

# M&A QUARTERLY

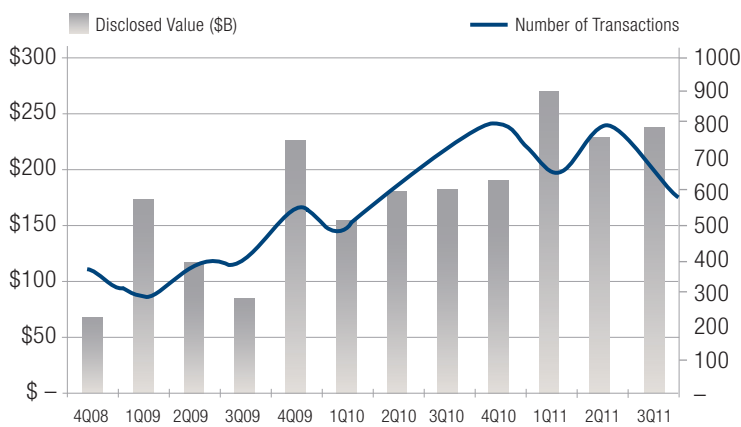
## NATIONAL EDITION

M E R G E R S | A C Q U I S I T I O N S | D I V E S T I T U R E S | V A L U A T I O N

### M&A Market Commentary

U.S. M&A activity showed mixed results in Q3 2011. The number of transactions in the quarter was down nearly 10% from the same period of the previous year. However, disclosed deal value rose over 30% from Q3 2010, showing that larger deals have returned to the market.

**National Historical Quarterly M&A Activity<sup>1,2</sup>**



Notes: <sup>1</sup> Source: Capital IQ.  
<sup>2</sup> Includes transactions over \$10MM.

Even though the number of transactions greater than \$1 billion in value decreased by almost 4% from Q3 2010, disclosed deal value increased nearly 70%. Transactions in the lower middle market (between \$100 million and \$250 million in deal value) showed muted gains with the number of transactions and deal value increasing 3.7% and 3.2%, respectively. Average EBITDA multiples for M&A transactions remained stable versus the second quarter of 2011 at approximately 11.8x.

Raymond James' Mergers & Acquisitions Group is the investment banking team dedicated to providing financial advisory services to middle-market private and public companies.

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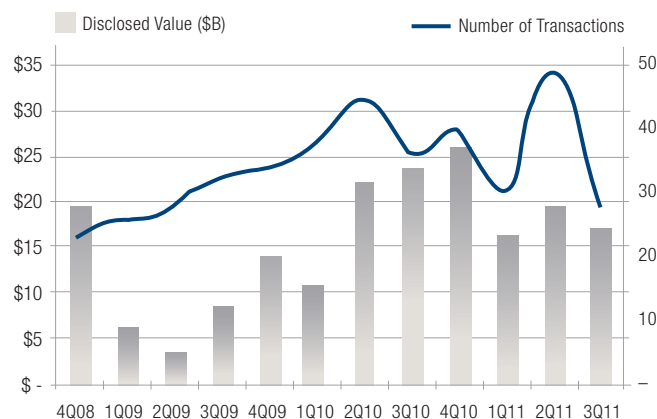
#### ECONOMIC CALENDAR

<b>December 1</b> ISM Manufacturing Survey (November)	<b>December 16</b> Consumer Price Index (November)
<b>December 2</b> Employment Situation (November)	<b>December 20</b> Housing Starts (November) Building Permits
<b>December 5</b> ISM Non-Manufacturing Survey (November)	<b>December 21</b> Existing Home Sales (November)
<b>December 8</b> BOE Announcement ECB Announcement	<b>December 22</b> Real GDP (3Q11, 3rd estimate)
<b>December 13</b> FOMC Meeting Retail Sales (November)	<b>December 23</b> Durable Goods (November)
<b>December 15</b> Producer Price Index (November) Industrial Production (November)	<b>December 27</b> Consumer Confidence (December)

After experiencing recovery in 2010, the LBO market has recently stalled as financial buyers have found increasing competition for deals from cash-rich strategic buyers. Total deal value and the number of announced transactions both decreased 35% in 3Q 2011 as compared to 3Q 2010. LBO activity was also down significantly from 2Q 2011, with disclosed deal value falling 15.8% and the number of transactions declining 40.7%. Debt multiples on middle market LBO transactions did increase slightly compared to 2010 full-year averages, with total debt-to EBITDA rising to 4.6x in 1H 2011 versus 4.2x for full-year 2010.

