Deloitte.

Middle Market M&A News

2012 — Year in Review

Value and volume — Middle market M&A remains flat

Middle market M&A activity for 2012 ended the year approximately flat in both value and volume compared to 2011. This was largely a result of a very strong fourth quarter which saw year-over-year increases of 40.7% and 27.7% in deal value and volume. Prior to Q4, which saw a rush of deal activity likely motivated by pending tax increases in 2013, LTM value and volume were on pace for a year-over-year decline of 15% and 11%, respectively. Instead, 2012 deal value was up by 1.7% to reach \$192.9 billion, and deal volume declined by only 0.4% to just under 7,800 deals announced. Middle market deal value as a percentage of total M&A deal value increased significantly from 20.4% in 2011 to 26.5% in 2012, driven primarily by the sharp decline (down 22%) in the overall U.S. M&A market. From a volume standpoint, the middle market remained nearly constant at ~93% of total deal volume

Private equity continued to be active in the marketplace as the volume of deals involving financial buyers increased 14.4% over 2011, and the value of those deals increased 20.4%. Private equity also took advantage of improved M&A conditions in 2012 to exit investments as the value and volume of deals involving financial sellers increased 21.2% and 16.1%, respectively. Secondary buyout value and volume increased 27.9% and 15.2%, respectively, over 2011.

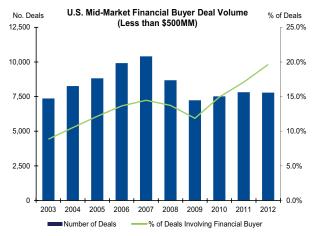
Strategic buyer activity declined slightly from 2011 levels with value and volume down 1.7% and 3.4%, respectively.

Purchase price multiples also remain flat

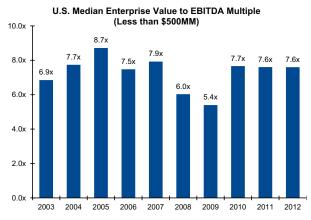
Similar to M&A value and volume, purchase price multiples for 2012 remained flat with 2011 at 7.6x. Likewise, the fourth quarter was the key to this flat trend. Through LTM Q3 2012 purchase price multiples had increased to 8.3x. However, in the fourth quarter the median multiple fell to 6.7x. This data seems to indicate that sellers were willing to accept lower prices in order to close transactions in 2012 in order to avoid the capital gains tax increase that took effect on January 1, 2013. The end result of the strong desire to close a deal before year end was that substantially more transactions took place in the fourth quarter, but at lower multiples.



Source: Thomson Financial



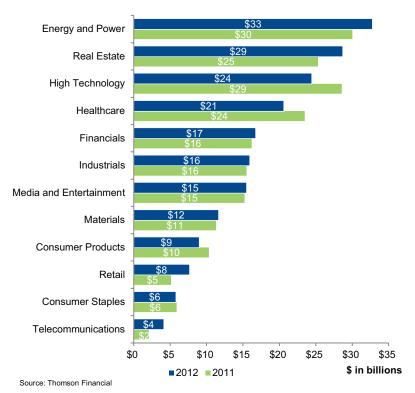
Source: Thomson Financial



Source: Thomson Financial



U.S. Mid-Market M&A Value by Industry (Deals Less than \$500MM)



Real estate and technology deals impact M&A markets

- Real estate industry deal value continued its recovery from the financial crisis with an increase of 13% in value and 25% in volume in 2012 over 2011.
 - Real estate deal value has steadily increased from 2009 lows of \$9.5 billion and is now at its highest level in a decade, exceeding its previous 2005 high of \$28 billion.
- The value of deals involving technology companies has declined 15% while volume decreased 5% in 2012.
 - Slight dampening in volume coupled with a moderate multiple decrease.

