

From: Calabasas Capital <david@calabasacapital.ccsend.com> on behalf of Calabasas Capital <david@calabasacapital.com>
Sent: Thursday, June 13, 2013 9:24 AM
To: David Bonrouhi
Subject: Calabasas Capital Market Update & Outlook

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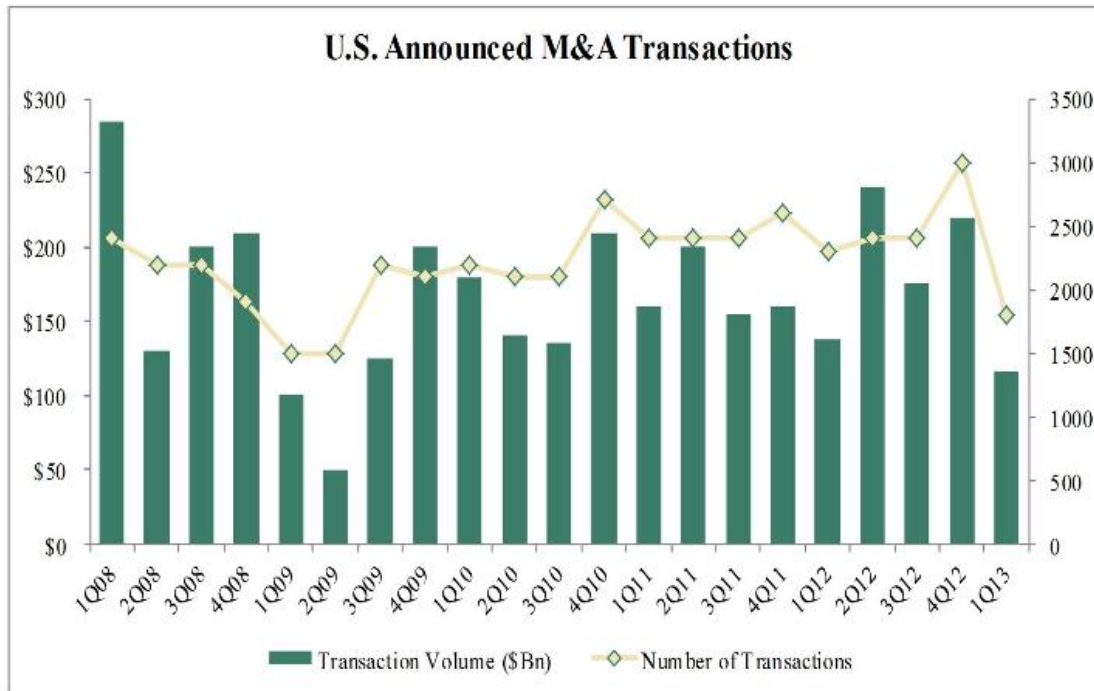
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Dear David,

We hope you enjoy our latest market update and would like to invite you to attend an ACG 101 breakfast event on July 10th in Woodland Hills on accessing growth capital.

M&A Market Update

- According to Capital IQ, the value of M&A transactions in the U.S. dropped by 16% on a year over year basis to \$116 billion in Q1 2013 from \$138 billion in Q1 2012 and by 47% from \$220 billion in Q4 2012.
 - Q1 2013 had the lowest quarterly M&A value since the most recent trough in early 2009
 - Deal volume decreased to 1,800 announced deals, which was also a four-year low
 - We believe this decline in Q1 2013 is largely a result of the tax-driven spike of deal flow at the end of 2012 when a number of deals which may not have been done until this year were pulled ahead into last year
 - In addition, based on the increased pitch activity we have experienced in the second quarter, we believe the second half will be much stronger than the first half of 2013 in terms of deals closed but with no tax deadline or similar sense of urgency we probably will not match last year's volume.

