

## **2012 ARIZONA DEAL SURVEY**

Arizona M&A activity in 2012 saw a slight increase in transaction unit volume over 2011 but a significant increase in dollar volume as four Arizona companies traded above the billion dollar threshold. Disclosed M&A transactions for Arizona-based companies increased from \$8.9 billion in 2011 to \$11.7 billion in 2012, an increase of 32%. Transaction unit volume however increased only 1% over the same period from 275 deals to 278 deals in 2012.

Business owner concerns over debt ceiling debates, the Presidential election, and potential sequestration effects gave way to vibrant M&A and capital raising in the 4th quarter motivated by the impending capital gains tax increase which was to be put into effect on January 1, 2013. In an effort to take advantage of lower capital gains rates, many business owners chose to accelerate the sale of their businesses in order to close during 2012, as evidenced by the unusually high volume of M&A deals closed in the last quarter of 2012. Approximately 35% of 2012 M&A deals (96) closed in Q4 2012 compared to 17% (46) closing in Q4 2011.

The Consumer/Retail sector in Arizona had a significant increase in deal activity as consumer sentiment improved broadly. Consumer-related unit volume in 2012 (42) was up nearly 24% over 2011 (34) and 2012 transaction dollar volume was up 169%, or nearly \$800 million over 2011. An improving economy also resulted in increased deal activity within the Business Services sector which grew deal and dollar volume by 35% and 133%, respectively.

Private placements for middle market companies in Arizona (transaction size between \$5 million and \$300 million) in 2012 decreased from 39 transactions in 2011 to 25 transactions in 2012, and dollar volume decreased from \$1.0 billion in 2011 down to \$591 million in 2012. Of significance, IO Data Centers raised \$90 million in 2012, following on the heels of a 2011 capital raise of \$105 million as IO prepares for what many expect will be a 2013/2014 IPO.

Both private equity groups and strategic buyers were more active in 2012 as credit providers have become much more willing to lend and as P&Ls continued to improve. CWC expects this trend to continue into 2013.

The first half of 2013 is expected to start slow for the M&A market due to the “pull-through” acceleration of transactions into 2012 for tax motivations. That said, companies seeking growth capital and owners looking for exit opportunities will be pleased by the attention they get from potential buyers. CWC expects financial buyers will enthusiastically seek acquisitions in 2013 as many funds near the end of their term and credit providers stay aggressive. These market dynamics along with growing backlogs will contribute to an improving outlook for M&A and capital raising in Arizona and nationally at least until a dramatic escalation in interest rates or other macroeconomic shock.

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

# COLUMBIA WEST CAPITAL, LLC

INVESTMENT BANKING

## ARIZONA DEAL SUMMARY BY INDUSTRY

*Includes only disclosed M&A transactions*

(\$ in millions)

	2012			2011			Variance		% Growth	
	\$	%	#	\$	%	#	\$	#	\$	#
Medical / Healthcare / Biotech	\$ 4,807	41.0%	40	\$ 2,545	28.7%	46	\$ 2,261	(6)	88.8%	(13.0%)
Consumer / Retail	1,268	10.8%	42	472	5.3%	34	796	8	168.6%	23.5%
Manufacturing	1,001	8.5%	25	148	1.7%	26	854	(1)	577.9%	(3.8%)
Business Services	877	7.5%	58	376	4.2%	43	500	15	132.9%	34.9%
Financial Services	138	1.2%	15	168	1.9%	15	(30)	—	(17.8%)	—
Electronics / Semiconductors	980	8.4%	11	101	1.1%	15	879	(4)	867.6%	(26.7%)
Technology / Software / Services	2,354	20.1%	42	226	2.5%	39	2,128	3	942.2%	7.7%
Gaming / Leisure / Lodging	146	1.2%	13	215	2.4%	10	(69)	3	(32.2%)	30.0%
Construction Services / Homebuilding	10	0.1%	14	4,345	49.0%	21	(4,335)	(7)	(99.8%)	(33.3%)
Energy	9	0.1%	1	180	2.0%	1	(171)	—	(94.9%)	—
Telecom	—	—	6	57	0.6%	10	(57)	(4)	(100.0%)	(40.0%)
Natural Resources	99	0.8%	1	33	0.4%	13	66	(12)	201.7%	(92.3%)
Real Estate Services	43	0.4%	10	5	0.1%	2	38	8	806.7%	400.0%
<b>Totals</b>	<b>\$ 11,731</b>	<b>100.0%</b>	<b>278</b>	<b>\$ 8,872</b>	<b>100.0%</b>	<b>275</b>	<b>\$ 2,859</b>	<b>3</b>	<b>32.2%</b>	<b>1.1%</b>
% Growth										

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

## TOP 10 2012 M&A DEALS:

(\$ in millions)

1: Medicis Pharmaceutical Corporation	\$ 3,158
2: JDA Software Group Inc.	2,235
3: Sunquest Information Systems, Inc.	1,390
4: P.F. Chang's China Bistro, Inc.	1,109
5: Standard Microsystems Corp.	910
6: AmSafe, Inc.	750
7: Badlands Energy, LLC	531
8: Thermo Fluids, Inc.	245
9: DuPont Air Products NanoMaterials, LLC	158
10: Palm Creek Holdings, LLC	127

## TOP 10 2012 PRIVATE PLACEMENTS:

(\$ in millions)

1: LifeLock, Inc. (NYSE:LOCK)	\$ 100
2: IO Data Centers, LLC	90
3: Infusionsoft, Inc.	54
4: Transwest Resort Properties Inc.	30
5: HTG Molecular Diagnostics, Inc.	27
6: AFS Technologies, Inc.	26
7: American Standard Energy Corp. (OTCPK:ASEN)	25
8: AuraSource, Inc. (OTCBB:ARAO)	25
9: Parchment Inc.	24
10: Athletes' Performance, Inc.	23

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