

DISCUSSION MATERIALS

September 2013

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J.P.Morgan

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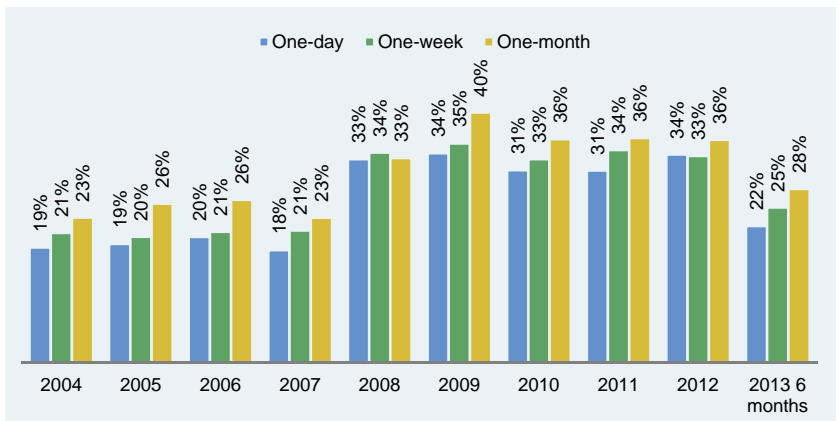
Overview of recent trends in M&A

Global announced M&A volume (\$trn)



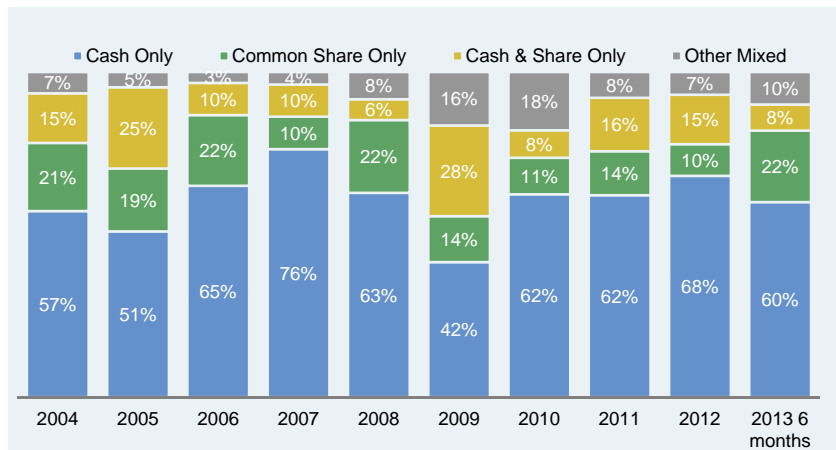
Source: Dealogic M&A Manager as of June 30, 2013
 Note: Rank eligible deals with value greater than \$10mm

Median of North America premiums prior to announcement¹ (%)



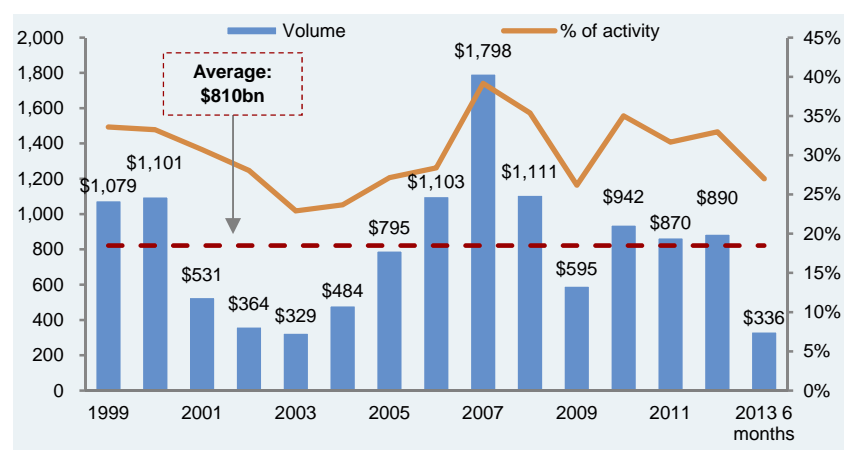
Source: J.P. Morgan; Dealogic M&A Manager as of June 30, 2013
 Premiums deal list source: Dealogic M&A Analytics as of June 30, 2013
 Note: U.S. target rank eligible deals greater than \$10mm; ¹ Premiums based on one-day and one-week prior to announcement; includes public deals where initial stake is <50% and final stake is >51%

