

Filegar Cutting Technologies

Firm Benefits

- Ownership transfer completed without business disruption or adverse affects on customers or vendors
- 8-9% positive monthly net income has been realized
- 70% reduction in average accounts payable
- Open credit with all key vendors maintained
- Low margin business replaced with more profitable accounts
- 25% reduction in bank debt linked to acquisition
- 5-10% annual real growth is projected for the foreseeable future

Business Ownership Transition: Business Valuation, Strategic Plan, IT/Accounting Upgrades

Filegar Cutting Technologies manufacturers, distributes and services industrial cutting tools for a wide variety of applications, particularly within the automotive/ truck (tier II), wood dimensioning, furniture and building products markets. Its broad product line includes circular saw blades, router and molder tooling, nonferrous cold saws and carbide tipped saws. These highly-engineered products are used to cut various materials including wood, plastic, ferrous and non-ferrous metals.

The company, located in Jamestown, NY, covers a geographic area within a 350 mile radius of Jamestown. Although a relatively small company of just 12 employees, Filegar Cutting Technologies is considered a technology leader within its service area. The majority of its competitors are generally smaller, regional companies that provide limited products and service.



Filegar Cutting Technologies' Pat Bunce services industrial flooring head.

Situation

The company was founded over fifty years ago as Filegar Saw & Tool. In recent years, the family owned business began experiencing serious financial issues due to a number of factors, including a declining business base. A new Vice President of Operations (non-family member) was hired in 2002 with the ultimate intent of acquiring the business from the surviving family members. Due to the changing nature of the business and complications relating to the existing ownership structure, it was difficult to determine the true market value and overall potential for the business. The prospective owner also recognized that significant changes would

continued on back

Insyte Consulting
726 Exchange Street
Suite 620
Buffalo, New York 14210
phone: 716.636.3626
fax: 716.845.6418
email: info@insyte-consulting.com
web: www.insyte-consulting.com

"The company has returned to being a profitable, well run business. Insyte Consulting played a critical role, both during and after the ownership transition period. Their involvement has contributed greatly to the operational improvements that have been realized."

Neal Gustafson, President

Our experience improves your business

be required if a profitable business situation were to be realized after completion of the proposed acquisition. For these reasons Insyte Consulting was engaged to provide more clarity to the financial situation and to also assist with the ownership transition once the anticipated sale was consummated.

Solution

The first step was to conduct a business valuation of the company that would determine a fair and reasonable price for the business, primarily based on free cash flow analysis. This information was used for negotiating purposes for the involved parties as well as appropriate financial input for the lending institutions funding the sale.

Upon completion of the business valuation, a formal strategic plan was formulated in 2004 during the negotiation period of the sale. Not only did this exercise define the company's vision, mission and core values, it also helped to identify its strategic goals, objectives, action plans and key performance measures that would help drive the future growth and success of the organization.

With this document in place and the ownership transfer completed in April, 2005, the new management staff was able to begin focusing on the resolution of the various issues raised during the strategic planning process. Of particular concern were the existing accounting system and IT capabilities of the organization. The DOS-based business system was not only antiquated, but was at a stage where ongoing support was unlikely. The system's capabilities were generally limited to basic accounts receivable/ payable and general ledger functions. Purchase orders, invoices and customer-relationship management functions were strictly manual activities. In addition, the system had no search capability or easy compilation of historical data. In general, the use of this system was limited to just the president and office manager with limited shared file capability between the two.

Insyte Consulting assisted with the installation of an internal network and server that could be used by all key individuals within the organization. Simultaneously, Quickbooks was installed as the new accounting package and in-depth training was provided to those responsible for these activities. With minimal orientation, the staff was quickly able to electronically complete sales orders, packing lists, purchase orders, invoices and inventory management functions. This not only improved internal efficiencies but dramatically improved customer service and response as well. This improvement should be further enhanced once the sales force is enabled with hand-held IT field capability.



Chuck Yaw sharpens high speed steel knives.



Chuck Yaw, Filegar Cutting Technologies technician, grinds profile tooling.

The company has benefited significantly as a result of these consulting engagements over the last 2-3 years. Despite a fairly complicated transaction, the transfer of ownership was completed with virtually no business disruption or adverse affects on either customers or vendors. The company has also achieved operational profitability. Filegar Cutting Technologies has realized a positive monthly net income of 8-9% and the average accounts payable has been reduced by nearly 70%. The company has maintained open credit with all key vendors; low margin business has been replaced with more profitable accounts; and bank debt linked to the acquisition has been reduced by 25%. Real growth of 5-10% annually is also projected for the foreseeable future.