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Merger and acquisitions have never been hotter: Here's why Lindabury expert feels it's a great time to sell (and buy)

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Bob Anderson, a partner at Lindabury McCormick Estabrook and Cooper, has been helping both emerging and established corporate clients in mergers & acquisitions for more than two decades. He said he's never seen the market so hot.

So, is it the right time for you to sell your company? Or to buy one?

Here are six thoughts from Anderson on the M&A market:

Q: Why is the M&A market so hot right now?

Bob Anderson: I think it's been fueled partly by the tax cuts, which left a lot of money in companies and therefore made them look good financially. On top of that, we've had a couple of years of significant economic expansion, so many companies have excellent balance sheets. That makes an impression on buyers.

This economic expansion also has helped fuel buyers, as many have been able to accumulate a lot of money that they have been sitting on. They're now looking to put that money to use in the growing economy. So, everybody seems to want to buy and sell.

Q: Is one industry or sector leading the way?

BA: No. And that's helping to fuel the increase. When things have picked up in the past, it's almost always been one sector that's white hot leading the way. It seems like every area of the economy is very strong now. I think technology has been the strongest if I had to pick one thing, but it's really been across the board this time. Every area seems to be heating up at the same time.

Bob Anderson of Lindabury, McCormick, Estabrook & Cooper. — *FILE PHOTO*

Q: We all know that all facets of economic growth go up and down. Do you see any warning signs that this period of M&A grow could be slowing?

BA: There is some concern that the tariffs and trade wars are starting to have an impact - and it's not just on companies that may be subject to paying the tariffs. It also puts a strain on the economy in general. Buyers and sellers, when they're looking to put a deal together, want to be able to project what the next several years are going to look like financially for the company that's being acquired. The threat of increased tariffs is making it much harder to predict the growth curve going forward. I think it's starting to give some buyers pause.

Q: Is this pause changing the nature of the deals?

BA: In some cases, yes. More buyers are pushing to try to put purchase price into earn-outs, where you don't actually get anywhere near what you thought you would get at that closing on a deal. It becomes dependent on how your company performs over the next couple of years. That's put a little bit of a slowdown on things. We had one situation recently with a New Jersey consumer-facing company that outsourced its manufacturing operations to China.

Q: Are there any other things you look for that may slow a deal?

BA: Nothing in particular, just the general sort of things: Whether there are environmental issues, whether they have unionized labor, whether their financials look strong. Those are there for every company. You want to take a look at those things and hopefully all of them are in a reasonable position. No company is perfect. At the end of the day, your financial strength over the past couple of years is probably the biggest indicator of whether things are going to go well or go badly.

Q: OK, is it time to buy – and sell?

BA: It's as good as any because of the strength of the economy the past couple of years. When you have a couple of good years of financials on your books, it's a good time to look at selling because that's the time you're going to get your best valuation.

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