Consideration¹ used in U.S. M&A deals (% of total deal value)



Source: J.P. Morgan; Dealogic M&A Manager as of June 30, 2013
 Premiums deal list source: Dealogic M&A Analytics as of June 30, 2013
 Note: U.S. target rank eligible deals greater than \$10mm
¹ Other mixed includes assumption of debt, assets, notes

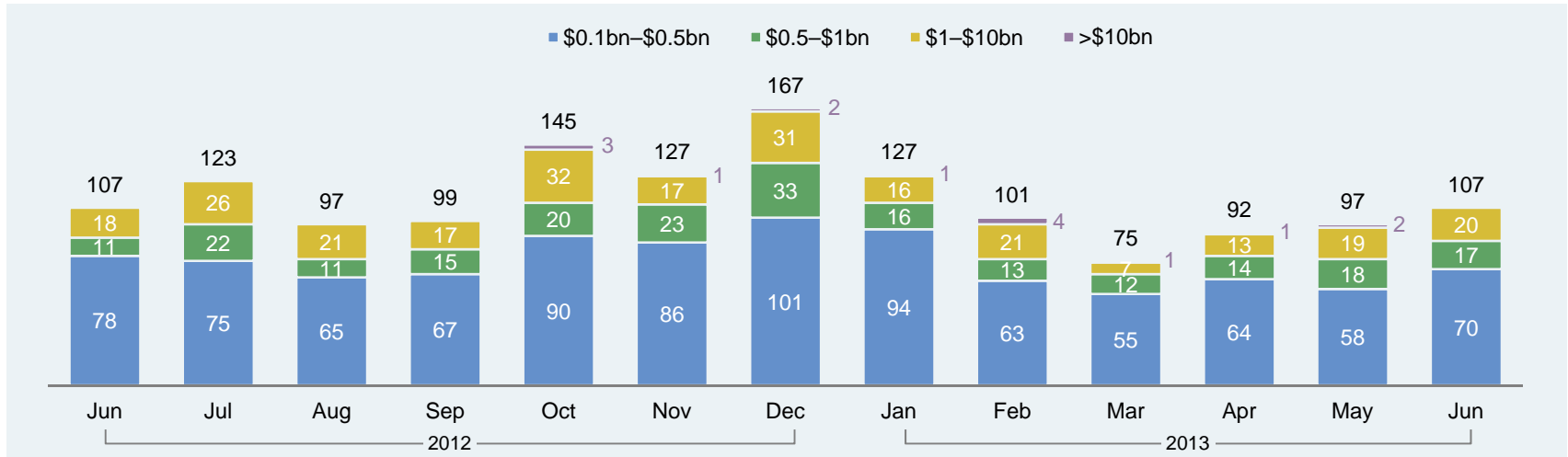
Global cross-border volume (\$bn)



Source: Dealogic M&A Manager as of June 30, 2013
 Note: Rank eligible deals with value greater than \$10mm
 Cross-border: Acquiror nation is different from target nation

US 2013 1H M&A volume

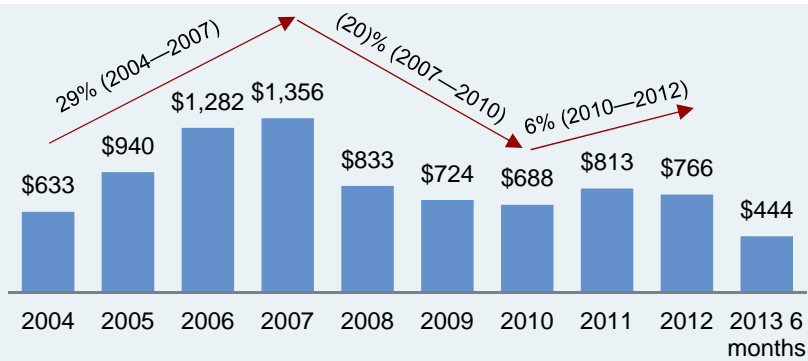
US any involvement M&A volume, by # of deals



