



Case Summary

MAGNETICS COMPANY WITH HIGH PROFILE CUSTOMERS

Private company with great potential:

Our client manufactures large format magnetic coils. Production is a combination of precision machining and wire coil fabrication. Customers include the semiconductor industry; research universities; particle accelerator facilities including CERN and prominent domestic nuclear research facilities; magnetic imaging devices for medical facilities; commercial water purification; levitation trains; alternative energy uses and more. It is literally a gem of precision manufacturing located in the wilderness of New England.

Possibilities and Concerns:

Our client had developed reliable, repeat business. Profits were substantial, and stable. But reliable revenues, and profits, also looked flat to an acquirer. A growth trajectory, which would be expected by a buyer, would mean change. If retained, the manufacturer would need to focus on growing EBITDA to capture interest from major strategic buyers and achieve a higher multiple of earnings. It would also need a sales team to broaden markets; the owner was the sales department. With customers becoming increasingly sophisticated in their expectations, a more professional structure would be needed. But with retirement age approaching, continuing to build was off the table. Owners didn't want to miss the window for enjoying free time.

The Challenge:

The company was too big to remain small. Yet, it was operating as a lifestyle business – good products, excellent workmanship, excellent customer relationships. The best value would be a sale to a strategic. However, that also could mean unfavorable changes for the skilled staff. A strategic might want to merge the operation into another facility. How could owners best monetize their life's work and continue earning from a manufacturing facility in the country?

The Plan:

A full information package was developed, tracing its history, performance and financial condition. A key element was the substantial opportunity it represented to a buyer willing to invest in operations and growth. We took the company to market, proactively seeking buyers. Following the traditional M&A process, we reached out to a blend of entities in shoulder industries who might view an acquisition as a good strategic move; private equity firms looking for add-ons to a platform company; and to our own network of high net worth individuals seeking a new opportunity.

The Outcome:

We located several strongly interested groups and individuals, but one proposal stood out. It was a Boston-based private equity fund looking for a technical company with involvement in alternative energy markets and other growth sectors. Another factor was the manufacturing plant location, which was within a car drive of the city. Finally, principals had a background in the field and limited partners with connections that could be leveraged to grow. Their bid offered owners the best short term return at closing while also offering them a return for years to come. The fund hired a professional manager to become CEO, and the former owner remained involved as a consultant.

About BTS:

Business Transition Strategies is a New England-based mergers and acquisitions firm advising owners of privately held companies navigate the sales process. Our team of professionals also provide advisory services to help prepare for a sale down the road. We also provide buy-side assistance. If you are considering a transition, now or in the future, contact us to begin the discussion.