



Recent Trends in the Mergers & Acquisitions and Private Equity Markets

Charles Uhrig

Managing Director – Raymond James



August 31, 2007



RAYMOND JAMES®



Section 1

Recent Trends in the Mergers & Acquisitions Market



Mergers & Acquisitions Overview

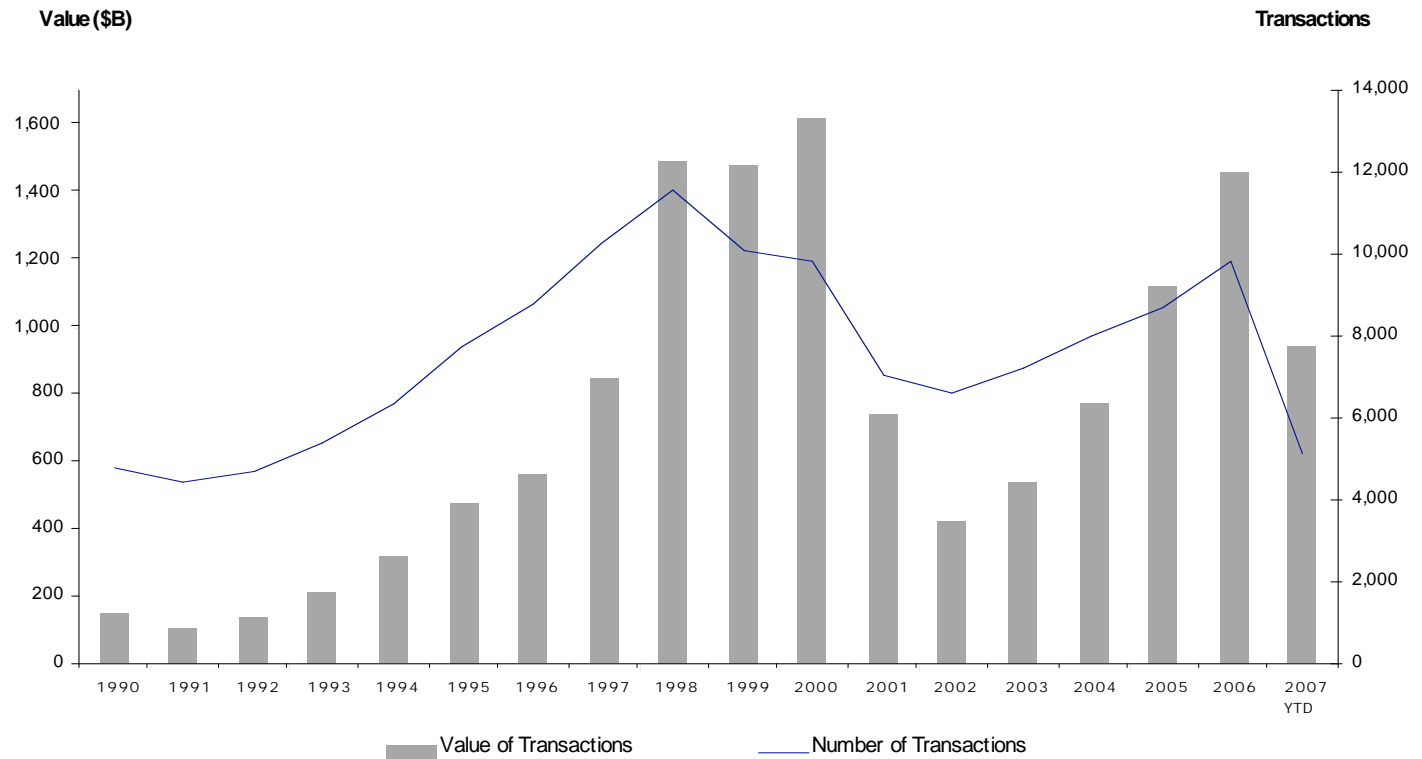
- Thru 6/30/07, domestic M&A activity was occurring at a record pace / annualized at ~\$1.8 trillion for 2007
- Over \$400 billion in bank debt / high-yield backlog is currently causing “digestion” problems
- Driven by increased levels of both strategic and financial buyer interest
- Key drivers include:
 - Availability of higher levels of debt
 - Availability of lower cost debt
 - Healthy corporate balance sheets
 - Activist investor focus on increased profitability and growth
 - Dramatic growth in number and size of private equity firms
 - Increase in acquisitions in U.S. by non U.S. companies

Recent Trends in the Mergers & Acquisitions Market

M&A Deal Volume and Number of Transactions

(Figures in \$ Billions)

Domestic M&A activity has rebounded strongly over the 2002-2006 period.



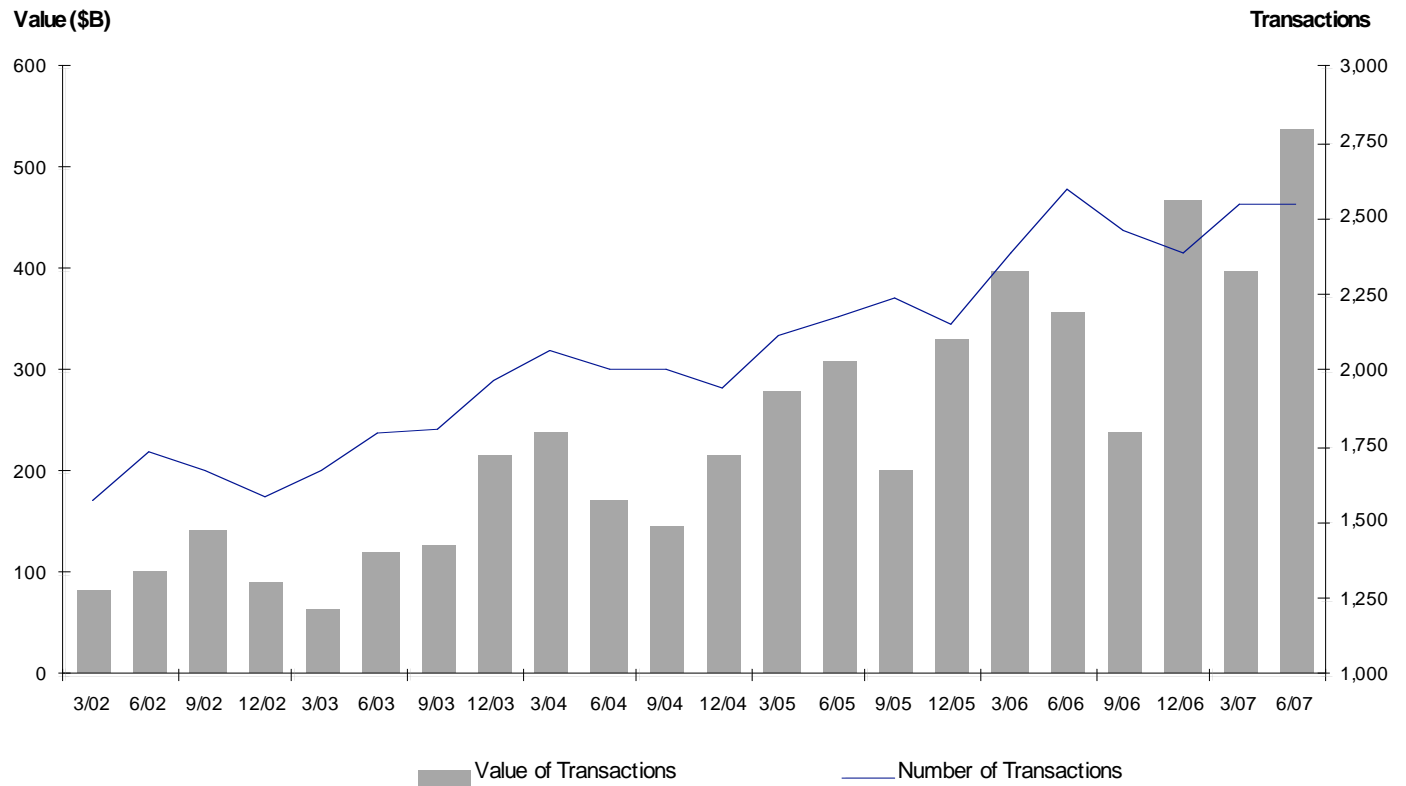
*Source: Securities Data Corporation. 2007 YTD is as of 6/30/07.

Recent Trends in the Mergers & Acquisitions Market

M&A Deal Volume and Number of Transactions

(Figures in \$ Billions)

Quarterly domestic M&A activity has increased consistently since 2002.



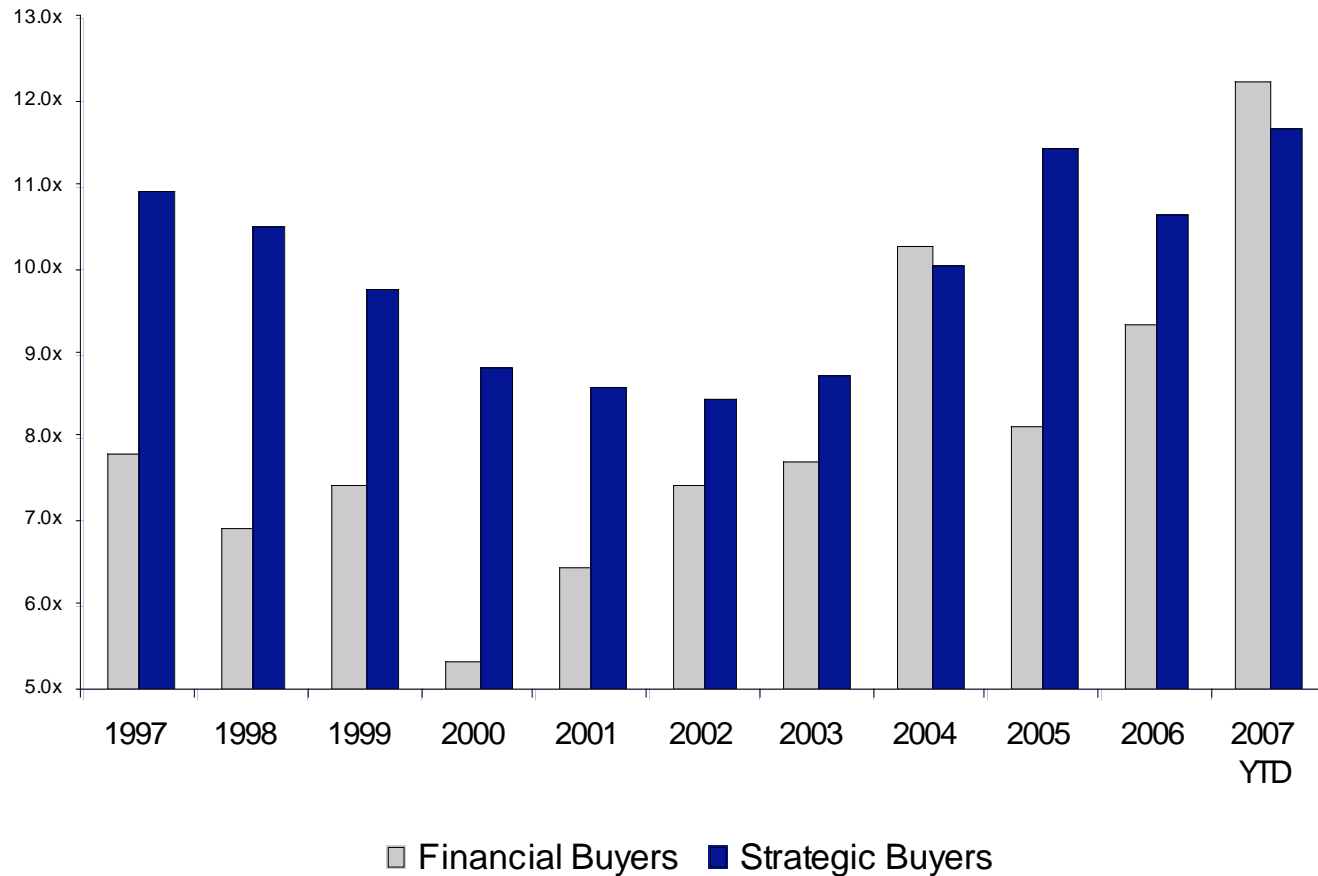
*Source: Securities Data Corporation.

Common Reasons Given for M&A Activity

- Gain economies of scale
- Cross selling opportunities
- Increased market share / Pricing power
- Cost rationalization opportunities / Synergies
- Geographic expansion
- Vertical integration / Control of supply chain
- Diversification

Trends in Purchase Price to EBITDA Multiples

The following graphic compares the median historical acquisition purchase price to EBITDA multiples paid by financial and strategic buyers.

