Value Management Inc.
The Investment Banking Resource

THE M&A RESOURCE

VMI's Investment Banking Newsletter

In This Issue

2370 York Road, E2 • Jamison, PA 18929-1031
(215) 343-0500

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Through the Owner's Eyes: Selling Your Business

MANGAR INDUSTRIES

Mangar Industries was sold to Oliver Products Company in May 2016. A month earlier, Mangar had celebrated its 30th Anniversary as a privately-held, family-owned business. Founded by members of the Coleman family in 1986, Mangar (known as Mangar Medical Packaging in the trade) became one of the top converters of sterile barrier packaging for the medical device manufacturing industry. Under the guidance of the Coleman family and founding brothers, Doug and Don, the company (including its employees) prospered and enjoyed an uninterrupted run of profitability for three decades. VMI recently sat down with Doug to discuss the sale.

Mangar MEDICAL PACKAGING

has been acquired by

OLIVER® PRODUCTS COMPANY
a Berwind Corporation company

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Served as the exclusive investment banker to the selling shareholders of Mangar

VMI: Doug, why did you sell the business?

Doug: Mangar became a big entity that continued to need direction. With no clear line of succession in the family (based on desire and ability), Don and I started to become more aware that we had no definite plan of action if something happened to one of us. Also, we recognized that there was an opportunity with a buyer that we liked and that we felt could take the company to the next level and beyond in a positive rather than disruptive way.

VMI: You and Don were in this together from the beginning. How was that and did you always see eye to eye?

Doug: Overall, it was incredible being able to run the company with Don. We also have a brother and sister that worked at the company, as did one of my sons.

Additionally, the employees became our extended family, our Mangar family. Overall, it was a great situation; everyone at the company worked together

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as "Mangarians." We attribute much of our success to that "Mangar Magic" created by our business family.

As far as Don and I always seeing eye to eye, we did not always feel the same way about everything. That being said, in the end, we rarely disagreed. We enjoyed each other's support; we were in this together. The concern over one of us having to carry on the business without the other, should something happen to one of us, was one of the main reasons that we decided to sell.

VMI: What concerns did you have about selling the business?

Doug: Our biggest worry was over the future of our employees. For the longest time, we felt that we were protecting our employees by not selling. Then, we started to think the opposite – that we were holding back the Mangarians and their futures by not selling. So, as it turns out, our biggest worry turned into one of our driving motivations to sell the business and to select the specific buyer that we did – to ensure the continued growth and well-being of the company so that the employees, especially the next generation employees, had a bright future. We wanted the business to remain at its Pennsylvania location; that was likely not possible with all buyers. So, finding a buyer that we knew, liked, and trusted was key to our decision to sell.

Another fear was maintaining confidentiality, or more so, a fear of the talk or gossip and the potential fallout that might occur if word got out that we were selling the business. First, we didn't want to get the employees nervous, as it is not uncommon for employees in that situation to think that only bad things would happen with a change in ownership (job loss, drop in salary, more work, etc.). Also, ours is a fairly tight-knit industry, with relatively few players. If word got to our customers, they might jump to a number of incorrect conclusions, which we felt would not be good for business.

Also, on a personal note, although I would categorize this as a preference rather than a concern, I would have liked to continue working for another five years. Life was good at the business: I worked with my family, employees were an extended family, we all got along and liked each other (in general), we made good money, and I enjoyed coming to work – even after 30 years! We earned respect and took pride in doing a good job. I am only 60, and Don is 62. Another five years at the helm, and then I'd think about retiring. Even now, after having sold the business, I don't consider myself retired.

VMI: Why did you decide not to wait for five years to sell?

Doug: The decision to sell was not made quickly. Like most things worth doing right, it occurred over time and there were numerous circumstances and events on a personal and professional level which factored into the ultimate decision to sell and the timing of the sale.

As I said, Don and I did not have a succession plan in place. Then, an opportunity arose which we felt deserved examination and consideration. The future direction of the company was on our minds for some time, as were conditions in the industry. As would be expected, when you are in business for 30 years, the industry changes. Not only did regulations change, but so did customer needs and demands. For example, major customers increasingly desire/require a global presence from suppliers. For Mangar, this could involve establishing overseas operations. This is no small endeavor which could take years to get up and running. Another change in the industry is technological; in order to have the best and newest processes sought by customers and ensure next-level growth, additional investments would have to be made at existing domestic operations. If major customers wanted new or different processes, the company would need to give thought to implementing them (having clean rooms, for example) to ensure next-level growth. Don't get me wrong, we did not shy away from investing. In fact, we believe that we offered cutting edge technologies and we were known in the industry for our efficiencies. But it's a big step to invest millions in overseas operations and new equipment/processes and/or a new facility and to ride it out for five more years.

VMI: How did you select the buyer?

Doug: We've known Jerry Bennish, the current CEO & President at Oliver-Tolas Healthcare Packaging, for about 20 years. On a personal level, we thought that he was a decent guy who cared about what he was doing. On a professional level, he worked for a company that directly competed with Mangar, but also was a supplier to Mangar. Over the years, we had the occasion to meet with him professionally, but mostly we enjoyed socializing with him over a meal. He shared some of whatever he was going through at the time. He was at Oliver before it merged with Tolas. He was there when the company was growing to be acquired by Mason Wells, a private equity group. And he was there in 2012 when Oliver-Tolas was acquired by the Berwind Corporation, a fifth-generation, family-owned investment management company that owned nine highly successful manufacturing and service companies which are all leaders in their market niche.

