MERGERS & ACQUISITIONS

FEBRUARY 2018

BUYING INSIGHT

Financial services companies are clamoring for better ways to attract and retain customers

That puts data and analytics in the deal spotlight

TheMiddleMarket.com

PUBLISHED IN PARTNERSHIP WITH ACG

WILMINGTON TRUST RENOWNED EXPERIENCE | MERGERS AND ACQUISITIONS

NICK ADAMS
nadams@wilmingtontrust.com
302-636-6103

GREG HASTY
ghasty@wilmingtontrust.com
972-383-3153

STEPHEN MCPHERSON
smcpherson@wilmingtontrust.com
972-383-3161

ANDREW WASSING
awassing@wilmingtontrust.com
612-217-5665

Our experience is your advantage for M&A escrow and paying agent services.

If you're involved in an M&A deal, you need an experienced M&A escrow and paying agent to expedite your transaction. Look to the professionals at Wilmington Trust, and take advantage of our strong operational platform, global presence, and complete range of solutions. When serving as your escrow and paying agent, we are focused on understanding your transaction and administering its efficient execution.

INTRODUCING
WILMINGTON TRUST
FASTTRACK
An M&A paying agent portal that works at the speed of today's transactions.

For more insight on how we've successfully supported clients on mergers and acquisitions, or a demo of our new Wilmington Trust FASTTRACK™ paying agent portal, please contact one of our experienced professionals or visit us at wilmingtontrust.com/MandA.

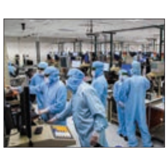
M&A ESCROW AND PAYING AGENT | TENDER AND EXCHANGE AGENT | DISBURSING AGENT

RENOWNED FOR A REASON® WILMINGTON TRUST

MERGERS & ACQUISITIONS

Contents

February 2018 | Volume 53 | Number 02



MERGERS & ACQUISITIONS

February 2018 Volume 53, Number 02

Assistant Managing Editor **Demitri Diakantonis** demitri.diakantonis@sourcemedia.com

Reporter **Kamaron Leach** kamaron.leach@sourcemedia.com

Contributing Editor **Danielle Fugazy** dfugazy@fugazygroup.com

Group Editorial Director, Banking and Capital Markets **Richard Melville** richard.melville@sourcemedia.com

VP, Capital Markets **Harry Nikpour** harry.nikpour@sourcemedia.com

Senior Sales Manager **Richard Grant** richard.grant@sourcemedia.com

VP, Research **Dana Jackson** dana.jackson@sourcemedia.com

VP, Content Operations and Creative Services **Paul Vogel** paul.vogel@sourcemedia.com

Director of Creative Operations **Michael Chu** michael.chu@sourcemedia.com

Art Director **Nikhil Mali** nikhil.mali@sourcemedia.com

Director of Content Operations **Theresa Hambel** theresa.hambel@sourcemedia.com

Associate Marketing Manager **Leatha Jones** leatha.jones@sourcemedia.com

SourceMedia™

CHIEF EXECUTIVE OFFICER **Douglas J. Manoni**

CHIEF FINANCIAL OFFICER **Robert Dennen**

CHIEF REVENUE OFFICER **Marianne Collins**

EVP & CHIEF CONTENT OFFICER **David Longobardi**

CHIEF MARKETING OFFICER **Matthew Yorke**

SVP, CONFERENCES & EVENTS **John DelMauro**

SVP, HUMAN RESOURCES **Ying Wong**

Mergers & Acquisitions (ISSN 0026-0010) Vol. 53 No.02, is published monthly with combined issues in July/August and November/December by SourceMedia, Inc. One State Street Plaza, 27th Floor, New York, NY 10004. Telephone: (212) 803-8200.

Customer Service: For subscriptions, renewals, address changes and delivery service issues contact our Customer Service department at (212) 803-8500 or email: help@sourcemedia.com; or send correspondence to Customer Service-Mergers & Acquisitions, SourceMedia, One State Street Plaza, 27th Floor, New York NY 10004.

Periodicals postage paid at New York, NY, and additional mailing offices.

Subscriptions: Yearly subscription is $1,995; $2035 for one year in all other countries.

Postmaster: Send address changes to: Mergers & Acquisitions / Source Media, Inc., One State Street Plaza, New York, NY 10004. For subscriptions, renewals, address changes and delivery service issues contact our Customer Service department at (212) 803-8500 or email: help@sourcemedia.com.

Advertising: For information, contact Harry Nikpour at (212) 803-8638 or harry.nikpour@sourcemedia.com.

For more information about reprints and licensing content from Mergers & Acquisitions, please visit www.SourceMediaReprints.com or contact PARS International Corp. (212) 221-9595.

Deal Solutions

Donnelley Financial Solutions

Unmatched Expertise on a Global Scale

Donnelley Financial Solutions provides software and service that enable clients to communicate with confidence in a complex regulatory environment. With 3,500 employees in 61 locations across 18 countries, we provide thousands of clients globally with innovative tools for content creation, management and distribution, as well as data analytics and multi-lingual translation services. Leveraging advanced technology, deep-domain experience and 24/7 support, we deliver cost-effective solutions to meet the evolving needs of our clients.

Our Venue Deal Solutions suite addresses ***every*** step of the deal process, including:

Venue Data Room: 24-hour dedicated, global project management support & real world service no one else delivers. Venue Data Room offers a powerful feature-set and an intuitive design that allows clients to easily organize, manage, share and track their most confidential data—securely—within and beyond firewalls.

Venue Deal Marketing, powered by Peloton, creates interactive deal documents, enabling companies, investors, advisors, and strategic acquirers to communicate value like never before.

Venue Contract Analytics, powered by eBrevia, provides unprecedented speed and accuracy to contract review during all phases of deal diligence.

Venue Deal Sourcing, powered by Axial, is an all-in-one platform to streamline business development— from finding capital, to sourcing deals, to marketing and analytics.

For more information visit venue.dfsco.com

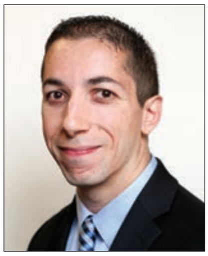
VENUE

Donnelley
Financial Solutions

CORPORATE HEADQUARTERS
35 West Wacker Drive
Chicago, IL 60601
U.S.A.

888.773.8379
www.dfsco.com
www.venue.dfsco.com

Private Equity Perspective



Mid-market PE firms need operating partners

By Demitri Diakantonis

Auxo Investment Partners' 2017 deal for shipping company M/G Transport doesn't just stand out because it is another middle market private equity firm investing in a logistics provider. The firm hired an operating partner to work with the target. PE firms are sitting on near record high cash piles to spend on acquisitions, but they need more help than ever to close acquisitions and run companies.

In a competitive M&A environment, it is not enough for private equity firms to win deals just on capital alone. Buyers are increasingly seeking operating partners to work with the businesses they acquire.

> Private equity firms are more and more looking for operating partners for existing portfolio investments.

Auxo Investment Partners, a lower middle market private equity firm in Grand Rapids, Michigan, is one case in point. In 2017, Auxo acquired dry barge shipper M/G Transport Services and bought on industry veteran John Binion to serve as the company's operating partner. "Someone like John has enormous direct industry experience that none of us have," says Auxo co-founder Jeff Helminski. M/G is based in New Orleans and operates a fleet of 250 barges and ships.

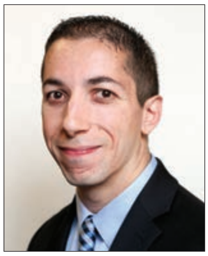
Auxo Investment

Helminski is a mechanical engineer by trade and he previously held management roles at General Motors Co. (NYSE: GM) manufacturing plants. He believes his management and operational background brings a lot to the table compared to most private equity firms. "When we're walking through a manufacturing plant, I think have a background and knowledge that is different from the financial side of the house," Helminski notes.

Private equity firms are intensifying their searches for operating partners for existing portfolio investments and to form new companies to seek M&A in certain sectors. For example, Clearlake has partnered with veteran Bill Moses to look for food and beverage deals, and Huron Capital is working with David Brunori to do the same in the chemicals sector.

"It's probably a function of the competitive environment," Helminski says. "It's probably more true to our space at the end lower end of the middle-market." M&A

The Buyside



After buying magicJack and FBR, B.Riley to continue acquisition spree

By Demitri Diakantonis

After reaching a deal to buy Internet phone company magicJack and completing the acquisition of FBR in 2017, B. Riley is not likely done seeking deals, according to CEO Bryant Riley. Armed with $250 million in equity to fund M&A, the financial services firm will continue to look for targets at a reasonable valuation, says Riley.