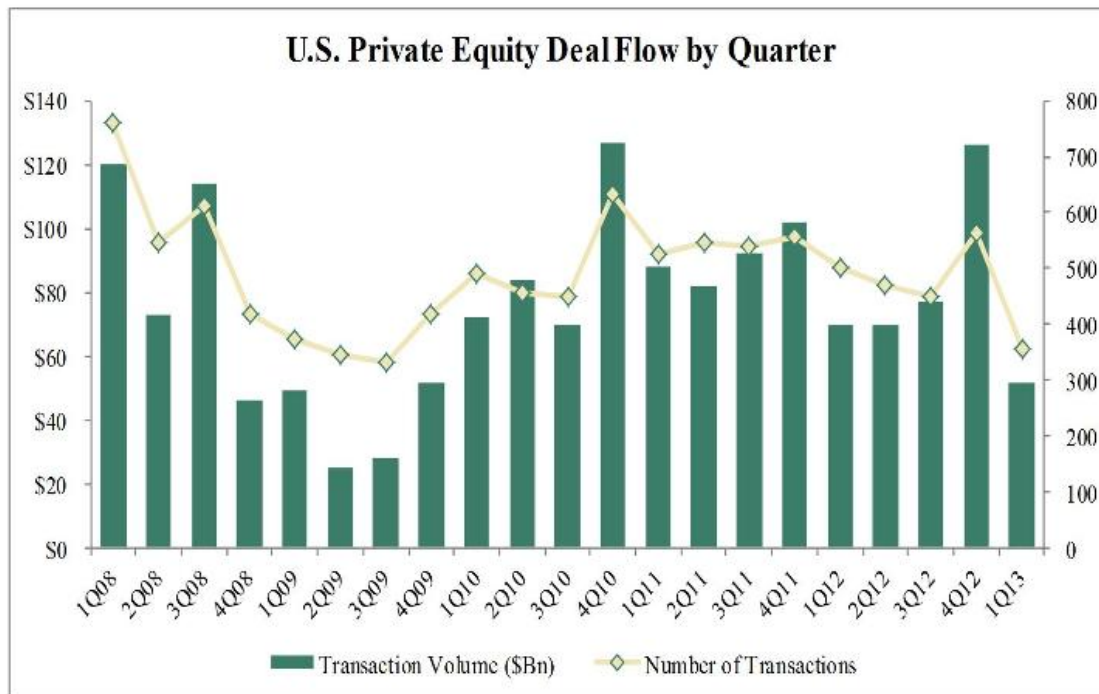


Private Equity

- According to PitchBook, in Q1 2013 private equity firms completed just 355 investments totaling \$52 billion in U.S.-based companies, the slowest quarter for PE activity since 2009
 - On a year over year basis this represented a drop of 29% in the number of investments and a 26% drop in the value of investments made as compared to Q1 2012
 - On a sequential quarterly basis however this represented a drop of 37% in the number of investments and a 59% drop in the value of investments made as compared to 4Q 2012
 - Deal activity fell in virtually every category, with each industry and region seeing a deceleration in investment.
 - One interesting trend that has developed over the last decade is that buyout deals (excluding add-ons) have contracted from representing more than half (51%) of all PE transactions in 2004 to about one-third (34%) in 1Q 2013
 - This is due to an increasing proportion of both growth/expansion deals and add-on investments.
 - Nevertheless, PitchBook believes the outlook for the PE industry for the rest of 2013 is fairly promising.
 - The fundraising environment appears to be improving—at least for some—and there are several mega-sized funds that should hold a final close at some point this year.
 - Debt continues to be cheap and readily available for the time being, and the continued combination of aging portfolio

companies and expiring dry powder should lead to more activity on both the buy- and sell-side.

- Calabasas Capital has recently learned that several PE funds that had moved up market in recent years growing from \$200 million funds to \$1Bn+ funds are now looking to return to the lower middle market with smaller funds again.

