

Prospect Partners, LLC Case Study

Management Buyout: Industry Consolidation

Delta Industrial Services, LLC

Lake Jackson, Texas

Type of business: Provider of industrial hoist, rigging and tooling equipment

Situation

In 2005, Kevin Rodgers, the founder and former CEO of rental equipment provider NES Rental Holdings, Inc. (NLEQ) sought a financial partner to back him in the acquisition of one of the company's divisions, NES Industrial Hoist. Though a leader in the heavy industrial lifting equipment market, NES Industrial Hoist's niche rental business was tangential to its parent company's primary focus: rentals of general construction equipment. Prospect Partners saw great potential for the success of NES Industrial Hoist as an independent company, which Mr. Rodgers would run with his management team, industry executives with deep operating experience. The new company would be called Industrial Hoist.

Our Strategy

Industrial Hoist was already a leading player in the fragmented niche market for heavy lifting and rigging equipment. The company served a nationwide base of large industrial customers in the powerplant, shipyard and refinery industries. All rented equipment for their construction, plant shutdown, and repair and maintenance needs. We sought to give Mr. Rodgers financial and strategic support to help him consolidate the market within the high-potential oil industry, which included the petrochemical and onshore and offshore drilling market segments along the Gulf Coast, a key growth market. The consolidation strategy would also serve to solidify Industrial Hoist's geographic footprint, deepen its industry reach and add to its product line.

Results

Between 2005 and 2008, Industrial Hoist made five strategic acquisitions of select small niche industrial equipment rental providers along the Gulf Coast of Texas and Louisiana. Each company was an established leader in its market. The companies were operated as divisions of Industrial Hoist until January, 2008, when they were merged into a single company, Delta Rigging & Tools, Inc. The company was now the nation's largest one-stop resource for customers seeking specialty industrial equipment for heavy-lifting needs. From a product



perspective, Delta offered a complete portfolio of lifting solutions, including hoists, winches, wire rope, synthetic slings, accessory parts and hardware as well as testing, inspection and field services. Operationally, management integrated financial and information technology systems and centralized key functions like purchasing and sales. Delta was now a scalable platform company ready to pursue a national consolidation strategy.

Exit

In August 2008, Prospect Partners sold its interest in Delta Rigging & Tools for a significant gain to a larger financial buyer to allow for the next phase of the company's growth.

Our Philosophy

To provide financial backing and strategic support to help management accomplish Delta's near-term goal of becoming the leading industrial equipment rental company in the Gulf Coast region while simultaneously developing a solid foundation for the company's longer-term objective of becoming a strong, successful national middle-market player.

"Prospect Partners has a wealth of experience and is absolutely committed to staying the course for the time it takes to create additional value. Moreover, these veterans are great people to work with."

Kevin Rodgers

Independent Equity Sponsor,
CEO, Delta Industrial Services, LLC



Prospect Partners, LLC Case Study

Management Buyout: Retiring Owner

First Texas Products, Inc.

El Paso, Texas

Type of business: Manufacturer and distributor of treasure-hunting metal detectors and consumer night vision products

Situation

In 1999, First Texas owner John Turner, who was in his seventies, decided to retire after more than 20 years in charge of the business. Although he did not have a management team in place to succeed him, he knew a local investor, Tom Walsh, a former CFO of a vehicle components manufacturer, who had a strong interest in running First Texas but needed a partner to structure the transaction and co-invest in the company. Mr. Walsh was a seasoned executive with proven success running manufacturing facilities. We acquired First Texas together, and he became CEO.

Our Strategy

We sought to build a small manufacturer and distributor of treasure-hunting metal detectors into a market-leading niche outdoor consumer electronics business that served multiple distribution channels. To achieve this goal, First Texas needed to deepen its management team, expand its distribution network and enhance its production ability and product line. Prospect Partners first helped Mr. Walsh recruit veteran management to help run the company. Then, under Mr. Walsh's leadership, First Texas expanded distribution of its Bounty Hunter brand of metal detectors to mass market retailers, solidified relationships with existing customers and increased production capacity and product quality. In 2001, First Texas purchased a complementary business, Night Owl Optics of New York, New York, the leading importer and marketer of the Russian-made Night Owl Optics brand of night-vision monocular and binocular products, which were sold through similar mass-market channels.

Results

First Texas became the dominant company in the growing consumer metal detector market and the low-cost producer worldwide of metal detectors for recreational treasure hunting. First Texas also became a worldwide leader in consumer night-vision products under the Night Owl Optics brand. The company grew rapidly and profitably, more than quadrupling its revenues in less than four years.



