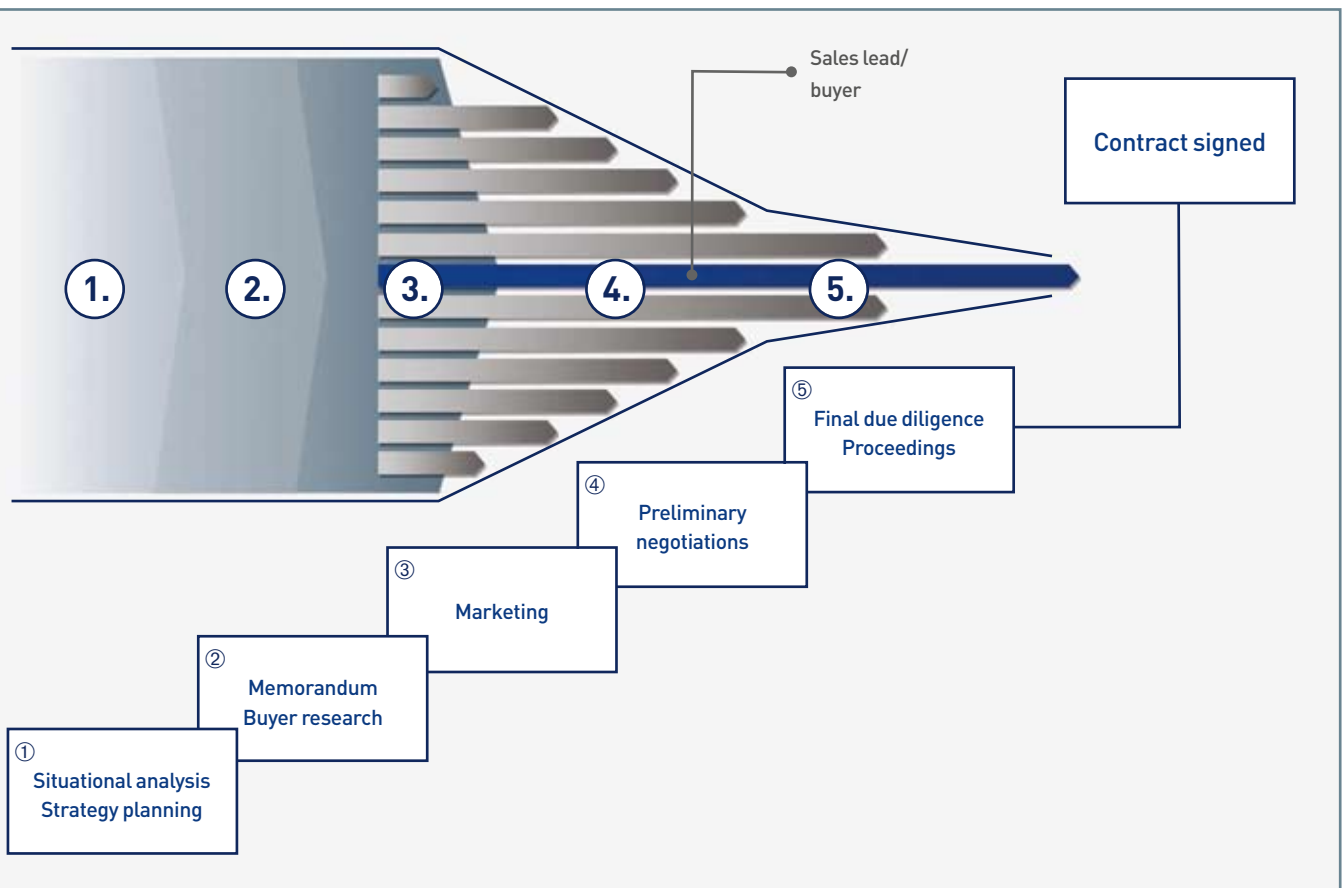


Steinbeis helps Metabo sell its production facilities in Meppen

Selling a business successfully

When larger companies are forced to close down a factory for strategic reasons, jobs are lost and product supplies and quality go through a time of uncertainty. It does not have to be this way, as Steinbeis Consulting Mergers & Acquisitions showed on a project for Metabo, which had earmarked a factory in Meppen for closure. The experts found a buyer able to offer the factory good long-term prospects and save around 60 jobs. The buyer, a member of the Purkart group of companies, took over the factory in July.



