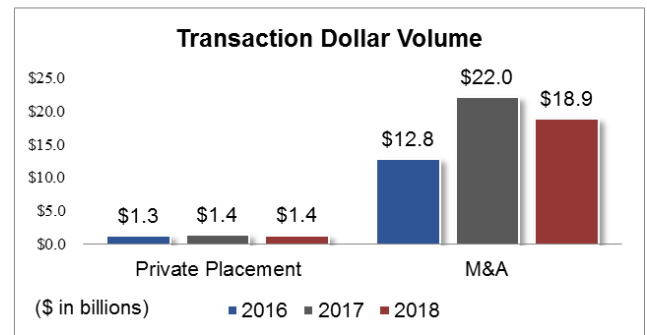
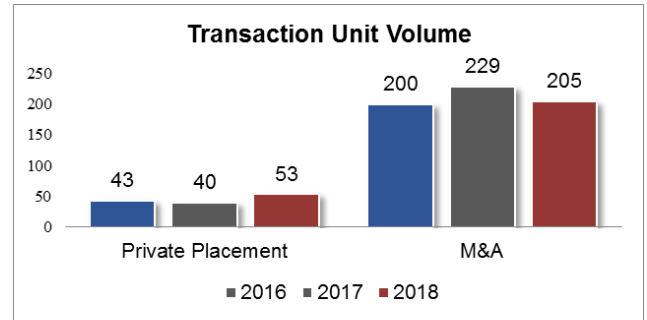


## 2018 Annual Arizona Deal Review

*The Annual Arizona Deal Review is prepared as a courtesy to the Arizona business community based on our research and analysis of data from various sources on disclosed deals for Arizona-based companies.*

Despite a choppy year in the public markets, M&A and private placement activity maintained momentum both nationally and within Arizona. Disclosed M&A transactions for Arizona-based companies decreased slightly from 229 in 2017 to 205 in 2018, a decrease of 10.5%. 2018 M&A activity experienced a decrease in transaction dollar volume from \$22.0 billion to \$18.9 billion. Despite this 14.3% decrease, we consider 2018 a successful year for transactional finance overall, as total dollar volume eclipsed \$20.0 billion for the second year straight, as compared to \$14.1 billion in 2016. Microchip Technology's acquisition of Microsemi accounted for over 50% of the year's total M&A volume, but excluding each year's top 10 M&A transactions, 2018 total dollar volume was still impressive. The average M&A deal size on disclosed transactions between \$5.0 million and \$500.0 million was \$97.8 million, compared to 2017's average of \$67.4 million.



\*Excludes Real Estate, Mining, Energy Exploration, Project finance, 144 a placements and transactions smaller than \$5.0 million. Includes only disclosed transactions amounts.

Private placement dollar volume experienced a small decrease of 3.1%, still approximately \$1.4 billion as in 2017. Despite the decrease in overall transaction volume, Arizona saw 32.5% more transactions at 53 compared to 40 in 2017.

The top ten 2018 private placement transactions accounted for 78.6% of total dollar volume, as compared to 91.0% in 2017. The average private placement on disclosed transactions between \$5.0 million and \$500.0 million was \$39.6 million, compared to 2017's average of \$25.4 million.

Electronics & Semiconductors led Arizona's deal activity, followed by Energy & Utilities which together comprised 61.6% of total dollar volume of M&A and capital raising transactions. The top three most active industries by unit volume during the past year were Medical/Healthcare, Business Services, and Technology/Software. Of the thirteen industries analyzed, eight illustrated an increase in combined M&A and private placement transaction volume, while five showed a decrease. By units, six of the thirteen industries saw an increase in number of transactions.

A considerable stock market decline in 4Q18 caused national M&A volumes to also drop, exacerbated by a choppy high yield market and concerns of rate rises and a potential trade war with China. The 2019 rebound has been impressive, buoyed in the presence of economic support from consumer trends, low unemployment, strong corporate balance sheets, and signaling from a patient Fed, but we do anticipate continued volatility ahead. M&A



activity will be affected by lenders' continued participation, appetite for cross-border transactions in light of China concerns, and the ability of newly cautious buyers to entice sellers to accept offers lower than their recent comparables.

