

General Industrials Update

Deloitte Corporate Finance LLC



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Transaction Highlight

Advised
Staveley Engineering Services Ltd
on the sale of one of its subsidiaries
EI WHS Ltd
to
SPIE SA



The undersigned acted as financial advisor to Staveley Engineering Services Ltd



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Deloitte LLP, United Kingdom

The Manchester Corporate Finance Advisory team of Deloitte LLP, United Kingdom has advised Staveley Engineering Services Ltd (“SES”) on the sale of EI WHS Ltd to SPIE SA.

EI WHS is a specialist Electrical and Instrumentation services provider focused on the Power, Oil and Gas and Industrial sectors. The business offers a full range of technical services combined with a deep engineering skill set and has a well established track record. The power generation sector is expected to undergo significant growth over the next decade as the UK begins to install the next generation of power stations. EI WHS’s strong order book and expertise in this market was a key reason for the strong interest in the business.

The acquirer is a European leader in electrical, mechanical and HVAC engineering, energy and communication systems. SPIE employs more than 29,000 people across 400 locations in 30 countries. SPIE is ultimately owned by PAI partners.

Deloitte LLP, United Kingdom is the member firm of Deloitte Touche Tohmatsu in the United Kingdom.

Additional Recent Transactions



American Piping Products, Inc.
has sold a majority equity interest to
the edgewater funds
Edgewater Growth Capital Partners II, L.P.

The undersigned acted as exclusive financial advisor to American Piping Products, Inc.



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MotorVac Technologies, Inc.
has been acquired by
UView Ultraviolet Systems, Inc.

The undersigned acted as exclusive financial advisor to MotorVac Technologies, Inc.



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CPI PLASTICS GROUP INC.
The Film Division of CPI Plastics Group Inc.
has been sold to
Mid-America Bag LLC

The undersigned assisted and advised Deloitte & Touche Inc. (Canada), interim receiver and manager of CPI Plastics Group Ltd.



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Industry Trends

General Industrials Trends

General Industrials M&A activity in the third quarter increased from Q2, although the market remained relatively quiet. After record years for M&A in 2006 and 2007, companies increasingly became inwardly focused on trying to level-set to the new market reality. The number of transactions in 2009 is on pace to decline 37% from 2008, which fell 16% from 2007. Average value for disclosed transactions has also fallen significantly, down 27% in 2009 from 2008. Given the credit constraints and economic uncertainty, companies appear to be focusing on more modestly sized deals and tuck-in acquisitions.

Several factors are currently impacting the industry's transaction activity.

- Acquirers have shown a reduced appetite for the largest transactions.
- Companies continue to see a disparity between buyer and seller value expectations.
- Uncertainty around near-term demand limits forecasting accuracy and confidence.
- Credit remains a significant barrier to private equity activity and limits some strategic buyers' ability to do any transformational deals; therefore smaller tuck-ins are more common.

Caution on the buy side may not turn to exuberance in the near term, but we are seeing some improvement in confidence. This is hopefully the beginning of a new economic chapter.

- Executives at Eaton Corporation, Illinois Tools Works Inc., Caterpillar Inc., and Parker Hannifin Corporation expressed optimism for sales growth in 2010, and some raised full-year earnings forecasts during their Q3 earnings releases.
- Industrial production increased slightly in July and August. The uptick is in part due to inventory replenishment and increased automotive production from "Cash for Clunkers."
- The third quarter saw an upward trend in the U.S. Industrial Production-Manufacturing index from Q2, as reported by the Federal Reserve.

In the U.S., share prices for the General Industrials index rebounded with the wider market in the third quarter, with trading EV/EBITDA multiples at 9.8x for Diversified Industrials, compared to 6.8x in Q1 and 8.0x in Q2. This increase in share value may provide useful buying power for companies reluctant to expend cash or take on debt to finance acquisitions.

We believe that confidence will lead to greater clarity, which will lead to improvements in credit flows and improvements in transaction activity. This should help move the focus from cost cutting back to growth. In the near term, industrial companies expect to see growth in BRIC markets (Brazil, Russia, India and China), and distressed and international transactions are likely to be key contributors in the M&A market.