Exit

In December 2003, Prospect Partners sold First Texas to a financial buyer and Mr. Walsh for a significant gain to the shareholders.

Our Philosophy

In co-investing with outside management teams, we seek to serve as a collaborative partner and a financial catalyst that helps companies achieve growth objectives that may otherwise be out of reach. Throughout all of our activities, we are highly committed to maximizing company value.



"Partnership isn't something you can get in writing. Prospect Partners lives up to its name... From Day One, we worked as partners to build this business, together."

Tom Walsh
CEO, First Texas Products, Inc

Remuda Ranch Company

Wickenburg, Arizona

Type of business: Provider of behavioral healthcare services

Situation

Prospect Partners and management acquired Remuda Ranch from its publicly traded parent company in July, 2001. Before that time, Remuda had passed through multiple corporate owners and received little assistance or attention – in some cases the company was treated as a provider of cash flow to fund non-Remuda-related activities. The management team had no ownership stake in the business. Remuda was truly an “orphan.”

Our Strategy

Remuda Ranch was the nation’s leading specialty behavioral treatment center for women suffering from eating disorders and related issues and used a unique faith-based treatment approach management felt was a significant factor in the company’s high patient success rate. Remuda’s growth needed to benefit everyone – patients, employees and shareholders. Toward that end, we gave management equity in the business so they became owners alongside Prospect Partners. We also sought to give Remuda’s management team, led by founder and CEO Ward Keller, the financial support and strategic guidance it needed to build a stronger, more valuable business that also remained true to the company’s heritage.

Results

From 2001 to 2006, Mr. Keller and his team continued to build on Remuda Ranch’s success. With our support, Remuda Ranch expanded its program offerings, reached new geographic markets and implemented a number of new strategic marketing and patient referral initiatives. These efforts all helped to solidify Remuda’s position as the national leader in its market segment.



Exit

In July 2006, Prospect Partners sold its interest in Remuda Ranch Company for a significant gain to a strategic buyer and Remuda’s management team.

Our Philosophy

To work with management as fellow shareholders and partners, to sit “on the same side of the table” and collaboratively address the varied needs of the business to ensure Remuda Ranch received the resources it needed to maximize its value over time.

“During our five-year relationship, Prospect Partners lived up to its name ‘partners,’ and its reputation of complete integrity. Its investment and Board-level leadership brought to us financial strength, wisdom and knowledge that dramatically enhanced the value of our company, far beyond anything we could have imagined.”

Ward Keller

Founder and CEO, Remuda Ranch Company

Prospect Partners, LLC Case Study

Management Buyout: Corporate Orphan

Utility Service Partners, Inc.

Washington, Pennsylvania

Type of business: Provider of home utility line warranty products

Situation

An independent three-person executive team sought a financial partner to back them in building a company that would offer utility line protection services to homeowners. The executives had successfully run a similar company before and now wanted to acquire a division of a large regulated public utility that provided homeowners the opportunity to buy protections that basic homeowner's insurance didn't cover for gas, water and sewer line leaks and failures. The management team would then form and operate a new company called Utility Service Partners (USP) that offered these line protection products and services. We believed USP held great potential as a standalone business, despite the complex regulatory hurdles we faced to complete the deal.

Our Strategy

After the buyout, USP, now a new company, needed to quickly build a strong infrastructure in order to compete. We made sure the new management team, led by CEO Philip Riley, received the financial resources it needed to develop proprietary information technology, accounting and marketing systems and build a network of certified plumbers and electricians who would provide timely repairs. Once these were in place, USP formed strategic alliances with select public utilities and municipalities and sold its branded and private-label warranty protection services to their homeowner customers.

Results

From 2003 to 2007, Mr. Riley and his team developed a strong, independent business. They successfully built USP's infrastructure, formed partnerships with utilities in several states and developed an extensive product line as well as deep marketing and service support to the utilities' homeowner customers. USP became very well-received in its market segment.



Exit

In December 2007, Prospect Partners sold its interest in USP for a significant gain to a strategic buyer and USP's management team.

Our Philosophy

Independent management teams usually bring to the table substantial operating expertise and industry knowledge, and USP's executives were no exception. We sought to serve as the financial catalyst for USP's growth – and to help management realize its vision of running a successful independent business.

"We were a seasoned management team looking for a financial partner to help us build a platform. We needed a highly capable firm, as the deal was extremely complicated – not many people could have gotten it done. For this, I credit Prospect Partners' experience, professionalism and perseverance. From acquisition to exit, Prospect Partners was a true partner."

Philip Riley
CEO, Utility Service Partners, Inc.



