

Middle Market Update

FEATURES:

U.S. M&A Middle Market Overview

Great Lakes Regional M&A Update

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U.S. M&A Middle Market Overview

Finally, after declines during the past four periods

- GDP grew at a 3.5% annual rate in the third quarter
 - Represents the largest six-month turnaround since 1980 (+9.9%)
- In other good news,
 - The Dow rose 14%
 - Consumer spending rose 3%
 - Industrial production rose 5%

However, uncertainty remains

- Is the growth sustainable over the long or short term?
 - Businesses continued to shed jobs and reduce inventories in the third quarter
 - September job losses exceeded those in August
- Although we may have emerged from the bottom, many believe we still face a long road ahead

Middle market deal activity rose from Q2 2009...

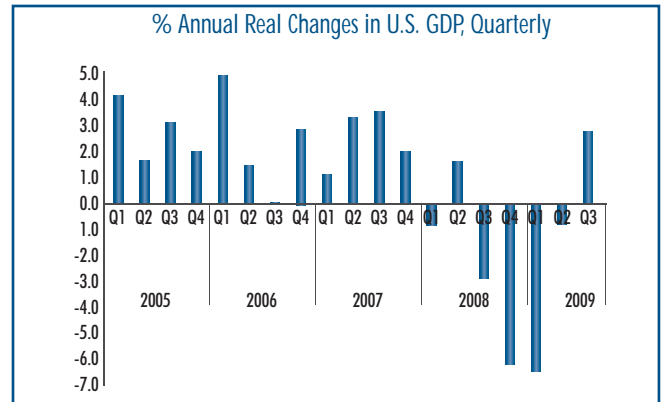
- Deal volume rose 18% to 2,479 transactions from 2,107 in the previous quarter
- Similarly, disclosed deal value increased 22% to \$41.0 billion from \$33.5 billion in the previous quarter

...but remains well below 2008 levels

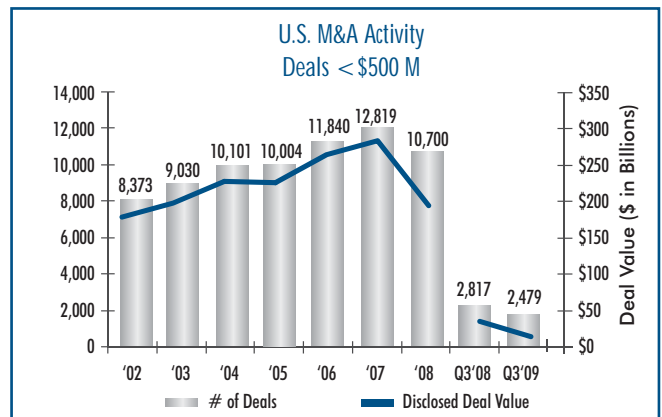
- Deal volume fell 12% from 2,817 in the previous year
- Similarly, disclosed deal value fell 33% from \$61.5 billion in the previous year

Private equity is beginning to show signs of recovery

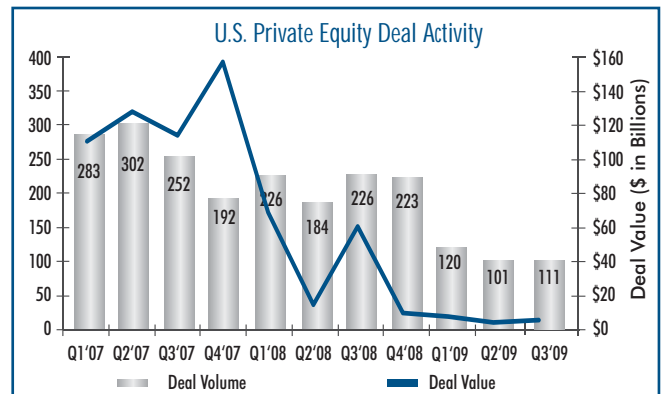
- However, private equity firms remain focused on smaller deals
 - Add-on acquisitions and distressed investing continue to grow, far exceeding activity in 2008
- 111 deals were completed in Q3 2009, a 10% increase from the previous quarter
 - Brings the total number of completed transactions during 2009 to 332, representing a 48% decline when compared to the 636 deals completed through Q3 2008
 - Only represents 39% of announced deals in 2008
- Fundraising also remains significantly below 2008 levels
 - \$49 billion raised through 2009 represents only 19% of total 2008 fundraising
- Private equity firms are no longer relying on secondary sales to other private equity firms as exits, but are looking to the IPO markets and sales to strategics



