



# Standing in Good Company

## Healthy and Refreshed

By Patrick Hurley and Frank Baird

The polls are absolutely clear about one thing: strategic buyers are back in the M&A business and looking to get deals done. They are paying full price and honoring their bids.

This issue of M&A Update lists over 100 M&A deals that have been completed in 2004 or have been announced and are pending, all involving companies in the Greater Philadelphia Region.

**More Active Buyers** So far in 2004, companies in our region have been buyers more than twice as often as they have been sellers. The types of businesses in these deals range from basic consumer products, such as garden tools and light bulbs, to technology for semiconductors and precision instrumentation, to services for testing and career management.

### Region Companies: M&A 2004

Sellers	37 Deals	32%
Buyers	77 Deals	68%
Total	114 Deals	100%

**Acquisition Prices** Have to be considered high right now as multiples apply to rebounded earnings. These prices are benefiting from the impact of operating leverage as revenues climb with improved economic conditions. In simple terms, demand outstrips supply.

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## M&A Update Greater Philadelphia Region

### Selected Middle Market M&A Transaction Activity—Greater Philadelphia Region

(Excludes banks, real estate, deals valued over \$500 million. Boldface designates area company)

Completed	Buyer (Strategic vs. Financial)	Target	Value (millions)	Payment
Sept 13	Thermo Electron (Strategic)	<b>InnaPhase (LLR, Edison, EuclidSR, NewSpring)</b>	\$68.5	Cash
Sept 7	Nasdaq Stock Market (Strategic)	Brut ENC ( <b>Sungard</b> )	190.0	Cash
Sept 7	<b>C-Cor</b> (Strategic)	Optinel Systems	9.5+	Cash
Sept 2	Broder/ <b>Alpha Shirt</b> (Strategic)	NES Clothing	31.7	Cash
August 26	<b>Amkor Technology</b> (Strategic)	Unitive/UST	48.0+	Cash
August 24	Cascades (Strategic)	<b>Dopaco</b>	100.0	Cash
August 23	Arsenal Capital (Financial)	<b>Priority Air Express</b>	75.0	Cash
August 13	<b>Journal Register</b> (Strategic)	21st Century Newspapers	415.0	Cash
August 12	<b>Cephalon</b> (Strategic)	CIMA Labs	493.7	Cash
August 10	Bradley Pharmaceuticals (Strategic)	<b>Bioglan Pharma</b> (Quintiles)	183.0	Cash
July 30	<b>Airgas</b> (Strategic)	BOC Group	175.0+	Cash
July 29	<b>Orleans Homebuilders</b> (Strategic)	Realen Homes	60.0	Cash
July 29	<b>Ametek</b> (Strategic)	Hughes-Treitler	48.0	Cash
July 19	<b>Verticalnet</b> (Strategic)	B2e Markets	11.8	Mixed
July 19	<b>C-Cor</b> (Strategic)	Stargus	17.0	Cash
July 16	Atlas Pipeline/ <b>Resource America</b> (Strategic)	Spectrum Field Services	109.3	Cash
July 9	Oshkosh Truck (Strategic)	<b>Jerr-Dan</b>	80.0	Cash
July 7	Castle Harlan (Financial)	<b>Ames-True Temper</b>	380.0	Cash
July 7	<b>Jones Apparel</b> (Strategic)	Maxwell Shoe	346.0	Cash
July 7	<b>Teleflex</b> (Strategic)	Hudson Respiratory	460.0	Cash
July 6	<b>Green Valley</b> (Financial)	<b>Uni-Marts</b>	89.1	Cash
July 6	ICON (Strategic)	<b>Beacon Bioscience</b>	9.9	Cash
July 1	<b>Aqua America</b> (Strategic)	Florida Water Services Units	13.8	Cash
July 1	<b>DuPont</b> (Strategic)	Verdia (Maxygen)	64.0	Cash
June 30	<b>UTI Corp.</b> (Strategic)	MedSource Technologies	230.0	Cash
June 30	<b>C &amp; D Technology</b> (Strategic)	Datel	74.6	Cash
June 21	<b>Ametek</b> (Strategic)	Precision Instruments	93.7	Cash
June 3	Headwaters (Strategic)	Eldorado Stone ( <b>Graham Ptn</b> )	202.0	Cash
June 1	<b>C-Cor</b> (Strategic)	Lantern Communications	20.0	Cash

## Acquisition Multiples

Company Value	Ebitda
<b>Lower</b> middle market (less than \$25 million)	5.0 - 6.0 x
<b>Middle</b> market (\$25-100 million)	6.0 - 8.0 x
<b>Upper</b> middle market (\$100-500 million)	6.0 - 9.0 x

**Overall** M&A activity has been dominated by strategic buyers over the long term. Even with the ballooning of private equity into a relatively mature industry over the past 8-10 years, less than 20% of businesses nationwide are bought by financial buyers.