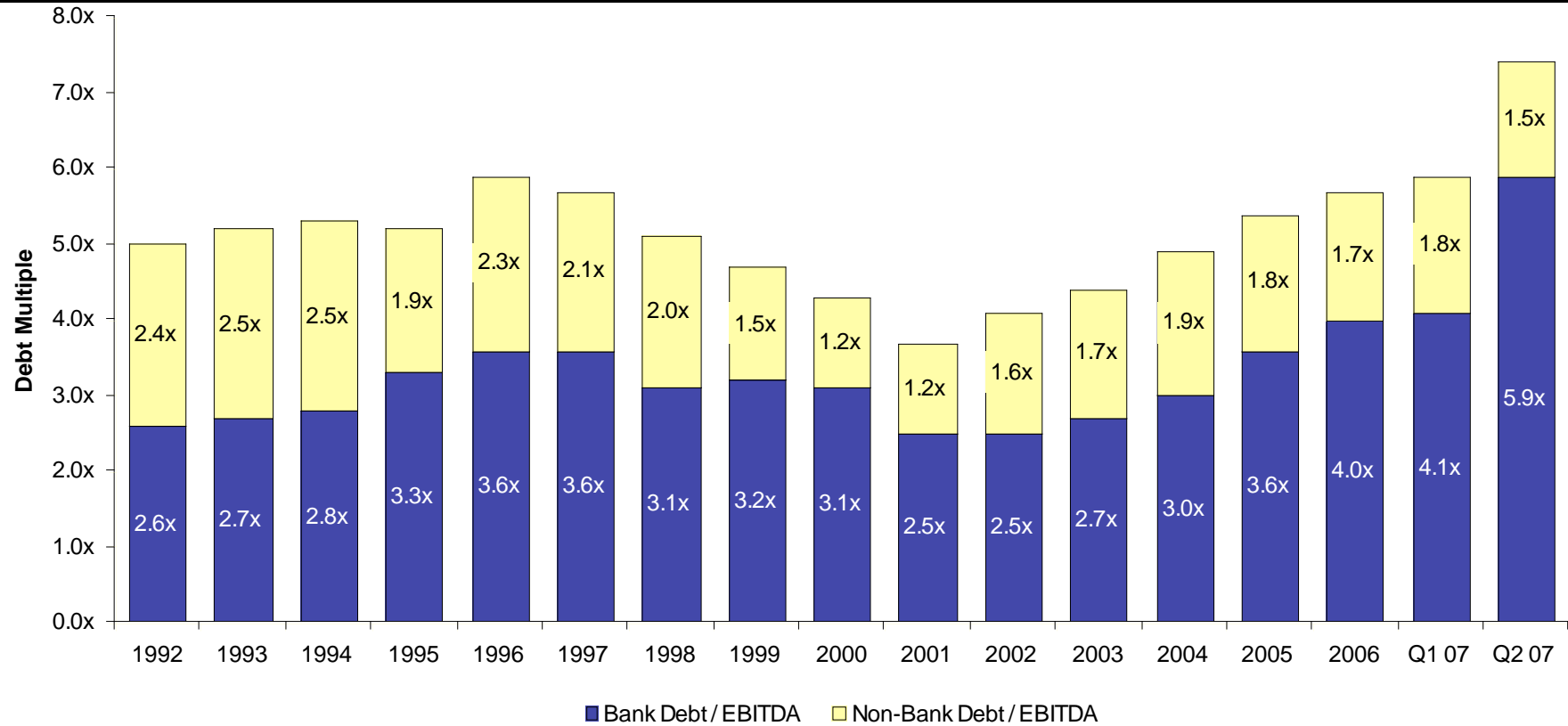


*Source: Securities Data Corporation. 2007 YTD is as of 6/30/07.

Recent Trends in the Mergers & Acquisitions Market

Average Debt Multiples

Average Debt Multiples of Highly Leveraged Loans



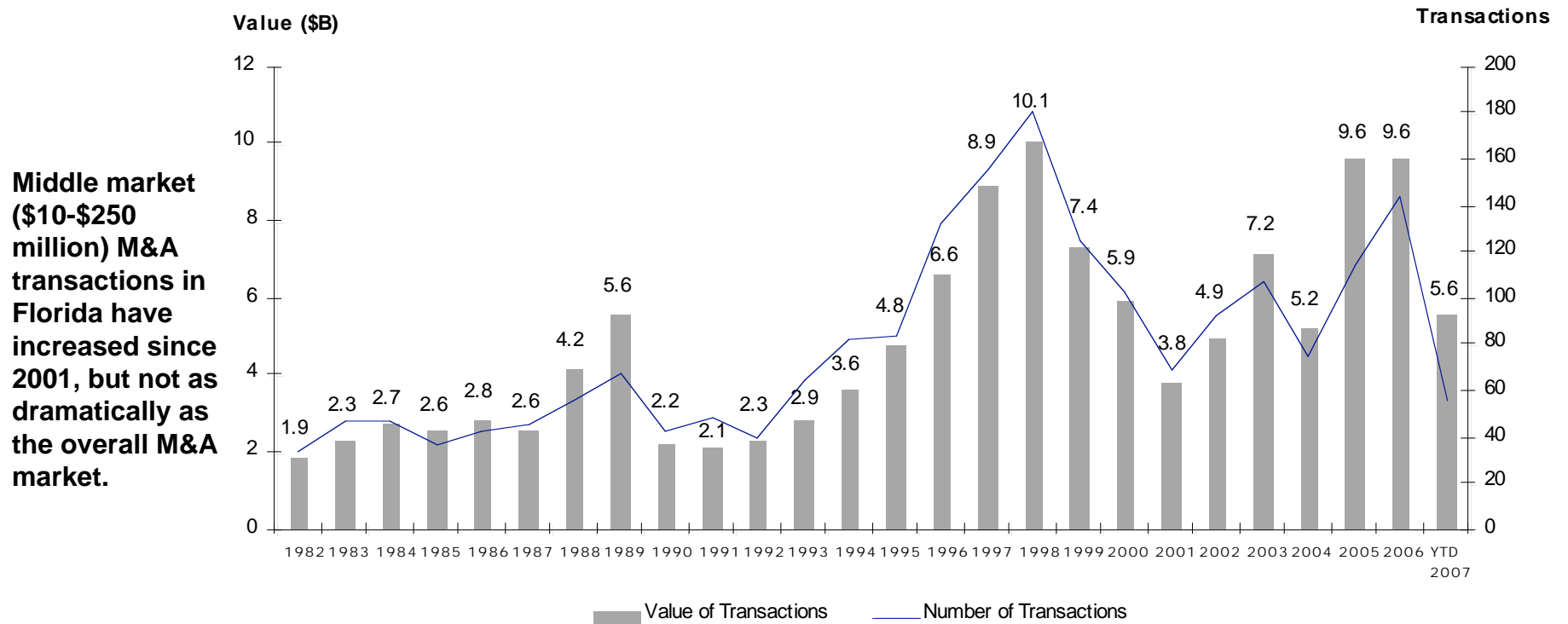
Average debt multiples have increased consistently since 2001.

*Source: Standard & Poors LCD.

Recent Trends in the Mergers & Acquisitions Market

Florida M&A Deal Volume and Number of Transactions

(Figures in \$ Billions)



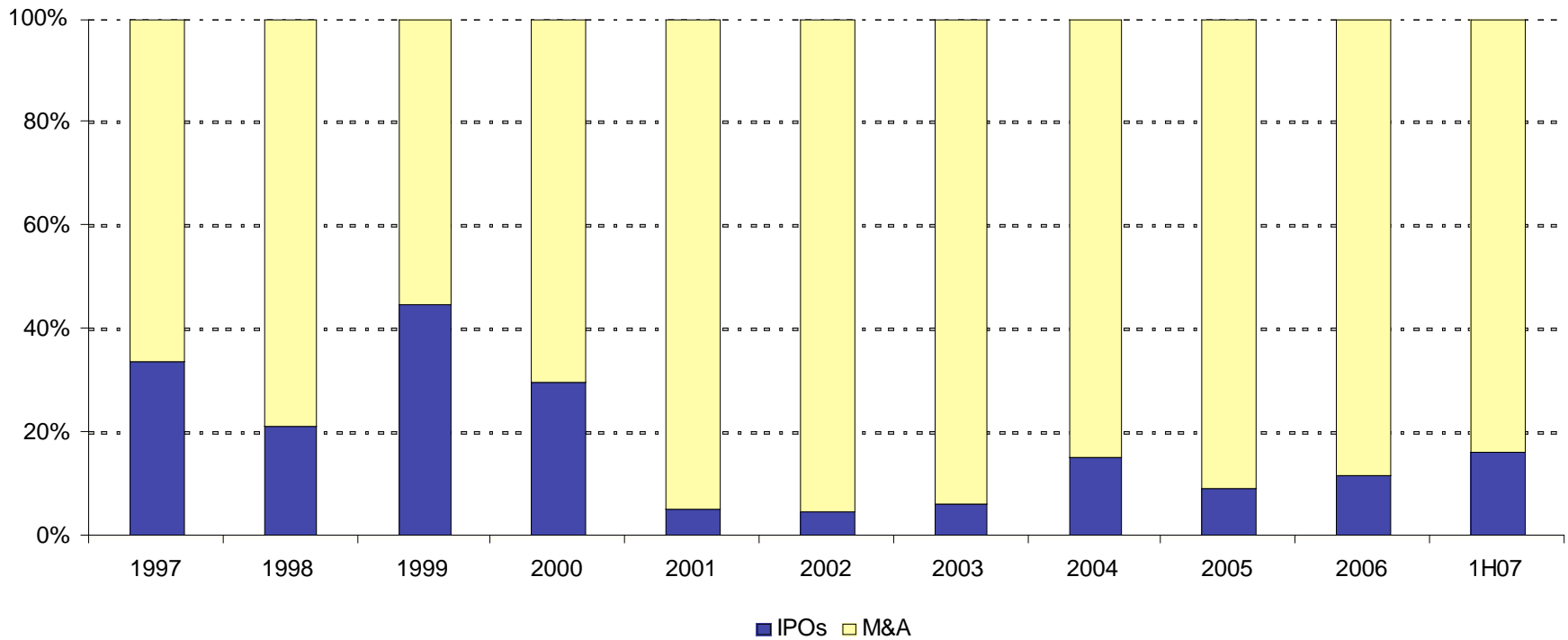
*Source: SDC

Venture Capital: IPO Market in the U.S.

- 13 Venture Capital-backed IPOs in 1Q 07
 - Same as the year-ago quarter
- 56 Venture Capital-backed IPOs over the trailing twelve months
 - 47 IPOs in previous 12 months
- Venture-backed M&A was \$9.4 BB in 1Q 07
 - Compared to \$8.4 BB in 1Q 06
- Venture-backed M&A was \$32.6 BB over the trailing twelve months
 - Compared to \$31.2 BB in previous 12 months

U.S. Venture Backed Liquidity Events

Percentage Breakdown of Venture Backed Liquidity Events



Key Drivers of U.S. M&A Activity: Shareholders and Directors

- Institutional Investors
 - More vocal about their strategies to maximize shareholder value, including potential restructurings or divestitures
 - Proposing that directors be more closely aligned with shareholders and more responsive to their views
 - More willing to vote down management proposals
- Board of Directors
 - Boards realize that for the courts to grant deference to their decisions, they must act with independence and integrity
 - Directors are more active in the overall business review process
 - Directors are more involved in demanding value-enhancing activity and review M&A proposals more closely

Practical Considerations for Acquirers

- Institutional shareholders are growth-driven and will reward strategic decisions that are value-accretive, without significantly decreasing Free Cash Flow per Share.

- M&A should be a critical component of most companies' business strategy and an important contributor to growth targets.
 - Seek growth areas that align with strategic focus and competencies
 - Divest where necessary to increase focus on core business

- Companies should promote internal processes that facilitate capitalism on M&A opportunities.

Practical Considerations for Sellers

- Focus first on creating value as a stand-alone business
 - Do not assume sale is the optimal or only path to liquidity
 - Robust businesses garner greater value as acquirers value complete teams and the availability of an IPO alternative creates a valuation benchmark
 - Patience is often the key

- Key to extracting a premium valuation in a sale of the business is to create competition – must bring multiple parties to the table.
 - Remember that nobody gets married on the first date
 - Alternative transactions can be just as effective in creating pressure

- Always have sufficient capital and an “escape plan” if a transaction is not successful
- Understate and over-deliver on promises
 - Credibility lost cannot be regained
 - Clean the cupboards; disclose issues and mitigate them

- People are important; establish relationships of trust

Major Causes of “Failed” Deals

- Poor assessment of strategic fit
- Lack of ability to manage acquired operations
 - Distract from core business
- Insufficient due diligence
 - Undiscovered financial problems
 - Customer/technology issues
- Loss of key personnel
- Poor analysis of financial consequences of a transaction
- Poor cultural fit

Where is the M&A Market Headed from Here?

