

Case Study



Company Overview

Headquarters:

Oregon, WI

Sector:

High-Value
Manufacturing
(General Industrial)

Transaction Type:

Leveraged
Recapitalization

Investment Date:

October 2015

Status:

Exited September 2020

Transaction Overview

After nearly 100 years of family ownership, Trachte's third generation owner/operators were seeking partial liquidity and assistance in management succession. Trachte's shareholders and management chose to partner with MPE Partners due to several factors including its experience with family-owned transitions, strategic vision for an actionable growth strategy, and access to a CEO candidate to facilitate the owners' retirement and succession planning.

Transaction Outcome

MPE helped Trachte's management team diversify the company to position it for accelerated growth while implementing operational efficiency improvements and a new ERP system, before selling the company to a financial buyer in late 2020.

Original Investment Thesis

- Leading manufacturer of preassembled and modularized control buildings
- North American preassembled metal control buildings market expected to grow in excess of two times GDP over the upcoming years
- Opportunity to further penetrate adjacent end markets and increase market share within core segments through geographic expansion

Company-Building Approach

Human Capital Development

- Executed an agreed-upon transition plan from owner/operators to an external CEO with significant experience in operationally focused companies
- Recruited new CFO and VP of Sales to supplement incumbent team
- Aligned interests with owners and management through rollover equity investment and stock options

Strategic Growth

- Achieved strong organic growth through capitalizing on attractive T&D sector tailwinds
- Increased market share through sales coverage expansion in the Western and Southwestern U.S.
- Expanded wallet share with current customer base through targeted initiatives
- Developed formal sales and marketing strategy to drive sales with end users, and channel partners such as OEMs, EPCs, rep agencies, and resellers

Operational Improvements

- Optimized facility footprint to increase capacity and expand manufacturing floorspace
- Updated manufacturing processes by developing a material prep cell to increase throughput and optimize labor hour efficiency
- Enhanced supply chain to drive pricing improvements and material cost reductions
- Invested in ERP system to standardize process steps and increase efficiency across the organization

Financial Enhancements

- Prudent financial leverage allowed for significant debt paydown, including prepayment of subordinated debt and a dividend recapitalization
- Completed accretive sale-leaseback of facilities to reduce net debt and net leverage
- Professionalized financial planning and analysis by instituting a rigorous annual budgeting process, improving monthly financial reporting, and tracking standardized operational KPIs