

> **Geographic Spotlight: U.S. Regions**
Deal Activity Summary 1H 2011



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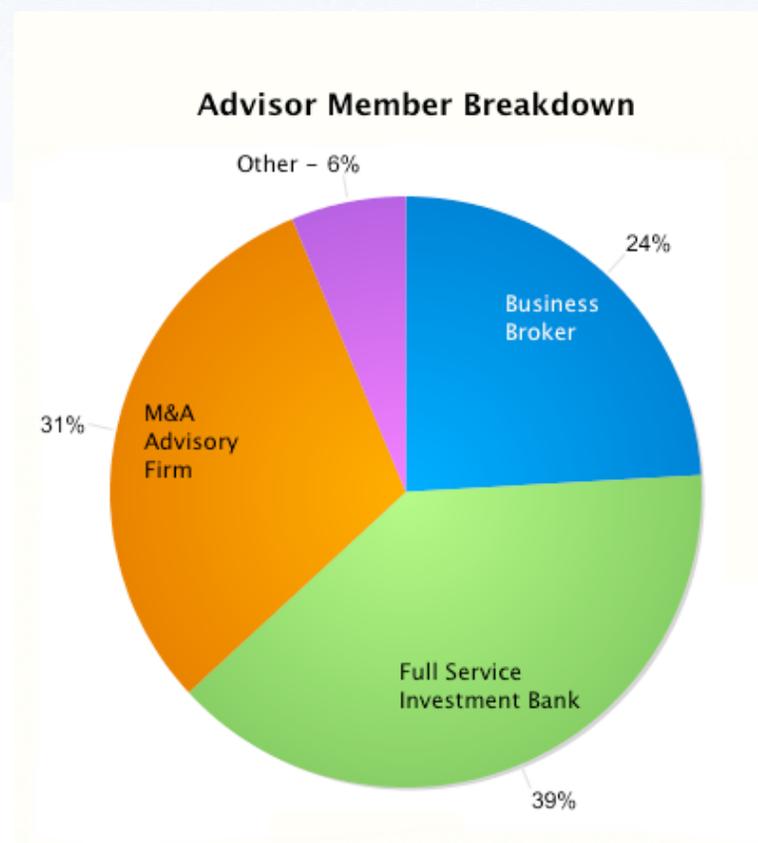
> Introduction

AxialMarket is the most active online M&A network globally, used by over 4,000 member companies engaged in buying, selling, lending to or advising private companies. Corporate buyers, lenders, investment firms, investment banks, and private companies leverage the network's integrated research and Deal Management applications to more intelligently source, manage, prepare for, and execute private M&A and related transactions.

This report analyzes deal activity of over 2,300 companies that originated on the AxialMarket network since January 2011. Opportunities represent companies across each US region, and are broken-down by industry, revenue, and EBITDA. Investment banks, business brokers, and M&A advisory firms use AxialMarket's integrated Deal Management tools to research prospective buyers and deliver opportunities through AxialMarket's secure network.

Through their Transaction Profiles, financial buyers and corporate acquirers are able to express interest in an opportunity by either "Pursuing" or "Declining" the opportunity. Since January 2011, over 1,000 Transaction Profiles have executed 4,440 Pursuits.

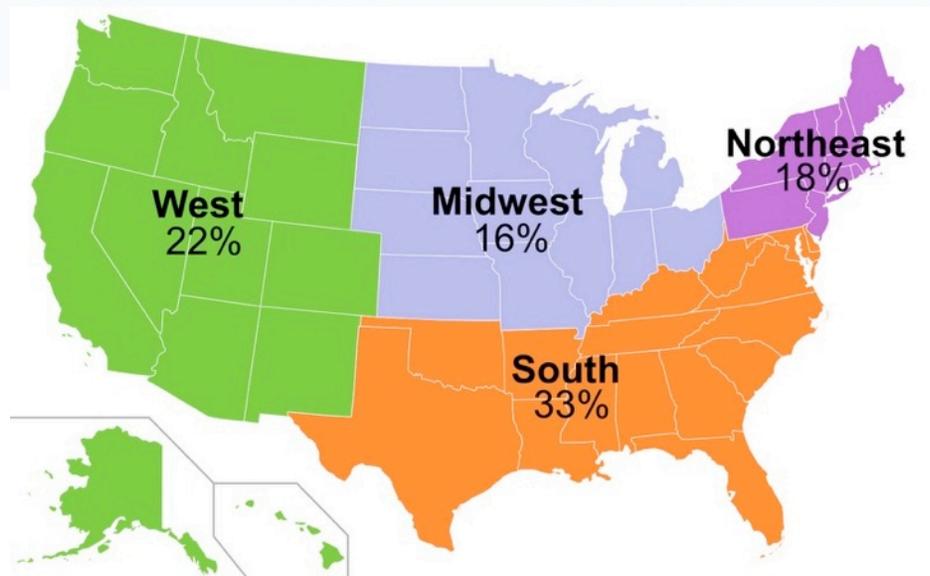
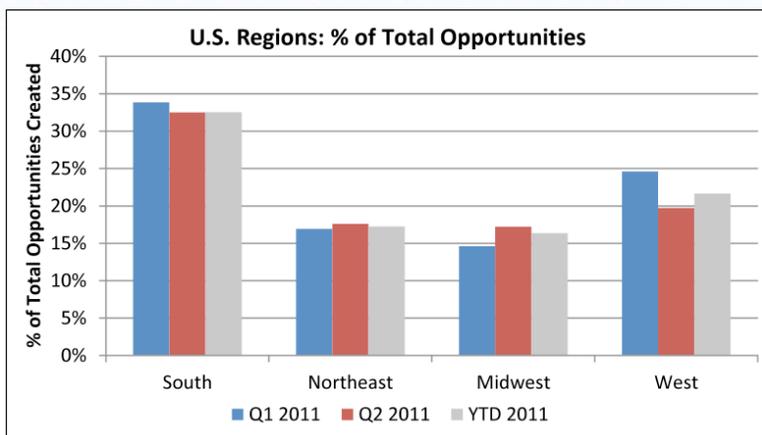
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> Geographic Deal Activity Summary

Opportunities

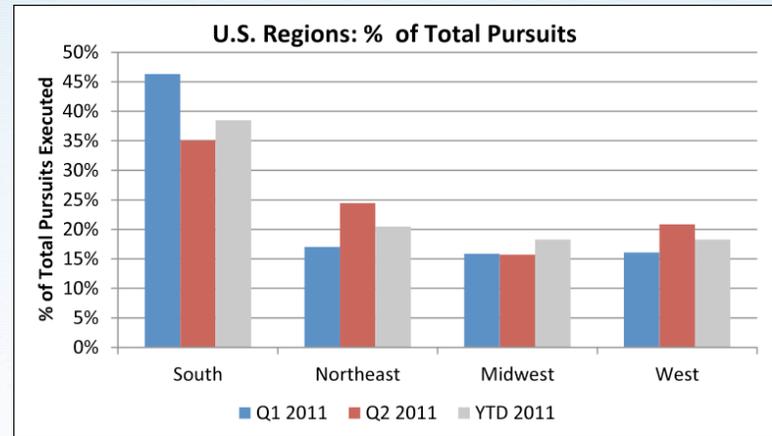
- The South region accounted for the most opportunities YTD* in 2011 with 33% of total volume. However, the percentage of total opportunities in the South Region declined 5% sequentially during Q2 from 34% to 32%.
- The Midwest had the smallest share of total opportunity volume with 15% YTD, but generated the fastest growth between quarters from 13% in Q1 to 16% in Q2, a 17% growth rate.
- The Northeast was the most stable region, accounting for 17% and 18% of total opportunity volume in Q1 and Q2, respectively.



