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# Dividend and Debt Policy Studies

## Dividend and Leverage Metrics for U.S. Public Companies with Revenues of \$25 Million to \$500 Million

2009

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**MPI SECURITIES, INC.**

*Investment Banking*

Enclosed are our 2009 dividend and debt policy studies. We examine herein dividend payout and leverage metrics for publicly traded U.S. companies with sales of \$25 million to \$500 million. These studies provide interesting insight on the impact of current market conditions on dividend yields and leverage metrics.

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*Investment Banking*

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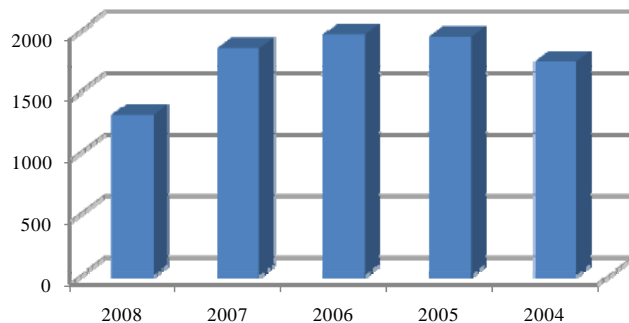
# Executive Summary

# Executive Summary

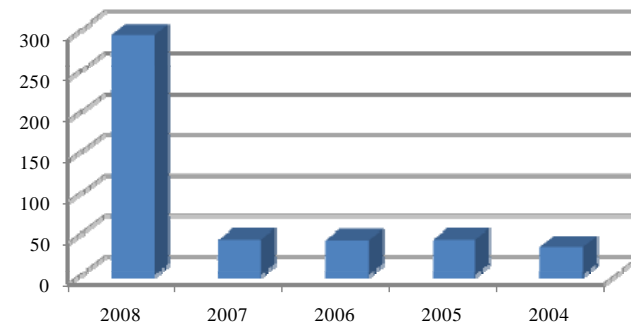
## Dividend Policy:

- According to Standard & Poor's:
  - Of the 7,000 public companies reporting dividends to the Standard & Poor's Dividend Record, 295 decreased dividends during 2008 while 1,310 increased their dividends, representing approximately a 570% increase in companies decreasing dividends and approximately a 30% decrease in companies increasing their dividends as compared to 2007.
  - Howard Silverblatt of Standard & Poor's pointed out that since Standard & Pooors began tracking dividends in 1956, the fourth quarter of 2008 was the worst quarter ever for dividends.

**Companies with Dividend Increases**



**Companies with Dividend Decreases**



## Executive Summary (cont'd.)

- MPI Securities analyzed the dividend policies of 2,037 U.S. companies with sales from \$25 million - \$500 million. Our study included companies in six industry sectors: Basic Materials, Communications, Consumer Cyclical, Consumer Non-Cyclical, Industrial and Technology. We further divided the study set into two groups based on revenue (\$25 million - \$150 million and \$150 million - \$500 million).
- We identified 188 dividend paying companies, representing 9.2% of the study set. Of these companies, 36 were excluded because data was not readily available, not meaningful or the company had multiple classes of stock.

## Executive Summary (cont'd.)

- The sector breakdown of the remaining 152 dividend paying companies is as follows:

Sector	Revenue Size	
	\$25MM to \$150MM	\$150MM to \$500MM
Basic Materials	3	7
Communications	4	11
Consumer, Cyclical	8	16
Consumer, Non-Cyclical	16	22
Diversified (a)	0	1
Industrial	15	33
Technology	5	11
<b>Totals</b>	<b>51</b>	<b>101</b>

*Note: (a) Not included in sector data.*

## Executive Summary (cont'd.)

- To complete this presentation, we primarily relied on information provided by Bloomberg Finance L.P., a leading source of financial data.
- Our analysis included the following five dividend metrics for companies in the two revenue groups, presented in aggregate and sorted by industry sector later herein:
  - Current Indicated Annual Dividend as a Percent of Latest Twelve Month Net Income;
  - Current Indicated Annual Dividend as a Percent of Latest Twelve Month Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”);
  - Current Indicated Annual Dividend Divided by Latest Shareholders’ Equity (“Book Value”);
  - Current Indicated Annual Dividend Yield; and
  - Dividend Frequency.

## Executive Summary (cont'd.)

### Debt Policy Study:

- We analyzed the debt policies of the 152 companies identified for our dividend policy study.
- We looked at the following two leverage metrics for companies in the two revenue groups, presented in aggregate and sorted by industry sector later herein:
  - Net Debt to Adjusted Market Value (net debt equals short term and long term debt less cash, cash equivalents and short term investments; and adjusted market value equals the aggregate market value of the equity plus net debt); and
  - Net Debt to EBITDA.

