Floyd Advisory

Deals, Dollars, and Disputes

MAXIMIZING VALUE
MINIMIZING RISK

A Summary of Private Equity Transactions for the Quarter Ended March 31, 2014

CONTENTS

Introduction and Our Objective

We are pleased to present you with our *Deals, Dollars, and Disputes* report for the quarter ended March 31, 2014. Our analysis involves a study of the merger and acquisition transactions involving private equity firms ("PE firms") during the recent quarter.

Our objective in preparing this report is to provide a general overview of the volume and value of transactions during the quarter along with an analysis of trends when compared to prior quarters. We also hope to present useful information on select topics related to valuation concepts and recent acquisition disputes in our *Featured Transactions and Insights* section.

As an independent consulting firm with financial and accounting expertise, we are committed to contributing thought leadership and relevant research regarding business and valuation matters to assist our clients in today's fast-paced and demanding market. This report is just one example of how we intend to fulfill this commitment.

We appreciate your comments and feedback and welcome requests for any additional analysis that you might find helpful.

Floyd Advisory
MAY 2014

Our Process and Methodology

We studied financial data for transactions involving PE firms, both as buyers and sellers, during the most recent quarter for companies headquartered in North America.

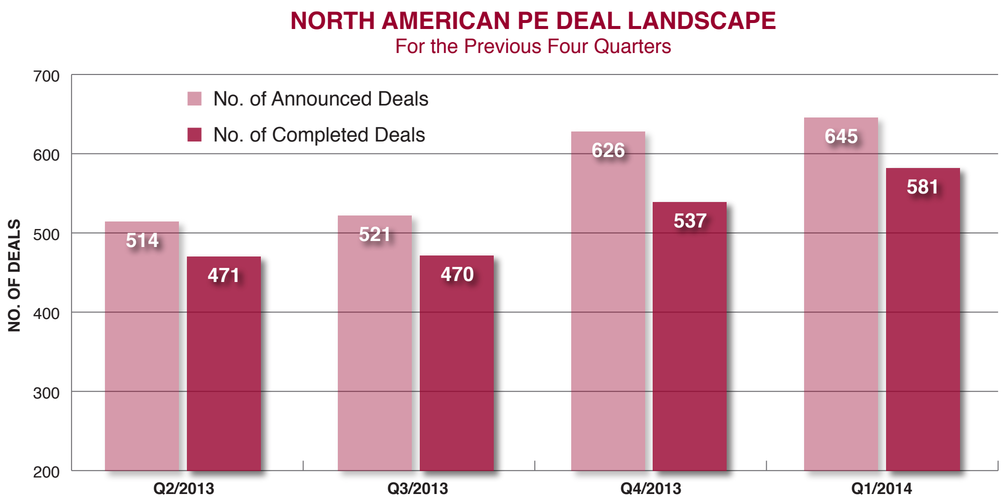
As part of our review, we gathered and analyzed relevant transaction information and data such as industry sector, equity interest, and deal structure among others and created a database for our further analyses. From this information, we analyzed market trends by industry, by common attributes, by valuation premiums, and by other characteristics. Applying our professional judgment to these observations, we have prepared this report. Within our *Featured Transactions and Insights* section, we have highlighted two transactions as recommended reading.

For the purposes of this report, the transaction data we have analyzed is limited to publicly available information. Beginning with the Q4 2013 report, our third-party source has provided us with an expanded data set to include a broader set of private equity deals. Data throughout this report will be comparable to last quarter's report, but may not be comparable to our Q3 2013 report.

Relative to Q4 2013, there was a 3% increase in announced deals in Q1 2014 with an 8% increase in completed deals. Compared to Q1 2013, there were 18% more deals announced in Q1 2014 with 19% more deals completed.

Summary of Q1 2014 PE Firm Transaction Activity

Volume of PE Deals Announced and Completed



Note: Includes data for which transaction details were reported and available.

The rise in overall deal volume observed throughout 2013 continued into Q1 of 2014. Relative to Q4 2013, there was a 3% increase in announced deals in Q1 2014 with an 8% increase in completed deals. Compared to Q1 2013, there were 18% more deals announced in Q1 2014 with 19% more deals completed. This trend suggests intense competition for investment opportunities among private equity firms which may further stimulate corporate growth.