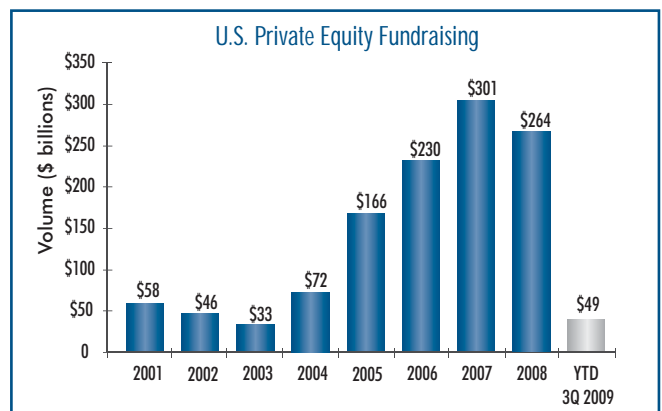
Source: Bureau of Economic Analysis



Source: Capital IQ, Thomson Financial SDC Platinum



Source: Buyouts



Source: Buyouts

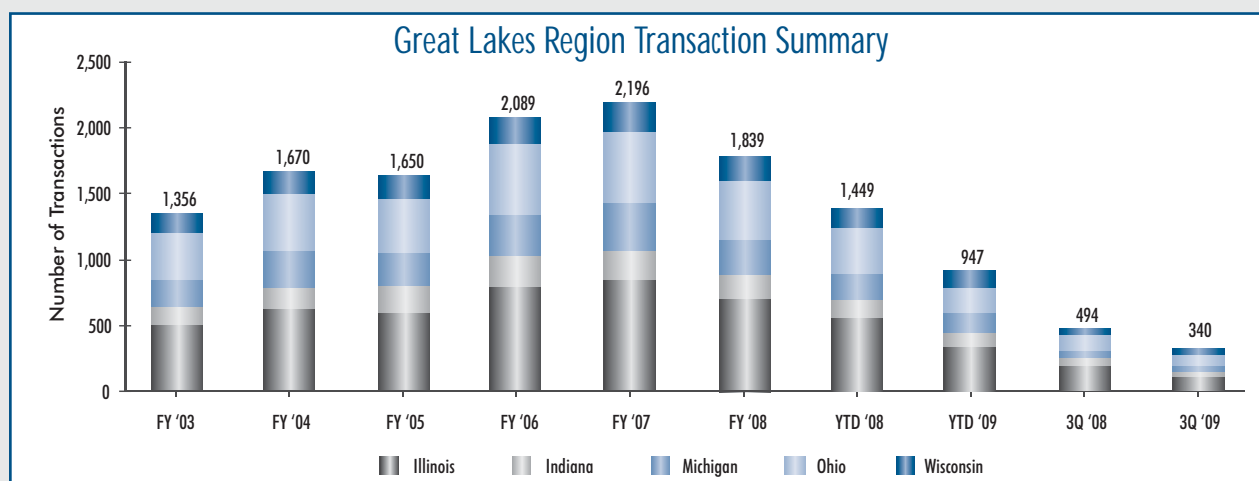
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GLR Deal Volume Shows Intra-Year Improvement

- Q3 2009 deal volume rose 7.9% from Q2 2009 and fell 31.2% from Q2 2008
- YTD 2009 deal volume fell 34.6% from YTD 2008 (and represents just over half of total 2008 volume)
- Illinois experienced the greatest decline in the quarter (43.3%) from the previous year when compared to other states that comprise the region, including Indiana, Michigan, Ohio and Wisconsin
- Despite this, Illinois continues to lead the GLR in deal volume, with 33.5% and 37.2% of transactions in the third quarter and YTD 2009, respectively; Ohio was second with 20.9% and 19.3% of the transactions in the third quarter and YTD 2009, respectively

Notable GLR Deals in the Third Quarter:

- August 28: Kraft Foods (NYSE: KFT) made an unsolicited offer to acquire Cadbury plc (LSE: CRBY) for \$16.7 billion in cash and stock. After Cadbury rejected the offer as too low, Kraft appealed directly to shareholders. Cadbury shareholders received formal offer documents from Kraft and are expected to respond by mid-December. Hershey Co. also is considering an offer for Cadbury, either on its own or in conjunction with another company such as Italy's Ferrero SpA or Swiss-based Nestle S.A. Cadbury executives are preparing their response to Kraft's offer, hoping to sway shareholders against the deal.
- September 26: Abbott Laboratories (NYSE: ABT) entered into a definitive agreement to acquire Solvay Pharmaceuticals S.A. from Solvay SA (ENXTBR: SOLB) for \$6.6 billion. Abbott views the acquisition as a way to expand into emerging markets in Eastern Europe and Asia, where it has a limited presence, while adding new drugs for hypertension and Parkinson's disease. The deal also will give Abbott full control of two drugs that the companies currently sell together — Tricor and Trilipix.
- August 24: Warner Chilcott plc (NasdaqGS: WCRX) signed an agreement to acquire Procter & Gamble Pharmaceuticals, Inc. from Procter & Gamble Co. (NYSE: PG) for \$3.1 billion. Warner Chilcott raised \$4 billion in financing for the transaction, the remainder of which will serve to refinance Warner's existing debt. The transaction will transform Warner Chilcott into a global pharmaceutical company, expand its presence in women's healthcare and establish it in the urology market. Meanwhile, the deal will allow P&G to focus on its consumer healthcare business.
- September 25: Unilever plc (LSE: ULVR) entered into a letter agreement to acquire the Global Body Care and European Detergents Business of Sara Lee Corp (NYSE: SLE) for \$1.9 billion in cash. Unilever believes the deal will strengthen its operations in Western Europe and Asia and provide it with the opportunity to build the newly acquired brands in developing and emerging markets. Sara Lee said it has received "significant interest" in the remainder of its household business and is continuing to pursue sale options for the unit, which include hair care, shoe care, insecticides and non-European cleaning brands.



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