

YEAR ENDS WITH MORE STRATEGIC BUYS

BY JAMES M. HILL

November's M&A market activity was quite similar to October's with multiples rising, activity continuing strong with the now dispelled capital gains tax increase concerns and, with some notable exceptions, strategic buyers continuing to dominate the market.

Private equity firms continued to be active with some noteworthy lower middle-market transactions. Cleveland-based **Resilience Capital Partners** acquired Indiana Limestone Co., a leading supplier of limestone in North America. This acquisition is Resilience's second under North Coast Minerals, which is its industrial minerals platform. It further expands Resilience's presence in this niche industry.

Danville Partners LLC, a Cleveland-based business development partnership, increased its growth potential and product portfolio with its acquisition of MultiFlex Inc. MultiFlex is a modular extrusion and stainless steel conveyor systems manufacturer in Sarasota, Fla.

But it is strategic buyers that continue to dominate movement in the market.

Transdigm Group Inc., a Cleveland-based aircraft parts supplier, paid \$94 million in cash for the actuation business of Telair International Inc. Telair, a maker

of electromechanical products and other components for commercial and military aircraft, is based in Los Angeles.

Swiger Coil Systems LLC, a Cleveland-based traction motor and electric coil manufacturer with about \$35 million in annual sales, was acquired by global transit technology products giant Wabtec Corp. The move is intended to increase Wabtec's product line and existing network of service centers.

Parker Hannifin Corp. bought Houston-based Gulf Coast Seal Ltd., a provider of elastomeric and plastic sealing components and sub-systems with annual sales of \$45 million. Gulf Coast Seal will be integrated into Parker's Engineered Polymer Systems Division.

Finally, the nation's largest privately held manufacturer and distributor of health care products, Medline Industries Inc., increased its service base for home care and physician customers with the purchase of Canton-based physician office supplier **DiaMed USA**. <<

JAMES M. HILL is a director on the ACG Cleveland board. He is also executive chairman, a partner and the chairman of the private equity practice of the law firm of Benesch, Friedlander, Coplan & Aronoff. For more information about the Association for Corporate Growth, visit <http://chapters.acg.org/cleveland>.



SELECTED MERGERS & ACQUISITIONS

Local companies in bold.

Deal data provided by Brown Gibbons Lang and Capital IQ.

Closed	Target	Buyers/Investors	Seller
Nov. 16	Detroit Thermal LLC	Detroit Renewable Energy LLC	Thermal Ventures II LP
Nov. 16	Medline DiaMed LLC	Medline Industries Inc.	—
Nov. 16	Gulf Coast Seal Ltd.	Parker Hannifin Corp.	—
Nov. 16	Indiana Limestone Co. Inc.	Resilience Capital Partners LLC	Johnson Ventures Inc.
Nov. 5	Swiger Coil Systems LLC	Westinghouse Air Brake Technologies Corp.	—
Nov. 3	Streetsboro Mopar center	STAG Capital Partners LLC	Invesco Ltd.
Nov. 1	MultiFlex Inc.	Danville Partners LLC	—

Announced	Target	Buyers/Investors	Seller
Nov. 28	Telair International Inc., Actuation Business	TransDigm Group Inc.	Telair International Inc.
Nov. 21	Tuition Management Systems Inc.	First Marblehead Corp.	KeyBank National Association
Nov. 16	The Miller Spreader Co., Miller Power Buggy Line	Quadrant Contracting Corp.	The Miller Spreader Co.
Nov. 1	Casco Indemnity Co.	Ohio Mutual Insurance Group	Hingham Mutual Fire Insurance Co.; Phenix Mutual Fire Insurance Co.; Danbury Insurance Co.

LOOKING AT 2011, HERE ARE SOME FINANCIAL PREDICTIONS FOR THE NEW YEAR

- Some deals, where pens went down after the tax legislation was announced with the apparent continuation of current capital gains rates, will get closed early in the first quarter.
- With many companies continuing to struggle with organic growth in 2011 and perhaps 2012, and with growth being imperative, acquisition activity will continue to be brisk in 2011.
- Strategic buyers, be they sponsored or not, will continue to be the dominating factor in the market as to both deal volume and deal dollars. Cash is still abundant on many balance sheets. This will be somewhat countered by the continuing overhang in the private equity markets on committed dollars unspent, although many of those dollars are not residing in the lower middle-market or middle-market private equity firms.
- As lenders become stronger on their balance sheets, fewer instances of "kicking the can" may be seen in many industries. This could force either debt buys to be made by acquirers or prepackaged bankruptcy proceedings leading to a sale.
- Private equity will continue to seek realizations from portfolio companies that are becoming a bit long in the tooth as realizations become critical to raise the next fund.
- Lenders will remain cautious. But the current opinion of bigger is better as to putting more leverage on larger enterprise value transactions, and thus larger EBITDA, will continue.
- Private nonsponsored sellers will continue to come to the auction block as the owners realize that EBITDA will not grow substantially in 2011 and waiting another year will not significantly improve buyout multiples but does increase operational risk profile.