> Geographic Deal Activity Summary

Pursuits

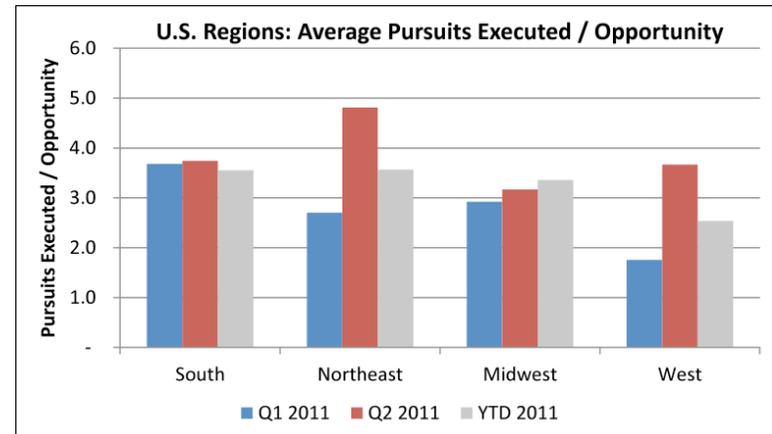
- The South was also the most active region by total Pursuits, generating 38% of total volume YTD*, but declining from 46% to 35% from Q1 to Q2 as Pursuits in the region declined 3% while overall Pursuit volume increased 28%.
- The Northeast and West regions exhibited strong growth in Pursuit volumes, increasing 84% and 66%, respectively. As a result, the Northeast region contributed 24% of Pursuits in Q2 compared to 17% in Q1, and the West region accounted for 21% of Pursuits in Q2 compared to 16% in Q1.
- Pursuits in the Midwest increased 27% in Q2, and accounted for 16% of the total volume in both Q1 and Q2.



Average Pursuits / Opportunity

This chart expresses the average level of interest per opportunity within each region by displaying the number of Pursuits executed per deal. The purpose of this chart is to isolate the amount of buyer interest in a particular region independent of the number of deals that have come to market in that geographic area.

- Average Pursuits per opportunity were very similar in the South, Northeast and Midwest regions, averaging ~3.5.
- Average Pursuits in the West region lagged YTD at 2.5, but were in-line in Q2 at 3.7.
- Average Pursuits per opportunity were consistent from Q1 to Q2 in the South and Midwest regions, while the Northeast and West regions exhibited strong sequential growth in Q2, increasing 78% and 109%, respectively.



> Regional Spotlight: U.S. South

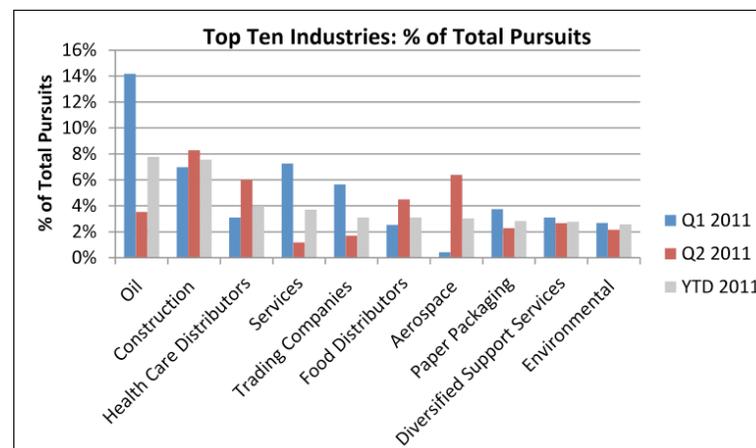
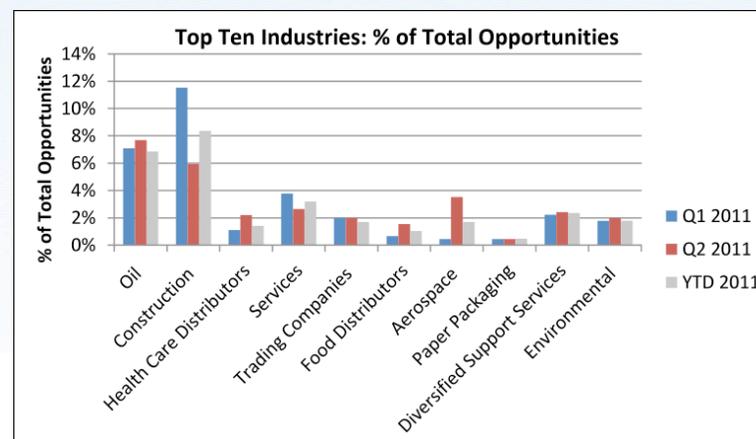
The charts below display metrics pertaining to the top ten industry categories (as determined by total volume of Pursuits) in the South region of the United States.

Opportunities

- Construction was the leading industry category by opportunities in the South region, with 8.4% of total volume YTD*. However, construction opportunities declined 48.1% sequentially in Q2.
- Oil opportunities had the second highest volume with 6.9% of total, and saw positive 9.4% growth sequentially in Q2.
- Opportunities were widely distributed, with no category outside the top two contributing more than 3% of total volume.
- Only two of the top ten (Oil and Services) saw declining sequential volumes in Q2, and Aerospace demonstrated the strongest growth with a 700% increase in the quarter.

