

## M&amp;A Monitor

## Piper Jaffray M&amp;A Monitor

Analyzing M&amp;A Activity—August 9, 2006

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## Feature Article

## Nonresidential Construction Market

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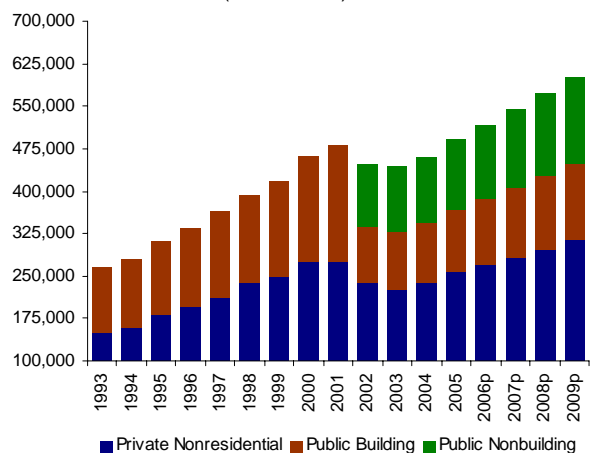
Over the past several years, much discussion has taken place regarding the robust activity in the \$660.1 billion residential construction market. During this same period, the \$257 billion private nonresidential market has undergone a rebound that has gained traction during the past 12 to 18 months. The Architecture Billing Index, a leading economic indicator of nonresidential construction activity, has been positive for 18 consecutive months, according to the American Institute of Architects. Year-to-date through June, private and public nonresidential building expenditures have increased 10.7%, with strong growth expected to continue through the end of the year.

Longer-term private nonresidential building construction expenditures are expected to grow 5.1% per year through 2009, to \$313 billion. Several economic indicators are expected to continue to support this growth:

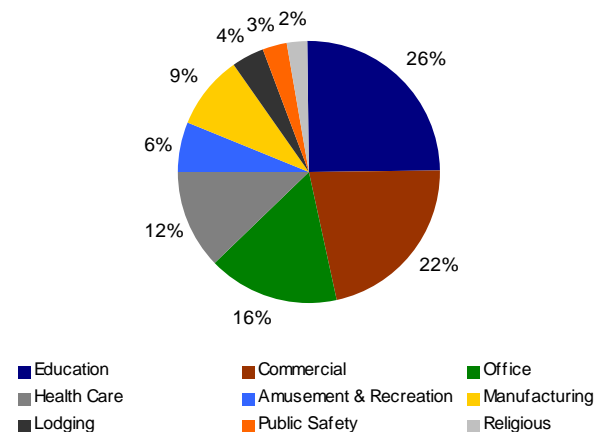
- Increased corporate profitability and recovery in capital investment spending is likely to trigger further growth in industrial and commercial building. Growth in the commercial sector for 2006 and 2007 is projected to be 5% annually. Growth in industrial facilities construction is projected to be nearly 17% and 7% in 2006 and 2007, respectively.
- Office construction, promoted by falling office vacancy rates nationally, continues to trend upward. Office vacancy rates have fallen for eight straight quarters, and growth of almost 19% in office construction is expected in 2006.
- Education construction, one of the largest categories of nonresidential construction, is projected to grow by 4% in 2006, benefiting from significant growth in high school and college student enrollment.
- Health care construction is projected to increase by 6% this year, primarily due to the growing aging population and technological modernization of existing health care facilities.

## Nonresidential Construction

Value of Construction (\$ in Millions)



Source: U.S. Census Bureau; detailed types of public construction not available prior to 2002.



