

Case Study



Headquarters:

Independence, OH

Sector:

High-Value
Manufacturing
(Test & Measurement)

Transaction Type:

Partial Liquidity &
Management
Succession

Investment Date:

November 2007

Status:

Exited between March
2012 – December 2013

Company Overview

Manufacturer of test equipment for the power generation and aerospace industries, as well as control products and systems for industrial automation

Transaction Overview

After 53 years of family ownership, Avtron's owner/operators were seeking partial liquidity and assistance in management succession, including a two-year transition plan for the CEO. Avtron's shareholders and management chose to partner with MPE's Investment Professionals due to several factors including their experience with family-owned transitions, strategic vision for Avtron's three business units, and Midwestern presence

Transaction Outcome

MPE's Investment Professionals worked closely with management to build three market leading companies (Avtron Loadbank, Avtron Industrial Automation, and Avtron Aerospace) and then sold each one successfully in three separate transactions during 2012-2013

Original Investment Thesis

- Leading market position and global presence in defensible niche segments with meaningful barriers to entry
- Strong and diversified end market demand across each of the three business units
- Highly engineered components requiring technical workforce and built around core capabilities in load dissipation, advanced hydraulics, and motion control

Company-Building Approach

Human Capital Development

- Executed an agreed-upon, two-year transition plan from owner/operator to a proven, external CEO from MPE's Executive Council
- Recruited new CFO, business unit president, and corporate controller to supplement strong incumbent management team
- Aligned interests with owner/operator and management through rollover equity investment and stock options

Strategic Growth

- Expanded product and service lines in each business unit, including significant investments in technological innovation
- Aggressively grew international revenue through European acquisition and establishment of two Asian subsidiaries
- Successfully integrated two acquisitions in two separate business units

Operational Improvements

- Updated manufacturing processes to include lean philosophy, work cells, and continuous improvement
- Implemented global sourcing initiative by standardizing components and outsourcing parts
- Optimized facility footprint and relocated each business unit to stand-alone facilities
- Improved working capital through product standardization and formalized customer terms

Financial Enhancements

- Used prudent leverage and company cash flow to finance two add-on acquisitions
- Designed and implemented first comprehensive annual operating plan and budgeting process
- Built cost and reporting systems to track KPIs and profitability by segment
- Fully separated operations and financial reporting for each of the three business units