

United States M&A Market

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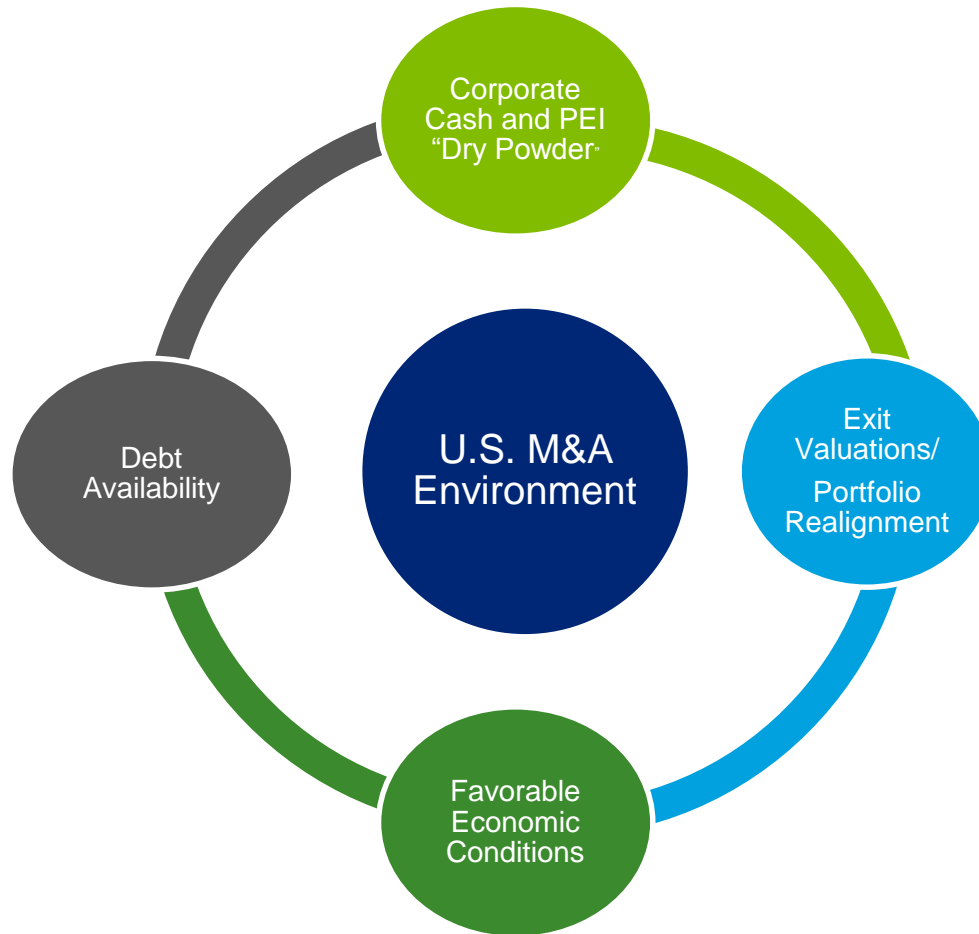
M&A environment and drivers

Deloitte's M&A trends report 2014

Survey of 2,500 corporate and private equity M&A executives

- Almost 2/3rds of Private Equity Investors (PEIs) expect portfolio exits to increase
- 36% of PEIs see an initial public offering (IPO) exit
- ~75% of PEIs expect to acquire a target in another country
- The top five foreign markets named: U.K., China, Canada, Brazil, and Japan
- 68% of PEIs expect to become more industry focused
- 84% anticipate a sustained or accelerated pace of M&A
- 89% of PEIs are expecting “average to high” deal activity

