



## Firm Overview

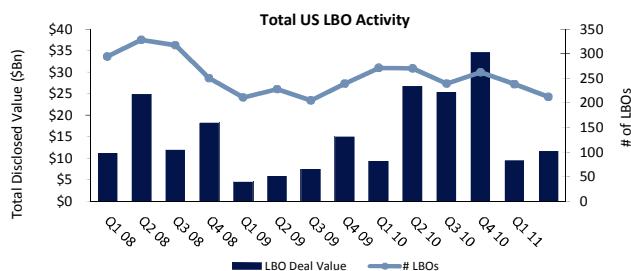
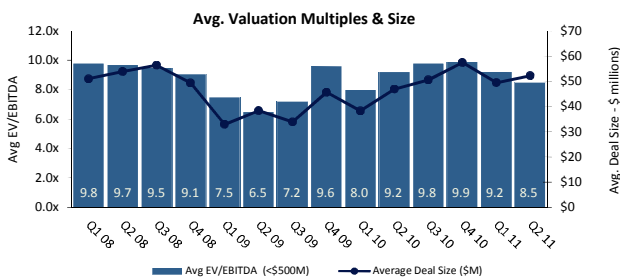
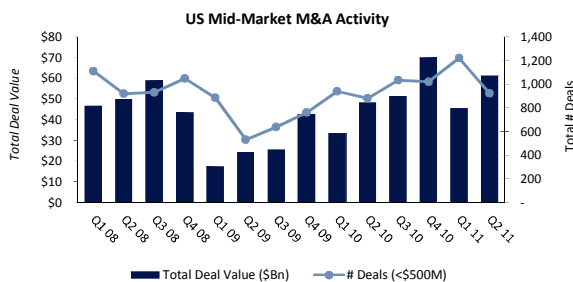
FD Capital Advisors is the Corporate Finance and Investment Banking affiliate of Frazier & Deeter, LLC, one of the top 100 public accounting firms in the US. The firm's principals have over \$3bn in transaction and advisory experience and provide M&A, capital formation and general corporate finance advisory services to middle market clients.

*Senior Attention, Integrity, Customization, and Client Satisfaction*

## FDCA Mid-Market Dashboard (Q2 2011)

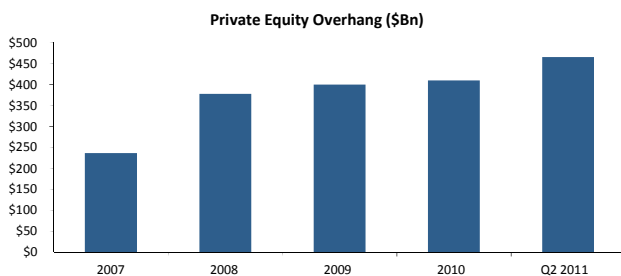
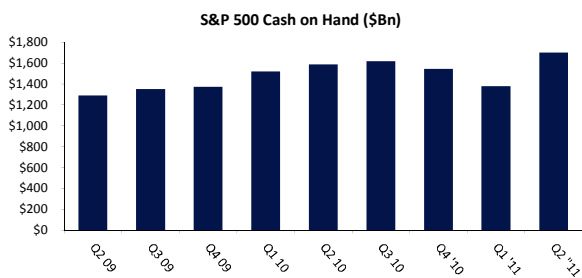
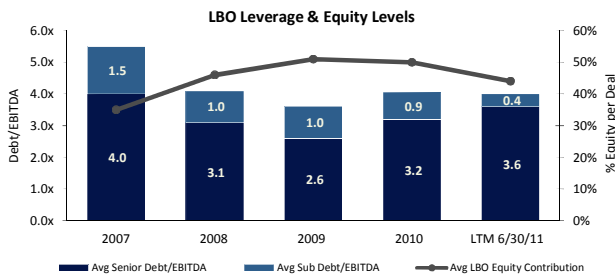
Quarter End	Period		% Change
	Q2 '11	Q2 '10	
Total # of US Deals (< \$500M)	1,178	1,033	14%
\$ Volume of Deals (billions) (< \$500M)	\$62	\$48	27%
Avg. EV/EBITDA (<\$500M)	8.5x	9.2x	-8%
1- Year LIBOR	0.7%	1.0%	-27%
GDP	1.3%	3.8%	-66%
Unemployment Rate	9.2%	9.5%	-3%
<b>Last Twelve Months</b>			
% Equity per PE - LBO (<\$500M)	44%	47%	-6%
Avg. Total Debt/EBITDA (<\$500M)	4.0x	4.0x	0%

