

# SBM Case Study: HM Cragg



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HM Cragg is a Minneapolis-based company that sells, installs and maintains backup power systems and products for clients who need continuous power, such as those in the telecom, medical, utility, commercial and hospitality industries. HM Cragg's products include uninterruptible power systems, industrial generators and battery backup systems. The company is a distributor and manufacturer's rep for many well-known, industry-leading critical power brands.

The HM Cragg team was looking to expand its footprint beyond the upper Midwest and was considering an acquisition as part of that goal. Tony Wand, President and CEO of HM Cragg, explains that "DC Power...was one of two or three different industries that we were looking at."

Mr. Wand says that he decided to engage buy-side representation to facilitate the new acquisition, and that when he asked for recommendations, one name kept coming up — SealedBid Marketing. "I checked with a couple of people in the merger and acquisition field — you know, an attorney or two, a couple of CPAs," Mr. Wand recalls.

## “all-encompassing marketing process”

“I asked who would be a

good broker to work with, and almost without exception, everybody...said, ‘Call (Founder) Jerry (Clark) at SealedBid,’ because the size was right, not only of the deal, but of our company.” It was an easy decision Mr. Wand adds, “We met with Jerry and (SealedBid Vice President) Blake (Johnson), and liked them, and so we signed up with them.”

Once HM Cragg engaged SealedBid, the Transaction Team started the search process for the right acquisition prospect. They conducted meticulous research on the industry and identified acquisition candidates that had strategic value for HM Cragg.

Mr. Wand explains: “They were going out and looking at different companies (that would) match what we were looking for. We had a pretty defined profile of what our acquisition strategy was. So (SealedBid) went out and kicked the tires, and gauged interest on different companies, and came up with...marketing materials.

“If it was a cold call that (SealedBid was) making, they would send...collateral material, a one or two pager that talks about us, and then why we would be interested in (the company),” he adds.

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Truly a pragmatic all-encompassing marketing process that yields consistent results project after project. The culmination being scheduled conference calls and ultimately meetings.

After multiple prospect meetings, focus narrowed to Standby Power System Consultants (“SPSC”). SPSC was actively seeking a transaction and came on the radar through a broker connection. Both companies operated in the critical power space creating attractive synergies. “(SPSC does) the same thing we do, and it was a matter of, is it the right size, is it the right fit, do we feel like the cultures and the infrastructure would match, things like that,” Mr. Wand recounts.



## “SealedBid’s value kept growing”

Once the parties felt that their two companies would mesh

well, the purchase process moved into the negotiation phase, and Mr. Wand says that SealedBid's value kept growing as they guided HM Cragg through this part of the deal.

“Once we got past the ‘We’re interested on both sides,’ (SealedBid) facilitated all the negotiations,” Mr. Wand states. “They helped us run the financial models — ‘Yeah, this is what their 5-year history has been, this is what you can expect,’ — then they’d talk to (SPSC’s) broker. (SealedBid’s) biggest value was in the negotiations, when we got down to, ‘Yeah, we’re both interested enough to do a letter of intent.’”

Wand compared the value of a broker during negotiations. “It’s easier for the brokers to talk to one another...Jerry was able to talk to their broker, and take the emotion out of it for us and for them...and say, ‘This is what we feel we can pay, or what it’s worth,’ and then they...can agree or disagree. And they’re able to work it out, typically, easier than what a buyer and seller can directly.”

Mr. Wand characterized the purchase of SPSC as a win for both parties because it allowed HM Cragg to grow, while giving the owner of SPSC a chance to concentrate on what he most enjoyed.

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This deal was also a win for him, Mr. Wand adds, because “The owner was looking for an exit strategy...he had started and grown this business, and I

think he was ready to be done with a lot of the back office functions, all the payroll, HR, billing, collections, all that kind of stuff. That’s what HM Cragg brought to the table for him. We had the infrastructure that we could bring them into our administrative functions and do all that for him, and now he can just concentrate on business development and technical advisory functions. And that’s how it’s worked out, almost to a T. So it’s definitely been a win-win for both parties.”

## “a really good team”

upper Midwest, whereas SPSC was...around the Great Lakes. They were in the Chicago area, Wisconsin, Indiana, farther out east. We weren't in there, and we wouldn't be able to get in there without doing an acquisition. They were a perfect fit for us geographically," Wand explains.

Furthermore, Mr. Wand adds, they were already acquainted with the owner of SPSC. "We knew that his values matched ours, and we knew that this guy was an industry expert, we'd love to have him on our team, so it helped that we knew each another, just from competing in the same industry."

Forward two years, HM Cragg is "absolutely" satisfied with the acquisition of SPSC.

"We did some financial models with Jerry and Blake along the way. I'd say we've absolutely met those expectations, and in a lot of cases we've exceeded those expectations."

Mr. Wand concludes that he's extremely happy he had that meeting and engaged SealedBid as buy-side representation.

"Jerry's got a really good team. He's been in the business for a long time, and he's one of the most networked people I've met in my professional career of 30-plus years. He seems to know everybody and everybody seems to know him. He and his team have the values and the ethics that we require in our business, and with our business partners.

"I'd trust SealedBid implicitly with the acquisition part of our business."

And geographically, "It was an opportunity for us to expand our reach, because we were in that central

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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