

ACG MN  
June 11, 2019  
Event Recap  
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## Driving Growth and Deal Activity at 15<sup>th</sup> Annual Capital Connection

After a beautiful Minnesota day on the golf course and lawn bowling turf, the attendees of the 15<sup>th</sup> annual AGC Minnesota Capital Connection enjoyed an opening reception with lots of local fare and flavors (Insta post link). The next morning, June 11<sup>th</sup>, Maggie Tatton, Chair of AGC MN Upper Midwest Capital Connection and partner with Ballard Spahr LLP, teed up the day. She covered the state of the industry – record high multiples and the recent uptick in deal activity – and outlined hopes for the attendees throughout day's learning and networking that would carry them through 2019 armed to successfully navigate middle-market deal activity.

### BOLD BREAKFAST

The first session of the day -- The BOLD Breakfast Panel -- moderated by Scott Riser, Managing Director of Riveron, served up a sampling of the panelists' characteristically bold moves. Julie Owen, COO of Innovative Office Solutions, Struan Robertson, VP HR at Bio-Techne, and Damon Schramm, CLO, Waitr Holdings shared insights on everything from culture shifts upon MNA to onboarding processes to seeking gap-filling opportunities in the marketplace.

Damon chimed into the culture conversation with a little perspective on Waitr's late 2018 acquisition of BiteSquad. As a Minneapolis local that's witnessed the tech scene here for years, I can't tell you how much I enjoyed hearing Damon's story of the juxtaposition of BiteSquad, a fast-paced Minneapolis tech company, with Waitr, a slower more methodical company based in Lafayette, Louisiana. Each structure equally beneficial in their own right, this merger of 5,000 and 7,000 employees required an integration team. As to the integration process and who's culture is winning, Damon commented, "We're a public company and data-driven decisions are more respectable."

Julie shared more about their onboarding process including one-on-one interviews and enrollment in their Innovative University. Using video conferencing for onboarding has allowed the company to get really personal really fast with employees. "When an employee feels like you care, you can engage them. You're establishing a baseline right away," Julie noted.

Scott then turned the conversation to Straun, who fielded a question on Bio-Techne's current stance on acquisitions, answering that they're not slowing down. They're always looking for gap-filling opportunities in the marketplace and not always married to a formula. "Investing in businesses in an incubator way is part of our strategy – it's a big part of what we do," Straun said.

*After the BOLD breakfast ended at 9:00, attendees had the option to talk with any of the over 35 participating private equity firms, prior to the 11:00 private equity panel.*

### INSIGHTS INTO LATE CYCLE INVESTING

During this session, a robust panel of seasoned veterans who've lived through the ups and downs of the economic cycles shared lessons learned and what they're focused on in today's market. Moderated by Sean Kearney, Shareholder at Fredrikson & Byron, P.A., with panelists including Brian Holcomb, William Chapman, Charlie Lannin, Michael McHugh and Jack Helms, you know attendees were attempting to glean everything possible from these industry leaders.

A mere handful of the powerful takeaways including ideas and commentary around maintaining consistency through all fluctuations/ not letting the market dictate, recognizing the importance of establishing long-term relationships, doing your due diligence, assessing new competition, and understanding changes in the competitive landscape. Michael's historical assessment of different recessions was particularly insightful as he observed a current level playing field of low interest rates, posing the question: How is that going to play out in the next recession?

Insights on venture to late stage investments mean you're looking at companies 4-5 years old, while on the late or mature stage it's 20 years, noted Charlie. For example, private equity firms like Stone Arch Capital LLC might look at 400-500 mature stage businesses deals per year and only do two. Additional themes rising to the top were due diligence, with Bill's grave reminder not to duck, but dive in. "Due diligence is not a marketing tool, it's a process tool. You can't not disclose something that you know," said Bill.

### LUNCH WITH PHILIP KAUFMAN, UHC

Philip Kaufman, CEO, United Healthcare of MN, ND and SD, filled us with optimism as attendees enjoyed their lunch, despite his self-proclaimed view as a glass-is-empty guy. With a conference so focused on private equity and investment banking, it was refreshing to bring the healthcare industry as a focus into the mix of the day. Philip, a recovering investment banker, was well suited to dig in and present healthcare with the audience's lens.

He shared health insurance trends as 1% employment based; 32% medicare and 63% Medicaid. He also went more in-depth on one of the more sticky stats around healthcare:

healthcare spending is so highly concentrated that in the majority of groups almost all of the medical spend is within 5-7 people. It's this stat that's created a shift in focus around ways to drive better behavior in the 5-7.

Philip highlighted national healthcare spending versus outcomes, calling out West Virginia as a state with a large discrepancy in spending to outcomes. This map followed by a simple, telling statement, "So much of health is not in healthcare." Philip talked about social deterrents to health like not having adequate shelter, healthy food and sustainable income. Improving these factors is the way to more significant ROI than plowing more money into the delivery on healthcare on the backend. Unfortunately our economic system makes it challenging to move dollars into different buckets to combat these issues.

Other hot topics were data transfer at time of action and relevance and what UHG is doing to that end, dynamics of drugs, specialty pharmaceuticals and the optimism of Americans – we not only want to survive, but thrive. This factor is only accelerating and it makes for a broader divide between other countries' (like Britain) approach to scoring systems to regulate expensive prescription drugs and America's approach to provide to individuals at perhaps the detriment of the masses. It seemed to leave us all intensely pondering ethical and societal questions and what the future holds.

*After lunch ended at 1:15, Craig Kleis, President of the ACG MN Chapter and Principal with Bernstein Private Wealth Management, addressed the group and encouraged them to have conversations and apply today's insights. Then, attendees were invited to talk with any of the over 15 participating investment bankers, throughout the afternoon.*

## EMERGING CANNABIS MARKETS

This two-hour panel of eight included attorneys and business development experts helping establish the industry's baselines, legality and marketplace realities; and cannabis processors and distributors sharing their insight and perspectives on growth. Attorneys Zach Robins, Edward Culhane and Adam Fayne and business developer Michael Norton spent the first part of the panel sharing definitions like *hemp and marijuana are both in the cannabis family, but hemp seed does not contain the psychoactive compound, Tetrahydrocannabinol (THC), that Marijuana does*; and facts like its legalization in 46 states and that over 70% of the U.S. population now live in a state where cannabis is legal.

The recent 2018 Farm Bill removed hemp and its constituents from the Federal Controlled Substance Act, which means they are regulated as agricultural products. It was also noted that it was a \$600M market before it was removed via this bill, and estimated to be more like a \$5-10B market by 2022. Adam outlined why companies that have huge valuations but are not cash rich are heading to Canada for coverage, while Michael cited some context in the marketplace, referencing the Nancy Reagan era of marijuana as a gateway drug to today's view of it as an exit drug to opioids.

*I exited at 3:00 due to a prior commitment and was not able to attend the last part of the session.*

## PEACE OUT

The day ended with a reception that lasted until 5:00. I suspect some, especially the introverts, were networked out in the best way possible. I appreciated the ample time built in for networking between sessions and the variety in structure from large-group keynotes to one-on-one intentional conversations and more free-flowing gatherings like Monday's golf tournament, lawn bowling outing, and reception. In conversations with attendees, many – even and especially the introverts – appreciated that ACG MN's Cap Con gave them a “good condensed dose of connections to trigger a compounding effect that would grow my network.”

*--- This event recap is one attendee's perspective of the day and not representative of the view of ACG Minnesota.*

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