



# news from the middle

deal perspectives for middle market companies and their advisors

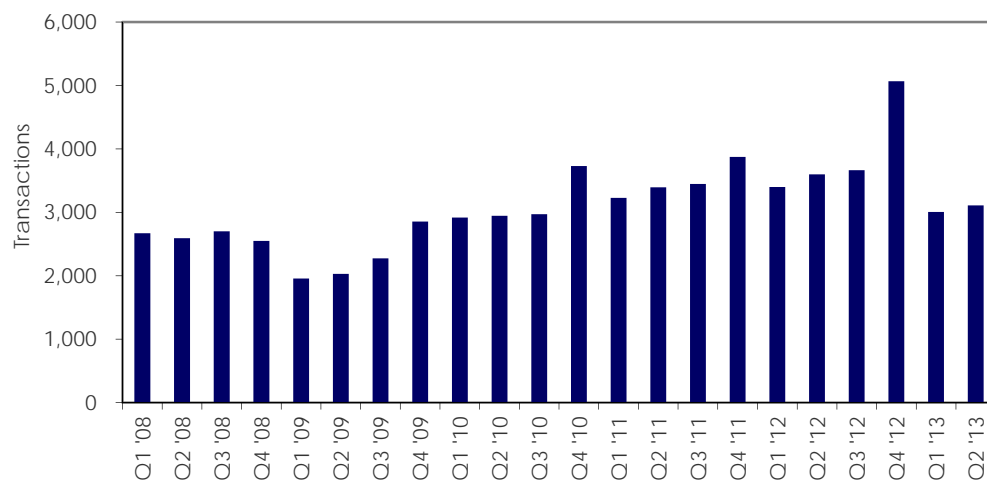
Q3 2013

## M&A Transaction Volume on the Rise

The M&A environment improved slightly in Q2 2013 from the previous quarter after record-breaking deal activity in 2012. The increase in Q4 2012 and subsequent decrease in Q1 2013 were expected, as buyers and sellers worked to finalize transactions before the capital gains tax rate increase. Transaction volume should continue to accelerate in 2013 as strategic acquirers and private equity firms focus on new investments, as evidenced by an increase in deal activity of 3.4% from Q1 2013 to Q2 2013. Despite a decline in M&A activity in the first half of 2013 compared to the same period in 2012, improving confidence in the economic recovery by consumers and investors should provide momentum.

In addition, the current M&A market exhibits several factors that promote deal activity including healthy transaction valuations, low interest rates and readily available financing. Both strategic buyers and private equity firms have money to invest, and strategic buyers continue to seek acquisitions to offset slow organic growth. As a result, Capstone expects middle market M&A activity to increase throughout the second half of 2013.

Middle Market Transactions



Source: Capital IQ  
Enterprise Value < \$250mm

MERGERS & ACQUISITIONS

PRIVATE PLACEMENTS

CORPORATE RESTRUCTURING

VALUATION ADVISORY

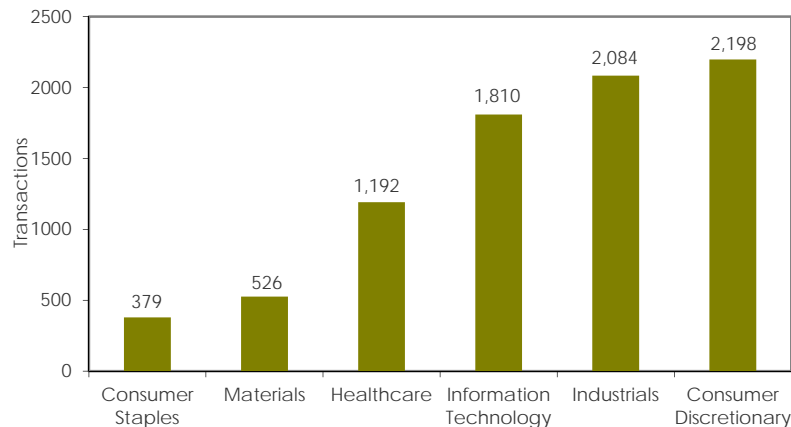
MERCHANT BANKING



## M&A snapshot

### TRANSACTIONS BY SECTOR

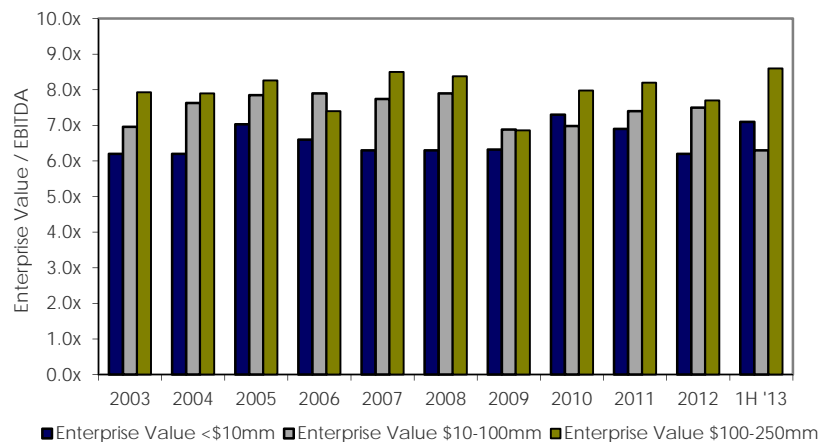
*Businesses that have differentiated themselves in the market are in high demand, regardless of industry sector.*



