

M&A Monitor

Piper Jaffray M&A Monitor

Analyzing M&A Activity—March 14, 2007

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Feature Article

2006: Truly a Year for the Record Books

by Shane McDaniel, 312 920-3271, michael.s.mcdaniel@pjc.com

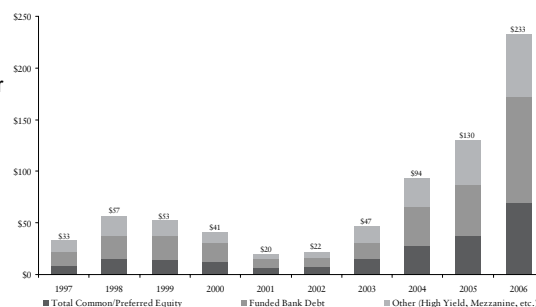
Much has been said about the frenzied pace of overall M&A activity in 2006. A big part of the M&A story relates to the deal volume driven by the leveraged buyout (LBO) market. For the third consecutive year, LBO activity rose to a record high in 2006. LBO volume swelled to \$233 billion in 2006, up from \$130 billion in 2005. Private equity firms looked to the financing markets for \$122 billion in debt during 2006, up from \$65 billion in the prior year. Large private equity firms pushed LBO activity to new heights by converting \$128 billion of public-to-private deals, which accounted for 55% of overall LBO activity, up from \$50 billion in 2005. Financing the ever-larger takeouts were a record \$60 billion in public-to-private loans.

Other notable trends in the LBO market include:

- **Equity Contribution**—Total equity contributions have levelled off to approximately 29.8% in 2006, which is slightly below the 2005 full-year average of 31.1%.
- **Fund Raising**—Accommodating debt markets were not the only factor driving LBO activity to record levels. Buyout shops raised more than \$197.6 billion in capital, giving them more flexibility to participate in larger buyouts.
- **Purchase Price Multiples**—Private equity firms paid, on average, 8.1x EBITDA for LBOs in the middle market, slightly below the record high of 8.5x in 2005. For companies with more than \$50 million in EBITDA, purchase price multiples rose to 8.6x EBITDA up from 8.2x in 2005.
- **Credit Quality**—Frothy credit markets allowed private equity firms to leverage transactions at even higher levels in 2006. Total leverage rose to 5.1x EBITDA across all deal sizes. Non-bank debt leverage fell to 0.7x EBITDA; its lowest level in the last ten years mostly due to the popularity of second lien bank debt. The average ratio of EBITDA less CapEx to cash interest for these deals fell to 2.0x which represents the lowest coverage ratio since the late 1990s.
- **Recapitalizations**—Leveraged buyouts were not the only deal activities for private equity firms. They were also actively financing dividend payments to the tune of \$26 billion up from \$23 billion in 2005.
- **Public-to-private**—In 2006, 54 public companies were successfully delisted from public exchanges up from 38 in 2005 and 32 in 2004, according to Buyouts magazine. Furthermore, the three largest deals of 2006 all closed in the fourth quarter.

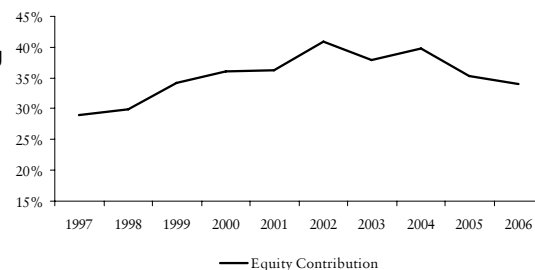
LBO activity is off to a strong start in 2007. While capital remains plentiful and a steady stream of attractive properties continues to be available in the market, will 2007 be another year for the record books? We hope so.

Total Domestic LBO Activity



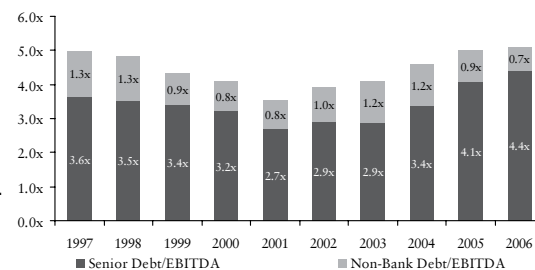
Source: Portfolio Management Data

LBO Equity Contributions



Source: Portfolio Management Data

LBO Lending Multiples



Source: Portfolio Management Data and LCD Comps

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Feature Transaction

Piper Jaffray Advises Kellermeyer Building Services

by Luke Webb, 312 920-3291, lucien.q.webb@pic.com

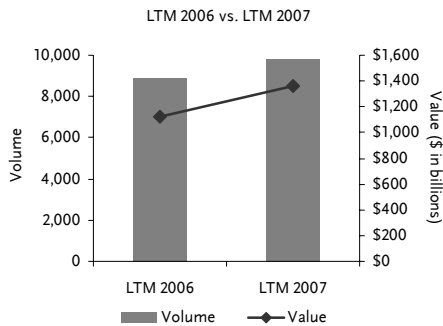
On February 21, 2007, Kellermeyer Building Services (“Kellermeyer” or “the company”), a portfolio company of CIVC Partners was acquired by management to obtain the majority equity position in the company. Key Principal Partners, a Cleveland-based private investment firm that provides mezzanine and equity capital to middle market companies, served as the minority investor in the transaction. Terms of the transaction were not disclosed.

Kellermeyer is the leading provider of contract cleaning services to the \$2.5 billion U.S. retail industry with approximately 6,000 employees cleaning nearly 2,500 locations across 46 states. Kellermeyer’s clients are a “Who’s Who” list of major retailers, including such prominent companies as Target, Sears, Federated Department Stores, PetSmart and Meijer. These clients value the company’s national scale, history of quality and consistency, adoption of technology and outstanding track record of compliance with labor and immigration laws.

Piper Jaffray served as exclusive financial advisor to Kellermeyer Building Services and CIVC Partners.

Domestic Transactions

(\$ in billions)	Value*	Volume
LTM: 2006	\$1,125.3	8,912
LTM: 2007	\$1,359.0	9,805



*Total value based on deals with reported values

Source: Thomson Financial Securities Data Corporation

LTM median deal value for 2007 is \$35.0 million compared to \$30.5 million for 2006.

LTM Transaction Multiples

By Size (\$ in millions)	EBIT	EBITDA
Less than \$25	17.6x	8.5x
\$25 to \$100	11.6x	9.4x
\$100 to \$250	15.7x	10.6x
\$250 to \$1,000	17.4x	10.7x
Over \$1,000	15.0x	10.4x

Current data as of March 14, 2007

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	22.9%
4 weeks prior to announcement	26.7%

Current data as of March 14, 2007

Source: Thomson Financial Securities Data Corporation

Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	7.8%	7.5%
High Yield Bond Rate	7.5%	8.1%
Senior Debt/EBITDA*	4.1x	4.4x
Total Debt/EBITDA*	4.6x	5.2x

Current data as of February 7, 2007

Source: Portfolio Management Data, The Wall Street Journal and LCD Comps

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

Buyout Fund Market

(\$ in billions)	2006	2005
Funds Raised	\$197.6	\$183.8
Deals Completed	\$314.8	\$199.4

Data as of March 14, 2007

Source: Buyouts

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