

Tokyo:

The 2014 IMAP Symposium & Conference

The upcoming IMAP Symposium and Conference to be held in Japan is rapidly approaching!

On October 16th IMAP will welcome an expected 300-400 executives invited from companies such as Osaka Gas, Shiseido, Kikkoman, Nomura, Kobayasha Pharmaceuticals, Fukitsu, Nissan, NTT Group and Mitsubishi Corporation - to name a few - to our IMAP Symposium.

Key agenda items include:

- The Three Arrows of Abenomics and the Impact on Japanese Corporate Competitiveness
- Japan M&A Trends
- Japan M&A Sector Breakdown

Please contact us if you have an interest in receiving the notes from the Symposium, or have any questions!

**M&A Advisors:
The Overlooked Value**

Welcome to FRG's Newsletter

Dear Friends and Colleagues:

As the second fiscal quarter of 2014 comes to a close, ambiguity in the middle market has led to the acceleration of M&A efforts and the shortening of deal timelines.



The current M&A deal landscape is as good as it has been in a long time, with historically low interest rates, record cash balances in private-equity and corporate balance sheets, and relatively low organic growth opportunities. Yet, this period of sustained stability in the market may be passing more quickly than anticipated, with the inevitable rise of interest rates and a growing supply of high quality companies coming to market. William Blair's Quarterly Overview of Global M&A Activity stated that in the first quarter of 2014 the number of deals has decreased significantly (10%) while deal value has increased by more than 40%. "Competition between buyers is at an all-time high. Thus, when a quality company hits the market, both PE funds and strategics are willing to stretch for it, knowing that they are supported by an extremely robust debt market."

By the start of June, the amount of money raised by private-equity firms but not yet invested ("dry powder"), reached an all-time high of \$1.141 trillion globally. I believe that as the amount of dry powder continues to grow, competition between funds will increase, leading to higher price tags, but not for long!

Risk aversion caused many business owners to be skeptical when contemplating an exit in recent years, as the M&A market slowly rebounded from the financial crisis. Moreover, many business owners have been slow to delve back into exit scenario conversations, even as market conditions reached very attractive

Maximizer

Dan Lee, in his June 10th article for Axial, explained exactly why experienced M&A Advisors are critical. See below for an excerpt:

One of the most critical mistakes CEOs make when selling their business is to underestimate the value that a seasoned and qualified M&A advisor can bring to a transaction. All too often, business owners reduce the role of M&A advisor to that of a glorified networker. It's of little surprise, then, that so many entrepreneurs are dismissive of seemingly exorbitant fees charged by advisors for what they perceive to be very little work.

With few exceptions, this misconception couldn't be further from the truth. While it's certainly possible for business owners to sell their company on their own, they'll likely make (very) costly mistakes throughout the transaction process. These mistakes can be avoided by hiring an M&A advisor. In fact, M&A advisors play a critical role throughout the sale process that sellers often overlook:

1) Understanding Your Goals and Strategic Planning (6 months-3+

levels for sellers. We believe pricing will diminish as interest rates rise, most likely at the end of this year or in Q1 2015.

If you are a business owner considering an exit, the window to receive a higher valuation and cash in on current market conditions is still open. We anticipate that owners of high quality companies on the forefront of this trend will be able to command higher valuations before current market conditions subside. Note that referrals to Falls River Group are at an all-time high. Although this serves as a testament to our team's ability to engineer attractive business solutions and continuously satisfy our clients' needs, it also reflects a robust seller's market.

Marc Morgenstern, founder of Blue Mesa Partners, invests in private operating businesses through his firm. He recently stated **"when you can get liquid, you should get liquid. When everybody desperately wants what you have, that's a very good time to sell. For most companies, there are very logical buyers for them - might be three, might be 20. It's not thousands. Timing really is 99% of life, and you can't just say to somebody...'buy me in three years.'"**

FRG's broad network of private-equity and strategic colleagues, as well as affluent family investors, allows us to construct transactions in the most ethical and efficient ways, with our clients' best interest always in mind. We are very optimistic about the upcoming quarter of business in a market primed for dynamic transactions.

Best regards,
Kerry

World Rail Industry Dynamics

When I am asked what I do for a living, I say "I am in the rail business."



The most common responses include:

- Whatever happened to train travel?
- Wouldn't it be nice to be able to take a train to New York instead of flying?

years)

2) Transactional Preparation (1-3 months)

3) The Transaction (3-9 months)

4) Peace of Mind achieved from being represented by someone you will come to trust with one of your most prized assets.

For the full article click here:

[M&A Advisors: By Dan Lee](#)

Global Pharma and Biotech M&A Report 2014

This report covers interesting and timely information including:

- A review of 2013's M&A Activity
- Regional insights, including growth prospects of China and India
- A focus on the CRO Market
- The global deal drivers for the pharma and biotech sector

You can find the full report by clicking here: [Global Pharma & Biotech](#)

- Trains in the USA have just gone down to almost nothing.
- Why don't we have trains like the Europeans and Japanese?

These reflect the most common views, yet they are completely wrong.

First, consider the railways of North America. We have the most efficient **freight** railway system in the world. When developing countries want to visit the most efficient freight rail system in the world, they come to the USA to see Union Pacific, Burlington Northern Santa Fe, Norfolk Southern, and CSX. Most large railway systems in the world are owned by, and controlled by, the central government. But not in the USA. US railroads are private businesses, and they must raise their own capital, make a good return on investment, maintain their own rail roadways, and pay taxes on their property including their vast amount of track.