Lower middle market M&A may be shielded somewhat from those wider bid-ask spreads, having never achieved the valuation highs and being flush with private equity capital. Complaints from tenured private equity regarding heady valuations continue, but significant dry powder, especially from new financial sponsors, looks to power enthusiasm for midmarket M&A and equity capital raising in 2019.

TOP 10 2018 M&A DEALS: (\$ in millions)			TOP 10 2018 PRIVATE PLACEMENTS: (\$ in millions)		
1:	Microsemi Corporation	\$10,245	1:	Verra Mobility Corporation	\$400
2:	8point3 Energy Partners LP	1,682	2:	OfferPad, LLC	150
3:	IO Data Centers, LLC	1,340	3:	International Cruise & Excursions, Inc.	150
4:	AV Homes, Inc.	957	4:	Derivant Sciences, Inc.	100
5:	RxCrossroads	735	5:	Daisy Pharma, Inc.	75
6:	Mill Creek Residential Trust LLC	550	6:	Vector Launch, Inc.	70
7:	InfoArmor, Inc.	525	7:	CampusLogic, Inc.	55
8:	Western Window Systems	360	8:	Zero Mass Water, Inc.	40
9:	Gila River Units 1 and 2 (Gas-fired project assets)	330	9:	World View Enterprises, Inc.	27
10:	Linetec Services LLC	299	10:	ClearDATA Networks, Inc.	26

*\*Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements  
Includes only disclosed transaction amounts.*

ARIZONA DEAL SUMMARY BY INDUSTRY (\$ in millions)											
	2018			2017			Variance		% Growth		
	\$( <sup>1</sup> )	%	#	\$( <sup>1</sup> )	%	#	\$	#	\$	#	
Medical / Healthcare / Biotech	\$1,341	6.6%	39	\$421	1.8%	52	\$920	(13)	218.4%	(25.0%)	
Business Services	1,854	9.1%	37	13,708	58.4%	45	(11,854)	(8)	(86.5%)	(17.8%)	
Technology / Software / Services	901	4.4%	42	313	1.3%	22	588	20	187.9%	90.9%	
Electronics / Semiconductors	10,385	51.2%	19	488	2.1%	46	9,897	(27)	2028.5%	(58.7%)	
Consumer / Retail	95	0.5%	29	819	3.5%	10	(725)	19	(88.5%)	190.0%	
Manufacturing	494	2.4%	26	10	0.0%	9	484	17	4842.5%	188.9%	
Construction Services/ Homebuilding	2,079	10.3%	29	4,636	19.8%	39	(2,557)	(10)	(55.2%)	(25.6%)	
Financial Services	142	0.7%	10	35	0.1%	7	107	3	309.2%	42.9%	
Gaming / Leisure / Lodging	150	0.7%	6	114	0.5%	16	36	(10)	32.0%	(62.5%)	
Energy/Utilities	2,093	10.3%	5	2,640	11.2%	8	(547)	(3)	(20.7%)	(37.5%)	
Telecom	0	-	4	27	0.1%	9	(27)	(5)	(100.0%)	(55.6%)	
Natural Resources	9	0.0%	5	0	-	2	9	3	N/A	150.0%	
Real Estate Services	723	3.6%	7	260	1.1%	4	463	3	178.1%	75.0%	
<b>Totals</b>	<b>\$ 20,267</b>	<b>100.0%</b>	<b>258</b>	<b>\$ 23,471</b>	<b>100.0%</b>	<b>269</b>	<b>\$ (3,204)</b>	<b>(11)</b>	<b>(13.7%)</b>	<b>(4.1%)</b>	

*\*Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements and transactions smaller than \$5.0 million.  
(1) Includes only disclosed transactions amounts*

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