Top 25 PE Firm Transactions by Deal Value Completed During Q1 2014

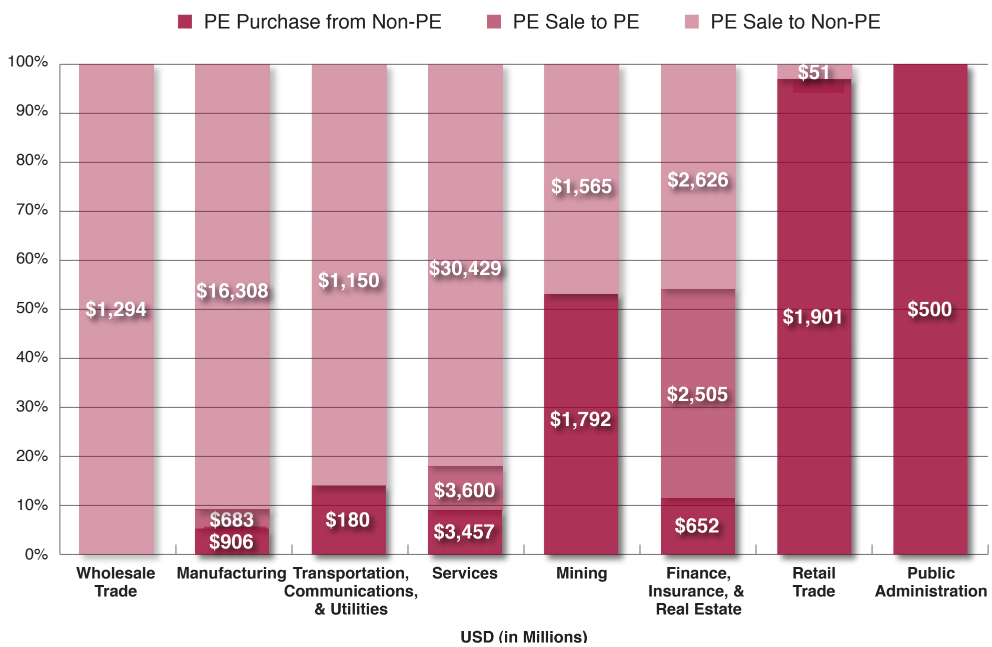
	Deal Value USD (in millions)	PE Role(s)	Target	Seller	Deal Type*	Acquiring Entity (Advisors)	Target Primary US SIC Description
1	$15,700	Buyer	Montreal Maine & Atlantic Railway Ltd's Substantially All Assets	Receiver, Montreal Maine & Atlantic Railway Ltd	MAJ	Great Lakes Equity Partners	Railroads, line-haul operating
2	$7,600	Buyer & Seller	Health Management Associates Inc.	Shareholders, Glenview Capital Management LLC	MAJ	Community Health Systems Inc.	General medical and surgical hospitals
3	$4,400	Buyer & Seller	Multiplan Inc.	BC Partners Ltd, Silver Lake Partners LP	MAJ	Partners Group Holding Ag, Starr International Company Inc.	Computer processing and data preparation and processing services
4	$4,200	Seller	Viropharma Inc.	Shareholders, LRG Capital Group LLC	MAJ	Shire PLC	Commercial physical and biological research
5	$3,200	Seller	Nest Labs Inc.	Kleiner Perkins Caufield & Byers, Intertrust Technologies Corporation, Venrock Associates LP, Lightspeed Venture Partners, Shareholders, Shasta Ventures Management LLC, Generation Investment Management LLP	MAJ	Google Inc.	Automatic controls for regulating residential and commercial environnements and appliances
6	$2,900	Buyer & Advisor	Lender Processing Services Inc.		MAJ	Fidelity National Financial Inc. (Thomas H Lee Partners LP)	Computer programming services
7	$2,900	Seller	Aptalis Holdings Inc.	Growth Capital Partners LP, TPG LLC	MAJ	Forest Laboratories Inc.	Pharmaceutical preparations manufacturing
8	$2,400	Buyer & Seller	Sedgwick Claims Management Services Inc.	Hellman & Friedman LLC, Shareholders, Stone Point Capital LLC	MAJ	Management, Kohlberg Kravis Roberts & Company LP	Pension, health, and welfare funds
9	$1,950	Buyer, Seller & Advisor	Patheon Inc.	Shareholders, JLL Partners Inc., Directors, Executive Officers	MAJ	DPX Holdings BV (JLL Partners Inc)	Pharmaceutical preparations manufacturing
10	$1,800	Buyer & Seller	Applied Systems Inc.	Bain Capital LLC	MAJ	Management, Hellman & Friedman LLC, JMI Management Inc.	Computer programming services
11	$1,800	Seller	Santander Consumer USA Holdings Inc.	Warburg Pincus LLC, Kohlberg Kravis Roberts & Company LP, Shareholders, Centerbridge Capital Partners LP, Banco Santander SA, Mr Thomas G Dundon, Mr Jason Kulas, Mr Jason Grubb, Mr Eldridge A Burns, Mr Rich Morrin	IPO		Personal credit institutions
12	$1,650	Seller	Digital Insight Corporation	Shareholders, Thoma Bravo LLC	MAJ	NCR Corporation	Computer processing and data preparation and processing services
13	$1,545	Seller	Airwatch LLC	Accel Management Company LLC, Shareholders, Insight Venture Partners	MAJ	VMware Inc.	Computer processing and data preparation and processing services
14	$1,400	Seller	Cadence Pharmaceuticals Inc.	BB Biotech AG, Technology Partners Service Corporation, Domain Associates LLC, Frazier Management LLC, Windamere Venture Partners LLC, Versant Venture Management LLC, Proquest Management LLC, CDIB Bioscience Venture Management, Shareholders	MAJ	Mallinckrodt PLC	Pharmaceutical preparations manufacturing
15	$1,400	Seller	Beechcraft Holdings LLC	Angelo Gordon & Company LP, Shareholders, Sankaty Advisors LLC, Centerbridge Capital Partners LP	MAJ	Textron Inc.	Aircraft manufacturing
16	$1,300	Buyer	CEC Entertainment Inc.		MAJ	Apollo Global Management LLC	Eating places
17	$1,165	Seller	GXS Group Inc.	Francisco Partners Management LLC	MAJ	Open Text Corporation	Computer processing and data preparation and processing services
18	$1,100	Buyer	Volvo Rents Construction Equipment Inc.	Volvo AB	MAJ	Platinum Equity LLC	Heavy construction equipment rental and leasing
19	$1,050	Seller	Rice Energy Inc.	NGP Energy Capital Management LLC, Shareholders	IPO		Oil and gas field exploration services
20	$1,000	Buyer & Seller	Audio Visual Services Group Inc.	Kelso & Company LP, Macquarie Group Ltd	MAJ	Goldman Sachs Group Inc., Olympus Partners LP	Amusement and recreation services, not elsewhere classified
21	$994	Seller	Dealer Dot Com Inc.	Shareholders, Apax Partners LLP	MAJ	Dealertrack Technologies Inc.	Computer processing and data preparation and processing services
22	$900	Buyer	Cloudera Inc.		MIN	Intel Corporation, Investors, MSD Capital LP, T Rowe Price Group Inc., Google Ventures	Computer processing and data preparation and processing services
23	$900	Seller	ASP GT Holding Corporation	American Securities LLC	MAJ	Chemtrade Logistics Income Fund	Chemicals and chemical preparations, not elsewhere specified manufacturing
24	$897	Seller	Quintiles Transnational Holdings Inc.	3i Group PLC, Temasek Holdings Pte Ltd, Bain Capital LLC, TPG Capital LP, Mr Dennis B Gillings CBE PhD, Ms Mireille Gillings PhD	MIN		Commercial physical and biological research
25	$890	Buyer	Asiainfo-Linkage Inc.	Shareholders, Mr Tian Suning, Mr Guanghui Cai	MAJ	Skipper Ltd	Computer programming services