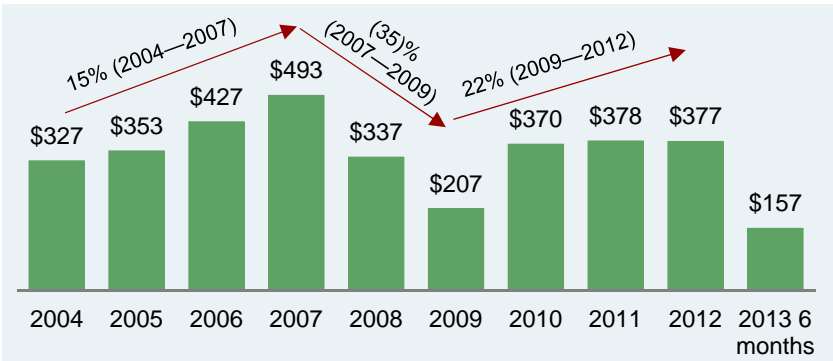
Source: Dealogic M&A Manager as of June 30, 2013
 Note: Excludes deals below \$100mm value

US any involvement M&A volume

M&A volume—transaction size >\$1bn

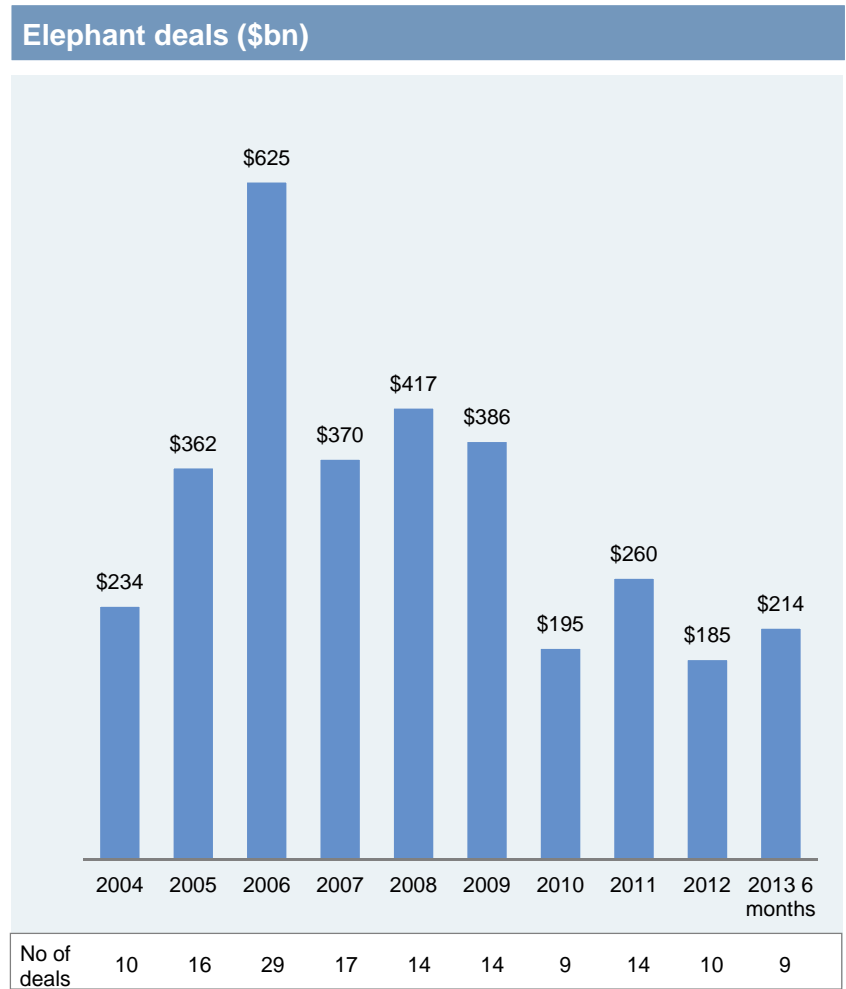
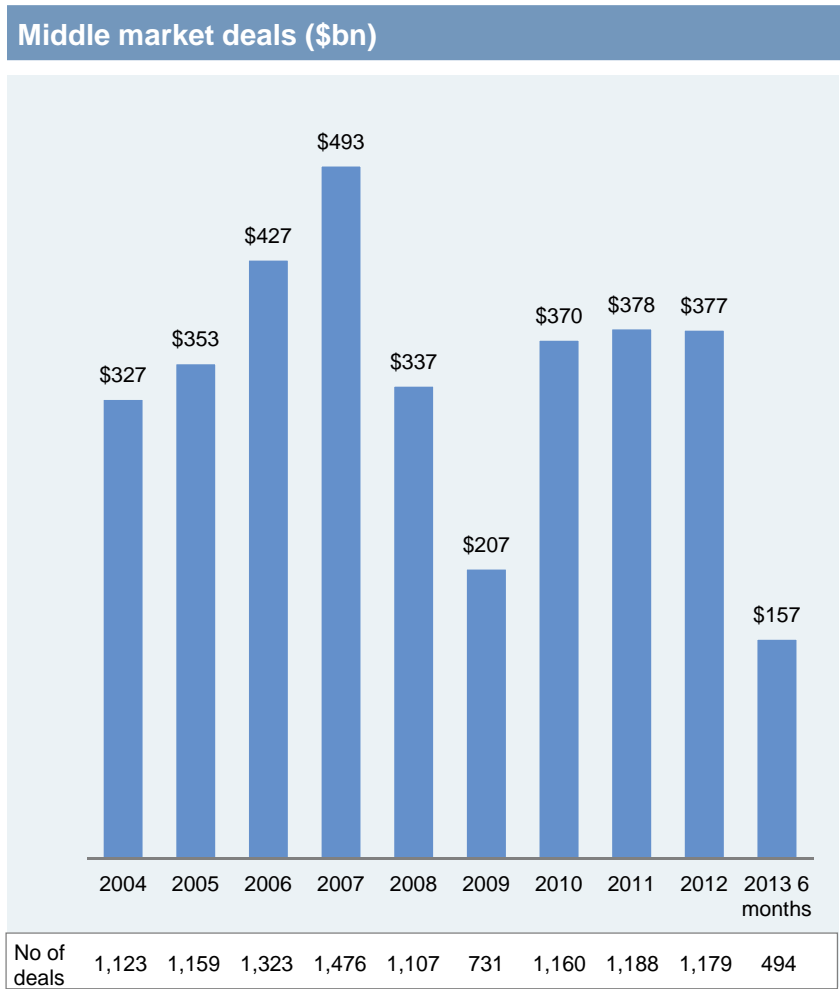


