

# ST. LOUIS BUSINESS JOURNAL

## St. Louis M&A ‘exploded’ with tax cuts, abundant cash

By [Greg Edwards](#) – Reporter, St. Louis Business Journal

With a strong economy and plenty of corporate cash on hand, St. Louis is having a blockbuster year in mergers and acquisitions, highlighted by two of the biggest deals anywhere.

Dealmakers couldn't be happier.

“The St. Louis M&A market exploded in the first half of 2018,” said Patrick Nolan, president of Nolan & Associates, investment bankers who advise on deals. “It’s a good time to be in the business.”

Consider this: Two of the biggest deals so far this year involved St. Louis companies. Bayer closed on its \$63 billion purchase of Monsanto Co., and Express Scripts Holding Co. agreed to be acquired by Cigna in a \$67 billion deal that has not yet closed.

“Even without these two mega-deals, the St. Louis M&A market is twice as active in the first half of 2018 compared with the first half of 2017,” at least in deals in which St. Louis companies were the buyers, Nolan said. Specifically, he said, there were 31 of those deals, valued at \$2.5 billion, in the first half of this year, compared with 14 deals, valued at \$1.3 billion, in the first half of 2017.

Notable sales that closed in the first half, in addition to Monsanto Co.: Meter Readings Holding, doing business as Aclara Technologies, acquired by Hubbell Power Systems Inc. for \$1.1 billion; and Rawlings Sporting Goods Co., acquired by Seidler Equity Partners and Major League Baseball for \$395 million, according to [The Fortune Group](#), a St. Louis-based M&A advisory firm.

Active St. Louis buyers in deals that closed in the first half included Centene Corp., which made four acquisitions in the first half of the year; Illinois American Water Co., which acquired three companies; and Midwest Industrial Rubber, which also made three. Some of the deals were announced last year but didn't close until this year.

Two of the larger transactions by St. Louis-based acquirers were Post Holdings' acquisition of Bob Evans (\$1.5 billion) and Amdocs' acquisition of Vubiquity Inc., a video services company (\$224 million).



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*The Fortune Group's John Hull said the M&A market should remain strong through the remainder of the year.*

What's driving the dealmaking?

“Transactional activity has been buoyed by the corporate tax rate reduction and strong economic growth,” [John Hull](#), Fortune Group's managing director, said. “High valuations continue to motivate sellers, and buyers are looking for growth and opportunities to invest accumulated earnings.”

Nolan cites available capital from eager bank lenders, private equity firms with \$565 billion in cash available to deploy, and corporate acquirers with \$2.3 trillion in cash, 40 percent more than they had five years ago.

By Fortune Group's count, 33 local businesses sales were completed in the first half of 2018, the same as in the first half of 2017, and 64 companies acquired by St. Louis businesses were completed, compared with 55 in the first half of 2017.

All of that activity is driving business for M&A advisory firms, investment bankers, accountants and lawyers. “Our M&A teams throughout the firm have been very busy for about 18 months, particularly in the energy field,” said Bob Tomaso, St. Louis managing partner at Husch Blackwell, which has advised on dozens of M&A transactions during that period. “Among other local deals of note, we have closed four transactions for TricorBraun since 2017, as well as the DAS Acquisition Co./USA Mortgage ESOP transaction.” DAS converted to employee ownership early this year.

Looking ahead, Chris Dalton, partner and national practice leader of transaction services at BKD, has been meeting with a lot of investment bankers, whom he considers leading indicators. “People are feeling good. There is a ton of cash out there, and company valuations are high,” he said. Dollar deal volume increased 40 percent last year in his group, and his team has increased to 35 nationally, up from 15 three years ago.

“Although tariffs could dampen trade and profits of some U.S. companies, which could adversely impact valuations,” Hull said. “The Fortune Group expects the M&A market to remain strong throughout the balance of the year.”

## **2018 U.S. M&A**

Deal value for the first six months of the year jumped 30.5 percent to \$794.8 billion, while deal volumes were fractionally down, to 2,593 transactions from 2,887 deals in the first six months of 2017.

Source: [Mergermarket](#)