

The Business Journal of Kansas City - January 24, 2005  
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## IN DEPTH: TOP DEALS OF 2004

From the January 21, 2005 print edition

### Converging factors create ideal conditions for big transactions

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Last year began with a trickle of transactions: Ferrellgas Partners LLP bought a propane bottling company for \$343 million in April, and Butler Manufacturing Co. sold for \$204 million the same month.

By 2004's end, the floodgates of merger-and-acquisition activity had flung open in Kansas City, culminating with Sprint Corp.'s announcement of a merger with Nextel Communications Inc. for \$35 billion.

Local companies in 2004 completed 104 deals totaling \$44.15 billion, more than seven times the \$5.8 billion in deal volume reported in 2003, according to a study conducted by Kansas City investment banking firm Christenberry Collet & Co. Inc.

Even without the Sprint-Nextel merger, deal volume in 2004 was up about 58 percent compared with 2003. And the flood is expected to continue.

This year could be even more prosperous for business owners and deal-makers than 2004.

Factors such as a better economy, relatively low interest rates and a national backlog of uninvested capital, experts said, create an almost perfect storm for buyers and sellers.

"It's going to be a stronger year with more deals, more revenue for us and more closed transactions," said John Martin, managing director of George K. Baum Advisors LLC, the investment banking arm of George K. Baum & Co.

Baum Advisors, he said, is working on more than 40 engagements, seven of which involve private companies in the Kansas City area.

Other than in the energy/propane sector, where Kansas City-based Inergy LP and Ferrellgas continue to buy companies, most of the deals in Kansas City were on the sell side last year.

That's unfortunate, Christenberry Collet partner Terry Christenberry said, because it means that fewer company headquarters will be based here in the future, which could mean fewer corporate dollars for community groups and charities.

"I'd like to see this region become a net buyer, but that's just the nature of the M&A business," he said. "You have a lot of money centered in banks and private equity firms involved on the acquisition side, and we don't have a lot of that concentration here."

Christenberry Collet closed a handful of deals in 2004, including the sale of Johnson County-based Graphic Technology Inc. to an Arkansas competitor in November. But Christenberry expects 2005 to be even better

because the firm's "pipeline" is filled with more client engagements.

"We're coming into '05 with a lot more activity," he said. "I'd say we're probably working on 10 engagements versus four or five last year this time."

The trend could continue for some time, said Jerry Baker, president of Overland Park M&A firm Jerry Baker & Associates. The company closed several transactions in the health care and telecommunications sectors during the previous boom, which lasted from 1993 through '98.

"Last year in 2004 was really the beginning of a new cycle, and I think you'll see the cycle continue for about five years," Baker said.

The quality and volume of deal flow has surprised Pat Trysla, who left his job as a principal of George K. Baum Advisors in May to start his investment banking firm, Frontier Partners.

"The game plan for the first year was to have two to three deals and maybe two support people," Trysla said.

Instead, Frontier is working on 12 engagements, including some that involve baby boomer business owners who see the current uptick in M&A as a good time to sell out and retire.

"A lot of it has been some succession plans that have been on the shelf, and they're dusting them off now that the recession is gone," Trysla said.

Several economic factors have contributed to the current deal-making boom, said Jonathan Baum, chairman and CEO of Baum & Co. Corporate earnings, in general, are on the upswing.

Private equity funds are bursting at the seams with money they must invest or return to their limited partners.

Banks are beginning to loosen their purse strings, lending at a rate of more than three times a company's cash flow. Finally, interest rates remain low by historic standards, as is the current 15 percent tax rate on capital gains.

How long the boom lasts depends on the stability of companies' asset values, Baum said.

"If a market can remain fairly stable, it can go on for some time," he said. "What always sets us back is big volatility in asset values."

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