

Corporate Finance ADVISOR

*A Newsletter for Professionals and CEOs Involved in
Mergers, Acquisitions, Divestitures, Expansions,
Leveraged Buyouts and Corporate Financings*



Tucker Capital Advisors LLC

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Capital Markets Commentary

Make way for the ladies! Women owned businesses have soared in recent years – double the rate for all businesses (42% in last 10 years). Over 10.4 million businesses are owned by women in the U.S. Approximately 97% have less than \$1 million in revenue. The small sizes are due to the sheer numbers of start-ups and that women are very reluctant to use debt to fuel growth. Are the bankers listening?

The options back-dating scandal now has a price tag. \$10 Billion. That's how much money shareholders have lost in the 149 companies reporting to date. The bottom line is that corporate officers engaged in shareholder fraud. We would expect to see some prosecutions.

Private Equity Groups (PEGs) raised about \$215B in 2006, a new record. They hold about \$750B to invest in M&A and growth financings. With this kind of funding, young fast growing companies don't need to have an IPO. Why bother with the voluminous regulations and high costs?

At a combined total value of \$1.6 trillion, last year's M&A action in the United States came close to topping the \$1.7 trillion record for values of U.S. transactions set in Bubble 2000. Expect another record in 2007. □

Deal Flow

Acquisition Search: Executive seeks wholesale distribution and manufacturing companies in the Baltimore-Washington area with revenues of \$5-20MM. Any condition with upside.

Our Predictions for 2007-2008

For predictions, most people start with what is happening now, and we shall be no different. For CEOs looking to find growth capital, sell their company or initiate a succession plan with outside capital, the times do not get much better than this. To wit –



- Economy is growing just fine, albeit at a slower pace
- Private Equity Groups (PEGs) have an enormous amount of capital to employ
- Stock market is reaching for new highs
- Interest rates are low and inflation is moderate
- The banks are lending at a furious pace for buyouts
- What was 6X EBITDA in 2003 is now 8X (middle market)
- Capital gains tax rate is 15% federal.

For 2007, we see little change to the current dynamics. Towards the end of 2007, as the 2008 election cycle begins, we believe that there will be a growing uncertainty in the financial markets centered on future tax policy. This will tend to dampen the current high prices for privately held companies and domino into the willingness of banks to continue the current liberal lending policies. Banks have enjoyed very low default rates and over the next twelve months rates will probably not change much; however, there are a large number of "stretch" financings that may become problems in 2008. As banks retreat to more asset based lending approaches to buyouts, prices will soften – probably back to 6 or 7X cash flow. So, our prognostication is good to go in 2007 and getting somewhat iffy into 2008. – Editor □

Capital Raise: \$4-5MM equity for manufacturer of laboratory and analytical instruments. International sales. \$12 million revenue and profitable – rapid growth to \$75 million. High growth and next-gen products.

Business Sale – Home Health Agency in the Mid-South with \$8 million in revenue and \$2 million EBIT. 90% Medicare.

Business Sale – Commercial sprinkler contractor with \$8 million in revenue and high profitability. Well managed with high reputation.

Business Sale – Motor-Generator manufacturer with \$3 million in revenue. Excellent product lines. Good add-on acquisition.

Business Sale – Commercial and residential stone paving contractor with \$9 million in revenue and 9% net profit margins. Baltimore-Washington.

Unadvertised Deal Flow: TCA has a number of transactions that are not ready for market. Please call Brooke Tucker to discuss. □

On Our Website

Visit our web site to see the last six CFA newsletters and articles on mezzanine financing, MBO financing, ESOP Financing and business valuation. [TCA Website](#). □

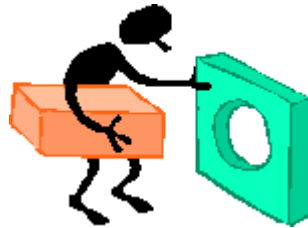
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Private Equity Groups & Your Company

Private Equity Groups (PEGs) are capital firms looking to acquire interests in companies that have excellent growth and value creation prospects.



Most are seeking control buyouts, but there are a growing number that will invest in minority positions. PEGs are focused on investing in companies that meet certain strategic, operating, and financial characteristics. So, if you

are seeking a sale or a growth investment – what does it take to attract a PEG? Herewith, are some of the answers direct from their web sites.

- Ongoing growth trends in the industry.
- Proven historical earnings and predictable cash flow.
- Significant prospects for revenue growth.
- Products or services with proven market acceptance.
- Expansion opportunities through acquisitions.
- Minimal exposure to strategic business obsolescence.
- Revenue typically between \$X and \$Y.
- EBITDA margins >15%.
- Limited technology risk.
- Defensible market positions.
- Companies which are leaders in their industries.
- High regional or national market share.

And the #1 Requirement – strong, focused management team. □

Shift Happens!

The IRS just completed their analysis of 2004 tax returns. Relatively speaking, people that

earn high incomes are shouldering a very large percentage of the overall taxes paid - in fact, the latest numbers show they are bearing the second highest burden since the 1986 Tax Reform Act passed.




The top 1% of filers paid 36.9% of all income taxes, up from 34.3% the year before, but represented just 19% of total Adjusted Gross Income (AGI). And the top 10% of all filers - those with AGI's of at least \$99,100 - bore 68% of the income tax burden, but only represented about 44% of total Adjusted Gross Income.

The bottom 50% of filers paid just 3.3% of total income tax, down from 3.5% the prior year. This was the lowest figure in recent years.

Just can't wait for Universal Healthcare! - Editor. □

Announcing


September 2006



has been acquired by

TCP, Inc.

The Undersigned served as
exclusive financial advisor to
Tri-County Pools, Inc.



Tucker Capital Advisors
We advise. You decide.

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Tucker Capital Advisors LLC

Tucker Capital Advisors LLC (TCA) is an investment banking and financial services advisory firm specializing in privately-held small and middle market companies. We provide our clients with transaction advisory services in buying, selling, valuing, financing and expanding their businesses. □

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Tucker Capital Advisors LLC **S.G. Brooke Tucker, Managing Director**

211 Hunters Ridge Road
Timonium, MD 21093

Phone: 410.561.0699 / Fax: 410.561.3948 / Mobile: 410.790.6940

email: brooke@tuckercapitaladvisors.com

website: www.tuckercapitaladvisors.com

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