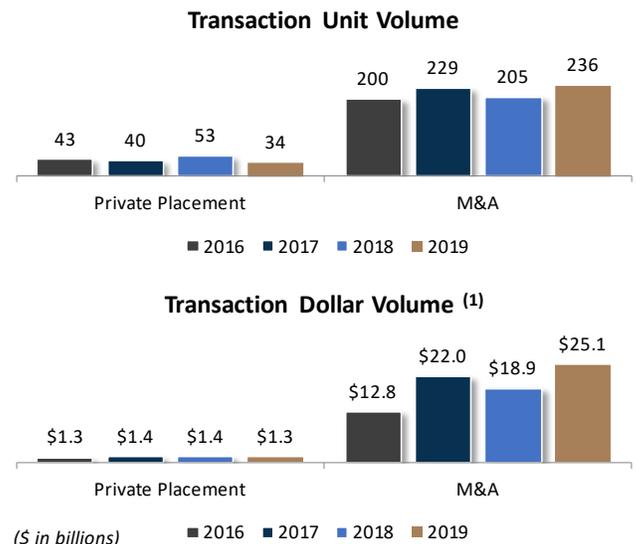


2019 Annual Arizona Deal Review

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 the gloomy market outlooks going into the year, 2019 was positive for U.S. equities, closing the year at all-time highs and M&A activity maintained momentum both nationally and within Arizona. Disclosed M&A transactions for Arizona-based companies grew from 205 in 2018 to 236 in 2019, a healthy increase of 15.1%. M&A activity in 2019 experienced an increase in transaction dollar volume from \$18.9 billion to \$26.4 billion. This 33.0% increase sustains an impressive four years for Arizona, with 2019 exhibiting further acceleration of deal flow, both in the number and size of transactions. Broadcom Inc.'s acquisition of the Enterprise Security Assets of Symantec Corporation accounted for 42.6% of the year's total M&A volume, illustrating the continued trend of mega-deals in the global market. The average M&A deal size on disclosed transactions between \$5.0 million and \$500.0 million was \$107.4 million, compared to 2018's average of \$97.8 million.



* Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements and transactions smaller than \$5.0 million.

(1) Only includes transactions with disclosed values.

Private placement dollar volume experienced a slight decrease of 6.1% to approximately \$1.3 billion in 2019, compared to \$1.4 billion in 2018. Arizona also saw 35.8% fewer transactions at 34 compared to 53 in 2018. The top ten 2019 private placement transactions accounted for 89.9% of total dollar volume, as compared to 78.6% in 2018. The average private placement on disclosed transactions between \$5.0 million and \$500.0 million increased to \$59.4 million, compared to 2018's average of \$39.6 million.

Technology & Software led Arizona's deal activity, followed by Electronics & Semiconductors which together comprised 71.7% 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 Business Services, Technology/Software and Medical/Healthcare. Of the thirteen industries analyzed, five illustrated an increase in combined M&A and private placement transaction volume, while eight showed a decrease. By units, six of the thirteen industries saw an increase in number of transactions.

Despite the significant gains in U.S. equities, expectations over future Fed policy, China trade tensions and signs of slowing global economic growth drove sentiment in 3Q19. The announcement of a "phase one" agreement in the U.S.-China trade war sent trade-sensitive stocks soaring into year-end, closing the year at all-time highs. Economic strength continued to be driven by growth in consumer spending and demand for information technology. Going forward, the Arizona transaction environment will be negatively impacted by the national sentiment, as concerns about the novel coronavirus and China trade disputes have dampened cross-border 1Q20 M&A volume and caused dealmakers to shift their focus domestically. Data from Dealogic shows M&A activity in 2020 involving Chinese companies has fallen 70% compared to this same period in 2019. Virus-suppression efforts will also have a strong economic impact globally in 2020, creating uncertainty regarding employment, the magnitude of the likely GDP decline, and M&A activity which will be exacerbated by a volatile stock market, concerns surrounding the U.S. Presidential Election, and the shift towards domestic deals.