# Aggregate Data

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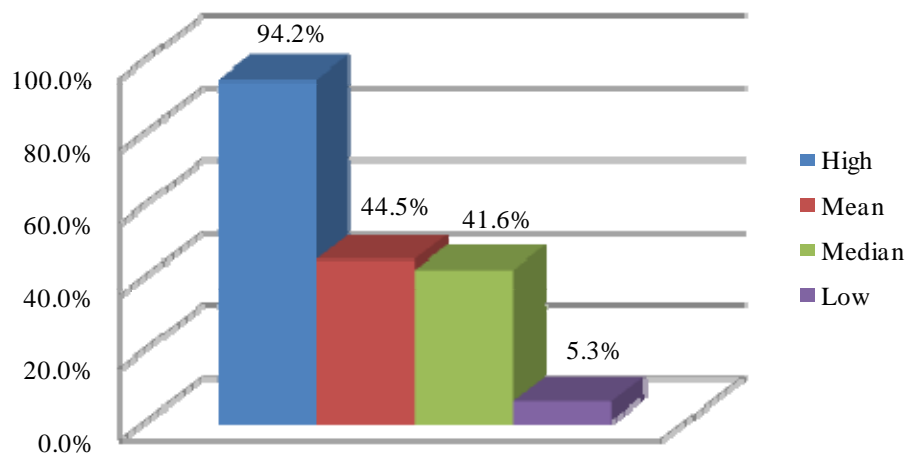
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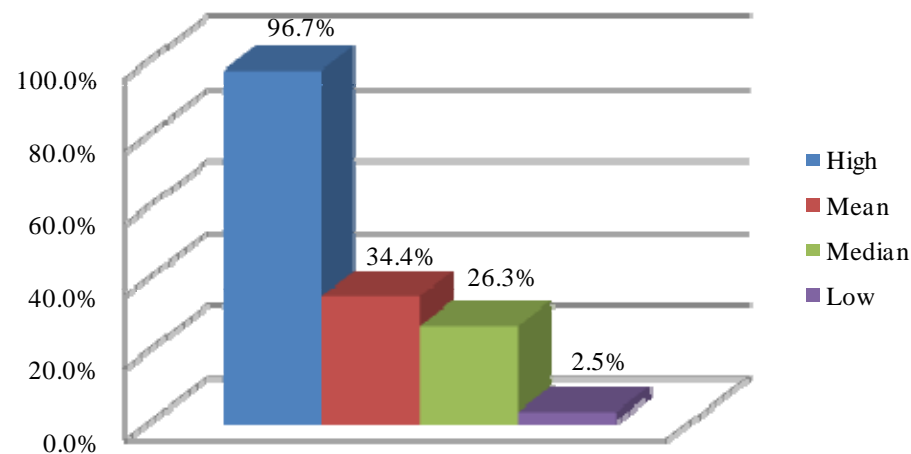
# Dividend Policy Aggregate Data

Current Indicated Annual Dividend as a Percent of Latest Twelve Month Net Income <sup>(1)</sup>

### \$25MM - \$150MM



### \$150MM - \$500MM

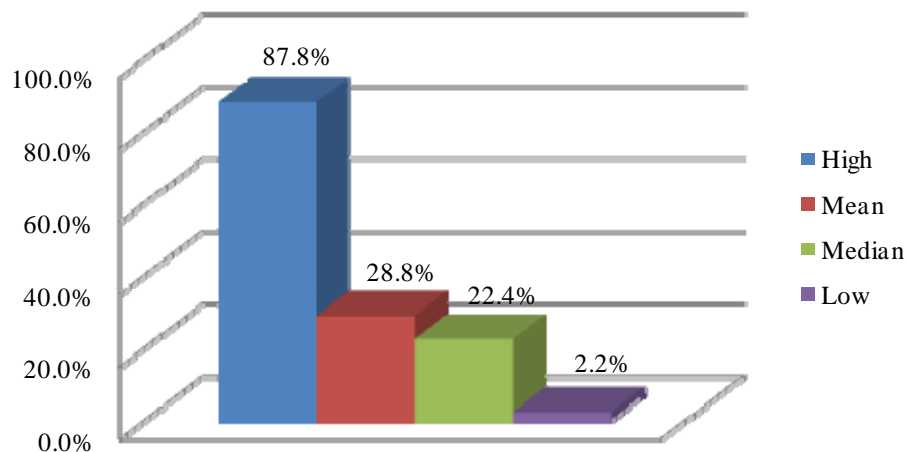


Notes: (1) Data excludes negative ratios (implying negative reported net income) and ratios greater than 100%.

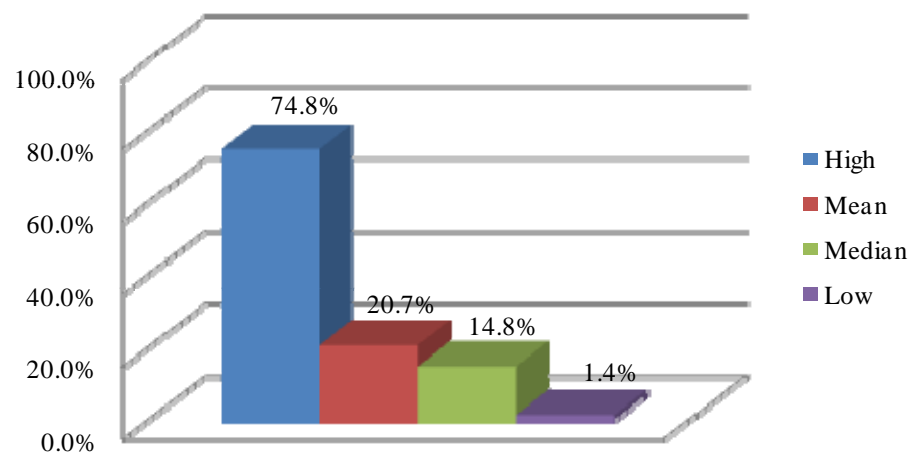
# Dividend Policy Aggregate Data

Current Indicated Annual Dividend as a Percent of Latest Twelve Month EBITDA <sup>(1)</sup>

