Advisers tell clients to accelerate transaction timelines to take advantage of strong valuations

By MARK SANCHEZ  |  MiBiz
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M  

ergers and acquisition activity remained strong in West Michigan through the third quarter, as many sellers opted to go to mar-
ket while they can still get a good price for their businesses.

Professionals in the M&A industry describe a clear sell-
er’s market in which clients exiting their businesses often receive multiple offers from prospective buyers. Private

equity firms and family offices remain active, competing hard for good deals, which is keeping val-
uation multiples up.

“It’s a great time for the sellers,” said Mike Teeter, managing partner at Invictus
LLC, an M&A firm in Spring Lake.

Teeter’s advice for business owners considering an exit in the years ahead:

“Act now while the market is still good.

He cites a client that has worked with
Invictus to position the business for an eventual sale. The owners are in their late
50s and want to sell within three to five years.

“I have to look at them and say, ‘You need to look at it now because of where
we are from a multiple standpoint,’” Teeter said. “If you’re a seller right now
and your numbers are good and you have a team in place, that’s attractive.”

At Grand Rapids law firm Rhoades
McKee PC, M&A attorney Jon Siebers
reports deal activity that “is crazy right
now.”

“I don’t see any slowdown between
now and the end of the year. I’ve got a
ton of stuff going on,” said Siebers, not-
ing that private equity buyers are increas-
ingly active in the West Michigan market.

“You talk to business owners and if
they’re above a certain revenue range
and they’re in a certain industry, they’re
getting calls weekly from private equity
firms looking to come and talk to them.
That activity is still hot right now,” Siebers
said. “I don’t know if that’s going to slow
down in 2019 or not.”

There’s even “a ton of activity as well”
for companies that “are below what you
would normally expect to attract PE
attention,” Siebers said.

DRI  

POWER

John Kerschen, president and managing partner of Charter
Capital Partners, a Grand Rapids-based M&A firm that typi-
cally works in the lower middle market, attributes the pri-
ivate equity activity this year to the massive amount of “dry
powder” in the U.S.

American private equity firms entered the year with a record $335 billion in dry powder, up 44 percent from
12 months earlier, according to an August report by the

As private equity firms face deadlines to deploy their
available capital, they’ve become increasingly active and
competitive for deals, driving up multiples, Kerschen said.

“They have so much money and they have to get it
deployed, so they’re willing to pay up,” he said. “There’s a
sense of urgency to get transactions done.”

That makes for a strong M&A market, Kerschen said. He’s
been involved in M&A for 22 years and the present pipeline
of deals for Charter Capital Partners “is as good as we’ve
ever had.”

“We’re as busy as we’ve ever been and they’re good qual-
ity projects,” he said. “We’re enjoying this cycle.”

As well, Kerschen advises business owners looking at a
future exit to consider accelerating their plans before activ-
ty tapers off and multiples come down accordingly.

“We’re closer to the end of the positive cycle than we are
to the start of it,” he said. “This environment is good
enough to look at it now rather than later if you are at all
thinking about it.

Many sellers today are doing exactly that and putting
their businesses up for sale when they can take advantage
of a strong market and get top dollar, M&A experts say.

Randy Rua, managing partner at Grand Rapids-based
Novescor Group LLC that generally works with small busi-
nesses at the lower end of the middle market, said some
sellers saw the strength in the market in 2017 and decided
to make a move this year.

“That’s why we’re so busy. A lot of
people that are in our pipeline kind
of realize that they don’t want to miss
capital and have the market turn and
miss the opportunity,” said Rua, who
also encourages owners not to wait if
they’re considering an exit in the next
year or two.

“To wait one year, it’s too much risk
to lose out if something changes in the
market,” he said. “Getting proposals on
businesses is not an issue. It’s more how high
of a proposal you can get in this
market.”

EASING AHEAD?

Rua and others raise questions about the current cycle and how long the cur-
rent period of U.S. economic growth will continue.

Rua has represented several sell-
ers this year whose “numbers have all
slowed down.” He’s unsure if that’s an
emerging trend and an early signal of what’s to happen in the economy, or
just a reflection of the unique circum-
stances in those particular businesses.

“We hear positive things in the market, but these numbers we’re getting are all
decreasing in sales and increasing expenses. That’s what we’ve seen pretty consisten-
tly across several companies

we recently worked with,” Rua said. “That’s giving us pause to
say, ‘Is this just coincidence or is there something going on?’”

A couple of recent outlooks do see growth easing for the
U.S. economy next year and beyond.

Comerica Inc. projects real gross domestic product growth to come in at 2.7 percent and 3.4 percent for the
third and fourth quarters, respectively, after hitting 4.2 per-
cent in the second quarter of this year.

Real GDP growth will ease to 2.5 percent to start 2019,
then slow throughout the year to 2.1 percent by the fourth
quarter, according to the latest outlook Comerica issued
last week.

Despite the slower projected growth rates, the present
U.S. economic expansion that’s in its 122th month is “in no
immediate danger of ending,” Comerica Chief Economist
Robert Dye wrote in his October update.

Economists at the University of Michigan, in an updated
outlook this month, predict Real GDP growth of 2.3 percent
for all of 2018, followed by 2.8-percent growth in 2019 and
2 percent in 2020.

“RIDE THAT WAVE”

Even if the economy slows, Siebers at Rhoades McKee
believes it will generate an exact corresponding decline in
M&A activity. Some buyers are waiting for a slowdown to
happen because it will bring down multiples, allowing them
to get a better deal.

“Right now, I’m not so worried about when the faucet is
going to turn off. I don’t think it’s going to turn off, I think it’s going to slow
down,” Siebers said. “The interest-
ing thing is, I have a number of clients who have come to me and said, I have
a company I’m looking at or a business plan that includes acquisitions, but I’m
waiting for the slowdown, because I don’t want to pay the multiples we’re
seeing today.

“These multiples are going to come down and the companies are still going
to be very good companies. I think there are a lot of buyers that are saying, ‘I’m
not going to get caught up in the craze right now. I’m going to wait until things
slow down and other buyers are then sitting on the sidelines. That’s when I’m
going to get into the game.’

“If that’s the case, M&A activity may
not dip as much as you would expect when the economy starts to slow.”

Teeter at Invictus believes the M&A
market could see an “adjustment” in
the next two to three years. He views
the present market as having plateaued.

“We’re going to ride that wave for a while,” Teeter said. “(In) two, three
years, we’re going to see business con-

— RANDY RUA
Managing partner at Novescor
Group LLC

MiBiz Staff Writer Nick Mannes contrib-
uted to this story.
Congratulations to the Winners and Finalists of the 2018 M&A Deals & Dealmakers Awards.

We also congratulate Stephen C. Waterbury — a former ACG Western Michigan board president — on being named to the Western Michigan Dealmaker Hall of Fame.
LET’S CELEBRATE DEALS.

MiBiz, in conjunction with the Association for Corporate Growth Western Michigan, is pleased to present the sixth-annual M&A Deals and Dealmakers of the Year Awards.

Profiles of this year’s winners and finalists, selected by an independent panel of judges, can be found on the following pages. Their stories highlight the best practices for effective corporate dealmaking in the region, as well as spotlight the key dealmakers who’ve made their mark over the awards period, which covers July 1, 2017 through June 30 of this year.

