



BCC  
ADVISERS

# baton

Business Transfer & Valuation Information

VOLUME 15, ISSUE 1, 2018

## Cross-Border M&A Update

According to Thomson Reuters, over one-third (\$1.3 trillion) of the total transaction value (\$3.6 trillion) from M&A transactions in 2017 were cross-border transactions. This represented a slight decline from 2016, primarily due to a drop in outbound M&A from China.

Given BCC's active involvement in the Alliance of International Corporate Advisors (AICA), a global network of 41 middle-market M&A firms, we track firsthand the drivers of cross-border transactions and evaluate expectations for the future of global M&A. Although there are many company-specific reasons for companies to engage in cross-border M&A, below we discuss some of the most prominent macro factors including local economic conditions, cost of financing, currency fluctuations, and regulatory environments.

### Local Economic Conditions

Buyers are constantly looking for markets with strong growth prospects and often turn internationally to underserved or emerging markets to find that desired growth. Global growth is expected to remain at or near 3.0% for the next several years according to the World Bank. However, growth in advanced economies is expected to decline from 2.3% in 2017 to 1.7% in 2020, which we anticipate will further

motivate companies to seek penetration in higher growth markets through cross-border acquisitions.

### Cost of Financing

Along with interest rates on debt funding, cross-border M&A requires an additional component to factor into the cost of financing in the form of the exchange rate between the two or more countries involved. Interest rates have been creeping slowly upward in recent quarters as the U.S. has taken steps to tighten monetary policy. Many economists predict global interest rates to remain level or rise slightly over the next year, but hardly anything that is anticipated to serve as a significant headwind to transactions.

Currency fluctuations can also have a significant impact. Take the case of the Euro to U.S. Dollar exchange rate. At the end of 2016, €1.00 would buy US\$1.0516. Fast forward to the end of 2017 and €1.00 could then buy US\$1.1998, or 14.1% more than a year ago. Other considerations aside, we could continue to see outbound M&A from European firms increase as their currency strengthens.

### Regulatory Environment

Regulations vary by country and are constantly changing,

with certain geographies being more favorable to businesses. In addition, major policy changes (or expected policy changes) can significantly impact M&A activity. For example, when the U.K. announced it would leave the European Union, inbound and outbound M&A in the country dropped between 9% and 13%. Other major announcements include the new U.S. administration and reduction in U.S. corporate taxes which could affect cross-border capital flows, and China's recent limits on foreign investments.

AICA Treasurer and BCC president Steve Jacobs stated, "Overall, we believe conditions remain favorable for strong cross-border activity in 2018 and beyond. There will always be variability in transaction volumes, but favorable monetary policies and growth in the global economy remain supportive of strong cross-border activity."