### \$25MM - \$150MM



### \$150MM - \$500MM

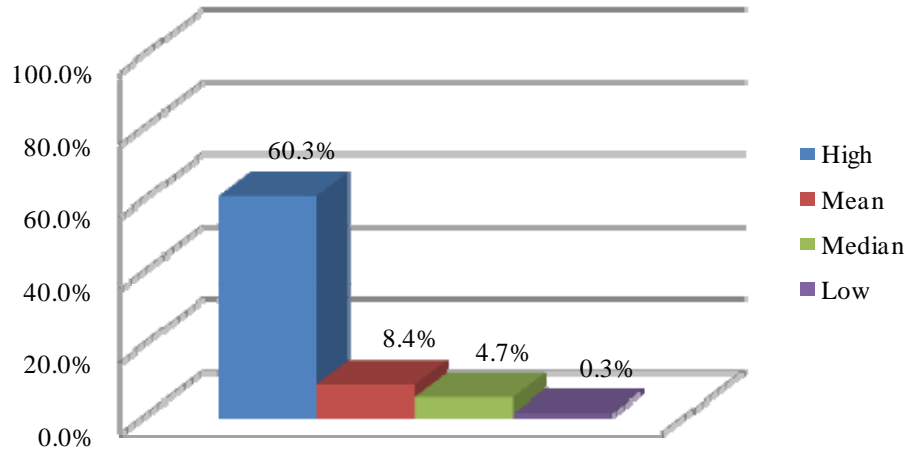


Notes: (1) Data excludes negative ratios (implying negative reported EBITDA) and ratios greater than 100%.