We continued to meet with Jerry after Oliver-Tolas was acquired by Berwind. I remember that we met in August 2014 and Jerry talked a lot about Berwind and Doug and I asked many questions. Having known Jerry prior to his working for Berwind, we sensed that after the Berwind acquisition, Jerry changed his demeanor. He talked very enthusiastically about what it was like, and described many advantages he found to be owned by Berwind. It sounded as though they were providing the type of support that Mangar could use to get to the next level of performance. He also made it known that Berwind would love to talk if we were interested.

In any event, we met with Jerry again in August 2015 and we spoke again about Berwind. Doug and I thought more about the possibility that Oliver-Tolas and Berwind seemed to have what was needed to ensure a bright future for the company and Mangar employees (they were in Europe, they were in China, they had resources and time to invest in growth, and they were still a family-owned company.) This time we agreed to sit down with Jerry and the CEO of Berwind and learn more about their business philosophy. We felt positive about the potential for Mangar under Berwind and Oliver-Tolas, and became curious about how they would view our value. We shared some basic financial data and in September 2015, they came back with some numbers in the form of an "Indication of Interest" offer.

At that point, as you know, we went to our lawyer who suggested that we talk to you to help us understand the Indication of Interest and anything else that we needed to know in order to be able to make a decision to sell or not.

VMI: So, we came on the scene at the end of September to help you figure things out, and you engaged us in the beginning of November to sell the company. Can you share some of the points that you and Don wanted to understand better in order to decide?

Doug: We've already discussed here many of the business and industry factors we had been contemplating. We revisited those considerations (continued well-being of employees, industry demands, level of growth desired and investments needed, etc.) when trying to decide. Clearly, we were also interested to know not only Berwind's view of our value, but we wanted to learn how the overall market priced the company.

We also needed to understand the sale process, and how we would maintain the confidentiality of any proposed sale to ensure that we could keep the company running as if no sale were planned. We also re-visited our estate and succession plans (we had done estate planning; succession planning, not so much). We ran a successful company that would continue doing well into the future, sale or no sale, major investments or not. We didn't have to sell, and I wasn't fully ready (thinking I'd be good for another five years). But when we started to look at everything, it all seemed to point to the timing being right for a sale (company in great shape with positive outlook, economy doing well enough to support relatively high values, numerous potential buyers and a "favored" buyer with whom we had already established a level of comfort). We had never imagined that the business we started 30 years ago could be so valuable. Now that we had confirmation that it was, it became clear that this would be a great financial event for our family, and a positive move for Mangar and its employees.

VMI: Rolling forward a bit, you selected Oliver Products (and Berwind) as a good buyer, and we eventually began to negotiate terms for the company. What were you thinking/feeling during negotiations?

Doug: Generally, the negotiations caused an uncomfortable feeling, but nothing horrible. Emotionally, it all becomes more real when you agree on a deal!

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VMI: Once we had a deal, the buyer started the due diligence process. There is always much talk about the intrusiveness of due diligence; any thoughts here?

Doug: Confidentiality was key at that time. It would have been a lot easier to handle without hiding it from people we know and trust, but we needed to protect the business and all employees. Still, I didn't like putting key people in a bad spot where they were unable to disclose what was really going on to people they worked with every day.

That being said, due diligence was not problematic. We had nothing to hide and had confidence in the information that we provided during negotiations. Really, we had no problems.

VMI will be co-hosting an event focusing on pre- and post-transaction topics business owners typically examine when considering a sale. There will be a Q&A led by a panel starring business owners who have been through the process, including Doug (and maybe Don) Coleman. Contact Andrew Wilusz at amw@ValueManagementInc.com if you would like to attend or if you need more information.

VMI Highlights

Value Management Inc. was a sponsor at the Annual Multi-State ESOP Association Conference held at the Mohegan Sun Resort in Wilkes Barre, PA. Greg Kniesel, ASA, Ed Wilusz, ASA, CFA, and Susan Wilusz Marano were presenters. Greg's topic was "Annual ESOP Timeline." Ed spoke on "Changes in Business Conditions: an ESOP Perspective." Susan participated in a Social Media session.

Ed Wilusz will be speaking at the Montgomery County Estate Planning Council on October 24th. His topic is "Current Valuation Issues for Estate Planners."

Congratulations to Susan Wilusz Marano who was inducted as the President of the Bucks County Estate Planning Council for the 2016-2017 fiscal year.

If you are interested in having one of our analysts give a business valuation/merger & acquisition related presentation to your firm or at a conference, please contact Susan Wilusz Marano at smw@valuemanagementinc.com or at 215.343.0500.

ABOUT VMI INVESTMENT BANKING. **VMI**'s investment banking division is a boutique financial consulting firm focusing on selling businesses and identifying acquisition targets in the lower middle market while also providing strategic merger & acquisition consulting services. **VMI**'s investment banking professionals are experts in financial analysis who have been involved in over 100 transactions, and have worked with thousands of family-owned and other privately-held businesses, partnerships, trustees, boards of directors, and other corporate owners and advisors. Our newsletter is published quarterly and does not constitute legal or financial consulting advice. It is offered as an information service to **VMI**'s clients and friends. Those interested in specific guidance for legal and accounting matters should seek competent professional advice. Inquiries on specific transaction matters are welcomed.

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