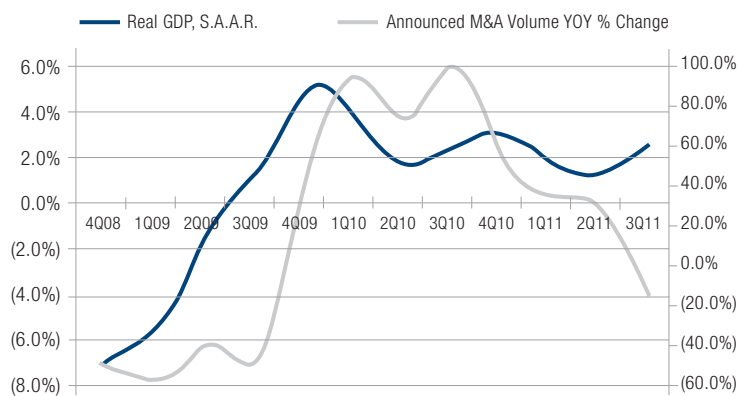
U.S. GDP growth and national M&A activity have experienced significant increases since bottoming in 4Q 2008. The GDP growth rate, historically an accurate predictor of M&A activity, posted its ninth consecutive quarterly increase in 3Q 2011 after experiencing four consecutive quarters of negative growth. However, economic indicators such as consumer confidence and the unemployment rate reveal a gloomy outlook for the U.S. economy and potentially M&A activity.

### U.S. Leveraged Buyout Activity<sup>1,2</sup>



Notes: <sup>1</sup> Source: Capital IQ.  
<sup>2</sup> Includes transactions over \$10MM.

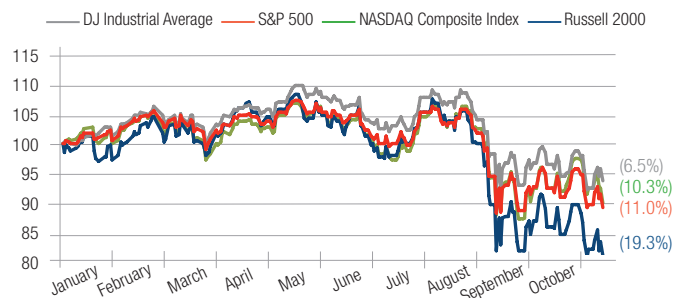
### U.S. GDP Growth vs. M&A Activity<sup>1,2</sup>



Notes: <sup>1</sup> Source: Bureau of Economic Analysis, Capital IQ.  
<sup>2</sup> GDP growth based on year 2000 dollars.

U.S. equity markets experienced high levels of volatility in 2010 and 2011 after rallying through most of 2009. Momentum from 1H 2011 was erased in 3Q 2011 with all four of the major U.S. indices down significantly. The Nasdaq Composite Index, Russell 2000, and S&P 500 have all experienced double-digit declines for the year. Volatility in the equity markets may negatively impact M&A activity and valuations.

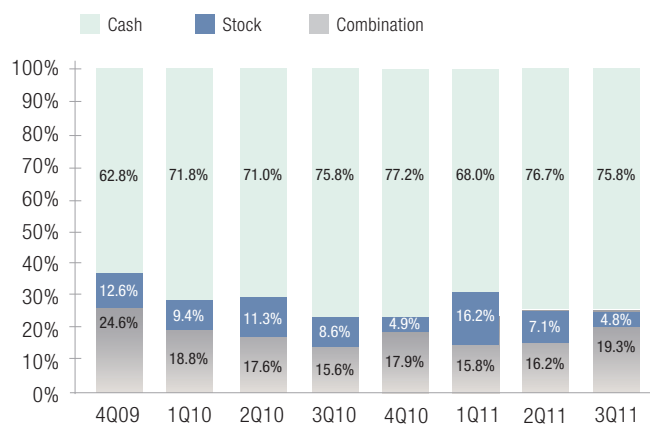
### U.S. Market Indices: YTD 2011<sup>1</sup>