New for 2018, we’re also presenting the first-ever Western Michigan Dealmaker Hall of Fame Award to Warner Norcross + Judd LLP attorney Stephen Waterbury, whose influence looms large on the West Michigan dealmaking community and successive generations of M&A professionals at the firm and beyond.

Please join us for the awards reception and networking event, which starts at 5:30 p.m., Thursday, Oct. 25 at the Gerald R. Ford Presidential Museum in Grand Rapids. For more information or to register for the event, visit mibiz.com/deals.

Brian Edwards, Publisher
Joe Boomgaard, Editor
Congratulations to our friend and former Advisory Board member, Steve Waterbury!
A focus on serving others serves Waterbury well during four-decade legal career

By MARK SANCHEZ | MiBiz
msanchez@mibiz.com

Friends and family saw Stephen Waterbury heading toward a career in law before he ever did.

A desire to serve others and help them succeed was the driving factor that led him to law school and to go on to a lengthy, accomplished legal career.

After graduating with an undergraduate degree from Michigan State University, he applied and earned acceptance to Harvard Law School.

A Lansing native, he later joined Warner Norcross + Judd LLP in Grand Rapids, where he's practiced business law for nearly 39 years. During his career, he has handled the legal work for hundreds of mergers and acquisitions domestically and globally, and served as a mentor to the firm's young associate attorneys at the dawn of their careers.

"Others assumed I would go into law earlier than I assumed I would go into law," Waterbury said discussing his career during an interview at the law offices of Warner Norcross + Judd overlooking downtown Grand Rapids.

"I ended up viewing it as a way of serving people — I wanted whatever I did to have that be a central component," he said. "At its highest and best, the legal profession is a service profession focused on helping people succeed."

Waterbury's career accomplishments as an M&A adviser, mentor and community builder earned him recognition as the first-ever winner of the Western Michigan Dealmaker Hall of Fame Award.

Waterbury is "the last of a dying breed," said Richard Noreen, CPA, a tax partner at BDO USA LLP who has known Waterbury for a quarter-century and worked with him on several client transactions. He praises Waterbury's "calming influence" and consensus-building approach on getting deals done. "No matter how contentious something was, Steve always found a way to find common ground, make people calm and find ways to help them out. That's a rare commodity, especially with an intelligent attorney who does a lot of deals."

Barnes & Thornburg LLP attorney Michael Campbell, who served with Waterbury on the board of ACG Western Michigan during the early 2000s, agrees. He's also been on the other side of some deals involving clients Waterbury represented, and praises him for his approach.

"Steve is a true gentleman. He's sharp. He's respectful of everybody — the clients, the other attorneys. He's a pleasure to work with, even if he's on the other side," Campbell said.

A GUIDING LIGHT

Throughout his lengthy career, his focus on serving and helping others succeed has been a driving force for the 68-year-old Waterbury. He calls it a "guiding light," going back to his youth when he became an Eagle Scout.

Practicing law and serving clients, he said, "isn't all about you and it's not about showing how smart you are. It's (about) helping others succeed."

"That's the way it seems to have been in my life," Waterbury said. "One thing I've learned is the more you try to help others and the more you give, the more you receive. If you can keep in mind that you shouldn't be focused on yourself and your own compensation, if you have that mindset, you will be doing very well yourself, including compensation. It will follow."

The first deal Waterbury handled on his own involved an acquisition of a Canadian company by Monarch Road Machinery in Grand Rapids, which later became Monarch Hydraulics Inc. He later represented the company, owned by the Jackoboice family, in its 2007 sale to Swiss machinery maker Bucher Industries.

His largest transaction was the 2000 sale of the former Grand Rapids-based Foremost Insurance Co. of America to Farmers Insurance Group of Companies, a subsidiary of Zurich Financial in Switzerland, for $812 million.

He counts his most complex transaction as the 2013 deal in which Toronto-based global packaging company CCL Industries Inc. acquired two divisions from Ada-based label.

See WATERBURY on page 16

"At its highest and best, the legal profession is a service profession focused on helping people succeed."

— STEPHEN WATERBURY
Partner at Warner Norcross + Judd LLP
WATERBURY
Continued from page 15

maker Avery Dennison Corp. for $500 million. The deal required Waterbury to coordinate law-
yers in 24 countries.

Clients whom Waterbury has represented over
the years say his service-to-others perspective
deply comes through, both professionally and
personally, in his legal work and representation. Clients speak of a high-level legal professional
with deep knowledge and expertise who walks
them through a transaction, no matter the com-
plexities involved.

Moreover, they say he does it with a calm
demeanor, steady hand and a dedication to ser-
vice that his clients praise even years later.

Steve Wiersma, a partner and president at Job
Fit Solutions in Grand Rapids, recalls the legal
team led by Waterbury was always accessible and
responsive during a transaction in 2010.

Job Fit Solutions, which today does pre-
employment assessments in health care, was
selling certain assets of the business to Boston,
Mass.-based Healthcare Source Inc.

Wiersma and his partner, Rich Kore, asked
a “trickload of questions” as they went through
the six-month sales process that summer and fall
and tried to figure out the legalese in documents
that came from the buyer’s much larger law firm.

“The responsiveness was incredible, anytime.
You’re living and breathing this stuff, so on the
weekends you’re poring through this and you
shoot off an email at 8 o’clock Saturday morn-
ing and at 9 o’clock … here’s your response,”
Wiersma said. “That was completely unexpected
and over the top in terms of service.”

‘A STEADY HAND’

To Wiersma and Kore, the deal was a “once in
a lifetime opportunity.” Waterbury and his team,
including Wijj partner Mike Jones, treated it as
such, guiding them through the process, identi-
ifying and holding firm on key issues during
the negotiation. The legal team took a “true interest
in our business,” which uses web-based software
in multi-employment screenings for hospitals and
hospitals and career assessments for high school
and college students.

“It wasn’t just a transaction. They really took
the time to understand our business and put our
best interests first,” Wiersma said. “They got us
a great deal. They got us what we needed and
what we wanted.”

Shelley Padnos, the vice chair of Padnos
Iron & Metal Co. in Holland where Waterbury
has served as general counsel for more than 15
years and handled several acquisitions, consid-
ers him a “wonderful adviser” who is thought-
ful, creative, humble and a “very generous, kind
man.”

“It’s very rare to have that combination of
things, and I think what that allows him to do is
to have his creativity accepted more readily and
more willingly,” Padnos said. “He doesn’t have
to show that he’s the smartest one in the room
at every minute, even though he might be. He’s
a leader because of that.

“His approach to everything, while very
knowledgeable, is also very calm and thoughtful.
That combination really allows for people to be
more willing to listen to very creative ideas that
perhaps they haven’t tried before, they haven’t
done before and haven’t looked at before.”

Padnos cites a deal in August in which
the company acquired a majority stake in Roseville-
based GLR Advanced Recycling, whose prior
owners remained with the company. The deal,
therefore, required working out an agreement
to accommodate the seller, she said.

“There were a lot of moving parts to it, includ-
ing how we were going to minimize taxes for
them and those sorts of things. He came up with
some very creative ideas as to how to go about
doing that,” Padnos said.

At EJ Group Inc. in East Jordan, Bill Lorne
credits Waterbury with helping to expand
the company nationally and internationally.
Waterbury has served as outside legal coun-
sel and advised on about 20 transactions for EJ
Group since 1987, said Lorne, vice president of
business development and the company’s in-
house counsel.

