



Case Summary

WATER PURIFICATION COMPANY AND YOUNG BUYERS

Our client company is a processor and distributor of ultra-pure water systems for medical and manufacturing concerns. It works with major institutions and research facilities in the Boston area, and caters to the needs of technology and manufacturing facilities along the I-95 corridor and across New England. It enjoys repeat business and is effective in serving customer needs.

Production and Processes:

The company designs, builds and installs systems. It also provides the consumable components and ongoing service to maintain ultra-pure water. Customers include dialysis treatment centers, research facilities and manufacturing sites – commercial clients who need the services. The business made this its niche, staying clear of the home market.

Possibilities and Concerns:

The owners invited us to help with an exit strategy. The company had grown remarkably during its three-plus decades. Staff members are authorities in the field, and do their jobs without much direction from management. A media replenishing plant, custom built on the site, remains in excellent shape and is an integral to the operation.

Choices, Choices:

Owners decided they wanted to retire. They also wanted to be fair to the staff who had been loyal to them. Could the company be sold, the staff retained and the facility (owned by a related entity) remain in use? Recurring revenues and healthy profits made the company attractive. There was a catch, though. Its rural location put it miles from urban areas. The crew was like family, and a sale to a strategic player – who would pay the highest multiple of EBITDA - might require a shutdown of the facility. The experienced staff might have to relocate or lose their jobs.

The Plan:

After thorough research of the market and exploration of potential buyers, the company was taken to market. Owners received an offer from a strategic group, with a very good price attached, but as feared with the provision that the company would have to be moved. Among the other bidders was a newly-formed search fund. Coordinated by two recent MBA grads from Harvard, the group submitted a proposal satisfactory to owners. And additionally, the principals planned to actively run the company and wanted to live in a rural area.

The Outcome:

We facilitated a thorough diligence process with records provided via our data room. This enabled the owner to stay focused on business. One concern was ability to finance the deal. But since there were limited partners, with substantial resources available, it was not a problem. Several banks competed for the transaction.

The Deal:

Owners received a satisfactory price. They provided transition training and assistance. The buyer group leased the facility for years into the future, an added benefit to owners. The staff was retained and new jobs created. Interestingly, after operating the business for a while, the fund owners purchased a second company in a similar business and are on track for long term growth.

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.