

Prospect Partners, LLC Case Study

Leveraged Recapitalization: Industry Consolidation

Wrap Pack Products Corporation

Yakima, Washington

Type of business: Manufacturer of treated and untreated tissue wrap packaging and molded pulp products that provide protection to fruits, vegetables and other items during storage and shipping

Situation

Wrap Pack's Steve Altmayer had owned the business since 1988 and was looking to exit in 2001 via a sale. After developing a relationship with Prospect Partners, he decided instead to recapitalize Wrap Pack and remain with the company as CEO. As a result of the transaction, he gained significant liquidity while continuing to own a meaningful stake in the business.

Our Strategy

We sought to build a larger, more diversified leader in the niche fruit and vegetable packaging market through strategic acquisition, new product development and customer service. Seven months after its recapitalization with Prospect Partners, Wrap Pack made a significant acquisition of a complementary business, Keyes Fibre Corporation, from Finnish packaging giant Huhtamaki Van Leer. Keyes Fibre was the leading manufacturer of pulp-formed trays used to package wines, apples and other fruits and vegetables. Wrap Pack also recruited two experienced industry executives to the Board of Directors as resources both to management and the investors. Finally, the company set out to protect its dominant market position by making significant capital investments in denester machines, which were then installed in every Keyes Fibre customer location to speed real-time processing and increase switching costs.

Results

Wrap Pack management cemented the company's leadership position. Wrap Pack maintained its dominant 90% market share of tissue wrap for pears, and Keyes Fibre became the dominant manufacturer of apple trays, garnering a 60% share. Wrap Pack's denester machine investment solidified the Keyes Fibre customer base and significantly improved margins. As a result of internal growth and the strategic acquisition, Wrap Pack's revenues more than tripled in three years.



Exit

In May 2004, Prospect Partners sold Wrap Pack Products Corporation for a significant gain to Wrap Pack management and a financial buyer. With the sale, Mr. Altmayer retired. The company now operates under the name of Keyes Packaging Group, Inc.

Our Philosophy

To work as partners with Mr. Altmayer in every sense – every person involved with the company was wholly committed to growing its equity value. Our initial recapitalization of Wrap Pack provided Mr. Altmayer a level of financial and advisory support that freed him to truly focus on growing the company; he shared his economic burden with Prospect Partners while maintaining autonomy that allowed him to manage the business successfully.

WRAP i PACK
The Perfect Presentation

"I could have done anything with my life after I sold, but I stayed. Working with Prospect Partners gave me the freedom to build my company the way I had envisioned from Day One."

Steve Altmayer
CEO, Wrap Pack Products Corporation