- The next six to twelve months should see moderation in M&A activity from recent levels. Strategic buyers will still be active for the following reasons:
 - Companies are realizing that they need to scale to ensure business model viability
 - Companies are moving away from an internal/restructuring focus to an external/growth/consolidation strategy
 - “Corporate clarity” still a strong theme
 - Most industries are only partially through the consolidation process
 - Macroeconomic conditions continue to offer a favorable backdrop to M&A activity
 - Relatively strong corporate balance sheets
- Private Equity buyers are likely to reduce their levels of activity due to:
 - Increased cost of debt
 - Reduced availability of debt
 - Need to close current backlogs
 - Potential tax law changes could increase Private Equity hurdle rates



Section 2

Recent Trends in the Private Equity Market



Private Equity Environment – 2006 Review

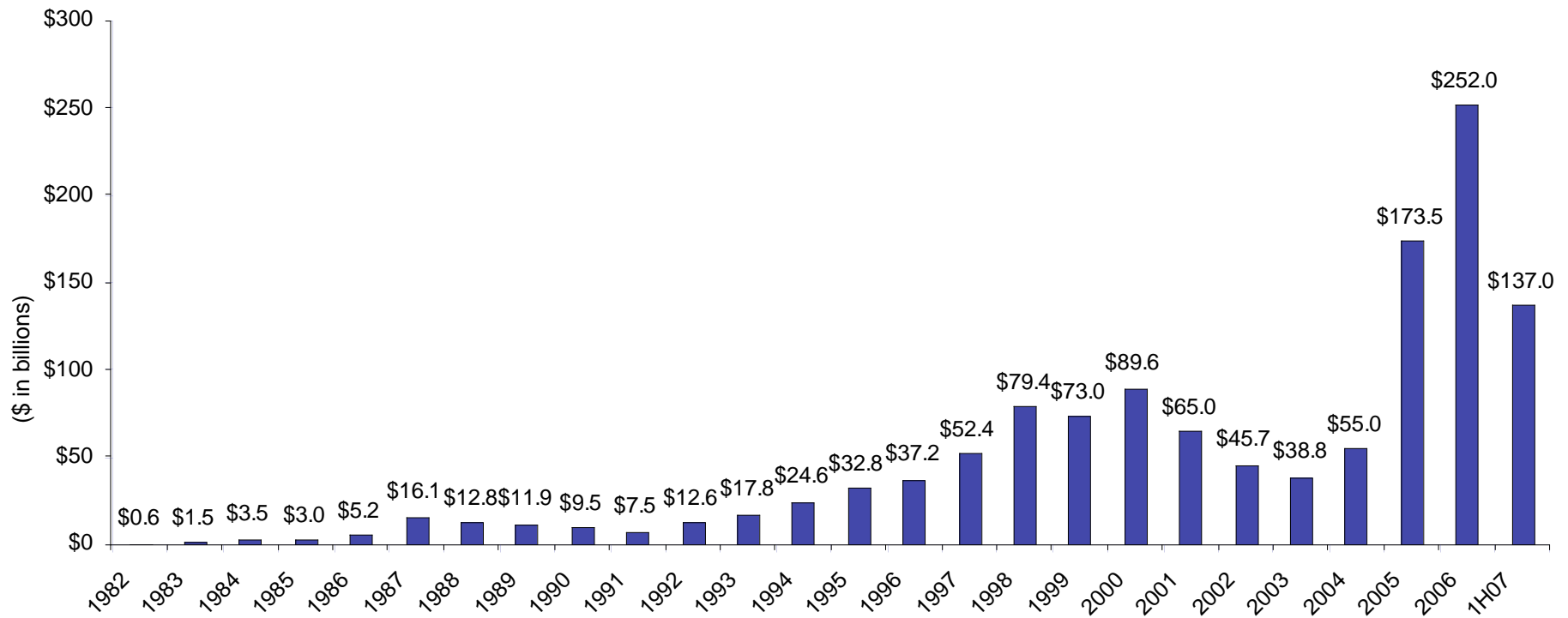
- Globally, 612 new funds held a final close during 2006
- Raised a record \$401 billion in aggregate of new commitments far surpassing the previous record total of \$311 billion set in 2005
- 311 new U.S. funds comprised 63% of the total commitments (\$252 billion)
- Europe comprised 27% of all capital raised through 168 funds (\$108 billion)
- 133 funds in the rest of the world raised \$41 billion in private equity capital
- The ever increasing amount of committed capital has turned the focus of private equity firms to large scale deals and has set the stage for the largest deal volume in the history of the industry.

Recent Trends in the Private Equity Market

Private Equity Environment – Fundraising

U.S. private equity firms have raised \$137 billion in 199 funds through the first half of 2007, a 42% increase over the first half of 2006, and on pace to surpass the record total \$252 billion raised in 2006.

U.S. Private Equity Annual Committed Capital



1990	5 Buyout firms > \$1 Billion
2006	250+ Buyout firms with > \$1 Billion

Source: Venture Economics, *The Private Equity Analyst*, *Buyouts*, *Private Equity Online* and Dow Jones

Private Equity Overview

Equity securities of companies that are not publicly traded

An umbrella term whose major categories include:

- Venture capital
- Mezzanine
- Buyouts

Strategies include:

- Geography (e.g. China)
- Industry (e.g. Telecom)
- Structure (e.g. Mezzanine)
- Situation (e.g. Distressed securities)

Investors include:

- Qualified individuals
- Pension funds
- Investment funds
- Corporations

Private Equity Overview

Benefits

- Historically attractive returns
- Private – not subject to market gyrations or distractions
- Management / Board of Director / Owner alignment

Risks

- Illiquid
- High fees (2% annual fee and 20-25% of profits plus transaction fees typical)
- Difficult to mark to market
- Rely on leverage to enhance returns

Private Equity Environment – Historical Returns

U.S. Private Equity Performance Index					
Fund Type	1 Year	3 Year	5 Year	10 Year	20 Year
Venture	16.4%	9.1%	1.0%	20.3%	16.6%
Mezzanine	12.6	5.0	4.1	6.1	8.5
Buyout	24.5	14.6	10.4	8.5	12.9
All Private Equity	23.3	12.7	7.5	11.0	13.9
Nasdaq	4.7	6.2	4.3	6.4	10.1
S&P	10.8	8.2	4.2	6.6	9.2

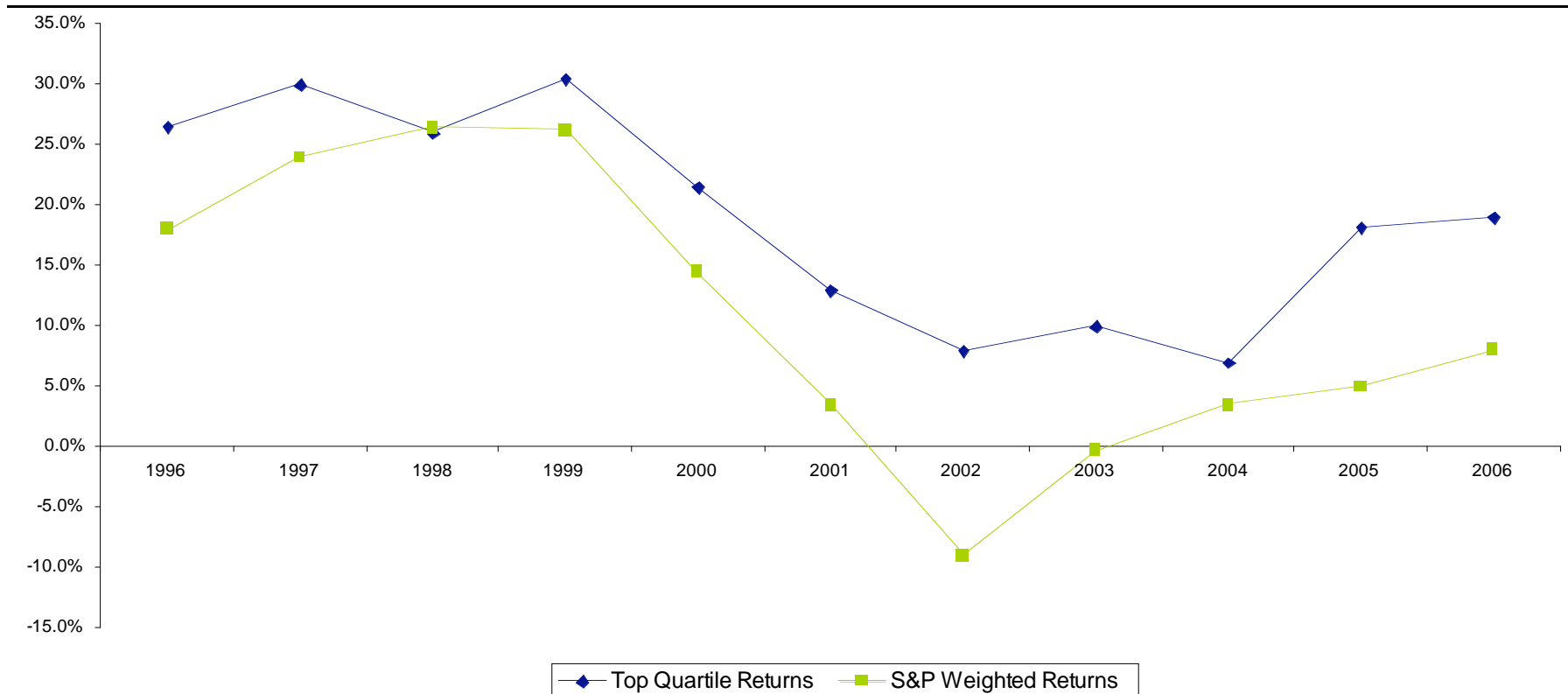
Source: Thomson Financial / National Venture Capital Association

Recent Trends in the Private Equity Market

Private Equity Environment – Historical Returns

- The private equity market has consistently outperformed the S&P 500 over the last 10 years
- However, private equity returns tend to trend with the overall market environment

LBO Top Quartile Returns Versus S&P Returns



Source: Thomson Financial

Note: Returns calculated based on cumulative return over five years.

Recent Trends in the Private Equity Market

Private Equity Environment – 2006 Review

- Large scale buyouts and an unprecedented volume of private equity transactions defined 2006, surpassing, in transaction value, all U.S. deals announced in 2003, 2004, 2005 in aggregate.
 - According to Dealogic, during 2006, private equity firms announced acquisitions of U.S. companies for a total value of approximately \$563 billion.
- The private equity market continues to target large scale transactions in the United States and abroad, in order to invest ever increasing amounts of capital at an increasingly rapid pace.

2006 Large Scale Private Equity Transactions Announced or Closed

Target Name	Sponsors Involved	Transaction Value (\$bn)
Equity Office Properties Trust	Blackstone	\$39.0
HCA Inc	Bain, KKR, ML PE	33.5
Clear Channel Communications Inc	Bain, TH Lee	26.8
Harrah's Entertainment Inc	Apollo, TPG	25.6
Kinder Morgan Inc	GSCP, Carlyle, Riverstone, Management	21.6
Albertsons Inc	SuperValu, CVS, Ceberus	17.1
Freescale Semiconductor Inc	Blackstone, Carlyle, Permira, TPG	16.6
Univision Communications Inc	MDP, Providence, TPG, TH Lee	13.9
VNU NV	Blackstone, Carlyle, KKR, TH Lee, H&F, Alpinvest	11.5
Philips Semiconductors	KKR, Silver Lake, Alpinvest, Bain, Apax	11.2
Biomet	Blackstone, GS, KKR, TPG	10.9
Realogy	Apollo	9.0
Qantas Airline	Allco, Macquarie, Onex, TPG	8.7
ARAMARK Corp	GSPC, TH Lee, JPMorgan Partners, Warburg, Management	8.3
Michaels Stores Inc	Bain, Blackstone	5.9
Advanced Semiconductor	Carlyle	5.5
Kion Group	KKR, GSCP	5.1

