DENVER BUSINESS JOURNAL
JANUARY 8-14, 2010

Colorado M&A deals rise in 2009 fourth quarter

BY RENEE MCGAW
DENVER BUSINESS JOURNAL

TOP COLORADO M&A DEALS OF 2009:

SELLER	BUYER	PRICE
Liberty Entertainment Inc.	DirecTV Group Inc.	$16B
Anheuser-Busch InBev SA[1]	Ball Corp.	$577M
WildBlue Communications Inc.	ViaSat Inc.	$568M
Custom House Ltd.	Western Union	$372M
Textron Inc.[2]	Woodward Governor Co.	$365M
QLT Inc.[3]	Tolmar Holding Inc.	$230M
MX Logic Inc.	McAfee Inc.	$170M
FEXCO Group[4]	Western Union	$160.5M
Liberty Media Corp.[5]	Mid Europa Partners LLP	$159M
Frontier Airlines Inc.	Republic Airways Holdings Inc.	$109M

[1] Ball Corp. acquired four can manufacturing plants in Georgia, Ohio, Wisconsin and Florida.
[2] QLT Inc. sold its subsidiary QLT USA.
[3] Textron Inc. sold HR Textron Inc.
[4] FEXCO sold its money transfer business.
[5] Liberty Media sold UPC Telemach doo.

Source: FactSet Mergerstat LLC. Information is based only on deals for which a purchase price was announced.

Colorado mergers-and-acquisitions activity accelerated noticeably in the fourth quarter of 2009, buoying hopes for a stronger 2010.

"It seems to us that the middle market is getting much more active," said Wayne Nielsen, president of W.G. Nielsen & Co., a Denver-based investment bank. "We've closed four deals in the last five weeks, and that's a fair amount of volume for a regional firm. We're very optimistic for 2010."

"In the last quarter, things have picked up — I wouldn't say dramatically, but steadily," said Alan Mayer, managing director at Green Manning & Bunch in Denver.

"I think the waiting game is finally over, knock on wood," said Trish Rogers, a business attorney with Moye White LLP in Denver, who helps companies execute mergers, acquisitions, joint ventures and other types of deals. "I billed the highest number of hours all year in December."

A pickup in activity wasn't exactly borne out in M&A data obtained from FactSet Mergerstat, a subsidiary of Norwalk, Conn.-based FactSet Research Systems Inc.

According to FactSet, a total of 35 deals in which a Colorado company was either the buyer or seller closed in the fourth quarter. Taken together, the deals were worth at least $17.5 billion; the average deal size was $1.75 billion.

That compares with 41 deals worth at least $954 million in the fourth quarter of 2008 and 60 deals worth at least $1.1 billion in the third quarter of 2009.

But deals that show up in data from global mergers trackers such as FactSet tend to be the larger ones; small- and middle-market private company transactions, which make up the bulk of Colorado activity, often fly below the radar.

And because Colorado's M&A market is relatively small, one large deal can skew total value.

In the latest quarter, that deal was Liberty Media's $16 billion spinoff of subsidiary Liberty Entertainment, which merged with DirecTV Group Inc. The all-stock deal was announced last spring and closed in November.

Finally, comparison between quarters also can be difficult since purchase price often is kept private. Price was revealed in only 29 percent of the deals that closed in the latest quarter, compared with 41 percent in the same quarter a year earlier.

> 'It seems to us that the middle market is getting much **more active**. We're very optimistic for 2010.'
>
> **Wayne Nielsen**
> president , W.G. Nielsen & Co.

The DirecTV merger ranked as the biggest deal of both the fourth quarter and 2009, according to FactSet data. ViaSat's $568 million purchase of Greenwood Village-based WildBlue Communications Inc. was the second-largest closed deal in the fourth quarter, and the third-largest of the year.

Some deals announced during the fourth quarter hadn't closed by year's end, including Liberty Global Inc.'s pending $5.2 billion acquisition of German cable TV operator UnityMedia.

Although it remains difficult to obtain financing for leveraged deals, many buyers and sellers appeared to have made peace with conditions that kept deals from closing earlier in 2009.

"The bottoming-out of the economy gives greater visibility for buyers and their projections, allowing them to firm their pricing. At the same time, the seller has had many more months to resolve themselves to the weaker circumstances and to accept a lower price," said Wes Brown, managing director at St. Charles Capital in Denver.

"We're seeing some commercial deals closing where I think the buyer felt comfortable that the seller was near bottom, in terms of 'We're not going to get a better deal, we're not going to be able to negotiate a better price, we're not going to wait and see how they do,'" Rogers said. "I get the sense that buyers believe prospects are coming back, and want to be sure the deal gets closed now before valuations start rising."

But buyers remain cautious, as evidenced by the popularity of "earnouts," an agreement under which part of the purchase price is paid after closing, contingent on the acquired company meeting some financial goal.

"We're seeing a lot of structured transactions that include an earnout component, where if you hit certain numbers you'll earn that other [part of the price]," Mayer said. "That's something that was going on a lot in the late 1990s and early 2000s, but we hadn't seen it for several years."