"From my perspective, our model is to find businesses that are undervalued," Riley tells Mergers & Acquisitions. magicJack Vocaltec Ltd. (Nasdaq: CALL) is a cloud communications company hat allows customers to make and receive phone calls using Internet broadband access. The Netanya, Israel-based company distributes magicJack devices sold by more than 25,000 retail stores. As part of the deal, magicJack will be held by B. Riley subsidiary Principal Investments LLC, the entity that currently owns a complementary telecommunications business called United Online Inc. B. Riley Financial Inc. (Nasdaq: RILY) has agreed to pay about $143 million for the company.

> "From my perspective, our model is to find businesses that are undervalued."

Riley says that magicJack and United Online are a good fit for each other because the two companies share a similar customer base. B. Riley paid about $170 million for United, another Internet services provider in 2016. "If we can find businesses that can utilize our operational skillset and it's something we can all value, that's where we want to be," Riley says.

magicJack

magicJack is not the only deal Los-Angeles-based B.Riley made in 2017. The firm also bought FBR & Co. (Nasdaq: FBRC), an investment banking and brokerage firm, for about $160 million. The merger agreement resulted in a newly combined firm with an increased capital base and "meaningful revenue and expense synergies," according to B. Riley.

FBR, headquartered in Arlington, Virginia, is an independent investment bank that was spun off from the firm's parent company in 2007. The newly combined company creates a small-cap investment bank with capital raising capabilities, such as: direct lending, recapitalizations, formation capital and growth capital.

B. Riley typically avoids auctions, and instead, finds targets through its own sources. "We have a really interesting platform to find things," Riley points out. M&A

Finance Finesse

CLO funds remain hot even in the winter

By Kamaron Leach

With the level of interest investors are seemingly showing lenders and private equity firms, collateralized loan obligations may indeed be here to stay. Last year in 2017, CLOs were a big hit as lenders benefitted from a resurgence of investor interest in this type of debt funds. CLOs managed to stage a comeback proving their ability to churn out favorable returns and minimal defaults.

This remains true for private equity firms like the Carlyle Group (Nasdaq: CG), a firm that has singlehandedly kept the CLO term striking hot. In January, Carlye raised a new credit fund, called Carlyle Structured Credit Fund (CSC), with approximately $800 million in committed capital. The new CSC fund, according to the firm, will invest in CLOs backed by U.S. and European senior secured corporate loans that are actively managed by third parties.

> “Carlyle is singlehandley keeping the CLO term relevant, in addition to other private equity and lending firms.”

The CSC fundraise comes less than a month after the investment firm closed another CLO fund with $613 million in capital commitments. The firm raised four CLO funds in 2017, which was an “active year for Carlyle in CLOs, having completed 20 transactions globally,” said Linda Pace, U.S. structured credit managing director. The resurgence of middle-market CLO funds is the cause for a number of firms raising more funds as of late.

“We believe CLOs offer attractive risk-adjusted investment opportunities for investors who understand structural complexity and underlying credit fundamentals,” said Carlyle representatives Justin Plouffe and Ronnie Jaber in a written statement. “With this expertise and fund structure, we believe we are well-positioned to find the best opportunities to deploy capital in this environment.”

Headquartered in Washington, D.C., the Carlyle Group is a global asset management firm with offices across North America, South America, Europe, the Middle East, Africa, Asia and Australia. With the Carlyle US CLO 2017-4 fund, Carlyle’s structured credit and CLO business has approximately $20.5 billion in assets under management.

Carlyle has raised several CLO funds

Due to favorable returns and minimal defaults, collateralized loan obligation funds have resurfaced as a lucrative investment vehicle for the private debt world.

- Closed an $800 million credit fund backing CLOs in 2018
- Raised a $613 million CLO in December 2017
- Closed a $547 million European CLO fund in August 2017
- Raised a $613 million U.S. CLO fund in August 2017
- Raised $610 million for a CLO fund in June 2017
- Closed a $612 million CLO fund in April 2017

Source: Carlyle/Mergers & Acquisitions

Carlyle is joined by a number of firms raising this type of debt fund. Antares Capital raised its first CLO fund in May with nearly $2.1 billion in commitments; Madison Capital Funding LLC, the direct lending arm of New York Life Insurance Co., closed a $325 million fund; and Trinitas Capital Management LLC closed the firm’s sixth CLO. M&A

Finance Finesse

CLO funds remain hot even in the winter

By Kamaron Leach

With the level of interest investors are seemingly showing lenders and private equity firms, collateralized loan obligations may indeed be here to stay. Last year in 2017, CLOs were a big hit as lenders benefitted from a resurgence of investor interest in this type of debt funds. CLOs managed to stage a comeback proving their ability to churn out favorable returns and minimal defaults.

This remains true for private equity firms like the Carlyle Group (Nasdaq: CG), a firm that has singlehandedly kept the CLO term striking hot. In January, Carlye raised a new credit fund, called Carlyle Structured Credit Fund (CSC), with approximately $800 million in committed capital. The new CSC fund, according to the firm, will invest in CLOs backed by U.S. and European senior secured corporate loans that are actively managed by third parties.

> "Carlyle is singlehandley keeping the CLO term relevant, in addition to other private equity and lending firms."

The CSC fundraise comes less than a month after the investment firm closed another CLO fund with $613 million in capital commitments. The firm raised four CLO funds in 2017, which was an "active year for Carlyle in CLOs, having completed 20 transactions globally," said Linda Pace, U.S. structured credit managing director. The resurgence of middle-market CLO funds is the cause for a number of firms raising more funds as of late.

"We believe CLOs offer attractive risk-adjusted investment opportunities for investors who understand structural complexity and underlying credit fundamentals," said Carlyle representatives Justin Plouffe and Ronnie Jaber in a written statement. "With this expertise and fund structure, we believe we are well-positioned to find the best opportunities to deploy capital in this environment."

Headquartered in Washington, D.C., the Carlyle Group is a global asset management firm with offices across North America, South America, Europe, the Middle East, Africa, Asia and Australia. With the Carlyle US CLO 2017-4 fund, Carlyle's structured credit and CLO business has approximately $20.5 billion in assets under management.

Carlyle has raised several CLO funds

Due to favorable returns and minimal defaults, collateralized loan obligation funds have resurfaced as a lucrative investment vehicle for the private debt world.

- Closed an $800 million credit fund backing CLOs in 2018
- Raised a $613 million CLO in December 2017
- Closed a $547 million European CLO fund in August 2017
- Raised a $613 million U.S. CLO fund in August 2017
- Raised $610 million for a CLO fund in June 2017
- Closed a $612 million CLO fund in April 2017

Source: Carlyle/Mergers & Acquisitions

Carlyle is joined by a number of firms raising this type of debt fund. Antares Capital raised its first CLO fund in May with nearly $2.1 billion in commitments; Madison Capital Funding LLC, the direct lending arm of New York Life Insurance Co., closed a $325 million fund; and Trinitas Capital Management LLC closed the firm's sixth CLO. M&A

What the tax bill means for the middle market

Strategic buyers, especially those with global operations, will be poised to make acquisitions

By Demitri Diakantonis

In light of regulators passing the new tax reform, several corporations stated that they will invest more in their U.S. operations. For example, AT&T Inc. (NYSE: T) said it will invest $1 billion in the U.S., including giving 200 thousand of its employees a $1,000 bonus.

The new tax bill will reduce the corporate tax rate from 35 percent down to 21 percent. For private equity firms, this may mean on a higher return on their investments, says Nixon Peabody partner Richard Langan Jr. He sees the pharmaceutical, manufacturing and consumer sectors benefiting the most from the tax changes. Langan shared more thoughts on the topic with Mergers & Acquisitions:


Nixon Peabody

Richard Langan Jr.

How is the tax bill being received in the middle market community?

I think there is a lot of enthusiasm in the middle market. There was a lot of uncertainty this year in M&A due to political uncertainty in Washington. The bill is going to help companies with foreign investments.

What does it mean for mid-market M&A?

There will be great investments by some companies including on infrastructure. It will cause them to make some M&A decisions particularly on the buyside. I think strategics, particularly in the middle market, will benefit from the reduction in corporate taxes. This may also cause some family funds to consider M&A as opposed to interfamily transfers.

Which sectors will benefit from tax changes?