Recent Trends in the Private Equity Market

Private Equity Environment – 2007 Update

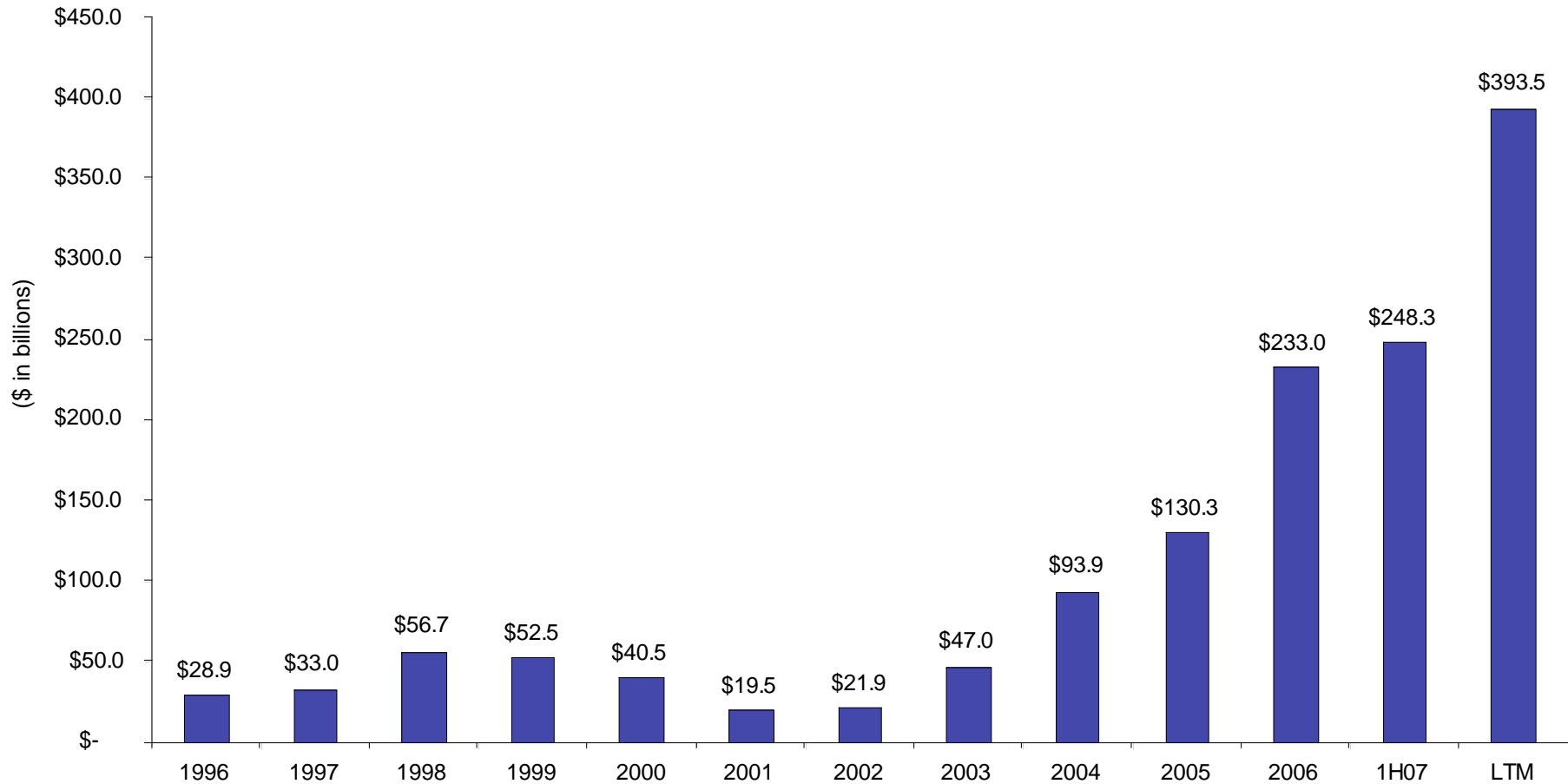
- The private equity market in 2007 continues to deploy capital at unprecedented levels
- Transaction sizes have continued to increase, fueled by aggressive leverage packages that have been maintained through the first half of 2007
 - Many of these transactions have covenant-lite structures with creative debt features such as the “toggle” note
 - The third quarter of 2007 will be a deafening moment for private equity as debt buyers will be inundated with paper from these large scale transactions

Target Name	Sponsors Involved	Transaction Value (\$bn)
Hilton Hotels	Blackstone	\$26.5
Manor Care	Carlyle	6.0
BCE	Madison Dearborn, Providence	46.1
Allison transmission	Onex, Carlyle	5.6
Intelesat	BC Partners	15.9
Home Depot Supply	Bain Capital, CD&R, Carlyle	10.3
Nuween Investments	Madison Dearborn Partners	6.4
Penn National Gaming	Fortress, Centerbridge	8.9
Avaya	Silver Lake, TPG	8.1
CDW	Madison Dearborn Partners	7.3
Alltel	GS, TPG	27.8
Alliance Data Systems	Blackstone	8.1
The Chrysler Group	Cerberus	7.4
Thomson Learning	Apax, OMERS Capital Partners	7.8
U.S. Foodservice	Clayton Dubilier & Rice, KKR	7.1
Herman International Industries	GS, KKR	8.2
SLM	BoA Equity Partners, FFL, JC Flowers	25.6
First Data	KKR	30.8
Affiliated Computer Services	Cerberus	8.5
ServieMaster	Clayton Dubilier & Rice	6.0
Dollar General Corp	KKR	7.4
TXU	Citigroup, GSPC, KKR, LEH PE, MS PE, TPG	44.2
Mills Corp.	Farallon Capital, Simon Property Group	9.2

Recent Trends in the Private Equity Market

Historical Buyout Dollar Volume

Value of Completed U.S. Transactions



Source: Standard & Poor's

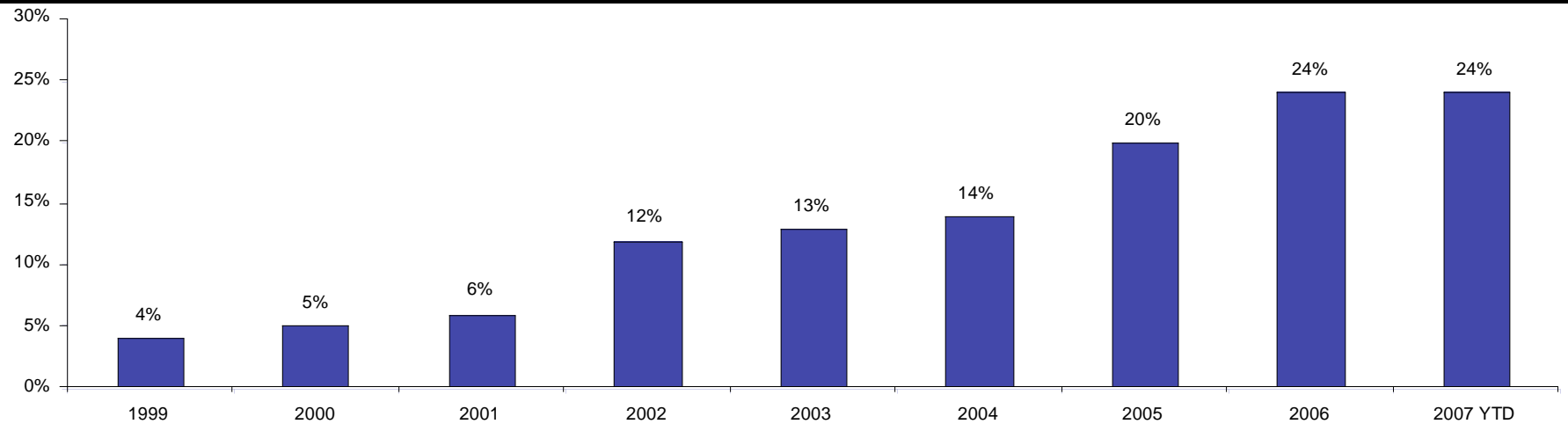
Recent Trends in the Private Equity Market

Buyout Volume Share of M&A Activity

Est. Global Private Equity M&A Deal Volume (\$bn)



Private Equity as a % of Total Global M&A Deal Volume

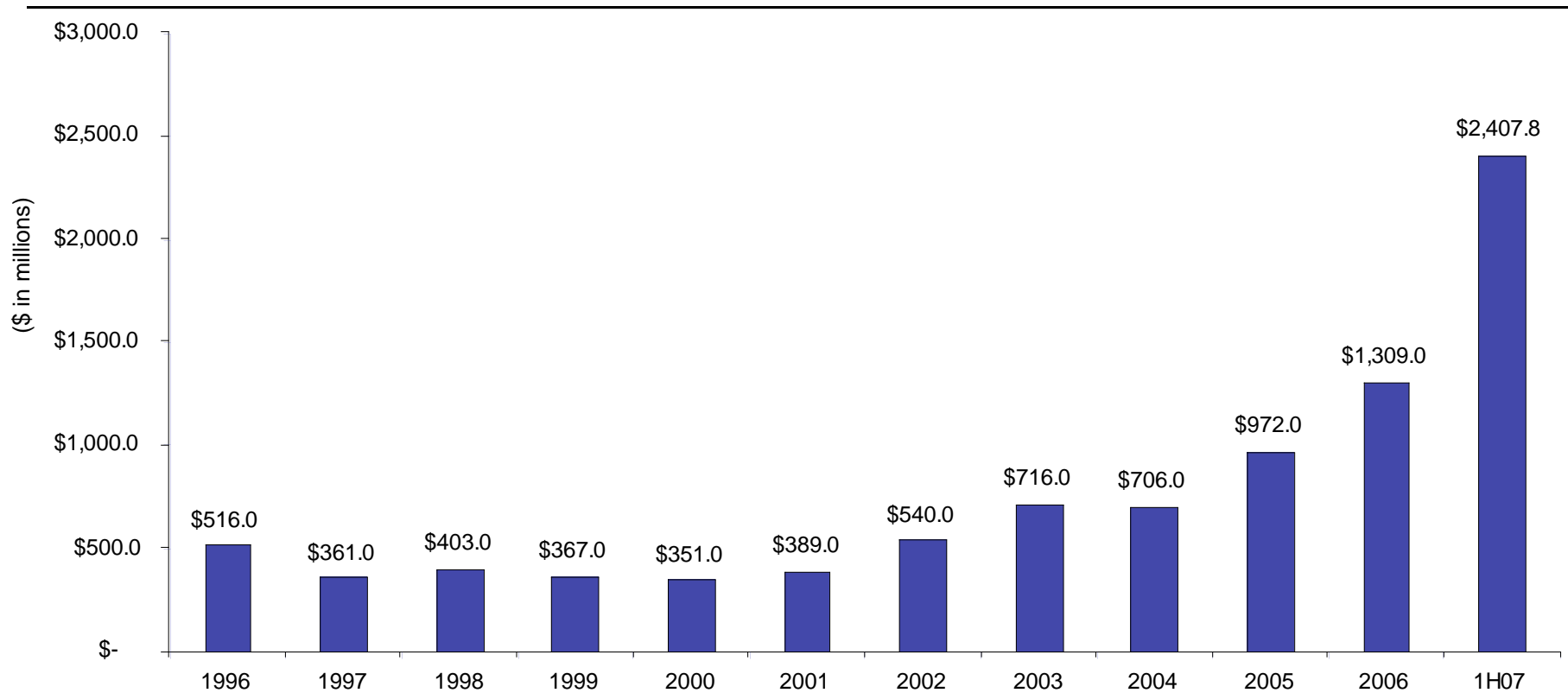


Source: Thomson Financial

Private Equity Environment – Average Transaction Size

The size of transactions has increased significantly since 2001, as private equity funds seek to deploy large sums of capital in larger scale opportunities

Average U.S. LBO Size by Total Sources



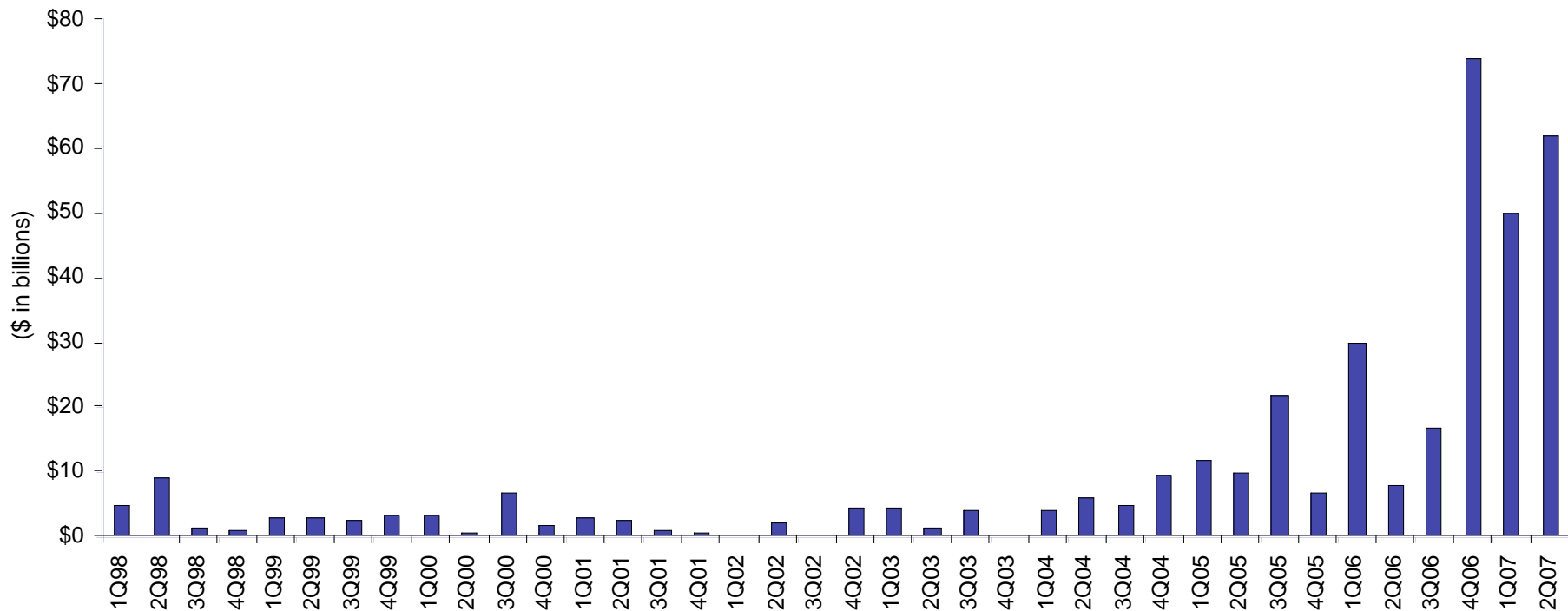
Source: S&P

Private Equity Environment – Public to Private Transactions

As the private equity industry has evolved to encompass a larger portion of the total M&A market, and private equity professionals have raised more capital, the access to public targets has increased.

