

Prospect Partners, LLC Case Study

Management Buyout: Corporate Orphan

Utility Service Partners, Inc.

Washington, Pennsylvania

Type of business: Provider of home utility line warranty products

Situation

An independent three-person executive team sought a financial partner to back them in building a company that would offer utility line protection services to homeowners. The executives had successfully run a similar company before and now wanted to acquire a division of a large regulated public utility that provided homeowners the opportunity to buy protections that basic homeowner's insurance didn't cover for gas, water and sewer line leaks and failures. The management team would then form and operate a new company called Utility Service Partners (USP) that offered these line protection products and services. We believed USP held great potential as a standalone business, despite the complex regulatory hurdles we faced to complete the deal.

Our Strategy

After the buyout, USP, now a new company, needed to quickly build a strong infrastructure in order to compete. We made sure the new management team, led by CEO Philip Riley, received the financial resources it needed to develop proprietary information technology, accounting and marketing systems and build a network of certified plumbers and electricians who would provide timely repairs. Once these were in place, USP formed strategic alliances with select public utilities and municipalities and sold its branded and private-label warranty protection services to their homeowner customers.

Results

From 2003 to 2007, Mr. Riley and his team developed a strong, independent business. They successfully built USP's infrastructure, formed partnerships with utilities in several states and developed an extensive product line as well as deep marketing and service support to the utilities' homeowner customers. USP became very well-received in its market segment.



Exit

In December 2007, Prospect Partners sold its interest in USP for a significant gain to a strategic buyer and USP's management team.

Our Philosophy

Independent management teams usually bring to the table substantial operating expertise and industry knowledge, and USP's executives were no exception. We sought to serve as the financial catalyst for USP's growth – and to help management realize its vision of running a successful independent business.

"We were a seasoned management team looking for a financial partner to help us build a platform. We needed a highly capable firm, as the deal was extremely complicated – not many people could have gotten it done. For this, I credit Prospect Partners' experience, professionalism and perseverance. From acquisition to exit, Prospect Partners was a true partner."

Philip Riley
CEO, Utility Service Partners, Inc.

