

# FAMILY BUSINESS ENTERPRISE

INVITATIONAL CONFERENCE

## To Sell or Not Sell The Family Business- YES

### Moderator

**Professor Lloyd E. Shefsky**  
Founder & Co-Director,  
Center for Family Enterprise  
Kellogg School of Management

### Panelist

**Ben Shapiro**  
Manager, Mason Avenue Investments &  
Former Owner of Prairie Packaging, Inc.

### Clay Mathile

Aileron Founder & Former Owner of  
The IAMS Company

### Jim Stephen

Executive Chairman,  
Weber-Stephen Products, LLC

### John Honney

Practice Lead- Business Owner  
Advisory Services, Northern Trust



## *TO SELL OR NOT TO SELL THE FAMILY BUSINESS – YES*

Diversification and protection of family wealth are the principal obligations of our generation. Having all our eggs in one basket is irresponsible, a violation of our fiduciary duty and a sign of arrogance. We aren't our (grand)father/mother. Things are different now, and we must reinvent.

Moderator:

Professor **Lloyd E. Shefsky**, Founder & Co-Director, Center for Family Enterprises, Kellogg School of Management

Panelists:

- **Clay Mathile**, Aileron Founder & Former Owner of The IAMS Company
- **Ben Shapiro**, Manager, Mason Avenue Investments & Former Owner of Prairie Packaging, Inc.
- **Jim Stephen**, Former CEO of Weber-Stephen Products, LLC
- **John Honney**, Senior Vice President, Northern Trust

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## WELCOME

Wednesday, May 14, 2014

### **Professor Lloyd E. Shefsky**

Founder & Co-Director of the Kellogg Center for Family Enterprises  
Clinical Professor of Entrepreneurship  
Kellogg School of Management, Northwestern University