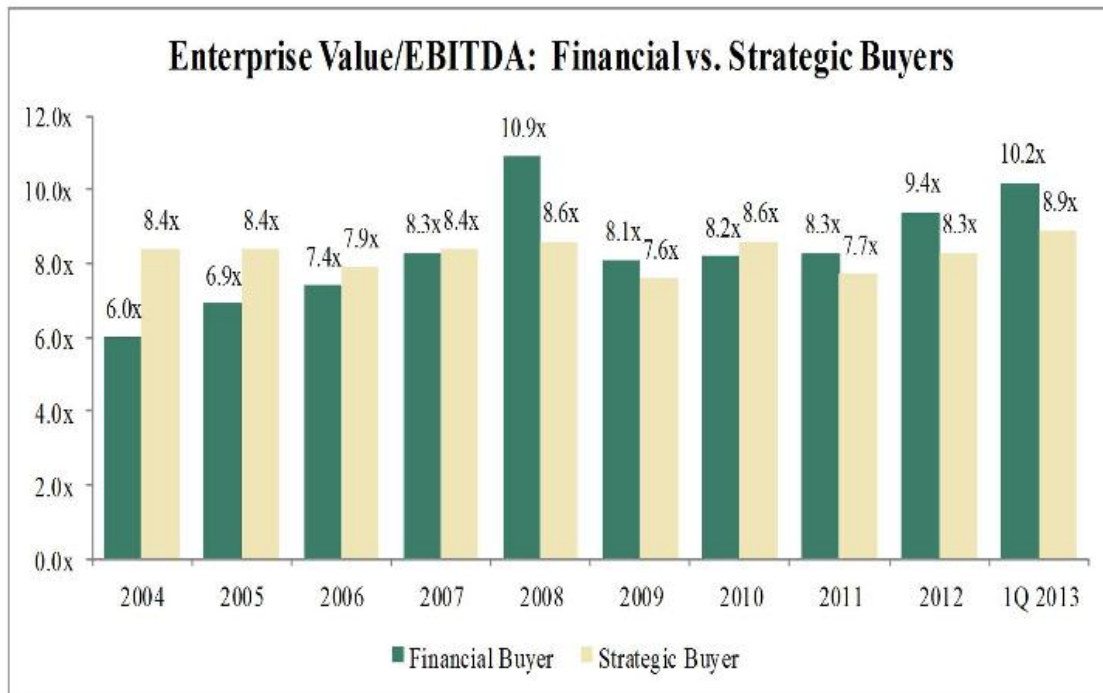


Source: PitchBook.

Acquisition Multiples: Strategic vs. Financial Buyers

- According to Capital IQ, multiples continued to increase across the board in Q1 2013 to 10.2x for financial buyers and 8.9x for strategic buyers
- Financial buyers are continuing to outpace strategics when it comes to multiples being paid. We believe this is a result of the following factors:
 - Financial buyers have money to put to work to keep themselves employed, and
 - The loosening credit markets are ideal for leveraged buyouts.
 - We believe however based on our own observations and activity that strategic buyers have very recently begun to become more aggressive in pursuing acquisitions and that the gap in valuation multiples will gradually subside.
 - We believe this is as a result of the improving economy while at the same time strategics have equal access to cheap debt just as the financial buyers do.

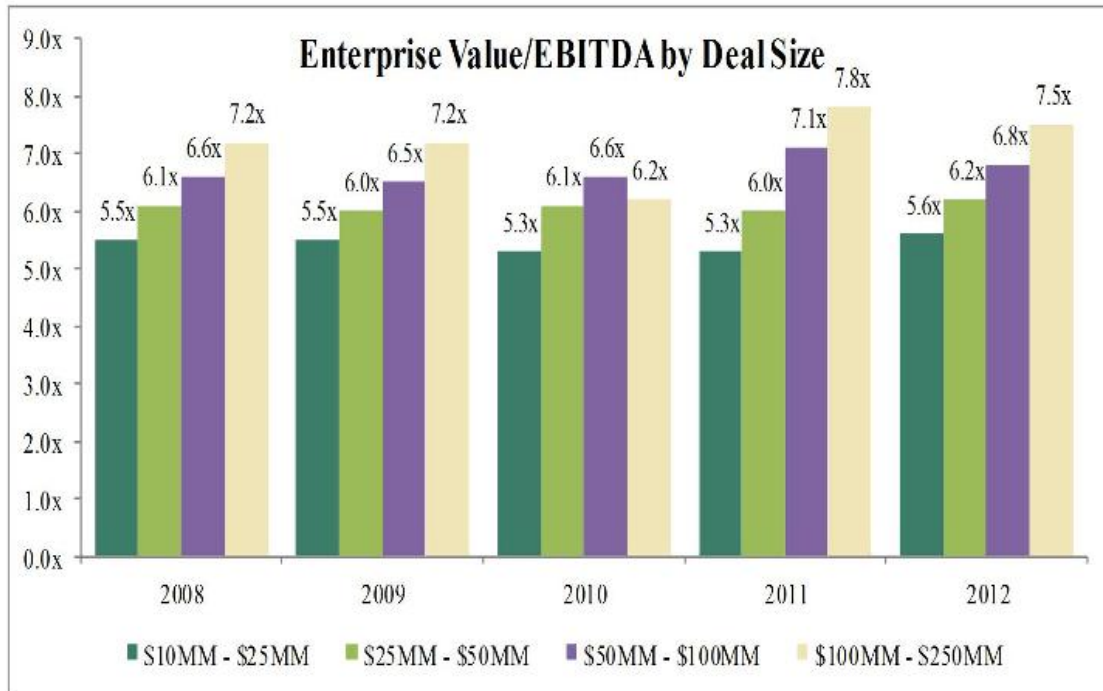
Enterprise Value to EBITDA Multiples of Closed U.S. Transactions