M&A volume—transaction size <=\$1bn



Source: Dealogic M&A Manager as of June 30, 2013
 Note: Excludes deals below \$100mm value

US M&A activity in 2013 1H is 116% of FY2012 elephant deals and 42% of middle market deals



Source: J.P. Morgan, Dealogic M&A Manager as of June 30, 2013

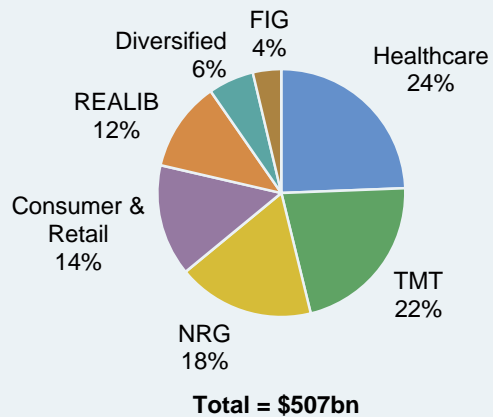
Note: Middle Market includes deals with value between \$100mm–\$1bn; Elephant deals include transactions over \$10bn in size

Rank eligible deals with value greater than \$10mm

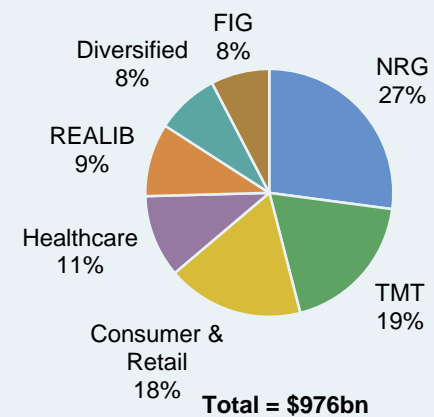
Deals indicate any US involvement

US M&A activity was dominated by Healthcare in 2013 1H with 24% market share and TMT with 22% market share

