

# David Alexander Jr.

*Negotiating M&A deals during good times and bad*

BY SEAN MEYERS  
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It's a good time to be selling a business and a good time to be in the investment banking industry.

Encouraged by a strong regional economy and relatively low interest rates, investors are eager to buy, merge and acquire, says David Alexander Jr., a principal of Macadam Capital Partners in Portland. "There's a lot of private capital out there looking for opportunities."

Over the past three years, the number of private equity funds in the United States has increased substantially, he says.

"The expansion of capital sources has been very big. There are a lot of private equity groups looking to the Northwest as an opportunity."

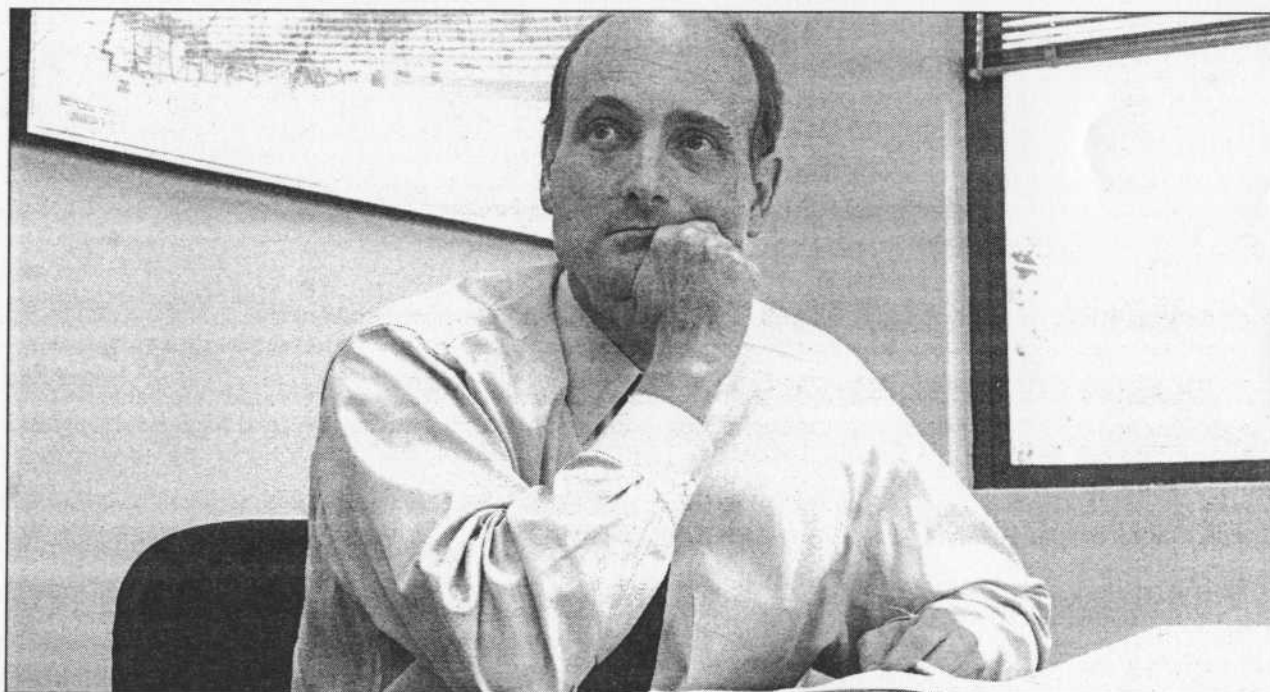
Macadam Capital Partners is one of just a handful of Oregon-based private investment banking firms. Founded in 1993 and operating primarily in Oregon and Washington, it is one of the oldest such banks in the region. It has closed more than \$1.8 billion worth of transactions for businesses with annual revenue ranging from \$10 million to \$1 billion.

Investment banks are the tollbooths of the financial world — they tend to make money whenever there's activity in the market.

"From Macadam Capital's standpoint, it doesn't matter whether the economy is in an up-cycle or a down-cycle, because we work as consultants with businesses in all types of economic situations," says Alexander.

If you want to make it long term in the investment banking business, forget the Hollywood stereotype of ruthless, unprincipled Wall Street traders. In the real world, an investment bank's most important asset is difficult to obtain and easy to squander.

"A significant barrier to entry into our industry is



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reputation. All of our business is by referral — we don't go calling on companies," says Alexander.

"Our goal was never to be the largest bank in the world. We wanted to bring Wall Street to Main Street. As a smaller bank, we can give quality, thoughtful advice to companies and have real impact on their operations."

Macadam Capital Partners differs from many other private investment banks in that in addition to executing transactions, it offers a wide range of consulting services to businesses that are in various

stages of trouble or transition, including profit improvement plans and sale of nonproductive assets, he says. "No one else in the Northwest does this. We've always been about providing solutions versus providing products."

Each case is different and requires a customized approach, he says. "We seek to maximize shareholder value and marry that with the owner's objectives."

When John Bradley, president of R&H Construction

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# Alexander

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Co., sought to buy out his business partner of 26 years, he turned to Macadam Capital. "Because Dave has a lot of experience in valuing privately held companies, he was able to negotiate a fair transaction," he says. "Without him, we might have gone around in circles for years."

Gregg Christiansen, president of Columbia Distributing Co., uses Macadam Capital in an ongoing consulting capacity.

"They're a great long-term partner," he says. "They're very accessible. You couldn't ask for better response time. We can pick up the phone and get information quickly on a broad range of issues, including new purchases, banking regulations and manpower."

The private investment banking industry is relatively new in the Northwest, says Alexander. Less than a generation ago, most business sales, mergers and acquisitions were brokered by accountants and attorneys by default, since there were no other local options. Most of Macadam's referrals today are from accountants, lawyers and clients.

A spate of new investment banks with

varying degrees of experience were launched in the Northwest in the mid- to late 1990s, Alexander adds.

Confidentiality is important anywhere you hang out a shingle as an investment bank, but even more so in the Northwest, says Alexander. "Business owners in Oregon and Washington are provincial. They don't like to talk about their money."

Mergers and acquisitions are far more complex than simply selling a business. "If you sell a business, the owner can move on to the next thing. With merger and acquisitions, there's a long list of unknowns to deal with. The question is, 'Am I really getting what I think I'm getting?'"

One trend in investment banking is an increase of hedge fund-driven investment into private companies, he says. "It's the biggest new entry into the capital market. The return hurdles are much lower."

Another trend is private equity funds that are focused on smaller targets — businesses operating in the \$25 million to \$100 million range. The change is driven by competition.

"There's a lot of money chasing middle-market businesses," Alexander says.

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