Source: Capital IQ.

Middle Market Deal Valuations

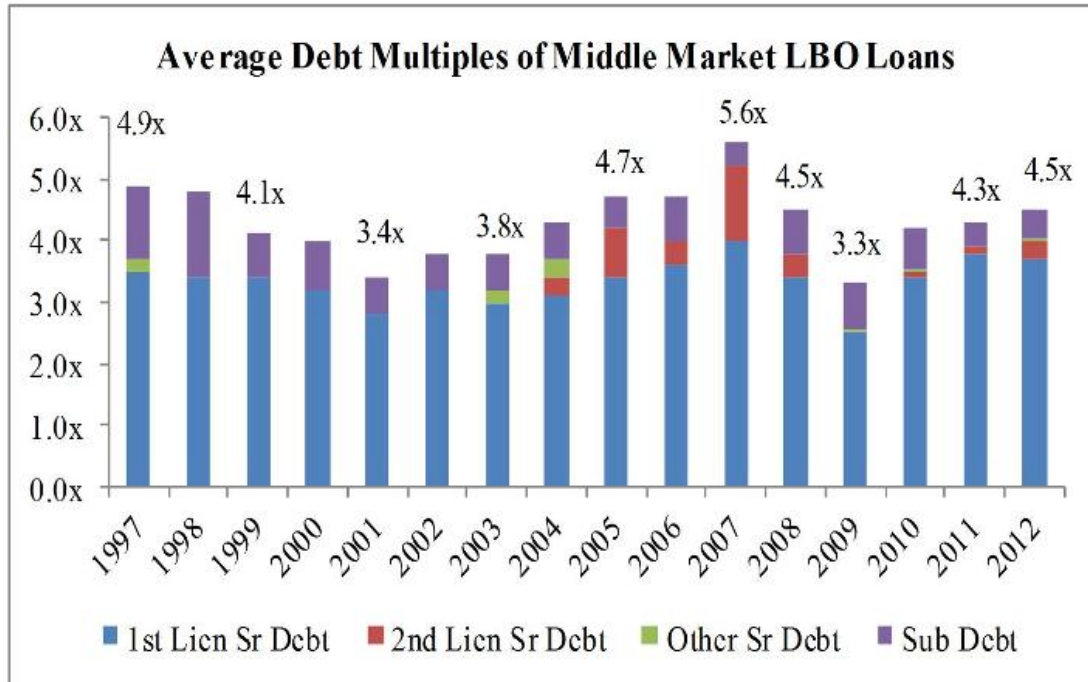
- The spread of valuations based on deal size has remained relatively consistent as buyers and lenders continue to value larger companies at higher multiples.



Source: GF Data.

