

## M&amp;A Monitor

**Piper Jaffray Middle Market Mergers & Acquisitions**  
 M&A Monitor: Analyzing M&A Activity—August 17, 2005

**Sections:**

Feature Article  
 Feature Transaction  
 Domestic M&A Transactions  
 LTM Transaction Multiples  
 Public Company Premiums  
 Deal Financing  
 Buyout Fund Market  
 Middle Market M&A Group Contacts

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**Feature Article**
**Automotive Aftermarket Industry Update**

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The automotive aftermarket industry has continued to experience strong transaction volume in 2005, as year-to-date activity has increased significantly over the previous year. This strong deal flow has followed annual transaction volume increases in both 2003 and 2004. Both financial and strategic acquirers have been active in the segment, and a number of attractive fundamentals continue to contribute to long-term growth in the aftermarket.

**Market Drivers**

In spite of current concerns over high gas prices and the recent high-profile financial difficulties of large automotive suppliers such as Collins & Aikman, investors have continued to demonstrate considerable interest in deals in the aftermarket industry. Trends that are contributing to this interest by potential acquirers include:

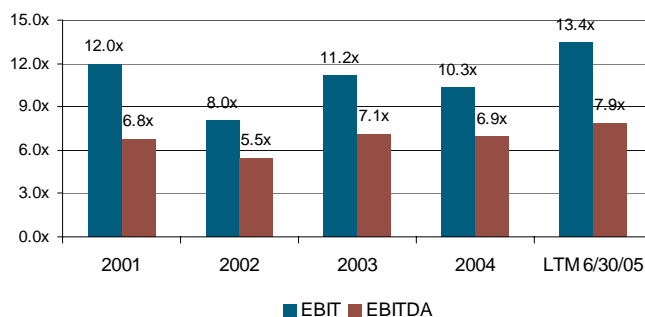
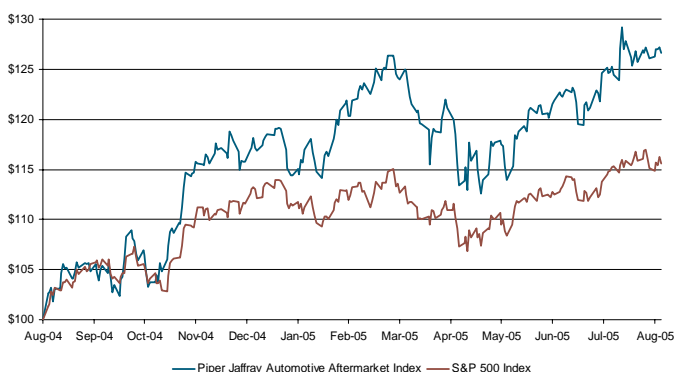
- Fragmented competitive landscape with numerous specialized niche market segments
- Increasing number of vehicles on the road
- Growing sales of light truck vehicles
- Customer consolidation
- Non-cyclical demand for consumable replacement parts
- Growing mainstream interest in appearance and accessory products
- Cyclical demand growth in the heavy truck market

**Public Company Valuations**

Valuation multiples in the automotive aftermarket have significantly improved in 2005. In the LTM period, public automotive aftermarket companies traded at median EV/EBIT and EV/EBITDA multiples of 13.4x and 7.9x, respectively. These valuation levels represent considerable improvement from 2004 median EV/EBIT and EV/EBITDA multiples of 10.3x and 6.9x, respectively. Moreover, public automotive aftermarket companies currently trade at their highest levels since the early 1990s.

Since August 2004, the Piper Jaffray Automotive Aftermarket Index, which consists of ten publicly traded automotive aftermarket companies, has outperformed the S&P 500 Index by 9.6%.

Note: The Piper Jaffray Automotive Aftermarket Index includes: Aftermarket Technology Corp., ArvinMeritor Inc., BorgWarner Inc., Precision Castparts Corp., Proliance International, Inc., R&B Inc., Standard Motor Products Inc., Superior Industries International Inc., Textron Inc. and Tomkins.

**Valuation Trading Multiples**

**Relative Stock Prices**


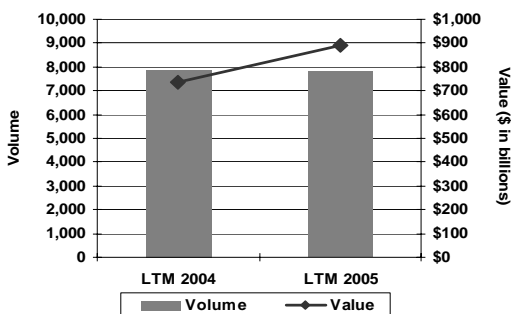
Source: Capital IQ and public filings

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### Domestic Transactions

(\$ in billions)	Value*	Volume
LTM: 2004	\$699.3	7,928
LTM: 2005	\$846.0	7,795

LTM 2004 vs. LTM 2005



\*Total value based on deals with reported values

Source: Thomson Financial Securities Data Corporation

LTM median deal value for 2005 is \$26.9 million compared to \$25.0 million for 2004.

### LTM Transaction Multiples

By Size (\$ in millions)	EBIT	EBITDA
Less than \$25	10.5x	4.7x
\$25 to \$100	10.8x	10.3x
\$100 to \$250	12.0x	8.4x
\$250 to \$1,000	15.9x	9.9x
Over \$1,000	15.0x	10.2x

Current data as of August 15, 2005

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	22.2%
4 weeks prior to announcement	27.9%

Current data as of August 15, 2005

Source: Thomson Financial Securities Data Corporation

### Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	5.82%	4.89%
High Yield Bond Rate	7.63%	7.82%
Senior Debt/EBITDA*	4.7x	3.3x
Total Debt/EBITDA*	4.7x	4.3x

Current data as of August 12, 2005

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)

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**Buyout Fund Market**

(\$ in billions)	2005	2004	2003
Funds Raised	\$86.4	\$42.2	\$24.0
Deals Completed	\$92.6	\$136.5	\$94.8

Data as of August 4, 2005  
Source: Buyouts

**Middle Market M&A Group Contacts**  
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