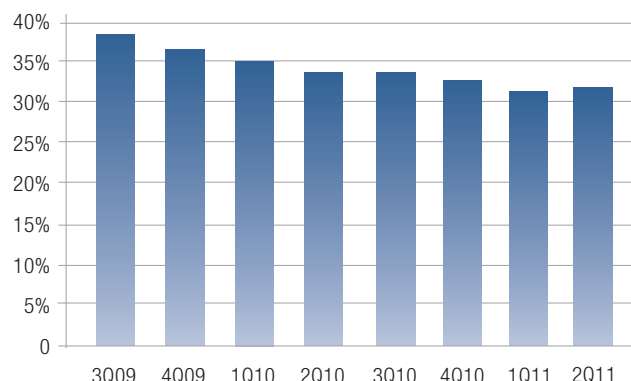
Notes: <sup>1</sup> Source: Capital IQ.

# M&A Market Statistics as of September 30, 2011

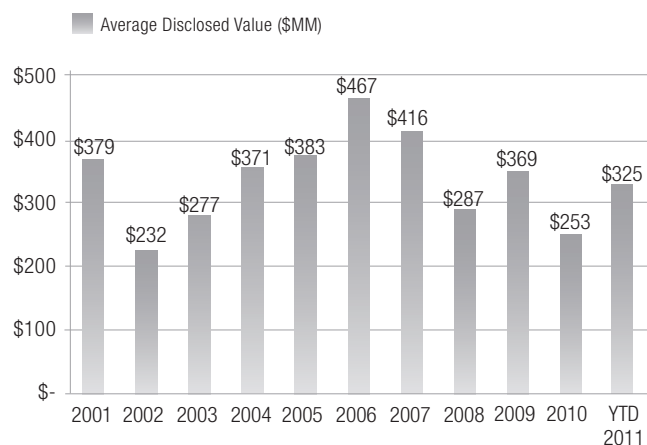
## Consideration Offered for M&A Transactions<sup>1</sup>



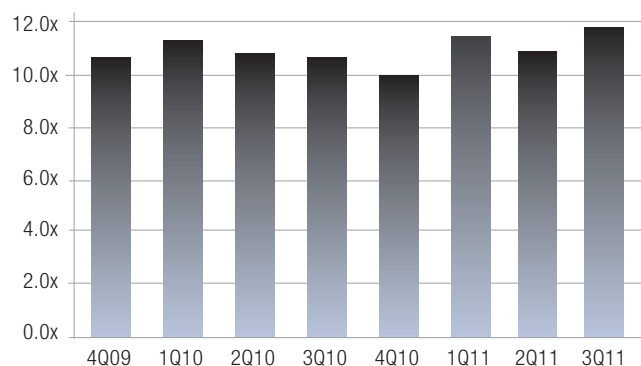
## National Median Public Company Debt/Equity<sup>1</sup>



## Average Size of Total M&A Transactions<sup>2</sup>



## Average National EBITDA Multiples<sup>1,3</sup>



## National M&A Deal Activity<sup>2</sup>

Deal Size	3Q 2011		3Q 2010		% Change 3Q 2011–3Q 2010	
	Volume	Value (\$MM)	Volume	Value (\$MM)	Volume	Value
\$10MM – \$100MM	469	\$16,405	537	\$18,546	(12.7%)	(11.5%)
\$100MM – \$250MM	113	18,782	109	18,194	3.7%	3.2%
\$250MM – \$500MM	63	23,745	55	19,725	14.5%	20.4%
\$500MM – \$1,000MM	24	16,800	40	27,957	(40.0%)	(39.9%)
\$1,000MM +	26	162,027	27	95,937	(3.7%)	68.9%
<b>Total Disclosed</b>	<b>695</b>	<b>\$237,758</b>	<b>768</b>	<b>\$180,359</b>	<b>(9.5%)</b>	<b>31.8%</b>
<i>Less than \$10MM</i>	<i>2,576</i>		<i>2,190</i>		<i>17.6%</i>	
Grand Total	3,271		2,958		10.6%	

Notes: <sup>1</sup> Source: FactSet, 10/14/2011.

<sup>2</sup> Source: Capital IQ, 10/12/2011.

<sup>3</sup> Averages exclude multiples less than 0 and greater than 25.

# ECONOMIC CORNER

Scott J. Brown, Ph.D.