Source: Capital IQ  
LTM ended 6/30/2013  
Enterprise Value < \$250mm

### AVERAGE MULTIPLES BY TRANSACTION SIZE

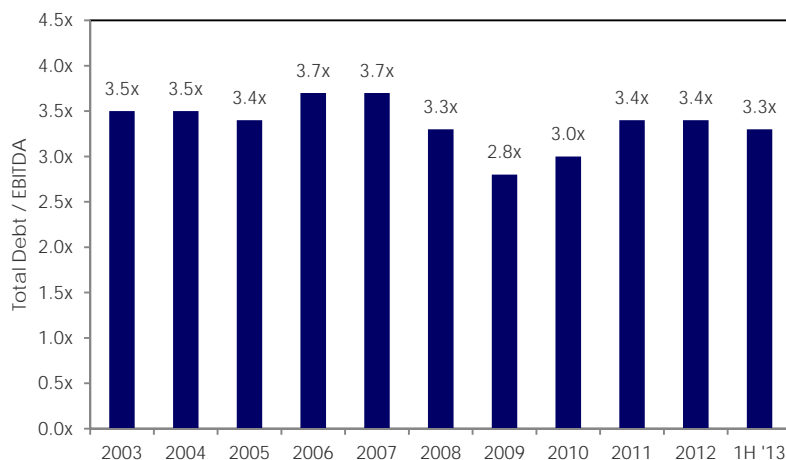
*Mega deals rose in H1 '13; larger companies command higher transaction multiples, as buyers reward scale.*



Source: Capital IQ  
Includes multiples 3x-12x

### AVERAGE DEBT MULTIPLES

*Financing remains readily available with healthy leverage multiples, attractive pricing and appealing structures.*



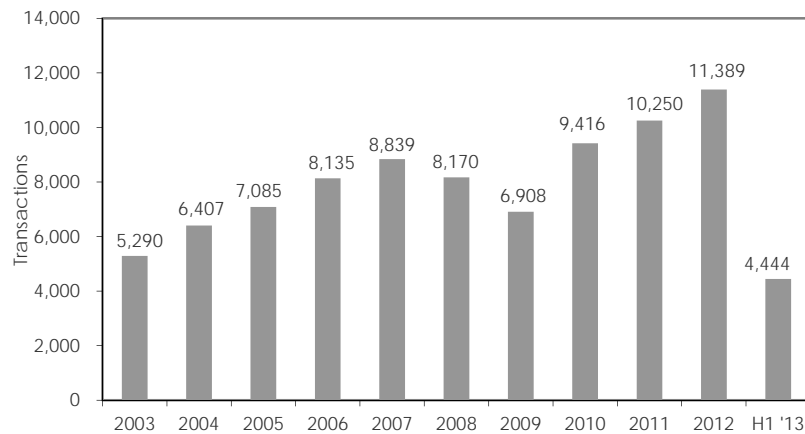
Source: GF Data Resources  
Includes multiples 3x-12x  
Enterprise Value \$10-\$250mm



## M&A snapshot

### CORPORATE BUYER ACTIVITY

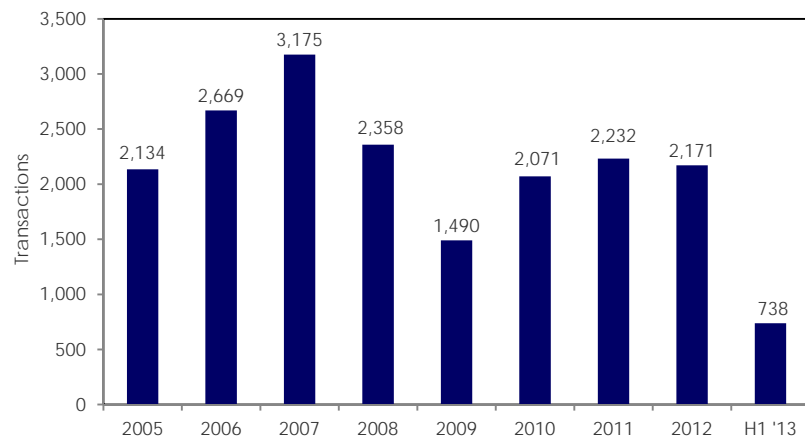
*Corporate buyers have large cash reserves and are seeking growth through targeted, strategic acquisitions.*



Source: Capital IQ  
Enterprise Value < \$250mm

### PRIVATE EQUITY ACTIVITY

*Private equity fundraising is up and private equity groups continue to have large sums of uninvested capital to deploy.*



Source: Pitchbook

### PRIVATE EQUITY MULTIPLES

*Transaction multiples suggest a "sellers market" with valuations especially attractive for high-performing businesses.*



Source: GF Data Resources  
Includes multiples 3x-12x  
Enterprise Value \$10-\$250mm

# ▶▶▶ built for the middle market

## ABOUT CAPSTONE PARTNERS

Capstone Partners LLC is a leading international investment banking firm dedicated to serving the corporate finance needs of middle market business owners, investors and creditors. The firm provides merger & acquisition, private placement, corporate restructuring, valuation and financial advisory services. Capstone maintains various industry specialties including business services, consumer products, education & training, government & defense, health & medical, manufacturing & industrial, and technology & telecom. The firm also possesses merchant banking capabilities to actively co-invest in transactions. Additional information about Capstone Partners can be found at [www.capstonellc.com](http://www.capstonellc.com).

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