Roll-up
Electro-mechanical Construction Companies

Covalence Solutions LLC

Roll-up and Exit through Sale of Resultant Company

Case Study

Situation

In 1999 the electrical and mechanical construction industry was highly fragmented in the United States. An opportunity was defined to roll-up five or less large privately held electro-mechanical construction companies. The strategy relied on finding companies with a proven track record of success, a loyal and stable customer base, and with revenues greater than $30 million per year. Companies with revenues greater than $30 million were deemed to have processes, controls, and infrastructure that would make them easier to roll-up. An additional criteria was to find companies that had an owner that was in their late 50s without an exist strategy and with owners that were tired of running a large company and still enjoyed customer development.

Project Objective

- Identify companies that fit the criteria, approach them, and find a way to form a bond between the respective owners
- Develop an integration strategy and implementation plan to yield economies of scale across the companies
- Identify best practices, integrate back-office, resource planning, and IT systems to form one company
- Retain key personnel and owners for a period of at least 5 years with an earn out to secure continued revenue streams
- Develop and execute an exit strategy: IPO or sale to a third party

What We Did

- Found four interested companies across with United States with total revenues of approximately U.S. $500 Million.
- Developed a bond between all the principles at each company over the course of several retreats
- Developed an integration strategy and plan in conjunction with key leaders at each company
- Performed all due diligence, normalization, and financial integration to form the basis for purchase and stock issuance for each company
- Developed the IPO offering and documentation
- Found an interested multi-billion dollar third party that expressed interest in acquiring the company
- Sold the company to the third party for 7 time multiples over earnings

Results

- This roll-up was reported in the Wall Street Journal as one of the most successful roll-ups in history. The exit strategy was executed in a way that resulted in a win-win for all parties involved.