



**Presentation to SFU EMBA
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Agenda



- Introduction
 - T&M Overview
- Investment Criteria
- Investment Scorecard
- Acquisitions - Tool for Growth
- Acquisition Case Studies
 - Consumer Packaged Goods/Distribution
 - Dermal Appearance Rejuvenation Centres Ltd.
- Questions and Answers

Overview of Business



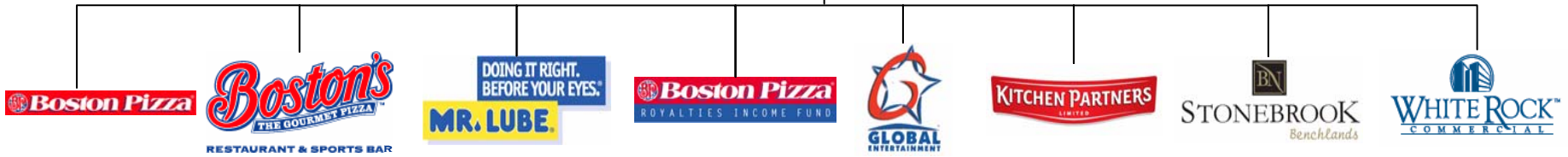
- T&M Group of Companies have over 30 years of experience investing, building and realizing success in growing, profitable businesses.
- T&M manages a portfolio of businesses across diversified industries that share the common goal of driving success through people, a long term perspective of value and a passion for excellence.
- We help management teams increase the long-term value of their businesses through strategic advice, operational expertise, organic and acquisition growth and financings.

Mission Statement:

We transform good businesses into great companies.

Vision Statement:

To be an acquirer, operator and builder of world class businesses driving success through people, a long term perspective of value and a passion for excellence.



Investment Criteria



- **Industry:** We focus our investments in alignment with our operational expertise in areas such as retail, franchising, consumer packaged goods, real estate, business-to-consumer and business-to-business sales and marketing.
- **Size & Stage:** We have the flexibility to look at all opportunities. We prefer investing in businesses with an established market position, strong potential for growth and revenues between \$10 million and \$100 million.
- **Management:** We partner with excellence. We look to align ourselves with management through cultural fit, financial reward and personal values.
- **Length of Investment:** We are long term investors and partner with businesses through both growth cycles and economic cycles. We work with management to determine the appropriate timing of a liquidity event.

Investment Scorecard



Category		Score Awarded:	Potential Score:
Industry Risk	Total	7.2	10
Economic		3	5
Geographic		4	5
Political/Legislative		3	5
Ethical		4	5
Buying Trends/Demand		4	5
Business	Total	8	10
Product/Service Offering		4	5
Stage of Life Cycle		5	5
Scaleability		5	5
Organic Growth Potential		4	5
Acquisition Growth Potential		4	5
Legal		3	5
Environmental		4	5
Revenue Diversification		3	5
Management	Total	15	25
Personality/Cultural Fit		3	5
Expertise/Skill		3	5
Long Term Commitment		3	5
Depth		3	5
Past Success		3	5
Financial	Total	16	25
Exit Alternatives		3	5
Stability of Cash Flow		4	5
Leverage		3	5
Fees to T&M		3	5
Variability of Costs		3	5
Deal Breakers	Total	30	30
IRR > 20%		5	5
Strength of 5 year plan		5	5
Control		5	5