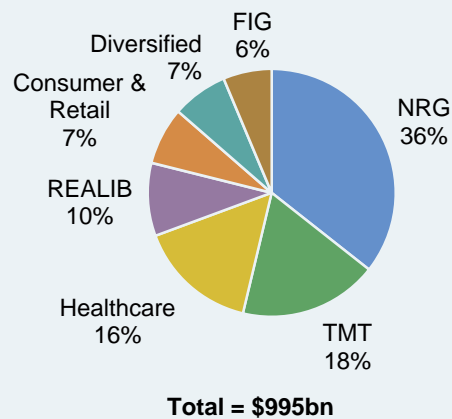
2013 1H



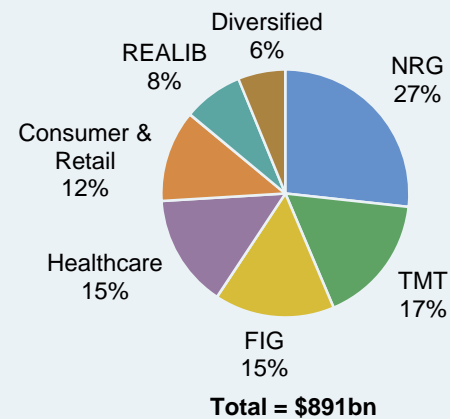
2012



2011



2010



Source: J.P. Morgan, Dealogic M&A Manager as of June 30, 2013
 Note: Target nationality US rank eligible deals greater than \$10mm

Shareholders today are looking to management and Boards to take a proactive approach to value creation in an improving economy

Shareholder expectations have evolved

- Shareholders supported retrenching / conservative strategies during the crisis as uncertainty was high and risk was difficult to price
- Extended period of low shareholder returns, combined with improving macro-environment, have shifted shareholder expectations
- **Shareholders now demanding that management teams and Boards take a more pro-active approach to creating value for shareholders**

Opportunities for companies to create shareholder value

Return of capital

- Paradigm dividend shifts
- Dividend initiations, even in “growth” sectors
- Leveraged recapitalizations



Scaled M&A

- Focused on increasing scale in core business
- Utilizes cash balances and debt capacity



Corporate clarity/strategic alternatives

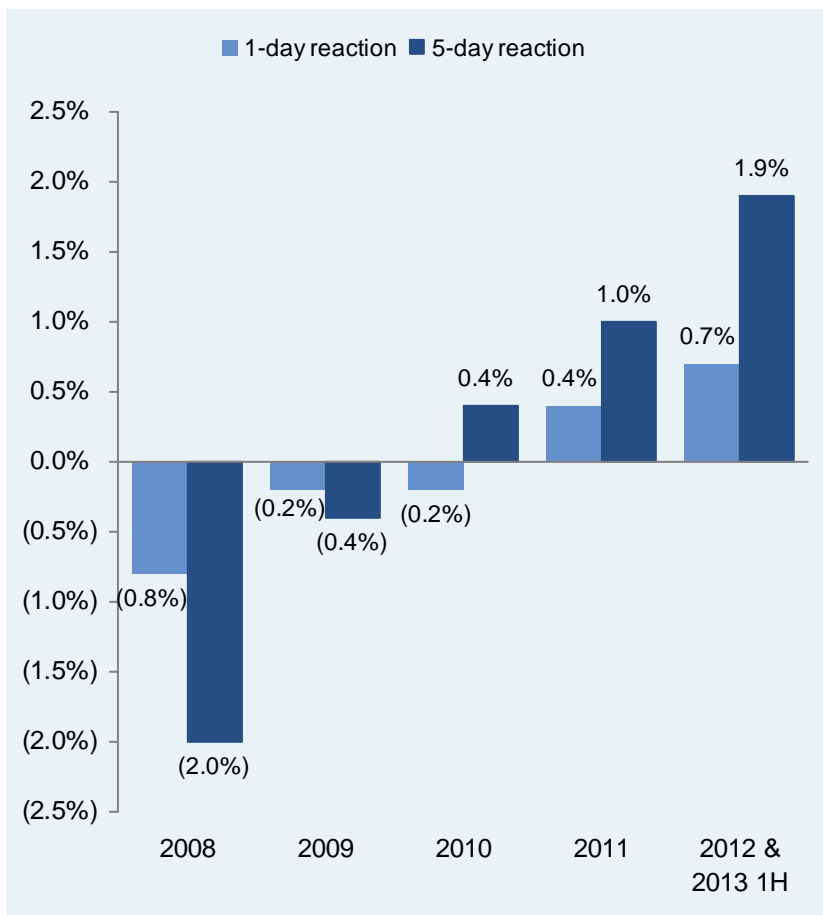
- Spin-offs or divestitures of non-core assets
- Receive maximum value for core and non-core assets when separated
- In some cases receive maximum value for the Company



