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M&A Monitor

Piper Jaffray M&A Monitor
Analyzing M&A Activity—August 29, 2007

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Feature Article

To Close or Not to Close? And What Does This Mean for the Broader M&A Market?
by Kevin Jakuc, 612 303-6211, kevin.m.jakuc@pjc.com

Recent volatility in the capital markets created uncertainty in the closing of a number of high-profile, multi-billion dollar M&A transactions. The recent downward trajectories in the equity and credit markets have forced participants (including investment banks, lenders and private equity firms) to the sidelines as they look for answers and clarity in a changing market.

Banks, unable to syndicate multi-billion dollar loan commitments, are left holding bridge loans or "guaranteed" financing commitments on their balance sheets and hope to re-approach the market for syndication of these loans once the market conditions stabilize. For those deals that do not include a financing contingency, buy-out shops may look for anything that resembles a "material-adverse change" at their targeted companies to quell the deal. Needless to say, many industry participants now question whether the M&A market is drying up.

While the recent change in the debt market caused lenders to tighten their credit policies and likely caused terms and covenants to revert back to years past, the market is awash in capital that needs to be put to work. Private equity firms, hedge funds and institutional investors are sitting on record levels of capital and will continue to consummate deals, albeit with a more discerning eye and a potentially different capital structure. Industry observers are indicating an increase in interest rates (25 to 100 basis points) in the middle market on small to mid-sized LBOs. Higher interest rates and larger equity checks are the likely outcomes from this recent credit fallback. M&A transactions occur in all types of market conditions and although the recent uncertainty has slowed down (and in some cases stalled in the larger LBO market) deal activity, we feel the market will continue to be open for fundamentally sound companies.

Feature Transaction

Piper Jaffray Advises Yard House USA, LLC

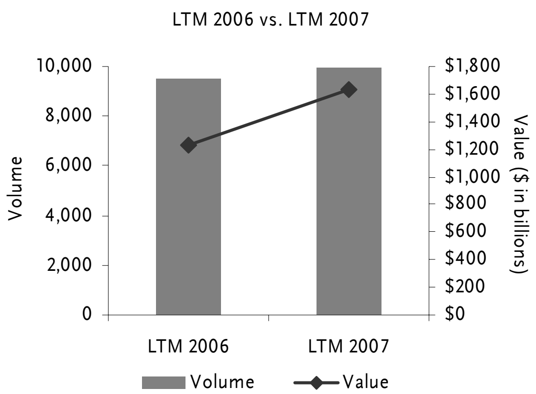
On August 20, 2007, Yard House USA, LLC was acquired by TSG Consumer Partners. Terms of the transaction were not disclosed.

Yard House USA, LLC ("Yard House") is a chain of upscale-casual eateries built on the foundation of Good People, Great Food, Classic Rock, and the Worlds Largest Selection of Draft Beer. Yard House's extensive menu features over 100 items, including steaks, ribs, chops, entrée salads, soups, chowders, grilled burgers, pizzas, and seafood. Diners can enjoy classic rock music hand picked daily from a 6,000 song music library. Each location carries between 130-250 beers on tap from all around the world. Yard House is based in Irvine, CA and operates 16 restaurants in seven states including Arizona, California, Colorado, Florida, Illinois, Kansas, and Hawaii.

Piper Jaffray & Co. served as exclusive financial advisor to Yard House USA, LLC.

Domestic Transactions

($ in billions)	Value*	Volume
LTM: 2006	$1,233.2	9,487
LTM: 2007	$1,628.0	9,928



*Total value based on deals with reported values
Source: Thomson Financial Securities Data Corporation
LTM median deal value for 2007 is $37.0 million compared to $31.6 million for 2006.

LTM Transaction Multiples

By Size ($ in millions)	EBIT	EBITDA
Less than $25	19.4x	10.3x
$25 to $100	12.0x	8.7x
$100 to $250	16.4x	11.0x
$250 to $1,000	15.2x	9.7x
Over $1,000	15.9x	11.0x

Current data as of August 22, 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	23.4%
4 weeks prior to announcement	26.9%

Current data as of August 08, 2007
Source: Thomson Financial Securities Data Corporation

Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	8.28%	8.16%
High Yield Bond Rate	8.78%	8.31%
Senior Debt/EBITDA*	5.2x	4.7x
Total Debt/EBITDA*	5.3x	5.3x

Current data as of August 22, 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)	YTD ’07	‘06
Funds Raised	$157	$197.6
Deals Completed	215	319

Data as of August 09, 2007
Source: Buyouts

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(General and Deal Related Questions)

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