

**Presentation to:**



**Global M&A Outlook**

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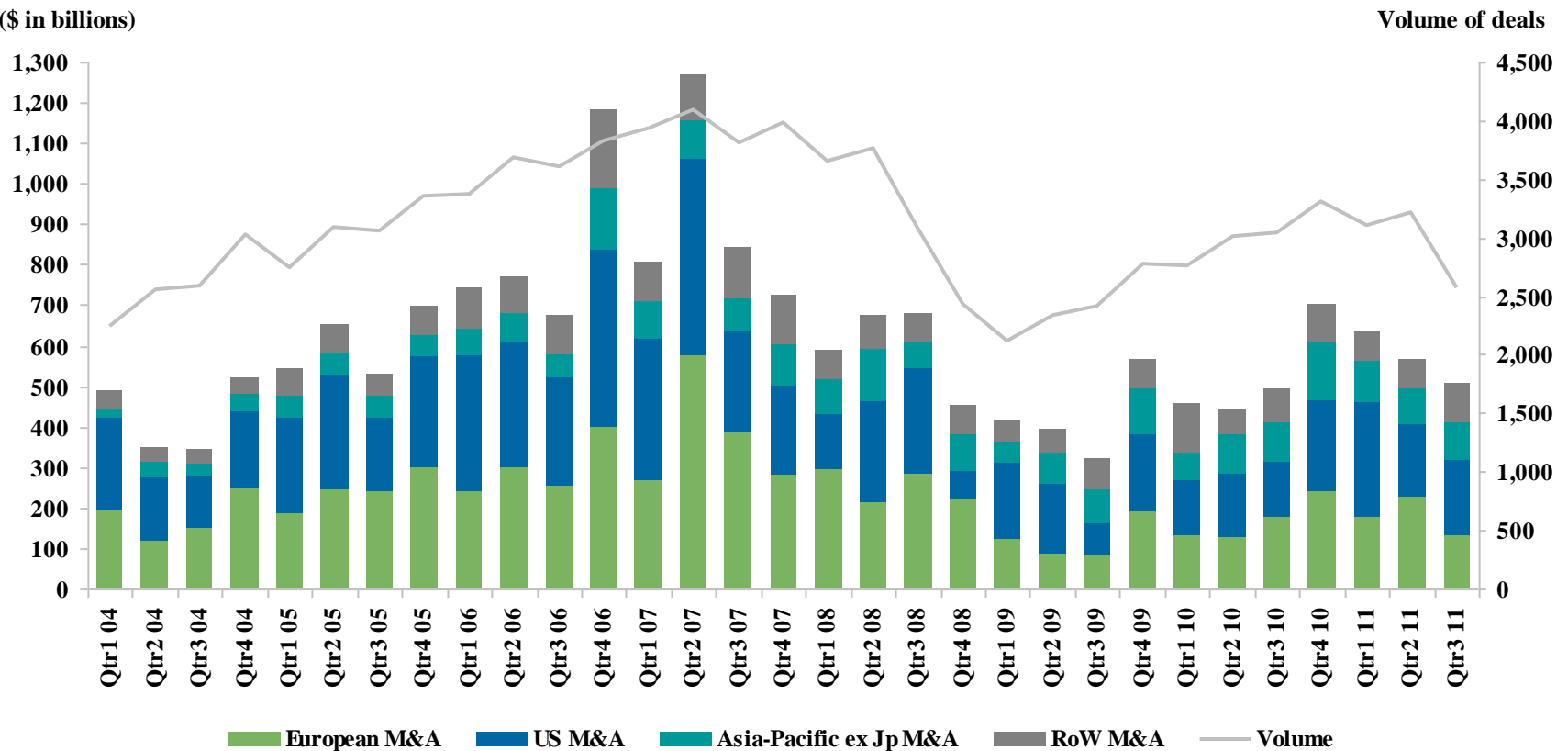
## Global Markets Overview

# Global M&A Volume Has Recovered

*Global M&A is up 22% YTD.*

## Global M&A Activity – Quarterly

Value of deals  
(\$ in billions)



Source: Mergermarket, as of September 30, 2011.

# Middle Market M&A Activity

## Middle Market Deal Volume Remains Strong.

M&A Transactions With Disclosed Deal Values Between \$100 And \$400M – US & Canada				
	\$ Volume (\$M)	Year Over Year Growth%	# of Deals	Year Over Year Growth%
2011YTD <sup>(1)</sup>	109,747	21.0%	601	15.6%
Q3'11	39,367	-3.0%	194	-5.8%
Q2'11	46,430	26.9%	223	25.3%
Q1'11	38,238	44.5%	184	35.3%
2010	148,044	70.8%	738	67.3%
2009	86,702	-31.9%	441	-30.6%
2008	127,410	-24.5%	635	-22.7%
2007	168,821	11.8%	821	11.7%

M&A Transactions With Disclosed Deal Values Greater Than \$400M – US & Canada <sup>(2)</sup>				
	\$ Volume (\$M)	Year Over Year Growth%	# of Deals	Year Over Year Growth%
2011YTD <sup>(1)</sup>	774,062	29.1%	330	14.2%
Q3'11	233,189	3.4%	90	-21.7%
Q2'11	251,337	34.8%	126	20.0%
Q1'11	289,537	54.2%	114	65.2%
2010	796,771	50.6%	415	70.8%
2009	529,132	-41.8%	243	-28.9%
2008	909,769	-42.3%	342	-47.5%
2007	1,575,632	13.3%	651	17.5%

Source: CapitalIQ, only includes transactions with disclosed deal values.