For Deloitte's perspective on how industrial companies can be well positioned to benefit from the stimulus spending, please see [The American Recovery and Reinvestment Act: Which manufacturers are likely to benefit?](#)

For Deloitte's perspective on how industrial companies can be prepared for an upturn, please see [POV: Are we there yet?](#)

General Economic Trends

Economic data from the quarter was mixed, as the recession persisted. Deloitte's monthly economic report for September observed, "A financially weakened consumer suggests that year end holiday spending could be stifled, and that manufacturing might well be the stronger growth engine over the next several months."

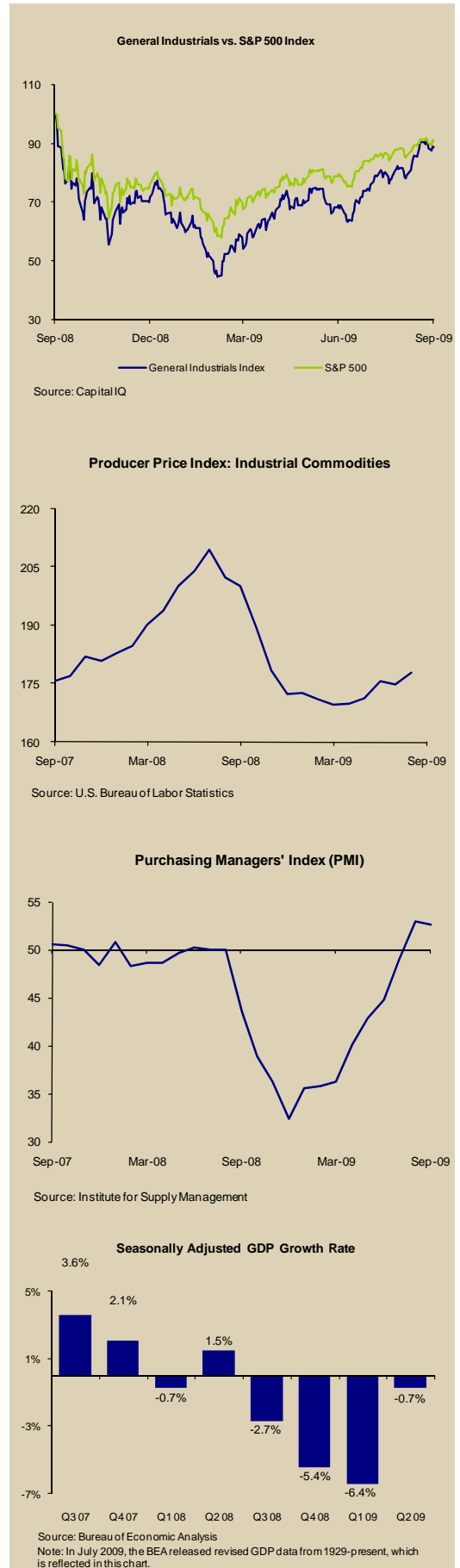
- Rather than boosting retail sales, hesitant consumers whose spending comprises two thirds of U.S. GDP, paid off household debt, which dropped for the fourth consecutive quarter.
- U.S. manufacturers experienced some benefit from a weak dollar making exports more attractive, particularly in foreign markets that were again on a growth path.

Meanwhile, weakness in the global and national economic environments continued to impact deal activity in the third quarter.

