

## As Other Private Equity Deals Stall, Insight Equity Closes Atwood Acquisition

BY AMANDA L. GUTSHALL

**In a time when many private equity firms** are pulling out of deals, Insight Equity, led by its two senior partners, Ted Beneski and Victor Vescovo, along with Conner Searcy, partner, was able to step up and acquire Dura Automotive Systems' Atwood Mobile Products division for \$160.2 million in August 2007, closing the deal just five weeks after getting the proposal.



**CONNER SEARCY**  
Partner, Insight Equity

**C**alling it one of the most difficult deals in his career, Conner Searcy, a partner at Insight Equity, notes the main reason was the tidal wave of inside and outside forces that would make even the simplest deal harder to complete.

"We had this coming together of turbulent events, macro as well as company-specific, including the Dura Automotive bankruptcy — it was kind of a triple witching hour." In addition, he adds, the economy was going through one of the biggest "credit crunches in 40 years," and with it, the company Insight was looking to acquire was experiencing difficulty.

"We signed a stalking-horse purchase agreement for Atwood on July 3, 2007, and it was shortly after July 4 that the credit markets took a significant downturn." He also notes that Atwood, along with its parent, was a company in bankruptcy with declining revenue and profitability in addition to being one of the largest restructurings in the U.S. at the time.

At the same time, the RV market, which Atwood serves, was a couple of years into a downturn. Atwood is a manufacturer of gas appliances, windows, doors, electronics and hardware to the RV industry. The company reported \$330 million in sales in 2006.

"The overall market that they were selling into, the RV market, had been hit by a housing decline, rising interest rates and other macro factors that were creating a headwind for the company. So just getting the deal done at all was an accomplishment. In addition, Insight never once backed away from its original offer for the business."

That being said, he adds, the Atwood acquisition was a "terrific opportunity, with a lot of upside. It has a great management team, a number-one competitive position in most of its product categories, and is one of the largest component providers in the RV industry."

### The 'Roots' of the Deal

The deal came together because of a long-standing relationship Insight Equity has had with Miller Buckfire. Miller Buckfire was an advisor in Dura Automotive's bankruptcy proceedings and was working on a 363 sale of the Atwood subsidiary to raise cash for Dura's emergence from Chapter 11. Miller Buckfire then brought the deal to Insight Equity, knowing this was the type of transaction that was right up the firm's alley.

"I could tell from their initial description of the opportunity that it was a perfect Insight deal." Atwood's financial and operational difficulties were a great fit for Insight Equity's hands-on approach to transactions. "We like businesses that are experiencing some level of underperformance whether it be financial, managerial and/or operational.

"We also, after doing our industry research, decided that despite the cyclical downturn, the industry had solid long-term fundamentals. And that's what we invest in: for the long-haul. We are willing to accept short-term turbulence for a significant long-term opportunity," Searcy explains.

As Insight Equity's interest in Atwood grew, the firm began discussions with the management team and began to go through the process with Miller Buckfire running it.

The result: "It was one of the fastest 363 bankruptcy processes I have ever experienced. From receiving the offering memo to signing a purchase agreement, was something on the order of five weeks, which is extraordinarily fast. One of the skills we bring to an opportunity is the ability to move quickly in situations that are experiencing difficulty and need some sort of resolution quickly. You need to give some assurance to the customer base as well as the vendor base that there is a resolution around the corner," he says.

## Turning Atwood Around

Obviously, with Atwood in the mist of Chapter 11, there was a certain amount of restructuring to consider, and Insight Equity wasted no time in starting the process.

Before the acquisition, Searcy notes, Atwood had great fundamentals but had deterioration primarily on the balance sheet as a result of the Dura bankruptcy. It also had some operational challenges and a very large plant footprint — too large for the company to handle. In the first four months after closing, he adds, Insight sold off one division, shut down a plant and “shored up the operations, and we’re seeing a lot of positive momentum. It was a business that needed some operational restructuring and now we are looking forward to the growth phase.

“We are not your typical private equity firm, we are operationally focused — we roll up our sleeves and get involved,” Searcy says. “The management team at Atwood, our partners, have welcomed our involvement and we have achieved amazing results in a short amount of time since closing.”

