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2014: The Year of the Acquisition

Full disclosure: I'm not a fortuneteller. I am a deal maker. So when asked to share my insights at the recent Business Leaders 2014 Business Forecast sponsored by this publication, I looked at the facts and concluded that we have everything we need to grow St. Louis: a wealth of educational institutions, a talented workforce, plentiful capital and a host of home-grown advisors who can compete with the best.

The size and quality of our workforce continue to attract companies in the financial, health care, biotech and agribusiness industries.

Contrary to the common complaint that there is little capital and few loans available to acquire, expand or grow companies, I see banks aggressively looking to make acquisition and growth loans at attractive terms. In addition, I estimate that St. Louis is home to more than 20 private equity, venture and seed capital funds with more than \$3 billion under management. Most would love to do business in their own backyard.

Of course, acquisitions require not only financial capital, but also intellectual capital: the attorneys and accountants who guide businesses through the maze of earning projections, due diligence, union issues and financial modeling. Our roster of law and accounting firms includes some of the country's best to support business transactions.

With all of this going for St. Louis, is anyone taking advantage of these resources? The answer is a resounding yes. Since 2010, employers have added an average of 600 jobs per month. National Asset Recovery Systems, Wells Fargo Advisors, Charter Communications, Monsanto and Boeing have each added more than 400 since 2012.

Clearly, St. Louis has what it takes to grow, but that growth can be organic—a means of growth that is especially vulnerable to macroeconomic forces and specific industry trends—or we can foster faster growth through acquisitions.

In other words, our smaller and mid-size companies can take the same approach that the Fortune 1000 companies have adopted. They make strategic acquisitions to enhance their strengths and profitability. Mid-size companies can similarly increase their profits, but also bring more dollars into local economy.

Several mid-size companies have successfully jumped into the acquisitions area. Western Waterproofing has acquired five companies in the past five years to expand its geographic reach. In making four acquisitions, Delta Group Electronics has increased its sales by 300 percent. Marcone Appliance nearly doubled its sales in a single acquisition.

So why aren't we seeing more acquisition activity? Companies need drive – acquisitions are not easy. They need mentors or experienced business leaders who are willing to share their knowledge about the acquisition process. They need management teams experienced or trained in finding, structuring and integrating acquisitions.

Finally, business owners need inspiration “The inspiration,” Gabe Lozano (CEO and co-founder of LockerDome) wrote in *The Wall Street Journal*, is “to reinvent a great city with immense potential.” The potential is at our fingertips. We simply need to grab hold to make 2014 The Year of the Acquisition.

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