Source: Zephyr
Deal types: MAJ = Majority Stake Aquisition, MIN = Minority Stake Acquisition, IPO = Inital Public Offering

Industry Sector Transaction Analyses

FLOW OF PE FUNDS BY INDUSTRY

With Values Between $50M and $5B for Q1 2014

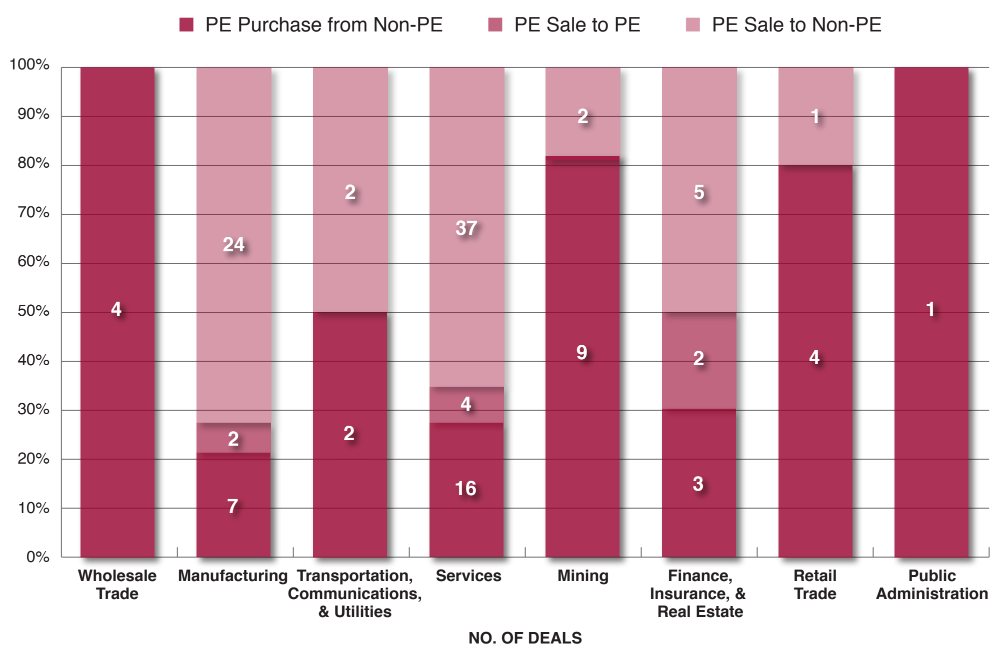


Source: Zephyr

Note: Includes data for which transaction details were reported and publicly available.

