



Should I Hire an Advisor?

Case Study

Background

One of the world's leading suppliers of fiber optic conduit systems (the "Acquirer") was seeking to strengthen its competitive position in the U.S. market through an aggressive acquisition campaign. In connection with this strategy, management simultaneously pursued acquisitions of two companies, "Extruder 1" and "Extruder 2", which both manufactured high density polyethylene pipe, duct and conduit products. In addition to impressive historical revenue growth and operating margins, both extruders boasted stellar management teams, leverageable operating platforms and strong growth prospects. Given their similar profiles, it seemed likely that the prices paid for the respective companies should have yielded similar EBITDA and revenue multiples.

Process

Extruder 1 hired BBC to conduct a comprehensive and very competitive marketing campaign. The high level of interest, as evidenced by 15 Indications of Interest, resulted in aggressive pricing and allowed the owners to vastly exceed their financial expectations. Equally as important to them, they were able to choose an acquirer that sought to retain the Company's loyal employees, legacy and reputation within the local community. Meanwhile, Extruder 2 chose not to use an advisor.

Outcome¹

			Last 12 Months		Transaction Multiples	
Company	Advisor	Price*	Revenues*	EBITDA*	Revenues	EBITDA
Extruder 1	BBC	\$67,000	\$40,990	\$7,957	1.6x	8.4x
Extruder 2	None	\$51,900	\$50,800	\$8,800	1.0x	5.9x

* dollars in thousands

The Acquirer paid over \$67.0 million for Extruder 1, approximately 8.4 times LTM reconstructed EBITDA and 1.6 times LTM revenues. Meanwhile, the Acquirer paid \$50.8 million for Extruder 2, approximately 5.9 times LTM reconstructed EBITDA and 1.0 times LTM revenues. Identical multiples for both transactions would have resulted in a transaction price of between \$72 million and \$81 million for Extruder 2 - a net loss of between \$20 million and \$30 million to the company's shareholders.

¹ Publicly available information

"BBC's ability to create strong competition among buyers resulted in an economic outcome that far exceeded similar transactions in the marketplace. They truly understood all of the aspects of our business that buyers valued and effectively communicated those value-drivers to potential buyers. In addition, their experience in every aspect of the sale process allowed us to concentrate on doing what we know best—running our business."

– Owner, BBC Client Company