Furthermore, activist hedge funds and stringent corporate governance issues have contributed to take-private activity.

Public to Private Activity

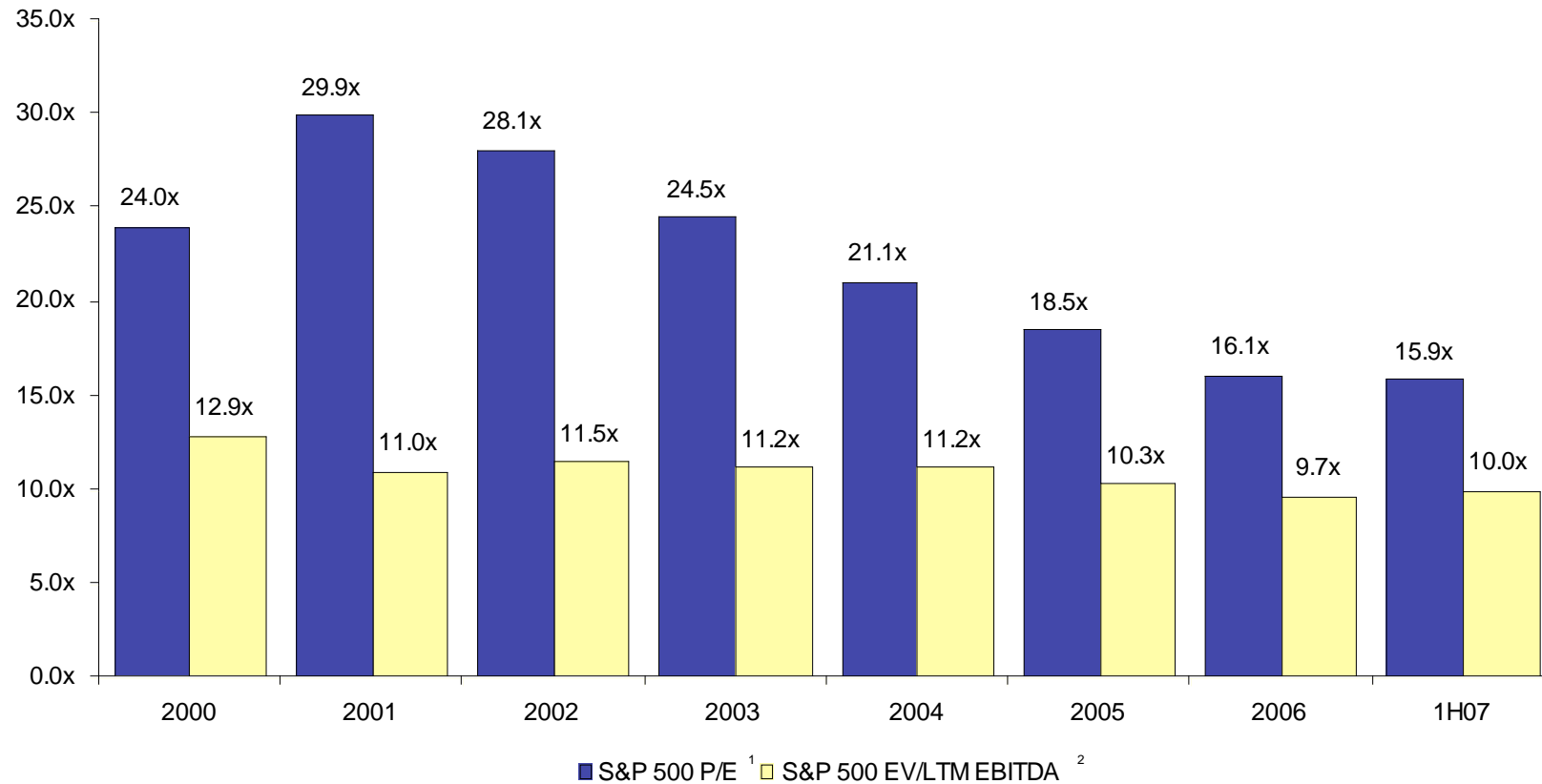


Source: S&P

Recent Trends in the Private Equity Market

Public Valuation Multiples Have Moderated Over Time...

Average S&P 500 P/E and EV/LTM EBITDA Multiples



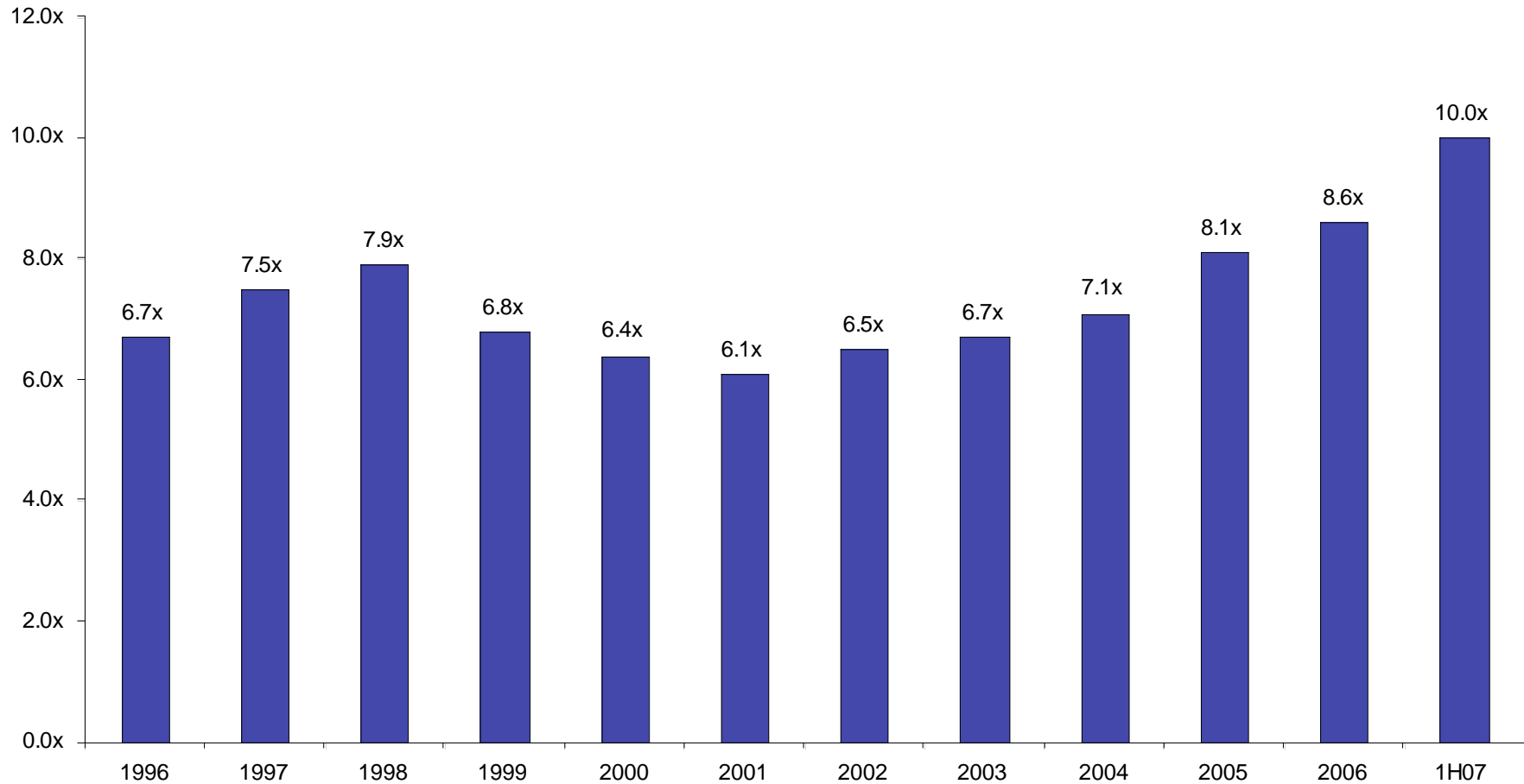
Source: Portfolio Management Data, Morgan Markets, FactSet

Note: (1) Average S&P 500 forward PE throughout the year (2) Average S&P 500 EV/LTM EBITDA throughout the year

