Merrill DataSite® and The M&A Advisor Present

# CREATING AND EXECUTING A WINNING M&A STRATEGY

## VALUABLE GUIDANCE FROM THE MOST ACTIVE MIDDLE MARKET M&A PRACTITIONERS

BEST PRACTICES OF THE BEST DEALMAKERS

**SECOND EDITION: PART 3**

*"We like to zig when others zag. We stay agile and vigilant in a variety of market dynamics… Over the past 18 months, we sold five companies and purchased four."*

***Eric Reiter***
***Partner***
***Brentwood Associates***

# INTRODUCTION

Drawing on the experience and expertise of the "best in class" dealmakers, The M&A Advisor, together with the leading provider of virtual deal management services, Merrill DataSite®, publishes the quintessential dealmakers guide series - ***The Best Practices of The Best M&A Dealmakers.*** Profiling the proven strategies and unique experiences of the leading M&A practitioners, this series is distributed in regular installments for M&A industry professionals in both print and interactive electronic media. Previously published features and chapters are also available in the online library of Merrill DataSite and The M&A Advisor. We are pleased to present **"Creating and Executing a Winning M&A Strategy."**

The latest installment of the Best Practices series addresses how the most successful M&A dealmakers are refining their approach to win in today's competitive deal environment. Are corporate and financial buyers modifying their approach and the composition of their deal team to better compete on domestic and cross-border transactions?

In this chapter, we'll share observations on key trends and how they're shaping M&A acquisition strategies today. Featuring insights by leading corporate and financial acquirers and advisors, this chapter will report on when, where and why deals are taking place in today's market.

*Competition is tough, both in terms of sourcing good companies to buy and actually winning the deal over other bidders.*

# Creating and Executing a Winning M&A Strategy

## Introduction

Despite the uncertainty that has gripped the global M&A market over the past few years, a growing number of companies appear to be poised for acquisition. In a 2013 M&A survey of 300 corporate, private equity and institutional fund executives conducted by KPMG, 76 percent of respondents said they expected their companies to make at least one acquisition in 2013, while 26 percent said they would be making two deals this year.[1] In a similar survey of 330 executives conducted by RBS Citizens, 80 percent of mid-market firms said they were currently engaged in or are open to making an acquisition.[2]

Although several mega deals have been making headlines, many dealmakers expect the middle market to be the most active sector for deal activity. According to KPMG's survey, 79 percent of respondents said they expected their deals to be $250 million or less. Nonetheless, companies on the lookout for good targets are finding it tough to execute on their acquisition plans. Competition is tough, both in terms of sourcing good companies to buy and actually winning the deal over other bidders.

According Gilbert Harrison, chairman and founder of Financo, Inc., an investment bank with a track record of 40 years and more than 1,000 transactions to its credit, deal flow is up for his clients in the retail and consumer sectors. "After a relatively sluggish few years, deal activity is definitely on the increase," he said. "However, today's bidders are finding that they need to be prepared to compete with a growing number of international buyers more than previously. Actually, it's surprising that even more international buyers have not been circling companies in the U.S."

Gilbert Harrison
Chairman and Founder
Financo, Inc.

1. "2013 M&A Outlook Survey: Executives Expect M&A Market to be Active in the Year Ahead," KPMG, LLP. (2013).
2. "Middle Market M&A Outlook 2013," RBS Citizens Financial Group, Inc., (2012).

However, certain corporate and financial investors have successfully advanced their strategy by keeping an active hand in the M&A market. For example, industrial products company Hillenbrand, Inc., has succeeded on its mandate to expand and diversify its business by completing a series of targeted domestic and cross-border acquisitions. According to Scott George, the company's senior vice president of corporate development, Hillenbrand has over an 32-month period successfully launched a new industrial equipment platform by acquiring three process equipment manufacturing companies, while at the same time establishing significant operations in Europe and Asia and increasing annual company revenues from under $650 million to $1.6 billion.

Brentwood Associates, a private equity firm specializing in middle-market, consumer-related businesses such as Sundance Catalog, Zoes Kitchen and Paper Source, has also continued to deliver strong returns to its shareholders by staying acquisitive at a time when other investors may choose to stay on the sidelines. Eric Reiter, partner at Brentwood Associates, noted that his firm is poised to take advantage of opportunities in both slow and fluid markets.

