guest**editorial**

BY SCOTT BERLIN

As seen in the January 2013 issue of Modern Metals®

WEALTH OF OPTIONS

A new year brings new opportunities for family-owned metals companies

It is an opportune time to evaluate strategic alternatives if you are the owner of a metals business. Industry fundamentals are improving, and there is a confluence of available capital that will facilitate a range of transaction alternatives for high-quality companies.

> **"BUSINESS OWNERS LOOKING TO RAISE CAPITAL TO FUND GROWTH INITIATIVES ARE MET WITH HEALTHY INTEREST IN TODAY'S MARKET."**

The economy is showing modest improvement and hinting at a resurgence in the manufacturing sector as U.S. companies onshore more activity, which bodes well for domestic metals businesses. A positive outlook for the industry ultimately leads to more buying and borrowing power.

Corporate and private equity buyers are feeling tremendous pressure to put money to work. Many of the large public and private metals companies have accumulated cash and in the current low interest rate environment have been able to secure favorable terms on their credit facilities. That leaves ample dry powder to pursue acquisitions. Private equity firms have billions in dry powder to deploy and a finite period to invest it. Lenders are looking to grow assets. It is competitive across all layers of the capital structure, creating ample availability of senior and junior capital to support transaction financing.

Expansion capital

Business owners looking to raise capital to fund growth initiatives are met with healthy interest in today's market. Banks and other debt providers are eager to finance high-quality assets. Alternatively, a minority equity partner can bring additional capital support, industry specialization and operational expertise to assist in taking businesses to the next level of growth.

Partial sale

Family-owned businesses typically have a significant portion of shareholder wealth tied up in the business. A dividend recapitalization can be an attractive means to monetize some of that wealth, particularly in the current environment. The pressure to deploy capital has made lenders more accommodative of such structures, making it easier for business owners to secure senior and/or subordinated debt capital to fund a dividend. Competition for deals has resulted in improved pricing and structure for borrowers. Private equity firms are becoming increasingly supportive of non-control investments if presented with the opportunity to back a quality management team and a compelling growth story. Recaps offer a number of advantages for the selling shareholders, including partial liquidity and the opportunity to diversify risk, while still retaining control and participating in the future growth of the business.

Outright sale

Buyers are looking to strategic platform and tuck-in acquisitions for growth so the M&A market is active. There are a finite number of high-quality companies in the market today, so they are attracting significant interest with multiple bidders in auctions and lenders competing to win the financing, driving attractive deal terms and premium valuations. Market conditions are favorable for business owners seeking an exit, with a sale providing full liquidity for the shareholders and the opportunity to maximize the value of the business.

Business owners have a number of options, particularly for those with high-quality businesses. Engage your trusted advisor—relationship banker, accountant, attorney, investment banker—to provide counsel and services to analyze future growth prospects and strategic direction of your business. This will maximize opportunities available. ■

Brown Gibbons Lang & Co. is an independent investment bank that advises clients in the United States and internationally, primarily working with companies with enterprise values up to $500 million. **Scott Berlin** leads the firm's Metals Group. He has nearly 20 years of investment banking and corporate finance experience and has advised on more than 75 middle-market merger and acquisition and restructuring transactions. In addition to his metals industry expertise, he has represented both private equity groups and private company clients in a broad range of industries including distribution, industrial manufacturing, financial services, consumer products and logistics. Scott can be reached at 216/241.2800 or sberlin@bglco.com.