Pursuits

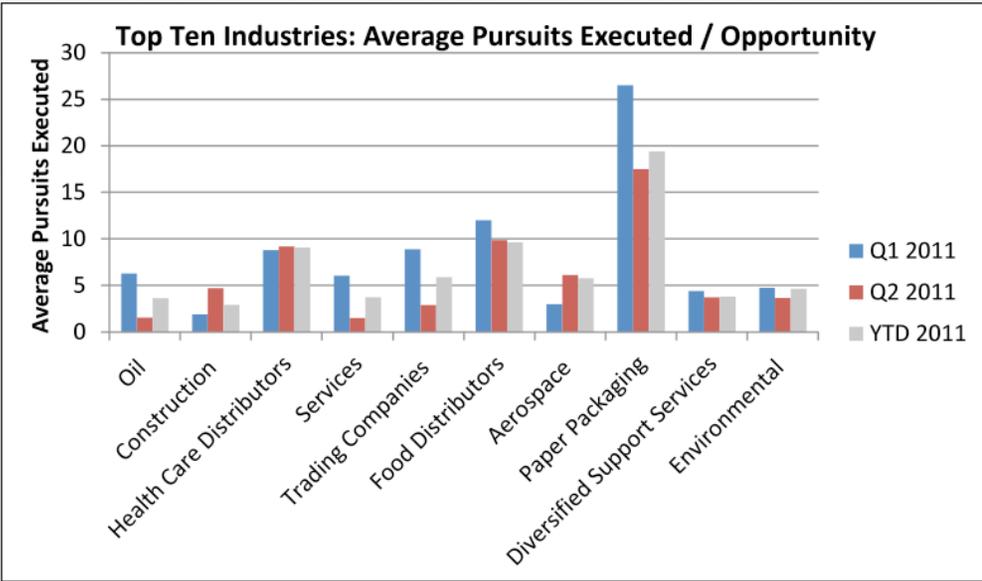
- Oil and Construction were also the leading categories by total Pursuits, with 7.8% and 7.6% of total volume, respectively.
- The growth trends for these industries were reversed when compared to opportunities, however, with Oil Pursuits declining 73.1% and Construction Pursuits increasing 28.3%.
- Six of the top ten industries saw declining sequential Pursuit volumes in Q2, while four trended positively. Aerospace was by far the leading growth category, with more than 1500% sequential growth during Q2.



Average Pursuits / Opportunity

This chart expresses the average level of interest per opportunity within the South region for the top ten industries (as determined by total volume of Pursuits) by displaying the number of Pursuits executed per deal. The purpose of this chart is to isolate the amount of buyer interest in a particular industry independent of the number of deals that have come to market in that category.

- Paper Packing generated the most Pursuits per opportunity, with an average of 19.4. No other category reached double digits.
- Despite being a leading industry by both opportunities and Pursuit volumes, Construction generated the fewest average Pursuits per opportunity with 2.9 YTD*. Average Construction Pursuits actually grew nearly 150% sequentially in Q2, making it the fastest growing category by this metric in the top ten.

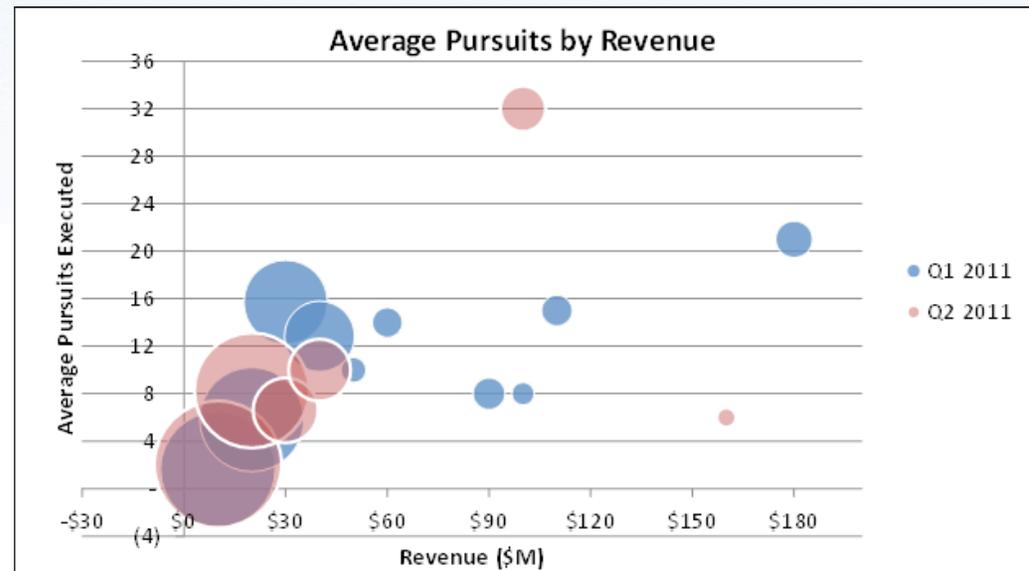


> Regional Spotlight: U.S. South

The charts below represent the average Pursuits executed per deal by company revenue and EBITDA. The size of the bubbles indicate the volume of Pursuits executed in a particular revenue/EBITDA range, while the position represents average Pursuits executed per opportunity.**

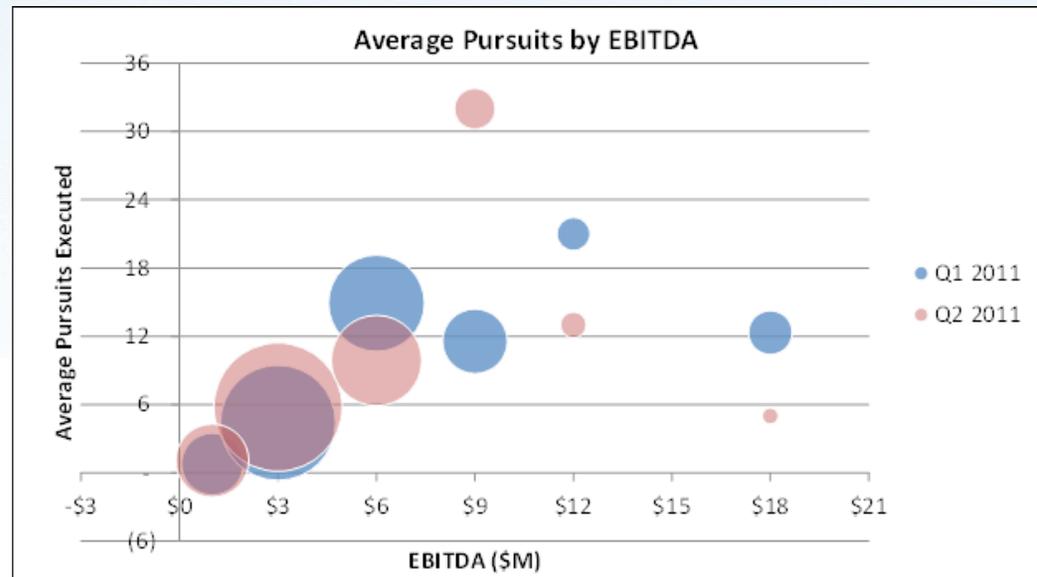
Average Pursuits / Opportunity by Revenue

- Opportunities were concentrated below \$10 million revenue, with 74% of total opportunity volume in this category. Opportunities in this size range generated an average of 1.8 Pursuits, compared to 3.6 for all opportunities.
- Pursuits were concentrated in opportunities with <\$10 million and \$10-20 million of revenue, with these two categories contributing 38% and 29% of total Pursuit volume, respectively.
- Deals with \$10-20 million revenue generated ~3.5x more Pursuits on average than deals with less than \$10 million revenue. Deals with \$20 million or more revenue generated ~2x more Pursuits on average than deals with \$10-20 million.