"We like to zig when others zag. We stay agile and vigilant in a variety of market dynamics. When deal volume was soft earlier this year for the overall M&A market, we focused on our broad expertise in the restaurant industry with a new casual restaurant opportunity, Lazy Dog. As M&A volume picked up with the corresponding increase in purchase price multiples, some investors who anticipated a 2014 exit are now in the fortunate position to achieve their return goals in 2013. Brentwood has taken advantage of this favorable environment as well with a recent portfolio company sale. Over the past 18 months, we sold five companies and purchased four. We also took advantage of credit liquidity and favorable financing rates to execute several dividend recapitalizations." According to Reiter, his firm's portfolio currently includes 11 deals.

How do these investors achieve successful results? By developing a well-defined M&A strategy that is executed through an equally well-defined series of tactics. These dealmakers recommend that you:

1. Develop a vision that includes the "what, why and how's" of potential actions.
2. Identify and capitalize on your company's internal core competencies.
3. Build and monitor a large deal pipeline.
4. Identify gaps in your team's M&A skill set and resolve them.

Today's successful dealmakers also know they need to push their own skill set. Those who want to make a career of M&A need to strive to be in the "top quarter percentile," according to Marshall Sonenshine, chairman of

*90 percent of successful deals started with a clear vision, compared with only 50 percent for failed deals.*

investment bank Sonenshine Partners. "To succeed and have staying power in M&A, you have to demand excellence; you have to be intellectually curious, you have to in the higher order skills of communication, networking and access."


Marshall Sonenshine
Chairman and Managing Partner,
Sonenshine Partners

This chapter of the Best Practices of the Best Dealmakers focuses on these philosophies and strategies that are being employed by successful investors and advisors in achieving success in today's market.

## 1. Developing an M&A vision that answers the "what's, why's and how's"

"From what we have seen historically, acquirers need to have a predefined vision of where they want to take their own business. The vision guides why they're buying a company and what they want the actual outcome to be. If they don't define this correctly, there is no question in my mind they are going to run into trouble." Gilbert Harrison, Chairman and Founder, Financo, Inc.

Much has been written about acquiring companies' failure to realize the value they envisioned for their acquisitions and the why's: a lack of proper due diligence, cultural mismatch, lack of integration planning, unforeseen market factors, etc. However, of all the possible reasons for failure, M&A experts put the lack of a clear vision at the top of the list.

Taking the time to create a well-thought out vision seems like something no acquirer would overlook but all too often, they do and the results are telling. According to research conducted by Bain & Company, the early development of a meaningful investment thesis derived from a company's strategy pays off. In earlier interviews with 250 executives around the world, Bain found that 90 percent of successful deals started with such a thesis, compared with only 50 percent for failed deals.[3]

According to Martin Okner, co-founder and managing director of strategic advisory firm SHM Corporate Navigators™, the most successful acquirers are those who take the time to build and then be able to articulate their vision

3. David Harding, Satish Shankar and Richard Jackson, "The renaissance in mergers and acquisitions: The surprising lessons of the 2000s," Bain & Company, January 16, 2013.

*"Politics matter more in all of Europe and even more so in Latin America" ~ René-Pierre Azria*

down to a detailed level. Okner also advises, as a first step, to establish that the company's operators are capable and aligned to working toward the same vision as the stakeholders. "It all starts with the vision," Okner said. "I don't mean vision in an abstract sense; a strong vision should specify what the stakeholders want the company to look like at some point in the future and then that will define how a transaction or a series of transactions can best support that vision."

In Okner's experience, when investors define their vision in this way and put a timeline on it, defining the strategies become much easier and the tactics tend to fall into place. "The process may require multiple discussions, even getting all the stakeholders into one room and addressing some of the conflict that may occur over what that vision should look like," he said, "But once that gets resolved and there is alignment, the company is in the best position to determine core directional paths based on very specific strategies and tactics, assign accountabilities and then execute."

Achieving this level of planning while managing day-to-day operations can be challenging for many management teams. Additionally, it may require expertise that lies outside the management team's experience. Another risk to be mindful of is the prevalence of "groupthink," [4] which may prevent the best ideas and new thinking from being heard. One way to mitigate these risks is to engage outside experts who have the strategic planning expertise and pertinent experience in helping companies frame or re-frame their vision.

