

# M&A REVIEW

CORE CAPITAL'S QUARTERLY NEWSLETTER  
AUTUMN 2011



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 the technology sector.

## CELEBRATING 20 YEARS OF SERVICE

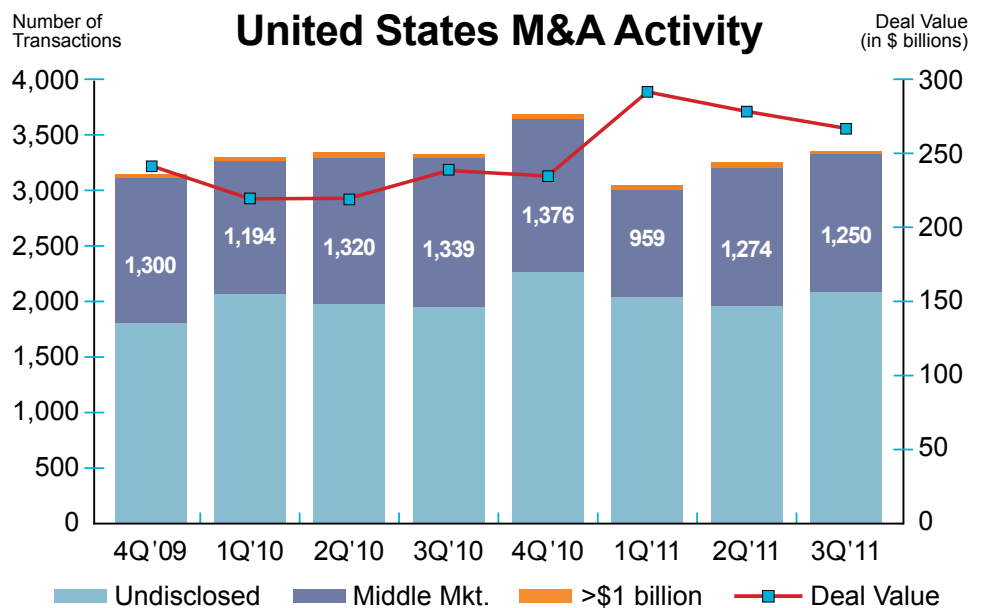
Core Capital Group is celebrating our 20th year in business. We focus exclusively on representing middle-market companies, with an emphasis in the technology sector. Core is a founding member of AICA, the Alliance of International Corporate Advisors, a global investment banking partnership with 30 member firms in 18 countries on five continents — and over 100 professionals who will leverage their resources to provide you maximum exposure.

## M&A ACTIVITY: THE PAST TWO YEARS

Unless otherwise specified, Lower Market = \$0-\$100 million and Middle Market = \$101 million-\$500 million

■ M&A transactions in 3Q 2011, which totaled 3,368, were up slightly compared to 2Q 2011 at 3,286. However, dollar volume decreased 3.3%.

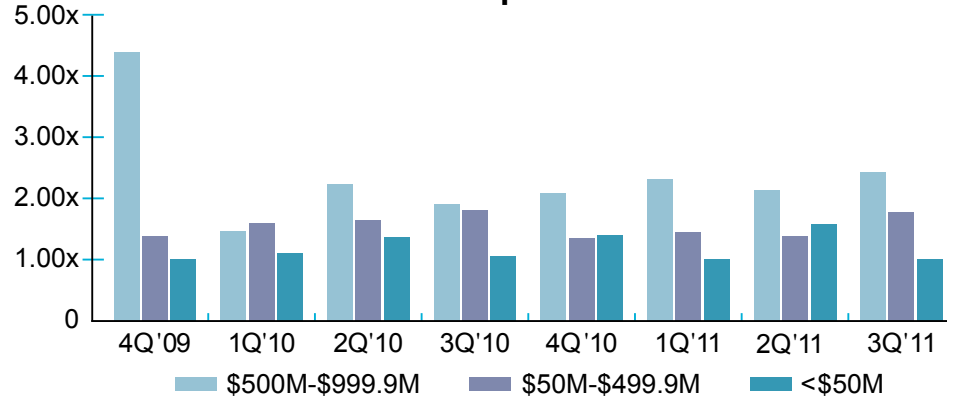
■ On a year-over-year (YOY) basis, dollar volume increased by 11.5% to \$269.92 billion. Overall, the middle-market transactions for 3Q 2011 (1,250) were down 7% compared to 3Q 2010 (1,339).



■ EV/Revenue valuation multiples increased for transactions for deals from \$500M to \$999.9M and for \$50M to \$499.9M, but decreased for those under \$50M compared to the previous quarter.