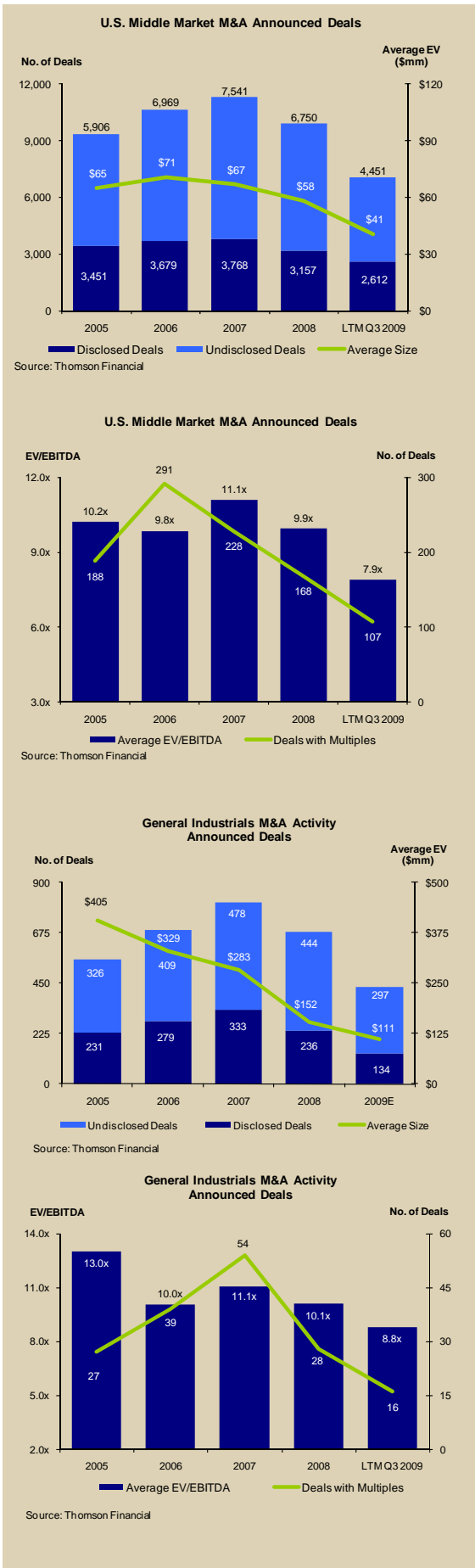
- The total disclosed value of M&A transactions fell 29% globally from Q2 and fell 52% in the U.S., but the total number of transactions showed little change from Q2.
- The total value of distressed M&A in the last twelve months (Q4 08-Q3 09) was 4.6 times higher than in the previous twelve month period (Q4 07-Q3 08), as struggling companies restructure.

The stock markets rose broadly in the third quarter, but the "real" economy as measured by production, sales and employment levels had yet to experience a similar rise. Until fundamentals improve, companies of all sizes and sectors are likely to be watching to determine whether stabilization will be sustained, thus avoiding a "double-dip" recession.

[Link to Deloitte Economic Update - September 2009](#)



Highlighted Transactions



Select Deals Announced

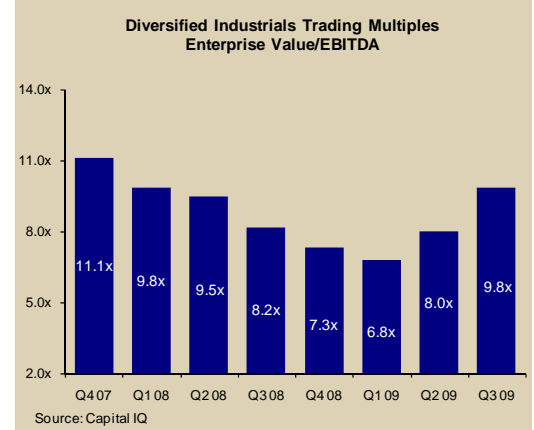
- September 28, 2009 – **American Securities LLC** acquired **GenTek Inc.**, a New Jersey-based manufacturer of industrial components for \$409 million.
- September 9, 2009 – **FMC Technologies Inc.** acquired **Direct Drive Systems, Inc.**, a Texas-based manufacturer of magnet motors and bearings for the oil and gas industry, for \$120 million.
- August 26, 2009 – **Precision Castparts Corporation** acquired **Carlton Forge Works** and **Arcturus Manufacturing Corporation**, two California-based manufacturers of metal components for the aviation and turbine engine industries, for \$850 million.
- August 18, 2009 – **Helix Wind Corporation** acquired **Abundant Renewable Energy LLC**, a bankrupt Oregon-based manufacturer of wind generators, and **Renewable Energy Engineering LLC**, an Oregon-based company that provides design and consulting services for the renewable energy industry. The two transactions totaled \$7 million.
- August 13, 2009 – **Sumitomo Precision Products Co. Ltd.**, a Japanese industrial company, acquired **Aviza Technology Inc.**, a bankrupt California-based manufacturer of semiconductor equipment, for \$62 million.
- August 11, 2009 – **Daewoo Shipbuilding & Marine Engineering Company**, a South Korean company, acquired **DeWind, Inc.**, a California-based manufacturer of wind turbines, for \$50 million.
- July 31, 2009 – **Murata Machinery Limited** acquired the US automated material handling assets of bankrupt California-based **Asyst Technologies Inc.** In a related transaction, Murata also acquired Asyst Technologies Japan, Inc. for \$115 million.
- July 27, 2009 – **Agilent Technologies Inc.** acquired **Varian Inc.**, a California-based manufacturer of scientific instruments, for \$1.5 billion. The enterprise value represents a multiple of 10.7x EBITDA and 1.5x revenue.
- July 26, 2009 – **JTEKT Corporation** acquired the needle roller bearing business of **The Timken Company**, an Ohio-based manufacturer of steel products, for \$300 million.
- July 22, 2009 – **Hubbell Inc.** acquired **FCI Americas Inc.**, a Pennsylvania-based manufacturer of connectors, cable accessories and application tooling, from Bain Capital LLC for \$360 million.
- July 9, 2009 – **JDS Uniphase Corporation** acquired **Finisar Corporation's** Network Tools business, a California-based manufacturer of network test tools, for \$41 million.
- July 1, 2009 – **Lufkin Industries Inc.** acquired **Rotating Machinery Technology Inc.**, a New York-based manufacturer of tilting pad journal and fixed pad sleeve bearings for \$8 million.
- July 1, 2009 – **Ball Corporation** acquired four metal beverage can and lid manufacturing plants from **Metal Container Corporation**, a Missouri-based manufacturer and Anheuser-Busch Inbev subsidiary, for \$577 million.