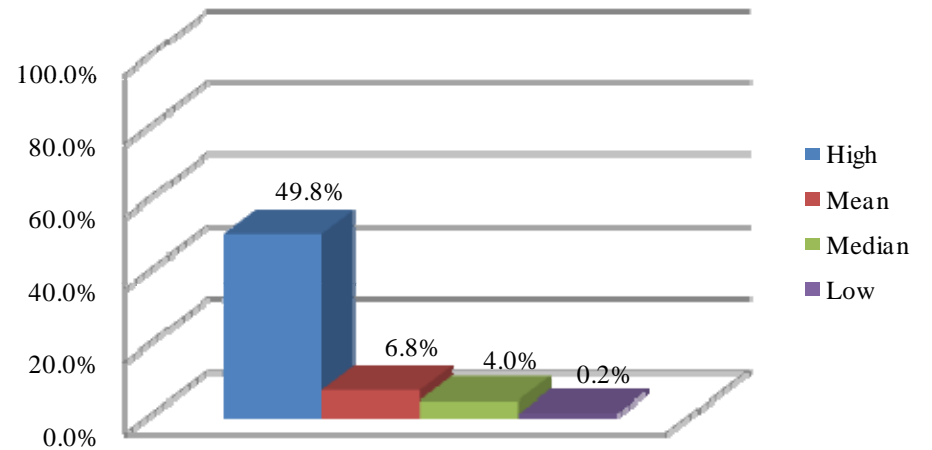
# Dividend Policy Aggregate Data

Current Indicated Annual Dividend as a Percent of Latest Book Value

### \$25MM - \$150MM



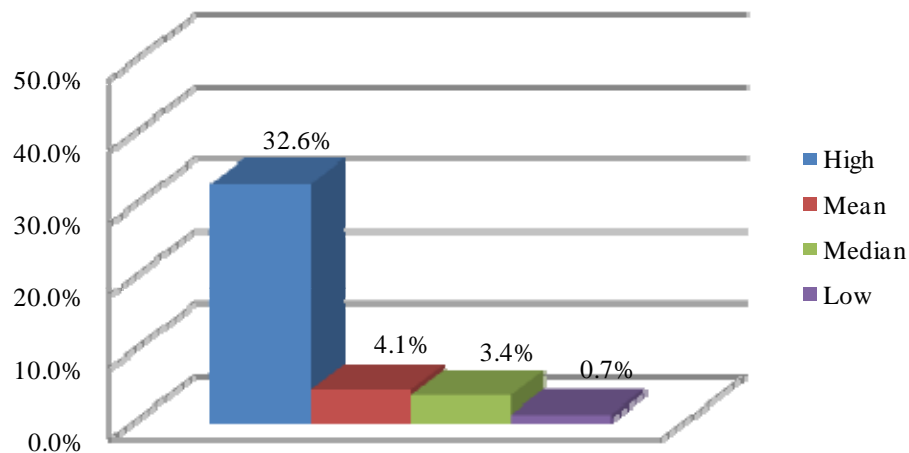
### \$150MM - \$500MM



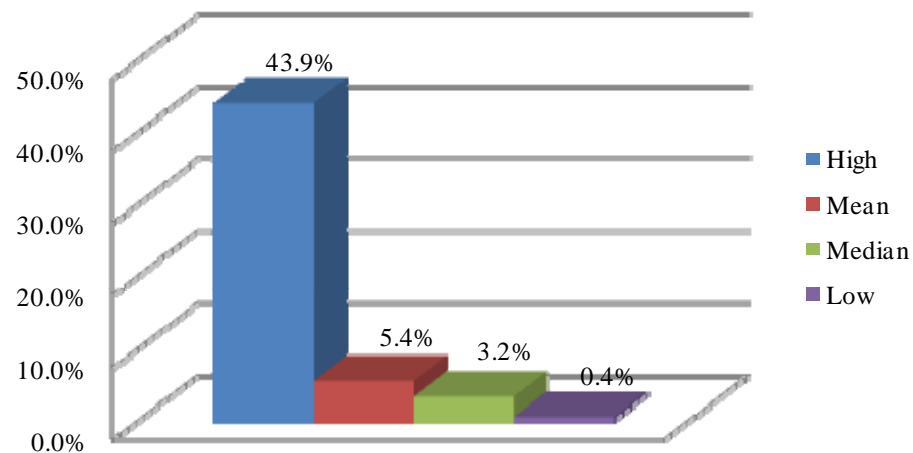
# Dividend Policy Aggregate Data

Current Indicated Annual Dividend Yield

## \$25MM - \$150MM



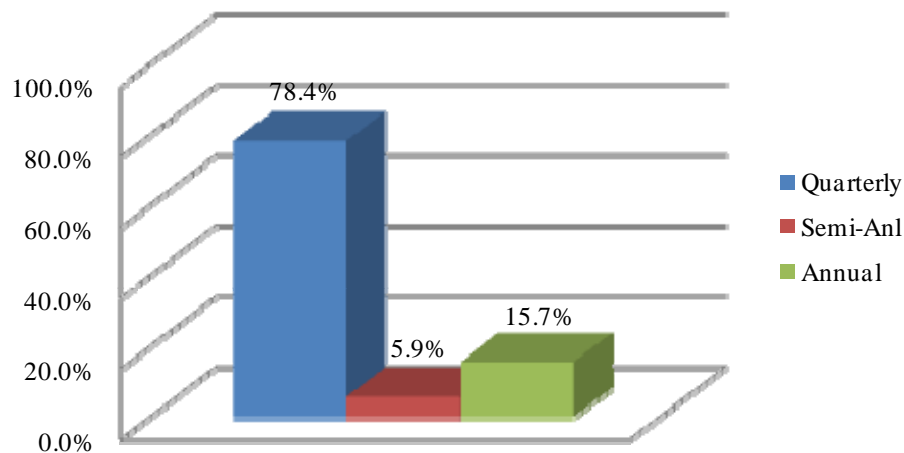
## \$150MM - \$500MM



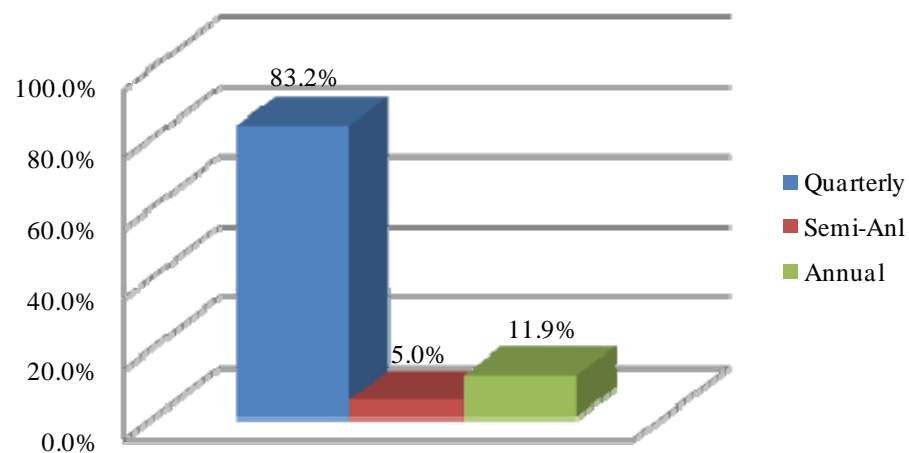
# Dividend Policy Aggregate Data

## Dividend Frequency

### \$25MM - \$150MM



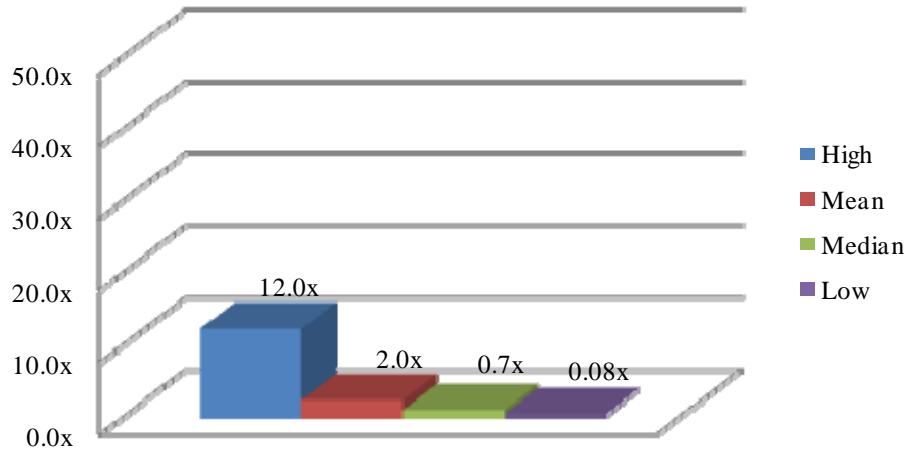
### \$150MM - \$500MM



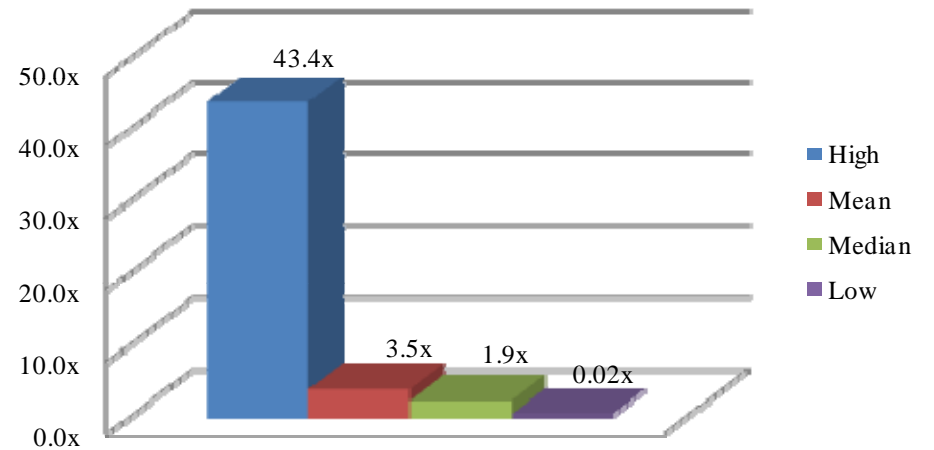
# Debt Policy Aggregate Data

Net Debt to EBITDA <sup>(1)</sup>

## \$25MM - \$150MM



## \$150MM - \$500MM

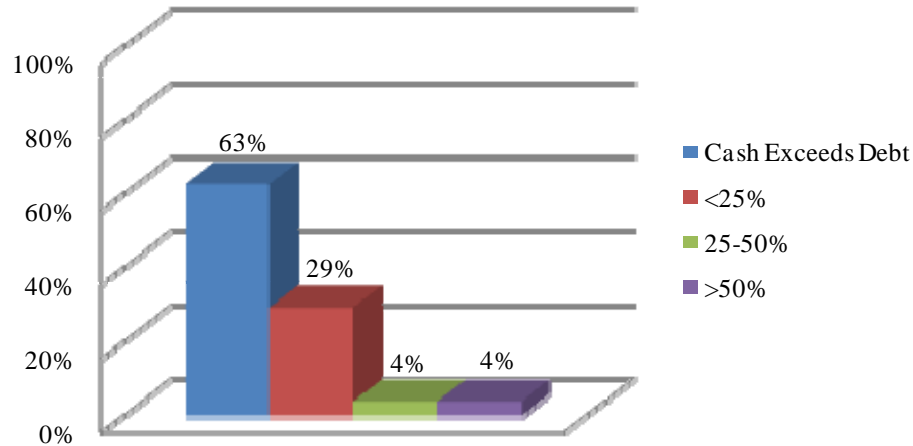


Notes: (1) Data excludes negative ratios (implying negative reported EBITDA or negative net debt).

