
GF DATA RESOURCES

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GF Data Resources 3Q Report Indicates Lowest Multiples on Middle Market Transactions in Six Year Reporting History

Bifurcated Market Brings Good Multiples for Top-Quality Deals; While More Moderate Quality Deals are Closing with Steeper Discounts

PHILADELPHIA, November 23, 2009 – GF Data Resources' latest Middle Market Report indicates a decline in aggregate valuation multiples of middle market transactions completed in 3Q, a development that suggests that high-quality deals being done at pre-downturn valuation levels now are being accompanied by the sale of businesses of moderate quality that are compelled to accept steeper discounts in valuation multiples. The data, provided to GF Data Resources by 130 participating private equity firms reporting on transactions valued between \$10 and \$250 million, shows an average multiple of 5.1x in 3Q, the lowest multiple for any period in GF Data Resource's six-year reporting history.

"Last quarter we reported that 71% of completed deals in 2009 to date were in above-average performing companies," said Andrew T. Greenberg, CEO and Co-Founder, GF Data Resources, LLC. "Now, the data is telling a different story. For the first time this year, private equity firms in the GF Data Resources universe are reporting more activity among selling businesses with less-strong financial characteristics, and these businesses are accepting greater discounts in multiples. This lends support to the impression in the deal community that many business owners are revising their pricing expectations in order to sell their businesses."

"The data reflects a continuation of most of the trends reported throughout 2009, along with some subtle but important shifts in the middle market deal environment," said B. Graeme Frazier, IV, Principal and Co-Founder, GF Data Resources. "Deal volume remains tepid, and the best properties are still benefitting from a flight to quality and appear able to resist pricing discounts. However, the 3Q data indicates more deals getting done involving non-exceptional properties. This suggests that businesses with lesser margins and growth rates have begun to adjust their valuation expectations and complete deals at lower valuations. It sounds like a lot of doom and gloom but the closing of the gap between seller expectations and valuations could signal a return to more deal activity in 2010."

GF Data Resources collects, analyzes and reports on middle market private equity sponsored M&A transactions. The 3Q 2009 Report draws from data provided by the 130 participating private equity firms on 1,003 transactions closed between January 1, 2003, and September 30, 2009. For information on subscribing, or on contributing data as a private equity participant, visit www.gfdataresources.com

“The GF Data Resources analysis is consistent with what we are currently seeing in the M&A deal market. The recession seriously affected many middle market businesses resulting in sub-par operating performance and weaker financial characteristics,” said Terry Bressler, Managing Director, Investment Banking, Stout Risius Ross Advisors, LLC. “In spite of weak operating performance, many of these companies are now at decision points where their owners need a liquidity event, even if the timing is sub-optimal.”

“Given the long ‘fuse’ present in the current deal world, transactions closed in the third quarter were likely initiated in or near the first quarter, which was a time of material economic uncertainty with few companies willing to entertain a sale process unless there was a catalyst (often negative) that mandated such an event,” said Mark Jones, Partner, River Associates Investments, LLC, “It will be interesting to see GF Data Resource’s output evidencing the transactional effects resulting from the current environment of more stable earnings, more available credit, substantial private equity ‘dry powder’ and the potential for an increase in the capital gains tax rate in the 2010 data.”

Data Highlights:

High-level valuation and volume data for the past six quarters follows. GF Data Resources’ reports provide data contributors and subscribers with similar detail on capital structure, leverage and key deal term trends.

All Transactions	1Q 08	2Q 08	3Q 08	4Q 08	1Q 09	2Q 09	3Q 09
# of Deals	23	34	33	30	13	12	13
TEV/EBITDA	5.6x	5.6x	6.2x	6.0x	5.8x	6.6x	5.1x

- The reporting private equity firms completed 13 deals in 3Q, just about the same as in the prior two quarters, and less than half of their volume throughout 2008.
- Pricing on those deals fell to 5.1x trailing twelve months (TTM) adjusted EBITDA – the lowest for any period in GFDR’s six-year reporting history.
- GF Data Resources concludes that this drop off in multiples was driven to a great extent by the new development noted above – more deals getting done involving non-exceptional properties.
- In this report, buyout transactions are once again isolated (e.g., excluded leveraged recaps and growth capital investments) involving above-average financial performers – arbitrarily defined as businesses with TTM EBITDA margins and revenue growth both in excess of 10 percent.

- In 2009 to date, the GFDR universe has completed 15 buyouts involving firms with these above-average characteristics, or 54% of total volume. These transactions were valued at an average of 6.1x TTM adjusted EBITDA, compared to 5.2x for non-exceptional financial performers – a premium of 18 percent.
- In 3Q, however, above-average performers accounted for two of 13 completed transactions – only 22% of the total.
- Taking all of these crosscutting trends into account, transaction multiples averaged 5.8x Trailing Twelve Months (TTM) Adjusted EBITDA for the first nine months of 2009 – the same as the average for all of 2008, and down from an average of 6.0x in the boom period of 2005-07.
- Deal activity remains low. The 130 private equity firms reporting completed 38 deals in the year to date. This compares to 155 in 2006, 173 in 2007 and 120 in 2008.

About GF Data Resources

GF Data Resources provides data on private equity-sponsored M&A transactions with enterprise values of \$10 to 250 million. The data provides private equity firms and other users more reliable external information to use in valuing and assessing M&A transactions. Transaction information is collected from private equity groups on a blind and confidential basis. Data contributors and paid subscribers receive two products -- high-level valuation and leverage data in electronically delivered quarterly reports, and continuous access through the web site to detailed valuation data organized by NAICS industry code.

For information on subscribing, or on contributing data as a private equity participant, contact us at www.gfdataresources.com.