

## M&A market buzzes in first half of 2011

BY JAMES DORNBROOK | STAFF WRITER

Mergers and acquisitions activity in the Kansas City area was strong in the first half of the year.

The first two quarters of 2011 had 76 transactions, according to data from Country Club Capital Advisors. The second quarter was particularly robust, with 43 deals.

That compares with 65 transactions in the first half of 2010; including 31 in the second quarter.

“Nationally and regionally, the first quarter was pretty weak, so I was surprised to see how much M&A activity picked up in the second quarter,” said John Hense, managing director at Country Club Capital Advisors. “It played out that there were more local buyers than sellers, which I think is good for our local economy. We’re also seeing more private equity buyers, which generally means those companies stay here.”

During the first half of the year, 34 transactions involved a local buyer, and 14 involved both a local buyer and local seller.

Kansas companies accounted for 42 transactions and 29 involved Missouri companies. Five deals involved parties from both states.

“I’d say the strong numbers were due to pent-up demand,” said Tim Skarda, president of Leawood-based

Allied Business Group. “You had business owners who wanted liquidity from their companies and in the latter part of 2008, throughout 2009 and the first three quarters of 2010, they just had to wait for their numbers to get back in line.”

Skarda said that businesses now are showing stronger profits and that valuations are rising, bringing more sellers to the bargaining table. More capital is also in the market now.

“There are companies with a lot of cash on their balance sheets looking for strategic acquisitions,” he said. “You’ve got private equity groups with a lot of uninvested capital that they need to deploy. The other piece is the banks. I think banks are coming back and extending loans to more reasonable levels.



Tim Skarda

Banks aren’t getting as extended as they did in 2006 and 2007, but they are definitely coming back into the market and looking for deals.”

Pat Trysla, managing partner at Kansas City-based Frontier Investment Banking, said it has been interesting to see more international corporations entering the M&A mix. Eleven area transactions during the first half of 2011 involved a foreign buyer or seller.

“The international buyers have been

large companies interested in acquiring middle-market companies, a couple of which are local,” Trysla said. “These are major players in their industry who are household names in the United States, but their headquarters are across the pond. We’ve seen aggressive interest from these international strategic buyers. It’s been interesting and welcome for our sell-side clients to see.”

Hense said the excess capital in the market, along with stronger balance sheets, should bode well for M&A activity in the second half of the year. However, the second half of 2011 could have a tough time matching the third and fourth quarters of 2010. Hense said a surge of deals came at the end of last year because of uncertainty about whether capital gains tax rates would increase. That worry has been allayed until the end of 2012.

“Recent deals involving Kansas City area companies, such as DST Systems, The Mutual Fund Store, and American Century, were a good way to start the third quarter,” he said, “suggesting we’re on a bit more stable footing now. Short-term, I think M&A activity could still get whipped around a bit because of the economy, but longer-term, I think we’ve stabilized.”

[jdornbrook@bizjournals.com](mailto:jdornbrook@bizjournals.com) | 816-777-2215