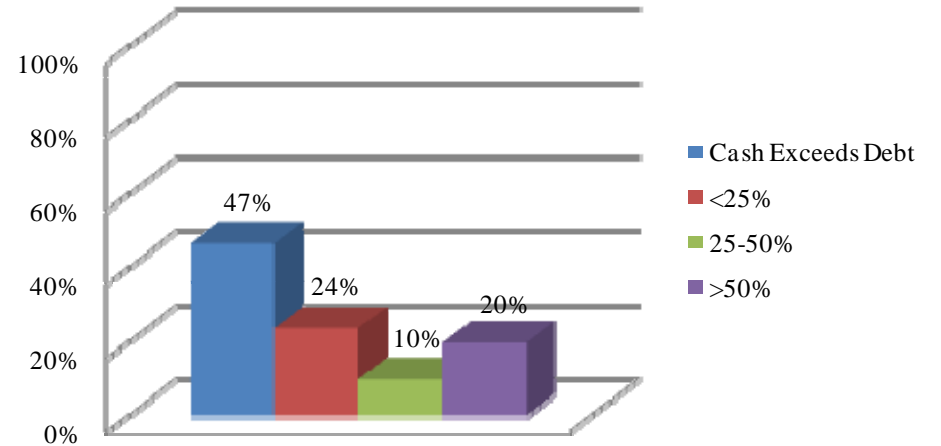
# Debt Policy Aggregate Data

Net Debt to Adjusted Market Value

## \$25MM - \$150MM



## \$150MM - \$500MM



# Sector Data

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# Communications Sector

\$25MM - \$150MM

## Dividend Policy:

Dividend Frequency -

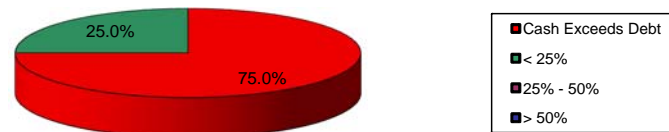
Quarterly	75.0%
Semi-Annual	0.0%
Annual	25.0%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	9.7% - 62.5%	41.1%	46.0%
Current Indicated Annual Dividend as a % of LTM EBITDA	11.7% - 44.3%	27.1%	26.3%
Current Indicated Annual Dividend as a % of Latest Book Value	2.0% - 18.2%	7.4%	4.7%
Current Indicated Annual Dividend Yield	1.1% - 5.7%	3.7%	4.1%

## Debt Policy:

Net Debt to EBITDA - After excluding companies with excess cash, only one of the four companies included in this group remained, with a ratio of 0.08x.