Source: U.S. Census Bureau, Freedonia Group

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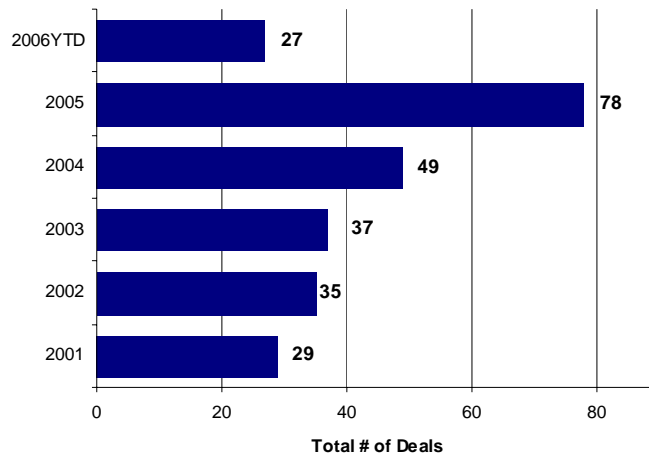
**Feature Article**

**Nonresidential Construction Market, Cont.**

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Continued favorable conditions in the nonresidential construction market are likely to spur increased M&A activity, as manufacturers/fabricators and distributors will seek to continue to expand their product offering, geographic footprint and value-added services to more efficiently serve their customers. In fact, merger activity has increased in the past 18 months, with 27 mergers or acquisitions year-to-date in 2006. As strength continues to build in the nonresidential construction markets, we expect to see further consolidation across all aspects of the value chain.

**M&A Transactions in U.S. Nonresidential Construction Market**



Source: SDC Platinum; data encompasses all announced M&A transactions where either target or buyer was specializing in nonresidential construction.

**Feature Transaction**

**Piper Jaffray Advises Beacon Holdings Corporation**

by Lucien Webb, 312 920-2136, [lucien.q.webb@pjc.com](mailto:lucien.q.webb@pjc.com)

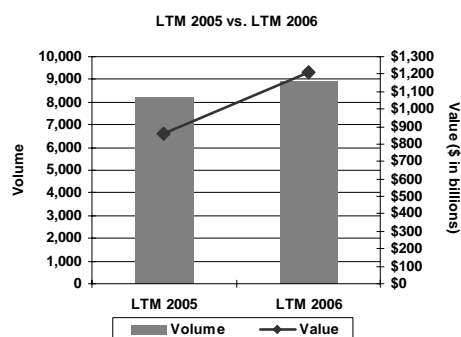
On July 21, 2006, Beacon Holdings Corporation (“BeaconMedaes” or the “company”) was acquired by Atlas Copco North America for approximately \$95.5 million.

BeaconMedaes, a portfolio company of The Riverside Company, is the largest global designer and manufacturer of medical air and gas delivery systems for hospitals and other health care facilities. The company’s products include (i) source equipment such as medical air compressors, medical vacuum pumps and waste anesthetic gas disposal systems, (ii) pipeline components such as medical gas outlets, alarms, valves and manifolds, and (iii) patient environment products such as ceiling pendants and headwall/trunking units. Located in operating, delivery, general care and special care areas throughout a health care facility, BeaconMedaes’ systems provide patients with life-saving medical air and gases, as well as enable health care clinicians to operate medical tools and equipment. The company holds the #1 share position in the U.S. and UK markets, and is rapidly expanding in China, India, Latin America and other international regions.

Piper Jaffray served as financial advisor to BeaconMedaes and The Riverside Company.

### Domestic Transactions

(\$ in billions)	Value*	Volume
LTM: 2005	\$867.2	8,238
LTM: 2006	\$1,200.7	8,948



\*Total value based on deals with reported values

Source: Thomson Financial Securities Data Corporation

LTM median deal value for 2006 is \$34.7 million compared to \$27.1 million for 2005.

### LTM Transaction Multiples

By Size (\$ in millions)	EBIT	EBITDA
Less than \$25	7.4x	4.1x
\$25 to \$100	12.0x	8.3x
\$100 to \$250	13.2x	8.4x
\$250 to \$1,000	12.3x	7.7x
Over \$1,000	13.7x	9.1x

Current data as of August 8, 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	23.0%
4 weeks prior to announcement	24.8%

Current data as of August 8, 2006

Source: Thomson Financial Securities Data Corporation

### Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	8.19%	5.84%
High Yield Bond Rate	8.38%	7.52%
Senior Debt/EBITDA*	4.4x	4.6x
Total Debt/EBITDA*	4.8x	4.7x

Current data as of August 8, 2006

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

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

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### 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 August 8, 2006  
Source: Buyouts

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(General and Deal Related Questions)

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