## 2. Identify and capitalize on your company's internal core competencies.

"It would be very difficult for a generalist to convince a seller's management team that they're the right partner if they're competing with other bidders who are experienced in the seller's industry. In most situations in which we're competing, we have three or four examples in a playbook to execute post-close." Eric Reiter, Partner, Brentwood Associates

The majority of today's most successful M&A investors are also specialists rather than generalists. This approach enables them to play to their strengths by targeting industries and/or geographic regions where they have the most

4. Groupthink: A pattern of thought characterized by self-deception, forced manufacture of consent, and conformity to group values and ethics. Source: Merriam-Webster.com.kar and Richard Jackson, "The renaissance in mergers and acquisitions: The surprising lessons of the 2000s," Bain & Company, January 16, 2013.

*Specialization is critical to success in today's M&A market.*

experience. For example, private equity firm Brentwood Associates has built its business by focusing on a niche within the consumer products and services industry. According to Reiter, Brentwood specifically targets consumer companies with high levels of customer satisfaction and loyalty, and the potential for growth through multiple distribution channels. Their portfolio is built on mid-sized multi-channel retailers, lifestyle brands and restaurants that allow Brentwood to leverage its own team's operational or board level expertise to help fuel further growth.

Reiter believes specialization is critical to success in today's M&A market. "It would be very difficult for a generalist to convince a seller's management team that they're the right partner if they're competing with other bidders who are experienced in the seller's industry. In most situations in which we're competing, we have three or four examples in a playbook to execute post-close," he said. "When the seller is a mid-sized company that is privately held and operated by the founder, we're typically their first institutional investor. There are enormous expectations to the value we will bring to the table on many fronts, and we're well suited to this situation as a result of our expertise in areas such as management team development, enhancing brand and marketing."

In this vein, Brentwood has achieved tremendous results by leveraging its own experience in multi-channel consumer goods to help its portfolio companies grow. For example, in the six years since the firm acquired Paper Source, a specialty paper company, it has helped the company expand from 21 to 80 stores by the end of this year with a very high rate of return. Brentwood also has helped Zoe's Kitchen, a fast casual restaurant business, grow from less than 19 locations to 100-plus locations by the end of this year, again over a six-year period and with a high rate of return.

Brentwood's team keeps its exit strategy in mind. "Our investors like our approach in finding small, niche companies that have the potential to expand five-fold or ten-fold in terms of units," he said. "We like to build them to the point that they still have a lot of runway left so that we leave a tremendous amount of growth for the next buyer, whether it be the public markets, a strategic or another financial sponsor."

Corporate acquirers can also do well by identifying their internal strengths and identifying targets that are a complementary fit. For example, when Hillenbrand made its decision to expand into the process equipment sector, the team built out its vision by identifying those of its core competencies that it believed could be exportable to acquired businesses. In doing so, Hillenbrand's executive management team identified three key strengths that it believed most attractive target companies could benefit from, creating a win-win for both the buyer and the seller.

"Hillenbrand has proven itself to be very good at lean business, a primary reason why we have been able to generate such high margins in our legacy casket manufacturing business," George said. "We also are well known for our ability to successfully manage the strategy process through situation assessment, policy deployment and long-term strategic planning. Additionally, we've created a culture for intentional talent development – the concept of utilizing talented people in different ways to motivate and reward them for high levels of performance."

With these three criteria in mind, the company identified and acquired manufacturing firms with extensive operations in Europe and Asia whose business philosophy and culture proved to be very complementary to Hillenbrand's. While the company targeted strong performing companies that were also market leaders in their industry, it was also critically important that there was cultural alignment between the businesses' management teams.

According to George, Hillenbrand has already invested over $1.2 billion in three different acquisitions and the management is quite pleased with the results generated by this strategy so far.

## 3. Build and monitor a large deal pipeline.

"To be effective, we need to have a lot of interaction with people who are closest to the markets served by these targets so that we can provide better insights about opportunities and develop a better understanding of what fits and what doesn't. " Scott George, Senior Vice President of Corporate Development, Hillenbrand, Inc.

Whatever their niche or area of expertise, successful dealmakers agree that you have to look at many potential opportunities to find those critical few that fit your strategic vision. The best acquirers constantly work multiple channels to continually fill their pipeline. They also leverage technology as a means to capture intelligence and gain fast access to critical information required to support their strategies.