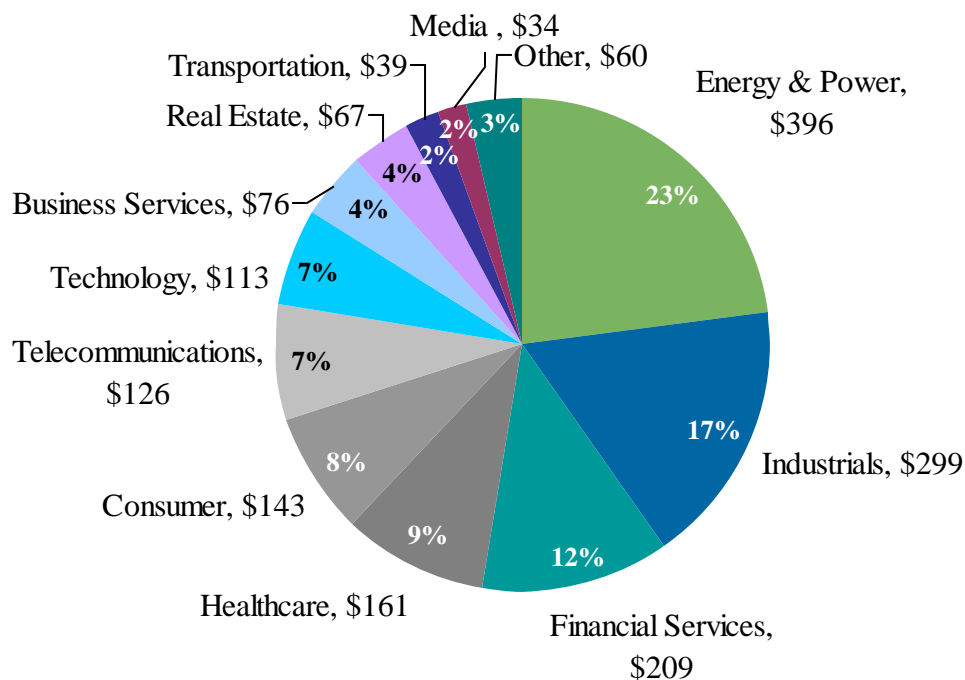
(1) As of 9/30/11

(2) Excludes transactions \$50B and above.

# Global M&A Activity by Sector

*Technology, Healthcare, and Industrials Are Among the Most Active Sectors.*

Global M&A By Sector - \$1,723B



YoY Change (%)

Energy and Power	+7.9%
<b>Industrials</b>	<b>+69.2%</b>
Financial Services	+37.5%
<b>Healthcare</b>	<b>+40.5%</b>
Consumer	+18.3%
Telecommunications	-9.6%
<b>Technology</b>	<b>+69.6%</b>
Business Services	-17.0%
Real Estate	+68.9%
Transportation	-25.9%
Media	+22.4%

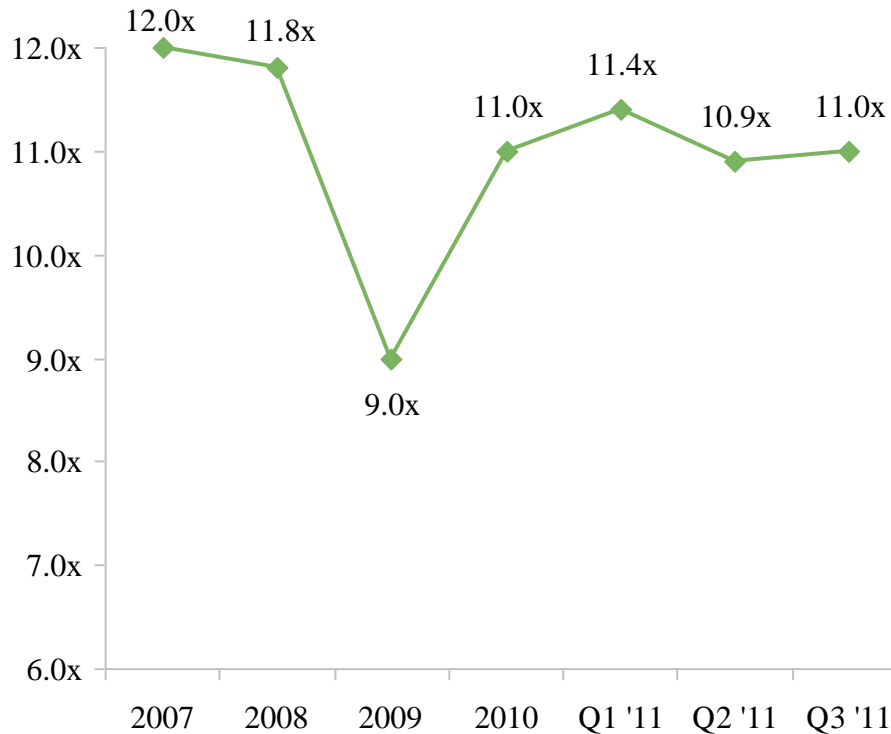
Source: Mergermarket, as of September 30, 2011.

