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the turnaround magazine
oxygen

Issue 04
Spring/Summer 2010

Sector Insight

DAVYMARKHAM SALE SHOWS TURNAROUNDS CAN ENGINEER VALUE

The sale of DavyMarkham in March 2010 represented the conclusion of a tremendous turnaround story for this 180 year old Sheffield engineering firm, as well as a fantastic investment for Endless

Davy specialises in the engineering, machining and fabrication of castings of up to 300 tonnes in weight for a range of blue chip customers in the mining, infrastructure, power generation and oil and gas markets. Based in Darnall, Sheffield, the business has a range of manufacturing capabilities and skills that are unique in Europe.

The Beginnings

Endless acquired the business from a Norwegian listed plc in July 2007, at a time when a lack of management focus and capital investment under successive corporate owners had led to the business making losses for more than 20 years. Production efficiency, health and safety and employee and trade union relations had all suffered as a consequence.

A few months before the Endless acquisition, a positive development had been made with the introduction of CEO Kev Parkin and FD Duncan Hay, who were brought in on an interim basis to try and stabilise the business in readiness for a sale.

Endless Managing Director Chris Clegg, who led the Endless acquisition, recalls, "We could see Kev and Duncan were already making positive changes to the business and bringing confidence back to customers, employees and other key stakeholders. However, it was evident that without a supportive investor the business could have been facing closure within a matter of weeks."

Turning DavyMarkham Around

Endless agreed a deal to acquire the business and incentivise Kev and Duncan to lead a turnaround to restore the business back to profitability. Since the transaction, Davy has gone from strength to strength as a result of a number of key initiatives, including:

- A focus on managing all contracts on a cash positive basis, avoiding working capital getting tied up in performance bonds
- Revitalising employee and trade union relations
- Developing a "continuous improvement" culture in which performance improvement ideas from the shopfloor are encouraged
- A strong focus on generating positive PR to revitalise a brand name that had become forgotten in the global market

The business and its CEO Kev Parkin have won numerous awards, including the Barclays Outstanding Business of the Year Award at the 2009 Sheffield Business of the Year Awards, and has become widely recognised as a leader in engineering excellence both in Sheffield and the UK.

E. Sudhir Reddy of IVRCL (left) with Kevin Parkin of DavyMarkham (right)

Moving On

With a turnaround achieved, in mid-2009 Endless began to review options to realise their investment and allow the business to move on to a further phase of development. Mathew Deering, the Endless Investment Director who led the exit process, comments: "It was far from clear in the uncertain M&A climate throughout 2009 whether there would be a buyer for the business, despite the fantastic turnaround that had been achieved. However with two years of increasing profitability and strong opportunities in the nuclear power sector, we felt it was the right time to test purchaser appetite."

Deloitte's M&A team in Leeds, led by Martin Jenkins and Dan Renton, were engaged to market the business to international trade buyers, and were successful in generating a strong level of interest, particularly from Asia where a preferred bidder soon emerged in the shape of leading Indian engineering and construction conglomerate IVRCL.

The Future

The sale provides Davy with exciting opportunities for the future, as IVRCL have a clear strategic agenda to use the Davy acquisition as a means of securing a European presence and a platform for expanding into new markets. At the same time, the transaction has resulted in a return of over 10 times on original investment for Endless and an excellent value creation credential.

To leave the final comment to Davy CEO Kev Parkin: "It is great news for DavyMarkham's customers, employees and suppliers, since IVRCL is financially very strong, highly growth orientated and dedicates itself to continuous improvement in all fields of its business. I am delighted with the support Endless has given to us and would recommend them as the perfect partner for a turnaround transaction."