Walter Capital Partners
Tuck-In M&A Model – Case Study & Assignment

Situation Overview

Hudson Chocolate Inc. ("Hudson" or the "Company") recently approached the bank to assist in exploring strategic alternatives, including a series of smaller acquisitions by the Company. Hudson has delivered relatively strong financial performance in recent years but given the consolidation in the confectionary industry and the continued low interest rate environment for acquisition financing, the Company's board feels the time is right to explore an acquisition program to ensure it can deliver maximum value for shareholders.

Target Company Overview

Hudson is a large, North American-based manufacturer and distributor of chocolate bars. The Company is based in California. Hudson makes some of the most popular brands of chocolate bars in North America. The Company's products are sold primarily on displays near the check-out counters at convenience stores and grocery stores. Hudson has two manufacturing plants (one in New York and one in California) that produce all of its products.

Hudson is a public company that trades on the NASDAQ. With the founding family having sold their ownership interest many years ago, the Company is widely held. At the current share price of $40.25, the Company's current market capitalization is approximately $1.2 billion.

Chocolate Bar Industry

The chocolate bar industry has traditionally been very stable with established brands earning large profits. Barriers to entry are significant because retail stores have limited shelf space for chocolate and candy. As such, they typically only carry the leading national brands. Purchasing a chocolate bar is often an "impulse" purchase and as such, end consumers are generally price insensitive. Given recent consolidation in the sector, larger players have benefitted from economies of scale in their cost structure. The Company believes that there are significant potential synergies from the acquisition of smaller producers.

Analysis Required

The company has asked to create a "tuck-in" acquisition model so that it can quickly assess the impact of an acquisition strategy. You need to take the existing operating model for Hudson and perform the following:

1. Organize an input section for the inputting of the acquisition targets and the key information needed to model their impact on the Company. Each year's acquisitions will be assumed to be made at the beginning of the year.
2. Use data validation and naming to build a switch in order to toggle off and on the incremental impact of the tuck-in acquisitions.
3. Modify the model to reflect the anticipated impacts of the transactions. Add schedules where needed and be sure that all adjustments can toggled.
4. Update the Unlevered Free Cash Flow calculations to adjust for the acquisitions.
5. Create a summary page with all three economic scenarios shown with and without the impact of tuck-in acquisitions.

THE MARQUEE GROUP
A TRAINING THE STREET COMPANY