

2021 Top M&A Providers

For entrepreneurs, buying a business and selling a business are two of the most important aspects of ownership. The following providers have proven their dedication to the success of small businesses in St. Louis and have been named this year's top M&A providers.

Kelsey K. McGonigle

Greensfelder, Hemker & Gale, P.C.

Years of experience: 8

What are the challenges facing business owners when it comes to M&A?

On the sell side of a transaction, the due diligence and legal documentation that go along with the sale of a business amount to a full-time job, on top of the business owner's full-time job of running the business. I find that managing both, along with the emotional aspects of selling your business, can cause deal fatigue for sellers, which makes having your "house in order" prior to selling and surrounding yourself with trusted advisors critical to the M&A process. On the buy side of a transaction, one challenge that can sometimes be overlooked is the importance of post-closing integration of the target with the business owner's existing business. If management and employees from the target will continue post-closing, it is critical to consider the culture fit and practical integration of the teams well in advance of the closing day to help facilitate a smooth transition.



What is the No. 1 piece of advice you would give to business owners, either those about to purchase a business or an owner selling his or her business?

For sellers, be prepared. Build a strong internal team to help manage the transaction as well as strong external team consisting of a lawyer, accountant and, if appropriate, investment banker. When I am representing a seller, in an ideal world, we already have a data room established and have completed our own internal due diligence review and clean-up before the buyer starts its due diligence. For buyers, do your diligence — both on paper and in person. Just because a target looks good on paper does not necessarily mean it is a good fit for your business, and it is important to do a deep dive before signing on the dotted line.

What is the biggest mistake you see business owners make when it comes to selling their businesses?

Not preparing for the sale well in advance of going to market. Your team should be in place well before you begin the sale process and should be involved as early as possible. Additionally, it is important to organize your books and records and clean up as many issues as possible to avoid being caught unaware when the buyer discovers a problem.

What is the current environment for M&A activity?

It continues to be a seller's market with a high volume of competition for deals and continually increasing EBITDA multiples.

Graham Stevens

Summers Compton Wells

Years of experience: 13

What are the challenges facing business owners when it comes to M&A?

For all businesses, whether they are being sold, purchased or operated, the COVID-19 pandemic has brought several challenges, such as labor and supply chain shortages. These challenges have affected the value of a seller's business and the buyer's ability to operate the business based on historical performance. Additionally, uncertainty exists regarding increased regulation and changes in the tax code. This has added to concerns regarding the cost of operating certain businesses in the future.



What is the No. 1 piece of advice you would give to business owners, either those about to purchase a business or an owner selling his or her business?

For buyers, have a thorough understanding of your target's business from the legal and financial perspectives before pursuing an acquisition. Working closely with legal and accounting advisors during the due-diligence process can ensure a smoother transition and fewer surprises post-closing.

For sellers, make sure your "house is in order" prior to entering into a contract to sell your business. This can include making sure all necessary corporate books, records and tax filings are up to date, all contractual relationships are properly documented, and all intellectual property is registered and property titled. From a buyer's (and their counsel's) perspective, seeing that a company has been well managed will make the process of reviewing the company easier and may provide additional leverage in negotiating a higher purchase price.

What is the biggest mistake you see business owners make when it comes to selling their businesses?

Many business owners become overly emotional about the business, especially if they built it from the ground up. Emotional attachment often leads to unrealistic expectations and overvaluation of their business. This can cause friction between the seller and buyer when the buyer raises issues about the business's health or past operations.

What is the current environment for M&A activity?

Uncertain. While M&A activity has been stronger in 2021 than 2020, there is still a lot of uncertainty regarding future economic conditions and social norms given the COVID-19 pandemic. Buyers who have a longer horizon may be looking at this time as an opportunity to buy below market and take advantage of continuing low interest rates. Much of the 2021 M&A activity has been a result of deals that were put on hold in the wake of the 2020 shutdowns. On the other hand, many buyers and sellers may be waiting to see some post-pandemic operational history before undertaking any M&A transactions. Despite these current uncertainties, many clients see the current situation as an opportunity on both the buy-side and sell-side.

TOP M&A PROVIDERS

Patrick O'Neil

ButcherJoseph & Co.

Years of experience: 6+ years

What are the challenges facing business owners when it comes to M&A?

Recognizing which factors in a sale process have the most potential to lower the value of your business and increase deal execution risk. Common challenges include grooming future key leaders to enable a smooth transition, managing financial due diligence and navigating the negotiation process.

