

M&A Monitor

Piper Jaffray Middle Market Mergers & Acquisitions

M&A Monitor: Analyzing M&A Activity—January 25, 2006

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Feature Article

Fourth Quarter M&A Market Update

by Lucien Webb, lucien.q.webb@pjc.com, 312 920-2136

Domestic M&A activity continued to remain strong in the fourth quarter of 2005. According to preliminary figures from Thomson Financial, the total value of closed transactions increased approximately \$24.9 billion, or 11.1%, to \$249.5 billion for the fourth quarter of 2005, versus the same period in 2004. There were 1,611 completed transactions in the fourth quarter of 2005, representing an increase of 2.7%, compared to the last three months in 2004.

The total value of closed deals for the full 12 months of 2005 increased approximately \$76.9 billion, or 10.5%, to \$812.0 billion, versus \$735.1 billion for 2004. Deal volume for the full year in 2005 increased by 300 closed transactions, or 4.5%, to 6,983, versus 6,683 for the full year in 2004.

The statistics, which are summarized in the chart below, indicate that much of the gain in aggregate transaction value was primarily led by mega-deals closed in the fourth quarter of 2005, including Procter & Gamble's acquisition of Gillette for \$55 billion, SBC Communications' \$15 billion purchase of AT&T, Koch Industries' acquisition of Georgia-Pacific Corp. for \$13 billion, INEOS Group's acquisition of Innovene for \$9.0 billion, and UnitedHealth Group's purchase of PacifiCare Health Systems for more than \$7 billion, to name a few. For transactions less than \$1 billion, deal value increased approximately 27% to \$75.3 billion for the fourth quarter of 2005, versus \$59.1 billion for the same period in 2004. Deal volume for transactions less than \$1 billion also increased approximately 5% to 638 transactions in the fourth quarter of 2005, compared to the same period in 2004.

Transaction Size Range (\$ in millions)	Total Number of Transactions						Total Value (\$ in billions)					
	Q4 '05	Q4 '04	% Change	12 Mo '05	12 Mo '04	% Change	Q4 '05	Q4 '04	% Change	12 Mo '05	12 Mo '04	% Change
\$0 - \$25	260	283	(8.1%)	1268	1225	3.5%	\$2.6	\$2.2	14.1%	\$11.4	\$9.8	16.3%
\$25 - \$50	104	93	11.8%	392	358	9.5%	\$3.8	\$3.5	10.5%	\$14.3	\$13.2	8.6%
\$50 - \$100	86	62	38.7%	355	294	20.7%	\$6.2	\$4.5	38.3%	\$25.8	\$21.8	17.9%
\$100 - \$250	91	107	(15.0%)	366	383	(4.4%)	\$15.0	\$17.3	(13.4%)	\$61.1	\$61.8	(1.2%)
\$250 - \$500	57	35	62.9%	202	185	9.2%	\$19.7	\$12.1	62.4%	\$70.8	\$65.0	9.0%
\$500 - \$1000	40	27	48.1%	127	103	23.3%	\$28.1	\$19.5	43.7%	\$89.5	\$72.3	23.7%
\$1000+	32	41	(22.0%)	139	111	25.2%	\$174.1	\$165.4	5.3%	\$539.1	\$491.1	9.8%
Total Disclosed	670	648	3.4%	2849	2659	7.1%	\$249.5	\$224.5	11.1%	\$812.0	\$735.1	10.5%
Undisclosed	941	921	2.2%	4134	4024	2.7%	NA	NA	NA	NA	NA	NA
Total	1611	1569	2.7%	6983	6683	4.5%	\$249.5	\$224.5	11.1%	\$812.0	\$735.1	10.5%

Source: Thomson Financial Securities Data Corporation

The domestic middle market was an active segment of the broader M&A market throughout 2005. For the fourth quarter, there were 234 completed deals with disclosed values between \$50 and \$500 million, compared to 204 in the fourth quarter of 2004, a 14.7% increase. Closed deals for the full year of 2005 with disclosed values of \$50 to \$500 million were up more than 7.1% over 2004, reaching a total of 923 transactions. The increase in activity is largely due to four factors:

- A robust economic environment that has improved the operating results of both buyers and sellers;
- A large pool of uninvested private equity capital that funds are eager to put to work;
- The reappearance of strategic acquirors and their willingness to bid aggressively in processes; and
- An accommodating debt market lending at strong multiples and with innovative structures.

