



CASE STUDY: TRYNEX SELLS TO DOUGLAS DYNAMICS

CHALLENGE:

Owners of a global manufacturer of ice-control salt spreaders and liquid sprayers experienced a sudden revenue decline, but still wished to sell their company for a premium over fair market value.

SOLUTION:

Sell-side advisory & expertise of Blue River Financial Group, Inc.

RESULTS:

- Blue River clarified the seller's hierarchy of motivations, determined the ideal solution, and facilitated the entire transaction process.
- Blue River educated the sellers on industry M & A and negotiation strategies.
- Blue River identified, quantified and justified achievable synergies between the buyer and seller to support premium valuation.
- TrynEx sold for a substantial **32% premium** over FMV.

TrynEx, Inc. Overcomes 2012 Revenue Decline: Sells for 32% Premium Over Fair Market Value

Warm Winter Negatively Affects Company Value

Brothers Charles ("Chuck") and James Truan, owners of Madison Heights, Michigan-based TrynEx, Inc., had been debating selling their business for some time. TrynEx is a successful global manufacturer of SnowEx® ice-control salt spreaders and liquid sprayers. With products sold through approximately 1,500 authorized dealers across 26 countries, the company held an estimated 33% market share in the ice-control niche, and SnowEx® is the favored brand among commercial contractors in the United States. The company also provides innovative solutions for the lawn and turf care markets, and commercial maintenance industries under the brand names TurfEx® and SweepEx®. Business was booming, and the company enjoyed robust growth every year since the two brothers founded the family business in 1996.

A few companies potentially interested in buying TrynEx approached the owners, including a global leader in turf and landscape maintenance. When their busy season hit in the winter of 2011 – 2012, the Truan brothers decided to postpone their evaluation of possible buyers. They had no way of knowing that particular winter would be one of the warmest in recorded history. In some northern states there was no snow at all, and in the company's home state, trees blossomed in March under 80-degree temperatures. TrynEx's revenue plummeted. The company's capital structure was unprepared for the sudden cash flow decline.

“When selling a business, there are many issues that can suddenly arise. Blue River balances things and weighs them out. I really appreciate that about the team. I think they did an outstanding job of preparing us for what could happen throughout the process. And many of the things they prepared us for, actually did happen. The Blue River team was always accessible and empathetic, and understood that for our family, this business was like our baby.”

Chuck Truan, President of TrynEx, Inc.

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The potential buyers began melting away, putting the owners in a predicament. They still wished to sell TrynEx, and believed that the company they had built for so long deserved to be sold for a premium. But they faced a challenge in achieving this goal with the recent winter's impact on their company value. In addition, because TrynEx is well known in the industry, it was critical that a buyer search remain confidential.

Search for a Buyer Willing to Pay a Premium Over FMV

To deal with these challenges, the owners needed an experienced advisory firm to help explore all the options. *"We needed somebody that understood the industry and knew the players,"* said Chuck Truan, President of TrynEx, Inc. A company that understood what direction would lead to an ideal outcome. They turned to Blue River Financial Group, Inc., relying on the investment banking firm's expertise to guide them through the successful divestiture of their business.

"I'd worked with Bill Loftis at Blue River on an acquisition, and I really liked his style," said Truan. *"There are a lot of directions you can go in selling a business, and I'd never done a sale on this scale. This was a new experience for us. I knew Bill would make sure we got the right options. He never makes assumptions and he's good with people. Very good. I like to say he's low pressure on the outside, but underneath he's high octane."*

Blue River's certified business experts dove deep into the financials, performing a detailed analysis, and researching national and international transactions to identify TrynEx's fair market value. Then, using a proprietary process, Blue River zeroed in on the sellers' hierarchy of needs across the full spectrum of business, financial, personal and relationship-based motivations.

Key among the brothers' motivations, was the desire to sell their company for a premium over fair market value, irrespective of the 2011—2012 revenue and earnings decline. They also wished to protect their 45 employees, sell their 132,000-square-foot facility, and remain in management positions for a reasonable time to help ensure the company's growth to the next level.

Based on the owners' motivations, Blue River determined a private equity firm was not in TrynEx's best interest. Instead, they directed their search efforts to a pool of national and international publicly traded companies in the snow, ice, and related seasonal industries. Due to the confidential nature of the transaction, Blue River limited the exposure, narrowing the list down to a small, defined market of qualified potential buyers most likely to provide an ideal solution.

Blue River Identifies Synergies and Delivers Optimum Solution

Because most buyers look at the average three-year EBITDA, the greatest challenge that Blue River faced was getting potential buyers to exclude the company's 2012 financial performance from the valuation analysis. Blue River set the ground rules: in order to enter negotiations, 2012 was off the table and must be considered a normalizing adjustment that did not reflect the company's true earning power.



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Through professional, customized presentations for each prospective buyer's senior executives, Blue River identified specific achievable synergies, quantified the value of those synergies, and justified the substantial premium valuation over fair market value, *"We tried to anticipate and answer every question a potential buyer might have,"* said Bill Loftis, Managing Partner at Blue River.

Rising to the top of the strategic buyer list was Douglas Dynamics, Inc. (NYSE: PLOW), the North American leader in the design, manufacture and sale of snow and ice-control equipment for light trucks. The company possessed a key understanding regarding the impact of weather patterns on revenues and earnings within the industry. Blue River successfully demonstrated that with the acquisition of TrynEx, Douglas would emerge as a market leader, providing both snow and ice-control solutions, and creating a chilling force for their competitors. Blue River's in-depth financial analysis showed Douglas the significant available revenue synergies from the two companies' complementary product lines, cross-selling opportunities through alternate distribution channels, and how TrynEx's recent expansion into international markets created the potential to deliver huge gains.

TrynEx Sells for 32% Premium Over FMV

Douglas Dynamics, Inc. acquired substantially all the assets of TrynEx, Inc., including the real estate, on May 6, 2013. TrynEx experienced results even greater than projected. *"We were able to achieve a 32% premium over fair market value on the guaranteed portion of the deal,"* said Loftis. *"The sellers also realized significant additional value based on an earn-out component. And perhaps more importantly, not a single employee lost their job from the transaction."*

Blue River believes that it's critical to know what the ideal outcome looks like before proceeding. Through a relationship-centered, collaborative process, the Blue River team educated their clients on industry M & A. They empowered and assisted the sellers to go after that outcome with the appropriate buyers, the appropriate materials, and the appropriate messaging, and successfully delivered the optimum solution for TrynEx.

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About Blue River

Founded in 2002, Blue River has built its practice around delivering experienced, systematic transactional guidance. Our deep involvement in the private capital marketplace enables us to bring ideal outcomes to owners transitioning out of ownership. We provide a suite of services including corporate development, private equity support, confidential sell-side representation, valuations and transaction consulting. Blue River places a premium on relationship-centered transaction counsel and client support.

