

Is Productivity Still a Relevant Metric?

U.S. worker productivity growth, measured as the goods produced per worker per hour, remained slow in the second quarter. Economists warn that if this trend continues, a lack of productivity will impair long-term economic output, wages, and living standards. However, the extent to which technological advancements and Silicon Valley’s innovations are properly accounted for in the metric is uncertain. Some argue that current tech progress will amount to future GDP growth, making the statistic potentially misleading.

Questions to Ask When Someone Wants to Buy Your Company

- What kind of companies are you looking for in terms of: revenue size, profitability, number of employees, location, clients, industry, services provided, growth rate, etc.?
- How many companies have you approached so far? How many have responded? How many have you made offers to?
- What is your strategy post-acquisition?
- What are your plans for previous owners, current employees and back office systems?
- What is your exit strategy from our company?
- I have strong ideas for what I want post-acquisition, are we on the same page?

Traditional Retailers Adapt to Demand for E-commerce

As consumers continue to transition to online shopping, retailers have had inconsistent outcomes in their efforts to effectively compete with Amazon and the significant logistical advancements in the e-commerce industry. Some, including Wal-Mart and Target, have successfully improved digital operations, while others have held strong to their original brick and mortar business models. The argument for the latter, is that consumers will continue to shop in person at off-price stores. TJX is a prime example, as it has seen Q2 revenues rise, approximately 99% of which are a product of its physical stores. Meanwhile, higher end retailers like Macy’s and Gap are being forced to close stores and transition to a more online based shopping experience.

Market Snapshot as of August 22, 2017

As of August 22 nd	August 22 nd	YTD% Δ	LTM % Δ
S&P 500	2,452.51	9.25 %	12.44 %
Gold	\$1,291.00	10.96 %	(4.03) %
U.S. Crude Oil	\$47.73	(16.08) %	(7.18) %
10 Yr. T-Note	2.21%	(26) bps	61 bps

Non-Fiat Currencies as a Safe Haven

Investors often look to treasuries during periods of economic uncertainty. When the uncertainty stems from domestic geopolitical and economic issues, such as nuclear war and debt ceiling concerns, treasuries and the U.S. dollar fail to serve as safe haven investments. In an August blog post, Bridgewater Associates founder Ray Dalio suggested gold as a hedge against increasing political risks, specifically recommending a 5-10% portfolio allocation to the commodity. Additionally, Bitcoin, a non-fiat (not backed by government) cryptocurrency, has gained over 300% since January. Bitcoin Cash was also developed this month as a split off from Bitcoin, to handle growing demand.

M&A Focus

- After posting disappointing Q2 results, Potbelly Corp (PBPB) is considering selling. It is another example of a restaurant chain that has struggled to adapt to consumers eating out less. McDonald’s Corp. (MCD) is one of the few chains that has overcome recent changing spending patterns in the restaurant space.
- Netflix Inc. (NFLX) made its first acquisition, purchasing comic-book publisher Millarworld for an undisclosed price, said to be in the \$50-100 million range. It is a move to acquire more intellectual property to support original content. This is in line with recent actions taken by more traditional broadcast and cable networks.

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