

CASE STUDY

## Rawlings Sporting Goods Company

### Corporate Divestiture



**Our Client:** The Rawlings Sporting Goods Company is a leading manufacturer and marketer of sporting goods in the United States. At the time of The Fortune Group’s engagement, the Company manufactured and marketed a variety of sports equipment and related products, including hockey products which were sold under the VIC trade name.

**Situation:** The Company attempted to spur the growth of the VIC Hockey Business (VHB) by moving away from Canadian-based independent distributors in favor of its US-based, baseball-oriented sales organization, which focused on high-volume, low-margin sales to mass merchandisers. The strategy was not successful and resulted in significant erosion in VHB’s traditional sales base, as well as a large inventory buildup of VHB product that the Company was forced to sell at deeply discounted pricing. Furthermore, Rawlings experienced a change in management during this period that further exacerbated the situation. A new management team quickly decided to exit the hockey business and sell VHB so it could focus solely on its core Rawlings-branded products.

**Challenge:** To regain firm financial footing, the Company scaled back VHB operations and expenses, working capital, and marketing efforts. However, in order to maximize the value of VHB, the Company was intent on selling its orphan hockey business as a going concern rather than liquidating it.

**The Solution:** The Fortune Group positioned the Company as an opportunity for a strategic buyer to acquire one of the largest independent hockey brands in the North American market. The buyer would be able to take advantage of the Company’s restructuring, growth opportunities, and positive industry outlook.

**The Results:** The Fortune Group negotiated a sale of the business as a going concern to an international group with a strategic interest in the sporting goods industry. The Company received an attractive valuation based on a multiple of pro forma earnings with limited post-closing contingent liabilities.

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**About The Fortune Group:** Founded in 1987, The Fortune Group is a mergers and acquisitions advisory firm serving middle market companies considering a sale or recapitalization of their business. With over 200 years of combined dealmaking experience, the firm has established itself as a leader in creating value for its clients by completing transactions that meet both financial and strategic objectives. Learn more at [fortunegrp.com](http://fortunegrp.com).

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