



Capital Partners LLC

## **The MTN Investment Process: Global Power Products**

### Introduction

MTN Capital Partners is pleased to announce that MTN Capital Partners acquired Global Power Products in partnership with its Founders and Argosy Private Equity on December 30, 2021. Founded in 1995, GPP has developed a unique line of products in the utility grade electrical transfer switch, electric meter, and electric safety markets. The Company's switches allow for an effortless installation as compared to conventional switches. The Company's unique, meter-mounted approach to its transfer switches has positioned it on a high-growth trajectory. In addition to transfer switches, the Company also manufactures electrical submeters, surge suppressors, and current transformers for commercial, industrial, and residential markets.

This acquisition is a good case study of the role played by corporate executives in insuring that a transaction like this one comes to fruition, first by bringing the opportunity to MTN Capital and second by assisting MTN assess the attractiveness of the investment. In addition, the transaction was a negotiated transaction (as opposed to an auction) which required that a relationship of trust be built with the owners of the company.

### Who We Are?

MTN Capital Partners ("MTN") is an independent private equity firm that primarily invests in family and entrepreneurially run companies with solid businesses. The firm originates transactions, performs due diligence, and negotiates with the owners the terms of the transaction. The firm typically partners with a corporate executive with industry experience to help MTN vet its investment thesis - in many instances, the executive brought the transaction to MTN. Post-acquisition, the corporate executive serves on the board of the company, joins the company as an executive or acts as a consultant. In some instances, he may assist MTN and the companies' management build up the physical and human infrastructure required to reach the company's next stage of development. Often, this requires professionalizing one or several of the functional areas of these companies: manufacturing, supply chain, sales and marketing, accounting, and IT. MTN will invest its own capital but will supplement that capital by bringing in an additional institutional investor.

## The Transaction

The transaction took nine months to complete from start to finish. MTN started to look at the opportunity in April, signed an LOI in July and closed the deal at the end of December.

Prior to MTN's involvement, the company, which is owned and run by a husband and wife had had conversations with a corporate acquiror, but the deal fell through. The parties could not agree on terms and the chemistry wasn't right. An executive with whom MTN had worked in the past made MTN aware that the owners were still interested in selling their company. The owners had built the company over the last 26 years and were looking for a partner to build the infrastructure necessary to fulfill the company's substantial growth potential. The company was small, but it was highly profitable and growing very fast. The owners were going to keep a meaningful equity stake in the new company and keep their managerial roles.

The transaction presented several challenges: First, MTN was not very familiar with the industry and there was little internal due diligence material available. In addition, the company produced annual internal financials that were not following GAAP and were not compiled, reviewed, or audited by an outside accounting firm. In addition, its monthly financials had deficiencies. Second, the due diligence was going to take time and MTN needed to maintain the trust and confidence of the owners during the process. Finally, MTN needed to reserve sufficient time post due diligence to secure the necessary capital since the owners wanted to close by year end for tax and estate reasons.

MTN negotiated a six-month exclusivity period to complete the deal, an unusually long period but necessary given the lack of readily available information and clear financials. Our executive assisted MTN by confirming the uniqueness of the company's products, their substantial cost advantage, and their strong growth potential. MTN documented its due diligence by producing a 39-page descriptive memorandum which described in detail the company's products, patents, competitors, manufacturing process, customers and channels of distribution, and the regulatory environment. It also provided a detailed review of the Company's past financial performance and a detailed business plan which was devised with the owners. MTN also engaged an accounting firm to perform a quality of earning analysis.

MTN put together a deal information package that was complete but also included a strategy as to how to take the company forward. As result, it was able to quickly attract an institutional investor as well as a bank to provide the remainder of the financing and close in a short period of time. The owners wanted to close before year end for tax and estate reasons.

An element that was very important in the transaction was maintaining a relationship of trust with the owners who had signed a 6-month exclusivity deal with MTN even though they knew that MTN could not by itself provide all the equity for the deal.

MTN's executive was rewarded with six figure fee for bringing the deal to MTN. Personal involvement on another transaction precluded him from active involvement with the company.