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## **TIGER GROUP**

Raising the Bar on Accuracy  
In a Risk-Laden Environment

**A LOOK BEHIND THE CURTAIN:**  
UNDERWRITERS SHARE THE SPOTLIGHT

## **PROFILE OF SUCCESS:**

**David Marks Takes  
the Reins at WFCF**

SINGLE USE ONLY



**DAN KANE**  
Co-Founder, Tiger Group

**MICHAEL MCGRAIL**  
COO, Tiger Group

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# The Tiger Never Sleeps: As Retail Distress Continues, Tiger Group Provides More Sophisticated Services

BY NADINE BONNER

**The liquidation business has made great strides** since Tiger Group opened its doors in 2001. *ABF Journal* editor Nadine Bonner speaks with Tiger Co-Founder Dan Kane and COO Michael McGrail to discover how two accountants helped build one of the country's largest, most powerful appraisal and liquidation businesses.

**A**ccountants want to add a little excitement to their lives. For Dan Kane, co-founder and CEO of Tiger Group, one of the country's four largest appraisal and liquidation companies, creating the company provided the missing ingredient in his career.

Kane spent 10 years as a CPA in New York, including a seven-year stint at accounting firm Grant Thornton. "At some point, you need to make the push to become a partner, and that just wasn't something I wanted to do for the rest of my life," Kane says. "But I learned a tremendous amount at Grant Thornton."

Although Kane had never been involved with liquidations, like many baby boomers, he remembered the going-out-of-business sales of retail giants like Korvette's and Gimbels in the 1980s. In the 1990s, at a pivotal time in Kane's life — not only had he reached a professional crossroads, but his wife was expecting their first child — he met a partner at one of the few companies managing liquidations at the time.

"Their CFO in California was retiring, and they offered me the position," he recalls. "The timing was perfect for us. If you're going to move across country like that, you want to do it before the baby arrives. Everything seemed lined up, I spoke to my wife and we came out. I became the CFO."

After a few years, the partners at that company split up, and Kane partnered with Albert Nassi, a leader in the industry since 1976 who remains a principal at Tiger. They began working with restructuring and liquidation veteran Alan Cohen, a renowned figure in the ABL community.

"Somewhere around 2000 to 2001, we really were at a point where we wanted a stronger infrastructure," says Kane. "We were working on the Montgomery Ward's liquidation with an experienced senior retail executive named Steve Goldberger, who wasn't happy where he was working. Alan, Albert and I invited him to join us and we formed the Tiger Group. Michael was the first person we hired. Our current CFO Christopher Huber also was one of those two or three original employees." (Goldberger remained a partner until his death in 2013 at the age of 70.)

McGrail, like Kane, was an accountant looking for a more exciting line of work. "I came out of school, landed a job at Gordon Brothers and learned the [appraisal and liquidation] business. Then, I decided I wanted to get out of it for a little while. But I missed the industry. I missed the excitement of the transactions. So, when they came knocking as they were forming Tiger and asked if I wanted to help, I was ready," McGrail recalls. > >

"Everything is so transactional based, and fast paced," he continues. "Being in a transaction is wonderful because you get to see the results so quickly."

## The Power of the Tiger

When coming up with a name for the business, Kane says they tossed around a lot of options, but settled on Tiger because it was a powerful image.

He explains that most companies in the business began as liquidators (Tiger Group is one of the "Big Four" companies along with Gordon Brothers, Great American and Hilco). When Tiger was formed, the still-evolving industry was much less sophisticated than it is today. As the banks began to make more asset-based loans, Kane says they realized it made sense to get an appraisal of the collateral before closing the transaction. Liquidators, he points out, were in the best position to provide these appraisals since they knew the value of the assets, along with the expenses associated with liquidating those assets, better than anyone.

## Expanding into New Industries

Over the years, the ABL community has grown accustomed to seeing Tiger's name associated with high-profile retail liquidation events such as Circuit City, Borders Books & Music, Radio Shack, Sports Authority, Gordmans, MC Sports and, most recently, Payless Shoes and Gander Mountain. Every year, Tiger supervises the liquidation of more than \$1 billion of retail goods at the store level. Today, however, Tiger is a rapidly growing, full-service organization with thriving commercial, industrial and IP practices, says Kane, who points to prominent commercial and industrial asset sale projects such as ITT Educational Services, Flabeg Solar and Quantum Foods.

