

## 2022 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.*

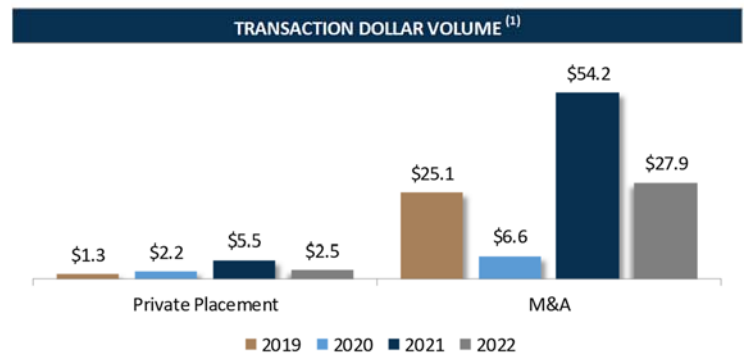
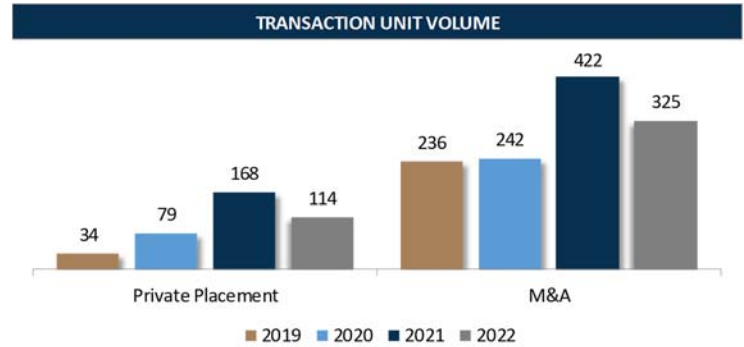
Arizona transaction activity in 2022 exhibited an impressive mid-year decline from the market high of 2021 with declines in transaction dollar and unit volume. Early 2022 began with healthy momentum but ultimately gave way to March-April interest rate escalation, inflation, continued supply chain challenges, and an inconsistent softening of demand, resulting in a weak second half of 2022. The transaction outlook for 2023 is optimistic for sellers with predictable revenue and/or growth, but others may seek to wait. Expect greater due diligence scrutiny and a continuation of 2022's transaction mix shift from large platforms to smaller tuck-ins. The market will continue to benefit from the macro shift of deal-making from public markets to private markets.

AZ M&A transaction dollar volume in 2022 decreased an extraordinary 48.5% from \$54.2 billion to \$27.9 billion, due to volume declines in every sector except Real Estate Services. By unit volume, AZ saw a 23.0% decrease to 325 total M&A transactions. Real Estate Services, Business Services, and Medical/Healthcare represented the majority of the largest transactions in the state.

Removing the top five transactions from 2022 and 2021, the dollar volume decline was an even greater 84%, highlighting the results were not merely skewed by a few large transactions. That said, 2022 still greatly outperformed pre-COVID years 2017-2019 in M&A dollar and unit volume. The median M&A deal size on disclosed transactions was \$50.0 million, compared to 2021's median of \$113.2 million.

Private placement dollar volume experienced a decrease of 54.3% to approximately \$2.5 billion in 2022, compared to \$5.5 billion in 2021. Arizona also saw 32.1% fewer transactions at 114 compared to 168 in 2021. The top ten 2022 private placement transactions accounted for 48.2% of total dollar volume, as compared to 57.4% in 2021. The median private placement on disclosed transactions above \$5.0 million decreased to \$15.5 million, compared to 2021's median of \$21.9 million.

Real Estate Services led Arizona's deal activity at 61.3% of total dollar volume of M&A and capital raising transactions, specifically with the STORE Capital and Healthcare Trust of America comprising a staggering 45.4% and 15.5%, respectively, of the total volume. The three other most active industries by unit volume during the past year were Business Services, Medical/Healthcare/Biotech, and Tech/Software. Of the 13 industries analyzed, 11 had declines in combined M&A and private placement transaction volume. By units, all of the 13 industry segments saw a decrease in unit volume, reversing last year's trend.



(1) \$ in billions. Excludes Real Estate, Mining, Energy Exploration, Project Finance, 144a placements and transactions under \$5 million. Transaction dollar volume includes only disclosed transactions. Private Placements include Arizona targets and Arizona investor transactions.