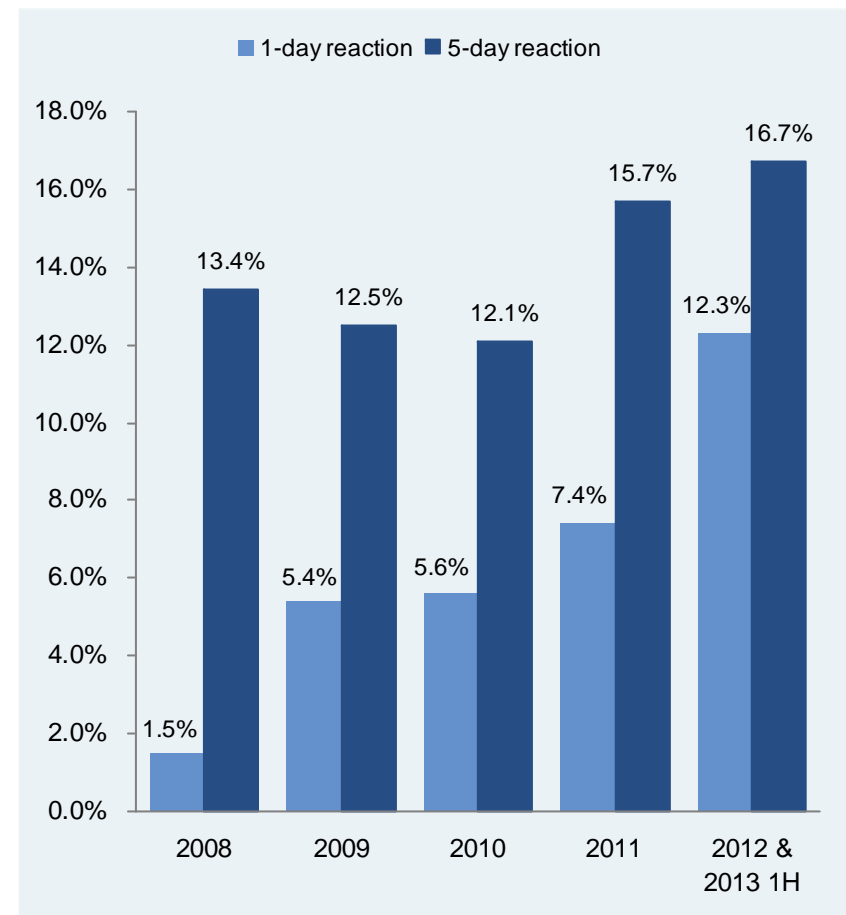
Attitudes have shifted and shareholders are now demanding that companies take action to create value

Investors are increasingly rewarding acquirors on large transactions soon after the announcement

Median acquiror stock price reaction¹



Percentage of acquisitions with market reaction >10%¹



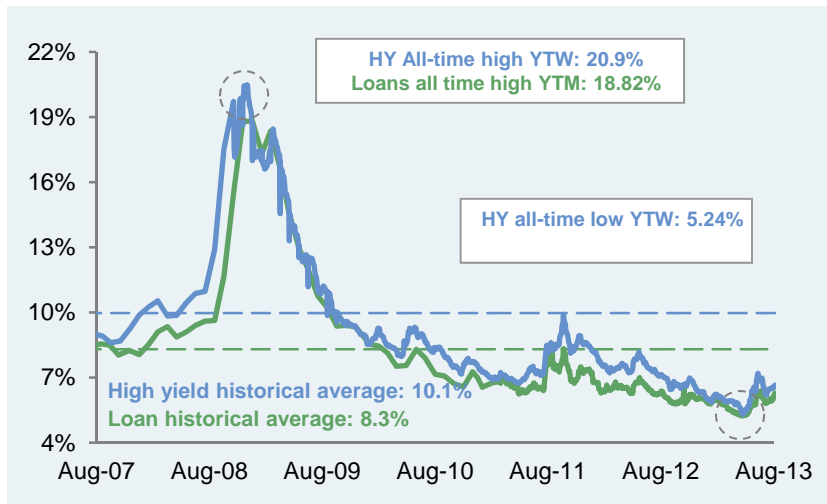
Source: FactSet and company filings as of 06/30/2013

