

## M&amp;A Monitor

## Piper Jaffray Middle Market Mergers &amp; Acquisitions

M&amp;A Monitor: Analyzing M&amp;A Activity—December 7, 2005

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## Feature Article

## Flow &amp; Process Control Industry Update

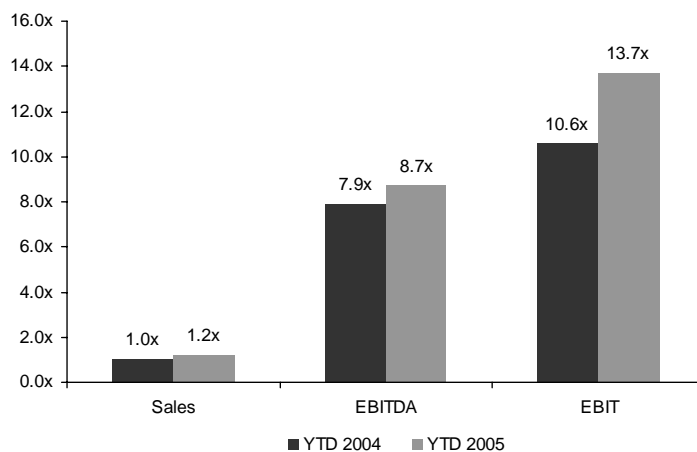
by Walter Murphy, [walter.d.murphy@pjc.com](mailto:walter.d.murphy@pjc.com), 312 920-2147

M&A in the \$250 billion global flow & process control industry has been active again in 2005 as investments in plants, equipment and operating infrastructure remained strong and corporate consolidators continued to seek growth through acquisitions. From January through October of 2005, there were 311 announced transactions, a 5% increase over the 295 deals announced during the comparable period in 2004. Aggregate transaction values increased significantly by \$4.8 billion, or 43%, to \$16.0 billion year-to-date through October of 2005, as compared to \$11.2 billion through October of 2004. Transaction multiples also rose during the year, with median sales, EBITDA and EBIT multiples reaching 1.2x, 8.7x and 13.7x, respectively, through October of 2005, versus median sales, EBITDA and EBIT multiples of 1.0x, 7.9x and 10.6x, respectively, from January through October of 2004.

We have observed a number of noteworthy trends from our M&A processes and dialogue with industry leaders that are worth mention, as several of these themes have been key to driving both interest and valuations throughout the sector:

- **Broad Interest:** The acquisition programs at many major strategic players continue to be robust as these consolidators look to supplement solid internal/organic growth with acquisitions. Private equity firms also remain broadly interested in the space, though in many situations these financial groups have not had the ability to be as aggressive as strategic acquirors in terms of valuations.
- **Return of the Private Seller:** Beginning in mid-2004 and continuing throughout 2005, we have seen a dramatic increase in private business owners' willingness to consider and/or actively explore a possible sale of their company. In many cases, this sentiment has been driven by a combination of improved financial results, preemptive approaches from strategic acquirors and more visible M&A activity within the industry.
- **Premium For Growth:** Companies with solid historical performance and compelling future growth opportunities are realizing premium valuations in the marketplace today. While this theme in itself may not be particularly new or specific to the flow & process control industry, businesses with the potential to deliver growth in excess of traditional industrial rates are receiving stronger, broader interest and achieving more aggressive pricing as acquirors are demonstrating the willingness to pay for future growth.

#### Median Transaction Multiples (Year-To-Date October 2004 and 2005)



Source: Securities Data Corporation

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Feature Article

**Flow & Process Control Industry Update, Cont.**

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- **Access To New Markets:** One of the most evident themes during the past year has been the initiative by larger corporations with a historical core focus on general industrial markets to enter and/or strengthen their position in higher growth segments, such as medical, dental, life sciences, specialty chemical, etc. Many strategic players have been proactively purchasing smaller and mid-sized businesses with strong positions in specialized, growth-oriented market niches, and then using that acquisition as a platform for further development and expansion. This buying versus building approach has been seen as a more expeditious strategy for establishing a leading presence in certain emerging sectors and accessing markets with growth rates typically much higher than traditional industrial segments. Companies offering immediate leadership within higher growth end markets are generating significant attention and commanding attractive valuations.
- **Collaborative Partnering With Customers:** Companies with innovative technologies and strong engineering expertise that have developed entrenched, collaborative relationships across a diversified blue-chip client base, where the “value” goes well beyond just the supply of products, are highly desired assets and are receiving tremendous interest from prospective acquirors.

Given the current momentum in the market, we anticipate another active year for M&A transactions throughout the flow & process control industry in 2006. There is a broad universe of large-cap, diversified industrial companies, as well as large and mid-sized focused/specialized players, that will continue to supplement organic growth with bolt-on and platform acquisitions that increase market share, expand product offerings, diversify end markets, add new technologies and expand geographic reach. These dynamics, along with ongoing competitive and growth pressures, should continue to foster an active environment for business combinations in the flow & process control industry in 2006 and beyond.

