

Funding an Acquisition without an Equity Investor

Case Study

The Client

Tensator PLC is a UK manufacturer offering innovative queue management solutions including standard post and rope queue products and next generation automated products. The Company supplied components to their US Distributor, Lawrence Metal Products, Inc. but wanted to acquire this distributor to grow in the US market.

The Situation

Tensator PLC was a smaller company than Lawrence. Tensator was paying a high price and had a bank loan on their balance sheet, making it hard to borrow more from a bank. The owner of Tensator consulted with numerous investment bankers who advised bringing in a private equity investor to close the deal. A private equity investor would take up to 65% of the shares in the combined company, massively diluting the owner's stake in the business.

The Attract Capital Solution

We advised Tensator that due to equity value of their Company and the substantial benefits from combining the two companies, we felt a mezzanine lender could fund the entire sum of cash needed to close. This would satisfy the owner's two objectives:

1. Not giving up any shares, nor being massively diluted by an investor.
2. Not losing control of his company.

We closed their acquisition through raising \$26 million of Mezzanine financing.

The Results

With the mezzanine funding behind them, Tensator grew dramatically post closing. They achieved the synergies from combining the companies and became dramatically more profitable.

1. Tensator's revenue grew three fold from its pre-acquisition level.
2. Tensator's profits grew seven fold from its pre-acquisition level.

The Company was sold within three years of the acquisition at a valuation equal to 10 times its pre-closing level.

Had Tensator heeded the advice of the investment bankers to bring in an equity investor, the owner would have given up at least 50% of the shares, and tens of millions of dollars upon the sale of the Company.

How can Attract Capital Help You?

Mezzanine lending is the essential acquisition tool that can translate into huge value gains for a business owner. Attract Capital specializes in bringing Mezzanine solutions to mid-sized growth clients. We have a national lender platform and structuring expertise that can transform your funding strategy. Many of our clients are businesses that lack cash equity but have intangible equity value in their business. When they seek to finance an acquisition, investment bankers often tell them that a large equity raise with a large share dilution is required. We outright reject this approach. Our lender platform coupled with expertise in structuring and presenting allows our clients to access non-dilutive funding from the Mezzanine market, without a private equity investor.

[Call us](#) today to speak to our experts and find your right Mezzanine Financing Solution.