



Cargo comes into Rickenbacker by the ton, but not in the volumes officials had hoped.

FILE PHOTO

# UPFRONT

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## Rebounding M&A looks good for new year

**MARKET FUNDAMENTALS REMAIN** strong and companies have a lot of cash on hand so deals could continue to get done — as long as Congress doesn't mess things up.

BY CARRIE GHOSE | BUSINESS FIRST

Central Ohio's large public companies last year took advantage of attractive prices and low borrowing costs to acquire businesses that broadened their product lines and reach, creating the first uptick in the value of publicly disclosed M&A deals for the region since 2007.

Those companies now have strong bases that put them in a position to outperform peers in the coming years, said Mark Butterworth, principal with Worthington-based venture capital consulting firm Innovation Forward LLC, who compiles M&A activity among public and private companies for insight on how companies are valued.

"They're going to have more domestic market share," he said. "It's going to show up in higher earnings per share, which will in turn perpetuate the whole thing. ... It's like getting a flywheel going."



**Mark Butterworth:**  
Innovation Forward

To start 2013, there may be a lull — at least in the first quarter — because a number of deals were rushed to close in 2012 out of fear over increased tax rates, said Todd Kegler, partner and head of the M&A practice at Kegler Brown Hill & Ritter Co. LPA. The Columbus law firm closed two transactions on New Year's Eve alone.

"Overall, the fundamentals going into 2013 are strong to favor increased M&A activity," Kegler said.

### UNCERTAINTY HURTS

Kegler said U.S. public companies and private equity firms are sitting on more than \$1 trillion in cash apiece, debt markets are healthy again and some uncertainty, such as questions over the health-reform law, has been lifted — each priming the environment for acquisitions. But those factors will be tempered by renewed confusion and frustration over Congress again delaying a solution to auto-

SEE DEALS, PAGE 31

### 2012 M&A deals

A sampling of notable deals of 2012 involving Central Ohio companies:

	ACQUIRER	ACQUIRED	DEAL VALUE
5	Worthington Industries Inc.	Westerman Cos.	\$70 million
4	American Electric Power Company Inc.	Valley Electric Membership Corp.	\$102 million
3	Cardinal Health Inc.	Futuremed Healthcare Products Corp.	\$165 million
2	Worthington Industries Inc.	Angus Industries Inc.	\$180 million
1	Nationwide Mutual Insurance Co.	Harleysville Group Inc.	\$834 million

Source: Innovation Forward LLC

## Rickenbacker's subsidies ending, but losses aren't

**THE FREIGHT AIRPORT** will be on its own after this year, when it gets its last support check from Franklin County.

BY RICK ROUAN | BUSINESS FIRST

Franklin County's financial support for Rickenbacker International Airport is scheduled to end this year, when it makes the last annual payment under an agreement struck a decade ago. But the solid financial footing the cargo airport in south Columbus was expected to be standing on by now still eludes it.

The county in 2003 agreed to pay \$43 million over a decade when the Rickenbacker Port Authority merged with the Columbus Airport Authority to form the Columbus Regional Airport Authority. The county will cut a check — its last — for \$2.1 million in February after the two sides reached a deal last year to spread the final \$4.3 million over two years, said David Whitaker, the authority's vice president of business development.

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### NEWS UPDATES



FILE PHOTO

Rickenbacker's cargo businesses has competition from airports in Chicago, New York and even Port Columbus.

## AIRPORT: Has lost \$5.2 million since merger

FROM PAGE 3

The \$43 million was designed to support Rickenbacker, which was losing millions of dollars a year at the time. The authority has narrowed those losses, but acknowledges it has operated Rickenbacker in the black only once since the merger because development hasn't met expectations amid the recession and a tepid economic recovery.

"The demand has not been to the level that anybody had anticipated really back when they had done the study for pre-merger," said Torrance Richardson, the authority's vice president of government affairs. "I think they had projected traffic, passenger and cargo to be much different than what is realized today just because of the economy."

### DOLLAR FOR DOLLAR

Development in the Rickenbacker area contributes to the financial health of the airport. Whitaker said, but not directly dollar for dollar.

The Rickenbacker Global Logistics Park, for instance, counts 40 million square feet of industrial development, and undeveloped land in northern Pickaway County could expand that to 80 million to 100 million square feet. The airport authority alone had about 2.5 million square feet of that space, but it has all sold.

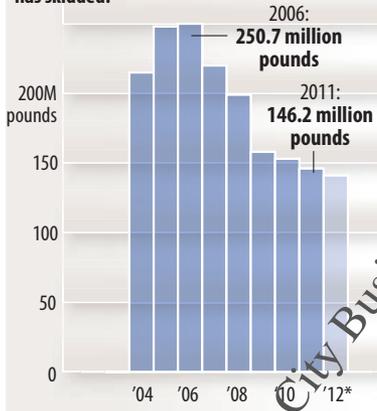
Vacancy rates at the rest of the park have improved from around 20 percent "into the teens somewhere," Whitaker said.

But the airport is losing money because the logistics companies occupying the space have other options for landing cargo, Whitaker said. For instance, Rickenbacker competes with air cargo transport in Chicago, New York and, to a small degree, nearby Port Columbus International Airport.

