

SBM Case Study: Thermo-Tech Windows, LLC



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Many times, a business contact can bear fruit years after an initial meeting and that proved true in the case of Thermo-Tech. The owners of this Minnesota-based manufacturer, their attorney and the ultimate buyer of their company all had previous experience with SealedBid Marketing, Inc. In part because of those positive contacts, they came back to SealedBid to complete a mutually beneficial transaction.

Thermo-Tech produces premium vinyl windows and doors that provide superior insulation against heat and cold. This family-owned business was established by the Ferkinhoff brothers in 1993, and did well over the years. However, last year the three brothers agreed that it was time for them to reap the rewards of their hard work. They decided to sell Thermo-Tech, and had definite goals for the sale.

The Sellers

"We wanted to get as much money as we could (from the sale)," explained Co-owner Lyle Ferkinhoff. "We also wanted them (the buyer) to keep the management in place, and the people. Those were our two top goals, and it was also to get out of the day-to-day. To walk away with peace of mind." Their previous acquaintance with Jerry Clark inspired the brothers to engage SealedBid to help them market and sell their business. "We had some previous experience with SealedBid, in about 2000...and due to our previous experience with Jerry years ago, said, go with him," added Co-owner John Ferkinhoff. "Jerry is just a down-to-earth type man...he's very trustworthy and that really comes across." SealedBid went to work immediately to build a list of potential acquirers, based on its experience and relationships in the industry, and marketed Thermo-Tech to these select companies.

“ability to facilitate” “They were very good...about following...the criteria we set,” Lyle explained. “We didn’t want just anybody to come in, some giant company...we wanted somebody that was a good fit, and they did a nice job of sorting through the individuals before we even met them.”

“They did a very good job of marketing the company,” John added. “(SealedBid) put it out on the market and then you get a letter of interest from individual people. And SealedBid would then get it all laid out, who these people were, we got a feel for their financial capabilities...so it’s not wasting anybody’s time. They put packages together of all these different people...and all the pertinent information so that we didn’t have to go digging. If we had to do all that, we’d still be trying to sell.”

John added that the SealedBid team also helped them navigate the interview and selection process. “Then we would meet (the interested parties),” John continued, “and go over the individuals. (SealedBid) got it down from a dozen people to about four or five. Then they double-checked that they were financially capable of doing it, and then (Jerry) would bring them in. We’d either do a phone interview with them, or they would come in and tour the Thermo-Tech plant, and we would interview them. And then it was just the process of elimination.”

The brothers finally chose to sell their company to Bounds Equity Partners, a private equity investment

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firm located in Illinois. Both John and Lyle expressed satisfaction with their choice. “Bounds had other businesses that they owned that are in the building industry,” John commented. “They know

the industry. They seemed to...get along with the managers at Thermo-Tech quite well.” “(They brought) money,” Lyle added. “Their industry experience helps to support the window industry – and hopefully, add more customers to Thermo-Tech.” Lyle noted that SealedBid was also instrumental in the negotiation process. “(SealedBid) facilitated most of the negotiations...they were kind of like the neck in the hourglass,” he explained. “Everything went through them...they made the time and everything run smoothly because of their ability to facilitate, their experience in the sale of businesses.”



“integrity and transparency”

The Buyer

Mark Bounds is the managing director of Bounds Equity Partners. “I was excited when Jerry called me about Thermo-Tech. I’ve known Jerry Clark for 15 years, we’ve looked at stuff in the past, and the Thermo-Tech listing was a good chance to connect on a transaction. I spent some time talking to Jerry. He gave us time to think it through, then we got his write up. Jerry set up a meeting...and then there were a lot of conference calls, a lot of data back and forth.”

Mark said that Thermo-Tech was a good fit for Bounds because “size-wise, it was in our sweet spot. It was an industry sector fit. It’s located in middle Minnesota, where I own another company, so it worked well for my Minnesota route.” “SealedBid basically shouldered a huge majority of the work themselves,” he added. “Blake (Johnson) in particular. Due diligence, getting data organized and provided to us, as opposed to us dragging it out of the company ourselves.” Mark concluded: “The most valuable thing SealedBid brought to our side is integrity and transparency of goals...SealedBid did a great job of bridging goals between the...owners, and our needs. I think SealedBid did a very good job of representing their clients and getting them the value that they needed, but with integrity and transparency.”

The Legal Counsel

Bill Syverson, of Stinson Leonard Street in St. Cloud, was the Ferkinhoffs’ legal counsel in the sale of Thermo-Tech. “I had already been aware of SealedBid because I’d worked with them on other transactions in the past, so I was aware of their capabilities...it was a good fit for Thermo-Tech,” Bill said. He also noted that SealedBid obtained satisfactory offers for Thermo-Tech. “SealedBid had obtained multiple offers for the company...I believe at least two or three of those offers were for more than what the owners had anticipated...so they were happy about that.”

He emphasized that SealedBid’s expertise with real estate helped the deal get done. “There was a separate component with (the Thermo-Tech) factory, that the buyer...would lease going forward...not a lot of intermediaries have as much experience dealing with real estate...SealedBid...has particular expertise involving real estate, which was good because...the type of lease that we were doing, and this one got a little complicated. It was good to have Jerry there to negotiate that.”



“frontline involved”

He added that SealedBid made his own task easier. “The succession plan we had for the clients...I think the pace in which it happened was...probably sooner. And rather than it being just me negotiating with the buyer over every point, it was good to have SealedBid alongside, handling matters that came up. They had more contact with the buyer and understood what the buyer was looking for. (SealedBid) stays frontline involved throughout the whole process...Jerry is very calm, level-headed and smart,” Bill said.

Conclusion

For the Ferkinhoff brothers, their past business acquaintance with SealedBid resulted in a satisfactory transaction. SealedBid helped them obtain a strong sale price for their company, find a buyer that was a good fit and help them meet their succession goals in a smooth, organized way.

“(SealedBid) is easy to work with,” John said. “They know the industry very well.” “They brought the experience and professionalism that is required for a sale like this,” Lyle added. “You want that process to run smoothly...and they keep it that way.”

“I’ve worked with many people that offer similar services...and (SealedBid) is a good partner to work with. They have a lot of experience, a lot of knowledge and they...get good results.”

Mark also expressed satisfaction with the way the sale was handled. “(SealedBid does things) in a way that makes us comfortable,” he said. “It’s a very Midwestern approach. I like these guys, and I’d love to do business with them again.”

Bill concluded: “I’ve worked with many people that offer similar services...and (SealedBid) is a good partner to work with. They have a lot of experience, a lot of knowledge and they...get good results.”

SealedBid is an M&A firm focused on lower mid-market companies with revenues ranging from \$2 million to over \$50 million.

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