# Acquisition Valuations Are at Attractive Levels

*Acquirers Are Paying a Premium for Attractive M&A Growth Opportunities.*

## EBITDA Multiples Rising Again

LTM EBITDA Multiple – Average

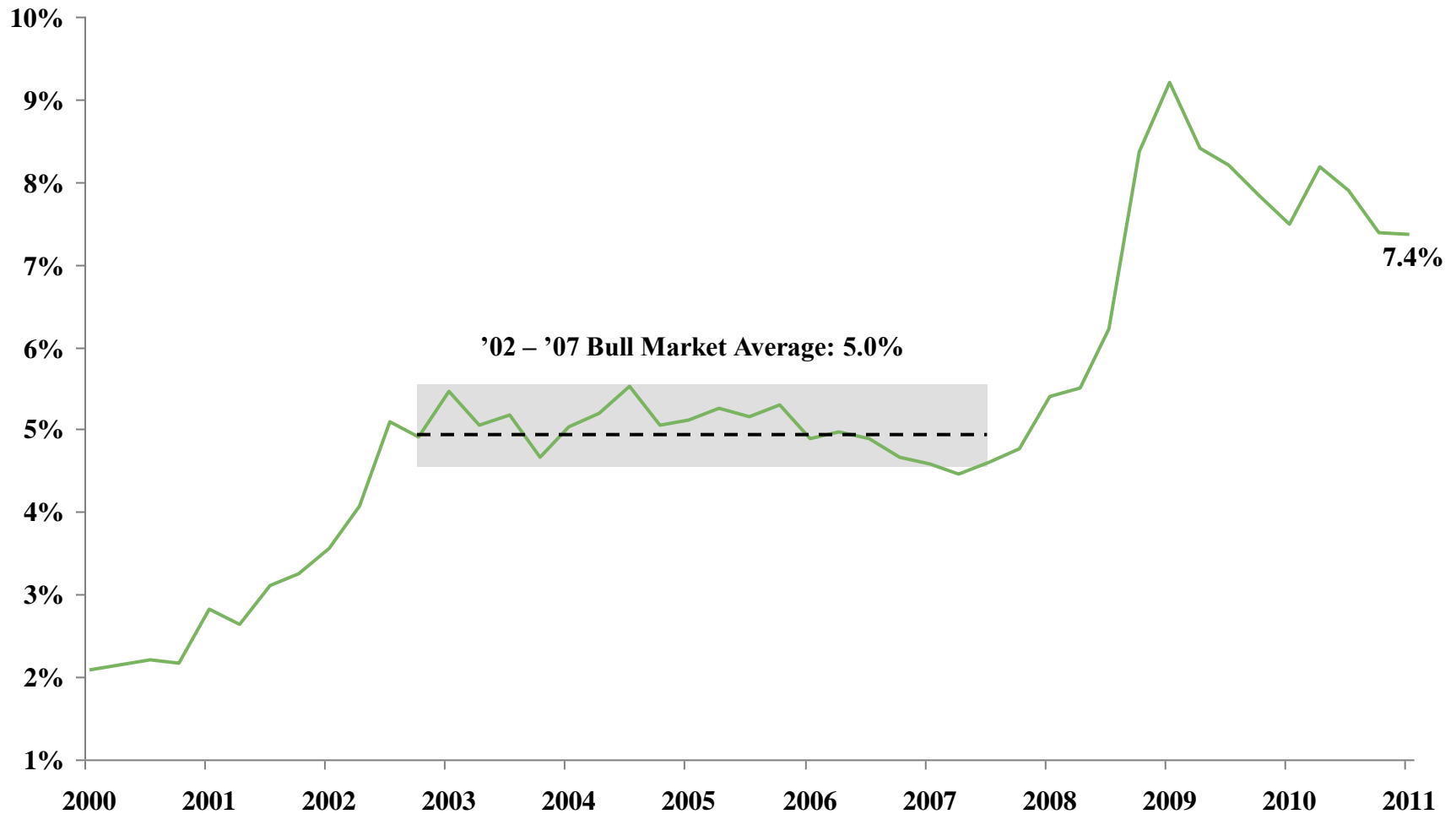


Note: US targets only.

Source: CapitalIQ all deals greater than \$100M with disclosed EBITDA multiples. Excludes EBITDA multiples that are greater than 25.0x.

# Significant Cash Still Remains on Sidelines

Cash and Cash Equivalents as a Percent of Market Cap



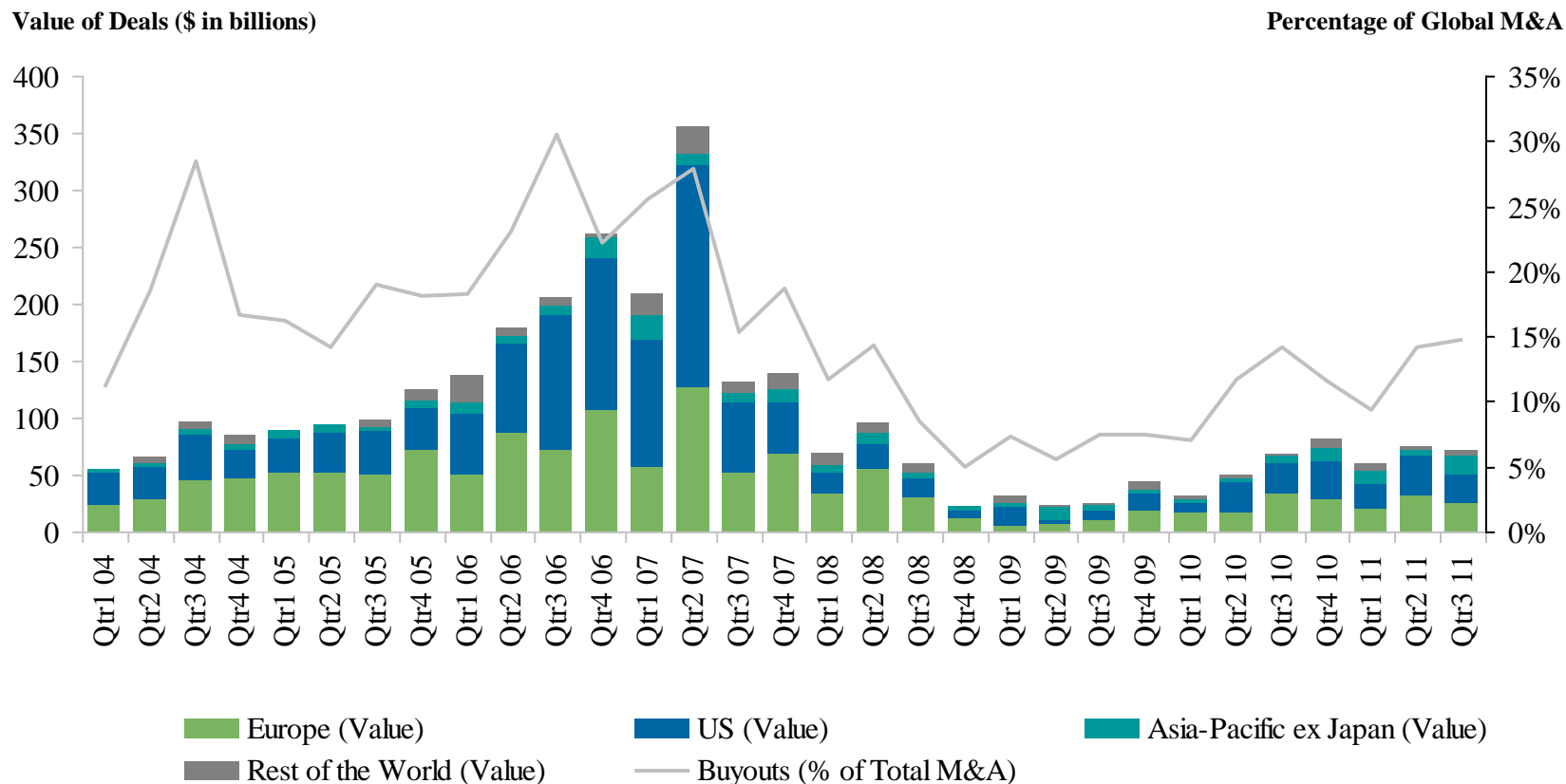
Source: Wall Street Journal, October 2011.