Waterbury brings to the company an objec-
tive, third-party perspective, according to Lorne.
When he offers an opinion, “he’s usually right,”
said Lorne, who considers “energy and integrity”
and “enthusiasm for new ideas” as Waterbury’s
best attributes.

“He doesn’t get carried away with a trans-
action,” Lorne said. “Sometimes when you get
involved in a transaction and you spend a lot of
time working on it, you get to a point you have
to make sure you pay attention to the details as
you go along and not just get lost in the excite-
ment of trying to close something.”

EJ Group, formerly known as East Jordan Iron
Works, employs about 2,500 people at nearly 30
locations worldwide.

Lorne recalls a deal in the mid 1990s in which
EJ Group was buying a foundry in Louisiana. The
deal was EJ Group’s first big acquisition and took
three years to complete because it involved clos-
ing a landfill.

Waterbury handled the deal with a steady
hand and patience as they worked through the
regulatory and environmental permitting pro-
cess, Lorne said.

“He kept on it and when we had to work, he
worked real hard, and when you just had to wait,
he was patiently waiting,” he said. “He was very
energetic, but at the same time, he would be pru-
dent and advise us to slow down or wait if it was
appropriate.”

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M&A AWARDS

INDUCTEE: WEST MICHIGAN DEALMAKER HALL OF FAME

STEPHEN WATERBURY
Partner Warner Norcross + Judd LLP

PRACTICES in
general business and
securities law

ACADEMIC DEGREES: Harvard University, J.D., 1976; Editor and case officer for

PROFESSIONAL AFFILIATIONS: American Bar Association Business Law Section,
Law Practice Management Section; State Bar of Michigan Business Law
Section, Council Member, 2001-08; Grand Rapids Bar Association, chair
of Library Committee for two years; Legal Assistance Center Technology Committee

BEST PRACTICES FOR EFFECTIVE
DEALMAKING: 1.) Sequencing is critical.
Items that involve third party consents
(for example) need to be identified and
planned for early on the timeline. 2.)
Knowing the views of your client on what
they consider important and what they
are most concerned about throughout
the process is important. 3.) Always treat
opposing counsel with respect and do
not disparage opposing counsel to any
team member.

PERSONAL: Wife, Karin; five adult sons
and daughters; two grandchildren

COMMUNITY INVOLVEMENT: Economic
Club of Grand Rapids board of directors,
2005-09; Grand Rapids Symphony board
of directors and executive committee,
past chair, 2005-10; Leadership West
Michigan inaugural class member, 2003;
University Club of Grand Rapids board
of directors, 1999-present; Association
for Corporate Growth Western Michigan
Chapter, board president, 2004; Gerald
R. Ford Presidential Foundation, board
of trustees and executive committee,
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PER
CADEMIC DEGREES:
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MENTOR
Throughout his long legal career, Waterbury also has taken on the role as a mentor to his younger colleagues at Warner Norcross + Judd.

Among them is Jeff Battershall, a partner who joined the law firm in the fall of 1989 after graduating from Harvard. He now co-chairs WNJ’s health care and life sciences practice group.

Waterbury taught him the value of strong client service and “to be very connected with your clients, to be available to them and to be in touch with them, and to give them a feeling that they are your priority and you’re responding to the now,” Battershall said.

He also was “very generous” in delegating responsibility and providing him meaningful, significant legal work that was “valuable work to learn from and valuable work to grow with,” professionally, Battershall said. He credits Waterbury with convincing him to pursue corporate law as the focus of his own legal practice.

Waterbury remains a colleague who “always available” for guidance or to talk through complex legal, practice management or ethical issues, Battershall said. Waterbury’s mentorship “definitely and substantially contributed to my success in my practice and my career here,” he said.

“Charlie’s view is we are in the service business, and we’re going to learn what they did that resulted in an award that historically had only been given to manufacturers. What did they do to win that award? What was special about their vision of how to serve others?” said Waterbury, who recalls having no time during the weekend trip for anything other than learning.

“I was on the ocean and we never had any leisure time,” he said. “Charlie was a little focused.”

To Waterbury, the role of mentor is just an extension to his view of servant leadership. He entered the legal profession with a goal of serving clients.

“I really felt that’s been my guiding light, to help others succeed and to serve others,” Waterbury said. “(Mentorship) was just all wrapped up in helping others succeed. It was just another version of that, only it was downward within the organizational structure. It’s the same sentiment that you apply to serving the client.”

That perspective was reinforced early in his own career by Warner Norcross + Judd’s former leader, Charlie McCallum. Waterbury recalls a trip in 1992 during which McCallum led the firm’s leadership team to a Ritz-Carlton hotel in Florida after the operator of luxury hotels and resorts had won the prestigious Malcolm Baldrige National Quality Award.

McCallum, whom Waterbury counts as a mentor, wanted to visit the hotel that put together the winning entry for the award to learn about its vision of serving others.

“One thing I’ve learned is the more you try to help others and the more you give, the more you receive.”

— STEPHEN WATERBURY
Partner at Warner Norcross + Judd LLP
A recapitalization in late 2010 put Grand River Aseptic Manufacturing Inc., on the path to triple-digit annual growth.

By 2017, the Grand Rapids-based contract manufacturer of injectable pharmaceuticals needed more capital to expand production capacity and maintain its growth trajectory.

So the company hired Fairmount Partners, a Philadelphia-based investment bank that specializes in life sciences deals involving similarly sized companies. Fairmount Partners concluded that GRAM had attained substantial value and could attract interest from a sophisticated buyer.

That process culminated in November 2017 when GRAM secured an investment from Chevy Chase, Md.-based private equity firm Arlington Capital Partners, which has a strong background and expertise in the life sciences sector.

Arlington Capital Partners acquired a majority stake in GRAM and provided the capital needed for an expansion that will more than quadruple production capacity. The firm followed the initial deal with a subsequent capital investment in the spring of 2018 that enabled GRAM to increase its expansion plan to include a nearly $60 million new facility.

"That was a significant increase in the scope and scale of our expansion, and Arlington was enthusiastically willing to support that additional expansion," said GRAM CEO Tom Ross.

"We have a fantastic partner with Arlington that is willing to support our growth going forward." The Arlington Capital investment in GRAM won the 2018 MiBiz M&A Deal of the Year Award in the category for deals valued between $25 million and $150 million.

A significant aspect of the deal was Arlington Capital Partners’ “tremendous experience in the pharmaceutical manufacturing space,” said Dale Grogan, a managing partner at Charter Capital Partners in Grand Rapids.

Charter put together the 2010 recapitalization and invested in GRAM.

Arlington Capital Partners’ position as a highly sophisticated investor in the sector gives it a chance to look at plenty of potential investment opportunities, Grogan said. Securing an investment from the private equity firm “is a real tribute to the quality of GRAM,” he said.

“These guys have a very discerning eye when it comes to looking at opportunities,” Grogan said. “They get to see every deal in this space.”

Arlington Capital Partners has more than $2.2 billion in capital under management through four private equity funds.

The firm’s investment in GRAM “validates what we’ve been saying for years,” Grogan said. “There are quality opportunities here (in Michigan) and we are not a flyover state.”