While the firm remains a key player in liquidations and appraisals of retail and wholesale consumer product inventories, its teams are now just as likely to be working in the forestry, printing, food manufacturing, medical supplies, oil and gas or semiconductor sectors,

business has been growing at a good clip — about a 20% rate — during the past few years," McGrail notes.

These new businesses evolved organically over time. "When we first started, we used to do mainly retail liquidations and appraisals. And then there would be instances where wholesalers would have problems, so we would start to liquidate some wholesale inventory. As a result, we learned a lot more about the wholesale business and how to value wholesale assets," says McGrail. "Part of what we would see is when a company gets in trouble, there might not only be finished-goods inventories but there could also be machinery and equipment, as well as commercial and industrial properties. So, over time, that's the way we learned some of these industries."

As the company moved into new areas, it expanded its staff, adding key senior executives in those fields.

To name just a few, these included veteran banker Bob DeAngelis, an expert in loans and restructuring; Jeff Tanenbaum, an auctioneer who runs Tiger's commercial and industrial practice; Jack Rapp, known for his expertise in turnarounds and appraisals as well as his overall knowledge of multiple industries and Brad Snyder, a business development specialist experienced in the consumer product and IP sectors. Other senior additions included Andy Babcock, who runs Tiger's wholesale division; Bryan Seeley, a 21-year veteran in industrial M&E and, most recently, in-house counsel Mark Naughton, who has decades of experience in bankruptcy and dispositions.

All told, the firm has expanded to include more than 200 field consultants and full-time employees, with offices in New York, Boston and Los Angeles and growing satellite offices in Atlanta, Chicago and San Francisco. "We're definitely in an aggressive growth mode," says McGrail. Tiger is also ramping up its global reach. In August 2014, the firm launched a Sydney-based co-venture focused on markets across Australia, with branch offices in Perth, Brisbane and Melbourne.

Meanwhile, McGrail notes, the liquidation business overall has grown much more sophisticated in the last 10 years. Back in the 1980s, stores began liquidation sales by offering 10% off everything, with the percentage growing the longer the sale progressed. Technology has increased the amount of data available and has changed the business on many levels.

"Now everything starts differently and has its own individual discount," says Kane. "I mean, we know to the SKU level that most items will sell for. The day after a sale, we'll know what everything sold for. If you don't come up with a sharper pencil, you won't be in this business."

In 2016, Tiger Group liquidated more than \$1 billion in consumer goods and auctioned more than \$200 million in commercial and industrial assets, including machinery, equipment and real property. "We have a strong working knowledge of the true value of a wide range of assets," Kane says.

**"Similar to a syndicated loan, a large liquidation has an agent who manages the deal. Tiger is the administrator for the Gander Mountain liquidation with the other members of the Big Four as partners. Tiger had been working with Gander Mountain before the bankruptcy, so it was familiar with the company."**

— Dan Kane

notes Kane. "Our commercial and industrial division continues to expand by taking a holistic approach with a wide range of sales methodologies — things like direct negotiations, sealed bid offerings and live and online auctions," he says.

On the appraisal front, led by Ryan Davis, the company now values more than \$30 billion in industrial and consumer product assets annually. "That part of our

## Sharing the Risk

Today, Tiger Group is participating in many high-profile liquidations, often partnering with other members of the “Big Four.” Kane points out that the arrangement is similar to the one that lenders have when they syndicate loans, for many of the same reasons. The companies have to bid on these liquidations, and participating jointly enables them to share the cost and lower the risk for each individual company. Also, Kane says, joint participation enables the companies to spread staff members among the many different deals that are happening, and have the most up-to-date liquidation values for various asset classes.”

With the retail industry in distress, business is brisk.

Similar to a syndicated loan, a large liquidation has an agent who manages the deal. Tiger is the administrator for the Gander Mountain liquidation with the other members of the Big Four as partners. Tiger, notes Kane, had been working with Gander Mountain before the bankruptcy, so it was familiar with the company.