# Global Buyside Financial Sponsor Activity

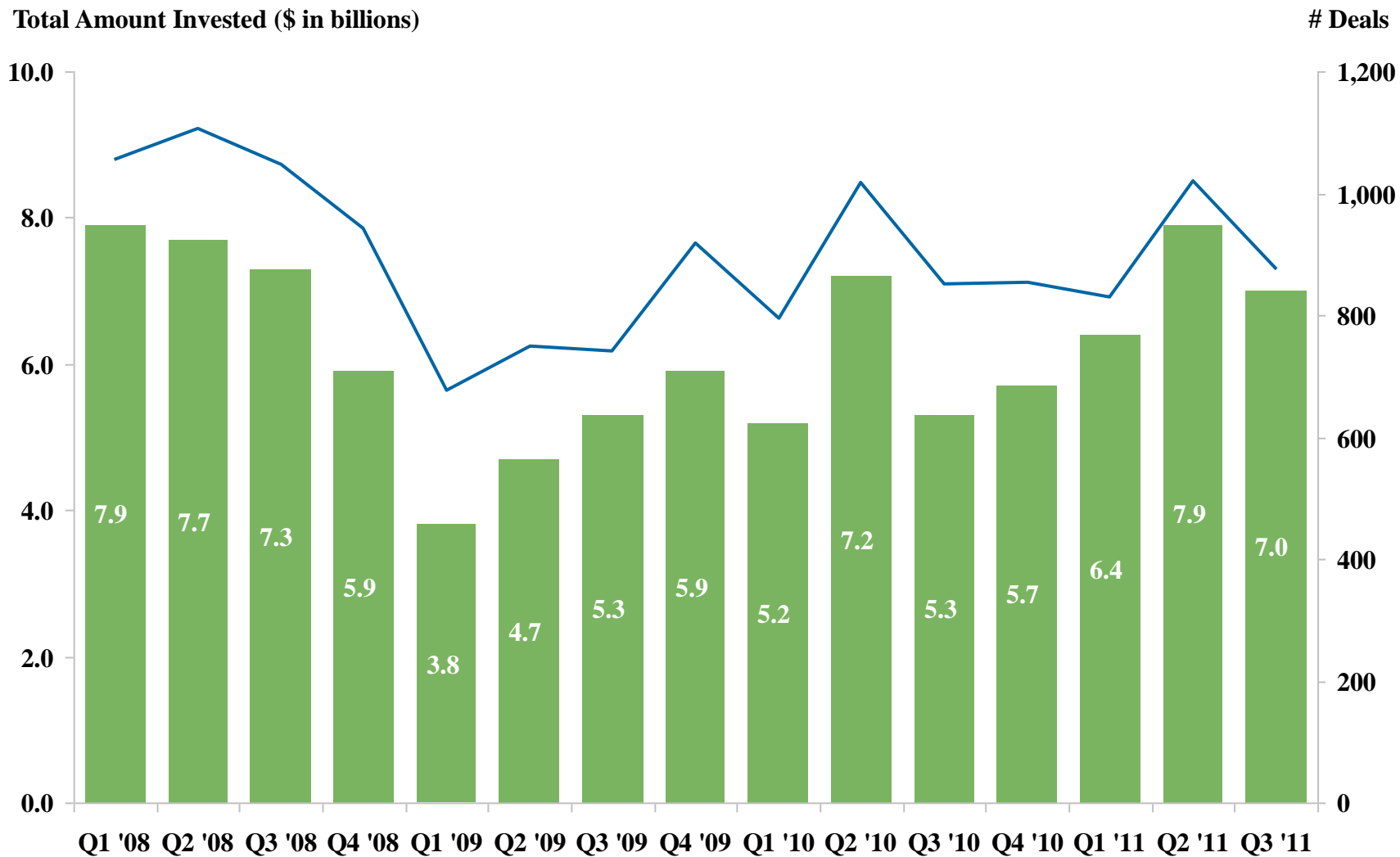
*Global Buyside Financial Sponsor Activity is Up 42% YTD and Has Returned to 2008 Levels.*

## Global Private Equity Buyout Activity – Quarterly



Source: Mergermarket, as of September 30, 2011.

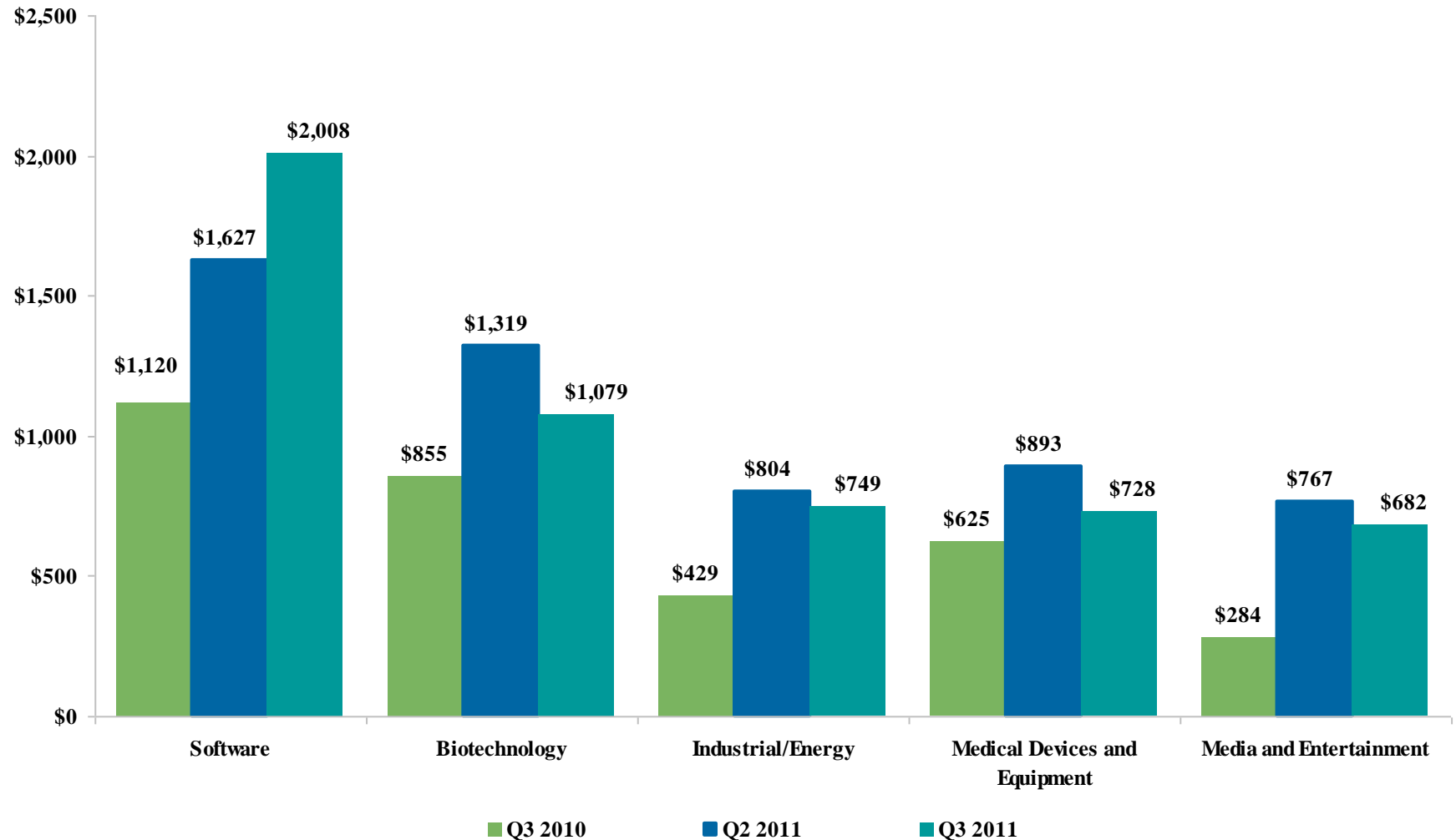
# Venture Capital Firms Continue to Deploy Capital



