Merger and acquisition activity in Georgia picked up in the first quarter as many growth-seeking companies put their cash to use to buy out rivals.

The number of announced deals in which Georgia companies were sellers has grown now for three straight quarters, but the number and size of mergers and buyouts remain well off the highs of the mid-2000s. Deal makers also said Georgia companies were active in making out-of-state and international acquisitions.

Deals are a mixed signal, however, on the state of the economy. Though growth shows companies are more confident in putting money to work and banks more eager to lend, buyouts often come at the cost of jobs in the near term. They also reflect the weakened state of some companies that became buyout targets or put themselves up for sale.

Still, deal makers in Georgia say, if companies are looking to buy that shows confidence in the economic recovery.

Headlining the first quarter action were Norcross-based packaging company Rock-Tenn's $3.5 billion acquisition of rival Smurfit-Stone Container, and Atlanta-based Cumulus Media's announced $2.4 billion buyout of Washington, D.C.-based Citadel Broadcasting.

Both target companies had recently emerged from bankruptcy.

Bill Rowland, a partner with Jones Day in Atlanta, said deal making nationally is picking up, particularly in the chemical, telecommunications, energy and technology sectors.

"You've got a lot of strategic industrial buyers with cash on their balance sheets; they see acquisitions as a way to grow because they can't grow organically," Rowland said.

Companies spending on new facilities and equipment is better for job growth, said Rajeev Dhawan, director of the Economic Forecasting Center at Georgia State University. M&A activity tends to coincide with bullish days in the stock market and with easier access to credit.

According to a report by Mergermarket Group, 31 Georgia firms were M&A targets in first quarter, with a proposed total deal value of $2.8 billion, or double the dollar value of fourth quarter.
The total number of deals in Georgia was down by 6, or 16 percent from first quarter 2010, when activity previously spiked. Dollar value was only a fifth of first quarter 2010, though that quarter included Coca-Cola Co.'s $12.3 billion acquisition of Coca-Cola Enterprise's North American operations.

Merger and acquisition activity died with the financial freeze in 2008 and 2009 when buyers were hesitant to spend and financing dried up. Deals that were done were mostly distressed companies selling out to stronger rivals.

There's still a fair amount of opportunistic activity.

In April, Flowers Foods of Thomasville announced it would buy struggling Tasty Baking Co., the Philadelphia maker of Tastykake products for $165 million.

James Stevens, a banking and corporate attorney with Kilpatrick Townsend in Atlanta, said many companies are looking to take advantage of emerging markets that complement the businesses they already have.

"Business folks are seeing the recovery under way and they're looking to put capital to work," Stevens said.