There are some incentives that may benefit some industries more than others. There are a few areas that I can point to right now. Manufacturing companies will see some immediate write-offs and an increase in their enterprise values.Those who produce manufacturing equipment for other manufactureres is one example. In addition, I see oil and gas, pharmaceuticals and consumer goods companies, especially those with foreign operations benefiting. M&A

“I think strategics, particularly in the middle market, will benefit from the reduction in corporate taxes.”

Daseke buys three more trucking companies

2017 continues to be a busy M&A year for Daseke Inc. (Nasdaq: DSKE). The truck operator has acquired Tennessee Steel Haulers & Co., the Roadmaster Group and Moore Freight Service. The deals are part of Daseke's strategy to grow in niche sectors through acquisitions.

Tennessee Steel is based in Nashville and was founded in 1977. The company has a strong presence in Mexico, and additional operations on the East and Southeast coasts. Roadmast is located in Phoenix and is known for transporting high security cargo. Moore Freight is headquartered in Mascot, Tennessee and mainly delivers commercial sheet glass. Vinson & Elkins represented Daseke.

Daseke

"We've added three exceptional organizations to our family of operating companies focused on unique sectors with promising growth characteristics," says Daseke CEO Don Daseke.

Addison, Texas-based Daseke operates more than 5,200 tractors and 11 thousand flatbed trucks and trailers. Some of its main customers include Boeing Co. (NYSE: BA), Caterpillar Inc. (NYSE: CAT) and General Electric Co. (NYSE: GE). Earlier in 2017, Daseke purchased R&R Trucking, competitors the Schilli Cos., Big Freight Systems and the Steelman Cos.

According to Don Daseke, Daseke holds less than one percent marketshare of the open-deck truck segment, that is valued at around $133 billion. Open-decks are trucks that can be loaded from the top or side and usually transport heavy industrial equipment.

—By Demitri Diakantonis

PE firm's catch of the day

Sentinel Capital Partners has acquired Captain D's, a seafood restaurant chain, marking its ninth investment in the fast-food sector since 1996.

New York-based Sentinel purchased Captain D's from Centre Partners, a middle market private equity firm with offices in New York and Los Angeles. Terms of the deal were not disclosed. The Captain D's chain has 303 company-owned restaurants and 227 franchised restaurants in 21 states. The fast-food sector, also known as quick-service restaurants or QSRs, has outgrown the broader restaurant industry since 2011, according to Sentinel.

"Captain D's holds a unique market position and was recently recognized as one of the top 10 brands in America for consumer loyalty," says Sentinel senior partner John McCormick. "Captain D's continues to attract younger guests and is the clear category leader." Captain D's CEO, Phil Greifeld, says that the Nashville-based chain plans to expand both inside its existing footprint--in the Southeast and Midwest.

Prior to the Captain D's deal, Sentinel had acquired eight other restaurant businesses in the fast-food sector: Border Foods, a Taco Bell franchisee; the Checkers/Rally's franchisor and operator of the dual drive-through hamburger restaurants; Falcon Holdings, a Church's Chicken franchisee; Fazoli's Group, franchisor and operator of Italian fast casual restaurants; Huddle House, franchisor of family dining restaurants; Newk's Eatery, a fast casual restaurant business; Southern California Pizza Co., a Pizza Hut franchisee; and TGI Friday's, franchisor of casual dining .restaurants.

Sentinel was the seller in one of the more notable recent QSR transactions. In April, the PE firm sold Checker/Rally's Restaurants Inc., with 850 restaurants, for $525 million, three years after acquiring the business, to Oak Hill Capital Partners. The PE firm exited its Pizza Hut investment—224 franchisees in Southern California-- in 2012.

Sentinel focuses on investing in lower middle market companies in the U.S. and Canada in aerospace and defense, business services, consumer, distribution, food and restaurants, franchising, healthcare and industrial businesses. Centre Partners targets middle-market investments in the consumer and healthcare sectors.

—By Keith Button

UPS adds logistics brokerage firm

UPS (NYSE: UPS) has acquired Sandler & Travis Trade Advisory Services Inc., an independent provider of global trade compliance services. The merger forms an improved brokerage service business for clients to maximize their trade investments and minimize complexity, time and cost throughout their international trade operations.

Sandler & Travis Trade is a global trade compliance management firm based in Washington, DC. The company provides international trade and customs consulting services to multinational clients in more than 30 countries. Sandler & Travis

Bloomberg News

Trade focuses exclusively on complying with government and industry laws and regulations regarding the movement of goods across borders.

"UPS regularly identifies companies and opportunities that can accelerate our growth in our core or adjacent market segments, either by bringing new or complementary services and solutions to our customers, or by providing deeper, specialized expertise," a UPS spokesperson tells Mergers & Acquisitions. "Sandler & Travis Trade Advisory Services fits directly into that strategy, as the firm brings UPS and our customers additional depth, global expertise, and new solutions that will augment our already strong global trade management portfolio."

UPS, headquartered in Atlanta, is one of the global leaders in providing logistics and transportation services. The buyer's services include transporting packages, freight management, facilitating international trade and developing technology in order to minimize the complexity of transportation services.

Recent deals in the transportation and logistics industry include: Quad-C Management's backing of AIT Worldwide Logistics; the Jordan Co.'s acquisition of a majority stake in Odyssey Logistics & Technology Corp.; Platinum Equity's purchase of aerospace logistics firm Pattonair; CI Capital's acquisition of Simplified Logistics; Ridgemont Equity Partners' purchase of Worldwide Express; and TPG Capital's investment in Transplace.

—By Kamaron Leach

Industrial products makers merge

Industrial material providers Fairmount Santrol Holdings Inc. (NYSE: FMSA) and Unimin Corp. have agreed to merge in a $170 million deal. Unimin is a subsidiary of SCR-Sibelco NV, which will end up own a majority stake of the combined company.

"Together we will serve our customers more efficiently and effectively with a broader and more diverse product offering, greater technical expertise, improved scale and geographic diversity and an expanded logistics platform," says Fairmount CEO Jenniffer Deckard, who is expected to remain in her role. The new company will operate a logistics division that will consist of 96 distribution terminals and a 18-unit train. In another recent industrial manufacturing deal, Norwest Equity Partners has invested in Ramsey Industries Inc., a U.S. producer of service cranes and winch tools.

Fairmount, located in Chesterland, Ohio, distributes sand-based products for the oil and gas and industrial sectors. New Canaan-based Unimin makes coatings and chemicals, serving the construction,

Hain Celestial solidifies better-for-you food portfolio

Not only does the Hain Celestial Group Inc.'s (Nasdaq: Hain) acquisition of Clarks UK Ltd. expand the company's international presence, but also grows its better-for-you food offerings. A number of food conglomerates, including Hain Celestial, are looking for acquisitions in the healthy food segment.

"The Clarks brand and products are a strategic fit with the Hain Daniels spreads business for various natural sweeteners applications to complement our health and wellness portfolio of brands as consumers continue to seek to reduce their sugar intake and look for better-for-you alternatives to refined sugar," says Hain CEO Irwin Simon. Newport, United Kingdom-based Clarks produces natural sweeteners, such as maple syrup, that are sold under the Clarks brand throughout the U.K. Financial terms of the purchase were not disclosed.

In 2017, New York-based Hain acquired the Better Bean Co. and soup maker Yorkshire Provender Ltd. Hain Celestial owns the Earth's Best, Ella's Kitchen and Garden of Eatin' brands.

In other related deals, B&G Foods Inc.(NYSE: BGS) is buying Back to Nature Foods Co. and Kellogg Co. (NYSE: K) has agreed to acquire protein bar maker RXbar for about $600 million.

—By Demitri Diakantonis

industrial and energy sectors. Sibelco produces non-metallic materials, such as clay, for the same sectors. The latter is headquartered in Antwerp, Belgium.

After the deal closes, Sibelco will own 65 percent of the combined company while Fairmount will have 35 percent. The merger does not include Unimin's high-purity quartz business, that mostly serves electronics manufacturers in Asia. The combined company is expected to have around $2 billion in annual revenue and about $400 million in Ebitda.

Wells Fargo Securities (NYSE: WFC) and Jones Day are advising Fairmount. Morgan Stanley, Freshfields Bruckhaus Deringer and Hughes Hubbard and are advising Sibelco. Barclays and BNP Paribas are also advising Sibelco.

—By Demitri Diakantonis

Target competes in online food delivery

In an effort to ramp up its fulfillment and delivery capabilities, Target Corp. (NYSE: TGT) has agreed to purchase Shipt Inc. for approximately $550 million in cash. The deal announced Wednesday brings same-day delivery services to customers across the U.S.

