

Merger mania: Frisch's, Omnicare – who's next?

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With a potent one-two punch, Cincinnati is losing two public companies – Frisch's Restaurants, the owner of the beloved local Big Boy franchise, and Omnicare, a Downtown-based Fortune 500 company that supplies drugs to nursing homes nationwide.

While both companies will maintain local operations, ownership and the fate of thousands of local jobs shifts to outside corporations or private equity firms. The region also loses a little cachet as the companies are gobbled by outsiders.

Local analysts say there could be more as mergers and acquisitions here continue to heat up nationwide.

"It's not just Cincinnati – it's national, it's international," said Leon Loewenstine, managing director of Riverpoint Capital Management. "There's an acceleration of deals as the market gets closer to the top."

Highland Heights-based [wire-maker General Cable](#) and a host of local banks could emerge as new takeover targets – spelling paydays for top executives, but uncertainty for local workers.

Those that wind up as takeover targets are companies that haven't managed to grow sales or profits consistently. If stock prices falter in middling companies that can draw outside investor interest.

Omnicare had management problems after years of growing by acquisition itself. Now on its fourth CEO since 2010, sales have been stuck around \$6 billion for five years.

Frisch's unsuccessfully tried other ventures beyond Big Boys to grow faster. The last attempt was a string of Golden Corral buffet eateries it sold off for \$49.8 million after investing more than \$100 million in the concept.

Stronger Cincinnati-based companies are not sitting on the sidelines. They are making acquisitions of their own. [Kroger bought out most of consumer insights firm dunnhumbyUSA](#) and [Macy's bought beauty and spa retailer Bluemercury](#).

Soaring stocks power purchases and deal-making

Across the U.S., mergers and acquisitions are heating up. Almost 12,000 deals were done in the U.S. last year, up from 11,000 in 2013 and up from fewer than 10,000 in 2010.

More than 4,000 deals have closed so far in 2015 and another 1,000 are pending, according to Bloomberg.

Terry Kelly, a principal of Bartlett & Co. says the U.S. is poised for spate of even more heightened deal-making after years of slow growth and hoarding cash. "This is a point in the cycle where M&A (mergers and acquisitions) are going to heat up," he said.

While public companies have been using spare cash in a slow economy to repurchase shares, the market's recent record levels is making that a riskier bet, Kelly said.

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[Customers to Frisch's: Stay true to your past](#)

Since the 2008 financial crisis, publicly-traded companies have propped up their own stock prices and made them more expensive with buybacks – so now more are thinking about buying other companies.

Loewenstine added that rock-bottom interest rates make borrowing a cheap way to finance deals and lofty stock prices also allow acquiring companies to use their shares as a form of currency.

There were loud hints of investor interest before Omnicare and Frisch's deals last week they were selling.

Omnicare's stock price shot up more than 20 percent this spring after Bloomberg reported Express Scripts Holding Co. and CVS Health Corp had expressed interest in the company and others are expected to make bids for the niche company that had otherwise struggled to grow.

Similarly, stock in Frisch's jumped to an all-time high of \$30.90 last September after news spread that a Hollywood-based hedge fund had taken a noteworthy stake and signed a non-disclosure statement. Also similar to Omnicare, strong growth eluded Frisch's at the same time family members running the business conceded there wasn't a new generation interested in taking over.

Who could be next local target? General Cable

Other local companies have found themselves potentially in the cross-hairs of potential buyers.

Cable and wire maker General Cable is another troubled Fortune 500 company that has soared in 2015 on takeover speculation – fueled by reports in March that an Italian rival was mulling an offer. Milan-based Prysmian discussed with financial advisers making a bid, according to a report by Bloomberg.

General Cable's stock has rallied 25 percent this year. Disclosures made public in May show that hedge funds have increased their stake in the company by 1.2 million shares, controlling almost 15 percent.