"Right now we are essentially developing and operating for the ben-

### LOSING ALTITUDE

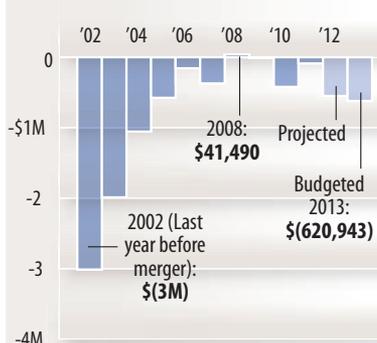
Rickenbacker airport has struggled to break even because the amount of cargo transported through the former military air base has skidded:



\* Through November  
Source: Columbus Regional Airport Authority

### BOTTOM LINE

Rickenbacker has operated in the black only once since its operating agency and Columbus Airport Authority were combined in 2003, with its operating deficit fluctuating but rarely disappearing:



Source: Columbus Regional Airport Authority

efit of others, not truly capturing all of the cost and providing those services," Richardson said.

Development also has lagged ex-

pectations, putting pressure on the airport's budget.

"It's been much slower," Whitaker said. "These past few years have been difficult. There's some positive signs, but I think we're still a little bit cautious if those are real good signs or just signs."

He pointed to Excel Project Management's plans to build a 478,000-square-foot speculative industrial building at the CenterPoint Business Park north of Rickenbacker as a welcome development.

### GETTING BACK TO BLACK

Since merging under the regional airport authority in 2003, Rickenbacker has operated in the black only once - in 2008, when it made \$41,490. In all other years, it has lost an average of nearly \$580,000 to the tune of about \$5.2 million in total losses. In 2002, the year before the merger, Rickenbacker lost more than \$3 million.

The authority is projecting a \$620,943 loss for Rickenbacker in 2013 - its fifth straight year in the red - but Whitaker said there are some promising revenue signs.

The authority expects to make about \$300,000 in its first year operating Rickenbacker Aviation, the airport's new fixed base operator. The authority took over FBO duties from Lane Aviation in October.

The airport also can find some optimism in its cargo traffic, which rose 9 percent to nearly 142 million pounds through the first 11 months of 2012, from 129.8 million pounds a year earlier. Final results for 2012 are not yet available.

Whitaker said Rickenbacker's traffic is driven by textiles and a growing electronics-handling business.

"That's the ticket for us," he said. "We want to be a gateway."

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## DEALS: Shale play will fuel oil and gas activity

FROM PAGE 3

matic government spending cuts that led to the "fiscal cliff" standoff.

"The more uncertainty exists, the fewer deals get done," he said.

Kegler projects activity in the financial sector, technology and oil and gas, especially with the shale gas drilling in eastern Ohio. The health-care and restaurant industries also are likely to be busy for the year. Columbus-based Bob Evans Farms Inc. still is seeking a taker for its struggling 145-restaurant Mimi's Café chain, and coming reimbursement cuts to hospitals and doctors are continuing the trend of small community hospitals and physician practices seeking sheltering arms of large hospital systems. OhioHealth Corp., the biggest hospital system in the region, has said it intends to grow again through acquisitions starting this year.

Notable 2012 deals among public companies included Nationwide Mutual Insurance Co.'s \$834 million acquisition of Harleysville Group Inc., a Philadelphia-area insurer. The deal increased Columbus-based Nationwide's market share in the Northeast and East Coast, although also exposed it to more losses when Hurricane Sandy battered the region in November.

What's significant, Butterworth said, is that it was the largest deal in the area's financial services sector since Columbus-based Huntington Bancshares Inc.'s disastrous \$3.6 billion purchase of subprime-tainted Sky Financial Group Inc. in 2007.

"It's good to see they're financially strong and in the market making acquisitions again," he said.

Cardinal Health Inc., the state's largest public company, was busiest in the region with five acquisitions in 2012, led by \$165 million for FutureMed Healthcare Products Corp., which increased the Dublin distributor's reach in Canada. A statement from Cardinal CFO Jeff Henderson said other strategic acquisitions were in U.S. markets and China, which Cardinal entered in a big way with a 2010 deal.

Worthington Industries Inc. entered new product lines, buying Angus Industries Inc., which makes cabs for trucks and heavy equipment, and Westernman Cos., which makes cylinders for the booming shale gas drilling market. That follows key acquisitions by the Columbus steel processor during the recession to strengthen its existing products.

Butterworth, an investor in technology companies as founder of the East Central Ohio Tech Angel Fund, also looks at small and middle-market deals where terms often are kept private. A trend is growing, he said, for Central Ohio companies to be the ones making acquisitions instead of getting bought. And those area startups acquired often are staying in the region and adding jobs under out-of-state ownership.

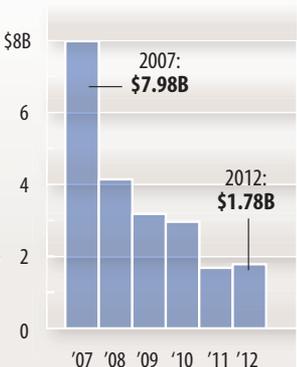
One eastern Ohio company in his fund's portfolio is taking a step toward acquisition by joining with a larger company that is negotiating an agreement to sell its product. More venture-backed Ohio startups are gaining interest in such sales and distribution agreements that can lead to bigger deals later, he said.

"They acquire the company right before the sales take off," he said.

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### MAKING SOME NOISE

Due mainly to Nationwide Mutual Insurance Co.'s acquisition of Harleysville Group Inc., the combined value of deals publicly disclosed in 2012 rose for the first time since the Great Recession:



\* Includes intra-company transactions, such as Nationwide Mutual Insurance taking Nationwide Financial Services Inc. private in 2009 and DSW Inc. acquiring parent Retail Ventures Inc. in 2011.  
Source: Innovation Forward LLC