

Case Study

Audio Visual Company Partner Buy-in and Acquisition

CHALLENGE

A young management team of a profitable \$17 million per year audio visual company had attempted to go on an acquisition trail but found the process to be time-consuming and a defocus from their core business. Further, they felt they didn't have the necessary experience to properly evaluate acquisition opportunities, negotiate terms, and most of all, were somewhat undercapitalized to execute. They also wanted to partially cash-out of their 100% ownership of the company. Meridian was engaged to bring in a financial partner.

QUICK FACTS

Deal Type:	Acquisition and Partner Buy-In
Industry:	Audio- Visual
Annual Revenue:	\$17 Million
Location:	Alberta

SOLUTION

A valuation of the company was prepared by Meridian along with a company profile and summary of the potential opportunity for a private equity group interested in helping the company grow through acquisition.

The company was introduced to several prospective private equity groups and a deal was negotiated with Meridian acting on behalf of the company. Because the management team/shareholder group wanted to partially "cash out", the private equity group was not prepared to invest without obtaining a controlling interest. However, the management team/shareholder group agreed to the deal based on the opportunity to sell 51% of the company, take the cash personally, continue to operate the company with the President reporting to a board of directors controlled by the private equity partner, and, most importantly, having the financial strength to grow the company through acquisitions.

Meridian was retained post-closing to manage the acquisition process and a Meridian principal also served on the board of directors. Within two years the company grew from \$17 million in sales to \$50 million in sales, primarily by acquiring its largest competitor. Meridian coordinated all aspects of the acquisition process from making the initial approach to the target company owner, valuation of the target company, through the negotiation of an LOI and then a formal purchase and sale agreement, to the final closing. The management team now owns a smaller share of a much larger company that is now positioned as the market leader.