Through the deal’s structure, Arlington Capital Partners took a majority position in GRAM and several existing shareholders cashed out their investments. Other investors were able to roll over their holdings and retain their stakes in the company.

The deal “made a lot of money for a lot of people locally,” Grogan said. “That means there are more opportunities for that capital.”

The Van Andel Institute and Grand Valley State University originally founded GRAM, but the company struggled until December 2010, when a group of investors led by Charter Capital invested $2 million and acquired the company’s assets. As the new company created through the recapitalization grew quickly, it raised additional capital, including $9.8 million in 2014 that included an investment from the Municipal Employees’ Retirement System, the pension fund for Michigan public employees.

 Amid high sales growth, the company’s workforce increased as well. In 2011, GRAM had just 16 employees. The company grew to 32 employees a year later and to 137 within five years of the recapitalization.

The strong growth rate has since pushed GRAM’s workforce to about 190, according to Ross.

This year, Inc. magazine ranked GRAM as the seventh-fastest growing company in Michigan. The company ranked 705th nationally in the 2018 Inc. 5000 list of the fastest-growing companies in the U.S., with a three-year compounded annual growth rate of 701 percent and 2017 sales of $24.4 million.

The growth generated high interest in the company as Fairmount Partners scouted for an investor for GRAM. One of the biggest challenges in the deal was sorting through all of the proposals that came in, Ross said.

The number of proposals GRAM received during the process reached double digits, he added.

“We had substantial interest from private equity as well as strategic buyers, and many of those bids were very favorable,” Ross said. “(In) trying to decide what was best for our company, what was best for shareholders, what was best for employees, customers as well as the community, we had to sort through that.”

Arlington Capital stood out from the other bidders because it could provide all of the needed capital, offered expertise and experience with investing in and growing life sciences companies, and committed to expand GRAM in its hometown, according to Ross.

The commitment to Grand Rapids formed an important consideration for GRAM directors and shareholders, Ross said.

“It was crucial in our mind to continue to reinvest in our community and expand upon the success that we’ve achieved,” he said.

As GRAM now works to build and equip its new 60,000-square-foot facility on a site just south of GVSU’s Seidman College of Business, the company remains focused on maintaining high growth rates. GRAM most recently signed a manufacturing agreement to produce generic injectable drugs for SunGen Pharma, a Princeton, N.J.-based specialty pharmaceutical company.

The planned expansion, targeted to begin operation in 2020, “will create a world-class pharmaceutical facility based here in Grand Rapids,” Ross said.

As high growth continues, GRAM also may consider an acquisition in the years ahead.

“Having a partner like Arlington does allow us to consider a strategic acquisition sometime in the future,” Ross said. “That’s not our focus, but it’s always a possibility.”

Tom Ross, Grand River Aseptic Manufacturing. MiBiz file photo / Katy Battorff
Mergers & acquisitions can feel like a blur...

There’s a lot that goes into a deal. From the initial courtship to the final closure, you’ve put your blood, sweat and tears into making it happen. As you race to the finish line, make sure you’ve built in time to share the news.

The experts at Sabo PR have the insight, experience and know-how to manage internal and external communications for any deal – and to make sure the dealmakers get the credit you deserve.

We congratulate Steve Waterbury of Warner Norcross + Judd on the well-deserved recognition of the first Lifetime M&A Achievement. We are honored to have worked with him – and learned from him – for nearly two decades. Congratulations, Steve!
Quebec fruit beverage maker expands with deal for Old Orchard Brands

By MITCH GALLOWAY | MiBiz

acquiring Sparta-based Old Orchard Brands LLC in April allowed a Canadian beverage company to add a modern plant in Michigan to better access the Midwestern market.

The $148.9 million transaction with Rougemont, Quebec-based Lassonde Industries Inc. also provided an exit for the long-time family owners of the West Michigan fruit juice and beverage producer.

According to Old Orchard founder Mark Saur, the deal between the two companies was a “perfect combination.”

“I am proud of what we have built over the past 30 years and could not think of a better owner of our brand and business than Lassonde,” Saur said at the time of the deal. “I have always admired this family-oriented business, their value system and the quality of their product offering.”

The deal that provided Saur’s exit was recognized as a finalist in the 2018 MiBiz M&A Deals of the Year Awards in the category for transactions valued between $25 million and $150 million.

Old Orchard Brands launched in 1985 as an offshoot of the Saur family’s small fruit-growing operations north of Grand Rapids, although the company went on to source most of its juices and concentrates from various global suppliers.

As the Saur family first looked for an exit from the company more than a decade ago, they initially sold a majority interest in Old Orchard to Washington, D.C.-based Allied Capital Corp. for $64 million in 2007. Allied later sold 19 percent of its 78-percent stake in Old Orchard to Agile Fund I LLC, an investment fund that the firm co-owned.

When the downturn hit in 2009 and Allied faced financial distress, the firm asked Saur and his partners to buy its remaining 68-percent interest in the company at a discount.

However, the parties ended up in court after Agile Fund objected to the sale, saying that its stake had been diluted and that the deal with Old Orchard violated its operating agreement, according to court filings. The lawsuit was later dismissed in July 2012, leaving the Saurs back in control.

Now with the close of the Lassonde deal, Saur aims to leave the company in good hands and, at long last, make his exit. “This is a perfect match that closes an exciting chapter for our family and employees and opens an even more exciting one,” Saur said at the time of the deal.

The Old Orchard acquisition added $12.4 million to Lassonde’s sales in the second quarter, according to a recent earnings report. Lassonde reports revenues of more than $1.5 billion for 2017.

In the 12-month period that ended Dec. 31, 2017, Old Orchard generated $103.3 million in sales and had adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) of $15.8 million.

Lassonde is investing in bolstering its presence in the fruit juice market at a time when consumers are shifting their buying habits to the products for health reasons, as they move away from sodas and other sugar-sweetened beverages.

According to California-based Grand View Research Inc., the fruit and vegetable juices market is projected to expand at a mid-single digit compound annual growth rate to $257.17 billion by 2025.

“The Old Orchard brand is recognized in the U.S. for its good reputation and enjoys strong brand loyalty especially in the central United States,” said Stefano Bertolli, vice president of communications at Lassonde. “Adding the Old Orchard brand to our product portfolio strengthens our presence in the U.S. national brands sector. It has also expanded our product offering by adding a frozen juice line and capacity in PET containers.”

The deal for Old Orchard also included a separate purchase of the company’s manufacturing facility on 12 Mile Road and M-37 for $4 million.

Currently, Lassonde Industries makes a range of ready-to-drink fruit and vegetable juices and drinks under brands such as Apple & Eve, Everfresh, Fairlee, Fruité, Graves, Oasis and Rougemont. The company employs 2,100 people at 14 plants across the U.S. and Canada.
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Deal for Lectro breathes new life into Midwest Timer

By MITCH GALLOWAY | MiBiz mgalloway@mibiz.com

aced with an industry sea change and the loss of a major customer, Benton Harbor-based Midwest Timer Services Inc. needed to take action to remain a growing business.

The realization hit the company hard when it lost a contract to supply electromechanical timers to appliance maker Whirlpool Corp.

“We needed a different product,” said Bruce Chapman, co-owner of Midwest Timer. “Electromechanical timers are more or less going away. They’re going to continue to decline.”