Average Pursuits / Opportunity by EBITDA

- Opportunity volume was concentrated in the <\$1 million and \$1-3 million EBITDA ranges, with these two categories contributing 56% and 33% of total opportunity volume in the South region.
- Pursuit volumes were highest in the \$1-3 and \$3-6 million EBITDA ranges, as they accounted for 45% and 25% of total Pursuits in the region.
- Average Pursuits for deals with \$1-3 million EBITDA were ~2x higher than for deals with <\$1 million, and deals with >\$3 million EBITDA generated ~2x more Pursuits than deals with \$1-3 million.

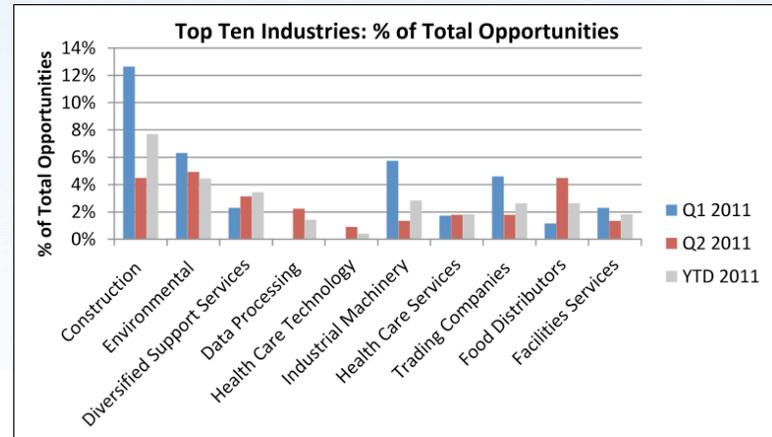


> Regional Spotlight: U.S. Northeast

The charts below display metrics pertaining to the top ten industry categories (as determined by total volume of Pursuits) in the Northeast region of the United States.

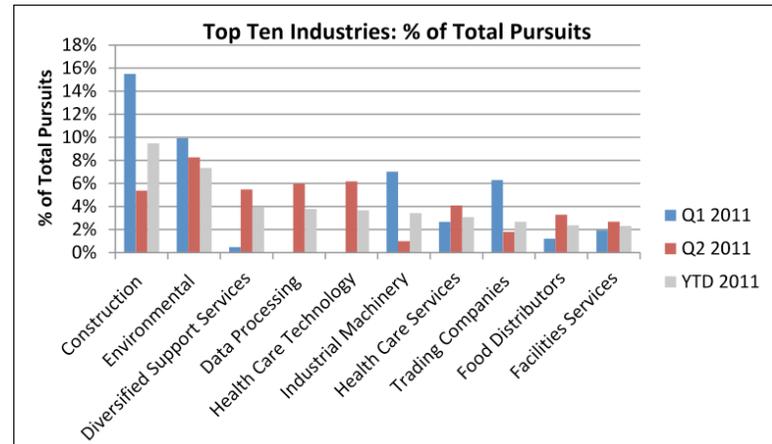
Opportunities

- Construction was the leading industry by opportunities in the Northeast region, generating 7.7% of total volume despite declining 55% sequentially in Q2.
- Opportunities were more widely distributed in the Northeast, with no industry except Construction accounting for more than 5% of total volume.
- Two of the top ten industries YTD* in the US Northeast, Data Processing and Health Care Technology, accounted for zero opportunities in Q1.
- Food Distributors were the fastest growing category in the top ten, increasing 400% sequentially in Q2.



Pursuits

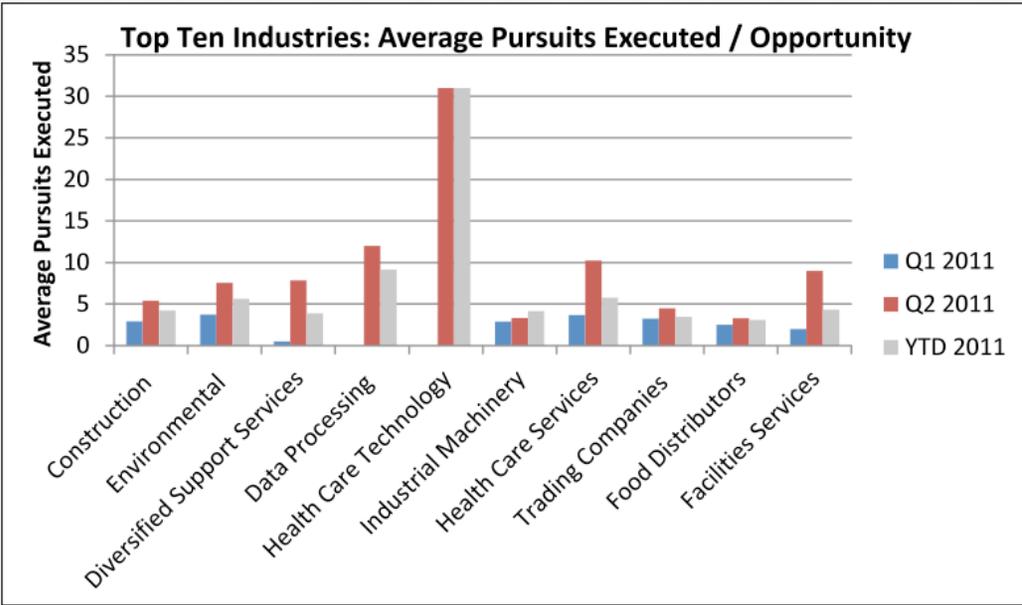
- Construction and Environmental opportunities generated the most total Pursuits in the Northeast region, accounting for 9.5% and 7.3% of total volume. No other category contributed more than 4%. Construction Pursuits declined 15.6% sequentially, while Environmental Pursuits increased more than 100%.
- Diversified Support services grew more than 2600% sequentially in Q2, and five of the top ten categories exhibited triple-digit growth during the period. Only three of the top ten industries experienced declining Pursuits in Q2.



Average Pursuits / Opportunity

This chart expresses the average level of interest per opportunity within the Northeast region for the top ten industries (as determined by total volume of Pursuits) by displaying the number of Pursuits executed per deal. The purpose of this chart is to isolate the amount of buyer interest in a particular industry independent of the number of deals that have come to market in that category.

- Health Care Technology generated an average of 31 Pursuits per opportunity. No other sector in the top ten reached double-digit average Pursuits.
- Average Pursuits increased more than 1400% for Diversified Support Services opportunities.
- Each of the top ten industries experienced positive growth in average Pursuits between Q1 and Q2.