**Discretionary Sellers** Private companies owned by families and individuals appear to continue to wait for incoming calls rather than initiate sale programs. We expect that more and more discretionary sellers will elect to seek liquidity as they realize that there is no reason to wait.

**Secondary PEG Deals** The result has been an increasingly active and competitive M&A market occupied mostly by professional owners often buying from and selling to each other.

**Borrower's Market** Higher prices and climbing interest rates have not yet dampened lender appetites in the leveraged transaction market.

## Leveraged Acquisition Financing Profile

Ebitda	Funding	
3.0 x	Sr. debt	43%
1.0 x	Jr. debt	14%
4.0 x	Debt	57%
3.0 x	Equity	43%
7.0 x	Acq. Price	100%

## Middle Market Debt Data

Sr. debt to Ebitda	2.5 - 3.5 x
Total debt to Ebitda	3.5 - 4.5 x
Floor - interest coverage	2.5 - 3.5 x
Floor - fixed charges cov.	1.2 - 1.5 x

Companies in many sectors have produced impressive earnings in 2004 on top of good 2003 results.

**Equity Growth** Maturing asset class happy to buy non-control stakes and opportunities to catch rising tide. PIPEs action remains brisk.

**Debt-Syndicated** Overall leveraged volume through Labor Day 2004 exceeded full year 2003. Forward calendar good. Pro-rata tranches still tougher than Term B. Recaps and dividend deals still strong, but full exits garnering most attention.

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Completed	Buyer (Strategic vs. Financial)	Target	Value (millions)	Payment
June 1	<b>Aqua America</b> (Strategic)	Heather Utilities (Allete)	76.0	Cash
May 27	<b>C-Cor</b> (Strategic)	Alopa Networks	15.0	Cash
May 27	<b>C &amp; D Technology</b> (Strategic)	Celab	15.0	Cash
May 17	Leitch Technology (Strategic)	<b>Videotek</b>	18.0	Cash
May 10	<b>AmeriSourceBergen</b> (Strategic)	Imedex	16.0	Cash
May 10	<b>Comcast</b> (Strategic)	TechTV	300.0	Cash
May 5	Johnson Outdoors (Strategic)	Techsonic ( <b>Teleflex</b> )	28.0	Cash
April 30	Lawson Software (Strategic)	<b>Siemens SMS</b> (certain assets)	24.0	Cash
April 29	<b>LLR/Quaker</b> (Financial)	MedMark	28.0	Cash
April 28	<b>Sonoco</b> (Strategic)	MidAtlantic Stations (Conoco)	187.4	Cash
April 23	Schroder Venture (Financial)	<b>Direct Group</b> (priNexus)	50.0	Cash
April 19	<b>American Capital</b> (Financial)	<b>Cottman Transmission</b>	77.3	Cash
April 14	Fidelity National (Strategic)	<b>Sanchez Computer</b>	182.3	Mixed
April 5	<b>Arch Chemicals</b> (Strategic)	Avecia	219.5	Mixed
April 2	<b>NCO Group</b> (Strategic)	<b>RMH Teleservices</b>	81.2	Stock
March 31	GE Energy Services (Strategic)	<b>AstroPower</b>	18.5	Cash
March 31	<b>UGI</b> (Strategic)	Antargaz	319.5	Cash
March 29	<b>Herley Industries</b> (Strategic)	Communication Tech (Dover)	15.0	Cash
March 23	<b>I-trax</b> (Strategic)	CHD Meridian Healthcare	80.0+	Mixed
March 23	Pay By Touch (Strategic)	<b>InterCept Pmt. Solutions</b>	30.5	Cash
March 15	<b>Amkor Technology</b> (Strategic)	FICTA Technology	42.0	Cash
March 9	<b>Susquehanna Comm</b> (Strategic)	Cable TV (RCN)	120.0	Cash
February 27	Danaher (Strategic)	Gendex ( <b>Densply</b> )	102.5	Cash
February 10	<b>RD Associates</b> (Strategic)	PhyAmerica Physician Group	90.0	Cash
February 2	Hillenbrand (Strategic)	<b>MEDIQ</b>	330.0	Cash
January 28	Abbott Labs (Strategic)	<b>i-Stat</b>	310.4	Cash
January 22	BASF (Strategic)	<b>Sunoco's Plasticiser Ops.</b>	90.0	Cash
January 22	Manpower (Strategic)	<b>Right Management</b>	457.7	Stock
January 19	<b>Triumph Group</b> (Strategic)	Rolls Royce Gear Systems	36.0	Cash
January 8	<b>J &amp; J Snack</b> (Strategic)	Country Home Bakers	13.5	Cash
January 6	<b>Donegal Group</b> (Strategic)	White Mt. Ins. (Peninsula)	23.0	Cash
January 2	<b>Agere Systems</b> (Strategic)	TeraBlaze	21.0	Stock

