

# SBM Case Study: V-TEK, Inc.



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The word legacy is frequently used to describe the company that a founder leaves behind. It is a word filled with meaning and emotion. When the founders of a privately-held business choose to sell, the sale is much more than a financial decision. Often, the owners have lived and worked in the community for decades and have built long-standing friendships with employees. The owners want their company to remain strong after the sale, but they also want to ensure that the team they've built over the years stays in place. They are leaving a legacy.

SealedBid has helped many business owners preserve their legacy by listening carefully to all their desires for the next chapter of the company, and taking them fully into account at every point in the Succession and Exit Planning process. The Minnesota-based company V-TEK is an example. When Dennis and Vivian Siemer, founders and owners of V-TEK, Inc., decided that it was time to sell their company, they came to SealedBid. "We were looking for a potential buyer," Dennis Siemer explains, "and someone said, 'You really ought to call the folks at SealedBid. They do this sort of thing and they do it really well.'"

V-TEK is a manufacturer of precision packaging, inspection and bond testing equipment for the electronics industry. The Siemers built their company up from a single modified parts-packaging machine, to a company offering taping machines, taping supplies and SMD taping service to clients all over the world. V-TEK has been an important part of Mankato for over 30 years, and both Dennis and his company are well-known and well-respected in the area, and the industry at large.

## *“established quite a network”*

Dennis wanted not just to sell his company at a fair price, but

also to take care of his employees. When he decided to put V-TEK up for sale, he says his biggest challenge was “finding a buyer that would satisfy our desires. Vivian and I really wanted the company to stay and flourish here in Mankato. We had employees that were with us almost from the start and made great contributions to the company’s success. All of our employees were excellent workers and we felt a great deal of gratitude to them for what they had done for us. The Mankato community is also supportive of small businesses like ours and...it would be very disappointing if a new owner would move the operation elsewhere.”

SealedBid listened to the Siemers’ goals and began the process of marketing V-TEK to potential buyers. The SealedBid team collected information, created marketing materials and researched potential buyers that were most likely to fulfill the Siemers’ needs. Since the Siemers wanted a buyer that was committed to the area, they wanted one that would buy both the property and the business.

Robert Kitchenmaster of Kitchenmaster, Klooster & Begalka acted as the Siemer’s CPA and financial adviser. He says: “(SealedBid) is thorough in what they do, starting out with analyzing the company and putting together the documents and marketing tools to be used, (plus) sharing with prospects. (Also) they’ve established quite a network over the years. That, plus their years of experience, plus their ability

*“Especially at outset, it’s so important to get things off on the right foot. SealedBid kept the Siemers well informed throughout the marketing process.”*

to work with businesses in a number of industries within the middle market, which is where the vast majority of closely-held businesses are as far as size, and that’s important, to have a broker

that’s had experience in that field.” “(SealedBid would) bring us up to date to explain the process...keeping us informed, educating us about the timeline and who the active prospects were,” Kitchenmaster says. “That made the job easier for everybody, that we didn’t have to do research on the candidates.” Thomas Marek, Partner at Fox Rothschild, acted as the Siemers’ attorney. He says: “Especially at outset, it’s so important to get things off on the right foot. SealedBid kept the Siemers well informed throughout the marketing process.



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In this case, (V-TEK) has a 30-40 year history.

There were a number of different moving parts,

(and SealedBid was) very skilled at organizing...the company, getting it ready for the sales process, explaining the alternative routes for finding qualified buyers and developing a plan in concert with the owners' wishes."

*“finding qualified buyers”*

When potential buyers responded with proposals for V-TEK, SealedBid presented those proposals to the Siemers and helped the Siemers evaluate them. SealedBid also facilitated the exchange of data with prospects. Marek adds, “SealedBid did a wonderful job of organizing the due diligence data room. They did a fantastic job organizing it, staying on top of it, updating it, getting information and jumping in to provide folks who needed access, with the right access to the data room. (They) did a great job of presenting a number of proposals from a number of interested buyers, they did a great job of sorting and comparing and contrasting different proposals. Throughout the process, if there was a sticking point, (SealedBid) would jump in and assist.”

Though SealedBid solicited both strategic and financial prospects, in the end, the Siemers chose Massachusetts-based KODA Enterprises Group as the acquirer that best matched their desires. As a financial buyer, KODA did not have intimate knowledge of the industry, and therefore would need to rely on V-TEK’s management team to run the company going forward. KODA is a private investment firm, but takes a longer view than other financial buyers that are required to exit an investment within a few years. KODA works through a small group of individuals or families, which provides more flexibility to their capital requirements and expected hold time. This allowed KODA to consider the purchase of real estate -- one of the Siemer’s key preferences.

KODA proposed to keep V-TEK in Mankato, to empower the management team and also to buy the real estate. Siemer comments: “Those three things were very important to us, and the fact that they were committed to buying the real estate was a wonderful indication that they were serious, that they plan on being there. There was plenty of room for expansion in that facility too, so I think they looked at that.”

Dennis adds that “Viv and I are very pleased with SealedBid -- they are professionals. (SealedBid) brought us many candidates, but in the end, the choice was clear. It was KODA.”



## “great strategic fit”

The acquisition was a good fit for KODA, as well. KODA President and CEO William Karol comments: “V-TEK is exactly what KODA looks for. The company manufactures very specialized packaging equipment, and also provides engineering services and distributes products to people who make sophisticated equipment, like medical or aerospace equipment...We look for businesses with clear organic growth potential.” Karol adds that moving forward, “We want to understand the organic opportunities for the business and leverage those...We also want to work with them to make a list of good acquisition targets and contact them directly. V-TEK acquired a company out on the west coast about four years ago that sells to a similar customer base. It was a great strategic fit, and that’s the kind of company that we’ll continue to look to add on to the business in the future.”<sup>1</sup>

With the future of V-TEK in good hands, and its management team intact, the company is poised to thrive. The Siemer’s legacy is a company with a preserved location and identity, a continuing management team and promising potential for growth.

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Dennis concludes: “Viv and I are a little different than some other business people. We feel an attachment to our employees, to our community, that’s just kind of hard to describe. During the years...there were a lot of companies that wanted to buy (V-TEK), they made it very clear. They would have offered a lot of money at the time, but they would’ve taken the whole thing out of Mankato. That would be hard for us, because (our employees) committed to the company, and did the work, the product development, the marketing development, the travel...every day. They raised their families with us, a lot of them.

“Our employees...are family to us.”

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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### We are on:



<sup>1</sup>“How Investor William Karol Sourced His Ideal Deal,” Axial, Meghan Daniels, July 20, 2017