The decline stemmed from appliance manufacturers “obsolleting” electromechanical timers in favor of digital components. While electromechanical timers still had a place in commercial applications, Chapman and his partner saw the business was “never going to grow.”

“There’s nowhere to take it. It’s never going to be that $10 million operation again,” he said.

To combat the declining sales in its legacy business, Midwest Timer opted to acquire Lectro Components Inc., a Carol Stream, Ill.-based distributor of electronics components and products for the building automation industry, including transformers, multi-voltage relay modules and power supplies.

The deal for Lectro Components positioned Midwest Timer “out in front” of a drastically shifting business model, said Chapman, who owns the company with his brother, Keith Chapman.

“One of the biggest things that interested us in Lectro was the fact that they were outsourcing some manufacturing to a related party,” he said. “We looked at that and said, ‘That manufacturing that’s being outsourced to that related party: We can do that. It’s a good fit.’”

Midwest Timer finalized the Lectro Components acquisition in December 2017. The deal is recognized as a winner in the 2018 MiBiz M&A Deals of the Year Awards in the category for transactions valued at less than $25 million.

Grand Rapids-based M&A firm Calder Capital LLC advised Midwest Timer on the transaction, and helped line up financing for the deal.

After receiving “some good interest” from lenders to back the transaction, a deal with one lender fell apart in the eleventh hour, said Patrick Robey, director of corporate development at Calder Capital.

“We had to scramble in mid to late November,” he said, noting the parties aimed to finish the deal by Dec. 20 — before the New Year.

“It was quick,” he said of the deal, noting that Midwest Timer gave the former owners of Lectro a 15-percent stake in the company to get the deal to a close.

“We had to get a little bit creative in terms of how the (former owners) earn that equity (and) how it’s structured over time,” Robey said. “We had to lock those guys down. Without those guys, we couldn’t have done this deal.”

**BACK ON TRACK**

Since completing the acquisition, Midwest Timer entered the industry control panel business, winning a bid to manufacture 3,000 units for Germany-based Siemens AG. According to Keith Chapman, Lectro will provide components for the industry control panels, which will be manufactured in-house by Midwest Timer.

“We’ve already taken out (one of our) timer lines (because of) this new 3,000-panel opportunity,” Keith Chapman said. “This is a building market for us. It’s our way to stay viable, because the timer business, we see it dropping off every year. … Panels are not a huge percent (now), but we see that as our future.”

The deal with Siemens, a global conglomerate of technology products, is worth almost $2 million in sales, he said.

At that level, the industry control panel business could “change the dynamic entirely” for Midwest Timer, as well as create symbiotic opportunities for Lectro, according to Bruce Chapman.

“That puts us in the big league,” he said of the contract.

Midwest Timer, which generates $11 million to $12 million in annual sales, will approach the industry control panel business with a similar “assembly line” strategy as its electromechanical timers, Bruce Chapman said.

“What’s our core expertise? It’s manufacturing. How do you streamline the process? What we looked at is starting up an assembly line where each operator has maybe 25 functions, and this will allow for good quality and quantity,” he said.

The company also plans to move Lectro Components’ Illinois warehouse into Midwest Timer’s 70,000-square-foot facility in Benton Harbor.

The move will allow the company to be more vertically integrated, he said, noting that it’s also cheaper to operate in Southwest Michigan than it is in the Chicago area.

With the consolidation and the new opportunities, the partners believe the company is positioned to compete in the future.

“We knew we were losing Whirlpool production. That’s the key to success: (managing) change,” Chapman said.
Sparks finds ‘perfect’ deal with acquisition of Nuvar

By NICK MANES | MiBiz
nnmanes@mibiz.com

A

my Sparks’ acquisition of Nuvar Inc., in May required the company’s new top executive to adapt to her role as an “outsider” as she worked to integrate herself into the operations.

The deal came about as a result of Sparks’ years-long business connection with Mark Kuyper, the founder of the Holland-based manufacturer and developer of finished goods primarily for the contract furniture industry.

To position the company for success after the close of the acquisition, Sparks — who took over as president and CEO — needed to showcase her leadership abilities to Nuvar’s approximately 140 employees.

“I was the outsider,” Sparks said. “That was unique coming into a team that was very much connected and had a long history with one another. It was incumbent on me to learn their rhythm and how they operated and then (figure out) how I could come in and work with that team and really make it better.”

Sparks credited her experience within the industries Nuvar serves and her background in financial management as crucial to positioning the company for growth after the deal, which was selected as a finalist in the 2018 MiBiz M&A Deals of the Year Awards in the less than $25 million category. She also retained nearly all of the company’s employees.

Early in her discussions with Kuyper, Sparks made it clear that she needed to know that key management staff were on board with the deal, and that there would be continuity in the existing staff mentoring and leadership training programs.

“You need a culture,” Sparks said. “Making sure that was aligned (was) first and foremost. For me, buying into a business where there’s a solid team in place was a tremendous bonus.”

Prior to acquiring Nuvar, Sparks spent 15 years leading Soundtech Inc., a Grand Rapids-based acoustical engineering firm that shared several clients with Nuvar.

When Kuyper decided to begin exploring succession options for the roughly three decade-old company, her name rose to the top of the list, driven particularly by her experience in the contract furniture market.

“Both of us saw the right fit and connections from the start,” Sparks said. “It did take a process of a couple years, something that we entered into both very carefully and with a lot of forethought to make sure it was right — first for the business, and right for Mark and myself.”

Advisers who worked on the deal described it as “perfect situation” for Sparks and Kuyper.

“We all were very collegial and we all tried to stay focused on the goal of keeping everything on a friendly, amicable basis,” said Jon Siebers, an attorney and shareholder at Grand Rapids law firm Rhoades McKee PC, who served as legal counsel for Sparks on the transaction.

“There were some bumps in the road that we hit along the way, as there are in every deal, but we focused on the goal of making it work and keeping Mark and Amy’s relationship strong,” Siebers said. “You don’t see that in every deal. A lot of deals, if the buyer and seller don’t have a relationship to begin with, they don’t care if that relationship is tarnished in the deal, so the advisers may tend to be more acrimonious.”

Trade groups representing the office furniture industry project continued expansion for the sector. The Business and Institutional Furniture Manufacturers Association (BIFMA) projects growth of around 4.5 to 5 percent in 2018 for the corporate, education and health care sectors.

While tariffs and the potential for an escalating trade war do lend an air of uncertainty for a company like Nuvar, Sparks said they are smaller concerns than the ongoing labor shortage.

Nuvar, which has annual revenue of between $40 million and $70 million, will likely need to hire 20 to 25 new employees in the near future if the company secures a couple of possible new contracts, Sparks said.

To that end, she credits the company’s people and culture as being crucial to ensuring its continued growth. While Sparks remains open to future acquisitions if the right opportunity presented itself, Nuvar typically prefers a more organic approach to growth.

“If you can take a really strong culture you already have and grow that internally, I find that’s (better) for success,” she said. “That’s our first focus.”