“In this case, the groups involved paid close to \$400 million, guaranteeing there would be a certain return on the inventory,” says Kane. “And if the return, less our expenses, is not that number we lose money. Let’s say you guarantee \$400 million and bring in \$390 million, net of expenses. Although you were off by just a very small percentage, you would lose \$10 million. This is an unusually large transaction, but it’s a good example of why we joint venture on deals of this magnitude.”

Originally, Kane adds, the Big Four companies were bidding against one another for the Gander Mountain liquidation. “Our solution was to partner,” Kane says. “Nobody wanted to go any higher, but by paying more overall and spreading the risk, manpower and expertise among all four of us, we moved the process forward.”

Other co-venture agreements have dramatically bolstered Tiger’s access to global sellers and buyers in such industrial verticals as oil and gas, mining, and high-tech manufacturing, Kane notes.

The competition in today’s high-profile liquidations is stiff, McGrail adds, and so it is difficult for new players to enter the market.

“There is a huge barrier to entry into our field because of the capital required and the infrastructure that has to survive the ups and downs of this very cyclical industry,” he explains. “Assets ranging from real estate to equipment can also be highly specialized, so you have to understand precisely how the specifics of a given asset can dictate the situation.”

## Accuracy of Appraisals

For lenders, of course, the goal is to avoid liquidation and make a profit on the money they lend. At that point, Tiger Group’s appraisal side is more critical. Again, technology has increased accuracy of the evaluations.

“Today you can analyze inventory items down to the SKU since technology has gotten much better. That has certainly changed the game a little bit where you can really drill down into the small lumps and analyze the information properly,” says McGrail.

“Sophistication of the marketplace, sophistication of the lenders, sophistication of the competition involved and how everything is so tightly-margined today makes it so that you have to be spot-on and find the hidden value in everything,” he explains. “Ten years ago, you might have been okay if you were 90% accurate and got over the finish line. Maybe 20 years ago if you were 50% correct you were fine. Now you need to be 100% accurate.”

**“One thing that we find that’s really important is once you make a loan, you need to continue monitoring that company to see if things have changed. Values can change. Don’t wait until the last minute to address something if you see a company has troubles. Lenders should continue to monitor, and if they see issues, ask questions and follow up.”**

— Michael McGrail

McGrail notes that the company puts a premium on accuracy—it is willing to walk away from some transactions rather than succumb to competitive pressures and overvalue deals.

“Occasionally, a lender trying to take out another lender may say to us, ‘in order to win this loan, we need to beat this appraisal.’ We’ll take a look at it and say that we think it might be overvalued. In most cases, we will not take that assignment, because nobody wins if we overvalue any transaction. It’s not a position we ever want to be in, because at the end of the day, the bank is looking for us to be the expert and decide if the loan is a good investment.”

## Advice to Lenders

Both Kane and McGrail emphasize the importance of an accurate appraisal for asset-based lenders.

“The key thing I would say to a lender who is about to make a loan, is that it’s really important to get an appraisal from a company that has experience in whatever industry you’re about to lend to,” says McGrail. “Not only do we know the asset values, but when doing an appraisal, we may go out and visit a company, talk to key management (which, of course the lender should always do for itself) and get to know them a little bit. I would always look at how a company’s comp sales are doing. Are they trending down, and do you think that trend will reverse itself? A lot of times, that’s a sign of a real problem.”

“One thing that we find that’s really important is once you make a loan, you need to continue monitoring that company to see if things have changed,” he continues. “Values can change. Don’t wait until the last minute to address something if you see a company has troubles. Reach out and ask questions. Lenders should continue to monitor, and if they see issues, ask questions and follow up. There are trends that clearly show when a company is having issues.”

With respect to their career paths, both Kane and McGrail clearly enjoy presiding over an ever-growing enterprise. And both seem to relish working in such a fast-paced field.

“When I was doing accounting, I knew basically what I was going to be doing at every point of the year,” Kane recalls. “This is such an unpredictable business. It’s always different. There are no replays. It’s a big challenge, but that’s what makes it so exciting for us.” 

**NADINE BONNER** is editor of *ABF Journal*.