*Newcomers can also build an active pipeline in a relatively short period of time.*

Well-established investors often have an advantage over newcomers in that they are often on the receiving end of the opportunity pipeline. Serial acquirers such as Berkshire Hathaway, WL Ross and General Electric have the benefit of a steady stream of incoming teasers and ideas to augment their own team's outreach and efforts to identify potential opportunities.

But newcomers can also build an active pipeline in a relatively short period of time. Since Hillenbrand has decided that acquisitions will play a critical role in the execution of the company's growth strategy, George and his team have built the company's acquisition target pipeline to include over 250 viable targets in a matter of 18 months by leveraging the skills he gained as an investment banker at several major firms including Salomon Brothers and Morgan Stanley. He devotes a considerable amount of his time networking at corporate development events, and frequently attends industry and trade association events looking for good ideas. He and his team also spend a significant amount of time working with the management at Hillenbrand's various operating companies. "To be effective, we need to have a lot of interaction with people who are closest to the markets served by these targets so that we can provide better insights about opportunities and develop a better understanding of what fits and what doesn't," he said.

Additionally, George monitors his pipeline closely using sophisticated dashboard and information management software that provides him and the rest of Hillenbrand's executives with immediate access to key decision data. The dashboard, which was customized to meet his unique specifications, includes intelligence on 500 companies that are either in the current pipeline or have been previously rejected for consideration, in each case broken down by geography, ownership type, industry, size, target rating, etc. "So if I were to receive a call from an investment banker at Morgan Stanley or Goldman Sachs, I could immediately pull up all the deals that firm has shown me in the last two years," George said. "This may not be the right tool for everyone, but if you're going to take a serious approach to building an acquisition pipeline, you need some pretty sophisticated tools. I know I can't manage the volume of information we need about our target universe without it."

Reiter of Brentwood uses a sophisticated database tool to keep track of potential and historical activity. "We've spent the past 12 years building a proprietary database that allows us to capture data on the front line," he said. "We can track deals, ideas, managers, resources – all the elements that go into making successful investments," The firm uses the database to benchmark itself against prior years, prior quarters and on a monthly basis. "We use it as a key indicator to keep our activity levels where they need to be to make sure our deal flow is strong," he said.

*Responsive communications are critical*

One best practice that George engages in is ensuring that he and his team members always respond quickly and thoroughly to their intermediaries as to why they are or are not interested in a particular opportunity. "If we're not interested, we tell the intermediary as quickly as possible and we follow up with an email outlining the specific factors that we liked about it, what we didn't like about and why we decided as we did," George said. "That way, the intermediary looks smarter to its client, they are more motivated to approach us again with other opportunities, and they are able to be more focused about the ideas they do bring us."

*Keep an open mind*

Being open-minded can also be a powerful advantage, advises Okner. Opportunities often don't come through the "normal" channels. "Don't ever assume that a meeting is going to go nowhere before you have it," he said. "Some of our most exciting and inspiring projects with the best people we have ever worked with have come through the most unlikely of sources." Additionally, Okner has seen companies build up their pipeline of opportunities through building relationships with wealth advisors, accounting firms and other professional service providers in the middle market.

## 4. Identify gaps in your team's M&A skill set and resolve them.

Speak at length with any M&A expert with a history of deal activity and a common thread of advice quickly emerges: get expert advice – this is not an area of business that is forgiving of mistakes. Any firm that is contemplating entering into an unfamiliar area of M&A, whether as a buyer or seller, should heed this advice.

Noted Harrison, who has orchestrated hundreds of transactions involving merger, acquisition and divestiture deals both with strategic and financial buyers, "Having watched numerous companies both succeed and fail to realize their goals in this industry over the past 40 years, the best advice I have is to make sure you have the right advisor helping you. If you don't, you can find yourself in the midst of a disaster."

Sonenshine shares Harrison's view. "Nobody would be his own cardiologist but everyone thinks they can be their own M&A person. I think that's really a mistake. If you do not have the personal or institutional experience of making acquisitions you should be careful, because most companies that acquire businesses live to regret it. Most of them overpay. That has been statistically proven every which way 'til Tuesday," he said.

The most successful serial acquirers routinely engage a combination of internal resources and outside staff to augment their own in-house expertise. Many investors have also built up their internal M&A teams by also hiring M&A experts from investment banks and other advisory firms. Hillenbrand, for example, after relying on outside advisory firms for a number of years, ultimately hired George, a career investment banker, to head up its corporate development team. And, George has hired two seasoned transaction specialists with expertise in audit, due diligence, financial modeling and valuation to support him in his efforts.

