



Quarter 4 2014 U.S. Market M&A Update

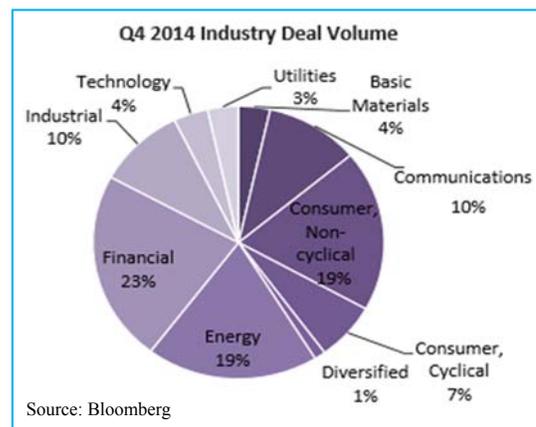
In 2014, the U.S. economy grows at the fastest pace since 2010 at an annual rate of 2.95%. In the meantime, all major stock indices in the U.S. climb to their all-time high while the unemployment rate drops to the lowest level since 2008. Optimism has become the reality, as evidenced by the strong M&A market in 2014 with a total size of deals completed valuing at \$2.5 trillion.

The sharp decline of oil price, the extended low interest rate by Federal Reserve and an expanding economy set the tone for U.S. stocks in 2014, as the three major indices rallied to unprecedented highs in the last quarter of the year. For the fourth quarter, the Dow Jones Industrial Average was up 6.1% (14.8% year), the S&P 500 gained 5.8% (18.2% year), and the NASDAQ increased 7.1 % (16.7% year).

M&A Activity Overview

Global M&A deal value was \$881.4 billion in Q4 of the year, the highest fourth quarter since 2006. Annual announced deal value surpassed \$3 trillion for the first time since 2007. The U.S. continued the trend of most targeted region, representing for 50.3% of the total value. Capital flow within North America accounted for nearly 41.1% of total deals.

In the U.S., life science has continued to be a star performer throughout the year, not least because of a spate of tax inversion deals earlier in the year, and the sector announced the biggest transaction of Q4 with the \$66 billion white knight bid by Actavis for Allergan on November 16th, 2014. This \$219 per share cash-and-stock offer from Actavis is also a tax inversion transaction, meaning fewer cuts to research and development for Allergan. Before Actavis came into the game, the activist shareholder Pershing Square led by Bill Ackman, had partnered with Valeant Pharmaceuticals to try to takeover Allergan for \$47 billion. Even though the transaction fell part because of Actavis, Bill Ackman still made \$2.6 billion in profit from its stake in Allergan.



Activism continues to be a prominent feature of the U.S. market. After months of pressure from Starboard Value, Staples finally agreed to acquire Office Depot for \$6.3 billion in cash and stock in early 2015.

Meanwhile, in the Energy, Mining & Utilities sector, Halliburton Company's \$38 billion acquisition of Baker Hughes Incorporated announced on October 17th was the second largest transaction for the quarter. This deal is an effort by the two parties to compete with industry leader Schlumberger. However, the market did not welcome the marriage of the two companies, with critics citing numerous reasons that the deal may not work out in the long run, among which are worldwide antitrust concerns as both companies have been fined by the Department of Justice and the Securities and Exchange Commission for violating the Foreign Corrupt Practices Act. Both companies' stock price dropped after the announcement of the deal.

In December, PE funds seen to finally take some action as the UK's BC Partners paid \$8.7 billion for PetSmart, the first big-ticket PE acquisition for some time.

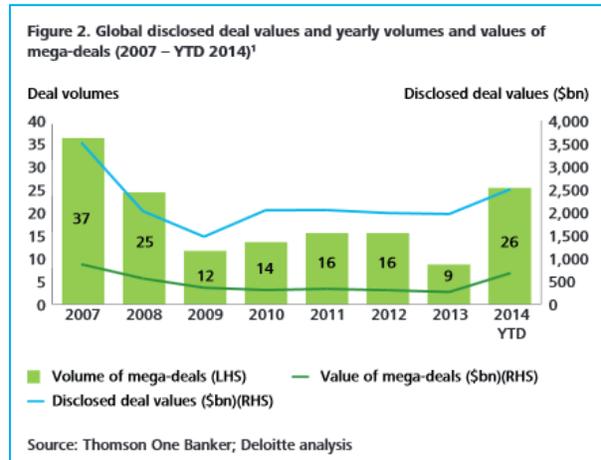


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The Return of “Animal Spirits”

One of the main themes for the 2014 M&A market is the return of mega-deals over \$10 billion in value. According to a report by Deloitte, 26 mega-deals have been announced during the year, for a total of \$672 billion in value, the highest figure since 2007. The steady flow of mega-deals has propelled the total deal values for the year above \$2.5 trillion, which is also the highest value since 2007. While the companies are sitting on record levels of cash reserves, they increasingly intended to utilize their stocks to fund their acquisitions. In 2012, all-cash transactions accounted for 75% of the total, but this percentage decreased to just 60% in 2014. Many companies have been repurchasing their shares in the last few years, and with the value of equities in global market hitting a record \$65.6 trillion earlier this year, stock can be seen as an attractive currency for acquisitions. The trend should be expected to continue in 2015.