Source: Thomson Financial

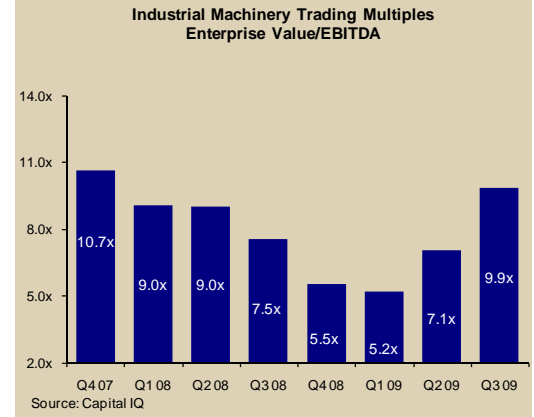
Market Snapshot

\$U.S. in millions

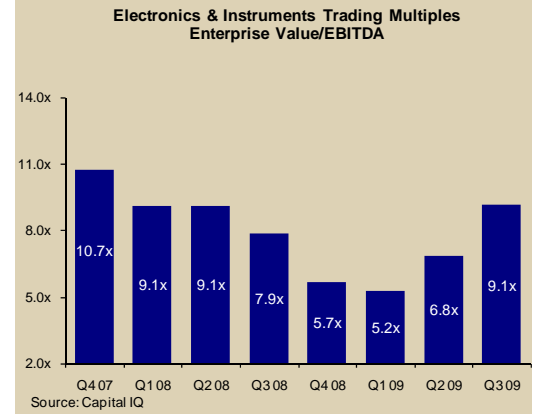
	Reported Date	Market Cap	Enterprise Value (EV)	Enterprise Value to:		EBITDA Margin	Reported P/E	Stock Performance	
				Sales	EBITDA			Quarter	LTM
Diversified Industrials									
Ashland Inc.	06/30/09	\$3,217	\$4,954	0.6x	7.9x	7.7%	N.M.	54.1%	47.8%
Carlisle Companies Inc.	06/30/09	\$2,077	\$2,195	0.8x	8.0x	10.7%	15.9x	41.1%	13.1%
DanaHER Corp.	07/03/09	\$21,525	\$23,171	2.0x	11.0x	18.0%	17.8x	9.0%	(3.0%)
Donaldson Company Inc.	07/31/09	\$2,676	\$2,821	1.5x	11.8x	12.8%	20.4x	(0.0%)	(17.4%)
Dover Corp.	06/30/09	\$7,215	\$8,357	1.3x	7.7x	16.8%	13.8x	17.1%	(4.4%)
General Electric Co.	06/30/09	\$174,493	\$636,241	3.7x	22.8x	16.3%	12.3x	40.1%	(35.6%)
Honeywell International Inc.	06/30/09	\$27,939	\$33,979	1.0x	8.7x	11.7%	12.0x	18.3%	(10.6%)
ITT Corporation	06/30/09	\$9,512	\$10,305	0.9x	7.0x	13.2%	12.3x	17.2%	(6.2%)
Siemens AG	06/30/09	\$80,757	\$94,008	0.9x	9.5x	9.0%	28.7x	35.1%	(0.1%)
Textron Inc.	07/04/09	\$5,129	\$14,152	1.1x	11.1x	10.3%	N.M.	96.5%	(35.2%)
Tomkins plc	07/04/09	\$2,660	\$3,260	0.7x	7.7x	9.2%	N.M.	23.9%	10.3%
Tyco International Ltd.	06/26/09	\$16,347	\$18,813	1.0x	6.9x	15.1%	N.M.	32.7%	(1.5%)
United Technologies Corp.	06/30/09	\$57,352	\$64,152	1.2x	7.7x	15.5%	13.7x	17.3%	1.4%
Average Diversified Industrials				1.3x	9.8x	12.8%	16.3x	30.9%	(3.2%)