Northern Trust



Kellogg  
School of Management  
NORTHWESTERN UNIVERSITY

Center for  
Family Enterprises





**Someday, son, all of this will be yours.**

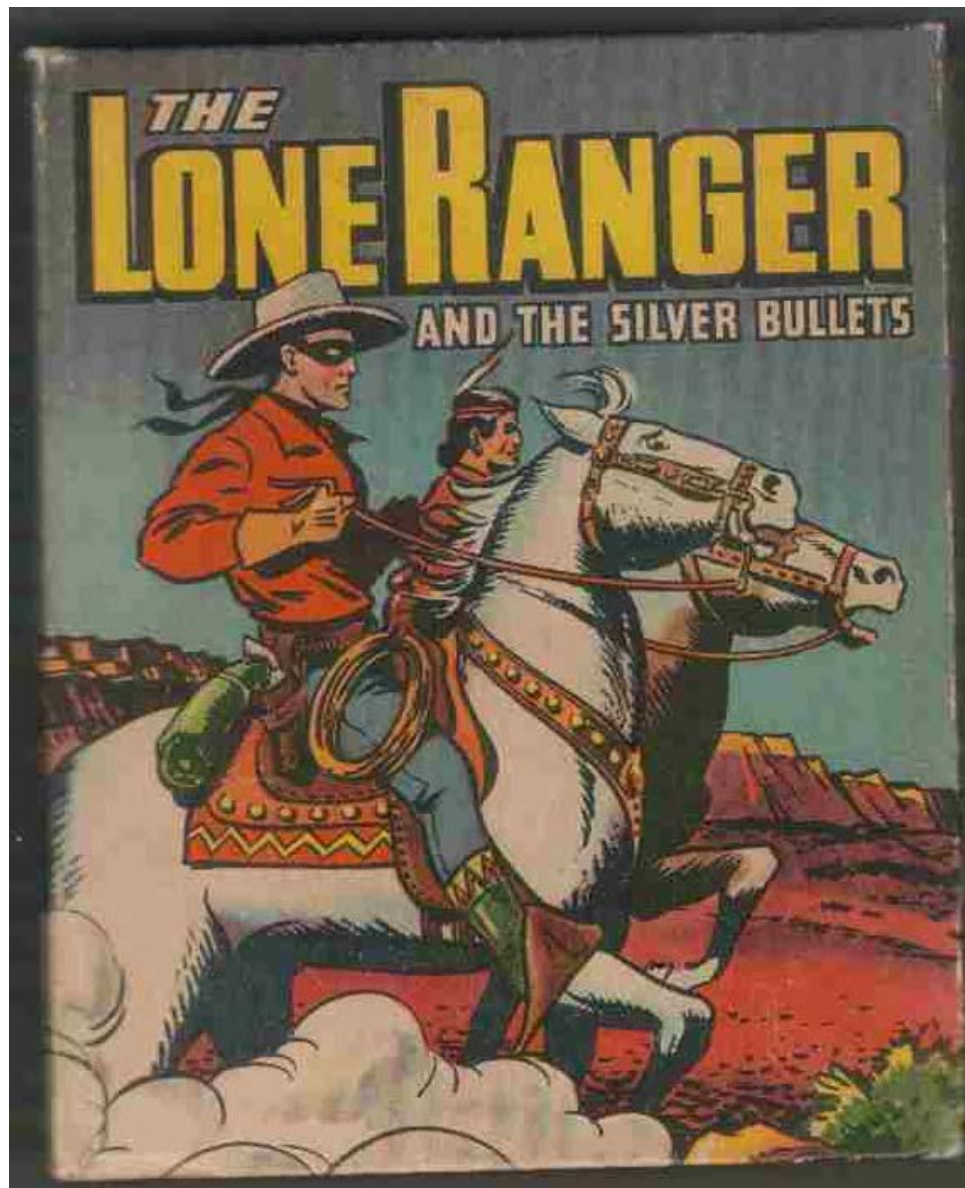


**Someday, son, none of this will be yours.  
I'm selling the family business.**





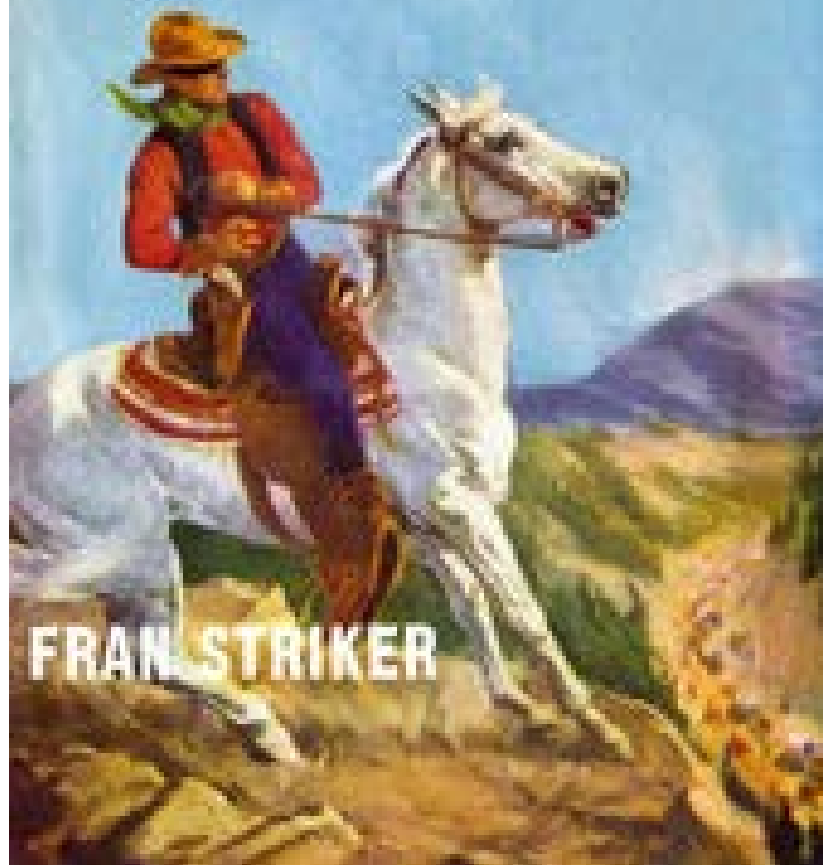


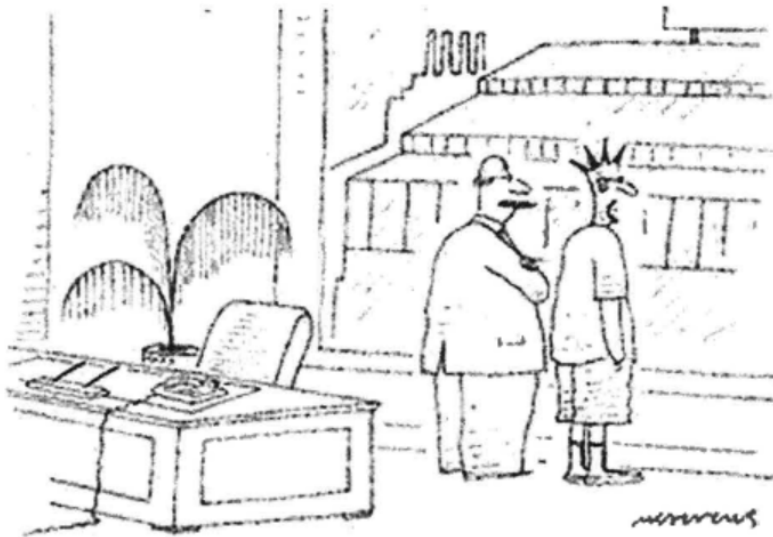






# THE LONE RANGER AND THE SILVER BULLET





**Someday, son, all of  
this will be yours.**



**Someday, son, none of  
this will be yours.  
I'm selling the  
family business.**

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## To Sell or Not to Sell the Family Business – YES

The IAMS Company Story

**Clay Mathile**

*Aileron Founder & Former Owner  
of The IAMS Company*



Center for  
Family Enterprises



# Background



Born in 1941, Graduated Ohio Northern 1962, Married High School Sweetheart, Mary, 1962

