



“TODAY WE’RE TALKING TO A TERRIFIC GROUP OF M&A PROFESSIONALS WITH VARYING PERSPECTIVES IN PRIVATE EQUITY AND CORPORATE DEVELOPMENT. WE’LL DISCUSS HOW THEY LOOK AT DEALS, EVALUATE DEALS, AND HANDLE COMPANIES THAT THEY ACQUIRE RIGHT AFTER THE TRANSACTION.”

MODERATOR

COLT LUEDDE
MANAGING DIRECTOR
GULFSTAR GROUP



PANELISTS



Michelle Lewis
Chief Strategy Office | DistributionNOW

Michelle Lewis is the Chief Strategy Officer for NOW Inc., (NYSE: DNOW). She also serves on the board of Hardwoods Distribution Inc. (TSX: HWD). Previously, Michelle served as Senior Vice President of Strategy and Shared Services for the Distribution and Transmission segment of National Oilwell Varco (NYSE: NOV). Her efforts in that role concluded with the spin-out of DNOW from NOV as a new publicly traded company. In the last few years her work has included \$7B worth of M&A transactions in geographies ranging from the Texas panhandle to Atyrau, Kazakhstan.

Prior to DNOW and National Oilwell Varco Michelle spent 20 years in various sales, managerial and interim management roles in Consulting and Restructuring in both public and private sectors in Houston, New Orleans, New York, San Francisco, and Washington D.C. Active in her community, Michelle serves as a Director and Chair of the Engagement Committee for the Petroleum Equipment Suppliers Association (PESA) and a Director and Chair of the Corporate Development Peer Group for the Association for Corporate Growth (ACG) Houston chapter. Michelle holds a Bachelor of Fine Arts from The University of Texas and a Master of Business Administration from Rice University. She and her husband live in Houston, Texas with their two children.



Gregory Elliott
Partner | The Sterling Group

Greg rejoined Sterling in May 2008. He is the current Chairman of Lynx FBO Network and ProcessBarron and serves on the board of Safe Fleet. Greg was previously the Chairman of Liqui-Box and Velcon Filters. He was previously with Sterling from 1994 to 2000. From August 2006 until rejoining Sterling, he was Chairman of the Board of Encore FBO LLC, a buy-and-build effort in the general aviation industry that merged with Landmark Aviation. Greg currently serves as a Director of Landmark Aviation, the combined entity. Prior to joining Encore, he was a Partner at the CapStreet Group, where he was responsible for the identification, due diligence and management of private equity investments. While at the CapStreet Group, Greg was Chairman of the Board of Trajen and served on the boards of Sprint Industrial, Advanced Data Processing and Jackson Products. He began his career with Merrill Lynch Investment Banking from 1990 to 1994. Greg received a B.B.A. from the University of Texas at Austin and an M.B.A. from the Tuck School at Dartmouth College.



Louis Dorey
Senior Vice President of Business Development | American Midstream

Louis has served as Senior Vice President of Business Development since joining American Midstream LP, in January of 2014. Previously he served in various capacities at Continuum Energy Services from 2005 to 2014, including strategic planning, mergers and acquisitions, corporate business development, capital markets activities and as interim CFO. During his tenure, Continuum acquired or developed 500 miles of gathering systems, 75 MMcf/d of processing capacity, a rail terminal, a crude oil trucking company and raised two tranches of private equity. Prior to joining Continuum, Louis was employed by Dynegy Inc. from 1997 to 2002 where he held positions including Executive Vice President of Strategy and Planning, President of Marketing and Origination, and Interim CFO. He participated in over \$2 billion of acquisitions and development transactions, managed five regional wholesale marketing offices and retail marketing group, and worked on the integration of two major mergers. From 1991 to 1997, Louis was employed by Destec Energy Inc. where he served as the Vice President of Mergers and Acquisitions, leading the development or acquisition of over \$2 billion of power plant transactions and the sale of Destec Energy Inc. to Dynegy Inc. He earned a Bachelor of Business Administration from the University of Oklahoma and a Juris Doctorate from the University of Texas.



Paul De Lisi, Jr.
Partner | The CapStreet Group

Paul joined CapStreet in 2003. Prior to joining CapStreet, Paul was employed by Credit Suisse in New York in the Global Energy Group where he worked with energy clients on various types of M&A and financing transactions. Paul received a Bachelor of Arts degree in Economics from the University of Texas at Austin. Paul is currently on the board for Onpoint, Eads Investment Holdings, and Marco Group International.



Q: Growth doesn't always happen by acquisition. How do you evaluate the prospect of organic growth versus an acquisition based strategy?

LOUIS: Your highest value typically is organic growth because essentially you're offering more services instead of paying an upfront price. Recently, we have started to focus on being able to provide downstream services. If you're gathering and processing for a producer, take that wide range of products and fractionate them into the downstream markets to create extra value for yourself as well as your producer. It's easier to increase profits by making an incremental investment rather than buying an asset in this competitive market.

Q: We've been in an active M&A market for the last seven years. How has the market sustained high prices?

GREG: One factor for the high prices is the slow growth of GDP in the U.S. pushing corporate buyers to acquire for growth, creating more competition for deals. Private equity is also flush with cash – it's been a great fundraising market for years and leverage is also readily available. So all those things are not great fact patterns if you're trying to buy companies at a reasonable value.

