



## **2010 ARIZONA DEAL SURVEY**

### **Exceptional Recovery and Steady Momentum**

Arizona M&A activity in 2010 saw an increase over 2009 across a broad range of industries. Disclosed M&A transactions for Arizona-based companies increased from \$3.6 billion in 2009 to \$5.3 billion in 2010, an increase of 47.7%. Average deal size was relatively unchanged at \$47 million from \$53 million in 2009; however, M&A deal volume increased substantially to 100 deals from 68 in 2009.

As was the case in 2009, no single M&A transaction over \$1.0 billion was closed in 2010. The largest transaction of the year was ON Semiconductor's acquisition of Sanyo Semiconductor for \$909.3 million. This transaction accounts for a significant portion of the nearly \$2.0 billion of total M&A activity in the Electronics/Semiconductor sector, Arizona's most active sector in 2010, followed by the Technology/Software/Services sector with M&A transactions totaling \$631 million and the Medical/Healthcare/Biotech sector with \$593 million. Of the 14 industry sectors analyzed in this survey, only four experienced a decline in M&A volume, further supporting signs of a broad market recovery.

Private Equity Placements for middle market companies in Arizona (transaction size between \$5 million and \$300 million) in 2010 also increased from 12 to 34 transactions in 2010, representing 183.3% unit growth, while dollar volume increased 128.6% from \$229 million to \$526 million. Capital raising transactions in 2010 were headlined by two private placements of \$50 million each for Sprouts Farmers Market and EGPI Firecreek.

By all metrics M&A and private placement activity is up and private equity groups specifically were much more active in 2010, with the capitulation of distress sellers, improving P&L's and pressure from impatient limited partners all cited as reasons driving the volume. Middle- and large-market M&A was facilitated by a dramatic increase in loan volume in the last half of 2010, while smaller companies under \$10 million ebitda remained relatively credit challenged.

According to the Bloomberg Global Poll, there is a sense of optimism for continued activity in deal-making. While prevailing market challenges may linger in 2011, the future outlook for M&A and capital raising has recovered and continues to rise both in Arizona and nationally.

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)

|                                      | 2010            |               |            | 2009            |               |           | Variance        |           | % Growth     |              |
|--------------------------------------|-----------------|---------------|------------|-----------------|---------------|-----------|-----------------|-----------|--------------|--------------|
|                                      | \$              | %             | #          | \$              | %             | #         | \$              | #         | \$           | #            |
| Medical / Healthcare / Biotech       | \$ 593          | 11.2%         | 16         | \$ 597          | 16.7%         | 8         | \$ (5)          | 8         | (0.8%)       | 100.0%       |
| Consumer / Retail                    | 122             | 2.3%          | 10         | 59              | 1.6%          | 9         | 63              | 1         | 107.7%       | 11.1%        |
| Manufacturing                        | 72              | 1.4%          | 3          | 20              | 0.6%          | 3         | 52              | -         | 254.6%       | -            |
| Business Services                    | 623             | 11.8%         | 12         | 590             | 16.5%         | 8         | 33              | 4         | 5.6%         | 50.0%        |
| Financial Services                   | 262             | 5.0%          | 5          | 47              | 1.3%          | 2         | 215             | 3         | 463.2%       | 150.0%       |
| Electronics / Semiconductors         | 1,996           | 37.7%         | 16         | 539             | 15.1%         | 12        | 1,457           | 4         | 270.3%       | 33.3%        |
| Technology / Software / Services     | 631             | 11.9%         | 6          | 894             | 25.0%         | 8         | (262)           | (2)       | (29.3%)      | (25.0%)      |
| Gaming / Leisure / Lodging           | 77              | 1.5%          | 4          | 255             | 7.1%          | 2         | (178)           | 2         | (69.6%)      | 100.0%       |
| Construction Services / Homebuilding | 92              | 1.7%          | 6          | 206             | 5.8%          | 5         | (114)           | 1         | (55.2%)      | 20.0%        |
| Energy                               | 297             | 5.6%          | 2          | 273             | 7.6%          | 5         | 24              | (3)       | 8.7%         | (60.0%)      |
| Telecom                              | 125             | 2.4%          | 4          | 2               | 0.0%          | 1         | 124             | 3         | 8255.3%      | 300.0%       |
| Transportation / Logistics           | 259             | 4.9%          | 5          | 52              | 1.5%          | 3         | 207             | 2         | 395.6%       | 66.7%        |
| Natural Resources                    | 113             | 2.1%          | 9          | 45              | 1.3%          | 1         | 68              | 8         | 151.5%       | 800.0%       |
| Real Estate Services                 | 26              | 0.5%          | 2          | 2               | 0.0%          | 1         | 25              | 1         | 1447.1%      | 100.0%       |
| <b>Totals</b>                        | <b>\$ 5,289</b> | <b>100.0%</b> | <b>100</b> | <b>\$ 3,580</b> | <b>100.0%</b> | <b>68</b> | <b>\$ 1,709</b> | <b>32</b> | <b>47.7%</b> | <b>47.1%</b> |
| % Growth                             |                 |               |            |                 |               |           |                 |           |              |              |

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

**TOP 10 2010 M&A DEALS:**

(\$ in millions)

|   |        |
|---|--------|
| 1: Sanyo Semiconductor Co., Ltd.                          | \$ 909 |
| 2: Bell Microproducts Inc.                                | 614    |
| 3: Hypercom Corp. (NYSE:HYC)                              | 481    |
| 4: iCrossing, Inc.  | 425    |
| 5: NextLight Renewable Power, LLC                         | 297    |
| 6: Silicon Storage Technology, Inc.                       | 296    |
| 7: NightHawk Radiology Holdings, Inc.                     | 220    |
| 8: White Electronic Designs Corp.                         | 169    |
| 9: Concesionaria Vuela Compañía de Aviación, S.A. de C.V. | 161    |
| 10: American-Amicable Holding, Inc.                       | 143    |

**TOP 10 2010 PRIVATE PLACEMENTS:**

(\$ in millions)

|  |       |
|--|-------|
| 1: Sprouts Farmers Market, LLC               | \$ 50 |
| 2: EGPI Firecreek Inc. (OTCBB:EFIR)          | 50    |
| 3: DriveTime Automotive Group, Inc.          | 40    |
| 4: Lake Valley Petroleum LLC                 | 36    |
| 5: Proteus Biomedical, Inc.                  | 25    |
| 6: Glodyne Technoserve Limited (BSE:532672)  | 25    |
| 7: International Minerals Corp. (TSX:IMZ)    | 20    |
| 8: American Energy Fields, Inc. (OTCBB:AEFI) | 18    |
| 9: Fluidic Energy Inc.                       | 17    |
| 10: Earth 911                                | 16    |

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