



## Low-end of Middle Market – Increased Supply of Available Companies

### ·Data

- There are between five and eight million U.S. companies with annual revenues less than \$100 million
- The overwhelming majority of these companies will undergo an ownership change in the next decade
- Family-owned businesses represent 85% of all U.S. businesses
- 80% of these businesses are still controlled by the founder(s)
- Only 40% of family-owned businesses are successfully passed on to the second generation and only 12% to the third generation



## · Experience

- Entrepreneurs and family-business owners decide to sell due to one or more “life events”
- These business owners are not market timers, but unwilling to sell at market trough
- “Life Events” continued to occur during the recession
- Improved M&A market conditions and improved business performance has resulted in a sharp increase in the supply of companies available to buy
- We have enjoyed a notable surge in quality deal flow since Q1 2010



## Regrettably, Demand for Smaller Middle Market Companies Also Rising

### ·Data

- \$1,845 Billion raised by PE funds in the three year period 2006-2008
- This represents 50% more capital than was raised during prior six years (2000-20005)
- LBO deal volume did not keep pace
- 2008-2010 three year aggregate deal volume < 50% of 2006-2007 two year aggregate
- Expiring investment periods forcing PE funds to “use it or lose it”



## · Experience

- Completed Prairie V fund raise in October 2010 (yea!)
- Consistent feedback from the institutional investor community: increasing allocations to the low-end of the middle market
- Corporate buyers also more active (improved stock prices, significant cash accumulation and improved financial results)
- Increased demand from displaced executives trying to acquire middle market businesses