FLOW OF PE DEALS BY INDUSTRY

With Values Between $50M and $5B for Q4 2013



Source: Zephyr

** The Agriculture, Forestry, and Fishing and the Construction industries have been excluded from this analysis due to nominal activity.*

Note: Includes data for which transaction details were reported and publicly available.

Purchase and sale transactions reveal visible trends as private equity firms pursue gainful opportunities in undervalued companies, market upturns, or thriving industry sectors.

VALUE AND NUMBER OF DEALS BY INDUSTRY

For Q1 2014

Industry*	Median Deal Value (In Millions)	Average Deal Value (In Millions)	Total Sum of Completed Deals (In Millions)**	Total Count of Completed Deals**
Mining	$215	$305	$3,357	11
Wholesale Trade	$124	$190	$1,333	7
Finance, Insurance, & Real Estate	$76	$302	$6,034	20
Retail Trade	$50	$248	$1,987	8
Agriculture, Forestry, And Fishing	$36	$214	$641	3
Transportation, Communications, & Utilities	$29	$134	$1,874	14
Manufacturing	$26	$222	$20,202	91
Services	$24	$265	$42,694	161
Public Administration	$8	$105	$523	5

Source: Zephyr

** Industries are based on main divisions defined in the United States Department of Labor's Standard Identification Codes*

*** Calculations based on our third party data include only deals that list values*

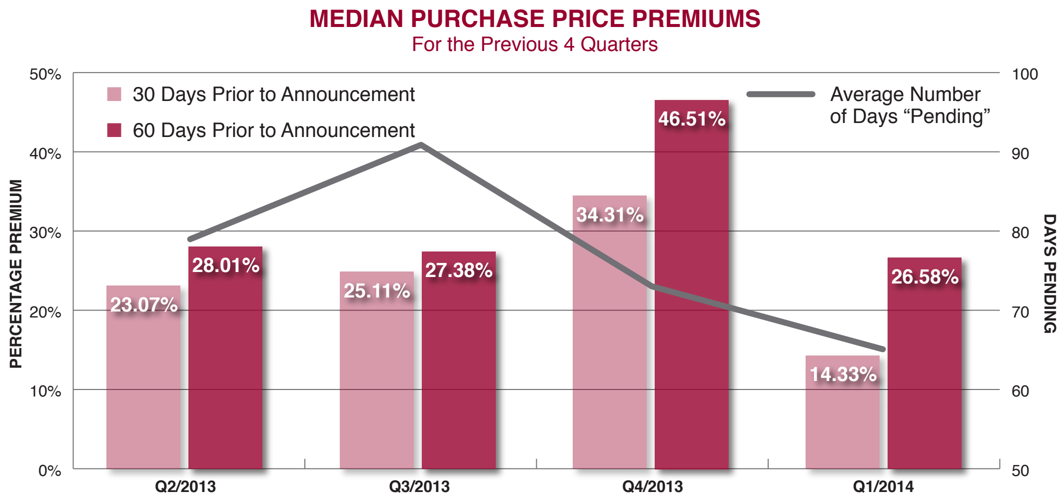
Note: Includes data for which transaction details were reported and publically available.

During Q1 2014, the Mining industry had the highest median deal value, while Services had the highest total sum for deals completed. Buoyed by the sheer number of transactions typically performed in this industry sector, Services enjoyed a near redoubling in average deal value from last quarter.

INDUSTRY FOCUS: MINING

In Q1 2014, the highest median deal value was in the mining industry, a sector that continues to show steady momentum. In our previous issue we focused on this industry and discussed how Shale rock (hydrocarbon) discoveries in North America have provided relatively low risk investments. On January 23, 2014, Rice Energy Inc., a company with the rights to lease about 90,000 acres in Marcellus Shale, had a highly successful IPO raising $960,000,000. This IPO illustrates that public excitement for this buzzed-about energy source remains high.

Purchase Price Premium for Transactions Involving Controlling Stakes



Source: Zephyr

Note: Includes data for which transaction details were reported and publicly available.

