The New York Times

August 13, 2009

IN THE HUNT

As Deal-Making Returns, Midsize Companies Are Seen as Prime Targets

By BRENT BOWERS

THE United States is ripe for a boom in acquisitions of privately held companies.

That, at least, is the view of Dennis J. Roberts, chairman of the McLean Group, an investment bank in McLean, Va., that specializes in the sale of businesses with annual revenue of $1 million to $500 million. These so-called middle-market firms, which number about 1.2 million, collectively have annual revenue of about $8.8 trillion and a market value of $4.4 trillion.

Mr. Roberts predicts that the resurgence of deal-making will begin within the next six months to a year as the economy improves and the middle-market mergers-and-acquisitions cycle pulls out of its current contraction.

This time, though, in his view, the recovery will get extra thrust from the convergence of four other trends: burnout in the ranks of baby-boomer business owners, rapid technology advances that are driving market consolidation, long-term growth in the appetite of foreigners for United States companies and a buildup of cash at the nation’s 4,000 to 8,000 private equity groups.

“There is tremendous, pent-up demand on both the buy and sell side,” he said. “These middle-market firms account for two-thirds of gross national product. And they aren’t going anywhere.”

Harold S. Bradley, chief investment officer for the Ewing Marion Kauffman Foundation, a center for entrepreneurial research in Kansas City, Mo., says Mr. Roberts’s thesis is essentially sound, though he serves up some caveats.