Source: Deloitte

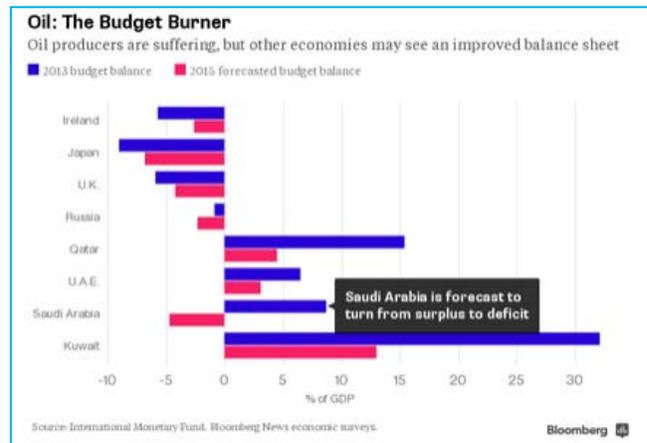


Effect of the Declining Oil Price on Government Budgets

The 56% drop in oil prices in the last six month is fueling more than just jet engines and road trips. It is also burning through the cushy budget surpluses enjoyed by some of the world’s biggest oil-producing nations.

As seen, Saudi Arabia, the world’s top producer of crude, is expected to see the budget surplus it has enjoyed for a long time into a deficit of 4.7% of gross domestic product this year. This will mark the first shortfall since 2009. Likewise, the Middle Eastern nation, which derives about 90% of its budget revenue from the exportation of oil, will also suffer from the declining oil price.

Russia is taking a bigger hit since it is facing the sanctions by the U.S. and European Union compounded by the drop in oil prices. As a result, it expects to see a budget shortfall of 2.3% of gross domestic product, which is significantly wider than the 0.85 percent in 2013.



For countries that are net importers of oil, the budget outlook are much brighter. Assuming the oil price will stay low for a period of time, Japan will be able to shrink its budget deficit from 9% in 2013 to 6.8% this year. The U.K. will be also able to narrow its budget deficit from 5.9% two years ago to 4.2% this year.

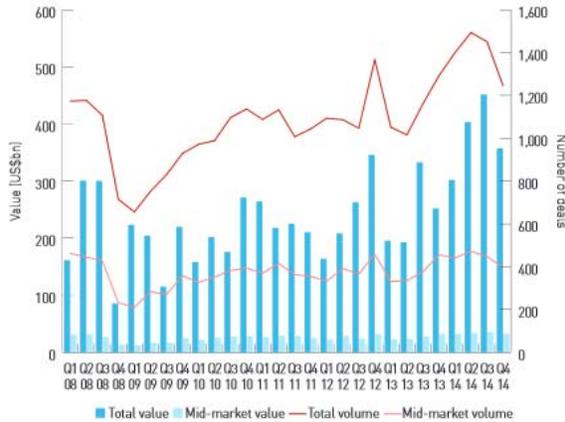
Source: Bloomberg



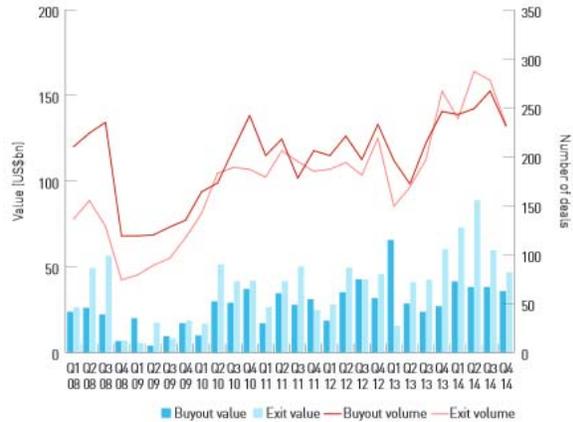
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M&A Trend Graphs*