Foreign acquirers on the decline

- Decreased acquisition of U.S. middle market companies by foreign acquirers in 2012.
 - Deal value and volume of transactions involving a foreign acquirer decreased by 8.8% and 8.6%, respectively, led by meaningful declines in buyers from Canada and the UK.
 - Foreign buyers represented approximately 14% of total U.S. middle market M&A transaction volume, down from ~16% the prior four years.

International Acquisitions of U.S. Mid-Market Companies (Deals Less than \$500MM)

	Deal Value (\$MM)			Deal Volume		
	2012	2011	% Change	2012	2011	% Change
Americas	\$10,418	\$11,241	(7%) ▼	350	423	(17%) ▼
Canada	7,684	9,424		299	375	
Bermuda	746	181		13	10	
Chile	435	772		2	4	
Costa Rica	388	-		4	-	
Europe	12,341	14,024	(12%) ▼	381	410	(7%) ▼
United Kingdom	4,378	6,254		137	152	
Ireland-Rep	1,659	1,062		33	13	
France	1,544	832		41	43	
Germany	1,170	879		43	48	
Sweden	1,087	377		25	19	
Africa/Middle East/Central Asia	389	1,333	(71%) ▼	29	23	26% ▲
Israel	184	714		19	14	
Bahrain	165	315		2	1	
Egypt	40	302		2	2	
Utd Arab Em	-	-		3	-	
Asia-Pacific (excl. Japan)	5,533	6,483	(15%) ▼	171	190	(10%) ▼
South Korea	1,615	1,532		25	23	
China	835	724		28	36	
Singapore	819	273	·	11	14	
India	754	256		24	23	
Japan	4,198	1,740	141% ▲	75	39	92% ▲

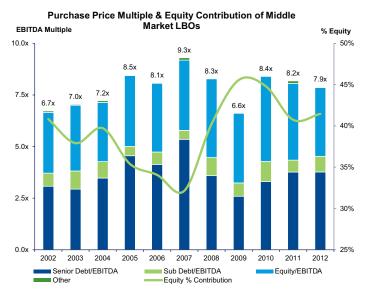
Source: Thomson Financial



Deloitte.



Source: Capital IQ Notes: Cash includes short term investments Data limited to 403 companies reporting complete quarterly data over the past five years.



Source: Standard and Poor's Leveraged Commentary and Data

2013 Preview

2013 has the potential to deliver another year of growth in middle market M&A. According to a January 2013 Thomson Reuters middle market lender survey, 50% of respondents believe that 1Q 2013 middle market loan deal flow will be M&A-driven. There are several market indicators supporting 2013's growth potential.

- According to Capital IQ, there is ample capital in the marketplace to support strategic acquisitions. The non-financial members of the S&P 500 had aggregate cash holdings of \$1.2 trillion at 9/30/2012. Companies may invest portions of their cash holdings in strategic acquisitions to complement their organic growth plans.
- Financial buyers ended 2012 with a meaningful amount of dry powder to support M&A activity. According to Pitchbook, private equity funds had an estimated \$350 billion of uninvested capital as of 12/31/2012. An interesting trait about the dry powder is that the more than \$100 billion of it remains in funds from 2007 and 2008. In general, these funds are beginning to reach the end of their investment mandate, so there is added pressure to put the capital to use given that the funds may lose access to this capital in the near future. Additionally, 112 private equity funds closed in 2012 that account for \$113 billion in capital, which represents a 13% increase in capital raised despite a smaller number of new funds.
- Strong capital markets will generally allow for greater leverage and support growth through acquisition. According to Standard and Poor's, the average senior debt multiple in 2012 was 3.77x EBITDA, which was nearly the same compared to 3.76x EBITDA in 2011. However, subordinated debt surged in 2012 to 0.78x EBITDA compared to just 0.58x EBITDA in 2011. Overall, total debt multiples increased to 4.5x EBITDA from 4.3x in 2011, continuing the trend of higher leverage that began post-recession in 2010. This steadily improving borrowing environment should provide strategic buyers with increased access to debt capital to finance M&A transactions.

Deloitte.