Announced	Buyer (Strategic vs. Financial)	Target	Value (millions)	Payment
August 18	Barclays (Strategic)	<b>Juniper-CIBC</b>	\$293.0	Cash
August 12	<b>Penn National Gaming</b> (Strategic)	President Casinos	28.0	Cash
August 10	Sherman Williams (Strategic)	<b>Paint Sundry Brands (RAF)</b>	295.0	Stock
August 4	<b>Infrasource Services</b> (Strategic)	Semco Energy	20.8	Cash
July 2	<b>Church &amp; Dwight</b> (Strategic)	Del Laboratories	465.0	Cash
June 1	Arizona Public Service (Strategic)	Sundance Gen ( <b>PPL</b> )	190.0	Cash

## American Business Financial Services, Inc.

completed Exchange Offers resulting in the issuance of  
**\$109,300,000**  
**Convertible Preferred Stock**

Financial Advisor to Issuer  
 August 2004



**MidMarket**  
 Capital Advisors, LLC

## On The Front:

MidMarket Capital Advisors' staff are proud sponsors of the **Opening Reception of the ACG East 2004 M&A East Middle Market Corporate Growth Conference, on September 29, 2004 at the National Constitution Center in Philadelphia.** Pictured l.-r. are Kellie McCullough, Director of Operations, and Managing Directors, Patrick Hurley, Graeme Howard, and Frank Baird. More than 800 corporate executives, private equity principals and other corporate growth professionals are expected to participate in this annual event, which includes a full day of sessions and meetings on September 30 at the Pennsylvania Convention Center.

**Debt-Clubs/Solo** Asset-based players enjoying the spotlight for refinancings and new credits alike. Cash flow loans are back for sponsored deals. The lower middle market is even feeling more appreciated.

**Mezzanine** Heavy demand as activity and valuations gather steam for deals needing flexibility and assurance of ability to close.

**Debt-High Yield** Combination of relatively low rates and flexibility for issuers that drove exceptionally strong demand even in the face of dramatically tightened spreads, investors now view it as too expensive, so volume has slowed.

**Public Equity** Both the S&P 500 and Russell 2000 are back to where they began 2004 and we anticipate post-election gains. Diversification-minded and momentum investors always want more names.

**Equity-IPO** 146 companies went public this year before Google and another 170 remain in the active queue, even after recent spate of withdrawals. Pace will pick up as overall market regains positive trend.

**Economy US/Northeast** Recovery is real even after loss of the zeal of the first half 2004. Steady, measurable success begets evidence-based confidence. Productivity leverage justifies further capital investment. CEOs are hiring and spending.

**Currency** U.S. Dollar remains relatively weak, paying dividends for now as U.S. exports climb, helping profits at home and throttling down the current account deficit. ■

## “Reintroducing” mmadvisors.com

MidMarket Capital Advisors is pleased to launch a refreshed and updated Web site, at [www.mmadvisors.com](http://www.mmadvisors.com).

The new Web content provides a complete description of our services, including case histories and profiles of successful advisory strategies and transactions by industry category.

The site will also provide viewers with access to a variety of industry tools and resources.

Visit [www.mmadvisors.com](http://www.mmadvisors.com) often for announcements of upcoming seminars and programs of interest.