## Market Commentary



- General Economy:** Concerns are growing that the U.S., may be facing a double-dip recession as GDP fell to 1.3% from 3.8% same quarter last year. Major issues continue to plague the economy to include U.S. debt/government inaction, governmental regulatory overhang and the European debt crisis. In addition, stubborn issues such as anemic employment, weak housing and shaky consumer spending weigh heavily in the background.
- Middle Market M&A Activity (<\$500M):** While the dollar value of deals increased over Q1 the number of deals slowed illustrating that smaller deals remain tougher to close due to mixed operating results, tight diligence and limited financing at lower end (esp. < \$10M EBITDA).
- Middle Market Valuations:** Valuations decreased slightly from Q2 '10 levels but remained strong and well above lows seen in 2009. Higher quality assets continued to trade for premiums amidst competing buyers' demand for good deals (esp. > \$10M in EBITDA).
- Middle Market Leverage:** Cash flow leverage remained somewhat available for entities above \$10M EBITDA with total debt hovering around 4X. However, cash flow leverage for companies below \$10M EBITDA remains limited, but asset-based and sub-debt continues to be available.
- Private Equity Activity:** LBO activity was modestly up in Q2 vs. Q1. Additionally, private equity groups ("PE") were able to maintain a reasonable level of equity needed per deal in Q2 vs. Q1 but reduced YoY (esp. > \$10M EBITDA).
- Active M&A Sectors:** The five most active sectors in Q2 by number of deals were financials, consumer discretionary, information technology, industrials, and materials.

## Drivers, Trends and Observations



Sources: CapitalIQ, FactSet, GF Data, PitchBook and Thomson Financial. NOTE: some data unreported and unavailable which may skew statistical results above

**Economic Outlook:** The US economy remains fragile and has many economists looking at higher prospects of a double-dip recession. As of this update, S&P has downgraded U.S. debt, the market is in disarray and a recent survey of economists has 1/3 estimating another recession. Some silver linings exist to include strong corporate balance sheets, low cost of capital and some momentum building in business investment. Our thesis is that growth will remain muted through 2011 with most predicting GDP of around 1.5% to 2.0% - not a recession but a slide sideways.

**M&A Outlook:** We expect M&A activity will remain modest for the balance of 2011 for the following reasons:

- Some mid-market companies are struggling with revenue and earnings visibility in to the next few quarters providing uncertainty in getting deals done;
- Pent up demand for shareholder liquidity remains both with baby-boomer owners and some PE; and
- Appetite for deals still exists with significant liquidity in the hands of corporations and middle-market PEs (i.e., approximately \$1.6T on S&P500 balance sheets and over \$460Bn in "dry powder" with PEs).

**Mid-Market Hot Topics:** We are currently having discussions with clients around the following topics:

- The benefits of ESOPs as an exit alternative to a traditional sale, in certain situations;
- A minority recap as a liquidity option;
- The various refinancing alternatives available as old loans become due; and
- Current view of value prior to considering a sale.

Let us know if you'd like to discuss these or other subjects as well.

We would be happy to discuss with you more about our capabilities and how we may be able to help with your strategic plans. Please direct all inquiries or questions to the following individuals at FD Capital Advisors:

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