■ On a YOY basis, deals under \$50M saw a slight decrease of .06 and those ranging from \$50M to \$499.9M decreased by .03x. The multiple for deals ranging from \$500M to \$999.9M saw the only increase which was .53x.

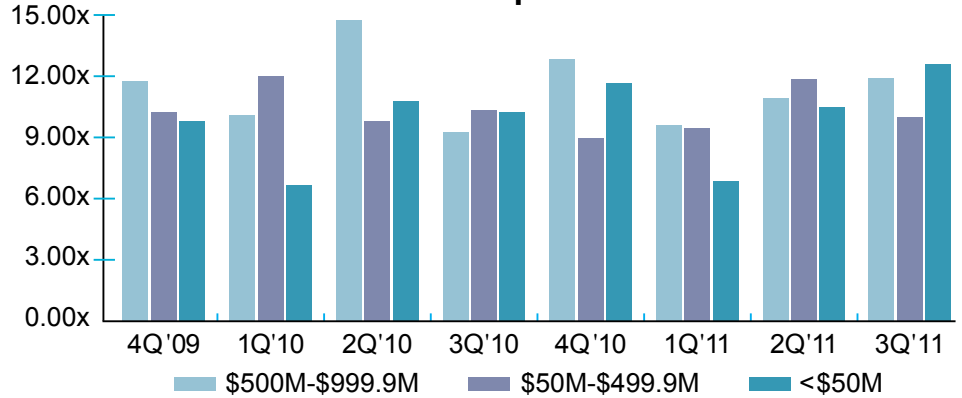
EV/Revenue **Overall Valuation Multiples: Median EV/Revenue**



■ EV/EBITDA valuation multiples for transactions under \$50M increased compared to the previous quarter (+2.21x) as well as YOY (+2.41x). However, those in the \$50M to \$499.9M range decreased in both areas (QOQ -1.89x, YOY -.36x).

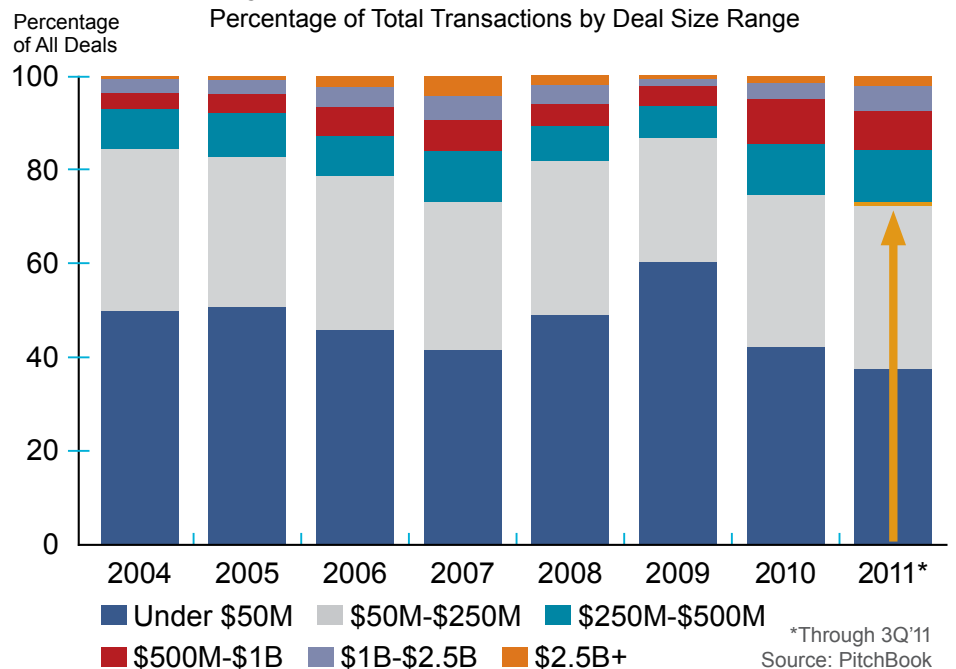
■ Multiples for transactions in the \$500M to \$999.9M range increased from the previous quarter by .98x and compared to the previous year by 2.65x.

