



Mergers & Acquisitions Update

Fourth Quarter 2008



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We hope you find The Malibu Group Mergers & Acquisitions Update to be useful. In addition to the information offered here, you can learn more about The Malibu Group and other M&A topics at www.themalibugroup.com.

M&A Activity Outlook

The financial crisis of the last year has been officially labeled a recession. According to the National Bureau of Economic Research, the United States has been in a recession since December 2007. The primary cause of this crisis, as in past financial crises, is overleveraging. They say history repeats itself and our current situation indicates that to be true; declines in consumer confidence, de-leveraging of companies, low liquidity in financial markets, investor risk aversion, and re-pricing of debt and assets are all aspects that have marked the economy over the last 12 months.

Not surprisingly, these issues have affected the current M&A environment. According to Thomson Reuters, global annual M&A volumes for 2007 and 2008 were \$4.169 trillion and \$2.927 trillion, respectively. This represents a decline of 29.8%.

However, many indicators are showing that several areas of M&A are still strong and that the market is actually normalizing after a record 2007.

Bright Spots

While global M&A volume may have declined by 29.8% in 2008 from 2007, the number of deals closed in 2008 only declined by 10.7%, suggesting that thus far the downturn has mainly affected larger transactions. Additionally, the percentage of announced deals by volume that were cancelled only increased from 18.6% in 2007 to 22.4% in 2008.

After declining from a high in 2007, average valuations for the lower middle-market of M&A transactions (defined by The Malibu Group as \$10 million to \$250 million in enterprise value) appear to be reaching an inflection point of 6.8x Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA).

According to a market analysis by The Malibu Group, several industries have been very active within the middle-market of M&A transactions (\$10 million to \$500 million in enterprise value). Those industries included consumer staples, energy, financials, technology, and utilities.

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Future Outlook

With deal leverage becoming more difficult to obtain, strategic investors with capital on-hand are re-emerging with strength. The S&P leverage loan review shows average deal leverage as a multiple of EBITDA returning to its 7-year average of 4.3x. According to a recent research report by McKinsey & Company, out of the potential strategic moves that companies can take to grow during a downturn, an effective acquisition strategy creates significant value for shareholders.

Alternatively, solid businesses within particularly active M&A industries may be able to sell at higher valuations than in the past due to investor "flight to quality". Competition for the acquisition of quality companies will continue to intensify as private equity investors search for places to invest committed capital and strategic investors return to a more even playing field.

The Malibu Group is always available to discuss growth or divestiture alternatives with your business. As a firm that is actively involved within the M&A market on a daily basis, we can provide you a clearer view of your company's options in today's rocky economic environment.



Local, Regional, and National Deal Activity

Following is a list of some of the largest transactions from the fourth quarter of 2008. For an expanded list, visit <http://www.themalibugroup.com>.

Deals of Local Interest – Cincinnati Target/Seller

Cincinnati Deals - Local Target/Seller		
Target	Buyers/Investors	Deal Value
The Folgers Coffee Company	The J. M. Smucker Company (NYSE:SJM)	\$ 3,297,700,000
Kentucky Speedway, LLC	Speedway Motorsports Inc. (NYSE:TRK)	\$ 78,300,000
DNA Diagnostics Center, Inc.	MTS Health Investors, LLC	undisclosed
Illochroma Labelling Group	Green Recovery SAS	undisclosed
Cincinnati Transmission Co Inc.	Applied Industrial Technologies, Inc. (NYSE:AIT)	undisclosed

Deals of Local Interest – Cincinnati Buyer

Cincinnati Deals - Local Buyer		
Target	Buyers/Investors	Deal Value
Hercules Inc.	Ashland Inc. (NYSE:ASH)	\$ 3,450,820,000
Downey Savings and Loan Association, F.A.	U.S. Bank National Association	undisclosed
Ghost Retail Ltd., Perfume Side	Procter & Gamble Co. (NYSE:PG)	undisclosed
Ceon Corporation	Convergys Corporation (NYSE:CVG)	undisclosed
SurgRx, Inc.	Ethicon Endo-Surgery, Inc.	undisclosed

Deals of Regional Interest

Deals of Regional Interest			
Target	Buyers/Investors	Deal Value	Target Location
Pac-Van, Inc.	General Finance Corporation (NasdaqGM:GFN)	\$ 153,200,000	Indianapolis Area
Lincoln Bancorp	First Merchants Corp. (NasdaqGS:FRME)	\$ 74,270,000	Indianapolis Area
Eli Lilly & Co., Greenfield Labs	Covance Inc. (NYSE:CVD)	\$ 50,000,000	Indianapolis Area
The Park National Bank, Unsecured Credit Card Portfolio	U.S. Bank National Association	\$ 39,300,000	Columbus Area
Velocys, Inc.	Oxford Catalysts Group PLC (AIM:OCG)	\$ 33,720,000	Columbus Area
Greif Inc., Steel Pail Business	Cleveland Steel Container Corporation	undisclosed	Dayton Area
HPS Office Systems, Inc.	Topac U.S.A., Inc.	undisclosed	Indianapolis Area
FCX Performance, Inc.	Sterling Investment Partners	undisclosed	Columbus Area
Mediaplex Systems, Inc.	MediaBank, LLC	undisclosed	Louisville Area

National Mergers & Acquisitions Summary

National Mergers & Acquisitions Activity Summary			
Fourth Quarter 2008		Fourth Quarter 2008	
Total Number of Transactions:	1778	Total Deal Value (\$million)	\$ 240,835
Percentage Change from Third Quarter 2008	-27%	Percentage Change from Third Quarter 2008	-8%
Percentage Change from Fourth Quarter 2007	-32%	Percentage Change from Fourth Quarter 2007	-49%

Source: Capital IQ

The Malibu Group

The Malibu Group provides mergers and acquisitions services that help business owners improve their companies, prepare for sale, position for growth or plan for the future. Our specialized expertise in the transaction process supplements the valuable advice of attorneys and accountants, helping our clients achieve greater value, identify better transaction partners, reach smarter decisions and negotiate more favorable deals. The Malibu Group is hard-working, responsive and completely committed to our clients' success ... we're on your side. For more information about the Malibu Group's services, visit <http://www.themalibugroup.com/our-services.html-1>.