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# 10 M&A Insights

*Executives, investment bankers and advisers share tips for navigating the current mergers-and-acquisitions landscape, best practices for approaching a deal and the reasons behind the increase in activity.*

# #1

## M&A is heating up and could stay hot for a while.

“M&A will accelerate. 2014 saw a pretty good number of headline-making deals, and forecasts from a number of sources and experts say that we’re just at the beginning of renewed consolidation.”

- ***David J. Manthey***
*Baird*

# #2

## Recovering markets are especially ripe for M&A.

“Companies are cautious about growth, keeping an eye on economies of scale and operating efficiencies in core businesses. Financial investors continue to pursue high quality industrial assets with stable growth prospects, particularly in recovering markets.”

- ***PricewaterhouseCoopers report***

# #3

## M&A is picking up steam in distribution.

“The M&A market today is as strong as it’s ever been. That’s generally speaking, but it’s particularly true in the distribution space.”

- ***Reed Anderson***
*Houlihan Lokey*

# #4

## Both strategic *and* financial buyers are aggressively pursuing distribution targets.

"The private equity community – both mid-market funds that have traditionally invested in distribution, as well as the larger cap funds – has really looked at distribution models. They saw the performance through the downturn, the cash generation of distribution in 2009 – for many distributors that was a record cash year. From an ability to finance a transaction with leverage, that's very attractive in terms of risk."

- ***Jason Kliewer***
  *Baird*

# #5

## When it comes to "build versus buy" in today's market, companies are opting for the latter.

"You can certainly try to organically solve your problems – go out and identify product lines and suppliers, train your salespeople, build it up one customer at a time. Or, you can go out and do an acquisition and accelerate that process of filling the gaps very dramatically."

- ***Bob Eck***
*President and CEO,*
*Anixter International Inc.*

# #6

## Robust M&A activity isn’t only about market conditions; some companies simply want to sell.

“Sometimes it’s less about the economy and more about the decisions people are making in terms of succession planning, investing in the business, etc. To compete today you really need to be committed to technology and the investments that technology requires.”

- ***Frank Roach***
  *CEO,*
  *Ferguson*

# #7

## Keep an eye out for the deals that make sense for both the buyer and the seller.

“There are natural owners that emerge. We either are the natural owner of a business or someone else should be the natural owner of the business. We believe that allows you to have win-win transactions for both sides.”

- ***Joe DeAngelo***
*President and CEO,*
*HD Supply Holding Inc.*

# #8

## Smaller players with high valuations should be able to find an eager buyer.

“Coming out of the recession, a lot of companies chose not to sell at that time. Market uncertainty didn't make valuations very good for companies, but a lot of companies are now saying it's a good time to sell and a good time to join forces with a larger company.”

- ***Randy Aardema***,
*Executive vice president, supply chain,*
*US LBM Holdings LLC*

# #9

## Alignment of corporate cultures is often the touchstone of a good merger or acquisition.

“Culture match is the origin of success. When the two teams that are coming together see things, react to things, approach the world in a similar fashion and the acquired team has a desire to actively participate in the integration, in fact they see being acquired as kind of a springboard to bigger and better things for themselves, it’s magic. We have a saying around here: Culture beats strategy.”

- ***Michael Knight***
*Senior vice president,*
*TTI Americas*

# #10

## And always be on lookout for signs that maybe a target isn't the right fit.

“We watch for business practices that don’t match our own. They may be growing, but some customers are falling off the back. They keep going into new industries to find that growth even as older industries and older customers fall off. If they’ve got high turnover from an HR standpoint, those are all red flags for us, signs that maybe we don’t have a target here that’s committed to the long term, whether it’s with their own people or with their customers.”

- ***Jeff Crane***

*President and CEO,*
*ERIKS North America*

**Modern Distribution Management**

*Founded in 1967*
*by J. Van Ness Philip*

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Published twice monthly; $395/yr., $415 U.S. funds other countries. Six-month and two-year terms are available. For group subscription rates and site licenses, please contact Dillon Calkins at 303-443-5060 or visit www.mdm.com/corporate.



ISSN 0544-6538