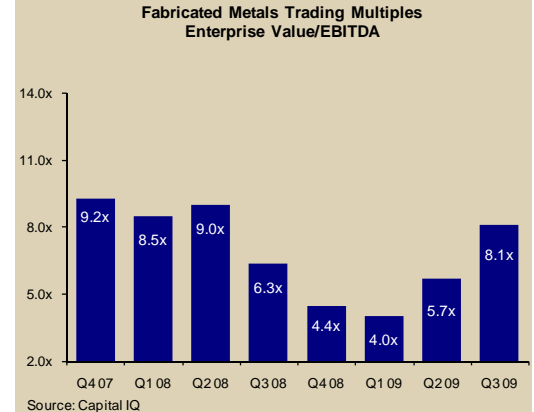
Industrial Machinery									
AGCO Corp.	06/30/09	\$2,554	\$3,039	0.4x	5.4x	7.4%	8.4x	(5.0%)	(35.2%)
Caterpillar Inc.	06/30/09	\$31,891	\$63,512	1.5x	14.1x	10.4%	17.4x	55.4%	(13.9%)
CNH Global NV	06/30/08	\$4,054	\$13,561	0.9x	7.5x	11.6%	23.4x	21.7%	(22.5%)
Deere & Co.	07/31/09	\$18,153	\$40,710	1.6x	16.1x	10.1%	12.6x	7.4%	(13.3%)
Flowsense Corp.	06/30/09	\$5,511	\$5,830	1.3x	8.0x	16.5%	12.7x	41.2%	11.0%
Illinois Tool Works Inc.	06/30/09	\$21,361	\$23,781	1.7x	11.7x	14.8%	26.0x	14.4%	(3.9%)
Ingersoll-Rand Co. Ltd.	06/30/09	\$9,790	\$13,719	1.0x	9.4x	10.1%	N.M.	46.7%	(1.6%)
Joy Global, Inc.	07/31/09	\$5,008	\$5,289	1.4x	6.9x	20.9%	11.3x	37.0%	8.4%
Kennametal Inc.	06/30/09	\$2,002	\$2,418	1.2x	13.1x	9.2%	N.M.	28.3%	(9.3%)
Lennox International Inc.	06/30/09	\$2,016	\$2,237	0.7x	9.1x	7.9%	23.6x	12.5%	8.6%
Lincoln Electric Holdings Inc.	06/30/09	\$2,018	\$1,779	0.9x	7.4x	12.1%	20.1x	31.7%	(26.2%)
Pall Corp.	04/30/09	\$3,773	\$4,172	1.8x	10.0x	18.0%	19.6x	21.5%	(6.1%)
Parker Hannifin Corporation	06/30/09	\$8,333	\$10,467	1.0x	8.4x	12.0%	16.5x	20.7%	(2.2%)
Pentair, Inc.	06/27/09	\$2,902	\$3,754	1.3x	10.2x	12.5%	25.4x	15.2%	(14.6%)
Robbins & Myers Inc.	05/31/09	\$771	\$713	1.0x	6.1x	16.3%	10.8x	22.0%	(24.1%)
Smith International Inc.	06/30/09	\$6,329	\$8,562	0.8x	5.2x	16.0%	11.7x	11.5%	(51.1%)
Terex Corp.	06/30/09	\$2,239	\$3,037	0.4x	12.2x	3.5%	N.M.	71.7%	(32.1%)
Trinity Industries Inc.	06/30/09	\$1,363	\$2,720	0.8x	4.6x	16.7%	N.M.	26.2%	(33.2%)
Watsco Inc.	06/30/09	\$1,715	\$1,690	1.1x	22.1x	5.1%	33.4x	10.2%	7.2%
Average Industrial Machinery				1.1x	9.9x	11.3%	18.2x	25.3%	(15.4%)