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Feature Article

Fourth Quarter M&A Market Update, Cont.

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We expect these favorable trends to continue into 2006 and to be a busy year for all of us working in the M&A market. While there are certainly risks that could disrupt the macroeconomic environment, including natural disasters, terrorist activity, a devalued U.S. dollar, increased commodity pricing and residual uncertainty in Iraq, we believe the core drivers of the M&A market, particularly those in the middle market, are intact and provide a strong base for continuing momentum into 2006.

Feature Transaction

Piper Jaffray Advises Precision Camera & Video Repair, Inc.

by Lucien Webb, lucien.q.webb@pic.com, 312 920-2136

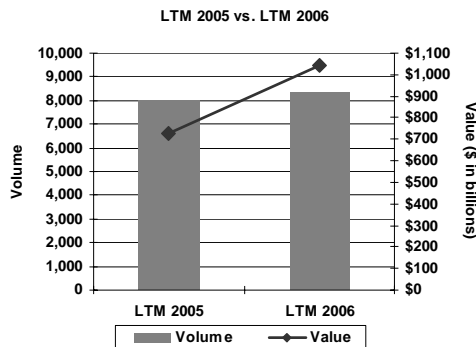
On December 22, 2005, Precision Camera & Video Repair, Inc. ("Precision Camera"), a portfolio company of Calvert Street Capital Partners was acquired by CIVC Partners. Precision Camera, headquartered in Enfield, Connecticut, is the dominant provider of outsourced repair services for consumer electronics optical and imaging products, specifically digital cameras, film cameras and digital camcorders. As the clear market leader, the company plays a critical customer service role in the rapidly growing outsourced customer care market by providing extended warranty repair fulfillment for leading consumer electronics retailers and third-party warranty administrators ("TPAs") in addition to providing manufacturer warranty repairs for original equipment manufacturers ("OEMs"). Precision Camera, which is the only company authorized to repair products from every major OEM of consumer electronics imaging products, including more than 2,000 different models, offers industry-leading technical capabilities, service levels and proprietary information technology ("IT") infrastructure, rapid turn times, and is the only service provider capable of meeting the exacting demands of its largest customers. Terms of the deal were not disclosed.

Calvert Street Capital Partners, located in Baltimore, Maryland, is a long-term investor that provides equity or mezzanine capital to lower middle market companies for leveraged acquisitions, recapitalizations and growth capital transactions.

Piper Jaffray served as exclusive financial advisor to Precision Camera & Video Repair, Inc. and Calvert Street Capital Partners.

Domestic Transactions

(\$ in billions)	Value*	Volume
LTM: 2005	\$727.6	7,988
LTM: 2006	\$1,042.5	8,359



*Total value based on deals with reported values

Source: Thomson Financial Securities Data Corporation

LTM median deal value for 2005 is \$30.0 million compared to \$28.0 million for 2004.

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LTM Transaction Multiples

By Size (\$ in millions)	EBIT	EBITDA
Less than \$25	7.4x	4.1x
\$25 to \$100	10.3x	8.8x
\$100 to \$250	12.7x	7.1x
\$250 to \$1,000	13.4x	8.6x
Over \$1,000	14.7x	10.1x

Current data as of January 22, 2006

Source: Thomson Financial Securities Data Corporation

Based on multiples between 0x and 25x; excluding media and telecom.

Public Company Premiums

1 week prior to announcement	23.7%
4 weeks prior to announcement	25.1%

Current data as of January 22, 2006

Source: Thomson Financial Securities Data Corporation

Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	6.71%	5.23%
High Yield Bond Rate	8.05%	7.03%
Senior Debt/EBITDA*	4.4x	3.4x
Total Debt/EBITDA*	5.2x	4.6x

Current data as of January 22, 2006

Source: Portfolio Management Data, The Wall Street Journal and Gold Sheets Daily

*Represents leverage statistics for middle market LBOs (less than \$50 million of EBITDA)

Buyout Fund Market

(\$ in billions)	2005	2004	2003
Funds Raised	\$173.5	\$42.2	\$24.0
Deals Completed	\$198.0	\$136.5	\$94.8

Data as of January 22, 2006

Source: Buyouts

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