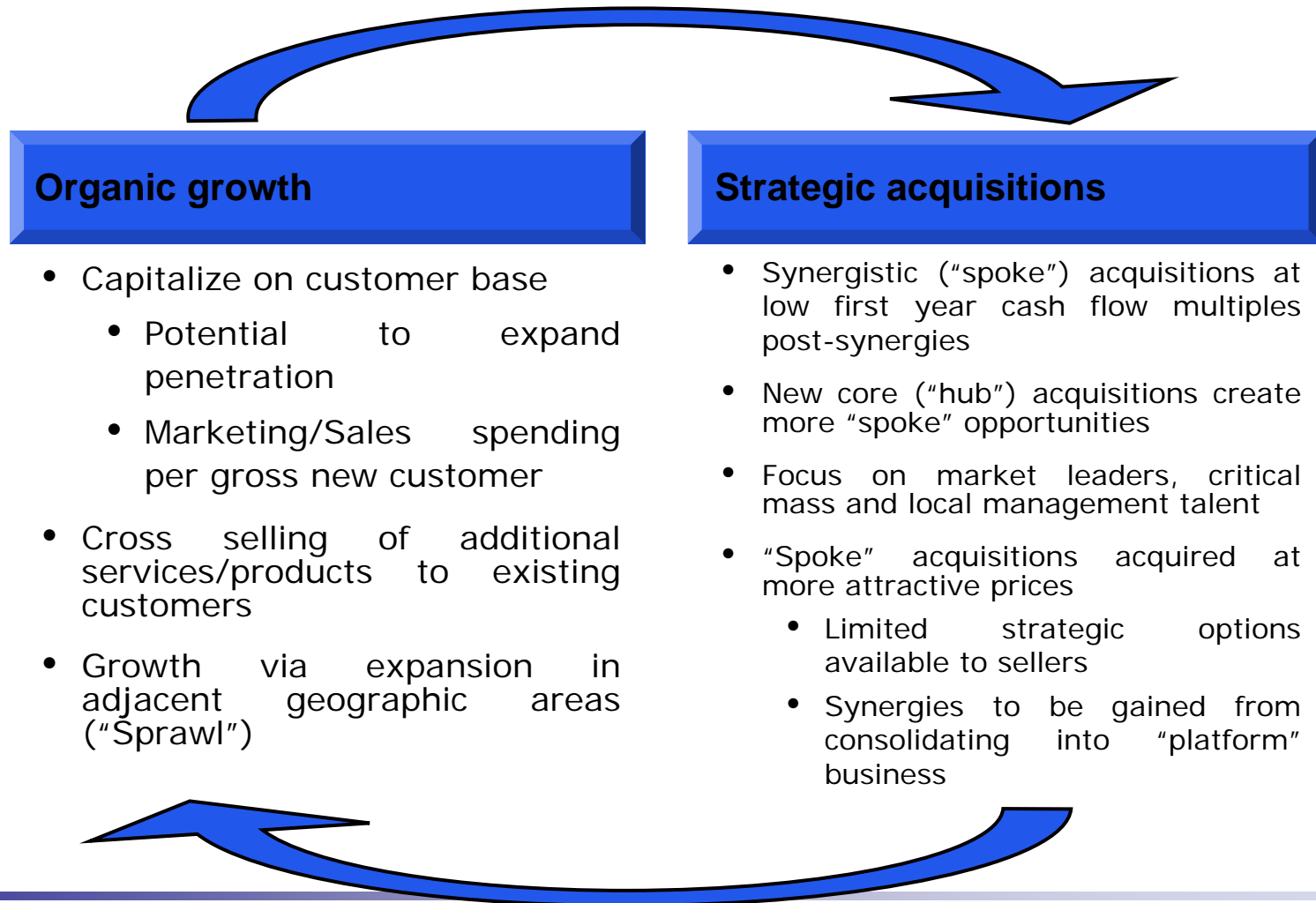
GRADE AS A PERCENTAGE: **76%** 100%

M&A is a Tool



- M&A is a TOOL **not** a strategy
 - True whether a small business or a large corporation
- M&A should be used to fill strategic holes:
 - Diversification
 - Geographic Expansion
 - New customer acquisition
 - Consolidation
 - Etc.
- Base line comparison should always be against the costs of accomplishing same goal through organic growth.
- Operations must be deeply involved from start to finish; M&A should not exist in a vacuum.
- Valuation is an art more than science; beauty is in the eye of the beholder.
- An acquisition is more than just the purchase, it is also about the long term planning, the integration, and synergy realization....
 - **EXECUTION IS EVERYTHING.**

