

# CANADIAN INSTITUTE OF PLUMBING AND HEATING

NOVEMBER 2007 MEETING

DON CAFFEE

VALPERS, INC.

# MERGERS & ACQUISITIONS

GOOD OR BAD FOR OUR INDUSTRY?

# TWO TYPES OF ACQUISITIONS

- A. STRATEGIC
- B. FINANCIAL
- OBJECTIVES OF ACQUISITION
- TERM OF ACQUISITION

# MONEY SUPPLY

- WHO SUPPLIES THE MONEY?
- LARGE PRIVATE EQUITY FIRMS
  - A. COST OF INVESTOR ENTRY
- LARGE PENSION FUNDS
- SMALL PRIVATE EQUITY FIRMS

# RECENT STRATEGIC ACQUISITIONS

ACQUIRED

ACQUIRER

FRISCHKORN

FERGUSON

DAVIDSON PIPE

FERGUSON

EQUIPMENT INC

EDGEN MURRAY

BURNS CASCADE

F.W.WEBB CO.

# RECENT FINANCIAL ACQUISITIONS

- A. HOME DEPOT SUPPLY
  - WHY ARE THE P/E FIRMS INTERESTED IN THE PVF INDUSTRY?

# STRATEGIC OR FINANCIAL ACQUISITION?

- MCJUNKIN – RED-MAN SUPPLY
- STRATEGIC – UPSTREAM &  
DOWNSTREAM MARKETS
- GOLDMAN SACHS PARTICIPATION

# WHAT'S IN IT FOR ME?

- A. ORIGINATION FEES
- B. INVESTMENT BANKERS – ADVISORS
- C. ATTORNEYS
- D. INVESTOR RETURN ON INVESTMENT
- E. CARRIED INTEREST

# HOW DO THEY PROFIT

- A. REFINANCE – RECAPTIALIZATION

- VALUE

- DEBT

- \$100 MILLION

- \$90 MILLION

- \$200 MILLION

- \$180 MILLION

- B. I.P.O.

# SELL AND EXIT

- A. CELANESE EXAMPLE

- B. DEKMEDIA-QUEST EXAMPLE

- Initial dividend harvest \$1.3 billion
- 12 months partial offering \$1.0 billion
- 18 month secondary offer \$440 million
- 2006 sold to R.H.Donnelly \$4.2 billion
- Total from investment \$6.74 billion

# PERFORM OR PERISH

- A. REPLACE MANAGEMENT TEAM
- B. EQUITY SLOTS FOR NEW PEOPLE
- C. MONTH TO MONTH MANAGEMENT
- D. QUARTERLY MANAGEMENT
- E. SURVIVAL OF THE FITTEST.

# THREAT OR OPPORTUNITY

- A. WHAT TO EXPECT
- B. HOW WILL THEY REACT
- C. HOW DO YOU COMBAT THEM