"Acquisition premiums can also be interpreted as estimates of value creation attributed to new tactics and operational improvements under a new regime."

Wiley Finance, Rawley Thomas, Benton E Gup, *The Valuation Handbook: Valuation Techniques from Today's Top Practitioners,* pg. 334

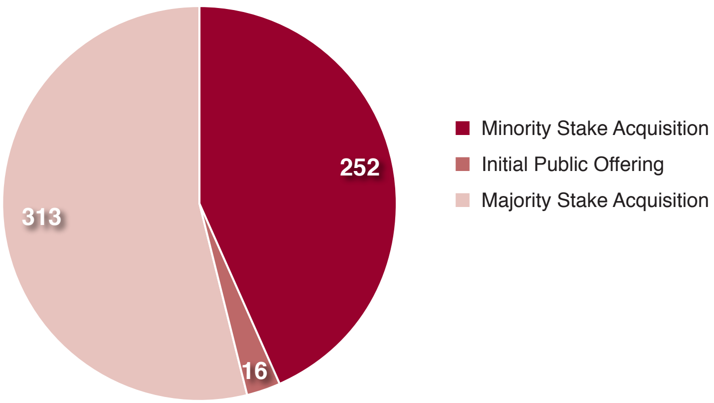
The median purchase price premium over share price 30 days and 60 days prior to announcement for the trailing four quarters was equal to 24.09% and 31.08%, respectively. The drop in the median purchase price premium over share price in Q1 2014 may be the result of downward pressure on previously experienced premiums as equity markets continue to rise.

PE Acquisition Type Analyses

We broke down the transactions by the following categories based on characteristics of the acquirer and the stake acquired:

Deal Type	Definition
Majority Interest	Stake acquired is equal to a 50% or greater interest in the target entity.
Minority Interest	Stake acquired is equal to less than 50% interest in the target entity.
Initial Public Offer	A percentage of equity ownership is offered and sold to public investors.

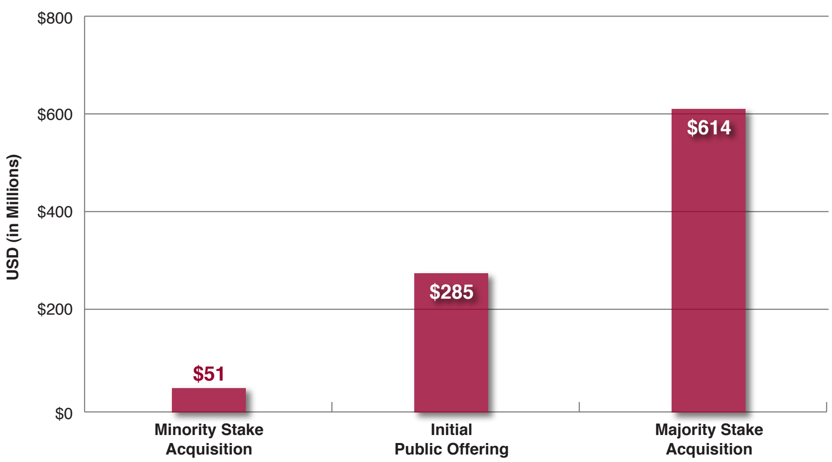
NUMBER OF COMPLETED PE DEALS BY ACQUISITION TYPE
For Q1 2014



Source: Zephyr

Note: Includes data for which transaction details were reported and publicly available.

AVERAGE DEAL VALUE FOR PE FIRM TRANSACTIONS
For Q1 2014



Source: Zephyr

Note: Average deal value based on transactions for which values were publicly available.

"…researchers have shown that acquisitions collectively do create value for the shareholders of both the acquirer and the acquired company."

McKinsey & Company, Tim Koller, Marc Goedhart, David Wessels, *Valuation: Measuring and Managing the Value of Companies,* pg. 451

Featured Transactions and Insights

Among the transaction activity and related events in the quarter, we select certain deals that present information we consider especially worthy of further review and analysis by those involved in structuring and negotiating business sales and acquisitions. Our goal is to feature transactions that raise unique considerations from a valuation, deal-structure, or subsequent-dispute standpoint.

This quarter, we feature two transactions: one related to the entertainment sector and another focused on retail. Apollo Global Management's acquisition of CEC Entertainment features a number of noteworthy provisions, as well as a shareholder lawsuit that raises questions about the necessity and effectiveness of merger litigation. Of equal interest is Golden Gate Capital's role in the pending acquisition of Zale Corporation by Signet Jewelers. This transaction combines a number of major jewelry retailers while highlighting Golden Gate Capitals's strategy of combining debt and equity investments to rescue Zale Corporation, ensure maximum returns for themselves and other shareholders, and to help position Zale for its acquisition by Signet Jewelers.