TOP EXECUTIVE: President and CEO Amy Sparks
ANNUAL SALES: Between $40 million and $70 million
TOTAL WEST MICHIGAN EMPLOYEES: Approximately 140
BUSINESS DESCRIPTION: Product developer and manufacturer of finished goods
BEST PRACTICES FOR EFFECTIVE DEAL-MAKING: “Respect and transparency. Make sure you are playing in the same ballpark in terms of financial expectations for the price of the deal. Is it sustainable for all parties? Alignment: Describe the outcome you want to see. What does success look like post close? Discuss the end result you both want at the start of the deal. Keep that in mind as you work through the deal and refer back to it when you get off track. (Lastly,) make sure your advisers are informed and on board with the outcome you want to achieve.”
COMPANY ADVISERS: Buyer: Rhoades McKee PC (legal), Hungerford Nichols (accounting), Mercantile Bank of Michigan (banking); Seller: Skyway Associates (M&A), Cunningham Dalman PC (legal), DierdenCoen & Co. (accounting)
PERSONAL INFORMATION: Married to Jeff Sparks; two sets of twin children, Lauryn and Nick, Alexa and Sarah
ACADEMIC DEGREES: Bachelor’s degree in business administration from Grand Valley State University; master’s degree in accounting from University of Michigan Ross School of Business
COMMUNITY INVOLVEMENT: Advisory board member of the GLSU International School of Business, multiple ministry teams at Ascension Life Church, various booster boards at Hudsonville High School (which all four children currently attend)

Transition your business with a business leader.
For Zeigler, love of dealmaking started early in career

By JOE BOOMGAARD | MiBiz

Aaron Zeigler fell in love with the car business as a teenager.

Fresh out of high school, Zeigler started selling cars part-time over the summer at his father’s dealership, and the experience convinced him that he wanted to make a career out of it. He loved the art of the transaction, and he was good at it, quickly becoming the dealership’s top salesperson.

That knack for dealmaking later would prove valuable, as Zeigler took over the family-owned Zeigler Automotive Group, which at the time had five dealerships across West Michigan.

Via a string of store acquisitions and the addition of new nameplates in West Michigan, Indiana and Illinois, the Kalamazoo-based Zeigler Automotive Group now ranks 62nd nationally with 15,096 new car sales in 2017 and $7.8 billion in revenue, according to Automotive News.

The company, which employs more than 1,600 people, is tracking toward $13.3 billion in revenue for 2018, thanks to organic growth in its existing markets and a pair of high-profile deals earlier this year in the Chicago area.

One of the deals, for McCarthy Ford in Chicago, came about as a result of some old-school sleuthing. Zeigler smelled an opportunity when the OEM had no influence on deal terms, according to Zeigler. The deal gave Zeigler Automotive “control most of the deals,” according to Zeigler.

“Ten years ago, the manufacturers were the last one to find out about a deal. Today, they’re usually the first one, and they’ll bring the deals to you when they get somebody that wants to sell,” he said. “Typically for dealers that want to sell, they now want to work with the manufacturers because … they want to make sure the manufacturer is going to approve it. It’s better to go to manufacturer first, and say ‘Hey, who would you want to put in there, who would you approve?’ and then work directly with those people.”

Zeigler’s February deal for Grossinger Buick GMC Cadillac in Lincolnwood, Ill., exemplifies the rule the OEMs play in the transaction process. General Motors was in the process of buying out the Grossinger family and contacted Zeigler to see if he wanted to take the deal.

“Manufacturers are looking for somebody with a proven track record, and each manufacturer has a team of dealer development people in each one of their regions that have relationships with dealers,” he said. “They’re the ones that are responsible for picking who they would like to have go in, and who they think would be most successful.”

While General Motors paired Zeigler Automotive with the Grossingers for the transaction, the OEM had no influence on deal terms, which the two companies worked out on their own, Zeigler said.

The deal gave Zeigler Automotive a store in the largest market in Illinois for the Buick, Cadillac and GMC brands.

Zeigler Automotive is building out a separate store for the Cadillac brand that will be the first in the country to debut the automaker’s new design language “from the ground up.” As well, Zeigler plans to completely renovate the existing space for the Buick GMC store and bring it up to GM’s current design standards.

The company funded the Grossinger acquisition with the proceeds of a February sale of its Honda dealership in Amherst, N.Y., the first divestiture in corporate history for Zeigler Automotive.

According to Zeigler, the company—which specializes in buying underperforming dealerships—had completed a turnaround of the store’s business, but it remained a bit of a geographic outlier in its portfolio. As well, Zeigler quickly tired of the New York business climate.

Quite frankly, the state of New York with the taxes out there and the fees that they charge you, it’s a lousy state to do business in,” he said.

When Zeigler decided to start exploring a sale, a public dealership group “made a pretty large offer that I didn’t think would exist, and then a local guy heard about that, and he outbid them.”

Looking ahead, Zeigler sees more opportunity to grow in the company’s core markets of West Michigan and the Chicago area, particularly as aging dealership owners look to sell and as consolidation continues in the industry.

Kerrigan Advisors, a California-based sell-side advisory firm, expects dealership transactions to increase this year following 207 completed deals in 2017. That was down 8.5 percent from 2016, but the fourth consecutive year in a row with more than 200 deals, the advisory firm noted in its annual report.

“We expect 2018 to be a very active year for buy/sells with more private and public buyers eager to put their capital to work. These buyers believe growth is the answer to a changing auto retail environment and are eager to capitalize on economies of scale and scope,” Ryan Kerrigan, managing director of Kerrigan Advisors, said in a statement.

The online shift in consumers’ habits is helping fuel that consolidation because companies that have more stores can show potential buyers a broader array of products and have a better chance of striking the vehicles they want.

“It’s really hard for somebody that only has one or two dealerships to compete anymore because of the way that the car-buying process has changed,” Zeigler said. “Almost all customers today get online. If you go to our website, I’ve got almost 10,000 cars in stock at any one point, so you’re going to pretty much find something that you want. If a single-point dealer has 200 cars, then it’s a lot harder to do that. Typically … when somebody’s selling out, they’re selling to a company that has multiple dealerships already.

“We’re going to continue to grow where it makes sense … A lot of people held on during the recession, and the economy’s been very strong here the last couple years, and they’ve done well. But I think there’s also maybe a little bit of pent-up demand, where there’s a very aging dealer body, and you’re going to see a lot of people retirings here in the next five years or so. That’s going to create a lot of opportunities to be able to grow going forward.”

AARON ZEIGLER
President, Zeigler Automotive Group

■ ANNUAL SALES: $10.8 billion in 2017, tracking to $13.3 billion in 2018
■ TOTAL EMPLOYEES: 1,600 across West Michigan, northern Indiana and Illinois
■ BUSINESS DESCRIPTION: Automotive dealership group that operates more than two dozen stores, plus Zeigler Motorports, a destination motorcycle/ATV store in Comstock Township, east of Kalamazoo
■ BEST PRACTICES FOR EFFECTIVE DEALMAKING: “I typically buy underperforming businesses, and our job is then to get them to perform. The first thing that you have to do is get the culture right, and get the mindset right, and have the right leaders. Typically the reason why something is underperforming is because of the current leadership, so we change up the leadership, put our own leadership team in, and then build from there. It’s really duplicating past efforts. We basically take our whole group of vendors with us at our other dealerships. When we buy a new dealership, we take out whatever the other dealer’s doing, we put in our own stuff and we do it quickly. You can really turn the dealerships fast, and get them to perform. We’re also only looking for dealers that are in bigger markets — so a market that’s either stable or growing — and then stores that are major franchises as well. I’m only looking for those tier-one franchises.”
■ PERSONAL INFORMATION: Wife, one son, three daughters
■ ACADEMIC DEGREES: Bachelor’s degree in marketing and management from Michigan State University; graduated from the National Automotive Dealer Association (NADA) Academy
■ ADVISORS: Verusum LLP (legal); Huntington Bank (banking)
he secret sauce that separates Auxo Investment Partners from other private equity firms comes down to hard work.