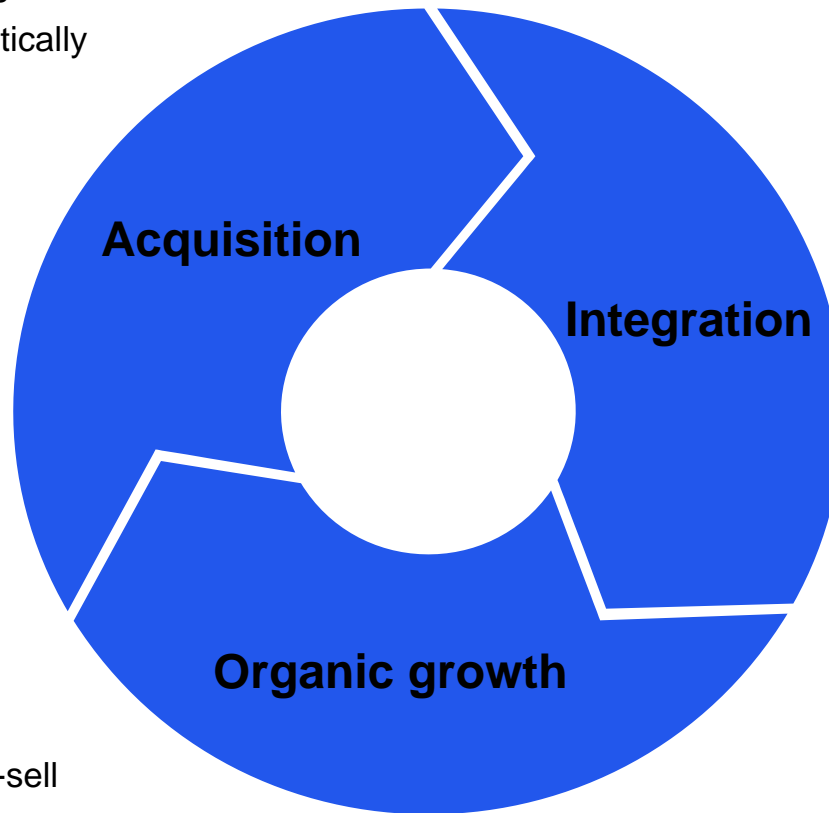
A two pronged approach for solid, profitable growth . . .



Execution is Everything!



- Identify potential targets
- Track/review targets
- Move opportunistically if needed
- Buy with clear strategy regarding add-ons



- Identify local managers to retain
- Assign existing manager to develop/accelerate integration
- Develop appropriate incentive structure to motivate key target employees
- Implement uniform operational management system
 - All operations measured in KPIs
- Quickly integrate

- Cross-sell
- Increase marketing
- “Sprawl” expansion

Case Studies - CPG/Distribution



- Seattle/Vancouver
 - “Spoke” acquisition
 - BUT in Seattle we were #3 buying the #1 player
 - Another buyer initially won the deal but could not close in time and the deal came back around to us (importance of **patience and never do a deal because of second buyer pressure**)
- Holland
 - Acquired two “family” businesses at the same time
 - Successful negotiation due to **relationship** (resulting in trust) built with sellers over the previous 12 months
 - Strengthened trust and comfort level of seller by giving in on transactional items such as language of Purchase and Sale Agreement, closing dates, tax advantageous structure for seller and keeping sons involved in business
- Winnipeg
 - Visited over 10 targets in 48 hour period, completed market analysis and modeled various combination of acquisitions for new “hub” but chose NOT to do a deal (must be willing to **walk away**)

Case Studies - CPG/Distribution



- Sale to large Multinational (“Paris”)
 - Initial Public Offering process with Goldman Sachs spring of 2002
 - Summer of 2002 the market crashed
 - Pulled out IPO and within 90 days we had signed a Purchase and Sale Agreement with Paris (100,000 employees worldwide)
 - Great deal for our shareholders....high multiple at height of valuations.
 - Paris was on acquisition spree; bought many similar companies over 2+ years
 - Paris’s primary motivation was the bottled water category BUT a secondary motivation was the threat of largest competitor buying instead.
 - Paris completed lots of box ticking due diligence but did not understand business
 - **flaw of M&A departments versus model of completing acquisitions with operators**
 - Two years later Paris began to divest the acquisitions as they were not achieving up to business plan and 3.5 years after we sold to Paris.....
- Sale to Canadian PE Firm
 - June 2006, we sold our Canadian business to a private equity firm from Toronto.
 - Great acquisition, fair purchase price which means lots of potential upside (life is relative)

Case Study

- Dermal Appearance Rejuvenations Centres Ltd.



- Small multi-location retail operation with a 10 plus year old brand operating in the fast growing appearance rejuvenation industry.
- Fragmented industry; initial due diligence highlighted that vendor shared our values and approach to quality.
- Lack of expertise in industry; offset by potential to once again build a national leading brand.
- Keys to Deal
 - Strong cash flow
 - Vendor tied to deal over long term
 - Lock-up other key senior people
 - Negotiated earn out on 30% of Purchase Price
 - Attractive financing
 - Spend wisely on due diligence
 - Transition Plan
 - New President?????



Thank-you!