## ARIZONA DEAL SUMMARY BY INDUSTRY

(\$ in millions)

	2022			2021			Variance		% Growth	
	\$ <sup>(1)</sup>	%	#	\$ <sup>(1)</sup>	%	#	\$	#	\$	#
Medical / Healthcare / Biotech	\$2,677	8.8%	71	\$7,898	13.2%	84	(\$5,221)	(13)	(66.1%)	(15.5%)
Business Services	5,384	17.7%	108	3,652	6.1%	110	1,732	(2)	47.4%	(1.8%)
Technology / Software / Services	968	3.2%	60	9,684	16.2%	83	(8,716)	(23)	(90.0%)	(27.7%)
Electronics / Semiconductors	778	2.6%	16	6,958	11.7%	27	(6,180)	(11)	(88.8%)	(40.7%)
Consumer / Retail	219	0.7%	45	1,129	1.9%	86	(910)	(41)	(80.6%)	(47.7%)
Manufacturing	153	0.5%	34	3,106	5.2%	39	(2,953)	(5)	(95.1%)	(12.8%)
Construction Services / Homebuilding	844	2.8%	42	2,725	4.6%	51	(1,881)	(9)	(69.0%)	(17.6%)
Financial Services	572	1.9%	26	3,616	6.1%	40	(3,044)	(14)	(84.2%)	(35.0%)
Gaming / Leisure / Lodging	58	0.2%	11	149	0.2%	30	(91)	(19)	(61.1%)	(63.3%)
Energy / Utilities	6	0.0%	2	110	0.2%	9	(104)	(7)	(94.5%)	(77.8%)
Telecom	80	0.3%	5	2,585	4.3%	8	(2,505)	(3)	(96.9%)	(37.5%)
Natural Resources	50	0.2%	5	100	0.2%	6	(50)	(1)	(50.0%)	(16.7%)
Real Estate Services	18,655	61.3%	14	18,002	30.1%	17	653	(3)	3.6%	(17.6%)
<b>TOTALS</b>	<b>\$ 30,445</b>	<b>100.0%</b>	<b>439</b>	<b>\$ 59,715</b>	<b>100.0%</b>	<b>590</b>	<b>\$(29,270)</b>	<b>(151)</b>	<b>(49.0%)</b>	<b>(25.6%)</b>

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

(1) Only includes transactions with disclosed values.

Regional M&A in Arizona followed negative national M&A trends. Bank and corporate profits fell in 2022, and the commercial bank woes fueled by Silicon Valley Bank are causing that segment to de-risk, pushing financing to BDCs and other non-bank lenders. In the near-term acquirers are hoping to see the calming of any commercial bank ripples and the avoidance of self-inflicted policy mistakes regarding the debt ceiling and other issues.

Early 2023 has been characterized by weak venture capital volume on one end and large cap transaction volume off about 50% on the other end, with lower middle market M&A merely subdued. PE investors are vocalizing a desire to invest, albeit with increased scrutiny, and the amount of private equity dry powder has actually increased from \$1.6 to \$1.8 trillion since 2020. Sellers complain about higher borrowing and labor costs consistently but show P&L recovery as supply chain challenges dissipate and customer purchasing normalizes. We expect greater selectivity among private investors with preference towards revenue predictability, validated business models and proven growth.

Columbia West expects Arizona to mirror the national economy in 2023 which we expect to have an odd mix of healthy and distressed M&A. The macro trend of Arizona growth will continue, fueled by its engineering and manufacturing talent, substantial migration of corporations to the Valley, and favorable business environment.

### TOP 10 2022 M&A DEALS<sup>(1)(2)</sup>

(\$ in millions)

1	STORE Capital Corporation (NYSE:STOR)	\$13,833
2	Healthcare Trust of America, Inc.	4,707
3	US Ecology, Inc. (NasdaqGS:ECOL)	2,330
4	U.S. Physical Auction Business of ADESA, Inc.	2,200
5	Magellan Rx Management, LLC	1,350
6	Magellan Specialty Health, Inc. / Nat'l Imaging Associates	752
7	Gulf Tanks Holdings, Inc.	323
8	EdgeCast, Inc.	318
9	Martin Door Manufacturing, Inc.	188
10	Romeo Power, Inc.	176

**TOTAL** **\$26,176**

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

(1) Only includes transactions with disclosed values.

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

### TOP 10 2022 PRIVATE PLACEMENTS<sup>(1)(2)</sup>

(\$ in millions)

1	Bills.com, LLC	\$225
2	GMTO Corporation	205
3	SOURCE Global, PBC	150
4	Bishop Fox Inc.	129
5	FRC Balance LLC	100
6	Jetti Resources, LLC	100
7	viaPhoton, Inc.	80
8	RapidSOS, Inc.	75
9	Ategrity Specialty Insurance Company	75
10	Pheon Therapeutics Ltd	68

**TOTAL** **\$1,207**

Please contact John Farr at [jfarr@columbiawestcap.com](mailto:jfarr@columbiawestcap.com) or David Barnett at [dbarnett@columbiawestcap.com](mailto:dbarnett@columbiawestcap.com) for additional information.