Source: National Venture Capital Association, MoneyTree Report.

# Venture Capital Investment Activity by Industry

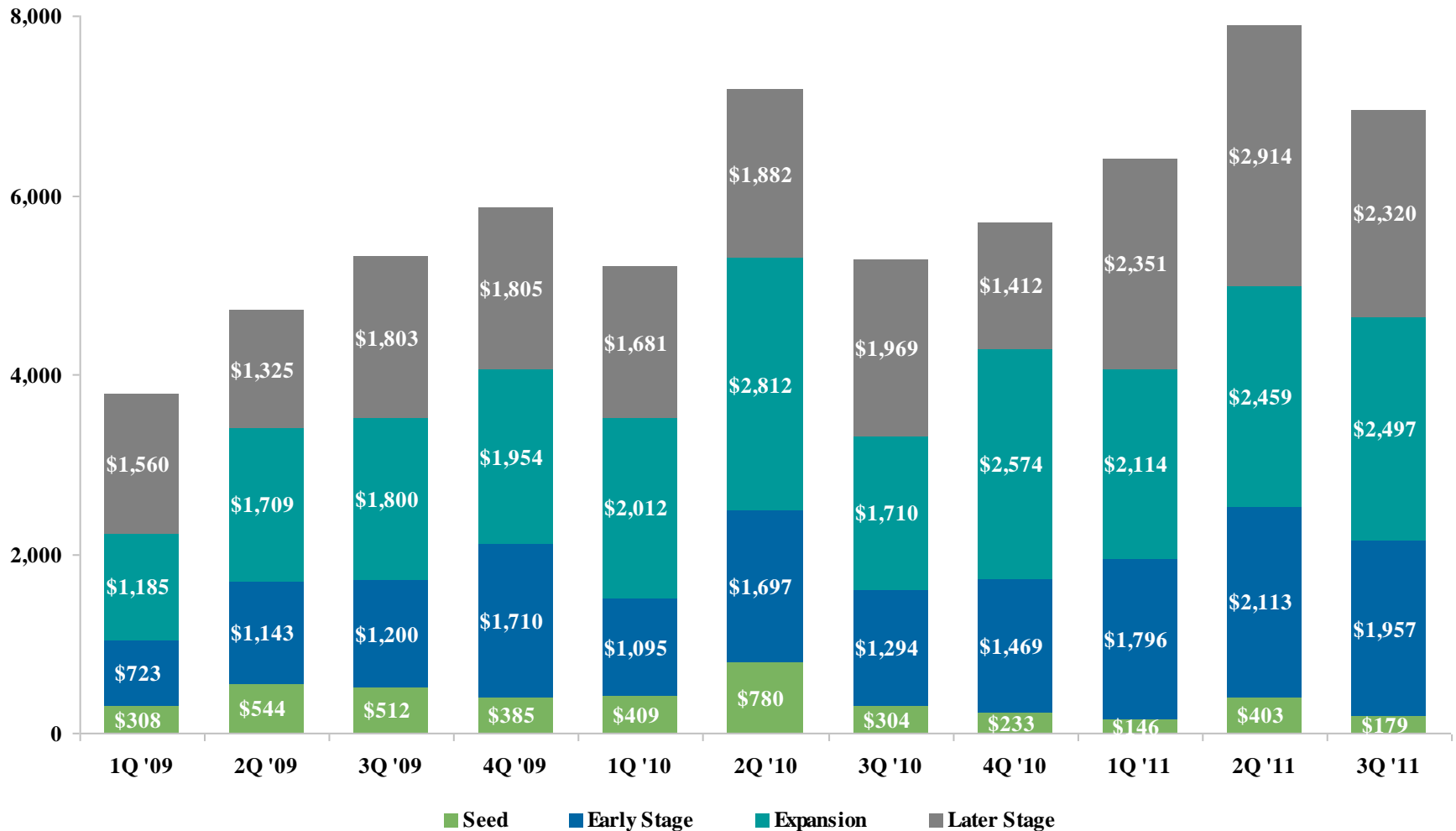
Total amount invested (\$ in millions)



Source: National Venture Capital Association, MoneyTree Report

# VC Investment by Stage – Quarterly Data From 2009 – 2011

Amount invested by stage (\$ in millions)