Note: Includes acquisitions by U.S. buyers with minimum deal value of \$500mm, % owned <20%, % acquired >80%, and target >5% of the size of the acquiror

¹ Excess return over S&P 500 returns times acquiror's beta from unaffected date prior to announcement

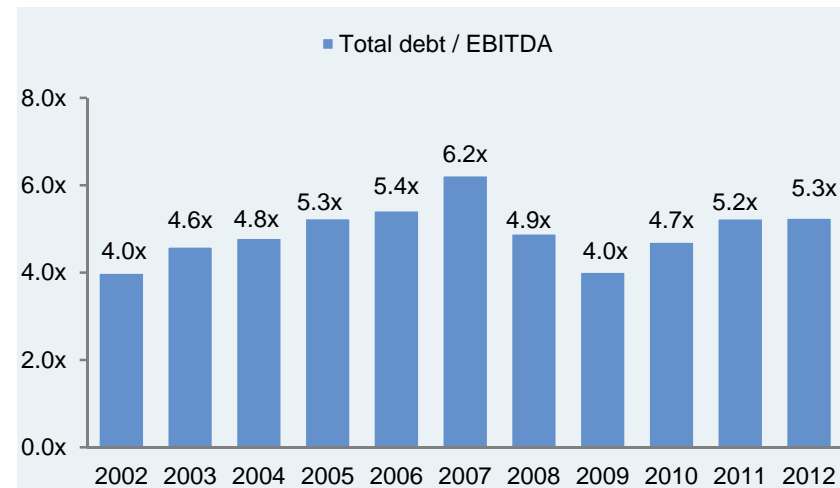
Market forces have conspired to create a unique environment for leveraged buyouts

High yield and loans - yields



Source: S&P LCD / JPMorgan (8/15/2013)

Average debt multiples of large corporate LBO loans



Note: Defined as issuers with EBITDA of more than \$50mm. Excludes media and telecom loans. EBITDA adjusted for prospective cost savings or synergies

Estimated undrawn global capital (\$bn)

KKR	19.2	BainCapital PRIVATE EQUITY	7.6
WARBURG PINCUS	16.5	APOLLO	7.3
The Blackstone Group*	15.5	IGP	6.2
Goldman Sachs	13.2	HELLMAN & FRIEDMAN LLC	5.7
SILVERLAKE	12.0	Apax PARTNERS	5.6
Advent International	11.7	ARES	4.7
THE CARLYLE GROUP	9.1	TPG	4.3

Total buyout funds:

\$367bn

Historical US LBO volume (\$bn)



7 Source: Dealogic (M&A Manager) as of June 30, 2013
Note: Rank eligible deals with value greater than \$10mm
Sponsor activity includes entry, exit and portfolio

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Source: Prequin as of May 2013; Includes main fund and regional/sector focused funds

The table is set

Political and fiscal clarity renewed investor confidence

- Current “More growth, less fear” mentality based on policy action that have curtailed downside risk and bolstered an improving foundation for the private sector
- Key current focus on US labor market and direction of Fed asset purchase

Companies have significant financial flexibility

- Ample sources of capital exist to finance large M&A transactions
 - Large cash reserves and significant debt capacity
 - Costs of debt remain at record lows

Equity valuations have improved

- Equity valuations continue to improve
- With valuation multiples continuing to recover (but still below long term averages), the gap between buyers and sellers has narrowed

Stock market is receptive to M&A

- The market has recently rewarded acquirors on large acquisitions soon after announcement

Inaction will be costly: “Time to move”

- Investors’ heightened expectations are likely to punish companies who do not engage in strategic activity
- Stock market gains may continue to drive valuation multiples, making deals more expensive for slow moving acquirors
- Risk for rates to rise is growing