"Tender offers are faster but more expensive than mergers. Tender offers are also more likely for strategically important acquisitions and acquisitions in more competitive environment than mergers."

David Offenberg, Chriso Pirinsky, *How Do Acquirers Choose between Mergers and Tender Offers?*, JEL classification: G34, J50

A Rapid Deal and a Shareholder Lawsuit: Who Wins and Why

On February 14, 2014, Apollo Global Management ("Apollo") announced that it had successfully acquired CEC Entertainment ("CEC"), the parent company of popular family dining and entertainment chain Chuck E. Cheese. The sale was valued at about $948 million (or $1.30 billion including debt) with Apollo agreeing to pay $54.00 per share for CEC. This amounted to a premium of 11.5% of the stock's closing price on January 15, 2014, the date the agreement and plan of merger was announced. The deal was effected through a combination of a tender offer followed by a merger. The tender offer of $54.00 per share— resulting in the acquisition of approximately 68% of the outstanding shares—expired as scheduled on February 14, 2014, and on the same day CEC merged with an affiliate of Apollo to become a privately-held, wholly-owned subsidiary and subsequently ceased trading on the NYSE.

Multiple aspects of this transaction seem to indicate that Apollo was eager to close the deal very quickly. For starters, a tender offer can be completed as quickly as twenty business days after it is initiated, while a merger can take months. This is because a merger requires a shareholder vote, which in itself necessitates that companies draft a proxy statement, as well as hold a shareholder meeting. The transaction also included a top-up option, the upshot of which allowed Apollo to cash out any shareholders who did not tender.[1]

[1] *http://www.sec.gov/Archives/edgar/data/813920/000119312514022165/d657368dex99a5b.htm*

Noteworthy Conditions and Stipulations

The deal featured a number of intriguing provisions. Though each stipulation could effect bidders and the bidding process in unanticipated ways, they also appear to be designed for the dual purpose of expediting the transaction and limiting competition. These provisions included the following:

- *a "Burger King provision" allowing Apollo to switch to a merger if the tender offer was not closed within 45 days of its initiation,*
- *a short go-shop provision limiting CEC's timeframe to identify a separate bidder,*
- *a low threshold poison pill, triggered at the 10% level, directed towards any hedge funds or shareholder activists that tried to block the deal,*
- *and a significant two-tier termination fee. The break-up fee listed in the merger agreement came to about $45 million: 3.5% of the equity value plus the company's debt of $385 million, as compared to around $23 million if a deal could be signed with another bidder by February 4, 2014.*

All of these stipulations—the limited Burger King provision, the limited go-shop, the poison pill, and the termination fee—combined put a great deal of pressure on a competing bidder. It appears as though Apollo's approach paid off, as evidenced by the successful and expedited completion of the transaction on February 14, 2014.

Shareholder Lawsuit

In January of 2014, three shareholders filed complaints challenging the $1.3 billion deal and claiming that CEC could have landed a larger offer. Shareholder rights lawyer Hamilton Lindley explained,

> *"Apollo originally expressed an interest in purchasing CEC Entertainment for $55-56 per share. By permitting Apollo to purchase the company for $54 per share, the CEC board appears not to be fulfilling its duties to obtain the highest price reasonably available. The CEC Entertainment board also agreed to a poison pill that improperly locks up the transaction with Apollo. Our planned stockholder lawsuit seeks to remove these improper deal protections and fight for the highest price reasonably available.*[2]

The parties argued that the company's directors violated their fiduciary duty by inadequately shopping the company, thereby allowing Apollo to underpay CEC shareholders. They also objected to the director's decision to adopt a shareholder rights plan, as well as certain provisions in the merger agreement that allegedly made it less likely for the board to consider alternate acquisition bids. The three complaints requested, among other things, an injunction to prevent the sale of CEC.[3]

"Burger King structure works best for deals with a high minimum tender offer thresholds—well above a simple majority. Companies with fewer shares to issue, nervous lenders or a ticking clock will want to get as close to 90 percent as possible with the tender offer and not have to rely on big top-up options."

Liz Hoffman, *Burger King Deal Structure Still Has Sizzle (Law360),* Oct 2012

[2] *Hindley, Hamilton. "CEC Entertainment Buyout Price Process Undermines Shareholder Rights: Dean & Lyons LLP." PRN Newswire. 18 January 2014. Web. 09 April 2014.*
[3] *http://www.sec.gov/Archives/edgar/data/813920/000119312514022165/d657368dex99a5b.htm*

Why Clamor?

