

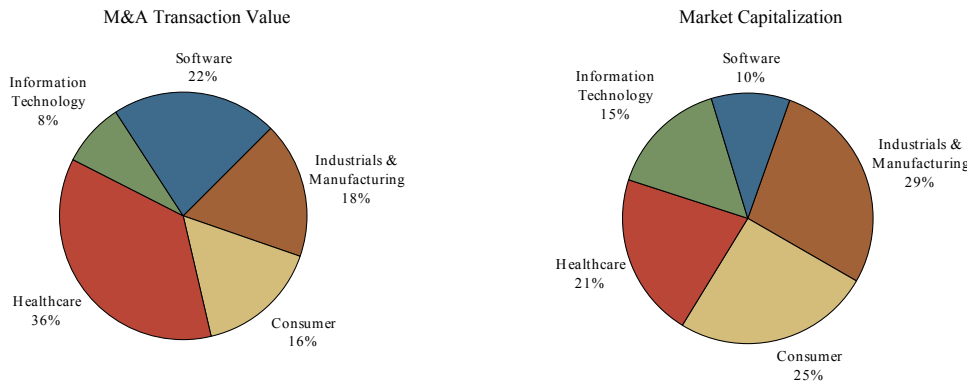


MARCH 9, 2010

## Industry Consolidation Trends

Throughout 2009 and into the first part of 2010 we have seen a steady flow of micro-cap acquisitions despite challenging economic conditions. Larger companies have been taking advantage of the depressed valuations of micro-caps to further their growth initiatives. At the same time, management of these undervalued micro-cap companies understand the overwhelming costs of being public and view consolidation as the best way to unlock shareholder value. While the overall level of M&A activity has been robust, some industries are more prone to consolidation than others.

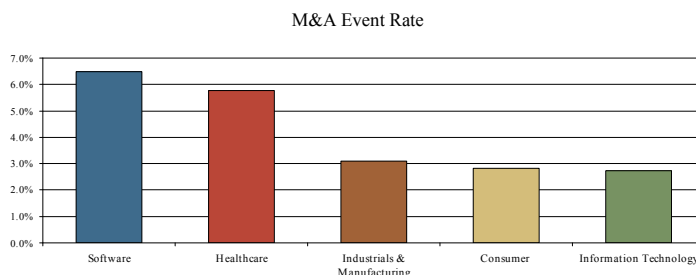
The two pie charts below help exhibit the extent of M&A consolidation by industry sector. The first pie chart shows aggregate micro-cap M&A transaction values (transaction values between \$25 million and \$500 million). The second pie chart shows the relative size of each sector as a percentage of total market capitalization of all micro-cap companies. The data reveals that the Healthcare and Software sectors have experienced the most M&A activity and have a higher level of activity than their proportion of the micro-cap universe.



M&A volume represents activity from 1/1/09 to 12/31/09. Market Cap data as of 12/31/09. Financial Institutions excluded from both.

Deal activity by industry sector can be explicitly measured by examining the individual sector's "M&A Event Rate," defined as number of transactions as a percentage of the total number of companies. As the graph below depicts, the Software and Healthcare sectors are experiencing nearly double the consolidation

pace of the Industrial, Consumer and Information Technology sectors.



The higher levels of consolidation activity in these industries can be best explained by the greater economic opportunities for strategic acquirers within those sectors. Barriers-to-entry are generally very high as a result of the technical expertise required to participate, strong patent protection, and dominant market positions. Large firms looking for growth often find it best to buy a company rather than attempt to compete directly. Furthermore, huge synergies are attainable within both the Software and Healthcare sectors through consolidation of both marketing and R&D departments. Combine these factors with the fact that the costs of being public outweigh the benefits for most micro-caps, and it is no surprise that small, public Healthcare and Software M&A activity is especially vibrant so far in 2010.

### Investment Professionals

**Daniel J. Donoghue**  
ddonoghue@thediscoverygroup.com

**Michael R. Murphy**  
mmurphy@thediscoverygroup.com

**Jamie W. Witt**  
jwitt@thediscoverygroup.com

**Mark Buckley**  
mbuckley@thediscoverygroup.com

**Matthew B. Burnham**  
mburnham@thediscoverygroup.com

**Dustin D. Stitgen**  
dstitgen@thediscoverygroup.com

**Andrew M. Schrage**  
aschrage@thediscoverygroup.com

### Fund Administration

**Meghan S. O'Callaghan**  
mocalaghan@thediscoverygroup.com

**Therese A. Niedzielski**  
tniedzielski@thediscoverygroup.com

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