## *in this issue*

**Business Lines** page 2

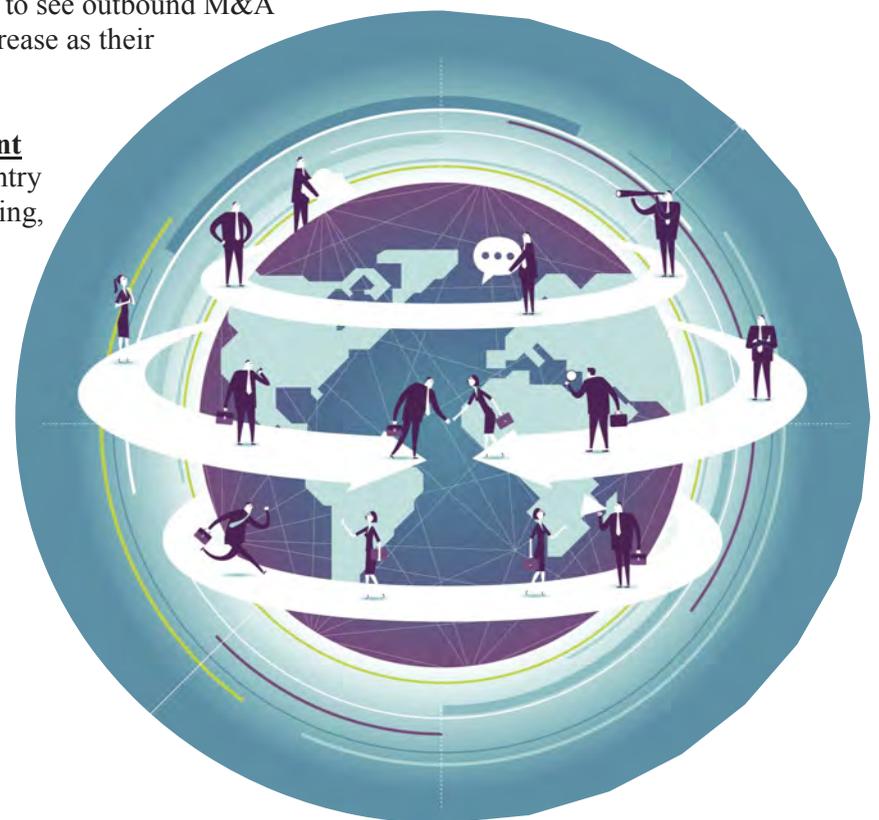
**Our Newest Acquisitions** page 2

**Dragon Shield Trades Hands** page 3

**Alliance of International Corporate  
Advisors** page 4

**On the Dotted Line** page 4

**The Market Front** page 4



## business lines



By Steve Jacobs

Merger and acquisition (M&A) activity was brisk in 2017, continuing a streak of healthy M&A volume that started in 2014. As has been repeated from those in the industry, the deal environment should see much of the same as we move through 2018 barring any unforeseen changes to current conditions. There continues to be a significant amount of capital available, valuations remain attractive for sellers, and there has been some increased clarity on the legislative front (particularly regarding

the tax code).

Deloitte recently released its fifth annual M&A trends report, which surveys more than 1,000 senior executives at corporations and private equity firms about the most recently completed year as well as their expectations for the coming year. Nearly 70 percent of executives at U.S.-headquartered corporations and 76 percent of leaders at domestic-based private equity firms say deal flow will increase in the next 12 months. Further, there is virtually unanimous sentiment that deal size will increase, if not stay the same, relative to

2017. On top of this, 65 percent of corporate respondents have more cash intended for acquisitions.

**The bottom line is that the M&A outlook for 2018 is positive.**

Leaders should anticipate a wave of activity from competitors, customers, and suppliers and be prepared to handle changing industry dynamics. Strategic buyers should expect more competition from private equity groups as they continue to have plenty of capital and need to deploy investor funds. This could especially ring true when it comes to smaller deals as private equity firms indicated add-on acquisitions will be a higher priority in the coming year.

The marketplace, however, is not without its challenges. Targets are commanding high valuations, and quality assets are becoming harder to find. While both geopolitical and financial risks abound, the financial backdrop and strategic rationales remain supportive for companies to continue pursuing transactions.

A handwritten signature in black ink, appearing to read 'Steve Jacobs'.

Steve Jacobs  
steve@bccadvisers.com  
(515)777-7077

## Our Newest Acquisitions



**Mason Burns** has joined BCC Advisers as a part-time financial analyst while he completes his final year at Iowa State University, working on his bachelor's degree in finance. Mason's responsibilities include assisting in the gathering, analyzing and documenting of company background, financial, guideline company, economic and industry information pertinent to supporting the development of merger and acquisition intelligence on various M&A projects, as well as business valuations.



**Samantha Fett** has joined BCC Advisers as an administrative assistant, providing support for internal and client projects to the M&A, business valuation, and litigation support divisions of the firm, as well as to BCC's affiliate company, Iowa Appraisal and Research Corporation. Samantha previously worked as a senior quality assurance analyst for Nationwide Insurance Company where she reviewed policy information, production statistics, performed research, and improved and developed quality control processes and best practices. She earned her bachelor's degree from Grandview University.



**Bob McGivern, SRA** has joined BCC's real estate appraisal affiliate, Iowa Appraisal and Research Corporation, as a real estate appraiser providing property valuations in the Quad Cities market and western Illinois from his office in Davenport. A former partner with Koestner, McGivern & Associates, Bob has over three decades of valuation experience having focused on litigation and tax assessment appeal assignments. In addition, Bob has extensive experience in multi-family, land and commercial real estate. He is a graduate of St. Ambrose University.

# Dragon Shield Trades Hands

In order to fully evaluate the universe of potential buyers to attract the best price and terms for their business, owners must consider prospects located beyond their native country. Fortunately, the Association of International Corporate Advisors (AICA) and its 41 member firms provides its clients with access to buyers in 39 countries around the globe. Clients benefit from having a local firm serving as their singular point of communication, while representing their interests and coordinating efforts to identify, contact and negotiate with prospective buyers worldwide. AICA member firms are bound by a confidentiality agreement, communicate with each other regularly and meet in person twice each year to share ideas and best practices and develop in-depth relationships with their AICA colleagues.