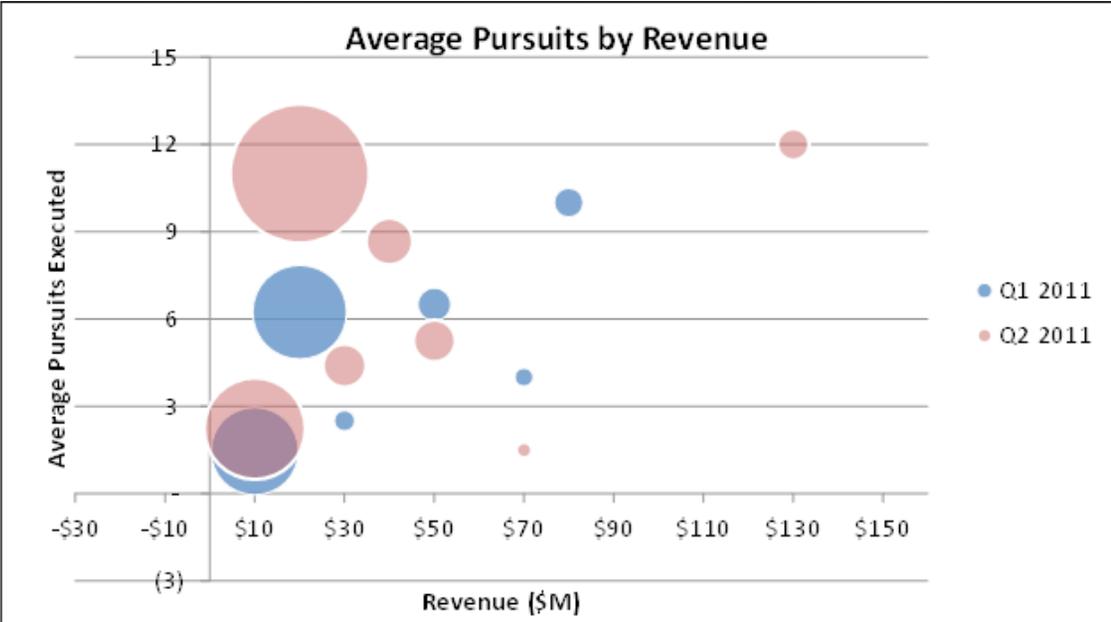


> Regional Spotlight: U.S. Northeast

The charts below represent the average Pursuits executed per deal by company revenue and EBITDA. The size of the bubbles indicate the volume of Pursuits executed in a particular revenue/EBITDA range, while the position represents average Pursuits executed per opportunity.**

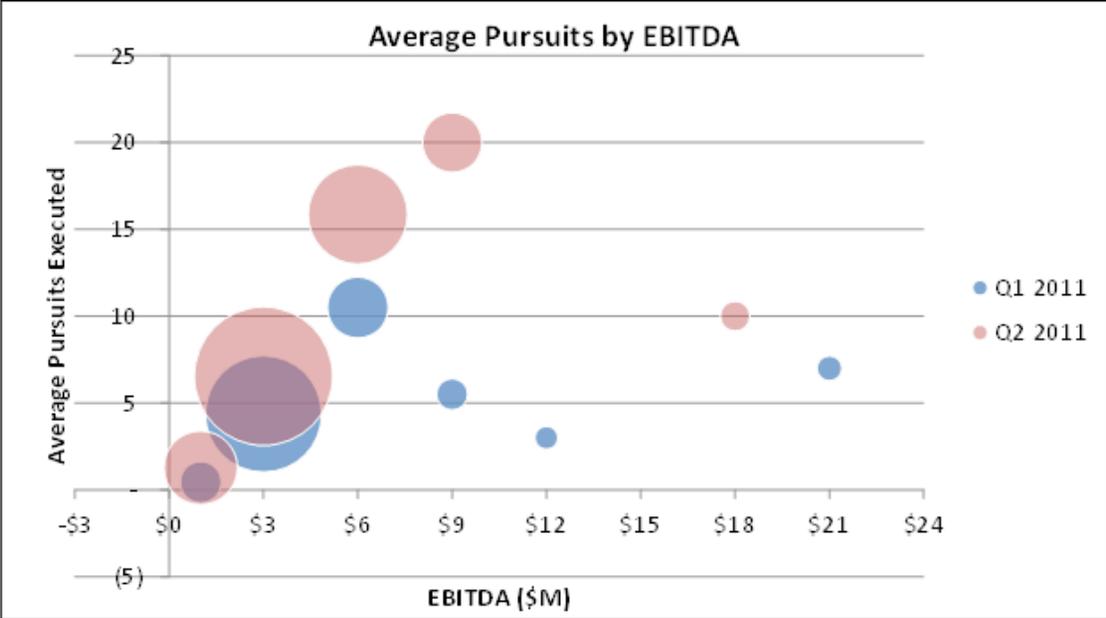
Average Pursuits / Opportunity by Revenue

- Opportunities with <\$10 million revenue declined 12.7% sequentially in Q2, while opportunities with more than \$10 million revenue increased 44%.
- Average Pursuits per opportunity for deals with \$10-20 million revenue received 4x the average Pursuits than for deals with <\$10 million. Average Pursuits for deals with >\$10 million revenue received 2x the average Pursuits for the consolidated Northeast region.



Average Pursuits / Opportunity by EBITDA

- Opportunities in the \$3-6 million EBITDA range accounted for 40% and 56% of opportunities and Pursuits, respectively.
- Deals with >\$1 million EBITDA generated twice as many average Pursuits as deals with <\$1 million EBITDA, and deals with >\$3 million EBITDA generated nearly 4x as many Pursuits per opportunity as deals with <\$1 million EBITDA.

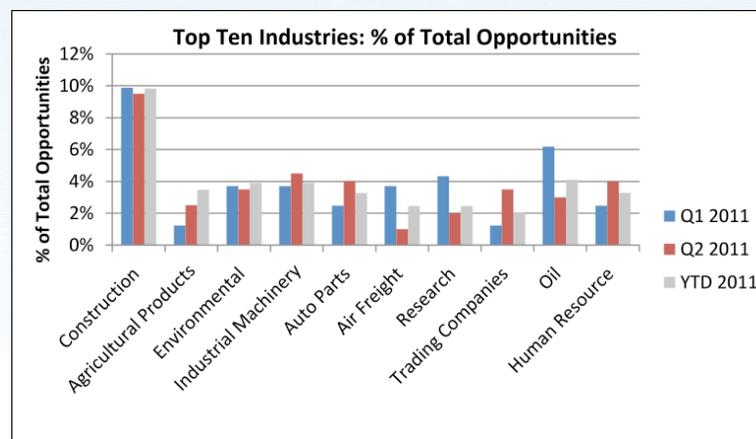


> Regional Spotlight: U.S. Midwest

The charts below display metrics pertaining to the top ten industry categories (as determined by total volume of Pursuits) in the Midwest region of the United States.

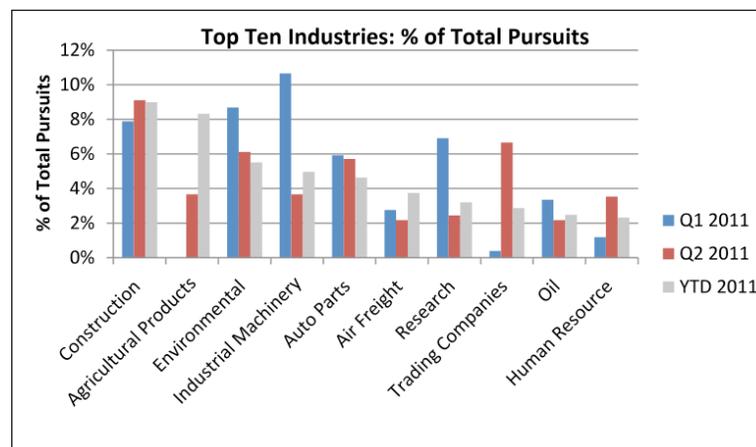
Opportunities

- Construction was by far the largest category by opportunities YTD* in the Midwest region, with 9.8% of total volume. No other category accounted for more than 4%. Construction opportunities also increased 18.8% sequentially in Q2.
- Trading Companies were the fastest growing category in the top ten, increasing 250% sequentially. Three other categories (Construction, Auto parts and Human Resources) also exhibited triple-digit growth. Only three of the top ten industry categories (Air Freight, Research, and Oil) saw declining opportunity volumes sequentially in Q2.



