

Issue 4
Mid Year 2009 Edition

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Private Equity Focus

Freeman & Co. LLC

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Waiting For the Turn

Private equity transactions are down significantly in all industries as the credit crisis continues. In financial services there were 24 deals worth \$4.9 billion in 1H 2009 compared to 134 deals worth \$24.9 billion in full-year 2008 and 213 deals worth \$78.5 billion in full-year 2007. From this market cycle nadir, there are four drivers for an increase in deal activity that make us optimistic about the next 2-3 years:

- 1. Economic Situation:** while not out of the woods, the economy is stabilizing and showing signs of growth so buyers will be more confident to complete deals and catch the beginning stages of economic recovery
- 2. Valuations:** public company valuations in financial services are off their lows to more realistic or normal levels, and lower the bid-ask spreads are allowing sellers to feel more comfortable with the value they receive
- 3. Divestitures:** balance sheet-driven financial companies will begin to divest non-core businesses once they can get "fair value," as supported by points #1 and #2 above; this should accelerate in 2010
- 4. Recapitalization:** too many banks still need to be recapitalized and PE firms will get more active as the FDIC comes under pressure to allow PE firms to do more; bank-related deals have been the majority of FIG transactions in the past 12 months

As in the past, this report is divided into three main sections:

FIG PE Overview, including deal activity and entry/exit trends;

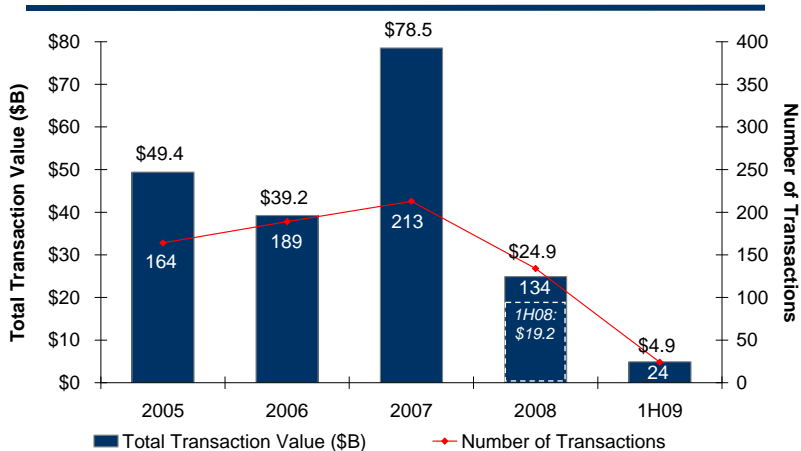
Sub-Sector Focus, including trends in Asset Management, Banks & Brokerage, Trading Technology, Insurance, Specialty Finance and Business Services; and

Current Topics, including topics important to PE investors in FIG such as fundraising, European trends, the current state of the credit markets, focus on portfolio company maintenance, and macro outlook.

Indices at August 31, 2009

DJIA	9,496
NASDAQ	2,009
S&P 500	1,021
FTSE 100	4,909
10-yr US T-Bond	3.409%
USD per GBP	\$1.62
USD per Euro	\$1.43

Financial Institutions Private Equity Transactions



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