

# Food & Beverage Case Study

The logo for Tully & Holland, Inc. consists of the letters 'T & H' in a white, serif font, centered within a dark red square.

## ➤ The Assignment

- The mandate was to sell a shelf stable salad dressing company with \$6.8 million in annual revenue and \$1.1 million in adjusted EBITDA.
- Forecasted annual revenues and reconstructed EBITDA for the year in progress (5 months expired) were \$7.8 million and \$1.3 million respectively.

## ➤ The Challenge

- The Company's sales and adjusted EBITDA were flat or slightly down from 2006.
- The Company had also previously gone to market with a different investment bank, but failed to sell because of unacceptable price adjustments demanded by the buyer. Following the broken auction, the Company sought to remedy its problems by undertaking a complete management change.

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- Prior to the management change, a number of problems plagued the Company.
  - The original CEO, a talented chef who developed all the recipes, operated from an office in his house and visited the plant only one day a week.
  - The product mix was roughly half private label and half branded which was perceived by most acquirers as an undesirable mix
  - There was a customer concentration issue with the major customer representing 42% of total sales. The critical “SPINS” data was not available until later in the selling process.
  
- Positioning of the Company
  - The Company’s sales and adjusted EBITDA were flat or slightly down from 2006.
  - Based on the previous failed efforts of another investment bank, and also from our extensive experience with similar situations, we decided to approach a broad audience of private equity groups (1,000), intermediaries (10,000), and synergistic acquirers (770). With the latter, we telephoned most of the CEOs to make sure they were aware of the selling opportunity.

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- Because of the owner's sensitivity to competitors guessing the Company's identity, we initially disguised their communications by identifying the client as a "condiment" company.
- **Scope of Effort**
  - A substantial number of potential acquirers (roughly 75), including major companies in the condiment business, received a 60 page Offering Memorandum. Letters of Interest (roughly 25) were received and we reduced the field to three of the most attractive offers. Following was a full day of management meetings at the client's facility with each of the three finalists.
  - The intention was to present the client's management team to discuss the Company's competitive advantage along with its future growth plans. The objective was to ultimately increase the three offers in a competitive bidding process.
- **The Result**
  - The winning offer was from a \$100 million food company that operated in a different segment of the market; however, the Company's new CEO who previously served at a Fortune 500 company, was interested in building a diversified food conglomerate.
  - The price was over 6 times reconstructed EBITDA, one that exceeded the owner's expectations.