Pursuits

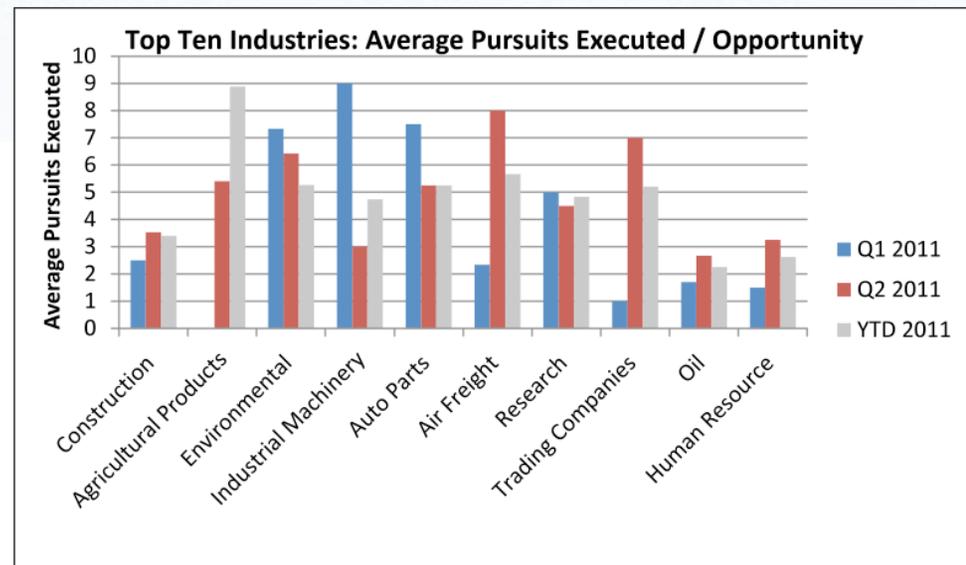
- Construction opportunities also generated the greatest total Pursuits, with 9% of total volume in the Midwest region, but Agricultural Products were a close second with 8.3%. Despite being second in Pursuit volume YTD*, there were zero Agricultural Products Pursuits in Q1.
- Trading Companies saw the greatest increase in Pursuit volume sequentially in Q2, with greater than 2300%. Only three (Industrial Machinery, Research, and Oil) of the top ten categories saw declining Pursuit volumes.



Average Pursuits / Opportunity

This chart expresses the average level of interest per opportunity within the Midwest region for the top ten industries (as determined by total volume of Pursuits) by displaying the number of Pursuits executed per deal. The purpose of this chart is to isolate the amount of buyer interest in a particular industry independent of the number of deals that have come to market in that category.

- Agricultural Products had the greatest average Pursuits per opportunity in the top ten, with 8.8 YTD*. Four other categories (Environmental, Auto Parts, Air Freight, and Trading Companies) generated more than five Pursuits per opportunity.
- Despite leading opportunities and Pursuits, Construction opportunities averaged the second fewest Pursuits per opportunity in the top ten.
- Trading Companies saw the greatest quarter over quarter increase in average Pursuits, and three (Air Freight, Trading Companies, Human Resources) of the top ten exhibited triple-digit growth in this metric.

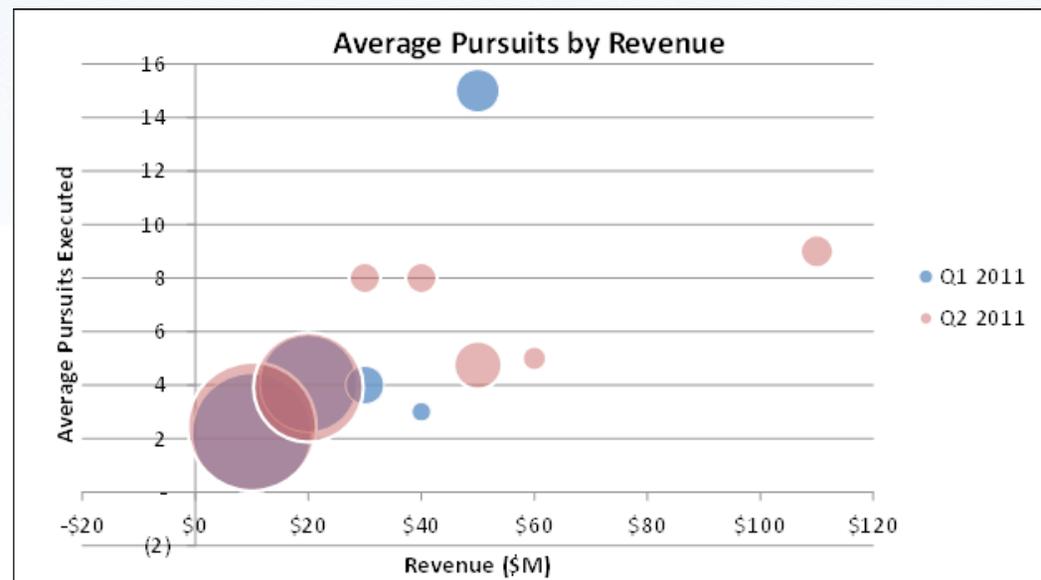


> Regional Spotlight: U.S. Midwest

The charts below represent the average Pursuits executed per deal by company revenue and EBITDA. The size of the bubbles indicate the volume of Pursuits executed in a particular revenue/EBITDA range, while the position represents average Pursuits executed per opportunity.**