PAUL: To position your companies for sale, one of the key things to put in place is a clear growth strategy. There's a big premium pay for growth right now, so if it's a SaaS business that's growing rapidly, it will trade at a huge multiple. A company that's been fairly stagnant in a small market isn't trading at the same double digit multiples.

Q: For the strategic buyers on the panel, when evaluating an acquisition in an auction process, do you consider at all what the private equity market might be able to pay based on current market conditions?

MICHELLE: Because we have to answer to our shareholders, we're very conservative when it comes to purchase price. I don't want to have to sit across the table from one of my owners and discuss why they think I overpaid. We'll still go to the table and participate in the process, but we know that if we're competing against the well-funded PE funds, we will probably not be the winner.

Q: One of Sterling's core strategies has been to acquire companies in a corporate carve-out transaction from larger corporations. Greg, why do you find those opportunities particularly attractive and successful?

GREG: Half of the deals we've completed since 1982 have been corporate carve-outs. Typically a corporation is divesting a division that's probably not core, so they haven't invested in the business and may not have the best management team in place. That's all opportunity for us. We can put capital into it, place the right teams and provide assistance to grow.

Q: Given that DistributionNOW was a corporate carve-out, can you answer the opposite end of the question, Michelle? Do you look at selling business lines from time to time?

MICHELLE: I'm a big believer in keeping to our core and divesting the rest. We don't have anything right now that's non-core, so we're definitely more in the active mode of acquiring, building and trying to create a different value chain.

Q: In your experience as a buyer, what is the typical time frame between signing an LOI and closing the transaction?

PAUL: Our deals are a little different because we have a very active buy-side effort. We actively call on companies, build a relationship with them and then eventually close the deal several years later. When we sell a business, the time between signing an LOI to closing takes 30-60 days. For larger companies, it can be 15-30 days. You've got to do all your work on the front-end to be able to take the company to market and sell in that time frame.

Q: Based on the operating performance of your different business segments or portfolio companies, describe the health of the Texas, national and global economy.

PAUL: This year has been much better than last year. A little over half of our

portfolio companies are industrial, so they touch the energy business in some way. It was hard to do a deal in 2016 in the industrial space because the numbers were trending in the wrong direction. This year, most of our portfolio companies are pointed in the right direction. We're seeing decent growth within those businesses, which bodes well for the Texas economy in general because most of our companies are headquartered here.

MICHELLE: Globally, the offshore market is still negatively impacting our company. We still have to keep those operations up and running even though they may not be at a profitability level that we expect. In the U.S., if we had 10 locations in Louisiana, we could more easily afford to close one there than in the UK or Kazakhstan. Those locations are much more difficult to get back into.

Q: As you compete for deals and/or perhaps sell businesses or portfolio companies, what are you seeing from foreign buyers?

LOUIS: We recently ran a process to sell a propane business, which wasn't core to us. Several international buyers were interested in the deal. We wound up selling it to SHV Energy N.V. out of the Netherlands. This was their entry platform into the United States propane business, so it was a strategic opportunity. They also paid the best value for the business. We did run into some complexity during close because the banking relationships weren't there; however, the buyer ran through all of the issues and managed to resolve them.

MICHELLE: We've had more European competitors trying to get into the energy space here, although some of those companies regret those decisions recently.

GREG: Private equity is so aggressive right now, particularly the large funds. When you have private equity firms here that know how to do deals and are very incentivized to get a deal done in a very quick process without escrows, you're more likely going to take that deal. It's all about surety of close. We're not always willing to take a chance on an international buyer.

Q: As an advisor to business owners selling their business, we often hear concerns about life after the deal. Can you offer some perspective on that?

PAUL: Transparency with the seller is absolutely critical for the success of our deals. The way we generate our return is based on what we do with the business post-closing. As part of our investment process, we put together a strategic plan for what we want to do with that company after we close and get buy-in from the seller and employees. People get excited when there's a clear direction for the business and everyone agrees on it.

LOUIS: For asset transactions, we look at how to optimize them post close. For company transactions, we like to ascertain who is coming in terms of the management team and separately the general workforce. We've put together an integration team for that effort. The small integrations are just as big of a deal as the large ones because we want employees to be happy.

MICHELLE: As part of the follow-up, there are three, six, nine and 12-month reviews to make sure you're hitting all expected goals. The thing with the seller's side is that you may have 100 new employees in Macaé, Brazil who have no idea that a transaction took place. What motivates the guys at the field level is very different than what motivates the seller.

Q: How did you prepare for Hurricane Harvey, and what lessons can be learned from this historical flooding event?

LOUIS: We were on the phone with all of our operations teams and offshore teams during the hurricane. We got everyone off the platforms and brought them to land. We were actually closing the propane deal right in the middle of the hurricane. Fortunately, we didn't have any real damage, but we were out surveying these sites, along with the buyer, to make sure that everything was taken care of prior to close.

PAUL: The one thing we're now doing with all of our companies is making sure they have an emergency response plan in place. I think we definitely learned some lessons that we'll take forward and institute into our processes as we work with businesses.