Many other corporate sponsors have taken this approach, including high profile firms such as Yahoo. In 2012, Yahoo hired Jacqueline Reses as chief development officer, where her responsibilities include overseeing M&A. Reses, whose experience includes ten years with private equity firm Apax Partners, has since hired two new vice presidents from the private equity world.[5]

It has become an almost standard practice for corporate and financial acquirers to deepen their bench strength by recruiting deal advisors from investment banks, law firms, turnaround and other advisory firms. Sellers have typically been more hesitant to engage advisors. However, Okner has noticed that since the recession, a greater number of sellers that may have had failed auctions or sellers that are not achieving the kind of valuations that meet industry benchmarks are seeking out his firm and other advisors to become part of their transaction team. They are starting to realize that it is equally as important to prepare their company for sale internally by optimizing their sales and marketing plan, improving their financial reporting and their operational efficiency as it is to put together the marketing collateral for perspective buyers.

The best approach to selecting an advisor, according to Okner, is for sellers to first talk to someone they trust 'most' and ask if they can refer someone. "The seller also must realize that in order to maximize their results by using outside

5. Dan Primack, "What Google could learn from Yahoo's acquisition strategy," CNNMoney, June 19, 2013.

advisors, they need to be open to change and really demonstrate that they are committed to move their business to the next level."

As an advisor to many owners of privately held companies, Okner has identified some best practices for stakeholders to follow when choosing an advisor. "The most important thing in choosing an advisor is first and foremost, you have to trust them and their industry expertise," he said. "Next, there needs to be chemistry between the advisor, the operating team and the key stakeholders. It's absolutely critical. When that chemistry doesn't exist, things can fall apart for no good reasons. Once you move past that, it's about really getting that advisor's value and impact on the vision. The best advisors are the ones that can really shape the vision side by side with the team then identify the types of transactions as part of the strategies that can best maximize value."

## Summary

The M&A landscape is much more competitive, but that's not deterring corporate and financial investors. It continues to be one of the most attractive paths to financial and business growth for buyers and sellers alike. Harrison, for one, doesn't see this trend abating. "I think there will continue to be more consolidation; I don't think that it's going to stop in any way," he said. "Businesses today, unfortunately have to be bigger in order to survive."

Nonetheless, entrants to the M&A marketplace, no matter how experienced, would be well advised to re-evaluate their vision and the strategies they've developed over time. Even those who have participated in many transactions should be mindful of avoiding assumptions. M&A, at its heart, is a tough business that rewards brilliance and penalizes the mundane.

"I think that the M&A business is really complicated but it is not perceived as complicated," noted Sonenshine. "The truth is the number of variables, issues, problems, potential solutions and strategies that go into making an M&A exercise successful versus not successful is tremendous. The combination of those steps is often a game of 3-D chess whether you realize that is what you are playing or not. So, words of wisdom? Stop thinking it is so easy. It isn't."

Heeding Marshall's advice, it is our belief that the winners in the increasingly competitive business of mergers and acquisitions will be those who develop a thoughtful strategy and execute with respect for the ever-changing environment.

# SPECIAL FEATURE

The practice of M&A has become more strategic, complex and demanding as it has matured over the past quarter century.

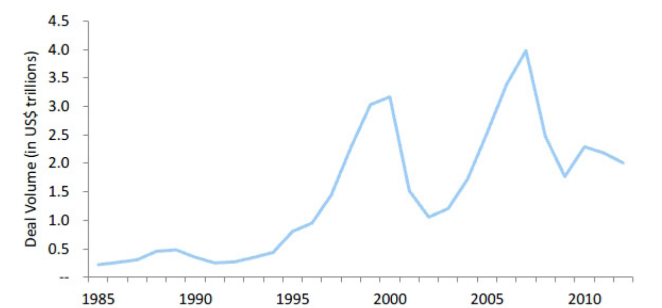
In this editorial analysis from one of the country's leading practicing academics, Marshall Sonenshine, Chairman of Sonenshine Partners and Professor of Finance and Economics at Columbia University, synthesizes the challenges and opportunities presented by the rising standards and slow market recovery of the M&A industry today.

