

CAPITAL INVESTMENT CASE STUDY

VALEDOR PARTNERS LLC

Limited use of leverage and patience through a downturn resulted in a good outcome for investors and management alike.

- The management team and original investors in Company A were looking to eliminate debt from their balance sheet and take some cash 'off the table' as a cyclical downturn deepened.
- While in the midst of a downturn, the strength of management and market position of Company A was compelling and a suitable structure to accommodate investors and management alike was agreed.
- Company A was recapitalized with no debt to ensure its survival through an extended downturn, with management keeping a significant minority equity stake and taking some cash from the transaction.
- **Investment Evolution:**
 - Development of weekly performance and financial reporting allowed management to more clearly see trends developing and proactively make decisions regarding personnel and equipment.
 - Active cost management initiatives were undertaken to ensure the company remained healthy as the environment became more challenging.
 - Through-cycle cash generation resulted in an ability to retain key talent and opportunistically add high-quality personnel that competitors were unable to retain.
 - Equipment additions as the market returned positioned the company to continue to service their high-quality customer base and take on selected new customers.
 - Working capital management ensured that Company A did not experience a cash shortfall as markets strengthened and began to return to pre-downturn levels.

- **Decision to Exit:**
 - **While Company A clearly had strong potential to continue to generate cash flow and provide cash on cash returns, management wished to grow into areas that required meaningful additional capital investment.**
 - **An excellent future partner was identified with management input and a valuation was agreed that provided investors with a suitable return given their initial risk profile.**
 - **The transaction was executed in a reasonable timeframe with support from the Valedor team, allowing management to move forward with their new partners and aggressive growth plans.**

KEY INVESTMENT ACHIEVEMENTS

