

Getting ready for the next growth cycle

Transcript

SPEAKERS:

Wade Kruse, National Managing Partner, Advisory Services

Sonny Origitano, Managing Director, Strategy and Transactions

Scott McGurl, National Managing Principal, Strategy

WADE KRUSE: We had a busy previous two years, pretty busy on the M&A front. So a lot of deals going on, a record couple of years. And I talked to Elliot Findlay, our lead for M&A earlier, about the market and what he expects. He talked about our M&A pulse survey where our clients certainly expect things to pick up here in '23 quite a bit over '22. What do you see in terms of integration? With the big surplus of deals that happened, were they being integrated? I guess you're saying no. When it comes to the little bit of a lull we have now and future deal pickup again, how do you see integrations? Any change you see in integrations? Any change you see in whether clients integrate or perhaps consider carveouts?

SCOTT MCGURL: There's rationale for it. You've got to look at the macro environment as well on what's driving that. Inflation like we haven't seen since the '80s. Interest rates that keep going up. Tight job market. Supply chain disruptions. All these headwinds that we have are causing some instability in organizations. I think the smart money that's out there is saying, "We've acquired like crazy. We've added on and added on and added on. Now what do we need to do? We need to tighten our belt and get our core operations under control. Understand what we're really good at. What are our core competencies as a business? What is our integrated operating model? Preserve cash and think about how do we get ready for the next growth curve.

We're seeing, I don't think, I know, there's a lot that's going on right now where companies are looking at the portfolio that they've acquired and allowed to run alone as independent entities. And now bring them together with one integrated operating

structure, be prepared to weather what headwinds are ahead and get on the curve for growth.

SONNY ORIGINANO: We just had a discussion a couple weeks ago with a large strategic global. They've done a number of acquisitions. They've not done any synergies. They've not rationalized anything on the back office from contracts through IT through people. They haven't done any of that. So I agree with you. When we start to see additional headwinds hit, there's going to be a big opportunity for them to do synergy analysis and rationalize across a number of the back office functions.

WADE KRUSE: Right. They're going to need to do that now, before, let's say they want to get investment dollars, maybe engage in a transaction themselves. Because buyers are looking more and more at organic growth versus inorganic growth and what is that growth rate. In order to grow organically, which is what people want to see, you need to optimize your structure. You need to have that integration and be running on all cylinders. And if you just acquired six different companies and they're all operating separately, you're not optimizing and you won't get credit for that when it comes time to value your business. I'm with you. I think there should be a fresh look at, let's integrate all that stuff. Now's the time to do it.

SCOTT MCGURL: Absolutely. You've a little bit of a pause as well. If you wait too long and you don't do it now, then it's a knee-jerk reaction. And then you just start cutting things. And that doesn't work out well.

WADE KRUSE: No. OK, well, great. Thanks for your time guys. I really appreciate it. I love talking to you guys about our business. It's a lot of fun. Growth is a fun thing to talk about. I know it is for our clients as well, so I appreciate you making time for us. And thank all of you for attending as well.