



Fast and Fluid

Divestiture Partners and Sanders Industries Make an OEM Acquisition Smooth Sailing

When Pratt-Whitney, a provider of aircraft engines, gas turbines, and space propulsion systems, decided to sell a portion of its original equipment manufacturing (OEM) composites business, it turned to Divestiture Partners. Based in Hartford, Connecticut, Divestiture Partners helps clients with business development, including divestiture and re-investment strategies.

IDENTIFYING THE RIGHT BUYER

Gregory Jones, managing principal of Divestiture Partners, began working with Pratt to identify potential buyers and to manage the transaction—from negotiation and deal structuring to completing the banking activities. Several potential buyers had indicated interest in the business, and shortly after Jones began working with Pratt, Sanders Industries contacted him directly.

“When Sanders Industries learned that the business was for sale, they identified themselves as potential buyers,” says Jones. “We conducted some preliminary work and determined that the company was exactly the type of buyer that made sense for my client.”

The potential sale made good sense for Sanders and Pratt for a number of reasons. First, Sanders Industries is deeply familiar with composites and OEM businesses. The company understands customers’ needs and already had customers in common with Pratt. The Pratt OEM business was geographically close to existing Sanders operations and it was the right size, which would help streamline integration with Sanders’ other companies.

AGILE DECISION MAKING

According to Jones, there were two other potential buyers at the table, but what set Sanders Industries apart was the speed with which they completed due diligence and made decisions. Sanders initially contacted Jones in early November, 2009 and completed its due diligence by Thanksgiving.

“Sanders Industries put together a deal structure that was appealing to the seller in terms of price, timing, and assumption of the business,” says Jones. “Their knowledge and sensitivity to the seller and employees made them easy to work with.”

Concern for employees was critical, because the OEM business relies heavily on the knowledge and technical expertise of the existing team. Sanders Industries wanted the local management team and employees to stay to help the business continue to operate successfully.

TRANSITIONING CUSTOMERS

A second concern was the company’s customers. Pratt wanted to be sure that Sanders Industries could meet the needs of its customers. After the appropriate non-disclosures were signed, the company’s largest customer was briefed about the proposed transaction.

“A significant part of the transaction depended on the customer staying,” says Jones. “Even though I represented the seller, it was very important to help transition the business and set the right tone and environment that encouraged the customer to stay with the buyer.”

The customer was satisfied that its requirements would continue to be met. They were already aware of Sanders Industries and had done some business with it. Sanders’ location on the west coast also placed it in close proximity to the customer’s operations, which made Sanders a local vendor and increased convenience for the customer.

After successfully achieving these important considerations, Jones helped the two companies finalize the agreement. From the initial contact to final closing in March 2010, the agreement took only five months, which included two months of government-required notification time.

ELEMENTS OF SUCCESS

For owners who are looking to sell their businesses, Jones says that focusing on the business is critical. Once an owner decides to sell a business, Jones recommends spending a limited amount of time on the “deal doing” and focus instead on the operation of the business and the future transition.

“Sanders was very good at this,” he says. “They understand the deal process and they are highly responsive and open to getting it done. The Sanders team was accommodating of my client’s legal and process requirements, and without multiple layers of management, they could make a rapid decision.”

Today the Pratt composites business has been successfully integrated as a Sanders Industries company—without losing any employees and retaining critical customers. Gregory Jones is pleased to build a relationship with Sanders Industries that could result in future opportunities for both companies.