A recent client of Denmark-based AICA member, DealHaus, represented an excellent example of the benefits of the AICA network while exploring an ownership transition. “With a successful but extremely niche business in the trading card game industry, there were few qualified prospective buyers in Denmark,” said Michael Stehr Lilhav, owner of Arcane Tinmen ApS. Founded in 1999 and headquartered in Aarhus, Denmark, Arcane Tinmen is a developer and marketer of protective sleeves and other products for trading card games selling over 100 million sleeves annually through more than 35 global distributors. Its Dragon Shield sleeves are recognized as a top premium brand worldwide.

Desiring a strategic partner with the vision and muscle to grow the company, Mr. Lilhav engaged DealHaus to assist him with the sale of his business. Employing a confidential auction process, DealHaus was able to leverage the firm’s membership in AICA to Mr. Lilhav’s advantage. “DealHaus’ global relationships throughout AICA provided

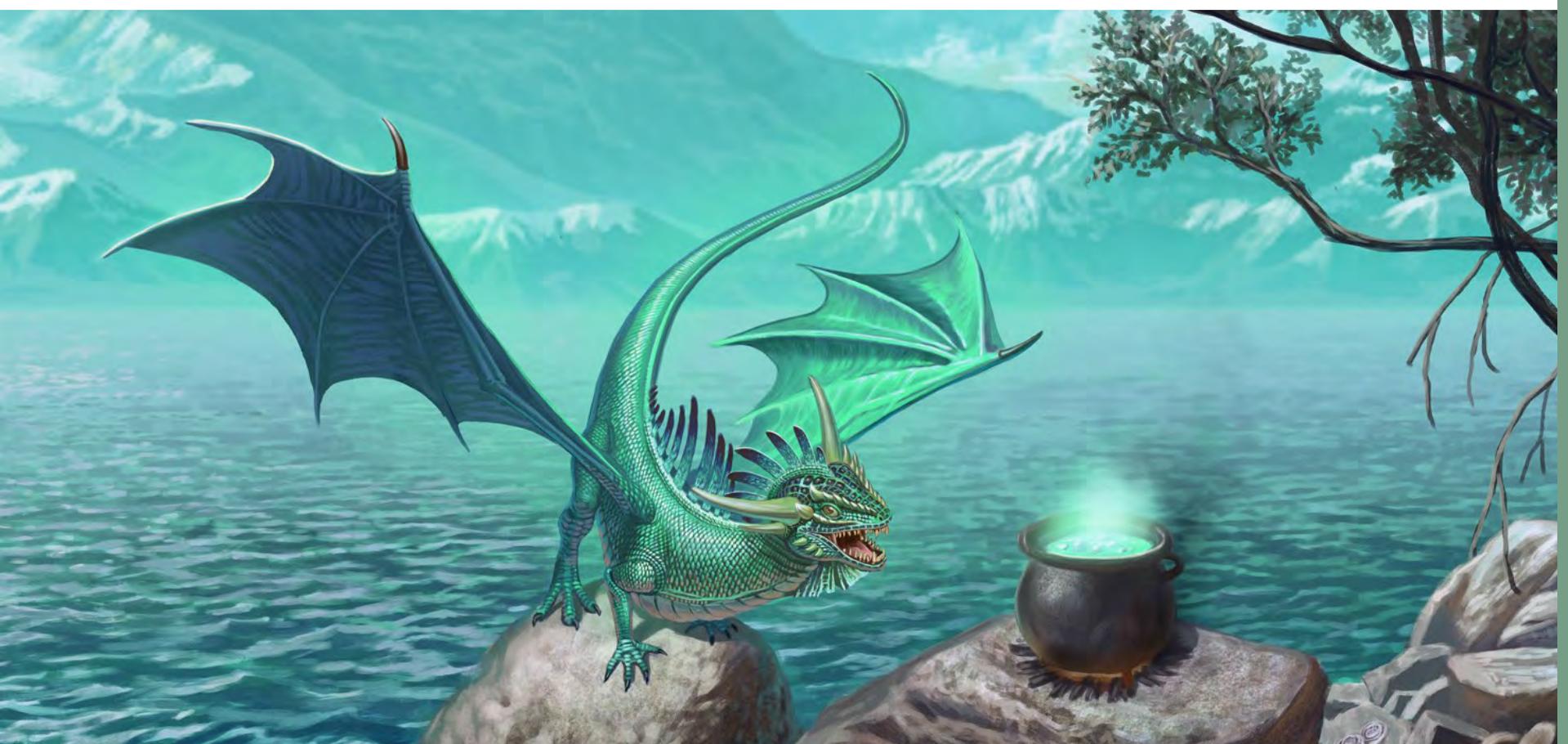


us extensive access to international buyers, which ultimately led to our sale to U.S.-based Entrust Global Group LLC, whom BCC identified and approached on my behalf. We are excited to expedite the growth of our brands through this partnership,” stated Mr. Lilhav.

Entrust Global Group has been serving the collectibles industry for over three decades. During its early years, it was perhaps best-known for its baseball card pricing guides. Today, it has evolved into the number one authority on collectibles, publishing a wide range of magazines and related publications for both new and experienced collectible enthusiasts in the sports and non-sports markets.

Added Mr. Lilhav, “The collaboration between DealHaus and BCC Advisers in identifying, contacting and negotiating with Entrust Global Group was seamless. It felt like we were working with one firm with global offices, rather than with two separate firms.”

“Our client had a few key questions prior to starting the project related to SEC regulations in the United States. Within 24 hours of reaching out to our network, we had feedback from BCC and other AICA firms in the U.S. that gave us and our client confidence in our approach,” said DealHaus partner, Mick Pedersen. “When the project began, AICA was instrumental in identifying and contacting attractive buyer prospects from the U.S., across Europe, and even some less anticipated locations worldwide.”





The Alliance of International Corporate Advisors (AICA), the premier international network of middle-market M&A firms of which BCC Advisers is an active participant, experienced a strong 2017 in both deal activity and membership growth. During the year, AICA welcomed the following new member firms, each having undergone an extensive application process that evaluated their reputation, proven track record, strong relationships, and knowledge of local markets:

- MCM Partners (Hong Kong, China)
- Capnua Corporate Finance (Dublin, Ireland)
- CVM Capital Value Management (Dortmund and Berlin, Germany)

With the addition of these firms, AICA's total membership stands at 41 firms, representing over 250 professionals across 68 offices in 39 countries. The network's vast global coverage allows BCC to provide clients with market access to companies around the world. In addition, navigating cultural, language, and legal barriers in other countries is simplified with access to experienced, personal contacts in major economic hubs. AICA continually evaluates new and existing markets for expansion, upholding its

commitment to provide the best value for its members and their clients.

AICA hosts two annual global meetings, providing a platform for members to become better acquainted on a personal and professional level, building strong relationships between colleagues that share a commitment to delivering quality advisory services to their clients. Industry best practices are shared, new ideas and resources are introduced, and updates on project collaboration and economic conditions are presented. This global collaboration opens the broadest selection of attractive opportunities and an enhanced competitive sales process to clients in our ever-changing global economy.

In 2017, AICA members completed over 230 transactions, representing a combined deal value of over \$5.8 billion. These transactions span a wide variety of sectors including technology, industrials, energy, consumer products, health care, and business services. Based on preliminary feedback from our AICA colleagues, 2018 is shaping up to be another strong year for the global M&A market.

## *on the dotted line*

### Some Recent BCC Advisers Transactions:

Prepared fair market valuations of two dealerships for the purpose of a merger.



Advised a collectible card game accessory supplier on a sale to a global holding company.



Prepared a fair market valuation of an engineering firm for purposes of annual ESOP administration.



Prepared a fair value purchase price allocation of a distribution company for financial statement reporting purposes.



Prepared a fair market valuation of a bank for the purpose of a proposed transaction.



Prepared a fair market valuation of a manufacturing company to assist in establishing an ESOP.

## The Market Front

*Some opportunities available through BCC Advisers:*

**U.S.-based automotive company** - is seeking to acquire manufacturers of needle roller bearings and assemblies.

**European-based medical staffing firm** - is seeking a buyer.

**U.S.-based buyer** - is seeking to acquire grain assets.

**European-based developer of life science supplies and equipment** - is seeking a buyer.

**Asian retailer** - is seeking to acquire branded beauty or home appliance companies.

- 41 Member Firms
- 68 Offices
- 250+ Professionals
- 39 Countries
- 6 Continents
- Founded in 2009

