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Case Study – "Finding the Right Buyer" Review of a Recent Logistics Transaction

BACKGROUND

Our client is a leading provider of logistics services to domestic corporate clients. Their niche is in value-add, white glove handling of high value products such as electronics or capital medical equipment. The founders and business owners have created an incredible business model efficiently managed by a proprietary software system for all aspects of their operations. The owners are young, work part time and the business was growing 10-15% per year, rapidly approaching $10M ebitda. **However, they were not for sale.**

CHALLENGE 1

The owners were not for sale. Plethora has a prior relationship with this client and maintained periodic contact with the principals but they just weren't ready to engage in a sale transaction. However, they did leave the door open should the "right" opportunity present itself.

CHALLENGE 1 RESOLUTION

Through Plethora's network, they identified what they believed to be the right "partner" for this business. This partner was from the industry and had successfully started, grown and sold a very similar company to a multibillion dollar logistics firm.

We introduced the parties and after a brief lunch meeting, it was clear there was a match.

CHALLENGE 2

Now that both parties were at the table, we needed to address structure. The principals were young and very optimistic about the future of the Company. The prior three years were each, respectively, record revenue and profit periods and they were about to secure 2 new highly lucrative contracts. They wanted to maximize their selling price yet still remain a participant in the future/growth of the company.

OUTCOME

Plethora negotiated a transaction structure which included a recapitalization or "restructure" of the ownership. The principals would sell a majority of their interest and keep a meaningful piece. In this transaction, the buyer was leveraging half of the purchase price with senior debt, meaning the equity calculation of the pro-forma ownership was based on equity dollars only.

The Sellers elected to a tax-deferred "roll-over" 13.7% of the purchase price, yet their equity calculation was nearly 28%. In effect, our client had achieved a significant liquidity event while maintaining pari-passu ownership, voting rights, a board seat and a vested interest in the future financial success of the business.

OPPORTUNITY

This acquisition is part of a consolidation and the business plan is to continue to acquire, realize synergies, grow organically, and exit. The projected cash on cash return upon an eventual second exit is expected to be 3.6 to 6 times invested capital.

ABOUT PLETHORA BUSINESSES

Plethora is an M&A Advisor to business entrepreneurs. We specialize in sell-side advisory, business appraisals/valuations and support for corporate buyers. For more information on this case study, and how Plethora can help you in your exit strategy, contact us at the information above.