Prospect Partners, LLC Case Study

Leveraged Recapitalization: Industry Consolidation

Wrap Pack Products Corporation

Yakima, Washington

Type of business: Manufacturer of treated and untreated tissue wrap packaging and molded pulp products that provide protection to fruits, vegetables and other items during storage and shipping

Situation

Wrap Pack's Steve Altmayer had owned the business since 1988 and was looking to exit in 2001 via a sale. After developing a relationship with Prospect Partners, he decided instead to recapitalize Wrap Pack and remain with the company as CEO. As a result of the transaction, he gained significant liquidity while continuing to own a meaningful stake in the business.

Our Strategy

We sought to build a larger, more diversified leader in the niche fruit and vegetable packaging market through strategic acquisition, new product development and customer service. Seven months after its recapitalization with Prospect Partners, Wrap Pack made a significant acquisition of a complementary business, Keyes Fibre Corporation, from Finnish packaging giant Huhtamaki Van Leer. Keyes Fibre was the leading manufacturer of pulp-formed trays used to package wines, apples and other fruits and vegetables. Wrap Pack also recruited two experienced industry executives to the Board of Directors as resources both to management and the investors. Finally, the company set out to protect its dominant market position by making significant capital investments in denester machines, which were then installed in every Keyes Fibre customer location to speed real-time processing and increase switching costs.

Results

Wrap Pack management cemented the company's leadership position. Wrap Pack maintained its dominant 90% market share of tissue wrap for pears, and Keyes Fibre became the dominant manufacturer of apple trays, garnering a 60% share. Wrap Pack's denester machine investment solidified the Keyes Fibre customer base and significantly improved margins. As a result of internal growth and the strategic acquisition, Wrap Pack's revenues more than tripled in three years.



Exit

In May 2004, Prospect Partners sold Wrap Pack Products Corporation for a significant gain to Wrap Pack management and a financial buyer. With the sale, Mr. Altmayer retired. The company now operates under the name of Keyes Packaging Group, Inc.

Our Philosophy

To work as partners with Mr. Altmayer in every sense – every person involved with the company was wholly committed to growing its equity value. Our initial recapitalization of Wrap Pack provided Mr. Altmayer a level of financial and advisory support that freed him to truly focus on growing the company; he shared his economic burden with Prospect Partners while maintaining autonomy that allowed him to manage the business successfully.

WRAP i PACK
The Perfect Presentation

"I could have done anything with my life after I sold, but I stayed. Working with Prospect Partners gave me the freedom to build my company the way I had envisioned from Day One."

Steve Altmayer
CEO, Wrap Pack Products Corporation

Prospect Partners, LLC Case Study

Leveraged Recapitalization: Geographic Expansion

Education Corporation of America

Birmingham, Alabama

Type of business: For-profit post-secondary vocational school

Situation

Prospect Partners formed Education Corporation of America (ECA) in 1999 to recapitalize Virginia College with its Chief Executive Officer, Ken Horne. For Virginia College, a fast-growing vocational school with two campuses in Alabama, Mr. Horne sought a financial partner that could provide experienced Board-level guidance and capital to help the company pursue its aggressive expansion plan. A partnership would also allow Mr. Horne, 56, who had invested substantial personal wealth into Virginia College, to take some chips off the table. Further, recapitalizing gave him the opportunity to provide his management team meaningful shareholder positions in the company.

Our Strategy

We believed that ECA could be the dominant player in the southeastern United States. Mr. Horne and his management team, all highly experienced school operators and educators, identified new cities for expansion. In expanding its geographic reach, ECA pursued a dual approach, acquiring private regional career colleges in smaller southeastern markets as well as making greenfield investments. To make sure it projected a consistent brand and remained relevant in every market, ECA both scaled existing programs and curricula and developed new technical degree programs that addressed local market needs for graduates with those technical skills.

Results

By 2004, ECA had become the leading post-secondary career school system in the southeastern United States. ECA grew from about 1,600 students in two cities in Alabama to more than 5,800 students in six cities in four southeastern states. During this time, the school introduced more than 35 new vocational degree programs in a wide variety of disciplines. Between 1999 and 2004, the company's revenues more than quintupled.



Exit

In December 2004, Prospect Partners completed a recapitalization of ECA with management and another financial buyer for a significant gain to ECA's shareholders. With the recapitalization, Mr. Horne retired.

Our Philosophy

To support ECA's strong management team with strategic Board-level guidance and the necessary financial resources to take the company "to the next level" in scope and size.

"It could have been a good time to sell, but I still wanted to run and grow Virginia College. With Prospect Partners, grow we did – in a way that would have been inconceivable on our own."



Ken Horne

CEO, Education Corporation of American/Virginia College