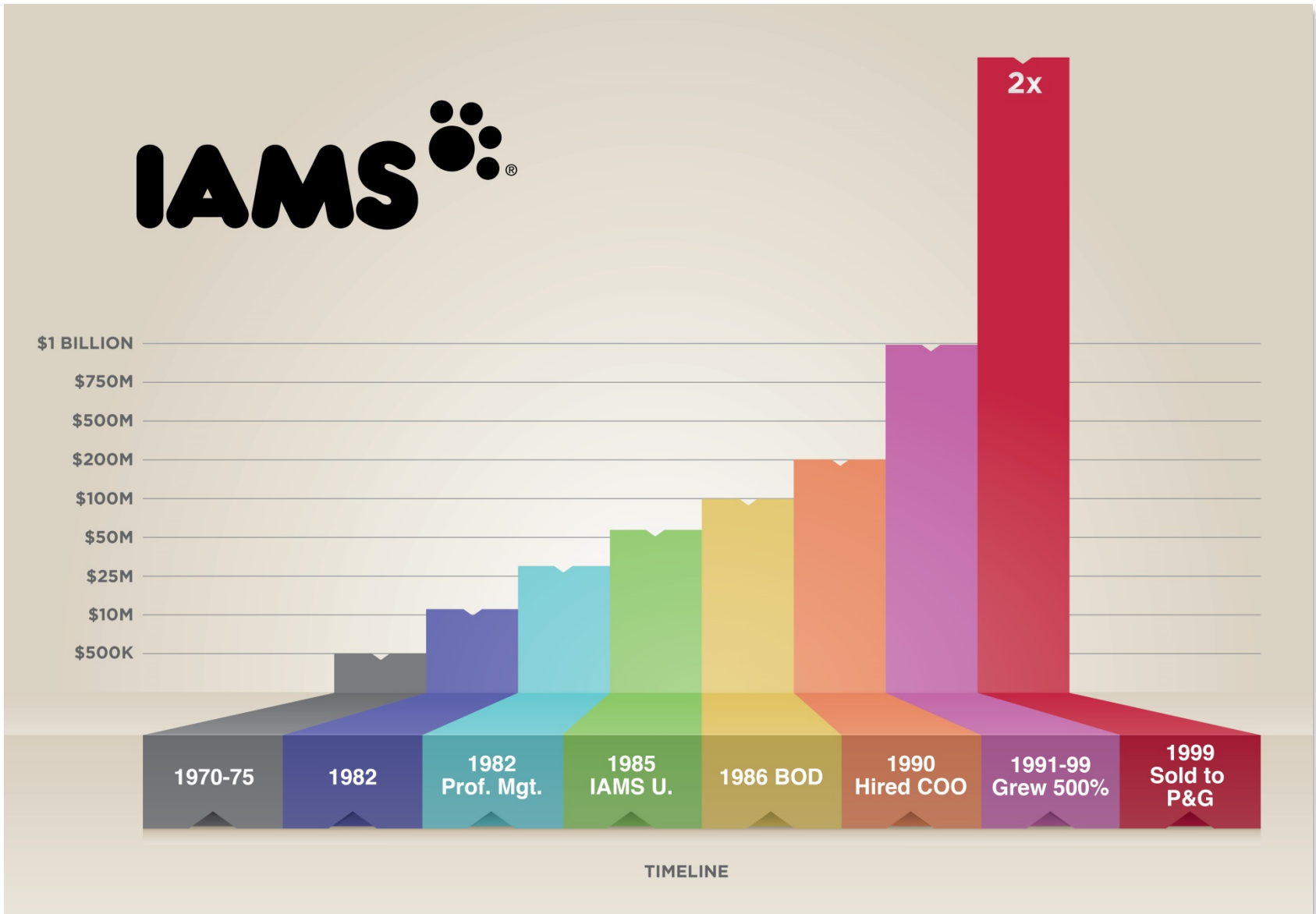
## *Work Experience:*

- G.M. 1962 – 1963
- Campbell Soup 1963 – 1970
- Joined IAMS June 1970
- Purchased IAMS 1981



(5) Children (5) Married-Ins (15) Grandchildren

# IAMS Growth Chart: 1970-1999





# IAMS – Keys to Success

- Technology (Nutrition)
- Professional Management
- IAMS University
- Outside Board
- Hired COO
- CCPP Strategy



# IAMS – Reasons for Selling

- Industry
- Retail Channel
- Debt
- Succession Plan
  - ◆ GRATS (1992)
  - ◆ Family Office (1993)
  - ◆ Family Council (1995)
  - ◆ Decision to Sell (1997)
- More Resources to Pursue More of Our Dreams

# IAMS – Concerns About Selling

- Family
- Community
- Science
- People



# IAMS – What I Wanted...

- IAMS to Remain in Dayton
- Employees are Rewarded
- Buyer will Respect the Integrity of the Company's Science and Technology
- Valuation Based on Strategic Perspective
- **P&G Satisfied Those Better than Anyone**

# IAMS – After the Sale

1. The IAMS Company would survive and prosper forever.
2. The IAMS Company would be recognized as the world leader in dog and cat nutrition.
3. Use our talent, knowledge and wealth to help people less fortunate reach their full potential.
4. I would do my part to perpetuate the “Great American Dream” by supporting our free enterprise system and entrepreneurship.
5. A Family United Forever.



# Mathile Family Office



CYMI





# Mathile Family Foundation



MATHILE FAMILY FOUNDATION

“Education is the greatest  
social and economic equalizer.”

– The Mathile Family



# The Glen at St. Joseph



**87** Mothers and Children  
building their future stories





# The Mathile Institute for the Advancement of Human Nutrition



The Mathile Institute  
for the Advancement of Human Nutrition

Significant Improvements  
within Six Months





## 76,000+

Hours Invested in Helping Businesses

Grow in 2013





Have something more important/fun to do!



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**Ben Shapiro**

Mason Avenue Investments & Former Owner  
Prairie Packaging, Inc.