The M&A environment—Optimism abounds

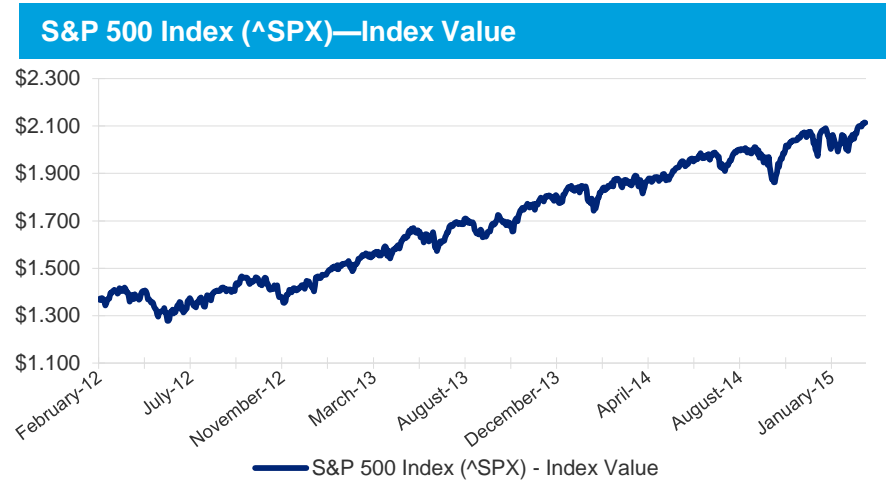


M&A drivers

Driving Factors

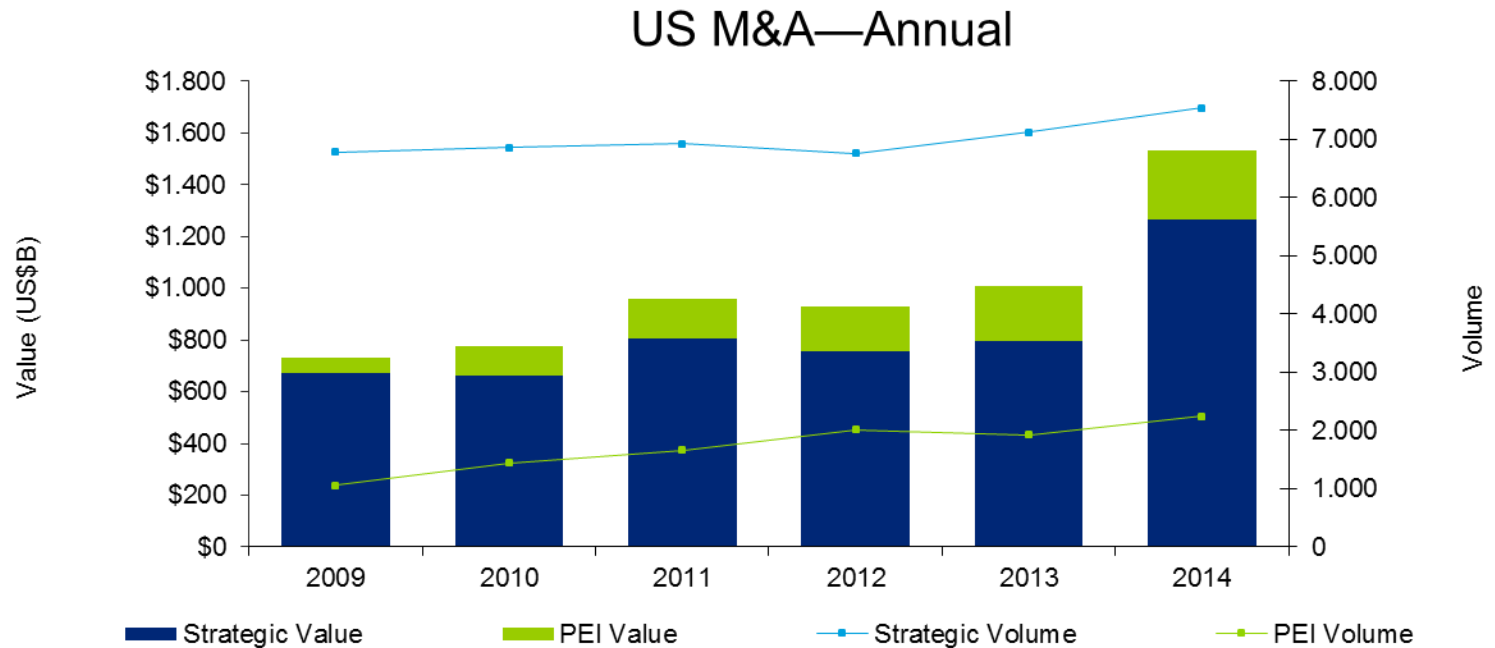
- Historically low interest rates and narrow spreads on high yield
- Stock market at new highs
- Improving U.S. economy
- Need to accelerate growth
- Abundant capital availability
- Portfolio realignment
- Shareholder activists

Source: Mergermarket and Wall Street Journal



M&A activity overview

Six-year overview of M&A transaction volumes and deal values



- Several “mega deals” in 2014 across a wide range of sectors
- Largest mega deals transacted in Healthcare ,Technology and Energy

Source: Deloitte Survey and Thomson Reuters

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Global vs. U.S. M&A trends

Process and industrial products

Global Industrials

- Global uncertainty and Eurozone economic growth weigh heavily on global M&A activity