Select 2012 DCF transactions

Target	Acquiror	Synopsis
GHA Ter Chater in Australiaday	US ANESTHESIA PARINERS	Advised Greater Houston Anesthesiology P.A. ("GHA") in establishing a partnership with U.S. Anesthesia Partners ("USAP"), an anesthesia-focused physician services organization backed by Welsh, Carson, Anderson & Stowe ("WCAS"), through which GHA will serve as USAP's cornerstone affiliated practice.
KICKING HORSE	BRANCH BROOK	Assisted Deloitte & Touche Corporate Finance Canada Inc. ("DTCF Canada") in acting as financial advisor to Kicking Horse Coffee Co. Ltd. ("KHC") on its sale to Branch Brook Holdings, LLC.
HMR	Arlon Capital Partners	Assisted Deloitte & Touche Corporate Finance Canada Inc. ("DTCF Canada") in acting as exclusive financial advisor to Southbridge Group LP's ("Southbridge") sale of HMR Foods, Inc. ("HMR") to Arlon Capital Partners.
The advanced components business of PRAXAIR	FM INDUSTRIES, INC.	Advised FM Industries, Inc. (FMI), a wholly owned subsidiary of NGK Insulators (NGK) of Japan, in its acquisition of the advanced components business of Praxair Inc., based in Phoenix, Arizona.
Premier Hospice & Palliative Care	FRAZIER HEALTHCARE GROWTH EQUITY I VENTURE CAPITAL	Advised Premier Hospice & Palliative Care, LLC ("Premier") in its sale to Abode Healthcare, Inc. ("Abode"), a hospice and home health services organization backed by Frazier Healthcare ("Frazier") for an undisclosed amount.
Think Pets	VetSTREET YOUR PET. YOUR VET.	Advised Audit Committee of the Board of Directors of VCA Antech, Inc. (VCA), in VCA's acquisition of ThinkPets, Inc. (ThinkPets) through its subsidiary, Vetstreet, Inc.
INNOVASIAN	NICHIREI	Advised Nichirei Foods Inc., ("Nichirei Foods"), a wholly-owned subsidiary of Nichirei Corporation, regarding its acquisition of InnovAsian Cuisine Enterprises LLC ("InnovAsian").
GROUP Beyond solutions	NTT Communications	Advised NTT Communications Corporation in its acquisition of a majority stake of DTSI in the Philippines and the U.S.
allrecipes com*	⊗ meredith	Provided a fairness opinion to Meredith Corporation (MDP), in its acquisition of Allrecipes.com, Inc. (Allrecipes), from The Reader's Digest Association, Inc. (RDA) for \$175 million.
A subsidiary of One Beacon.	White Mountains INSURANCE GROUP	Provided a fairness opinion to the special committee of the Board of Directors of OneBeacon Insurance Group Ltd. (OneBeacon), in its recent sale of its subsidiary, OneBeacon Holdings (Gibraltar) Limited, to White Sands Holdings (Luxembourg) S.a.r.l., a subsidiary of White Mountains Insurance Group, Ltd. (White Mountains) for approximately \$25 million.

Related content

For additional M&A related news, refer to content made available through Deloitte Corporate Finance LLC (DCF) and the subsidiaries of Deloitte LLP:

Divestiture survey report 2013 — Sharpening your strategy

Divestitures are becoming more a matter of strategy than survival. Deloitte surveyed executives who have been involved in divestitures to assess the past experience of their companies, their outlook for the future, and the challenges they face. Read our findings from the survey and insights from Deloitte's experience in the marketplace, including trends involving cross-border, middle market deals.

Click here to read the report.

Business succession planning series — The need for planning

"The Need for Planning," first of six volumes to be released in our Business succession planning series, focuses on understanding the importance of business succession to private businesses.

Click here to read the report.

DCF industry updates

DCF's investment bankers have significant industry-specific experience and knowledge. We produce industry updates that summarize the current M&A environment including the most recent transaction information on the most active buyers, current transaction valuation multiples and an overview of the public market's perception of the industry.