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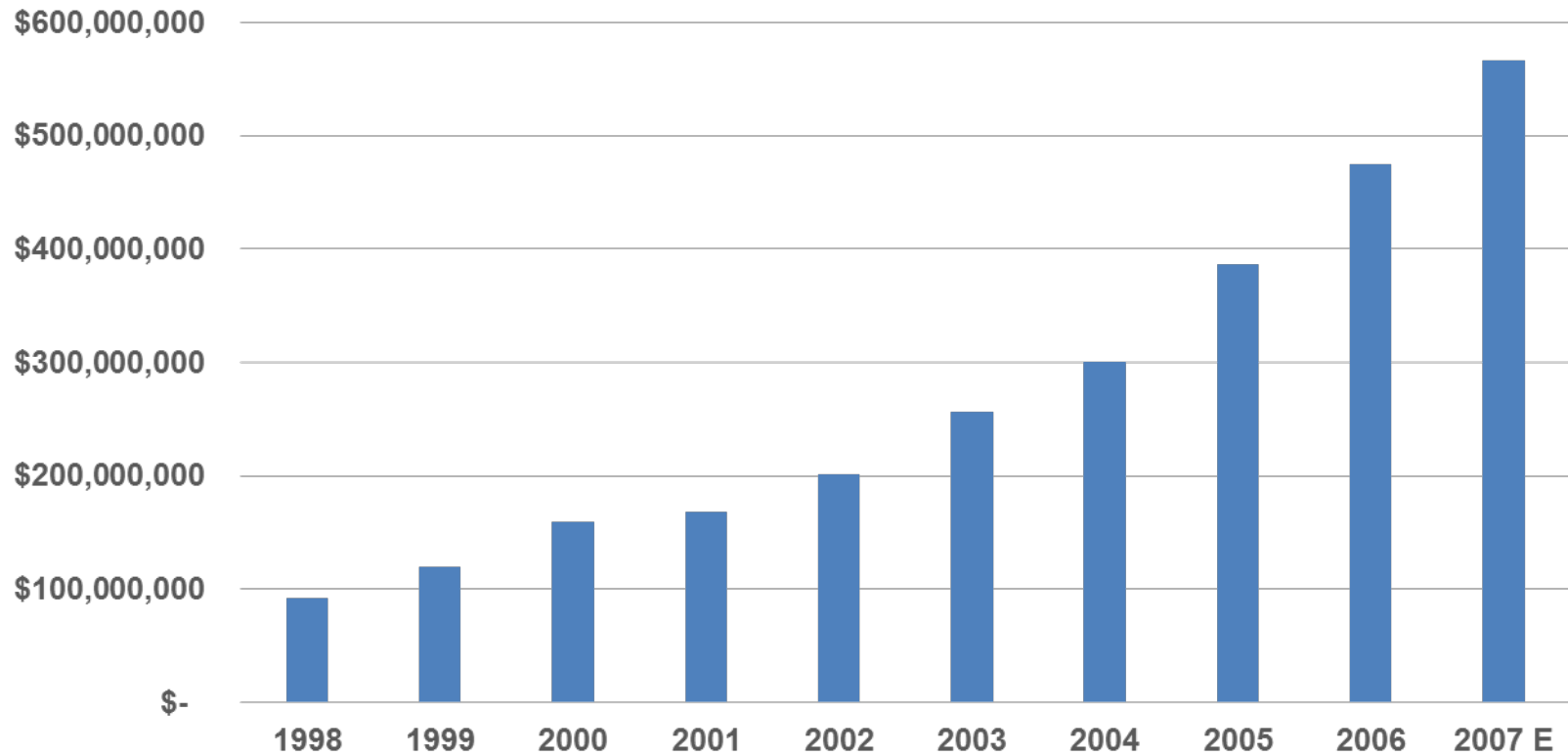




# Shapiro Family History Serving the Foodservice

Date	History
1911	Russian immigrant Joseph Shapiro and his four brothers start an ice cream cone bakery firm
1919	The business relocates to Baltimore and becomes Maryland Baking Company
1957	Responding to the competitive threat of paper cups, the company begins manufacturing paper and plastic cups and changes name to Maryland Cup Company
1961	Family combines their businesses into one company for initial public offering
1980	Sales reach \$580 million after two decades of steady growth
1983	Maryland Cup Company is acquired by Fort Howard Paper Company; Shapiro family exits
1986	Third-generation Earl Shapiro founds Prairie Packaging, Inc. in Chicago as a green-field manufacturer of disposable plastic dinnerware
1995	Fourth-generation Matthew Shapiro joins Prairie Packaging as Vice President, Marketing
1995	Prairie Packaging receives its first Sysco Top 100 Supplier award – an honor it continues to receive in each of the thirteen subsequent years
1998	Fourth-generation Benjamin Shapiro joins Prairie Packaging as Vice President, Strategic Planning
2003	Prairie Packaging named Sysco Supplier of the Year
2007	Sales grow to over \$500 million entirely through organic growth; Prairie is largest supplier of disposable plastic dinnerware to Sysco Corp., McDonalds, and Sam's Club
2007	Pactiv Corp. offers \$1 billion for Prairie Packaging; Shapiro family accepts offer and exits
2014	Benjamin and Matthew Shapiro seek a long-term investment in manufacturing businesses where they can leverage their strong customer relationships and operational skills to generate substantial growth

