

ACQUISITION OPPORTUNITY

Leading Designer and Manufacturer of Industrial Washing & Sanitizing Systems for Food-Related Industries

Background

The M&A Group is pleased to represent an industry-leading designer and manufacturer of industrial washing and sanitizing systems for food-related industries. Building on over 30 years of industry experience, our client (the Company) is a recognizable leader in its market niche, serving industries such as food processing, retail/wholesale bakeries, supermarkets, food service, and others. The Company has a long history of positive financial performance, consistently attaining 15 percent EBITDA margins.

In 2006, a private investment company led the acquisition of the Company and was joined by key members of the management team. The private investment company would like to divest its ownership of the Company while the management team prefers to retain ownership and remain with the Company.

Leadership Position Built on Broadest Product Line in the Industry

The Company offers a comprehensive selection of commercial and industrial washers for all containers commonly used in the bakery, meat, poultry, snack food, food processing and distribution industries. With washers available in sizes ranging from small, compact units to large automated systems for high-volume situations, and with the unique ability to customize systems, the Company can provide the ideal washing and sanitizing solution for virtually any application. Over the past 30 years, the Company has refined existing products and designed new ones to meet customer needs.

A highly trained, in-house, sales staff sells equipment directly to customers in the Company's primary markets, including food processing and bakeries. Two long-term distribution partnerships provide access to food service and supermarket chains without the Company having to build the sales and marketing infrastructure typically needed to serve these market segments. The Company's broad product offerings and proactive national marketing efforts have established it as the leader within its market.

Favorable Market Growth Dynamics

Traditional drivers for automated washing and sanitizing equipment are savings of labor, water, wastewater, and energy compared to washing by hand. Many of these drivers have become more important in recent years, as more corporations focus on sustainability programs—using resources more efficiently to operate in a more environmentally friendly and cost-effective manner. The Company's equipment saves time and labor, reduces water and energy consumption, and increases plant efficiency.

In addition, the U.S. Food and Drug Administration (FDA) and other agencies are instituting more stringent food safety regulations, including the Food Safety Modernization Act, passed in January 2011, which will require food preparation businesses to standardize and document effective washing and sanitizing procedures in coming years. This market dynamic will drive demand for the Company's products for the foreseeable future.

Preferred Supplier

The Company is a preferred supplier to industry-leading corporations in food-related industries because of its knowledgeable, well trained in-house sales people; its ability to provide the right equipment for the application; and its comprehensive support through installation, training, and service. Customers consistently rank the Company high in customer satisfaction. These factors drive reliable, repeat business.

Solid Financial Performance with Strong Growth Prospects

The Company's comprehensive product offerings, long-term relationships with its customers, and leadership position within its market niche have enabled it to realize consistent financial performance even during economic recession. Sales during the period of 2009 to 2011 have been between \$7.9 and \$9.0 million while EBITDA margins expanded from 11.8% to 15% (the Company operates on a fiscal year ending June 30). In addition, a growing replacement parts business generates over \$2 million annually at gross margins nearing 70 percent.

Management continues to focus on expanding its presence in the growing food processing market niche, where demand continues to be strong for the Company's products despite difficult economic conditions. Therefore, the Company expects to realize annual sales growth of three to five percent in the coming three years with EBITDA margins remaining strong at 15 percent.



Seasoned Management Team with Vision for Growth

The Company is led by a seasoned and highly dedicated management team with four key members' tenure at the company exceeding 20 years each. The Company's majority owner is a private investment firm seeking an exit. The management team collectively owns 19 percent of the Company and desires to retain ownership and continue to lead the Company during the next period of growth.

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