Electronics & Instruments									
Agilent Technologies Inc.	07/31/09	\$9,604	\$10,258	2.1x	17.0x	12.6%	N.M.	37.0%	(6.2%)
Ametek Inc.	06/30/09	\$3,753	\$4,670	2.0x	9.2x	21.6%	16.5x	1.0%	(14.4%)
AO Smith Corp.	06/30/09	\$1,149	\$1,389	0.7x	8.1x	8.2%	14.3x	17.0%	(2.8%)
Cooper Industries Ltd.	06/30/09	\$6,264	\$7,013	1.2x	8.3x	14.7%	13.5x	21.0%	(6.0%)
Emerson Electric Co.	06/30/09	\$30,124	\$34,043	1.5x	8.2x	18.7%	16.0x	23.7%	(1.7%)
Hubbell Inc.	06/30/09	\$2,369	\$2,581	1.0x	7.1x	14.2%	12.6x	31.0%	19.8%
Integral Systems Inc.	06/26/09	\$120	\$124	0.7x	9.4x	7.8%	16.8x	(17.1%)	(66.8%)
Johnson Controls Inc.	06/30/09	\$15,220	\$19,455	0.6x	15.0x	4.3%	N.M.	17.7%	(15.7%)
Molex Inc.	06/30/09	\$3,626	\$3,412	1.3x	10.6x	12.4%	N.M.	34.3%	(7.0%)
Regal-Beloit Corp.	06/27/09	\$1,637	\$1,900	0.9x	8.3x	11.4%	16.4x	15.1%	7.5%
Rockwell Automation Inc.	06/30/09	\$6,047	\$6,372	1.3x	9.3x	14.5%	19.3x	32.6%	14.1%
Roper Industries Inc.	06/30/09	\$4,630	\$5,573	2.6x	10.3x	24.8%	17.6x	12.5%	(10.5%)
Schneider Electric S.A.	06/30/09	\$26,529	\$32,230	1.3x	8.2x	16.5%	14.8x	33.1%	19.5%
SPX Corporation	06/27/09	\$3,007	\$4,023	0.8x	6.4x	11.8%	17.4x	25.1%	(20.4%)
Teledyne Technologies Inc.	06/28/09	\$1,296	\$1,607	0.9x	7.6x	11.4%	13.3x	9.9%	(37.0%)
Thomas & Betts Corp.	06/30/09	\$1,590	\$1,928	0.9x	6.1x	14.5%	11.9x	4.2%	(23.0%)
Tyco Electronics, Ltd.	06/26/09	\$10,220	\$11,541	1.0x	7.9x	12.6%	N.M.	19.8%	(19.5%)
WESCO International Inc.	06/30/09	\$1,217	\$2,068	0.4x	7.3x	5.3%	7.5x	15.0%	(10.5%)
Average Electronics & Instruments				1.2x	9.1x	13.2%	14.9x	18.5%	(10.0%)



