

Issue 3  
Mid Year 2008 Edition  
  
Published September 2008  
  
New York • London

# Private Equity Focus

## Freeman & Co. LLC

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### Where Have You Gone LBO?

#### *Our Wall Street Turns its Lonely Eyes to You...*

The past 12 months have seen a dramatic shift in the private equity environment. The previous edition of this report was written at the peak of the market in mid-2007, when credit was easy to obtain and record-breaking private equity (“PE”) deals were being announced. Subsequently, the credit crunch has dealt a tremendous blow to deal making in PE. Inexpensive debt that was an important component of private equity firms’ recent historic returns is gone. PE firms must now adapt to new market conditions if they are going to continue to provide significant returns to investors. There has already been a shift away from traditional LBO transactions. One such thematic is the focus of PE firms coming to the aid of the capital-deficient large commercial and universal banks, though deals to date in this sub-sector have proved challenging. We look for this bank & thrift thematic to move to the community and smaller regional market as well.

This report reviews the impact of the current economic environment on Financial Institutions Group (“FIG”) PE investing and is divided into three main sections:

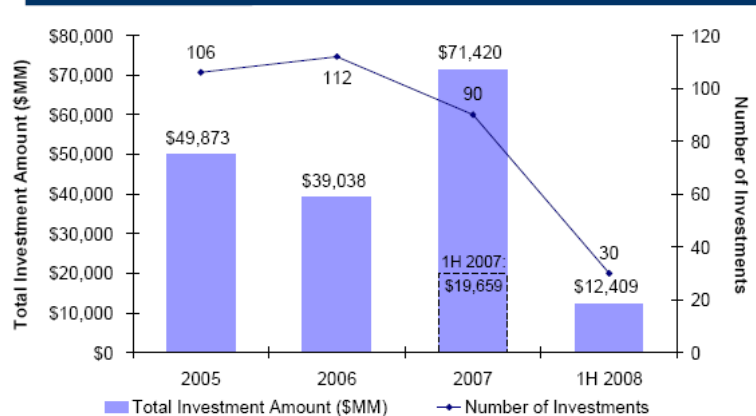
- 1. Macro Environment** for FIG PE: including deal activity and entry/exit trends
- 2. Deal Volume and Trends** in the six sub-sectors of FIG PE: Asset Management, Banks & Broker-Dealers, Financial Technology & Processing, Insurance, Specialty Finance and Business Services
- 3. Current Topics** unique to FIG private equity: PE general and distressed debt fundraising, European trends, impact of the credit crunch and a focus on portfolio company maintenance

There were 30 FIG PE deals in 1H 2008 with a combined transaction value of only \$12.4 billion, which is a significant drop from the 90 deals done in FY 07 worth \$71 billion. Indeed, levels are not projected to reach even that of 2005 or 2006.

**Indices and Rates at 9/18/08:**

DJIA	11,020
Nasdaq	2,199
S&P 500	1,207
FTSE 100	4,880
10-yr U.S. T-Bond	3.44%
USD per GBP	\$1.82
USD per Euro	\$1.43

#### PE Investments in FIG (2005-1H 2008)



Source: Freeman & Co.

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