

NORTH JERSEY

Taking a family firm to the next level

Leveraged buyout can enhance value

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You're a business owner ready to retire, but your children don't want to take over the company you built. Who you gonna call? Laud Collier & Co., a leveraged buyout firm in Roseland, wants to hear from you. The company, spun off a year ago from the CIT Group Inc. in Livingston, buys controlling shares of private companies, makes changes to boost earnings, then resells the businesses. The founders of the company, President Paul J. Laud and Executive Vice President Colby W. Collier, along with Managing Director Kenneth L. Walters Jr., recently sat with *The Record* to talk about their business.

Q. Describe your company.

Laud: We're a private equity investment firm. We acquire ownership positions in privately owned middle-market companies – those that generate revenues of less than \$250 million a year. We buy the company with the intention of building its value. These tend to be family-owned firms or businesses that could be divisions of larger corporations that are no longer core to the parent company. We acquire those businesses and tend to work with them on average for four or five years as an investment horizon. We often strengthen and build the management teams, invest additional capital to acquire new equipment, and pursue new markets and introduce new products. Then ultimately we exit, via a sale to a larger acquirer that may have a presence in the product line or to another investment firm similar to ourselves.

Q. Who are your investors?

Laud: Mostly institutional investors, such as banks and insurance companies. CIT remains our largest provider of capital.

Q. Why did you spin off from CIT?



CARMINE GALASSO/STAFF PHOTOGRAPHER

At Laud Collier & Co.: Managing Director Kenneth L. Walters Jr., left, President Paul J. Laud, center, and Executive Vice President Colby W. Collier.

Laud: The private equity business we operate delivers unpredictable earnings by the nature of what we do, because you only make money if you sell an investment. It's difficult for analysts to analyze the balance sheet and then to predict earnings. Both CIT and our team agreed that this is a good business, but probably not the right business for a public parent.

Q. How big is your portfolio?

Collier: Close to \$200 million.

Q. Which industries do you invest in?

Collier: We invest in basic materials, business services, consumer products, and transportation and capital goods. Plastics is a long suit of ours.

Laud: The consumer products are always fun. We were invested in a movie theater chain, but sold it. We own Evercare Co., which makes lint rollers. We have a small stake, not a controlling stake, in B&G Holding Co., which owns B&M Baked Beans, Underwood Deviled Ham, Frank's Hot Sauce, and Maple Grove maple syrup.

Collier: Don't forget seasonings.

Q. How has the economy's recent decline and recovery affected your business?

Walters: The downturn put pressure on some of our companies. We definitely see an upswing now. No one wanted to sell into softness, when earnings were down. Now would be a good time to buy and a good time to sell.

Laud: Middle-market companies are inherently more fragile in an economic downturn because they don't have the mass of a large corporation. Having said that, they can also be much more nimble during a downturn. They have much more latitude and flexibility.

Walters: Over the last few years, a lot of our companies became leaner and meaner and focused on efficiency and cost control. Now they can profit from the revenue line going up.

Q. In 1997, when you were still at CIT, you acquired Springfield Precision Instruments, a thermometer maker in Wood-Ridge. After that purchase, Springfield closed its U.S. factory and moved about 200 jobs to China. Do you

often make major changes in the businesses you acquire?

Laud: When we acquired that company, it was very much in a downward spiral. It was very evident that the only way the company would survive would be to keep the higher value-added functions here and relocate everything else overseas. It was necessary, given the low price points we had to hit, because the thermometers are sold in discount stores. But Springfield was the only plant we had to relocate to China. We try to drive efficiency into manufacturing business by investing in capital equipment that can streamline or automate parts of the business.

Collier: There needs to be a solid core of managerial talent in the company for us to pursue it as an investment opportunity. In this market, there tend to be skill sets that are lacking or non-existent. For example, in a family-owned business, there tends to be a concentration on sales. Manufacturing and inventory management would be afterthoughts. We need to bring in skill sets in those areas. Sometimes when we want to take a company to the next level, we've seen the need to make significant changes.

Q. What is the future of Laud Collier?

Laud: We think there's a lot of opportunity in that sector, a lot of businesses that started over the past 20 or 30 years where the owner wants to monetize what they've built. They need a vehicle to do that. Public offerings are not as attractive as they were for some companies because of the cost of maintaining a public company. A private sale of their company to a firm like ours is a way for them to create wealth.

Walters: We'd like to get to the point where we're doing three to four deals a year in the \$15 million to \$20 million range.

Q. What do you like about your work?

Laud: You get to build things. It uses all the business skills – finance, marketing, strategic planning, operations. You get to use all the business skills directed toward the objective of building a business.