

M&A Market Analysis

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MERGER MONTHLY – September 2008

General M&A Market Commentary

M&A activity continued to decline in the month of August. The total number of global transactions for August was 1,876, a 32.6% decline over the same period last year and below the last 12 months (LTM) monthly average of 2,577. The dollar volume of global M&A activity for the month totaled just \$126.1 billion, a 20.3% decline from the same period last year and significantly below the LTM monthly average of \$212.2 billion.

U.S. Middle-Market M&A Deal Statistics

There were just 233 U.S. middle-market deals announced in August, a 34.6% drop from the prior-year period and below the LTM monthly average of 282 transactions. Dollar volume for August was \$19.2 billion, a 45.1% decline compared to last year.

Transaction Spotlight – Sale of Industrial Distribution Group, Inc.

In August, Industrial Distribution Group, Inc. ("IDG") completed its merger with an affiliate of Luther King Capital Management Corporation in a transaction that paid \$12.10 per share in cash to IDG's stockholders, implying a total transaction value of approximately \$131 million. Robert W. Baird & Co. served as the exclusive financial advisor to IDG's Special Committee of independent directors and as exclusive financial advisor to IDG's board of directors on this transaction.

European Middle-Market M&A Deal Statistics

The total number of announced European middle-market transactions for August was 157, a 56.4% decline from last year. Total European middle-market transaction volume for the month was \$16.1 billion, a 51.4% drop from the prior-year period.

Transatlantic Middle-Market M&A Deal Statistics

There were 26 announced transatlantic middle-market deals in August, a 7.1% decline compared to the year-ago period. Dollar volume decreased as well to \$2.6 billion representing a 46.9% decline compared to last year.

Restructuring News

The Baird CDS Index increased 4.5% during August, closing at a new record of 286.2 on August 31, up from 273.9 on July 31. The Index now stands 7.8% above its level on February 29 at the height of the credit crisis, just before the Fed felt compelled to ease the risk of a systemic collapse in the financial markets by bailing out Bear Stearns and providing liquidity directly to primary securities dealers.

Recent Baird M&A Transactions

A summary of Baird's announced M&A Transactions over the past 12 months.

Economic Commentary

The dramatic reversal in the stock market in the opening session of September was a technical negative, reinforcing strong overhead resistance on the S&P 500 (near 1300) and the Dow Industrials (near 12800).

Baird U.S. Equity Research Coverage

In August 2008, Baird added 14 companies to coverage and now covers 518 companies. These companies have a median and average market capitalization of \$1.6 billion and \$6.2 billion, respectively. In the past three years, Baird has increased the number of companies under coverage by more than 28%.

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