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Selling Businesses Brings Cash as Well as Change

DEALS: New Owners Can Provide More Capital, Opportunities

By MIKE ALLEN

While most private companies aren't focused on selling the business, owners sometimes receive an offer they can't refuse.

In each of these recent transactions, the principals decided to sell the majority or all of the business to a public company, but continue working at the business even though they are no longer completely in charge.

Dave Hartman, a former air traffic controller, purchased a distributorship in **EasyTurf**, a provider of artificial grass, in 2002. At the time the business was generating about $250,000 annually in sales. In his first year and about every year thereafter, Hartman doubled sales until last year when it leveled off to $12.5 million.

Though affiliated with a much larger entity called Field Turf, a division of the **Tarkett Group**, Hartman's business had an exclusivity agreement. It was neither a subsidiary nor franchise to **FieldTurf**, he said.

Hartman's performance at the Escondido-based firm got noticed, and in 2008, he was approached by several private equity firms, including one with which he began

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negotiating. The financial crisis that blew up in September of that year killed those talks. Yet, the following year, Hartman was contacted by FieldTurf. In May 2010, he sold 51 percent of the company for an undisclosed price.

Besides expanding his sales territory to include all of North America and Mexico through affiliated dealerships and other arrangements, the business that became the landscape division of FieldTurf is expanding its business by selling to commercial customers as well as residential users, Hartman said.

Revenue Enhancement

Overall, the sale has benefited the business, particularly in terms of financial stability and its ability to grow. Hartman says next year, sales at the 68- person business should hit $20 million.

"In any acquisition, there are pros and cons but the only downside is that we're part of bigger organization … and we have to conform, if you will," Hartman said.

In the shrinking electronics manufacturing sector, San Diego-based **Spectragraphics Corp.** had carved out a lucrative niche as a contractor to much larger original equipment manufacturers and to startups looking at making prototypes and smaller volume product runs.

Last year, the $65 million in revenue business began talking with **Cal-Comp**, a public company in Thailand controlled by **New Kinpo Group** of Taiwan, about a possible strategic investment. **Bob Blumberg**, Spectragraphics' chief executive and a founder of the 30-year-old business, said Cal Comp's representatives wanted to buy 51 percent, an offer Blumberg rejected. "I told them either make a minority investment, or buy the whole company," he said. "They understood it was a reasonable argument and there was a path to acquisition."

About a year after the sale was completed (he declined to reveal purchase price), Blumberg said the new owners "are good people and have certainly held to doing what they said they would do."

That includes providing the financial heft of the New Kinpo, which did $30 billion in revenue last year, to help **Cal-Comp USA** (the new name for Spectragraphics) expand. This year, the company purchased a larger building for its Reynosa, Mexico plant, which will create about 75 new jobs there. The global manufacturer realizes cost and time savings by having operations in North America, Blumberg said.

At its Mira Mesa headquarters, the business expanded its staff from about 125 last year to 140 including the addition on engineers, assembly workers, and project managers.

Working Together

Having twice acquired **Del Mar Datatrac Inc.**, a Sorrento Valley software firm serving mortgage lenders, private equity firm **TVC Capital** was well aware of the competition it faced from competitor **Ellie Mae**, said TVC managing partner **Jeb Spencer**. "Our two companies were competing on nearly every new deal that was out there. We were constantly pounding on each other for a limited number of customers in a struggling industry," he said.

In August, Ellie Mae, a Pleasanton public company, purchased DMD for $25.2 million. Spencer said the new entity could come to dominate the segment for mortgage software, blending the best aspects of each company.