According to Jeff Helminski, a managing partner at the Grand Rapids-based Auxo, which has completed four deals in the last 12 months, with more on the way. The firm plans to invest in another 10 to 15 companies over the next three years, he said.

In the dealmaking process, Auxo seeks to hold itself to “the highest standard in the industry” by deploying a strategy that reflects the values of the partners, whose aim is to help companies unlock their growth potential, according to Helminski.

“For us, it starts with a good small company that knows how to do what they do really well that hasn’t evolved or developed themselves into a scalable platform yet,” Helminski told MiBiz. “We’ve got a pretty unique approach in the world of private equity, and we started from scratch when we built this.” Helminski said. “When you’re starting from scratch, it’s a challenge like no other. … With Auxo, we had that set of challenges we had to overcome on top of the standard set of challenges you have on the deal-making side of things in our business. It kind of feels like we were fighting on two fronts and have been fortunate to be successful at both of those.”

**TARGETING COMPANIES**

Before identifying possible deals, Auxo goes through a heavily structured process, according to Helminski. “We have sort of a standard evaluation process where we’ll evaluate a potential opportunity based on a number of metrics that are important to us and our thinking,” he said.

According to Helminski, the firm seeks to acquire companies whose owners want to transition to retirement over time, may lack a next generation in the family to take over the business, or need capital to grow.

The company’s strategy appears to be paying off. Auxo acquired Elkhart, Ind.-based Atlas Die LLC and Rochester Hills-based die maker Bernal LLC simultaneously in August 2017, and followed it up with a deal for M/G Transport Services of New Orleans in November. Auxo further added to its die manufacturing platform on June 29 with a deal to acquire Williamson-based Midway Rotary Die Solutions. The four transactions totaled nearly $100 million in enterprise value.

For the company’s active dealmaking period and his vision of an investor-centric private equity model, Helminski was selected as a finalist in the 2018 MiBiz M&A Dealmakers of the Year Awards in the corporate executive category.

After the close of the award period, which ended June 30, Auxo subsequently completed the $50 million capital raise for its first fund. Helminski said he’s focused on identifying dynamic “small family-owned businesses” that could grow into a “much larger, more scalable business” by partnering with Auxo.

“Depending on the founder or the family, different growth paths exist,” Helminski said. “Some of those growth paths might include selling to another family business or an industry investor, or moving into diversified businesses. Or we might want to take it to the next level, or need to think about the kinds of investments we make and theplace these kinds of companies tend to be, we wanted an investment base that reflected that. We’re people who understand these industries. They can be helpful with customer connections, diligence, connecting with industry experts, and they are people that are in the markets where the kinds of businesses Auxo invests in exist and are located.”

**JEFF HELMINSKI**

Managing Partner at Auxo Investment Partners

- **ANNUAL SALES:** Roughly $30 million for companies owned during the award period
- **WORKFORCE:** 5 employees at Auxo
- **BUSINESS DESCRIPTION:** Private investment firm that targets North American industrial companies that have EBITDA of $1.5 million to $15 million
- **BEST PRACTICES FOR EFFECTIVE DEAL-MAKING:** Be honest and forthright in negotiations, listen to the needs of others involved and be creative and flexible in finding solutions, and be tenacious and unrelenting. There is no such thing as a straight path to consummating a deal; there will be twists and turns and numerous obstacles.
- **PERSONAL INFORMATION:** Married to Tammy Helminski, a partner at Barnes & Thornburg LLP; two sons, Dominic (8) and Ryan (6)
- **ACADEMIC DEGREES:** Bachelor’s degree in mechanical engineering from Michigan Technological University, master’s degree in engineering from Purdue University and MBA from the Stanford University Graduate School of Business
- **COMMUNITY INVOLVEMENT:** Board member of Spectrum Health Hospital Group, Broadway Grand Rapids and the St. Thomas Educational Support Services Fund
- **COMPANY ADVISORS:** Barnes & Thornburg LLP and Miller, Johnson, Snell & Cummiskey PLC (legal); BDO USA LLP (accounting), Aon, Advantage Benefits Group Inc.
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Kothari sees positive changes in M&A market

By NICK MANES | MiBiz
nmanes@mibiz.com

The recent scale and scope of M&A activity around the region has made for a “pretty cool year” for deal advisers like Rajesh Kothari.

Kothari, the managing director of Southfield-based investment banking firm Cascade Partners LLC, notes a dramatic shift over the last couple of years in the types of capital now targeting companies across Michigan.

“The range of buyers has grown dramatically,” Kothari said. “That’s creating a really robust environment because I can find everything from traditional private equity, to strategic, to private equity-backed strategies, to family offices, to independent sponsors. The plethora of those things didn’t exist the same way at the same intensity even five or seven years ago.”

Cascade Partners’ work over the last year has encompassed a wide spectrum of industries, ranging from transportation and service-based businesses to consumer-focused companies. However, Kothari has been particularly active in health care deals, which earned him recognition as the winner of the 2018 MiBiz M&A Dealmaker of the Year Award in the adviser category.

Earlier this year, Kothari and his team helped sell Kalamazoo Emergency Associates P.C. (KEA) to American Physician Partners LLC, a Tennessee-based health care-focused private equity firm.

In that transaction and other health care industry deals, doctors are driven to sell by their desire to focus on practicing medicine while leaving the responsibility of the business operations to someone else, such as a private equity group.

“In (KEA’s) case, they knew the market was changing and for them to continue to be a very strong and successful competitor, they needed more resources,” Kothari said of the deal. “They looked at this as a partnership where they can really do a much better job of both serving their patients and their hospital customers with more resources than a single … small group can provide on their own.”

The motivations in the KEA deal shared several similarities with Grand Rapids Ophthalmology P.C.’s sale to Sterling Partners, a deal Kothari worked on early last year. The deal was named a finalist in the 2017 MiBiz M&A Deals of the Year Awards.

“The physicians are the revenue generator. The problem is that the industry has gone through such transformation in how they run their practice, the economics of their practice, and as a result, the business of being a doctor is a lot different,” Kothari said. “Private equity has been very, very successful in a number of specialties.”

Global health care M&A activity continues on an upward trajectory. Total deals in 2017 grew 28.6 percent, with 263 health care-related transactions and total disclosed deal value of $42.6 billion, the highest level in a decade, according to an April report from Boston private investment firm Bain Capital.

“As the year progressed, PE funds latched onto the fundamental forces that have long made health care such a compelling investment: an aging population, the rising prevalence of chronic disease, the continuous development of innovative drugs and devices, and a still fragmented and largely inefficient delivery system that is ripe for innovation, disruption and consolidation,” the report’s authors stated.

With private equity and a wide variety of other alternative lenders seeking to deploy billions in capital, Kothari is seeing a shift in the role for M&A advisers, particularly on sell-side deals.

While finding the right suitor and working on deals financial remain top priorities, Kothari said he also must work as an educator and help worried sellers understand what a sale to a private equity firm means.