M&A Quarterly Trend

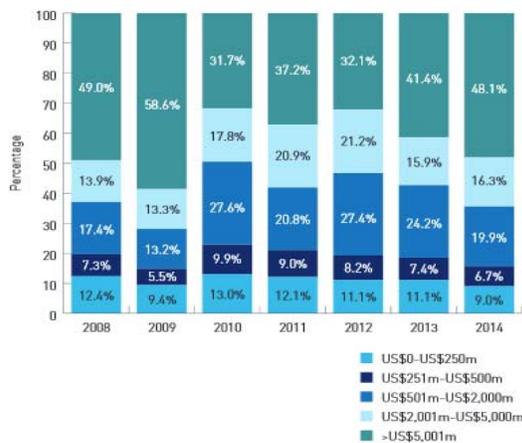


M&A Quarterly PE Trend

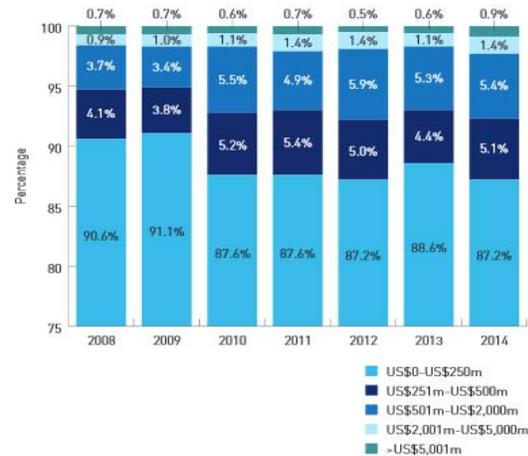


M&A Deal Size Break Down H2 2014*

VALUE



VOLUME



Top 10 Announced M&A Deals in H2 2014*

Announced Date	Buyer	Target Company	Target Dominant Sector	Multiples (x)			Deal Value (\$M)
				Revenue	EBITDA	P/E	
11/17/2014	Actavis Plc	Allergan Inc	Pharma, Medical & Biotech	10.0	30.6	52.1	66,000
8/10/2014	Kinder Morgan Inc	Kinder Morgan Energy Partners LP	Energy, Mining & Utilities	5.1	13.6	16.9	58,761
10/17/2014	Halliburton Company	Baker Hughes Incorporated	Energy, Mining & Utilities	1.7	10.4	31.8	38,000
7/15/2014	Reynolds American Inc	Lorillard Inc	Consumer	4.0	13.1	21.9	27,483
9/22/2014	Merck KGaA	Sigma-Aldrich Corporation	Industrials & Chemicals	6.0	20.3	34.5	16,205
8/22/2014	Burger King Worldwide Inc	Tim Hortons Inc	Leisure	4.2	17.3	32.4	12,746
12/16/2014	Repsol SA	Talisman Energy Inc	Energy, Mining & Utilities	2.7	13.7	(Loss)	12,718
9/15/2014	ZF Friedrichshafen AG	TRW Automotive Holdings Corp	Industrials & Chemicals	0.7	7.7	13.5	12,708
10/5/2014	Becton, Dickinson and Company	CareFusion Corporation	Pharma, Medical & Biotech	3.1	14.5	29.6	11,944
8/10/2014	Kinder Morgan Inc	Kinder Morgan Management LLC	Energy, Mining & Utilities	-	-	41.6	10,251

*Source: Mergermarket



Lawrence, Evans & Co., LLC provides investment banking, finance, and consulting services for small and middle market healthcare, transportation, manufacturing, energy and service companies. We are very active on the buy-side, sell-side, capital raising and turnaround and restructuring.

SERVICES

<p>▪ Investment Banking & Corporate Finance</p>	<ul style="list-style-type: none"> -Private Company Sales -Division/Subsidiary Divestitures -Distressed Transaction Advisory -Acquisition Advisory Services - Private Market Financings - LBO's and Recapitalizations
<p>▪ Turnaround & Restructuring</p>	<ul style="list-style-type: none"> -Turnaround Management -Debt Restructuring/Refinancing -Orderly Liquidations - Chief Restructuring Officer (CRO) - Bankruptcy Planning/ 363 Sales - Receivership/Trustee
<p>▪ Consulting</p>	<ul style="list-style-type: none"> -Strategic Options Analysis -Valuations & Financial Assessments -Interim CEO/CFO - Strategic Planning - Organizational Reviews - Expert Testimony & Opinions

REPRESENTED TRANSACTIONS

<p>Acute Care Hospital Texas</p> <p><i>Acquisition Capital Private Placement Senior and Sub-Note Working Capital Line</i></p> <p> Acted as advisor</p>	<p>Skilled Nursing Facility Michigan</p> <p>\$4,000,000 <i>Cashout Nonrecourse Refinancing Term Note and Revolver</i></p> <p> Acted as advisor</p>	<p>Robotic Integrator Midwest</p> <p>\$1,600,000 <i>Growth Capital Term Note</i></p> <p> Acted as advisor</p>
<p>Electronic Wholsaler Midwest</p> <p><i>Buy-side search for Geographic Expansion</i></p> <p> Acted as advisor</p>	<p> 2012</p> <p>Multi Specialty Medical Billing Company <i>Sale to a Strategic Buyer</i></p> <p> Acted as advisor</p>	<p>125 Acres Land California</p> <p>Real Estate \$10,000,000 <i>Bridge and Placement of Acquisition financing</i></p> <p> Acted as advisor</p>

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