November 9, 2011



## Economic Research

### Momma Mia!

- *Recent data reports continue to suggest moderate growth in the near term. The economy continues to face a number of headwinds and will be subject to some downside risks.*
- *The Federal Reserve made no changes at the November 1-2 policy meeting, but is poised to do more if deemed necessary.*
- *Most financial market participants have focused recently on the situation in Greece. However, Italy is quickly becoming a much bigger worry, representing a major downside risk.*

Real GDP rose at a 2.5% annual rate in the advance estimate for 3Q11, up 1.6% from a year ago. Consumer spending rose at a 2.4% pace in the quarter, but that was fueled by a drop in the savings rate (inflation-adjusted disposable income fell at a 1.7% annual rate, following +0.6% in 2Q11). These figures have a tendency to get revised significantly, but taken at face value, they do not provide much encouragement. Business fixed investment, on the other hand, stormed ahead at a 16.3% annual rate, apparently fueled by strength in corporate profits. A slower pace of inventory accumulation subtracted 1.1 percentage points from overall growth, but paves the way for a modest rebuild in 4Q11 or early 2012. Real Final Sales (GDP less net exports and the change in inventories), a measure of domestic demand, rose at a 3.2% annual rate (vs. +1.3% in 2Q11 and +0.4% in 1Q11).

Nonfarm payrolls rose by 80,000 in October, while the two previous months were revised higher by a net 102,000. Payrolls have averaged a 125,000 monthly gain over the last 12 months, roughly consistent with the growth in the working-age population. Private-sector payrolls rose by 104,000 in October. State and local government payrolls fell by 22,000, down 613,000 since December 2008 (with nearly a third of that decline in education). The unemployment rate edged down to 9.0% in October, but much of the decline was teenagers and young adults, which suggests some possible issues with the seasonal adjustment. The employment-population ratio, a better measure of labor force utilization, edged up to 58.4%, little changed from 58.3% a year ago, and well below the 2007 average of 63.0%). In other words, we appear to be running in place, growing just enough to absorb the growth in the working-age population, but not enough to recover much of the ground lost during the downturn. Large-scale job losses remain limited. For some time, the main problem in the labor market has been a lackluster pace of job creation. Most of the job growth in an expansion will typically come from small, newer firms. The ADP estimates of private-sector payrolls have shown continued job gains at small and medium-sized firms in recent months, but at a slower pace than earlier in the year. The White House has proposed a number of initiatives to boost job growth, but there has been little action from Congress.

At the November 1-2 Federal Open Market Committee meeting, Fed policymakers made no changes in short-term interest rates, the asset maturity program ("operation twist"), the mortgage reinvestment program, or its communications policies, and the wording of the economic outlook was essentially the same as in the previous statement. However, in his post-meeting press conference, Chairman Bernanke indicated that the Fed was open to do more "if appropriate." The Fed had discussed a further round of asset purchases (most likely, centered in mortgage-backed

securities to provide more support to the housing market) and the possible adoption of policy triggers (inflation, the unemployment rate). However, Fed officials had not reached any conclusions.

Treasury posted a \$1.3 trillion budget deficit in FY11 (which ended in September), roughly 8.7% of GDP. Tax receipts continued to improve, up 6.5% from FY10 (but remained 10.4% below the FY07 peak). Outlays rose 4.2%.

The Joint Select Committee on Deficit Reduction (aka the "super committee") is charged with issuing recommendations by November 23 to achieve at least \$1.5 trillion in deficit reduction over 10 years. Those recommendations would be put to a simple up or down vote (no amendments, House blocks, or Senate filibusters) by December 23. If the super committee fails or if Congress does not approve the package, \$1.2 trillion in deficit reduction would be automatically triggered, mostly in national security and other non-entitlement spending. Most Republicans have signed a pledge to never raise taxes (and most view the elimination of tax breaks as "a tax increase"). However, fear of large cuts in defense spending may give Republicans incentive to negotiate.

Some market participants are concerned that we may see another downgrade of U.S. government debt. Recall that Standard & Poor's August 5 lowering of its long-term credit rating for the U.S. was due to concerns about the political environment, not about the ability of the U.S. to repay its debt. Note also that the bond market really didn't care much. Treasury yields are a lot lower than they were in August.