Shipt

The Shipt deal comes at an interesting-yet-expected time, as grocery store chains and retailers are hoping to fulfill customer orders faster and more efficiently. Amazon's recent acquisition of Whole Foods, valued at $13.7 billion, adds an overwhelming amount of pressure to retail giants such as Target to remain competitive. The growing interest and simplicity of online shopping has converted traditional brick-and-mortar shoppers to one-click buyers. To date, the growth in online customer traffic has retail giants shifting its digital strategy and seeking to deliver groceries and retail items in under an hour.

Founded in 2014, Shipt was created as an Internet-based grocery and retail delivery service with a network of more than 20,000 personal shoppers. The Birmingham, Alabama-based target offers scheduled and same-day delivery services from your local store direct to a customer's door whether at home, the office, on vacation, or to friends and family. The target's service will enhance Target's digital fulfillment capabilities, bringing its delivery service to nearly half of Target stores by early 2018. For majority of Target stores and all major markets, the service will be available before the 2018 holiday season.

"We laid out an ambitious strategic agenda in early 2017, which included a focus on giving our guests a number of convenient ways to shop with Target, whether it's ordering online and picking up in one of our stores, driving up to pick up an order, or taking advantage of services like our new Restock program," states Target chief operating officer John Mulligan. "With Shipt's network of local shoppers and their current market penetration, we will move from days to hours, dramatically accelerating our ability to bring affordable same-day delivery to guests across the country."

As part of the deal, Shipt will operate as a subsidiary of Target and continue to run its business independently. Target, based in Minneapolis owns approximately 1,834 store fronts and Target.com.

—By Kamaron Leach

Apple backs iPhone parts manufacturer

Apple Inc. (Nasdaq: AAPL) is investing approximately $390 million into Finisar Corp., a communications parts manufacturer. The capital comes from the Cupertino, California-based tech giant's $1 billion Advanced Manufacturing Fund, a fund put together by Apple in support of American manufacturers innovating and creating more jobs.

Apple

Finisar, headquartered in Sunnyvale, California, manufactures optical subsystems and other components for data communication and telecommunication applications. The deal announced Wednesday will help increase the target's research and development efforts and production of vertical-cavity surface-emitting lasers (VCSELs). VCSELs are used to power some of Apple's latest features, including Face ID, Animoji, Portrait mode selfies and the proximity sensing capabilities in AirPods.

Apple's capital investment will also allow Finisar to transform a 700,000 square foot manufacturing facility based in Sherman, Texas into a high-tech VCSEL production plant, creating more than 500 job opportunities. The new production facility, to be combined with Finisar's existing plant nearby in Allen, Texas, will begin shipping in the latter half of 2018.

"VCSELs power some of the most sophisticated technology we've ever developed and we're thrilled to partner with Finisar over the next several years to push the boundaries of VCSEL technology and the applications they enable," states Apple chief operating officer Jeff Williams.

Hiring, capital equipment planning and infrastructure upgrades have already begun at the Sherman facility. One hundred percent of the VCSELs Apple buys from Finisar will be made in Texas. The backing of Finisar comes only two days after Apple announced its acquisition of Shazam, a music identification service and mobile application. In May, Apple said Corning Incorporated had been awarded the Advanced Manufacturing Fund's first award, with $200 million invested to support the target's research and development, glass processing and capital equipment needs.

—By Kamaron Leach

M&A spurs in utilities with Sun Capital exit

As the year comes to a close, Sun Capital Partners Inc. has agreed to sell Aclara Technologies LLC, provider of smart infrastructure technology, to Hubbell Power Systems Inc. The deal is valued at approximately $1.1 billion.

Aclara supplies smart meters and a variety of other field devices used to manage and power utility services. The St. Louis-based target also provides advanced metering infrastructure, software, and related services to more than 800 water, gas and electric utilities. The agreement comes as deal activity in the power and utilities sector presented a strong total deal value in the third quarter of 2017, one of the highest quarterly deal values since Q3 2016, according to a recent deal insights study by PricewaterhouseCoopers LLP.

The buyer, Hubbell Power Systems, is a subsidiary of Hubbell Inc. (NYSE: HUBB). Aclara was formed by Sun Capital as an independent business when it was acquired by the PE firm in 2014 from a corporate parent. The Columbia, South Carolina-based buyer is purchasing Aclara following four add-on acquisitions from carve-out deals.

Adobe Stock

"During our investment period, we were able to invest in and improve the business while also quadrupling EBITDA," according to a Sun Capital spokesperson. "Development of new products and capabilities increased Aclara's addressable market five-fold, and resulted in a robust backlog of contracted sales of approximately $1 billion."

Sun Capital, founded in 1995, is a global private equity firm based in Boca Raton, Florida. The PE firm has more than $9.2 billion in capital under management and has invested in more than 300 companies across a variety of industries, including: consumer products and services, food and beverage, industrial, packaging, chemicals, building products, automotive, and retail.

Sun Capital targets companies with between $50 million and $500 million in sales, but also targets companies with up to $1.5 billion in revenues. The firm previously sold memory foam manufacturer Innocor Inc. and gas store brands Admiral Petroleum Co. and Lemmen Oil Co.

—By Kamaron Leach

IOP-backed Alexandria buys rival

Wood products manufacturer Alexandria Moulding Inc. has acquired rival House of Fara. The buyer is backed by Industrial Opportunity Partners.

House of Fara, based in Laporte, Indiana, produces standard and decorative hardwood mouldings. Alexandria also makes mouldings and other hardwood materials for the North American housing market. The two companies had a working partnership for more than a decade. IOP invested in Alexandria in 2016.

"We believe the acquisition of House of Fara will further strengthen Alexandria's North American manufacturing capabilities and is a unique opportunity to combine two companies that have worked together for many years," says Alexandria chairman and IOP operating principal Dave Mackin. McDermott Will & Emery represented IOP and Alexandria.

IOP is an Evanston, Illinois-based middle market PE firm that invests up to $50 million in businesses that have between $30 million and $350 million in revenue. The firm, which focuses on the construction, automotive and industrial sectors, recently closed its third fund. Earlier in 2017, IOP has made an investment in foam maker Creative Foam.

Maker of home goods are benefiting from trends in the real estate market, including increases in the purchases of new homes. Related deals include: Z Capital Partners' purchase of fireplace manufacturer Twin-Star International Inc.; Hooker Furniture Corp.'s (Nasdaq: HOFT) acquisition of Home Meridian International Inc.; and Mattress Firm Holding Corp.'s (Nasdaq: MFRM) completed merger for rival Sleepy's.

—By Demitri Diakantonis

Pets: a sector PE firms love to invest in

Private investment firm KKR & Co. (NYSE: KKR) has agreed to acquire PetVet Care Centers LLC for an undisclosed amount. PetVet was previously owned by L Catterton and Ontario Teachers' Pension Plan.PetVet operates general practice and veterinary hospitals for companion animals. The target, headquartered in Westport, Connecticut, offers a variety of veterinary services including preventative and primary care to emergency critical care and surgeries. PetVet works with specialists and general veterinarians through a network of 125 locally-branded hospitals across 22 states.

KKR is a New York-based private equity firm that manages a variety of investments such as energy, infrastructure, real estate, credit strategies and hedge funds. Earlier in December, the firm added industrial tools maker Hyperion to its portfolio. Jefferies LLC is acting as financial advisor to PetVet, while Weil Gotshal & Manges LLP is serving as legal advisor. Simpson Thacher & Bartlett LLP is serving as legal counsel to KKR, while Jefferies and KKR Capital Markets have committed to providing debt financing for the transaction.

"We are excited to partner with PetVet and its affiliated veterinarians to accelerate the company's track record of organic and acquisitive growth," states KKR representative Max Lin.


Adobe Stock

Established in 2016, L Catterton came to form through the combination of LVMH Moet Hennessy Louis Vuitton SE's private equity group L Capital and its real estate investment unit with consumer-focused private equity firm Catterton. The consumer-focused private equity firm has managed more than $14 billion in equity capital across six fund strategies. The firm is based in Greenwich, Connecticut.

Dealmakers expect the wave of pet-related M&A to continue, as consumers favor pet products that reflect the same standards used for people. Mars Inc. agreed to buy animal hospital chain VCA; Tractor Supply Co. (Nasdaq: TSCO) purchased pet food maker Petsense LLC; In 2015, pet brands Worldwise and Quaker Pet Group merged to acquire more.

—By Kamaron Leach

GTCR sprinkles on Flavor Producers

GTCR has made its first acquisition through its new Ceba-Tech Specialty Solutions portfolio company: a majority investment in Flavor Producers Inc., provider of flavors and extracts.

