



Where from here? Determining the future of a private equity owned high technology manufacturer

Key outcomes:

- The return of over \$10 million to the private equity owners.
- The successful sale of the Intellectual Property.
- A positive resolution of all the outstanding litigious issues both in Australia and overseas.

The business challenge

When substantial money and effort has been invested in a business with worthwhile initial sales success, it is disappointing for all concerned when things go sour and everybody has a different opinion about why this is so and what needs to be done to turnaround the situation.

The business revolved around the ongoing development of a leading edge industrial technology, which was being applied to the development and manufacture of products into a lucrative sporting goods market. Sales had soured to nearly \$50 million annually, with key international customers adapting the technology and own branding the developed products.

Scaling the business from a standing start to substantial output proved to be beyond the management with a trail of disgruntled clients the outcome. Sales plummeted and at the commencement of this business challenge the factory lay idle.

During this time the familiar cycle of technology guru, angel investor, initial success and private equity was being played out.

Appointed as CEO, with the brief to work with the various parties and get the business moving, a speedy, “hands on” analysis of the immediate circumstances of the business began.

The solution

The good news;

- Plenty of cash in the bank, thanks to the private equity owner.
- No litigious situations that couldn't be handled with skilled, professional ongoing dialogue.
- The technology had produced several rounds of products that had broad customer appeal.
- The R&D team was fundamentally intact.

The bad news;

- Self interest from key non equity protagonists had created an environment of distrust.
- Customers had lost faith in the business.
- The technology guru's reputation had soured due to missed development targets and a belligerent attitude.
- No 3rd party process for the ongoing review of the veracity and direction of the R&D effort existed.
- No coherent product development strategy existed.
- The private equity owners attitude towards the business was hardening as the reporting season neared and new funds were due to be launched.

The opportunity to execute a successful turnaround would be dependant on;

- Resolving the items above.
- The realignment of all the stakeholders behind a new strategy.
- The commitment of the private equity owners to risk the remaining capital.

Solutions to the issues of stewardship and further commercialisation of the technology, were complex, high risk and more akin to those seen in a start up investment.

Consequently it was appropriate to provide a range of exit options for the private equity owners to consider.

The result

The decision was made to undertake an orderly exit from the business. This involved the implementation of the following actions;

- Quantifying the Intellectual Property associated with the R&D effort for sale purposes.
- Resolution of all the outstanding litigious issues.
- Closing out all existing commercial and contractual relationships in an ethical fashion.