Middle Market Debt Multiples

- Leverage multiples have returned to pre-recession levels



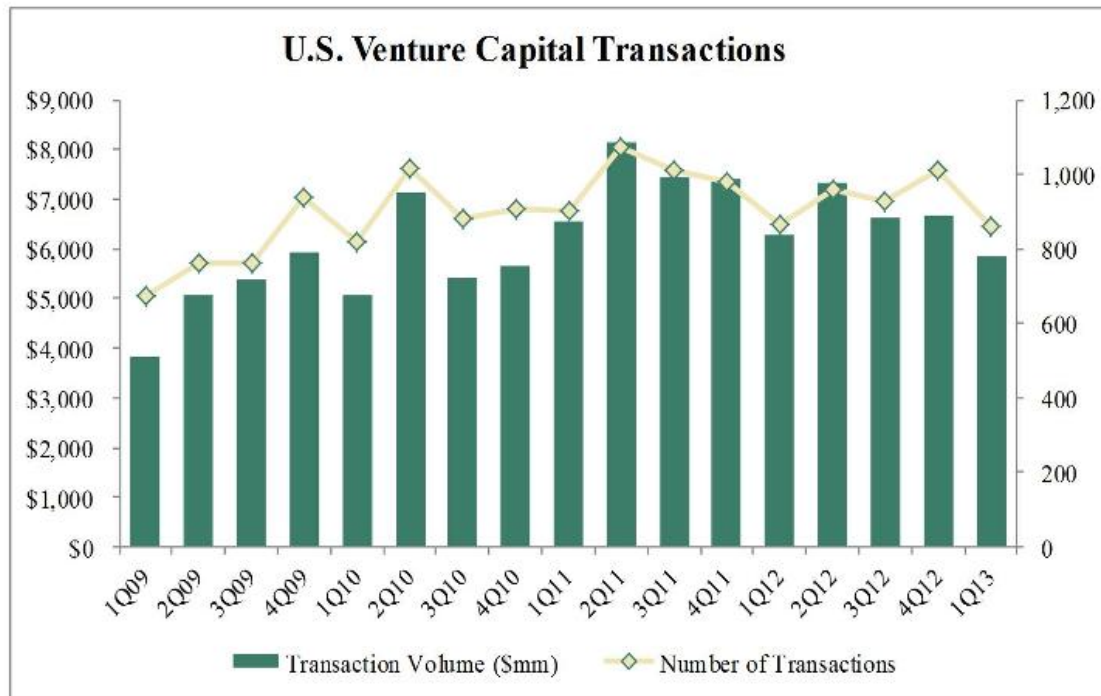
*Source: S&P. Middle Market defined as companies below \$50 million EBITDA.

Venture Capital Market Update

- According to the 1st Quarter 2013 edition of the PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report (Data: Thomson Reuters):
 - The number and dollar amount of VC investments in the U.S. during the first quarter of 2013 dropped year over year by 0.6% and 6%, respectively to 863 transactions and \$5.9 billion.
 - When comparing the investments by stage of company development, the report suggests that investors shifted the focus of new investment dollars from early stage to expansion stage in Q1 2013 from Q1 2012.
 - The dollar value of early stage investments decreased by 25% while the amount invested in expansion stage rounds increased by 11%
 - Nevertheless, early stage investments continued to represent the largest percentage of the number of deals completed at 46% and later stage rounds naturally took the largest share of dollars invested at 38%
- Software continued represented the largest share of VC dollars invested, representing 40% of dollars invested in Q1 2013.
 - Biotechnology was the second largest with 15%, while Media & Entertainment and Medical Devices each represented 9% of dollars invested in the quarter
- Cleantech (alternative energy, pollution and recycling, power supplies and conservation) saw a big decline in activity
 - Dollars invested in Cleantech dropped by 61% from the Q1 2012 and the

number of deals dropped by 24%

- In our opinion, however, we believe this is temporary especially given the spike the public market valuation of companies like Tesla Motors



Source: 1st Quarter 2013 edition of the PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report (Data: Thomson Reuters)

Invitation to ACG 101 Event Wednesday July 10, 2013

Wednesday, July 10th, 2013, 7:00-9:00 a.m.