Recent Trends in the Private Equity Market

But Private Purchase Multiples Have Expanded

Average Acquisition Multiple (Purchase Price/EBITDA) for U.S. Transactions

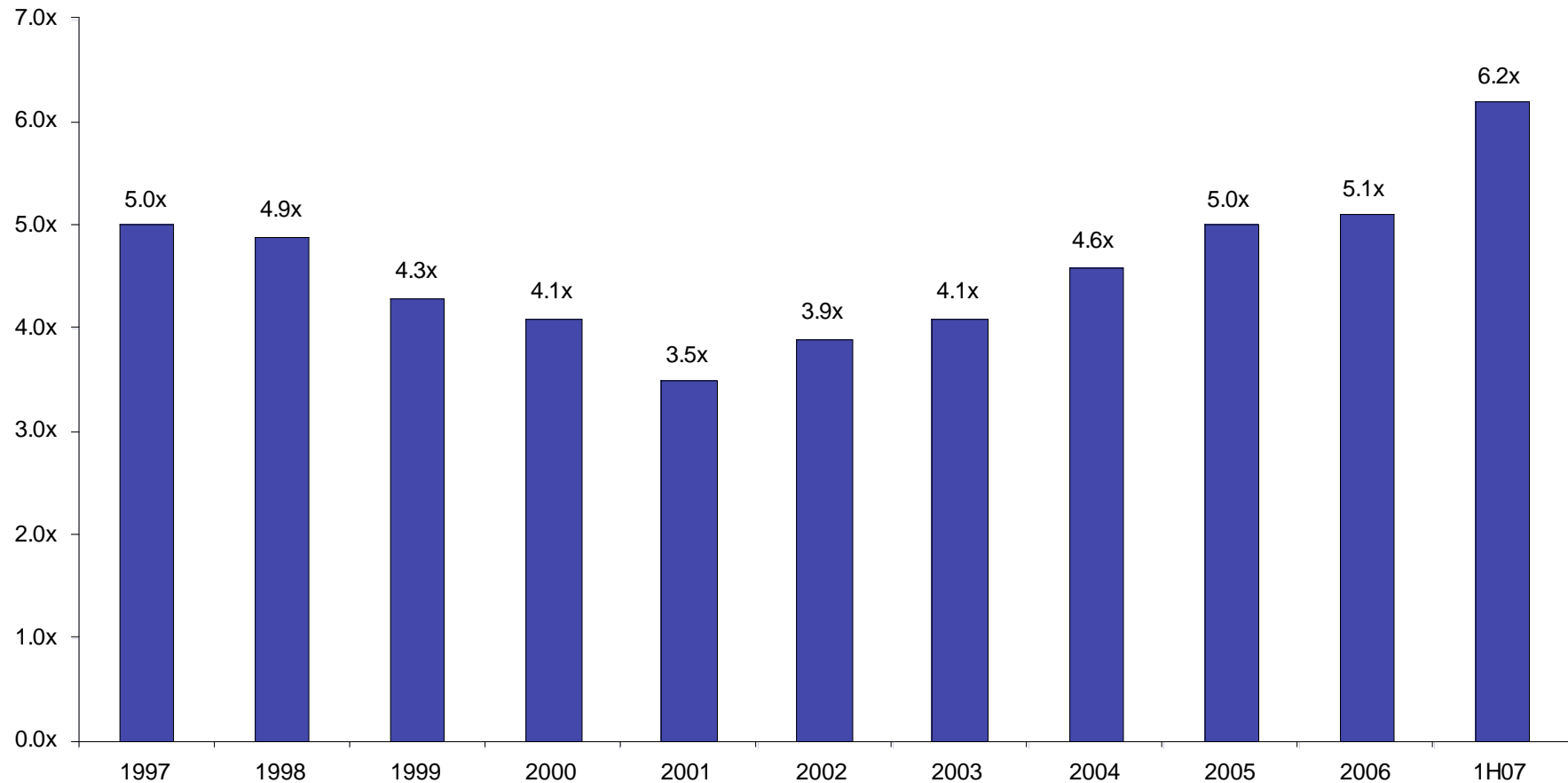


Source: Standard & Poor's
Note: Multiples exclude fees

Recent Trends in the Private Equity Market

Leverage Multiples Increasing

Average Total Debt/EBITDA for U.S. Transactions ⁽¹⁾



Source: Standard & Poor's

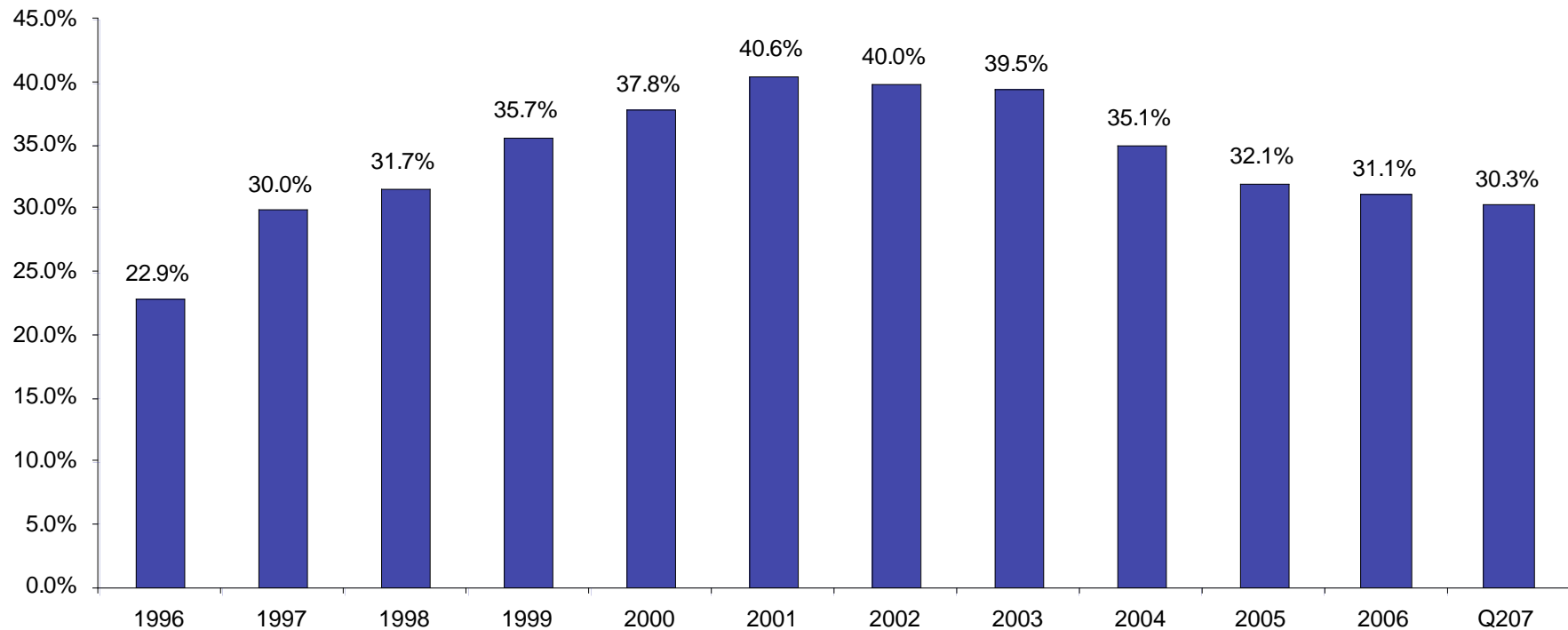
Note: (1) Excludes Media and Telecom loans

Recent Trends in the Private Equity Market

Equity Contribution Percentages

Consistent with the receptivity of higher leverage levels by the financing markets, private equity firms have been decreasing the amount of equity contribution, further enhancing returns.

Equity/Total Enterprise Value for U.S Transactions



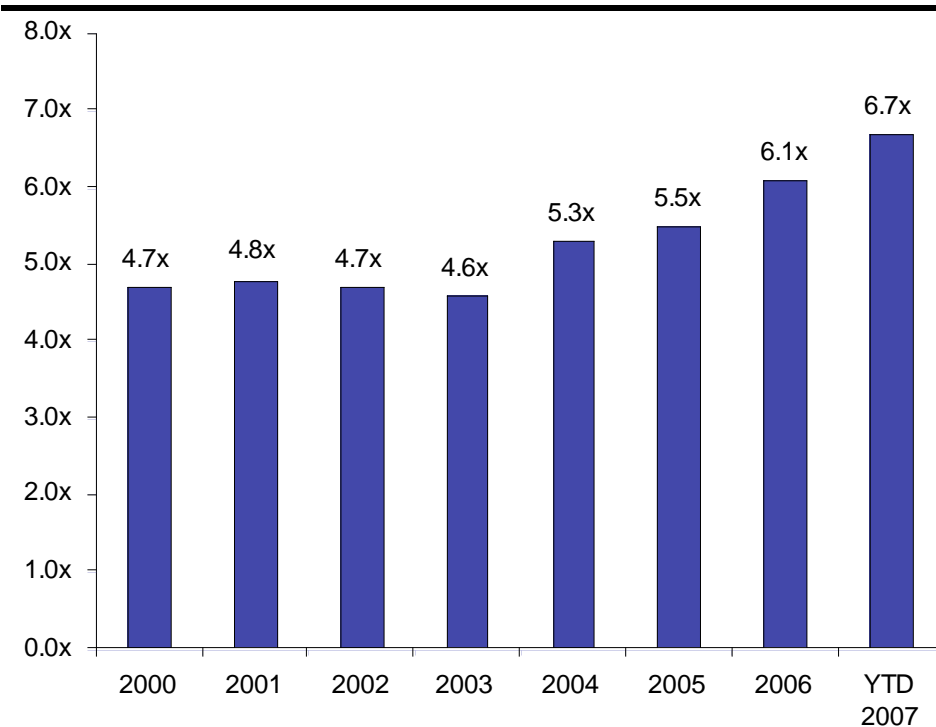
Source: Standard & Poor's

Recent Trends in the Private Equity Market

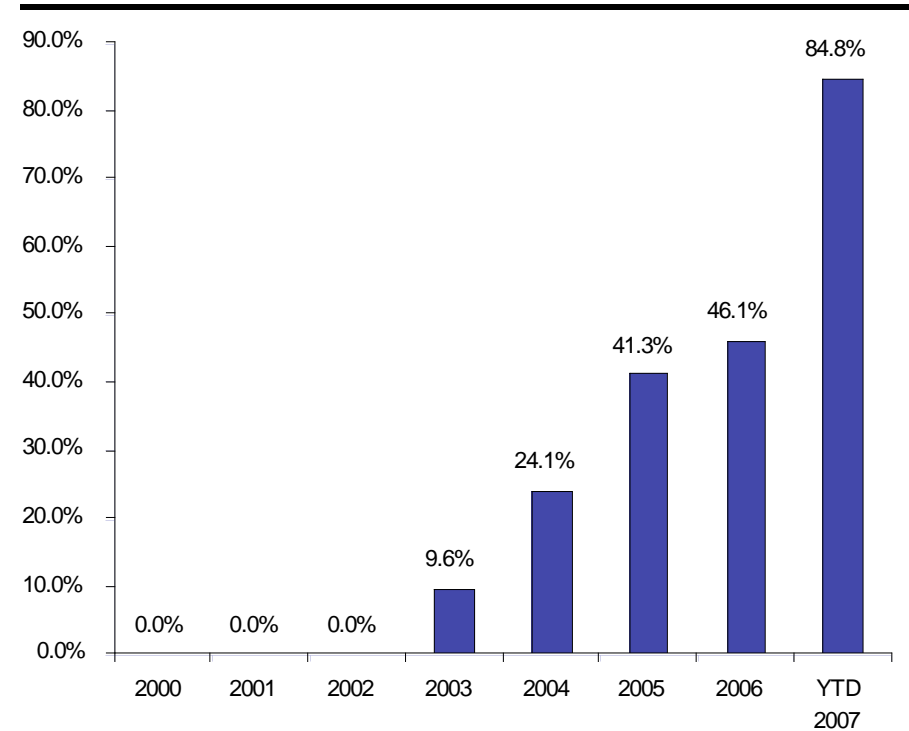
Credit Quality of LBOs

- Attractive capital markets have supported lower-rated and more highly leveraged buyouts
 - The strength of the high yield market allowed sponsors to “push the envelope” on leverage ratios
 - A significant portion of LBOs have slipped into the “CCC” rating category

Average Leverage of High Yield LBOs ^{(1) (2)}



Percent of High Yield LBOs Rated CCC ⁽²⁾



Source: *Lehman Brothers High Yield Capital Markets*

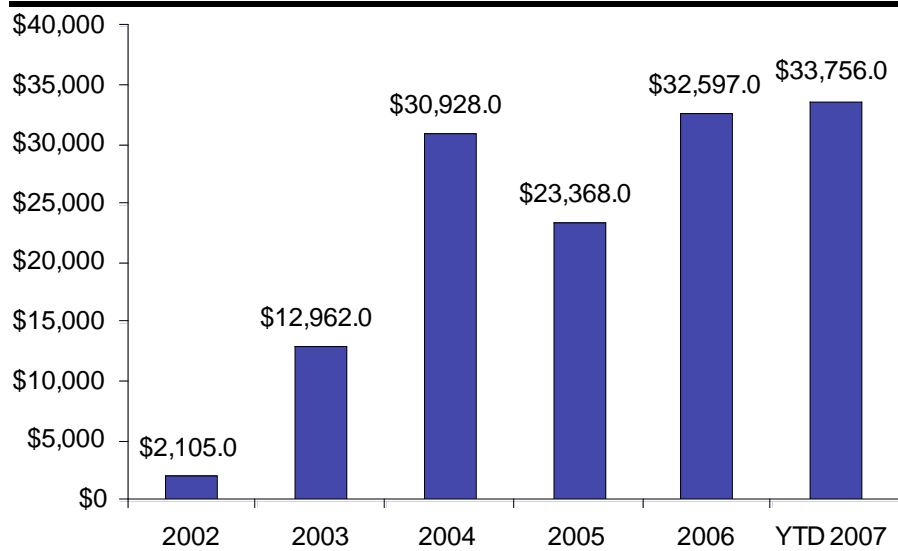
(1) Includes Media and Telecom loans. Excludes LBOs that did not issue high yield.

(2) YTD 2007 as of May 21, 2007.

