



CASE STUDY

WILBERT PLASTICS



Situation

Wilbert, Inc. (“Wilbert” or the “Company”), a privately-held company based in Belmont, North Carolina, is a leading injection molded plastics manufacturer serving a diverse customer base that spans a wide range of end markets including industrial, transportation, automotive, recreational, medical, funeral services and agriculture. Over its decades-long history, Wilbert has grown both organically and through acquisition, and has strategically consolidated plants and entered new markets, evolving its business over time to best meet the needs of its customers. In 2018, the company was operating six plants throughout the Southeast and Midwest, with significant customer and automotive end market concentration in two of the plants. Wilbert had a large number of shareholders, several of whom were interested in evaluating an eventual sale of the company. As a result, the board instituted an evaluation of its strategic alternatives.

Approach

Wilbert engaged CC Capital Advisors (“CCCA”) to provide strategic advice as to the most effective way to maximize shareholder value followed by execution of the preferred strategy. CCCA evaluated and analyzed various alternatives and determined that shareholder value would be maximized through the execution of two separate transactions: First, the divestiture of the two plants that had lower profit margins and were heavily concentrated with one customer in the automotive industry, followed later by a sale of the Company with its four remaining plants.

CCCA’s thesis for the recommendation was that the two automotive plants would be worth more to a strategic buyer than part of the larger entity, and once those plants were divested, the remaining four plants could achieve higher margins with a more diversified customer base and would appeal to a broader buyer set resulting in a higher valuation multiple.

Working with Company management, CCCA developed marketing materials and a limited list of prospective strategic and private equity-backed strategic buyers for the two automotive plants. Despite the limited outreach, the plants generated strong interest and ultimately Wilbert executed a transaction with Engineered Plastic Components, Inc., a plastics manufacturer with an operating profile similar to the two automotive plants.



Following the first transaction, Wilbert management evaluated its remaining 4 plants and reorganized its corporate structure to reduce overhead, upgraded its plants and equipment to increase operational efficiency, and executed real estate sale-leaseback transactions on two of the remaining plants. The combination of those activities resulted in improved gross and EBITDA margins. In addition, the reduced complexity of the business allowed the Company to focus on top-line growth through increased wallet share with existing customers and the addition of new customers, further enhancing EBITDA.

Wilbert engaged CCCA in early 2020 to initiate the sale of the balance of the Company. CCCA began creating marketing materials and a buyer list that included a wide range of buyers including strategics, private equity-backed strategics, private equity firms and family offices. Given Wilbert's size, attractive margin profile, diverse end markets and veteran management team, CCCA strategically selected counterparties that would be most likely to offer high valuations, strategic alignment, and speed to close.

Shortly after initiating the process, COVID-19 hit. With suppliers in China and a global customer base, Wilbert's business was disrupted early on. Wilbert's board and management, along with CCCA, determined that the uncertainty caused by COVID necessitated a pause in the transaction process. By July 2020, Wilbert's business began returning to pre-COVID levels and CCCA began reaching out to counterparties in the Fall. CCCA received significant interest in Wilbert given its strong operating profile, performance through COVID and beneficial timing given buyers' appetite for investments following a slow-down in M&A through the second and third quarters.

Outcome

Wilbert received multiple preemptive offers and ultimately the Company's board selected Alleghany Capital Corporation as the counterparty with whom to exclusively negotiate a definitive agreement. CCCA facilitated due diligence and led the negotiation of key business points of the agreement. The transaction will enable Wilbert management to focus on growing the Company with a financial buyer that intends to invest in acquisitions and other growth opportunities. The two separate transactions resulted in total proceeds to shareholders that significantly exceeded the expectations of the board and major shareholders.