Chicago-based GTCR formed Ceba-Tech in January as a partnership with Charles Nicolais, the former CEO of a specialty ingredients provider for the food and beverage industries. Flavor Producers, also known as FPI, serves more than 500 customers globally in foods, beverages and nutraceuticals—dietary supplements such as vitamins and minerals.

"FPI has an excellent customer-centric approach to developing unique flavors, and we believe they bring proprietary capabilities and extraordinary responsiveness," says Sean Cunningham, GTCR managing director. "We look forward to investing additional capital to support both organic initiatives and strategic follow-on acquisitions."

Terms of the FPI deal were not disclosed. Cunningham describes the deal as a partnership with FPI's existing owners, the Harris family, led by CEO Jeff Harris. FPI describes the deal as a recapitalization through a majority investment from Ceba-Tech. FPI, based in Valencia, California, remains a stand-alone business, retaining its name, employees, facilities and other assets. The company, founded in 1981, focuses on organic and natural products, with three facilities and research and development groups in Valencia, Cincinnati and Linden, New Jersey, as well as "an extensive library of proprietary flavors," according to GTCR.

The goal of St. Louis-based Ceba-Tech is to "build a market-leading platform in the specialty chemicals, materials and ingredients industry," according to GTCR. Nicolais, GTCR's partner in Ceba-Tech,

Flavor Producers

had founded and built his previous company, SensoryEffects, through acquisitions and organically before selling it.

GTCR made the investment in FPI from its $5.25 billion GTCR Fund XII, which closed its fundraising in October.

—By Keith Button

Watermill sells wire manufacturer

Winchester Interconnect Corp., a portfolio company of private equity firm Snow Phipps Group, has bought wire and cable distributor C&M Corporation from the Watermill Group. As the manufacturing industry has evolved in respect to its related processes, strategic buyers and private equity firms have found the sector to be ripe for middle-market deals.

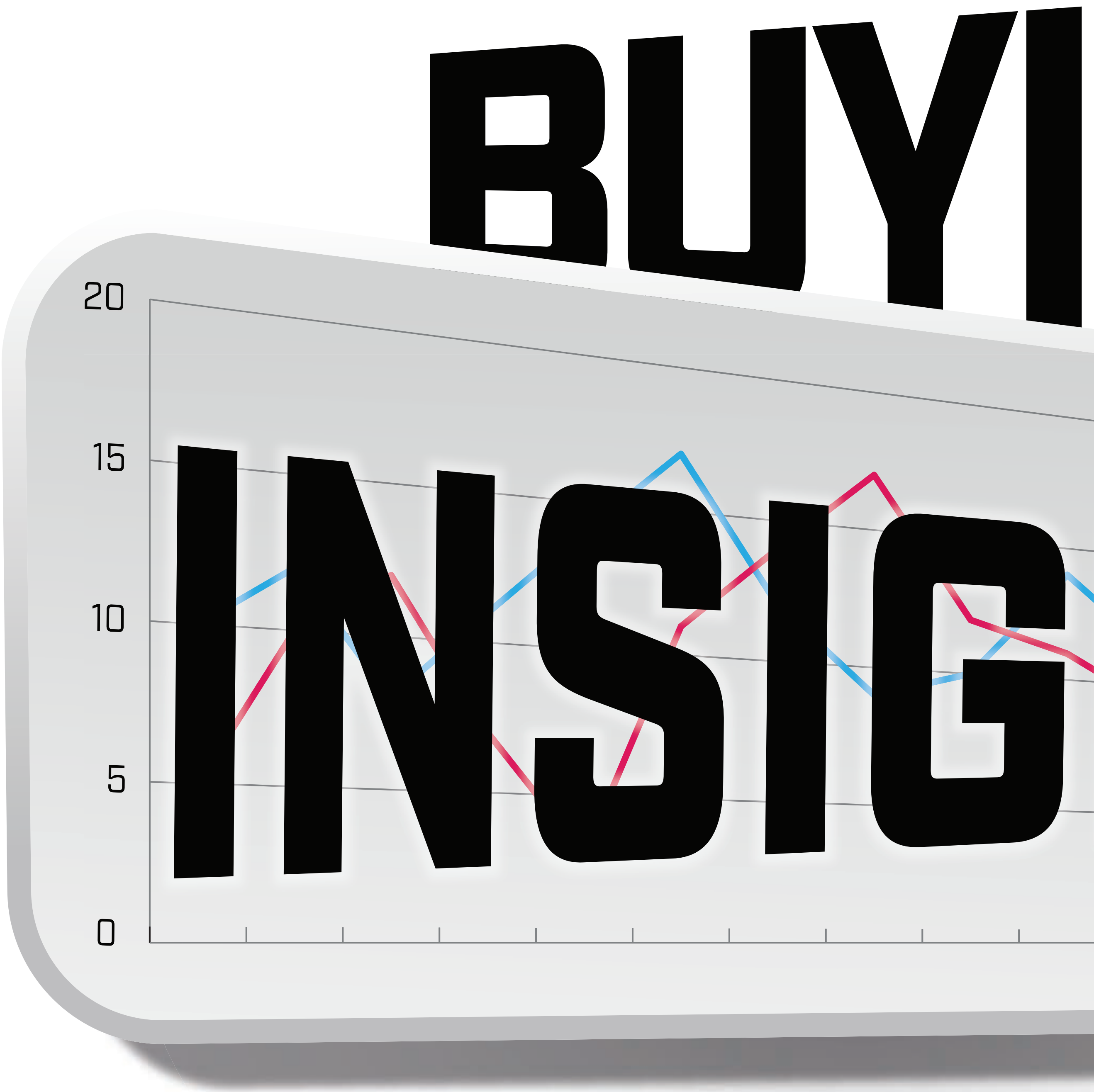
Dayville, Connecticut-based C&M designs wires and cables, coil cords, and cable assembly components for clients in the medical device, industrial automation, aerospace and military markets. Since acquiring the target nine years ago in 2008, the Watermill Group has helped to upgrade C&M's production facility, equipment, and introduced a new management team. The acquisition of C&M complements Winchester's product line by adding cable manufacturing capabilities. "The C&M of today is quite different from the firm we originally acquired, and we have been proud partners through their strategic journey," states Watermill Group partner Timothy Eburne. "As a result of Watermill's strategy development and implementation process, C&M evolved from a family owned job shop in an aging facility serving increasingly commoditized end markets into a professional, tightly run operation in a modern facility with a unique position in custom wire and cable."

Watermill Group, based in Lexington, Massachusetts, targets companies with annual revenues of $50 million to $500 million in the areas of manufacturing, value-added distribution and business services. The firm's portfolio includes fastening manufacturer Cooper & Turner, and metal parts provider Experi-Metal Inc.. Watermill and C&M were represented by financial advisor Sperry, Mitchell & Co., while K&L Gates LLP served as legal advisor.

Founded in 1941, Winchester Interconnect also designs and develops interconnect technology, including: circuit boards, radio frequency and power connectors, multi-pin connectors, and cable and electromechanical assemblies. The buyer is headquartered in Middlebury, Connecticut with additional distribution facilities in Connecticut, Massachusetts, South Carolina, Illinois, Mexico, China and Malaysia.

—By Kamaron Leach

BUYI INSIG



Financial services companies are clamoring for better ways to attract and retain customers

That puts data and analytics in the

NG

deal spotlight

By Demitri Diakantonis

In a world where gaining, retaining and understanding data on customer behavior is increasingly difficult, detailed information is more important than ever. Data providers for retailers are in great demand, and they have become valuable acquisition targets, particularly among strategic buyers. For instance, Sutherland Global Services Inc. has purchased venture capital-backed data analytics firm Nuevora to strengthen its digital services division. The deal allows for customers to use predictive insights to monetize their data assets.

“

People want to make more sustainable decisions based on analytics.

”

But it isn’t just retailers that are looking for data providers to help them improve their businesses. Deal activity is robust in the financial services space as well, with investment banks and other financial organizations needing custom information.

“Data is more valuable today in certain situations. People want to make more sustainable decisions based on analytics,” says Ken Schiciano, TA Associates managing director.

Dealmakers expect most deals to come from strategic buyers. One recent notable deal in the data sector was ION Investment Group acquiring a majority stake in analytics provider Dealogic from the Carlyle Group LP (Nasdaq: CG) and Euromoney. Dealmakers often rely on Dealogic’s data to indentify potential M&A opportunities.

