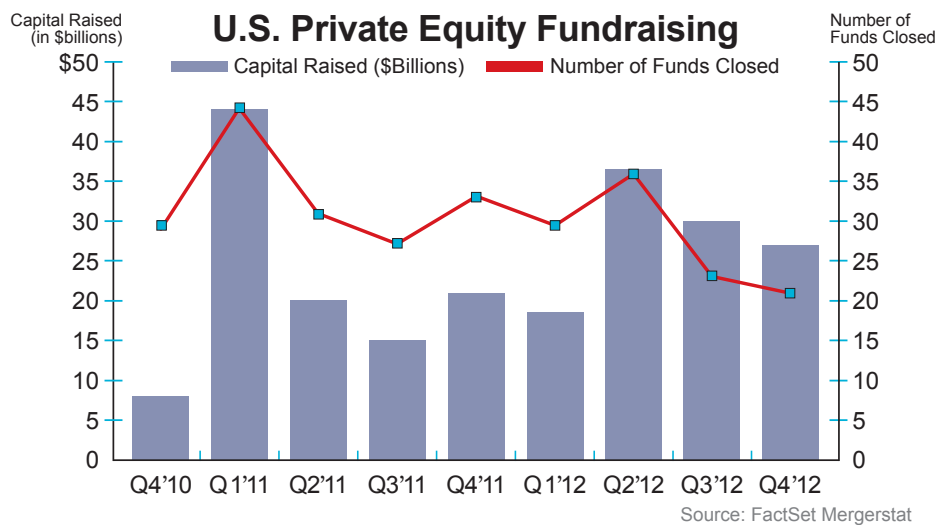


Source: FactSet Mergerstat

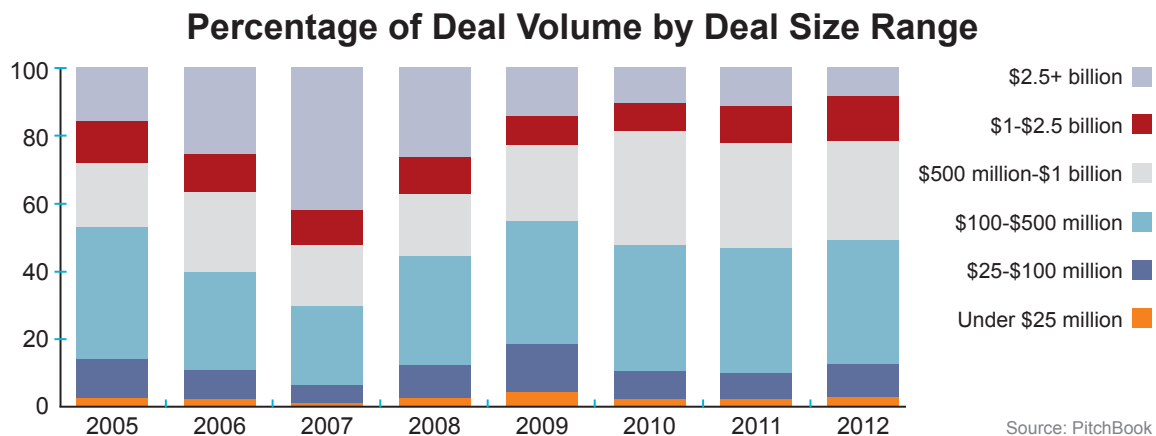
■ **Private equity investment** activity showed an increase in 4th quarter, moving to \$102 billion. The number of deals remained approximately the same as the previous quarter, which was a decrease of 15% compared to 4th quarter of 2011.



■ **Expectations remain high** for 2013, especially in the private equity arena. Significant funds are available for investment and valuations remain moderate, which should result in significant activity this year.



■ **Pitchbook reports** that private equity funds raised more capital in 2012 than they have since 2008. Despite private equity deal flow increasing in 4th quarter 2012, the year still had the lowest deal volume and capital invested since 2009.



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