Source: National Venture Capital Association, MoneyTree Report

## II Midwest Deal Activity

# North America Heat Chart

	West	South	Mid-Atlantic	Midwest	Canada	New England	Total
TMT	423	188	148	69	61	71	960
Energy Mining, Oil & Gas	207	244	55	59	294	26	885
Life Sciences & Healthcare	170	158	137	125	37	79	706
Financial Services	92	229	91	78	25	35	550
Industrials, Chemicals & Engineering	102	110	80	108	60	30	480
Consumer	127	112	82	76	49	31	477
Business Services	105	121	47	46	33	40	392
Leisure	67	71	36	52	20	10	256
Defense	34	66	39	11		23	173
Transportation	12	15	9	10	6	3	55
Construction	6	7	3	13	12	2	43
Real Estate	13	8	6	10	5	0	40
Government	4	10	0	3		3	20
Agriculture	4	4	1	2	4	0	15
Other	0	0	1	0		0	1
<b>Total</b>	<b>1,366</b>	<b>1,333</b>	<b>733</b>	<b>662</b>	<b>606</b>	<b>353</b>	<b>5,053</b>

Hot	Warm	Cold
99 <sup>th</sup>	66 <sup>th</sup>	33 <sup>rd</sup>
88 <sup>th</sup>	55 <sup>th</sup>	22 <sup>nd</sup>
77 <sup>th</sup>	44 <sup>th</sup>	11 <sup>th</sup>

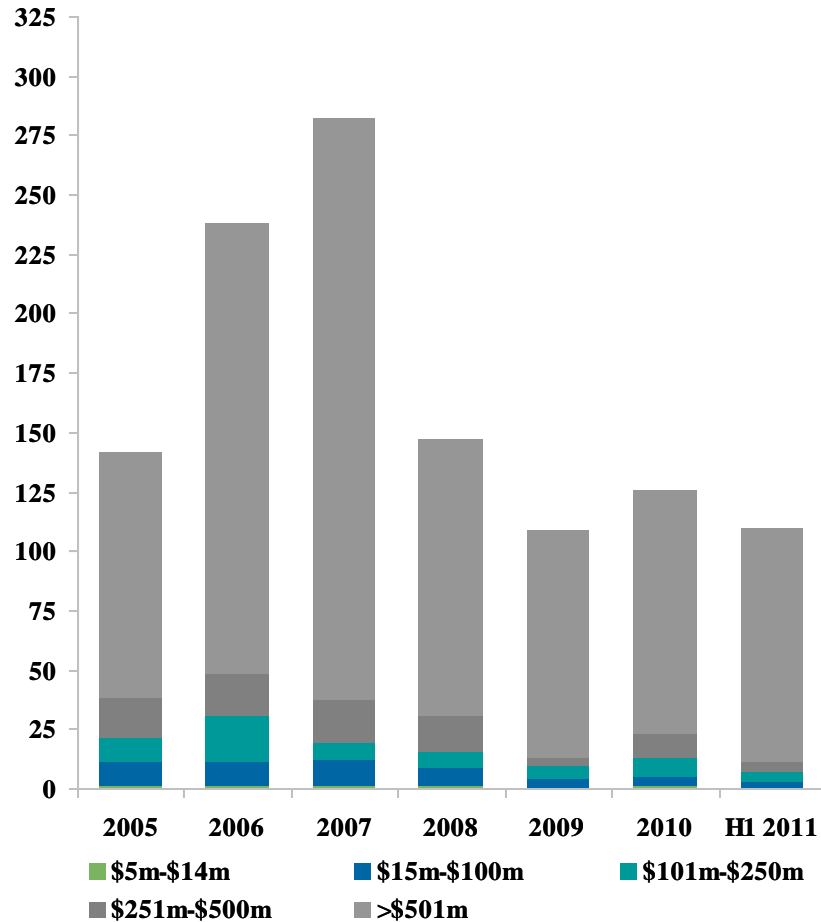
Percentile ranking

- The Heat Chart is based on 'companies for sale' stories tracked by mergermarket.com in 1H 2011.
- Opportunities are captured according to the dominant sector and geography/region of the potential target company.

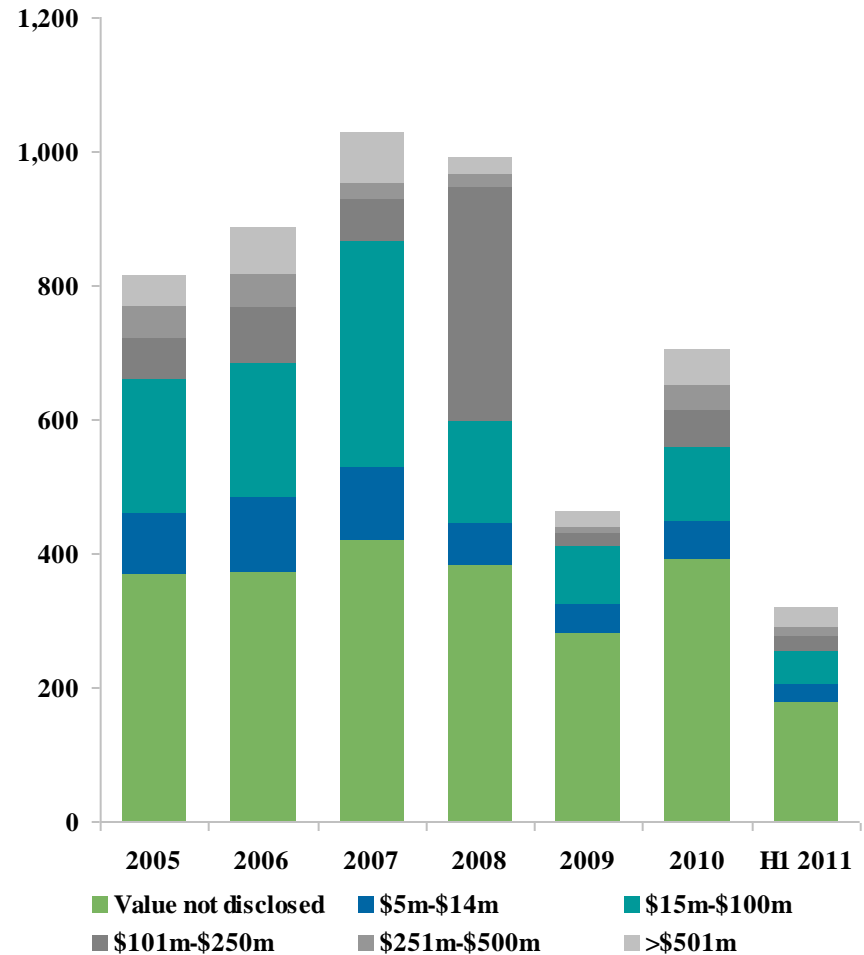
# M&A Deal Activity in Midwest

## Midwest M&A Split by Deal Size

Value (\$ in millions)