## Today's Higher Bar for M&A

**By Marshall Sonenshine**

M&A today is part of virtually all modern large-scale business, but it was not always thus. In 1969, Congress held hearings on what Washington saw as a troubling trend, the sudden spate of notable mergers and acquisitions in America. The House Judiciary Committee questioned bankers, including Felix Rohatyn of Lazard, who advised voracious acquirers of public companies.[6] Conglomerates like ITT and Gulf + Western were in full swing (though M&A volumes were a trickle by today's standards), and Congress had just passed the Williams Act, amending the Securities Exchange Act with new tender offer rules. The M&A hearings, now a largely forgotten footnote to American political and business history, seem naïve as the ensuing decades, especially in the mid-1980s, would show a dramatic growth in American M&A and equity markets as M&A went mainstream and became not a threat but an integral part of American and global business.

**Figure 1:** Global M&A Deal Volume, 1985 to Present




*Source: Thomson Reuters. Data from 1985 - 2012.*

6. See Cohan, William. The Last Tycoons: The Secret History of Lazard Freres & Co.: Anchor, 2008. Pages 87 - 94

In the past 25 years, as M&A became a staple of business, its practice has become increasingly rationalized and often ritualized. In a world in which companies have hired M&A bankers as executives and virtually all corporate lawyers and investment bankers consider M&A as part of their areas of competency, the demands on the M&A specialist have increased, becoming at once more generalized and more specialized, and arguably more elite, at least for those who possess the skills that go beyond the M&A knowledge that is now broadly held. In professional services firms, M&A skills are now dispersed across departments and practice groups. In this context the core competencies of the M&A specialist have sharpened in four ways:

**1. Necessary but insufficient technical knowledge.** 25 years ago, an M&A banker's expertise was valued largely for expertise in valuation, corporate finance, accounting, legal structuring and negotiation skills. Today, every M&A professional must "own" that knowledge and know-how in greater depth than the norm.

In corporate finance, the M&A banker must know domestic and international, leveraged finance and traditional finance, and public and private capital markets. In structure he must know plain vanilla and complex, friendly and hostile, taxable and tax-free, and rules of multiple jurisdictions. In strategy, he must know how companies and investors across sectors, markets and countries think about strategy.

Accounting has become rationalized as the former obsession over purchase versus pooling has yielded to a more rational accounting regime, though impairment charges remain an area of new obsession post-transaction and as deals cross borders, tax and accounting diligence and structuring have become more complex.

Law, both in the US and abroad, has spawned a generation of precedent building in governance, board responsibilities, shareholder rights and activism. In the US, the Delaware Chancery Court has become a familiar stop for contested deals, as illustrated most frequently by Carl Icahn's failed effort to forestall a shareholder vote in the proposed Dell buyout. US M&A bankers are expected to know the principles of US statutory and case law governing M&A.

**2. Now we are all strategists.** M&A today is about business strategy. The 1969 Congressional hearings were a response to conglomerate acquisitions, which were really a financial arbitrage, with conglomerates buying companies at moderate multiples while their own acquirer stock traded at higher multiples. That game is long over, eclipsed first by holding company discounts (which LBO firms arbitraged through breakup strategies) and then by private equity relying principally on leverage to generate returns (until that era too had largely played out).

Today, when representing a corporate or a financial buyer of companies, the game is about strategy – how buyers can make money with generally expensive acquisitions.

Following the 2008 financial crisis, interest rates plummeted but leveraged buyouts still constitute a much lower percentage of M&A (which itself is significantly down in volume). Today, private equity firms engage in a more diversified set of growth capital and other strategies. When PE firms acquire, they do so with operating partners and business strategies because they know that leverage alone is unlikely to create adequate equity returns. Financial buyers have joined the ranks of strategic buyers. Today, a good LBO candidate typically has multiple firms vying for the opportunity to buy, and usually the most “strategic” (or most daring) wins.

Companies too have become more “strategic” about M&A. For too long corporations overpaid for acquisitions, betting on unattainable profit or synergy levels or straying too far from core competencies. Strategic buyers today are more selective about when and how much to bid. They still do surprising things, but with reasons (whether or not correct) generally tied to specific business strategy rather than general rising tide markets. Today, the market is tighter, more cautious and more demanding.

