



Leading engineering supplies company sold to John Gibson Hire & Sales Ltd

Independent, family owned and managed business, Northern Power Tools was formed in 1973 by entrepreneur Neil Gavins as official service agents to several leading manufacturers.

Based on the main arterial route into Sheffield, the company grew quickly and within 4 years had outgrown its premises. Under the direction of Neil's Son, Andrew, the company expanded its range of products and services to include all major manufacturers. To meet the needs of its rapidly expanding business, new premises, were built, which were further expanded over the years to provide warehousing, a repair centre and room for further expansion.

With a skilled team to provide expert technical advice, a dedicated repair centre and an extensive range of products, the company soon became a single-source solution for engineering and industrial customers who were confident in our client's ability to deliver quickly and reliably.

Andrew wanted to achieve his goal of retiring at the age of 50 by selling his business. He planned to explore other opportunities, having worked in the business since his apprenticeship as a 15 year old.



Evolution CBS believed that the company offered potential acquirers a number of areas that would generate significant growth.

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STATS

112

Companies Profiled
and Contacted

6

Potential Acquirer Meetings

3

Offers Received

Assessing value and saleability

Andrew called Evolution on the recommendation of a friend who had previously sold his business through us. After evaluating other advisers, Andrew appointed Evolution CBS.

Before taking on any new client, Evolution CBS carries out an initial review of the business - a key part of our service. This assesses saleability and creates a market valuation, based not purely on the financial performance but on a number of factors that would deliver the growth potential a deal could offer an acquirer. If a company is not ready for sale we recommend a period of preparation for exit rather than going straight to market.

Evolution CBS believed that the company offered potential acquirers a number of areas that would generate significant growth. Furthermore, with a well-run and experienced team, the business was not dependent on Andrew.

The Transaction

Following a more in-depth assessment of the business, under the direction of James Monjack, the team created the marketing documents to promote the areas that would deliver the growth a buyer would require. These included modernising the sales and inventory systems to enable on-line trading.

A strategic buyer profile was created, enabling our researchers to compile a list of 112 potential acquirers. The marketing documents, designed to promote the potential of the company and generate initial exploratory meetings, were prepared and agreed with the vendor. Our calling team then commenced the process of contacting each company, speaking with the responsible director and promoting the strategic value an acquisition of our client's business would generate. With significant growth potential there was a great deal of interest in this business. Having met with 6 companies and received three acceptable offers, our client made a decision on which company he would proceed with.

With a strong strategic fit of the two businesses, Peter was keen to add Northern Power Tools and Equipment

to his portfolio as he saw an opportunity to improve sales, margins and customer service across several of his businesses.

Andrew Gavins and Peter Jackson agreed terms. Our client was retained for a period of only 6 months to help ensure a successful transition to the new owner.

Our Client accepted an offer from a City based investment group looking to reverse Northern Power Tool and Equipment into an AIM listed shell company in order to benefit from the company's exceptional 40+ year trading history.

Unfortunately the Chairman of the group, who was leading the transaction from their side, fell seriously ill, de-railing the process. Under exclusivity, our Client could not approach any of the previous bidders. Whilst our Client was bound by exclusivity, Evolution CBS was not. Therefore James Monjack was able to go back to the second bidder, John Gibson Hire Limited, to determine whether the company were still keen to negotiate a deal. Despite having their original offer declined they were prepared to raise their valuation which enabled the transaction to proceed, only with a different buyer.

The best transactions are those where both parties benefit from the deal. In this case, our Client was able to start winding down in order to evaluate his future options whilst the buyer quickly set about integrating the two companies and making the changes that would deliver a return on investment.

Within a short time frame, new systems and processes were put in place that reduced cost of sale significantly, leading the buyer to believe they will see a 15% increase in net margin in the first year following completion before factoring in growth.