Net Debt to Adjusted Market Value -



# Communications Sector

\$150MM - \$500MM

## Dividend Policy:

Dividend Frequency -

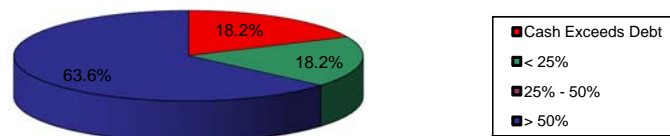
Quarterly	100.0%
Semi-Annual	0.0%
Annual	0.0%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	2.5% - 80.2%	45.1%	30.4%
Current Indicated Annual Dividend as a % of LTM EBITDA	11.3% - 55.9%	25.7%	21.6%
Current Indicated Annual Dividend as a % of Latest Book Value	2.9% - 49.8%	16.7%	13.3%
Current Indicated Annual Dividend Yield	2.2% - 39.2%	10.9%	8.7%

## Debt Policy:

Net Debt to EBITDA	0.04x - 9.59x	3.63x	3.40x
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Net Debt to Adjusted Market Value -



# Technology Sector

\$25MM - \$150MM

## Dividend Policy:

Dividend Frequency -

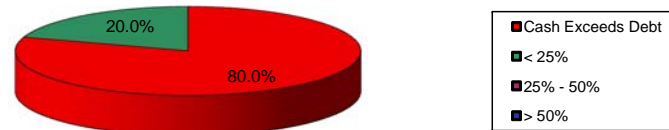
Quarterly	100.0%
Semi-Annual	0.0%
Annual	0.0%

	<u>Range</u>	<u>Mean</u>	<u>Median</u>
Current Indicated Annual Dividend as a % of LTM Net Income	30.6% - 71.6%	46.8%	38.3%
Current Indicated Annual Dividend as a % of LTM EBITDA	19.6% - 74.6%	44.1%	45.8%
Current Indicated Annual Dividend as a % of Latest Book Value	3.3% - 38.6%	13.9%	6.7%
Current Indicated Annual Dividend Yield	2.6% - 10.3%	5.1%	4.0%

## Debt Policy:

Net Debt to EBITDA - After excluding companies with excess cash, only one of the five companies included in this group remained, with a ratio of 0.27x.

Net Debt to Adjusted Market Value -



# Technology Sector

\$150MM - \$500MM

## Dividend Policy:

Dividend Frequency -

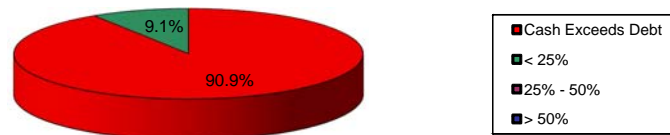
Quarterly	90.9%
Semi-Annual	0.0%
Annual	9.1%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	15.7% - 88.0%	50.0%	58.6%
Current Indicated Annual Dividend as a % of LTM EBITDA	8.5% - 50.5%	27.2%	22.0%
Current Indicated Annual Dividend as a % of Latest Book Value	1.2% - 29.0%	8.1%	4.8%
Current Indicated Annual Dividend Yield	0.5% - 7.7%	2.6%	2.3%

## Debt Policy:

Net Debt to EBITDA - After excluding companies with excess cash, only one of the five companies included in this group remained, with a ratio of 0.76x.

Net Debt to Adjusted Market Value -



# Consumer Cyclical Sector

\$25MM - \$150MM

## Dividend Policy:

Dividend Frequency -

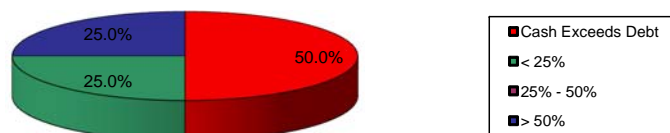
Quarterly	62.5%
Semi-Annual	12.5%
Annual	25.0%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	42.8% - 56.1%	51.1%	52.9%
Current Indicated Annual Dividend as a % of LTM EBITDA	8.9% - 64.7%	32.1%	25.9%
Current Indicated Annual Dividend as a % of Latest Book Value	2.4% - 60.3%	13.6%	7.4%
Current Indicated Annual Dividend Yield	1.9% - 32.6%	9.0%	5.6%

## Debt Policy:

Net Debt to EBITDA	0.17x - 11.98x	4.98x	3.89x
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Net Debt to Adjusted Market Value -



# Consumer Cyclical Sector

\$150MM - \$500MM

## Dividend Policy:

Dividend Frequency -

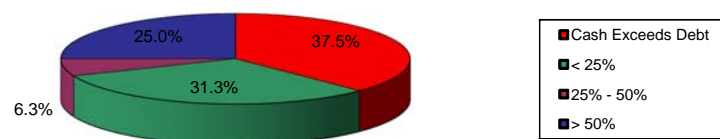
Quarterly	75.0%
Semi-Annual	6.3%
Annual	18.8%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	6.5% - 80.7%	37.5%	34.2%
Current Indicated Annual Dividend as a % of LTM EBITDA	5.3% - 61.9%	18.6%	15.2%
Current Indicated Annual Dividend as a % of Latest Book Value	1.6% - 12.8%	3.7%	3.0%
Current Indicated Annual Dividend Yield	0.9% - 43.9%	7.4%	4.3%