The lawsuit seems to have made little to no impact on the deal itself, as it closed as scheduled. However, this is just one example of what *The Wall Street Journal* calls a "virtual lock" in the wider corporate merger landscape: shareholders will, seemingly without fail, sue the company over some aspect of the deal.[4] These lawsuits invariably settle on a disclosure-only basis, having made little or no impact on the transaction in question. According to the article, shareholders challenged a full 94% of U.S. public-company deals in 2013, up from 44% in 2007. The average deal now faces five lawsuits in total, many of which are filed in different state and federal courts.

Despite the drastic increase in lawsuits, shareholders rarely benefit financially. *The Wall Street Journal* cites that only about 1% of the nearly 400 deals challenged since 2011 have resulted in increased payouts for shareholders. Some experts, such as Sean Griffith, Director of Corporate Law Center at Fordham University School of Law, liken the recent proliferation of lawsuits to little more than "a classic case of crying wolf."[5] Other critics claim that the flood of lawsuits buries real instances of misconduct. In a 2013 paper, Leo E. Strine, Jr., then Chancellor of the Delaware Court of Chancery, acknowledged that "in the wave of such repeated meritless suits, some good suits get missed and valuable claims are released for inadequate consideration."[6]

While the flood of shareholder lawsuits shows no sign of abating, some judges are taking steps to ebb the flow themselves, either by refusing disclosure-only settlements or lowering the fees awarded to plaintiffs' lawyers. For example, in a February 2014 lawsuit, Judge Strine simply refused to approve a settlement in its entirety, leaving the plaintiffs with the option of dismissing their claims or proceeding with their damages claims. Though shareholders continue to use litigation as a prime tactic for increasing payouts, their lack of success indicates that such cases are met with little sympathy in the courtroom. It will be interesting to see whether this trend has any bearing on the future of merger and acquisition litigation.

"The lawsuits, sometimes called "strike" suits by critics, have long been in existence and they rarely, if ever, scuttle deals. They occasionally lead to benefits for shareholders. They have mushroomed, legal experts say, partly because the practice has proven lucrative for plaintiffs' attorneys who know that companies are eager to be rid of litigation and have been settling quickly....The lawsuits sometimes hit the docket before the official paperwork on the deal has even been filed with the Securities and Exchange Commission."

Dionne Searcey, Ashby Jones, *First the Merger; Then the Lawsuit (The Wall Street Journal),* Jan 2011

[4] *Hoffman, Liz. "First Rule of Mergers: To Fight Is to Lose." The Wall Street Journal. 26 March 2014. Web. 09 April 2014.*

[5] *bid.*

[6] *Hoffman, Liz. "Strine Protects Turf As M&A Litigation Forum Battle Simmers." Law 360. 24 January 2013. Web. 09 April 2014.*

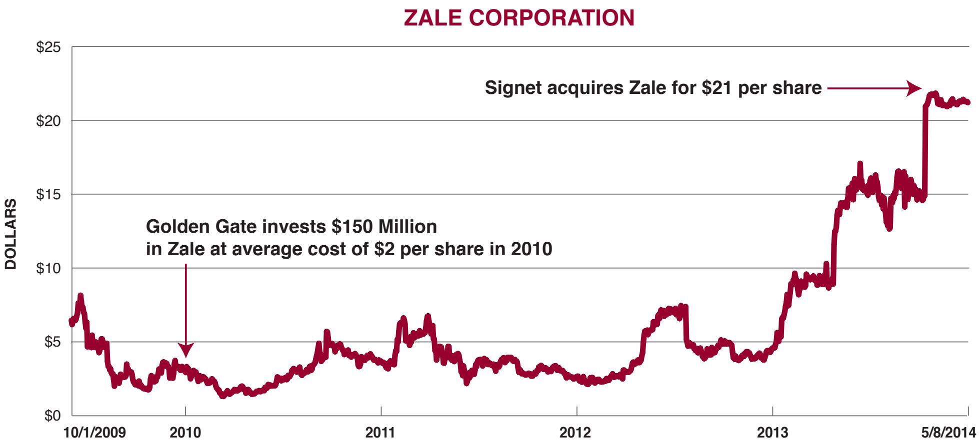
A Financial Rescue Set to Pay Off for Golden Gate in Signet Buyout of Zale

On February 19, 2014, the world's largest jewelry retail company, Signet Jewelers, announced its plan to acquire Zale Corporation ("Zale") for $21 per share. This stock value marked a 41% premium over the prior day's closing share price and, including debt, would roll up into a transaction totaling roughly $1.4 billion.

Golden Gate Capital ("Golden Gate") stands to benefit significantly from Signet's buyout. In May 2010, through mezzanine financing, Golden Gate threw the financially-troubled Zale a lifeline of $150 million in capital funding linked to a secured-loan agreement that, apart from allowing the private equity investors two seats on the company's board of directors, granted the firm warrants to buy at will eleven million shares of Zale common stock at a fixed purchase price of $2 per share.