# Prairie Packaging Gross Sales 1998 – 2007E



# 2007 Strategic Issues

- Customer Concentration
- Potential Margin Pressure
- Law of Large Numbers- Slowing Top-Line Growth
- Founder's Health

# Should We Sell? Our Decision Matrix

- Approach The M&A Market From A Position of Strength
- Valuations And LT Gains Tax Both Historically Favorable
  - Need To Grow Business 50% If Reversion To Mean
- Fear Of Public Auction
- PE Versus Strategic Buyer?

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**Jim Stephen**

Weber-Stephen Products, LLC.  
Executive Chairman



Northern Trust



**Kellogg**  
School of Management  
Center for  
Family Enterprises  
NORTHWESTERN UNIVERSITY

**WTAS**

Weber-Stephen Products LLC  
*A Family Story...*





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## The Offer You Can't Refuse

Urban Myth?

**John K. Honney**

Northern Trust

Director, Business Owner Advisory Services



Northern Trust



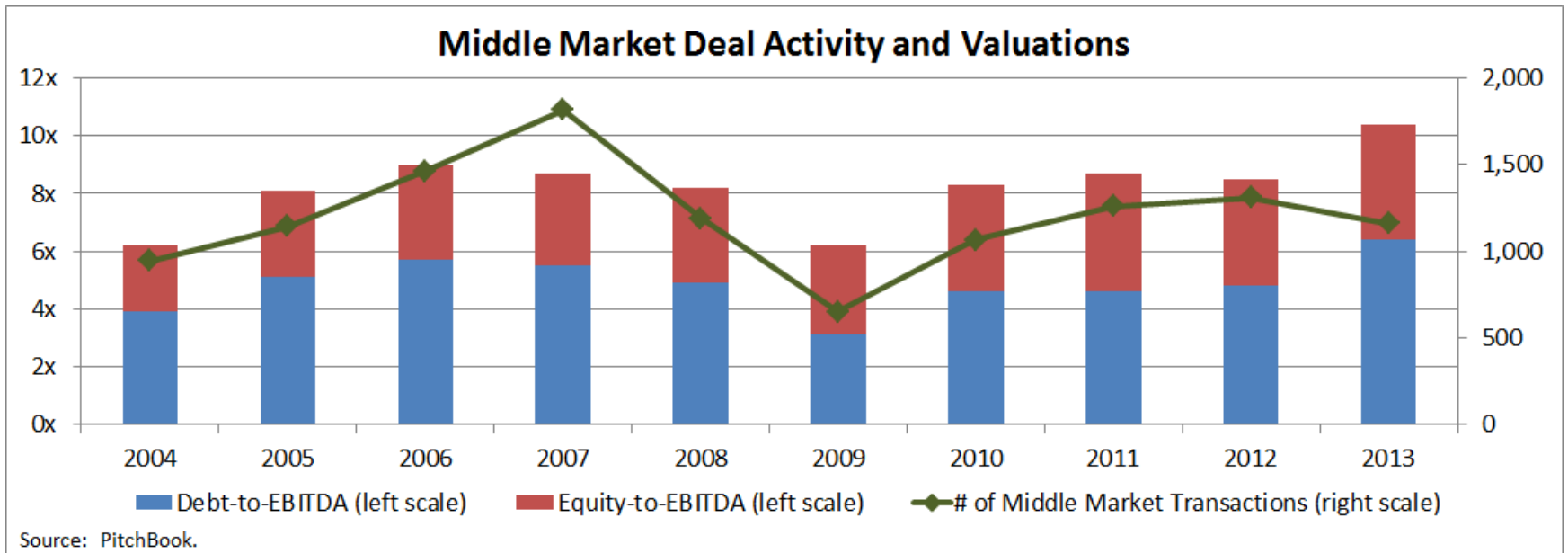
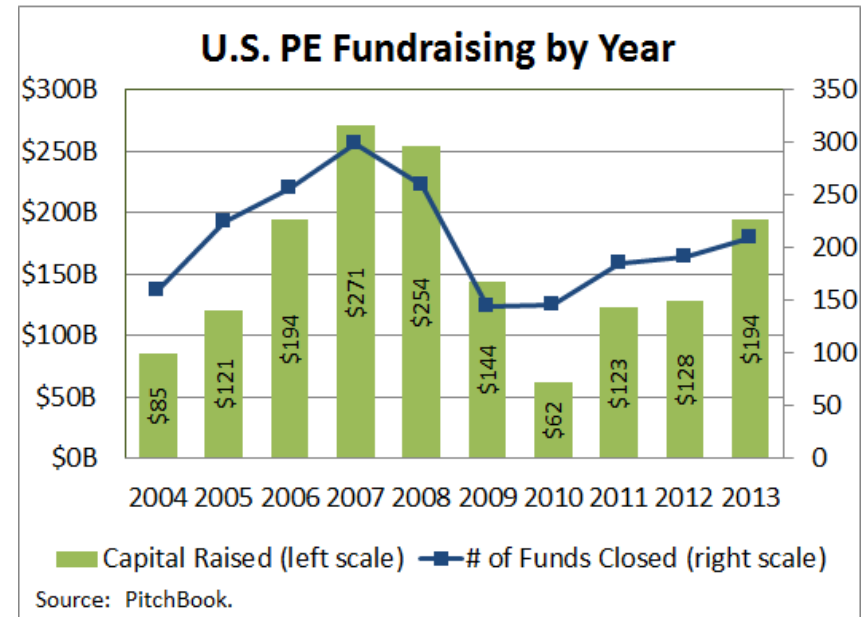