## Debt Policy:

Net Debt to EBITDA	0.28x - 43.41x	5.83x	1.17x
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Net Debt to Adjusted Market Value -



# Consumer Non-Cyclical Sector

\$25MM - \$150MM

## Dividend Policy:

Dividend Frequency -

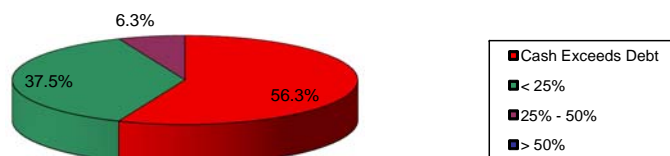
Quarterly	87.5%
Semi-Annual	6.3%
Annual	6.3%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	6.2% - 90.8%	40.6%	28.8%
Current Indicated Annual Dividend as a % of LTM EBITDA	2.2% - 74.4%	24.9%	19.5%
Current Indicated Annual Dividend as a % of Latest Book Value	0.3% - 28.1%	8.1%	6.4%
Current Indicated Annual Dividend Yield	0.7% - 5.8%	3.1%	3.3%

## Debt Policy:

Net Debt to EBITDA	0.16x - 7.65x	1.91x	0.68x
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Net Debt to Adjusted Market Value -



# Consumer Non-Cyclical Sector

\$150MM - \$500MM

## Dividend Policy:

Dividend Frequency -

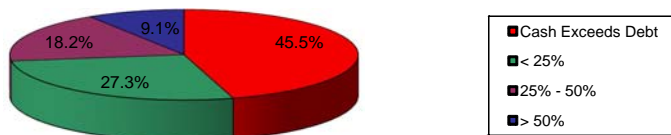
Quarterly	90.9%
Semi-Annual	0.0%
Annual	9.1%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	8.7% - 76.6%	35.0%	28.2%
Current Indicated Annual Dividend as a % of LTM EBITDA	7.2% - 74.8%	20.7%	14.6%
Current Indicated Annual Dividend as a % of Latest Book Value	1.8% - 23.5%	6.8%	4.2%
Current Indicated Annual Dividend Yield	0.8% - 15.6%	4.4%	2.9%

## Debt Policy:

Net Debt to EBITDA	0.02x - 11.24x	2.90x	2.13x
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Net Debt to Adjusted Market Value -



# Basic Materials Sector

\$25MM - \$150MM

## Dividend Policy:

Dividend Frequency -

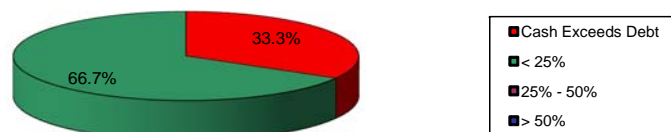
Quarterly	66.7%
Semi-Annual	33.3%
Annual	0.0%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	27.9% - 84.8%	51.4%	41.6%
Current Indicated Annual Dividend as a % of LTM EBITDA	9.7% - 20.0%	13.5%	10.8%
Current Indicated Annual Dividend as a % of Latest Book Value	1.1% - 2.2%	1.7%	1.7%
Current Indicated Annual Dividend Yield	0.7% - 2.4%	1.3%	0.8%

## Debt Policy:

Net Debt to EBITDA - After excluding companies with excess cash, only two of the three companies selected in this group remained, with ratios of 0.4x and 1.7x.

Net Debt to Adjusted Market Value -



# Basic Materials Sector

\$150MM - \$500MM

## Dividend Policy:

Dividend Frequency -

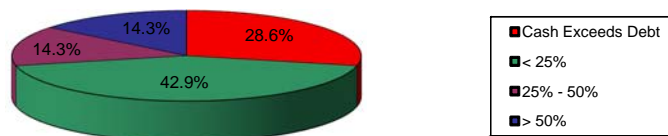
Quarterly	42.9%
Semi-Annual	42.9%
Annual	14.3%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	8.5% - 73.1%	34.2%	26.4%
Current Indicated Annual Dividend as a % of LTM EBITDA	3.4% - 41.8%	16.6%	10.1%
Current Indicated Annual Dividend as a % of Latest Book Value	1.1% - 7.3%	3.4%	2.8%
Current Indicated Annual Dividend Yield	0.4% - 8.3%	2.8%	2.2%

## Debt Policy:

Net Debt to EBITDA	0.52x - 3.40x	1.89x	1.92x
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Net Debt to Adjusted Market Value -



# Industrial Sector

\$25MM - \$150MM

## Dividend Policy:

Dividend Frequency -

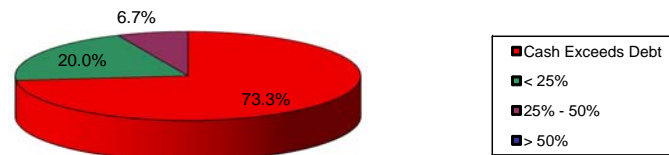
Quarterly	73.3%
Semi-Annual	0.0%
Annual	26.7%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	5.3% - 94.2%	45.6%	37.6%
Current Indicated Annual Dividend as a % of LTM EBITDA	3.6% - 87.8%	29.8%	22.8%
Current Indicated Annual Dividend as a % of Latest Book Value	1.0% - 42.8%	6.2%	3.8%
Current Indicated Annual Dividend Yield	0.7% - 6.0%	3.0%	3.1%

