

## **CASE STUDY**

**Ingalls Power Products  
Sold to Exide Technologies  
March 31, 2005**

Over a period of several years, we met periodically with our client, the owner of Ingalls Power Products, as he saw his company grow and realized that none of his children had any interest in participating in the firm. The Company had developed into a multi location communications equipment distributor and electrical contracting business with revenues in the low to mid eight figures and over 100 employees.

At first, the discussions focused on what the client needed to do to continue the growth of his company. We observed that he needed an increased level of accounting sophistication, which led the client to hire a Treasurer from a public company. Later, we suggested putting more emphasis on marketing, which was accomplished by retaining an outside marketing consultant.

After several years of meetings and suggestions, the client finally asked us how much his firm was worth and who we thought would buy it. An evaluation was performed suggesting a range of valuation. This range led to the conclusion that because of the value, the buyer would probably be a larger public company or an investment group that specialized in purchasing closely-held family businesses. Since the owner was approaching 60, he made the decision to go to market, realizing that it might take a year or possibly longer and that any buyer would want him to remain with the business for several years after a sale.

After contacting several targeted potential buyers, ASI found interest from four parties: three public companies and one investment group. Not unusually, the investment group moved faster than the others and presented a Letter of Intent. At this point, we made the decision to inform Exide Batteries of the pending sale since they were the client's major supplier and the company could not be sold without their approval.

At a meeting at Exide's headquarters, the senior executives understood the client's motivations but did not want to lose a longstanding business relationship with the client. During the meeting, ASI posed the question as to why Exide didn't purchase our client. The answer was a surprise. Exide had never purchased any of their distributors and didn't readily see how such a move could benefit them. But they did give our client the go ahead to negotiate a sale and present the buyer group to them for their approval.

Shortly after the meeting, one of the Exide senior executive called ASI and said that our question had led him to explore further how a purchase of Ingalls might benefit Exide. After several conversations, another meeting was arranged. At this meeting, Exide stated that they would consider the acquisition. Now, we had two interested parties, which led to an ideal auction situation. An auction was held in July 2001 and Exide was the winner, resulting in a significant financial advantage to our client.

Unfortunately, 9/11 intervened and Exide (a NYSE company) was forced into bankruptcy before the sale was closed. However, ASI stayed in touch with Exide and they continued to assure our client that they were interested in the transaction. After exiting from bankruptcy in 2003, Exide finally completed the purchase of Ingalls Power Products.

### **Moral of the Story**

It takes time, sometimes several years, to prepare a company for sale in order to maximize the valuation and to attract the best buyer. Once you are in the market, you never know what is going to happen but you must be positioned to take advantage of situations offered. While the Exide/Ingalls transaction was unusually complex, no deal ever goes smoothly, so you must be prepared to hold on for the entire ride.