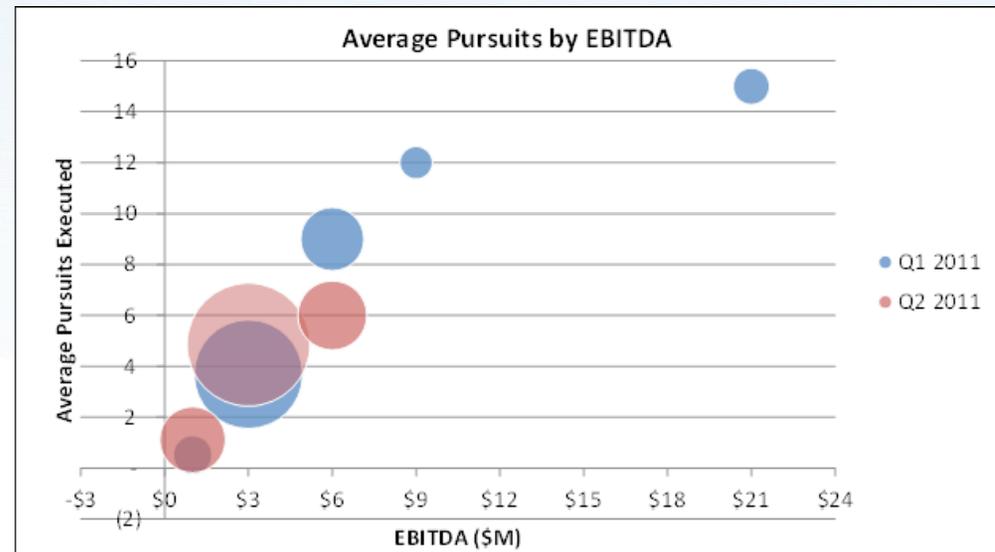
Average Pursuits / Opportunity by Revenue

- The total number of Opportunities with <\$10 million revenue increased 17.4% in Q2, while the number of opportunities with >\$10 million grew 41.7%.
- Opportunities were concentrated in the <\$10 million and \$10-20 million ranges, as they accounted for 65% and 26% of opportunities and 44% and 38% of Pursuits, respectively.
- Average Pursuits per opportunity for deals with >\$30 million revenue were 3x higher than for deals with <\$10 million.



Average Pursuits / Opportunity by EBITDA

- Opportunities with <\$1 million and \$1-3 million EBITDA accounted for 45% of opportunities each (90% total) in the Midwest region, but opportunities with <\$1 million EBITDA generated just 11% of Pursuits, while \$1-3 million EBITDA generated 62%.
- Average Pursuits per opportunity for deals with >\$3 million EBITDA were 3x higher than for deals with <\$1 million.
- The total number of opportunities with >\$3 million EBITDA increased 43% sequentially in Q2, compared to 17% for the Midwest region as a whole.



> Regional Spotlight: U.S. West

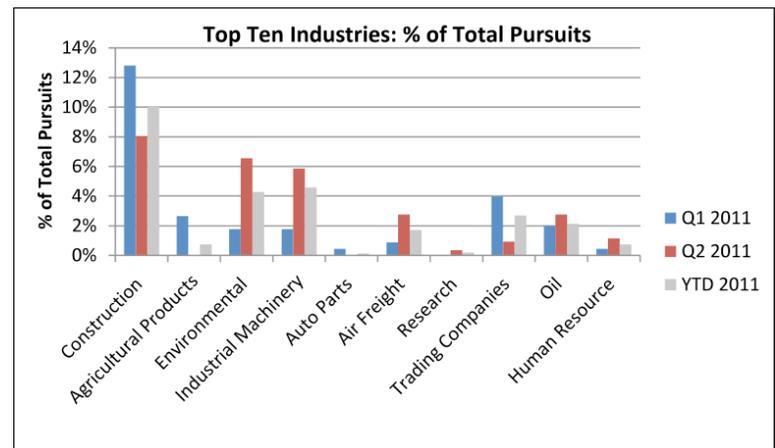
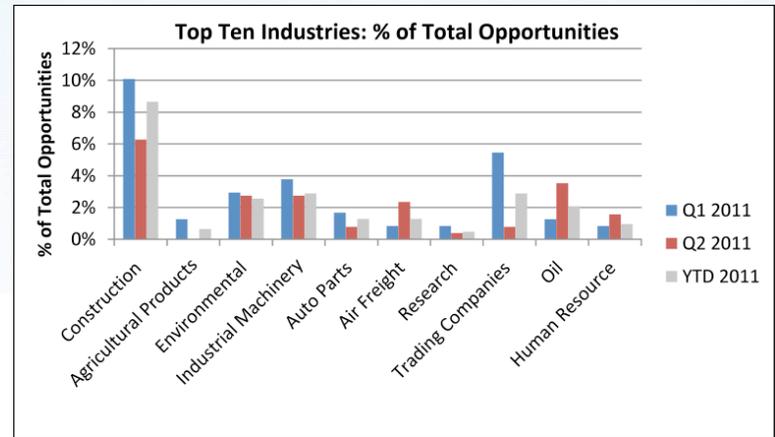
The charts below display metrics pertaining to the top ten industry categories (as determined by total volume of Pursuits) in the West region of the United States.

Opportunities

- Construction was the dominating industry by opportunities YTD* in the West region, accounting for 8.7% of total regional volume which was nearly 3x the volume of the next category, Application Software.
- Construction opportunities declined 33% sequentially in Q2, and six of the top ten industries were flat or down during the period.
- Three sectors increased more than 100%, with Building Products being the leading growth industry, up 300% sequentially in Q2.

Pursuits

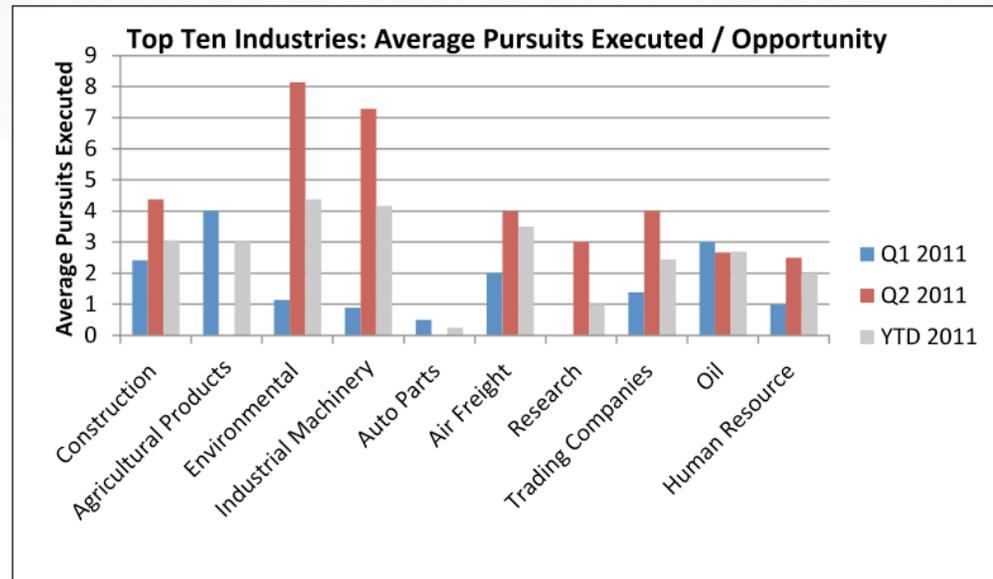
- Construction was also the clear leader by Pursuits, with 10.1% of total volume YTD*, and no other category generating more than 5%.
- Despite the decline in opportunities, Construction Pursuits increased 20.7% between Q1 and Q2. The same trend was observed in most of the top ten, as only two industries (Advertising and Aerospace) exhibited declining Pursuits in Q2.
- Healthcare Equipment was by far the fastest growing category by Pursuits in the West region, increasing >5x sequentially in Q2.