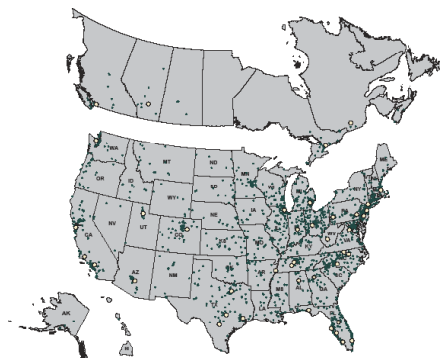
Fears of recession have abated in the U.S. Recent data suggest an economy that is continuing to expand, although the pace is not especially strong. We will continue to face a number of headwinds into early 2012, including lingering problems in the housing sector and tighter fiscal policy.

In recent months, investors have been worried about the situation in Greece. However, Italy is quickly becoming a much bigger concern. Italy has exposed problems inherent in the construction of the euro zone. That is, as investors become increasingly worried about Italy's ability to repay its debt, borrowing costs rise, adding to financial strains and discouraging investors even more. Ten-year Italian bond yields have risen to a point where it is increasingly doubtful whether Italy will be able to service its debt. Europe's Financial Stability Fund is not a big enough to backstop Italy. In contrast to the U.S. Federal Reserve, the European Central Bank is not the lender of last resort in Europe. A meltdown in Italy would have serious repercussions for the big banks in Europe and the U.S. would likely suffer some financial contagion. U.S. exports would also be restrained by a European recession.

There is no assurance that any of the trends mentioned will continue in the future.

**Raymond James** is one of the largest full-service investment firms and New York Stock Exchange members headquartered in the Southeast. Founded in 1962, Raymond James Financial, together with its subsidiaries Raymond James Financial Services and Raymond James Ltd., has nearly 2,500 offices covering all 50 states. With more than 100 institutional sales professionals and more than 5,400 affiliated financial advisors in North America and Europe, Raymond James boasts one of the largest sales forces among all U.S. brokerage firms.

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Sources of data include FactSet, Thompson Financial and other news organizations. Information obtained from third-party sources is considered reliable, but we do not guarantee that the information herein is accurate or complete. This report was prepared within Raymond James' Investment Banking Department and is for information purposes only. This report is not a product of Raymond James' Research Department; recipients of this report should not interpret the information herein as sufficient grounds for an investment decision or any other decision. The report shall not constitute an offer to sell or the solicitation of an offer to buy any of the securities mentioned herein; past performance does not guarantee future results.

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## Raymond James Recent Advisory Transactions

2011



Financial Advisory Services

September 2011



Has been acquired by



September 2011



Has been acquired by



September 2011



Has been acquired by



September 2011



first financial bancorp

Has acquired 16 bank branches of



September 2011



Has acquired



September 2011



A subsidiary of



Has completed the sale of its active loan portfolio to



September 2011



Has announced the acquisition of



August 2011



Has been acquired by



August 2011



Has divested its minority stake in



August 2011



TriTech I LLC

Has sold its Eagle Ford Shale acreage and producing properties

August 2011



Has been acquired by



July 2011



Has been acquired by



July 2011



Has announced its merger with



July 2011



Has been acquired by



## Raymond James Recent Capital Markets Transactions

September 2011



\$85,000,000  
Preferred Offering

Joint Book-Running Manager

September 2011



\$287,500,000  
Preferred Offering

Co-Lead Manager

September 2011



\$239,844,000  
Follow-On Offering

Senior Co-Manager


August 2011



\$522,405,000  
Follow-On Offering

Senior Co-Manager

August 2011



\$621,000,000  
Initial Public Offering

Joint Book-Running Manager


July 2011



\$486,162,500  
Initial Public Offering

Co-Manager

July 2011



\$87,700,000  
Initial Public Offering

Co-Manager

July 2011



\$78,750,000  
Follow-On Offering

Senior Co-Manager

July 2011



\$425,000,000  
Preferred Offering

Co-Manager

July 2011



\$188,833,860  
Initial Public Offering

Co-Manager

July 2011



\$168,360,000  
Follow-On Offering

Co-Manager

July 2011



\$215,000,000  
Initial Public Offering

Co-Manager

July 2011



\$61,250,000  
Follow-On Offering

Book-Running Manager