"Mezzanine debt can often be thought of as borrowing equity, as senior banks will treat it as such, while the cost of mezzanine debt will be less than equity because of the interest paid and security preference it takes ahead of equity."

Bond Capital Mezzanine Inc., Corry Silbernagel, Davis Vaitkunas, *Mezzanine Finance,* Spring 2012



Source: Google Finance

The rescue was hugely successful. The entire transaction was described by *TheStreet.com* as a deal *"reminiscent of the types of emergency investments that have been made famous by Warren Buffet of Berkshire Hathaway."* Today, four years later, the potential gain on Golden Gate's gamble proves the private equity firm made a shrewd investment.

Ferreting out fortune in a bleak market

Despite Zale's retail industry rivals, Finlay Enterprises and Fortunoff, filing for bankruptcy just prior in 2009, and while Zale, too, was confronting its own liquidity crisis, Golden Gate infused $150 million in capital funding and intervened to revitalize leadership at top levels of the company. Subsequently, Zale Corporation steadily improved its business strategies and balance sheet over four consecutive years.

Highlights of its recovery include the retailer heralding hardy holiday sales and increased gross margins in January of this year. Six months prior, Zale reported its first profitable fiscal year since the 2008 global financial crisis. These climactic events mark unremitting improvements up to even only a year ago when Zale's stock still traded at prices dipping as low as $3.76 per share. Today, in a pending deal currently valued at $21 per share, Golden Gate is reaping its rewards for its role in resuscitating the jewelry retailer.

The financial rescue of Zale provides a great illustration of how private equity firms at times take risks investing in troubled companies, even those on the verge of bankruptcy. The distressed company will oftentimes be willing to sell low, even substantially below market value, in order to obtain capital financing with the ultimate aim of warding off insolvency or bankruptcy.

"The common features of all mezzanine instruments and products are that they offer a risk/return profile that lies between debt and equity."

Bond Capital Mezzanine Inc., Corry Silbernagel, Davis Vaitkunas, *Mezzanine Finance,* Spring 2012

However, success is not always guaranteed with these types of investments. Troubled companies are often marred in high amounts of debt and decreasing sales. The chances that the company will succumb to its creditors and fall into bankruptcy are high. Most times, these companies require a shift in strategy, generally associated with a change in management, in order to bring the company's books back into the black. Golden Gate helped assure a change in strategy by securing two seats on Zale Corporation's Board of Directors. By focusing on cutting costs that included strategically closing hundreds of unsuccessful stores and adding non-Zale exclusive name brands to its outlets' inventory, Zale made significant strides. The company increased its gross margin by approximately 21% between 2010 and 2013, and last year, recognized a net profit for the first time since 2008.

Failsafe financing?

The terms of the funding combined characteristics of both debt and equity. For the loan facet, Golden Gate's $150 million in capital funding carried a 15% annual interest rate. Of that, 10% was to be paid in cash and 5% was eligible to be paid in kind. The loan was also secured by a first lien to Zale's inventory and receivables. Golden Gate gave the retailer the right to redeem the loan, however, the terms included a 10% call premium, albeit incrementally reduced over five years, locking in healthy returns.

But the warrants structured into the deal with Zale proved to be the true money maker for Golden Gate. Once warrants were exercised, Golden Gate became the most significant stakeholder owning about 22% of Zale's common stock.

Did it matter the way the cards fell? Whether the original transaction had been followed by bankruptcy for Zale, or today's pending Signet acquisition, or just an overall better balance sheet, did Golden Gate stand to profit nonetheless? Per news stories at the time, the private equity firm could have realized substantial rewards even if Zale had gone under. It was postulated by the press in 2010 that, if Zale had defaulted on the terms of the loan agreement, Golden Gate could have seized control in a bankruptcy and taken Zale private.

Investment returns: What gives – and who gets?

Four years ago, Golden Gate took risk in lending such a large sum to a struggling retailer, and now stands to be handsomely rewarded. But what is likely the greatest gain for the retail jeweler's business resulting from Golden Gate's intervention in 2010? It set Zale up for Signet's pending beneficial buyout. Controlling interests may change, but share price increased dramatically, and the hazard of any hostile takeover will have been averted. Preserving its brand name, Zale is expected to become a division of Signet. Signet's pending acquisition will merge the most recognizable names in the North American jewelry retail industry—Zale, Kay Jewelers, and Jared the Galleria of Jewelry, as well as Peoples and Gordon's Jewelers—and is expected to generate about $6.2 billion in combined sales annually.

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ABOUT Floyd Advisory

Floyd Advisory is a consulting firm providing financial and accounting expertise in areas of Business Strategy, Valuation, SEC Reporting, and Transaction Analysis.

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