

SBM Case Study: KenWay Engineering



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If you could make a fantasy wish list for the sale of your company, it would probably include: a potential buyer who just pops up one day; a fast, easy sales process; and a price even better than you hoped.

All these wishes came true for the owner of KenWay Engineering, Inc. ("Kenway"), Ken Detloff. Kenway designs and manufactures HVAC systems for off-road equipment manufacturers in industries like agriculture, mining and construction.

The owner of the Fairmont, Minnesota-based company says that just days before his 66th birthday, he received an unexpected call from Sanz Clima, a Spanish company that designs and manufactures HVAC systems for fleets and mass transit. The representative told him they were interested in purchasing Kenway.

It was a nice birthday surprise for Detloff, who was as pleased and intrigued as anyone would be; however, it was too soon to pop the cork on the champagne bottle. He was open to selling the company and had even negotiated with previous suitors, unfortunately without success.

Detloff explains: "I had a kind of a benchmark of what I wanted to sell the company for, or else I wasn't going to sell it. And I had offers before, but I couldn't get that number where I wanted it to be."

“made my job so much easier”

Detloff says that in these past attempts, he had directed the

sales process himself, but this time he was open to working with a professional business intermediary. Then, too, Sanz Clima is based in Madrid, Spain “There were some language issues,” says Detloff. “That was a good reason that you’d have someone (else) take care of the sale of the business.”

“I talked with other professionals about possibly selling my business, and SealedBid came up often,” Detloff adds. “So I said, I’m going to give (SealedBid Founder Jerry Clark) a call.” Although SealedBid usually tries to avoid a single-candidate sale, Detloff chose to forego a buyer search and concentrated on Sanz Clima as the sole candidate. He laid out his goals for the strategic sale to the SealedBid Transaction Team.

“I wanted to get a price that I thought (Kenway) was worth...The other goals were that if possible, the business could stay where it was, the employees all had gainful employment and there was a good transition.” In addition to these, Detloff says that he added another, more challenging goal for the SealedBid Transaction Team.

“I didn’t want to sell (Kenway) based on EBITDA (earnings before interest, taxes, depreciation and amortization) because I had a couple of bad years...so my challenge for SealedBid was they had to sell the

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vision and future of Kenway. I needed to sell Kenway’s potential, and that’s kind of hard. We’ve had investors, and they want to see hard EBITDA. And we just told them we weren’t interested in selling the business that way.”

This challenge notwithstanding, Kenway was attractive to Sanz Clima because the company was looking for an entry into Kenway’s product niche. The company was also interested in acquiring a U.S.-based manufacturer. The two companies were complementary. The SealedBid Transaction Team went to work on the strategic sale. The team provided the information that the buyer needed without revealing sensitive information too soon.

“that was a win-win-win”

Detloff recalls. “They reviewed my business and put together a sales plan, they put together the right team to help with the transaction and they interfaced with the Sanz Clima team very well.

“They expedited all information back and forth. All I had to do was provide them the information they asked for...the financial information, contractual information. They organized it, they presented it, they essentially did everything for me,” Detloff explains. “The amount of time that SealedBid spent on it, I could never spend doing that and still operate my business. They made my job so much easier.”

Detloff says that the SealedBid Transaction Team also got results that exceeded his expectations. “Jerry managed to sell the business well by selling Kenway's potential. That was truly amazing, and that was probably the biggest challenge for him at that time.

“And I got an amazing number,” Detloff adds. “I got more money than I expected, and I was able to keep the business in town and keep all the employees on staff. That was a win-win-win.”

Detloff says that he was also pleased that the whole process was completed in a short time. “We sold the business in about three months, from the time we started until it was sold, about three to four months.

“(SealedBid) and our transaction attorney, Bill O'Brien (“DeWitt LLP”), did a fabulous job, just incredible. They were fast, they were efficient, they were all courteous and helpful to me.

“I would highly recommend SealedBid to anyone interested in selling their business.”

“Jerry Clark and Blake Johnson (SealedBid Vice President) were a fabulous team,”

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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