Fabricated Metals									
Allegheny Technologies Inc.	06/30/09	\$3,432	\$3,654	0.9x	7.1x	12.8%	13.8x	0.2%	18.4%
Carpenter Technology Corp.	06/30/09	\$1,030	\$953	0.7x	7.7x	9.1%	21.4x	12.4%	(8.8%)
Crane Co.	06/30/09	\$1,509	\$1,677	0.7x	7.7x	9.3%	19.3x	15.7%	(13.1%)
General Cable Corp.	07/03/09	\$2,035	\$2,990	0.6x	6.5x	9.1%	10.6x	4.2%	9.9%
Kaydon Corporation	07/04/09	\$1,077	\$867	1.9x	8.7x	21.4%	20.7x	(0.4%)	(28.1%)
MSC Industrial Direct Co. Inc.	05/30/09	\$2,728	\$2,726	1.7x	10.2x	16.9%	18.0x	22.8%	(5.4%)
NCI Building Systems Inc.	08/02/09	\$64	\$431	0.3x	10.2x	3.4%	N.M.	21.2%	(89.9%)
Precision Castparts Corp.	06/28/09	\$14,284	\$13,958	2.2x	8.3x	26.4%	14.2x	39.5%	29.3%
Snap-on Inc.	07/04/09	\$2,006	\$2,301	0.9x	5.7x	15.4%	10.8x	20.9%	(34.0%)
Steel Dynamics Inc.	06/30/09	\$3,301	\$5,427	1.0x	12.3x	8.2%	N.M.	3.6%	(10.2%)
Timken Co.	06/30/09	\$2,268	\$2,577	0.6x	5.6x	10.2%	N.M.	37.2%	(17.4%)
Walter Energy, Inc.	06/30/09	\$3,177	\$3,324	2.3x	6.9x	33.2%	8.3x	65.7%	26.6%
Average Fabricated Metals				1.1x	8.1x	14.6%	15.2x	20.3%	(10.2%)



Source: Capital IQ

Related Content

In addition to information regarding the general industrials industry being provided by DCF, you may be interested in additional events and informational sources available through DCF and the subsidiaries of Deloitte LLP.

Dbriefs Webcasts

Stay on top of the latest issues and strategies. Deloitte LLP and its subsidiaries offer Dbriefs, live webcasts that provide you with insights on important developments affecting your business. Webcasts are complimentary, 1-hour live sessions; you can participate from the convenience of your office.

Manufacturing

[Are We There Yet? Preparing Manufacturers for the Upside of the Downturn](#)

Thursday, November 05, 2009 1:00 PM Eastern Time; Host: Tim Hanley, Partner - Deloitte Consulting LLP

Many companies are beginning to focus on the economic upturn, but are caught between the competing demands of managing cash and structural costs while targeting smart investments and growth. How do you move your business from a reactive to proactive stance? We'll discuss:

- Key phases of the upturn response, including managing structural costs, optimizing revenue, aligning talent, and driving a new growth culture.
- Using scenario and operations planning to assess and prepare the business for next steps.
- Leading practices for managing risk and success with customers, suppliers, and employees.

Learn how taking action now could help your organization capture growth, manage risk, and drive value in a rebounding economy.

[Click here](#) to view the archived webcast from November 5, 2009

Article

[Are We There Yet?](#)

Downturn strategies for manufacturers

In a recent online seminar conducted by Deloitte, more than 800 participants from the world of manufacturing were asked when they anticipated the economy to rebound. Most expect a rebound sometime in 2010. That's an eternity for companies that have already lived the recession for 12 months or more and taken a hit.

Our recent study, "Are We There Yet?" provides fundamental strategies to consider for navigating continued market volatility – and positioning the business for new market realities.

[Click here](#) to read the full article.

Report

[2009 Finance Book of Metrics for Process & Industrial Products](#)

Deloitte launches finance benchmarking study specifically for Process & Industrial Products companies

As executives face incredible pressure in today's shaky business environment, cost-cutting initiatives become more crucial than ever. One may ask: Where will I get the most impact without negatively affecting our ability to serve the business? Where can I reduce costs without endangering our ability to rebound quickly when the economy improves and talent needs change? Do opportunities in my industry mirror other industries as well?

[Click here](#) to read the full report, 2009 Finance Book of Metrics for Process & Industrial Products.

[People and Profitability: A Time for Change](#)

Amidst ongoing economic uncertainty, record-high unemployment rates and continued layoffs and mandatory furlough days, manufacturers are struggling to find and retain high-skilled, flexible workers. Deloitte Consulting LLP, The Manufacturing Institute, and Oracle recently conducted a national survey of manufacturing organizations to assess the future importance, and current performance, of the people management practices relative to the business success. In the attached report "People And Profitability - A Time For Change: A 2009 People Management Practices Survey Of The Manufacturing Industry," the findings indicate an ongoing talent challenge facing manufacturing organizations and a continued need for them to embrace new and progressive talent strategies.

The report also reveals manufacturing's top drivers of future business success and includes commentary on talent shortages experienced today as well as those expected within the next two to three years.

[Click here](#) To learn more about the survey findings and leading practices.

