



**StoneCreek**  
Capital Partners in Growth

# **Pulling it All Together: Case Studies**

**January 26, 2021**

# Kova Urinalysis

- **World's leading brand of disposable plastic and control diagnostic products for the urinalysis testing market**



# Situation

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- **Linden Capital engaged Houlihan Lokey to sell Kova**
- **Approached strategic buyers**
- **Offers were below Linden's minimum valuation requirements and terminated the sale process**
- **Vance Mitchell and StoneCreek teamed up**
- **Acquired Kova in early 2013 with financial backing from One Rock Capital (equity), Laurel Crown Capital (equity) and Abacus (debt)**

# Backability

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- **Prior C-Level Managerial Success**
- **Domain expertise in the industry you are targeting.**
- **‘Insider’ Familiarity with Target**
  - **Current/Past Employer, Consultant**
- **Passion**
- **Compelling Value-added Strategic Vision**
- **Identified Team**
- **Willingness to make Personal Investment**

# Backability

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- **Prior C-Level Managerial Success**

- 30 year career with Hycor/Kova
  - *VP Operations prior to acquisition*
- Transformed Kova into a market-leading highly profitable vertically integrated manufacturer
  - *Increased sustainable gross margins from 50% to 70%*
    - Minimized labor content
    - Enhanced throughput
    - Minimized scrap

# Backability

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- **Domain Expertise**

- **Recognized Authority in the Category**
  - Granted 5 patents
- **External: Simplified, enhanced the accuracy and increased the efficiency of the manual urinalysis testing process**
- **Internal: Developed proprietary production processes that significantly reduced costs**

# Backability

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- **‘Insider’ Familiarity with Target**
  - 30 year career
  - Numerous value-added accomplishments
  - Led Kova through its transformation into a highly profitable leading worldwide brand
    - *45% market share*

# Backability

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- **Passion**

- **Steadfastly pursued the acquisition despite overwhelming obstacles and challenges**
  - *No prior acquisition experience*
  - *Didn't personally have the necessary capital nor access to capital sources*
  - *Offers from strategic buyers in Houlihan's competitive auction process fell below Linden's minimal requirement*



# Backability

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- **Compelling Value-added Strategic Vision**
  - Attractive industry fundamentals
    - *Increasing demand for plastic vs. glass*
  - Opportunity to expand internationally
    - *New distribution agreement with Roche*
  - Sustainable Revenues and Exceptional Profitability
    - *50% EBITDA Margins*

# Backability

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- **Identified Team**

- Longstanding relationship with ‘in place’ proven managers
- Lined up IT executive to enhance Kova’s information processing capabilities
- Only gap was CFO, which Co-sponsors recruited

# Backability

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- **Willingness to Make Personal Investment**
  - Six figure personal investment
  - Equity upside augmented by rolling over 'Finder's Fee' and participating in management incentive program

# Project Widget

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- **Specialized Distributor**
- **CEO in Transition – Engaged as Consultant**
  - Task: expand distribution channels
- **Owners Received Unsolicited Offer**
  - Attractive valuation, but required ongoing management commitment from owners
- **Created Opportunity for Executive and StoneCreek to Facilitate Buyout**

# Partnering with StoneCreek

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- **Complementary Partners**

- You've Got What we Need
  - *Proprietary Deal, Value-added Leadership*
- We've Got What you Need
  - *Access to Capital/Transaction Experience*

- **Benefits**

- Highest Funding Probability
- Best Economics
- Best Fit
- Stronger Relationship with Owners

# Contact Information

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