Buyouts

April 22, 2014

Carl Marks banker sees strong environment for family-owned, mid-market deals

22 April 2014 | By Steve Gelsi

- Firm sees sponsors working hard to avoid auctions
- Buyout pros may approach targets years ahead of sale
- Owners price expectations more realistic after recession

New York investment bank Carl Marks is seeing more interest among service, construction, manufacturing, textile other entrepreneur-owned companies aiming for deals with sponsors or strategic buyers, **Warren Feder,** partner and co-founder of the investment banking group at the boutique advisory firm, told *Buyouts*.

”It’s a great environment right now,” said Feder, who focuses on lower mid-market transactions. “There’s a ton of dry powder. Debt financing is more available now than at any time that I can remember, and people are looking to do deals.”

Feder said the challenge for sponsors remains finding targets that provide good growth prospects.

“Private equity firms are very active, very interested, especially if you have a quality product,” Feder said. “And strategics will (also) jump in. They have a ton of cash and have been very active buyers.”

Among recent deals in the sub-$150 million range, Carl Marks advised on the sale of consumer brand Dr. Miracle’s to **Catterton Partners**, a take-private deal by **Stonehenge Partners** for business services firm United Retirement Plan Consultants, and the sale of manufacturing firm Scovill to Global Equity Capital, an affiliate of the **Gores Group**.

Feder said buyout firms appear to be working harder than ever to avoid auctions by getting to know companies before they are put up for sale, but the tactic may not always work.

“In one deal, we had two or three private equity firms that had approached their client on their own, shadowed them for a year and a half, got familiar with the management team and that undoubtedly gave them a competitive advantage to the point where our client didn’t want to do a wide auction,” he said. “As an investment banker, I would have loved to go to 100 people on this because it was a fabulous food company, but instead we went to 12, including six private equity firms and six strategic companies. A strategic buyer came in and blew everyone out of the water on price. Plus they created a structure to allow management to get a stake in the firm—a second bite at the apple.”

Looking ahead, Feder said he sees an opportunity to work with older business owners now mulling a way to retire, or maybe just cut back their working hours.

“A lot of Baby Boomers are now in their 60s. They’ve waited through the Great Recession. They’ve gotten through it. They’ve probably gotten a few scars along the way and now they’ve reached the stage in their life where they’d like to move on. That’s coupled with more realistic valuation expectations—that’s critical,” Feder said.

# # #

Carl Marks Advisory Group LLC, a New York-based consulting and investment banking advisory firm serving middle-market companies, provides an array of financial and operational services, including mergers and acquisitions advice, sourcing of capital, financial restructuring plans, strategic business assessments, improvement plans and interim management.