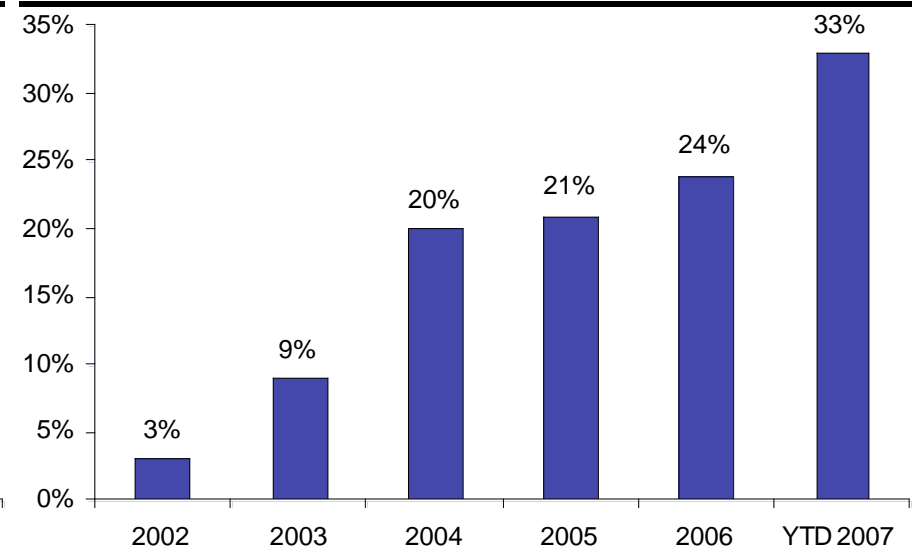
Recent Trends in the Private Equity Market

Credit Quality of High Yield New Issues

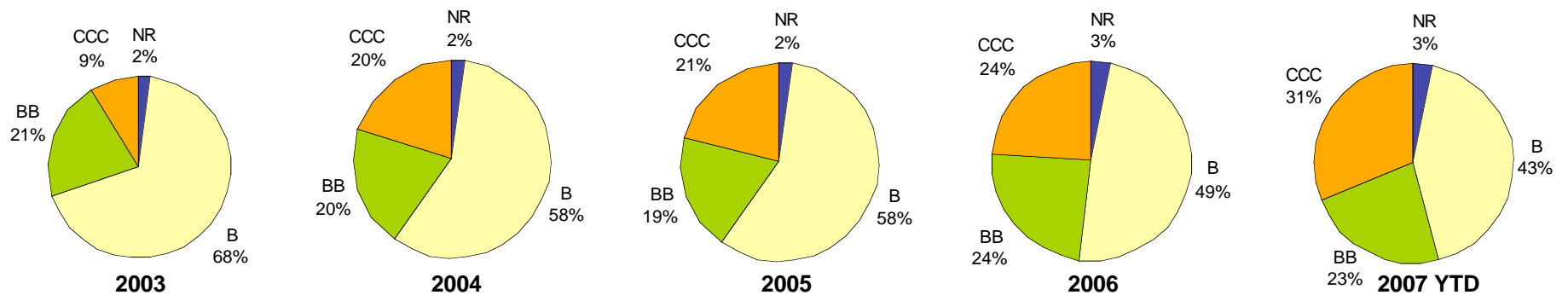
CCC or Lower New Issues Volume (\$ in millions)



CCC or Lower New Issues Volume as a % of Total



New Issuer Ratings Breakdown (1)



Source: Lehman Brothers High Yield Capital Markets
 (1) YTD 2007 as of May 21, 2007.

High Yield Spreads

Cheap Money

Spread between lower credit bonds and U.S Treasuries, 1987-2007, in basis points



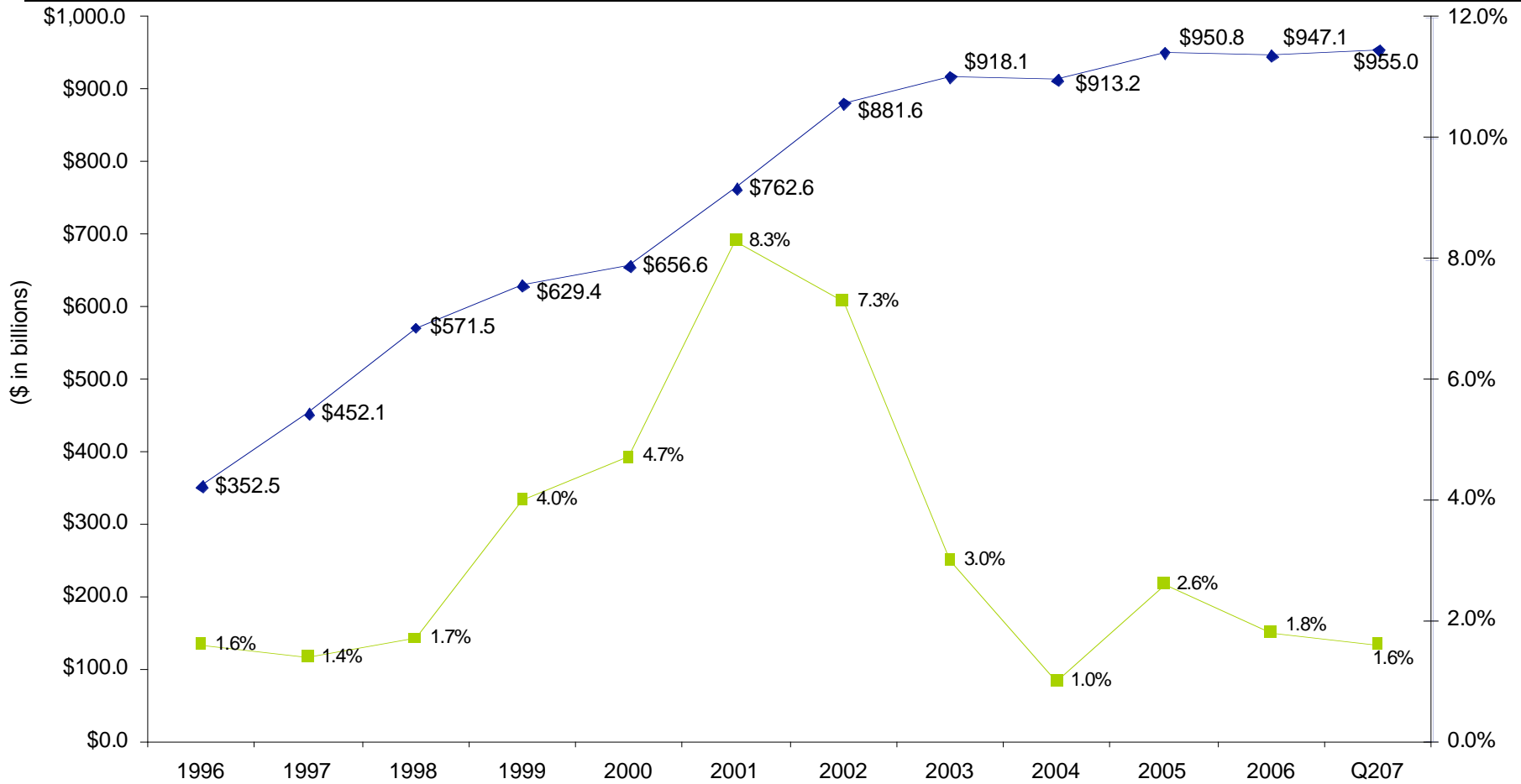
Long-term average (1987-YTD 07) = 541bp

Source: JP Morgan

Recent Trends in the Private Equity Market

Historical High Yield Outstanding vs. Default Rate

Total Value of All High Yield Outstanding vs. Default Rate

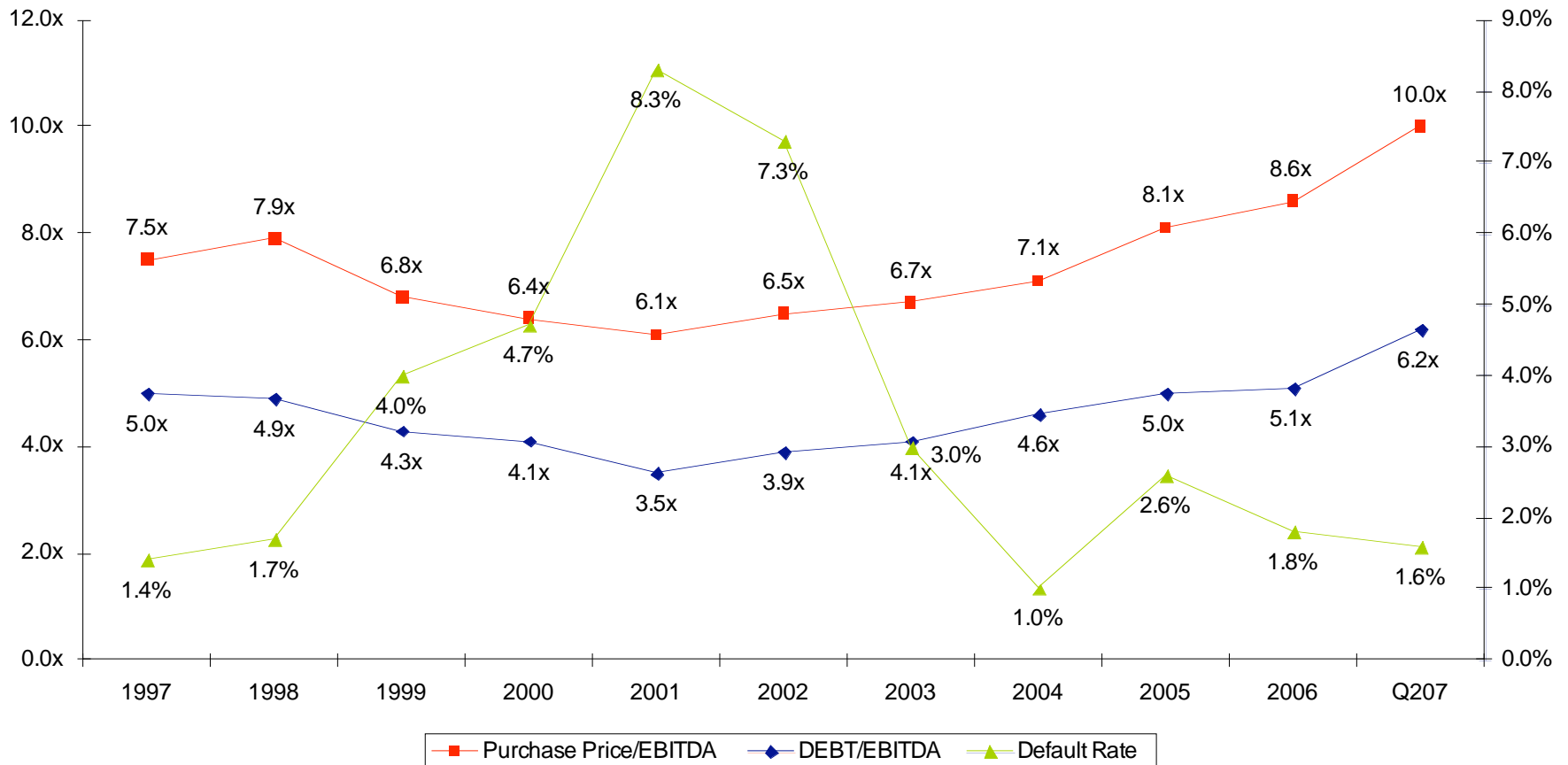


Source: JPMorgan High Yield Capital Markets
 Note: JPMorgan Domestic High Yield Default Rate

Recent Trends in the Private Equity Market

Acquisition & Leverage Multiples vs. Default Rate

Average Purchase Price/EBITDA and Total Debt/EBITDA for U.S. Transactions vs. Default Rate



Source: Standard & Poor's

Note: JPMorgan Domestic High Yield Default Rate. Acquisition and Leverage Multiples are Q3 2006 and Default Rate is LTM 9/3/06.

