

St. Louis joins in with rising M&A activity

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When Jim Malkus was looking for a way to boost sales at Indoff Inc., he turned to a new strategy for the St. Louis-based company – acquisition.

Indoff Inc., a \$115 million distribution company, acquired local appliance marketer Allied Appliance Sales Co. in a deal Indoff expects to boost its 2014 sales volume by about 10 percent. Malkus, president and CEO of Indoff, said the company has traditionally grown organically by increasing its sales staff but made the decision earlier this year to pursue an acquisition for the first time in its 22-year history.

Indoff contacted business broker Clayton Capital, where officials put the company in touch with Allied, which was seeking a buyer. Indoff closed the acquisition Oct. 31.

"We're a whopping 12 days into it, but we're very happy with the way things are going," Malkus said in an interview Nov. 12. "For us it was a pretty quick way to grow our business by 10 percent rather than spend a solid year trying to recruit more people."

Indoff is just one of many companies nationwide jumping into the mergers and acquisitions market. Nationally, 1,685

small businesses sold between July and September, up from 1,189 during the same period in 2012, according to BizBuySell. This was the third consecutive quarter in which there was a year-over-year increase.

Besides Indoff, activity appears to be picking up in the St. Louis market among business of all sizes.

For example, in the past month, Ronnoco Coffee, a \$60 million local coffee roaster, acquired Oklahoma-based Henderson Coffee Corp., a deal expected to boost Ronnoco's revenue by 25 percent. Chesterfield-based MiTek Industries, which has \$1 billion in revenue, purchased Milwaukee-based Cubic Designs Inc. for an undisclosed amount, and Amdocs, which has fiscal 2013 revenue of \$3.35 billion, is buying Herndon, Va.-based Celcote Management Solutions for about \$129 million in cash.

Jim Lally, president of the St. Louis region for Enterprise Bank & Trust, said many of the bank's clients are now similarly taking a look at acquisitions as a growth strategy.

"Our customers are seeing that difficulty in growing revenue," Lally said.

► SHOPPING LIST

88 percent

of prospective buyers say they are in the market to purchase a small business within the next one to two years.

WHAT DO THEY WANT TO BUY?

25 percent

say they are considering purchasing a restaurant

18 percent

say they are considering purchasing an Internet business

WITHIN THE FRANCHISE MARKET:

34 percent

of buyers said they would consider an existing franchise location

25 percent

said they would be interested in purchasing a new franchise

SOURCE: BIZBUYSSELL



Jim Malkus

"They've really done a very good job in locking down their expense base, and now if they can leverage that with an acquisition, they could grow revenue by 15 (percent) to 20 percent.

"When you talk about growth for 2014, M&A is on their short list," Lally said.

Malkus said he's noticed an increase in merger activity among the firms Indoff works with – particularly in the furniture and materials handling industry. "As we are making recruiting calls, we are running into it more and more where two companies have combined."

Ben Keller, a partner at the Lathrop & Gage law firm, said companies that were ready to sell had put their plans on hold during the economic slowdown. "People are looking at 2014 as the year where they can take up what they wanted to do a couple years ago."

One factor that may put a damper on activity, however, is the availability of funding. "You have to have money to go on an acquisition binge, but the banking industry is still in flux," Keller said. "It's still difficult for a company to get loans."

After a sluggish start to the year in mergers and acquisition activity, the Affinity Law Group has helped clients close six acquisitions in the past three months with others slated to close before the end of the year.

"Businesses were hesitant to get in the M&A arena until there was some resolution with potential tax rate changes and the uncertainty around the debt ceiling," said Brad Crandall, a member attorney at Affinity. "It created a backlog as people were sitting on the sidelines."