Average Pursuits / Opportunity

This chart expresses the average level of interest per opportunity within the West region for the top ten industries (as determined by total volume of Pursuits) by displaying the number of Pursuits executed per deal. The purpose of this chart is to isolate the amount of buyer interest in a particular industry independent of the number of deals that have come to market in that category.

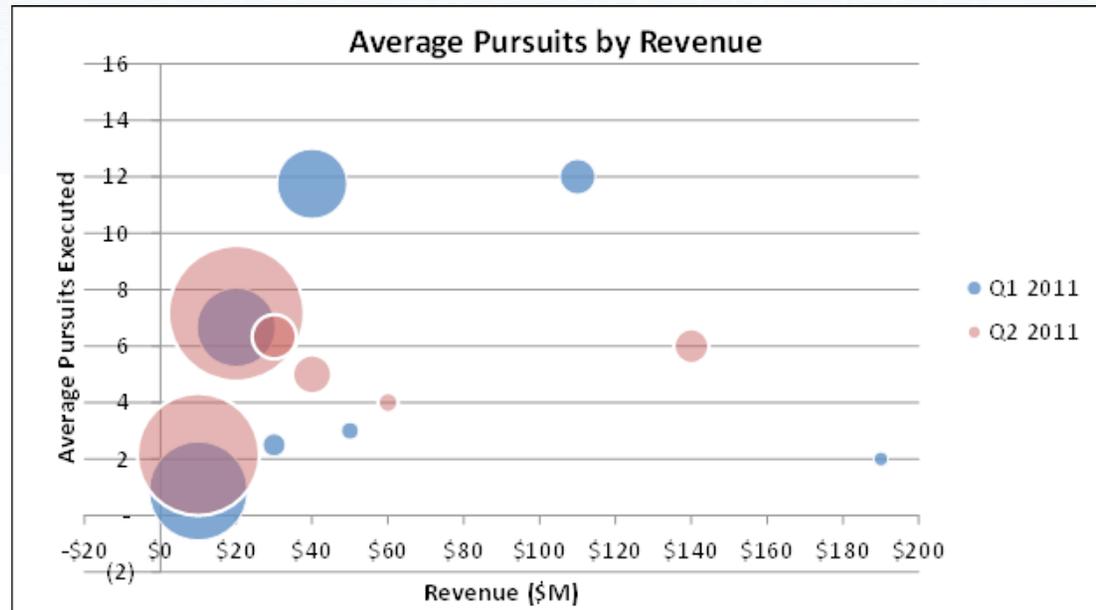
- Apparel generated the highest average Pursuits per opportunity with 9, which was more than double the next closest category, Health Care Equipment.
- Despite being the leading category by total volume of both opportunities and Pursuits, Construction opportunities generated the third fewest average Pursuits per opportunity, with 3.
- The two categories with declining Pursuit volumes (Aerospace and Advertising) were also the only two categories to exhibit declining average Pursuits per opportunity.
- Average Pursuits for Health Care Equipment opportunities accelerated the fastest in Q2, increasing 2500% sequentially, and six of the top ten industries in the West region saw this metric increase by triple-digit rates during the quarter.



The charts below represent the average Pursuits executed per deal by company revenue and EBITDA. The size of the bubbles indicate the volume of Pursuits executed in a particular revenue/EBITDA range, while the position represents average Pursuits executed per opportunity.**

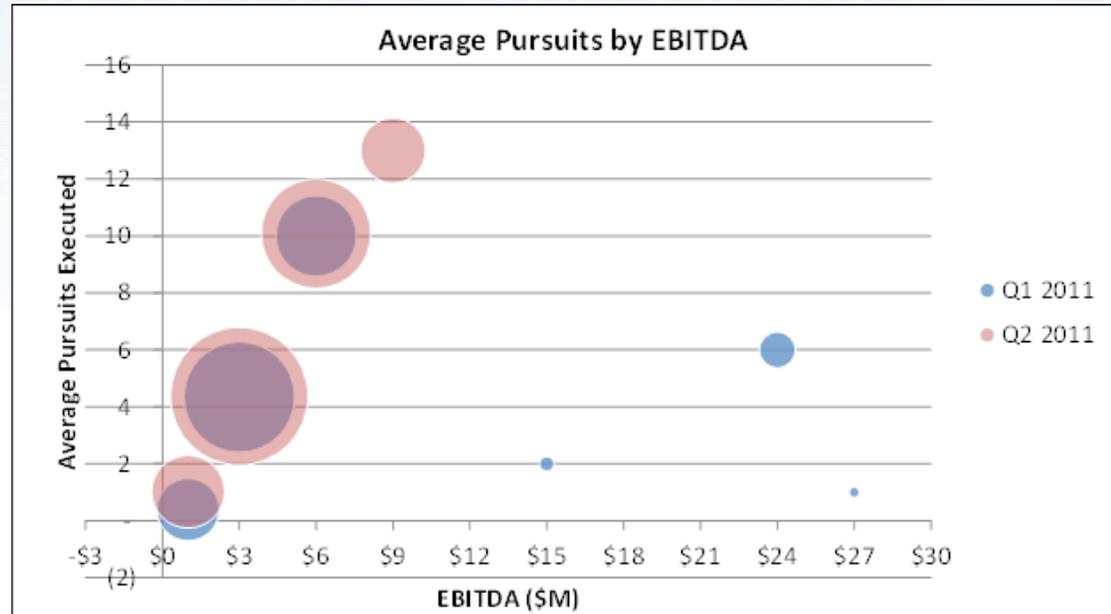
Average Pursuits / Opportunity by Revenue

- Opportunities were smaller on average in the West region YTD*, with 77% of total opportunities generating <\$10 million revenue. However, opportunities in this range declined 38% while opportunities >\$10 million increased 75% during the period.
- Opportunities with <\$10 million revenue accounted for ~40% of Pursuits YTD* and was stable during the period. Opportunities with \$10-20 million revenue generated 35% of total Pursuits, and increased from 25% to 48% of total volume from Q1 to Q2.
- Deals with >\$10 million revenue generated >4x the average Pursuits per opportunity compared to deals with <\$10 million. Average Pursuits were more varied above this level.



Average Pursuits / Opportunity by EBITDA

- Opportunities with <\$1 million EBITDA generated 62% of total opportunities and 15% of total Pursuits, while deals with \$1-6 million EBITDA generated 35% and 77% of opportunities and Pursuits, respectively.
- Opportunities with <\$1 million EBITDA declined 47% sequentially in Q2, while opportunities above this level increased 46% during the same period.
- Pursuits increased 66% across the board in Q2, but accelerated with increasing size, as opportunities with >\$3 million EBITDA grew nearly 100% sequentially in the quarter.
- Opportunities with <\$1 million EBITDA generated less than 1 Pursuit on average, while opportunities with \$1-3 million generated more than 4 Pursuits, and opportunities with \$3-6 million averaged 10 Pursuits.



* YTD data includes July 2011.

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