BANKING & FINANCE

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Clayton M&A firm uses old and new marketing to double revenue

With a combination of old marketing and new, M&A advisory firm Clayton Capital Partners has grown to $7 million in revenue, double what it was five years ago.

The firm's sweet spot is deals nationwide of $20 million to $200 million involving businesses with $2 million to $25 million in EBITDA, and it does 20 or more a year.

"This business is about marketing. By definition, our clients go away," said managing partner and CEO Kevin Short, who founded the firm 18 years ago and has 94 percent ownership. "I have to have the funnel full of leads at all times."

To do that, Clayton Capital, with 20 employees and offices in St. Louis, Dallas and Denver, uses a combination of speaking appearances, email blasts, search engine optimization and more, Short said, with most leads coming from bankers and financial advisers, including Lincoln Financial Group of Radnor, Pennsylvania. "I am one of only five vetted investment bankers they use," he said.

Kevin Short

Short's 2014 book, "Sell Your Business For an Outrageous Price," still delivers inquiries, as well, and has gone into a second printing. "The phone rings everyday," he said, "and that's unusual in our business."

In fact, the book led to Clayton Capital's most recent sale. The firm represented Narstco Inc. of Midlothian, Texas, a manufacturer of steel railroad ties, in its sale to RailWorks Corp., which builds and maintains rail infrastructure in the U.S. and Canada. Narstco CEO Ken Stephenson said, "I saw Kevin's book in our newspaper, read it, and came to St. Louis and hired him."

As for M&A trends in the middle market, Short said the biggest is the increased appetite of private equity firms as buyers. "The number of companies owned by private equity is startling," Short said, surpassing strategic buyers — corporate acquirers looking to add people and geographic reach to increase sales. "Private equity, they say, has $1 trillion in cash. If they don't buy companies, the partners don't get paid. They make their money through deals. Our sellers are the beneficiaries."

"The returns for institutional investors placing their money in private equity firms have outperformed most sectors over the last 10 years or so," said Patrick Nolan, president of Nolan & Associates, investment bankers in St. Louis who advise on deals. "What it creates is a higher supply of capital, which drives the prices of companies looking to sell."

Looking ahead, Short said, "Buyers and funding will continue to be plentiful. The only thing that could derail this momentum would be interest rates."