Announced	Buyer (Strategic vs. Financial)	Target	Value (millions)	Payment
August 9	<b>Orleans Homebuilders</b> (Strategic)	Peachtree Residential	Not Disclosed	
May 28	Platinum Equity (Financial)	CompCom Systems ( <b>Safeguard</b> )	245.9	Cash
May 17	<b>Amkor Technology</b> (Strategic)	IBM's Singapore Test Operations	145.0	Cash
May 5	Hellman & Friedman (Financial)	DIAL ( <b>Lincoln National</b> )	199.0	Cash
April 22	<b>Entercom Comm</b> (Strategic)	MyStar Communications	73.5	Cash

Other	Buyer (Strategic vs. Financial)	Target	Terms Not Disclosed
Sept 2	<b>UGI's</b> Flaga Plyn (Strategic)	BP's Retail in Czech Republic	
August 4	<b>Aramark</b> (Strategic)	Bright China Services	
August 3	<b>Allied Security</b> (Strategic)	Barton Protective Services	
July 29	<b>VIASYS Healthcare</b> (Strategic)	Taugragreining Neurodiagnostic	
June 30	Draeger Medical (Strategic)	<b>Air-Shields</b> (Hillenbrand)	
June 30	Linsalata Capital (Financial)	<b>Patton Picture (Howard Lawson)</b>	
June 29	Ameresco (Strategic)	Exelon Solutions ( <b>PECO</b> )	
June 9	<b>SunGard Data</b> (Strategic)	SBPA Systems	
May 26	Artech (Strategic) <b>Transicoil</b>	(Horizon Aerospace)	
May 12	Reed Elsevier (Strategic)	<b>Verilaw Technologies</b>	
May 10	<b>Fiberlink Communications</b> (Strategic)	Enterprise Remote Unit (Level 3)	
May 4	<b>Integra LifeSciences</b> (Strategic)	Berchtold Medtronic	
May 3	<b>Universal Health</b> (Strategic)	Sprint Mt./Rivendell/Costal/Stonington	
April 30	Aeroglide (Strategic)	<b>National Drying Machinery</b>	
April 27	<b>SunGard Data</b> (Strategic)	Collegis	
April 27	<b>Harsco</b> (Strategic)	Tower International	
April 26	<b>Bentley Systems</b> (Strategic)	Comm. Info. Software	
April 26	<b>USA Direct</b> (Strategic)	GBF Graphics (Crabar)	
April 23	<b>Keystone Helicopter</b> (Strategic)	Composite Technology	
April 19	<b>Synthes-Stratec</b> (Strategic)	Gelifex	
April 12	<b>Prophet 21</b> (Strategic)	Distributor Info Systems	
April 5	<b>SunGard Data/Front</b> (Strategic)	Derivatech Risk Services	
April 2	<b>Kenexa</b> (Strategic)	Oramaster Software India	
March 30	Performance Logistics (Strategic)	<b>Leaseway Motorcar Transport</b>	
March 29	<b>Weston Solutions</b> (Strategic)	MEC Analytical Systems	
March 24	<b>Universal Health</b> (Strategic)	Affiliated Clinical	
March 22	<b>Allied Security</b> (Strategic)	Security Systems	
March 19	<b>Pinnacle Foods</b> (Strategic)	Aurora Foods	
March 16	<b>Severn Trent Labs</b> (Strategic)	Aerotech Laboratories	
March 16	<b>SunGard Data</b> (Strategic)	Real Time Financial	
March 9	<b>Westinghouse Lighting</b> (Strategic)	Radiant Lamp (Philips)	
March 8	<b>Unisys</b> (Strategic)	K Consulting (BearingPoint)	
March 5	<b>DuPont</b> (Strategic)	Guangzhou Montelli	
February 24	<b>Protez Pharmaceuticals</b> (Strategic)	Influx	
February 22	<b>Airgas</b> (Strategic)	Littell Industries	
February 18	<b>DuPont</b> (Strategic)	Retrim Group	
February 4	<b>Educational Testing</b> (Strategic)	Pulliam Group	
February 2	<b>Macsteel Service</b> (Strategic)	Hokin Katz Metals	
January 9	<b>Thomson Scientific</b> (Strategic)	<b>Biological Abstracts/BIOSIS</b>	
January 2	Bradford Equities (Financial)	<b>PlumbMaster</b>	