## Debt Policy:

Net Debt to EBITDA	0.11x - 1.45x	0.75x	0.73x
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Net Debt to Adjusted Market Value -



# Industrial Sector

\$150MM - \$500MM

## Dividend Policy:

Dividend Frequency -

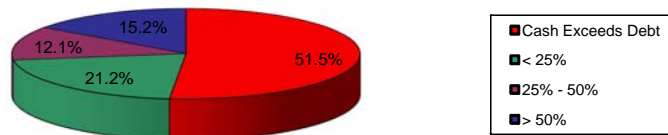
Quarterly	81.8%
Semi-Annual	3.0%
Annual	15.2%

	Range	Mean	Median
Current Indicated Annual Dividend as a % of LTM Net Income	3.1% - 96.7%	25.7%	22.9%
Current Indicated Annual Dividend as a % of LTM EBITDA	1.4% - 70.3%	19.0%	12.7%
Current Indicated Annual Dividend as a % of Latest Book Value	0.2% - 28.0%	5.6%	3.9%
Current Indicated Annual Dividend Yield	1.0% - 12.5%	4.5%	3.3%

## Debt Policy:

Net Debt to EBITDA	0.04x - 7.90x	2.12x	0.56x
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Net Debt to Adjusted Market Value -



# About MPI Securities, Inc.

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**MPI SECURITIES, INC.**

*Investment Banking*

## About MPI Securities, Inc.

MPI Securities provides merger and acquisition transaction advisory, fairness and solvency opinions, the evaluation of strategic alternatives and shareholder liquidity options, and sale/merger valuations to privately held and micro-cap public companies. We are affiliated with a leading business valuation firm, Management Planning, Inc. See the following pages for a brief description of representative assignments.

# Representative Engagements

## SALE/MERGER ADVISORY

*Pending*

Sale advisory for a \$10 million revenue food products manufacturer.

*Pending*

Advising a \$1 billion revenue regional supermarket chain in the sale of certain stores to related parties.

Merger advisory services for an \$800 million revenue consumer products company.

Advised Fairway Spring Co., Inc. in its sale to Fennell Spring Company, LLC.

### **Shop-A-Snak**

Advised Shop-a-Snak Food Mart, Inc. in its sale to

### **The Pantry.**

The Pantry, Inc.

Advised Stahl Specialty Co. in its sale to ThyssenKrupp AG. Transaction was a stock purchase with a 338(h)(10) election.

## ACQUISITION ADVISORY

Advised a \$40 million revenue dental products company regarding the acquisition of a dental supply distributor.

Acquisition advisory for a \$560 million revenue heavy equipment manufacturer.

Acquisition advisory for a \$100 million revenue industrial equipment manufacturer regarding the acquisition of a global manufacturers' business unit.

Advised a \$30 million revenue marketer of consumer and animal health products regarding the acquisition of an animal health products company.

# Representative Engagements (cont'd)

## FAIRNESS OPINIONS

Provided a fairness opinion for  
  
 in connection with its repurchase of  
 3.6 million shares from  
 International Truck and Engine  
 Corporation.

Provided a fairness opinion to  
 the board of a privately held  
 medical device company  
 in connection with a  
 reverse stock split.

Provided a fairness opinion to  
 the board of  
  
 in connection with transaction  
 financing for its acquisition of  
 Abic Animal Health.

Provided a fairness opinion to  
 the board of  
  
 in connection with transaction  
 financing for its acquisition of  
 Baltzell Agri Products.

Provided a fairness opinion for  
  
 in connection with a \$10 million  
 PIPE transaction.

Provided a fairness opinion  
 to the board of a privately  
 held medical devices  
 company in connection  
 with a self tender offer.

## STRATEGIC ADVISORY

Advised a \$20 million medical  
 products manufacturer  
 regarding strategic alternatives  
 and shareholder liquidity  
 options.

Advised a \$100 million revenue  
 surety company regarding  
 strategic alternatives and  
 shareholder liquidity options.

Strategic advisory for a  
 \$1 billion revenue civil  
 contracting and construction  
 materials business.

Evaluation of strategic  
 alternatives and shareholder  
 liquidity options for a \$200  
 million revenue technology  
 products and services business.

Advised the Board of Directors  
 of a \$100 million revenue  
 technology company in  
 response to an unsolicited  
 takeover offer.

Evaluation of shareholder  
 liquidity options and strategic  
 alternatives for a \$600 million  
 revenue regional pharmacy  
 chain.

# Representative Engagements (cont'd)

## SALE/MERGER VALUATIONS

Provided a sale/merger valuation for a \$475 million revenue food processing business.

Provided a \$275 million revenue convenience store chain with a sale/merger valuation for corporate planning purposes.

Provided a \$25 million revenue utility equipment company with a sale/merger valuation analysis in connection with a shareholder dispute.

Provided a sale/merger valuation for a \$33 million revenue manufacturer of specialty drinkware.

Provided a \$25 million revenue heavy construction materials company with a sale/merger valuation analysis.

Provided a \$16 million revenue coffee roasting company with a sale/merger valuation analysis.