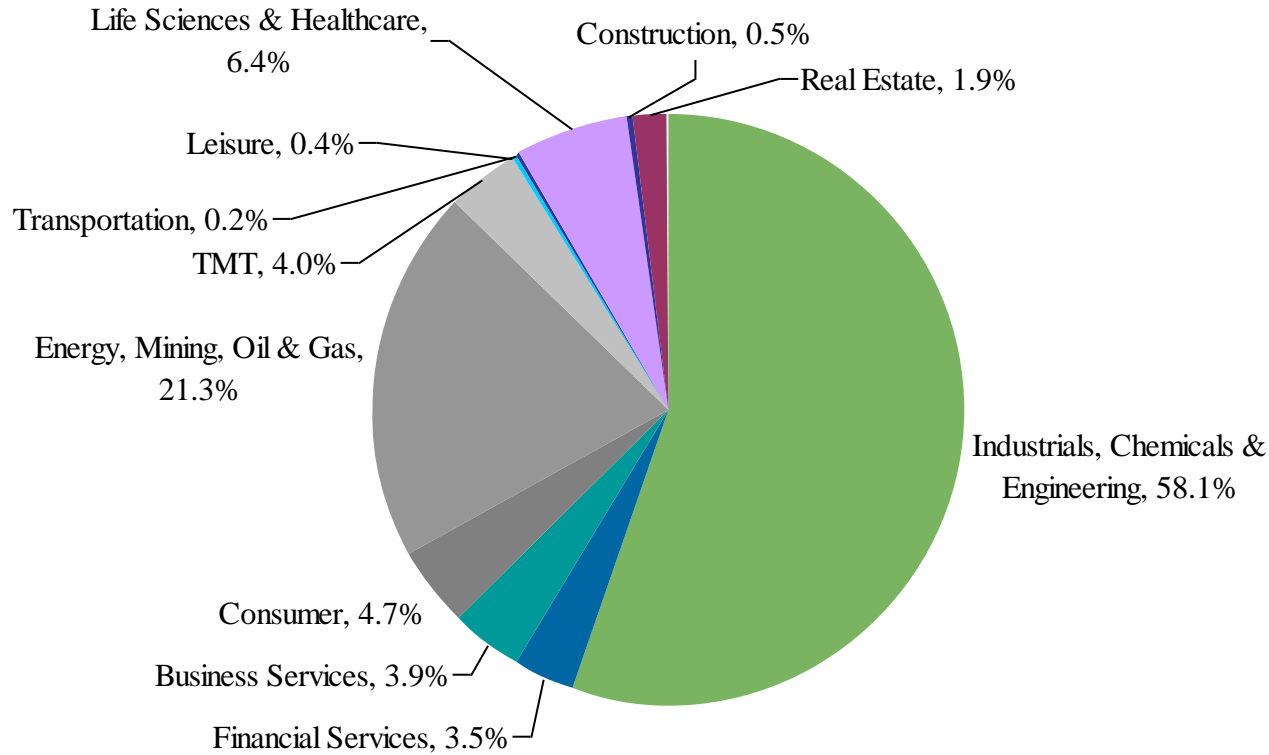
Volume (\$ in millions)



Source: Mergermarket, 1H 2011.

# M&A Midwest Deal Activity by Sector – 1H 2011

## Mix of Deals by Industry Sector – \$ Value



**\$99.3B in 1H 2011**

Source: Mergermarket, 1H 2011.



## III The Insider Look

# MWM Acoustics Acquisition Overview

*MWM Finalized Its Sale to Harman in July 2011.*



*has been  
acquired by*

**HARMAN**

\$137 Million

## **MWM Overview:**

- A leading provider of innovative, high-performance ODM/OEM voice communication acoustic solutions
  - Experts in the design and deployment of small-scale acoustic components & systems for voice communication
- Strong customer relationships and highly differentiated products have resulted in significant revenue and EBITDA growth
- Founded in 1997 by three former Bell Labs engineers; Headquartered in Indianapolis, Indiana with Offices in Mainland China, Hong Kong, Taiwan and San Diego, California

## **Harman Overview:**

- Leading global provider of premium audio and infotainment solution
  - Array of brands that includes Harman Kardon®, JBL®, Mark Levinson® and Infinity®
- Customers include the top names in entertainment, automotive and venue design
- Public company headquartered in Stamford, CT with nearly \$4B of annual revenue

## **Deal Rationale:**

- Highly complementary expertise where MWM is strong in microphones and Harman in speakers – ample opportunities for synergy:
  - Harman has many relationships in Computing and Automotive that MWM can leverage to expand its footprint
  - Large and growing end-markets such as tablet computers, smart phones, internet-TV that MWM/Harman could jointly penetrate with microphones and speakers
  - MWM has strong relationships at leading consumer OEMs that would look favorably at a Harman/MWM design approach
- MWM is an acoustical “idea factory” that can provide years of new product innovation to multiple existing Harman brands

# Lessons Learned in MWM's Sale Process

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- **The most logical buyers are often not the ones that end up doing the deal**
  
- **Conducting a sophisticated sale process is critical to maximizing value**
  
- **The M&A market is highly imperfect**
  - Making imperfection work for your company creates additional value
  
- **There are many points of real value to be negotiated in these deals**
  - Key terms in the merger agreement
  - Earnout structure and terms
  - Employment Agreement and Non-Compete provisions
  - Integration discussions and planning

# Common Mistakes to Avoid in the M&A Process

## ■ One-off Negotiations, Disjointed Process

- Contacting buyers at different times (or not getting everyone on the same timetable)
- Negotiating with only one party or going exclusive too soon
- Poorly orchestrated timing can hurt the competitive process and reduce negotiating leverage

## ■ Not Understanding Your Acquirer's Mindset, Process or Customer Pain Points

- Do they see the acquisition as tactical, strategic, platform, driven by synergies?
- Know the right questions to ask - When do you walk away?

