Mergers, acquisitions focus of conference

By Laurie Winslow
World Staff Writer

Making a business acquisition is a lot like a relationship or marriage — it takes work. And no perfect match exists.

On Wednesday, nearly 175 people attended a mergers and acquisitions conference where they learned about the courtship process of acquiring a company and all the emotions and complexities involved.

The conference — titled "Keys to Successful Acquisitions for Corporate Growth" — was hosted by the M&A Source, an international organization of experienced merger and acquisition intermediaries representing the middle market.

Several merger and acquisition experts from across the country spoke about sundry topics related to their speciality.

Attendees even learned about the pro-business environment of Oklahoma and Tulsa, and reasons why this is a good place to expand or locate a business.

"Our perception on the global stage is growing, and we need to take advantage of that," said Mike Seney, senior vice president of operations for the State Chamber.

Oklahoma is at the crossroads of the continent for the North American Free Trade Agreement, Seney said.

The sate also has special tax incentives, including the American Indian Land Tax Credit, which covers 67 percent of the state.

Businesses locating or expanding in these areas can benefit from accelerated depreciation of investment and employment tax credits when employing tribal members or their spouses, according to information on the Oklahoma Department of Commerce's Web site.

The Tulsa area, too, is booming, noted Michael Neal, president and CEO of the Tulsa Metro Chamber. Energy and aerospace are important to the area, but other key industry clusters that have great growth opportunity include advanced manufacturing, technology, business services and health care.

As for merger and acquisition activity, last year was the third most robust year in a row, with $1.6 trillion in M&A activity in the United States, said Walt Lipski, principal of Capital Advice LLC in Scottsdale, Ariz. Globally, M&A activity surpassed $3.8 trillion.

"It's a good time to be a seller. . . . There is intense competition for good deals, and that is driving the market right now," Lipski said.

Fred Jager, president and CEO of Hunter Wise Financial Group LLC in Irvine, Calif., like others at the conference provided basic guidelines to help people maneuver their way through the M&A process.

More than half of all mergers fail because people haven't taken the time in advance of the acquisition to consider how they'll integrate these companies, Jager said.

At the corporate level, different parties may have conflicting ideas on how the acquisition should proceed. The CEO may have one idea, while the operating manager, the board of directors and stockholders have a completely different vision.

"All of those categories of players have to be on the same page or else the odds of that transaction being accomplished are slim," Jager said.

Closing a deal represents 5 percent of the transaction, said Scott Klososky, a former CEO of three successful start-up companies, who spoke at lunch. The real work begins after the papers have been signed and the acquiring company has to digest and mix the culture of the two companies.

"I love mergers and acquisition. . . . I love that game. As an entrepreneur there is nothing better than at a stroke of a pen doubling the size of your company," Klososky said.

But every deal will be riddled with mistakes, said Klososky, who confesses to having made many, including selling stuff too cheap because he wasn't patient enough to wait for more money.

The lethal speed and momentum of deals can cause problems. It is a game where the clock is ticking, and if one side drags down the process, the other side may lose its zeal and walk away, Klososky said.

"They can go fast, and you've got to make decisions on the move. It's just like speed chess," he added.

He recommends that those unfamiliar with the M&A process have an experienced person on their team who can help them through the process.

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JETS:

American Airlines operates 675 aircraft.

FROM E-1

our long-term fleet plan. While the MD-80 remains an excellent aircraft that serves us and our customers well, the new 737s will be a great addition to our fleet that will lower our operational costs, boost the fuel efficiency of our fleet and also bolster our efforts to lower emissions and noise levels."

American, the world's largest airline, has 7,000 employees and operates 16 daily flights at Tulsa International Airport. The company operates 675 aircraft.

In 2006, AMR reported a net profit of $231 million, its first annual profit in six years. The company ended the year with cash and short-term investments of $5.2 billion and long-term debt of $18 billion.