Deloitte Corporate Finance LLC

DCF provides deal execution and lead financial advisory services to large corporate, middle market, private equity and venture capital firms. DCF, Deloitte Financial Advisory Services LLP and their affiliates maintain a presence in key U.S. financial centers.

For additional information or to find out more about how DCF can assist the deal initiation and execution process, please contact one of our DCF Managing Directors:

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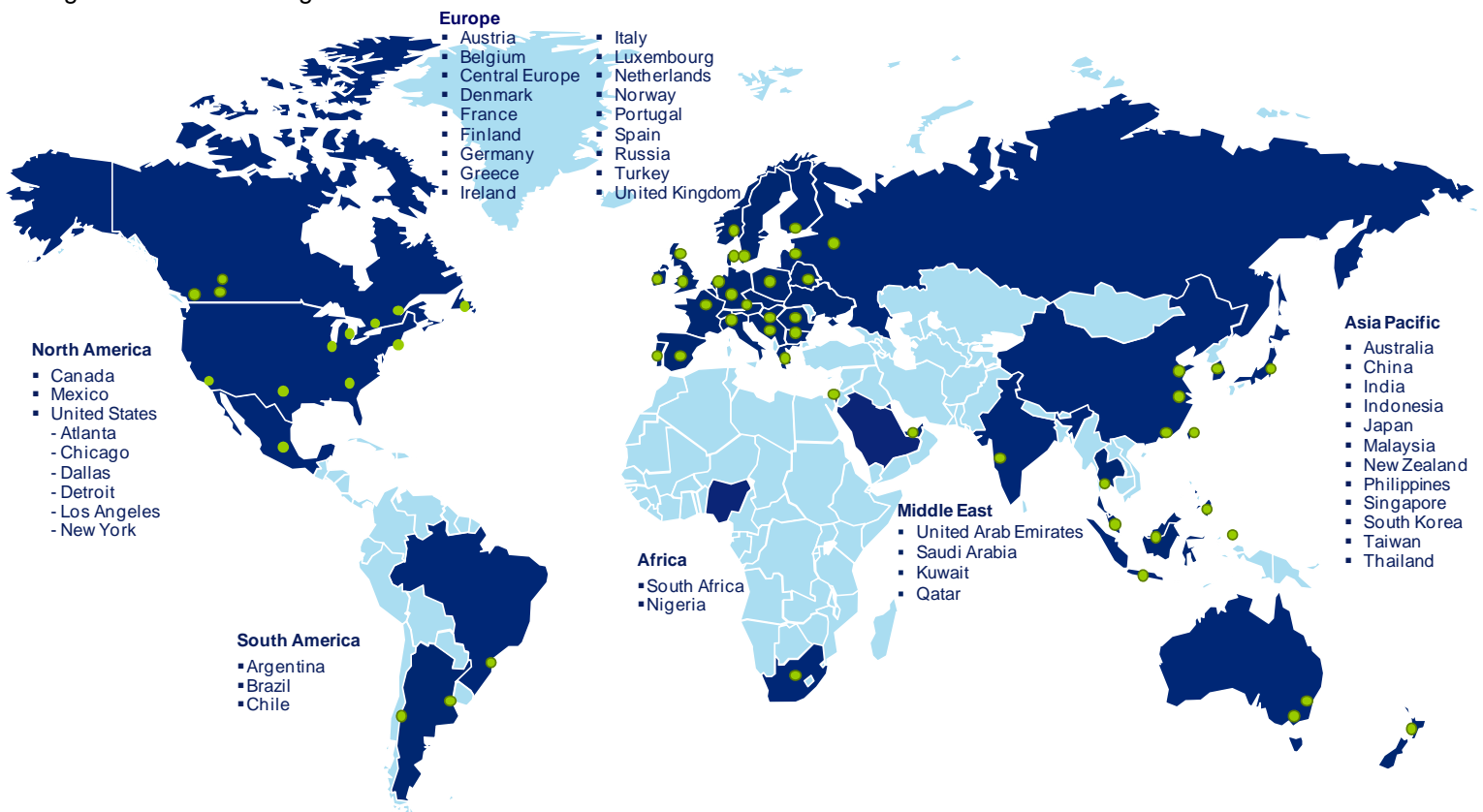
For additional information on members of the manufacturing team of Deloitte LLP and its affiliates, please contact:

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Corporate Finance Practices of DTT Member Firms and Affiliates

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