The company will head into a new phase over the next six months: looking for new acquisitions, introducing new products and gathering new customers to grow the top line. “Our vision for this business is that it will be two to three times the size of what it is right now. We’d really like to create and build the largest component manufacturer in the RV segment.”

This vision will eventually become a huge benefit to the company, but Searcy sees many more, which is the reason Insight Equity got involved in the deal in the first place.

“First and foremost, we think it is a great opportunity. We strive to be good stewards of our investors’ capital. We think this is a great opportunity not only for our firm but more importantly, our investors.

“Secondly, it really shows the marketplace that we can get a difficult deal done and when we make a commitment, we follow through 100% — with a \$160 million purchase price — in some of the most difficult environments we’ve seen in decades. We’re proud of this accomplishment, and it is a testament to our ability to get deals done when a lot of other private equity firms were either backing out of opportunities or were not able to raise the requisite financing.”

Or, he notes, other firms couldn’t get the deal done because the operational game plan for the investment was not robust enough to warrant closing the transaction. “Obviously,” he says, “when times get more difficult that just means that there is a larger demand on your ability to drive operational improvements.”

Other than the teamwork between Insight and its partners and within the company itself, Insight Equity also lays much of the success of the transaction on its ability to weigh the risks and rewards in advance, so there are fewer surprises down the road. “Because we developed a very detailed game plan pre-closing, we had, effectively, our playbook... Then just because either the RV market is difficult or you have to pay a little bit more in interest because the credit markets are difficult, if you still believe in that playbook, you shouldn’t back away from the opportunity.”

Searcy also credits Insight’s experience in 363 bankruptcy transactions as another reason why the company was able to move the deal to

completion quickly. “We’re very comfortable in the bankruptcy space. There are always curve balls... And we were able to — through our experience having done a number of these — leverage that experience and navigate the waters that are a.) turbulent and b.) moving really fast.”

Searcy also credits the company’s lending group, led by Merrill Lynch, in making this transaction a reality. “It’s really difficult to find lenders who are willing to back you in buying a company in bankruptcy. We have preferred lenders ... who believe in Insight’s ability to turn businesses around. They are willing to lend into more difficult situations if Insight is involved. There were other buyers in the process (we weren’t the only one) that fell out because they were not able to arrange the requisite debt financing.”

## A Little Help From Merrill

Merrill Lynch’s faith in Insight Equity and the company helped Insight close the Atwood deal by the end of summer, no easy process. And all that came about, Searcy says, mostly from its long-term relationship with Merrill Lynch’s Leveraged Finance Group.

Merrill Lynch Capital, serving as sole lead arranger and administrative agent for a syndicate of lenders, provided an \$85 million asset-based senior credit facility for the acquisition and turnaround of Atwood.

According to Michele Kovatchis, managing director of Merrill Lynch Capital, “Insight was seeking a flexible senior financing facility to support the acquisition and turnaround of Atwood Mobile Products. To meet the stringent timing of Insight’s stalking horse bid, the rapid execution on the financing was a critical determinant in Insight’s decision to award the mandate to Merrill Lynch Capital.”

David Coleman, vice president, adds, “Merrill Lynch Capital led a senior secured financing package that assisted Insight with their acquisition and provided for ongoing working capital needs. We closed the transaction within three weeks of receiving the mandate, enabling Insight to meet its stalking-horse bid deadline and secure its investment in Atwood.”

“Our team has enjoyed a long-term relationship with Insight Equity and have seen them demonstrate their capabilities and execute of their value creation plans in a number of situations,” Kovatchis says. “Having this depth of knowledge with Insight and their prior successes helped to move us quickly up the learning curve and rapidly assess the financing opportunity leading to our ability to quickly commit and close. In addition, we closed the transaction within the set timeframe, despite the market correction, which resulted in many financing commitments in the market being pulled.”

Searcy can’t say enough about the company’s relationship with Merrill. “We’ve had a relationship with them that spans almost a decade now. It’s a close relationship, and they really stepped up even when the credit markets got difficult. They didn’t back down from their proposal, which is a true testament to their institution. They stood by their initial term sheet and worked closely with us to get it done. Obviously their faith in us, we certainly appreciate, and their ability to get difficult deals done quickly is unique.” [abfj](#)

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