

True North M&A Case Study

Project Innovation – Metal Machining, Fabrication, and Welding Company Acquired by Private Equity Firm



Industry
Manufacturing



Type
Metal Machining



Years in Business
40+

RESULTS AT A GLANCE

20+
INDICATIONS OF INTEREST

125+
PROSPECTIVE BUYERS

True North Mergers and Acquisitions (TNMA) was the exclusive financial advisor for a well-established metal machining, fabrication, and welding company that has been in business for over 40 years. This company specializes in laser cutting, fabrication, precision machining, and design, producing high-quality precision parts from various materials like metals, plastics, synthetics, rubber, and cloth. They serve a range of industries, including OEMs, construction, medical devices, automotive, airline, and electronics. The company is recognized for its innovative solutions and reliable delivery, and it is operated by a dedicated management team that values honesty and integrity. The three owners were looking to retire and wanted to ensure the business continued under the right leadership.

Key Takeaways:

True North's unwavering commitment to its client's best interests and expertise in navigating the intricacies of a successful sale culminated in a highly favorable outcome, with the metal machining company being acquired by a reputable private equity firm after a complex 9-month M&A process. The acquisition aligns with prevailing industry trends, where private equity firms are actively pursuing acquisitions to strengthen their portfolios and capitalize on the sector's continued growth, drawing on the rebounding demand in oil and gas equipment, electric turbine manufacturing, and alternative energy sectors as well as stabilizing steel prices after the economic reopening in 2021 that further boosted demand and revenue. Buyers were attracted to the company due to its steady revenue growth, healthy financials, operational excellence, and experienced management team, which collectively met their investment criteria. By leveraging the private equity group's resources and expertise, the company can expand its capabilities, drive innovation, and continue delivering exceptional value to its customers in metal machining.

Buyer Synergy: Private Equity Group

By focusing on and finding opportunities in sectors often overlooked by traditional investors, the private equity firm that acquired Project Innovation has developed a keen eye for identifying promising companies before they become widely recognized. Their approach centers on supporting portfolio companies in technology, medical devices, and healthcare services. This PE firm's philosophy extends far beyond financial backing. They position themselves as strategic partners to their portfolio companies, offering invaluable guidance and support to those demonstrating strong growth potential and a drive to scale in today's fast-changing landscape.

CEO Process Insights

Preparation Phase

The business owner's preference was to sell to an incumbent buyer rather than go to market. TNMA's advisor initiated discussions with this buyer while also preparing the marketing materials necessary to go to market.

Marketing Phase

TNMA's three-phase QuietAuction™ process initiated 20+ IOI process letters and negotiations with three engaged parties before an accepted LOI.

Execution Phase

In the final stages of the transaction, the TNMA deal team managed a comprehensive due diligence process, including an in-depth quality of earnings (QOE) audit. It worked diligently with the buyer and their funding partners to close the transaction.

QuietAuction™ Negotiations



Market value is an estimate of the current price at which an asset or enterprise company can be bought or sold

Results:

Due to the unique capabilities of Project Innovation, TNMA's deal team hosted a series of buyer management meetings and site tours to showcase Company's core strengths and specialized processes. The lead buyer recognized the potential of the Company and submitted an attractive Letter of Intent (LOI), which ultimately led to comprehensive due diligence and the signing of a definitive agreement. Throughout the QuietAuction™ process, TNMA's advisor led negotiations and was instrumental in addressing the associated challenges customer concentration and location.