

CASE STUDY

Tubular USA

Creative Structuring to Capture Value



Our Client: Tubular USA is a specialty steel service center focused on the fabrication and value-added distribution of galvanized steel pipe and tube products.

Situation: The Company was founded by three brothers as a specialty distributor of galvanized tubular steel. It was the successor to their father's business, a manufacturers' representative company. After one of the brothers retired, the two remaining brothers struggled to finance the purchase of their retiring brother's ownership interest while continuing to reinvest in the business. To mitigate the potential risk of financing another shareholder exit from the business and to better position the Company for continued growth, the two remaining shareholders decided to explore a sale or recapitalization of the business.

Challenge: After a period of prolonged profitability but low growth operations, the Company's growth began to accelerate as a result of a new customer in the utility-scale solar power industry. However, after several years of double-digit growth, and shortly after commencing the sale process, the Company recognized that its sales to its primary solar power customer had begun a steep decline due to changing industry dynamics.

The Solution: To enable prospective buyers to properly evaluate the stability of the Company's legacy business while also seeing the potential of the newer, more volatile solar power business, The Fortune Group developed pro forma financial information to present the Company as having two separate business units. This financial presentation allowed The Fortune Group to position the opportunity with strategic buyers that could appreciate the Company's highly profitable, stable core business but also recognize the potential upside of the solar power business.

The Results: The Fortune Group was able to creatively structure a transaction with a highly strategic, privately held steel company. The Company received a very attractive all-cash valuation for the core business and a seller-friendly earn-out that would allow the selling shareholders to share in a significant portion of the upside potential of the solar power business following the sale.

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.

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