Local Private Equity Funds		
	Buyer	Target
Sept 13	Thermo Electron	<b>InnaPhase (LLR, Edison, EuclidSR, NewSpring)</b>
August 23	Arsenal Capital	<b>Priority Air (Berwind, Boathouse)</b>
August 3	<b>Milestone Partners</b>	Good Health Natural Foods
July 30	<b>Milestone Partners</b>	Knight Apparel
July 29	<b>Elite Health (Eureka)</b>	<b>Lacawanna Mobile X-Ray</b>
June 30	Linsalata Capital	<b>Patton Picture (Howard Lawson)</b>
June 11	<b>Meridian Venture</b>	Copstat Security
June 3	Headwaters	Eldorado Stone ( <b>Graham Partners</b> )
April 19	<b>American Capital</b>	<b>Cottman</b> (Sentinel)
March 24	<b>PNC Equity</b>	F.B. Leopold (American Water)
February 11	<b>Graham Partners</b>	Dynojet

## MidMarket Jointly Sponsors M&A Strategies Symposium

In June 2004 MidMarket Capital Advisors joined with three other Philadelphia M&A firms to jointly sponsor “Deciphering Current M&A Strategies,” a symposium targeted to middle market company executives, their lawyers, private equity firms and accountants, and other consultants. Over 125 attendees took part in the one-day symposium, held at the Philadelphia Country Club, representing an even mix of lawyers, corporations, accountants and private investors.

“The purpose of the symposium was to showcase the strategies of investment banking firms in the Greater Philadelphia area before key decision-makers, including the corporate, legal and investor communities,” said Frank Baird, managing director. “MidMarket Capital Advisors was pleased to have a role in the success of this event.”

MidMarket’s session focused on the key strategies around completing successful acquisitions, in particular the steps that smaller firms of less than \$100 million in revenue must plan and execute to complete a transaction.

“Our presentation stressed the steps that firms must take to effectively and efficiently communicate their acquisition criteria to the right candidates,” said Frank Baird. “On the back end, the goal is to ‘stand out in the crowd’ of interested parties to increase the likelihood of success.”



MidMarket can help buyers, sellers and legal and financial advisors with a variety of related services. For more information, contact Frank Baird at 215-875-8201 or visit [www.mmadvisors.com](http://www.mmadvisors.com).

### Initial Public Offering Activity—Greater Philadelphia Region

IPO Date	Gone Public	Offering Amount (millions)	Market Cap. (millions)
Sept 14	StoneMor Partners	\$75.3	\$146.2
August 29	EnerSys	156.2	654.3
August 23	Auxilium Pharmaceuticals	41.2	178.2
June 17	Blackboard (Internet Capital)	77.0	425.4
May 19	Animas	63.7	304.9
May 6	InfraSource Services	111.8	391.3
April 28	Barrier Therapeutics	75.0	281.4
April 16	Immunicon	48.0	222.3

### Filing Date In Registration

Filing Date	In Registration	Offering Amount (millions)	Market Cap. (millions)
Sept 10	Knoll	\$230.0	n/a
August 10	Heartland Payment Systems	75.0	n/a
July 26	Dollar Financial	134.4	\$233.2
June 15	Interline Brands (Wilmar)	230.0	n/a



## Worldwide Connections through M&A International

MidMarket Capital Advisors has joined M&A International, a prestigious network of 37 mergers and acquisitions specialists and investment banking firms in 29 countries. These firms are contractually linked in a global network created to collaborate and complete transactions.

MidMarket will take part in M&A International’s conference in Amsterdam in October.

For more information about M&A International, visit [www.mergers.net](http://www.mergers.net).



## MidMarket Literature Available

MidMarket Capital Advisors has produced a variety of literature of interest to middle market companies and their investors, lawyers and accountants. These include:

**Unique Perspective<sup>sm</sup>**, a complete description of our client-focused approach to advisory and investment banking services.

**“Observations from China: Working Together to Drive Corporate Growth”**, an interview with T. Patrick Hurley, Jr. regarding firsthand opportunities to do business with Mainland China.

**“Deciphering Current M&A Strategies”**, an overview of important considerations for buyers, sellers and advisors.

To request copies of MidMarket literature, call us at 215-875-8201.