



C. Dean Metropoulos

EDITOR'S NOTE *Dean Metropoulos is a Greek-born American investor and businessman. With Leon Black's Apollo Global Management, Metropoulos paid \$410 million to buy Hostess Brands out of bankruptcy and returned Twinkies to grocery shelves in July 2013 after a nine-month absence. He previously paid \$250 million in 2011 for Pabst Brewing Co. He has also revamped Chef Boyardee, Pam cooking spray, Bumble Bee tuna, and Perrier-Jouët champagne plus 100 other well-known brands. He holds a B.A./B.S. and M.B.A. from Babson College.*

COMPANY BRIEF. *Metropoulos & Co. is a principal investment firm, which seeks to invest in the consumer branded products industries.*

Is the U.S. experiencing a true economic recovery and how solid is it?

There are pockets of the economy that have recovered, including the financial markets. Low interest rates fueled by an accommodating Fed policy have supported M&A activity, particularly for corporations, sponsors, and "deals" that are well-known to the banks. For such activities, liquidity is very available. Direct loans to small businesses continue to struggle. However, money managers and clients seeking higher returns are filling this void with a proliferation of loan portfolios of mid-size company loans.

Also, inexpensive natural gas and oil exploration promises to soon make the U.S. energy independent. It will be natural gas which will tremendously impact the U.S.'s foreign policies, trade deficit, and investment and employment at home.

I anticipate that over the next 5 to 10 years U.S. manufacturing will experience a renaissance given lower cost energy, continued U.S. productivity improvements and automation, escalating labor and benefit costs in China, and the cost of freight to reach the U.S. market. More importantly, productivity has continued to grow. IT and systems integrated into the entire process of manufacturing, supply chain, and management have made U.S. manufacturing more efficient than ever.

Creating Brand Value

**An Interview with C. Dean Metropoulos,
Executive Chairman and Chief Executive Officer, Metropoulos & Co.**

My strongest sense of optimism for America's future resides in the "unique" transparency and general accountability of our political and legal system, our business conduct, and our environment of promoting and rewarding work ethic, commitment, and performance. American corporations and capital are resourcefully seeking and creating opportunities around the world: transferring know-how, and building factories and infrastructure from Asia to Africa. Every human is or will be affected by this global economic momentum, which has already created two billion middle-class consum-

We have developed a certain expertise and know-how in managing consumer businesses, building and innovating brands, and structuring financing that is very suitable and flexible for restructuring and investing in the rebuilding of the companies we acquire. We have probably acquired and restructured more consumer businesses than most private equity groups in Europe, the U.S., Canada, and Mexico.

We look at many deals before we focus on a few that offer us the opportunities to leverage our skill set, and provide for predictable turnaround and growth.

After an acquisition, how difficult is it to change the culture with the same people in place?

Often, incumbent management spends too much time defending and justifying the status quo and past decisions, as opposed to aggressively moving forward. In such cases, it is best to move on quickly so that the new excitement of "change" can reenergize the rest of the company and its broader business relationships and, more importantly, allow for rapid transition and execution of the new strategy.

It is incredibly rewarding to reinvest and reenergize a company with historic and iconic brands that somewhere along the way lost its "mojo." Usually this can be attributed to poor management and leadership that did not remain focused, did not innovate and stay current with evolving consumer trends, did not invest in productive and efficient systems and manufacturing, and did not create a lean, accountable, and "results"-driven culture.

Remarkably, 98 percent of the middle management and other employees respond and embrace change with great enthusiasm, and always guide the decisions and actions we take to restructure the business and invest in new products. They love the new atmosphere of risk-taking, investing in growth, and hands-on leadership.

Do you look to get companies back on track and to keep them long term or are you more interested in a relatively quick exit?

We have sold some wonderful brands that we later wished we had kept. Generally, however, our objective is to come in and bring new ideas, reposition these businesses, put them on a path for growth, and exit. This is where we create 80 percent of our acquisition model's value. However, we have had many

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ers. Maintaining this rate of growth and being stewards of our limited resources – irrigable land, water, etc. – and our environment will be the most important challenges in the future.