“I think one of the things that we’ve done very well is (educate) people to understand the implications of these partnerships and what it’s going to mean to them, and how it’s going to affect their lives, potentially, and the lives of their employees and their practices,” Kothari said.

Most commonly, sellers fear they’ll become an “indentured servant” to the private equity firm, he said, noting health care practitioners also worry they’ll be told how to practice medicine. The reality is quite different, Kothari said, particularly given the number of offers many sellers are now getting, which itself provides them flexibility in the dealmaking process.

“For a lot of these guys, this was like, ‘Wow, I didn’t know I had this many options,’” Kothari said. “That’s a change that our clients are seeing and that we’re seeing. While we might’ve presented two or three options before, we’re now presenting five and six options.”

Given the volume of offers and the leverage that gives sellers in the current market, Kothari counsels sell-side clients to be patient and carefully examine all offers to find the deal that makes the most sense for them.

“That hurts us short-term economically, but in the long run, it’s proved to be the right answer,” Kothari said. “We’ve become that trusted partner. (Clients have) a lot of opportunity and a lot of times we’re like, ‘Hey, dude. (That offer) doesn’t really make sense.’”

Most experts tracking the M&A industry project strong deal activity to continue throughout the remainder of the year, with few signs of any sort of slowdown. For his part, Kothari tends to agree, noting he’s still got several deals in the pipeline.

While the ongoing labor shortage and uncertainty over macro-economic issues such as tariffs create headwinds, Kothari expects the momentum in the M&A market to keep going and prove attractive to sellers.

“You’ve got a strong global economy, which is going to help, and I think everybody is nervous about a recession,” he said. “As long as we’re all nervous about a recession, I think we’re less likely to have a recession.”

Cascade Partners is an investment banking firm providing financial advisory services to middle-market companies in a wide range of industries. The firm targets companies with $5 million to $500 million in revenues.

Kothari is an experienced industry professional with a focus on technology and health care. Kothari is a graduate of the Ross School of Business at the University of Michigan, a Chartered Financial Analyst, and holds a Bachelor of Science degree in economics and a Master of Business Administration from the University of Michigan.

Rajesh Kothari
Cascade Partners

PHOTO: KATY BATDORFF

RAJESH KOTHARI
Managing Director at Cascade Partners LLC

- Business Description: Cascade Partners is an investment banking and private investment firm serving entrepreneurs, businesses and investors active in the middle market and growth-oriented companies.
- Best Practices for Effective Dealmaking: “Focus on objectives before evaluating solutions. Preserve backup options to ensure success. Outline expectations and options and be direct in outlining the implications of those options.”
- Personal Information: Married to Christie; two children, Sanjay and Priya
- Academic Degrees: Bachelor’s degree in economics and MBA from the University of Michigan; Chartered Financial Analyst (CFA) licensed
- Community Involvement: Commander of the Michigan Wing Civil Air Patrol, an auxiliary of the U.S. Air Force; board member and chair of the finance committee at Priority Health; member of the alternative revenue task force for Leader Dogs for the Blind; adjunct professor at the U-M Ross School of Business

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Friar finds deals aplenty in niche segment of M&A sector

By NICK MANES | MiBiz
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focusing on the smaller end of the M&A market, Max Friar has sought to expand the deal flow for his Grand Rapids-based advisory firm. The managing partner at Calder Capital LLC says he’s long thought about moving “upstream” to focus on bigger deals, but his firm continues to explore a largely unfilled niche segment of the industry with smaller, often family-owned businesses.

In many instances, Friar enters the picture shortly after owners realize their children aren’t interested in taking over their companies, forcing them to find a new ownership group for the business. Those situations can make for some difficult conversations, he said.

“We have to be emotionally sensitive at this level,” Friar said of working with small businesses. “I don’t mind. I enjoy the family business. It feels authentic to me.”

Calder Capital typically advises companies with earnings before interest, taxes, depreciation and amortization (EBITDA) between $500,000 and $1 million, Friar said, adding that he sees opportunity to move up from there. He works with businesses both on the buy-side and sell-side.

“We have ambitions up market and down market,” Friar said. “I think … expanding the team with ethical, qualified, hungry advisers is high on my list, but don’t go too quickly. You’ve got to make sure you know who you are getting involved with.”

In 2014, Calder Capital’s first full year of operation, the company completed five transactions. Friar said. So far in 2018, the firm has already completed more than a dozen transactions.

“I’ve got quite a few on the books,” Friar said. “But while structuring the deal to avoid the need for seller financing or earnouts remains critical for many of my clients, sellers increasingly care about the continuity and legacy of the company they’ve worked to build, Friar said. “They want to make sure they chose the right buyer because they don’t want the business to crumble,” Friar said. “At the same time, they generally care about the continuity and legacy of the business.”

Most sellers are motivated by the amount of cash they’ll be left with once the transaction closes. But while structuring the deal to avoid the need for seller financing or earnouts remains critical for many of my clients, sellers increasingly care about the continuity and legacy of the company they’ve worked to build, Friar said. “They want to make sure they chose the right buyer because they don’t want the business to crumble,” Friar said. “At the same time, they generally care about the continuity and legacy of the business.”

Family companies selling to outside parties appears to be part of a growing trend, according to the findings of a 2017 survey of family businesses from global consulting firm PricewaterhouseCoopers LLP (PwC). In 2016, 30 percent of family businesses said they planned to sell to an outside party rather than pass the company on to a family member. That’s up from 12 percent in 2012. Meanwhile, the number of family businesses that plan to pass companies on to a family member continues to decline, according to the PwC survey.

Like any M&A adviser, Friar pays particular attention to macroeconomic trends, especially the slowly rising interest rates and the effect they could have on transaction volume. Thus far, Friar sees the incremental growth in rates of around one quarter of a percent at a time as simply a cost of doing business.

“That’s not going to scare people away,” Friar said. “If you can buy a property that is 20 percent income-producing, who cares if you’ve got a 6 percent interest rate. These buyers will leverage that all day long.”

To that end, Friar doesn’t see anything in the short term that will put an end to the recent flurry of dealmaking activity, particularly given the changing demographics around the country.

“In the niche that we have with Calder and with Small Business Deal Advisors LLC, which focuses on working with franchise owners, As Friar seeks to bolster Calder Capital’s position in the small business and family-owned business M&A market, he notes a handful of emerging trends.

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“In the niche that we have with Calder and with Small Business Deal Advisors, I don’t see there’s any way — demographically, economically — where we’re any less busy,” he said. “I don’t see how this happens. I know there will probably be more competitors coming into the M&A space because of this large turnover that’s really beginning in earnest.”

MAX FRIAR
Managing Partner at Calder Capital LLC

Business Description: Mergers and acquisitions firm that represents buyers and sellers of primarily industrial, distribution and service companies throughout Michigan and Indiana.


Academic Degrees: Bachelor’s degree in international relations, Alma College.

Personal Information: Three children, Jack (11), Max (12), Brenna (16)
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Brandon Finnie and Kerry Bean, CPA/ABV
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Stephen Waterbury

The Mergers + Acquisitions Practice Group at Warner Norcross + Judd joins the entire firm in congratulating Partner Stephen Waterbury on receiving the Inaugural Hall of Fame Award for Lifetime M&A Achievement.

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