In today’s cautious environment, companies hoard cash – several trillion dollars remain on corporate balance sheets. Hence, the M&A adviser is either a cogent strategist or out of business. In the equity and debt market run-up prior to the Great Financial Crisis of 2008, M&A had become as overheated as the equity and credit markets. Global M&A volumes had reached almost $4 trillion and in many markets approached 10% of public market capitalizations. Today these figures are roughly half. M&A is among the last financial markets to recover to pre-crisis levels and that “last to recover” status may last a good while longer, in part because capital markets have been re-stimulated by historically cheap capital post crisis, whereas M&A as a long term investment is relatively inelastic to increased capital supply in response to low confidence.

The activist community has also sharpened corporate M&A focus. A generation ago, University of Chicago's Michael Jensen argued that leveraged buyouts were useful as a way to stop managers of public companies from wasting corporate money on misguided empire building. Today, activists police waste pretty effectively, and more companies thus resist acquisitions absent an acceptable (or at least reasonably plausible) value proposition. Thus, M&A practitioners are held to higher, more strategic standards in deal making.

**3. Execution matters even more.** A quarter century ago, M&A bankers and lawyers were execution experts. Today, with the dramatic rise in M&A experience across companies, sectors and markets, everyone knows his way around a stock purchase agreement. The M&A professional today has to be again broader and deeper about execution, reaching more types of buyers in more places than ever before.

In cross border deals, which have grown tremendously this past quarter century, the M&A adviser may have to get deals through multi-jurisdictional thickets that include everything from stock exchange rules to foreign corrupt practices issues to legal, tax and accounting discrepancies. Even within a plain vanilla domestic M&A deal, since parties typically have M&A experience, M&A specialists must be smarter at finding value around the globe and spotting and resolving issues to add value.

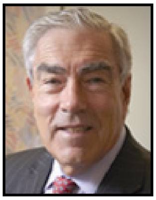
**4. Still in short supply -- judgment.** Finally, among the many truths that M&A participants know today are the bad stories. In my course at Columbia I teach a class on deals gone wrong. We discuss why there has been so much data showing that acquirers of companies have tended to over-estimate forecasts and synergies and thus overpay, reducing their own value through M&A. Of course, the fact that people know these things in general does not mean they protect themselves in practice. For that, one requires judgment – and not the relatively bland form embodied by the American legal blanket called the Business Judgment Rule, but the sharp kind honed through experience, analysis, and ability to anticipate consequences of decisions. It is remarkable to me, 25 years into this business, how that particular kind of knowledge remains in relatively short supply -though of course judgment is not a commodity form of knowledge.

Thus, M&A is a different game today than it was a quarter century ago. It is part of the fabric of business. Now we are all M&A people – meaning that

M&A professionals must meet a higher standard of knowledge to stay relevant. This is true of many knowledge professions, but it seems particularly true in M&A because its 25-year proliferation and complexity, particularly in global strategic terms, has at once broadened the base of knowledge and raised the bar constituting expertise. Making the challenge for practitioners greater still, M&A remains for the moment restrained in the current low growth/long recovery global business cycle – and this notwithstanding robust capital markets driven by historically low interest rates. The M&A market is simply more selective today – for deals and for deal makers.

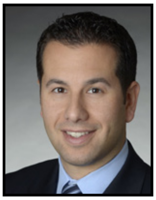
# Contributor Biographies

**Scott George** is the Senior Vice President of Corporate Development at Hillerbrand. In January 2012. He has more than 30 years of investment banking experience advising on more than 250 transactions. Scott most recently served as managing director and head of the Illinois practice for P&M Corporate Finance, LLC, in Chicago. Prior to that, he held a similar position at Morgan Joseph & Co. Scott's experience also includes merger and acquisition advisory roles at Ernst & Young Corporate Finance, Salomon Brothers Inc., Morgan Stanley & Co. and Bankers Trust Co.



