



Mid market M&A on the rise

By Nick Lord 26 April 2005

Mark Esbeck, president of the International Network of M&A Partners (IMAP), reveals why mid market M&A is booming - in part due to cross border deals involving Asia.

Mid sized M&A deals, of below \$50 million do not usually make it to the screens of many observers, but in terms of deal numbers, if not in terms of deal size, they form the vast majority of acquisitions that actually happen. In 2004 and 2005, the market for these deals has been booming.

Figures released by IMAP earlier this month show that in 2004, IMAP member firms completed 190 deals worth more than \$5.8 billion, the highest dollar value in the organization's history. In 2003, IMAP members completed 210 transactions worth \$3.47 billion.

So while the total number of middle market merger and acquisition deals completed was down slightly, their total value soared by more than 67%. The average transaction size was \$30.5 million.

Mark Esbeck is the president of IMAP, a network of boutique M&A advisory houses around the world, whose members use the network to find deals for their clients. In Asia the network has three members, one in Hong Kong (Access Capital), one in Japan (Konomi Inc) and one in Australia/Singapore (Asean Focus Group).

Esbeck believes there is an increasing desire among smaller companies to undertake cross border deals. For outside companies coming into to Asia, this is driven by the need to secure lower cost manufacturing in Asia while also taking advantage of the region's growing consumer base. For Asian companies leaving the region, the need is there to secure global branding and distribution channels for their Asian sourced goods and services.

These trends have certainly driven the larger M&A deals. "But we're also seeing this among the smaller, family owned firms as well," says Esbeck.

Underpinning this is the global need for all companies to grow. Acquiring companies is clearly one of the quickest ways to achieve that. However, 2004 and 2005 have been marked out by an abundance of capital, even for smaller companies, which is making deals more abundant. "In 2004 and 2005, the availability of capital has magnified the intensity [of deal making]," says Esbeck.

Esbeck says that IMAP is looking to increase its presence in Asia with the addition of new member firms. He says the secretariat is planning a trip to the region in coming months that could include a conference for potential members and their clients. "The strategy is to bring the IMAP group to Asia," he says. "We want to grow our membership [in Asia]. It's hard to cover all of China with just one member."

A key reason behind this is the growing need for cross border transactions for smaller sized companies, and this is something that IMAP is looking to specialize in. "We recognize the cultural and business differences in the countries that are all under the one IMAP umbrella," says Esbeck. "But cross border transactions between our members are increasing due to ongoing globalization of the world and the focus of IMAP members in specializing in cross border deals."

And the fear that cross border deals don't make sense for smaller companies because of the costs involved? Esbeck says in the new digital age, it costs as much for two companies in Des Moines, Idaho to do deal a deal as it does for a US and Chinese company to do one. "The costs of M&A are the same anywhere in the world," he says.