The systematic selling process according to M&A

As part of the strategic realignment, Metabo had announced in late 2009 that work at the factory in Meppen was to be halted and the factory closed. "It was a key strategic move, to focus on production in Nürtingen and Shanghai," explains Horst W. Garbrecht, Metabo CEO. Metabo still felt a sense of commitment toward the employees at the site and was keen to help them make a transition. But there was also a risk that once the factory had been closed, operations would have to be switched quickly to new suppliers and this could cause production, supply and quality problems with products being kept in-house.

It was at this point that Metabo turned to Steinbeis Consulting Mergers & Acquisitions GmbH (SMA). Its aim was to find an investor as soon as possible despite difficulties in the market – the economic crisis had led to a drop in metal processing sales and overcapacity. The investor should be in a position to scale down production in the medium term and rebuild it through its own business. "It was no mean task," says Andres Georgiadis, CFO at Metabo.

SMA took a systematic approach to the M&A process, from the situational analysis to the

signing of the contract. Following a comprehensive business and situational analysis, looking at the weaknesses and potential of the factory, a sales package was pulled together. Next, the Steinbeis experts carried out market research and identified around 300 potential buyers and investors in Germany and neighboring countries. Each was written to, followed up by a telephone call to highlight the investment opportunity. It was a long-winded process but it resulted in a shortlist of 25 potential buyers. A confidentiality agreement was signed and the leads were shown around the factory to assess the

level of potential and mull over future plans.

There then followed several rounds of talks and negotiations, resulting in two serious contenders for the sale. Both went through due diligence proceedings. Parallel to this detailed negotiations were held on takeover terms and contractual arrangements. As the site was to be sold as part of an asset deal, a comprehensive set of agreements was needed, over and above the sales contract.

Parallel final negotiations, right down to detailed contractual talks with several investors, are especially important when the seller is under time pressure and thus not in a position to start the selling process all over again if negotiations break down. Under these circumstances, the seller could "have its arm twisted". Further, especially with complex contracts, the "devil lies in the detail". Michael Pels Leusden, who headed up the project at SMA: "To achieve the best terms for the seller, we generally recommend talks with several parties rather than putting all your money on one horse."

The complex parallel approach meant that Metabo had two excellently matched investors to choose from. The entire legally binding contract was negotiated to completion with both parties. Both intended to keep running the factory on a smaller scale, only along slightly different lines.

"The fact that the new owner wanted to keep on as many of the people as possible, whose jobs were otherwise threatened, was key to Metabo in choosing the right buyer," emphasizes Horst W. Garbrecht. The Metabo decision finally came down in favor of MP System GmbH, a member of the Purkart group of companies which also includes Purkart Systemkomponenten GmbH & Co. KG from near the Czech border. The company considered the site in Meppen a good fit with the rest of its portfolio.



Purkart specializes in the efficient processing and finishing of metals. One of its core strengths lies in the manufacture of ready-to-mount assembly modules for the automotive industry, construction industry and sectors such as air-conditioning, printing machines and hospital equipment. Purkart was founded in 1995 and has since grown to 190 employees. "Meppen fulfills all the prerequisites for us to expand further in our core business: metal processing. We were won over in particular by the experience and skills of the workers and the modern facilities," says Mike Purkart, managing director at MP System GmbH.

The company has also acquired the license for a brand called Elektra Beckum, which enjoys a strong tradition in the local area. Purkart plans to continue selling welding equipment, wood-splitting machines and jigsaws for firewood under the brand name, which Metabo dropped from its range at the beginning of the year. "We could also envisage branching out with the new brand into new, expanding sectors such as the solar industry," says Mike Purkart. Under the agreement, the company is not, however, allowed to make products that clash with the Metabo range. Another core activity for Purkart is supplying sheet metal parts to Metabo. The Metabo product range was unaffected by the change in owners.

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Metabo's Andres Georgiadis sums up: "From the beginning, SMA did a sterling job. We were delighted with the solution as it saved around 60 jobs in times of economic difficulty and provided us with a new supplier and tenant."

Steinbeis Consulting Mergers & Acquisitions GmbH

Steinbeis Consulting Mergers & Acquisitions GmbH (SMA) offers a comprehensive portfolio of services relating to corporate transactions, with an emphasis on:

- The sale of companies
- Company acquisitions
- Succession planning
- Selling companies during a crisis
- Raising equity/private equity
- Company refinancing
- Company evaluations

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