With the proliferation of COVID-19, Arizona will inevitably suffer in 2020 in line with the national economy. CW expects pain across all but a few sectors, with specific challenges in hospitality, restaurants and all brick and mortar retail, and aerospace companies affected by flight hours. M&A volume will continue to drag in early-mid 2020 as sellers will not yet capitulate to buyers' revised valuation demands and near-term survival becomes the agenda. As with the early years of the Great Recession, M&A will likely be characterized by contingent payments and seller debt and equity. Although banks almost ceased to lend in 2008-2010, we believe the imminent bailout package and executive branch urging will pressure banks to continue lending. We predict 2020 to have lower private placement dollar volume but greater unit volume as companies may be required to raise debt or equity capital to survive working capital needs, irrespective of valuation. One positive trend is the significant amount of private equity dry powder and the large cash balances carried by U.S. companies which could power enthusiasm for midmarket M&A and equity capital raising in 2020.

TOP 10 2019 M&A DEALS ⁽¹⁾
(\$ in millions)

1	Enterprise Security assets Of Symantec Corporation	\$10,700
2	Versum Materials, Inc.	6,988
3	Food Group of Companies of Services Group of America	1,800
4	Quantenna Communications, Inc.	1,083
5	P.F. Chang's China Bistro, Inc.	700
6	PCM, Inc.	624
7	Data, Video and Voice Assets of Fidelity Communications	526
8	Orbis Education Services, LLC	363
9	Delta Communications, LLC	357
10	Fox Restaurant Concepts, LLC	340

TOP 10 2019 PRIVATE PLACEMENTS ⁽¹⁾
(\$ in millions)

1	Nikola Motor Company ⁽²⁾	\$330
2	NJOY Holdings, Inc.	330
3	Indecomm Digital Services, Inc.	200
4	NJOY Holdings, Inc.	140
5	VisionGate, Inc.	43
6	Solera Health, Inc.	42
7	Smartrent.com, Inc	32
8	OncoMyx Therapeutics, Inc.	25
9	Natural Partners, Inc.	25
10	Bishop Fox, LLC	25

* Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements.

(1) Only includes transactions with disclosed values.

(2) Includes deals subsequent to moving headquarters to Arizona.

ARIZONA DEAL SUMMARY BY INDUSTRY

(\$ in millions)

	2019			2018			Variance		% Growth	
	\$ ⁽¹⁾	%	#	\$ ⁽¹⁾	%	#	\$	#	\$	#
Medical / Healthcare / Biotech	\$870	3.3%	40	\$1,341	6.6%	39	(\$472)	1	(35.2%)	2.6%
Business Services	120	0.5%	56	1,854	9.1%	37	(1,734)	19	(93.5%)	51.4%
Technology / Software / Services	11,927	45.2%	41	901	4.4%	42	11,027	(1)	1,224.0%	(2.4%)
Electronics / Semiconductors	7,019	26.6%	6	10,385	51.2%	19	(3,366)	(13)	(32.4%)	(68.4%)
Consumer / Retail	3,394	12.8%	33	95	0.5%	29	3,299	4	3,489.0%	13.8%
Manufacturing	388	1.5%	26	494	2.4%	26	(107)	0	(21.5%)	-
Construction Services/ Homebuilding	110	0.4%	28	2,079	10.3%	29	(1,969)	(1)	(94.7%)	(3.4%)
Financial Services	69	0.3%	15	142	0.7%	10	(73)	5	(51.2%)	50.0%
Gaming / Leisure / Lodging	318	1.2%	10	150	0.7%	6	168	4	112.2%	66.7%
Energy/Utilities	24	0.1%	1	2,093	10.3%	5	(2,069)	(4)	(98.9%)	(80.0%)
Telecom	1,965	7.4%	4	0	-	4	1,965	0	N/A	-
Natural Resources	207	0.8%	3	9	0.0%	5	198	(2)	2,144.9%	(40.0%)
Real Estate Services	0	-	7	723	3.6%	7	(723)	0	(100.0%)	-
TOTALS	\$ 26,412	100.0%	270	\$ 20,267	100.0%	258	\$ 6,146	12	30.3%	4.7%

* Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements and transactions smaller than \$5.0 million.

(1) Only includes transactions with disclosed values.

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