## ■ Improperly Marketing Your Story/Poor Positioning

- Marketing yourself to prospective acquirers by focusing on the topics that matter most to Company's clients, rather than what matters to potential acquirers

## ■ Poor Communication

- Divulging too much information, the wrong information and providing information too quickly
- Positioning the process improperly thereby showing weakness or creating problems

## ■ Misunderstanding M&A Market Dynamics

- What am I really worth? What can I do to enhance my value?
- What metrics do you emphasize? (recurring revenue, bookings, renewal rates, know how, IP, customers)

## ■ Disconnect Between Market Opportunity and Financial Projections

- Saying you are highly differentiated and serving a huge and growing market, yet projected year over year revenue growth is below the market growth rate

# Keys to a Successful M&A Process

## ■ Assemble the Right Team

- Investment Banking
- Legal
- Accounting

## ■ Start the Process Early

- Financial model and system / ability to slice and dice financials / assumptions can be defended
- Know what your customers will say (3<sup>rd</sup> party professional customer survey)
- What really drives your business – the right metrics to track

## ■ Develop Relationships with Potential Acquirers

- Understand investor / buyer profiles

## ■ Have Key Items in Place

- Story – investor facing not customer facing
- Financial model that matches story / bridges built for gaps
- Prepare company materials
- Audit and Revenue Recognition

# Creating Value Is More Art Than Science

$$\text{Price} = \text{V} + (\text{S} + \text{C})^e$$

↑  
“Scientific” Value  
(Baseline)

↑  
Story  
(Developing a  
Compelling  
Story )

↑  
emotion  
(Evoking Buyer Emotion)

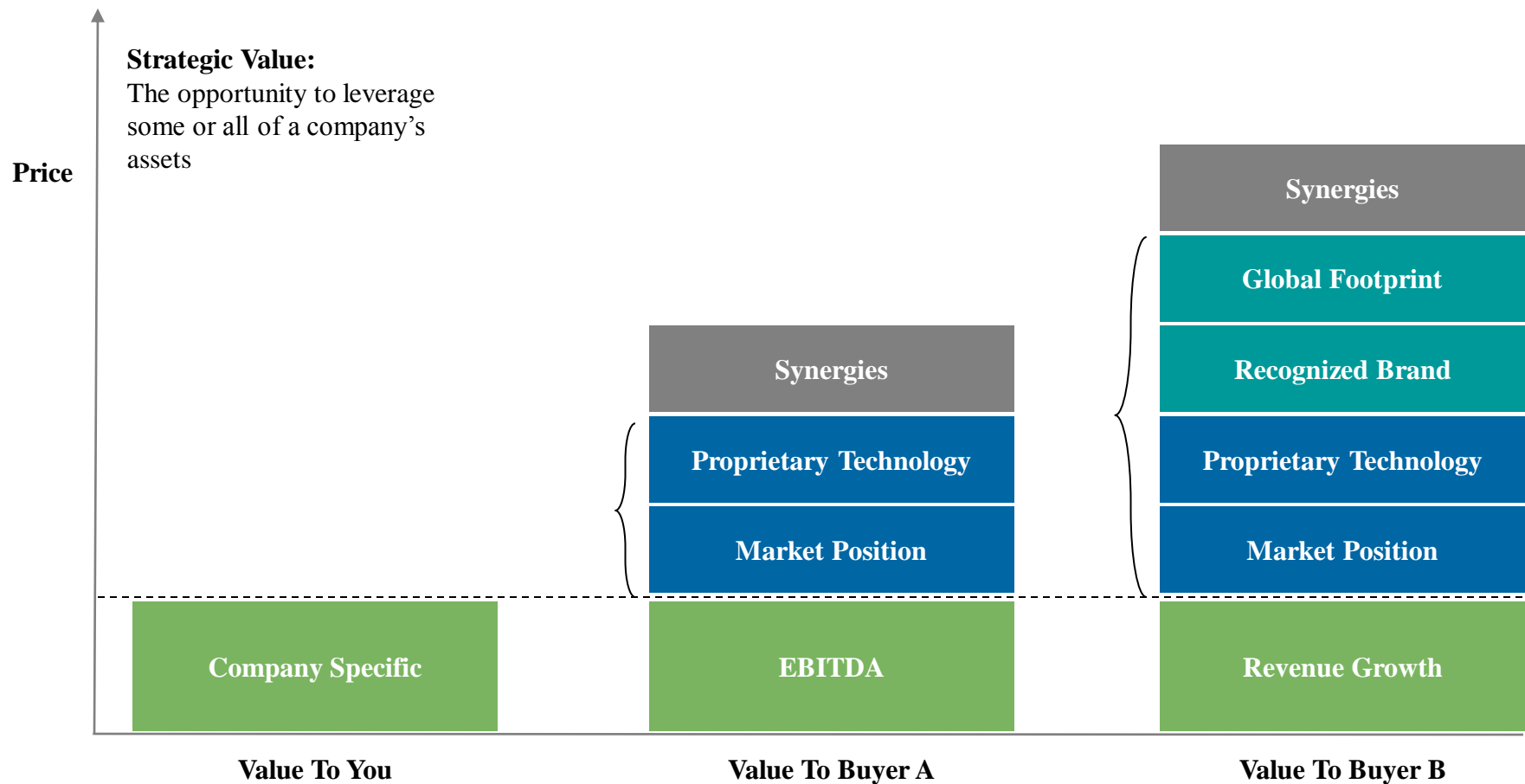
↑  
Competition (Using a  
Competitive Process)

## ■ Other Important Factors In Driving the Best Price

- Effective and Customized Process
- Avoid Process Mistakes
- Negotiate From Position of Strength

# Different Buyers Have Differing Valuation Frameworks

*Use the Imperfections of the Private Markets To Your Advantage.*



Source: Grant Thornton and Navidar.

**IV**

## **Navidar Observations On the Market**



# Concluding Observations

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- **Middle Market M&A is Active**
- **Prepare Early for the Sale Process**
- **Positioning Your Story Properly is Critical to Success**
- **Financial Models Undergo Heavy Scrutiny**
- **Understand the Mindset of the Investor/Acquirer**
- **Competitive Processes Result in the Best Outcomes**