**Select 2005 Flow & Process Control M&A Transactions**

(Year-To-Date through October 2005 - \$ in millions)

Date Announced	Target	Acquirer	Estimated Transaction Value
06/19/05	Mueller Water Products	Walter Industries	\$ 1,910
06/16/05	Ruhrgas Industries GmbH	CVC Capital Partners Ltd.	\$ 1,819
05/12/05	CUNO Inc.	3M Corporation	\$ 1,349
07/21/05	BEI Technologies	Schneider Electric SA	\$ 562
03/09/05	Thomas Industries Inc.	Gardner Denver, Inc.	\$ 480
10/17/05	Chart Industries	First Reserve Corporation	\$ 466
07/07/05	Marconi Outside Plant & Power Systems	Emerson Electric Co.	\$ 375
09/13/05	Cobham Aerospace Fluid & Air Division	Eaton Corporation	\$ 333
09/01/05	Dresser Flow Control Segment	Cooper Cameron Corporation	\$ 224
04/25/05	Robicon Corporation	Siemens Energy & Automation, Inc.	\$ 198
09/15/05	HCC Industries (Windward Capital)	AMETEK, Inc.	\$ 162
05/11/05	NuFlo Technologies, Inc.	Cooper Cameron Corporation	\$ 120

Source: Securities Data Corporation

Feature Transaction

**Piper Jaffray Advises ESCORT Inc.**

by Andrew Schwartz, [andrew.h.schwartz@pic.com](mailto:andrew.h.schwartz@pic.com), 312 920-3273

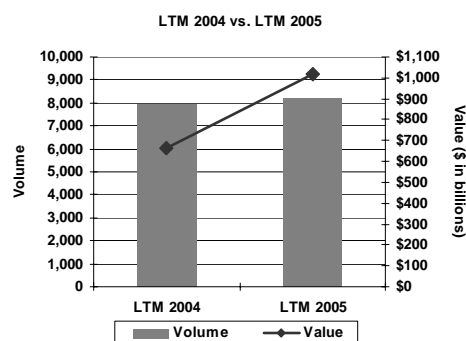
On November 18, 2005, ESCORT Inc. (“ESCORT” or the “Company”) was acquired by Falconhead Capital LLC, a New York, NY-based private equity firm focused on making private equity investments in lower middle-market companies participating in the leisure/lifestyle sector. ESCORT was a portfolio company of American Capital Strategies, Ltd. (#@), a Bethesda, MD-based publicly traded buyout and mezzanine fund. With capital resources of nearly \$7 billion, American Capital Strategies focuses on management and employee buyouts, providing senior debt, mezzanine and equity financing for buyouts led by private equity firms, and providing capital directly to private and small public companies. Terms of the deal were not disclosed.

ESCORT is the leading designer, manufacturer and marketer of radar and laser detectors, maintaining the #1 market position in the premium price segment of the market. As the clear technology leader in the industry, ESCORT offers a broad range of high-end, innovative radar detectors under the widely recognized and respected ESCORT and BELTRONICS brand names. The company has established the most comprehensive distribution network in the industry, leveraging its technology, product breadth and brand portfolio to sell primarily through large consumer electronics retailers (e.g., Best Buy, Circuit City, RadioShack, Tweeter and Car Toys) as well as directly to consumers.

Piper Jaffray served as exclusive financial advisor to ESCORT Inc. and American Capital Strategies, Ltd.

### Domestic Transactions

(\$ in billions)	Value*	Volume
LTM: 2004	\$665.5	7,926
LTM: 2005	\$1,017.7	8,238



\*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.

### LTM Transaction Multiples

By Size (\$ in millions)	EBIT	EBITDA
Less than \$25	8.9x	5.8x
\$25 to \$100	10.0x	9.5x
\$100 to \$250	12.7x	7.8x
\$250 to \$1,000	16.2x	9.9x
Over \$1,000	15.1x	10.1x

Current data as of December 05, 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	22.7%
4 weeks prior to announcement	24.8%

Current data as of December 05, 2005

Source: Thomson Financial Securities Data Corporation

### Deal Financing

	Current	1 Year Ago
Leveraged Bank Loan	6.53%	4.29%
High Yield Bond Rate	8.21%	7.90%
Senior Debt/EBITDA*	3.9x	2.7x
Total Debt/EBITDA*	4.5x	3.9x

Current data as of December 05, 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	\$109.1	\$42.2	\$24.0
Deals Completed	\$139.7	\$136.5	\$94.8

Data as of December 05, 2005  
Source: Buyouts

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(General and Deal Related Questions)

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