(1) Excludes Media and Telecom loans

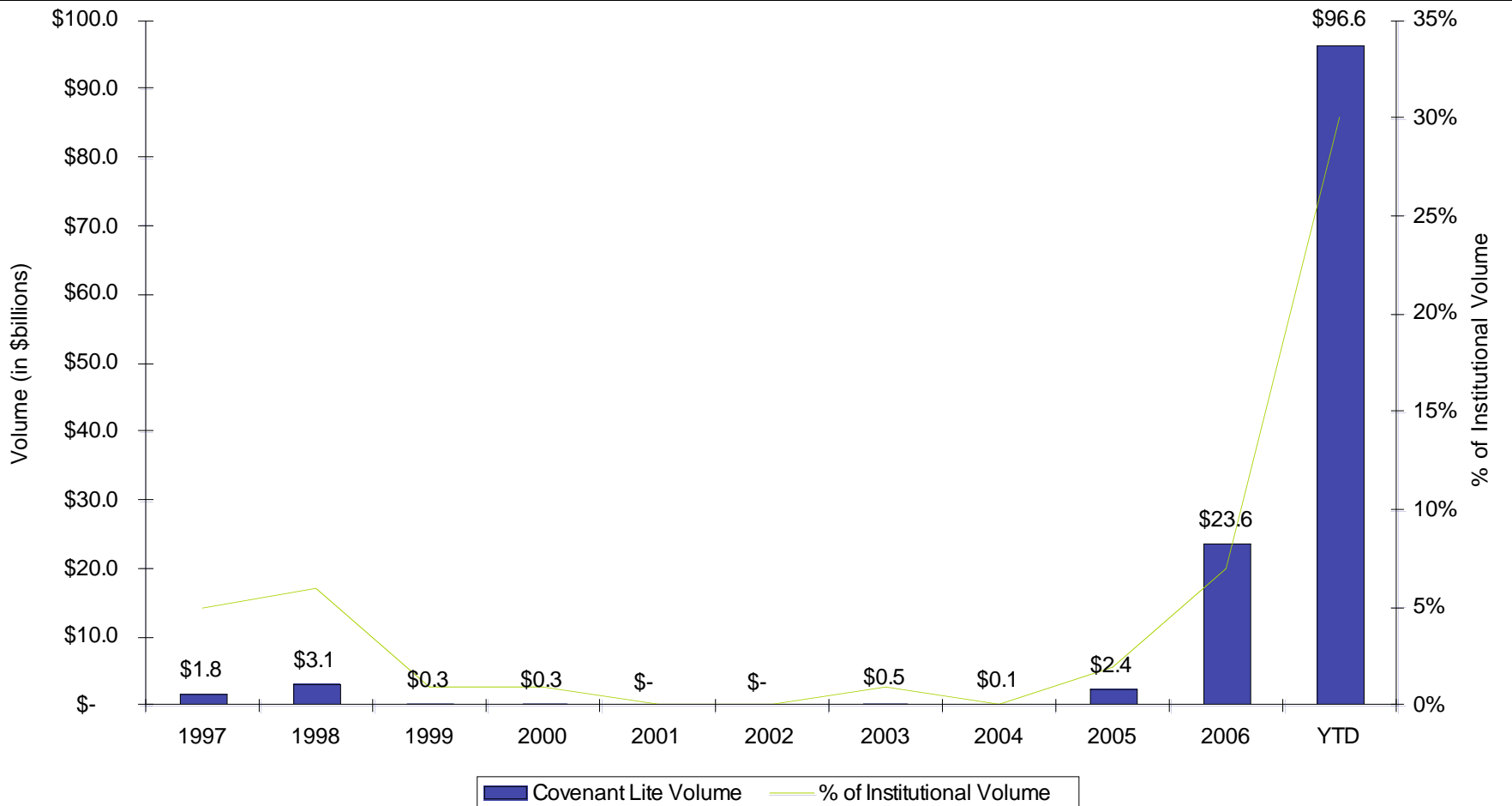
The Beginning of the End of a Cycle

- Banks providing equity “bridges”
- Loans with no amortization
- Interest rate “toggle”
- “Covenant-lite” loans

Recent Trends in the Private Equity Market

Covenant-lite transactions and toggle notes may now be a thing of the past

Covenant-Lite Transaction Volume



Source: Standard & Poor's

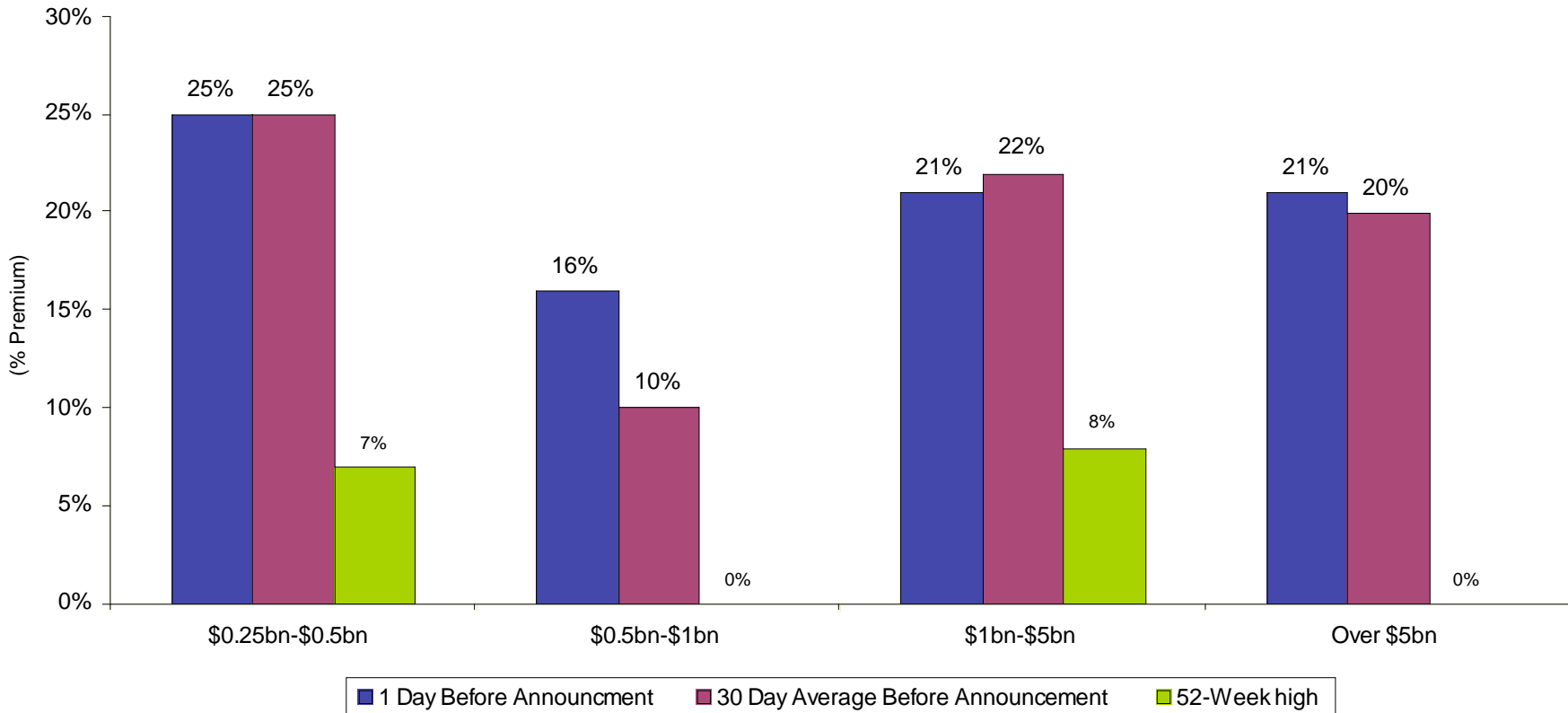
Backlash against Private Equity “Surge”

- Press
- Shareholders
- Sellers
- Regulators
- Unions
- Congress
- Boards of Directors

Private Equity Environment – Purchase Premiums

Private equity transactions have come under increasing scrutiny as investors claim that premiums are well below expectations. Private equity firms are being forced to defend themselves against charges that their transactions rob public shareholders of the potential for higher value.

Purchase Price Premium to Market



Source: Weil, Gotshal & Manges

Public Buyout Board Climate

Pre 2006

- Exclusive negotiations with management and special committee of the target board of directors
- No announcement until executed definitive merger agreement
- Merger agreement includes:
 - No shop provision / fiduciary out
 - Breakup fee – 2 to 3% of transaction value
 - Financing condition
 - True material adverse change out
 - Right to match competing offer

Today

- Independent directors take control of process
- Management increasingly perceived as having conflict of interest
- Management excluded from negotiations with P.E. firm
- Merger agreements include
 - Go shop provision and fiduciary out
 - No right to match
 - Breakup fee and corresponding reverse breakup fee
 - No financing condition
 - Limited or no material adverse change out

Outlook

- The cost of buyout financing is increasing as spreads widen and the buyer pool is reduced
- The terms of financing will become more restrictive – but are really just returning to historical levels
- The increased costs of financing mean Private Equity firms can't hit targeted returns unless they pay lower prices
- Sellers / investors will resist the lower purchase prices given the relatively recent higher comparables
- Private equity buyout volume will likely decrease in the short term
- Strategic acquirer share – already at 75% - will likely increase due to healthy balance sheets, still attractive financing terms and availability of cost and revenue synergies.

Possible Growth Outlets for Buyout Funds

- Distressed debt
- International buyouts
- Significant minority investments
- Add on private company acquisitions for existing portfolio companies



Section 3

Overview of Raymond James



Overview of Raymond James

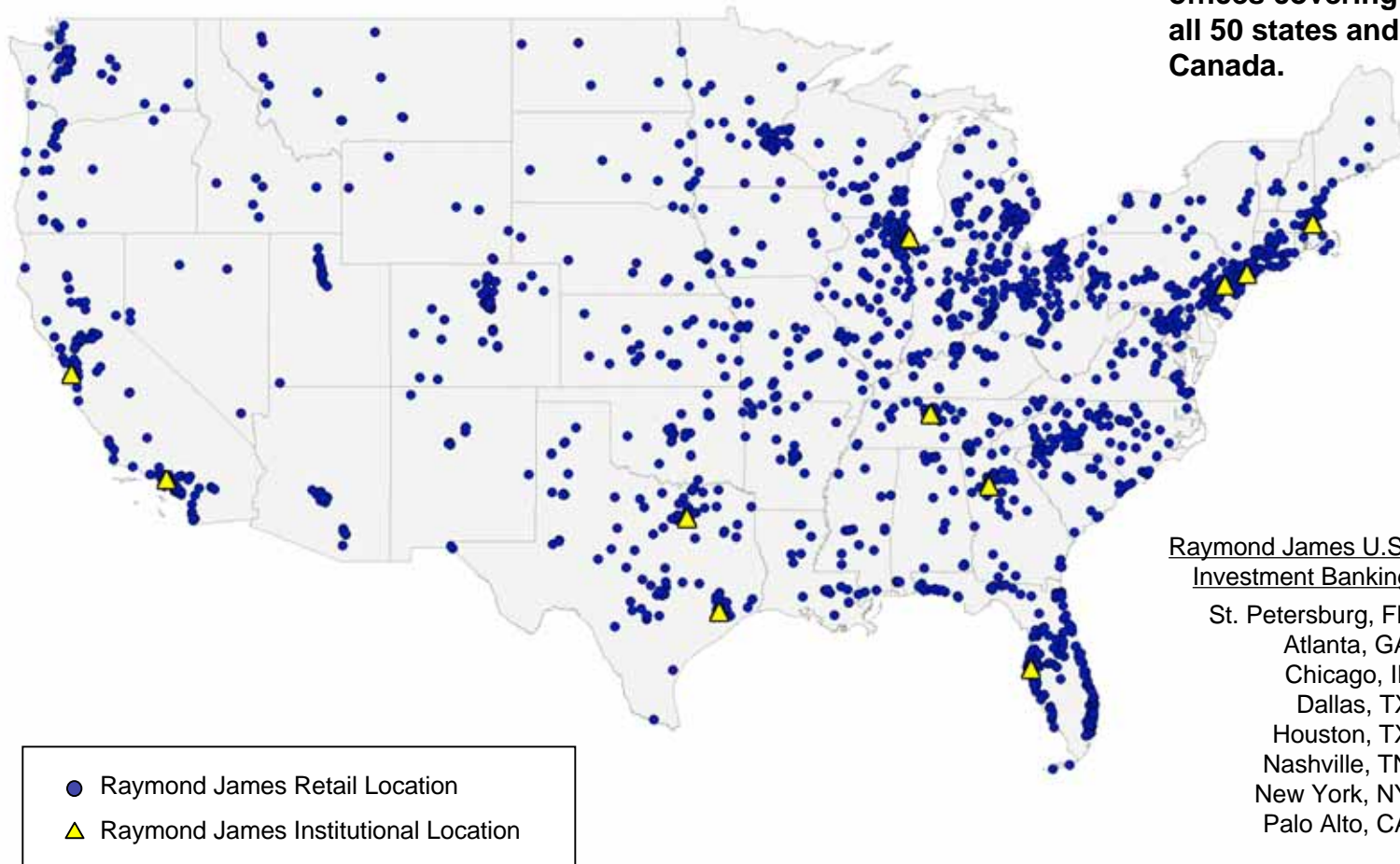
- Full-service securities firm founded in 1962 and public since 1983 (“RJF” on NYSE)
- Fiscal 2006 revenue in excess of \$2.6 billion; net income over \$200 million
- Equity market cap in excess of \$3.8 billion
- Major presence in North America and Europe
 - Over 5,200 financial advisors, with offices in all 50 states; 1.5 million accounts*
 - Member of the Fortune 500. Ranked 11th among securities firms. (2007)
 - 27 domestic and international investment banking and institutional sales offices*
 - European operations in London, Paris, Geneva, Brussels, and Düsseldorf*
- Client Assets of over \$200 Billion
- Managed Assets of over \$36 Billion
- Operates a Commercial Bank with Assets in excess of \$3.5 Billion

*RJF data as of June 30, 2007.

Raymond James North American Locations

Retail Branch, Institutional Sales and Investment Banking Locations

Raymond James has nearly 2,300 offices covering all 50 states and Canada.



Opportunities with Raymond James

- Over 200 University of Florida graduates work at Raymond James
- Headquartered in St. Petersburg but numerous locations throughout the United States.
- Selective areas of interest to business students include:
 - Corporate Finance / Investment Banking
 - Research
 - Sales & Trading
 - Asset Management
 - Retail Brokerage
 - Real Estate
 - Commercial Banking

Overview of Raymond James

Raymond James Financial Stock Price Performance