“I don’t think data is that exciting to private equity. They build a mouse trap that allows strategic buyers to build a bigger mouse trap for data providers,” says Ajay Asija, B. Riley FBR senior managing director. “How do you monetize the value of customers and the information you have? The timing is important because you have companies focusing on it.”

Here are seven recent deals featuring strategic buyers that have been snatching up financial data providers:

1. ION acquires stake in Dealogic

ION Investment Group’s acquisition of a majority stake in Dealogic underscores the extent to which financial research companies have become attractive to buyers.

“Dealogic has a tremendous set of core data,” says Schiciano of TA Associates. “Ion will be able to refresh the technology.” Based in New York, Dealogic provides M&A and other financial analytics to financial services firms globally including each of the world’s top 50 investment banks. Dealogic’s main competitors include Bloomberg.

Carlyle and Dealogic’s management team are keeping a stake in Dealogic, while Euromoney—the European financial publisher-- is selling its 15.5 percent stake for about $135 million. Carlyle and Euromoney invested in Dealogic in 2014.

“We are excited to partner with ION and will benefit from the strength of their platforms and their established network of relationships with financial institutions and corporations,” says Tom Fleming, Dealogic CEO.

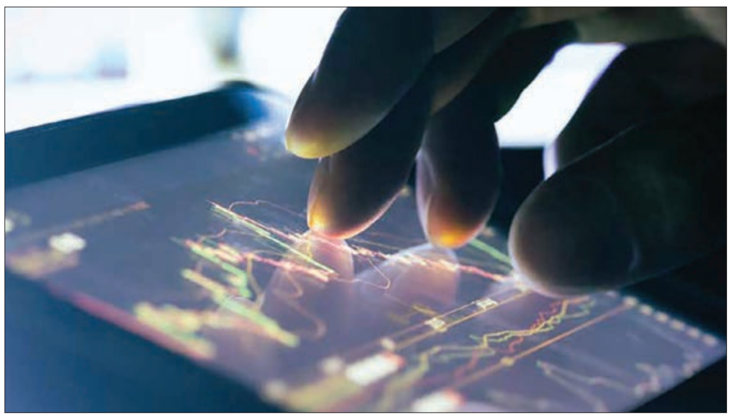
“Together we will be able to accelerate the digitization and automation of capital markets and introduce innovations to how financial institutions, investors and issuers conduct their business,” says Andrea Pignataro, ION CEO. Dublin-based ION provides market trading software to banks and other financial firms. UBS advised ION and is providing financing. JPMorgan Chase & Co. (NYSE: JPM) is advising Dealogic.

2. Morningstar purchases PitchBook

In December 2016, Morningstar Inc. (Nasdaq: MORN) acquired the 80 percent of PitchBook Data Inc. that it did not already own. The $180 million transaction expanded Morningstar’s deal research into private companies, since Morningstar mainly focuses on public companies. Seattle-based PitchBook, founded in 2007, delivers private capital market data on private equity and M&A, covering the full deal lifecycle.

Morningstar

“Data has always been Morningstar’s sweet spot, and we look forward to working with PitchBook to help investors and advisers better understand and navigate this evolving area of the market,” said Kunal Kapoor, Morningstar president, at the time of the deal. “Both Morningstar and PitchBook share the goal of bringing transparency to the investment landscape, and PitchBook is in a great position to continue its strong growth trajectory as private markets and private companies are areas of rapidly growing investor interest.”



IHS Markit

Morningstar, headquartered in Chicago, originally invested $1.2 million in PitchBook in a Series A round in September 2009 and another $10.0 million in a Series B in January 2016, amassing a 20 percent stake before the deal was announced.

“As investors increasingly broaden their horizons beyond traditional public markets and investments, the multi-asset capabilities Morningstar is building will become even more valuable,” said John Gabbert, PitchBook CEO, in 2016.

3. Markit adds Symphony-backed CoreOne

Financial information services company IHS Markit (Nasdaq: MRKT) bought CoreOne Technologies from Symphony Technology Group for $200 million in 2015. The acquisition expanded Markit’s services into prime brokerage services.

New York-based CoreOne provides regulatory reporting and other data management to hedge funds, investment banks and wealth managers. STG formed CoreOne in 2008 when the Palo Alto, California-based private equity firm bought financial data services company Netik from the Bank of New York Mellon Corp (NYSE: BK).

“I think there’s more interest, more talk, more people looking at it. All these businesses have a unique angle,” says Steve Pierson, president of Lovell Minnick Partners. Lovell Minnick is a financial services-focused private equity firm that invests up to $100 million in equity.

“CoreOne is a great fit for Markit. Their services will strengthen our offerings and will allow us to better serve our customers,” said Lance Uggla, Markit CEO, when the deal was announced. “The transaction is consistent with our long-term strategy to accelerate organic growth through acquisitions.”

CoreOne was not the only acquisition that London-based Markit made in 2015. In July 2015, Markit completed the purchase of trade securities software firm Mosaic for undisclosed terms and in March 2015, Markit said it would buy the Halifax House Index from Lloyds Banking Group for undisclosed terms.

4. Broadridge strengthens data services

Broadridge Financial Solutions Inc. (NYSE: BR) agreed to acquire Morningstar Inc.’s 15(c) board consulting services business for undisclosed terms. The acquisition will strengthen Broadridge’s ability to provide verifiable data to mutual fund boards of directors to help them fulfill their governance responsibilities. The consulting services business provides materials to the boards of directors and executive teams of mutual funds to assist them in reviewing and approving fee agreements with each of their investment advisers.

“The expanded breadth and depth of our da-

“ Private markets and private companies are areas of rapidly growing investor interest. ”

ta-driven solutions will continue to enhance the value we provide to our investment management clients and set the standard for the financial services industry," says Dan Cwenar, Broadridge's head of buyside data and analytics. Lake Success, New York-based Broadridge provides data and analytics services to insurers, retail bankers and wealth managers.

"Morningstar is sharpening its focus on delivering its fund data and analytics to as many users as possible," says Scott Burns, head of data and research products at Morningstar. "With this transaction, Broadridge's 15(c) consultants and client base can now utilize Morningstar's industry-standard data and calculations to help fund boards fulfill their fiduciary responsibilities to shareholders."

> "The investment management community is relying increasingly on independent data and analytics to drive their key business decisions."

5. Nasdaq grows buyside services

Nasdaq Inc. (Nasdaq: NDAQ) acquired analytics provider eVestment Alliance LLC for $705 million. The acquisition will advance Nasdaq's global information services business.

Atlanta-based eVestment has a database for both traditional and alternative investors that helps them make investment decisions. Its clients include 92 percent of the top asset managers such as Morgan Stanley.

"The investment management community is relying increasingly on independent data and advanced analytics to drive their key business decisions, including asset allocation and investment choices," says Adena Friedman, Nasdaq CEO.

"Our leadership team is excited to join Nasdaq," says Jim Minnick, eVestment co-founder. "We believe the combined organization will allow us to grow our core business while tapping into Nasdaq's technology expertise, leading data and software products, and global distribution. We've grown this business at a 12% annual growth rate

B;loomberg News

since 2013, and together, we expect to produce new and expanded opportunities for our clients by combining our proprietary capabilities with Nasdaq's core information services offerings."

eVestment is not the only significant acquisition Nasdaq made in 2017. The company also bought London-based Sybenetix. The target uses surveillance technology to analyze the behavior of traders in an effort to prevent market abuse.

6. Thomson Reuters buys two data companies

Thomson Reuters bought two technology companies in 2017 that specialize in know-your-customer (KYC) and reference data, as part of an ongoing M&A strategy to expand its data services for financial institutions.

The news and information company acquired Clarient, a client reference data platform, and Avox, a supplier of legal entity data on financial entities globally, both from the Depository Trust & Clearing Corp. Financial terms were not disclosed.

Clarient was founded by the DTCC with the participation of Barclays, Bank of New York Mellon, Credit Suisse, Goldman Sachs & Co. (NYSE:

Thomson Reuters

GS), JPMorgan Chase & Co. (NYSE: JPM) and State Street. Avox matches, enriches and maintains legal entity reference data for its clients.

"Clarient and Avox have made a significant impact addressing the industry's client reference data and lifecycle management requirements, reducing both cost and risk for our clients," says Steve Pulley, Clarient CEO.

Adobe Stock

The deals come as the increasing demands by regulators for transparency in financial transactions have spurred the creation in recent years of industry KYC registries, designed to reduce compliance costs for banks and duplicative paperwork for clients.

7. Verisk powers up energy information

Data analytics provider Verisk Analytics Inc. (Nasdaq: VRSK) reached a deal in November 2017 to acquire Boston-based PowerAdvocate for up to $280 million to expand into energy research.