What is the No. 1 piece of advice you would give to business owners, either those about to purchase a business or an owner selling his or her business?

Many owners have spent their life's work building their business. Taking the time to find an advisor whom you can trust to help you realize the wealth concentrated in your business and successfully guide you through a sale process to accomplish your goals is critically important.

What is the biggest mistake you see business owners make when it comes to selling their businesses?

Waiting until it is too late to educate yourself on different exit strategies and position your business to maximize value. Value is impacted by external factors, such as business cycles, access to financing and tax policy, so being prepared ahead of time to execute on a deal is a huge advantage.

What is the current environment for M&A activity?

We are in an unprecedented M&A market right now. Deals are being driven by cheap financing, record levels of private equity dry powder, and the looming capital gains rate increase. Heading into Q4, we are seeing advisors and deal professionals having to turn down work through the end of the year due to a lack of bandwidth.

John S. Meyer, Jr.

Capes Sokol

Years of experience: 37

What are the challenges facing business owners when it comes to M&A?

After deciding the time is right to sell or acquire a business, the first challenge is assembling a team of competent, trusted advisors to assist with the transaction. The seller will want to implement strategies to make the business as attractive as possible to potential acquirors. The buyer will want to narrow the field to potential targets with transaction prices that offer value and synergies likely to yield an attractive return on investment. A good broker will work with the client's lawyers and accountants to implement an effective strategy to negotiate favorable terms. Once a deal in principle is struck, the team will provide critical guidance regarding definitive deal terms and due diligence designed to avoid surprises, manage risks and ensure a smooth transition after closing.

What is the No. 1 piece of advice you would give to business owners, either those about to purchase a business or an owner selling his or her business?

Get to know as much as possible about the other party's business to ensure that the fit is right. If it isn't, walk away.

What is the current environment for M&A activity?

The pandemic has created merger opportunities. For example, companies that supply products or services to support remote work are thriving. According to Reuters, global M&A broke records in Q3 2021, with U.S. activity up 32%. Many viable businesses need cash to grow, and buyers, flush with cash, are anxious to do deals while they can. Additionally, the cost of financing remains relatively cheap.



John Bodnar

Lewis Rice

Years of experience: 25+

What are the challenges facing business owners when it comes to M&A?

1. Selling a business is a major life decision: Am I ready to sell emotionally and financially?
2. Lack of experience — for many, it's something they will do only once
3. Being unprepared for the scrutiny and diligence that buyers will subject them to (and the necessary commitment to the process)
4. Running the business at the same time, given that the company may not close

What is the No. 1 piece of advice you would give to business owners, either those about to purchase a business or an owner selling his or her business?

Before you start, understand what the process involves, what to expect, and what could go wrong from start to finish.

What is the biggest mistake you see business owners make when it comes to selling their businesses?

1. Not knowing the next best alternative or next best buyer
2. Wanting the deal too badly (or planning for life as if the deal has already closed when it hasn't), which may lead to unnecessary concessions or compromise
3. Not fully preparing the company and making sure everything is "in order" prior to starting the process
4. Not having a strong team in place before starting the process

What is the current environment for M&A activity?

There is a tremendous amount of activity. Multiples are high.

Paul Schnoebelen

The Fortune Group

Years of experience: 35 plus

What are the challenges facing business owners when it comes to M&A?

My practice is focused on sellers, and their current challenge is "certainty of closing" on the same terms originally offered by the buyer. We recommend that our selling clients "front-end load" the due diligence process, which starts with careful sale preparation, including addressing management alignment issues, quality of earnings analysis and tax planning — as well as understanding off balance-sheet obligations, etc. — before giving a buyer exclusivity (in a letter of intent). This approach can help mitigate problems in the final due-diligence process. Valuations are very full right now, and "bait and switch" tactics on the part of aggressive buyers have become more common as deals get closer to closing.

What is the No. 1 piece of advice you would give to business owners, either those about to purchase a business or an owner selling his or her business?

Bring in the professionals (i.e., legal, tax, accounting, investment banking) and bring them in early. These transactions are difficult enough already. Business owners need to focus on running the business and to avoid further complicating the M&A process with a lack of planning or experienced advisors.

What is the current environment for M&A activity?

Middle-market deal activity is very strong right now apart from a few out-of-favor industries that have been hard hit by the pandemic. Valuations and typical debt structures have rebounded in recent months to their pre-COVID levels. Businesses with above-average sales growth and margins are being rewarded with a significant "quality premium" in the current frothy M&A environment.