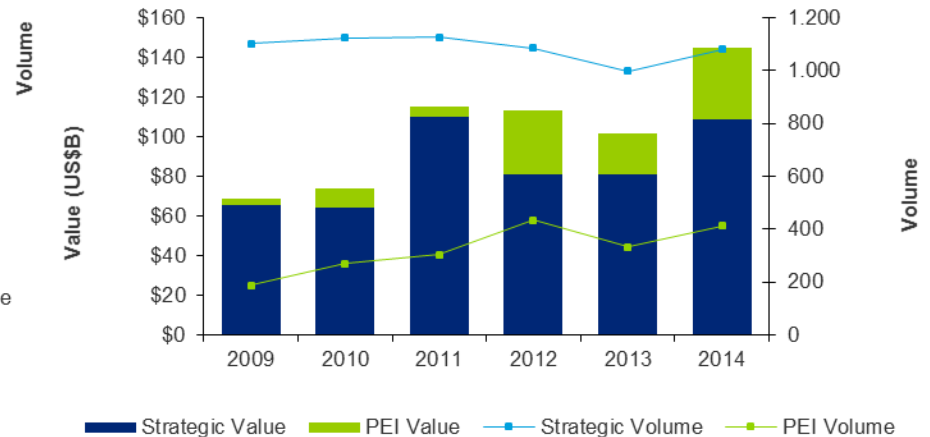
U.S. Industrials

- Capitalizing on nurturing conditions to execute strategies, invest excess cash and position for growth and earnings

Global Process & Industrial Products M&A—Annual



U.S. Process & Industrial Products M&A—Annual



Source: Thomson Reuters and Deloitte Survey

Private equity overview

Private equity overview

Fewer PEI Mega-Deals but a Larger Share of the Market

- PEI deals grew from 14% to 22% of the U.S. M&A market in 2014
- Transactions between \$25 million and \$1 billion comprised a majority of deal activity

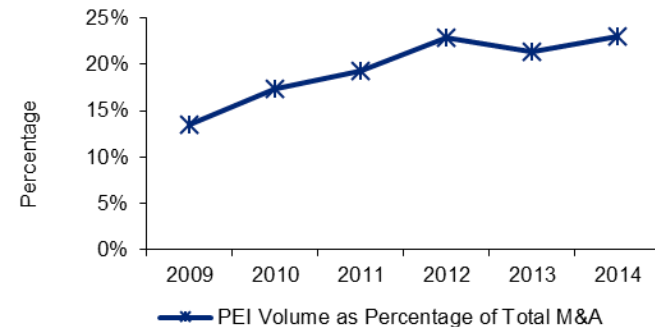
Buy and Build Strategy

- Buyouts make up a smaller percentage of deals compared to add-ons and other types

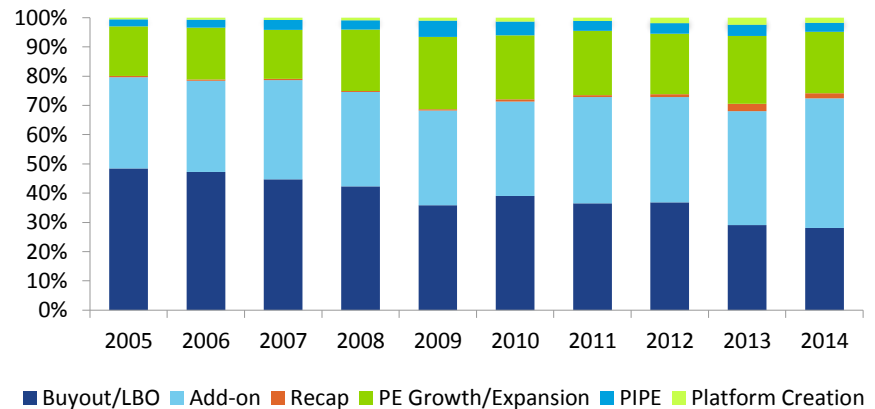
Cheap and Abundant Credit

- Financing available for deals

PEI Volume as Percentage of Total M&A



PEI Deals by Type



Source: Pitchbook and 2015 FSI Alt Investment Report

Annual U.S. PEI exit flow



Includes 120 IPO Exits

Source: Pitchbook

Regulatory environment
for private equity
investors

Transparency

Regulatory environment for private equity investors

Dodd-Frank

- Requires funds with more than \$150 million assets under management to register with SEC as “investment advisors”
- Affects internal control and staffing as well as record keeping requirements

SEC Involvement

- “Presence Exam” initiative commenced in October 2012
- Significant focus on valuation methodology, fee structure, and access to nonpublic information
- Stay tuned for enforcement cases ...

Fed Limits Bank Debt Financing

- Loans in excess of 6.0x debt-to-EBITDA leverage considered “criticized loans”
- Limits ability to execute large-scale buyouts
- 27% of leveraged buyout deals exceed leverage threshold

Permanent Capital—the Next Wave?

2015 US M&A outlook



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