"The acquisition will expand Verisk's existing offerings to the energy sector by adding PowerAdvocate's proprietary spend data and cost models. These enhanced offerings will provide our customers with unique insight to increase profitability," says Scott Stephenson, CEO of Jersey City, New Jersey-based Verisk. PowerAdvocate offers information and insights into cost saving opportunities for customers by analyzing spending and cost data obtained from transactions across services, materials and equipment categories in the energy industry. The company's data is designed to see if capital is being used efficiently.

As data providers become more valuable for corporations and financial firms, they will not likely make juicy investments for private equity firms. "It is a tough spot. You have to be in the right spot at the right time. You have to have a unique niche," says Steve Pierson. "I think it's going to be a tough sector for private equity." M&A

> "Data providers become more valuable for corporations and financial firms, they will not likely make juicy investments for private equity firms."

4 things private equity firms can do when faced with an underperforming investment

Aligning your team and use the data and tools at your disposal will help.

By Chris Wright

Businesses fail for any number of reasons. A company could be decades old with a track record of healthy profit margins before taking a sudden downturn; conversely, distressed investments can easily pivot with the proper guidance. Particularly when it comes to private equity investments, it seems one thing rarely endures: the status quo.

According to the Harvard Business Review, an estimated 70 percent to 90 percent of all acquisitions fail to achieve their anticipated strategic and financial objectives. Fortunately, this doesn't have to be the case, if you take the necessary steps to align your team and use the data and tools at your disposal. Here are 4 steps that can turn around an underperforming investment:

> "If you've been tracking the right data all along, you'll be able to identify problems earlier."

Oaklyn Consulting

Chris Wright

1. Identify company leaders

Take a look at the company leadership and assess who is onboard with new ownership and wants to move the company forward — and who isn't. Gather input from those already onboard as well as any detractors, and develop a way forward based on common ground. You'll need buy-in from everyone, as both investors and management must be in alignment about company objectives for them to have a shot at success. After all, investors only have so much operational capacity. So, build the plan together.

2. Be transparent

Once you have a plan in place, be 100 percent transparent — not just with managers, but with the entire team, if possible. Communication about the company should be straightforward and shared in a supportive, caring environment. Bad news and unpleasant realities are never easy to discuss openly, but it's necessary to have those difficult conversations so that everyone under-

stands what's happening at every stage. The whole team needs to understand what's at stake and common goals must be established before all parties can begin to move in the same direction with the appropriate sense of urgency.

> "Troubles with integration, management turnover, or lackluster sales, could arise that take the company off course."

3. Make use of available data

Make sure to track all sales, operational and other key metrics for the company. Investors always enter into an acquisition with a clear investment thesis, but rarely does everything go according to plan. The biggest impediment to outsized returns is time, so if you've been tracking the right data all along, you'll be able to identify problems earlier, allowing you to make any necessary changes to get back on track without losing too much time or going too far down the wrong path.

Even the most logical of investment theses is likely to fail, so don't be stubborn. If the numbers are telling you to pivot, then pivot. If they're telling you that customers want something different, change your product. And if they're telling you that an underperforming investment has turned into a failed investment, unfortunately a tough decision awaits. Let the data bear the brunt of the decision-making burden — when you aren't operating on your gut alone, it's much easier to pull the trigger on big, albeit needed, decisions.

4. Do sweat the details

For professional investors to realize the returns they seek, a great deal needs to happen between the point of acquisition and the point of exit. Troubles with integration, management turnover, lackluster sales, or any number of other problems could arise that take the company off course, so pay close attention to budgets and trends and err on the side of action.

If you take the time to align your leadership and let the numbers be your guide, an underperforming investment doesn't have to remain so. And when available data or team bandwidth are lacking, don't be afraid to bring in outside counsel for help. Make these four steps a priority and you'll be well on your way to turning a distressed investment into one that drives outsized returns.


Adobe Stock

Chris Wright is a principal at Oaklyn Consulting, which helps small and middle market companies with corporate financial strategy, mergers, acquisitions and capital raising.

ACG® Denver

2018

ROCKY MOUNTAIN
CORPORATE GROWTH CONFERENCE

MARCH 5-6 · HYATT REGENCY DENVER

PRESENTED BY

Bank of America Merrill Lynch

DISRUPTION IN THE MIDDLE MARKET: THREAT OR OPPORTUNITY?

Many of today's most successful companies didn't exist just a couple decades ago and many successful companies of a few decades ago don't exist today!

How can middle market businesses plan and operate in this disruptive environment?

How can investors avoid the downside that disruption causes and take advantage of the opportunities it creates?

How can senior and subordinated lenders distinguish today's good credits from tomorrow's work outs?

Come to the **2018 Rocky Mountain Corporate Growth Conference** to learn from middle market leaders who have successfully adopted and implemented disruptive growth strategies.

KEYNOTE SPEAKERS

MARC RANDOLPH
CO-FOUNDER, NETFLIX

WALTER ROBB
FORMER CO-CEO,
WHOLE FOODS MARKET

CONFERENCE HIGHLIGHTS

- ACG Capital Connection©
- ACG DealSource©
- Corporate Growth Awards
- Women in Corporate Growth Summit
- Expert Speakers on AI, Blockchain, Cyber
- CEO Panel of Disruptive Colorado Companies

MARCH 5 & 6, 2018
HYATT REGENCY DENVER
REGISTER AT
ACG.ORG/DENVER/EVENTS

ACG®
www.acg.org

Founded in 1954, the Association for Corporate Growth has chapters worldwide representing 14,500 members. ACG serves 90,000 investors, executives, lenders and advisers to growing middle-market companies. ACG's mission is to drive middle-market growth. The Denver Chapter of ACG is the premier business association in the Rocky Mountain Region offering access to the expert people and essential resources that help drive middle-market growth.

Partnering for success in the lower middle market

Private equity firms need the industry expertise of operating executives for their portfolio companies.

By Michael Pfeffer and Phil Johnson


Post Capital Partners

Michael Pfeffer


Post Capital Partners

Phil Johnson

It's no secret that more and more family- and founder-run businesses in the lower middle-market companies look to private equity capital to finance their growth strategies. In addition to capital, however, these companies often lack access to seasoned industry executives with the right leadership skills and experience to drive and support this growth. At the same time, many family- and founder-owned businesses have a hard time finding and attracting the outside talent they need to help take their company to the next level. Some private equity firms look to address this issue by dropping in operating executives after the deal has closed to supplement existing management.

> Founder-owned businesses have a hard time finding outside talent to help take their company to the next level.

An alternative approach that we have found to be successful is for the PE firm to partner with an industry executive before even identifying the acquisition target and to pro-actively search for investment opportunities together. This collaboration can create two key benefits. By partnering with an operating executive up-front, the sponsor can leverage the talents of an experienced senior executive within a target industry as part of due diligence and evaluation, which helps them make better investment decisions. For the operating executive, they have the opportunity to not only be a senior operator in a business, but also have the chance to become a true owner of a business.

Creating wealth opportunities

Let's look at the advantages of this approach from the executive's perspective:

First, many senior managers in any given industry have not had the opportunity to create significant personal wealth. Locked into a salary-plus-bonus structure, often with no, or minimal, equity, they can do well financially, but not create the long-term wealth they desire.

Second, many of these executives are truly talented managers with the entrepreneurial vision and drive to execute compelling investment strategies. What they lack is a partner that can help to make that vision a reality.

> Partnering with an executive with deep connections within a target industry can create a significant competitive advantage.

So, what are the tangible benefits to executives in partnering with a private equity firm to find deals, develop an acquisition strategy, and grow the companies they acquire together? Those benefits include:

- A greater likelihood of acquiring a business than if they pursued an acquisition search on their own.
- Access to the resources and relationships (e.g. investment bankers, industry consultants, lenders) of a PE firm focused on the lower middle-market.
- The instant credibility of having a financial partner with ready access to capital.
- A mutual and exclusive commitment to working together to proactively search for acquisitions within the executive's industry or expertise.
- The support of a private equity firm's marketing program to assist in identifying acquisition opportunities
- And with it, a significant wealth creation opportunity.

The right partner is important

There are also significant advantages to the PE partner in taking this approach.

First, it provides access to an executive with a compelling investment thesis that is grounded in specific experience and industry knowledge. At that point, finding the appropriate acquisition target to meet an executive's investment thesis becomes a proactive and collaborative process between the two partners.

Second, partnering with an executive with deep connections and networks within a target industry can create a significant competitive advantage that may avoid broad auction deals. The lower middle market is increasingly competitive, and as a result, an innovative approach to identifying and acquiring companies in proprietary or less competitive transactions can be vital.

