

Prospect Partners, LLC Case Study

Management Buyout: Industry Consolidation

Delta Industrial Services, LLC

Lake Jackson, Texas

Type of business: Provider of industrial hoist, rigging and tooling equipment

Situation

In 2005, Kevin Rodgers, the founder and former CEO of rental equipment provider NES Rental Holdings, Inc. (NLEQ) sought a financial partner to back him in the acquisition of one of the company's divisions, NES Industrial Hoist. Though a leader in the heavy industrial lifting equipment market, NES Industrial Hoist's niche rental business was tangential to its parent company's primary focus: rentals of general construction equipment. Prospect Partners saw great potential for the success of NES Industrial Hoist as an independent company, which Mr. Rodgers would run with his management team, industry executives with deep operating experience. The new company would be called Industrial Hoist.

Our Strategy

Industrial Hoist was already a leading player in the fragmented niche market for heavy lifting and rigging equipment. The company served a nationwide base of large industrial customers in the powerplant, shipyard and refinery industries. All rented equipment for their construction, plant shutdown, and repair and maintenance needs. We sought to give Mr. Rodgers financial and strategic support to help him consolidate the market within the high-potential oil industry, which included the petrochemical and onshore and offshore drilling market segments along the Gulf Coast, a key growth market. The consolidation strategy would also serve to solidify Industrial Hoist's geographic footprint, deepen its industry reach and add to its product line.

Results

Between 2005 and 2008, Industrial Hoist made five strategic acquisitions of select small niche industrial equipment rental providers along the Gulf Coast of Texas and Louisiana. Each company was an established leader in its market. The companies were operated as divisions of Industrial Hoist until January, 2008, when they were merged into a single company, Delta Rigging & Tools, Inc. The company was now the nation's largest one-stop resource for customers seeking specialty industrial equipment for heavy-lifting needs. From a product



perspective, Delta offered a complete portfolio of lifting solutions, including hoists, winches, wire rope, synthetic slings, accessory parts and hardware as well as testing, inspection and field services. Operationally, management integrated financial and information technology systems and centralized key functions like purchasing and sales. Delta was now a scalable platform company ready to pursue a national consolidation strategy.

Exit

In August 2008, Prospect Partners sold its interest in Delta Rigging & Tools for a significant gain to a larger financial buyer to allow for the next phase of the company's growth.

Our Philosophy

To provide financial backing and strategic support to help management accomplish Delta's near-term goal of becoming the leading industrial equipment rental company in the Gulf Coast region while simultaneously developing a solid foundation for the company's longer-term objective of becoming a strong, successful national middle-market player.

"Prospect Partners has a wealth of experience and is absolutely committed to staying the course for the time it takes to create additional value. Moreover, these veterans are great people to work with."

Kevin Rodgers

Independent Equity Sponsor,
CEO, Delta Industrial Services, LLC