Tempering some of this optimism are issues around entitlements that, over time, can weaken motivation and work ethic, a government in gridlock, and concerns about deteriorating education and "out of control" health care costs.

What do you look for when evaluating potential transactions?

We have focused on the consumer sector, although we have had several successful industrial deals.

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companies that have become wonderful platforms for synergistic “add-on” acquisitions. In such cases, bringing the already established performance culture plus the significant operating synergies of the newly acquired businesses generates additional significant upside.

The one constant we are proud of in the 78 acquisitions we have made is that each and every one of them was built for long-term success. We manage not with an “exit” in mind, but to build a great, competitive business. Every one of our businesses continues to thrive and perform years after we have sold or IPO’d them.

No matter how much due diligence you perform, until you get in there, do you really know what you’re facing?

Generally, yes. Do we still get negative surprises? Yes. For instance, it’s easy to underestimate the system requirements needed to fully control a business, particularly when you buy some companies that are really struggling. It can also sometimes be difficult to predict competitive behavior. Our success has come from a strong focus and discipline both in operating the business and in our market behavior. When you have iconic brands, you grow them with innovation, quality, and fulfilling consumer needs, not by discounting and heavy promotion.

I am sometimes surprised by competitive behavior that tries to defend a declining market share by price concessions as opposed to innovation and better business practices.

How do you avoid resting on your successes?

Not difficult at all. It is part of our personality, discipline, and culture so we focus on the task ahead, not on our last success.

Is it possible to take the emotional aspect out of a deal like Hostess?

Since we relaunched Hostess, there has been an overwhelming and emotional groundswell across the country. Older and young people alike thank us for bringing back Twinkies. I have received over the years hundreds of remarkable letters expressing deep emotions and attachment to these and many of our brands like Pabst, and others. These brands are for all of us,

part of our heritage, memories, and nostalgia, and their name evokes smiles and comfort.

I felt a pride when we went after Hostess in an effort to help revive the brand. We are already well on the way to securing Hostess’ and Twinkies’ futures for generations to enjoy.

Do you focus on only a certain number of transactions at any one time?

We try to remain somewhat focused, particularly with deals that are in turnaround, and start-ups. There have been a number of overlaps, and the decision is generally driven by opportunities that become available. We feel very comfortable having several simultaneous deals.

What qualities are necessary to be a successful entrepreneur?

Most successful people have an entrepreneurship about them. You have to drive hard and be hungry, and not be overly structured in your thinking. The successful executives are willing to make decisions and drive them – they’re not only looking for consensus-building.

Additionally, they inspire action, accountability alongside financial discipline, and they encourage reliance on instinct and experience.

Success and a level of hunger for performance and results go hand in hand, as does financial analytics and the setting of clear and monitored targets and objectives.

Is it tougher to retain brand loyalty today?

Yes. Some of the criteria are different. New brands today take on a slightly different character – people are looking for more local as opposed to big global campaigns that do not evoke close relationships with the consumer.

A lot of the growth in almost every category is derived from tapping into a closer personal identity with the consumer.

In addition, marketing today has become so much more viral and organic, driven by social media and the Internet, which creates a personal connection among the lives of everyday people, their habits and tastes, and their local communities. This is where my sons, Evan and Daren, have been “game-changers” with all of our brands, restaging and taking brand-building to another level. Social media, which they strongly support, is reasonably recent but, since they were 15 years old, they have created unique and differentiated marketing campaigns that have had huge impact on our brands.

Is it important for you to focus on those specific areas where you can make the most impact?

Philanthropy is the next frontier of my own and my family’s focus. In order to truly have an impact on the many very worthy causes, it truly takes a major commitment as Bill and Melinda Gates have made. Presently, we are generally passive contributors to charity. But more and more, I am feeling the pull to apply my own and my sons’ skills to really making a difference. Like acquisitions, it is not just the money; it is the execution that has the real impact.

Can you imagine ever slowing down?

I like the excitement of accomplishment. As long as I feel this way I will continue doing what I do. ●

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