Third, the executive can sharpen the PE partner's understanding of the opportunities and challenges that a company may face, providing valuable insight during due diligence and in developing the growth plan post-closing.

And finally, in pursuing a successful bid, the PE sponsor has in hand a true partner who can then integrate into the acquisition's management team, leading it forward with the vision and drive that first attracted the PE firm to him in the first place.

Finding success in specialty chemicals

That was certainly the case in the successful collaboration between Post Capital, which has an exclusive focus on the lower middle market but is a generalist in its investment strategy, with Phil Johnson, who spent nearly 25 years as an executive in the specialty chemicals industry.

After being introduced to Phil, Post Capital set up an exclusive partnership with him and commenced on a proactive acquisition search.

Based on his significant experience in the industry, Phil identified the water treatment segment as one with a robust universe of potential investment opportunities and growth potential.

After working together and identifying multiple investment opportunities, BHS Specialty Chemicals was selected as the acquisition of choice. In July 2010, the investment was made and Phil became CEO and part owner of BHS. Under Phil's leadership, BHS' revenues grew 75 percent and gross profit expanded by nearly 70 percent as the company moved into more value-added, direct-to-customer segments of specialty chemical production and technical service.

When the company was sold to DuBois Chemicals in June 2017, Phil remained in a senior management position.

While there are enormous opportunities for PE firms in the lower middle market, the sector itself is highly fragmented. Any competitive advantage gained by the sponsor in identifying acquisition targets, negotiating and completing the acquisition and then successfully managing the company for growth (and eventual sale) can have a direct and positive impact on investment returns.

For the executive, this approach to investing in the lower middle-market can create ownership opportunities that might not otherwise exist as a typical operating partner.

Mr. Pfeffer co-founded Post Capital Partners in 2004 and has more than 25 years of private equity and M&A experience. Phil Johnson serves as president of Dixie Chemical.

People

New Hires and Promotions By Kamaron Leach

The Halifax Group has expanded its team by three.

Allie Atwood has joined the private equity firm as a vice president based in Washington, D.C. Previously an assistant vice president at Nationstar Mortgage, Atwood is responsible for originating and evaluating investments.

David Calder was also hired by the Halifax Group as a vice president responsible for sourcing and monitoring investments. Calder joins from PE firm Tower Arch Capital as a vice president, and will now be based in Halifax's office in the nation's capital.

Davis Hostetter has joined the Halifax Group as a vice president based in Dallas. Previously an investment analyst at Hayman Capital, Hostetter is responsible for identifying and executing investments.

Amie Benedetto has joined law firm **Alston & Bird LLP** as counsel based in Atlanta. Previously serving as senior counsel at Proprium Capital Partners, Benedetto represents financial institutions and fund sponsors on commercial and compliance matters.

Brian Boyle was hired by **Raymond James Financial** (NYSE: RJF) as a managing director in the consumer investment banking division. Boyle joins Raymond James focused on the food and beverage sector with experience from PriceWaterHouseCoopers and Lehman brothers.

Livingstone Partners, a middle-market M&A advisory firm, has announced multiple promotions in Chicago.

Andy Bozzelli was promoted from managing director to partner at Livingstone. Since joining the firm in 2010, Bozzelli has advised Livingstone's media, technology and security clients on sell-side and buy-side M&A transactions.

Ryan Buckley has also been named as a partner by **Livingstone**. Most recently a managing director since joining the firm in 2007, Buckley has approximately 12 years of M&A, capital raising and restructuring experience.

Karl Freimuth has been promoted from managing director to **Livingstone** as well. Freimuth joined the advisory firm in 2007 and is co-head of Livingstone's U.S. industrial practice. Freimuth has more than 14 years of experience advising middle-market M&A transactions, capital raises and restructurings.

David Burcham has joined Los Angeles-based private equity firm **LightBay Capital** as a principal. Most recently a managing director Levine Leichtman Capital Partners, Burcham is responsible for sourcing and analyzing new investments.

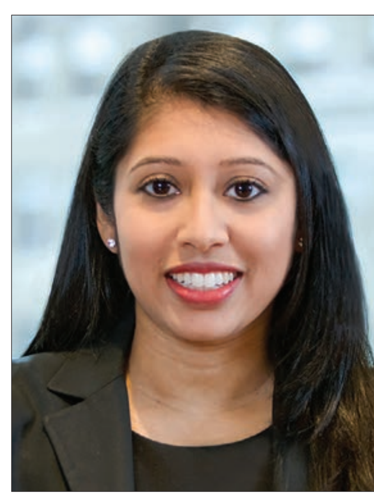
The Carlyle Group (NYSE: CG) has made numerous changes to its executive team effective January 1.

Based in Washington, D.C., **Peter Clare** has been promoted from head of Carlyle's global market strategies segment to co-chief investment officer alongside current CIO William Conway Jr. Clare has served in a variety of leadership positions since joining the private equity firm in 1992.

Kewsong Lee is joining Carlyle's executive leadership team as co-chief executive officer after joining the firm in 2013. Based in New York and Washington, D.C., Lee most recently served as deputy chief investment officer where he

Peter Clare

Peter Hlavin



Shamafa Khan

People

Kewsong Lee

Firdaus Pohowalla

Miguel Roman

led efforts to build the firm's private equity strategy.

Alongside **Kewsong Lee, Glenn Youngkin** is also joining Carlyle's executive leadership team as co-CEO after nearly 23 years with the firm. Prior to his new role, Youngkin served as Carlyle's president and chief operating officer based in Washington, D.C.

Peter Hlavin has joined advisory firm **Profit Enhancement Solutions** as a managing director based in Madison, Wisconsin. Hlavin previously led the business development efforts at consulting firm TriVista. In his new role, Hlavin focuses on increasing profitable growth for PE firms and corporations.

Cary Ho was hired by **CVC Credit Partners** as global head of collateralized loan originations. Based in New York, Ho joins CVC from Nomura Securities International Inc. where he worked in a similar role heading up the firm's credit structuring efforts.

Alice Huang has joined **Morgan Lewis & Bockius LLP** as a funds partner based in Hong Kong. Previously a senior tax manager at Deloitte LLP, Huang counsels U.S. and Asia-based fund sponsors.

Shamafa Khan has joined New York-based **Crayhill Capital Management** as a managing director. Previously a director in Barings' global business development group, Khan now serves as head of investor relations as Crayhill seeks to expand its private credit business.

Firdaus Pohowalla was hired by **Cascadia Capital** as a Seattle-based managing director leading the firm's middle-market industry group. Pohowalla brings more than 20 years of investment banking and advisory experience from Barclays plc (NYSE: BCS) and UBS Securities (NYSE: UBS).

Cowen Inc. (Nasdaq: COWN) has appointed two to its leadership team and promoted two of its exeuctives.

Previously serving as Cowen's head of equities, **Dan Charney** has been promoted to co-president alongside Larry Wieseneck. In his new role, Charney spearheads the firm's equities, prime brokerage, and securities lending divisions.

Miguel Roman has joined Cowen investment banking team as managing director based in New York. Roman joins from RBC Capital Markets LLC where he served as co-head of the U.S. loan capital markets team.

Jeffrey Soloman has been promoted from president to the next chief executive officer of Cowen, succeeding the company's founder Peter Cohen effective. Cohen will remain the company's chairman.

Larry Wieseneck has been appointed to co-president of Cowen alongside Dan Charney. Previously the chief executive officer at Roundtable Investment Partners, Wieseneck joins with experience in leveraged finance and debt capital markets. Cowen's investment banking, capital markets and credit divisions report to Wieseneck.

Amita Schultes was hired by **Agility**, the outsourced chief investment officer business of Perella Weinberg Partners, as a managing director based in New York. Most recently a partner at Colonial Consulting, in her new role Schultes works with U.S. endowments and foundations.

MARCH 7, 2018

MARRIOTT CITY CENTER

220 South State Street
Salt Lake City, UT 84111

SKI CONFERENCE MARCH 8, 2018

at The Grand Summit
Canyons in Park City
4000 Canyons Resort Drive,
Park City, UT 84098

KEYNOTE SPEAKER: DAN CLARK

CSP, CPAE, Hall of Fame Speaker, New York Times best-selling author

REGISTER NOW AT ACG.ORG/UTAH

and take advantage of
Early Bird savings until
January 12, 2018.

#ACGUtah #ACGConf

NETWORK | LEARN | COLLABORATE | MAKE DEALS

ACG® Utah