LEVELTEN CONSULTING GROUP LLC

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Client

An international heavy machine tool manufacturer.

Company Profile

Approximately $35 million consolidated revenues

175 employees

Non-union workforce at time of acquisition

Subsequently unionized

Challenge

The company was a conglomerate of three different heavy industrial stamping press manufacturers that had recently undergone a Chapter 11 bankruptcy. The assets were purchased by the senior secured lender, a commercial finance company headquartered in New York in a 363 acquisition. The new owners realized that in order to successfully turn the company around, a new management team with extensive experience in turnarounds was necessary. Relationships with the customer base, employees, and suppliers were acrimonious due to the bankruptcy and the resultant economic losses the creditors had experienced. In addition, the 9/11 event immediately caused sales revenues to drop dramatically.

Findings

The company had an estimated installed base of approximately 200,000 stamping presses, while retaining the original engineering record sets for nearly 400,000 presses made since 1857. Manufacturing new presses was determined to be unprofitable and excessively risky as to product liability exposure. The aftermarket replacement parts market was an area of opportunity, despite numerous competitors who had recently entered that market, some of which had unlawfully obtained proprietary information to use against the company. The sales force was large and under-directed, and the manufacturing facilities equipment were old and in disrepair. Facilities located in Buffalo, New York and Chicago, Illinois were consolidated into one in West Michigan. The predecessor company had been highly unprofitable, driving the company into a Chapter 11 bankruptcy.

Results

The company discontinued the manufacture of new presses. Instead, it focused on the production of high-quality replacement parts for existing presses, as well as factory and on-site repairs and refurbishment. While revenues declined to an annual rate of $18 million, EBITDA consistently exceeded $6 million. The manufacturing equipment and facilities were upgraded, and a new operations and accounting software package was installed. Credit procedures, warranty programs, and component exchange programs were improved and losses that had been experienced in these areas previously were virtually eliminated. After a 4 year period, the company was successfully sold to a major competitor.