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As 2005 Ended, Some Billion-Dollar Deals Went Down in L.A.

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When it came to deals in Los Angeles, 2005 went out with a bang.

December saw five mergers and acquisitions that each topped $1 billion in value. Since this region is dominated by middle-market companies, only one or two billion-dollar deals is typical. Three more mergers each topped $500 million.

"This is absolutely the strongest merger and acquisition environment since the late 1990s," said Lloyd Greif, president and chief executive of **Greif & Co.**, an L.A.-based investment bank specializing in mergers and acquisitions.

In all, $19.6 billion traded hands as a result of transactions in December – more than double the previous month, according to Goldsmith Agio Helms, a Minneapolis-based investment banking firm that compiled the data for the Business Journal. And that figure only counts reported values; many deals did not report the value.

A number of factors converged to fuel this spate of mergers and acquisitions, including low interest rates, a strong real estate market, huge amounts of cash in private equity funds and a number of firms' heightened desire to grow through strategic acquisitions.

Of course, December is traditionally a busy month as investment bankers rush to close deals in order to claim year-end bonuses.

In recent years, private equity firms were making the deals. December's deals were made by companies looking to grow into dominant players or enter new markets. With revenues swelled by higher consumer spending, and after years of increasing productivity and cost containment measures, major public companies have more cash on hand now than at any time in the past 50 years, Greif said. Instead of dividending the cash to shareholders or using it to hire more workers or make capital improvements, many companies are using it to finance mergers and acquisitions, he said.

The private equity firms aren't entirely out of the picture; they provided behind-the-scenes funds for several of these corporate megadeals.

A fairly strong economy and interest rates that, while rising, are still lower than historical norms, provided a positive climate for deal-making.

"The steadily rising interest rates are actually helping to boost these deals. They signal steady economic growth lies ahead. If interest rates were still at record lows, it would mean a slow economy, and that's not a good backdrop for acquisitions," said Robin Love, vice president with Barrington Associates, a Los Angeles-based investment bank.

Also boosting local mergers and acquisitions has been the hot real estate market. That was especially true for L.A.-based **Arden Realty Inc.**, which decided to sell 13 properties in its commercial real estate portfolio to Chicago-based **Trizec Properties Inc.** for $1.6 billion and then sell the remainder of its 18.5-million-square-foot portfolio to Stamford, Conn.-based **General Electric Co.**'s real estate unit for $3.2 billion.

For Arden chairman Richard Ziman, the sales represented a chance to cash out after several spectacular years of growth in the Southern California real estate market. GE,

M&A Update

Announced mergers and acquisitions in L.A. County.

Month	Number of Deals	Deal Value
July	85	$7.5 billion
August	75	$4.7 billion
September	77	$2.4 billion
October	72	$6.5 billion
November	66	$9.2 billion
December	73	$19.6 billion

Gladiator: A DreamWorks SKG film.

Waldorf=Astoria: A prime Hilton holding.

meanwhile, gains a foothold in the region.

"You can't replicate a hot real estate market, you have to buy into it," said Love.

On the heels of the Arden deal came Beverly Hills-based **Hilton Hotels Corp.**'s decision to buy the lodging business of its international affiliate **Hilton Group plc** for $5.7 billion.

The Hilton deal represents two major players in the lodging industry trying to become even more of a worldwide giant.

"In this era of global competition, the bigger a company can become on the world stage, the better," Greif said.

Thousand Oaks-based **Amgen Inc.**'s plan to purchase Fremont-based biotech firm **Abgenix Inc.** for $2.2 billion in cash was driven by internal dynamics.

Amgen had been trying to develop other drugs to replace its blockbuster Epogen as its patents on the treatment for cancer-related anemia began to expire. To that end, Amgen has been providing capital and expertise to Abgenix for the experimental drug panitumumab, which slows the growth of tumors, and finally decided to bring Abgenix in-house with its $2.2 billion purchase offer.

The last of the billion-dollar deals in December was the decision by **DreamWorks SKG** principals Steven Spielberg, Jeffrey Katzenberg and David Geffen to sell their Glendale-based studio to **Viacom Inc.**'s Paramount Pictures unit for $1.6 billion in cash and debt. Paramount plans to pay part of the cost by selling off DreamWorks' live-action film library.

Paramount's bid for DreamWorks caught nearly everyone off guard, since DreamWorks had been in discussions with GE's NBC Universal unit for several months. Those discussions were taking place against a larger backdrop of studios trying to merge with major media companies.

Below this top tier of billion-dollar deals were several buyouts among tech companies and financial institutions. On the tech front were two major buyouts: Redwood City's **Electronic Arts Corp.**'s $680 million deal for L.A.-based mobile game maker **Jamdat Mobile Inc.** and Britain's **GUS plc**'s Experian unit's $485 million deal to buy Culver City-based **PriceGrabber.com**, an online comparison shopping company.

On the banking side, Rancho Santa Fe-based **First Community Bancorp** reached a deal to buy Glendora-based **Foothill Independent Bancorp** for $238 million. San Marino-based **EastWest Bancorp** reached a deal to buy Monterey Park-based **Standard Savings Bank** for $204 million. The latter deal could signal the emergence of a major Southern California financial institution serving the Asian community.