When I have these conversations with non-railroaders, I often ask them the question: "Which country in the world do you think has the most railroad track?" Typical responses include: Germany, France, or Japan. The correct answer is: The United States of America. We have far more track mileage and far more route mileage than those countries, and most of it is privately owned and maintained.

Now for passenger travel: The most efficient and advanced systems are in Germany, France, United Kingdom, and Japan - with the Chinese advancing rapidly. It is important to understand in the global picture that all of these excellent passenger systems are government owned and government subsidized. They would not operate without large government subsidy and ownership. Each passenger pays only a portion of the real cost of the ticket. It is also important to understand that the railway systems of Germany, France, Japan, and the United Kingdom have inefficient freight rail systems.

So you may ask: What is the driving force to make the US private railway system so efficient? The answer is simple: The railways of the US are private companies, and they cannot exist without the most efficient systems to generate the maximum return on investment and an attractive return for the shareholders.

Report

"The success combination in business is:

Do what you do better, and do more of what you do."

Source:

David J. Schwartz

The FRG Team

Dr. Maegan Evans,
Managing Director, 1997

Dr. David Spellberg,
Managing Director, 2013

Kurt Andersen,
Managing Director, 2008

John Rowell,
Managing Director, 2013

Robert Newman, Director,
Rail Practice, 2009

Erik Bindslev,
Associate, 2012

Suzanne Boland, Director
of Administration 2011

Bethany Bragg,
Administrative Associate,
2013

Brandon Bauer, Analyst,
2014

Kerry Dustin,
Founder & CEO, 1997

The next main concept to understand when discussing a subject as broad as the railways of the world is the common belief that a railroad = locomotives, passenger cars, freight cars, and road crossings (the only places most people ever notice a train). This is partly true, but it is important to understand that the greatest asset of a railroad is the track. Maintaining and renewing track is the most important investment that a railroad makes. The track is the true fixed asset of the railroad company. Without continuous investment in track, the railroad would die. Before the Staggers Act of 1980 deregulated the railroads, a way to make a return on investment was to cut the cost of maintenance. Without adequate maintenance the trains had to be slowed down to prevent derailments, and when slowed down, the railroad could not make a profit. They did not earn the cost of capital.

Since 1980, track maintenance has gone through a renaissance, including new technologies to reduce costs and improve safety. Before, deregulation railroads were dangerous places to work, and in the last 10 years have become some of the safest places to work.

The track maintenance renaissance has created many business opportunities as follows:

1. Development of new track machinery technologies
2. Consolidation of old track machinery companies, with high technology companies investing into research and development.
3. Development of new track materials and components
4. Methods to improve safety for the track and train worker employees
5. Opportunities for North American technologies to be applied world wide
6. Opportunities to take advanced European track maintenance technologies and make them more efficient for profit private railways

This advancement of track maintenance technology has created several opportunities for Falls River Group. Falls River Group was the strategic advisor and sell side consultant for Salient Technologies, a company that developed and operated remote wayside

Our Strategic Advisors

Ron Glah,
Multi-Industry, 2004

Frank Pinto, IT, 2004

Jerry Bogo,
Multi-Industry, 2008

Robert McCashin,
Defense & IT, 2009

Michael Benz,
Multi-Industry, 2012

Neil Goeren, Innovation &
Consumer Products, 2012

Mark Michel,
Multi-Industry, 2012

Clancey McKay,
Multi-Industry, 2014

Betsy Allen,
Multi-Industry, 2014

Securities conducted
through StillPoint Capital
LLC, where Amy Cross is
CEO and Chief
Compliance
Officer. Member
FINRA/SIPC.

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track monitoring systems that detect wheel and rail defects before they resulted in derailments. These unattended systems are located around the track network to find and pinpoint problems and transmit this very useful data to railroad headquarters. Falls River Group sold Salient to Porter Rail Company. Several years later, we advised LB Foster in the purchase of Porter.

Another opportunity for Falls River Group was the sell side project for Zeta Tech, an engineering consulting company that analysed the condition of track, methods for track maintenance, and economic analysis to optimize track maintenance budgeting and capital investment. Falls River Group sold this company to Harsco Rail (NYSE: HRS), which needed the Zeta Tech economic modeling to support marketing of their heavy track maintenance and track construction machinery.

FRG is currently working with a large US manufacturer seeking to further internationalize their business with acquisitions, as well as an Italian rail business owner seeking liquidity.

Based on our experience in the rail industry over the years, this sector has become a specialty of Falls River Group, and we are working on many more opportunities in this growing heavy industrial field.

G. Robert Newman
Director



Falls River Group, LLC, a Global Merger and Acquisition Advisory Firm based in Naples, Florida, and a member of IMAP, an exclusive global partnership of leading M&A firms providing premium M&A services focused on the middle market. IMAP celebrates 40 years of successful global collaboration with consistent ranking among the top 5 M&A advisories and approximately 200 completed transactions annually. From more than 35 countries throughout North and South America, Eastern and Western Europe, the Middle East and Asia, IMAP advisers provide strategic merger, acquisition, and divestiture and related corporate finance services. For more information, visit

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