**Gilbert W. Harrison** is the Founder and Chairman of Financo, Inc., a New York based investment banking firm specializing in providing merger and acquisition, financial restructuring, and other financial advisory services on a global basis to the retail, apparel and other retail and consumer goods companies. Mr. Harrison founded Financo in 1971 in Philadelphia, where it became one of the leading independent middle market transaction firms in the country, developing its reputation not only in the retail and consumer industries, but also across all industries in the middle market. Over the years, Financo has expanded its service offerings significantly, developing resources beyond its traditional merger and acquisition and divestiture work into consulting, principal investments, restructuring and other services relating to the retail and consumer industries sector. As one of the industry's premier dealmakers, Mr. Harrison and his team have orchestrated hundreds of merger, acquisition and divestiture deals for retail, apparel, footwear and cosmetic clients. Mr. Harrison's other activities include creating a course on mergers and acquisitions at The Wharton School; publishing various articles and academic studies on the state of retailing and mergers and acquisitions, including a chapter in the book entitled, The Mergers and Acquisitions Handbook; and lecturing throughout the country, including moderating and participating in seminars for Retail Week, International Council of Shopping Centers, National Retail Federation, The Wharton Aresty Institute of Executive Education, The President's Association of the American Management Association, FT Business of Luxury Summit, Russia Retail Summit and the World Retail Congress. Mr. Harrison received a Bachelor of Science in Economics from The Wharton School of The University of Pennsylvania in 1962 and his Juris Doctor from The University of Pennsylvania Law School in 1965.

**Martin L. Okner** is Co-Founder and Managing Director of SHM & Co., has 16 years of experience in branded consumer goods. He applies his marketing, sales, and strategy background with Revlon, Cadbury, and Philip Morris to strengthen and grow companies in the middle market. Martin defines and implements new business planning processes to improve new product innovation pipelines, optimize advertising and promotional spending, improve product lifecycle management, forecasting and resale of obsolete inventories, and distribution drives to over 200,000 diverse retail outlets. His methodologies have generated over $4 Billion of incremental sales and $1 Billion of profit growth across many well-known brands. Martin has also been widely recognized for his accomplishments. In 2011, he won the M&A Advisor 40 under 40 Award. He has also judged the M&A Advisor Annual Awards Competition, and the M&A Advisor Turnaround and Restructuring Awards Competition. While at Cadbury, his team won 2005 Supplier of the Year from Wal-Mart Stores, Inc. He is also widely published in Chain Drug Review, the Mergers and Acquisitions Journal, and writes many white papers. Martin holds an MBA from Fordham University Graduate School of Business Administration in Corporate Finance, and a Bachelor of Arts degree in Political Science (Minor, Business Administration) from Seton Hall University where he graduated Summa Cum Laude. He is President of the NY Chapter of the Association for Corporate Growth and Co-Chair of the American Museum of Natural History Junior Council. Martin is also an adjunct professor of Marketing at Fordham Graduate School of Business Administration and Parsons, The New School for Design. Martin enjoys sailing, golf, skiing, and driving sports cars.



**Eric G. Reiter** has been a Partner of Brentwood Associates, Inc. since March 24, 2008. He joined Brentwood Associates in 1999 as a Principal. He has been engaged in the corporate development efforts of Bay Travelgear, Oriental Trading Company, Array Marketing Group, Inc., Monarch Designs, The Teaching Company, and Petropac Holdings. He serves as Vice President, Treasurer and Secretary of Triad Catalog Co., LLC and Soft Surroundings Holdings, LLC. Mr. Reiter was also active in the sale of Bell Automotive in late 2004 and of Oriental Trading Company in 2006. Prior to joining the firm, he worked at the Merchant Banking division of Donaldson, Lufkin & Jenrette, where his primary responsibilities included analyzing and structuring investments. Mr. Reiter serves as a Director of Spectrum Clubs, Inc., Triad Catalog Co., LLC, Sundance Holdings Group, LLC, Soft Surroundings, and The Teaching Company, LLC. He served on the Board of Monarch Designs, Inc. and Array Marketing Group, Inc. Mr. Reiter joined the Board of Trustees of The John Thomas Dye School in 2013. He graduated, magna cum laude, from the University of Pennsylvania, where he received a dual Bachelor's degree in Finance, Operation, and Information Management from the Wharton School of Business.

**Marshall Sonenshine** is currently the Chairman and Managing Partner of Sonenshine Partners. Mr. Sonenshine began his pursuit of the M&A middle market industry at Solomon Brothers where he handled M&A and corporate finance assignments. In 1996, he joined BT Wolfensohn as a partner handling media and transportation M&A. He is known for advising transactions for some of the largest companies in the nation. Sonenshine has led teams closing deals as large as $20 billion. In addition to Sonenshine Partners, Marshall dedicates his time to educating the future leaders of M&A at Columbia Business School. He is also Vice Chairman of the Board of Arts Connection, and trustee and member of the Executive of the International Center of Photography.

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