



## **2009 ARIZONA DEAL SURVEY**

### **M&A and Private Equity Placements Struggle in Arizona in 2009**

According to Columbia West Capital's annual Arizona Deal Survey, M&A transactions disclosed for companies headquartered in Arizona declined from \$20.0 billion to \$3.6 billion in 2009, a staggering fall of 82.1% over 2008 driven by the fact that average deal size fell to \$53 million from \$417 million in 2009. Unit volume actually increased from 48 to 68 deals in 2009.

Not a single transaction over \$1 billion was closed by an Arizona buyer or seller in 2009, compared to four in 2008 and four in 2007. In 2009 the strongest sectors included Healthcare and Technology/Software by total volume. Of the thirteen industries analyzed, seven showed an increase in volume and six showed a decrease, reflecting that not all industries were adversely affected.

Private Equity Placements for middle market companies in Arizona (transaction size between \$5 million and \$300 million) in 2009 also declined from 21 to 13 Private Equity Placements, representing a unit volume decrease of 38.1% and a dollar volume decrease of 50.6% from \$476 million to \$235 million, remarkable considering 2008 also witnessed a 50% decline from 2007. This total included large placements for Sunstate Equipment Co. and Lifelock.

Despite the overall decline in 2009, middle market M&A activity in 4th Quarter 2009 did pick up, and CWC witnessed for the first time in 12 months a private equity buyer win a competitive auction with the support of a cash flow loan, a positive sign for 2010. Most price-sensitive owners of healthy companies are still on the sidelines, but many are returning to the market, enticed by 1) eager private equity groups anxious to show activity to appease their L.P.'s, 2) lenders now verbalizing an increase in leverage multiples from 2.5x to 3.0x Total Debt/EBITDA for smaller middle market companies, and 3) the likelihood of a capital gains tax increase in 2011.

Private Placements are also expected to have greater unit volume in 2010 as companies seek financing alternatives to loans from struggling commercial banks.

If you would like more detail on our Arizona Deal Survey, please feel free to call us at (480) 664-3949.

**14646 N. KIERLAND BLVD., STE. 125, SCOTTSDALE, ARIZONA 85254**

**PHONE: (480) 664-3949 FAX: (480) 664-3952**

**WWW.COLUMBIAWESTCAP.COM**

**ADMIN@COLUMBIAWESTCAP.COM**



**ARIZONA DEAL SUMMARY BY INDUSTRY**

*Includes only disclosed M&A Transactions*

(\$ in millions)

	2009			2008			Variance		% Growth	
	\$	%	#	\$	%	#	\$	#	\$	#
Medical / Healthcare / Biotech	\$ 597	16.7%	8	\$ 3,379	16.9%	7	\$ (2,782)	1	(82.3%)	14.3%
Consumer / Retail	59	1.6%	9	\$ 1,355	6.8%	5	(1,296)	4	(95.7%)	80.0%
Manufacturing	20	0.6%	3	\$ 93	0.5%	3	(73)	-	(78.2%)	-
Business Services	590	16.5%	8	\$ 13,079	65.3%	12	(12,489)	(4)	(95.5%)	(33.3%)
Financial Services	47	1.3%	2	\$ 6	0.0%	2	40	-	666.1%	-
Electronics / Semiconductors	539	15.1%	12	\$ 57	0.3%	4	482	8	849.8%	200.0%
Technology / Software / Services	894	25.0%	8	\$ 105	0.5%	7	788	1	748.6%	14.3%
Gaming / Leisure / Lodging	255	7.1%	2	\$ 0	0.0%	1	255	1	53025.0%	100.0%
Construction Services / Homebuilding	206	5.8%	5	\$ 87	0.4%	1	119	4	138.0%	400.0%
Energy	273	7.6%	5	-	-	-	273	5	NA	NA
Telecom	2	0.0%	1	\$ 241	1.2%	3	(239)	(2)	(99.4%)	(66.7%)
Transportation / Logistics	52	1.5%	3	\$ 1,580	7.9%	2	(1,528)	1	(96.7%)	50.0%
Natural Resources	45	1.3%	1	\$ 34	0.2%	1	11	-	31.2%	-
Real Estate Services	2	0.0%	1	-	-	-	2	1	NA	NA
<b>Totals</b>	<b>\$ 3,580</b>	<b>100.0%</b>	<b>68</b>	<b>\$ 20,017</b>	<b>100.0%</b>	<b>48</b>	<b>\$ (16,437)</b>	<b>20</b>	<b>(82.1%)</b>	<b>41.7%</b>
% Growth										

*\* Excludes Real Estate, Mining, Project Finance and 144a transactions.*

**TOP 10 2009 M&A DEALS:**

(\$ in millions)

1: I2 Technologies, Inc.	\$ 747
2: Ascent Healthcare Solutions, Inc.	525
3: OptiSolar, Inc.	314
4: Republic Services, Inc., Certain Assets	313
5: North Baja Pipeline, LLC	271
6: MX Logic, Inc.	169
7: Phoenix Coyotes Hockey Club	140
8: Yellow stone Club, LLC	115
9: Pulice Construction, Inc.	114
10: California Micro Devices Corp.	112

**TOP 10 2009 PRIVATE EQUITY DEALS:**

(\$ in millions)

1: Sunstate Equipment Co. LLC	\$ 50
2: LifeLock, Inc.	40
3: ECOTALITY, Inc. (OTCBB:ETLE)	21
4: Telesphere Networks, Ltd.	20
5: LifeLock, Inc.	20
6: Cross MediaWorks, Inc.	17
7: SDCmaterials, Inc.	14
8: OrthAlign, Inc.	12
9: SynCardia Systems, Inc.	10
10: Southwest Windpower, Inc.	10

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