Click here to read the reports.

Deloitte Corporate Finance LLC

DCF provides deal execution and lead financial advisory services to large corporate, middle market, private equity and venture capital firms. DCF and its affiliates maintain a presence in key U.S. financial centers.

For additional information or to find out more about how DCF can assist the deal initiation and execution process, please contact one of our DCF Managing Directors:

Martin Battaglia

Email: mbattaglia@deloitte.com Phone: +1 312 486 2572

Hector Calzada

Email: hcalzada@deloitte.com Phone: +1 404 631 3015

Ellen Clark

Email: elclark@deloitte.com Phone: +1 313 396 2682

Bob Coury

Email: rcoury@deloitte.com Phone: +1 313 396 3811

Ejaz Elahi

Email: eelahi@deloitte.com Phone: +1 312 486 4731

Sara Elinson

Email: selinson@deloitte.com Phone: +1 212 436 5665

Kevan Flanigan

National Managing Director Email: keflanigan@deloitte.com Phone: +1 213 688 6560

Will Frame

Email: wframe@deloitte.com Phone: +1 312 486 4458

Simon Gisby

Email: sgisby@deloitte.com Phone: +1 212 436 2495

Michael McArthur

Phone: +1 213 688 3257

Kevin McFarlane

Email: kemcfarlane@deloitte.com Email: iwalsh@deloitte.com Phone: +1 213 553 1423

Matt Meyer

Email: mattmeyer@deloitte.com Phone: +1 213 892 6053

Jonathan Ohm

Email: johm@deloitte.com Phone: +1 212 436 2287

Justin Silber

Phone: +1 404 942 6960

Irene Walsh

Phone: +1 212 436 4620

Paul Warley

Email: pwarley@deloitte.com Phone: +1 404 220 1331

Sharon Weinstein

Email: shweinstein@deloitte.com Phone: +1 212 436 6076

www.investmentbanking.deloitte.com

This newsletter is a periodic compilation of certain completed and announced merger and acquisition activity. Information contained in this newsletter should not be construed as a recommendation to sell or a recommendation to buy any security. Any reference to or omission of any reference to any company in this newsletter shall not be construed as a recommendation to sell, buy or take any other action with respect to any security of any such company. We are not soliciting any action with respect to any security or company based on this newsletter. This newsletter is published solely for the general information of clients and friends of Deloitte Corporate Finance LLC. It does not take into account the particular investment objectives, financial situation, or needs of individual recipients. Certain transactions, including those involving early stage companies, give rise to substantial risk and are not suitable for all investors. This newsletter is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. Prediction of future events is inherently subject to both known risks, uncertainties and other factors that may cause actual results to vary materially. We are under no obligation to update the information contained in this newsletter. We and our affiliates and related entities, partners, principals, directors, and employees, including persons involved in the preparation or issuance of this newsletter, may from time to time have "long" and "short" positions in, and buy or sell, the securities, or derivatives (including options) thereof, of companies mentioned herein. The companies mentioned in this newsletter may be: (i) investment banking clients of Deloitte Corporate Finance LLC; or (ii) clients of Deloitte Financial Advisory Services LLP and its related entities. The decision to include any company for mention or discussion in this newsletter is wholly unrelated to any audit or other services that Deloitte Corporate Finance LLC may provide or to any audit services or any services that any of its affiliates or related entities may provide to such company. No part of this newsletter may be copied or duplicated in any form by any means, or redistributed without the prior written consent of Deloitte Corporate Finance, LLC.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms. Please see www. deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries.

Deloitte Corporate Finance LLC ("DCF"), member FINRA, is a wholly-owned subsidiary of Deloitte Financial Advisory Services LLP ("Deloitte FAS"). Deloitte FAS is a subsidiary of Deloitte LLP. Investment banking products and services within the United States are offered exclusively through DCF.

Copyright © 2013 Deloitte Development LLC, All rights reserved.

Member of Deloitte Touche Tohmatsu Limited