Warner Center Marriott (Parking included)

21850 Oxnard Street, Woodland Hills CA 91367

How To Find The Capital Your Company Needs At Every Stage of Its Growth

To Register to attend go to: http://www.acg.org/101/events/event.aspx?EventId=5365&F_m=5&F_y=2013

With the economy showing encouraging signs of growth, business owners and managers are thinking about expansion. Where can they find the capital they need to make that happen?

Come find out at the July 10th meeting of ACG 101 at the Warner Center Marriott, where we will explore the various types of growth capital a company can access at different stages of its life cycle.

Our panel of experts will explain the criteria that financing sources apply for senior and mezzanine debt, asset-based lending, private equity and venture capital.

They will explain which industries are more conducive to utilizing each layer of capital, and how much capital is available in today's non-traditional capital markets.

Our panelists are:

Jeri Harman, Founder & Partner, Avante Mezzanine Partners.

Larry Hurwitz, Founding Partner, Lawrence Financial Group.

Jon Funk, Founder, Ocean Road Partners.

Talyor Beaupien, Managing Partner, K1 Capital.

Jan Hanssen, Vice President, US Bank.

Our moderator will be David Bonrouhi, Managing Director, Calabasas Capital.

Jeri Harman is a Founder and Partner of Avante Mezzanine Partners. Ms. Harman has 27 years of financing experience, involving well over \$1 billion in aggregate transactions. Prior to founding Avante, Ms. Harman led Los Angeles offices for American Capital and Allied Capital.

Larry Hurwitz founded Lawrence Financial Group in 1990, and since that time has arranged more than \$7 billion in financing, for companies with revenues ranging from \$3 million to \$1 billion, in a wide range of industries. He has arranged financing through commercial banks, asset-based lenders, factors, mezzanine lenders, hedge funds, individuals and other sources.

Jon Funk founded Ocean Road Partners in 2009 and is a veteran venture capitalist, having directed startup investments in technology companies in southern California for over 25 years. His past investments, which include Sandpiper Networks, Rent.com and Shopzilla, have created over \$1.7 billion in liquidity for investors.

Talyor Beaupien is a Managing Partner of K1 Capital, a private equity firm investing in high-growth private companies. In addition to leading new investments and co-managing the day-to-day operations of the firm, Taylor is an active board member for K1's portfolio companies and advisor to K1's management teams. He was previously a managing director in the growth private equity practice of Kayne Anderson Capital Advisors.

Jan Hanssen joined US Bank in 2009 after working more than 20 years in the financial industry in the Los Angeles region. As a Vice President in the commercial loan division of US Bank, he is involved in marketing, origination and structuring of all bank products including loans from \$5 to \$50 million. He has structured and closed more than 150 transactions ranging from \$2 million to over \$375 million.

David Bonrouhi is Managing Director of Calabasas Capital, a boutique investment banking firm providing financial advisory services primarily to lower-middle-market privately-held companies, business owners and entrepreneurs. David has over 18 years of investment banking and private equity experience, including sell-side and buy-side M&A transactions, private equity and mezzanine debt offerings, as well as high yield debt and leveraged loan transactions.

Event sponsors: U.S. Bank; Calabasas Capital, Stradling Yocca Carlson & Rauth; Singer Lewak; Kibel Green

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Thank you for continuing to keep us in mind for opportunities.

Regards,
David Bonrouhi
Andre Stokes
Leslie Lum

About Calabasas Capital

Calabasas Capital is a boutique financial advisory firm providing the following investment banking services primarily to lower-middle-market privately-held companies, business owners and entrepreneurs:

- Sell-Side and Buy-Side Mergers & Acquisitions
- Private Equity & Debt Capital Raising
- Acquisition Financing
- Financial Restructuring
- Late-stage Venture Capital Raising
- Sales of non-core assets/divisions of larger public and private companies

Our principals have significant investment banking and private equity experience working with companies in a broad range of manufacturing and services industries with particular expertise in consumer products and services (food, apparel, footwear, electronics, household goods), retail (including restaurant chains), healthcare, business services (online and offline, including financial, marketing, printing, equipment rental, post-production, and building maintenance), digital and traditional media, telecom, technology (eCommerce, software, IT services) and industrial manufacturing and distribution.

Regards,



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