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St. Louis M&A drops almost 30% amid pandemic slowdown in deal making

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

St. Louis companies involved in mergers and acquisitions fell 29% in 2020 as the pandemic slowed transactions nationwide.

St. Louis companies were involved in 149 deals in 2020, down from 211 in 2019, said [John Hull](#), managing director at [The Fortune Group](#), a St. Louis-based M&A advisory firm. The decline in St. Louis M&A was more pronounced compared with the nation as a whole, with transactions down in the range of 16% in the U.S.

On the selling side, 49 companies were sold in 2020, compared with 78 sales in 2019, a 37% drop. Of the St. Louis-area companies sold, the most active sectors were health care and life sciences with seven transactions and financial services with six, Hull said.

Examples include the sale of St. Louis-based [Veran Medical Technologies Inc.](#) to Japanese manufacturer Olympus Corp. and [First National Bank in Staunton](#) to Associated Bank.

On the buy side, St. Louis-based companies acquired 100 businesses in 2020, compared with 133 in 2019, a 25% decrease. The most active buyer was Emerson Electric Co. (NYSE: EMR), which closed five acquisitions.

Hull said the uncertainty and risk highlighted by the pandemic caused companies to look more closely at their strategic options.

"Those companies that have returned to pre-Covid revenue levels and exhibit good growth prospects post-Covid are finding that they have a number of attractive options, at valuations as good or even better than existed pre-Covid," he said.

Other companies, particularly those in hard-hit sectors like hospitality and entertainment, are finding they have much more limited options and those options come with lower valuations, Hull said.

Almost four in 10 of all the U.S. jobs lost since February 2020 — 39% — are in the [leisure and hospitality industry](#), according to analysis of the latest Department of Labor national jobs report.



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The Fortune Group's John Hull said the local mergers and acquisitions market should bounce back to pre-Covid levels later this year.

"Looking back at recent history, the last major decline in M&A activity occurred after the great financial crisis in 2008," when M&A activity dropped 40%, Hull said. "Interestingly, St. Louis area M&A activity rebounded strongly in 2010 with deal volume increasing 90%."

Looking ahead, Hull said, factors driving M&A before the pandemic, including an ample supply of capital, low interest rates and a strong stock market, remain in place.

"We see the buyers that were active before the outbreak of the pandemic are back in the market — many of which are aggressively pursuing deals," he said. "So, unless or until the new president and Congress enact changes to the tax laws that increase the rate on capital gains — or impose additional tax burdens on private equity — there is a widespread expectation that M&A activity in 2021 will bounce back to pre-Covid levels. We believe the same will be true for the St. Louis region."