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Lead Left Interview – Marc Daniel (Part 2)

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This week we continue our conversation with Marc Daniel, managing director, mergers and acquisitions, SunTrust Robinson Humphrey. STRH is recognized as a top provider of M&A services for deals under $500 million and has executed hundreds of transactions for private and public companies, as well as financial sponsor firms, across a wide variety of industries and market capitalizations. ***Second of two parts – View part one*****.**

TLL: Do you manage both investment grade and non-investment grade transactions?

MD: My business is mostly middle market. But if you're an investment grade issuer, having the cash has an impact, because the ability to finance investment grade deals is critical.

TLL: What kind of sectors are seeing more activity? Or less activity?

MD: The charts we showed at the Symposium had a number of different outcomes, depending on whether historic or prospective. They are also based on dollar amounts, not number of deals, so power and energy and TMT skew higher than one would think. On the private equity side, we see the most activity in consumer products and services, technology and healthcare.

TLL: Where are you busiest?

MD: Probably TMT, industrials, and healthcare. Interestingly, the top four sectors in the middle market – TMT, energy, real estate, and financials aren't well-financed.

TLL: Do you see any slowdowns?

MD: Yes, in retail, energy and power.

TLL: How about distressed situations?

MD: Yes and no. We recently hired an old colleague of mine at Bear Stearns to run a new effort in distressed advisory. Traditionally banks have shied away from that model due to the potential for conflict. There are ways to avoid that, though and it's worth doing since it should still be an active area that can generate revenues and provide added expertise for clients.

TLL: Marc, what's the pitch you make for SunTrust to be your sell-side banker?

MD: We have great client referrals. We are positioned well competitively between being a boutique and a bulge bracket firm. For middle market deals we pitch the client that they get experienced, high quality senior bankers working on their deals. You get bulge bracket capabilities with boutique attention.

Big companies hire us for divestitures. They could hire bulge bracket banks for sub-$500 million deals, but the bigger firms won't focus on middle market deals. That's our bread and butter. As are smaller companies headed by an entrepreneur.

TLL: Do you think what goes on in the public markets drive M&A activity?

MD: There's probably an indirect impact, versus the leveraged markets where there's more of a direct impact. The number one factor to confidence is when the Dow is at high levels. Secondly, when the currency is strong it enables buyers to pay more. Finally, higher valuations support higher bids.

TLL: What percent of your work is buy-side vs. sell-side?

MD: It's probably one-third buy-side, two-thirds sell-side. Of that sell-side component, about two-thirds is corporate divestitures. That's quasi-intentional. All things being equal, we would rather be on the sell-side. For corporates, they see we can provide that level of service and attention. We've naturally seen more corporate divestitures. In some ways, those are harder to execute.

TLL: Marc, what's been your biggest surprise so far this year?

MD: This year versus last year I would say the aggressiveness from strategic buyers. To make acquisitions and pay what it takes. Last year a lot of what we heard was "The price is too rich." Now it's "Wow, that's rich but I'll stretch to get there."

Contact: Marc Daniel
Marc.Daniel@SunTrust.com