

MERGERS & ACQUISITIONS

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ACG

Association for Corporate Growth

NEW MONEY

ADVENT INTERNATIONAL DEFIES THE CONVENTIONAL WISDOM THAT SUGGESTS ITS NEW \$10.4 BILLION FUND WILL ALTER THE FIRM'S PROVEN FORMULA. MANAGING PARTNERS DAVID MUSSAFER AND STEVE TADLER SAT DOWN WITH *M&A* TO EXPLAIN HOW

PLUS

IS GAMING A GOOD GAMBLE?

ROUNDTABLE:
SURVIVING AUCTIONS

ROLLUPS FACE
SCRUTINY

Evaluating the Likelihood of a Recession

Each month, ACG members offer a brief, candid viewpoint on a hot topic related to M&A, growth strategies and general market trends. This month, members weigh in on the economy.

Alarms have sounded in the media that the recession has begun, yet the GDP grew 0.6% through the 1st quarter of 2008. Do you expect the numbers to bear out a recession in the second quarter and has this been reflected in your firm's business(es)?



Morton

I expect the numbers will point to a real slowing in the economy; however, our clients continue to do deals. What we are seeing is an evolution of the capital structure of those deals. We are seeing a much larger piece of mezzanine finance being required to close deals as senior lenders tighten up. It is creating the need for all parties to carefully assess their relative priority in transactions to make sure their risks are properly priced in the deal. Main Street is still open for business.

Charles J. Morton, Jr.

Partner, Chair Mezzanine Practice Group
Venable LLP



McLaughlin

Over the last four to six months, diligence has become more strenuous as funding sources have tightened up. Getting the information technology piece right has received more focus. We continue to see a greater focus in squeezing higher efficiencies out of existing portfolio companies as well as helping them achieve growth targets. I think

whether the economy is in recession or not depends on which side of the growth and profitability line you sit. Well run companies will continue to excel.

David McLaughlin

Vice President

Technisource Management Services



Reese

The economy has obviously weakened and it is causing all of us to look closer at cash flow, bottom-line profits and valuations. Now is the time to seal every expense leak in our businesses as this weakening is likely to continue for the foreseeable future. It is important to remain focused on the core issues that are strategic to the businesses' long term health. We have an option of focusing ad hoc resources to review and improve our bottom line through the reduction of non-core expenses without adding the long-term compensation and occupancy cost of adding people. Look for consultants that not only recommend solutions but implement the recommendation and are paid on performance.

John R. Reese

Managing Director

Expense Reduction Analysts



Antler

I don't share the media's hue and cry regarding the potential for a long-term recession, and while I do think a short-term pull back is possible, I don't expect that we will tech-

nically be in a recession when the 2nd quarter GDP numbers come out. We are beginning to see some slackening in the job market, particularly in certain sectors affected by the sub-prime mortgage debacle. However, as a growth company, we are busier than we have ever been, and the first quarter of 2008 was the most successful quarter in our firm's five-year history.

Kevin Antler

Chief Operating Officer

Knowledgebank, Inc.



Waller

Liquidity in the lending markets disappeared nearly overnight in August 2007. The move to a more constrictive lending environment was so swift and severe that it elicited a sharp response from economists (many of whom predicted a recession) and that response was predictably reported by the media. We do not believe a recession will begin in the second quarter as the virtually unprecedented response by the Federal Reserve to lower interest rates and inject liquidity into the markets will keep GDP growth in positive territory. We will become more concerned about a long-lasting recession when we see more permanent reductions in liquidity (e.g. if foreign governments or investors lose confidence in the U.S. economy), low or falling productivity growth, increased protectionism or higher taxes.

John L. Waller

Senior Vice President

Fort Dearborn Advisors