



# Fewer deals, but the pipeline may be refilling

By James P. Marra

Northeast Ohio mergers and acquisitions activity was light in May, as only four transactions made it to the finish line during the month, along with six more announcements. This was a slowdown from April, which saw 13 local deals close and another 11 announced. The longer-term trend is even more telling: During the trailing 12-month period going back to June 2007, deal closings outnumbered deal announcements by a factor of 4-to-1. Closings normally outnumber announcements, since most deals not involving publicly held companies only announce upon closing. Still, it appears the pipeline was being emptied.

The May deal data included two community bank mergers, no doubt driven by the challenging economic environment, and another acquisition by Applied Industrial Technologies, which continues to build out its North American network of service locations. The acquisition of Warren-based, flat-rolled steelmaker WCI reflects the amazing turnaround of that industry. WCI, which emerged from an extended bankruptcy just two years ago, sold for \$407 million, including assumption of \$230 million of debt. The buyer, Russian steel giant Severstal, is now the

fourth-largest integrated steelmaker in North America.

Private equity groups were notably absent from the May data, which is unusual given the relatively high concentration of private equity firms in the region. While tightening credit continues to moderately affect all transaction size ranges within the M&A market, the Northeast Ohio PEGs we spoke with in early June report an amplified flow of new deals to consider in the last 30 days. This may signal that deal activity will rise substantially throughout the remainder of 2008, reaching a crescendo just in time for the December holidays and beating a potential tax deadline. Sellers are currently motivated by a desire to take advantage of low capital gains tax rates, as they worry that these rates may rise in the post-election tax world of 2009.

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## SELECTED MERGERS & ACQUISITIONS

Local companies in bold

Deal data provided by Brown Gibbons Lang and Capital IQ.

Closed	Target	Buyer	Seller	Value (mil.)
May 13	ConAgra Foods Inc., Knott's Berry Farm Food brand	<b>The J. M. Smucker Co.</b>	ConAgra Foods Inc.	N.A.
May 5	CFM U.S. Corp., Tank Heaters	<b>Mr. Heater Corp.</b>	CFM U.S. Corp.	\$1.33
May 2	Alliance Data Systems Corp., Network Services Business	<b>Heartland Payment Systems Inc.</b>	Alliance Data Systems Corp.	\$77.50
May 2	<b>Choice Certified Contractors</b>	Innovation Group plc	-	\$1

Announced	Target	Buyer	Seller	Value (mil.)
May 16	<b>WCI Steel Inc.</b>	Severstal	-	\$407.73
May 14	Indian Village Bancorp Inc.	<b>CSB Bancorp Inc.</b>	-	\$7.07
May 14	Suministros Industriales Enol S.A. de C.V.	<b>Applied Industrial Technologies Inc.</b>	-	N.A.
May 7	Gemcom Software International Inc.	JMI Equity, The Carlyle Group	<b>RoyNat Capital Inc.,</b> Growth Works, BDC Venture Capital, PenderFund Capital Management Ltd.	\$155.13
May 7	Camco Financial Corp.	<b>First Place Financial Corp.</b>	-	\$115.70
May 5	HBK Sorce Advisory	iPro One Inc.	<b>Hill Barth &amp; King LLC</b>	N.A.

## DEAL OF THE MONTH

Smucker's jammed another name into their portfolio of consumer sweets with its acquisition of Knott's Berry Farm food brands — including jams, jellies, preserves and gift boxes — from ConAgra Foods Inc. Vincent Byrd, consumer market senior vice president for the acquirer, says, "Knott's Berry Farm is a well-recognized brand with a long and rich history, complementing our existing line of fruit spreads and offering our consumers additional choices." Smucker's intends to move production for Knott's products into its own facilities over the next four months and anticipates that the acquisition will add approximately \$40 million in annual net sales. This transaction, however, pales in comparison with the June 4th announcement that Smucker's will purchase Folgers coffee from Procter & Gamble in an all-stock deal valued at \$2.95 billion. Folgers joins Jif and Crisco as brands sold by P&G to Smucker's over the past six years and almost completely depletes P&G of food brands, leaving only Pringles in the company's roster of consumer products.