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Dealmaker of the Week: Latham's Mark Gerstein

Mark D. Gerstein

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DEALMAKER

Mark Gerstein, 54, a global M&A cochair for Latham & Watkins and a partner in the firm's Chicago office.

THE CLIENT

Wichita-based Koch Industries, the second-largest privately held company in the United States, which is run by the conservative billionaire Koch brothers, Charles and David.

THE DEAL

Koch Industries will pay $7.2 billion to acquire Molex, a manufacturer of electronic interconnectors.

THE DETAILS

In a deal announced Monday, Koch Industries has agreed to pay $38.50 in cash for each Molex share, which represents a premium of 42 percent over the target's September 6 closing price. The deal, which must be approved by regulators as well as Molex shareholders, is expected to close by the end of the year. At that point, Molex will retain its name and current management team while remaining headquartered in Lisle, Illinois.

The deal has the backing of the boards of both companies and it has a stamp of approval of members of the Krehbiel family, which founded Molex in 1938. Those family members, who own roughly 32 percent of Molex's common shares and 94 percent of the company's Class B stock, have agreed to vote their shares in support of the transaction.

Latham's corporate team advising Koch Industries also included partners Bradley Faris and Timothy FitzSimons. Dentons is legal counsel to Molex on the sale.

THE BIG PICTURE

The deal for Molex marks the second-largest acquisition ever by Koch Industries—which paid $21 billion for paper and chemicals company Georgia-Pacific in 2005—as the Kansas-based conglomerate continues to extend its holdings beyond its traditional refining, chemicals, and energy units. By acquiring Molex, Koch Industries gets a business that makes electronic connectors for a variety of clients in the automotive, computer, and telecommunications sectors.

The deal comes months after Koch Industries helped the management of American Greetings Corporation take the greeting cards company private by investing $240 million. The company, and its billionaire brother owners, also kicked the tires on a possible purchase of the Tribune Company's newspaper business earlier this year.

Gerstein says the recent M&A activity by Koch Industries indicates that the company is no longer focused solely on its legacy sectors, putting the company "on a really strong platform for M&A investment capability."

THE BACKSTORY

Gerstein says Latham has worked on behalf of Koch Industries for more than a decade, with the firm having been brought in to handle some of the conglomerate's commercial matters in 2000. Latham's transactional work for Koch Industries kicked off in 2003 with the company's $4.4 billion purchase of the DuPont textiles unit Invista. Two years later, both Gerstein and Faris worked on a Latham team that guided Koch Industries on its largest-ever acquisition, the $21 billion purchase of Georgia-Pacific. (The firm has also subsequently garnered M&A advisory roles for Georgia-Pacific, now a Koch Industries subsidiary, including on the $1.8 billion sale of its European tissue business to Sweden's SCA in 2011.)

ON CLOSING

The deal for Molex culminates a busy summer for Koch Industries as far as M&A investments are concerned. Having worked with the company's in-house specialists for more than a decade, Gerstein has a strong understanding of how the company approaches any potential M&A opportunities.

"They have highly specialized M&A capabilities—not only in legal, but in business and finance—and those functional groups we work with quite closely. . . . They take the lead on much of the substantive analysis," Gerstein says. He adds that those capabilities make Koch Industries a unique client and also create "a great partnership" with the Latham team that was in full effect on the Molex transaction.

One aspect of the Molex acquisition that helped the deal come along smoothly was the fact that, despite being a large cash transaction, the deal did not require any financing contingency requirements because Koch Industries can cover the cost with its cash on hand. "That's one of the things that Koch brings to the table and, I frankly think, makes our transactions easier to execute," Gerstein says, referring to the fact that Koch Industries's ability to finance many of its own deals means it can avoid the typical complexities often present in the negotiations and structuring of transactions that rely on a buyer obtaining deal financing.

"It certainly takes what is often a significant issue off the table," he adds.