



INVESTMENT BANKING



ESOP



VALUATION



ADVISORY



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Case Study: Dual Track Sales Strategy for Engineering Firm

About the Client

PCE represented a highly profitable design and manufacturing company that specialized in interconnect systems for the military and aerospace markets. The company produced a 12 percent annual growth rate and nearly doubled sales in a five year period. With rising defense budgets fueled by continuing global conflicts, the war on terror and unique products and services, this company was sure to command high multiples in a sale.

Client Mandate

The owners were looking ahead to retirement and wanted to sell 100% of their ownership and exit the business within 18 months. Ideally, they hoped when their business was sold that the new owners would want them to stay on for a short period of time during the transition period so that they would not have to wait until they were retiring to deal with succession issues. Creating an easy transition and the ability to walk away was the preference of the owners.

Transaction Strategy

PCE recommended to the owners that they market the company to several kinds of buyers through PCE's Dual Track process, in which the company is marketed simultaneously to both the Strategic & Financial Buyers and an Internal Buyer, (an ESOP Trust) which allowed them to maximize their valuation and give the owners a way to evaluate both sales strategies simultaneously.

The owners were concerned that employees could not get adequate financing, but PCE helped them understand that an ESOP sale was feasible by showing the owners a comparison between their actual offers from a Strategic Buyer and an ESOP sale. This demonstrated how the ESOP would net more after-tax value to the owners as well as provide significant tax advantages to the company going forward.

Client Triumph

The client received several Indications of Interest from strategic buyers. One strategic buyer offered a Letter of Intent exceeding the owners' value expectation and ultimately raised the offer in an attempt to "outbid" the ESOP. The client ultimately sold to an ESOP. The competitive bid process of the Dual Track resulted in after tax proceeds from the sale of 51% ownership to an ESOP which nearly exceeded an initial offer for 100% of the Company from an early strategic buyer.

Shortly after the sale of the Company to the ESOP, the shareholders gifted discounted minority shares to family members. Several years after the establishment of the ESOP the remaining shares were sold to the ESOP. The ESOP structure allowed the owners to also efficiently accomplish tax and estate planning goals.

About: PCE is a leading financial services firm for mid-market companies, offering clients a full range of investment banking, valuation and advisory services. It provides M&A support, ESOPs, management buy outs (MBOs), bankruptcy advisory, restructuring, and fairness and solvency opinion advisory services. Additionally, the firm offers management consulting, succession planning, strategic analysis and litigation support. Experienced in all market sectors, PCE has established several specialty practice areas, including Consumer, Diversified Industrial - Infrastructure & Power, Healthcare, Construction & Building Products, Manufacturing, and Food. Offices in Orlando, Atlanta and New York.

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