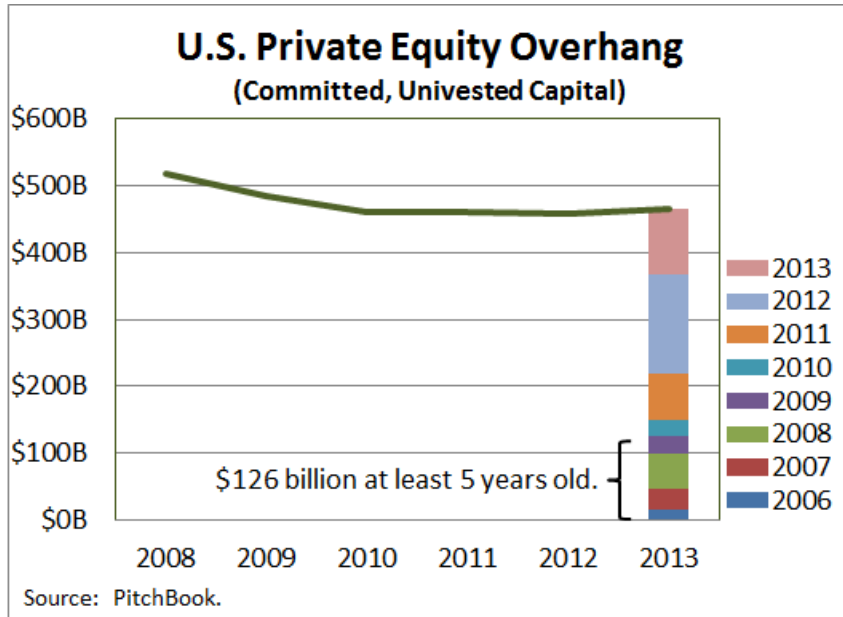
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**WTAS**

# Capital Overhang Keeping Multiples High



## Considerations in the Sell Versus Hold Decision

- Personal Factors
- Public Alternatives
- Compulsions

## Where Have All the Sellers Gone?

*“Most individuals and families... needed to be propelled into the market by specific circumstances in the life of the family business or its industry – what David Heller of Bertram Capital... describes as ‘Event-Driven’ selling.”*

- Andy Greenberg, CEO of GF Data Resources

## Succession Data Highlight the Need for a Backup Plan

- **30%** of businesses make it from the founders to second generation
- Less than **18%** survive into the third generation
- **30%** of businesses taken to market fail to sell

Sources: 2012 Spectrem \$25 Million Plus Study; 2012 VIP Forum: State of the Business Owner Segment. Pepperdine 2014 Private Capital Markets Report.

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