EV/EBITDA **Overall Valuation Multiples: Median EV/EBITDA**

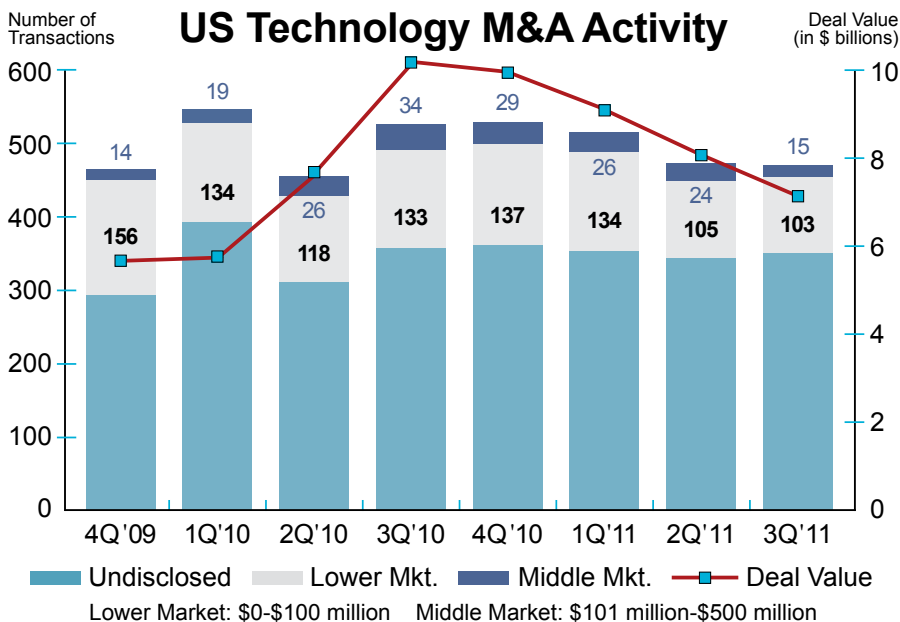


■ Private Equity deal flow continues to show that transactions under \$250M account for the majority of activity, according to *Pitchbook*. This is great news for small- to mid-sized businesses.

**Private Equity Deals Under \$250M Account for 73% of Deal Flow**

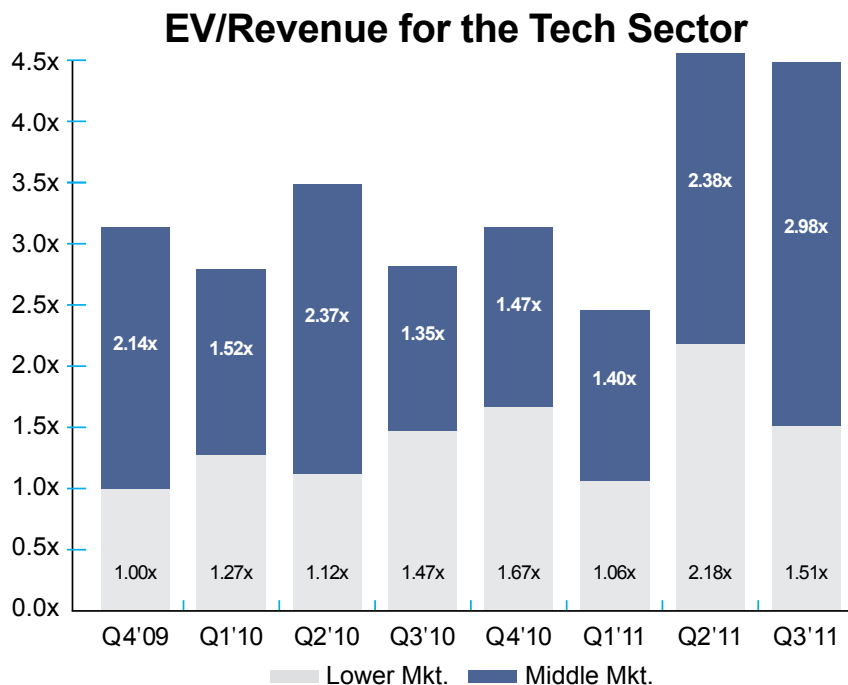


Overall, M&A activity in both the lower and middle markets was down in the technology sector. The number of transactions decreased in 3Q 2011 compared to 3Q 2010 by 56 transactions or 11%. The dollar volume of transactions totaled \$7.12 billion, 11% lower than 2Q 2011 volume. The volume showed a decrease of 30% compared to \$10.23 billion in 3Q 2010.



EV/Revenue multiples for the lower market in the technology sector showed a decrease, going from 2.18x in 2Q 2011 to 1.51x in 3Q 2011, but increased by .04 compared to 3Q 2010.

Multiples for the middle market increased on both a QOQ (up by .6x) and YOY (up by 1.63x) basis.



Valuation multiples for EV/EBITDA showed a downward trend for both lower- and middle-market transactions compared to the previous quarter. Lower market decreased by 5.11 on a QOQ and by 4.75 on a YOY basis.

Middle-market multiples increased on a YOY basis by .84 but decreased on a QOQ basis by 6.4.

