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2012 M&A activity off to a strong start

Premium content from Tampa Bay Business Journal by Margie Manning, Public companies editor/Senior staff writer

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TAMPA — The purchase of **SOE Software** is the front end of an expected wave of mergers and acquisitions this year.

An improving economy, increased business valuations, anticipation of higher tax rates and plenty of cash on hand will make 2012 “a banner year” for M&A activity, said [John McDonald](#), senior managing director, **Hyde Park Capital Partners** LLC.

That creates potential opportunities for buyers that want to expand their operations, as well as for sellers, including small and mid-size business owners looking to cash out or to find a bigger partner to help them grow. SOE expects to expand its work force by 15 percent to 20 percent in the next six months, now that it has an international owner, said [Marc Fratello](#), chief executive officer.

Worldwide presence

The first half of January already has seen several significant deal announcements, including **Raymond James Financial Inc.**'s (NYSE: RJF) \$930 million planned purchase of **Morgan Keegan & Co.**, the largest acquisition by a Tampa Bay-based firm in recent years. **Brown & Brown Inc.** (NYSE: BRO) wrapped up its \$395 million purchase of Arrowhead General Insurance Co. on Jan. 9, the same day **GEP**, a Clark, N.J.-based firm that helps companies streamline procurement operations, announced it had bought **Enporion**, a supply chain

management company in Tampa. And **Knology Inc.** (Nasdaq: KNOL) bought **E Solutions**, a data center in Tampa.

ScytI, a Barcelona-based company that specializes in electronic voting, bought SOE, a Tampa company that develops election management software, on Jan. 5.

The purchase price was not disclosed, but Fratello said a \$1 investment in SOE in 2005 was worth \$23 at the time of the sale.

Combined, the firms will have a worldwide presence and products that help with Internet voting, election night reporting and online poll worker training.

"We wanted to find a company to help us go international," Fratello said. "We contacted ScytI to become a reseller of our products and as we got to know each other better, there was a tremendous synergistic relationship. ... We both viewed the election world as needing software productivity tools, with less reliance on voting machines and more reliance on voting on the Internet."

The timing was good in part because of the Arab Spring, a series of populist uprisings in the Middle East, and an increased emphasis on democratization worldwide.

SOE, based in the Westshore Business District in the same building housing **Microsoft Corp.**'s (Nasdaq: MSFT) southeast district operations, currently has about 35 employees. Job opportunities will be expanding as the company re-engineers its products for other countries and gets proposals ready for new customers, Fratello said. He was named to the ScytI board of directors and will remain CEO of SOE, with additional responsibility for some of ScytI's products.

Hot deals

The total value of completed M&A transactions in 2011 was \$801 billion, up 6 percent from 2010, with deals among companies in the technology/telecom sectors accounting for 16.6 percent of the total value, or \$133 billion, according to a report from Hyde Park Capital. Health care deals made up 15.8 percent of the value, followed by deals among companies in the consumer, industrial and financial services sectors.

Deal volume was at a three-year high in 2011 with 2,164 closed deals. Of those, 304 deals involved firms in the consumer sector, 290 were in the industrial sector and 255 deals were in the technology/telecom sector, followed by health care and financial services.

This year should be even stronger, McDonald said.

"There's a ton of liquidity that's been on the sidelines now hitting the market, both corporate America that's been hoarding cash and are strategic buyers, and private equity firms with cash to deploy," he said.

Another factor is the expectation that the capital gains tax, currently capped at 15 percent through Dec. 31, 2012, will go up after this year. "On the sell side, the biggest factor is

aging baby boomers who own very nice companies and see a window of opportunity before tax rates go up to monetize the value in these companies," McDonald said.

More M&A activity also creates opportunities for professional service providers, such as Hyde Park, which offers investment banking services.

SOE's investment banker was Raymond James. **Akerman Senterfitt** provided legal services and **Grant Thornton** was a key deal advisor, Fratello said.

Margie Manning's beats include health care, banking and technology.