

Small Dealer Symposium

Strategic Transactions

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Do you intend to be the Acquirer or the Acquired? Or, the art of “being realistic”.

- Acquirers:
 - Prove they can grow organically
 - Prove they can recruit
 - Prove they have a track record of making acquisitions
 - Prove they have built all the infrastructure necessary to grow and acquire further:
 - I. Compliance
 - II. Operations
 - III. Financial Reporting
- Not Acquirers: If not all of the above, then go it alone, or recognize you could be an acquisition candidate.

What's important whether you intend to be the Acquirer or the Acquired? Objective: minimize post transaction conflict, or risk of failure.

- Highly similar Corporate Culture is by far the most important determinant of a successful transaction
- Pre closing clearly address, understand and/or agree who's in charge, and for what areas:
 - I. Outright acquisitions are easier and more likely to succeed than mergers
 - II. Small roll ups are much easier than major acquisition
- Relatively similar business models is a major factor
- Change Management is easier said than done
- Avoid transactions that involve letting people go

Closing the transaction is usually easier than the post closing execution.

- Perspective: Getting to a transaction closing is a difficult process. Vast majority of serious conversations do not lead to a transaction closing.
- Issues around attempting to negotiate and close transactions are relatively familiar to most parties, in part due to recent upheavals in the investment industry leading to some dealers having friendly conversations.
- Post closing experiences are more infrequent.
- Presentation objective: Look at issues around post closing with some examples. Until a transaction is closed, it is difficult to assess just how all consuming post closing execution and integration can be.

Example Transactions. They're always unique.

Integration of a "Non IIROC" Business

Culture. Even if perceived Cultures are similar, IIROC is a Cultural consideration unto itself and can complicate issues.

Integration of "Off Book" to "On Book". A huge operational endeavour compounded by "in transition" training of support staff.

Licensing of Advisors. During "papering" to "On Book" Advisors have a short time frame to become IIROC licensed.

On going "Change Shock". Some staff may find it hard to accept why they can't process business ongoing as they use to.

Acquisition of a Branch from another IIROC Dealer

Culture. Much clearer to assess Cultural fit because both sides understand requirements to work within IIROC environment.

Operations Considerations. The option to seek a Bulk Transfer On Book with IIROC is a significant benefit to clients and the firm plus new staff is well versed to support subsequent papering.

Licensing Advisors. A simple process via NRD and involves some post closing training.

On going "Change Shock". Still exists but is likely less significant. Could have some "autonomy shock".