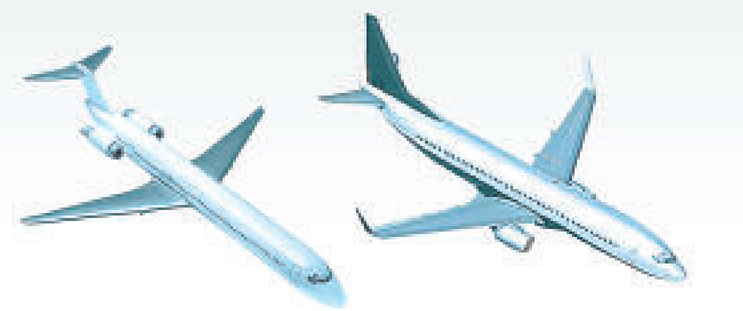
Replacing some of American's MD-80s has become a priority, company executives said, as the price of fuel has escalated. American's 2006 fuel bill was $6.4 billion or nearly 30 percent of its total operating expenses of $21.5 billion.

American's average fuel price per gallon last year was $2.01, up 16.5 percent from a year earlier and more than double its average price of 78 cents in 2000.

Arpey said the company estimates the 737 consumes 25 percent less fuel per available seat mile — flying one passenger one mile — than the MD-80.

He also said the company's goal is to improve the fuel efficiency of its fleet by more than 20 percent by 2020.

Profiles of the Boeing MD-80 and 737-800



	MD-80	737-800
Maximum passenger capacity	136	148
Cargo capacity	1,253 cubic feet	1,555 cubic feet
Wingspan	107 feet, 8 inches	112 feet, 7 inches
Length	147 feet, 8 inches	129 feet, 6 inches
Tail height	29 feet, 6 inches	41 feet, 2 inches
Maximum fuel capacity	5,480 gallons	6,875 gallons
Maximum range	2,361 miles	3,521 miles
Typical cruise speed at 35,000 feet	504 mph	530 mph

SOURCE: American Airlines Tulsa World

As part of a "turnaround plan" begun in 2003 after a near bankruptcy filing by AMR, company employees are driving down fuel costs through a series of initiatives ranging from single-engine taxiing to installing fuel-saving winglets on its 737s and 757s. The winglet work is being done at American's Maintenance & Engineering Center in Tulsa.

A "fuel smart" program begun two years ago has reduced fuel consumption by 95 million gallons a year, officials said, and the company hopes to increase the savings to 125 million gallons this year.

"Strengthening our balance sheet remains a high priority and an important element of building a stronger financial foundation under our turnaround plan," Arpey said. "Our announcement today shows that we are taking action to strike the right balance between reinvestment in the business and the need for continued financial improvement. As we continue to improve our financial performance we will have more flexibility to reinvest in the business for the future."

AMR shares closed at $30.62 on Wednesday, down 62 cents. More than 8.4 million shares were traded.

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Bernanke rejects idea that economy slipping

By Jeannine Aversa
Associated Press

WASHINGTON — Federal Reserve Chairman Ben Bernanke told Congress on Wednesday that he doesn't believe the economy will slip into a recession and rejected the notion raised by his predecessor, Alan Greenspan, that the economic expansion, which started in late 2001, could be running out of steam.

"I would make a point, there seems to be a sense that expansions die of old age. . . . don't think the evidence supports that," Bernanke told the Joint Economic Committee.

Bernanke also explained that last week's change in the Fed's policy statement, which hinted of future rate moves, was done to achieve more leeway.

"The risks had increased on both sides," Bernanke said, referring to both the increased threat of higher inflation on the one hand and weaker-than-expected economic growth, on the other.

Last week the Fed again held a key interest rate steady at 5.25 percent; it hasn't budged since August. But the Fed also said there was a possibility that rates could go down or up. Previous policy statements had spoken only of the possibility of rate increases. Wall Street rallied last week on the new language, interpreting it as suggesting the possibility of a rate cut.

The direction of rates, the Fed said at the time, hinges on what incoming barometers say about the economy and inflation. Bernanke repeated that point on Wednesday.

"I do want to emphasize we have not shifted away from an inflation bias," Bernanke said.

On another topic, Bernanke said the growing troubles in the market for risky mortgages thus far doesn't appear to be spreading to the overall economy.

". . .The impact on the broader economy and financial markets of the problems in the subprime markets seems likely to be contained," he said.